US GDP sees record drop in 2Q20, though surveys point to Q3 rebound

- Annualized GDP growth fell by a record 31.7% in 2Q20, on large declines in consumption and investment.
- Non-farm payrolls rose by 1.8mn in July, easing from June’s record 4.8mn, beating expectations of 1.6mn.
- Unemployment eased to 10.2% in July from 11.1% in June, though still very high and could be understated.
- Core inflation rose to 1.6% y/y in July from 1.2% in June on higher medical care, vehicle and shelter prices.
- Retail sales ex autos rose further by 1.9% y/y in July, though the rebound may be tapering off.
- The S&P500 reached new highs in August on strong investor sentiment and economic recovery optimism.

Source: Refinitiv

Chart 1: Real GDP growth

Annualized GDP growth fell by a record 31.7% in 2Q20, slightly less than expected on large falls in consumption and investment.

Source: Refinitiv

Chart 2: Unemployment rate

Unemployment eased further to 10.2% in July from 11.1% in June, though still very high and could be understated.

Source: Refinitiv

Chart 3: Non-farm payrolls (new jobs)

Non-farm payrolls rose by 1.8 million in July, easing from June’s record 4.8 million but beating expectations of 1.6 million.

Source: Refinitiv

Chart 4: Wage growth

Wage growth edged down to 4.8% in July from 4.9% in June, though remains affected by rehiring and compositional effects.

Source: Refinitiv
Core inflation rose to 1.6% y/y in July from 1.2% in June on higher medical care, vehicle and shelter prices.

Source: Refinitiv

C&I loans growth eased further to 20.2% in July, as more businesses reopened thereby reducing the need for financing.

Source: Refinitiv

Retail sales ex autos rose further by 1.9% y/y in July following a 0.6% pickup in June, though the rebound may be tapering off.

Source: Refinitiv

Existing home sales rose at a record pace of 25% m/m to the highest level (5.85mn) since 2006, helped by low interest rates.

Source: Refinitiv

The ISM activity indices expanded at the fastest pace in more than a year, as employment improved and new orders rose.

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 0.0-0.25\% though adopted a flexible 2\% inflation target, implying that rates may remain low for some time.

Source: Refinitiv

The US 10-year treasury yield picked up notably in late August to 0.72\% (Sept 2) following the Fed’s announcement of a flexible inflation target.

Source: Refinitiv

Federal reserve assets have increased sharply in recent months, reaching $7 trillion in July on massive stimulus measures.

Source: Refinitiv

The S&P500 reached new highs in August on continued positive investor sentiment and economic recovery optimism.

Source: Refinitiv

The USD dropped sharply in August on an appreciating euro and reduced safe-haven flows amid improved sentiment.

Source: Refinitiv