



**UNITED STATES**

**GROSS DOMESTIC PRODUCT**

Real gross domestic product (GDP) rose at an annual rate of 33.4% for the third quarter of 2020 according to the third estimate released by the Bureau of Economic Analysis (BEA). This follows a decrease of 31.4% in the second quarter. The third quarter GDP increase reflected continued efforts to reopen businesses and resume activities that were postponed or restricted due to COVID-19.

The upward movement in real GDP for the third quarter was mainly attributed to increases in personal consumption expenditures, private inventory investment, exports, non-residential fixed investment, and residential fixed investment but were partly offset by declines in federal government spending and state and local government spending. Moreover, imports increased.

Notably, the increase in personal consumption expenditures reflected increases in services led by health care as well as food services and accommodations and goods which was led by motor vehicles and parts as well as clothing and footwear. The increase in private inventory investment mainly reflected an increase in retail trade led by motor vehicle dealers. Meanwhile, the increase in exports primarily reflected a rise in goods led by automotive vehicles, engines, and parts as well as capital goods. The rise in non-residential fixed investment was due to an increase in equipment led by transportation equipment. Whereas the increase in residential fixed investment was attributable to an increase in brokers' commissions and other ownership transfer costs.

"Current dollar GDP increased 38.3% at an annual rate, or \$1.65 trillion, in the third quarter to a level of \$21.17 trillion," according to BEA.

In the third quarter of 2020, the price index for gross domestic purchases went up 3.3% when compared to a decrease by 1.4% in the second quarter of 2020. In addition, the PCE price index increased 3.7% relative to a decline of 1.6%. With the exception of the food and energy prices, the PCE price index climbed 3.4% versus fall of 0.8%.

**UNEMPLOYMENT**

Total nonfarm payroll employment fell 140,000 in December, as the unemployment rate remained unchanged at 6.7%, according to a report by the U.S. Bureau of Labour Statistics (BLS). This decline in payroll employment was due to recent rise in coronavirus (COVID-19) and efforts to contain the pandemic. BLS mentioned that in December, "job losses in leisure and hospitality and in private education were partially offset by gains in professional and business services, retail trade, and construction."

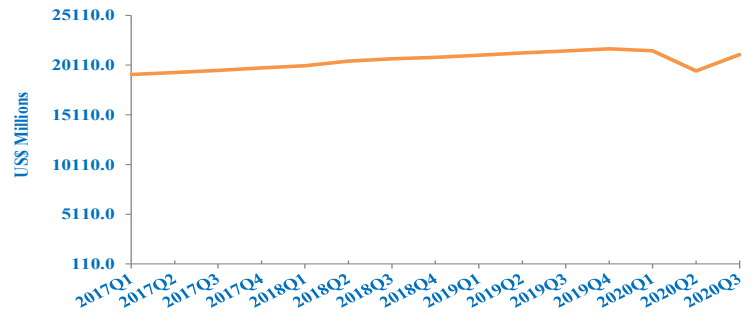
Leisure and hospitality employment fell by 498,000 in December 2020. While in private education employment decreased by 63,000. Employment in government fell by 45,000 in December. Employment in other services declined by 22,000. Whereas employment in professional and business services added 161,000 jobs, and retail trade went up by 121,000 jobs. Construction employment increased by 51,000 jobs, transportation and warehousing increased by 47,000 jobs, employment in health care rose by 39,000 jobs. Notably, employment in manufacturing climbed by 38,000 jobs in December. Employment in wholesale trade increased by 25,000 while mining, information, and financial activities were little changed in December.

Notably, BLS stated, "the number of persons on temporary layoff increased by 277,000 in December to 3.0 million." In December, the number of permanent job losers fell by 348,000 to 3.4 million. Also, the number of unemployed reentrants rose by 282,000 to 2.3 million over the month. While the number of long-term unemployed (those jobless for 27 weeks or more) stood at 4.0 million. Moreover, the number of unemployed persons who were jobless less than 5 weeks in December amounted to 2.9 million, an increase of 449,000.

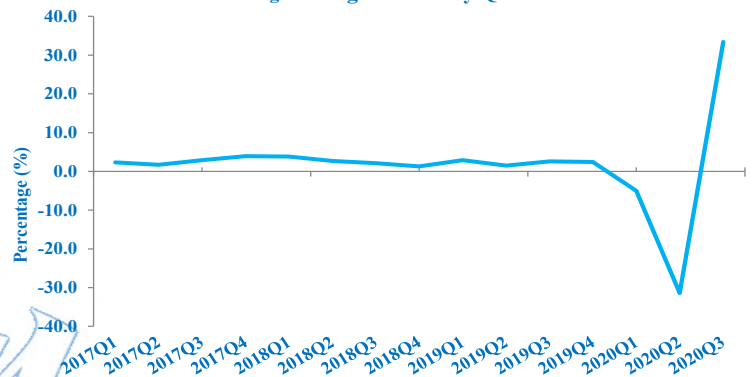
The labour force participation rate for December stood at 61.5%, while the employment-population ratio stood at 57.4%. Nonetheless, persons employed part-time for economic reasons fell by 471,000 to 6.2 million in December. Based on BLS assessment, "these individuals, who would have preferred full-time employment, were working part-time because their hours had been reduced or they were unable to find full-time jobs."

In December, a total of 2.2 million individuals were slightly attached to the labour force. These persons were not in the labour force, wanted and were available for work, and had looked for a job in the last year. Of the marginally attached, 663,000 persons were classified as discouraged workers in December, little change over the month. These persons are not currently seeking work as they believe no jobs are available for them.

**Total GDP**



**Percentage Change in GDP by Quarter**



**Unemployment Rate**



Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
Year	Q1	Q2	Q3	Q4
2015	422,317	424,418	426,408	428,508
2016	430,265	431,898	434,075	435,715
2017	437,386	438,949	440,567	442,168
2018	444,004	445,948	447,640	449,097
2019	450,551	451,828	453,481	455,365
2020	455,765	401,140	422,407	427,816



## CONSUMER PRICE INDEX

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.4% for December 2020 after increasing 0.2% in November, on a seasonally adjusted basis according to U.S. Bureau of Labor Statistics (BLS). The all items index rose 1.4% before seasonal adjustment over the last year. BLS stated, “the seasonally adjusted increase in the all items index was driven by an 8.4-percent increase in the gasoline index, which accounted for more than 60 percent of the overall increase.”

The all items less food and energy index increased 0.1% in December, after increasing 0.2% in November. The indexes for shelter index, apparel, motor vehicle insurance, personal care and new vehicles rose 0.1%, 1.4%, 1.4%, 0.4% and 0.4%, respectively in December. The index for household furnishings and operations rose 0.2% in December. The indexes used cars and trucks fell 1.2%, recreation declined 0.3% and medical care decreased 0.2%.

The index for food rose 0.4% in December, while the index for food at home also increased 0.4%. The indexes for other food at home increased 0.7% in December. The non-alcoholic beverages index increased 1.1%. The index for cereals and bakery products rose 0.4% while the index for dairy and related products rose 0.8%. The index for meats, poultry, fish, and eggs fell 0.2% in December. The index for food away from home also rose 0.4% in December, however, the index for fruits and vegetables fell 0.2% over the month.

The index for energy climbed 4.0% in December. An 8.4% growth was recorded in the gasoline index. The index for electricity index increased 0.4% in December while the natural gas index also decreased by 0.8% in December.

## PRODUCER PRICE INDEX

The final demand for the Producer Price Index rose 0.3% in December 2020, seasonally adjusted according to the U.S. Bureau of Labour Statistics. Final demand prices increased 0.1% in November and increased 0.3% in October. On an unadjusted basis, “the final demand index moved up 0.8 percent in 2020, after increasing 1.4 percent in 2019,” BLS indicated.

Prices for final demand less foods, energy, and trade services climbed 0.4% in the month of December. Notably, in 2020, the index for final demand less foods, energy, and trade services rose 1.1%, following a 1.5% increase in 2019.

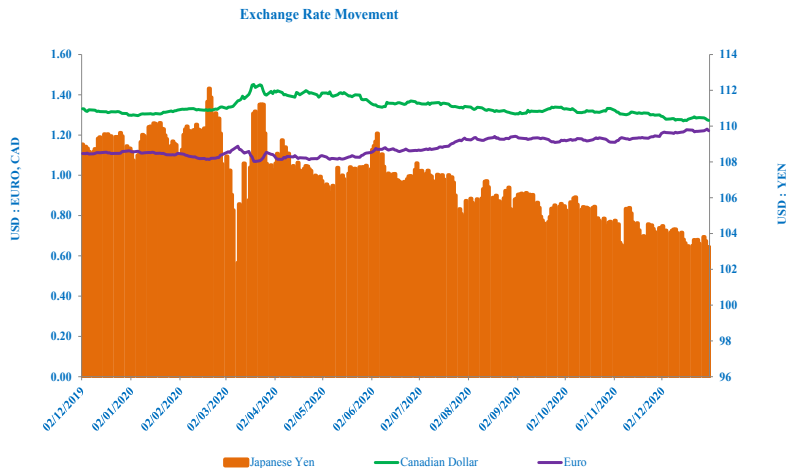
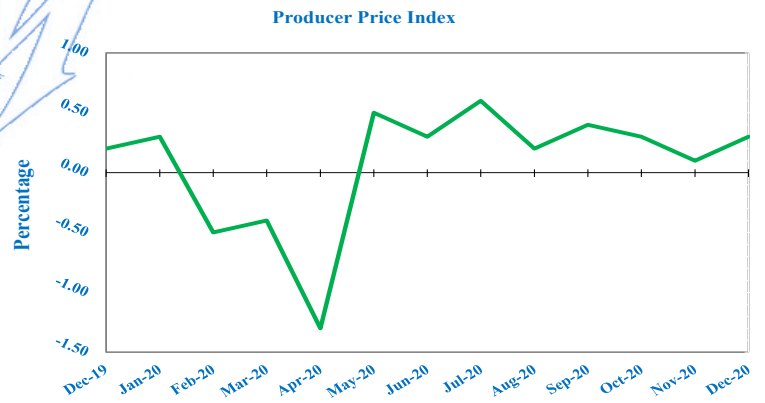
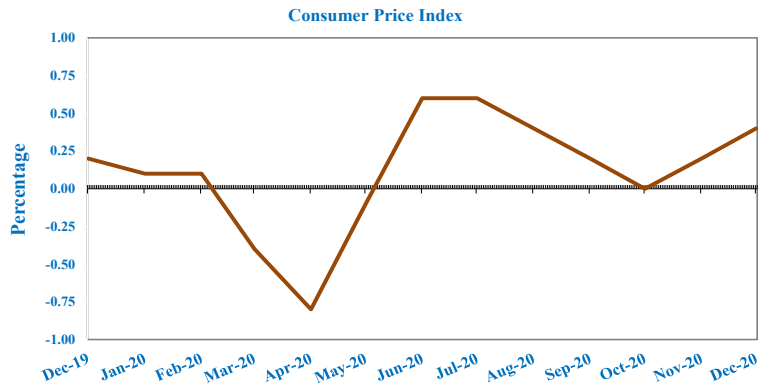
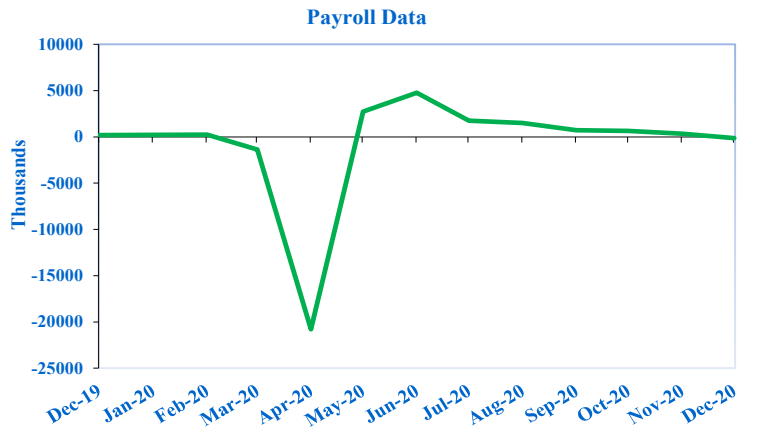
Prices for final demand services fell 0.1% in December. There was a decrease of 0.8% in prices for final demand trade services. Moreover, the index for final demand transportation and warehousing services fell 0.1%, while the prices for final demand less trade, transportation, and warehousing increased by 0.2%.

An increase of 1.1% was observed in prices for final demand goods in December. This performance stemmed from an increase of 5.5% in prices for final demand energy. The index for final demand goods less foods and energy rose 0.5%, while prices for final demand foods fell 0.1%.

## U.S. Dollar

For December 2020, the EUR/USD pair closed at \$1.2216 versus \$1.2071 at the start of the month, a 1.20% increase. According to FX empire the increase might be due to the fact that “the United States is facing huge deficits, which should continue to weigh on the dollar, the European Union runs a huge current account surplus, largely thanks to Germany, so there is a natural inflow to Euros through trade.”

However, looking ahead, the recent retail sales report “signaled that the second wave of the virus had already put material pressure on the consumer so the economy clearly needs another round of stimulus.” Moreover, “U.S. President-elect Joe Biden has recently unveiled his \$1.9 trillion stimulus proposal,” as per FX empire.





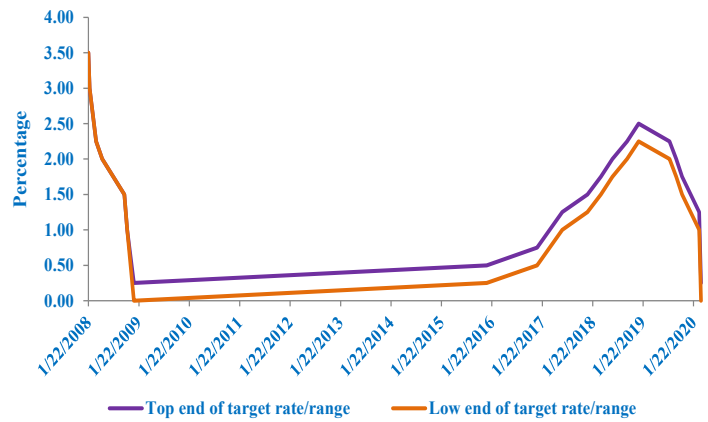
## FEDERAL RESERVE MINUTES

On December 16, 2020, the Federal Reserve committed to using its full range of tools to support the U.S. economy in this challenging time, thereby promoting its maximum employment and price stability goals. Though the novel Corona virus continues to cause tremendous hardship across the United States and around the world, economic activities and employment have continued to recover but remain below their pre-pandemic levels. The Federal Reserve cites, “Weaker demand and earlier declines in oil prices have been holding down consumer price inflation. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.”

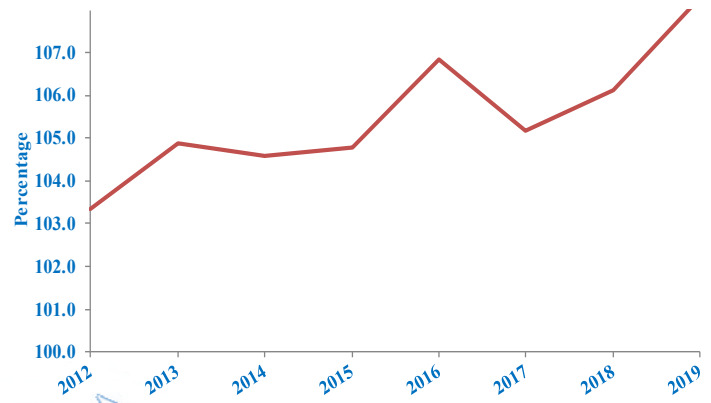
In the near term the Federal Reserve foresee that economic activity, employment, and inflation will continue to be impacted by the ongoing public health crisis. While it poses considerable risks to the economic outlook over the medium term. The Committee seeks to maintain employment and inflation at the rate of 2 percent over the longer run, along with an accommodative stance of the monetary policy until these goals are achieved. According to the Federal Reserve, “The committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and expects it will be appropriate to maintain this target range until labour market conditions have reached levels consistent with the Committee’s assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time.”

Furthermore, the Federal Reserve plans to increase its holdings of Treasury securities by at least \$80 billion and agency mortgage-backed securities by at least \$40 billion per month until further progress has been made toward the Committee’s maximum employment and price stability targets. The purchases of these assets help to sustain smooth market functioning and assist with fostering accommodative financial conditions, to support the flow of credit to households and businesses. In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook and is prepared to adjust the stance of monetary policy if necessary.

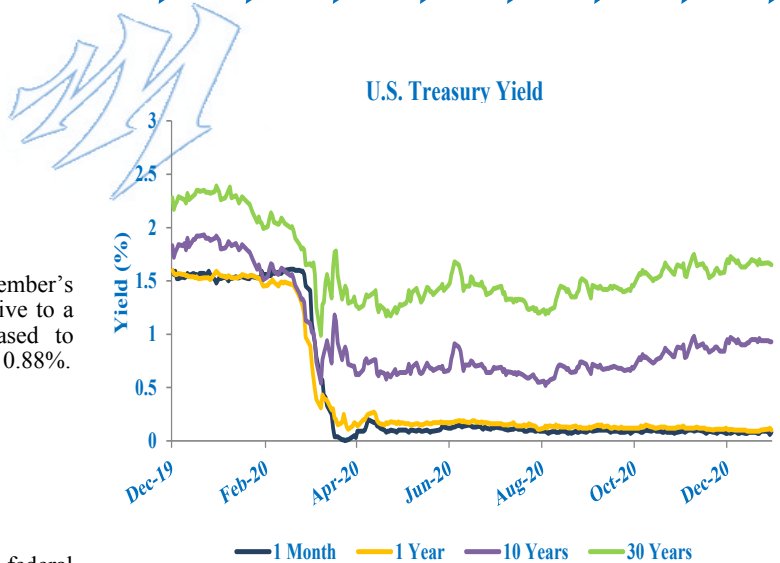
Federal Interest Rates



Debt to GDP (Percentage)



U.S. Treasury Yield



## U.S. TREASURY YIELD CURVE

The 3-month Treasury bill rate inched up to 0.09% from November’s 0.08%. The 5-year rate remained at 0.36% in December relative to a month earlier. The 10-year rate (also constant maturity) increased to 0.93%, from November’s 0.84% and increased from October’s 0.88%.

## GOVERNMENT DEBT/DEFICIT

The Congressional Budget Office (CBO) indicated that the federal budget deficit amounted to \$572 billion for the first three months of the fiscal year 2021.

Furthermore, for the first quarter months of fiscal year 2021, CBO estimates receipts to amount to \$803 billion, \$3 billion less than in the similar period in 2020.

However, based on CBO estimates for the first three months of fiscal year 2021, outlays are estimated to total \$1,375 billion, a \$212 billion increase relative to the same period last year.

Budget Totals, October-December, Billions of Dollars			
	2020	Preliminary, FY 2021	Estimated Change
Receipts	807	803	-3
Outlays	<u>1,163</u>	<u>1,375</u>	<u>212</u>
Deficit (-)	-357	-572	-215

