

## Losing momentum

After proving resilient, the PMI surveys for the services sector are deteriorating more significantly. The indicator lost 3 points in August to 47.9, the lowest level seen since February 2021. In particular, the sub-indices relating to employment and new business creation fell significantly. In the manufacturing sector, the PMI rose slightly (+0.8 points to 43.5 points), but still indicates a significant downturn in industrial activity. Industrial production has indeed fallen since the beginning of the year, but not as sharply as suggested by business surveys. Activity in the industries most affected by rising energy prices (chemicals, metallurgy) contracted significantly. This was partly offset by a rebound in transport equipment production. However, weak demand is increasingly slowing company production, according to the European Commission's quarterly survey. At the same time, supply shortages (equipment, labour) are easing but remain significant.

These less encouraging outlooks on the corporate side are not currently reflected in household confidence, which has been moving in the opposite direction to inflation for nearly two years. Consumer confidence has therefore improved over the past few months, in line with the slowdown in consumer prices. The Harmonized Index of Consumer Prices (HICP) fell back to 5.2% y/y in August, at a pace marginally below core inflation (5.3% y/y). However, the fall in headline inflation is beginning to stall, after several months of decline, as energy deflation recedes.

The labour market in the eurozone continued to be resilient in July, as the unemployment rate remains stable at 6.4%. We do not foresee a recession in the eurozone, but a stagnation of activity in H2, followed by a slight recovery in 2024. At 0.6% as an annual average in 2023, our growth forecast is similar to the OECD forecast (as at 19 September), but slightly lower than the projections of the ECB (0.7% as at 14 September) and the European Commission (0.8% as at 11 September). Similarly to 2022, dynamics will be far from uniform among eurozone countries in 2023. Germany and, to a lesser extent, France should push growth figures down, while Italy, and especially Spain, should provide the main support for growth.

Guillaume Derrien (completed on 20 September 2023)

## Eurozone: economic indicators monthly changes

	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23
Economic Sentiment Indicator (ESI)	-0,5	-0,5	-0,4	-0,2	0,0	0,0	-0,1	-0,1	-0,3	-0,4	-0,5	-0,6
ESI - Manufacturing	0,4	0,3	0,2	0,3	0,4	0,4	0,3	0,0	-0,2	-0,4	-0,6	-0,8
ESI - Services	0,0	-0,2	-0,1	0,2	0,4	0,3	0,3	0,4	0,2	0,0	0,0	-0,1
ESI - Retail sales	-0,2	0,0	0,0	0,4	0,7	0,7	0,6	0,7	0,1	0,0	0,2	0,1
ESI - Construction	1,0	1,2	1,1	1,2	1,0	1,0	1,0	0,9	0,9	0,7	0,6	0,5
Consumer confidence	-3,2	-2,9	-2,1	-1,8	-1,5	-1,2	-1,3	-1,0	-0,9	-0,7	-0,5	-0,7
PMI Manufacturing	-0,3	-0,7	-0,6	-0,4	-0,2	-0,3	-0,5	-0,8	-1,0	-1,3	-1,4	-1,3
PMI Services	-0,2	-0,3	-0,3	0,0	0,2	0,5	1,0	1,2	1,0	0,4	0,2	-0,4
PMI Manufacturing New Export Orders	-1,3	-1,7	-1,4	-1,2	-0,9	-1,1	-0,7	-0,8	-1,4	-1,4	-1,7	-1,5
PMI Manufacturing New Orders	-1,3	-1,8	-1,4	-1,0	-0,7	-0,5	-0,6	-0,8	-1,1	-1,5	-1,6	-1,6
PMI Composite - Employment	0,7	0,7	0,5	0,5	0,6	0,6	0,9	1,3	1,1	0,9	0,4	0,1
Industrial Production	0,8	0,5	0,5	-0,4	0,1	0,3	-0,4	0,0	-0,5	-0,2	-0,4	
Retail Sales	-0,2	-1,0	-1,0	-1,0	-0,8	-0,9	-1,1	-1,0	-0,9	-0,5	-0,4	
New Car registrations	0,5	0,6	0,8	0,6	0,5	0,5	1,4	0,8	0,9	0,8	0,7	1,0
HICP	5,1	5,2	4,6	4,0	3,6	3,4	2,5	2,5	2,0	1,7	1,6	1,6
Core HICP	5,3	5,4	5,0	5,0	4,9	5,0	4,8	4,5	4,1	4,1	3,9	3,6
Unemployment Rate	1,7	1,7	1,7	1,7	1,7	1,7	1,8	1,8	1,8	1,8	1,8	

The indicators are all transformed into "z-scores", i.e. deviations from the long-term average value (expressed in standard deviation), the average of which is zero (except for the PMI/ISM indices where the average is 50, the threshold between the expansion zone and the contraction zone of the activity). Positive (negative) values indicate the number of standard deviations above (below) the mean value.  
Reading note: the red colour indicates dynamic activity, high inflation and low unemployment, the blue colour indicates slower activity, low inflation and high unemployment.

## GDP growth

Actual		Carry-over	Nowcast	Forecast		Annual forecasts (y/y)		
Q3 2022	Q4 2022	Q4 2022	Q3 2023	Q3 2023	Q4 2023	2022 (observed)	2023	2024
0,3	-0,1	0,5	0,0	0,0	0,0	3,4	0,5	0,9

See the [Nowcast methodology](#). Contact: [Tarik Rharrab](#)  
Source: Refinitiv, BNP Paribas



# BNP PARIBAS ECONOMIC RESEARCH

William De Vijlder Chief Economist	+33 1 55 77 47 31	william.devijlder@bnpparibas.com
<b>OECD ECONOMIES AND STATISTICS</b>		
Hélène Baudchon Deputy chief economist, Head - United States	+33 1 58 16 03 63	helene.baudchon@bnpparibas.com
Stéphane Colliac France, Germany	+33 1 42 98 43 86	stephane.colliac@bnpparibas.com
Guillaume Derrien Eurozone, Southern Europe, Japan, United Kingdom - Global trade	+33 1 55 77 71 89	guillaume.a.derrien@bnpparibas.com
Veary Bou, Tarik Rharrab Statistics		
<b>ECONOMIC PROJECTIONS, RELATIONSHIP WITH THE FRENCH NETWORK</b>		
Jean-Luc Proutat Head	+33 1 58 16 73 32	jean-luc.proutat@bnpparibas.com
<b>BANKING ECONOMICS</b>		
Laurent Quignon Head	+33 1 42 98 56 54	laurent.quignon@bnpparibas.com
Céline Choulet	+33 1 43 16 95 54	celine.choulet@bnpparibas.com
Thomas Humblot	+33 1 40 14 30 77	thomas.humblot@bnpparibas.com
Marianne Mueller	+33 1 40 14 48 11	marianne.mueller@bnpparibas.com
<b>EMERGING ECONOMIES AND COUNTRY RISK</b>		
François Faure Head - Argentina, Turkey - Methodology, Modelling	+33 1 42 98 79 82	francois.faure@bnpparibas.com
Christine Peltier Deputy Head - Greater China, Vietnam - Methodology	+33 1 42 98 56 27	christine.peltier@bnpparibas.com
Stéphane Alby Africa (French-speaking countries)	+33 1 42 98 02 04	stephane.alby@bnpparibas.com
Pascal Devaux Middle East, Balkan countries	+33 1 43 16 95 51	pascal.devaux@bnpparibas.com
Hélène Drouot South Korea, Philippines, Thailand, Andean countries	+33 1 42 98 33 00	helene.drouot@bnpparibas.com
Salim Hamad Latin America	+33 1 42 98 74 26	salim.hamad@bnpparibas.com
Cynthia Kalasopatan Antoine Ukraine, Central European countries	+33 1 53 31 59 32	cynthia.kalasopatan.antoine@bnpparibas.com
Johanna Melka India, South Asia, Russia, Kazakhstan	+33 1 58 16 05 84	johanna.melka@bnpparibas.com
Lucas Plé Africa (Portuguese & English-speaking countries)	+33 1 40 14 50 18	lucas.ple@bnpparibas.com
<b>CONTACT MEDIA</b>		
Mickaelle Fils Marie-Luce	+33 1 42 98 48 59	mickaelle.filsmarie-luce@bnpparibas.com

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ECONOMIC RESEARCH | ECOPULSE | 11