

Not really worse, nor really better

In February, the evolution of business climate survey data was positive: on the manufacturing side, the ISM index and the PMI of S&P Global were up slightly (below 50, however); on the services side, the ISM remained at its high level (55.1) and the PMI significantly improved (+4 points), returning above the 50 mark. On the other hand, consumer confidence surveys have moved in opposite direction: down significantly for the Conference Board and up significantly for the University of Michigan. However, this latter fell again in March. The recovery in household confidence since mid-2022 has become more hesitant.

The fall in the Leading Economic Index of the Conference Board is pronounced (and consistent with a recession) but it did not increase between January and February (-7% annualised over 6 months). The coincident indicator remains slightly up thanks to the increase in employment and the household income indicator, but industrial production and the sales indicator show signs of a downward turn. The very positive nominal retail sales figure in January was followed by a slight decline. It should also be noted that the personal saving rate has been on an upward trend since mid-2022 and has risen by 2 points to around 5% in January 2023.

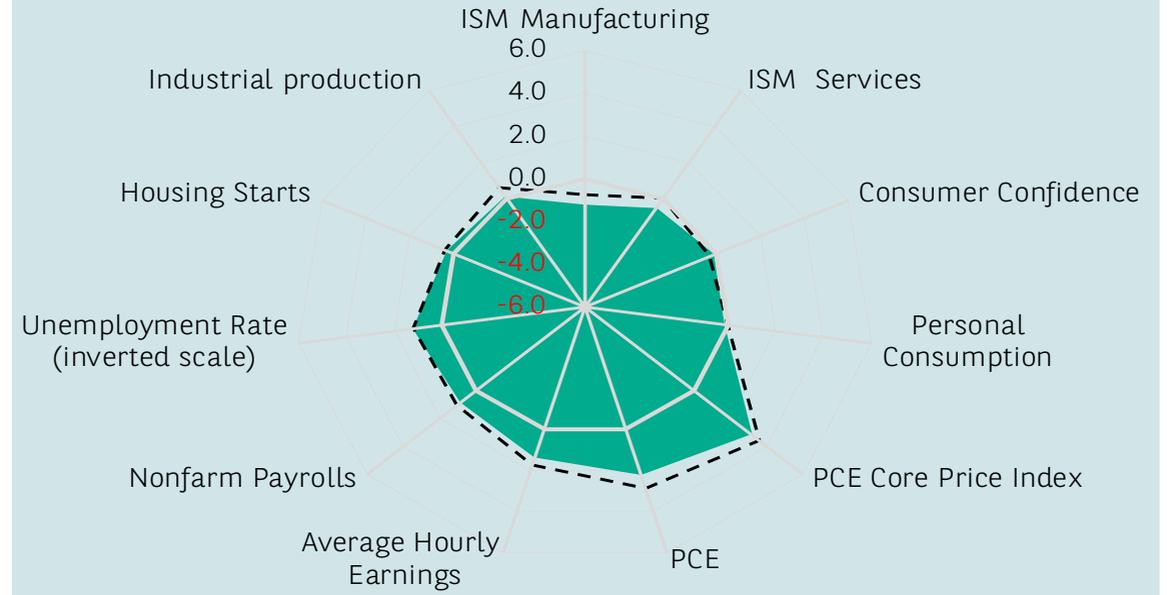
On the labour market side, there has been a gradual loss of momentum in the nonfarm payrolls gains and the unemployment rate has stopped declining since March 2022. In year-over-year terms, the change in its 3-month moving average is still negative, but it is becoming less and less so, and this could turn into a recessive signal (if there is a positive change of at least 0.5 points).

Disinflation is making more progress than in the eurozone (core inflation is falling in the US while it continues to rise on this side of the Atlantic), but its slowness is no less challenging. The still very high level of inflation (6% a/a in February for the headline, 5.5% for core inflation) and its resistance justify the Fed's decision to raise its policy rates by 25bp as was expected at the 21-22 March FOMC meeting.

Despite the mixed feeling of positive and negative cyclical signals, according to the GDPNow estimate of the Federal Reserve Bank of Atlanta, growth would be as good in Q1 2023 (0.8% QoQ) as in Q4 2022 (0.7%), highlighting the upside risks to our own forecast (0.6%).

Hélène Baudchon (achevé de rédiger le 23/03/2023)

United States: 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.

United States: GDP growth

Actual		GDPNow		Nowcast	Forecast			Annual growth forecasts (y/y)		
Q2 2022	Q3 2022	Q4 2022	Q4 2022	Q1 2023	Q1 2023	Q2 2023	Q3 2023	2022 (observed)	2023	2024
-0.1	0.8	0.7	0.9	0.8	0.6	0.2	-0.3	2.1	1.5	0

Source: Refinitiv, BNP Paribas



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