

ECONOMIC PULSE

UNITED STATES: RESISTING WITHOUT CONVINCING

Persistent inflation and the rapid and sustained rises in interest rates are hitting the US economy hard. However, business climate surveys are recovering, albeit modestly, and consumer confidence has improved for the second consecutive month.

Business climate indices rebounded in September, although without moving back into growth territory. The composite PMI recovered significantly (+4.7 points compared to August) to stand at 49.3, mainly driven by the strong growth in the services sector PMI (+5.5 points, to 49.2) and, to a lesser extent, by a slight improvement in the manufacturing PMI (+0.2 points, to 51.8).

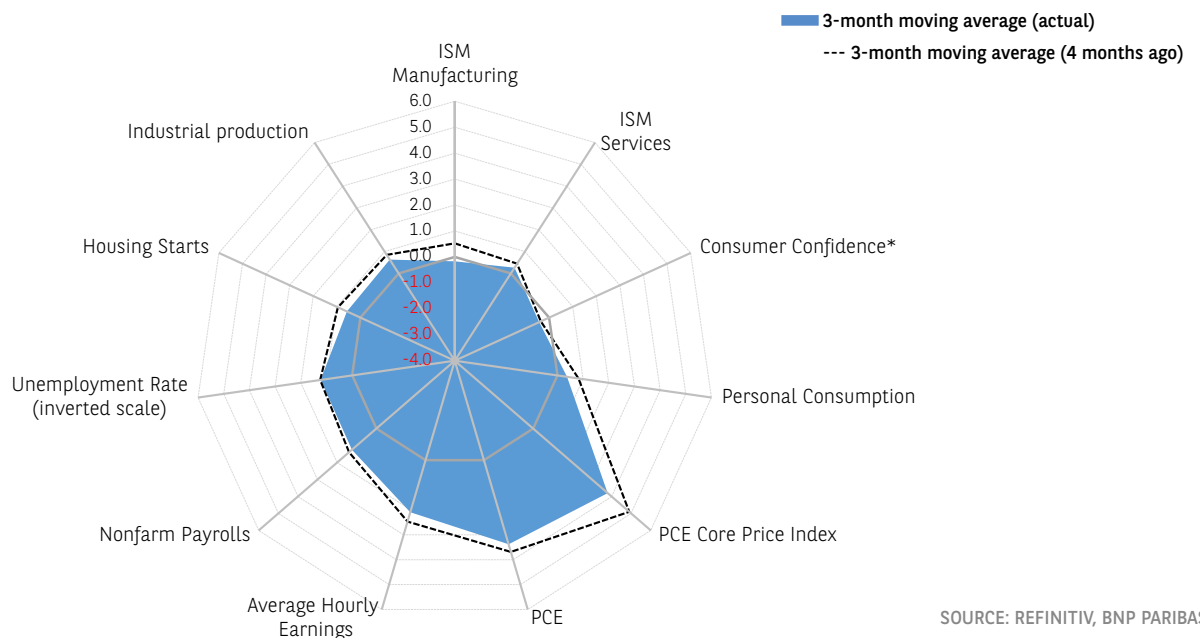
Consumer confidence also improved in September for the second month in a row, according to surveys by the Conference Board (+4.4 points) and the University of Michigan (+1.3 points). The perception by householders of their personal financial situation also recovered for the second consecutive month, which contributed to the recovery in consumer intentions to purchase cars and major large household appliances.

However, inflation, as measured by the Personal Consumption Expenditure Index (PCE), did not fall as much as expected and reached 6.2% year-on-year in August, still down slightly when compared to July (6.4%). Apart from a sharp fall in petrol prices, the expected disinflation, particularly in durable goods, has not yet materialised. Inflation continues to be pervasive, with a rise in core inflation (4.9% year-on-year in August, +0.2 points compared to July) and with food prices continuing to increase at a sustained pace (12.4% year-on-year). The latest inflation figures show that, if the peak in inflation is not far off, it is not yet certain that we have reached that point.

As a result, the Federal Open Market Committee (FOMC) continued with its monetary tightening at its September monetary policy meeting, with a third increase of 75 basis points in its Fed funds, bringing the range to 3.0% - 3.25%. The comparatively better outlook for the US economy, compared to the euro zone and the UK in particular, and the determination of the Federal Reserve (Fed) to continue its monetary tightening policies are contributing to the rise in the dollar. According to the Fed's Nominal Advanced Foreign Economies Index, the dollar strengthened by 3.4% over one month against the currencies of the advanced economies.

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UNITED STATES: 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 -4 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.

