

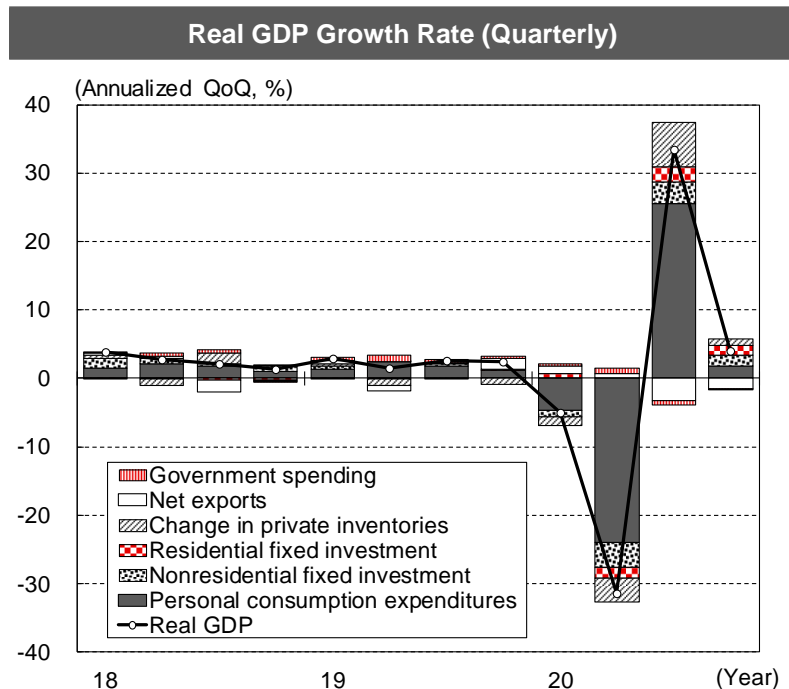
US Economic Indicators Monthly Overview (February 2021)

ECONOMIC RESEARCH OFFICE (NEW YORK)

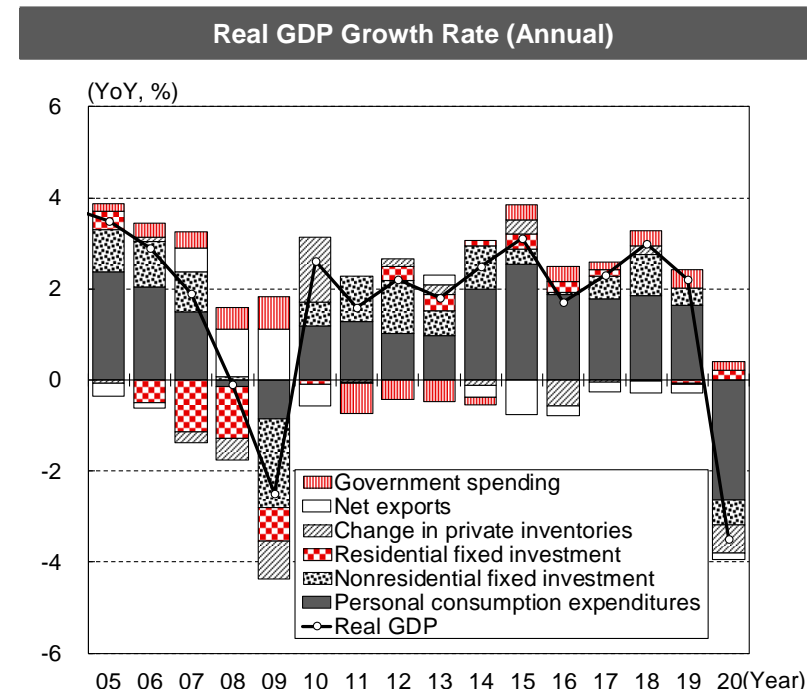
25th February 2021 (original Japanese version released on 17th February)

1. GDP

- The real GDP (preliminary figure) grew 4.0% annualized QoQ in the October-December 2020 quarter, increasing for a second straight quarter. But the pace of increase slowed considerably from the July-September quarter.
- Among the components of demand that helped raise the real GDP growth rate is government spending, which declined 1.2% annualized QoQ but at a slower pace than in the prior quarter; net exports' negative contribution to the real GDP growth rate also narrowed from the prior quarter to -1.52% points.
- Meanwhile, the components that weighed on the real GDP growth rate include personal consumption expenditures, which increased 2.5% annualized QoQ, a considerable slowdown from the prior quarter (personal consumption expenditures account for roughly 70% of GDP); similarly, residential investment's increase slowed to 33.5% annualized QoQ; nonresidential fixed investment's increase slowed to 13.8% annualized QoQ; and the positive contribution of change in private inventories to the real GDP growth rate narrowed to 1.04% points.
- Annual real GDP declined 3.5% YoY in 2020, the first decline since 2009. Among the components of demand, residential fixed investment rose 5.9% YoY and government spending rose 1.1% YoY, while personal consumption expenditures declined 3.9% YoY and nonresidential fixed investment declined 4.0% YoY. Change in private inventories and net exports had negative contributions of -0.63% point and -0.13% point, respectively, to the real GDP growth rate.



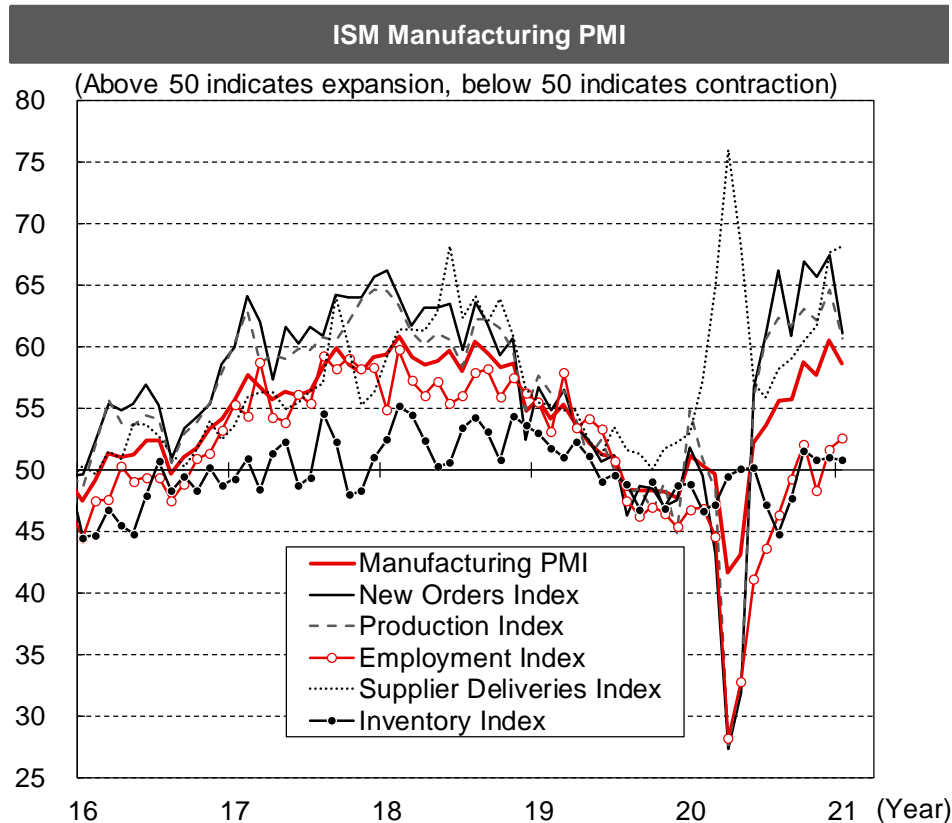
Source: Department of Commerce, MUFG Bank Economic Research Office



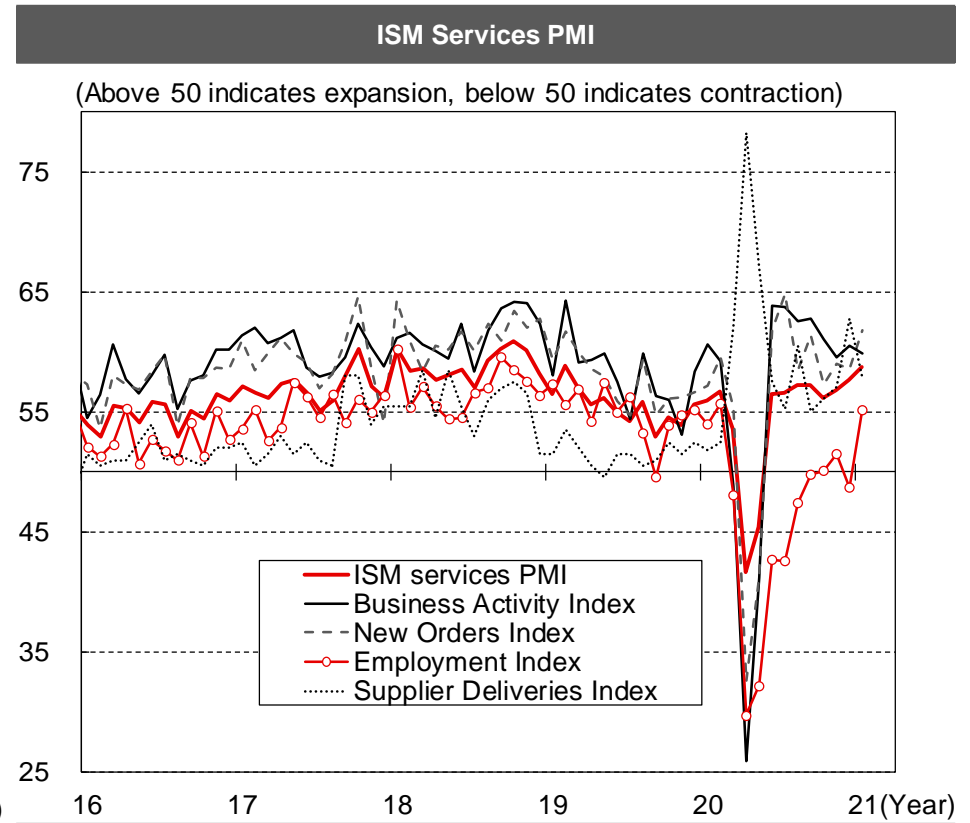
Source: Department of Commerce, MUFG Bank Economic Research Office

2. Business Activity

- ISM Manufacturing PMI, an indicator of business confidence and activity in the manufacturing sector, declined 1.8 points MoM to 58.7 in January, while topping the expansion-or-contraction threshold of 50 for eight consecutive months. Component breakdown shows Employment Index rose 0.9 point MoM to 52.6, and Supplier Delivery Index rose 0.5 point to 68.2, while New Orders Index fell 6.4 points to 61.1, Production Index fell 4.0 points to 60.7, and Inventory Index fell 0.2 point to 50.8. Of the 18 manufacturing industries, 16 reported MoM expansion while two reported contraction, as was the case for December 2020.
- ISM Services PMI rose 1.0 point MoM to 58.7 in January, reaching the highest level since February 2019. Component breakdown shows Business Activity Index fell 0.6 point MoM to 59.9 and Supplier Deliveries Index fell 5.0 points to 57.8, while New Orders Index rose 3.2 points to 61.8 and Employment Index rose 6.5 points to 55.2. Regarding the sharp rise in Employment Index, survey respondents commented “New hires required to perform awarded work in 2021” and “Trying to replace and build staff in critical areas,” according to the press release. Of the 18 services industries, 14 reported MoM expansion while four reported contraction, as was the case for December 2020.



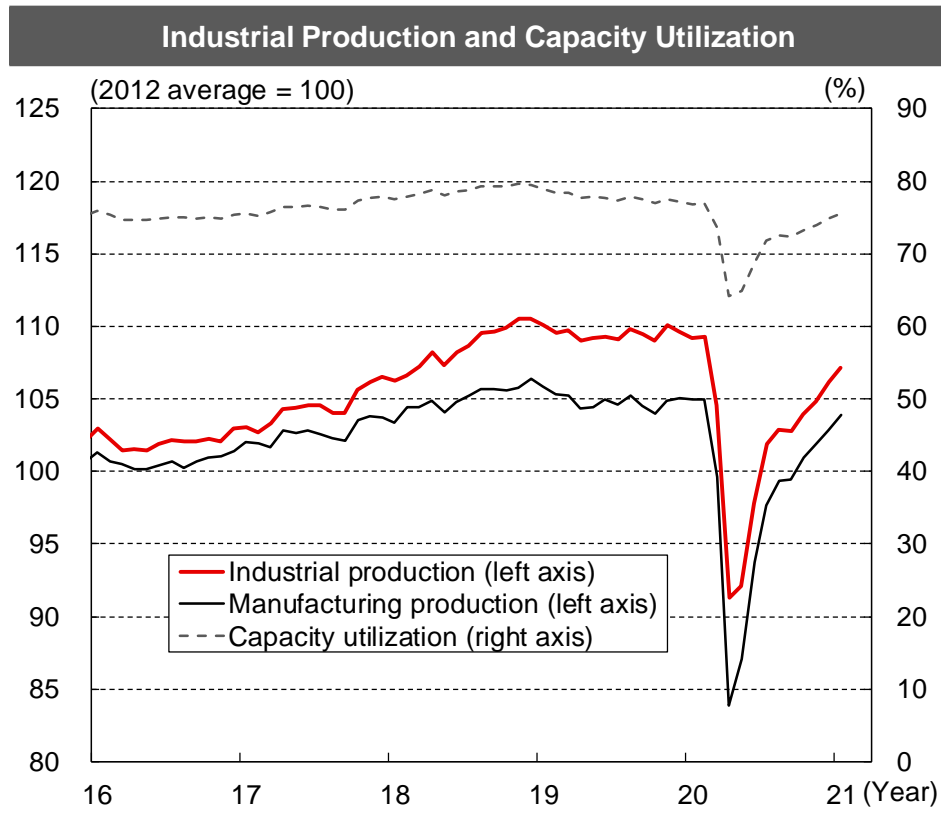
Source: Institute for Supply Management, MUFG Bank Economic Research Office



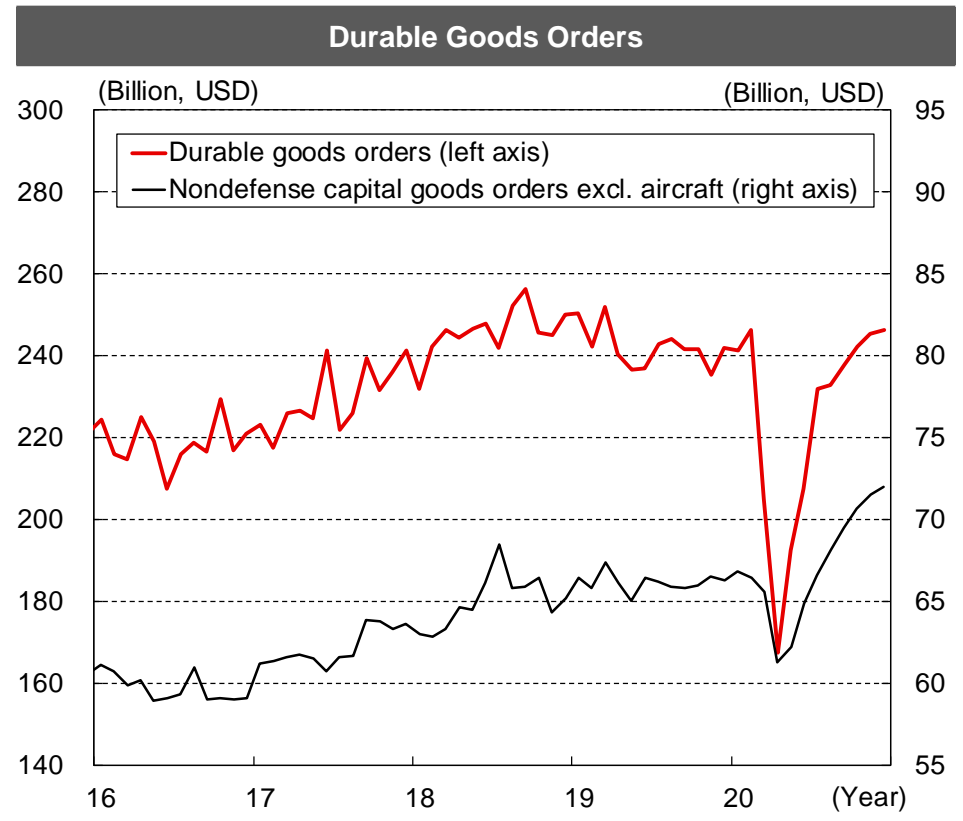
Source: Institute for Supply Management, MUFG Bank Economic Research Office

3. Production

- Industrial production rose 0.9% MoM in January, increasing for a fourth straight month after a 1.3% rise in December 2020. Industry breakdown shows utilities declined 1.2% MoM while manufacturing rose 1.0% and mining rose 2.3%. An 11.3% MoM increase in oil and gas well drilling contributed to the rise in mining. Industrial production in January is still 1.9% below the pre-pandemic level of February 2020. The capacity utilization rose 0.7% point MoM to 75.6% in January.
- Durable goods orders rose 0.5% MoM in December 2020, an eighth straight month of increase after a 1.3% rise in November. Industry breakdown shows transportation equipment declined after a rise in the prior month, and the same was true for furniture and related products. Primary metals increased at a slower pace than in the prior month, and the same was true for electrical equipment, appliances and components. Meanwhile, machinery's increase accelerated from the prior month. Fabricated metals increased after a decline in the prior month, and the same was true for computers and electronic products. Nondefense capital goods orders excluding aircraft, a leading indicator of capital investment, rose 0.7% MoM, an eighth straight month of increase after a 1.2% rise in November 2020.



Source: Federal Reserve, MUFG Bank Economic Research Office

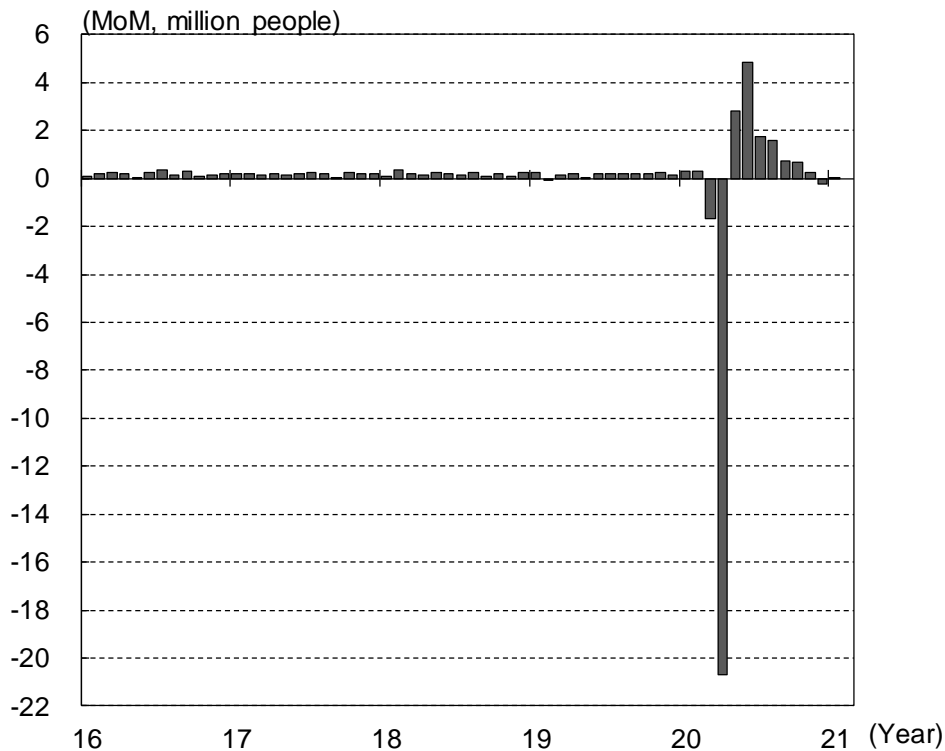


Source: Department of Commerce, MUFG Bank Economic Research Office

4. Employment

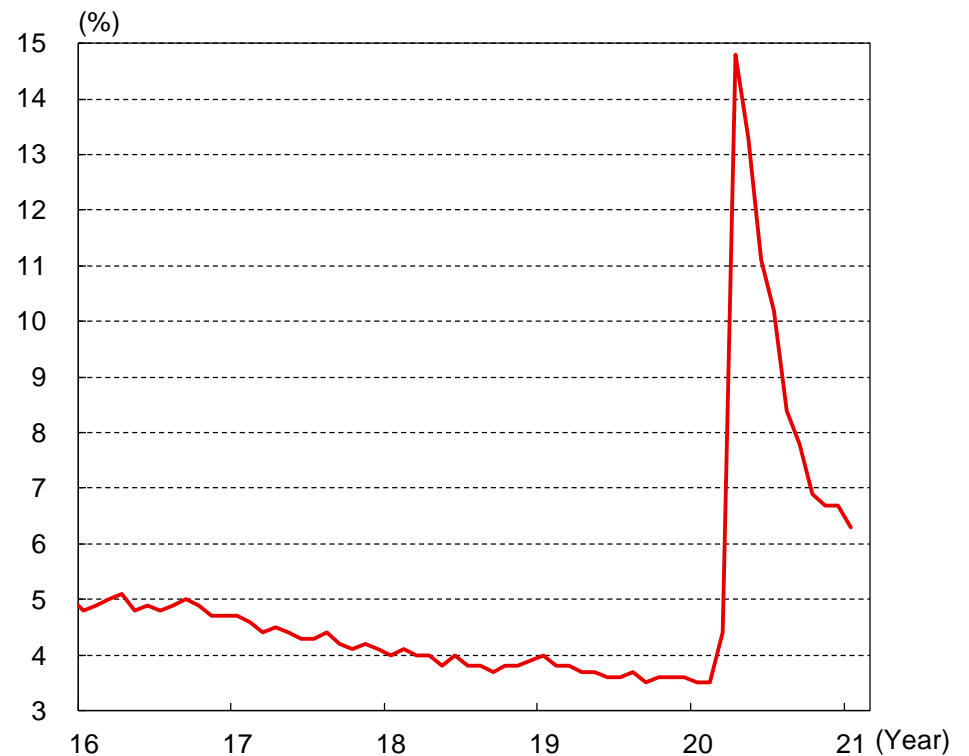
- Nonfarm payroll increased 49,000 MoM in January, rising slightly after a 227,000 decline in December 2020.
- Industry breakdown shows that leisure and hospitality declined 61,000 MoM, retail trade declined 37,800, and transportation and warehousing declined 27,800. Meanwhile, professional and business services increased 97,000 MoM, government increased 43,000, and wholesale trade increased 14,300.
- Unemployment rate fell to 6.3% in January from 6.7% in December 2020, and participation rate also fell to 61.4% in January from 61.5% in December. Average hourly earnings for all private-sector employees rose 0.2% MoM after a 1.0% rise in December. On the YoY basis, the hourly earnings rose 5.4%, the same rate as in December.

Nonfarm Payroll



Source: Department of Labor, MUFG Bank Economic Research Office

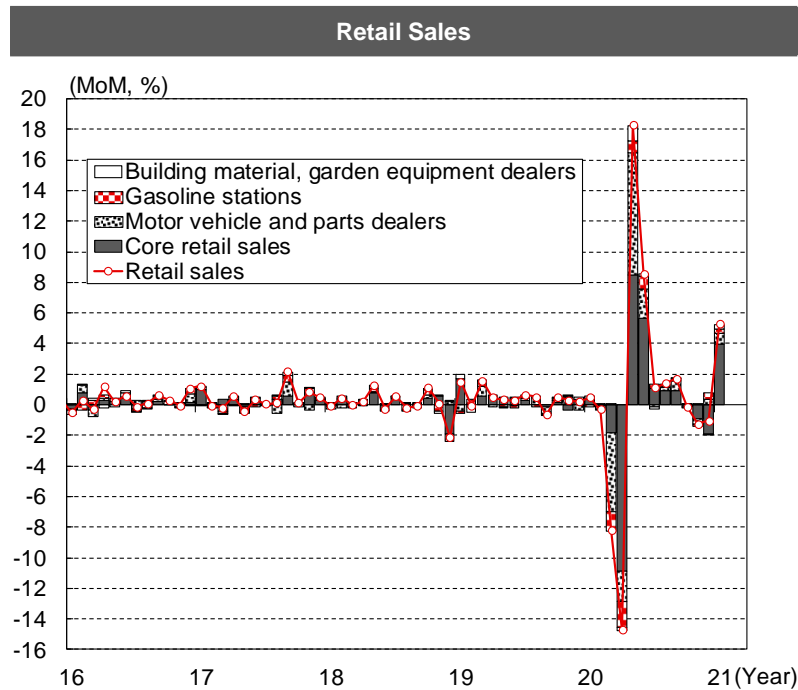
Unemployment Rate



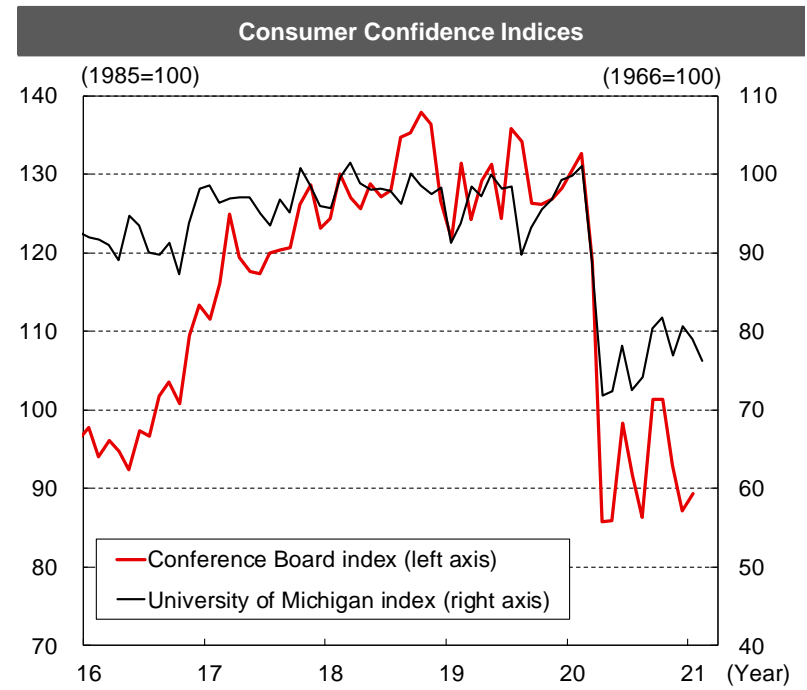
Source: Department of Labor, MUFG Bank Economic Research Office

5. Consumer Spending

- Retail sales rose 5.3% MoM in January, the first increase in four months after a 1.0% decline in December 2020. Retail sales rose in all of the major types of business, but notable gains were seen in electronics and appliance stores with a 14.7% MoM increase, furniture and home furnishing stores with a 12.0% increase, and nonstore retailers with an 11.0% increase .
- Retail sales for January are 7.6% above the pre-pandemic level of February 2020. But the sales vary widely from industry to industry. Food services and drinking places are down 16.4% from the pre-pandemic level; clothing and clothing accessories stores are down 9.6%; and gasoline stations are down 5.0%.
- The Conference Board Consumer Confidence Index rose 2.2 points MoM to 89.3 in January. The Present Situation Index declined 2.8 points MoM to 84.4, while the Expectations Index rose 5.5 points to 92.5. The Expectations Index is compiled based on views about the business conditions, job market and income prospects for six months in the future. While views on income prospects worsened slightly, views on business conditions and on job market improved.
- The University of Michigan Index of Consumer Sentiment declined 2.8 points MoM to 76.2 in February (preliminary results). Index for Current Economic Conditions declined 0.5 point MoM to 86.2, and Index of Consumer Expectations declined 4.2 points to 69.8. Consumers' views on prospects for the US economy were less favorable in early February than in January, according to Surveys of Consumers chief economist Richard Curtin.



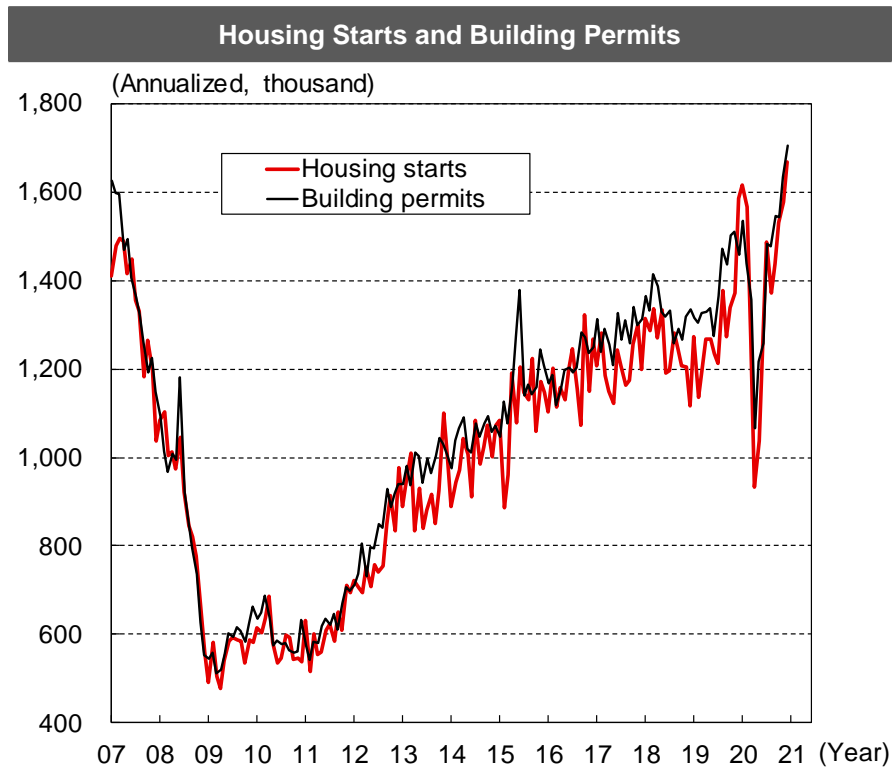
Source: Department of Commerce, MUFG Bank Economic Research Office



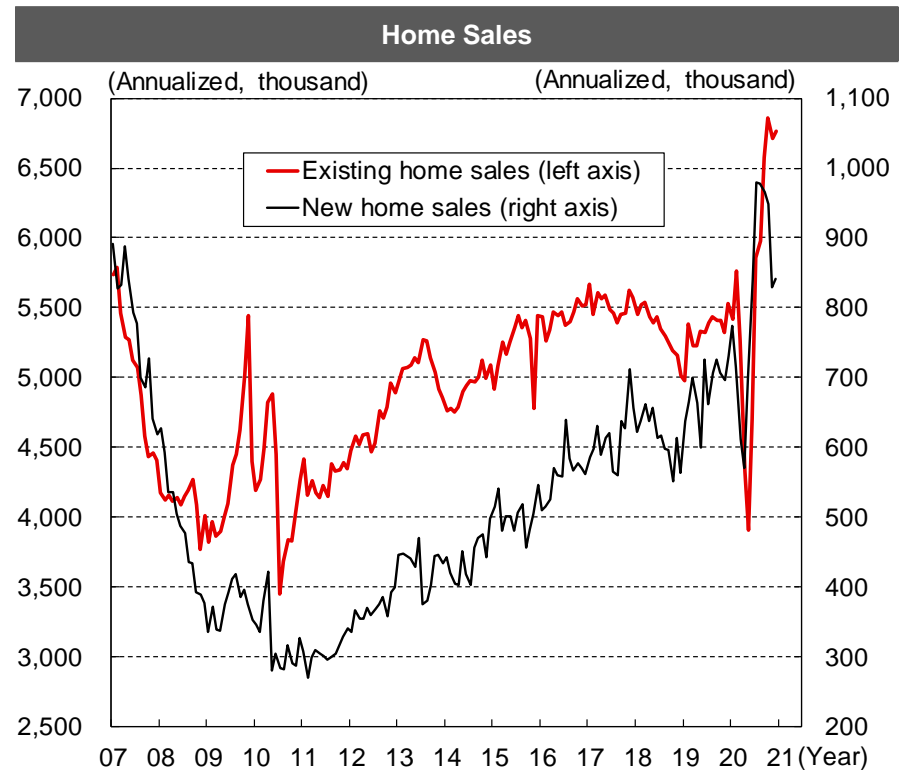
Source: Conference Board, University of Michigan, MUFG Bank Economic Research Office

6. Housing Market

- Housing starts in December 2020 rose 5.8% MoM to a seasonally adjusted annualized rate (SAAR) of 1,669,000, with the increase accelerating from 3.1% in November 2020. Buildings with two or more units, which tend to fluctuate widely, fell 13.6% MoM, while single-family housing starts rose 12.0%. Building permits, a leading indicator of housing starts, rose 4.2% MoM to 1,704,000 (SAAR), rising for a second straight month after a 5.9% rise in November 2020.
- Existing home sales, which account for roughly 90% of the overall home sales, rose 0.7% MoM in December 2020 to 6,760,000 (SAAR), rising for the first time in two months. The inventory-to-sales ratio fell further to 2.2 months (seasonally adjusted) from November's 2.3 months. Median sales price rose 12.9% YoY to \$309,800 (not seasonally adjusted), with the increase slowing from November's 14.6%.
- New residential sales rose 1.6% MoM in December 2020 to 842,000 (SAAR), rising for the first time in five months after a 12.6% decline in November 2020. Inventory-to-sales ratio rose for a second straight month to 4.3 months (seasonally adjusted), after 4.2 months in November. Median sales price rose 8.0% YoY to \$355,900 (seasonally adjusted), accelerating from November's 4.8%.



Source: Department of Commerce, MUFG Bank Economic Research Office

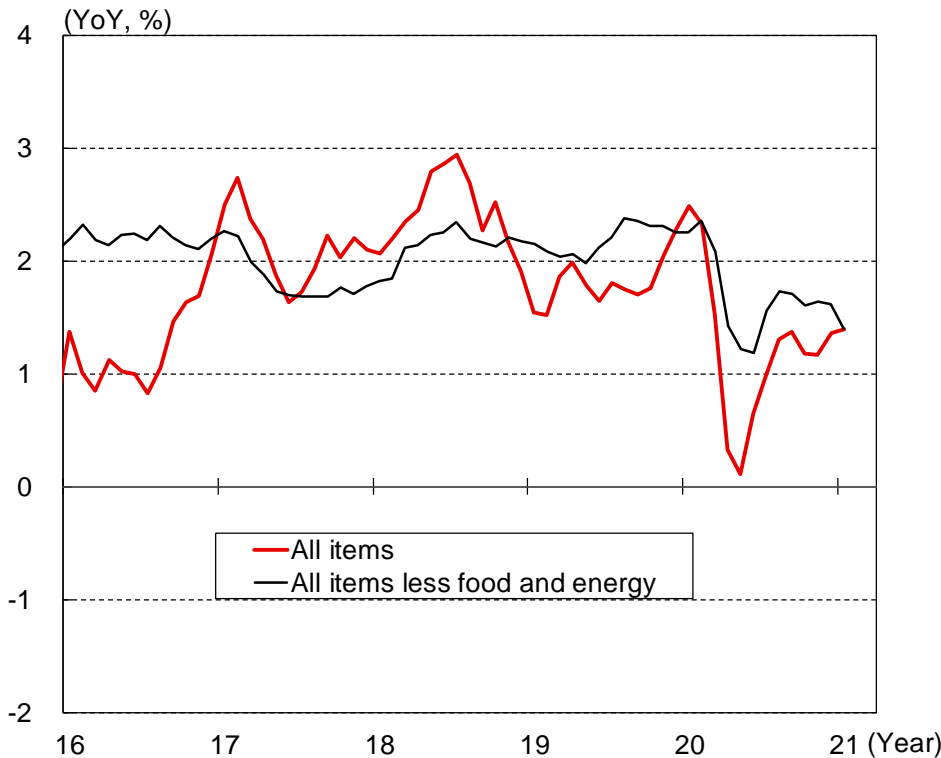


Source: National Association of Realtors, Department of Commerce, MUFG Bank Economic Research Office

7. Inflation

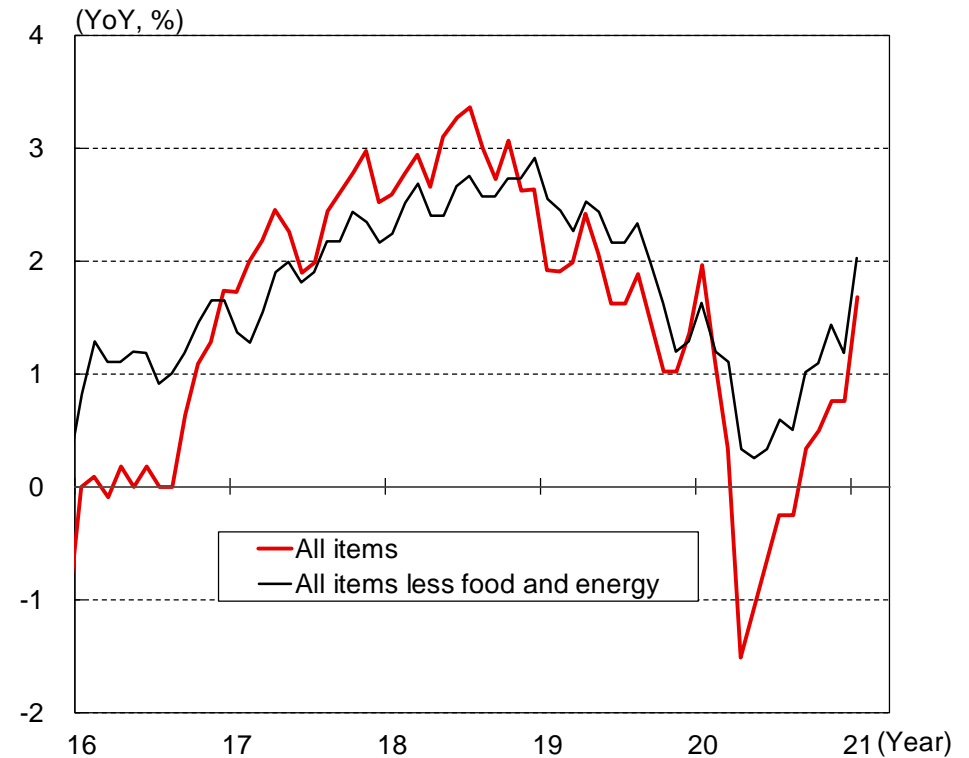
- The Consumer Price Index rose 0.3% MoM in January, with the increase slightly accelerating from 0.2% in December 2020. The CPI rose 1.4% YoY in January, the same rate as in December 2020. Breakdown by item shows that food rose 3.8% YoY while energy declined 3.6% YoY. The Core CPI (all items less food and energy) was flat MoM, as was the case in December 2020, and rose 1.4% YoY after a 1.6% rise in December 2020.
- The Producer Price Index rose 1.3% MoM in January, the sharpest monthly increase since the current statistics began in December 2009. The index rose 0.3% MoM in December 2020. The PPI rose 1.7% YoY in January, the sharpest rise since the 2.0% increase in January 2020. Index for goods rose 1.3% YoY while index for services rose 2.0%. The core PPI (all items less food and energy) rose 1.2% MoM after a 0.1% rise in December 2020. On the YoY basis, the core PPI rose 2.0% after a 1.2% rise in December 2020.

Consumer Price Index



Source: Department of Labor, MUFG Bank Economic Research Office

Producer Price Index

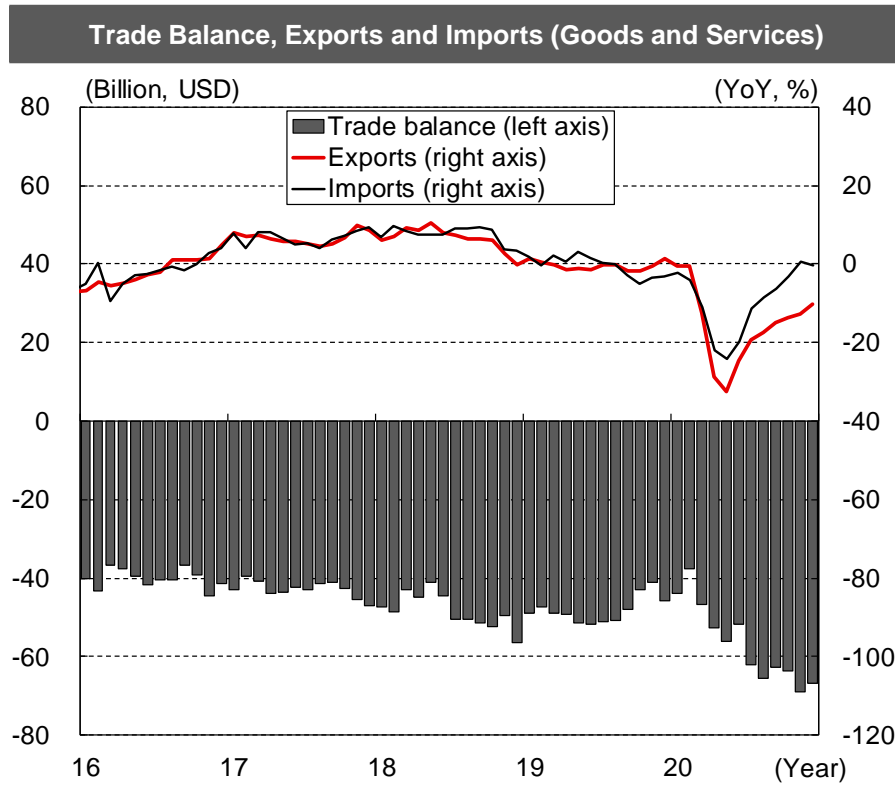


Source: Department of Labor, MUFG Bank Economic Research Office

8. Balance of Payments

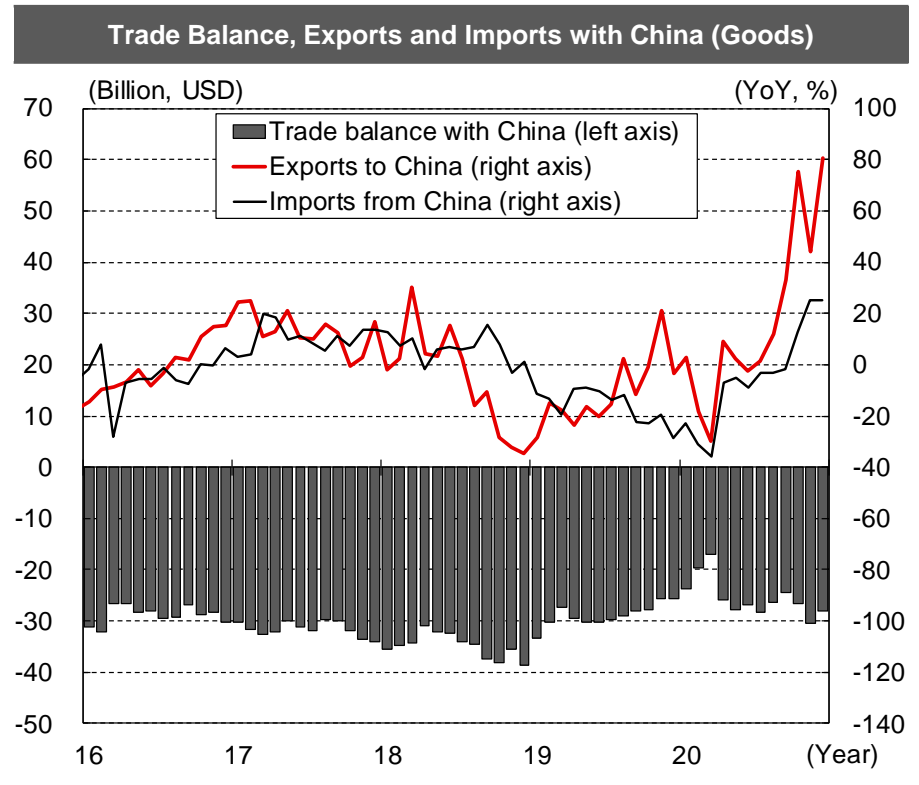
- Trade deficit on goods and services narrowed 3.5% MoM in December 2020 to \$66.6 billion. Trade deficit on goods narrowed 3.3% MoM to \$84.2 billion, and trade surplus on services narrowed 2.5% to 17.5 billion. Exports rose 3.4% MoM and imports rose 1.5%.
- Breakdown by destination shows that the goods trade deficit with China, which accounts for roughly 40% of all-destination goods deficit, narrowed 7.6% or \$2.3 billion MoM to \$28.1 billion in December 2020.
- Annual trade deficit for goods and services widened 17.7% YoY to \$678.7 billion in 2020. Goods deficit widened 6.0% YoY to \$915.8 billion, while services surplus narrowed 17.5% to \$237.1 billion. Exports declined by 15.7% YoY, the sharpest decline on record; imports declined 9.5%, the sharpest decline since 2009.

Note: Trade balance is on a balance of payment (BOP) basis but breakdown by country is on a Census basis.



Note: Balance of payments basis

Source: Department of Commerce, MUFG Bank Economic Research Office

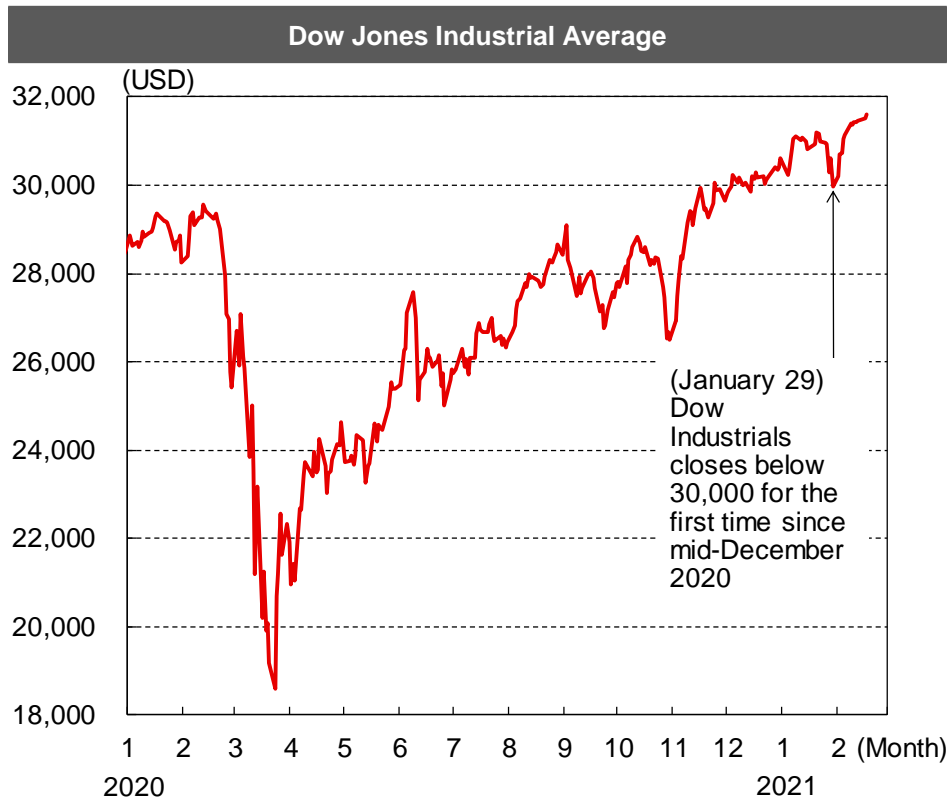


Note: Census basis

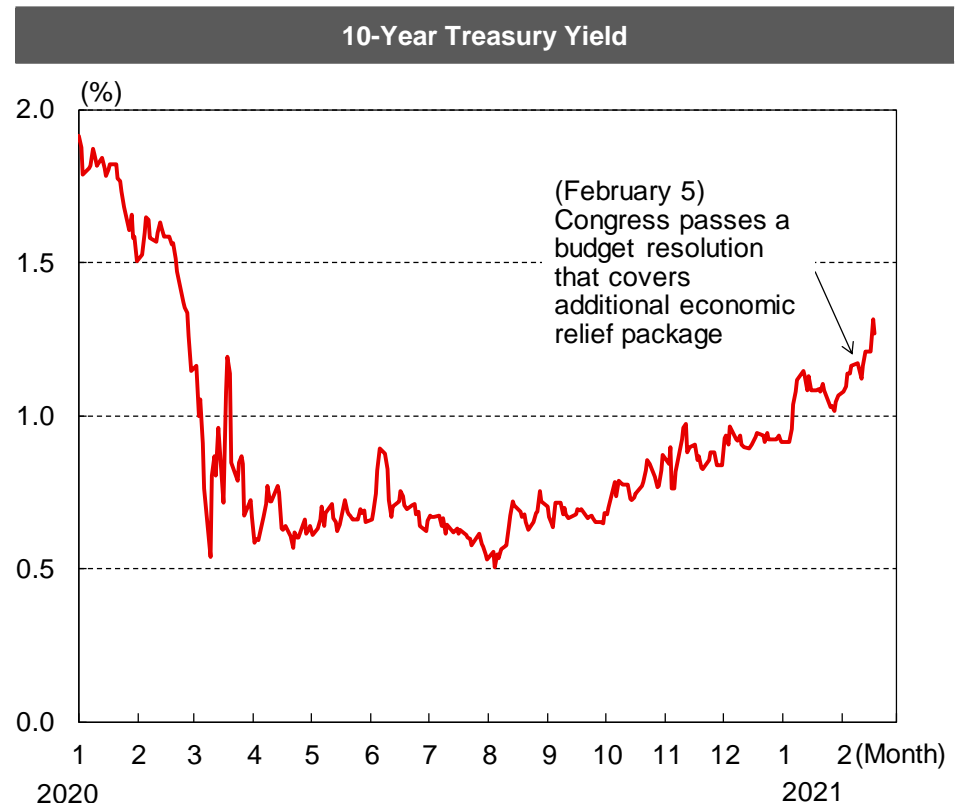
Source: Department of Commerce, MUFG Bank Economic Research Office

9. Financial Markets

- Dow Jones Industrial Average declined continually in late January amid market turmoil related to volatility of a handful of stocks targeted by retail investors (a situation referred to as “Robinhood shock”). Dow Industrials reverted to an uptrend as the volatility subsided gradually and hopes grew about future implementation of economic relief measures, and is now hovering around record high levels.
- The 10-year treasury yield has been on an uptrend and is currently hovering around 1.3%, the highest level in about a year, amid hopes that the economic relief package deliberated in Congress would propel economic recovery and accelerate inflation. Regarding the \$1.9 trillion economic relief package proposed by the Biden Administration and the Democratic Party, a budget resolution was passed on February 5 to apply a reconciliation process to the bill so that only majority vote is needed in the Senate to pass the bill rather than the usual 60 votes. Now that Republican votes are not required to pass the bill into law, the likelihood for the bill to clear Congress has increased.



Source: Bloomberg, MUFG Bank Economic Research Office



Source: Bloomberg, MUFG Bank Economic Research Office

Table: Major Monthly Economic Indicators

Major Monthly Economic Indicators												
		Apr-20	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-21	Feb
Businesses	ISM Manufacturing PMI	41.7	43.1	52.2	53.7	55.6	55.7	58.8	57.7	60.5	58.7	-
	ISM Services PMI	41.6	45.4	56.5	56.6	57.2	57.2	56.2	56.8	57.7	58.7	-
	Industrial production (2012 ave = 100)	91.3	92.1	97.8	101.9	102.9	102.8	103.9	104.9	106.2	107.2	-
	MoM (%)	-12.7	0.9	6.2	4.2	1.0	-0.1	1.1	0.9	1.3	0.9	-
	Capacity utilization (%)	64.2	64.8	68.9	71.8	72.5	72.4	73.3	73.9	74.9	75.6	-
	Manufactured goods new orders (Million USD)	382,304	411,695	438,247	466,927	469,802	475,929	482,228	488,307	493,548	-	-
	MoM (%)	-13.5	7.7	6.4	6.5	0.6	1.3	1.3	1.3	1.1	-	-
	Durable goods orders (Million USD)	167,502	192,605	207,474	231,914	232,933	237,786	242,098	245,247	246,405	-	-
MoM (%)	-18.3	15.0	7.7	11.8	0.4	2.1	1.8	1.3	0.5	-	-	
Household	Nonfarm payroll (monthly change, thousand people)	-20,679	2,833	4,846	1,726	1,583	716	680	264	-227	49	-
	Average hourly earnings (USD)	30.07	29.74	29.35	29.37	29.47	29.50	29.52	29.61	29.90	29.96	-
	YoY(%)	8.2	6.7	5.0	4.7	4.7	4.8	4.5	4.5	5.4	5.4	-
	Unemployment rate (%)	14.8	13.3	11.1	10.2	8.4	7.8	6.9	6.7	6.7	6.3	-
	Personal income (annualized, billion USD)	21,093	20,246	20,033	20,213	19,692	19,842	19,708	19,452	19,568	-	-
	MoM (%)	12.4	-4.0	-1.1	0.9	-2.6	0.8	-0.7	-1.3	0.6	-	-
	Consumer spending (annualized, billion USD)	12,112	13,165	14,015	14,225	14,397	14,583	14,621	14,522	14,494	-	-
	MoM (%)	-12.7	8.7	6.5	1.5	1.2	1.3	0.3	-0.7	-0.2	-	-
	Saving rate (%)	33.7	24.7	19.0	18.5	15.0	14.4	13.6	12.9	13.7	-	-
	Retail sales (million USD)	412,766	488,218	529,962	535,923	543,404	552,767	552,193	545,248	539,670	568,215	-
	MoM (%)	-14.7	18.3	8.6	1.1	1.4	1.7	-0.1	-1.3	-1.0	5.3	-
	Auto sales (annualized, million units)	8.7	12.1	13.0	14.6	15.1	16.3	16.4	15.7	16.2	16.6	-
	MoM (%)	-23.2	38.9	7.5	12.3	3.3	7.9	0.4	-4.0	3.3	2.5	-
Conference Board Consumer Confidence Index	85.7	85.9	98.3	91.7	86.3	101.3	101.4	92.9	87.1	89.3	-	
University of Michigan Index of Consumer Sentiment	71.8	72.3	78.1	72.5	74.1	80.4	81.8	76.9	80.7	79.0	76.2	

Source: Various statistics, MUFG Bank Economic Research Office

Table: Major Monthly Economic Indicators (continued)

Major Monthly Economic Indicators												
		Apr-20	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-21	Feb
Housing	Housing starts (annualized, thousand units)	934	1,038	1,265	1,487	1,373	1,437	1,530	1,578	1,669	-	-
	MoM (%)	-26.4	11.1	21.9	17.5	-7.7	4.7	6.5	3.1	5.8	-	-
	Existing home sales (annualized, thousand units)	4,330	3,910	4,700	5,860	5,980	6,570	6,860	6,710	6,760	-	-
	MoM (%)	-17.8	-9.7	20.2	24.7	2.0	9.9	4.4	-2.2	0.7	-	-
	New home sales (annualized, thousand units)	570	698	840	979	977	965	949	829	842	-	-
	MoM (%)	-6.9	22.5	20.3	16.5	-0.2	-1.2	-1.7	-12.6	1.6	-	-
Prices	Consumer Price Index (1982-1984 = 100)	256.4	256.4	257.8	259.1	259.9	260.3	260.4	260.2	260.5	261.6	-
	MoM (%)	-0.7	-0.1	0.5	0.5	0.4	0.2	0.1	0.2	0.2	0.3	-
	YoY (%)	0.3	0.1	0.6	1.0	1.3	1.4	1.2	1.2	1.4	1.4	-
	Producer Price Index (Nov 2009 = 100)	116.7	117.3	117.7	118.4	118.5	118.7	119.4	119.2	119.3	121.0	-
	MoM (%)	-1.1	0.4	0.3	0.5	0.2	0.3	0.5	0.1	0.3	1.3	-
	YoY (%)	-1.5	-1.1	-0.7	-0.3	-0.3	0.3	0.5	0.8	0.8	1.7	-
Trade	Exports (goods, billion USD)	95.5	89.8	102.8	115.3	118.7	122.4	126.2	127.5	133.5	-	-
	Imports (goods, billion USD)	167.8	166.5	175.3	196.8	203.3	203.9	208.2	214.5	217.7	-	-
	Trade balance (goods, billion USD)	-72.3	-76.7	-72.4	-81.5	-84.5	-81.4	-82.0	-87.0	-84.2	-	-
	Trade balance (goods and services, billion USD)	-52.5	-56.2	-51.9	-62.1	-65.6	-62.7	-63.8	-69.0	-66.6	-	-

Note: Consumer Price Index and its year-over-year change, Producer Price Index and its year-over-year change are not seasonally adjusted.

Source: Various statistics, MUFG Bank Economic Research Office

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