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**ECONOMIC RESEARCH**



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## EUROZONE: UPSIDE RISKS TO INFLATION

Although they have eased recently, high Eurozone manufacturing price pressures are fuelling analysts' concerns that inflation could stay high for longer. There is an impression that the ECB is increasingly sympathetic for this view. This is important in the run-up to the December meeting of the governing council. Whether supply bottlenecks and rising input prices will have a longer-lasting effect on inflation depends on the transmission to the rest of the economy. One would expect it to be higher under a combination of strong demand, low inventory levels and long supplier delivery times. This corresponds to the current situation in the sectors producing durable consumer goods, intermediate goods and investment goods. Perhaps, inflation could surprise to the upside after all in the near term.

Eurozone manufacturing price pressures – the average of the readings for input prices, output prices and suppliers' delivery time in the PMI surveys – have eased recently whilst remaining at an elevated level. Historically, increases in this indicator have at times – such as in 2011-2012 – been accompanied by rising core inflation (chart 1) but on other occasions, such as in 2017-2018, this was hardly the case.

Despite this unstable correlation, at the current juncture, the record high level of price pressures is fuelling concerns amongst analysts that inflation could stay high for longer. It seems that the ECB is increasingly sympathetic for this view. Admittedly, despite an upgrade of the inflation projection, Christine Lagarde sounded quite neutral during her press conference of 9 September.

Headline inflation should decline next year but there was acknowledgement of the risk of an upside surprise if certain conditions were met. The latest projections of the Banque de France for the French economy articulate these risks very clearly. The magnitude and duration of the effects triggered by the observed rise in industrial input prices “constitute an upside hazard for our inflation projection.” Although it notes that input prices seem to have stabilised for now, they may increase further due to supply constraints. “Combined with the pressure on recruitment, higher than expected wage increases may occur.”<sup>1</sup> ECB Executive Board member Isabel Schnabel recently stated that three factors warrant particular attention – longer-term supply bottlenecks, wide-reaching reforms and structural change leading to a higher growth path and optimism of households which could boost demand – adding that “we are very diligently monitoring whether the underlying forecast assumptions might not underestimate the possibility of higher inflation over the coming years.”<sup>2</sup> According to Martins Kazaks, governor of the central bank of Latvia, “If Covid does not surprise on the negative side, there is some upside for the inflation outlook over the medium term.”<sup>3</sup> Finally, the FT reported that in the ECB staff's internal medium-term reference scenario, which has a five

year horizon, inflation would reach 2% soon after the end of the three year staff projections that the ECB is publishing.<sup>4</sup>

The impression of a somewhat stronger insistence than before by ECB officials on the upside risk to inflation is important in the run-up to the December meeting of the Governing Council. On that occasion, updated staff projections will be published – which may influence policy rate expectations – whereas the council should decide on the future of the pandemic emergency purchase programme. Against this background, economic data will, more than ever, be closely monitored, in particular those relating to supply bottlenecks and input prices. Whether they will have a longer-lasting effect on inflation depends to a large degree on the transmission of these impulses to the rest of the economy: to what extent do they cause an increase in output prices and, eventually, consumer prices? Lengthening delivery times tend to lead to higher input prices whereas low stock levels and strong demand will

4. Unpublished inflation estimate raises prospect of earlier rate rise, Financial Times, 17 September 2021. The article mentions that the comments were made by ECB chief economist Philip Lane in a call with German economists, although, according to Reuters, the ECB “disputed the story, calling it inaccurate” (ECB's Lane reveals in private meeting inflation target may be met by 2025, Reuters, 17 September).

### EUROZONE: MANUFACTURING PMI PRICE PRESSURES AND INFLATION

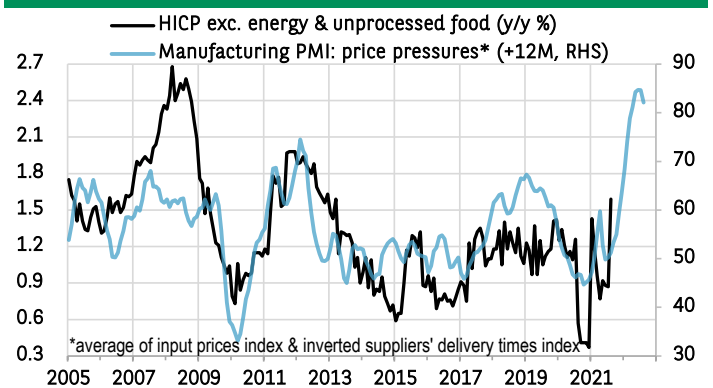


CHART 1

SOURCE: EUROSTAT, IHS MARKIT, BNP PARIBAS

1. Banque de France, Macroeconomic projections, 13 September 2021.
2. New narratives on monetary policy – the spectre of inflation, Speech by Isabel Schnabel, Member of the Executive Board of the ECB, 148th Baden-Baden Entrepreneurs' Talk, Frankfurt am Main, 13 September 2021.
3. ECB's Kazaks Sees Prospect of Faster Inflation Than Forecast, Bloomberg, 17 September 2021.

In the euro area, the sectors producing durable consumer goods, intermediate goods and investment goods are confronted with strong demand, low inventory levels and long supplier delivery times. Such a combination increases the risk of inflation surprising to the upside in the near term.



probably imply low price elasticity of demand, offering the opportunity of producers to raise their output prices in reaction to higher input prices. Thus, one would expect the transmission to be higher under a combination of strong demand, low inventory levels and long supplier delivery times. This corresponds to the situation prevailing in the euro

area in the sectors producing durable consumer goods, intermediate goods and investment goods (charts 2-7). Perhaps, inflation could surprise to the upside after all in the near term.

**William De Vijlder**

**EURO AREA: INDUSTRY SURVEY, CONSUMER GOODS**

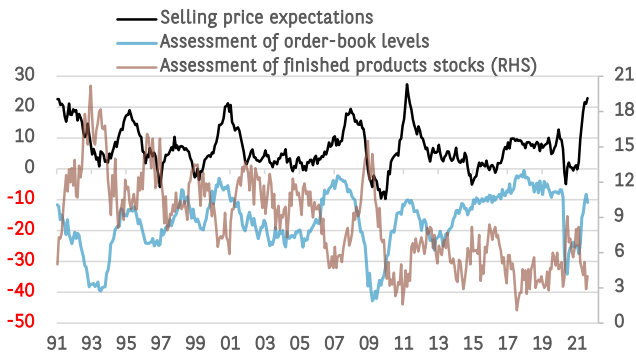


CHART 2 SOURCE: EUROPEAN COMMISSION, BNP PARIBAS

**EURO AREA: INDUSTRY SURVEY, DURABLE CONSUMER GOODS**

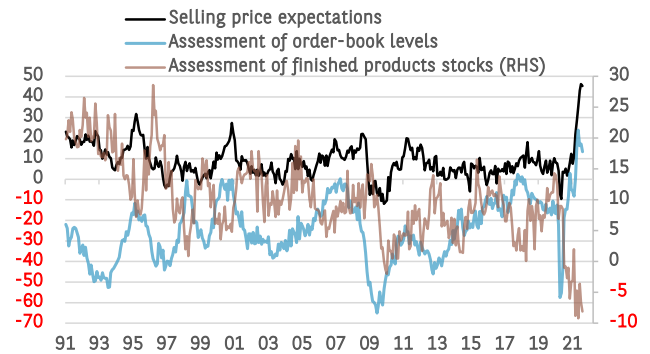


CHART 3 SOURCE: EUROPEAN COMMISSION, BNP PARIBAS

**EURO AREA: INDUSTRY SURVEY, NON DURABLE CONSUMER GOODS**

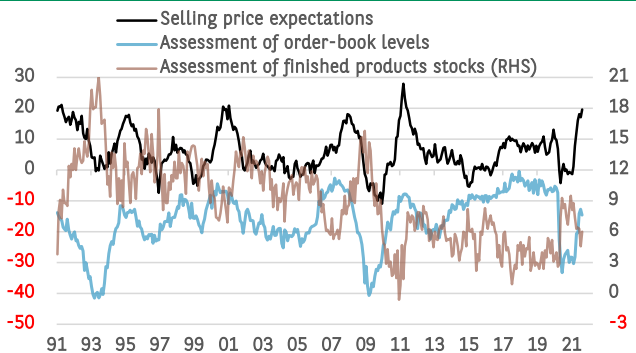


CHART 4 SOURCE: EUROPEAN COMMISSION, BNP PARIBAS

**EURO AREA: INDUSTRY SURVEY, FOODS AND BEVERAGES**

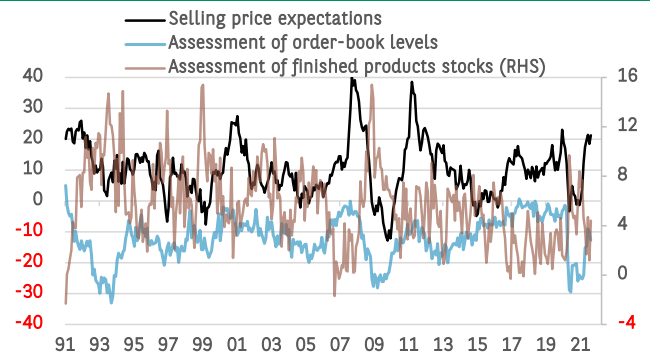


CHART 5 SOURCE: EUROPEAN COMMISSION, BNP PARIBAS

**EURO AREA: INDUSTRY SURVEY, INTERMEDIATE GOODS**

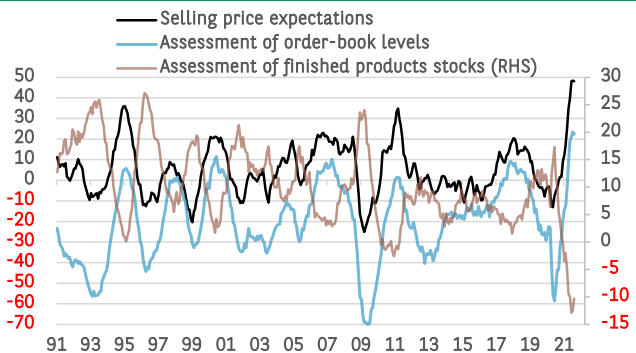


CHART 6 SOURCE: EUROPEAN COMMISSION, BNP PARIBAS

**EURO AREA: INDUSTRY SURVEY, INVESTMENT GOODS**

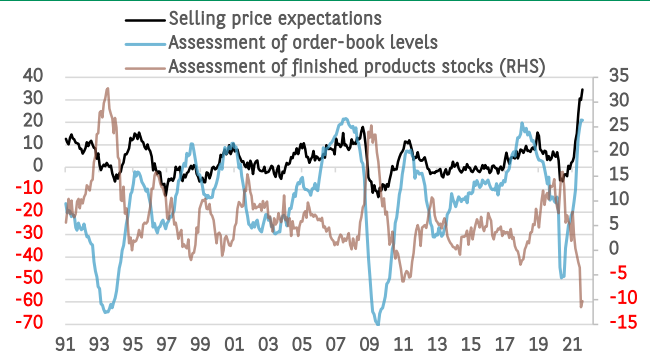


CHART 7 SOURCE: EUROPEAN COMMISSION, BNP PARIBAS

# MARKETS OVERVIEW

## OVERVIEW

Week 10-9-21 to 17-9-21

▼ CAC 40	6 664	▶ 6 570	-1.4 %
▼ S&P 500	4 459	▶ 4 433	-0.6 %
▼ Volatility (VIX)	21.0	▶ 20.8	-0.1 pb
▼ Euribor 3M (%)	-0.54	▶ -0.55	-0.4 bp
↗ Libor \$ 3M (%)	0.12	▶ 0.12	+0.8 bp
↗ OAT 10y (%)	-0.08	▶ -0.02	+5.9 bp
↗ Bund 10y (%)	-0.33	▶ -0.28	+5.4 bp
↗ US Tr. 10y (%)	1.34	▶ 1.37	+2.9 bp
▼ Euro vs dollar	1.18	▶ 1.17	-0.8 %
▼ Gold (ounce, \$)	1 794	▶ 1 754	-2.3 %
↗ Oil (Brent, \$)	73.0	▶ 75.8	+3.8 %

## MONEY & BOND MARKETS

Interest Rates	highest 21	lowest 21	Yield (%)	highest 21	lowest 21
€ ECB	0.00	0.00 at 01/01	€ AVG 5-7y	-0.26	-0.03 at 19/05
Eonia	-0.48	-0.47 at 26/01	Bund 2y	-0.72	-0.64 at 23/06
Euribor 3M	-0.55	-0.53 at 07/05	Bund 10y	-0.28	-0.11 at 20/05
Euribor 12M	-0.49	-0.47 at 20/04	OAT 10y	-0.02	0.23 at 17/05
\$ FED	0.25	0.25 at 01/01	Corp. BBB	0.61	0.79 at 20/05
Libor 3M	0.12	0.24 at 13/01	Treas. 2y	0.23	0.26 at 01/07
Libor 12M	0.22	0.34 at 01/01	Treas. 10y	1.37	1.75 at 31/03
£ BoE	0.10	0.10 at 01/01	High Yield	4.63	4.87 at 09/03
Libor 3M	0.07	0.09 at 24/03	£ gilt. 2y	0.16	0.17 at 16/09
Libor 12M	0.26	0.26 at 16/09	£ gilt. 10y	0.85	0.93 at 13/05

At 17-9-21

## EXCHANGE RATES

1e =	highest 21	lowest 21	2021
USD	1.17	1.23 at 06/01	1.17 at 20/08 -4.1%
GBP	0.85	0.91 at 06/01	0.85 at 10/08 -4.6%
CHF	1.09	1.11 at 04/03	1.07 at 17/08 +1.1%
JPY	129.07	133.97 at 28/05	125.22 at 18/01 +2.2%
AUD	1.61	1.64 at 20/08	1.53 at 18/03 +1.8%
CNY	7.57	8.00 at 01/01	7.57 at 17/09 -5.4%
BRL	6.24	6.95 at 03/03	5.88 at 24/06 -1.8%
RUB	85.44	92.47 at 20/04	85.38 at 16/09 -5.6%
INR	86.25	90.39 at 23/04	85.30 at 27/03 -3.5%

At 17-9-21

## COMMODITIES

Spot price, \$	highest 21	lowest 21	2021	2021(€)
Oil, Brent	75.8	77.2 at 05/07	51.2 at 04/01	+46.1% +52.3%
Gold (ounce)	1 754	1 947 at 05/01	1 682 at 08/03	-7.6% -3.7%
Metals, LME	4 312	4 429 at 10/09	3 415 at 01/01	+26.3% +31.6%
Copper (ton)	9 307	10 449 at 11/05	7 749 at 01/01	+20.1% +25.2%
wheat (ton)	238	2.9 at 07/05	223 at 10/09	-3.9% +0.2%
Corn (ton)	201	2.9 at 07/05	188 at 04/01	+0.6% +11.0%

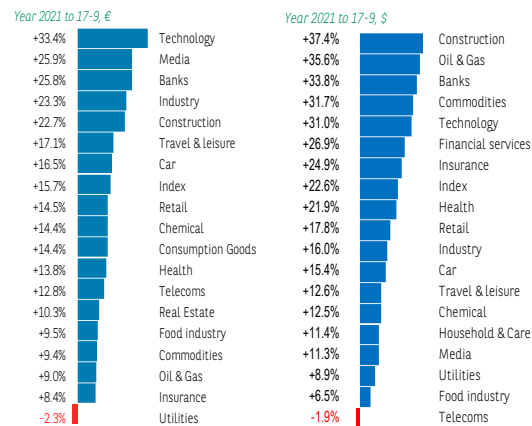
At 17-9-21

## EQUITY INDICES

Index	highest 21	lowest 21	2021
<b>World</b>			
MSCI World	3 097	3 170 at 06/09	2 662 at 29/01 +15.1%
<b>North America</b>			
S&P500	4 433	4 537 at 02/09	3 701 at 04/01 +18.0%
<b>Europe</b>			
EuroStoxx50	4 131	4 246 at 06/09	3 481 at 29/01 +16.3%
CAC 40	6 570	6 896 at 13/08	5 399 at 29/01 +1.8%
DAX 30	15 490	15 977 at 13/08	13 433 at 29/01 +12.9%
IBEX 35	8 761	9 281 at 14/06	7 758 at 29/01 +0.9%
FTSE100	6 964	7 220 at 11/08	6 407 at 29/01 +0.8%
<b>Asia</b>			
MSCI, loc.	1 184	1 196 at 14/09	1 044 at 06/01 +1.3%
Nikkei	30 500	30 670 at 14/09	27 013 at 20/08 +11.1%
<b>Emerging</b>			
MSCI Emerging (\$)	1 279	1 445 at 17/02	1 221 at 20/08 -0.1%
China	91	130 at 17/02	87 at 20/08 -15.7%
India	860	865 at 16/09	659 at 29/01 +28.2%
Brazil	1 646	2 098 at 24/06	1 561 at 09/03 -10.2%
Russia	826	838 at 15/09	647 at 01/02 +21.8%

At 17-9-21

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

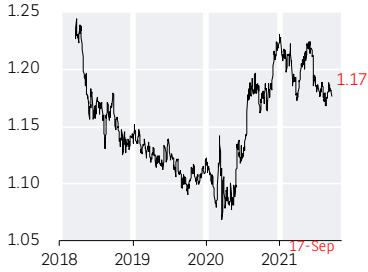


SOURCE: REFINITIV, BNP PARIBAS



# MARKETS OVERVIEW

**EURO-DOLLAR**



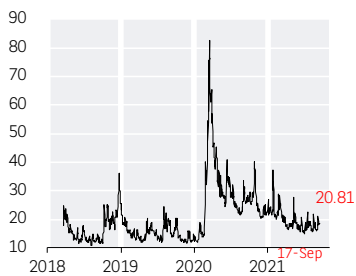
**EUROSTOXX50**



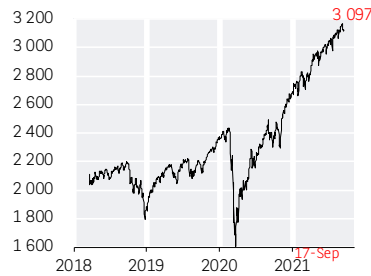
**S&P500**



**VOLATILITY ( VIX, S&P500)**



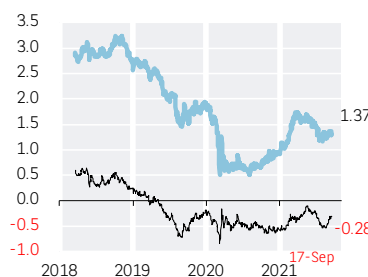
**MSCI WORLD (USD)**



**MSCI EMERGING (USD)**

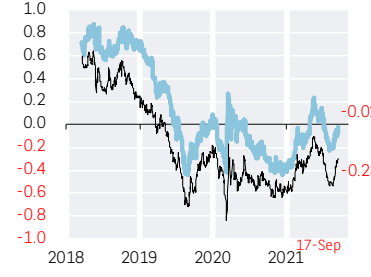


**10Y BOND YIELD, TREASURIES VS BUND**



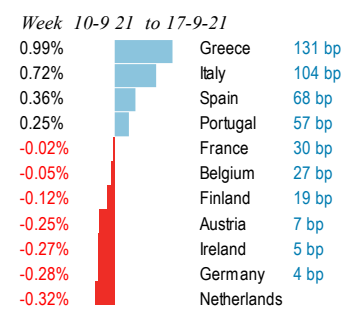
—Bunds —US Treasuries

**10Y BOND YIELD**

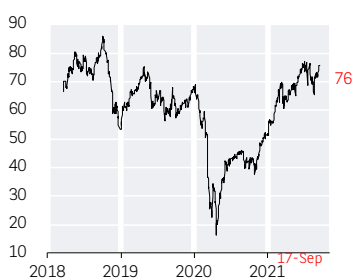


—Bunds —OAT

**10Y BOND YIELD & SPREADS**



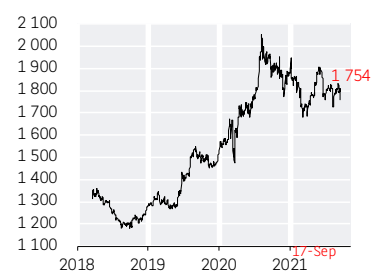
**OIL (BRENT, USD)**



**METALS (LMEX, USD)**



**GOLD (OUNCE, USD)**



SOURCE: REFINITIV, BNP PARIBAS



## ECONOMIC PULSE

6

## CHINA : ANOTHER HARD BLOW TO PRIVATE CONSUMPTION

China's economic growth slowed sharply over the summer. Lockdown measures reintroduced in response to the resurgence of the Covid-19 pandemic and the threat of the new Delta variant dealt another blow to private consumption. Growth in retail sales volumes dropped to 6.4% year-on-year in July and then to 0.9% in August, from an average of 11.9% in Q2 2021.

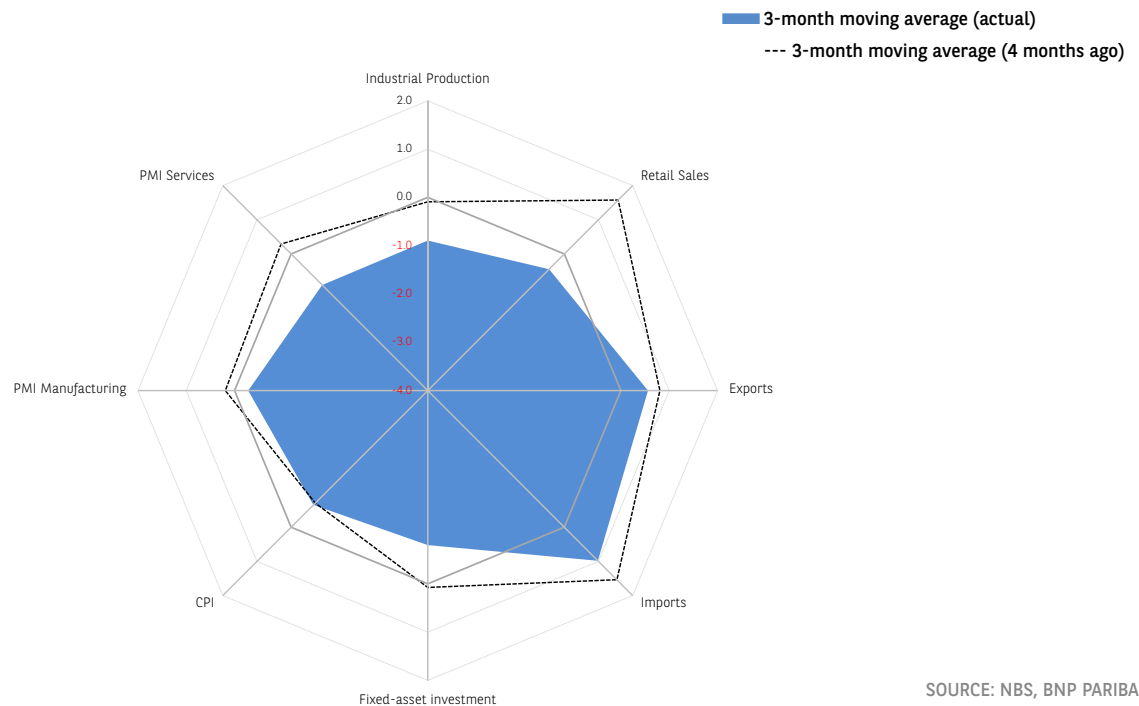
In the services sector, activity was hard hit by the new lockdown measures, but also by the effects of tighter macro-prudential rules in the real estate market and a regulatory clampdown on sectors such as the digital and video game industries. Other factors have also strained activity. In particular, the tightening in credit conditions and fiscal policy in H1 2021 contributed to the slowdown in real estate investment and, above all, in infrastructure investment.

The industrial sector has also been hit by supply chain disruptions. Yet, industrial production growth slowed only mildly, from 9% y/y in Q1 2021 to 6.4% in July and 5.3% in August. Industrial production remained buoyed by the persistently solid performance of merchandise exports (which continued to rise 25% y/y in value in August). Another positive factor is the dynamic growth in manufacturing investment, which rose 16% y/y in value in the first 8 months of 2021, compared to +19.2% in H1 2021. Strong profit growth and historically high production capacity utilisation rates (78.4% in Q2 2021) have indeed encouraged corporates to invest.

In the short term, household consumption and activity in the services sector should pick up thanks to the lifting of most lockdown restrictions and, to a lesser extent, to the advancement of the vaccination campaign (over 70% of the population has already received two shots). Consumer price inflation is still very low (+0.8% y/y in August), which is also expected to help household demand. Moreover, the authorities are expected to ease their policy mix to support domestic demand, mainly through measures to facilitate lending to targeted sectors and through an upturn in public investment. Meanwhile, regulatory tightening in sectors such as housing and internet should continue.

Christine Peltier

## QUARTERLY CHANGES



The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +2. 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.



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# ECONOMIC PULSE

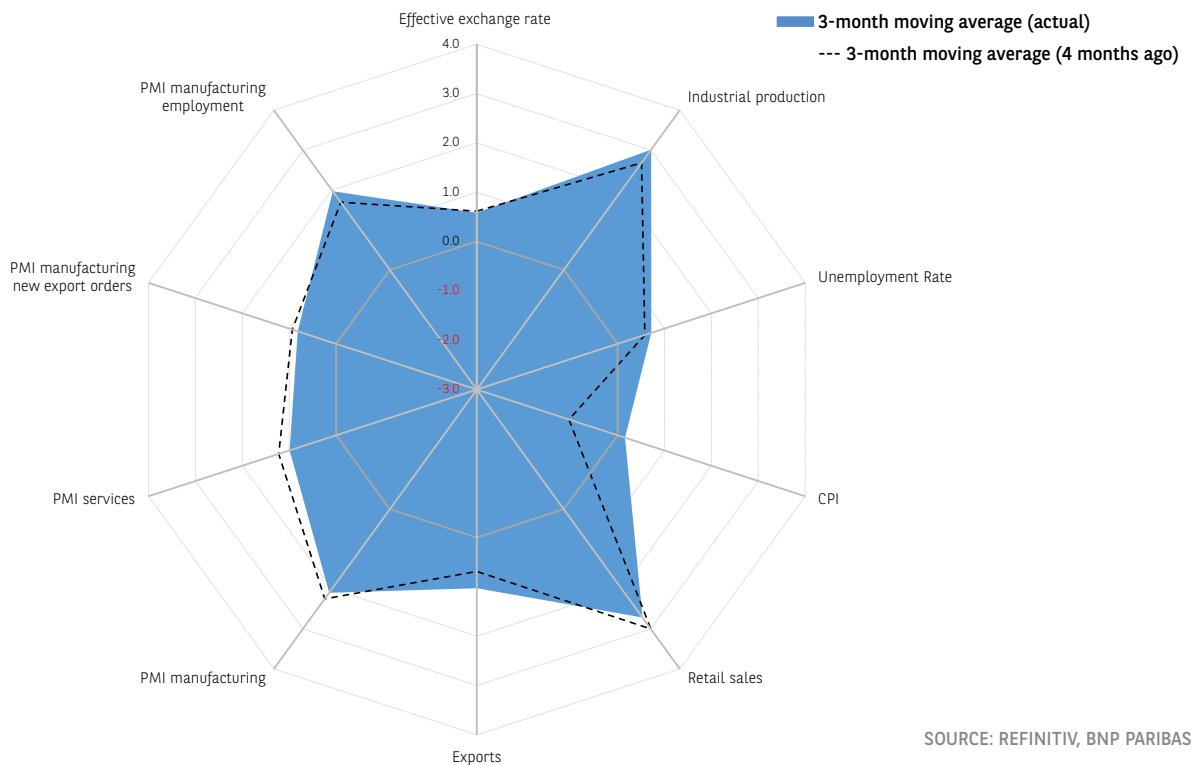
## UNITED KINGDOM: INFLATION SURGES

In the UK, people have swarmed into bars, pubs, restaurants and other recreation venues since “Freedom Day” on 21 July, when the country lifted its last Covid-19 lockdown measures and restrictions. After being curbed for such a long time, consumer demand was so strong that supply could barely keep up. Hotels and restaurants struggled with staff shortages while the number of job openings reached record highs. In August, labour market pressures carried over to prices, which rose sharply. Inflation largely surpassed expectations at 3.2% year-on-year, the highest level since 2012, and well above the Bank of England’s official target of 2%. As a result, BoE Governor Andrew Bailey must officially explain why inflation is above target and whether the situation will last. Everything seems to suggest that the upturn in prices will accelerate. September figures will integrate the increase in the VAT rate (from 5.5% to 12.5%) in the tourism and hotel sectors, while October’s figures will include the regulated rate increases for natural gas and electricity. By year-end 2021, inflation could reach or exceed 4%.

This should normally provide an incentive for the Bank of England to take action. The stabilisation of the central bank’s balance sheet at GBP 895 bn, after virtually doubling during the crisis, would be accompanied by a more precise forward guidance regarding the rise in the base rate, which is currently set at 0.10%. Before monetary policy can be tightened, however, there is one condition that has not been met yet: the full recovery of the economy. Although the GDP is operating at 96% of its pre-pandemic levels, it may becoming harder to close the remaining gap. Starting in September, there will be fewer support measures to boost consumption, such as government subsidies for job retention schemes. By eroding household purchasing power, the surge in inflation could undermine consumption as well.

Jean-Luc Proutat

### QUARTERLY CHANGES



The indicators in the radar are all transformed into ‘z-scores’ (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -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

## PANDEMIC NUMBERS CONTINUE TO DECLINE

Between Thursday, 9 September, and Wednesday, 15 September, 4.9 million new Covid-19 cases were reported worldwide, an 8% decline compared to the previous week. This is the third consecutive week in which the number of new cases has declined globally. All regions contributed to this decline (see chart 1). The number of deaths also declined for the third consecutive week, down 3% compared to the previous week. At the same time, vaccination campaigns continue to advance all over the globe (see chart 2). To date, 43% of the global population has received at least one dose of the Covid-19 vaccine, and 5.9 billion doses have been administered worldwide.

In terms of retail and leisure activity, footfall has returned to pre-pandemic levels in Germany, Belgium, France and Italy, while it is still below pre-Covid levels in Spain, the United States, Japan and the UK (see chart 3).

Lastly, the OECD Weekly Tracker of annual GDP growth ticked downwards recently in France, Belgium and Italy, while it continued to decline in the United States and the UK. In contrast, the Weekly Tracker improved in Japan and Germany and rebounded in Spain after a brief decline (see chart 3). 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)

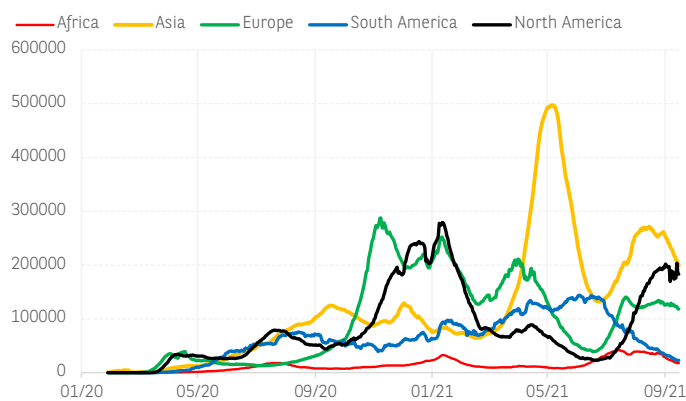


CHART 1

SOURCE: JOHNS-HOPKINS UNIVERSITY (09/16/2021), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

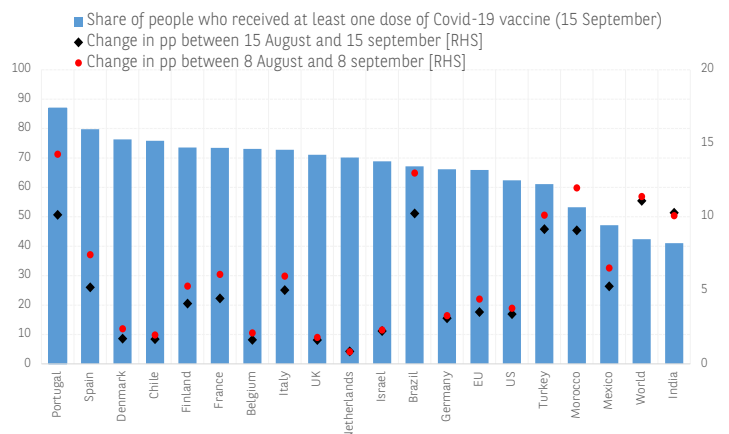


CHART 2

SOURCE: OUR WORLD IN DATA (09/16/2021), BNP PARIBAS

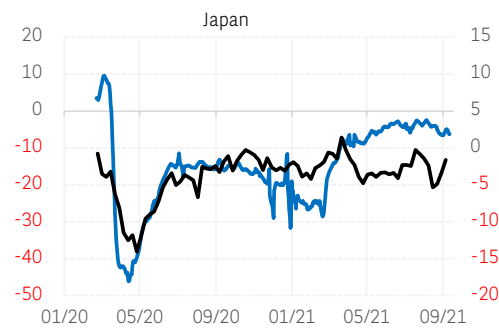
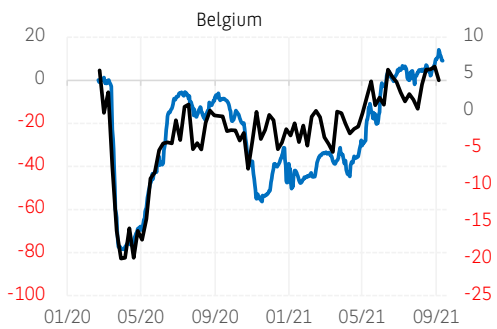
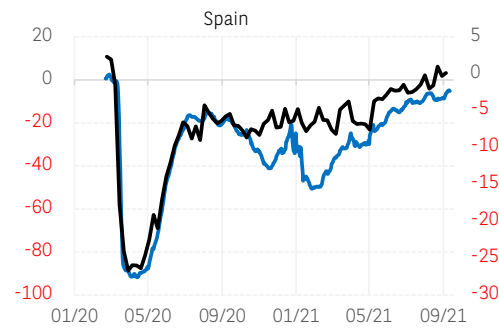
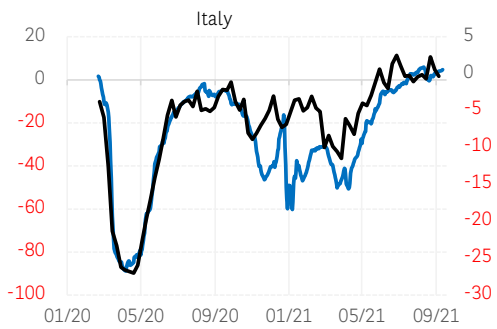
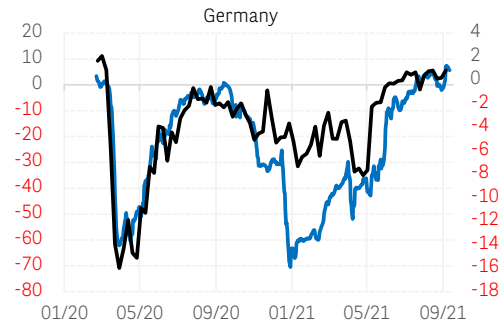
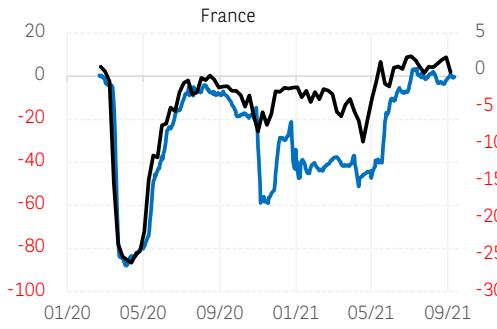
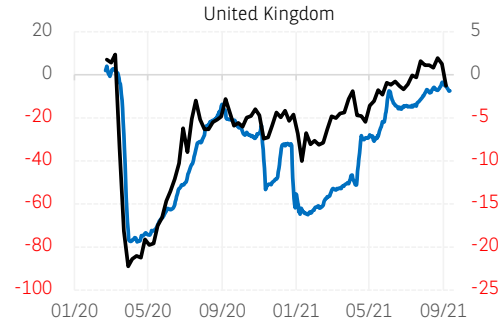
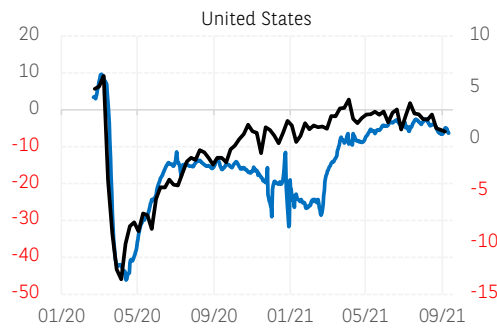




RETAIL AND RECREATION MOBILITY & OECD WEEKLY TRACKER

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

— OECD Weekly tracker, y/2y GDP growth [RHS]

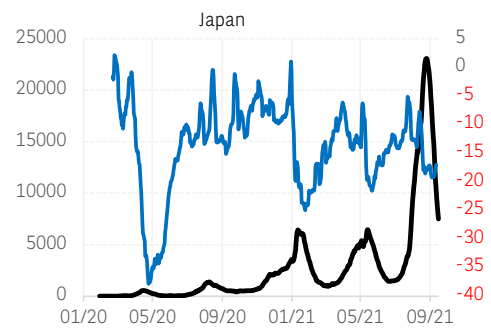
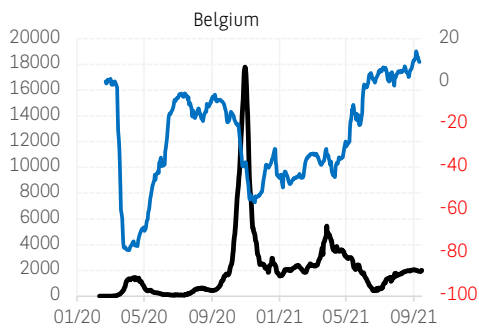
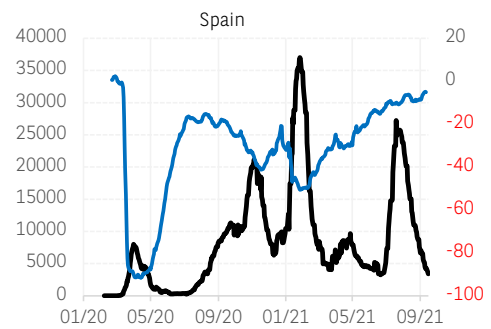
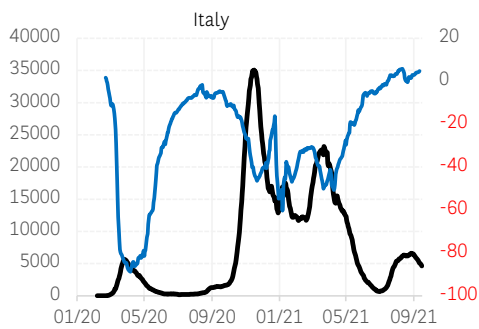
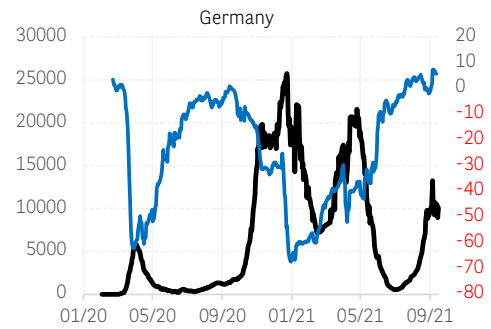
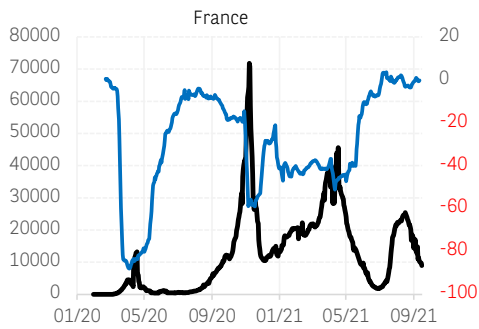
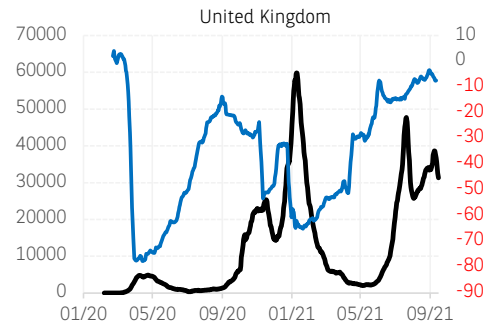
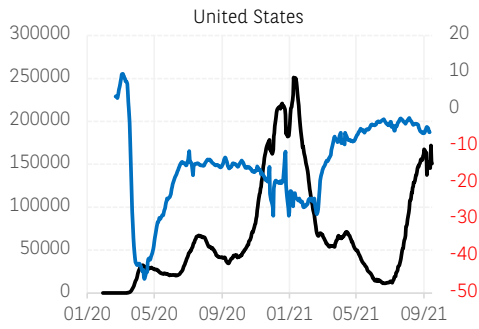


SOURCE: OECD (09/16/2021), GOOGLE (09/16/2021), BNP PARIBAS



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 (09/16/2021), GOOGLE (09/16/2021), BNP PARIBAS



# ECONOMIC SCENARIO

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## 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 latest signals from the FOMC show that tapering is coming although this 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			Inflation		
	2021 e	2022 e	2023 e	2021 e	2022 e	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	8.2	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 1<sup>ST</sup> APRIL OF YEAR N TO MARCH 31<sup>ST</sup> 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
	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
	BONDO 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	74	72	73	80

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)



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## CALENDAR

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## LATEST INDICATORS

In France, industrial sentiment declined slightly in August and wage growth in the second quarter was stable. In the UK, the unemployment rate edged down in July and employment increased significantly though less than anticipated. Core inflation jumped in August reaching 3.1%, more than expected by the consensus. The rate of increase of house prices slowed down to 8.5% - still a high number - which is far more of a slowdown than expected. In China, data for August painted a mixed picture. Retail sales growth slowed down very significantly, to 2.5% versus a consensus of 7.0%. Industrial production growth slowed as well and came in below expectations. Fixed assets investments and property investment also slowed, but only to a limited degree. The jobless rate was stable at 5.1%. The final euro area inflation number for August did not change versus the preliminary release, with headline at 3.0% and core inflation at 1.6%. Japanese export growth in August dropped compared to the previous month and came in far below expectations. In the US, annual headline inflation hardly moved in August although the monthly change was lower than in July and also versus expectations. This also applies to core inflation, where the monthly change eased to 0.1% from 0.3% the month before. Industrial production slowed down in August. The overall number for retail sales improved in August, beating expectations, but excluding autos and fuel, there was an unexpected decline. University of Michigan sentiment improved slightly but less than anticipated.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
09/13/2021	France	Bank of France Ind. Sentiment	Aug	105.0	104.0	105.0
09/14/2021	United Kingdom	ILO Unemployment Rate 3Mths	Jul	4.6%	4.6%	4.7%
09/14/2021	United Kingdom	Employment Change 3M/3M	Jul	199k	183k	95k
09/14/2021	United States	NFIB Small Business Optimism	Aug	99.0	100.1	99.7
09/14/2021	United States	CPI MoM	Aug	0.4%	0.3%	0.5%
09/14/2021	United States	CPI Ex Food and Energy MoM	Aug	0.3%	0.1%	0.3%
09/14/2021	United States	CPI YoY	Aug	5.3%	5.3%	5.4%
09/14/2021	United States	CPI Ex Food and Energy YoY	Aug	4.2%	4.0%	4.3%
09/15/2021	China	Retail Sales YoY	Aug	7.0%	2.5%	8.5%
09/15/2021	China	Industrial Production YoY	Aug	5.8%	5.3%	6.4%
09/15/2021	China	Fixed Assets Ex Rural YTD YoY	Aug	9.0%	8.9%	10.3%
09/15/2021	China	Property Investment YTD YoY	Aug	11.3%	10.9%	12.7%
09/15/2021	China	Surveyed Jobless Rate	Aug	5.1%	5.1%	5.1%
09/15/2021	United Kingdom	CPI Core YoY	Aug	2.9%	3.1%	1.8%
09/15/2021	France	CPI EU Harmonized MoM	Aug	0.7%	0.7%	0.7%
09/15/2021	France	CPI EU Harmonized YoY	Aug	2.4%	2.4%	2.4%
09/15/2021	United Kingdom	House Price Index YoY	Jul	12.5%	8.0%	13.1%
09/15/2021	United States	Industrial Production MoM	Aug	0.5%	0.4%	0.8%
09/15/2021	United States	Capacity Utilization	Aug	76.40%		76.10%
09/16/2021	Japan	Exports YoY	Aug	34.1%	26.2%	37.0%
09/15/2021	Eurozone	Labour Costs YoY	2Q	--	-0.1%	1.3%

SOURCE: BLOOMBERG



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
09/16/2021	Japan	Imports YoY	Aug	40.0%	44.7%	28.5%
09/16/2021	Eurozone	EU27 New Car Registrations	Aug	--	-19.1%	-23.2%
09/16/2021	United States	Retail Sales Advance MoM	Aug	-0.7%	0.7%	-1.8%
09/16/2021	United States	Initial Jobless Claims	Sep	322k	332k	312k
09/16/2021	United States	Philadelphia Fed Business Outlook	Sep	19.0	30.7	19.4
09/16/2021	United States	Retail Sales Control Group	Aug	0.0%	2.5%	-1.9%
09/17/2021	United Kingdom	Retail Sales Ex Auto Fuel MoM	Aug	0.8%	-1.2%	-3.2%
09/17/2021	France	Wages QoQ	2Q	0.3%	0.3%	0.3%
09/17/2021	Eurozone	CPI YoY	Aug	3.0%	3.0%	3.0%
09/17/2021	Eurozone	CPI Core YoY	Aug	1.6%	1.6%	1.6%
09/17/2021	Eurozone	CPI MoM	Aug	0.4%	0.4%	0.4%
09/17/2021	United States	U. of Mich. Sentiment	Sep	72.0	71.0	70.3
09/17/2021	United States	U. of Mich. Current Conditions	Sep	--	77.1	78.5
09/17/2021	United States	U. of Mich. Expectations	Sep	--	67.1	65.1
09/17/2021	United States	U. of Mich. 1 Yr Inflation	Sep	4.7%	4.7%	4.6%
09/17/2021	United States	U. of Mich. 5-10 Yr Inflation	Sep	--	2.9%	2.9%

SOURCE: BLOOMBERG



# CALENDAR: THE WEEK AHEAD

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## COMING INDICATORS

The highlight of this week is the meeting of the FOMC followed by a press conference, the big question being whether anything will be said with respect to tapering. In addition, we will also have meetings of the Bank of England (will the tone get a bit hawkish?) and the Bank of Japan. Important data will be released covering the month of September: flash PMIs in several countries, IFO business sentiment in Germany, business confidence in France, consumer confidence in the eurozone and in the UK. In the US, several data will be published concerning the housing market: NAHB index, building permits, housing starts, new home sales. The OECD will publish its interim Economic Outlook and the ECB its bulletin.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
09/18/21-09/24/21	United Kingdom	CBI Trends Total Orders	Sep	--	18
09/18/21-09/24/21	United Kingdom	CBI Trends Selling Prices	Sep	--	43
09/20/2021	United States	NAHB Housing Market Index	Sep	73	75
09/21/2021	Eurozone	OECD Publishes Interim Economic Outlook			
09/21/2021	United States	Building Permits MoM	Aug	-2.20%	2.60%
09/21/2021	United States	Housing Starts MoM	Aug	0.70%	-7.00%
09/22/2021	Eurozone	Consumer Confidence	Sep	--	-5.3
09/22/2021	United States	FOMC Rate Decision (Upper Bound)	Sep	0.25%	0.25%
09/22/2021	Japan	BOJ Policy Balance Rate	Sep	--	-0.10%
09/23/2021	France	Business Confidence	Sep	--	110
09/23/2021	France	Markit France Manufacturing PMI	Sep	--	57.5
09/23/2021	France	Markit France Services PMI	Sep	--	56.3
09/23/2021	France	Markit France Composite PMI	Sep	--	55.9
09/23/2021	Germany	Markit/BME Germany Manufacturing PMI	Sep	--	62.6
09/23/2021	Germany	Markit Germany Services PMI	Sep	--	60.8
09/23/2021	Germany	Markit/BME Germany Composite PMI	Sep	--	60
09/23/2021	Eurozone	ECB Publishes Economic Bulletin			
09/23/2021	Eurozone	Markit Eurozone Manufacturing PMI	Sep	--	61.4
09/23/2021	Eurozone	Markit Eurozone Services PMI	Sep	--	59
09/23/2021	Eurozone	Markit Eurozone Composite PMI	Sep	--	59
09/23/2021	United Kingdom	Markit UK PMI Manufacturing SA	Sep	--	60.3
09/23/2021	United Kingdom	Markit/CIPS UK Services PMI	Sep	--	55
09/23/2021	United Kingdom	Markit/CIPS UK Composite PMI	Sep	--	54.8

SOURCE: BLOOMBERG



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
09/23/2021	United Kingdom	Bank of England Bank Rate	Sep	0.10%	0.10%
09/23/2021	United States	Initial Jobless Claims	Sep	--	--
09/23/2021	United States	Markit US Manufacturing PMI	Sep	--	61.1
09/23/2021	United States	Markit US Services PMI	Sep	--	55.1
09/23/2021	United States	Markit US Composite PMI	Sep	--	55.4
09/24/2021	United Kingdom	GfK Consumer Confidence	Sep	--	-8
09/24/2021	Japan	Natl CPI Ex Fresh Food, Energy YoY	Aug	--	-0.60%
09/24/2021	Japan	Jibun Bank Japan PMI Mfg	Sep	--	52.7
09/24/2021	Japan	Jibun Bank Japan PMI Services	Sep	--	42.9
09/24/2021	Japan	Jibun Bank Japan PMI Composite	Sep	--	45.5
09/24/2021	Japan	Tokyo Dept Store Sales YoY	Aug	--	8.00%
09/24/2021	Germany	IFO Expectations	Sep	--	97.5
09/24/2021	Germany	IFO Current Assessment	Sep	--	101.4
09/24/2021	Germany	IFO Business Climate	Sep	--	99.4
09/24/2021	United States	New Home Sales MoM	Aug	0.80%	1.00%

SOURCE: BLOOMBERG



## FURTHER READING

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<a href="#">France: second phase of the crisis exit strategy</a>	EcoTVWeek	17 September 2021
<a href="#">Greece: A quicker-than-expected recovery</a>	Chart of the Week	15 September 2021
<a href="#">Eurozone : ECB: accommodation with no end in sight</a>	EcoWeek	13 September 2021
<a href="#">Growth in Turkey: Too much of a good thing?</a>	EcoTVWeek	10 September 2021
<a href="#">September issue</a>	French Economy Pocket Atlas	9 September 2021
<a href="#">Zambia: a relief for an over-indebted economy</a>	Chart of the Week	8 September 2021
<a href="#">Global : Fed adapts forward guidance, will ECB do the same?</a>	EcoWeek	6 September 2021
<a href="#">Fed's Powell brings reassurance</a>	EcoTVWeek	3 September 2021
<a href="#">United states: a new tool to reduce the pressure on money-market rates</a>	Chart of the Week	1 September 2021
<a href="#">Growth hits speed limit</a>	EcoWeek	30 août 2021
<a href="#">French labour market: are the signs of a return to better fortune already there?</a>	Chart of the Week	25 August 2021
<a href="#">Saudi Arabia: Positive short-term prospects</a>	EcoTVWeek	30 July 2021
<a href="#">Latin America: Potential growth and the commodities cycle</a>	Chart of the Week	28 July 2021
<a href="#">US inflation: increasing discomfort</a>	EcoWeek	26 July 2021
<a href="#">Outlook for the second half of the year: it's not over</a>	EcoTVWeek	23 July 2021
<a href="#">India: up against a wall</a>	Conjoncture	23 July 2021
<a href="#">Economic recovery in the advanced countries: lessons from the past</a>	Conjoncture	23 July 2021
<a href="#">UK banks have lost ground on The Banker 's ranking since the announcement of Brexit</a>	Chart of the Week	21 July 2021
<a href="#">US Treasuries: buyer beware</a>	EcoWeek	19 July 2021
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# GROUP ECONOMIC RESEARCH

William De Vijlder  
Chief Economist

+33 1 55 77 47 31

william.devijlder@bnpparibas.com

## ADVANCED ECONOMIES AND STATISTICS

Jean-Luc Proutat

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

+33 1 58 16 73 32

jean-luc.proutat@bnpparibas.com

Hélène Baudchon

France - Labour markets

+33 1 58 16 03 63

helene.baudchon@bnpparibas.com

Louis Boisset

Japan - European Central Bank watch, Euro area global view

+33 1 57 43 02 91

louis.boisset@bnpparibas.com

Frédérique Cerisier

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

+33 1 43 16 95 52

frederique.cerisier@bnpparibas.com

Guillaume Derrien

Italy, Spain, Portugal - International trade

+33 1 55 77 71 89

guillaume.a.derrien@bnpparibas.com

Raymond Van Der Putten

Germany, Netherlands, Austria, Switzerland - Energy, climate

+33 1 42 98 53 99

raymond.vanderputten@bnpparibas.com

Tarik Rharrab

Statistics

+33 1 43 16 95 56

tarik.rharrab@bnpparibas.com

## BANKING ECONOMICS

Laurent Quignon

Head

+33 1 42 98 56 54

laurent.quignon@bnpparibas.com

Laure Baquero

+33 1 43 16 95 50

laure.baquero@bnpparibas.com

Céline Choulet

+33 1 43 16 95 54

celine.choulet@bnpparibas.com

Thomas Humblot

+33 1 40 14 30 77

thomas.humblot@bnpparibas.com

## EMERGING ECONOMIES AND COUNTRY RISK

François Faure

Head - Argentina

+33 1 42 98 79 82

francois.faure@bnpparibas.com

Christine Peltier

Deputy Head - Greater China, Vietnam, South Africa

+33 1 42 98 56 27

christine.peltier@bnpparibas.com

Stéphane Alby

Africa (French-speaking countries)

+33 1 42 98 02 04

stephane.alby@bnpparibas.com

Stéphane Colliac

Turkey, Ukraine, Central European countries

+33 1 42 98 43 86

stephane.colliac@bnpparibas.com

Sara Confalonieri

Africa (Portuguese & English-speaking countries)

+33 1 42 98 43 86

sara.confalonieri@bnpparibas.com

Pascal Devaux

Middle East, Balkan countries

+33 1 43 16 95 51

pascal.devaux@bnpparibas.com

Hélène Drouot

Korea, Thailand, Philippines, Mexico, Andean countries

+33 1 42 98 33 00

helene.drouot@bnpparibas.com

Salim Hammad

Latin America

+33 1 42 98 74 26

salim.hammad@bnpparibas.com

Johanna Melka

India, South Asia, Russia, CIS

+33 1 58 16 05 84

johanna.melka@bnpparibas.com

## CONTACT MEDIA

Michel Bernardini

+33 1 42 98 05 71

michel.bernardini@bnpparibas.com



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

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