

The background of the entire page is a photograph of a notebook. The notebook is open, showing several pages. On the left page, there is a bar chart with five bars of increasing height, colored in a rainbow gradient from blue to orange. On the right page, there is a circular diagram with concentric rings and segments, also in a rainbow gradient. A silver pen lies horizontally across the bottom of the notebook pages. The overall scene is brightly lit, suggesting a professional or analytical setting.

ECOPULSE

January 2023

MONTHLY PULSE OF ECONOMIC INDICATORS



BNP PARIBAS

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GERMANY

Recession less severe than anticipated

Business climate indicators in recent months have been affected by the significant impact of the energy shock, as well as by fears that this shock will get worse during the winter. The difficulties linked to the international context (before China's economy opened up again) have also hurt the German economy.

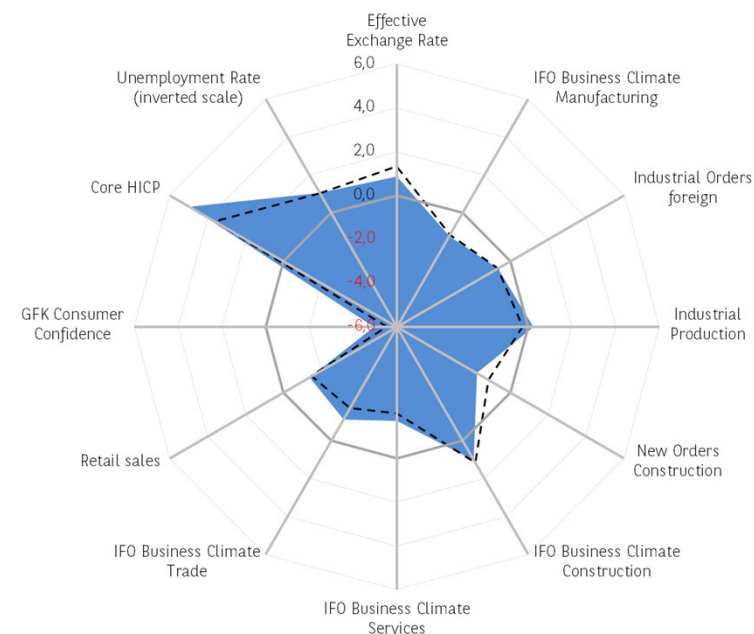
A gap has emerged between the data for consumer confidence, which in 2022 was significantly affected by the rise in inflation, and consumer spending, which managed to grow over the first three quarters. However, the annual consumption data published on 13 January suggests a decline in Q4.

Inflation registered a significant fall in December (8.6% y/y after 10% in November), due to the freeze in energy prices by the federal government. However, core inflation has continued to rise, to 5.4% in December after 5.1% in November (harmonised index).

At the same time the tightness in the labour market continued, against a backdrop of low unemployment (5.5%). This tightness penalised production to a significant degree and this increased in 2022 (according to the European Commission survey), affecting one in three companies in industry and three out of 10 in the services sector at the end of 2022.

German growth is not expected to be as bad in the 4th quarter as might have been expected based on the various surveys. These surveys incorporated uncertainties linked to the extent of the shock on energy during the winter, uncertainties which have been partially removed as shown by the relative resilience of industrial production (a factor which the reopening of the Chinese economy should help to strengthen). Annual growth, published at 1.9%, is consistent with our expectation of a decline in growth, which is expected to remain limited to -0.2% q/q in the 4th quarter.

Economic indicators quarterly changes



Source: Refinitiv, BNP Paribas.

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 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.

GDP growth q/q: actual, carry-over and forecasts

Actual		Forecast		Carry-over	Forecast		Carry-over	Annual growth forecasts (y/y)		
Q1 2022	Q2 2022	Q3 2022	Q4 2022	end 2022	Q1 2023	Q2 2023	mid 2023	2022	2023	2024
0,8	0,1	0,4	-0,1	0,2	-0,4	0,0	-0,3	1,9	-0,2	1,2

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