# UNITED STATES: THE GAP HAS NOT YET CLOSED

In the United States, as nearly everywhere else, the economy was partially paralysed in the spring of 2020 by protective health measures in response to the Covid-19 pandemic. US GDP collapsed by 9.1% in the second quarter (31.7% annualized), a record fall. There has been a recovery over the summer, bringing a strong rally in business climate indicators and markets.

This is what this week's barometer shows; a return to normal in surveys, both for companies (the Institute for Supply Management's PMI figures) and for consumers (Conference Board confidence indices). However the 'hard' data (on production, employment, consumption and so forth) have seen nothing like the same level of improvement. Industrial activity remains around 8% below its 2019 average and only half of the 22 million jobs lost between March and April have been recovered, leaving a considerable shortfall in employment that still needs to be addressed. Job losses have particularly affected low-income groups, creating the illusion of an increase in hourly wage rates (caused by change in composition). If Americans have not been impoverished - their disposable income rose sharply in the second quarter- , this is because the federal government has intervened on a massive scale, e.g. increasing by USD600 weekly unemployment benefits. Although

they have been extended to the end of the year, these measures will nevertheless be scaled back, by between 30% and 50% depending on the state. The recovery in consumption could therefore begin to run out of steam. As far as the epidemic is concerned the latest figures remain chilling, although they have at least stopped getting worse. New case numbers have fallen since the end of July, but with new infections running at the rate of 40,000 per day as autumn approaches, Covid-19 remains active in the United States.

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QUARTERLY CHANGES

SOURCE: THOMSON REUTERS, BNP PARIBAS
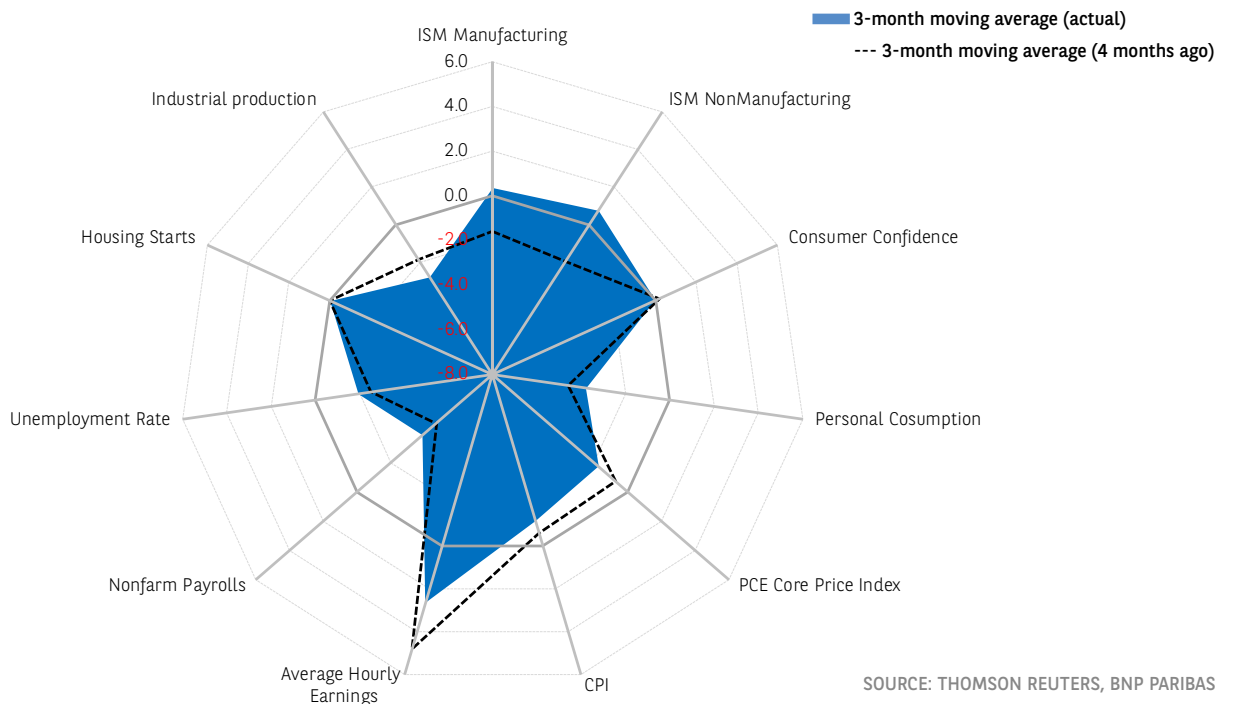
The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -8 and +6. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.