ECONOMIC PULSE

EUROZONE: FIRST SIGNS OF STABILISATION, BUT THERE IS STILL A LONG WAY TO GO

The most recent economic data in the Eurozone send an encouraging signal. The economic situation remains subdued, and particularly in the manufacturing and export sector, but a start of stabilisation can be expected. From the domestic side, the labour market is still resilient helping to support household consumption. The unemployment rate remains below its long term average and is still not rising despite the relatively lasting weakness of economic growth. Retail sales are better oriented and have converged to their long term average, thereby beating market expectations. The monetary development measured by the monetary aggregate M1 looks favourable, which bodes well for economic growth in the quarters ahead.

At the same time, the core inflation dynamics have been slightly more pronounced recently. A significant acceleration in prices seems however unlikely in the short term and the financing conditions within the eurozone should thus remain very accomodative. Turning to the external side, although many issues still need to be adressed, news is quite better than we expected a few months ago, and the general trend is towards stabilisation. For instance, the "new export orders" component of the PMI (Purchasing Managers Index) is still at a low level versus its long term average but displays a certain improvement..
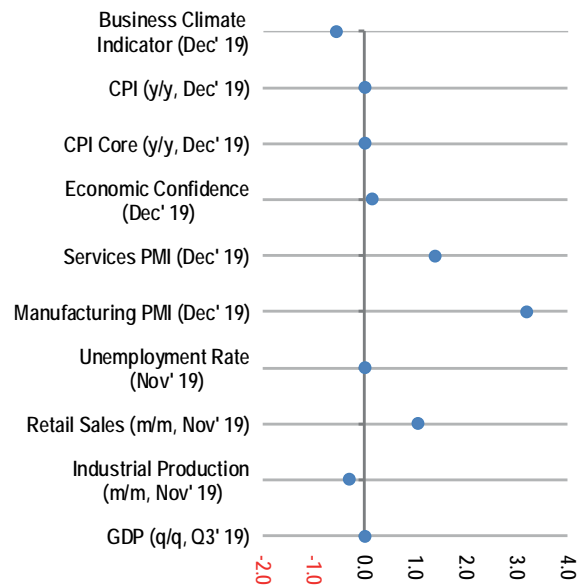
Louis Boisset

QUATERLY CHANGES
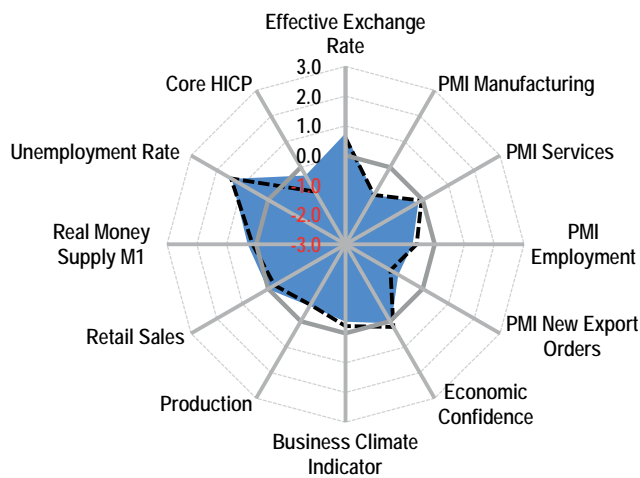
SOURCE: THOMSON REUTERS, BNP PARIBAS

SURPRISE (Z-SCORE)

SOURCE: BLOOMBERG, BNP PARIBAS

Note : the indicators in the radar and surprise charts are all transformed into z-scores. By construction, the z-scores have mean zero and their values, which indicate how far the indicator is removed from its long-term average, are in the interval between -3 and 3 in almost all cases. 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 signals an improvement. In the right pane, the surprise is an actual outcome that differs from the market forecast (Bloomberg).

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