

U.S. Data Review

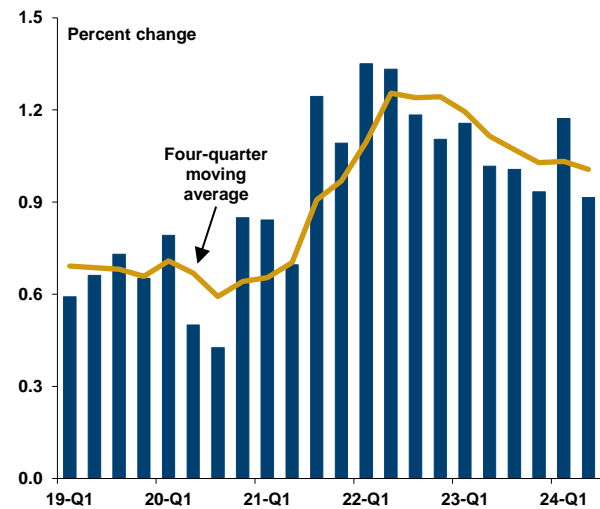
- Employment cost index: ongoing moderation as tightness in labor market subsides
- MNI Chicago PMI: sub-50; key components indicate contraction
- Pending home sales: uptick in June

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Employment Cost Index

- Total compensation costs rose 0.9 percent (not annualized) in 2024-Q2, a slower increase than the Bloomberg median expectation of +1.0 percent. The latest reading trailed growth of 1.2 percent in 2024-Q1 and suggested that ongoing easing in tight labor market conditions were curtailing to a degree previously rapid growth in labor compensation (chart, right). Compensation costs rose 4.1 percent on a year-over-year basis, down from 4.2 percent in Q1 and the slowest advance since 4.0 percent growth in the fourth quarter of 2021. Compensation costs for private-sector workers increased 0.9 percent in Q2 (versus 1.1 percent in 2024-Q1). The year-over-year advance totaled 3.9 percent, down from 4.1 percent in Q1 and well below the cycle high of 5.5 percent in 2022-Q2.

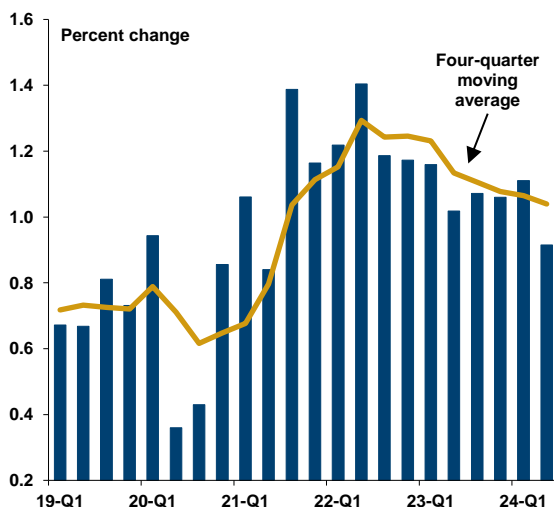
Employment Cost Index: Total Compensation



Source: Bureau of Labor Statistics via Haver Analytics

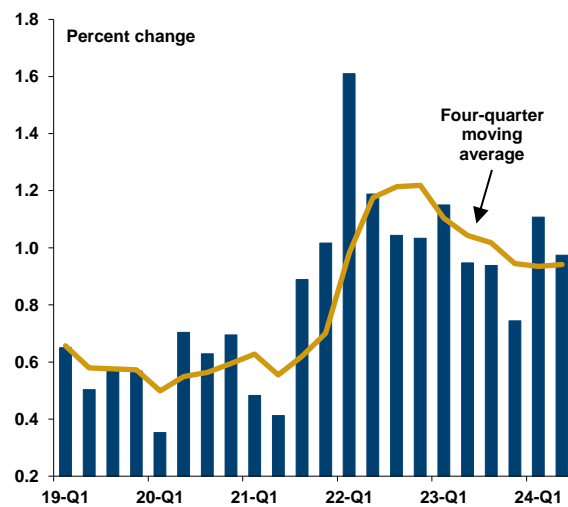
- Wages and salaries rose 0.9 percent in Q2, moderating from the advance of 1.1 percent in the prior quarter and the slowest gain since 2021-Q2 (+0.8 percent; chart, below left). Year-over-year wage growth of 4.2 percent was 0.2 percentage point off the reading in 2024-Q1; the high for the cycle of 5.3 percent was recorded in 2022-Q2.
- Costs of benefits increased 1.0 percent in Q2, down from the 1.1 percent advance in Q1 but faster than increases registered in most quarters of 2023 (chart, below right). The year-over-year gain of 3.8 percent was one tick firmer than that in the previous quarter but below the cycle high of 4.9 percent in 2022-Q3).

Employment Cost Index: Wages



Source: Bureau of Labor Statistics via Haver Analytics

Employment Cost Index: Benefits



Source: Bureau of Labor Statistics via Haver Analytics

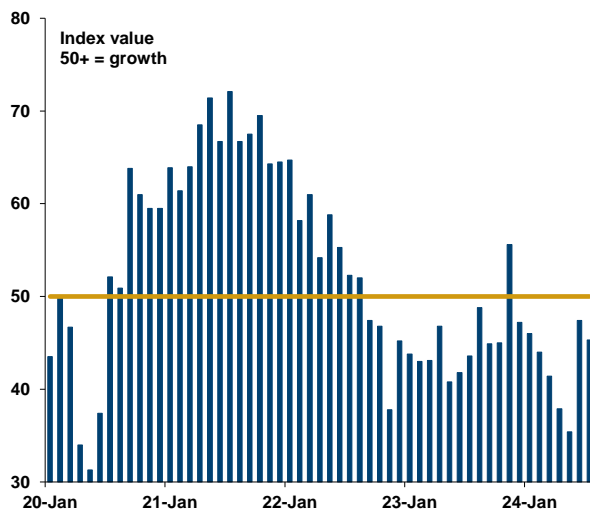
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- In context, the latest data support recent comments of Fed officials that supply and demand in the labor market are coming into better balance, with the realignment contributing to moderating compensation growth that is gravitating back to a pace consistent with two percent inflation. We suspect Chair Powell will highlight this ongoing progress in his post-FOMC meeting press conference this afternoon.

MNI Chicago PMI

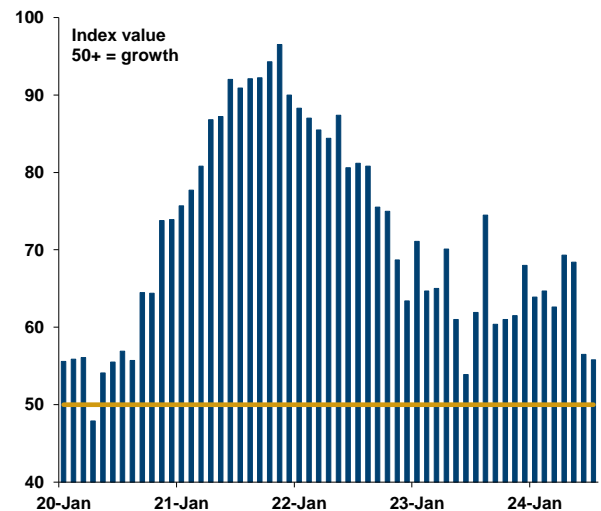
- The Chicago Purchasing Managers' Index essentially matched expectations, with the July reading of 45.3 (versus the Bloomberg median expectation of 45.0) down 2.1 index points from the previous observation. The latest reading is the eighth consecutive print indicating contraction (i.e. below 50.0) and the 22nd in the past 23 months (chart, below left). The latest reading suggests that the manufacturing sector in the Midwest (and nationally) continues to struggle amid tight financial conditions and relatively sluggish demand.
- Key components all recorded sub-50 readings in the latest month. The production index fell 8.2 index points to 46.4, the new orders index eased 2.5 index points to 43.1, and the employment component slipped 2.2 index points to 41.9.
- The prices index has indicated higher prices for every month since a contractionary reading of 47.9 in April 2020, although the latest reading of 55.8 is well below the cycle peak of 96.5 in November 2021 and indicative of a more normal pricing environment rather than one influenced by supply-chain disruptions (such as in the period of acutely higher prices earlier in the expansion; chart, below right).

Chicago Report: Business Barometer Index



Source: MNI Market News via Haver Analytics

Chicago Report: Prices Paid Index



Source: MNI Market News via Haver Analytics

Pending Home Sales

- Following two months of declines, pending home sales increased 4.8 percent in June (associated with a year-over-year decline of 7.8 percent). That said, despite the increase, the index for pending home sales is still mired in the low end of the historical range (only marginally above the record low of 70.9), signaling that affordability constraints and tight inventories are still hampering activity in the housing market. On that point, the index, which is helpful in projecting sales a few months in the future, suggests that sales of existing homes are likely to remain sluggish for at least the near-term (comparable to readings between 3.89 and 4.38 million, annual rate, that we've seen in 2024 thus far, versus the average performance in 2019 of 5.33 million which was indicative of more normal conditions).