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BNP PARIBAS

The bank
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world

MONETARY DESYNCHRONISATION: A HEADACHE TO COME?

Monetary desynchronisation between the US and the Eurozone seems unavoidable due to a very different performance in terms of inflation. Whether this will complicate the ECB's task of reaching its inflation target depends, in the short run, on the impact on financial conditions in the euro area. This influence will probably be small. In the medium run, when the US tightening cycle is well underway, US domestic demand growth will be slowing down, which will weigh on imports and hence Eurozone exports to the US. This would complicate matters for the ECB if by then, inflation has not yet reached its target.

The monetary winds are gradually changing direction. They haven't yet turned into a headwind but, at least in some countries, they will end up acting less as a tailwind. The Norwegian central bank has raised its policy rate to 0.25% last week and has indicated that, given the strong recovery in the Norwegian economy, it has become increasingly likely that by the end of 2022, the official interest rate would reach 1.25%¹. According to the Bank of England's monetary policy committee, recent developments appeared to have strengthened the case for modest tightening of monetary policy over its forecast period, which runs until 2024 Q3².

In the US, Jerome Powell has hinted during the press conference following the FOMC meeting that tapering is very likely to start in November. This move has been so well prepared that it will probably become a non-event. Yet bond yields moved higher because investors are now focussing on the FOMC members' interest rate projections – the so-called dots- which showed that more members are now expecting a hike in the federal funds rate next year and even more so in 2023 (chart 1).

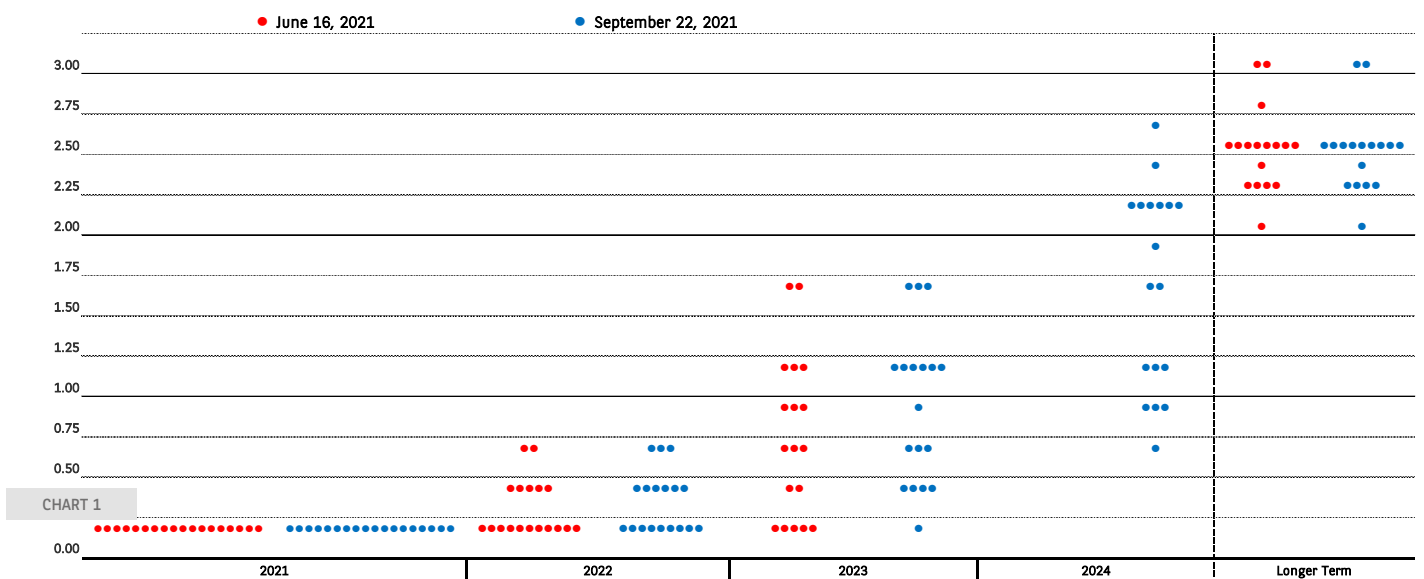
Compared to this (gentle) 'sabre-rattling', silence prevails in the euro area, except for the repeated insistence that ending the PEPP does not correspond to tapering. ECB interest rate guidance is very clear and it looks highly likely that the conditions to envisage a rate hike will not be met for several years³. Monetary desynchronisation between the US and the Eurozone thus seems unavoidable. It reflects a very different performance in terms of inflation (chart 2). According to an analysis in the latest Economic Bulletin⁴ of the ECB, there is still more slack in the Eurozone compared to the US. In the latter, specific factors, such as the jump in the price of used cars, have also played a bigger role. Finally, in the US, the distribution of price increases is also more broadly based.

Does monetary desynchronisation make the ECB's task of reaching its inflation target easier or more difficult? A key factor in the short run is the influence of tighter US monetary policy on financial conditions in the euro area. The prospect of a higher federal funds rate should lead to higher US Treasury yields, which could put Bund yields under upward pressure. In the previous US tightening cycle, Treasury yields rose about 150 basis points. Bund yields moved higher as well, although to a more limited degree, due to different economic conditions as well as

1. Norway raises interest rates, says another hike likely in December, Reuters, 23 September 2021.
 2. Source: Bank of England, Monetary Policy Summary and minutes of the Monetary Policy Committee meeting ending on 22 September 2021.

3. See: ECB: accommodation with no end in sight, Ecoweek, BNP Paribas, 13 September 2021.
 4. Comparing recent inflation developments in the United States and the euro area, Economic Bulletin 6-2021, ECB.

FOMC PARTICIPANTS' ASSESSMENTS OF APPROPRIATE MONETARY POLICY: MIDPOINT OF TARGET RANGE OR TARGET LEVEL FOR THE FEDERAL FUNDS RATE



SOURCE: FEDERAL RESERVE, BNP PARIBAS



the ongoing asset purchases by the ECB. If need be, when the Fed starts raising rates, the APP could be used in a flexible way to shield euro area bond markets from US spillovers. Another transmission channel is the exchange rate. Monetary divergence and the ensuing widening of bond yield differentials could weaken the euro versus the dollar, thereby supporting exports⁵. However, it would also make imports more expensive, considering that a considerable percentage is invoiced in dollar⁶.

All in all, the net effect should be small. Although we expect a stronger dollar, it is worth reminding that during the previous tightening cycle, the dollar actually weakened versus the euro. Exports should play a bigger role in the medium run, when the US tightening cycle is well underway. By then, US domestic demand growth will be slowing down, which will weigh on imports and hence Eurozone exports to the US. This would complicate matters for the ECB if by then, inflation has not yet reached its target. This shows the key risk of monetary desynchronisation: by the time the objective seems within reach, the euro area could be hit by a negative external demand shock, moving it further away from the inflation target. We have to hope that the rate hike cycle in the US will be slow and very gradual in order to give the Eurozone sufficient time to build enough growth momentum so as to generate more inflation. In parallel, the ECB has no other choice than to keep the foot on the monetary throttle.

William De Vijlder

5. This is the key factor underpinning our forecast of a strengthening of the dollar versus the euro to 1.12 in 2022 Q4 and 1.10 in 2023 Q4.

6. For most euro area countries, the dollar has a significantly bigger role as an invoicing currency in imports than in exports. See: *A strong euro: inflation matters more than growth*, *Ecoweek*, BNP Paribas, 2 March 2018.

CORE INFLATION IN THE US AND THE EURO AREA (Y/Y%)

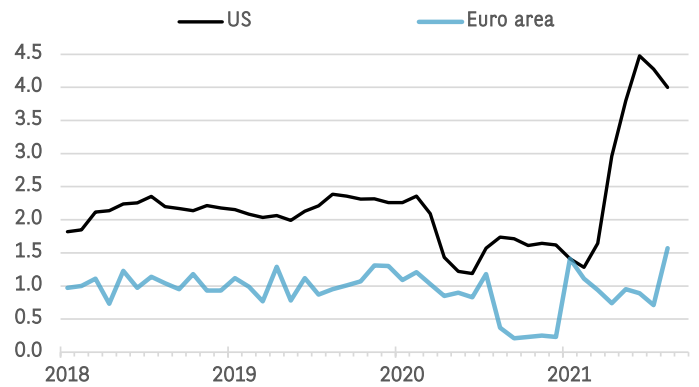


CHART 2

SOURCE: BLS, EUROSTAT, BNP PARIBAS

US MONETARY POLICY AND FINANCIAL MARKETS

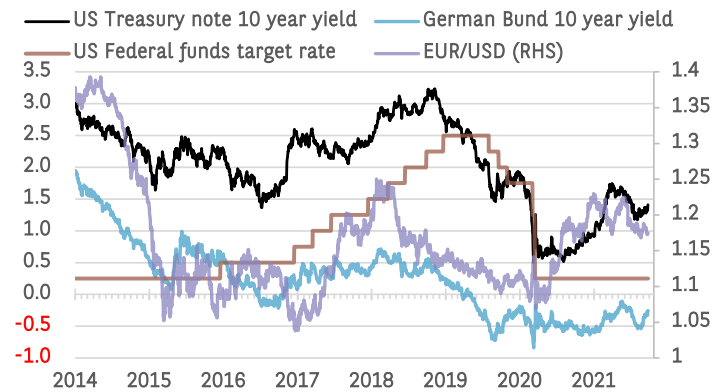


CHART 3

SOURCE: FEDERAL RESERVE, REFINITIV, BNP PARIBAS



We have to hope that the rate hike cycle in the US will be slow and very gradual in order to give the Eurozone sufficient time to build enough growth momentum so as to generate more inflation.



MARKETS OVERVIEW

OVERVIEW

Week 17-9 21 to 24-9-21

➔ CAC 40	6 570	▶ 6 638	+1.0 %
➔ S&P 500	4 433	▶ 4 455	+0.5 %
➔ Volatility (VIX)	20.8	▶ 17.8	-3.1 pb
➔ Euribor 3M (%)	-0.55	▶ -0.54	+0.5 bp
➔ Libor \$ 3M (%)	0.12	▶ 0.13	+0.8 bp
➔ OAT 10y (%)	-0.02	▶ 0.04	+5.6 bp
➔ Bund 10y (%)	-0.28	▶ -0.23	+5.2 bp
➔ US Tr. 10y (%)	1.37	▶ 1.46	+9.1 bp
➔ Euro vs dollar	1.17	▶ 1.17	-0.2 %
➔ Gold (ounce, \$)	1 754	▶ 1 752	-0.1 %
➔ Oil (Brent, \$)	75.5	▶ 75.3	-0.3 %

MONEY & BOND MARKETS

Interest Rates

		highest 21	lowest 21
€ ECB	0.00	0.00 at 01/01	0.00 at 01/01
Eonia	-0.49	-0.47 at 26/01	-0.50 at 01/01
Euribor 3M	-0.54	-0.53 at 07/05	-0.56 at 06/01
Euribor 12M	-0.49	-0.47 at 20/04	-0.52 at 02/02
\$ FED	0.25	0.25 at 01/01	0.25 at 01/01
Libor 3M	0.13	0.24 at 13/01	0.11 at 09/09
Libor 12M	0.23	0.34 at 01/01	0.22 at 06/09
£ BoE	0.10	0.10 at 01/01	0.10 at 01/01
Libor 3M	0.09	0.09 at 24/03	0.03 at 01/01
Libor 12M	0.34	0.34 at 24/09	0.07 at 11/01

At 24-9-21

Yield (%)

		highest 21	lowest 21
€ AVG 5-7y	-0.22	-0.03 at 19/05	-0.46 at 04/01
Bund 2y	-0.71	-0.64 at 23/06	-0.78 at 04/08
Bund 10y	-0.23	-0.11 at 20/05	-0.60 at 04/01
OAT 10y	0.04	0.23 at 17/05	-0.41 at 04/01
Corp. BBB	0.65	0.79 at 20/05	0.43 at 05/08
\$ Treas. 2y	0.27	0.27 at 24/09	0.11 at 05/02
Treas. 10y	1.46	1.75 at 31/03	0.91 at 01/01
High Yield	4.70	4.87 at 09/03	4.52 at 29/06
£ gilt. 2y	0.24	0.26 at 23/09	-0.08 at 04/01
gilt. 10y	0.92	0.93 at 13/05	0.21 at 04/01

At 24-9-21

EXCHANGE RATES

1€ =		highest 21	lowest 21	2021
USD	1.17	1.23 at 06/01	1.17 at 20/08	-4.3%
GBP	0.86	0.91 at 06/01	0.85 at 10/08	-4.3%
CHF	1.08	1.11 at 04/03	1.07 at 17/08	+0.2%
JPY	129.67	133.97 at 28/05	125.22 at 18/01	+2.7%
AUD	1.62	1.64 at 20/08	1.53 at 18/03	+1.9%
CNY	7.57	8.00 at 01/01	7.57 at 21/09	-5.4%
BRL	6.27	6.95 at 03/03	5.88 at 24/06	-1.4%
RUB	85.43	92.47 at 20/04	85.35 at 22/09	-5.6%
INR	86.32	90.39 at 23/04	85.30 at 27/03	-3.4%

At 24-9-21

COMMODITIES

Spot price, \$		highest 21	lowest 21	2021	2021(€)
Oil, Brent	75.3	77.2 at 05/07	51.2 at 04/01	+45.1%	+51.6%
Gold (ounce)	1 752	1 947 at 05/01	1 682 at 08/03	-7.7%	-3.6%
Metals, LME	4 323	4 429 at 10/09	3 415 at 01/01	+26.6%	+32.3%
Copper (ton)	9 344	10 449 at 11/05	7 749 at 01/01	+20.6%	+26.0%
wheat (ton)	238	2.9 at 07/05	223 at 10/09	-3.9%	+0.4%
Corn (ton)	195	2.9 at 07/05	188 at 04/01	+0.4%	+8.2%

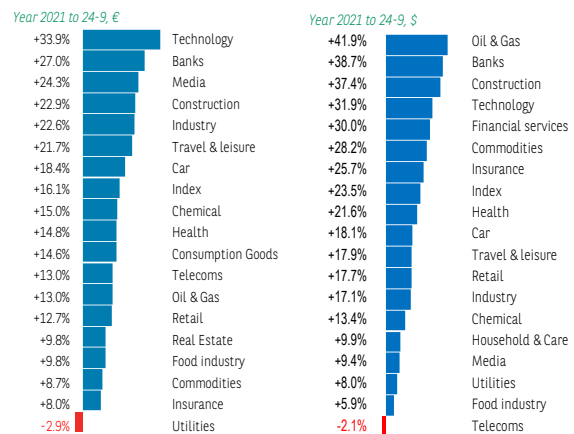
At 24-9-21

EQUITY INDICES

	Index	highest 21	lowest 21	2021
World				
MSCI World	3 104	3 170 at 06/09	2 662 at 29/01	+15.4%
North America				
S&P500	4 455	4 537 at 02/09	3 701 at 04/01	+18.6%
Europe				
EuroStoxx50	4 159	4 246 at 06/09	3 481 at 29/01	+17.1%
CAC 40	6 638	6 896 at 13/08	5 399 at 29/01	+2.0%
DAX 30	15 532	15 977 at 13/08	13 433 at 29/01	+13.2%
IBEX 35	8 873	9 281 at 14/06	7 758 at 29/01	+1.0%
FTSE100	7 051	7 220 at 11/08	6 407 at 29/01	+0.9%
Asia				
MSCI, loc.	1 176	1 196 at 14/09	1 044 at 06/01	+1.3%
Nikkei	30 249	30 670 at 14/09	27 013 at 20/08	+10.2%
Emerging				
MSCI Emerging (\$)	1 265	1 445 at 17/02	1 221 at 20/08	-0.2%
China	89	130 at 17/02	87 at 20/08	-18.0%
India	867	869 at 23/09	659 at 29/01	+29.6%
Brazil	1 632	2 098 at 24/06	1 561 at 09/03	-10.4%
Russia	827	838 at 15/09	647 at 01/02	+22.2%

At 24-9-21

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

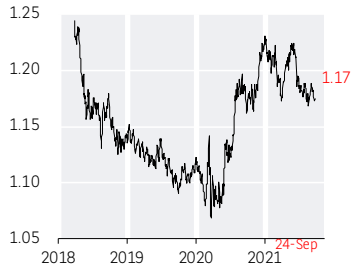


SOURCE: REFINITIV, BNP PARIBAS,

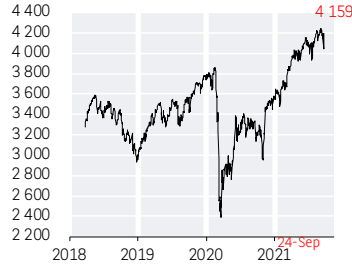


MARKETS OVERVIEW

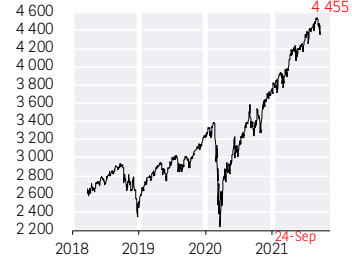
EURO-DOLLAR



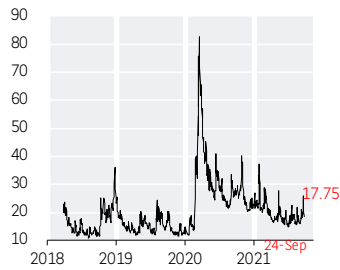
EUROSTOXX50



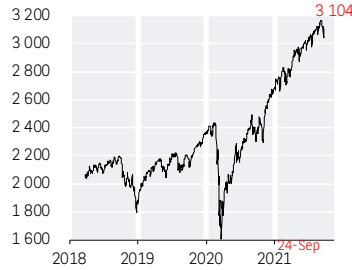
S&P500



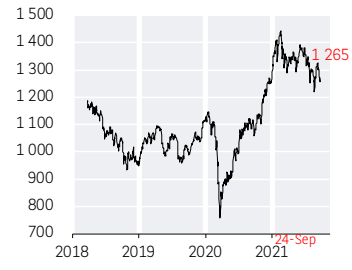
VOLATILITY (VIX, S&P500)



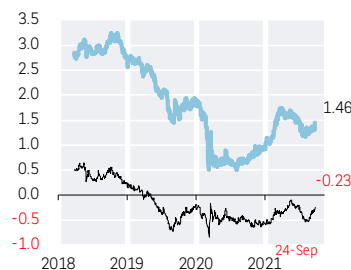
MSCI WORLD (USD)



MSCI EMERGING (USD)

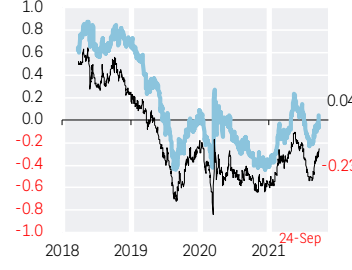


10Y BOND YIELD, TREASURIES VS BUND



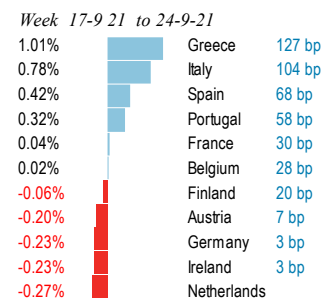
—Bunds —US Treasuries

10Y BOND YIELD

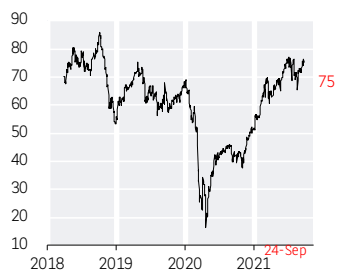


—Bunds —OAT

10Y BOND YIELD & SPREADS



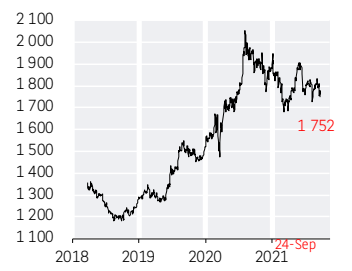
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS



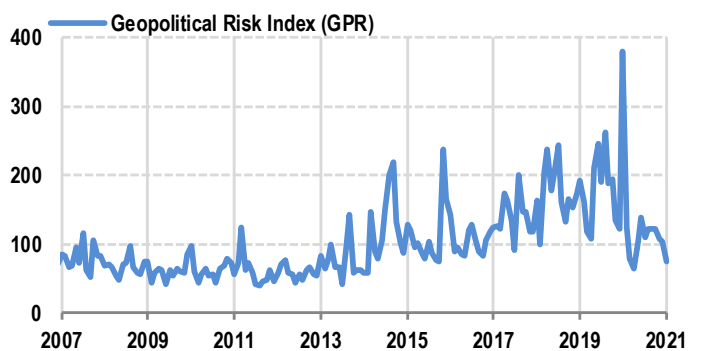
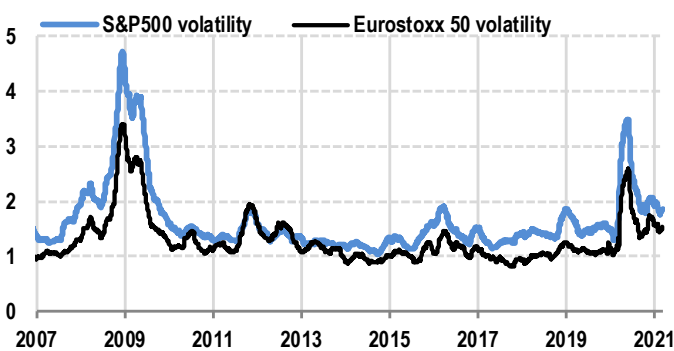
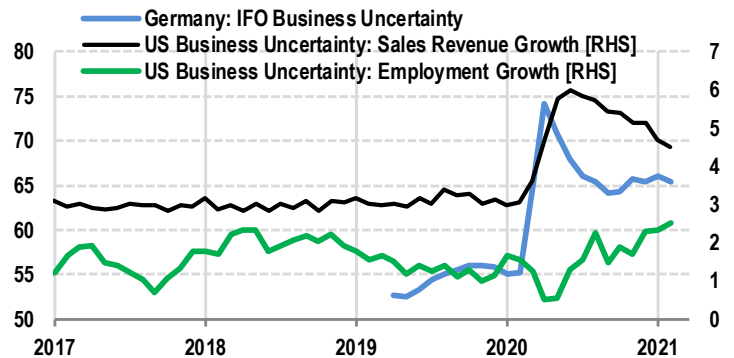
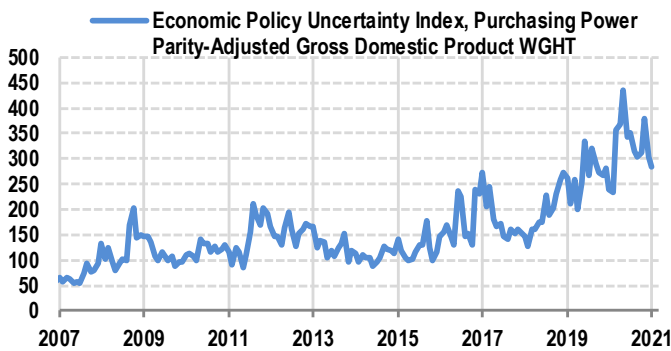
ECONOMIC PULSE

UNCERTAINTY: INDICATORS SHOW DIVERGING DEVELOPMENTS

Our different uncertainty gauges are complementary, in terms of scope or methodology. Based on the latest readings, some divergence is developing. This probably reflects the role of supply disruption that is causing bottlenecks and, in certain countries, the rapid spreading of the Delta variant. Starting top left and following clockwise, economic policy uncertainty based on media coverage continues its decline. It is now back to levels last seen early 2019. Uncertainty based on business surveys have rebounded somewhat in Germany – probably reflecting supply issues- after declining significantly earlier this year. In the US, uncertainty with respect to sales growth has increased, probably on the back of an increase in new infections. Uncertainty about employment growth has stabilised after rising earlier in the year, reflecting difficulties in filling vacancies. Geopolitical risk – based on media coverage – has declined as of late, although it is very volatile. Finally, the cross-sectional standard deviation of daily stock market returns of individual companies – a measure of financial uncertainty – has rebounded slightly in the Eurozone whilst edging lower in the US after an earlier rebound.

William De Vijlder

CHANGES IN UNCERTAINTY



* volatility = 60-day moving average of the cross-sectional standard deviation of daily returns of the index constituents

SOURCE: REFINITIV, ECONOMIC POLICY UNCERTAINTY, IFO, ATLANTA FED, BNP PARIBAS



ECONOMIC PULSE

INTERNATIONAL TRADE : DEMAND PRESSURE REMAINS ELEVATED

Most indicators confirm that world demand for industrial goods is still going strong, suggesting an accentuation or at least the continuation of the supply-chain problems currently facing many companies. Production pressures are compounded by transport pressures, which were showing no signs of easing in early fall. Although maritime freight costs per container from China – for shipments to the rest of the world – levelled off slightly in mid-September, transport prices are still holding at an all-time high. They have increased 90% since the beginning of the year and have more than tripled over the past 18 months. The container shortage could even get worse as the year-end holiday season approaches.

New export orders from Taiwan have slowed down in recent months but are still trending around 30% above their 2019 average level. They are not only strong in the electronics and transport sectors. Compared to the 2019 average, export orders for electronics and transport equipment jumped by 53.7% and 56.7% respectively, as did demand for basic metal (+45.9%), plastic and rubber (+39.8%) and chemicals (+19.6%).

For the moment, CPB data show that world trade in volume has levelled off at a high level over the summer months: exports from the advanced economies slowed in June, mainly from the United States (-1.0% m/m) and the Eurozone (-0.7% m/m), while exports increased sharply in Central and Eastern Europe (+4.2% m/m), China (+2.7% m/m) and, to a lesser extent, Latin America (+0.1% m/m). Global imports in volume remained virtually unchanged in June (-0.1% m/m).

Even so, the new export orders component of the global PMI index for the manufacturing sector dipped for the third consecutive month in August (-1.8 points to 51).

Guillaume Derrien

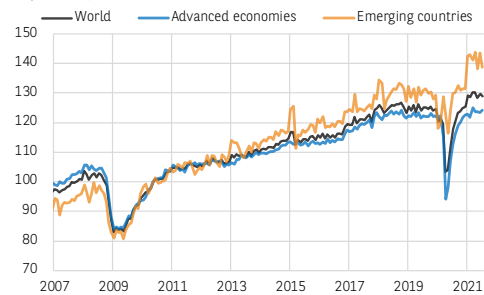
WORLD TRADE INDICATORS

World trade (exports & imports), volume, index 2010 = 100



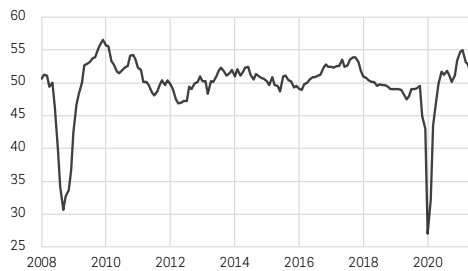
Source: CPB, BNP Paribas

World exports by area, volume, index 2010 = 100



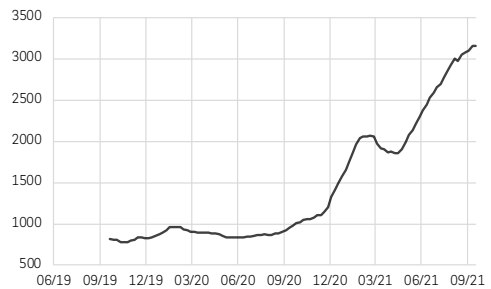
Source: CPB, BNP Paribas

Global manufacturing PMI: new export orders



Source: Markit, BNP Paribas

China containerized freight price index



Source: Shanghai Shipping Exchange, BNP Paribas

SOURCE: REFINITIV, BNP PARIBAS



ECONOMIC PULSE

EPIDEMIOLOGICAL INDICATORS: A DOWNWARD TREND IS TAKING SHAPE

The global Covid-19 pandemic continued to ease for the fourth consecutive week, with new cases down by 6% between 16 and 22 September, relative to the previous week. This downward trend was observed in all regions (Chart 1). The number of deaths also fell globally (down 9% on the previous week), but this was not spread across all regions. Meanwhile, vaccination campaigns have continued to gain ground around the world. According to the latest figures on Oxford University's Our World in Data website (Chart 2), 6.03 billion doses of vaccine have now been administered worldwide, the majority in high-income countries. This said, India has announced that vaccine deliveries under the COVAX programme will resume in October. This follows the country's suspension of exports of the AstraZeneca vaccine in late March 2021 in order to meet internal demand created by a second wave of infections.

However, we have also seen a recent dip in visits to retail and leisure facilities in developed nations. Even so, these were still at their pre-pandemic levels in Germany, Belgium and Italy, and very close to normal in France, Spain, the US, Japan and the UK (Chart 3).

Lastly, after a brief rally, the weekly proxy indicator for GDP relative to its level two years ago showed slight declines in the US, Germany and Italy, and a continued fall in the UK. Conversely, it continued to improve in Japan, bounced back in France after a short drop, and stabilised in Belgium (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)

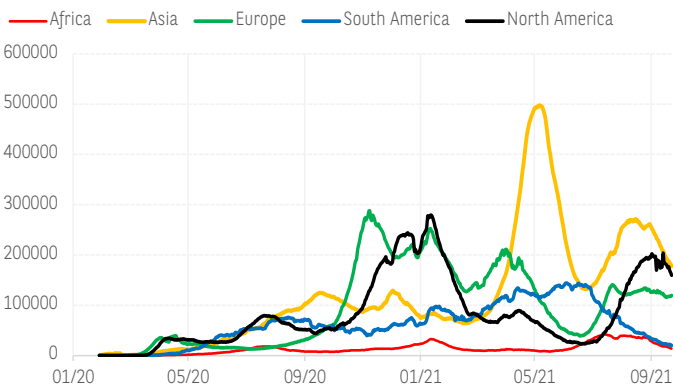


CHART 1

SOURCE: JOHNS-HOPKINS UNIVERSITY (09/23/2021), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

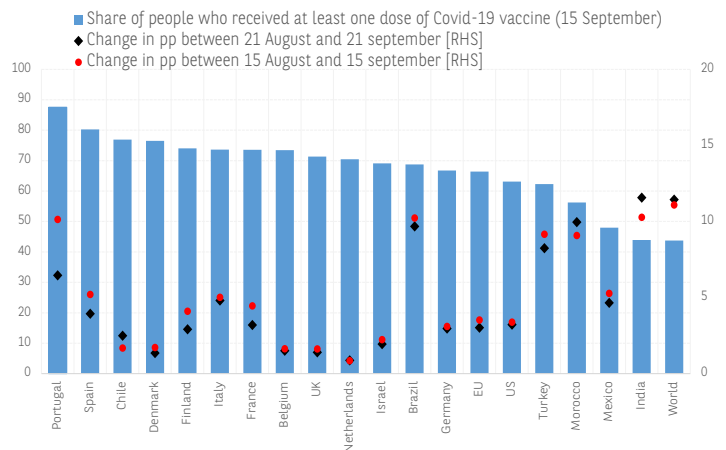


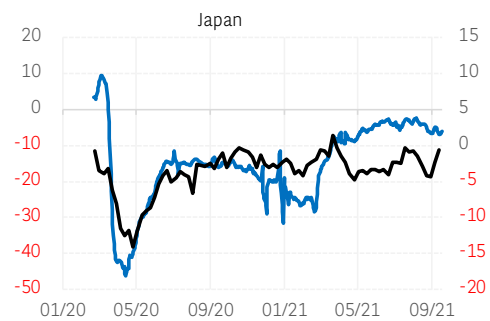
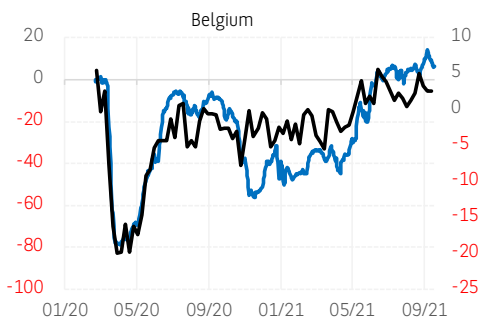
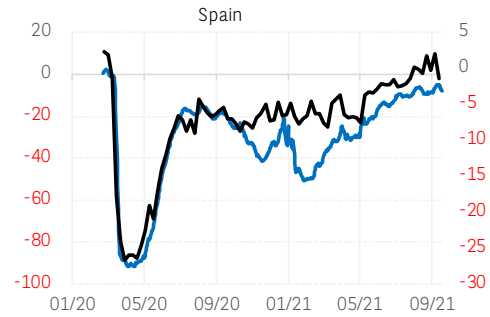
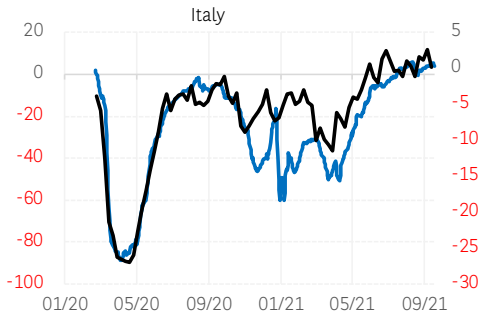
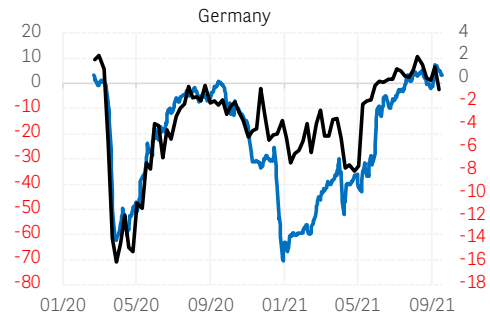
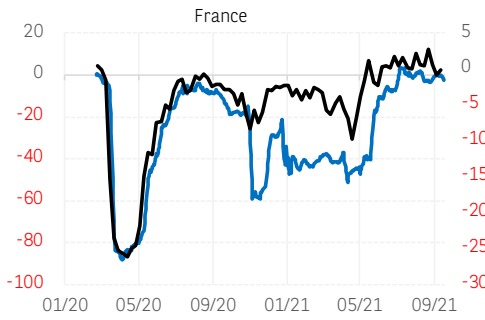
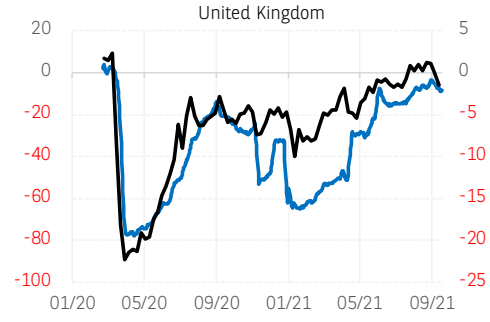
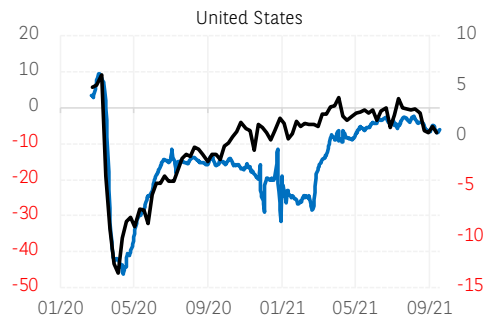
CHART 2

SOURCE: OUR WORLD IN DATA (09/23/2021), 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]

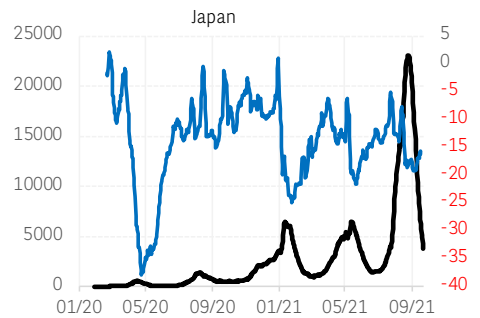
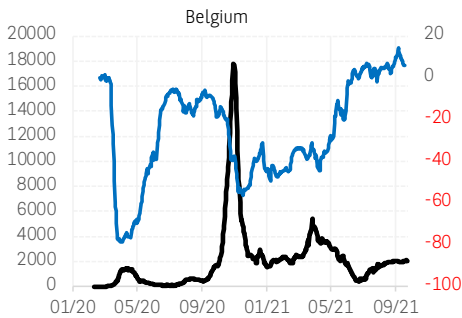
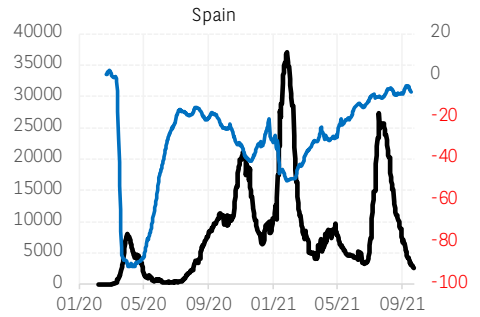
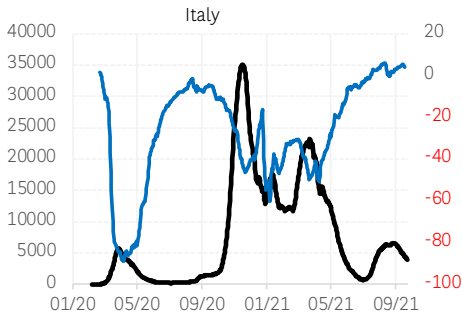
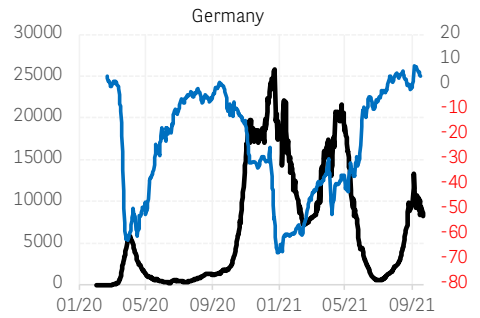
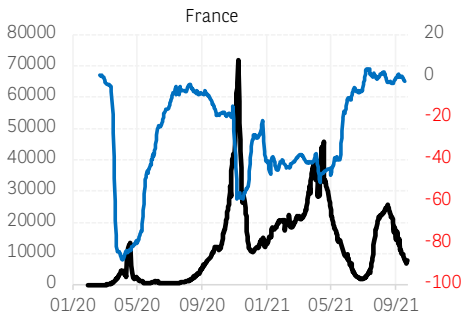
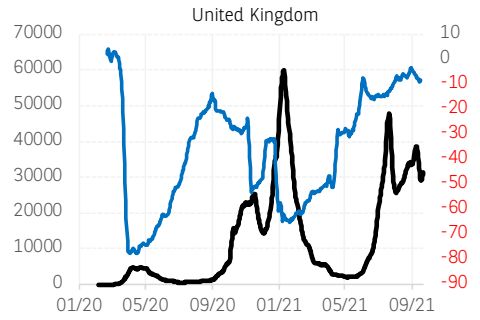
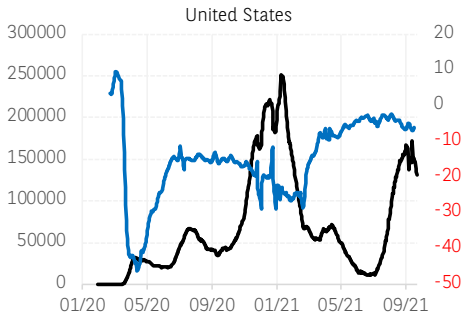


SOURCE: OECD (09/23/2021), GOOGLE (09/23/2021), BNP PARIBAS



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 (09/23/2021), GOOGLE (09/23/2021), 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 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
	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 the UK, the assessment of order books has improved in September versus the previous month. The manufacturing PMI declined far more than expected. The services PMI eased slightly. The Bank of England kept its policy unchanged but sent a signal that the case for a modest tightening of monetary policy over its forecast period, which runs until 2024, has strengthened. Consumer confidence declined unexpectedly in September. In Japan, the flash PMI weakened a bit in manufacturing but improved strongly in services, although remaining below 50. In the US, building permits and housing starts improved in August versus July, much more than expected. Fed chairman Powell hinted that there is a high likelihood that tapering will start in November. The flash PMIs (manufacturing, services, composite) declined slightly in September. Eurozone consumer confidence improved in September after declining in August. The flash PMIs declined quite a bit. In France, business confidence edged higher but the manufacturing PMI was down whilst the services PMI hardly changed. PMIs were down in Germany and the IFO business climate also deteriorated. Supply bottlenecks play a key role in this development as well as in the decline of the manufacturing PMI in many countries.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
09/18/21-09/24/21	United Kingdom	CBI Trends Total Orders	Sep	16.0	22.0	18.0
09/18/21-09/24/21	United Kingdom	CBI Trends Selling Prices	Sep	43.0	41.0	43.0
09/20/2021	United States	NAHB Housing Market Index	Sep	74.0	76.0	75.0
09/21/2021	Eurozone	OECD Publishes Interim Economic Outlook				
09/21/2021	United States	Building Permits MoM	Aug	-1.8%	6.0%	2.6%
09/21/2021	United States	Housing Starts MoM	Aug	1.0%	3.9%	-7.0%
09/22/2021	Eurozone	Consumer Confidence	Sep	-5.9	-4.0	-5.3
09/22/2021	United States	FOMC Rate Decision (Upper Bound)	Sep	0.3%	0.3%	0.3%
09/22/2021	Japan	BOJ Policy Balance Rate	Sep	-0.1%	-0.1%	-0.1%
09/23/2021	France	Business Confidence	Sep	110.0	111.0	110.0
09/23/2021	France	Markit France Manufacturing PMI	Sep	57.0	55.2	57.5
09/23/2021	France	Markit France Services PMI	Sep	56.1	56.0	56.3
09/23/2021	France	Markit France Composite PMI	Sep	55.7	55.1	55.9
09/23/2021	Germany	Markit/BME Germany Manufacturing PMI	Sep	61.4	58.5	62.6
09/23/2021	Germany	Markit Germany Services PMI	Sep	60.3	56.0	60.8
09/23/2021	Germany	Markit/BME Germany Composite PMI	Sep	59.2	55.3	60.0
09/23/2021	Eurozone	ECB Publishes Economic Bulletin				
09/23/2021	Eurozone	Markit Eurozone Manufacturing PMI	Sep	60.3	58.7	61.4
09/23/2021	Eurozone	Markit Eurozone Services PMI	Sep	58.5	56.3	59.0
09/23/2021	Eurozone	Markit Eurozone Composite PMI	Sep	58.5	56.1	59.0
09/23/2021	United Kingdom	Markit UK PMI Manufacturing SA	Sep	59.0	56.3	60.3
09/23/2021	United Kingdom	Markit/CIPS UK Services PMI	Sep	55.0	54.6	55.0
09/23/2021	United Kingdom	Markit/CIPS UK Composite PMI	Sep	54.6	54.1	54.8

SOURCE: BLOOMBERG



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
09/23/2021	United Kingdom	Bank of England Bank Rate	Sep	0.1%	0.1%	0.1%
09/23/2021	United States	Initial Jobless Claims	Sep	320k	351k	332k
09/23/2021	United States	Markit US Manufacturing PMI	Sep	61.0	60.5	61.1
09/23/2021	United States	Markit US Services PMI	Sep	54.9	54.4	55.1
09/23/2021	United States	Markit US Composite PMI	Sep	--	54.5	55.4
09/24/2021	United Kingdom	GfK Consumer Confidence	Sep	-7.0	-13.0	-8.0
09/24/2021	Japan	Natl CPI Ex Fresh Food, Energy YoY	Aug	-0.4%	-0.5%	-0.6%
09/24/2021	Japan	Jibun Bank Japan PMI Mfg	Sep	--	51.2	52.7
09/24/2021	Japan	Jibun Bank Japan PMI Services	Sep	--	47.4	42.9
09/24/2021	Japan	Jibun Bank Japan PMI Composite	Sep	--	47.7	45.5
09/24/2021	Japan	Tokyo Dept Store Sales YoY	Aug	--	-9.1%	8.0%
09/24/2021	Germany	IFO Expectations	Sep	96.5	97.3	97.5
09/24/2021	Germany	IFO Current Assessment	Sep	101.8	100.4	101.4
09/24/2021	Germany	IFO Business Climate	Sep	99.0	98.8	99.4
09/24/2021	United States	New Home Sales MoM	Aug	1.0%	1.5%	1.0%

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

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COMING INDICATORS

The focus this week is on the purchasing managers' data that will be released in several countries as well as to the ISM index in the US. In addition, we have the European Commission's confidence indicators. These data will enable to have a good assessment of the cyclical environment in September. Other survey data that will draw our attention are, for the US, Conference Board consumer confidence and University of Michigan sentiment, and the Tankan survey in Japan. We will also have inflation in France, Germany and the eurozone.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
09/27/2021	United States	Cap Goods Orders Nondef Ex Air	Aug	--	0.10%
09/27/21-10/02/21	Germany	Retail Sales MoM	Aug	0.50%	-5.10%
09/28/2021	Germany	GfK Consumer Confidence	Oct	--	-1.2
09/28/2021	France	Consumer Confidence	Sep	--	99
09/28/2021	United States	Conf. Board Consumer Confidence	Sep	115	113.8
09/28/2021	United States	Conf. Board Present Situation	Sep	--	147.3
09/28/2021	United States	Conf. Board Expectations	Sep	--	91.4
09/29/2021	Eurozone	Consumer Confidence	Sep	--	-4
09/29/2021	Eurozone	Economic Confidence	Sep	--	117.5
09/29/2021	Eurozone	Industrial Confidence	Sep	--	13.7
09/29/2021	Eurozone	Services Confidence	Sep	--	16.8
09/30/2021	Japan	Retail Sales MoM	Aug	-2.20%	1.10%
09/30/2021	China	Non-manufacturing PMI	Sep	--	47.5
09/30/2021	China	Manufacturing PMI	Sep	--	50.1
09/30/2021	China	Composite PMI	Sep	--	48.9
09/30/2021	China	Caixin China PMI Mfg	Sep	--	49.2
09/30/2021	United Kingdom	GDP QoQ	2Q	--	4.80%
09/30/2021	France	PPI MoM	Aug	--	1.30%
09/30/2021	France	PPI YoY	Aug	--	8.60%
09/30/2021	France	Consumer Spending MoM	Aug	--	-2.20%
09/30/2021	France	CPI EU Harmonized MoM	Sep	--	0.70%
09/30/2021	France	CPI EU Harmonized YoY	Sep	--	2.40%
09/30/2021	Germany	Unemployment Change (000's)	Sep	--	-53.0k
09/30/2021	Eurozone	Unemployment Rate	Aug	--	7.60%
09/30/2021	Germany	CPI EU Harmonized MoM	Sep	--	0.10%
09/30/2021	Germany	CPI EU Harmonized YoY	Sep	3.80%	3.40%
09/30/2021	United States	Initial Jobless Claims	Sep	--	351k
09/30/2021	United States	GDP Annualized QoQ	2T	6.70%	6.60%

SOURCE: BLOOMBERG



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
09/30/2021	United States	GDP Annualized QoQ	2T	6.70%	6.60%
10/01/2021	Japan	Jobless Rate	Aug	2.90%	2.80%
10/01/2021	Japan	Tankan Large Mfg Index	3Q	13	14
10/01/2021	Japan	Tankan Large Non-Mfg Index	3Q	0	1
10/01/2021	Japan	Tankan Large Mfg Outlook	3Q	14	13
10/01/2021	Japan	Tankan Large Non-Mfg Outlook	3Q	5	3
10/01/2021	Japan	Tankan Large All Industry Capex	3Q	9.30%	9.60%
10/01/2021	Japan	Tankan Small Mfg Index	3Q	-9	-7
10/01/2021	Japan	Tankan Small Non-Mfg Index	3Q	-11	-9
10/01/2021	Japan	Tankan Small Mfg Outlook	3Q	-8	-6
10/01/2021	Japan	Tankan Small Non-Mfg Outlook	3Q	-9	-12
10/01/2021	Japan	Jibun Bank Japan PMI Mfg	Sep	--	--
10/01/2021	Japan	Consumer Confidence Index	Sep	--	36.7
10/01/2021	France	Markit France Manufacturing PMI	Sep	--	55.2
10/01/2021	Germany	Markit/BME Germany Manufacturing PMI	Sep	--	58.5
10/01/2021	Eurozone	Markit Eurozone Manufacturing PMI	Sep	--	58.7
10/01/2021	United Kingdom	Markit UK PMI Manufacturing SA	Sep	--	56.3
10/01/2021	Eurozone	CPI Core YoY	Sep	--	1.60%
10/01/2021	Eurozone	CPI MoM	Sep	--	0.40%
10/01/2021	Eurozone	CPI Estimate YoY	Sep	--	3.00%
10/01/2021	United States	Personal Income	Aug	0.20%	1.10%
10/01/2021	United States	Personal Spending	Aug	0.60%	0.30%
10/01/2021	United States	PCE Core Deflator MoM	Aug	0.20%	0.30%
10/01/2021	United States	PCE Core Deflator YoY	Aug	3.60%	3.60%
10/01/2021	United States	Markit US Manufacturing PMI	Sep	--	60.5
10/01/2021	United States	U. of Mich. Sentiment	Sep	71	71
10/01/2021	United States	U. of Mich. Current Conditions	Sep	--	77.1
10/01/2021	United States	U. of Mich. Expectations	Sep	--	67.1
10/01/2021	United States	U. of Mich. 1 Yr Inflation	Sep	--	4.70%
10/01/2021	United States	U. of Mich. 5-10 Yr Inflation	Sep	--	2.90%
10/01/2021	United States	ISM Manufacturing	Sep	59.5	59.9
10/01/2021	United States	ISM Prices Paid	Sep	--	79.4
10/01/2021	United States	ISM New Orders	Sep	--	66.7
10/01/2021	United States	ISM Employment	Sep	--	49

SOURCE: BLOOMBERG



FURTHER READING

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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
France: second phase of the crisis exit strategy	EcoTVWeek	17 September 2021
Greece: A quicker-than-expected recovery	Chart of the Week	15 September 2021
Eurozone : ECB: accommodation with no end in sight	EcoWeek	13 September 2021
Growth in Turkey: Too much of a good thing?	EcoTVWeek	10 September 2021
September issue	French Economy Pocket Atlas	9 September 2021
Zambia: a relief for an over-indebted economy	Chart of the Week	8 September 2021
Global : Fed adapts forward guidance, will ECB do the same?	EcoWeek	6 September 2021
Fed's Powell brings reassurance	EcoTVWeek	3 September 2021
United states: a new tool to reduce the pressure on money-market rates	Chart of the Week	1 September 2021
Growth hits speed limit	EcoWeek	30 août 2021
French labour market: are the signs of a return to better fortune already there?	Chart of the Week	25 August 2021
Saudi Arabia: Positive short-term prospects	EcoTVWeek	30 July 2021
Latn America: Potential growth and the commodities cycle	Chart of the Week	28 July 2021
US inflation: increasing discomfort	EcoWeek	26 July 2021
Outlook for the second half of the year: it's not over	EcoTVWeek	23 July 2021
India: up against a wall	EcoConjoncture	23 July 2021



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