



# Short-Run US Economic Forecast

February 12, 2021

TFG Economics

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# Introduction

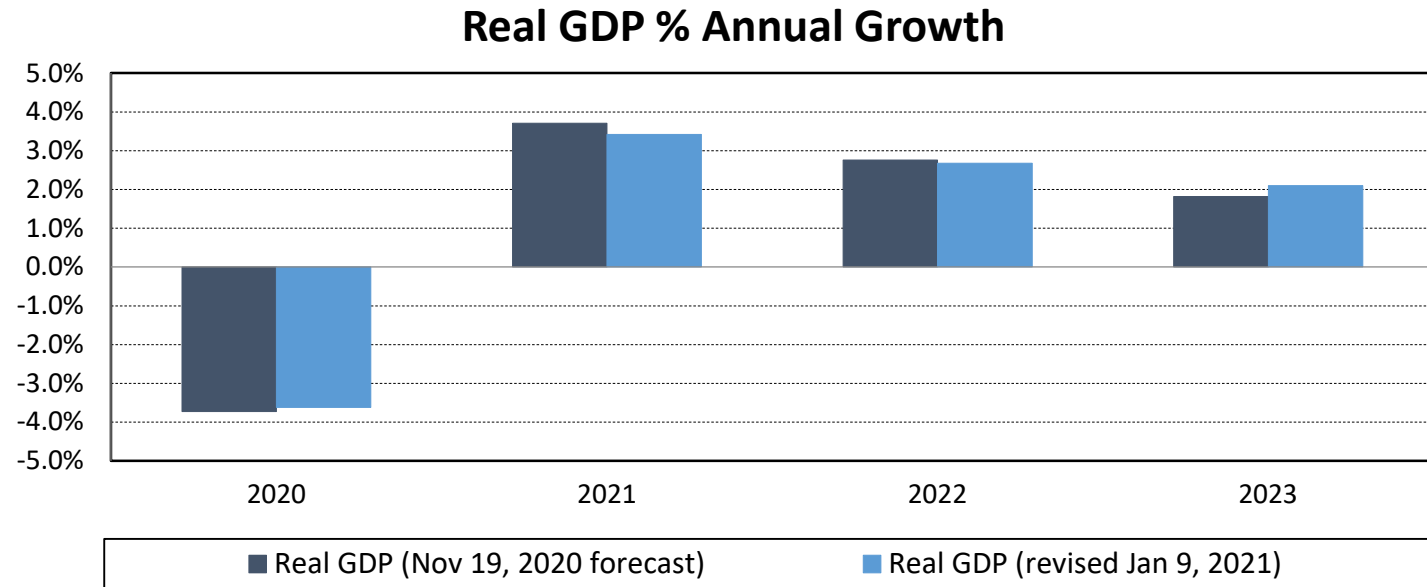
At The Freedonia Group, we are actively monitoring company and industry reports on how the COVID-19 outbreak is affecting demand, investment, and industry consolidation.

The unfolding scope of the pandemic has required frequent reassessment of the marketplace. The table below summarizes the evolution of our forecasts over the last year.

	US Forecasts -- % Change for 2019-2020 as of:						
	Mar 27, 2020	Apr 17, 2020	May 8, 2020	Jul 27, 2020	Sep 10, 2020	Nov 19, 2020	Jan 9, 2021
Real GDP	-1.0%	-4.8%	-4.8%	-6.9%	-6.2%	-3.7%	-3.6%
Personal Consumption Expend	-1.1%	-5.3%	-5.3%	-8.1%	-6.8%	-4.0%	-4.1%
Retail Sales (nominal)				-7.4%	-3.8%	-1.0%	-0.8%
Construction Spending	-4.9%	-15.4%	-15.4%	-13.7%	-0.7%	0.8%	1.8%
Manufacturers' Shipments	-4.0%	-9.3%	-8.4%	-11.2%	-7.7%	-7.3%	-8.0%
Light Vehicle Production	-19.0%	-22.6%	-24.0%	-24.0%	-19.5%	-24.6%	-17.4%

The following slide deck presents new insights as of **February 12, 2021**.

# Real Gross Domestic Product



Source: The Freedonia Group

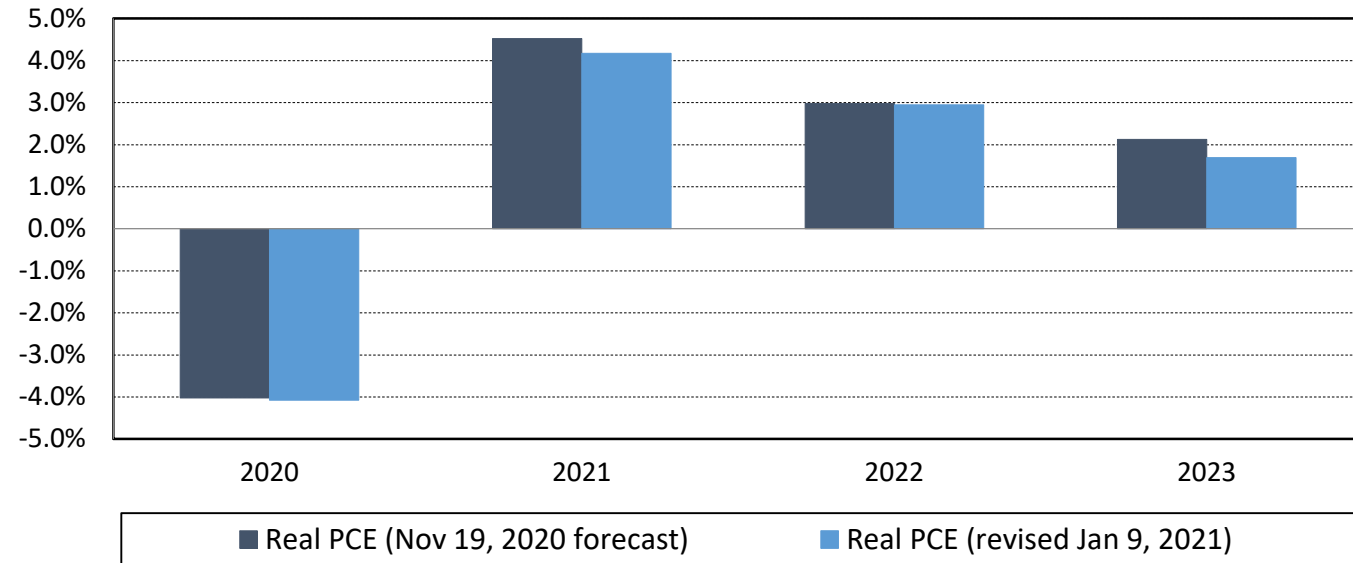
Real GDP advanced at a 4% annualized rate in the fourth quarter of 2020, following growth at a 33% annualized rate in the third quarter.

Progress in the first quarter of 2021 is expected to be slower still. Rising hospitalizations due to COVID-19 infections induced some state and local governments to reimpose curfews or restrictions on the movement of people.

Vaccinations have been delayed somewhat by distribution issues. Additionally, the emergence of new SARS-CoV-2 strains that are more easily transmitted from person to person could be an obstacle to resumption of pre-pandemic activities.

# Personal Consumption Spending

Personal Consumption Expenditures % Annual Growth



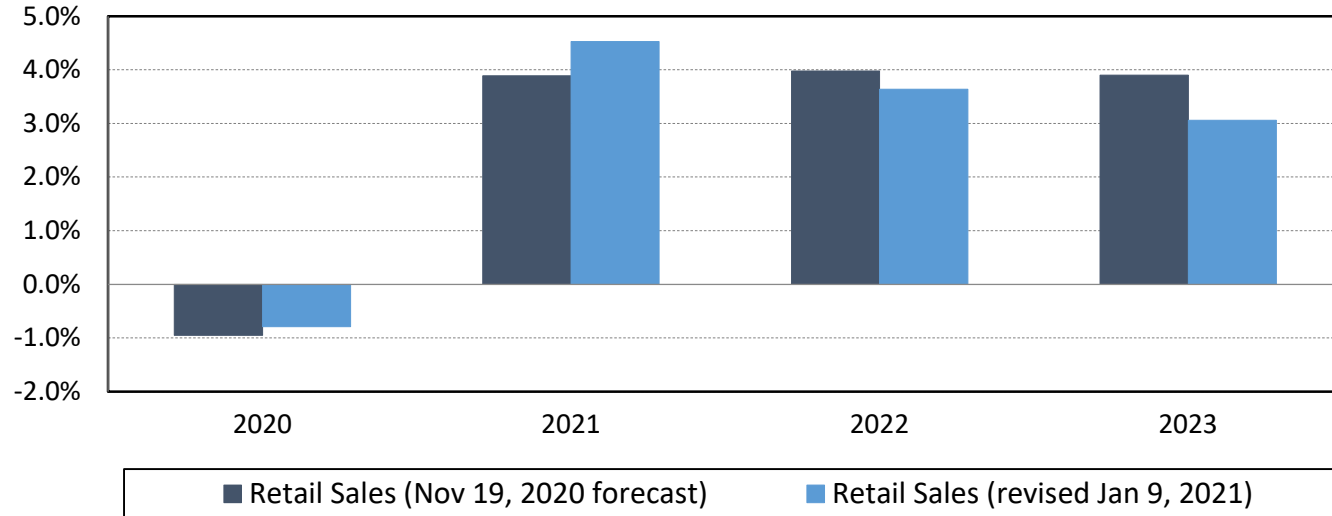
Source: The Freedonia Group

Personal consumption spending continued to rise in the fourth quarter of 2020, but growth was only at a 2.5% annualized rate. The advances were generated from spending on services.

The unemployment rate declined to 6.3% in January 2021, and the number of unemployed individuals fell to 10.1 million. Both figures have receded from their peaks in April 2020 but remain above the comparable figures prior to the pandemic.

# Retail Sales

Retail Sales Annual Growth



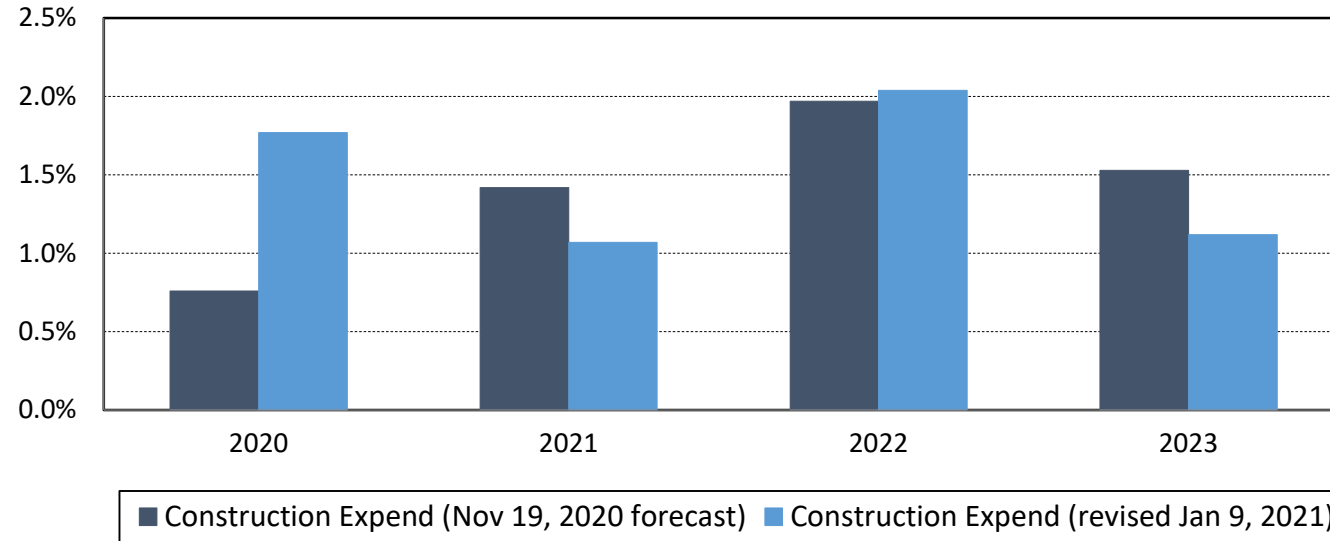
Source: The Freedonia Group

Using data through November 2020, retail and foodservice sales for the entire year of 2020 are projected to be only slightly below those in 2019. Outlets for food and beverages, building materials, and online retail all had double-digit increases, offsetting sharp declines for sales of food eaten away from home and of clothing, electronics, and gasoline.

The outlook for retail sales in 2021 is brighter. E-commerce is expected to remain strong, and an eventual relaxation of shelter-in-place restrictions should benefit in-person retail.

# Construction Spending

**Real Construction Expenditures Annual Growth**



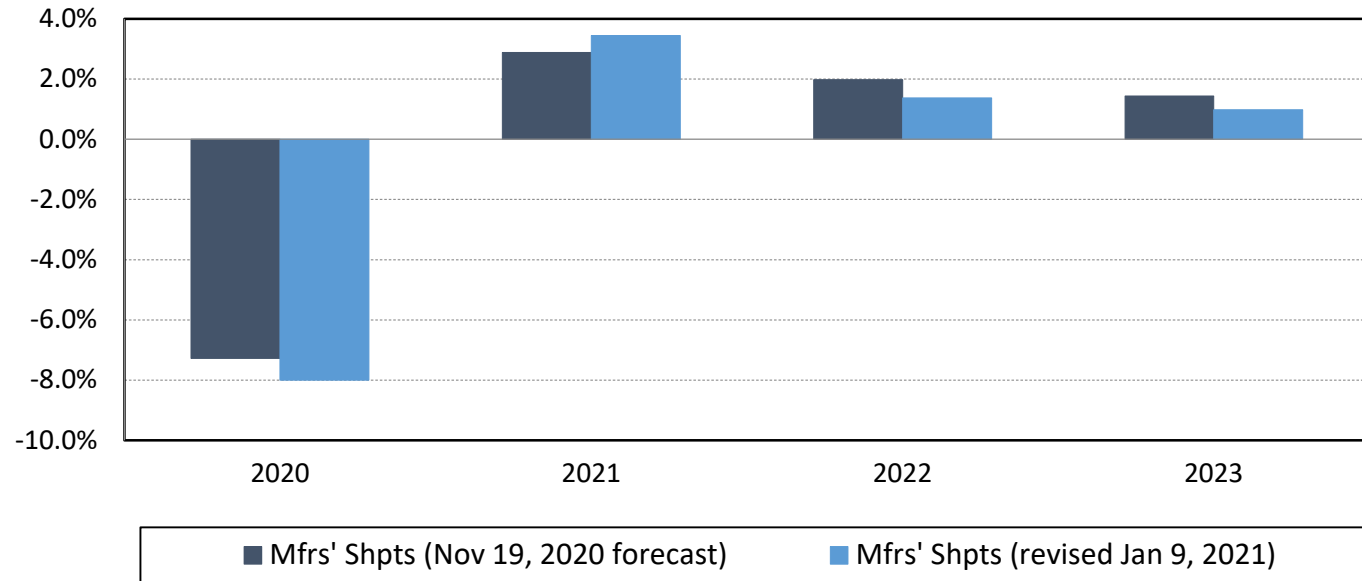
Source: The Freedonia Group

Even with suspensions or slowdowns of construction during spring 2020 after the emergence of the pandemic, inflation-adjusted spending on construction in 2020 exceeded the level in 2019. Both new housing construction and improvements to existing units were stellar performers.

Nonbuilding construction also saw gains for the year, aided by activity in the power segment. Commercial building expenditures fell in 2020, however, with the office and lodging segments each seeing substantial contractions.

# Manufacturers' Shipments

Real Manufacturers' Shipments Annual Growth

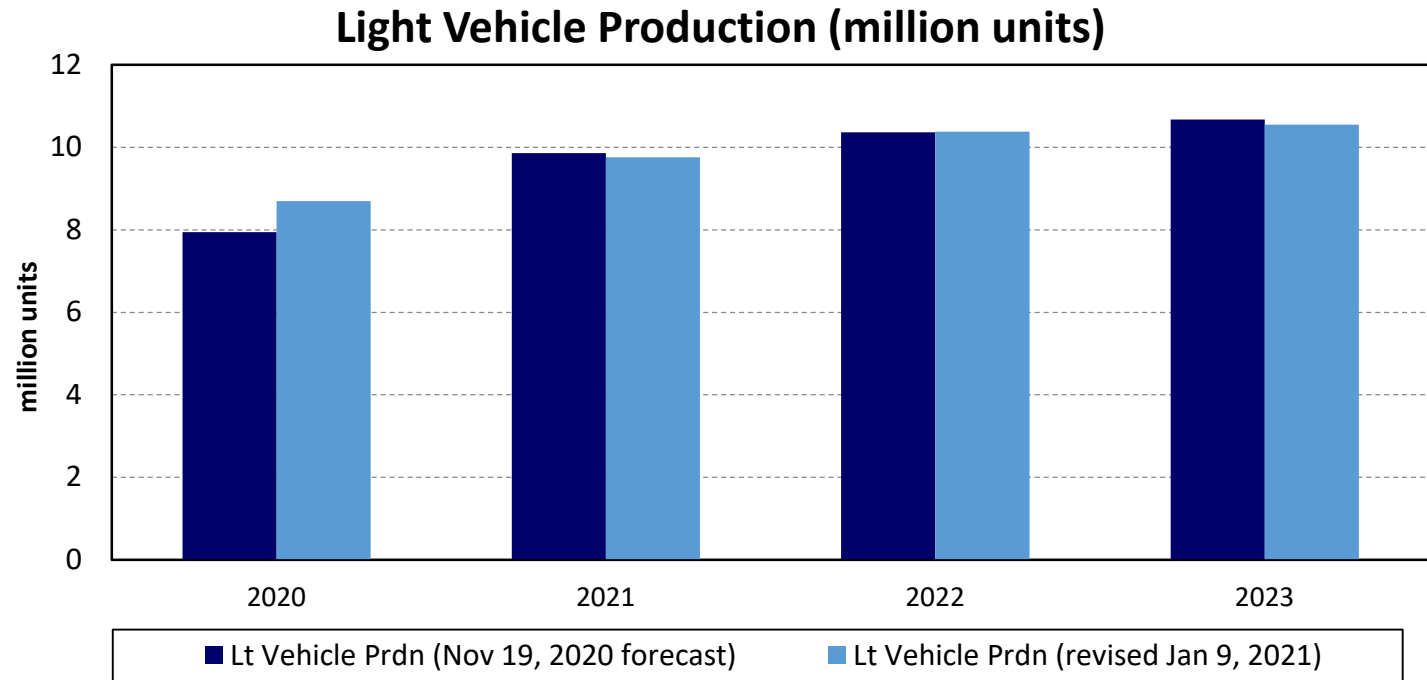


Source: The Freedonia Group

After adjusting for inflation, the value of manufacturers' shipments declined 8.0% in 2020. Shipments of transportation equipment, petroleum and coal products, and primary metal products all saw double-digit declines.

During the year, manufacturing costs rose as facilities implemented enhanced disinfection procedures, redesigned work processes, and supplied personal protective equipment to workers to reduce the risk of coronavirus transmission.

# Light Vehicle Production



After a nearly total stoppage in April 2020, US light vehicle production began a recovery, but full-year production levels of 8.7 million units were 17% below those in 2019. Manufacturers concentrated on production of their more popular vehicles, and profit margins per vehicle were healthy as limited inventories reduce buyers’ negotiating power.

Light vehicle production is projected to approach 9.8 million units in 2021. Early in the year, a shortage of electronic components has disrupted production plans.