

US Economic Indicators Monthly Overview (July 2022)

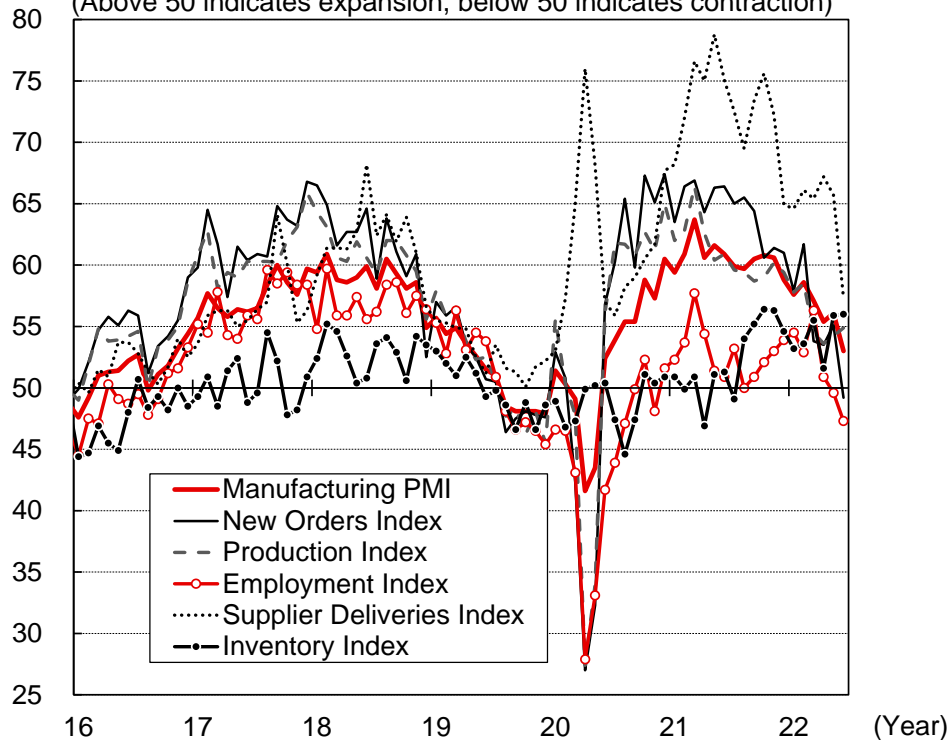
ECONOMIC RESEARCH OFFICE (NEW YORK)
July 19 2022 (original Japanese version released on July 15)

1. Business Activity

- ISM Manufacturing PMI, an indicator of business confidence and activity in the manufacturing sector, declined 3.1 points MoM to 53.0 in June, falling after a rise in May. Component breakdown shows that New Orders Index fell 5.9 points MoM to 49.2 - below the expansion-contraction threshold of 50, while Employment Index declined 2.3 points to 47.3, and Supplier Deliveries Index declined 8.4 points to 57.3. The headline index topped the expansion-contraction threshold of 50 for 25 consecutive months.
- ISM Services PMI declined 0.6 points MoM to 55.3 in June, falling for a third straight month. Component breakdown shows that Business Activity Index rose 1.6 points to 56.1, and Supplier Deliveries Index rose 0.6 points to 61.9. Meanwhile, New Orders Index fell 2.0 points to 55.6, and Employment Index declined 2.8 points to 47.4. The headline index topped the expansion-contraction threshold of 50 for 25 consecutive months.
- Comments from companies included: “rising gas and diesel prices, and limited labor and drivers equates to increased cost” (Petroleum & Coal Products manufacturing) and “potentially due to inflation, a need for more disposable income on essentials and less willingness to drive to malls. E-commerce sales will be going up again” (retail).

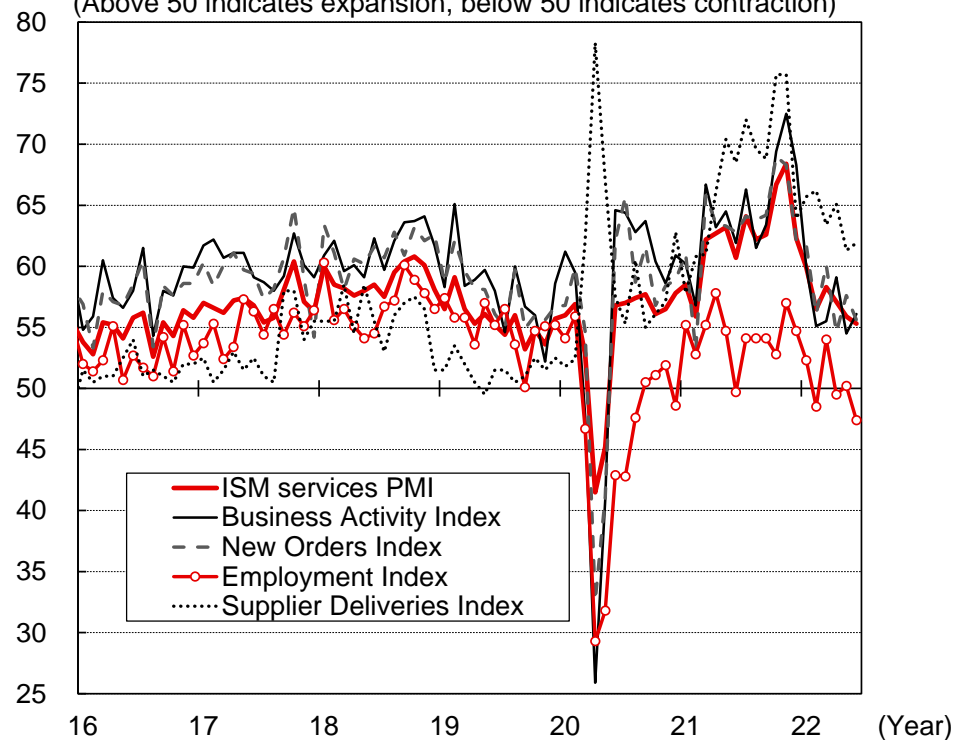
ISM Manufacturing PMI

(Above 50 indicates expansion, below 50 indicates contraction)



ISM Services PMI

(Above 50 indicates expansion, below 50 indicates contraction)



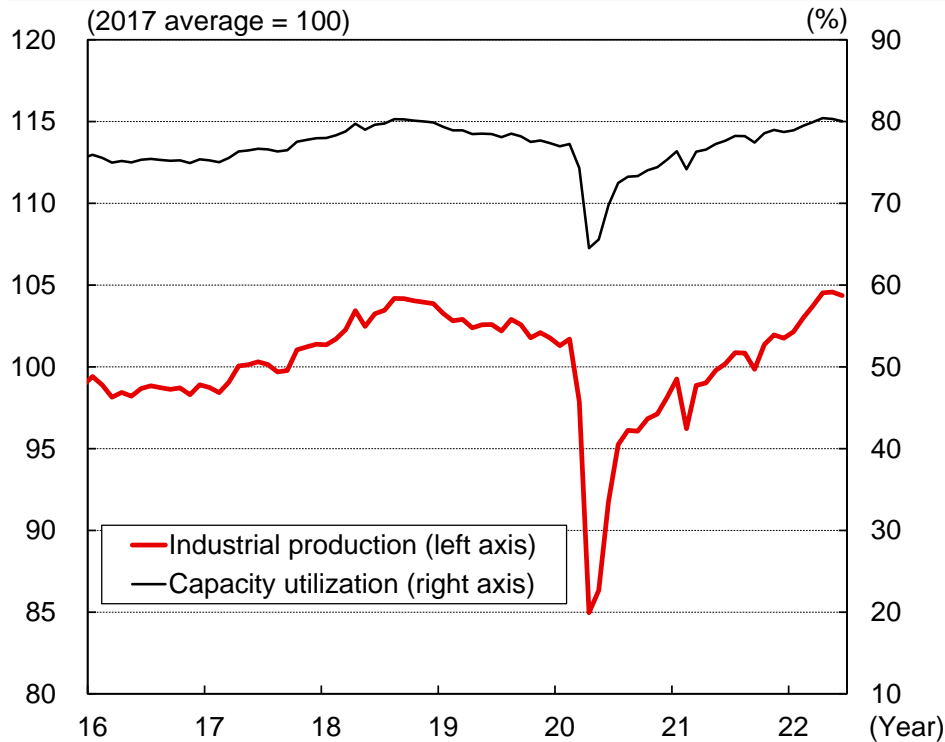
Source: Institute for Supply Management, MUFG Bank Economic Research Office

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2. Production

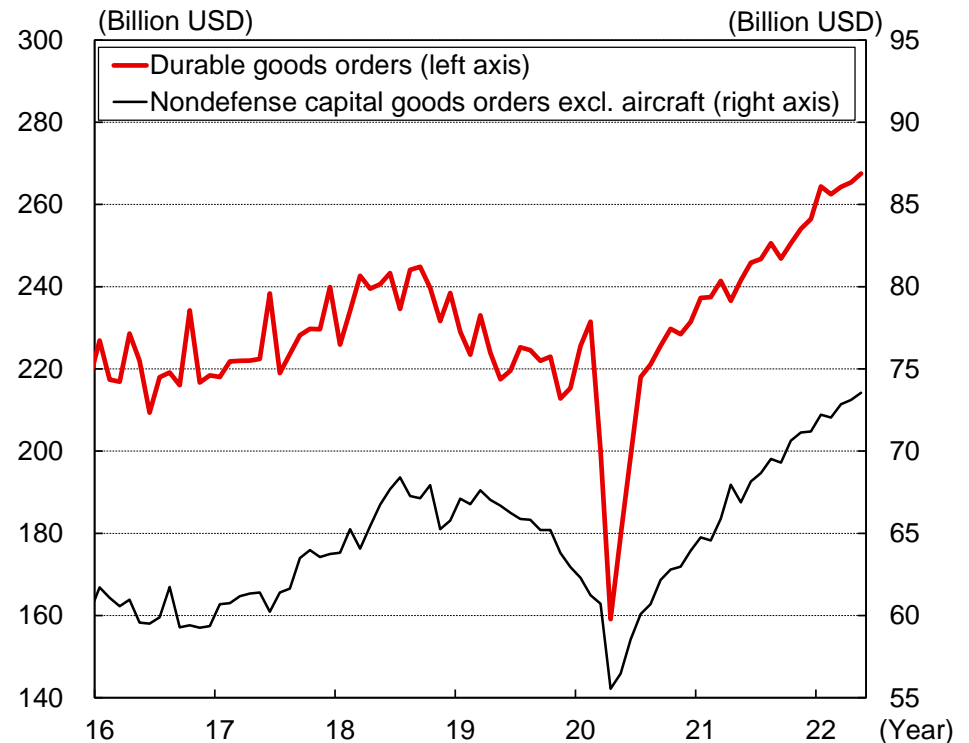
- Industrial production decreased 0.2% MoM in June, falling for the first time in six months (May 0.0%). Manufacturing, which accounts for more than 70% of industrial production, declined 0.5% MoM, falling for a second straight month. Utilities (electricity and natural gas) also decreased 1.4% MoM. Meanwhile, mining rose 1.7% as higher energy prices drove producers to increase output. The capacity utilization rate fell 0.3% points MoM to 80.0% in June.
- Durable goods orders increased 0.8% MoM in May, rising for a third straight month. Industry breakdown shows that orders rose in many industries, including primary metals (+3.1%), machinery (+1.2%), and transportation equipment (+1.0%). Core capital goods orders (nondefense capital goods orders excluding aircraft), a leading indicator of capital investment, increased 0.6% MoM, a third straight monthly increase.

Industrial Production and Capacity Utilization



Source: Federal Reserve, MUFG Bank Economic Research Office

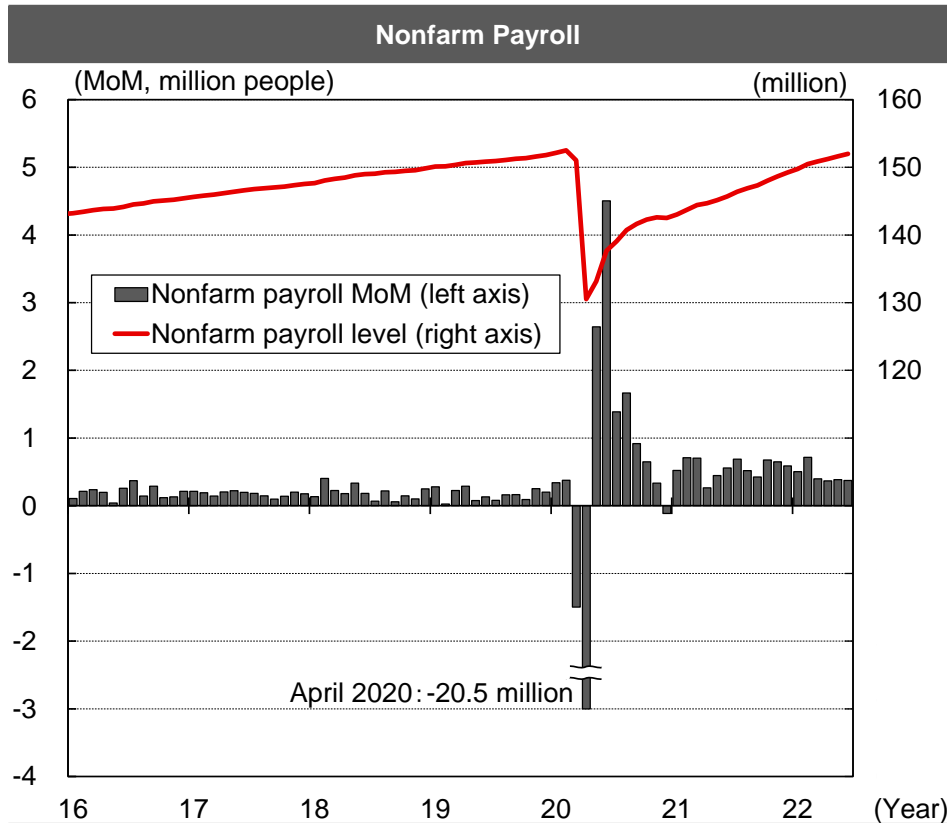
Durable Goods Orders



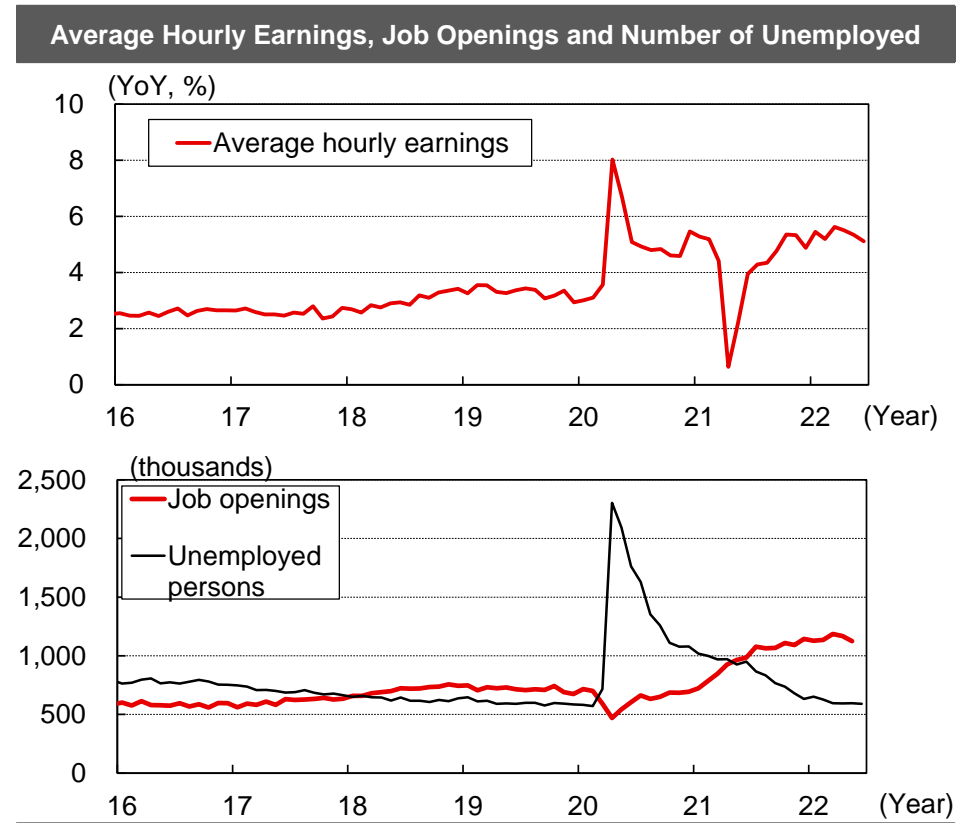
Source: Department of Commerce, MUFG Bank Economic Research Office

3. Employment

- Nonfarm payroll increased by a solid 372,000 MoM in June after May's 384,000 gain (revised). Industry breakdown shows many industries recorded a monthly increase, including professional & business services (+74,000 MoM), leisure & hospitality(+67,000 MoM), health care (+57,000). Nonfarm payroll stands 524,000 or 0.3% below the pre-pandemic level of February 2020.
- Unemployment rate was unchanged at 3.6% for four consecutive months in June. Unemployed persons decreased 38,000 MoM to 5,912,000 in June. Labor force participation rate edged down 0.1% point to 62.2%. Average hourly earnings for all private-sector employees rose 5.1% YoY in June, decelerating from May's 5.3% increase.
- Job openings in May decreased 427,000 MoM to 11.3 million, declining for a second straight month. Still, the number of openings was about 1.9 times the number of unemployed persons, reflecting a continued tight labor market with imbalance of labor supply and demand.



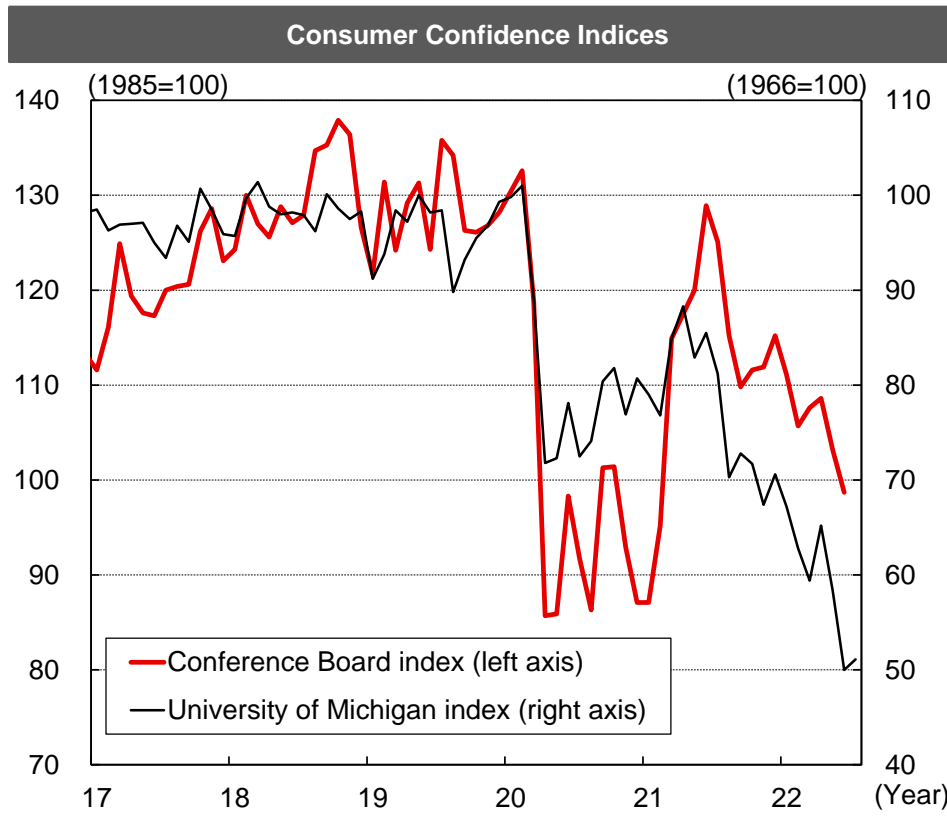
Source: Department of Labor, MUFG Bank Economic Research Office



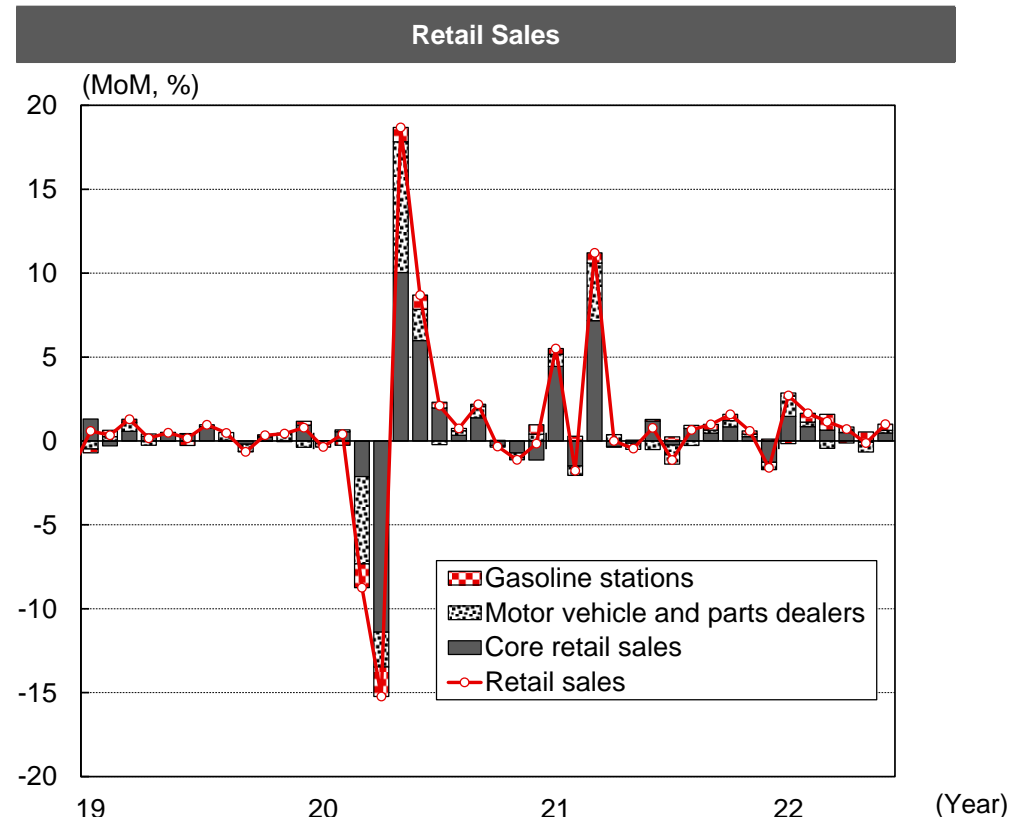
Source: Department of Labor, MUFG Bank Economic Research Office

4. Consumer Spending

- The Conference Board Consumer Confidence Index declined 4.5 points MoM to 98.7 in June, down for a second straight month. Present Situation Index fell 0.3 points to 147.1, while Expectations Index declined 7.3 points to 66.4, the lowest level since March 2013. Meanwhile, the University of Michigan Index of Consumer Sentiment (preliminary) rose 1.1 points MoM to 51.1, up slightly from the record low level reached in June. With gasoline prices having fallen from mid-June, consumers' inflation expectations moderated to 5.2% YoY for the next year (from 5.3% in June), and 2.8% YoY for the next five to 10 years (from 3.1% in June).
- Meanwhile, retail sales increased 1.0% MoM in June after May's 0.1% decline. Breakdown by the type of business shows that sales rose for gasoline stations (+3.6%), nonstore retailers (+2.2%), furniture & home furnishing stores (+1.4%), food services & drinking places (+1.0%), and motor vehicle & parts dealers (+0.8%). Core retail sales, which exclude the two volatile categories of motor vehicle & parts dealers and gasoline stations, rose 0.7% after May's 0.1% decline.



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

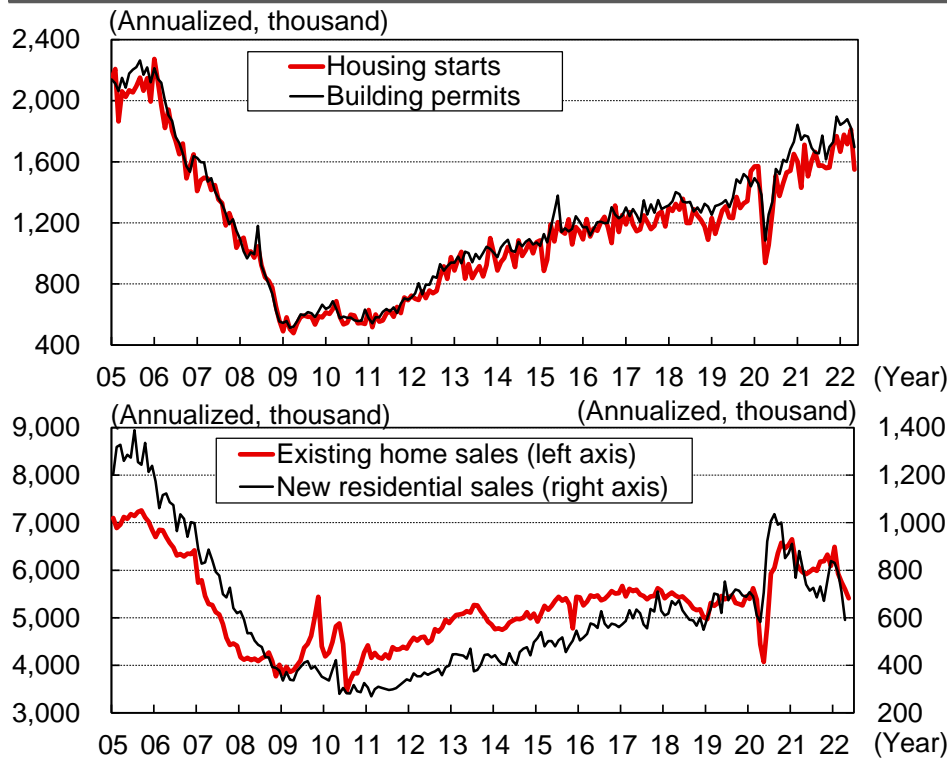


Source: Department of Commerce, MUFG Bank Economic Research Office

5. Housing Market (1)

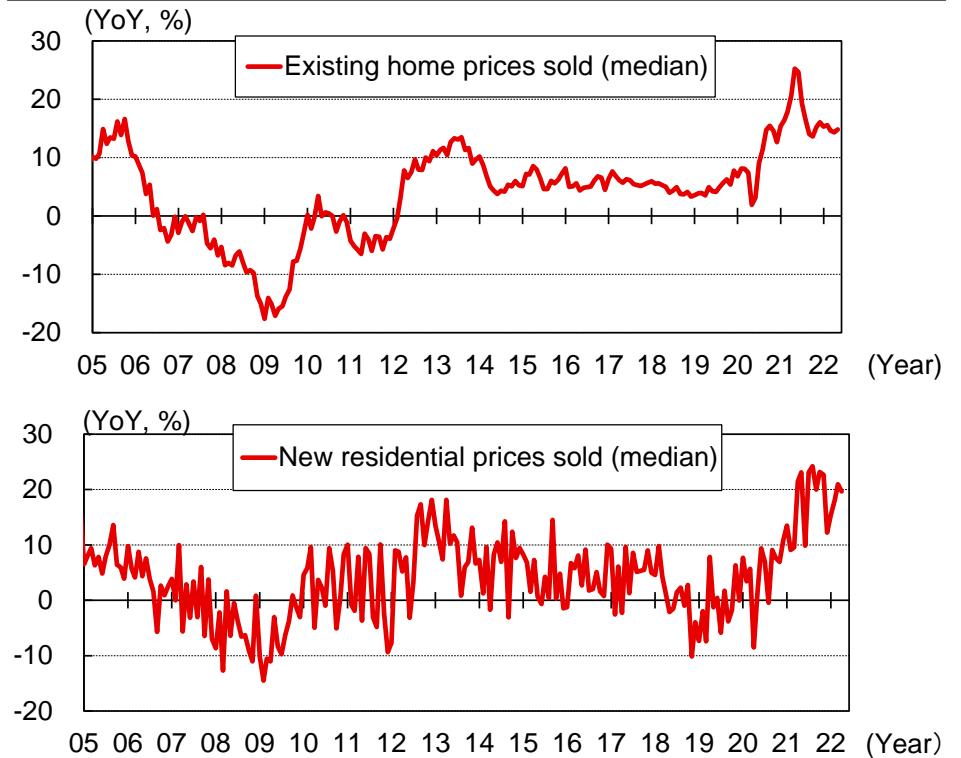
- Housing starts tumbled 14.4% MoM to a seasonally adjusted annualized rate (SAAR) of 1,549,000 in May. Single-family housing starts declined 9.2% MoM while buildings with two or more units, which fluctuate sharply, decreased 23.7%. Building permits, a leading indicator of housing starts, also decreased sharply, 7.0% MoM to 1,695,000 (SAAR).
- Existing home sales decreased 3.4% MoM to 5,410,000 (SAAR) in May, down for a fourth straight month. Meanwhile, new residential sales increased 10.7% to 696,000 (SAAR), rising for the first time in five months.
- The median price of existing homes sold was \$407,600 in May, up 14.8% YoY (compared with +14.3% in April). The median price of new homes sold was \$449,000, up 15.0% YoY compared with +20.7% in April.

Housing Starts, Building Permits and Home Sales



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

Home Prices

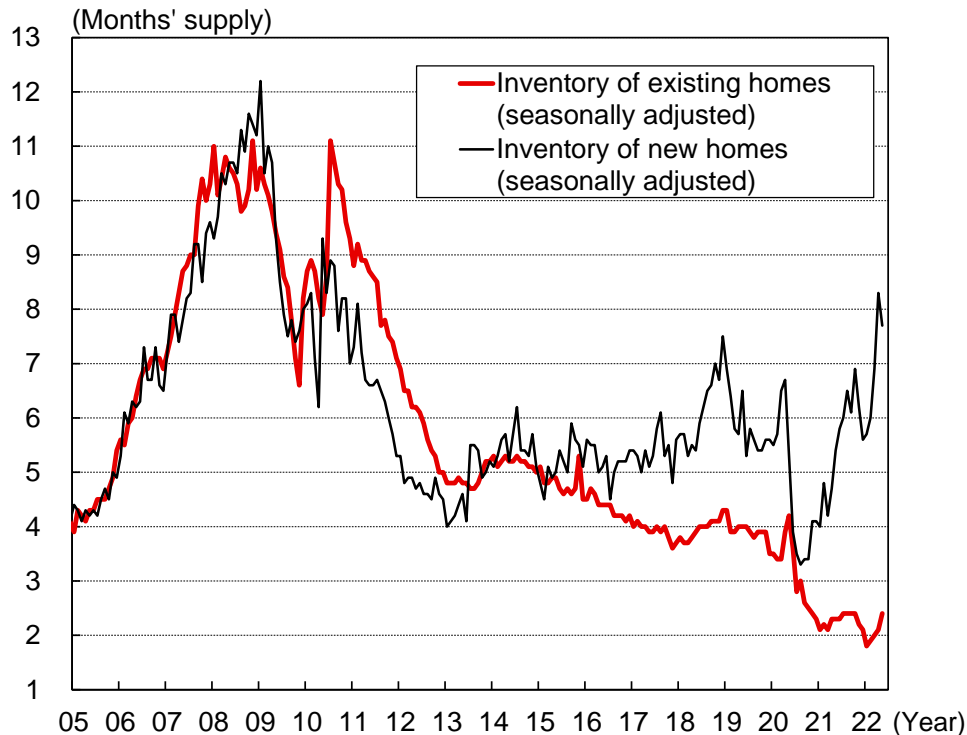


Source: National Association of Realtors, Department of Commerce, MUFG Bank Economic Research Office

5. Housing Market (2)

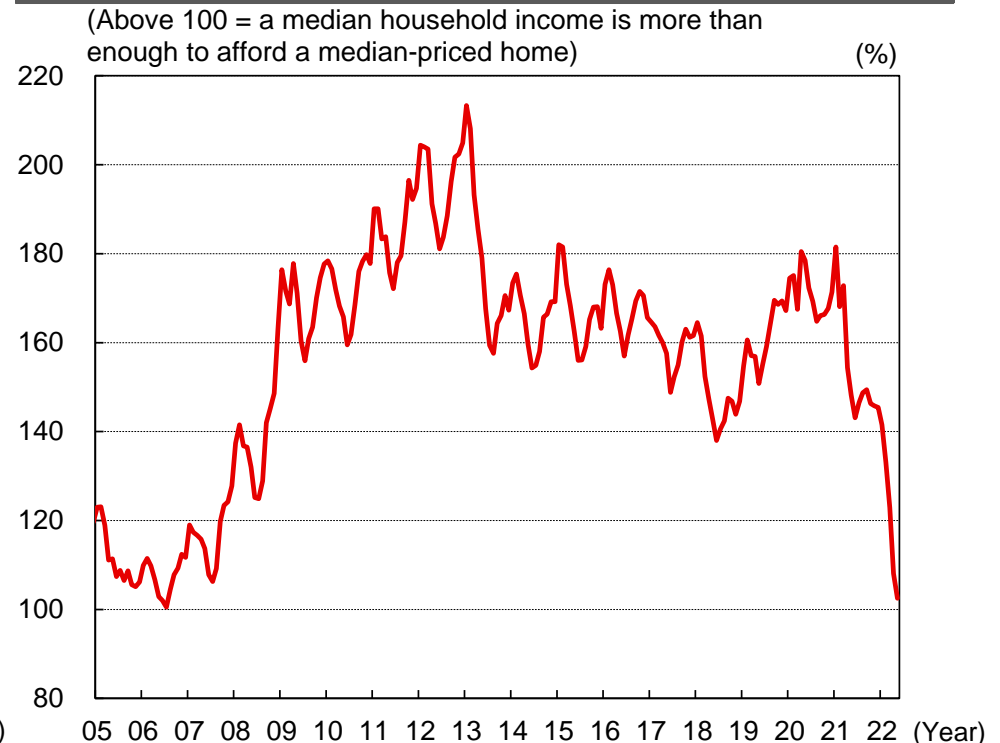
- Unsold inventory of existing homes was equivalent to a supply of 2.4 months (seasonally adjusted) at the current sales rate in May, up from April's 2.1 months. Meanwhile, the months' supply for new homes declined to 7.7 months (seasonally adjusted) from April's 8.3 months due to an increase in new home sales.
- The Housing Affordability Index, calculated based on household income, home prices and mortgage interest rates, declined considerably by 5.6 points MoM to 102.5 in May.

Unsold Inventory of Homes as Months' Supply



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

Housing Affordability Index

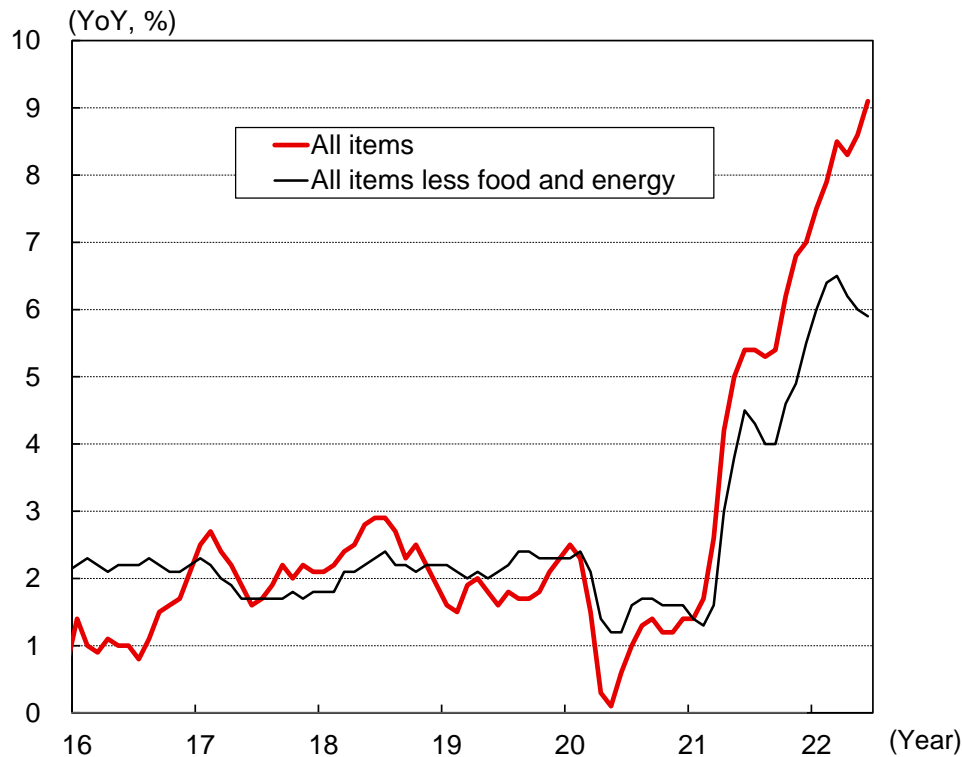


Source: National Association of Realtors, MUFG Bank Economic Research Office

6. Prices

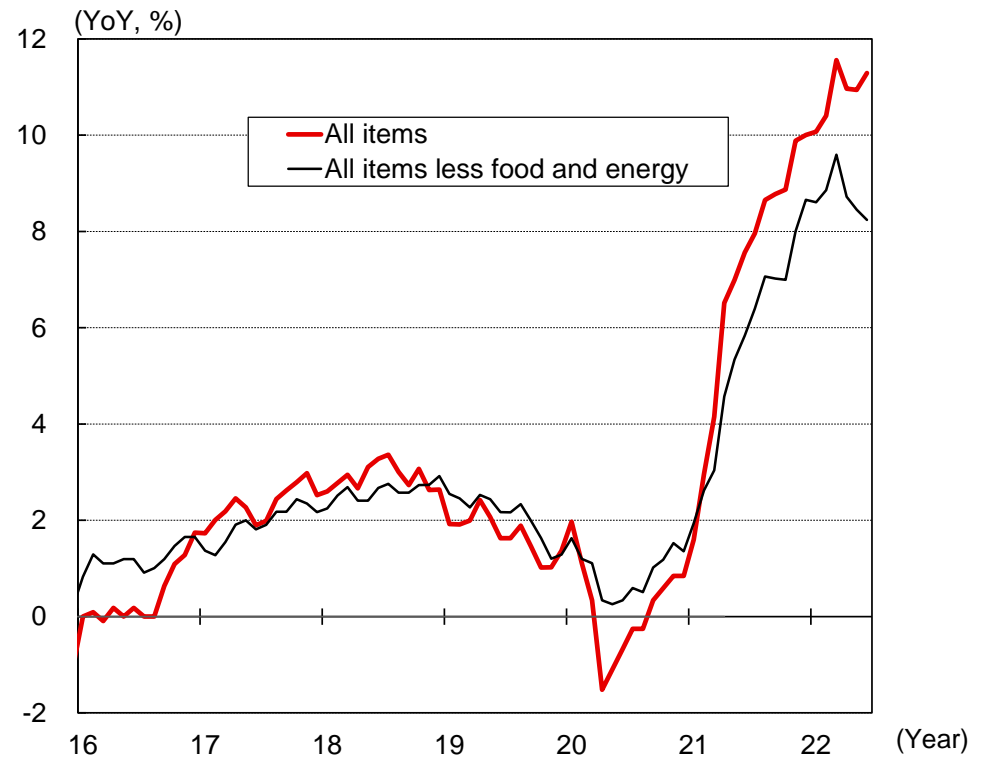
- The Consumer Price Index (CPI) rose 9.1% YoY in June, accelerating from May's 8.6% and marking the largest increase since November 1981. Price increases in energy (+41.6), food (+10.4%) and shelter (+5.6%) accelerated, while the core CPI (all items less food and energy) decelerated for a third straight months to a 5.9% rise (from May's 6.0% increase).
- The Producer Price Index (PPI) rose 11.3% YoY in June, accelerating again after May's deceleration to 10.9%. Meanwhile, core PPI (all items less food and energy) decelerated for a third straight month, to 8.2% in June from May's 8.5%. Breakdown by item shows that goods index accelerated to 17.9% while service index decelerated to 7.7%.

Consumer Price Index



Source: Department of Labor, MUFG Bank Economic Research Office

Producer Price Index



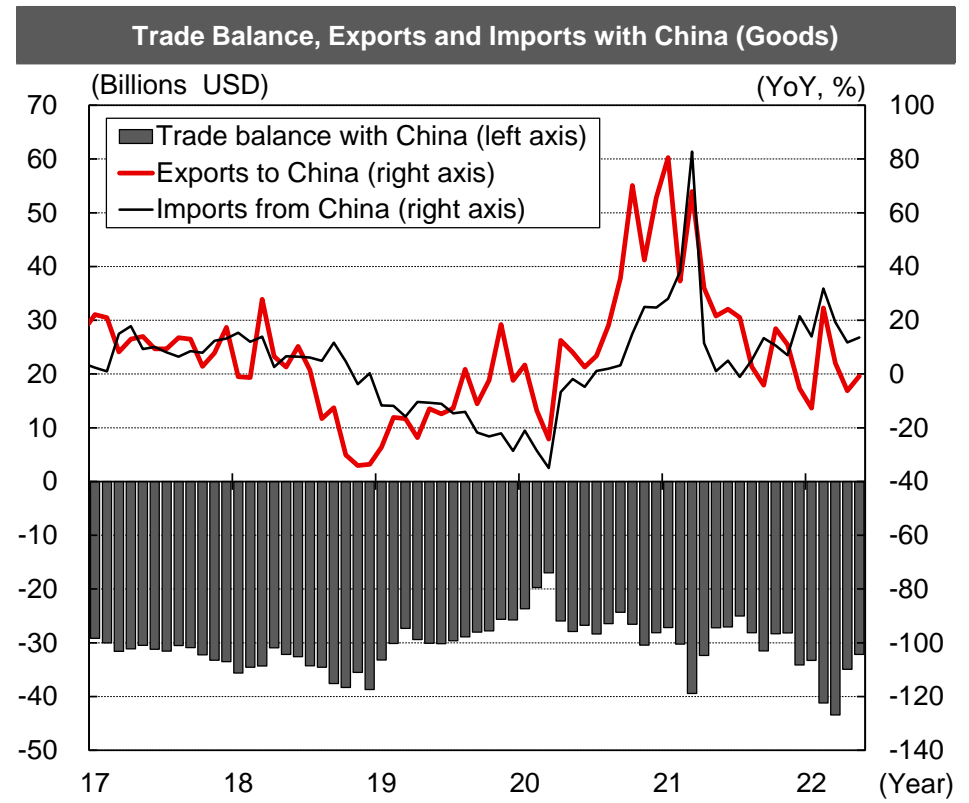
Source: Department of Labor, MUFG Bank Economic Research Office

7. Balance of Payments

- Trade deficit on goods and services was \$85.5 billion in May, narrowing 1.3% (or \$1.1 billion) MoM to mark a second straight month of contraction. Exports rose 1.2% while imports increased 0.6%. On a YoY basis, exports rose 21.7% while imports climbed 23.3%.
- For goods trade, breakdown by destination shows that the deficit with China, which accounts for roughly a third of US goods deficit, narrowed by 8.0% (or \$2.8 billion) MoM to \$32.2 billion in May. Exports to China rose 4.2% MoM while imports from China decreased 4.8%. On a YoY basis, exports to China declined 0.8% while imports from China rose 13.6%.



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

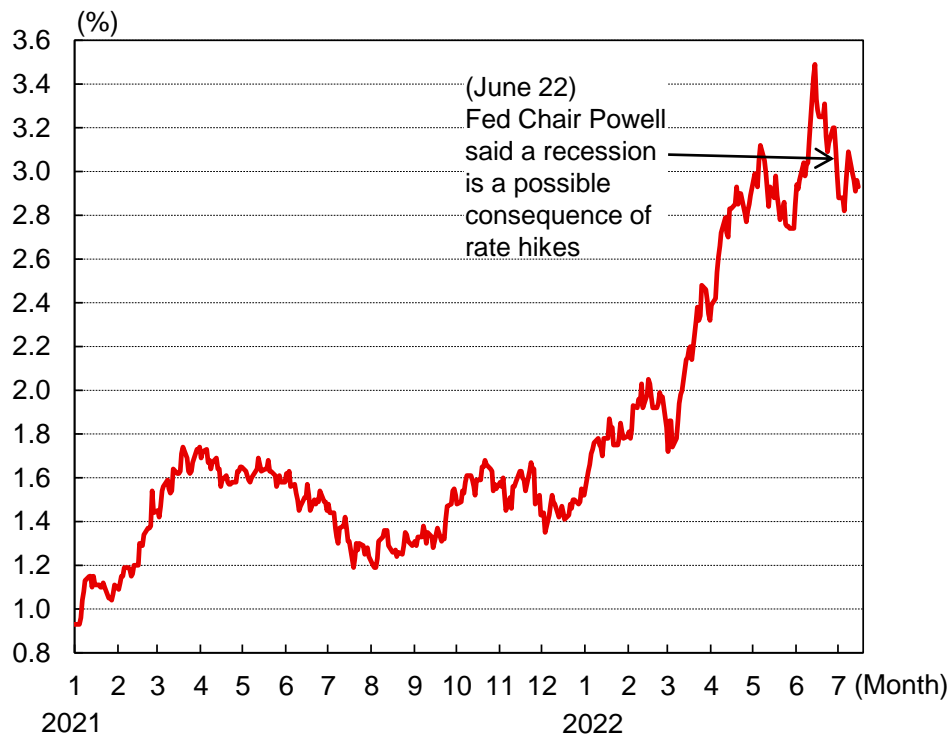


Note: Census basis
Source: Department of Commerce, MUFG Bank Economic Research Office

8. Financial Markets

- The 10-year treasury yield is now hovering below 3% as financial markets have factored in possibilities of a future economic recession and rate cuts. On June 22, Fed Chair Powell conceded that monetary tightening steps aimed at curbing inflation could possibly result in a recession.
- Dow Jones Industrial Average (DJIA) stock market index has continued to trend down due to heightened concerns about a recession as the Fed increases the pace of its rate hikes.

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																
		May-21	June	July	Aug	Sep	Oct	Nov	Dec	Jan-22	Feb	Mar	Apr	May	June	July
Businesses	ISM Manufacturing PMI	61.6	60.9	59.9	59.7	60.5	60.8	60.6	58.8	57.6	58.6	57.1	55.4	56.1	53.0	-
	ISM Services PMI	63.2	60.7	64.1	62.2	62.6	66.7	68.4	62.3	59.9	56.5	58.3	57.1	55.9	55.3	-
	Industrial production (2012 ave = 100)	99.8	100.2	100.9	100.8	99.8	101.4	102.0	101.8	102.1	103.0	103.7	104.5	104.6	104.4	-
	MoM (%)	0.8	0.4	0.7	0.0	-1.0	1.5	0.6	-0.2	0.4	0.8	0.7	0.8	0.0	-0.2	-
	Capacity utilization (%)	77.3	77.7	78.2	78.2	77.4	78.6	79.0	78.7	78.9	79.5	79.9	80.4	80.3	80.0	-
	Manufactured goods new orders (Million USD)	476,677	486,157	487,733	493,380	491,911	500,871	506,291	508,780	520,531	522,118	531,412	534,971	543,373	-	-
	MoM (%)	1.9	2.0	0.3	1.2	-0.3	1.8	1.1	0.5	2.3	0.3	1.8	0.7	1.6	-	-
	Durable goods orders (Million USD)	241,545	245,826	246,741	250,577	246,849	250,503	254,074	256,464	264,356	262,494	264,258	265,376	267,517	-	-
MoM (%)	2.1	1.8	0.4	1.6	-1.5	1.5	1.4	0.9	3.1	-0.7	0.7	0.4	0.8	-	-	
Household	Nonfarm payroll (monthly change, thousand people)	447	557	689	517	424	677	647	588	504	714	398	368	384	372	-
	Average hourly earnings (USD)	30.36	30.52	30.67	30.76	30.92	31.11	31.23	31.38	31.56	31.6	31.75	31.86	31.98	32.08	-
	YoY (%)	2.2	4.0	4.3	4.3	4.8	5.4	5.3	4.9	5.4	5.2	5.6	5.5	5.3	5.1	-
	Unemployment rate (%)	5.8	5.9	5.4	5.2	4.7	4.6	4.2	3.9	4.0	3.8	3.6	3.6	3.6	3.6	-
	Personal income (annualized, billion USD)	20,515	20,570	20,835	20,916	20,720	20,885	21,025	21,120	21,125	21,262	21,385	21,491	21,604	-	-
	MoM (%)	-2.0	0.3	1.3	0.4	-0.9	0.8	0.7	0.5	0.0	0.6	0.6	0.5	0.5	-	-
	Consumer spending (annualized, billion USD)	15,624	15,802	15,815	15,991	16,089	16,309	16,391	16,242	16,543	16,636	16,831	16,924	16,957	-	-
	MoM (%)	0.0	1.1	0.1	1.1	0.6	1.4	0.5	-0.9	1.9	0.6	1.2	0.6	0.2	-	-
	Saving rate (%)	10.4	9.5	10.5	9.8	8.1	7.5	7.6	8.7	5.8	5.8	5.3	5.2	5	-	-
	Retail sales (million USD)	622,921	627,756	620,648	624,738	630,905	640,899	644,741	634,393	651,557	662,321	669,958	674,719	673,852	680,591	-
	MoM (%)	-0.5	0.8	-1.1	0.7	1.0	1.6	0.6	-1.6	2.7	1.7	1.2	0.7	-0.1	1.0	-
	Auto sales (annualized, million units)	16.9	15.5	14.7	13.1	12.3	13.0	13.0	12.5	15.0	14.0	13.4	14.5	12.7	13.0	-
	MoM (%)	-7.7	-8.4	-5.2	-10.8	-6.1	6.2	-0.1	-3.8	20.0	-7.1	-4.0	7.9	-12.2	2.3	-
	Conference Board Consumer Confidence Index	120.0	128.9	125.1	115.2	109.8	111.6	111.9	115.2	111.1	105.7	107.6	108.6	103.2	98.7	-
University of Michigan Index of Consumer Sentiment	82.9	85.5	81.2	70.3	72.8	71.7	67.4	70.6	67.2	62.8	59.4	65.2	58.4	50.0	51.1	

Source: Various statistics, MUFG Bank Economic Research Office

Table: Major Monthly Economic Indicators (continued)

Major Monthly Economic Indicators																
		May-21	June	July	Aug	Sep	Oct	Nov	Dec	Jan-22	Feb	Mar	Apr	May	June	July
Housing	Housing starts (annualized, thousand units)	1,605	1,664	1,573	1,576	1,559	1,563	1,706	1,768	1,666	1,777	1,716	1,810	1,549	-	-
	MoM (%)	6.6	3.7	-5.5	0.2	-1.1	0.3	9.1	3.6	-5.8	6.7	-3.4	5.5	-14.4	-	-
	Existing home sales (annualized, thousand units)	5,920	5,970	6,030	5,990	6,180	6,190	6,330	6,090	6,490	5,930	5,750	5,600	5,410	-	-
	MoM (%)	-0.7	0.8	1.0	-0.7	3.2	0.2	2.3	-3.8	6.568144	-8.6	-3.0	-2.6	-3.4	-	-
	New home sales (annualized, thousand units)	740	714	726	686	732	671	756	839	831	790	715	629	696	-	-
	MoM (%)	-8.5	-3.5	1.7	-5.5	6.7	-8.3	12.7	11.0	-0.95352	-4.9	-9.5	-12.0	10.7	-	-
Prices	Consumer Price Index (1982-1984 = 100)	269.2	271.7	273.0	273.6	274.3	276.6	277.9	278.8	281.1	283.7	287.5	289.1	292.3	296.3	-
	MoM (%)	0.7	0.9	0.5	0.3	0.4	0.9	0.7	0.6	0.6	0.8	1.2	0.3	1.0	1.3	-
	YoY (%)	5.0	5.4	5.4	5.3	5.4	6.2	6.8	7.0	7.5	7.9	8.5	8.3	8.6	9.1	-
	Producer Price Index (Nov 2009 = 100)	125.5	126.6	127.8	128.8	129.1	130.1	131.1	131.3	133.1	134.6	137.2	137.9	139.2	140.9	-
	MoM (%)	1.0	0.8	0.9	0.9	0.5	0.7	1.0	0.6	1.2	1.1	1.6	0.4	0.9	1.1	-
	YoY (%)	7.0	7.6	8.0	8.7	8.8	8.9	9.9	10.0	10.1	10.4	11.6	11.0	10.9	11.3	-
Trade	Exports (goods, billion USD)	145.3	146.3	147.9	149.5	144.5	157.6	156.5	159.4	156.9	160.5	170.0	176.0	179.0	-	-
	Imports (goods, billion USD)	233.4	238.2	235.6	238.2	240.6	243.9	254.8	259.9	265.3	267.5	296.9	283.8	284.0	-	-
	Trade balance (goods, billion USD)	-88.0	-91.9	-87.7	-88.7	-96.2	-86.2	-98.3	-100.5	-108.4	-107.0	-126.8	-107.8	-105.0	-	-
	Trade balance (goods and services, billion USD)	-66.6	-71.4	-69.4	-71.4	-78.3	-68.2	-78.0	-78.9	-88.0	-88.1	-107.7	-86.7	-85.5	-	-

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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