

**ECONOMIC SUMMARY**

**UNITED STATES**

**GROSS DOMESTIC PRODUCT**

Real gross domestic product (GDP) rose at an annual rate of 6.5% for the second quarter of 2021 according to the advance estimate released by the Bureau of Economic Analysis (BEA). This follows an increase of 6.3% in the first quarter. The second quarter GDP increase reflected continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic. BLS noted, "in the second quarter, government assistance payments in the form of loans to businesses and grants to state and local governments increased, while social benefits to households, such as the direct economic impact payments, declined."

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

Notably, the increase in PCE was due to increases in services led by food services and accommodations and goods which was led by "other" nondurable goods, notably pharmaceutical products. There was also an increase in non-residential fixed investment which revealed increases in equipment led by transportation equipment and intellectual property products led by research and development. The rise in exports reflected an increase in goods which was led by nonautomotive capital goods and services which was led by travel. Moreover, the decrease in private inventory investment primarily reflected a decrease in retail trade inventories. BEA noted that, "the decrease in federal government spending primarily reflected a decrease in nondefense spending on intermediate goods and services. In the second quarter, nondefense services decreased as the processing and administration of Paycheck Protection Program (PPP) loan applications by banks on behalf of the federal government declined."

Current dollar GDP rose 13.0% at an annual rate, or \$684.4 billion, in the second quarter to a level of \$22.72 trillion.

In the second quarter of 2021, the price index for gross domestic purchases went up 5.7% when compared to an increase by 3.9% in the first quarter of 2021. In addition, the PCE price index rose 6.4% relative to a rise of 3.8% the previous quarter. With the exception of the food and energy prices, the PCE price index climbed 6.1% versus a rise of 2.7%.

**UNEMPLOYMENT**

Total nonfarm payroll employment increased by 943,000 in July, as the unemployment rate decreased to 5.4%, according to a report by the U.S. Bureau of Labour Statistics (BLS). BLS mentioned that in July, "y. Notable job gains occurred in leisure and hospitality, in local government education, and in professional and business services."

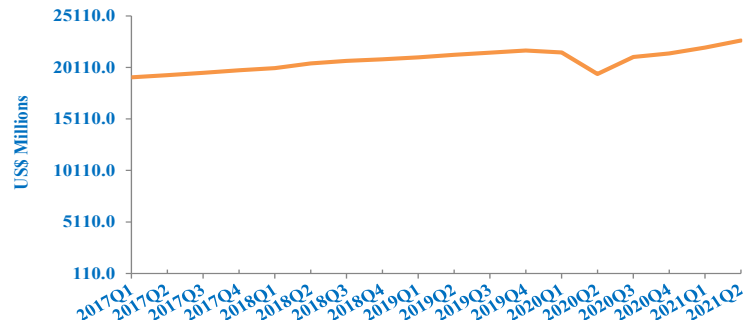
Leisure and hospitality employment rose by 380,000 in July 2021. According to BLS, "employment rose by 221,000 in local government education and by 40,000 in private education." While professional and business services added 60,000 jobs in July. Employment in transportation and warehousing rose 50,000 while other services increased by 39,000 over the month. Health care added 37,000, manufacturing (+27,000) and information (+24,000). Additionally, employment in financial activities increased by 22,000 jobs, and employment in mining increased in July by 7,000 jobs. However, retail trade employment fell by 6,000 jobs in July. Whereas employment in transportation construction and wholesale trade were little changed in July.

Notably, the number of persons on temporary layoff decreased by 572,000 to 1.2 million in July. The number of permanent job losers fell by 257,000 to 2.9 million. While the number of long-term unemployed (those jobless for 27 weeks or more) declined by 560,000 to 3.4 million. Moreover, the number of unemployed persons who were jobless less than 5 weeks in July rose 276,000 to 2.3 million.

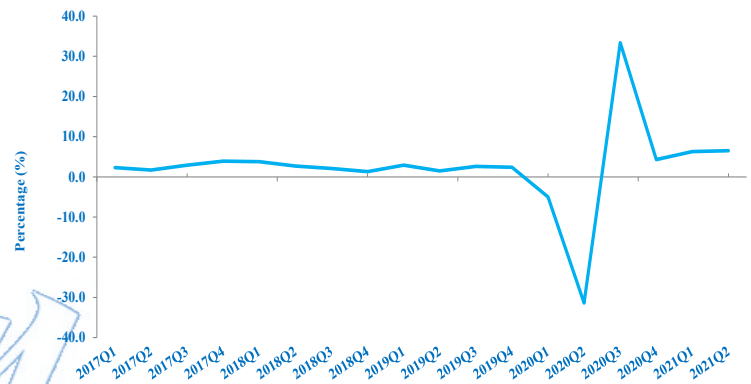
The labour force participation rate for July stood at 61.7%, while the employment population ratio rose to at 58.4%. Nonetheless, persons employed part-time for economic reasons stood at 4.5 million in July. Based on BLS assessment, "these individuals, who would have preferred full-time employment, were working part-time because their hours had been reduced or they were unable to find full-time jobs."

In July, a total of 1.9 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, 507,000 persons were classified as discouraged workers in July, a decrease of 110,000 over the month. These persons are not currently seeking work as they believe no jobs are available for them.

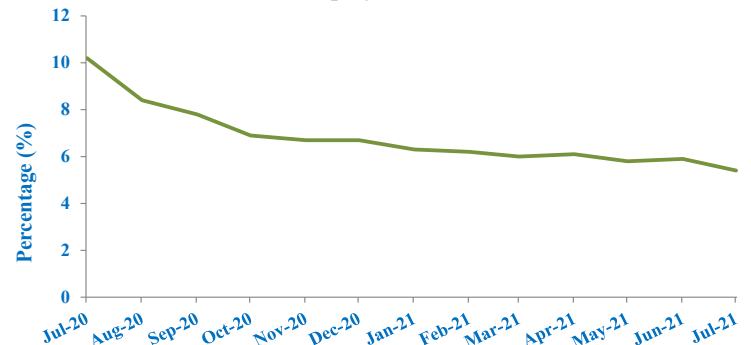
Total GDP



Percentage Change in GDP by Quarter



Unemployment Rate



Labour Force in Thousands	Jan-Mar	Apr-Jun	Jul-Sep	Oct - Dec
<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
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	435,144		



## CONSUMER PRICE INDEX

The Consumer Price Index for All Urban Consumers (CPI-U) rose 0.5% for July 2021, on a seasonally adjusted basis, according to U.S. Bureau of Labour Statistics (BLS). The all-items index rose 5.4% before seasonal adjustment over the last year.

The all-items less food and energy index climbed 0.3% in July. The index for shelter increased of 0.4%. The indexes for new vehicles, medical care, used cars and trucks, and recreation rose 1.7%, 0.3%, 0.2% and 0.6%, respectively in July. The prices for education, for communication, for tobacco, and for alcoholic beverages a rose in July, while the indexes for household furnishings and operations and for apparel were unchanged. Whereas index for motor vehicle insurance fell 2.8% and airline fares decreased by 0.1% over the month.

The index for food rose 0.7% in July, while the index for food at home increased 0.7%. The index for meats, poultry, fish, and eggs rose 1.5% in July. The index for cereals and bakery products rose 1.2%. The non-alcoholic beverages index increased 0.7% in July. The food away from home index rose 0.8% while the index for other food at home increased by 0.8% over the month. The index for dairy and related products climbed 0.6%. The index for fruits and vegetables decreased 0.9% in July.

The index for energy rose 1.6% in July. A 2.4% increase was recorded in the gasoline index. Meanwhile, the index for natural gas increased 2.2% but the electricity index increased 0.4% in July.

## PRODUCER PRICE INDEX

The final demand for the Producer Price Index rose 1.0% in July 2021, seasonally adjusted according to the U.S. Bureau of Labour Statistics. Final demand prices increased 1.0% in June 2021 and increased 0.8% in May 2021. On an unadjusted basis, "the final demand index moved up 7.8 percent for the 12 months ended in July, the largest advance since 12-month data were first calculated in November 2010," BLS indicated.

Prices for final demand less foods, energy, and trade services climbed 0.9% in the month of July.

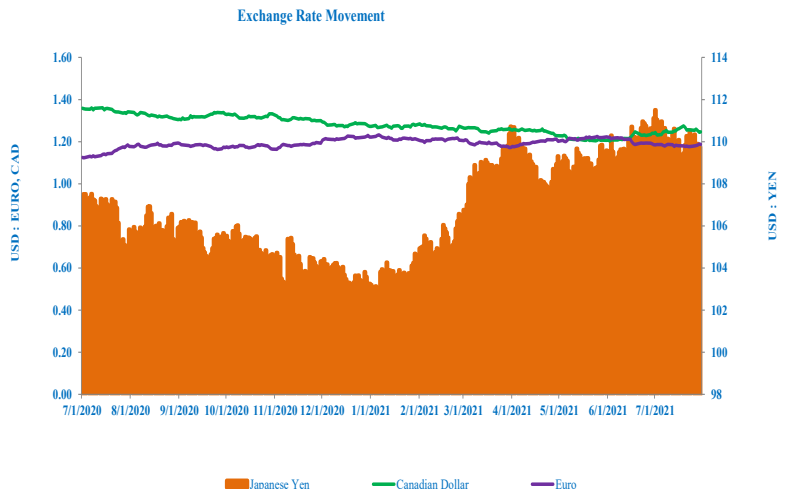
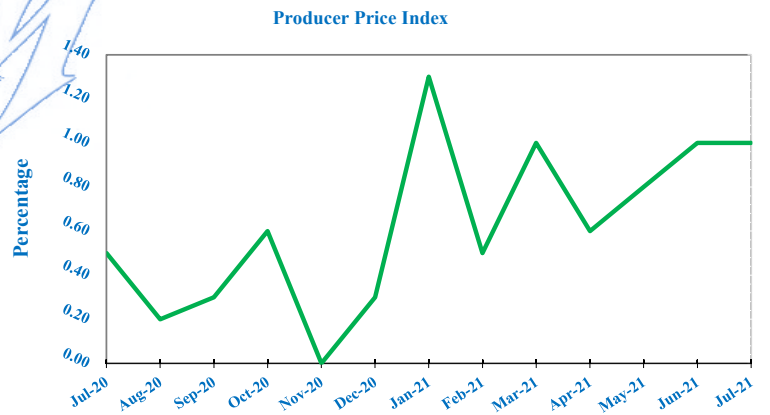
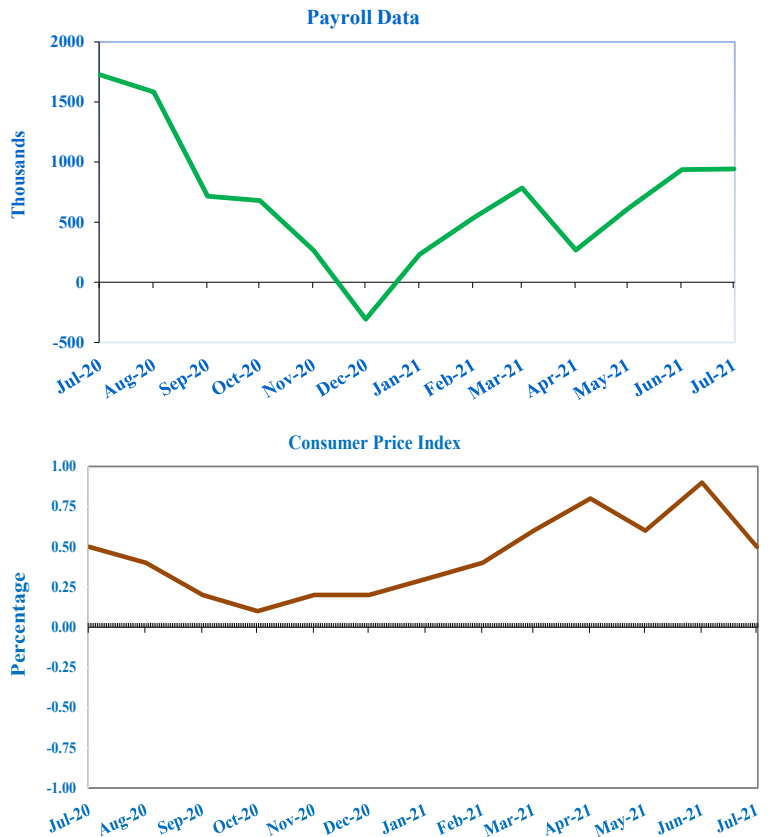
Prices for final demand services increased 1.1% in July. This was mainly attributable to the index for final demand trade services which rose 1.7%. There was an increase of 0.6% in prices for final demand services less trade, transportation, and warehousing. The prices for final demand transportation and warehousing services climbed 2.7% in July.

An increase of 0.6% was observed in prices for final demand goods in July. This performance stemmed from an increase of 1.0% in the index for final demand goods less foods and energy. The prices for final demand energy rose 2.6%, while prices for final demand foods decreased 2.1%.

## U.S. Dollar

For July 2021, the EUR/USD pair closed at \$1.1870 versus \$1.1848 at the start of the month, a 0.19% increase. According to FX empire, "the PCE numbers came out less than expected during the trading session, so there is also the possibility that a bit of a "fear trade" could come back into this market."

Moreover, looking ahead, FX Empire noted that, "the United States is currently talking about tapering, which of course will strengthened the greenback overall."





## FEDERAL RESERVE MINUTES

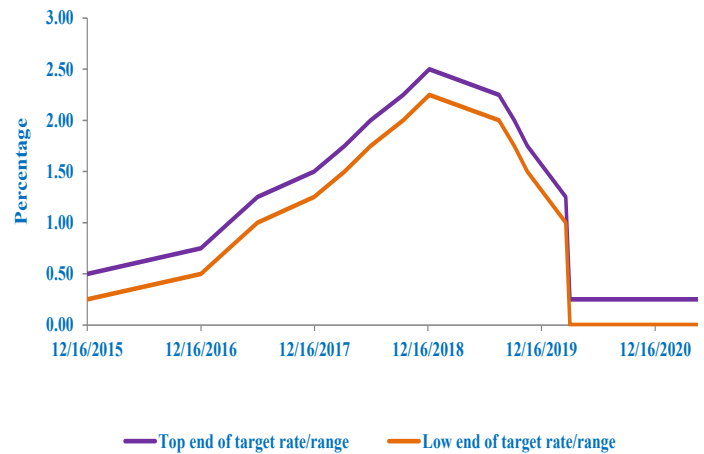
On July 28, 2021, the Federal Reserve held its benchmark interest rate at 0 and 0.25% after the Federal Open Market Committee concluded its two-day meeting. This target range is expected to be maintained until labor market conditions have reached levels consistent with the Committee's assessments.

FOMC highlighted advancements in vaccines and strong policy backing, indicators of economic activity, and employment have continued to improve. The industries most impacted by the pandemic have improved but have not entirely recovered. Inflation has risen, owing primarily to transitory causes. 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.

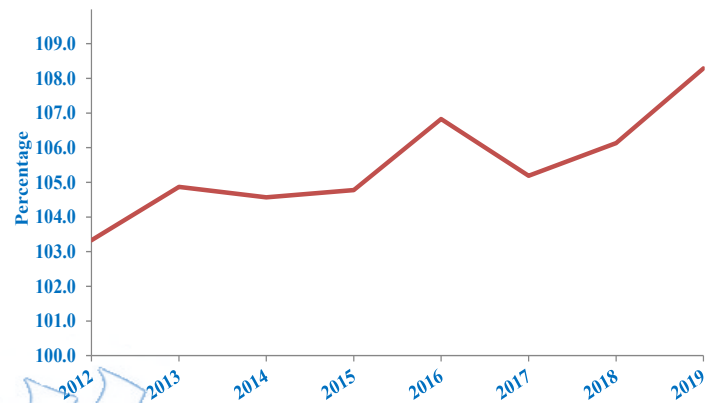
The Federal Reserve cites, "the path of the economy will depend significantly on the course of the virus. Progress on vaccinations will likely continue to reduce the effects of the public health crisis on the economy, but risks to the economic outlook remain." The Committee's long-term aim is to maintain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

Furthermore, the Federal Reserve intends 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 until 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 risks emerge that could impede the attainment of the Committee's goals.

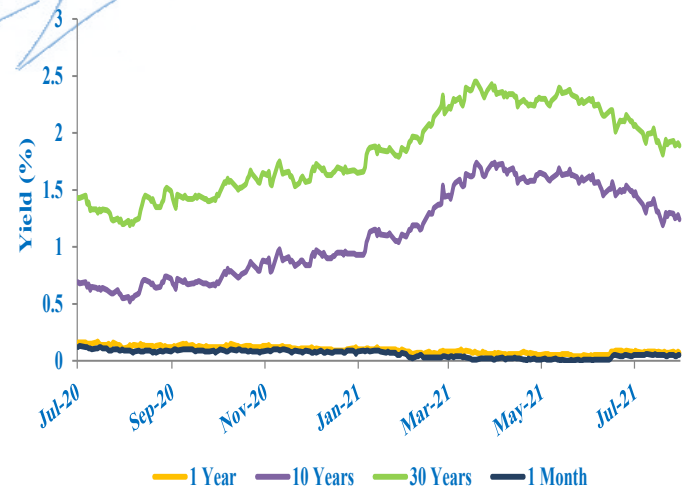
Federal Interest Rates



Debt to GDP (Percentage)



U.S. Treasury Yield



## U.S. TREASURY YIELD CURVE

The 3-month Treasury bill rate increased to 0.06% from June's 0.05%. The 5-year rate fell to 0.69% in July 2021 relative to 0.87% a month earlier. The 10-year rate (also constant maturity) decreased to 1.24%, from June's 1.45% and decreased from May's 1.58%.

## GOVERNMENT DEBT/DEFICIT

The Congressional Budget Office (CBO) indicated that the federal budget deficit amounted to \$2.5 trillion for the first ten months of the fiscal year 2021.

Furthermore, for the first ten months of fiscal year 2021, CBO estimates receipts to amount to \$3,317 billion, \$494 billion more than in the similar period in 2020.

However, based on CBO estimates for the first ten months of fiscal year 2021, outlays are estimated to total \$5,856 billion, a \$225 billion increase relative to the same period last year.

Budget Totals, October-July, Billions of Dollars			
	Actual, FY2020	Preliminary, FY 2021	Estimated Change
Receipts	2,824	3,317	494
Outlays	<u>5,631</u>	<u>5,856</u>	<u>225</u>
Deficit (-)	-2,807	-2,539	269

