

# U.S. Data Review

- Initial claims for unemployment insurance: shocking
- International trade in goods: moderate growth in exports; a retreat in imports
- GDP: no revision to Q4

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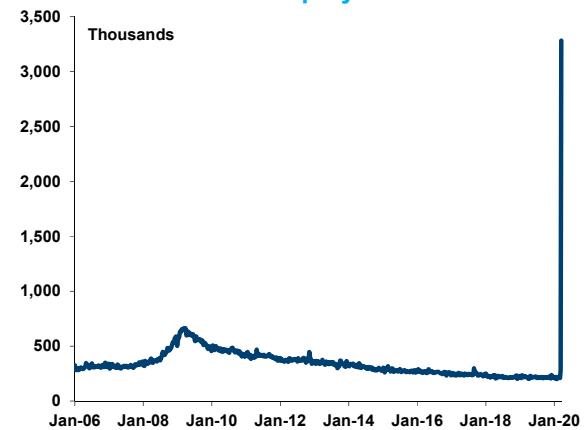
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## Unemployment Claims

Market participants were expecting a mind-boggling increase in claims for unemployment insurance (1.64 million versus a recent average before March of approximately 215,000). It was much worse (3.283 million, chart). The reading dwarfed previous peaks. The largest weekly total during the financial crisis was 665,000; the previous record total was 695,000 in October 1982. Measured as a share of the labor force, the new reading totaled 2.0 percent, far ahead of the previous record of 0.6 percent in 1982.

Because of normal lags between filing for unemployment benefits and receiving support, the number of individuals receiving benefits increased by a much smaller amount (up 101,000 to 1.803 million). This figure will balloon in coming weeks.

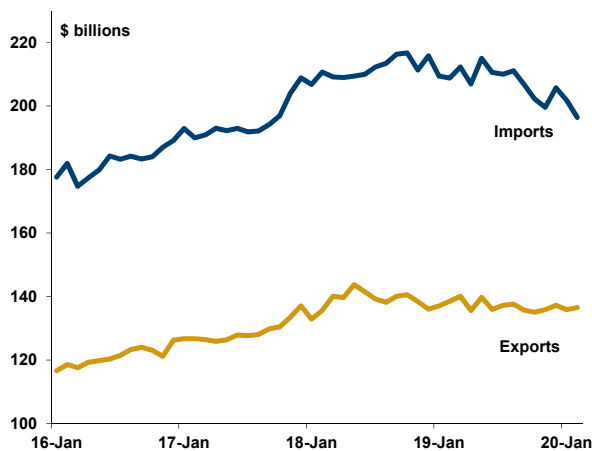
### Initial Claims for Unemployment Insurance



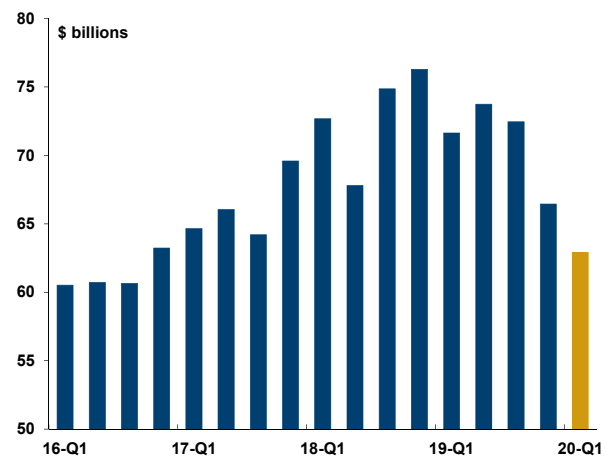
## Trade in Goods

The merchandise trade deficit improved considerably in February, narrowing \$6.0 billion to \$59.9 billion. The results were much better than the expected improvement of \$2.5 billion to \$63.4 billion. Both sides of the trade ledger contributed to the surprise. Exports rose 0.5 percent in contrast to our expectation of a drop of the same magnitude. Imports fell 2.6 percent, much sharper than our projection of -0.7 percent. Some of the decline in imports was the result of food purchases giving back some of a surge in January; sharp declines in imports of industrial supplies and capital goods were more telling. The increase in exports reflected moderate changes in several areas rather marked or unusual moves in any particular category.

### Nominal Imports & Exports of Goods



### Nominal Goods Trade Deficit\*



\* Quarterly averages of monthly data. The reading for 2020-Q1 (gold bar) is the average of results for January and February 2020.

Source: U.S. Census Bureau via Haver Analytics; Daiwa Capital Markets America

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The average nominal goods deficit in the first two months of the year was narrower than the average shortfall in the fourth quarter, raising the prospect of a positive contribution from net exports to GDP growth. The picture could change after adjusting for inflation or including the results for March, but the figures in hand suggest a possible contribution to GDP growth of more than a percentage point.

Today's report did not include figures by country, and thus the role of tariffs and trade with China is not clear.

## Revised Q4 GDP

Modest adjustments to various components left GDP in the fourth quarter of last year unrevised, as expected (table). The economy performed well in the closing months of 2019, as moderate growth in consumer spending and solid housing activity more than offset weak business investment. Net exports also contributed substantially in Q4. The economy was doing well in the first two months of this year, but clearly trends are changing.

### GDP and Related Items\*

	19-Q3	19-Q4(p)	19-Q4(r)
<b>1. Gross Domestic Product</b>	2.1	2.1	2.1
<b>2. Personal Consumption Expenditures</b>	3.2	1.7	1.8
<b>3. Nonresidential Fixed Investment</b>	-2.3	-2.3	-2.4
<b>3a. Nonresidential Structures</b>	-9.9	-8.1	-7.2
<b>3b. Nonresidential Equipment</b>	-3.8	-4.4	-4.3
<b>3c. Intellectual Property Products</b>	4.7	4.0	2.8
<b>4. Change in Business Inventories (Contribution to GDP Growth)</b>	0.0	-1.0	-1.0
<b>5. Residential Construction</b>	4.6	6.2	6.5
<b>6. Total Government Purchases</b>	1.7	2.6	2.5
<b>6a. Federal Government Purchases</b>	3.3	3.8	3.4
<b>6b. State and Local Govt. Purchases</b>	0.7	1.9	2.0
<b>7. Net Exports (Contribution to GDP Growth)</b>	-0.1	1.5	1.5
<b>7a. Exports</b>	1.0	2.0	2.1
<b>7b. Imports</b>	1.8	-8.6	-8.4
<b>Additional Items</b>			
<b>8. Final Sales</b>	2.1	3.1	3.1
<b>9. Final Sales to Domestic Purchasers</b>	2.2	1.5	1.6
<b>10. Gross Domestic Income</b>	1.2	--	2.6
<b>11. Average of GDP &amp; GDI</b>	1.7	--	2.4
<b>12. GDP Chained Price Index</b>	1.8	1.3	1.3
<b>13. Core PCE Price Index</b>	2.1	1.2	1.3

\* Percent change SAAR, except as noted

(p) = preliminary (2<sup>nd</sup> estimate of GDP); (r) = revised (3<sup>rd</sup> estimate of GDP)

Source: Bureau of Economic Analysis via Haver Analytics