U.S. Data Review

- International trade in goods: strong imports exceed firm exports
- Consumer confidence: noticeable improvement, but still restrained

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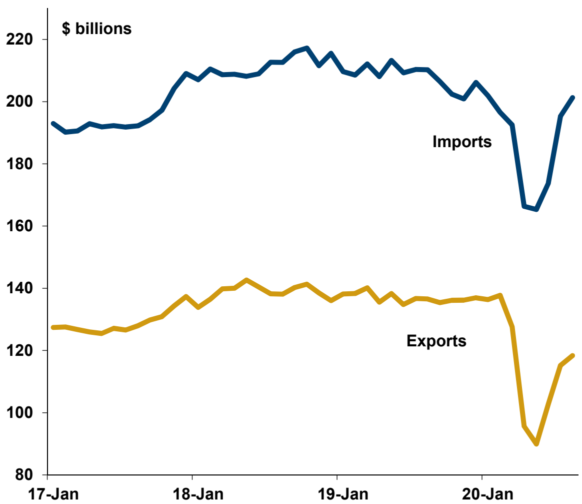
International Trade in Goods

Both exports and imports continued to recover from their pandemic-related retreats in the spring. As in the prior month, the increase in imports was larger than that for exports, resulting in a wider trade deficit in goods. The latest shortfall totaled $82.9 billion, up from $80.1 billion in July and far wider than the averages of $63.1 billion and $72.4 billion in the first and second quarters. The monthly deficit also was wider than the expected shortfall of $81.1 billion.

Imports rose 3.1 percent in August, slower than the average increase in the prior two quarters but still brisk. The increases in the past three months have pushed imports close to the pre-virus peak in December (recovering 88 percent of the swoon). Food and consumer goods stand out on the import side, with both moving above pre-virus levels. Other areas, although shy of early-year peaks, also were firm. Exports rose 2.8 percent in August. Combined with gains in the prior two months, exports have recouped approximately 53 percent of the ground lost in the spring. Exports of food and motor vehicles are doing well (close to pre-virus norms); other areas are recovering only moderately.

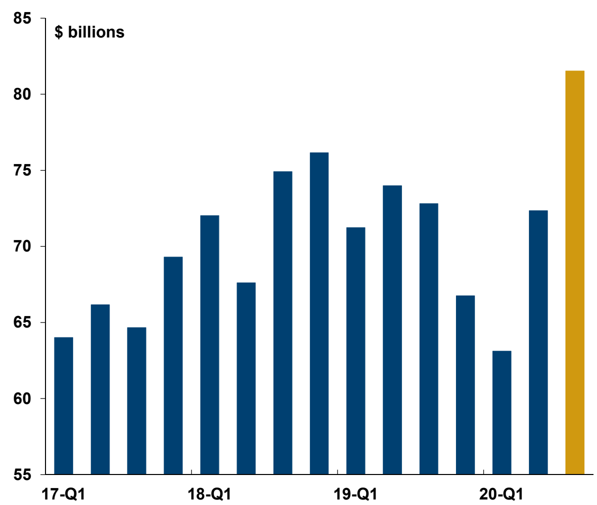
The average deficit of $81.5 billion so far in the third quarter is noticeably wider than that in Q2 (chart, right), suggesting that net exports will be a significant drag on economic growth in the third quarter. The picture could look somewhat different after adjusting for inflation and adding the surplus in services, but the figures in hand are pointing to a constraint on GDP growth of more than two percentage points.

Imports & Exports of Goods



Source: U.S. Census Bureau via Haver Analytics

Nominal Trade Deficit in Goods*



** Quarterly averages of monthly data. The reading for 2020-Q3 (gold bar) is the average of results for July and August.*

Source: U.S. Census Bureaus via Haver Analytics; Daiwa Capital Markets America

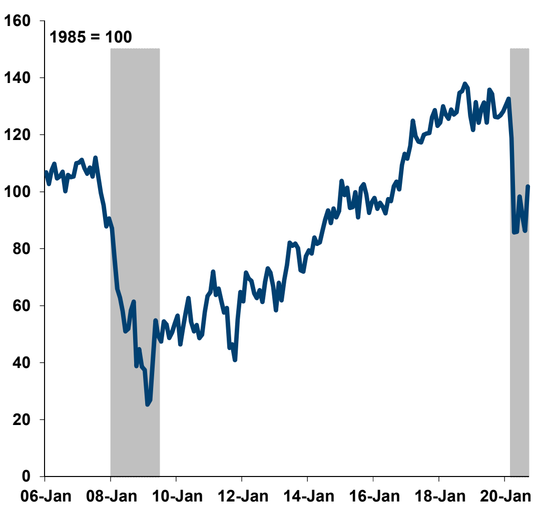
Consumer Confidence

After showing little net change from May through August, the consumer confidence index jumped 18.0 percent in September, easily beating the expected increase of 6.1 percent. The increase, though, occurred from a low level, close to the reading in April, the month when most other economic statistics bottomed. Given the low starting point, the new level remained well below observations before the onset of the pandemic. The index has recovered only 34 percent of the ground lost in the spring and remains 23 percent below the February level (chart, left).

Both the current conditions and expectation components contributed to the jump in the headline index, with expectations making the larger contribution (up 20.1 percent versus 14.8 percent for the current conditions component). The pickup in expectations moved this component close to readings seen before the onset of the pandemic; the current conditions component remained at a low level. The improvement in expectations was mildly surprising in that it occurred in a month when the equity market was wavering. One also might be a bit skeptical of the gain because this measure also moved in line with pre-virus readings in June, only to retreat in July and August.

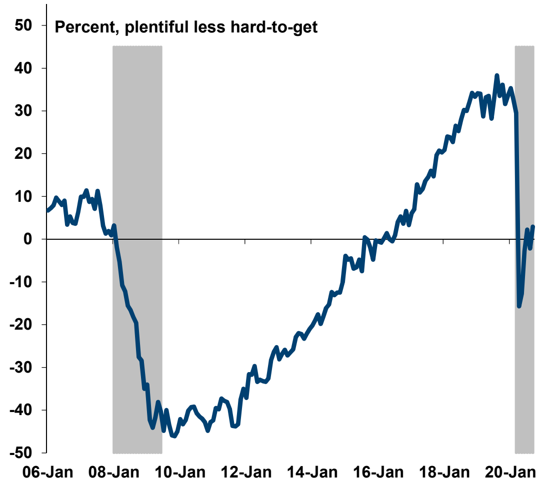
The current conditions component seems to be constrained by dim views of the labor market. The share of individuals indicating that jobs were plentiful totaled 22.9 percent in September, up from the low of 16.5 percent in May, but far from the pre-virus high of 47.2 percent in January. The share indicating that jobs were hard to get totaled 20.0 percent, better than the 34.5 percent share in April, but up noticeably from 11.9 percent in January. The net reading (plentiful less hard to get) has been hovering around zero for the past few months. The net reading of 2.9 percent in September was in positive territory, but well shy of 35.3 in January (chart, right).

Consumer Confidence*



** The shaded areas indicate periods of recession in the United States.*
Source: The Conference Board & The National Bureau of Economic Research via Haver Analytics

Labor Market Assessment*



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Source: The Conference Board & The National Bureau of Economic Research via Haver Analytics