

2-3

EDITORIAL

"United States: which insights from the 'great inflation' of the 1970s?"

4-5

MARKETS OVERVIEW

Recent market developments (foreign exchange, stock markets, interest rates, commodities, etc.)

6-11

ECONOMIC PULSE

"PMI: Rising price pressures"
"US: An accelerated pulse"
"Covid-19: India reaches more than 20 million cases"

12

ECONOMIC SCENARIO

Main economic and financial forecasts.

13-15

CALENDARS

This week's main economic data and key releases for next week

16

FURTHER READING

Latest articles, charts, videos and podcasts of Group Economic Research

ECONOMIC RESEARCH



BNP PARIBAS

The bank
for a changing
world

UNITED STATES: WHICH INSIGHTS FROM THE 'GREAT INFLATION' OF THE 1970s?

The 'great inflation' of the 1970s had many causes. The policy objective of full employment had already led to high inflation by the end of the 1960s. Two oil shocks and the depreciation of the dollar caused additional increases. The key factor was monetary policy, which was not adapted to the circumstances. It reflected the view that the Fed did not have a mandate to tolerate the sizeable increase in unemployment that might have ensued from the aggressive tightening needed to bring inflation under control. In addition, inflation was considered to be a cost-push phenomenon that could be addressed with wage and price controls. Today's situation is very different. The Federal Reserve is an independent central bank and inflation expectations are well-anchored. However, letting the economy run hot is reminiscent of the 1960s. Should inflation be above target for too long, the Federal Reserve will need to have the courage to tighten policy sufficiently despite the potential cost to the economy.

"Other goals took precedence: people wanted to [...] maintain a high-pressure economy... As a result, policymakers [...] were willing to run some risk of non-declining or increasing inflation in order to achieve other goals." When, at the annual Jackson Hole symposium in August last year, Jerome Powell presented the move to average inflation targeting as a key outcome of the Federal Reserve's strategy review, it was interpreted as a signal that the central bank was seeking to let the economy run hot. Reaching a low unemployment rate would only trigger a tighter policy stance to the extent that inflation would be above the target rate for a sufficiently long time. Yet, the quote above is not from 2020. It is from an academic analysis written in 1997 of the causes of the 'great inflation' in the 1970s.¹ The narrative of a bygone era can influence the debate on economic policy many years later. This is clearly the case today where in the US, based on a combination of strongly accelerating growth, mounting evidence of inflationary pressures and ongoing monetary and fiscal stimulus, increasingly references are made to the 1970s. Commenting on Jerome Powell's assessment that higher inflation will be a temporary phenomenon, former Treasury secretary Larry Summers argued *"He might be right. But the Fed chairmen who did the most talking about transitory factors were the Fed chairmen we had in the mid-70's and that's when inflation was accelerating very rapidly"*.² Nouriel Roubini, a professor at New York University and renowned economic commentator, focuses on the combination of inflation risks and potential negative supply shocks related to the Covid-19 pandemic that could end up causing 1970s-style stagflation.³

1. J. Bradford DeLong, *America's Peacetime Inflation: The 1970s, in Reducing Inflation: Motivation and Strategy*, Christina D. Romer and David H. Romer, Editors, NBER, University of Chicago Press, 1997. <http://www.nber.org/books/rome97-1>. The full quote is: *"Other goals took precedence: people wanted to solve the energy crisis, or maintain a high-pressure economy, or make certain that the current recession did not get any worse. As a result, policymakers throughout the 1970s were willing to run some risk of nondeclining or increasing inflation in order to achieve other goals."*

2. Summers sees signs of scarce workers as harbinger of inflation, Bloomberg, 30 April 2021.

3. Nouriel Roubini, *Is Stagflation Coming?*, 14 April 2021, Project Syndicate.

Supply shocks played an important role in the 1970s. The narrative of inflation in that period tends to focus on the two huge, permanent increases in the price of oil, triggering a jump in inflation (chart 1). The depreciation of the dollar following the collapse in 1973 of the Bretton Woods system of fixed exchange rates centered around the dollar and gold, also contributed to a faster pace of price increases (chart 2)⁴. However, inflation was already on a rising trend, well before these shocks hit the US economy. In the first half of the 1960s, headline inflation was below 2% but by the end of that decade, it was close to 6.0% (chart 3). DeLong (1997) explains how the prominent role of the narrative of the Great Depression and its high unemployment rate had made achieving a low unemployment level the key objective of economic

4. The Bretton Woods system already had been under intense pressure in 1971 following the unilateral decision of the US administration on 15 August 1971 to end the convertibility of US dollars into gold.

US: INFLATION VS CRUDE OIL PRICE

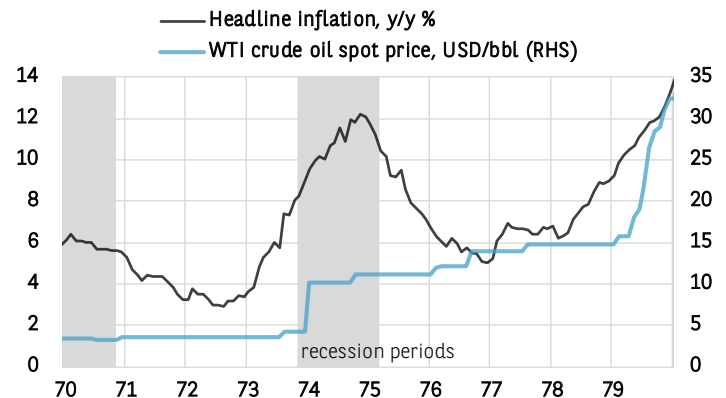


CHART 1

SOURCE: BLS, FEDERAL RESERVE BANK OF ST LOUIS, NBER, BNP PARIBAS

The willingness of the Federal Reserve to let the economy run hot is reminiscent of the 1960s when a similar policy paved the way for high inflation in the 1970s. Although today's situation is very different, the Federal Reserve will, if necessary, need to have the courage to tighten policy sufficiently despite the potential cost to the economy.



policy. This was particularly the case under Richard Nixon, who became president in January 1969 and “was extremely wary of economic policies that promised to fight inflation by increasing unemployment.”⁵ Rising inflation caused an acceleration of wage growth, which in turn pushed up inflation considering that productivity growth was slowing. Moreover, an “obstacle to a policy of disinflation in the early 1970s was that the newly installed chairman of the Federal Reserve Board, Arthur Burns, did not believe that he could use monetary policy to control inflation.”⁶ This reflected a view that bringing down inflation permanently would come at a huge cost in terms of unemployment. The Federal Reserve didn’t have the mandate for such a policy. Its “‘independence’ not just from the executive branch, but from the rest of government in total, was purely theoretical”. Policy was tightened but, compared to the path of inflation, the increase in the federal funds rate was insufficient (chart 4). Another consideration was that other instruments should be used to bring inflation under control, such as wage and price controls. This view reflects the ‘monetary policy neglect hypothesis’ whereby inflation is a cost-push phenomenon, rather than being driven by monetary factors⁷. However, wage and price controls made things worse by creating expectations of a jump in inflation once the controls would be lifted.

In summary, the ‘great inflation’ of the 1970s can be attributed to a combination of factors. The policy objective of low unemployment had already led to high inflation even before the decade had started. Two oil shocks and the depreciation of the dollar caused an additional increase. Monetary policy was inappropriate and reflected the view that the Fed did not have a mandate to tolerate the sizeable increase in unemployment that might have ensued from the aggressive policy tightening needed to bring inflation under control. In addition, inflation was considered as a cost-push phenomenon that could be addressed with wage and price controls. Today’s situation is very different. The Federal Reserve is an independent central bank with, as one of its objectives, price stability, which means average inflation in line with its target. Inflation expectations are well-anchored, which shows that its policy is credible. Letting the economy run hot is reminiscent of the 1960s although today it is based on the view that the natural rate of unemployment can’t be determined with enough precision to warrant a preemptive monetary tightening when unemployment is declining. It implies that, should inflation be above target for too long, the Federal Reserve will need to have the courage to tighten policy despite the potential cost for financial markets, public finances and the economy in general.

William De Vijlder

US: INFLATION VS EFFECTIVE EXCHANGE RATE

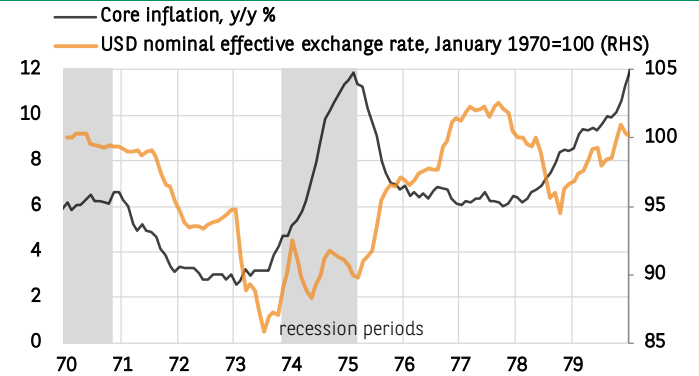


CHART 2 SOURCE: BLS, NBER, JP MORGAN, BNP PARIBAS

US INFLATION

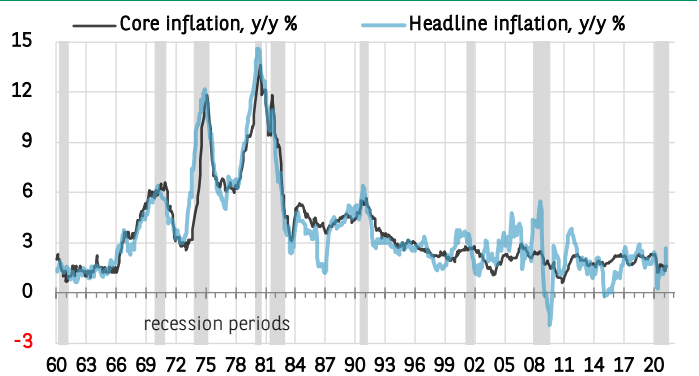


CHART 3 SOURCE: BLS, NBER, BNP PARIBAS

US: INFLATION VS INTEREST RATE

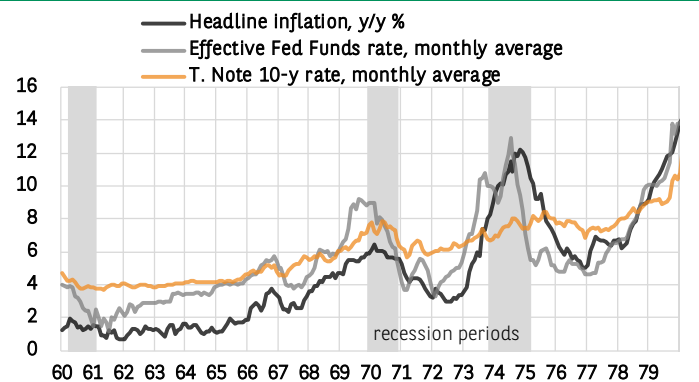


CHART 4 SOURCE: BLS, FEDERAL RESERVE, NBER, BNP PARIBAS

5. DeLong (1997).
 6. DeLong (1997).
 7. Edward Nelson, *The Great Inflation of the Seventies: What Really Happened?*, Federal Reserve Bank of St. Louis Working Paper 2004-001. The author considers this to be the key explanation for the great inflation in the seventies.

MARKETS OVERVIEW

OVERVIEW

Week 30-4-21 to 7-5-21

↗ CAC 40	6 269	↗ 6 386	+1.9 %
↗ S&P 500	4 181	↗ 4 233	+1.2 %
↘ Volatility (VIX)	18.6	↘ 16.7	-1.9 pb
↗ Euribor 3M (%)	-0.54	↗ -0.53	+0.6 bp
↘ Libor \$ 3M (%)	0.18	↘ 0.16	-1.4 bp
↗ OAT 10y (%)	0.00	↗ 0.09	+8.8 bp
↘ Bund 10y (%)	-0.25	↘ -0.26	-1.8 bp
↘ US Tr. 10y (%)	1.63	↘ 1.58	-5.3 bp
↗ Euro vs dollar	1.20	↗ 1.21	+0.9 %
↗ Gold (ounce, \$)	1 770	↗ 1 835	+3.6 %
↗ Oil (Brent, \$)	67.4	↗ 68.2	+1.2 %

MONEY & BOND MARKETS

Interest Rates	highest 21	lowest 21
€ ECB	0.00 at 01/01	0.00 at 01/01
Eonia	-0.48 at 26/01	-0.50 at 01/01
Euribor 3M	-0.53 at 07/05	-0.56 at 06/01
Euribor 12M	-0.48 at 20/04	-0.52 at 02/02
\$ FED	0.25 at 01/01	0.25 at 01/01
Libor 3M	0.16 at 13/01	0.16 at 06/05
Libor 12M	0.27 at 01/01	0.27 at 06/05
£ BoE	0.10 at 01/01	0.10 at 01/01
Libor 3M	0.08 at 24/03	0.03 at 01/01
Libor 12M	0.16 at 30/04	0.07 at 11/01

At 7-5-21

Yield (%)	highest 21	lowest 21
€ AVG 5-7y	-0.16 at 03/05	-0.46 at 04/01
Bund 2y	-0.69 at 25/02	-0.75 at 01/01
Bund 10y	-0.26 at 29/04	-0.60 at 04/01
OAT 10y	0.09 at 07/05	-0.41 at 04/01
Corp. BBB	0.66 at 18/03	0.50 at 08/01
\$ Treas. 2y	0.14 at 05/04	0.11 at 05/02
Treas. 10y	1.58 at 31/03	0.91 at 01/01
High Yield	4.62 at 09/03	4.60 at 19/02
£ gilt. 2y	0.03 at 26/02	-0.08 at 04/01
gilt. 10y	0.81 at 18/03	0.21 at 04/01

At 7-5-21

EXCHANGE RATES

1€ =	highest 21	lowest 21	2021
USD	1.21 at 06/01	1.17 at 30/03	-0.8%
GBP	0.87 at 06/01	0.85 at 05/04	-3.0%
CHF	1.10 at 04/03	1.08 at 18/01	+1.3%
JPY	131.82 at 29/04	125.22 at 18/01	+4.3%
AUD	1.55 at 04/01	1.53 at 18/03	-2.3%
CNY	7.84 at 01/01	7.69 at 25/03	-2.0%
BRL	6.32 at 03/03	6.32 at 07/05	-0.5%
RUB	89.60 at 20/04	86.53 at 16/03	-1.0%
INR	89.25 at 23/04	85.30 at 27/03	-0.2%

At 7-5-21 Change

COMMODITIES

Spot price, \$	highest 21	lowest 21	2021	2021(€)
Oil, Brent	68.2 at 11/03	51.2 at 04/01	+31.3%	+32.3%
Gold (ounce)	1 835 at 05/01	1 682 at 08/03	-3.3%	-2.6%
Metals, LME	4 298 at 06/05	3 415 at 01/01	+25.9%	+26.8%
Copper (ton)	10 420 at 07/05	7 749 at 01/01	+34.5%	+35.5%
wheat (ton)	287 at 07/05	231 at 30/03	+16.2%	+17.1%
Corn (ton)	293 at 07/05	188 at 04/01	+5.5%	+56.5%

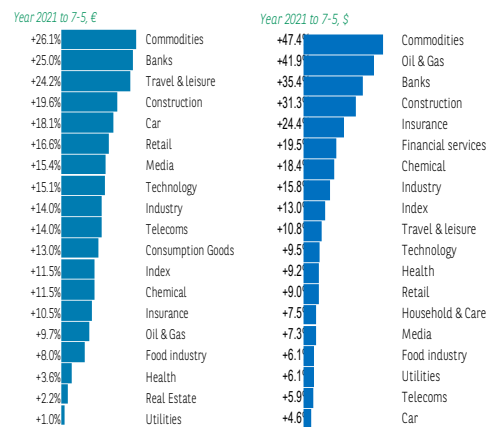
At 7-5-21 Change

EQUITY INDICES

Index	highest 21	lowest 21	2021
World			
MSCI World	2 979 at 07/05	2 662 at 29/01	+10.8%
North America			
S&P500	4 233 at 07/05	3 701 at 04/01	+12.7%
Europe			
EuroStoxx50	4 034 at 07/05	3 481 at 29/01	+13.6%
CAC 40	6 386 at 07/05	5 399 at 29/01	+1.5%
DAX 30	15 400 at 16/04	13 433 at 29/01	+12.3%
IBEX 35	9 059 at 07/05	7 758 at 29/01	+1.2%
FTSE100	7 130 at 07/05	6 407 at 29/01	+1.0%
Asia			
MSCI, loc.	1 137 at 18/03	1 044 at 06/01	+0.8%
Nikkei	30 468 at 16/02	27 056 at 06/01	+7.0%
Emerging			
MSCI Emerging (\$)	1 349 at 17/02	1 288 at 25/03	+0.4%
China	107 at 17/02	106 at 25/03	-1.4%
India	718 at 03/03	659 at 29/01	+7.0%
Brazil	1 891 at 14/01	1 561 at 09/03	+1.0%
Russia	743 at 07/05	647 at 01/02	+10.8%

At 7-5-21 Change

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

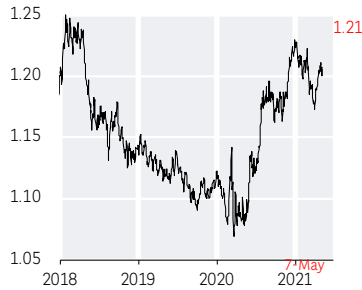


SOURCE: THOMSON REUTERS,



MARKETS OVERVIEW

EURO-DOLLAR



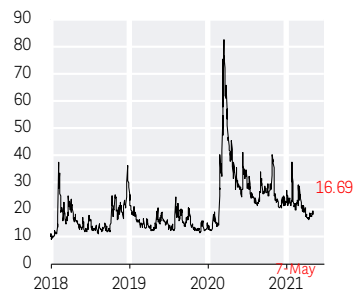
EUROSTOXX50



S&P500



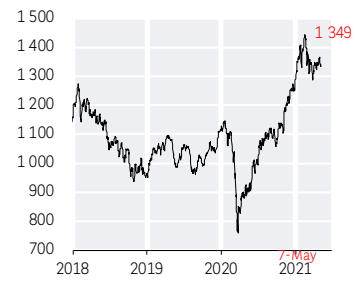
VOLATILITY (VIX, S&P500)



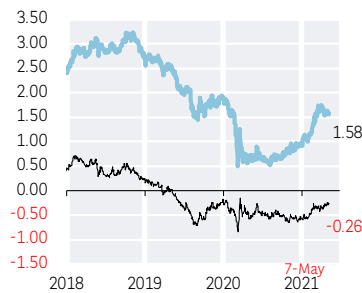
MSCI WORLD (USD)



MSCI EMERGING (USD)

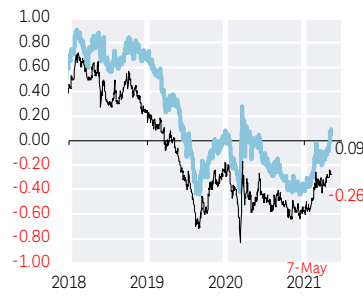


10Y BOND YIELD, TREASURIES VS BUND



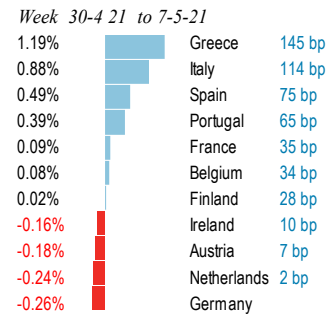
—Bunds —US Treasuries

10Y BOND YIELD

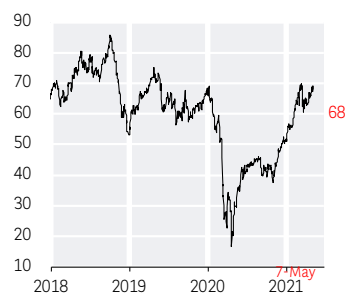


—Bunds —OAT

10Y BOND YIELD & SPREADS



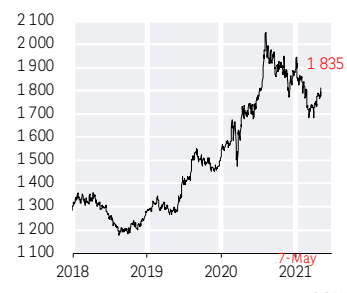
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: THOMSON REUTERS,



PMI: RISING PRICE PRESSURES

Sentiment in the manufacturing sector improved further at the global level, driven by better numbers in the majority of advanced economies – where very high levels have been reached – whereas the picture is mixed in emerging countries. Nevertheless, in this part of the world as well, the PMIs are above the 50.0 mark, with the exception of Mexico.

The services PMI are, broadly speaking, lagging behind, considering that this sector is more exposed to the Covid-19-related restrictions, although the level has improved recently. The US index recorded a jump in April and the same happened in the UK since the low point in January. The Eurozone number has improved gradually and again so in April, although Germany edged down. The numbers in India are surprisingly resilient considering the exponential increase in the number of new infections.

The world composite PMI has been improving since the January low. The US and the UK stand out in terms of the levels that have been reached and the pace of improvement. Spain has recorded a jump in April. China has seen an improvement as well, more than correcting the decline of March.

The employment component of the manufacturing PMI continues to improve and in most countries is well above 50. The data are particularly strong in the advanced economies, which bodes well for the employment numbers in the coming months.

The strong rise of the new export orders component of the manufacturing PMI continues. The numbers are particularly strong in the advanced economies – Greece being an exception – whereas in the emerging countries the level is lower although mostly above 50.

Judging by the input prices survey, inflation pressure continues to build in manufacturing as well as services. It is a global phenomenon. As shown by the manufacturing output prices, companies are trying to reflect their cost pressure in their sales prices.

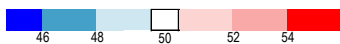
William De Vijlder

MANUFACTURING PMI

	Developed Markets																	Emerging countries																		
	WD	NA		Europe							Asia-Oceania							LATAM	Eurasia			Middle East & Africa				Asia										
	World	CANADA	USA	EURO ZONE			AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA
Jul-20	50.6	52.9	50.9	51.8	52.8	56.4	52.4	51.0	48.6	57.3	51.9	47.9	53.5	49.6	53.3	53.5	59.2	45.2	50.2	58.2	40.4	47.0	52.8	48.4	56.9	49.6	44.9	50.0	49.4	50.8	52.8	44.5	46.0	46.9	47.6	
Aug-20	51.8	55.1	53.1	51.7	51.0	51.4	49.8	52.2	49.4	52.3	53.1	52.3	49.9	51.0	55.2	49.3	50.8	47.2	50.1	64.7	41.3	49.1	50.6	51.1	54.3	49.4	40.1	48.8	55.8	49.4	53.1	44.0	52.0	50.8	45.7	
Sep-20	52.4	56.0	53.2	53.7	51.7	53.4	51.2	56.4	50.0	50.0	53.2	52.5	50.8	52.8	54.1	46.7	53.5	47.7	50.3	64.9	42.1	50.7	50.8	48.9	52.8	50.4	42.1	50.7	58.5	51.0	53.0	47.7	56.8	47.2	52.2	
Oct-20	53.1	55.5	53.4	54.8	54.0	62.5	51.3	58.2	48.7	50.3	53.8	50.4	52.5	52.9	53.7	56.3	52.2	48.7	50.5	66.7	43.6	51.9	50.8	46.9	53.9	51.4	43.3	51.0	60.9	49.5	53.6	49.8	58.9	47.8	51.8	
Nov-20	53.8	55.8	56.7	53.8	51.7	46.2	49.6	57.8	42.3	52.2	51.5	54.4	49.8	54.5	55.6	52.1	55.1	49.0	50.4	64.0	43.7	53.9	50.8	46.3	51.4	50.9	42.4	54.7	52.6	49.5	54.8	50.1	56.3	50.6	49.9	
Dec-20	53.8	57.9	57.1	55.2	53.5	41.5	51.1	58.3	46.9	57.2	52.8	58.2	51.0	57.3	57.5	48.4	50.0	50.5	61.5	42.4	57.0	51.7	49.7	50.8	48.2	43.2	57.0	50.3	51.2	53.0	43.5	56.4	51.3	51.7		
Jan-21	53.6	54.4	59.2	54.8	54.2	41.8	51.6	57.1	50.0	51.8	55.1	58.8	49.3	59.4	54.1	55.3	57.4	49.8	50.7	56.5	43.0	57.0	51.9	50.9	54.4	48.7	41.0	57.1	50.9	51.2	51.5	47.8	57.7	52.2	51.3	
Feb-21	53.9	54.8	58.6	57.9	58.3	41.3	56.1	60.7	49.4	52.0	56.9	59.6	52.9	61.3	55.1	58.8	54.2	51.4	50.5	58.4	44.2	56.5	53.4	51.5	51.7	49.3	42.2	53.9	53.0	50.6	50.9	50.2	57.5	50.9	51.6	
Mar-21	55.0	58.5	59.1	62.5	63.4	67.6	59.3	66.6	51.8	57.1	59.8	64.7	56.9	66.3	58.9	59.9	63.6	52.7	50.8	52.8	45.6	58.0	54.3	51.1	52.6	48.0	46.4	53.3	57.4	52.6	50.6	50.5	55.4	53.2	53.6	
Apr-21	55.4	57.2	60.5	62.9	64.7	72.0	58.9	66.2	54.4	60.8	60.7	67.2	57.7	69.5	60.9	61.1	53.6	50.9	52.3	48.4	58.9	53.7	50.4	50.4	55.2	56.2	52.7	51.9	50.3	55.5	54.6	54.7				

SERVICES PMI

	World	USA	EURO ZONE			FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	LEBANON	CHINA	HONG KONG	INDIA
Jul-20	50.7	50.0	54.7	57.3	55.6	51.9	51.6	51.9	56.5	44.0	45.4	42.5	58.5	44.9	54.1	44.5	34.2		
Aug-20	52.0	55.0	50.5	51.5	52.5	52.4	47.1	47.7	58.8	42.5	45.0	49.5	58.2	40.1	54.0	44.0	41.8		
Sep-20	52.0	54.6	48.0	47.5	50.6	45.8	48.8	42.4	56.1	36.2	46.9	50.4	53.7	42.1	54.8	47.7	49.8		
Oct-20	52.9	56.9	46.9	46.5	49.5	48.3	46.7	41.4	51.4	51.4	47.7	52.3	46.9	43.3	56.8	49.8	54.1		
Nov-20	52.2	58.4	41.7	38.8	46.0	45.4	39.4	39.5	47.6	52.9	47.8	50.9	48.2	42.4	57.8	50.1	53.7		
Dec-20	51.8	54.8	46.4	49.1	47.0	50.1	39.7	48.0	49.4	47.7	51.1	48.0	43.2	56.3	43.5	52.3			
Jan-21	51.6	58.3	45.4	47.3	46.7	36.2	44.7	41.7	39.5	54.3	46.1	47.0	52.7	41.0	52.0	47.8	52.8		
Feb-21	52.8	59.8	45.7	45.6	45.7	41.2	48.8	43.1	49.5	55.8	46.3	47.1	52.2	42.2	51.5	50.2	55.3		
Mar-21	54.7	60.4	49.6	48.2	51.5	54.6	48.6	48.1	56.3	58.7	48.3	44.1	55.8	46.4	54.3	50.5	54.6		
Apr-21	64.7	64.7	50.5	50.3	49.9	47.3	54.6	60.1	48.3	42.9	50.3	54.0							



SOURCE: MARKIT, BNP PARIBAS



BNP PARIBAS

The bank
for a changing
world

COMPOSITE PMI*

WD	Developed Markets																	Emerging countries																				
	NA		Europe										Asia-Oceania					LATAM		Eurasia			Middle East & Africa		Asia													
	World	CANADA	USA	EURO ZONE		AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM		
Jul-20	51.1	50.3	54.9				57.3	55.3		55.9	52.5		52.8		57.0				44.9		47.3													54.6		37.2		
Aug-20	52.5	54.6	51.9				51.6	54.4		54.0	49.5		48.4		59.1				45.2		53.9													56.1		46.0		
Sep-20	52.5	54.3	50.4				48.5	54.7		46.9	50.4		44.3		56.5				46.6		53.6												54.5		54.6			
Oct-20	53.4	56.3	50.0				47.5	55.0		49.0	49.2		44.1		52.1				48.0		55.9												55.7		56.0			
Nov-20	53.1	58.6	45.3				40.6	51.7		47.7	42.7		41.7		49.0				48.1		53.8												57.5		58.3			
Dec-20	52.7	55.3	49.1				49.5	52.0		53.4	43.0		48.7		50.4				48.5		53.5											55.8		54.9				
Jan-21	52.3	58.7	47.8				47.7	50.8		40.3	47.2		43.2		41.2				47.1		48.9											52.2		55.8				
Feb-21	53.2	59.5	48.8				50.0	57.3		54.5	51.9		50.1		56.4				49.9		45.1										51.7		57.3					
Mar-21	54.8	59.7	53.2				50.0	57.3		54.5	51.9		50.1		56.4				49.9		45.1										53.1		56.0					
Apr-21		63.5	53.8				51.6	55.8					55.2		60.0				50.2		44.5															55.4		

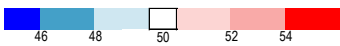
*manufacturing & services

MANUFACTURING PMI – EMPLOYMENT

WD	Developed Markets																	Emerging countries																
	NA		Europe										Asia-Oceania					LATAM		Eurasia			Middle East & Africa		Asia									
	World	CANADA	USA	EURO ZONE		AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	INDIA	INDONESIA	VIETNAM
Jul-20	47.3	50.9	49.6	42.9	48.5	48.3	48.8	37.2	48.4	50.8	47.5	49.4	48.3	46.7	45.7	43.8	47.8	48.2	47.3	47.8	52.3	38.7	42.7	47.8	44.7	54.8	46.1	47.8	33.7	47.5	49.5	44.3	43.5	45.4
Aug-20	48.6	53.9	52.7	44.2	44.7	48.3	44.7	40.2	50.5	47.5	49.4	48.3	46.7	45.7	43.8	47.8	48.2	48.4	47.3	47.8	56.4	41.5	45.1	49.6	48.6	54.3	45.9	48.2	38.6	41.5	49.8	45.5	46.9	43.7
Sep-20	49.5	54.3	52.5	47.1	49.1	44.6	46.5	44.2	50.9	49.1	51.9	47.7	50.1	47.1	46.5	51.8	51.5	49.8	48.7	48.2	58.2	44.6	48.1	51.1	45.6	55.2	48.3	49.0	44.8	47.7	50.1	45.4	46.1	48.5
Oct-20	49.5	51.2	51.9	47.2	46.7	52.8	47.9	44.4	49.8	50.8	50.5	48.0	50.4	45.0	45.4	48.7	52.2	48.9	48.7	52.2	58.2	45.6	50.3	52.3	47.4	55.5	47.8	48.8	49.1	47.6	50.2	47.3	45.6	50.5
Nov-20	50.2	52.5	51.7	48.7	47.4	45.8	48.7	47.2	45.0	51.2	51.5	51.7	48.3	47.9	47.2	53.1	51.2	49.1	48.1	49.1	56.8	46.3	50.7	52.8	45.4	54.4	48.5	50.1	47.2	48.8	51.3	47.4	47.0	48.4
Dec-20	50.1	55.8	52.2	49.2	49.4	46.8	50.4	46.5	47.8	53.0	53.2	52.4	48.5	51.8	48.8	53.4	49.9	50.1	53.8	43.4	53.2	52.5	47.9	54.4	47.6	54.4	47.6	49.1	43.8	47.7	49.9	47.6	47.4	50.8
Jan-21	50.3	51.3	54.7	49.4	51.2	49.6	49.1	47.8	50.9	50.8	53.2	52.1	46.9	52.2	50.6	52.9	56.2	48.7	51.2	44.2	52.1	52.1	50.2	56.1	48.7	49.3	48.6	50.2	49.6	48.1	47.5	49.9		
Feb-21	50.7	52.6	56.3	51.5	54.5	48.7	52.5	50.0	50.3	52.9	53.6	53.0	49.2	52.5	51.9	52.1	50.3	49.7	53.8	45.4	54.2	52.9	50.6	54.1	49.3	49.6	44.1	49.9	48.1	47.6	48.7	50.6		
Mar-21	51.6	53.7	54.5	54.8	57.7	61.9	56.2	54.1	51.0	55.7	55.3	55.1	53.2	54.4	55.7	53.3	53.5	50.0	48.5	47.1	54.7	53.2	50.1	54.2	48.9	49.9	44.4	49.5	49.5	47.2	49.8	52.1		
Apr-21	52.5	53.2	55.7	56.6	59.1	61.2	54.1	57.3	53.8	57.7	55.9	59.6	55.6	54.6	54.5	55.8			50.5	51.8	48.9	55.5	53.4	50.2	52.7		50.6	54.4	49.4	50.7	49.7	49.6	53.4	

MANUFACTURING PMI – NEW EXPORT ORDERS

WD	Developed Markets																	Emerging countries																			
	NA		Europe										Asia-Oceania					LATAM		Eurasia			Middle East & Africa		Asia												
	World	CANADA	USA	EURO ZONE		AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	ISRAEL	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM
Jul-20	47.2	47.8	49.8	51.8	49.6				45.9	54.8	45.2	58.7	48.9	46.4	53.9	47.7	41.4		40.2	50.5	46.2	41.6	43.6	50.5	48.5	54.4	51.7	48.6	45.3	45.7	40.7	47.7	48.3	36.2	43.3	38.4	41.7
Aug-20	49.9	52.9	52.9	51.9	50.4				48.3	55.7	46.9	52.5	46.5	55.2	49.8	51.5	52.2		47.3	50.2	46.2	44.4	47.1	50.3	48.8	53.4	53.0	53.4	33.6	45.4	38.7	48.5	50.7	38.0	47.8	40.1	42.0
Sep-20	51.7	51.3	51.2	55.5	52.7				51.5	61.2	49.3	47.7	51.3	54.0	51.4	53.4	46.5		47.3	50.4	53.9	42.0	50.2	51.0	43.8	50.9	55.3	51.1	40.8	52.0	45.8	50.9	54.4	44.8	53.8	36.4	52.9
Oct-20	51.3	52.9	49.3	56.3	56.8				50.1	61.3	46.2	49.0	55.8	53.2	51.2	54.1	52.7		50.6	50.8	54.2	42.1	52.1	53.5	50.4	51.7	54.0	48.2	42.2	48.4	49.3	50.6	51.0	47.8	55.2	37.6	50.0
Nov-20	51.8	50.2	50.5	53.0	53.7				45.4	58.4	35.9	50.1	49.6	53.9	49.2	55.5	50.0		49.2	50.9	55.3	40.4	55.1	49.7	52.4	49.5	52.4	56.1	41.4	52.0	47.1	49.5	53.3	47.6	54.8	47.5	46.8
Dec-20	51.1	54.0	50.7	54.6	54.8				49.7	57.3	38.7	51.8	53.2	60.1	52.6	55.6			48.6	50.7	52.8	38.4	55.1	52.6	50.4	47.7	49.7	44.1	44.6	51.5	47.6	52.9	51.8	40.2	51.8	41.1	52.8
Jan-21	50.2	49.9	54.0	54.7	54.0				49.6	58.8	42.3	47.7	54.5	58.1	49.8	48.4	61.4		48.2	50.9	49.9	41.9	53.3	53.7	41.3	53.4	52.4	42.6	40.5	53.5	45.9	55.2	47.4	43.9	53.9	44.2	49.9
Feb-21	51.0	50.2	53.7	57.7	55.1				54.0	62.2	46.5	48.1	57.3	58.0	52.5	50.4	54.1		51.5	50.7	50.6	41.6	52.0	54.3	46.6	50.7	56.3	43.2	47.3	51.6	48.4	49.8	47.6	44.2	52.0	43.5	50.5
Mar-21	53.5	54.4	53.5	63.0	61.4				56.4	69.1	46.8	54.6	61.3	66.5	55.0	51.6	51.3		50.8	51.0	50.1	42.6	56.0	56.7	49.0	51.4	48.7	42.9	48.7	46.2	46.7	50.7	51.4	46.1	53.8	46.5	55.1
Apr-21	54.7	53.4	56.2	62.4	64.6				55.6	67.5	49.3	56.6	60.2	65.9	56.5	53.7	58.8		53.8	51.4	50.6	44.0	55.1	55.8	49.5	51.2		50.7	52.5	51.7	51.8	46.3	54.9	53.0	54.7		



SOURCE: MARKIT, BNP PARIBAS



BNP PARIBAS

The bank for a changing world

PMI - MANUFACTURING INPUT PRICES

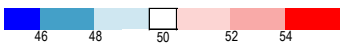
	Developed Markets																	Emerging countries																	
	WD	NA		Europe										Asia-Oceania					LATAM	Eurasia			Middle East & Africa			Asia									
	World	CANADA	USA	EURO ZONE		AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA
Jul-20	53.1	54.1	52.8	47.5	43.5	41.7	49.5	44.0	50.6	55.7	52.7	46.1	48.4		55.0	63.5	50.2	49.7	75.8	49.9	53.8	54.0	61.4	65.1	53.4		50.2		50.8	54.8	47.9	48.6	56.7	51.9	
Aug-20	54.6	58.6	56.4	50.1	47.6	51.2	51.3	47.7	52.3	55.5	52.5	52.0	52.1		56.4	59.3	51.3	50.1	86.7	52.3	52.9	58.0	64.8	72.2	52.8		56.8		50.4	53.2	49.8	54.2	57.1	50.8	
Sep-20	54.7	60.3	56.2	50.6	49.2	45.0	52.7	46.9	53.6	56.4	54.3	53.5	52.8		56.5	57.9	51.2	50.2	87.2	53.1	50.4	57.6	63.3	73.6	52.2		51.1		50.8	54.1	50.0	51.8	52.9	54.6	
Oct-20	55.3	62.4	57.1	52.9	50.7	61.2	54.9	50.9	54.0	54.4	55.2	56.1	52.4		58.7	66.6	52.0	50.4	89.5	53.5	56.3	60.6	72.5	75.6	53.9		52.2		50.3	52.1	50.4	52.4	53.4	55.7	
Nov-20	57.6	60.7	61.6	55.9	53.0	62.8	55.5	54.1	58.8	57.4	59.2	59.8	56.5		61.3	64.6	51.3	50.7	90.8	51.2	58.4	62.8	77.1	75.1	52.6		53.8		49.9	54.7	50.8	54.2	55.7	57.6	
Dec-20	61.0	65.2	65.3	61.4	57.5	62.5	59.0	62.0	64.8	56.8	62.2	65.5	62.8		68.0		52.1	50.6	82.7	50.8	65.8	69.5	78.5	78.2	53.0		50.1		50.1	59.2	52.3	56.2	58.5	61.8	
Jan-21	62.5	62.7	65.1	68.3	66.0	68.0	64.6	71.3	67.8	60.9	69.7	69.9	63.5		76.8	64.4	53.9	50.5	82.3	53.4	67.5	69.7	72.9	70.2	52.5		50.4		49.4	59.0	51.0	56.8	61.3	62.1	
Feb-21	65.1	65.0	73.2	73.9	76.5	73.4	69.3	78.3	73.8	64.7	70.8	78.1	69.0		80.1	74.1	55.6	50.6	83.5	56.0	73.0	75.8	76.8	66.5	52.4		50.7		50.4	58.1	51.6	58.2	62.1	57.9	
Mar-21	68.4	69.5	74.8	79.7	82.3	83.0	75.8	83.7	78.4	75.2	75.9	83.8	74.8		80.6	71.3	59.9	50.8	87.3	57.0	81.9	81.2	72.6	74.2	51.7		51.5		52.9	61.5	51.8	57.3	63.4	64.6	
Apr-21	69.6	71.7	77.2	82.2	85.7	86.3	79.0	84.3	81.8	76.3	81.6	86.3	78.3		80.4	74.1	60.4	50.9	86.8	60.3	85.8	84.5	76.3	70.3			52.7		51.1	62.0	53.8	59.4	62.9	64.3	

PMI - SERVICES INPUT PRICES

	World	USA	EURO ZONE		FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	CHINA	INDIA
Jul-20	54.0	57.4	52.5	51.7	51.8	53.0	54.3	52.9	55.1	52.5	50.1	55.2	55.3	51.2	50.3	
Aug-20	54.2	57.1	53.4	54.3	54.1	55.2	51.7	51.9	53.9	55.5	49.3	55.5	58.6	52.4	50.7	
Sep-20	53.7	55.7	53.0	51.3	54.9	57.3	51.2	53.4	52.5	59.5	49.5	62.2	58.6	50.3	52.8	
Oct-20	53.9	54.2	53.1	50.7	54.3	56.9	54.0	52.9	54.0	59.3	49.3	63.0	58.0		54.4	
Nov-20	57.6	63.7	51.5	49.8	52.3	57.6	50.9	52.6	52.8	51.8	49.5	64.1	64.5	57.5	54.7	
Dec-20	58.3	64.7	53.1	51.9	55.8	54.8	50.9	51.8	57.1		51.4	66.5	60.4	55.3	55.2	
Jan-21	58.9	66.9	53.2	52.2	53.7	54.2	52.5	54.9	54.5	62.6	50.6	65.2	57.9	56.4	54.9	
Feb-21	60.4	70.1	53.2	49.7	53.2	56.5	55.6	56.2	58.6	64.4	50.2	63.8	63.8	55.6	57.1	
Mar-21	62.5	72.7	55.6	52.4	59.0	60.6	54.4	54.6	64.0	64.7	54.3	69.6	65.1	53.7	56.8	
Apr-21		73.3	57.6	55.6	60.5		52.6	60.2	64.1		54.1	69.3			57.8	

PMI - MANUFACTURING OUTPUT PRICES

	Developed Markets																	Emerging countries																	
	WD	NA		Europe										Asia-Oceania					LATAM	Eurasia			Middle East & Africa			Asia									
	World	CANADA	USA	EURO ZONE		AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA
Jul-20	51.0	50.0	50.9	49.0	46.5	64.9	50.0	49.7	48.5	52.9	47.2	48.1	46.5		51.6				50.0	63.5	46.7	49.3	48.3	51.9	57.5	48.8	56.6	48.5	47.1		46.8	48.8	51.1	47.6	
Aug-20	51.5	53.1	52.5	49.4	47.7	61.1	51.5	49.4	49.7	49.3	49.5	50.9	45.7		52.3				49.6	69.7	47.6	48.3	48.7	52.0	61.9	50.4	50.8	57.5	46.5		48.3	49.6	51.3	47.0	
Sep-20	51.5	54.6	53.7	49.6	49.7	65.4	51.1	49.1	46.9	49.6	50.4	51.4	48.0		52.1				49.4	76.6	46.7	48.1	50.5	53.1	63.9	51.4	51.0	51.5	46.3		48.8	50.3	50.3	50.7	
Oct-20	52.0	54.1	51.9	50.5	50.7	75.1	51.5	51.1	47.9	50.3	49.8	50.5	48.1		53.2				50.4	78.8	47.1	49.4	51.6	57.1	66.1	52.2	50.8	49.8	48.5		47.6	50.9	49.4	50.5	
Nov-20	53.2	54.7	56.2	51.6	50.3	47.3	51.7	51.5	48.7	53.4	51.7	54.7	49.9		53.7				49.3	79.9	46.1	50.0	51.1	58.3	64.3	51.7	51.6	52.3	48.3		49.5	51.4	50.3	51.5	
Dec-20	54.3	59.0	58.6	52.6	50.8	42.3	51.8	52.2	49.7	51.9	52.0	60.1	53.5		55.2				50.1	69.5	46.1	51.8	51.5	60.6	63.0	50.8	51.3	50.5	49.2		47.4	51.1	52.4	52.4	
Jan-21	55.0	55.8	60.4	52.2	51.4	35.0	52.1	51.3	50.3	54.5	52.4	55.9	53.5		57.9				51.1	68.5	45.9	51.5	57.2	59.3	60.6	50.5	52.6	50.3	49.4		47.1	53.1	51.7	51.8	
Feb-21	55.7	56.3	60.6	56.5	55.7	29.8	52.8	57.4	55.1	56.9	58.1	59.2	54.5		61.2				51.0	73.0	45.9	52.1	61.9	66.3	54.2	50.3	52.1	50.9	49.2		47.7	52.2	53.7	51.6	
Mar-21	59.3	61.6	69.1	60.9	60.8	57.9	58.3	62.8	61.2	58.1	59.9	63.3	58.5		63.7				51.9	73.3	46.7	58.7	66.0	65.3	62.1	50.4	58.3	49.0	49.5		49.7	52.0	53.1	54.6	
Apr-21	59.7	63.3	68.0	64.3	62.4	72.1	63.8	64.4	64.6	62.8	65.5	66.7	62.6		65.3				51.4	77.2	48.6	61.6	69.0	67.1	61.8		50.7		51.1		49.3	54.2	52.9	56.9	



SOURCE: MARKIT, BNP PARIBAS

ECONOMIC PULSE

UNITED STATES: AN ACCELERATED PULSE

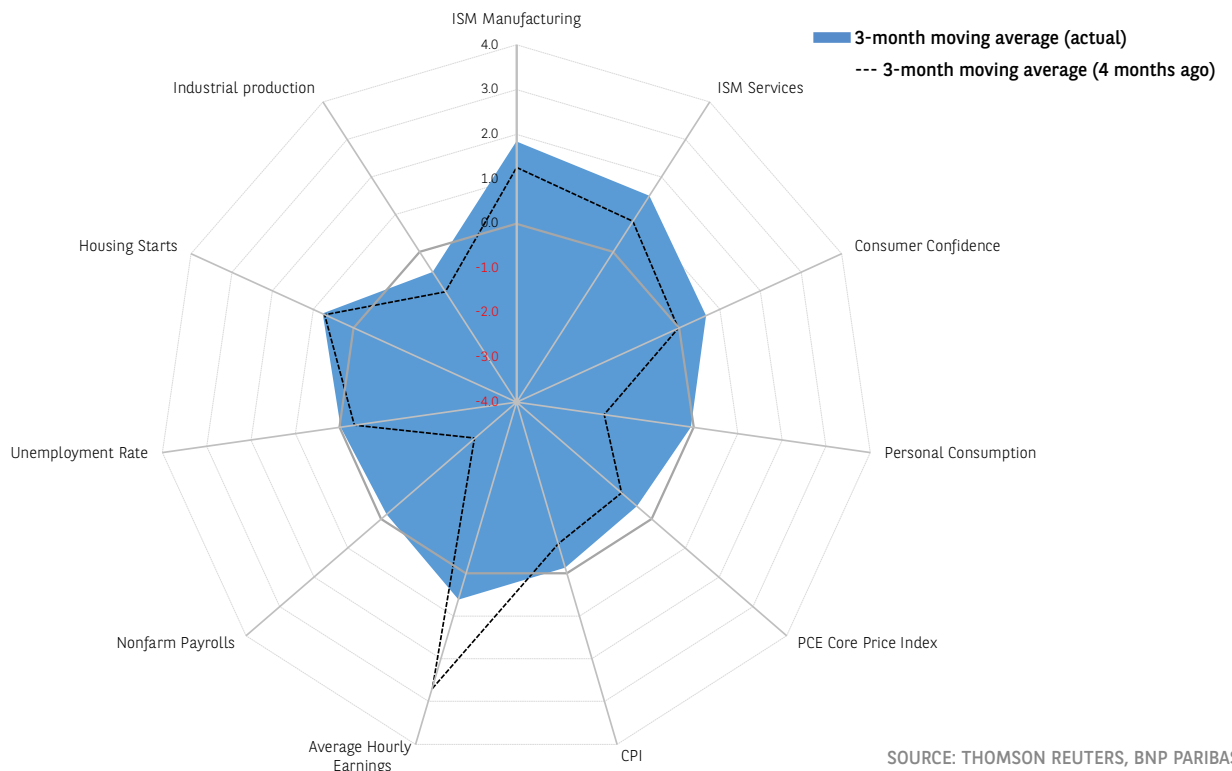
The vaccine keeps its promises, so does Joe Biden. With USD 400 bn in stimulus checks nearly in pockets and partial immunity achieved against Covid 19, Americans are on the move to spend again. After a record-breaking month of March, private consumption surged by more than 10% (seasonally adjusted annual rate, saar) in the first quarter. GDP rose 6.4% (saar) and will continue to accelerate in the weeks and months ahead. By summer 2021, it will have surpassed the year-end 2019 level and erased all of the ground lost during the pandemic.

Along with rising commodity prices – industrial metal prices are verging on peak levels – and the shortage of electronic components, the powering up of the US economy is awakening inflation expectations. 10-year inflation-linked swap rates have continued to rise in recent days, surpassing 2.5%, the highest level since 2014. Consumer prices are also beginning to stir: they rose 2.6% in the year to March and will probably rise above 3% in April, when price indexes will be compared with the abnormally low levels of spring 2020. These statistics clearly capture a catching-up movement, but they say little about the other scars left by the crisis, which unfortunately are much deeper.

Looking beyond the tragic human toll of Covid 19 - nearly 580,000 deaths have been reported to date- the crisis has also excluded millions of Americans from the labour market, some for the long term. Although job creations have picked up (+266.000 in the non-farm payroll sector in April, a lower than expected figure), which has driven the unemployment rate back near 6% (6.1% in April), they are far from offsetting the shortfall in employment due to the pandemic, which still numbers in the 8.5 millions. The labour market participation rate has fallen to historical lows (61.7% in April), a sign that things have yet to return to normal

Jean-Luc Proutat

QUARTERLY CHANGES



The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +4. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.



ECONOMIC PULSE

COVID-19: INDIA REACHES MORE THAN 20 MILLION CASES

The situation in India continues to deteriorate with 382,146 new Covid-19 cases reported on 4 May alone, which has lifted the total to more than 20 million cases since the beginning of the pandemic (chart 1). Given the insufficient number of vaccines, the vaccination campaign continues to advance slowly. Since the vaccination was rolled out in January, 9.3% of the population has received at least one dose (chart 2). In Asia (excluding India), Europe and the Americas, the number of new cases continues to decline (chart 1). In Europe, vaccination campaigns continue to accelerate. Several EU member countries are approaching the threshold of 30% of their populations having received at least one dose, while the United Kingdom crossed the 50% threshold a few days ago.

In the retail and leisure sectors, footfall continued to improve during the week of 23-30 April in the main advanced countries. It accelerated in Belgium (from -35% to -28% compared to the baseline*) and in Italy (from -36% to -28%), bringing them in line with Spain, which reported a small 1-point improvement. In the United States, France and the UK, footfall continued to improve slowly. Note that footfall in France is still the lowest in Europe (-44% at 30 April).

* Google Mobility Reports show how visits and length of stay at different places change compared to a baseline. The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3-Feb 6, 2020. A figure of negative 30% indicates that traffic was down 30% compared to a baseline. The reports show trends over several weeks with the most recent data representing approximately 2-3 days ago—this is how long it takes to produce the reports. In order to smooth the series, we use a seven-day moving average of the raw data in the Google Mobility Reports. Source: Google.

Moreover, the OECD Weekly Tracker of annual GDP growth in the main advanced countries continued to slide, although it picked up in Japan after a brief decline (chart 3). The OECD Tracker, which is based on Google Trends resulting from queries on consumption, the labour market, housing, industrial activity and uncertainty, should be interpreted cautiously since it reflects a base effect due to the comparison with poor data when the pandemic started to spread last year.

Tarik Rharrab

DAILY CONFIRMED COVID-19 CASES (7-DAY MOVING AVERAGE)

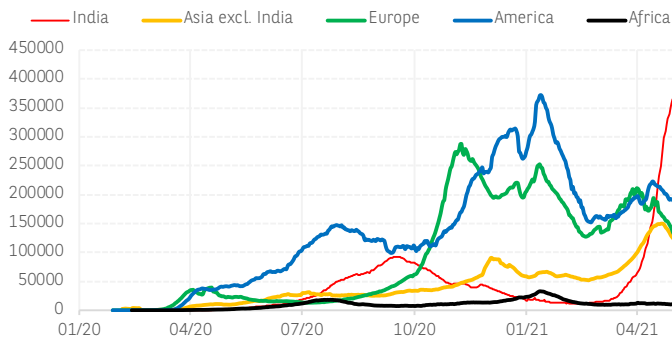


CHART 1

SOURCE: JOHNS-HOPKINS UNIVERSITY (05/06/2021), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

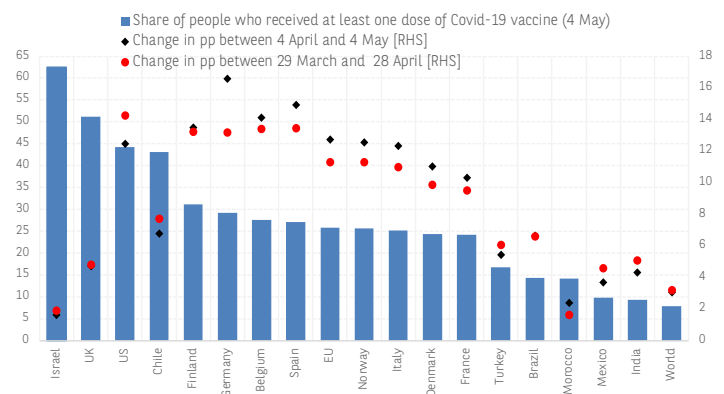


CHART 2

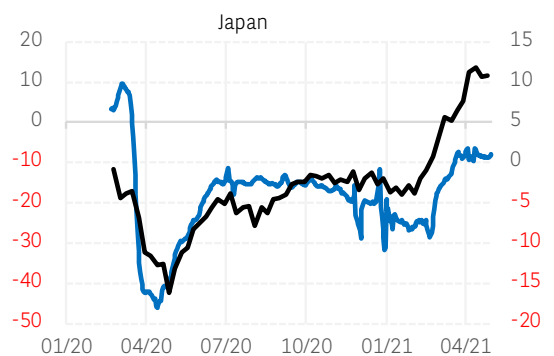
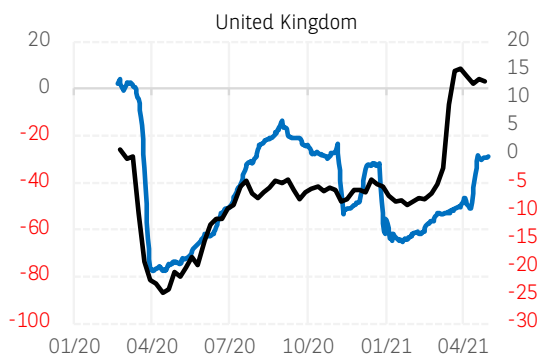
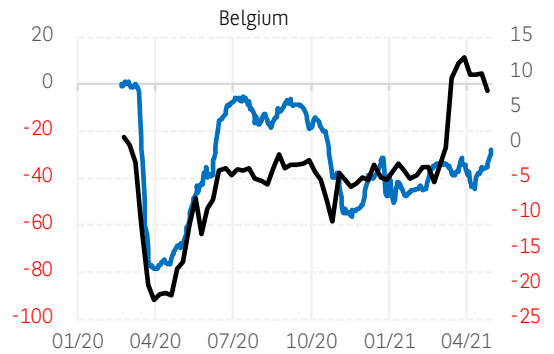
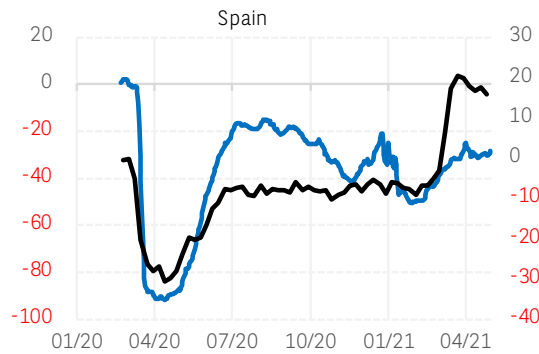
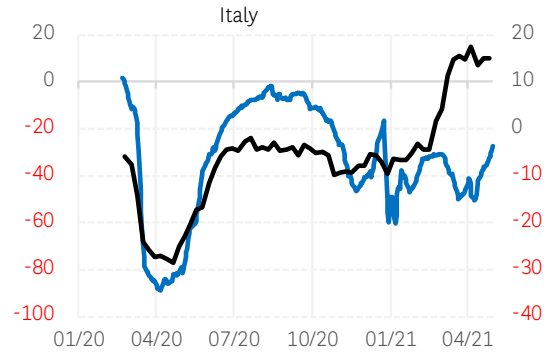
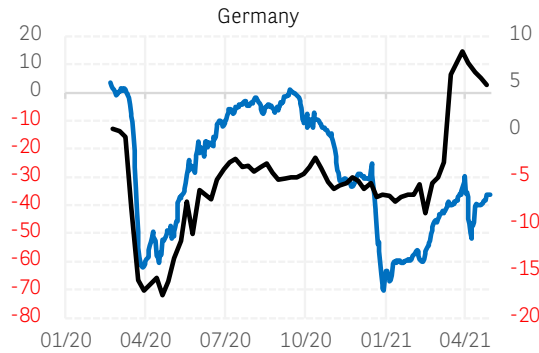
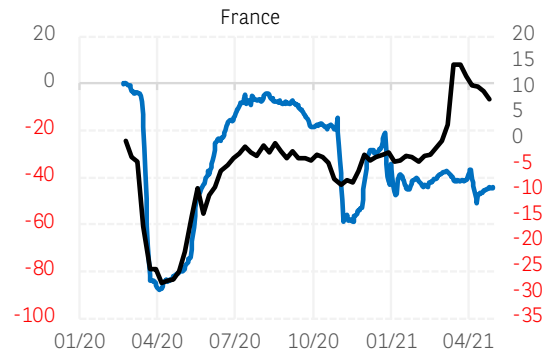
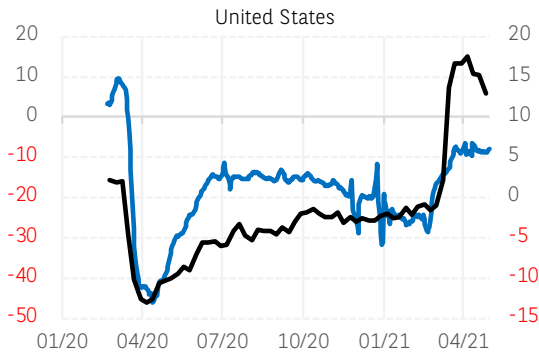
SOURCE: OUR WORLD IN DATA (05/06/2021), BNP PARIBAS



RETAIL AND RECREATION MOBILITY & OECD WEEKLY TRACKER

— Retail and recreation mobility (7-day moving average, % from baseline*)

— OECD Weekly tracker, y/y GDP growth [RHS]



SOURCE: OECD (05/05/2021), GOOGLE (05/03/2021), BNP PARIBAS



ECONOMIC SCENARIO

12

UNITED STATES

Having limited the damage in 2020, the US economy is now recovering fast, driven by a vaccination campaign that is steaming ahead and raising hopes of collective immunity to Covid-19 being achieved at some point in the summer. The economy has also benefited from the exceptional fiscal stimulus package, which is twice the size of that put in place after the financial crisis of 2008. As a result, US GDP growth will be close to 7% in 2021, opening the way to a rapid return to pre-crisis levels. The employment deficit remains significant as a result of the pandemic, but this should steadily be absorbed, opening the way to a rapid fall in the unemployment rate, which is expected to drop below the 5% mark in the second half. Expected inflation has risen sharply and is unlikely to fall back, particularly as reported inflation is picking up. Over the coming months the latter is likely to run well above the 2% target set by the Federal Reserve, but this will not cause the central bank to deviate from its accommodating stance.

CHINA

After plummeting in Q1 2020, economic activity has experienced a V-shaped rebound since Q2. Economic growth will stay strong in 2021, still supported by industrial production and exports. Manufacturing investment growth should accelerate in the short term while investment growth in infrastructure and real estate projects is expected to slow. The growth recovery in the services sector and in private consumption has started later and been slower, but it should gain momentum in 2021. The authorities are expected to reduce very gradually their fiscal policy support measures and continue the cautious credit policy tightening, which was initiated in Q4 2020 in order to stabilize domestic debt-to-GDP ratios and contain risks in the financial system.

EUROZONE

After an historic recession in 2020 (-6.8%, annual average), the Eurozone economy should firmly rebound this year (+4.2%), especially from the H2. In 2022, the economic recovery would be still on track with an economic growth of +5%. Globally, Eurozone GDP could reach its pre-crisis level faster than we expected before, around the middle of 2022. The current resurgence in the pandemic across many Member states and new health restrictions keep weighing on the dynamics of the recovery and uncertainties remain at a significant level. Nevertheless, the expected acceleration of vaccines rollout is the brightest spot for the economy in the months ahead. Also, in this still tricky situation, the policy-mix will remain accommodative to support the recovery. The European central bank has already announced a higher pace of assets purchases, helping to maintain very favorable financing conditions in the Eurozone. Over the coming months, one of the most important issues to focus on will be to restore consumers' confidence. This constitutes an essential vector of a prompt and sustained recovery.

FRANCE

Contrary to what the discovery of vaccines at the end of 2020 suggested, i.e. the end of the stop-and-go activity, at the beginning of 2021, due to the appearance of variants and the slowness of vaccination, we are still on a trajectory of crisis exit in fits and starts. The capacity of the economy to rebound and the possibility of a vigorous rebound are not, as such, called into question; it is the timing of the rebound that has been postponed. It is now expected in H2 2021, bolstered by the acceleration of the immunization and the support of the policy-mix. For 2021 as a whole, growth would average 6.1%. This is a rather optimistic forecast, half a point above the March 2021 consensus. In 2022, growth would remain strong (4.4%). According to our scenario, French GDP would exceed its pre-crisis level in Q1 2022. Inflation is also expected to pick up, driven by temporary factors (commodity prices) but also by the more lasting influence of supply (constrained) and demand (rising) and the reflationary efforts of monetary policy.

RATES AND EXCHANGE RATES

In the US, policy will remain on hold for quite some time, considering that the FOMC wants inflation to move beyond 2% to make up for past below-target inflation. Its outcome-dependent guidance is very clear: the current pace of asset purchases will

be maintained 'until substantial further progress has been made' toward reaching its goals in terms of maximum employment and inflation and the FOMC will signal well in advance when the economy is on a path warranting a change in policy. Although it expects an increase in inflation later this year, it considers it will be transient and limited. Treasury yields should continue to move higher on the back of fiscal stimulus and the prospect of a strong acceleration of economic growth.

In the eurozone, the ECB will maintain its very accommodative stance centered around its asset purchases and forward guidance, with the objective to generate a pick-up in inflation. The pandemic emergency purchase programme (PEPP) is to last at least until the end of March 2022. Nevertheless, bond yields are expected to move higher based on the acceleration of euro area growth, the reduction in uncertainty and the spillover effect of higher US Treasury yields. This should also lead to a slight increase in sovereign spreads in the euro area. The Bank of Japan is expected to maintain its current policy stance including its yield curve control strategy although the range of the latter has recently been widened to +/- 25 bp around 0%. Within this range, JGB yields are expecting to move higher, following the global trend. We expect the dollar to weaken slightly versus the euro. This is the result of conflicting forces: faster growth in the US than in the eurozone but narrow interest rate differentials at the short end of the curve and a dollar which at current levels is expensive compared to fair value. Concerning the yen, little change is expected versus the dollar whereas it is expected to weaken against the euro.

GROWTH & INFLATION

%	GDP Growth				Inflation			
	2019	2020	2021 e	2022 e	2019	2020	2021 e	2022 e
United-States	2.2	-3.5	6.9	4.7	1.8	1.2	2.5	2.2
Japan	0.3	-4.8	3.0	2.3	0.5	0.0	-0.3	0.0
United-Kingdom	1.5	-10.2	6.1	6.0	1.8	0.9	1.4	2.1
Euro Area	1.3	-6.8	4.2	5.0	1.2	0.3	1.7	1.4
Germany	0.6	-5.3	3.0	4.8	1.4	0.4	2.1	1.5
France	1.5	-8.2	6.1	4.4	1.3	0.5	1.4	1.0
Italy	0.3	-8.9	5.0	3.9	0.6	-0.1	1.5	1.4
Spain	2.0	-10.8	5.9	5.6	0.8	-0.3	1.3	1.2
China	6.1	2.3	9.2	5.3	2.9	2.5	1.8	2.8
India*	4.2	-7.2	12.5	4.1	4.8	6.2	4.9	4.6
Brazil	1.1	-4.1	2.5	3.0	3.7	3.2	6.5	4.0
Russia	1.3	-4.5	4.0	3.0	4.3	3.4	5.1	4.0

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)
*FISCAL YEAR FROM 1ST APRIL OF YEAR N TO MARCH 31ST OF YEAR N+1

INTEREST & EXCHANGE RATES

Interest rates, %		2021				2022e	
End of period		Q1	Q2e	Q3e	Q4e	2021e	2022e
US	Fed Funds (upper limit)	0.25	0.25	0.25	0.25	0.25	0.25
	T-Notes 10y	1.75	2.00	2.10	2.20	2.20	2.50
Ezone	Deposit rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
	Bund 10y	-0.33	-0.20	-0.10	0.20	0.20	0.20
	OAT 10y	-0.11	0.00	0.15	0.50	0.50	0.50
	BTP 10y	0.63	0.70	0.90	1.35	1.35	1.30
UK	BONO 10y	0.34	0.45	0.60	0.95	0.95	1.00
	Base rate	0.10	0.10	0.10	0.10	0.10	0.10
Japan	Gilts 10y	0.88	1.00	1.10	1.20	1.20	1.30
	Bol Rate	-0.04	-0.10	-0.10	-0.10	-0.10	-0.10
Japan	JGB 10y	0.09	0.12	0.18	0.23	0.23	0.28

Exchange Rates		2021				2022e	
End of period		Q1	Q2e	Q3e	Q4e	2021e	2022e
USD	EUR / USD	1.18	1.18	1.20	1.23	1.23	1.18
	USD / JPY	111	111	111	111	111	114
	GBP / USD	1.38	1.39	1.43	1.46	1.46	1.42
EUR	EUR / GBP	0.85	0.85	0.84	0.84	0.84	0.83
	EUR / JPY	130	131	133	137	137	135

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)



BNP PARIBAS

The bank
for a changing
world

CALENDAR

13

LATEST INDICATORS

In Europe, the PMI data didn't change that much compared to the prior numbers and they were also more or less in line with the consensus forecasts. This shows that when confidence levels have reached a high level, it is increasingly difficult to do even better and to surprise to the upside. Noteworthy is that, following a slight decline, the services PMI in Germany has moved below 50 but only slightly so. Eurozone retail sales in March grew more strongly than expected. The Bank of England kept its stance of monetary policy unchanged. In the US, the services ISM index surprised significantly to the upside. This came after a big disappointment for the manufacturing ISM. Initial jobless claims declined further. Finally, the labour market report disappointed with the number of new jobs coming in far below the consensus expectation. According to Bloomberg, it was actually the biggest difference ever. This may be partly due to difficulties in finding people to fill the vacancies. It clearly is at odds with the signal sent by the other economic indicators, which point to strong growth.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
05/03/2021	France	Markit France Manufacturing PMI	Apr	59.2	58.9	59.2
05/03/2021	Germany	Markit/BME Germany Manufacturing PMI	Apr	66.4	66.2	66.4
05/03/2021	Eurozone	Markit Eurozone Manufacturing PMI	Apr	63.3	62.9	63.3
05/03/2021	United States	Markit US Manufacturing PMI	Apr	60.7	60.5	60.6
05/03/2021	United States	ISM Manufacturing	Apr	65	60.7	64.7
05/03/2021	United States	ISM Prices Paid	Apr	86	89.6	85.6
05/03/2021	United States	ISM Employment	Apr	--	55.1	59.6
05/04/2021	United Kingdom	Markit UK PMI Manufacturing SA	Apr	60.7	60.9	60.7
05/04/2021	United States	Cap Goods Orders Nondef Ex Air	Mar	0.90%	1.20%	0.90%
05/05/2021	France	Markit France Services PMI	Apr	50.4	50.3	50.4
05/05/2021	France	Markit France Composite PMI	Apr	51.7	51.6	51.7
05/05/2021	Germany	Markit Germany Services PMI	Apr	50.1	49.9	50.1
05/05/2021	Germany	Markit/BME Germany Composite PMI	Apr	56	55.8	56
05/05/2021	Eurozone	Markit Eurozone Services PMI	Apr	50.3	50.5	50.3
05/05/2021	Eurozone	Markit Eurozone Composite PMI	Apr	53.7	53.8	53.7
05/05/2021	United States	Markit US Services PMI	Apr	63.1	64.7	63.1
05/05/2021	United States	Markit US Composite PMI	Apr	--	63.5	62.2
05/05/2021	United States	ISM Services Index	Apr	64.1	62.7	63.7

SOURCE: BLOOMBERG



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
05/06/2021	France	Survey of Industrial Investment				
05/06/2021	Eurozone	ECB Publishes Economic Bulletin				
05/06/2021	United Kingdom	Markit/CIPS UK Services PMI	Apr	60.1	61	60.1
05/06/2021	United Kingdom	Markit/CIPS UK Composite PMI	Apr	60.0	60.7	60.0
05/06/2021	Eurozone	Retail Sales MoM	Mar	1.60%	2.70%	4.20%
05/06/2021	United Kingdom	Bank of England Bank Rate	May	0.10%	0.10%	0.10%
05/06/2021	United States	Initial Jobless Claims	May	538k	498k	590k
05/07/2021	Japan	Jibun Bank Japan PMI Services	Apr	--	49.5	48.3
05/07/2021	Japan	Jibun Bank Japan PMI Composite	Apr	--	51	50.2
05/07/2021	China	Caixin China PMI Composite	Apr	--	54.7	53.1
05/07/2021	China	Caixin China PMI Services	Apr	54.2	56.3	54.3
05/07/2021	France	Private Sector Payrolls QoQ	1Q	-0.20%	0.30%	-0.10%
05/07/2021	United States	Change in Nonfarm Payrolls	Apr	1000k	266k	916k
05/07/2021	United States	Unemployment Rate	Apr	5.80%	6.10%	6.00%
05/07/2021	United States	Average Hourly Earnings MoM	Apr	0.00%	0.70%	-0.10%
05/07/2021	United States	Average Weekly Hours All Employees	Apr	34.9	35	34.9
05/07/2021	United States	Labor Force Participation Rate	Apr	61.60%	61.70%	61.50%

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

15

COMING INDICATORS

A rather light week ahead of us in terms of data. In the US, attention will focus on retail sales and the inflation numbers whereas in Europe, it will be on the new forecasts of the European Commission. The Banque de France will publish its industrial sentiment index and for Germany and the eurozone we will have the ZEW survey. In Japan the Eco Watchers survey will be released. Finally, in the US, university of Michigan inflation expectations will be monitored closely given the increasing number of signs that price pressures are building.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
05/10/2021	France	Bank of France Ind. Sentiment	Apr	--	105
05/11/2021	China	CPI YoY	Apr	1.00%	0.40%
05/11/2021	Germany	ZEW Survey Expectations	May	--	70.7
05/11/2021	Germany	ZEW Survey Current Situation	May	--	-48.8
05/11/2021	Eurozone	ZEW Survey Expectations	May	--	66.3
05/11/2021	United States	NFIB Small Business Optimism	Apr	101	98.2
05/11/2021	United States	JOLTS Job Openings	Mar	--	7367k
05/12/2021	Japan	Leading Index CI	Mar	103	98.7
05/12/2021	United Kingdom	GDP QoQ	1Q	--	1.30%
05/12/2021	United Kingdom	Monthly GDP (MoM)	Mar	--	0.40%
05/12/2021	Eurozone	EU Commission Economic Forecasts			
05/12/2021	Eurozone	Industrial Production SA MoM	Mar	--	-1.00%
05/12/2021	United States	CPI Ex Food and Energy MoM	Apr	0.30%	0.30%
05/13/2021	Japan	Eco Watchers Survey Current SA	Apr	--	49
05/13/2021	Japan	Eco Watchers Survey Outlook SA	Apr	--	49.8
05/13/2021	United States	PPI Ex Food and Energy MoM	Apr	0.30%	0.70%
05/13/2021	United States	Initial Jobless Claims	May	--	--
05/14/2021	United States	Retail Sales Control Group	Apr	--	6.90%
05/14/2021	United States	Industrial Production MoM	Apr	1.30%	1.40%
05/14/2021	United States	Capacity Utilization	Apr	75.30%	74.40%
05/14/2021	United States	U. of Mich. Sentiment	May	90.1	88.3
05/14/2021	United States	U. of Mich. Current Conditions	May	--	97.2
05/14/2021	United States	U. of Mich. Expectations	May	--	82.7
05/14/2021	United States	U. of Mich. 1 Yr Inflation	May	--	3.40%
05/14/2021	United States	U. of Mich. 5-10 Yr Inflation	May	--	2.70%

SOURCE: BLOOMBERG



FURTHER READING

16

The French labour market: outlook for 2021	EcoFlash	10 May 2021
Italy: Why the country is once again attracting attention	EcoTVWeek	7 May 2021
Central Europe: Return to pre-Covid GDP levels likely in 2021	Chart of the Week	5 May 2021
US : the Biden infrastructure plan	EcoFlash	4 May 2021
EcoWeek - May 3 issue	EcoWeek	3 May 2021
Eurozone: Ongoing fiscal support	EcoTVWeek	30 April 2021
French companies went into the pandemic in a strengthened financial position	Chart of the Week	28 April 2021
EcoWeek - April 26 issue	EcoWeek	26 April 2021
Israel: A mixed economic situation, but positive prospects	EcoTVWeek	23 April 2021
Exports rebounded strongly in march 2021, supported by the global economic recovery	Chart of the Week	21 April 2021
Eurozone : The upturn in inflation could be short-lived	EcoFlash	19 April 2021
EcoWeek - April 19 issue	EcoWeek	19 April 2021
EcoEmerging - April 2021 issue	EcoEmerging	16 April 2021
Emerging countries: speed races	EcoTVWeek	16 April 2021
Exchange rate regime under pressure	Chart of the Week	14 April 2021
EcoWeek - April 12 issue	EcoWeek	12 April 2021
EcoPerspectives April 2021 issue	EcoPerspectives	9 April 2021
EcoTV. April 2021 issue	EcoTV	9 April 2021
US banks: reactivation of the Fed's reverse repo facility, a factor in reducing balance sheets	Chart of the Week	7 April 2021
France: The French labour market: 2020 in review	EcoFlash	6 April 2021



GROUP ECONOMIC RESEARCH

William De Vijlder
Chief Economist

+33 1 55 77 47 31

william.devijlder@bnpparibas.com

ADVANCED ECONOMIES AND STATISTICS

Jean-Luc Proutat

US, UK - Head of economic projections, relationship with French network

+33 1 58 16 73 32

jean-luc.proutat@bnpparibas.com

Hélène Baudchon

France - Labour markets

+33 1 58 16 03 63

helene.baudchon@bnpparibas.com

Louis Boisset

Japan - European Central Bank watch, Euro area global view

+33 1 57 43 02 91

louis.boisset@bnpparibas.com

Frédérique Cerisier

Euro area (European governance and public finances), Nordic countries

+33 1 43 16 95 52

frederique.cerisier@bnpparibas.com

Guillaume Derrien

Italy, Spain, Portugal - International trade

+33 1 55 77 71 89

guillaume.a.derrien@bnpparibas.com

Raymond Van Der Putten

Germany, Netherlands, Austria, Switzerland - Energy, climate

+33 1 42 98 53 99

raymond.vanderputten@bnpparibas.com

Tarik Rharrab

Statistics

+33 1 43 16 95 56

tarik.rharrab@bnpparibas.com

BANKING ECONOMICS

Laurent Quignon

Head

+33 1 42 98 56 54

laurent.quignon@bnpparibas.com

Laure Baquero

+33 1 43 16 95 50

laure.baquero@bnpparibas.com

Céline Choulet

+33 1 43 16 95 54

celine.choulet@bnpparibas.com

Thomas Humblot

+33 1 40 14 30 77

thomas.humblot@bnpparibas.com

EMERGING ECONOMIES AND COUNTRY RISK

François Faure

Head - Argentina

+33 1 42 98 79 82

francois.faure@bnpparibas.com

Christine Peltier

Deputy Head - Greater China, Vietnam, South Africa

+33 1 42 98 56 27

christine.peltier@bnpparibas.com

Stéphane Alby

Africa (French-speaking countries)

+33 1 42 98 02 04

stephane.alby@bnpparibas.com

Stéphane Colliac

Turkey, Ukraine, Central European countries

+33 1 42 98 43 86

stephane.colliac@bnpparibas.com

Perrine Guerin, Sara Confalonieri

Africa (Portuguese & English-speaking countries)

+33 1 42 98 43 86

perrine.guerin@bnpparibas.com

Pascal Devaux

Middle East, Balkan countries

+33 1 43 16 95 51

pascal.devaux@bnpparibas.com

Hélène Drouot

Korea, Thailand, Philippines, Mexico, Andean countries

+33 1 42 98 33 00

helene.drouot@bnpparibas.com

Salim Hammad

Latin America

+33 1 42 98 74 26

salim.hammad@bnpparibas.com

Johanna Melka

India, South Asia, Russia, CIS

+33 1 58 16 05 84

johanna.melka@bnpparibas.com

CONTACT MEDIA

Michel Bernardini

+33 1 42 98 05 71

michel.bernardini@bnpparibas.com



BNP PARIBAS

**The bank
for a changing
world**

GROUP ECONOMIC RESEARCH



CONJONCTURE

Structural or thematic topics.



EMERGING

Analyses and forecasts for a selection of emerging economies.



PERSPECTIVES

Analyses and forecasts with a focus on developed countries.



ECOFASH

Data releases, major economic events.



ECOWEEK

Recent economic and policy developments, data comments, economic calendar, forecasts.



ECOTV

A monthly video with interviews of our economists.



ECOTV WEEK

A weekly video discussing the main event of the week.



MACROWAVES

Our economic podcast.

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. It does not constitute investment advice, nor financial research or analysis. Information and opinions contained in the report are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient; they 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. BNP Paribas SA is 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). Its 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. 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 in Japan 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 (2015). All rights reserved.

HOW TO RECEIVE OUR PUBLICATIONS

SUBSCRIBE ON OUR WEBSITE
[see the Economic Research website](#)

&

FOLLOW US ON LINKEDIN
[see the Economic Research linkedin page](#)

OR TWITTER
[see the Economic Research Twitter page](#)



Published by BNP PARIBAS Economic Research

Head office: 16 boulevard des Italiens - 75009 Paris France / Phone : +33 (0) 1.42.98.12.34

Internet: www.group.bnpparibas.com - www.economic-research.bnpparibas.com

Head of publication : Jean Lemierre / Chief editor: William De Vijlder



BNP PARIBAS

The bank
for a changing
world