Economic boost from restriction-lifting may be fading, pointing to slower recovery ahead

- Unemployment fell to a 5-month low of 7.9% in September, but helped by lower labor participation.
- Non-farm payrolls rose by 661,000 in September, easing sharply from August’s 1.49 million.
- Core inflation edged up to 1.7% y/y in August (1.6% in July) mostly on higher new and used vehicle prices.
- Retail sales ex autos rose further by 2.1% y/y in August from 1.5% in July, though the rebound may be slowing.
- The ISM non-manufacturing index picked-up to 57.8 in September, while manufacturing activity eased slightly.
- The S&P500 fell in September amid a tech-stock selloff and as economic recovery and stimulus uncertainty grew.

Chart 1: Real GDP growth

Annualized GDP growth fell by a record 31.4% in 2020, slightly less than expected on large falls in consumption and investment.

Source: Refinitiv

Chart 2: Unemployment rate

Unemployment continued to fall, reaching a 6-month low of 7.9% in September but helped by lower participation.

Source: Refinitiv

Chart 3: Non-farm payrolls (new jobs)

Non-farm payrolls rose by 661,000 in September, easing sharply from August’s 1.49 million and below the forecasted 850,000.

Source: Refinitiv

Chart 4: Wage growth

Wage growth edged up to 4.7% in September from 4.8% in July, though remains affected by rehiring and compositional effects.

Source: Refinitiv
Core inflation edged up to 1.7% y/y in August from 1.6% in July mostly on higher new and used vehicle prices.

Source: Refinitiv

C&I loan growth continued to ease to 19.1% in August as financing needs lessened on recovering business activity.

Source: Refinitiv

Retail sales ex autos rose further by 2.1% y/y in August from 1.5% in July, though the rebound may be slowing down.

Source: Refinitiv

Existing home sales rose by 2% m/m to 6 million units in August, the highest since 2006, helped by record low interest rates.

Source: Refinitiv

The ISM non-manufacturing index picked up to 57.8 in September on higher new orders employment.

Source: Refinitiv

The fiscal deficit is expected to widen to $3.8 trillion or 18% of GDP in 2020 on the negative impact of the pandemic.

Source: Refinitiv
The Fed maintained its policy rate at 0-0.25% though adopted a flexible 2% inflation target, implying that rates may remain low for some time.

Source: Refinitiv

The US 10-year treasury yield stood at 0.68% as of Sep. 30, little changed from a month ago as virus uncertainty lingers.

Source: Refinitiv

Futures markets probabilities point to no further fed policy rate action in 2020 with absolute certainty (100%).

Source: Refinitiv

Federal reserve assets continued to expand, exceeding $7 trillion in late September on large government stimulus.

Source: Refinitiv

The S&P500 fell in September amid a tech-stock selloff and as economic recovery and stimulus uncertainty grew.

Source: Refinitiv

The USD appreciated in September on a weaker euro and as higher market uncertainty boosted safe-haven demand.

Source: Refinitiv