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# May International Trade

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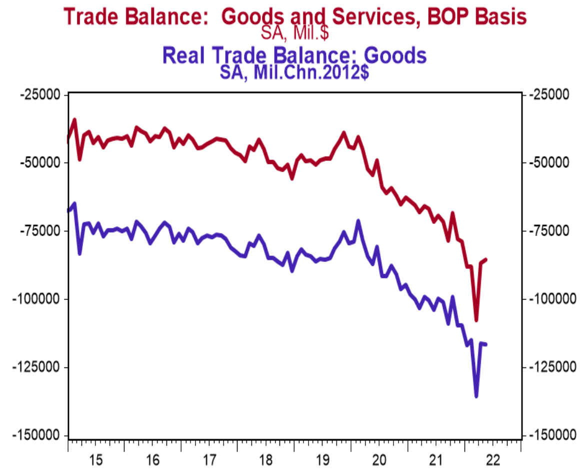
- The trade deficit in goods and services came in at $85.5 billion in May, slightly larger than the consensus expected $84.7 billion.
- Exports rose by $3.0 billion, led by crude oil, nonmonetary gold, and pharmaceuticals. Imports rose by $1.9 billion, led by pharmaceuticals, crude oil, and other petroleum products.
- In the last year, exports are up 21.7% while imports are up 23.3%.
- Compared to a year ago, the monthly trade deficit is $18.9 billion larger; after adjusting for inflation, the "real" trade deficit in goods is $16.3 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.




Source: Census Bureau/Haver Analytics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**Implications**: The trade deficit in goods and services came in at $85.5 billion in May, as exports rose faster than imports, continuing to narrow the deficit from March's record $107.7 billion print. Trade was a major detractor from first quarter GDP growth, as a more open U.S. saw demand for international goods and services rise, while continued COVID restrictions abroad (most notably in January) hampered US export demand. Since the start of the year, international demand has been on the rise, and that was reflected in solid export activity in May. We like to follow the total volume of trade (imports plus exports), which signals how much businesses and consumers interact across the US border. That measure grew by $4.9 billion in May, is up a robust 22.6% versus a year ago, and sits at a record high. Unfortunately, these massive numbers are driven not only by more demand for goods and services, but also higher prices as inflation has soared. Expect the trade deficit to remain volatile from month to month but generally stay large in the months ahead as the US has recovered from the coronavirus faster than most other countries. In addition, Russia's invasion of Ukraine, and COVID restrictions in China may affect trade patterns for some time. Given massive and artificial government stimulus in the US, both fiscal and monetary, the demand for imports should continue to outstrip the demand for exports to the rest of the world. Supply-chain problems are still a big issue as ports remain overwhelmed in the US, and the tragic war in Ukraine is only adding to the problem. For example, the ports of Los Angeles and Long Beach currently have 25 container ships waiting to be unloaded. Although this is near recovery lows, it's well above the 0 - 1 normal level experienced pre-COVID. Also notable in today's report, the dollar value of US petroleum exports again exceeded US petroleum imports. It's too early to say for sure, but this is an encouraging sign that the US is getting back to where it was in 2020 when it was a net petroleum exporter. In other news this morning, initial unemployment claims rose 4,000 last week to 235,000. Meanwhile, continuing claims increased 51,000 to 1.375 million. We are forecasting that nonfarm payrolls rose 270,000 in June.

| International Trade<br>*All Data Seasonally Adjusted, $billions* | May-22<br>Bil $ | Apr-22<br>Bil $ | Mar-22<br>Bil $ | 3-Mo<br>Moving Avg. | 6-Mo<br>Moving Avg. | Year-Ago<br>Level |
|---|---|---|---|---|---|---|
| ***Trade Balance*** | **-85.5** | -86.7 | -107.7 | -93.3 | -89.1 | -66.6 |
| ***Exports*** | **255.9** | 252.9 | 244.1 | 251.0 | 241.0 | 210.3 |
| ***Imports*** | **341.4** | 339.5 | 351.8 | 344.2 | 330.1 | 276.9 |
| ***Petroleum Imports*** | **27.1** | 25.2 | 24.6 | 25.6 | 23.3 | 16.6 |
| ***Real Goods Trade Balance*** | **-116.6** | -116.4 | -135.5 | -122.8 | -118.3 | -100.3 |

*Source: Bureau of the Census*