








# U.S. Economic Outlook

2Q21

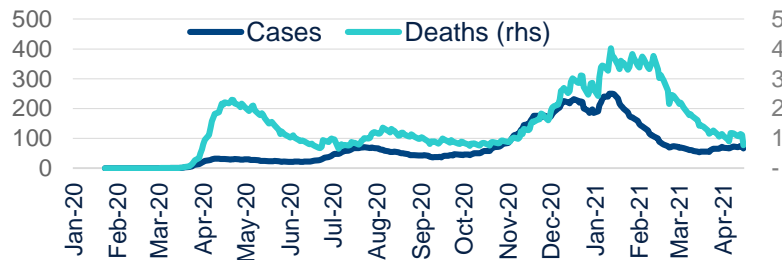
April 2021

# Highlights

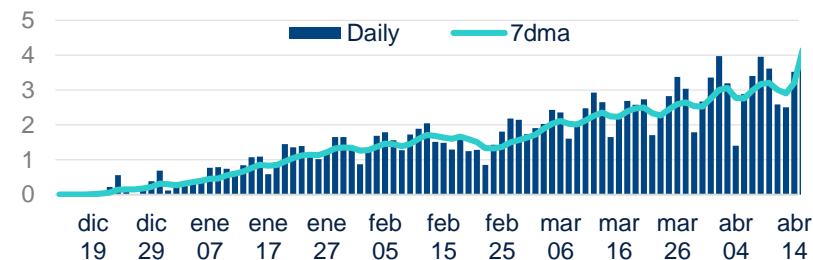
-  The economy could experience a period of bonanza not seen in decades
-  Strong recovery boosted by successful vaccination campaign, reopening of services, low interest rates, and massive fiscal stimulus
-  Flat Phillips curve and elevated slack limit inflationary pressures
-  Fed balance sheet tapering in 2022 and rate liftoff in 2023
-  Moderate upward trend in long-term Treasury yields
-  Infrastructure investment and tax policy will boost employment, capital spending, productivity and potential GDP
-  Ample business opportunities and record-high bank profitability

# Data suggests herd immunity will be reached by 4th of July

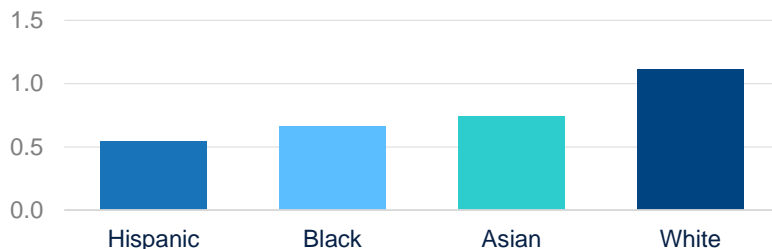
## DAILY CASES AND FATALITIES, 7DMA, THOUSANDS



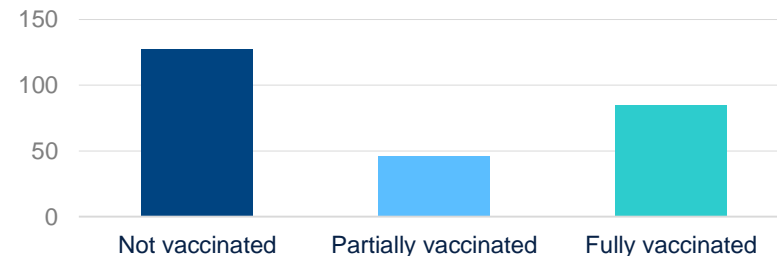
## COUNT OF TOTAL DOSES ADMINISTERED, MILLIONS



## VACCINATION TO POPULATION RATIO\*



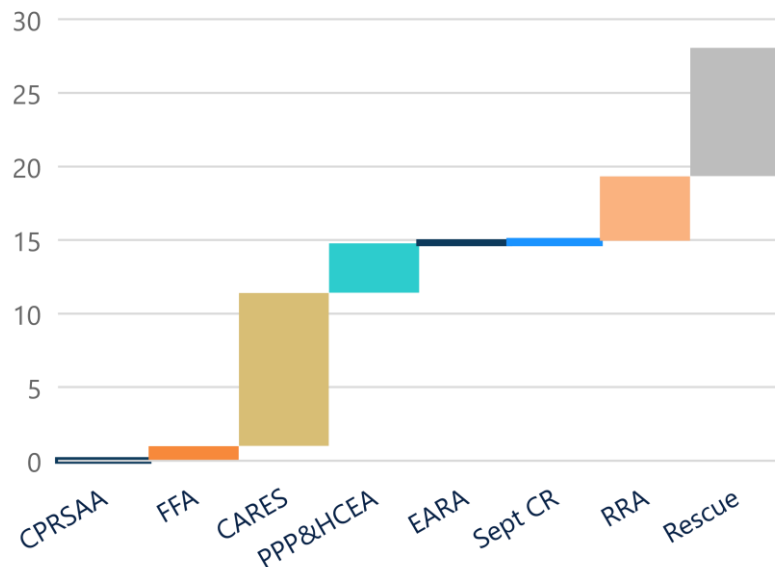
## POPULATION ≥ 18 YRS OF AGE, MILLIONS



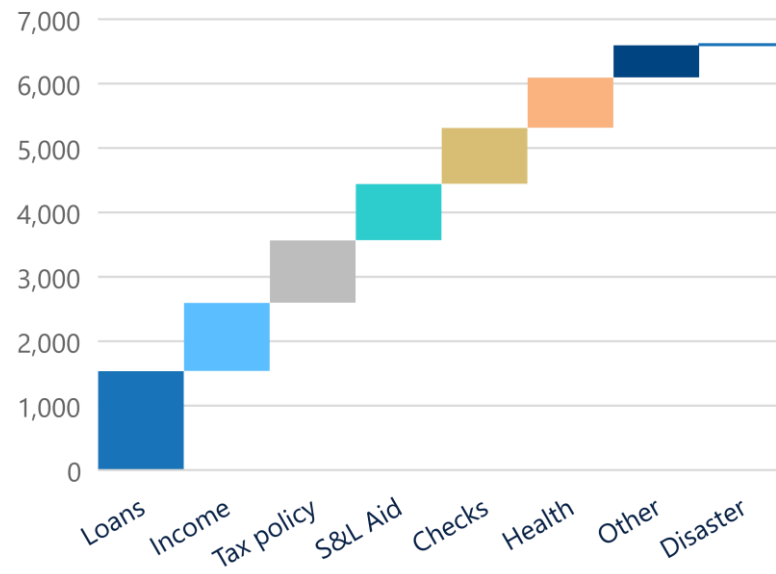
\* Share of vaccination over share of population by ethnicity  
Source: BBVA Research, CDC and Johns Hopkins University; as of 4/16/21

# Coronavirus relief packages close to 30% of GDP

**FISCAL SUPPORT 2020-2021**  
(% OF 4Q19 GDP, SIGNED TO DATE)

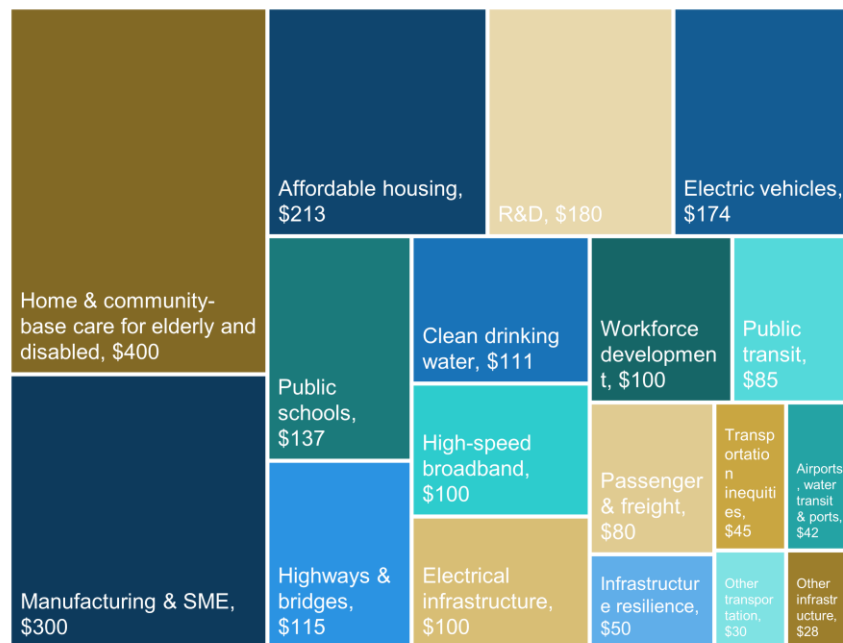


**FISCAL SUPPORT BY MAIN CATEGORY**  
(US\$BN, SIGNED TO DATE)



# We expect further fiscal stimuli in coming months











## AMERICAN JOBS PLAN: \$2.3TN



## MADE IN AMERICA TAX PLAN: \$1.75TN TO \$2.75TN

	10 years	15 years
Corporate tax rate from 21 to 28%	\$850	\$1,300
GILTI Tax from 10.5% to 21%	\$500	\$750
Repeal FDII	\$250	\$400
15% min book tax	\$100	\$200
Anti-inversion	\$25	\$50
Eliminate fossil fuels subsidies	\$25	\$30
Offshoring penalty	na	na
Tax enforcement	na	na
Global min tax	na	na
<b>Total</b>	<b>\$1.75tn</b>	<b>\$2.75tn</b>

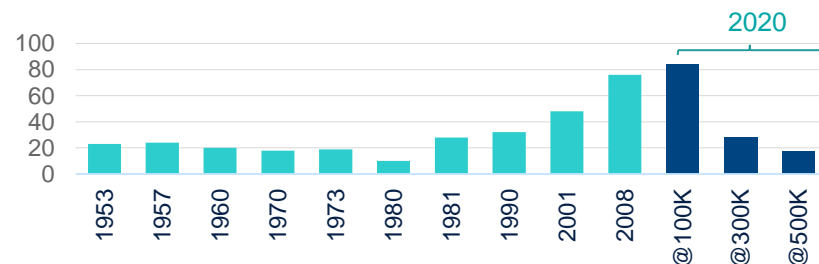
# The American Jobs Plan will create ample business opportunities

 Industries	 Opportunities
 Construction	● ● Fix highways, rebuild bridges, upgrade ports, airports and transit systems
 Transportation	● ● Modernize public transit and build electric vehicle charging stations
 Housing	● ● Produce, preserve, and retrofit more than 2M affordable housing units
 Manufacturing	● ● Shore up critical supply chains and leadership in electric vehicles
 Utilities	● ● Deliver clean drinking water and renew the electric grid
 Clean energy	● ● Modernize power generation and deliver clean electricity
 ICT	● ● 10 regional innovation hubs and 100% high-speed broadband coverage
 Education	● ● Invest in public schools, community colleges, childcare and workers training

# Critical problems: rising inequality and shrinking opportunities

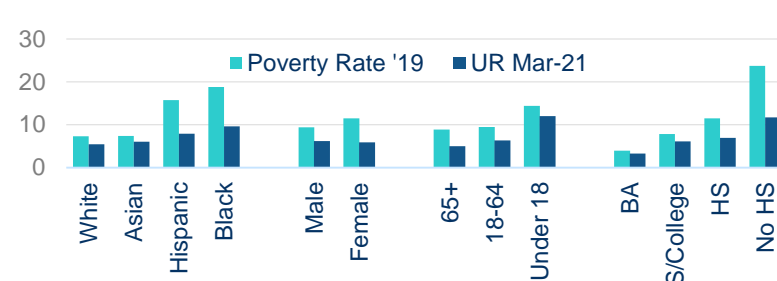
## EMPLOYMENT RECOVERY

(MONTHS TO PREVIOUS PEAK, START OF CONTRACTION)



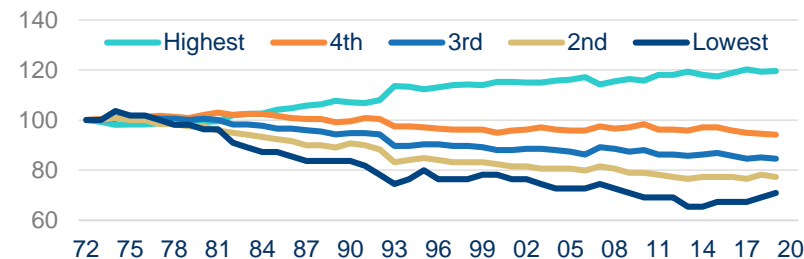
## POVERTY & COVID-19 IMPACT ON UNEMPLOYMENT

(% OF POPULATION)



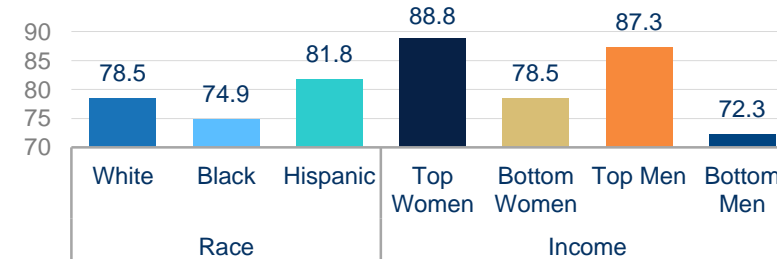
## SHARE OF FAMILY INCOME BY QUINTILE

(1972 = 100)



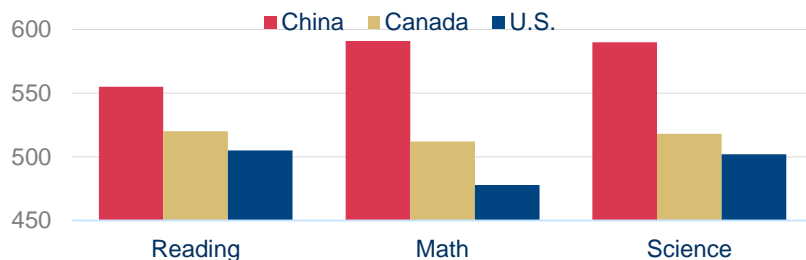
## LIFE EXPECTANCY AT BIRTH BY RACE AND INCOME

(YEARS)

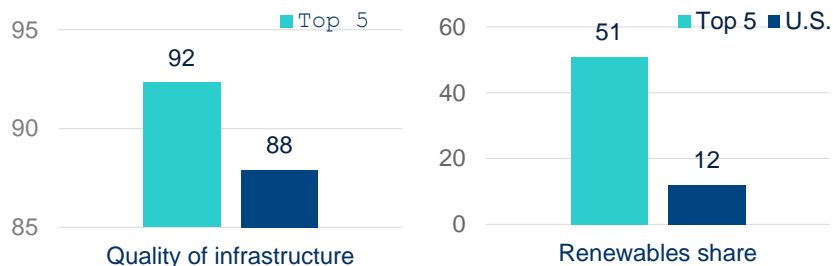


# Regaining global leadership and competitiveness will not be easy

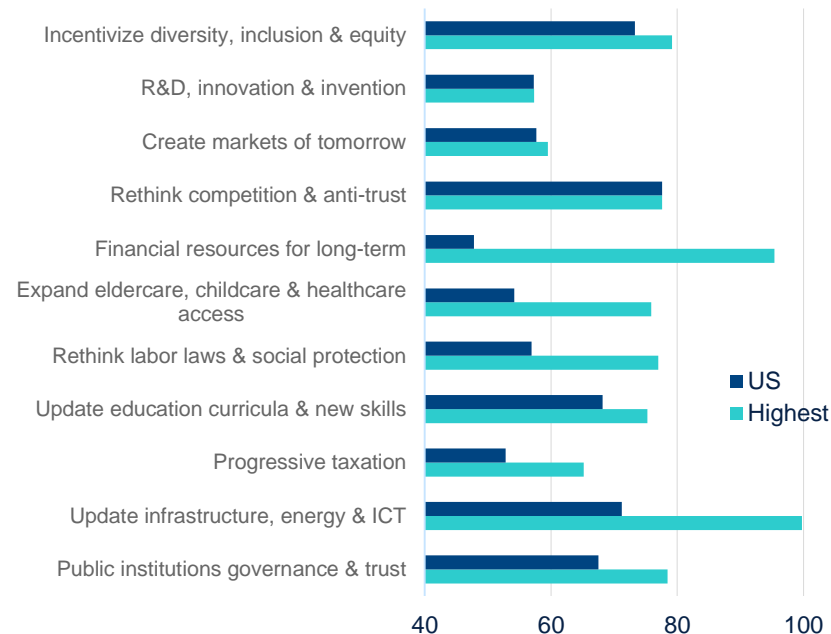
## GLOBAL STUDENT PERFORMANCE RANKINGS (SCORE 300 TO 600)



## GLOBAL INFRASTRUCTURE & RENEWABLES SHARE (SCORE 0 TO 100 AND %)



## GLOBAL TRANSFORMATION READINESS RANKING (SCORE 0 TO 100)





# Biden's agenda could mark a watershed moment in U.S. history



## Healthcare

Expand access to affordable health insurance with a public option. Lower Medicare eligibility age and expand coverage. Cut prescription drug pricing, and expand subsidies & tax credits.



## Climate Change

Net-zero emissions by 2050, double offshore wind production by 2030, reduce carbon footprint in the power sector by 50% by 2035, add 500K EV charging stations by 2030, & restore electric vehicle tax credit.



## Immigration

Path to citizenship for undocumented immigrants, revise employment-based visa rules, and expand resources for immigration courts, border infrastructure, and aid to Central America.



## Housing

Boost supply of affordable and safe housing, focusing on vulnerable segments of the population. Reinstate fair-housing policies & enhance tax credits.



## Industry

Invest \$300bn to restore U.S. leadership in critical technologies: clean energy, artificial intelligence, and electric vehicle battery technology.

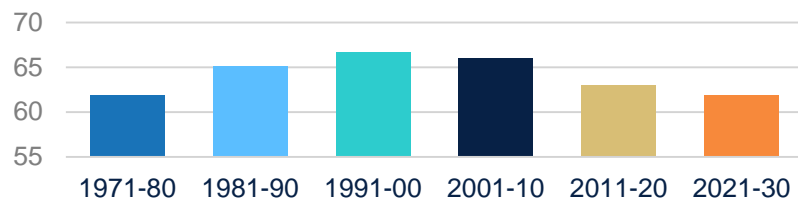


## China

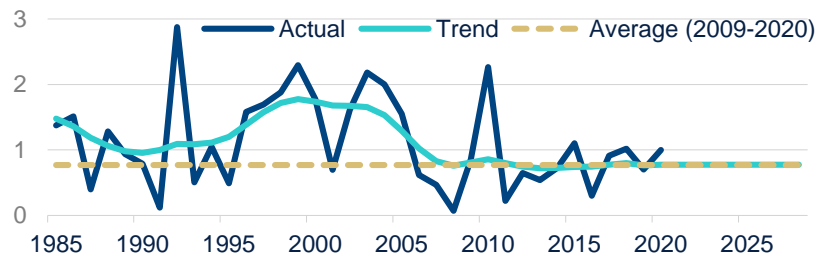
Play the long game cooperating on common issues while opposing military expansionism, infringement of international rules and violation of human and political rights.

# Higher labor, capital and productivity growth will boost potential GDP

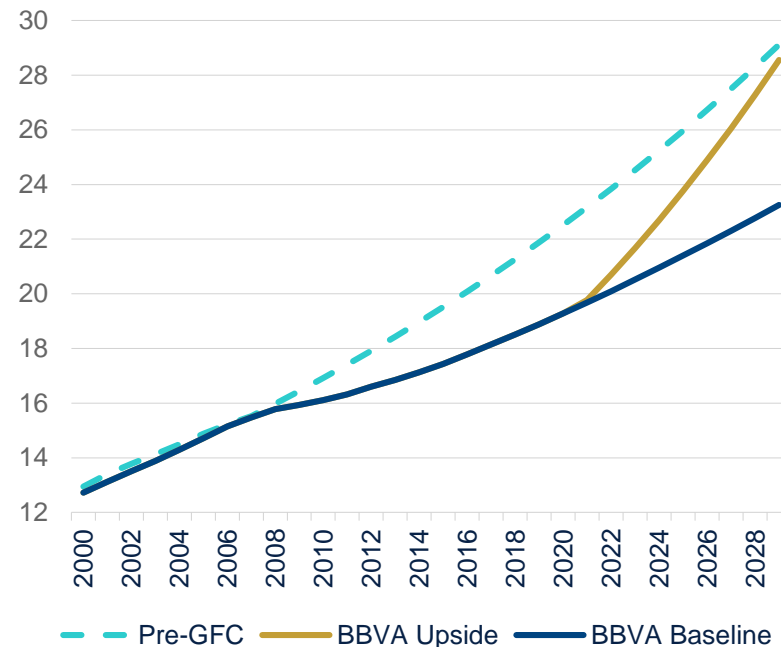
## LABOR FORCE PARTICIPATION RATE, (%)



## TOTAL FACTOR PRODUCTIVITY (%)

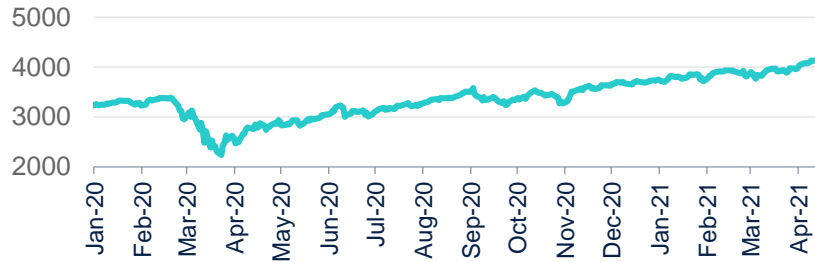


## POTENTIAL GDP (CHAINED 2012 US\$TN)

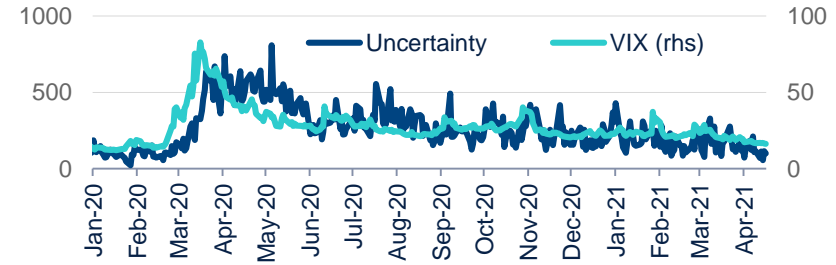


# Financial conditions conducive to a solid recovery

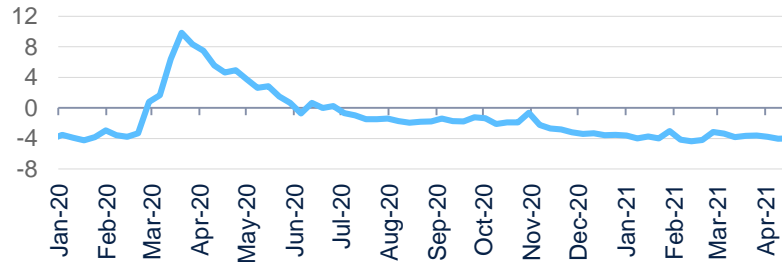
## S&P 500 INDEX



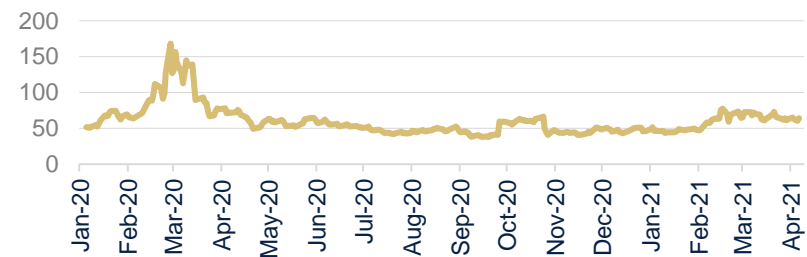
## VOLATILITY & ECONOMIC UNCERTAINTY INDICES



## FINANCIAL STRESS INDEX, >0 = STRESS

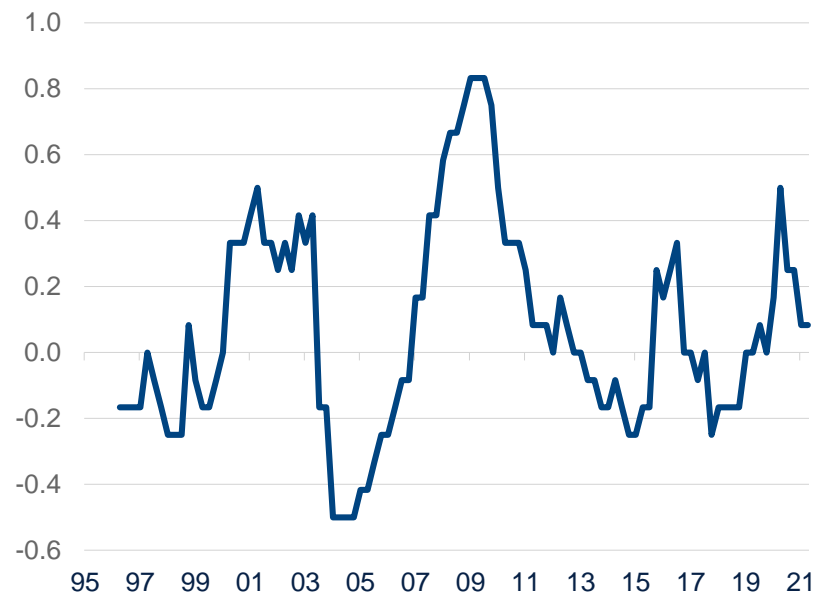


## SWAPTION VOLATILITY EXPECTATIONS, BP

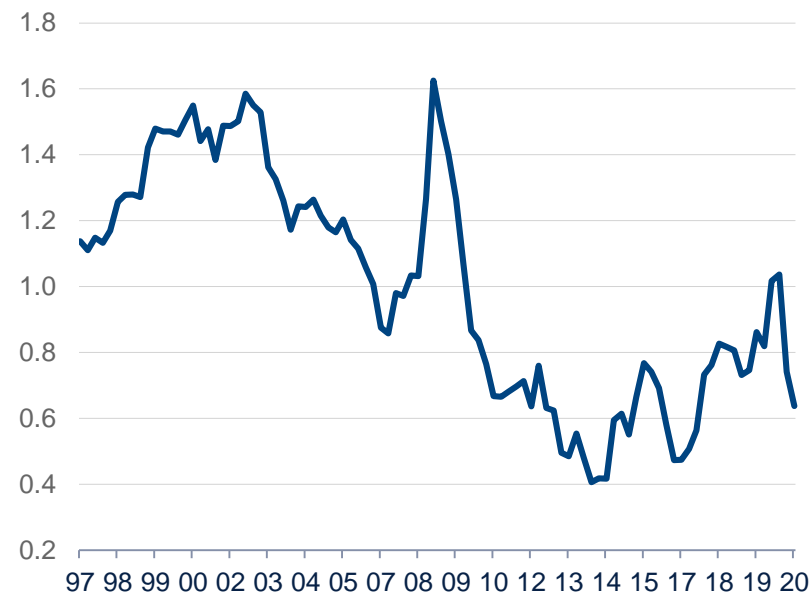


# Limited downside risks to borrowing, funding and leverage

**BBVA USA CREDIT CYCLE RISK INDEX**  
(NORMALIZED; INDEX > 0 = ABOVE AVERAGE RISK)



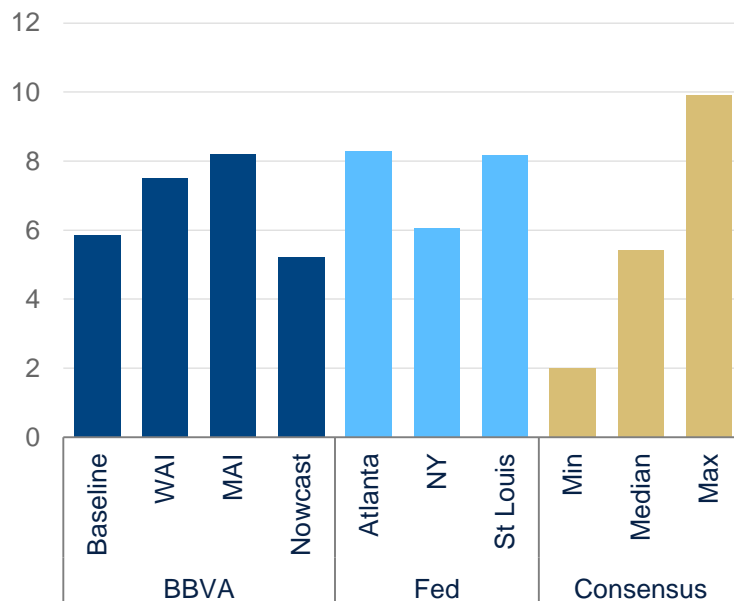
**BBVA USA CORPORATE DEBT DISTRESS INDEX**  
(INDEX > 1 = ABOVE AVERAGE RISK)



# Strong GDP growth in 1H21 will narrow gap with pre-pandemic trend

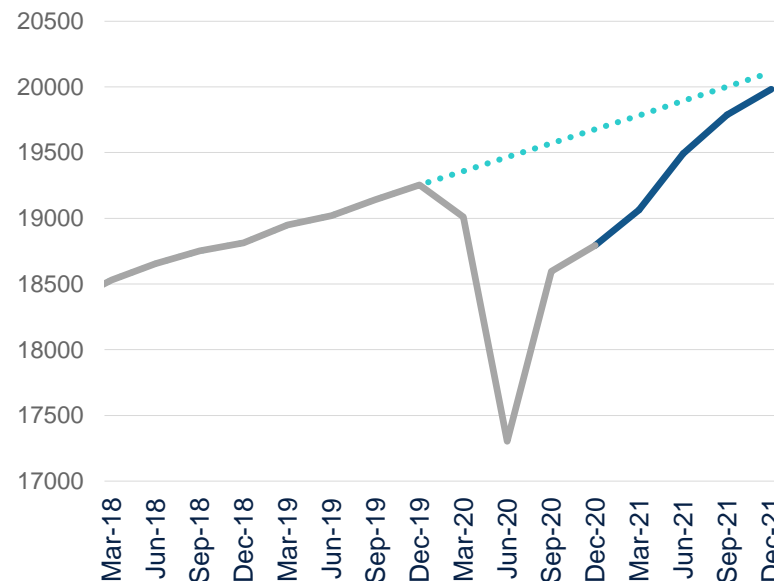
## 1Q21 REAL GDP FORECASTS

(SAAR, %)



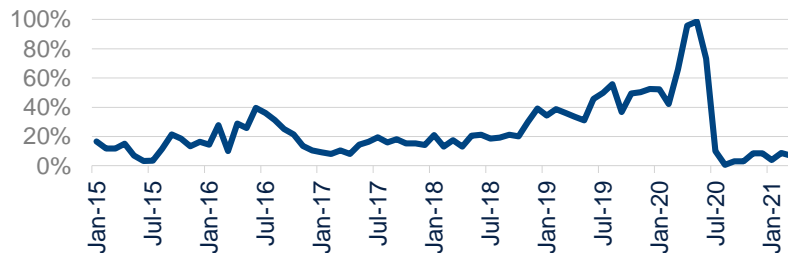
## REAL GDP LEVEL

(CONSTANT 2012 US\$BN)

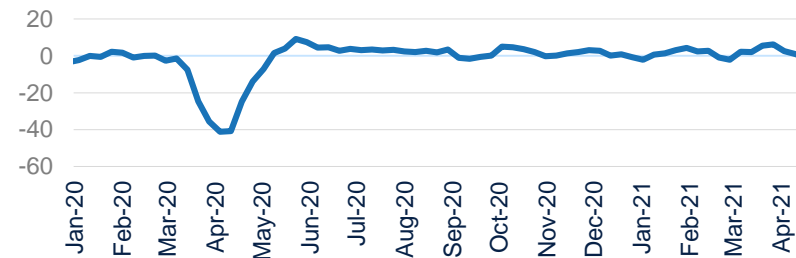


# In-house indicators confirm strong economic conditions

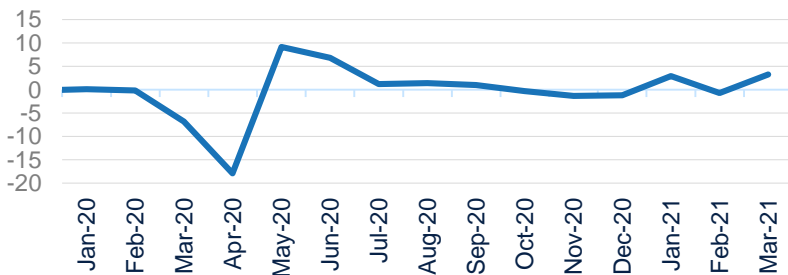
## BBVA USA RECESSION PROBIT MODEL



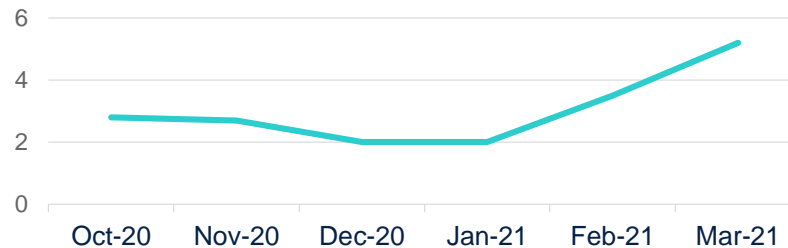
## BBVA USA WEEKLY ACTIVITY INDEX, 4WMA



## BBVA USA MONTHLY ACTIVITY INDEX

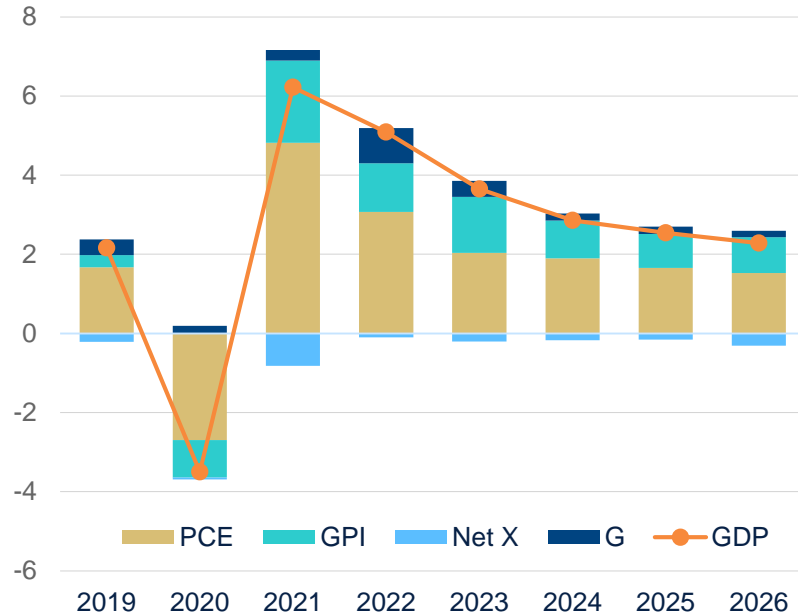


## BBVA USA NOWCAST 1Q21, QoQ % SAAR



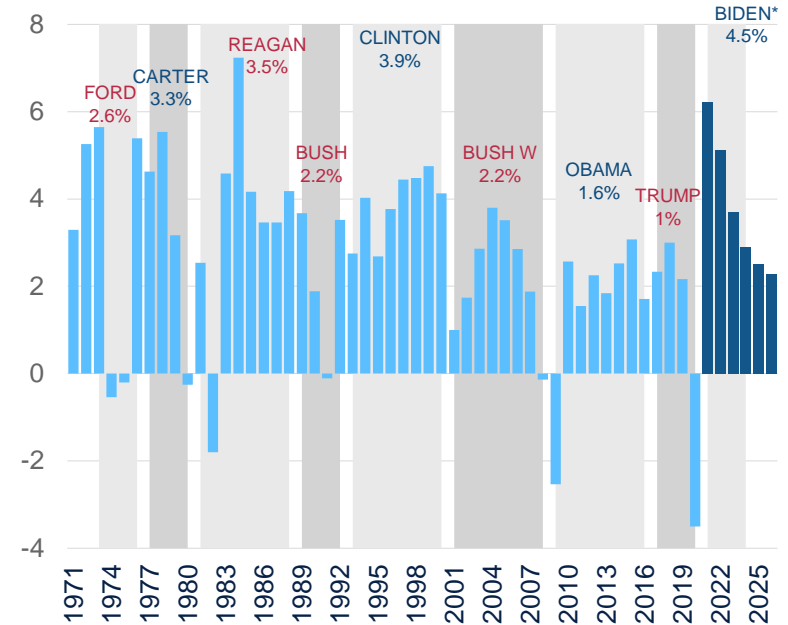
# Economy set to experience the strongest expansion in decades

## REAL GDP GROWTH FORECAST (CONTRIBUTION TO YOY % CHANGE)



Source: BBVA Research & BEA

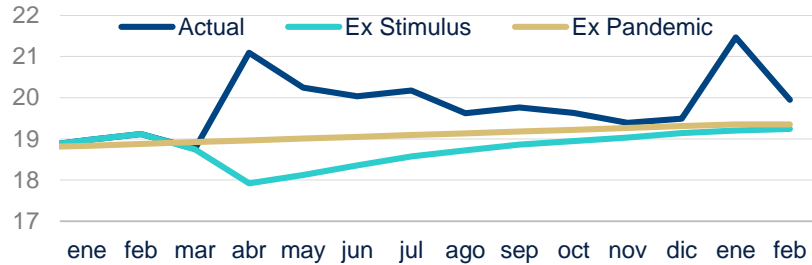
## REAL GDP GROWTH (%)



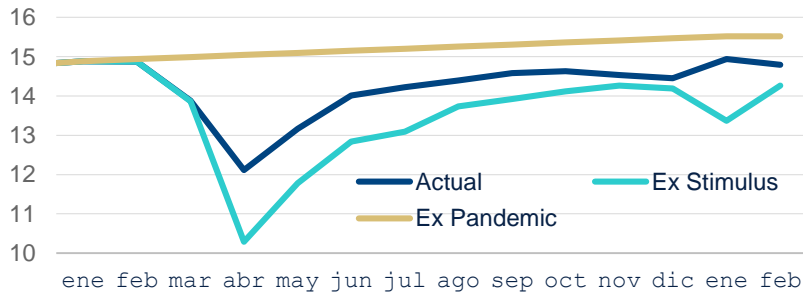
\* Forecast

# Fiscal response has provided strong support to households

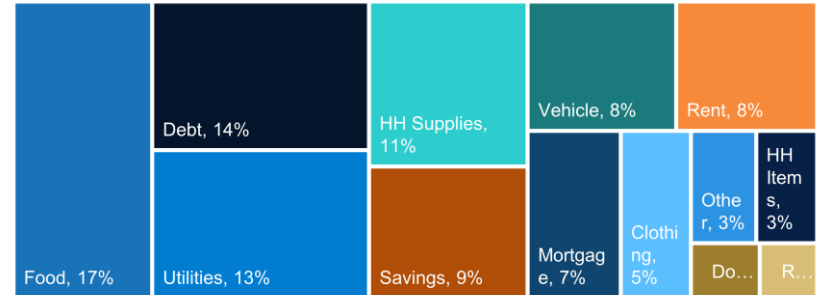
## PERSONAL INCOME 2020-21, US\$TN



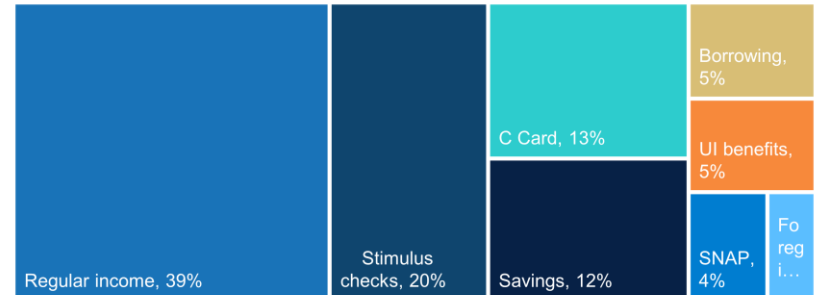
## PERSONAL CONSUMPTION 2020-21, US\$TN



## STIMULUS USED OR WILL BE USED FOR\*



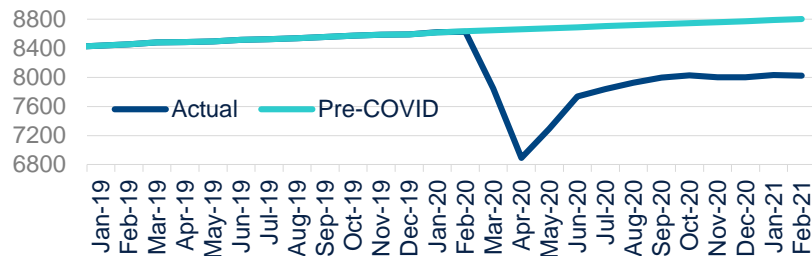
## USED TO COVER SPENDING NEEDS IN LAST 7 DAYS\*



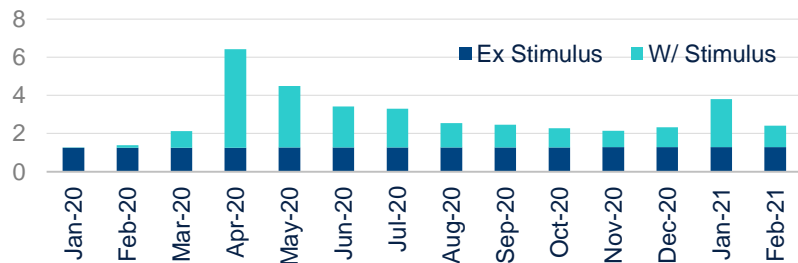


# Even with low fiscal multipliers, pent up demand will support growth

## PCE SERVICES, US\$BN



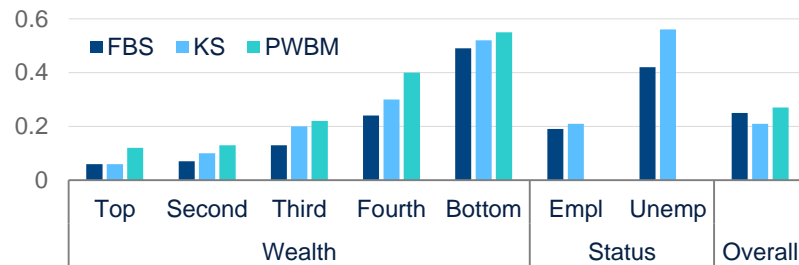
## PERSONAL SAVINGS, US\$TN



## FISCAL MULTIPLIERS, %

Policy	Mean	Low	High
Rebates	0.8	0.3	1.5
Unemployment insurance	1.5	0.4	2.1
Healthcare	1.5	0.5	2.5
Public investment	1.5	0.5	2.5
S&L aid	1.1	0.4	1.8

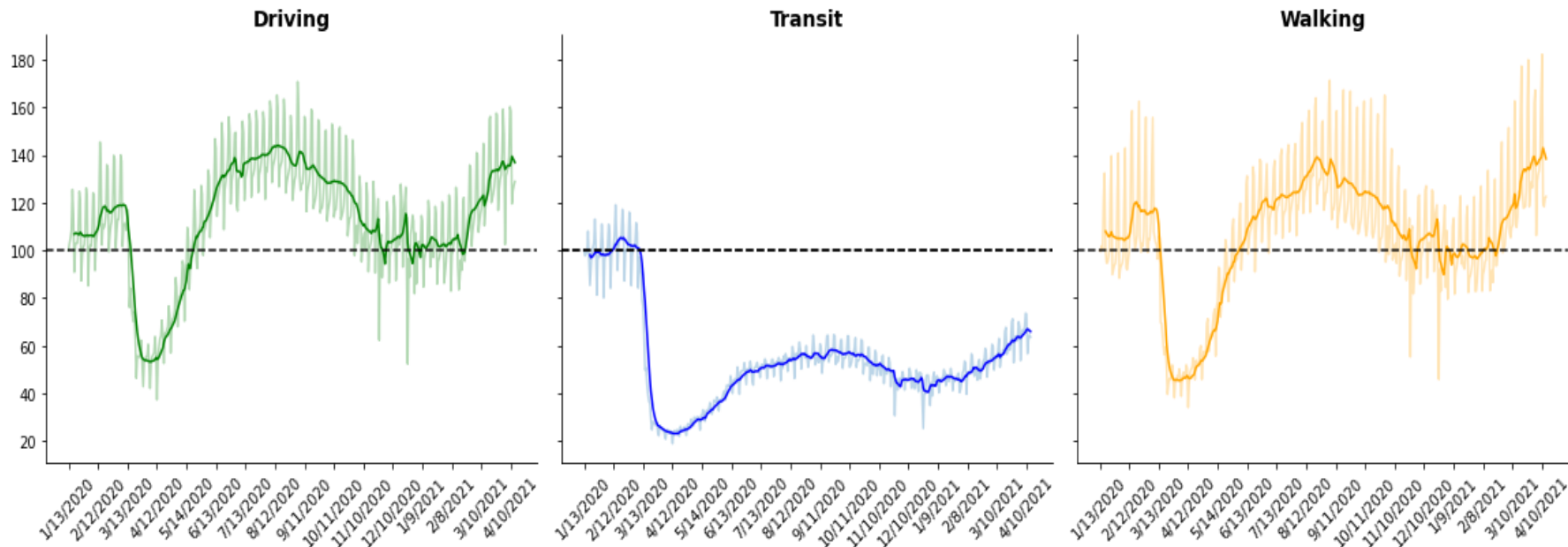
## MARGINAL PROPENSITY TO CONSUME, %



# Mobility has improved significantly

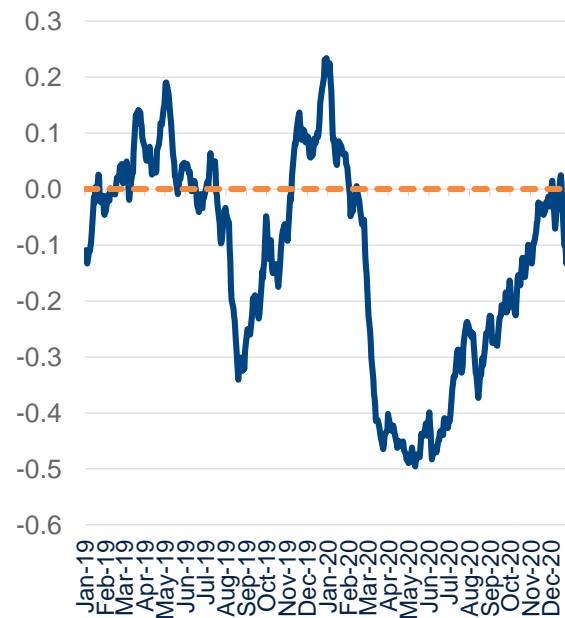
## MOBILITY TRENDS

(1/13/2020 = 100, 7-DAY MOVING AVERAGE)

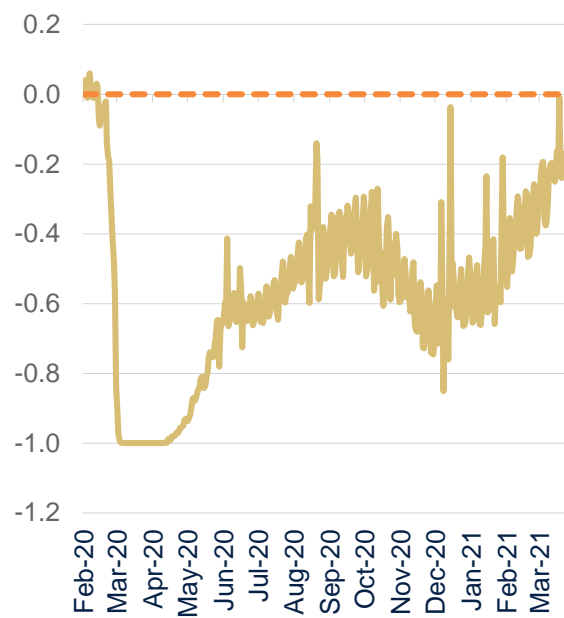


# Card spending above pre-pandemic levels

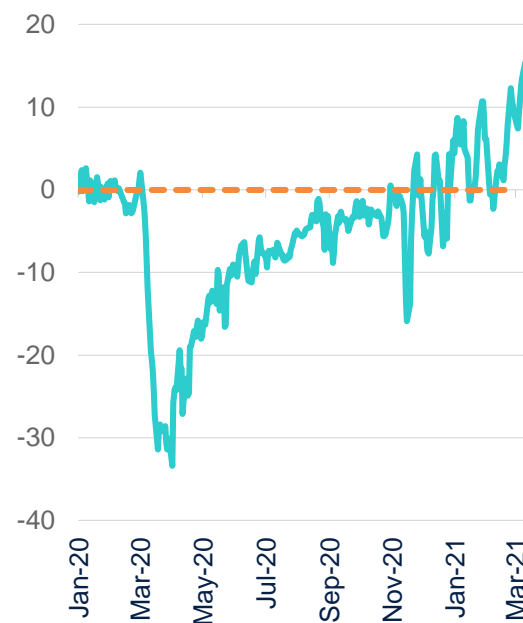
**FRBSF NEWS SENTIMENT INDEX**  
(0 = NEUTRAL)



**RESTAURANT ACTIVITY**  
(% DIFFERENCE FROM BASELINE)

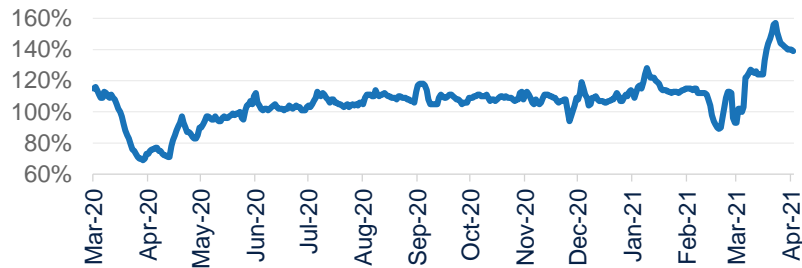


**CREDIT/DEBIT CARD SPENDING**  
(% DIFFERENCE FROM BASELINE)

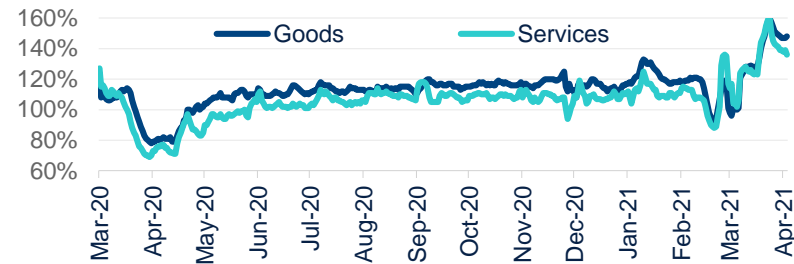


# In-house high-frequency data confirm upbeat consumption outlook

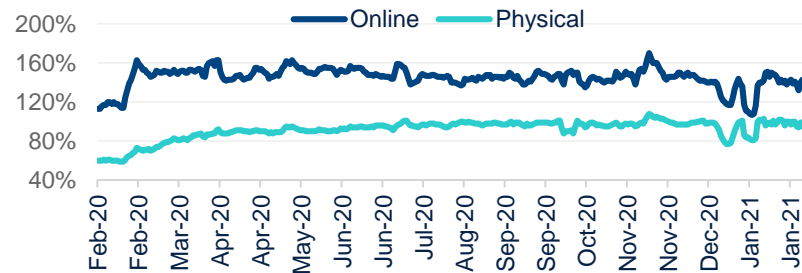
## TOTAL CONSUMPTION (RATIO TO 2019)



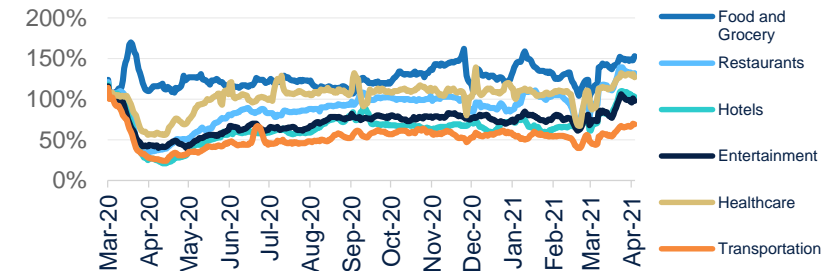
## CONSUMPTION BY GOODS AND SERVICES



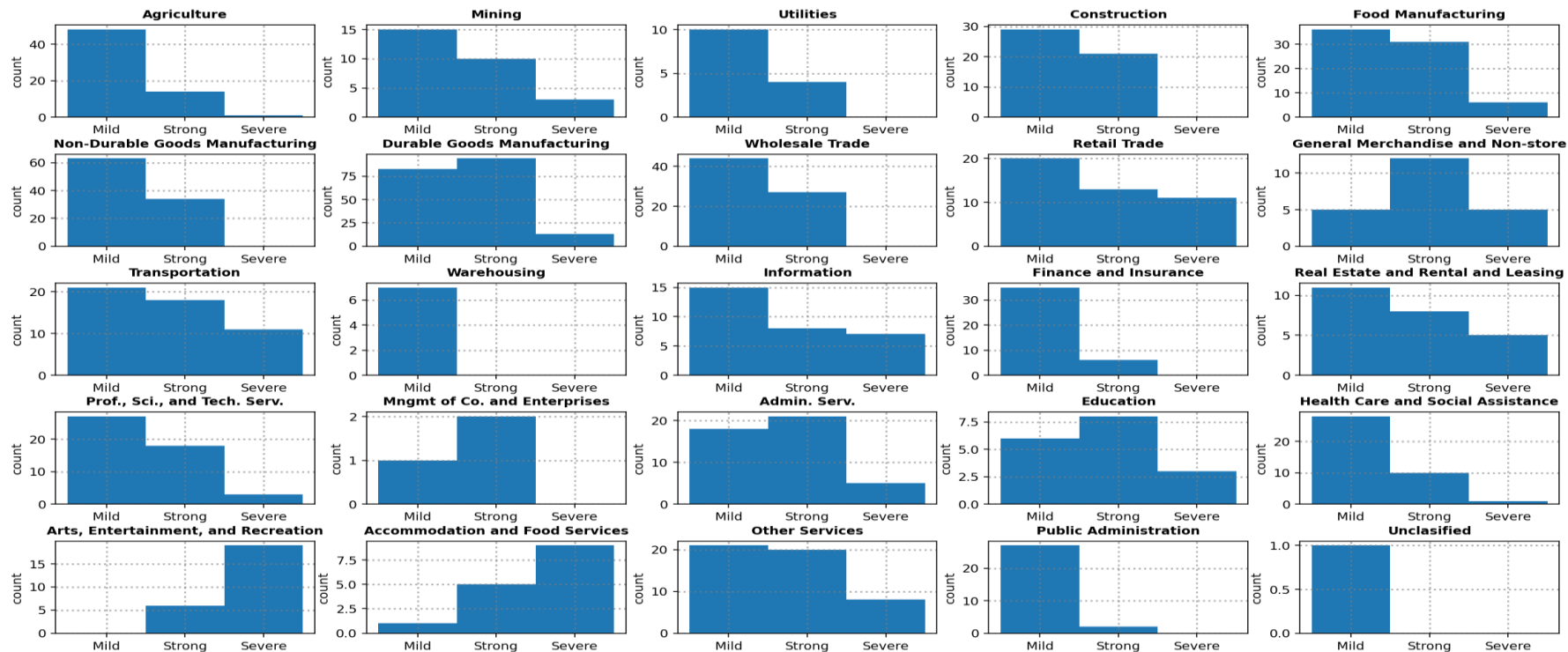
## ONLINE AND PHYSICAL POINT OF CONSUMPTION



## CONSUMPTION BY SPENDING CATEGORY



# Industries relying on physical proximity were impacted the most



# Rebound in business investment anticipates a solid expansion

## IP EQUIPMENT & CAPITAL GOODS ORDERS

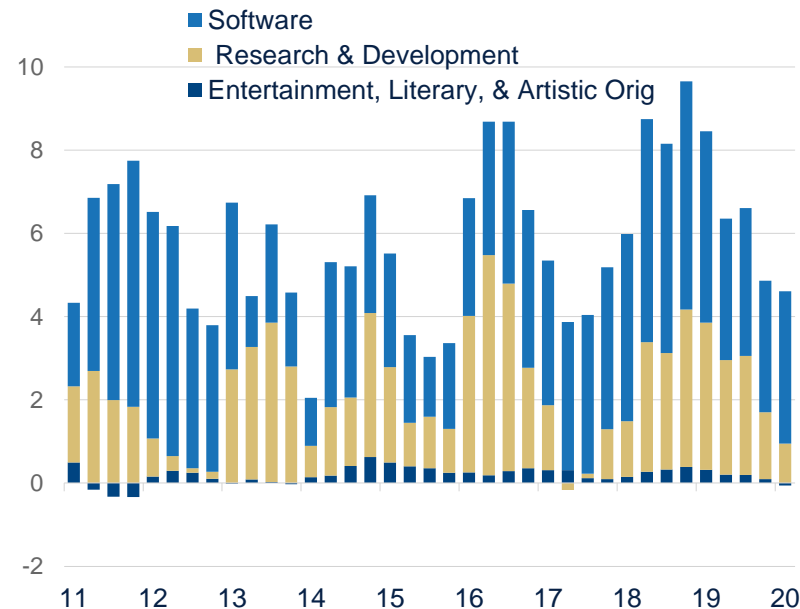
(YOY % CHANGE)



Source: BBVA Research and Haver Analytics

## PRIVATE INTELLECTUAL PROPERTY INVESTMENT

(CONTRIBUTION TO GROWTH, PP)



Source: BBVA Research and Haver Analytics

# Low rates and tight inventories supporting residential market

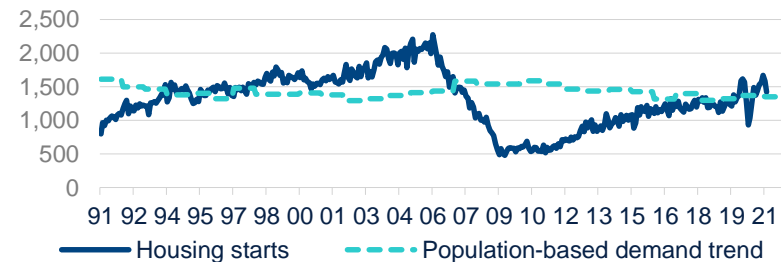
## HOUSING AFFORDABILITY AND MORTGAGE RATES (INDEX & %)



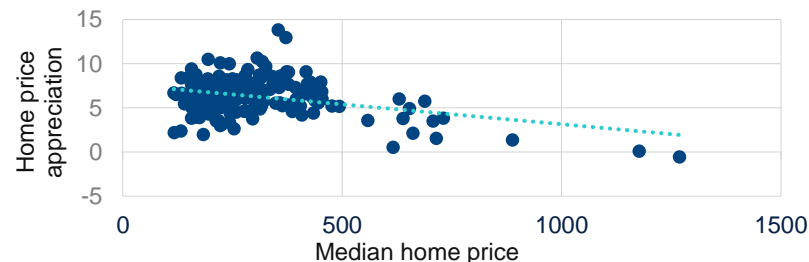
## EXISTING HOMES FOR SALE AND HOME PRICES (MILLION UNITS SA & YOY %)



## HOUSING STARTS AND DEMAND TREND (THOUSANDS, SAAR)



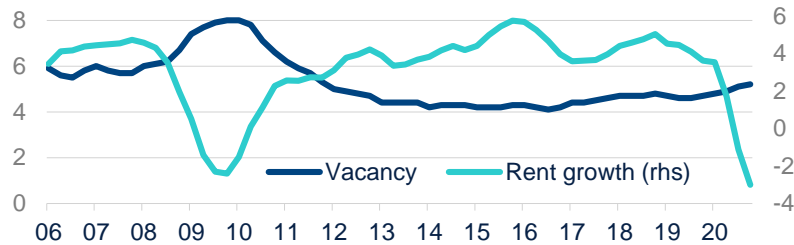
## MSA HOME PRICES (MEDIAN US\$K VS 4Q20 YOY %)



# CRE conditions will improve amid low office and retail construction

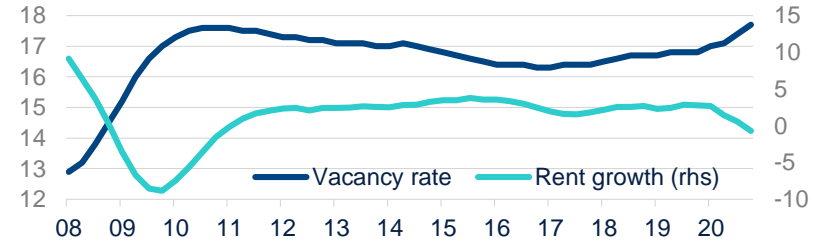
## APARTMENTS, VACANCY AND RENTS

(% & YOY %)



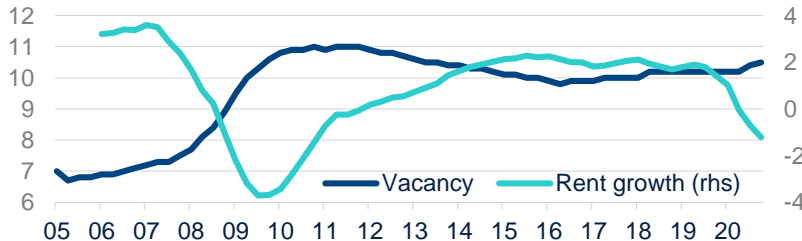
## OFFICES, VACANCY AND RENTS

(% & YOY %)



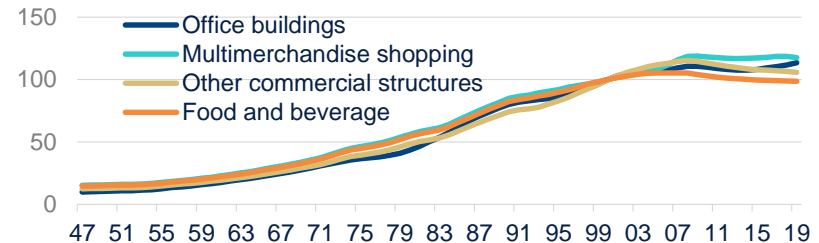
## RETAIL, VACANCY AND RENTS

(% & YOY %)



## NET STOCK, QUANTITY INDICES

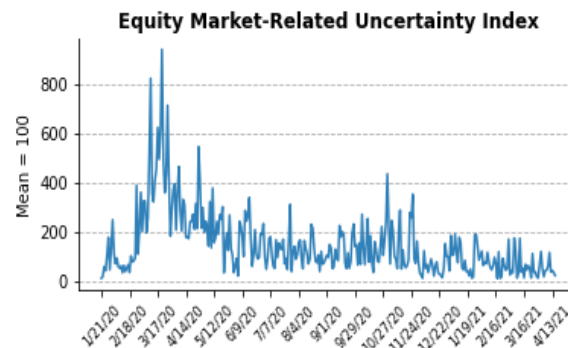
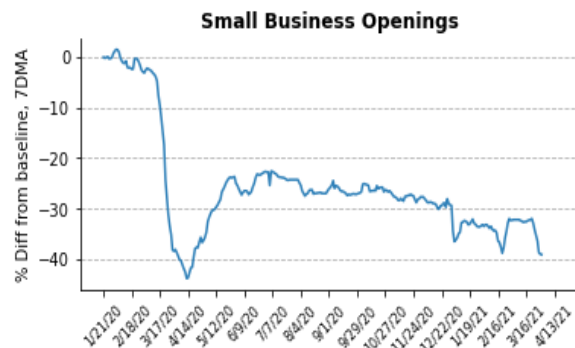
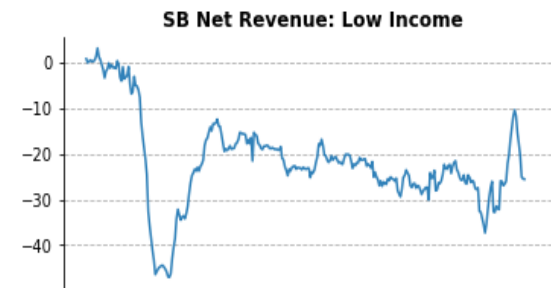
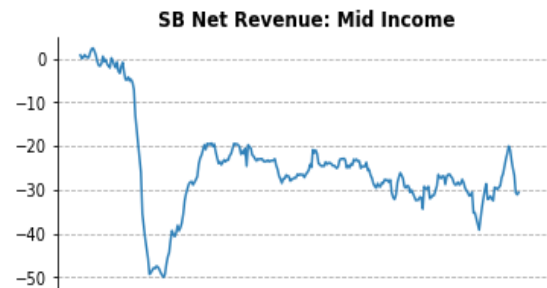
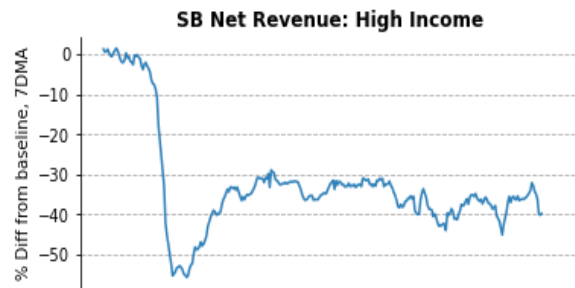
(2000=100)





# High frequency indicators confirm favorable business conditions

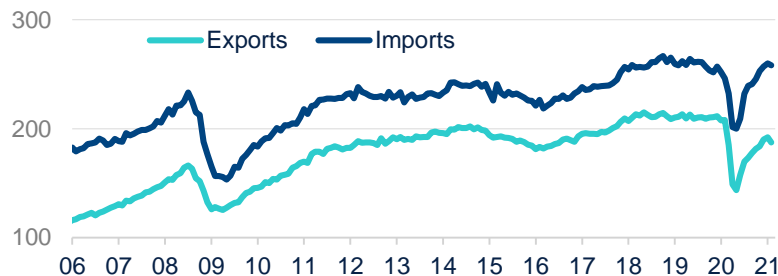
## HIGH-FREQUENCY BUSINESS INDICATORS



# Global weakness holding back exports' recovery

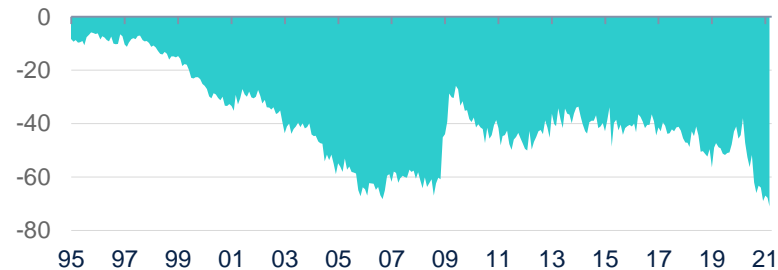
## GOODS EXPORTS AND IMPORTS

(US\$BN)



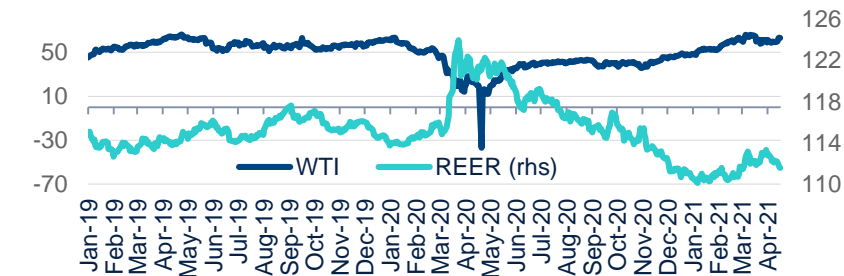
## TRADE BALANCE

(US\$BN)



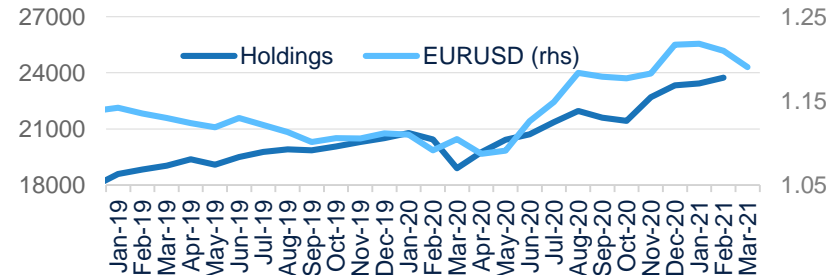
## REAL EXCHANGE RATE & OIL PRICES

(INDEX & \$/B)



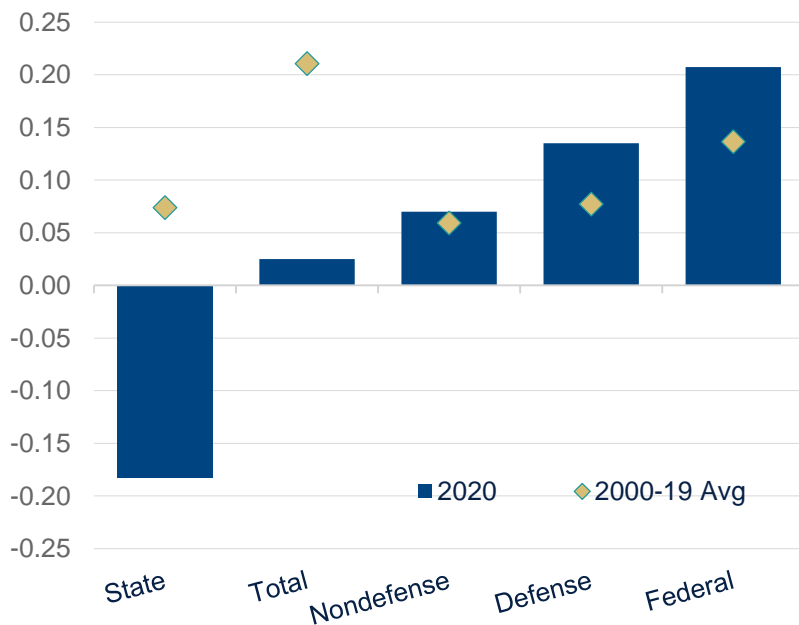
## EURUSD & FOREIGN HOLDINGS OF SECURITIES

(\$/€ & US\$BN)

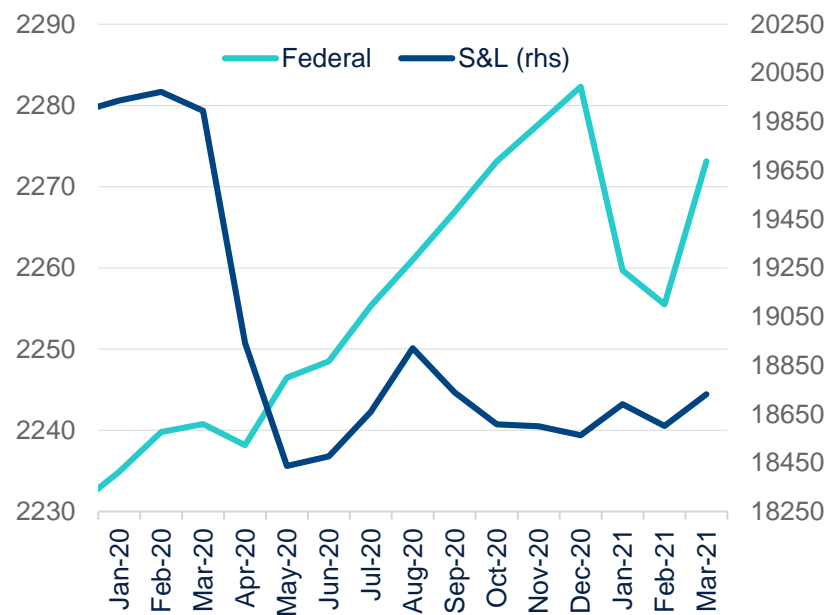


# Government contribution to GDP growth remains below average

**GOVERNMENT CONTRIBUTION TO GDP**  
(PERCENTAGE POINTS)

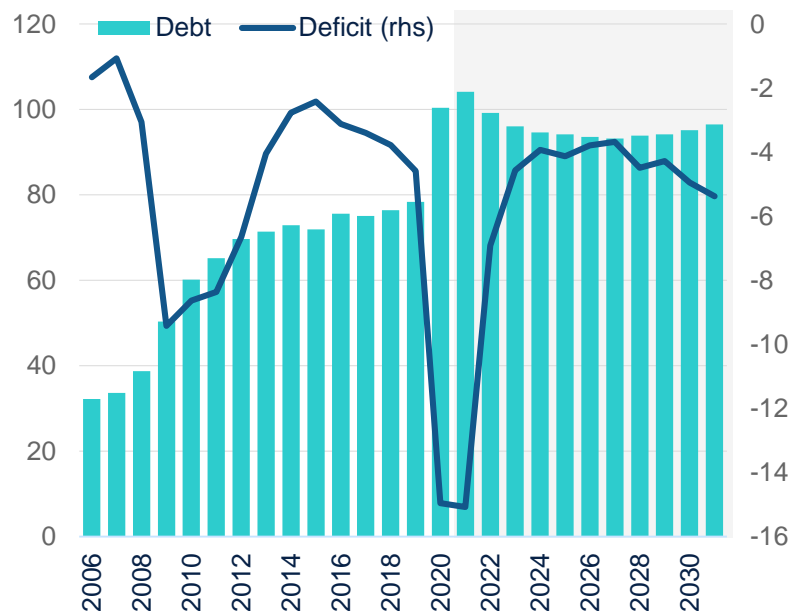


**FEDERAL, STATE AND LOCAL EMPLOYMENT\***  
(THOUSANDS)

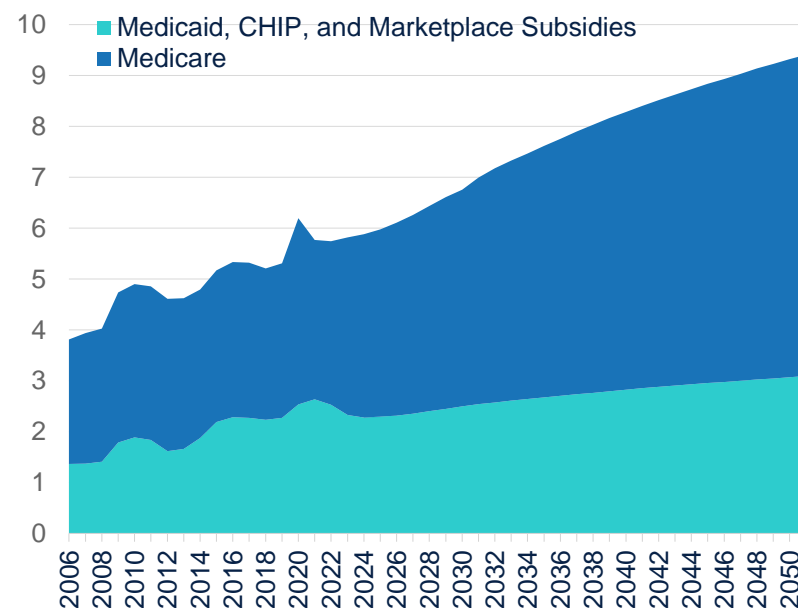


# Fiscal concerns will reemerge with a vengeance, just not yet

## FEDERAL DEBT & DEFICIT (% OF GDP)

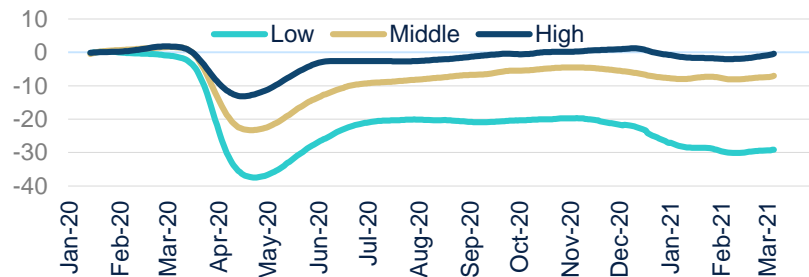


## FEDERAL OUTLAYS FOR MAJOR HEALTH CARE (% OF GDP)

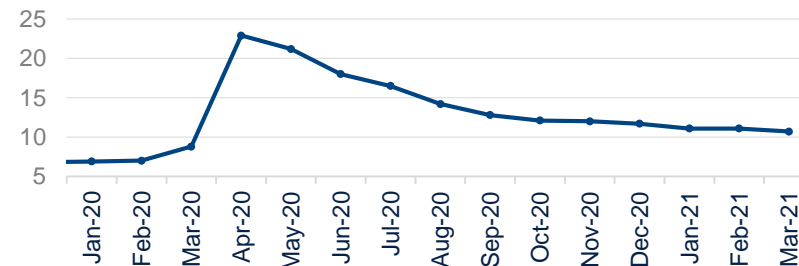


# Labor market conditions still far from pre-pandemic levels

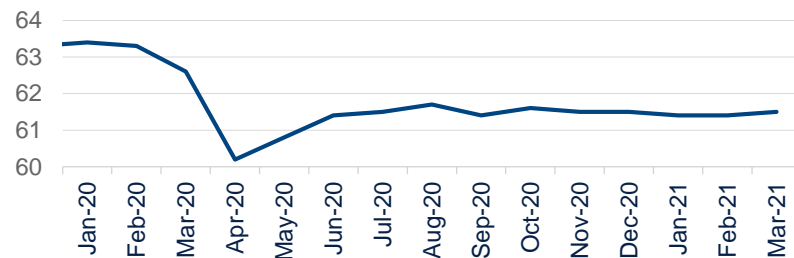
## EMPLOYMENT BY INCOME, % DIFF FROM BASELINE



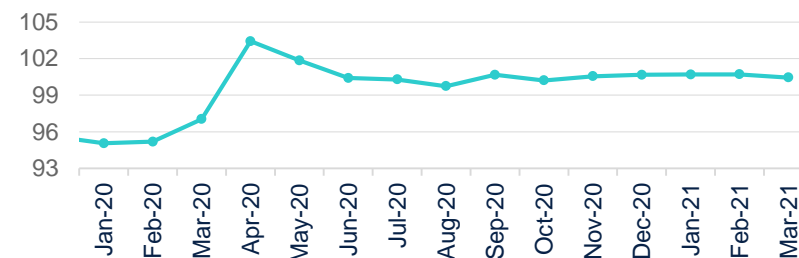
## U6 UNEMPLOYMENT RATE, %



## PARTICIPATION RATE, %



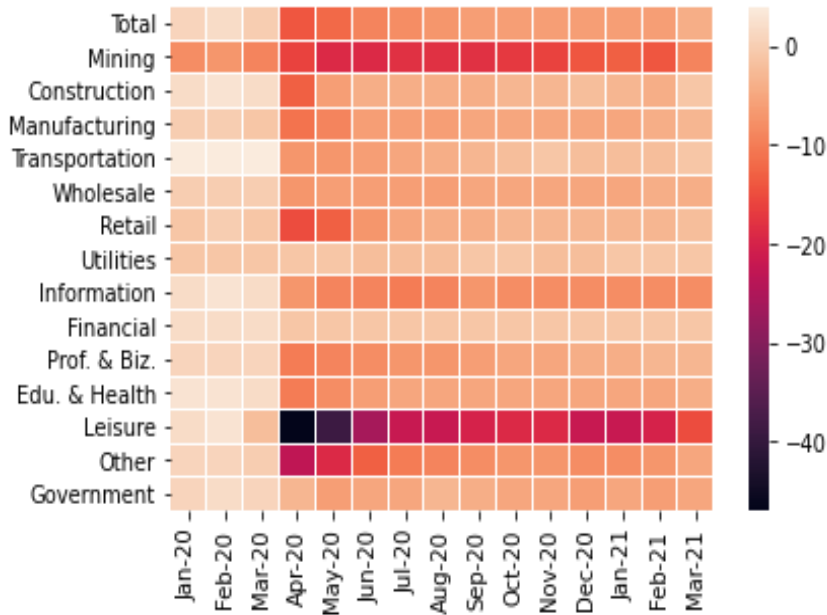
## NOT IN THE LABOR FORCE, MILLIIONS



# Despite recent improvement, leisure and mining are still lagging

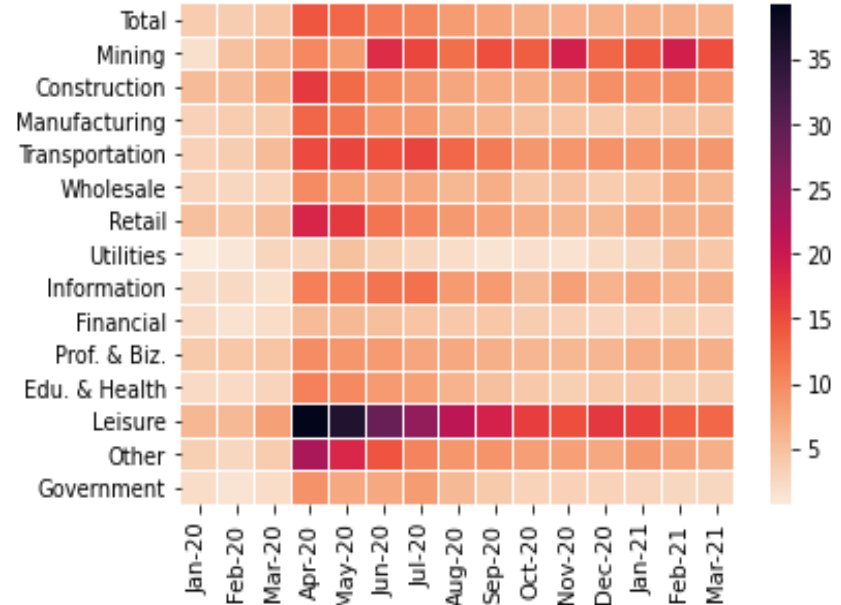
## NONFARM PAYROLL

(YOY % CHANGE)



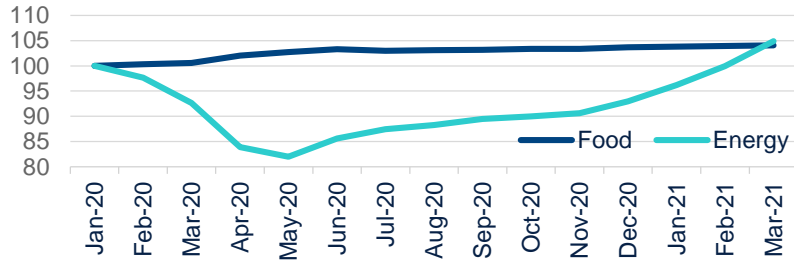
## UNEMPLOYMENT RATE

(%)

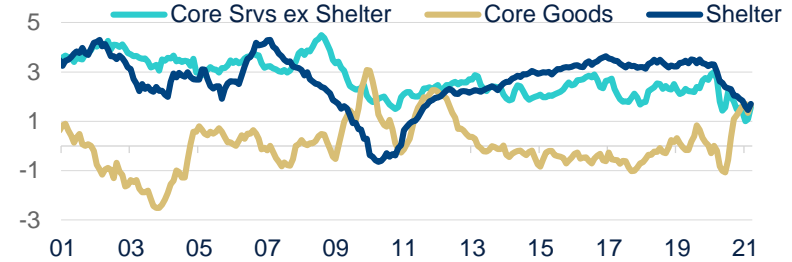


# Uptick in inflation reflecting higher energy and durable goods prices

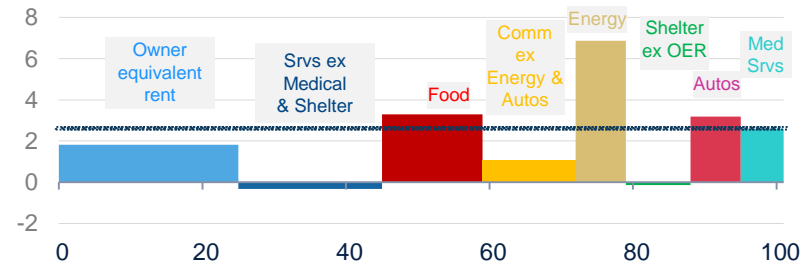
## CPI FOOD & ENERGY, JAN20=100



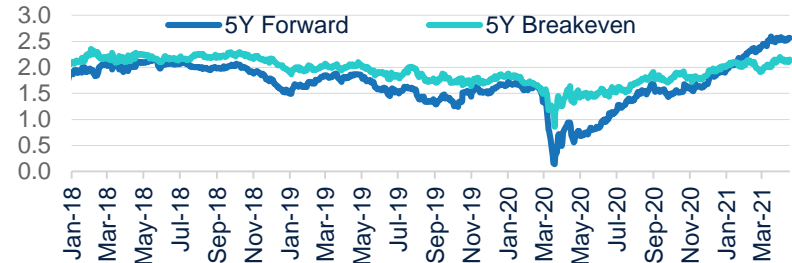
## CORE CPI, 12M % CHANGE



## CPI, 12M % CHANGE AND WEIGHT



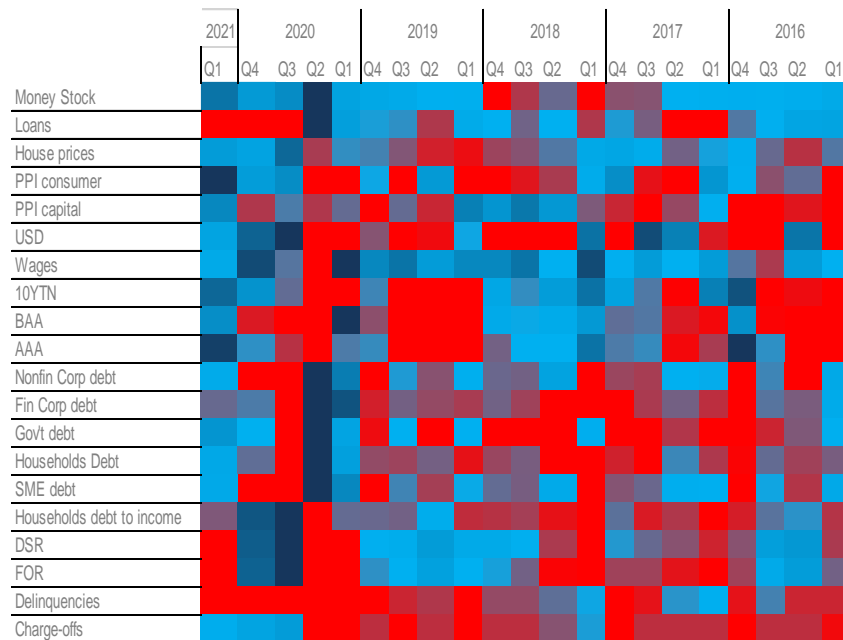
## MARKET INFLATION EXPECTATIONS, %



# Inflationary pressures continue accumulating

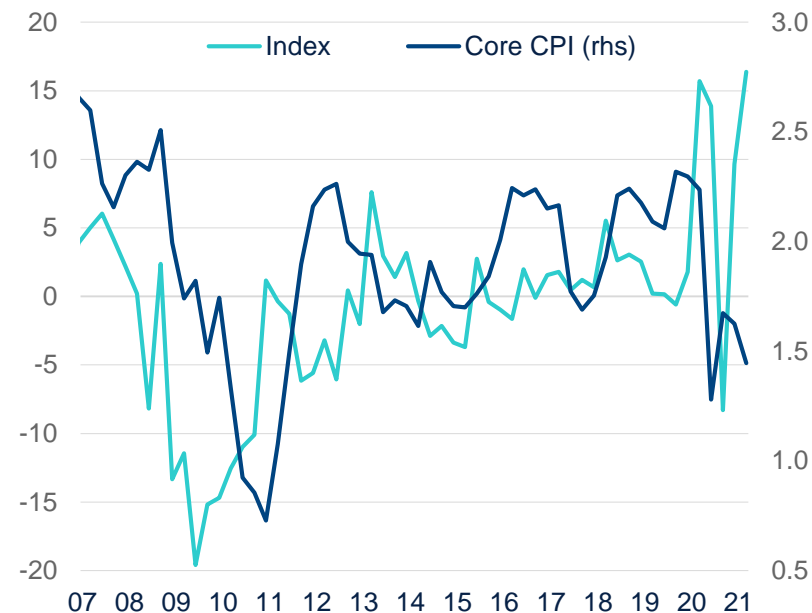
## BBVA USA INFLATION HEATMAP

(BLUE=UPWARD PRESSURES, RED=DOWNWARD PRESSURES)



## BBVA USA INFLATION LEADING INDEX & CORE CPI

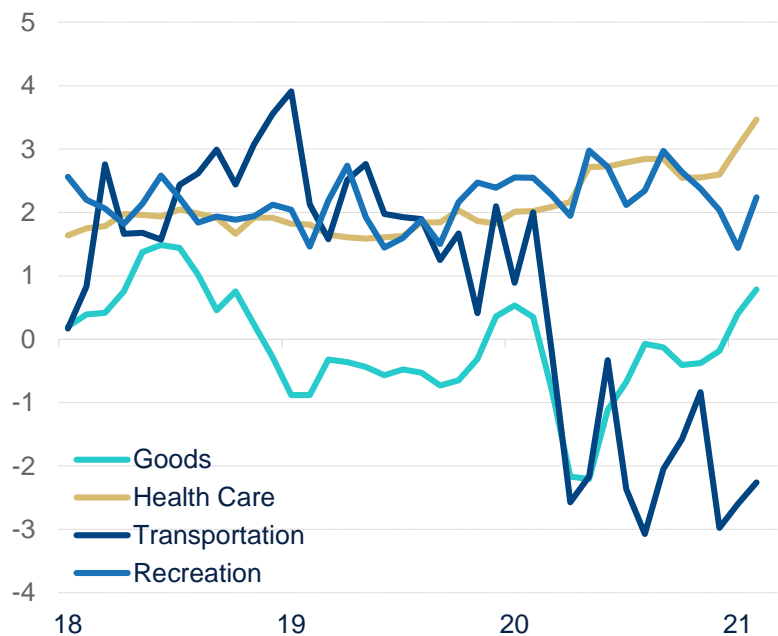
(YOY % CHANGE)



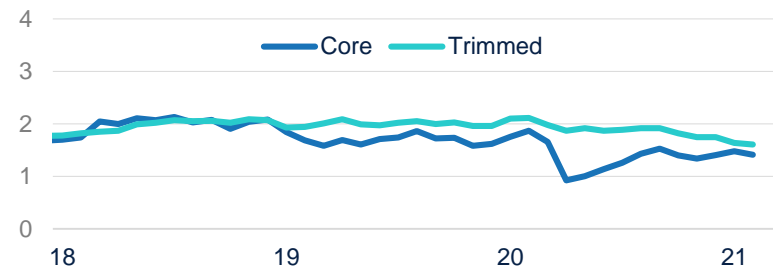


# Core PCE inflation will hover above 2% during 2Q21

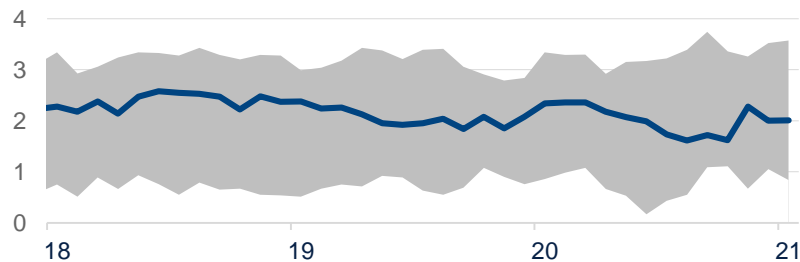
## PCE INFLATION, 12M% CHANGE



## CORE & TRIMMED PCE INFLATION, 12M % CHANGE

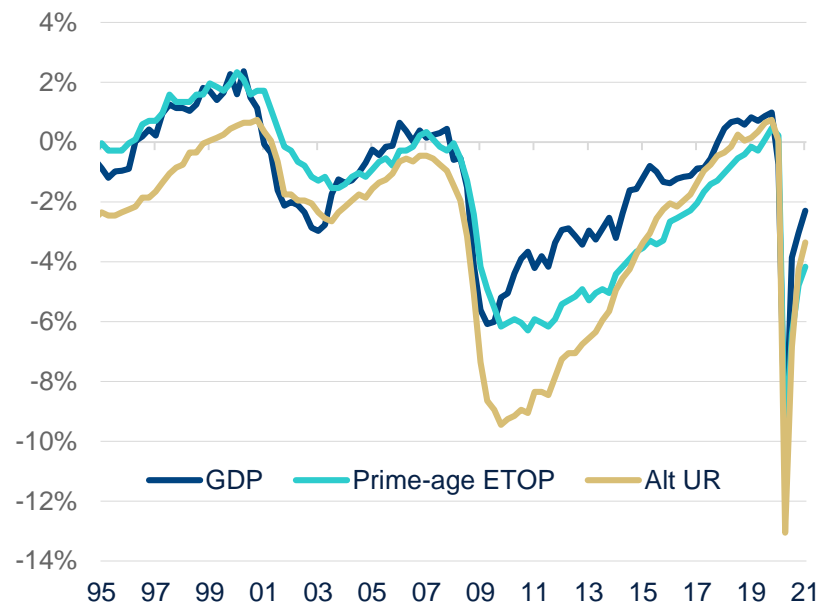


## PCE QUARTILE DISTRIBUTION, %

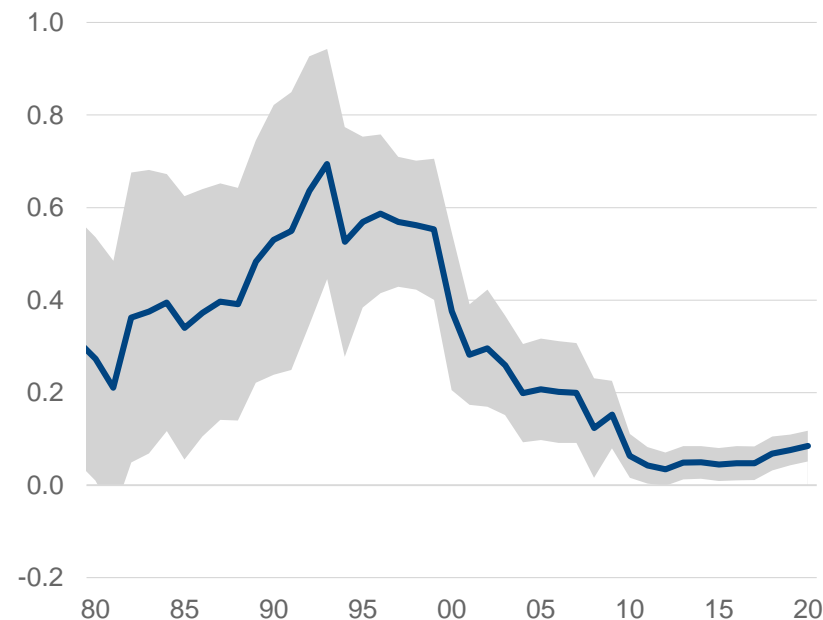


# However, flat Phillips curve and elevated gap contain inflationary risks

## OUTPUT GAP

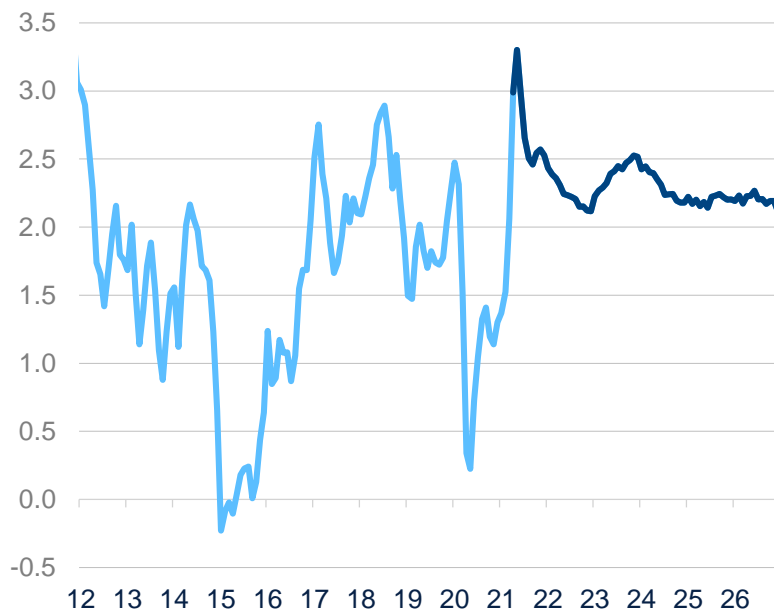


## PHILLIPS CURVE COEFFICIENT (ROLLING 20Y, %)

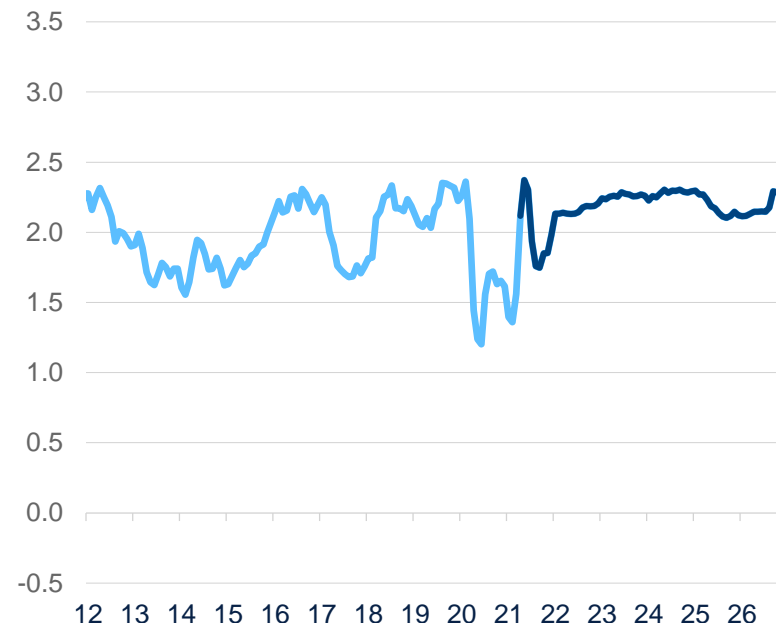


# Models also confirm surge in inflation will prove temporary

## HEADLINE CPI FORECAST (12M % CHANGE)

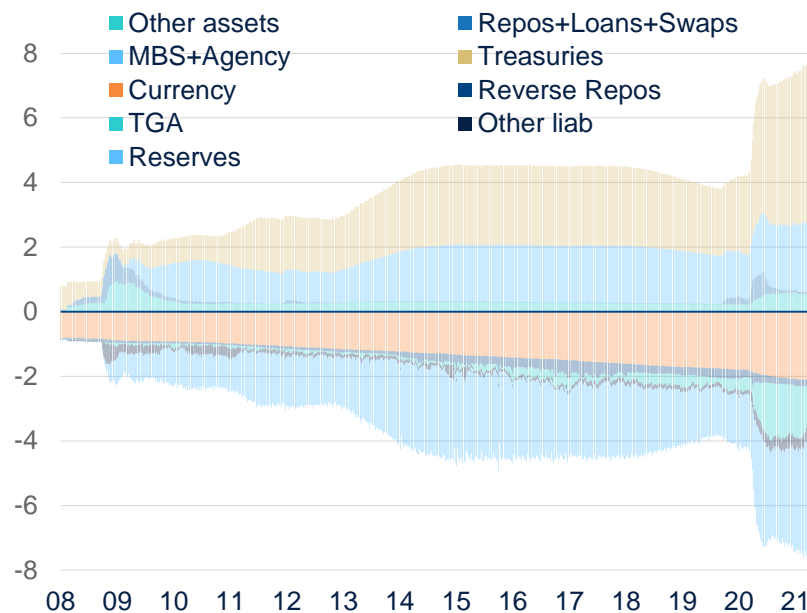


## CORE CPI FORECAST (12M % CHANGE)

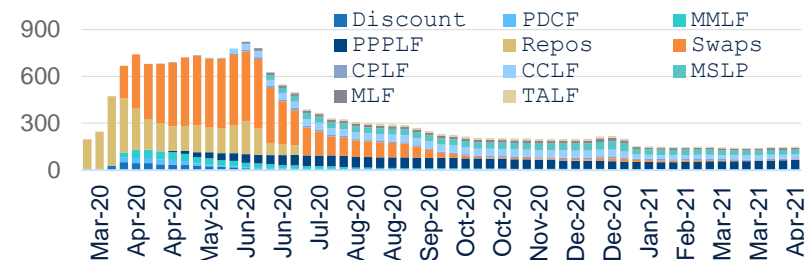


# Monetary policy response to Covid-19 approaching \$4tn

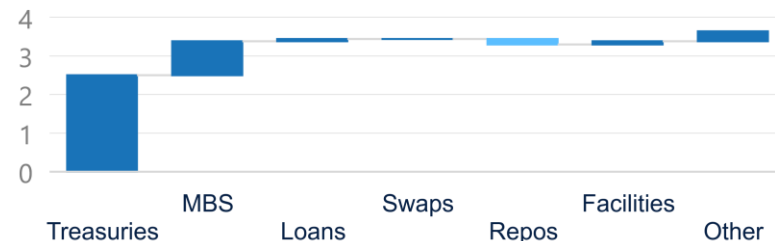
## FED BALANCE SHEET, US\$TN



## EMERGENCY LENDING & CREDIT, US\$BN



## FED BALANCE, CHANGE SINCE FEB 2020, US\$TN



# Fed's communication suggests interest rates will remain low for long

## FED'S FORWARD GUIDANCE

### Maintain fed funds rate at 0-0.25% until:

- Maximum employment
- Inflation has risen to 2%
- Inflation moderately exceed 2% for some time

### Maintain accommodative stance until:

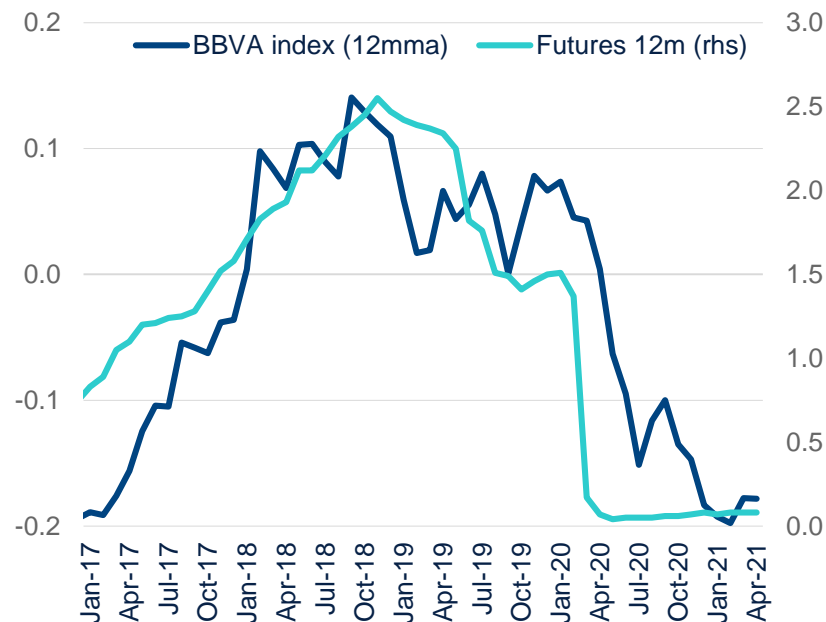
- Maximum employment
- Inflation averages 2% over time
- Longer-term inflation expectations anchored at 2%

### Monthly increase of \$80bn in Treasury securities and \$40bn in MBS until *substantial further progress* toward:

- Maximum-employment
- Inflation at 2%

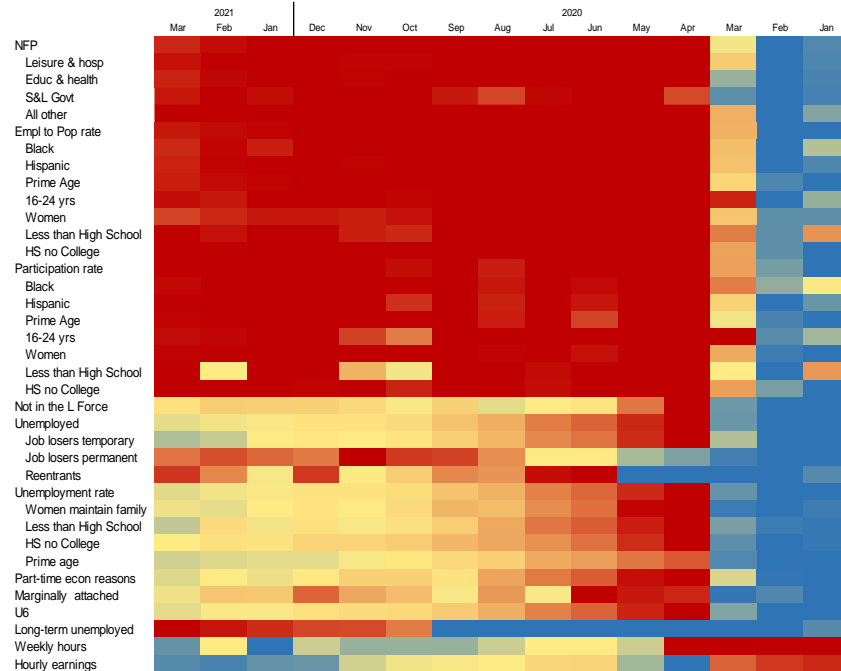
## BBVA USA FED SENTIMENT INDEX & FED FUTURES

(INDEX 12MMA, >0 HAWKISH, AND 12M-AHEAD, %)

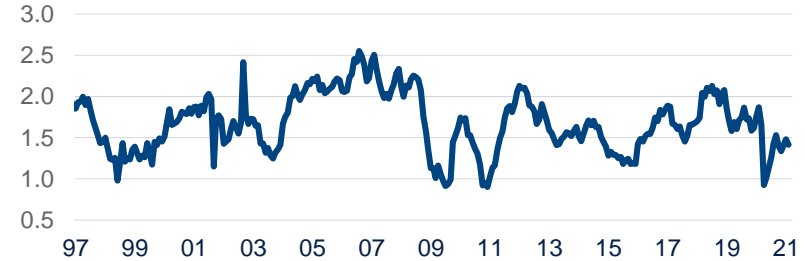


# Achieving Fed's targets will not be as simple as it sounds

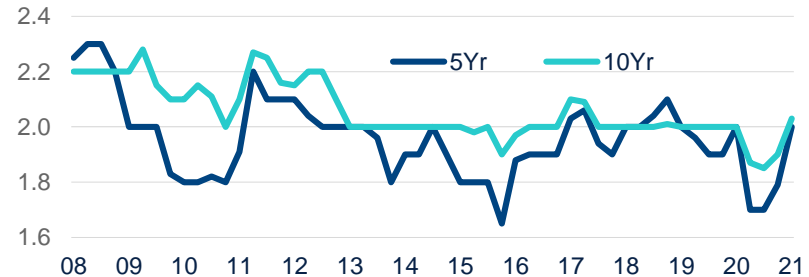
## MAXIMUM EMPLOYMENT DASHBOARD



## CORE PCE INFLATION, 12M % CHANGE

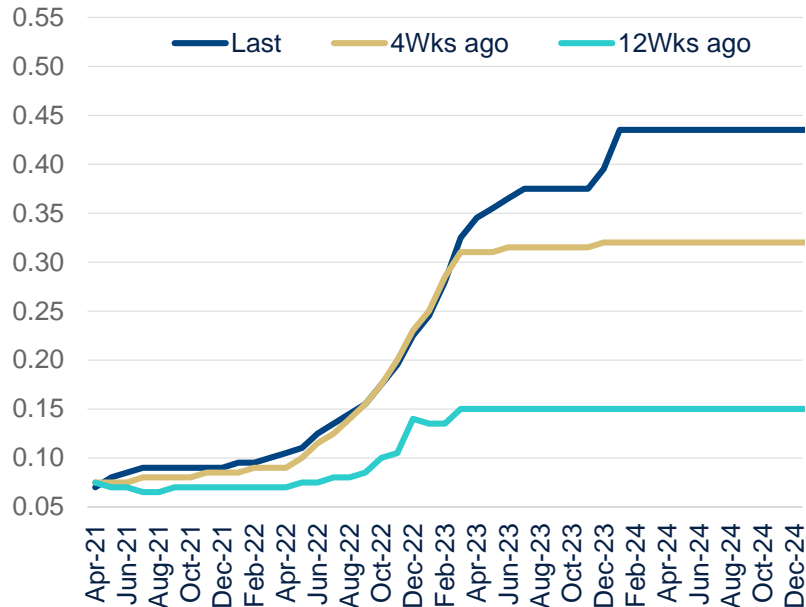


## CORE PCE INFLATION EXPECTATIONS, %

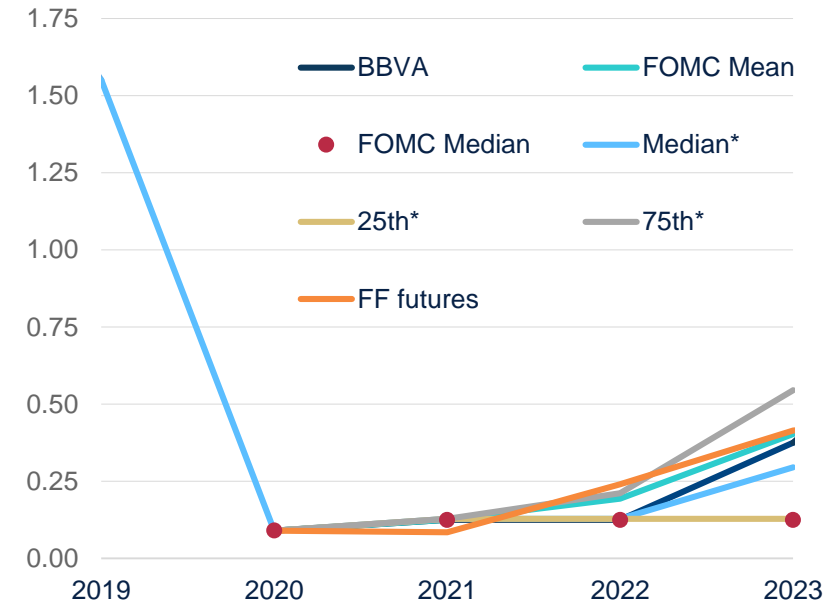


# We expect the Fed to increase interest rates in 2023

## FED FUNDS FUTURES CURVE (%, EFFECTIVE)



## FEDERAL FUNDS RATE (END OF PERIOD, %)



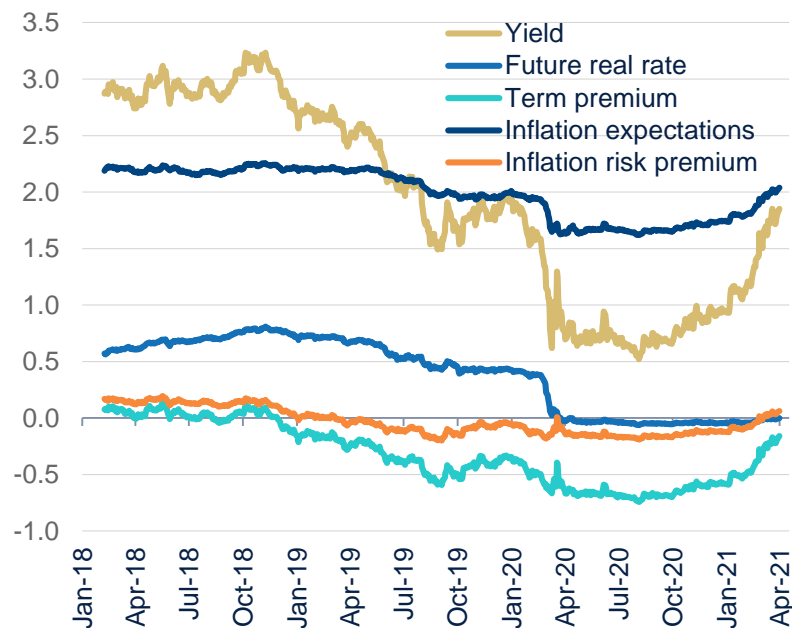
Source: BBVA Research, FRB, FRBNY, MPA, Bloomberg and Haver Analytics

\* PD, MP and SMP

# Term premium and inflation expectations bumping up Treasury yields

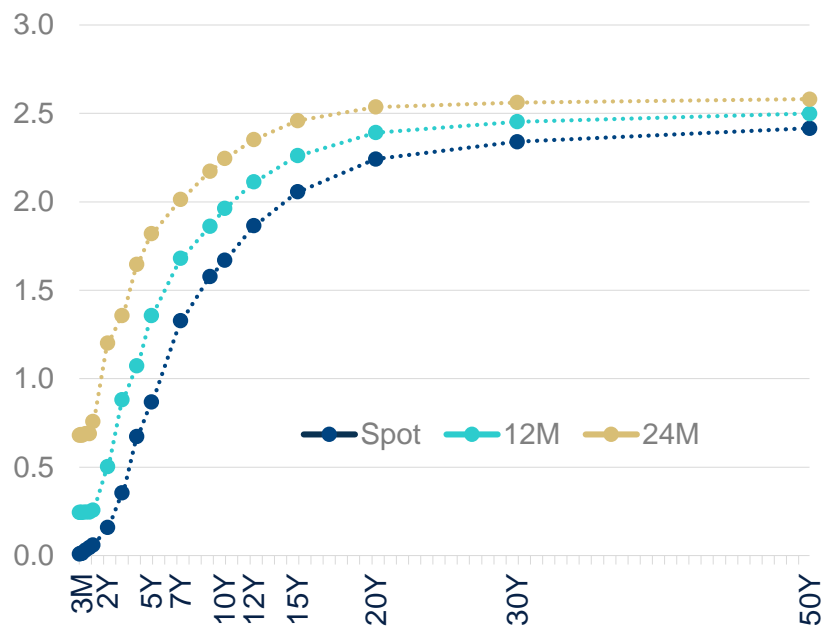
## 10-YEAR TREASURY YIELD DECOMPOSITION

(%)



## TREASURY FORWARD CURVE

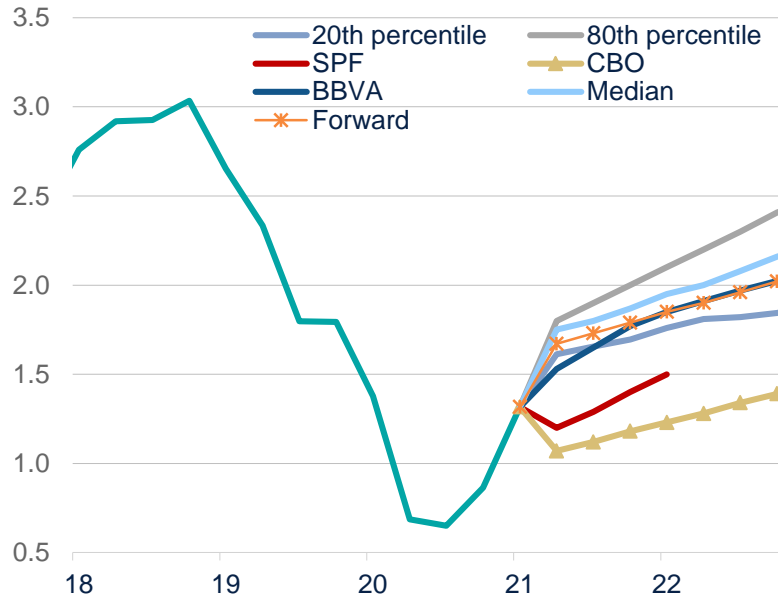
(%)



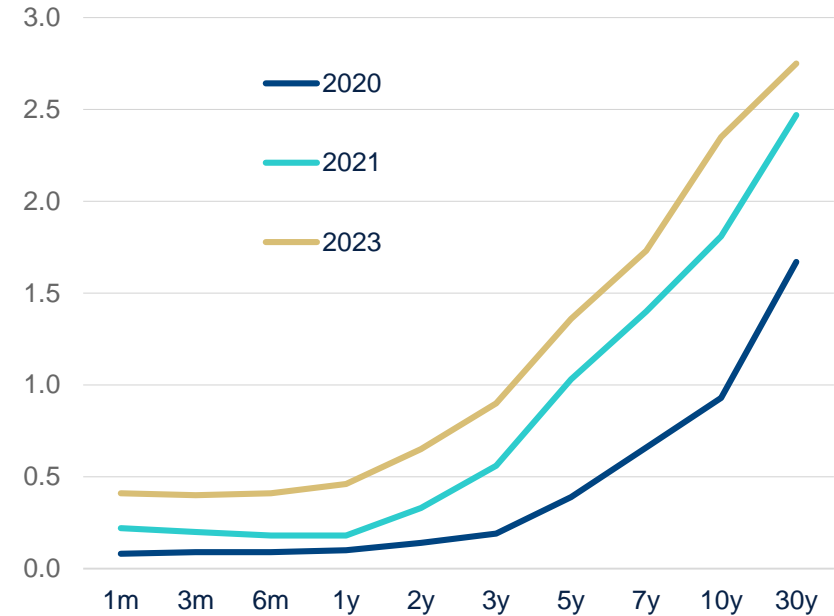


# A steeper yield curve ahead

## 10 YEAR TREASURY YIELD FORECASTS (QUARTERLY AVERAGE, %)

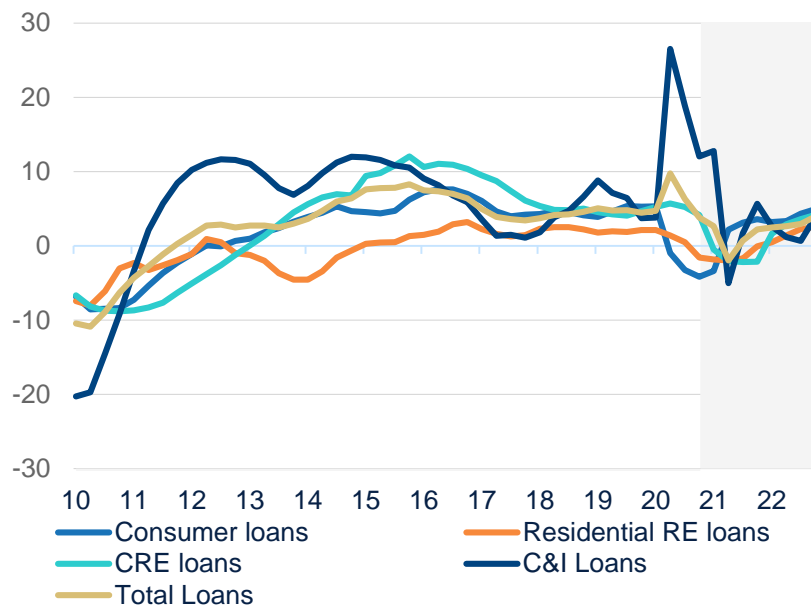


## TREASURY YIELD CURVE FORECASTS (BBVA, END OF PERIOD, %)

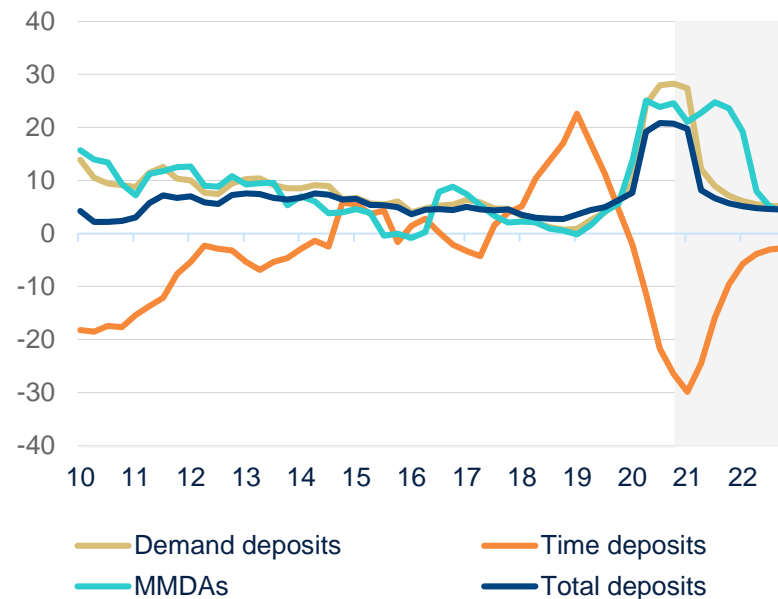


# Bank loans and deposits will benefit from strong economic expansion

## BANK LOANS, YOY %

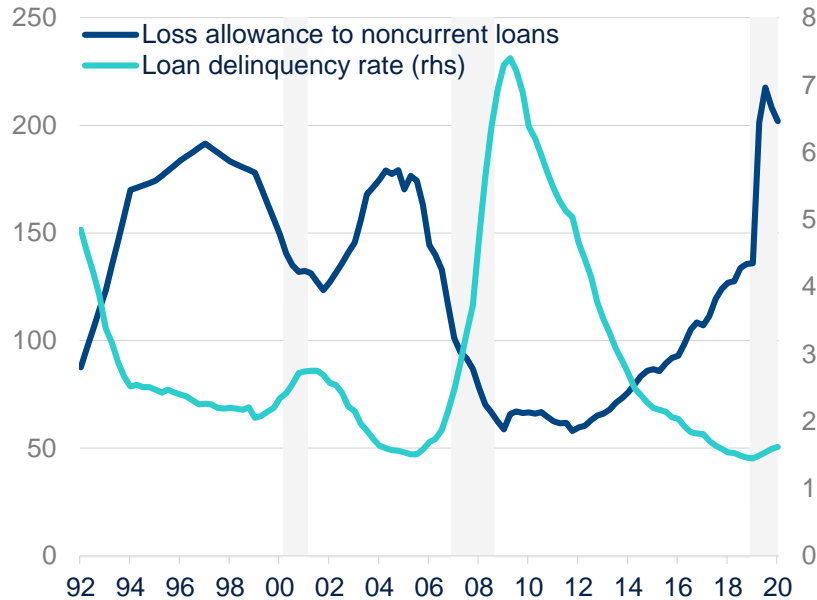


## BANK DEPOSITS, YOY %

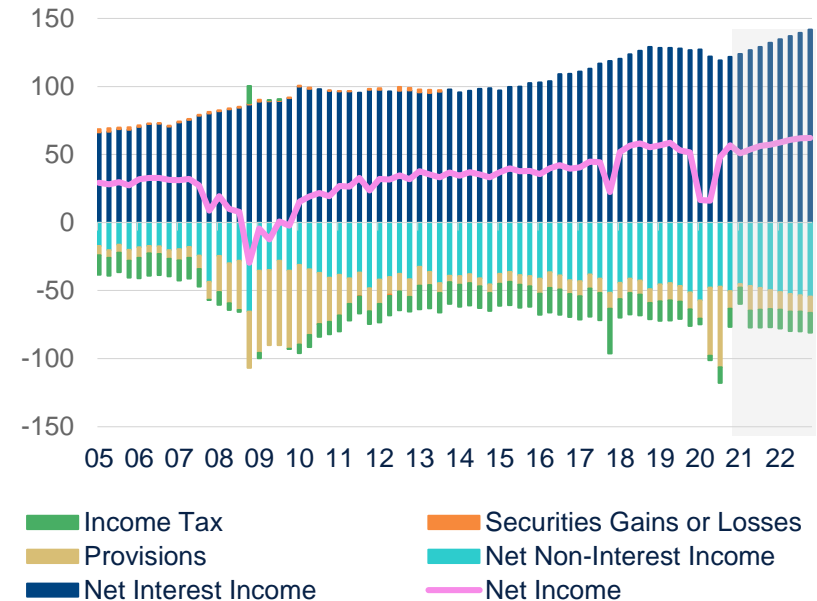


# Bank profits expected to reach record-highs

## BANK LOAN LOSS RESERVES & DELINQUENCY, %



## BANK PROFIT AND LOSS, US\$BN, QUARTERLY



# U.S. Macroeconomic Forecasts

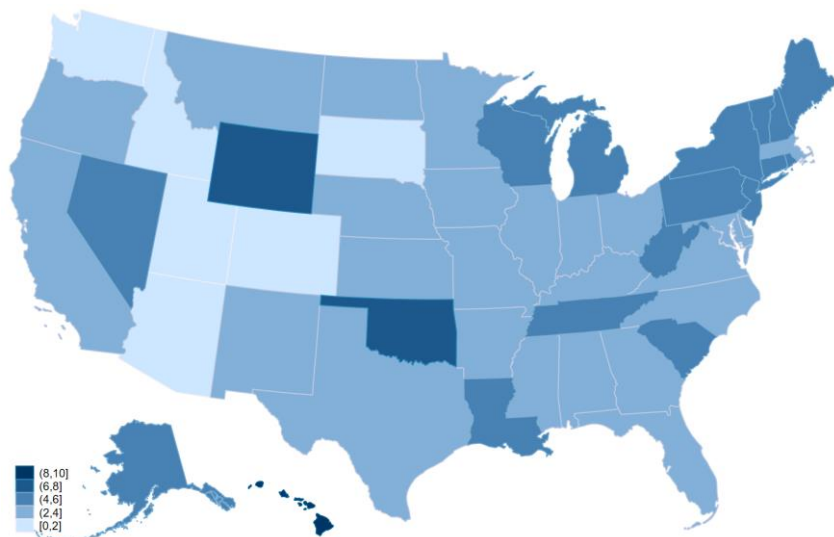
	2017	2018	2019	2020	2021 (f)	2022 (f)	2023 (f)
Real GDP (% SAAR)	2.3	3.0	2.2	-3.5	6.2	5.1	3.7
Real GDP (Contribution, pp)							
PCE	1.8	1.9	1.6	-2.6	4.8	2.8	2.0
Gross Investment	0.6	1.1	0.3	-0.9	2.1	1.5	1.5
Non Residential	0.5	0.9	0.4	-0.5	0.9	1.1	1.3
Residential	0.2	0.0	-0.1	0.2	0.6	0.1	0.1
Exports	0.5	0.4	0.0	-1.5	1.0	0.6	0.6
Imports	-0.7	-0.6	-0.2	1.3	-1.8	-0.7	-0.8
Government	0.2	0.3	0.4	0.2	0.3	0.9	0.4
Unemployment Rate (% , avg.)	4.4	3.9	3.7	8.1	5.6	4.4	3.7
Avg. Monthly Nonfarm Payroll (K)	181	193	168	-785	380	223	119
CPI (YoY %)	2.1	2.4	1.8	1.2	2.5	2.2	2.4
Core CPI (YoY %)	1.8	2.1	2.2	1.7	1.9	2.2	2.3
Home Price Index (Core Logic, YoY %)	5.8	5.7	3.8	6.0	9.4	5.8	4.6
Fiscal Balance (% GDP, FY)	-3.5	-3.9	-4.6	-14.9	-17.3	-4.4	-3.8
Current Account (bop, % GDP)	-1.9	-2.2	-2.2	-3.1	-2.9	-2.7	-2.7
Fed Target Rate (% , eop)	1.39	2.35	1.75	0.25	0.25	0.25	0.50
10-Yr Treasury Yield (% , eop)	2.4	2.8	1.9	0.9	1.81	2.04	2.32
WTI Oil prices (\$/b, avg.)	50.9	64.9	57.0	39.2	61.8	60.2	58.3

# U.S. Regional Economic Outlook 2Q21

# Some states experienced their worst economic recession in 2020

## 2020 REAL GDP CONTRACTION

(%)



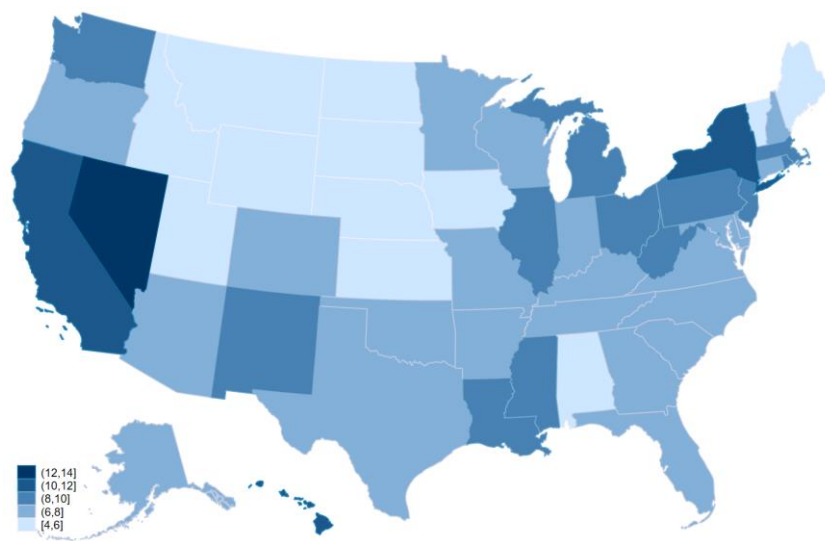
- Several Mountain states performed better than the rest of the country
- Severe recession across the Northeast
- Sharpest contraction in OK, WY and HI, reflecting the collapse of commodity prices and tourism
- BBVA footprint outperformed the rest of the country

State	2019	2020	Change
Alabama	1.4	-2.7	-4.1
Arizona	3.1	-0.9	-4.0
California	3.4	-2.8	-6.2
Colorado	3.9	-1.5	-5.4
Florida	2.8	-2.9	-5.7
New Mexico	5.2	-3.1	-8.3
Texas	2.9	-3.5	-6.3
<b>United States</b>	<b>2.2</b>	<b>-3.5</b>	<b>-5.7</b>

# Uneven spikes in the unemployment rate during 2020

## 2020 UNEMPLOYMENT RATE

(%)

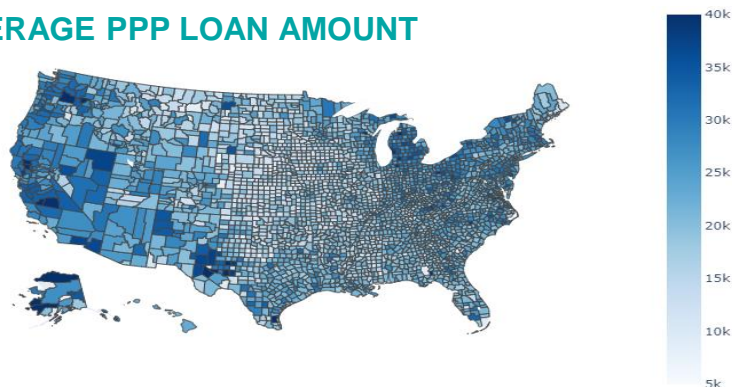


- Labor markets in rural states among the least affected.
- Double-digit unemployment rates in NY, NV, HI and CA driven by the contraction in leisure and hospitality
- Within the BBVA footprint AL exhibited one of the lowest increase in the unemployment rate
- Despite the severe decline in oil prices, TX unemployment rate remained below national average

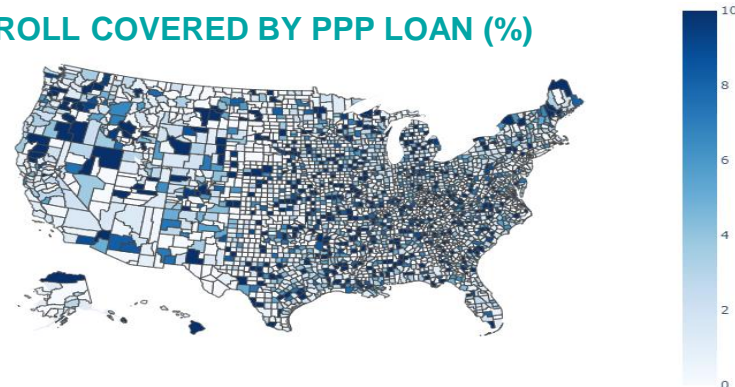
State	2019	2020	Change
Alabama	3.0	6.0	3.0
Arizona	4.9	7.9	3.1
California	4.2	10.2	6.1
Colorado	2.7	7.3	4.6
Florida	3.3	7.9	4.6
New Mexico	5.0	8.5	3.4
Texas	3.5	7.7	4.2
<b>United States</b>	<b>3.7</b>	<b>8.1</b>	<b>4.4</b>

# PPP provides relief to industries and regions

## AVERAGE PPP LOAN AMOUNT

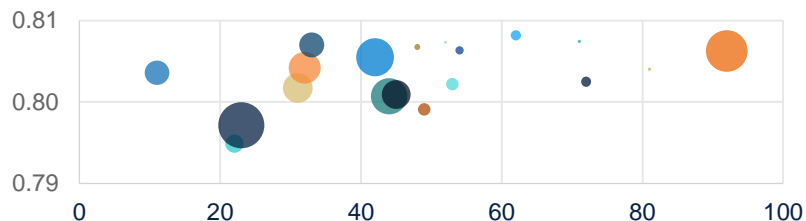


## PAYROLL COVERED BY PPP LOAN (%)

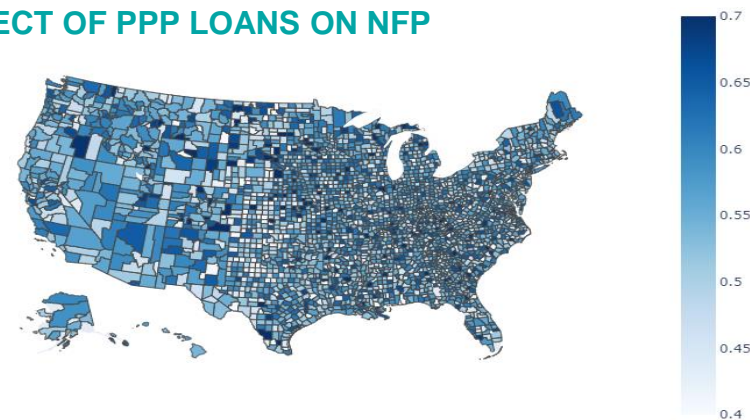


## NAICS PPP EFFECT

(X = NAICS, Y = INDEX, R = COVERED NFP BY PPP LOAN, %)



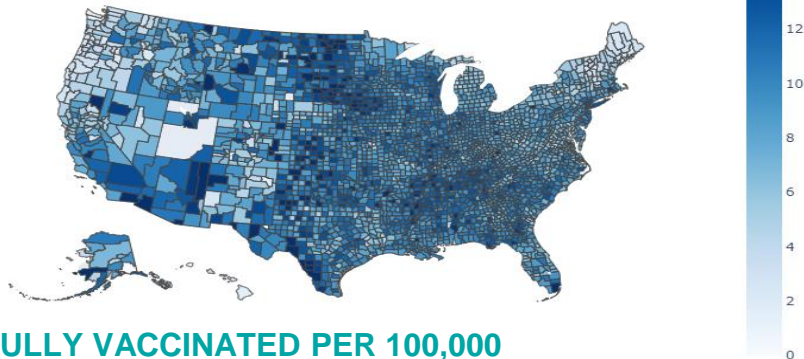
## EFFECT OF PPP LOANS ON NFP



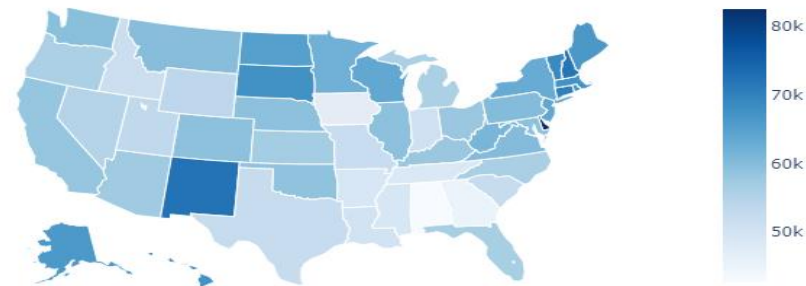


# Heterogeneous control of the pandemic

RELATIVE CONFIRMED CASES BY COUNTY, %



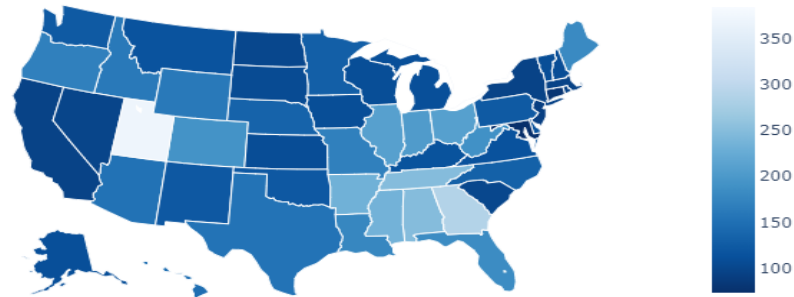
VACCINES ADMINISTERED PER 100,000



FULLY VACCINATED PER 100,000

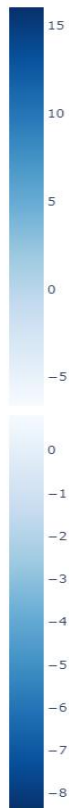
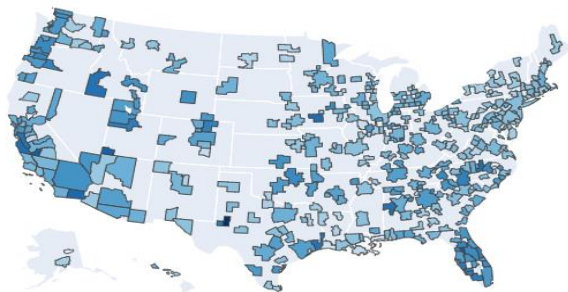


DAYS TO HERD IMMUNITY

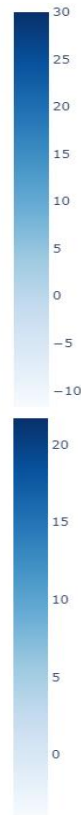
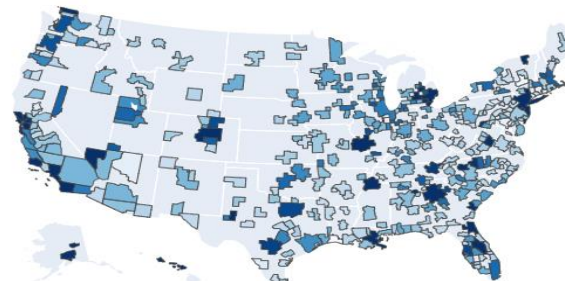


# Widespread economic recovery across metropolitan areas

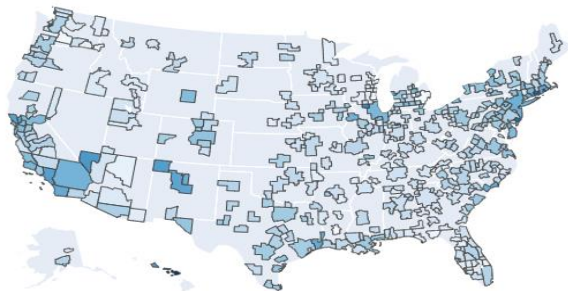
2021 MSA GDP GROWTH, YoY %



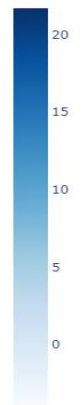
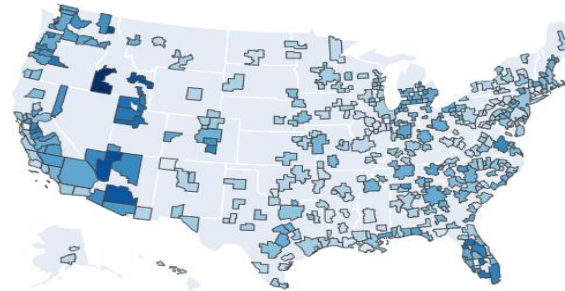
2021 MSA NFP GROWTH, % YoY



2021 MSA CHANGE IN UR, Delta YoY



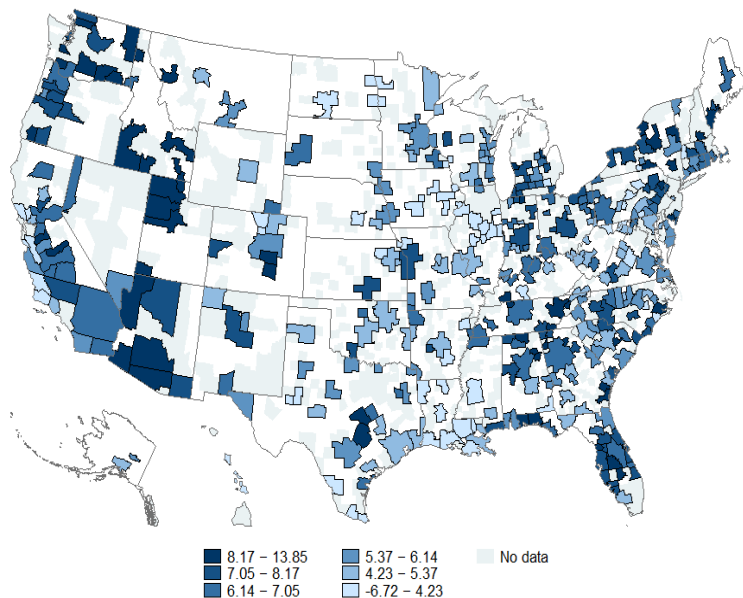
2021 MSA HPI GROWTH, % YoY



# Despite sharp appreciation, home prices aligned with fundamentals

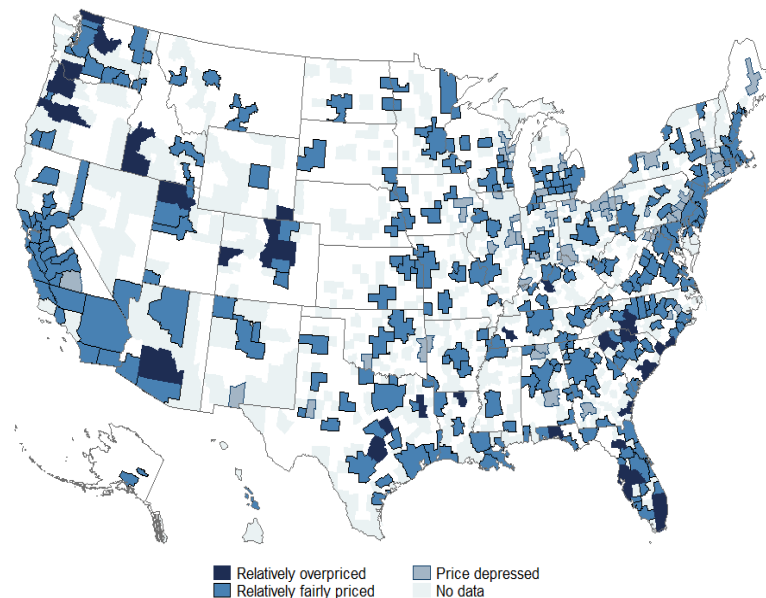
## MEDIAN HOME PRICE APPRECIATION

(4Q20, % YoY)



## BBVA HOME PRICE MISALIGNMENT INDEX

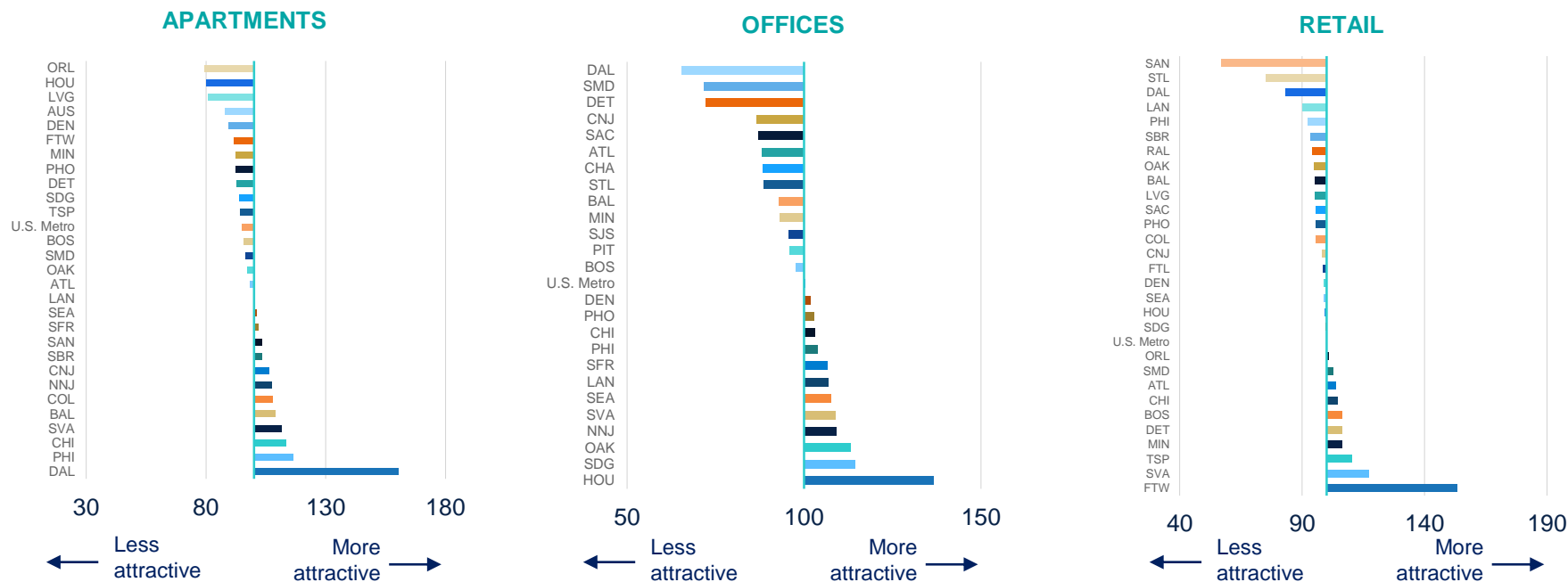
(RELATIVE TO A FUNDAMENTALS-BASED ESTIMATE)



# Plenty of opportunities in local CRE markets

## BBVA USA COMMERCIAL REAL ESTATE METROPOLOITAN AREA ATTRACTIVENESS INDEX

(AVERAGE = 100, SD=15)



# U.S. Regional GDP forecasts (%)

State	2020	2021(f)	2022(f)
Alabama	-2.7	5.9	5.1
Alaska	-4.9	3.9	4.7
Arizona	-0.9	6.3	6.1
Arkansas	-2.6	6.2	4.7
California	-2.8	7.1	6.9
Colorado	-1.5	5.5	5.9
Connecticut	-4.1	5.8	4.5
Delaware	-3.9	3.7	1.9
Florida	-2.9	7.5	7.5
Georgia	-2.5	5.8	5.8
Hawaii	-8.0	4.0	6.4
Idaho	-1.1	8.0	8.6
Illinois	-4.0	4.2	3.2
Indiana	-3.1	5.8	4.7
Iowa	-2.3	6.3	4.6
Kansas	-3.0	5.7	4.6
Kentucky	-3.7	5.6	4.0

State	2020	2021(f)	2022(f)
Louisiana	-5.5	1.9	3.6
Maine	-4.1	5.7	4.6
Maryland	-2.6	5.3	5.1
Massachusetts	-3.8	6.1	5.4
Michigan	-5.4	6.2	5.3
Minnesota	-3.7	5.9	4.6
Mississippi	-2.8	5.3	4.5
Missouri	-3.6	5.2	3.7
Montana	-3.0	4.8	4.4
Nebraska	-2.1	5.7	4.0
Nevada	-4.6	6.9	8.0
New Hampshire	-4.7	6.2	5.3
New Jersey	-4.1	5.1	3.9
New Mexico	-3.1	2.3	4.9
New York	-5.9	5.5	4.3
North Carolina	-2.5	6.8	6.6
North Dakota	-3.5	2.6	4.1

State	2020	2021(f)	2022(f)
Ohio	-4.0	4.8	4.2
Oklahoma	-6.1	4.8	6.4
Oregon	-2.8	5.8	8.2
Pennsylvania	-4.4	5.0	3.5
Rhode island	-4.5	3.9	2.7
South Carolina	-4.1	6.4	5.2
South Dakota	-1.7	7.2	5.7
Tennessee	-4.9	6.5	4.9
Texas	-3.5	6.6	5.6
Utah	-0.1	8.5	8.0
Vermont	-5.4	4.0	1.5
Virginia	-2.5	4.6	3.7
Washington	-0.7	6.2	6.6
West Virginia	-5.5	4.1	3.0
Wisconsin	-4.5	5.9	4.5
Wyoming	-7.0	3.7	9.0

# Global Economic Outlook 2Q21

# Upbeat global economic outlook

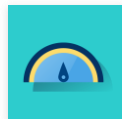
## Rest of 2021



Mass vaccination  
with high heterogeneity across countries



Reinforced fiscal stimulus  
and unchanged rates in G3

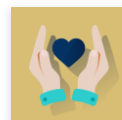


Higher long term rates reflecting  
improved expectations



Global recovery  
led by the U.S. and China

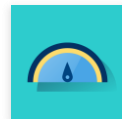
## 2022



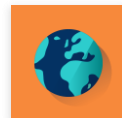
“New normal”



Accommodative monetary  
policy conditions



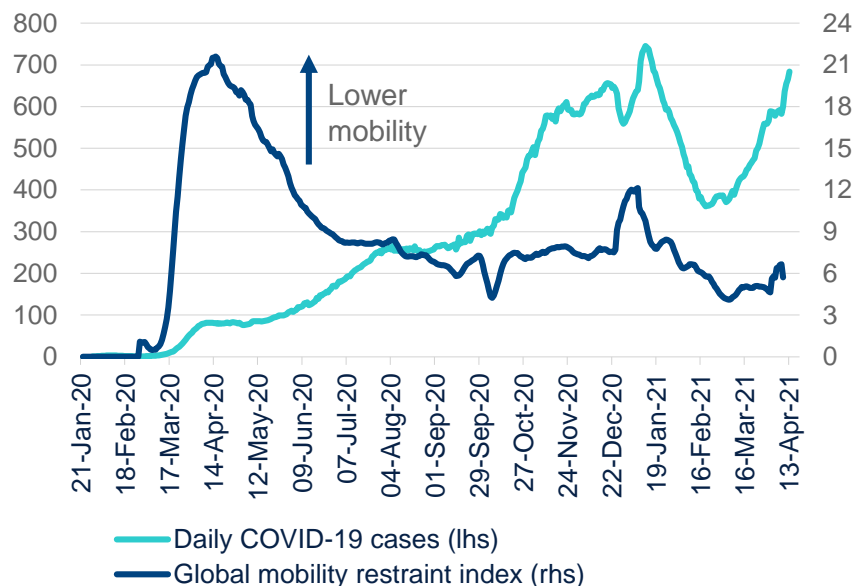
Gradual rise of long term yields  
and dollar depreciation



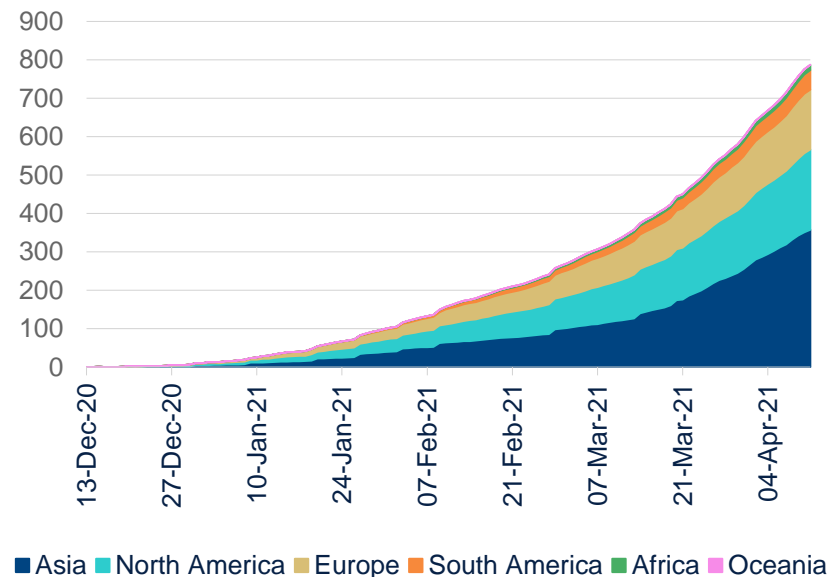
Recovery consolidates in Europe  
and emerging markets

# New cases rising once again amid heterogeneous vaccination

## WORLD DAILY CASES AND MOBILITY\* (THOUSANDS OF PEOPLE 7DMA AND INDEX)



## WORLD CUMULATIVE VACCINATIONS (MILLIONS OF DOSES INOCULATED)

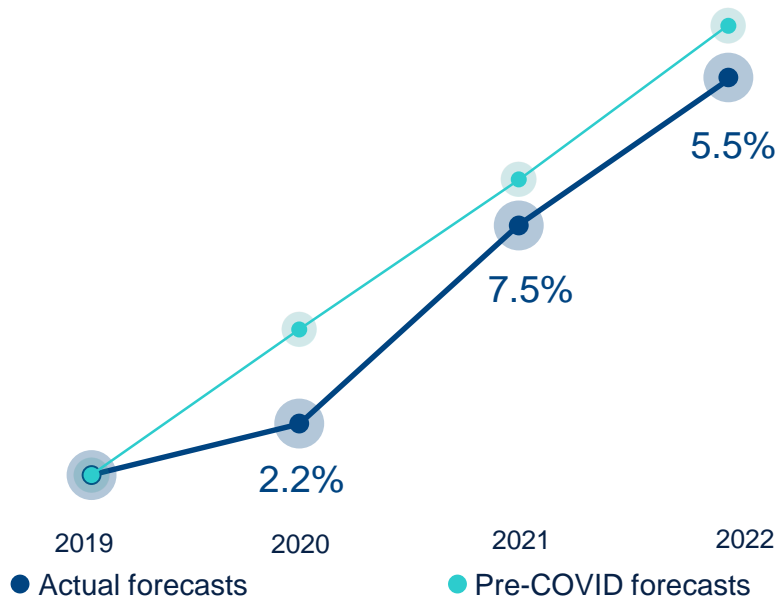


(\*) C from January 3 to February 6 2020; higher values = lower mobility  
BBVA Research based with data from John Hopkins University and Google



# China: robust growth despite withdrawal of stimulus measures

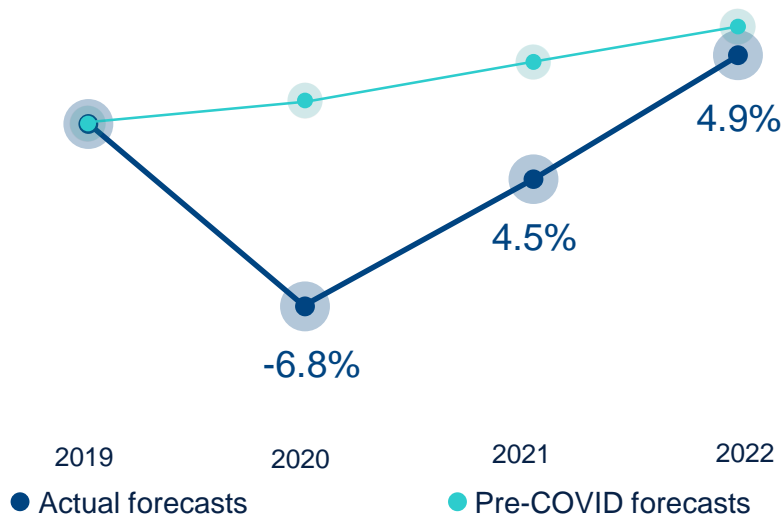
## CHINA: REAL GDP (GDP LEVEL AND GROWTH)



- Unchanged GDP forecasts, but with an upward bias due to higher global growth.
- Economic policy focused on curbing financial risks.
- Interest rates will remain unchanged in a context of tighter regulations.
- Fiscal policy will be less expansionary.
- Tensions with the U.S. will continue.

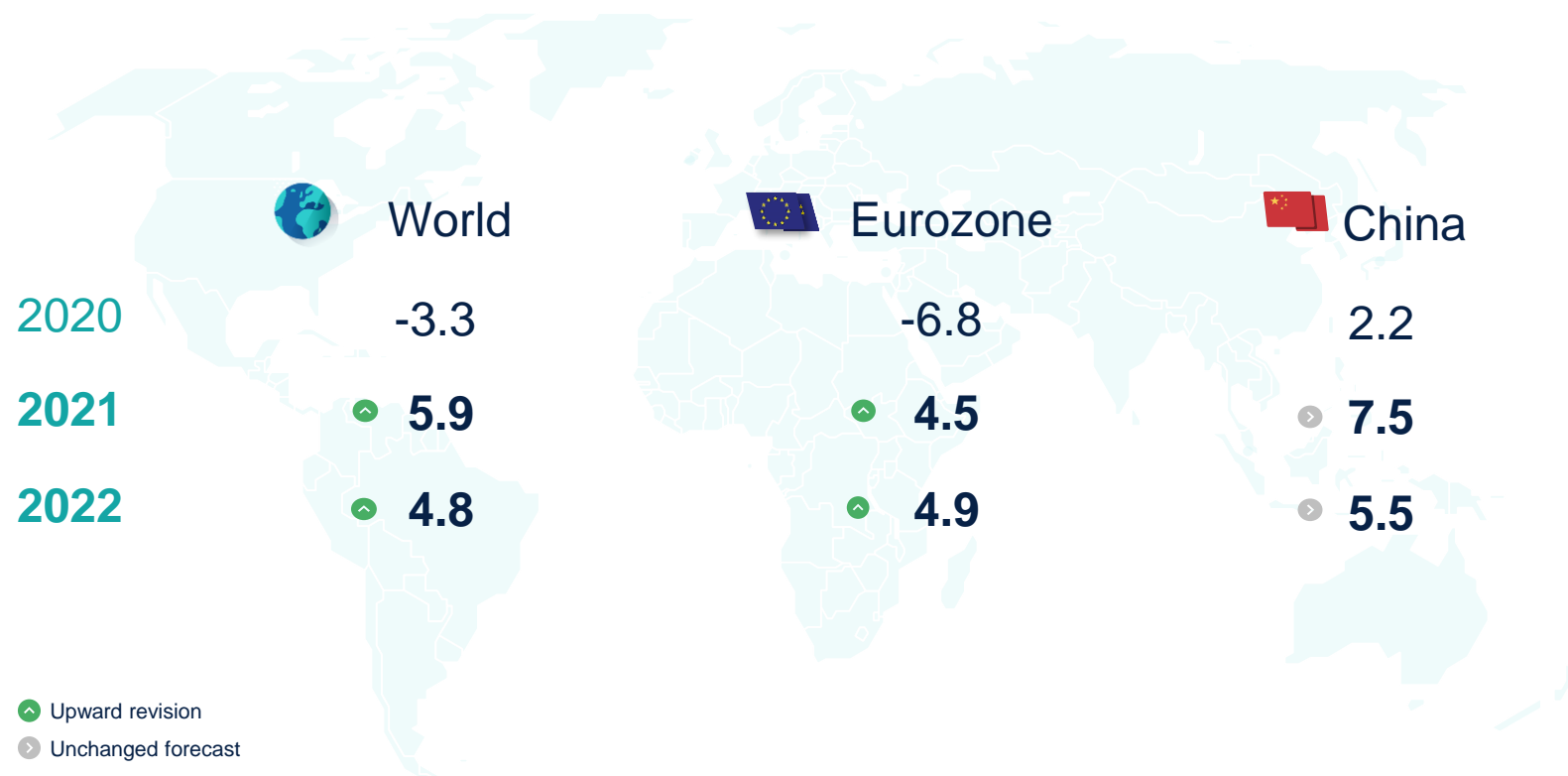
# EU: solid growth supported by vaccination, NGEU and U.S. recovery

## EUROZONE: REAL GDP (GDP LEVEL AND GROWTH)



- GDP declined in 4Q20 and 1Q21.
- Upward revision mostly due to improved U.S. outlook.
- The ECB will maintain an accommodative stance and review its strategy.
- NGEU: small short-term effects, but high long-term impact.
- Inflation will increase to 1.5% in 2021 on the back of higher oil prices.

# Global growth higher than previously expected



# Risks to global outlook influenced by the pandemic



## EPIDEMIOLOGICAL



Virus mutations



Vaccines rollout



New waves of infections



## ECONOMIC-FINANCIAL



Inflation



Inequality



Long-term  
scarring



Antagonism



Multispeed  
recovery



Public debt  
sustainability

**We are grateful for the time you have spent reading our publications, and for allowing us to provide you with our economic insights for the past 17 years.  
We wish you all the best.**

<b>Merci</b>	<b>Thank You</b>	<b>Grazie</b>	<b>Obrigado</b>
<b>תודה</b>	<b>Teşekkür Ederim</b>	<b>Gracias</b>	<b>ありがとう</b>
<b>Tak</b>	<b>Xiè Xie</b>	<b>Спасибо</b>	<b>A Dank</b>

# U.S. Economic Outlook

2Q21

April 2021

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