

U.S. Data Review

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

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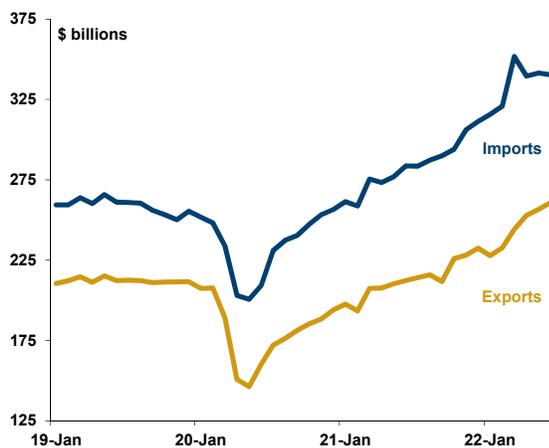
International Trade

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).

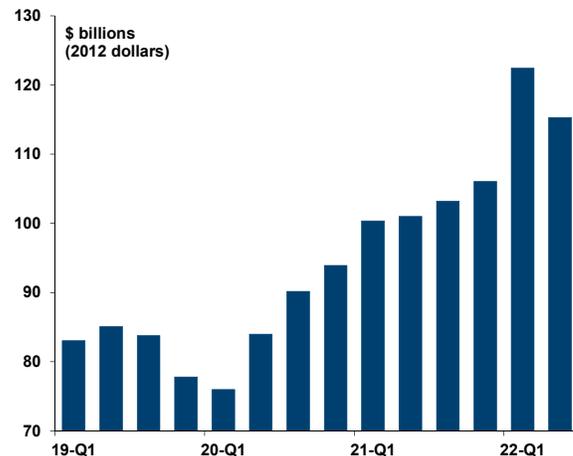
The preliminary estimate of Q2 GDP published last week reported that net exports contributed 1.4 percentage points to growth. This positive contribution, however, followed a negative contribution of 3.2 percentage points in Q1, leaving a notable net drag from net exports in the first half of the year. 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

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