



Economic highlights from the week ending on April 16, 2021

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This week's economic data were robust, affirming our view that economic activity is likely to accelerate in the current quarter. Retail sales were even stronger than expected in March, surging 9.8% in the month, following a 2.7% decline in February. The March increase was likely fueled by federal stimulus checks which were delivered early in the month. We believe pent-up demand, following severe winter weather in February, also helped drive March sales. The increase was broad-based across all major categories in March, with particular strength in sporting goods, hobby, instrument & book stores, clothing & accessories, and motor vehicle & parts. Overall, retail sales were up 27.7% in March compared with the same month last year when pandemic-related restrictions first went into place. Meanwhile, housing starts and permits were also much stronger than expected in March. Housing starts rose 19.4% in the month while permits rose 2.7%. Single-family starts rose 15.3% in March and multi-family starts were up 30.8%. On a year-over-year basis, housing starts were up 37.0% in March. In other good news, initial jobless claims plunged by 193,000 in the latest week to 576,000. While jobless claims remain elevated compared to pre-pandemic levels (i.e., an average of 218,000 per week in 2019), the downward trend is favorable. The Philly Fed and Empire State Manufacturing indices also posted strong gains this month, pointing to a robust outlook for the manufacturing sector (consistent with the strong ISM Manufacturing report earlier this month).



In a 60 Minutes interview earlier this week, Fed Chair Jay Powell acknowledged that the economic outlook has brightened substantially, helped by both fiscal and monetary support along with more widespread vaccinations. He indicated that the economy seems to have reached an inflection point and growth is likely to accelerate. Nevertheless, Chair Powell along with other Fed policymakers continue to signal that monetary policy will remain accommodative. Federal Reserve Vice Chair, Richard Clarida, affirmed this week that monetary policy will remain accommodative for some time after the conditions to commence policy normalization (including a meaningful decline in unemployment and an uptick in inflation) have been met. Although we are starting to see some upward pricing pressure, the Fed believes it will be transitory, and they are willing to let the economy heat up before making any policy changes. Chair Powell confirmed that the Fed is likely to start tapering its asset purchases long before it begins to raise the fed funds target rate, but neither move is expected in the near-term.



Next Week

Chicago Fed National Activity Index, Existing Home Sales, Leading Indicators, New Home Sales

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