U.S. Data Review

- International trade: weak imports, narrower deficit
- Factory orders: soft nondurable orders; soft durable ex-transportation
- Unemployment claims: even more striking results

Michael Moran
Daiwa Capital Markets America
212-612-6392
michael.moran@us.daiwacm.com

International Trade

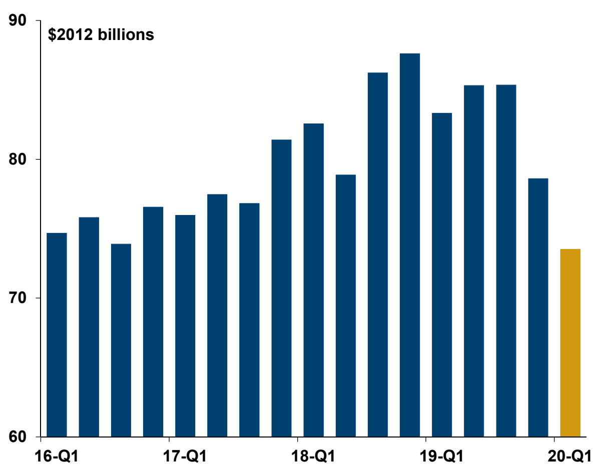
The U.S. trade deficit for March totaled $39.9 billion, almost identical to the expected reading of $40 billion and much improved from the shortfall of $45.5 billion in January. Although the headline figure was close to expectations, the detail contained some interesting shifts. Most notable, the narrowing was more pronounced after adjusting for the changes in the prices of goods (price adjustments for services are not available with this report). The nominal goods deficit narrowed by $6.1 billion in February, but after adjusting for price changes, the improvement totaled $9.0 billion. Both exports and imports were firmer in real terms versus nominal, but the difference on the export side was much sharper (up 2.5 percent in real terms versus a nominal gain of 0.7 percent). Imports showed a smaller decline after adjusting for price changes (-2.3 percent real, -2.5 percent nominal).

Favorable real flows in February added to improvement seen in January, which left the average deficit in the first two months of the year noticeably better than that in the fourth quarter (chart, left). The narrowing points to a positive contribution to GDP growth from net exports in the first quarter. If March results were to match the average for the first two months of the year, net exports would be adding approximately 1-1/4 percentage points to GDP growth. While a positive contribution is welcome, we would restrain our enthusiasm because most of the improvement reflects soft imports rather than strong exports. Soft imports, in turn, have probably been influenced by disruptions associated with tariffs.

The trade surplus in services narrowed a bit from a high-side reading in January, which was not a surprise. However, the slippage reflected unusually sharp declines in both exports and imports (off 2.4 percent and 2.7 percent, respectively). The declines were concentrated in travel and transportation, undoubtedly reflecting the effects of the coronavirus.

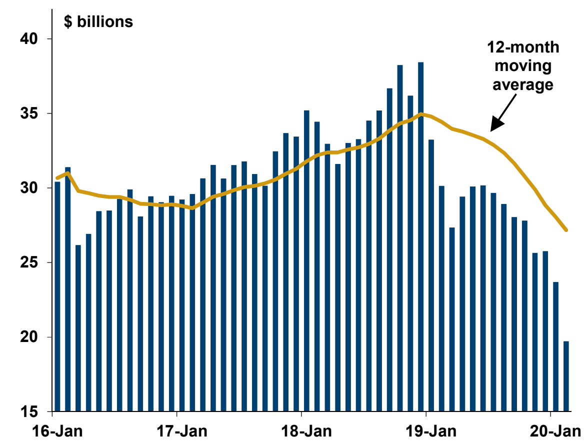
The trade deficit with China continued to contract in February (chart, right). Exports to China have eased since the start of the tariff battle, but imports have declined to a much sharper degree, leaving a narrower deficit.

Real Goods Trade Deficit*



Quarterly averages of monthly data. The reading for 2020-Q1 (gold bar) is the average of results for January and February.
Source: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America

Nominal Goods Trade Deficit with China



Source: Bureau of Economic Analysis via Haver Analytics

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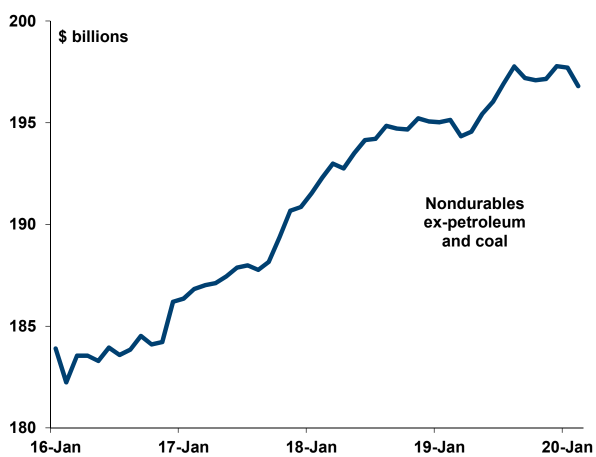
Factory Orders

Factory orders were unchanged in February, a slightly softer result than the expected increase of 0.2 percent. The surprise occurred in the nondurable area, which fell 1.2 percent rather than the expected drop of 0.8 percent. Some of the weakness in the nondurable area was the result of a decline of 3.9 percent in bookings for petroleum and coal products, which was most likely influenced by lower prices. However, orders for nondurable goods other than petroleum and coal disappointed with a decline of 0.5 percent. This area had been firm through the spring and summer of last year, but it has been moving approximately sideways since August. The latest reading gives the series a downward tilt (chart, left).

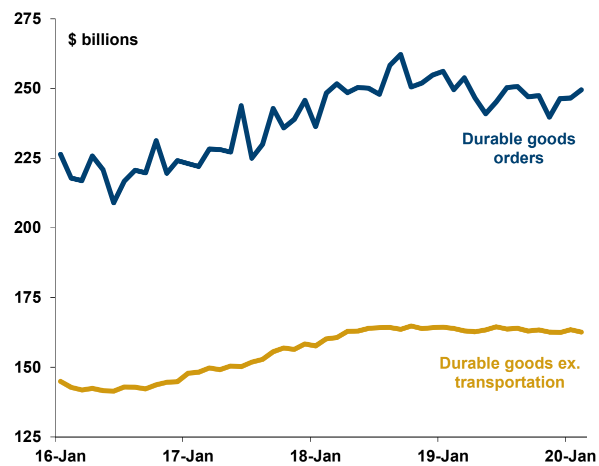
New orders for durable goods rose 1.2 percent, unrevised from the preliminary estimate released last week. The headline figures appears strong, but the advance was concentrated in the volatile transportation category, which was driven by a huge increase in orders for ships and boats (up 124.7 percent). Durable orders excluding transportation fell 0.6 percent, reinforcing a downward drift (chart, right).

Manufacturers' New Orders



Source: U.S. Census Bureau via Haver Analytics

Manufacturers' New Orders



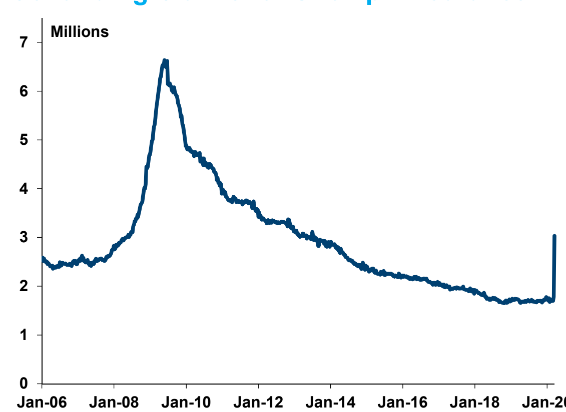
Source: U.S. Census Bureau via Haver Analytics

Unemployment Claims

The surge in unemployment claims to 3.3 million last week was striking (revised up slightly: 3.307 million versus an initial estimate of 3.283 million), but the latest tally was even more pronounced: 6.648 million. We could show a graph, but why bother, just imagine a path that would be traced by a rocket ship.

The number of individuals receiving unemployment benefits also surged, moving to 3.029 million in the week ended March 21 (lagged one week from the reading on initial claims), up from 1.784 million in the prior week and readings in the neighborhood of 1.7 million in most other recent weeks. The number of individuals receiving unemployment benefits (so-called continuing claimants) is still well shy of the peak of 6.618 million seen during the recession, but that total built up over time; the recession did not see a sudden surge like that evident in today's report.

Continuing Claims for Unempl. Insurance



Source: U.S. Department of Labor via Haver Analytics