

Europe macro tracker

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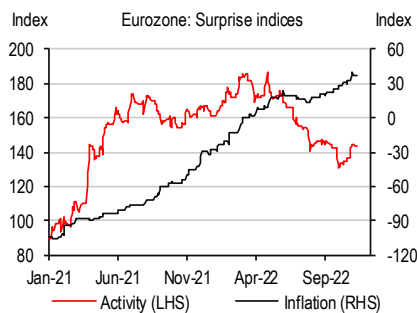
Resilient activity feeding wage pressure

Although recession still seems likely, activity data are still surprising to the upside. Alongside a tight labour market and high inflation, this is fuelling wage growth. Resilient demand and risks to aggregate supply mean markets don't expect central banks to pivot soon – despite the BoE's dovish signal.

Simon Wells
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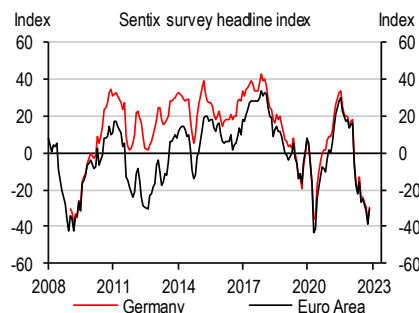
Resilience in activity, wage pressure rising

1. Eurozone activity and inflation data have been surprising to the upside recently...



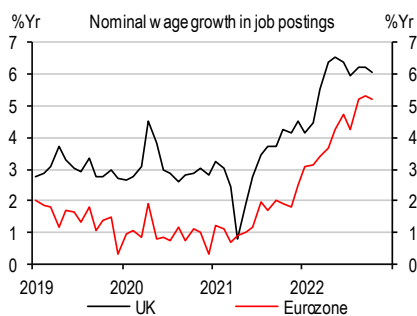
Source: Bloomberg, HSBC

2. ... and the Sentix indicator of investor confidence ticked up...



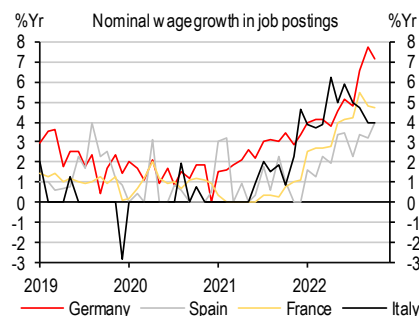
Source: Macrobond, Sentix

3. But the tight jobs market and high inflation is feeding into higher wages in job ads...



Source: Indeed, Central Bank of Ireland

4. ... particularly in Germany



Source: Indeed, Central Bank of Ireland

This is a Free to View version of a report with the same title published on 09-Nov-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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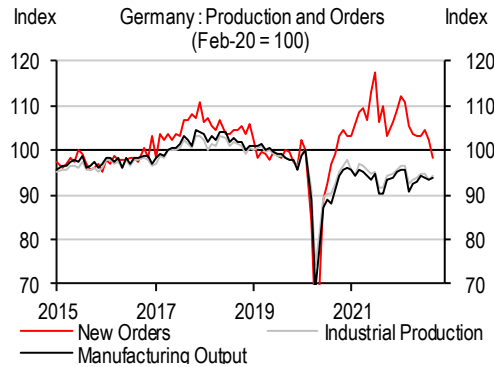
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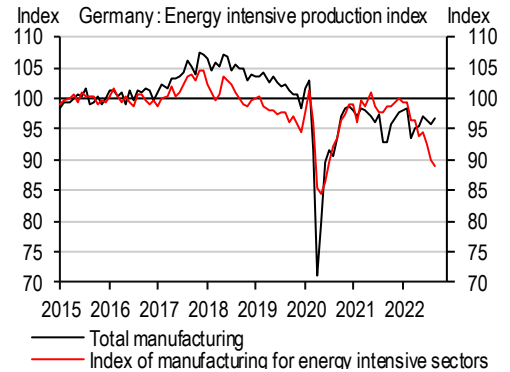
The outlook for manufacturing remains more challenging

5. German industrial orders plunged in September, but remain around pre-COVID-19 levels



Source: Macrobond

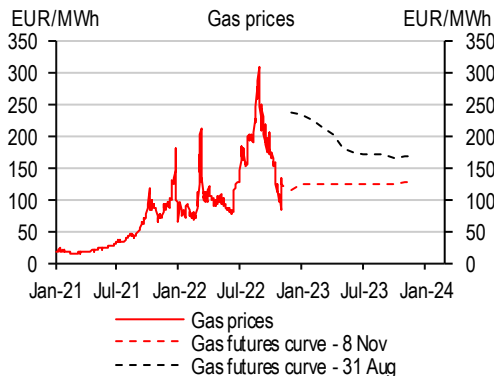
6. Unsurprisingly, energy-intensive industries have seen the biggest falls in output



Source: Macrobond

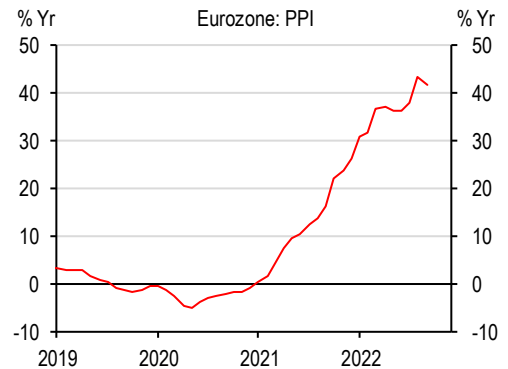
Energy prices down, but the market is still tight

7. Near-term gas futures prices have fallen further



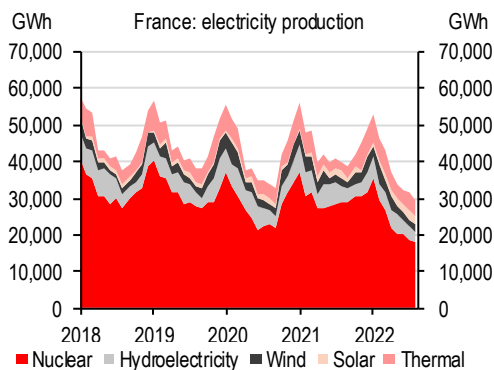
Source: Bloomberg

8. Producer prices still rising rapidly, but the annual rate of inflation moderated in September



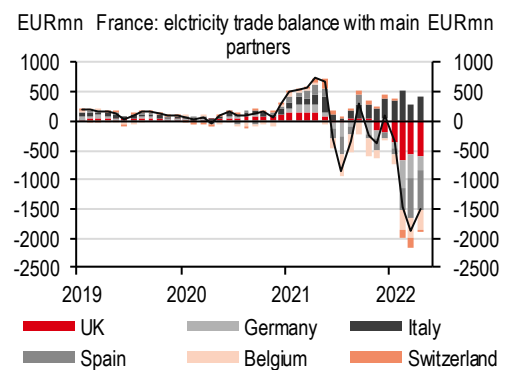
Source: Bloomberg

9. French electricity production is still low, with the re-opening of some nuclear plants pushed back again...



Source: French Ministry

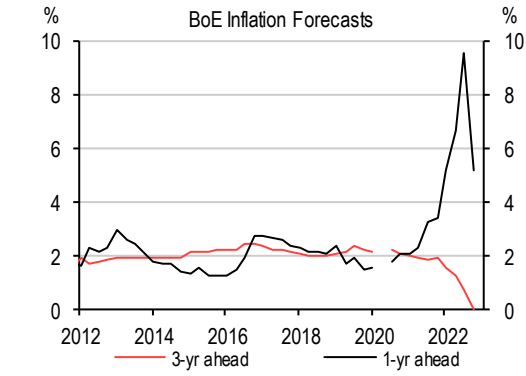
10. ...meaning France remains a net importer of electricity



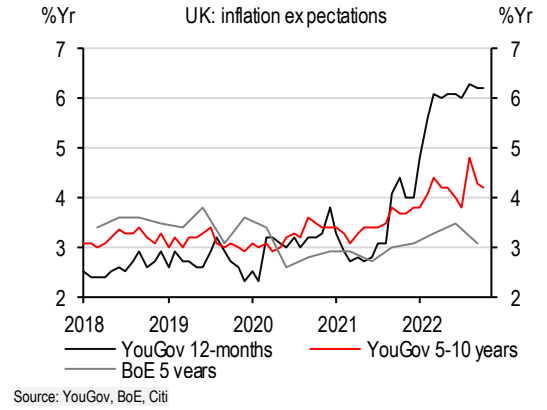
Source: French Customs

A dovish BoE, despite the largest rate rise for thirty years

11. Despite a 75bp rate rise, the BoE was dovish in November, forecasting zero inflation by the end of 2025



12. UK inflation expectations may be stabilising



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