ECONOMIC PULSE

UNITED STATES: EMPLOYMENT SHOWS RESILIENCE

According to the preliminary estimate by the Bureau of Economic Analysis (BEA), annualised quarterly growth in US GDP rebounded sharply in Q3 to 2.6%, following two quarters of negative growth (respectively -1.6% in Q1 and -0.6% in Q2). The upturn in growth was driven mainly by the significant contribution from foreign trade (2.8 percentage points), which was based on the very strong increase in exports of goods and services (+14.4%), while imports fell sharply (-6.9%). Consumer spending (contribution of one percentage point) is holding up quite well given the extent of the inflationary shock. On the other hand, residential fixed investment continued to fall (for the sixth consecutive quarter) and the downward trend was accentuated (negative contribution of -1.4 percentage points). As for non-residential fixed investment, after a slump in Q2 it showed quite a strong recovery in Q3 (+3.7%). After consumer spending it was the component of GDP that recovered best compared to its pre-pandemic level (+7% higher for consumer spending thanks to durable goods, +4% higher for non-residential fixed investment).

Although the upturn in growth in Q3 proves that the American economy is not yet in recession, the latest monthly indicators nonetheless indicate that consumption is slowing. Year-on-year, real spending only increased by 1.9% in September compared with +5.6% at the beginning of the year. And this increase came at the cost of a sharp drop in savings, with household purchasing power falling by around 3% year-on-year in September, squeezed by inflation of 6.2% year-on-year, the highest level for 40 years. The household savings rate fell to 3.1%, close to its historic low of 2.1% seen in July 2005. This dynamic is not sustainable, and we should expect a fall in consumer spending in the not too distant future.

For the time being, the good performance of the labour market continues to support purchasing power (or at least limit its decline). It is true that the unemployment rate rose slightly in October (+0.2 points to 3.7%). But the creation of nonfarm payrolls remained significant (+261,000 m/m), albeit at a slower pace than in September (315,000 after upward revision) and August (292,000), as did the increase in the nominal average hourly earnings (+4.7% year-on-year in October after +5% in September and +5.2% in August).

The continued low unemployment rate and the very high level of inflation mean that the Federal Reserve (Fed) is compelled to continue with the enforced tightening of its monetary policy. At its November meeting, the Fed raised the Fed Funds rate by a further 75 basis points (the fourth increase of its kind), bringing it to 3.75%-4%, while pointing out that at some point the extent of future rises would slow down.

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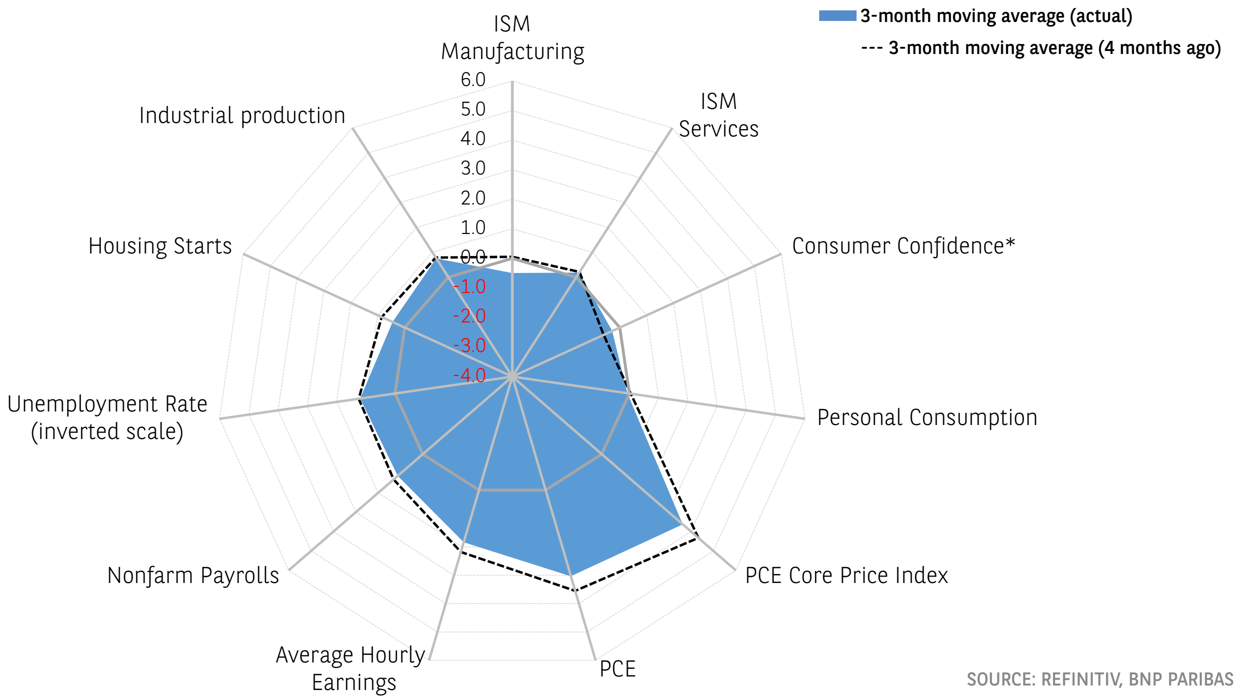
UNITED STATES: QUARTERLY CHANGES



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.