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US trade deficit drops 3.8% in May

Cheaper oil brings import costs down, while exports to China, Europe rise

Staff, wire reports

The U.S. trade deficit narrowed in May from April, helped by cheaper oil that lowered imports and an increase in American exports to Europe and China.

But economists cautioned that the global economy has weakened since then. And they noted that the decline in the deficit wasn't enough to alter their growth forecasts for the April-June quarter.

"With many of our trading partners experiencing anemic growth — the eurozone is in a modest recession at present — export growth will likely weaken," Wells Fargo Securities economists Jay Bryson and Ed Kashmarek said in a research report.

The Commerce Department said Wednesday the trade deficit fell 3.8 percent to $48.7 billion in May, down from $50.6 billion in April.

Exports rose 0.2 percent to $183.1 billion. The increase reflected stronger sales of telecommunications equipment and heavy machinery. Exports to the 27-nation European Union rose 2.6 percent in May from April.

Imports dropped 0.7 percent to $231.8 billion. The amount the U.S. spent on imported oil fell to the lowest level in 15 months.

A narrower trade gap acts as less of a drag on growth. It means the U.S. is spending less on foreign-made products, while taking in more from sales of American-made goods.

The U.S. deficit with the EU widened 21 percent in May to $10.5 billion because imports from Europe increased 7.8 percent.

America's trade deficit with China increased to $26 billion in May. U.S. exports to China rose 5.2 percent, but imports rose by a faster 5.8 percent. The deficit with China is the largest with any country and is on pace to break last year's all-time high.

Other reports suggest exports have slowed since May.

A survey by the Institute for Supply Management, a trade group of purchasing managers, said U.S. manufacturing shrank in June for the first time in nearly three years. The survey noted that exports declined and new orders plunged.