

# ECONOMIC PULSE

## UNITED STATES: A RUN OF BAD NEWS FROM CONFIDENCE SURVEYS

Results from the various economic activity indexes and confidence surveys are all pointing in the same direction. The US economic slowdown is becoming more severe, particularly judging by the sharp fall in the flash composite PMI for June, which came in at 51.2, down 2.4 points relative to May.

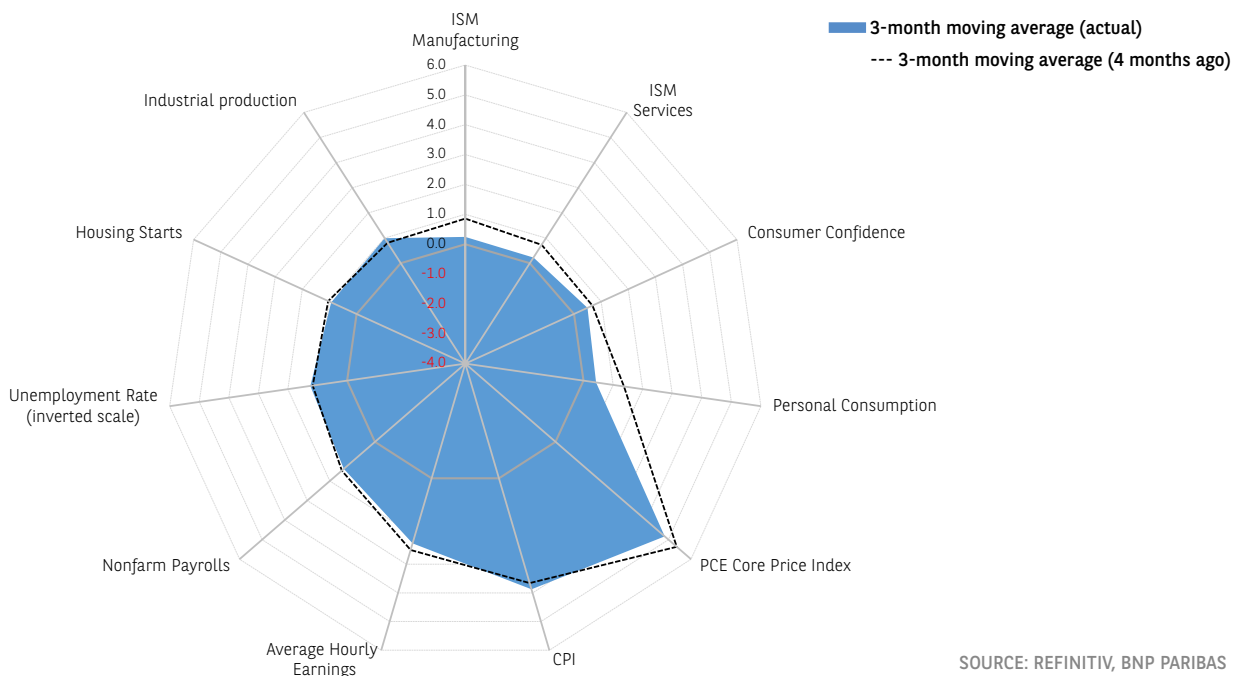
Consumer surveys are continuing to show a sharp drop in confidence. The University of Michigan Consumer Sentiment Index slumped 9.5 points in June, taking the total decline since January to 17 points, while the Conference Board Consumer Confidence Index – which had previously been more resilient – finally gave way, falling 3.5 points. The difference in the rate of decline between the two indexes stems mainly from the questions asked in the respective surveys. The Conference Board asks consumers about the current economic situation particularly jobs and the labour market, so the strong jobs market is shoring up this index. However, the University of Michigan focuses more on consumer perceptions of their own personal circumstances, so the inflation-driven fall in consumer real incomes is having a major negative impact on its index.

Surveys of manufacturing companies by the Federal Reserve Banks (FRB) are showing a significant decline in output, although with variations between districts. Businesses are reporting a fall in new orders, especially in the districts of Philadelphia and Dallas. This decline is partly attributable to higher input costs, which businesses are passing on to customers in the form of selling prices, which are now both exceptionally high. However, a downturn in both input prices and selling prices is now visible, and this should push down inflation in the next few months. Given current uncertainties and the deteriorating outlook in terms of demand, businesses are substantially cutting back their investment plans.

The only positive note is that the labour market has so far remained robust: the various FRB surveys show that businesses are firmly intending to hire new staff, while also suggesting that they will have to offer higher wages to do so. The labour market also remains stretched from the consumer perspective. Consumers are not having much trouble finding jobs: the relevant balance of opinion in the Conference Board survey fell again in June after a slight increase in May and is at a historically low level. Latest figures from the Bureau of Labor Statistics (BLS) confirm that the jobs market is robust, with 372 000 net salaried non-farm jobs created in June, slightly better than anticipated.

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### US: QUARTERLY CHANGES



SOURCE: REFINITIV, BNP PARIBAS

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 -4 and +6. In the radar chart, the blue 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.

