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United States economic outlook

Third quarter of 2024

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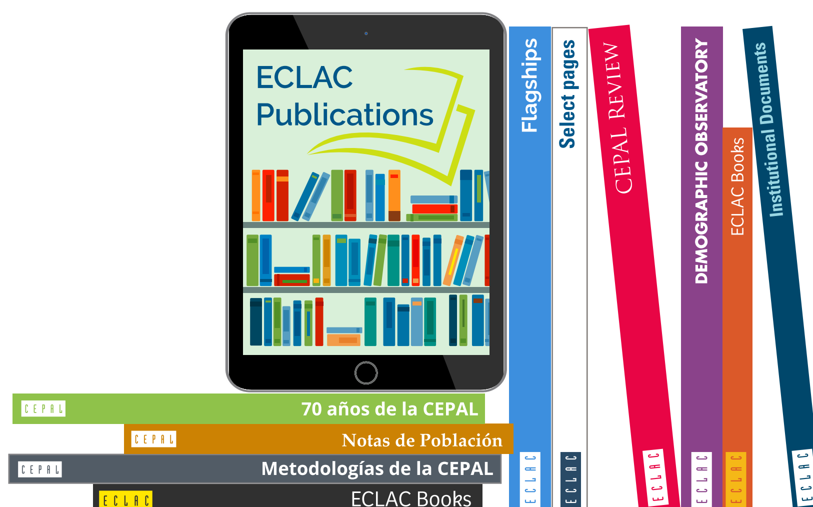

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Unless otherwise indicated, the cut-off date for the information used to prepare this report is 19 December 2024.

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United Nations publication
LC/WAS/TS.2024/8
Distribution: L
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Printed at United Nations, Santiago
S.2401273[E]

This publication should be cited as: Economic Commission for Latin America and the Caribbean (ECLAC), *United States economic outlook: third quarter of 2024* (LC/WAS/TS.2024/8), Santiago, 2024.

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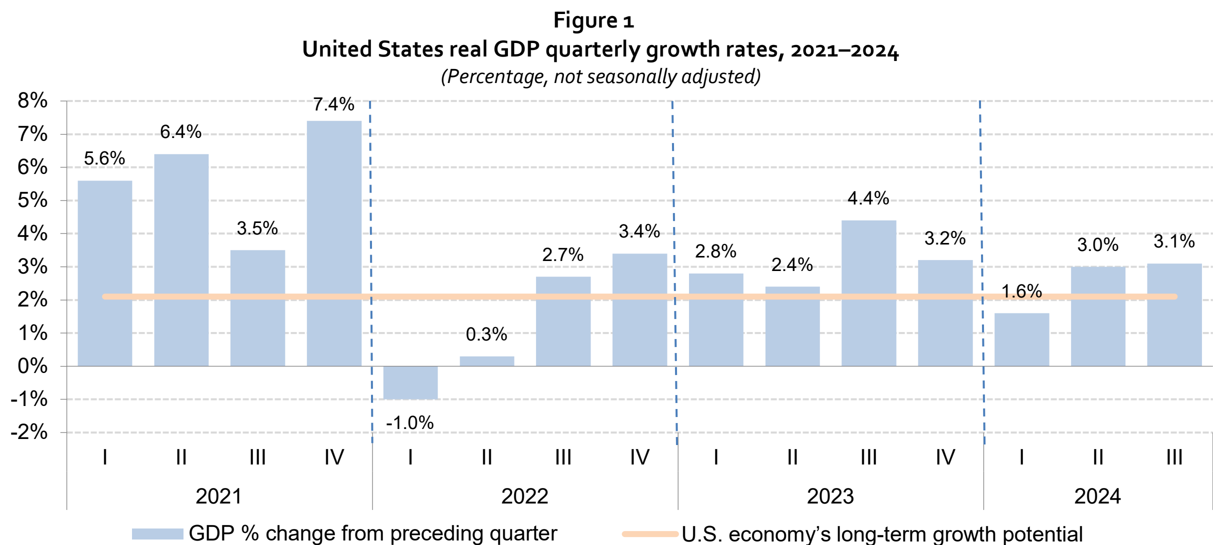
Highlights

- Capping two years of solid economic expansion, the United States Gross Domestic Product (GDP) grew at a robust 3.1% annualized rate in the third quarter of 2024 following a 3.0% increase in the second quarter, well above the economy's long-term growth potential. Personal consumption expenditure was the main driver of growth, accelerating to 3.7% from 2.8% in the second quarter.
- Employment has increased for 47 consecutive months, but the labor market has softened. An average of 180,364 new jobs were created per month from January to November 2024 and 1.98 million new jobs were added overall, which was 27% less than in the same period in 2023. In November 2024, the unemployment rate edged higher to 4.2% from 4.1% in October but remains low by historical standards.
- Progress in bringing down inflation has stalled over the past three months. The Consumer Price Index (CPI) ticked up to 2.7% in November from 2.4% in September, the lowest level in more than three years. Headline inflation has declined from 3.4% in December 2023 and a peak of 9.1% in June 2022. Core CPI, which excludes the volatile energy and food categories, was at 3.3% in November, slightly up from 3.2% in August, but unchanged since September. It has slowed from 3.9% in December 2023 and a peak of 6.6% in September 2022.
- For the Federal Reserve, the November CPI numbers served as a reminder that although inflation has cooled significantly from its peak in 2022, it has not been entirely vanquished, posing questions about the pace of rate cuts in the year ahead. The Fed cut interest rates for a third and final time this year at its December meeting, lowering the federal funds rate by 0.25%, to a range of 4.25% to 4.50%, and signaling a slower pace of easing in 2025.
- This report has a special chapter with a general comparison of the performance of the United States economy during the past three U.S. administrations, and some insights on the role that the state of the economy may have played in the 2024 presidential election.

Overview

The United States Gross Domestic Product (GDP) rose 3.1% in the third quarter of 2024 according to the Bureau of Economic Analysis' final estimate, following a 3.0% growth in the second and well above the economy's long-term growth potential (estimated at 2%) (figure 1).

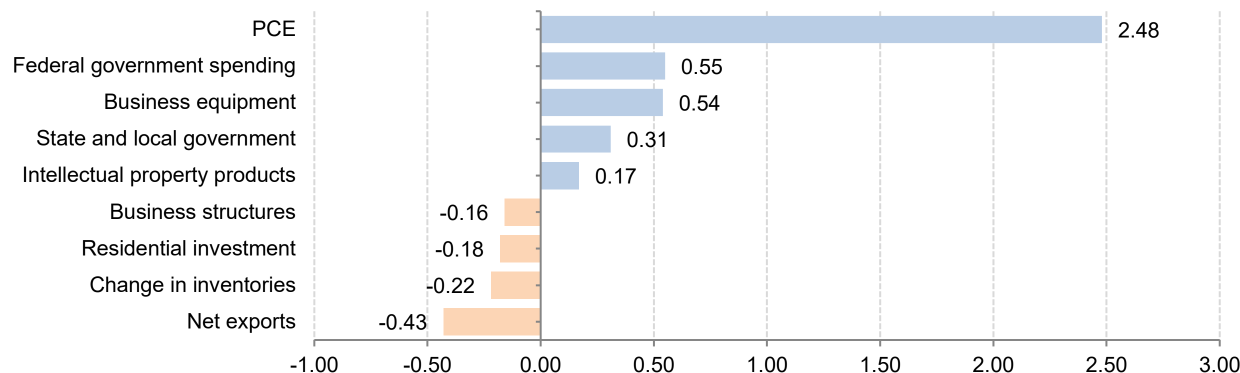
Figure 1
United States real GDP quarterly growth rates, 2021–2024
(Percentage, not seasonally adjusted)



Source: Bureau of Economic Analysis, United States Department of Commerce.

Consumer spending was the main driver of the GDP increase in the third quarter, contributing 2.48% to quarterly growth (figure 2). Government spending (federal, state and local) made its largest contribution to quarterly growth in a year (0.86%), and business equipment and intellectual property investment also made positive contributions. Investment in business structures, residential investment and net exports subtracted from third-quarter growth, however, with the largest negative contribution coming from net exports (-0.43%), as strong growth in imports more than fully offset the rise in exports.

Figure 2
United States: contributions to percent change in real GDP, third quarter of 2024
(Percentage points, seasonally adjusted at annual rates)

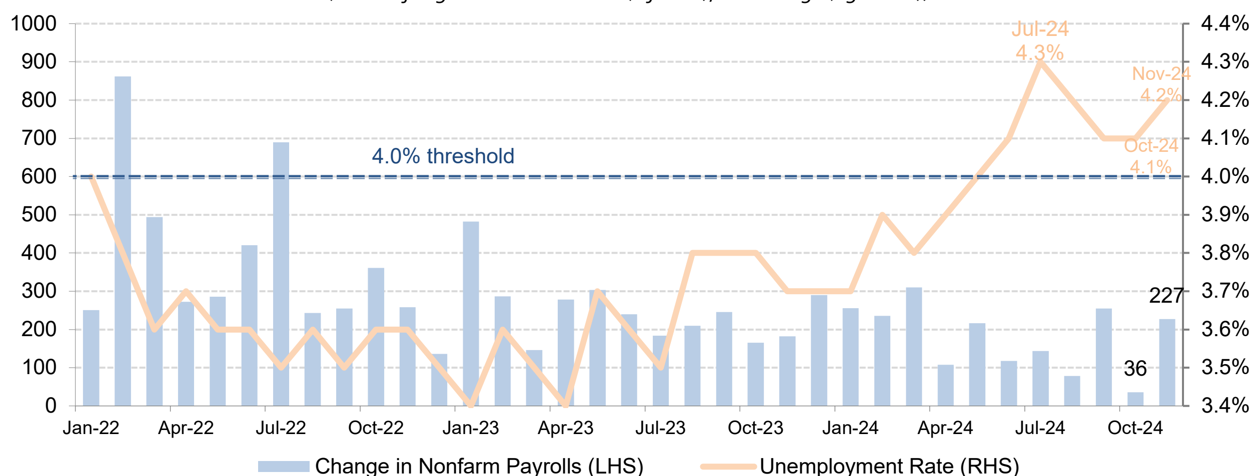


Source: Bureau of Economic Analysis, United States Department of Commerce.
PCE: Personal Consumption Expenditures.

Consumption spending accelerated to 3.7% in the third quarter, although real personal disposable income increased by a much lower 1.1%. According to data from the U.S. Census Bureau, household incomes rose in 2023 for the first time since the COVID-19 pandemic began, reflecting the effects of a strong job market and easing inflation. Incomes have now returned to about where they were in 2019, the peak that was reached just before the pandemic.[1]

The job market remains robust, with employment having increased for 47 consecutive months, but it has softened. Overall, 1.98 million new jobs were added from January to November 2024, 27% less than in the same period in 2023 (2.72 million), which represented an average of 180,364 new jobs per month. In November 2024, U.S. nonfarm payrolls rose by 227,000 jobs, an increase from October. The solid gain was driven partly by the reversal of the disruptions that weighed on hiring in October —two hurricanes and a major labor dispute (the Boeing Co. strike). The unemployment rate edged higher to 4.2% from 4.1% in October (figure 3), as the number of unemployed workers rose and the labor force contracted for the second straight month.

Figure 3
United States monthly job creation and unemployment rate, January 2022–November 2024
(Annual job growth in thousands (left axis); Percentage (right axis))

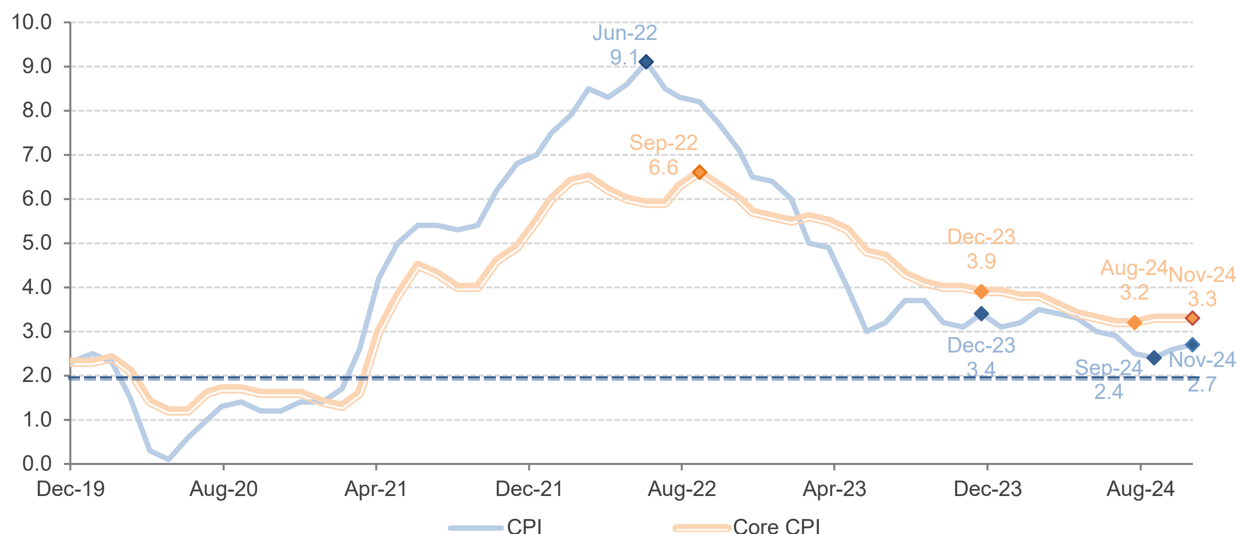


Source: ECLAC Washington Office based on data from the United States Bureau of Labor Statistics.

[1] Inflation adjusted median household income was US$ 80,610 in 2023, up 4% from US$ 77,540 in 2022, when household income gains were adversely impacted by the rapid increase in inflation. See U.S. Census Bureau, "Income in the United States: 2023" [online].

Measured by the Consumer Price Index (CPI), inflation ticked up to 2.7% in November from 2.4% in September —the lowest level since February 2021— but it was down from 3.4% in December 2023 and a peak of 9.1% in June 2022. Core CPI, which excludes the volatile energy and food categories, was at 3.3%, slightly up from 3.2% in August, but unchanged since September. It has slowed from 3.9% in December 2023 and a peak of 6.6% in September 2022 (figure 4).

Figure 4
United States domestic prices: monthly evolution, December 2019–November 2024
(CPI-U unadjusted 12 months percent change)



Source: Bureau of Labor Statistics, United States Department of Commerce.

For the Federal Reserve, the November CPI numbers served as a reminder that although inflation has cooled significantly from its peak in 2022, it has not been entirely vanquished. However, although it ticked up in November, U.S. inflation matched market forecasts and cleared the way for the Federal Reserve to lower interest rates for a third and final time this year at their mid-December meeting. The federal funds rate was lowered by 0.25%, to a range of 4.50% to 4.75%. Nonetheless, the stubbornness of inflation this fall signals a potentially bumpy road to vanquishing higher prices, which could complicate the Federal Reserve's calculus about the pace of rate cuts in the year ahead and President-elect Donald Trump's policy ambitions.

The after-effects of the rapid increase in inflation post-pandemic, leading to higher interest rates and borrowing costs, has affected consumer sentiment. The results of the presidential elections that took place in early November suggest voters' dissatisfaction with the economy under the current administration, despite its solid performance and inflation's descent since a peak was reached in mid-2022. In the third quarter, in a good sign for consumers' purchasing power, the economy grew faster than the cost of living as measured by Personal Consumption Expenditures (PCE), which grew at a 1.5% annual rate, down from 2.5% in the second quarter, but sentiment remains subdued. Chapter III offers a general comparison of the performance of the economy during the past three U.S. administrations and some insights on the role that the state of the economy may have played in the 2024 presidential election.

Together, continued economic growth, the uptick in consumer spending in the third quarter, and tame inflation, suggest the economy remains solid and that the Federal Reserve's efforts to subdue inflation while preserving the health of the job market have been effective so far. Market growth projections imply positive but lower growth for the U.S. economy in the next three quarters. The U.S. economy is projected to grow 2.0% on average in the fourth quarter of 2024, 1.8% in the first quarter of 2025 and 1.6% in the second, according to market forecasts made mostly in November 2024 (table 1).

Table 1
Quarterly forecasts for United States economic growth in the fourth quarter of 2024 and first half of 2025
(Percentage change)

	Q4 2024 (qoq)	Q1 2025 (qoq)	Q2 2025 (qoq)	Date of Forecast
What Markets Say				
Bank of America/Merrill Lynch	2.0%	2.5%	2.3%	Nov-24
Capital Economics	2.6%	1.8%	1.4%	Nov-24
JPMorgan	2.3%	1.8%	2.0%	Nov-24
Moody's Economy.com	2.0%	1.8%	2.1%	Nov-24
Mortgage Bankers Association	1.8%	2.0%	1.6%	Nov-24
National Association of Realtors	1.5%	1.8%	1.9%	Oct-24
National Bank of Canada	2.0%	0.6%	0.1%	Nov-24
TD Bank Financial Group	1.6%	1.9%	1.8%	Dec-24
Wells Fargo/Wachovia	2.1%	2.4%	1.5%	Nov-24
Forecasts average	***2.0%***	***1.8%***	***1.6%***	

Source: ECLAC Washington Office, based on market sources.

On an annual basis, average market projections point to growth of 2.6% in 2024, the second straight year with growth over 2.5%, and of 2.0% in 2025, inflation at 2.9% in 2024 and 2.4% in 2025, unemployment rate at 4.0% in 2024 and 4.4% in 2025, and the federal funds rate at 4.8% in 2024 and 3.6% in 2025. Markets' prediction that the Fed's policy rate will bottom out at 3.6% by December 2025 implies a little less than four more interest rate cuts. The Federal Reserve's economic projections released on 18 December, however, showed only 50 basis points of additional loosening in 2025, down from 100 basis points in the September projection. The stronger forecast for PCE inflation in 2025 (2.5% from 2.1% in September) means that the median projection for the fed funds rate was raised by 50 basis points – to 3.9% by December 2025 (table 2).

Table 2
Annual forecasts for United States economic growth, 2024 and 2025
(Percentage change)

	Real GDP (% change, y/y)		Inflation (% change, y/y)		Unemployment Rate (%)		FED Funds Rate (%)		
	2024	2025	2024	2025	2024	2025	2024	2025	Date of Forecast
A. What Government Agencies Say									
FED[1]	2.5%	2.1%	2.4%	2.5%	4.2%	4.3%	4.4%	3.9%	*Dec-24*
CBO	2.6%	2.1%	3.2%	2.4%	3.9%	4.0%	5.3%	4.8%	*Jun-24*
OMB[2]	1.9%	2.1%	3.1%	2.3%	3.8%	3.8%	*na*	*na*	*Jul-24*
B. What Markets Say									
Bank of America/Merrill Lynch	2.7%	2.4%	2.9%	2.4%	4.0%	4.3%	4.4%	3.9%	*Nov-24*
Capital Economics	2.8%	2.0%	2.9%	2.6%	4.1%	4.4%	4.4%	3.6%	*Nov-24*
JPMorgan	2.8%	2.2%	2.9%	2.4%	4.1%	4.4%	4.4%	3.6%	*Nov-24*
Moody's Economy.com[3]	2.7%	2.2%	2.9%	2.3%	4.0%	4.1%	5.1%	3.9%	*Nov-24*
Mortgage Bankers Association	2.3%	1.8%	2.6%	2.1%	4.0%	4.5%	4.4%	3.6%	*Nov-24*
National Association of Realtors[3]	2.2%	2.1%	2.9%	2.3%	4.1%	4.4%	5.1%	4.0%	*Oct-24*
National Bank of Canada	2.7%	1.3%	2.9%	2.2%	4.0%	4.7%	4.5%	2.5%	*Nov-24*
TD Bank Financial Group	2.7%	2.0%	2.9%	2.7%	4.0%	4.3%	5.1%	3.9%	*Dec-24*
The Economist Intelligence Unit	2.7%	2.2%	2.8%	2.2%	4.1%	4.3%	*na*	*na*	*Nov-24*
Wells Fargo/Wachovia[3]	2.7%	2.0%	2.9%	2.6%	4.0%	4.1%	5.1%	3.9%	*Nov-24*
Market Average	***2.6%***	***2.0%***	***2.9%***	***2.4%***	***4.0%***	***4.4%***	***4.7%***	***3.7%***	
C. What International Organizations Say									
United Nations DESA (Baseline)	2.5%	1.7%	*na*	*na*	*na*	*na*	*na*	*na*	*Sep-24*
World Bank	2.5%	1.8%	*na*	*na*	*na*	*na*	*na*	*na*	*Jun-24*
OECD	2.6%	1.6%	2.4%	1.8%	*na*	*na*	*na*	*na*	*Sep-24*
IMF	2.8%	2.2%	3.0%	1.9%	*na*	*na*	*na*	*na*	*Oct-24*

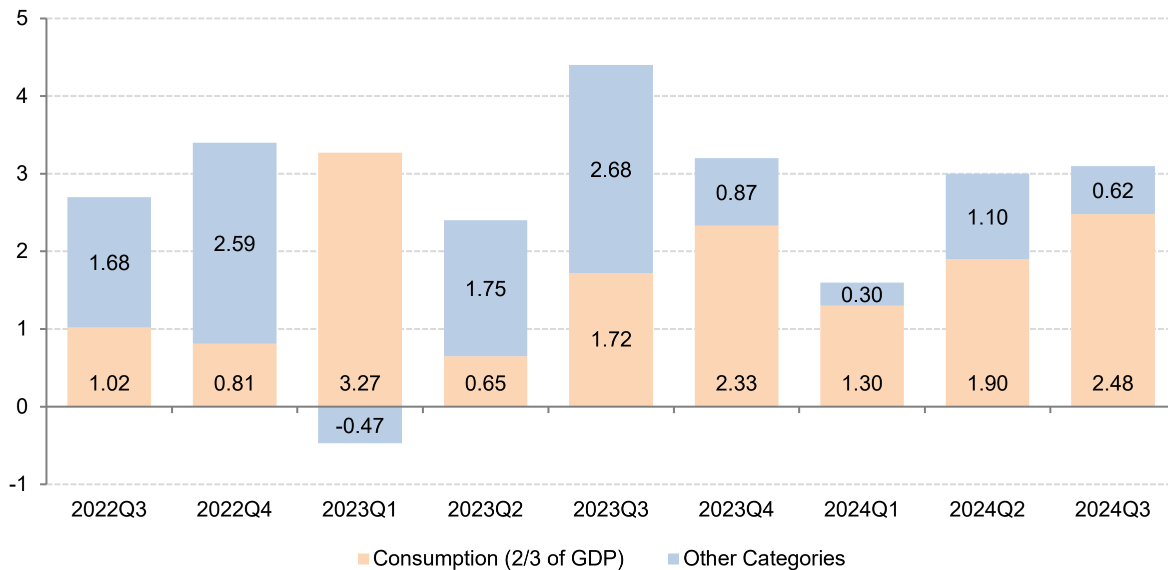
Source: ECLAC Washington Office based on official and market sources.
Note: FED: Federal Reserve; CBO: Congressional Budget Office; OMB: Office of Management and Budget (U.S. Administration's forecasts); *na*: not available.
[1] Projections of change in real GDP and inflation (measure used is PCE inflation, the FED's preferred measure) are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. [2] Projections are for real, chained (2012) dollars GDP, fourth quarter-over-fourth quarter; CPI: fourth quarter-over-fourth quarter; unemployment rate: annual. [3] Moody's, the National Association of Realtors, and Wells Fargo/Wachovia forecast the Fed funds rate as an annual average, not end-period.

I. Quarterly developments

Consumer spending continues to be a substantial driver of economic growth in the United States. Its contribution to GDP growth stood at 1.30%, 1.90% and 2.48% in the first, second and third quarters of 2024, respectively. Other categories contributed 0.30%, 1.10% and 0.62% to economic growth in the first, second and third quarters, respectively (figure 5).

Figure 5
Contributions to percent change in real GDP growth, third quarter 2022–third quarter 2024

(Percentage points, seasonally adjusted at annual rates)



Source: ECLAC Washington Office, based on data from the Bureau of Economic Analysis, United States Department of Commerce.
Note: Contributions to growth are measured at seasonally adjusted annual rates.

A. Quarterly GDP Growth

Real GDP increased at an annual rate of 3.1% in the third quarter of 2024 according to the Bureau of Economic Analysis's final estimate released on 19 December 2024. Up from an 1.6% increase in the first quarter, which had interrupted a streak of six consecutive quarters of growth above 2.0%, growth reaccelerated to above the economy's long-term growth potential in the second and third quarters (figure 1, p.7).

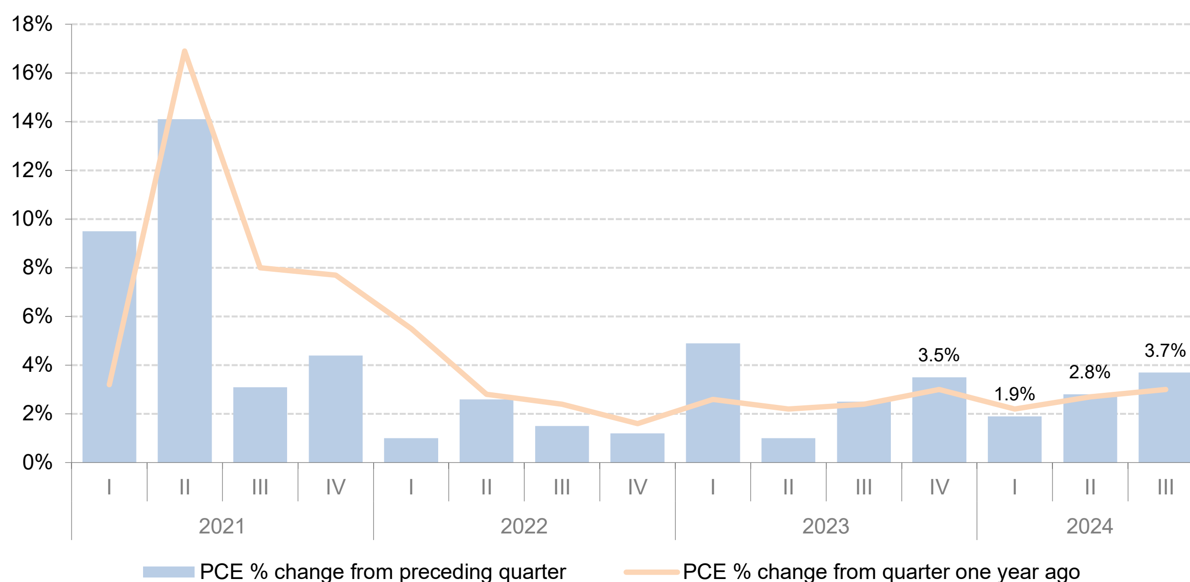
The third-quarter increase in real GDP primarily reflected increases in consumer spending, exports, federal government spending, and nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased. Compared to the second quarter, the acceleration in real GDP in the third quarter primarily reflected accelerations in exports, consumer spending, and federal government spending. These movements were partly offset by a downturn in private inventory investment and a larger decrease in residential fixed investment. Imports accelerated.

Personal Consumption Expenditures (PCE), the most important source of growth in the third quarter, increased to 3.7% from 2.8% in the second quarter, the fastest growth since the first quarter of 2023 (figure 6). U.S. consumers have continued to spend, supporting broader economic growth. After-inflation incomes, and thus consumers' purchasing power, have improved, supported by lower inflation and a solid job market. In October, nominal personal income grew 0.6% month-on-month according to the Bureau of Economic Analysis, well above expectations and double the 0.3% gain in the previous month. Relative to a year earlier, personal income was up 5.3%. Real median income increased 4% in 2023, according to the Census Bureau's annual report on income, poverty and health insurance coverage, to US$ 80,610 from US$ 77,540 in 2022. This is the first statistically significant annual increase in real median household income since 2019.[2]

Figure 6

United States personal consumption expenditure growth, first quarter 2021–third quarter 2024

(Percent change from preceding period, seasonally adjusted at annual rates)

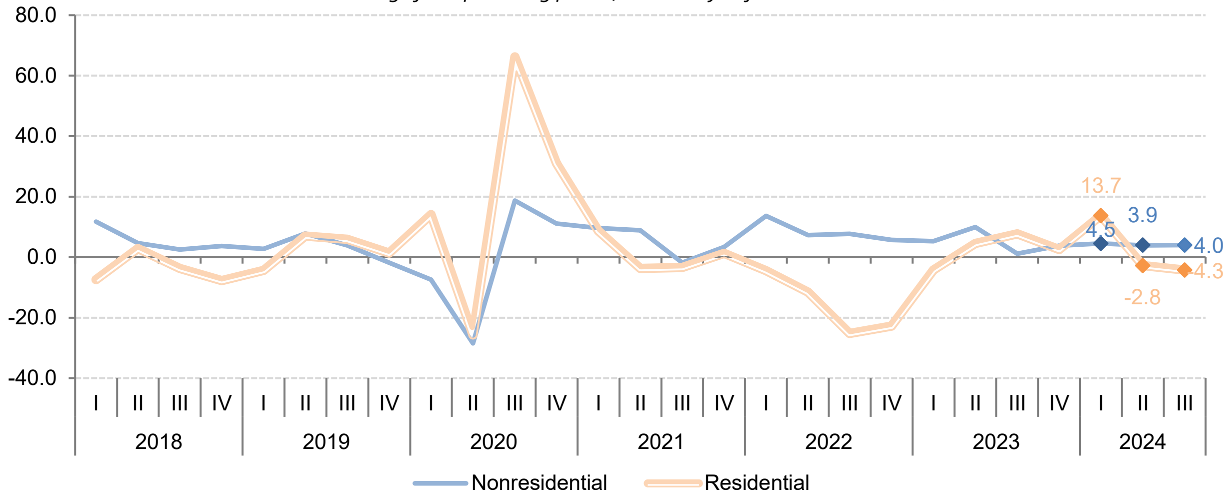


Source: Bureau of Economic Analysis, United States Department of Commerce.

[2] U.S. Census Bureau, "Income in the United States: 2023" [online].

Fixed investment, which includes residential and nonresidential investment, increased 2.1% in the third quarter, 2.3% in the second and 6.5% in the first. Residential investment declined in the second and third quarters (-2.8% and -4.3% respectively) following an increase of 13.7% in the first quarter. Rising prices and high mortgage rates have worsened housing affordability and adversely impacted homebuilding and the housing shortage. The third quarter was the second quarter in a row that housing market activity fell and at a sharper rate than in the second quarter. Non-residential investment grew 4.0% in the third quarter of 2024 (led by equipment investment), following increases of 3.9% and 4.5% in the second and first quarters, respectively (figure 7).

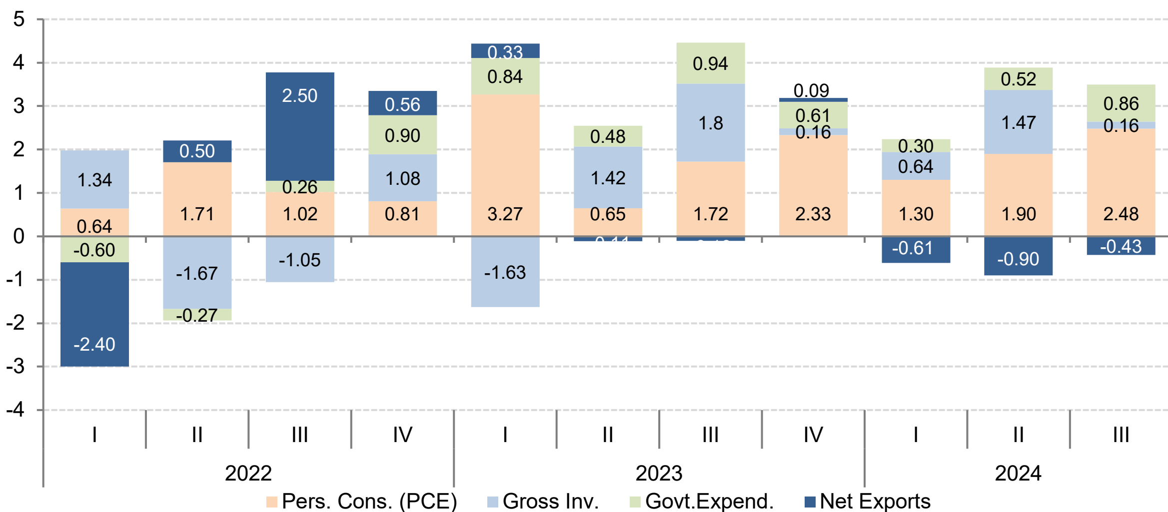
Figure 7
United States fixed investment growth, first quarter 2018–third quarter 2024
(Percent change from preceding period, seasonally adjusted at annual rates)



Source: Bureau of Economic Analysis, United States Department of Commerce.

Nonresidential investment contributed 0.55% to growth in the third quarter and residential investment subtracted 0.18%. Fixed investment (nonresidential and residential investment together) added 0.38%, while private wholesale inventory accumulation subtracted 0.22%. Overall, gross private domestic investment added 0.16% to growth in the third quarter (figure 8).

Figure 8
Quarterly contributions to U.S. real GDP growth, 2022–2024
(Percentage points)



Source: Bureau of Economic Analysis, United States Department of Commerce.
Note: Contributions to growth are measured at seasonally adjusted annual rates.

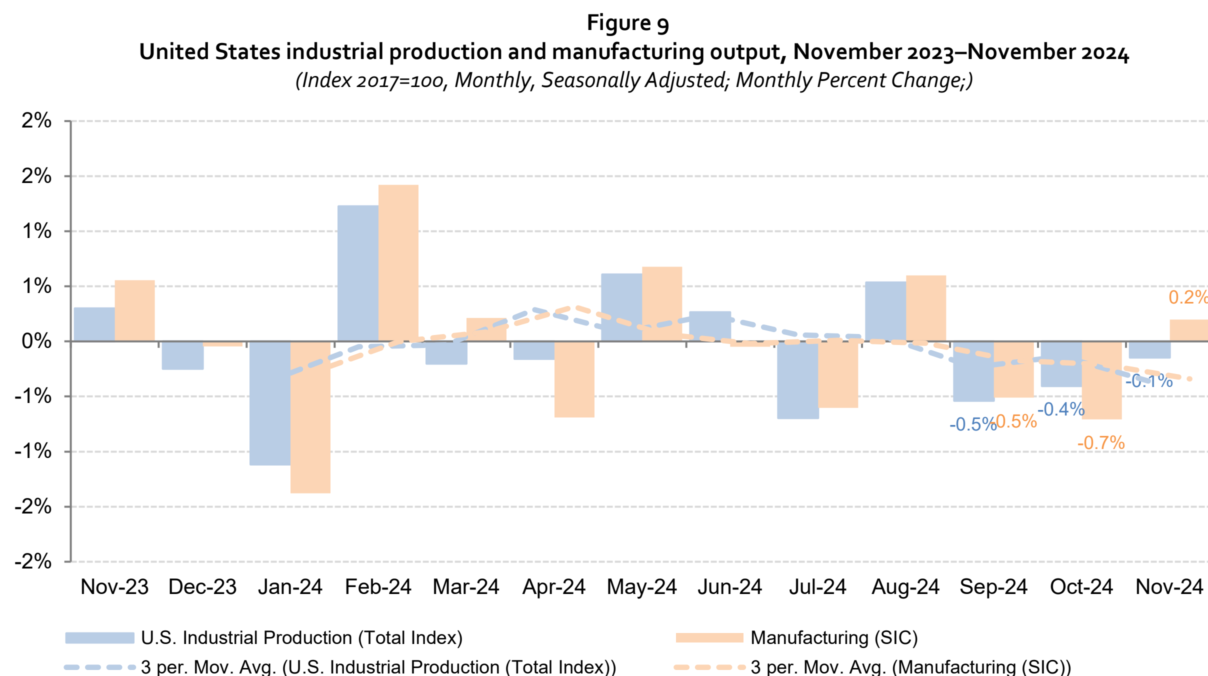
Government spending increased 5.1% in the third quarter, with federal spending increasing 8.9% and state and local spending increasing 2.9%. It added 0.86% to third-quarter growth, its largest contribution to quarterly growth in a year.

Exports of goods and services increased by 9.6% in the third quarter. Imports, a subtraction to growth, increased 10.7%, pushing up the trade deficit and taking 1.44 percentage points from growth. This was their largest negative contribution in over two years. Overall, net exports subtracted 0.43% from growth in the third quarter.

B. Industrial production

United States industrial production edged down 0.1% in November 2024, mainly due to declines of 0.9% in mining and 1.3% in utilities output. Manufacturing output, which accounts for three-fourths of total industrial production, rose 0.2%, reversing a fraction of the cumulative decline over the preceding two months (figure 9). Despite the partial reversal of the earlier temporary disruptions caused by two hurricanes and the Boeing strike in October, the fall in industrial production in November highlights that the U.S. factory sector has been steadily trending downward. Relative to a year earlier, industrial production was down 0.9% and manufacturing output was 1% lower. Capacity utilization decreased from 78.4% in November 2023 to 76.8% in November 2024.

Figure 9
United States industrial production and manufacturing output, November 2023–November 2024
(Index 2017=100, Monthly, Seasonally Adjusted; Monthly Percent Change;)



Source: ECLAC Washington Office, based on data from the U.S. Federal Reserve and the Federal Reserve of St. Louis (FRED).

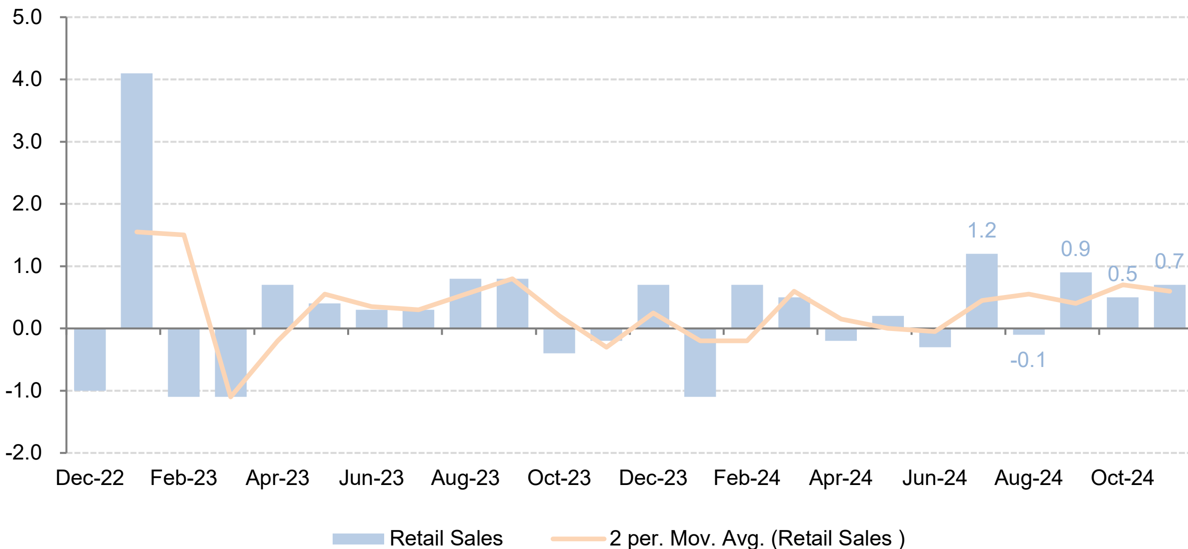
The breakdown of the November ISM Manufacturing Index also suggests the manufacturing sector continues to struggle. It measures the breadth of growth in manufacturing, and although it rose to 48.4 in November from 46.5 in October, this rise was not as encouraging as it seems. According to Capital Economics, "the largest driver was a jump in the inventories index to 48.1, from 42.6. Meanwhile, there was a disappointingly small rebound in the production index to 46.8, from 46.2, despite hurricanes Helene and Milton passing and the machinists' strike at Boeing coming to an end."[3]

[3] Capital Economics, Industrial Production (Nov. 2024), written by Ruben Gargallo Abargues.

C. Retail sales

Retail sales, which include spending at stores, restaurants, dealerships and online, increased a seasonally adjusted 0.7% in November 2024, making it the third straight month of strong growth, according to the Commerce Department's Census Bureau (figure 10). The solid rise in retail sales in November was led by vehicle sales. Excluding autos, growth was 0.2%, 0.2% and 0.9% in November, October and September, respectively. Outside of autos, growth was led by nonstore retailers and sporting goods and hobby stores.

Figure 10
United States total retail sales, December 2022–November 2024
(Seasonally adjusted, Month to month percentage change)



Source: U.S. Census Bureau, Advance Monthly Sales for Retail and Food Services.

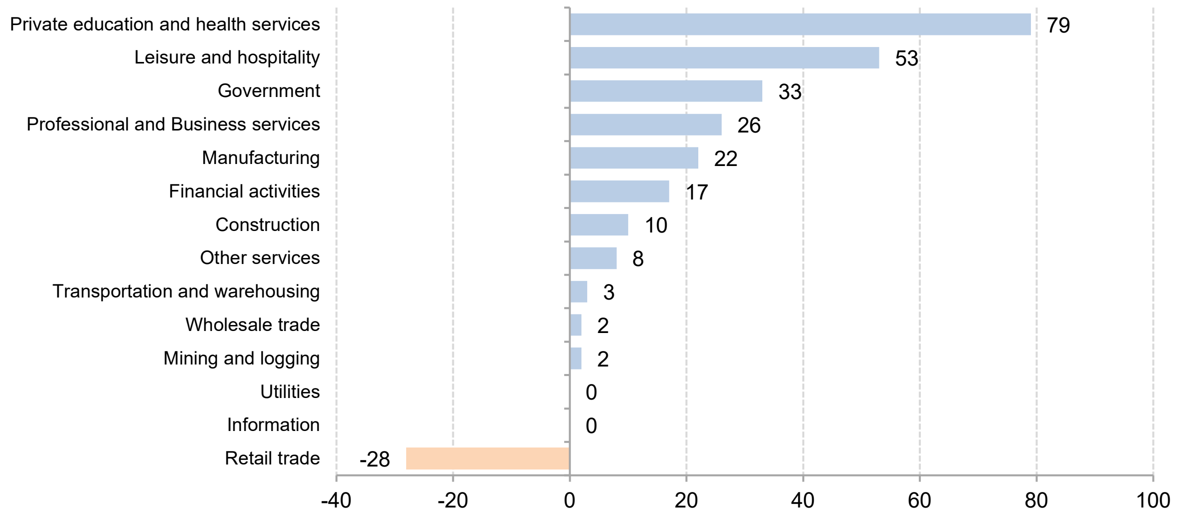
Compared with a year earlier, total retail sales were up 2.8% in November. Top-line retail sales are trending higher, and the pace of growth appears to have improved in the second half of the year. However, at least some of the improvement comes from an improved pricing environment rather than stronger growth in real sales, as goods prices are falling on a year-ago basis.

D. Labor market

The U.S. economy added 227,000 jobs in November according to the Labor Department, bouncing back from a poor performance in October, which was impacted by two hurricanes (Hurricanes Helene and Milton) and a major labor dispute (the Boeing Co. strike). Additionally, job gains for September and October were revised up by a combined 56,000, suggesting that the labor market this fall was stronger than previously thought. The November employment report is consistent with a labor market that is still expanding but at a moderating pace, and with an economy experiencing a soft landing rather than rapidly falling into recession.

Healthcare, leisure and hospitality, and the public sector were once again the primary engines of job creation. The November employment gain was driven by a 79,000 increase in private education and health services (healthcare alone added 54,000) and 53,000 in leisure and hospitality, which was expected to show strong gains after workers displaced by hurricanes resumed work. Public sector payrolls rose by 33,000, mostly in state government. The retail sector, on the other hand, lost 28,000 jobs, mostly at general merchandise stores (figure 11).

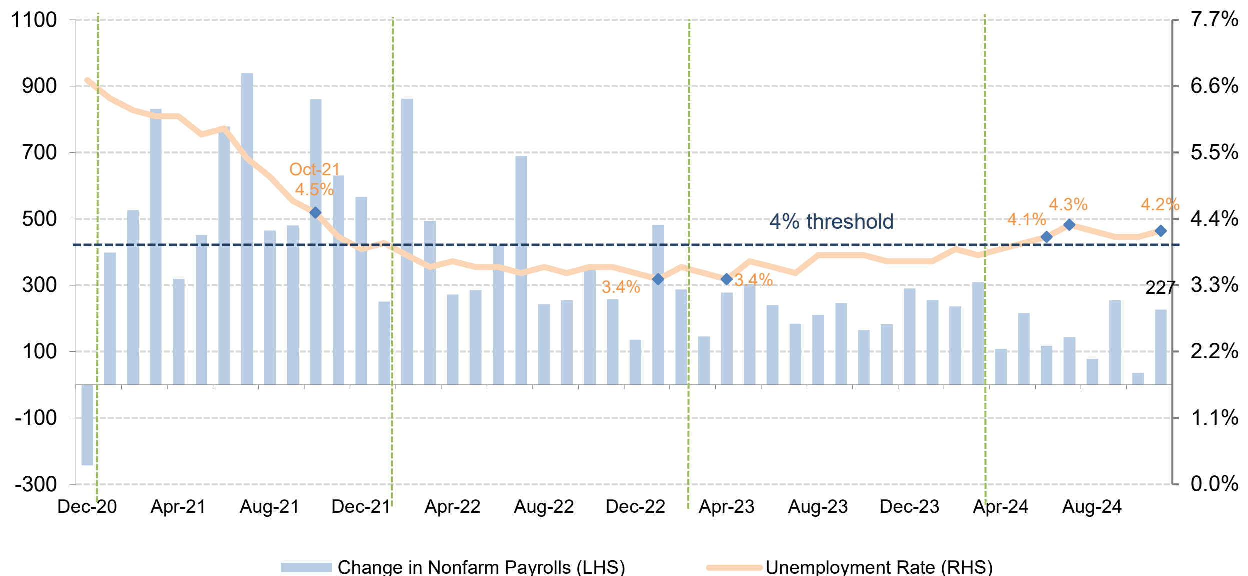
Figure 11
United States monthly job creation by industry, November 2024
(Net monthly job changes in thousands, seasonally adjusted)



Source: U.S. Bureau of Labor Statistics, Labor Department, Current Employment Statistics survey, 6 September 2024. Data are preliminary.

Overall, the U.S. economy added 1.98 million jobs from January to November 2024 on a seasonally adjusted basis (27% less than the 2.72 million created in the same period in 2023), averaging 180,364 jobs per month. November 2024 was the 47th consecutive monthly gain, even as interest rates reached a 23-year high during this period and remained at this level for many months. For more than two years the unemployment rate remained below 4% but crossed above this threshold in June 2024 (to 4.1%) for the first time since 2021. It increased to 4.3% in July, the highest rate since October 2021. The unemployment rate was at 4.2% at the end of November, a slight increase from the 4.1 % in October (figure 12), as the number of unemployed workers increased and the labor force contracted for the second straight month.

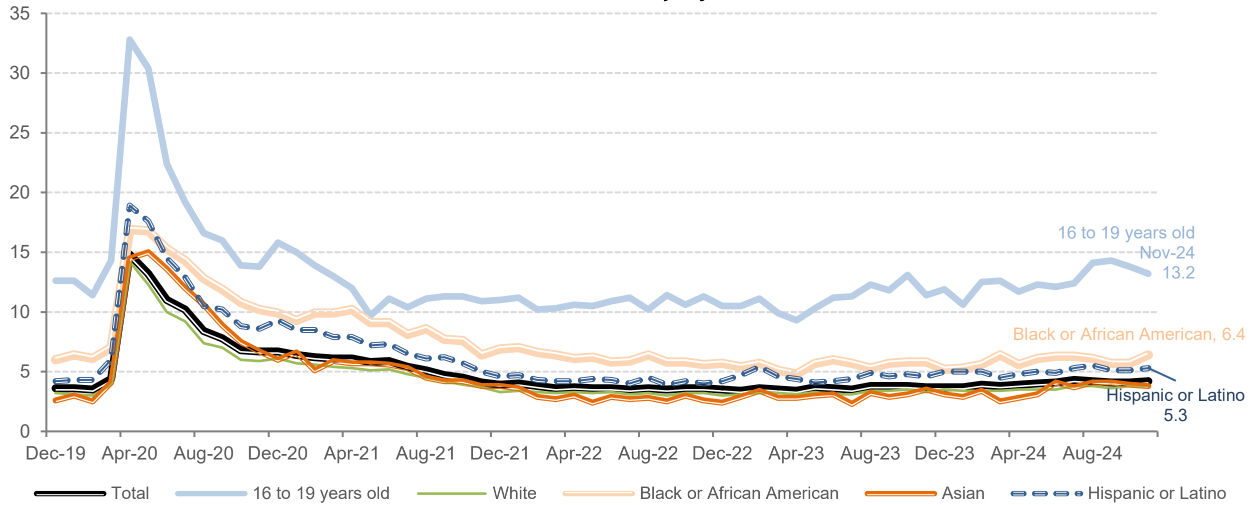
Figure 12
United States monthly job creation and unemployment rate, December 2020–August 2024
(Average monthly job growth in thousands (left axis); Percentage (right axis)



Source: ECLAC Washington Office, based on data from the U.S. Bureau of Labor Statistics, Labor Department.

While the data reflects a labor market that is still strong and moderating gradually, signs are showing that workers from more vulnerable populations may not be benefiting as much. Young, Black and Hispanic workers tend to be more vulnerable to labor market weaknesses, what is reflected in their unemployment rates. In November, the unemployment rate for African American workers increased to 6.4% from 5.7% in October, although the jobless rates for teenagers (13.2%), Whites (3.8%), Asians (3.8%), and Hispanics (5.3%) showed little or no change over the month (figure 13).

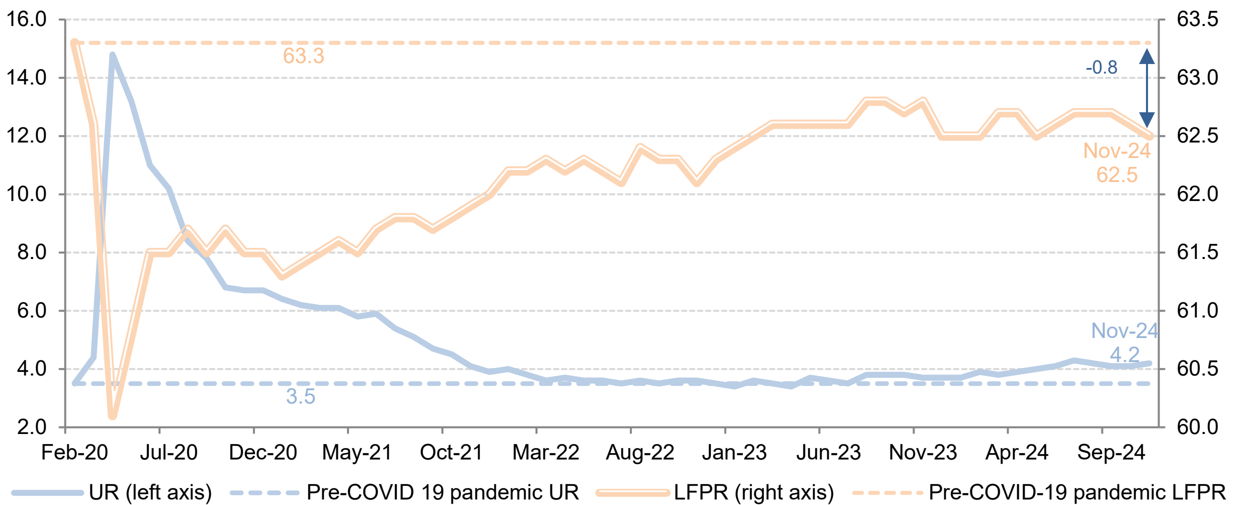
Figure 13
United States civilian unemployment rate, December 2019–November 2024
(Percent, seasonally adjusted)



Source: U.S. Bureau of Labor Statistics, Labor Department, https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm#. Note: Persons whose ethnicity is identified as Hispanic or Latino may be of any race.

The labor force participation rate (LFPR), which measures the share of the working-age population either at work or looking for a job, declined for the second consecutive month and it was at 62.5% in November. It has remained in a narrow range of 62.5% to 62.7 percent since December 2023 and in November it was almost 1 percentage point lower than that of February 2020, before the pandemic hit (figure 14).

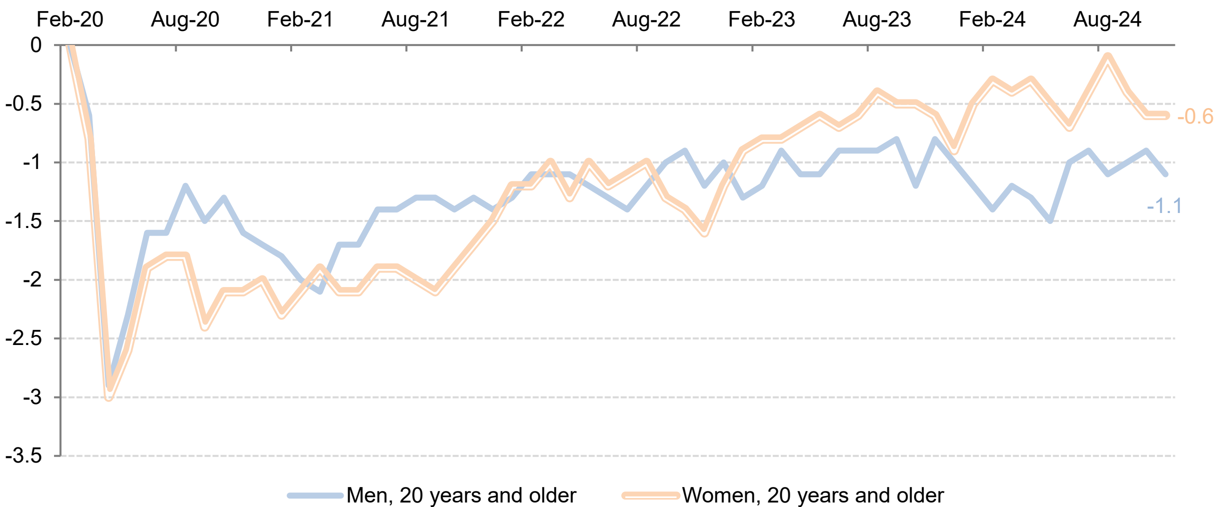
Figure 14
United States labor force participation share and unemployment rate, February 2020–November 2024
(Percentage)



Source: ECLAC Washington Office, based on data from the U.S. Bureau of Labor Statistics. UR: unemployment rate; LFPR: labor force participation rate.

The prime-age participation rate for men, 20 years and older, is still 1.1 percentage points below its February 2020 level, and the participation rate for women 20 years and older is 0.6 percentage point lower, having declined since August (figure 15).

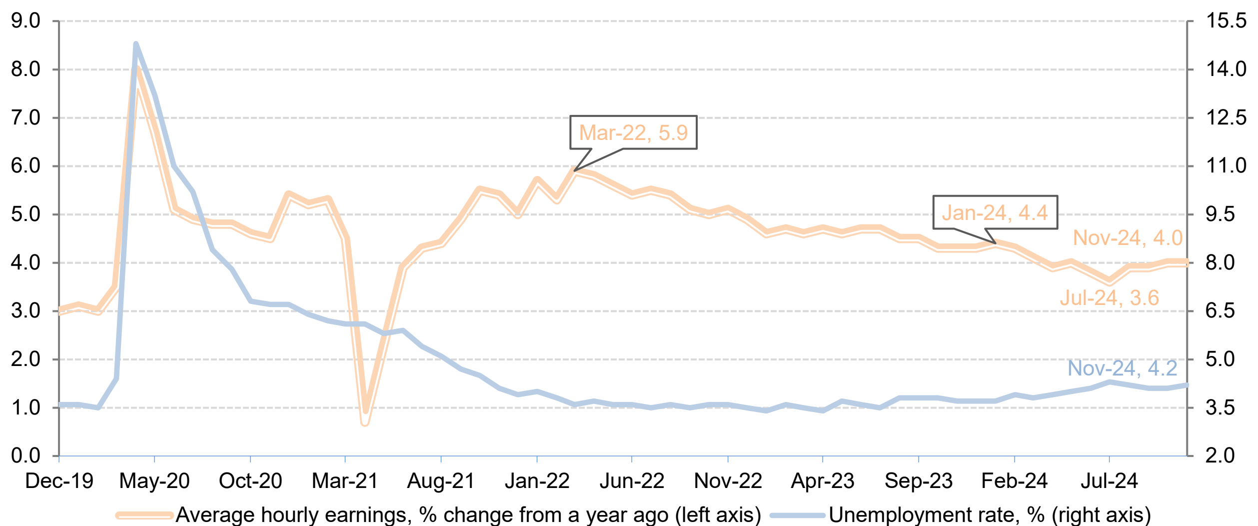
Figure 15
United States labor force participation share by gender, February 2020–November 2024
(Civilian labor participation rate, seasonally adjusted; percentage point change in share)



Source: ECLAC Washington Office, based on data from the U.S. Bureau of Labor Statistics. Participation rate in February 2020: Men, 20 years and older, 71.4%; women, 20 years and older, 59.3%. Participation rate in August 2024: Men, 20 years and older, 70.3%; women, 20 years and older, 59.2%.

Average hourly earnings increased by 0.4% in November and 4.0% on an annual basis. Despite the increase since July, hourly earnings remain on a downward path this year from the peak of 5.9% that was reached in March 2022 and from a 4.4% rate in January 2024 (figure 16).

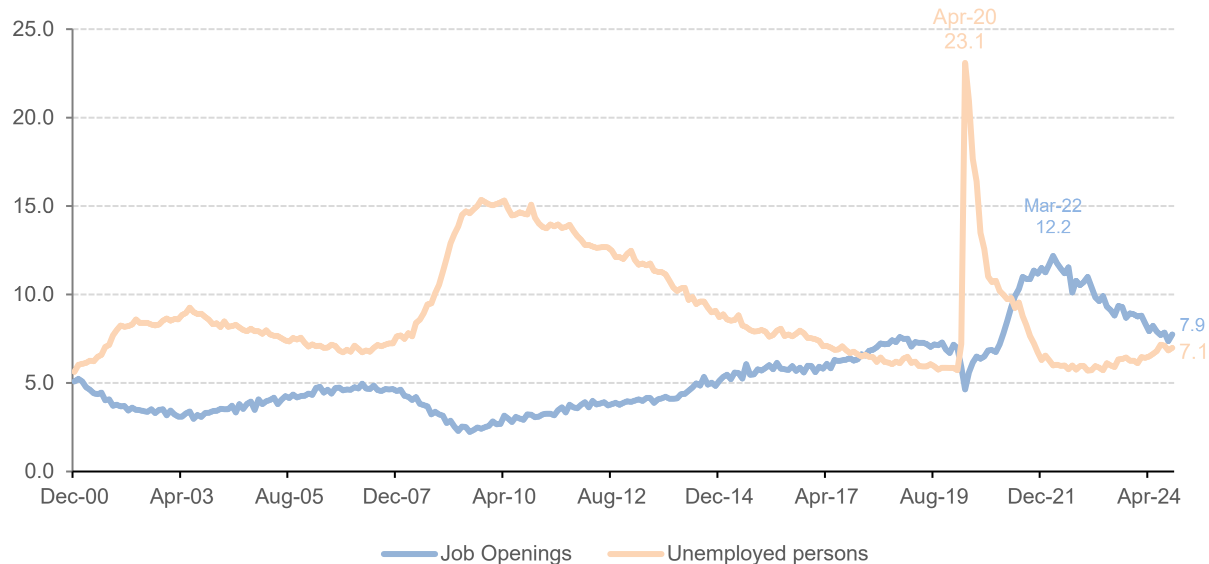
Figure 16
United States average hourly earnings, December 2019–November 2024
(Percentage change from a year ago)



Source: U.S. Bureau of Labor Statistics, Labor Department.

According to the latest Job Openings and Labor Turnover Survey (JOLTS) released on 3 December 2024, the number of job openings was at 7.7 million on the last business day of November 2024, up from 7.4 million in September, but down from 7.9 million in August and a peak of 12.2 million in March 2022. Job openings have been on a downward trajectory since reaching that peak, as the Federal Reserve worked to cool the labor market. Job openings in November still outnumbered the 7.1 million unemployed people seeking work, but the gap is closing as the labor market continues to normalize (figure 17).

Figure 17
United States job openings vs number of unemployment persons, December 2000–November 2024
(Millions of openings and persons)



Source: FRED Graph Observations, Federal Reserve Bank of St. Louis. Job Openings: Total Nonfarm, Level in Thousands, Monthly, Seasonally Adjusted and Unemployment Level, Thousands of Persons, Monthly, Seasonally Adjusted.

The productivity of U.S. workers has been a critical development that has allowed for strong economic output and declining inflation, even as the labor market cools, Federal Reserve Governor Adriana Kugler said in a speech in early December. Her speech highlights two positive supply shocks to the U.S. labor market and the overall economy. In January, estimates of population growth were revised substantially higher, according to a Congressional Budget Office report.[4] The report showed about 6 million additional immigrants than were included in official estimates, adding to the supply of labor and leading to the first positive supply shock to the economy. In September, annual revisions to important economic data showed that economic activity and productivity growth had been stronger than previously estimated. The new figures indicated an average annual rate of productivity growth of 1.9% from 2020, notably higher than the approximate 1.4% annual rate in the five years before the pandemic. So that revealed a second positive shock: U.S. workers have been more productive in recent years.[5]

U.S. productivity has grown for eight consecutive quarters. In the third quarter, productivity rose by a revised 2.2% annual rate, the Bureau of Labor Statistics announced on 10 December 2024, above the 1.8% average productivity growth of the current cycle as defined by the Bureau of Labor Statistics, which started in the fourth quarter of 2019. The first quarter of 2024 interrupted a streak of three consecutive quarterly increases above this average —productivity increased at an annualized 3.7%, 3.8% and 3.1% in the second, third and fourth quarters of 2023 (figure 18).

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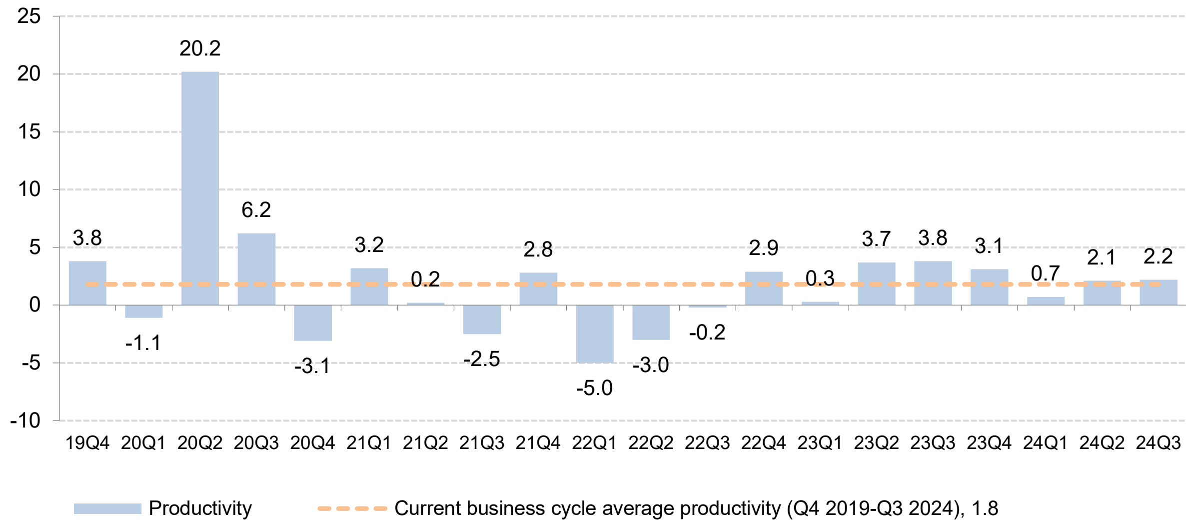
[4] Congressional Budget Office (2024), "The Demographic Outlook: 2024 to 2025" (Washington: CBO, January).

[5] Governor Adriana D. Kugler, "A Year in Review: A Tale of Two Supply Shocks" speech at the Detroit Economic Club, Detroit, Michigan, 3 December 2024.

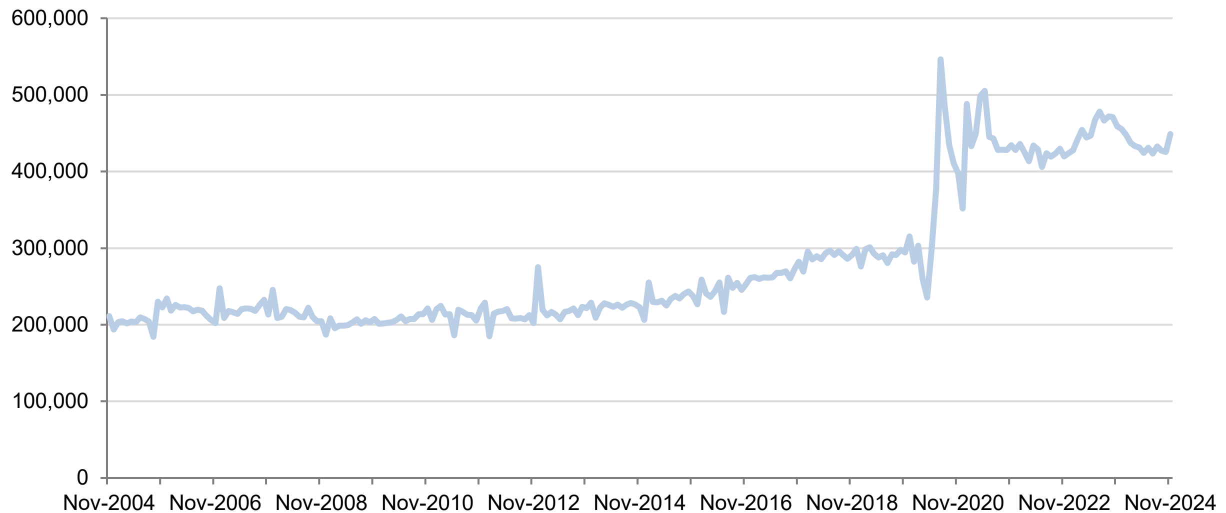
Figure 18
United States productivity and costs, Q4 2019–Q3 2024
(Percent change from previous quarter at seasonally adjusted annual rates)



Source: U.S. Bureau of Labor Statistics, Labor Department.

Some economists cite the pandemic as the catalyst of the current U.S. productivity growth. First, companies were led to turn to new technology, inducing an increase in productivity, by the surge of consumer demand sparked by government stimulus at the same time that workers became harder to find due to enhanced unemployment benefits and low interest rates encouraged business investment. Second, the rise in remote work allowed jobseekers to search across the whole country for jobs that would suit them best, yielding higher-productivity opportunities. Finally, the remarkable jump in the formation of new companies, especially in technology-driven fields, was another important contributor. In 2023, the Census Bureau counted nearly 5.5 million applications for new businesses, more than in any year since it began tracking this data two decades ago. This boost started in 2020, when new business applications jumped, and it has remained elevated since then (figure 19).

Figure 19
New U.S. business applications, November 2004–November 2024
(Seasonally Adjusted Business Applications, Units)



Source: U.S. Census Bureau, Business Formation Statistics. Data extracted on 13 December 2024.

E. Inflation

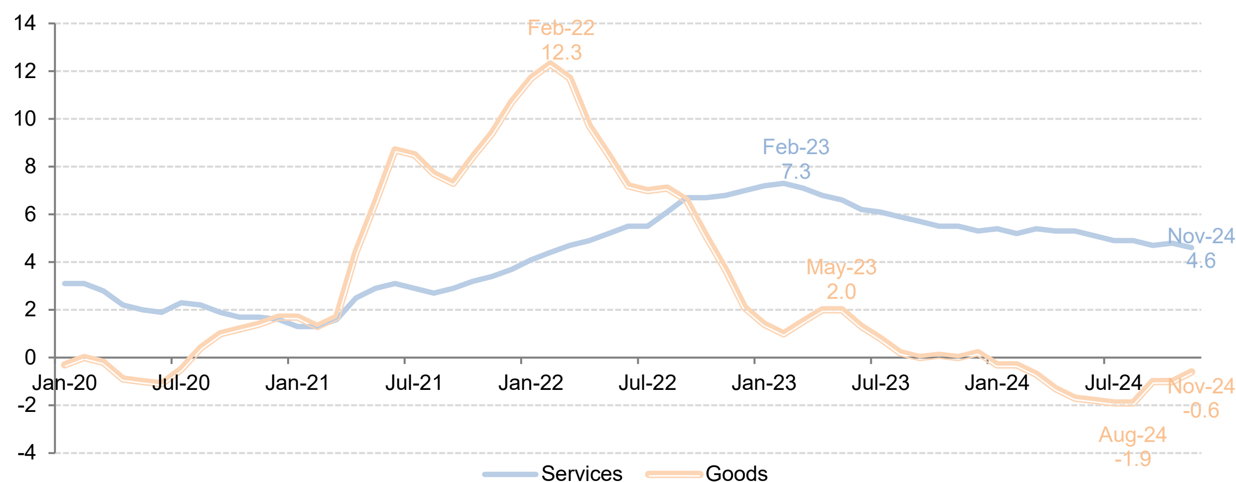
Progress on bringing down inflation stalled in November 2024. The Consumer Price Index for All Urban Consumers (CPI-U) —which measures the costs of everyday goods and services from food to dental care— advanced at a 2.7% annualized rate, up from 2.6% in October and from 2.4% in September, which had been the lowest level since February 2021. This was the second consecutive monthly increase on an annual basis. On a monthly basis, prices of consumer goods increased 0.3% in November from October, the fastest month-on-month pace since April, as prices for housing, energy and particularly food all rose.

Prices excluding food and energy, the core CPI, rose 0.3% month-on-month for the fourth consecutive month. Most of the increase was due to a 0.3% increase in the shelter index, which tracks housing-related costs. However, this is the most encouraging element of November's report according to Moody's, as it represented a downshift in shelter inflation. The CPI for owners' equivalent rent—the heaviest-weighted component in the CPI—rose just 0.2%, the slowest monthly change since early 2021.[6] Core CPI held steady at 3.3% at an annualized rate, the same as in September and October (figure 4, p.9).

There was a jump in vehicle prices in November, partly because drivers replaced damaged cars and trucks after recent devastating hurricanes. The 0.6% rise in the CPI for new vehicles was the strongest monthly growth in two years. The CPI for used vehicles jumped 2% in November, following a 2.7% rise in October. The rise in vehicle prices is notable because prices for many goods had generally been falling or flat from May 2023 through August 2024, and the trend appears to have now reversed.

In the twelve months leading up to November 2024, core goods prices according to the CPI index declined 0.6% year-on-year, partially reversing the downward trend observed since April-May 2023's 2% peak. The overall peak (12.3%) was reached in February 2022, and the mitigation of the supply chain issues that escalated the costs of goods in 2022 explain the downward trend since then. The core CPI inflation rate for services (services less energy services include shelter, transportation and medical care services) stood at 4.6% year-over-year, showing a decrease from February 2023's high of 7.3%, yet indicating that cost pressures within the service sector persist (figure 20).

Figure 20
Core goods and services United States domestic prices: monthly evolution, January 2020–November 2024
(12 months percent change)

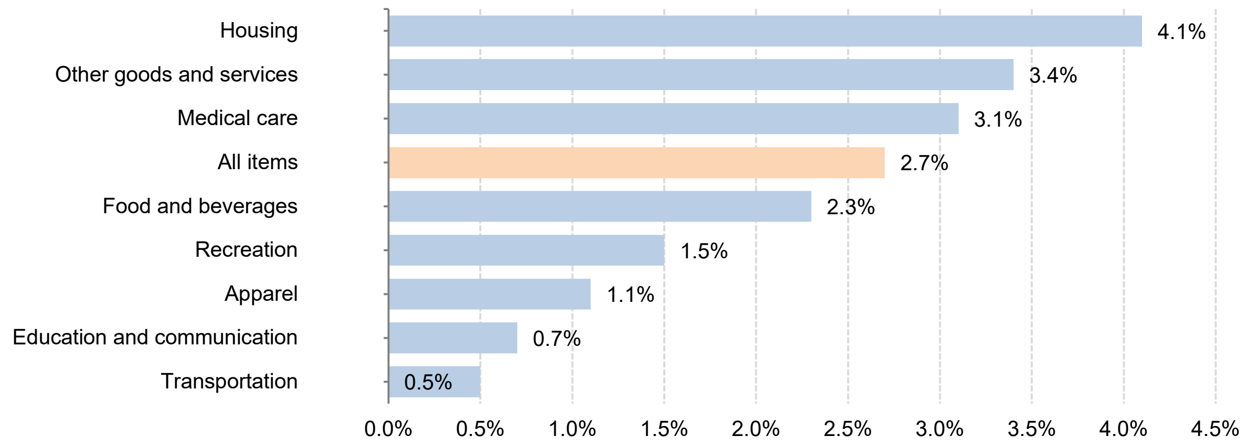


Source: U.S. Bureau of Labor Statistics, Labor Department.

[6] Moody's, Indicators, Consumer Price Index, analysis by Matt Colyar, 11 December 2024.

Housing (shelter) costs accounted for more than 70% of the overall year-over-year increase of the Core CPI inflation and for the largest increase in prices in November by major groups (figure 21). However, the 4.1% increase in November was down from a 4.6% increase in May.

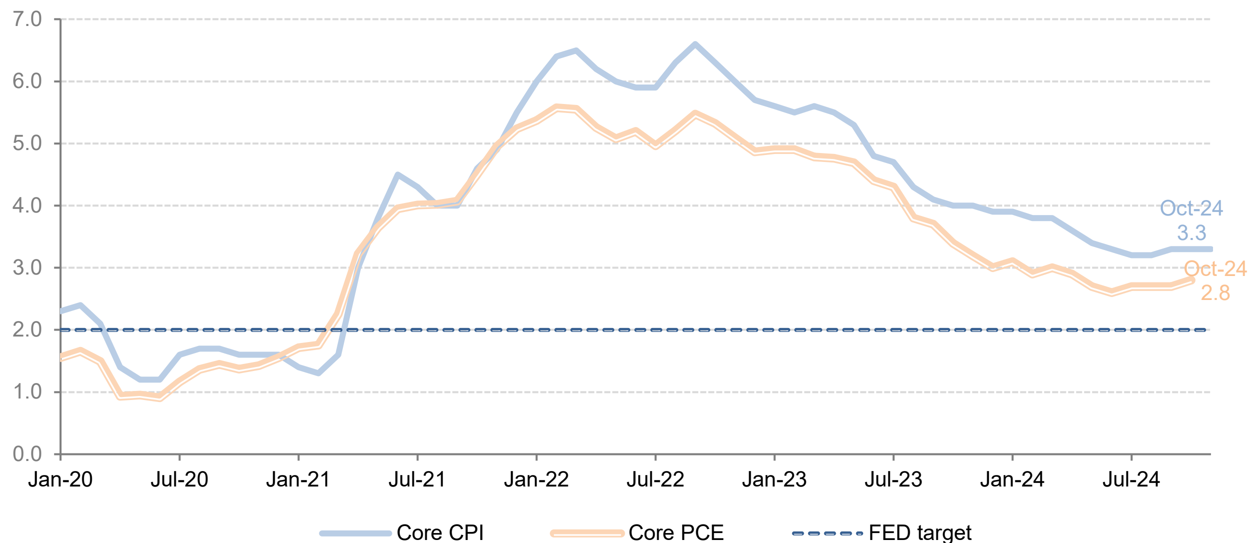
Figure 21
United States CPI by major groups, November 2024
(12-month percent change)



Source: U.S. Bureau of Labor Statistics, Labor Department.

The CPI figures are not the focus of the Federal Reserve, however. Instead, the central bank bases its 2% inflation target on the Personal Consumption Expenditure (PCE) Price Index from the Commerce Department's monthly report on income and spending. More specifically, it looks at the core PCE, a measure by which inflation was at 2.6% in June, getting closer to the 2% target (figure 22). Core PCE has increased since then, however, to 2.8% in October. Housing makes up 33% of the CPI basket but only 15% of PCE. The PCE increase in October supports the cautious approach by Fed officials, who, according to the minutes of the Fed's early November meeting, maintained that they could support a pause in interest rate cuts if inflation remained elevated, so long as the labor market remained healthy and the economy continued to power ahead.

Figure 22
United States Core CPI vs Core PCE, January 2020–October 2024
(12-month percent change)



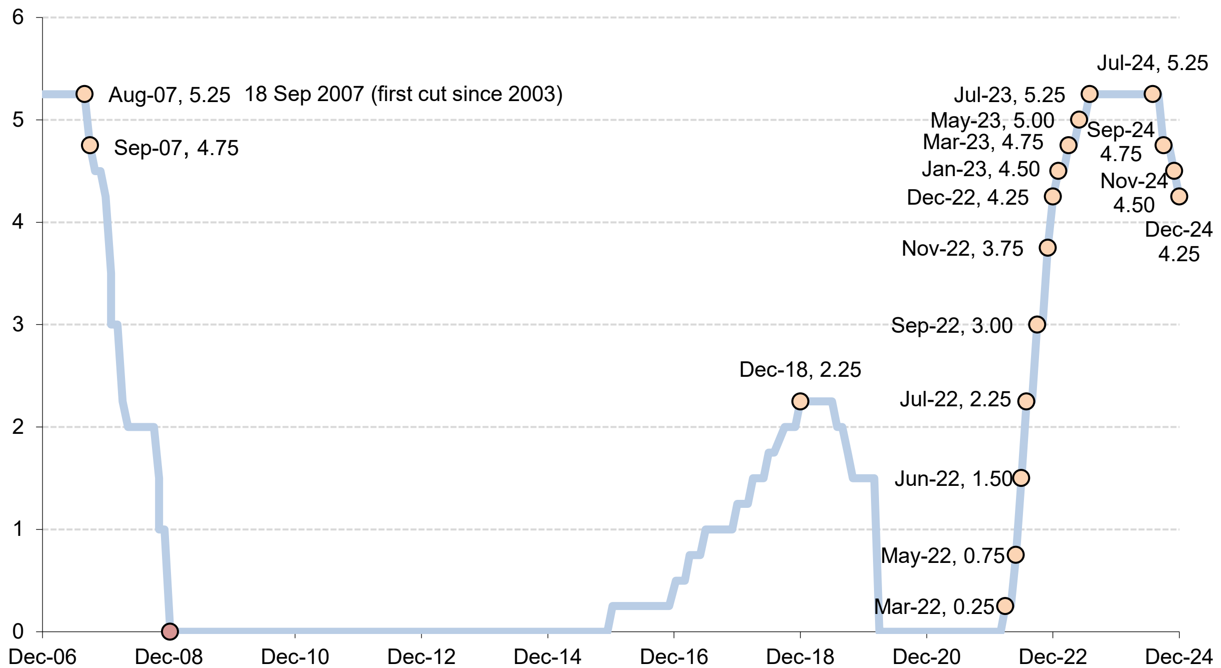
Source: U.S. Bureau of Labor Statistics, Labor Department.

F. Monetary policy

On 18 December 2024, the Federal Reserve cut its benchmark interest rate by a quarter percentage point, the third rate increase after it launched its first easing cycle since the onset of the pandemic in September (figure 23). Officials' economic projections, released alongside the rate decision, pointed to fewer interest rate reductions than previously forecast for 2025, underscoring policymakers' concern that cutting borrowing costs too quickly could undermine efforts to cool price growth across the U.S. economy. The projections showed only 50 basis points of additional loosening in 2025, which would leave the fed-funds rate at 3.9% at the end of the year, up from 3.4% in September's projections. The meeting's statement emphasized that future cuts would depend on progress toward curbing inflation and continued strength in the labor market.

Eleven of twelve Federal Reserve voting officials backed the December cut, which brings the benchmark federal-funds rate to a range between 4.25% and 4.50%. The widely expected cut, which brings rates down to their lowest level in two years, comes about a month before the newly elected administration takes office. Pledges on immigration, regulation, tax and spending policies could change expectations for the U.S. economy and ultimately shift the Fed's future stance on rates. Interest rate cuts trickle through the financial sector to make an array of consumer and business loans cheaper, influencing mortgage rates and other types of loans.

Figure 23
U.S. federal funds target rate, December 2006–December 2024
(Percentage)



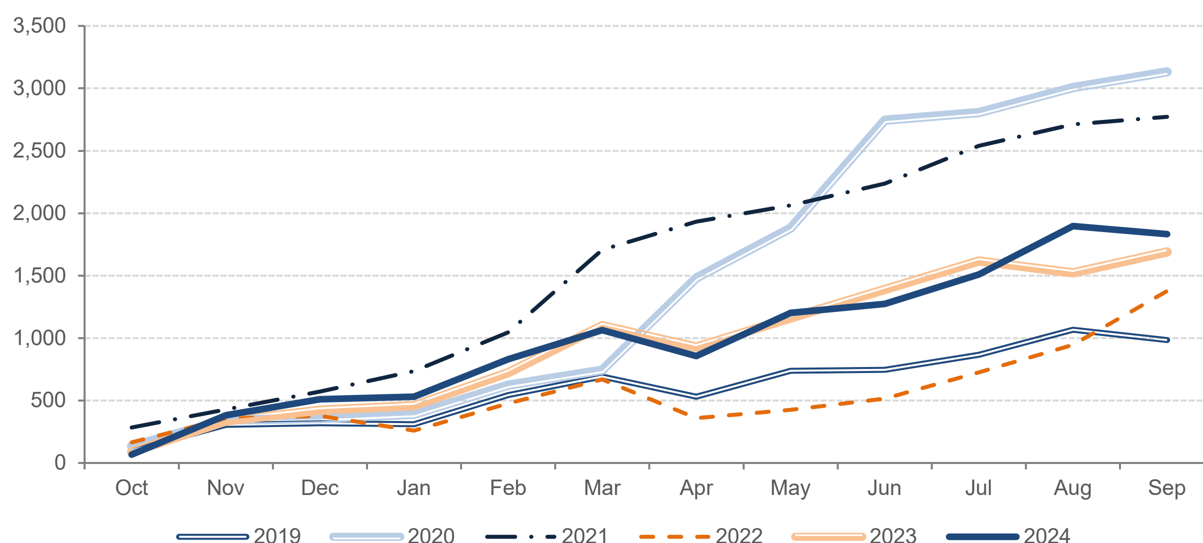
Source: ECLAC Washington Office, based on data from the U.S. Federal Reserve. Rates in the chart are the bottom limit of the target range for the federal funds rate. The top limit is currently 4.5%, as of 18 December.

Regarding Quantitative Tightening (QT), Fed Chair Powell had previously clarified that the balance sheet can continue to normalize alongside rates. Analysts recognize that despite the record drawdown of the balance sheet since May 2022 (as a percentage of its maximum size), bank reserves remain stable, indicating minimal impact from quantitative tightening on the financial system. Going forward, the Chair has indicated that QT might continue for some time, with several market analysts expecting it to continue throughout the first half of 2025.

G. Fiscal policy

Although growth has outperformed, the United States' fiscal position has continued to weaken. According to the Bipartisan Policy Center Deficit Tracker, the federal government continued to run significant deficits in September, closing out fiscal year 2024 (FY24) with a cumulative deficit of US$ 1.8 trillion despite an 11% increase in revenues. Net interest on the federal debt is now the second largest expenditure (behind only Social Security). Although the deficit has reverted to pre-pandemic levels as the United States winds down pandemic spending, deficits are projected to grow significantly over the coming decades —a warning trend that will put increased strain on the federal budget (figure 24).[7]

Figure 24
U.S. cumulative deficits over the fiscal year 2019–2024
(Billions of dollars (nominal))



Source: Bipartisan Policy Center Deficit Tracker [online] https://bipartisanpolicy.org/report/deficit-tracker/, based on data from the U.S. Department of the Treasury and the Congressional Budget Office. The fiscal year begins in October.

The 2017 Tax Cuts and Jobs Act (TCJA), which is up for renewal in 2025, is likely to be extended following Republican victories in the November elections for president, the Senate and the House. According to Fitch, which downgraded the United States' credit rating in 2023 to AA+/Stable because of its weakening fiscal position, other tax-related promises made by the President-elect point to additional risk to their deficit forecast in 2025 and 2026. Mr. Trump has called for further material cuts to the corporate tax rate to 15% from the current 21% (receipts in FY24 were equivalent to 1.8% of GDP) and pledged to exempt certain types of income from taxation including overtime pay, tips and social security benefits.[8]

Fiscal concerns in the U.S. are poised to continue exerting upward pressure on term premiums. According to a recent J.P. Morgan survey, investors anticipate U.S. fiscal policy to be a key driver of fixed income markets in 2025. The main factors include the expected increase in the budget deficit, which will result in greater Treasury supply, and the growing share of price-sensitive investors in the market. These investors will demand higher compensation for taking on longer-duration risk, supporting further increases in term premiums, which are already at elevated levels relative to the past decade.[9]

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[7] Bipartisan Policy Center (BPC), Deficit Tracker, [online] https://bipartisanpolicy.org/report/deficit-tracker/. BPC's economic policy team analyzes the government's running budget deficit and updates the Deficit Tracker monthly.

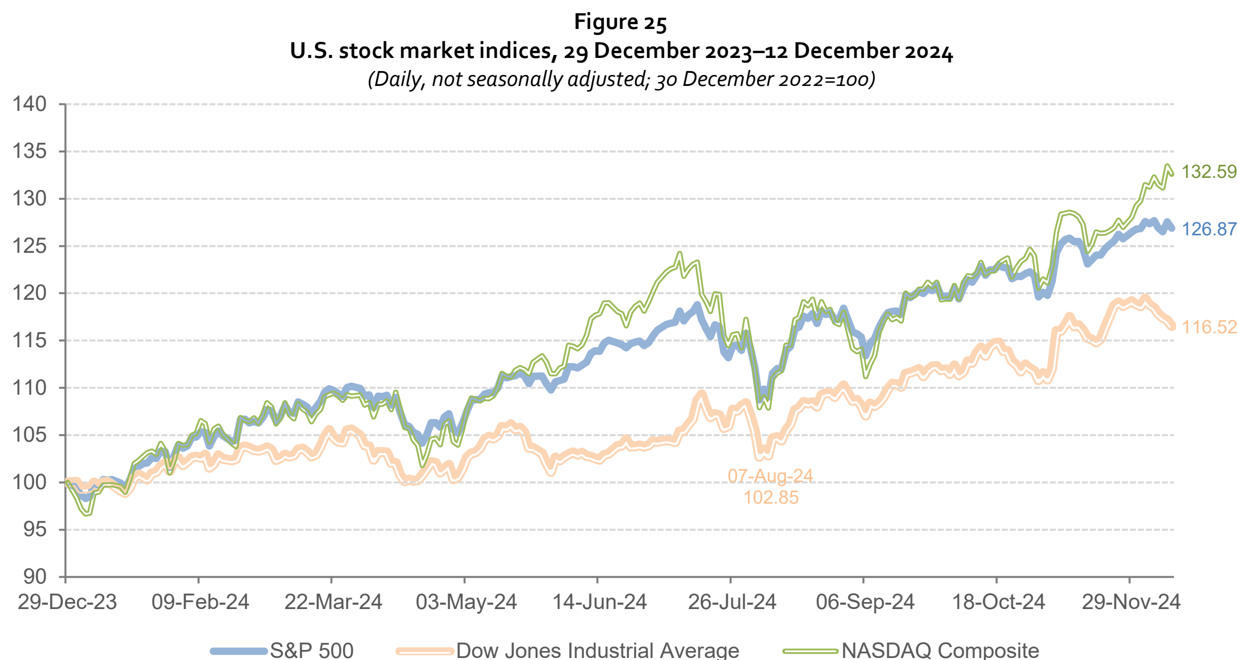
[8] FitchRatings, Tax Cuts Could Add to U.S. Budget Deficit Pressures, 7 November 2024.

[9] J.P. Morgan, Treasuries 2025 Outlook, North America Fixed Income Strategy, 26 November 2024.

H. Financial conditions

All the major United States stock indexes have rebounded since their fall in August, which partly reflected concerns about the possibility of a "hard landing" for the U.S. economy following July's weaker employment numbers. For 2024 up to 13 December, the S&P 500 index gained 27%, the Dow Jones Industrial Average 16%, and the NASDAQ composite 33%, based on daily stock prices (figure 25).

Figure 25
U.S. stock market indices, 29 December 2023–12 December 2024
(Daily, not seasonally adjusted; 30 December 2022=100)



Source: Federal Reserve of St. Louis (FRED).

The consensus forecasts call for the U.S. to outperform most other markets in 2025. According to the IMF Global Markets Monitor, market expectations are that interest rates will remain rangebound and not change significantly next year, which is positive for equities. In addition, more tax cuts would also benefit U.S. corporate balance sheets, while a more friendly regulatory environment could provide another tailwind. There are risks to U.S. markets and to these expectations, however, including potential trade wars, an unexpected resurgence in inflation, and geopolitical flareups.[10]

Market participants are also monitoring the U.S. Treasury market, fearing that a surge in Treasury yields —on anticipation of looser fiscal policy under the new administration— could derail the equity rally. Although government bond yields on the benchmark 10-year Treasury note in August dropped below 4% for the first time since 2024's opening week and stayed below that level until the beginning of October, yields have increased since then. The U.S. ten-year yield climbed to as high as 4.5% in mid-November, following the election results, from as low as 3.6% in mid-September. Nonetheless, yields remained significantly lower than a 2024 peak of 4.70% in April, and nearly 5% reached in October 2023. The 3-year, 10-year and 30-year Treasury yields were at 4.14%, 4.32% and 4.55%, respectively, on 12 December 2024 (figure 26).

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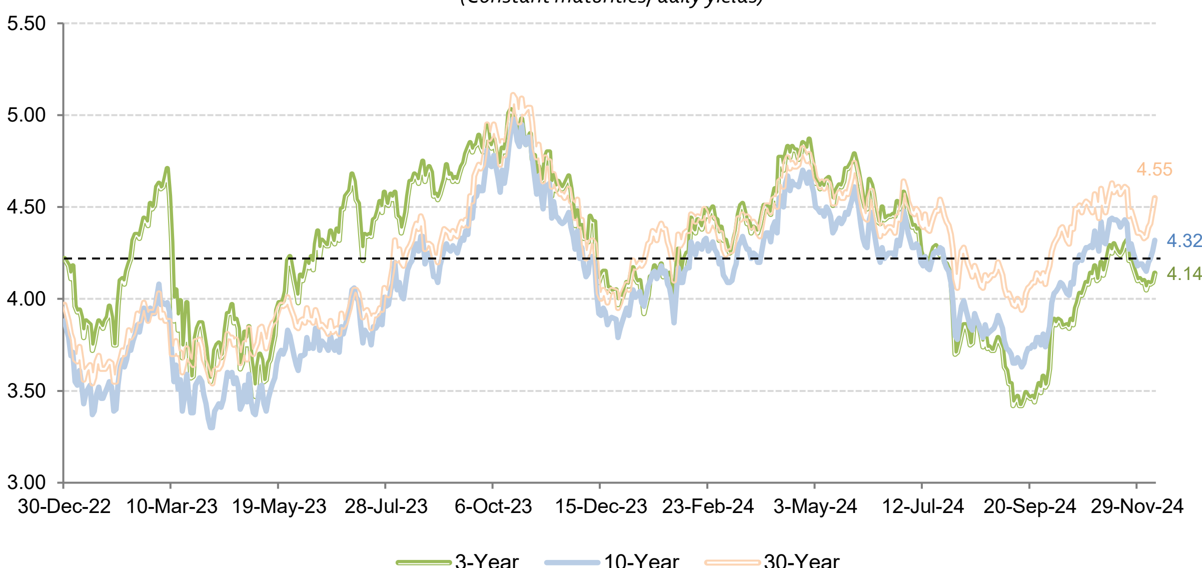
[10] International Monetary Fund, "Global Markets Monitor", 13 December 2024.

Figure 26
U.S. Treasury security yields, 29 December 2023–12 December 2024
(Constant maturities; daily yields)



Source: Federal Reserve of St. Louis (FRED).

The larger question for the U.S. Treasury market is at what pace the Federal Reserve's will ease interest rates from now on. The Federal Reserve began to ease monetary policy in mid-September, cutting the federal funds rate by 50 basis points in September and another 25 basis points in November. Over that same period, the 10-year Treasury yield increased by 79 basis points –including 21 basis points as U.S. presidential election results came in. The expected policies of the new incoming administration include higher tariffs and lower taxes, which may strengthen the dollar and push inflation and government borrowing higher, leading to higher U.S. Treasury yields and pressuring the Federal Reserve to moderate its plans to keep cutting interest rates next year.

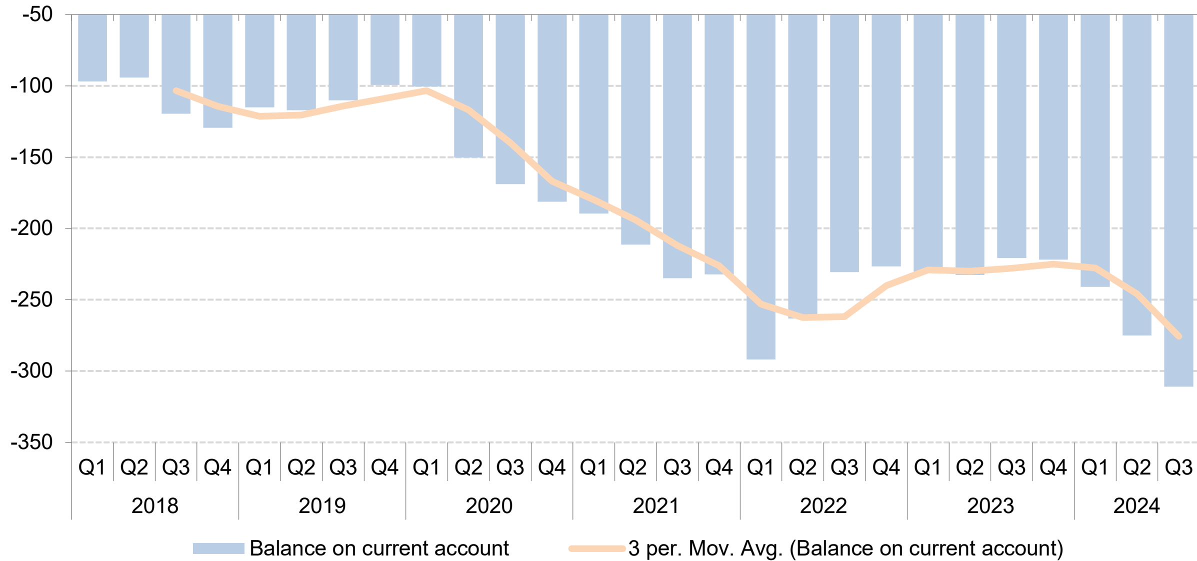
I. External sector

The U.S. current account deficit, which reflects the combined balances on trade in goods and services and income flows between U.S. residents and residents of other countries, has widened considerably in 2024. In the third quarter of 2024, it widened to a record high of US$ 310.9 billion, a US$ 35.9 billion (13%) increase over the revised second-quarter deficit of US$ 275 billion (figure 27), reflecting a combination of wider deficits in secondary income, primary income, and goods trade.

The current account gap in the third quarter represented 4.2% of GDP, up from 3.7% in the second quarter and the highest share since the first quarter of 2022. The deficit peaked at 6.3% of GDP in the fourth quarter of 2005. Since the trade balance (exports minus imports) is generally the largest determinant of the current account surplus or deficit, the current account balance often displays a cyclical trend. During a strong economic expansion, import volumes typically surge; if exports are unable to grow at the same rate, the current account deficit will widen. However, despite its cyclicality, the steady widening of the current account in 2024 so far is a warning that a higher external deficit can pose long-term risks to the U.S. economy.

There has been a widening of the U.S. trade deficit in 2024, after narrowing from April 2022 up until the second half of 2023, which contributed to the widening of the current account deficit. In contrast to deficits in the pandemic period, which resulted from disruptions to the economy's regular supply chains and shipping schedules, the current deficit has been the product of the relative strength of U.S. demand relative to its main trading partners.

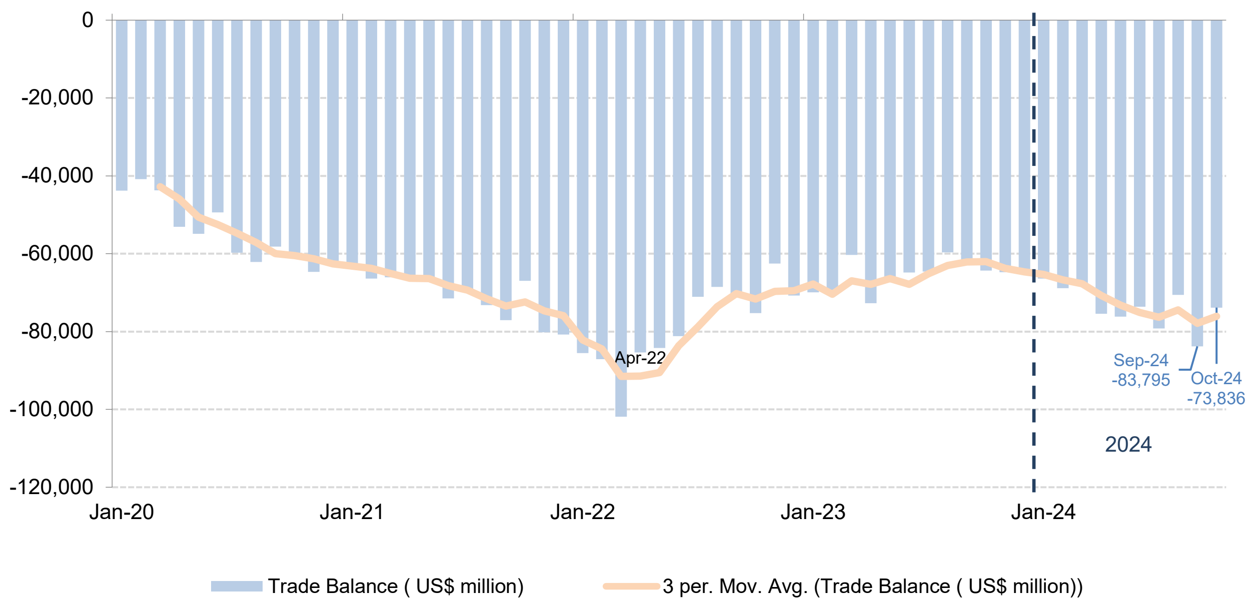
Figure 27
Quarterly United States balance on current account, 2018–2024
(Billions of dollars, annual, seasonally adjusted)



Source: U.S. Census Bureau and the Bureau of Economic Analysis, U.S. Commerce Department.

The U.S. trade deficit narrowed by US$ 10 billion to US$ 73.8 billion in October from US$ 83.8 billion in September, however. According to Moody's, it repeated a pattern of monthly surges and pullbacks seen in recent months driven in part by swings in oil prices and the value of the U.S. dollar. The narrowing was due to a 4% decline in imports, which outpaced a 1.6% decline in exports (figure 28).

Figure 28
United States international trade in goods and services trade, 2000–2024
(Millions of dollars, monthly, seasonally adjusted)



Source: U.S. Census Bureau and the Bureau of Economic Analysis, U.S. Commerce Department.

Recent data suggests that imports may be increasing, as U.S. manufacturers stock up on imports ahead of tariffs. The President-elect has vowed to impose new rounds of tariffs soon after taking office in January. He has suggested tariffs of 25% on all imports from Mexico and Canada, and tariffs of up to 60% or more on certain goods from China. Buying activity among North American manufacturers, measured in a survey of 27,000 businesses worldwide by GEP and S&P Market Intelligence in November, hit its highest level in more than a year. GEP said its clients are focused on pulling forward China imports.[11]

Some retailers and manufacturers looking to mitigate the risk of a fresh round of Trump administration tariffs are placing orders as quickly as possible because it can take months for products to arrive from factories in Asia. The National Retail Federation recently raised its forecasts for U.S. imports, predicting a surge in container shipping activity through the spring.

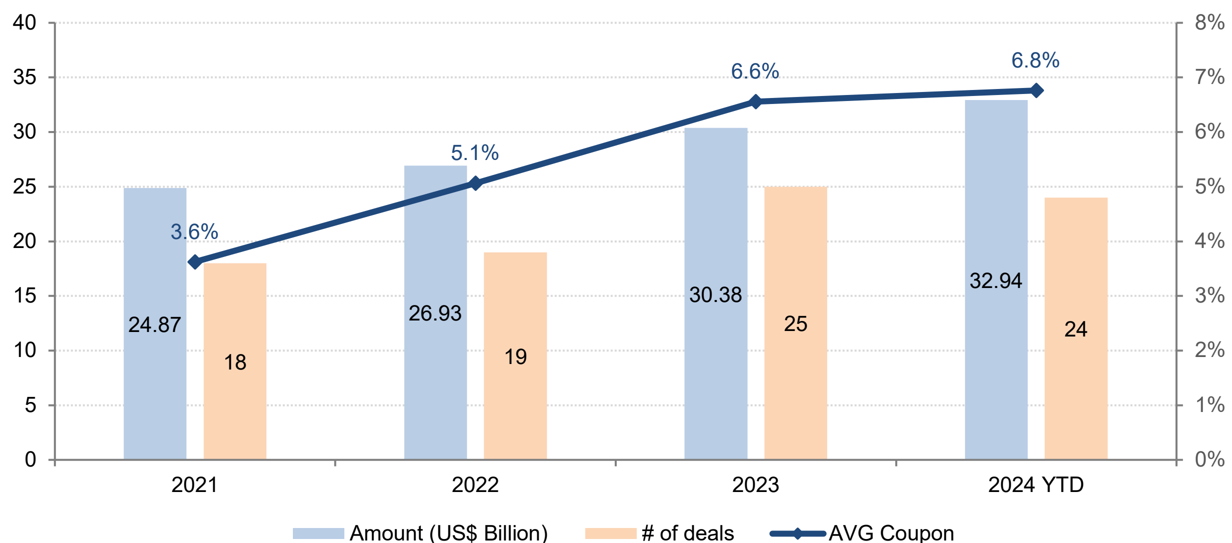
It is premature to determine what impact the President-elect's trade policies may have on Latin America and the Caribbean. He has promised to apply increased tariffs on Mexico, regardless of the USMCA trade agreement. Likewise, other trade agreements, such as CAFTA-DR and bilateral accords with Colombia, Chile and Panama, could come under review. In this context, the region could face re-negotiating proposals in exchange for removing the threat of higher tariffs, blending migration, organized crime and trade concessions.

[11] The President-elect imposed sweeping tariffs on Chinese products in his first term. The levies pushed companies to seek out suppliers from other parts of Asia as well as countries such as Mexico, which last year became the U.S.'s biggest trading partner. See Wall Street Journal, "U.S. Manufacturers Are Stocking Up on Imports Ahead of Tariffs - WSJ" by Paul Berger, 13 December 2024.

II. Impact on Latin American and Caribbean financial conditions

U.S. interest rates reached a peak in July 2023 and since then some of the pressure on Latin America and the Caribbean's financial conditions have eased. As a result, dollar-denominated debt issuances in international markets increased 8% to US$ 32.94 billion in the first ten months of 2024, from US$ 30.38 billion in 2023. High interest rates in the United States translated into higher financing costs for the corporates and governments of Latin America and the Caribbean (LAC) in the past three years. Illustrating the increase in the region's borrowing costs, the average coupon rates on the region's dollar-denominated sovereign debt issuances climbed steadily from 3.6% in 2021 to 6.6% in 2023 but showed a slower increase from 2023 to January to October 2024 (figure 28).

Figure 29
Annual LAC sovereign issuance of dollar-denominated debt in international markets by amount, number of deals and interest rate, 2021–2024 Year-to-Date (YTD)
(Billions of dollars, percentage)



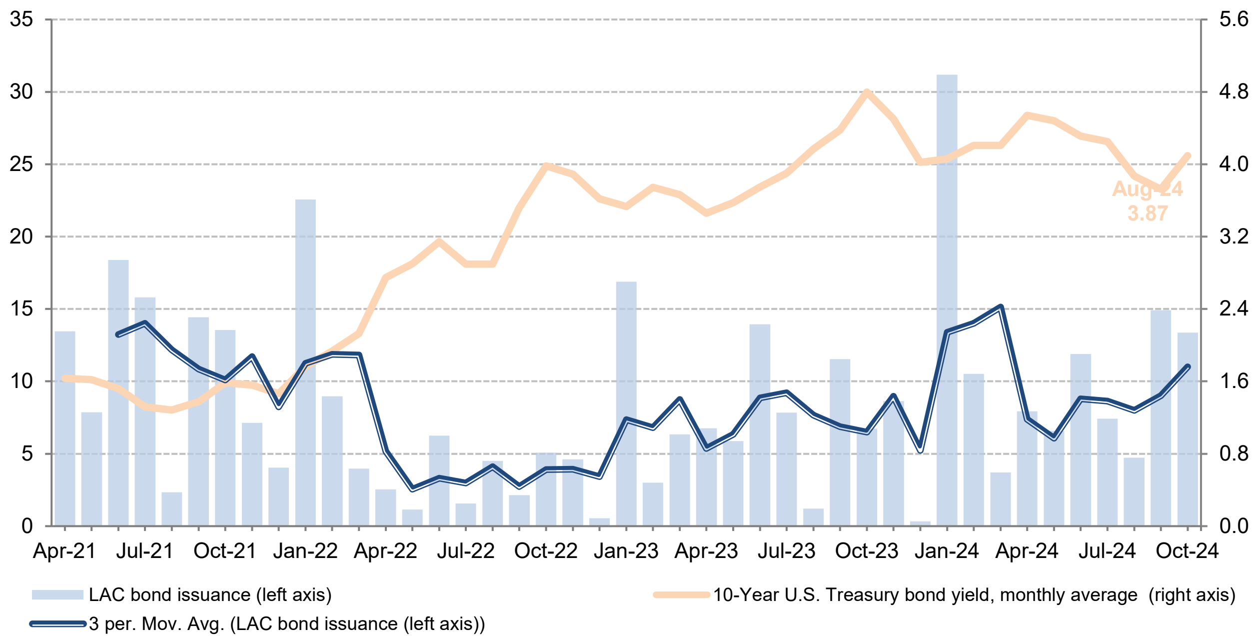
Source: ECLAC, Capital flows to Latin America and the Caribbean: first ten months of 2024 (LC/WAS/TS.2024/6), Santiago, 2024. YTD: January to October 2024.

The election results point to a shift in U.S. economic policy, which complicates the monetary policy outlook going forward, with repercussions for Latin American and Caribbean financial markets. As seen in the previous sections, the expected policies of the new incoming administration include higher tariffs and lower taxes, which may strengthen the dollar and push inflation and government borrowing higher, leading to higher U.S. Treasury yields and pressuring the Federal Reserve to moderate its plans to keep cutting interest rates next year. Higher Treasury yields can curb investors' appetite for emerging markets and LAC assets by tightening financial conditions and siphoning funds away from them, leading to an adverse impact on the region's international debt issuances (figure 29).

Figure 30

Monthly LAC international bond issuance and 10-year U.S. Treasury yield, April 2021–October 2024

(Left axis, billions of dollars; Right axis, percentage)



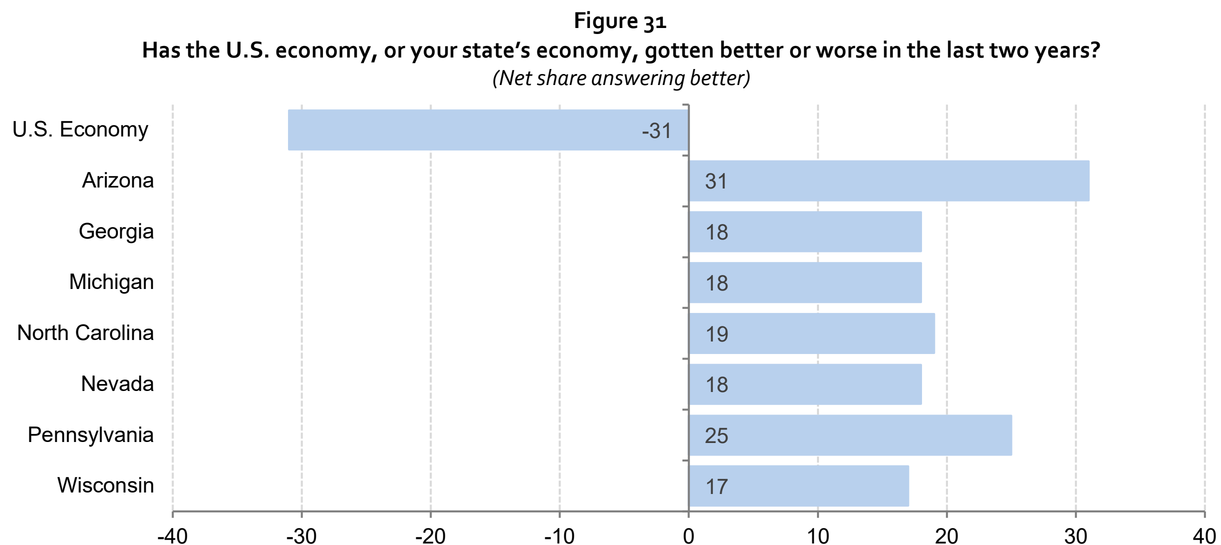
Source: ECLAC, Capital flows to Latin America and the Caribbean: first ten months of 2024 (LC/WAS/TS.2024/6), Santiago, 2024.

III. United States elections and the economy

According to a Pew Research Center's survey of U.S. adults conducted between 26 August and 2 September 2024, the state of the economy was the main concern among registered voters, with 81% of them claiming that the economy would be very important when deciding their vote. The economy was the main concern for 93% of Trump supporters and 68% of Harris supporters.

However, political polarization seems to have clouded how voters viewed the economy in the recent elections. A chart from an April Wall Street poll of swing states illustrates the dichotomy between the economic data and how it was perceived by voters. Interestingly, while their view on the state of the national economy was quite negative, their view on the state of their own state economies was very positive (figure 32).

Figure 31
Has the U.S. economy, or your state's economy, gotten better or worse in the last two years?
(Net share answering better)



Source: Wall Street Journal Poll and Wall Street, "What's Wrong with the economy? It's you, not the data" by Greg Ip, 4 April 2024. Net share: share saying better minus share saying worse; negative indicates greater share said worse.

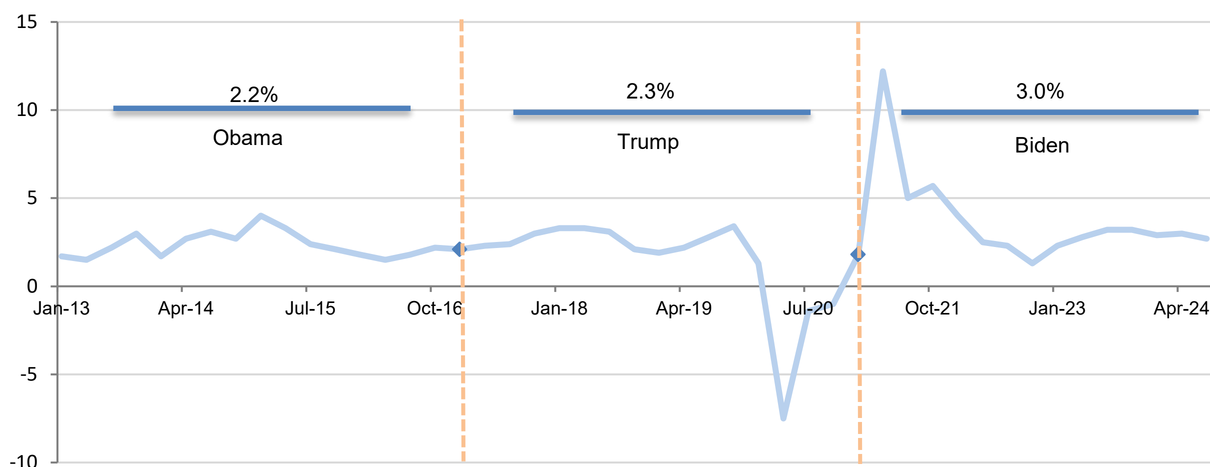
This chapter attempts to provide a brief comparison of the performance of the United States economy during the last three presidential administrations, and some insights on what role the state of the economy may have played in the 2024 presidential election. The broad comparison is complicated by the huge disruptions brought about by the COVID-19 pandemic in early 2020, however, which triggered two of the most extreme quarters of economic contraction and growth in U.S. history, followed by a bout of inflation reminiscent of the 1970s.

Below, a look at key measures of economic performance —real GDP growth, CPI inflation, labor market indicators (jobs created, unemployment rate and wage growth), as well as consumer sentiment— that illustrate the economic contrasts and similarities in the last three presidential terms, keeping in mind that the size and complexity of the U.S. economy can often limit the president's' ability to influence it.

1. Real GDP growth

GDP is the broadest measure of the economy's performance. The median real GDP growth rate —calculated for each presidential term on the basis of quarterly real GDP growth figures provided by the Bureau of Economic Analysis— was the highest during the Biden administration, which also coincided with the recovery of the United States economy after the COVID-19 pandemic. As with many of the broader economic statistics, what may be more interesting is how similar GDP growth looks in the past three presidential terms when the disruption caused by the pandemic is excluded (figure 33).

Figure 32
Quarterly real GDP growth and median growth rate by presidential term
(Percentage change from quarter a year ago, percentage)

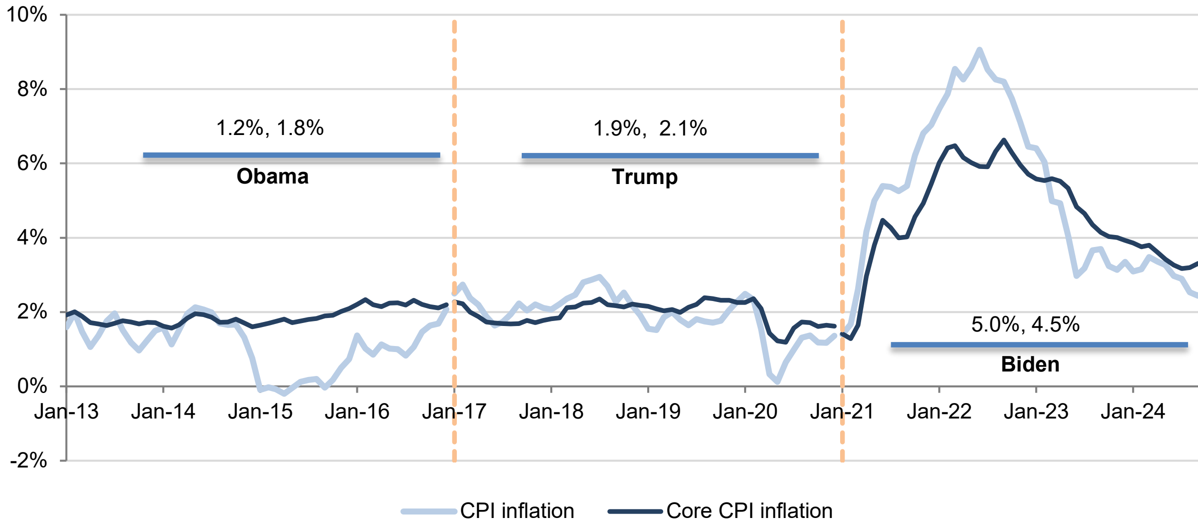


Source: Bureau of Economic Analysis (BEA). Table 1.1.11. Note: data from first quarter of 2013 to third quarter of 2024.

2. CPI Inflation

Together with the strong real GDP growth experienced during the last presidential term, the Biden administration also experienced the highest median CPI and core CPI inflation of the last decade. As a result of supply chain disruptions in the aftermath of the COVID-19 pandemic, an unprecedented fiscal policy response by the government, and geopolitical conflicts causing volatility in energy and commodity markets, inflation reached levels not recorded since the inflationary period of the 1970s. Thus, just as the fall in GDP in 2020 was more a reflection of the pandemic, so was the spurt in inflation in 2021 and 2022. Despite the successful monetary policy response by the Federal Reserve in reducing inflation, at the end of the Biden administration CPI and core CPI inflation remain above their pre-pandemic levels (figure 34).

Figure 33
Monthly consumer price index, all items and core (less food and energy) and median values by presidential term
(Percentage)

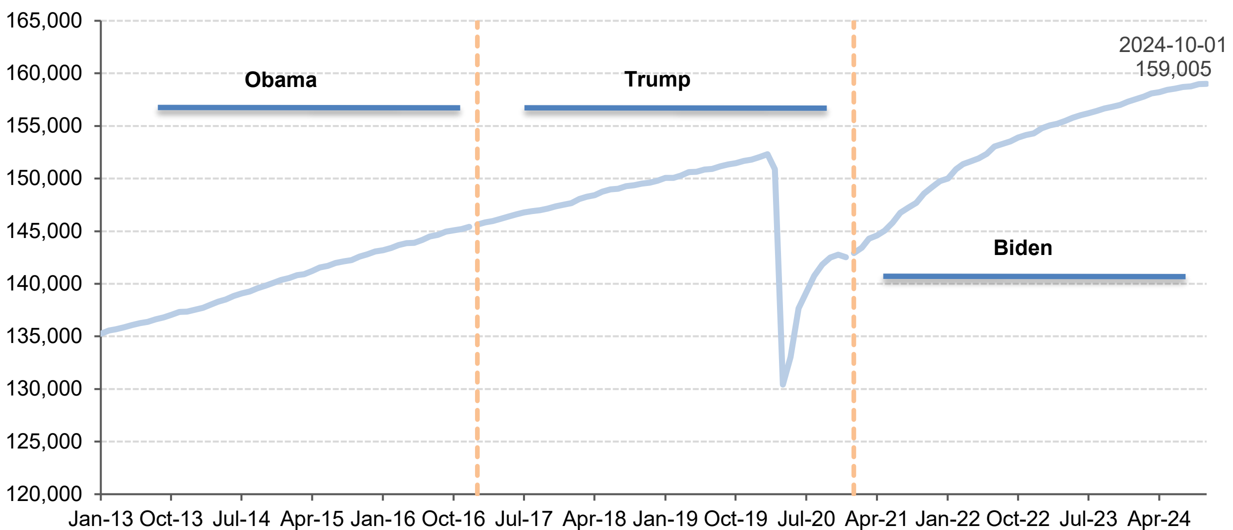


Source: Bureau of Labor Statistics (BLS). Index, 1982-84=100.

3. Employment creation

The last three presidential administrations shared a strong labor market, as reflected by the evolution of total non-farm payrolls. Non-farm payrolls exhibited an upward trend during the Obama and Trump administrations, which was disrupted by the onset of the COVID-19 pandemic. However, during the Biden administration, payrolls have gradually returned to its pre-pandemic trend, indicating a successful and strong recovery in the labor market.

Figure 34
Total non-farm payrolls, monthly
(Thousands)

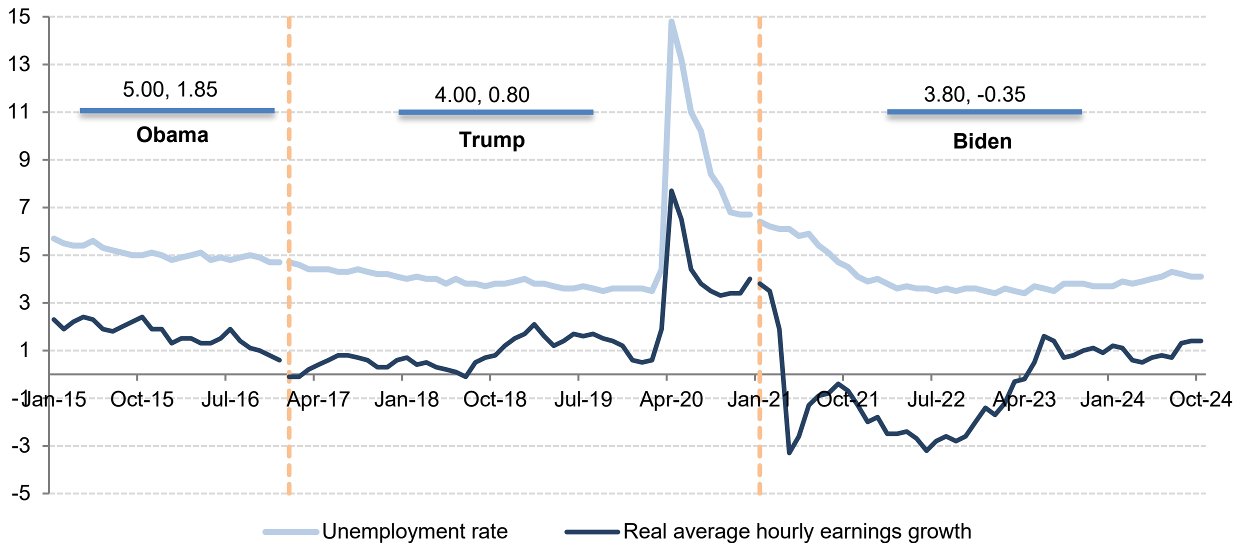


Source: Bureau of Labor Statistics (BLS).

4. Unemployment rate and real hourly earnings growth

The strong labor market is also reflected in the unemployment rate, which was 3.6% at the end of 2019, before the pandemic, went as low as 3.4% in January and April 2023, and until May 2024 had been below 4% for more than two years. Figure 36 shows the evolution of the unemployment rate and real hourly earnings growth, highlighting their median values for each presidential term. The unemployment rate and real hourly earnings growth progressively declined during the Obama administration, a trend that continued under the Trump presidency. While the unemployment rate gradually returned to its pre-pandemic levels during the first half of the Biden administration, real hourly earnings growth turned negative and remained negative until April 2023, indicating that wage growth lagged behind inflation during this period.

Figure 35
Monthly real average hourly earnings growth, unemployment rate, and median values by presidential term
(Percent)



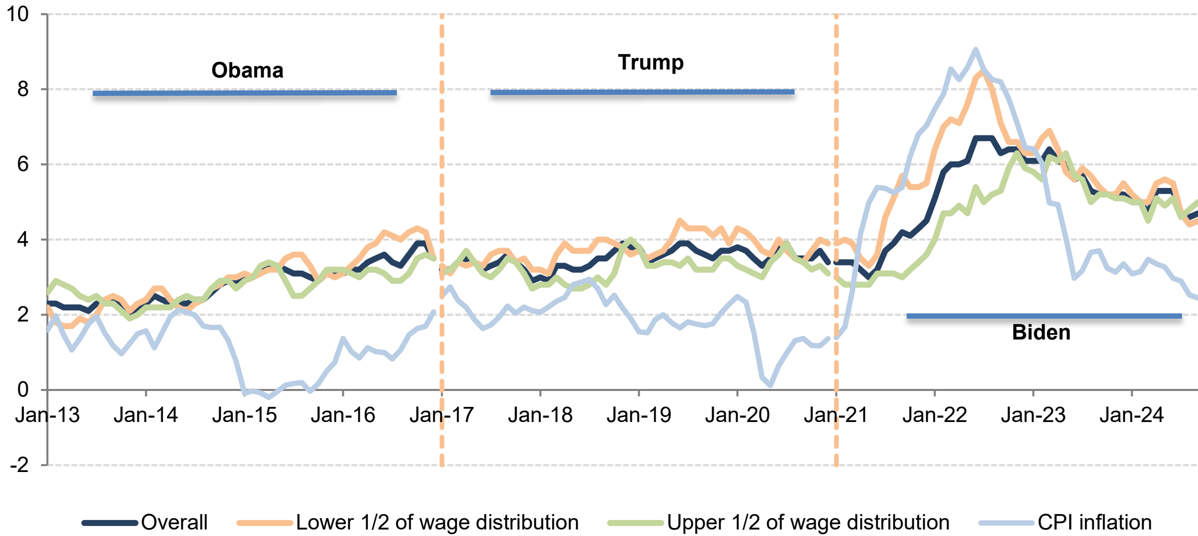
Source: Bureau of Labor Statistics (BLS) and: Federal Reserve of St. Louis (FRED).

5. Wage growth and inflation

Median wages rose at a similar rate and followed a similar trend under both the Obama and Trump administrations, up until the onset of the COVID-19 pandemic. Under the Biden administration, however, average weekly earnings struggled to keep up with the increase in prices caused by high levels of inflation. U.S. workers grew accustomed to wages growing at a faster rate than inflation before the pandemic, but the rapid surge in inflation in 2021 and 2022 led to the largest decline in real wages in a decade.

Inflation creates severe financial pressures for most U.S. households, especially low-income. Interestingly, wages for low-income workers fared relatively better during the pandemic-related inflationary period, as evidenced by a more significant erosion of real wages for the upper half of the wage distribution than for the lower half. Although low-income workers' wages increased rapidly in 2021 and 2022, CPI inflation increased faster, but since the beginning of 2023, wages have been growing faster than inflation across the entire wage distribution (figure 37). Despite wages growing faster than inflation since then, consumer sentiment continued to weaken. During the Biden administration, consumer sentiment saw the lowest value among the last three presidential cycles, a phenomenon that may be attributed to the tightening cycle in interest rates (which increases borrowing costs) and the erosion of real wages during the recent inflationary period in 2021 and 2022.

Figure 36
Median wage and CPI inflation
(Percent)

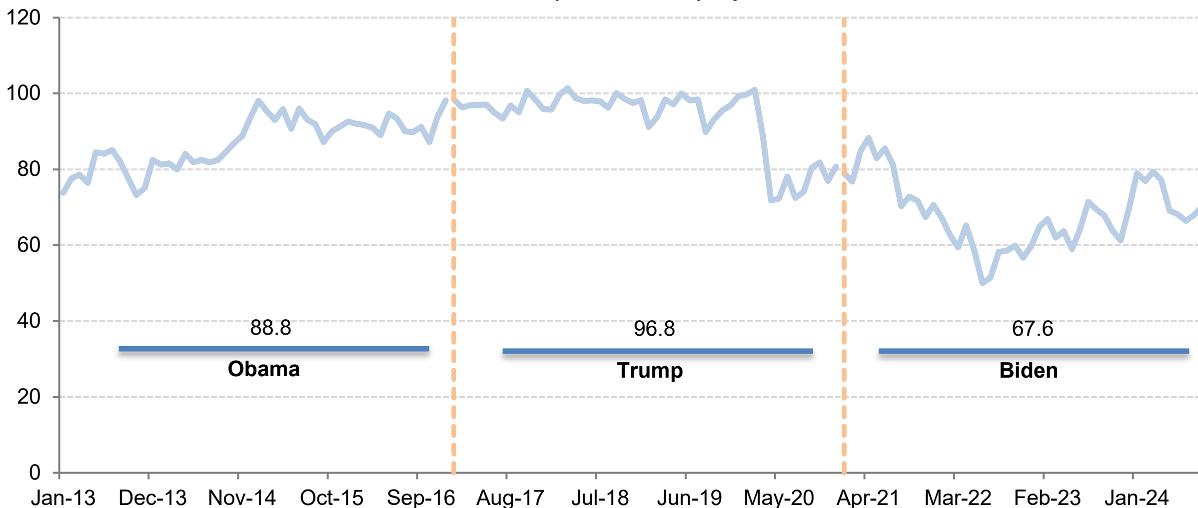


Source: Federal Reserve Bank of Atlanta: three-moving average of median wage growth, monthly; Bureau of Labor Statistics (BLS), CPI inflation.

6. Consumer sentiment

The consumer sentiment index, measured by the University of Michigan, only recovered partially after the COVID-19 pandemic before reaching its lowest point in a decade in mid-2022 (figure 38). Despite the recovery of economic activity, the normalization of the labor market and the decline of inflation in recent years, these trends have not translated into an improvement of consumer expectations by the same magnitude, a factor that is likely to have contributed to the outcome of the 2024 presidential election.

Figure 37
Monthly University of Michigan consumer sentiment index and median values by presidential term
(Index, monthly, not seasonally adjusted)



Source: Federal Reserve of St. Louis (FRED). Index 1966: Q1=100.

IV. Looking ahead

The U.S. economy continues to perform remarkably well. Real GDP for 2024 is set to grow more than 2.5% for the second straight year, powered by immigration-fueled labor force growth and healthy labor productivity gains. Unemployment is low at 4.2%, and while job growth has moderated, it continues to be robust. Inflation has slowed significantly, even if progress towards achieving the Federal Reserve's 2% target has stalled in the last three months. Support to growth remains broad-based, with strong imports the only consistent drag on growth.

The results of the presidential elections that took place in early November revealed voters' discontent with the economy, despite its solid performance. This discontent has been reflected in consumer expectations, which have remained subdued. However, the University of Michigan's index of consumer sentiment climbed to 74.0 at the start of December, its highest level in seven months, from 71.8 in November. Consumer expectations continued to be split in the post-election landscape, improving for Republicans while declining for Democrats, with independents between the two, according to the survey. According to the survey's director, this is a response to changes in expectations for the national economy, which varied according to the collective economic experiences and observations. While democrats voiced concern that anticipated policy changes, particularly tariff hikes, would lead to a resurgence in inflation, Republicans voiced confidence that the President-elect will usher a significant slowdown in inflation.[12]

The Federal Reserve lowered its target interest rate by 0.25% at its December meeting (to a range of 4.25% to 4.50%), the third interest rate cut this year. Having lowered rates by a full percentage point since September, Fed officials penciled in just two cuts in 2025, when they will also begin to address the economic impact of the incoming administration's prospective changes to economic policy as they play out.

The President-elect's proposed changes to trade, immigration, regulation and tax policy could reshape the outlook for growth, but it is too soon to understand the repercussions of these policies for the U.S. economy and for Latin America and the Caribbean and its financial markets. Nonetheless, higher tariffs and lower taxes could strengthen the U.S. dollar and push government borrowing higher, leading to higher U.S. Treasury yields and curbing investors' appetite for emerging markets and LAC assets.

[12] Wall Street Journal. Consumer Confidence Jumps Despite Split Between Republicans, Democrats - WSJ by Ed Frankl, 6 December 2024.

The United States economy expanded at an annualized rate of 3.1% in the third quarter of 2024, above the economy's long-term growth potential and the 3.0% growth recorded in the second quarter, driven primarily by consumer spending. The resilience of consumer spending has been supported by receding inflation and a robust labour market. Employment has increased for 47 consecutive months, but the labour market is softening. Progress in bringing down inflation has stalled over the past three months, with inflation rising from 2.4% in September 2024 to 2.7% in November. The Federal Reserve cut interest rates for a third and final time this year at its December meeting, alleviating pressure on financial conditions in Latin America and the Caribbean.

The *United States economic outlook* reports are published three times a year and follow the main macroeconomic developments of the United States economy and how they may affect financial conditions in Latin America and the Caribbean. This issue contains a special chapter on the performance of the United States economy during the past three administrations and the role that the state of the economy may have played in the 2024 presidential election.

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