

# ECONOMIC PULSE

## UNITED STATES: LIGHT AT THE END OF THE TUNNEL

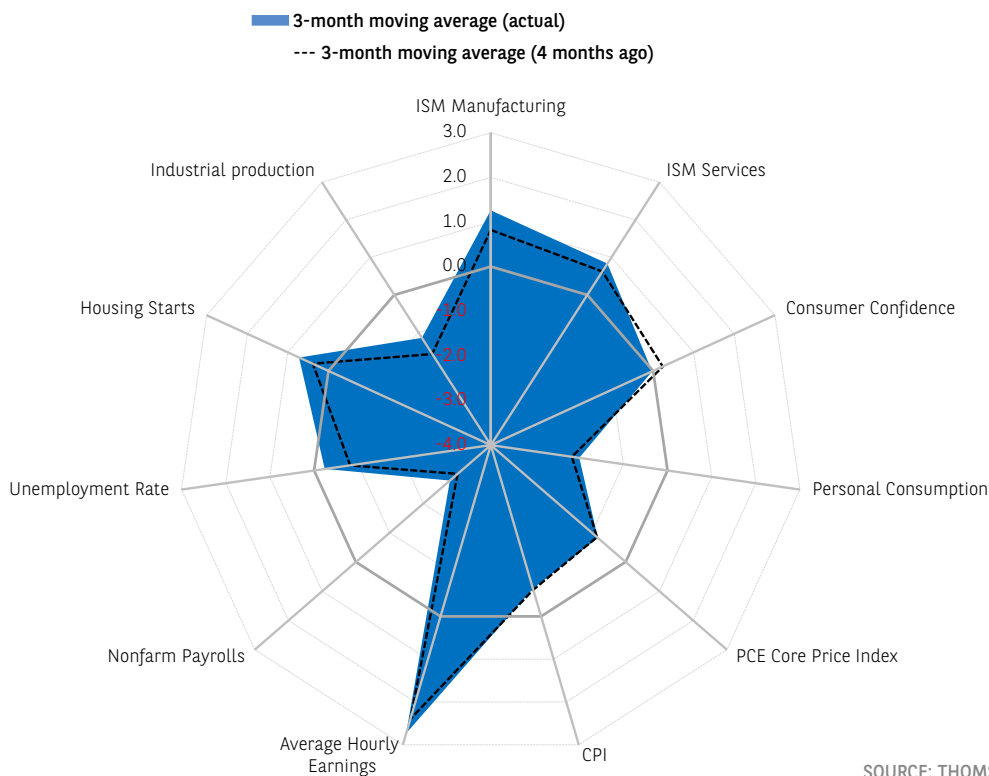
Even as the Covid-19 pandemic spreads to more victims than ever in the United States, there have never been such high hopes for a recovery. With the number of deaths averaging nearly 3000 a day since January 15 - 50% more than during the April 2020 peak - the health situation remains persistently bad. At 12 February, the pandemic had caused 470,000 deaths, which is still the world record.

Yet vaccination campaigns are also accelerating. The United States is beginning to see the light at the end of the tunnel: nearly 45 million doses have already been administered, and the number of new cases is falling (100,000 new cases a day, down from nearly double that figure the previous month). Except for the outbreak of an uncontrollable variant, herd immunity now seems within reach by early fall 2021, a hypothesis cautiously put forward by Dr. Anthony Fauci, the White House's chief medical advisor. By year end, the US GDP could have regained most of ground lost since 2019, bolstered by a massive fiscal stimulus package of USD 1.9 trillion (9 points of GDP) that Congress is still debating. In the meantime, economic activity will continue to

benefit from strong monetary support. In a speech before the Economic Club of New York, Federal Reserve chairman Jerome Powell justified his "patiently accommodating" policy bias based on the job market situation, which is far from satisfactory. In January, non-farm payroll job creations were weak (49,000 new jobs) and failed to offset December's job losses (227,000 jobs). Compared to the pre-Covid situation, the working population has shrunk by 10 million employees, a bigger loss than during the 2008 financial crisis. The jobless rate is only 6.3%, but this figure is held down by a historically low participation rate. Inflation is not a problem, at only 1.4% year-on-year in January. Although Mr. Powell expects inflation to accelerate in the wake of rising oil prices and after the easing of lockdown restrictions, he nonetheless expects it to remain transitory. The return to full employment and the ensuing increase in prices is unlikely to occur until much later

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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 +3. 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.

