

U.S. Data Review

- International trade: wider deficit in December; imports recoup some lost ground
- ISM nonmanufacturing index: strong production in January

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International Trade

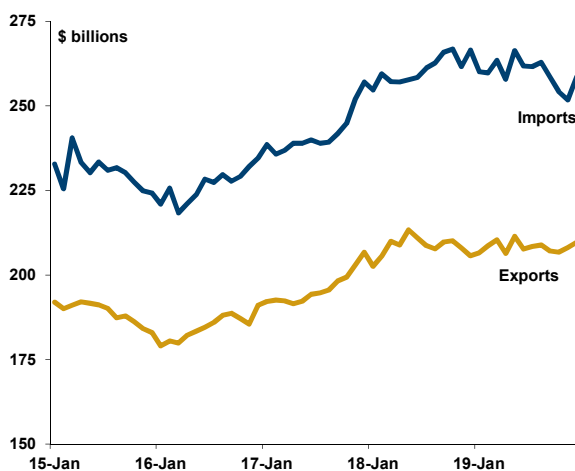
The U.S. trade deficit totaled \$48.9 billion in December, slightly wider than the expected shortfall of \$48.2 billion. The month-to-month widening of \$5.2 billion was close to expectations, but revisions to prior months widened the starting point for the new tally.

The slippage to the monthly deficit occurred on the import side, as foreign purchases increased 2.7 percent and more than offset growth of 0.8 percent in exports. The results were not surprising, as the preliminary report on trade in goods published last week showed similar results. The jump in imports followed declines in the prior three months, but the gain offset only a portion of the slide and left in place the downward drift that began in the latter part of 2018 (chart, left). Exports rose for the second consecutive month, but they were down in the two months before that, leaving only a small net advance and reinforcing the sideways trend of the past year.

The December results are likely to have little influence on the pace of GDP growth in the fourth quarter, as the figures were close to those assumed in the initial estimate. Our calculations suggest that the influence will be either lost in rounding or amount to -0.1 percentage point. The modest adjustment would leave in place the sizeable positive contribution to GDP growth from net exports (1.5 percentage points in the initial estimate). While the contribution was positive, it does not stir excitement, as the improvement reflected weak imports rather than strong exports.

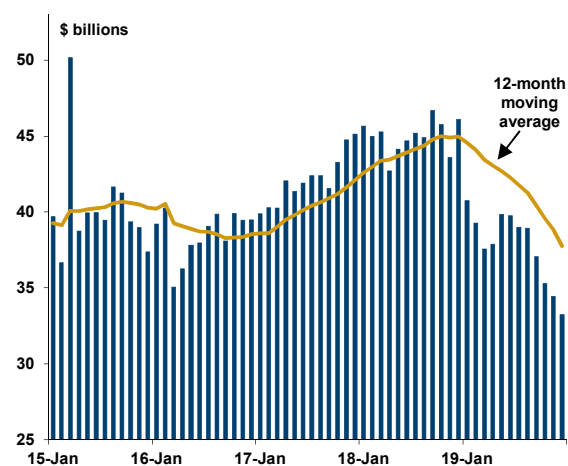
Today's report included figures on trade with China, which showed both exports and imports declining. The decline in exports merely offset a jump in the prior month and left results within the range of the past year (although the bottom of that range). The drop in imports reinforced the downward trend of the past year, which undoubtedly has been driven by tariffs (chart, right). The retreat in imports has led to improvement in the trade deficit with China (a deficit in goods of \$346.1 billion in 2019 versus \$419.5 billion in 2018).

Imports & Exports of Goods & Services



Source: Bureau of Economic Analysis via Haver Analytics

Imports of Goods from China



Source: Bureau of Economic Analysis via Haver Analytics

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ISM Nonmanufacturing Index

The ISM nonmanufacturing index totaled 55.5 percent in January, slightly better than the expected reading of 55.1 percent. The measure remained within the range seen during 2019 but still trailed the firmer results in 2018 (average of 59.0 percent).

The business activity index (akin to production) led the advance with an increase of 3.9 percentage points to 60.9 percent. The change marked the second consecutive sizeable gain and moved the measure from the low portion of the recent range to the upper portion (chart). The production gain occurred despite a mediocre order flow. This component rose 0.9 percentage point to 56.2 percent, but it trailed the average of 57.5 percent from last year and was well shy of the average of 61.4 percent in 2018.

The employment component was disappointing, as it fell 1.7 percentage points to 53.1 percent. The latest reading was not the softest of the past year (51.7 percent in September), but it was in the low portion of the range of the past few years.

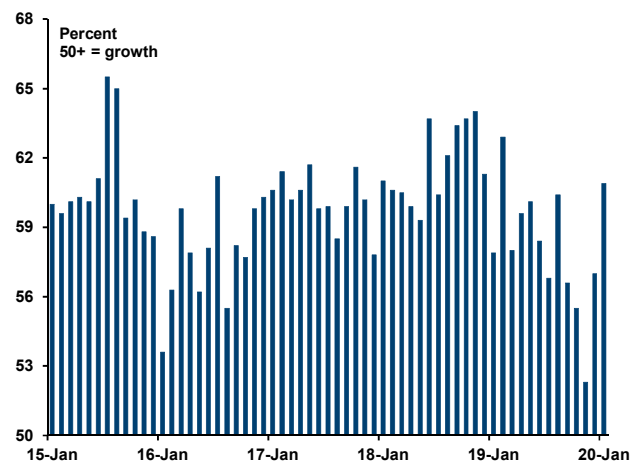
ISM Nonmanufacturing -- Monthly Indexes

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20
ISM Nonmfg. Composite	53.5	54.4	53.9	54.9	55.5
Business activity	56.6	55.5	52.3	57.0	60.9
New orders	54.7	55.6	56.7	55.3	56.2
Employment	51.7	53.9	54.9	54.8	53.1
Supplier deliveries*	51.0	52.5	51.5	52.5	51.7
Prices	59.3	57.3	58.8	59.3	55.5

* The supplier deliveries index is not seasonally adjusted. The index differs from the other components of the composite measure (business activity, new orders, employment) in interpretation. An index above 50 percent indicates slower deliveries and readings below 50 percent indicate faster deliveries.

Source: Institute for Supply Management via Haver Analytics

ISM Nonmanufacturing: Business Activity Index



Source: Institute for Supply Management via Haver Analytics