US macroeconomic data shows strong signs of recovery backed by stimulus and vaccine rollout

- GDP grew by an annualized 6.4% in 1Q21, in line with expectations following a 4.3% expansion in 4Q20.
- The unemployment rate edged up to 6.1% in April, from a 12-month low of 6% in March.
- Non-farm payrolls rose by 266,000 in April, well below expectations of 1 million, from 770,000 in March.
- Inflation surged to 2.6% in March, the highest since August 2018 on higher fuel, vehicle, and shelter prices.
- Growth in retail sales ex-autos soared to 19.6% y/y in March from 5.7% in February supported by stimulus measures.
- The USD index fell in April as demand for the dollar was curbed by lower US treasury yields, better EU sentiment.

**Chart 1: Real GDP growth**

GDP grew by an annualized 6.4% in 1Q21, in line with expectations following a 4.3% expansion in 4Q20.

**Source:** Refinitiv

**Chart 2: Unemployment rate**

The unemployment rate edged up to 6.1% in April, from a 12-month low of 6% in March, still well above pre-pandemic levels.

**Source:** Refinitiv

**Chart 3: Non-farm payrolls (jobs)**

Non-farm payrolls rose by 266,000 in April, well below expectations of 1 million, from 770,000 in March.

**Source:** Refinitiv

**Chart 4: Wage growth**

Wage growth fell sharply to 0.3% y/y in April from 4.2% in March largely due to the high base level of April 2020.

**Source:** Refinitiv
Inflation surged to 2.6% in March, the highest since August 2018 on higher fuel, vehicle, and shelter prices.

Source: Refinitiv

Growth in retail sales ex-autos soared to 19.6% y/y in March from 5.7% in February due to stimulus measures.

Source: Refinitiv

The ISM manufacturing index fell to 60.7 in April, still high but below expectations as input shortages likely restricted production.

Source: Refinitiv

The 12-month fiscal deficit reached $4.1 trillion in March (around 19% of GDP), as public spending surged largely due to stimulus.

Source: Refinitiv
The policy rate remained unchanged at a range of 0-0.25% as the Fed continued to adopt an accommodative stance.

Source: Refinitiv

The US 10-year treasury yield has fallen from its 14-month high in March (1.75%) to reach 1.58% as of May 6.

Source: Refinitiv

Futures markets probabilities of a rate hike in 2021 have risen from last month in line with recovery/inflation prospects.

Source: Refinitiv

Federal reserve assets continued to expand, reaching $7.78 trillion in early May on further quantitative easing.

Source: Refinitiv

The S&P500 rallied to new highs supported by stimulus, Fed dovishness, vaccines, and economic recovery optimism.

Source: Refinitiv

The USD index fell in April as demand for the dollar was curbed by the decline in US treasury yields and better EU sentiment.

Source: Refinitiv