U.S. Data Review

- International trade in goods: deficit beginning to stabilize
- Consumer confidence: losing ground

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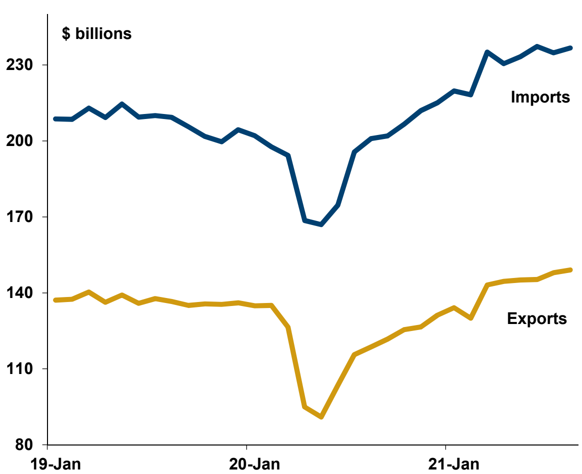
Goods Trade

Both exports and imports rose in August (0.7 percent and 0.8 percent, respectively), with the larger gain in imports leading to a slight month-to-month widening in the trade deficit ($87.6 billion versus $86.8 billion in July). However, viewed from a slightly longer perspective, the deficit has started to stabilize after sliding noticeably during the early portions of the pandemic. In fact, the average shortfall in the first two months of the third quarter shows some improvement from the average in Q2 (chart, right). These results open the possibility of a positive contribution from net exports to GDP growth in Q3, although adjusting these nominal figures for price changes and adding the influence of service trade could change the picture (as could results for September).

The increase in exports in August reinforced the upward trend that began in June 2020 (chart, left). The latest change was narrowly based, with consumer goods and industrial supplies the only categories posting gains (up 2.3 percent and 5.9 percent, respectively). Some of the advance in industrial supplies might have been driven by higher prices. The auto component tumbled 8.7 percent, but supply shortage were probably a factor. Shipments of capital goods and miscellaneous items fell, but the totals remained within the recent range and left a flat trend. The food component has lost ground recently, falling in two of the past three months.

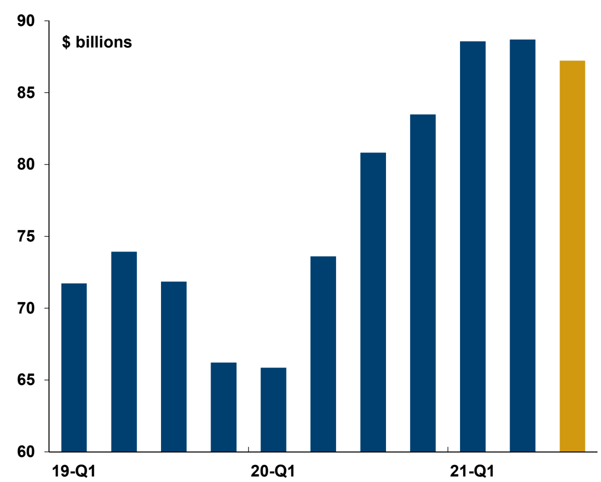
The increase of 0.8 percent in imports represented a monthly wiggle, as ups and downs in the past five months have left little net change after a brisk recovery in the early portions of the pandemic (chart, left). Results in recent months have been mixed across categories: food and industrial supplies have continued to advance although hints of softening have emerged in the past two months; autos and consumer goods have eased; capital goods and miscellaneous items have moved sideways.

Nominal Imports & Exports of Goods



Source: U.S. Census Bureau via Haver Analytics

Nominal Goods Trade Deficit*



** Quarterly averages of monthly data. The reading for 2021-Q3 (gold bar) is the average of monthly results for July and August.*

Sources: U.S. Census Bureau via Haver Analytics; Daiwa Capital Markets America

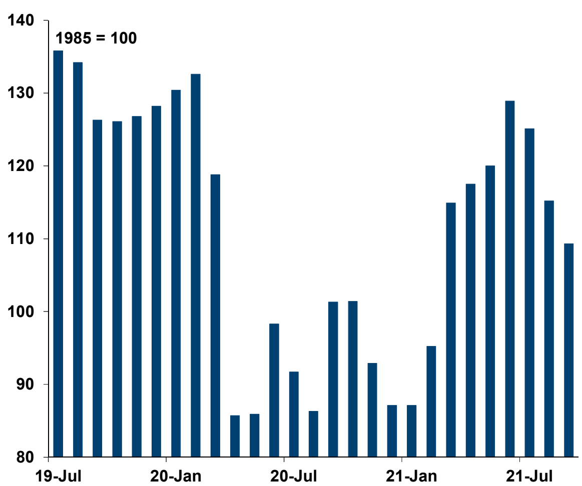
Consumer Confidence

The Conference Board's index of consumer confidence fell 5.1 percent in September, a marked contrast to the expected increase of 1.1 percent. The drop occurred from an upwardly revised reading in August (1.2 percent firmer than previously believed), but the level of the index was still shy of expectations (109.3 versus a consensus estimate of 115.0).

September marked the third consecutive decline in the index, with the cumulative decline totaling 15.2 percent. Both the present situation and the expectations components contributed to the recent retreat, but expectations made the larger contribution with a three-month drop of 20.2 percent. The present situation component has declined 10.2 percent in the past three months.

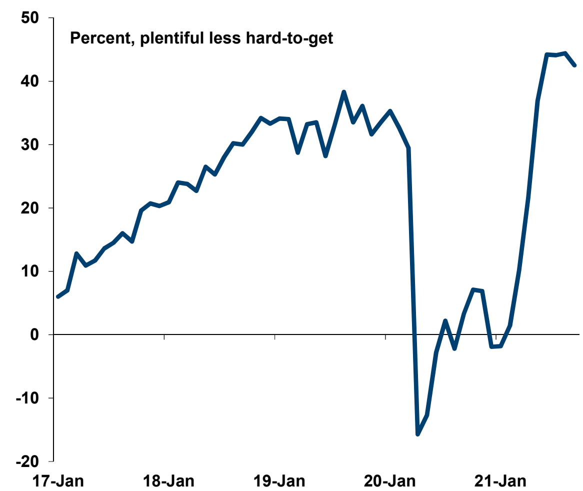
The pickup in inflation and the spread of the Delta variant of Covid have probably been important factors dampening consumer moods. Perceived softening in the labor market played a small role, as the share of survey respondents indicating that jobs were hard to get increased 2.2 percentage points to 13.4 percent. The share indicating that jobs were plentiful provided a partial offset with an increase of 0.3 percentage point to 55.9 percent. Despite the net drop of 1.9 percentage points to 42.5 percent (plentiful less hard to get), the assessment of the labor market was still firm by historical standards (chart, right).

Consumer Confidence



Source: The Conference Board via Haver Analytics

Labor Market Assessment*



** The share of survey respondents reporting that jobs are plentiful less the share indicating that jobs are hard to get.*
Source: The Conference Board via Haver Analytics