

# U.S. Data Review

- International trade: slight improvement in Q2, but still-wide deficit

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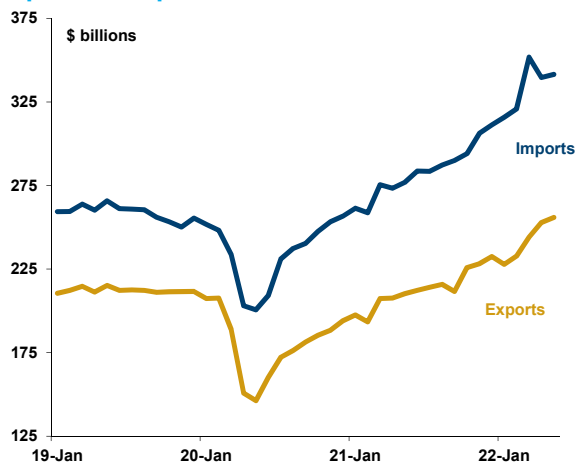
## International Trade

The U.S. trade deficit narrowed by \$1.1 billion in May, leaving a shortfall of \$85.5 billion, a bit wider than the expected deficit of \$84.7 billion. Both exports and imports increased in May, with the advance of 1.2 percent in exports exceeding the increase of 0.6 percent in Imports (chart, left). The improvement in trade during May occurred in the goods sector (improvement of \$2.9 billion), as the surplus in services slipped by \$1.7 billion. The softness in service trade largely reflected shifts in travel and transportation, as U.S. individuals traveling abroad (imports of services) exceeded those visiting the United States (exports of services).

May marked the second consecutive improvement in the trade balance, but the changes only partially offset an unusually wide trade shortfall in March, leaving the deficit thus far in Q2 notably wider than results in other recent years. Shifts in prices cannot be blamed for the deterioration in trade this year, as the deficit in goods widened after adjusting for inflation (chart, right).

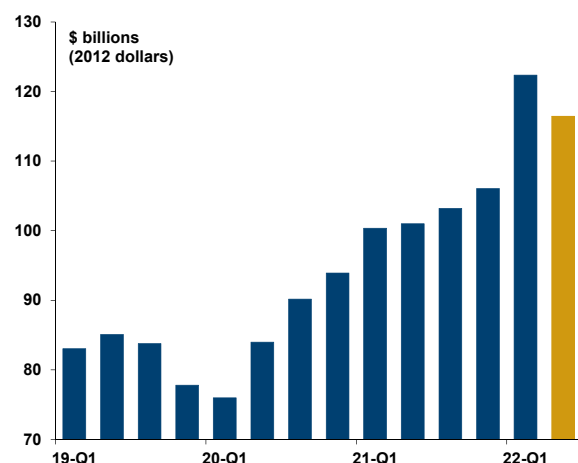
The quarter-to-quarter improvement in trade suggests that net exports will make a positive contribution to GDP growth in the second quarter, with the figures in hand pointing to a contribution of approximately 1-3/4 percentage points. This contribution, however, will follow a drag of 3.2 percentage points in the first quarter. For the first half of the year, net exports will represent a notable soft spot.

### Exports & Imports of Goods & Services



Source: Bureau of Economic Analysis via Haver Analytics

### Real Goods Trade Deficit\*



\* Quarterly averages of monthly data. The bar for 2022-Q2 shows the average of monthly results for April and May 2022.

Sources: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America

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