ECOPULSE

MONTHLY PULSE OF OECD COUNTRIES' ECONOMIC INDICATORS

BNP PARIBAS

The bank for a changing world

GDP figures for Q3 and recent economic data confirm the existing hierarchy among the major developed economies in terms of growth.

The United States and Spain are out in front, with strong growth in Q3 and a favourable outlook for Q4 (albeit with a slight slowdown from 0.7% to 0.5% q/q for the United States). Conversely, Germany and Italy are at the back of the pack, with growth virtually stagnating in Germany (+0.1% q/q) and stalling in Italy (zero growth). In terms of absolute size, these are the two main manufacturing sectors in the euro zone (ahead of France), and both these countries are understandably being hit harder by the difficulties in the manufacturing sector, which are also fairly widespread.

Business climate indicators deteriorated in November, particularly in France and Germany - with the euro zone in their wake - as well as in the UK. In several countries (Germany, UK), manufacturing output is even close to the lowest level recorded post-Covid. In Japan, business climate indicators are consistent with a more stable economy.

The signals sent out by the labour market are mixed, with a clear slowdown in job creation (or even job losses, as in Germany and France) on the one hand, and, on the other, wage dynamics that remain favourable and are even increasing in Germany and, to a lesser extent, in Italy. As a result of these contradictory signals, household confidence is not benefiting fully from the associated gains in purchasing power.

Persistent differences in growth on both sides of the Atlantic could mean a period of divergence in monetary policy ahead. While the ECB is expected to continue its rate cuts, the Fed has signalled through its Chairman, Jerome Powell, that there is no urgency to continue easing monetary policy. At this stage, we are still expecting further easing in December, but a *status quo* seems equally likely. The Bank of England is likely to opt for the *status quo* at its next meeting in December, while the Bank of Japan is likely to hike rates again.

Article completed on 27 November 2024

Eurozone: No respite in industry

Germany: Sluggishness

France: Cooling

Italy: Growth at a standstill

Spain: Strong momentum over the entire year

United States: No need to hurry

United Kingdom: Some positive signs, nonetheless

Japan: Slowdown in growth

EUROZONE

No respite in industry

The PMI indicator for the manufacturing sector fell further into contraction territory in November, down from 46 to 45.2. In particular, the employment index hit its lowest level since August 2020 (45.3). The momentum in services also reversed, with the PMI indicator slipping back below 50 in November, to 49.2. In addition, consumer confidence deteriorated in November (-1.2 points to -13.7, according to the European Commission's flash index) and only marginally increased in the second half of the year.

A turnaround in the labour market now seems likely in 2025, given the deterioration in business surveys, in both the manufacturing and services sectors, and the series of restructuring announcements occurring in recent weeks. However, this deterioration would be mitigated by the boost for growth provided by rising real wages and the gradual decline in interest rates, which would continue until mid-2025.

Negotiated wages in the eurozone surprised on the upside in the third quarter, jumping from 3.5% to 5.4% year-on-year. Nevertheless, this upturn is buoyed by and limited to Germany (annual growth in negotiated wages in France, Italy and Spain stabilised below 3.5% in Q3). Moreover, these results diverge from the *Indeed* aggregate wage index for the eurozone, which showed an increase of only 3.25% y/y in October. Harmonised headline inflation exceeded the 2% mark in October, and is expected to have continued strengthening slightly by the end of the year, due to base effects in energy.

Our Nowcast for Q4 2024 currently stands at 0.3% q/q, which is in line with our forecast. Growth in the euro area is expected to hit an annual average of 0.8% in 2024, with a relatively favourable carry-over effect of 0.5% for 2025. While the risks to growth in the euro area seem to be fairly clearly tilted to the downside, our central scenario remains, at this stage, one of strengthening activity in 2025.

Guillaume Derrien (article completed on 25 November 2024)

Eurozone: economic indicators monthly changes*

	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24
Economic Sentiment Indicator (ESI)	-0.5	-0.3	-0.4	-0.4	-0.3	-0.4	-0.3	-0.4	-0.4	-0.3	-0.3	-0.4
ESI - Manufacturing	-0.7	-0.6	-0.6	-0.7	-0.6	-0.8	-0.7	-0.8	-0.8	-0.7	-0.8	-1.0
ESI - Services	0.0	0.2	0.2	0.0	0.1	0.0	0.1	0.1	-0.1	0.1	0.1	0.1
ESI - Retail sales	-0.2	0.0	0.0	-0.2	-0.1	-0.2	-0.2	-0.3	-0.5	-0.3	-0.4	-0.3
ESI - Construction	0.5	0.6	0.5	0.4	0.4	0.4	0.4	0.3	0.3	0.4	0.4	0.5
Consumer confidence	-0.8	-0.5	-0.7	-0.6	-0.4	-0.4	-0.3	-0.3	-0.1	-0.2	-0.1	0.0
PMI Manufacturing	-1.1	-1.0	-0.6	-0.7	-0.7	-0.8	-0.5	-0.8	-0.8	-0.8	-0.9	-0.7
PMI Services	-0.3	-0.2	-0.3	0.0	0.3	0.7	0.6	0.6	0.4	0.6	0.3	0.3
PMI Manufacturing New Export Orders	-1.2	-1.2	-0.8	-0.8	-0.6	-0.7	-0.4	-0.7	-0.7	-0.8	-1.0	-0.9
PMI Manufacturing New Orders	-1.2	-1.1	-0.7	-0.7	-0.6	-0.8	-0.4	-0.8	-0.8	-0.9	-1.1	-0.8
PMI Composite - Employment	-0.1	-0.1	0.0	0.4	0.3	0.6	0.6	0.3	0.0	0.0	-0.1	-0.2
Industrial Production	-0.9	0.0	-1.1	-1.2	-0.2	-0.6	-0.7	-0.9	-0.4	-0.2	-0.6	
Retail Sales	-0.2	-0.1	-0.3	-0.2	0.1	0.2	0.0	-0.2	0.0	0.5	0.7	
New Car registrations	0.2	-0.2	0.5	0.4	-0.3	0.5	-0.2	0.1	-0.1	-0.9	-0.4	-0.1
HICP	0.1	0.4	0.3	0.2	0.1	0.1	0.2	0.2	0.2	0.0	-0.2	-0.1
Core HICP	1.8	1.7	1.5	1.4	1.2	1.0	1.1	1.1	1.1	1.1	0.9	1.0
Unemployment Rate	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	

| -3 | -2 | -1 | 0 | 1 | 2 | 3 |

* 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 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2023	Q4 2024	Q4 2024	Q1 2025	2023 (observed)	2024	2025
0.1	0.1	0.3	0.2	0.4	0.1	0.3	0.3	0.4	0.5	0.8	1.5

See the Nowcast methodology. Contact: Tarik Rharrab
Source: Refinitiv, BNP Paribas

GERMANY

Sluggishness

According to the latest business climate and household surveys, the German economy is unlikely to rebound for some time yet. In November, the IFO business climate index (85.7) has returned to a level close to its level in September (85.4, its lowest level since May 2020), following a one-off rebound in October (86.5). This return to a low level is mainly explained by the services index in an uncertain political context, with the ousting of Finance Minister C. Lindner suddenly sending Germany into a pre-election period (early elections scheduled for 23 February 2025).
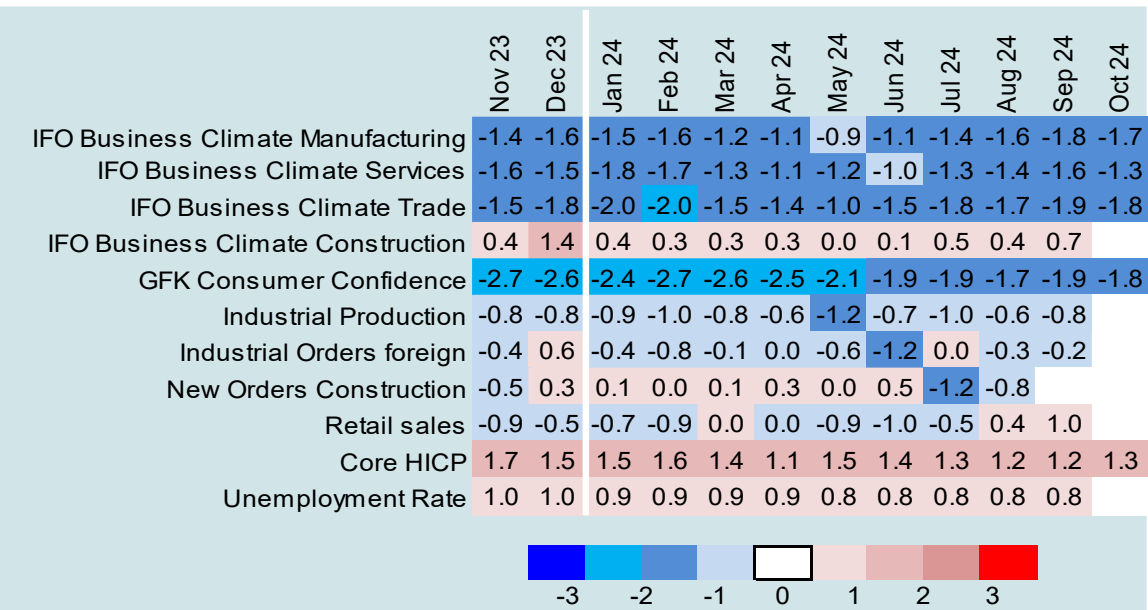
At the same time, growth in negotiated wages accelerated sharply in Q3 (hourly pay up 8.8% y/y), following a fairly lengthy negotiation process (biennial, whereas it is annual in France), and therefore compensating, with a delay, for wages impacted by inflation. This increase in nominal wages could buoy consumption, but this effect is likely to be moderate. Indeed, the household confidence index fell sharply from -18.3 in October to -23.3 in November. This is well below its pre-inflationary crisis level (-6.9 in February 2022 and +5.3 on average between 2001 and 2021).

This fall in household confidence is due to the clear downturn in the labour market, with the IFO's employment climate index at 93.7 in October (the lowest since November 2005, excluding the 2008 recession and COVID crisis periods) and net job losses of almost 76,000 over the last four months. On the negative side, inflation rose to 2.4% y/y in October (harmonised index) from 1.8% in September, and inflation in services even hit 4.8% (from a low of 3.4% y/y in December 2023).

The GDP data shows that the economy has been stagnating for around three years. GDP for Q3 2024 is close to its level in Q4 2021. Growth in Q3 has been revised to 0.1% q/q (from 0.2% in the first estimate), driven by consumption (private and public), but dragged down by exports and investment. Based on our forecast of 0.3% for Q4 2024, the German economy is expected to have contracted slightly in 2024 (-0.1%), as was the case in 2023.

Stéphane Colliac (article completed on 27 November 2024)

Germany: economic indicators monthly changes*

	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24
IFO Business Climate Manufacturing	-1.4	-1.6	-1.5	-1.6	-1.2	-1.1	-0.9	-1.1	-1.4	-1.6	-1.8	-1.7
IFO Business Climate Services	-1.6	-1.5	-1.8	-1.7	-1.3	-1.1	-1.2	-1.0	-1.3	-1.4	-1.6	-1.3
IFO Business Climate Trade	-1.5	-1.8	-2.0	-2.0	-1.5	-1.4	-1.0	-1.5	-1.8	-1.7	-1.9	-1.8
IFO Business Climate Construction	0.4	1.4	0.4	0.3	0.3	0.3	0.0	0.1	0.5	0.4	0.7	
GFK Consumer Confidence	-2.7	-2.6	-2.4	-2.7	-2.6	-2.5	-2.1	-1.9	-1.9	-1.7	-1.9	-1.8
Industrial Production	-0.8	-0.8	-0.9	-1.0	-0.8	-0.6	-1.2	-0.7	-1.0	-0.6	-0.8	
Industrial Orders foreign	-0.4	0.6	-0.4	-0.8	-0.1	0.0	-0.6	-1.2	0.0	-0.3	-0.2	
New Orders Construction	-0.5	0.3	0.1	0.0	0.1	0.3	0.0	0.5	-1.2	-0.8		
Retail sales	-0.9	-0.5	-0.7	-0.9	0.0	0.0	-0.9	-1.0	-0.5	0.4	1.0	
Core HICP	1.7	1.5	1.5	1.6	1.4	1.1	1.5	1.4	1.3	1.2	1.2	1.3
Unemployment Rate	1.0	1.0	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	

-3	-2	-1	0	1	2	3	

* 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. Positive (negative) values indicate the number of standard deviations above (below) the mean value.
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GDP growth

Actual					Carry-over	Forecast		Annual forecasts (y/y)		
Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2023	Q4 2024	Q1 2025	2023 (observed)	2024	2025
0.2	-0.4	0.2	-0.3	0.1	-0.2	0.3	0.3	-0.1	-0.1	0.9

Source: Refinitiv, BNP Paribas

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FRANCE

Cooling

The French economy is deteriorating, as evidenced by the business climate and household confidence. The INSEE composite business climate index is down by one point a month, from 98 to 96 between September and November (long-term average at 100). This deterioration can be seen across all sectors, including services, underlining the fact that the cooling has spread throughout the economy.

Trade is the weakest link, with INSEE indices at 90 for retail trade excluding motor vehicles (down 3 points in November) and 93 for wholesale trade (down 2 points), underlining the low level of demand. Industrial order books show that, within demand, it is investment that is struggling the most, with, in particular, a balance of opinion on order books of -63 in machinery and equipment in November.

Household confidence has deteriorated significantly (from 95 in September to 90 in November), due to a sharp rise in the balance of opinion on the outlook for unemployment (from 28 to 42 in two months). The flash estimate of job creation in the private sector showed job losses for the second quarter in a row (-25,000 in Q3). In addition, while disinflation is clear (harmonised index at +1.6% y/y in October, compared with 4.6% a year earlier), it remains incomplete in terms of services prices (half of the index), which are still rising sharply (2.9% y/y).

We expect growth of 0.1% q/q in Q4 (we have to subtract 0.3 points from our nowcast of 0.4%, as it does not take into account the impact of the Olympic Games, which added 0.3 points to Q3 growth and subtracted them from Q4 growth). Two factors lead us to believe that growth should remain positive despite this negative impact: the rebound in aeronautical exports (after severe production constraints until October) and a small surge in consumption (offers from car manufacturers to top up the bonus for purchases made before the bonus expected tightening). Overall, growth should stand at 1.2% in 2024 (1.1% in 2023), but with a 0.3-point carryover for 2025 (compared with the 0.5-point carryover at the start of 2024).

Stéphane Colliac (article completed on 27 November 2024)

France: economic indicators monthly changes*

	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24
Business climate Manufacturing	-0.1	-0.1	-0.1	0.0	0.2	0.0	-0.1	-0.2	-0.5	-0.2	-0.1	-0.8
Business climate Services	0.0	0.0	0.1	0.0	0.2	0.0	0.2	0.1	-0.4	-0.2	-0.1	0.1
Business climate Construction	0.0	-0.1	0.0	0.0	0.0	-0.3	-0.1	-0.4	-0.5	-0.3	-0.4	-0.4
Business climate Retail sales	-0.4	-0.1	0.4	0.0	0.1	0.2	0.0	-0.1	-0.7	-0.3	-0.1	-0.1
Employment climate	-0.1	0.0	-0.1	0.1	0.0	0.0	0.2	-0.1	-0.5	-0.3	-0.1	-0.3
Consumer confidence	-0.8	-0.6	-0.4	-0.6	-0.4	-0.5	-0.5	-0.5	-0.4	-0.2	0.2	0.1
HICP	1.2	1.4	0.9	0.8	0.3	0.3	0.4	0.4	0.5	0.2	-0.3	-0.2
Core HICP	1.7	1.7	1.4	1.2	0.9	0.9	1.0	1.1	1.0	1.3	0.8	0.7
Unemployment Rate	1.4	1.4	1.4	1.4	1.5	1.5	1.4	1.4	1.3	1.3	1.2	
Consumer spending	-0.4	0.1	-0.4	-0.3	-0.1	-0.1	-0.1	-0.5	-0.4	-0.2	-0.2	
Industrial production	0.3	0.2	0.2	0.0	0.2	0.3	-0.5	-0.2	-0.1	0.1	-0.1	
Exports of goods	-0.6	-0.6	-0.7	-0.5	-0.2	-0.2	-0.9	-0.4	-0.9	-0.6	-0.5	

	-3	-2	-1	0	1	2	3

* 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. Positive (negative) values indicate the number of standard deviations above (below) the mean value.
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GDP growth

Actual					Carry-over	Nowcast	Forecast		Annual forecasts (y/y)		
Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2023	Q4 2024	Q4 2024	Q1 2025	2023 (observed)	2024	2025
0.1	0.5	0.3	0.2	0.4	0.5	0.4	0.1	0.3	1.1	1.2	1.2

See the Nowcast methodology. Contact: Tarik Rharrab
Source: Refinitiv, BNP Paribas

Growth at a standstill

Italian economic activity is surprisingly low at the end of the year. In the third quarter, growth ground to a halt (0.0% q/q). Although early economic indicators suggest that it should be more positive in Q4 (0.4% q/q, according to our forecasts), this would ultimately not be enough for Italy to outperform the eurozone this year (with an estimated average annual growth rate of 0.5% in Italy, compared to 0.8% in the eurozone).

The industrial sector is still under pressure. In September, production declined for the twentieth consecutive month (-3.9% y/y), with this trend set to continue for the rest of the year. The results of the Manufacturing PMI survey point to a further deterioration in the situation in October (46.9; -1.4 pts), caused by a fragile international sales environment (with the new orders component down 0.6 pts, at 45.1 pts) and a weak automotive industry.

However, there is a contrasting trend on the services side. The slowdown seen over the past six months ended in October (Services PMI at 52.4; +1.9 pts), sustaining the improving overall business sentiment (Composite PMI at 51.0; +1.3 pts).

Negotiated wages are continuing to rise (3.5% y/y in Q3) faster than inflation (1.0%; +0.3 pp over one month). This ultimately boosted household confidence in October, after a year of stagnation, helping it to return to its highest level since April 2023 (-14.8). According to the results of the European Commission's survey, the current financial situation of households has improved significantly – it has climbed back to its highest level since January 2022 (10.2; +2.3 pts) – and intentions to make major purchases over the coming year continue to rise (-24.2; +0.2 pts).

As a result, we expect household consumption to contribute slightly more positively to real GDP growth in the second half of 2024. In addition, retail sales rebounded significantly from the levels seen in previous quarters (+0.4% 3m/3m in September), but new vehicle registrations are still plummeting (-2.8% 3m/3m in October).

and 2023.

Lucie Barette (article completed on 25 November 2024)

Italy: economic indicators monthly changes*

	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24
Business climate - Manufacturing	-0.1	0.2	0.2	0.3	0.2	0.4	0.2	0.3	0.4	0.4	0.7	0.0
Business climate - Construction	2.0	2.0	1.8	1.5	1.7	1.5	1.5	1.7	1.7	1.5	1.5	1.7
Business climate - Services	0.7	0.7	0.9	0.7	0.8	0.6	0.6	0.9	0.8	1.0	0.7	
PMI manufacturing new export orders	-1.2	-1.1	-0.6	-0.8	-0.2	-0.8	-1.1	-1.1	-0.9	-0.2	-0.8	-1.3
PMI Composite - Employment	-0.1	0.3	0.2	0.8	0.8	1.1	0.9	0.7	0.6	0.5	0.5	-0.1
Consumer confidence	-0.4	0.0	0.0	0.0	-0.1	-0.5	-0.4	-0.2	0.2	-0.1	0.1	0.2
Industrial production	-0.2	-0.1	-0.3	-0.3	-0.3	-0.2	-0.3	-0.2	-0.3	-0.3	-0.4	
Retail sales	0.2	-0.1	0.1	0.4	0.3	-0.5	0.0	-0.4	0.1	0.1	0.0	
Exports	-0.6	-0.9	-0.3	-0.1	-1.0	0.4	-0.6	-1.0	0.2	-0.9	-0.6	
HICP	-0.6	-0.7	-0.5	-0.5	-0.4	-0.5	-0.5	-0.5	-0.2	-0.3	-0.6	-0.5
Core HICP	1.6	1.3	1.1	0.9	0.6	0.6	0.6	0.5	0.8	0.7	0.3	0.3
Employment	1.1	1.1	0.8	0.8	1.0	1.0	0.9	0.7	1.1	1.0	0.6	
Unemployment Rate	0.9	1.1	1.1	1.1	1.2	1.3	1.3	1.3	1.5	1.6	1.6	
Wage	0.9	5.2	0.9	0.9	1.2	1.5	1.5	1.7	1.6	1.5	1.7	

| -3 | -2 | -1 | 0 | 1 | 2 | 3 |

* 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.
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GDP growth

Actual					Carry-over	Forecast		Annual forecasts (y/y)		
Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2023	Q4 2024	Q1 2025	2023 (observed)	2024	2025
0.2	-0.0	0.3	0.2	-0.0	0.0	0.4	0.3	0.8	0.5	1.1

Source: Refinitiv, BNP Paribas

SPAIN

Strong momentum over the entire year

The end of the year is shaping up to be as dynamic as it has been all year in Spain. After posting even greater growth than expected in Q3 (0.8% q/q compared to an anticipated level of 0.6%), the first available data for Q4 unsurprisingly indicate that the Iberian country will remain at the head of the pack for the four major euro zone economies. According to our forecasts, real GDP should grow by a further 0.7% q/q in the final quarter of the year, bringing average annual growth to 3.0%.

Business sentiment remained very positive in October (Composite PMI at 55.2; -1.1 pts over one month), buoyed by manufacturing activity (54.5; +1.5 pts). As a result, it hit its highest level since February 2022, thanks to a further increase in domestic and foreign demand (with the new orders component up 0.9 pts, at 54.3). On the other hand, the services sector continues to grow at a spectacular pace (54.9), albeit more slowly than in September (-2.2 pts), due to the slowdown in growth in most of its components.

The labour market held up better in October than in recent years. The unemployment rate increased by more than 26,000 people, which is the smallest increase for an October since 2013[1], and the number of people registered with social security saw its highest increase in 22 years[2] (+134,307 people). In addition, the outlook for the labour market remains positive, with business leaders in the manufacturing and services sectors still reporting increased hiring (+1.7 and +0.2 pts, respectively, according to the PMI survey).

Harmonised inflation remained below 2% in October (1.8% y/y), despite increasing slightly (+0.1 pp) as a result of the VAT hike on basic foodstuffs, as well as a base effect on energy prices. This overall slowdown in inflation from the levels seen a few months ago, combined with the continued significant rises in negotiated wages (3.0% y/y in Q3), is helping household purchasing power to continue to recover.

This increase in real income, combined with the gradual decrease in household savings (13.1% of GDI in Q2), is buoying consumption. Economic data from the start of Q4 indicate that this should remain the driving force behind growth, with new vehicle registrations rising again in October (+7.2% y/y), and retail sales volumes up 4.1% y/y.

1 With the exception of 2021 and 2022.   2 With the exception of 2021.

Lucie Barette (article completed on 25 November 2024)

Spain: economic indicators monthly changes*

	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24
Business climate - manufacturing	-0.1	0.2	0.2	0.3	0.2	0.4	0.2	0.3	0.4	0.4	0.7	0.0
Business climate - construction	1.3	1.3	0.8	1.0	1.0	1.2	1.3	0.6	1.1	0.7	1.0	1.2
Business climate - services	0.7	0.7	0.9	0.7	0.8	0.6	0.6	0.9	0.8	1.0	0.7	
PMI manufacturing new export orders	-0.9	-0.6	-0.5	-0.4	0.2	0.2	0.4	0.4	0.1	0.1	0.4	0.7
PMI Composite - e	0.3	0.5	0.6	0.6	0.9	0.9	0.9	0.9	0.6	0.6	1.0	1.1
Consumer confidence	-0.2	-0.2	-0.2	0.0	0.1	0.2	0.2	0.3	0.3	0.2	0.4	
Industrial production	0.1	-0.1	0.0	0.2	-0.2	0.1	0.1	0.1	0.1	0.1	0.2	
Retail sales	1.5	1.3	0.4	0.7	0.4	0.3	0.2	0.3	0.3	0.4	0.5	
Exports	-1.0	-1.3	-0.7	-0.7	-2.0	0.8	-0.3	-0.7	0.3	-0.3	-0.3	
HICP	0.5	0.5	0.6	0.3	0.5	0.5	0.7	0.6	0.3	0.1	-0.2	-0.2
Core HICP	1.5	1.6	1.3	1.4	1.2	0.9	1.1	1.2	1.0	1.0	0.9	0.7
Employment	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Wage	0.5	0.4	-0.2	-0.2	-0.3	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5
Unemployment Rate	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	

	-3	-2	-1	0	1	2	3

* 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	Forecast		Annual forecasts (y/y)		
Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2023	Q4 2024	Q1 2025	2023 (observed)	2024	2025
0.7	0.7	0.9	0.8	0.8	0.9	0.7	0.6	2.7	3.0	2.5

Source: Refinitiv, BNP Paribas

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BNP PARIBAS

UNITED STATES

No need to hurry

Economic growth in the United States remained strong in Q3, with GDP growth of +0.7% q/q (stable compared to Q2). The acceleration in household consumption (+0.9% q/q, +0.2 pp) confirmed its role as a growth driver, while non-residential investment (+0.8% q/q) and government spending (+1.2% q/q) also made a positive contribution. Conversely, residential investment and net exports were a drag. In Q4, we expect growth to decline slightly to +0.5% q/q, which would bring the average annual growth rate to +2.7% (-0.2 pp) for 2024 as a whole.

According to the early activity surveys for Q4, sectoral divergence is continuing. The decline in the "output" component (46.2, -3.6 pp) caused the ISM Manufacturing index to fall to 46.5 (-0.7 pp) in October, while the ISM Non-Manufacturing index rose for the fourth consecutive month and hit a two-year high of 56.0 (+1.1 pp). In this sector, business and new orders are nonetheless slowing. However, hiring returned to positive territory (53.0, +4.9 pp) and deliveries were slower, indicating more dynamic activity.

Job gains collapsed in October from +223k to +12k, the lowest level seen since February 2019 (excluding the pandemic). However, monthly data were severely affected by Boeing's workers' strike (employment in the "goods production" sector fell by -37k), with adverse weather conditions also hampering data collection. The unemployment rate remained stable at 4.1%, while wages accelerated marginally (+4.0% y/y, +0.1 pp).

On the inflation side, base effects explain the first annual CPI increase in 7 months, to +2.6% (seasonally adjusted data, +0.2 pp), and the annualised 3m/3m to +1.9% (+0.7 pp). At the same time, core disinflation did not make further progress: it remained stable in year-on-year terms (+3.3%) and also on a monthly basis (+0.3%). The FOMC meeting on 6-7 November resulted in an expected cut of 25 bps in the Fed funds target to 4.50%-4.75%. This move is justified by the risks, which were "roughly in balance", around the dual mandate of the Federal Reserve. Jerome Powell also stated that the presidential election would "in the near term, have no effects on our [the FOMC's] policy decisions". Subsequently, he indicated that the Committee was in no hurry to keep easing the monetary policy given the current macroeconomic conditions.

Anis Bensaidani (article completed on 22 November 2024)

United States: economic indicators monthly changes*

	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24
ISM Manufacturing	-0.7	-0.6	-0.2	-0.5	0.1	-0.2	-0.3	-0.3	-0.7	-0.6	-0.6	-0.7
ISM Services	0.6	0.1	0.8	0.6	0.3	-0.1	0.9	-0.3	0.3	0.4	1.2	1.4
ISM Services - Employment	0.1	-1.2	0.1	-0.4	-0.3	-0.8	-0.6	-0.8	0.2	0.0	-0.4	0.6
ISM Manufaturing - Employment	-0.7	-0.4	-0.5	-0.7	-0.5	-0.2	0.2	-0.1	-1.2	-2.7	-1.1	-1.0
Consumer confidence (Univ. of Michigan)	-1.5	-0.8	-0.1	-0.3	-0.1	-0.3	-0.9	-1.0	-1.1	-1.0	-0.8	-0.8
Consumer confidence (Conf. Board)	0.3	0.6	0.7	0.5	0.4	0.2	0.3	0.2	0.4	0.5	0.3	0.6
Industrial production	-0.2	0.0	-0.4	-0.2	-0.2	-0.3	-0.1	0.1	-0.2	-0.1	-0.3	-0.2
Building permits	0.6	0.6	0.5	0.7	0.5	0.4	0.3	0.4	0.3	0.5	0.4	0.3
Retail Sales	-0.1	0.2	-0.7	-0.4	-0.1	-0.3	-0.3	-0.4	-0.2	-0.4	-0.4	-0.2
Nominal Real Personal Consumption	0.3	0.5	-0.1	0.0	0.2	0.1	0.2	0.2	0.3	0.3		
Household purchasing power	0.7	0.6	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2		
PCE deflator	0.3	0.3	0.2	0.2	0.4	0.3	0.2	0.1	0.2	0.0	-0.1	
Core PCE deflator	1.0	0.8	0.9	0.7	0.8	0.7	0.5	0.5	0.5	0.5	0.5	
CPI	0.3	0.4	0.3	0.3	0.5	0.4	0.3	0.2	0.2	0.0	-0.1	0.0
Core CPI	1.3	1.2	1.2	1.1	1.1	1.0	0.8	0.7	0.6	0.7	0.7	0.7
Nonfarm Payrolls	0.3	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	
Unemployment Rate	1.0	1.0	1.0	0.9	1.0	0.9	0.9	0.8	0.7	0.8	0.8	0.8

| -3 | -2 | -1 | 0 | 1 | 2 | 3 |

* 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	GDPNow	Forecast		Annual forecasts (y/y)		
Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2023	Q4 2024	Q4 2024	Q1 2025	2023 (observed)	2024	2025
1.1	0.8	0.4	0.7	0.7	1.3	0.7	0.5	0.5	2.9	2.7	2.1

Source: Refinitiv, BNP Paribas

BNP PARIBAS

The bank for a changing world

Some positive signs, nonetheless

The decline in the PMI indices is less pronounced in the United Kingdom than in the eurozone, but it has been well underway since this autumn: the composite PMI fell by 1.8 points to 49.9 in November, with a deterioration in both the manufacturing sector (-1.3 points to 48.6) and in services (-2 points to 50). In addition, industrial production hit a post-Covid low in September, on a three-month moving average basis. As with industry, the residential construction sector remains depressed, with the PMI down 4.9 points to 49.4 in November. This follows a further contraction in housing construction (excluding social housing) of 0.7% in Q3, after a decline of 2.2% q/q in Q2.

However, these dynamics are offset by a recovery in consumption and other investment items. According to preliminary figures from the ONS, household final consumption and business investment, excluding housing construction, grew by 0.5% q/q and 1.2% q/q, respectively, in Q3, up for the third quarter in a row. While retail sales fell by 0.7% m/m in October, they edged higher on a three-month moving average basis.

Inflation rebounded in October from 1.7% to 2.3% y/y, driven mainly by the increase in the price cap on gas and electricity, which took effect that month. At 5.0%, inflation in services is not falling – it remains particularly high in health and education. The room for maneuver is therefore still limited for the Bank of England, which is expected to opt for the *status quo* at the MPC meeting on 19 December.

Real GDP growth for Q3 came in below expectations at 0.1% q/q. The increase in consumption and investment mentioned above was partly offset by the decline in exports, and especially by the effects of lower inventories. The support provided by the decline in interest rates to activity is still limited but will play more favourably in Q4 2024 and even more so in 2025. We expect growth to rebound to 0.3% q/q in the fourth quarter, before strengthening and stabilising at 0.4% quarter-on-quarter for 2025 as a whole.

Guillaume Derrien (article completed on 25 November 2024)

United Kingdom: economic indicators monthly changes*

	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24
PMI manufacturing	-0.6	-0.8	-0.6	-0.5	0.1	-0.2	0.2	0.2	0.4	0.5	0.3	0.0
PMI manufacturing new export orders	-0.7	-0.6	-0.5	-1.2	-0.5	-0.4	-0.1	-0.4	0.0	-0.6	-0.4	-0.8
PMI manufacturing employment	-0.6	-0.8	-0.5	-1.4	-0.4	-0.4	-0.2	-0.3	0.2	0.5	-0.2	0.2
PMI services	0.2	0.6	0.8	0.7	0.6	1.0	0.6	0.4	0.5	0.7	0.5	0.4
Business climate manufacturing (volume of Total Order Book)	-0.8	-1.3	-0.7	-1.0	-0.5	-0.4	-0.6	-1.2	-0.4	-1.1	-0.6	-1.3
Consumer confidence	-1.1	-0.7	-0.5	-0.3	-0.4	-0.4	-0.2	-0.1	0.2	0.2	0.2	-0.3
Industrial production	0.1	0.2	0.0	0.1	0.1	-0.3	-0.2	-0.5	-0.5	-0.2	-0.3	
Retail sales	-0.2	-0.9	-0.2	-0.3	-0.2	-0.7	0.0	-0.4	0.0	0.2	0.5	0.3
Exports	-0.5	-2.1	0.7	-0.3	-1.0	-0.2	-1.3	-1.0	-1.3	-0.8	-1.0	
CPI	0.5	0.5	0.5	0.2	0.2	-0.2	-0.4	-0.4	-0.3	-0.3	-0.5	-0.3
Unemployment Rate	1.2	1.1	1.0	0.9	0.8	0.8	0.9	1.0	1.1	0.9		

| -3 | -2 | -1 | 0 | 1 | 2 | 3 |

* 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

[2]					Carry-over	Forecast		Annual forecasts (y/y)		
Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2023	Q4 2024	Q1 2025	2023 (observed)	2024	2025
-0.1	-0.3	0.7	0.5	0.1	-0.3	0.3	0.4	0.3	0.9	1.5

Source: Refinitiv, BNP Paribas

JAPAN

Slowdown in growth

The Japanese economy slowed down in the third quarter, with GDP growth declining to +0.2% q/q (-0.3 pp) – a pace that is expected to continue in the fourth quarter. However, it is worth highlighting the acceleration in private consumption (+0.9% q/q, +0.2 pp). Conversely, investment figures were negative, both for the residential component (-0.1% q/q, -1.5 pp) and the non-residential component (-0.2% q/q, -1.1 pp). The largest negative contribution (-0.4 pp) came from net exports, with growth in imports (+2.1% q/q) significantly exceeding the exports one (+0.4% q/q).

November's activity surveys have showed little change. The Jibun Bank PMI fell marginally in the manufacturing sector and is now in contraction territory for the fifth month in a row (49.0, -0.2 pp). On a positive note, the deterioration in the new export orders sub-component eased (49.2, +3.9 pp). Furthermore, in the services sector, activity edged back into expansion territory (50.2, +0.5 pp). Therefore, the improvement in the composite PMI remained modest (+0.2 pp to +49.8).

Although core inflation (which excludes unprocessed food) fell very slightly, by 0.1 pp to +2.3% y/y in October, prices started to rise again month-on-month (+0.6% m/m), after a fall in September due to the return of subsidised energy bills. Also of note is the acceleration in services prices in year-on-year terms for the first time since June (+1.5% y/y, +0.2 pp).

The situation on the wages front is mixed. On the one hand, in terms of scheduled contractual wages, nominal wage growth accelerated again in September, hitting a 30-year high of +2.5% y/y (+0.1 pp). On the other hand, the measure for full-time employees, which is considered to be more relevant for underlying pressures, remained stable at +2.7% y/y. Real wages fell again to -0.4% y/y. However, the unemployment rate fell to 2.4% (-0.1 pp), which suggests a tight labour market that will help to support wages.

The Bank of Japan (BoJ) meeting on 30-31 October kept the uncollateralized overnight call rate unchanged, at +0.25%. The associated publication of the Q4 Outlook for Economic Activity and Prices reports slightly adjusted forecasts by the members of the Monetary Policy Committee for growth (+1.1% compared with +1.0% in Q3) and core inflation (+1.9% compared with +2.1% previously) for the 2025 fiscal year. This does not alter the BoJ's intention to continue hiking its key rate as per its central scenario.

Anis Bensaidani (article completed on 25 November 2024)

Japan: economic indicators monthly changes*

	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24
PMI: Manufacturing	-0.4	-0.5	-0.5	-0.7	-0.4	-0.1	0.1	0.0	-0.2	0.0	0.0	-0.2
PMI: Services	0.2	0.3	0.6	0.6	0.8	0.9	0.8	-0.1	0.7	0.7	0.6	-0.1
PMI Manufacturing New export orders	-0.6	-0.7	-0.5	-0.7	-1.1	-0.2	-0.2	-0.4	-0.3	-0.5	-0.6	-0.9
PMI Manufacturing -Employment	-0.1	0.0	-0.2	-0.5	0.3	1.1	0.8	0.6	0.5	0.4	0.1	-0.1
Consumer confidence	-0.6	-0.5	-0.3	-0.1	-0.1	-0.3	-0.7	-0.6	-0.6	-0.6	-0.5	-0.7
Industrial production	-0.2	0.0	-0.3	-0.8	-0.3	-0.5	0.1	-0.5	0.0	-0.3	-0.2	
Private machinery order excluding volatile orders	-0.1	0.1	-0.1	0.6	0.9	0.6	0.3	0.5	0.5	0.3	0.2	
Retail sales	1.4	0.4	0.3	1.2	0.0	0.3	0.6	0.9	0.5	0.6	-0.2	
Exports	-0.5	0.3	0.2	0.1	0.1	-0.1	0.5	0.1	0.3	0.1	-0.6	
CPI	1.8	1.6	1.3	1.7	1.6	1.5	1.7	1.7	1.7	1.8	1.4	1.3
Core CPI	2.8	2.7	2.5	2.2	2.0	1.6	1.4	1.3	1.2	1.3	1.2	1.3
Unemployment rate	1.2	1.2	1.3	1.1	1.1	1.1	1.1	1.2	1.0	1.2	1.3	
Employment	0.6	0.3	0.0	0.7	0.1	-0.3	0.0	0.2	0.0	0.4	0.0	
Wage	1.0	1.2	3.2	3.6	3.5	3.4	3.7	3.6	3.7	3.7	3.5	

| -3 | -2 | -1 | 0 | 1 | 2 | 3 |

* 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.
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GDP growth

Actual					Carry-over	Forecast		Annual forecasts (y/y)		
Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2023	Q4 2024	Q1 2025	2023 (observed)	2024	2025
-1.0	0.1	-0.6	0.5	0.2	-0.3	0.2	0.1	1.7	-0.3	0.7

Source: Refinitiv, BNP Paribas

BNP PARIBAS ECONOMIC RESEARCH

Isabelle Mateos y Lago
Chief Economist
+33 1 87 74 01 97   isabelle.mateosylago@bnpparibas.com

OECD ECONOMIES AND STATISTICS

Hélène Baudchon
Deputy chief economist, Head
+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, United Kingdom - Global trade
+33 1 55 77 71 89   guillaume.a.derrien@bnpparibas.com

Anis Bensaidani
United States, Japan
+33 1 87 74 01 51   anis.bensaidani@bnpparibas.com

Lucie Barette
Southern Europe
+33 1 87 74 02 08   lucie.barette@bnpparibas.com

Tarik Rharrab
Statistics

ECONOMIC PROJECTIONS, RELATIONSHIP WITH THE FRENCH NETWORK

Jean-Luc Proutat
Head
+33 1 58 16 73 32   jean-luc.proutat@bnpparibas.com

BANKING ECONOMICS

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

EMERGING ECONOMIES AND COUNTRY RISK

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 Hammad
Latin America
+33 1 42 98 74 26   salim.hammad@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

CONTACT MEDIA

Mickaelle Fils Marie-Luce
+33 1 42 98 48 59   mickaelle.filsmarie-luce@bnpparibas.com

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