

## Waiting for a more significant disinflation

Give or take a few details, the economic overview for February is a carbon copy of the economic overview for January: rather positive in terms of survey data, negative in terms of inflation.

In February, the S&P Global Composite PMI recovered for the 4th month in a row, returning to its June 2022 level (52). The February improvement was even better than in January (+1.7 points after a 1-point gain), thanks to the improvement in the services index. In the manufacturing sector, the noteworthy news is the uptick of the output component, back slightly above the 50 threshold. By contrast, the European commission Economic Sentiment Index did not improve further, with positive developments in consumer, retail and construction confidence being offset by the downturn in industry and services.

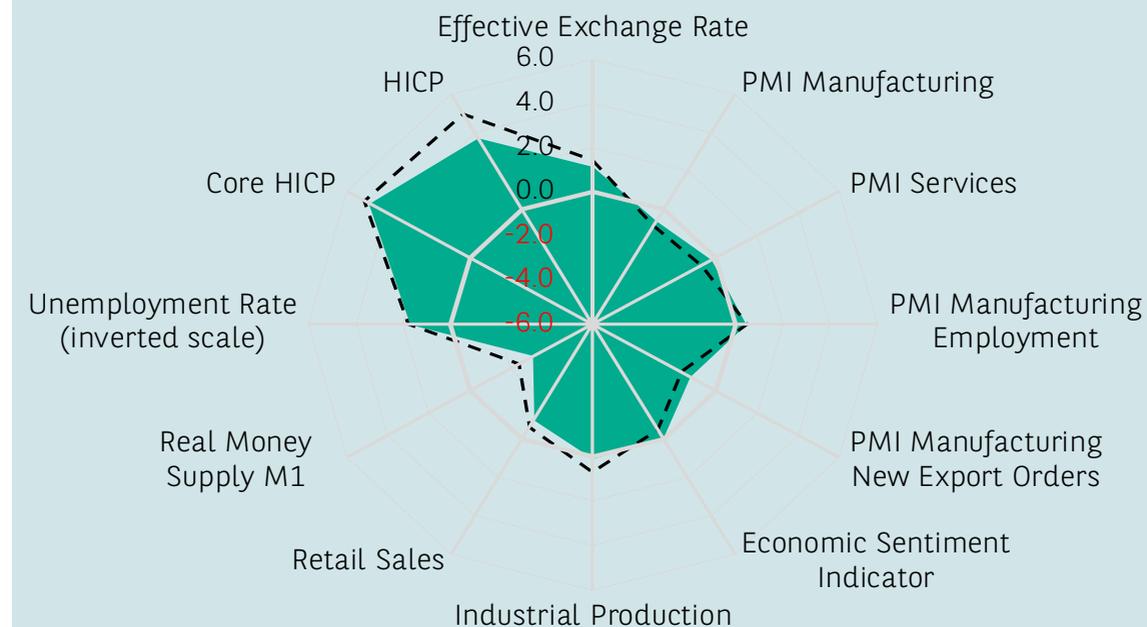
Some signs of stabilisation are emerging on the labour market front. The unemployment rate is no more declining (unchanged at 6.7% from November 2022 to January 2023) and the vacancy rate is no more rising (3.1% in Q4 2022 and Q3). Hiring difficulties have lessened slightly over the past two quarters. In February, the employment component in surveys was eroded.

Inflation barely slowed in February (8.5% YoY, after reaching 8.6% in January). The drop in the contribution of the energy component was marked (-0.5 points), but was offset by the 0.2-point increase in the contribution of the food component and services prices, while the price of goods remained unchanged. Core inflation therefore continued to rise (5.6% YoY, after reaching 5.3% in January). Although not really surprising, these developments are concerning. Major pockets of inflation resistance and persistence remain, as illustrated by the marked rise in hourly labour costs in Q4 2022 (5.7% YoY). As a result, the ECB raised its policy rates again by 50 bps at its meeting on 16 March.

The contraction is infinitesimal but ultimately there is a negative sign ahead of the Q4 2022 growth figure (-0.03% QoQ compared to +0.1% according to the initial estimate). The contraction we expected in Q1 2023 according to our January forecasts has, in turn, made way for a zero-growth forecast, bearing in mind data and developments which have been more favourable than expected. Our nowcast is slightly more positive (+0.1% QoQ).

Hélène Baudchon (article completed on 20/03/2023)

### Eurozone: economic indicators 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 -6 and +6. In the radar chart, the green 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.

### Eurozone: GDP growth

Actual			Carry-over	Nowcast	Forecast			Annual growth forecasts (y/y)		
Q2 2022	Q3 2022	Q4 2022	Q4 2022	Q1 2023	Q1 2023	Q2 2023	Q3 2023	2022 (observed)	2023	2024
0.9	0.4	-0.0	0.4	0.1	0.0	0.3	0.2	3.5	0.7	0.8

[See the Nowcast methodology](#)  
Source: Refinitiv, BNP Paribas



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