

U.S. Data Review

- International trade: virus leaves its mark in March
- ISM nonmfg: key components at record lows; distortion from supplier deliveries

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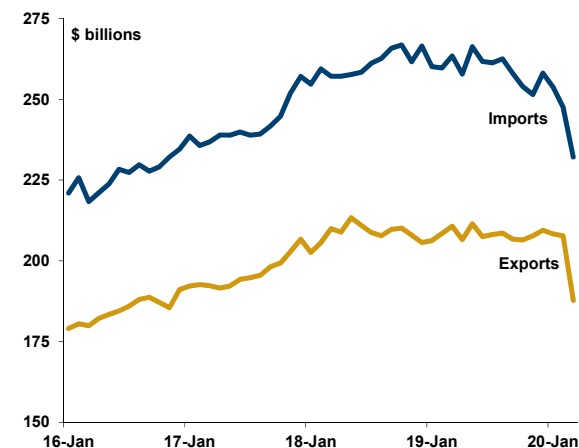
International Trade

The U.S. trade deficit widened by \$4.6 billion in March to \$44.4 billion, nearly matching the expected shortfall of \$44.2 billion. The already published results for trade in goods accounted for most of the slippage in March, as this shortfall widened by \$4.6 billion (revised from \$4.3 billion). Both exports and imports of goods retreated in March, with the drop in exports much sharper (off 6.7 percent versus 2.4 percent for imports). The decline in exports represented a marked break from what had been a mild downward drift. Imports had been losing ground in prior months, reflecting the effects of tariffs and the reworking of supply chains, and March brought an accent to that trend (chart, left). Slow activity in both the U.S. and abroad because of the coronavirus probably had an influence on trade flows.

The surplus in services in March was little changed, but the stability masked sharp declines in both exports and imports (off 15.3 percent and 21.8 percent, respectively). Most of the adjustment occurred in travel and tourism, not surprising given the influence of the virus; financial services also softened, as did charges for use of intellectual property (on the export side). The right-side chart shows the pronounced downward shift in exports; the picture for imports was similar.

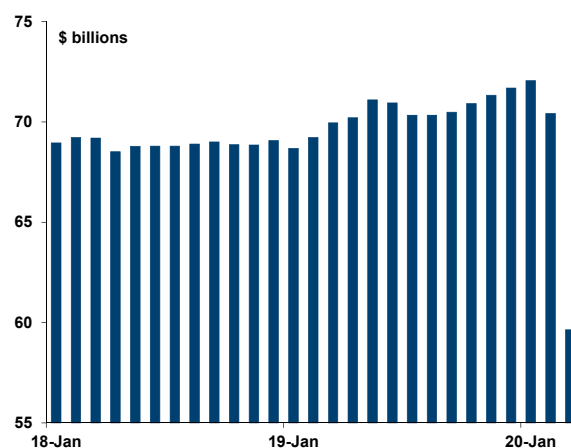
The trade results for March were close to the assumptions built into the initial estimate of GDP. Thus, today's report will have little influence on the revised estimate for GDP growth published later this month.

Imports & Exports of Goods & Services



Source: Bureau of Economic Analysis via Haver Analytics

U.S. Exports of Services



Source: Bureau of Economic Analysis via Haver Analytics

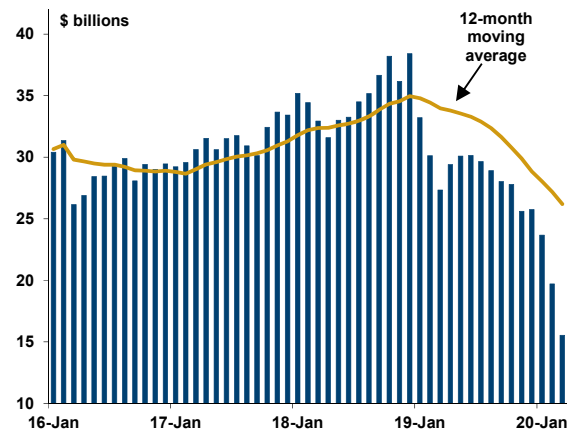
The trade deficit with China continued to narrow (chart), as exports rose 4.2 percent and imports fell 14.2 percent. Exports to China fell sharply in late 2018 because of the tariff dispute. They rallied for a time in the spring and summer of 2019 before dropping in the fall and showing little net change since then. Imports from China have trended downward since later 2018.

ISM Nonmanufacturing Index

The ISM nonmanufacturing index fell 10.7 percentage points in April to 41.8 percent, a better showing than the consensus estimate of 37.9 percent. However, the headline index was supported by a jump of 16.2 percentage points in the supplier deliveries index to 78.3 percent (a new record high). The slow delivery times signaled by this surge were probably the result of disruptions associated with business closures rather than strong demand and order backlogs.

Other components (new orders, business activity, and employment) all moved to record lows. An average of these three indexes totaled 29.6 percent, down 29.2 percentage points in the past two months and softer than the previous record low of 33.9 percent seen during the financial crisis (chart). The coronavirus is hitting service industries especially hard, and the damage was evident in the deterioration of these three components.

U.S. Goods Trade Deficit with China



Source: Bureau of Economic Analysis via Haver Analytics

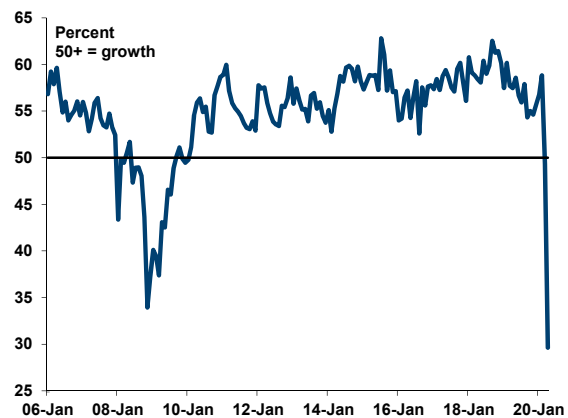
ISM Nonmanufacturing -- Monthly Indexes

	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20
ISM Nonmfg. Composite	54.9	55.5	57.3	52.5	41.8
Business activity	57.0	60.9	57.8	48.0	26.0
New orders	55.3	56.2	63.1	52.9	32.9
Employment	54.8	53.1	55.6	47.0	30.0
Supplier deliveries*	52.5	51.7	52.4	62.1	78.3
Prices	59.3	55.5	50.8	50.0	55.1

* 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: Key Components*



* An average of the business activity, employment, and new orders components of the ISM nonmanufacturing index.

Source: Institute for Supply Management via Haver Analytics; Daiwa Capital Markets America