US international trade gap at $41.87 billion in May vs. $42.6 billion expected

SOURCE: CNBC

VOCABULARY AND PHRASES:

1. **deficit** - the amount by which a sum of money falls short of the required amount.
2. **heighten** - to increase the degree or amount of; augment:
3. **recession** - a period of temporary economic decline
4. **export-led** - is a trade and economic policy aiming to speed up the industrialization process of a country by exporting goods for which the nation has a comparative advantage.
5. **on shaky ground** - on an unstable or questionable foundation
6. **rip apart** - destroyed
7. **disruptions** - disturbance or problems that interrupt an event, activity, or process.

EXERCISE: Fill in the blanks with the appropriate vocabulary or phrases.

1. At least one factory is _____ , and the town expects more to shut down.
2. The sensations from the colour ____ the symbolic impact of the motif.
3. The current _____ in British Columbia is estimated at $800 million.
4. In the inner city, demographic changes are threatening to the old verities.
5. Many small companies drive Italy's ____ economy.

INITIAL QUESTIONS:

- What is your idea about strong and weak currency (Peso vs Dollar; Yen vs Dollar; Yen vs Peso,etc)?

ARTICLE:

The U.S. trade **deficit** widened in May, fueled by a drop in exports that could **heighten** concerns over weak overseas demand and a strong U.S. Dollar. The increase in the trade gap to $41.9 billion, announced

on Tuesday by the Commerce Department, was less than analysts had expected. That suggests Wall Street economists, who expected a $42.6 billion deficit, might raise slightly their forecasts for economic growth in the second quarter.
But the drop in exports in May highlights a change in America's recovery from **recession** in which the economy has relied more on domestic drivers like construction and services, rather than **export-led** industries such as manufacturing. Led by a drop in overseas sales of U.S.-made capital goods, exports fell $1.5 billion in May, or 0.8 percent, to $188.6 billion. Imports fell by about $300 million, or 0.1 percent, to $230.5 billion.

Since the middle of last year when the Federal Reserve made clear it was planning to raise interest rates, the dollar has strengthened, making U.S. exports less competitive. Also since then, Europe's economy has been **on shaky ground** and the European Central Bank has eased monetary policy, weakening the euro's value against the dollar. European policymakers are currently fighting a debt crisis in Greece that threatens to **rip apart** the continent's monetary union.

Exports of goods to Germany fell 6.0 percent in May from the prior month, according to nonseasonally adjusted figures. Sales fell 4.2 percent to France, 2.1 percent to Mexico and 3.0 percent to Japan.The U.S. economy contracted at a 0.2 percent annual rate in the first quarter, hit by bad weather, a strong dollar, spending cuts in the energy sector and **disruptions** at West Coast ports.

COMPREHENSION QUESTIONS:

1. What was the latest update regarding the US trade deficit?

2. How much was the drop of exports and imports?

3. Since when did the US exports started to be less competitive?

4. Do you have an idea how strong or weak currency affects the export and import of the country?

Question:

What are the advantages and disadvantages of having a strong currency against the currency of other countries?