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Chartbook

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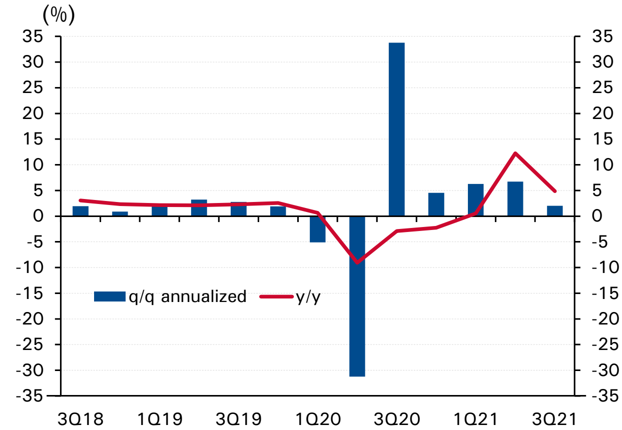
USA

GDP growth slows in 3Q amid surging inflation, supply constraints and labor shortages

> Saqer Al-Zayed
Economist
+965 2259 5355,
saqeralzayed@nbk.com

- Annualized GDP growth slowed to 2.0% q/q in 3Q21, below market forecasts, and a sharp decline from 6.7% in Q2.
- Unemployment eased further to 4.6% in October on a pickup in hiring, but remains above pre-pandemic levels.
- Inflation surged to a 30-year high of 6.2% y/y in October amid supply/labor shortages and higher input costs.
- Futures market probabilities are now heavily skewed towards two or more policy rate hikes in 2022.
- The S&P500 set record highs in November, but momentum has slowed recently possibly on inflation concerns.
- The USD index rose to a 16-month high on increased safe haven flows amid renewed virus fears and weaker sentiment.

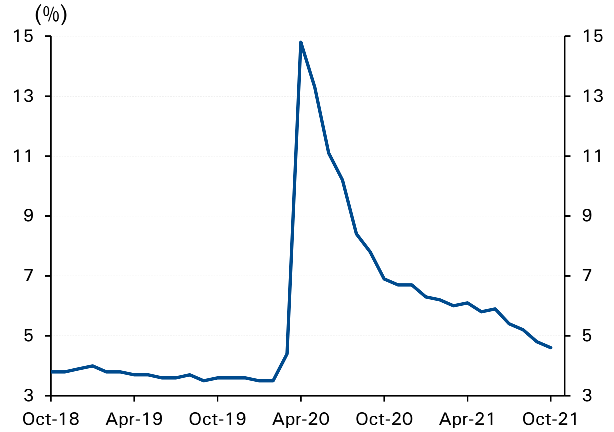
Chart 1: Real GDP growth



Annualized GDP growth slowed to 2.0% q/q in 3Q21 well below the market forecast of 2.7% and a sharp decline from 6.7% in Q2.

Source: Refinitiv

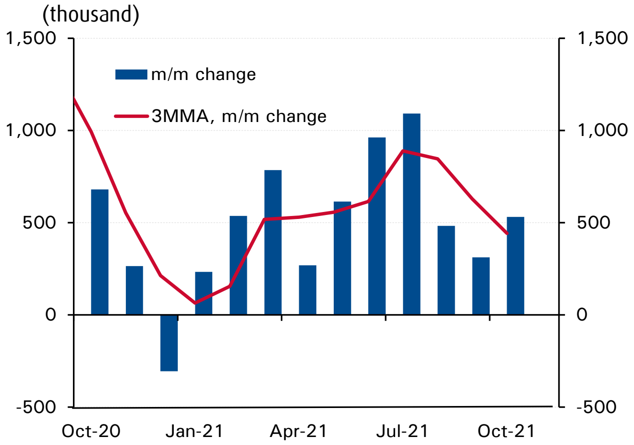
Chart 2: Unemployment rate



Unemployment eased further to 4.6% in October (4.8% in Sept.), the lowest since March 2020, but still above pre-pandemic levels.

Source: Refinitiv

Chart 3: Non-farm payrolls (jobs)



531,000 jobs were added in October, beating expectations and after 2 months of softening job growth, with the gains coming mostly from the hospitality and professional services sectors.

Source: Refinitiv

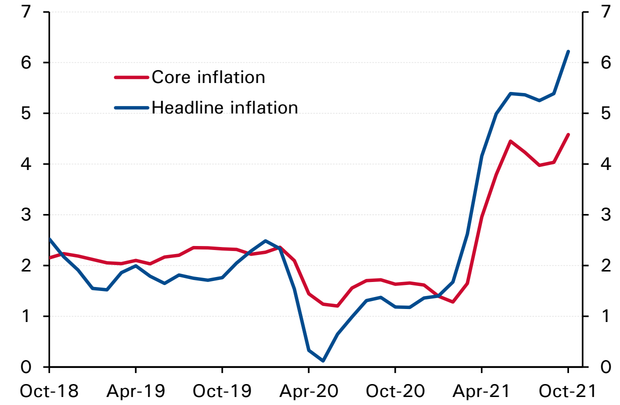
Chart 4: Wage growth

Wage growth rose further to 4.9% y/y in October, the highest since February on continued labor shortages.

Source: Refinitiv

Chart 5: Consumer price inflation

(% y/y)

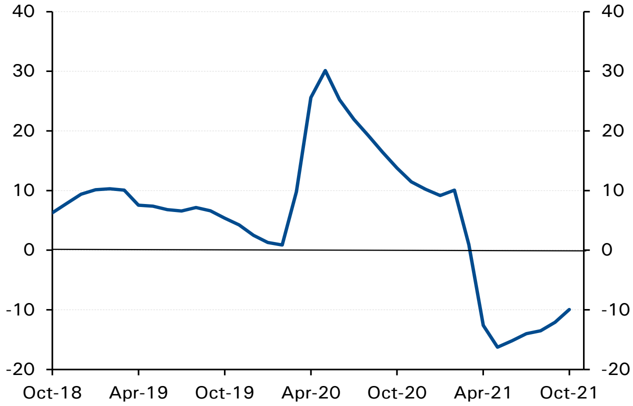


Inflation surged to a 30-year high of 6.2% y/y in October on continued supply/labor shortages and higher input costs.

Source: Refinitiv

Chart 6: Commercial and industrial loans

(% y/y)

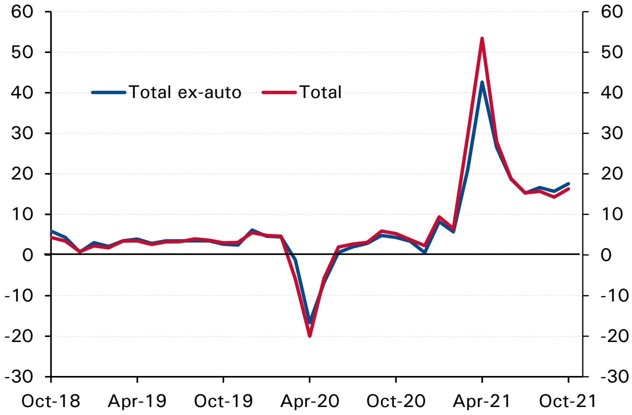


The y/y increase in C&I loans remains in negative territory although the contraction softened to 10% y/y in October.

Source: Refinitiv

Chart 7: Retail sales

(% y/y)

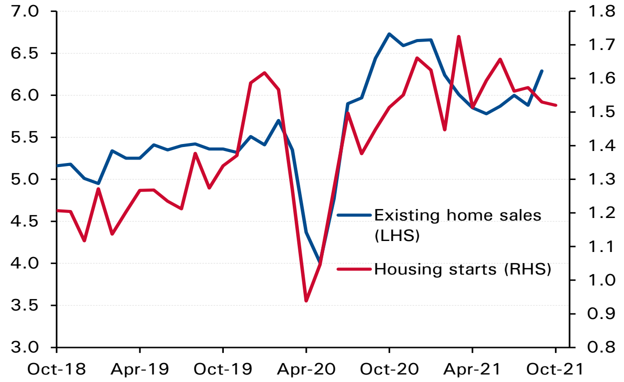


Growth in retail sales ex-autos picked up to 17.6% y/y in October, from 15.7% in September, as the holiday season shopping begins.

Source: Refinitiv

Chart 8: Existing home sales and housing starts

(million units)

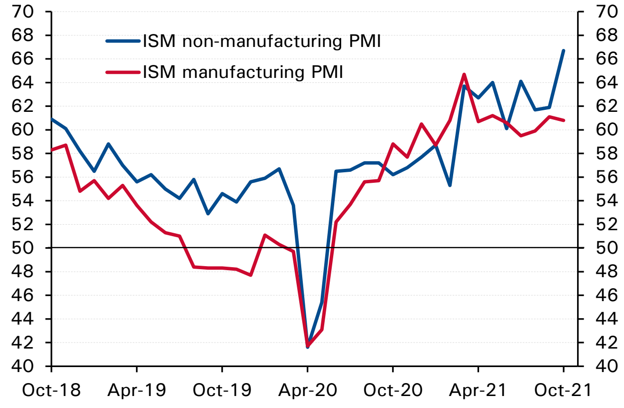


Housing starts inched down by 0.7% m/m to an annual rate of 1.52 million in October, affected by material and labor shortages.

Source: Refinitiv

Chart 9: Business activity surveys

(index)

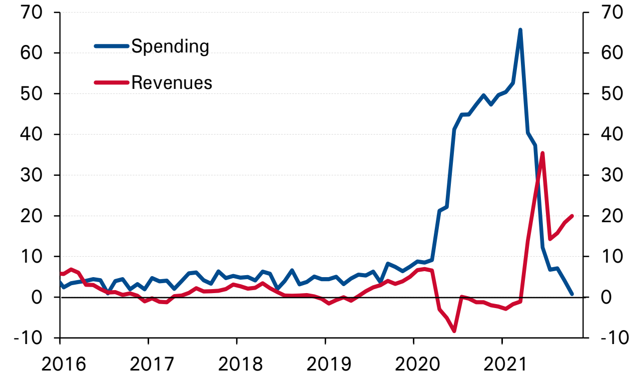


The ISM manufacturing index ticked down to 60.8 in October (61.1 in Sept), still well in expansion territory on strong demand.

Source: Refinitiv

Chart 10: US government spending and revenues

% y/y (of 12 month cumulative totals)

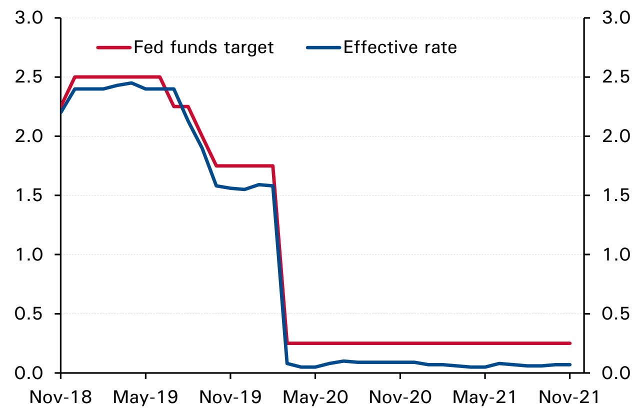


The 12-month fiscal deficit eased to $2.65 trillion in October on lower spending and a pick-up in revenues.

Source: Refinitiv

Chart 11: Policy interest rates

(%)

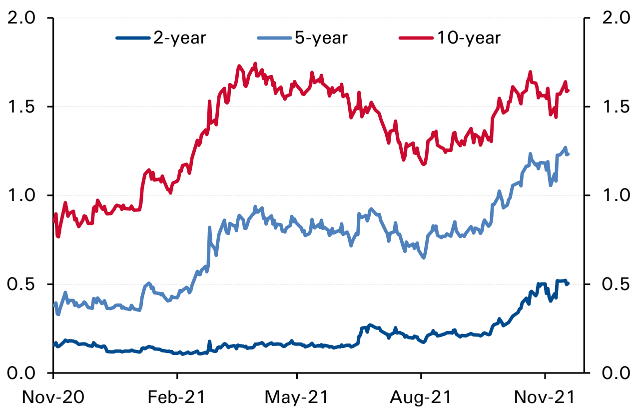


The Fed kept the policy rate unchanged at a range of 0-0.25% but could raise rates sooner than expected due to high inflation.

Source: Refinitiv

Chart 12: Government bond yields

(%)

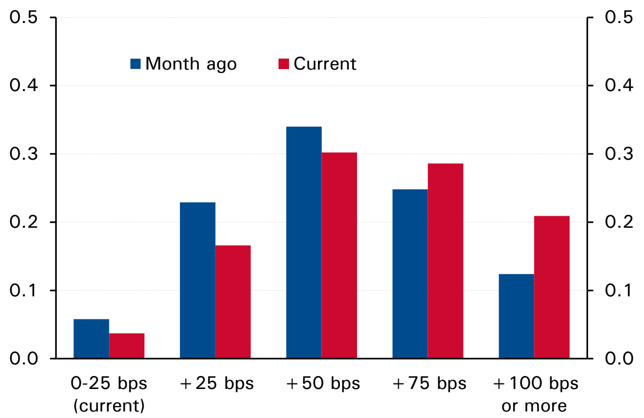


The 10-year yield rose to 1.55% mostly on rising inflation and as the market priced in reduced Fed asset purchasing.

Source: Refinitiv

Chart 13: Fed policy action outlook for 2022

(futures market probability, as of 21 Nov 2021)

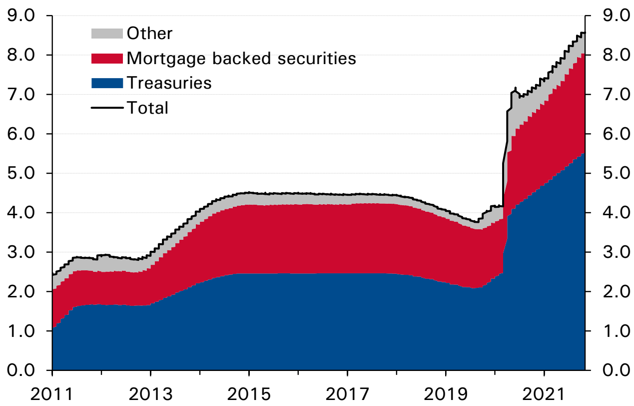


Futures market probabilities are now heavily skewed towards two or more policy rate hikes in 2022, with a likelihood of 79.9%.

Source: Refinitiv

Chart 14: Fed balance sheet size and composition

(total assets, $trn)



Federal Reserve assets expanded to $8.7 trillion by mid-November, but may rise more slowly in coming months on QE tapering.

Source: Refinitiv

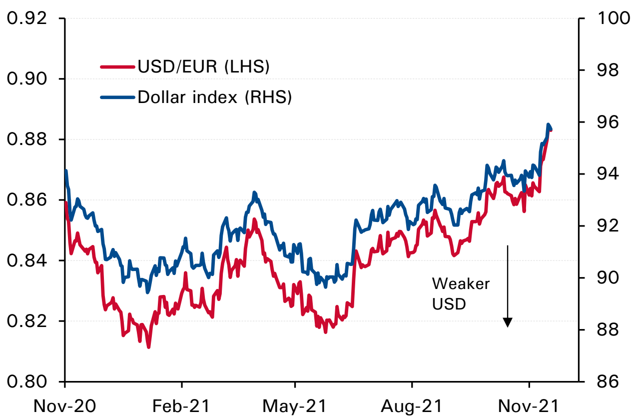
Chart 15: Stock market

(S&P 500)

The S&P500 set record highs in November, but momentum has slowed recently possibly on inflation concerns.

Source: Refinitiv

Chart 16: Exchange rates



The USD index rose to a 16-month high on increased safe haven flows amid renewed virus fears and weaker sentiment.

Source: Refinitiv

Head Office

Kuwait
National Bank of Kuwait SAKP
Shuhada Street,
Sharq Area, NBK Tower
P.O. Box 95, Safat 13001
Kuwait City, Kuwait
Tel: +965 2242 2011
Fax: +965 2259 5804
Telex: 22043-22451 NATBANK
www.nbk.com

International Network

Bahrain
National Bank of Kuwait SAKP
Zain Branch
Zain Tower, Building 401, Road 2806
Seef Area 428, P. O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

National Bank of Kuwait SAKP
Bahrain Head Office
GB Corp Tower
Block 346, Road 4626
Building 1411
P.O. Box 5290, Manama
Kingdom of Bahrain
Tel: +973 17 155 555
Fax: +973 17 104 860

United Arab Emirates
National Bank of Kuwait SAKP
Dubai Branch
Latifa Tower, Sheikh Zayed Road
Next to Crown Plaza
P.O.Box 9293, Dubai, U.A.E
Tel: +971 4 3161600
Fax: +971 4 3888588

National Bank of Kuwait SAKP
Abu Dhabi Branch
Sheikh Rashed Bin Saeed
Al Maktoom, (Old Airport Road)
P.O.Box 113567,Abu Dhabi, U.A.E
Tel: +971 2 4199 555
Fax: +971 2 2222 477

Saudi Arabia
National Bank of Kuwait SAKP
Jeddah Branch
Al Khalidiah District,
Al Mukmal Tower, Jeddah
P.O Box: 15385 Jeddah 21444
Kingdom of Saudi Arabia
Tel: +966 2 603 6300
Fax: +966 2 603 6318

Jordan
National Bank of Kuwait SAKP
Amman Branch
Shareef Abdul Hamid Sharaf St
P.O. Box 941297, Shmeisani,
Amman 11194, Jordan
Tel: +962 6 580 0400
Fax: +962 6 580 0441

Lebanon
National Bank of Kuwait
(Lebanon) SAL
BAC Building, Justinien Street, Sanayeh
P.O. Box 11-5727, Riad El-Solh
Beirut 1107 2200, Lebanon
Tel: +961 1 759700
Fax: +961 1 747866

Iraq
Credit Bank of Iraq
Street 9, Building 187
Sadoon Street, District 102
P.O. Box 3420, Baghdad, Iraq
Tel: +964 1 7182198/7191944
+964 1 7188406/7171673
Fax: +964 1 7170156

Egypt
National Bank of Kuwait - Egypt
Plot 155, City Center, First Sector
5th Settlement, New Cairo
Egypt
Tel: +20 2 26149300
Fax: +20 2 26133978

United States of America
National Bank of Kuwait SAKP
New York Branch
299 Park Avenue
New York, NY 10171
USA
Tel: +1 212 303 9800
Fax: +1 212 319 8269

United Kingdom
National Bank of Kuwait
(International) Plc
Head Office
13 George Street
London W1U 3QJ
UK
Tel: +44 20 7224 2277
Fax: +44 20 7224 2101

France
National Bank of Kuwait France SA
90 Avenue des Champs-Elysees
75008 Paris
France
Tel: +33 1 5659 8600
Fax: +33 1 5659 8623

Singapore
National Bank of Kuwait SAKP
Singapore Branch
9 Raffles Place # 44-01
Republic Plaza
Singapore 048619
Tel: +65 6222 5348
Fax: +65 6224 5438

China
National Bank of Kuwait SAKP
Shanghai Office
Suite 1003, 10th Floor, Azia Center
1233 Lujiazui Ring Road
Shanghai 200120, China
Tel: +86 21 6888 1092
Fax: +86 21 5047 1011

NBK Capital

Kuwait
NBK Capital
34h Floor, NBK Tower
Shuhada’a street, Sharq Area
PO Box 4950, Safat, 13050
Kuwait City, Kuwait
Tel: +965 2224 6900
Fax: +965 2224 6904 / 5

United Arab Emirates
NBK Capital Limited - UAE
Precinct Building 3, Office 404
Dubai International Financial Center
Sheikh Zayed Road
P.O. Box 506506, Dubai
UAE
Tel: +971 4 365 2800
Fax: +971 4 365 2805

Associates

Turkey
Turkish Bank
Valikonagl CAD. 7
Nisantasi, P.O. Box. 34371
Istanbul, Turkey
Tel: +90 212 373 6373
Fax: +90 212 225 0353