

# ECONOMIC PULSE

## EUROZONE : CONFIDENCE SURVEYS SHOW SOME RESILIENCE IN SEPTEMBER

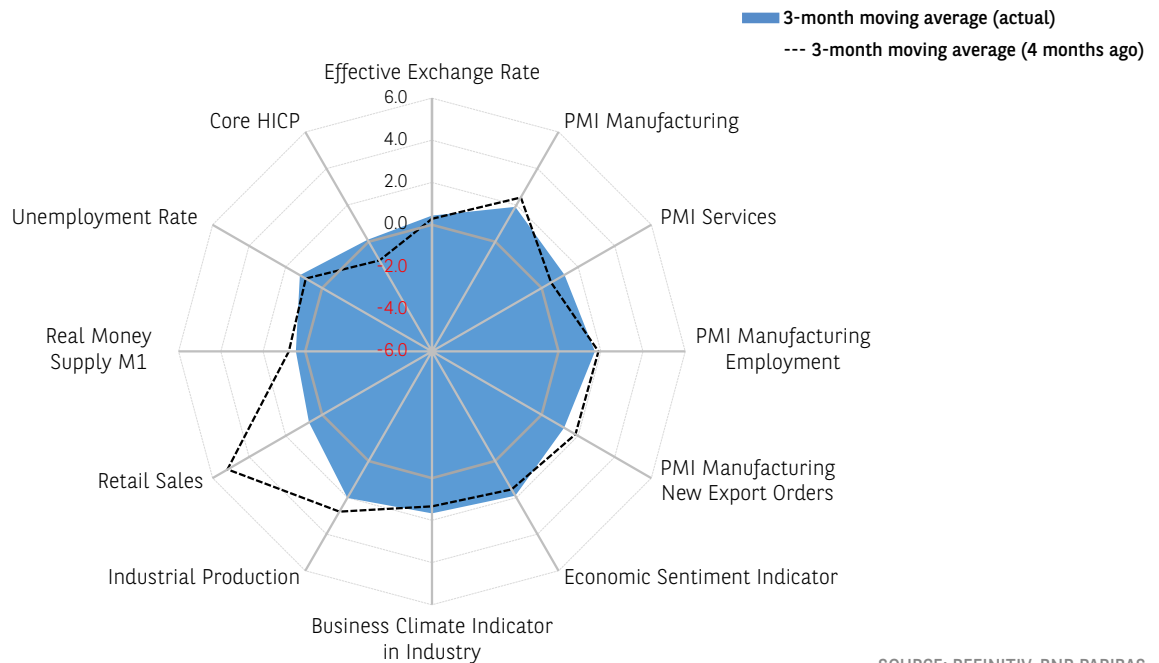
According to our Pulse, the economic situation in the euro zone remains good (the blue area exceeds the grey hendecagon indicating the long-term average of the various indicators) and is relatively stable relative to the previous three months (the blue area is close to that delimited by the dotted line), with the notable exception of retail sales. This exception is not a cause of concern: the fall in year-on-year growth rates (since May) reflects a normalisation after the average for the previous three months was skewed upwards by the highly favourable base effect in March and April. Even so, we will pay close attention to this indicator over the next few months as it will show us to what extent the current surge in inflation is eating into household consumption. The good news, in the meantime, comes from the dampening effect of a well-oriented labour market (the unemployment rate fell to 7.5% in August, the same level as in December 2019, before the crisis). It is also worth keeping in mind that in August 2021 retail sales (excluding cars) were more than 4% above their pre-Covid levels, a performance driven by Germany and France (where retail sales were 7% and 5% respectively above their pre-crisis levels). In Italy, the indicator has only just returned to its pre-Covid level and in Spain it is still 3% lower. It is interesting to note that the league table is reversed when it comes to industrial production (excluding construction), except for Spain where production is also still below its pre-crisis level (by 1%). In Italy, production exceeded pre-Covid levels by 3% in July (the latest figure available), whilst in Germany and France it was 7% and 2% lower respectively, affected by the difficulties in the automotive sector. At the aggregate euro zone level, production in July (latest figure available) was nevertheless 2% above its pre-crisis level.

Turning to business climate surveys, the picture that emerges from September's data is one of resilience. Granted, Markit's PMI figures dropped more sharply than in August (with the composite index losing 3 points, after a 1-point fall the month before) but they remained very high (56.2 for the composite, 58.6 for the manufacturing index and 56.4 for services). And the European Commission's sentiment indicator remained unchanged at 118.

Inflation is continuing to surge ahead. Eurostat's preliminary estimate for September 2021 is 3.4% y/y (0.4 of a point higher than in August and nearly 4 points higher than in September 2020), the highest level since September 2008. This increase in inflation continues to be driven mainly by its energy component (which has contributed 1.7 points, or half of the total). There is also a base effect behind the rise in core inflation (at 1.9% this has also been at its highest since the autumn of 2008).

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### EUROZONE: QUARTERLY CHANGES



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.

