

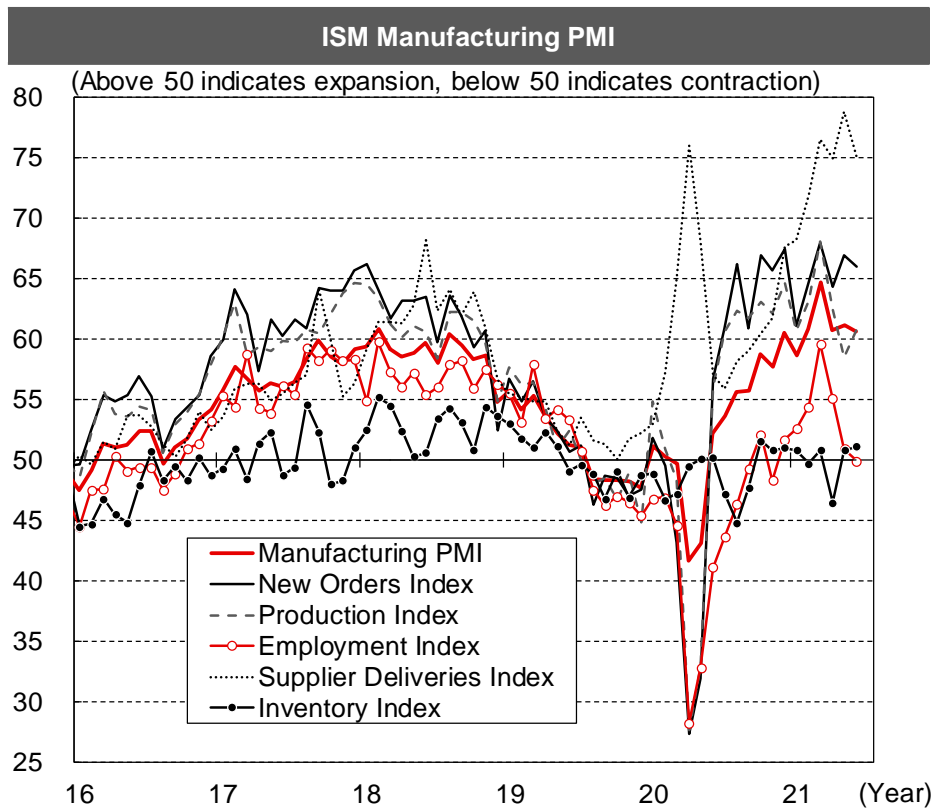
# US Economic Indicators Monthly Overview (July 2021)

ECONOMIC RESEARCH OFFICE (NEW YORK)

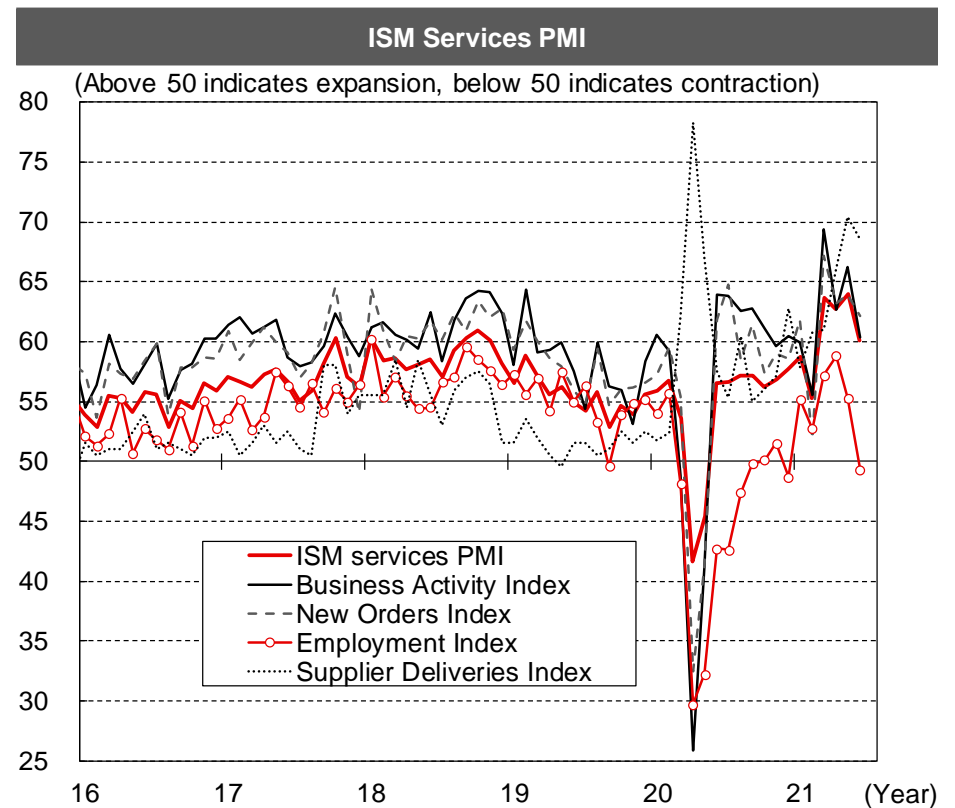
21<sup>st</sup> July 2021 (original Japanese version released on 16<sup>th</sup> July)

# 1. Business Activity

- ISM Manufacturing PMI, an indicator of business confidence and activity in the manufacturing sector, declined 0.6 point MoM to 60.6 in June, while topping the expansion-or-contraction threshold of 50 for 13 consecutive months. Component breakdown shows Production Index rose 2.3 points MoM to 60.8 and Inventory Index rose 0.3 point to 51.1, while New Orders Index fell 1.0 point to 66.0, Employment Index fell 1.0 point to 49.9, and Supplier Deliveries Index fell 3.7 points to 75.1. “Labor challenges across the entire value chain continue to be the major obstacles to increasing growth,” Tim Fiore, the chair of the ISM Manufacturing Survey committee said. Of the 18 manufacturing industries, 17 reported MoM expansion, one reported no change (in May, 16 reported expansion, one reported contraction, and one reported no MoM change).
- ISM Services PMI declined 3.9 points MoM in June to 60.1, while topping the expansion-or-contraction threshold of 50 for 13 consecutive months. Component breakdown shows that Business Activity Index fell 5.8 points MoM to 60.4, New Orders Index fell 1.8 points to 62.1, Employment Index fell 6.0 points to 49.3, and Supplier Deliveries Index fell 1.9 points to 68.5. Of the 18 services industries, 16 reported MoM expansion and two reported contraction (in May, all 18 reported expansion).



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

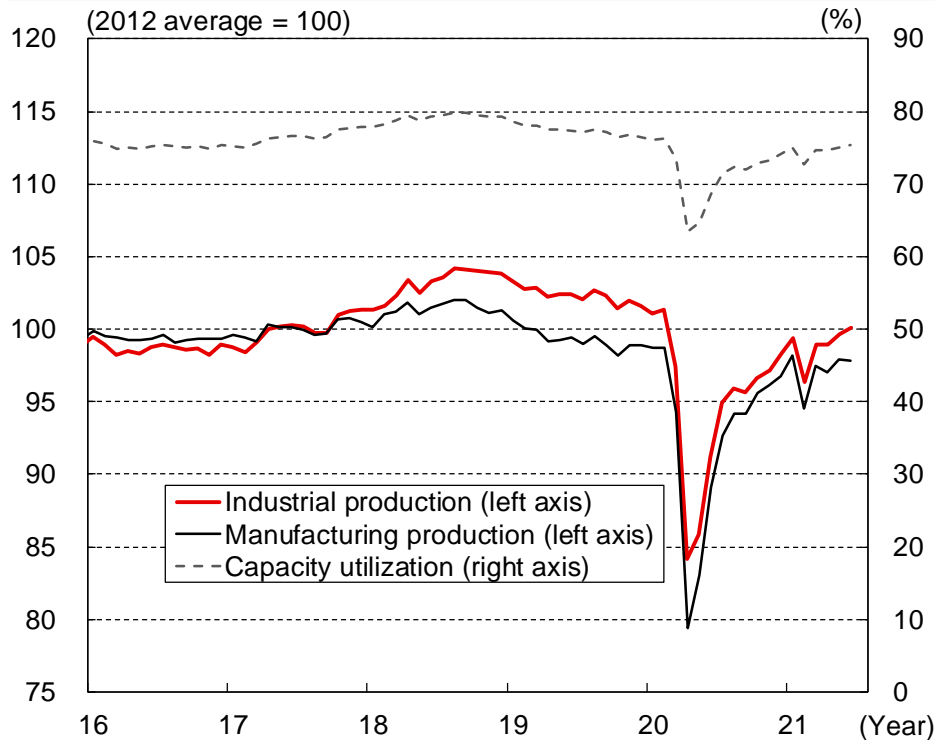


Source: Institute for Supply Management, MUFG Bank Economic Research Office

## 2. Production

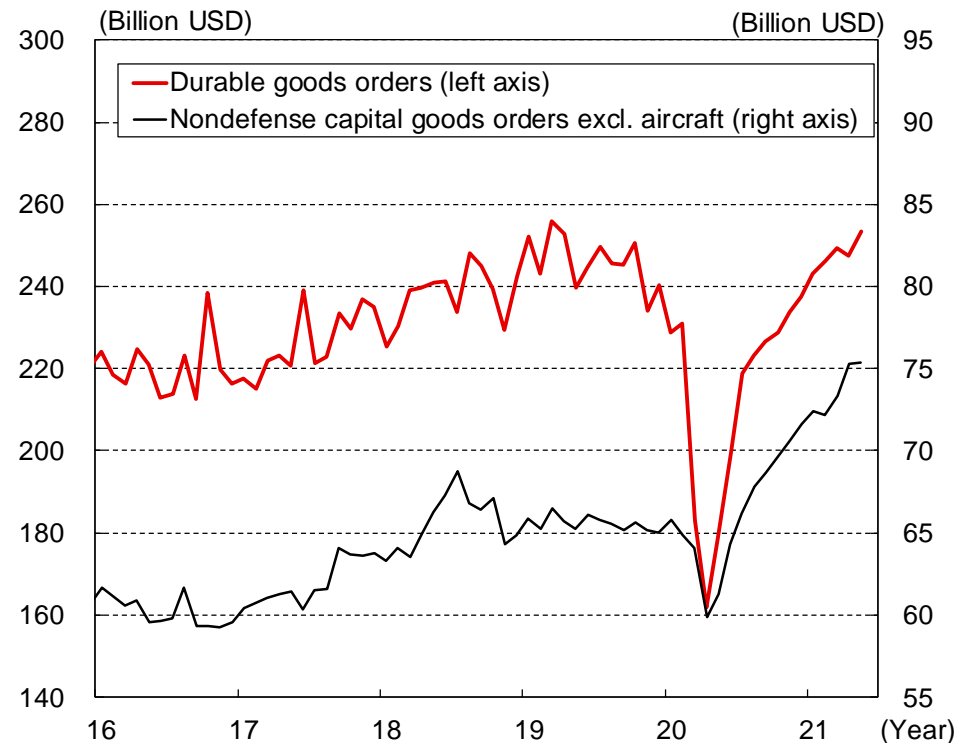
- Industrial production increased 0.4% MoM in June, slowing from a 0.7% increase in May. Industry breakdown shows that utilities (electricity and natural gas) increased 2.7% MoM due to a rise in air conditioning demand linked to heat waves, and that mining increased 1.4%. Meanwhile, manufacturing declined 0.1% MoM, weighed down by a 6.6% decline in motor vehicles & parts, which are affected by semiconductor shortages. The capacity utilization rate rose 0.3% point MoM to 75.4% in June.
- Durable goods orders increased 2.3% MoM in May after a 0.7% decline in April. Industry breakdown shows that transportation equipment jumped 7.7% MoM, supported by a 27.9% increase in nondefense aircraft, and that primary metals increased for a third straight month, by 2.2%. Nondefense capital goods orders excluding aircraft, a leading indicator of capital investment, increased slightly, by 0.1% MoM in May after a 2.7% increase in April.

Industrial Production and Capacity Utilization



Source: Federal Reserve, MUFG Bank Economic Research Office

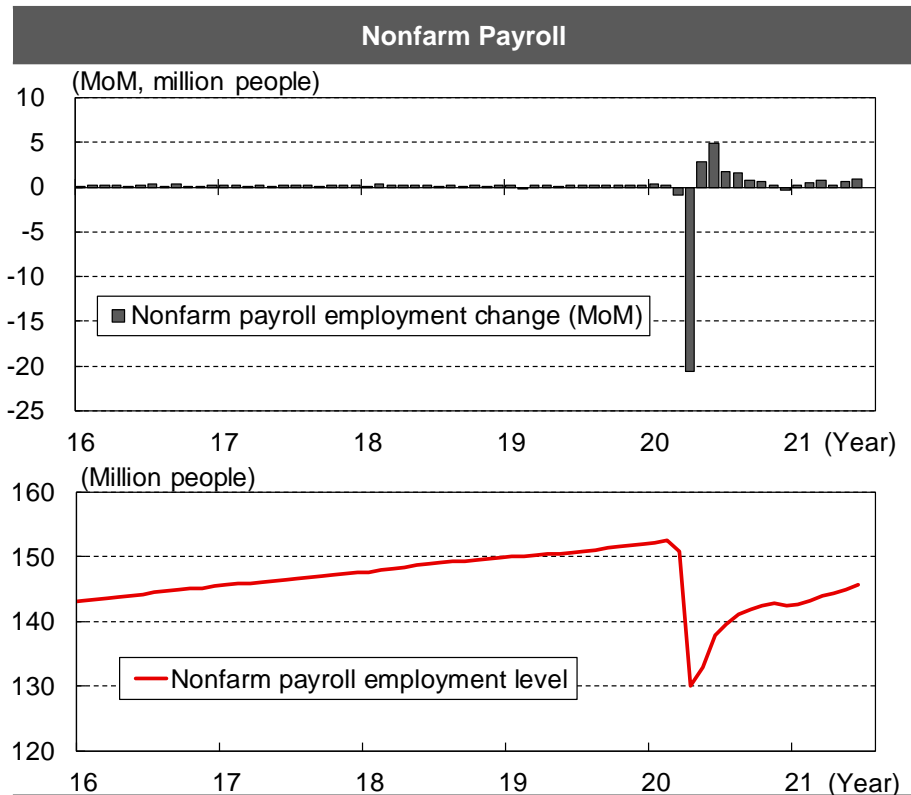
Durable Goods Orders



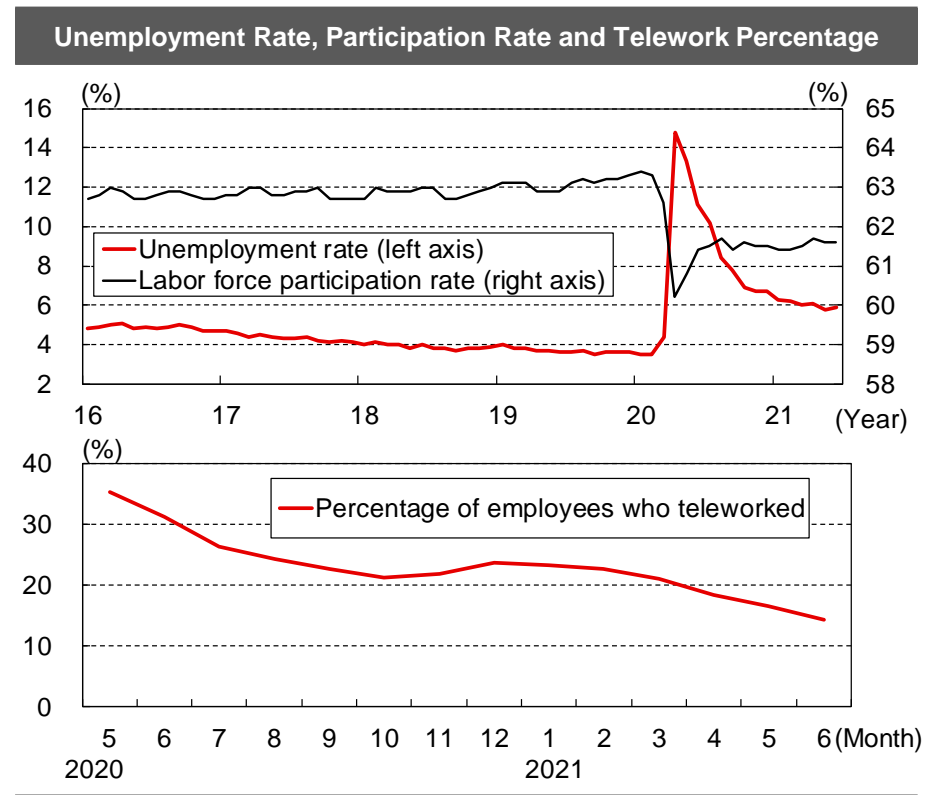
Source: Department of Commerce, MUFG Bank Economic Research Office

### 3. Employment

- Nonfarm payroll increased 850,000 MoM in June, rising for a sixth straight month after a 583,000 increase in May. Industry breakdown shows that construction and financial activities declined slightly, by 7,000 MoM and 1,000 respectively, while leisure & hospitality, which has been most severely hit by the pandemic, rose sharply for a fifth straight month, by 343,000. Other areas of nonfarm payroll increase included government, which rose 188,000, professional & business services, which rose 72,000, and retail trade, which rose 67,000. Nonfarm payroll stands 6,760,000 or 4.4% below the pre-pandemic level of February 2020.
- Unemployment rate rose to 5.9% in June from 5.8% in May. Unemployed persons increased 168,000 MoM to 9,484,000 in June. Labor force participation rate was unchanged MoM at 61.6% in June. Average hourly earnings for all private-sector employees rose 0.3% MoM in June after a 0.4% rise in May, and rose 3.6% YoY in June after a 2.0% rise in May.
- The percentage of employed persons who teleworked at some point in the last four weeks due to the pandemic declined for a sixth straight month, to 14.4% from 16.6% in May, indicating that more workers are returning to office as the economy reopens.



Source: Department of Labor, MUFG Bank Economic Research Office

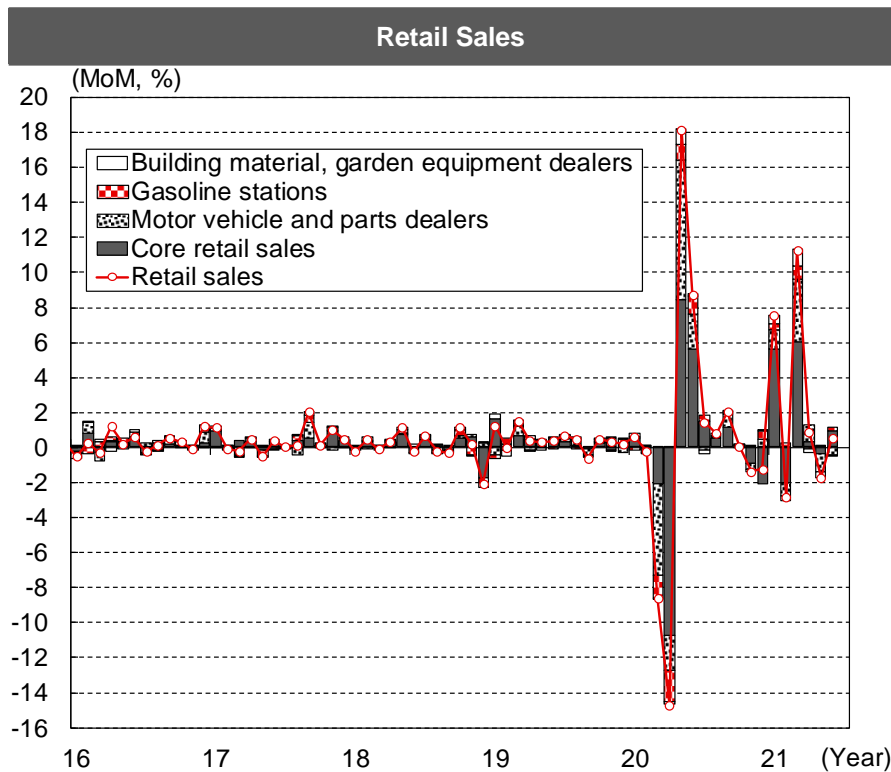


Note: *Percentage of employees who teleworked* refers to those who teleworked any time in the last four weeks specifically due to the pandemic.

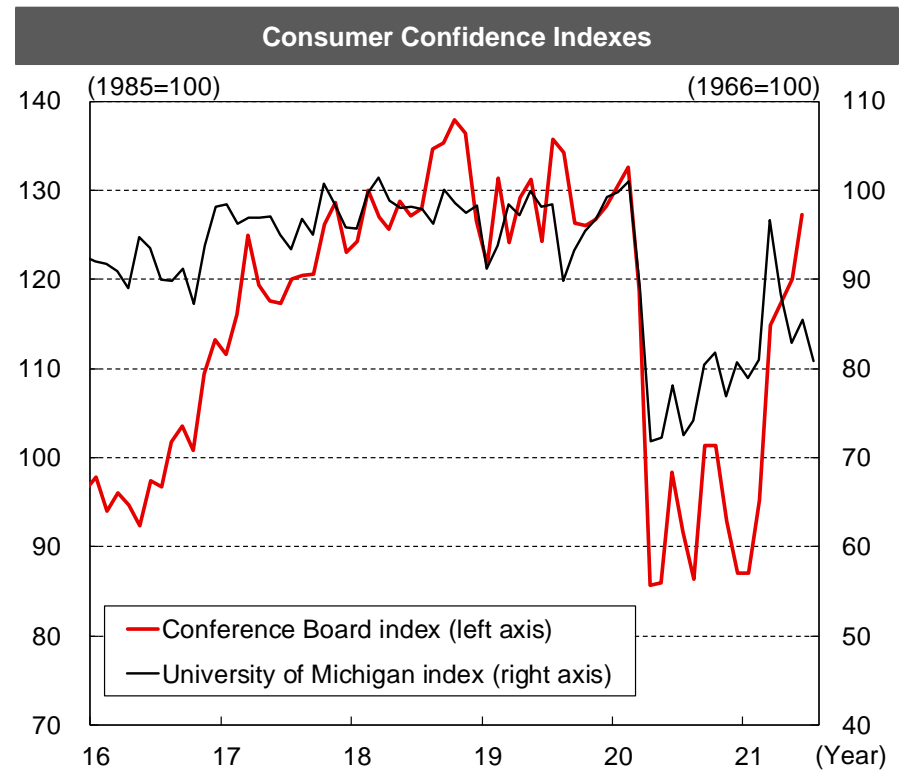
Source: Department of Labor, MUFG Bank Economic Research Office

## 4. Consumer Spending

- Retail sales increased 0.6% MoM in June after a 1.7% decline in May. Breakdown shows motor vehicle & parts dealers declined 2.0% MoM, and building material & gardening equipment & supplies dealers declined 1.6%, while electronics & appliance stores rose 3.3%, clothing & clothing accessory stores rose 2.6%, gasoline stations rose 2.5%, and food services & drinking places rose 2.3%.
- The Conference Board Consumer Confidence Index rose 7.3 points MoM to 127.3 in June. The Present Situation Index rose 9.0 points MoM to 157.7, and the Expectations Index rose 6.1 points to 107.0 (see note below). In the same survey, indices for plans to purchase homes, automobiles and major appliances in the next six months all rebounded in June amid heightened hopes for a continued economic recovery. Note: 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.
- Meanwhile, the University of Michigan Index of Consumer Sentiment declined 4.7 points MoM to 80.8 in July (preliminary results). The Current Economic Conditions Index fell 4.1 points MoM to 84.5, and the Index of Consumer Expectations fell 5.1 points to 78.4. Richard Curtin, director of the Surveys of Consumers cited heightened concerns of inflation as a factor contributing to the indices' decline.



Source: Department of Commerce, MUFG Bank Economic Research Office

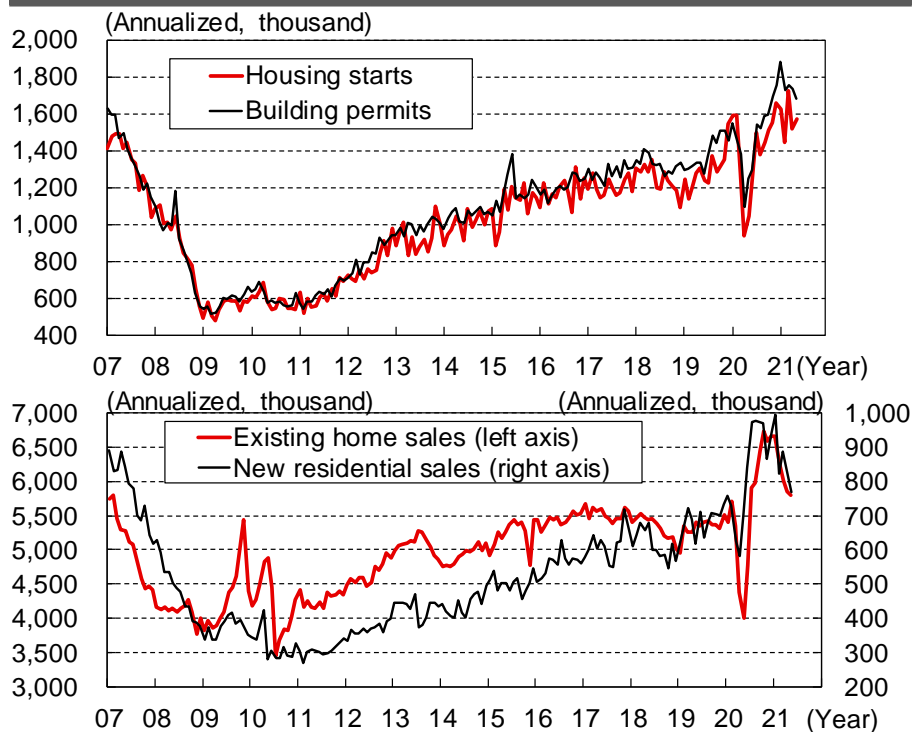


Source: Conference Board, University of Michigan, MUFG Bank Economic Research Office

## 5. Housing Market

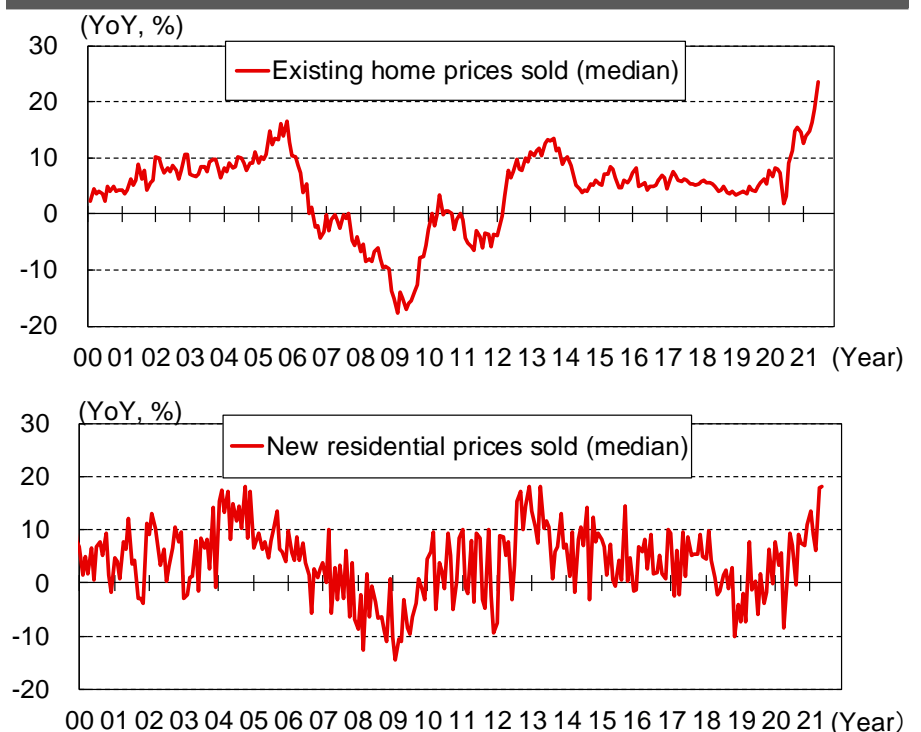
- Housing starts increased 3.6% MoM to a seasonally adjusted annualized rate (SAAR) of 1,572,000 in May, rising after a 12.1% decline in April. Single-family housing starts increased 4.2% MoM, while buildings with two or more units increased 2.4%. Building permits, a leading indicator of housing starts, decreased by 2.9% MoM to 1,683,000 (SAAR), falling for a second straight month after a 1.3% decline in April.
- Existing home sales decreased 0.9% MoM in May to 5,800,000 (SAAR), declining for a fourth straight month. The inventory-to-sales ratio rose to 2.4 months (seasonally adjusted) from April's 2.2 months. Median sales price rose 23.6% YoY to \$350,300 (not seasonally adjusted), accelerating from April's 18.8% increase. Recent declines in existing home sales can be attributed mainly to low inventory and high prices, said Lawrence Yun, chief economist at the National Association of Realtors.
- New residential sales decreased 5.9% MoM in May to 769,000 (SAAR), declining for a second straight month after a 7.8% decrease in April. Inventory-to-sales ratio rose for a second straight month, to 5.1 months (seasonally adjusted) from April's 4.6 months. Median sales price rose 18.1% YoY to \$374,400 (seasonally adjusted), accelerating slightly from April's 17.8% increase.

Housing Starts, Building Permits and Home Sales



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

Home Prices

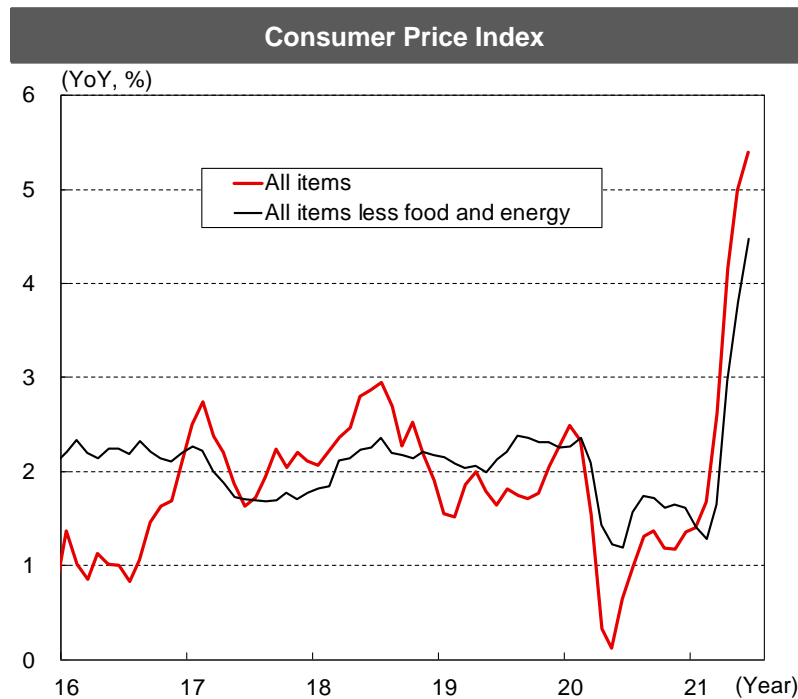


Source: National Association of Realtors, Department of Commerce, MUFG Bank Economic Research Office

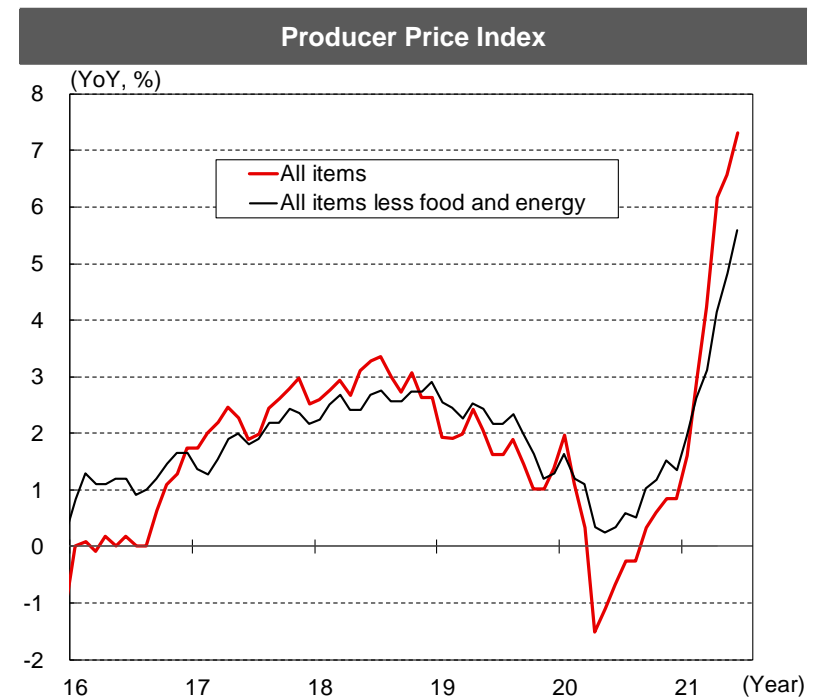
## 6. Prices

- The Consumer Price Index (CPI) rose 5.4% YoY in June, the sharpest increase since August 2008, after a 5.0% increase in May. The index rose 0.9% MoM in June, accelerating from May's 0.6% increase. Breakdown by item shows that larger YoY gains were seen in the same categories as in May, with used cars & trucks rising 45.2% YoY in June after a 29.7% rise in May, energy rising 24.5% in June after a 28.5% rise in May, and transportation services rising 10.4% in June after an 11.2% rise in May. The core CPI (all items less food and energy) rose 4.5% YoY in June, the sharpest increase since November 1991, after a 3.8% rise in May. The core CPI rose 0.9% MoM in June after a 0.7% rise in May.
- The Producer Price Index (PPI) rose 7.3% YoY in June, a record increase since the current time series began in November 2010 after an earlier record of 6.6% rise in May. The PPI rose 1.0% MoM in June, accelerating from a 0.8% increase in May. Breakdown by item shows that the pace of YoY increase accelerated for both goods and services, which rose 11.7% YoY and 5.2% respectively. In goods category, energy was among the items with large increases, with a 35.2% YoY rise. In service category, transportation & warehousing was among the items with large increases, with an 8.2% YoY rise, along with trade services, which rose 5.8% (see note below). The core PPI (all items less food and energy) rose 5.6% YoY in June, the sharpest increase since the current time series began, after a 4.8% rise in May. The core PPI rose 1.0% MoM in June after a 0.7% rise in May.

Note: *Trade services* index measures margins received by wholesalers and retailers.



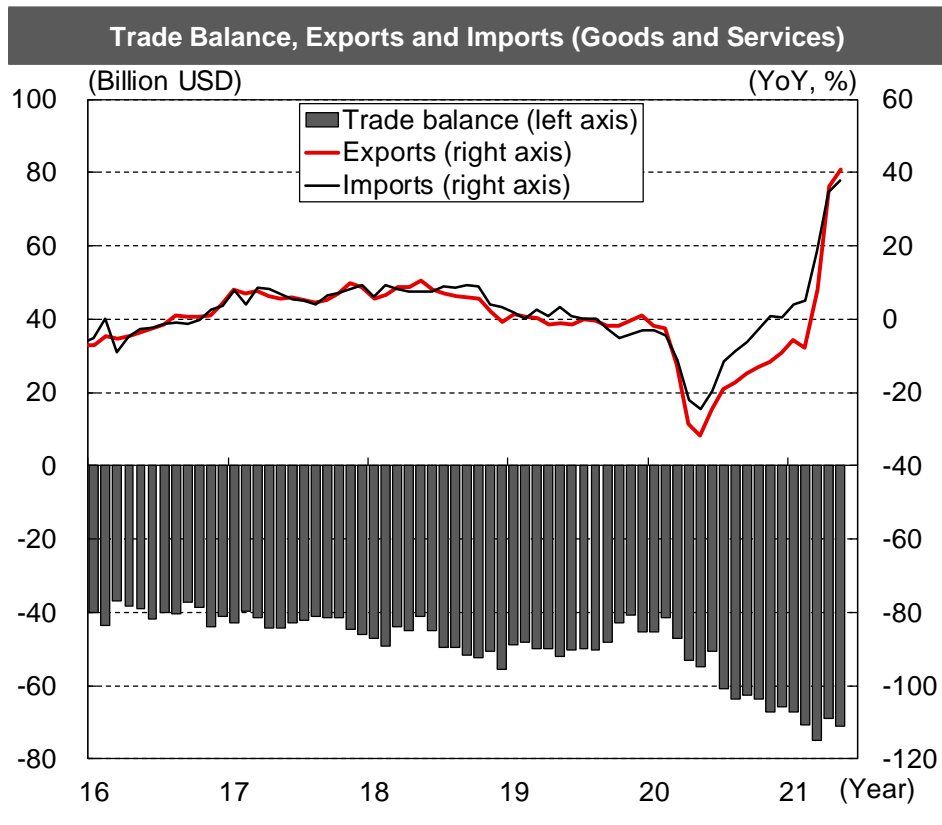
Source: Department of Labor, MUFG Bank Economic Research Office



Source: Department of Labor, MUFG Bank Economic Research Office

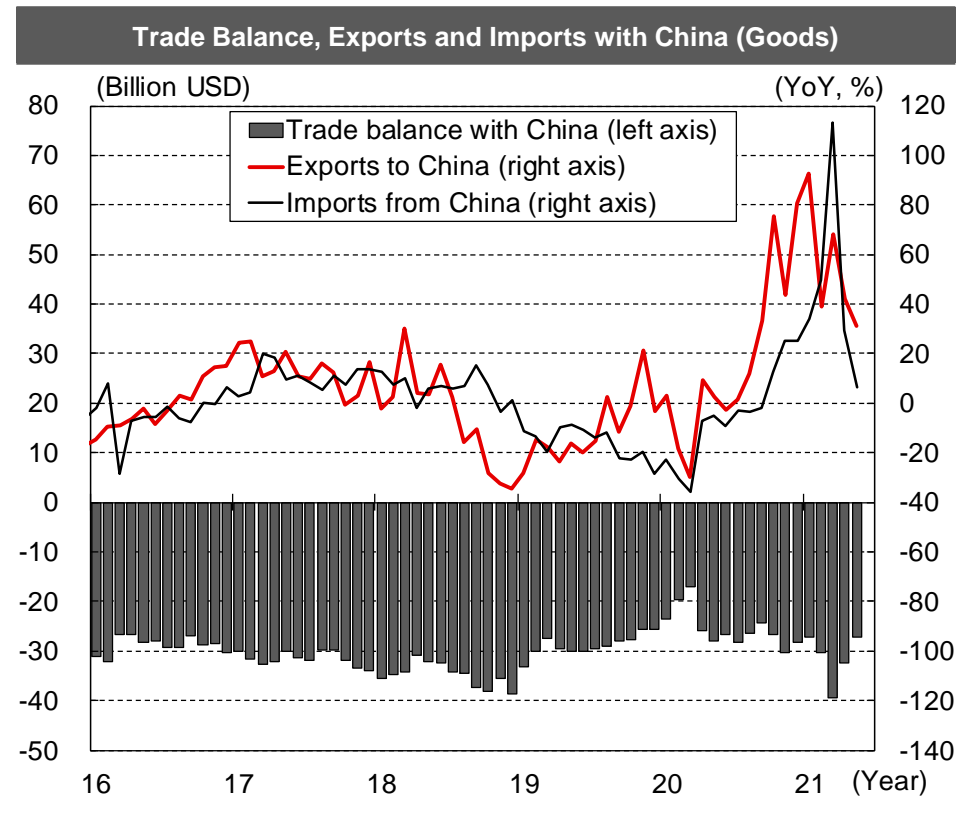
## 7. Balance of Payments

- Trade deficit on goods and services widened 3.1% MoM to \$71.2 billion in May. Trade deficit on goods widened 2.6% MoM to \$89.2 billion, and trade surplus on services widened 0.7% to \$17.9 billion.
- Exports increased 0.6% MoM and imports increased 1.3%. Breakdown by end-use category shows that exports and imports decreased MoM for automotive vehicles etc. and capital goods, while exports and imports increased for consumer goods, foods & beverages, and industrial supplies (including petroleum and petroleum products). Exports and imports jumped 41.0% and 37.9% YoY respectively (in May 2020, trade activity was significantly reduced 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 15.9% or \$5.1 billion MoM to \$27.2 billion in May. Goods trade deficit with Mexico, which comes second after the deficit with China, narrowed 22.5% or \$2.2 billion to \$7.7 billion.



Note: Balance of payments basis

Source: Department of Commerce, MUFG Bank Economic Research Office



Note: Census basis

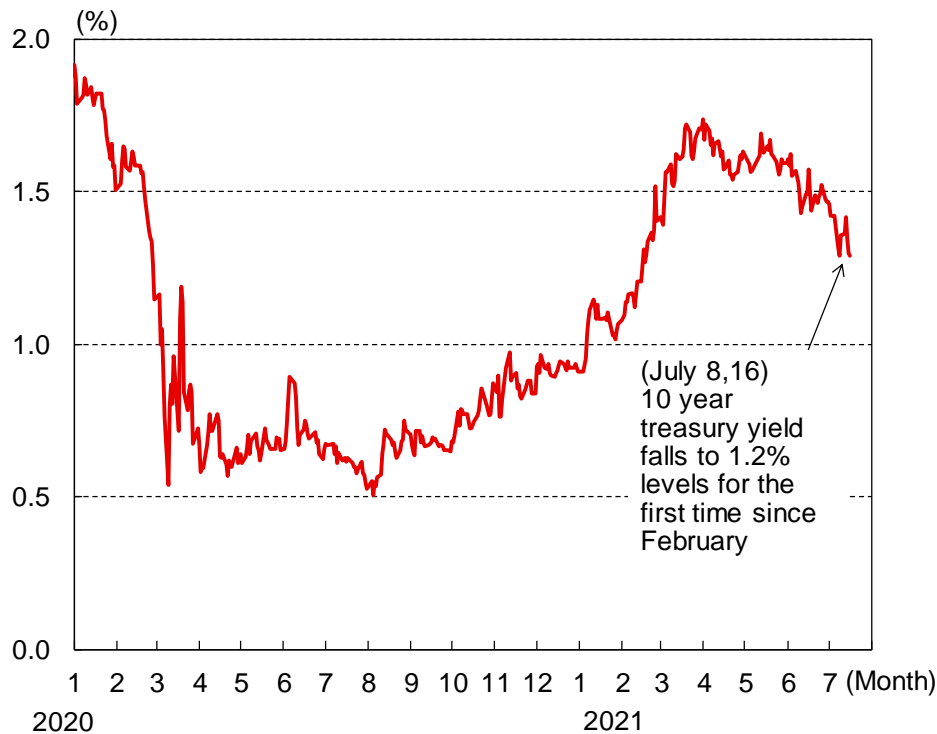
Source: Department of Commerce, MUFG Bank Economic Research Office



## 8. Financial Markets

- The 10-year treasury yield has trended lower after the June FOMC due in part to easing of inflation concerns and unwinding of investment positions. On July 16, the yield fell to the 1.2% level for the second time this month.
- Dow Jones Industrial Average (DJIA) stock market index has trended higher amid reopening of the economy and solid trends in key economic indicators. On July 12, the Dow Industrials ended at 34,996, a record closing price.

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														
	Jul-20	Aug	Sep	Oct	Nov	Dec	Jan-21	Feb	Mar	Apr	May	June	July	
Businesses	ISM Manufacturing PMI	53.7	55.6	55.7	58.8	57.7	60.5	58.7	60.8	64.7	60.7	61.2	60.6	-
	ISM Services PMI	56.6	57.2	57.2	56.2	56.8	57.7	58.7	55.3	63.7	62.7	64.0	60.1	-
	Industrial production (2012 ave = 100)	94.9	95.9	95.6	96.6	97.2	98.3	99.4	96.4	98.9	99.0	99.7	100.1	-
	MoM (%)	4.1	1.1	-0.3	1.1	0.5	1.2	1.1	-3.1	2.7	0.0	0.7	0.4	-
	Capacity utilization (%)	71.5	72.3	72.1	72.9	73.3	74.1	75.0	72.7	74.6	74.6	75.1	75.4	-
	Manufactured goods new orders (Million USD)	438,265	444,422	449,061	453,094	460,424	468,324	479,160	481,195	488,073	487,409	495,536	-	-
	MoM (%)	5.9	1.4	1.0	0.9	1.6	1.7	2.3	0.4	1.4	-0.1	1.7	-	-
	Durable goods orders (Million USD)	218,748	223,062	226,664	228,836	233,838	237,428	243,160	246,261	249,467	247,644	253,412	-	-
MoM (%)	9.8	2.0	1.6	1.0	2.2	1.5	2.4	1.3	1.3	-0.7	2.3	-	-	
Household	Nonfarm payroll (monthly change, thousand people)	1,726	1,583	716	680	264	-306	233	536	785	269	583	850	-
	Average hourly earnings (USD)	29.37	29.47	29.50	29.52	29.61	29.91	29.92	30.00	29.97	30.17	30.30	30.40	-
	YoY(%)	4.7	4.7	4.8	4.5	4.5	5.5	5.2	5.2	4.3	0.3	1.9	3.6	-
	Unemployment rate (%)	10.2	8.4	7.8	6.9	6.7	6.7	6.3	6.2	6.0	6.1	5.8	5.9	-
	Personal income (annualized, billion USD)	20,174	19,624	19,762	19,728	19,544	19,677	21,689	20,196	24,420	21,219	20,804	-	-
	MoM (%)	0.7	-2.7	0.7	-0.2	-0.9	0.7	10.2	-6.9	20.9	-13.1	-2.0	-	-
	Consumer spending (annualized, billion USD)	14,225	14,397	14,583	14,627	14,533	14,451	14,921	14,774	15,515	15,656	15,659	-	-
	MoM (%)	1.5	1.2	1.3	0.3	-0.6	-0.6	3.3	-1.0	5.0	0.9	0.0	-	-
	Saving rate (%)	18.4	14.6	14.1	13.5	13.1	14.2	20.7	14.8	27.6	14.5	12	-	-
	Retail sales (million USD)	534,295	538,646	549,528	550,038	542,583	535,972	576,466	559,970	623,119	628,751	617,938	621,340	-
	MoM (%)	1.4	0.8	2.0	0.1	-1.4	-1.2	7.6	-2.9	11.3	0.9	-1.7	0.6	-
	Auto sales (annualized, million units)	14.6	15.1	16.3	16.4	15.7	16.2	16.8	15.8	17.9	18.6	17.0	15.4	-
	MoM (%)	12.3	3.3	7.9	0.4	-4.0	3.3	3.5	-5.7	13.1	3.9	-8.4	-9.8	-
	Conference Board Consumer Confidence Index	91.7	86.3	101.3	101.4	92.9	87.1	87.1	95.2	114.9	117.5	120.0	127.3	-
University of Michigan Index of Consumer Sentiment	72.5	74.1	80.4	81.8	76.9	80.7	79.0	76.8	84.9	88.3	82.9	85.5	80.8	

Source: Various statistics, MUFG Bank Economic Research Office

# Table: Major Monthly Economic Indicators (continued)

Major Monthly Economic Indicators														
		Jul-20	Aug	Sep	Oct	Nov	Dec	Jan-21	Feb	Mar	Apr	May	June	July
Housing	Housing starts (annualized, thousand units)	1,497	1,376	1,448	1,514	1,551	1,661	1,625	1,447	1,725	1,517	1,572	-	-
	MoM (%)	17.6	-8.1	5.2	4.6	2.4	7.1	-2.2	-11.0	19.2	-12.1	3.6	-	-
	Existing home sales (annualized, thousand units)	5,900	5,970	6,440	6,730	6,590	6,650	6,660	6,240	6,010	5,850	5,800	-	-
	MoM (%)	23.7	1.2	7.9	4.5	-2.1	0.9	0.2	-6.3	-3.7	-2.7	-0.9	-	-
	New home sales (annualized, thousand units)	972	977	971	969	865	943	993	823	886	817	769	-	-
	MoM (%)	15.9	0.5	-0.6	-0.2	-10.7	9.0	5.3	-17.1	7.7	-7.8	-5.9	-	-
Prices	Consumer Price Index (1982-1984 = 100)	259.1	259.9	260.3	260.4	260.2	260.5	261.6	263.0	264.9	267.1	269.2	271.7	-
	MoM (%)	0.5	0.4	0.2	0.1	0.2	0.2	0.3	0.4	0.6	0.8	0.6	0.9	-
	YoY (%)	1.0	1.3	1.4	1.2	1.2	1.4	1.4	1.7	2.6	4.2	5.0	5.4	-
	Producer Price Index (Nov 2009 = 100)	118.4	118.5	118.7	119.5	119.3	119.4	120.9	121.9	123.1	123.9	125.0	126.3	-
	MoM (%)	0.5	0.2	0.3	0.6	0.0	0.3	1.2	0.7	0.9	0.6	0.8	1.0	-
	YoY (%)	-0.3	-0.3	0.3	0.6	0.8	0.8	1.6	3.0	4.2	6.2	6.6	7.3	-
Trade	Exports (goods, billion USD)	115.9	119.0	122.0	125.8	126.8	131.5	134.5	130.4	143.7	145.1	145.5	-	-
	Imports (goods, billion USD)	196.7	201.9	203.6	207.9	213.0	216.3	220.9	219.6	236.5	232.0	234.7	-	-
	Trade balance (goods, billion USD)	-80.8	-83.0	-81.6	-82.1	-86.2	-84.8	-86.4	-89.2	-92.9	-86.9	-89.2	-	-
	Trade balance (goods and services, billion USD)	-60.7	-63.7	-62.6	-63.7	-67.3	-65.8	-67.1	-70.6	-75.0	-69.1	-71.2	-	-

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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