

## Growth is resilient

Although in May, the business climate might well have suggested a future recession, in June, things looked less clear. Admittedly, the further drop in the manufacturing ISM, to 46 in June, brought it to its lowest level since the 2008 crisis (excluding the Covid period). However, the message conveyed by the non-manufacturing ISM was noticeably different, with a rebound to 53.9 in June, compared to 50.3 in May.

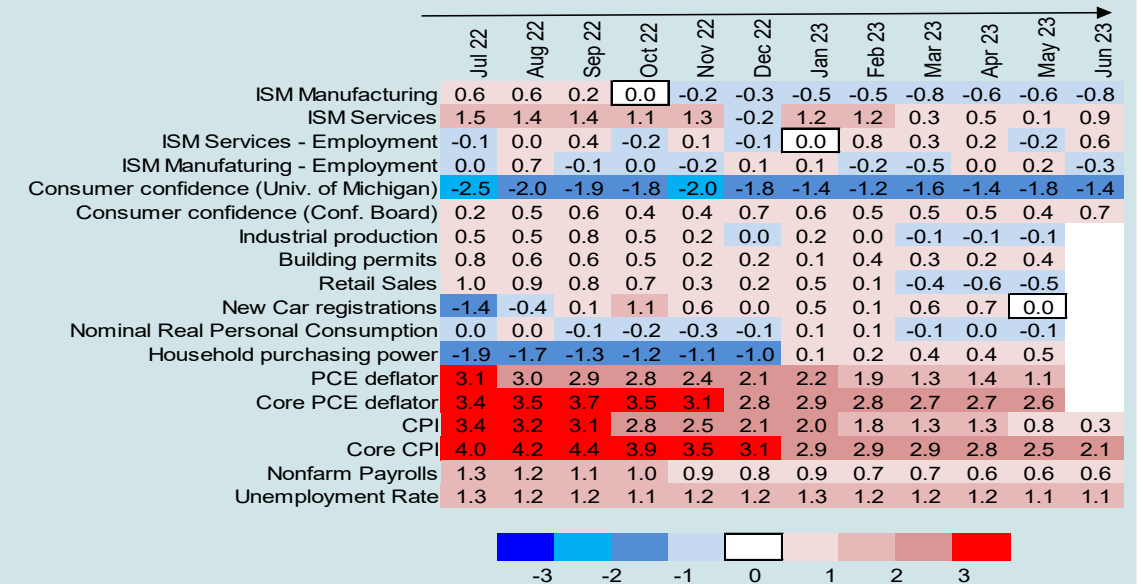
Consumer surveys also point to an improvement: the Conference Board Consumer Confidence Survey and the University of Michigan Consumer Sentiment Survey saw an uptick in June, confirmed in July for the latter (to 72.6, the highest seen since September 2021), while inflation continued to fall in June to 3% y/y (-1.9 pp in two months). This downturn is confirmed and spreading, since core inflation reached only 4.8% y/y in June (the lowest seen since October 2021).

This gradual disinflation led to stability of policy rates at the FOMC meeting (13-14 June). However, we believe that the next meeting (25-26 July) should produce a hike of 25 bps, in particular because the strength of the labour market should slow the decline in underlying inflation. Although job creation (nonfarm payrolls) slowed somewhat in June (to 209K), it remains significant and posted an even higher figure in May (306K).

The Atlanta Federal Reserve GDPNow estimate has improved somewhat in recent weeks (+0.6% q/q on 18 July compared to +0.5% q/q a month ago), which is consistent with the positive messages observed in surveys. This highlights not only that growth was positive in Q2, but also that momentum even improved somewhat early in Q3. This GDPNow estimate is supported in terms of level by the strong growth in private investment (+9.4% q/q in Q2) estimated by the Atlanta Fed against a backdrop of marked growth in manufacturing investment. At the same time, the upward revision of the estimate of growth in private consumption is notable (from 1.2 to 2.4% q/q in Q2).

Stéphane Colliac (article completed on 19 July 2023)

## United States: economic indicators monthly changes



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)		
Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q4 2022	Q2 2023	Q2 2023	Q3 2023	2022 (observed)	2023	2024
-0.1	0.8	0.6	0.5	1.3	0.6	0.4	-0.1	2.1	1.5	-0.1

Source: Refinitiv, BNP Paribas

