

U.S. Data Review

- International trade in goods: imports decline, exports fall by more
- Consumer confidence: pronounced reassessment of the present situation

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Exports and Imports of Goods

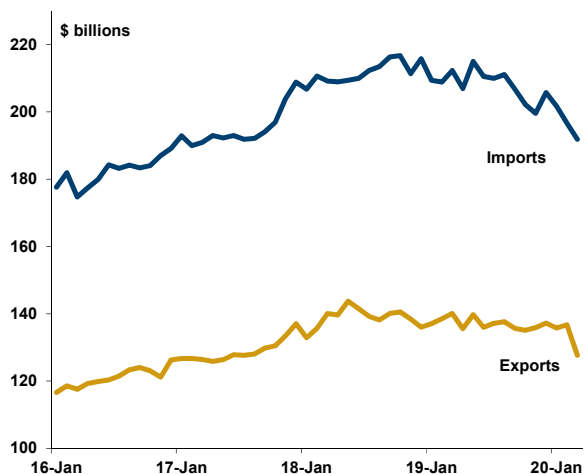
Both exports and imports lost ground in March, with exports showing the larger decline (off 6.7 percent versus a drop of 2.4 percent for imports; chart, left). Declines on both sides of the trade ledger were not surprising, as trade flows have been slowing in response to trade disputes and the weakening in global economies. However, we were looking for a continuation of the recent pattern of sharper declines in imports. The results widened the trade deficit by \$4.3 billion to \$64.2 billion; the consensus estimate called for a shortfall of \$55.0 billion.

The drop in exports was broad-based, with all six categories of goods posting declines. Shipments of motor vehicles showed the sharpest retreat (off 17.8 percent), but four other areas (industrial supplies, capital goods, consumer goods, miscellaneous) also contributed notably with declines exceeding 4.0 percent. Food posted the best performance with a drop of 0.1 percent. Imports were mixed, with purchases of autos and consumer goods falling noticeably (off 9.0 percent and 8.3 percent, respectively) while other categories advanced.

Although results for March were disappointing, the average trade deficit in the first quarter was still narrower than the shortfall in the prior quarter, suggesting a positive contribution to GDP growth from net exports in Q1 (chart, right). Previous figures were suggesting a contribution of approximately 1¼ percentage points, but new results would lead us to look for something in the neighborhood of 1.0 percentage point (assuming the full trade report due next week does not contain surprises from inflation adjustments and service trade).

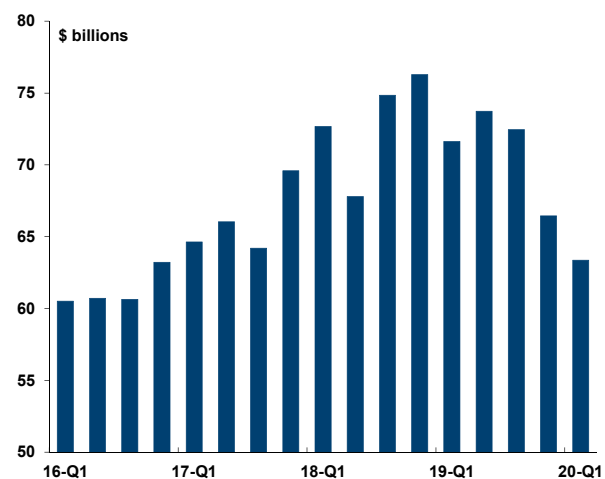
Today's report did not contain data on trade by country. Those figures will be included with the full trade report (goods and services) published on May 5.

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; Daiwa Capital Markets America

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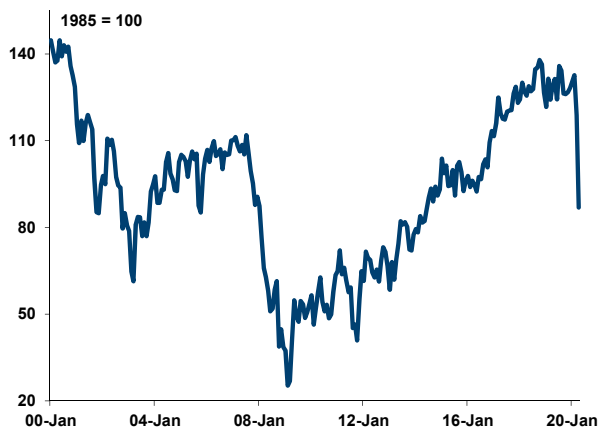
Consumer Confidence

The Conference Board's measure of consumer confidence plunged 26.9 percent in April after a drop of 10.4 percent in the prior month. The adjustment in the past two months was among the sharpest in the history of the series (only April/May 1980, when credit controls pushed the economy into recession, was sharper). The decline, though, occurred from an elevated level, and thus the level of the index did not indicate desperate conditions. The measure was still above readings in the first five years of the latest expansion, and it was above some observations from the previous expansion as well (2002-07; chart, left).

All of the decline in the headline index in April was the result of a plunge in the present conditions component, which fell 54.2 percent, the sharpest month-to-month decline in its history. This plunge followed declines totaling 4.1 percent in the prior two months. Like the headline measure, the present-situation component posted a stunning decline, but the level of the index remained above observations in the early years of the latest expansion and was a bit higher than a handful of readings from the prior expansion. Conditions in the labor market had a strong influence on assessments of the present situation, as the share of individuals indicating that jobs were plentiful fell 23.3 percentage points to 20.0 percent. The share indicating that jobs were hard to get jumped 19.8 percentage points to 33.6 percent. The net reading of -13.6 (plentiful less hard to get) was decidedly soft, but it was still higher than results early in the expansion and well above the averages of -42.1 in 2009 and -41.7 in 2010.

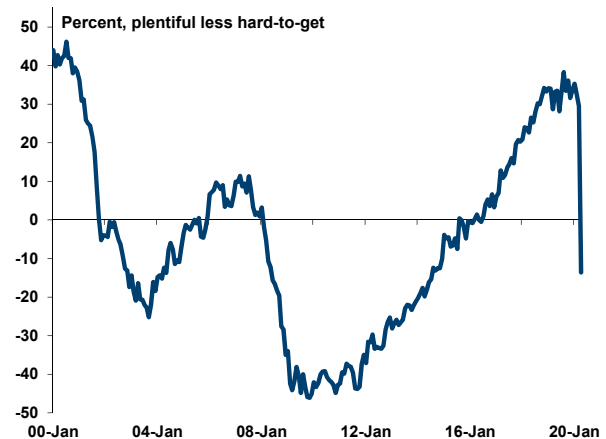
The expectations component rose 8.1 percent in April, offsetting a portion of the 19.7 percent decline in the prior month. The decline in March pushed the expectations component into the low portion of the recent range, and it remained in the low portion in April. However, the measure was not low enough to suggest that individuals saw an extended downturn in the economy.

Consumer Confidence



Source: The Conference Board via Haver Analytics

Labor Market Assessment*



* The share of individuals indicating that jobs are plentiful less the share indicating that jobs are hard to get.

Source: The Conference Board via Haver Analytics