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EURO AREA LABOUR MARKET BOTTLENECKS: CYCLICAL ASPECTS

In the euro area, business surveys report record-high staff shortages. They represent a headwind to growth and raise the possibility of faster wage growth and a pick-up in inflation. Thus far, growth of negotiated wages has been subdued but, given its historical relationship with labour market bottlenecks, an acceleration seems likely. Despite the difficulties of companies in filling vacancies, labour market slack has remained above pre-pandemic levels. This situation should improve in the coming months but whether this eases labour market tensions depends on companies' hiring intentions. Based on recent surveys, these should remain elevated.

The strong recovery in the euro area from the pandemic-induced recession has led to the swift reappearance of labour market bottlenecks. In the euro area, business surveys report record levels in terms of staff shortages (chart 1). From a cyclical perspective, this gives rise to two issues[1].

One, it represents a headwind to growth. The balance of opinion of industrial companies reporting "labour" as a limiting factor for their production amounted 23%. Moreover, the balance of opinion for 'shortage of material' is more than twice as high (51%, a record). In the services sector, similar trends have been observed. In particular, in the hospitality sector, entreprises have difficulty in recruiting staff after the lockdown period. Also the health care sector is confronted with staff shortages, which already has led to closures of hospital wards.

Two, it raises the possibility of faster wage growth that in turn could cause a pick-up in inflation. Such a development should, up to a certain degree, be good news. If sustained, it would enable the ECB to normalise its monetary policy by ending the net purchases of its asset purchase programme and, eventually, raising its policy rates.

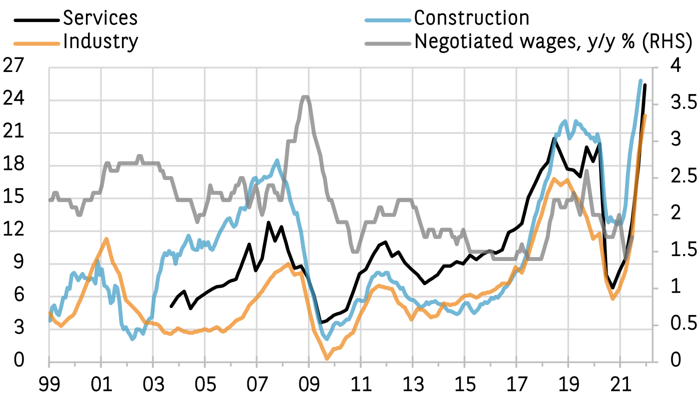
Of course, this also depends on the transmission of wage growth into consumer price inflation. In 2017-2018, when the Eurozone business cycle was reaching its cyclical peak, this transmission had been rather limited. For the time being, monetary policy normalisation is a distant prospect considering that growth of negotiated wages[2] remains subdued. *"In the second quarter of this year, negotiated wages in the euro area grew at a rate below 2%, more moderately than in the period before the COVID-19 recession, at comparable rates of unemployment."*[3] According to the European Commission, the pandemic may have caused a reduction in the number of new wage agreements but limited wage growth may also reflect the staggered nature of wage contracts, which follow with some delay developments in the labour market. Based on the historical relationship illustrated in chart 1, one would indeed expect a pick-up in wage growth in the coming quarters.

Recent inflation developments may fuel demand for higher wages but a key factor will be whether labour shortages remain elevated. This depends on hiring intentions of companies and the outlook in terms of final demand in the economy – in this respect, the outlook remains favourable judging by the record high employment expectations index of the European industry and services – but also whether vacancies will be filled more easily. At the current juncture, labour market slack remains high. According to Eurostat, in the second quarter of this year, it represented 14.5% of the extended labour force in the EU whereas the pre-pandemic level was about 13%.[4] The European

1. In an upcoming Ecoweek, the structural consequences of labour market bottlenecks will be discussed.
2. Based on data collected by the ECB, it is considered a more reliable indicator of wage developments. Traditional indicators of wage growth, such as growth in compensation per employee or growth in compensation per hour, have been strongly influenced by measures such as job retention schemes to soften the impact of the pandemic (source: ECB, Economic Bulletin, vol. 7, November 2021). The indicator is experimental however because it is based on non-harmonised sources. Although sufficiently reliable, its quality is somewhat lower than that of other ECB statistics (source: ECB).
3. European Commission, Autumn Forecast, November 2021.

4. *"Eurostat's labour market slack indicator allows provides a broader definition of labour underutilisation than the unemployment rate. Besides the unemployed, it also includes the underemployed (persons in part-time jobs that would like to work more hours) and two categories of inactive individuals: those that are available for work but not seeking a job and those seeking a job but not available to work. The size of these groups is expressed as a percentage of the "extended labour force", which comprises the unemployed, the*

EUROZONE: LABOUR SHORTAGE AND GROWTH OF NEGOTIATED WAGES



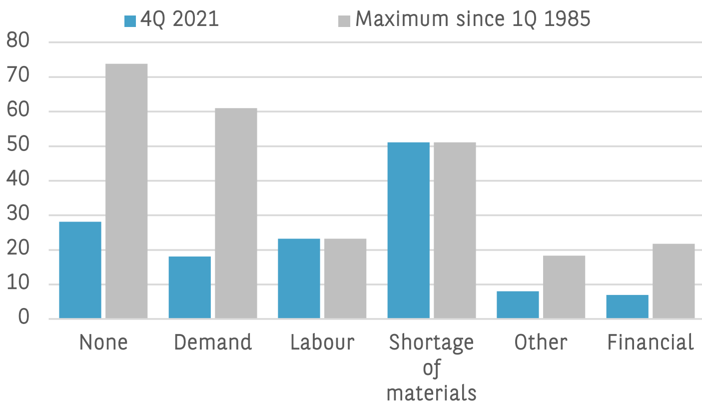
SOURCE: EUROPEAN COMMISSION SURVEYS, ECB, BNP PARIBAS

> Despite the difficulties of companies in filling vacancies, labour market slack has remained above pre-pandemic levels. This situation should improve in the coming months but whether this eases labour market tensions depends on companies' hiring intentions.

Commission sees different reasons for the coexistence of labour market slack and labour shortages. Vacancy rates tend to respond faster to an upturn in the business cycle. Pandemic-related support measures may temporarily have reduced the incentive to look for a job. Some people may be reluctant to return to work for health risk reasons. One would expect that the influence of these factors will wane in the coming months, leading to an easier filling of vacancies and a decline in the unemployment rate. Another potential explanation is that the *"structural labour market mismatch might be on the rise, linked to the sectoral reallocation of labour and an acceleration of changes in the relative skills demand triggered by the COVID-19 shock."*[5] This could give rise to sector-specific rather than economy-wide wage pressures.

William De Vijlder

FACTORS LIMITING INDUSTRIAL PRODUCTION IN THE EUROZONE



SOURCE: EUROPEAN COMMISSION, , BNP PARIBAS

employed and the two categories of inactive individuals referred to above." (source: European Commission, Autumn forecast, November 2021).

5. European Commission, Autumn forecast, November 2021.

MARKETS OVERVIEW

OVERVIEW

Week 5-11 21 to 12-11-21

↗ CAC 40	7 041	▶	7 091	+0.7	%
↘ S&P 500	4 698	▶	4 683	-0.3	%
↘ Volatility (VIX)	16.5	▶	16.3	-0.2	pb
↗ Euribor 3M (%)	-0.57	▶	-0.56	+0.5	bp
↗ Libor $ 3M (%)	0.14	▶	0.16	+1.2	bp
↗ OAT 10y (%)	0.00	▶	0.03	+2.9	bp
↗ Bund 10y (%)	-0.28	▶	-0.25	+2.6	bp
↗ US Tr. 10y (%)	1.45	▶	1.57	+11.2	bp
↘ Euro vs dollar	1.16	▶	1.14	-1.0	%
↗ Gold (ounce, $)	1 810	▶	1 862	+2.9	%
↘ Oil (Brent, $)	82.9	▶	82.9	-0.1	%

MONEY & BOND MARKETS

Interest Rates			highest 21			lowest 21		
€	ECB	0.00	0.00	at	01/01	0.00	at	01/01
	Eonia	-0.49	-0.47	at	26/01	-0.50	at	01/01
	Euribor 3M	-0.56	-0.53	at	07/05	-0.57	at	03/11
	Euribor 12M	-0.47	-0.44	at	01/11	-0.52	at	02/02
$	FED	0.25	0.25	at	01/01	0.25	at	01/01
	Libor 3M	0.16	0.24	at	13/01	0.11	at	09/09
	Libor 12M	0.40	0.40	at	12/11	0.22	at	06/09
£	BoE	0.10	0.10	at	01/01	0.10	at	01/01
	Libor 3M	0.11	0.25	at	28/10	0.03	at	01/01
	Libor 12M	0.67	0.85	at	28/10	0.07	at	11/01

At 12-11-21

Yield (%)			highest 21		lowest 21	
€	AVG 5-7y	-0.14	0.03	at 29/10	-0.46	at 04/01
	Bund 2y	-0.78	-0.58	at 29/10	-0.78	at 12/11
	Bund 10y	-0.25	-0.09	at 22/10	-0.60	at 04/01
	OAT 10y	0.03	0.23	at 17/05	-0.41	at 04/01
	Corp. BBB	0.72	0.86	at 01/11	0.43	at 05/08
$	Treas. 2y	0.49	0.51	at 11/11	0.11	at 05/02
	Treas. 10y	1.57	1.75	at 31/03	0.91	at 01/01
	High Yield	5.13	5.16	at 02/11	4.52	at 29/06
£	gilt. 2y	0.53	0.70	at 03/11	-0.08	at 04/01
	gilt. 10y	0.91	1.20	at 21/10	0.21	at 04/01

At 12-11-21

EXCHANGE RATES

1€ =		highest 21			lowest 21			2021
USD	1.14	1.23	at	06/01	1.14	at	12/11	-6.5%
GBP	0.85	0.91	at	06/01	0.84	at	26/10	-4.6%
CHF	1.05	1.11	at	04/03	1.05	at	04/11	-2.5%
JPY	130.42	133.97	at	28/05	125.22	at	18/01	+3.2%
AUD	1.56	1.64	at	20/08	1.53	at	18/03	-1.4%
CNY	7.31	8.00	at	01/01	7.31	at	12/11	-8.6%
BRL	6.21	6.95	at	03/03	5.88	at	24/06	-2.3%
RUB	83.43	92.47	at	20/04	80.71	at	26/10	-7.8%
INR	85.19	90.39	at	23/04	85.19	at	12/11	-4.7%

At 12-11-21 *Change*

COMMODITIES

Spot price, $		highest 21			lowest 21			2021	2021(€)
Oil, Brent	82.9	86.5	at	26/10	51.2	at	04/01	+59.7%	+70.8%
Gold (ounce)	1 862	1 947	at	05/01	1 682	at	08/03	-1.9%	+4.9%
Metals, LMEX	4 381	4 763	at	15/10	3 415	at	01/01	+28.3%	+37.2%
Copper (ton)	9 841	11 300	at	18/10	7 749	at	01/01	+27.0%	+35.8%
wheat (ton)	238	2.9	at	07/05	223	at	10/09	-3.9%	+2.8%
Corn (ton)	221	2.9	at	07/05	188	at	04/01	+1.7%	+25.4%

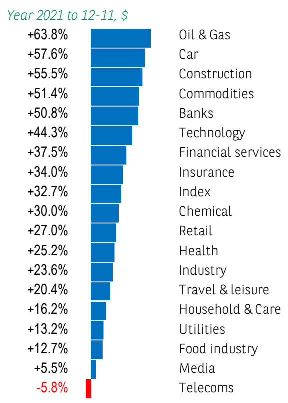
At 12-11-21 *Change*

EQUITY INDICES

	Index	highest 21			lowest 21			2021
World								
MSCI World	3 224	3 238	at	08/11	2 662	at	29/01	+19.8%
North America								
S&P500	4 683	4 702	at	08/11	3 701	at	04/01	+24.7%
Europe								
EuroStoxx50	4 370	4 370	at	12/11	3 481	at	29/01	+23.0%
CAC 40	7 091	7 091	at	12/11	5 399	at	29/01	+2.8%
DAX 30	16 094	16 094	at	12/11	13 433	at	29/01	+17.3%
IBEX 35	9 081	9 281	at	14/06	7 758	at	29/01	+1.2%
FTSE100	7 348	7 384	at	11/11	6 407	at	29/01	+1.4%
Asia								
MSCI, loc.	1 166	1 196	at	14/09	1 044	at	06/01	+1.2%
Nikkei	29 610	30 670	at	14/09	27 013	at	20/08	+7.9%
Emerging								
MSCI Emerging ($)	1 285	1 445	at	17/02	1 221	at	20/08	-0.0%
China	93	130	at	17/02	87	at	06/10	-14.1%
India	877	877	at	12/11	659	at	29/01	+32.3%
Brazil	1 508	2 098	at	24/06	1 428	at	29/10	-16.1%
Russia	846	914	at	25/10	647	at	01/02	+24.9%

At 12-11-21 *Change*

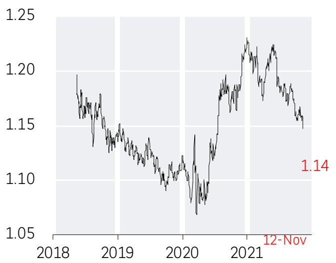
PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)



SOURCE: REFINITIV, BNP PARIBAS,

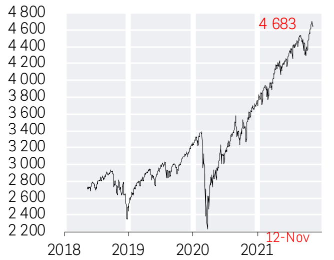
MARKETS OVERVIEW

EURO-DOLLAR

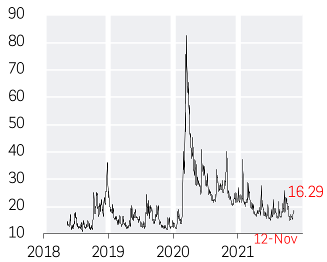


EUROSTOXX50

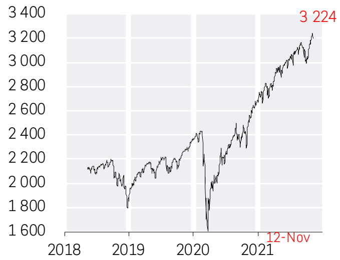
S&P500



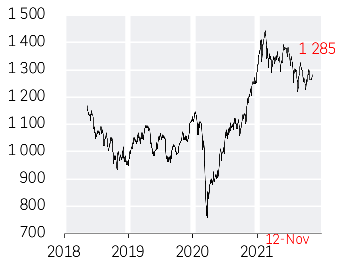
VOLATILITY (VIX, S&P500)



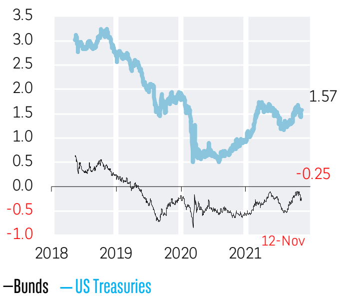
MSCI WORLD (USD)



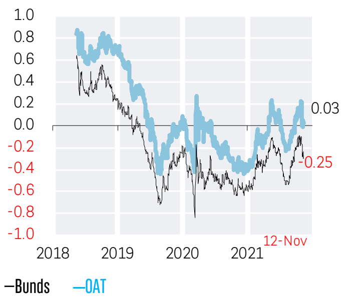
MSCI EMERGING (USD)



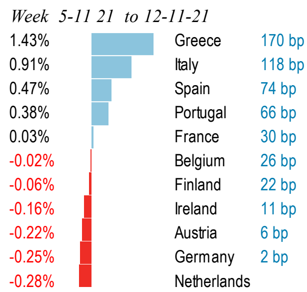
10Y BOND YIELD, TREASURIES VS BUND



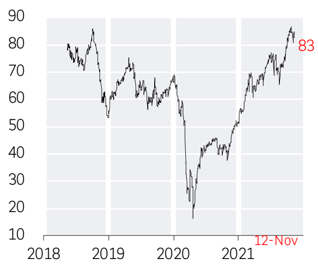
10Y BOND YIELD



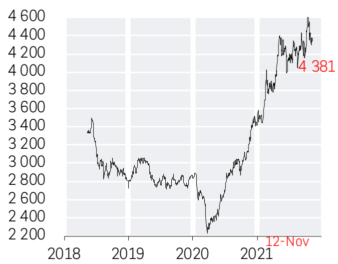
10Y BOND YIELD & SPREADS



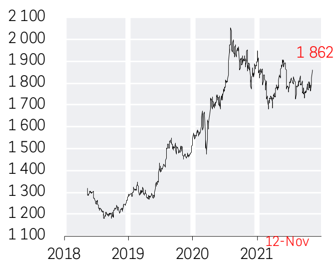
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS

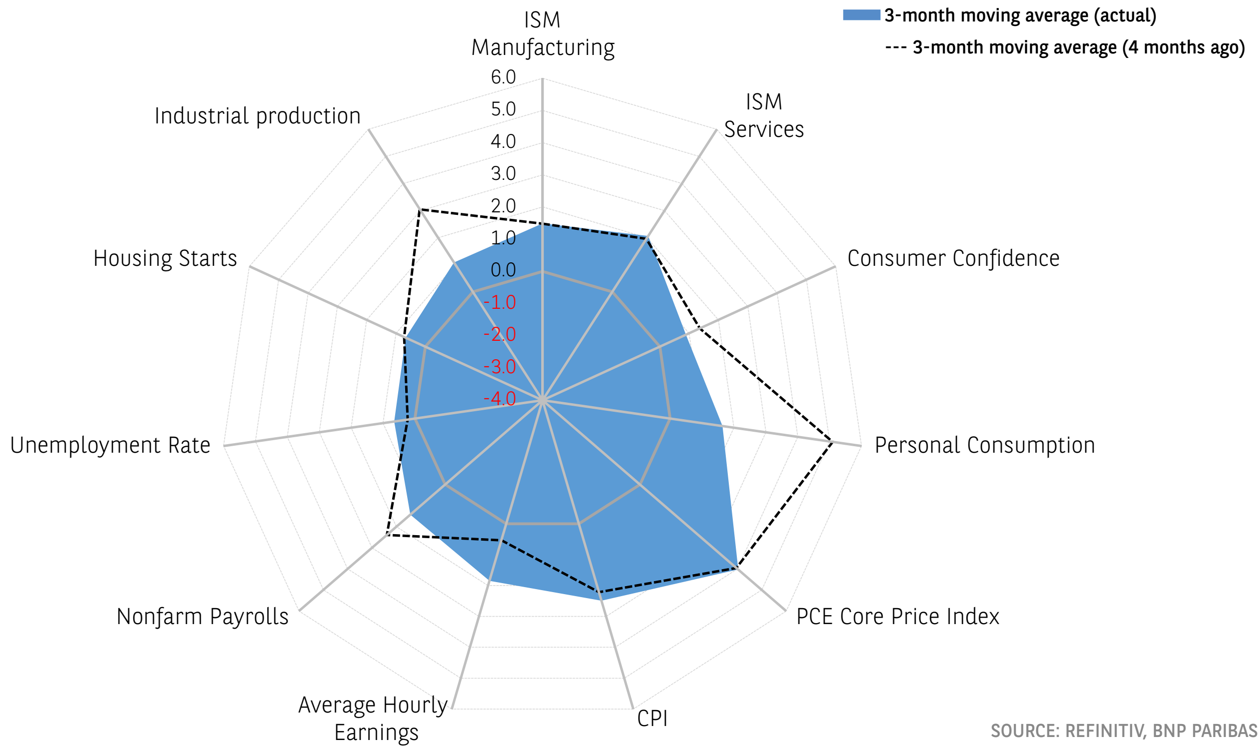
UNITED STATES: INFLATION RISES ABOVE 6%

The "transitory" surge in inflation is proving to be long lasting. In October, US inflation rose to 6.2% year-on-year, the highest level in 31 years. As in previous months, the main explanation is a ballooning energy bill (which accounts for 30% of this figure), but the acceleration in prices is spreading throughout the US economy. It can be seen in the cost of shelter, which is already up 3.5% year-on-year, and is surely bound to accelerate. The surge in house prices (up 20% year-on-year in the 20 biggest metropolitan areas in the US, a record since 2004) has led to the upward revision of leases applied to new renters or "imputed" to homeowners, which the Bureau of Labour Statistics (BLS) integrates only very slowly in the price index (a sixth of the housing stock is revalued every 6 months). Consequently, the feverish real estate market will continue to carry over to inflation, especially since rent is heavily weighted in the price index (33%).

Here the US Federal Reserve has a role to play. Although the Fed's policy is hardly effective in addressing the global parts shortage or crude oil pricing pressures, it largely shapes trends in the real estate market. Its ultra-accommodating policy stance has already had an unprecedented impact, by driving real mortgage rates into negative territory. At nearly USD 900 bn annually in Q2, the distribution of home loans has exploded and is nearing the record highs of 2006. The time is ripe to normalise monetary policy now that the job market situation is improving (nearly 6 million jobs have been created since the beginning of the year, including 531,000 in October, which lowered the unemployment rate to 4.6%). Initially, normalisation will entail scaling back the Fed's net securities purchases, which will be gradually reduced from USD 120 bn a month through October 2021 until it eventually approaches zero by June 2022. The Fed's balance sheet should level off at about USD 9,000 billion, or 40% of GDP.

Jean-Luc Proutat

US 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 -4 and +6. 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: TOWARDS A FIFTH WAVE IN EUROPE

The number of weekly new Covid-19 cases in Europe continued to rise for the seventh consecutive week, with 1.7 million new cases reported between 3 and 9 November (chart 1). Russia reported the highest number of new cases (280,455), followed by the UK (236,899, in decline from the previous week), Germany (194,577), Ukraine (151,796), Poland (90,506), the Netherlands (76,623), and Belgium and France (with nearly 60,000 new cases each). At the same time, vaccination coverage though slowing down, continues to expand. To date, 7.34 billion doses of the Covid-19 vaccine have been given worldwide, bringing the share of the global population that has received at least one dose of the vaccine to 51.2% (chart 2).

Retail and leisure footfall is on a slight downward trend in Germany and Italy, and to a lesser extent in France, Spain and the UK, a development that could be related to the health situation in Europe, especially in Germany. Belgium stands apart with a relatively stable situation during the recent period. In the United States, the trend continues to level off, while Japan is still reporting positive momentum, bringing it closer to pre-pandemic levels (chart 3, blue line).

Lastly, the OECD Weekly Tracker of GDP growth compared to the level 2 years earlier (y/2y) continues to improve in France and Japan. The upward trend reported recently in the United States and the UK gave way to a slight drop last week. In Germany, Spain and Italy, the Tracker declined more sharply, while in Belgium it seems to be levelling off (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 change over a two-year period (y/2y) is calculated to avoid the base effect that would arise from 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)

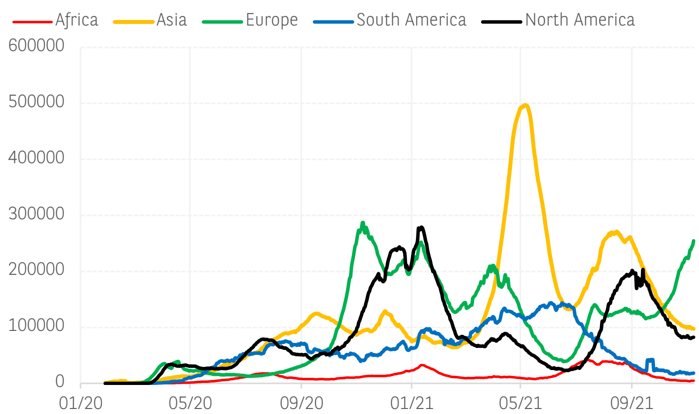


CHART 1 SOURCE: JOHNS-HOPKINS UNIVERSITY (11/10/2021), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

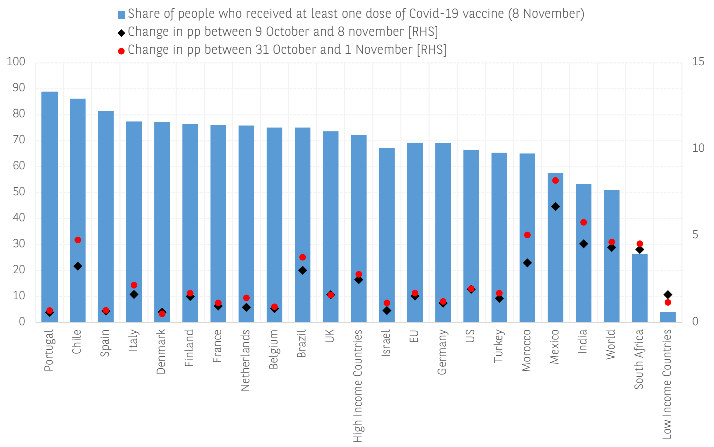


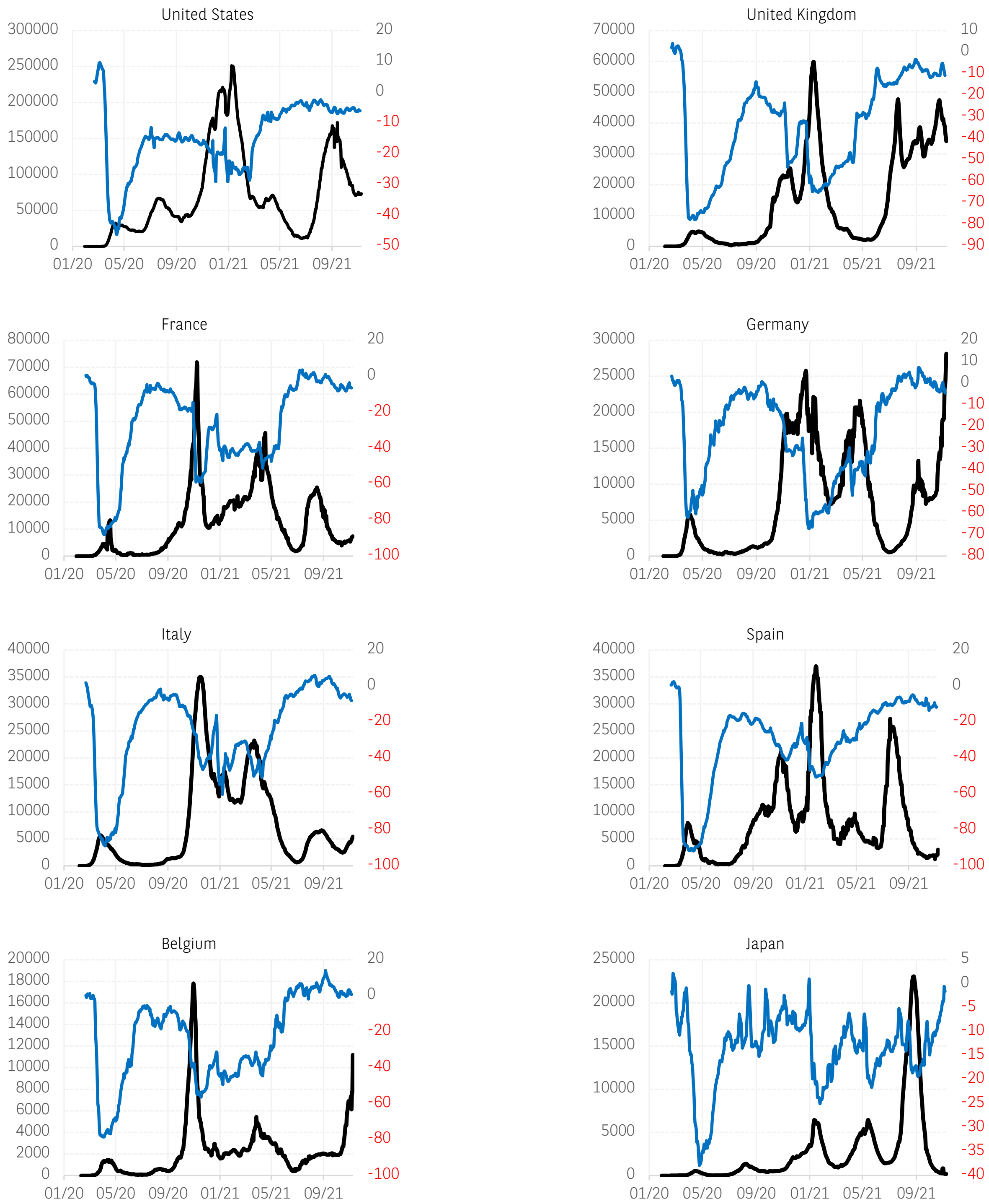
CHART 2 SOURCE: OUR WORLD IN DATA (11/09/2021), BNP PARIBAS

RETAIL AND RECREATION MOBILITY & OECD WEEKLY TRACKER

SOURCE: OECD (11/09/2021), GOOGLE (11/09/2021), 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 (11/09/2021), GOOGLE (11/09/2021), BNP PARIBAS

ECONOMIC SCENARIO

UNITED STATES

The US economy, which roared back through to the spring, has now regained its pre-pandemic level and is set to achieve a growth rate of around 6% in 2021. The outlook for the second part of the year looks less sparkling, however. With the vaccination drive running out of steam, the spread of the delta variant is driving up the number of cases and deaths. Business surveys are not as dazzlingly optimistic. The growth rates anticipated remain above potential, however, and would be sufficient to gradually absorb the job shortage caused by the pandemic, with the unemployment rate expected to move towards the 5% mark by the end of the second half of the year. Given the pressures on supply chains and commodity prices, inflation, currently close to 5%, is unlikely to pull back in the immediate term. Indeed, it is not expected to subside until late 2021 or early 2022.

CHINA

China's post-Covid rebound in industrial production and exports peaked at the start of the year and growth rates have been returning to normal. However, the slowdown has been faster than expected during the summer, and has spread to all sectors. This has resulted from various factors, including: the prudent tightening in fiscal policy and domestic credit conditions, the toughening of regulations in sectors such as real estate and tech, supply-chain constraints in the industry, slower export growth as well as new restrictions imposed to deal with the resurgence of the pandemic. In the short term, the vaccine roll-out should continue to accelerate and the authorities are likely to give greater support to domestic demand through monetary and fiscal measures, while continuing regulatory tightening moves.

EUROZONE

After its strong rebound in Q2 2021, growth is expected to maintain the pace in Q3 (+2.2% QoQ). The various supply constraints mean that growth in the third and fourth quarters is a few tenths below the June forecast, a loss that would be gradually recovered in 2022. The quarterly growth profile should go slightly decrescendo next year. Above all, it would remain well above-trend, supported by the significant monetary and fiscal stimulus, the release of accumulated forced savings and investment needs, to the point where, on an annual average basis, growth would be slightly higher than in 2021 (5.2% after 5%), which distinguishes the Eurozone from the United States and the United Kingdom. The health situation remains a key downside risk. Signs of deteriorating business confidence and mark-ups will also be watched. As for inflation, most of its recent rise is temporary. We expect it to peak in Q4 2021 (nearing 4% in year-on-year terms), before ebbing in 2022. However, it would be at a higher level than before the crisis, as growth strengthens and the reflationary efforts of monetary policy also bear fruit. Our inflation forecasts are above those of the ECB.

FRANCE

With a Q2 2021 growth carry-over of almost 5%, the forecast of 6% growth in 2021 in annual average terms has a solid chance of being met. It is even likely to be exceeded. The Q3 and Q4 prospects, however, look somewhat less positive than they did heading into the summer. Procurement problems, hiring difficulties and rising input prices are holding back the recovery a bit more significantly than expected. The return to normal activity in the tourism, accommodation and catering, culture, entertainment, trade and transports sectors continues to be hampered by the health situation too. In 2022, these various obstacles should disappear, but the support from the mechanical catching-up effect will also fade. Growth should normalize but remain strong, supported by the fiscal impulse.

RATES AND EXCHANGE RATES

In the US, the Federal Reserve has started tapering which should not be considered as signaling a change in guidance on the policy rate. Nevertheless, we expect that in the second half of next year, the FOMC will hike the federal funds rate given the expected decline in the unemployment rate. Against this background, 10-year Treasury yields should move higher in the remainder of the year and in the first half of 2022, before entering a trading range. The peak in yields should be significantly lower than in previous cycles.

In the eurozone, the ECB will maintain its very accommodative policy centered around its asset purchases and forward guidance, in order to generate a lasting pick-up in inflation towards its target. The outcome of the strategy review has clearly confirmed this. We expect net purchases under the PEPP to stop at the end of March 2022, based on the view that, by then, the pandemic emergency phase will be considered to be behind us. On that occasion, the monthly volume under the traditional asset purchase program should be increased to avoid market disruption. 10-year Bund yields are expected to rise until the first half of 2022 based on the growth and inflation environment. Higher US yields will also play a role. Subsequently, we expect Bunds to stay in a trading range.

Sovereign spreads could widen somewhat in the fourth quarter of this year and early next year on the back of election-related uncertainty. The extent of the widening should be limited, considering ongoing asset purchases by the ECB and the prospect that the ending of net purchases under the PEPP would be accompanied by an increase of the APP.

The Bank of Japan is expected to maintain its current policy stance over the forecast horizon, whilst allowing the 10-year JGB yield to drift higher under the influence of globally rising yields, towards the upper bound of its target range of 0 to 25bp.

We expect the dollar to strengthen versus the euro, driven by widening yield differentials and the growing monetary policy divergence between the Federal Reserve and the ECB. The divergence will also increase between the Fed and the BoJ, which explains our forecast of an appreciation of the dollar versus the yen.

GROWTH & INFLATION

%	GDP Growth 2021 e	GDP Growth 2022 e	GDP Growth 2023 e	Inflation 2021 e	Inflation 2022 e	Inflation 2023 e
United-States	6.0	5.3	3.3	4.2	2.8	2.4
Japan	2.1	2.4	1.6	-0.2	0.3	0.5
United-Kingdom	7.0	6.3	2.1	2.3	3.3	2.0
Euro Area	5.0	5.2	2.3	2.4	2.1	1.7
Germany	2.8	5.3	2.4	3.0	2.4	1.9
France	6.3	4.3	2.1	2.0	1.9	1.6
Italy	6.3	5.1	2.8	1.9	2.2	1.4
Spain	6.1	6.4	3.4	2.6	2.2	1.4
China	7.8	5.6	5.4	1.2	2.8	2.5
India*	7.0	11.2	6.2	5.4	4.5	4.3
Brazil	5.0	1.5	2.0	7.8	6.3	3.6
Russia	4.5	3.3	2.6	6.0	5.0	4.1

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, % End of period		Q4 2021 e	Q2 2022 e	Q4 2022 e	Q4 2023 e
US	Fed Funds (upper limit)	0.25	0.25	0.50	1.25
	T-Notes 10y	1.70	1.90	2.00	1.90
Ezone	Deposit rate	-0.50	-0.50	-0.50	-0.50
	Bund 10y	-0.10	0.00	-0.10	0.10
	OAT 10y	0.40	0.40	0.20	0.40
	BTP 10y	1.10	1.10	1.00	1.20
	BONO 10y	0.70	0.70	0.70	0.90
UK	Base rate	0.10	0.30	0.50	0.80
	Gilts 10y	0.90	1.10	1.10	1.20
Japan	BoJ Rate	-0.10	-0.10	-0.10	-0.10
	JGB 10y	0.10	0.20	0.20	0.20

Exchange Rates End of period		Q4 2021 e	Q2 2022 e	Q4 2022 e	Q4 2023 e
USD	EUR / USD	1.15	1.13	1.12	1.10
	USD / JPY	111	112	114	116
	GBP / USD	1.37	1.36	1.37	1.38
EUR	EUR / GBP	0.84	0.83	0.82	0.80
	EUR / JPY	128	127	128	128

Brent End of period		Q4 2021 e	Q2 2022 e	Q4 2022 e	Q4 2023 e
Brent	USD/bbl	87	80	80	85

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)

CALENDAR

LATEST INDICATORS

Japan saw an improvement in October versus the previous month. The assessment of the current situation in the EcoWatchers Survey was far better than expected and the outlook also improved. The growth of machine tool orders accelerated. In Germany, the ZEW survey recored a strong and surprising improvement in the outlook and a bigger than expected decline in the assessment of the current siuation. The same survey showed an improvement of expectations for the eurozone. The autumn forecast of the European Commission was upbeat in terms of growth and the labour market outlook but noted mounting headwinds due to supply disruption, high energy prices, labour market bottlenecks and 'sporadic localised pandemic-related lockdowns'. The Banque de France industrial sentiment index improved in October, the consensus having anticipated a status quo. Chinese inflation rose strongly in October versus last year with PPI inflation reaching 13.5% (10.7% the month before). In the US, small business sentiment eased and PPI inflation was stable whereas consumer price inflation reached 6.2% and core inflation 4.6%. Job openings in September were slightly weaker than the month before. University of Michigan sentiment disappointed strongly and inflation expectations hardly changed. In the UK, third quarter growth came in slightly below consensus on the back of disappointments in private consumption and gross fixed capital formation.

DATE	COUNTRY	INDICATOR	PERIOD	SURVEY	ACTUAL	PRIOR
11/09/2021	Japan	Eco Watchers Survey Current SA	Oct	48.5	55.5	42.1
11/09/2021	Japan	Eco Watchers Survey Outlook SA	Oct	57.0	57.5	56.6
11/09/2021	Germany	ZEW Survey Expectations	Nov	20.0	31.7	22.3
11/09/2021	Germany	ZEW Survey Current Situation	Nov	18.3	12.5	21.6
11/09/2021	Eurozone	ZEW Survey Expectations	Nov	--	25.9	21.0
11/09/2021	United States	NFIB Small Business Optimism	Oct	99.5	98.2	99.1
11/09/2021	United States	PPI Final Demand YoY	Oct	8.6%	8.6%	8.6%
11/09/2021	United States	PPI Ex Food and Energy YoY	Oct	6.8%	6.8%	6.8%
11/10/2021	China	CPI YoY	Oct	1.4%	1.5%	0.7%
11/10/2021	China	PPI YoY	Oct	12.3%	13.5%	10.7%
11/10/2021	Japan	Machine Tool Orders YoY	Oct	--	81.5%	71.9%
11/10/2021	Germany	CPI EU Harmonized MoM	Oct	0.5%	0.5%	0.5%
11/10/2021	Germany	CPI EU Harmonized YoY	Oct	4.6%	4.6%	4.6%
11/10/2021	United States	Initial Jobless Claims	Nov	260k	267k	269k
11/10/2021	United States	CPI YoY	Oct	5.9%	6.2%	5.4%
11/10/2021	United States	CPI Ex Food and Energy YoY	Oct	4.3%	4.6%	4.0%
11/10/2021	France	Bank of France Ind. Sentiment	Oct	100.0	102.0	100.0
11/11/2021	United Kingdom	GDP QoQ	3Q	1.5%	1.3%	5.5%
11/11/2021	United Kingdom	Private Consumption QoQ	3Q	3.1%	2.0%	7.2%
11/11/2021	United Kingdom	Government Spending QoQ	3Q	0.7%	0.9%	8.1%
11/11/2021	United Kingdom	Gross Fixed Capital Formation QoQ	3Q	2.4%	0.8%	0.8%
11/11/2021	United Kingdom	Exports QoQ	3Q	-1.5%	-1.9%	6.2%
11/11/2021	United Kingdom	Imports QoQ	3Q	3.4%	2.5%	2.4%
11/11/2021	United Kingdom	Total Business Investment QoQ	3Q	3.5%	0.4%	4.5%
11/11/2021	Eurozone	ECB Publishes Economic Bulletin				
11/11/2021	Eurozone	EU Commission Economic Forecasts				
11/11/2021	Eurozone	Industrial Production SA MoM	Sep	-0.5%	-0.2%	-1.6%
11/12/2021	United States	JOLTS Job Openings	Sep	10300k	10438k	10439k
11/12/2021	United States	U. of Mich. Sentiment	Nov	72.5	66.8	71.7
11/12/2021	United States	U. of Mich. Current Conditions	Nov	77.2	73.2	77.7
11/12/2021	United States	U. of Mich. Expectations	Nov	68.8	62.8	67.9
11/12/2021	United States	U. of Mich. 1 Yr Inflation	Nov	4.9	4.9	4.8
11/12/2021	United States	U. of Mich. 5-10 Yr Inflation	Nov	--	2.9	2.9

SOURCE: BLOOMBERG

CALENDAR: THE WEEK AHEAD

COMING INDICATORS

As usual around this time of the month, this week sees the publication of a lot of Chinese data. Japan will publish GDP numbers for the third quarter as well data on international trade and inflation. In the US we will have several surveys of regional Federal Reserve banks, retail sales, initial unemployment claims and data with respect to the housing market. For the UK we will have the employment report, consumer confidence, retail sales, inflation and the assessment of order books. France will publish inflation and unemployment numbers. For the eurozone, we have inflation data, unemployment and an update of 3rd quarter GDP.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
11/09/21-11/15/21	China	Aggregate Financing CNY	Oct	1700.0b	2900.0b
11/09/21-11/15/21	China	New Yuan Loans CNY	Oct	800.0b	1660.0b
11/15/2021	Japan	GDP Private Consumption QoQ	3Q	-0.50%	0.90%
11/15/2021	Japan	GDP SA QoQ	3Q	-0.20%	0.50%
11/15/2021	Japan	GDP Business Spending QoQ	3Q	-0.50%	2.30%
11/15/2021	Japan	Inventory Contribution % GDP	3Q	0.10%	-0.30%
11/15/2021	Japan	Net Exports Contribution % GDP	3Q	0.00%	-0.30%
11/15/2021	China	New Home Prices MoM	Oct	--	-0.08%
11/15/2021	China	Retail Sales YoY	Oct	3.60%	4.40%
11/15/2021	China	Industrial Production YoY	Oct	3.00%	3.10%
11/15/2021	China	Fixed Assets Ex Rural YTD YoY	Oct	6.20%	7.30%
11/15/2021	China	Property Investment YTD YoY	Oct	8.00%	8.80%
11/15/2021	China	Surveyed Jobless Rate	Oct	4.90%	4.90%
11/15/2021	United States	Empire Manufacturing	Nov	20	19.8
11/16/2021	United Kingdom	ILO Unemployment Rate 3Mths	Sep	--	4.50%
11/16/2021	United Kingdom	Employment Change 3M/3M	Sep	--	235k
11/16/2021	France	CPI EU Harmonized MoM	Oct	--	0.50%
11/16/2021	France	CPI EU Harmonized YoY	Oct	--	3.20%
11/16/2021	Eurozone	Employment QoQ	3Q	--	0.70%
11/16/2021	Eurozone	Employment YoY	3Q	--	1.80%
11/16/2021	Eurozone	GDP SA QoQ	3Q	--	2.20%
11/16/2021	United States	Retail Sales Advance MoM	Oct	0.80%	0.70%
11/16/2021	United States	Retail Sales Control Group	Oct	--	0.80%
11/16/2021	United States	Capacity Utilization	Oct	75.90%	75.20%
11/16/2021	United States	NAHB Housing Market Index	Nov	81	80
11/17/2021	Japan	Exports YoY	Oct	--	13.00%
11/17/2021	Japan	Imports YoY	Oct	--	38.60%
11/17/2021	Japan	Core Machine Orders MoM	Sep	--	-2.40%
11/17/2021	United Kingdom	CPI YoY	Oct	--	3.10%
11/17/2021	United Kingdom	CPI Core YoY	Oct	--	2.90%
11/17/2021	United Kingdom	Retail Price Index	Oct	--	308.6
11/17/2021	United Kingdom	PPI Output NSA YoY	Oct	--	6.70%
11/17/2021	United Kingdom	PPI Input NSA YoY	Oct	--	11.40%
11/17/2021	United Kingdom	House Price Index YoY	Sep	--	10.60%

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
11/17/2021	Eurozone	CPI YoY	Oct	--	3.40%
11/17/2021	Eurozone	CPI MoM	Oct	--	0.80%
11/17/2021	Eurozone	CPI Core YoY	Oct	--	2.10%
11/17/2021	United States	Building Permits MoM	Oct	2.80%	-7.70%
11/17/2021	United States	Housing Starts MoM	Oct	1.60%	-1.60%
11/18/2021	Eurozone	EU27 New Car Registrations	Oct	--	-23.10%
11/18/2021	United States	Initial Jobless Claims	Nov	--	--
11/18/2021	United States	Philadelphia Fed Business Outlook	Nov	21	23.8
11/18/2021	United States	Kansas City Fed Manf. Activity	Nov	--	31
11/18/21-11/24/21	United Kingdom	CBI Trends Total Orders	Nov	--	9
11/18/21-11/24/21	United Kingdom	CBI Trends Selling Prices	Nov	--	59
11/19/2021	Japan	Natl CPI YoY	Oct	--	0.20%
11/19/2021	Japan	Natl CPI Ex Fresh Food YoY	Oct	--	0.10%
11/19/2021	United Kingdom	GfK Consumer Confidence	Nov	--	-17
11/19/2021	France	ILO Unemployment Rate	3Q	--	8.00%
11/19/2021	United Kingdom	Retail Sales Ex Auto Fuel MoM	Oct	--	-0.60%

SOURCE: BLOOMBERG

FURTHER READING

China's economic engine is stopped	EcoTVWeek	12 November 2021
Poland: industrial shortages trigger a slump in exports	Chart of the Week	10 November 2021
Eurozone : Deposit rate lift-off, markets and the ECB	EcoWeek	8 November 2021
Monetary tightening in emerging countries	EcoTVWeek	5 November 2021
Eurozone : Stabilisation of state-guaranteed loans (SGLs) outstanding amounts	Chart of the Week	3 November 2021
US : Weaker US household confidence, a source of concern?	EcoWeek	29 October 2021
International trade: disruptions remain high	EcoTVWeek	29 October 2021
France's 2022 budget: automatic deficit reduction	EcoFlash	27 October 2021
Energy costs: how much of European household spending do they account for?	Chart of the Week	27 October 2021
Reforming EU economic governance: the start of a marathon	EcoWeek	25 October 2021
About the surge in energy prices	EcoTVWeek	22 October 2021
Inflation pressures in emerging economies	Chart of the Week	20 October 2021
Global : The risks associated with transitory but high inflation	EcoWeek	18 October 2021
Unease about the distribution of risks	EcoTVWeek	15 October 2021
4th quarter 2021 issue	EcoEmerging	13 October 2021
United States: PPP government-guaranteed loans are largely converted into public subsidies	Chart of the Week	13 October 2021
Global : Market timing, the zero lower bound and QE	EcoWeek	11 October 2021
India: consolidation in progress	EcoTVWeek	8 October 2021
4th quarter 2021 issue	EcoPerspectives	7 October 2021
Eurozone: headline inflation at its highest since 2008	Chart of the Week	6 October 2021

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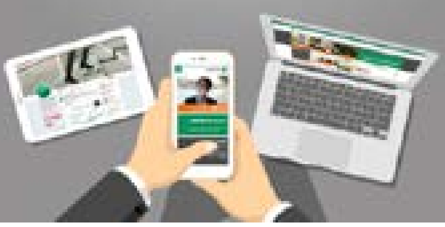

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