

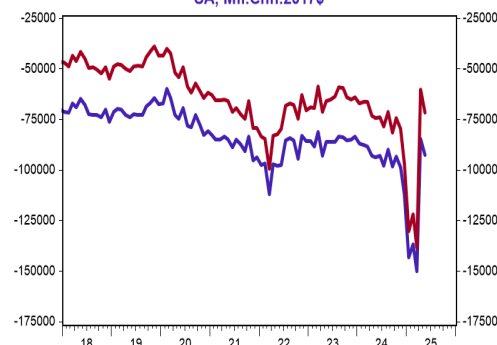
May International Trade

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- The trade deficit in goods and services came in at \$71.5 billion in May, slightly larger than the consensus expected \$71.0 billion.
- Exports fell by \$11.6 billion, led by nonmonetary gold, natural gas, and finished metal shapes. Imports declined by \$0.3 billion, led by computer accessories and finished metal shapes.
- In the last year, exports are up 5.3% while imports are up 3.3%.
- Compared to a year ago, the monthly trade deficit is \$3.0 billion smaller; after adjusting for inflation, the “real” trade deficit in goods is \$1.3 billion smaller than a year ago. The “real” change is the trade indicator most important for measuring real GDP.

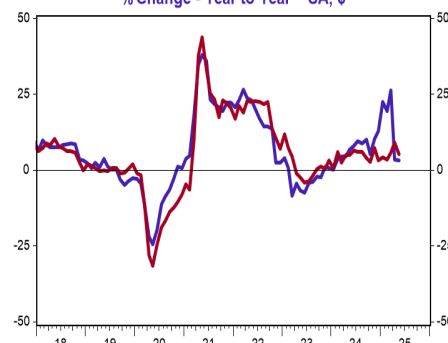
Implications: The U.S. trade deficit widened to \$71.5 billion in May, as exports fell by \$11.6 billion while imports declined by \$0.3 billion. Imports jumped at a massive rate in the first quarter as businesses were front-running President Trump’s new tariffs. Now all that is reversing. We like to focus on the total volume of trade, imports *plus* exports, as it shows the extent of business and consumer interaction across the US border. This measure declined by \$11.9 billion in May but is up 4.2% compared to a year ago, before businesses started adjusting to higher tariffs. In May itself, nonmonetary gold led the way lower for exports dropping by \$5.5 billion for the month. Because imports subtract from GDP in national accounting, the surge in Q1 became a major drag on growth; net exports alone shaved roughly five percentage points off Q1’s growth rate, pulling real GDP down at a 0.5% annualized pace. But now, as tariff front-running peaked in March, imports should continue to be unusually soft for the next few months and so trade should add to the GDP calculations for the current quarter. However, erratic trade policy out of Washington adds a great deal of uncertainty in translating recent trade reports into GDP projections. Meanwhile, the landscape of global trade continues to shift. China, once the top exporter to the U.S., has fallen to third place behind Mexico and Canada. Also in today’s report, the dollar value of US petroleum exports exceeded imports once again. This marks the 39th consecutive month of the US being a net exporter of petroleum products. In other recent news, cars and light trucks were sold at a 15.3 million annual rate in June, down 1.7% from May, but up 2.3% from a year ago.

Trade Balance: Goods and Services, BOP Basis
SA, Mil. \$
Trade Balance, Customs Value
SA, Mil. Chn. 2017\$



Source: Census Bureau/Haver Analytics

Exports: Goods and Services, BOP Basis
% Change - Year to Year SA, \$
Imports: Goods and Services, BOP Basis
% Change - Year to Year SA, \$



Source: Census Bureau/Haver Analytics

International Trade	May-25	Apr-25	Mar-25	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-71.5	-60.3	-138.3	-90.0	-103.2	-74.5
Exports	279.0	290.6	281.1	283.5	278.7	265.0
Imports	350.5	350.8	419.4	373.6	381.9	339.4
Petroleum Imports	16.1	15.8	17.8	16.6	17.8	21.7
Real Goods Trade Balance	-92.5	-84.4	-150.1	-109.0	-119.9	-93.8

Source: U.S. Census Bureau