

U.S. Data Review

- International trade: strong exports, even stronger imports
- ISM services: new orders ease; tight labor pool constrains employment; record prices

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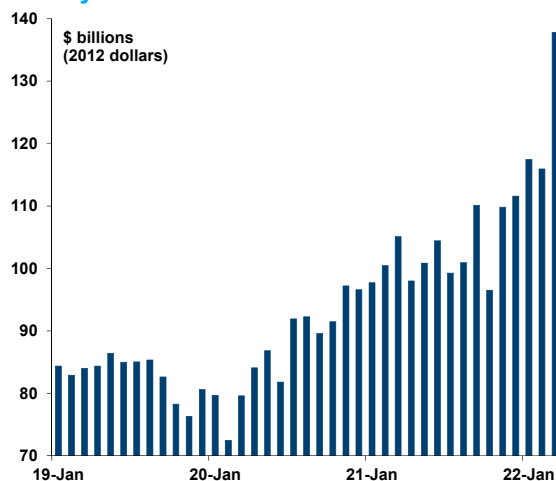
International Trade

The report on goods trade released last week showed pronounced slippage in the monthly trade deficit, and the full trade report released today showed even softer results (a widening of \$20.4 billion versus \$19.0 billion published last week; chart, left). The surplus in service trade improved in March, but only slightly so (\$0.4 billion), leaving the total trade deficit in March \$20 billion wider than the shortfall in February. The surplus in service trade has picked up from the lows seen last summer and fall, but recent results are still well shy of pre-pandemic totals (chart, right).

Both sides of the trade ledger showed strong results in March, as exports rose 5.6 percent and imports surged 10.3 percent. The strength in both was driven largely by goods trade, and the bursts perhaps signal notable easing in port congestion. Remarkable growth in imports from China also is suggestive of smoother flowing trade (up 17.6 percent in February and 13.5 percent in March to levels far above recent norms).

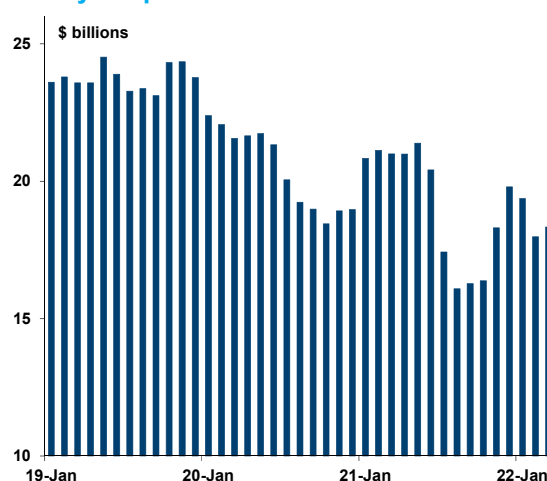
Adjusting for price changes in goods trade naturally dampened monthly changes, with real exports rising 2.6 percent and imports advancing 9.8 percent. Price adjustments, though, did not dampen the real value of the deficit. In fact, the real goods deficit widened by slightly more than the nominal deficit did (off \$21.9 billion versus \$20.4 billion in the nominal shortfall). The slippage in real terms was evident in the Q1 GDP report, where net exports subtracted 3.2 percentage points from growth.

Monthly Real Goods Trade Deficit



Source: Bureau of Economic Analysis via Haver Analytics

Monthly Surplus in Service Trade



Source: Bureau of Economic Analysis via Haver Analytics

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ISM Services Index

The services index published by the Institute for Supply Management eased 1.2 percentage points in April to 57.1 percent, lighter than the consensus expectation of a small gain to 58.5 percent. The decline in April was the fourth in the past five months, with the latest observation off sharply from the record high reading of 68.4 percent in November of last year. However, the April reading was solid from a longer-term perspective, topping the average reading of 55.5 percent in the prior expansion.

The new orders index made the largest negative contribution to the headline index in April, falling 5.5 percentage points to 54.6 percent, a reading in the low portion of the range of the current expansion. The employment index also made a notable negative contribution, sliding 4.5 percentage points to 49.5 percent (chart). The ISM report indicated that restricted labor pools and talent shortages were key drivers of the contractionary print for employment. In contrast to new orders and employment, the business activity index remained on firm ground, with a gain of 3.6 percentage points to 59.1 percent. The measure trailed the robust average of 64.6 percent for 2021 (including a record reading of 72.5 in November), but readings in that range would have been hard to sustain.

The supplier deliveries component rose 1.7 percentage points to 65.1 percent, indicating that supply-chain issues remain problematic. Moreover, supply and logistics constraints, labor shortages, and elevated input prices all contributed to the price index jumping 0.8 percentage points to a new record reading (84.6 percent).

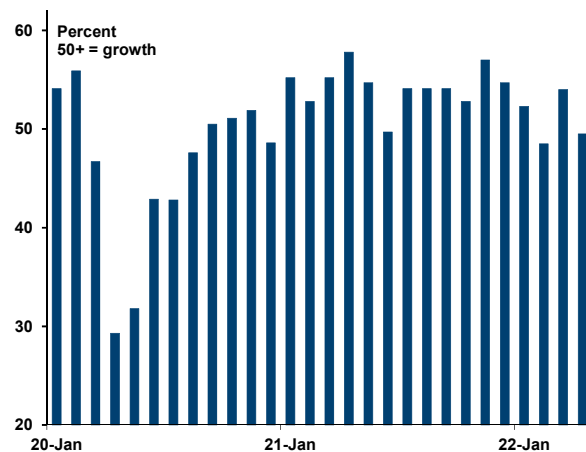
ISM Services: Monthly Indexes

	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
ISM Nonmfg. Composite	62.3	59.9	56.5	58.3	57.1
Business activity	68.3	59.9	55.1	55.5	59.1
New orders	62.1	61.7	56.1	60.1	54.6
Employment	54.7	52.3	48.5	54.0	49.5
Supplier deliveries*	63.9	65.7	66.2	63.4	65.1
Prices	83.9	82.3	83.1	83.8	84.6

* 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 Services: Employment Index



Source: Institute for Supply Management via Haver Analytics