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ECONOMIC RESEARCH

BNP PARIBAS

The bank for a changing world

EDITORIAL

COMPANIES' PRICING POWER AND THE INFLATION OUTLOOK

The question of the persistence of high inflation matters because it will determine the extent of monetary tightening necessary to bring inflation under control. Key factors are growth of unit labour costs, the price elasticity of demand and its mirror image, the pricing power of companies. The latter two are conditioned, at least in part, by the cyclical environment: when growth is very strong, price elasticity of demand will be lower and pricing power higher than normal. A regression analysis between the PMI output prices index and the PMI input prices index (explanatory variable) shows that recently in the US and the euro area, pricing power has increased quite significantly. Rising input prices force companies to consider increasing their output prices and strong demand enables them to do so. In the latest surveys, input and output prices have started to ease, so fewer companies than before face price increases or are raising their sales prices. This should slow down inflation. Eventually, slower demand growth should contribute to this development by reducing pricing power.

Until some months ago, the Federal Reserve and the ECB considered the elevated level of inflation as transitory, but since then their thinking has evolved and they see it now as more lasting. This change in view has influenced their guidance with respect to the outlook for monetary policy, causing an upward shift of the yield curve in the US and the euro area.

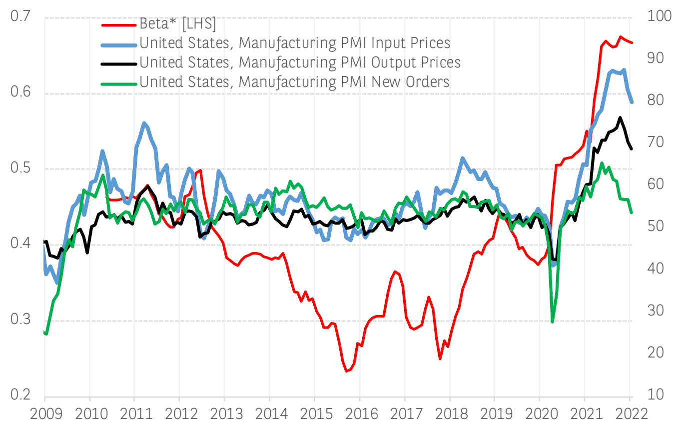
The question of the persistence of high inflation matters because it will determine the extent of monetary tightening that will be necessary to bring inflation under control. Moreover, the bigger the expected cumulative rate increases, the higher the risk that eventually fears about a significant hit to growth start to build. When analyzing the dynamics of inflation, it is useful to make a distinction between the initial inflation shock and second-round effects. Concerning the former, the inflation jump that started last year was the result of a positive demand shock, a shift in demand from services to consumer goods – a phenomenon that was particularly strong in the US – and a supply shock. The latter was caused by bottlenecks, whereby supply, due to its short-term inelasticity, could not keep pace with strong demand growth. Supply chain disruptions also played a role.

Second-round effects refer to the interaction between wages and prices and, more broadly, to the pass-through of higher input costs into the prices of more and more products and services. Key factors are the growth in wages compared to the change in productivity – considering that for the profitability of a company, it is the change in unit labour costs that matters –, the price elasticity of demand and its mirror image, the pricing power of companies[1]. The latter two are conditioned, at least in part, by the cyclical environment. When household income growth is strong (weak), one should expect price elasticity to be low (high) and pricing power to be high (low).

1 These three factors are in turn influenced by inflation expectations, the growth outlook, etc.

This cyclicality is important for the analysis of the second-round effects. When growth is strong, the transmission of the initial inflation shock to wages and a broad range of goods and services should be high whereas it should weaken when growth is slowing. Less dynamic growth should lead to lower inflation because it will reduce the imbalance between demand and supply but also because the negotiation power of the labour force weakens – causing wage growth to slow – and households spend more time on comparing prices before making purchases. The latter implies a decline of corporate pricing power.

UNITED STATES: INPUT PRICES, OUTPUT PRICES AND PRICING POWER



*Beta coefficient of rolling regressions (3-year window) of Manufacturing PMI Output Prices as a function Manufacturing PMI Input Prices

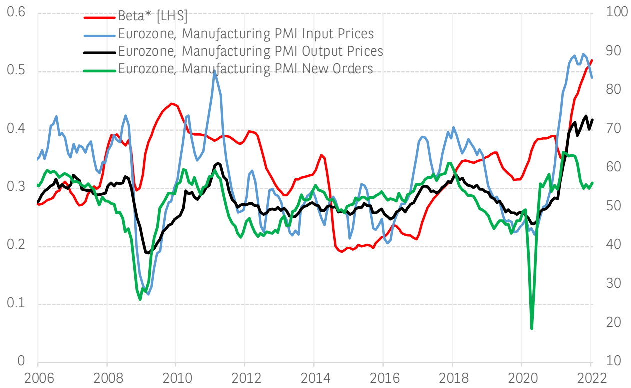
CHART 1 SOURCE: MARKIT, BNP PARIBAS

In the latest surveys, input and output prices have started to ease, so fewer companies than before face price increases or are raising their sales prices. This should slow down inflation. Eventually, slower demand growth should contribute to this development by reducing pricing power.

The purchasing managers' surveys (PMI) allow to shed light on this by comparing the evolution of input prices and output prices for the manufacturing sector. Unsurprisingly, both are highly correlated and very cyclical (chart 1 and 2)[2]. In order to check whether pricing power fluctuates over time, a rolling regression has been run between the PMI output prices index (dependent variable) and the PMI input price index (explanatory variable). A rising beta means that when an increasing number of companies report higher input prices, more companies than before report they are raising their sales prices. As shown in the charts, in the US the beta coefficient has increased very significantly as of late, reaching record levels[3]. The same applies in the euro area, although the beta is smaller than in the US. The results suggest that recently, pricing power has increased quite significantly against a background of intense pressure from input prices and strong demand, as shown by the high level of the new orders PMI. Rising input prices force companies to consider increasing their output prices and strong demand enables them to do so. In the latest surveys, input and output prices have started to ease, so fewer companies than before face price increases or are raising their sales prices. This should slow down inflation. Eventually, slower demand growth should contribute to this development by reducing pricing power.

William De Vijlder

EUROZONE: INPUT PRICES, OUTPUT PRICES AND PRICING POWER:



*Beta coefficient of rolling regressions (3-year window) of Manufacturing PMI Output Prices as a function of Manufacturing PMI Input Prices

CHART 2

SOURCE: MARKIT, BNP PARIBAS

2 The PMI indices are diffusion indices so an index value of 100 means that all companies respond their input (output) prices are rising compared to the previous month and a value of 50 means there is no change or that an equal number of companies report higher or lower prices. Source: Markit PMI website.

3 Because the beta is calculated for a moving window of 3 years, there is a lag between its evolution and that of the PMI input and output prices.

MARKETS OVERVIEW

OVERVIEW

Week 11-2 22 to 17-2-22				
↘ CAC 40	7 012 ▸	6 947	-0.9	%
↘ S&P 500	4 419 ▸	4 380	-0.9	%
↗ Volatility (VIX)	27.4 ▸	28.1	+0.8	pb
↘ Euribor 3M (%)	-0.52 ▸	-0.53	-0.6	bp
↘ Libor $ 3M (%)	0.51 ▸	0.49	-1.8	bp
↘ OAT 10y (%)	0.63 ▸	0.58	-5.0	bp
↘ Bund 10y (%)	0.26 ▸	0.20	-6.6	bp
↗ US Tr. 10y (%)	1.96 ▸	1.98	+2.6	bp
↘ Euro vs dollar	1.14 ▸	1.14	-0.3	%
↗ Gold (ounce, $)	1 834 ▸	1 896	+3.4	%
↘ Oil (Brent, $)	94.6 ▸	93.2	-1.5	%

MONEY & BOND MARKETS

Interest Rates		highest 22			lowest 22		
€ ECB	0.00	0.00	at	03/01	0.00	at	03/01
Eonia	-0.51	-0.51	at	03/01	-0.51	at	03/01
Euribor 3M	-0.53	-0.52	at	14/02	-0.58	at	05/01
Euribor 12M	-0.31	-0.28	at	14/02	-0.50	at	05/01
$ FED	0.25	0.25	at	03/01	0.25	at	03/01
Libor 3M	0.49	0.51	at	11/02	0.21	at	03/01
Libor 12M	1.33	1.39	at	11/02	0.58	at	03/01
£ BoE	0.50	0.50	at	03/02	0.25	at	03/01
Libor 3M	0.87	0.89	at	15/02	0.26	at	03/01
Libor 12M	0.81	0.81	at	03/01	0.81	at	03/01

At 17-2-22

Yield (%)		highest 22		lowest 22	
€ AVG 5-7y	0.49	0.54	at 11/02	-0.04	at 03/01
Bund 2y	-0.48	-0.31	at 04/02	-0.67	at 25/01
Bund 10y	0.20	0.28	at 15/02	-0.14	at 24/01
OAT 10y	0.58	0.67	at 15/02	0.15	at 04/01
Corp. BBB	1.62	1.68	at 15/02	0.90	at 05/01
$ Treas. 2y	1.48	1.59	at 14/02	0.70	at 04/01
Treas. 10y	1.98	2.06	at 16/02	1.63	at 03/01
High Yield	5.98	6.02	at 14/02	5.07	at 03/01
£ gilt. 2y	1.34	1.55	at 15/02	0.69	at 03/01
gilt. 10y	1.46	1.59	at 14/02	0.97	at 03/01

At 17-2-22

EXCHANGE RATES

1€ =		highest 22			lowest 22			2022
USD	1.14	1.15	at	10/02	1.11	at	27/01	-0.0%
GBP	0.83	0.85	at	07/02	0.83	at	20/01	-0.6%
CHF	1.05	1.06	at	10/02	1.03	at	04/01	+1.0%
JPY	130.70	132.97	at	10/02	128.46	at	25/01	-0.2%
AUD	1.58	1.62	at	04/02	1.56	at	05/01	+1.0%
CNY	7.20	7.29	at	10/02	7.10	at	27/01	-0.6%
BRL	5.87	6.44	at	06/01	5.86	at	16/02	-7.3%
RUB	86.82	90.14	at	26/01	84.45	at	03/01	+1.8%
INR	85.39	85.96	at	11/02	83.65	at	31/01	+1.0%

At 17-2-22 *Change*

COMMODITIES

Spot price, $		highest 22			lowest 22			2022	2022(€)
Oil, Brent	93.2	96.6	at	14/02	79.0	at	03/01	+18.8%	+18.9%
Gold (ounce)	1 896	1 896	at	17/02	1 785	at	28/01	+4.0%	+4.0%
Metals, LMEX	4 804	4 878	at	10/02	4 489	at	06/01	+6.7%	+6.7%
Copper (ton)	9 982	10 305	at	10/02	9 543	at	06/01	+2.5%	+2.5%
wheat (ton)	295	3.1	at	25/01	281	at	14/01	+24.0%	+24.0%
Corn (ton)	251	2.5	at	14/02	226	at	03/01	+1.0%	+9.9%

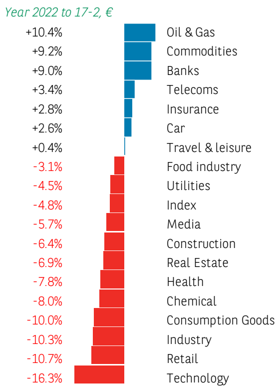
At 17-2-22 *Change*

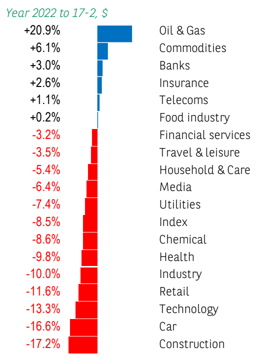
EQUITY INDICES

	Index	highest 22			lowest 22			2022
World								
MSCI World	3 009	3 248	at	04/01	2 955	at	27/01	-6.9%
North America								
S&P500	4 380	4 797	at	03/01	4 327	at	27/01	-8.1%
Europe								
EuroStoxx50	4 113	4 392	at	05/01	4 054	at	24/01	-4.3%
CAC 40	6 947	7 376	at	05/01	6 788	at	24/01	-0.3%
DAX 30	15 268	16 272	at	05/01	15 011	at	24/01	-3.9%
IBEX 35	8 671	8 886	at	10/02	8 418	at	24/01	-0.0%
FTSE100	7 537	7 672	at	10/02	7 297	at	24/01	+0.2%
Asia								
MSCI, loc.	1 119	1 165	at	05/01	1 068	at	27/01	-0.2%
Nikkei	27 233	29 332	at	05/01	26 170	at	27/01	-5.4%
Emerging								
MSCI Emerging ($)	1 243	1 267	at	12/01	1 191	at	28/01	+0.1%
China	84	86	at	20/01	79	at	28/01	+0.5%
India	824	891	at	13/01	796	at	14/02	-1.4%
Brazil	1 686	1 715	at	16/02	1 372	at	06/01	+9.0%
Russia	695	772	at	03/01	614	at	24/01	-6.8%

At 17-2-22 *Change*

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

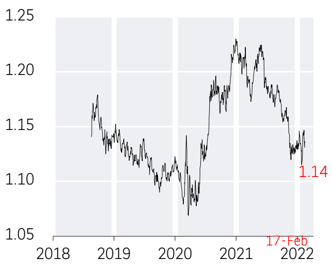




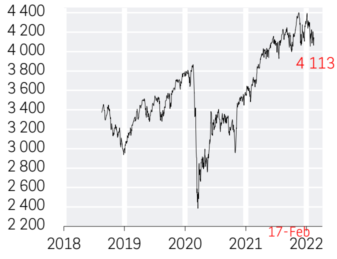
SOURCE: REFINITIV, BNP PARIBAS,

MARKETS OVERVIEW

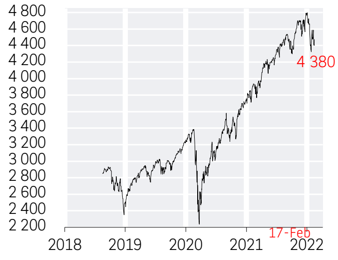
EURO-DOLLAR



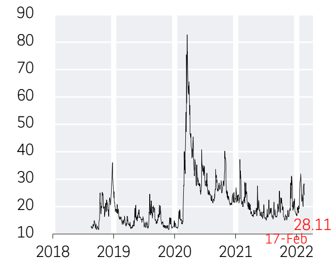
EUROSTOXX50



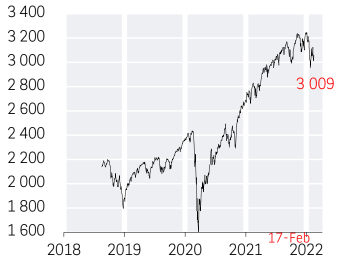
S&P500



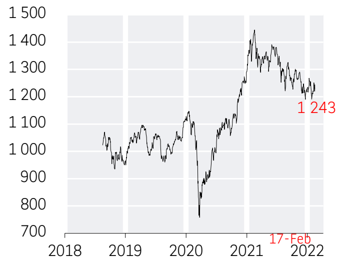
VOLATILITY (VIX, S&P500)



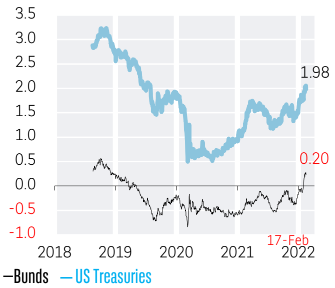
MSCI WORLD (USD)



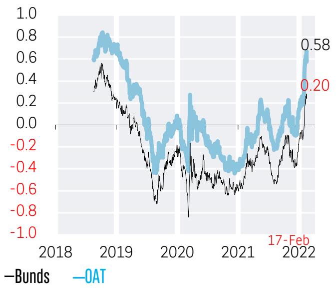
MSCI EMERGING (USD)



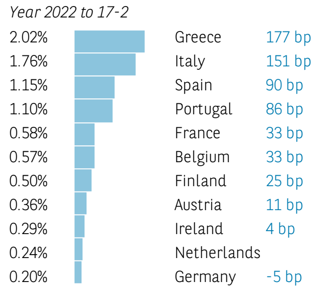
10Y BOND YIELD, TREASURIES VS BUND



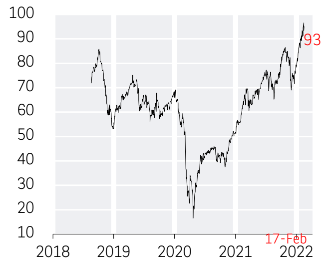
10Y BOND YIELD



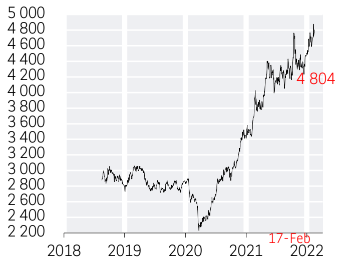
10Y BOND YIELD & SPREADS



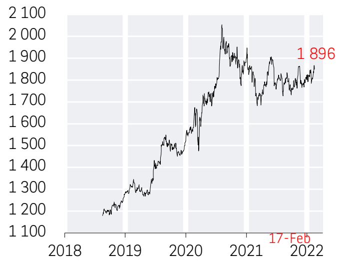
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS

FRANCE : GOOD NEWS FROM THE JOB MARKET VS. BAD NEWS FROM INFLATION

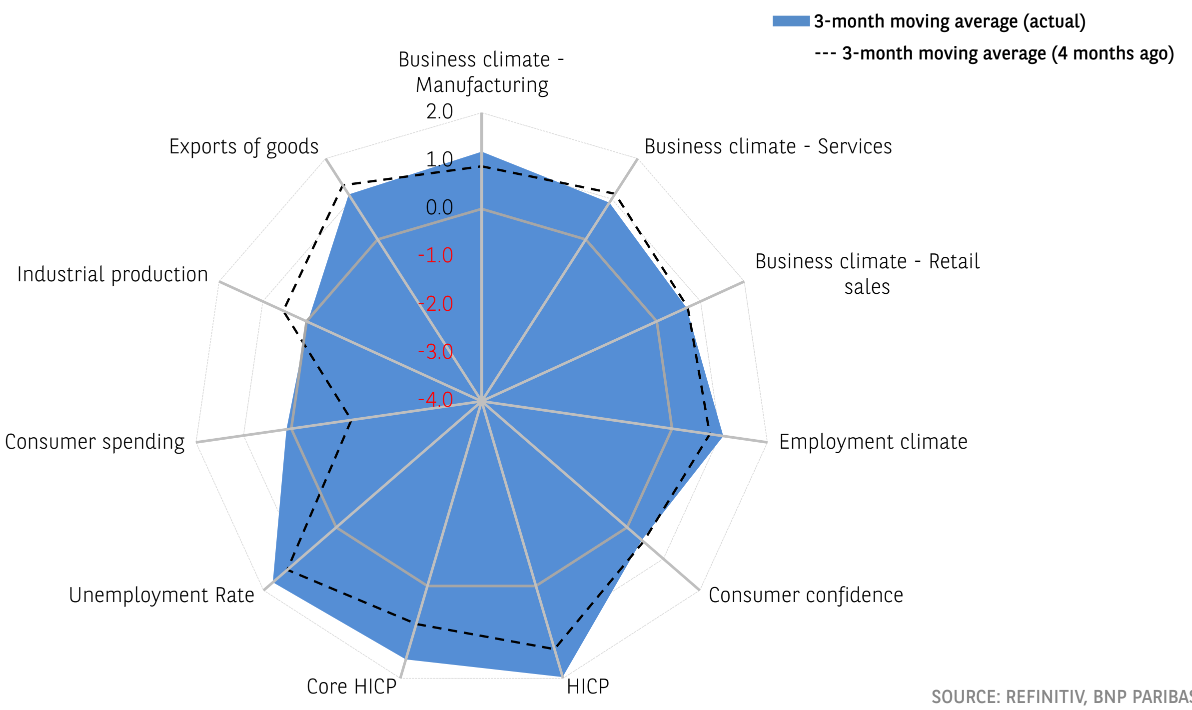
Health restrictions implemented in front of a new wave of the Covid 19 pandemic dominated by the Omicron variant seem to have had only a mild impact on growth in early 2022, and the gradual lifting of these restrictions bodes well for a rebound in growth. These disruptions occurred in the midst of a rather favourable environment, as illustrated by another increase in private sector payroll employment, which rose 0.5% in Q4. Compared to pre-Covid levels, net job creations were up by 300,000 jobs. The unemployment rate has reached a new low (7.4%) and the employment rate has increased to a new high (67.8%). This development supports household income and demand by offsetting the impact of higher inflation on household confidence. Recent months have also seen a relative stabilization of inflation after the upturn in energy prices in early fall.

This stabilization, which is rather good news for growth in early 2022, should only be temporary and an upsurge in inflation is to be expected as of February, with another increase in oil prices, a 4% increase in electricity tariffs and signs that higher costs will increasingly be carried over to the prices of manufactured goods, food and services. Consequently, inflation is expected to rise above the 3% threshold throughout the rest of 2022, with a full-year average of 3.5%, the highest inflation rate since 1989.

At the same time, exports are expected to rebound after a tough year-end period, which contributed to a very sharp deterioration in the trade deficit, which swelled to EUR 85 billion in 2021 (including a record high deficit of nearly EUR 50 billion for manufactured goods). Hit by more shocks (Omicron variant, inflation), GDP growth is expected to slow to 0.5% q/q in Q1 2022.

Stéphane Colliac

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 +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.

ECONOMIC PULSE

ITALY: SUPPLY-SIDE CONSTRAINTS WEIGH ON INDUSTRIAL ACTIVITY AND THE TRADE BALANCE

Concerning the Italian economy, now that the presidential election is behind us, attention has focused again on the risks associated with surging inflation and the upcoming start of the normalisation process of ECB monetary policy. 10-year Italian government bond yields have risen by nearly 50 basis points since early February, and they could reach the 2% threshold very soon. The spread with the German Bund has also widened. Inflation continues to rise at a rapid pace in Italy, which is clearly shown in our barometer. Inflation hit 5.2% y/y in January, mainly driven by higher energy prices (+38.6% y/y). The rise in prices also accelerated for food and non-alcoholic beverages (+3.8% y/y), hotel and restaurant services (+4.1% y/y) and "furnishings and household cleaning and maintenance products" (+2.2% y/y).

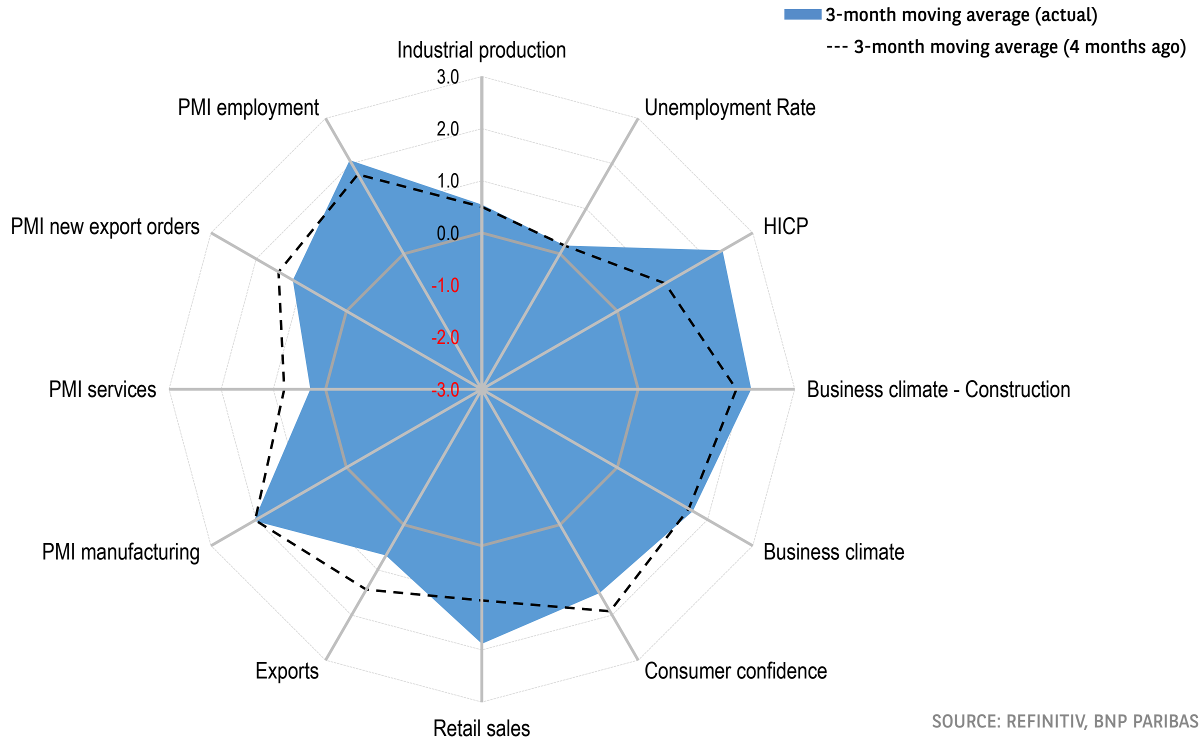
Although industrial production has levelled off for nearly the past six months (the index is holding stable on the Pulse), this seems to be due essentially to supply-side constraints, notably the delivery of materials, rather than insufficient demand. The latter is still going strong, as illustrated by the sharp increase in new industrial orders, up 15% compared to the end of 2019[1]. Another positive sign comes from the construction PMI indicator, which jumped 4 points in January to 68.4, the highest reading since the statistical series began in 1999. Yet export growth has declined relative to imports, and the trade balance swung into a deficit for the first time since April 2012[2].

As to public finances, the debt-to-GDP ratio for 2021 is set to be lower than initially feared, thanks to the low cost of financing and the robust rebound in activity. Ignazio Visco, the governor of the Bank of Italy, recently welcomed this dynamic: the central bank is now expecting the stock of debt to decline to "about 150% of GDP at year-end 2021," which is four points below initial forecasts. Even so, it will be difficult to pursue fiscal consolidation this year since the government is likely to prepare new support measures to help companies and households cope with the rise in prices.

Guillaume Derrien

1. The most recent data is for November 2021.
2. If we exclude the deficit reported in April 2020, which was distorted by the first lockdown.

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 +3. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

ECONOMIC PULSE

COVID-19: NEW CASES CONTINUE TO DECLINE WORLDWIDE

Sixteen million new Covid-19 cases were confirmed during the week of 9-15 February, a 20% decline from the previous week. All regions reported declines, with new cases down 44% in North America, 34% in Africa, 26% in South America, 14% in Europe, and nearly 12% in Asia (chart 1).

Over the same period, several countries reported sharp declines (chart 4, black line): India (-59%), Belgium (-46%), the United States and France (-44%), Spain (-36%), Italy and the Netherlands (-32%), and the UK (-27%). In contrast, a few countries reported a big increase in the number of new cases: Malaysia (+109%), Indonesia (+42%) and South Korea (+71%). At the same time, nearly 62% of the global population has received at least one dose of the vaccine (chart 2).

Retail and leisure footfall continues to rise in Spain, Belgium, France, Germany, Italy, the UK and the United States. In Japan, the latest data point towards the beginning of a recovery (chart 3, blue line).

Lastly, the OECD Weekly Tracker of GDP growth continues to show positive momentum in the UK. In France, Germany, Italy, Spain, Belgium and the United States, the rebound is more marked, while in Japan this rebound is more recent and still timid (chart 3, black line). The OECD Tracker is based on Google Trends resulting from queries on consumption, the labour market, housing, industrial activity as well as uncertainty. The OECD calculates the tracker over a 2-year period (y/2y) to avoid the base effect of a comparison with 2020 data.

Tarik Rharrab

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

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

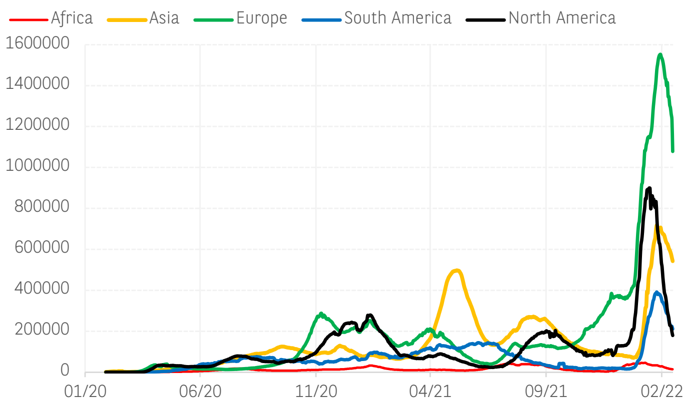


CHART 1 SOURCE: JOHNS-HOPKINS UNIVERSITY (02/16/2022), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

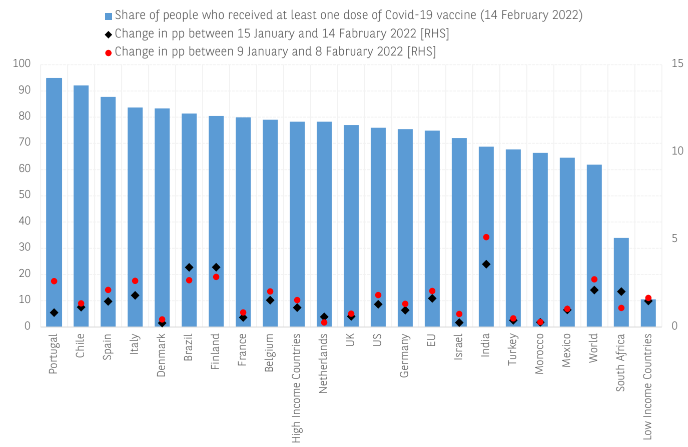
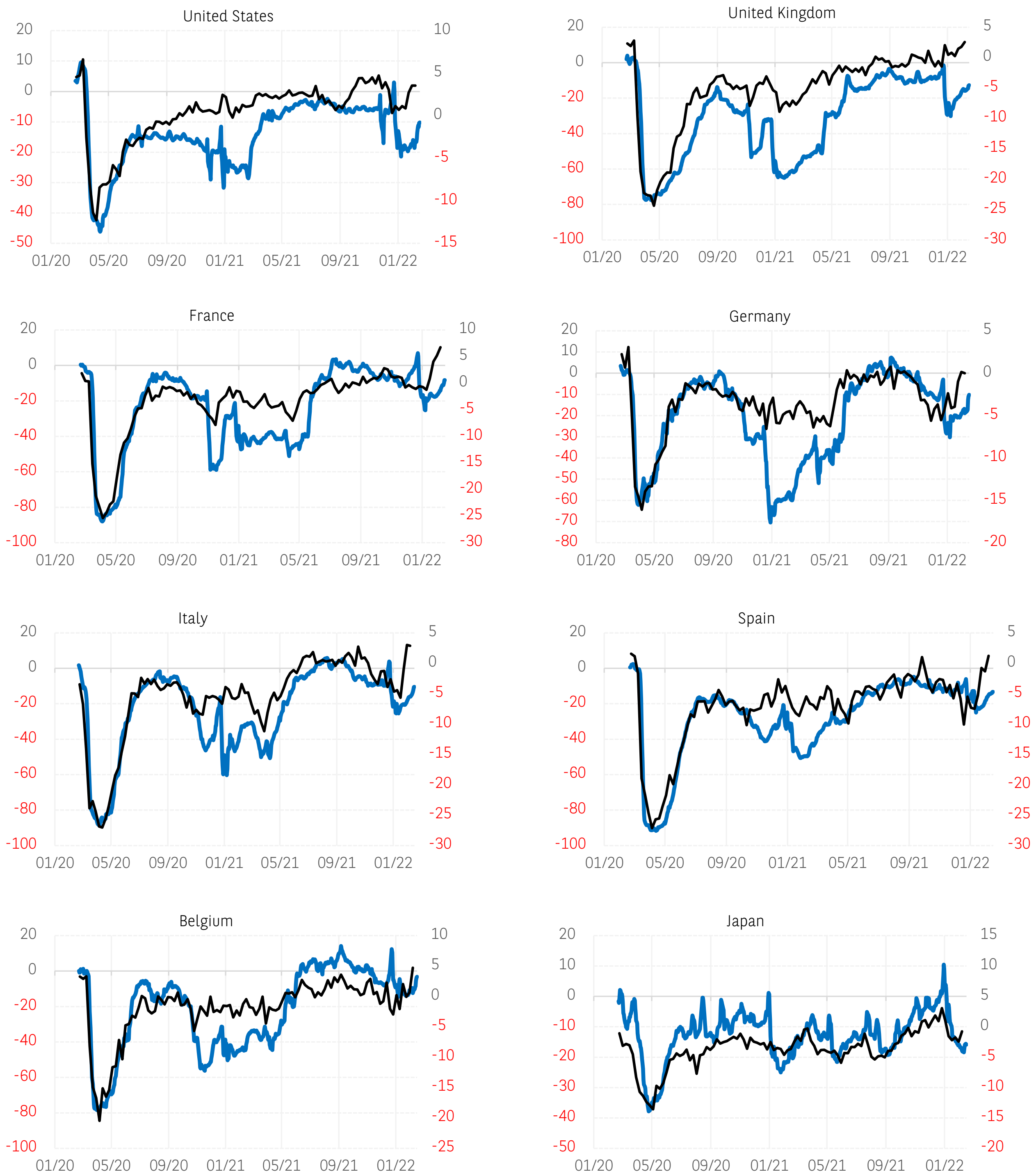


CHART 2 SOURCE: OUR WORLD IN DATA (02/16/2022), BNP PARIBAS

RETAIL AND RECREATION MOBILITY & OECD WEEKLY TRACKER

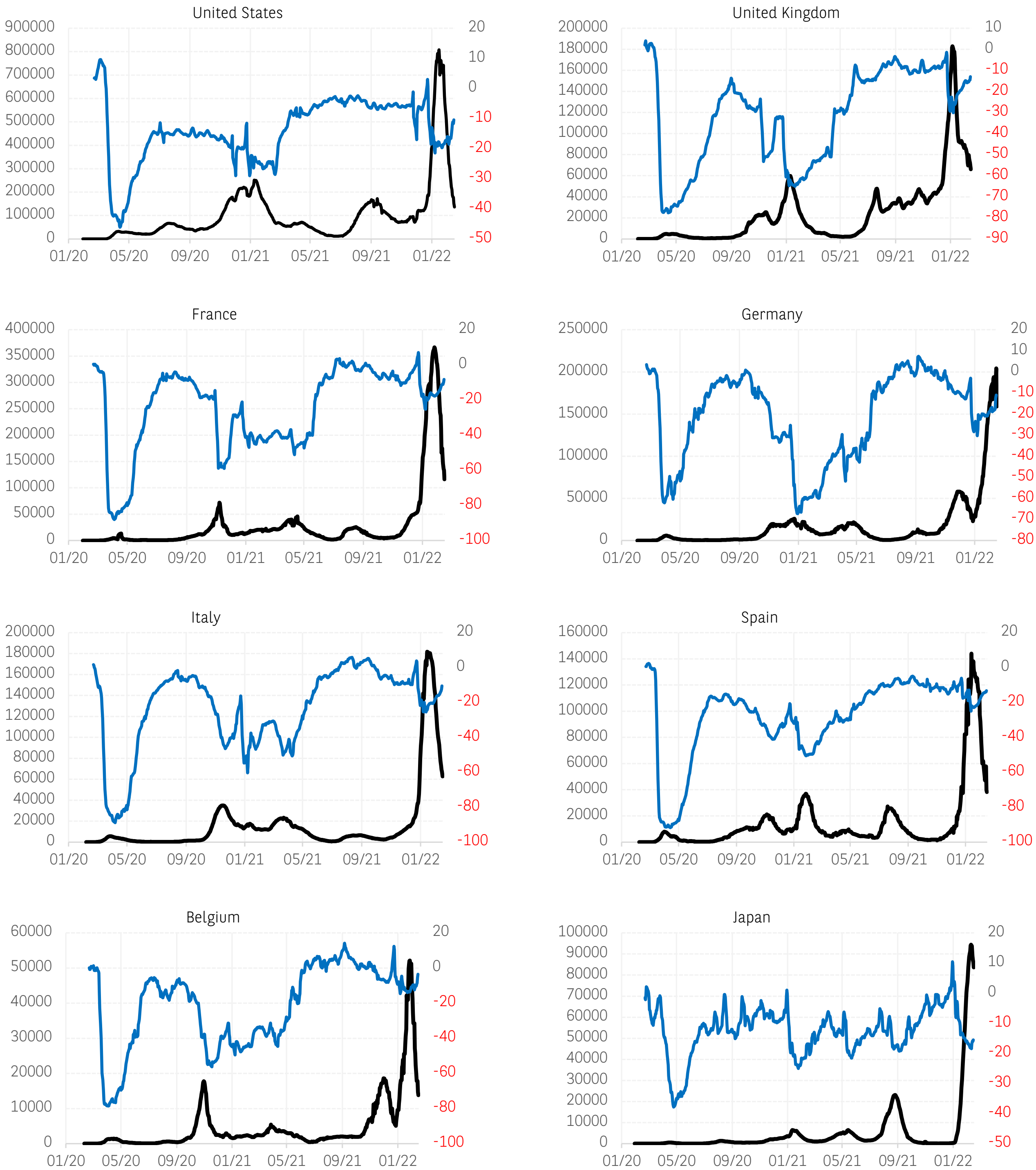
Retail and recreation mobility (7-day moving average, % from baseline*) — OECD Weekly tracker, y/2y GDP growth [RHS]



SOURCE: OECD (02/17/2022)), GOOGLE (02/16/2022), 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 (02/16/2022), GOOGLE (02/16/2022), BNP PARIBAS

ECONOMIC SCENARIO

UNITED STATES

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

CHINA

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

EUROZONE

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

FRANCE

What is happening at the aggregate eurozone level is representative of what is happening in France, and vice-versa. Although the figures are different, our analysis and view of the economic outlook are identical. In Germany, the headwinds are stronger, while France is less exposed. French growth surprised on the upside in Q4 2021 (0.7% q/q according to INSEE's initial estimate) and reached 7% in 2021 as a whole. In 2022, GDP growth would ease to 4.2%, against a background of higher inflation (3.5% expected in 2022 after 1.8% in 2021).

RATES AND EXCHANGE RATES

In the US, the Federal Reserve has started tapering and this should lead to net asset purchases ending in March this year. The tone of the minutes of the December meeting of the FOMC was hawkish. Given current particularly elevated inflation, the inflation outlook and the strength of the labour market, as reflected in the unemployment rate that has dropped below 4.0%, we expect a first rate hike in March, followed by five additional hikes in 2022 and three more in 2023. In addition, we expect the reduction of the balance sheet (quantitative tightening) to start in July this year. These policy changes should put upward pressure on Treasury yields

In the eurozone, the ECB will stop net purchases under the PEPP in March and will temporarily increase the monthly volume under the traditional asset purchase program. It insists on the risk that inflation will continue to surprise to the upside, in particular in the short run. Against this background and considering the expected path of inflation, we now forecast a first hike in the deposit rate of 25 bp on the occasion of the September meeting, followed by another hike in December. Two more hikes of 25 bp would follow in 2023. The change in message of the ECB has caused a rise in euro area bond yields. Further increases are to be expected given the outlook for monetary policy monetary policy and the influence from higher US Treasury yields. We also expect a widening of certain sovereign spreads.

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 about 20bp.

We expect the dollar to weaken versus the euro, considering that both the Federal Reserve and the ECB will tighten policy and that the euro is undervalued versus the dollar. The increased policy divergence between the Fed and the Bank of Japan should cause an e appreciation of the dollar versus the yen but in the latter part of 2023, there is a potential for yen appreciation as we get closer to the cyclical peak in US Treasury yields.

GROWTH & INFLATION

	GDP Growth			Inflation		
%	2021 e	2022 e	2023 e	2021 e	2022 e	2023 e
United-States	5.5	4.1	2.4	4.7	5.4	2.5
Japan	1.7	2.6	1.8	-0.2	1.0	0.8
United-Kingdom	7.1	4.1	2.1	2.5	5.8	2.6
Euro Area	5.0	3.6	2.5	2.5	5.0	2.1
Germany	2.6	3.6	3.6	3.1	4.7	2.4
France	6.7	4.2	2.5	2.0	3.8	2.4
Italy	6.3	4.9	3.0	1.8	5.5	1.7
Spain	4.3	5.4	3.5	3.0	5.2	1.8
China	7.9	4.9	5.5	0.9	2.1	2.5
India*	8.0	11.0	6.0	5.4	5.7	5.0
Brazil	4.8	0.5	2.0	8.3	8.3	4.3
Russia	4.5	3.0	1.8	7.0	6.3	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		Q1 2022 e	Q2 2022 e	Q3 2022 e	Q4 2022 e	Q4 2023 e
US	Fed Funds (upper limit)	0.50	1.00	1.50	1.75	2.50
	T-Note 10y	2.00	2.10	2.20	2.30	2.30
Ezone	Deposit rate	-0.50	-0.50	-0.25	0.00	0.50
	Bund 10y	0.35	0.45	0.50	0.60	0.70
	OAT 10y	0.90	0.90	1.00	1.10	1.20
	BTP 10y	2.10	2.20	2.40	2.60	2.70
	BONO 10y	1.40	1.50	1.65	1.80	1.90
UK	Base rate	0.75	1.00	1.25	1.25	1.75
	Gilts 10y	1.50	1.55	1.60	1.75	2.00
Japan	BoJ Rate	-0.10	-0.10	-0.10	-0.10	-0.10
	JGB 10y	0.20	0.20	0.20	0.22	0.25
Exchange Rates End of period		Q1 2022 e	Q2 2022 e	Q3 2022 e	Q4 2022 e	Q4 2023 e
USD	EUR / USD	1.15	1.16	1.17	1.18	1.20
	USD / JPY	115	116	117	118	115
	GBP / USD	1.35	1.35	1.36	1.37	1.40
EUR	EUR / GBP	0.85	0.86	0.86	0.86	0.86
	EUR / JPY	132	135	137	139	138
Brent End of period		Q1 2022 e	Q2 2022 e	Q3 2022 e	Q4 2022 e	Q4 2023 e
Brent	USD/bbl	87	84	87	92	97

FORECASTS PRODUCED ON 10 FEBRUARY. SOURCE: BNP PARIBAS (E: ESTIMATES & FORECASTS)
(MARKET ECONOMICS, INTEREST RATE STRATEGY, FX STRATEG, COMMODITIES DESK STRATEGY)

CALENDAR

LATEST INDICATORS

Chinese inflation slowed down in January, slightly more than expected. In the euro area, the ZEW index registered a small decline in February. 4th quarter employment growth slowed down to 0.5% versus the previous quarter but on an annual basis there was a healthy increase of 2.1%. New car registrations in January were down again but far less than the previous month. In France, the 4th quarter unemployment rate dropped far more than expected, reaching 7.4%. In Germany, both ZEW surveys (current situation, expectations) improved although less than anticipated. Japan's 4th quarter GDP growth was strong yet came in below expectations. Private consumption growth was particularly robust. In the UK, average earnings increased more than expected whereas employment declined albeit less than anticipated. Inflation increased further. Monthly retail sales growth brought a positive surprise. US producer price inflation remains elevated, more than forecasted by the consensus. January retail sales were particularly strong, beating expectations by a wide margin. Building permits hardly grew in January but this was still better than expected. Housing starts on the other hand dropped and disappointed. Initial unemployment claims rose and the decline in the Philadelphia Fed index was bigger than anticipated.

DATE	COUNTRY/REGION	INDICATOR	PERIOD	SURVEY	ACTUAL	PREVIOUS
02/15/22	Japan	GDP SA QoQ	4Q	1.5%	1.3%	-0.9%
02/15/22	Japan	GDP Private Consumption QoQ	4Q	2.3%	2.7%	-1.3%
02/15/22	Japan	GDP Business Spending QoQ	4Q	0.5%	0.4%	-2.3%
02/15/22	Japan	Inventory Contribution % GDP	4Q	0.0%	-0.1%	0.1%
02/15/22	Japan	Net Exports Contribution % GDP	4Q	0.3%	0.2%	0.0%
02/15/22	United Kingdom	Average Weekly Earnings 3M/YoY	Dec	3.8%	4.3%	4.2%
02/15/22	United Kingdom	ILO Unemployment Rate 3Mths	Dec	4.1%	4.1%	4.1%
02/15/22	United Kingdom	Employment Change 3M/3M	Dec	-58k	-38k	60k
02/15/22	Germany	ZEW Survey Expectations	Feb	55.0	54.3	51.7
02/15/22	Germany	ZEW Survey Current Situation	Feb	-6.5	-8.1	-10.2
02/15/22	Eurozone	ZEW Survey Expectations	Feb	--	48.6	49.4
02/15/22	Eurozone	Trade Balance SA	Dec	-4.7b	-9.7b	-1.3b
02/15/22	Eurozone	Trade Balance NSA	Dec	--	-4.6b	-1.5b
02/15/22	Eurozone	Employment QoQ	4Q	--	0.5%	0.9%
02/15/22	Eurozone	Employment YoY	4Q	--	2.1%	2.1%
02/15/22	Eurozone	GDP SA QoQ	4Q	0.3%	0.3%	0.3%
02/15/22	Eurozone	GDP SA YoY	4Q	4.6%	4.6%	4.6%
02/15/22	United States	PPI Ex Food and Energy YoY	Jan	7.9%	8.3%	8.3%
02/15/22	United States	PPI Final Demand MoM	Jan	0.5%	1.0%	0.2%
02/15/22	United States	PPI Ex Food and Energy MoM	Jan	0.5%	0.8%	0.5%
02/15/22	United States	PPI Final Demand YoY	Jan	9.1%	9.7%	9.7%
02/16/22	China	PPI YoY	Jan	9.5%	9.1%	10.3%
02/16/22	China	CPI YoY	Jan	1.0%	0.9%	1.5%
02/16/22	United Kingdom	CPIH YoY	Jan	4.9%	4.9%	4.8%

SOURCE: BLOOMBERG

DATE	COUNTRY/REGION	INDICATOR	PERIOD	SURVEY	ACTUAL	PREVIOUS
02/16/22	United Kingdom	CPI Core YoY	Jan	4.3%	4.4%	4.2%
02/16/22	United States	Retail Sales Advance MoM	Jan	2.0%	3.8%	-2.5%
02/16/22	United States	Retail Sales Control Group	Jan	1.3%	4.8%	-4.0%
02/16/22	United States	NAHB Housing Market Index	Feb	82.0	82.0	83.0
02/16/22	United States	FOMC Meeting Minutes	26-janv			
02/16-02/22/22	Japan	Core Machine Orders MoM	Dec	-2.0%	3.6%	3.4%
02/17/22	Eurozone	EU27 New Car Registrations	Jan	--	-6.0%	-22.8%
02/17/220	Eurozone	ECB Publishes Economic Bulletin				
02/17/22	United States	Building Permits MoM	Jan	-7.2%	0.7%	9.8%
02/17/22	United States	Initial Jobless Claims	12-Feb	218k	248k	225k
02/17/22	United States	Housing Starts MoM	Jan	-0.4%	-4.1%	0.3%
02/17/22	United States	Philadelphia Fed Business Outlook	Feb	20.0	16.0	23.2
02/17/22	France	ILO Unemployment Rate	4Q	7.8%	7.4%	8.0%
02/18/22	United Kingdom	Retail Sales Ex Auto Fuel MoM	Jan	1.1%	1.7%	-3.9%
02/18/22	United Kingdom	Retail Sales Ex Auto Fuel YoY	Jan	7.9%	7.2%	-3.8%
02/18/22	France	CPI EU Harmonized MoM	Jan F	0.1%	0.2%	0.1%
02/18/22	France	CPI EU Harmonized YoY	Jan F	3.3%	3.3%	3.3%
02/18/22	Eurozone	Consumer Confidence	Feb A	-8.0	--	-8.5

SOURCE: BLOOMBERG

CALENDAR: THE WEEK AHEAD

COMING INDICATORS

It's 'survey data week' with the publication of a large number of surveys for the month of February: flash PMIs in several countries, IFO indices in Germany, Conference Board confidence index and University of Michigan sentiment in the US, the European Commission's economic sentiment index and its components, business and consumer confidence in France. France will publish its February inflation numbers. Finally, we have an updated estimate of 4th quarter GDP growth in France and the US.

DATE	COUNTRY/REGION	EVENT	PERIOD	SURV(M)	PREVIOUS
02/21/22	Japan	Jibun Bank Japan PMI Services	Feb P	--	47.6
02/21/22	Japan	Jibun Bank Japan PMI Composite	Feb P	--	49.9
02/21/22	Japan	Jibun Bank Japan PMI Mfg	Feb P	--	55.4
02/21/22	Germany	PPI YoY	Jan	--	24.20%
02/21/22	Germany	PPI MoM	Jan	--	5.00%
02/21/22	France	Markit France Services PMI	Feb P	--	53.1
02/21/22	France	Markit France Manufacturing PMI	Feb P	--	55.5
02/21/22	France	Markit France Composite PMI	Feb P	--	52.7
02/21/22	Germany	Markit/BME Germany Manufacturing PMI	Feb P	--	59.8
02/21/22	Germany	Markit Germany Services PMI	Feb P	--	52.2
02/21/22	Germany	Markit/BME Germany Composite PMI	Feb P	--	53.8
02/21/22	Eurozone	Markit Eurozone Manufacturing PMI	Feb P	--	58.7
02/21/22	Eurozone	Markit Eurozone Services PMI	Feb P	--	51.1
02/21/22	Eurozone	Markit Eurozone Composite PMI	Feb P	--	52.3
02/21/22	United Kingdom	Markit/CIPS UK Services PMI	Feb P	--	54.1
02/21/22	United Kingdom	Markit/CIPS UK Composite PMI	Feb P	--	54.2
02/21/22	United Kingdom	Markit UK PMI Manufacturing SA	Feb P	--	57.3
02/22/22	Germany	IFO Business Climate	Feb	--	95.7
02/22/22	Germany	IFO Current Assessment	Feb	--	96.1
02/22/22	Germany	IFO Expectations	Feb	--	95.2
02/22/22	United Kingdom	CBI Trends Total Orders	Feb	--	24
02/22/22	United Kingdom	CBI Trends Selling Prices	Feb	--	66
02/22/22	United States	S&P CoreLogic CS 20-City YoY NSA	Dec	--	18.29%
02/22/22	United States	Markit US Manufacturing PMI	Feb P	--	55.5
02/22/22	United States	Markit US Services PMI	Feb P	--	51.2
02/22/22	United States	Markit US Composite PMI	Feb P	--	51.1
02/22/22	United States	Conf. Board Consumer Confidence	Feb	110	113.8
02/22/22	United States	Conf. Board Present Situation	Feb	--	148.2
02/22/22	United States	Conf. Board Expectations	Feb	--	90.8
02/23/22	Germany	GfK Consumer Confidence	Mar	--	-6.7
02/23/22	France	Business Confidence	Feb	--	107
02/23/22	Eurozone	CPI YoY	Jan F	--	5.00%
02/23/22	Eurozone	CPI MoM	Jan F	--	0.30%

SOURCE: BLOOMBERG

DATE	COUNTRY/REGION	EVENT	PERIOD	SURV(M)	PREVIOUS
02/23/22	Eurozone	CPI Core YoY	Jan F	--	2.30%
02/24/22	France	Consumer Confidence	Feb	--	99
02/24/22	United States	Initial Jobless Claims	19-Feb	--	--
02/24/22	United States	GDP Annualized QoQ	4Q S	6.90%	6.90%
02/24/22	United States	New Home Sales MoM	Jan	0.30%	11.90%
02/25/22	United Kingdom	GfK Consumer Confidence	Feb	--	-19
02/25/22	Germany	GDP SA QoQ	4Q F	--	-0.70%
02/25/22	France	CPI EU Harmonized MoM	Feb P	--	--
02/25/22	France	CPI EU Harmonized YoY	Feb P	--	--
02/25/22	France	Consumer Spending MoM	Jan	--	0.20%
02/25/22	France	Consumer Spending YoY	Jan	--	-5.10%
02/25/22	France	GDP QoQ	4Q F	--	0.70%
02/25/22	Eurozone	Economic Confidence	Feb	--	112.7
02/25/22	Eurozone	Industrial Confidence	Feb	--	13.9
02/25/22	Eurozone	Services Confidence	Feb	--	9.1
02/25/22	Eurozone	Consumer Confidence	Feb F	--	--
02/25/22	United States	Personal Income	Jan	-0.30%	0.30%
02/25/22	United States	Personal Spending	Jan	0.80%	-0.60%
02/25/22	United States	Real Personal Spending	Jan	--	-1.00%
02/25/22	United States	Cap Goods Orders Nondef Ex Air	Jan P	--	0.30%
02/25/22	United States	PCE Core Deflator MoM	Jan	0.50%	0.50%
02/25/22	United States	PCE Core Deflator YoY	Jan	5.20%	4.90%
02/25/22	United States	U. of Mich. Sentiment	Feb F	61.7	61.7
02/25/22	United States	U. of Mich. Current Conditions	Feb F	--	68.5
02/25/22	United States	U. of Mich. Expectations	Feb F	--	57.4
02/25/22	United States	U. of Mich. 1 Yr Inflation	Feb F	--	5.00%
02/25/22	United States	U. of Mich. 5-10 Yr Inflation	Feb F	--	3.10%

SOURCE: BLOOMBERG

FURTHER READING

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French Economy Pocket Atlas - January issue	Pocket Atlas	11 January 2022

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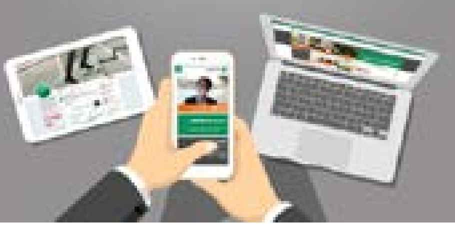

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