ECONOMIC PULSE

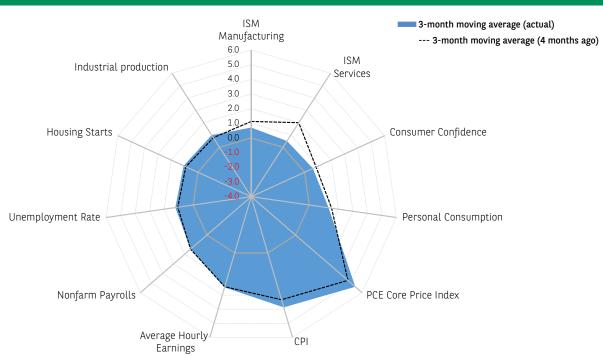## UNITED STATES: STRONGER THAN THE CONTRACTION OF GDP SUGGESTS

Contrary to expectations (annualised quarterly growth of 1%) US GDP contracted by an annualised quarterly rate of 1.4% in Q1 2022. This surprise fall hides a more nuanced and less negative reality. The economic engines of household consumption and business investment are robust and contributed 1.8 points and 1.3 points of growth respectively. However, reduced inventories at companies (contribution from changes in inventory of -0.8 of a point) and a reduction in public spending (contribution of -0.5 of a point), due to the ending of several support programmes, had a negative effect on growth. But the biggest negative contribution came from international trade (-3.2 points), which was the main reason for the drop in quarterly GDP. On the one hand, imports decreased in goods, especially non-food and non-automotive consumer goods. On the other hand, exports in goods fell, due to the war in Ukraine and the resurgence of the Omicron variant of Covid-19, but it was partly offset by an increase of exports in services.

In the labour market, the news remained good: 428,000 non-farm jobs were created in April; the unemployment rate was 3.6% in April, its lowest for 50 years; and there are clear signs of labour shortages, with an historically low ratio job seekers per job opening (0.6 in March). This robust labour market is dragging wages upwards in its wake (with a year-on-year rise of 5.6% in April), which will help mitigate somewhat the impact of the inflationary shock on households' real disposable income.

The issue of persistently high inflation (8.5% year-on-year in March) is more relevant than ever and explains the Fed's recent decisions. The FOMC raised its policy rate by 50 basis points at its meeting of 3 and 4 May, taking it to 1% (upper end of the target range). In its forward guidance, the FOMC points towards further, similar increases at its next meetings. Meanwhile, the Fed has announced a gradual reduction in its balance sheet at a monthly rate of USD47.5 billion from June to August, and then USD95 billion from September.

Félix Berte

UNITED STATES: QUARTERLY CHANGES

SOURCE: REFINITIV, BNP PARIBAS

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 +6. 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.

BNP PARIBAS

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