CEIC
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A CEIC Insights Report

US Economy in a Snapshot Q3 2019

Executive Summary

Key Highlights

- The US economy expanded by close to 2.3% in Q2 2019, in line with expectations following the anticipated slowdown in economic activity.
- The federal funds rate was reduced to 2.25% in the first of an expected series of interest rate cuts in support of the economy, but the dollar remained relatively strong.
- Fiscal deficit remained high and government debt continued to accumulate gradually but investors seem to show little doubts in the county's ability to service its debt.
- Stock market indices entered a period of higher volatility amid overstretched Price/Earnings ratios and the impending economic slowdown.

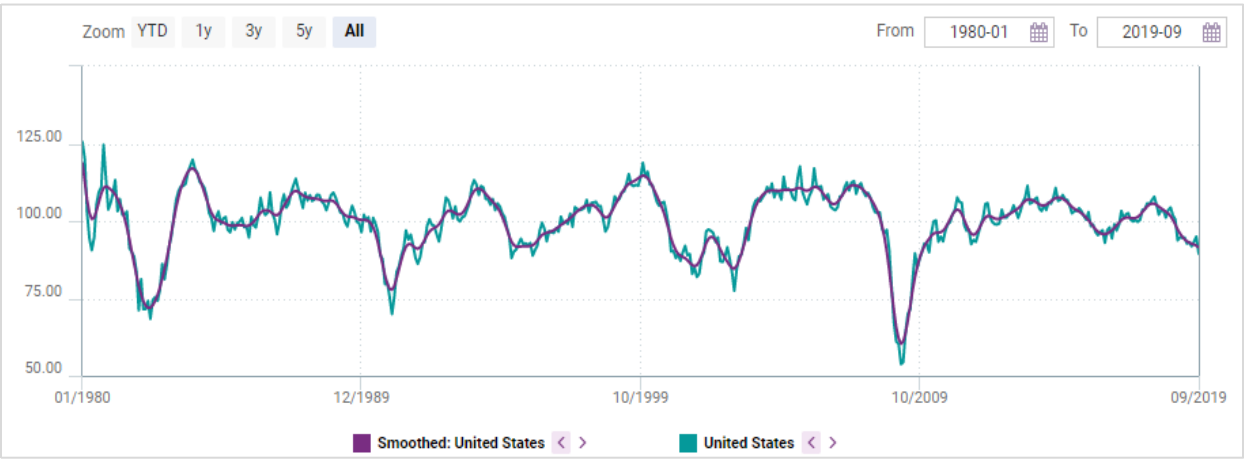
Economic Outlook

The smoothed CEIC Leading Indicator for the US economy slowed down to 90.3 in July 2019, in line with the downward trend observed since February 2018. With the US economy recording slower growth in Q2 relative to Q1, the first signs of a slowdown are observed in line with the leading indicator's performance since 2018. These signs also became evident on the stock market where volatility increased in what some analysts see as a prelude to a major correction over the following months. Despite slowing growth, growth differential relative to the rest of the world is still evident and amid negative yields of state issued debt in the rest of the developed world, investors still see US treasuries as a secure investment offering relatively good return. The yield curve has been inverted since August, a phenomenon often claimed to precede recessions. Thirty-year treasury yields fell further to record lows of close to 2% in August and are expected to remain at these levels over the coming months, providing evidence of the continuing trust of investors in the economy's ability to service its debts. Over the coming months growth and economic activity are expected to stabilise at more modest levels.

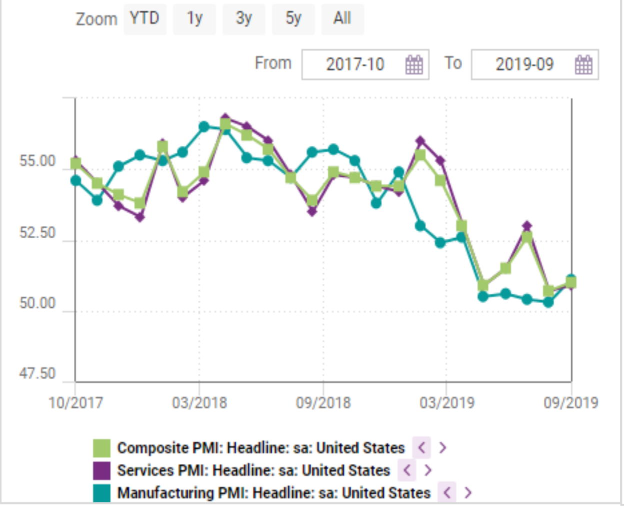
Overall expectations point to a continuation of the moderate slowdown throughout 2019 and 2020. Fed projects lower median growth rates of 2.1% and 1.9% for 2019 and 2020, respectively. The IMF has also lowered growth expectations, with annual GDP growth rates projected at 2.6% in 2019[1], backed by steady internal consumption and fixed investment, though at lower levels compared to 2018. Private consumption is forecast to grow by 2.4% and 2% in 2019 and 2020, respectively, while government spending is expected to grow by 1.6% and 1.2%, respectively. Gross investment as a share of GDP is projected to be higher for the entire 2019, at 21.56%, and to remain close to these levels in 2020. Unemployment is likely to bottom at some point over the next 18 months, according to an IMF projection, and increase thereafter. Inflation is forecast to be higher at the end of the current and first quarter of next year and remain close to the 2% target after that.

Risks to the forecast are mainly political. A major factor that might disrupt the US economy would be the uncertainty over the US-China trade relations, despite the president's latest decision to delay the imposition of new tariffs. Another factor eventually affecting world trade and global economic activity might be a potential currency war amid the US president's continuing remarks to trading partners about keeping their currencies artificially low.

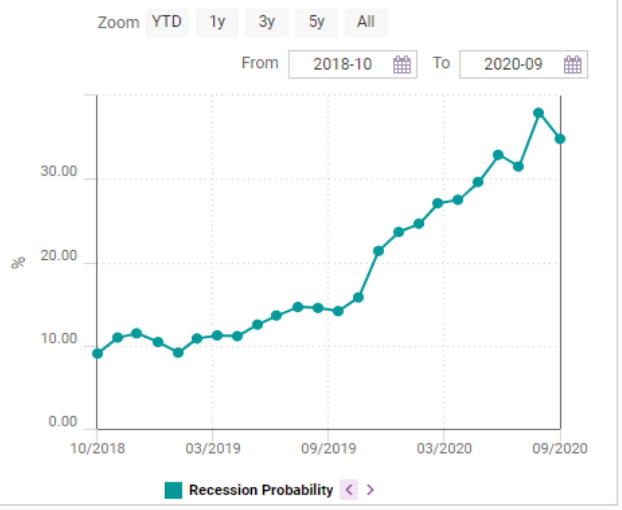
CEIC Leading Indicator (Long-term Trend=100)



Purchasing Managers' Index



Recession Probability



Source: CEIC Data

Summary

Real gross domestic product (GDP) expanded by 2.3% y/y in Q2 2019, in line with expectations, down from 2.7% in the previous quarter. The slowdown reflects positive contributions from personal consumption expenditures (PCE), federal government spending, and state and local government spending that were partly offset by negative contributions from private inventory investment, exports, non-residential fixed investment and residential fixed investment. The finance and insurance industry, which accounted for 22% of total GVA, grew at 4.3% y/y, decelerating marginally from its performance in Q1, while the business and professional services industry, and the government sector . The **industrial and production index (IPI)** growth measuring real output in manufacturing has indicated small increases in industrial activity, ranging from 0.74% to 3.29% since the beginning of 2019.

In Q2 2019 headline inflation measured by the **Personal Consumption Expenditures price index (PCE)** generally remained below the limits prescribed by the US' neutral monetary policy. It trended downward in the second quarter after reaching a peak of 1.5% in April. Inflation has generally remained below the prescribed range over the last twelve months.

Fed lowered the **overnight lending rate**, also known as fed funds rate once to 2.25% on July 31. In the last several months the economy has been operating at full employment and relatively low inflation levels which supported the arguments for lowering. One or two more rate cuts by year end, appear more likely now.

Fiscal deficit was USD 8.48bn in June 2019, down 88.7% y/y. Revenues were USD 333.95bn, up 5.6% y/y, and outlays amounted to USD 342.43bn, down 12.5% y/y. The total US debt changed little in Q2 2019, with total amount of federal debt down by 0.02% against end-Q1, and amounted to a little more than USD 22tn. Treasury yields, however, are still close to record low levels.

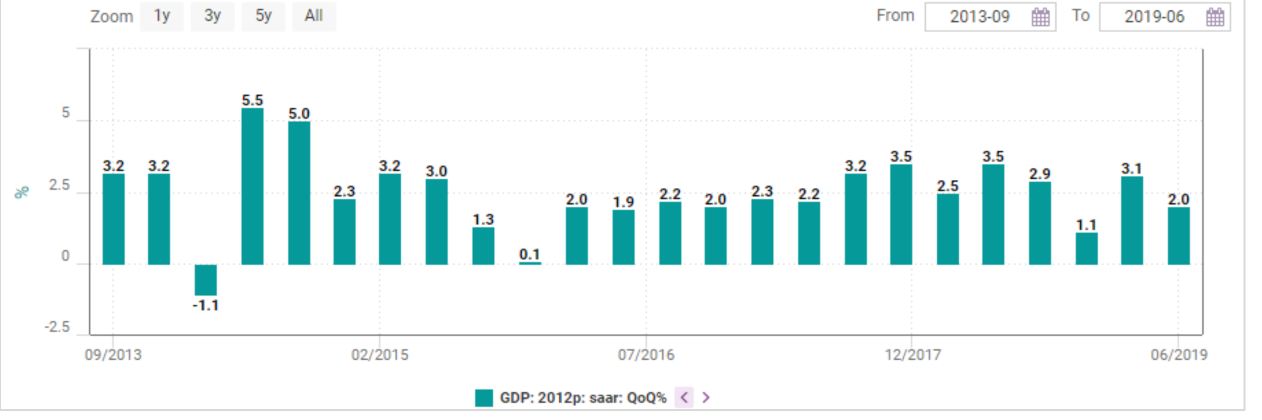
Total **trade deficit** in Q2 increased compared to Q1 and stood at USD 221.67bn, up 8.9% y/y due to both higher imports and a slight drop in exports. The main trading partners remain China, Germany, Japan and neighbouring Mexico and Canada, all running relatively large surpluses in mutual trade with the US. Tariffs did not significantly affect the balance, amount and sector composition of the US **foreign trade**.

US Economy: Statistics at a Glance

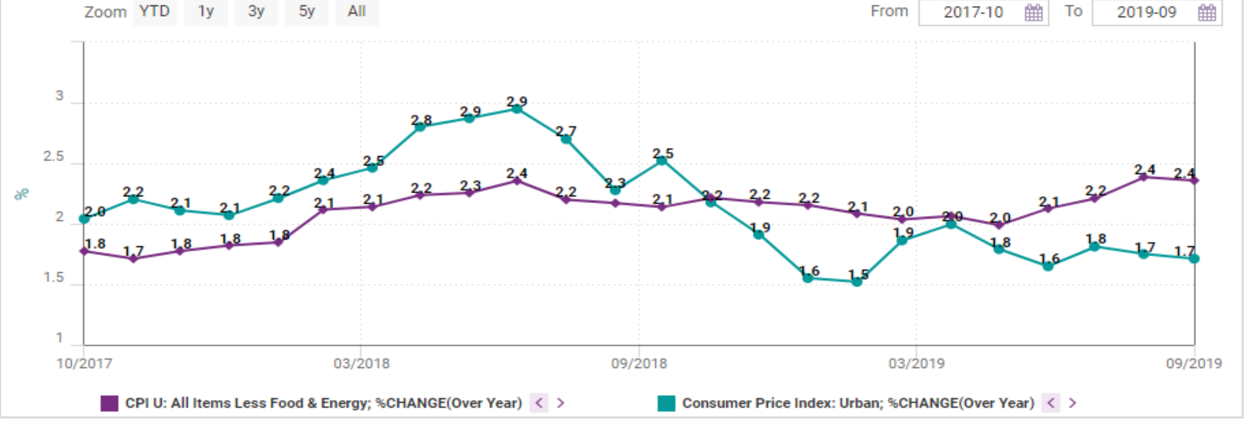
	Unit	09/01/2019	08/01/2019	07/01/2019	06/01/2019	05/01/2019	04/01/2019
Real GDP: YoY: sa	%				2.28		
Industrial Production Index: YoY	%		0.31	0.38	1.04	1.58	0.56
House Prices: YoY	%				5.46		
Consolidated Fiscal Balance: % of Nominal GDP	%				-4.37		
Government Debt: USD mn	USD mn	22,719,402			22,023,283		
Unemployment Rate: sa	%	3.50	3.70	3.70	3.70	3.60	3.60
Monthly Earnings: USD: sa	USD	3,865	3,867	3,840	3,840	3,828	3,818
Employed Persons: sa	Person	158,269,000			157,005,000		
Retail Sales: Value: YoY: sa	%		3.49	3.62	3.24	3.01	3.94
Motor Vehicles Sales	Unit	1312337.00	1688154.00	1443862.00	1554625.00	1628073.00	1372696.00
Consumer Price Index: YoY	%	1.71	1.75	1.81	1.65	1.79	2.00
Producer Price Index: YoY	%	1.37	1.80	1.71	1.72	2.07	2.42
Total Exports: YoY	%		-1.04	-0.63	-5.03	-2.07	-2.12
Total Imports: YoY	%		-2.93	0.92	-2.07	2.01	1.76
Current Account Balance: % of Nominal GDP	%				-2.58		
Foreign Direct Investment: USD mn	USD mn				82,278		
Direct Investment Abroad: USD mn	USD mn				95,566		
Foreign Portfolio Investment: USD mn	USD mn				167,492		
M2: YoY	%		5.38	5.13	4.74	4.26	4.03
Total Deposits: YoY	%		5.15	4.91	5.06	4.76	4.53
Total Loans: YoY	%		5.20	4.96	5.08	5.17	4.89
Household Debt: USD mn	USD mn				13,860,000		
Policy Rate: Month End: Effective Federal Funds Rate	% pa	1.90	2.13	2.40	2.40	2.40	2.45
Electricity Generation	GWh			411,024	351,685	328,124	295,119

Source: CEIC Data

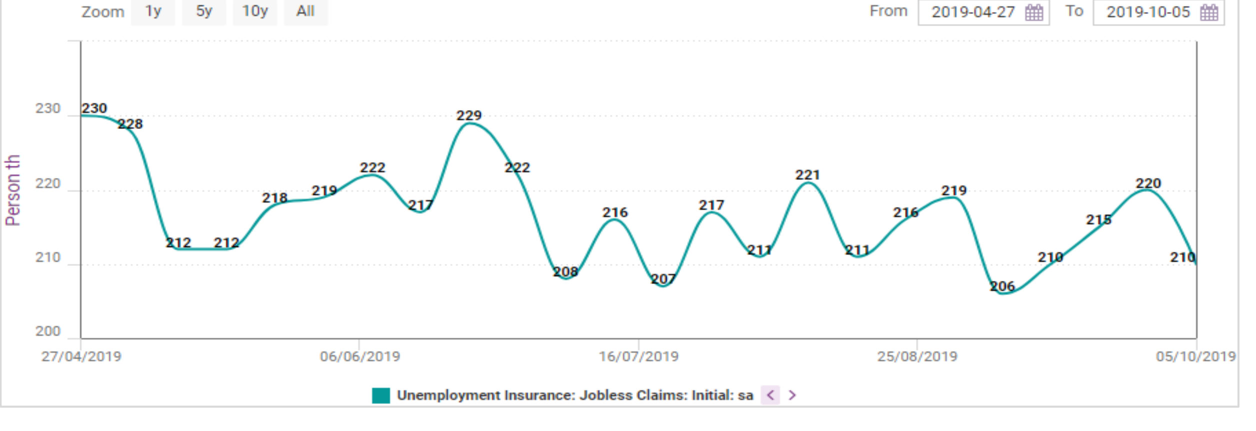
Real GDP Growth: QoQ



Headline & Core Inflation



Initial Jobless Claims



Source: CEIC Data

Real Sector

Real Sector

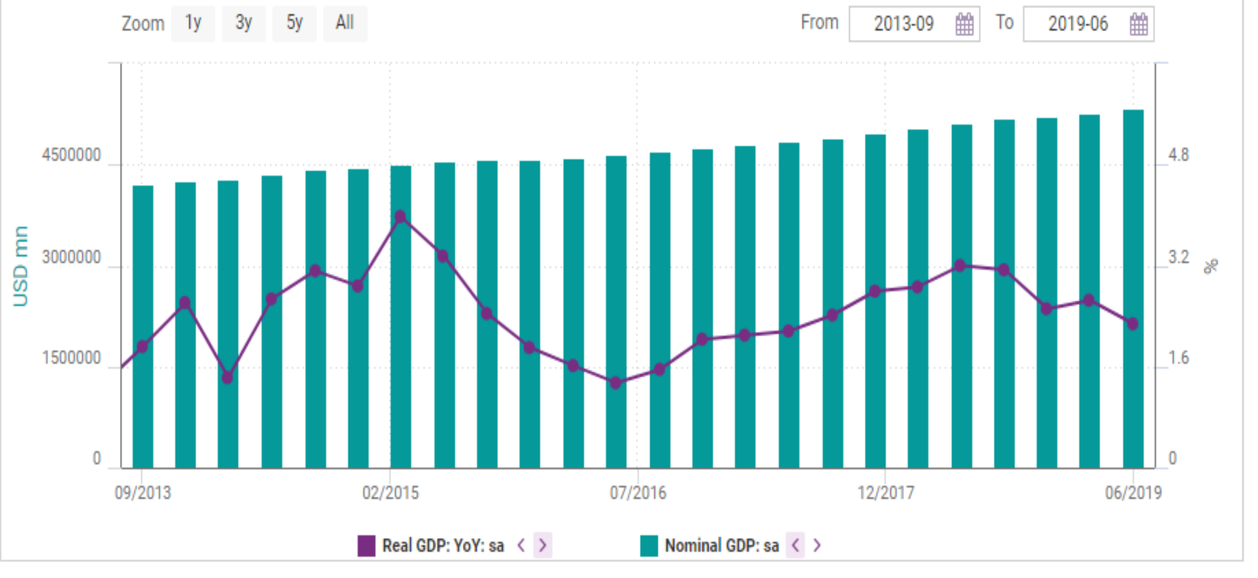
Real GDP increased by 2.3% y/y in the second quarter of 2019, compared to 2.7% in Q1 and 3.2% in Q2 2018. The slowdown reflects positive contributions from personal consumption expenditures (PCE), federal government spending, and state and local government spending that were partly offset by negative contributions from private inventory investment, exports, non-residential fixed investment and residential fixed investment. At the same time imports increased. Consumer spending grew by 4.3% and US government spending's contribution to GDP growth was 4.8% - the highest since 2009. Net exports subtracted 1.5% from GDP growth due to the persistently strong USD and the ongoing trade tensions with some of the major trading partners. Nominal GDP in Q2 stood at USD 21.3tn (seasonally adjusted at annualized rate) with PCE contributing roughly 67.9% of total. PCE increased by 1.6% q/q, following quarterly increases in both services and goods consumption. Gross private domestic investment declined by 1.4% q/q, following a drop in private inventories and a small upward revision in fixed investment. The impending slowdown makes companies more prone to rely on inventories and less likely to increase investment in fixed assets, which is absolutely in line with the late stage of the business cycle.

The finance and insurance industry made up 22% of total GVA, the share remaining unchanged compared to the previous quarter. It was followed by the business and professional services, and the government sectors with 13.5% and 12.94%, respectively. Out of the major industries, the largest annual growth in GVA was reported in wholesale trade (7.9%), scientific and technical services (6.33%) and professional and business services (5.96%). IPI growthhas indicated small increases in industrial activity, ranging from 0.74% to 3.29% since the beginning of 2019. Industrial activity trended downward from January 2019 until April, recovered slightly in May, and went down again in June. Major economic indicators generally point that the US' GDP growth is decelerating to a long-term trend, which justified the July fed funds rate cut and is likely to lead to two more cuts by end-2019 as indicated by the US treasury yield curve. If, however, growth settles to a long-run average, certain doubts appear as to how efficient these cuts would be in spurring consumption and growth, and whether they might actually lead to asset price bubbles instead.

Retail sales remained strong and trended upward since the beginning of the year, with total retail June sales up by 0.4% m/m. This increase reflects growth in the sales of automobiles and motor vehicles and parts, home building materials and health and personal care stores, partly offset by a fall in gasoline retail sales. The Johnson Redbook Sales Index, which measures the weekly sales of about 9,000 large merchandise retailers across the US, grew by 5% y/y or more in each week since mid-April and dropped below 5% only in the second and third weeks of July when the readings were 4.7% and 4.9%, respectively. Both consumer sentiment and consumer expectations kept their upward trend since the beginning of the year, after reaching a temporary bottom in December 2018.

Despite the impending slowdown, the US economy continues to operate relatively strongly compared to the rest of the developed world, at levels close to full employment. Unemployment stood at 3.6% in both April and May, which is its lowest level over the last 24 months, and grew only partially in June to 3.7% which is a level also lower than any of the levels recorded over the 24 months before April. Weekly jobless claims in the 12 weeks to June remained at a level close to their 18-month average. Average hourly earnings also kept their upward trend since the beginning of the year, in line with the relatively strong economic performance amid full employment. Average monthly increases between January and June, ranging between 0.11% and 0.36%, remained slightly lower than last year's average. Average hourly earnings in June were highest in petroleum and coal industry, followed by utilities and information. Meanwhile housing prices have concluded their upward momentum in Q1 2019, with median housing price down 11.4% q/q. The second quarter of the year saw little change in median housing prices. Positive developments are likely in case of additional rate cuts by year end. Median rent has remained stable in the past two quarters at levels above last year's average, and a persistent fall in the price-to-rent ratio would indicate a continuing cooling of the economy.

Nominal GDP & Real GDP Growth



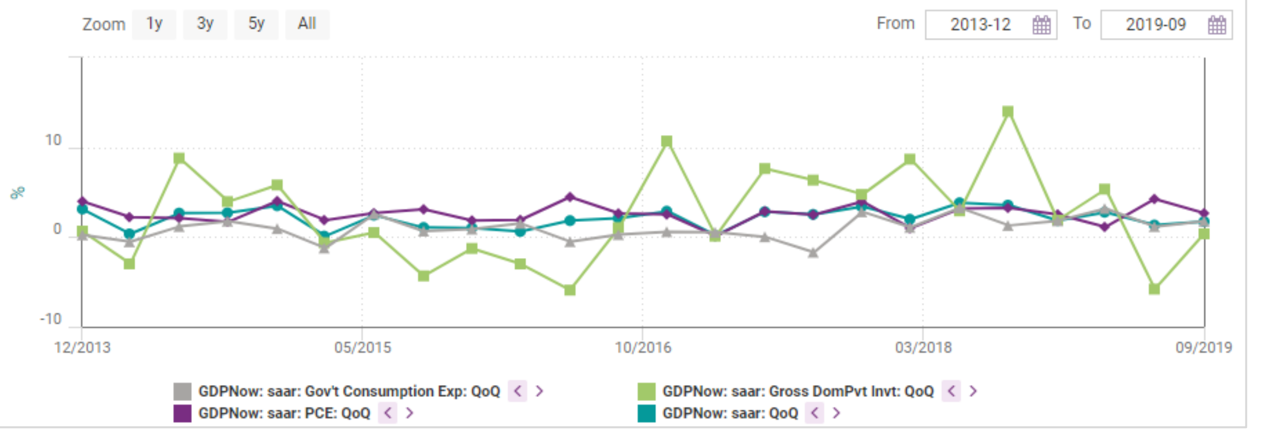
Source: CEIC Data

GDP by Expenditure: saar

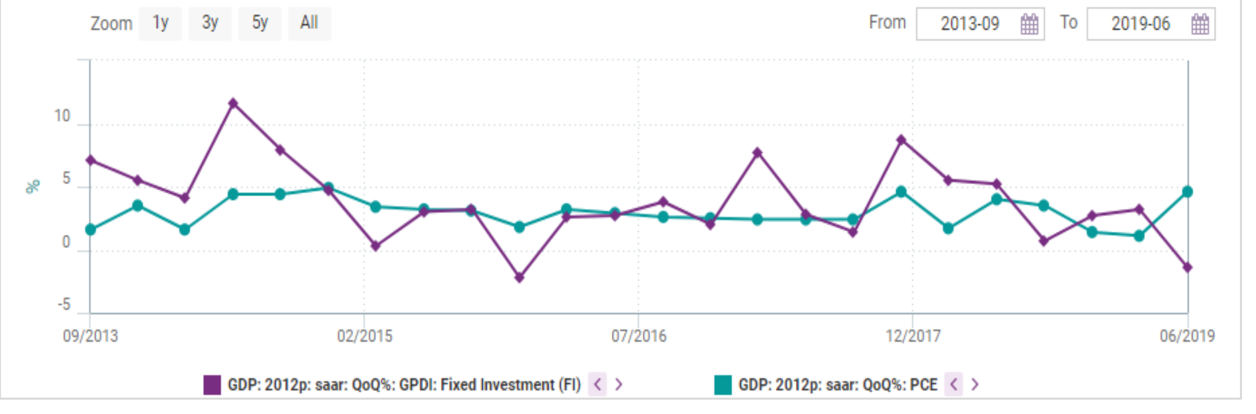
	Unit	06/01/2019	03/01/2019	12/01/2018	09/01/2018	06/01/2018	03/01/2018
Gross Domestic Product: saar	USD bn	21,340	21,099	20,898	20,750	20,510	20,163
GDP: saar: Personal Consumption Expenditures	USD bn	14,511	14,266	14,212	14,115	13,940	13,728
GDP: saar: PCE: Services	USD bn	10,004	9,869	9,813	9,717	9,577	9,430
GDP: saar: PCE: Goods	USD bn	4,507	4,398	4,399	4,398	4,363	4,299
GDP: saar: Gross Private Domestic Investment (GPDI)	USD bn	3,749	3,783	3,725	3,684	3,562	3,542
GDP: saar: GPDI: Fixed Investment (FI)	USD bn	3,675	3,670	3,625	3,597	3,572	3,501
GDP: saar: GPDI: Change in Private Inventories	USD bn	75	113	100	87	-10	41
GDP: saar: Net Exports of Goods and Svcs (NE)	USD bn	-663	-634	-684	-671	-568	-629
GDP: saar: NE: Exports	USD bn	2,504	2,520	2,511	2,510	2,544	2,477
GDP: saar: NE: Imports	USD bn	3,167	3,154	3,195	3,182	3,112	3,106
GDP: saar: Govt Consumption Expenditures & Gross Inv (GCI)	USD bn	3,742	3,683	3,645	3,623	3,577	3,521
GDP: saar: GCI: Consumption Expenditures	USD bn	3,008	2,968	2,949	2,929	2,890	2,849
GDP: saar: GCI: Gross Investment	USD bn	734	715	695	694	687	673
GDP: saar: GCI: Federal	USD bn	1,415	1,395	1,372	1,359	1,340	1,318
GDP: saar: GCI: Federal: Consumption Expenditures	USD bn	1,110	1,092	1,073	1,068	1,053	1,034
GDP: saar: GCI: Federal: Gross Investment	USD bn	305	303	299	291	288	284
GDP: saar: GCI: State and Local (SL)	USD bn	2,327	2,288	2,273	2,264	2,237	2,203
GDP: saar: GCI: SL: Consumption Expenditure	USD bn	1,898	1,876	1,876	1,861	1,838	1,815

Source: CEIC Data

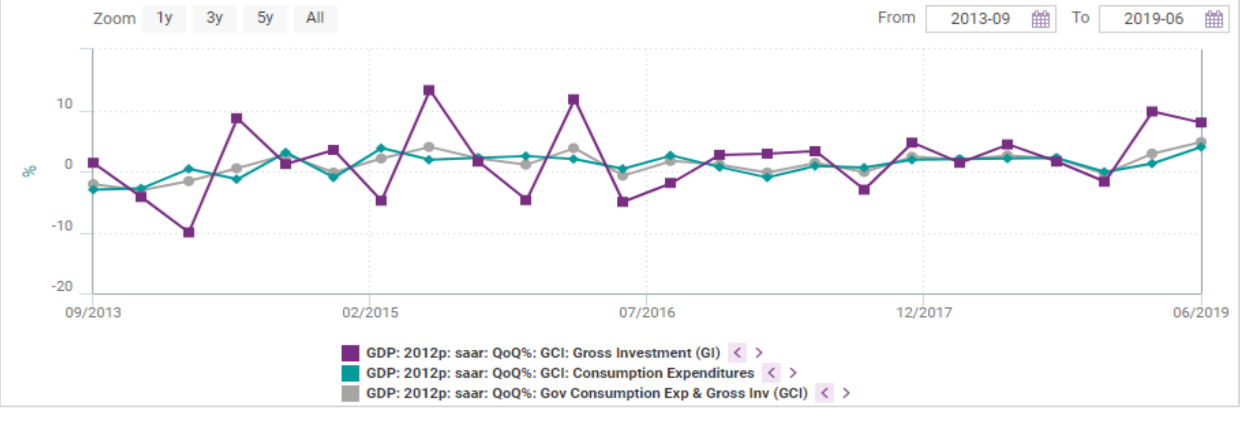
GDPNow Forecast: QoQ Growth



Personal Cons Expenditure & Private Domestic Fixed Investment (Real QoQ Growth)

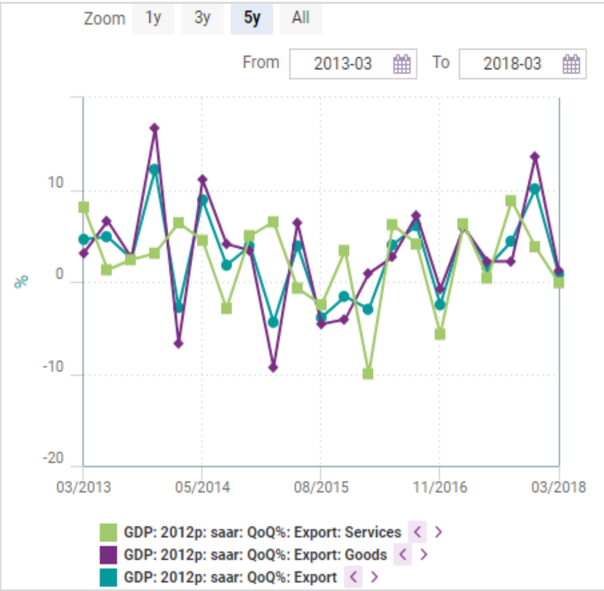


Government Cons Expenditure & Gross Investment (Real QoQ Growth)

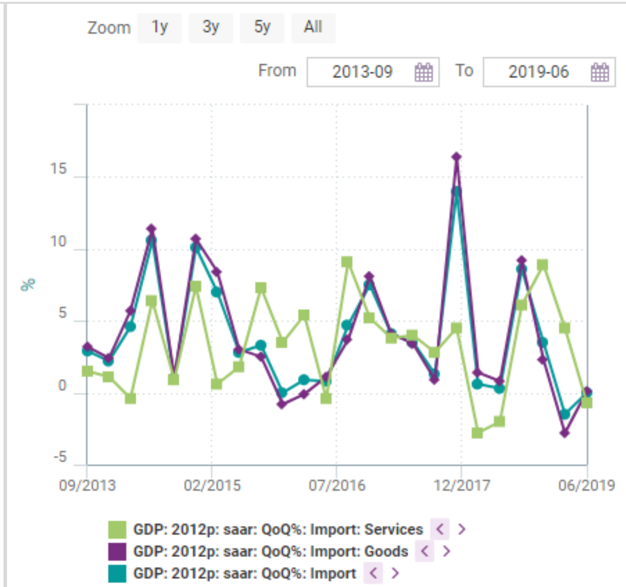


Source: CEIC Data

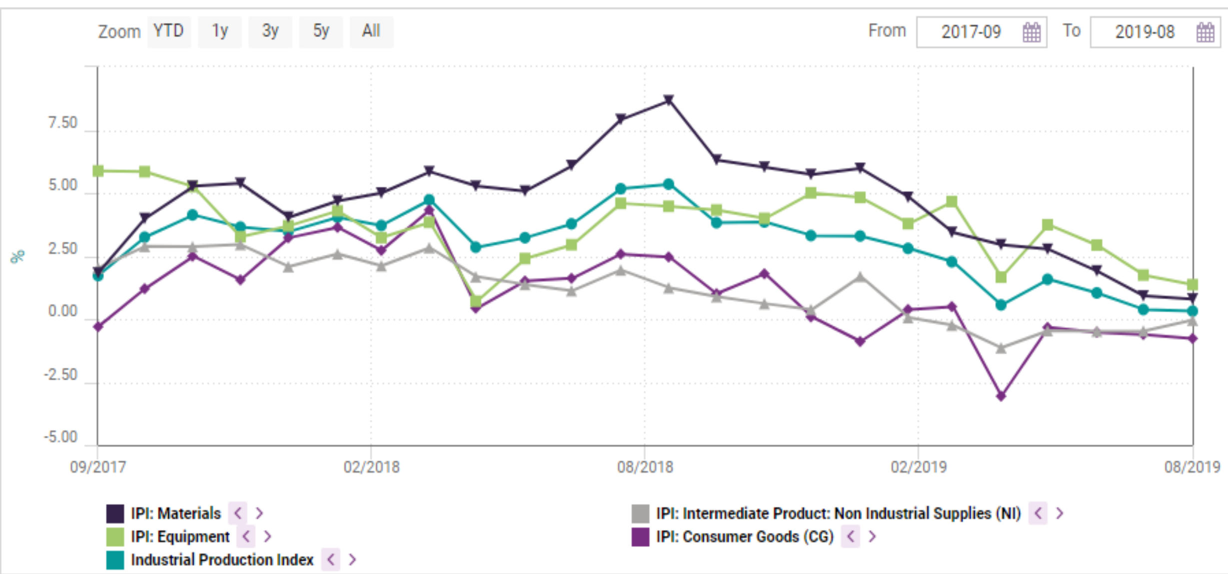
GDP: Exports of Goods & Services (Real QoQ Growth)



GDP: Imports of Goods & Services (Real QoQ Growth)



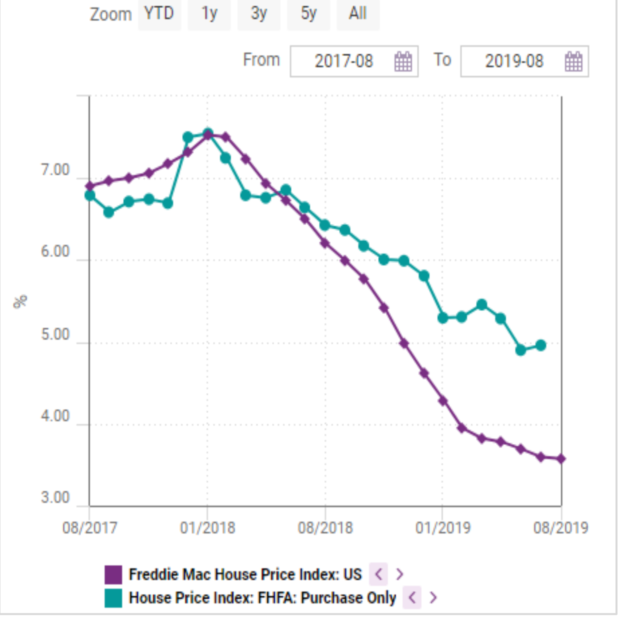
Industrial Production Index: YoY Growth



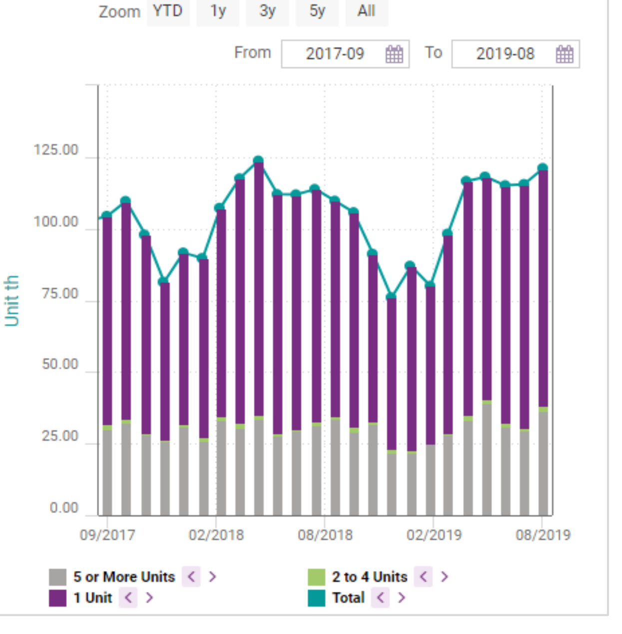
Source: CEIC Data

Retail Sales: YoY Growth

House Price Indices: YoY Growth

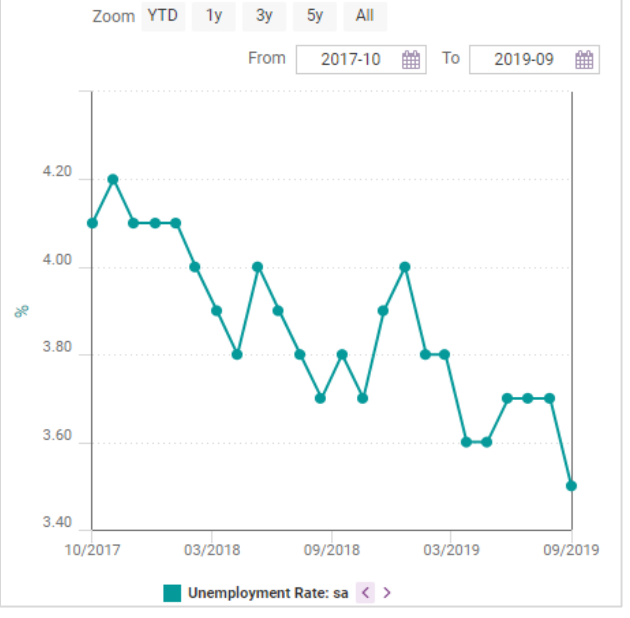


Private Housing Units started

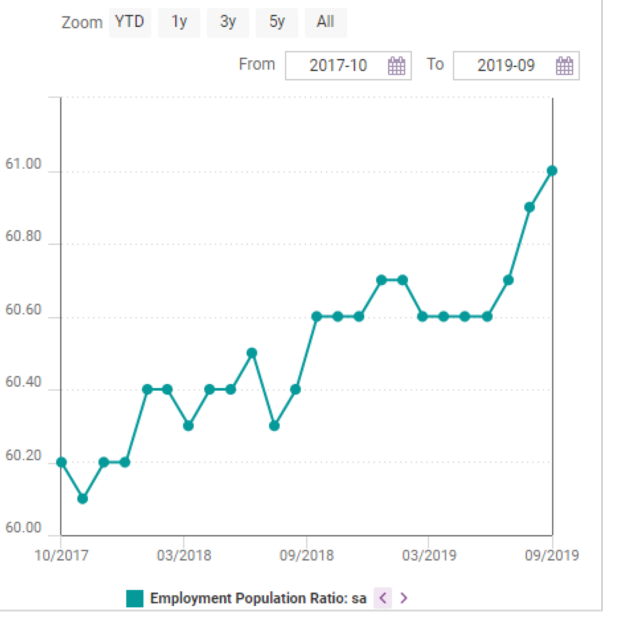


Source: CEIC Data

Unemployment Rate



Employment to Population Ratio



Employment: Non Farm (MoM Growth)

Source: CEIC Data

Monetary & Financial Sector

Monetary & Financial Sector

Key inflation measures in Q2 2019 generally remain within the limits prescribed by the US neutral monetary policy. Headline CPI inflation trended downwards in the second quarter after reaching a peak of 2% in April. Inflation has generally remained within the prescribed range over the last twelve months and the recent rate cut was justified by the impending slowdown in growth. CPI saw the biggest fluctuations in energy, declining by 3.59% y/y in June, and in services, where it rose by 2.59%. Core CPI, which is a less volatile measure of inflation, has remained close to the 2% level in each of the months since the beginning of the year until June. Inflation breakevens on 10-year TIPS have followed inflation changes pattern. Returns on 5-year TIPS and 10-year TIPS are close to each other and remain below yields on the respective nominal treasuries, suggesting investors expect inflation to remain relatively low. The producer price index (PPI), which is an early indicator of inflation, also trended downward in the second half of 2018, with an uptick in March 2019, and turned negative in May and June.

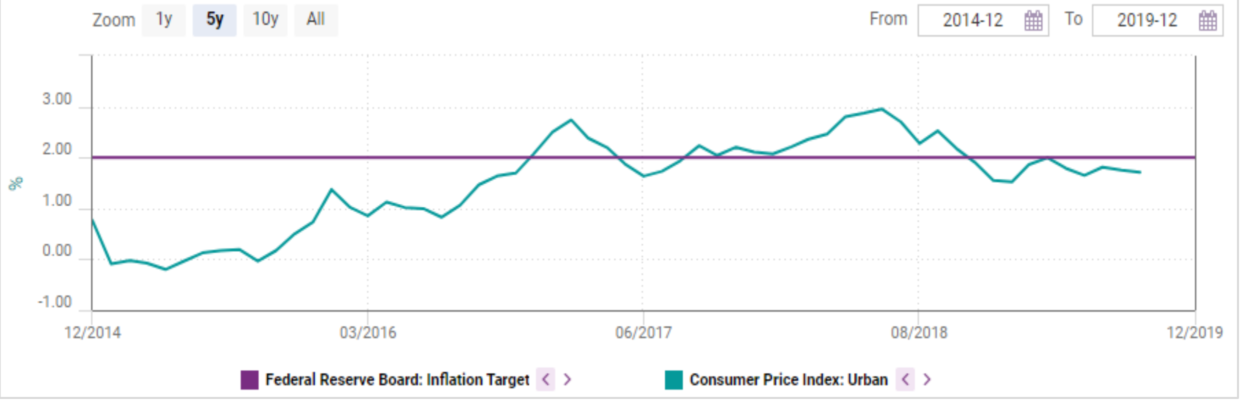
The fed funds rate currently stands in the 2.00% - 2.25% range and has changed only once so far in 2019, at Fed's latest meeting on July 31, in a move widely expected by the markets. Similarly, the prime lending rate has been at 5.50% since the beginning of the year, following an upward move from 5.25% in December 2018. Price indices readings show that inflation has remained within the Fed prescribed limits amid slowing GDP growth rates and further cuts in the federal funds rate could be undertaken in case of declining economic activity. The yield on one-year T-bills in June suggests that the market expects at least one more cut in the fed funds rate, with high probability for two more.

The US dollar remains strong with only temporary deviations. The dollar index has trended upwards since the beginning of 2018 and now stands close to its five-year highest point reached in 2017. The US dollar is also very close to its two-year highest point against the British pound and the euro. The growth differential between the US economy and other leading world economies that existed for the last two years continues to justify the strong dollar. A trend reversal could be seen if this differential starts to decrease, which would lead to more aggressive rate cutting by the Fed than what the market currently anticipates.

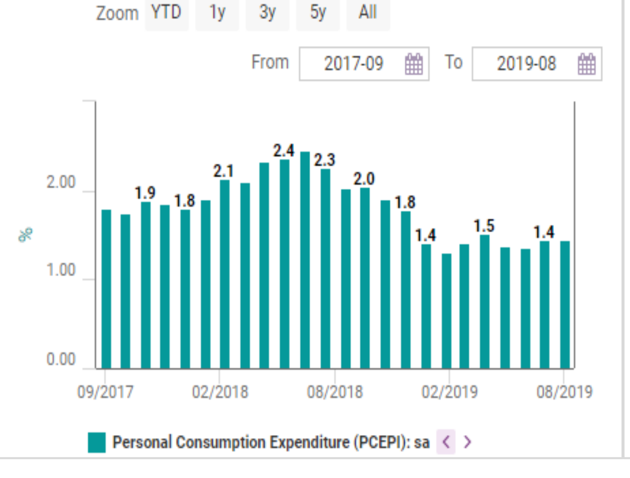
Monetary base has been increasing since the beginning of the year. Narrow money M1 was up by 1.9% and broader money M2 was up by 2.8% in June 2019 compared to December 2018. The increase was mainly due to higher demand and savings deposits at banks and investments in institutional money market funds. Total deposits stood at USD 17.3tn in June, up 3.4% y/y. Since the beginning of the year banks have continued to reduce their cash holdings and increase their security backed loans. Commercial, real estate and consumer loan portfolios have been increasing at a relatively slower pace. Borrowings at commercial banks saw a slight increase on a quarterly basis. Allowance for loan losses has only increased in line with the general asset increase since the beginning of the year, suggesting banks' balance sheets remain strong, and implying a serious banking crisis in case of a slowdown is unlikely.

US stock market indices have continued to outperform their European and Asian counterparts on the developed markets since the beginning in the year, like in the last several years. As of June 21, S&P gained 17.67% compared with the beginning of the year, while the Nasdaq Composite and Dow Jones were up by 21.05% and 14.54% respectively. The stock market kept its upward momentum through January until the end of March but entered a correction in April and May, mainly affected by the growing anxiety related to US trade relations with major trading partners. Since the beginning of June, however, major indices have regained momentum and gained above 7%, mainly driven by the good economic outlook and the talks regarding a possible lowering of the effective federal funds rate. They have, however, entered negative territory again in August, losing 3%-4% in two weeks as of market close on Friday, August 9. Many analysts expect a downward correction as large as 15%-20% off index peaks over the following two to three months due to the overstretched Price/Earnings ratios, the general economic slowdown and the continuing trade tensions with China.

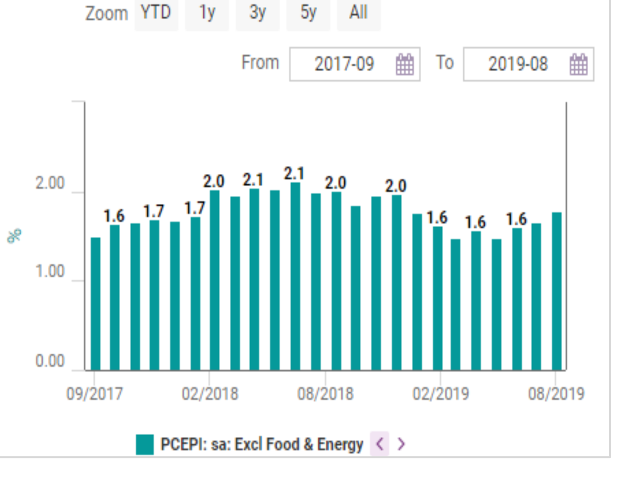
Consumer Inflation & Fed Inflation Target



Personal Consumption Expenditure: Price Index (YoY Growth)



Personal Consumption Expenditure: Price Index excl Food & Energy (YoY Growth)

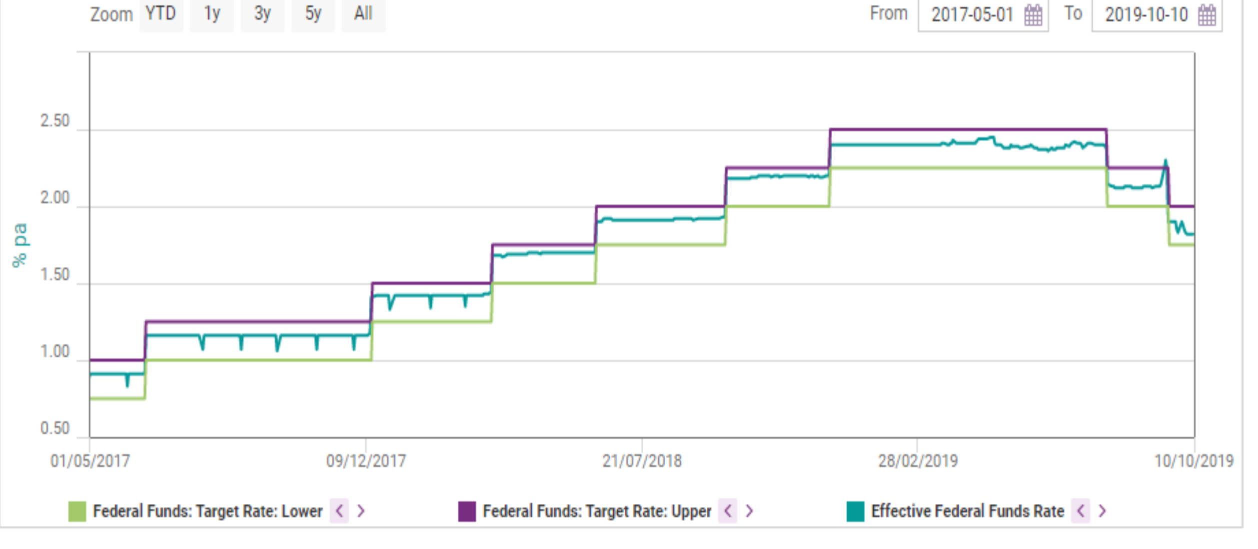


Source: CEIC Data

CPI: Main Categories (YoY Growth)

	Unit	09/01/2019	08/01/2019	07/01/2019	06/01/2019	05/01/2019	04/01/2019
Consumer Price Index: Urban	%	1.71	1.75	1.81	1.65	1.79	2.00
Consumer Price Index: Urban: Food & Beverages (FB)	%	1.76	1.72	1.79	1.88	1.95	1.74
Consumer Price Index: Urban: Housing	%	3.03	2.84	3.02	3.00	2.80	2.91
Consumer Price Index: Urban: Apparel	%	-0.34	0.98	-0.55	-1.30	-3.06	-2.96
Consumer Price Index: Urban: Transport	%	-1.44	-1.12	-0.30	-0.75	0.59	1.62
Consumer Price Index: Urban: Medical Care	%	3.46	3.46	2.58	1.96	2.08	1.92
Consumer Price Index: Urban: Recreation	%	1.00	1.25	0.72	0.84	1.18	1.56
Consumer Price Index: Urban: Education & Communication (EC)	%	0.39	0.60	0.60	0.59	0.69	0.91
Consumer Price Index: Urban: Other Goods & Services (GS)	%	2.21	2.29	1.93	1.47	1.62	1.38
CPI U: All Commodities	%	-0.03	0.17	0.42	0.08	0.56	0.87
CPI U: Energy	%	-4.75	-4.39	-2.03	-3.39	-0.46	1.68
CPI U: Services	%	2.75	2.69	2.64	2.59	2.53	2.67

FED Policy Rate

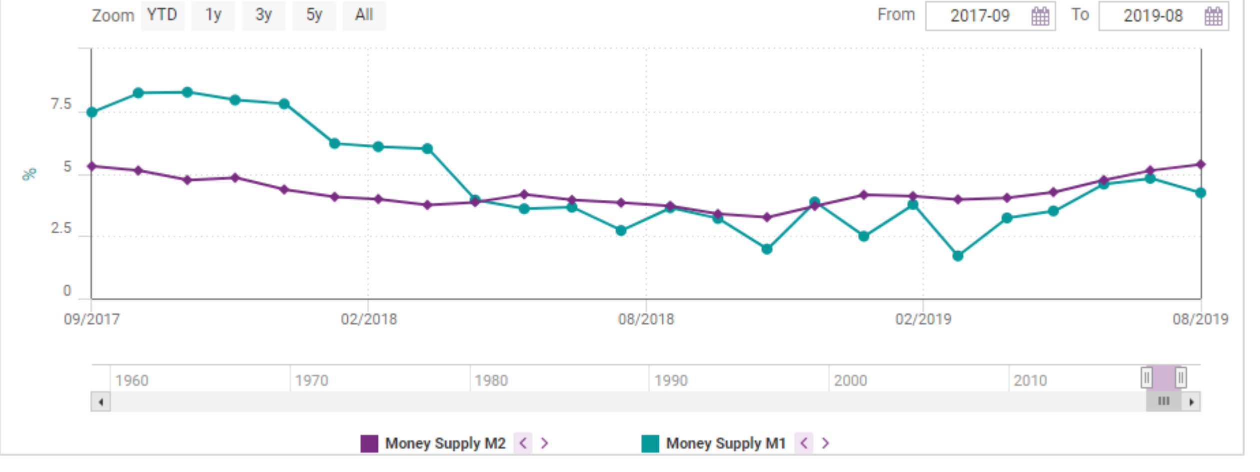


Source: CEIC Data

Key Interest Rates

	Unit	09/2019	08/2019	07/2019	06/2019	05/2019	04/2019	03/2019
Policy Rate: Month End: Effective Federal Funds Rate	% pa	1.90	2.13	2.40	2.40	2.40	2.45	2.43
Effective Federal Funds Rate: Month Average	% pa	2.05	2.13	2.40	2.38	2.39	2.42	2.40
Prime Lending Rate: Month Average	% pa	5.15	5.25	5.50	5.50	5.50	5.50	5.50
Discount Window Primary Credit: Month Average	% pa	2.65	2.75	3.00	3.00	3.00	3.00	3.00

Money Supply M1 & M2 (YoY Growth)

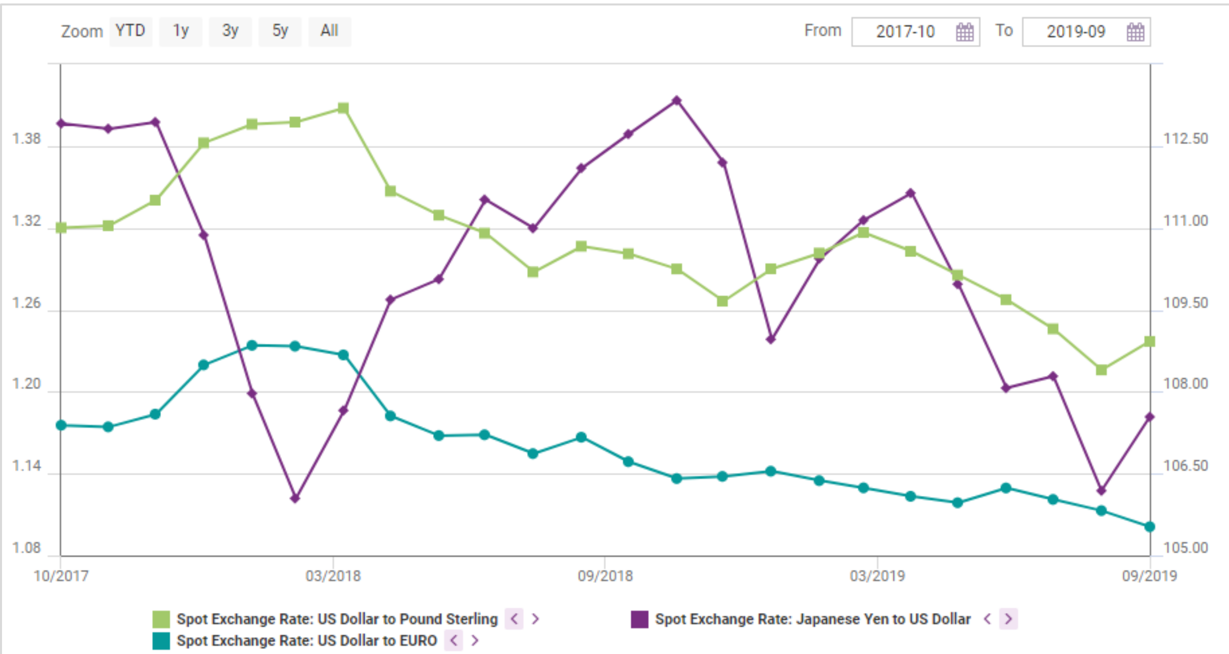


Reserve Assets

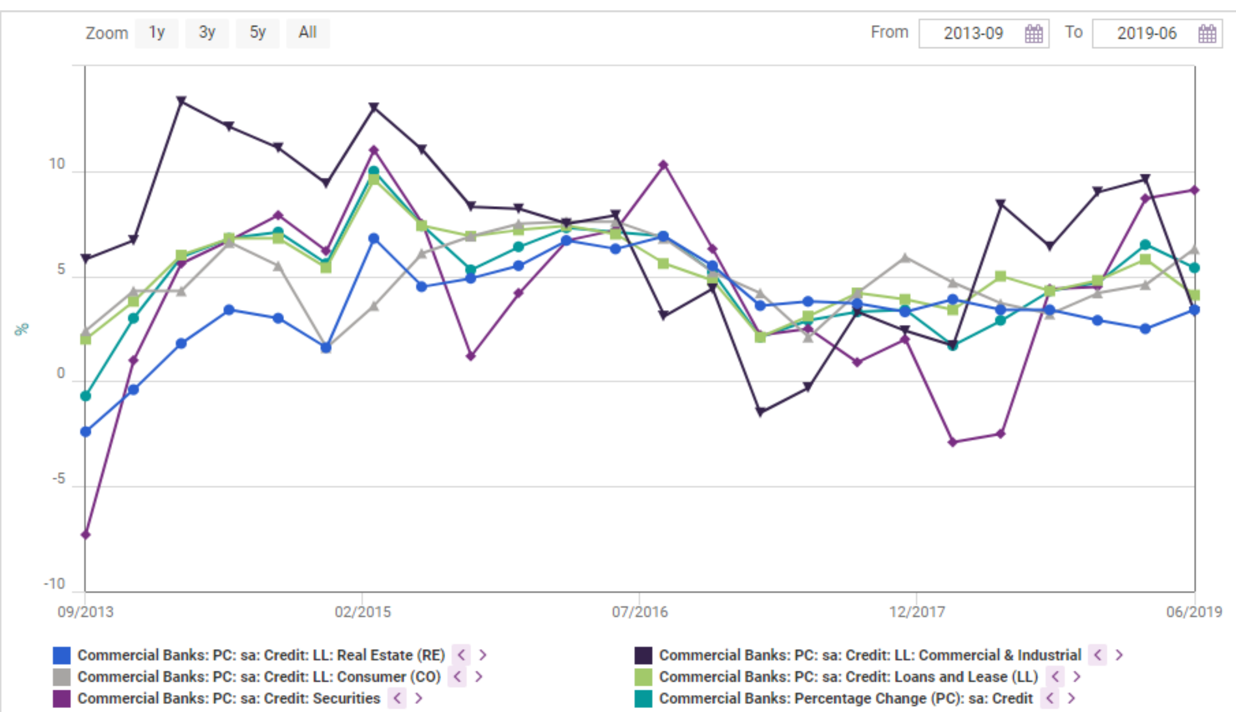
	Unit	08/01/2019	07/01/2019	06/01/2019	05/01/2019	04/01/2019	03/01/2019	02/01/2019
Reserve Assets	USD bn	128.53	128.85	128.34	126.97	127.26	125.18	125.83
Reserve Assets: Gold Stock Include Exchange Stabilization Fund	USD bn	11.04	11.04	11.04	11.04	11.04	11.04	11.04
Reserve Assets: Special Drawing Rights at IMF	USD bn	50.16	50.36	50.90	50.44	50.67	50.77	51.12
Reserve Assets: Position in IMF	USD bn	25.90	26.08	24.38	24.08	24.44	22.09	22.16
Reserve Assets: Holdings of Convertible Foreign Currencies	USD bn	41.43	41.37	42.02	41.41	41.11	41.28	41.50

Source: CEIC Data

Foreign Exchange Rate

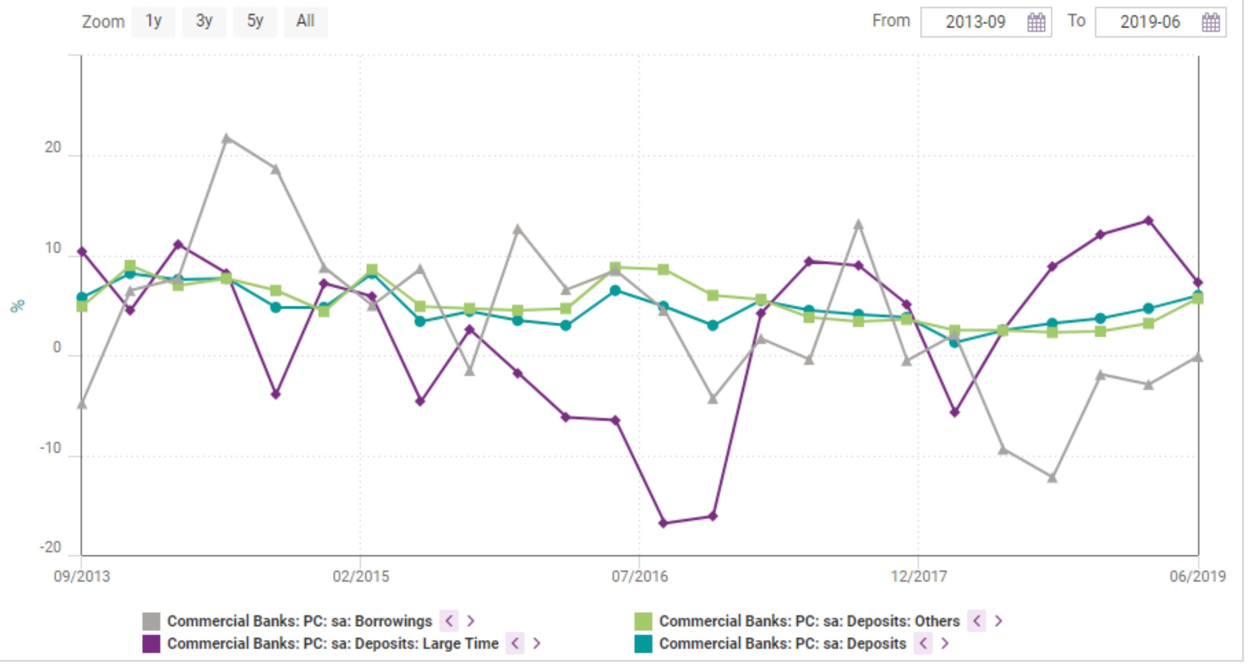


Commercial Banks: Credit Growth (YoY)



Source: CEIC Data

Commercial Banks: Deposits Growth (YoY)



Household Debt

	Unit	06/01/2019	03/01/2019	12/01/2018	09/01/2018	06/01/2018	03/01/2018	12/01/2017
Household Debt	USD bn	13,860	13,668	13,544	13,512	13,293	13,211	13,148
Household Debt: Mortgage	USD bn	9,406	9,244	9,124	9,140	8,999	8,939	8,882
Household Debt: Home Equity Revolving	USD bn	399	406	412	422	432	436	444
Household Debt: Auto Loan	USD bn	1,297	1,280	1,274	1,265	1,238	1,229	1,221
Household Debt: Credit Card	USD bn	868	848	870	844	829	815	834
Household Debt: Student Loan	USD bn	1,478	1,486	1,457	1,442	1,405	1,407	1,378
Household Debt: Other	USD bn	412	404	407	399	390	385	389

Source: CEIC Data

Fiscal Sector

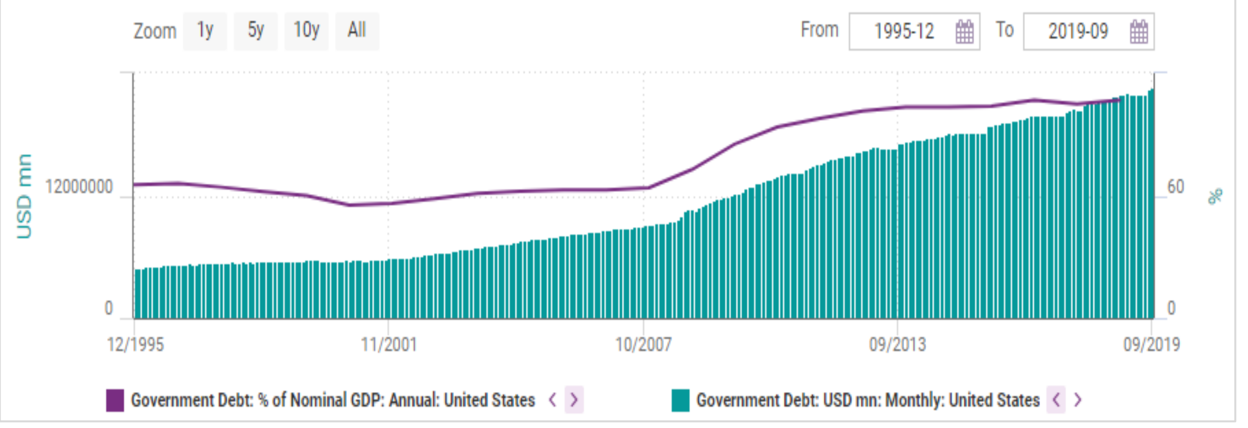
Fiscal Sector

The total level of indebtedness remains high despite still being at sustainable levels. Two of the main recent developments - tax cuts and tariffs - have not changed the overall picture substantially and US federal debt remains high both as a percentage of GDP and in nominal terms. Trade tariffs have not reduced the annual US fiscal deficit and in fact it has been widening as a share of GDP ever since 2015 to reach 3.84% of nominal GDP in 2018, due to increasing outlays amid relatively constant receipts. Federal government deficit for the January-August 2019 period was USD 748.2bn up 11.1% compared to the same period last year. Revenues were USD 333.95bn, up 5.6% y/y, and outlays amounted to USD 342.43bn, down 12.5% y/y. Out of the consolidated monthly deficit, USD 50.48bn, or 93.6%, were on budget, and the off budget balance was USD 42bn in surplus. Net borrowing from the public was negative and operating cash actually increased, the bulk of the deficit being financed by other means. Public borrowing was negative probably due to repayments of maturing short-term debt.

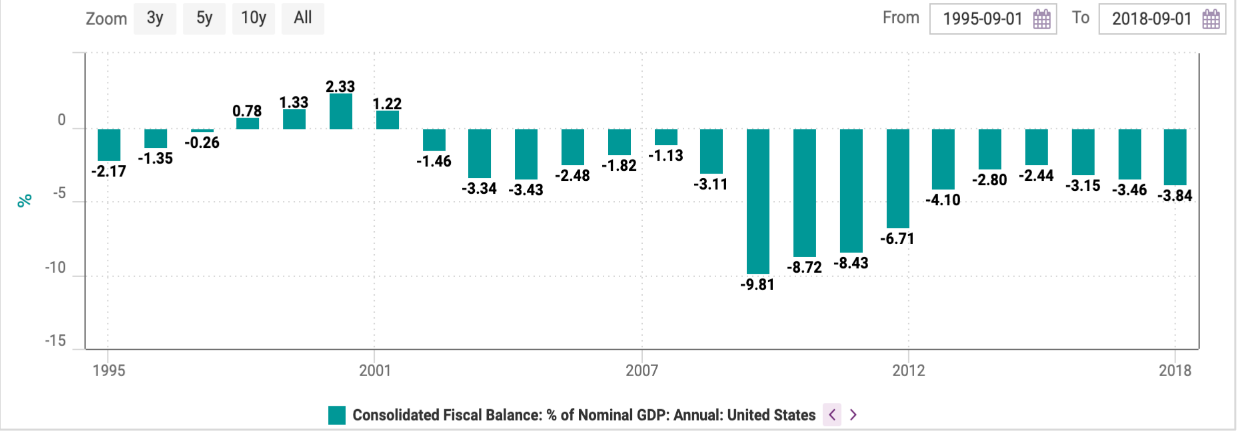
Individual income taxes (down 13.1% y/y in June) and social insurance and retirement contributions (up 28%) were the largest major contributors to government receipts with shares of 42.4% and 36.2%, respectively. Social security (up 5.4% y/y in June), national defence (down 22% y/y) and health expenditures (up 19.3% y/y) were the largest outlays with respective shares of 27.1%, 14.9% and 14.1% of the total, similar to other months since the beginning of the year. Medicare (down 71.9% y/y) saw the largest relative drop among government outlays and stood at its lowest point since the beginning of the year, which we attribute to temporary factors. Corporation and individual income tax revenue increased by 3.3% y/y and has continued its upward trend seen in the last several years. Thus, lowering taxes in 2016 has not substantially contributed to US fiscal deficit or debt accumulation and its effect was entirely offset by the additional growth spurred by lower taxes and the beneficial macroeconomic conditions. Custom revenues increased to USD 15.8bn (up 58.9%) due to the imposition of new tariffs by the Trump administration.

Total US debt was little changed in Q2 2019, with total amount of federal debt down by 0.02% relative to the end of Q1. Federal and state government debt, the much larger share of which is government debt, has been gradually increasing in the last decade and last year was no exception, with year-end federal debt amounting to a little over USD 22tn. The largest share of this debt has maturity longer than one year. Out of the entire amount, 73.61% is held by the public and 26.39% is made up of intra-governmental holdings. Central government borrowing is forecast to increase by 5.61% y/y in 2019 and by an additional 2.54% in 2020, further increasing US government debt. However, considering the continuing good macroeconomic performance of the US economy and the relatively low yields on government securities, total debt is still not a major cause of concern.

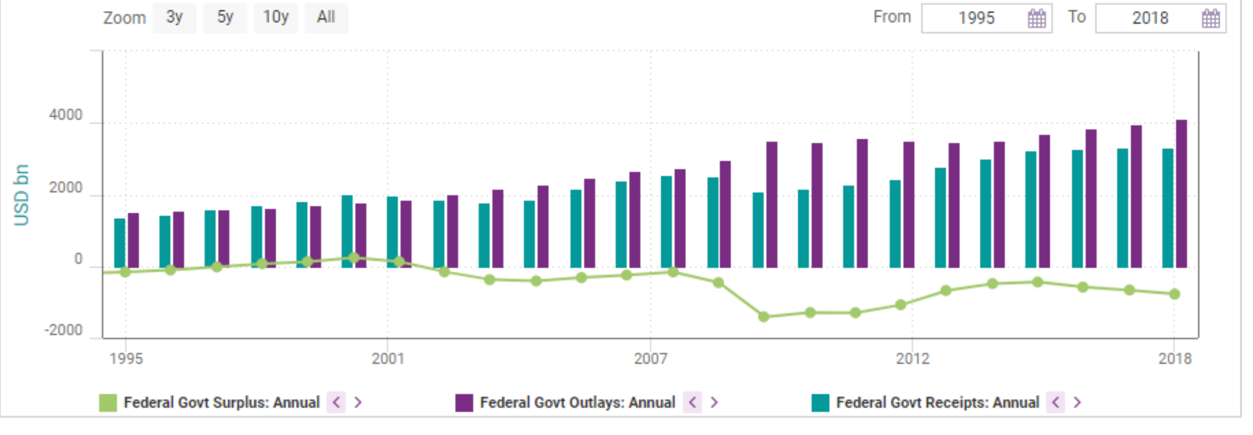
Government Debt



Consolidated Fiscal Balance: % of Nominal GDP

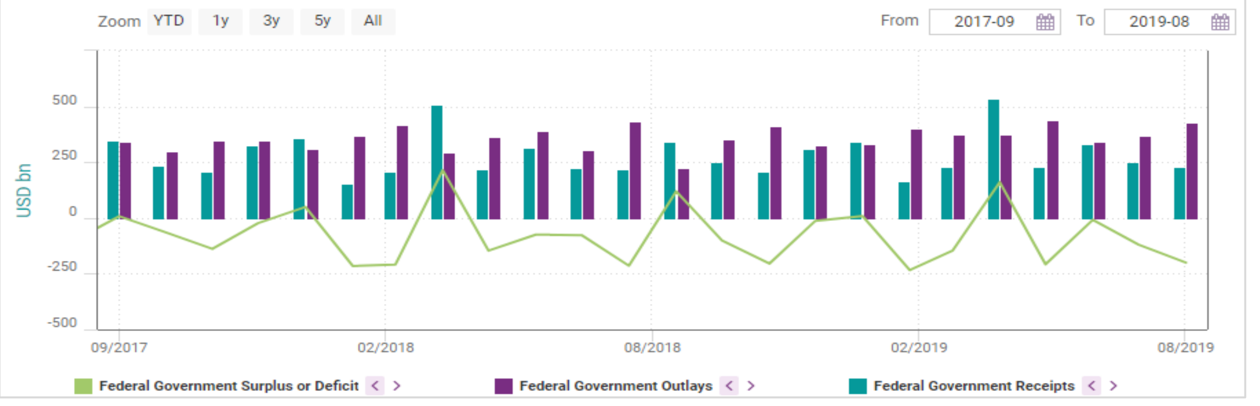


Federal Government Budget Balance: Annual

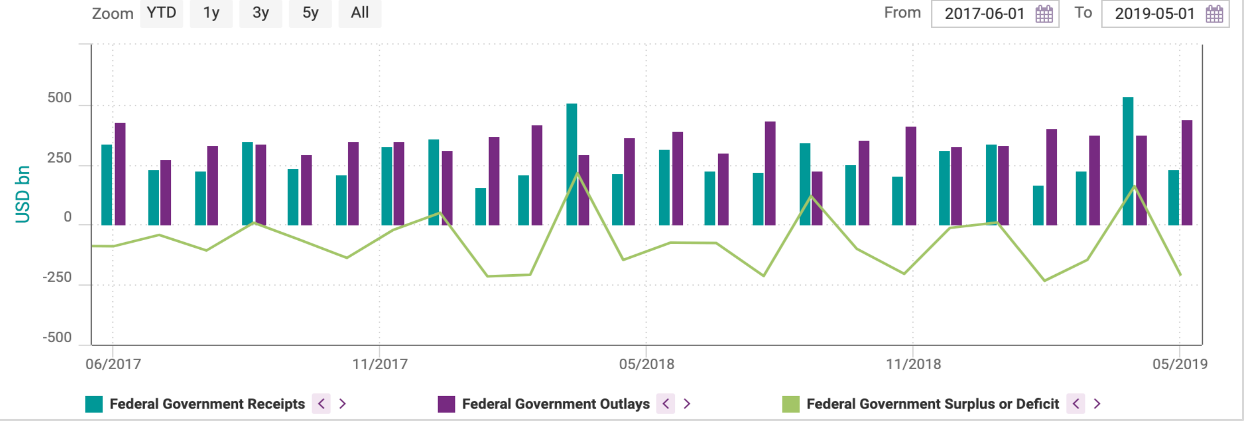


Source: CEIC Data

Federal Government Budget Balance: Monthly



Federal Government Budget Balance: Monthly

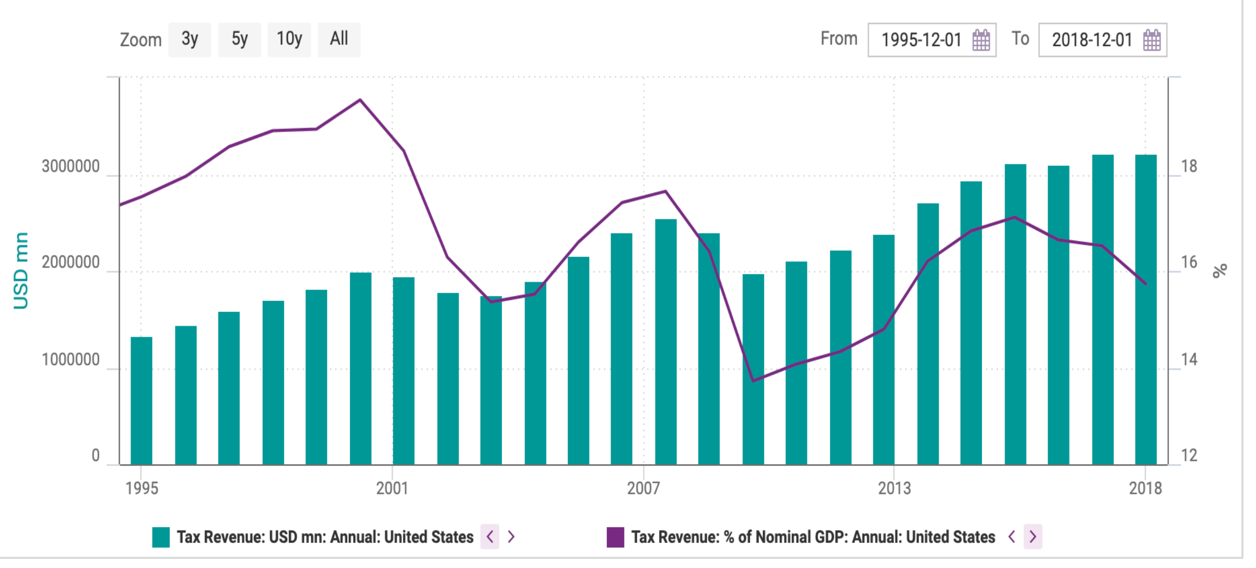


Federal Government Budget Balance & Financing

	Unit	08/01/2019	07/01/2019	06/01/2019	05/01/2019	04/01/2019	03/01/2019
Federal Government Surplus or Deficit	USD bn	-200	-120	-8	-208	160	-147
Federal Government Surplus or Deficit: On Budget	USD bn	-185	-111	-50	-195	141	-141
Federal Government Surplus or Deficit: Off Budget	USD bn	-16	-9	42	-13	20	-6
Federal Government Financing: Borrowing from the Public	USD bn	386	24	-12	9	-12	-46
Federal Government Financing: Reduction of Operating Cash	USD bn	44	87	-31	190	-89	-43
Federal Government Financing: By Other Means	USD bn	-229	8	52	9	-60	236

Source: CEIC Data

Tax Revenue

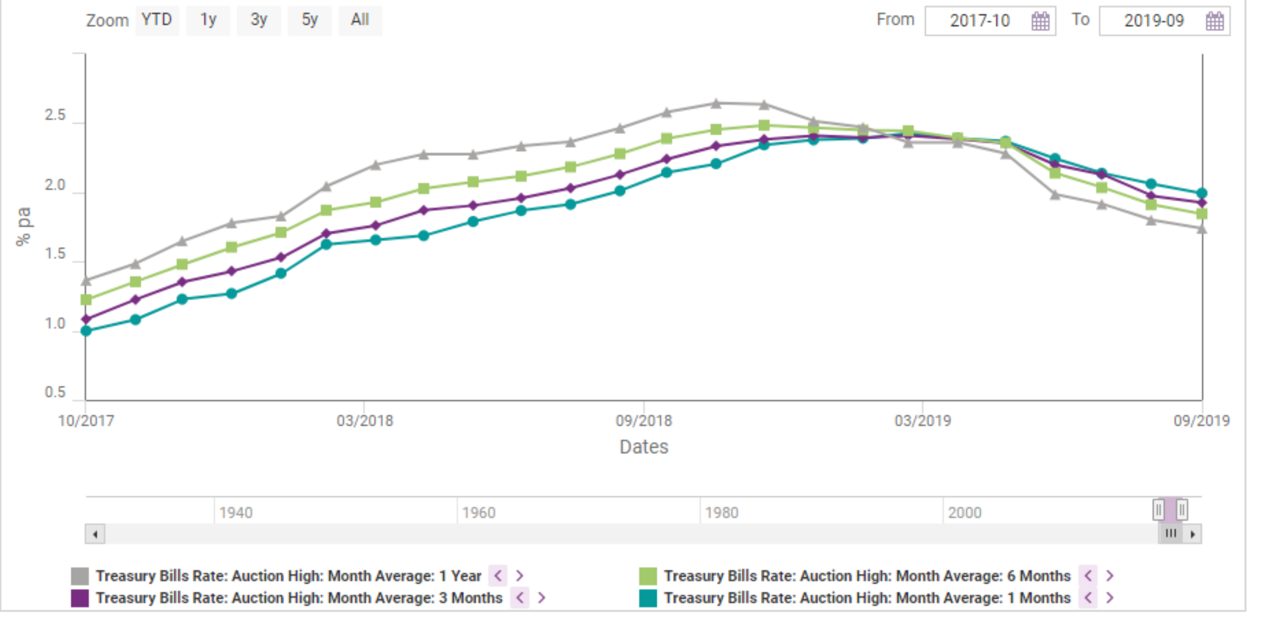


Federal Government Receipts

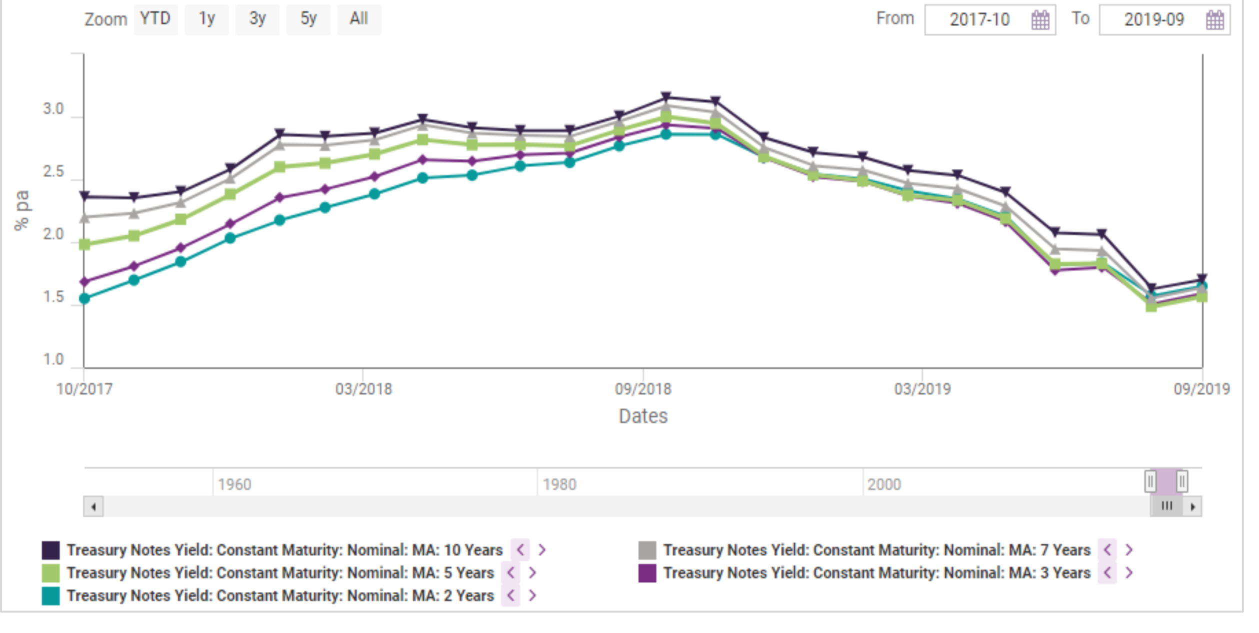
	Unit	08/01/2019	07/01/2019	06/01/2019	05/01/2019	04/01/2019	03/01/2019
Federal Government Receipts	USD bn	227.97	251.35	333.95	232.06	535.55	228.81
Federal Government Receipts: On Budget Receipts	USD bn	157.49	182.52	241.70	158.23	439.74	149.41
Federal Government Receipts: Off Budget Receipts	USD bn	70.48	68.83	92.26	73.84	95.81	79.40
Federal Govt Receipts: Individual Income Taxes	USD bn	105.98	127.43	141.15	103.69	332.81	97.24
Federal Govt Receipts: Corporation Income Taxes	USD bn	-1.40	6.97	51.27	0.41	44.69	8.79
Federal Govt Receipts: Social Insurance & Retirement (SI)	USD bn	95.82	93.85	120.75	107.08	135.13	102.43
Federal Govt Receipts: SI: Employment & General Retirement	USD bn	91.79	89.57	120.11	95.06	124.91	101.79
Federal Govt Receipts: SI: Unemployment Insurance	USD bn	3.63	3.85	0.25	11.55	9.84	0.28
Federal Govt Receipts: SI: Other Retirement	USD bn	0.40	0.43	0.39	0.47	0.38	0.36
Federal Govt Receipts: Excise Taxes	USD bn	7.87	7.87	7.11	7.59	7.09	7.84
Federal Govt Receipts: Estate and Gift Taxes	USD bn	1.88	1.16	1.09	0.79	2.27	0.94
Federal Govt Receipts: Customs Duties	USD bn	7.01	6.47	5.61	4.93	5.24	5.16
Federal Govt Receipts: Miscellaneous Receipts	USD bn	10.81	7.61	6.99	7.57	8.32	6.42

Source: CEIC Data

Treasury Bills Rate



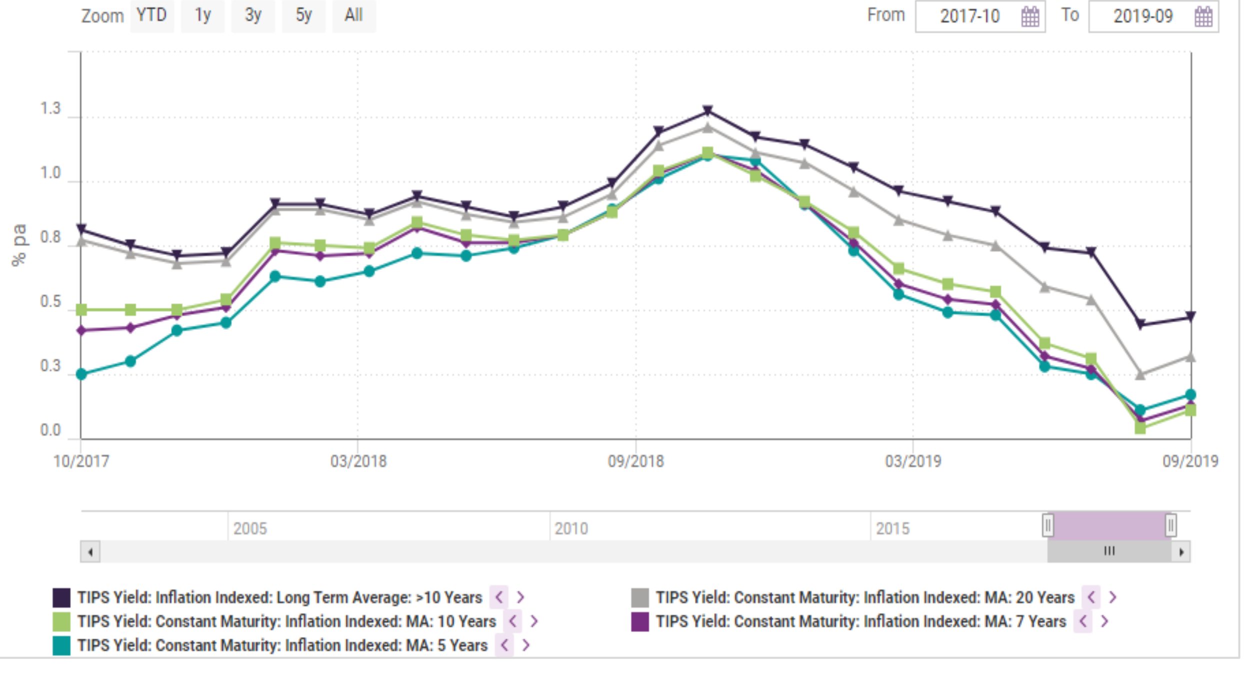
Treasury Notes Yield



Source: CEIC Data

Treasury Bonds Yield

TIPS Yield



Source: CEIC Data

External Sector

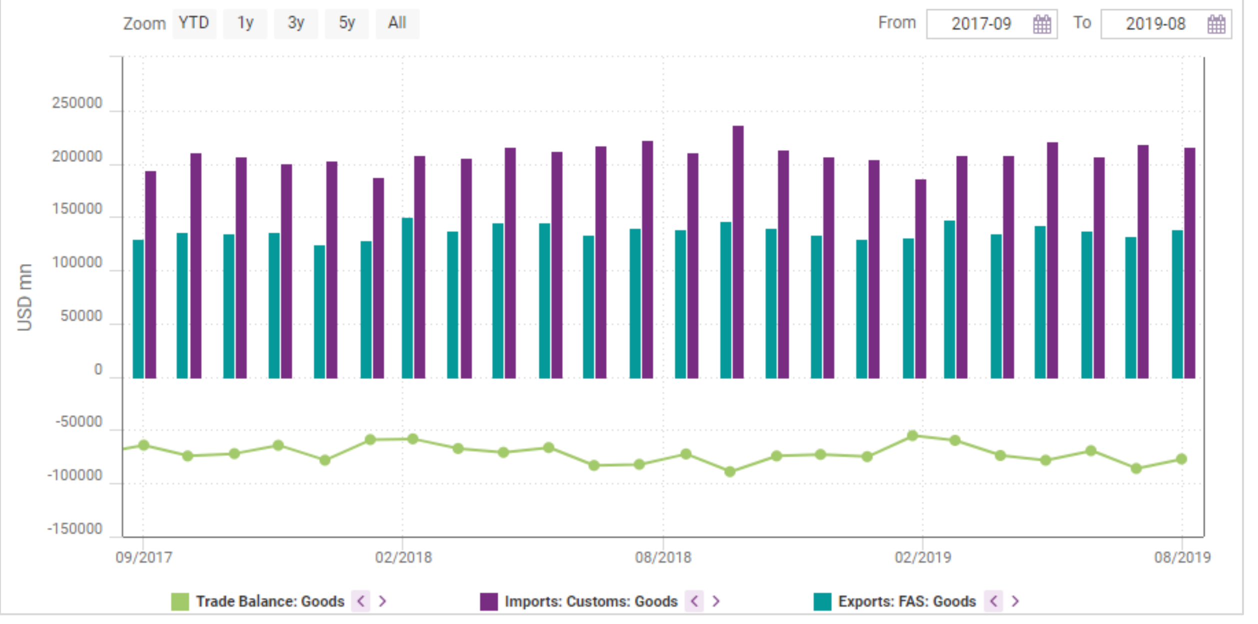
External Sector

Total trade deficit in the second quarter increased relative to Q1 and stood at USD 221.67bn, up 8.9% y/y due to both higher imports and a slight drop in exports.

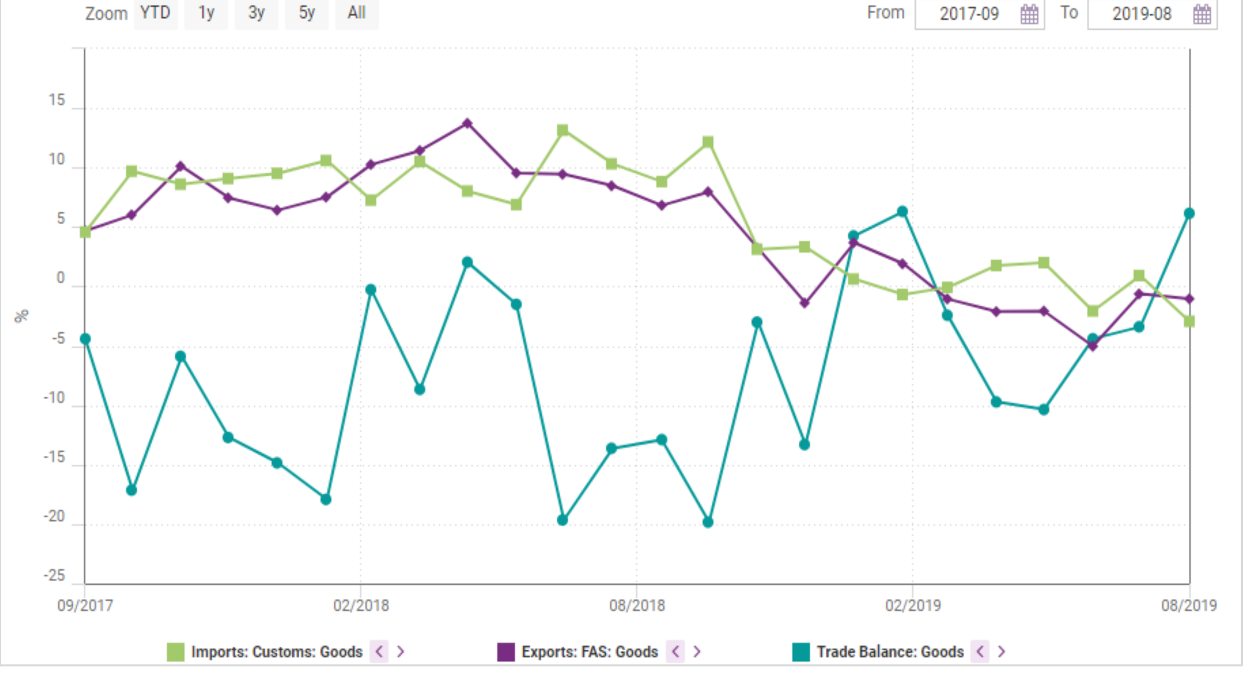
The country's main trading partners remain China, Germany, Japan and neighbouring Mexico and Canada, all running relatively large surpluses in mutual trade with the US. The largest trade partner by far is China, which is also running the largest trade surplus toward the US. Trade deficit with China in Q2 was only slightly changed relative to Q1 and amounted to USD 90.16bn, up 39.13% y/y. The trend is contrary to the first quarter when the deficit actually decreased, probably due to seasonal, rather than fundamental factors. Tariffs did not affect significantly the balance, amount, and sector composition of US external trade. The US continued to run deficits with its major trading partners. Trade deficits with Mexico (USD 26.20bn), Canada (USD 5.81bn) and Japan (USD 18.66bn) all increased in Q2, while the deficit in trade with Germany (USD 16.43bn) decreased slightly q/q. President Trump's administration officially approved the imposition of tariffs on USD 300bn additional goods imported from China, as of September 1, but then cancelled its decision and delayed the imposition, which has so far affected mainly stock market indices providing some upward impetus. There are no clear signs yet of a forthcoming trade agreement with China in the coming months.

In terms of products categories, industrial supplies, capital goods and advanced technology products remained the largest contributors to US export revenue, all little changed relative to past quarter amid the continuing uncertainty in US-China trade relations. The main import product categories were capital goods, consumer goods, industrial supplies, and advanced technology products, all up q/q.

Trade Balance



Trade Balance: YoY Growth



Source: CEIC Data

Exports: Main Categories

	Unit	08/01/2019	07/01/2019	06/01/2019	05/01/2019	04/01/2019	03/01/2019
Trade Balance: Goods	USD mn	-77,163	-86,097	-69,401	-78,372	-73,914	-59,726
Trade Balance: Advanced Technology Products	USD mn	-13,373	-11,318	-10,474	-11,410	-10,993	-7,232
Exports: FAS: Goods	USD mn	138,686	132,872	138,060	142,409	135,118	148,267
Exports: FAS: Goods: Foods, Feeds and Beverages	USD mn	11,226	10,496	10,094	10,629	10,615	11,342
Exports: FAS: Goods: Industrial Supplies	USD mn	44,868	43,162	44,299	45,825	45,182	46,055
Exports: FAS: Goods: Capital Goods	USD mn	44,950	44,804	46,443	46,713	44,160	51,172
Exports: FAS: Goods: Automotive Vehicles, Parts etc	USD mn	15,066	12,527	13,830	14,974	13,532	14,991
Exports: FAS: Goods: Consumer Goods	USD mn	16,407	16,230	17,798	18,224	16,545	18,998
Exports: FAS: Goods: Other Goods	USD mn	6,170	5,653	5,596	6,044	5,084	5,709
Exports: FAS: Advanced Technology Products	USD mn	29,715	29,670	30,645	29,949	27,868	33,989

Imports: Main Categories

	Unit	08/01/2019	07/01/2019	06/01/2019	05/01/2019	04/01/2019	03/01/2019
Imports: Customs: Goods	USD mn	215,849	218,969	207,461	220,781	209,032	207,993
Imports: Customs: Goods: Foods, Feeds and Beverages	USD mn	12,242	12,759	12,470	13,470	13,364	13,377
Imports: Customs: Goods: Industrial Supplies	USD mn	44,096	47,446	43,855	48,929	46,268	44,373
Imports: Customs: Goods: Capital Goods	USD mn	58,037	58,495	57,835	59,176	56,177	57,177
Imports: Customs: Goods: Automotive Vehicles, Parts etc	USD mn	32,807	31,573	32,204	33,392	31,481	33,814
Imports: Customs: Goods: Consumer Goods	USD mn	59,336	58,635	50,905	55,833	52,565	49,699
Imports: Customs: Goods: Other Goods	USD mn	9,331	10,060	10,192	9,981	9,177	9,553
Imports: Customs: Advanced Technology Products	USD mn	43,088	40,988	41,119	41,360	38,861	41,221
Imports: Energy Related Petroleum Products	USD th	15,249,247	17,271,196	16,180,253	18,814,105	16,613,563	14,387,216
Imports: Energy Related Petroleum Products: Quantity	Barrel th	265,336	286,656	260,990	290,664	269,379	251,630
Imports: Crude Petroleum	USD th	10,762,426	12,075,547	12,083,476	13,294,543	11,745,046	10,404,644
Imports: Crude Petroleum: Unit Price	USD	54	56	59	61	57	53
Imports: Crude Petroleum: Quantity	Barrel th	198,820	213,811	204,183	219,526	205,472	195,930
Imports: Crude Petroleum: Quantity: Average per day	Barrel th	6,414	6,897	6,806	7,081	6,849	6,320

Source: CEIC Data

Top Trading Partners: Exports

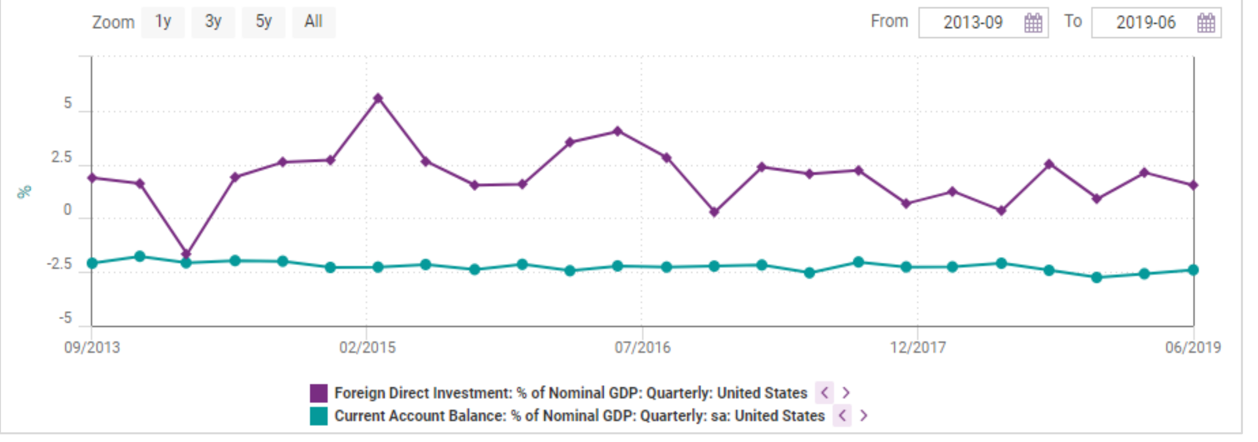
	Unit	08/01/2019	07/01/2019	06/01/2019	05/01/2019	04/01/2019	03/01/2019
Exports: FAS: Canada: sa	USD mn	24,817	24,224	24,010	24,279	24,605	25,013
Exports: FAS: Mexico: sa	USD mn	21,858	21,413	21,291	21,764	22,183	21,734
Exports: FAS: China: sa	USD mn	10,019	9,338	9,599	9,763	8,466	10,217
Exports: FAS: Japan: sa	USD mn	6,117	6,578	6,157	6,564	6,035	6,019
Exports: FAS: United Kingdom: sa	USD mn	6,000	5,776	5,254	5,057	5,232	5,366
Exports: FAS: Germany: sa	USD mn	4,934	4,782	4,768	4,977	4,916	5,043
Exports: FAS: South Korea: sa	USD mn	4,811	4,691	4,915	4,568	4,764	4,837
Exports: FAS: Netherlands	USD mn	3,977	3,731	4,431	4,011	4,311	4,586
Exports: FAS: Hong Kong SAR: sa	USD mn	2,639	2,816	2,550	2,896	2,779	2,624
Exports: FAS: Brazil: sa	USD mn	3,432	3,502	3,870	3,527	3,444	3,655
Exports: FAS: France: sa	USD mn	3,101	2,700	3,064	3,074	3,228	3,245
Exports: FAS: Belgium	USD mn	3,312	2,613	2,739	3,174	3,051	3,182
Exports: FAS: Singapore: sa	USD mn	2,642	2,587	2,504	2,714	2,815	2,471
Exports: FAS: Taiwan: sa	USD mn	2,467	2,502	2,503	3,016	2,395	2,528
Exports: FAS: India: sa	USD mn	2,319	2,535	2,987	3,058	3,312	3,226

Top Trading Partners: Imports

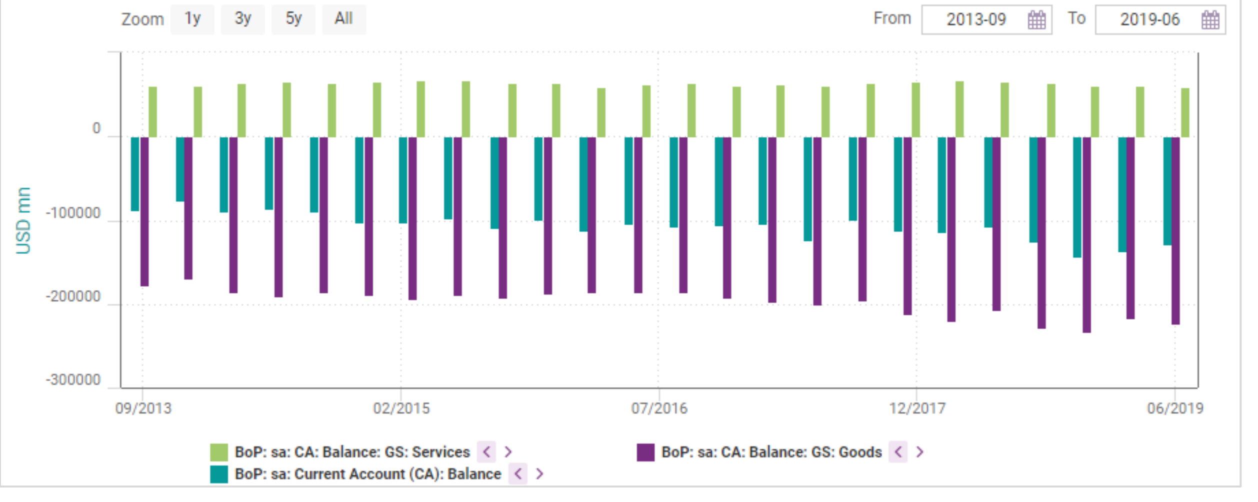
	Unit	08/01/2019	07/01/2019	06/01/2019	05/01/2019	04/01/2019	03/01/2019
Imports: Customs: China: sa	USD mn	24,817	24,224	24,010	24,279	24,605	25,013
Imports: Customs: Mexico: sa	USD mn	21,858	21,413	21,291	21,764	22,183	21,734
Imports: Customs: Canada: sa	USD mn	10,019	9,338	9,599	9,763	8,466	10,217
Imports: Customs: Japan: sa	USD mn	6,117	6,578	6,157	6,564	6,035	6,019
Imports: Customs: Germany: sa	USD mn	6,000	5,776	5,254	5,057	5,232	5,366
Imports: Customs: South Korea: sa	USD mn	4,934	4,782	4,768	4,977	4,916	5,043
Imports: Customs: United Kingdom: sa	USD mn	4,811	4,691	4,915	4,568	4,764	4,837
Imports: Customs: Italy: sa	USD mn	3,977	3,731	4,431	4,011	4,311	4,586
Imports: Customs: France: sa	USD mn	2,639	2,816	2,550	2,896	2,779	2,624
Imports: Customs: Ireland	USD mn	3,432	3,502	3,870	3,527	3,444	3,655
Imports: Customs: India: sa	USD mn	3,101	2,700	3,064	3,074	3,228	3,245
Imports: Customs: Vietnam	USD mn	3,312	2,613	2,739	3,174	3,051	3,182
Imports: Customs: Taiwan: sa	USD mn	2,642	2,587	2,504	2,714	2,815	2,471
Imports: Customs: Malaysia	USD mn	2,467	2,502	2,503	3,016	2,395	2,528
Imports: Customs: Switzerland	USD mn	2,319	2,535	2,987	3,058	3,312	3,226

Source: CEIC Data

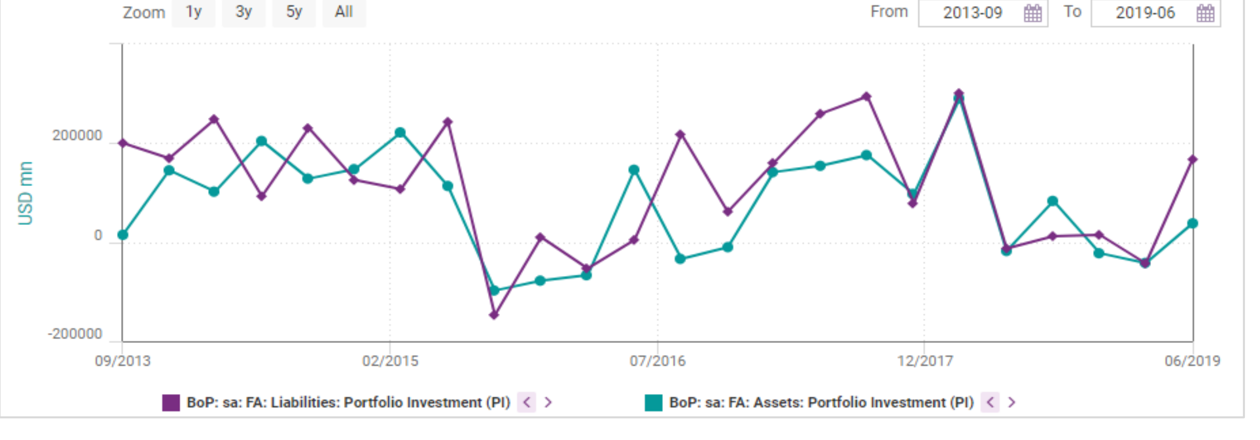
Current & Financial Account: % of Nominal GDP



BoP: Current Account Balance



BoP: Portfolio Investment



Source: CEIC Data

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In, On and For Emerging Markets

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