Economic Briefing

US economy has almost made up for the pandemic slump

The U.S. economy posted 6.4% growth in the first quarter as pandemic-related restrictions were eased. The figures underestimate the underlying momentum, as a substantial part of the strong demand from U.S. consumers and companies had to be met from abroad and from inventories. Already in the current quarter, U.S. GDP is expected to return to pre-crisis levels.

Data: In the first quarter, the US economy expanded by 6.4% following a gain of 4.3% in the final quarter of 2020 (these and all subsequent growth rates are annualized rates of change from the previous quarter). Growth was thus in between the consensus (6.7%) and our own forecast (5.3%). In absolute terms, real GDP in the first quarter was only 0.9% lower than in the fourth quarter of 2019 (chart).

Details: Declining new infections, rapid progress in vaccination and the withdrawal of many of the restrictions imposed because of the pandemic spurred a further significant recovery in the US economy in the first quarter. An important driver was also the various stimulus measures, which primarily boosted consumption via special payments of $600 in January and $1,400 in March per eligible person. As a result, private consumption grew at a very strong rate of 10.7%. Low interest rates and the pandemic-driven push for more space fueled residential construction (+10.8%). At the same time, companies invested 16.7% more in equipment.

A significant portion of the strong demand from consumers, businesses and the government could not even be met from current domestic production. Thus, U.S. companies massively reduced their inventories, which depressed GDP growth by 2.6 percentage points. In addition, the increased trade deficit subtracted another 0.9 percentage points from GDP growth.

Outlook: The economic outlook remains very good due to the progress made in combating the pandemic. GDP is expected to return to pre-crisis levels in the current quarter, much earlier than in Europe, for example. Although the impulse from fiscal policy should tend to fade soon, new ammunition is available in the form of consumers’ pent-up savings when more stores are open again. We still expect GDP to grow by 6.5% this year. Nevertheless, it is not until next year that the Federal Reserve is likely to start reducing the degree of monetary accommodation. This is because it is primarily looking at the labor market, whose recovery is lagging behind.

Chart 1: US economy almost back to pre-crisis level
GDP, real, index 2019 Q4 = 100

Source: Global Insight, Commerzbank Research
### GDP, real (chained 2012 dollars)

| Source: Sources: BEA, Global Insight, Commerzbank Research. qoq/yoy = %change quarter on quarter or year on year. qoq are seasonally adjusted annualised rates. 1) contribution to growth, as a % of GDP. |
|---|---|---|---|---|---|---|
| GDP | 2021Q1 | 2020Q4 | 2020Q3 | 2020Q2 | 2020 | 2019 |
| qoq | 6.4 | 4.3 | 33.4 | -31.4 | | |
| yoy | 0.4 | -2.4 | -2.8 | -9.0 | -3.5 | 2.2 |
| Private consumption | qoq/yoy | 10.7 | 2.3 | 41.0 | -33.2 | -3.9 | 2.4 |
| Government purchases | qoq/yoy | 6.3 | -0.8 | -4.8 | 2.5 | 1.1 | 2.3 |
| Non-residential investment | qoq/yoy | 9.9 | 13.1 | 22.9 | -27.2 | -4.0 | 2.9 |
| Residential investment | qoq/yoy | 10.8 | 36.6 | 63.0 | -35.6 | 6.1 | -1.7 |
| Domestic demand | qoq/yoy | 7.1 | 5.7 | 32.3 | -30.3 | -3.3 | 2.3 |
| Exports | qoq/yoy | -1.1 | 22.3 | 59.6 | -64.4 | -12.9 | -0.1 |
| Imports | qoq/yoy | 5.7 | 29.8 | 93.1 | -54.1 | -9.3 | 1.1 |
| Net exports 1) | | -0.9 | -1.5 | -3.2 | 0.6 | -0.1 | -0.2 |
| Price indexes | | | | | | |
| Implicit GDP deflator | qoq/yoy | 4.1 | 2.0 | 3.5 | -1.8 | 1.2 | 1.8 |
| PCE price index | qoq/yoy | 3.5 | 1.5 | 3.7 | -1.6 | 1.2 | 1.5 |

29 April 2021
In accordance with ESMA MAR requirements this report was completed 29/4/2021 15:04 CEST and disseminated 29/4/2021 15:04 CEST.

This document has been created and published by the Group Research department (GM-R) within the Group Management division of Commerzbank AG, Frankfurt/Main or Commerzbank's branch offices mentioned in the document. Commerzbank AG is a provisionally registered swap dealer with the CFTC.

If this report includes an analysis of one or more equity securities, please note that the author(s) certify that (a) the views expressed in this report accurately reflect their personal views; and (b) no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or views expressed by them contained in this document. The research analyst(s) named on this report are not registered / qualified as research analysts with FINRA. Such research analyst(s) may not be associated persons of Commerz Markets LLC and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

It has not been determined in advance whether and in what intervals this document will be updated. Unless otherwise stated current prices refer to the most recent trading day’s closing price or spread which may fluctuate.

Conflicts of interest
Disclosures of potential conflicts of interest relating to Commerzbank AG, its affiliates, subsidiaries (together “Commerzbank”) and its relevant employees with respect to the issuers, financial instruments and/or securities forming the subject of this document valid as of the end of the month prior to publication of this document:

Please refer to the following link for disclosures on companies included in compendium reports or disclosures on any company covered by Commerzbank analysts: https://commerzbank.bluematrix.com/sealside/Disclosures.action

“Updating this information may take up to ten days after month end.”

Disclaimer
This document is for information purposes only and does not take into account specific circumstances of any recipient. The information contained herein does not constitute the provision of investment advice. It is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the financial instruments and/or securities mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever. Investors should seek independent professional advice and draw their own conclusions regarding suitability of any transaction including the economic benefits, risks, legal, regulatory, credit, accounting and tax implications.

The information in this document is based on public data obtained from sources believed by Commerzbank to be reliable and in good faith, but no representations, guarantees or warranties are made by Commerzbank with regard to accuracy, completeness or suitability of the data. Commerzbank has not performed any independent review or due diligence of publicly available information regarding an unaffiliated reference asset or index. The opinions and estimates contained herein reflect the current judgement of the author(s) on the date of this document and are subject to change without notice. The opinions do not necessarily correspond to the opinions of any of the financial instruments and/or securities mentioned in this document and will not form the basis or a part of any contract or commitment whatsoever. Commerzbank AG does not have an obligation to update, modify or amend this document or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

This communication may contain trading ideas where Commerzbank may trade in such financial instruments with customers or other counterparties. Any prices provided herein (other than those that are identified as being historical) are indicative only, and do not represent firm quotes as to either size or price. The past performance of financial instruments is not indicative of future results. No assurance can be given that any financial instrument or issuer described herein would yield favourable investment results. Any forecasts or price targets shown for companies and/or securities discussed in this document may not be achieved due to multiple risk factors including but not limited to market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information and/or the subsequent transpiration that underlying assumptions made by Commerzbank or by other sources relied upon in the document were inapposite.

Commerzbank and or its affiliates may act as a market maker in the instrument(s) and or its derivative that has been mentioned in our research reports. Employees of Commerzbank and or its affiliates may provide written or oral commentary, including trading strategies, to our clients and business units that may be contrary to the opinions conveyed in this research report. Commerzbank may perform or seek to perform investment banking services for issuers mentioned in research reports.

Neither Commerzbank nor any of its respective directors, officers or employees accepts any responsibility or liability whatsoever for any expense, loss or damages arising out of or in any way connected with the use of all or any part of this document. Commerzbank may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Commerzbank endorses, recommends or approves any material on the linked page or accessible from it. Commerzbank does not accept responsibility whatsoever for any such material, nor for any consequences of its use.

This document is for the use of the addressees only and may not be reproduced, redistributed or passed on to any other person or published, in whole or in part, for any purpose, without the prior, written consent of Commerzbank. The manner of distributing this document may be restricted by law or regulation in certain countries, including the United States. Persons into whose possession this document may come are required to inform themselves about and to observe such restrictions. By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

Additional notes to readers in the following countries:
Germany: Commerzbank AG is registered in the Commercial Register at Amtsgericht Frankfurt under the number HRB 32000. Commerzbank AG is supervised by both the German regulator, Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Strasse 108, 53117 Bonn, Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main and the European Central Bank, Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany.
United Kingdom: This document has been issued or approved for issue in the United Kingdom by Commerzbank AG London Branch. Commerzbank AG, London Branch is authorised and regulated by the Prudential Regulation Authority and with due deemed variation of permission. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. This document is directed exclusively to eligible counterparties and professional clients. It is not directed to retail clients. No persons other than an eligible counterparty or a professional client should read or rely on any information in this document. Commerzbank AG, London Branch does not deal for or advise or otherwise offer any investment services to retail clients.
United States: This document has been for distribution in the US under applicable US law by Commerz Markets LLC ("CMLLC"), a wholly owned subsidiary of Commerzbank AG and a US registered broker-dealer. Any securities transaction by US persons must be effected with CMLLC. Under applicable US law, information regarding clients of CMLLC may be distributed to other companies within the Commerzbank group. This research report is intended for distribution in the United States solely to “institutional investors” and “major US institutional investors,” as defined in Rule 15a-6 under the Securities Exchange Act of 1934. CMLLC is a member of FINRA and SIPC. Banking services in the US, will be provided by Commerzbank AG, New York Branch. Securities activities in the US are conducted through CMLLC and swap transactions with Commerzbank AG. Commerzbank AG is not a member of SIPC and is a provisionally registered swap dealer with the CFTC. Any derivatives transaction with US persons must be effected in accordance with the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Some products or services may be unavailable in the United States.
Canada: The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant
province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. In Canada, the information contained herein is intended solely for distribution to Permitted Clients (as such term is defined in National Instrument 31-103) with whom Commerz Markets LLC deals pursuant to the international dealer exemption. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities may not be conducted through Commerz Markets LLC. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence.

**European Economic Area:** Where this document has been produced by a legal entity outside of the EEA, the document has been re-issued by Commerzbank AG, London Branch for distribution into the EEA. Commerzbank AG, London Branch is authorised and regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) and the European Central Bank. Authorised by the Prudential Regulation Authority and with deemed variation of permission. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority’s website.

**Switzerland:** This is an advertisement in the meaning of FIDLEG. The financial instruments mentioned in this publication do not constitute a participation in a collective investment scheme in the sense of the Swiss Collective Investment Schemes Act (CISA). This publication, the information contained herein as well as any other publication in connection with the financial instruments mentioned herein may be distributed exclusively to qualified investors as defined in the CISA and may only be made available to such qualified investors.

**Singapore:** This document is furnished in Singapore by Commerzbank AG, Singapore branch. It may only be received in Singapore by an institutional investor or an accredited investor as respectively defined in section 4A of the Securities and Futures Act, Chapter 289 of Singapore (“SFA”) pursuant to section 274 or section 275 (as applicable) of the SFA. Nothing in this document constitutes accounting, legal, regulatory, tax, financial or other advice and/or recommendations to the recipient of this communication. Further, the communication/information provided herein does not constitute a “financial advisory service” within the meaning of the Financial Advisers Act, Chapter 110 of Singapore (“FAA”) and therefore, the regulatory requirements and duties that may be owed to a client pursuant to or in connection with the FAA are not applicable to the recipient in connection with this communication. Recipients are advised to seek independent advice from their own professional advisers about the information contained herein.

**Hong Kong:** This document, may only be made available in Hong Kong by Commerzbank AG, Hong Kong Branch to ‘professional investors’ within the meaning of the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made there under, and persons whose ordinary business is to buy or sell shares or debentures.

**Japan:** This information and its distribution do not constitute and should not be construed as a “solicitation” under the Financial Instrument Exchange Act (FIEA). This information may be distributed from Commerzbank international branches outside Japan solely to "professional investors" as defined in Section 2(31) of the FIEA and Section 23 of the Cabinet Ordinance Regarding Definition of Section 2 of the FIEA. Please note that Commerzbank AG, Tokyo Branch has not participated in its preparation. The instruments recommended in this report cannot be introduced by the Branch. You should contact the Corporate Clients division of Commerzbank AG for inquiries on availability of such instruments.

**Australia:** Commerzbank AG does not hold an Australian financial services licence. This document is being distributed in Australia to wholesale customers pursuant to an Australian financial services licence exemption for Commerzbank AG under Class Order 04/1313. Commerzbank AG is regulated by Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) under the laws of Germany which differ from Australian laws.

**People’s Republic of China (PRC):** This document is furnished by Commerzbank AG and is only intended for institutions that are eligible for financial transactions. No one else may rely on any information contained within this document. Any derivative transactions by PRC persons may only be entered into by PRC financial institutions which are permitted to conduct derivatives business in the PRC and have obtained all necessary regulatory approvals in the PRC.

© Commerzbank AG 2021. All rights reserved. Version 21.01