

# U.S. Data Review

- International trade in goods: improvement in June, but slippage in Q2
- Durable goods orders: solid gain in June

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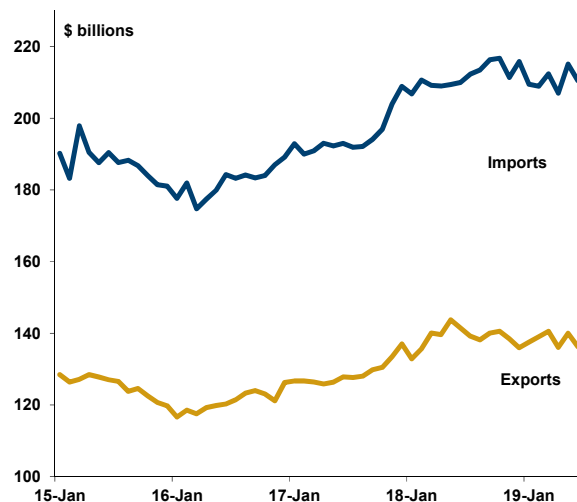
## International Trade

Both exports and imports of goods fell in June (off 2.7 percent and 2.2 percent, respectively). The dollar value of the change in imports was larger, and thus the trade deficit in goods narrowed slightly in the latest month (\$74.2 billion versus \$75.0 billion in May). The declines in exports and imports were not surprising, as both had jumped in May and seemed out of line with the softening trends that began in early-to-mid 2018 (chart, left). Although declines were widely expected, the relative magnitudes of the changes were mildly surprising, as analysts were looking for a more pronounced decline in imports relative to exports. As a result, the deficit was wider than the expected reading of \$72.5 billion.

The drop in imports was broadly based, as only one of six categories of goods posted an increase (the miscellaneous category rose 9.2 percent). The industrial supply category posted the sharpest drop (off 7.4 percent, perhaps influenced by lower prices). On the export side, shipments of food and industrial supplies advanced, but capital goods, motor vehicles, and consumer goods all lost considerable ground.

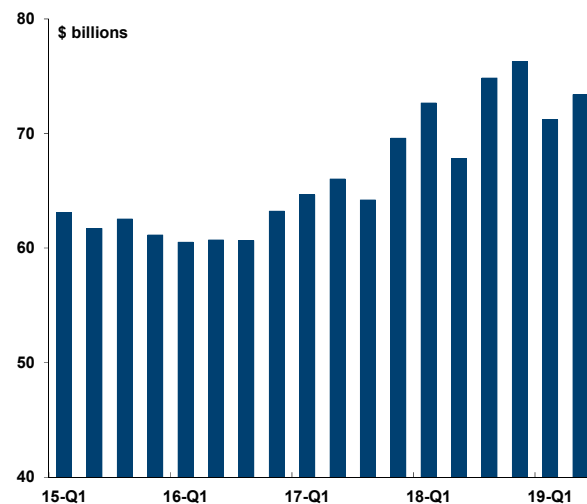
Although the trade deficit improved from May to June, the average shortfall in Q2 was wider than that in the first quarter (chart, right), suggesting that net exports will make a negative contribution to GDP growth in the second quarter. The magnitude of the drag is uncertain because these figures are not price-adjusted and they do not include trade in services, but our calculations suggest a constraint of one-half to three-quarters of a percentage point.

### Nominal Imports & Exports of Goods



Source: U.S. Census Bureau via Haver Analytics

### Nominal Goods Trade Deficit\*



\* Quarterly averages of monthly data.

Source: U.S. Census Bureau via Haver Analytics

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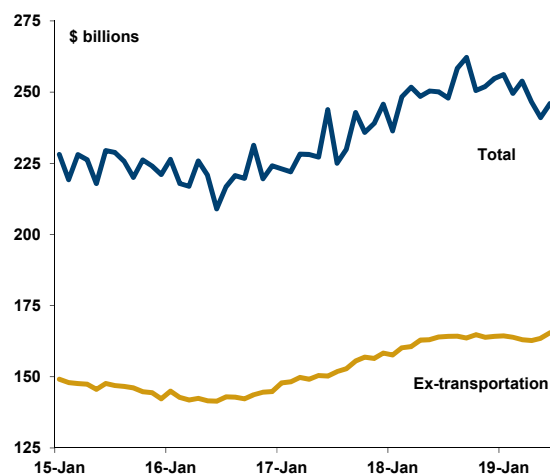
## Durable Goods Orders

New orders for durable goods jumped 2.0 percent in June, noticeably firmer than the expected increase of 0.7 percent. The increase occurred from a downwardly revised reading in May (off 2.3 percent rather than 1.3 percent), but the net effect of the new data was still slightly better than expected. The latest figures dampened the downward drift that began earlier this year, but the level of new bookings still lagged readings seen in the latter part of last year and the start of this year (chart, left).

Part of the advance was the result of a jump of 16.9 percent in orders for aircraft (75.5 percent for commercial aircraft partially offset by a drop of 32.1 percent in defense-related aircraft). However, this increase occurred from a notably low base in May and the new level of orders was still quite low by standards of the past few years. Most other areas also contributed to the increase in June, as shown by an increase of 1.6 percent excluding all aircraft orders or the increase of 1.2 percent excluding transportation. The increase ex-transportation offset all of the downward drift in the prior several months and pushed the level of new bookings to a new cyclical high (chart, left). Only one major category posted a decline (orders for computers fell 1.8 percent, continuing a downward trend).

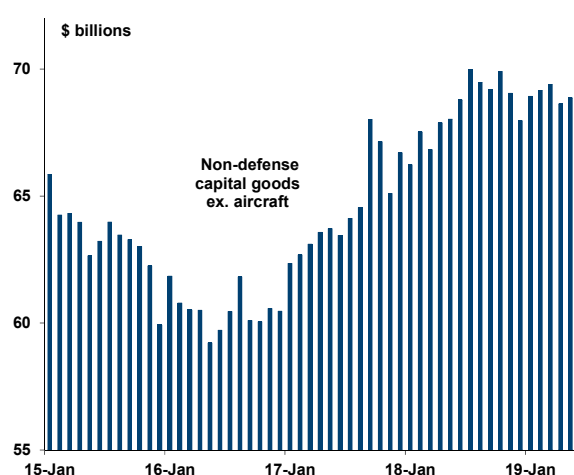
We were especially encouraged by an increase of 1.9 percent in orders for nondefense capital goods excluding aircraft, which also moved to a new cyclical high (although only marginally higher than the previous high; chart, right). Shipments of nondefense capital goods ex-aircraft rose 0.6 percent, marking the third consecutive gain and offering hope that investment in new equipment makes a positive contribution to GDP growth in the second quarter (although the contribution will probably not be large because imports of capital goods were weak in Q2).

### Durable Goods Orders



Source: U.S. Census Bureau via Haver Analytics

### Durable Goods Orders



Source: U.S. Census Bureau via Haver Analytics