

ECONOMIC PULSE

UNITED STATES: A ROSY BEIGE BOOK

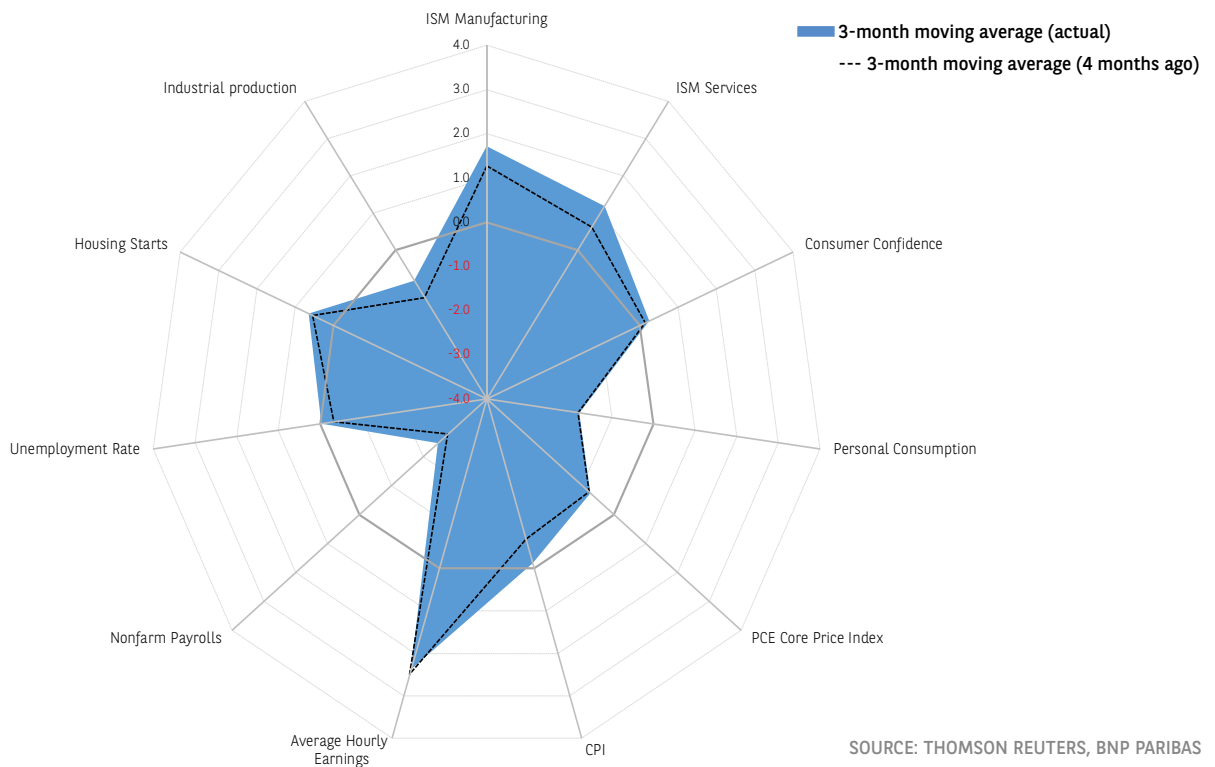
It is a true pleasure to read the April 2021 edition of the Beige Book, which the Federal Reserve Board (Fed) publishes eight times a year on current economic conditions in the US. Without exception, all twelve districts covered by Fed surveys reported an improvement in the business climate, with the wealthiest and most productive regions of the northeast, like Philadelphia, bordering on euphoria. With the acceleration of the vaccination campaign (nearly 200 million doses have already been given) and the easing of travel restrictions, consumption is rebounding vigorously. Consumer spending is also benefiting from the first stimulus cheques distributed as part of the American Rescue Plan. These cheques, which will amount to a total of nearly USD 400 bn (2.3 points of disposable income) in 2021.

With the arrival of spring, US household demand for durable goods (automobiles, household furnishings) and travel is very strong, which is contributing to pricing pressures. In March, inflation rose to 2.6%, which mainly reflects the increase in the energy bill. In April, inflation could near 3%, when prices will be compared with last year's particularly low levels. Hiring is intensifying: 1.6 million non-farm payroll jobs were created in Q1 2021, including 916,000 new jobs in March alone, beating expectations. Federal Reserve Chair Jerome Powell and US Treasury Secretary Janet Yellen both expressed reasonable confidence.

As the United States approaches herd immunity, the sectors still paralysed by the pandemic (hotel and restaurant services, entertainment industry) will begin hiring again. Mr. Powell recently put forward an optimistic scenario based on an ongoing pace of 1 million new jobs a month. For Treasury Secretary Yellen, full employment could be reached by 2022. She was not really contradicted by the Fed, which in its March economic outlook foresees unemployment falling back to about 4.5% of the active population by the end of next year.

Jean-Luc Proutat

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.

