

ECONOMIC PULSE

UNITED STATES: THE LOW TIDES OF MARCH

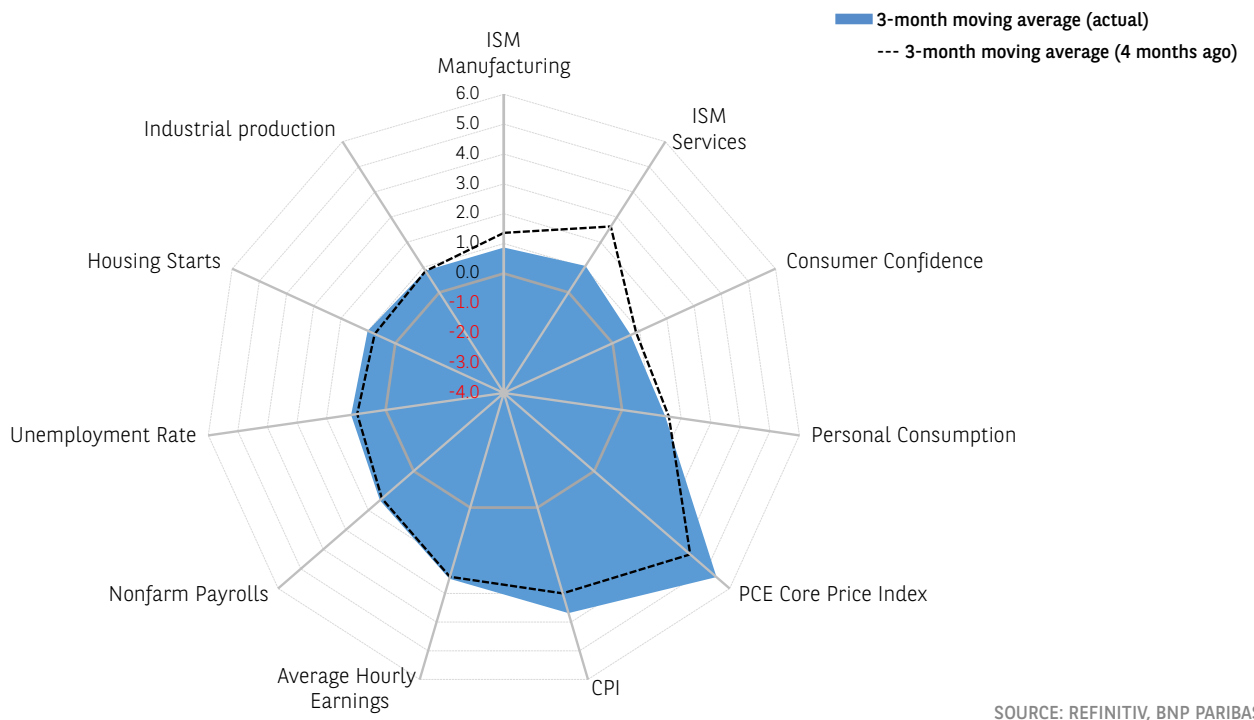
Very few survey results are available yet for March 2022, but they are all mediocre, which shows that the harmful impact of Russia's war in Ukraine is not limited solely to Europe. Although it hasn't collapsed, the Conference Board's household confidence index has fallen from peak levels. In the Philadelphia and New York regions, industrial leaders are seeing darker horizons, which is probably due as well to the resurgence of the Covid-19 pandemic in China, which promises to further aggravate supply chain tensions that are already very high.

At a 40-year high, inflation is unlikely to ease in the near term: February's record of 7.9% y/y could be surpassed in March or April. Yet the ceaseless rise in commodity prices – which has now spread to food prices as well – is not the only factor to blame. The housing market is clearly overheating, too, and this is driving up rent, which makes up a third of the price index.

The Federal Reserve started a new monetary tightening phase on 16 March that is bound to continue. It will stick to its roadmap of raising key rates by 25bp after each FOMC meeting, which would bring the Fed funds target rate within a range of 1.75% and 2% by the end of the year. Unless, in the meantime, surging prices were to get the better of American consumers and threaten to trigger an economic recession.

Jean-Luc Proutat

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 -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.

