



PM Datanote: International Trade, May

In one line: Disappointing; trade will be a drag on Q2 GDP growth.

The May trade deficit fell to \$44.4B from \$47.0B in April, a bit better than the \$45.0B consensus. These details are disappointing despite the better headline. A \$2.9B drop in the petroleum deficit was responsible for almost all the headline improvement; the deficit ex-petroleum rose slightly. Core exports - that is, non-oil, ex-aircraft - rose 0.6% in May after a 0.9% dip in April, while core imports rose 0.5%.

Even if we assume better export numbers in June, the quarter as a whole looks very unbalanced, with core exports likely to rise at a 6% annualized rate while imports are heading for 22%. Net foreign trade therefore will be a drag on Q2 GDP growth, subtracting perhaps as much as 0.7 percentage points from growth. H2 should be better, but right now these numbers are grim.

The chart shows the alarming, but hopefully temporary, recent upward trend in the headline trade deficit.

