

U.S. Data Review

- International trade: improvement in May & Q2, but a still-wide deficit
- Consumer confidence: further deterioration in June

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International Trade

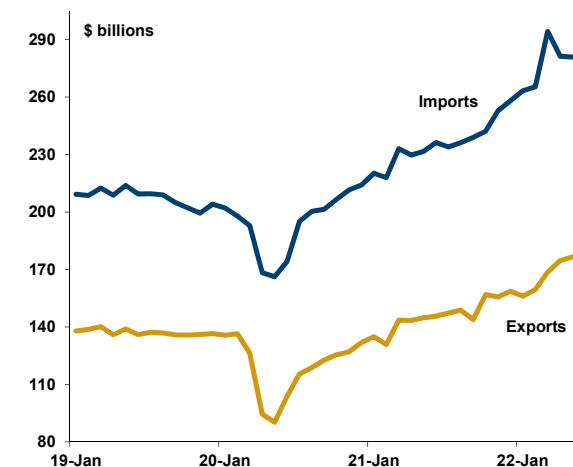
Exports of goods increased 1.2 percent in May and imports slipped 0.1 percent. The combined shifts led to a narrowing of \$2.4 billion in the nominal goods deficit to \$104.3 billion, close to the expected shortfall of \$105.0 billion. May brought the second consecutive improvement in the trade balance, but the deficit remained much wider than results last year.

The advance of 1.2 percent in exports followed strong gains in the prior three months, including surges of 5.7 percent in March and 3.6 percent in April. The cumulative increase of 13.2 percent in exports of goods in the past four months represents an acceleration in the upward trend from the irregular advance in 2021 (chart, left). Exports of consumer goods jumped 3.5 percent, adding to the recent strong performance, and auto exports rose 2.5 percent. Exports of foods dropped 9.2 percent, but the change followed a surge of 14.3 percent in April.

Imports eased 0.1 percent in May after a drop of 4.4 percent in April. These declines, however, represented only a partial reversal of a surge in March. The level of imports in May remained well above readings last year and in the early part of this year (chart, left). Imports of consumer goods, capital goods, and foods all eased. Imports of industrial supplies rose 2.2 percent, but the increase followed a drop of 7.0 percent in April.

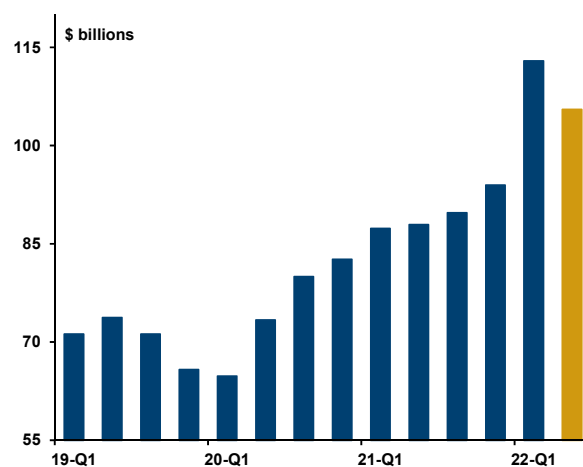
The data in hand for Q2 suggest a notable improvement in net exports from the dismal performance in the prior quarter. However, the shortfall is still considerably wider than observations last year and far ahead of pre-pandemic results (chart, right). The quarter-to-quarter improvements set the stage for a positive contribution from net exports to GDP growth in Q2, adding something in the neighborhood of two percentage points. While welcome, this boost followed a drag of 3.2 percentage points in Q1; international trade will most likely represent a notable soft spot for the first half of the year.

Exports and Imports of Goods



Source: U.S. Census Bureau via Haver Analytics

Nominal Trade Deficit in Goods*



* Quarterly averages of monthly data. The gold bar is an average of the monthly deficits for April and May.

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

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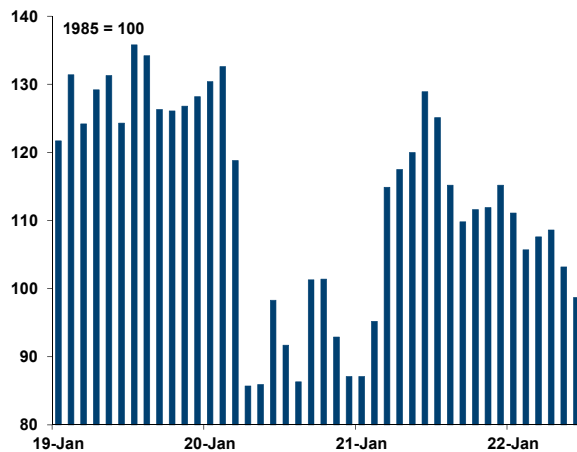
Consumer Confidence

Consumer confidence fell 4.4 percent (4.5 index points) in June to 98.7, the second consecutive sharp decline (confidence fell 5.0 percent in May) and the softest reading since the early portion of the expansion (chart, below left). While the low level of confidence earlier in the expansion reflected lingering fears about Covid-19, sour attitudes more recently seem to be the result of rapid inflation.

The year-ahead measure of inflation expectations included with the Conference Board survey rose 0.5 percentage point in June to 8.0 percent -- the highest reading in the history of the series. (The March reading was slightly lower at 7.9 percent, as were observations of 7.7 percent in 2008.) The recent string of elevated readings signals that consumers are deeply concerned about gasoline prices hovering around \$5 per gallon and elevated costs of groceries and other essentials.

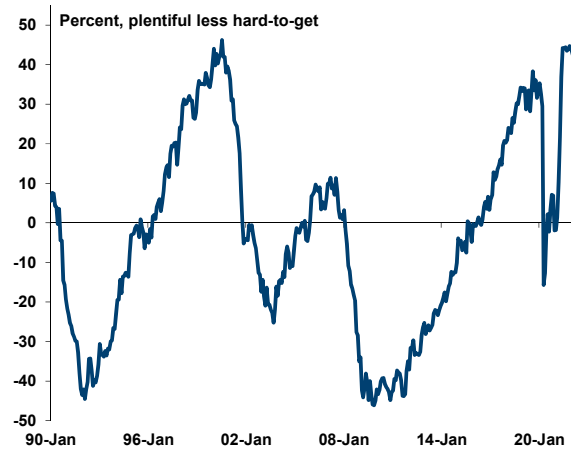
While moods were depressed in a broad sense, views on the labor market remained positive. The share of survey respondents reporting that jobs were plentiful dipped from 51.9 percent to 51.3 percent in June, but remained near the top of the historical range. The share indicating that jobs were hard-to-get eased to 11.6 percent from 12.4 percent -- a reading near the bottom of the long-term range. The net reading (plentiful less hard-to-get) of 39.7 percent was below the record differential of 47.1 percent in March, but it was still quite high relative to historical standards (chart, below right).

Consumer Confidence



Source: The Conference Board via Haver Analytics

Labor Market Differential*



* The share of survey respondents indicating that jobs are plentiful less the share indicating that jobs are hard-to-get.

Source: The Conference Board via Haver Analytics