

# ECONOMIC PULSE

## UNITED STATES: A NEW INFLATION RECORD

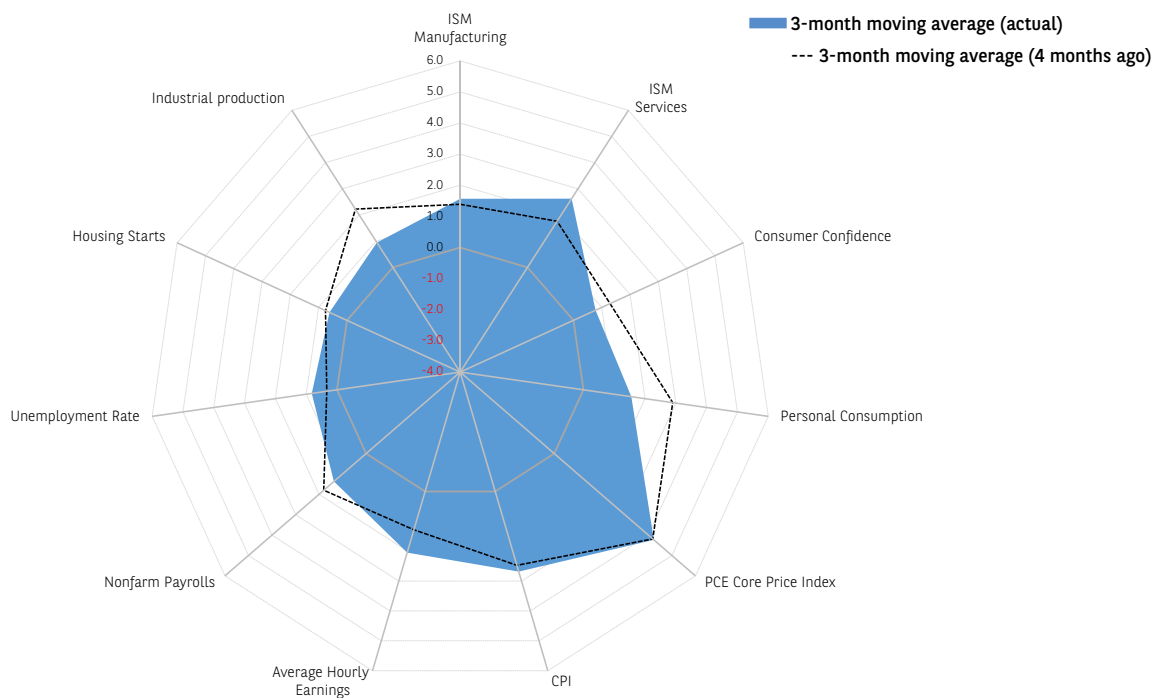
The rising trend in prices in the USA is far from over and has become a real focus of attention. In November 2021, inflation was 6.8% year-on-year (y/y), its highest level since June 1982. Although soaring energy prices (up 33% y/y) contributed to the increase in the cost of living, as in previous months, these were no longer the sole cause. Even stripping out energy and food, inflation was still 4.9% in November, another record. Having risen by 3.9% y/y, rents, which represent the main item of expenditure for households (33% of the index), are beginning to have a significant effect. Far from being anecdotal, their increase has accelerated month after month in the wake of the surge in real estate prices. Relative to median wages, the average price for houses has returned to its 2006 peak; in the 20 biggest cities, it is up 20% y/y, a record.

Inflation has been overshooting the 2% official gal for more than 8 months now, prompting the Federal Reserve to adopt a less accommodative stance. In his recent testimony to the Senate, the Fed's Chairman, Jerome Powell, indicated that rising prices could no longer be described as "transitory". He also gave some credence to the likelihood of a swifter end to quantitative easing, opening the possibility of a rate increase, perhaps in the summer of 2022. It goes without saying that the next meeting of the Open Market Committee, due on Wednesday 15 December, will be closely watched.

The labour market is robust again. More than 6 million jobs were created in 2021, out of the 9.4 million jobs lost in 2020. In November, the unemployment rate dropped to 4.2% of the active population, far below the Fed's expectations. Although the labour market participation rate is still rather low, it is easily explained by the discouragement of workers with the highest exposure to the pandemic, as well as to demographic influences. Unbiased by an aging population, the share of Americans in the 20-64 age group who are active in the job market (employed or actively seeking employment) continues to rise.

Jean-Luc Proutat

### US: 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.

