

# **Europe macro tracker**

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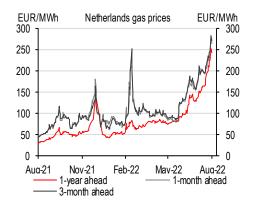
#### Stagnation before the slump

It's been another week of rampant gas price rises and leading indicators suggest the economy is stagnating at best. With Europe heading for recession and inflation double-digit inflation looming, German and UK consumer confidence has hit new lows. The deteriorating combination of inflation and economic downturn means policy challenges for central banks and fiscal authorities are intensifying.

Chris Hare Senior Economist HSBC Bank plc

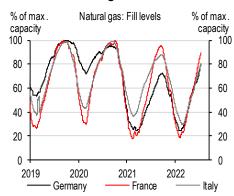
#### Upside risks to double digit inflation

#### 1. Gas futures prices continue to soar



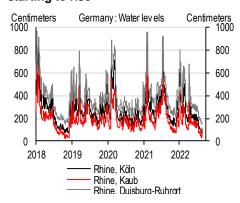
#### Source: Bloomberg.

### 2. In better news, German gas storage has hit its 80% target...



Source Macrobond, HSBC.

### 3. ...and water levels in the Rhine are starting to rise



Source: Macrobond, HSBC.

### 4. German PPI inflation is still surging, but the core rate is off its peak...



Source: Refinitiv Datastream, HSBC

This is a Free to View version of a report with the same title published on 24-Aug-22. The full version of the note is available for clients of HSBC and contains further discussion of the Macro scenario currently affecting Europe. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

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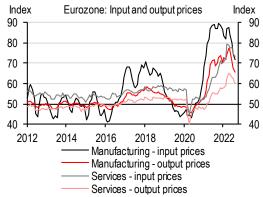
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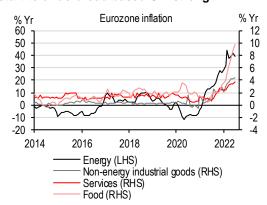


#### 5. ...and the PMI pricing indices are softening significantly...



Source: S&P Global PMIs, Refinitiv Datastream.

#### 6. ...but it remains to be seen how long that will start to undo broad based CPI strength



Source: Refinitiv Datastream, HSBC.

#### Activity stagnating, but not slumping (yet)

#### 7. The PMI services index is now pointing to stagnation...



Source: S&P Global PMIs, Refinitiv Datastream.

## 8. UK consumers are paying much more to buy the same amount of goods...



Source: ONS, HSBC.

## 9. ...and with the squeeze set to worsen, consumer confidence is at record lows



Source: Refinitiv Datastream

# 10. ...and the PMIs point to continued, if slower, jobs growth in Q3



Source: S&P Global PMIs, Refinitiv Datastream.



# Disclosure appendix

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