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

- GDP grew by an annualized 6.6% q/q in Q221, 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.

Source: Refinitiv

The economy added 943K jobs in July, the fastest pace in 11 months aided by a continued improvement in business activity. 
Source: Refinitiv
Inflation stood at 5.4% in July, unchanged from June’s 13-year high, but could moderate in coming months as base effect fades.

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.

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

Commercial and industrial loans growth contracted at a slower pace of -14% y/y in July on reduced financing needs as the economy recovers.

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

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.
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

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

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