

Research Briefing | US

Recovery Tracker shows signs of peak growth

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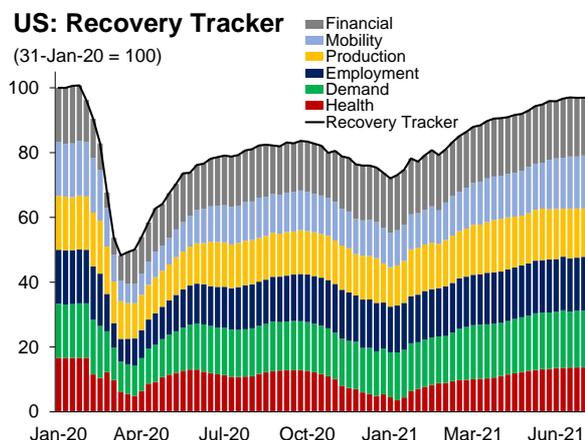
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- The US Recovery Tracker plateaued in July after a five-month winning streak. While consumers and businesses continue to spend, peak growth is behind us as the tracker rose just 0.1ppt to 97.0 in the week ended July 23, leaving its level unchanged from three weeks ago.
- Financial conditions eased on reduced equity market volatility and low interest rates. Expanded reopenings and vaccines are slowly pushing demand, mobility, and employment back to pre-pandemic levels even as the Delta variant casts a cloud over the recovery. Supply-side constraints impeded production activity.
- Most of our State Recovery Trackers fell in the latest week, with the deepest declines in the South, led by Louisiana, Mississippi, Florida, and Alabama.
- New Covid-19 cases have skyrocketed since early July, threatening to slow the recovery. Hospitalizations and deaths are ticking higher, but vaccines make economic activity less vulnerable to the virus than in past waves. With the pace of vaccinations up 30% in the past two weeks to 670k/day and 75% of adults having received at least one dose, the overall health backdrop will support continued economic healing.
- We invite you to visit our [Power BI dashboard](#).

Financial conditions eased (+1.0ppts to 107.9) on lower volatility in the stock market and rangebound bond yields. Demand strengthened (+0.7ppts to 105.8) on increased spending at grocery stores and on recreational activities, while restaurant bookings also jumped. Mobility rose (+0.5ppts to 98.4) on higher air travel, greater transit ridership, and stronger gasoline demand. Employment crept up (+0.2ppts to 100.2) on an increase in job postings and a rise in temporary employment. Health conditions improved slightly (+0.2ppts to 82.1) on higher vaccination rates, while positive test rates held steady and cases increased. Production weakened (-2.2ppts to 87.5) on a plunge in business applications and lower refinery output.

Figure 1: US Recovery Tracker plateaued in July



Source: Oxford Economics

Our US Recovery Tracker rose just 0.1ppt to 97.0 in the week ended July 23. The tracker has essentially held steady since early July as health conditions have begun to deteriorate once again, employment growth has slowed, and production has been uneven amidst supply chain disruptions and logistical bottlenecks.

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State Recovery Trackers (SRTs)

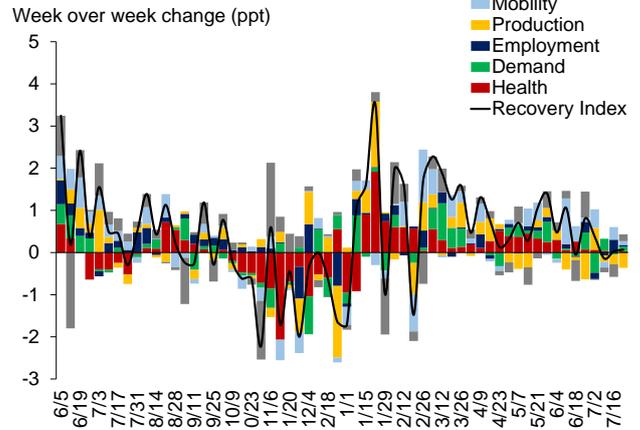
Our [SRTs](#) showed that regional recoveries mostly weakened in the week ended July 23 as 33 states registered lower readings. Health conditions deteriorated for the third straight week on a pickup in Covid cases and deaths. The mobility and activity recoveries stagnated, while employment slipped. Three of the five regions recorded lower readings, led downward by the sharpest weekly decline for the South since late-2020 ([Figure 3](#)).

A new wave of infections is taking shape as the Delta variant spreads quickly across the country ([Figure 4](#)). The South is at the crest of the wave, but vaccine uptake in the region has accelerated of late, a hopeful sign that harsh restrictions may be averted. With 75% of the adult population having received at least one vaccine dose, we continue to believe that the recovery will be derailed only if a severe spike in Covid cases forces public officials to reinstitute harsh containment measures.

- **The South weakened the most (-2.4ppts to 83.4).** The regional recovery faded for a third straight week, led by a sharp pullback in health conditions and by a deterioration in mobility, activity, and employment. Florida's SRT recorded its steepest one-week drop since December, and Georgia's tracker declined, too. Louisiana, Mississippi, and Alabama recorded the sharpest dips among all states.
- **The Southwest & Mountains gave back some gains (-0.9ppts to 87.0).** Weaker health conditions and a drop in employment were partially offset by modestly stronger mobility and activity readings. Texas' recovery lost some ground.
- **The Pacific lost momentum (-0.4ppts to 80.3).** Weaker mobility and employment and a downturn in health conditions caused the regional recovery to lose steam. California's SRT fell to its lowest level since May.
- **The East also recorded a loss (-0.4ppts to 87.1).** Mobility was the only component to not record a loss in the latest week. New York's SRT declined, while Pennsylvania's and New Jersey's held steady.
- **The Midwest eked out a gain (+0.2ppts to 89.3).** A pickup in mobility and a modest rise in activity more than offset a decline in health conditions and weaker employment. The SRTs of Michigan and Illinois held steady, while Ohio managed a slight advance.

Figure 2: Recovery Tracker notched a slim gain in the third week of July

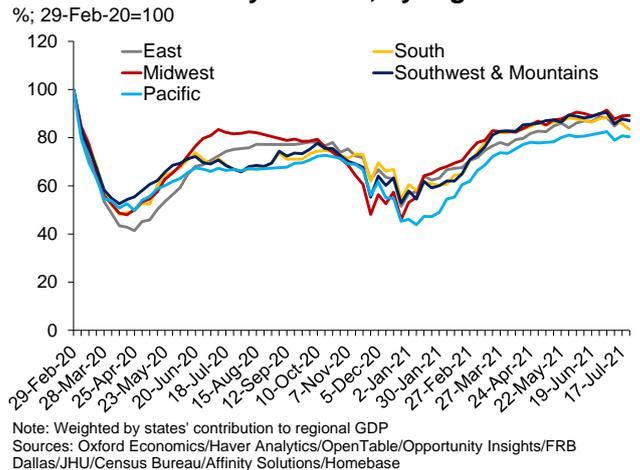
US: Recovery Tracker



Source: Oxford Economics

Figure 3: Regional recoveries are facing stiffer headwinds

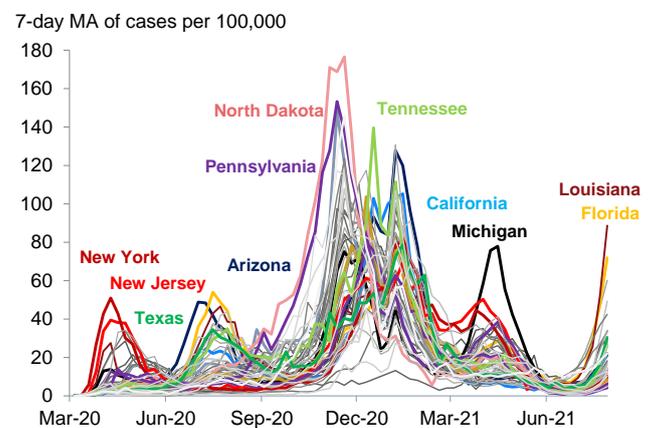
US: State Recovery Tracker, by region



Note: Weighted by states' contribution to regional GDP
Sources: Oxford Economics/Haver Analytics/OpenTable/Opportunity Insights/FRB Dallas/JHU/Census Bureau/Affinity Solutions/Homebase

Figure 4: New wave of Covid infections appears to be forming

US: New cases of Covid-19



Source: Oxford Economics/Haver Analytics

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US: Recovery Tracker

