Daiwa Capital Markets

U.S. Data Review

- Employment: strong in most respects
- International trade: softer flows, but narrower deficit

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Employment Report

Payroll employment surged again in February, with the advance totaling 273,000. In addition, results in the prior two months were revised upward by a combined total of 85,000. Not only did payrolls expand sharply, but the average workweek also lengthened. The combination of more employment and longer work times led to a jump of 0.5 percent in the index of hours worked, signaling that February was a strong month for the U.S. economy.

The increase in employment was broadly based, even in industries that are at risk from the coronavirus. The manufacturing sector, for example, added 15,000 jobs. The gain followed a sizeable drop in the prior month, but it served to preserve a flat trend rather than a retreat that might be expected from the virus. The leisure and hospitality industry registered one of its best performances of the current expansion. The air transportation sector, at high risk because of likely cutbacks in travel, posted a modest increase in employment. Elsewhere, construction, financial activities, business services, and health care all registered strong performances.

The unemployment rate fell 0.1 percentage point to 3.5 percent, but it was a “soft” decline. That is, the measure fell only marginally when calculated with more precision (3.517 percent versus 3.579 percent in January). More important, employment as measured by the household survey rose only 45,000 while the size of the labor force contracted by 60,000. The broad unemployment rate increased in February, moving up 0.1 percentage point to 7.0 percent. Increases in both the number of involuntary part-time workers and marginally attached workers contributed.

Average hourly earnings rose 0.3 percent in February after disappointing results in the prior two months (0.2 percent in January and 0.1 percent in December). The increase left the year-over-year change at 3.0 percent for the third consecutive month, shy of the firmer showings in early 2019 (3.5 percent).

Employment Report

	Nonfarm Payrolls* (Chg., Thousands)	Private-Sector Payrolls	Unemp. Rate (Percent)	Broad Unemp. Rate	Household Emp. (Chg., Thousands)	Labor Force	Emp.-Population Ratio (Pct.)	Median Duration of Unemp. (Weeks)	Part-Time Econ. Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
Annual Average											
2017	176	170	4.3	8.5	147	69	60.1	10.1	5,254	0.2	34.4
2018	193	183	3.9	7.7	237	214	60.4	9.3	4,779	0.3	34.5
2019	178	162	3.7	7.1	165	120	60.8	9.2	4,407	0.2	34.4
Qtrly. Average											
19-Q1	139	128	3.9	7.5	-28	-59	60.7	9.3	4,641	0.3	34.5
19-Q2	159	151	3.6	7.2	136	66	60.6	9.3	4,477	0.2	34.4
19-Q3	203	171	3.6	7.0	383	306	60.9	9.1	4,230	0.2	34.4
19-Q4	210	200	3.5	6.8	168	168	61.0	9.1	4,278	0.2	34.3
2019 Monthly											
Oct.	185	190	3.6	6.9	246	350	61.0	9.2	4,397	0.3	34.4
Nov.	261	247	3.5	6.8	-8	-54	61.0	9.2	4,288	0.4	34.3
Dec.	184 (147)	164	3.5	6.7	267	209	61.0	9.0	4,148	0.1	34.3
2020 Monthly											
Jan.	273 (225)	222	3.6	6.9	-89	50	61.2	9.3	4,182	0.2	34.3
Feb.	273	228	3.5	7.0	45	-60	61.1	9.1	4,318	0.3	34.4

* *Preliminary readings on nonfarm payrolls are shown in parenthesis.*
Source: Bureau of Labor Statistics via Haver Analytics

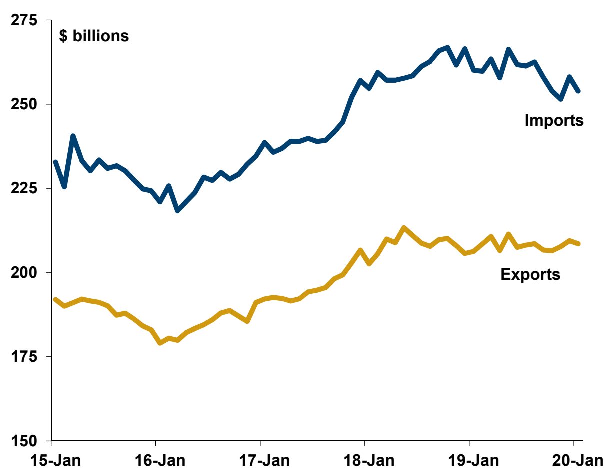
International Trade

Both exports and imports fell in January, with imports showing the larger retreat (-1.6 percent versus -0.4 percent for exports; chart, left), which led to a narrower trade deficit ($45.3 billion in January versus $48.6 billion in December). The results were not entirely surprising, as the goods trade deficit published last week narrowed noticeably. The report, however, showed a pleasant surprise in the form of an increase in the surplus in trade services. Exports of services rose 0.7 percent while imports of services fell 0.2 percent. The resulting surplus of $21.7 billion was among the best of the past few years.

The deficit in January was narrower than the average in the fourth quarter of last year, raising the prospect of a positive contribution to GDP growth from net exports (chart, right). If flows in the next two months were to match those for January, net exports would add one-quarter to one-half percentage point to GDP growth.

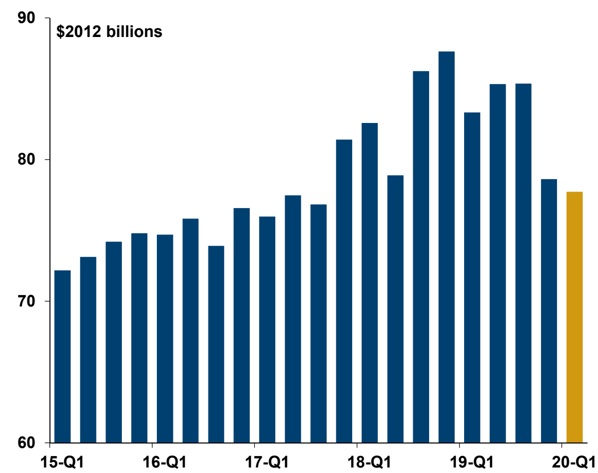
Trade with China improved, as exports of goods rose 3.3 percent while imports of goods from China fell 5.5 percent. The latest changes reinforced the downward trend in the trade deficit with China that began in early 2019.

Nominal Imports & Exports of Goods & Services



Source: Bureau of Economic Analysis via Haver Analytics

Real Goods Trade Deficit*



** Quarterly averages of monthly data. The reading for 2020-Q1 (gold bar) is the real trade deficit in goods for January 2020.*

Source: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America