

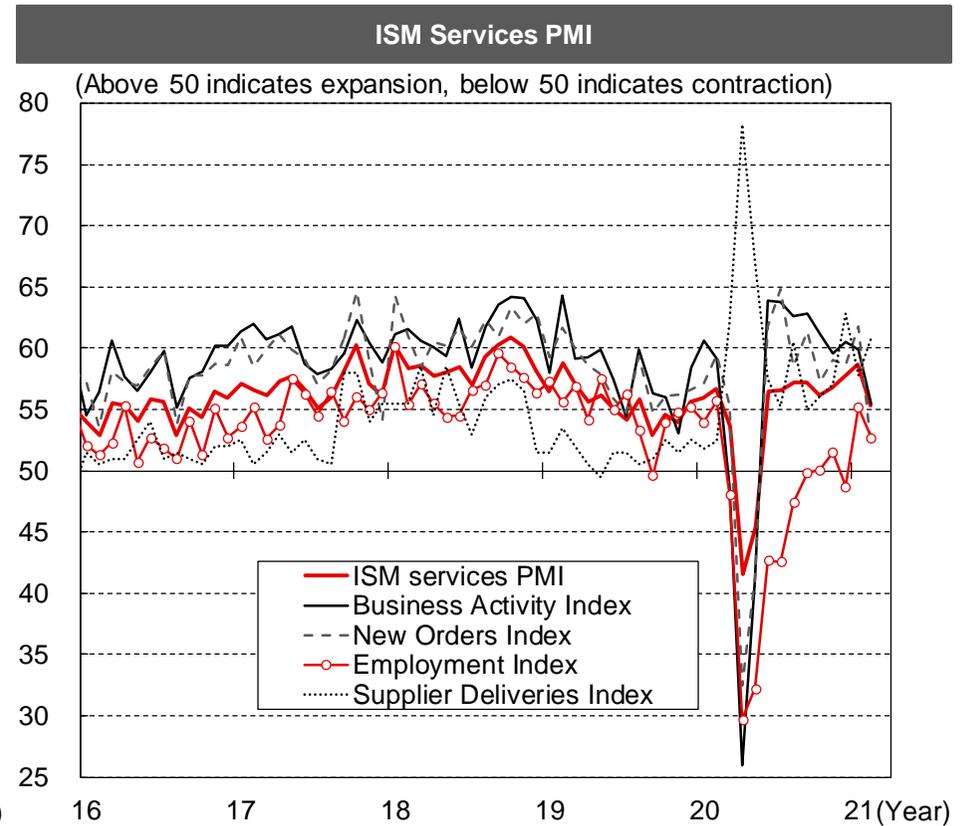
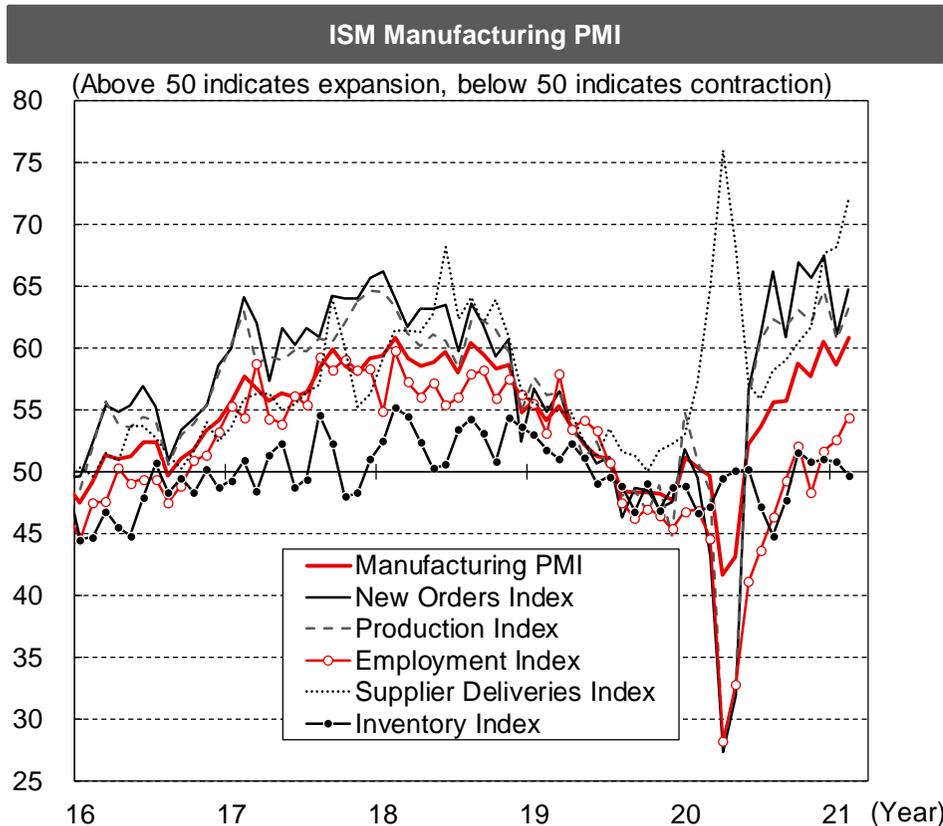
US Economic Indicators Monthly Overview (March 2021)

ECONOMIC RESEARCH OFFICE (NEW YORK)

25th March 2021 (original Japanese version released on 16th March)

1. Business Activity

- ISM Manufacturing PMI, an indicator of business confidence and activity in the manufacturing sector, rose 2.1 points MoM to 60.8 in February, topping the expansion-or-contraction threshold of 50 for nine consecutive months. Component breakdown shows Inventory Index fell 1.1 points MoM to 49.7, while New Orders Index rose 3.7 points to 64.8, Production Index rose 2.5 points to 63.2, Employment Index rose 1.8 points to 54.4, and Supplier Deliveries Index rose 3.8 points to 72.0. Of the 18 manufacturing industries, 16 reported MoM expansion while two – Printing & Related Support Activities and Petroleum & Coal Products – reported contraction, as was the case for January.
- ISM Services PMI fell 3.4 points MoM in February to 55.3, while topping the expansion-or-contraction threshold of 50 for nine consecutive months. Component breakdown shows Supplier Deliveries Index rose 3.0 points to 60.8, while Business Activity Index fell 4.4 points to 55.5, New Orders Index fell 9.9 points to 51.9, and Employment Index fell 2.5 points to 52.7. Of the 18 services industries, 17 reported MoM expansion while one – Real Estate, Rental & Leasing – reported contraction (in January, 14 reported expansion and four reported contraction).



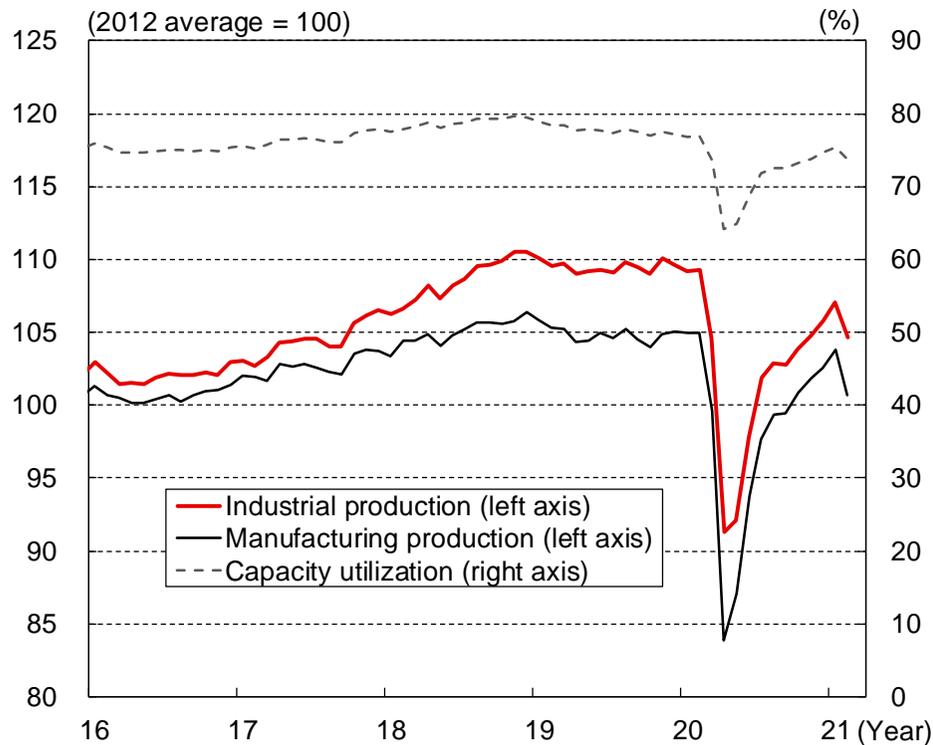
Source: Institute for Supply Management, MUFG Bank Economic Research Office

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2. Production

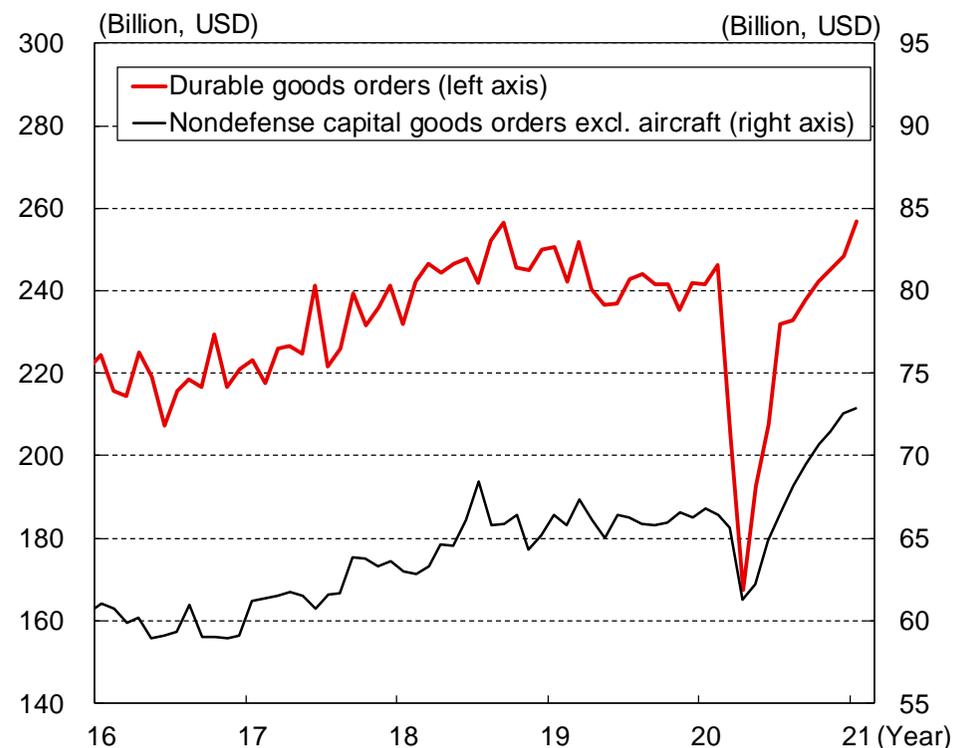
- Industrial production declined 1.1% MoM in February, falling for the first time in five months after a 1.1% increase in January. Industry breakdown shows utilities rose 7.4% MoM while mining fell 5.4% and manufacturing fell 3.1%. Severe winter weather in the south region buoyed utilities production due to increased heating demand, while it reduced mining and manufacturing production by bringing production facilities offline, according to the Federal Reserve, which releases the statistics. The Fed also pointed out that global shortage of semiconductors contributed to a drop in automobile production. Industrial production in February fell 4.2% YoY from the pre-pandemic level of February 2020. The capacity utilization declined 1.7% points MoM to 73.8% in February.
- Durable goods orders rose 3.4% MoM in January, a ninth straight month of increase and accelerating from a 1.2% rise in December 2020. Industry breakdown shows machinery, computers & electronic products, and furniture & related products declined MoM, and fabricated metal products' pace of increase slowed from the prior month, while the pace of increase accelerated for primary metals, electrical equipment, appliances & components, and transportation equipment. Nondefense capital goods orders excluding aircraft, a leading indicator of capital investment, rose 0.4% MoM, a ninth straight month of increase after a 1.5% rise in December 2020.

Industrial Production and Capacity Utilization



Source: Federal Reserve, MUFG Bank Economic Research Office

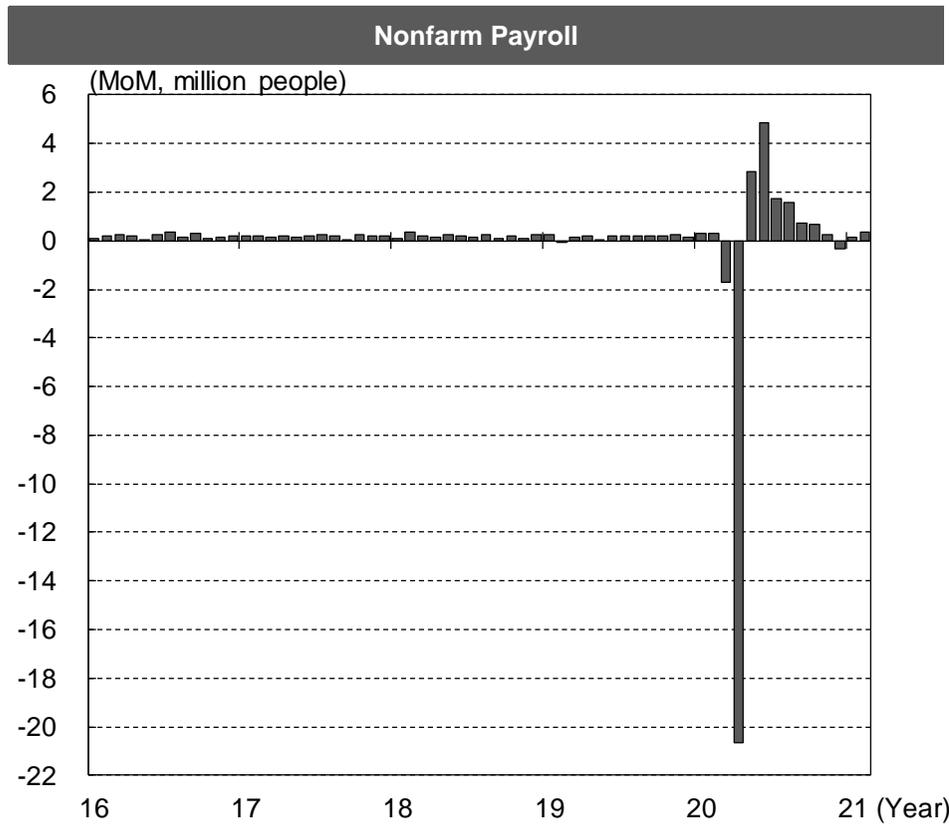
Durable Goods Orders



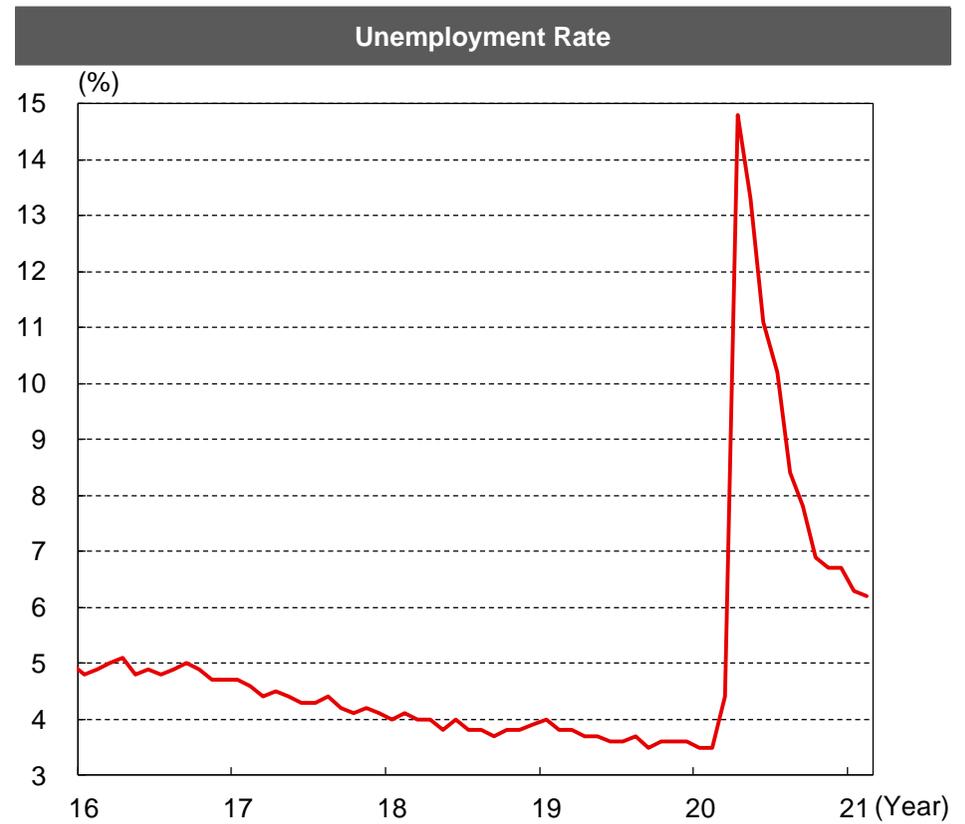
Source: Department of Commerce, MUFG Bank Economic Research Office

3. Employment

- Nonfarm payroll increased 379,000 MoM in February, rising for a second straight month after a 166,000 increase in January.
- Industry breakdown shows that government decreased 86,000 MoM, being one of the few areas that saw a decline. Meanwhile, leisure & hospitality, which has been most severely hit by the pandemic, jumped 355,000 MoM. Furthermore, professional & business services increased 63,000 MoM, education & health services increased 44,000, and retail trade increased 41,000.
- Unemployment rate fell to 6.2% in February from 6.3% in January, and participation rate was unchanged MoM at 61.4%. Average hourly earnings for all private-sector employees rose 0.2% MoM in February after a 0.1% rise in January. On the YoY basis, the hourly earnings rose 5.3%, the same rate as in January.



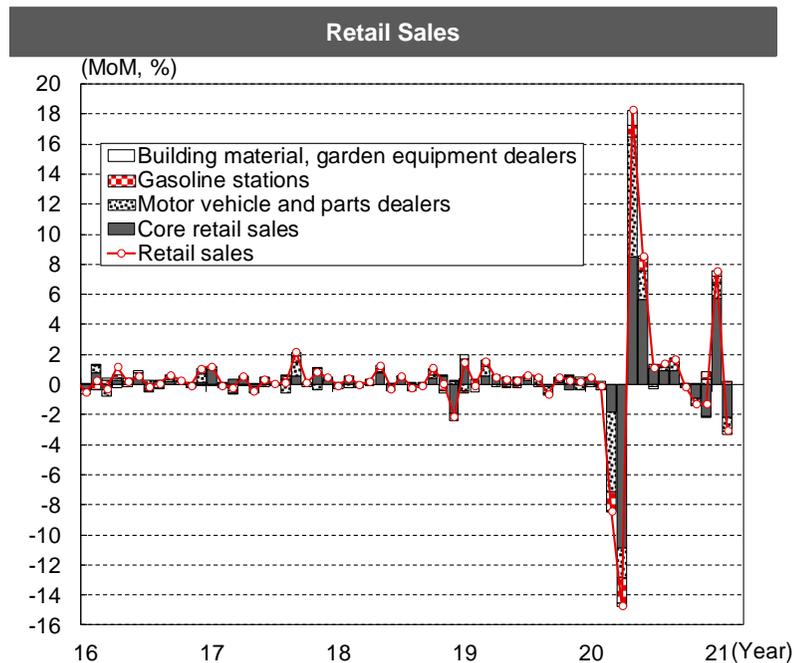
Source: Department of Labor, MUFG Bank Economic Research Office



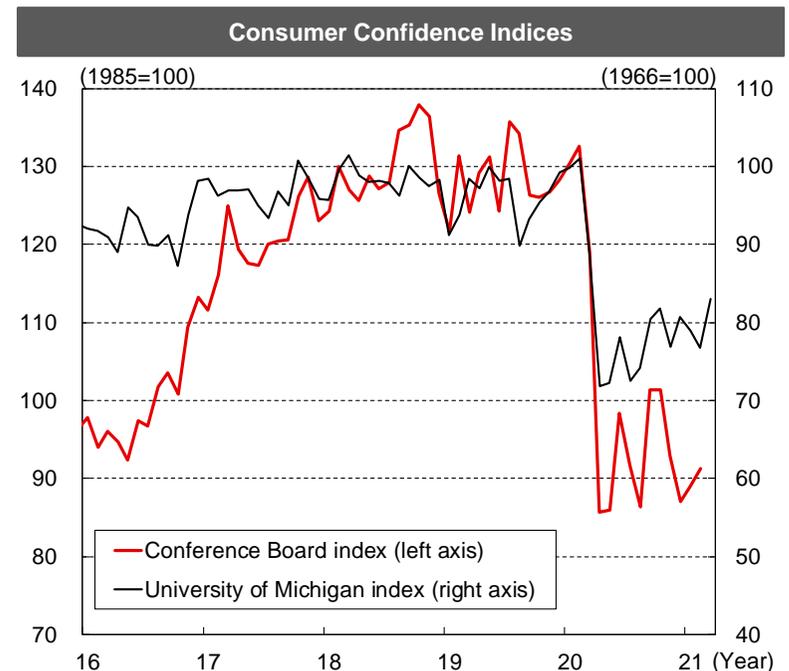
Source: Department of Labor, MUFG Bank Economic Research Office

4. Consumer Spending

- Retail sales declined 3.0% MoM in February, falling after a sharp increase of 7.6% in January. Breakdown by the type of business shows that gasoline stations rose 3.6% MoM and food & beverage stores was flat MoM, but all other major types of business declined. Notable declines were seen in sporting goods, hobby, musical instrument & book stores with a 7.5% decline, general merchandise stores (including department stores) with a 5.4% decline, and nonstore retailers with a 5.4% decline.
- Retail sales for February rose 6.3% YoY from the pre-pandemic level of February 2020. But the sales vary widely from industry to industry. Food services & drinking places are down 17.0% from the pre-pandemic level; clothing & clothing accessories stores are down 11.3%; and electronics & appliance stores are down 3.1%.
- The Conference Board Consumer Confidence Index rose 2.4 points MoM to 91.3 in February, rising for a second straight month. The Expectations Index declined 0.4 point MoM to 90.8, while the Present Situation Index rose 6.5 points to 92.0, the first increase in four months. The Present Situation Index is compiled based on views about business conditions and job market. Views about both areas improved.
- The University of Michigan Index of Consumer Sentiment rose 6.2 points MoM to 83.0 in March (preliminary results). Index for Current Economic Conditions rose 5.3 points MoM to 91.5, and Index of Consumer Expectations rose 6.8 points to 77.5. Vaccine administration and additional economic relief measures contributed to the rise in the headline index, according to Surveys of Consumers chief economist Richard Curtin.



Source: Department of Commerce, MUFG Bank Economic Research Office

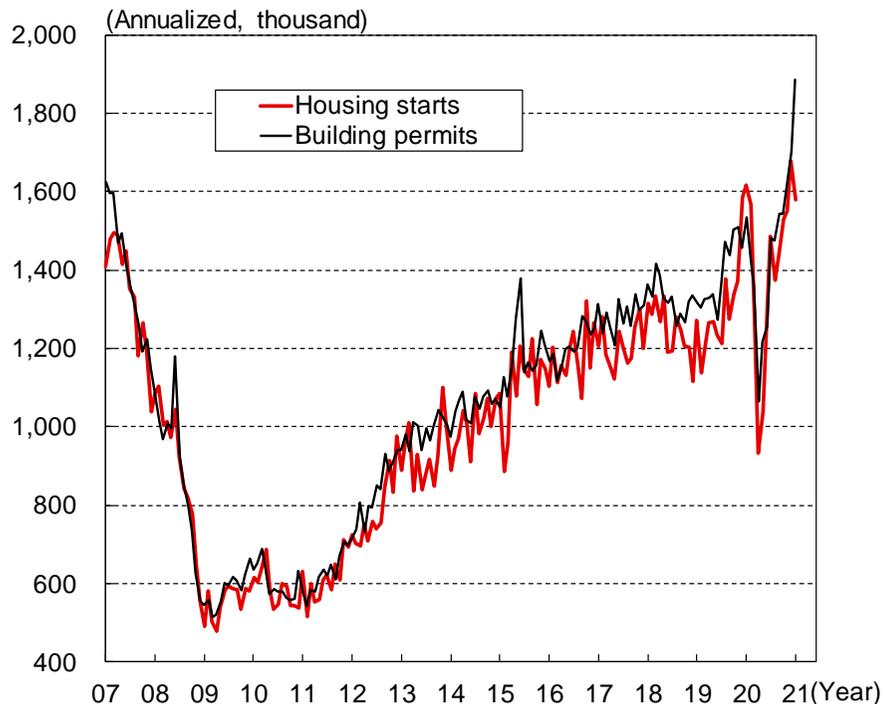


Source: Conference Board, University of Michigan, MUFG Bank Economic Research Office

5. Housing Market

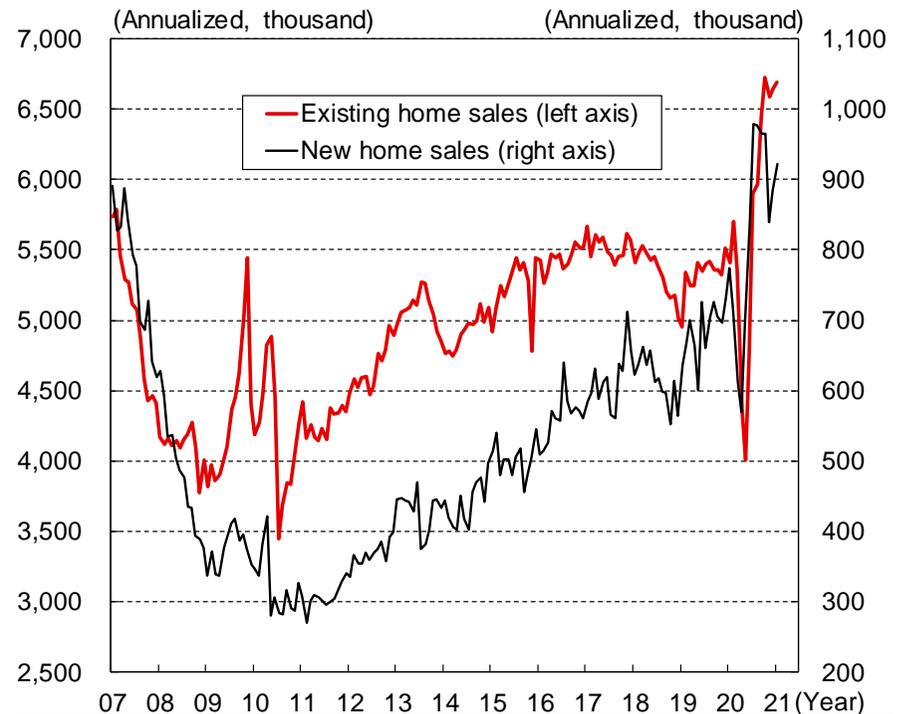
- Housing starts in January decreased 6.0% MoM to a seasonally adjusted annualized rate (SAAR) of 1,580,000, falling for the first time in five months after a 8.2% increase in December 2020. Buildings with two or more units, which tend to fluctuate widely, increased 17.1% MoM, while single-family housing starts decreased 12.2%. Building permits, a leading indicator of housing starts, rose 10.7% MoM to 1,886,000 (SAAR), rising for a third straight month after a 4.2% rise in December 2020.
- Existing home sales, which account for roughly 90% of the overall home sales, rose 0.6% MoM in January to 6,690,000 (SAAR), rising for a second straight month. The inventory-to-sales ratio fell further to 2.1 months (seasonally adjusted) from December's 2.3 months. Median sales price rose 14.1% YoY to \$303,900 (not seasonally adjusted), with the increase accelerating from December's 12.6%.
- New residential sales rose 4.3% MoM in January to 923,000 (SAAR), rising for a second straight month after a 5.5% increase in December 2020. Inventory-to-sales ratio fell for the first time in three months to 4.0 months (seasonally adjusted), after 4.1 months in December. Median sales price rose 5.3% YoY to \$346,400 (seasonally adjusted), slowing from December's 7.2%.

Housing Starts and Building Permits



Source: Department of Commerce, MUFG Bank Economic Research Office

Home Sales

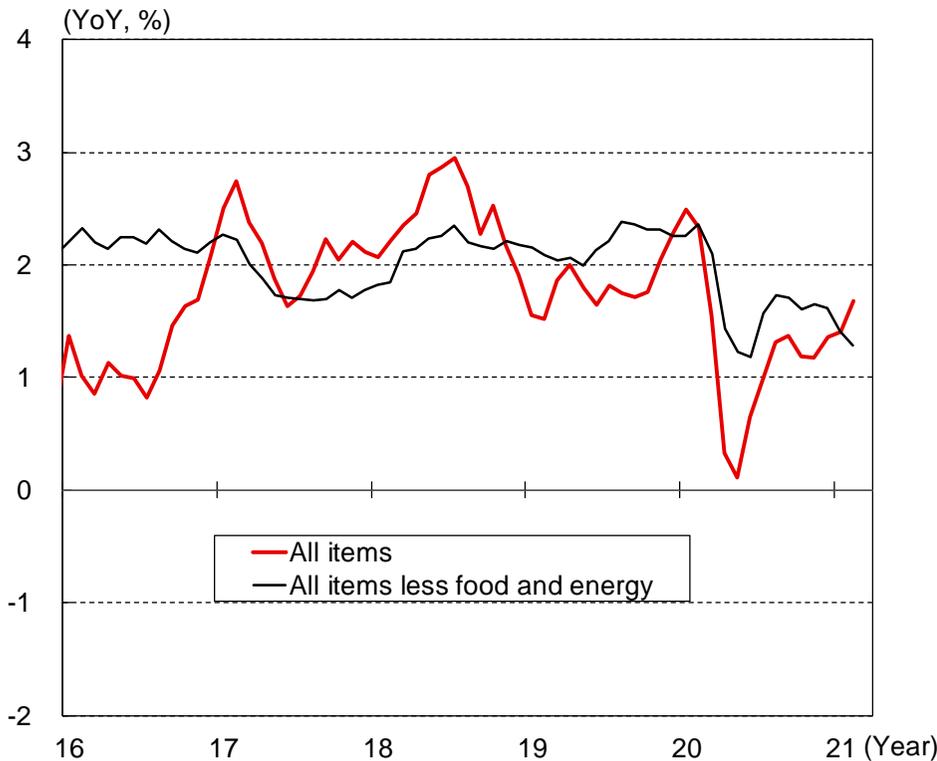


Source: National Association of Realtors, Department of Commerce, MUFG Bank Economic Research Office

6. Inflation

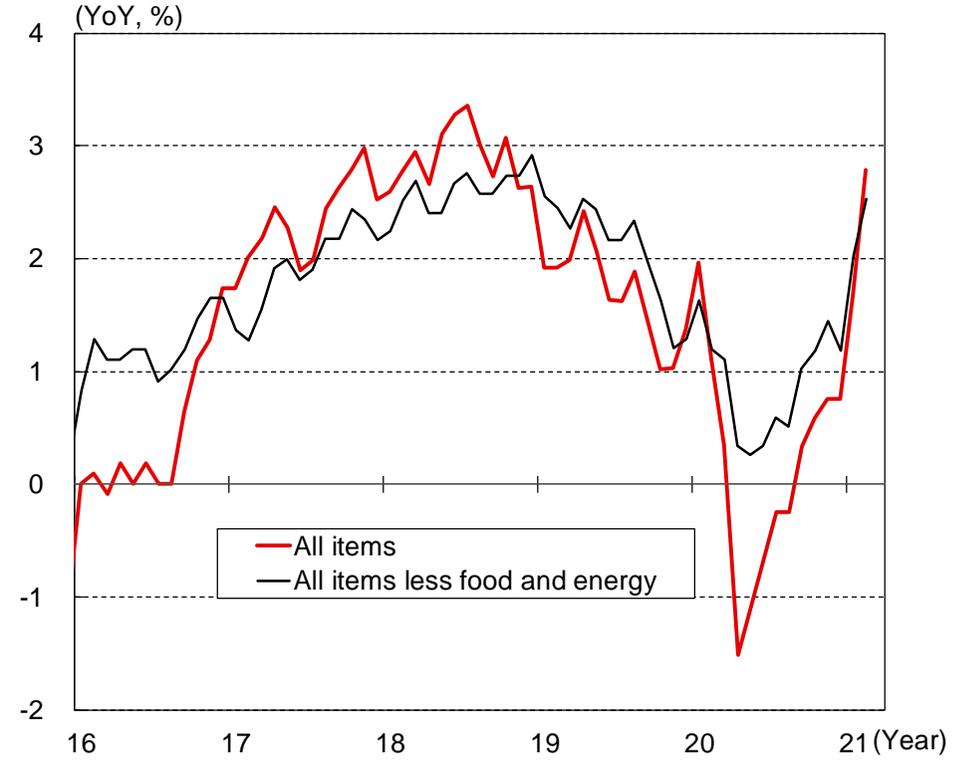
- The Consumer Price Index (CPI) rose 0.4% MoM in February, with the increase slightly accelerating from 0.3% in January. The CPI rose 1.7% YoY in February, accelerating from a 1.4% increase in January. Breakdown by item shows that the pace of increase slowed for food, which rose 3.8% YoY and for shelter, which rose 1.5%. Meanwhile, energy rose 2.4% YoY after a decline in January, and medical care services rose 3.0%, accelerating from the prior month. The Core CPI (all items less food and energy) rose 0.1% MoM after being flat in January, and increased 1.3% YoY after a 1.4% rise in January.
- The Producer Price Index (PPI) rose 0.5% MoM in February, slowing from a 1.3% increase in January. The PPI rose 2.8% YoY in February, the sharpest increase since October of 2018, after a 1.7% increase in January. Index for goods rose 3.4% YoY while index for services rose 2.5%. The core PPI (all items less food and energy) rose 2.1% MoM after a 1.1% rise in January. On a YoY basis, the core PPI rose 2.5% after a 2.0% rise in January. Stagnant supply chains due to pandemic-related restrictions may have played a role in the rise of PPI and core PPI.

Consumer Price Index



Source: Department of Labor, MUFG Bank Economic Research Office

Producer Price Index



Source: Department of Labor, MUFG Bank Economic Research Office

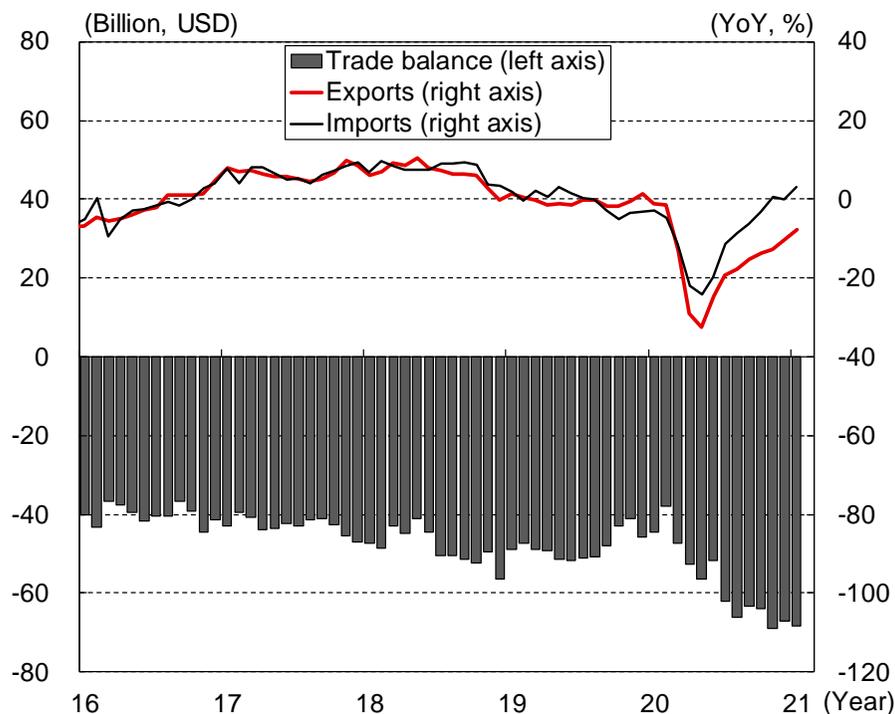
7. Balance of Payments

- Trade deficit on goods and services widened 1.9% MoM in January to \$68.2 billion. Trade deficit on goods widened 1.6% MoM to \$85.4 billion, and trade surplus on services widened 0.5% to \$17.2 billion.
- Exports rose 1.0% MoM and imports rose 1.2%. In goods exports, notable increases were seen in industrial supplies (including petroleum) with a 5.8% MoM rise and in capital goods (excluding automobiles) with a 3.9% rise. In goods imports, notable increases were seen in food and beverages with a 6.4% rise, and consumer goods with a 6.3% rise.
- Breakdown by destination shows that the goods trade deficit with China, which accounts for roughly a third of all US goods deficit, narrowed 3.4% or \$1 billion MoM to \$27.2 billion in January.

Note 1: Trade balance is on a balance of payment (BOP) basis but breakdown by country is on a Census basis.

Note 2: Trade deficit on goods (Census basis) totaled \$905 billion in 2020, and the deficit with China accounted for \$310.8 billion or 34%.

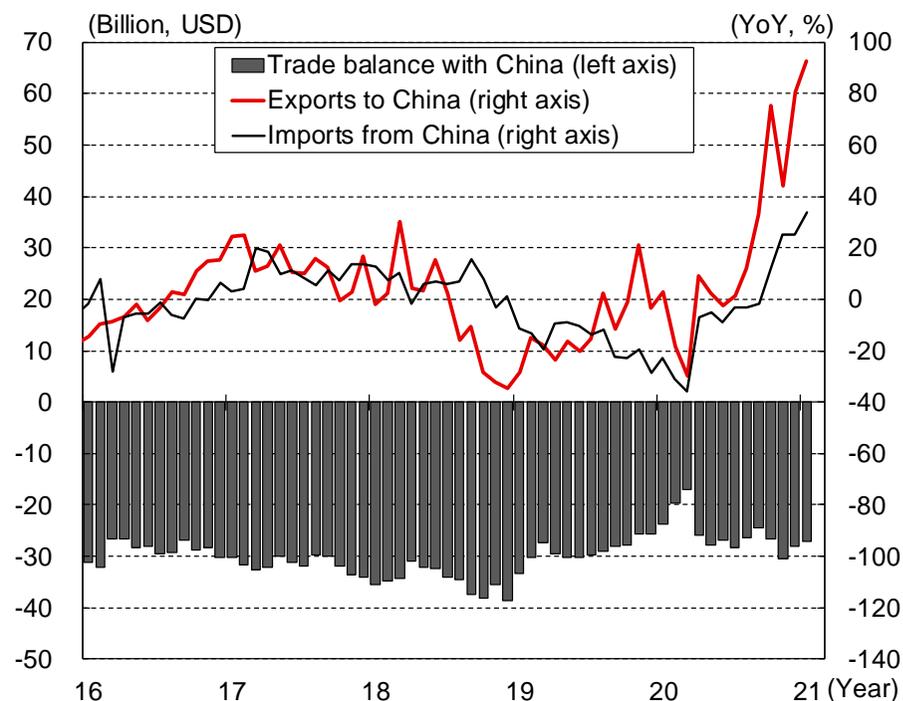
Trade Balance, Exports and Imports (Goods and Services)



Note: Balance of payments basis

Source: Department of Commerce, MUFG Bank Economic Research Office

Trade Balance, Exports and Imports with China (Goods)

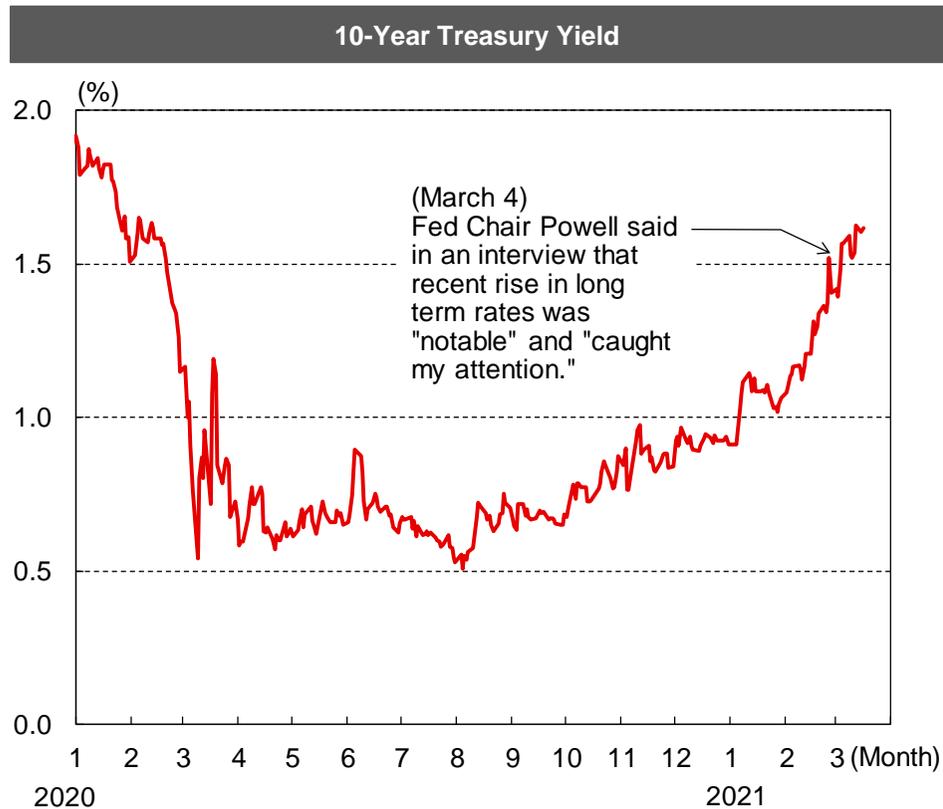


Note: Census basis

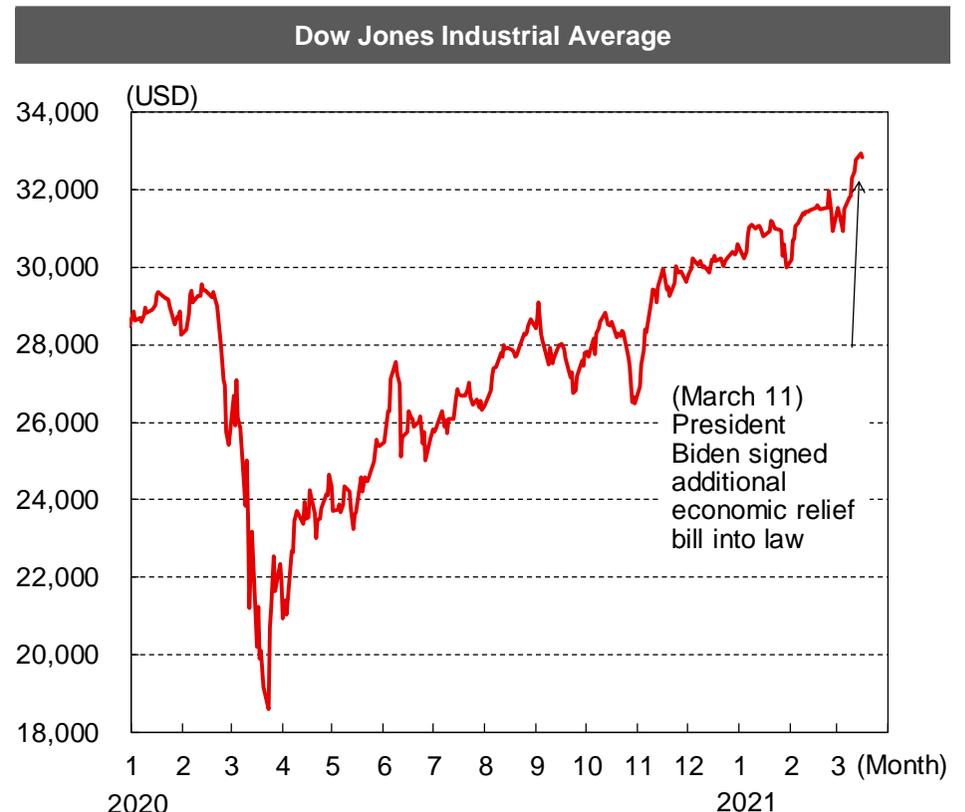
Source: Department of Commerce, MUFG Bank Economic Research Office

8. Financial Markets

- The 10-year treasury yield has been on an uptrend as vaccine administration moves forward and hopes heighten for economic recovery.
- Dow Jones Industrial Average (DJIA) stock market index declined for a time but maintained an uptrend amid progress in vaccine administration and passing of an additional economic relief bill. The index is now hovering around record high levels.



Source: Bloomberg, MUFG Bank Economic Research Office



Source: Bloomberg, MUFG Bank Economic Research Office

Table: Major Monthly Economic Indicators

Major Monthly Economic Indicators												
		May-20	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-21	Feb	Mar
Businesses	ISM Manufacturing PMI	43.1	52.2	53.7	55.6	55.7	58.8	57.7	60.5	58.7	60.8	-
	ISM Services PMI	45.4	56.5	56.6	57.2	57.2	56.2	56.8	57.7	58.7	55.3	-
	Industrial production (2012 ave = 100)	92.1	97.8	101.9	102.9	102.8	103.8	104.8	105.8	107.1	104.7	-
	MoM (%)	0.9	6.2	4.2	1.0	-0.1	1.0	0.9	1.0	1.1	-2.2	-
	Capacity utilization (%)	64.8	68.9	71.8	72.5	72.5	73.2	73.9	74.6	75.5	73.8	-
	Manufactured goods new orders (Million USD)	411,695	438,247	466,927	469,802	475,929	482,228	488,307	496,322	509,373	-	-
	MoM (%)	7.7	6.4	6.5	0.6	1.3	1.3	1.3	1.6	2.6	-	-
	Durable goods orders (Million USD)	192,605	207,474	231,914	232,933	237,786	242,098	245,247	248,307	256,698	-	-
MoM (%)	15.0	7.7	11.8	0.4	2.1	1.8	1.3	1.2	3.4	-	-	
Household	Nonfarm payroll (monthly change, thousand people)	2,833	4,846	1,726	1,583	716	680	264	-306	166	379	-
	Average hourly earnings (USD)	29.74	29.35	29.37	29.47	29.50	29.52	29.61	29.91	29.94	30.01	-
	YoY(%)	6.7	5.0	4.7	4.7	4.8	4.5	4.5	5.5	5.3	5.3	-
	Unemployment rate (%)	13.3	11.1	10.2	8.4	7.8	6.9	6.7	6.7	6.3	6.2	-
	Personal income (annualized, billion USD)	20,246	20,033	20,174	19,624	19,762	19,628	19,386	19,499	21,454	-	-
	MoM (%)	-4.0	-1.1	0.7	-2.7	0.7	-0.7	-1.2	0.6	10.0	-	-
	Consumer spending (annualized, billion USD)	13,165	14,015	14,225	14,397	14,583	14,618	14,533	14,476	14,817	-	-
	MoM (%)	8.7	6.5	1.5	1.2	1.3	0.2	-0.6	-0.4	2.4	-	-
	Saving rate (%)	24.7	19.0	18.4	14.6	14.1	13.2	12.5	13.4	20.5	-	-
	Retail sales (million USD)	488,218	529,962	535,923	543,404	552,767	552,193	545,248	538,338	579,123	561,685	-
	MoM (%)	18.3	8.6	1.1	1.4	1.7	-0.1	-1.3	-1.3	7.6	-3.0	-
	Auto sales (annualized, million units)	12.1	13.0	14.6	15.1	16.3	16.4	15.7	16.2	16.6	15.7	-
	MoM (%)	38.9	7.5	12.3	3.3	7.9	0.4	-4.0	3.3	2.4	-5.7	-
	Conference Board Consumer Confidence Index	85.9	98.3	91.7	86.3	101.3	101.4	92.9	87.1	88.9	91.3	-
University of Michigan Index of Consumer Sentiment	72.3	78.1	72.5	74.1	80.4	81.8	76.9	80.7	79.0	81.0	83.0	

Source: Various statistics, MUFG Bank Economic Research Office

Table: Major Monthly Economic Indicators (continued)

Major Monthly Economic Indicators												
		May-20	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan-21	Feb	Mar
Housing	Housing starts (annualized, thousand units)	1,038	1,265	1,487	1,373	1,437	1,530	1,553	1,680	1,580	-	-
	MoM (%)	11.1	21.9	17.5	-7.7	4.7	6.5	1.5	8.2	-6.0	-	-
	Existing home sales (annualized, thousand units)	4,010	4,770	5,900	5,970	6,440	6,730	6,590	6,650	6,690	-	-
	MoM (%)	-8.2	19.0	23.7	1.2	7.9	4.5	-2.1	0.9	0.6	-	-
	New home sales (annualized, thousand units)	698	840	979	977	965	965	839	885	923	-	-
MoM (%)	22.5	20.3	16.5	-0.2	-1.2	0.0	-13.1	5.5	4.3	-	-	
Prices	Consumer Price Index (1982-1984 = 100)	256.4	257.8	259.1	259.9	260.3	260.4	260.2	260.5	261.6	263.0	-
	MoM (%)	-0.1	0.5	0.5	0.4	0.2	0.1	0.2	0.2	0.3	0.4	-
	YoY (%)	0.1	0.6	1.0	1.3	1.4	1.2	1.2	1.4	1.4	1.7	-
	Producer Price Index (Nov 2009 = 100)	117.3	117.7	118.4	118.5	118.7	119.5	119.2	119.3	121.0	121.7	-
	MoM (%)	0.4	0.3	0.5	0.2	0.3	0.6	0.0	0.3	1.3	0.5	-
YoY (%)	-1.1	-0.7	-0.3	-0.3	0.3	0.6	0.8	0.8	1.7	2.8	-	
Trade	Exports (goods, billion USD)	89.8	102.8	115.3	118.8	122.5	126.3	127.6	133.6	135.7	-	-
	Imports (goods, billion USD)	166.5	175.3	196.9	203.3	203.9	208.2	214.5	217.7	221.1	-	-
	Trade balance (goods, billion USD)	-76.7	-72.4	-81.5	-84.5	-81.4	-81.9	-86.9	-84.1	-85.4	-	-
	Trade balance (goods and services, billion USD)	-56.3	-51.8	-62.1	-66.1	-63.2	-64.0	-69.0	-67.0	-68.2	-	-

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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