

ECONOMIC PULSE

UNITED STATES: IMPROVEMENT CONFIRMED

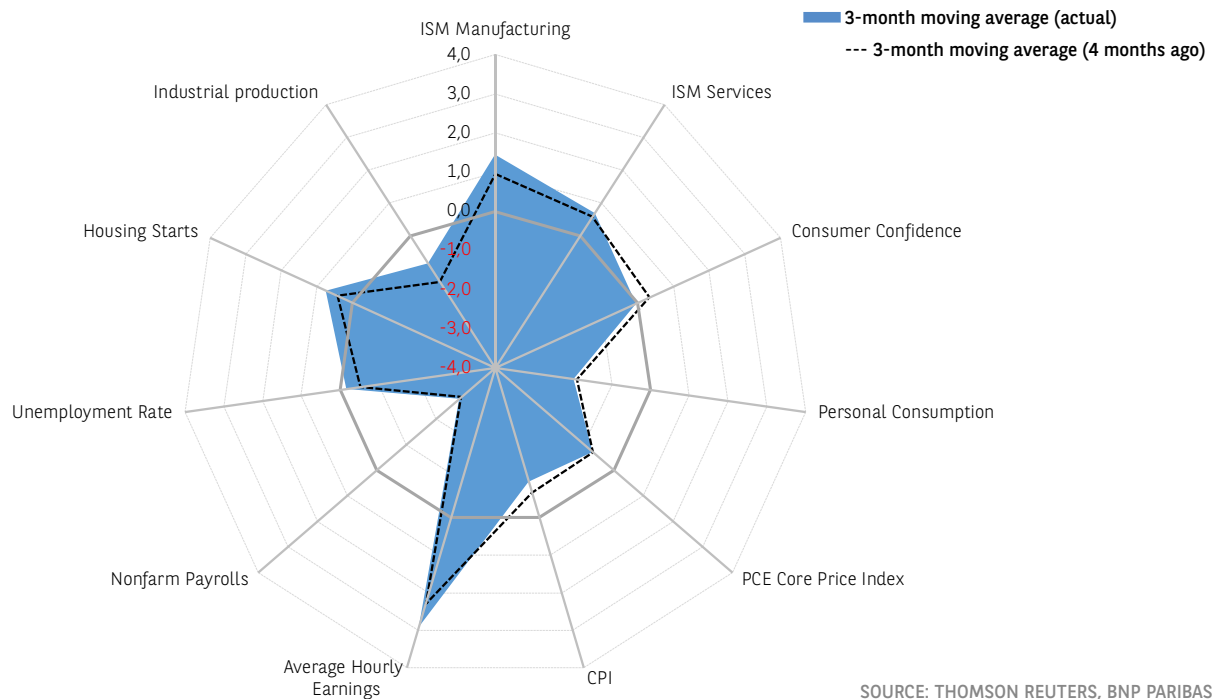
With deaths from Covid-19 having exceeded the startling level of 500,000 in the US, other cheerier statistics have driven the markets forward. The main equity index, the Standard & Poor's 500, closed at 3,939 on 11 March, a new absolute record. The acceleration in the vaccination campaign, which has already administered 100 million doses, and the associated fall in the number of new cases, to close to their lowest level since the pandemic began, have, day by day, built hope that the crisis is nearing its end.

In a televised speech, President Biden suggested the symbolic date of 4 July, Independence Day, as marking a possible return to normal. Mobility indicators provided by the Google search engine are already improving; taken alongside the recovery in employment (379,000 jobs created in February), this confirms that consumer spending is bouncing back, after having slowed in the final months of 2020. It will receive an exceptional quantity of fuel in the forthcoming weeks. The vast stimulus package approved by Congress on Wednesday focuses heavily on boosting demand; nearly half of the total 1,900 billion dollar package will be transferred directly to households in the form of stimulus cheques, additional unemployment benefits and tax credits. It is still

something of a gamble to predict whether Americans will save or spend this bounty, but the scale of the stimulus is such that growth in the US economy can only be revised upwards. The Organisation for Economic Cooperation and Development (OECD) did not hesitate to increase its previous forecast by more than 3 points, and now expects US GDP to grow by 6.5% in 2021. Although the OECD downplays inflationary risk, prices are already starting to pick up in the US, due mainly to the sharp rise in oil prices. Year-on-year inflation, which already started to tick upwards in February (to 1.7%) could reach 2.5% in March, temporarily overshooting the Federal Reserve's official target of 2%.

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QUARTERLY CHANGES



The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +4. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

