

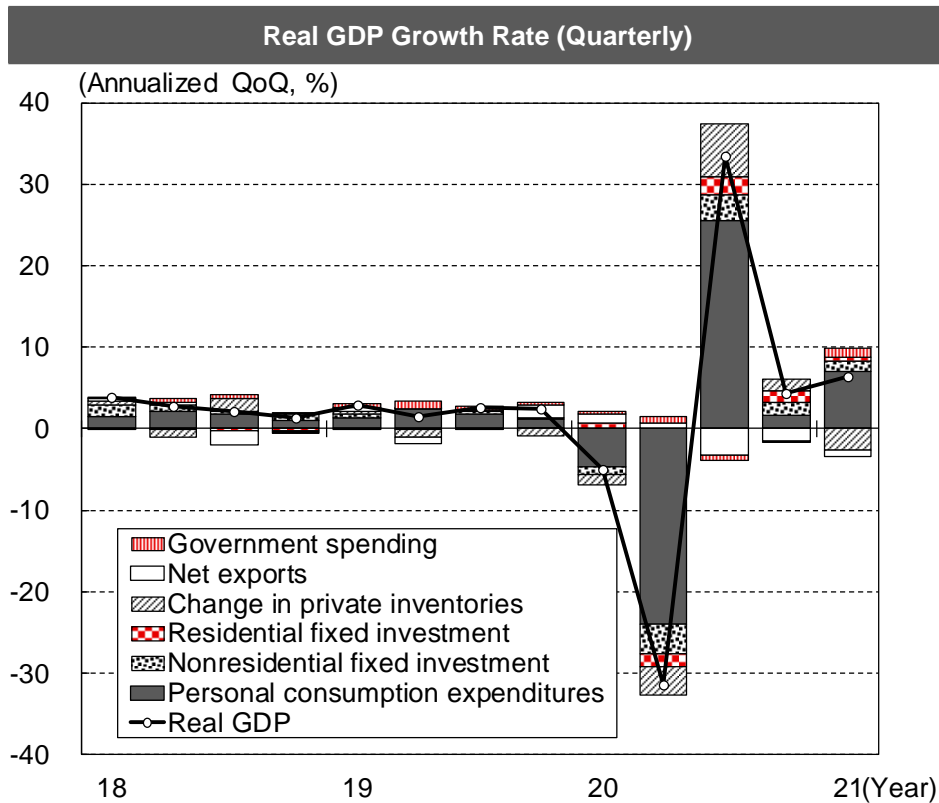
US Economic Indicators Monthly Overview (May 2021)

ECONOMIC RESEARCH OFFICE (NEW YORK)

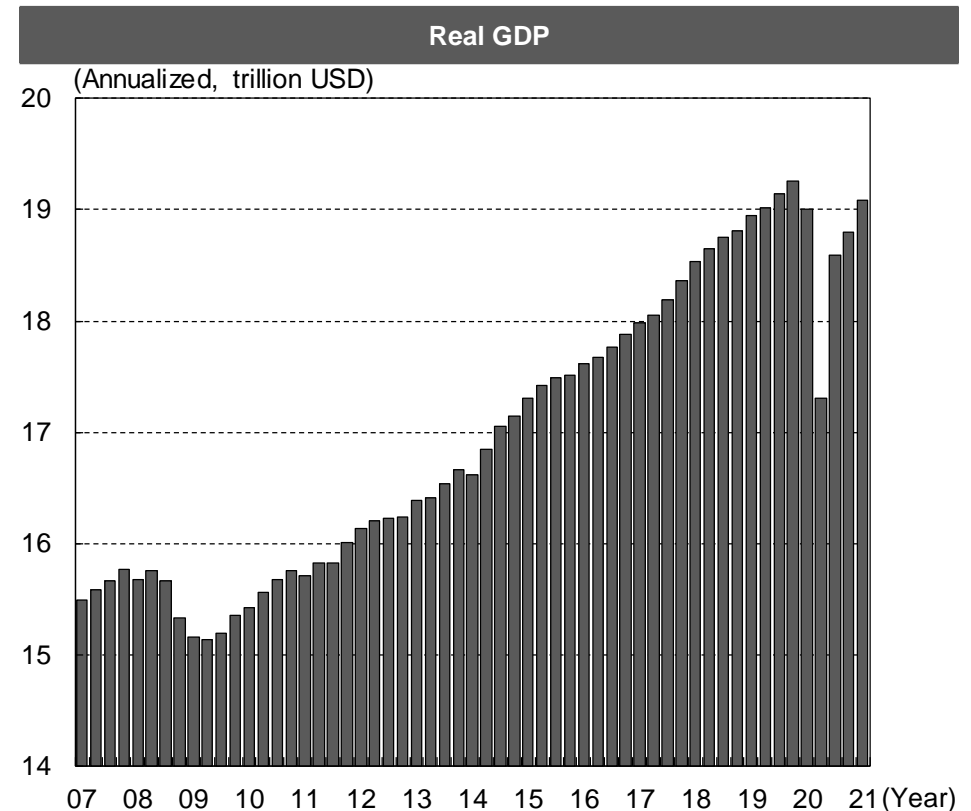
24th May 2021 (original Japanese version released on 14th May)

1. GDP

- The real GDP grew 6.4% annualized QoQ in the January-March quarter, increasing for a third straight quarter. The pace of increase accelerated from 4.3% of the October-December 2020 quarter.
- Components of demand that weighed on the real GDP growth rate include nonresidential fixed investment, whose increase slowed to 9.9% annualized QoQ; residential fixed investment, whose increase slowed to 10.8%; and change in private inventories, whose contribution to the real GDP growth rate turned negative for the first time in three quarters, to -2.6% points. Meanwhile, components that helped raise the real GDP growth rate include personal consumption expenditures, whose increase accelerated to 10.7% (personal consumption expenditures account for roughly 70% of GDP), and government spending, which increased for the first time in three quarters, by 6.3%.
- The level of January-March quarter real GDP is 0.9% below the pre-pandemic level of October-December 2019 quarter.



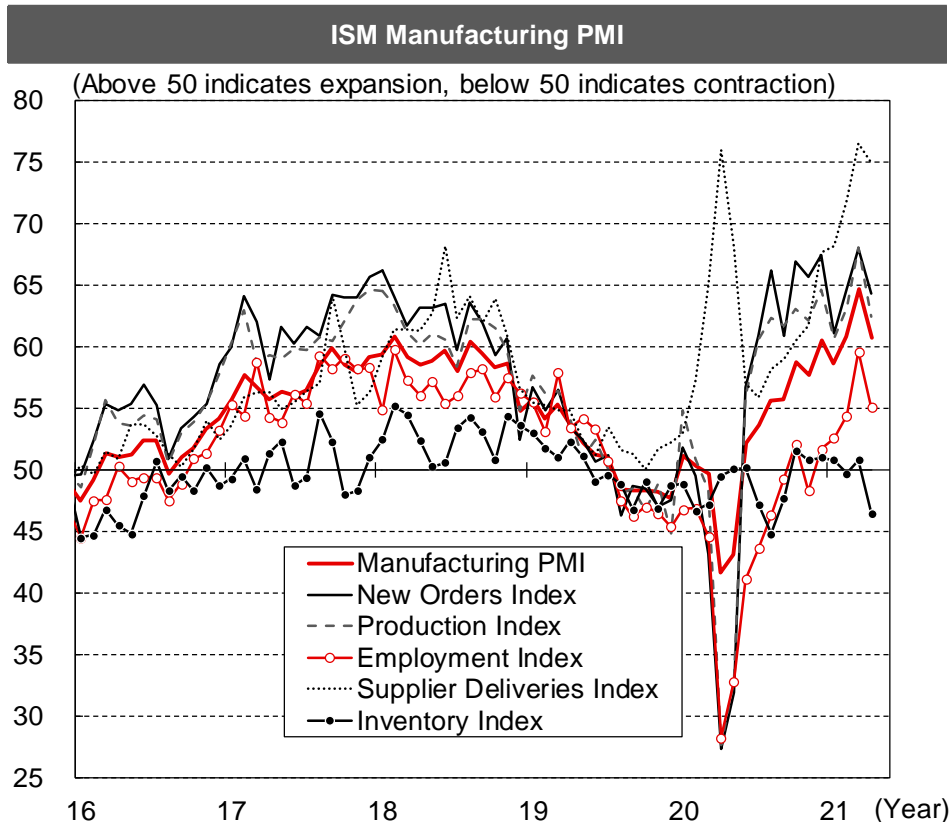
Source: Department of Commerce, MUFG Bank Economic Research Office



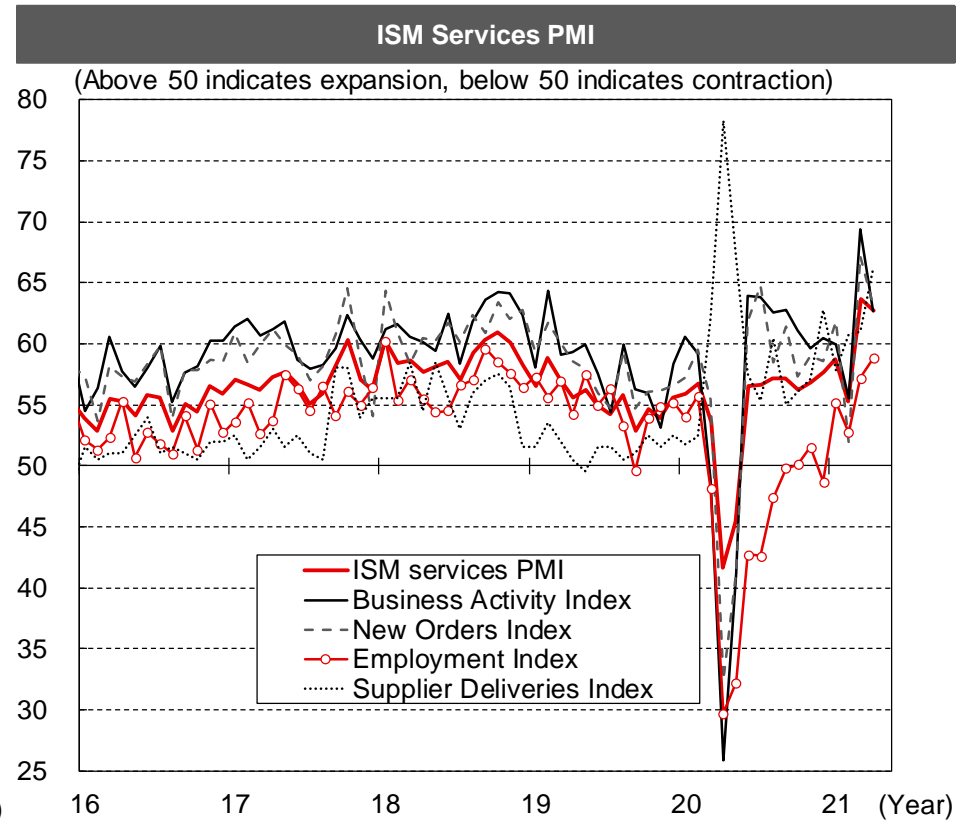
Source: Department of Commerce, MUFG Bank Economic Research Office

2. Business Activity

- ISM Manufacturing PMI, an indicator of business confidence and activity in the manufacturing sector, declined 4.0 points MoM to 60.7 in April, while topping the expansion-or-contraction threshold of 50 for 11 consecutive months. Component breakdown shows all of the component indexes fell, with New Orders Index declining 3.7 points MoM to 64.3, Production Index declining 5.6 points to 62.5, Employment Index declining 4.5 points to 55.1, Supplier Deliveries Index declining 1.6 points to 75.0, and Inventory Index declining 4.3 points to 46.5. All of the 18 manufacturing industries reported MoM expansion (in March, 17 reported expansion and one reported no MoM change). The manufacturing sector has been generally strong as the economy reopens, but supply-side constraints like material shortages appear to be curbing growth.
- ISM Services PMI declined 1.0 point MoM in April to 62.7, while topping the expansion-or-contraction threshold of 50 for 11 consecutive months. Breakdown shows that Employment Index rose 1.6 points MoM to 58.8 and Supplier Deliveries Index rose 5.1 points to 66.1, while Business Activity Index fell 6.7 points to 62.7 and New Orders Index fell 4.0 points to 63.2. Of the 18 services industries, 17 reported MoM expansion and one reported contraction (in March, all 18 reported expansion).



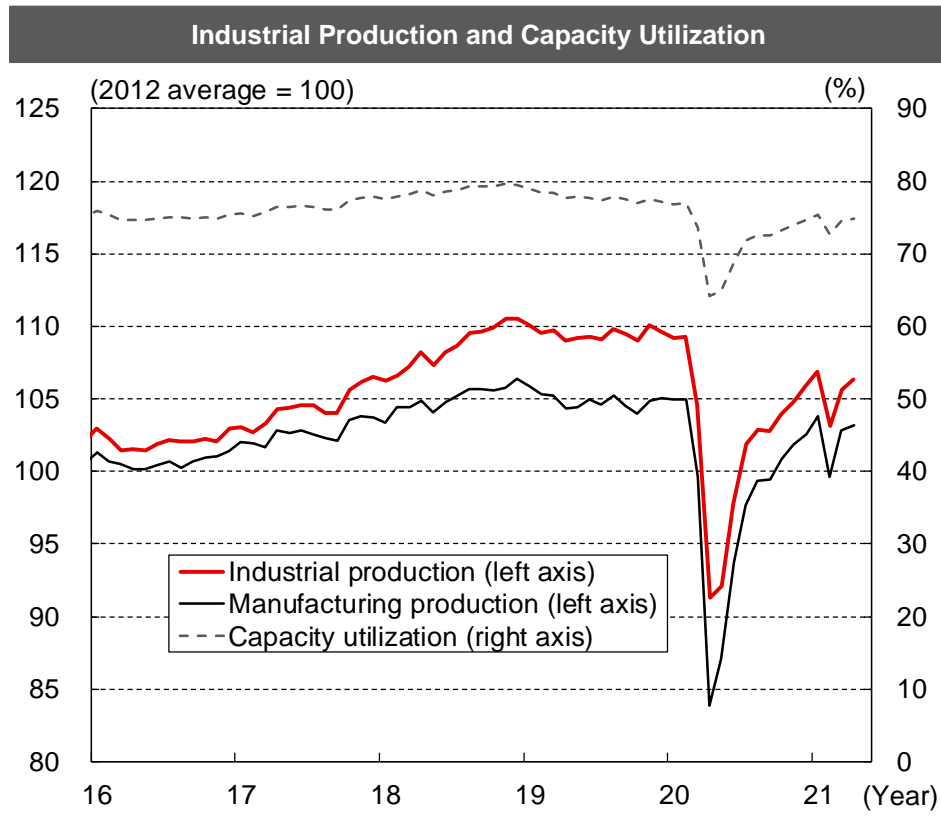
Source: Institute for Supply Management, MUFG Bank Economic Research Office



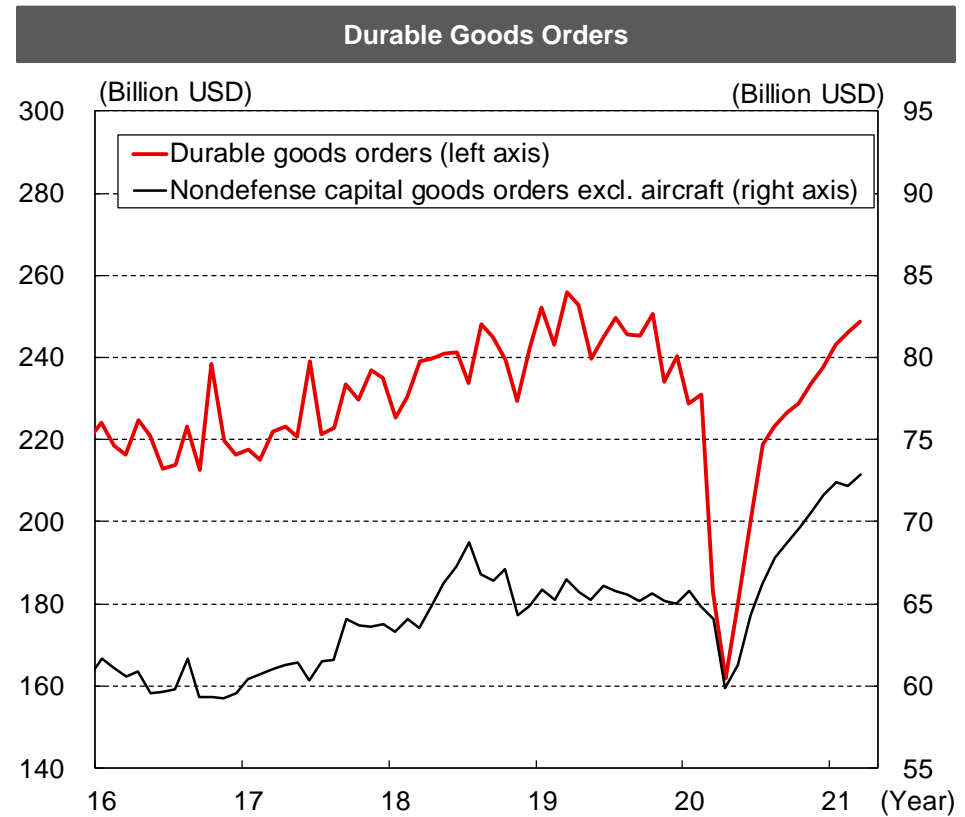
Source: Institute for Supply Management, MUFG Bank Economic Research Office

3. Production

- Industrial production increased 0.7% MoM in April, rising for a second straight month after a 2.4% increase in March. Industry breakdown shows manufacturing rose 0.4% MoM, mining rose 0.7%, and utilities rose 2.6%. Within the manufacturing sector, motor vehicles & parts industry – affected by a shortage of semiconductors – declined 4.3% MoM, while chemicals rose 3.2% and primary metals rose 1.7%. The capacity utilization rate rose 0.5% point MoM to 74.9% in April.
- Durable goods orders rose 1.0% MoM in March, increasing for an 11th straight month after a 1.3% rise in February. Industry breakdown shows transportation equipment, and electrical equipment, appliances & components declined MoM, while fabricated metal products, primary metals, machinery, and furniture & related products rose. Nondefense capital goods orders excluding aircraft, a leading indicator of capital investment, increased by 1.0% MoM in March after a 0.3% decline in February.



Source: Federal Reserve, MUFG Bank Economic Research Office

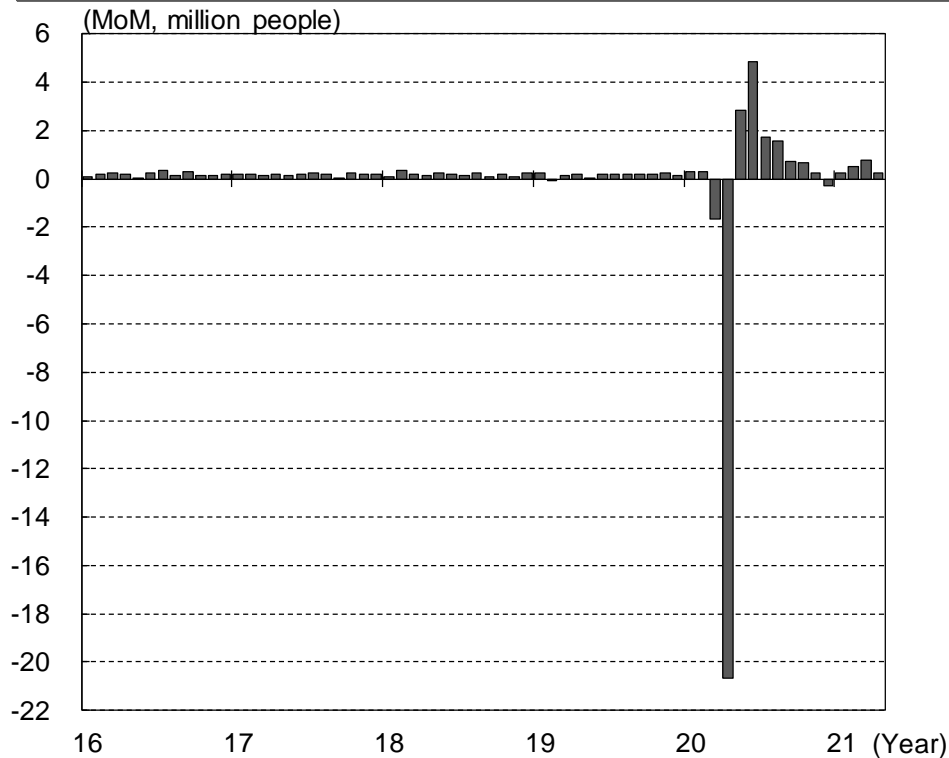


Source: Department of Commerce, MUFG Bank Economic Research Office

4. Employment

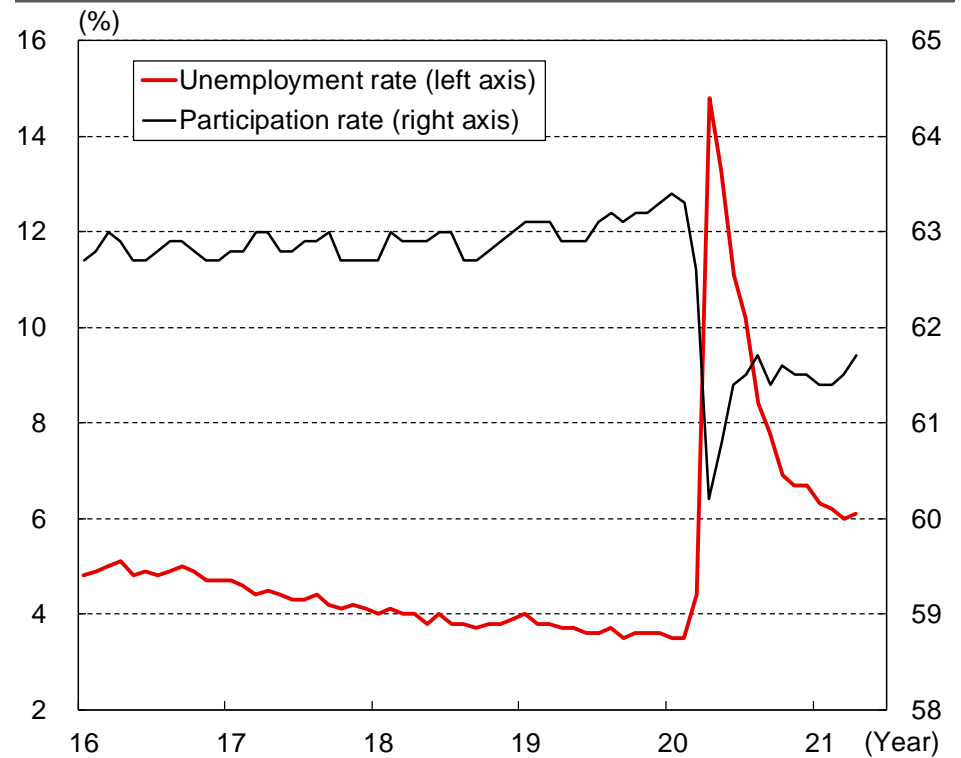
- Nonfarm payroll increased 266,000 MoM in April, slowing from a 770,000 increase in March and falling short of the market projection of 1,000,000.
- Industry breakdown shows that leisure & hospitality, which has been most severely hit by the pandemic, rose sharply for a third straight month, by 331,000 MoM after a 206,000 increase in March. Government, with an increase of 48,000 MoM, was among the other areas where nonfarm payroll increased. MoM. Industries with decreases include transportation & warehousing, which declined 74,000, and professional & business services, which declined 79,000.
- Unemployment rate rose to 6.1% in April from 6.0% in March. Unemployed persons increased 102,000 MoM to 9,812,000 in April. Compared with the pre-pandemic level of February 2020, the number of unemployed persons is 4,095,000 higher. Participation rate rose to 61.7% from 61.5% in March. Average hourly earnings for all private-sector employees rose 0.7% MoM in April after a 0.1% decline in March, and rose 0.3% YoY in April after a 4.2% rise in March.

Nonfarm Payroll



Source: Department of Labor, MUFG Bank Economic Research Office

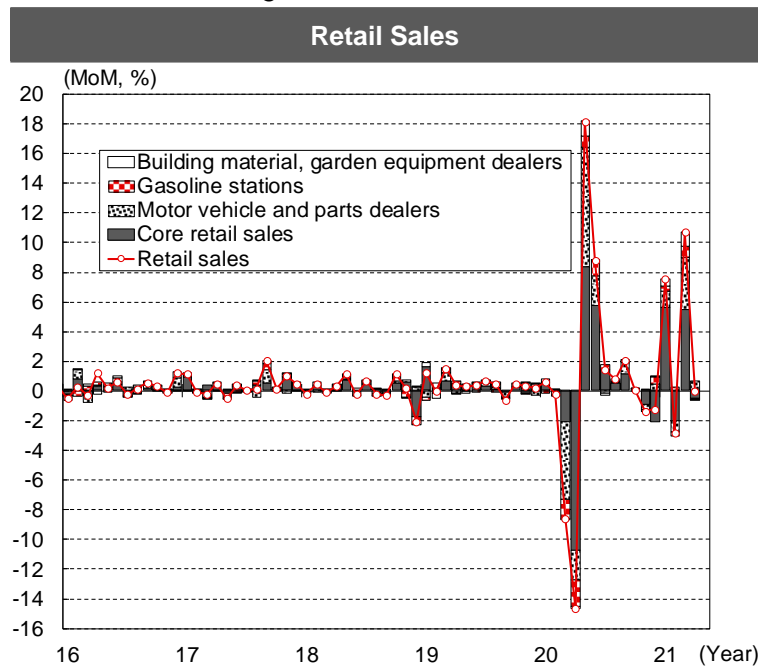
Unemployment Rate



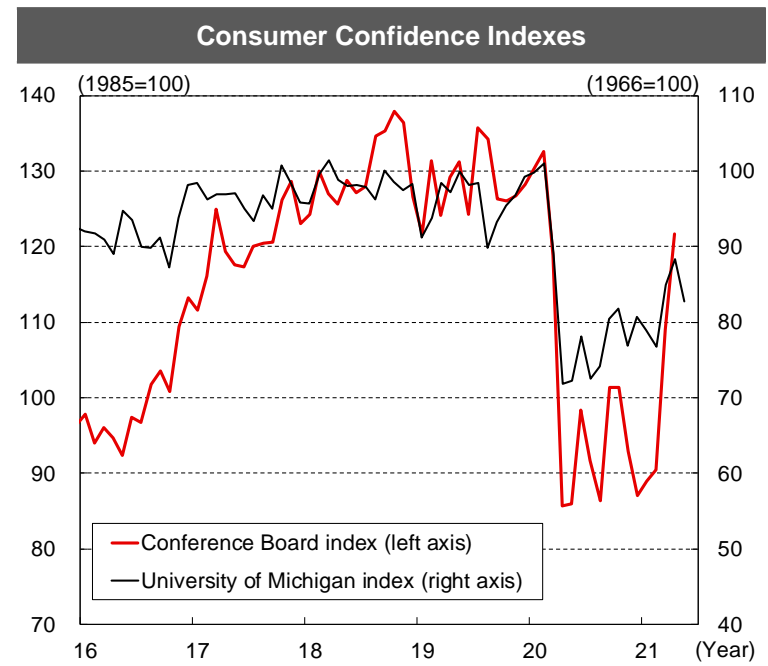
Source: Department of Labor, MUFG Bank Economic Research Office

5. Consumer Spending

- Retail sales were unchanged MoM in April after a 10.7% increase in March. Breakdown shows food services & drinking places, which rose 3.0% MoM, was among the types of business that recorded a monthly increase, along with motor vehicle & parts dealers, which rose 2.9%, electronics & appliance stores, which rose 1.2%, and health & personal care stores, which rose 1.0%. Clothing & clothing accessories stores, which declined 5.1% MoM, was among the types of business that recorded a monthly decrease, along with general merchandise stores including department stores, which declined 4.9%, and sporting goods, hobby, musical instrument & book stores, which declined 3.6%. Sales at food services & drinking places – which have been severely affected by the pandemic – are now just 2.0% below the pre-pandemic level of February 2020.
- The Conference Board Consumer Confidence Index rose 12.7 points MoM to 121.7 in April, the highest level since February 2020. The Present Situation Index rose 29.5 points MoM to 139.6, while the Expectations Index rose 1.5 points to 109.8. The sharp increase in the Present Situation Index may be attributed to progress in vaccine administration, easing of activity restrictions in various states, and direct payments sent to households based on the American Rescue Plan act enacted on March 11.
- The University of Michigan Index of Consumer Sentiment declined 5.5 points MoM to 82.8 in May (preliminary results). The Current Economic Conditions Index declined 6.4 points MoM to 90.8, and the Index of Consumer Expectations declined 5.1 points to 77.6. Concerns of inflation was a factor for the indexes' declines, according to the press release. The survey indicated that consumers' expectations of inflation rate for one year from now rose to 4.6%, the highest since April 2011, and that their expectations for inflation rate for five years from now rose to 3.1%, the highest since March 2011.



Source: Department of Commerce, MUFG Bank Economic Research Office

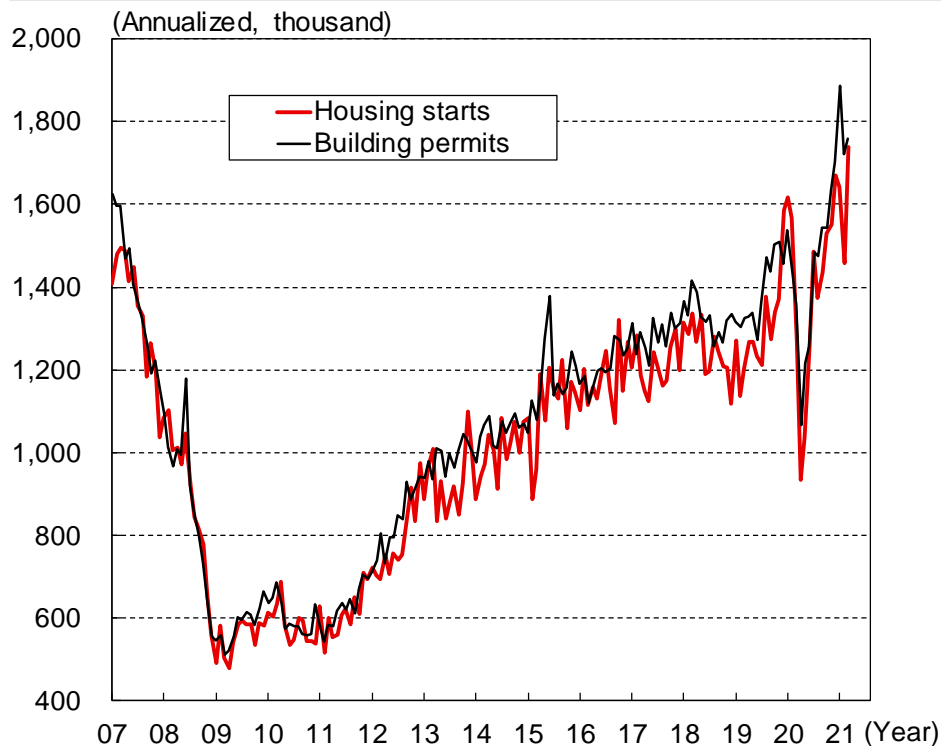


Source: Conference Board, University of Michigan, MUFG Bank Economic Research Office

6. Housing Market

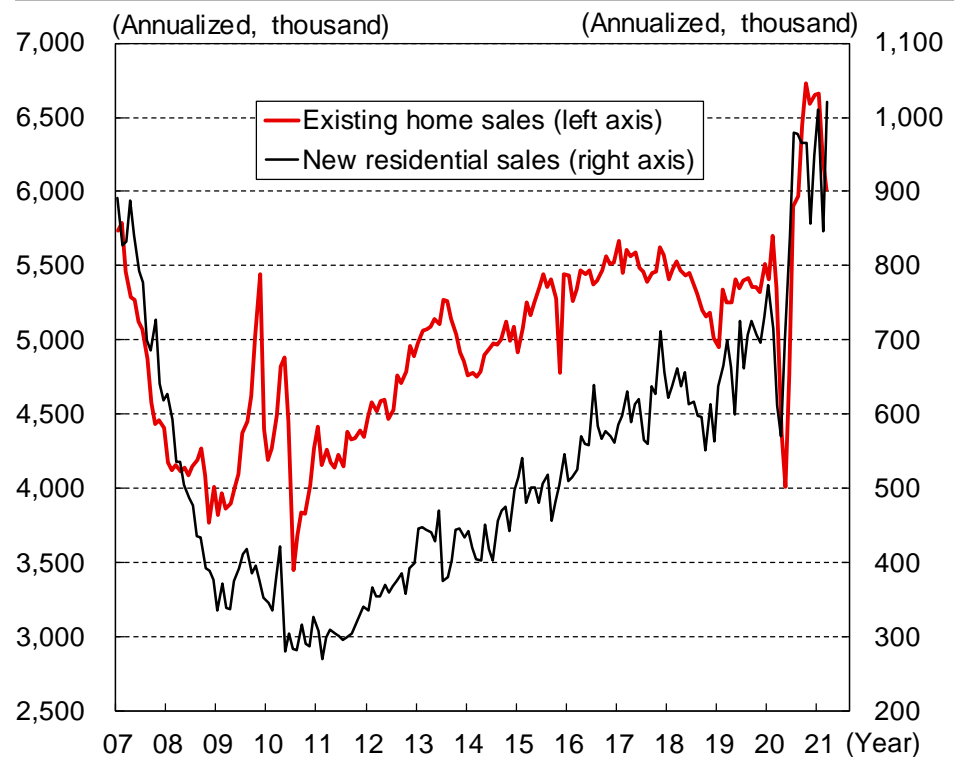
- Housing starts in March increased 19.4% MoM to a seasonally adjusted annualized rate (SAAR) of 1,739,000, rising for the first time in three months after an 11.3% decrease in February. Single-family housing starts increased 15.3% MoM, while buildings with two or more units, which tend to fluctuate widely, increased 30.8%. Building permits, a leading indicator of housing starts, increased 2.3% MoM to 1,759,000 (SAAR) after an 8.8% decline in February. Housing starts rebounded in March after declining sharply in February due to inclement weather and other factors.
- Existing home sales, which account for roughly 90% of the overall home sales, decreased 3.7% MoM in March to 6,010,000 (SAAR), declining for a second straight month. The inventory-to-sales ratio rose to 2.2 months (seasonally adjusted) from February's 2.0 months. Median sales price rose 17.2% YoY to \$329,100 (not seasonally adjusted), accelerating from February's 14.9% increase.
- New residential sales increased 20.7% MoM in March to 1,021,000 (SAAR), rising after a 16.2% decrease in February. Inventory-to-sales ratio declined to 3.6 months (seasonally adjusted), after 4.4 months in February. Median sales price rose 0.8% YoY to \$330,800 (seasonally adjusted), slowing from February's 4.2% increase.

Housing Starts and Building Permits



Source: Department of Commerce, MUFG Bank Economic Research Office

Home Sales

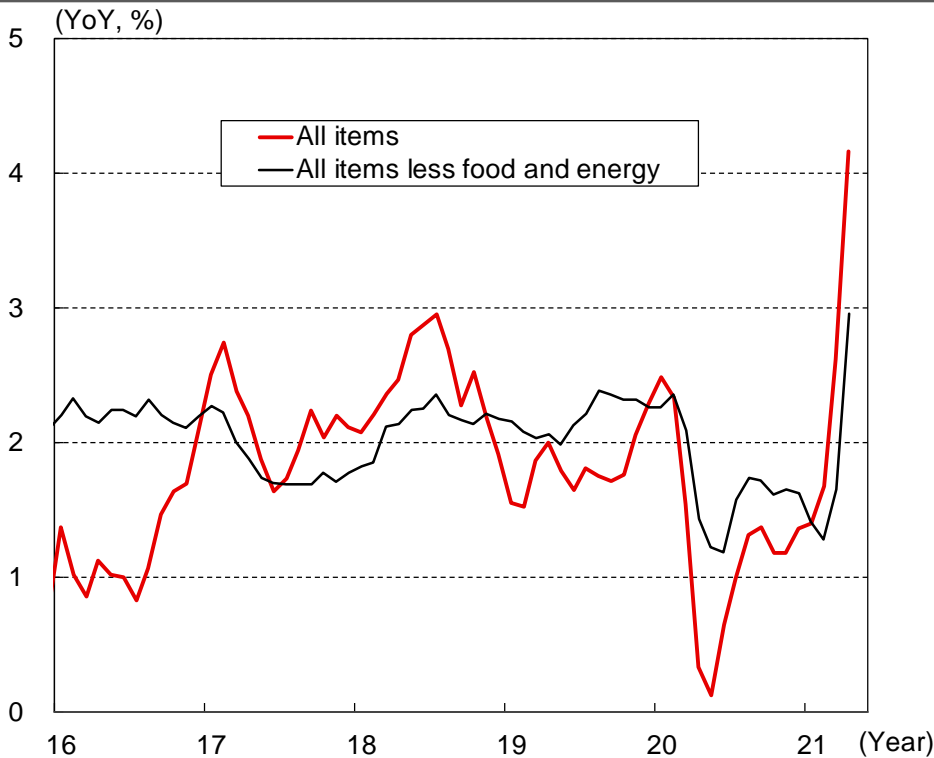


Source: National Association of Realtors, Department of Commerce, MUFG Bank Economic Research Office

7. Inflation

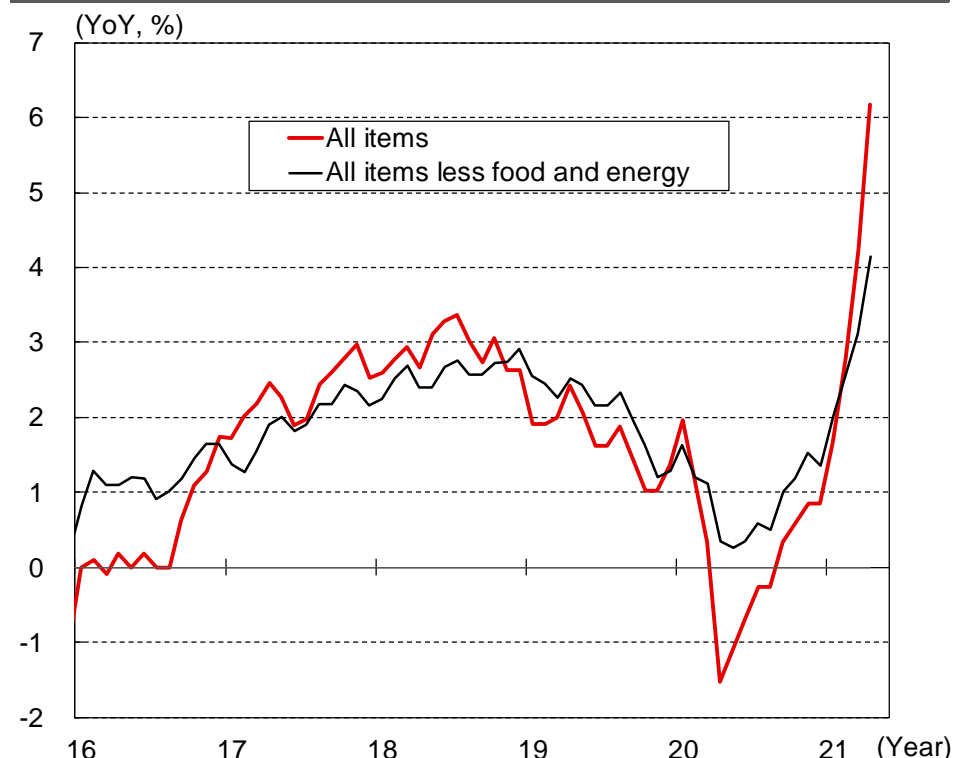
- The Consumer Price Index (CPI) rose 0.8% MoM in April, accelerating from March's 0.6% increase. The CPI rose 4.2% YoY in April, the sharpest increase since September 2008, after a 2.6% increase in March. Breakdown by item shows that larger gains were in energy, which rose 25.1% YoY, used cars & trucks, which rose 21.0%, and transportation services, which rose 5.6%. The sharp price increase in used cars & trucks may be attributed to demand growth supported by direct payments sent to households, among other factors. The Core CPI (all items less food and energy) rose 0.9% MoM in April after a 0.3% rise in March, and increased 3.0% YoY in April after a 1.6% rise in March.
- The Producer Price Index (PPI) rose 0.6% MoM in April, slowing from a 1.0% increase in March. The PPI rose 6.2% YoY in April, the sharpest increase since the current time series began, after a 4.2% increase in March. Breakdown by item shows that the pace of increase accelerated for both goods and services, which rose 10.7% YoY and 4.0% respectively. The core PPI (all items less food and energy) rose 0.7% MoM, the same rate as in March, and rose 4.1% YoY in April after a 3.1% rise in March. The April YoY increase is the sharpest increase since the current time series began, as is the case with the all-item index.

Consumer Price Index



Source: Department of Labor, MUFG Bank Economic Research Office

Producer Price Index



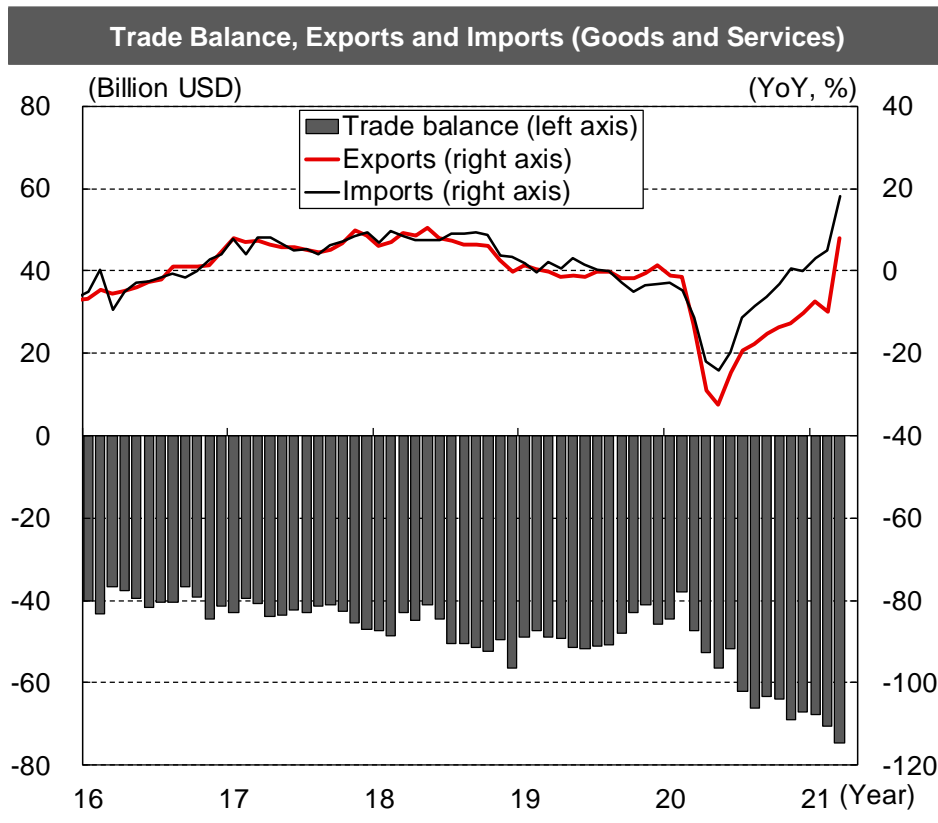
Source: Department of Labor, MUFG Bank Economic Research Office

8. Balance of Payments

- Trade deficit on goods and services widened 5.6% MoM in March to \$74.4 billion. The deficit has been trending wider as domestic demand grows amid reopening of economy in various states. Trade deficit on goods widened 4.1% MoM to \$91.6 billion, and trade surplus on services narrowed 1.7% to \$17.1 billion. Exports increased 6.6% MoM 8.1% YoY, and imports increased 6.3% MoM and 18.1% YoY.
- For goods exports, breakdown by destination shows that the goods trade deficit with China, which accounts for roughly a third of US goods deficit, widened 22.1% or \$6.7 billion MoM to \$36.9 billion in March. Goods trade deficit with Mexico, which comes second after the deficit with China, widened 23.9% or \$1.6 billion to \$8.4 billion.

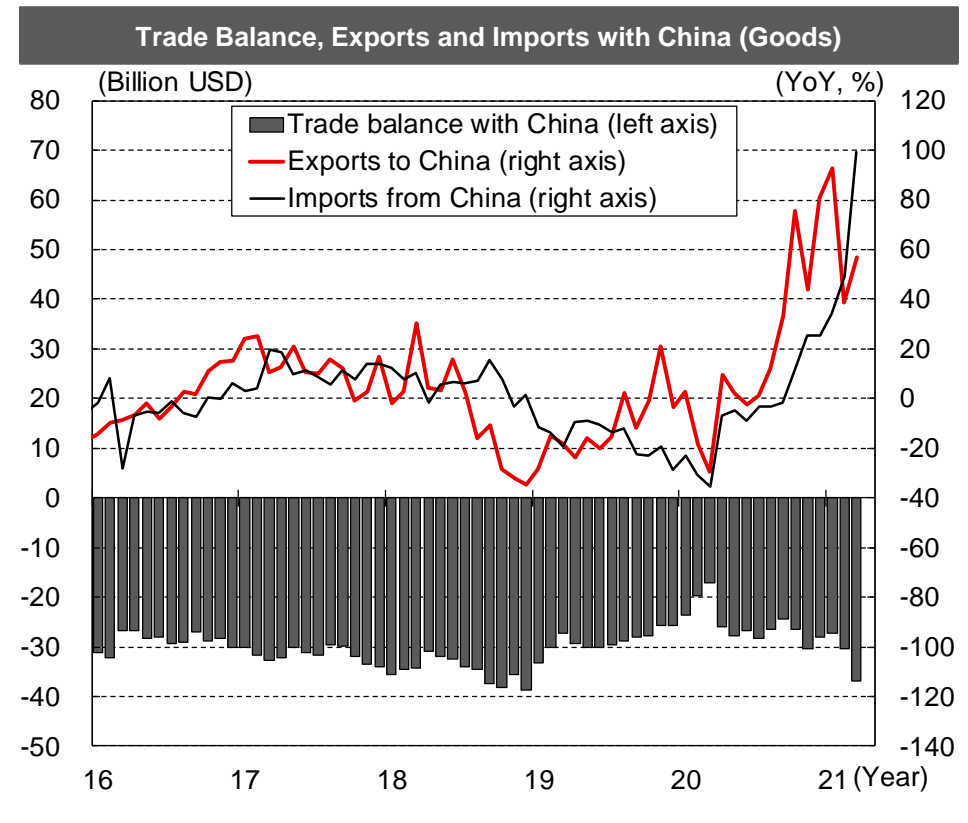
Note 1: Trade balance is on a balance of payment (BOP) basis but breakdown by country is on a Census basis.

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%.



Note: Balance of payments basis

Source: Department of Commerce, MUFG Bank Economic Research Office



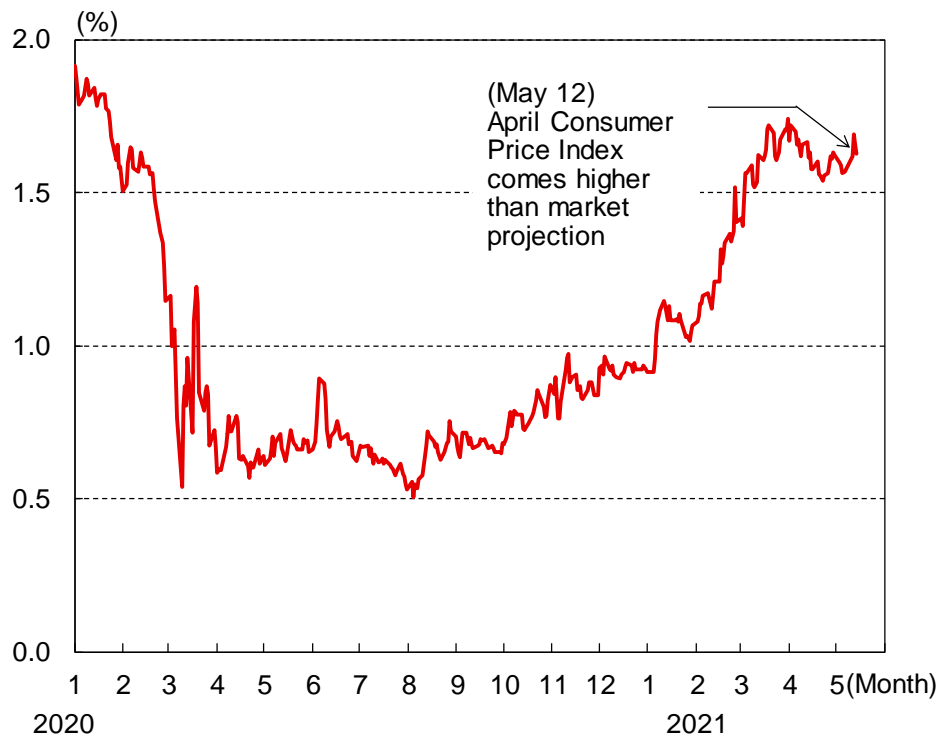
Note: Census basis

Source: Department of Commerce, MUFG Bank Economic Research Office

9. Financial Markets

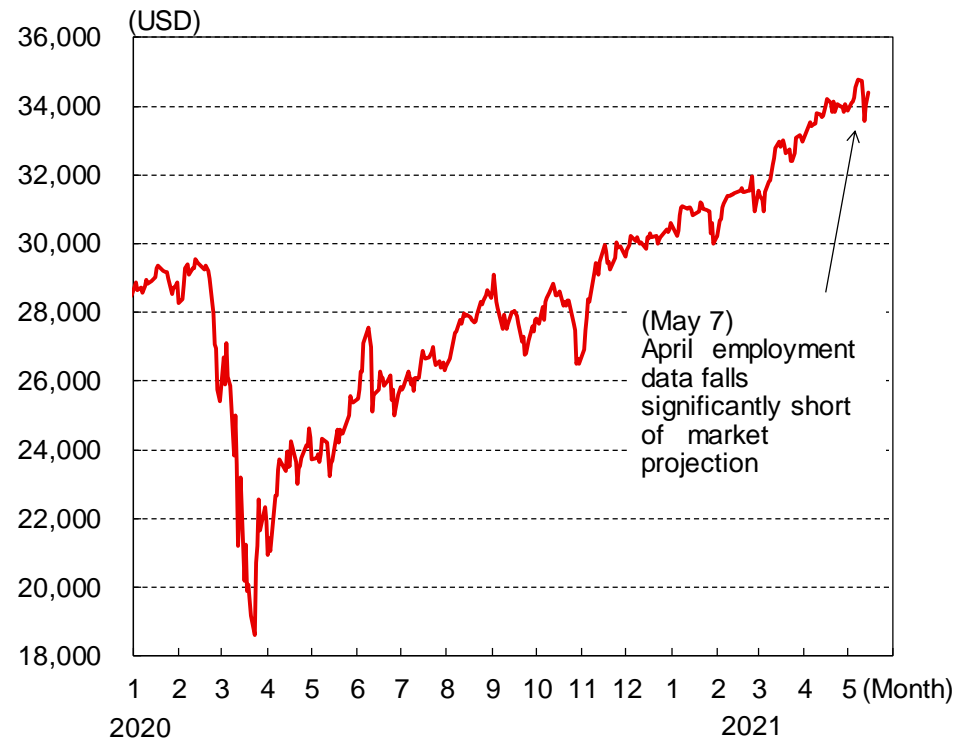
- The 10-year treasury yield was trending lower after reaching the mid-1.7% level at the end of March, but recently is trending higher again at around 1.6% levels after the latest inflation indicators came out higher than expected.
- Dow Jones Industrial Average (DJIA) stock market index jumped on May 7 when weaker-than-expected employment data fueled expectation that monetary policy will remain accommodative for some time. Later, the index turned downward as interest rates rose again, and the closing level on May 14 was 1.1% lower than the record reached on May 7.

10-Year Treasury Yield



Source: Bloomberg, MUFG Bank Economic Research Office

Dow Jones Industrial Average Stock Market Index



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	Apr	May	
Businesses	ISM Manufacturing PMI	43.1	52.2	53.7	55.6	55.7	58.8	57.7	60.5	58.7	60.8	64.7	60.7	-
	ISM Services PMI	45.4	56.5	56.6	57.2	57.2	56.2	56.8	57.7	58.7	55.3	63.7	62.7	-
	Industrial production (2012 ave = 100)	92.1	97.8	101.9	102.9	102.8	103.9	104.8	105.9	106.8	103.1	105.6	106.3	-
	MoM (%)	0.9	6.2	4.2	1.0	-0.1	1.1	0.9	1.1	0.9	-3.5	2.4	0.7	-
	Capacity utilization (%)	64.8	68.9	71.8	72.5	72.5	73.2	73.9	74.7	75.3	72.7	74.4	74.9	-
	Manufactured goods new orders (Million USD)	411,695	438,247	466,927	469,802	475,929	482,228	488,307	496,322	509,736	507,089	512,857	-	-
	MoM (%)	7.7	6.4	6.5	0.6	1.3	1.3	1.3	1.6	2.7	-0.5	1.1	-	-
	Durable goods orders (Million USD) MoM (%)	192,605 15.0	207,474 7.7	231,914 11.8	232,933 0.4	237,786 2.1	242,098 1.8	245,247 1.3	248,307 1.2	257,242 3.6	254,884 -0.9	256,852 0.8	-	-
Household	Nonfarm payroll (monthly change, thousand people)	2,833	4,846	1,726	1,583	716	680	264	-306	233	536	770	266	-
	Average hourly earnings (USD)	29.74	29.35	29.37	29.47	29.50	29.52	29.61	29.91	29.92	30.00	29.96	30.17	-
	YoY (%)	6.7	5.0	4.7	4.7	4.8	4.5	4.5	5.5	5.2	5.2	4.2	0.3	-
	Unemployment rate (%)	13.3	11.1	10.2	8.4	7.8	6.9	6.7	6.7	6.3	6.2	6.0	6.1	-
	Personal income (annualized, billion USD)	20,246	20,033	20,174	19,624	19,762	19,629	19,386	19,491	21,498	19,995	24,208	-	-
	MoM (%)	-4.0	-1.1	0.7	-2.7	0.7	-0.7	-1.2	0.5	10.3	-7.0	21.1	-	-
	Consumer spending (annualized, billion USD)	13,165	14,015	14,225	14,397	14,583	14,627	14,533	14,451	14,936	14,786	15,402	-	-
	MoM (%)	8.7	6.5	1.5	1.2	1.3	0.3	-0.6	-0.6	3.4	-1.0	4.2	-	-
	Saving rate (%)	24.7	19.0	18.4	14.6	14.1	13.1	12.5	13.5	20.0	13.9	27.6	-	-
	Retail sales (million USD)	484,339	526,860	534,295	538,646	549,528	550,038	542,583	535,972	576,466	559,970	619,787	619,923	-
	MoM (%)	18.1	8.8	1.4	0.8	2.0	0.1	-1.4	-1.2	7.6	-2.9	10.7	0.0	-
	Auto sales (annualized, million units)	12.1	13.0	14.6	15.1	16.3	16.4	15.7	16.2	16.8	15.9	18.0	18.5	-
	MoM (%)	38.9	7.5	12.3	3.3	7.9	0.4	-4.0	3.3	3.3	-5.2	12.9	3.1	-
	Conference Board Consumer Confidence Index	85.9	98.3	91.7	86.3	101.3	101.4	92.9	87.1	88.9	90.4	109.0	121.7	-
	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	76.8	84.9	88.3	82.8

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	Apr	May
Housing	Housing starts (annualized, thousand units)	1,038	1,265	1,487	1,373	1,437	1,530	1,553	1,670	1,642	1,457	1,739	-	-
	MoM (%)	11.1	21.9	17.5	-7.7	4.7	6.5	1.5	7.5	-1.7	-11.3	19.4	-	-
	Existing home sales (annualized, thousand units)	4,010	4,770	5,900	5,970	6,440	6,730	6,590	6,650	6,660	6,240	6,010	-	-
	MoM (%)	-8.2	19.0	23.7	1.2	7.9	4.5	-2.1	0.9	0.2	-6.3	-3.7	-	-
	New home sales (annualized, thousand units)	698	840	979	977	965	965	857	949	1,010	846	1,021	-	-
MoM (%)	22.5	20.3	16.5	-0.2	-1.2	0.0	-11.2	10.7	6.4	-16.2	20.7	-	-	
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	264.9	267.1	-
	MoM (%)	-0.1	0.5	0.5	0.4	0.2	0.1	0.2	0.2	0.3	0.4	0.6	0.8	-
	YoY (%)	0.1	0.6	1.0	1.3	1.4	1.2	1.2	1.4	1.4	1.7	2.6	4.2	-
	Producer Price Index (Nov 2009 = 100)	117.3	117.7	118.4	118.5	118.7	119.5	119.3	119.4	121.0	121.7	123.1	123.9	-
	MoM (%)	0.4	0.3	0.5	0.2	0.3	0.6	0.0	0.3	1.3	0.5	1.0	0.6	-
YoY (%)	-1.1	-0.7	-0.3	-0.3	0.3	0.6	0.8	0.8	1.7	2.8	4.2	6.2	-	
Trade	Exports (goods, billion USD)	89.8	102.8	115.3	118.8	122.5	126.3	127.6	133.6	135.9	131.2	142.9	-	-
	Imports (goods, billion USD)	166.5	175.3	196.9	203.3	203.9	208.2	214.5	217.7	221.1	219.2	234.4	-	-
	Trade balance (goods, billion USD)	-76.7	-72.4	-81.5	-84.5	-81.4	-81.9	-86.9	-84.1	-85.2	-87.9	-91.6	-	-
	Trade balance (goods and services, billion USD)	-56.3	-51.8	-62.1	-66.1	-63.2	-64.0	-69.0	-67.0	-67.8	-70.5	-74.4	-	-

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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