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BNP PARIBAS

The bank
for a changing
world

EDITORIAL

GLOBAL ECONOMY: GROWTH AT RISK

When growth is slowing, risks tend to be tilted to the downside because households and companies adopt a more cautious attitude in their spending and investment decisions. At the present juncture, it is also difficult to see what could create an upside surprise. To the contrary, according to the IMF, there are several downside risks: the cost of energy, the problems in Chinese real estate, persistent disruptions in the labour market. Financial conditions could deteriorate. Already today they create a discomforting environment, with the risk of a non-linear impact on growth. It illustrates the challenge of central banks with growth-at-risk being at the low end of historical ranges and inflation at the other extreme.

Global growth is slowing and risks are tilted to the downside. This asymmetry is a usual phenomenon during cyclical slowdowns. As households and companies become less confident about the outlook, they adopt a more cautious attitude in their spending and investment decisions, even though they are not financially constrained.[1]

This attitude may reinforce the negative dynamics of demand and activity and cause negative growth surprises whereby growth turns out to be lower than expected.

At the present juncture, it is also difficult to see what could create an upside surprise. One can consider that the current slowdown is, to a large degree, the consequence of high energy prices, elevated inflation and a tightening of financial conditions on the back of significant increases in official interest rates decided by a large number of central banks[2].

It doesn't seem like that energy prices would come down soon -the recent production cuts announced by Opec Plus point in the other direction- nor that inflation would decline faster than expected. The experience this year has been that the expected peak in inflation had to be pushed back, due to new supply shocks but also because inflation persistence had been underestimated (chart 1). Consequently, central banks will remain very cautious in signaling that no further tightening would be necessary.

On the other hand, there are several downside risks. The IMF's latest World Economic Outlook (WEO) considers four of them in its risk assessment to the growth outlook: higher oil prices, a further worsening of the crisis in the Chinese property sector leading to a decline in real estate investments, lower potential output from persistent disruptions in the labour market and a further tightening of financial conditions.[3] Taken together, these factors would cause higher inflation next year -triggering more rate hikes- and lower inflation thereafter.

In this downside scenario, global growth would slow from +2.7% in the base scenario to +1.1% in 2023, which is in the 15th percentile of the historical distribution. Chart 2 shows in this respect how the IMF's forecast compares to the annual growth observed since 1980. In the base case, 2023 is expected to see below-median growth, with an especially weak performance in the advanced economies.

Even in the absence of new shocks, current financial conditions already create a challenging growth environment, dominated by downside risks. The IMF points in this respect to elevated financial vulnerabilities in the sovereign and nonbank financial institution sectors as well as the deterioration of market liquidity in key asset classes.

EVOLUTION OF INFLATION FORECASTS IN 2022

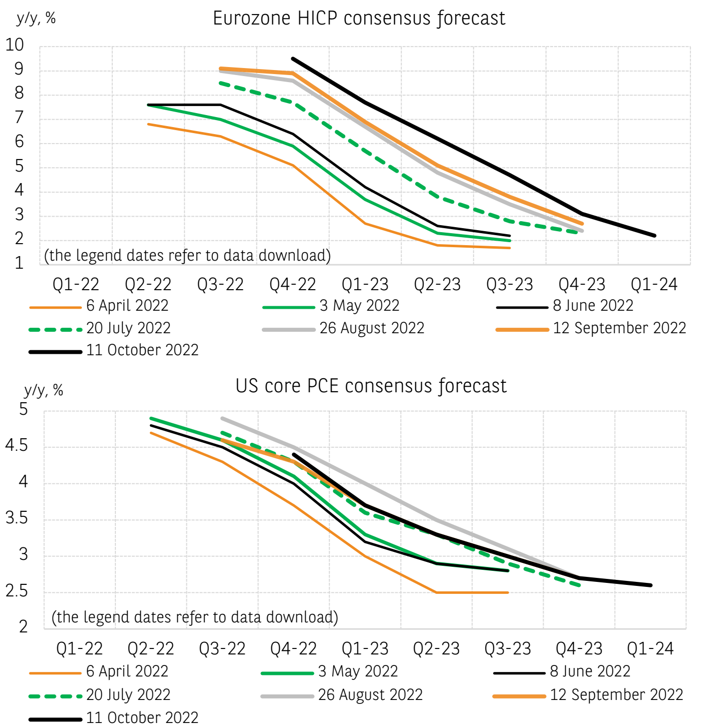


CHART 1 SOURCE: BLOOMBERG CONSENSUS, BNP PARIBAS

1. This is illustrated by a recent survey showing that close to 40% of CFOs of US companies cite the need to preserve cash as a reason for not planning to make equipment or structures expenditures over the next six months. This is the second most important factor, after the absence of need to expand capacity, which is mentioned by approximately 55% of survey respondents. Source: Duke University, Federal Reserve Bank of Richmond, Federal Reserve Bank of Atlanta.
2. Depending on the country or region, other factors also play a role such as food price inflation, the Chinese property crisis and the geopolitical uncertainty caused by the war in Ukraine.
3. In this adverse scenario, oil prices are pushed up 30 percent, on average, for 2023 relative to the baseline scenario- and start to decline thereafter. In the base case, the price of oil is assured to average USD 98.19 a barrel in 2022 and USD 85.52 a barrel in 2023. A tightening of financial conditions would manifest itself through a significant depreciation of emerging market currencies, higher sovereign and corporate risk premiums in emerging markets and wider corporate bond spreads in advanced economies.

These may end up having a non-linear impact on growth. *"The balance of risks is significantly skewed to the downside. The range of adverse GDP growth outcomes based on the probability distribution of future GDP growth is in the worst 20th percentile of the last four decades."*[4,5] It illustrates the challenge of central banks with growth-at-risk being at the low end of historical ranges and inflation at the other extreme.

William De Vijlder

REAL GDP GROWTH SINCE 1980
(RANKED BY ASCENDING VALUE)

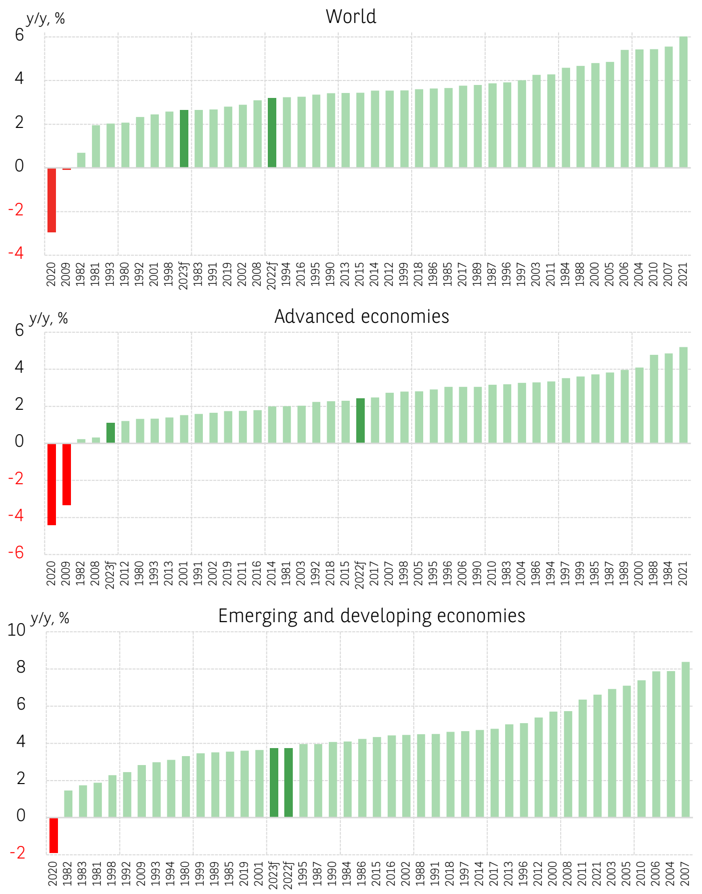


CHART 2

SOURCE: IMF (WORLD ECONOMIC OUTLOOK, OCTOBER 2022), BNP PARIBAS

4. This is based on the IMF's growth-at-risk approach, which uses financial indicators -asset prices, credit aggregates, etc.- to forecast the probability distribution of future GDP growth. 'Growth-at-risk' corresponds to the 5th percentile of this distribution. For a detailed explanation see: IMF, GFSR, Chapter 3, October 2017.

5. Since 2008, years in which growth-at-risk corresponded to a bottom quintile growth performance were 2008, 2009, 2010, 2011, 2020.

> What better illustrates the challenge of central banks than the observation that growth-at-risk is at the low end of historical ranges and inflation at the other extreme?

MARKETS OVERVIEW

OVERVIEW

Week 7-10 22 to 14-10-22				
↗ CAC 40	5 867	▸ 5 932	+1.1	%
↘ S&P 500	3 640	▸ 3 583	-1.6	%
↗ Volatility (VIX)	31.4	▸ 32.0	+0.7	pb
↗ Euribor 3M (%)	1.29	▸ 1.40	+11.5	bp
↗ Libor $ 3M (%)	3.91	▸ 4.19	+28.5	bp
↗ OAT 10y (%)	2.80	▸ 2.89	+9.2	bp
↗ Bund 10y (%)	2.20	▸ 2.36	+16.3	bp
↗ US Tr. 10y (%)	3.88	▸ 4.01	+12.1	bp
↘ Euro vs dollar	0.98	▸ 0.98	-0.3	%
↘ Gold (ounce, $)	1 702	▸ 1 647	-3.2	%
↘ Oil (Brent, $)	97.9	▸ 91.8	-6.3	%

MONEY & BOND MARKETS

Interest Rates		highest 22			lowest 22		
€ ECB	1.25	1.25	at	14/09	0.00	at	03/01
Eonia	-0.51	-0.51	at	03/01	-0.51	at	03/01
Euribor 3M	1.40	1.40	at	14/10	-0.58	at	05/01
Euribor 12M	2.68	2.69	at	11/10	-0.50	at	05/01
$ FED	3.25	3.25	at	22/09	0.25	at	03/01
Libor 3M	4.19	4.19	at	14/10	0.21	at	03/01
Libor 12M	5.28	5.28	at	14/10	0.58	at	03/01
£ BoE	2.25	2.25	at	22/09	0.25	at	03/01
Libor 3M	3.42	3.75	at	26/09	0.26	at	03/01
Libor 12M	0.81	0.81	at	03/01	0.81	at	03/01

At 14-10-22

Yield (%)		highest 22			lowest 22		
€ AVG 5-7y	2.64	2.79	at	28/09	-0.04	at	03/01
Bund 2y	1.90	1.90	at	14/10	-0.83	at	04/03
Bund 10y	2.36	2.36	at	14/10	-0.14	at	24/01
OAT 10y	2.89	2.96	at	12/10	0.15	at	04/01
Corp. BBB	5.01	5.03	at	13/10	0.90	at	05/01
$ Treas. 2y	4.51	4.51	at	14/10	0.70	at	04/01
Treas. 10y	4.01	4.01	at	14/10	1.63	at	03/01
High Yield	9.92	9.97	at	13/10	5.07	at	03/01
£ gilt. 2y	3.94	4.59	at	27/09	0.69	at	03/01
gilt. 10y	4.32	4.50	at	27/09	0.97	at	03/01

At 14-10-22

EXCHANGE RATES

1€ =		highest 22			lowest 22			2022
USD	0.98	1.15	at	10/02	0.96	at	27/09	-14.2%
GBP	0.87	0.90	at	28/09	0.83	at	14/04	+3.2%
CHF	0.98	1.06	at	10/02	0.95	at	28/09	-5.6%
JPY	144.71	144.71	at	14/10	125.37	at	04/03	+10.5%
AUD	1.56	1.62	at	04/02	1.43	at	25/08	-0.1%
CNY	7.01	7.29	at	10/02	6.75	at	14/07	-3.2%
BRL	5.16	6.44	at	06/01	5.01	at	21/04	-18.5%
RUB	61.20	164.76	at	07/03	55.60	at	26/09	-28.2%
INR	80.33	85.96	at	11/02	78.49	at	27/09	-5.0%

At 14-10-22 *Change*

COMMODITIES

Spot price, $		highest 22			lowest 22			2022	2022(€)
Oil, Brent	91.8	128.2	at	08/03	79.0	at	03/01	+17.1%	+36.5%
Gold (ounce)	1 647	2 056	at	08/03	1 635	at	27/09	-9.6%	+5.4%
Metals, LMEX	3 583	5 506	at	07/03	3 453	at	27/09	-20.4%	-7.2%
Copper (ton)	7 653	10 702	at	04/03	7 160	at	14/07	-21.4%	-8.4%
wheat (ton)	285	4.7	at	17/05	276	at	18/08	+19.8%	+39.7%
Corn (ton)	262	3.2	at	28/06	226	at	03/01	+1.5%	+33.7%

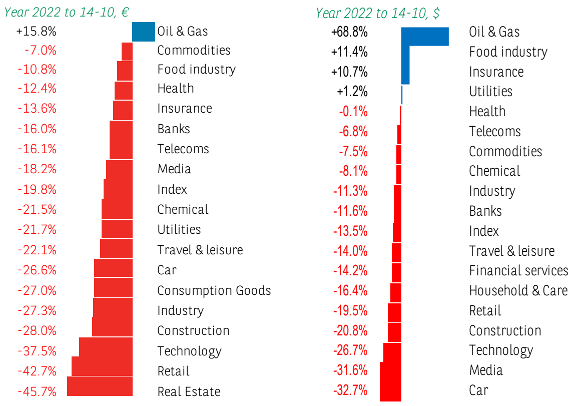
At 14-10-22 *Change*

EQUITY INDICES

	Index	highest 22			lowest 22			2022
World								
MSCI World	2 377	3 248	at	04/01	2 368	at	12/10	-26.5%
North America								
S&P500	3 583	4 797	at	03/01	3 577	at	12/10	-24.8%
Europe								
EuroStoxx50	3 382	4 392	at	05/01	3 279	at	29/09	-21.3%
CAC 40	5 932	7 376	at	05/01	5 677	at	29/09	-1.7%
DAX 30	12 438	16 272	at	05/01	11 976	at	29/09	-21.7%
IBEX 35	7 383	8 934	at	27/05	7 261	at	12/10	-1.5%
FTSE100	6 859	7 672	at	10/02	6 826	at	12/10	-0.7%
Asia								
MSCI, loc.	1 043	1 165	at	05/01	1 012	at	30/09	-0.9%
Nikkei	27 091	29 332	at	05/01	24 718	at	09/03	-5.9%
Emerging								
MSCI Emerging ($)	863	1 267	at	12/01	855	at	13/10	-3.0%
China	54	86	at	20/01	53	at	13/10	-34.1%
India	746	891	at	13/01	699	at	17/06	-2.2%
Brazil	1 529	2 003	at	04/04	1 311	at	14/07	+1.2%

At 14-10-22 *Change*

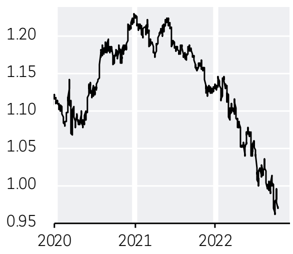
PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)



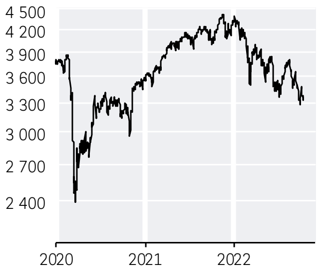
SOURCE: REFINITIV, BNP PARIBAS,

MARKETS OVERVIEW

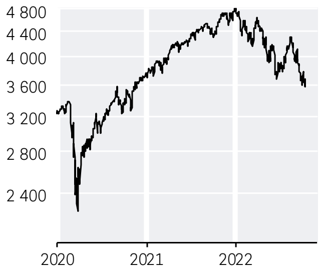
EURO-DOLLAR



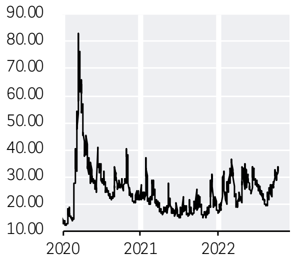
EUROSTOXX50



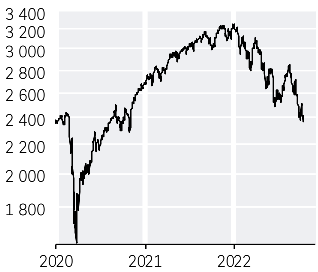
S&P500



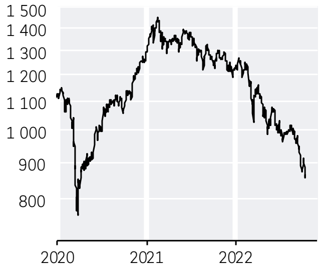
VOLATILITY (VIX, S&P500)



MSCI WORLD (USD)

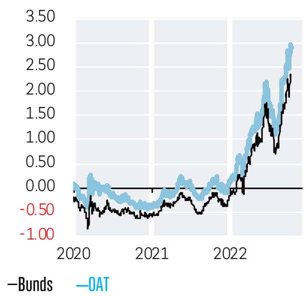


MSCI EMERGING (USD)



10Y BOND YIELD, TREASURIES VS BUND

10Y BOND YIELD

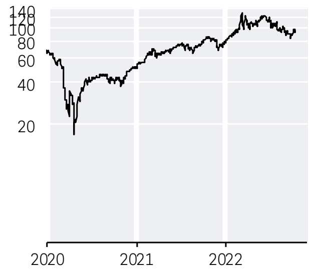


10Y BOND YIELD & SPREADS

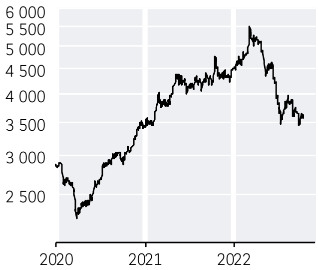
Year 2022 to 14-10

5.39%	Greece	302 bp
4.68%	Italy	231 bp
3.52%	Spain	116 bp
3.31%	Portugal	94 bp
3.08%	Austria	71 bp
3.03%	Finland	66 bp
3.01%	Belgium	64 bp
2.89%	Ireland	53 bp
2.89%	France	53 bp
2.62%	Netherlands	25 bp
2.36%	Germany	

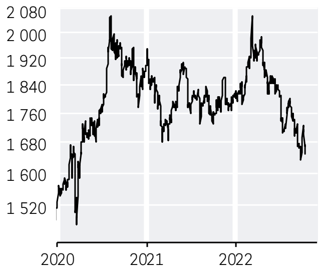
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS

ECONOMIC PULSE

GERMANY: THE GREAT FISCAL REVERSAL

While the government has already put in place a series of measures[1] totalling EUR 65 bn euros (equivalent to 1.8% of GDP), on 29 September Olaf Scholz announced "a double whammy", to use his own words, with the introduction of measures to help with the cost of energy, up to a maximum amount of 200 billion euros. It is not expected that the entire budget will be used up; initial estimates suggest that half of the maximum budget would be utilised. This large-scale plan (5.5% of GDP) should make it possible to subsidise electricity consumption for households and businesses (around 80% of their usual consumption) and to maintain a reduced VAT rate of 7% on gas until spring 2024. After two decades of fiscal restraint, Germany is entering a new fiscal era at a time when its most precious asset, industry, is in the midst of a crisis.

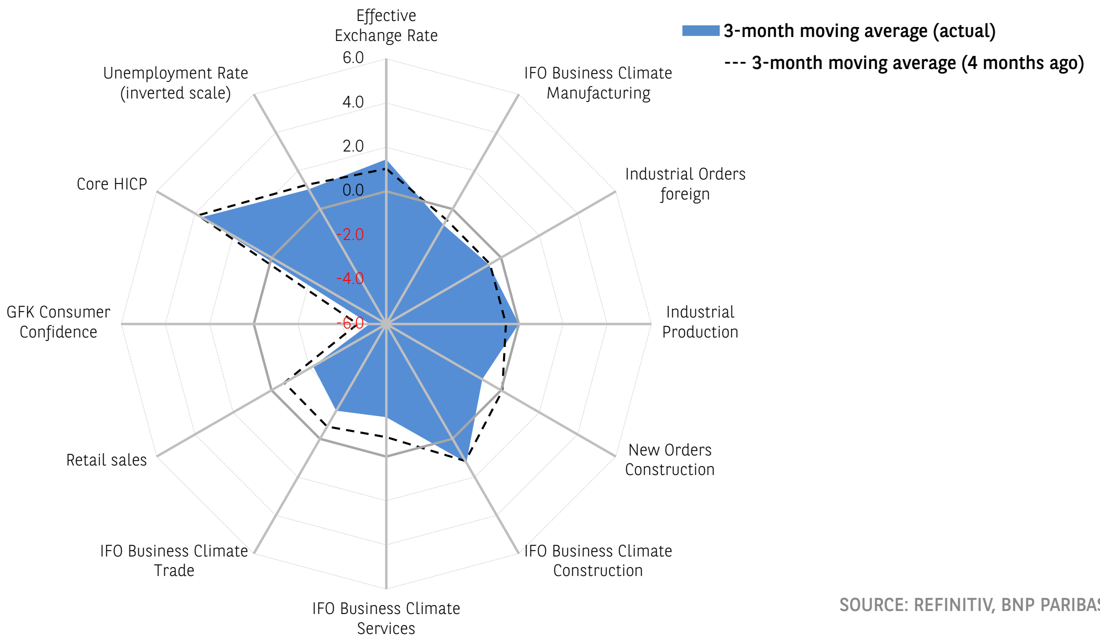
As Finance Minister Christian Lindner has stated that he does not want to abandon the "debt brake", the funds disbursed will take the form of loans issued from an off-budget fund. This accounting book-entry technique is a common practice of the government, which used the same process for the climate fund and more recently for military investment. But the size of the deficits in these special funds is starting to cause concern: these are forecast to be more than EUR 50 bn in 2024 according to the Federal Ministry of Finance (EUR 27 bn for the climate fund; EUR 24 bn euros for the military fund).

At the same time, the economic situation continues to deteriorate. Industrial production fell by 2% between January and August and the decline was particularly marked for energy-intensive industries: -9.3% for the chemical and pharmaceutical industry, -7.5% in the wood/paper sector, -3.1% for steel and metalworking. Surveys of purchasing managers confirm this contraction, as the production capacity utilisation rate has fallen by 16 points since the start of 2022. The manufacturing PMI also continued to deteriorate in September and was in negative territory (-1.3 points to 47.8) for the third consecutive month. The loss of momentum in industry weighed on exports and the trade surplus, which fell to only 1.2 billion euros in August (compared with EUR 3.4 bn in July). The Kiel Institute is even predicting that the trade balance will turn negative in October for the first time since 1991. The business climate in other sectors seems to have deteriorated just as much. Worse still, the 6-monthly activity forecasts as measured by the IFO are at their lowest levels in all sectors since the 1st lockdown in April 2020. For the first time since the Covid crisis, the IFO clock reflecting where we are in the economic cycle is indicating that Germany has gone into recession.

Anthony Morlet-Lavidalie

1. See EcoWeek of 19 September for details

GERMANY: 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 -6 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.

SPAIN: FOOD PRODUCTS - NOW THE MAIN SOURCE OF INFLATION.

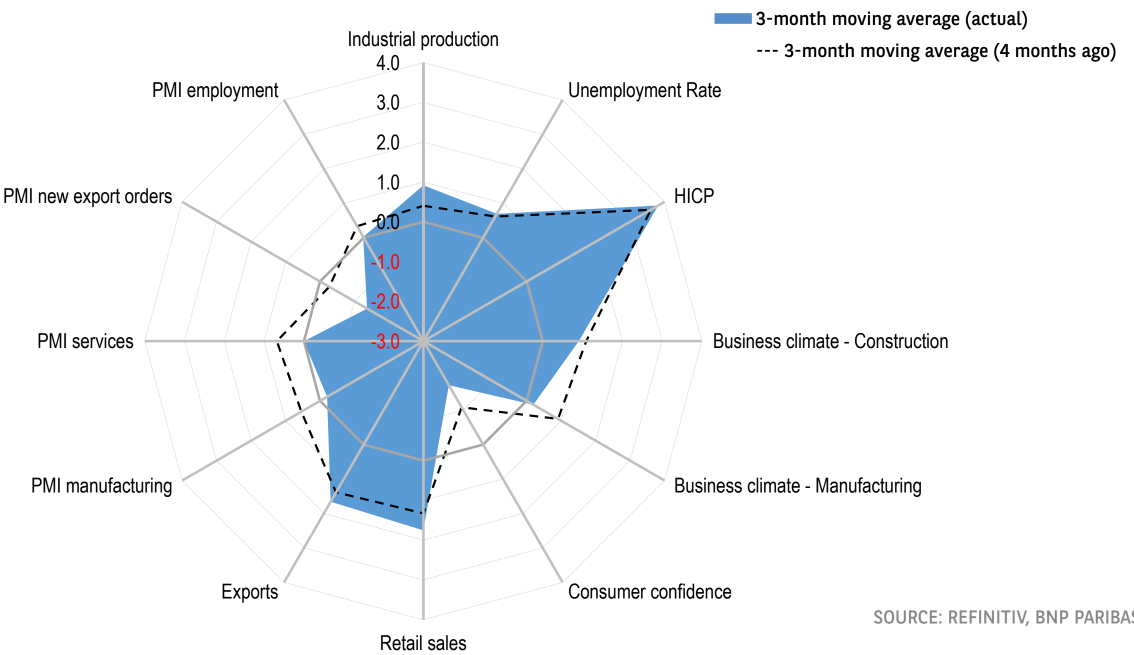
The detailed inflation figures for September confirm the changes in price momentum over recent months. The rise in energy prices, while still very high (22.4% y/y), has eased since last March – at that time the increases had peaked at 60.9% y/y. Conversely, the annual CPI increase for food and non-alcoholic beverages has accelerated (14.4% y/y compared to 6.8% y/y in March). As a result, and for the first time since the outbreak of the war in Ukraine, the rise in the cost of food products has become the leading contributor to inflation, by 3.4 percentage points (p.p.), compared to 2.4 p.p. for energy. However, harmonised total inflation fell from 10.5% in August to 9.0% in September.

The labour market maintained its momentum in the third quarter, with around 130,000 net new jobs created during the summer, and with an unemployment rate which again fell slightly in August, to 12.4%. Nonetheless, the deterioration in opinion surveys leaves little doubt that this positive recruitment dynamic will not last. Household confidence recorded its worst level in 10 years during July, and it has not recovered much since then. In September the composite PMI fell below 50 (-2.1 points, to 48.4), the lowest for one and a half years. The manufacturing (49.0) and service (48.5) indices were both negative, indicating an increasingly widespread slowdown in activity for the economy as a whole. The deterioration in the situation in Europe weighed on external demand: at 41.5 in September, the manufacturing PMI indicator for new export orders fell further, reaching the same level as at the beginning of the first lockdown in March 2020.

In the current economic and social context, and one year from the general election, a very expansionist 2023 budget might have been expected from the socialist government. But the roadmap unveiled by the Ministry of Finance is generally conservative, with a limited increase in social expenditure (+1.1%) and a deficit forecast of less than 4% of GDP for next year. The budget figures are nevertheless based on a very optimistic growth rate for 2023, at 2.1%, and far from the consensus. Last week the IMF cut its 2023 forecast to +1.2%, compared to +2.0% last July, while our forecasts for September indicate an increase of just 0.5%.

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.

COVID-19: RESURGENCE OF THE COVID-19 PANDEMIC IN PARTS OF EUROPE

The growth in the number of new Covid-19 cases continued for the fourth consecutive week in Europe. According to the latest data from Johns Hopkins University, European countries have recorded 59% (1.92 million out of a global total of 3.25 million) of new Covid-19 infections diagnosed in the last seven days (chart 1). In that region, the highest number of infections was recorded by Germany (632,167, +54%), followed by France (382,191, +21%), Italy (282,347, +26%), Russia (156,489, -26%) and Austria (95,894, +20%). The five countries account for 81.4% of new cases in Europe. In other parts of the world, the trend is still downward: Africa (-30%), South America (-15%), North America (-12%) and Asia (-7%). At the same time, the rate of vaccination coverage is progressing but more slowly, although it continues to expand. To date 13 billion doses of vaccine have been administered globally, which brings the proportion of the world's population having received at least one dose of a Covid-19 vaccine to 68.2% (chart 2).

Footfall in shops and leisure facilities is at a pre-pandemic level in Belgium, while it is only slightly under it in Italy and France. However, in Germany, Spain, Japan, the UK and the US, it remains further below the pre-Covid level (chart 3, blue curve).

The weekly GDP tracker appears on a slightly downward slope in Spain and a little more markedly so in France, but it is much more pronounced in Germany. Meanwhile, the tracker is relatively stable in the UK, Japan and the US. In Belgium and Italy, the tracker stands out with a drop at the last point of the curve (chart 3, black curve). This tracker is produced by the OECD using Google Trends data from searches relating to consumption, the labour market, real estate, industrial activity and uncertainty. The tracker shown here is calculated on a rolling basis over one year.

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)

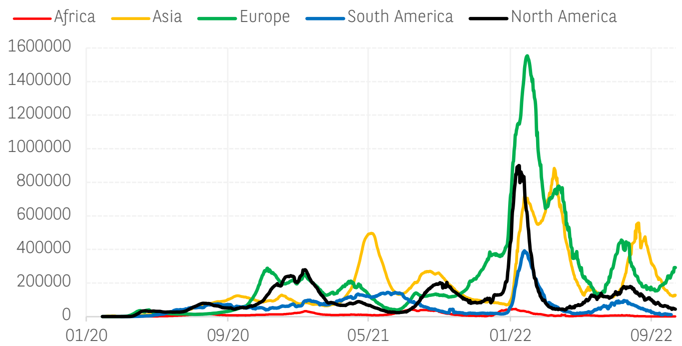


CHART 1 SOURCE: JOHNS-HOPKINS UNIVERSITY (13/10/2022), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

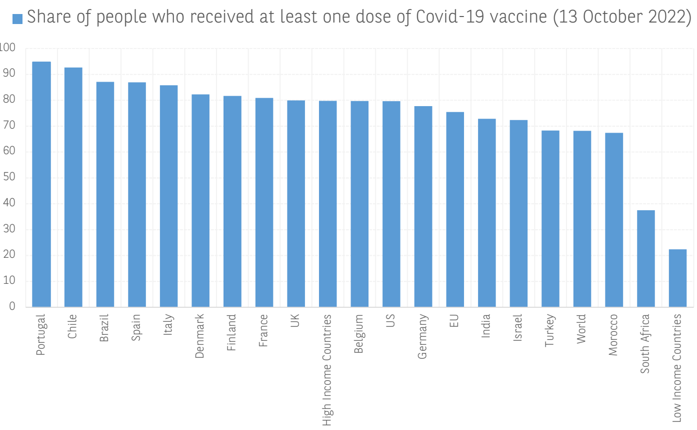
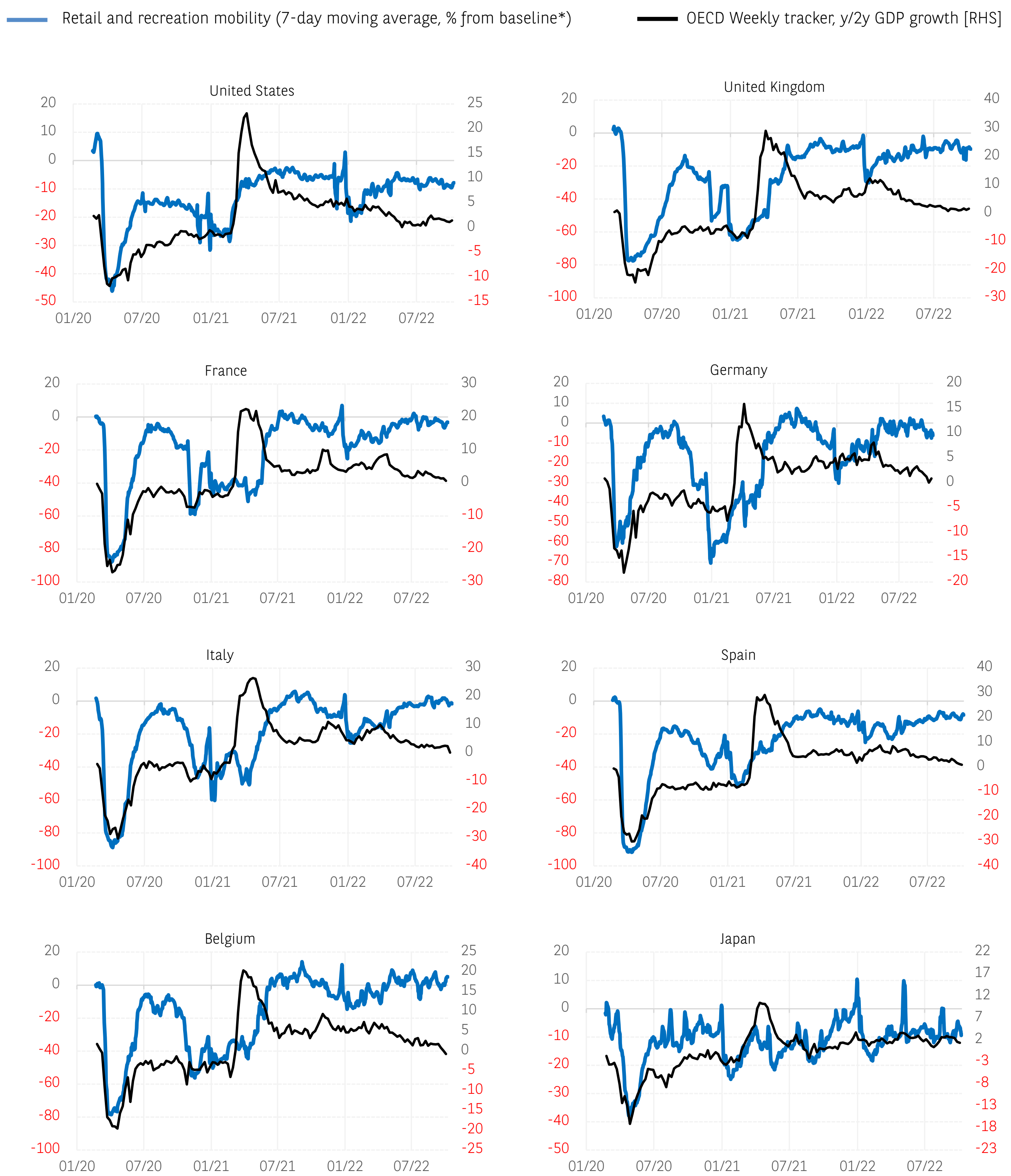


CHART 2 SOURCE: OUR WORLD IN DATA (13/10/2022), BNP PARIBAS

RETAIL AND RECREATION MOBILITY & OECD WEEKLY TRACKER

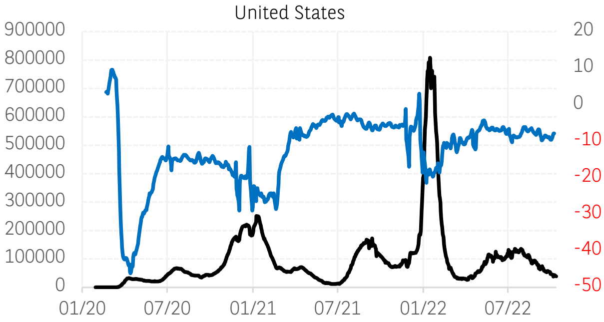


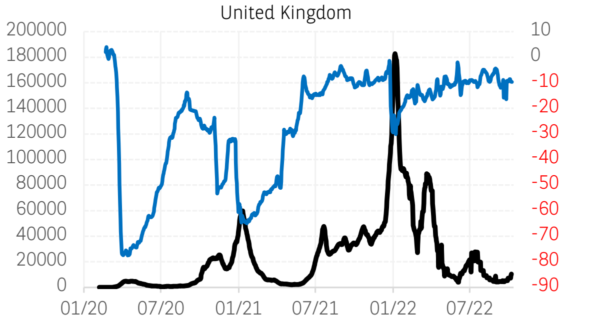
SOURCE: OECD (13/10/2022), GOOGLE (13/10/2022), BNP PARIBAS

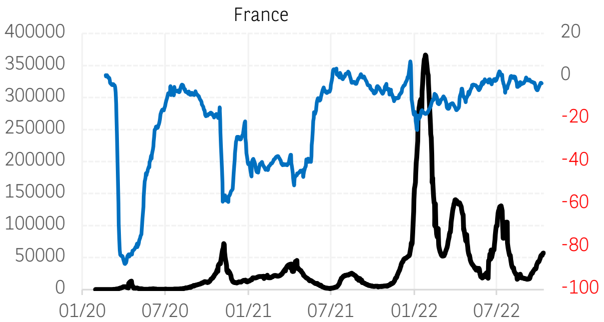
DAILY NEW CASES & RETAIL AND RECREATION MOBILITY

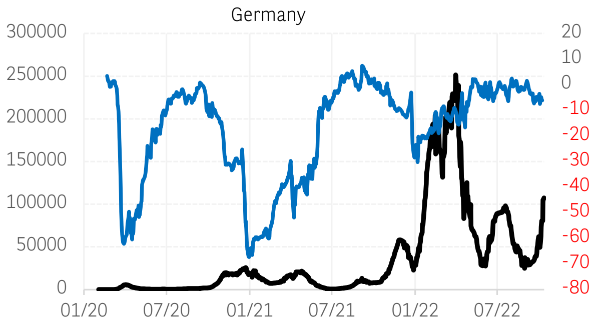
Daily new confirmed cases of Covid-19 (7-day moving average)

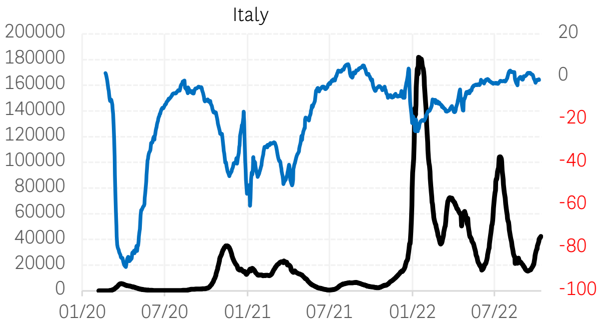
Retail and recreation mobility (7-day moving average, % from baseline*)[RHS]

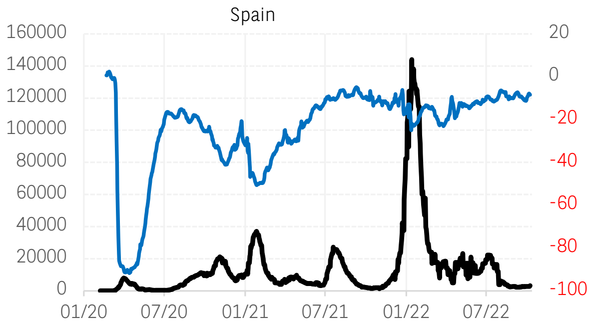


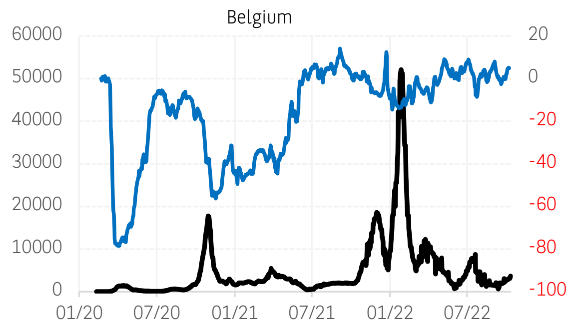


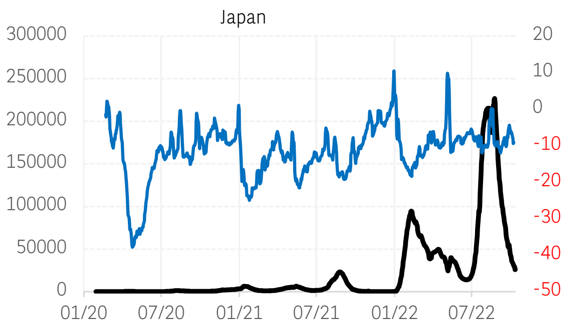












SOURCE: JOHNS-HOPKINS UNIVERSITY (13/10/2022), GOOGLE (13/10/2022), BNP PARIBAS

ECONOMIC SCENARIO

UNITED STATES

The US economy is slowing down significantly, with GDP contracting again in Q2 2022, despite strong household consumption and a rebound in exports. Job gains remain robust however and the unemployment rate low, which supports wage growth. However, there are some early signs of a slowdown. Inflation may have peaked in mid-2022 and should continue to decline, but not to move below the 2% target. Facing high and persistent inflation, the Fed continues to raise interest rates "expeditiously" and to shrink its balance sheet. As the mid-term elections approach, the Inflation Reduction Act (IRA) vote represents a victory for President Joe Biden, with the implementation of some of his social and environmental key measures. This plan should also support economic activity. According to our forecasts, the US would not fall into recession, but growth would run below-trend for a prolonged period to ease price pressures.

CHINA

Economic activity contracted in Q2 2022 due to the lockdowns imposed in large industrial regions such as Shanghai. The economic growth rebound since late spring has proved difficult. The authorities are enhancing fiscal and monetary easing measures. However, factors constraining growth remain significant: the correction in the property sector continues, and the deterioration in the labour market, the still tight zero Covid strategy and weak household confidence weigh on private consumption. Moreover, exports are expected to suffer from the slowdown in global demand. Consumer price inflation is accelerating only moderately..

EUROZONE

The look in the rear-view mirror is fairly favorable. The first half of 2022 was better than expected, leading to a comfortable growth carry-over a bit above 3%. However, the outlook for the coming quarters is negative: according to our forecasts, the Eurozone will not escape a contraction of its GDP. The current unprecedented combination of shocks (inflation, health, geopolitical, energy, climate, monetary) should overcome the resilience observed so far. We already have signs of this in the deterioration in confidence surveys, which has intensified over the summer. However, the recession should remain limited in scope thanks to the support of fiscal measures and as long as the labor market continues to perform well as it is now. In annual average terms, we expect Eurozone growth to reach 2.8% in 2022 but only 0.3% in 2023 (2 points lower than in our previous scenario in June). Regarding inflation, we forecast it will soon reach its peak, nearing 10% y/y, before engaging in a rather slow disinflation process in 2023.

FRANCE

Real GDP growth has surprised on the upside in the 2nd quarter of 2022 (+0.5% q/q after -0.2% in the 1st quarter), mainly as a result of tourism (positive contribution of net exports) and accommodation & catering following the unwinding of the bulk of Covid related restrictions. However, inflation has continued to accelerate (reaching a peak of 6.1% y/y in July) and household purchasing power has reduced for a second quarter in a row (-1.1% q/q during the 2nd quarter). Backlog of orders in the manufacturing have continued to decrease, and GDP growth should follow (we expect 0.5% in 2023 after 2.3% in 2022).

RATES AND EXCHANGE RATES

In the US, the Federal Reserve will continue its tightening policy at a swift pace. After the 75bp hike in September, further increases will follow in November and December, bringing the federal funds rate to its terminal rate for this cycle at 4.50% (upper end of the target range). This level should be maintained through 2024. The Fed's hawkish stance is motivated by the particularly elevated inflation and a strong labour market. When the economy slows down and inflation will be on a downward path, the Federal Reserve should adapt its guidance to achieve a soft landing. This implies that US Treasury yields should move higher in the near term, reflecting the prospect of monetary policy tightening. In the course of next year we expect somewhat lower yields as growth slows and inflation declines.

After the 50bp rate hike in July and the 75bp increase in September, the ECB Governing Council will continue to raise its policy rates at its next meetings. Policy tightening is frontloaded, which means that the terminal rate -i.e. the peak rate in this cycle- should be reached by the end of the first quarter of next year. We expect a peak for the deposit rate at 3.00%. This should cause an increase in Bund yields.

The Bank of Japan is expected to maintain its current policy stance, at least until Governor Kuroda's term ends in the spring of 2023. Thereafter, we expect a less dovish policy and a one-off rate hike in the fourth quarter of 2023.

We expect the dollar to weaken somewhat versus the euro. The dollar's valuation is expensive, positioning in the market is very long and the long-term interest rate differential should narrow. The yen has already weakened significantly versus the dollar, reflecting the prospect of increased policy divergence between the Fed and the Bank of Japan. We expect the exchange rate to remain around current levels for the remainder of the year. In 2023, the yen should strengthen versus the dollar considering that the federal funds rate should have reached its terminal rate and that the Bank of Japan is expected to tighten policy.

GDP GROWTH & INFLATION

	GDP Growth				Inflation			
%	2021	2022 e	2023 e	2024 e	2021	2022 e	2023 e	2024 e
United-States	5.7	1.7	1.0	0.9	4.7	8.0	4.4	3.9
Japan	1.7	1.3	0.8	0.6	-0.2	2.2	1.1	0.6
United-Kingdom	7.4	3.4	-0.1	1.4	2.6	8.9	6.5	3.0
Euro Area	5.3	2.8	0.3	1.5	2.6	8.3	5.9	2.5
Germany	2.6	1.4	0.4	1.7	3.2	8.6	5.8	2.4
France	6.8	2.3	0.5	1.5	2.1	5.7	4.8	2.1
Italy	6.6	3.4	0.4	1.6	1.9	8.4	6.4	2.2
Spain	5.1	4.3	0.5	1.7	3.0	8.8	4.1	1.6
China	8.1	3.0	5.3	5.0	0.9	2.3	3.1	2.5
India*	9.3	8.3	6.2	6.5	5.4	7.9	5.9	5.5
Brazil	4.6	3.0	0.5	1.3	8.3	9.4	5.4	4.9
Russia	4.5	-7.0	0.8	0.3	7.1	14.0	10.5	7.6

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		Q2 2022	Q4 2022 e	Q1 2023 e	Q2 2023 e	Q4 2023 e
US	Fed Funds (upper limit)	1.75	4.50	4.50	4.50	4.50
	T-Note 10y	2.97	3.55	3.50	3.45	3.30
Eurozone	Deposit rate	-0.50	2.25	3.00	3.00	3.00
	Bund 10y	1.37	1.90	2.20	2.20	2.10
	OAT 10y	1.80	2.55	2.90	2.85	2.75
	BTP 10y	3.29	4.40	4.60	4.50	4.40
	BONO 10y	2.46	3.20	3.70	3.60	3.50
UK	Base rate	1.25	4.00	5.00	5.00	5.00
	Gilts 10y	2.21	4.75	4.85	4.50	4.40
Japan	BoJ Rate	-0.04	-0.10	-0.10	-0.10	0.00
	JGB 10y	0.23	0.25	0.25	0.25	0.45

Exchange Rates End of period		Q2 2022	Q4 2022 e	Q1 2023 e	Q2 2023 e	Q4 2023 e
USD	EUR / USD	1.05	1.00	1.01	1.02	1.06
	USD / JPY	136	137	135	133	127
	GBP / USD	1.21	1.05	1.12	1.12	1.12
EUR	EUR / GBP	0.86	0.95	0.95	0.95	0.95
	EUR / JPY	142	137	136	136	135

Brent End of period		Q2 2022	Q4 2022 e	Q1 2023 e	Q2 2023 e	Q4 2023 e
Brent	USD/bbl	115	100	102	107	115

Forecasts as of 6 September unless mentioned otherwise.
Fed Funds Rate and US 10-Year : forecast as of 21 September
BoE Rate, Gilt 10-Year, GBP/USD and EUR/GBP : forecast as of 28 September
Eurozone Deposit Rate: forecast as of 29 September

SOURCES: BNP PARIBAS (E: ESTIMATES & FORECASTS) (MARKET ECONOMICS, INTEREST RATE STRATEGY, FX STRATEG, COMMODITIES DESK STRATEGY)

CALENDAR

LATEST INDICATORS

In France, the final inflation number for September was in line with the preliminary estimate. In Japan, the Eco Watchers' survey for September has sent conflicting signals with an unexpectedly strong improvement of the current conditions index, whereas the assessment of the outlook edged down. The consensus had expected an improvement. In the UK, the contraction of GDP was slightly bigger than expected but the decline in employment was smaller than the consensus forecast.

In the US, small business sentiment recorded a marginal increase and retail sales were stable, which was a disappointment. Monthly headline producer price inflation rose more than expected but core PPI was in line with the consensus and marginally lower than the previous month. Consumer price inflation accelerated in September and came in above expectations. The latter also applies to core inflation, although its monthly increase was the same as in August, a sizeable 0.6%. In the University of Michigan survey, there was a considerable improvement of the current conditions index but the expectations survey declined unexpectedly. An additional concern is the increase of inflation expectations, both in the short and the long run.

DATE	COUNTRY	INDICATOR	PERIOD	SURVEY	ACTUAL	PREVIOUS
10/11/2022	Japan	Eco Watchers Survey Current SA	Sep.	47.7	48.4	45.5
10/11/2022	Japan	Eco Watchers Survey Outlook SA	Sep.	50.8	49.2	49.4
10/11/2022	United Kingdom	Employment Change 3M/3M	Aug.	-160k	-109k	40k
10/11/2022	United States	NFIB Small Business Optimism	Sep.	91.6	92.1	91.8
10/12/2022	United Kingdom	Monthly GDP (3M/3M)	Aug.	-0.2%	-0.3%	0.0%
10/12/2022	United States	PPI Ex Food and Energy YoY	Sep.	7.3%	7.2%	7.3%
10/12/2022	United States	PPI Final Demand MoM	Sep.	0.2%	0.4%	-0.1%
10/12/2022	United States	PPI Ex Food and Energy MoM	Sep.	0.3%	0.3%	0.4%
10/12/2022	United States	FOMC Meeting Minutes	Sep.	--	--	--
10/13/2022	United States	CPI MoM	Sep.	0.2%	0.4%	0.1%
10/13/2022	United States	CPI Ex Food and Energy MoM	Sep.	0.4%	0.6%	0.6%
10/13/2022	United States	Initial Jobless Claims	Oct.	225k	228k	219k
10/14/2022	France	CPI EU Harmonized MoM	Sep.	-0.5%	-0.5%	-0.5%
10/14/2022	France	CPI EU Harmonized YoY	Sep.	6.2%	6.2%	6.2%
10/14/2022	United States	Retail Sales Advance MoM	Sep.	0.2%	0.0%	0.3%
10/14/2022	United States	U. of Mich. Sentiment	Oct.	59.0	59.8	58.6
10/14/2022	United States	U. of Mich. Current Conditions	Oct.	59.9	65.3	59.7
10/14/2022	United States	U. of Mich. Expectations	Oct.	58.5	56.2	58.0
10/14/2022	United States	U. of Mich. 1 Yr Inflation	Oct.	4.6%	5.1%	4.7%
10/14/2022	United States	U. of Mich. 5-10 Yr Inflation	Oct	2.8%	2.9%	2.7%

SOURCE: BLOOMBERG

CALENDAR: THE WEEK AHEAD

COMING INDICATORS

The estimate of third quarter GDP growth will be released. The ZEW survey will come out for Germany and the euro area. In the United Kingdom, we will have inflation data, retail sales and consumer confidence. In France, the latest business confidence numbers will become available and for the euro area we will have the final consumer inflation data for September as well as consumer confidence for October. In the US, several data will be published about the housing market and construction activity. We will also have the Conference Board index of leading economic indicators as well as the Federal Reserve's Beige Book.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
10/18/2022	Germany	ZEW Survey Expectations	Oct	--	-61,9
10/18/2022	Germany	ZEW Survey Current Situation	Oct	--	-60,5
10/18/2022	Eurozone	ZEW Survey Expectations	Oct	--	-60,7
10/18/2022	United States	NAHB Housing Market Index	Oct	45	46
10/19/2022	United Kingdom	CPIH YoY	Sep	--	8,60%
10/19/2022	Eurozone	CPI YoY	Sep	--	9,10%
10/19/2022	Eurozone	CPI Core YoY	Sep	--	4,80%
10/19/2022	United States	Building Permits MoM	Sep	0,50%	-10,00%
10/19/2022	United States	Housing Starts MoM	Sep	-5,40%	12,20%
10/19/2022	United States	U.S. Federal Reserve Releases Beige Book			
10/20/2022	France	Business Confidence	Oct	--	102
10/20/2022	United States	Initial Jobless Claims	Oct	--	--
10/20/2022	United States	Leading Index	Sep	-0,30%	-0,30%
10/21/2022	United Kingdom	GfK Consumer Confidence	Oct	--	-49
10/21/2022	United Kingdom	Retail Sales Ex Auto Fuel MoM	Sep	--	-1,60%
10/21/2022	Eurozone	Consumer Confidence	Oct	--	-28,8

SOURCE: BLOOMBERG

FURTHER READING

Qatar : favorable prospects thanks to the gas rent	EcoTVWeek	14 October 2022
Emerging Countries : Double whammy	EcoEmerging	12 October 2022
Eurozone: the contribution of supply-side issues to food price inflation	Chart of the Week	12 October 2022
Eurozone : Rising interest rates and public debt sustainability	EcoWeek	10 October 2022
United Kingdom: "God save the Gilt"	EcoTVWeek	7 October 2022
Kenya: Focus on fiscal consolidation	Chart of the Week	5 October 2022
United Kingdom : The 'dash for cash', leverage and the need for economic policy coordination	EcoWeek	3 October 2022
Key figures of the French economy	Pocket Atlas	3 October 2022
EcoPerspectives : The recession narrative	EcoPerspectives	30 September 2022
Spain: Complete reversal of real estate financing model in 12 years	Chart of the Week	28 September 2022
United States: vacancies, job turnover and disinflation	EcoWeek	26 September 2022
France: After inflation comes recession?	EcoTVWeek	23 September 2022
Global: Developed economies: housing prices and bubble risk	Chart of the Week	21 September 2022
Global: The monetary cycle: from panic to perseverance to patience	EcoWeek	19 September 2022
Latin America : the mechanisms of inflation	EcoTVWeek	17 September 2022
Global : 2022, towards a likely new record in CO2 emissions	Chart of the Week	15 September 2022
Global : What drives the pace of disinflation?	EcoWeek	12 September 2022
Eurozone: a positive first half of the year to be followed by a negative second half?	EcoTVWeek	9 September 2022
Sweden: Can populist forces take power in Sweden?	EcoFlash	9 September 2022
Chile: rejection of the draft constitution	Chart of the Week	7 September 2022

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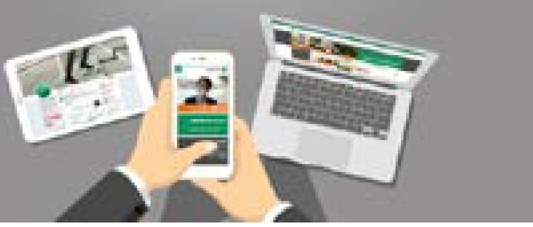

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