



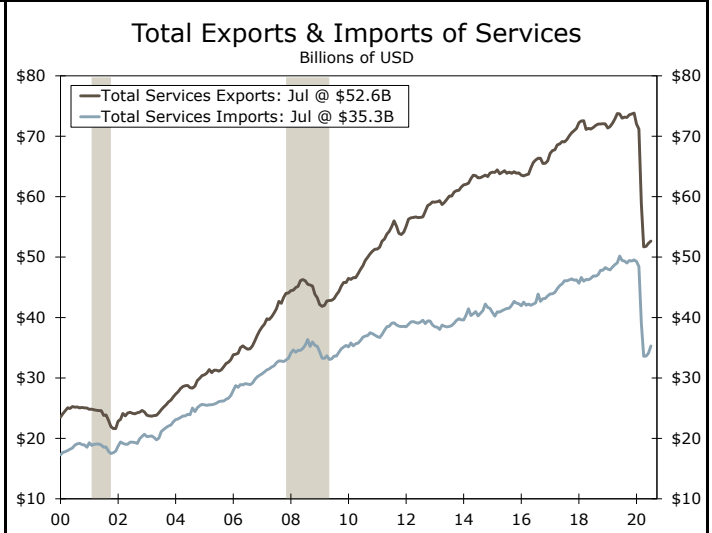
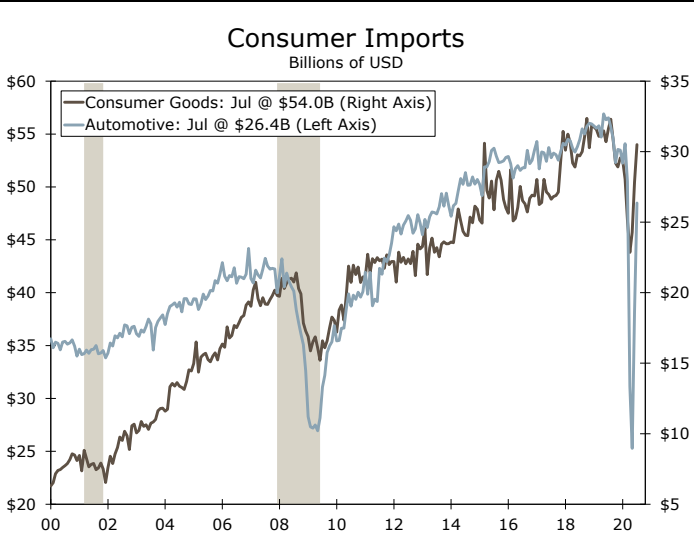
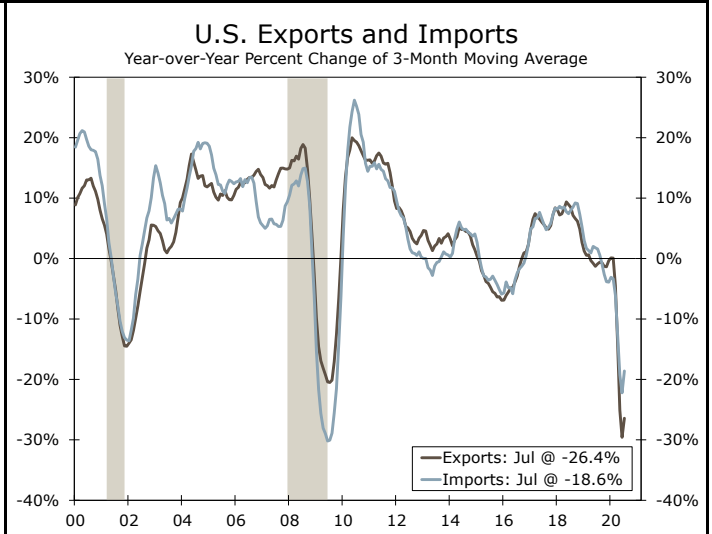
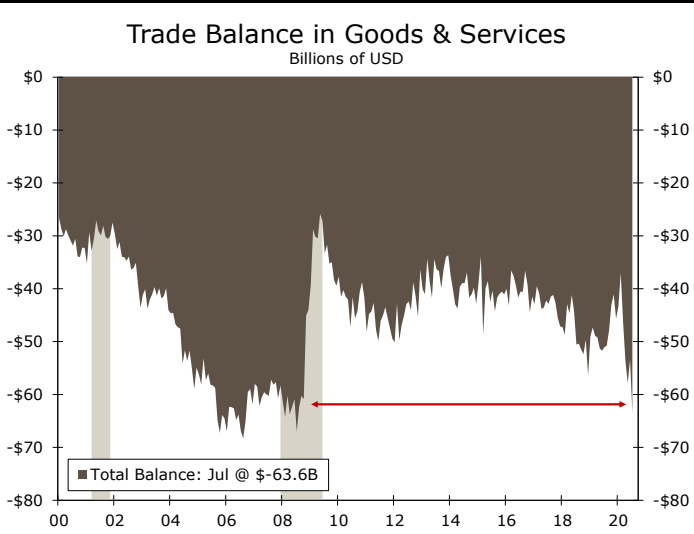
Economics Group

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July Trade Deficit Largest Since 2008

Imports outpaced exports causing the U.S. trade deficit to widen to -\$63.6B, the largest since 2008. Trade is thus set to be a drag on Q3 GDP growth. But, if the virus remains under control, trade should continue to pickup.

<p>Imports Lifted by Consumer Demand</p> <ul style="list-style-type: none"> Exports rose 8.1% in July, while imports surged a greater 10.9%. Every major category of goods exports rose in August, but the exports rebound is taking longer to materialize. Imports continued to receive a boost from the recent surge in consumer demand with consumer goods rising 7.0% and autos up a whopping 41.5%, both following sizeable gains in July. The result was an -\$80.9B goods trade deficit, the largest on record. 	<p>Trade Flows Moving in the Right Direction</p> <ul style="list-style-type: none"> As long as the spread of the virus remains under control abroad, we expect a gradual rebound in goods exports. But, the surge in imports may subside with a pullback in consumer goods demand. Services imports (+3.5%) also outpaced exports (+0.7%) in July. Services trade remains further off its pre-virus peak, and will likely take longer to recover. Trade is set to be a drag on growth in the near-term, but it is not apt to be this big of a drag for long.
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Source: U.S. Department of Commerce and Wells Fargo Securities

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