

ECONOMIC PULSE

UNCERTAINTY: TRAJECTORIES CONTINUE TO DIVERGE IN MAY

Our various uncertainty indicators are complementary in terms of scope and methodology.

Starting with the upper left chart, uncertainty about US economic policy, which is based on media coverage, rebounded in May after trending downwards in April, reaching the level of November 2022. This increase relates to the uncertainty expressed in the minutes of the most recent Federal Reserve meetings about the opportunity to tighten monetary policy further. A number of Fed officers insisted on the need to plan for further interest rate hikes. The debate about raising the US debt ceiling also contributed to this uncertainty.

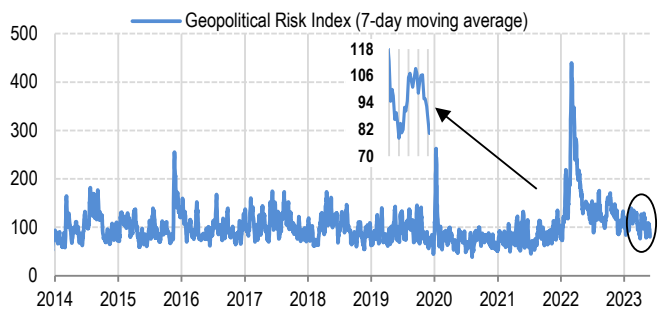
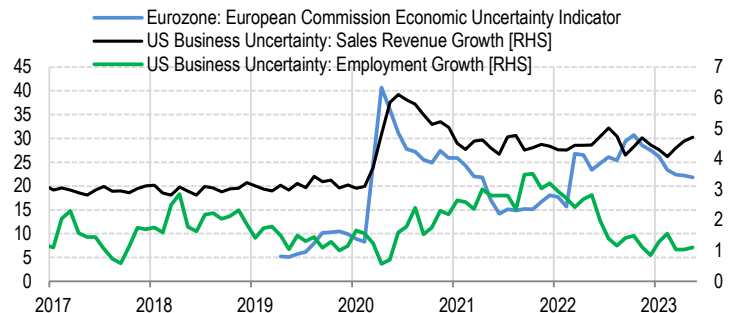
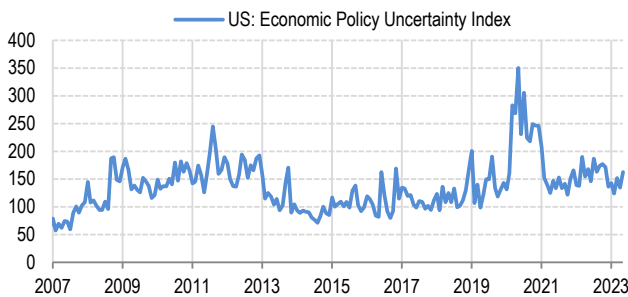
Moving clockwise to the next chart, in the United States, businesses reported even greater uncertainty about revenue growth than they did prior to the Covid-19 pandemic. Since the start of the year, this indicator has seen a slight upwards trend. As regards the job market outlook, uncertainty stabilised in May following eight months of fluctuation.

The European Commission's economic uncertainty index fell in May, continuing the decline since October 2022, due to the reduction in uncertainty in various business sectors, apart from construction, which saw a marked rise.

The geopolitical risk index (bottom right), which is also based on media coverage, fell recently but remains highly volatile. Lastly, our equity market uncertainty index (dispersion of the daily performances of individual companies) increased in the eurozone in May, and stabilised in the United States.

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CHANGES IN UNCERTAINTY



SOURCE: REFINITIV, ECONOMIC POLICY UNCERTAINTY, EUROPEAN COMMISSION, ATLANTA FED, GPR INDEX (MATTEOACOVIELLO.COM), BNP PARIBAS

*volatility = 60-day moving average of the cross-sectional standard deviation of daily returns of the index constituents