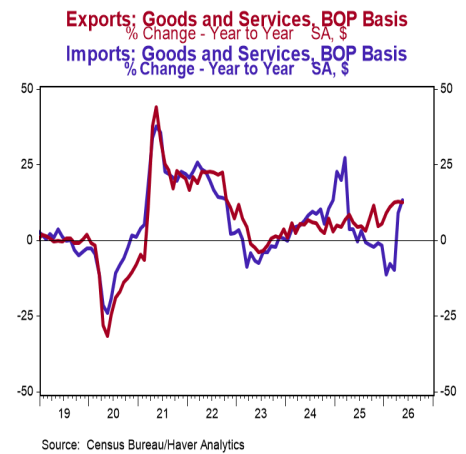
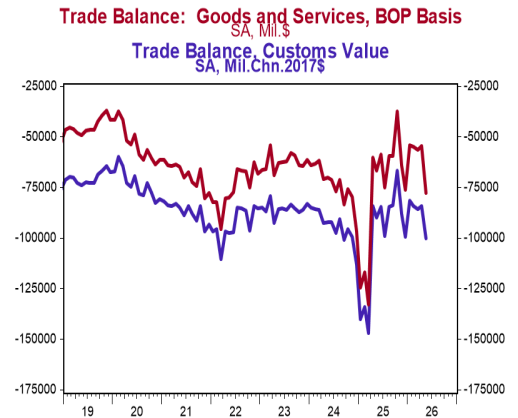


May International Trade

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- The trade deficit in goods and services came in at \$77.6 billion in May, slightly smaller than the consensus expected \$78.4 billion.
- Exports declined by \$10.5 billion, led by nonmonetary gold, computers and computer accessories. Imports rose by \$12.5 billion, led by pharmaceuticals, crude oil, and other goods.
- In the last year, exports are up 12.6% while imports are up 13.3%.
- Compared to the average level over the past year, the monthly trade deficit is \$16.4 billion larger; after adjusting for inflation, the “real” trade deficit in goods is \$13.0 billion larger than the average level over the past year. The “real” change is the trade indicator most important for measuring real GDP.

Implications: After a few months of relative stability, the trade deficit widened sharply to \$77.6 billion in May. The increase in the deficit for the month was due to both a rise in imports, which increased \$12.5 billion, as well as a large decline in exports, which fell \$10.5 billion. A good chunk of the decline in exports came from nonmonetary gold – a category not included in GDP calculations – which should soften the impact a little to net exports on Q2 GDP. Imports on the other hand saw a broad-based increase, led by pharmaceuticals. We like to focus on total volume of trade, imports *plus* exports, as it shows the extent of business and consumer interaction across the border. That measure rose by \$2.0 billion in May and is up 13.0% from a year ago. Over the past year, exports have risen 12.6% while imports are up 13.3%. Meanwhile, the landscape of global trade continues to evolve. China, once the dominant exporter to the U.S., has slipped to fourth place behind Mexico, Canada, and now Taiwan, with exports to the U.S. down 29.9% in the first five months of 2026 compared to the same period last year. Accelerated demand for high tech equipment to fuel the massive AI investment stands out in the data with imports from Taiwan up 78.5% over the same period moving them a full 5 places higher from 8th to 3rd. Also in today’s report, the dollar value of U.S. petroleum exports once again exceeded imports, marking the 51st consecutive month of America being a net exporter of petroleum products. Keep in mind petroleum products include refined products like gasoline, diesel, and propane – all of which the U.S. exports in large volumes. When looking at crude oil alone however, the U.S. remains a net importer (although not as much as in prior decades), largely due to domestic refinement capabilities.



International Trade	May-26	Apr-26	Mar-26	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-77.6	-54.6	-56.6	-62.9	-62.3	-66.7
Exports	317.7	328.2	318.8	321.5	310.3	282.2
Imports	395.3	382.8	375.4	384.5	372.6	349.0
Petroleum Imports	20.9	18.9	18.1	19.3	17.6	15.8
Real Goods Trade Balance	-100.0	-84.3	-85.9	-90.1	-89.2	-90.0

Source: U.S. Census Bureau