

# US Economic Indicators Monthly Overview (September 2021)

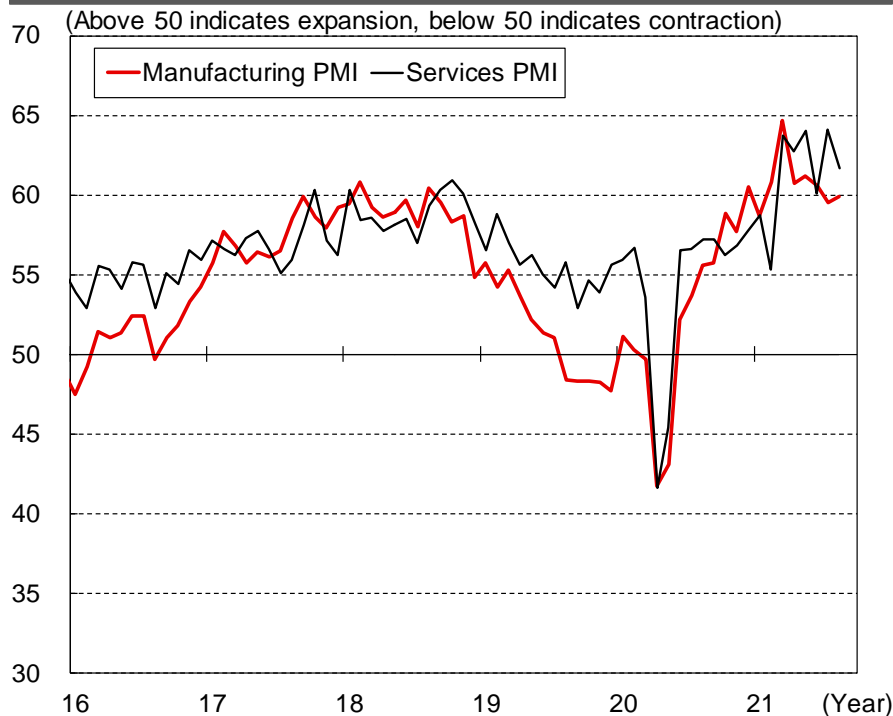
ECONOMIC RESEARCH OFFICE (NEW YORK)

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

# 1. Business Activity

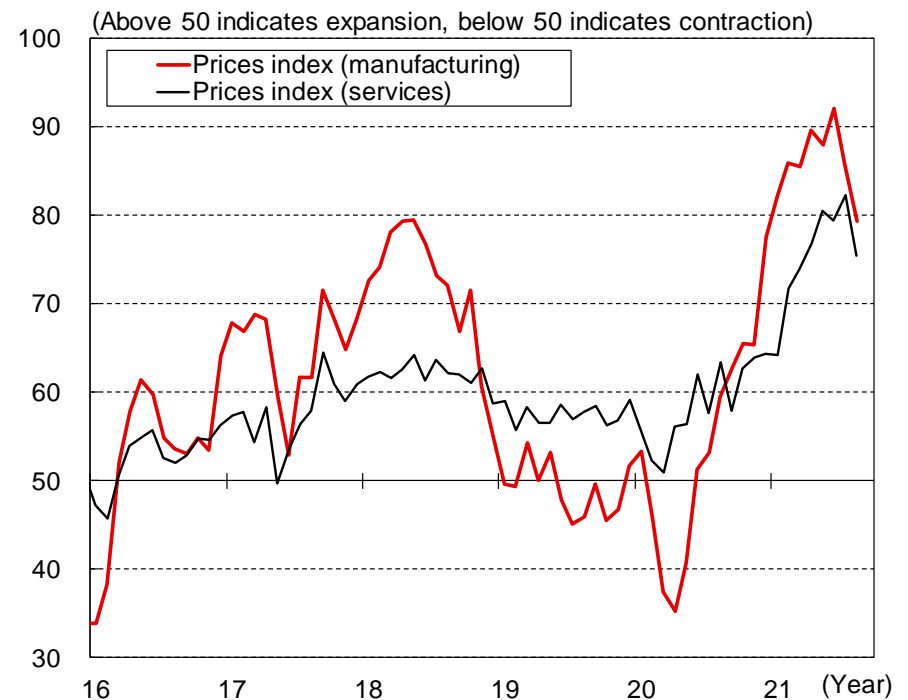
- ISM Manufacturing PMI, an indicator of business confidence and activity in the manufacturing sector, rose 0.4 points MoM to 59.9 in August, topping the expansion-contraction threshold of 50 for 15 consecutive months. Component breakdown shows New Orders Index rose 1.8 points MoM to 66.7, Production Index rose 1.6 points to 60.0, and Inventory Index rose 5.3 points to 54.2, while Employment Index fell 3.9 points to 49.0, and Supplier Deliveries Index fell 3.0 points to 69.5. Of the 18 manufacturing industries, 15 reported MoM expansion, two reported contraction, and one reported no MoM change (in July, 17 reported expansion, and one reported contraction).
- ISM Services PMI fell 2.4 points MoM in August to 61.7, declining after a rise in July. Sharp decline in Business Activity Index, which fell by 6.9 points MoM, to 60.1, contributed to the fall in the PMI, although the PMI topped the expansion-contraction threshold of 50 for 15 consecutive months. Of the 18 services industries, 17 reported MoM expansion and one reported contraction (in July, 17 reported expansion and one reported no change).
- The Prices Index, included in the ISM monthly report, declined by 6.4 points MoM to 79.4 for the manufacturing sector and by 6.9 points to 75.4 for the service sector in August. The substantial decrease in the indices, tracking the prices paid for purchases by manufacturers and service companies, suggests that the upward pressure on prices caused by supply-side constraints may have peaked out.

ISM Manufacturing and Services PMI



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

ISM Manufacturing and Services Prices Indices

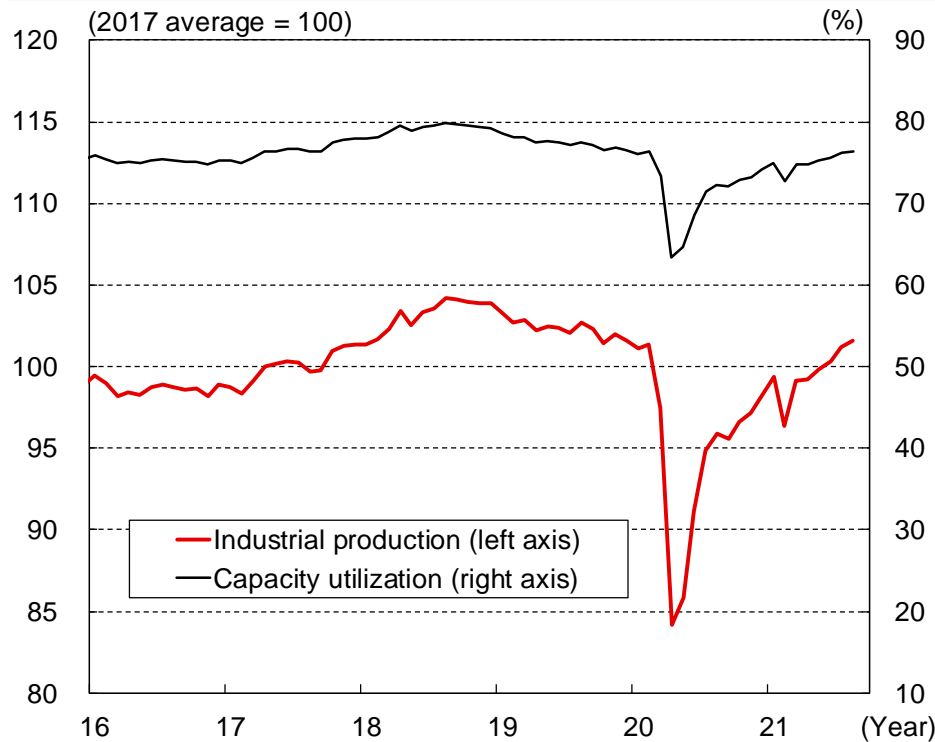


Source: Institute for Supply Management, MUFG Bank Economic Research Office

## 2. Production

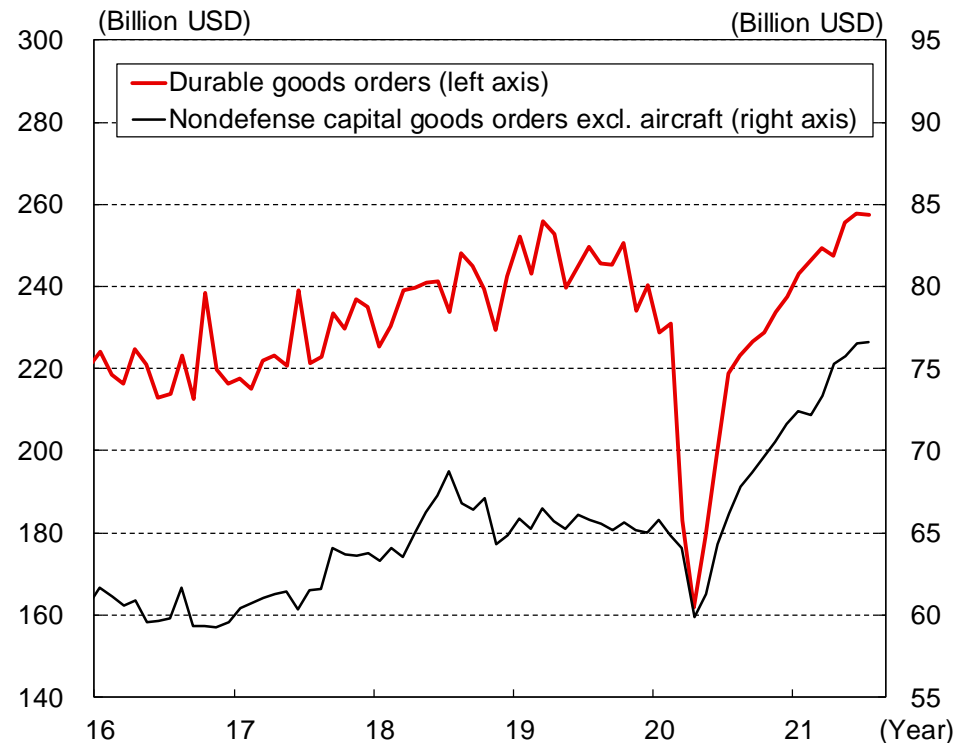
- Industrial production increased 0.4% MoM in August, rising for a sixth straight month. Industry breakdown shows that manufacturing rose slightly, by 0.2% MoM, and utilities (electricity and natural gas) increased 3.3% due to warmer-than-usual weather boosting air conditioning demand, while mining decreased 0.6%. Hurricane Ida in late August caused shutdowns in manufacturing and mining operations, and pushed down the industrial production growth rate by 0.3% point (Federal Reserve estimate). The capacity utilization rate rose 0.2% point MoM to 76.4% in August.
- Durable goods orders edged down 0.1% MoM in July, declining for the first time in three months. Industry breakdown shows that transportation equipment, which accounts for roughly 30% of all durable goods orders, declined 2.1% MoM, weighed down by a 48.9% decline in non-defense aircraft. Core capital goods orders (nondefense capital goods orders excluding aircraft), a leading indicator of capital investment, edged up 0.1% MoM in July, rising for a fifth straight month. Pent-up demand following postponements of investments in the early days of the pandemic, and fresh investments that accompany business reopening appear to be buoying core capital goods orders.

Industrial Production and Capacity Utilization



Source: Federal Reserve, MUFG Bank Economic Research Office

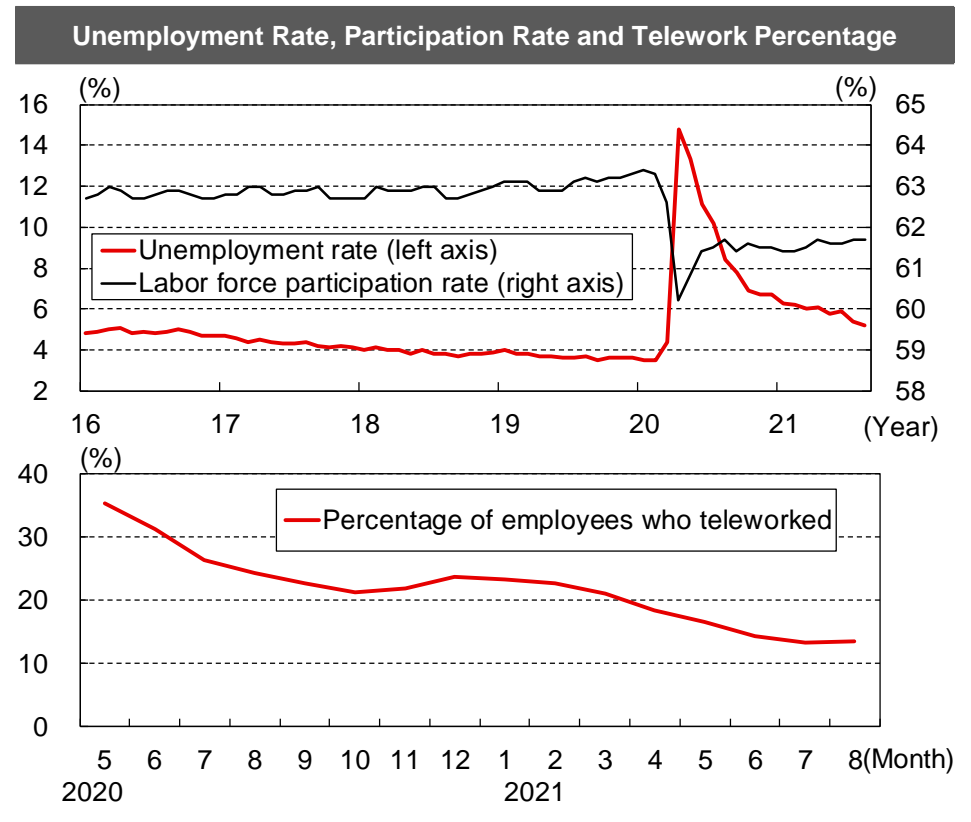
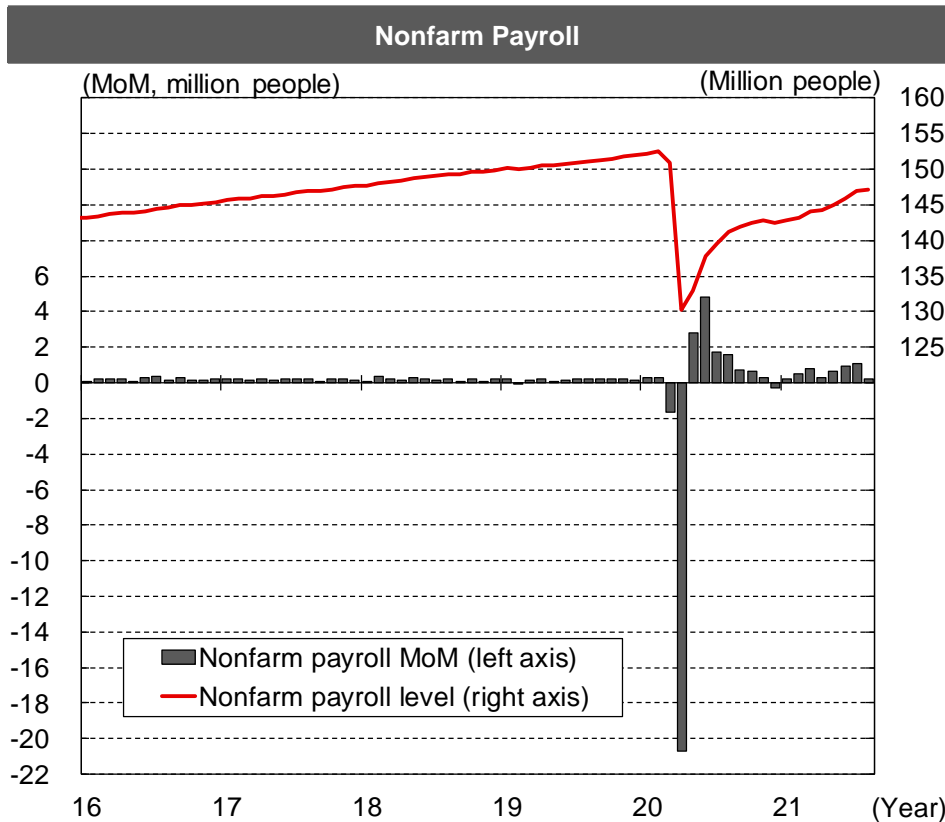
Durable Goods Orders



Source: Department of Commerce, MUFG Bank Economic Research Office

### 3. Employment

- Nonfarm payroll increased 235,000 MoM in August, slowing significantly from July's 1,053,000 increase (revised up). Industry breakdown shows that professional & business services rose 74,000 MoM, transportation equipment rose 53,000, education rose 40,000, and manufacturing rose 37,000. Meanwhile, leisure & hospitality was flat MoM after six straight months of large gains through July, likely due to an impact from the spread of the Delta variant. Nonfarm payroll stands 5,330,000 or 3.5% below the pre-pandemic level of February 2020.
- Unemployment rate declined to 5.2% in August from 5.4% in July. Unemployed persons decreased 318,000 MoM to 8,384,000 in August. Labor force participation rate was unchanged MoM at 61.7% in August. Average hourly earnings for all private-sector employees rose 0.6% MoM and 4.3% YoY in August, both accelerating from July.
- The percentage of employed persons who teleworked at some point in the last four weeks due to the pandemic rose slightly to 13.4% in August from 13.2% in July.



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



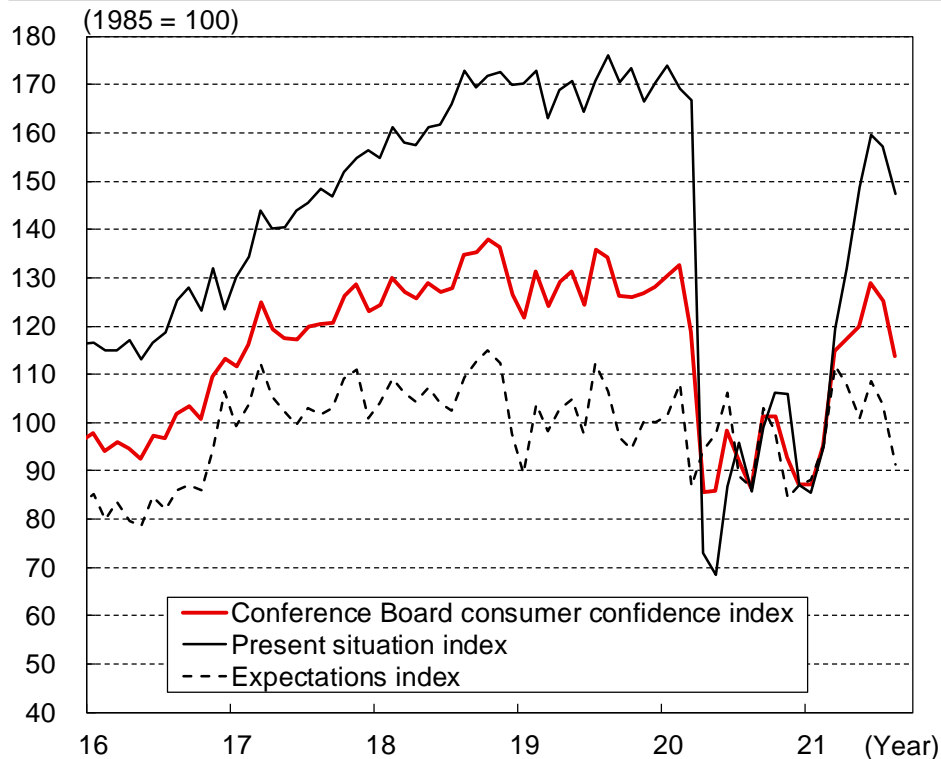
## 4. Consumer Spending

- The Conference Board Consumer Confidence Index declined sharply, by 11.3 points MoM, to 113.8 in August. The Present Situation Index fell 9.9 points MoM to 147.3, and the Expectations Index fell even more sharply, by 12.4 points, to 91.4 (see note below). Lynn Franco of the Conference Board noted that concerns about the Delta variant – and, to a lesser degree, about inflation – contributed to declines in the indices.

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.

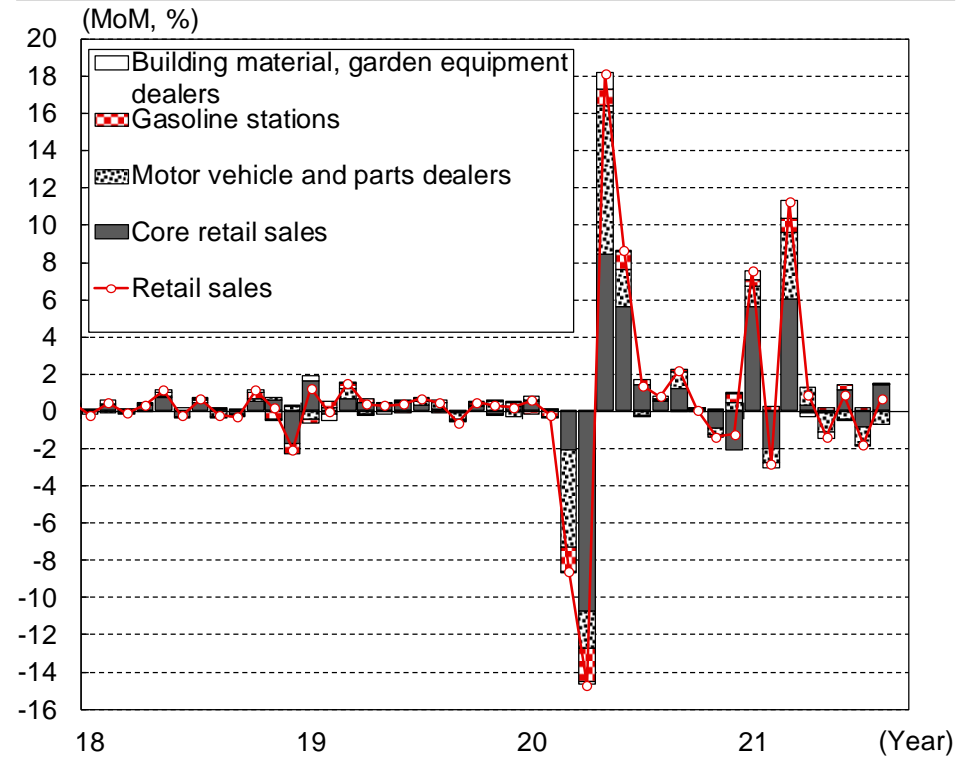
- Meanwhile, retail sales increased 0.7 MoM in August – defying concerns about the impact of Delta variant spread – after a 1.8% decrease in July. Breakdown shows motor vehicle & parts dealers, electronics & appliance stores, sporting goods & book stores etc. decreased MoM, while nonstore retailers, furniture & home furnishing stores and general merchandise stores increased. Food services & drinking places came flat MoM.

### Consumer Confidence Index



Source: Conference Board, MUFG Bank Economic Research Office

### Retail Sales

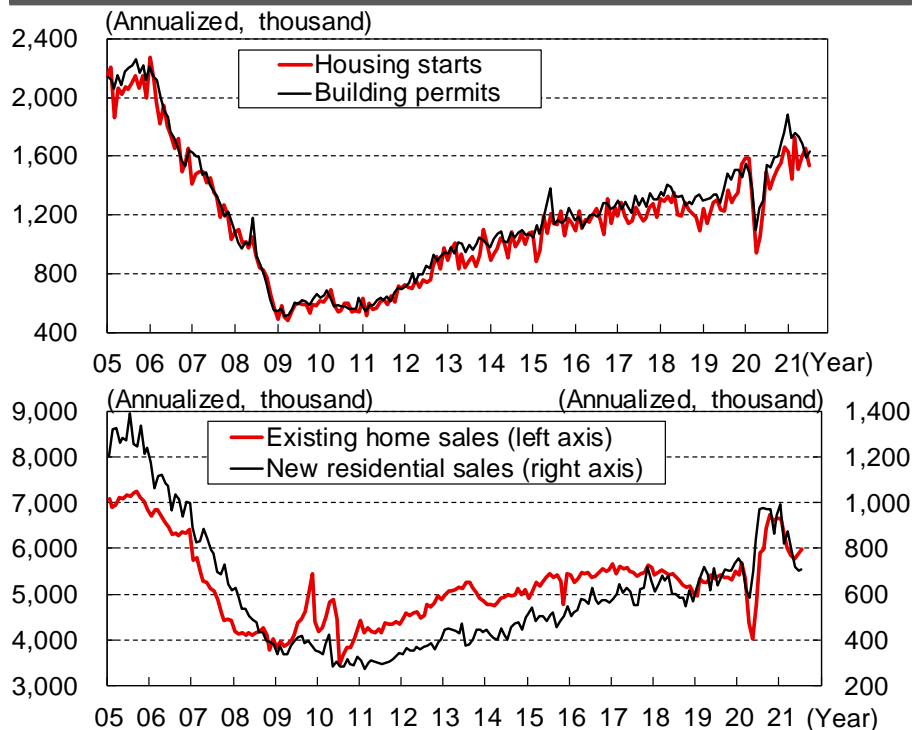


Source: Department of Commerce, MUFG Bank Economic Research Office

## 5. Housing Market

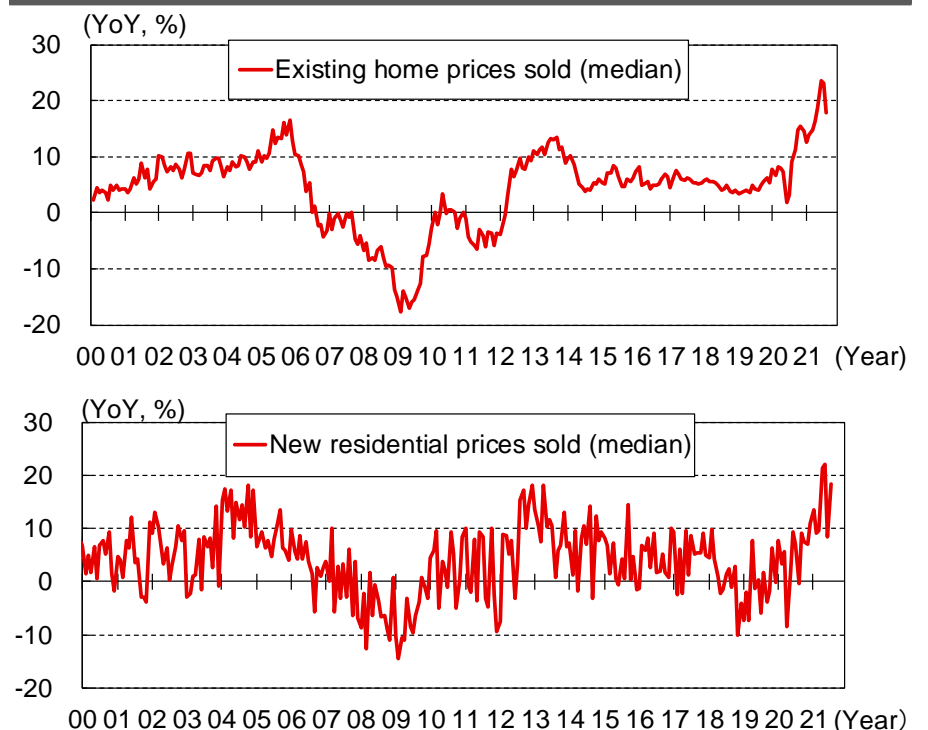
- Housing starts decreased 7.0% MoM to a seasonally adjusted annualized rate (SAAR) of 1,534,000 in July, falling for the first time in three months. Single-family housing starts decreased 4.5% MoM, while buildings with two or more units decreased 13.1%. At 18.7% above the pre-pandemic level (2019 average), housing starts are still elevated. Building permits, a leading indicator of housing starts, increased by 2.3% MoM to 1,630,000 (SAAR), rising for the first time in four months.
- Existing home sales increased 2.0% MoM in July to 5,990,000 (SAAR), rising for the for a second straight month. The inventory-to-sales ratio rose to 2.5 months (seasonally adjusted). Median sales price rose 17.8% YoY to \$359,900 (not seasonally adjusted), slowing from June's 23.2% increase. National Association of Realtors Chief Economist Lawrence Yun said improvement in inventory levels may slowdown the increase in home prices in the coming months.
- New residential sales increased 1.0% MoM in July to 708,000 (SAAR), rising for the first time in four months. Inventory-to-sales ratio rose for a fourth straight month to 6.2 months (seasonally adjusted). Median sales price rose 18.4% YoY to \$390,500 (seasonally adjusted), accelerating from June's 8.5% increase.

Housing Starts, Building Permits and Home Sales



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

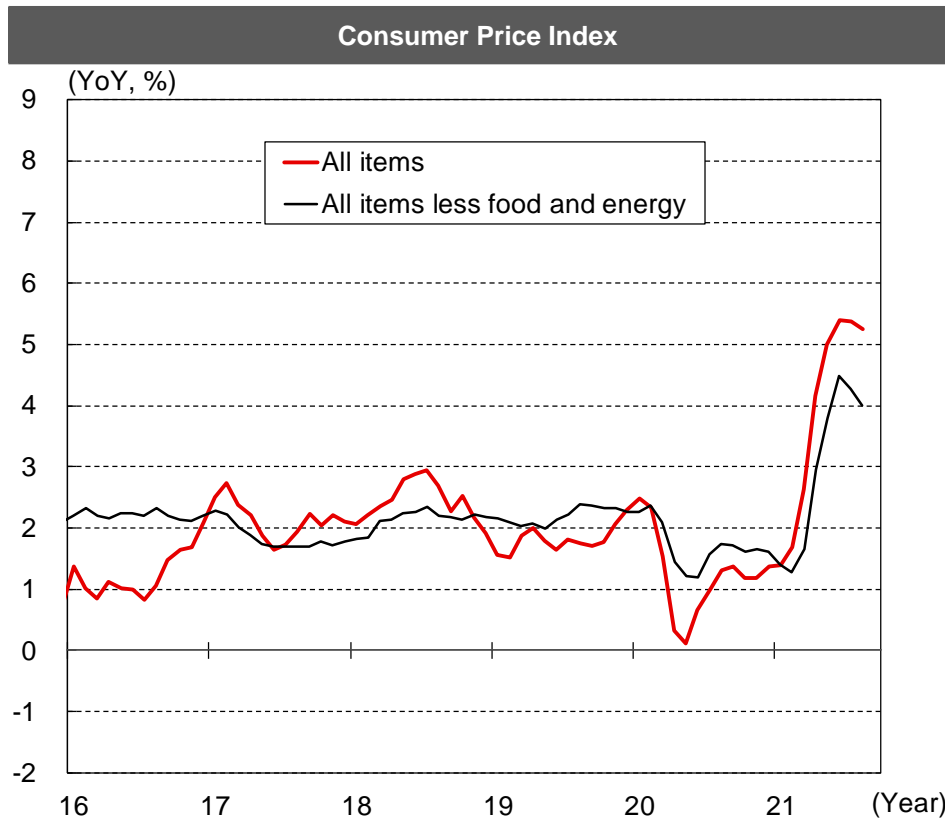
Home Prices



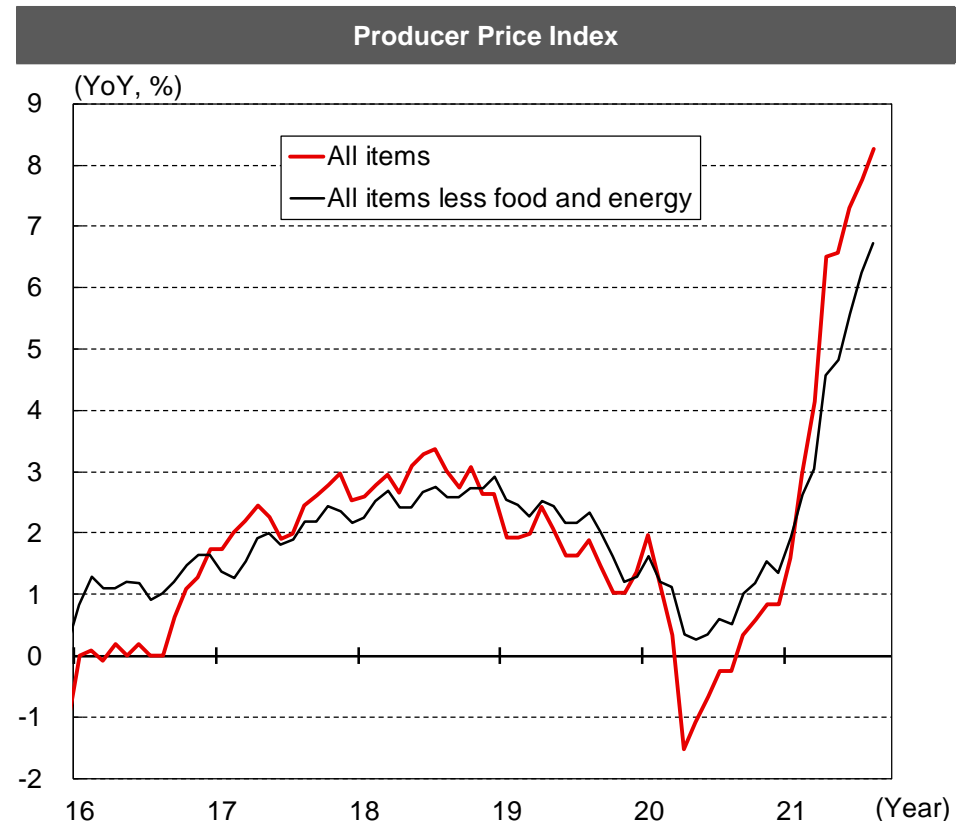
Source: National Association of Realtors, Department of Commerce, MUFG Bank Economic Research Office

## 6. Prices

- The Consumer Price Index (CPI) rose 5.3% YoY in August, slightly slowing from July's 5.4% increase. The core CPI (all items less food and energy) rose 4.0% YoY in August, also slowing from July's 4.3% rise. On a MoM basis, the CPI increase slowed to 0.3% MoM in August from July's 0.5% rise, and the core CPI increase slowed to 0.1% MoM from July's 0.3% rise. Major factors that contributed to the slowdowns were MoM declines in the prices of used cars & trucks and transportation services.
- The Producer Price Index (PPI) rose 8.3% YoY in August, marking a fourth straight months of record increase since the current time series began in November 2010 after an earlier record of 7.8% rise in July. Breakdown by item shows that the pace of YoY increase accelerated for both goods and services, which rose 12.6% YoY and 6.4%, respectively. But on a MoM basis, the PPI increase slowed to 0.7% MoM from July's 1.0%. The core PPI (all items less food and energy) increased by a record 6.7% YoY in August after July's 6.2% increase, but on a MoM basis, its increase slowed to 0.6% from July's 1.0%.



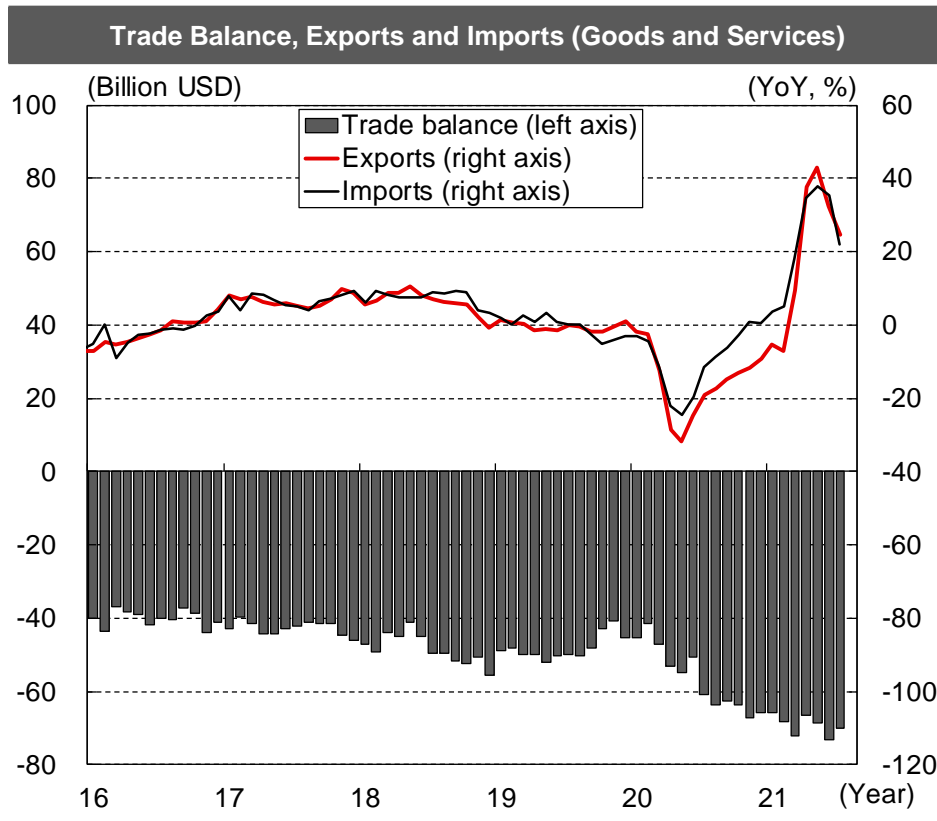
Source: Department of Labor, MUFG Bank Economic Research Office



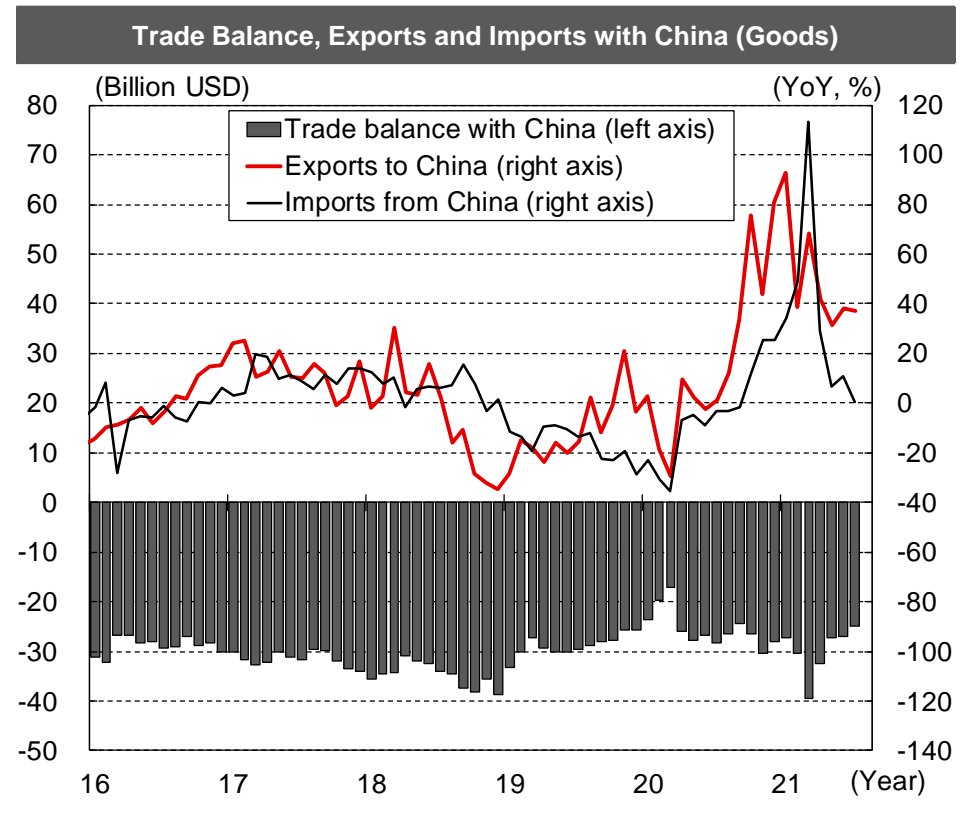
Source: Department of Labor, MUFG Bank Economic Research Office

## 7. Balance of Payments

- Trade deficit on goods and services narrowed 4.3% MoM to \$70.1 billion in July. Exports rose 1.3% MoM while imports declined 0.2%. The spread of Delta variant may have put downward pressure on imports (reflective of domestic demand in the US), among other factors. On a YoY basis, exports rose 24.5% and imports rose 22.1% – sharp increases but slowing from June’s increases.
- For goods trade, breakdown by destination shows that the deficit with China, which accounts for roughly a third of US goods deficit, narrowed 7.5% or \$2.0 billion MoM to \$25.0 billion in July. Compared with the pre-pandemic level of February 2020, exports to China rose 73.7% and imports from China rose 39.8%.



Note: Balance of payments basis  
Source: Department of Commerce, MUFG Bank Economic Research Office

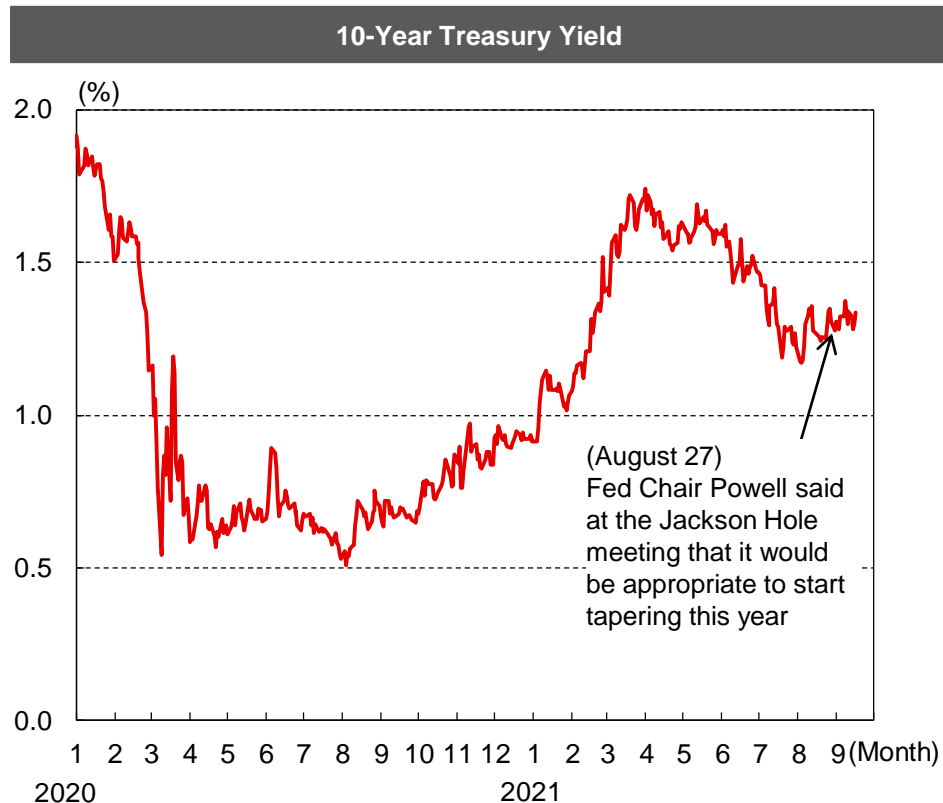


Note: Census basis  
Source: Department of Commerce, MUFG Bank Economic Research Office

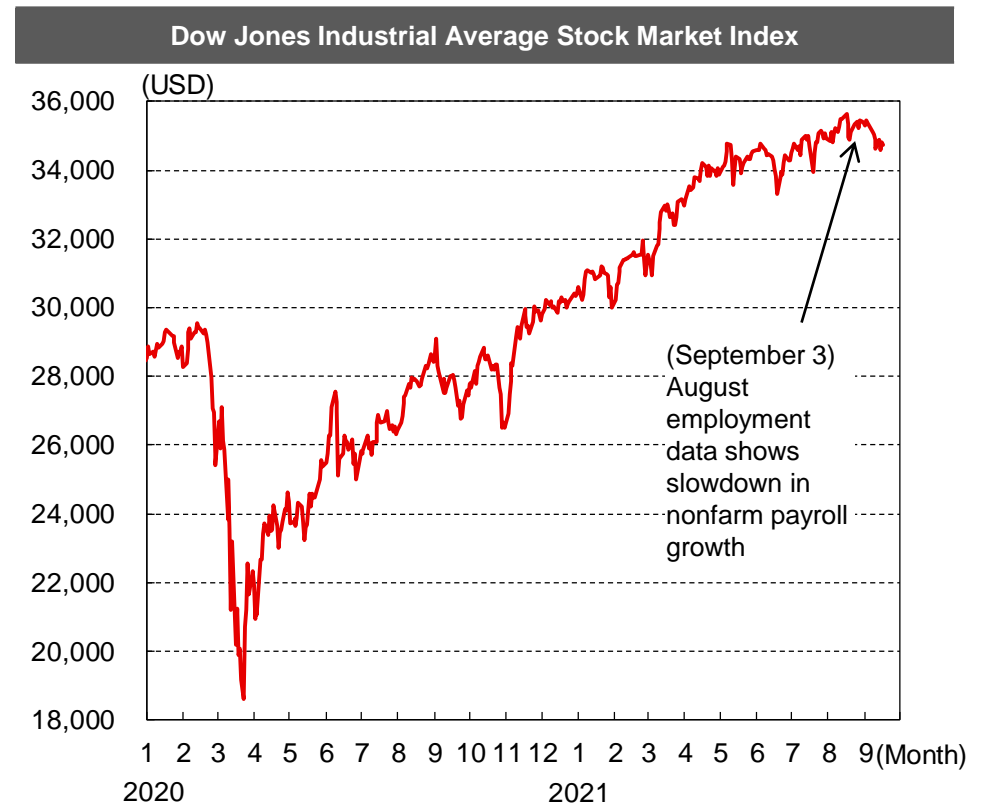


## 8. Financial Markets

- The 10-year treasury yield has been fluctuating based on factors such as concerns of economic slowdown due to the spread of the Delta variant, speculations about the start timing of Federal Reserve's tapering (gradual slowing of the pace of large-scale asset purchases), and views on inflation. The 10-year treasury yield currently stands around 1.3%.
- Dow Jones Industrial Average (DJIA) stock market index has been on downtrend lately after a slowdown in nonfarm payroll growth fueled concern about an economic slowdown, among other factors.



Source: Bloomberg, MUFG Bank Economic Research Office



Source: Bloomberg, MUFG Bank Economic Research Office

# Table: Major Monthly Economic Indicators

Major Monthly Economic Indicators														
	Aug-20	Sep	Oct	Nov	Dec	Jan-21	Feb	Mar	Apr	May	June	July	Aug	
<b>Businesses</b>	ISM Manufacturing PMI	55.6	55.7	58.8	57.7	60.5	58.7	60.8	64.7	60.7	61.2	60.6	59.5	59.9
	ISM Services PMI	57.2	57.2	56.2	56.8	57.7	58.7	55.3	63.7	62.7	64.0	60.1	64.1	61.7
	Industrial production (2012 ave = 100)	95.9	95.6	96.6	97.2	98.3	99.4	96.4	99.2	99.2	99.9	100.3	101.2	101.6
	MoM (%)	1.1	-0.3	1.1	0.5	1.2	1.1	-3.0	2.9	0.1	0.6	0.5	0.8	0.4
	Capacity utilization (%)	72.3	72.1	72.9	73.3	74.1	75.0	72.7	74.8	74.8	75.2	75.6	76.2	76.4
	Manufactured goods new orders (Million USD)	444,422	449,061	453,094	460,424	468,324	479,160	481,195	488,073	487,409	498,587	506,128	508,062	-
	MoM (%)	1.4	1.0	0.9	1.6	1.7	2.3	0.4	1.4	-0.1	2.3	1.5	0.4	-
	Durable goods orders (Million USD)	223,062	226,664	228,836	233,838	237,428	243,160	246,261	249,467	247,644	255,529	257,663	257,409	-
MoM (%)	2.0	1.6	1.0	2.2	1.5	2.4	1.3	1.3	-0.7	3.2	0.8	-0.1	-	
<b>Household</b>	Nonfarm payroll (monthly change, thousand people)	1,583	716	680	264	-306	233	536	785	269	614	962	1,053	235
	Average hourly earnings (USD)	29.47	29.50	29.52	29.61	29.91	29.92	30.00	29.97	30.17	30.31	30.44	30.56	30.73
	YoY(%)	4.7	4.8	4.5	4.5	5.5	5.2	5.2	4.3	0.3	1.9	3.7	4.1	4.3
	Unemployment rate (%)	8.4	7.8	6.9	6.7	6.7	6.3	6.2	6.0	6.1	5.8	5.9	5.4	5.2
	Personal income (annualized, billion USD)	19,534	19,675	19,629	19,435	19,562	21,505	19,955	24,142	20,848	20,405	20,442	20,668	-
	MoM (%)	-2.9	0.7	-0.2	-1.0	0.7	9.9	-7.2	21.0	-13.6	-2.1	0.2	1.1	-
	Consumer spending (annualized, billion USD)	14,271	14,482	14,546	14,467	14,390	14,858	14,700	15,459	15,615	15,623	15,790	15,832	-
	MoM (%)	1.0	1.5	0.4	-0.5	-0.5	3.3	-1.1	5.2	1.0	0.1	1.1	0.3	-
	Saving rate (%)	15.0	14.3	13.6	13.0	14.0	19.9	13.5	26.6	12.3	9.8	8.8	10	-
	Retail sales (million USD)	537,720	549,528	550,038	542,583	535,972	576,466	559,970	623,119	628,751	620,119	625,405	614,313	618,676
	MoM (%)	0.8	2.2	0.1	-1.4	-1.2	7.6	-2.9	11.3	0.9	-1.4	0.9	-1.8	0.7
	Auto sales (annualized, million units)	15.2	16.3	16.4	15.9	16.3	16.8	15.9	17.6	18.3	16.9	15.5	14.6	13.1
MoM (%)	3.6	6.8	0.8	-3.2	2.7	2.9	-5.1	10.7	3.7	-7.7	-8.4	-5.5	-10.7	
Conference Board Consumer Confidence Index	86.3	101.3	101.4	92.9	87.1	87.1	95.2	114.9	117.5	120.0	128.9	125.1	113.8	
University of Michigan Index of Consumer Sentiment	74.1	80.4	81.8	76.9	80.7	79.0	76.8	84.9	88.3	82.9	85.5	81.2	70.3	

Source: Various statistics, MUFG Bank Economic Research Office

# Table: Major Monthly Economic Indicators (continued)

Major Monthly Economic Indicators														
		Aug-20	Sep	Oct	Nov	Dec	Jan-21	Feb	Mar	Apr	May	June	July	Aug
Housing	Housing starts (annualized, thousand units)	1,376	1,448	1,514	1,551	1,661	1,625	1,447	1,725	1,514	1,594	1,650	1,534	-
	MoM (%)	-8.1	5.2	4.6	2.4	7.1	-2.2	-11.0	19.2	-12.2	5.3	3.5	-7.0	-
	Existing home sales (annualized, thousand units)	5,970	6,440	6,730	6,590	6,650	6,660	6,240	6,010	5,850	5,780	5,870	5,990	-
	MoM (%)	1.2	7.9	4.5	-2.1	0.9	0.2	-6.3	-3.7	-2.7	-1.2	1.6	2.0	-
	New home sales (annualized, thousand units)	977	971	969	865	943	993	823	873	796	720	701	708	-
	MoM (%)	0.5	-0.6	-0.2	-10.7	9.0	5.3	-17.1	6.1	-8.8	-9.5	-2.6	1.0	-
Prices	Consumer Price Index (1982-1984 = 100)	259.9	260.3	260.4	260.2	260.5	261.6	263.0	264.9	267.1	269.2	271.7	273.0	273.6
	MoM (%)	0.4	0.2	0.1	0.2	0.2	0.3	0.4	0.6	0.8	0.6	0.9	0.5	0.3
	YoY (%)	1.3	1.4	1.2	1.2	1.4	1.4	1.7	2.6	4.2	5.0	5.4	5.4	5.3
	Producer Price Index (Nov 2009 = 100)	118.5	118.7	119.5	119.3	119.4	120.9	121.9	123.0	124.3	125.0	126.3	127.6	128.3
	MoM (%)	0.2	0.3	0.6	0.0	0.3	1.2	0.7	0.8	1.0	0.5	1.0	1.0	0.7
	YoY (%)	-0.3	0.3	0.6	0.8	0.8	1.6	3.0	4.1	6.5	6.6	7.3	7.8	8.3
Trade	Exports (goods, billion USD)	119.0	122.0	125.8	126.8	131.5	134.4	130.3	143.6	145.1	145.6	145.9	148.6	-
	Imports (goods, billion USD)	201.9	203.6	207.9	213.0	216.3	221.0	219.6	236.6	232.1	235.0	239.2	236.3	-
	Trade balance (goods, billion USD)	-83.0	-81.6	-82.1	-86.2	-84.8	-86.6	-89.3	-93.0	-87.1	-89.3	-93.3	-87.7	-
	Trade balance (goods and services, billion USD)	-63.7	-62.6	-63.7	-67.3	-65.8	-65.7	-68.2	-72.2	-66.7	-68.5	-73.2	-70.1	-

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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