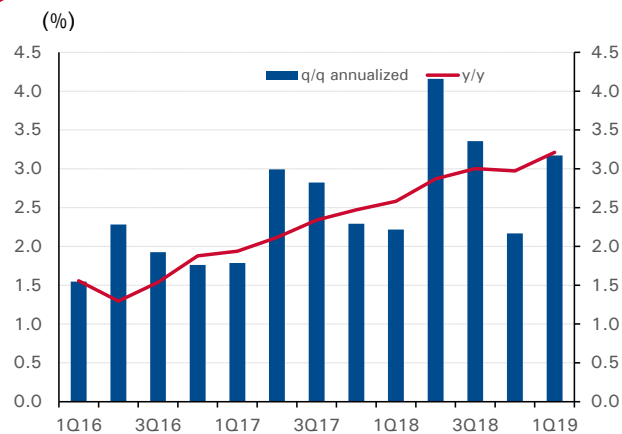


1Q19 GDP growth beats expectations; unemployment at 49-year low

- Annualized GDP growth rose to 3.2% in 1Q19, easily beating expectations.
- Unemployment in April reached a 49-year low of 3.6% due to a surge in payrolls and lower labor participation.
- Wage growth was unchanged in April at 3.2% suggesting room for growth without stoking inflation.
- Headline inflation rose to 1.9% on higher food costs and slower deflation in energy; core inflation down to 2%.
- Manufacturing and non-manufacturing activity dropped in April amid lower orders and production.
- After recent strong economic data, expectations of no Fed rate cuts this year have risen (53%).
- 10-year treasury yields rose 10 bps m/m to 2.5% as of the end of April on easing growth concerns.

▶ Chart 1: Real GDP growth



Annualized GDP growth rose to 3.2% in 1Q19, easily surpassing expectations of 2.3%, though boosted by higher inventories.

Source: U.S. Bureau of Economic Analysis

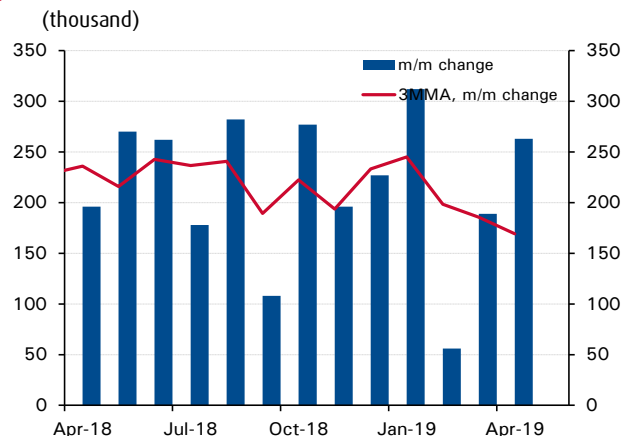
▶ Chart 2: Unemployment rate



Unemployment dropped to a 49-year low of 3.6% on higher than expected payrolls and a slightly lower participation rate.

Source: U.S. Bureau of Labor Statistics

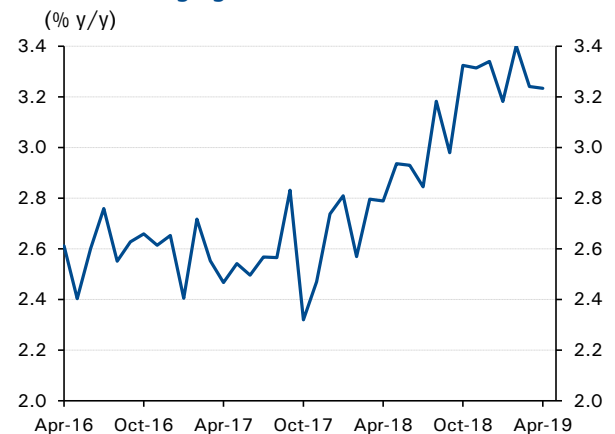
▶ Chart 3: Non-farm payrolls (new jobs)



Non-farm payrolls rose by 263,000 in April, beating expectations, while March payrolls were revised down slightly.

Source: U.S. Bureau of Labor Statistics

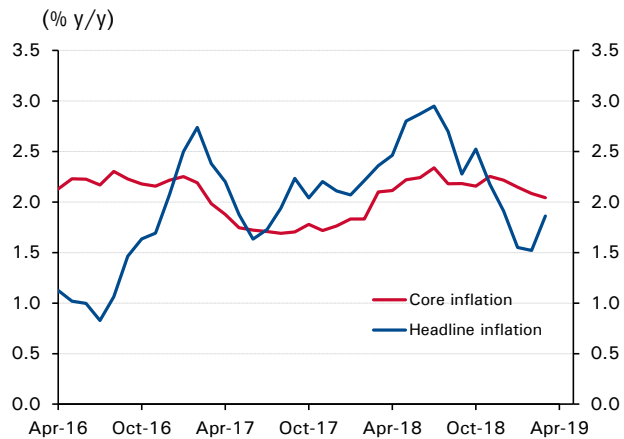
▶ Chart 4: Wage growth



Wage growth was unchanged in April at 3.2%, despite higher employment, suggesting room for growth without stoking inflation.

Source: U.S. Bureau of Labor Statistics

Chart 5: Consumer price index inflation



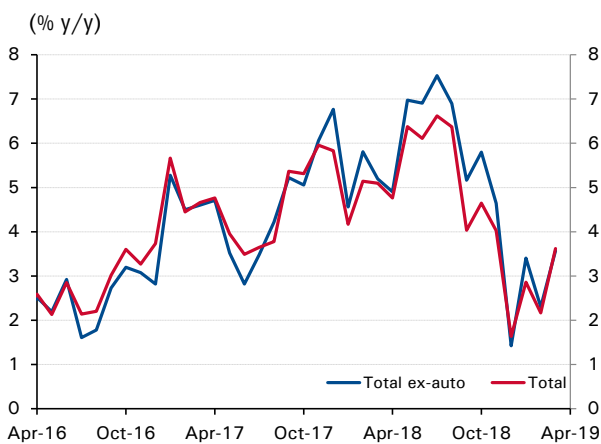
Core inflation edged down to 2.0%, slightly below expectations, while headline inflation rose to 1.9% on higher food costs, and slower deflation in energy prices.
Source: U.S. Bureau of Labor Statistics

Chart 6: Commercial and industrial loans



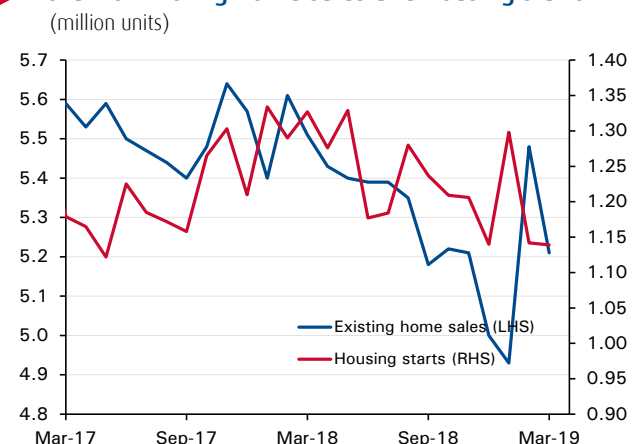
C&I loans growth eased to 10% y/y in March, from a downwardly revised 10.3% y/y in February.
Source: U.S. Board of Governors of the Federal Reserve System

Chart 7: Retail sales



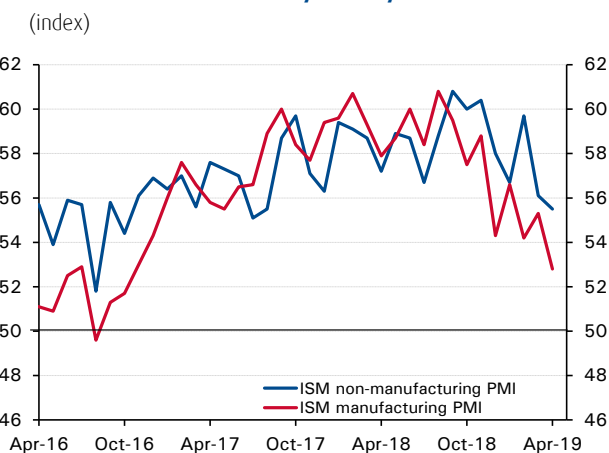
Retail sales growth rose sharply to 3.6% in March from 2.2% in February, amid the strong labor market climate.
Source: U.S. Census Bureau

Chart 8: Existing home sales and housing starts



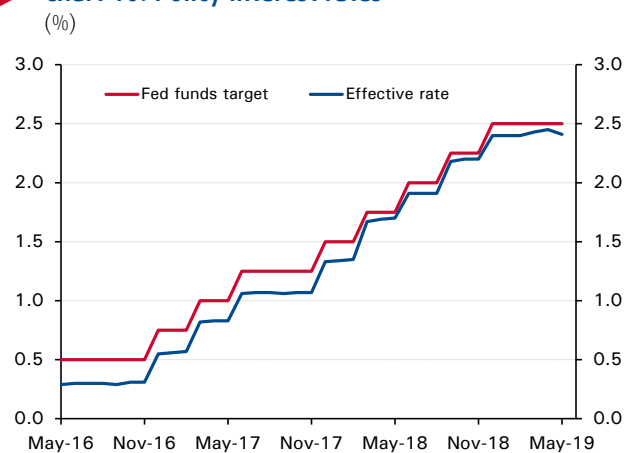
Midwestern floods and weakness in the single unit housing segment led to the lowest housing starts since May 2017.
Source: National Association of Realtors, U.S. Census Bureau

Chart 9: Business activity surveys



Manufacturing and non-manufacturing surveys showed a drop in business activity in April amid slower orders and production.
Source: Institute for Supply Management

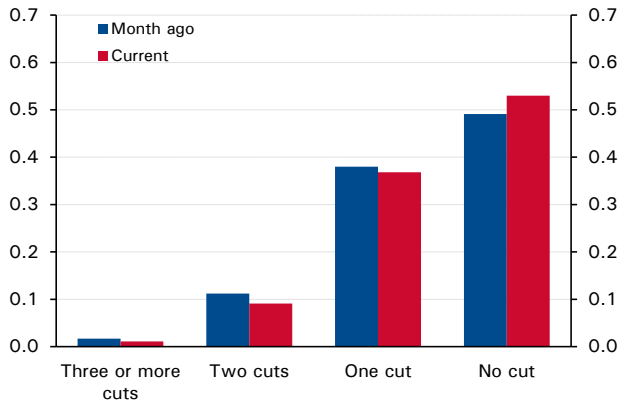
Chart 10: Policy interest rates



The Federal Reserve left interest rates on hold in May, at a range of 2.25-2.50%.
Source: Thomson Reuters Eikon Source: QCB Source: SAM

Chart 11: Fed rate hike outlook for 2019

(futures market probability, as of 5th of May 2019)



Following recent strong economic data, expectations of no rate cuts this year have risen (53%).

Source: CME Group

Chart 12: Government bond yields

(%)



10-year treasury yields rose 10 bps m/m to 2.5% as of the end of April on easing concerns over weaker growth.

Source: Saudi Ministry of Finance Eikon

Source: Saudi Ministry of Finance Eikon

Chart 13: Stock market

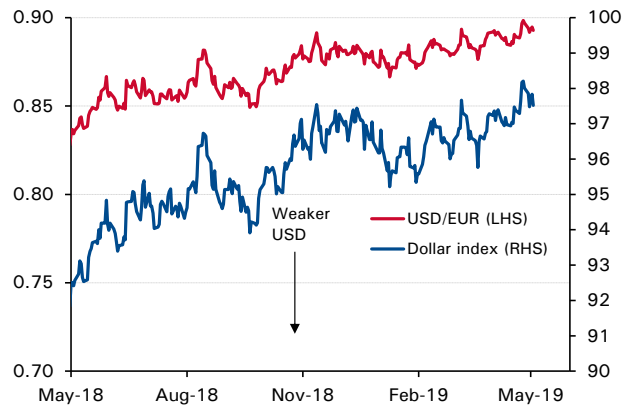
(S&P 500)



US stocks continued to rally in April, with the S&P500 gaining 4% m/m, fueled by diminishing growth fears and good earnings.

Source: Thomson Reuters Eikon

Chart 14: Exchange rates



The US dollar index gained slightly in April on general strength in the US economy relative to global peers.

Source: Saudi Ministry of Finance Eikon

Source: Saudi Ministry of Finance Eikon

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