

US Economic Indicators Monthly Overview (October 2021)

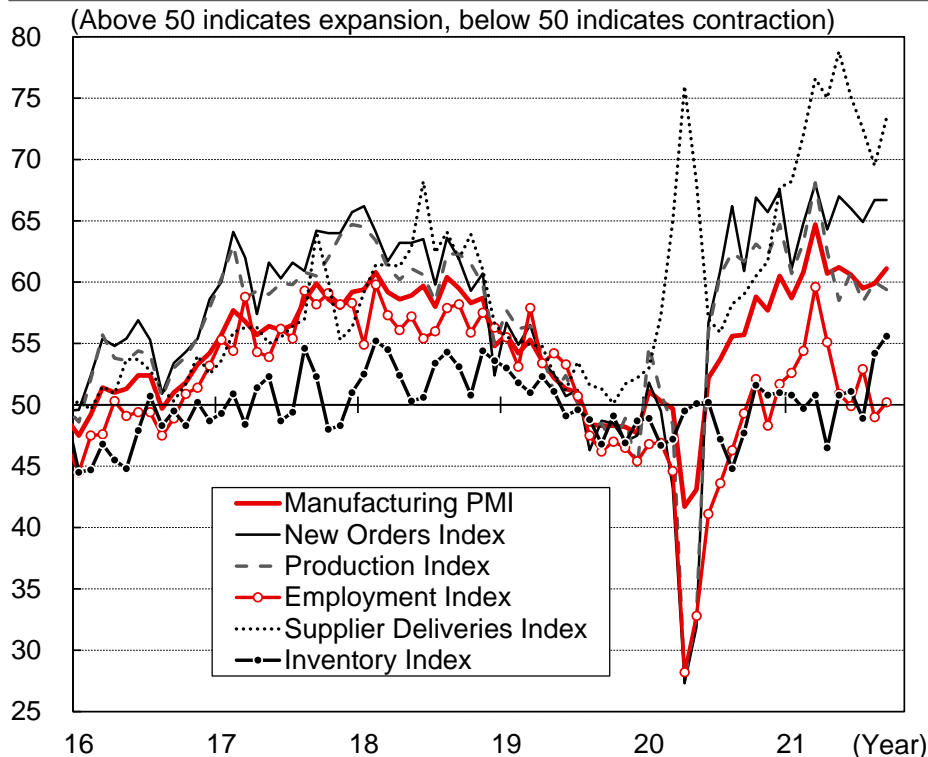
ECONOMIC RESEARCH OFFICE (NEW YORK)

20th October 2021 (original Japanese version released on 18th October)

1. Business Activity

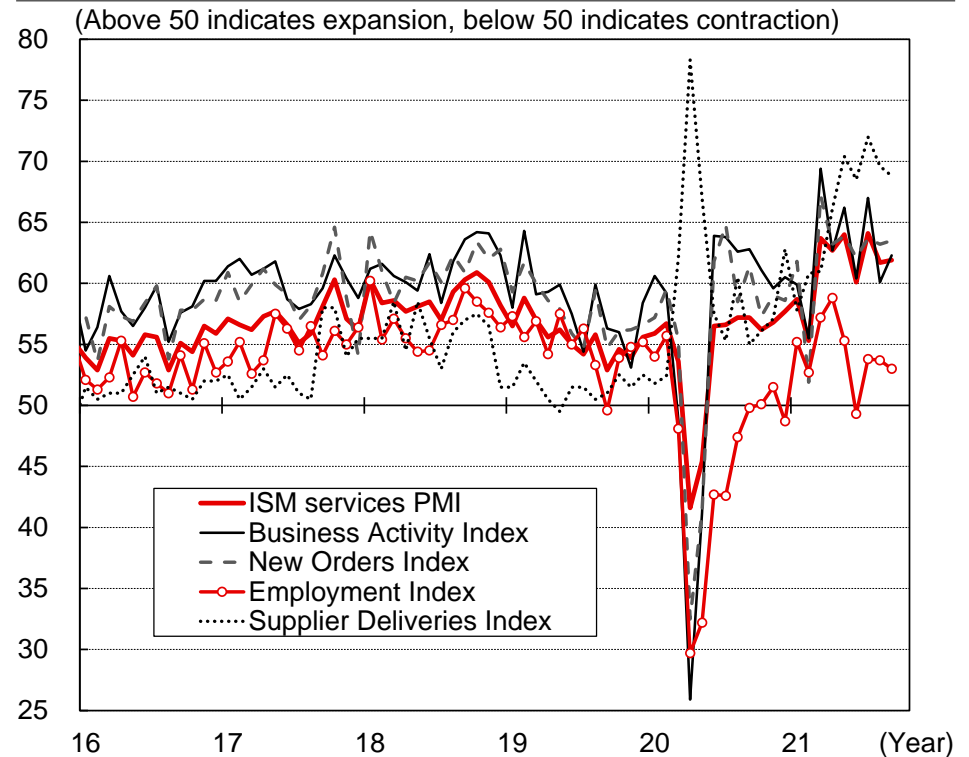
- ISM Manufacturing PMI, an indicator of business confidence and activity in the manufacturing sector, rose 1.2 points MoM to 61.1 in September, rising for a second straight month and topping the expansion-contraction threshold of 50 for 16 consecutive months. Component breakdown shows that Supplier Deliveries Index's 3.9 point MoM increase to 73.4 drove the rise in the headline index, and that Inventory Index and Employment Index also rose, by 1.4 points to 55.6 and by 1.2 points to 50.2, respectively. Of the 18 manufacturing industries, 17 reported MoM expansion and one reported contraction (in August, 15 reported expansion, two reported contraction and one reported no change).
- ISM Services PMI rose slightly, by 0.2 point MoM, to 61.9 in September after a decline in August and topping the expansion-contraction threshold of 50 for 16 consecutive months. Component breakdown shows that Employment Index fell 0.7 point to 53.0 and Supplier Deliveries Index fell 0.8 point to 68.8, while Business Activity Index rose 2.2 points to 62.3 and New Orders Index rose 0.3 point to 63.5. Of the 18 services industries, 17 reported MoM expansion and one reported contraction in September (same as in August).

ISM Manufacturing PMI



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

ISM Services PMI

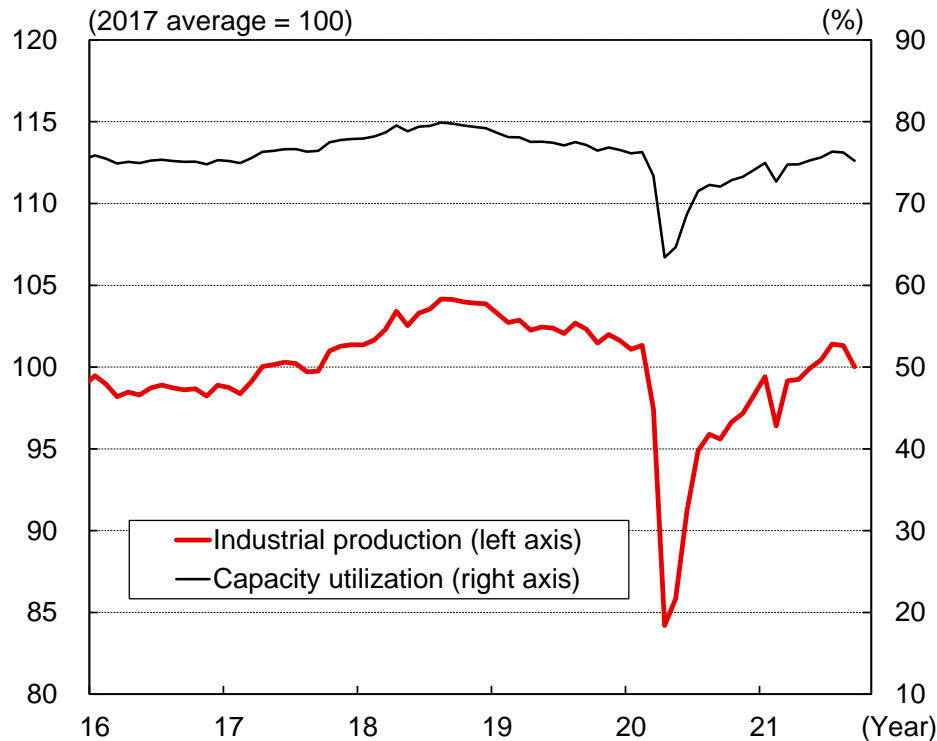


Source: Institute for Supply Management, MUFG Bank Economic Research Office

2. Production

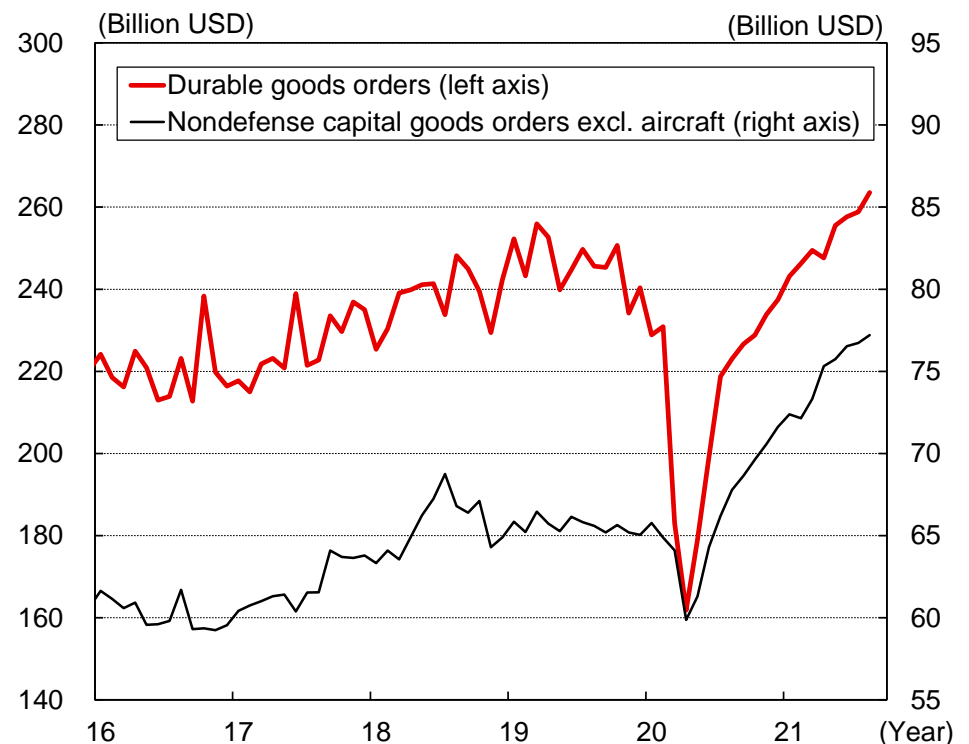
- Industrial production decreased 1.3% MoM in September, falling for a second straight month. Industry breakdown shows that manufacturing declined 0.7% MoM amid decline in motor vehicle & parts linked to semiconductor shortages, as well as impact of hurricane Ida. Utilities (electricity and natural gas) decreased 3.6% due to a drop-off in air conditioning demand following a warmer-than-usual August, and mining decreased 2.3% as hurricane Ida took a toll. The hurricane pushed down the MoM growth rate of industrial production in September by 0.6% point (Federal Reserve estimate). The capacity utilization rate fell 1.0% point MoM to 75.2% in September.
- Durable goods orders rose 1.8% MoM in August, rising for a fourth straight month. Industry breakdown shows that transportation equipment, which accounts for roughly 30% of all durable goods orders, increased 5.4% MoM, driven by a 77.9% jump in non-defense aircraft orders. Core capital goods orders (nondefense capital goods orders excluding aircraft), a leading indicator of capital investment, rose 0.6% MoM in August, rising for a sixth straight month.

Industrial Production and Capacity Utilization



Source: Federal Reserve, MUFG Bank Economic Research Office

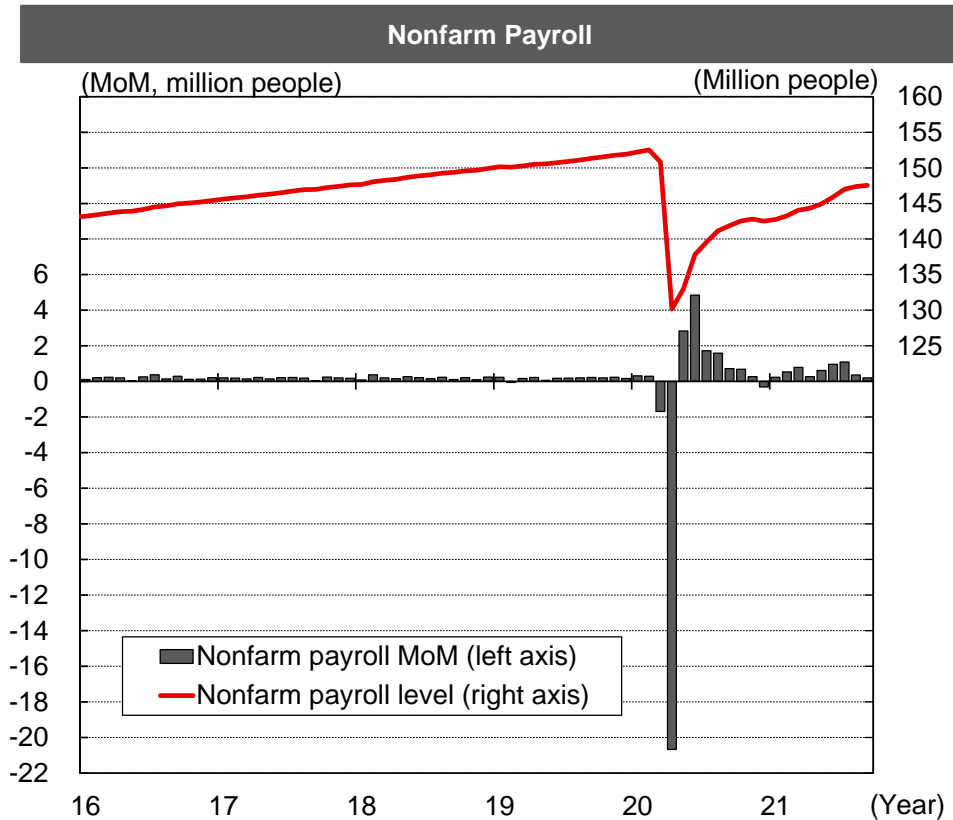
Durable Goods Orders



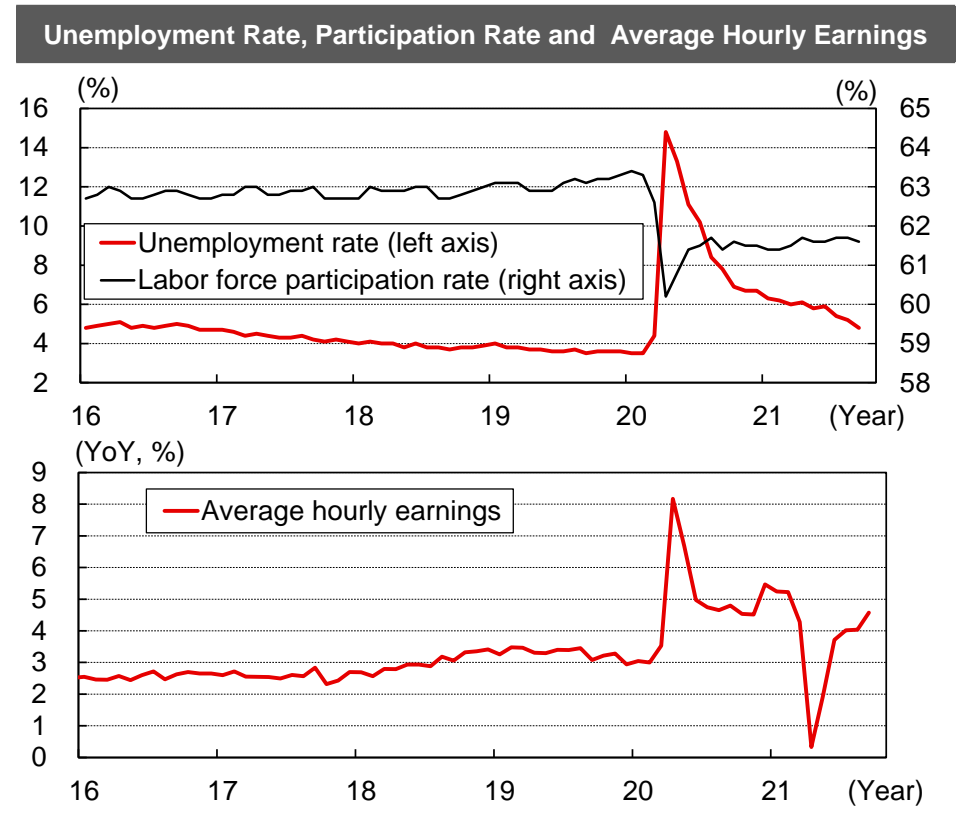
Source: Department of Commerce, MUFG Bank Economic Research Office

3. Employment

- Nonfarm payroll increased 194,000 MoM in September, slowing from August's 366,000 increase (revised up) and significantly below the market forecast of a 500,000 gain (compiled by Bloomberg). Nonfarm payroll in September was expected to get a boost from school reopening for in-person classes, which would facilitate parents' return to work, but the actual payroll increase was rather muted, possibly due to persistent caution against infections, among other factors.
- Industry breakdown shows leisure & hospitality rose 74,000 MoM, professional & business services rose 60,000, retail trade rose 56,000, and transportation & warehousing rose 47,000. Meanwhile, government declined 123,000 MoM, mainly due to declines in state and local education, but this was partly due to technical reasons (i.e. distortion of seasonal adjustment due to the pandemic). Nonfarm payroll stands 4,970,000 or 3.3% below the pre-pandemic level of February 2020.
- Unemployment rate declined to 4.8% in September from 5.2% in August. Unemployed persons decreased 710,000 MoM to 7,670,000 in September. Labor force participation rate edged down MoM to 61.6% in September. Average hourly earnings for all private-sector employees rose 0.6% MoM and 4.6% YoY in September, both accelerating from August.



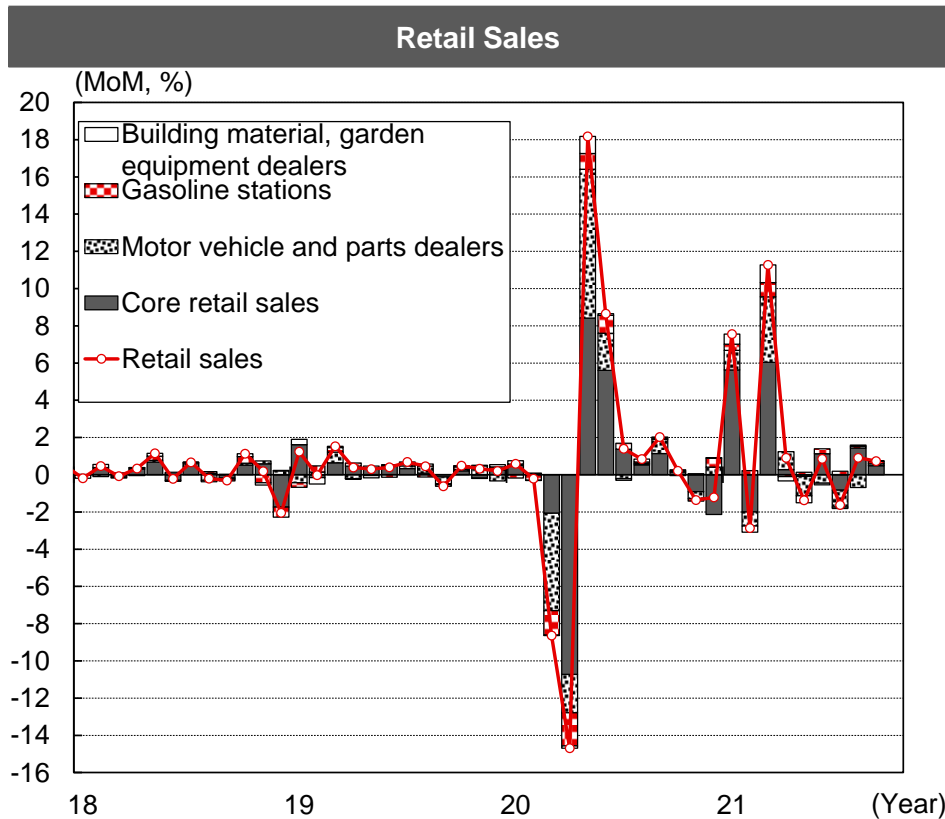
Source: Department of Labor, MUFG Bank Economic Research Office



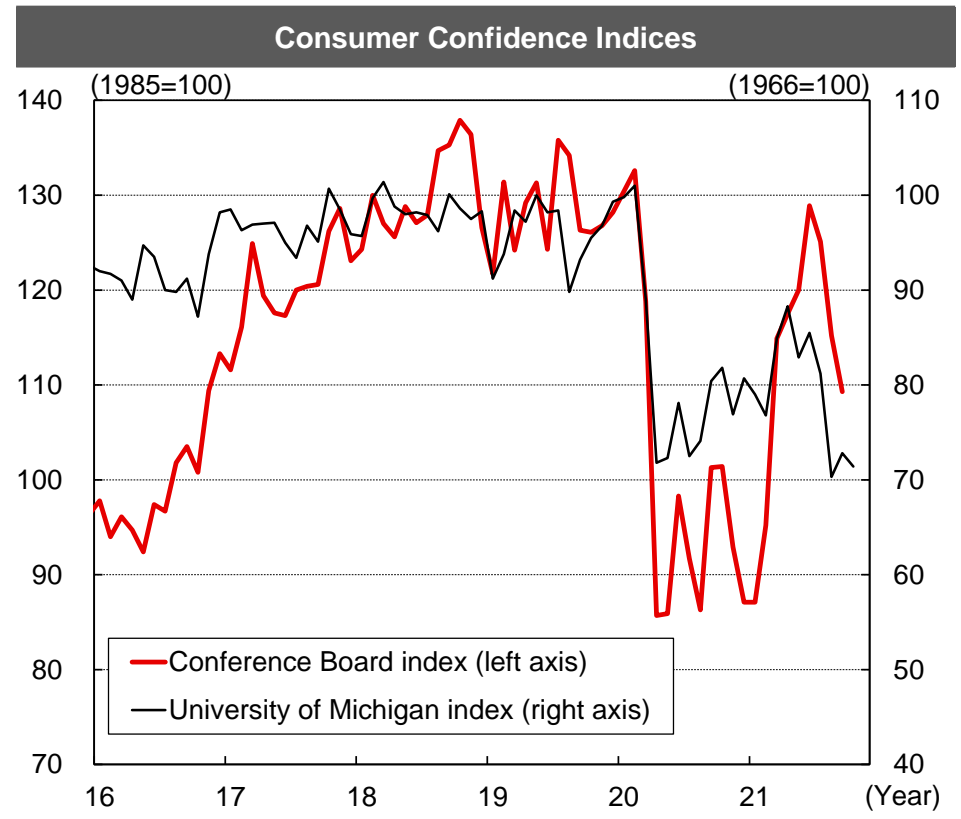
Source: Department of Labor, MUFG Bank Economic Research Office

4. Consumer Spending

- Retail sales increased 0.7% MoM in September, rising for a second straight month after a 0.9% increase in August. Breakdown by the type of business shows electronics & appliance stores declined 0.9% MoM, while general merchandise stores rose 2.0%, gasoline stations rose 1.8%, motor vehicle & parts dealers rose 0.5%, and food services & drinking places rose 0.3%.
- The Conference Board Consumer Confidence Index declined 5.9 points MoM to 109.3 in September, falling for a third straight month to the lowest level since February (95.2). The Present Situation Index fell 5.5 points MoM to 143.4, and the Expectations Index fell 6.2 points to 86.6. The University of Michigan Index of Consumer Sentiment declined 1.4 points MoM to 71.4 in October (preliminary results), falling after a rise in September. The Current Economic Conditions Index declined 2.2 points MoM to 77.9, and the Index of Consumer Expectations fell 0.9 point to 67.2. Concerns about the Delta variant and inflation linked to supply crunch, as well as weakened confidence in economic policies (amid debt ceiling issues) may have eroded consumer optimism.



Source: Department of Commerce, MUFG Bank Economic Research Office

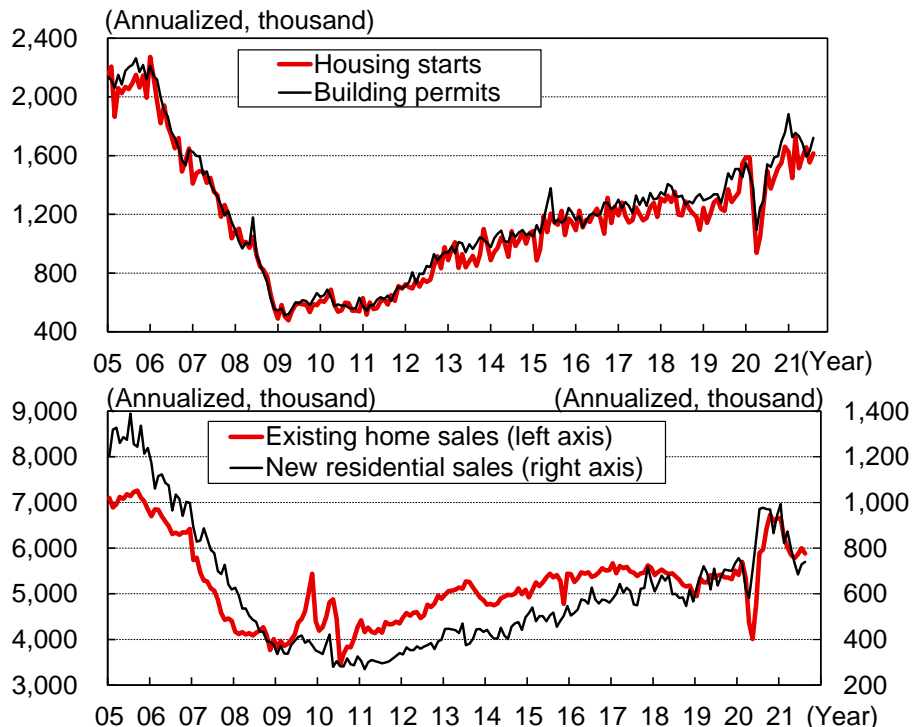


Source: Conference Board, University of Michigan, MUFG Bank Economic Research Office

5. Housing Market

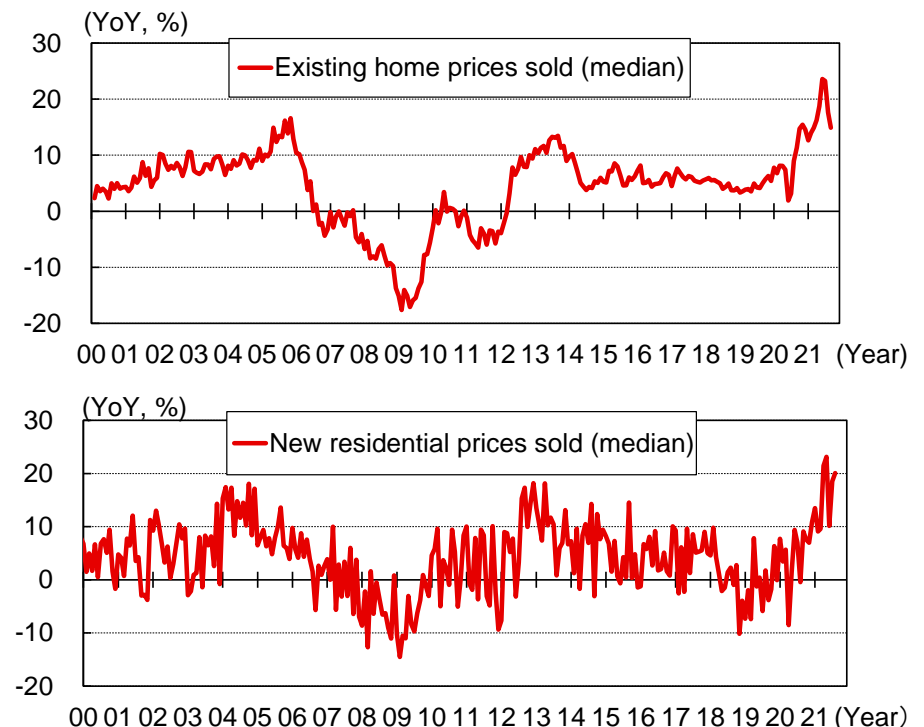
- Housing starts increased 3.9% MoM to a seasonally adjusted annualized rate (SAAR) of 1,615,000 in August, following a decline in July. Single-family housing starts decreased 2.8% MoM, while the more volatile buildings with two or more units increased 20.6% and drove the overall increase. Building permits, a leading indicator of housing starts, increased 5.6% MoM to 1,721,000 (SAAR), rising for two consecutive months.
- Existing home sales decreased 2.0% MoM in August to 5,880,000 (SAAR), declining for the first time in three months. The inventory-to-sales ratio was flat MoM at 2.5 months (seasonally adjusted). Median sales price rose 14.9% YoY to \$356,700 (not seasonally adjusted), slowing from July's 17.6% increase. At 31.9% above the pre-pandemic level of February 2020, however, the higher price continues to put a downward pressure on existing home sales.
- New residential sales increased 1.5% MoM in August to 740,000 (SAAR), rising for a second straight month. Inventory-to-sales ratio rose to 6.1 months (seasonally adjusted) after a decline in July. Median sales price rose 20.1% YoY to \$390,900 (not seasonally adjusted), accelerating from July's 18.5% increase.

Housing Starts, Building Permits and Home Sales



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

Home Prices

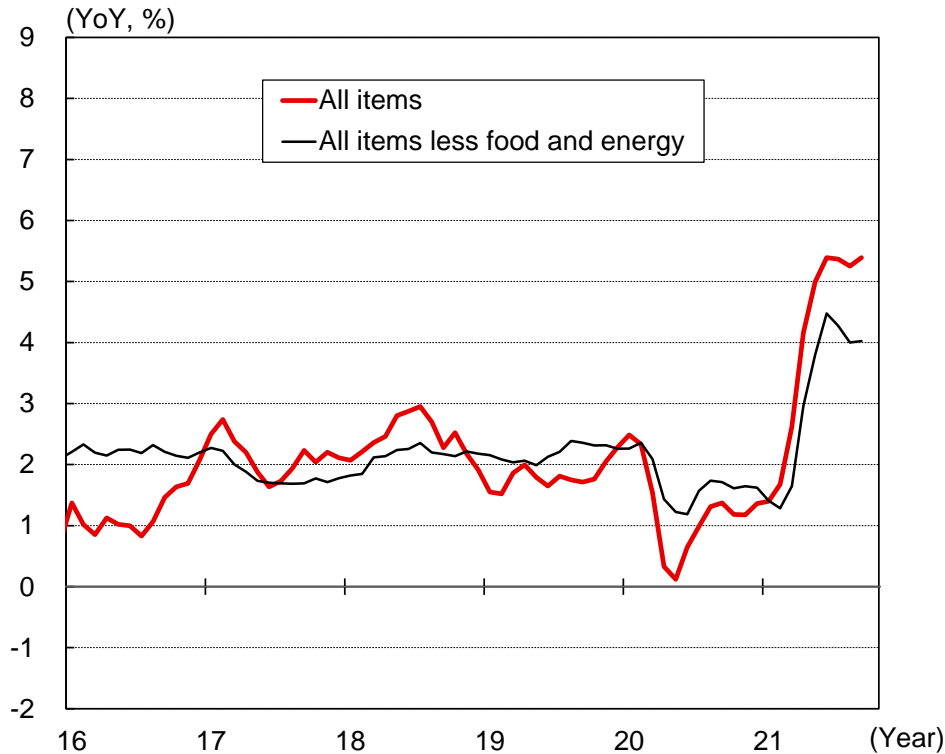


Source: National Association of Realtors, Department of Commerce, MUFG Bank Economic Research Office

6. Prices

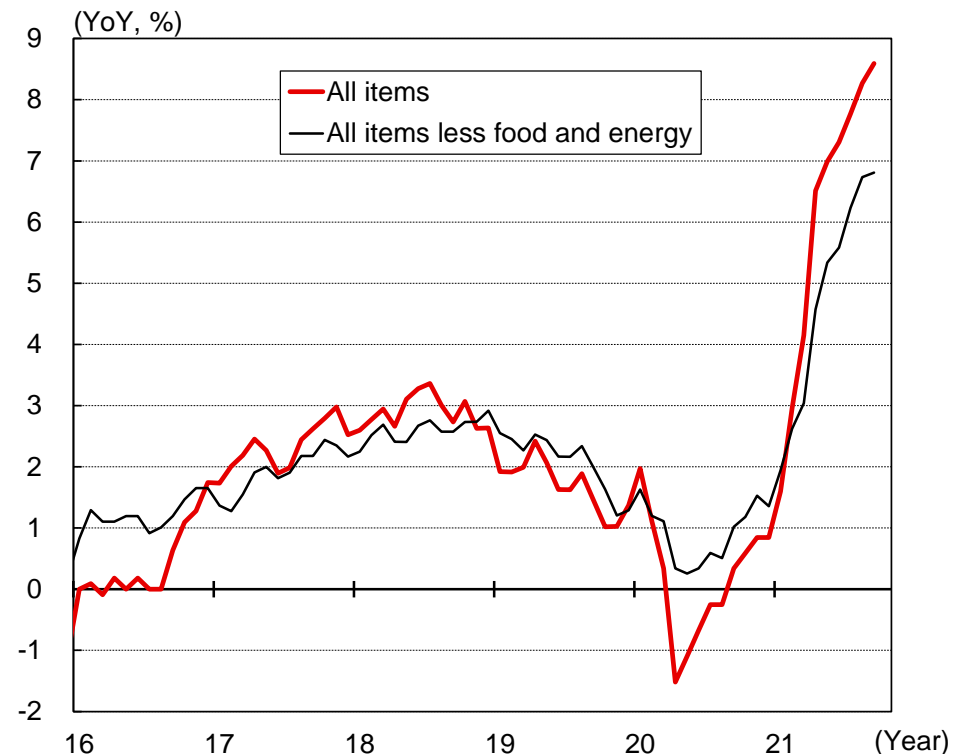
- The Consumer Price Index (CPI) rose 5.4% YoY and 0.4% MoM in September, both accelerating from August's 5.3% YoY and 0.3% MoM increases. More than half of the MoM gains is attributed to rises in food and shelter prices. The core CPI (all items less food and energy) rose 4.0% YoY in September, the same rate as in August. On a MoM basis, the core CPI increase accelerated to 0.2% MoM from August's 0.1% rise. Shelter and new vehicle rose MoM while used cars & trucks and apparel declined.
- The Producer Price Index (PPI) rose 8.6% YoY and core PPI (all items less food and energy) rose 6.8% in September, both record increases since the current time series began in November 2010. Breakdown by item shows that goods increase accelerated to 13.3% while services increase was flat from August at 6.4%. On a MoM basis, the headline PPI's increase slowed to 0.5% from August's 0.7%, and core PPI's increase slowed to 0.2% from August's 0.6%. Both are the lowest monthly increases this year as airline fares and some other items declined sharply on the back of the Delta variant spread.

Consumer Price Index



Source: Department of Labor, MUFG Bank Economic Research Office

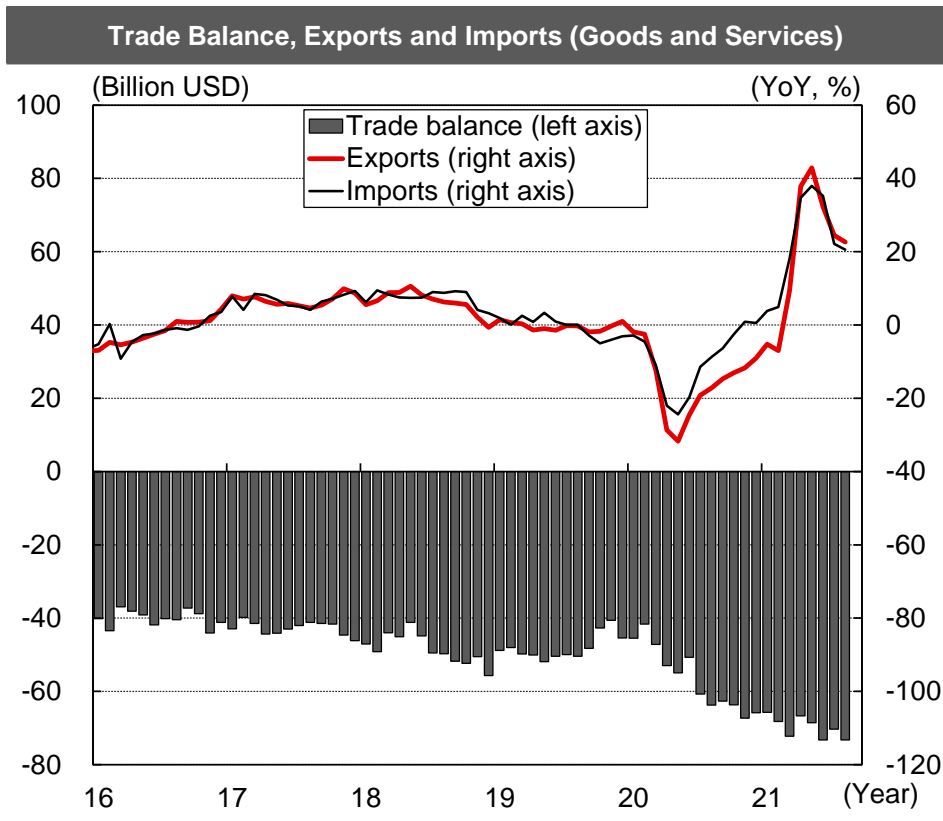
Producer Price Index



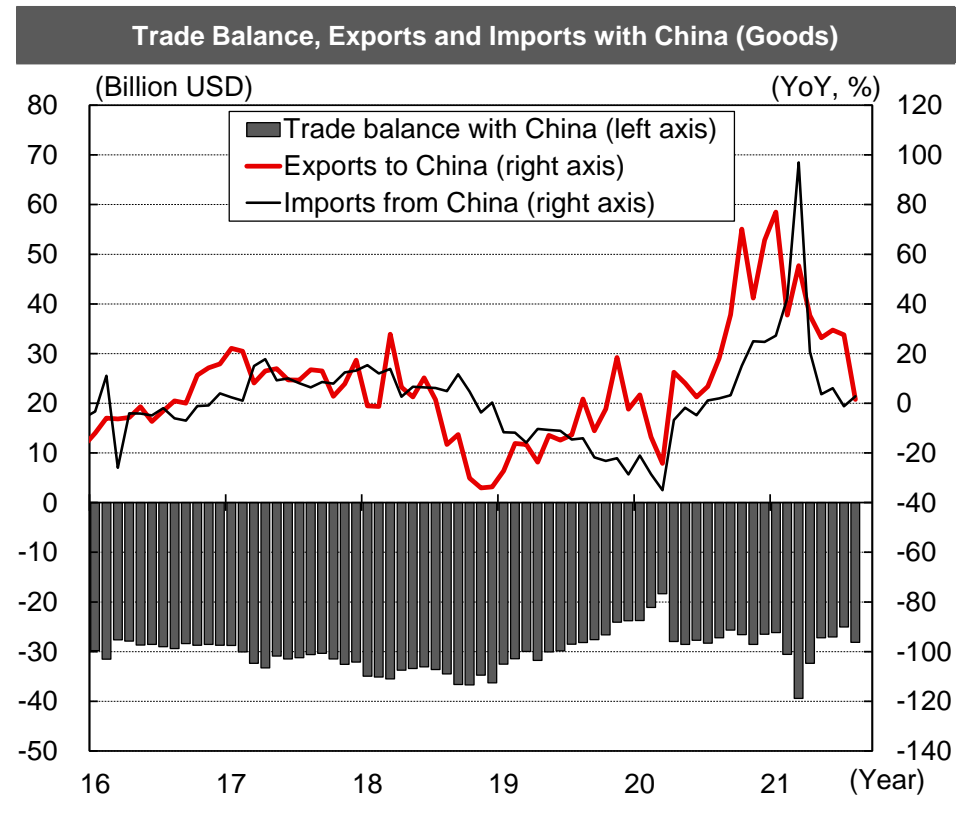
Source: Department of Labor, MUFG Bank Economic Research Office

7. Balance of Payments

- Trade deficit on goods and services widened 4.2% MoM to \$73.3 billion in August. Exports rose 0.5% MoM while imports rose 1.4%. Imports rebounded in August although in July, the spread of Delta variant was said to have put downward pressure on imports (domestic demand in the US). On a YoY basis, exports rose 22.6% and imports rose 20.6% – still sharp increases but slowing from the previous month for a third straight month.
- For goods trade, breakdown by destination shows that the deficit with China, which accounts for roughly a third of US goods deficit, widened 12.4% or \$3.1 billion MoM to \$28.1 billion in August. Exports to China declined 13.6% MoM while imports from China rose 3.5%. On a YoY basis, exports to China rose 1.5% and imports from China rose 2.8%, respectively.



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

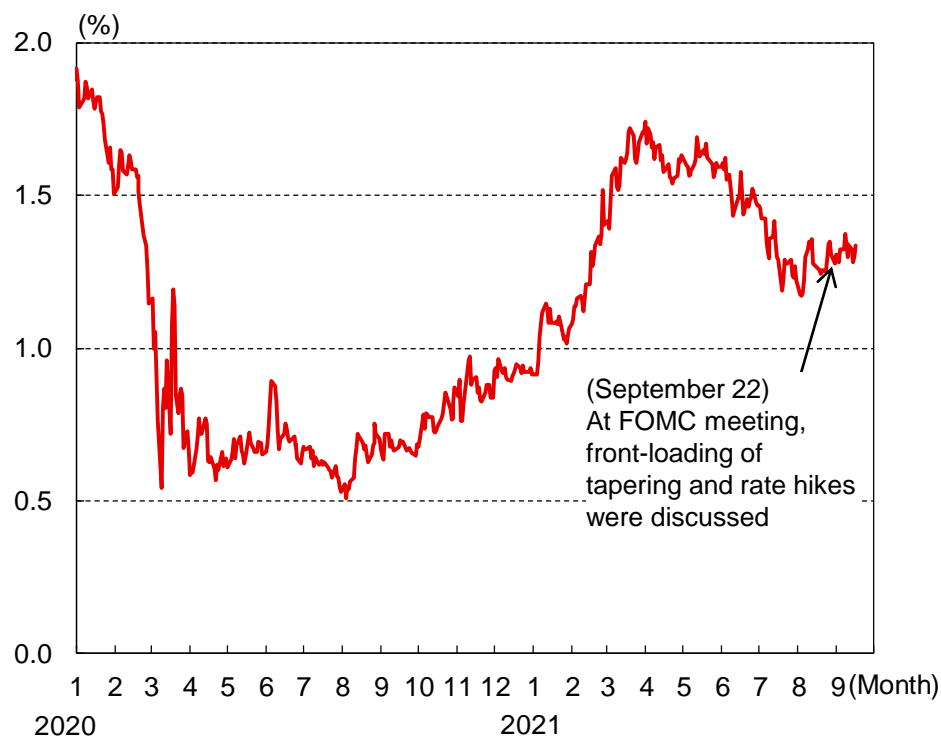


Note: Census basis
Source: Department of Commerce, MUFG Bank Economic Research Office

8. Financial Markets

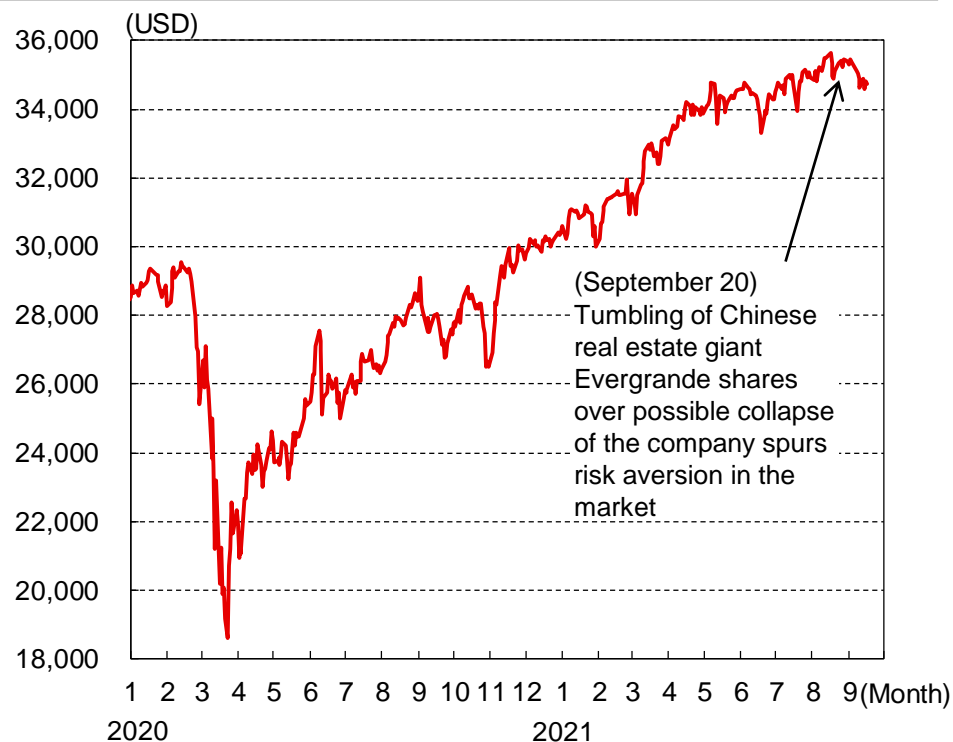
- The 10-year treasury yield has been on an uptrend after the September FOMC meeting, which included discussion on hawkish steps such as moving up timing of tapering (gradual slowing of the pace of large-scale asset purchases) and the start of a rate hike cycle to 2022. The 10-year treasury yield currently stands around 1.6%.
- Dow Jones Industrial Average (DJIA) stock market index has been on a downtrend, possibly undergoing a correction, amid concerns over the debt crisis at Chinese real estate giant Evergrande and prolonged inflation, as well as turmoil related to the US government's debt ceiling issue.

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 | | | | | | | | | | | | | | |
|--|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|---------|-----|
| | | Oct-21 | Nov | Dec | Jan-21 | Feb | Mar | Apr | May | June | July | Aug | Sep | Oct |
| Businesses | ISM Manufacturing PMI | 58.8 | 57.7 | 60.5 | 58.7 | 60.8 | 64.7 | 60.7 | 61.2 | 60.6 | 59.5 | 59.9 | 61.1 | - |
| | ISM Services PMI | 56.2 | 56.8 | 57.7 | 58.7 | 55.3 | 63.7 | 62.7 | 64.0 | 60.1 | 64.1 | 61.7 | 61.9 | - |
| | Industrial production (2012 ave = 100) | 96.6 | 97.2 | 98.3 | 99.4 | 96.4 | 99.2 | 99.2 | 99.9 | 100.4 | 101.4 | 101.3 | 100.0 | - |
| | MoM (%) | 1.1 | 0.5 | 1.2 | 1.1 | -3.0 | 2.9 | 0.1 | 0.7 | 0.5 | 1.0 | -0.1 | -1.3 | - |
| | Capacity utilization (%) | 72.9 | 73.3 | 74.1 | 75.0 | 72.7 | 74.8 | 74.8 | 75.3 | 75.6 | 76.3 | 76.2 | 75.2 | - |
| | Manufactured goods new orders (Million USD) | 453,094 | 460,424 | 468,324 | 479,160 | 481,195 | 488,073 | 487,409 | 498,587 | 506,128 | 509,490 | 515,721 | - | - |
| | MoM (%) | 0.9 | 1.6 | 1.7 | 2.3 | 0.4 | 1.4 | -0.1 | 2.3 | 1.5 | 0.7 | 1.222988 | - | - |
| | Durable goods orders (Million USD) | 228,836 | 233,838 | 237,428 | 243,160 | 246,261 | 249,467 | 247,644 | 255,529 | 257,663 | 258,846 | - | - | - |
| MoM (%) | 1.0 | 2.2 | 1.5 | 2.4 | 1.3 | 1.3 | -0.7 | 3.2 | 0.8 | 0.5 | 1.827341 | - | - | |
| Household | Nonfarm payroll (monthly change, thousand people) | 680 | 264 | -306 | 233 | 536 | 785 | 269 | 614 | 962 | 1,091 | 366 | 194 | - |
| | Average hourly earnings (USD) | 29.52 | 29.61 | 29.91 | 29.92 | 30.00 | 29.97 | 30.17 | 30.31 | 30.44 | 30.55 | 30.66 | 30.85 | - |
| | YoY (%) | 4.5 | 4.5 | 5.5 | 5.2 | 5.2 | 4.3 | 0.3 | 1.9 | 3.7 | 4.0 | 4.0 | 4.6 | - |
| | Unemployment rate (%) | 6.9 | 6.7 | 6.7 | 6.3 | 6.2 | 6.0 | 6.1 | 5.8 | 5.9 | 5.4 | 5.2 | 4.8 | - |
| | Personal income (annualized, billion USD) | 19,629 | 19,435 | 19,562 | 21,505 | 19,955 | 24,142 | 20,863 | 20,414 | 20,449 | 20,681 | 20,717 | - | - |
| | MoM (%) | -0.2 | -1.0 | 0.7 | 9.9 | -7.2 | 21.0 | -13.6 | -2.2 | 0.2 | 1.1 | 0.2 | - | - |
| | Consumer spending (annualized, billion USD) | 14,546 | 14,467 | 14,390 | 14,858 | 14,700 | 15,459 | 15,619 | 15,624 | 15,802 | 15,792 | 15,922 | - | - |
| | MoM (%) | 0.4 | -0.5 | -0.5 | 3.3 | -1.1 | 5.2 | 1.0 | 0.0 | 1.1 | -0.1 | 0.8 | - | - |
| | Saving rate (%) | 13.6 | 13.0 | 14.0 | 19.9 | 13.5 | 26.6 | 12.4 | 10.0 | 9.0 | 10 | 9 | - | - |
| | Retail sales (million USD) | 550,038 | 542,583 | 535,972 | 576,466 | 559,970 | 623,119 | 628,751 | 620,119 | 625,405 | 615,250 | 620,850 | 625,416 | - |
| | MoM (%) | 0.2 | -1.4 | -1.2 | 7.6 | -2.9 | 11.3 | 0.9 | -1.4 | 0.9 | -1.6 | 0.9 | 0.7 | - |
| | Auto sales (annualized, million units) | 16.4 | 15.9 | 16.3 | 16.8 | 15.9 | 17.6 | 18.3 | 16.9 | 15.5 | 14.7 | 13.0 | 12.2 | - |
| | MoM (%) | 0.8 | -3.2 | 2.7 | 2.9 | -5.1 | 10.7 | 3.7 | -7.7 | -8.4 | -4.9 | -11.6 | -6.4 | - |
| | Conference Board Consumer Confidence Index | 101.4 | 92.9 | 87.1 | 87.1 | 95.2 | 114.9 | 117.5 | 120.0 | 128.9 | 125.1 | 115.2 | 109.3 | - |
| University of Michigan Index of Consumer Sentiment | 81.8 | 76.9 | 80.7 | 79.0 | 76.8 | 84.9 | 88.3 | 82.9 | 85.5 | 81.2 | 70.3 | 72.8 | 71.4 | |

Source: Various statistics, MUFG Bank Economic Research Office

Table: Major Monthly Economic Indicators (continued)

| Major Monthly Economic Indicators | | | | | | | | | | | | | | |
|-----------------------------------|---|--------|-------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-----|
| | | Oct-21 | Nov | Dec | Jan-21 | Feb | Mar | Apr | May | June | July | Aug | Sep | Oct |
| Housing | Housing starts (annualized, thousand units) | 1,514 | 1,551 | 1,661 | 1,625 | 1,447 | 1,725 | 1,514 | 1,594 | 1,657 | 1,554 | 1,615 | - | - |
| | MoM (%) | 4.6 | 2.4 | 7.1 | -2.2 | -11.0 | 19.2 | -12.2 | 5.3 | 4.0 | -6.2 | 3.9 | - | - |
| | Existing home sales (annualized, thousand units) | 6,730 | 6,590 | 6,650 | 6,660 | 6,240 | 6,010 | 5,850 | 5,780 | 5,870 | 6,000 | 5,880 | - | - |
| | MoM (%) | 4.5 | -2.1 | 0.9 | 0.2 | -6.3 | -3.7 | -2.7 | -1.2 | 1.6 | 2.2 | -2.0 | - | - |
| | New home sales (annualized, thousand units) | 969 | 865 | 943 | 993 | 823 | 873 | 796 | 733 | 685 | 729 | 740 | - | - |
| | MoM (%) | -0.2 | -10.7 | 9.0 | 5.3 | -17.1 | 6.1 | -8.8 | -7.9 | -6.5 | 6.4 | 1.5 | - | - |
| Prices | Consumer Price Index (1982-1984 = 100) | 260.4 | 260.2 | 260.5 | 261.6 | 263.0 | 264.9 | 267.1 | 269.2 | 271.7 | 273.0 | 273.6 | 274.3 | - |
| | MoM (%) | 0.1 | 0.2 | 0.2 | 0.3 | 0.4 | 0.6 | 0.8 | 0.6 | 0.9 | 0.5 | 0.3 | 0.4 | - |
| | YoY (%) | 1.2 | 1.2 | 1.4 | 1.4 | 1.7 | 2.6 | 4.2 | 5.0 | 5.4 | 5.4 | 5.3 | 5.4 | - |
| | Producer Price Index (Nov 2009 = 100) | 119.5 | 119.3 | 119.4 | 120.9 | 121.9 | 123.0 | 124.3 | 125.5 | 126.3 | 127.6 | 128.3 | 128.9 | - |
| | MoM (%) | 0.6 | 0.0 | 0.3 | 1.2 | 0.7 | 0.8 | 1.0 | 0.9 | 0.6 | 1.0 | 0.7 | 0.5 | - |
| | YoY (%) | 0.6 | 0.8 | 0.8 | 1.6 | 3.0 | 4.1 | 6.5 | 7.0 | 7.3 | 7.8 | 8.3 | 8.6 | - |
| Trade | Exports (goods, billion USD) | 125.8 | 126.8 | 131.5 | 134.4 | 130.3 | 143.6 | 145.1 | 145.6 | 145.9 | 148.6 | 149.7 | - | - |
| | Imports (goods, billion USD) | 207.9 | 213.0 | 216.3 | 221.0 | 219.6 | 236.6 | 232.1 | 235.0 | 239.2 | 236.4 | 239.1 | - | - |
| | Trade balance (goods, billion USD) | -82.1 | -86.2 | -84.8 | -86.6 | -89.3 | -93.0 | -87.1 | -89.3 | -93.3 | -87.8 | -89.4 | - | - |
| | Trade balance (goods and services, billion USD) | -63.7 | -67.3 | -65.8 | -65.7 | -68.2 | -72.2 | -66.7 | -68.5 | -73.2 | -70.3 | -73.3 | - | - |

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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