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## EUROZONE: WHAT DRIVES COMPANIES' ELEVATED SELLING PRICE EXPECTATIONS?

An exceptionally high number of Eurozone companies plan to raise selling prices. It is unlikely that, at this stage, unit labour cost growth would already be a key driver. Rising input costs and strong demand are playing a crucial role, whereby well-filled order books make it easier for companies to increase their prices. Selling price expectations of euro area companies are much higher than what would be expected based on their historical relationship with input prices and order book levels. It seems that when more companies are raising prices, others will be inclined to do the same. This broad-based nature of the increase of inflation could slow down the reaction of inflation to slower demand growth.

The latest business survey of the European Commission shows that the net balance of industrial companies planning to raise their selling prices continues to increase and, at 58, is at the highest level ever<sup>1</sup>. Understanding the drivers behind this development is important for the assessment of the outlook for producer and consumer prices. Companies will be inclined to charge higher prices when wage costs are growing in excess of productivity gains, when they are confronted with rising input costs (commodities, intermediate inputs), or strong demand, which increases their pricing power. It is unlikely that at this stage and at the aggregate level, the first factor would already be an important driver behind the intentions to raise prices. The annual growth of negotiated wages was 1.6% in the fourth quarter of 2021<sup>2</sup>, although, considering the labour market bottlenecks in various sectors and anecdotal evidence<sup>3</sup>, one would expect wage growth to pick up going forward. Rising input costs are a key driver. The purchasing managers' indices show that a vast majority of survey participants in the manufacturing sector continue to face higher input prices, month after month. Finally, strong demand, as reflected in well-filled order books, makes it easier for companies to increase their prices<sup>4</sup>.

Chart 1 shows the close correlation between the assessment of order book levels in industry and the selling prices expectations of companies. Recently, both series have reached record-high levels. As shown in the table, a regression analysis reveals that input prices and order book levels are highly significant in explaining selling price expectations in industry. However, the quality of the statistical fit has declined as of late, as reflected in exceptionally large and positive regression residuals (chart 2): the observed selling price expectations are significantly higher than their estimated value based on the historical relationship. Given the current tensions on input prices and the level of order books, even more companies than normal plan to raise their selling prices. A possible explanation is that an exceptionally large number of companies are very confident about their pricing power. However, it could also reflect that inflation has become very broad-based. When more companies are raising prices, others will be inclined to do the same.

ASSESSMENT OF ORDER-BOOK LEVELS (X-AXIS) VERSUS SELLING PRICE EXPECTATIONS (INDUSTRY) (Y-AXIS)

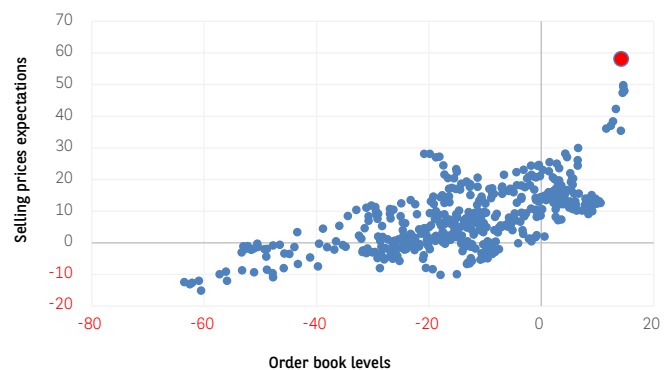


CHART 1

SOURCE: S&P GLOBAL (MARKIT), EUROPEAN COMMISSION, BNP PARIBAS

1. Records start in January 1985. The wording of the question is "How do you expect your selling prices to change over the next 3 months? They will + increase/= remain unchanged/-decrease". Source: *The Joint Harmonised EU Programme of Business and Consumer Surveys, User Guide* (updated October 2021), European Commission.

2. Source: ECB, statistical data warehouse.

3. This is illustrated by the result of exchanges, mainly between 10 and 19 January 2022, between ECB staff and representatives of 74 leading non-financial companies operating in the euro area. "Typically, contacts said they expected average wage increases to move from around 2% in the recent past to 3% or possibly more this year. Significantly higher rates of wage inflation were described or anticipated in relation to those jobs for which it was a challenge to recruit and retain staff, for example in the fields of construction and road haulage and for IT experts and software engineers." Source: ECB, *Economic Bulletin*, 01/2022, February 2022.

4. "The effect of the surge in the prices of many raw materials and of logistics costs in 2021 was still feeding through the value chain, and the demand environment for passing these costs through to prices remained very favourable in most sectors... Many contacts said that prices were being adjusted more frequently than in the past to avoid margins being squeezed". Source: see footnote 3.

Selling price expectations of euro area companies are exceptionally high, even when taking into account the pressure on input prices and the well-filled order books. It seems that when more companies are raising prices, others will be inclined to do the same.



An interesting indicator in this respect is the ‘persistent and common component of inflation’ (PCCI)<sup>5</sup>. This measure of underlying inflation that is calculated by the ECB shows that in recent months, the pick-up in inflation has indeed become very widespread (chart 3). Moreover, its recent evolution is highly correlated with the regression residuals discussed before, which suggests that the exceptionally high selling price expectations are related to the broad-based increase of inflation. This may lead to a certain inertia in price developments and hence a delayed reaction of inflation when demand growth eventually slows down.

**William De Vijlder**

5. Based on an analysis of around 1000 monthly time series for 12 euro area countries, this indicator seeks to capture the underlying inflation dynamics that are common across euro area countries. Source: *PCCI – a data-rich measure of underlying inflation in the euro area*, ECB, Statistics Paper Series, October 2020.

**SELLING PRICE EXPECTATIONS: ESTIMATED VERSUS OBSERVED**

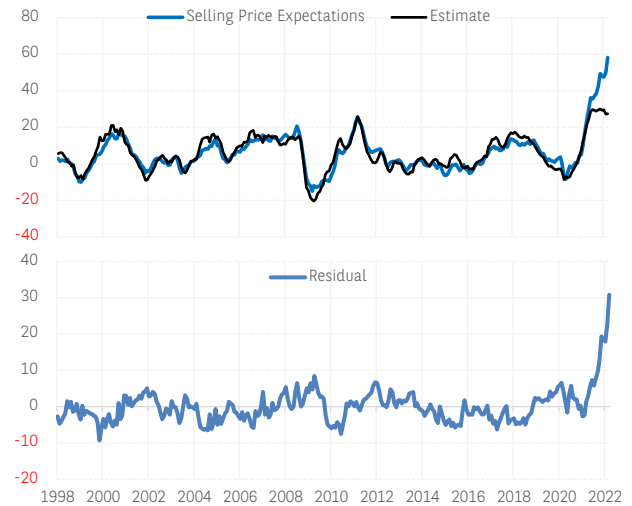


CHART 2

SOURCE: S&P GLOBAL (MARKIT), EUROPEAN COMMISSION, BNP PARIBAS

**REGRESSION RESIDUAL OF SELLING PRICE EXPECTATIONS VERSUS UNDERLYING INFLATION**

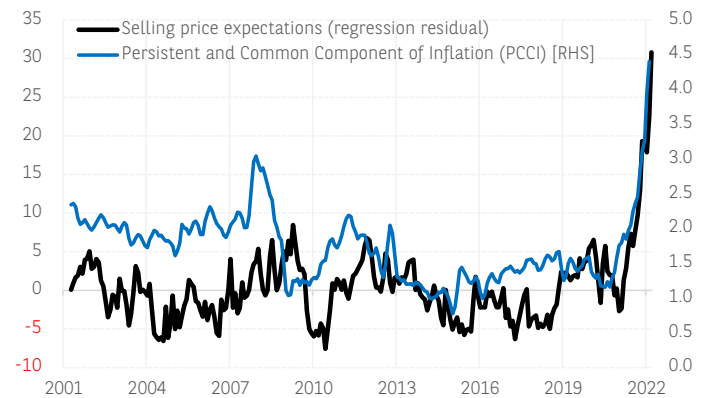


CHART 3

SOURCE: S&P GLOBAL (MARKIT), EUROPEAN COMMISSION, BNP PARIBAS

**REGRESSION RESULTS FOR SELLING PRICE EXPECTATIONS ESTIMATION PERIOD: 1998 - 2022**

Variable	Coefficient	t-Stat
<i>Dependent Variable: Selling Price Expectations</i>		
Order book	0.1751	7.5620
PMI Input Prices (-1)	0.6126	20.5349
Brent in euro (m/m)	0.0795	2.6774
C	-27.2721	-14.1029
R2	0.8162	

TABLE 1

SOURCE: S&P GLOBAL (MARKIT), EUROPEAN COMMISSION, BNP PARIBAS



# MARKETS OVERVIEW

## OVERVIEW

Week 1-4 22 to 8-4-22

▼ CAC 40	6 684	▶ 6 548	-2.0 %
▼ S&P 500	4 546	▶ 4 488	-1.3 %
↗ Volatility (VIX)	19.6	▶ 21.2	+1.5 pb
↗ Euribor 3M (%)	-0.46	▶ -0.45	+1.2 bp
↗ Libor \$ 3M (%)	0.96	▶ 1.01	+4.9 bp
↗ OAT 10y (%)	0.93	▶ 1.12	+19.1 bp
↗ Bund 10y (%)	0.54	▶ 0.68	+14.5 bp
↗ US Tr. 10y (%)	2.39	▶ 2.72	+32.6 bp
▼ Euro vs dollar	1.10	▶ 1.09	-1.5 %
↗ Gold (ounce, \$)	1 928	▶ 1 943	+0.8 %
▼ Oil (Brent, \$)	104.5	▶ 102.7	-1.7 %

## MONEY & BOND MARKETS

Interest Rates		highest 22	lowest 22	Yield (%)	highest 22	lowest 22
€ ECB	0.00	0.00 at 03/01	0.00 at 03/01	€ AVG 5-7y	0.98	0.98 at 08/04
Eonia	-0.51	-0.51 at 03/01	-0.51 at 03/01	Bund 2y	-0.08	-0.08 at 08/04
Euribor 3M	-0.45	-0.45 at 04/04	-0.58 at 05/01	Bund 10y	0.68	0.68 at 08/04
Euribor 12M	-0.05	-0.05 at 08/04	-0.50 at 05/01	OAT 10y	1.12	1.12 at 08/04
\$ FED	0.50	0.50 at 17/03	0.25 at 03/01	Corp. BBB	2.20	2.20 at 08/04
Libor 3M	1.01	1.01 at 08/04	0.21 at 03/01	\$ Treas. 2y	2.49	2.49 at 08/04
Libor 12M	2.27	2.27 at 08/04	0.58 at 03/01	Treas. 10y	2.72	2.72 at 08/04
€ BoE	0.75	0.75 at 17/03	0.25 at 03/01	High Yield	6.62	6.81 at 15/03
Libor 3M	1.06	1.06 at 08/04	0.26 at 03/01	£ gilt. 2y	1.53	1.55 at 15/02
Libor 12M	0.81	0.81 at 03/01	0.81 at 03/01	gilt. 10y	1.74	1.74 at 08/04

At 8-4-22

## EXCHANGE RATES

1€ =	highest 22	lowest 22	2022	
USD	1.09	1.15 at 10/02	1.09 at 08/04	-4.4%
GBP	0.84	0.85 at 30/03	0.83 at 04/03	-0.4%
CHF	1.02	1.06 at 10/02	1.00 at 04/03	-1.9%
JPY	135.27	136.24 at 29/03	125.37 at 04/03	+3.3%
AUD	1.46	1.62 at 04/02	1.43 at 05/04	-6.7%
CNY	6.92	7.29 at 10/02	6.87 at 08/03	-4.5%
BRL	5.17	6.44 at 06/01	5.07 at 04/04	-18.5%
RUB	85.09	164.76 at 07/03	84.45 at 03/01	-0.2%
INR	82.55	85.96 at 11/02	82.41 at 05/04	-2.4%

At 8-4-22

## COMMODITIES

Spot price, \$	highest 22	lowest 22	2022	2022(€)
Oil, Brent	102.7	128.2 at 08/03	79.0 at 03/01	+31.0%
Gold (ounce)	1 943	2 056 at 08/03	1 785 at 28/01	+6.6%
Metals, LME	5 156	5 506 at 07/03	4 489 at 06/01	+14.5%
Copper (ton)	10 305	10 702 at 04/03	9 543 at 06/01	+5.8%
wheat (ton)	388	4.2 at 07/03	281 at 14/01	+63.2%
Corn (ton)	295	2.9 at 08/04	226 at 03/01	+2.9%

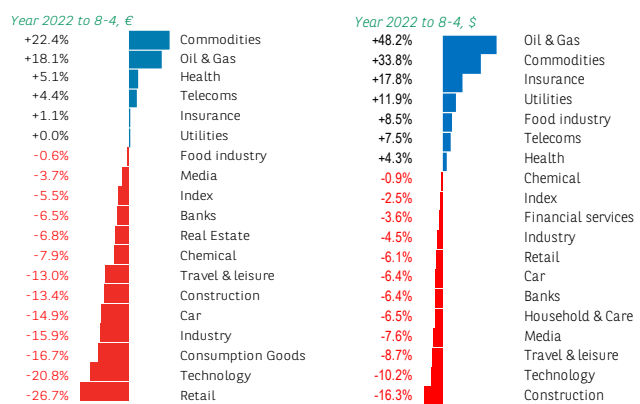
At 8-4-22

## EQUITY INDICES

Index	highest 22	lowest 22	2022	
<b>World</b>				
MSCI World	3 012	3 248 at 04/01	2 798 at 08/03	-6.8%
<b>North America</b>				
S&P500	4 488	4 797 at 03/01	4 171 at 08/03	-5.8%
<b>Europe</b>				
EuroStoxx50	3 858	4 392 at 05/01	3 505 at 08/03	-10.2%
CAC 40	6 548	7 376 at 05/01	5 963 at 08/03	-8.8%
DAX 30	14 284	16 272 at 05/01	12 832 at 08/03	-10.1%
IBEX 35	8 606	8 886 at 10/02	7 645 at 07/03	-10.1%
FTSE100	7 670	7 672 at 10/02	6 959 at 07/03	+0.4%
<b>Asia</b>				
MSCI, loc.	1 105	1 165 at 05/01	1 024 at 08/03	-0.3%
Nikkei	26 986	29 332 at 05/01	24 718 at 09/03	-6.3%
<b>Emerging</b>				
MSCI Emerging (\$)	1 128	1 267 at 12/01	1 027 at 15/03	-0.8%
China	71	86 at 20/01	59 at 15/03	-14.5%
India	846	891 at 13/01	742 at 07/03	+2.3%
Brazil	1 905	2 003 at 04/04	1 372 at 06/01	+13.2%

At 8-4-22

## PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

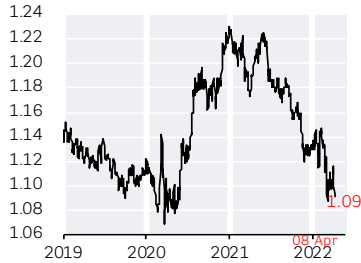


SOURCE: REFINITIV, BNP PARIBAS,

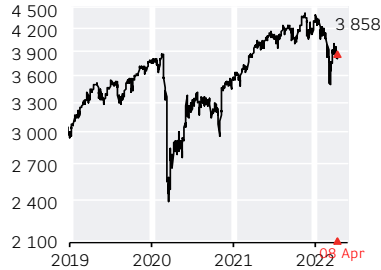


# MARKETS OVERVIEW

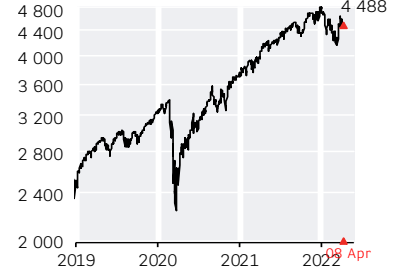
## EURO-DOLLAR



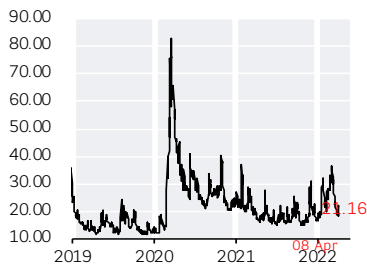
## EUROSTOXX50



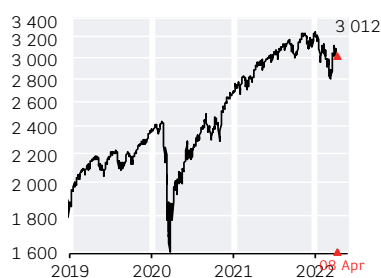
## S&P500



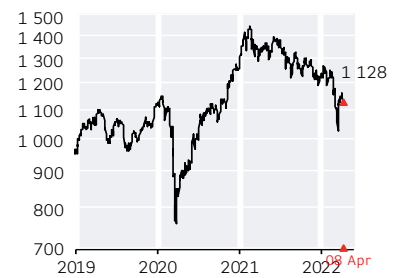
## VOLATILITY (VIX, S&P500)



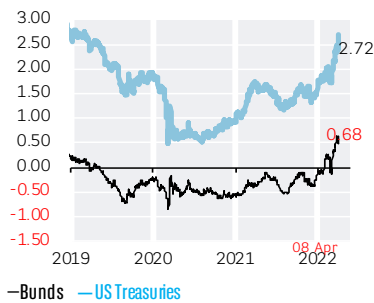
## MSCI WORLD (USD)



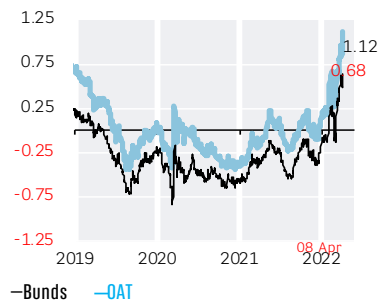
## MSCI EMERGING (USD)



## 10Y BOND YIELD, TREASURIES VS BUND



## 10Y BOND YIELD

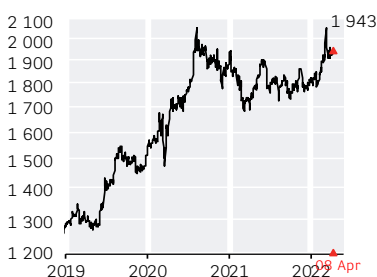


## 10Y BOND YIELD & SPREADS

Year 2022 to 8-4

2.90%	Greece	221 bp
2.31%	Italy	163 bp
1.64%	Spain	95 bp
1.64%	Portugal	95 bp
1.12%	France	43 bp
1.11%	Belgium	43 bp
1.06%	Finland	37 bp
0.98%	Austria	29 bp
0.96%	Ireland	28 bp
0.81%	Netherlands	12 bp
0.68%	Germany	

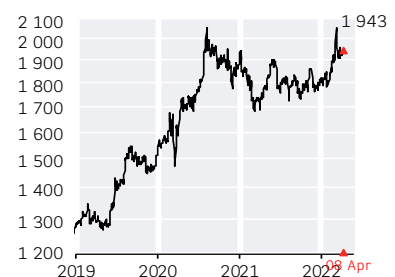
## OIL (BRENT, USD)



## METALS (LMEX, USD)



## GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS



## PMI: ANOTHER INFLATION SHOCK AND SUPPLY DISRUPTION ON THE RISE AGAIN

The global manufacturing PMI has declined slightly in March after a brief and limited rebound in February. It is at its lowest level for this year. In the US however, the upward trend continues whereas the Eurozone saw a significant decline. Within the Eurozone, Ireland was an exception and the index has rebounded to its January level. Japan, Mexico, South Africa and in particular Brazil saw an improvement in March. China and Vietnam recorded significant declines. The services PMI stands in stark contrast to what is happening in manufacturing. This shouldn't come as a surprise considering that the former is far less exposed to the direct consequences of the war in Ukraine and the ensuing jump in commodity prices. Sentiment improved further in the US and was stable in the Eurozone. It is also significantly better in Japan, although it has not yet crossed the 50 mark.

Compared to the other data for manufacturing, the employment expectations were a relief in certain countries. At the global level they ticked higher and there was noticeable improvement in the US. Yet, in the Eurozone and in certain of its members, the deterioration was significant (France, Germany, Italy, Spain). The situation was stable in Japan and improved in Brazil and Mexico. Data in China were better whereas Vietnam recorded a significant deterioration.

The war in Ukraine and supply disruption due to rising new infections have caused a considerable drop in the assessment of new export orders. The global PMI declined close to 3 points despite a surprising improvement in the US. The index plunged in the Eurozone – and even more so in France, Germany, Spain – and in China. Several other countries were also confronted with a worsening of the outlook for exports, illustrating the broad-based nature of the decline.

Global input prices' assessment in manufacturing increased significantly and is back at its November level. The situation was stable in the US but Canada, the Eurozone and all of its members for which the survey data exist saw big and sometimes huge increases. This also applies to Brazil, Mexico and several Eastern European countries. Input prices increased in China and skyrocketed in Vietnam. Global output prices in manufacturing continued to move higher in March, for the fourth month in a row. The vast majority of countries recorded higher output prices. Whilst jumping in Canada, they edged down in the US. The Eurozone and its members saw big increases. Brazil recorded a huge increase, as well as Poland and Vietnam.

Delivery times lengthened again, after improving in the two previous months at the global level. The US were again the exception but the Eurozone recorded a significant deterioration, albeit with considerable dispersion. Delivery times jumped in Germany and Spain. Outside the Eurozone, several countries saw a moderate lengthening but Eastern European countries were confronted with a significant deterioration. China, Indonesia and in particular Vietnam saw longer delivery times. In services, input price inflation accelerated in most countries with a sizeable increase in the US and prices jumping higher in the Eurozone.

William De Vijlder

### MANUFACTURING PMI

WD	Developed Markets																			Emerging countries															
	NA		Europe										Asia-Oceania				LAT AM		Eurasia				Middle East & Africa				Asia								
	CANADA	USA	EUROZONE		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-21	55.4	56.2	63.4	62.8	63.9	69.8	58.0	65.9	57.4	63.3	60.3	67.4	59.0	70.0	60.4	60.8	63.0	53.0	51.0	56.7	49.6	62.0	57.6	47.5	54.0	49.1	47.0	55.8	43.5	54.0	50.3	51.3	55.3	40.1	45.1
Aug-21	54.1	57.2	61.1	61.4	61.8	67.3	57.5	62.6	59.3	62.8	60.9	65.8	59.5	67.0	60.3	51.6	40.0	52.7	50.9	53.6	47.1	61.0	56.0	46.5	54.1	49.8	46.6	54.1	56.2	53.8	49.2	53.3	52.3	43.7	40.2
Sep-21	54.1	57.0	60.7	58.6	62.8	65.2	55.0	58.4	58.4	60.3	59.7	62.0	58.1	67.6	57.1	51.2	51.8	51.5	50.8	54.4	48.6	58.0	53.4	49.8	52.5	48.9	46.9	58.6	54.7	53.3	50.0	51.7	53.7	52.2	40.2
Oct-21	54.2	57.7	58.4	58.3	60.6	71.3	53.6	57.8	58.9	62.1	61.1	62.5	57.4	65.7	57.8	50.4	54.7	53.2	50.8	51.7	49.3	55.1	53.8	51.6	51.2	48.7	46.6	57.7	53.6	55.7	50.6	50.8	55.9	57.2	52.1
Nov-21	54.2	57.2	58.3	58.4	58.1	67.3	55.9	57.4	58.8	59.9	62.8	60.7	57.1	63.8	58.1	54.8	51.4	54.5	50.6	49.8	49.4	57.1	54.4	51.7	52.0	48.7	46.1	56.9	57.2	55.9	49.9	52.6	57.6	53.9	52.2
Dec-21	54.3	56.5	57.7	58.0	58.7	63.4	55.6	57.4	59.0	58.3	62.0	58.7	56.2	64.2	57.9		53.9	54.3	50.7	49.8	49.4	59.1	56.1	51.6	52.1	49.0	46.7	53.9	54.1	55.6	50.9	50.8	55.5	53.5	52.5
Jan-22	53.2	56.2	55.5	58.7	61.5	59.6	55.5	59.8	57.9	59.4	58.3	60.1	56.2	63.8	57.3	48.4	52.3	55.4	50.6	47.8	46.1	59.0	54.5	51.8	50.5	47.9	47.1	53.2	57.1	54.1	49.1	48.9	54.0	53.7	53.7
Feb-22	53.7	56.6	57.3	58.2	58.4	50.8	57.2	58.4	57.8	57.8	58.3	60.6	56.9	62.6	58.0	53.2	53.6	52.7	50.2	49.6	48.0	56.5	54.7	48.6	50.4	48.1	47.5	56.2	58.6	54.8	50.4	42.9	54.9	51.2	54.3
Mar-22	53.0	58.9	58.8	56.5	59.3	62.1	54.7	56.9	54.6	59.4	55.8	58.4	54.2	64.0	55.2	55.7	54.1	50.1	52.3	49.2	54.7	52.7	44.1	49.4	46.5	47.4	56.8	60.0	54.8	48.1	42.0	54.0	51.3	51.7	

### SERVICES PMI

WD	World	USA	EUROZONE	FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	LEBANON	CHINA	HONG KONG	INDIA
Jul-21	56.3	59.9	59.8	56.8	61.8	66.6	58.0	61.9	59.6	51.8	47.4	54.4	53.5	47.0	54.9	51.3	45.4
Aug-21	52.8	55.1	59.0	56.3	60.8	63.7	58.0	60.1	55.0	45.6	42.9	55.1	49.3	46.6	46.7	53.3	56.7
Sep-21	53.8	54.9	56.4	56.2	56.2	63.7	55.5	56.9	55.4	45.7	47.8	54.6	50.5	46.9	53.4	51.7	55.2
Oct-21	55.6	58.7	54.6	56.6	52.4	63.4	52.4	56.6	59.1	47.6	50.7	54.9	48.8	46.6	53.8	50.8	58.4
Nov-21	55.6	58.0	55.9	57.4	52.7	59.3	55.9	59.8	58.5	49.6	53.0	53.6	47.1	46.1	52.1	52.6	58.1
Dec-21	54.7	57.6	53.1	57.0	48.7	55.4	53.0	55.8	53.6		52.1	53.6	49.5	46.7	53.1	50.8	55.5
Jan-22	51.0	51.2	51.1	53.1	52.2	56.2	48.5	46.6	54.1	56.2	47.6	52.8	49.8	47.1	51.4	48.9	51.5
Feb-22	54.0	56.5	55.5	55.5	55.8	61.8	52.8	56.6	60.5	60.0	44.2	54.7	52.1	47.5	50.2	42.9	51.8
Mar-22	53.4	58.0	55.6	57.4	56.1	63.4	52.1	53.4	62.6	56.2	49.4	58.1	38.1	47.4	42.0	42.0	53.6



SOURCE: S&P GLOBAL, BNP PARIBAS



MANUFACTURING PMI – EMPLOYMENT

Month	Developed Markets																				Emerging countries											
	World	NA		Europe										Asia-Oceania		LATAM		Eurasia		Middle East & Africa		Asia										
		CANADA	USA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	INDIA	INDONESIA	VIETNAM
Jul-21	52.7	53.5	55.1	58.5	61.3	62.0	53.1	61.7	54.5	57.7	56.7	60.1	55.4	60.4	58.8	55.3	58.0	51.2	54.4	49.6	56.7	54.0	47.2	52.3	50.3	50.2	49.1	50.7	50.1	50.6	43.1	43.9
Aug-21	52.0	53.2	52.8	57.3	62.6	57.6	54.0	58.2	54.7	58.0	55.9	61.6	55.7	61.8	57.8	52.8	53.8	51.7	53.5	47.8	55.4	51.1	47.0	54.8	50.2	50.3	48.5	51.6	49.8	49.9	45.5	41.1
Sep-21	51.4	52.8	53.1	55.4	62.2	57.9	50.1	56.5	54.4	55.6	56.3	57.1	53.4	61.5	51.5	54.5	53.9	52.1	54.8	46.9	56.2	50.3	48.5	53.6	50.3	50.5	47.2	50.6	48.9	49.4	45.8	37.8
Oct-21	51.8	53.2	52.7	55.4	63.1	57.4	51.2	55.7	56.0	55.7	56.4	59.5	52.2	60.6	54.5	53.4	51.9	52.6	54.1	47.3	52.4	50.5	50.4	52.9	50.5	50.3	47.0	50.8	49.7	49.5	50.1	42.7
Nov-21	51.4	53.0	52.0	54.9	62.0	57.1	53.1	53.8	56.4	55.0	58.3	57.2	51.8	60.2	56.1	52.9	48.6	52.7	51.0	47.0	53.6	49.6	51.9	52.7	48.5	50.9	50.6	50.1	48.9	50.2	50.3	45.6
Dec-21	51.7	52.9	52.8	55.3	59.8	63.3	52.6	56.0	57.0	54.3	57.3	55.7	51.6	60.9	55.7	53.0	52.2	53.1	50.6	46.6	57.9	52.5	51.0	53.7	49.5	50.3	42.4	50.6	48.7	49.3	50.0	50.7
Jan-22	51.0	53.2	50.3	57.1	61.1	57.7	54.0	58.9	58.1	54.9	57.3	57.7	52.7	62.4	59.0	52.1	49.6	53.3	48.2	40.8	56.6	53.5	52.6	51.6	49.1	50.1	49.2	50.4	47.9	48.4	50.2	51.7
Feb-22	51.6	54.6	52.2	57.1	62.1	55.4	55.8	58.0	56.5	53.7	57.1	59.3	54.2	63.1	57.9	54.6	51.7	52.8	49.8	46.2	53.3	53.2	47.5	53.0	49.2	50.3	50.7	50.1	48.5	49.8	50.6	51.2
Mar-22	52.0	53.2	54.0	54.2	60.2	63.0	51.8	54.4	55.0	56.6	53.2	57.5	51.4	62.4	56.7	53.7		52.6	51.2	49.2	52.8	51.0	44.7	50.7	48.8	49.7	48.5	50.6	50.4	50.1	50.8	48.3



MANUFACTURING PMI – NEW EXPORT ORDERS

Month	Developed Markets																				Emerging countries													
	World	NA		Europe										Asia-Oceania		LATAM		Eurasia		Middle East & Africa		Asia												
		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
Jul-21	52.7	52.9	54.8	60.4	57.5	54.4	63.0	52.8	61.5	59.2	67.1	58.7	53.9	53.6	52.3	51.4	50.2	47.0	56.3	52.9	43.0	56.3	52.6	44.2	50.3	54.1	47.1	49.4	50.3	47.4	54.8	26.6	44.8	
Aug-21	51.0	54.3	52.8	59.1	55.3	53.9	61.0	56.4	59.3	60.3	64.7	55.1	54.5	45.1	49.3	51.3	49.7	46.5	57.3	53.3	40.2	56.1	50.4	48.7	48.2	52.3	49.8	49.2	48.0	49.5	50.6	34.6	37.2	
Sep-21	51.0	53.8	54.9	55.8	57.8	50.5	56.3	56.7	55.1	58.6	59.6	54.7	49.7	51.9	50.5	51.2	48.9	45.2	54.4	49.1	45.2	54.9	46.3	52.2	48.1	52.8	49.0	52.6	47.7	49.1	51.5	44.5	27.4	
Oct-21	50.6	55.6	50.4	55.4	54.3	50.3	56.2	56.2	51.7	60.9	57.0	52.3	49.5	46.1	50.3	51.0	48.1	45.0	49.8	49.2	44.4	53.9	44.4	48.9	48.3	54.8	44.9	51.2	48.1	48.9	52.7	49.6	51.5	
Nov-21	51.3	53.7	51.0	54.9	51.3	52.2	54.2	56.0	51.6	60.7	56.1	54.1	49.0	54.6	52.8	50.9	50.5	44.5	52.1	48.5	50.1	51.6	50.7	44.5	45.7	56.2	48.5	51.6	49.9	47.9	51.7	48.6	51.9	
Dec-21	51.3	53.9	51.0	54.1	52.9	52.7	53.0	54.9	51.5	60.0	55.0	52.1	49.2		51.1	51.0	53.3	49.5	54.4	50.8	49.1	51.7	54.9	46.3	47.2	51.7	45.8	50.6	49.9	50.3	51.3	53.1	54.0	
Jan-22	49.7	52.7	49.8	54.2	59.4	52.6	54.0	53.5	54.3	54.4	57.6	53.3	50.4	45.1	52.1	51.0	46.5	45.9	53.3	51.4	51.9	49.0	51.2	38.9	48.5	49.1	48.0	50.5	46.5	45.3	51.1	54.2	56.2	
Feb-22	51.0	48.5	53.4	55.0	55.7	52.4	56.4	52.8	54.2	54.1	58.6	53.3	49.1	42.6	50.6	50.6	50.7	46.6	52.0	53.3	47.5	51.2	48.3	44.0	48.6	48.9	48.6	51.6	48.3	37.5	51.6	52.9	55.7	
Mar-22	48.2	51.9	54.9	49.7	55.5	45.8	49.1	49.1	53.4	51.5	53.7	46.4	49.4	58.3	46.5	50.7	49.0	46.9	46.5	43.0	31.1	50.4	46.4		48.3	52.0	48.9	51.4	44.5	38.9	48.4	52.3	53.1	



PMI - MANUFACTURING INPUT PRICES

Month	Developed Markets																				Emerging countries												
	World	NA		Europe										Asia-Oceania		LATAM		Eurasia		Middle East & Africa		Asia											
		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
Jul-21	71.2	72.0	86.7	89.2	93.0	75.0	84.1	93.7	81.7	79.5	88.6	96.7	79.6	87.5	84.6	66.7	51.3	81.0	62.6	96.7	84.9	71.8	77.1	53.9	51.5	52.3	55.6	55.4	56.7	65.5	66.6		
Aug-21	70.3	77.2	87.5	87.0	88.1	83.9	80.3	93.0	78.8	74.6	84.1	93.5	80.7	86.4	81.3	64.5	51.4	79.1	59.4	89.1	79.4	65.8	70.0	57.9	51.4	52.0	56.2	55.3	56.3	66.2	65.7		
Sep-21	71.2	77.4	87.0	86.9	90.2	79.2	85.5	90.3	89.6	82.9	82.3	87.8	82.7	84.4	78.1	68.0	51.7	78.1	55.3	86.5	78.1	65.0	70.2	59.3	52.5	51.4	58.6	57.3	57.5	65.7	66.0		
Oct-21	74.4	77.3	86.9	89.5	91.5	71.0	88.4	91.3	92.3	87.8	86.6	91.2	87.7	87.4	81.8	70.4	51.8	77.6	62.9	88.5	80.8	63.7	74.8	64.5	52.6	51.1	65.1	56.7	60.3	69.5	67.5		
Nov-21	71.5	74.5	87.6	88.9	89.5	83.8	84.6	91.0	94.5	84.5	88.0	90.4	89.0	89.7	78.3	72.3	51.7	81.4	62.4	90.7	82.3	66.6	87.3	63.7	52.4	50.9	52.3	56.5	60.1	71.0	70.4		
Dec-21	69.7	71.7	83.1	86.7	85.1	79.8	81.0	88.9	86.6	83.1	87.8	88.6	85.9	86.0		71.9	51.4	77.5	67.8	85.0	81.9	66.7	92.1	59.3	53.0	52.3	50.8	57.0	58.8	71.4	59.4		
Jan-22	68.3	69.4	80.1	83.5	83.9	80.4	81.3	86.7	87.9	79.0	81.3	81.1	80.8	82.9	82.3	72.0	51.6	73.2	67.4	87.3	82.5	70.2	82.4	59.5	52.0	52.6	52.6	56.8	58.4	69.1	60.2		
Feb-22	68.5	70.1	79.3	82.1	81.3	76.0	80.6	83.9	85.8	83.6	79.9	80.0	79.2	82.4	75.6	74.0	51.7	68.1	65.5	81.3	77.8	72.2	78.8	54.5	51.5	52.2	54.6	56.4	57.3	67.6	60.3		
Mar-22	71.5	78.6	79.5	87.0	89.2	77.7	84.6	87.2	87.3	92.7	85.1	87.7	86.8	85.3	82.4	75.2	51.9	75.0	69.8	90.1	83.1	90.0	78.5	58.6	54.4	53.5	57.8	57.6	57.5	67.9	71.1		



SOURCE: S&P GLOBAL, BNP PARIBAS



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PMI - MANUFACTURING OUTPUT PRICES

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
Jul-21	60.3	65.2	72.8	71.9	73.2	69.1	66.8	75.1	64.9	68.9	72.6	77.1	63.9	73.1					69.5	50.0	72.6	72.6	61.1	64.7	50.7	55.1	51.9		50.4		52.1	51.7	53.2	53.6
Aug-21	60.1	65.1	73.2	68.6	69.0	60.2	61.6	72.6	61.0	66.0	68.1	72.4	62.7	71.6			54.4		69.3	49.5	72.6	72.0	62.3	61.1	54.4	52.0	53.1		49.6		54.8	52.3	53.5	53.9
Sep-21	60.9	67.7	73.9	70.4	73.0	57.1	66.7	73.3	67.7	69.3	68.4	74.9	64.8	71.9			54.9		66.3	48.6	70.6	71.4	57.2	61.6	52.2	50.9	51.1		48.7		53.7	52.0	54.3	51.3
Oct-21	63.7	67.1	76.4	72.6	73.3	78.3	66.1	75.6	77.2	70.2	71.5	78.4	68.8	74.2			56.6		67.2	51.0	71.8	75.2	58.5	67.2	54.6	51.3	53.7		49.0		53.1	52.3	54.0	54.7
Nov-21	61.3	65.8	73.6	73.7	71.1	63.9	68.2	76.3	76.5	71.7	73.4	79.5	70.7	74.0			56.1		66.2	48.8	72.3	71.4	58.4	78.3	54.3	51.9	52.6		48.5		52.6	52.1	54.0	59.3
Dec-21	59.8	63.7	70.5	70.2	70.4	60.1	62.7	70.9	72.8	69.9	73.2	76.6	69.6	74.3			55.9		65.9	52.6	70.9	72.2	59.8	79.9	53.5	53.4	52.6		49.0		54.8	51.0	53.7	55.3
Jan-22	60.9	62.3	68.9	72.7	68.0	60.2	71.7	74.7	74.9	66.3	73.5	73.5	71.1	70.9			59.1		62.1	52.9	78.1	73.7	60.4	71.7	51.7	53.7	52.1		49.2		53.0	51.7	53.8	52.5
Feb-22	61.3	62.4	70.9	71.8	67.5	61.5	68.0	74.3	73.6	70.3	70.0	73.6	71.4	69.9			58.2		60.7	52.8	70.3	68.8	62.8	66.3	51.2	51.7	50.1		49.5		49.8	51.0	53.5	54.3
Mar-22	62.3	70.8	69.7	74.2	72.5	66.9	71.3	75.6	77.8	72.8	73.5	80.0	71.4	71.3			58.8		68.5	53.1	73.3	78.5	77.8	68.7	51.5	52.5	53.8		49.8		51.5	52.2	56.5	58.2

PMI - MANUFACTURING DELIVERY TIMES

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	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM
Jul-21	36.0	32.9	16.5	20.0	15.3	20.7	20.4	15.9	32.7	26.5	24.4	16.0	28.8	21.2	59.6	54.4	40.8	50.1	42.9	42.2	17.9	29.5	46.1	41.8	50.4	50.7	71.3	47.6	47.5	49.0	48.7	38.0	34.2
Aug-21	36.2	28.6	16.8	22.8	20.3	11.1	22.5	19.1	31.3	24.4	28.8	16.1	32.0	17.4	41.3	32.8	39.5	50.0	42.8	41.0	21.9	32.3	46.9	42.5	52.0	48.6	70.1	50.7	46.6	46.6	48.5	45.1	30.5
Sep-21	36.5	25.4	16.6	22.5	18.1	7.9	19.7	22.3	28.7	26.4	24.7	15.3	27.2	19.3	49.2	47.6	38.3	50.1	44.4	41.1	22.9	32.1	46.9	45.5	52.8	51.0	73.7	49.8	48.3	49.3	48.5	46.4	28.7
Oct-21	34.8	23.1	16.8	19.4	16.9	9.9	17.7	17.8	24.1	18.0	24.1	15.8	24.3	18.3	41.2	60.1	37.0	50.3	42.4	39.7	21.6	32.9	43.3	42.6	50.8	51.8	72.6	50.8	45.1	48.4	48.6	46.3	39.3
Nov-21	36.4	24.4	18.9	21.7	19.3	5.7	19.8	21.3	24.5	25.9	24.5	18.5	21.8	21.4	53.4	44.4	37.7	50.5	41.3	38.6	22.8	33.4	45.3	36.1	49.1	52.4	70.4	51.5	48.4	48.5	49.1	49.3	43.0
Dec-21	37.8	28.7	24.4	25.3	24.5	14.9	24.7	25.9	24.9	31.1	24.0	22.0	25.3	23.8		51.5	37.1	50.4	42.2	34.7	25.6	35.2	44.1	33.8	49.5	52.3	69.6	51.8	48.7	49.8	47.9	48.6	46.2
Jan-22	38.0	27.8	23.2	26.6	24.6	28.2	24.2	27.1	26.4	27.4	23.4	30.0	30.4	37.8	54.0	37.8	50.1	40.7	38.8	31.1	34.9	45.3	41.7	49.7	50.0	65.5	52.4	47.5	46.6	48.5	50.1	45.2	
Feb-22	39.4	26.8	25.0	31.0	29.2	37.8	25.2	34.0	25.3	30.8	31.5	25.1	31.5	31.7	49.0	53.5	38.1	50.5	45.0	43.3	32.0	38.3	44.1	42.1	49.4	53.1	65.8	52.7	48.1	44.2	48.8	50.7	44.8
Mar-22	38.6	24.8	28.5	25.9	20.2	32.4	24.7	24.9	24.3	32.8	29.9	24.5	22.4	33.4	45.7		37.5	50.3	44.1	41.1	25.8	32.2	30.5	41.2	48.3	54.1	67.3	52.7	47.1	37.6	49.5	48.2	41.3

PMI: SERVICES - INPUT PRICES

WD	World	USA	EURO ZONE	FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	CHINA	INDIA
May-21	65.3	77.1	59.6	54.8	63.0	65.3	58.2	61.3	67.3	68.1	52.9	66.5	68.3	56.6	56.7
Jun-21	64.1	74.2	63.2	56.0	70.0	66.5	60.0	64.4	71.8	65.4	52.5	67.5	62.4	50.9	56.5
Jul-21	64.1	72.3	63.1	58.0	67.7	68.5	61.3	63.2	74.2	74.1	53.8	64.2	61.8	54.8	56.7
Aug-21	63.8	72.5	63.3	58.5	68.7	70.3	59.9	62.5	72.3	71.5	53.7	68.5	61.2	52.1	57.1
Sep-21	65.2	74.1	65.2	63.9	67.9	70.8	60.9	65.2	73.5	64.5	54.0	73.2	63.1	53.0	55.7
Oct-21	65.4	71.7	67.5	66.5	70.0	73.1	62.7	68.3	78.7	73.6	54.7	72.6	64.7	53.6	57.5
Nov-21	68.5	75.7	71.4	67.5	73.9	72.6	69.5	75.4	82.0	65.3	57.7	74.4	64.9	55.6	57.6
Dec-21	68.1	77.4	69.6	67.2	70.4	71.5	68.7	73.0	77.0		58.2	65.9	65.8	54.3	57.0
Jan-22	66.3	71.9	70.9	69.6	72.0	70.1	69.9	72.1	79.7	66.1	57.1	69.3	65.6	54.5	58.1
Feb-22	67.4	74.8	72.2	67.9	73.7	74.2	73.1	75.2	81.5		57.8		64.9	52.5	

SOURCE: S&P GLOBAL, BNP PARIBAS



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# ECONOMIC PULSE

## SPAIN: HOUSEHOLD CONFIDENCE PLUNGES, BUT EMPLOYMENT HOLDS UP

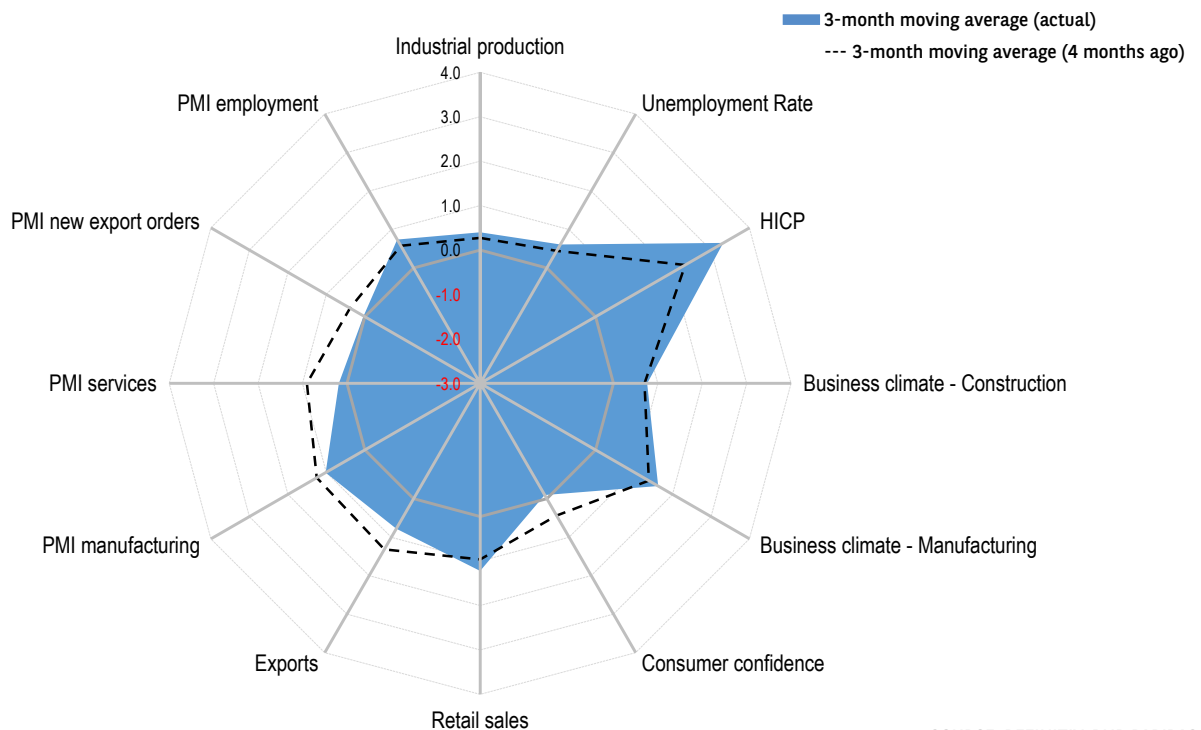
Rising inflation has eroded household confidence in Spain, which in March reported the sharpest drop since the European Commission’s statistical series began in July 1986. So far, business confidence is holding up better according to PMI and European Commission surveys. Yet there are clear signs of an economic slowdown to come: the new orders component of the PMI index has declined due to a sharp deterioration in external demand. Another notable change is the extension of goods delivery times in the manufacturing sector (the PMI index was down 9.1 points to 22.4). It is now at approximately the same level as in November 2021, the worst month on record for the current statistical series.

Spain is facing an intense energy shock that drove consumer price inflation to 9.8% y/y in March. Inflation is bound to accelerate further this spring as companies pass on higher production costs to consumer prices: producer price inflation intensified in February (+40.7% y/y), even before the war in Ukraine exacerbated the rise in commodity prices. To counter these shocks, the government announced new household and corporate support measures at the end of March for a total of EUR 16 bn. This includes a fuel price subsidy (EUR 0.20 per litre), direct financial aid for transport companies, and a new programme of state-backed loans.

Despite the inflationary backdrop, the recovery in the labour market continues, with 24,000 new jobs created in March, the 11<sup>th</sup> consecutive monthly increase. March’s gains were nonetheless the smallest during this period, suggesting a possible decline in hiring this spring, which would be fairly consistent with the deterioration in opinion surveys. Yet Spain should also benefit from stronger tourism activity this year, boosting job creations in the areas directly or indirectly linked to the sector. Moreover, the composition of employment has changed favourably in recent months with a net increase in open-ended contracts. Companies seem to have anticipated the new hiring regulations implemented by the labour laws that took effect on 1 April, which tighten the conditions for resorting to precarious job contracts.

**Guillaume Derrien**

### SPAIN: QUARTERLY CHANGES



SOURCE: REFINITIV, BNP PARIBAS

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 -3 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: NEW CASES DECLINE WORLDWIDE FOR SECOND CONSECUTIVE WEEK

The Covid-19 pandemic slowed worldwide for the second consecutive week, with a significant 14% decline in the number of new cases reported between 31 March and 6 April compared to the previous week. New fact to notice: this improvement benefitted all regions (chart 1): South America and Africa (-27%), Asia (-20%), Europe (-11%) and North America (-5%). Meanwhile, vaccination campaigns continue to progress. To date, 11.4 billion doses of the vaccine have been administered worldwide, bringing to 65% the share of the global population that has received at least one dose of the Covid-19 vaccine.

Retail and leisure footfall remains on an upward trend in Japan, and to a lesser extent, in Germany, and continues to decline in Spain, despite a slight upturn reported recently. In the other countries in our selection (France, Belgium, Italy, the United States and the UK), this indicator continues to level off (chart 3, blue line).

Lastly, the OECD Weekly Tracker of GDP growth continues to rise in the United States, Japan and Italy. In France, Germany, Belgium, Spain and the UK, the slight decline reported recently still fits within the upward trend of the past several months (chart 3, black line). The OECD Tracker is based on Google Trends resulting from queries on consumption, the labour market, housing, industrial activity as well as uncertainty. The OECD calculates the tracker over a 2-year period (y/2y) to avoid the base effect of a comparison with 2020 data.

**Tarik Rharrab**

\* 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.

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

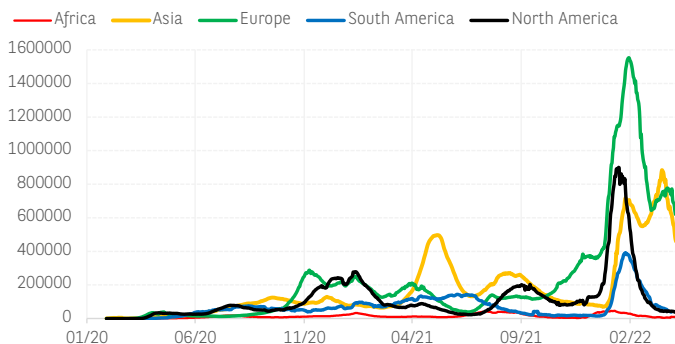


CHART 1

SOURCE: JOHNS-HOPKINS UNIVERSITY (07/04/2022), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

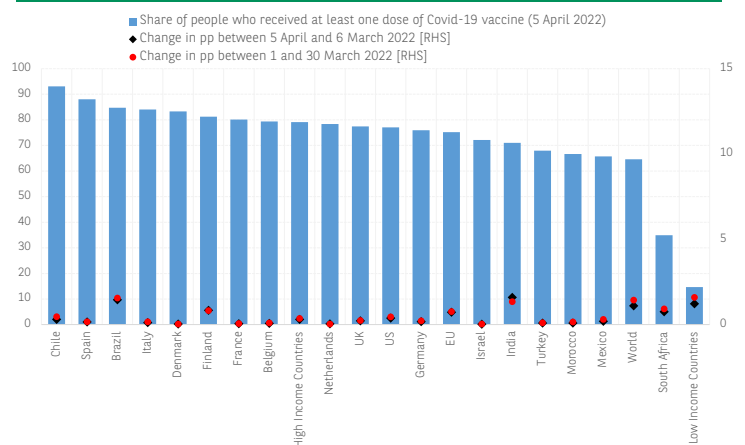


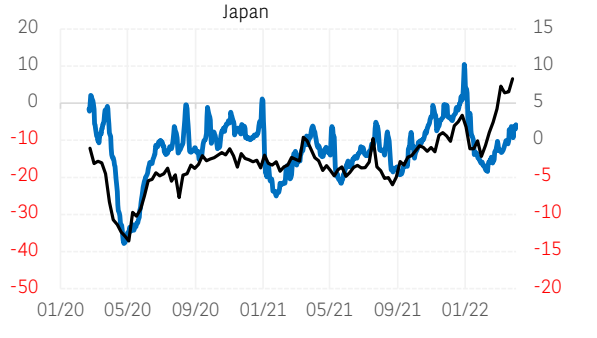
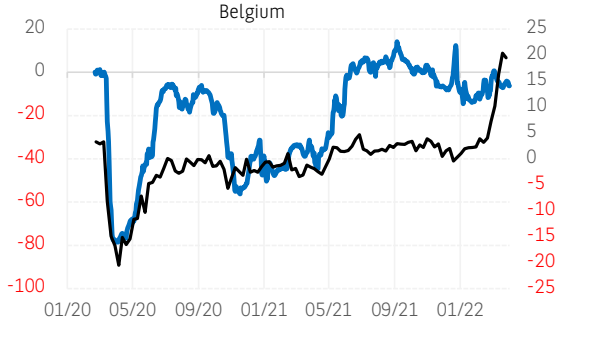
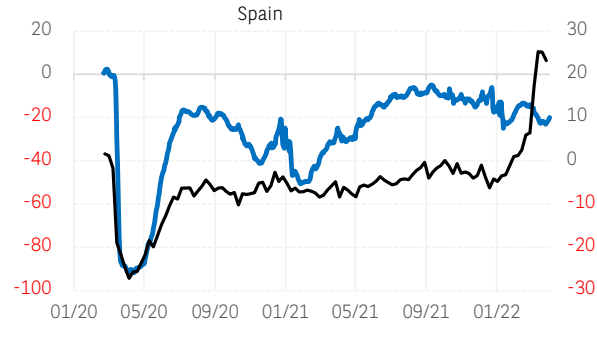
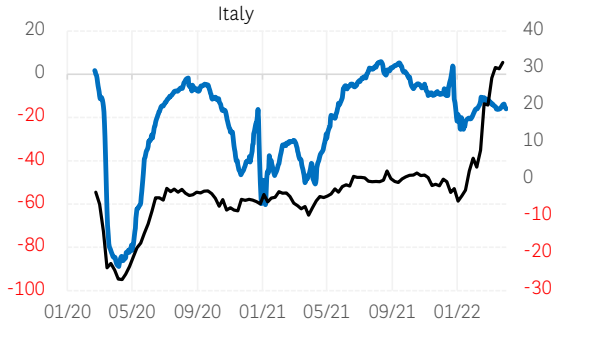
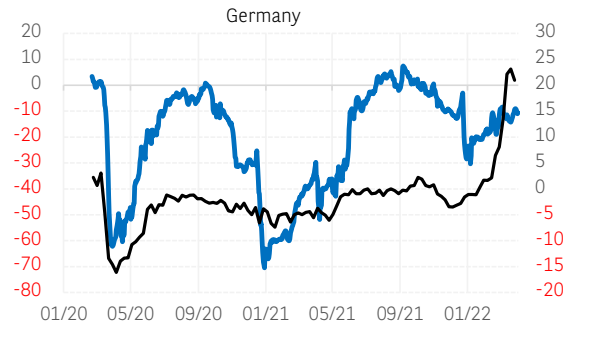
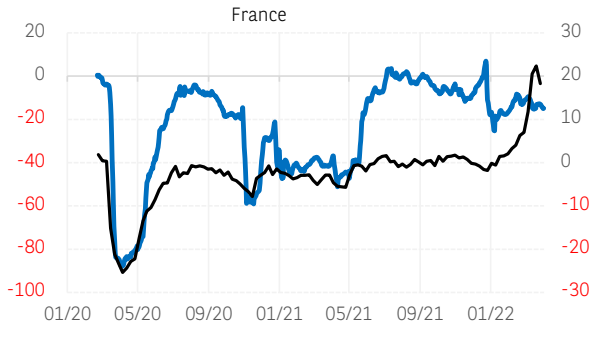
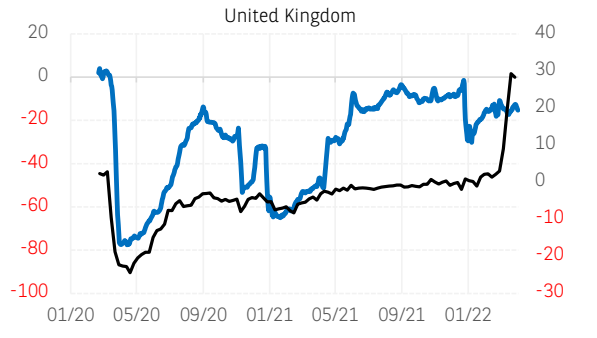
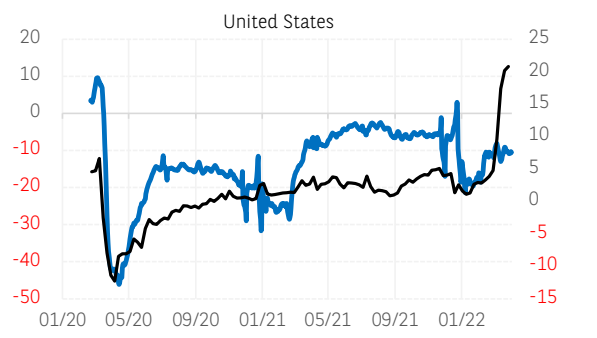
CHART 2

SOURCE: OUR WORLD IN DATA (04/07/2022), BNP PARIBAS



RETAIL AND RECREATION MOBILITY & OECD WEEKLY TRACKER

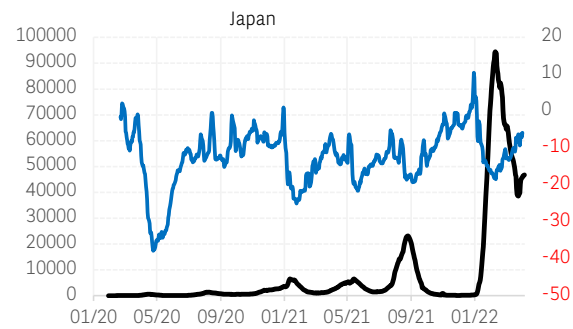
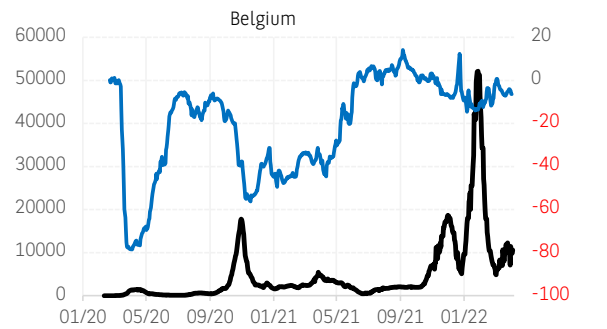
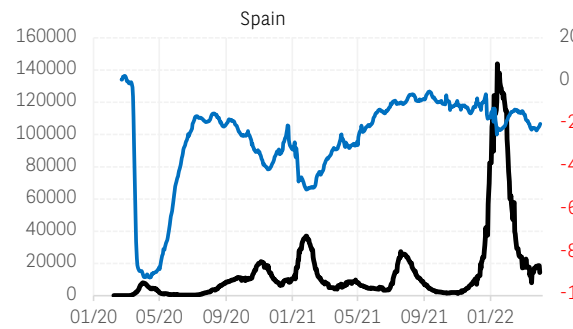
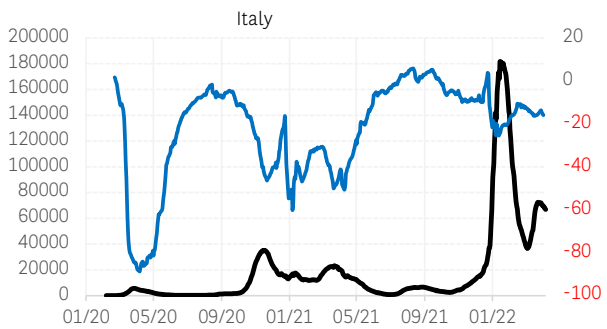
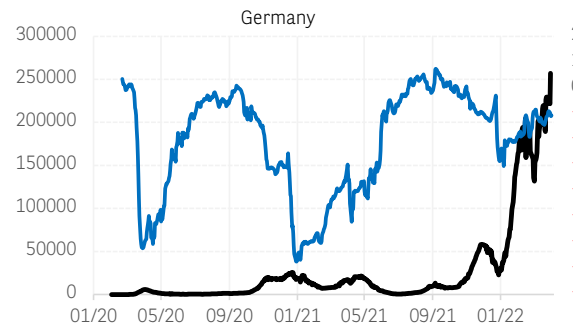
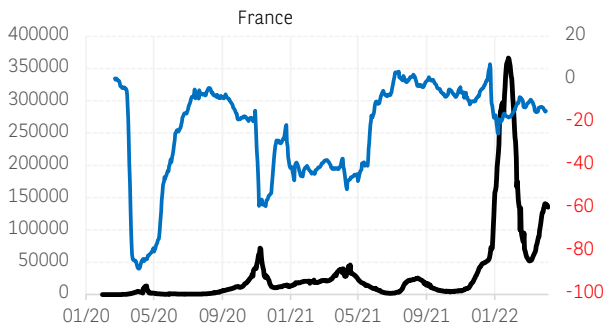
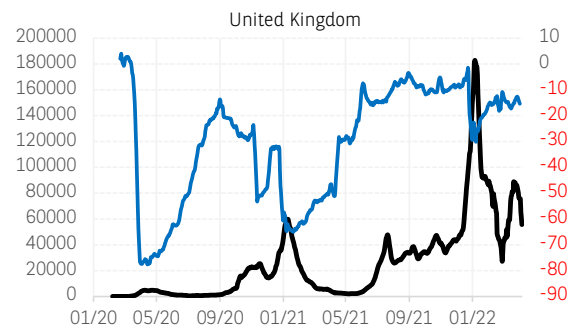
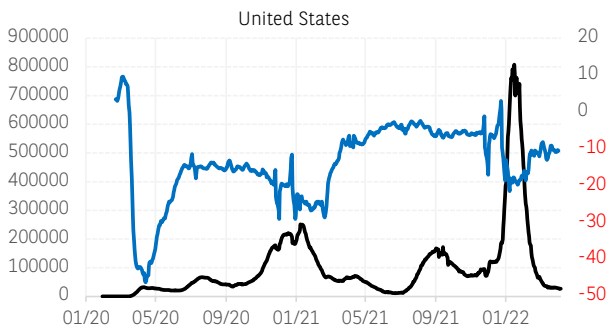
— Retail and recreation mobility (7-day moving average, % from baseline\*) — OECD Weekly tracker, y/2y GDP growth [RHS]



SOURCE: OECD (07/04/2022), GOOGLE (07/04/2022), BNP PARIBAS

DAILY NEW CASES & RETAIL AND RECREATION MOBILITY

— Daily new confirmed cases of Covid-19 (7-day moving average)  
 — Retail and recreation mobility (7-day moving average, % from baseline\*)[RHS]



SOURCE: JOHNS HOPKINS UNIVERSITY (07/04/2022), GOOGLE (07/04/2022), BNP PARIBAS



# ECONOMIC SCENARIO

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## UNITED STATES

The US economy has returned to its pre-pandemic trajectory, and with the unemployment rate at 4%, it is now close to potential. Inflation has risen above 7%, the highest level in forty years, and the Federal Reserve is expected to raise its key rates by at least 100 basis points in 2022. Buoyed by job creations, household consumption is however penalised by the decline in real wages. The downward revision of the government's fiscal ambitions, notably its social welfare plans, may also contribute to calm down private demand. GDP growth will slowdown at around 4%, inflation is expected to remain very high through the end of spring, before easing by the second half of 2022.

## CHINA

Economic growth has slowed markedly since last summer. The crisis in the real estate and construction sectors, the authorities' zero-Covid strategy and the persisting weakness of household consumption have heavily weighed on activity. These factors are likely to persist in the short term, even though the government increases fiscal policy support and the central bank enhances monetary easing measures. At the same time, the authorities are expected to continue to act to clean up the property market and tighten the regulatory framework. The export industry, which has remained buoyant in recent months, could start to lose growth momentum in the short term.

## EUROZONE

After a strong Q3, growth in Q4 2021 was, as expected, significantly weaker (+0.3% i/t according to the first Eurostat estimate). In addition to the expected normalization, headwinds have increased (supply-side problems, surging inflation and uncertainties arising from the new wave of the pandemic). However, business climate surveys continue to show some resilience. Although the downside risks have intensified, leading, mid-February, to a 0.6 ppts downward revision to our growth forecast for 2022 (to 3.6%), we continue to see the recovery as resilient. A number of tailwinds remain at work – still supportive (albeit less so) policy mix, a build-up of forced savings, scope for the service sector to catch-up, the need for companies to invest and rebuild inventories. Despite a more meaningful slowdown, growth is expected to remain well above its trend rate in 2022. Meanwhile, inflation continues to surge, postponing the expected peak. This is still mainly an energy story but more sustained and widespread factors are also gaining traction. We expect average inflation to spike at 5% in 2022 in annual average terms (after 2.6% in 2021), masking an expected decline over the course of the year.

## FRANCE

What is happening at the aggregate eurozone level is representative of what is happening in France, and vice-versa. Although the figures are different, our analysis and view of the economic outlook are identical. In Germany, the headwinds are stronger, while France is less exposed. French growth surprised on the upside in Q4 2021 (0.7% q/q according to INSEE's initial estimate) and reached 7% in 2021 as a whole. In 2022, GDP growth would ease to 3.2%, against a background of higher inflation (4.7% expected in 2022 after 1.6% in 2021).

## RATES AND EXCHANGE RATES

In the US, the Federal Reserve has started its tightening cycle and, based on the projections of the FOMC members, several rate hikes should follow this year and next. Over the next 15 months, we expect 275 bp of rate hikes. In addition, the reduction of the size of the balance sheet (quantitative tightening) will probably start in May. The Fed's hawkish stance is motivated by particularly elevated inflation, a strong economy and very low policy rates. These policy changes should only put limited upward pressure on long-term Treasury yields considering that the market has anticipated to a large degree the policy tightening. In addition, as the rate hike cycle continues, bond investors will start to price the prospect of slower growth and the decline of inflation. In the euro area, the jump in uncertainty and commodity prices are weighing on the sentiment of companies and households. Despite exceptionally high inflation, the ECB insists on the need to keep its optionality, which reflects a preference to have better visibility about the inflation outlook before deciding to change policy. We expect a

first hike of the deposit rate in December. Further rate hikes should follow in 2023 bringing the deposit rate to 0.50%. This should push bond yields higher but also lead to a widening of certain sovereign spreads.

The Bank of Japan is expected to maintain its current policy stance in the near term but raise its short-term policy rate from -0.10% to the 0-0.10% range in the latter part of 2023, whilst allowing the 10-year JGB yield to drift higher. These decisions would be based on an increased emphasis on the side effects of the negative interest rate policy and concern about the risk of further yen weakening and its impact on households via higher import prices.

We expect the dollar to weaken versus the euro, considering that both the Federal Reserve and the ECB will tighten policy, that the long-term interest rate differential should narrow and that the euro is undervalued versus the dollar. The increased policy divergence between the Fed and the Bank of Japan should cause an appreciation of the dollar versus the yen but in the latter part of 2023, we expect the yen to appreciate following the change in monetary policy of the Bank of Japan.

### GDP GROWTH

%	GDP Growth		
	2021	2022 e	2023 e
United-States	5.7	3.7	2.5
Japan	1.7	1.6	2.0
United-Kingdom	7.5	3.6	1.7
Euro Area	5.3	2.8	2.7
Germany	2.9	2.1	3.4
France	7.0	3.2	2.5
Italy	6.6	2.8	2.2
Spain	5.0	4.8	2.7
China	7.7	4.9	5.5
India*	8.1	9.5	7.3
Brazil	5.0	-0.5	0.0
Russia	4.5	-8.5	3.1

The growth projections in the table are based on the assumption that there is no further escalation of the war in Ukraine, that there is a prolonged period of uncertainty with sanctions remaining in place and that the price of oil would peak at USD 150/bbl and drop to about USD 120/bbl by year end.

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)  
\*FISCAL YEAR FROM 1<sup>ST</sup> APRIL OF YEAR N TO MARCH 31<sup>ST</sup> OF YEAR N+1  
\*\* LAST UPDATE 13/03/2022

### INTEREST & EXCHANGE RATES

#### Interest rates, %

End of period		Q1 2022	Q2 2022 e	Q3 2022 e	Q4 2022 e	Q4 2023 e
US	Fed Funds (upper limit)	0.50	1.00	1.50	1.75	2.50
	T-Note 10y	2.33	2.50	2.60	2.70	2.60
Ezone	Deposit rate	-0.50	-0.50	-0.50	-0.25	0.50
	Bund 10y	0.51	0.75	0.90	1.00	1.20
	OAT 10y	0.84	1.20	1.40	1.50	1.70
	BTP 10y	1.97	2.45	2.75	3.00	3.20
	BONO 10y	1.37	1.75	2.00	2.15	2.35
UK	Base rate	0.75	1.00	1.25	1.25	1.75
	Gilts 10y	1.59	1.75	1.90	2.00	2.00
Japan	BoJ Rate	-0.02	-0.10	-0.10	-0.10	0.10
	JGB 10y	0.21	0.25	0.25	0.25	0.45

#### Exchange Rates

End of period		Q1 2022	Q2 2022 e	Q3 2022 e	Q4 2022 e	Q4 2023 e
USD	EUR / USD	1.11	1.11	1.13	1.14	1.20
	USD / JPY	121	125	124	123	115
	GBP / USD	1.32	1.29	1.31	1.33	1.40
EUR	EUR / GBP	0.85	0.86	0.86	0.86	0.86
	EUR / JPY	135	139	140	140	138

#### Brent

End of period		Q1 2022	Q2 2022 e	Q3 2022 e	Q4 2022 e	Q4 2023 e
Brent*	USD/bbl	107	135	135	125	104

FORECASTS PRODUCED ON 31 MARCH 2022. SOURCE: BNP PARIBAS (E: ESTIMATES & FORECASTS)  
(MARKET ECONOMICS, INTEREST RATE STRATEGY, FX STRATEG, COMMODITIES DESK STRATEGY)



BNP PARIBAS

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## CALENDAR

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## LATEST INDICATORS

In China, the Caixin services and composite PMIs dropped in March compared to the previous month, reflecting the impact of rising Covid-19 infections. The eurozone services and composite PMIs did better than expected and were slightly higher than the prior data. Eurozone producer price inflation, on a monthly basis, recorded a significant decline in February versus January, but the number remains high. On an annual basis, producer price inflation remains huge (31.4%). Monthly retail sales growth improved slightly in February but less than expected. The French PMIs were in line with expectations. German export and import growth accelerated strongly in February. The services and composite PMIs improved but the construction sector PMI disappointed. In Japan, the services and composite PMIs moved higher in March but consumer confidence disappointed by moving lower. The Eco Watchers survey on the other hand showed an unexpectedly strong improvement. In the UK, the March services and composite PMIs edged higher. The construction PMI was stable but that was better than anticipated. In the US, the initial unemployment claims created a positive surprise by declining a lot. The ISM services index increased in March, but less than expected.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
04/04/2022	Germany	Exports SA MoM	Feb	1.5%	6.4%	-3.0%
04/04/2022	Germany	Imports SA MoM	Feb	1.0%	4.5%	-4.0%
04/04/2022	United States	Cap Goods Orders Nondef Ex Air	Feb	--	-0.2%	-0.3%
04/05/2022	Japan	Jibun Bank Japan PMI Services	Mar	--	49.4	48.7
04/05/2022	Japan	Jibun Bank Japan PMI Composite	Mar	--	50.3	49.3
04/05/2022	France	S&P Global France Services PMI	Mar	57.4	57.4	57.4
04/05/2022	France	S&P Global France Composite PMI	Mar	56.2	56.3	56.2
04/05/2022	Germany	S&P Global Germany Services PMI	Mar	55.0	56.1	55.0
04/05/2022	Germany	S&P Global Germany Composite PMI	Mar	54.6	55.1	54.6
04/05/2022	Eurozone	S&P Global Eurozone Services PMI	Mar	54.8	55.6	54.8
04/05/2022	Eurozone	S&P Global Eurozone Composite PMI	Mar	54.5	54.9	54.5
04/05/2022	United Kingdom	S&P Global/CIPS UK Services PMI	Mar	61.0	62.6	61.0
04/05/2022	United Kingdom	S&P Global/CIPS UK Composite PMI	Mar	59.7	60.9	59.7
04/05/2022	United States	S&P Global US Services PMI	Mar	58.9	58.0	58.9
04/05/2022	United States	S&P Global US Composite PMI	Mar	58.5	57.7	58.5
04/05/2022	United States	ISM Services Index	Mar	58.5	58.3	56.5
04/06/2022	China	Caixin China PMI Composite	Mar	--	43.9	50.1
04/06/2022	China	Caixin China PMI Services	Mar	49.7	42.0	50.2
04/06/2022	Germany	S&P Global Germany Construction PMI	Mar	--	50.9	54.9
04/06/2022	United Kingdom	S&P Global/CIPS UK Construction PMI	Mar	58.0	59.1	59.1
04/06/2022	Eurozone	PPI MoM	Feb	1.2%	1.1%	5.1%
04/06/2022	Eurozone	PPI YoY	Feb	31.6%	31.4%	30.6%
04/06/2022	United States	FOMC Meeting Minutes	Mar			
04/07/2022	Eurozone	Retail Sales MoM	Feb	0.5%	0.3%	0.2%
04/07/2022	Eurozone	Retail Sales YoY	Feb	4.9%	5.0%	8.4%
04/07/2022	United States	Initial Jobless Claims	Apr	200k	166k	171k
04/08/2022	Japan	Consumer Confidence Index	Mar	36.8	32.8	35.2
04/08/2022	Japan	Eco Watchers Survey Outlook SA	Mar	47.5	50.1	44.4
04/08/2022	Japan	Eco Watchers Survey Current SA	Mar	45.0	47.8	37.7

SOURCE: BLOOMBERG



# CALENDAR: THE WEEK AHEAD

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## COMING INDICATORS

The highlight of the week is the Governing Council meeting of the ECB, followed by the press conference. For the eurozone we will have the ZEW survey and the survey of professional forecasters. Germany and France will publish inflation numbers and in the latter we will also have the Banque de France industrial sentiment index. The ZEW survey for Germany will also be published. China will release inflation and international trade data. In the UK we will have inflation as well, in addition to data on the labour market and an estimate of monthly GDP growth for February. Finally, a lot of statistics will be published in the US: consumer price inflation, retail sales, University of Michigan sentiment.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
04/11/2022	China	PPI YoY	Mar	8.00%	8.80%
04/11/2022	China	CPI YoY	Mar	1.50%	0.90%
04/11/2022	United Kingdom	Monthly GDP (3M/3M)	Feb	--	1.10%
04/11/2022	United Kingdom	Monthly GDP (MoM)	Feb	--	0.80%
04/11/22-04/16/22	Germany	Wholesale Price Index MoM	Mar	--	1.70%
04/11/22-04/16/22	Germany	Wholesale Price Index YoY	Mar	--	16.60%
04/12/2022	United Kingdom	Payrolled Employees Monthly Change	Mar	--	275k
04/12/2022	United Kingdom	Average Weekly Earnings 3M/YoY	Feb	--	4.80%
04/12/2022	Germany	CPI EU Harmonized MoM	Mar	--	2.50%
04/12/2022	United Kingdom	ILO Unemployment Rate 3Mths	Feb	--	3.90%
04/12/2022	Germany	CPI EU Harmonized YoY	Mar	--	7.60%
04/12/2022	United Kingdom	Employment Change 3M/3M	Feb	--	-12k
04/12/2022	France	Trade Balance	Feb	--	-8034m
04/12/2022	Germany	ZEW Survey Expectations	Apr	--	-39.3
04/12/2022	Germany	ZEW Survey Current Situation	Apr	--	-21.4
04/12/2022	Eurozone	ZEW Survey Expectations	Apr	--	-38.7
04/12/2022	United States	NFIB Small Business Optimism	Mar	--	95.7
04/12/2022	United States	CPI MoM	Mar	1.20%	0.80%
04/12/2022	United States	CPI Ex Food and Energy MoM	Mar	0.50%	0.50%
04/12/2022	United States	CPI YoY	Mar	8.30%	7.90%
04/12/2022	United States	CPI Ex Food and Energy YoY	Mar	6.60%	6.40%
04/12/2022	France	Bank of France Ind. Sentiment	Mar	102	107
04/13/2022	Japan	Core Machine Orders YoY	Feb	--	5.10%
04/13/2022	United Kingdom	CPIH YoY	Mar	--	5.50%

SOURCE: BLOOMBERG





DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
04/13/2022	United Kingdom	CPI Core YoY	Mar	--	5.20%
04/13/2022	United Kingdom	PPI Output NSA YoY	Mar	--	10.10%
04/13/2022	United Kingdom	PPI Input NSA YoY	Mar	--	14.70%
04/13/2022	United States	PPI Final Demand MoM	Mar	1.00%	0.80%
04/13/2022	United States	PPI Final Demand YoY	Mar	--	10.00%
04/13/2022	United States	PPI Ex Food and Energy YoY	Mar	--	8.40%
04/13/2022	China	Exports YoY CNY	Mar	--	17.30%
04/13/2022	China	Imports YoY CNY	Mar	--	16.00%
04/14/2022	Eurozone	ECB Deposit Facility Rate	Apr	--	-0.50%
04/14/2022	United States	Retail Sales Advance MoM	Mar	0.60%	0.30%
04/14/2022	United States	Retail Sales Control Group	Mar	--	-1.20%
04/14/2022	United States	Initial Jobless Claims	Apr	--	--
04/14/2022	United States	U. of Mich. Sentiment	Apr	58.9	59.4
04/14/2022	United States	U. of Mich. Current Conditions	Apr	--	67.2
04/14/2022	United States	U. of Mich. Expectations	Apr	--	54.3
04/14/2022	United States	U. of Mich. 1 Yr Inflation	Apr	--	5.40%
04/14/2022	United States	U. of Mich. 5-10 Yr Inflation	Apr	--	3.00%
04/15/2022	France	CPI EU Harmonized MoM	Mar	--	1.60%
04/15/2022	France	CPI EU Harmonized YoY	Mar	--	5.10%
04/15/2022	Eurozone	ECB Survey of Professional Forecasters			
04/15/2022	United States	Capacity Utilization	Mar	77.90%	77.60%

SOURCE: BLOOMBERG



# FURTHER READING

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<a href="#">India's economy faces new headwinds</a>	EcoTVWeek	8 April 2022
<a href="#">Spain: A dynamic housing market</a>	Chart of the Week	6 April 2022
<a href="#">European Union : A heatmap of the dependence of European countries on Russian and Ukrainian imports</a>	EcoFlash	4 April 2022
<a href="#">Eurozone : Household spending under pressure from inflation</a>	EcoWeek	4 April 2022
<a href="#">The brazilian real: some wind in its sails</a>	EcoTVWeek	1 April 2022
<a href="#">Spain: Deterioration in balance sheet quality at specialised credit institutions</a>	Chart of The Week	30 March 2022
<a href="#">French labour market: keeping the momentum</a>	EcoFlash	29 March 2022
<a href="#">Global: Cyclical outlook dominated by a shock to expectations</a>	EcoWeek	29 March 2022
<a href="#">About the tightening of the US monetary policy</a>	EcoFlash	25 March 2022
<a href="#">The euro area banking system is strong and little exposed to Russia and Ukraine</a>	EcoTVWeek	25 March 2022
<a href="#">South Africa: A fragile economic recovery</a>	Chart of the Week	23 March 2022
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