

# U.S. Data Review

- International trade: sharp widening in the monthly trade deficit
- Real goods trade: negative implications for Q2 GDP

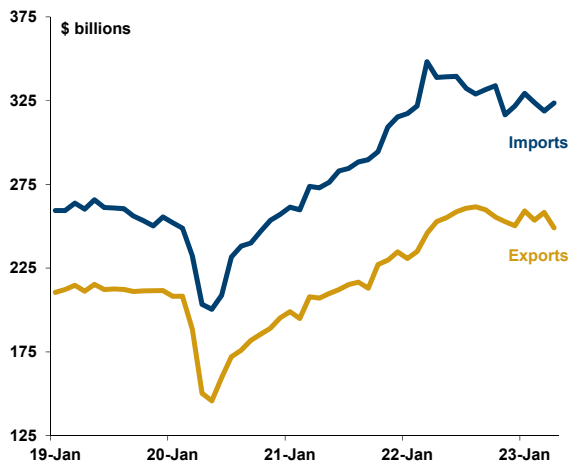
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## International Trade

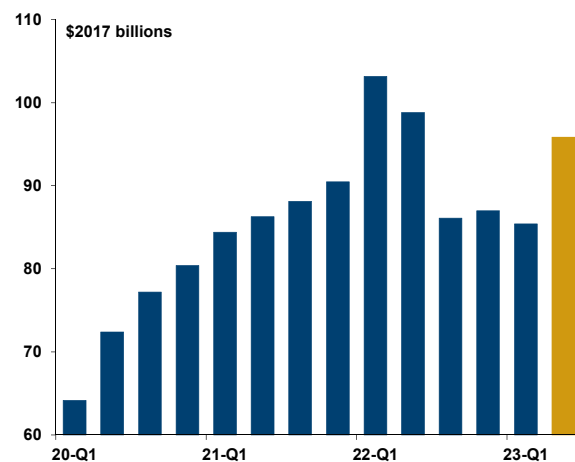
- The U.S. international trade deficit in goods and services widened by \$14.0 billion in April to \$74.6 billion. The deterioration was anticipated because of unfavorable results on goods trade flows published on May 26 (widening \$14.1 billion shown in the preliminary report). The service surplus moved in the opposite direction, increasing by \$0.6 billion, but the modest improvement did little to alter the overall soft tone of the trade report.
- Shifts in both exports and imports were unfavorable for the U.S., with exports of goods and services dropping 3.6 percent and imports increasing 1.5 percent (chart, left). The poor results in April were concentrated on the good side of the trade ledger; exports contracted 5.3 percent, while imports increased 2.0 percent. For service trade, exports rose modestly (0.2 percent), and imports slipped (0.6 percent). Some of the weakness in total trade flows may have been the result of random volatility, but slower economic activity abroad probably was a contributing factor as well.
- The real goods deficit for April (\$95.8 billion) widened notably from the average in Q1 (chart, right), suggesting that net exports could make a negative contribution to GDP growth in Q2. If results for May and June were to match the unfavorable performance for April, the drag from net exports on GDP growth would total approximately 2.0 percentage points. If results in coming months were to revert to the Q1 average, the drag on growth could be closer to a range of 0.5 to 1.0 percentage point.

### Imports & Exports of Goods & Services



Source: Bureau of Economic Analysis via Haver Analytics

### Real Goods Trade Deficit\*



\* Quarterly averages of monthly data. The reading for 2023-Q2 (gold bar) is the real goods deficit for April 2023.

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

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