

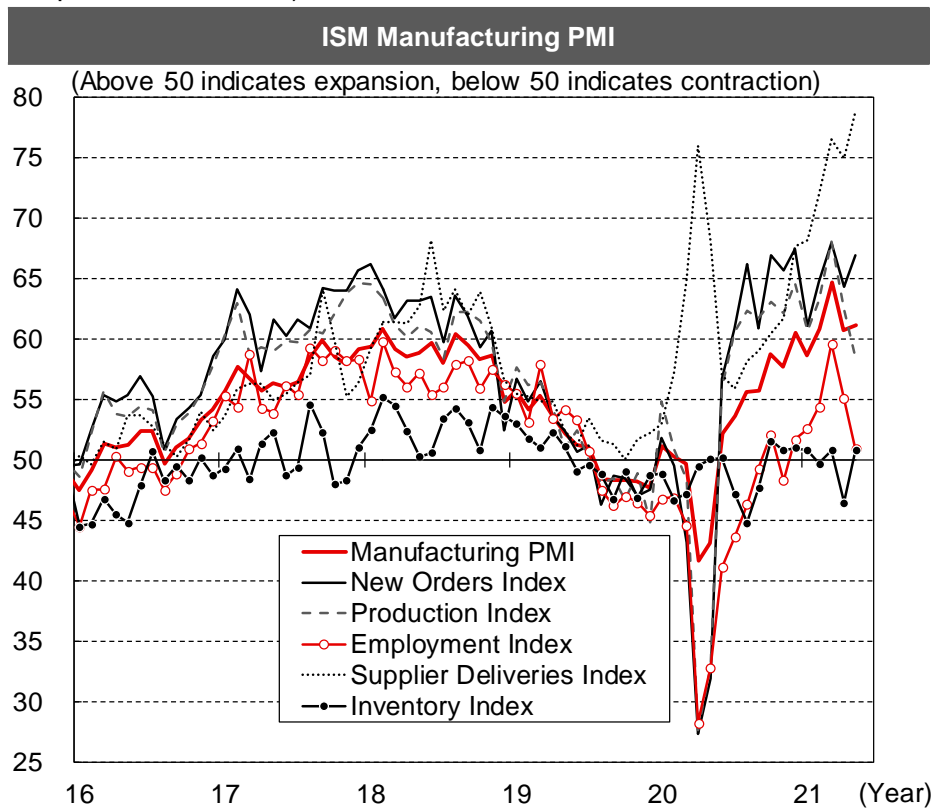
US Economic Indicators Monthly Overview (June 2021)

ECONOMIC RESEARCH OFFICE (NEW YORK)

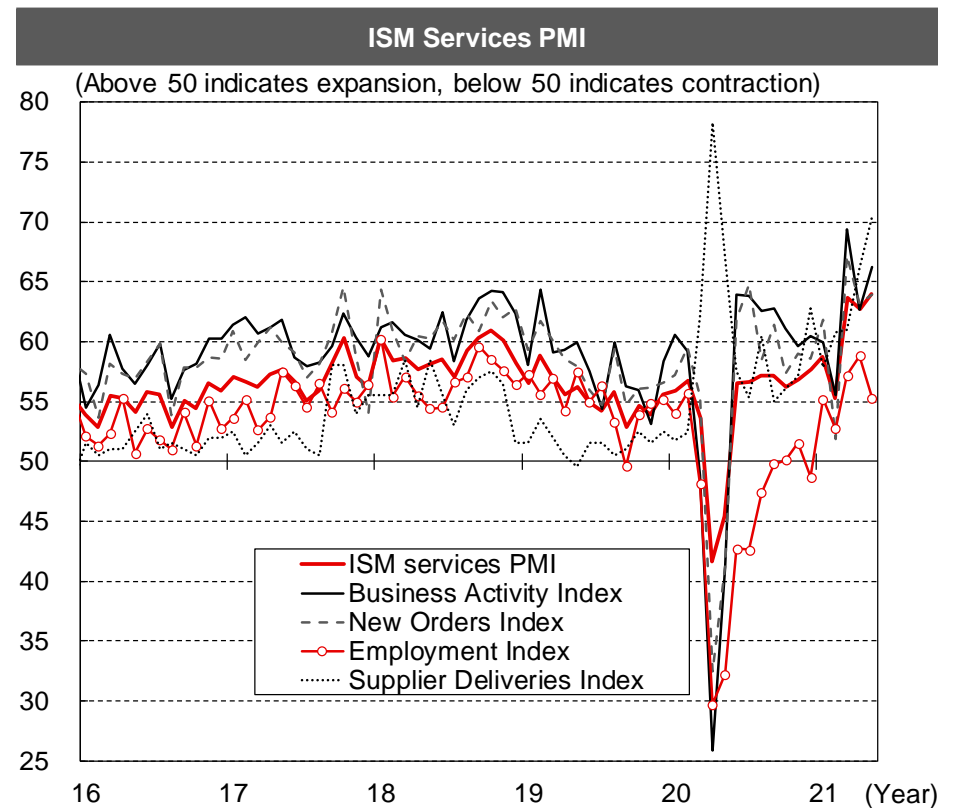
23rd June 2021 (original Japanese version released on 15th June)

1. Business Activity

- ISM Manufacturing PMI, an indicator of business confidence and activity in the manufacturing sector, rose 0.5 point MoM to 61.2 in May, topping the expansion-or-contraction threshold of 50 for 12 consecutive months. Component breakdown shows Production Index fell 4.0 points MoM to 58.5 and Employment Index fell 4.2 points to 50.9, while New Orders Index rose 2.7 points to 67.0, Supplier Deliveries Index rose 3.8 points to 78.8, and Inventory Index rose 4.3 points to 50.8. The breakdown suggests that while demand remains strong, supply constraints including raw materials and labor shortages are putting a limit on activity expansion. On employment, the press release noted that more than half of respondent companies that are hiring or attempting to hire expressed difficulty doing so. Of the 18 manufacturing industries, 16 reported MoM expansion, one reported contraction, and one reported no MoM change (in April, all 18 reported expansion).
- ISM Services PMI rose 1.3 points MoM in April to 64.0, topping the expansion-or-contraction threshold of 50 for 12 consecutive months and reaching the highest level since the inception of the current index in January 2008. Component breakdown shows that Employment Index declined 3.5 points MoM to 55.3 while Business Activity Index rose 3.5 points to 66.2, New Orders Index rose 0.7 point to 63.9, and Supplier Deliveries Index rose 4.3 points to 70.4. All 18 services industries reported MoM expansion (in April, 17 reported expansion and one reported contraction).



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

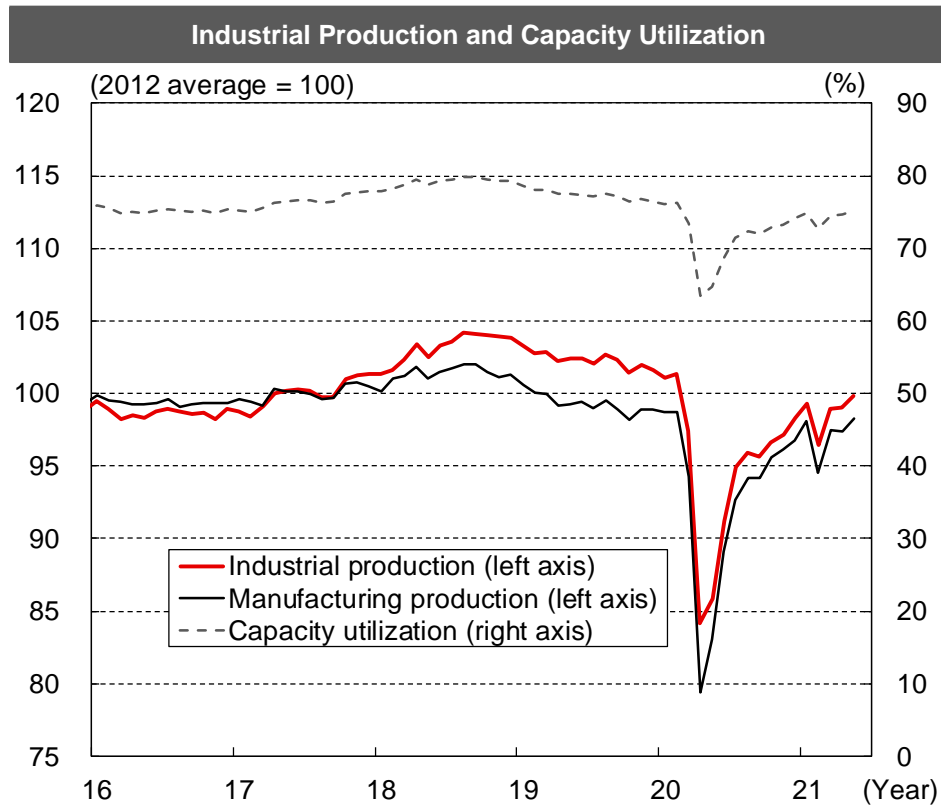


Source: Institute for Supply Management, MUFG Bank Economic Research Office

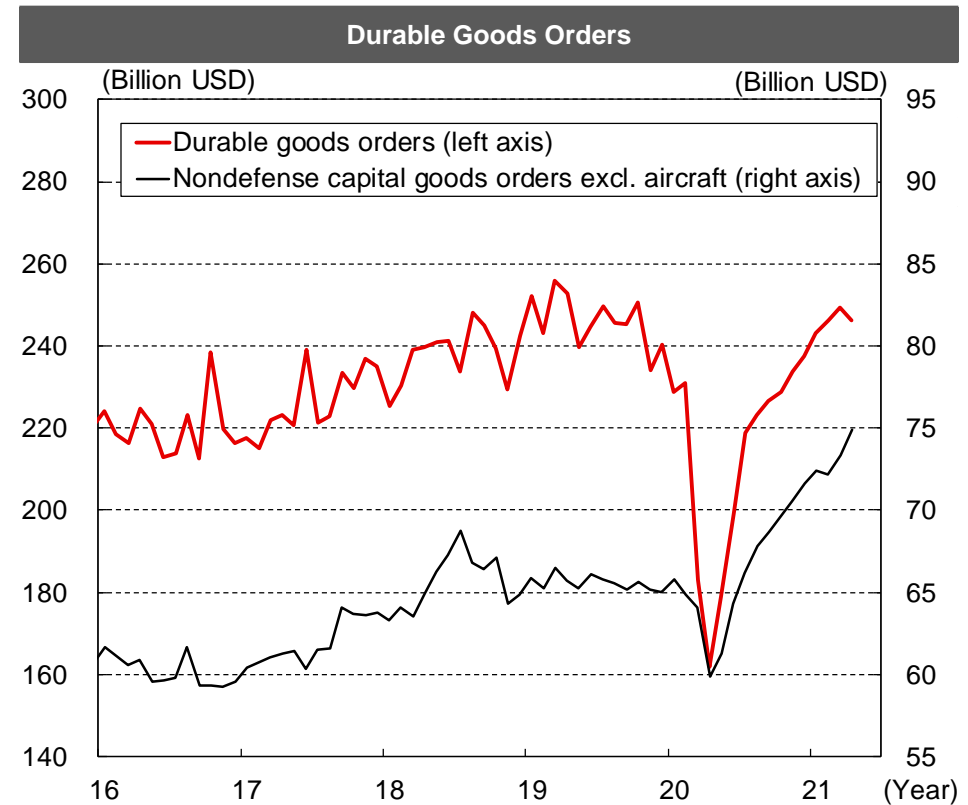
2. Production

- Industrial production increased 0.8% MoM in May, rising for a third straight month after a 0.1% increase in April. Industry breakdown shows manufacturing rose 0.9% MoM, mining rose 1.2%, and utilities rose 0.2%. Within the manufacturing sector, wood products, primary metals, and nonmetallic mineral products declined while motor vehicles & parts, machinery, computer & electronic products and petroleum & coal products rose. The capacity utilization rate rose 0.6% point MoM to 75.2% in May.
- Durable goods orders declined 1.3% MoM in April, decreasing for the first time in 12 months after a 1.3% rise in March. Industry breakdown shows transportation equipment declined 6.6% MoM and electrical equipment, appliances & components declined 0.7% (see note below). Nondefense capital goods orders excluding aircraft, a leading indicator of capital investment, increased MoM for a second straight month, by 2.2% in April after a 1.6% increase in March.

Note: Motor vehicle & parts, which account for roughly 70% of transportation equipment, declined 6.1% MoM, possible due to production adjustment in the automotive industry resulting from semiconductor shortages.



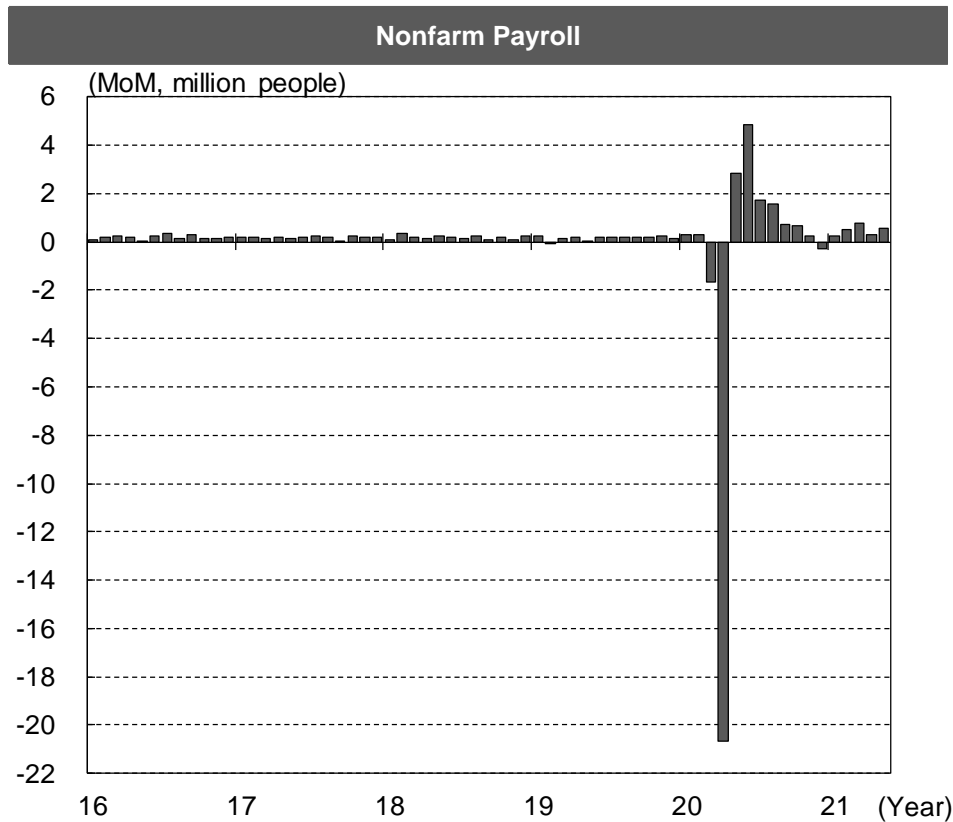
Source: Federal Reserve, MUFG Bank Economic Research Office



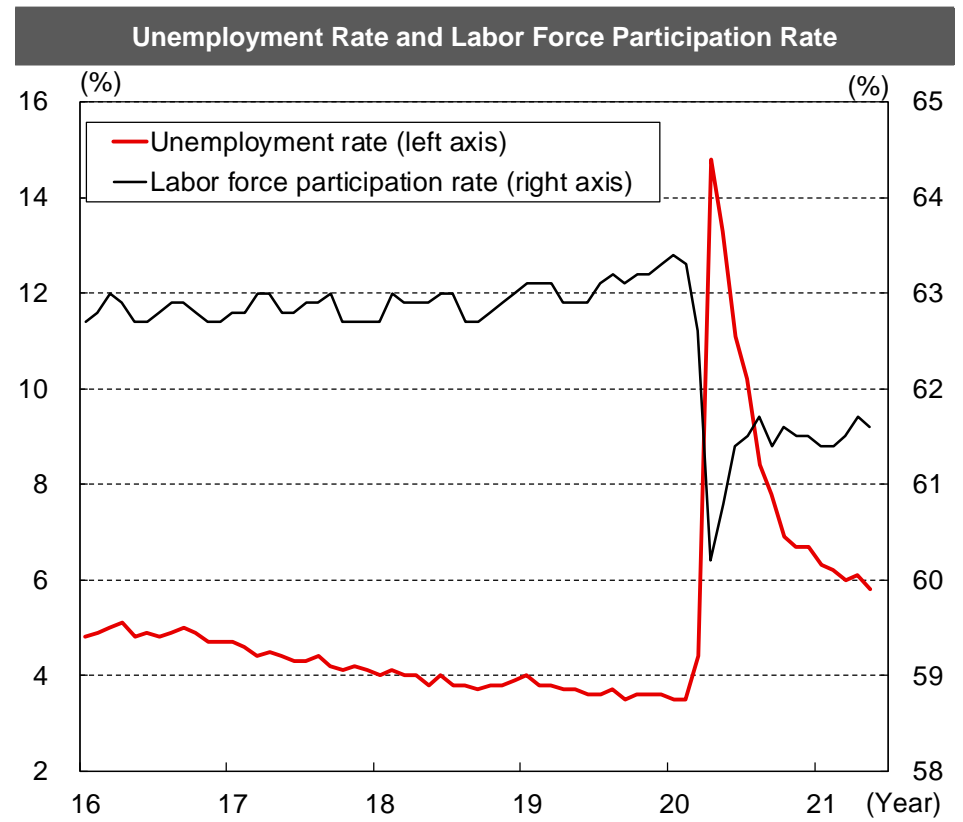
Source: Department of Commerce, MUFG Bank Economic Research Office

3. Employment

- Nonfarm payroll increased 559,000 MoM in May, rising for a fifth straight month after a 278,000 increase in April. Industry breakdown shows that construction declined 20,000 MoM and retail trade declined 6,000, while leisure & hospitality, which has been most severely hit by the pandemic, rose sharply for a fourth straight month, by 292,000. Other areas of nonfarm payroll increase included education & health services, which rose 87,000 MoM, government, which rose 67,000, professional & business services, which rose 35,000, information, which rose 29,000, and manufacturing, which rose 23,000. Nonfarm payroll stands 7,630,000 or 5.0% below the pre-pandemic level of February 2020.
- Unemployment rate declined to 5.8% in May from 6.1% in April. Unemployed persons decreased 496,000 MoM to 9,316,000 in May. Labor force participation rate fell to 61.5% from 61.7% in April.
- Average hourly earnings for all private-sector employees rose 0.5% MoM in May after a 0.7% rise in April, and rose 2.0% YoY in May after a 0.4% rise in April.



Source: Department of Labor, MUFG Bank Economic Research Office



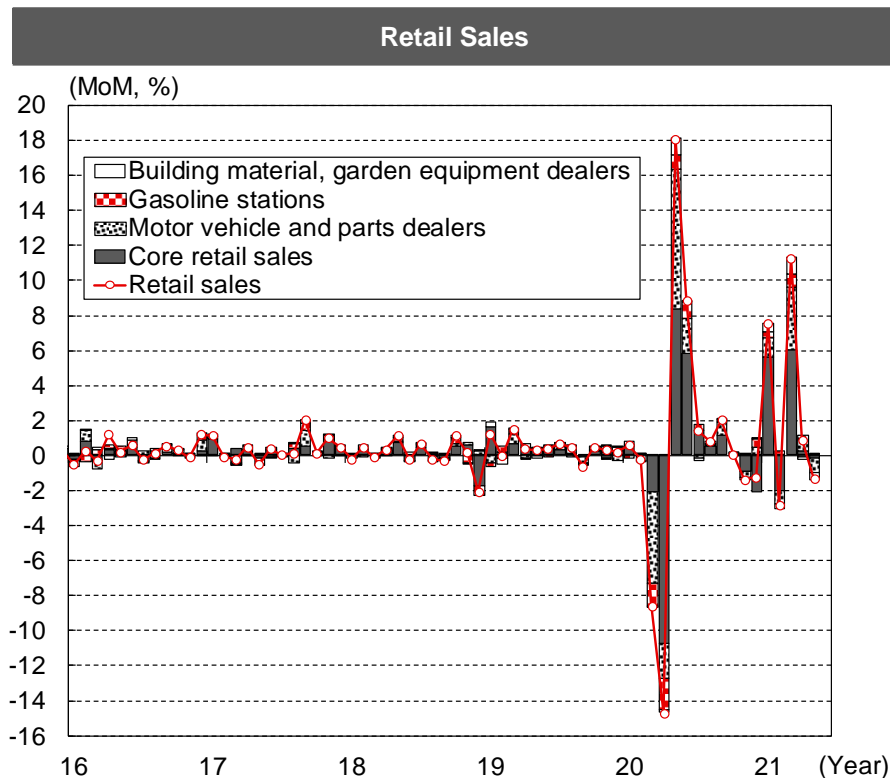
Source: Department of Labor, MUFG Bank Economic Research Office

4. Consumer Spending

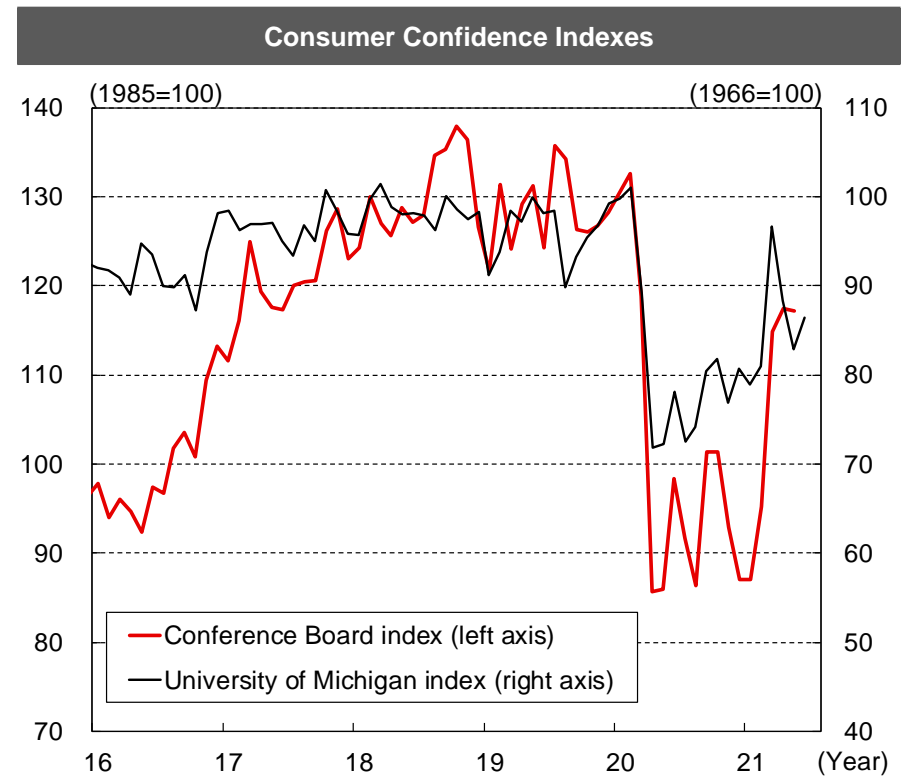
- Retail sales declined 1.3% MoM in May, falling for the first time in three months after a 0.9 rise in April. Breakdown shows clothing & clothing accessory stores rose 3.0% MoM, food services & drinking places rose 1.8% and health & personal care stores rose 1.8%, while building material & gardening equipment & supplies dealers declined 5.9%, motor vehicle & parts dealers declined 3.7%, electronics & appliance stores declined 3.4%, and general merchandise stores declined 3.3%.
- The Conference Board Consumer Confidence Index declined 0.3 point MoM to 117.2 in May. The Present Situation Index rose 12.4 points MoM to 144.3, while the Expectations Index fell 8.8 points to 99.1 (see note below). The decline in the Expectations Index may be attributed to concerns of inflation and a waning of further government support, according to the press release.

Note: The headline index fell even though the increase in the Present Situation Index was larger than the decline in the Expectations Index. This is because the Expectations Index has a bigger weight in the headline index calculation. The Present Situation Index measures consumers' views on 1) current business conditions and 2) current labor market. The Expectations Index measures 1) business conditions 2) labor market, and 3) household income for six months in the future.

- The University of Michigan Index of Consumer Sentiment rose 3.5 points MoM to 86.4 in June (preliminary results). The Current Economic Conditions Index rose 1.2 points MoM to 90.6, and the Index of Consumer Expectations rose 5.0 points to 83.8.



Source: Department of Commerce, MUFG Bank Economic Research Office

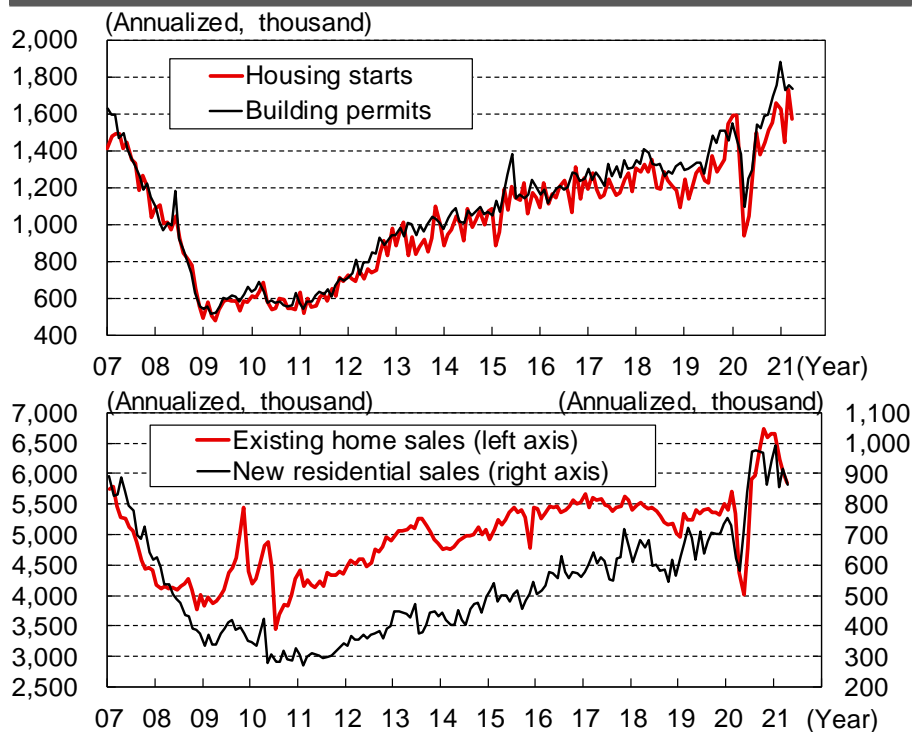


Source: Conference Board, University of Michigan, MUFG Bank Economic Research Office

5. Housing Market

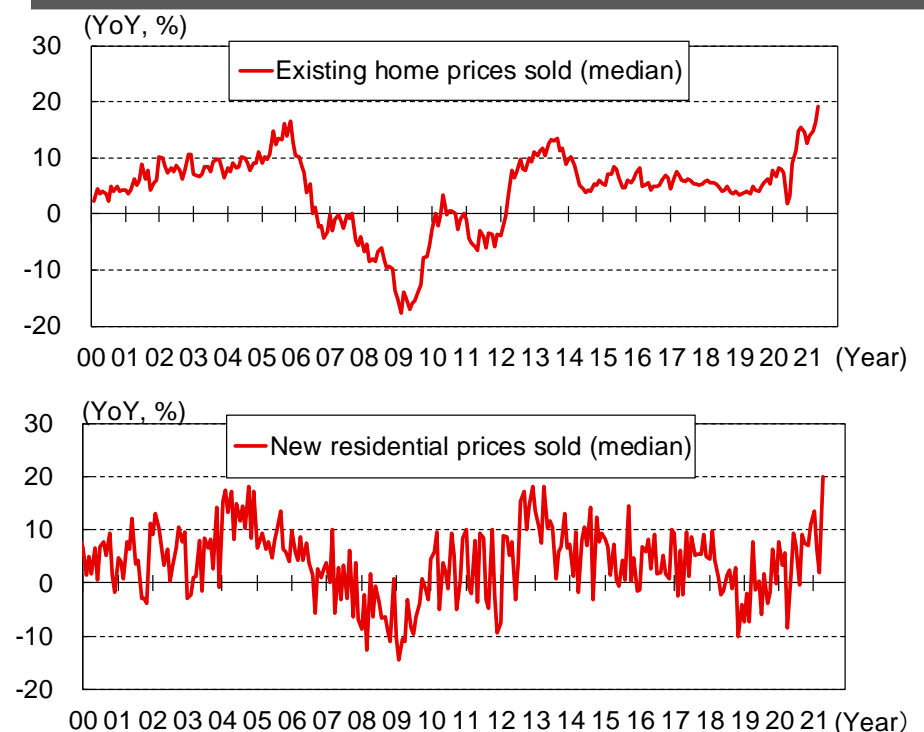
- Housing starts in April decreased 9.5% MoM to a seasonally adjusted annualized rate (SAAR) of 1,569,000, declining after an 19.8% increase in March. Single-family housing starts decreased 13.4% MoM, while buildings with two or more units increased 0.8%. Building permits, a leading indicator of housing starts, decreased 1.3% MoM to 1,733,000 (SAAR) after an 1.7% increase in March.
- Existing home sales decreased 2.7% MoM in April to 5,850,000 (SAAR), declining for a third straight month. The inventory-to-sales ratio rose to 2.3 months (seasonally adjusted) from March's 2.1 months. Median sales price rose 19.1% YoY to \$341,600 (not seasonally adjusted), accelerating from March's 16.2% increase.
- New residential sales decreased 5.9% MoM in April to 863,000 (SAAR), declining after a 7.4% increase in March. Inventory-to-sales ratio rose to 4.4 months (seasonally adjusted), after 4.0 months in March. Median sales price rose 20.1% YoY to \$372,400 (seasonally adjusted), after a 1.8% increase in March.
- Solid demand and supply-side constraints such as labor and materials shortages have been cited as factors contributing to accelerated increases in existing home and new residential sale prices.

Housing Starts, Building Permits and Home Sales



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

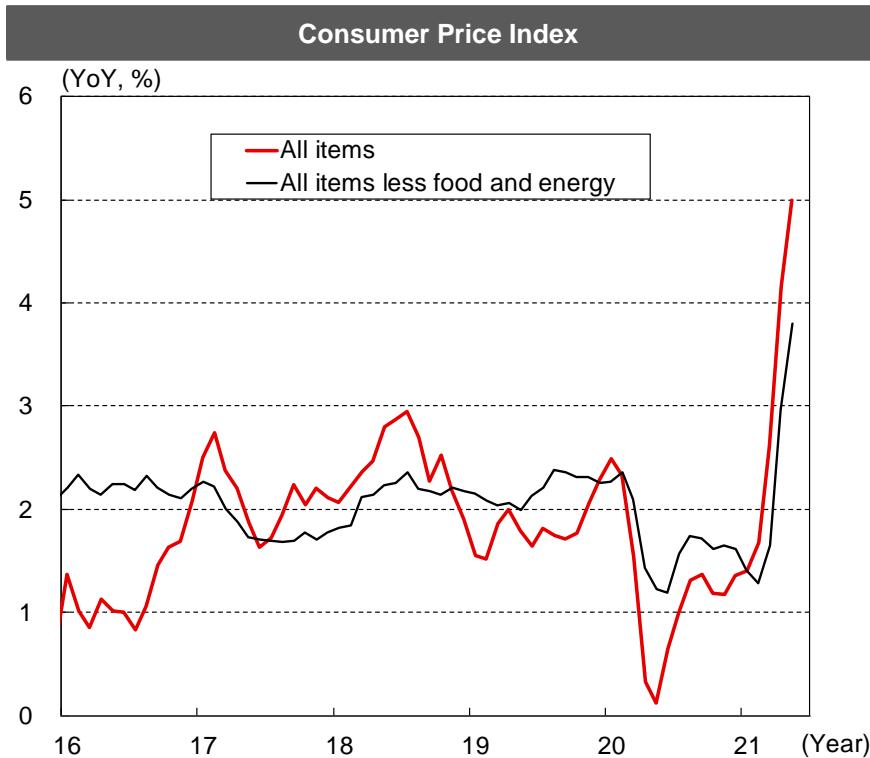
Home Prices



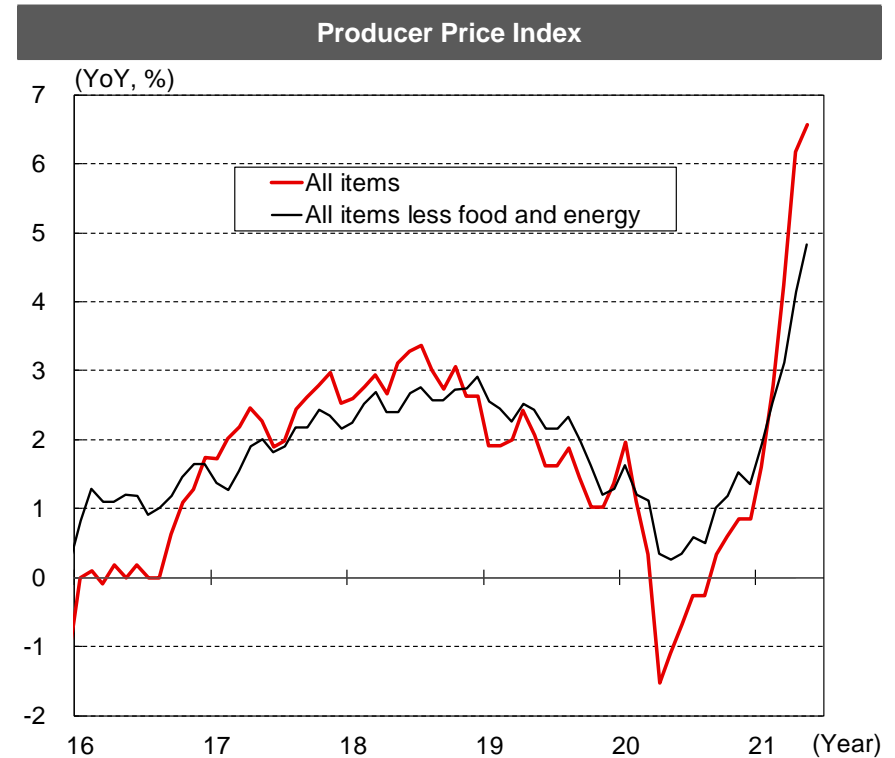
Source: National Association of Realtors, Department of Commerce, MUFG Bank Economic Research Office

6. Prices

- The Consumer Price Index (CPI) rose 0.6% MoM in May, slowing from April's 0.8% increase. The CPI rose 5.0% YoY in May, the sharpest increase since August 2008, after a 4.2% increase in April. Breakdown by item shows that larger gains were seen in the same categories as in April, with used cars & trucks rising 29.7% YoY in May after a 21.0% rise in April, energy rising 28.5% in May after a 25.1% rise in April, and transportation services rising 11.2% in May after a 5.6% rise in April. The core CPI (all items less food and energy) rose 0.7% MoM in May after a 0.9% rise in April, and increased 3.8% YoY in May after a 3.0% rise in April. The May YoY increase was the sharpest increase since June 1992.
- The Producer Price Index (PPI) rose 0.8% MoM in May, accelerating from a 0.6% increase in April. The PPI rose 6.6% YoY in May, the sharpest increase since the current time series began, after a 6.2% increase in April. Breakdown by item shows that the pace of increase accelerated for both goods and services, which rose 11.1% YoY and 4.5% respectively. In goods category, energy was among the items with large increases, with a 46.6% YoY rise. In service category, transportation & warehousing was among the items with large increases, with a 8.7% YoY rise. The core PPI (all items less food and energy) rose 0.7% MoM, the same rate as in April, and rose 4.8% YoY in May after a 4.1% rise in April. The May YoY increase is the sharpest increase since the current time series began, as is the case with the all-item index.



Source: Department of Labor, MUFG Bank Economic Research Office



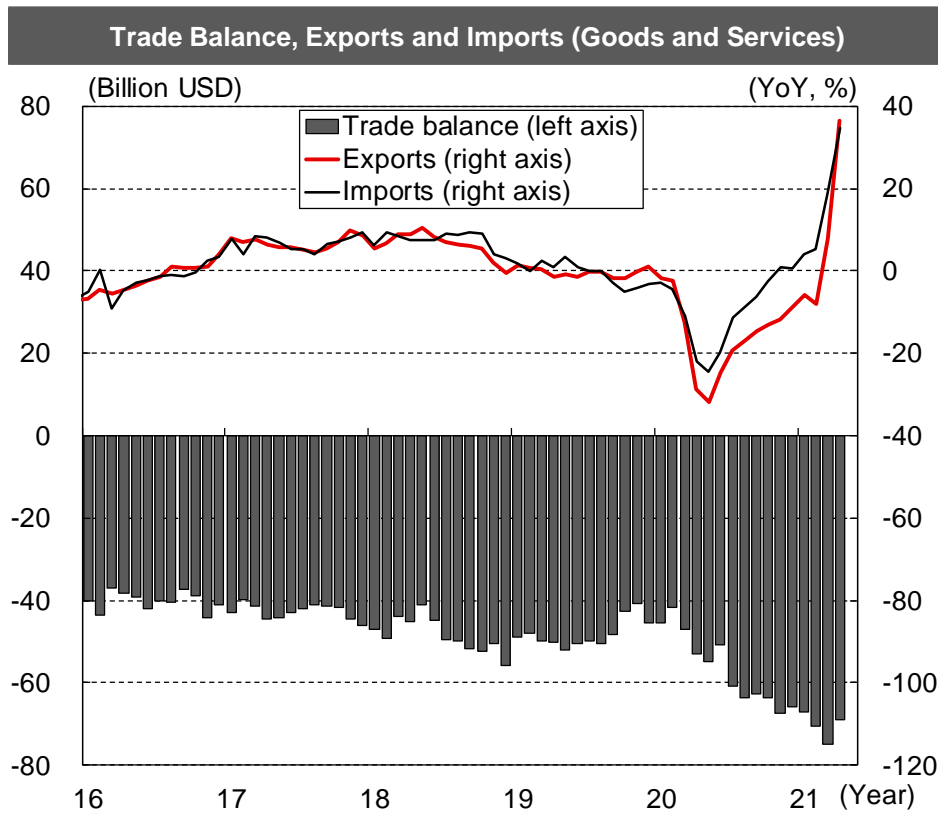
Source: Department of Labor, MUFG Bank Economic Research Office

7. Balance of Payments

- Trade deficit on goods and services narrowed 8.2% MoM from a record reached in March to \$68.9 billion in April (see note 1 below). Trade deficit on goods narrowed 6.7% MoM to \$86.7 billion, and trade surplus on services narrowed 0.3% to \$17.8 billion. Exports increased 1.1% MoM 36.6% YoY, and imports decreased 1.4% MoM and increased 34.9% YoY (in April 2020, exports and imports declined sharply due to the pandemic) .
- For goods exports, breakdown by destination shows that the goods trade deficit with China, which accounts for roughly a third of US goods deficit, narrowed 17.9% or \$7.1 billion MoM to \$32.4 billion in April (see note 2 below). Goods trade deficit with Mexico, which comes second after the deficit with China, widened 14.3% or \$1.2 billion to \$10 billion.

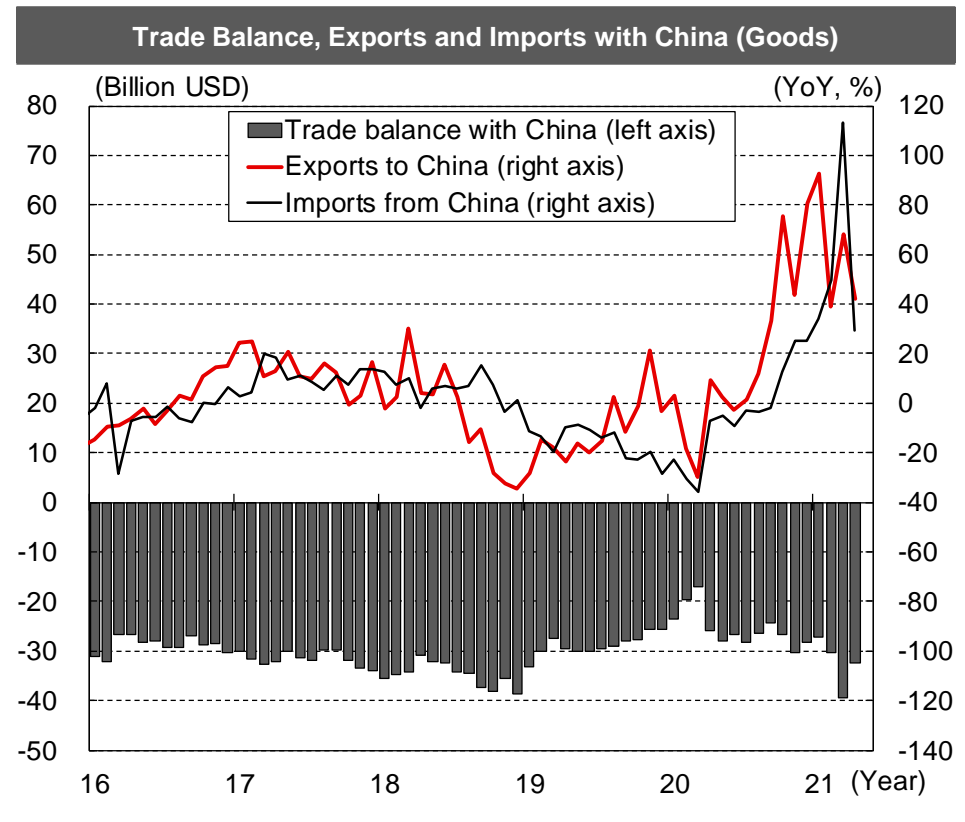
Note 1: Trade balance is on a balance of payment (BOP) basis but breakdown by country is on a Census basis.

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



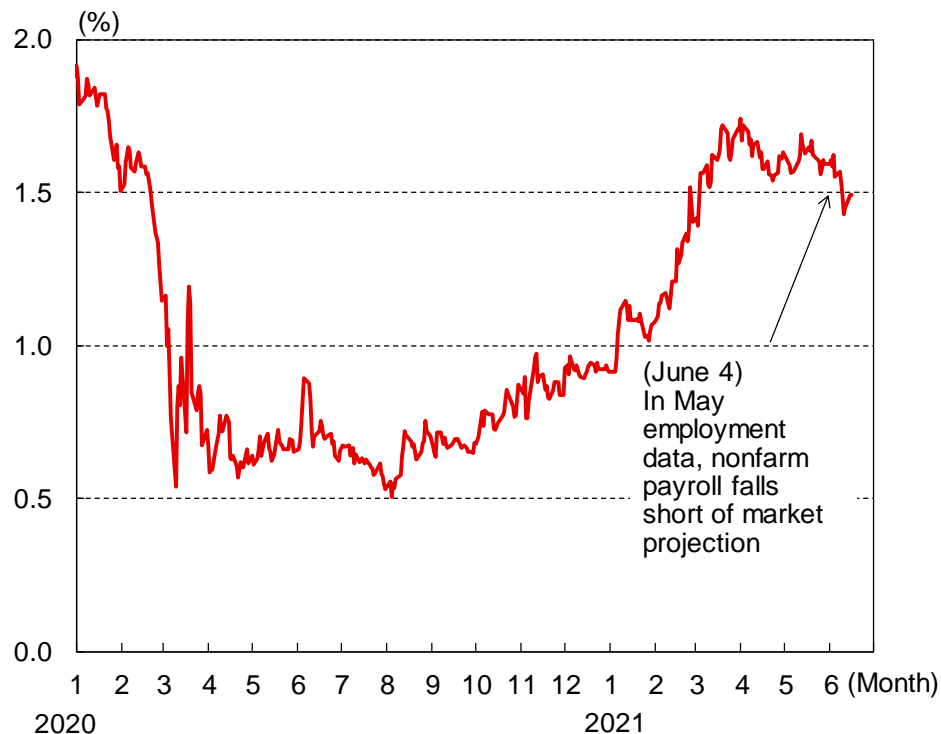
Note: Census basis

Source: Department of Commerce, MUFG Bank Economic Research Office

8. Financial Markets

- The 10-year treasury yield has been trending lower as the nonfarm payroll in the May employment data (released on June 4) came lower than expected, among other developments. On June 15, the yield stood at around 1.5%.
- Dow Jones Industrial Average (DJIA) stock market index has been lacking in direction lately and moving in a narrow range. On June 15, the index closed at 34,299, 1.4% lower than the record 34,777 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														
		Jun-20	Jul	Aug	Sep	Oct	Nov	Dec	Jan-21	Feb	Mar	Apr	May	June
Businesses	ISM Manufacturing PMI	52.2	53.7	55.6	55.7	58.8	57.7	60.5	58.7	60.8	64.7	60.7	61.2	-
	ISM Services PMI	56.5	56.6	57.2	57.2	56.2	56.8	57.7	58.7	55.3	63.7	62.7	64.0	-
	Industrial production (2012 ave = 100)	91.2	94.9	95.9	95.6	96.6	97.2	98.3	99.3	96.4	98.9	99.0	99.9	-
	MoM (%)	6.2	4.1	1.1	-0.3	1.1	0.5	1.2	1.1	-2.9	2.6	0.1	0.8	-
	Capacity utilization (%)	68.7	71.5	72.3	72.1	72.9	73.3	74.1	74.9	72.7	74.6	74.6	74.6	-
	Manufactured goods new orders (Million USD)	413,666	438,265	444,422	449,061	453,094	460,424	468,324	479,160	481,195	488,073	485,156	-	-
	MoM (%)	8.8	5.9	1.4	1.0	0.9	1.6	1.7	2.3	0.4	1.4	-0.6	-	-
	Durable goods orders (Million USD)	199,226	218,748	223,062	226,664	228,836	233,838	237,428	243,160	246,261	249,467	246,303	-	-
MoM (%)	11.3	9.8	2.0	1.6	1.0	2.2	1.5	2.4	1.3	1.3	-1.3	-	-	
Household	Nonfarm payroll (monthly change, thousand people)	4,846	1,726	1,583	716	680	264	-306	233	536	785	278	559	-
	Average hourly earnings (USD)	29.35	29.37	29.47	29.50	29.52	29.61	29.91	29.92	30.00	29.97	30.18	30.33	-
	YoY (%)	5.0	4.7	4.7	4.8	4.5	4.5	5.5	5.2	5.2	4.3	0.4	2.0	-
	Unemployment rate (%)	11.1	10.2	8.4	7.8	6.9	6.7	6.7	6.3	6.2	6.0	6.1	5.8	-
	Personal income (annualized, billion USD)	20,033	20,174	19,624	19,762	19,728	19,544	19,677	21,683	20,187	24,400	21,195	-	-
	MoM (%)	-1.1	0.7	-2.7	0.7	-0.2	-0.9	0.7	10.2	-6.9	20.9	-13.1	-	-
	Consumer spending (annualized, billion USD)	14,015	14,225	14,397	14,583	14,627	14,533	14,451	14,938	14,790	15,480	15,560	-	-
	MoM (%)	6.5	1.5	1.2	1.3	0.3	-0.6	-0.6	3.4	-1.0	4.7	0.5	-	-
	Saving rate (%)	19.0	18.4	14.6	14.1	13.5	13.1	14.2	20.6	14.7	27.7	14.9	-	-
	Retail sales (million USD)	526,860	534,295	538,646	549,528	550,038	542,583	535,972	576,466	559,970	623,119	628,678	620,214	-
	MoM (%)	8.9	1.4	0.8	2.0	0.1	-1.4	-1.2	7.6	-2.9	11.3	0.9	-1.3	-
	Auto sales (annualized, million units)	13.0	14.6	15.1	16.3	16.4	15.7	16.2	16.8	15.9	18.0	18.8	17.0	-
	MoM (%)	7.5	12.3	3.3	7.9	0.4	-4.0	3.3	3.3	-5.2	12.9	4.5	-9.5	-
Conference Board Consumer Confidence Index	98.3	91.7	86.3	101.3	101.4	92.9	87.1	87.1	95.2	114.9	117.5	117.2	-	
University of Michigan Index of Consumer Sentiment	78.1	72.5	74.1	80.4	81.8	76.9	80.7	79.0	81.0	96.7	88.3	82.9	86.4	

Source: Various statistics, MUFG Bank Economic Research Office

Table: Major Monthly Economic Indicators (continued)

Major Monthly Economic Indicators														
		Jun-20	Jul	Aug	Sep	Oct	Nov	Dec	Jan-21	Feb	Mar	Apr	May	June
Housing	Housing starts (annualized, thousand units)	1,273	1,497	1,376	1,448	1,514	1,551	1,661	1,625	1,447	1,733	1,569	-	-
	MoM (%)	21.7	17.6	-8.1	5.2	4.6	2.4	7.1	-2.2	-11.0	19.8	-9.5	-	-
	Existing home sales (annualized, thousand units)	4,770	5,900	5,970	6,440	6,730	6,590	6,650	6,660	6,240	6,010	5,850	-	-
	MoM (%)	19.0	23.7	1.2	7.9	4.5	-2.1	0.9	0.2	-6.3	-3.7	-2.7	-	-
	New home sales (annualized, thousand units)	839	972	977	971	969	865	943	993	854	917	863	-	-
	MoM (%)	19.2	15.9	0.5	-0.6	-0.2	-10.7	9.0	5.3	-14.0	7.4	-5.9	-	-
Prices	Consumer Price Index (1982-1984 = 100)	257.8	259.1	259.9	260.3	260.4	260.2	260.5	261.6	263.0	264.9	267.1	269.2	-
	MoM (%)	0.5	0.5	0.4	0.2	0.1	0.2	0.2	0.3	0.4	0.6	0.8	0.6	-
	YoY (%)	0.6	1.0	1.3	1.4	1.2	1.2	1.4	1.4	1.7	2.6	4.2	5.0	-
	Producer Price Index (Nov 2009 = 100)	117.7	118.4	118.5	118.7	119.5	119.3	119.4	120.9	121.7	123.1	123.9	125.0	-
	MoM (%)	0.3	0.5	0.2	0.3	0.6	0.0	0.3	1.2	0.6	1.0	0.6	0.8	-
	YoY (%)	-0.7	-0.3	-0.3	0.3	0.6	0.8	0.8	1.6	2.8	4.2	6.2	6.6	-
Trade	Exports (goods, billion USD)	103.7	115.9	119.0	122.0	125.8	126.8	131.5	134.5	130.4	143.7	145.3	-	-
	Imports (goods, billion USD)	175.7	196.7	201.9	203.6	207.9	213.0	216.3	220.9	219.6	236.5	232.0	-	-
	Trade balance (goods, billion USD)	-72.0	-80.8	-83.0	-81.6	-82.1	-86.2	-84.8	-86.4	-89.2	-92.9	-86.7	-	-
	Trade balance (goods and services, billion USD)	-50.7	-60.7	-63.7	-62.6	-63.7	-67.3	-65.8	-67.1	-70.6	-75.0	-68.9	-	-

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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