

U.S. Data Review

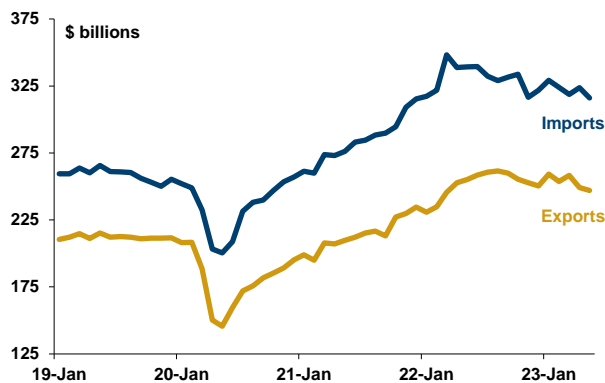
- International trade: narrowing in the monthly deficit; negative implications for Q2 GDP
- ISM services: rebound in June
- Job openings: decline in May, but still indicating firm demand for labor

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International Trade

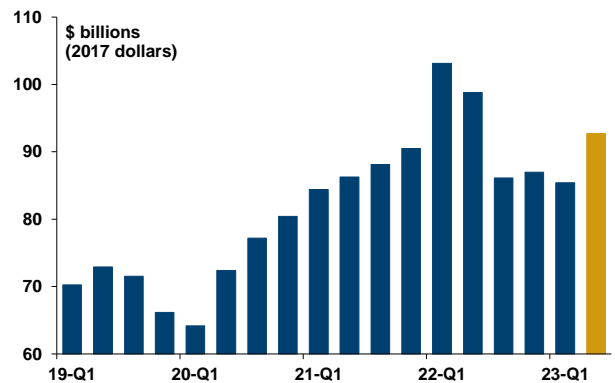
- The U.S. international trade deficit in goods and services narrowed by \$5.5 billion in May to \$69.0 billion. The improvement was anticipated based on results on goods trade flows released on June 28 (narrowing of \$6.0 billion in the preliminary report). Today's report showed a more modest narrowing in the goods deficit (-\$4.8 billion to a deficit of \$91.3 billion), while the surplus in service trade widened by \$0.7 billion to \$22.3 billion.
- Both U.S. exports abroad and imports softened in the latest month (off 0.8 percent and 2.3 percent, respectively), with the larger decline in imports leading to the contraction in the monthly deficit. The weakness was concentrated in goods trade, where a decline of 2.7 percent in imports exceeded a drop of 1.5 percent in U.S. exports abroad. U.S. exports of services increased 0.5 percent, while imports slipped 0.5 percent.
- The real goods deficit for May of \$89.2 billion narrowed from the deficit of \$96.2 billion in April. However, the average for Q2 thus far of \$92.7 billion exceeded that in Q1 (\$85.4 billion). If the real goods deficit for June were to match that for May, net exports would subtract approximately 1.0 percentage point from GDP growth in Q2.

Imports & Exports of Goods & Services



Source: Bureau of Economic Analysis via Haver Analytics

Real Goods Trade Deficit*



* Quarterly averages of monthly data. The reading for 2023-Q2 (gold bar) is average of the deficits for April and May 2023.

Sources: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America

ISM Services

- The service sector index published by the Institute for Supply Management increased 3.6 index points in June to 53.9, better than the market expectation of a pickup to 51.2. The latest observation was shy of readings around 55 in January/February, but it was a notable turn-around from the 50.3 print in May.
- The business activity component led the advance in June with a jump of 7.7 index points to 59.2. The latest observation was the highest since the reading of 60.4 in January.

ISM Services: Monthly Indexes

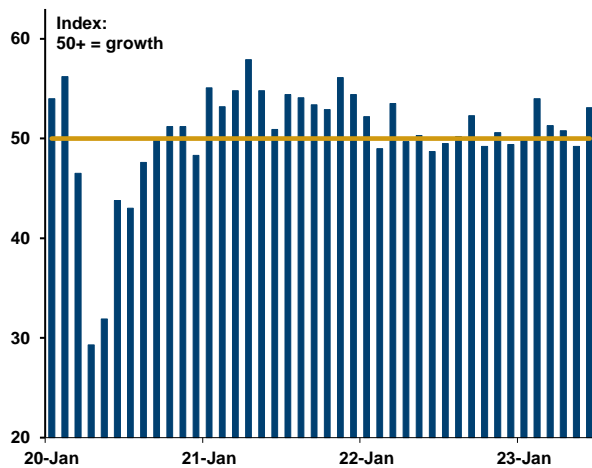
	Feb-23	Mar-23	Apr-23	May-23	Jun-23
ISM Nonmfg. Composite	55.1	51.2	51.9	50.3	53.9
Business activity	56.3	55.4	52.0	51.5	59.2
New orders	62.6	52.2	56.1	52.9	55.5
Employment	54.0	51.3	50.8	49.2	53.1
Supplier deliveries*	47.6	45.8	48.6	47.7	47.6
Prices	65.6	59.5	59.6	56.2	54.1

Source: Institute for Supply Management via Haver Analytics

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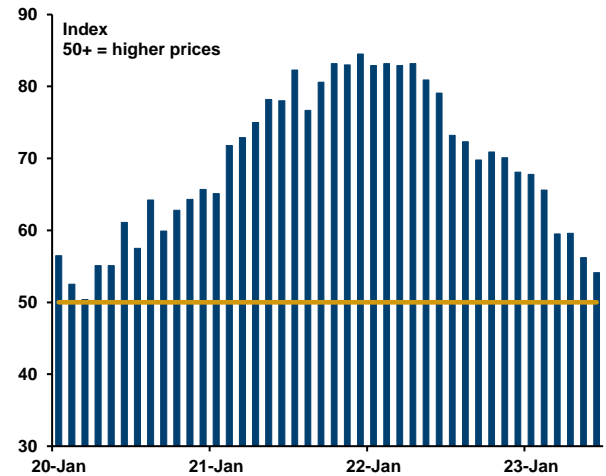
- The new orders component also rose in June with an advance of 2.6 index points to 55.5. The stirring in orders suggests that business activity could be well supported in coming months.
- The employment index has bounced between expansion and contraction in the past year and one-half, but it was decidedly positive in June. The increase of 3.9 index points to 53.1 left the level of the index at the top of the recent range (chart, left).
- The prices index slipped 2.1 index points to 54.1. While the prices index still indicates growth, it has fallen sharply from the recent high of 70.9 in October 2022 and it is well off the cycle peak of 84.5 in December 2021 (chart, right).

ISM Services: Employment Index



Source: Institute for Supply Management via Haver Analytics

ISM Services: Price Index

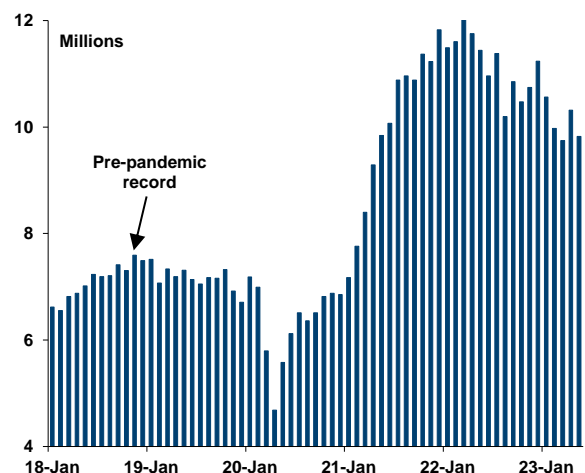


Source: Institute for Supply Management via Haver Analytics

Job Openings

- Job openings in May fell 496k to 9.824 million from an upwardly revised reading in April (10.320 million versus a preliminary reading of 10.103 million). The latest observation was approximately 4.3 million below the record high of 12.027 million in March 2022, but it is still well above the pre-COVID record of 7.594 million in November 2018 and it indicates that demand for labor is still firmer than required to generate meaningful downward pressure on wages (chart).
- As of May, there were still 1.6 job openings per unemployed person, down from 1.8 million in April and a record of 2.0 in July 2022 but still well above previous norms.

Job Openings



Source: Bureau of Labor Statistics via Haver Analytics