



Summary

Global

Youth unemployment: an important ongoing policy challenge

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Ireland

Beyond revisions

The presentation of Ireland's 2017 budget proposal provides a good occasion to review the country's public finance situation. Recent revisions of the national accounts have muddled the reading of its public finance ratios.

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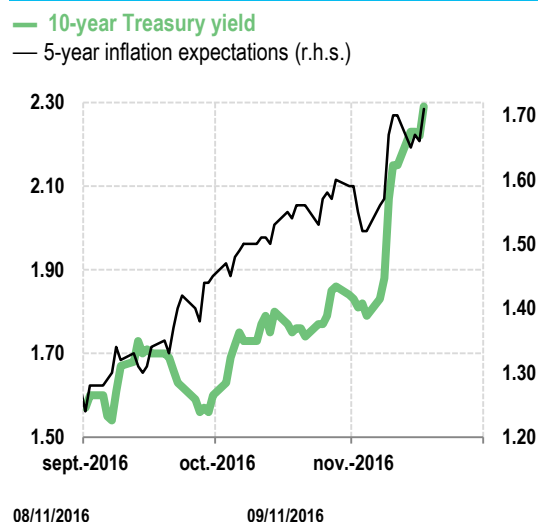


Relative stimulus

■ Widespread rally in the financial markets ■ Expected fiscal stimulus welcomed or pricing in wider deficits?

Are the financial markets really welcoming a new development, and if so, which one? Is it the victory of Donald Trump, even though they previously seemed to fear it? Or is it his fiscal pronouncements, against the background of an apparent retreat away from protectionism? A naïve reading of Donald Trump's comments suggests that tax cuts and higher spending are on the way. However, talk of higher spending should be put into context, since planned infrastructure investment is not what it may seem. The aim is to help the private sector, via tax credits, to raise funds directed to motorways and toll bridges financing: USD 167 billion of tax credits would then apparently generate USD 1,000 billion of infrastructure spending. The House of Representatives, whose speaker Paul Ryan was re-elected this week, is highly unlikely to vote in higher public spending. Tax cuts, on the other hand, are something all Republicans agree on and have every chance of being passed. The planned tax cuts are huge and would seriously widen the federal deficit. More deficit equals more debt and therefore a larger supply of Treasuries, pushing down their price and increasing their yields. This is probably what lies behind recent market movements, rather than expectations of renewed upward pressure on inflation. Indeed, neither Fed funds futures contracts nor movements in short-term interest rates suggest any major change in monetary policy expectations.

US BOND MARKET (%)



THE WEEK ON THE MARKETS

Week 11-11-16 > 17-11-16

➤ CAC 40	4 489	➤ 4 528	+0.9 %
➤ S&P 500	2 164	➤ 2 187	+1.0 %
➤ Volatility (VIX)	14.2	➤ 13.4	-0.8 %
➤ Euribor 3M (%)	-0.31	➤ -0.31	+0.0 bp
➤ Libor \$ 3M (%)	0.91	➤ 0.91	+0.3 bp
➤ OAT 10y (%)	0.74	➤ 0.75	+1.3 bp
➤ Bund 10y (%)	0.23	➤ 0.20	-3.0 bp
➤ US Tr. 10y (%)	2.15	➤ 2.30	+14.9 bp
➤ Euro vs dollar	1.09	➤ 1.07	-1.7 %
➤ Gold (ounce, \$)	1 229	➤ 1 228	-0.0 %
➤ Oil (Brent, \$)	44.4	➤ 46.6	+4.9 %

Source: Thomson Reuters



Global

Youth unemployment: an important ongoing policy challenge

- Within the OECD countries, the youth unemployment rate is higher and cyclically more sensitive than the total unemployment rate.
- During economic downturns, the percentage of young people unemployed for more than one year increases.
- The negative impact of having been unemployed while young can stretch far into the future.

The cyclical upturn in recent years has led to a decline in the number of unemployed young people (aged 15-24 year) as a percentage of the young labour force¹ (Chart 1). In countries like Spain, Portugal and Ireland, this decline has been very significant, but it has followed a huge increase in the youth unemployment rate. In Italy, the increase has also been considerable, but the decline has just started. The chart also shows that across countries the youth unemployment rate was high even before the 2008 recession. In 2015, the ratio of youth unemployment rate to the total unemployment rate was on average 2.1 in the OECD and as well as for the eurozone. The ratio was the highest in Italy where the youth unemployment rate is three times the overall rate. Germany and the Netherlands had the lowest ratio (1.6 times)², France was on the high side (2.4 times)³. Interestingly, across the phases of the business cycle, the ratio of youth unemployment rate to the unemployment rate of people aged 25 and over seems rather stable. The scatter plot in Chart 2 displays annual observations for 8 countries. The regression line, which shows the average relationship across countries and time, has a high explanatory power, and its slope (the beta coefficient) indicates that a 10 percentage point change in youth unemployment would be accompanied by a 3.5 percentage point change in the unemployment rate of people aged 25 and over. As can be seen in Table 1, there are quite a few differences in individual country's results, in particular with respect to the beta coefficient of the regressions. This coefficient can be considered to be a measure of the relative cyclical sensitivity of youth unemployment versus the

¹ The labour force, or currently active population, comprises all persons who fulfil the requirements for inclusion among the employed (civilian employment plus the armed forces) and the unemployed. The employed are defined as those who work for pay or profit for at least one hour a week or who have a job but are temporarily not at work due to illness, leave or industrial action. The unemployed are defined as people without work but actively seeking employment and currently available to start work (source: OECD).

² For Germany this is related to the "rather successful apprenticeship system that ensures a relatively smooth transition from school to work" (source: Scarpetta, S., A. Sonnet and T. Manfredi (2010), "Rising Youth Unemployment During the Crisis: How to Prevent Negative Long-term Consequences on a Generation?" OECD Social, Employment and Migration Working Papers, No.106).

³ In addition there is a broader concept of 'youth not in employment, education or training' (NEET). For economic policy, this concept is not only the most relevant but also the most challenging in view of the fact that education is considered to be a key factor in improving the chances of finding a job. Not being in education? (an education programme) would make this task harder.

Youth unemployment, %

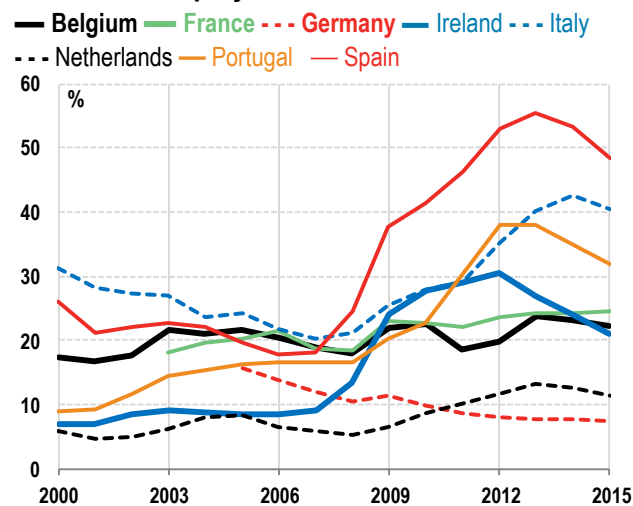


Chart 1

Source: OECD

Youth vs Adult, %

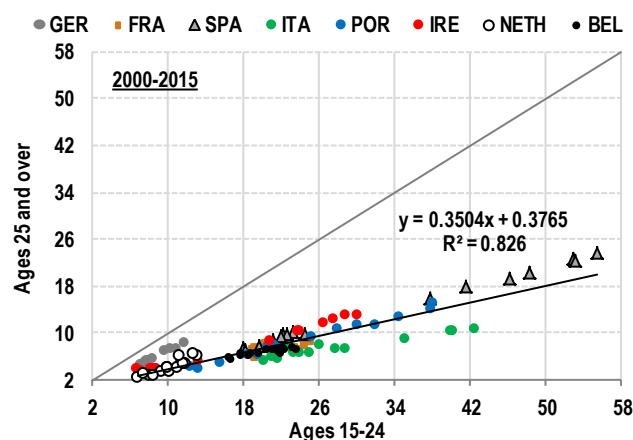


Chart 2

Sources: OECD, BNP Paribas

Result estimates

Germany	$y = 0.7805x - 1.1932$ $R^2 = 0.9907$ (*)
France	$y = 0.2389x + 2.5243$ $R^2 = 0.5169$ (*)
Spain	$y = 0.4273x - 0.2197$ $R^2 = 0.9963$ (*)
Italy	$y = 0.2181x + 1.2674$ $R^2 = 0.8955$ (*)
Portugal	$y = 0.4147x - 1.533$ $R^2 = 0.9903$ (*)
Ireland	$y = 0.429x - 0.028$ $R^2 = 0.9938$ (*)
Netherlands	$y = 0.6342x - 2.3618$ $R^2 = 0.8104$ (*)
Belgium	$y = 0.2257x + 1.9997$ $R^2 = 0.7977$ (*)

(*) t-stat is significant at the 5%, y = Ages 25 and over x = Ages 15-24

Table1

Source: BNP Paribas



unemployment rate of those aged 25 and over. A low coefficient means that youth unemployment is more sensitive to the cyclical environment than the unemployment rate of the rest of the labour force. France, Italy and Belgium are in this case. The difference in cyclical sensitivity is the lowest in Germany. To explore this topic further, Chart 3 shows whether countries that witnessed a big increase in youth unemployment during the downturn have seen it shrink significantly as growth recovers. There does seem to be a relationship, though it is clearly not proportional: the decline in unemployment following its peak level is only 40% of the increase following the previous cyclical trough in unemployment. There is, however, an important caveat: the timing of the peak level of youth unemployment is obviously country-specific so when the peak has been reached only recently, the comparison between 'increase from trough to peak' versus 'decline since peak' will be biased. Finally, one observes that during periods of negative or very slow growth, the percentage of young people who have been unemployed for more than one year increases. Despite a recent decline in this percentage on the back of a decline in the unemployment rate, it remains high in many countries (Chart 4).

Different explanations have been provided as to why youth unemployment rises so much during economic downturns⁴: young people tend to have less job protection, many of them may work on temporary contracts, they have gained less work experience, companies may have invested less in their training than for staff who have been with the company for a long time, severance pay will probably be lower, young people may be more inclined to resign voluntarily, entering the labour market when growth is lacklustre may be difficult for younger people when they have limited experience and in a recession companies first stop recruiting people before laying off staff.

Despite the recent improvement in the labour market environment, a high level of the overall unemployment rate remains a key challenge for economic policy in many OECD countries, particularly in Europe. Reducing unemployment not only has a positive impact on growth of household income, spending and more broadly GDP, it also has a favourable influence on public finances, improves the feeling of well-being of the people concerned and reduces inequality. These arguments are, of course, also applicable to youth unemployment, but other issues play a role as well. They are generally referred to as the 'scarring effect' of youth unemployment: empirical research shows that the experience of being unemployed when young increases the risk of being unemployed again later on in one's career. It weighs on the development of human capital (building experience, training, career progression). Signaling effects (to potential employers when applying for a job) also play a role. Research shows that these scars still manifest themselves many years later⁵.

⁴ The list of explanatory factors is essentially based on Dennis Görlich, Ignat Stepanok and Fares Al-Hussami (2013), Youth Unemployment in Europe and the World: Causes, Consequences and Solutions, Kiel Policy Brief n° 59

⁵ Source: Scarpetta, S., A. Sonnet and T. Manfredi (2010) as mentioned in footnote 3.

Youth unemployment, %

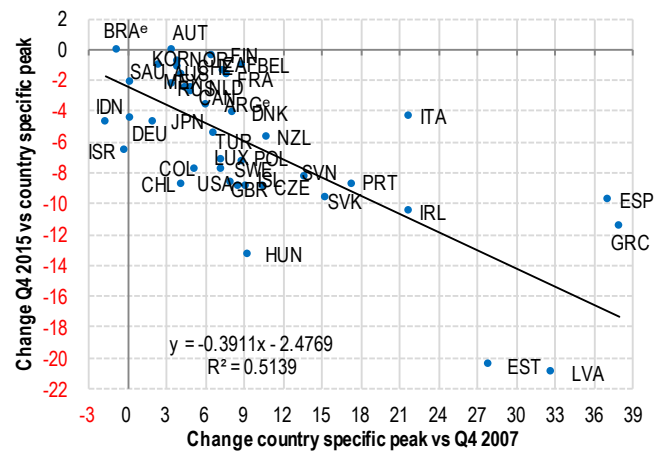


Chart 3

Source: OECD

Long-term youth unemployment rate

(as a percentage of the number of young unemployed people)

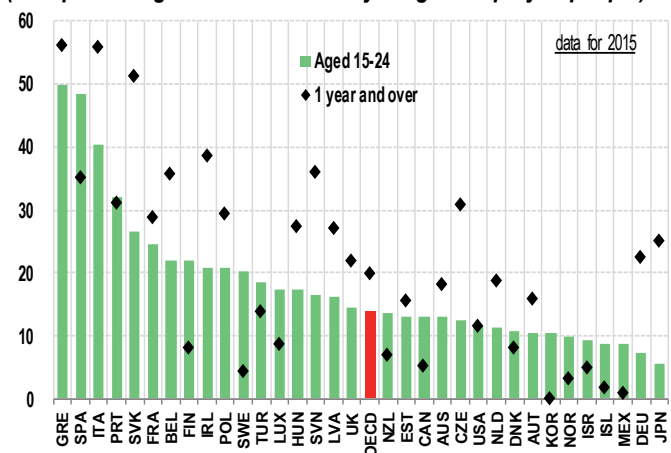


Chart 4

Sources: OECD, BNP Paribas



Ireland

Beyond revisions

- The presentation of Ireland's 2017 budget proposal provides a good occasion to review the country's public finance situation. Recent revisions of the national accounts have muddled the reading of its public finance ratios.
- Bolstered by a very vigorous economic recovery, the country's fiscal situation is improving rapidly. Ireland is also benefiting from a favourable environment for streamlining debt management.
- The robust growth prospects in our central scenario are strong enough to predict a vast improvement in Ireland's public finances in the years ahead. Based on this assumption, and to take into account the impact of the revision of the national accounts, the government set a new debt-to-GDP target of 45% in the horizon 2025.
- Despite all this, the situation is not risk free. The crisis has left its mark, limiting public finances capacity to absorb future shocks. The Irish growth model has also been weakened by the prospects of Brexit and the EU's dwindling tolerance for fiscal competition strategies among member countries.

The presentation of Ireland's 2017 budget proposal provides a good occasion to review the country's public finance situation. Like the other executive arms of the eurozone member states, the Irish government presented the European Commission with the main elements of its budget proposal for 2017.

Robust growth prospects

On the whole, the fiscal situation seems to be very favourable, especially for a country whose public debt peaked at nearly 14% of GDP in 2009, that until recently was undergoing a European adjustment programme, and whose public debt-to-GDP ratio culminated at more than 120% in 2012. After exiting the European adjustment programme in late 2013, Ireland's extremely dynamic recovery has fuelled a rapid improvement in its public finance situation. The country has now exited the excessive deficit procedure as well, after reducing its public deficit well below 3% of GDP as of 2015 (to 1.9%).

That said, the reading of Ireland's economic situation and public finance ratios has been severely muddled by the recent revision of the national accounts. In summer 2016, the Central Statistics Office (CSO) published an in-depth revision of the national accounts that resulted in a very big increase in 2015 GDP. According to the revised accounts, GDP rose 32.4% in value and 26.3% in volume in 2015 (compared to previous estimates of 7.8%). Obviously these figures do not reflect the real dynamics of the Irish economy (see box), largely blurring the picture of economic activity that the national accounts are supposed to provide.

Economic forecasts

	2015			2016			2017		
	Gov.	IMF	EC	Gov.	IMF	EC	Gov.	IMF	EC
GDP (% of change)	26,3	26,3	26,3	4,2	4,9	4,1	3,5	3,2	3,6
Inflation (% of change)	0,0	0,0	0	-0,1	0,3	-0,2	1,3	1,1	1,2
Unemployment (%)	9,4	9,4	9,4	8,2	8,3	8,3	7,4	7,7	7,8
GGB (% of GDP)	-1,9	-1,9	-1,9	-0,9	-0,7	-0,9	-0,4	-0,5	-0,4
Public debt (% of GDP)	78,6	78,6	78,6	76	74,6	75,4	74,3	72,6	73,6

Table

Sources: Finance Ministry, IMF, EC

Evaluating economic growth

How to provide an accurate assessment of the economic activity that is effectively carried out on Irish soil is a recurrent question given the country's fiscal model. Observers have already grown accustomed to completing GDP statistics (the sum of value added created in Ireland, including foreign companies located in Ireland) with Gross National Product (GNP) (which refers to the wealth created by national agents, including Irish companies located abroad, and excluding foreign companies located in Ireland). Yet this time the revisions also had a big impact on GNP, which increased 18.7% in volume in 2015.

As far as we know, based on available information, one of the main causes of this major revision is the reclassification of certain multinationals as resident Irish companies, and the reclassification of certain assets of these multinationals' Irish subsidiaries. A large part of the newly reported business activity pertained to contract manufacturing. . Consequently, the national accounts reported an increase in Irish exports of more than 14% in volume in 2014 and more than 34% in 2015. One of the biggest difficulties with this revision is that we do not know whether these reclassifications will result essentially in a one-time shock on Irish GDP, or if the reporting of contract manufacturing activities will give rise to a recurrent and growing overestimation of exports, creating a lasting distortion of the image provided by GDP growth figures. At this point, the data available for the first half are very volatile, with GDP down 2.1% q/q in Q1 2016, followed by an increase of 0.6% q/q in Q2, which suggests that the national accounts are still highly disrupted. Year-on-year GDP was up 4.3% at the end of H1 2016.

Box 1

These distortions do not call into question the assessment of rapid growth in 2015. Ireland's treasury, the National Treasury Management Agency, highlights other indicators that confirm the country's strong economic health and provide a more accurate image of growth trends. The agency calculates the underlying growth of domestic demand, which is not disrupted by the business of multinationals: it increased 2.2% in 2015 and 3.7% year-on-year in H1 2016. Employment also picked up rapidly, rising 2.6% in 2015 and 2.8% y/y in H1 2016. Lastly, the *Economic and Social Research Institute (ESRI)*, Ireland's main centre for economic forecasting and policy analysis, estimated growth at nearly 5.6% in 2015 after adjusting for these effects (by estimating real industrial output). Building on these trends, the estimates used by the government in its 2017 budget proposal speak for themselves: this year GDP growth was probably closer to 4.2%, and could still reach 3.5% in 2017. This point of view is largely shared by the European Commission (Autumn



2016 Forecast) and the IMF (October 2016 World Economic Outlook), whose 2016 and 2017 forecasts are relatively close to the government's (see table on previous page). ESRI is projecting growth of 4.3% in 2016 and 3.8% in 2017.

Rapidly improving public finances

With real GDP rising at such a dynamic pace, public finances are bound to improve very rapidly. After bottoming out at 13.8% of GDP in 2009 (excluding the impact of bank recapitalisation), the general balance of public finances has turned around rapidly, thanks mainly to the discretionary measures implemented in 2012 and 2013, and even more so to the acceleration of growth ever since. Under these conditions, the debt-to-GDP ratio for all public administrations began to diminish, after peaking at 119.5% of GDP in 2013.

Last year's surge in GDP obviously resulted in a dramatic but artificial improvement in public finance ratios in 2015. The general public finance deficit narrowed by 1.8 percentage points of GDP, from -3.7% of GDP in 2014 to -1.9% of GDP in 2015. Over the same period, the public debt ratio also plunged by 26.6 percentage points to 78.6% of GDP in 2015. The improvement in the budget balance is better represented by the increase in the revenues of public administrations as a whole, which rose 7.6% and 7.3%, respectively, in value terms in 2014 and 2015 according to the IMF, while spending increased only 2.3% and 3.5%, respectively. All in all, spending accounted for only 107% of the revenues of all public administrations, down from 138% in 2011, and is now close to the EMU average of 104%.

The government esteems that the adjustment continued this year, with the public deficit narrowing to -0.9% of GDP in 2016, and it could fall as low as -0.4% of GDP in 2017. As to the public debt-to-GDP ratio, after the sharp drop reported in 2015, it should begin to diminish gradually again, narrowing to about 74% of GDP next year. To take into account the new metrics imposed by the revised national accounts, and to demonstrate the credibility of its public finance adjustments, the Irish government dramatically lowered its medium-term debt-to-GDP target. It is now targeting a public debt-to-GDP ratio of about 45% in 2025, which is much lower than the European Commission's recommended ceiling of 60%.

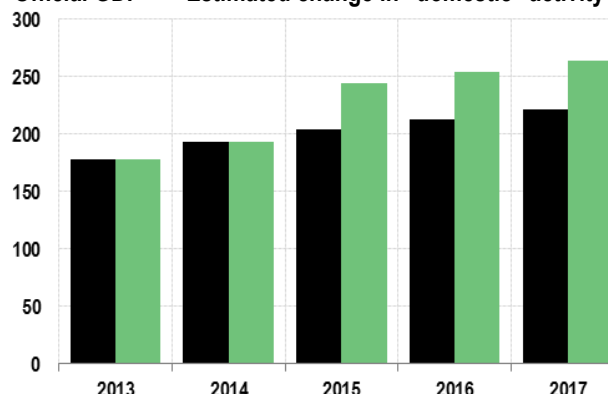
On the whole, the economic picture is very favourable. Ireland's robust growth prospects are strong enough to forecast a drastic improvement in the country's public finances in the years ahead. Even so, the situation is far from being risk free. First, the crisis has left its mark² and must still be absorbed, limiting the capacity of public finances to absorb future shocks. Nor is the horizon completely clear. Faced with the prospects of Brexit, the terms of which are still very uncertain, and the European Union's dwindling tolerance for fiscal competition among member countries, Ireland's growth model will have to evolve in the years ahead.

¹ In December 2010, after Ireland borrowed EUR 22.5 billion from the IMF at a rate of 3.3%, money market rates for 10-year Irish bonds reached 8%. At the end of September 2016, they were below 0.4%, and after picking up in the past few days, they are still below 1%.

² Concerning the banking sector see our Eco Flash (November 2016), *Irish banks : on the road to recovery*, L. Nahmias

Official and estimated GDP (EUR bn)

Official GDP — Estimated change in "domestic" activity



The graph represents the change in Ireland's official Gross Domestic Product as published by the CSO, as well as estimates based on the ESRI calculations developed for 2015 growth. In 2016 and 2017, government estimates were used for the growth rates of each series. On this basis, we can estimate the increase in GDP that does not reflect domestic economic growth at about EUR 40 bn, or 20 percentage points of 2014 GDP (and 16 pp of 2015 GDP).

Chart

Sources: ESRI, Finance Ministry

Extending debt maturity

In addition to the improvement in public finance ratios, we would also like to point out the favourable shift in the structure of the public debt. Taking advantage of the successful return to the financial markets and an extremely favourable interest rate environment, the Irish government made several early loan repayments to the IMF. Between December 2014 and March 2015, the country reimbursed the IMF EUR 18 billion four years ahead of schedule.

Consequently, the current composition of Irish debt only partially reflects the crisis years. To date, official loans account for only 25.3% of total public debt, which is comprised essentially of European loans (EFSF and EFSM) and the rest of market debt. This operation enabled the Irish Treasury to 1) extend the average maturity of its debt (now 13 years), 2) to reduce the implicit interest rate, which is now estimated at 3.1% by the European Commission¹, and 3) to spread out and smooth the medium-term repayment profile (after major repayment dates through 2020).

Box 2



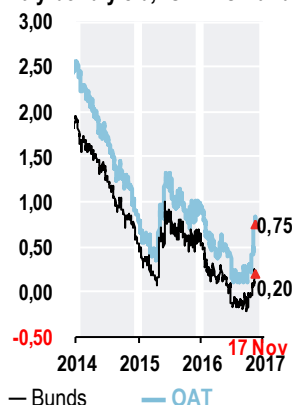
Markets overview

The essentials

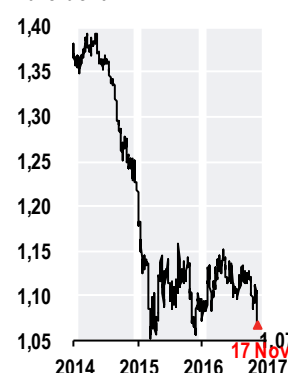
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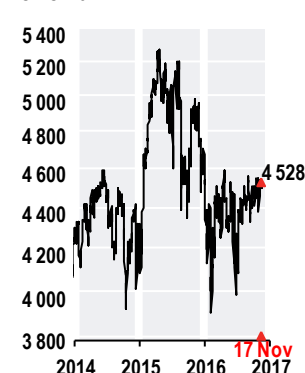
10 y bond yield, OAT vs Bund



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	-0.35	-0.13 at 01/01	-0.36 at 26/05		
Euribor 3M	-0.31	-0.13 at 01/01	-0.31 at 19/10		
Euribor 12M	-0.08	0.06 at 01/01	-0.08 at 17/11		
\$ FED	0.50	0.50 at 01/01	0.50 at 01/01		
Libor 3M	0.91	0.91 at 14/11	0.61 at 04/01		
Libor 12M	1.61	1.61 at 16/11	1.12 at 12/02		
£ BoE	0.25	0.50 at 01/01	0.25 at 04/08		
Libor 3M	0.40	0.59 at 15/02	0.38 at 08/09		
Libor 12M	0.81	1.07 at 01/01	0.72 at 10/08		

At 17-11-16

Yield (%)		highest' 16		lowest' 16	
€ AVG 5-7y	0.39	0.49 at 12/01	-0.14 at 27/09		
Bund 2y	-0.66	-0.34 at 01/01	-0.70 at 28/09		
Bund 10y	0.20	0.63 at 01/01	-0.22 at 28/09		
OAT 10y	0.75	0.98 at 01/01	0.10 at 27/09		
Corp. BBB	1.66	2.50 at 20/01	1.14 at 07/09		
\$ Treas. 2y	1.03	1.06 at 01/01	0.56 at 05/07		
Treas. 10y	2.30	2.30 at 17/11	1.36 at 08/07		
Corp. BBB	3.75	4.50 at 12/02	3.24 at 18/08		
£ Treas. 2y	0.19	0.65 at 01/01	0.07 at 29/09		
Treas. 10y	1.40	1.96 at 01/01	0.61 at 12/08		

At 17-11-16

10y bond yield & spreads

7.38%	Greece	717 pb
3.73%	Portugal	353 pb
2.11%	Italy	190 pb
1.61%	Spain	140 pb
0.98%	Ireland	78 pb
0.75%	France	55 pb
0.68%	Belgium	47 pb
0.56%	Austria	36 pb
0.48%	Finland	28 pb
0.44%	Netherlands	24 pb
0.20%	Germany	

Commodities

Spot price in dollars		lowest' 16		2016(€)	
Oil, Brent	47	28 at 20/01	+32.7%		
Gold (ounce)	1 228	1 062 at 01/01	+17.6%		
Metals, LMEX	2 652	2 049 at 12/01	+22.5%		
Copper (ton)	5 485	4 328 at 15/01	+18.6%		
CRB Foods	324	322 at 09/11	-1.5%		
wheat (ton)	149	126 at 16/08	-1.6%		
Corn (ton)	128	113 at 31/08	-5.5%		

At 17-11-16

Variations

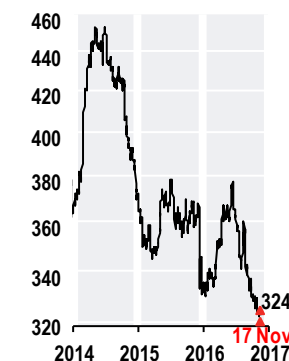
Oil (Brent, \$)



Gold (Ounce, \$)



CRB Foods



Exchange Rates

1€ =		highest' 16		lowest' 16		2016	
USD	1.07	1.15 at 03/05	1.07 at 17/11	-1.7%			
GBP	0.86	0.90 at 13/10	0.73 at 05/01	+16.5%			
CHF	1.07	1.11 at 04/02	1.07 at 14/11	-1.4%			
JPY	116.76	131.84 at 01/02	110.95 at 08/07	-10.7%			
AUD	1.43	1.60 at 11/02	1.42 at 15/11	-4.3%			
CNY	7.33	7.54 at 22/08	6.99 at 05/01	+4.0%			
BRL	3.63	4.53 at 16/02	3.39 at 25/10	-15.5%			
RUB	68.81	91.22 at 11/02	67.55 at 25/10	-13.3%			
INR	72.37	77.50 at 11/02	71.42 at 05/01	+0.7%			

At 17-11-16

Variations

Equity indices

Index		highest' 16		lowest' 16		2016	2016(€)
CAC 40	4 528	4 637 at 01/01	3 897 at 11/02	-2.4%	-2.4%		
S&P500	2 187	2 190 at 15/08	1 829 at 11/02	+7.0%	+8.9%		
DAX	10 686	10 761 at 24/10	8 753 at 11/02	-0.5%	-0.5%		
Nikkei	17 863	19 034 at 01/01	14 952 at 24/06	-6.2%	+5.0%		
China*	60	65 at 22/09	48 at 12/02	+0.5%	+2.2%		
India*	437	504 at 08/09	393 at 11/02	-2.5%	-3.2%		
Brazil*	1 604	1 882 at 31/10	860 at 21/01	+33.2%	+57.5%		
Russia*	520	529 at 10/10	331 at 20/01	+16.4%	+30.8%		

At 17-11-16

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
Advanced	1.9	1.4	1.3	0.3	0.7	1.5						
United States	2.6	1.5	1.6	0.1	1.3	2.3	-2.5	-2.6	-2.7	-2.5	-3.1	-3.1
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	0.1	0.6	2.4	-5.4	-5.9	-4.4	-4.1	-3.6	-4.4
Euro Area	1.9	1.5	1.1	0.0	0.2	1.0	3.2	2.9	2.7	-2.1	-2.1	-1.9
Germany	1.5	1.8	1.3	0.1	0.3	1.1	8.6	8.2	7.5	0.7	0.3	0.1
France	1.2	1.3	1.0	0.1	0.4	1.2	-0.2	-0.2	-0.4	-3.5	-3.4	-3.1
Italy	0.6	0.8	0.3	0.1	-0.1	0.9	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	1.3	0.2	0.1	0.8	8.5	8.5	8.1	-1.9	-1.2	-0.8
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	1.6	1.0	1.1	0.5	0.8	1.2	0.8	0.6	0.4	-4.2	-2.9	-2.7
Emerging	4.1	4.2	4.9	5.9	6.5	5.5						
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	-2.4	-3.4	-2.2
World	3.1	3.0	3.3	3.5	4.0	3.8						

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

Financial forecasts*

Interest rates		2016				2017				2015	2016e	2017e
End period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q3e	Q4e			
US	Fed Funds	0.25-0.5	0.25-0.5	0.25-0.5	0.50-0.75	0.50-0.75	0.50-0.75	0.50-0.75	0.50-0.75	0.25-0.5	0.50-0.75	0.50-0.75
	3-month Libor \$	0.63	0.65	0.85	0.85	0.90	0.90	0.95	0.95	0.61	0.85	0.95
	10-year T-notes	1.79	1.49	1.61	1.60	1.60	1.55	1.55	1.50	2.27	1.60	1.50
EMU	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	0.12	0.10	0.20	0.10	0.10	0.10	0.98	0.10	0.10
	10-year BTP	1.23	1.35	1.19	0.90	0.90	0.90	0.80	0.80	1.60	0.90	0.80
UK	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	0.76	0.65	0.65	0.65	0.70	0.80	1.96	0.65	0.80
Japan	Overnight call rate	-0.00	-0.06	-0.06	-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
End period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q3e	Q4e			
USD	EUR / USD	1.14	1.11	1.12	1.07	1.04	1.02	1.02	1.00	1.09	1.07	1.00
	USD / JPY	112	103	101	110	115	120	125	128	120	110	128
EUR	EUR / GBP	0.79	0.83	0.87	0.86	0.84	0.82	0.82	0.80	0.74	0.86	0.80
	EUR / CHF	1.09	1.08	1.09	1.07	1.08	1.10	1.12	1.12	1.09	1.07	1.12
	EUR/JPY	128	114	114	118	120	122	128	128	131	118	128

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

* Under revision with the exception of exchange rates



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