

U.S. Data Review

- International trade in goods: moderate exports, strong imports; more slippage

Michael Moran

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

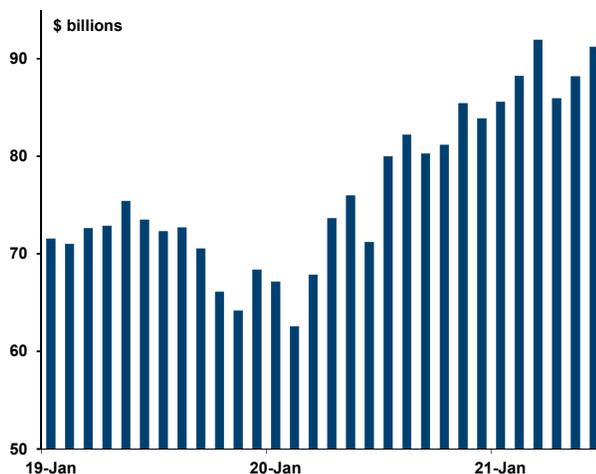
International Trade in Goods

After deteriorating noticeably in the early portion of the recovery, the U.S. merchandise trade deficit showed hints of stabilizing in recent months. However, the previous pattern of a widening trade deficit reemerged in June, as the shortfall widened by \$3.0 billion to \$91.2 billion (chart, left). The consensus estimate called for little change with a deficit of \$88.0 billion.

The latest slippage, like that in the early portion of the recovery, involved increases in both exports and imports, with imports showing the larger change (chart, right). In June, exports rose 0.3 percent, reflecting firm performances in several areas that were partially offset by notable cooling in foreign shipments of food. Imports jumped 1.5 percent, reflecting firm performances in the food and industrial-supply categories. The surge of 8.5 percent in industrial supplies was probably influenced by higher prices. Trade in motor vehicles has been influenced by the shortage of semiconductors. Imports of cars and trucks slipped 2.5 percent in June, continuing the downward drift that started early in the year. Exports of vehicles rose in June, but this gain offset only a small portion of previous declines, leaving a downward trend.

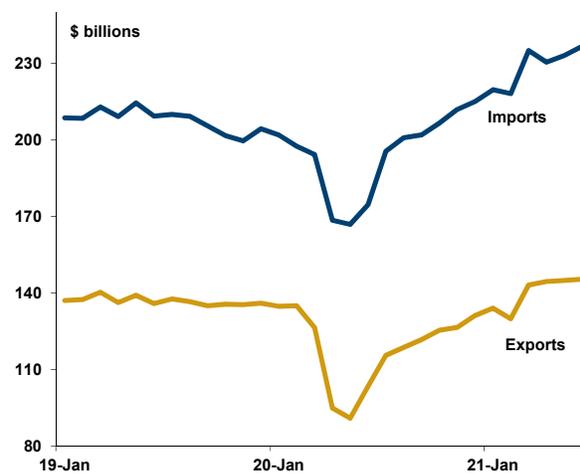
Although the trade balance slipped in June, the results do not have pronounced negative implications for GDP growth in the second quarter. The nominal trade deficit for Q2 was about equal to that in Q1, and we expect only modest slippage after adjusting for inflation. The service surplus probably shrank, but only modestly. Thus, we look for a modest negative contribution, which would represent a marked improvement from an average negative contribution to GDP growth of 2.1 percentage points in the prior three quarters.

U.S. International Trade Deficit in Goods



Source: U.S. Census Bureau via Haver Analytics

Imports & Exports of Goods



Source: U.S. Census Bureau via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.