

# U.S. Economic Outlook for July 23, 2021

A Publication of BMO Capital Markets Economic Research • Douglas Porter, CFA, Chief Economist, BMO Financial Group

|                              | 2020                          |       |       |       | 2021  |              |              |              | 2022         |              |              |              | 2019 | 2020  | 2021         | 2022         |
|------------------------------|-------------------------------|-------|-------|-------|-------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|-------|--------------|--------------|
|                              | Q1                            | Q2    | Q3    | Q4    | Q1    | Q2           | Q3           | Q4           | Q1           | Q2           | Q3           | Q4           |      |       |              |              |
| <b>Production</b>            | <b>q/q % chng : a.r.</b>      |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Real GDP (chain-weighted)    | -5.0                          | -31.4 | 33.4  | 4.3   | 6.4   | <b>8.5</b>   | <b>7.5</b>   | <b>5.0</b>   | <b>3.6</b>   | <b>2.9</b>   | <b>2.6</b>   | <b>2.3</b>   | 2.2  | -3.5  | <b>6.5</b>   | <b>4.3</b>   |
| Final Sales                  | -3.6                          | -28.1 | 25.9  | 2.9   | 9.2   | <b>7.6</b>   | <b>6.6</b>   | <b>4.4</b>   | <b>3.6</b>   | <b>2.9</b>   | <b>2.6</b>   | <b>2.3</b>   | 2.2  | -2.9  | <b>6.2</b>   | <b>4.0</b>   |
| Final Domestic Demand        | -4.6                          | -27.1 | 29.8  | 4.4   | 10.5  | <b>8.1</b>   | <b>7.0</b>   | <b>4.6</b>   | <b>3.9</b>   | <b>3.1</b>   | <b>2.7</b>   | <b>2.4</b>   | 2.3  | -2.7  | <b>7.4</b>   | <b>4.3</b>   |
| Consumer Spending            | -6.9                          | -33.2 | 41.0  | 2.3   | 11.4  | <b>10.2</b>  | <b>8.0</b>   | <b>4.5</b>   | <b>4.2</b>   | <b>3.7</b>   | <b>2.9</b>   | <b>2.6</b>   | 2.4  | -3.9  | <b>8.2</b>   | <b>4.7</b>   |
| Durables                     | -12.5                         | -1.7  | 82.7  | -1.1  | 49.2  | <b>20.0</b>  | <b>7.0</b>   | <b>4.0</b>   | <b>4.0</b>   | <b>3.0</b>   | <b>2.8</b>   | <b>2.5</b>   | 4.8  | 6.3   | <b>24.0</b>  | <b>4.8</b>   |
| Nondurables                  | 7.1                           | -15.0 | 31.1  | -1.6  | 15.2  | <b>7.0</b>   | <b>6.0</b>   | <b>3.5</b>   | <b>4.0</b>   | <b>3.0</b>   | <b>2.7</b>   | <b>2.6</b>   | 3.1  | 2.6   | <b>8.1</b>   | <b>3.9</b>   |
| Services                     | -9.8                          | -41.8 | 38.0  | 4.3   | 4.2   | <b>8.6</b>   | <b>8.8</b>   | <b>5.0</b>   | <b>4.2</b>   | <b>4.0</b>   | <b>3.0</b>   | <b>2.5</b>   | 1.8  | -7.3  | <b>5.4</b>   | <b>4.9</b>   |
| Government Spending          | 1.3                           | 2.5   | -4.8  | -0.8  | 5.7   | <b>0.7</b>   | <b>0.1</b>   | <b>3.2</b>   | <b>1.0</b>   | <b>1.0</b>   | <b>1.7</b>   | <b>1.9</b>   | 2.3  | 1.1   | <b>1.1</b>   | <b>1.4</b>   |
| Business Investment          | -6.7                          | -27.2 | 22.9  | 13.1  | 11.7  | <b>8.1</b>   | <b>10.9</b>  | <b>6.2</b>   | <b>5.5</b>   | <b>3.2</b>   | <b>2.5</b>   | <b>2.4</b>   | 2.9  | -4.0  | <b>9.2</b>   | <b>5.4</b>   |
| Non-residential Construction | -3.7                          | -33.6 | -17.4 | -6.2  | -2.0  | <b>-4.0</b>  | <b>16.0</b>  | <b>9.0</b>   | <b>8.0</b>   | <b>4.0</b>   | <b>3.0</b>   | <b>2.0</b>   | -0.6 | -11.0 | <b>-5.1</b>  | <b>6.5</b>   |
| Equipment                    | -15.2                         | -35.9 | 68.2  | 25.4  | 15.0  | <b>14.0</b>  | <b>12.0</b>  | <b>6.0</b>   | <b>5.0</b>   | <b>3.0</b>   | <b>2.0</b>   | <b>2.0</b>   | 2.1  | -5.0  | <b>16.8</b>  | <b>5.6</b>   |
| Intellectual Property        | 2.4                           | -11.4 | 8.4   | 10.5  | 15.3  | <b>6.0</b>   | <b>7.0</b>   | <b>5.0</b>   | <b>5.0</b>   | <b>3.0</b>   | <b>3.0</b>   | <b>3.0</b>   | 6.4  | 1.7   | <b>8.2</b>   | <b>4.5</b>   |
| Residential Construction     | 19.0                          | -35.6 | 63.0  | 36.6  | 13.1  | <b>6.0</b>   | <b>8.0</b>   | <b>6.0</b>   | <b>5.0</b>   | <b>3.0</b>   | <b>2.8</b>   | <b>2.7</b>   | -1.7 | 6.1   | <b>15.6</b>  | <b>4.8</b>   |
| Exports                      | -9.5                          | -64.4 | 59.6  | 22.3  | -2.1  | <b>12.1</b>  | <b>6.6</b>   | <b>6.6</b>   | <b>5.1</b>   | <b>3.0</b>   | <b>2.0</b>   | <b>1.9</b>   | -0.1 | -12.9 | <b>5.7</b>   | <b>5.0</b>   |
| Imports                      | -15.0                         | -54.1 | 93.1  | 29.8  | 9.5   | <b>13.4</b>  | <b>9.0</b>   | <b>7.0</b>   | <b>6.0</b>   | <b>4.0</b>   | <b>2.5</b>   | <b>2.5</b>   | 1.1  | -9.3  | <b>15.1</b>  | <b>5.9</b>   |
| Inventory Change             | <b>2012\$ blns : a.r.</b>     |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Contrib. to GDP Growth       | <b>ppts : a.r.</b>            |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Net Exports                  | <b>2012\$ blns : a.r.</b>     |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Contrib. to GDP Growth       | <b>ppts : a.r.</b>            |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Nominal GDP                  | <b>\$ blns : a.r.</b>         |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Growth                       | <b>q/q % chng : a.r.</b>      |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Real GDP                     | <b>y/y % chng</b>             |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| <b>Inflation</b>             | <b>q/q % chng : a.r.</b>      |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| GDP Price Index              | 1.4                           | -1.8  | 3.5   | 2.0   | 4.3   | <b>5.3</b>   | <b>5.2</b>   | <b>3.3</b>   | <b>2.7</b>   | <b>2.3</b>   | <b>2.1</b>   | <b>2.1</b>   | 1.8  | 1.2   | <b>3.6</b>   | <b>3.1</b>   |
| Core PCE Deflator            | 1.6                           | -0.8  | 3.4   | 1.3   | 2.5   | <b>6.5</b>   | <b>6.4</b>   | <b>3.3</b>   | <b>2.5</b>   | <b>2.4</b>   | <b>2.4</b>   | <b>2.4</b>   | 1.7  | 1.4   | <b>3.5</b>   | <b>3.3</b>   |
| CPI All Items                | 1.0                           | -3.1  | 4.7   | 2.4   | 3.7   | 8.4          | <b>7.6</b>   | <b>4.1</b>   | <b>3.2</b>   | <b>2.7</b>   | <b>2.5</b>   | <b>2.5</b>   | 1.8  | 1.2   | <b>4.5</b>   | <b>4.0</b>   |
| Ex. Food and Energy          | 2.0                           | -1.1  | 4.0   | 1.8   | 1.2   | 8.1          | <b>7.4</b>   | <b>3.5</b>   | <b>2.8</b>   | <b>2.7</b>   | <b>2.7</b>   | <b>2.7</b>   | 2.2  | 1.7   | <b>3.7</b>   | <b>3.8</b>   |
| Food Prices                  | 2.8                           | 9.8   | 1.6   | 1.6   | 1.8   | 4.3          | <b>8.0</b>   | <b>6.6</b>   | <b>5.2</b>   | <b>3.3</b>   | <b>1.8</b>   | <b>1.7</b>   | 1.9  | 3.4   | <b>3.7</b>   | <b>4.7</b>   |
| Energy Prices                | -12.0                         | -43.7 | 23.6  | 13.4  | 46.6  | 21.3         | <b>9.6</b>   | <b>5.8</b>   | <b>3.9</b>   | <b>2.1</b>   | <b>2.1</b>   | <b>2.1</b>   | -2.1 | -8.3  | <b>17.4</b>  | <b>5.2</b>   |
| Services                     | 2.6                           | -0.4  | 3.0   | 1.7   | 1.8   | 5.6          | <b>5.7</b>   | <b>3.4</b>   | <b>2.5</b>   | <b>2.5</b>   | <b>2.5</b>   | <b>2.5</b>   | 2.7  | 2.1   | <b>3.0</b>   | <b>3.3</b>   |
| CPI All Items                | <b>y/y % chng</b>             |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Ex. Food and Energy          | <b>y/y % chng</b>             |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Core PCE Deflator            | <b>y/y % chng</b>             |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| <b>Financial</b>             | <b>% : quarterly avg.</b>     |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Fed Funds Rate               | 1.13                          | 0.13  | 0.13  | 0.13  | 0.13  | 0.13         | <b>0.13</b>  | <b>0.13</b>  | <b>0.13</b>  | <b>0.13</b>  | <b>0.13</b>  | <b>0.13</b>  | 2.13 | 0.38  | <b>0.13</b>  | <b>0.13</b>  |
| 90-Day T-Bill                | 1.13                          | 0.14  | 0.11  | 0.09  | 0.05  | 0.02         | <b>0.05</b>  | <b>0.05</b>  | <b>0.05</b>  | <b>0.05</b>  | <b>0.05</b>  | <b>0.05</b>  | 2.10 | 0.37  | <b>0.05</b>  | <b>0.05</b>  |
| 3-Month Libor                | 1.53                          | 0.66  | 0.25  | 0.22  | 0.20  | 0.16         | <b>0.15</b>  | <b>0.15</b>  | <b>0.15</b>  | <b>0.15</b>  | <b>0.15</b>  | <b>0.15</b>  | 2.34 | 0.67  | <b>0.15</b>  | <b>0.15</b>  |
| 10-Year Bond Yield           | 1.38                          | 0.69  | 0.65  | 0.86  | 1.32  | 1.59         | <b>1.35</b>  | <b>1.45</b>  | <b>1.60</b>  | <b>1.70</b>  | <b>1.85</b>  | <b>1.95</b>  | 2.14 | 0.89  | <b>1.45</b>  | <b>1.75</b>  |
| 10-Year BBB Corporate Spread | <b>ppts</b>                   |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Foreign Trade                | <b>\$ blns : a.r.</b>         |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Current Account Balance      | -459                          | -615  | -689  | -700  | -783  | <b>-846</b>  | <b>-893</b>  | <b>-918</b>  | <b>-941</b>  | <b>-961</b>  | <b>-974</b>  | <b>-984</b>  | -472 | -616  | <b>-860</b>  | <b>-965</b>  |
| Share of GDP                 | -2.1                          | -3.2  | -3.3  | -3.3  | -3.5  | <b>-3.7</b>  | <b>-3.8</b>  | <b>-3.8</b>  | <b>-3.9</b>  | <b>-3.9</b>  | <b>-3.9</b>  | <b>-3.9</b>  | -2.2 | -2.9  | <b>-3.7</b>  | <b>-3.9</b>  |
| Merchandise Balance          | -801                          | -893  | -981  | -1013 | -1074 | <b>-1122</b> | <b>-1166</b> | <b>-1192</b> | <b>-1220</b> | <b>-1243</b> | <b>-1259</b> | <b>-1276</b> | -862 | -922  | <b>-1139</b> | <b>-1249</b> |
| Non-Merchandise Balance      | 342                           | 278   | 292   | 312   | 291   | <b>276</b>   | <b>274</b>   | <b>274</b>   | <b>279</b>   | <b>282</b>   | <b>285</b>   | <b>292</b>   | 389  | 306   | <b>278</b>   | <b>284</b>   |
| Yen                          | <b>¥/US\$ : qtr. avg.</b>     |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Euro                         | <b>US\$/€ : qtr. avg.</b>     |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Pound                        | <b>US\$/£ : qtr. avg.</b>     |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Trade-Wt, Dollar (broad)     | <b>Jan. '97 = 100</b>         |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| WTI Spot                     | <b>US\$/bbl : qtr. avg.</b>   |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Henry Hub Spot               | <b>US\$/mmbtu : qtr. avg.</b> |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| <b>Incomes</b>               | <b>y/y % chng</b>             |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Pre-Tax Profits w/IVA,CCA    | -6.7                          | -19.3 | 3.5   | -0.7  | 15.5  | <b>31.8</b>  | <b>6.7</b>   | <b>10.4</b>  | <b>9.5</b>   | <b>8.3</b>   | <b>6.2</b>   | <b>5.3</b>   | 0.3  | -5.8  | <b>15.2</b>  | <b>7.3</b>   |
| Personal Income              | 3.2                           | 10.7  | 6.8   | 4.7   | 16.6  | <b>2.5</b>   | <b>4.5</b>   | <b>5.9</b>   | <b>-4.9</b>  | <b>1.2</b>   | <b>3.2</b>   | <b>4.0</b>   | 3.9  | 6.3   | <b>7.2</b>   | <b>0.8</b>   |
| Real Disposable Income       | 1.4                           | 12.2  | 6.4   | 3.9   | 16.4  | <b>-1.6</b>  | <b>0.2</b>   | <b>1.2</b>   | <b>-10.1</b> | <b>-3.3</b>  | <b>0.0</b>   | <b>1.5</b>   | 2.2  | 6.0   | <b>3.8</b>   | <b>-3.2</b>  |
| Savings Rate                 | <b>% : quarterly avg.</b>     |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| <b>Other Indicators</b>      | <b>quarterly avg.</b>         |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Unemployment Rate            | <b>percent</b>                |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Housing Starts               | <b>mlns : a.r.</b>            |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Existing Home Sales          | <b>mlns : a.r.</b>            |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Home Prices (Case-Shiller)   | <b>y/y % chng</b>             |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Motor Vehicle Sales          | <b>mlns : a.r.</b>            |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Civilian Employment Growth   | <b>q/q % chng : a.r.</b>      |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| Industrial Production        | <b>q/q % chng : a.r.</b>      |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |
| CBO Budget Deficit           | <b>% of GDP</b>               |       |       |       |       |              |              |              |              |              |              |              |      |       |              |              |

Bolded values represent forecasts

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