

## How resilient is growth ?

The release on Friday 28 April of the first estimate of euro area Q1 2023 GDP growth will quantify the resilience reported by most available surveys and activity data for this quarter. We expect moderate positive growth (+0.3% q/q, forecast slightly revised upwards – by 0.2 percentage points – due to positive economic news) while our Nowcast estimate is flat (0.0%).

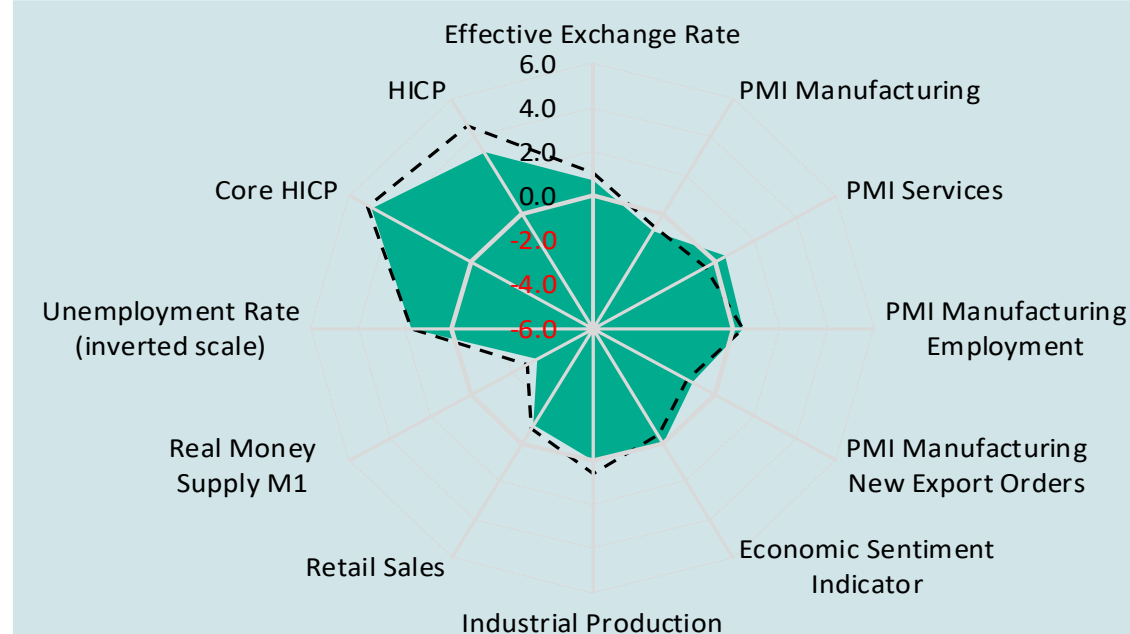
In March, the S&P Global composite PMI continued its recovery, with a fourth consecutive rise (6.4 points in cumulative terms), as strong as in February and still largely driven by services. At 53.7, this index is quite comfortably in the expansion territory. The signal is less positive, however, for the European Commission's economic sentiment indicator (ESI), since over the last two months (February and March), it has not continued its recovery and has fallen slightly. Although modest, its decline in March is noteworthy as it concerns all the sub-components of the indicator (consumer confidence, manufacturing, services, retail trade and construction), which is rather unusual. This could mark a turning point downwards, pointing to the deterioration in growth expected in the second half of 2023 as a result of the inflationary shock and monetary tightening.

On the activity data side, retail sales (excluding motor vehicles) remained on a slight downtrend until February 2023 (the last available reading), while industrial production rebounded significantly in January and February. It mirrors the effect of high inflation on the former and the effect of catching up on the latter, as supply difficulties and the energy shock dissipate. Another good news is that the unemployment rate, which had stabilized at 6.7% from April to December 2022, fell again slightly to 6.6% in January and February 2023 (revised figures).

On the inflation side, the situation remains worrying. As in the United States, headline inflation fell significantly in March (-1.6 percentage points, to 6.9% y/y but only thanks to a favourable and expected base effect on energy prices, down year-on-year (-0.9%), for the first time since February 2021. Food inflation increased further (15.5% y/y, contribution of 3.1 percentage points to headline inflation) as did core inflation (5.7% y/y, contribution of 3.8 pp). Given these figures and the signs of activity resilience, we expect the ECB to raise its key interest rates by another 25 basis points at its next meeting on 4 May. It remains to be seen whether the Bank Lending Survey results for the second quarter of 2023 (released on 2 May), which are expected to show a further tightening of lending standards, will deter the central bank from staying its course.

**Hélène Baudchon** (article completed on 21/04/2023)

### 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	-0.1	0.4	-0.0	0.3	0.2	-0.1	3.5	0.8	0.5

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



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