BNP PARIBAS

The bank
for a changing
world

ECONOMIC RESEARCH DEPARTMENT

Eco WEEK

Summary

United States

You don't change a winning team

The first quarter is on track to once more be a disappointment. Whether it will or will not be followed by the usual rebound is anyone's guess. The Fed, not being in the guessing business, is easing its policy.

► Page 2

Japan

The year starts off slowly

2015 ended on a negative note and the first data released for Q1 do not indicate a short term rebound in growth either. Conversely a fall in Q1 GDP seems very likely.

► Page 3

France

Significant reduction in the 2015 fiscal deficit

In 2015, France's fiscal deficit reached 3.5% of GDP (preliminary estimate), marking a significant improvement from 2014 (-0.5 points). Higher GDP growth and slower growth in public spending account for this better than expected result.

► Page 4

Market overview

► Page 5

Summary of forecasts

► Page 6

Also in :

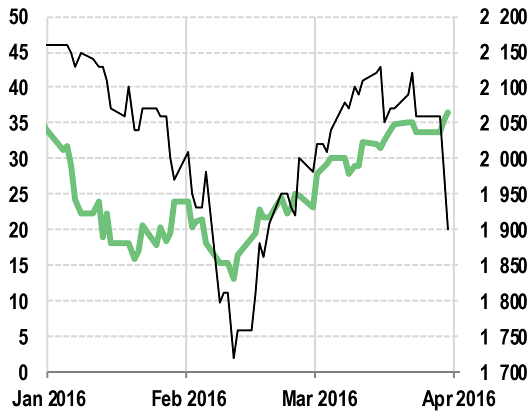
Eco TV WEEK

Monetary gradualism in an effort to support confidence

■ Dovish signal from the Fed ■ Mixed news from the Eurozone ■ China PMI rebounds

Given recent developments in the world economy, including in the US, the reference to 'uncertainty' in the title of Janet Yellen's recent remarks at the Economic Club of New York was most appropriate. For central banks, factoring in the role of uncertainty is particularly complex when interest rates are very low. This calls for gradualism, as she so eloquently explained, which implies proceeding slowly when hiking rates. The market liked the story. It may seem odd at first glance, but with the help of the central bank, increased uncertainty ended up being a signal to take more risk… The feeling that the Fed will act cautiously, in combination with better behaved markets, will hopefully give a confidence boost to households and companies. This would be welcomed around the globe, including in the Eurozone where recent sentiment indicators paint a mixed picture. The purchasing manager indices are up but the European Commission economic sentiment indicators have weakened in the first quarter compared to the previous quarter. The hard data (activity, retail sales) on the other hand have been rather robust and in addition the growth in bank lending shows that the monetary transmission of the ECB is working. Finally, in China the just released PMI data show a rebound. This has been met with relief considering how dominant the concerns about the Chinese slowdown have been as of late.

WALL STREET UNDER FED'S INFLUENCE



Source: Bloomberg

THE WEEK ON THE MARKETS

Week 28-3 16 > 31-3-16

↗ **CAC 40**	4 330	► **4 385**	**+1.3**	%
↗ **S&P 500**	2 036	► **2 060**	**+1.2**	%
↘ Volatility (VIX)	14.7	► 14.0	-0.8	%
↘ **Euribor 3M (%)**	-0.24	► **-0.24**	**-0.2**	bp
↘ Libor $ 3M (%)	0.63	► 0.63	-0.3	bp
↘ OAT 10y (%)	0.46	► 0.41	-4.5	bp
↘ Bund 10y (%)	0.18	► 0.16	-2.3	bp
↘ US Tr. 10y (%)	1.89	► 1.79	-10.8	bp
↗ **Euro vs dollar**	1.12	► **1.14**	**+2.1**	%
↗ Gold (ounce, $)	1 221	► 1 234	+1.1	%
↗ **Oil (Brent, $)**	39.9	► **40.0**	**+0.2**	%

Source: Thomson Reuters

United States

You don't change a winning team

- **The flow of news from domestic spending darkened lately. Once more the first quarter will be disappointing. The improvement in regional business surveys is consistent with a rebound in Q2, though.**
- **During her first public appearance since the last FOMC meeting, Janet Yellen comforted us in our interpretation of the decision then taken.**
- **If projections are marginally changed, the risks surrounding them have heightened. Given the asymmetries affecting monetary policy at the zero lower bound (ZLB), a pause was the reasonable decision.**
- **Data-dependency is reaffirmed and for good reasons. According to Janet Yellen, its credibility has helped create a buffer from risks.**

Lately, data have been released on the soft side. Consumer spending for January was revised downwards (from +0.4% m/m to 0.0%) and February was not that dynamic (+0.2%). Before those new figures, real consumption was en route for a solid +2.4% (quarterly annualised rate) in Q1 ; now it looks like it will be closer to +1.4%. The culprits are a lower disposable income and a higher savings ratio. News from business investment was another cold shower, as the rebound in January new orders was short-lived. Shipments of non-defence capital goods (excluding aircraft), a coincident indicator of business spending on equipment and software, were down 6.8% in February (on a 3-month annualised basis). In end-2015, they had dropped by 5.1%, and it now seems that the Q1 performance will be even worse. In short, the first quarter will once more be a disappointing one: the nowcasting model from the Atlanta Fed (GDPNow), which began the quarter with upbeat readings (at one point, it was as high as 2.7%), now is down to 0.6% (Chart).

Whether the slowdown is to last is another question, and answers are few. At the time of writing March data for the manufacturing ISM still were not out, but regional surveys are unanimous in announcing a rebound. On the other hand, and even if consumers seem quite confident, the Conference Board index having rebounded in March, the overall message is not that optimistic. Beyond monthly ups and downs, consumer confidence is largely unchanged since the middle of last year, but the mix is less comforting, as expectations trend downwards, a balance that is confirmed by the other consumer confidence index, from the University of Michigan, and could explain the rising savings ratio.

As for now, we tend to favour the scenario of a rebound in the second quarter, as the labour market looks as solid as ever (bar a slowdown in the still to-be-released March labour market report). FOMC members would probably not disagree.

This week, Janet L. Yellen, the Fed Chair, gave her first public appearance since the March 15th-16th FOMC meeting. All in all, we

First quarter nowcasting

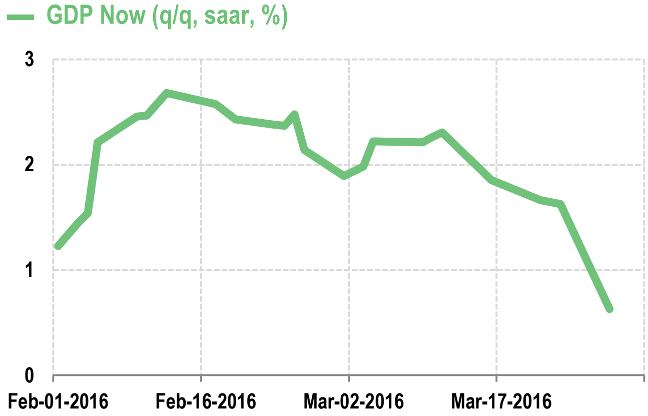


Chart 1 Source: Federal Reserve of Atlanta

read that speech as confirming our previous analysis of the reasons behind the pause in the process of normalising the US monetary policy[1]. In short, even if the outlook for the US economy is marginally different from what it was in December, risks are mounting globally and were those risks to materialise, the Fed would find it hard to fight them as the Fed Fund Target rate remains close to zero. On the other hand, if the US economy were to perform more buoyantly, and inflation were to accelerate more abruptly, monetary policy would easily help contain the associated risks.

Janet Yellen explicitly talked about this asymmetry of risks at the zero lower bound. But she also warned against "*overstating the asymmetries affecting monetary policy at the moment*". For sure, a central bank would never admit it lacks the necessary tools, and Miss Yellen emphasised what remains available: the ones that were successfully used during and after the 2007-2009 recession. Forward-guidance and quantitative easing proved efficient once, so there is no reason to either doubt them or consider adding negative rates to the list.

After the March FOMC meeting, there have been mounting critics of the Fed policy. The Fed was accused of time inconsistency, or to put it differently, to have changed its reaction function without warning. Last week, James Bullard, the St Louis Fed President, had already addressed the critic[2], claiming the Fed had not been time-inconsistent in March. This week, Janet Yellen addressed the critics that the Fed's communication is blurred. In essence she said: You say our communication sucks. I say it works fine: data-dependency is recognised enough by financial markets that they do adjust in real-time to data releases, "*resulting in movements in bond yields that act to buffer the economy from shocks. This mechanism serves as an important "automatic stabilizer" for the economy*". Fair enough…

[1] See "Safety first", Alexandra Estiot, Eco Week BNP Paribas, March 18th, 2016.
[2] "Time Consistency and Fed Policy", James Bullard, New York Association for Business Economics, March 24th, 2016.

Japan

The year starts off slowly

- **The year 2015 ended on a weak tone as Q4 GDP contracted (-0.3% q/q).**
- **This year is hardly looking any better. The first indications for the first quarter do not point to an immediate rebound in growth, much to the contrary.**
- **Industrial output plunged in February and acquired growth is negative in Q1. It now seems probable that GDP will contract again in Q1.**

The year 2015 ended on a weak tone as GDP contracted in Q4, erasing the previous quarter's rebound (-0.3% q/q *vs.* +0.3% in Q3). Full-year growth accelerated slightly (+0.5% year-on-year) after virtually stagnating in 2014 (-0.1%). As to 2016, the first available indicators for February do not point to a significant improvement in activity in the first part of the year.

The slowdown in the emerging economies, and China in particular, continues to handicap Japan's manufacturing sector and exports, especially for capital goods. In 2015, nearly 25% of Japanese exports were shipped to China (including Hong Kong), which is Japan's biggest trading partner. After virtually stagnating in January (+0.3% m/m), total exports contracted by more than 2% in February. Machinery orders, a leading indicator of manufacturing output and exports, declined in January (-8.8% m/m, after +1.4% in December), pulled down by the drop-off in foreign orders (-29.4%, vs -2.2% the previous month).

Industrial output fell sharply in February (-6.2%) as the sector continues to scale back inventories to face up to the slowdown in foreign demand in general and Asian demand in particular. The decline was sharpest in the durable goods sector (-9.2% m/m). For industrial output, acquired Q1 growth declined 2% q/q in February. To find a comparable decline, we have to look back to Q2 2012 (-2.2% q/q), when GDP contracted 0.4%.

Despite full employment, household consumption has barely contributed to growth in the first part of the year, after contracting 0.9% q/q in Q4. In February, the unemployment rate picked up slightly to 3.3%, from 3.2% in January, the lowest level in twenty years. The ratio of job offers to demand was also unchanged at 1.28 in February, the highest level since the early 1990s, signalling a shortage of labour force despite the increase in the active population in keeping with higher participations rate for women and seniors. Reacting slowly to changes in labour market conditions, wages have not accelerated, shaking household confidence. In February, confidence dropped to the lowest level in more than a year, and the jobs component reported the biggest decline since October 2013. In February, retail sales contracted by more than 2% m/m. The Bank of Japan attributed this poor showing, which mainly hit clothing sales, to unseasonably warm temperatures.

Industrial output and GDP

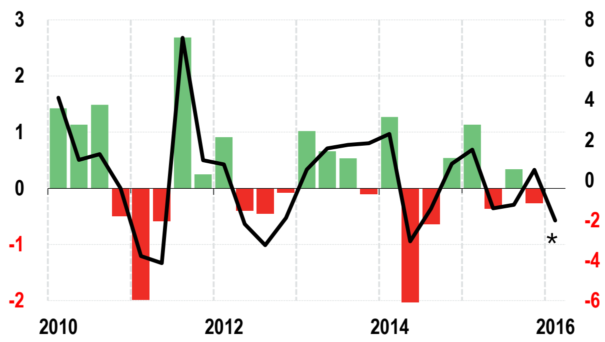


Chart 1 Sources: Cabinet Office, METI

Under these conditions, the monetary authorities continue to be alarmed by February's consumer price statistics. Headline inflation was +0.3%, while core inflation, excluding fresh produce and energy prices, rose slightly to +0.8% (from 0.7% in January).

The Bank of Japan's efforts to lift inflation to its 2% target have been very slow in bearing fruit. With spring wage talks (*Shunto*) resulting in smaller wage increases than those negotiated in 2015 (+2.2%), deflation is proving hard to beat. Under these conditions, the Bank of Japan has little choice but to continue easing monetary policy and to opt for new actions.

In January, the monetary policy committee decided to lower the rate of interest on excess reserves (IOER) below zero. After this 0.10 bp cut, the IOER rate could be cut by another 0.20 points by June unless there is a significant improvement in the list of factors the Bank of Japan used in January to justify its decision (*volatility of global financial markets, ongoing decline in oil prices, and uncertainty in China particularly and in the emerging and commodity-exporting countries*).

France

Significant reduction in the 2015 fiscal deficit

- **In 2015, France's fiscal deficit reached 3.5% of GDP (preliminary estimate), marking a significant improvement from 2014 (-0.5 points).**
- **Higher GDP growth and slower growth in public spending account for this better than expected result.**
- **The government's fiscal targets for 2016 and 2017 (3.3% and 2.7%, respectively) look achievable but they cannot be taken for granted either.**

According to the INSEE's preliminary figures, France's fiscal deficit came to 3.5% of GDP in 2015. This is surprisingly good news compared to the government's forecast of 3.8%, and a significant reduction compared to 2014 (-0.5 points). This improvement is all the more significant since it follows a year of no improvement in the deficit[1]. In 2014, fiscal consolidation had indeed come to a halt due to the lack of growth and inflation, with a wider cyclical deficit (-0.3 points) counterbalancing the reduction in the structural deficit (+0.3 points). In 2015, inflation was still non-existent (annual average of 0% after 0.5% in 2014), but growth was much stronger (1.2% vs. 0.2%). Based on the European Commission's estimate of French potential growth in 2015 (0.9%), the cyclical deficit declined slightly last year (-0.1 points) and the structural deficit much more so (-0.4 points).

The total deficit was reduced by EUR 7.4 bn, of which a little more than two thirds (EUR 5.3 bn) can be attributed to the reduction in the financing gap of local public administrations, which in turn is mainly due to sharp cutbacks in investment spending (-EUR 4.6 bn). The financing needs of the social security administration also diminished (by EUR 2.2 bn) as did that of the state (EUR 4 bn), but this latter improvement was offset by a similar widening in the balance of government's agencies.

If we now look at spending and revenue trends, one result is striking: the deficit narrowed despite a decline in public revenues as a share of GDP. Although the decline is very small (-0.2 points to 53.2%), it is no less significant after five years of increases. The improvement in the fiscal deficit can thus be attributed to the reduction in the weight of public spending as a share of GDP (-0.5 points to 56.8%). Public spending not only increased much more slowly than GDP (+1.4% vs. +2.3% in nominal terms), it also slowed compared to 2014 (+1.8%). Two spending items not only slowed but truly declined in absolute terms: the debt service (-EUR 4.5 bn), thanks to lower interest rates, and investment spending (-EUR 5.1 bn).

Thanks to the improvement in 2015, it will not be as hard to meet the government's 2016 deficit target of 3.3% of GDP. By the same token, there are also better chances that France will meet its 2017 target of bringing the deficit below the 3% threshold (to 2.7% according to the government's forecast). Yet these targets cannot be taken for granted, because of, on the one hand, still weak growth and inflation prospects, and, on the other hand, a lot of new spending has been announced, without specifying so far how these measures will be financed. Things should become clearer once the stability programme is updated in April. In any case, France must continue its fiscal efforts. Deficit reduction is clearly underway, but the deficit is still high, and the public debt ratio has yet to decline. In 2015, it stands at 95.7% of GDP.

Fiscal metrics (1)

% of GDP

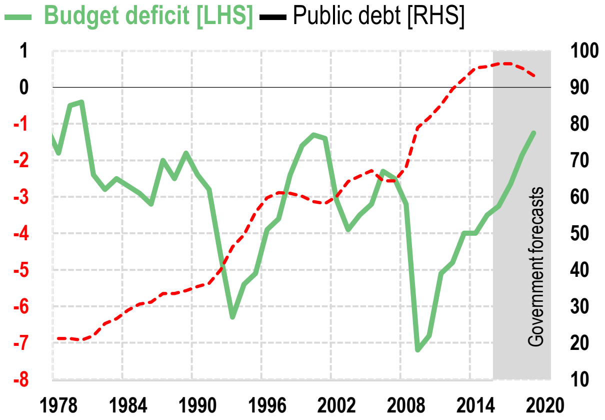


Chart 1 Source: INSEE

Fiscal metrics (2)

% of GDP

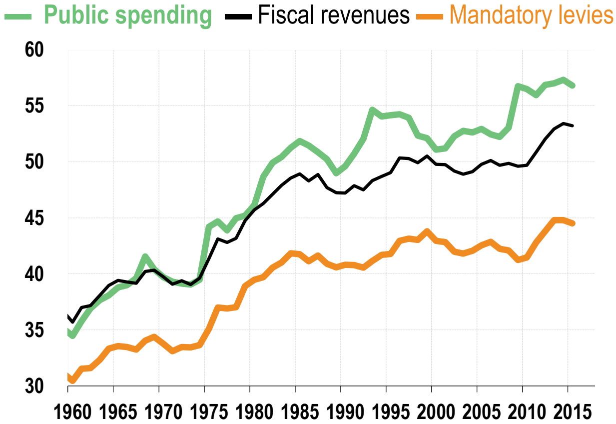


Chart 2 Source: INSEE

[1] The 2014 deficit was revised slightly higher to 4% of GDP, from 3.9% previously, while the 2013 deficit was revised downwards, also to 4%, from 4.1%.

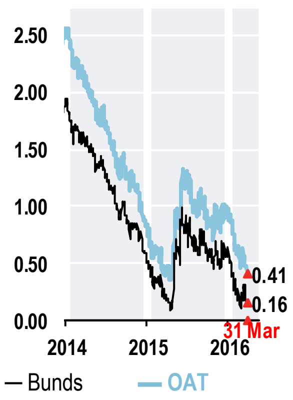
Markets overview

The essentials

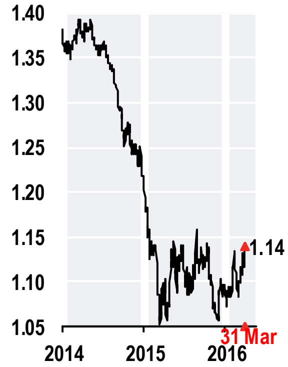
Week 28-3 16 > 31-3-16

↗ **CAC 40**	4 330	▶	**4 385**	**+1.3**	%
↗ **S&P 500**	2 036	▶	**2 060**	**+1.2**	%
↘ Volatility (VIX)	14.7	▶	14.0	-0.8	%
↘ **Euribor 3M** (%)	-0.24	▶	**-0.24**	**-0.2**	bp
↘ Libor $ 3M (%)	0.63	▶	0.63	-0.3	bp
↘ OAT 10y (%)	0.46	▶	0.41	-4.5	bp
↘ Bund 10y (%)	0.18	▶	0.16	-2.3	bp
↘ US Tr. 10y (%)	1.89	▶	1.79	-10.8	bp
↗ **Euro vs dollar**	1.12	▶	**1.14**	**+2.1**	%
↗ Gold (ounce, $)	1 221	▶	1 234	+1.1	%
↗ **Oil (Brent, $)**	39.9	▶	**40.0**	**+0.2**	%

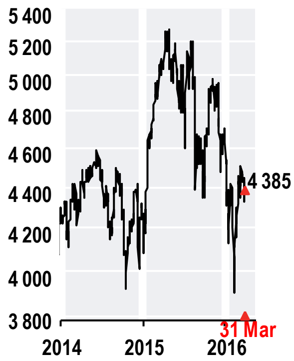
10 y bond yield, OAT vs Bund



Euro-dollar



CAC 40



Money & Bond Markets

Interest Rates		highest' 16		lowest' 16	
€ ECB	**0.00**	0.05	at 01/01	0.00	at 16/03
Eonia	**-0.30**	-0.13	at 01/01	-0.35	at 24/03
Euribor 3M	**-0.24**	-0.13	at 01/01	-0.24	at 31/03
Euribor 12M	**-0.01**	0.06	at 01/01	-0.03	at 04/03
$ FED	**0.50**	0.50	at 01/01	0.50	at 01/01
Libor 3M	**0.63**	0.64	at 15/03	0.61	at 04/01
Libor 12M	**1.21**	1.24	at 16/03	1.12	at 12/02
£ BoE	**0.50**	0.50	at 01/01	0.50	at 01/01
Libor 3M	**0.59**	0.59	at 15/02	0.58	at 08/03
Libor 12M	**1.00**	1.07	at 01/01	0.98	at 12/02

At 31-3-16

Yield (%)		highest' 16		lowest' 16	
€ AVG 5-7y	**0.16**	0.49	at 12/01	0.16	at 01/03
Bund 2y	**-0.48**	-0.34	at 01/01	-0.56	at 03/03
Bund 10y	**0.16**	0.63	at 01/01	0.11	at 29/02
OAT 10y	**0.41**	0.98	at 01/01	0.41	at 31/03
Corp. BBB	**1.85**	2.50	at 20/01	1.85	at 31/03
$ Treas. 2y	**0.76**	1.06	at 01/01	0.64	at 11/02
Treas. 10y	**1.79**	2.27	at 01/01	1.64	at 11/02
Corp. BBB	**3.85**	4.50	at 12/02	3.85	at 31/03
£ Treas. 2y	**0.40**	0.65	at 01/01	0.28	at 08/02
Treas. 10y	**1.42**	1.96	at 01/01	1.28	at 11/02

At 31-3-16

10y bond yield & spreads

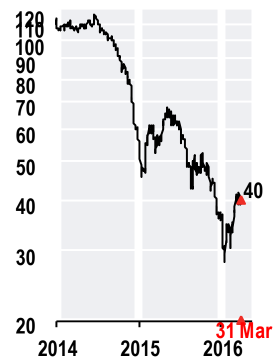
8.58%	Greece	842 pb
2.77%	Portugal	261 pb
1.44%	Spain	128 pb
1.23%	Italy	107 pb
0.53%	Ireland	37 pb
0.52%	Belgium	36 pb
0.41%	France	25 pb
0.36%	Austria	20 pb
0.27%	Finland	11 pb
0.24%	Netherland	8 pb
0.16%	Germany	

Commodities

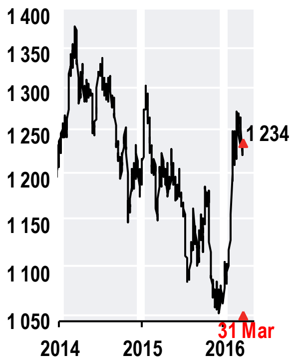
Spot price in dollars		lowest' 16			2016(€)
Oil, Brent	**40**	28	at	20/01	**+6.7%**
Gold (ounce)	**1 234**	1 062	at	01/01	**+10.8%**
Metals, LMEX	**2 271**	2 049	at	12/01	**-1.7%**
Copper (ton)	**4 881**	4 328	at	15/01	**-1.1%**
CRB Foods	**350**	329	at	11/01	**-0.3%**
wheat (ton)	**177**	146	at	04/01	**+9.3%**
Corn (ton)	**134**	134	at	31/03	**-7.0%**

At 31-3-16 *Variations*

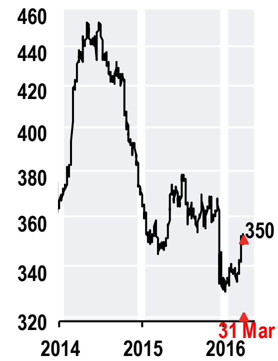
Oil (Brent, $)



Gold (Ounce, $)



CRB Foods



Exchange Rates

1€ =		highest' 16		lowest' 16			2016
USD	**1.14**	1.14	at 31/03	1.07	at	05/01	**+4.9%**
GBP	**0.79**	0.79	at 31/03	0.73	at	05/01	+7.6%
CHF	**1.09**	1.11	at 04/02	1.08	at	29/02	+0.4%
JPY	**128.08**	131.84	at 01/02	122.54	at	24/02	-2.0%
AUD	**1.48**	1.60	at 11/02	1.47	at	09/03	-0.8%
CNY	**7.37**	7.45	at 11/02	6.99	at	05/01	+4.5%
BRL	**4.04**	4.53	at 16/02	4.03	at	14/03	-6.0%
RUB	**76.19**	91.22	at 11/02	75.64	at	22/03	-4.0%
INR	**75.46**	77.50	at 11/02	71.42	at	05/01	+5.0%

At 31-3-16 *Variations*

Equity indices

	Index	highest' 16			lowest' 16			2016	2016(€)
CAC 40	**4 385**	4 637	at	01/01	3 897	at	11/02	-5.4%	**-5.4%**
S&P500	**2 060**	2 064	at	30/03	1 829	at	11/02	+0.8%	**-3.9%**
DAX	**9 966**	10 743	at	01/01	8 753	at	11/02	-7.2%	**-7.2%**
Nikkei	**16 759**	19 034	at	01/01	14 953	at	12/02	-12.0%	**-10.2%**
China*	**57**	59	at	01/01	48	at	12/02	-4.7%	**-9.3%**
India*	**446**	460	at	01/01	393	at	11/02	-2.8%	**-7.4%**
Brazil*	**1 320**	1 331	at	30/03	860	at	21/01	+14.1%	**+21.4%**
Russia*	**468**	476	at	22/03	331	at	20/01	+7.8%	**+10.3%**

At 31-3-16 *Variations*

* Indices MSCI

Economic forecasts

En %	GDP Growth 2015	GDP Growth 2016 e	GDP Growth 2017 e	Inflation 2015	Inflation 2016 e	Inflation 2017 e	Curr. account / GDP 2015	Curr. account / GDP 2016 e	Curr. account / GDP 2017 e	Fiscal balances / GDP 2015	Fiscal balances / GDP 2016 e	Fiscal balances / GDP 2017 e
Advanced	**1.9**	**1.6**	**1.4**	**0.3**	**0.6**	**1.7**						
United States	**2.4**	**1.9**	**1.5**	**0.1**	**1.4**	**2.1**	**-2.6**	**-2.8**	**-2.9**	**-2.5**	**-3.2**	**-3.3**
Japan	0.5	0.3	0.2	0.5	0.1	1.8	3.3	3.6	3.3	-4.6	-3.7	-3.2
United Kingdom	2.2	1.7	2.0	0.1	0.5	1.9	-4.5	-4.8	-3.8	-4.1	-3.0	-2.2
Euro Area	**1.5**	**1.3**	**1.4**	**0.0**	**-0.1**	**1.1**	**3.0**	**2.6**	**2.5**	**-2.2**	**-2.0**	**-1.7**
Germany	1.4	1.4	1.5	0.1	0.0	1.5	8.1	7.7	7.6	0.7	0.3	0.3
France	1.1	1.2	1.3	0.1	0.3	1.1	0.0	-0.1	-0.8	-3.5	-3.4	-3.2
Italy	0.6	1.0	0.9	0.1	-0.0	0.9	2.1	1.8	1.9	-2.7	-2.8	-2.3
Spain	3.2	2.6	2.1	-0.6	-0.9	1.0	0.9	0.6	0.5	-4.8	-3.8	-2.7
Netherlands	2.0	1.8	1.6	0.2	0.3	1.1	9.6	8.7	8.5	-1.8	-2.0	-1.8
Belgium	1.4	1.3	1.6	0.6	0.5	1.6	0.8	1.4	1.7	-2.7	-2.7	-2.5
Portugal	1.5	1.5	1.5	0.5	0.3	1.2	1.0	1.2	1.4	-4.1	-3.0	-2.5
Emerging	**4.1**	**4.1**	**4.6**	**6.0**	**6.4**	**5.4**						
China	6.9	6.4	6.1	1.4	1.5	1.7	2.8	3.1	2.2	-2.4	-3.1	-3.3
India	7.3	7.9	8.1	4.9	5.8	5.2	-1.3	-0.6	-0.6	-4.1	-3.9	-3.5
Brazil	-3.8	-4.0	0.0	9.0	9.1	7.3	-3.4	-1.0	-1.1	-10.3	-10.6	-10.3
Russia	-3.7	-1.8	0.6	15.6	9.1	7.2	5.4	2.8	7.4	-3.9	-4.8	-4.7
World	**3.1**	**3.0**	**3.2**	**3.6**	**3.9**	**3.8**						

Source : BNP Paribas Group Economic Research / GlobalMarkets (e: Estimates & forecasts)

Financial forecasts

Interest rates		2015				2016						
End period		Q1	Q2	Q3	Q4	Q1	Q2e	Q3e	Q4e	**2015**	**2016e**	**2017e**
US	Fed Funds	0.25	0.25	0.25	0.5	0.5	0.25-0.50	0.25-0.50	0.25-0.50	0.01	0.25-0.50	0.25-0.50
	3-month Libor $	0.27	0.28	0.33	0.61	0.63	0.70	0.70	0.70	0.61	0.70	1.05
	10-year T-notes	1.93	2.35	2.03	2.27	1.79	1.75	1.65	1.50	2.27	1.50	1.75
EMU	Refinancing rate	0.05	0.05	0.05	0.05	0.00	0.05	0.05	0.05	0.05	0.05	0.05
	3-month Euribor	0.02	-0.01	-0.04	-0.13	-0.24	-0.50	-0.60	-0.60	-0.13	-0.60	-0.60
	10-year Bund	0.18	0.77	0.59	0.63	0.16	0.30	0.00	-0.20	0.63	-0.20	-0.20
	10-year OAT	0.42	1.20	0.90	0.98	0.41	0.60	0.30	0.10	0.98	0.10	0.10
	10-year BTP	1.29	2.31	1.73	1.60	1.23	1.45	1.25	0.95	1.60	0.95	0.80
UK	Base rate	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.00
	3-month Libor £	0.57	0.58	0.58	0.59	0.59	0.75	0.75	0.75	0.59	0.75	1.25
	10-year Gilt	1.58	2.03	1.77	1.96	1.42	1.40	1.47	1.50	1.96	1.50	1.80
Japan	Overnight call rate	0.02	0.01	0.01	0.04	-0.00	-0.30	-0.30	-0.30	0.04	-0.30	-0.50
	3-month JPY Libor	0.17	0.17	0.17	0.17	0.10	0.00	-0.05	-0.10	0.17	-0.10	-0.25
	10-year JGB	0.40	0.44	0.35	0.25	-0.04	-0.10	-0.10	-0.10	0.25	-0.10	-0.25

Exchange rates		2015				2016						
End period		Q1	Q2	Q3	Q4	Q1	Q2e	Q3e	Q4e	**2015**	**2016e**	**2017e**
USD	EUR / USD	1.07	1.11	1.12	1.09	1.14	1.16	1.15	1.14	1.09	1.14	1.05
	USD / JPY	120	122	120	120	112	108	110	115	120	115	124
EUR	EUR / GBP	0.72	0.71	0.74	0.74	0.79	0.77	0.74	0.72	0.74	0.72	0.68
	EUR / CHF	1.04	1.04	1.09	1.09	1.09	1.14	1.14	1.16	1.09	1.16	0.01
	EUR/JPY	129	136	134	131	128	125	127	131	131	131	130

Source : BNP Paribas Group Economic Research / GlobalMarkets (e: Estimates & forecasts)

Most recent articles

MARCH	25 March	**16-12**	France: A slow but unobstructed recovery Netherlands: Getting its house in order
	18 March	**16-11**	China: Priority on stabilising growth United States: Safety first Spain: Deadlocked
	11 March	**16-10**	United States: Risk management Eurozone: The ECB changes gear
	04 March	**16-09**	Germany: Inflation back in negative territory France: Unemployment declines: the first in a series?
FEBRUARY	26 February	**16-08**	United States: Household blues? Germany: Businesses on red alert France: Confidence shaken
	19 February	**16-07**	United States: Positive signs Eurozone: A lower growth profile Ireland: General election against a background of economic recovery
	12 February	**16-06**	United-States: If labour was the only criterion… Portugal: Still needs to prove its worth
	05 February	**16-05**	Eurozone: Oil and inflation: between rounds United Kingdom: With love from him to them Saudi Arabia: Time to accelerate reforms
JANUARY	29 January	**16-04**	Germany: A sluggish start France: Investment, the new growth engine? Brazil: No remission expected in the short term
	22 January	**16-03**	China: Put to the test United States: What about inflation? Greece: When can we expect to see growth?
	15 January	**16-02**	United States: If wishes were horses… Eurozone: Negative deposit facility rate and lending France: Growth blew hot and cold in late 2015
	08 January	**16-01**	United States: Cool Hand Stan Emerging countries: Country risk mapping
DECEMBER	18 December	**15-45**	United States: The Force awakens Eurozone: ECB: Calibrating support Global: COP21, key points of a historic climate agreement
	11 December	**15-44**	United States: Janet's wager France: Inflation is not responding
	04 December	**15-43**	United States: Rhythm Matters France: Unemployment keeps rising Argentina: Towards a responsible management
NOVEMBER	27 November	**15-42**	United States: Consumers strike back France: Confidence held up in November Germany:
	20 November	**15-41**	United States: Slow and steady wins the race France: The growth rebound is confirmed but it lacks momentum Turkey: Corporates: the weak link
	13 November	**15-40**	Eurozone: Fiscal tensions Poland: Conservative right promises
	06 November	**15-39**	United States: Resilient Eurozone: About negative interest rates
OCTOBER	30 October	**15-38**	United States: Oil and the policy mix Eurozone: European integration: the Commission takes things in hand
	23 October	**15-37**	Eurozone: The high risks of low inflation France: 2016 budget proposal: austerity and stimulus Russia: Did the economy hit the bottom?

BNP PARIBAS

The bank
for a changing
world

Group Economic Research

- **William DE VIJLDER** — +33(0)1 55 77 47 31 — william.devijlder@bnpparibas.com
  Chief Economist

ADVANCED ECONOMIES AND STATISTICS

- **Jean-Luc PROUTAT** — +33.(0)1.58.16.73.32 — jean-luc.proutat@bnpparibas.com
  Head
- **Alexandra ESTIOT** — +33.(0)1.58.16.81.69 — alexandra.estiot@bnpparibas.com
  Works coordination - United States - United Kingdom - Globalisation
- **Hélène BAUDCHON** — +33.(0)1.58.16.03.63 — helene.baudchon@bnpparibas.com
  France (short-term outlook and forecasts) - Labour markets
- **Frédérique CERISIER** — +33.(0)1.43.16.95.52 — frederique.cerisier@bnpparibas.com
  Euro Area - European institutions and governance - Public finances
- **Thibault MERCIER** — +33.(0)1.57.43.02.91 — thibault.mercier@bnpparibas.com
  France (structural reforms) - European central bank
- **Caroline NEWHOUSE** — +33.(0)1.43.16.95.50 — caroline.newhouse@bnpparibas.com
  Japan, Ireland, Scandinavia - Ageing, pensions - Consumption
- **Catherine STEPHAN** — +33.(0)1.55.77.71.89 — catherine.stephan@bnpparibas.com
  Spain, Portugal - World trade - Education, health, social conditions
- **Raymond VAN DER PUTTEN** — +33.(0)1.42.98.53.99 — raymond.vanderputten@bnpparibas.com
  Germany, Netherlands, Austria, Switzerland - Energy, climate - Long-term projections

- **Tarik RHARRAB** — +33.(0)1.43.16.95.56 — tarik.rharrab@bnpparibas.com
  Statistics and Modelling

BANKING ECONOMICS

- **Laurent QUIGNON** — +33.(0)1.42.98.56.54 — laurent.quignon@bnpparibas.com
  Head
- **Céline CHOULET** — +33.(0)1.43.16.95.54 — celine.choulet@bnpparibas.com
- **Laurent NAHMIAS** — +33.(0)1.42.98.44.24 — laurent.nahmias@bnpparibas.com

EMERGING ECONOMIES AND COUNTRY RISK

- **François FAURE** — +33.(0)1 42 98 79 82 — francois.faure@bnpparibas.com
  Head
- **Christine PELTIER** — +33.(0)1.42.98.56.27 — christine.peltier@bnpparibas.com
  Deputy Head - Greater China, Vietnam - Methodology
- **Stéphane ALBY** — +33.(0)1.42.98.02.04 — stephane.alby@bnpparibas.com
  Africa (French-speaking countries)
- **Sylvain BELLEFONTAINE** — +33.(0)1.42.98.26.77 — sylvain.bellefontaine@bnpparibas.com
  Turkey, Brazil, Mexico, Central America - Methodology
- **Sara CONFALONIERI** — +33.(0)1.42.98.74.26 — sara.confalonieri@bnpparibas.com
  Africa (English and Portuguese speaking countries)
- **Pascal DEVAUX** — +33.(0)1.43.16.95.51 — pascal.devaux@bnpparibas.com
  Middle East, Balkan countries - Scoring
- **Anna DORBEC** — +33.(0)1.42.98.48.45 — anna.dorbec@bnpparibas.com
  CIS, Central European countries
- **Hélène DROUOT** — +33.(0)1.42.98.33.00 — helene.drouot@bnpparibas.com
  Asia
- **Johanna MELKA** — +33.(0)1.58.16.05.84 — johanna.melka@bnpparibas.com
  Asia, Russia
- **Alexandra WENTZINGER** — +33.(0)1.42 98 74 26 — alexandra.wentzinger@bnpparibas.com
  South America, Caribbean countries

- **Michel BERNARDINI** — +33.(0)1.42.98.05.71 — michel.bernardini@bnpparibas.com
  Public Relation Officer

The bank
for a changing
world

OUR PUBLICATIONS

CONJONCTURE
Structural or in the news flow, two issues analysed in depth

EMERGING
Analyses and forecasts for a selection of emerging economies

PERSPECTIVES
Analyses and forecasts for the main countries, emerging or developed

ECOFLASH
Data releases, major economic events. Our detailed views…

ECOWEEK
Weekly economic news and much more…

ECOTV
In this monthly webTV, our economists make sense of economic news

ECOTV WEEK
What is the main event this week? The answer is in your two minutes of economy

You can read and watch our analyses
on Eco news, our iPad and Android application

http://economic-research.bnpparibas.com

The information and opinions contained in this report have been obtained from, or are based on, public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate, complete or up to date and it should not be relied upon as such. This report does not constitute an offer or solicitation to buy or sell any securities or other investment. Information and opinions contained in the report are published for the assistance of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient, are subject to change without notice and not intended to provide the sole basis of any evaluation of the instruments discussed herein. Any reference to past performance should not be taken as an indication of future performance. To the fullest extent permitted by law, no BNP Paribas group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this report. All estimates and opinions included in this report are made as of the date of this report. Unless otherwise indicated in this report there is no intention to update this report. BNP Paribas SA and its affiliates (collectively "BNP Paribas") may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this report or derivatives thereon. BNP Paribas may have a financial interest in any issuer or person mentioned in this report, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon. Prices, yields and other similar information included in this report are included for information purposes. Numerous factors will affect market pricing and there is no certainty that transactions could be executed at these prices. BNP Paribas, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this report. BNP Paribas may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this report. BNP Paribas may be a party to an agreement with any person relating to the production of this report. BNP Paribas, may to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis on which it was based, before its publication. BNP Paribas may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this report. Any person mentioned in this report may have been provided with sections of this report prior to its publication in order to verify its factual accuracy.

BNP Paribas is incorporated in France with limited liability. Registered Office 16 Boulevard des Italiens, 75009 Paris. This report was produced by a BNP Paribas group company. This report is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNP Paribas. By accepting this document you agree to be bound by the foregoing limitations.

Certain countries within the European Economic Area:
This report has been approved for publication in the United Kingdom by BNP Paribas London Branch. BNP Paribas London Branch is authorised and supervised by the Autorité de Contrôle Prudentiel and authorised and subject to limited regulation by the Financial Services Authority. Details of the extent of our authorisation and regulation by the Financial Services Authority are available from us on request.
This report has been approved for publication in France by BNP Paribas SA, incorporated in France with Limited Liability and is authorised by the Autorité de Contrôle Prudentiel (ACP) and regulated by the Autorité des Marchés Financiers (AMF) whose head office is 16, boulevard des Italiens 75009 Paris, France.
This report is being distributed in Germany either by BNP Paribas London Branch or by BNP Paribas Niederlassung Frankfurt am Main, a branch of BNP Paribas S.A. whose head office is in Paris, France. BNP Paribas S.A. – Niederlassung Frankfurt am Main, Europa Allee 12, 60327 Frankfurt is authorised and supervised by the Autorité de Contrôle Prudentiel and it is authorised and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United States:
This report is being distributed to US persons by BNP Paribas Securities Corp., or by a subsidiary or affiliate of BNP Paribas that is not registered as a US broker-dealer to US major institutional investors only.BNP Paribas Securities Corp., a subsidiary of BNP Paribas, is a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority and other principal exchanges. BNP Paribas Securities Corp. accepts responsibility for the content of a report prepared by another non-U.S. affiliate only when distributed to U.S. persons by BNP Paribas Securities Corp.

Japan:
This report is being distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited or by a subsidiary or affiliate of BNP Paribas not registered as a financial instruments firm in Japan, to certain financial institutions defined by article 17-3, item 1 of the Financial Instruments and Exchange Law Enforcement Order. BNP Paribas Securities (Japan) Limited is a financial instruments firm registered according to the Financial Instruments and Exchange Law of Japan and a member of the Japan Securities Dealers Association and the Financial Futures Association of Japan. BNP Paribas Securities (Japan) Limited accepts responsibility for the content of a report prepared by another non-Japan affiliate only when distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan.

Hong Kong:
This report is being distributed in Hong Kong by BNP Paribas Hong Kong Branch, a branch of BNP Paribas whose head office is in Paris, France. BNP Paribas Hong Kong Branch is registered as a Licensed Bank under the Banking Ordinance and regulated by the Hong Kong Monetary Authority. BNP Paribas Hong Kong Branch is also a Registered Institution regulated by the Securities and Futures Commission for the conduct of Regulated Activity Types 1, 4 and 6 under the Securities and Futures Ordinance.

Some or all the information reported in this document may already have been published on https://globalmarkets.bnpparibas.com

© BNP Paribas (2014). All rights reserved.

Prepared by Economic Research – BNP PARIBAS
Registered Office: 16 boulevard des Italiens – 75009 PARIS
Tél : +33 (0) 1.42.98.12.34
Internet : www.bnpparibas.com - www.economic-research.bnpparibas.com

Publisher: Jean Lemierre
Editor : William De Vijlder