

US Economic Indicators Monthly Overview (August 2021)

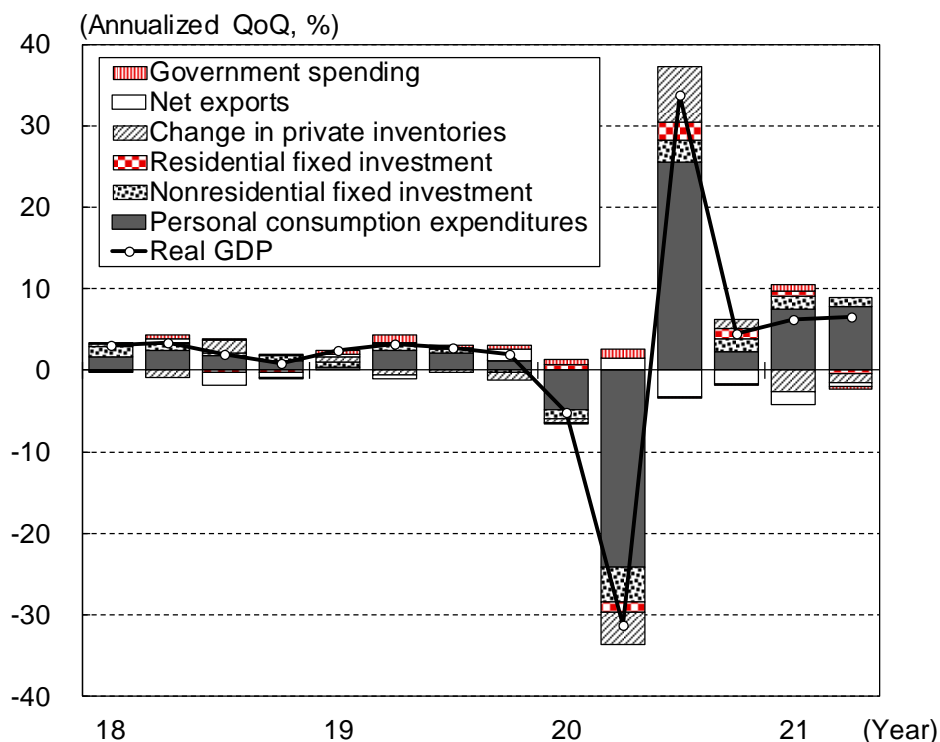
ECONOMIC RESEARCH OFFICE (NEW YORK)

20th August 2021 (original Japanese version released on 17th August)

1. GDP

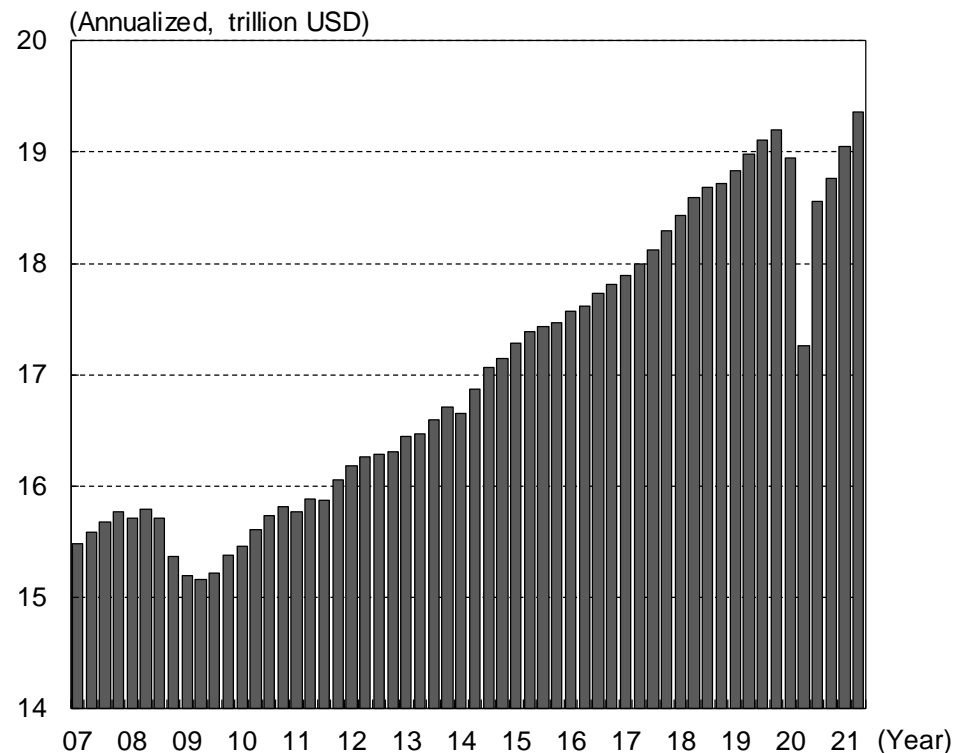
- The real GDP grew 6.5% annualized QoQ in the April-June quarter, increasing for a fourth straight quarter and maintaining a high growth rate after a 6.3% rise in the January-March quarter.
- Breakdown by demand component shows that personal consumption expenditures, which account for roughly 70% of GDP, drove the overall GDP growth with an 11.8% increase annualized QoQ. Meanwhile, increase of nonresidential fixed investment slowed from the previous quarter to 8.0%. Of the three types of nonresidential fixed investment, equipment investment and intellectual property products investment rose by 13.0% and 10.7%, respectively, while structures investment declined by 7.0%. Residential investment declined for the first time in four quarters, by 9.8%. Net exports and change in private inventories had negative contribution of 0.4% point and 1.1% points to the real GDP growth rate.
- The level of April-June quarter real GDP recovered to 0.8% above the pre-pandemic level of October-December 2019 quarter.

Real GDP Growth Rate (Quarterly)



Source: Department of Commerce, MUFG Bank Economic Research Office

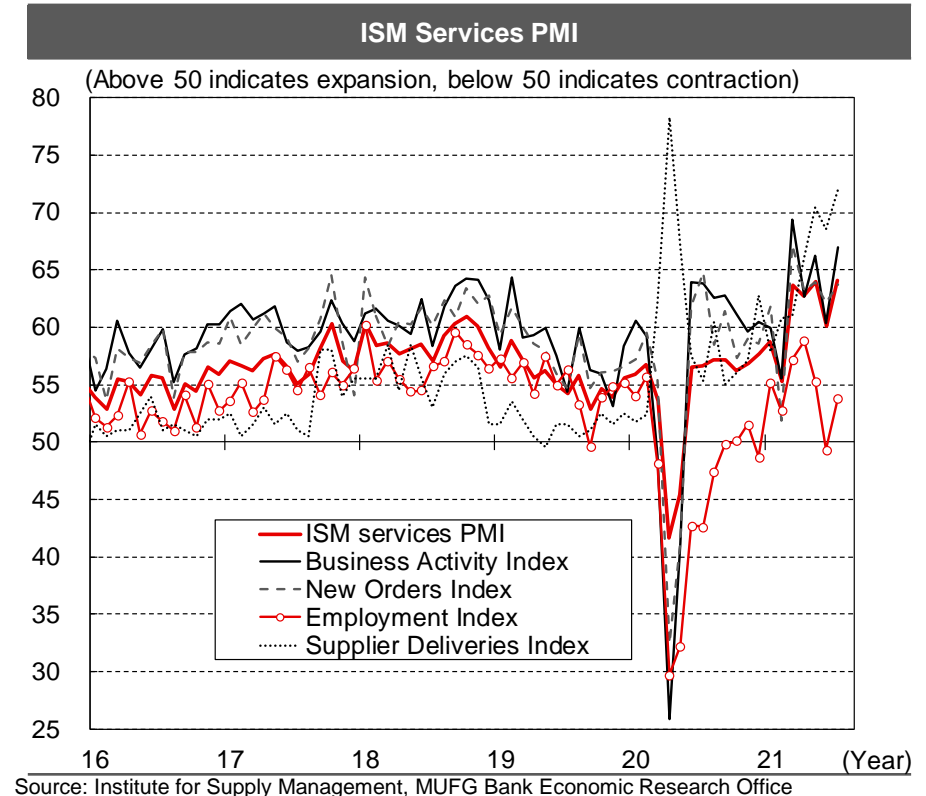
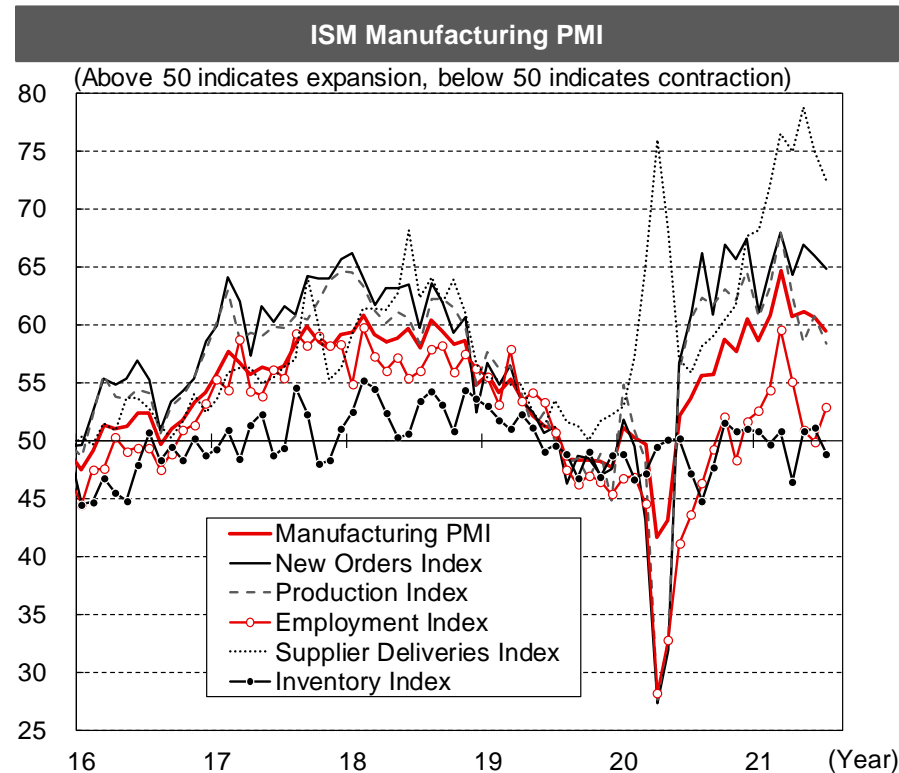
Real GDP Level



Source: Department of Commerce, MUFG Bank Economic Research Office

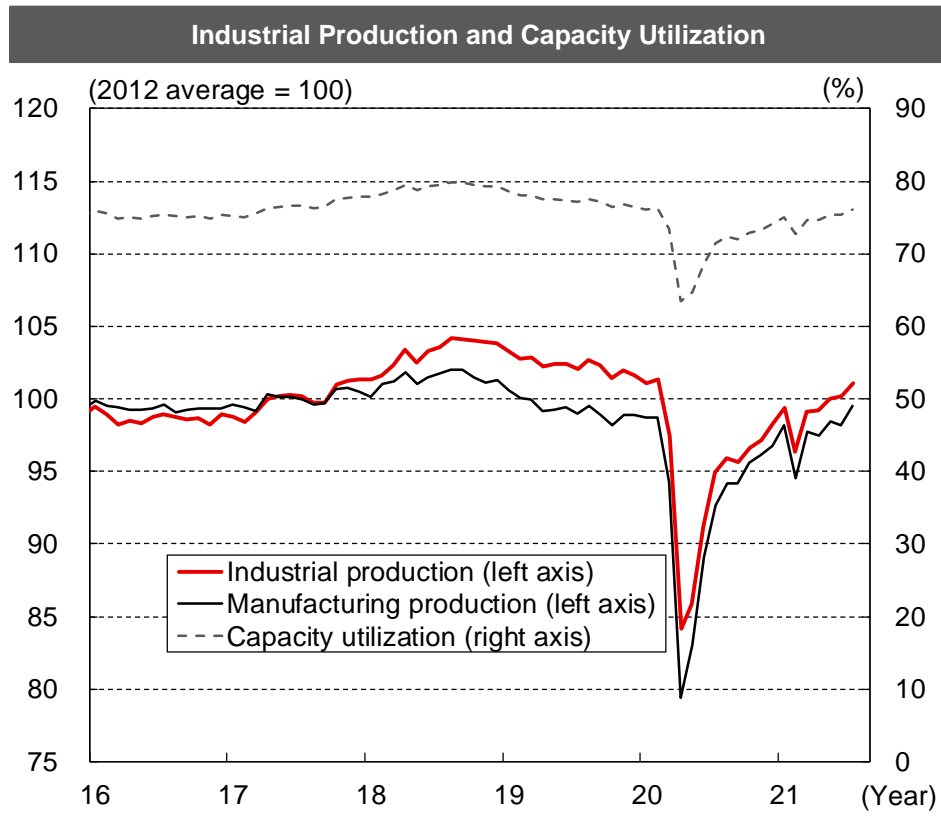
2. Business Activity

- ISM Manufacturing PMI, an indicator of business confidence and activity in the manufacturing sector, declined 1.1 points MoM to 59.5 in July, while topping the expansion-contraction threshold of 50 for 14 consecutive months. Component breakdown shows Employment Index rose 3.0 points MoM to 52.9, while New Orders Index fell 1.1 points to 64.9, Production Index fell 2.4 points to 58.4, Supplier Deliveries Index fell 2.6 points to 72.5, and Inventory Index fell 2.2 points to 48.9. Panelist companies' comments indicate slight improvements in labor and supplier deliveries offset by continued problems in the transportation sector," Tim Fiore, the chair of the ISM Manufacturing Survey committee said. Of the 18 manufacturing industries, 17 reported MoM expansion, one reported contraction (in June, 17 reported expansion, and one reported no MoM change).
- ISM Services PMI rose 4.0 points MoM in July to 64.1, topping the expansion-contraction threshold of 50 for 14 consecutive months. Component breakdown shows Business Activity Index rose 6.6 points MoM to 67.0, New Orders Index rose 1.6 points to 63.7, Employment Index rose 4.5 points to 53.8, and Supplier Deliveries Index rose 3.5 points to 72.0. On business activity, panelist companies' comments included "pent-up demand driving transactions" and "increased business as companies begin to fully reopen and remote workers return to offices." Of the 18 services industries, 17 reported MoM expansion and one reported no change (in June, 16 reported expansion and two reported contraction).

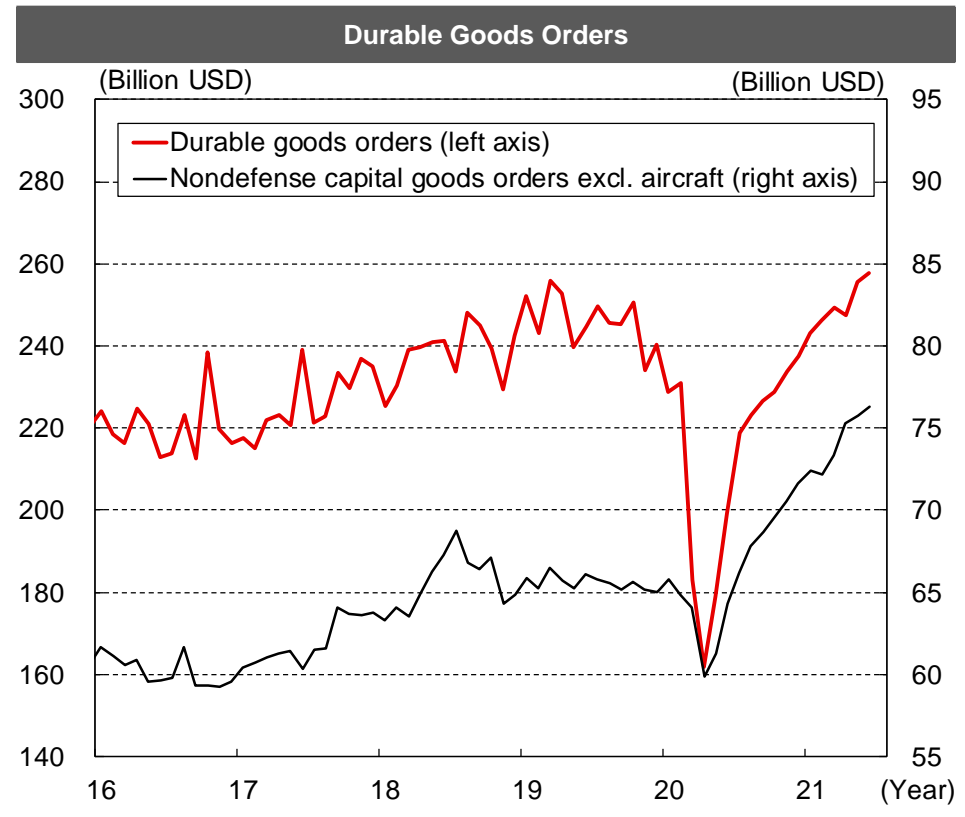


3. Production

- Industrial production increased 0.9% MoM in July, accelerating from a 0.2% increase in June. Industry breakdown shows that utilities (electricity and natural gas) decreased 2.1% MoM due to a drop in air conditioning demand, while mining increased 1.2% and manufacturing increased 1.4% MoM, driven by a 11.2% jump in motor vehicles & parts – an industry that have been forced to adjust production volume amid semiconductor shortages. The capacity utilization rate rose 0.7% point MoM to 76.1% in July.
- Durable goods orders increased 2.3% MoM in June, a second straight monthly increase after a 3.2% rise in May. Industry breakdown shows that transportation equipment rose 2.0% MoM, supported by a 17.0% increase in nondefense aircraft. Nondefense capital goods orders excluding aircraft, a leading indicator of capital investment, increased by 0.7% MoM in June, marking a fourth straight monthly increase after a 0.6% increase in May.



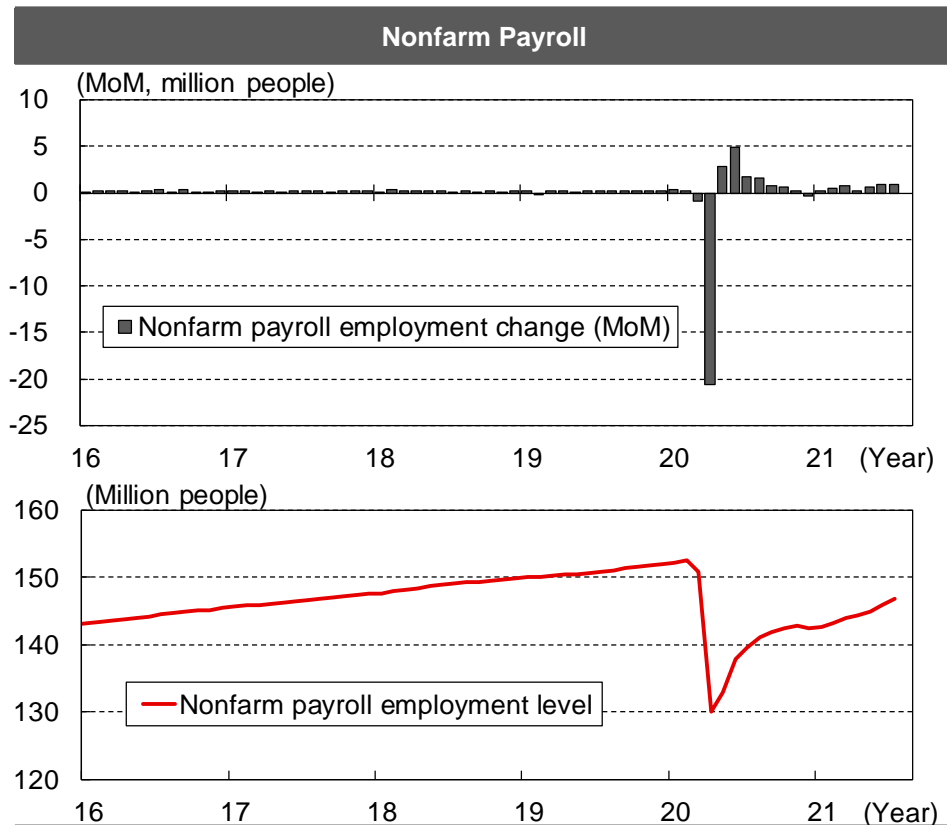
Source: Federal Reserve, MUFG Bank Economic Research Office



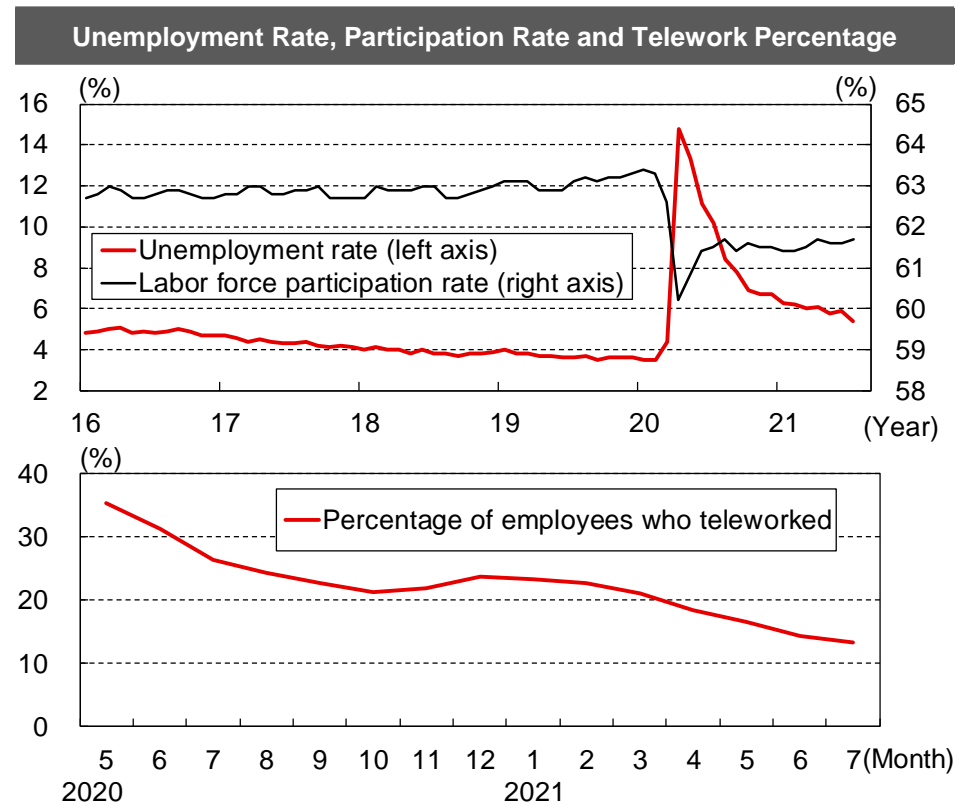
Source: Department of Commerce, MUFG Bank Economic Research Office

4. Employment

- Nonfarm payroll increased 943,000 MoM in July, rising for a seventh straight month after a 938,000 increase in June. Industry breakdown shows that leisure & hospitality rose 380,000, government rose 240,000, and professional & business services rose 60,000. Nonfarm payroll stands 5,700,000 or 3.7% below the pre-pandemic level of February 2020.
- Unemployment rate declined to 5.4% in July from 5.9% in June. Unemployed persons decreased 782,000 MoM to 8,702,000 in July. Labor force participation rate rose slightly MoM to 61.7% in July. Average hourly earnings for all private-sector employees rose 0.4% MoM in July after a 0.4% rise in June, and rose 4.0% YoY in July after a 3.7% rise in June.
- The percentage of employed persons who teleworked at some point in the last four weeks due to the pandemic declined for a seventh straight month, to 13.2% from 14.4% in June.



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.

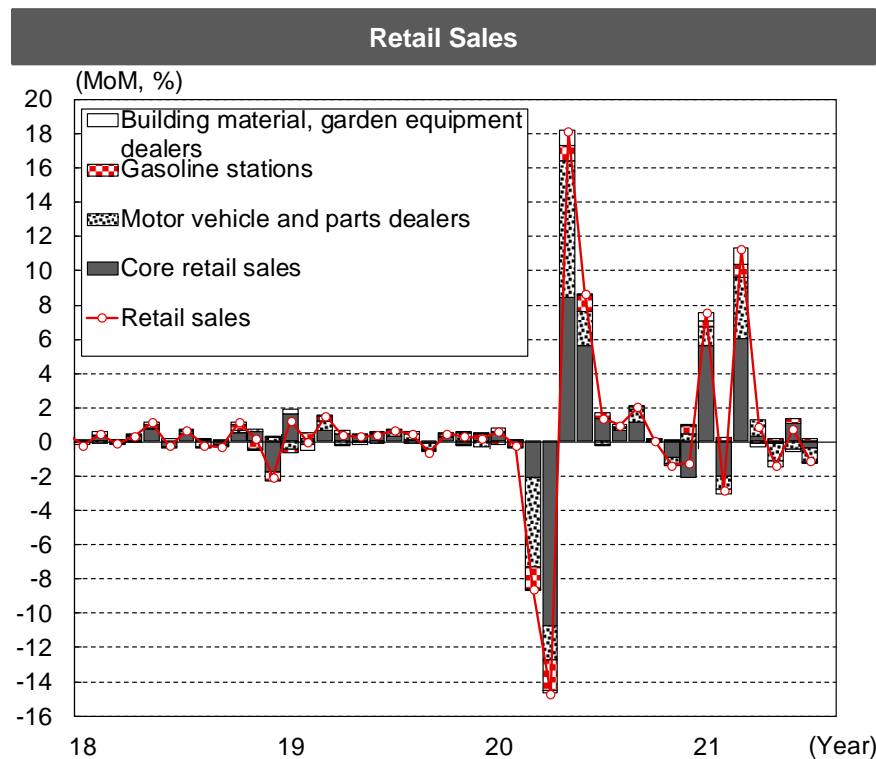
Source: Department of Labor, MUFG Bank Economic Research Office

5. Consumer Spending

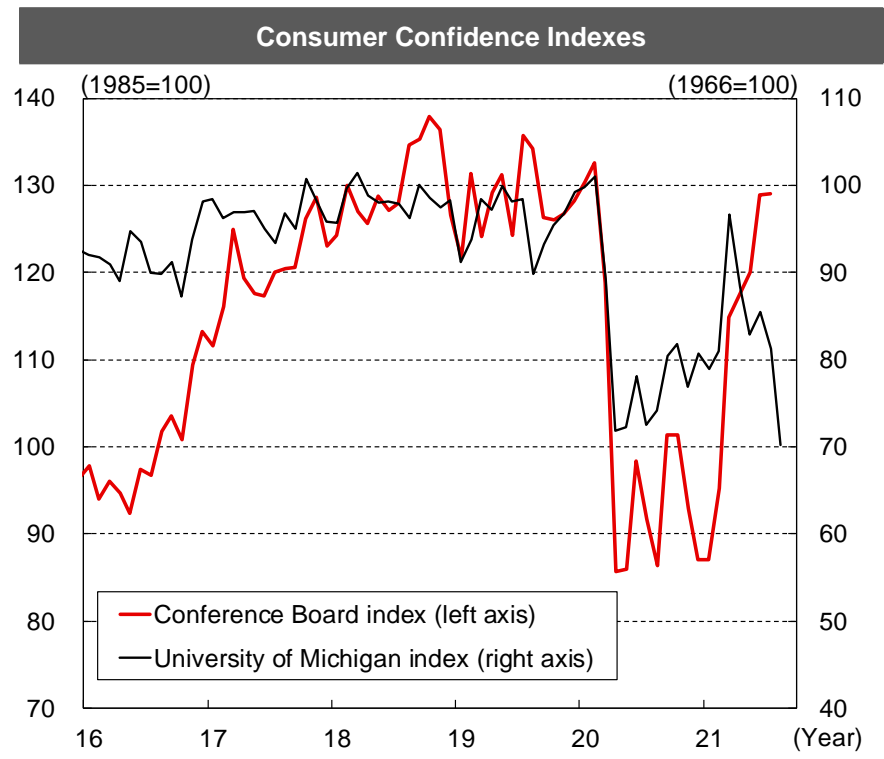
- Retail sales decreased 1.1% MoM in July after a 0.7% increase in June. Breakdown shows gasoline stations rose 2.4% MoM and food services & drinking places rose 1.7%, while all others declined. The types of businesses with larger declines were: motor vehicle & parts dealers, which declined 3.9% MoM; nonstore retailers, which declined 3.1%; and clothing & clothing accessory stores, which declined 2.6%.
- The Conference Board Consumer Confidence Index rose slightly, by 0.2 point MoM, to 129.1 in July. The Present Situation Index rose 0.7 point MoM to 160.3, and the Expectations Index declined 0.1 point to 108.4 (see note below). In the same survey, expected inflation rate for 12 months hence declined slightly MoM, and indices for plans to purchase homes, automobiles and major appliances in the next six months all rose for a second straight month.

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 11.0 points MoM to 70.2 in July (preliminary results). The Current Economic Conditions Index fell 6.6 points MoM to 77.9, and the Index of Consumer Expectations fell 13.8 points to 65.2. Richard Curtin, director of the Surveys of Consumers cited prospects of diminished economic performance due to the spread of the Delta variant of coronavirus as a reason for the indices' declines.



Source: Department of Commerce, MUFG Bank Economic Research Office

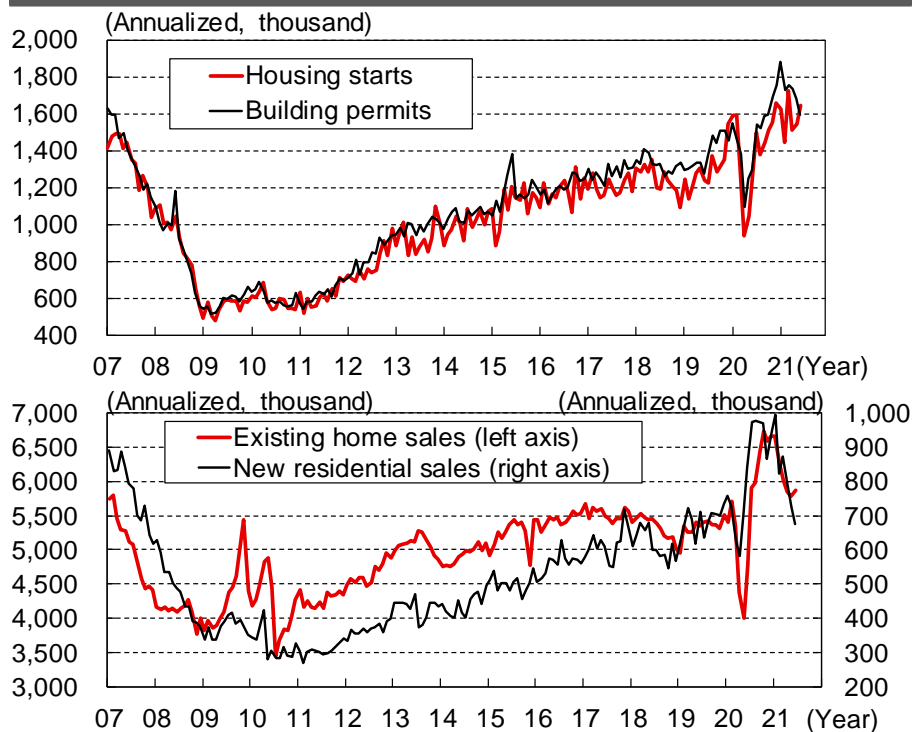


Source: Conference Board, University of Michigan, MUFG Bank Economic Research Office

6. Housing Market

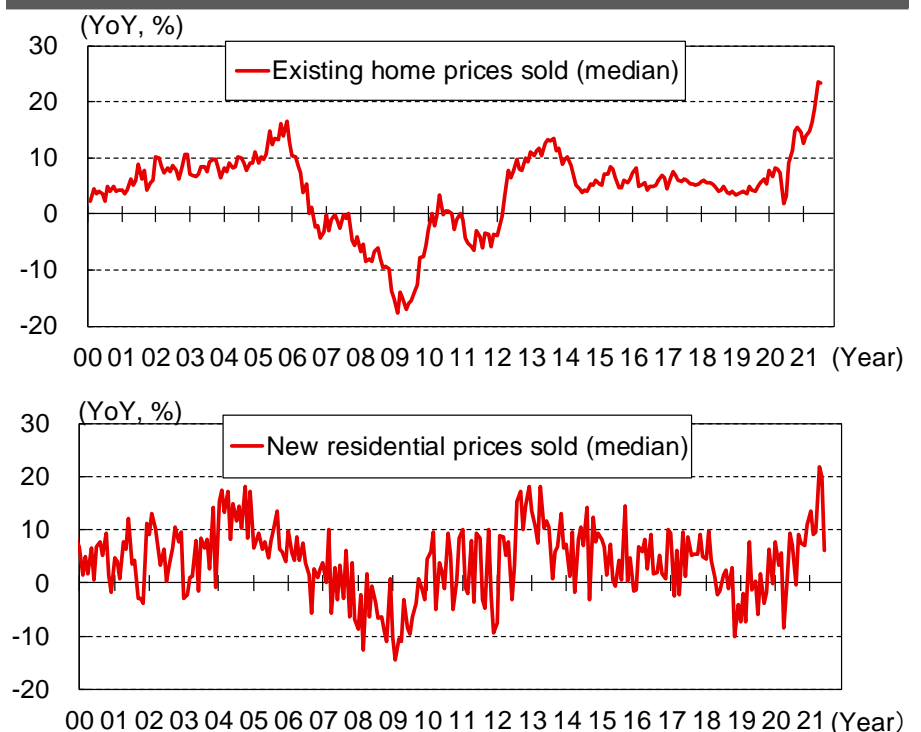
- Housing starts increased 6.3% MoM to a seasonally adjusted annualized rate (SAAR) of 1,643,000 in June, rising for a second straight month after a 2.1% increase in May. Single-family housing starts increased 6.3% MoM, while buildings with two or more units increased 6.2%. Meanwhile, building permits, a leading indicator of housing starts, decreased by 5.3% MoM to 1,594,000 (SAAR), falling for a third straight month after a 2.9% decline in May.
- Existing home sales increased 1.4% MoM in June to 5,860,000 (SAAR), rising for the first time in five months. The inventory-to-sales ratio rose to 2.4 months (seasonally adjusted) from May's 2.3 months. Median sales price rose 23.4% YoY to \$363,300 (not seasonally adjusted), slowing from May's 23.6% increase. National Association of Realtors Chief Economist Lawrence Yun cited an improvement in inventory levels (a 3.3% increase MoM) as a reason for increase in existing home sales.
- New residential sales decreased 6.6% MoM in June to 676,000 (SAAR), declining for a third straight month after a 7.8% decrease in May. Inventory-to-sales ratio rose for a third straight month, to 6.3 months (seasonally adjusted) from May's 5.5 months. Median sales price rose 6.1% YoY to \$361,800 (seasonally adjusted), slowing from May's 20.1% increase.

Housing Starts, Building Permits and Home Sales



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

Home Prices

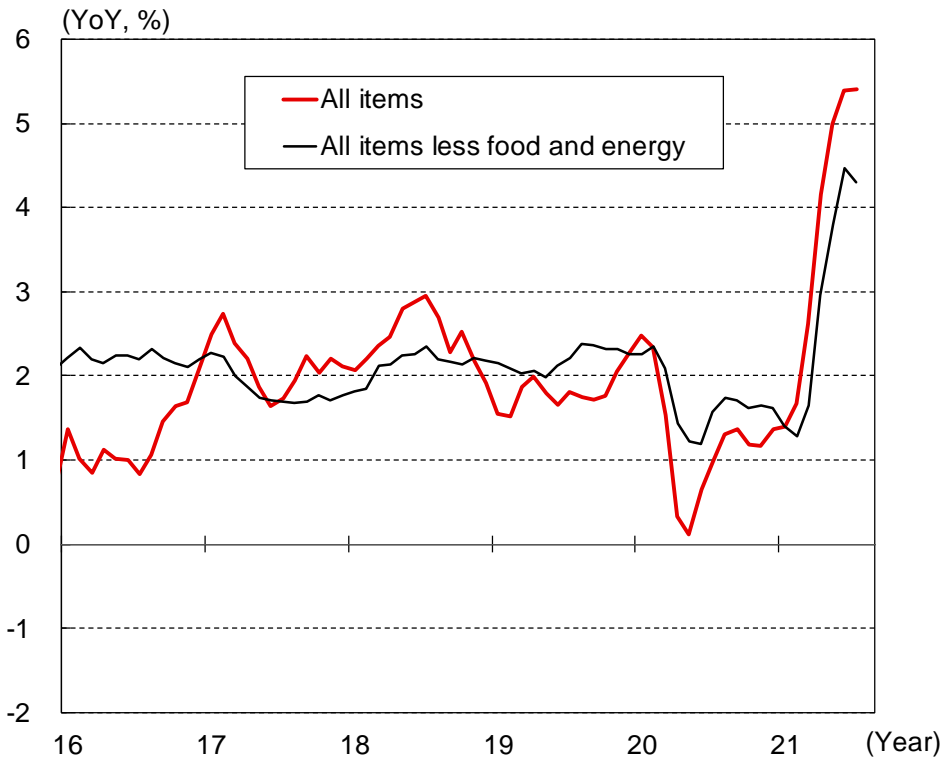


Source: National Association of Realtors, Department of Commerce, MUFG Bank Economic Research Office

7. Prices

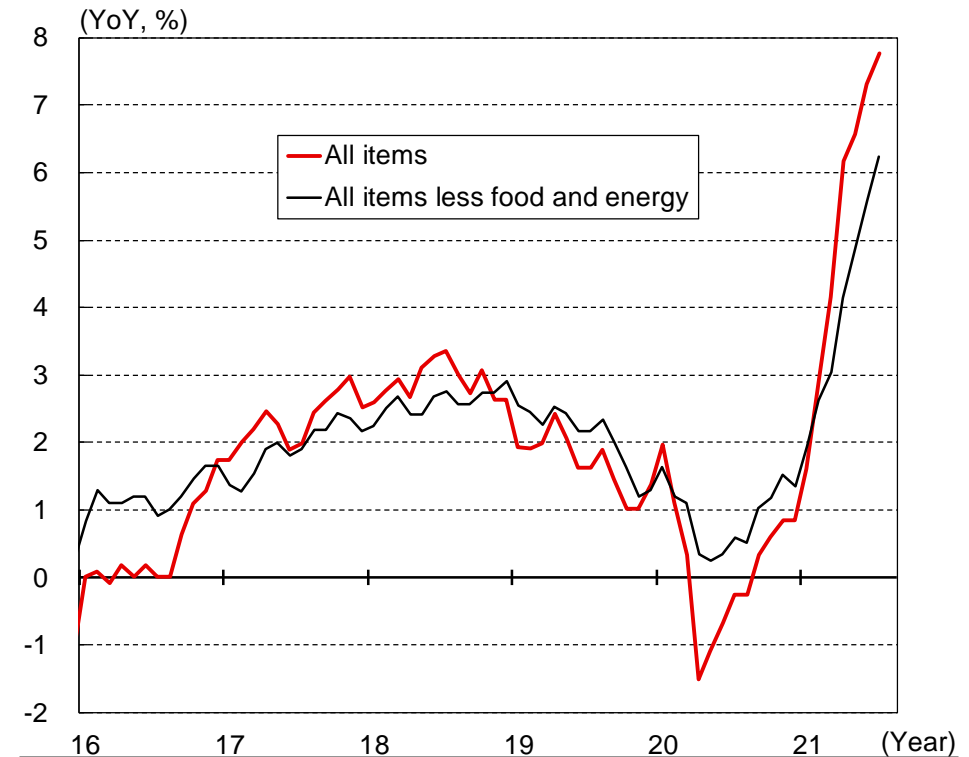
- The Consumer Price Index (CPI) rose 5.4% YoY in July, the same rate as in June, and rose 0.5% MoM in July, slowing from June's 0.9% increase. The core CPI (all items less food and energy) rose 4.3% YoY in July, slowing from June's 4.5% rise, and rose 0.3% MoM in July, also slowing from June's 0.9% rise.
- The Producer Price Index (PPI) rose 7.8% YoY in July, a record increase since the current time series began in November 2010 after an earlier record of 7.3% rise in June. The PPI rose 1.0% MoM in July, the same rate as in June. Breakdown by item shows that the pace of YoY increase accelerated for both goods and services, which rose 11.9% YoY and 5.8%, respectively. The core PPI (all items less food and energy) rose 6.2% YoY in July, the sharpest increase since the current time series began, after a 5.6% rise in June. The core PPI rose 1.0% MoM in July, the same rate as in June.

Consumer Price Index



Source: Department of Labor, MUFG Bank Economic Research Office

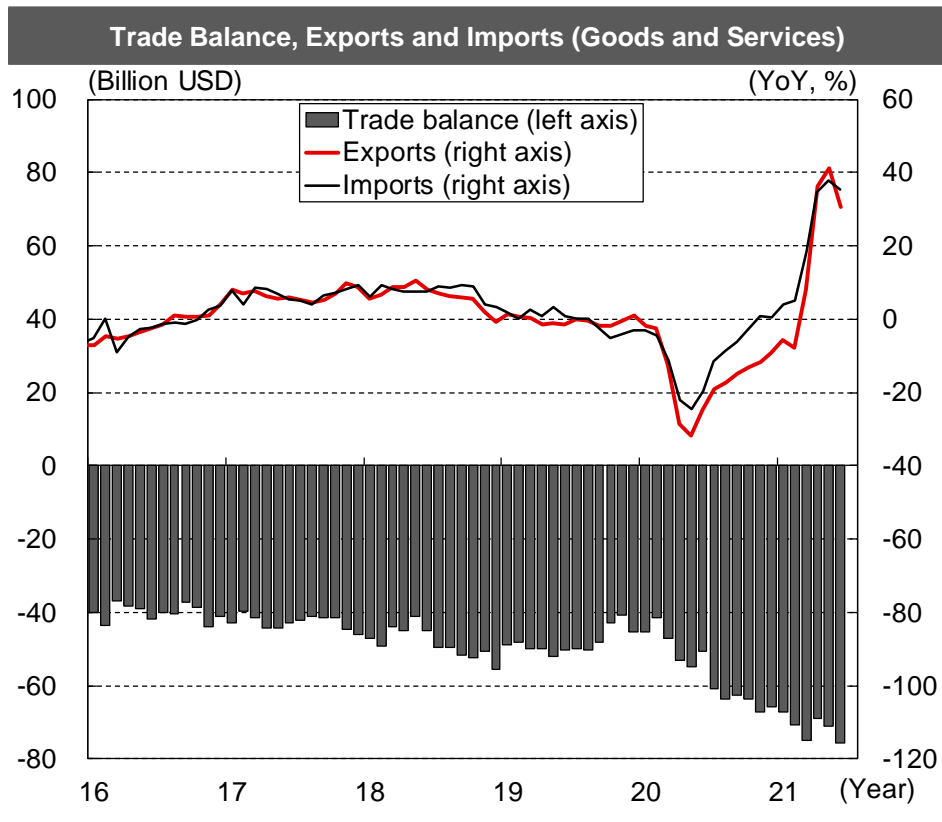
Producer Price Index



Source: Department of Labor, MUFG Bank Economic Research Office

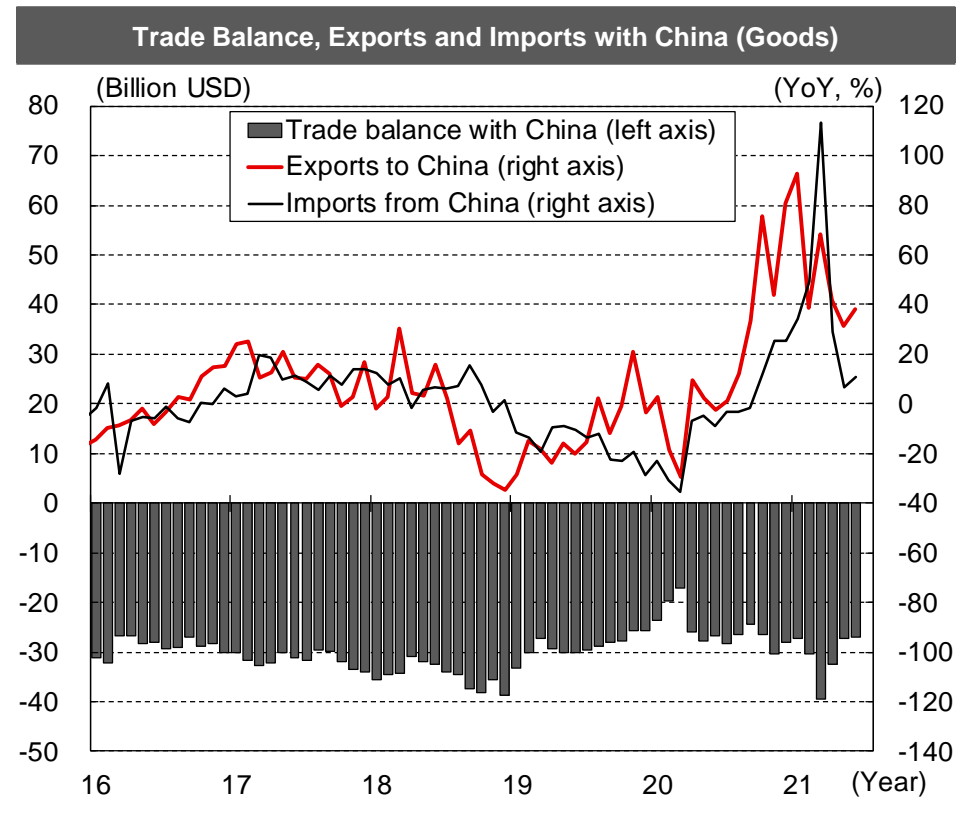
8. Balance of Payments

- Trade deficit on goods and services reached a record \$75.7 billion in June. The deficit widened 6.7% MoM as exports rose 0.6% and imports rose 2.1%. Year over year, exports and imports both jumped, by 30.8% and 35.3%, respectively. Compared with the pre-pandemic level of February 2020, exports rose 1.3% and imports rose 13.1%.
- 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 0.6% or \$200 million MoM to \$27.0 billion in June. Compared with the pre-pandemic level of February 2020, exports to China rose 72.8% and imports from China rose 47.0%.



Note: Balance of payments basis

Source: Department of Commerce, MUFG Bank Economic Research Office



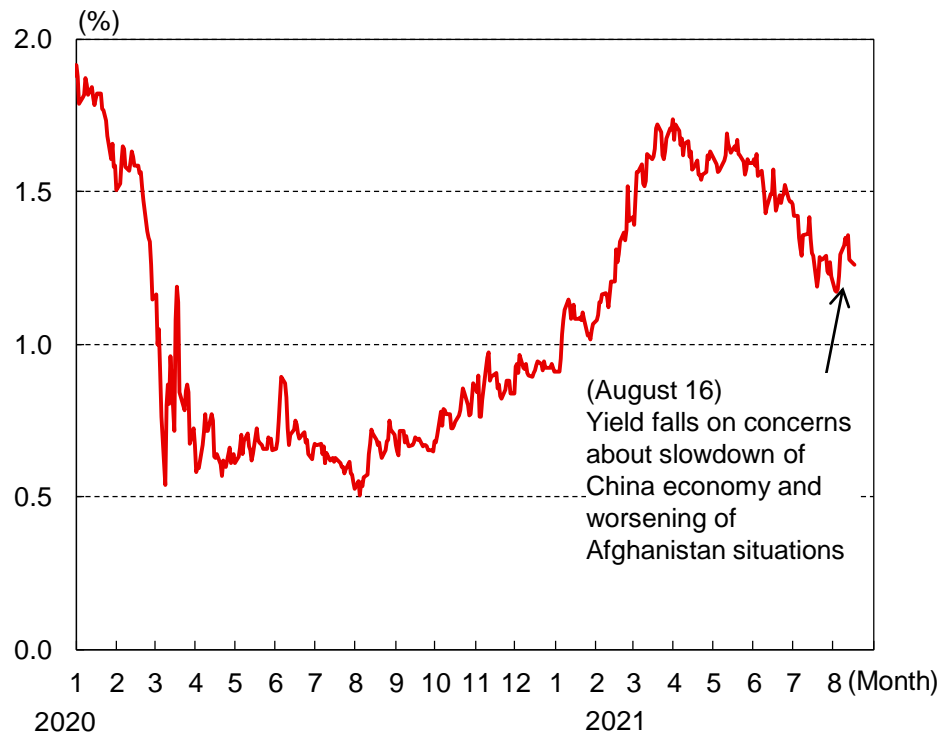
Note: Census basis

Source: Department of Commerce, MUFG Bank Economic Research Office

9. Financial Markets

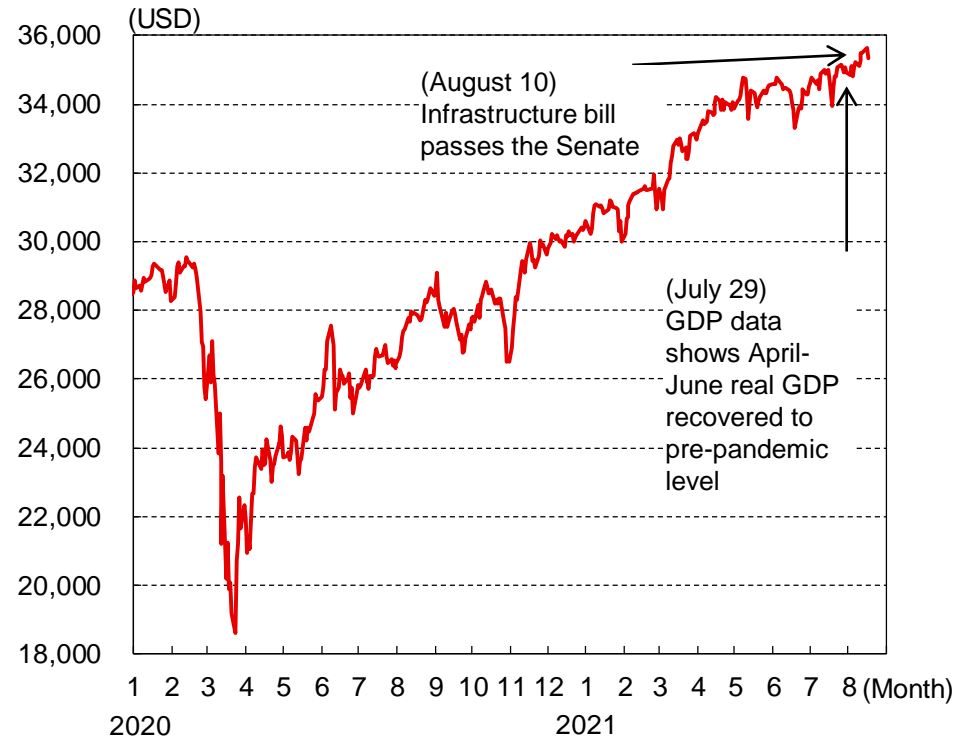
- The 10-year treasury yield has faced upward pressure from hopes for economic recovery and downward pressure from concerns about the Delta variant of coronavirus. On August 16, the yield declined sharply amid concerns of slowdown in the Chinese economy and worsening of situations in Afghanistan.
- Dow Jones Industrial Average (DJIA) stock market index declined on July 19 by the sharpest clip since October of last year, but has since reverted to an uptrend thanks to solid readings of economic indicators and the passing of an infrastructure investment bill by the Senate.

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														
		Aug-20	Sep	Oct	Nov	Dec	Jan-21	Feb	Mar	Apr	May	June	July	Aug
Businesses	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	-
	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	-
	Industrial production (2012 ave = 100)	95.9	95.6	96.6	97.2	98.3	99.4	96.4	99.1	99.2	100.0	100.2	101.1	-
	MoM (%)	1.1	-0.3	1.1	0.5	1.2	1.1	-3.0	2.8	0.0	0.8	0.2	0.9	-
	Capacity utilization (%)	72.3	72.1	72.9	73.3	74.1	75.0	72.7	74.7	74.7	75.3	75.4	76.1	-
	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	505,974	-	-
	MoM (%)	1.4	1.0	0.9	1.6	1.7	2.3	0.4	1.4	-0.1	2.3	1.5	-	-
	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	257,860	-	-
MoM (%)	2.0	1.6	1.0	2.2	1.5	2.4	1.3	1.3	-0.7	3.2	0.9	-	-	
Household	Nonfarm payroll (monthly change, thousand people)	1,583	716	680	264	-306	233	536	785	269	614	938	943	-
	Average hourly earnings (USD)	29.47	29.50	29.52	29.61	29.91	29.92	30.00	29.97	30.17	30.31	30.43	30.54	-
	YoY (%)	4.7	4.8	4.5	4.5	5.5	5.2	5.2	4.3	0.3	1.9	3.7	4.0	-
	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	-
	Personal income (annualized, billion USD)	19,534	19,675	19,629	19,435	19,562	21,505	19,955	24,142	20,853	20,388	20,414	-	-
	MoM (%)	-2.9	0.7	-0.2	-1.0	0.7	9.9	-7.2	21.0	-13.6	-2.2	0.1	-	-
	Consumer spending (annualized, billion USD)	14,271	14,482	14,546	14,467	14,390	14,858	14,700	15,459	15,630	15,616	15,772	-	-
	MoM (%)	1.0	1.5	0.4	-0.5	-0.5	3.3	-1.1	5.2	1.1	-0.1	1.0	-	-
	Saving rate (%)	15.0	14.3	13.6	13.0	14.0	20.2	14.0	26.9	12.7	10.3	9.4	-	-
	Retail sales (million USD)	538,646	549,528	550,038	542,583	535,972	576,466	559,970	623,119	628,751	620,119	624,731	617,719	-
	MoM (%)	1.0	2.0	0.1	-1.4	-1.2	7.6	-2.9	11.3	0.9	-1.4	0.7	-1.1	-
	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	14.8	15.4	-
	MoM (%)	3.6	6.8	0.8	-3.2	2.7	2.9	-5.1	10.7	3.7	-7.7	-8.9	-4.1	-
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	129.1	-	
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	70.2	

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	1,546	1,643	-	-
	MoM (%)	-8.1	5.2	4.6	2.4	7.1	-2.2	-11.0	19.2	-12.2	2.1	6.3	-	-
	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	5,860	-	-
	MoM (%)	1.2	7.9	4.5	-2.1	0.9	0.2	-6.3	-3.7	-2.7	-1.2	1.4	-	-
	New home sales (annualized, thousand units)	977	971	969	865	943	993	823	873	785	724	676	-	-
	MoM (%)	0.5	-0.6	-0.2	-10.7	9.0	5.3	-17.1	6.1	-10.1	-7.8	-6.6	-	-
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	-
	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	-
	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	-
	Producer Price Index (Nov 2009 = 100)	118.5	118.7	119.5	119.3	119.4	120.9	121.9	123.0	123.9	125.0	126.3	127.6	-
	MoM (%)	0.2	0.3	0.6	0.0	0.3	1.2	0.7	0.8	0.7	0.8	1.0	1.0	-
	YoY (%)	-0.3	0.3	0.6	0.8	0.8	1.6	3.0	4.1	6.2	6.6	7.3	7.8	-
Trade	Exports (goods, billion USD)	119.0	122.0	125.8	126.8	131.5	134.5	130.4	143.7	145.1	145.6	145.9	-	-
	Imports (goods, billion USD)	201.9	203.6	207.9	213.0	216.3	220.9	219.6	236.5	232.0	234.8	239.1	-	-
	Trade balance (goods, billion USD)	-83.0	-81.6	-82.1	-86.2	-84.8	-86.4	-89.2	-92.9	-86.9	-89.1	-93.2	-	-
	Trade balance (goods and services, billion USD)	-63.7	-62.6	-63.7	-67.3	-65.8	-67.1	-70.6	-75.0	-69.1	-71.0	-75.7	-	-

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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