

## A landing? What landing?

Signs from the ISM business climate surveys were contrasting in January, with a further decline in the manufacturing sector index, going deeper into the contraction zone at 47.4, while the non-manufacturing sector made a strong rebound to 55.2, cancelling out almost its entire December fall. The Conference Board Leading Economic Index fell in January for the tenth month in a row, but not as sharply (-0.3% m/m following an average of -0.9% over the previous three months). While this index is quite clearly signalling recession, it has not yet won out over the coincident index, which is verging on stabilisation however.

On the US consumer side, the signs are positive. According to the Conference Board survey, consumer confidence deteriorated in January but after a large gain in December and it continued to improve through to February according to the University of Michigan survey. Goods consumption picked up again in Q4 2022, having been in decline for the two previous quarters, while services consumption continued to rise at a relatively brisk rate. Nominal retail sales presented a very welcome surprise in January, up 3% m/m. Inflation has taken a very clear bite out of household purchasing power (down 1.7% y/y in December), with less of an impact on consumer spending (up 2.2%).

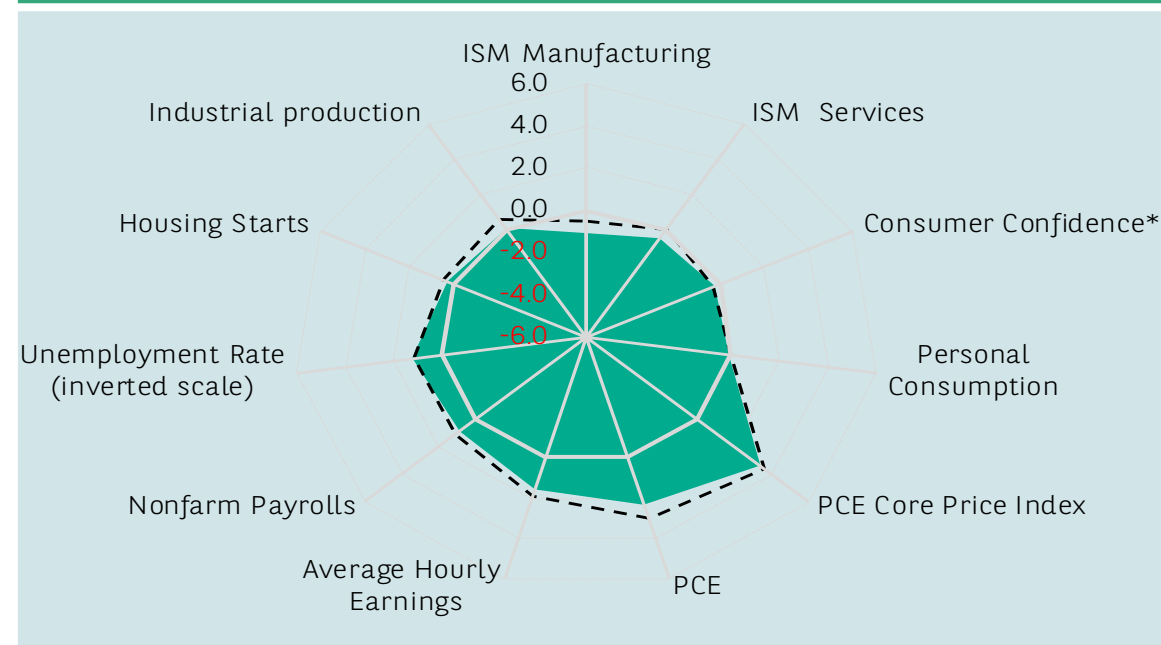
This very favourable retail sales figure echoes the latest non-farm payrolls figure, which were also very positive in January, up 517,000. Note that the statistics for January may have been upwardly biased by the mild weather following a freezing December. Meanwhile, the news relating to the housing sector remains negative.

Disinflation continued in January but much more slowly than over the previous three months, as a reminder that the process could be longer rather than shorter. This economic and inflation picture favours at least another two rate hikes by the Fed (of 25 basis points each in March and May, on our estimates).

Following a low of 0.6% q/q on an annualised basis, the Atlanta Federal Reserve's GDPNow Q1 2023 growth estimate stood at 2.5% in mid-February, below but close to the Q4 2022 growth print (2.9% according to the 1st BEA estimate), highlighting the risk of our own forecast (1%) being revised upwards.

Hélène Baudchon

## Economic indicators 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 -6 and +6. In the radar chart, the green 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..

## GDP growth

Actual			GDPNow	Forecast	Carry-over	Forecast		Carry-over	Annual growth forecasts (y/y)		
Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q1 2023	Q1 2023	Q2 2023	Q3 2023	Q3 2023	2022 (observed)	2023	2024
-0.1	0.8	0.7	0.6	0.3	1.2	-0.3	-0.3	0.8	2.1	0.7	0.2

Source: Refinitiv, BNP Paribas



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