ECONOMIC PULSE

UNITED STATES: EMPLOYMENT HOLDS AS GROWTH SLOWS

US GDP growth was revised slightly downwards (-0.1 point) for Q1 2022, bringing the contraction in the annualised quarterly growth rate to -1.5%, contrary to expectations of a smaller contraction of only -1.3%. This correction can be attributed to a lower-than-expected private inventory investment (contribution of -1.1 points) as well as to the smaller contribution of investment (+1.2 point), especially residential investment. These revisions were partly offset by an increase in consumer spending of both goods and services (+2.1 points). Increases in exports and imports of goods cancelled each other out, leaving foreign trade's net contribution unchanged (-3.2 points).

The strong increase in household consumption in Q1 is no less surprising given the inflationary environment, especially since inflation continued to rise in April (+0.7% m/m in real terms, vs +0.5% m/m in March). We should nonetheless expect consumption to slow over the next several months. According to the Conference Board index, consumer confidence fell 2.2 points to 106.4 in May (from 108.6 in April), with a bigger drop in the assessment of the current situation (-3.3 points) than in future expectations (-1.5 points). The final Index of Consumer Sentiment, published by the University of Michigan, declined in May (58.4), largely driven by negative views on current buying conditions for houses and durable goods. The ISM business climate indexes are still holding comfortably in expansion. The manufacturing index even rebounded slightly in May (to 56.1, from 55.4 in April), while the services index deteriorated slightly (56 compared to 57 in April).

The robust performance of the job market, a key stronghold against the inflationary shock, was confirmed as the unemployment rate slipped to 3.6%, its lowest level in fifty years. Job creations slowed but were still dynamic (+390,000 jobs m/m), notably in the leisure and hospitality, in professional and business services and in transportation and hospitality sectors. The job market participation rate improved slightly to 62.3%, but is still below the February 2020 level of 63.4%, prior to the Covid-19 crisis. The job market's dynamic momentum can also be seen in wage growth, which was more vigorous. The Average hourly earnings (AHE) increased 0.3% in April, lifted mainly by earnings increases in the IT, financial services, and professional and business services.

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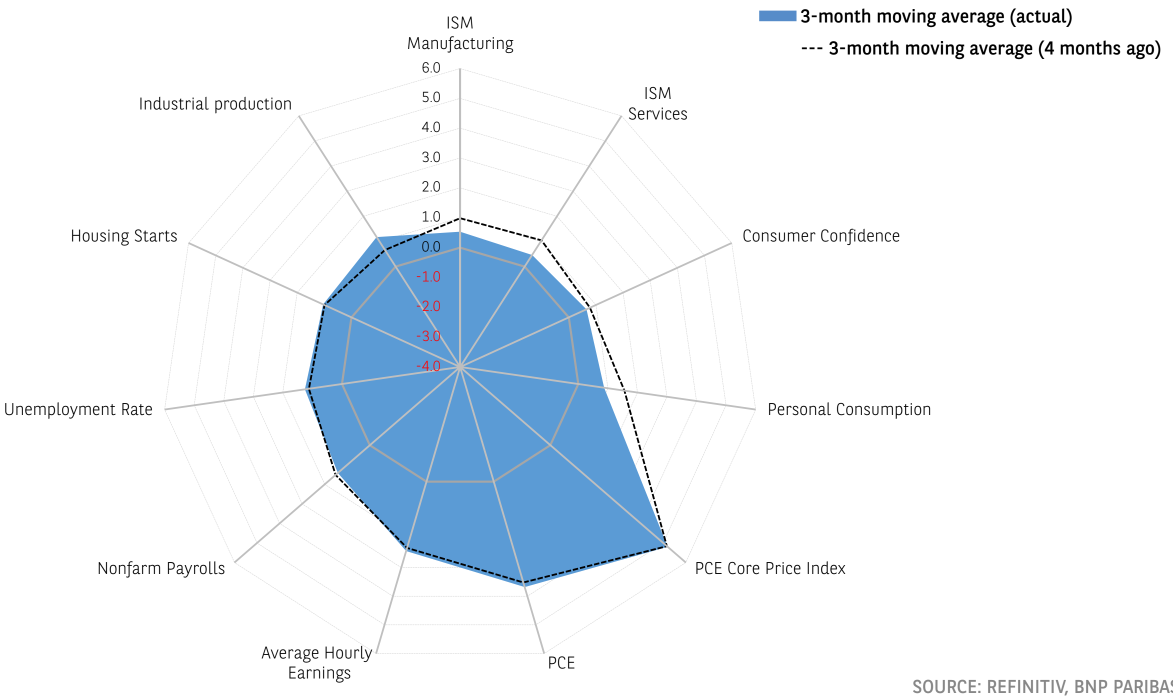
UNITED STATES: QUARTERLY CHANGES



SOURCE: REFINITIV, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +6. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.