ECOPULSE

October 2024

MONTHLY PULSE OF OECD COUNTRIES' ECONOMIC INDICATORS

BNP PARIBAS

The bank for a changing world

According to recent economic data, the disparity in economic situations is confirmed, and even accentuated, between the United States, where growth is expected to remain strong in Q3 (0.7% q/q in Q3, according to our forecast) and other regions, notably the Eurozone, where the recovery is seemingly running out of steam (0.2% growth in Q3, according to our forecast and our nowcast).

Business climate indicators point to weakness in industry around the world, but more markedly in the Eurozone. By contrast, services are still holding up relatively well in most countries, and even more so in the United States, where the ISM non-manufacturing index is high. France and Japan are two special cases, with a fairly clear deterioration in the business climate in October, including in services (which in France is due to the period of uncertainty around preparing the budget and due to the end of the positive impact of the Olympic Games).

Household confidence is benefiting from recent disinflation, but with some notable exceptions, including Germany (where disinflation appears to be more moderate, particularly in services). The evident cooling in the labour market may also, at the same time, have adversely affected household sentiment in most countries.

These negative developments in key Eurozone countries (France and Germany) pose a negative risk to our Q4 Eurozone forecast (0.3% q/q), while these risks are more balanced in the United States (forecast of 0.5% q/q).

On the back of continued progress on the disinflation front, combined with signs that the labour market is weakening, central banks have taken their monetary easing a step further: the ECB, by cutting its policy rate in both September and October (whereas until recently the consensus had been that only a September move would be made) and the Fed, by cutting the Fed Funds rate by 50 bps rather than 25 bps in September. The Bank of England is expected to follow suit with a 25-bp cut in early November. The BoJ, for its part, is unlikely to announce any further steps in its monetary tightening in the near future.

Article completed on 29 October 2024

EUROZONE

Household sentiment is up, but consumption is still down

The gradual improvement in household confidence indices in the Eurozone (financial situation and purchase intentions), supported by falling inflation, is still not leading to a rebound in consumption. Retail sales have been stable for a year, even though a slight rise of 0.2% m/m was recorded in August. Motor vehicle sales, which often display a significant change from one month to the next, rose by 8.2% m/m in September, but were down to their lowest level in three years on a three-month moving average basis.

October's PMIs outline the dynamics of sluggish growth in Q4, hampered by difficulties in the industrial sector and a loss of dynamism in the labour market. The composite PMI is still in contraction territory, even though it is up slightly (+0.1 points, to 49.7), with the manufacturing index up (+0.9 points, to 45.9) and services down (-0.2 points, to 51.2).

The employment PMI fell to 49.1, its lowest level since January 2021. It should be noted, however, that this survey has so far tended to overestimate the deterioration in the Eurozone labour market, as the unemployment rate in particular has remained at its lowest level ever this summer, standing at 6.4% in August. Furthermore, the vacancy rate in the Eurozone, despite being down in Q2[1], is still well above the levels seen in the years prior to the health crisis.

Although a rebound in inflation is expected in Q4, due to unfavourable base effects on energy, it is likely to be moderate and temporary, and a return to below 2% should be seen in early 2025. Nevertheless, inflationary tensions remain high in the services sector, where price rises have hovered around 4% year-on-year since the start of the year (3.9% y/y in September).

We expect Eurozone activity to grow by 0.2% q/q in Q3, which is in line with the results of our nowcast. Q4 should see growth strengthen to 0.3% q/q, boosted by continued monetary easing, which would take the rise for 2024 as a whole to 0.8%.

1. The vacancy rate stood at 2.7% of total jobs (available and occupied).

Guillaume Derrien (article completed on 25 October 2024)

Eurozone: economic indicators monthly changes*

	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24
Economic Sentiment Indicator (ESI)	-0.6	-0.5	-0.3	-0.4	-0.4	-0.3	-0.4	-0.3	-0.4	-0.4	-0.3	-0.3
ESI - Manufacturing	-0.6	-0.7	-0.6	-0.7	-0.7	-0.6	-0.8	-0.7	-0.8	-0.8	-0.7	-0.8
ESI - Services	-0.1	0.0	0.2	0.2	0.0	0.1	0.0	0.1	0.1	-0.1	0.1	0.1
ESI - Retail sales	-0.2	-0.2	0.0	0.0	-0.2	-0.1	-0.2	-0.2	-0.3	-0.5	-0.3	-0.4
ESI - Construction	0.4	0.5	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.3	0.4
Consumer confidence	-1.0	-0.8	-0.5	-0.7	-0.6	-0.4	-0.4	-0.3	-0.3	-0.1	-0.2	-0.1
PMI Manufacturing	-1.3	-1.1	-1.0	-0.6	-0.7	-0.7	-0.8	-0.5	-0.8	-0.8	-0.8	-0.9
PMI Services	-0.4	-0.3	-0.2	-0.3	0.0	0.3	0.7	0.6	0.6	0.4	0.6	0.3
PMI Manufacturing New Export Orders	-1.5	-1.2	-1.2	-0.8	-0.8	-0.6	-0.7	-0.4	-0.7	-0.7	-0.8	-1.0
PMI Manufacturing New Orders	-1.6	-1.2	-1.1	-0.7	-0.7	-0.6	-0.8	-0.4	-0.8	-0.8	-0.9	-1.1
PMI Composite - Employment	0.0	-0.1	-0.1	0.0	0.4	0.3	0.6	0.6	0.3	0.0	0.0	-0.1
Industrial Production	-1.0	-0.9	0.0	-1.1	-1.2	-0.2	-0.6	-0.7	-0.9	-0.4	-0.2	
Retail Sales	-0.3	-0.2	-0.1	-0.3	-0.2	0.1	0.1	0.1	-0.1	-0.1	0.1	
New Car registrations	0.6	0.2	-0.2	0.5	0.4	-0.3	0.5	-0.2	0.1	-0.1	-0.9	-0.4
HICP	0.4	0.1	0.4	0.3	0.2	0.1	0.1	0.2	0.2	0.2	0.0	-0.2
Core HICP	2.4	1.8	1.7	1.5	1.4	1.2	1.0	1.1	1.1	1.1	1.1	0.9
Unemployment Rate	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	

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* The Indicators are all transformed into "z-scores", i.e. deviations from the long-term average value (expressed in standard deviation), the average of which is zero (except for the PMI/ISM indices where the average is 50, the threshold between the expansion zone and the contraction zone of the activity). Positive (negative) values indicate the number of standard deviations above (below) the mean value.
Reading note: the red colour indicates dynamic activity, high inflation and low unemployment, the blue colour indicates slower activity, low inflation and high unemployment.

GDP growth

Actual					Carry-over	Nowcast	Forecast		Annual forecasts (y/y)		
Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q4 2023	Q3 2024	Q3 2024	Q4 2024	2023 (observed)	2024	2025
0.1	0.1	0.1	0.3	0.2	0.1	0.2	0.2	0.3	0.5	0.8	1.4

See the Nowcast methodology. Contact: Tarik Rharrab
Source: Refinitiv, BNP Paribas

GERMANY

All things come in threes?

The business climate in Germany (PMI and IFO surveys) deteriorated steadily from its peak in May to September. The relative optimism of the spring has ebbed away, as illustrated in particular by the deterioration in the PMI for export conditions (standing at 49.8 in September, compared to 51.9 in May). As a result, while our forecast for Q3 growth remains at 0.1% q/q, the German government has highlighted the risk of another negative figure (following the rate of -0.1% q/q in Q2 already) and therefore of a recession. Overall, GDP is likely to be close to its level recorded at the end of 2021 (i.e. three years of stagnation).

However, the surveys are beginning to anticipate improvement again (both the PMI surveys and the October IFO), linked to the ECB's policy rate cuts, which, this time, perhaps are more likely to materialise. Indeed, the decline in industrial production (-5% y/y over January-July 2024) was partly due to a lack of demand, but also to production difficulties in the automotive sector. However, these difficulties have seemingly eased (supply constraints limited the production of 7% of companies in the sector in Q3, compared with an average of 18% in the first half of the year).

Conversely, the demand indicators are still lacklustre. Indeed, Germany is the only major country in the Eurozone where household confidence has not improved in recent months, according to the GFK index (-21.2 in October, compared with -21 in June). At the same time, the new factory orders indicator has halted its three-month decline, marking a stabilisation at a low level rather than a rebound.

Inflationary pressures are still high in the services sector (3.8% y/y in September), which explains why harmonised core inflation (3.0% y/y in September) is still above the Eurozone average (2.7%), unlike in the other three major Eurozone countries (France, Italy and Spain). The continuing deterioration in the IFO's employment climate (94 in September, the lowest since 2005, when the Hartz reforms were adopted) is another factor adversely affecting household confidence.

As a result, the expected rebound in German growth in Q4 (our forecast is 0.3% q/q) is still possible (notably due to the reduced production constraints in the automotive sector), but it is shrouded in uncertainties that point to a downside risk.

Stéphane Colliac (article completed on 29 October 2024)

Germany: economic indicators monthly changes*

	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24
IFO Business Climate Manufacturing	-1.6	-1.4	-1.6	-1.5	-1.6	-1.2	-1.1	-0.9	-1.1	-1.4	-1.6	-1.8
IFO Business Climate Services	-1.5	-1.6	-1.5	-1.8	-1.7	-1.3	-1.1	-1.2	-1.0	-1.3	-1.4	-1.6
IFO Business Climate Trade	-1.8	-1.5	-1.8	-2.0	-2.0	-1.5	-1.4	-1.0	-1.5	-1.8	-1.7	-1.9
IFO Business Climate Construction	0.2	0.4	1.4	0.4	0.3	0.3	0.3	0.0	0.1	0.5	0.4	
GFK Consumer Confidence	-2.7	-2.8	-2.6	-2.4	-2.7	-2.6	-2.5	-2.2	-1.9	-1.9	-1.7	-1.9
Industrial Production	-0.7	-0.8	-0.8	-0.9	-1.0	-0.8	-0.6	-1.2	-0.7	-0.9	-0.5	
Industrial Orders foreign	-0.9	-0.4	0.6	-0.4	-0.8	-0.1	0.0	-0.6	-1.2	0.0	-0.3	
New Orders Construction	0.1	-0.4	0.3	0.1	0.0	0.1	0.3	0.0	0.5	-1.2		
Retail sales	-0.3	-0.9	-0.4	-0.7	-1.0	0.1	0.0	-0.9	-1.0	-0.5	0.4	
Core HICP	2.2	1.7	1.5	1.5	1.6	1.4	1.1	1.6	1.4	1.3	1.2	1.2
Unemployment Rate	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.8	0.8	0.8	0.8	

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GDP growth

Actual					Carry-over	Forecast		Annual forecasts (y/y)		
Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q4 2023	Q3 2024	Q4 2024	2023 (observed)	2024	2025
-0.2	0.2	-0.4	0.2	-0.1	-0.2	0.0	0.3	-0.1	0.1	1.0

Source: Refinitiv, BNP Paribas

FRANCE

The party's over

The Olympic Games were a brief positive interlude, which has now come to an end, as shown by the services PMI, which peaked at 55 in August in the midst of much more lacklustre performances. However, this Olympic Games effect should have buoyed growth in Q3 (0.4% q/q, according to our scenario). Our nowcast is a little lower (0.3%) and highlights the risk that, excluding the Olympic Games effect (estimated at 0.2% by INSEE), the French economy slowed in Q3 (after 0.2% q/q growth in Q2). It is likely to slow further in Q4, judging by the recent deterioration in the services sector (PMI at 48.3 in October after 49.6 in September) and in industry (production PMI down from 44 to 42.5).

The rotation in the determinants of growth should continue to strengthen. While household consumption and investment have weakened since the start of 2022, business investment has only followed this trend from mid-2023. It should continue to deteriorate in the second half of 2024, if we are to believe the deterioration in order books in the B2B sectors (INSEE manufacturing industry survey), while household demand should strengthen. This is driven by the recovery in household confidence (95 in September, +4 points in two months), even though it eroded in September (-1 point to 94).

Disinflation, which was significant in September (1.4% y/y, according to the harmonised index, compared with 2.2% in August) and is set to continue (regulated electricity tariffs are set to fall by 9% in February 2025), is also playing a favourable role. However, the support provided by household demand is uncertain. Firstly, due to inflation in services: with increases expected in late 2024 and early 2025 (medical consultations, home and car insurance, and supplementary health insurance). Secondly, the employment climate measured by INSEE, which has been below 100 for the past five months (97 in October), bears witness to a cooling in the labour market. The recent fall in business creations (-4% q/q in Q3) also points to a deterioration.

Overall, we expect French growth to fall in Q4 (0.1% q/q) as the headwinds strengthen. Although car purchases could temporarily rebound (launch of new models and purchases in anticipation of a potential increase in the penalty on the most polluting vehicles in 2025 could, in particular, support consumption), the uncertainty surrounding the current budgetary process could cancel out this effect.

Stéphane Colliac (article completed on 29 October 2024)

France: economic indicators monthly changes*

	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24
Business climate Manufacturing	-0.1	-0.1	-0.1	-0.1	0.0	0.2	0.0	-0.1	-0.2	-0.5	-0.2	-0.2
Business climate Services	0.0	0.0	0.0	0.1	0.0	0.2	0.0	0.2	0.1	-0.4	-0.2	-0.2
Business climate Construction	0.1	0.0	-0.1	0.0	0.0	0.0	-0.3	-0.1	-0.4	-0.5	-0.3	-0.4
Business climate Retail sales	-0.2	-0.3	-0.1	0.4	0.0	0.1	0.2	0.0	-0.1	-0.7	-0.3	0.0
Employment climate	0.1	-0.1	0.0	-0.1	0.1	0.0	0.0	0.2	-0.1	-0.5	-0.3	-0.1
Consumer confidence	-1.2	-0.8	-0.7	-0.4	-0.6	-0.4	-0.5	-0.4	-0.5	-0.3	-0.1	0.2
HICP	1.6	1.2	1.4	0.9	0.8	0.3	0.3	0.4	0.4	0.5	0.2	-0.3
Core HICP	2.4	1.7	1.7	1.4	1.2	0.9	0.9	1.0	1.1	1.0	1.3	0.8
Unemployment Rate	1.4	1.4	1.3	1.4	1.4	1.5	1.5	1.4	1.4	1.3	1.3	
Consumer spending	-0.5	-0.4	0.1	-0.4	-0.3	-0.1	-0.1	0.0	-0.4	-0.3	-0.1	
Industrial production	0.6	0.3	0.2	0.2	0.0	0.2	0.3	-0.5	-0.2	-0.1	0.1	
Exports of goods	-0.7	-0.6	-0.6	-0.7	-0.5	-0.2	-0.2	-0.8	-0.4	-0.8	-0.5	

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GDP growth

Actual					Carry-over	Nowcast	Forecast		Annual forecasts (y/y)		
Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q4 2023	Q3 2024	Q3 2024	Q4 2024	2023 (observed)	2024	2025
0.7	0.1	0.5	0.3	0.2	0.6	0.3	0.4	0.1	1.1	1.2	1.2

See the Nowcast methodology. Contact: Tarik Rharrab
Source: Refinitiv, BNP Paribas

ITALY

Industrial activity remains sluggish

Weakness in manufacturing activity is still one of the black spots in the Italian economic situation. Industrial production remained on a negative trend in August (-0.1% 3m/3m), and purchasing managers in the manufacturing sector continued to indicate a deterioration in activity in September (manufacturing PMI at 48.3; -1.1 points over one month), mainly due to falling demand (with the new orders component down 3.1 points, standing at 45.7).

This deterioration on the industry side, combined with the stagnation seen on the services side (services PMI at 50.5; -0.9 points), is now adversely affecting business sentiment: the composite PMI has moved into contraction territory for the first time since the start of the year (49.7; -1.1 points).

Harmonised inflation finally fell below 1% year-on-year at the end of the third quarter (0.7% y/y in September; -0.5 pp month-on-month), mainly due to the significant deflation of the energy component (-8.7% y/y; -2.5 pp), but also to the clear disinflation of the core component (1.8%; -0.5 pp). By contrast, inflation in services remains high (3.1%), despite slowing gradually.

Household confidence (-15.6) is still below its long-term average[1] and has not really managed to take off since the start of the year, despite the gains in purchasing power brought about by falling inflation and rising real wages (+3.3% y/y in Q2). According to the results of the European Commission's survey, the sub-component relating to intentions to make major purchases over the coming year has improved (-24.4; +0.7). However, these expectations are not yet reflected in the 'hard' household consumption data, as retail sales momentum was still slightly in the red in August (-0.1% 3m/3m) and new vehicle registrations remained very negative in September (-8.0% 3m/3m).

The picture at the end of the third quarter is therefore mixed. We expect the Italian economy to remain on a moderate growth trajectory in Q3 (0.2% q/q) and Q4 (0.4%). Over the year as a whole, Italian real GDP should grow by 0.9%, narrowly outpacing Eurozone growth (0.8%), after exceeding it more significantly, and unusually, in 2022 and 2023.

1 The long-term average between Jan. 2000 and Dec. 2019 is -14.4.

Lucie Barette (article completed on 22 October 2024)

Italy: economic indicators monthly changes*

	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24
Business climate - Manufacturing	-0.1	-0.2	0.1	0.2	0.3	0.2	0.4	0.2	0.2	0.4	0.5	0.8
Business climate - Construction	2.0	2.0	2.0	1.8	1.5	1.7	1.5	1.5	1.7	1.7	1.5	1.5
Business climate - Services	0.7	0.7	0.7	0.9	0.7	0.8	0.6	0.6	0.8	0.8	1.0	0.7
PMI manufacturing new export orders	-1.4	-1.2	-1.1	-0.6	-0.8	-0.2	-0.8	-1.1	-1.1	-0.9	-0.2	-0.8
PMI Composite - Employment	-0.1	-0.1	0.3	0.2	0.8	0.8	1.1	0.9	0.7	0.6	0.5	0.5
Consumer confidence	-0.6	-0.4	0.0	0.0	0.0	-0.1	-0.5	-0.4	-0.2	0.2	-0.1	0.1
Industrial production	0.0	-0.2	-0.1	-0.3	-0.3	-0.3	-0.2	-0.3	-0.2	-0.3	-0.3	
Retail sales	0.0	0.2	-0.1	0.1	0.4	0.3	-0.5	0.0	-0.4	0.1	0.1	
Exports	-0.1	-0.6	-0.9	-0.3	-0.1	-1.0	0.4	-0.6	-1.0	0.2	-0.9	
HICP	-0.1	-0.6	-0.7	-0.5	-0.5	-0.4	-0.5	-0.5	-0.5	-0.2	-0.3	-0.6
Core HICP	2.1	1.6	1.3	1.1	0.9	0.6	0.6	0.6	0.5	0.8	0.7	0.2
Employment	1.1	1.1	1.2	0.8	0.9	1.0	1.1	0.9	0.7	1.1	1.1	
Unemployment Rate	0.9	0.9	1.1	1.1	1.0	1.2	1.3	1.3	1.3	1.4	1.5	
Wage	1.2	0.9	5.2	0.9	0.9	1.2	1.5	1.5	1.7	1.6	1.5	

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Reading note: the red colour indicates dynamic activity, high inflation and low unemployment, the blue colour indicates slower activity, low inflation and high unemployment.

GDP growth

Actual					Carry-over	Forecast		Annual forecasts (y/y)		
Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q4 2023	Q3 2024	Q4 2024	2023 (observed)	2024	2025
-0.2	0.2	0.0	0.3	0.2	0.0	0.2	0.4	0.8	0.9	1.2

Source: Refinitiv, BNP Paribas

SPAIN

A gradual recovery in private consumption

Business sentiment continued to improve in September. The PMI recorded its tenth consecutive month of growth (56.3; +2.7 points over one month). It was driven by a dynamic services sector (57.0; +2.4 points), buoyed by continued strong tourism activity (+11.2% y/y YTD in tourist arrivals), and by a recovery in manufacturing activity (53.0; +2.5 points). Although industrial production continued to decline in August (-0.2% 3m/3m), the outlook appears more favourable, judging by the rise in business leaders' expectations for their production over the coming months (11.4; +6.2 points, according to the European Commission's economic sentiment survey).

For the first time since June 2023, harmonised inflation has fallen back below 2% year-on-year (1.7% y/y). However, it could rise slightly towards the end of the year as VAT reductions on basic foodstuffs are gradually phased out.[1]

Among other good news on the economic front, consumer confidence has returned to its best level for two and a half years (-12.3 in September), driven upwards by improved expectations on the financial situation (0.5; +3.9 points; the best level for three years) and intentions to make major purchases (-19.1; +1.3 points) over the coming year. These improved expectations, combined with the slight decline in the savings rate (13.1% of disposable income in Q2) and the increase in household purchasing power, should help private consumption to pick up gradually in the second half of the year. Indeed, retail sales volumes rose in August (0.4% m/m) and new vehicle registrations rebounded strongly in September (31% m/m).

After a quarterly growth rate of 0.8% on average in the first half of the year, GDP growth is expected to moderate slightly in Q3 and Q4 (0.6% and 0.7% according to our forecasts). Over 2024 as a whole, Spanish growth should reach 2.9% and contribute 0.3 percentage points to growth in the Eurozone (0.8%), continuing to offset German underperformance, whose contribution is zero.

1 Increase in VAT on olive oil and basic foodstuffs (resp. seed oils and pasta) from 0% to 2% (resp. 5% to 7.5%) from 01/10 to 31/12, then return to the standard rate of 4% (resp. 10%) on 01/01/2025.

Lucie Barette (article completed on 21 October 2024)

Spain: economic indicators monthly changes*

	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24
Business climate - manufacturing	-0.1	-0.2	0.1	0.2	0.3	0.2	0.4	0.2	0.2	0.4	0.5	0.8
Business climate - construction	1.1	1.3	1.3	0.8	1.0	1.0	1.2	1.3	0.6	1.1	0.7	0.9
Business climate - services	0.7	0.7	0.7	0.9	0.7	0.8	0.6	0.6	0.8	0.8	1.0	0.7
PMI manufacturing new export orders	-1.0	-0.9	-0.6	-0.5	-0.4	0.2	0.2	0.4	0.4	0.1	0.1	0.4
PMI Composite - e	0.3	0.3	0.5	0.6	0.6	0.9	0.9	0.9	0.9	0.6	0.6	1.0
Consumer confidence	-0.3	-0.2	-0.2	-0.2	0.0	0.1	0.2	0.2	0.3	0.3	0.2	0.4
Industrial production	-0.1	0.1	0.0	0.1	0.2	-0.2	0.1	0.1	0.1	0.0	0.1	
Retail sales	1.4	1.5	1.3	0.4	0.7	0.4	0.3	0.2	0.3	0.3	0.3	
Exports	-0.7	-1.0	-1.3	-0.7	-0.7	-2.0	0.8	-0.3	-0.7	0.3	-0.3	
HICP	0.6	0.5	0.5	0.6	0.3	0.5	0.5	0.7	0.6	0.3	0.1	-0.2
Core HICP	1.8	1.5	1.6	1.3	1.4	1.2	0.9	1.1	1.1	1.0	1.0	0.9
Employment	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Wage	0.5	0.5	0.4	-0.2	-0.2	-0.3	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5
Unemployment Rate	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	

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* The Indicators are all transformed into "z-scores", i.e. deviations from the long-term average value (expressed in standard deviation), the average of which is zero (except for the PMI/ISM indices where the average is 50, the threshold between the expansion zone and the contraction zone of the activity). Positive (negative) values indicate the number of standard deviations above (below) the mean value.
Reading note: the red colour indicates dynamic activity, high inflation and low unemployment, the blue colour indicates slower activity, low inflation and high unemployment.

GDP growth

Actual					Carry-over	Forecast		Annual forecasts (y/y)		
Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q4 2023	Q3 2024	Q4 2024	2023 (observed)	2024	2025
0.2	0.7	0.7	0.9	0.8	0.9	0.6	0.7	2.7	2.9	2.5

Source: Refinitiv, BNP Paribas

UNITED STATES

Unbroken momentum

U.S. economic growth, *a priori*, remained robust in the third quarter. The Atlanta Fed's GDPnow estimates GDP growth at +0.8% q/q (+0.1pp compared to Q2 2024). Household consumption remains the principal driver, as illustrated by the acceleration of the retail sales control group in September (+0.7% m/m, +0.4pp). Activity in services improved in the same month in view of the jump in the ISM non-manufacturing index to 54.9 (+3.4pp). On the other hand, the ISM manufacturing index remained in contraction territory, stable at +47.2 despite the improvement in the "output" component (+5.0pp).

After the aggressive start in September (-50 bps), the Fed should slow down the pace of its rate cuts. The surprising strength of the employment situation in September goes in this direction. Net creation of nonfarm payrolls accelerated significantly, reaching a 6-month high (+254k, +95k m/m). This was also accompanied by upward data revisions for July and August (+72k aggregated). At the same time, wage growth also accelerated slightly (+4.0% y/y, +0.1pp), while the unemployment rate fell slightly (4.1%, -0.1pp).

At the same time, CPI figures for the same month showed moderate progress on the disinflation front, with the drop in headline inflation (+2.4% y/y, -0.2pp) coexisting with stable core inflation (+3.3% y/y). Ultimately, we expect a drop in the policy rate (-25 bp) per remaining FOMC meeting in 2024 (November and December), bringing the target rate to +3.5% - +3.75%.

Surprisingly, given these good growth and employment figures, sentiment among economic agents continues to underperform. Consumer confidence, as measured by the Conference Board, fell in September (105.6, -6.9 pts). The deterioration in perception of the labour market is clear: the gap between respondents who find jobs "abundant" and "hard to get" has narrowed to +12.6pp, its lowest result – excluding the pandemic – since 2017. On the small business side, in September, their optimism only increased marginally (91.5, +0.3 pt), failing to improve sustainably since the collapse at the end of 2021; while the uncertainty index is rising as the presidential election approaches.

Anis Bensaidani (article completed on 24 October 2024)

United States: economic indicators monthly changes*

	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24
ISM Manufacturing	-0.6	-0.7	-0.6	-0.2	-0.5	0.1	-0.2	-0.3	-0.3	-0.7	-0.6	-0.6
ISM Services	0.5	0.6	0.1	0.8	0.6	0.3	-0.1	0.9	-0.3	0.3	0.4	1.2
ISM Services - Employment	0.1	0.1	-1.2	0.1	-0.4	-0.3	-0.8	-0.6	-0.8	0.2	0.0	-0.4
ISM Manufaturing - Employment	-0.5	-0.7	-0.4	-0.5	-0.7	-0.5	-0.2	0.2	-0.1	-1.2	-0.7	-1.1
Consumer confidence (Univ. of Michigan)	-1.3	-1.5	-0.9	-0.1	-0.3	-0.1	-0.3	-0.9	-1.0	-1.1	-1.0	-0.8
Consumer confidence (Conf. Board)	0.3	0.3	0.6	0.7	0.5	0.4	0.2	0.3	0.2	0.4	0.5	0.2
Industrial production	-0.3	-0.2	0.0	-0.4	-0.2	-0.2	-0.3	-0.1	0.0	-0.2	-0.2	-0.3
Building permits	0.6	0.5	0.6	0.5	0.7	0.5	0.4	0.3	0.4	0.3	0.4	0.4
Retail Sales	-0.3	-0.1	0.2	-0.7	-0.4	-0.1	-0.3	-0.3	-0.4	-0.2	-0.4	-0.4
Nominal Real Personal Consumption	0.1	0.3	0.5	-0.1	0.0	0.2	0.1	0.2	0.2	0.2	0.2	
Household purchasing power	0.6	0.7	0.6	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	
PCE deflator	0.5	0.3	0.3	0.2	0.2	0.4	0.3	0.2	0.1	0.1	0.0	
Core PCE deflator	1.2	1.0	0.8	0.9	0.7	0.8	0.7	0.5	0.5	0.5	0.5	
CPI	0.3	0.3	0.4	0.3	0.3	0.5	0.4	0.3	0.2	0.2	0.0	-0.1
Core CPI	1.3	1.3	1.2	1.2	1.1	1.1	1.0	0.8	0.7	0.6	0.7	0.7
Nonfarm Payrolls	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2
Unemployment Rate	1.0	1.0	1.0	1.0	0.9	1.0	0.9	0.9	0.8	0.7	0.8	0.8

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* The Indicators are all transformed into "z-scores", i.e. deviations from the long-term average value (expressed in standard deviation), the average of which is zero (except for the PMI/ISM indices where the average is 50, the threshold between the expansion zone and the contraction zone of the activity). Positive (negative) values indicate the number of standard deviations above (below) the mean value.
Reading note: the red colour indicates dynamic activity, high inflation and low unemployment, the blue colour indicates slower activity, low inflation and high unemployment.

GDP growth

Actual					Carry-over	Nowcast	Forecast		Annual forecasts (y/y)		
Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q4 2023	Q3 2024	Q3 2024	Q4 2024	2023 (observed)	2024	2025
0.6	1.1	0.8	0.4	0.7	1.3	0.8	0.7	0.5	2.9	2.7	2.1

Source: Refinitiv, BNP Paribas

Not so bad

While manufacturing activity in the United Kingdom, like elsewhere in Europe, is in a difficult state, the situation is less worrying across the Channel. Industrial production rose by 1.1% m/m in August, returning to its April levels. The year-on-year fall in output has almost completely subsided (-0.3% y/y). This situation is in line with the manufacturing PMI for October, which was down on the previous month (-1.2 points, to 50.3), but is still in expansion territory. The services PMI fell by 0.6 points to 51.8, and therefore also contributed to the decline in the composite index, which dropped by 0.9 points to 51.7 in October.

Consumption of goods regained some momentum in Q3. New vehicle registrations rose by 2.2% m/m in September, pushing the three-month moving average to its best level since May 2021.[1] In its wake, car production also rebounded in September to its highest level in seven months. In addition, retail sales rose by 0.3% m/m in September and by 1.9% q/q in Q3. However, spending on food fell back (-1.9% m/m), with the ONS pointing anecdotally to the effects of 'bad weather' and reduced spending on high-end food products.

Employment dynamics remain difficult to pin down, given the current problems surrounding the reliability of the LFS survey. Nevertheless, for several months now, the ONS has been publishing data based on administrative returns from companies, which indicate an increase of 0.1% m/m (+26,700) in the number of employees in September. However, this follows a much larger fall the previous month, of 0.4% m/m (-117,500).

The risk of inflation has largely receded, and the Bank of England is likely to proceed with a second cut in its policy rates at its meeting on 7 November. Headline inflation fell back to 1.7% y/y in September, driven mainly by falling fuel and airfare prices. However, there are still some pockets of resistance in services, particularly in recreational and cultural activities (+7.4% y/y), phone services (+4.6%) and hotels, cafés & restaurants (+4.1%). Despite a smaller post-COVID rebound in activity than the Eurozone average, the United Kingdom has made up some of its lost ground in 2024 and should continue to do so in 2025. This is our forecast, as is that of the IMF, which has raised its growth forecast for 2024 from 0.7% to 1.1%, while also keeping its estimate for 2025 at 1.5%.

1 Seasonally adjusted data.

Guillaume Derrien (article completed on 24 October 2024)

United Kingdom: economic indicators monthly changes*

	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24
PMI manufacturing	-1.1	-0.6	-0.8	-0.6	-0.5	0.1	-0.2	0.3	0.2	0.4	0.5	0.3
PMI manufacturing new export orders	-1.3	-0.7	-0.6	-0.5	-1.2	-0.5	-0.4	-0.1	-0.4	0.0	-0.6	-0.4
PMI manufacturing employment	-0.7	-0.6	-0.8	-0.5	-1.4	-0.4	-0.4	-0.2	-0.3	0.2	0.5	-0.2
PMI services	-0.1	0.2	0.7	0.8	0.7	0.6	1.0	0.6	0.4	0.5	0.7	0.5
Business climate manufacturing (volume of Total Order Book)	-0.4	-0.8	-1.3	-0.7	-1.0	-0.5	-0.4	-0.6	-1.2	-0.4	-1.1	-0.6
Consumer confidence	-0.4	-1.1	-0.7	-0.5	-0.3	-0.4	-0.4	-0.3	-0.1	0.1	0.2	0.2
Industrial production	0.0	0.1	0.2	0.0	0.1	0.1	-0.3	-0.2	-0.5	-0.5	-0.2	
Retail sales	-0.7	-0.2	-0.9	-0.2	-0.3	-0.2	-0.7	0.0	-0.4	0.0	0.3	0.6
Exports	-0.3	-0.5	-2.1	0.7	-0.3	-1.0	-0.2	-1.3	-1.0	-1.3	-0.9	
CPI	0.8	0.5	0.5	0.5	0.2	0.2	-0.2	-0.4	-0.4	-0.3	-0.3	-0.5
Unemployment Rate	1.2	1.2	1.1	0.9	0.9	0.8	0.8	0.9	1.0	1.1		

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* The Indicators are all transformed into "z-scores", i.e. deviations from the long-term average value (expressed in standard deviation), the average of which is zero (except for the PMI/ISM indices where the average is 50, the threshold between the expansion zone and the contraction zone of the activity). Positive (negative) values indicate the number of standard deviations above (below) the mean value.
Reading note: the red colour indicates dynamic activity, high inflation and low unemployment, the blue colour indicates slower activity, low inflation and high unemployment.

GDP growth

Actual					Carry-over	Forecast		Annual forecasts (y/y)		
Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q4 2023	Q3 2024	Q4 2024	2023 (observed)	2024	2025
0.0	-0.1	-0.3	0.7	0.5	-0.3	0.3	0.3	0.3	1.0	1.5

Source: Refinitiv, BNP Paribas

The BoJ is still waiting

Activity surveys were negative in October. Jibun Bank's preliminary survey reported a decline in the manufacturing PMI to 49.0 (-0.7pp). The decline was more pronounced for activity in the services sector, with the corresponding PMI losing 3.8pp to 49.3, contracting for the first time since June. According to the Bank of Japan's (BoJ) quarterly Tankan survey, the overall business climate improved slightly in Q3, but remained stable for large manufacturing companies. We expect growth to fall to +0.3% q/q in Q3 (-0.4pp compared to Q2 2024), due to the dissipation of the technical upturn that had buoyed it in the previous quarter.

Inflationary pressures diminished in September. Core inflation (excluding unprocessed food) fell to +2.4% y/y (-0.4pp) for the first time since April. The result comes from a monthly decline in the index (-0.4%), due to the reinstatement of subsidies for electricity bills. At the same time, new core inflation, also excluding energy, rose to +2.1% y/y (+0.1pp). In addition, the rise in the price of services continued to slow (+1.3% y/y), failing to bring the manifestation of a wage-price cycle allowing monetary tightening to continue. Finally, October's Tokyo CPI figures (core inflation down to +1.8% y/y, -0.2pp) suggested a continuation of the downward trend at national level.

The labour market remained under pressure in August, with the unemployment rate falling to 2.5% (-0.2pp). In terms of income, salary growth excluding bonuses has remained at unprecedented levels since 1993, amounting to +2.4% y/y (+0.2pp). On the other hand, after two months of progress, the real wage index has deteriorated again (-0.8% y/y). The other hard data available for August displayed a contrasting picture, between the decline in industrial production (-3.3% m/m) and new core orders for machines (-1.9% m/m) on the one hand and the increase in household spending (+2.0% m/m) on the other, while remaining below its level a year ago (-1.9% y/y).

The BoJ has started a very gradual hiking cycle of its policy rate, currently at +0.25%, which can hardly go much faster given the inflationary pressures which remain very contained. However, Governor Kazuo Ueda admitted the risks associated with excessive caution, which the weakening of the JPY (USD/JPY at 151.89 on 24 October) also highlights. At the same time, the early parliamentary elections (held on 27 October) have resulted in a weakening of the political position of the new Prime Minister, Shigeru Ishiba.

Anis Bensaidani (article completed on 29 October 2024)

Japan: economic indicators monthly changes*

	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24
PMI: Manufacturing	-0.3	-0.4	-0.5	-0.5	-0.7	-0.4	-0.1	0.1	0.0	-0.2	0.0	0.0
PMI: Services	0.3	0.2	0.3	0.6	0.6	0.8	0.9	0.8	-0.1	0.7	0.7	0.6
PMI Manufacturing New export orders	-0.6	-0.6	-0.7	-0.5	-0.7	-1.1	-0.2	-0.2	-0.4	-0.3	-0.5	-0.6
PMI Manufacturing -Employment	-0.3	-0.1	0.0	-0.2	-0.5	0.3	1.1	0.8	0.6	0.5	0.4	0.1
Consumer confidence	-0.7	-0.6	-0.5	-0.3	-0.1	-0.1	-0.3	-0.7	-0.6	-0.6	-0.6	-0.5
Industrial production	-0.1	-0.2	0.0	-0.3	-0.8	-0.3	-0.5	0.1	-0.5	0.0	-0.3	
Private machinery order excluding volatile orders	0.2	-0.1	0.1	-0.1	0.6	0.9	0.6	0.3	0.5	0.5	0.3	
Retail sales	1.0	1.4	0.4	0.3	1.2	0.0	0.3	0.6	0.9	0.5	0.6	
Exports	-0.2	-0.5	0.3	0.2	0.1	0.1	-0.1	0.5	0.1	0.3	0.1	
CPI	2.2	1.8	1.6	1.3	1.7	1.6	1.5	1.7	1.7	1.7	1.8	1.4
Core CPI	3.0	2.8	2.7	2.5	2.2	2.0	1.6	1.4	1.3	1.2	1.3	1.2
Unemployment rate	1.2	1.2	1.2	1.3	1.1	1.1	1.1	1.1	1.2	1.0	1.2	
Employment	-0.1	0.6	0.3	0.0	0.7	0.1	-0.3	0.0	0.2	0.0	0.4	
Wage	1.2	1.0	1.2	3.2	3.5	3.4	3.4	3.6	3.6	3.6	4.1	

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Reading note: the red colour indicates dynamic activity, high inflation and low unemployment, the blue colour indicates slower activity, low inflation and high unemployment.

GDP growth

Actual					Carry-over	Forecast		Annual forecasts (y/y)		
Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q4 2023	Q3 2024	Q4 2024	2023 (observed)	2024	2025
0.7	-1.1	0.1	-0.6	0.7	-0.3	0.3	0.2	1.7	-0.2	0.7

Source: Refinitiv, BNP Paribas

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