



UNITED STATES

GROSS DOMESTIC PRODUCT

Real gross domestic product (GDP) rose at an annual rate of 6.4% for the first quarter of 2021 according to the second estimate released by the Bureau of Economic Analysis (BEA). This follows an increase of 4.3% in the fourth quarter. The first quarter GDP increase reflected continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic. BLS noted, "In the first quarter, government assistance payments, such as special economic impact payments, expanded unemployment benefits, and Paycheck Protection Program loans, were distributed to households and businesses through the Coronavirus Response and Relief Supplemental Appropriations Act and the American Rescue Plan Act."

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

Notably, the increase in PCE was due to increases in durable goods led by motor vehicles and parts, nondurable goods which was led by food and beverages and services which was led by food services and accommodations. There was also an increase in non-residential fixed investment which revealed increases in equipment led by information processing equipment) and intellectual property products (led by software). BEA noted that, "the increase in federal government spending primarily reflected an increase in payments made to banks for processing and administering the Paycheck Protection Program loan applications as well as purchases of COVID-19 vaccines for distribution to the public." Moreover, the decrease in private inventory investment primarily reflected a decrease in retail trade inventories.

Current dollar GDP rose 11.0% at an annual rate, or \$566.3 billion, in the first quarter to a level of \$22.06 trillion.

In the first quarter of 2021, the price index for gross domestic purchases went up 3.9% when compared to an increase by 1.7% in the fourth quarter of 2021. In addition, the PCE price index rose 3.7% relative to a rise of 1.5% the previous quarter. With the exception of the food and energy prices, the PCE price index climbed 2.5% versus a rise of 1.3%.

UNEMPLOYMENT

Total nonfarm payroll employment increased by 559,000 in May, as the unemployment rate declined to 0.3 percentage point to 5.8%, according to a report by the U.S. Bureau of Labour Statistics (BLS). BLS mentioned that in May, "job gains occurred in leisure and hospitality, in public and private education, and in health care and social assistance."

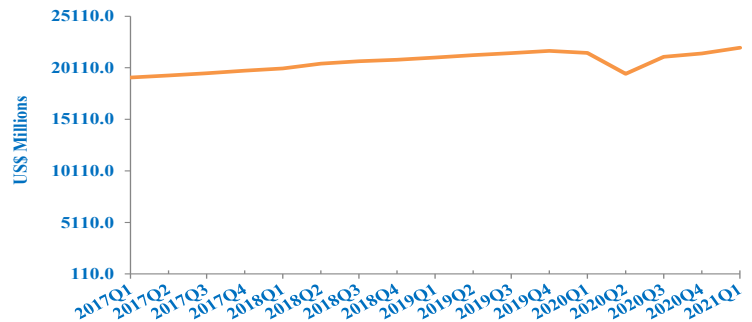
Leisure and hospitality employment rose by 292,000 in May 2021. Notably, employment increased in both public and private education, reflecting the continued resumption of in-person learning and other school-related activities in many parts of the country. According to BLS, "Employment rose by 53,000 in local government education, by 50,000 in state government education, and by 41,000 in private education." While health care and social assistance added 46,000 jobs in May. Employment in information increased by 29,000 over the month. Manufacturing added 23,000, transportation and warehousing (+23,000) and wholesale trade (+20,000). Additionally, employment in construction fell by 20,000 jobs, and employment in professional and business services changed little in May (+35,000). Employment in retail trade decreased by 6000. Meanwhile, employment in other major industries, including mining, financial activities, and other services were little changed in May.

Notably, the number of persons on temporary layoff decreased in May by 291,000 to 1.8 million. In May, the number of permanent job losers fell by 295,000 to 3.2 million. While the number of long-term unemployed (those jobless for 27 weeks or more) stood at 3.8 million. Moreover, the number of unemployed persons who were jobless less than 5 weeks in May fell 391,000 to 2.0 million.

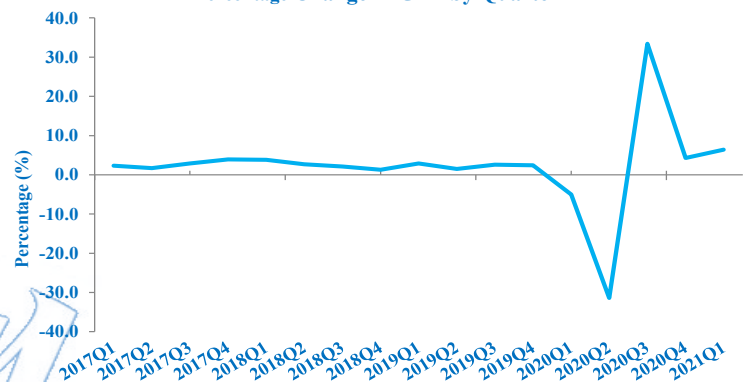
The labour force participation rate for May stood at 61.6%, while the employment population ratio stood at 58%. Nonetheless, persons employed part-time for economic reasons was unchanged at 5.3 million in May. Based on BLS assessment, "these individuals, who would have preferred full-time employment, were working part-time because their hours had been reduced or they were unable to find full-time jobs."

In May, a total of 2.0 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, 600,000 persons were classified as discouraged workers in May, relatively unchanged over the month. These persons are not currently seeking work as they believe no jobs are available for them.

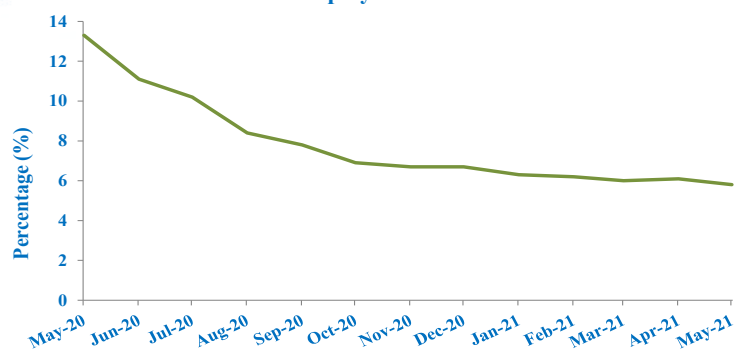
Total GDP



Percentage Change in GDP by Quarter



Unemployment Rate



Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
	Year	Q1	Q2	Q3
2016	430,276	431,893	434,138	435,687
2017	437,341	438,955	440,624	442,216
2018	443,964	445,945	447,653	449,152
2019	450,503	451,747	453,350	455,201
2020	455,597	400,995	422,580	427,857
2021	430,065			



CONSUMER PRICE INDEX

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.6% for May 2021, on a seasonally adjusted basis, according to U.S. Bureau of Labour Statistics (BLS). The all-items index rose 5.0% before seasonal adjustment over the last year.

The all-items less food and energy index climbed 0.7% in May. The index for used cars and trucks was the largest contributor with an increase of 7.3%. The indexes for shelter, new vehicles, airline fares and household furnishings and operations rose 0.3%, 1.6%, 7.0% and 1.3%, respectively in May. The indexes for apparel, car and truck rentals and recreation rose 1.2%, 12.1% and 0.2%, respectively in May. The index for motor vehicle insurance rose 0.7%. The indexes for education, for communication, and for alcoholic beverages also increased over the month. The medical care index also fell 0.1% in May.

The index for food rose 0.4% in May, while the index for food at home increased 0.4%. The index for dairy and related products climbed 0.4%. The index for meats, poultry, fish, and eggs rose 1.3% in May. The index for fruits and vegetables was unchanged in May. The non-alcoholic beverages index decreased 0.5% in May while the index for cereals and bakery products rose 0.5%. The food away from home index rose 0.6% while the index for other food at home was unchanged over the month.

The index for energy remained unchanged in May. A 0.7% decline was recorded in the gasoline index. Meanwhile, the index for natural gas increased 1.7% and the electricity index rose 0.3% in May.

PRODUCER PRICE INDEX

The final demand for the Producer Price Index rose 0.8% in May 2021, seasonally adjusted according to the U.S. Bureau of Labour Statistics. Final demand prices increased 0.6% in April 2021 and increased 1.0% in March 2021. On an unadjusted basis, "the final demand index advanced 6.6 percent for the 12 months ended in May, the largest increase since 12-month data were first calculated in November 2010," BLS indicated.

Prices for final demand less foods, energy, and trade services climbed 0.7% in the month of May.

Prices for final demand services increased 0.6% in May. This was mainly attributable to the index for final demand trade services which rose 0.7%. There was an increase of 0.2% in prices for final demand services less trade, transportation, and warehousing. The prices for final demand transportation and warehousing services climbed 1.9% in May.

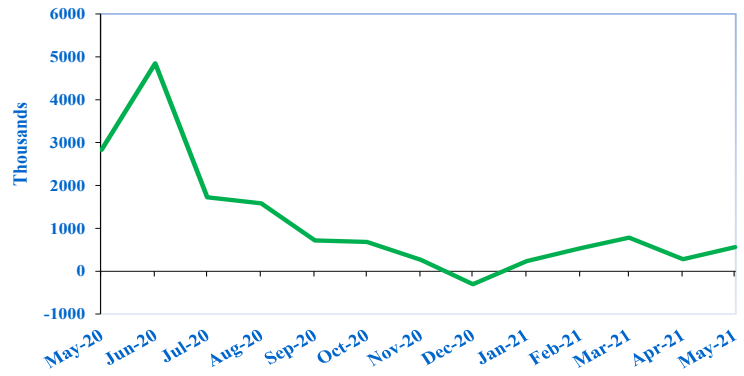
An increase of 1.5% was observed in prices for final demand goods in May. This performance stemmed from an increase of 1.1% in prices for final demand goods less foods and energy. The prices for final demand foods rose 2.6%, while prices for final demand energy increased 2.2%.

U.S. Dollar

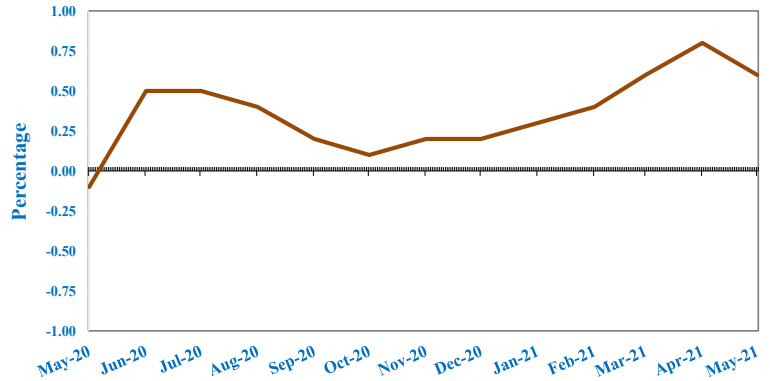
For May 2021, the EUR/USD pair closed at \$1.2227 versus \$1.2064 at the start of the month, a 1.35% increase. According to FX empire the "all things been equal, this is all about the US dollar and its weakness, queued up with the European Union showing signs of strengthening due to the reopening trade that everybody is banking on with increased vaccinations and lockdowns being the easiest in various parts of the continent."

Moreover, looking ahead, FX Empire notes to, "pay attention to the US bond market, because if we continue to see demand for treasuries, that will naturally drive up the price of the US dollar and other currencies such as the Euro."

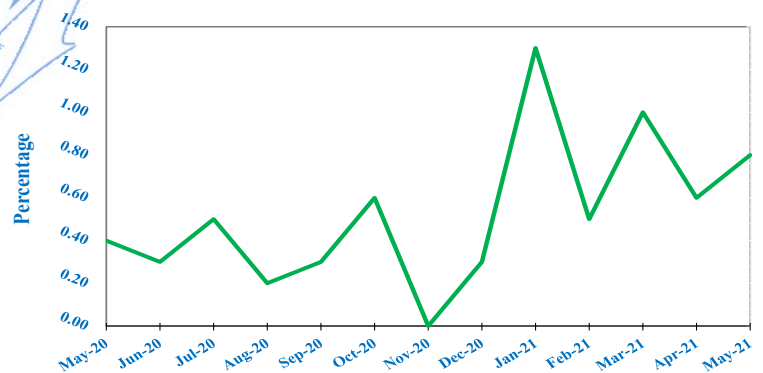
Payroll Data



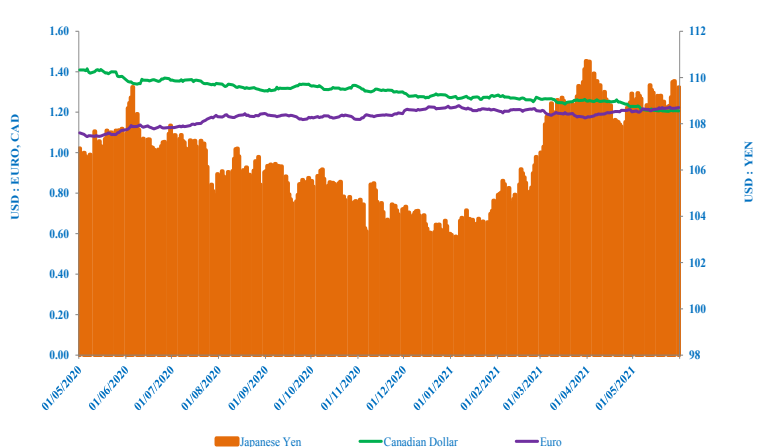
Consumer Price Index



Producer Price Index



Exchange Rate Movement





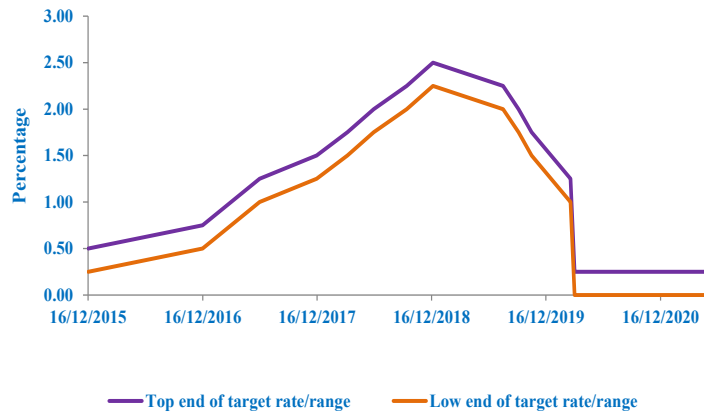
FEDERAL RESERVE MINUTES

On May 16, 2021, the Federal Reserve stated that it is committed to using its entire set of tools to assist the United States economy through this difficult period while supporting its maximum employment and price stability targets. Vaccination progress has slowed the spread of COVID-19 in the United States. Against the backdrop of this development and robust policy backing, measures of economic activity and employment have improved. The sectors most harmed by the virus are still weak, but they are improving. Inflation has risen, owing primarily to temporary factors. Furthermore, overall financial conditions remain accommodating, which is due in part to the support of policy measures to stimulate the economy and the supply of credit to US families and businesses.

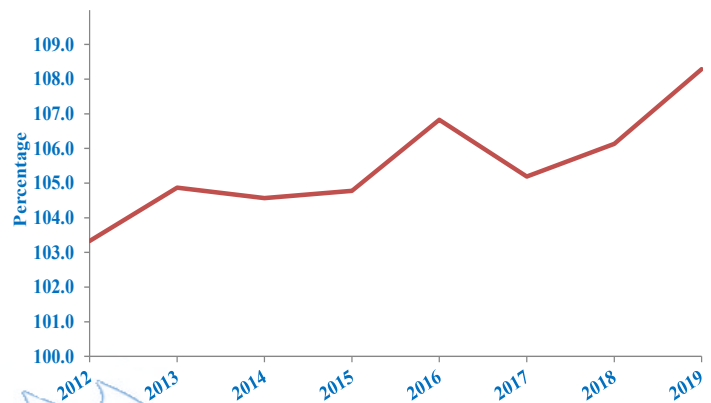
The Federal Reserve cites, “the path of the economy will depend significantly on the course of the virus. Progress on vaccinations will likely continue to reduce the effects of the public health crisis on the economy, but risks to the economic outlook remain.” The Committee’s long-term aim is to maintain employment and inflation at 2%, and it aims to keep monetary policy accommodative until these goals are reached. 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 labor market conditions have reached levels consistent with the Committee’s assessments.”

Furthermore, the Federal Reserve will continue to increase its holdings of Treasury securities by at least \$80 billion a month and agency mortgage-backed securities by at least \$40 billion per month unless significant additional progress is made toward the Committee’s maximum employment and price stability goals. Furthermore, these asset purchases promote smooth market functioning and accommodative financial conditions, thus facilitating the flow of credit to households and businesses. 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.

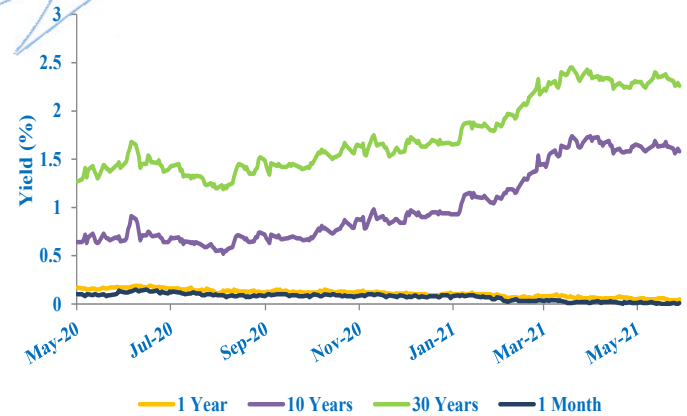
Federal Interest Rates



Debt to GDP (Percentage)



U.S. Treasury Yield



U.S. TREASURY YIELD CURVE

The 3-month Treasury bill rate was unchanged at 0.01% from April’s 0.01%. The 5-year rate declined to 0.79% in May 2021 relative to 0.89% a month earlier. The 10-year rate (also constant maturity) decreased to 1.58%, from April’s 1.65% but increased from March’s 1.74%.

GOVERNMENT DEBT/DEFICIT

The Congressional Budget Office (CBO) indicated that the federal budget deficit amounted to \$2.1 trillion for the first eight months of the fiscal year 2021.

Furthermore, for the first eight months of fiscal year 2021, CBO estimates receipts to amount to \$2,606 billion, \$587 billion more than in the similar period in 2020.

However, based on CBO estimates for the first eight months of fiscal year 2021, outlays are estimated to total \$4,671 billion, a \$771 billion increase relative to the same period last year.

Budget Totals, October-May, Billions of Dollars

	Actual, FY2020	Preliminary, FY 2021	Estimated Change
Receipts	2,019	2,606	587
Outlays	<u>3,899</u>	<u>4,671</u>	<u>771</u>
Deficit (-)	-1,880	-2,064	-184

