

Household sentiment is eroding

Business climate has marginally weakened in September in the United States due to diverging developments in the Manufacturing and Non-Manufacturing sectors. The latter has slowed to 53.6 (-0.9pp) in the ISM survey, torn between a vigorous activity ('Business Activity' component standing at 58.8) and a large drop in 'New Orders' (51.8, -6.7pp). On the other hand, the ISM Manufacturing index rose for a third month in a row and reached 49.0 (+1.4pp), thereby reaching a 10-month high despite remaining in the contraction area.

Household sentiment remained on a downward trend. Consumer confidence as measured by the Conference Board dipped to 103.0 (-5.7 pts) in September, driven down by the deterioration of expectations (73.7, -9.6 pts). The survey exhibits a double recessionary signal, with a below-80 result in the Expectations index adding to the existing and pursuing divergence with the assessment of Current Conditions (147.1, +0.4pp). As for the University of Michigan sentiment index, it decreased in October for the third month in a row (63.0, -5.1pts), and contrasts with the Conference Board index by the low level of the Current Conditions component (66.7). Furthermore, the survey reported a sharp rebound in 1-year ahead inflation expectations (3.8%, +0.6pp). These negative developments are to be linked with the summer spike in gasoline prices.

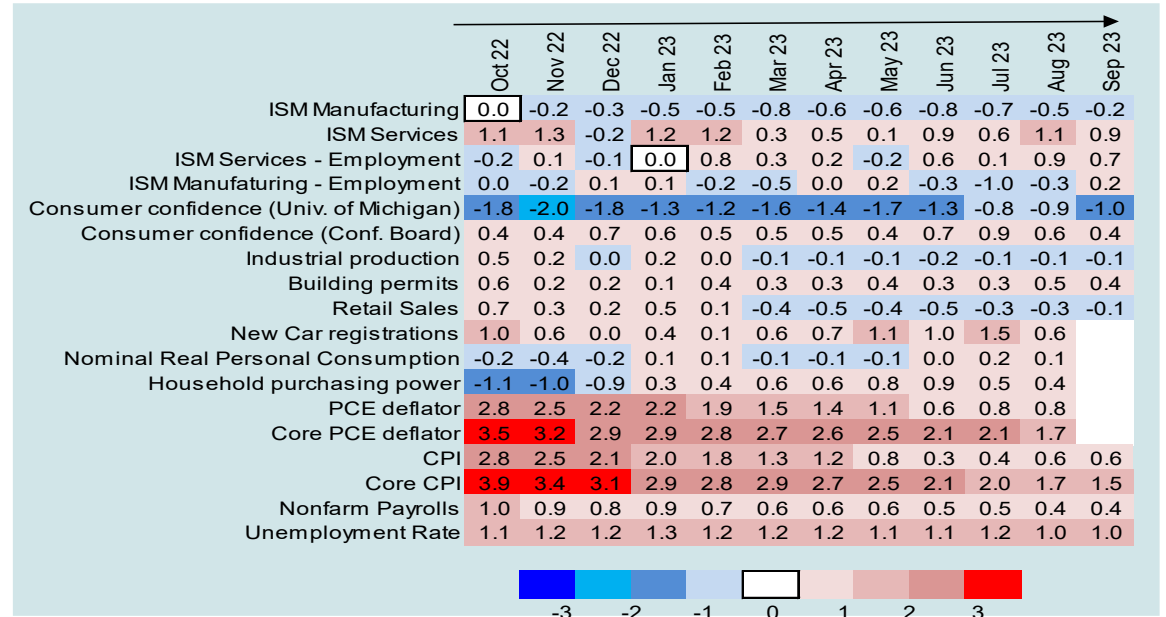
The CPI inflation rate was stable at +3.7% y/y in September. The less negative contribution of the Energy component has offset the positive changes in food and core inflation. The latter has decreased to +4.1% y/y (-0.3pp) while stabilizing in monthly terms (+0.3% SA), despite the acceleration in housing services (+0.6% m/m, +0.3pp). These developments are not jeopardizing the disinflation trend but they are a reminder of the strength of demand and of the upside risks surrounding the trajectory.

The signs of easing tensions witnessed earlier on the labour market have not intensified. While the Employment sub-component of the ISM survey exceeds 50 in both the Manufacturing (51.2, +2.7pp) and the non-Manufacturing (53.4, -1.4pp) indexes, the non-farm payrolls gains climbed to 336k in September, a highest since January. This favorable figure, disclosed together with upward revisions for July (236k) and August (227k), did not reverberate into the unemployment (3.8%) and participation (62.8%) rates, which remain unchanged.

Q3 GDP growth should report an increase comparing with Q2 (+0.5% q/q). We forecast +0.9% q/q, below the +1.3% q/q estimate of the Atlanta Fed's nowcast. Besides, the model does not expect the increases in private investment in Equipment (+1.9% q/q) and Non-Residential structures (+3.8% q/q) observed in Q2 along with the implementation of IRA to go on, as the former is anticipated to contract (-0.7% q/q) and the latter to significantly decelerate (+0.2% q/q).

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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)		
Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2022 (observed)	2023	2024
0.7	0.6	0.6	0.5	0.8	1.3	0.9	0.1	1.9
						2.2	0.4	

Source: Refinitiv, BNP Paribas

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