



## Summary

### Germany

#### Slowing growth but peaking confidence

GDP growth slowed in H1 2016, but remained above its potential. Surveys point to robust activity in the next months. In 2017, Brexit is likely to weigh on German activity.

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### France

#### A constrained budget

In its 2017 draft budget bill, the French government intends to lower the budget deficit to 2.7% of GDP in 2017. This is compliant with the European Commission's recommendation but execution risks are high.

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### Summary of forecasts

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Also in :



## Bad inflation

### ■ OPEC agrees on cutting production ■ Oil prices rebound

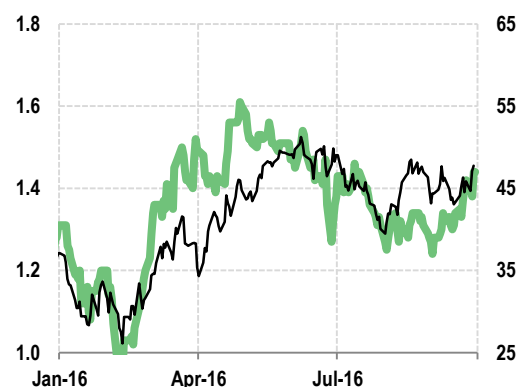
### ■ Mixed prospects for inflation

On Tuesday, the deal was called dead on Iran's willingness to regain pre-sanctions market shares. On Wednesday, OPEC agreed that crude-oil production had to be cut in order to lift prices. Some details still have to be cleared, but the press release states that the 14-member organisation is looking for limiting its production to between 32.5 and 33 million barrels a day. The news pushed oil prices up and, together with them, market readings for US inflation expectations.

End of deflation threats? No so fast... Admittedly, in lifting some pressure on oil producers, either countries or firms, the rebound in oil prices is a clear positive for global financial stability. As for inflation, the push could prove both temporary and unwelcome. Energy inflation – as food inflation – has deflationary effects: as households and corporates cannot lower energy demand swiftly, their energy bills end up larger and rising energy prices tend to depress spending on other goods and services. That is the reason why oil shocks mean global demand shocks. Central banks from around the world do seek higher inflation, but not that kind. What they are seeking is good inflation, the kind that comes from dynamic demand and results in higher wages. Too strong a rebound in oil prices would prove achieving that goal harder, as faster energy inflation today would also mean lower core inflation tomorrow.

#### OIL AND INFLATION

– Inflation expectations (5-year TIPS vs T-Bond yield, %)  
– WTI (USD/Bbl, r.h.s.)



Source: Macrobond

#### THE WEEK ON THE MARKETS

Week 23-9 16 > 29-9-16

↘ CAC 40	4 489	► 4 444	-1.0 %
↘ S&P 500	2 165	► 2 151	-0.6 %
↗ Volatility (VIX)	12.3	► 14.0	+1.7 %
↗ Euribor 3M (%)	-0.30	► -0.30	+0.1 bp
↘ Libor \$ 3M (%)	0.85	► 0.84	-1.5 bp
↘ OAT 10y (%)	0.15	► 0.13	-2.4 bp
↘ Bund 10y (%)	-0.15	► -0.19	-4.0 bp
↘ US Tr. 10y (%)	1.61	► 1.56	-5.8 bp
↗ Euro vs dollar	1.12	► 1.12	+0.1 %
↘ Gold (ounce, \$)	1 340	► 1 317	-1.7 %
↘ Oil (Brent, \$)	47.5	► 46.3	-2.5 %

Source: Thomson Reuters



## Germany

### Slowing growth but peaking confidence

- GDP grew by 2.3% on average in H1 2016, which is well above Germany's potential growth rate.
- Soft data in early Q3 is contradicted by more reliable strong business survey data.
- Next year's Brexit negotiations are likely to weigh on German investment and activity.

The German economy performed very well in H1 2016. GDP increased on average by 2.3% y/y (adjusted for calendar effects, 1.8%). This is well above the economy's potential growth rate, estimated at 1.4% by the OECD. However, the pace of growth slowed somewhat from 0.7% q/q in Q1 to 0.4% in Q2.

#### Growth is mainly driven by domestic demand

Domestic demand was the main engine behind this good performance. Lower energy prices and generous pay settlements boosted household purchasing power. In addition, the good employment situation - the unemployment rate declined to 4.2% in July - underpinned household spending. Private consumption rose by 2.0% y/y in H1. Government consumption was boosted by expenditures related to the reception of refugees. It rose by more than 4% y/y.

Investment also contributed substantially to year-on-year GDP growth in H1 2016, mainly due to a 1.7% q/q increase in both Q4 2015 and Q1 2016. In Q1, investment was boosted by substantial purchases of commercial motor vehicles and increased building activity thanks to mild winter weather. However, in Q2 2016, capital spending became much less dynamic and actually declined by 1.5%, as both construction activity and vehicle purchases returned to normal levels. These were the main reasons for the slowing GDP growth pace in Q2.

By contrast, exports strengthened significantly in Q2, after having stagnated since the middle of 2015. This was mainly due to increased purchases by other Eurozone countries. As import growth remained robust on the back of strong domestic demand, the contribution of net exports to GDP growth was close to zero in H1.

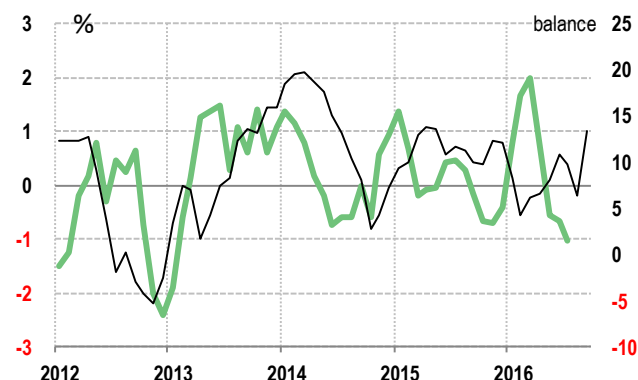
#### High confidence points to robust growth

The first hard data for Q3 suggest a substantial slowdown. Manufacturing production declined sharply in July (-2.3% m/m), reaching its lowest level since August 2014. This could chime with the sharp fall in exports in the same month (-2.6% m/m). However, because of their high volatility, monthly data should be interpreted with care. This is even more so the case for the summer months, when activity is normally dull. Thus, the strong seasonal correction applied in these months might magnify a modest weakness out of proportions.

#### IFO survey points to industrial recovery

— Manufacturing production (3m/3m)

— IFO business climate - manufacturing (RHS)



Chart

Sources: IFO, Destatis

We have good reason to expect that economic activity has not significantly slowed in recent months. Business sentiment has remained at relatively high levels. In September, the IFO climate index even gained 3.2 points, reaching its highest level since May 2014. In particular, the improvement in the expectation component was remarkable after the weakness in H1 2016. It gained 4.4 points. In particular, German manufacturers anticipate strong demand from abroad. Export expectations, which had been dented by the Brexit vote, bounced back in almost all key sectors. Only the chemical industry expected foreign business to stagnate. As survey data remain well oriented, we expect GDP growth to remain close to its potential.

#### Uncertainty as Brexit talks get underway

Thanks to the strong first half of 2016, we expect growth to reach 1.8% in 2016 (adjusted for calendar effects). This would be the best growth performance since 2011. In 2017, the pace is likely to slow again to 1.3%, as energy prices are rising again. Moreover, as the Brexit negotiations get underway, the uncertainty concerning the outcome might weigh on investment spending, not only in Germany, but also in other European countries. This will negatively affect activity in the large German capital goods industry.



## France

## A constrained budget

- In its 2017 draft budget bill, the government intends to lower the budget deficit to 2.7% of GDP in 2017, after 3.3% in 2016 and 3.5% in 2015.
- These targets, which are the same as in the April Stability Programme and also the 2016 budget bill, are based on growth forecasts which have also been maintained at 1.5% in 2016 and 2017.
- In 2017, faced with an estimated total of EUR 14 billion in new measures to finance, the government has produced as much in new savings and revenues.
- This budget complies with the European Commission's recommendation to bring back the deficit below the 3% threshold in 2017.
- Yet the execution risks are high in the light of the government's optimistic growth forecasts and intentions of keeping a tight grip on spending.

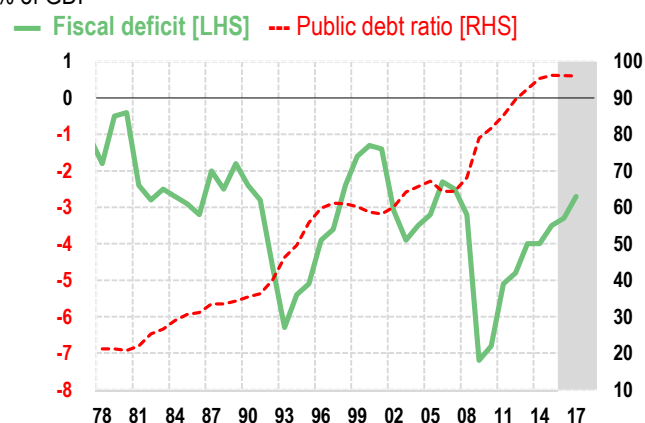
On Wednesday, 28 September, the French government presented its 2017 draft budget bill (PLF 2017). We would like to review here the key facts and figures in order to better understand how the government managed to balance its budget despite numerous constraints, notably its commitment to reduce the deficit below 3% of GDP; several downside risks to growth, and the need to finance numerous new measures...

The first big news is that the government intends to maintain the same budget deficit reduction targets as in the April 2016 Stability Programme: 3.3% of GDP in 2016 and 2.7% in 2017 (vs. 3.5% in 2015). These are also the same targets as in the 2016 budget bill. Consequently, the government's deficit trajectory complies with the European Commission's recommendation of reducing the deficit below 3% of GDP in 2017. The Commission is likely to sign off on the numbers. It should focus its analysis on the ways and means implemented to balance this budget and underline the importance to strictly execute the budget plan. It will release its assessment in November. The government also maintained its forecasts of average annual growth of 1.5% in both 2016 and 2017. The inflation outlook for 2016 is also the same, with an average annual rate of 0.1%. In 2017, in contrast, it lowered its estimate slightly to 0.8% (vs. 1%). The budget would halt the increase in the public debt ratio, which would inch down to 96.1% of GDP in 2016 and then to 96% in 2017, down from 96.2% in 2015 (see chart).

The government's decision to maintain its growth and deficit forecasts caught our attention. As to growth, we believe a downward revision would have been justified, especially in 2017, given the expected abating of several supportive factors (absence of inflation, past decline in oil prices and the euro's depreciation), while new headwinds are expected to emerge (notably, the consequences of Brexit). Yet the government esteems that the positive and negative impacts of economic developments since last April will balance each other out in terms of growth in 2017. On the negative side, Brexit's

## Public finance metrics

% of GDP



Chart

Sources: INSEE, grey area: government forecasts

## Key figures from the 2017 budget proposal

Average annual growth rate (%) and ratios (% of GDP)

	2014	2015	2016	2017
GDP growth	0.6	1.3	1.5	1.5
Potential growth	1.0	1.1	1.5	1.5
Fiscal balance (1)	-4.0	-3.5	-3.3	-2.7
Cyclical balance (2)	-1.7	-1.6	-1.6	-1.6
Temporary and one-off measures (3)	0.0	0.0	-0.1	-0.1
Structural balance (1)-(2)-(3)	-2.3	-1.9	-1.6	-1.1
Structural adjustment (change in the structural balance)	0.3	0.4	0.3	0.5
Of which real structural effort	0.5	0.5 (0.7)	0.4 (0.5)	0.4 (0.3)
New revenue measures*	0.2	-0.1 (-0.1)	-0.2 (-0.2)	0.0 (-0.3)
Spending efforts*	0.3	0.5 (0.8)	0.5 (0.7)	0.4 (0.6)
Of which non-discretionary component	-0.1	0.0	-0.1	0.0
Of which tax credit key	-0.1	-0.1	0.0	0.1
Public debt ratio	95.6	96.2	96.1	96.0
Public debt ratio excluding eurozone financial support	92.4	93.1	93.1	93.1
Public spending ratio (excluding tax credits)	56.1	55.5	55.0	54.6
Change in value of public spending (excluding tax credits)	1.0	0.8	1.4	1.6
Change in volume of public spending (excluding tax credits)	0.6	0.8	1.3	0.8
Compulsory taxes/GDP ratio	44.8	44.7	44.5	44.5

Temporary and one-off measures notably include tax disputes. The non-discretionary component of the structural adjustment takes into account revenue elasticity effects when this elasticity differs from the historical unit value. The "tax credit key" is equal to the change in the spread between the budgetary cost and cost in the national accounts of recoverable tax credits that can be carried forward, following implementation of SEC 2010.

\* In brackets, previous figures taken from the April 2016 Stability Programme

Table 1

Sources: French government, BNP Paribas



impact is expected to cost a quarter point of growth in 2017. Oil prices have also risen slightly since April<sup>1</sup> and world trade is expected to be less buoyant. All these factors would reduce growth by 0.3 points. On the positive side, the government is counting on stronger investment trends, new stimulus measures (such as the extension of the hiring bonus for SMEs and the over-amortization scheme), and fewer structural efforts in terms of fiscal savings. All these positive factors would boost growth by 0.3 points in 2017. Though realistic, we do not think this is the most likely scenario. It is clearly positioned in the upper range of forecasts<sup>2</sup>. The High Council of Public Finance (HCFP) also esteems that the government's 2017 forecast is optimistic, and the one for 2016 is a bit high with regard to the information available so far. The inflation forecasts, in contrast, are considered to be reasonable.

Fiscal deficit targets could be maintained in part because the growth forecasts were not changed. Yet the 2017 deficit target also depends heavily on a series of new financing measures totalling EUR 14 billion (EUR 8 billion in new revenues and EUR 6 billion in new savings), which precisely offset the new tax cuts (EUR 1.4 billion) and new spending (EUR 7.6 billion) announced by the government since the beginning of the year plus EUR 5 billion in adjustments previously identified in the April Stability Programme (to offset lower than expected inflation). These measures are outlined in Table 2. The other major news in the 2017 budget presentation is the introduction of a withholding tax, effective 1 January 2018.

According to government estimates, the reduction in the 2017 budget deficit is primarily structural (as in 2016). Indeed, despite its forecast of strong growth, there is no improvement in the cyclical balance because the government also estimates France's potential growth at 1.5%. The actual structural effort amounts to 0.4 points in 2017 (the same as in 2016) and hinges entirely on tight control over spending. As a result, fiscal consolidation should continue to strain growth, although not in a very restrictive manner.

One has to keep in mind that structural efforts are hard to evaluate by nature and must be handled with caution. It is possible that the European Commission will consider the structural efforts announced by the government to be overestimated, as was the case in previous budgets. And, aside the differences in estimations, remains the question of the execution risks of a budget during an electoral year. The risk of a fiscal slippage in the first months of the year is probably higher than usual and, whatever the outcome of the ballot, a supplementary budget act is highly likely to be voted in the summer of 2017.

### Strong critics from the High Council of Public Finances

To conclude, the 2016 target of reducing the deficit slightly to 3.3% of GDP seems reachable, even though it should not be taken for granted given the downside risks to growth and potential budget slippage on spending. In 2017, in contrast, it will be much harder to reduce the deficit to 2.7% of GDP: there are even stronger downside

## New measures in the 2017 draft budget bill

EUR billions

<b>New measures</b>	<b>9</b>
<b>New expenditures</b>	<b>7.6</b>
■ State: emergency jobs plan; military and homeland security spending; support for education; increase in the public service wage index; increase in the wage grid	5.7
■ Smaller decline in local government allocations	1.2
■ Healthcare spending (easing of ONDAM, the national healthcare spending target)	0.7
<b>New tax cuts</b>	<b>1.4</b>
■ Flat-rate cut in the income tax rate (-20%) targetting low-income households	1.0
■ Reduction in the corporate tax rate targetting SMEs, from 33.3% to 28% (extension to all companies as of 2020)	0.3
■ Reduction in charges for artisans	0.1
<b>Financing</b>	<b>14</b>
<b>New revenues</b>	<b>8.2</b>
■ Adjustments to the Responsibility Pact: transformation of the last tranche (complete elimination of C3S Solidarity Social Contribution, beginning of corporate tax reductions) by increasing the CICE tax credit (from 6% to 7%, budgetary cost postponed until 2018)	5.0
■ Increase in proceeds from combating tax fraud	1.9
■ Various corporate tax measures	1.3
<b>New savings</b>	<b>5.6</b>
■ Social security (unemployment insurance, health spending)	1.5
■ Extra savings on debt servicing charges	1.2
■ Fewer payouts for the Investment in the Future Programme (PIA)	1.2
■ Less spending of local administrations	1.0
■ Smaller impact of tax disputes	0.7

Table 2

Sources: French government, BNP Paribas

risks to growth and the High Council for Public Finance has identified greater upside risks for public spending than in previous years.

The High Council made several critics on that front and underlined the "unrealistic" nature of expected savings on UNEDIC unemployment insurance; the "strong uncertainty" weighing on the substantial savings planned by ONDAM, the national healthcare spending target; and the factors accelerating the total public service wage bill. Concerning government spending, it takes note of "the absence of any new clearly documented savings measures", as well as the pending accounting treatments of the announced recapitalisation of certain energy sector companies. For these reasons, the High Council esteems as "unlikely" that France will meet its nominal and structural deficit targets in 2017. It even considers it to be "uncertain" that the nominal deficit will fall below 3% of GDP next year.

By targeting a 2.7% of GDP fiscal deficit in 2017, the government benefits from a small room of maneuver to cope with negative surprises and still manage to reach the target of a deficit below 3% next year. However, a much weaker than expected growth, a likely outcome, would jeopardize even this target.

<sup>1</sup> The government does not make forecasts: it simply fixes the price at the last known price. Today, its scenario is based on oil prices of USD 45 a barrel, compared to USD 38 in April.

<sup>2</sup> Ecoweb 16-32, "France: growth prospects and confidence", 23 September 2016.





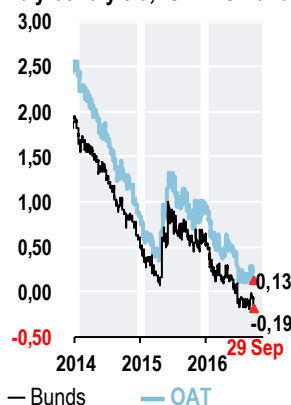
## Markets overview

## The essentials

Week 23-9-16 &gt; 29-9-16

➤ CAC 40	4 489	➤ 4 444	-1.0 %
➤ S&P 500	2 165	➤ 2 151	-0.6 %
➤ Volatility (VIX)	12.3	➤ 14.0	+1.7 %
➤ Euribor 3M (%)	-0.30	➤ -0.30	+0.1 bp
➤ Libor \$ 3M (%)	0.85	➤ 0.84	-1.5 bp
➤ OAT 10y (%)	0.15	➤ 0.13	-2.4 bp
➤ Bund 10y (%)	-0.15	➤ -0.19	-4.0 bp
➤ US Tr. 10y (%)	1.61	➤ 1.56	-5.8 bp
➤ Euro vs dollar	1.12	➤ 1.12	+0.1 %
➤ Gold (ounce, \$)	1 340	➤ 1 317	-1.7 %
➤ Oil (Brent, \$)	47.5	➤ 46.3	-2.5 %

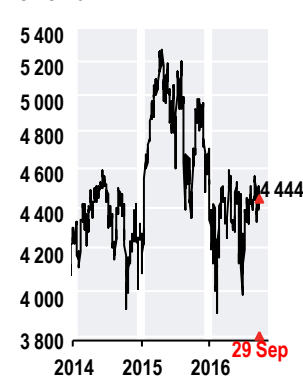
10 y bond yield, OAT vs Bund



Euro-dollar



CAC 40



## Money &amp; Bond Markets

Interest Rates		highest' 16		lowest' 16	
€ ECB	0.00	0.05 at 01/01	0.00 at 16/03		
Eonia	-0.34	-0.13 at 01/01	-0.36 at 26/05		
Euribor 3M	-0.30	-0.13 at 01/01	-0.30 at 08/09		
Euribor 12M	-0.06	0.06 at 01/01	-0.06 at 29/09		
\$ FED	0.50	0.50 at 01/01	0.50 at 01/01		
Libor 3M	0.84	0.87 at 20/09	0.61 at 04/01		
Libor 12M	1.55	1.57 at 21/09	1.12 at 12/02		
£ BoE	0.25	0.50 at 01/01	0.25 at 04/08		
Libor 3M	0.38	0.59 at 15/02	0.38 at 08/09		
Libor 12M	0.75	1.07 at 01/01	0.72 at 10/08		

At 29-9-16

Yield (%)		highest' 16		lowest' 16	
€ AVG 5-7y	-0.12	0.49 at 12/01	-0.14 at 27/09		
Bund 2y	-0.69	-0.34 at 01/01	-0.70 at 28/09		
Bund 10y	-0.19	0.63 at 01/01	-0.22 at 28/09		
OAT 10y	0.13	0.98 at 01/01	0.10 at 27/09		
Corp. BBB	1.23	2.50 at 20/01	1.14 at 07/09		
\$ Treas. 2y	0.74	1.06 at 01/01	0.56 at 05/07		
Treas. 10y	1.56	2.27 at 01/01	1.36 at 08/07		
Corp. BBB	3.24	4.50 at 12/02	3.24 at 18/08		
£ Treas. 2y	0.07	0.65 at 01/01	0.07 at 29/09		
Treas. 10y	0.72	1.96 at 01/01	0.61 at 12/08		

At 29-9-16

10y bond yield &amp; spreads

8.33%	Greece	851 pb
3.32%	Portugal	350 pb
1.22%	Italy	140 pb
0.99%	Spain	117 pb
0.33%	Ireland	51 pb
0.14%	Belgium	32 pb
0.13%	France	31 pb
0.11%	Austria	29 pb
0.03%	Finland	21 pb
0.01%	Netherlands	19 pb
-0.19%	Germany	

## Commodities

Spot price in dollars		lowest' 16		2016(€)	
Oil, Brent	46	28 at 20/01	+25.5%		
Gold (ounce)	1 317	1 062 at 01/01	+20.0%		
Metals, LMEX	2 447	2 049 at 12/01	+7.4%		
Copper (ton)	4 825	4 328 at 15/01	-0.8%		
CRB Foods	331	329 at 11/01	-4.5%		
wheat (ton)	141	126 at 16/08	-11.6%		
Corn (ton)	119	113 at 31/08	-16.8%		

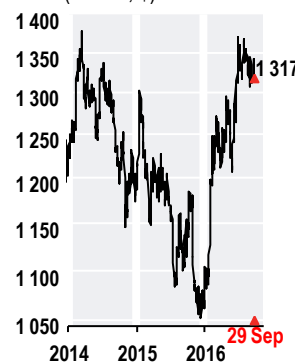
At 29-9-16

Variations

Oil (Brent, \$)



Gold (Ounce, \$)



CRB Foods



## Exchange Rates

1€ =		highest' 16		lowest' 16		2016	
USD	1.12	1.15 at 03/05	1.07 at 05/01	+3.4%			
GBP	0.87	0.87 at 15/08	0.73 at 05/01	+17.4%			
CHF	1.09	1.11 at 04/02	1.08 at 24/06	-0.1%			
JPY	114.13	131.84 at 01/02	110.95 at 08/07	-12.7%			
AUD	1.46	1.60 at 11/02	1.45 at 10/08	-1.9%			
CNY	7.49	7.54 at 22/08	6.99 at 05/01	+6.2%			
BRL	3.62	4.53 at 16/02	3.49 at 09/08	-15.8%			
RUB	70.90	91.22 at 11/02	69.76 at 19/07	-10.6%			
INR	75.11	77.50 at 11/02	71.42 at 05/01	+4.5%			

At 29-9-16

Variations

## Equity indices

Index		highest' 16		lowest' 16		2016		2016(€)
CAC 40	4 444	4 637 at 01/01	3 897 at 11/02	-4.2%		-4.2%		
S&P500	2 151	2 190 at 15/08	1 829 at 11/02	+5.2%		+1.8%		
DAX	10 406	10 753 at 07/09	8 753 at 11/02	-3.1%		-3.1%		
Nikkei	16 694	19 034 at 01/01	14 952 at 24/06	-12.3%		+0.4%		
China*	64	65 at 22/09	48 at 12/02	+8.0%		+4.4%		
India*	481	504 at 08/09	393 at 11/02	+5.9%		+1.3%		
Brazil*	1 670	1 746 at 08/09	860 at 21/01	+31.2%		+55.9%		
Russia*	519	526 at 08/09	331 at 20/01	+14.1%		+24.0%		

At 29-9-16

Variations

\* MSCI index



## Economic forecasts

En %	GDP Growth			Inflation			Curr. account / GDP			Fiscal balances / GDP		
	2015	2016 e	2017 e	2015	2016 e	2017 e	2015	2016 e	2017 e	2015	2016 e	2017 e
<b>Advanced</b>	<b>1.9</b>	<b>1.4</b>	<b>1.3</b>	<b>0.3</b>	<b>0.7</b>	<b>1.5</b>						
<b>United States</b>	<b>2.6</b>	<b>1.5</b>	<b>1.6</b>	<b>0.1</b>	<b>1.2</b>	<b>2.1</b>	<b>-2.5</b>	<b>-2.6</b>	<b>-2.7</b>	<b>-2.5</b>	<b>-3.1</b>	<b>-3.1</b>
Japan	0.5	0.4	0.1	0.8	-0.2	0.5	3.3	3.6	3.2	-4.5	-4.3	-3.9
United Kingdom	2.2	1.6	0.7	0.0	0.5	2.2	-5.4	-5.9	-4.4	-4.1	-3.6	-4.4
<b>Euro Area</b>	<b>1.9</b>	<b>1.5</b>	<b>1.1</b>	<b>0.0</b>	<b>0.2</b>	<b>1.1</b>	<b>3.2</b>	<b>2.9</b>	<b>2.7</b>	<b>-2.1</b>	<b>-2.1</b>	<b>-1.9</b>
Germany	1.5	1.8	1.3	0.1	0.3	1.4	8.6	8.2	7.5	0.7	0.3	0.1
France	1.2	1.3	1.0	0.1	0.4	1.1	-0.2	-0.2	-0.4	-3.6	-3.4	-3.1
Italy	0.6	0.8	0.3	0.1	-0.1	0.8	2.2	2.2	2.1	-2.6	-2.8	-2.8
Spain	3.2	3.1	1.9	-0.6	-0.4	1.2	1.4	1.2	1.0	-5.1	-4.6	-3.5
Netherlands	2.0	1.8	1.6	0.2	0.4	0.9	9.4	9.5	9.2	-1.8	-1.8	-1.6
Belgium	1.4	1.2	1.5	0.6	1.5	1.5	0.8	1.3	1.5	-2.5	-2.7	-2.3
Portugal	1.5	1.1	1.1	0.5	0.6	1.4	0.8	0.6	0.4	-4.4	-2.9	-2.7
<b>Emerging</b>	<b>4.1</b>	<b>4.2</b>	<b>4.9</b>	<b>5.9</b>	<b>6.5</b>	<b>5.5</b>						
China	6.9	6.6	6.3	1.4	2.0	2.2	3.1	2.6	1.9	-2.4	-3.0	-3.2
India	7.2	7.9	8.3	4.9	5.4	5.0	-1.3	-1.1	-1.3	-4.1	-3.9	-3.5
Brazil	-3.8	-3.0	2.0	9.0	8.8	5.0	-3.3	-1.0	-1.5	-10.3	-10.1	-9.4
Russia	-3.7	0.0	2.2	15.6	7.1	5.4	5.2	2.8	3.5	-2.1	-2.8	-1.6
<b>World</b>	<b>3.1</b>	<b>3.0</b>	<b>3.3</b>	<b>3.5</b>	<b>4.0</b>	<b>3.8</b>						

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

## Financial forecasts

Interest rates		2016				2017				2015	2016e	2017e
		Q1	Q2	Q3*	Q4e	Q1e	Q2e	Q3e	Q4e			
<b>US</b>	Fed Funds	0.50	0.50	0.50	0.50-0.75	0.50-0.75	0.50-0.75	0.50-0.75	0.50-0.75	0.01	0.50-0.75	0.50-0.75
	3-month Libor \$	0.63	0.65	0.84	0.85	0.90	0.90	0.95	0.95	0.61	0.85	0.95
	10-year T-notes	1.79	1.49	1.56	1.60	1.60	1.55	1.55	1.50	2.27	1.60	1.50
<b>EMU</b>	Refinancing rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00
	3-month Euribor	-0.24	-0.29	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.13	-0.30	-0.30
	10-year Bund	0.16	-0.13	-0.19	-0.20	-0.20	-0.20	-0.20	-0.20	0.63	-0.20	-0.20
	10-year OAT	0.41	0.20	0.13	0.10	0.20	0.10	0.10	0.10	0.98	0.10	0.10
	10-year BTP	1.23	1.35	1.22	0.90	0.90	0.90	0.80	0.80	1.60	0.90	0.80
<b>UK</b>	Base rate	0.50	0.50	0.25	0.10	0.10	0.10	0.10	0.10	0.50	0.10	0.10
	3-month Libor £	0.59	0.56	0.38	0.20	0.30	0.35	0.35	0.35	0.59	0.20	0.35
	10-year Gilt	1.42	1.02	0.72	0.65	0.65	0.65	0.70	0.80	1.96	0.65	0.80
<b>Japan</b>	Overnight call rate	-0.00	-0.06	-0.04	-0.10	-0.10	-0.10	-0.10	-0.10	0.04	-0.10	-0.10
	3-month JPY Libor	0.10	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.17	0.05	0.05
	10-year JGB	-0.04	-0.23	-0.08	-0.10	-0.15	-0.15	-0.15	-0.15	0.25	-0.10	-0.15

Exchange rates		2016				2017				2015	2016e	2017e
		Q1	Q2	Q3*	Q4e	Q1e	Q2e	Q3e	Q4e			
<b>USD</b>	EUR / USD	1.14	1.11	1.12	1.08	1.12	1.10	1.07	1.05	1.09	1.08	1.05
	USD / JPY	112	103	102	108	106	108	115	120	120	108	120
<b>EUR</b>	EUR / GBP	0.79	0.83	0.87	0.84	0.86	0.84	0.79	0.77	0.74	0.84	0.77
	EUR / CHF	1.09	1.08	1.09	1.12	1.13	1.14	1.15	1.16	1.09	1.12	1.16
	EUR/JPY	128	114	114	117	119	119	123	126	131	117	126

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

\* at 29/09/2016



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