U.S. Set for Another Robust Jobs Report for April; Central Banks Likely to Talk Tapering in UK, Hike in Brazil This Week

UNITED STATES: There were no surprises from the Federal Reserve’s April 28 monetary policy decision. They maintained their forward guidance unchanged: They will wait “until substantial further progress has been made toward the Committee’s maximum employment and price stability goals” before tapering the quantitative program, which currently buys $120 billion in assets monthly. And the FOMC once again committed to keeping the federal funds rate in its current zero to a quarter percentage point range until inflation is consistently at or above 2%, and the economy is at maximum employment. Fed Chair Powell stated in the press conference following the decision that he sees the current spike in inflation, which is driven by higher commodity prices and supply chain disruptions, as “transitory,” and that the Fed will wait until there are clear signs that the economy has strengthened enough to keep inflation above 2% on a broader basis. The Fed did not release updated economic projections; their next release will be in June.

Real GDP jumped 6.4% at a seasonally-adjusted annualized rate in the first estimate for the first quarter of 2021, up from 4.3% in the fourth quarter of 2020. Consumer spending led growth, up 10.7% annualized on the quarter, and private fixed investment rose 10.1% annualized. Businesses ran down inventories, subtracting 2.6 percentage points from annualized growth; consumer demand surged faster than businesses could add to inventories in the quarter. Exports fell 1%, held back by supply chain disruptions and the semiconductor shortage, which is slowing auto production. Imports rose 6% as American consumers spent some of their stimulus checks on imported consumer goods.

Initial claims for unemployment insurance held under 600,000 for a third consecutive week in the week ended April 24: Claims totaled a seasonally-adjusted 553,000, down slightly from 566,000 in the week ended April 17; that week was revised up from 547,000 in the prior release. Americans filed another 122,000 claims for Pandemic Unemployment Assistance the week ended April 24, down from 133,000 the prior week; PUA claims are not adjusted for the effects of seasonal variations. Initial claims for unemployment insurance were running under 225,000 per week in early 2020, then jumped into the millions in the spring and summer as the pandemic spurred mass layoffs. Claims trended between 700,000 and 900,000 between August and March, then dipped under 600,000 in the last three releases. Unemployment remains elevated relative to the pre-crisis period, but the recovery has accelerated in recent weeks, boosted by vaccines, falling case counts, better weather, stimulus checks, and quantitative easing.

PNC forecasts for the Bureau of Labor Statistics’ April Employment Situation Summary, to be released Friday May 7, to show nonfarm payroll employment up 900,000 from March and the unemployment rate down to 5.7% from 6.0% a month earlier.

UNITED KINGDOM: The Confederation of British Industry’s retailing reported sales index jumped to 20 in April from -45 in March, while the index for total distributors rose to 30 from -28. The retail index was the strongest since the fall of 2018. The Bank of England will likely hold its monetary stance unchanged at its May 6 monetary policy decision, with the stock of government bond purchases targeted at £875 billion pounds sterling and the bank rate at 0.1%. But the BoE is likely to signal that a taper of its QE program (slower asset purchases) is possible in the second half of 2020 if the economy continues to recover rapidly from the downturn. Two thirds of Britons over age 18 had received a first dose of a COVID-19 vaccine as of May 1.
**GLOBAL ECONOMIC HIGHLIGHTS**

**BRAZIL:** 184,000 formal sector jobs were added in March, the third straight month of job gains, according to the government’s survey of employers. After losing 1.4 million formal sector jobs between March and June 2020 as states and cities imposed restrictions on economic activity, Brazil’s economy added 2.3 million jobs between July and March. However, the economic recovery looks much less impressive by the household survey, which captures trends in the informal as well as formal sectors; the unemployment rate rose to 14.4% in the three months to February from 14.2% in January and was up sharply from 11.6% a year earlier. Consumer prices as measured by Brazil’s IPCA-15 price index increased 0.6% from mid-March to mid-April; prices accelerated to 6.2%, above the upper limit of the central bank’s 2.25%-5.25% target range in the twelve months to mid-April following a 5.5% rise the prior month. With inflation sitting above the central bank’s target range, and economic data moderately improved from the prior meeting, PNC Economics expects the Central Bank of Brazil to raise its benchmark Selic rate by 0.75% to 3.50% when central bankers meet this week as telegraphed at the March meeting.

**CANADA:** Canada’s recovery continued in February as real GDP grew 0.4%, slightly below consensus expectations for growth of 0.5%, and following 0.7% growth in January. Real GDP was down 2.2% in February from a year earlier. Preliminary data from Statistics Canada shows an approximate 0.9% increase in real GDP in March. Canada’s real GDP has increased in every month since May as consumers and business remained resilient despite three waves of lockdowns. Retail sales increased 4.8% in February from the prior month following a flat reading in January. After spending about 18.6% of GDP in response to the pandemic, Canada’s government included additional pandemic-related government spending in its 2021 federal budget on April 19. With 90% of the jobs lost during the pandemic regained and consumers flush with cash, thanks to substantial fiscal stimulus measures, Canada’s economy should continue to recover rapidly over the rest of 2021. Strengthening foreign demand, a fast recovering U.S. economy, and rising commodity prices will support Canada’s recovery.

**EUROZONE:** The preliminary flash estimate for real GDP in the first quarter of 2021 confirms the Eurozone’s double-dip downturn in the winter months: real GDP fell 0.6% (seasonally adjusted, not annualized) in the first quarter after a 0.7% decline in the fourth quarter of 2020, a 12.5% recovery in the third, and a 11.6% plunge in the second. March’s labor market data suggest the recovery resumed in the spring. The Eurozone unemployment rate dipped to a new recovery-to-date low of 8.1% in March from 8.2% in the prior three months; it peaked at 8.7% in August and September. Eurostat does not count workers on temporary layoff as unemployed, a definitional difference that kept the Eurozone unemployment rate under 10% last year. The harmonized index of consumer prices (HICP) rose 1.6% on the year in April, up from 1.3% in March; energy prices rose 10.3% on the year in April after 4.3% in March, driving total inflation higher. Core HICP excluding energy, food, alcohol and tobacco slowed to 0.8% in April from 0.9% in March.

**JAPAN:** As expected, the Bank of Japan held its monetary stance unchanged at its April 26 Policy Board decision and upgraded its forecasts for Japan’s recovery. The unemployment rate fell to 2.6% in March from 2.9% in February; it was down from a peak of 3.1% in October; its pre-downturn trough was 2.2%, reached in mid-2018 and again in late-2019. Industrial production rose 2.2% in March from February in the preliminary estimate after a 1.3% decline in February; it was up 4.0% from a year earlier. But consumer confidence dipped in April after gains in the prior two months, likely in reaction to expectations for renewed containment measures to be announced for large cities.

**MEXICO:** Real GDP increase 0.4% in the advanced estimate for the first quarter of 2021 in seasonally-adjusted terms (not annualized), with agriculture activity down 1.3%, industrial activity unchanged, and services output up 0.7%. The first quarter’s increase marked a slowdown from 3.3% growth in the fourth quarter of 2020 and 12.4% in the third; real GDP plunged 16.8% in the second quarter after declines in the four preceding quarters. Real GDP fell 3.8% from a year earlier in the first quarter of 2021 after a 1.4% decline in the same terms in the first quarter of 2020. The first quarter’s drop in agricultural output followed strong growth in 2020 as workers displaced by industrial and service-sector job losses shifted to farm work; this is a common pattern during economic downturns in developing countries with large agriculture sectors and strong extended family relationships. The Texas power outages were a drag on Mexico’s economy in the first quarter, as was the global semiconductor shortage which has idled parts of the auto industry.
INDIA: India’s trade deficit widened to $15.2 billion in April according to preliminary estimates from the Ministry of Commerce and Industry. Exports rose 197% on the year to $30.2 billion while imports rose 166% to $45.5 billion. India was under a strict national lockdown in April 2020, distorting the base comparison. India’s economy will likely contract in the second quarter of 2021 as the country grapples with a resurgence of the virus. Governments of several states and cities have imposed restrictions and partial lockdowns, and the vaccination pace has been slow. High-frequency mobility reports show that retail and recreation foot traffic in the week ended April 28 was still 52% lower than the pre-pandemic level.