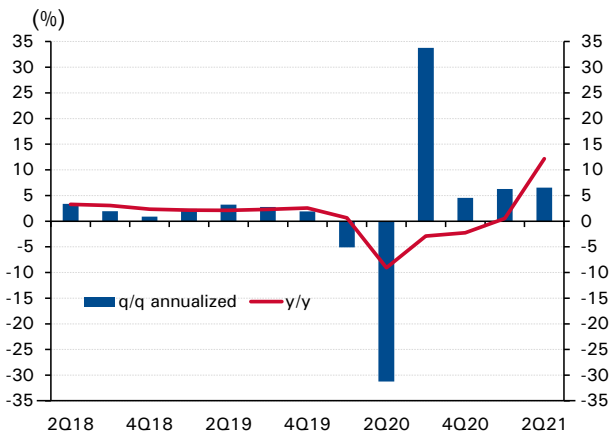


Q2 GDP data confirms continued economic recovery, while inflation remains elevated

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- GDP grew by an annualized 6.6% q/q in 2Q21, revised up from 6.5%, and following a 6.4% expansion in Q1.
- The economy added 943K jobs in July, the fastest pace in 11 months, supported by improving business activity.
- Unemployment eased to 5.4% in July, the lowest since March 2020, though still above pre-pandemic levels.
- Inflation stood at 5.4% in July, unchanged from June's 13-year high, on supply constraints and stronger demand.
- The ISM manufacturing index ticked up to 59.9 in August (59.5 July) remaining firmly in expansion on strong demand.
- The USD index fell in August, weighed down by Fed dovishness, low treasury bond yields, and higher inflation.

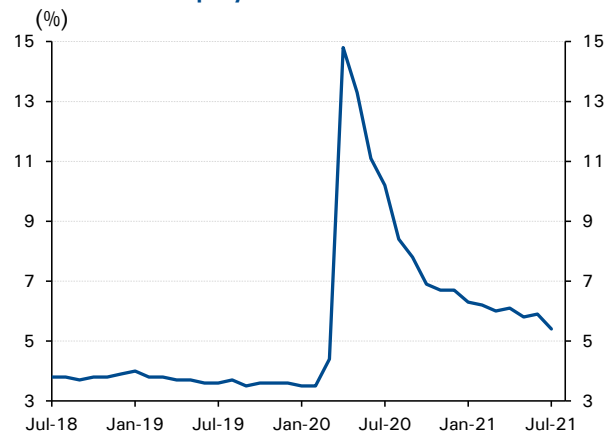
▶ Chart 1: Real GDP growth



GDP grew by an annualized 6.6% q/q in 2Q21, slightly below a forecasted 6.7%, following a 6.4% expansion in Q1.

Source: Refinitiv

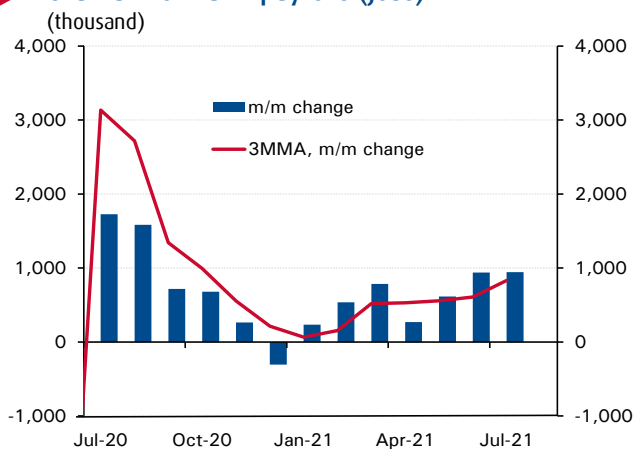
▶ Chart 2: Unemployment rate



Unemployment eased to 5.4% in July (5.9% in June), the lowest since March 2020, though still well above pre-pandemic levels.

Source: Refinitiv

▶ Chart 3: Non-farm payrolls (jobs)



The economy added 943K jobs in July, the fastest pace in 11 months aided by a continued improvement in business activity.

Source: Refinitiv

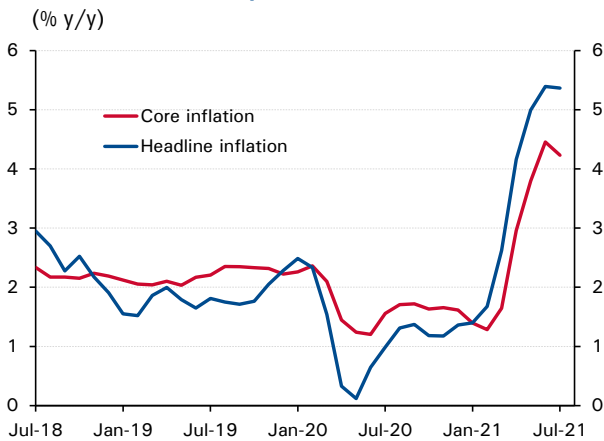
▶ Chart 4: Wage growth



Wage growth rose further to 4% y/y in July on reported (stimulus/pandemic-related) labor shortages and base effects.

Source: Refinitiv

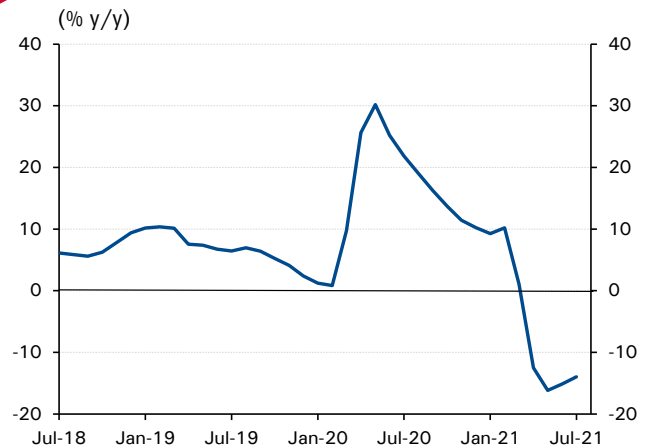
Chart 5: Consumer price inflation



Inflation stood at 5.4% in July, unchanged from June's 13-year high, but could moderate in coming months as base effect fades.

Source: Refinitiv

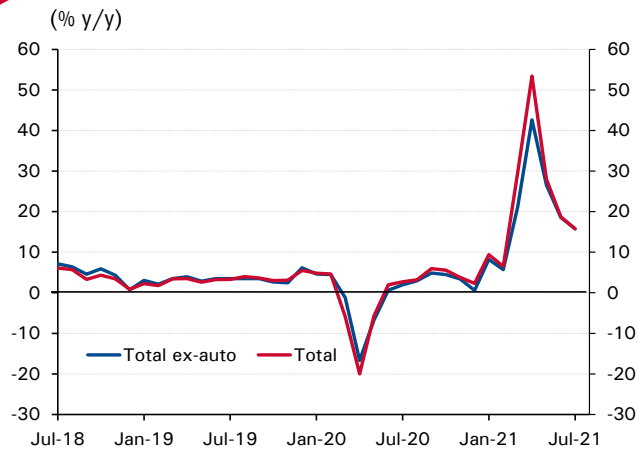
Chart 6: Commercial and industrial loans



C&I loan growth contracted at a slower pace of -14% y/y in July on reduced financing needs as the economy recovers.

Source: Refinitiv

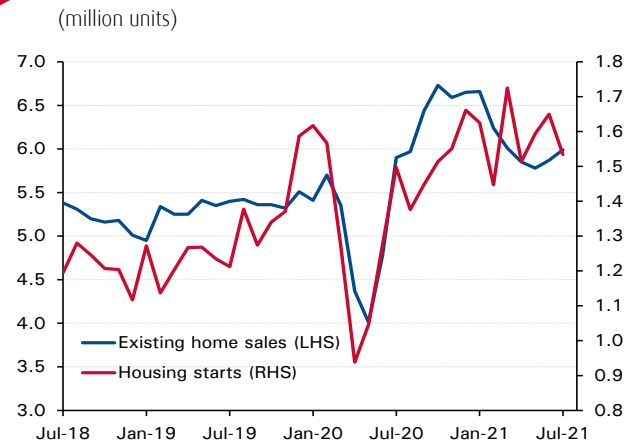
Chart 7: Retail sales



Growth in retail sales ex-autos softened further to 15.8% y/y in July on base effects and as the boost from stimulus and reopening starts to fade.

Source: Refinitiv

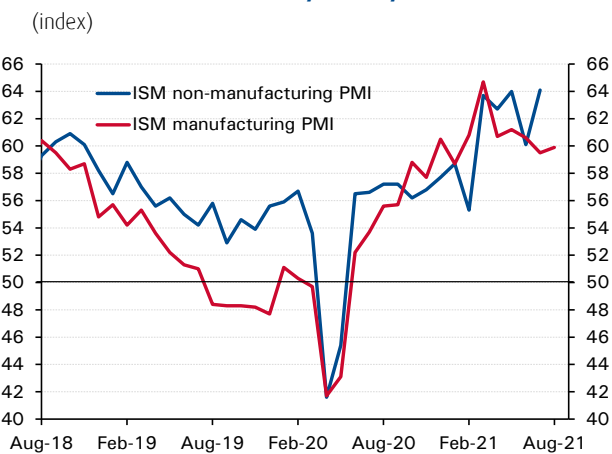
Chart 8: Existing home sales and housing starts



Housing starts fell 7% m/m to 1.53 million in July, weighed down by ongoing supply constraints and surging construction costs.

Source: Refinitiv

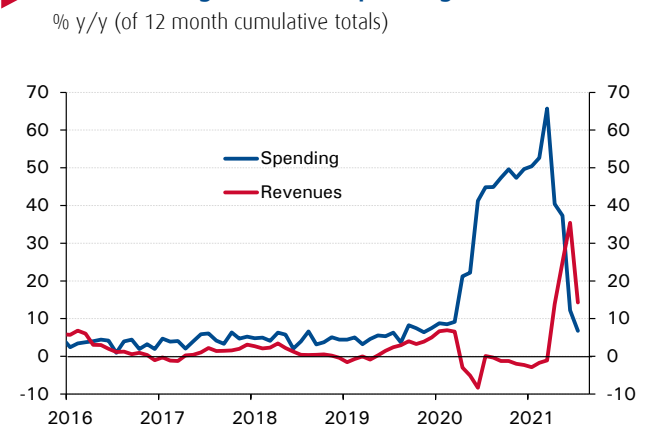
Chart 9: Business activity surveys



The ISM manufacturing index edged up to 59.9 in August, remaining firmly in expansion on strong demand.

Source: Refinitiv

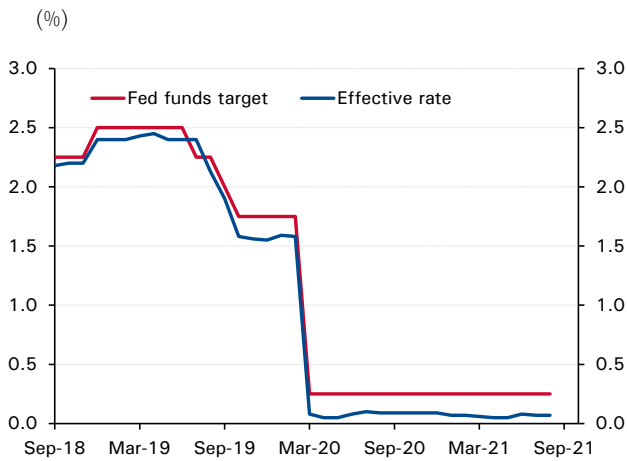
Chart 10: US government spending and revenues



The 12-month fiscal deficit rose to \$2.9 trillion in July as spending remained high while revenues normalized following the previous tax receipt boost.

Source: Refinitiv

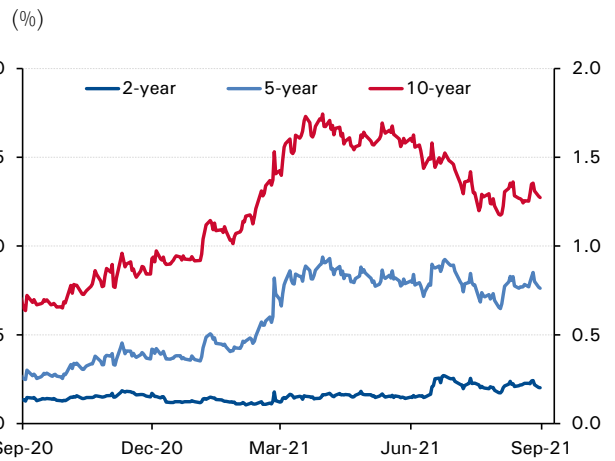
▶ **Chart 11: Policy interest rates**



The Fed kept the policy rate unchanged at a range of 0-0.25% but signaled the possibility of two rate hikes by end-2023.

Source: Refinitiv

▶ **Chart 12: Government bond yields**

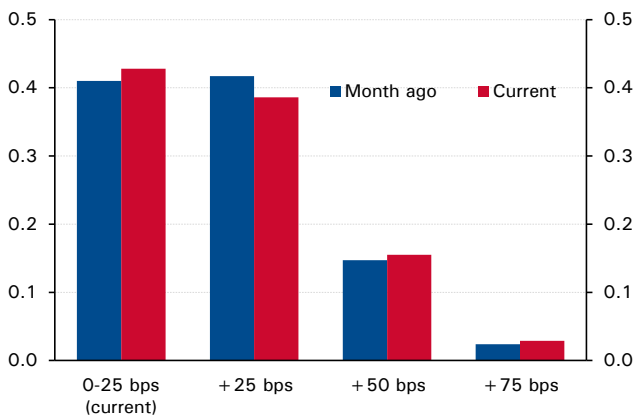


The 10-year yield was last seen trading at 1.29 to 1.3% weighed down by renewed virus concerns and Fed purchasing.

Source: Refinitiv

▶ **Chart 13: Fed policy action outlook for 2022**

(futures market probability, as of 31 Aug 2021)

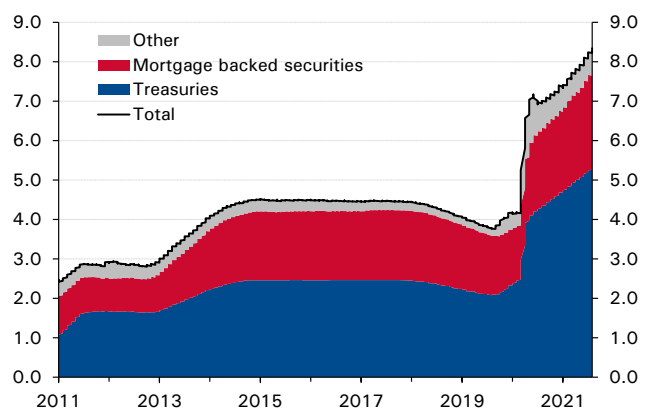


Futures markets probabilities of no rate hikes until 2023 have risen slightly from one month prior amid dovish Fed comments.

Source: Refinitiv

▶ **Chart 14: Fed balance sheet size and composition**

(total assets, \$trn)



Federal Reserve assets expanded to \$8.3 trillion in August, but may rise more slowly once QE tapering starts (possibly late 2021).

Source: Refinitiv

▶ **Chart 15: Stock market**

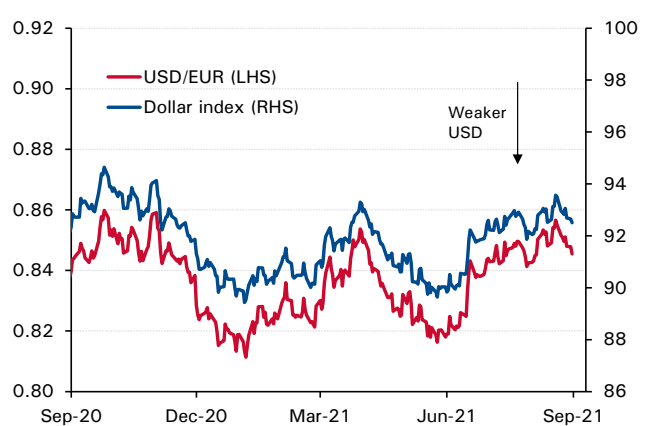
(S&P 500)



The S&P500 continued to advance, ending August at an all-time high of 4529 points on bullish sentiment and good Q2 earnings.

Source: Refinitiv

▶ **Chart 16: Exchange rates**



The USD index fell in August, weighed down by Fed dovishness, low treasury bond yields, and higher inflation.

Source: Refinitiv

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