

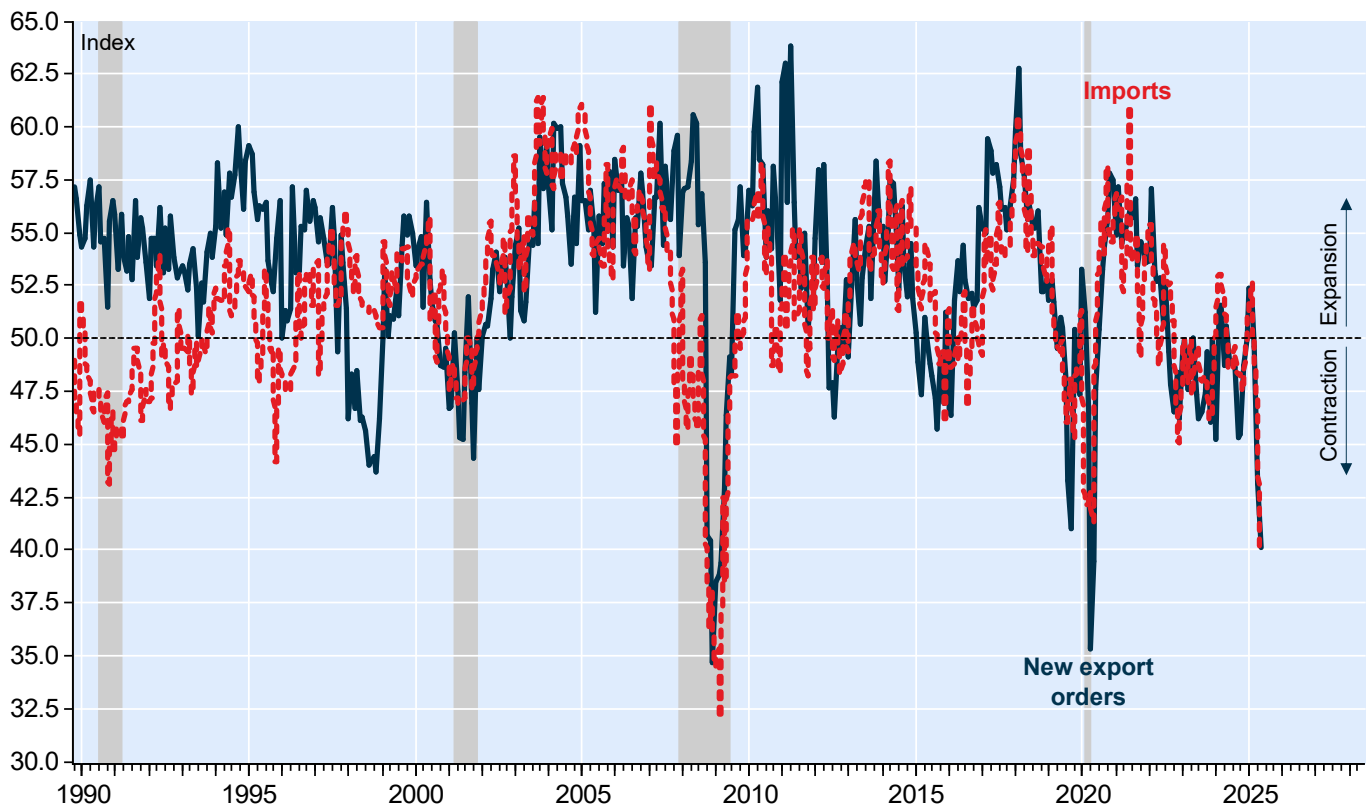
U.S. Watch

By Jocelyn Paquet

After U.S. businesses massively front-loaded international orders in the first quarter to avoid tariffs imposed by the Trump administration, a swing back was to be expected in the second quarter. However, the reversal appears to be much more dramatic than anticipated. Trade balance data published last Friday showed a 19.8% decline in goods imports in April—the largest monthly drop since records began in 1989. Goods exchanges do not appear to have rebounded in May, judging from the ISM Manufacturing Report published this morning. As today's Hot Chart shows, the sub-index tracking new export orders came in at just 40.1—a level never seen outside of recessionary periods. Meanwhile, the import index saw its third-largest monthly decline in history (-7.2 index points) and stood at its lowest level since the Great Recession (39.9). The collapse of trade in the second quarter will affect economic data in different ways depending on the country. In the United States, it should result in higher-than-expected GDP growth, with sinking imports acting as a major boost. Elsewhere, however, the impact will be the opposite. A decline in exports will indeed act as a drag on growth among the United States' trading partners, notably Canada. The impact could be significant for the manufacturing sector, which has already been experiencing a decline in production and jobs for several months.

U.S.: Goods exchanges plummeting in Q2

ISM Manufacturing Survey



NBC Economics and Strategy (data via Bloomberg)



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