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REFORMING EU ECONOMIC GOVERNANCE: THE START OF A MARATHON

The European Commission has relaunched a comprehensive review of the economic governance framework of the European Union. This initiative is necessary considering the impact of the Covid-19 pandemic on public finances as well as the investment needs in the context of the green and digital transformation. The review process comes with several challenges: an agenda which is particularly broad, the inclusive nature of the debate, involving many stakeholders and, as far as fiscal governance is concerned, the necessity for EU member states to strike a balance between committing to policy discipline whilst keeping national fiscal policy leeway. Given the state of public finances in most EU countries, sensible fiscal rules are necessary to gradually create the much-needed fiscal room for manoeuvre.

The Stability and Growth Pact (SGP) – the budgetary pillar of the Economic and Monetary Union but with application for the whole EU without exception –, has been adopted in 1997. Since then, it has been amended on a number of occasions. Although it consists of a complex set of rules, the focus in the public debate on the SGP tends to be on the Maastricht criteria of a budget deficit of 3% of GDP and public debt of 60% of GDP.

Judging by the annual performance of EU member states on these two dimensions, it is clear that very often the objectives have not been met (see chart). Quite understandably, this is particularly the case at the current juncture. The Covid-19 pandemic necessitated major fiscal efforts, which led to the activation in March 2020 of the general escape clause. This allowed countries to deviate from the budgetary paths that had been defined pre-Covid-19. The SGP is scheduled to be restored in 2023¹, which calls for an assessment and possibly a revision of the fiscal rules.

This will be part of a comprehensive review of the economic governance framework of the European Union that was recently relaunched by the European Commission. This initiative faces multiple challenges. One, finding a balance between meeting public investment needs – which will remain high for years to come in the context of the green and digital transition – and the necessity to reduce budget deficits to create fiscal space in order to have sufficient leeway for a counter-cyclical discretionary fiscal policy when the next recession hits. Two, the agenda is particularly broad, covering a large number of topics, grouped in 11 open questions². Three, the review process will be based on an inclusive debate with many stakeholders³. This should be welcomed

1. EU to keep its borrowing limits suspended in 2022, restore them in 2023, Reuters, 2 June 2021.

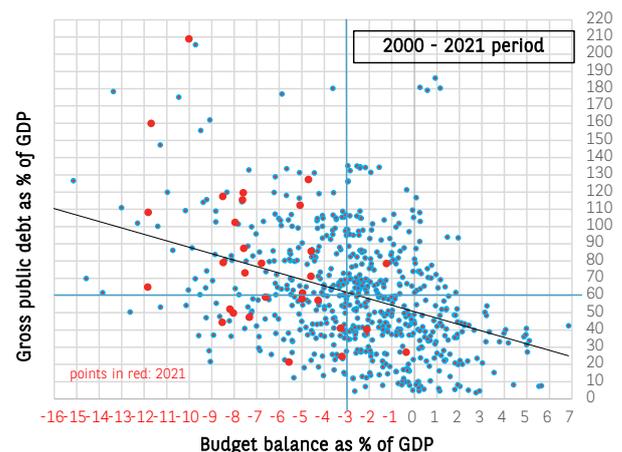
2. The list of topics is huge and the questions cover: ensuring sustainable public finances, help eliminate existing macroeconomic imbalances and avoid new ones arising, how to ensure responsible fiscal policies that safeguard long-term sustainability, while allowing for short-term macroeconomic stabilisation, how to incentivise Member States to undertake the key reforms and investments needed to deliver on the Green Deal and help tackle today's and tomorrow's economic, social, and environmental challenges while preserving safeguards against risks to debt sustainability, how to simplify the EU framework and improve its transparency, how to focus surveillance focus on Member States with more pressing policy challenges, how can the design, governance and operation of the RRF provide useful insights in terms of economic governance, is there scope to strengthen national fiscal frameworks and improve their interaction with the EU fiscal framework, how can the framework ensure effective enforcement and what should be the role of financial sanctions, reputational costs and positive incentives, how can the framework best ensure an adequate and coordinated policy response at the EU and national levels, how should it take into consideration the euro area dimension and the agenda towards deepening Economic and Monetary Union, are there any other challenges that the economic governance framework should factor in beyond those identified so far? (Source: Questions and answers: Commission relaunches the review of EU economic governance, Brussels, 19 October 2021).

3. "The Commission looks forward to an inclusive debate with the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions, the European Central Bank, national central banks, national governments and parliaments

but it may reduce the time available to reach a political agreement. Inviting citizens and organisations to submit their contributions to the debate is reminiscent of the 'ECB listens' events that were organised by the ECB in the preparation of its strategy review. However, the debate on economic governance and fiscal governance is far more complex than the one on monetary policy strategy, with the former having an important distributional dimension – levels of taxation, income transfers, expenditures – as well as an intertemporal angle (the conditions for debt sustainability). Finally, as far as fiscal governance is concerned, EU member states will need to strike a balance between committing to policy discipline whilst keeping national fiscal policy leeway. In its list of 11 questions, the European Commission raises the question about the possible role of financial sanctions, reputational costs and positive incentives. It is probably the most difficult question to tackle and agree upon. Yet, given the state of public finances in most EU countries, sensible fiscal rules are very much necessary to gradually create the much-needed fiscal room for manoeuvre.

William De Vijlder

PUBLIC ACCOUNTS OF EU27 AND UK (AGGREGATE + COUNTRIES)



SOURCE: EUROPEAN COMMISSION, BNP PARIBAS

as well as a wide range of stakeholders, including social partners, academia, independent fiscal institutions and national productivity boards. The debate will take place through various fora, including dedicated meetings, workshops and an online survey. The online survey has been relaunched today and citizens, organisations and public authorities are invited to submit their contributions by 31 December 2021." (Source: see footnote 2)



MARKETS OVERVIEW

OVERVIEW

Week 15-10/21 to 22-10-21

➔ CAC 40	6 728	▶ 6 734	+0.1 %
➔ S&P 500	4 471	▶ 4 545	+1.6 %
➔ Volatility (VIX)	16.3	▶ 15.4	-0.9 pb
➔ Euribor 3M (%)	-0.55	▶ -0.55	-0.1 bp
➔ Libor \$ 3M (%)	0.12	▶ 0.12	+0.1 bp
➔ OAT 10y (%)	0.10	▶ 0.17	+7.0 bp
➔ Bund 10y (%)	-0.17	▶ -0.09	+8.0 bp
➔ US Tr. 10y (%)	1.58	▶ 1.66	+8.0 bp
➔ Euro vs dollar	1.16	▶ 1.16	+0.4 %
➔ Gold (ounce, \$)	1 773	▶ 1 806	+1.9 %
➔ Oil (Brent, \$)	85.0	▶ 85.6	+0.8 %

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	-0.03	-0.03 at 22/10
Eonia	-0.49	-0.47 at 26/01	Bund 2y	-0.64	-0.63 at 19/10
Euribor 3M	-0.55	-0.53 at 07/05	Bund 10y	-0.09	-0.09 at 22/10
Euribor 12M	-0.47	-0.47 at 19/10	OAT 10y	0.17	0.23 at 17/05
\$ FED	0.25	0.25 at 01/01	Corp. BBB	0.83	0.83 at 22/10
Libor 3M	0.12	0.24 at 13/01	Treas. 2y	0.46	0.46 at 22/10
Libor 12M	0.32	0.34 at 01/01	Treas. 10y	1.66	1.75 at 31/03
£ BoE	0.10	0.10 at 01/01	High Yield	5.02	5.12 at 12/10
Libor 3M	0.20	0.22 at 19/10	£ gilt. 2y	0.56	0.63 at 19/10
Libor 12M	0.72	0.74 at 21/10	£ gilt. 10y	1.15	1.20 at 21/10

At 22-10-21

EXCHANGE RATES

1€ =	highest 21	lowest 21	2021
USD	1.16	1.23 at 06/01	1.15 at 06/10
GBP	0.85	0.91 at 06/01	0.84 at 21/10
CHF	1.07	1.11 at 04/03	1.07 at 22/10
JPY	132.30	133.97 at 28/05	125.22 at 18/01
AUD	1.56	1.64 at 20/08	1.53 at 18/03
CNY	7.44	8.00 at 01/01	7.44 at 22/10
BRL	6.67	6.95 at 03/03	5.88 at 24/06
RUB	81.97	92.47 at 20/04	81.97 at 22/10
INR	87.24	90.39 at 23/04	85.30 at 27/03

At 22-10-21

COMMODITIES

Spot price, \$	highest 21	lowest 21	2021	2021(€)
Oil, Brent	86.0	at 20/10	51.2	at 04/01
Gold (ounce)	1 806	1 947 at 05/01	1 682	at 08/03
Metals, LMEX	4 497	4 763 at 15/10	3 415	at 01/01
Copper (ton)	9 857	11 300 at 18/10	7 749	at 01/01
wheat (ton)	238	2.9 at 07/05	223	at 10/09
Corn (ton)	200	2.9 at 07/05	188	at 04/01

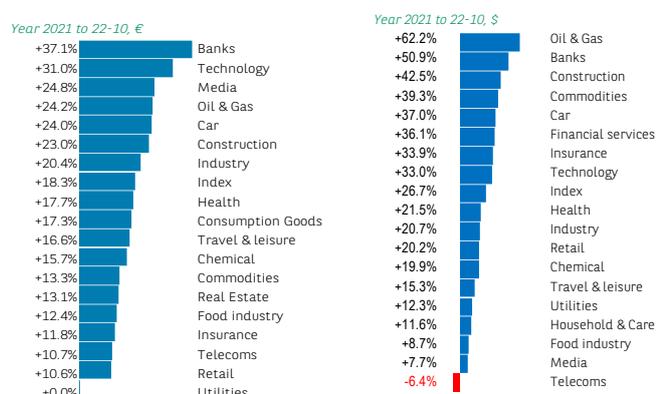
At 22-10-21

EQUITY INDICES

Index	highest 21	lowest 21	2021
World			
MSCI World	3 151	3 170 at 06/09	2 662 at 29/01
North America			
S&P500	4 545	4 550 at 21/10	3 701 at 04/01
Europe			
EuroStoxx50	4 189	4 246 at 06/09	3 481 at 29/01
CAC 40	6 734	6 896 at 13/08	5 399 at 29/01
DAX 30	15 543	15 977 at 13/08	13 433 at 29/01
IBEX 35	8 906	9 281 at 14/06	7 758 at 29/01
FTSE100	7 205	7 234 at 15/10	6 407 at 29/01
Asia			
MSCI, loc.	1 150	1 196 at 14/09	1 044 at 06/01
Nikkei	28 805	30 670 at 14/09	27 013 at 20/08
Emerging			
MSCI Emerging (S)	1 293	1 445 at 17/02	1 221 at 20/08
China	96	130 at 17/02	87 at 06/10
India	856	876 at 18/10	659 at 29/01
Brazil	1 440	2 098 at 24/06	1 440 at 22/10
Russia	894	909 at 20/10	647 at 01/02

At 22-10-21

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

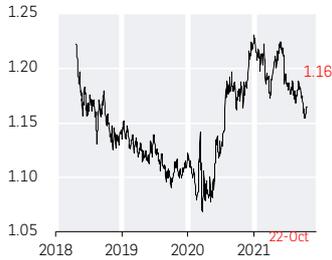


SOURCE: REFINITIV, BNP PARIBAS,

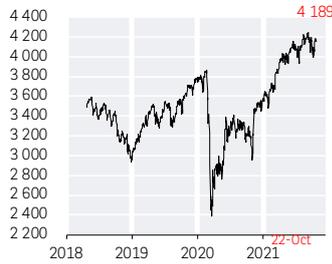


MARKETS OVERVIEW

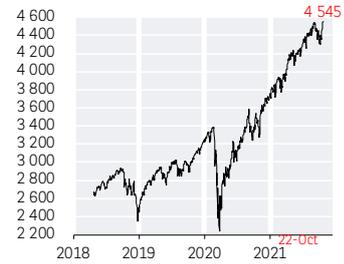
EURO-DOLLAR



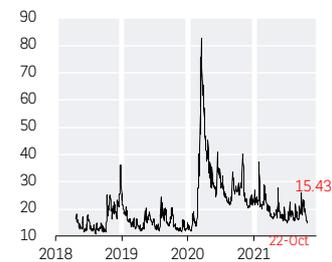
EUROSTOXX50



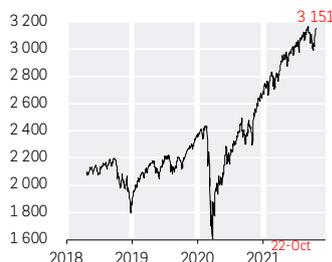
S&P500



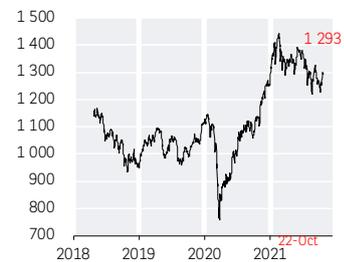
VOLATILITY (VIX, S&P500)



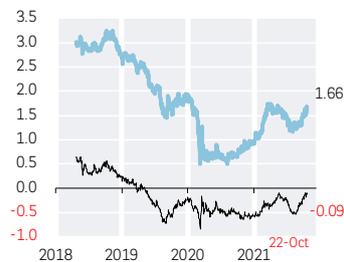
MSCI WORLD (USD)



MSCI EMERGING (USD)

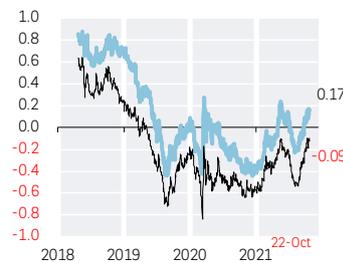


10Y BOND YIELD, TREASURIES VS BUND



—Bunds —US Treasuries

10Y BOND YIELD



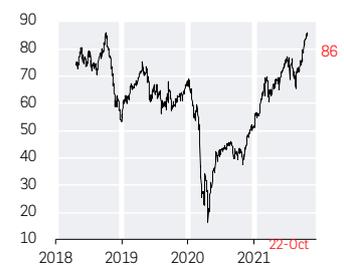
—Bunds —OAT

10Y BOND YIELD & SPREADS

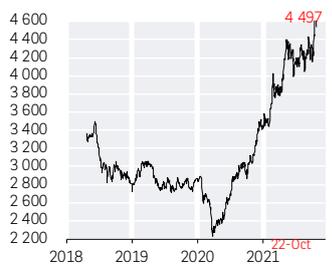
Week 15-10 21 to 22-10-21

1.17%	Greece	130 bp
0.96%	Italy	108 bp
0.53%	Spain	66 bp
0.42%	Portugal	54 bp
0.17%	France	29 bp
0.14%	Belgium	26 bp
0.06%	Finland	19 bp
-0.06%	Austria	6 bp
-0.07%	Ireland	6 bp
-0.09%	Germany	3 bp
-0.13%	Netherlands	

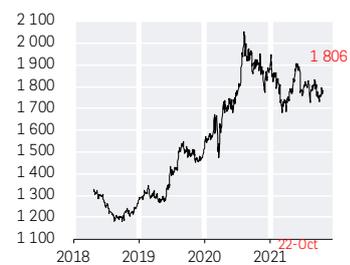
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS



ECONOMIC PULSE

CHINA: POOR ECONOMIC GROWTH FIGURES IN Q3 2021

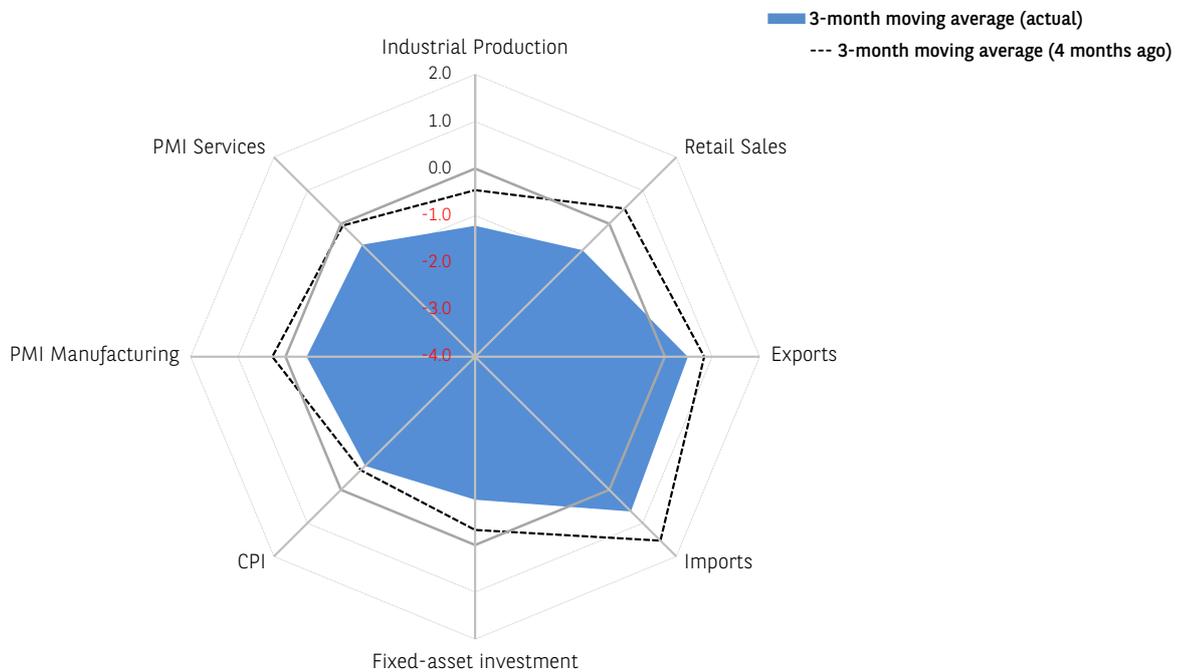
Chinese real GDP growth slowed to 4.9% year-on-year (y/y) in Q3 2021 from 7.9% in Q2 2021.

In the services sector, growth slowed sharply in August (+4.8% y/y), due notably to the reintroduction of lockdown measures to counter a new surge in Covid-19 cases. Although services growth rebounded in September (+5.2%), it is still sluggish. Tighter regulations in a number of segments, including online services, tutoring and video gaming, have constrained activity. The services sector has also been hit by the downturn in the real estate market due to a severe tightening of prudential regulations and credit conditions in the sector. In Q3 2021, house sales contracted while property developers have encountered increasing financing and cash-flow problems. Projects under construction also declined and growth in property investment (which accounts for nearly a quarter of total domestic investment) slowed. The sharp correction in the real-estate market is expected to continue in Q4 2021. Growth in public infrastructure investment has yet to pick up the slack, although it should turn around in the very short term thanks to a new easing of fiscal policy.

In the industrial sector, growth stalled in September. Output growth slowed to only 3.1% y/y, compared to an average of 5.9% in July-August and 9% in Q2. Global supply-chain disruptions have been hindering industrial activity. Above all, factories were hit by an increasing number of power outages in September and early October. Electricity production was hampered by higher prices for coal (which accounts for about 60% of energy production in China) and by abrupt rationing measures imposed by certain provinces seeking to meet their targets for reducing greenhouse gas emissions. The authorities have just announced measures to rapidly resolve the crisis: energy producers will be allowed to sell electricity to consumers at prices up to 20% higher than regulated rates, and coal mines will be encouraged to step up production. Consequently, the energy restrictions squeezing the industrial sector should ease in Q4, pending other reforms that could help China meet its commitments to fight global warming.

Christine Peltier

CHINA: QUARTERLY CHANGES



SOURCE: NBS

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

UNITED KINGDOM: FOURTH WAVE

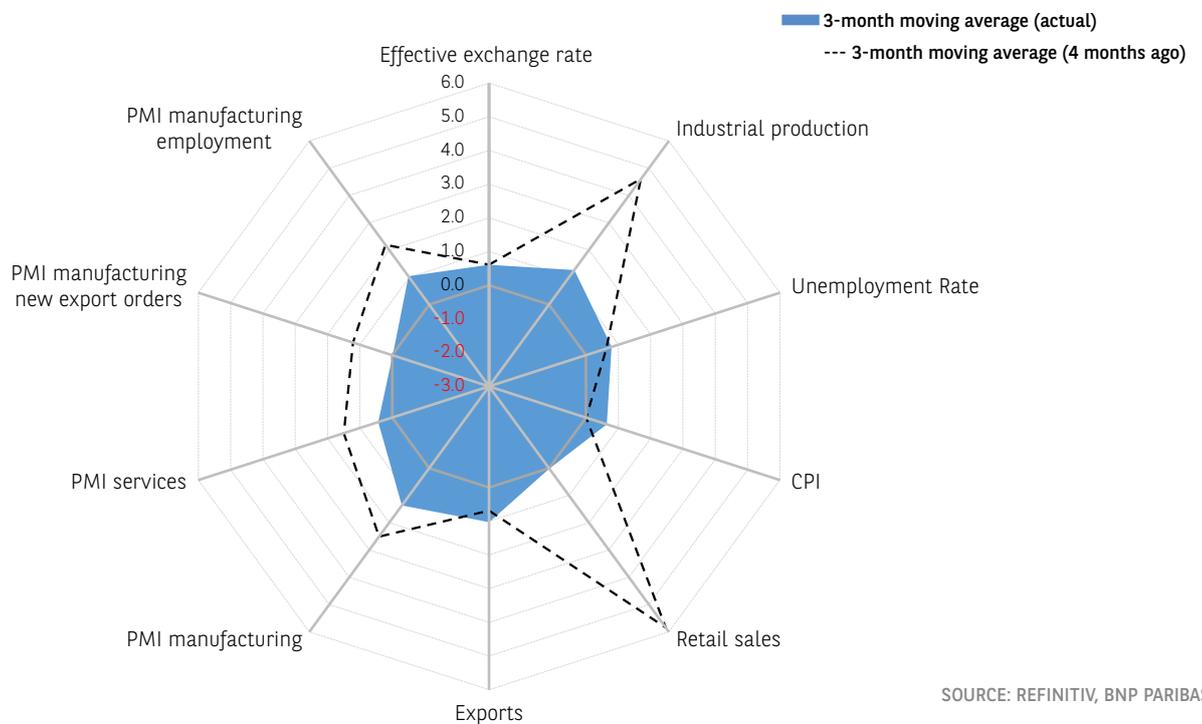
Did the UK government lower its guard too quickly? Since early July, it has lifted nearly all of the sanitary barriers to counter the Covid-19 pandemic. London no longer requires masks to be worn in public spaces, even indoors, nor the presentation of a "health pass". These measures are left to the discretion of each individual. As a result, the "freest country in Europe", according to UK minister David Frost, is also the one that reported the highest number of new cases in fall 2021: nearly 45,000 new cases a day. This is ten times more than in France, while the two countries have comparable populations and vaccination rates (67% altogether). Fortunately, the death toll is much lower than during previous waves, but the comparison is not favourable either: the UK has reported an additional 10,400 Covid-related deaths since July, compared to 6,400 in France.

The gradual easing of health restrictions in phases enabled the economy to rebound strongly in Q2 2021 and to approach pre-pandemic levels (there is still a shortfall of just over 3 points of GDP). Since then, however, the recovery has become entangled in supply-side constraints, foremost of which driven by a components shortage and higher energy prices. Granted, these are global problems, but in the UK, they are compounded by Brexit, the negative effects of which have become palpable. Raising new barriers to immigration from the European Union (visa, work permits, etc.) has created obstacles to hiring – and thus recovery – that are not just cyclical. According to the Confederation of British Industry, hiring problems could last another two years.

The Bank of England has just revised downwards its Q3 growth estimates (from 2% to about 1%). It also said it is closely monitoring the impact of halting the main furlough schemes on the labour market. These measures to preserve employment concern 1.5 million individuals and could result in an upturn in unemployment.

Jean-Luc Proutat

UK: 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 +6. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.



ECONOMIC PULSE

MOBILITY: UPTURN IN NEW COVID-19 CASES IN EUROPE

More than 2.85 million new Covid-19 cases were reported worldwide between 14 and 20 October, a 2.3% decrease from the previous week. This has been the smallest decline since August. All regions contributed to this drop with the notable exception of Europe, which reported an increase for the fourth consecutive week of 14.7% (chart 1). Of the 2.85 million new cases worldwide, 1.16 million were reported in Europe (41% of the total). The number of new cases was highest in the UK (295,643), Russia (211,841), Ukraine (102,564), Romania (100,733) and Germany (68,259). Vaccination campaigns continue to progress around the globe (chart 2), although the pace has slowed recently.

Retail and recreation footfall barely exceeds pre-pandemic levels in Belgium and Germany. It still falls short of pre-pandemic levels in France, Italy and the UK, where it is holding to a downward trend despite a slight uptick very recently. In Spain and the United States, trends seem to be levelling off (chart 3, blue line).

Lastly, the OECD Weekly Tracker of GDP growth continues to rise in Japan compared to its level two years ago. In Germany, France and the United States, the slight decline observed in recent days fits within an upward trend that has extended over several weeks. In the UK and Italy, the Tracker has tended to level off in recent weeks, and it recently declined in Belgium and Spain (chart 3, black line). The OECD Tracker is based on Google Trends resulting from queries on consumption, the labour market, housing, industrial activity as well as uncertainty. The change over a two-year period (y/2y) is calculated to avoid the base effect that would arise from a comparison with 2020 data.

Tarik Rharrab

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

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

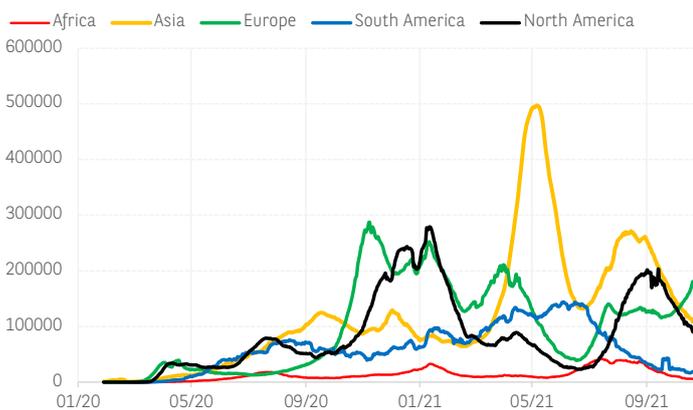


CHART 1

SOURCE: JOHNS-HOPKINS UNIVERSITY (10/21/2021), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

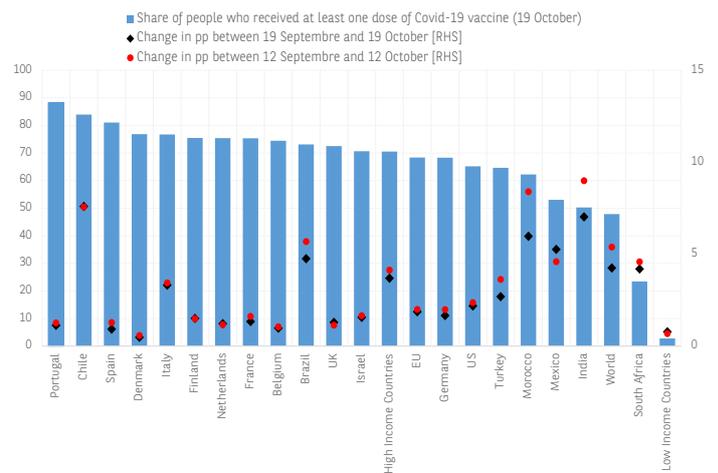


CHART 2

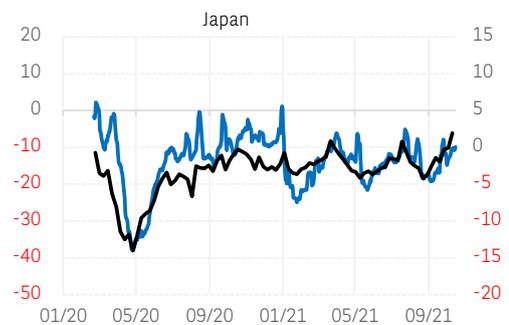
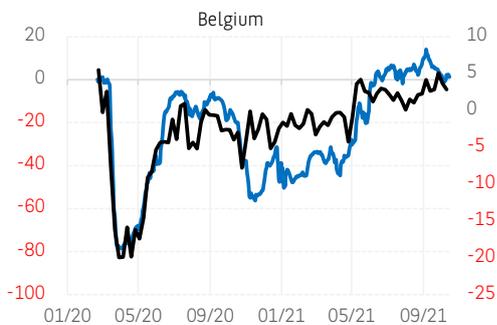
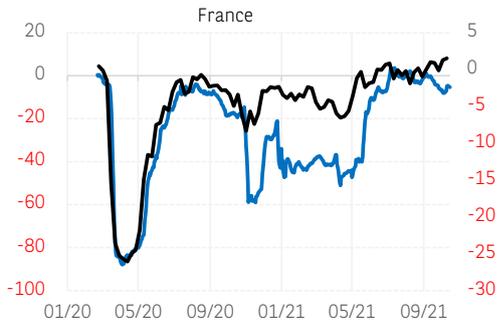
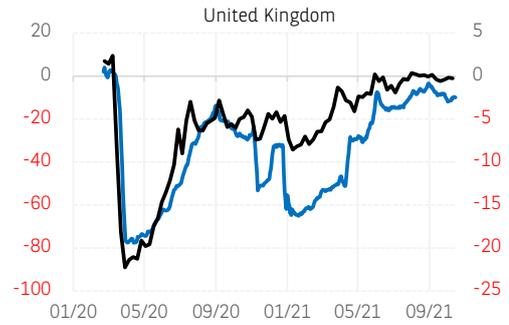
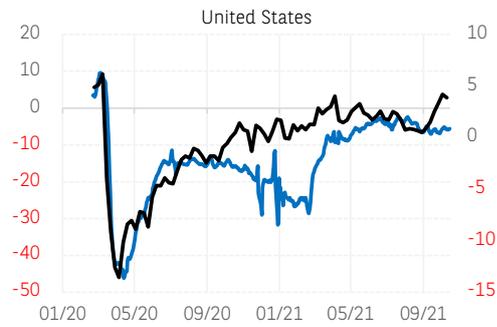
SOURCE: OUR WORLD IN DATA (10/21/2021), BNP PARIBAS



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]

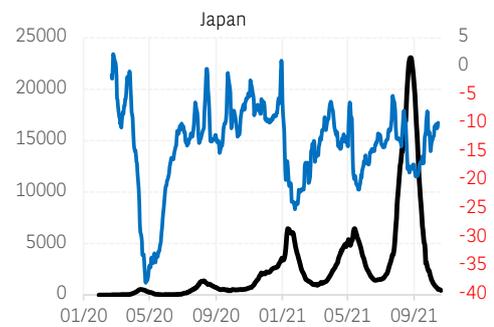
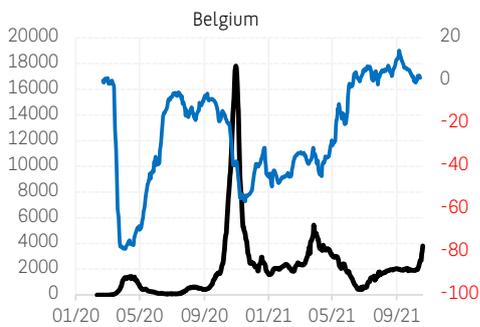
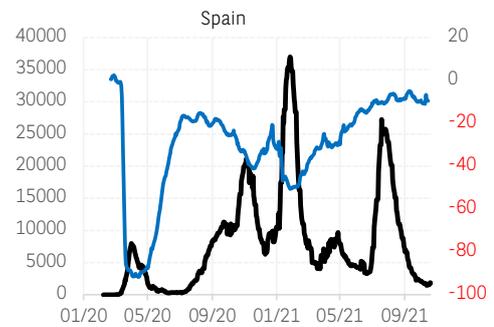
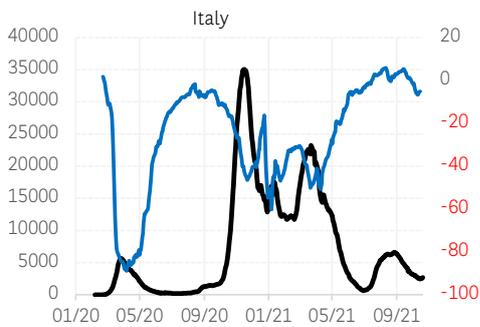
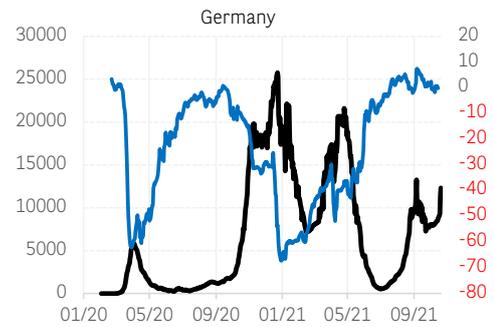
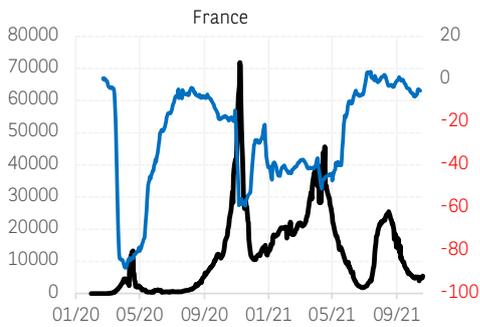
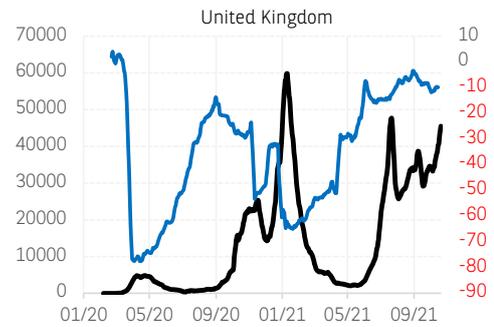
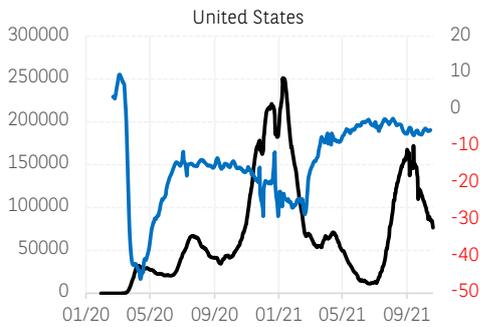


SOURCE: OECD (10/21/2021), GOOGLE (10/21/2021), BNP PARIBAS



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 (10/21/2021), GOOGLE (10/21/2021), BNP PARIBAS



ECONOMIC SCENARIO

10

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	7.8	5.6	5.4	1.2	2.8	2.5
India*	7.0	11.2	6.2	5.4	4.5	4.3
Brazil	5.0	1.5	2.0	7.8	6.3	3.6
Russia	4.5	3.3	2.6	6.0	5.0	4.1

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)
*FISCAL YEAR FROM 1ST APRIL OF YEAR N TO MARCH 31ST OF YEAR N+1

INTEREST & EXCHANGE RATES

Interest rates, %

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

Exchange Rates

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

Brent

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

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)



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CALENDAR

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LATEST INDICATORS

In China, third quarter real GDP growth was a lot weaker than the previous quarter and also came in below expectations. Year-over-year growth of retail sales on the other hand accelerated in September, thereby beating expectations whereas industrial production slowed down more than anticipated. The decline in the jobless rate was a welcome surprise. In the US, housing starts and in particular building permits dropped in September and disappointed compared to the consensus expectations. The NAHB index on the other hand recorded an unexpected improvement. Initial jobless claims hardly changed and the Philadelphia Fed index disappointed by declining more than anticipated. British business optimism plunged in October, creating a huge surprise, but the flash PMIs improved. House prices continue to rise. Consumer confidence is also down. German producer price inflation accelerated further and has reached 14.2%. French business confidence improved and Eurozone consumer confidence recorded a slight decline. The flash PMIs improved in Japan. The manufacturing PMI weakened somewhat in France and was hardly changed in Germany and the Eurozone. The services PMI improved in France, dropped in Germany and declined in the Eurozone. In the US, the manufacturing PMI came in lower than in September but the services PMI jumped, beating expectations by a wide margin.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
10/18/2021	China	GDP SA QoQ	3Q	0.4%	0.2%	1.3%
10/18/2021	China	GDP YoY	3Q	5.0%	4.9%	7.9%
10/18/2021	China	Retail Sales YoY	Sep	3.5%	4.4%	2.5%
10/18/2021	China	Retail Sales YTD YoY	Sep	16.3%	16.4%	18.1%
10/18/2021	China	Industrial Production YoY	Sep	3.8%	3.1%	5.3%
10/18/2021	China	Industrial Production YTD YoY	Sep	12.2%	11.8%	13.1%
10/18/2021	China	Fixed Assets Ex Rural YTD YoY	Sep	7.8%	7.3%	8.9%
10/18/2021	China	Property Investment YTD YoY	Sep	9.5%	8.8%	10.9%
10/18/2021	China	Surveyed Jobless Rate	Sep	5.1%	4.9%	5.1%
10/18/2021	United States	NAHB Housing Market Index	Oct	75.0	80.0	76.0
10/18/21-10/24/21	United Kingdom	CBI Business Optimism	Oct	20.0	2.0	27.0
10/19/2021	United States	Building Permits MoM	Sep	-2.4%	-7.7%	5.6%
10/19/2021	United States	Housing Starts MoM	Sep	0.0%	-1.6%	1.2%
10/20/2021	United Kingdom	CPIH YoY	Sep	3.0%	2.9%	3.0%
10/20/2021	United Kingdom	CPI Core YoY	Sep	3.0%	2.9%	3.1%
10/20/2021	United Kingdom	PPI Output NSA YoY	Sep	6.8%	6.7%	6.0%
10/20/2021	United Kingdom	PPI Input NSA YoY	Sep	11.8%	11.4%	11.2%
10/20/2021	Germany	PPI YoY	Sep	12.8%	14.2%	12.0%
10/20/2021	United Kingdom	House Price Index YoY	Aug	--	10.6%	8.5%
10/20/2021	Eurozone	CPI YoY	Sep	3.4%	3.4%	3.4%
10/20/2021	Eurozone	CPI Core YoY	Sep	1.9%	1.9%	1.9%
10/20/2021	United States	U.S. Federal Reserve Releases Beige Book				
10/21/2021	France	Business Confidence	Oct	110.0	113.0	111.0



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
10/21/2021	France	Business Survey Overall Demand	Oct	--	20.0	22.0
10/21/2021	United States	Initial Jobless Claims	Oct	297k	290k	296k
10/21/2021	United States	Philadelphia Fed Business Outlook	Oct	25.0	23.8	30.7
10/21/2021	Eurozone	Consumer Confidence	Oct	-5.0	-4.8	-4.0
10/22/2021	United Kingdom	GfK Consumer Confidence	Oct	-16.0	-17.0	-13.0
10/22/2021	Japan	Natl CPI YoY	Sep	0.2%	0.2%	-0.4%
10/22/2021	Japan	Natl CPI Ex Fresh Food YoY	Sep	0.1%	0.1%	0.0%
10/22/2021	Japan	Jibun Bank Japan PMI Mfg	Oct	--	53.0	51.5
10/22/2021	Japan	Jibun Bank Japan PMI Services	Oct	--	50.7	47.8
10/22/2021	Japan	Jibun Bank Japan PMI Composite	Oct	--	50.7	47.9
10/22/2021	United Kingdom	Retail Sales Ex Auto Fuel YoY	Sep	-1.6%	-2.6%	-1.1%
10/22/2021	France	Markit France Manufacturing PMI	Oct	54.0	53.5	55.0
10/22/2021	France	Markit France Services PMI	Oct	55.5	56.6	56.2
10/22/2021	France	Markit France Composite PMI	Oct	54.7	54.7	55.3
10/22/2021	Germany	Markit/BME Germany Manufacturing PMI	Oct	56.6	58.2	58.4
10/22/2021	Germany	Markit Germany Services PMI	Oct	55.2	52.4	56.2
10/22/2021	Germany	Markit/BME Germany Composite PMI	Oct	54.3	52.0	55.5
10/22/2021	Eurozone	ECB Survey of Professional Forecasters				
10/22/2021	Eurozone	Markit Eurozone Manufacturing PMI	Oct	57.1	58.5	58.6
10/22/2021	Eurozone	Markit Eurozone Services PMI	Oct	55.4	54.7	56.4
10/22/2021	Eurozone	Markit Eurozone Composite PMI	Oct	55.2	54.3	56.2
10/22/2021	United Kingdom	Markit UK PMI Manufacturing SA	Oct	56.0	57.7	57.1
10/22/2021	United Kingdom	Markit/CIPS UK Services PMI	Oct	54.5	58.0	55.4
10/22/2021	United Kingdom	Markit/CIPS UK Composite PMI	Oct	54.0	56.8	54.9
10/22/2021	United States	Markit US Manufacturing PMI	Oct	60.5	--	60.7
10/22/2021	United States	Markit US Services PMI	Oct	55.2	--	54.9
10/22/2021	United States	Markit US Composite PMI	Oct	--	--	55.0

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

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COMING INDICATORS

The highlights of the week are the ECB governing council meeting and the real GDP growth figures for the third quarter in the US, the Eurozone, Germany and France. In addition, we also have the IFO business climate in Germany, consumer confidence in France and Germany, and, for the Eurozone the European Commission's economic sentiment index and its subseries. The Bank of Japan is having its monetary policy committee meeting. Consumer price inflation will be published for the Eurozone. In the US, several regional business surveys will be released, as well as the Conference Board consumer confidence data and the University of Michigan sentiment index.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
10/25/2021	Germany	IFO Expectations	Oct	--	97.3
10/25/2021	Germany	IFO Current Assessment	Oct	--	100.4
10/25/2021	Germany	IFO Business Climate	Oct	--	98.8
10/25/2021	United States	Chicago Fed Nat Activity Index	Sep	--	0.29
10/25/2021	United States	Dallas Fed Manf. Activity	Oct	5.8	4.6
10/26/2021	United States	New Home Sales MoM	Sep	2.70%	1.50%
10/26/2021	United States	Conf. Board Consumer Confidence	Oct	110	109.3
10/26/2021	United States	Conf. Board Present Situation	Oct	--	143.4
10/26/2021	United States	Conf. Board Expectations	Oct	--	86.6
10/26/2021	United States	Richmond Fed Manufact. Index	Oct	--	-3
10/27/2021	Germany	GfK Consumer Confidence	Nov	--	0.3
10/27/2021	France	Consumer Confidence	Oct	--	102
10/27/2021	France	PPI MoM	Sep	--	1.00%
10/27/2021	France	PPI YoY	Sep	--	10.00%
10/27/2021	Eurozone	M3 Money Supply YoY	Sep	--	7.90%
10/27/2021	France	Total Jobseekers	3Q	--	3510.5k
10/27/2021	United States	Cap Goods Orders Nondef Ex Air	Sep	--	0.60%
10/27/21-11/02/21	Germany	Retail Sales MoM	Sep	--	1.10%
10/28/2021	Japan	Retail Sales MoM	Sep	--	-4.10%
10/28/2021	Germany	Unemployment Change (000's)	Oct	--	-30.0k
10/28/2021	Eurozone	Consumer Confidence	Oct	--	--
10/28/2021	Eurozone	Economic Confidence	Oct	--	117.8
10/28/2021	Eurozone	Industrial Confidence	Oct	--	14.1
10/28/2021	Eurozone	Services Confidence	Oct	--	15.1

SOURCE: BLOOMBERG



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
10/28/2021	Germany	CPI EU Harmonized YoY	Oct	--	4.10%
10/28/2021	United States	Initial Jobless Claims	Oct	--	--
10/28/2021	United States	GDP Annualized QoQ	3Q	3.00%	6.70%
10/28/2021	United States	Personal Consumption	3Q	--	12.00%
10/28/2021	United States	Core PCE QoQ	3Q	--	6.10%
10/28/2021	United States	Kansas City Fed Manf. Activity	Oct	--	22
10/28/2021	Japan	BOJ Policy Balance Rate	Oct	--	-0.10%
10/29/2021	Japan	Consumer Confidence Index	Oct	--	37.8
10/29/2021	France	Consumer Spending MoM	Sep	--	1.00%
10/29/2021	France	Consumer Spending YoY	Sep	--	-5.40%
10/29/2021	France	GDP QoQ	3Q	--	1.10%
10/29/2021	France	CPI EU Harmonized YoY	Oct	--	2.70%
10/29/2021	Germany	GDP SA QoQ	3Q	--	1.60%
10/29/2021	Eurozone	CPI Core YoY	Oct	--	--
10/29/2021	Eurozone	CPI MoM	Oct	--	--
10/29/2021	Eurozone	GDP SA QoQ	3Q	--	2.20%
10/29/2021	Eurozone	CPI Estimate YoY	Oct	--	3.40%
10/29/2021	United States	Employment Cost Index	3Q	0.80%	0.70%
10/29/2021	United States	Personal Income	Sep	-0.30%	0.20%
10/29/2021	United States	Personal Spending	Sep	0.50%	0.80%
10/29/2021	United States	Real Personal Spending	Sep	--	0.40%
10/29/2021	United States	U. of Mich. Sentiment	Oct	71.5	71.4
10/29/2021	United States	U. of Mich. Current Conditions	Oct	--	77.9
10/29/2021	United States	U. of Mich. Expectations	Oct	--	67.2
10/29/2021	United States	U. of Mich. 1 Yr Inflation	Oct	--	4.80%
10/29/2021	United States	U. of Mich. 5-10 Yr Inflation	Oct	--	2.80%

SOURCE: BLOOMBERG



FURTHER READING

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About the surge in energy prices	EcoTVWeek	22 October 2021
Inflation pressures in emerging economies	Chart of the Week	20 October 2021
Global : The risks associated with transitory but high inflation	EcoWeek	18 October 2021
Unease about the distribution of risks	EcoTVWeek	15 October 2021
4th quarter 2021 issue	EcoEmerging	13 October 2021
United States: PPP government-guaranteed loans are largely converted into public subsidies	Chart of the Week	13 October 2021
Global : Market timing, the zero lower bound and QE	EcoWeek	11 October 2021
India: consolidation in progress	EcoTVWeek	8 October 2021
4th quarter 2021 issue	EcoPerspectives	7 October 2021
Eurozone: headline inflation at its highest since 2008	Chart of the Week	6 October 2021
Global : Bad inflation clouds outlook	EcoWeek	4 October 2021
Deterioration of public finances in Colombia: why and should we be concerned?	EcoTVWeek	1 October 2021
India: a small fiscal consolidation	Chart of the Week	29 September 2021
Spain: the tortuous path to reindustrialisation	EcoConjoncture	28 September 2021
China's public finances, a tangled web	EcoConjoncture	28 September 2021
China : China's public finances, a tangled web	EcoWeek	27 September 2021
Global : The extra deposits created will not evaporate	EcoTVWeek	24 September 2021
Eurozone : State-guaranteed loans account for 6.9% of all loans to NFCs	Chart of the Week	22 September 2021
United Kingdom : Taxes are coming: Fall 2021 update on the UK economy	EcoFlash	22 September 2021
Eurozone : Upside risks to inflation	EcoWeek	20 September 2021



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