
IHS Markit US Outlook

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Acceleration as economy re-opened

- Real GDP rose at a 6.4% annual rate in the first quarter, according to BEA's advance estimate
- We are now projecting real GDP growth of 6.7% in 2021 and 4.7% in 2022. GDP will surpass its previous peak this quarter.
- Driving these strong numbers are fiscal support for personal and business incomes, the continued vaccination campaign, and the faster pace at which states are re-opening their economies.
- Rebounds in prices that fell during the pandemic will push core PCE inflation to 2.5% over the first half of 2021. Then, as supply pressures ease, we expect inflation to subside to near 2% through 2023.
- Barring additional fiscal measures, we still expect Fed "lift-off" in mid-2024.

US economic growth by sector

Real GDP and its components					
Percent change, annual rate	20Q3	20Q4	21Q1	21Q2	21Q3
Real GDP	33.4	4.3	6.4	9.0	7.2
Consumption	41.0	2.3	10.7	9.0	6.4
Residential investment	63.6	37.7	10.2	3.6	5.2
Business fixed investment	22.9	13.1	9.9	5.7	6.3
Federal government	-6.2	-0.9	13.9	-1.0	-3.3
State & local government	-3.9	-0.8	1.7	17.2	1.6
Exports	59.6	22.3	-1.1	10.6	7.6
Imports	93.1	29.8	5.7	16.5	4.9

Source: IHS Markit

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Other key US indicators

Key indicators				
Percent change	2020	2021	2022	2023
Industrial production	-6.7	5.8	5.6	2.1
Payroll employment	-5.7	3.2	3.6	1.3
Consumer Price Index	1.2	2.6	1.7	1.9
Core CPI	1.7	1.9	2.1	2.2
Brent crude oil price (USD/barrel)	41.8	65.6	66.1	65.6
Federal funds rate (%)	0.38	0.07	0.08	0.10
10-year Treasury yield (%)	0.89	1.60	1.89	2.03

Source: IHS Markit

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External assumptions in the May forecast

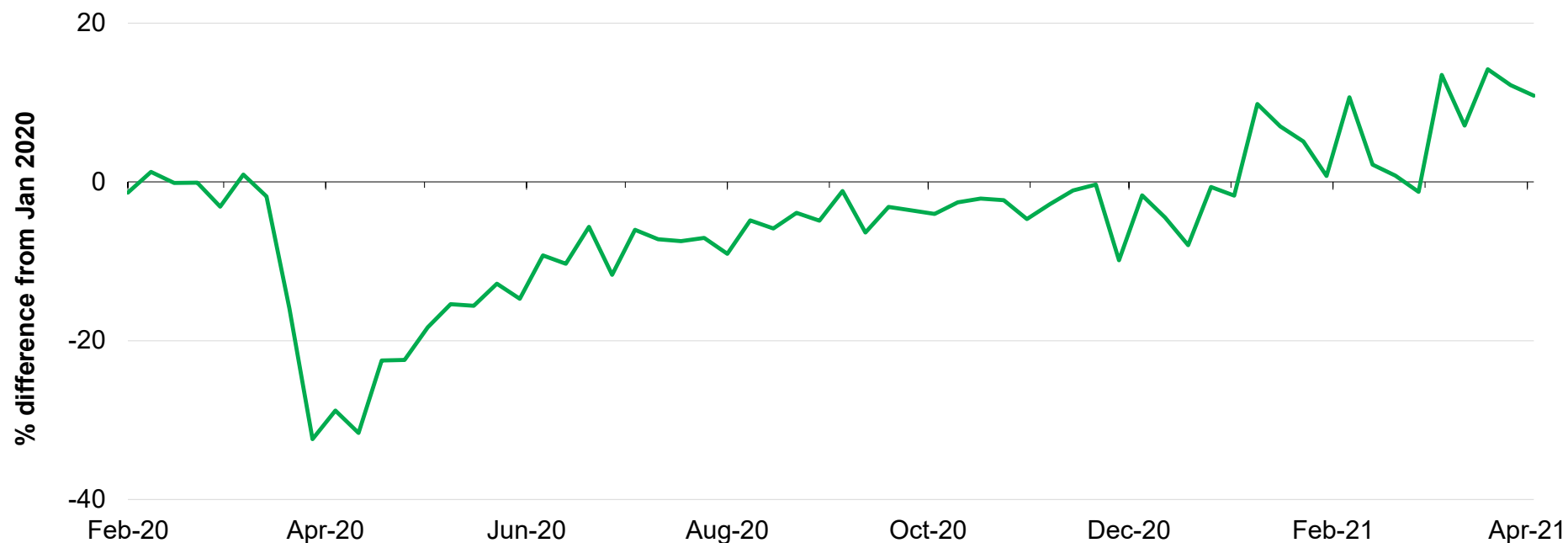
- The forecast includes tariffs enacted by the US and China since 2017 and still in effect. President Biden has signaled that his administration will not quickly reverse Trump-era initiatives towards China, instead using them as leverage in negotiations over other issues.
- With the rebound in global growth, the price of Brent crude oil surges to \$69/barrel in the second quarter of this year, then eases to \$62 in 2022 before resuming a gradual secular rise.
- Real, trade-weighted foreign GDP contracted 4.9% in 2020 but will rebound to grow 5.1% in 2021 as the COVID-19 pandemic recedes.
- The trade-weighted foreign bond yield dipped to 0.3% in 2020 but will gradually climb to 2.3% by 2030.

Assumptions about COVID-19 virus spread, treatment, and vaccine

- Vaccinations outpace the spread of new strains of the COVID-19 virus and gradually lower the trend in new cases and deaths.
- Our index of COVID-19 containment continues declining.
- Widespread inoculation of the population is achieved by late summer.
- Real consumer spending on services excluding housing and utilities approaches its historical relationship with income and wealth by 2022.

Consumer card-based spending surged after second round of stimulus checks distributed

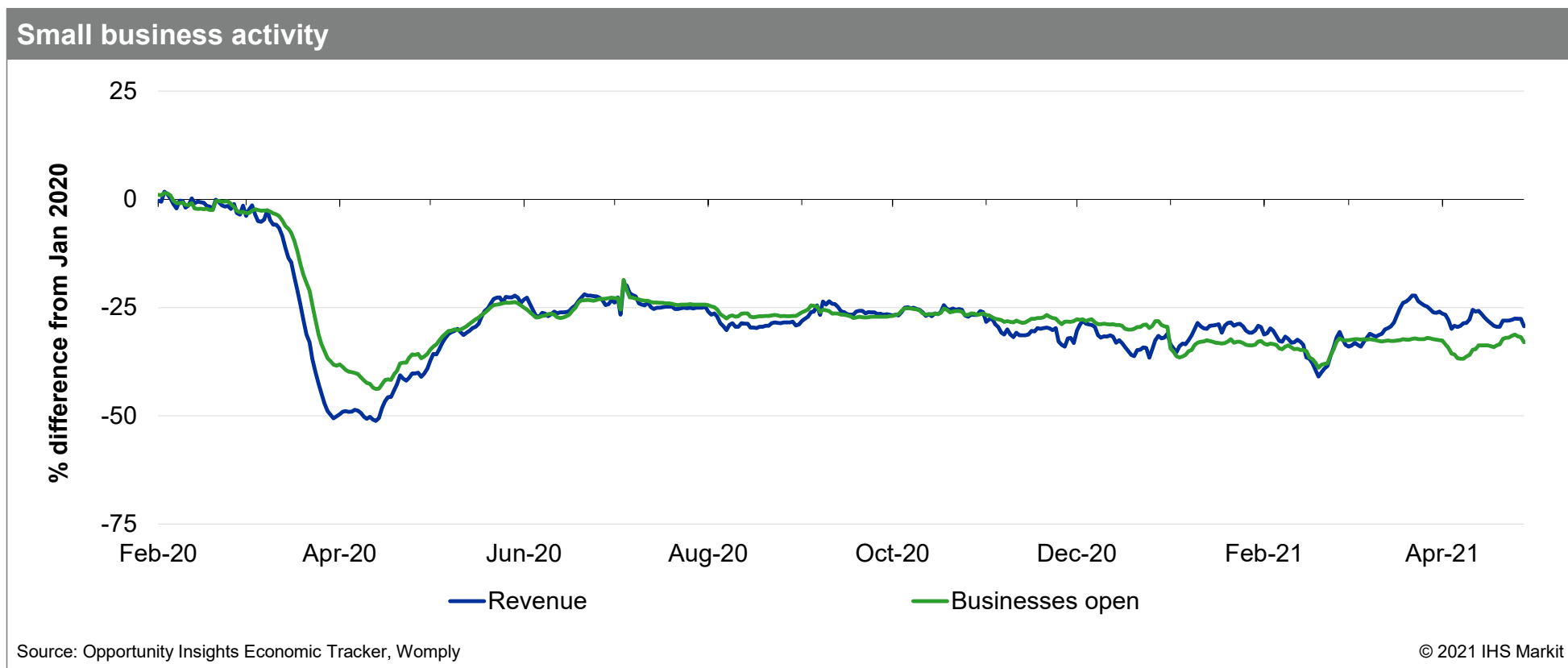
Average consumer credit and debit card spending



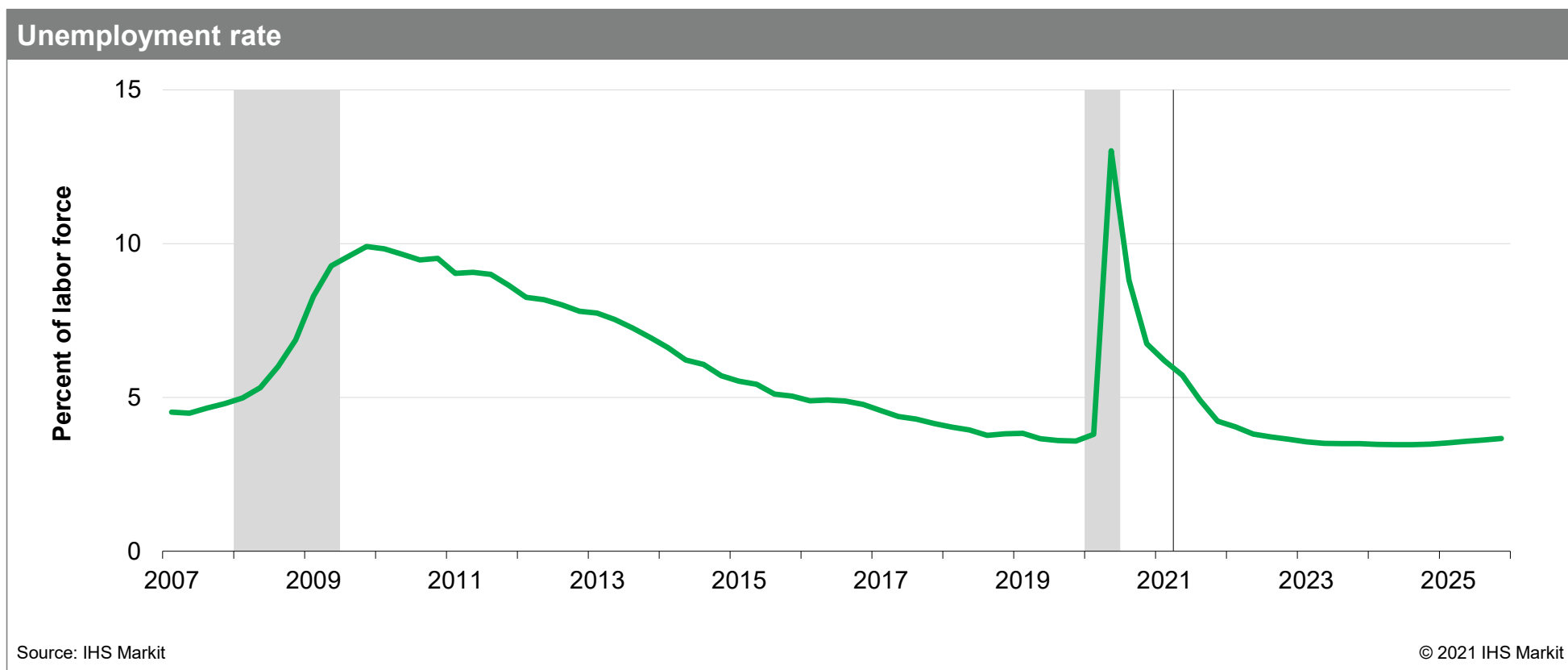
Source: Opportunity Insight Economic Tracker, Affinity Solutions

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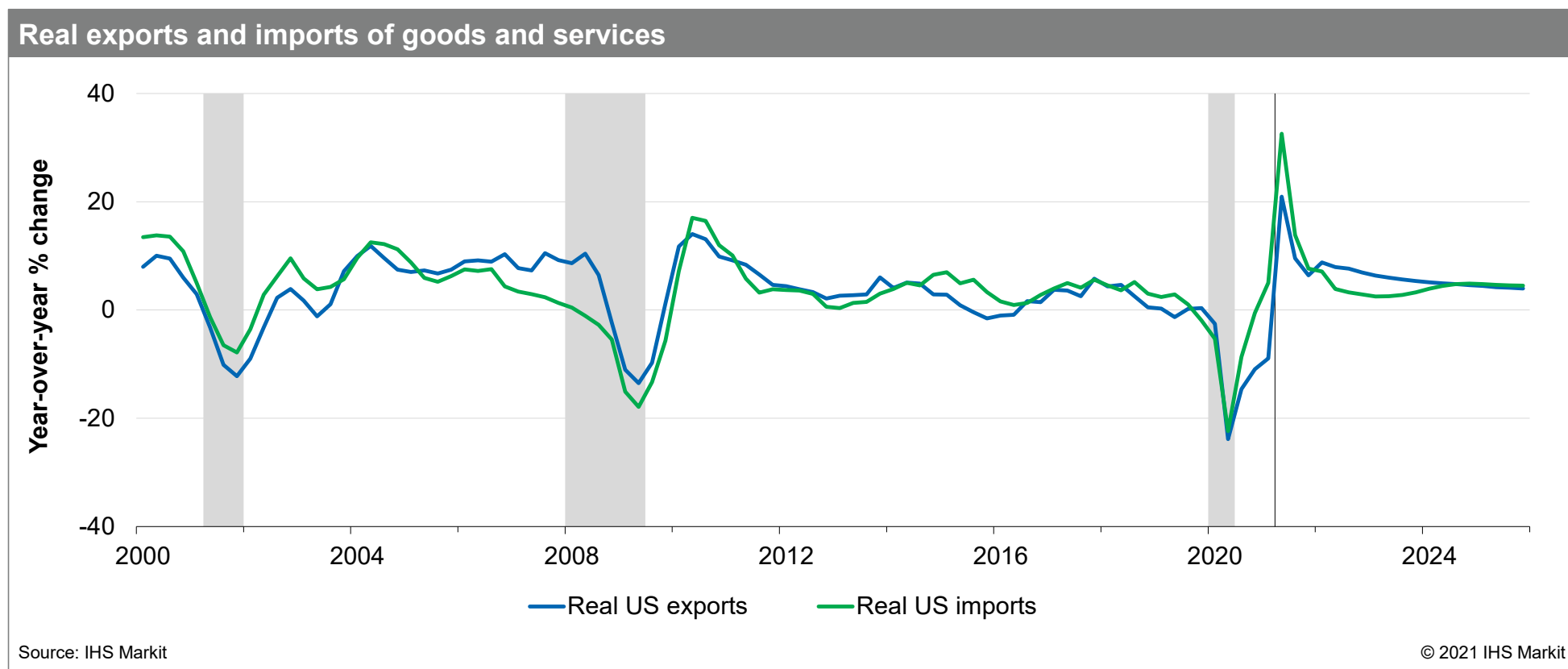
Small-business activity shows an uptick in revenue but persistent decrease in open businesses



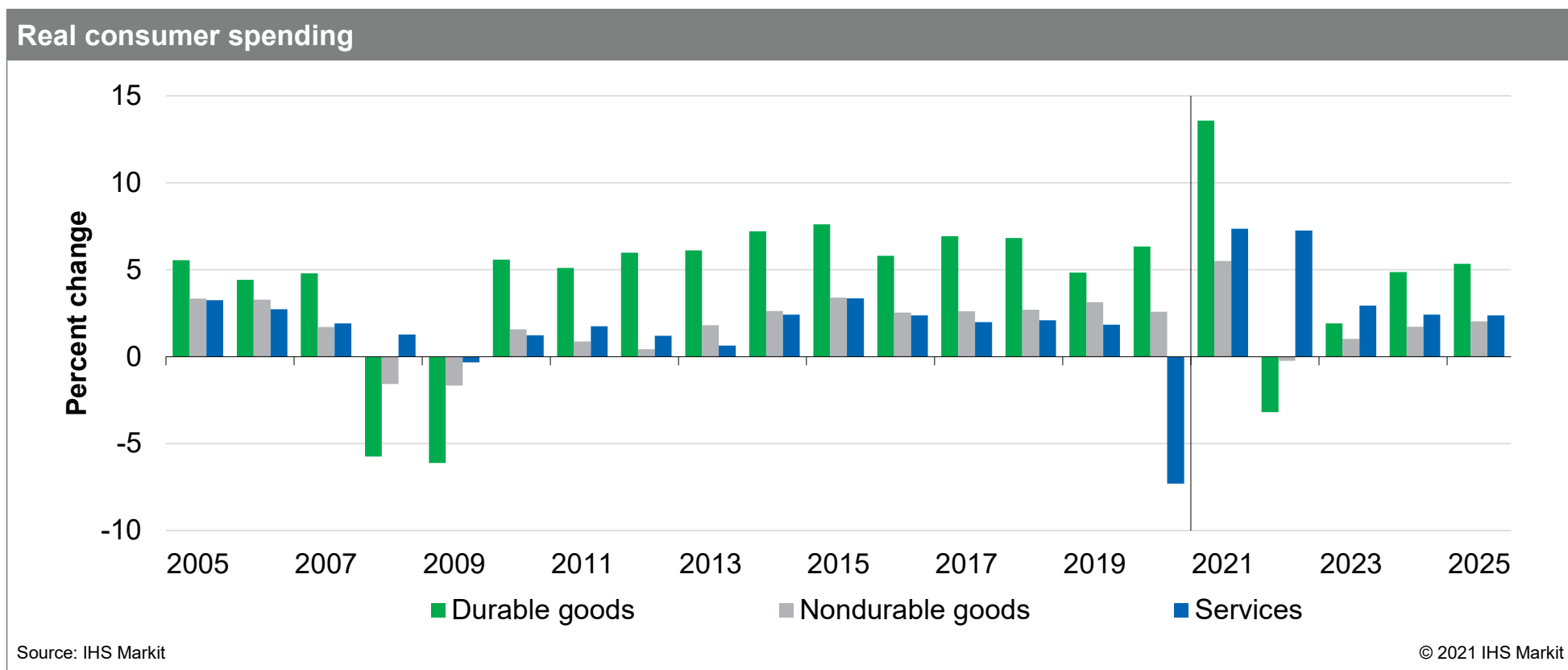
Unemployment rate



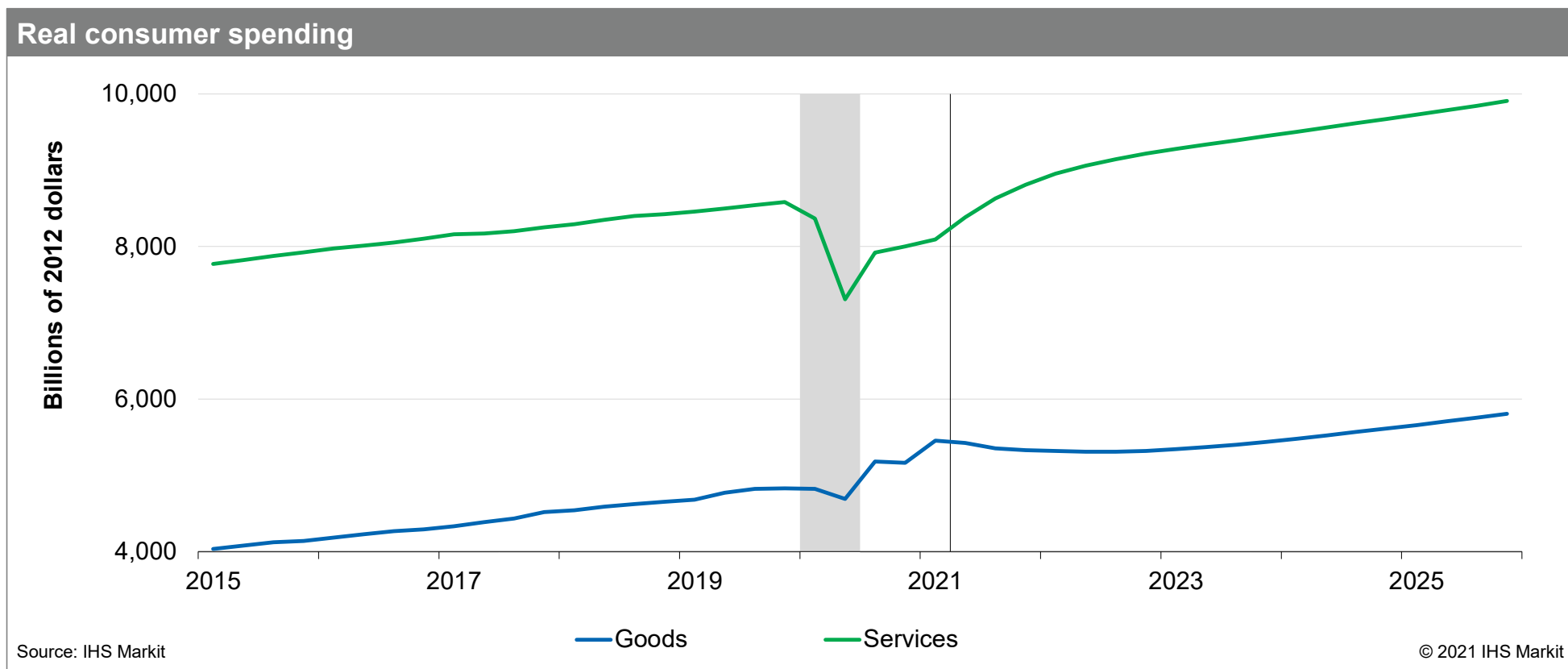
Imports recovering faster than exports as global recovery has lagged domestic demand growth



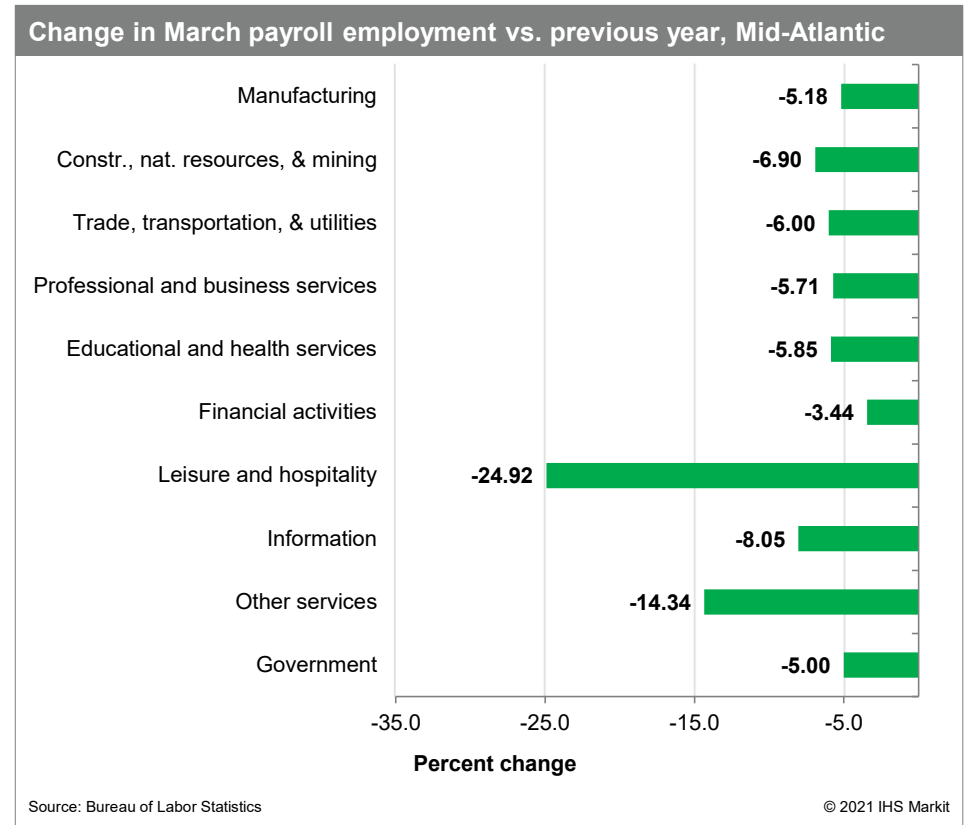
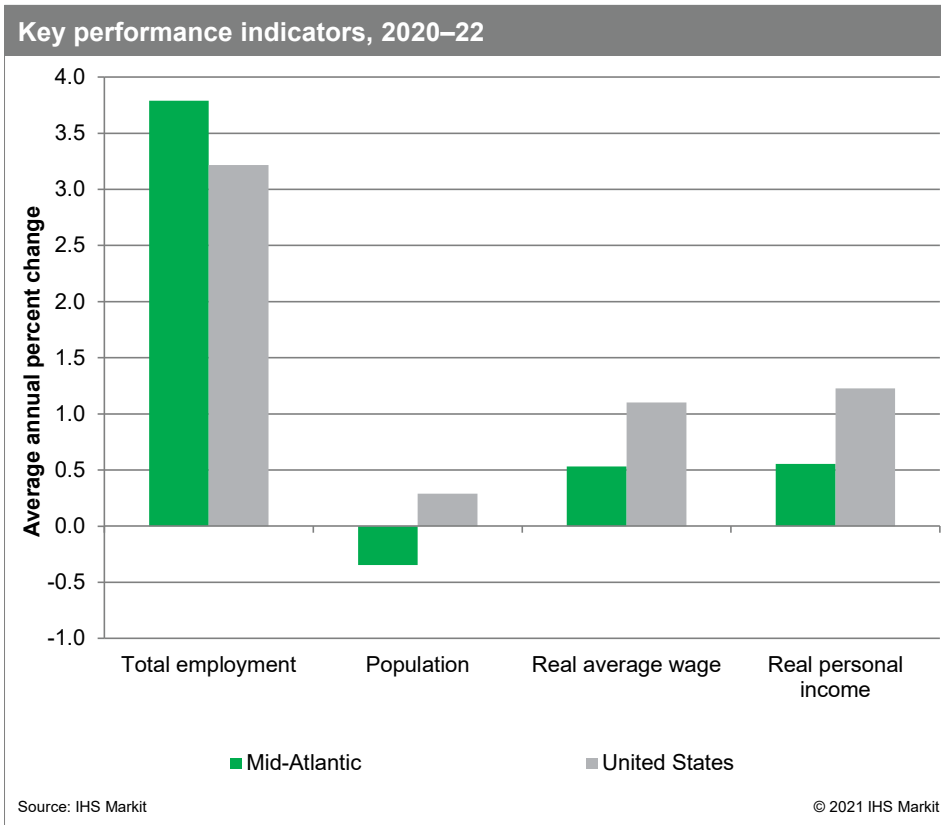
Big losses for services, but astonishing goods spending



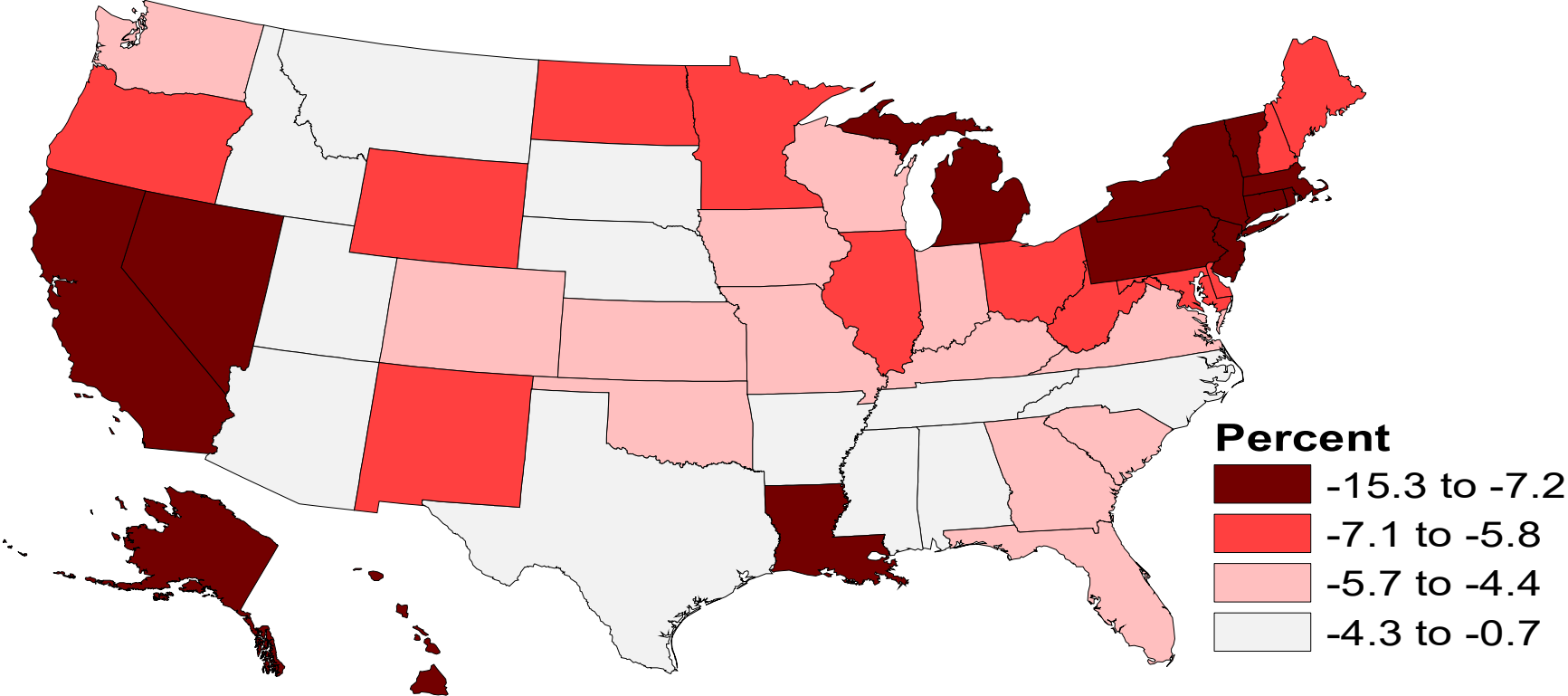
Recovery in goods spending is already complete, while services will return over the course of the year



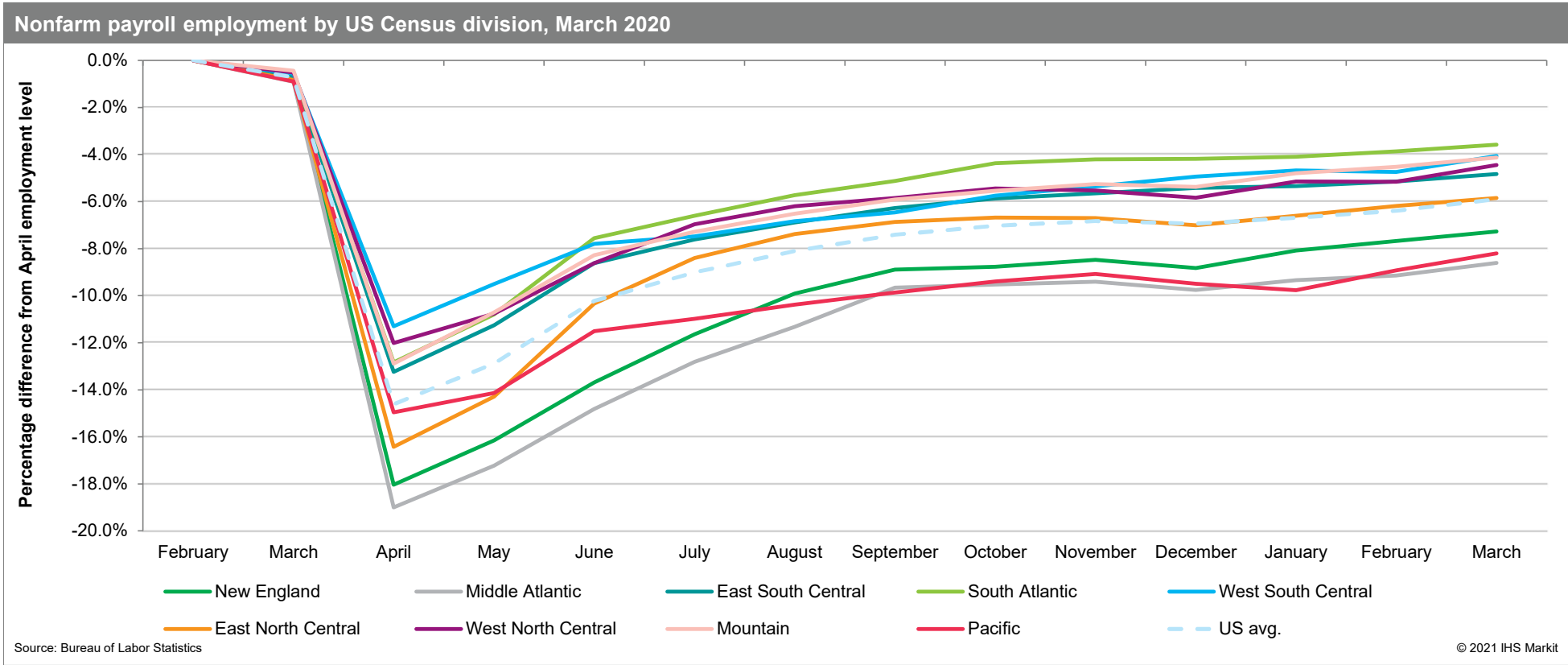
Mid-Atlantic: Improvement in COVID-19 caseloads drive optimism



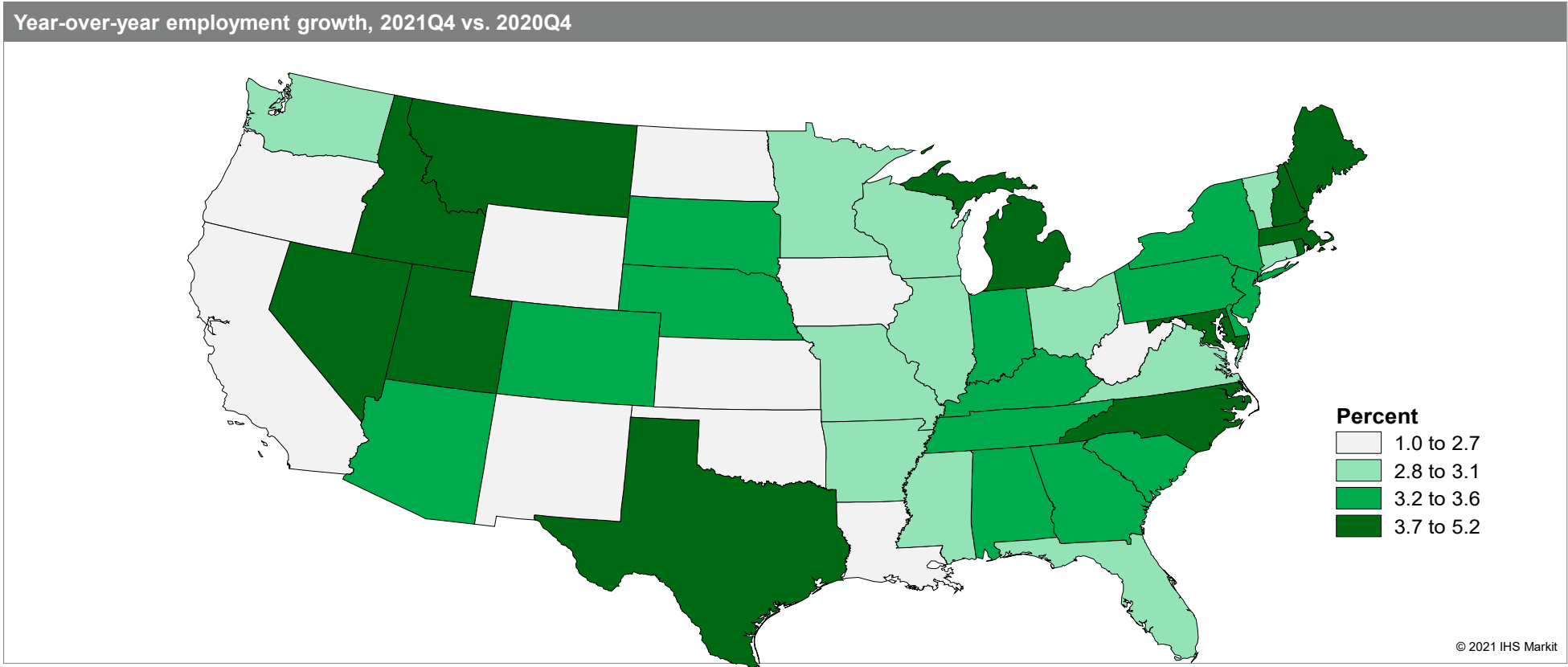
State Employment Change: 2020



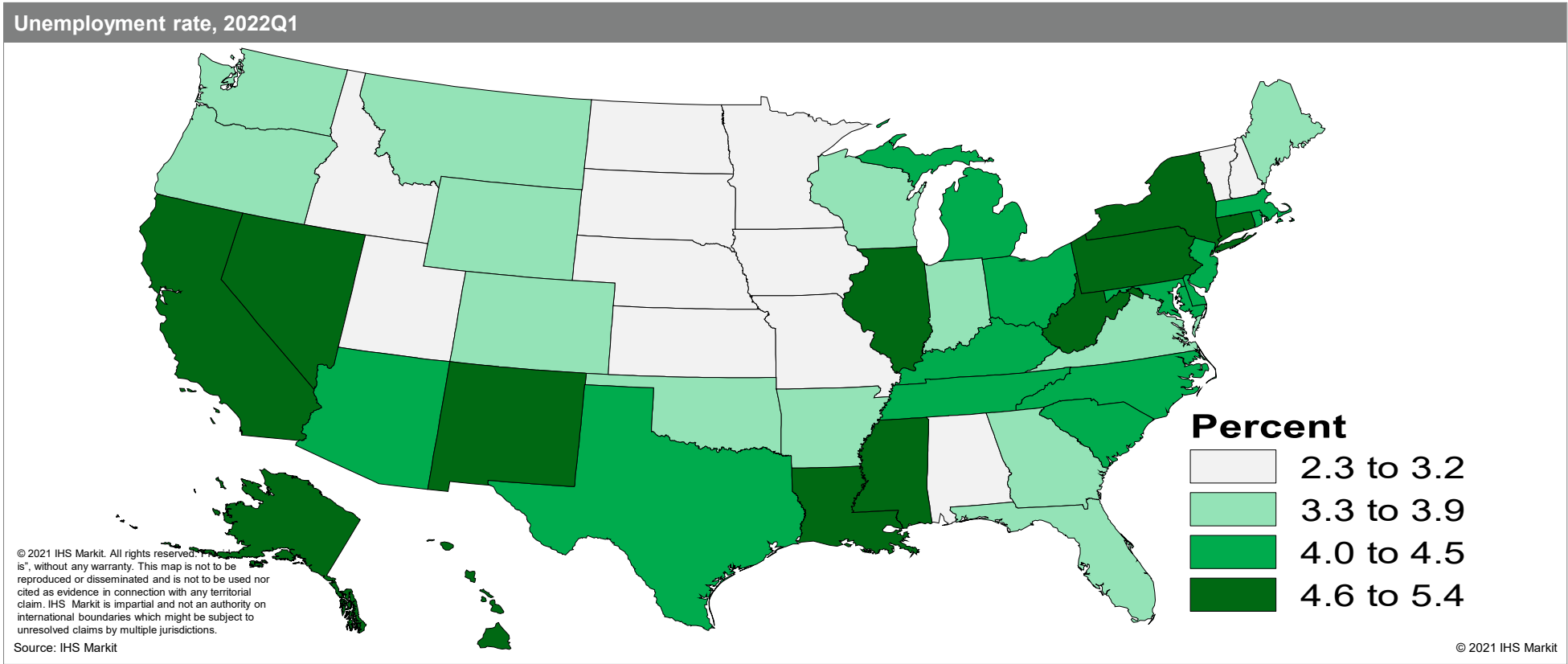
State employment in the Sun Belt still generally stronger than in the Northeast and West Coast



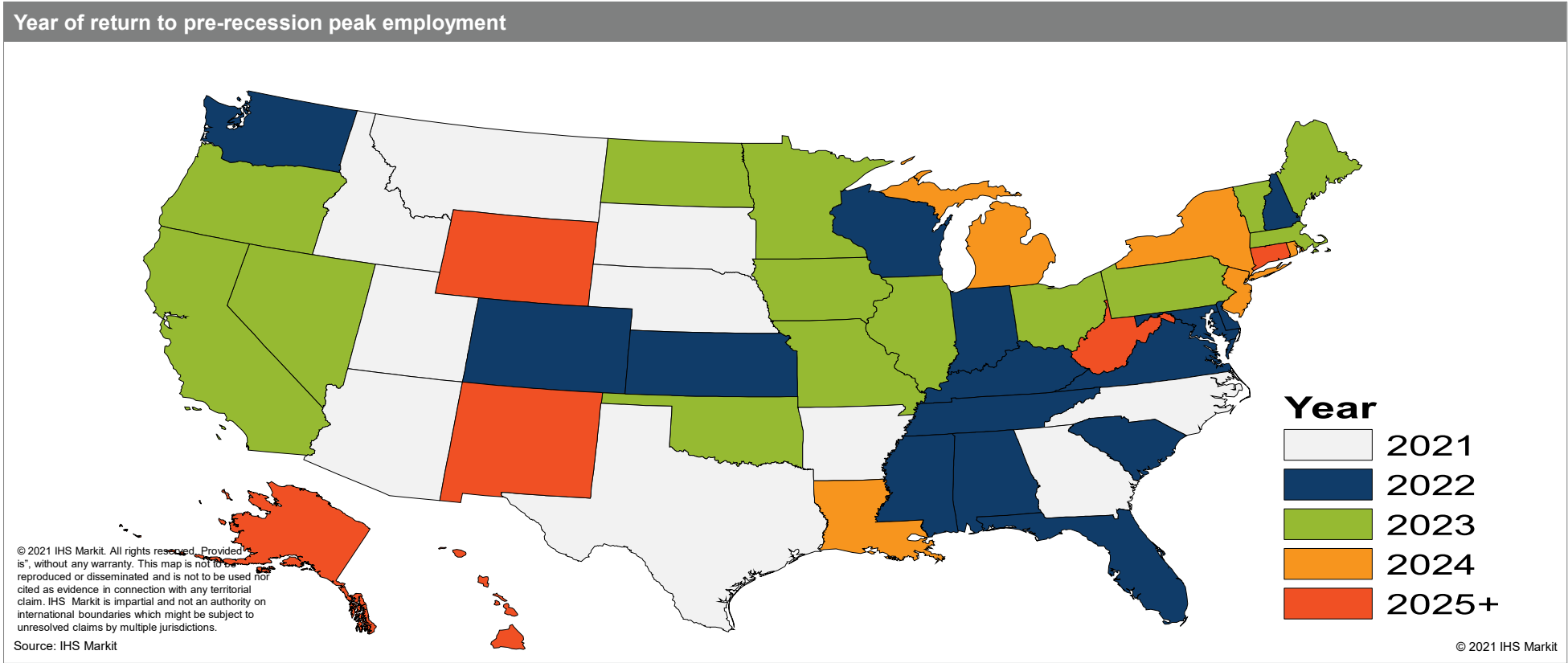
Northeastern states will register higher year-over-year growth in 2021 following steeper declines in 2020



State unemployment rates will see considerable improvement through 2021



Most states are not anticipated to return to their pre-recession peak employment until at least until 2023



Metro Areas Return to Peak

Year of return to pre-recession peak employment

