

# U.S. Data Review

- International trade: improvement in June and Q2...  
...but only partial offset to slippage in Q1

**Lawrence Werther**  
**Michael Moran**

Daiwa Capital Markets America  
 lawrence.werther@us.daiwacm.com  
 michael.moran@us.daiwacm.com

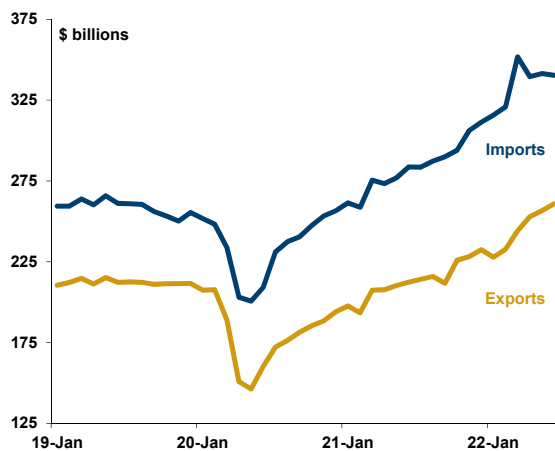
## International Trade

The U.S. trade deficit in goods and services narrowed by \$5.3 billion in June, and results for May were revised slightly in favor of the U.S. The combined changes left the June deficit of \$79.6 billion slightly better than the expected shortfall of \$80.0 billion. Both sides of the trade ledger contributed to the improvement in June, with exports increasing 1.7 percent and imports slipping 0.3 percent (chart, left). The goods deficit narrowed by \$4.9 billion; the service sector made a modest positive contribution, with the surplus in services widening by \$0.3 billion.

June marked the third consecutive improvement in the nominal trade balance, although the shifts followed a surge in the deficit in March that left results in Q2 far wider than those in recent years. Real flows as well as inflation effects played a role in the slippage, as the real goods deficit narrowed from Q1 results, but was still far wider than in other recent quarters (chart, right).

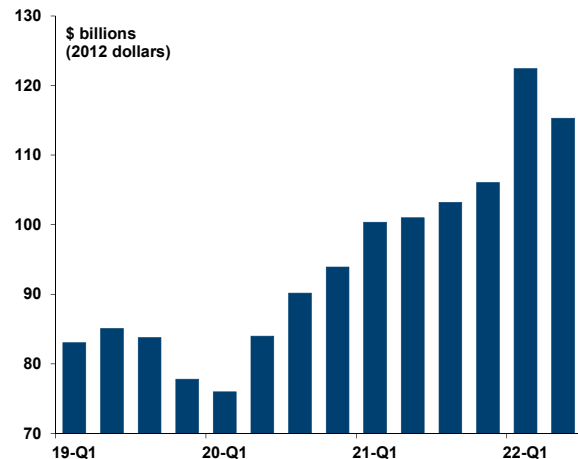
The preliminary estimate of Q2 GDP published last week reported that net exports contributed 1.4 percentage points to growth. This positive contribution, however, followed a negative contribution of 3.2 percentage points in Q1, leaving a notable net drag from net exports in the first half of the year. Today's data suggest a modest boost in the Q2 contribution to economic growth, but net exports will remain a net soft spot for the first half of 2022.

### Exports & Imports of Goods & Services



Source: Bureau of Economic Analysis via Haver Analytics

### Real Goods Trade Deficit\*



\* Quarterly averages of monthly data.

Sources: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America

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.