April 5, 2021

GLOBAL ECONOMIC HIGHLIGHTS

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U.S. Jobs Recovery Springs Forward in March on Vaccines and Stimulus; China Said to Be Reining in Credit Growth

UNITED STATES: Job growth accelerated further in March as vaccines and reopening boosted the economy's aggregate supply, and fiscal stimulus boosted aggregate demand. Nonfarm payroll employment rose 916,000 on the month, and job growth in January and February was revised up by a net 156,000; payroll employment was 8.4 million below its pre-crisis level in March, or 5.5 percent. The unemployment rate dipped to 6.0% from 6.2% in February, but this overstates the labor market's strength; the labor force participation rate edged up 0.1 percentage point in March to 61.5%, but was barely better than last June's 61.4%, and well below January 2020's 63.4%. The 1.9 percentage point decline in labor force participation since the crisis began means 5 million potential workers are sidelined. The Bureau of Labor Statistics said that 3.7 million Americans who were out of the labor force in March "were prevented from looking for work due to the pandemic." Americans will re-enter the labor force rapidly as the pandemic recedes.

March's jobs recovery was strong in high-contact industries. Leisure and hospitality added 280,000 jobs, public education 126,000, and private education 64,000. Retail added 22,500 jobs, almost all in brick-and-mortar stores. Air, rail, mass transit, and scenic and sightseeing transportation added 21,300 jobs. Collectively, employment gains in these high-contact industries accounted for over half of March's net job gain. Goods-producing industries also saw strong employment growth: Construction added 110,000 jobs after 56,000 losses in February amid bad weather; manufacturing added 53,000 jobs, and mining 20,000. Employment in residential building and contracting was higher in March 2021 than in March 2020, while other goods-producing industries still employ fewer workers.

March's other early economic indicators likewise signal acceleration. The ISM manufacturing index jumped to 64.7% in March from 60.8% in February and was the strongest since 1983, and The Conference Board's Consumer Confidence Index® made its largest monthly jump since 2003, retracing half of its post-pandemic drop. Initial claims for unemployment insurance rose 61,000 to 719,000 in the week ended March 27 from a downwardly-revised 658,000 a week earlier. The four-week moving average—filtering out week-to-week volatility to measure of the trend—dipped to 719,000 from 729,500 in the prior week. Nearly a million initial claims were filed under normal and emergency unemployment programs at the end of March; the last time the unemployment rate was 6% was in 2014, when initial claims were running about 300,000 per week.

PNC forecasts for the March Producer Price Index report, to be released April 9, to show producer prices up 0.8% from February on a more than 15% jump in wholesale gasoline prices; core PPI excluding food and energy likely rose 0.3% in March.

CHINA: The Financial Times reported April 4 that China's central bank has told Chinese commercial banks "to keep new loans in the first quarter of the year at roughly the same level as last year, if not lower." The report is further evidence that China has begun normalizing monetary policy. China's central bank tweaks monetary policy by throttling the growth of credit and the money supply. Changes to benchmark interest rates are made sparingly and signal larger changes in China's monetary stance. March's business surveys demonstrate that China's economic recovery is gaining traction. The CFLP manufacturing PMI rose to 51.9 from 50.6 in February and matched its December 2020 level; the CFLP non-manufacturing PMI jumped to 56.3 from 51.4 and was the strongest since November's 56.4. The Caixin general manufacturing PMI for China bucked the trend, dipping to 50.6 from 50.9; its recovery-to-date high was 54.9 last November.

UNITED KINGDOM: The final estimate of real GDP in the fourth quarter of 2020 made largely offsetting changes to each of the quarters since the pandemic struck, with a larger downturn in the second quarter of 2020 followed by a faster recovery in the third and fourth quarters. 2020's full-year real GDP was down by 10% after rounding, both before and after the revisions. Real GDP in the fourth quarter of 2020 was revised higher, and now shows a 7.3% year-over-year decline versus a 7.8% decline in the prior estimate. Even after this upward revision, the suffered the worst drop in GDP of any of the G7 countries in 2020.

Business surveys suggest the UK's turn-of-the-year double-dip downturn gave way to a renewed recovery in March. The Markit/CIPS manufacturing PMI was revised up to a ten-year high of 58.9 in the March final release from 57.9 in the flash estimate and 55.1 in February. The Lloyds Bank Business Barometer rose to its highest level in March since February 2020 and was above its 2019 average.

EUROZONE: The ECB made €20 billion euros in net purchases under the Pandemic Emergency Purchase Program (emergency QE) in the week ended March 26, down from €22 billion net purchases the prior week, and up from a €17 billion average between the turn of the year and the ECB's March 11 announcement of a "substantial increase" in the pace of purchases. The ECB's Chief Economist said that market participants should watch the pace of purchases for "several weeks" to gauge what substantial means; data covering the week ended April 2 will be released during the European business day April 5.

Consumer inflation by the benchmark HICP index rose to 1.3% in year-ago terms in the March flash estimate from 0.9% in February. Energy prices are the whole story, up 4.3% on the year in March after falling 1.7% in February. Core HICP excluding energy, food, alcohol and tobacco slowed to 0.9% in March from 1.1% in February and 1.4% in January. The EU's Eurozone economic sentiment index rose to a new recovery-to-date high of 101.0 in March from 93.4 in February, and the Markit manufacturing PMI was revised up a hair to 62.5 from 62.4 in the flash estimate and 57.9 in February, reaching the highest since the survey began in 1998. However, a renewed lockdown in France and containment measures elsewhere in the Eurozone could delay a service sector recovery until the second half of 2021, when the EU's vaccination drive will probably catch up with the US and UK.

JAPAN: The economic recovery is gaining traction in Japan, too. Industrial production fell 2.1% in February after rising 4.3% in January, but the trend is higher: Industrial production fell 2.6% from a year earlier, a less severe decline than January's 5.2% drop in the same terms. The Jibun Bank manufacturing PMI was revised up to 52.7 in the March final release from 52.0 in the flash estimate and 51.4 in February, and was the strongest since April 2018. The Jibun Bank services PMI rose to 48.3 in the March final release, revised from 46.5 in the flash estimate and up from 46.3 in February to the highest since January 2020.

CANADA: Real GDP grew 0.7% in January, beating consensus expectations for 0.5% growth. Output of goods-producing industries rose 1.5% while that of services-providing industries grew 0.4%. 14 out of 22 sectors expanded in January from December. Real GDP fell 2.3% in January from a year earlier following a 3.0% fall in December. Building permits rose 2.1% in February from January, better than consensus expectations for a drop of 1.4%, following a downwardly revised 6.9% rise in the prior month; building permits in February were up 20.5% from a year earlier.

BRAZIL: 401,600 formal jobs were added in February, a second straight month of job gains, according to the government's survey of employers. After losing 1.4 million jobs between March and June as states imposed restrictions on economic activity, Brazil's economy has added 2.1 million formal sector payroll jobs between July and February. However, the labor market's recovery looks less impressive by the household survey; the unemployment rate was still 14.2% in the three months to January, down from its 14.6% peak in the third quarter of 2020 but much higher than its 11.0% in the fourth quarter of 2019 before the pandemic broke out. Industrial output fell in February from the prior month, the first decline since the recovery began in May; industrial output eked out a 0.4% gain in February from twelve months prior. Brazil's gross government debt—the total debt of the federal government—rose to an all-time high of 90% of GDP in February, according to the Central Bank of Brazil; Brazil's net government debt—all financial liabilities of the federal, state and municipal governments less publicly-owned assets—edged up to 61.6% of GDP in February from 61.4% in January and was slightly below the record high 62.7% reached in December.

The Central Bank of Brazil's weekly survey of professional forecasters showed that the median estimate for real GDP growth in 2021 remained unchanged at 3.2% in the March 26th survey. Brazil's economy should get a lift in the near-term as new stimulus payments are distributed this quarter. Exports should benefit from an improving global economy and the weak real but risks to the economic outlook are to the downside as the country grapples with a new wave of the virus.

MEXICO: Employment in maquiladoras (factories in free-trade zones) rose 0.2% in January to 3.04 million from 3.03 million in December; maquiladora employment was above its February 2020 level in January 2021, but still 1.5% below its pre-downturn peak in July 2019.

INDIA: The Reserve Bank of India will likely hold the policy repo rate steady at 4.00% at the next monetary policy decision on April 7 amid worsening coronavirus cases and tighter containment measures; new cases have been on an uptrend in India since February. Financial markets are pricing a gradual tightening of monetary policy with the policy repo rate increasing to 4.25% in six months.