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BNP PARIBAS

The bank
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CYCLICAL OUTLOOK DOMINATED BY A SHOCK TO EXPECTATIONS

The latest cyclical surveys show the impact of the war in Ukraine. Confidence of households and companies has dropped, although, concerning the latter, significant differences exist between countries and sectors. In Germany, the ifo business climate has plummeted whereas in France, the decline is more limited. Services tend to be doing better than manufacturing. Importantly, employment expectations of companies remain at an elevated level. It is a key factor to monitor in view of what it signals about companies' confidence in the medium-term outlook as well as for its influence on households' sentiment about their future personal situation. This last point is particularly important given the plunge in household confidence, which is largely related to concern about the general economic outlook. Undoubtedly, the jump in energy prices and rising inflation plays an important role in this respect.

Until very recently, the economic consequences of the invasion of Ukraine had been assessed largely using anecdotal evidence, model-based simulations or, concerning the commodity price shock, comparison with previous price jumps.

For this reason, the cyclical surveys covering the month of March had been eagerly awaited because they allow for a more comprehensive analysis. As expected, business surveys were down but significant differences exist between countries, sectors and, for a given country, between the respective surveys. It illustrates the complexity of gauging the cyclical momentum when key variables – commodity prices, geopolitical uncertainty, etc. – have changed fundamentally.

The flash purchasing managers' indices (PMI) (*table 1*) for manufacturing saw a small decline for the Eurozone. The deterioration was more outspoken in exports and employment whereas input prices and output prices recorded a big increase in reaction to the jump in commodity prices. After declining in recent months, delivery times again lengthened significantly in the Eurozone and Germany, reflecting the supply disruption caused by the conflict. New restrictions following the wave of infections in China also play a role. In France there was only a limited lengthening of delivery times. The flash PMI for services edged lower for the Eurozone but improved in France. Within services, employment actually improved in the Eurozone and Germany and even more so in France. Input prices jumped and prices charged in services recorded a sizeable increase.

Compared with the PMI data, national business surveys paint a bleaker picture. In Germany, according to the Ifo Institute, "sentiment in the German economy has collapsed" on the back of expectations plummeting in manufacturing, services, trade and the construction sector.¹ Moreover, export expectations also recorded a steep decline. In France, the decline of the business climate in March resulted "mainly from the decline in the forward-looking balances of opinion

in manufacturing and the deterioration of the climate in wholesale trade".² However, at 107, it is still well above its long-term average of 100. In services, there was a moderate decline. As mentioned before, the flash PMI recorded an improvement. The difference between the two surveys could be related to a difference in sample size, which is significantly larger for the INSEE survey, and the timing of the surveys.³

S&P GLOBAL PMI						
	Eurozone		Germany		France	
	Feb. 22	March 22	Feb. 22	March 22	Feb. 22	March 22
Manufacturing						
PMI	58.2	57.0	58.4	57.6	57.2	54.8
Export orders	55.0	49.5	56.4	49.3	52.4	44.5
Employment	57.1	54.5	58.0	54.6	55.8	52.7
Input prices	82.1	86.5	83.9	86.2	80.6	84.0
Output prices	71.8	74.3	74.3	76.0	68.0	71.0
Services						
PMI	55.5	54.8	55.8	55.0	55.5	57.4
Employment	53.6	54.8	54.3	54.8	53.7	55.7
Input prices	72.7	79.8	73.7	78.4	67.9	78.6
Prices charged	58.8	62.6	61.7	68.5	57.9	59.8

TABLE 1

SOURCE: IHS MARKIT, BNP PARIBAS

1. There was only a moderate worsening of the assessment of the current situation. Source: *War in Ukraine Causes Ifo Business Climate Index to Plummet*, Ifo Institute, Munich, 25 March 2022.

2. Source: INSEE, Informations Rapides, 24 March 2022, nr 79.

3. Data for the INSEE survey were collected from 25 February until 21 March and for the flash PMI from 11 until 22 March.

The surveys released thus far for the month of March show a distinct worsening of sentiment, driven by a drop in expectations of both households and companies. Against this background, it is comforting to see that employment expectations of companies remain at an elevated level.



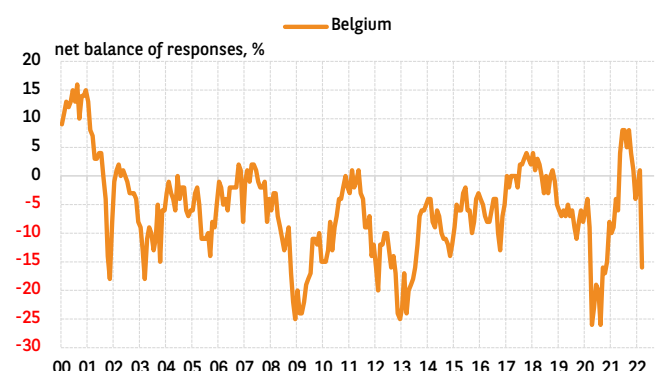
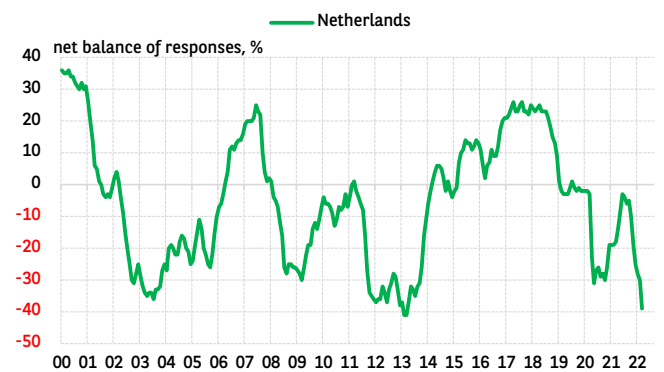
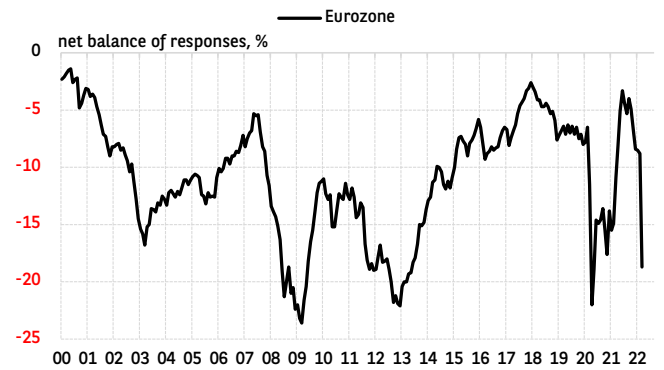
Importantly, the employment climate in the INSEE survey was stable in March at an elevated level, well above the long-term average (113 versus 100).

Turning to households, the European Commission’s flash consumer confidence indicator for the EU and the euro area plummeted in March, with the index ending well below its long-term average. Mounting uncertainty, rising energy prices and an increase in inflation in general are weighing on sentiment. Countries that have already published their national data - Italy, the Netherlands, Belgium - have also recorded important declines (chart 1-4). In Italy, this reflects the huge drop in the assessment of the current and future climate, considering that the decrease in the personal situation was more limited. In the Netherlands, households feel a lot more gloomy about the general economic outlook and, to a lesser extent, about the outlook for their personal financial situation. In Belgium, the biggest deterioration concerned the expectations about the general economic situation for the next 12 months.

In summary, the surveys released thus far for the month of March show a distinct worsening of sentiment, driven by a drop in expectations of both households and companies. The jump in commodity prices, the geopolitical crisis and the uncertainty about how these factors will evolve are, as could be expected, clearly weighing on confidence. Against this background, it is comforting to see that employment expectations of companies remain at an elevated level. It is a key factor to monitor in view of what it signals about companies’ confidence in the medium outlook as well as all for its influence on households’ sentiment about their future personal situation.

William De Vijlder

HOUSEHOLD CONFIDENCE



CHARTS 1-4 SOURCE: EUROPEAN COMMISSION, NATIONAL SOURCES, BNP PARIBAS

MARKETS OVERVIEW

OVERVIEW

Week	18-3-22	to 25-3-22	
↘ CAC 40	6 620	▶ 6 554	-1.0 %
↗ S&P 500	4 463	▶ 4 543	+1.8 %
↘ Volatility (VIX)	23.9	▶ 20.8	-3.1 pb
↗ Euribor 3M (%)	-0.49	▶ -0.48	+1.0 bp
↗ Libor \$ 3M (%)	0.93	▶ 0.98	+4.9 bp
↗ OAT 10y (%)	0.66	▶ 0.86	+19.8 bp
↗ Bund 10y (%)	0.33	▶ 0.53	+19.9 bp
↗ US Tr. 10y (%)	2.15	▶ 2.49	+34.6 bp
↘ Euro vs dollar	1.10	▶ 1.10	-0.6 %
↗ Gold (ounce, \$)	1 930	▶ 1 959	+1.5 %
↗ Oil (Brent, \$)	107.8	▶ 119.9	+11.3 %

MONEY & BOND MARKETS

Interest Rates	highest 22	lowest 22	Yield (%)	highest 22	lowest 22
€ ECB	0.00	0.00 at 03/01	€ AVG 5-7y	0.65	0.66 at 24/03
Eonia	-0.51	-0.51 at 03/01	Bund 2y	-0.27	-0.27 at 25/03
Euribor 3M	-0.48	-0.48 at 25/03	Bund 10y	0.53	0.53 at 25/03
Euribor 12M	-0.14	-0.14 at 25/03	OAT 10y	0.86	0.86 at 25/03
\$ FED	0.50	0.50 at 17/03	Corp. BBB	2.09	2.09 at 25/03
Libor 3M	0.98	0.98 at 25/03	\$ Treas. 2y	2.30	2.30 at 25/03
Libor 12M	2.09	2.09 at 25/03	Treas. 10y	2.49	2.49 at 25/03
£ BoE	0.75	0.75 at 17/03	High Yield	6.59	6.81 at 15/03
Libor 3M	1.02	1.04 at 17/03	£ gilt. 2y	1.46	1.55 at 15/02
Libor 12M	0.81	0.81 at 03/01	gilt. 10y	1.67	1.68 at 22/03

At 25-3-22

EXCHANGE RATES

1€ =	highest 22	lowest 22	2022	
USD	1.10	1.15 at 10/02	1.09 at 07/03	-3.4%
GBP	0.83	0.85 at 07/02	0.83 at 04/03	-0.8%
CHF	1.02	1.06 at 10/02	1.00 at 04/03	-1.3%
JPY	133.99	134.36 at 24/03	125.37 at 04/03	+2.3%
AUD	1.46	1.62 at 04/02	1.46 at 25/03	-6.4%
CNY	6.99	7.29 at 10/02	6.87 at 08/03	-3.5%
BRL	5.22	6.44 at 06/01	5.22 at 25/03	-17.5%
RUB	110.39	164.76 at 07/03	84.45 at 03/01	+29.4%
INR	83.71	85.96 at 11/02	83.17 at 04/03	-1.0%

At 25-3-22 Change

COMMODITIES

Spot price, \$	highest 22	lowest 22	2022	2022(€)
Oil, Brent	119.9	128.2 at 08/03	79.0 at 03/01	+53.0% +58.4%
Gold (ounce)	1 959	2 056 at 08/03	1 785 at 28/01	+7.5% +11.3%
Metals, LME	5 213	5 506 at 07/03	4 489 at 06/01	+15.8% +19.9%
Copper (ton)	10 249	10 702 at 04/03	9 543 at 06/01	+5.2% +8.9%
wheat (ton)	393	4.2 at 07/03	281 at 14/01	+65.4% +71.2%
Corn (ton)	289	2.9 at 11/03	226 at 03/01	+2.6% +30.8%

At 25-3-22 Change

EQUITY INDICES

Index	highest 22	lowest 22	2022	Year 2022 to 25-3, €
World				+20.4%
MSCI World	3 049	3 248 at 04/01	2 798 at 08/03	-5.7%
North America				+15.5%
S&P500	4 543	4 797 at 03/01	4 171 at 08/03	-4.7%
Europe				+1.0%
EuroStoxx50	3 868	4 392 at 05/01	3 505 at 08/03	-10.0%
CAC 40	6 554	7 376 at 05/01	5 963 at 08/03	-0.8%
DAX 30	14 306	16 272 at 05/01	12 832 at 08/03	-9.9%
IBEX 35	8 331	8 886 at 10/02	7 645 at 07/03	-0.4%
FTSE100	7 483	7 672 at 10/02	6 959 at 07/03	+0.1%
Asia				-3.0%
MSCI, loc.	1 133	1 165 at 05/01	1 024 at 08/03	-0.1%
Nikkei	28 150	29 332 at 05/01	24 718 at 09/03	-2.2%
Emerging				-7.4%
MSCI Emerging (\$)	1 125	1 267 at 12/01	1 027 at 15/03	-0.9%
China	70	86 at 20/01	59 at 15/03	-15.9%
India	809	891 at 13/01	742 at 07/03	-1.8%
Brazil	1 908	1 908 at 25/03	1 372 at 06/01	+13.5%

At 25-3-22 Change

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

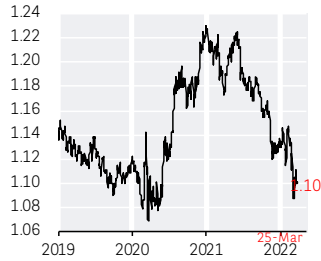
Year 2022 to 25-3, \$	Year 2022 to 25-3, €
Commodities	+45.9%
Oil & Gas	+37.0%
Telecoms	+17.0%
Insurance	+5.0%
Health	+3.6%
Food industry	+2.7%
Media	+1.1%
Banks	-0.8%
Utilities	-1.3%
Index	-1.8%
Real Estate	-7.4%
Chemical	-2.4%
Travel & leisure	-10.3%
Construction	-12.1%
Industry	-12.7%
Car	-14.8%
Technology	-16.5%
Consumption Goods	-17.8%
Retail	-24.3%

SOURCE: REFINITIV, BNP PARIBAS,

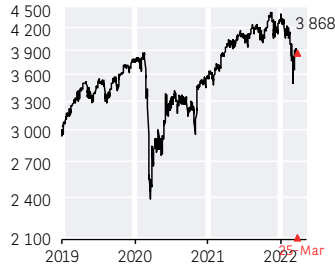


MARKETS OVERVIEW

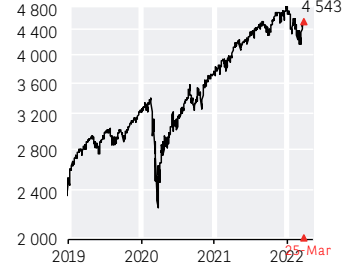
EURO-DOLLAR



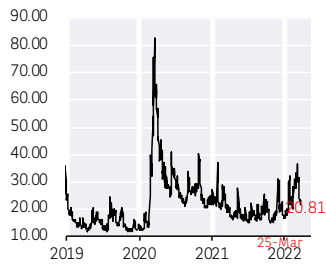
EUROSTOXX50



S&P500



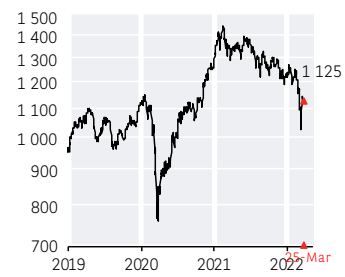
VOLATILITY (VIX, S&P500)



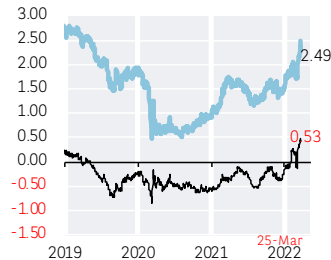
MSCI WORLD (USD)



MSCI EMERGING (USD)

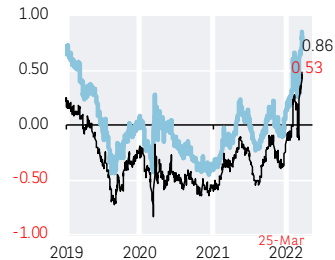


10Y BOND YIELD, TREASURIES VS BUND



-Bunds —US Treasuries

10Y BOND YIELD



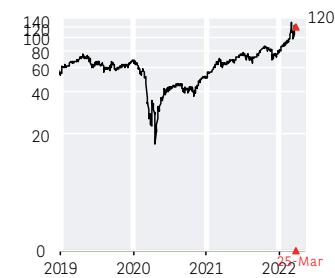
-Bunds —OAT

10Y BOND YIELD & SPREADS

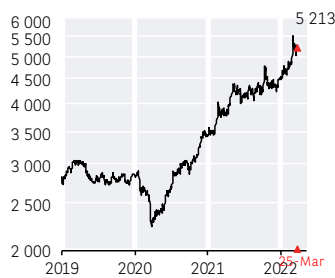
Year 2022 to 25-3

2.96%	Greece	243 bp
2.01%	Italy	147 bp
1.37%	Spain	83 bp
1.33%	Portugal	79 bp
0.88%	Belgium	35 bp
0.86%	France	33 bp
0.83%	Finland	30 bp
0.71%	Austria	18 bp
0.70%	Ireland	17 bp
0.57%	Netherlands	4 bp
0.53%	Germany	

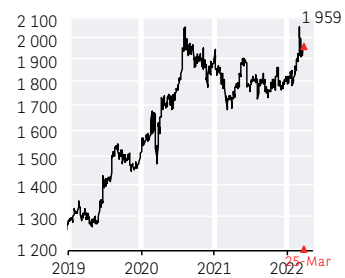
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS



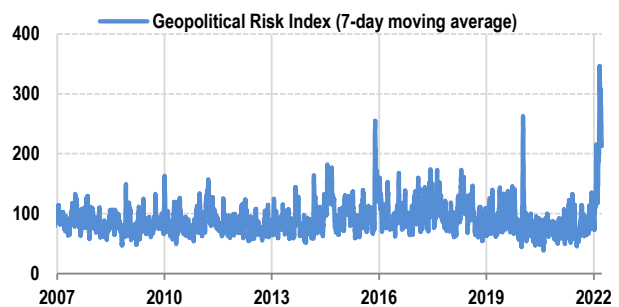
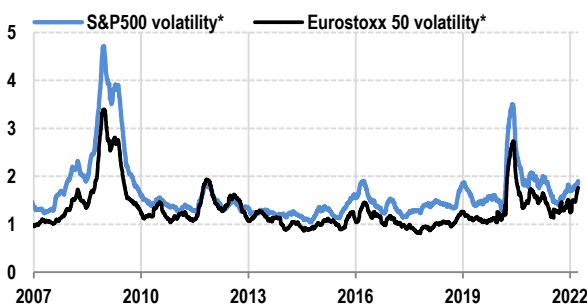
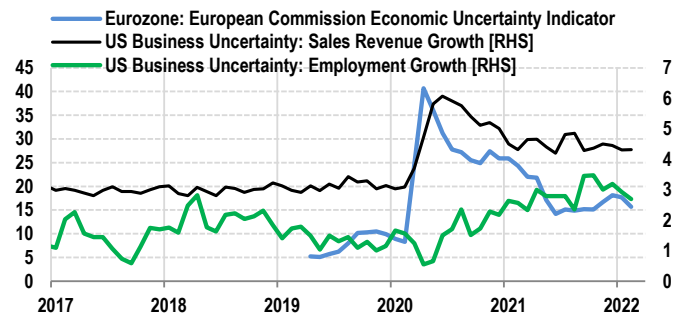
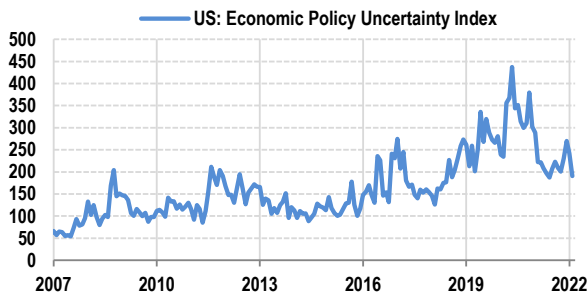
ECONOMIC PULSE

WAR IN UKRAINE CAUSES JUMP IN UNCERTAINTY

Our different uncertainty gauges are complementary, in terms of scope and methodology. Starting top left and continuing clockwise, US economic policy uncertainty based on media coverage has declined since the start of the year but the latest data are for February and do not yet reflect the impact of the war in Ukraine. That also applies to uncertainty based on business surveys, which has been declining since the beginning of the year. Geopolitical risk – based on media coverage – has seen a huge jump following the invasion of Ukraine. For the same reason, the cross-sectional standard deviation of daily stock market returns of individual companies – a measure of financial uncertainty – has risen in the US and the euro area, although to a rather limited extent.

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, ATLANTA FED, BNP PARIBAS



ECONOMIC PULSE

INTERNATIONAL TRADE: BOTTLENECKS IN SHIPPING TRANSPORT LIKELY TO WORSEN

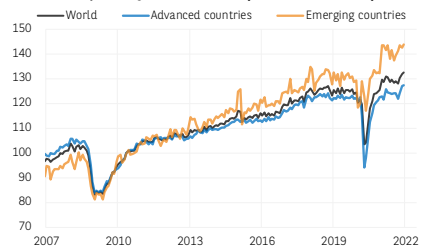
Bottlenecks in shipping transport are already intense and could get worse. First, it is becoming very difficult, not to say impossible, to move merchandises by rail and road networks between China and Europe, because of the routes crossing Russia and the conflict zones in Ukraine. Furthermore, many Chinese production lines, and logistics around the country's ports, have been disrupted by a resurgence of Covid-19 cases and the authorities' 'zero-Covid' policies. This could result in new increases in shipping costs, which had stabilised at historically high levels (chart 5). As a result, the limited reduction in supply delivery times for manufactured goods in February, as shown by the global PMI index, may stall (chart 6). Similarly, the synthetic index of supply chain pressures, which fell over the first two months of 2022, could start to rise again (chart 3). Thus, it cannot be excluded that a significant slowdown, if not a fall, in global trade volume will occur over the first half of 2022. Although the global PMI for new export orders rose again in February – up to 50.7 (chart 2) – the available data for March so far (flash PMI in Europe, PMI in Japan) show a marked fall in demand. In Japan, most notably, this index fell from 50.6 to 46.4, the worst reading since the summer of 2020. However, demand for high-tech goods remains very robust: new export orders from Taiwan jumped 13.1% m/m in February, as demand for electronic goods hit a record in the US, Europe and China.

Meanwhile, 2021 proved to be a strong year for international trade. Goods exports in volume rose 9.8%, more than offsetting the 5.4% contraction recorded in 2020 (source: Netherlands Bureau for Economic Policy Analysis (CPB)).

Guillaume Derrien

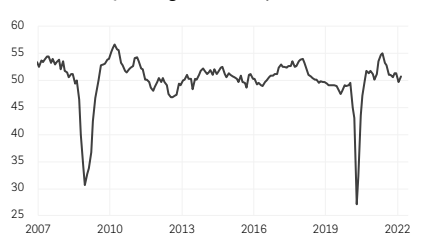
INTERNATIONAL TRADE INDICATORS

1. World exports by area, volume (index 2010 = 100)



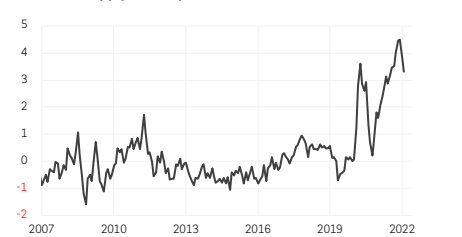
Source: CPB, BNP Paribas

2. Global manufacturing PMI, new export orders



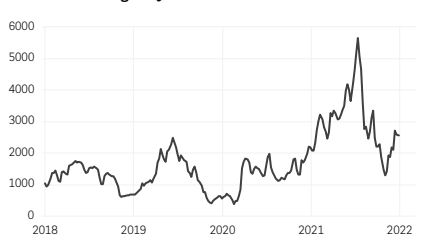
Source: Markit, BNP Paribas

3. Global supply-chain pressures index



Source: Federal Reserve of New York

4. Baltic Exchange Dry Index



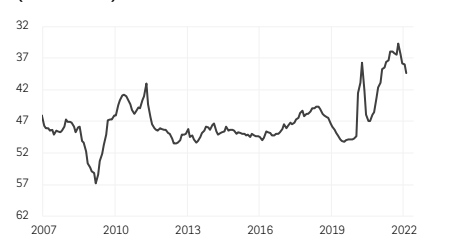
Source: Baltic Exchange, BNP Paribas

5. Freight rate index



Source: Freightos, BNP Paribas

6. Global manufacturing PMI, delivery times (Inverted line)



Source: Markit, BNP Paribas



ECONOMIC PULSE

UNITED KINGDOM: DARK CLOUDS GATHER

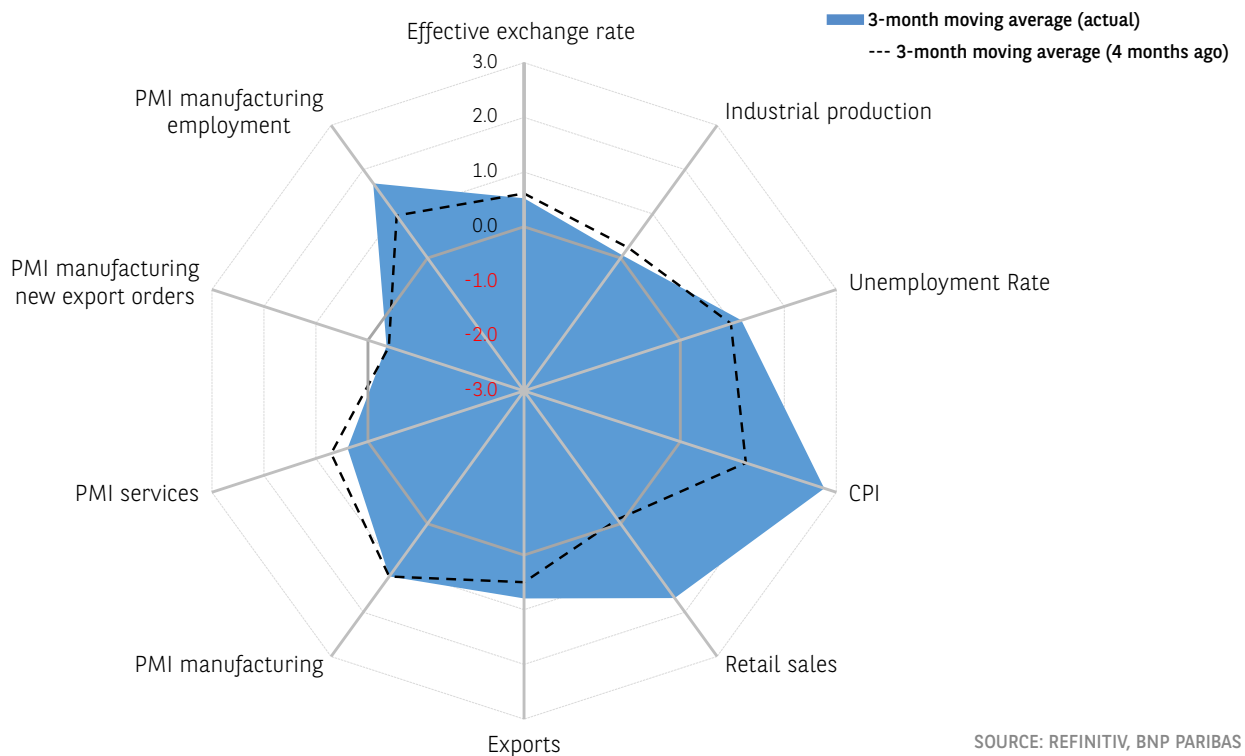
The UK is by no means the country with the greatest trade exposure to Russia: it buys virtually no Russian gas and in 2019, sent only 0.7% of its goods exports there (compared to 2% for Germany, for instance). Even so, in the UK, as in the whole of Europe, sanctions and shortages resulting from Russia's war in Ukraine will increase inflationary pressures and damage economic prospects. The Office for Budget Responsibility (OBR) has cut its growth forecast for 2022 from 6% to 3.8%, whilst inflation could climb from 6.2% in February to a peak of 9% by the year end.

Britons, whose real wages have started to fall, will see increasing damage to their purchasing power. From 1 April, 22 million people will be affected by the 54% increase in Ofgem's energy price cap. For Rishi Sunak, the Chancellor of the Exchequer, the reactivation of government support has become a key issue, and one that needs to be handled with care. With the next budget, that comes into effect in April, increasing the tax take (in particular with a GBP 12 billion increase in National Insurance contributions), a number of corrective measures have been announced: a 5p/litre (EUR 0.06/l) cut in fuel duty, zero rating of VAT on solar panels, and a doubling of the funding of the Household Support Fund. According to the OBR, however, what has been proposed falls far short of offsetting the increased fiscal pressure planned for 2022 and beyond.

A return to "whatever it takes" is not yet on the cards, while monetary policy normalization keeps on track. On 16 March, the Bank of England announced its third consecutive rate increase, taking the policy rate to 0.75% with further increases expected.

Jean-Luc Proutat

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

NEW COVID-19 CASES STABILISE IN EUROPE AND ASIA

After a week of rises, figures for the Covid-19 pandemic have stabilised worldwide, albeit at a high level. 12 million new cases were recorded around the world in the week of 17-23 March, a figure similar to that in the previous week. However, the picture is uneven around the world, with figures falling in Africa (-41%), North America (-16%) and South America, whilst numbers merely stabilised in Europe and Asia (Chart 1). Some 11 billion Covid-19 vaccine doses have been administered worldwide since vaccination campaigns began in the fourth quarter of 2020, including 1.6 billion booster doses. As a result, 64% of the world's population has now received at least one dose of a Covid-19 vaccine (Chart 2).

As far as mobility is concerned, visits to retail and leisure facilities continued to increase in the USA, and rose even faster in Japan. In the UK, the indicator appears to have stabilised, whilst in France and Germany it dipped slightly, with more marked drops in Italy, Spain and Belgium (Chart 3, blue line).

Lastly, the trend in the weekly proxy indicator of GDP has remained resolutely positive in all the countries in our sample, with the exception of Japan, where there was a slight downturn (Chart 3, black line). This indicator is produced by the OECD on the basis of data from Google Trends for searches relating to consumption, the labour and property markets, industrial activity and uncertainty. The OECD calculates the indicator over a moving two-year period in order to avoid the comparison basis effect that would result 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)

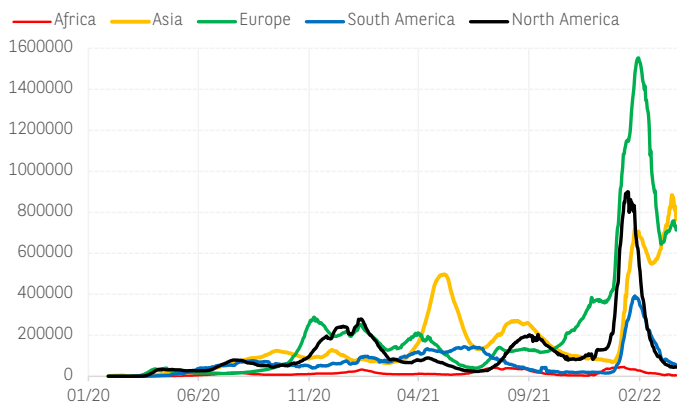


CHART 1

SOURCE: JOHNS-HOPKINS UNIVERSITY (03/24/2022), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

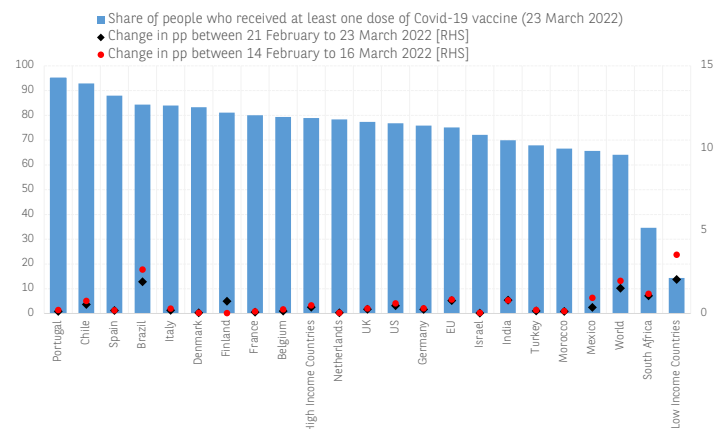


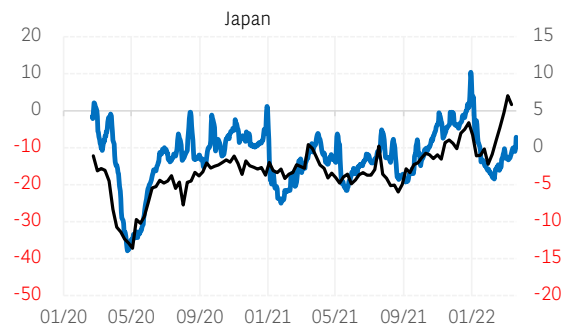
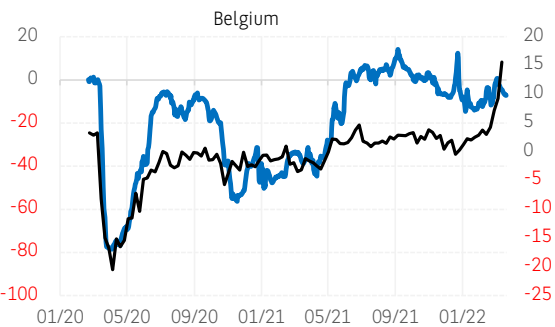
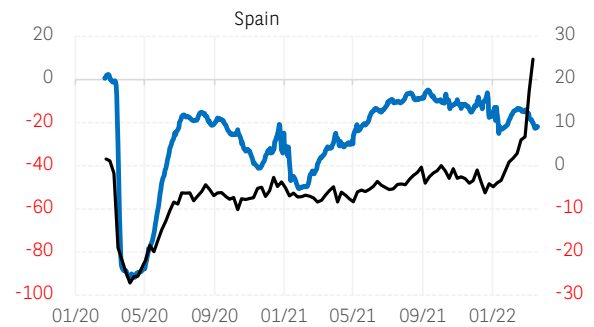
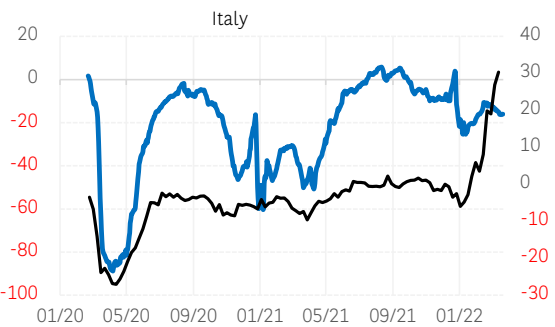
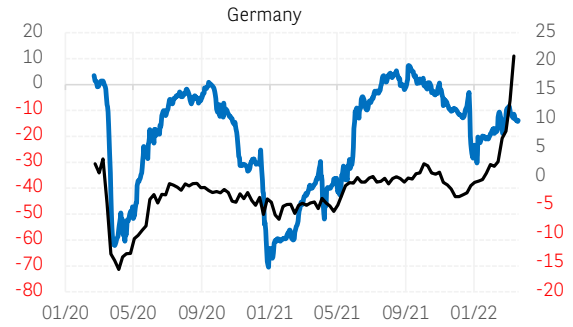
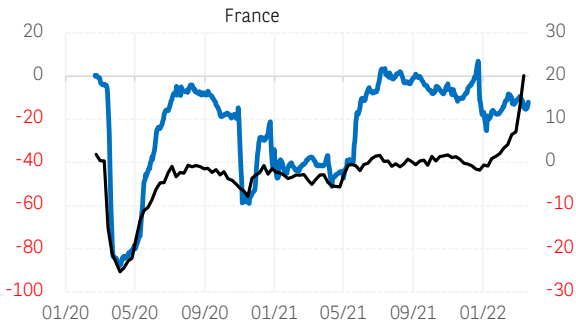
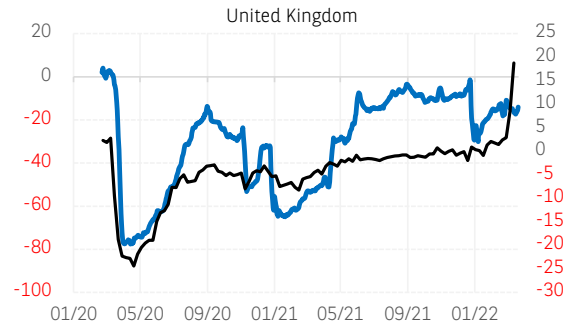
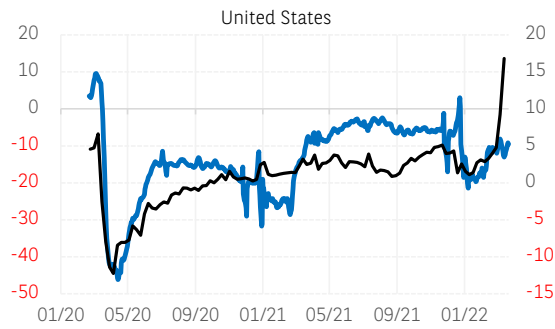
CHART 2

SOURCE: OUR WORLD IN DATA (03/24/2022), 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]

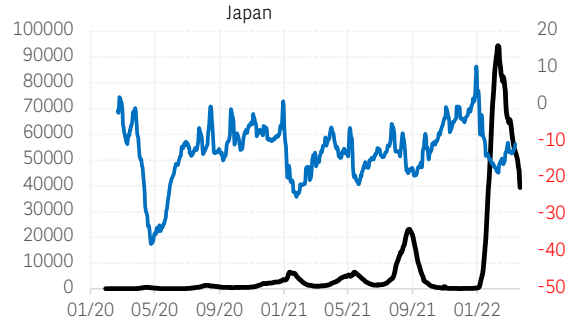
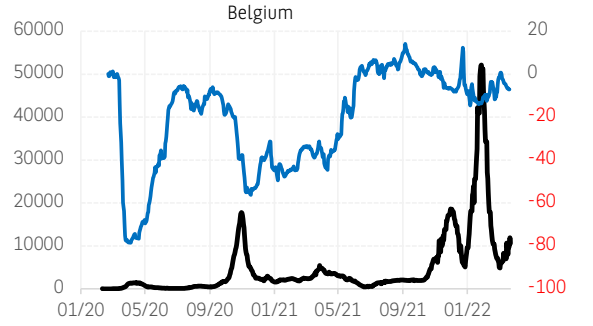
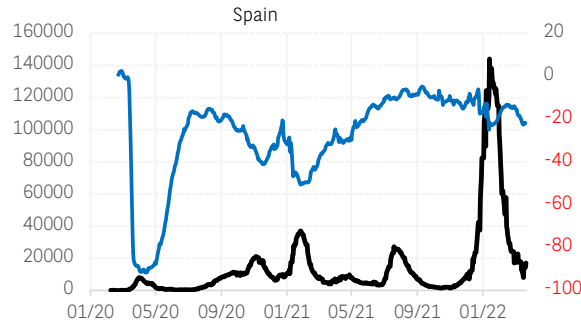
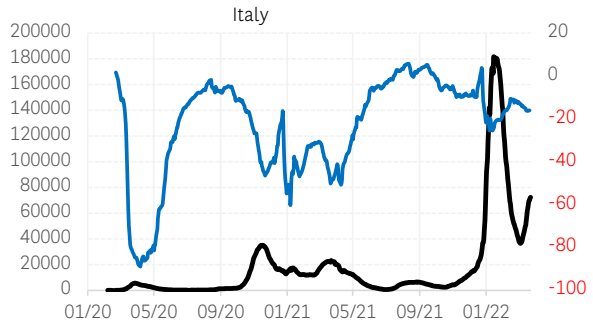
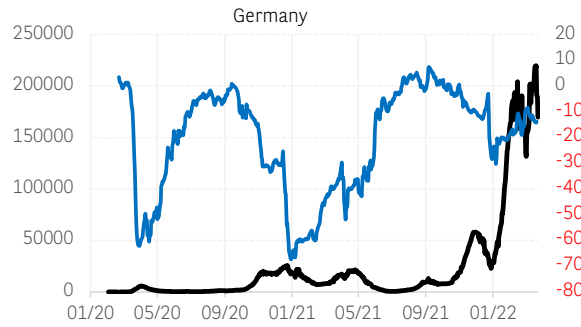
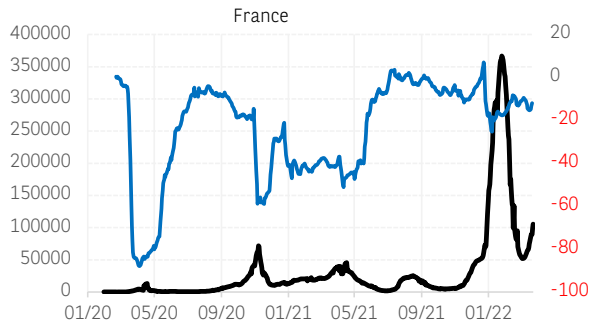
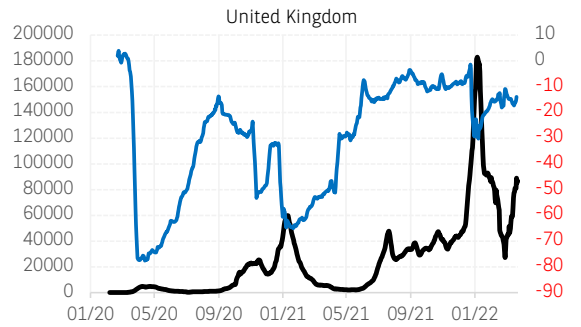
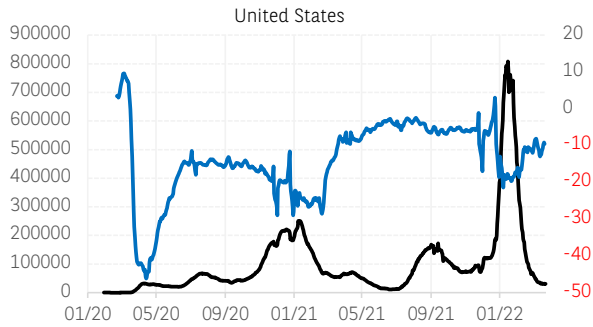


SOURCE: OECD (03/24/2022), GOOGLE (03/24/2022), BNP PARIBAS



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 (03/24/2022), GOOGLE (03/24/2022), BNP PARIBAS



ECONOMIC SCENARIO

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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% i/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 its tightening cycle and, based on the projections of the FOMC members, several rate hikes should follow this year and next. In addition, the reduction of the size of the balance sheet (quantitative tightening) is expected to be decided at an upcoming meeting of the FOMC. This hawkish stance is motivated by particularly elevated inflation, a strong economy and very low policy rates. 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 were forecasting a first hike in the deposit rate of 25 bp on the occasion of the September meeting, followed by another hike in December. However, due to the economic consequences of the war in Ukraine, this now seems far less likely. One rate hike this year, but later than September, is still a possibility. 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 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 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.

GDP GROWTH

%	2021	2022 e	2023 e
United-States	5.7	3.7	2.5
Japan	1.7	1.6	2.0
United-Kingdom	7.5	3.6	1.7
Euro Area	5.3	2.8	2.7
Germany	2.9	-	-
France	7.0	-	-
Italy	6.6	-	-
Spain	5.0	-	-
China	7.7	4.9	5.5
India*	8.1	9.5	7.3
Brazil	5.0	-0.5	0.0
Russia	4.5	-8.5	3.1

The growth projections in the table are based on the assumption that there is no further escalation of the war in Ukraine, that there is a prolonged period of uncertainty with sanctions remaining in place and that the price of oil would peak at USD 150/bbl and drop to about USD 120/bbl by year end.

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)
*FISCAL YEAR FROM 1ST APRIL OF YEAR N TO MARCH 31ST OF YEAR N+1
** LAST UPDATE 13/03/2022



CALENDAR

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LATEST INDICATORS

Eurozone consumer confidence recorded an unexpectedly large drop in March, reflecting the impact of the war in Ukraine. The manufacturing and services PMIs both weakened, but less than anticipated. French business confidence saw a large decline, more than anticipated by the consensus. The manufacturing PMI declined more than expected whereas the services PMI created a surprise by improving strongly. Producer price inflation in Germany increased slightly, reaching 25.9% in February. The weakening of the manufacturing and services PMI was limited and smaller than expected. The IFO business climate index however dropped on the back of a huge decline in the expectations component. Japan saw an improvement of the purchasing managers data. Consumer price inflation in the UK continues to move higher, thereby beating expectations. Concerning the producer prices, whereas output price inflation slowed down, there was a pick-up in terms of input price inflation. The manufacturing PMI declined and disappointed but the services PMI, against expectations, edged higher. Consumer confidence dropped. In the US, initial unemployment claims declined far more than expected, underlining the strength of the labour market. The PMIs improved whereas the consensus had anticipated a weakening. University of Michigan sentiment hardly moved in March, including with respect to inflation expectations.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
03/21/2022	Germany	PPI YoY	Feb	26.2%	25.9%	25.0%
03/21/2022	Germany	PPI MoM	Feb	1.7%	1.4%	2.2%
03/23/2022	United Kingdom	CPIH YoY	Feb	5.4%	5.5%	4.9%
03/23/2022	United Kingdom	CPI Core YoY	Feb	5.0%	5.2%	4.4%
03/23/2022	United Kingdom	PPI Output NSA MoM	Feb	0.9%	0.8%	1.2%
03/23/2022	United Kingdom	PPI Input NSA MoM	Feb	1.2%	1.4%	1.5%
03/23/2022	United States	New Home Sales MoM	Feb	1.1%	-2.0%	-8.4%
03/23/2022	Eurozone	Consumer Confidence	Mar	-12.9	-18.7	-8.8
03/24/2022	Japan	Jibun Bank Japan PMI Services	Mar	--	48.7	44.2
03/24/2022	Japan	Jibun Bank Japan PMI Composite	Mar	--	49.3	45.8
03/24/2022	Japan	Jibun Bank Japan PMI Mfg	Mar	--	53.2	52.7
03/24/2022	France	Business Confidence	Mar	110.0	107.0	113.0
03/24/2022	France	Markit France Services PMI	Mar	55.0	57.4	55.5
03/24/2022	France	Markit France Manufacturing PMI	Mar	55.1	54.8	57.2
03/24/2022	France	Markit France Composite PMI	Mar	54.5	56.2	55.5
03/24/2022	Germany	Markit/BME Germany Manufacturing PMI	Mar	56.0	57.6	58.4
03/24/2022	Germany	Markit Germany Services PMI	Mar	53.7	55.0	55.8
03/24/2022	Germany	Markit/BME Germany Composite PMI	Mar	53.8	54.6	55.6
03/24/2022	Eurozone	ECB Publishes Economic Bulletin				
03/24/2022	Eurozone	Markit Eurozone Manufacturing PMI	Mar	56.0	57.0	58.2
03/24/2022	Eurozone	Markit Eurozone Services PMI	Mar	54.3	54.8	55.5
03/24/2022	Eurozone	Markit Eurozone Composite PMI	Mar	53.8	54.5	55.5
03/24/2022	United Kingdom	Markit/CIPS UK Services PMI	Mar	58.0	61.0	60.5
03/24/2022	United Kingdom	Markit/CIPS UK Composite PMI	Mar	57.5	59.7	59.9
03/24/2022	United States	Initial Jobless Claims	Mar	57.0	55.5	58.0

SOURCE: BLOOMBERG



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DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
03/24/2022	United States	Cap Goods Orders Nondef Ex Air	Feb	0.5%	-0.3%	1.3%
03/24/2022	United States	S&P Global US Manufacturing PMI	Mar	56.6	58.5	57.3
03/24/2022	United States	S&P Global US Services PMI	Mar	56.0	58.9	56.5
03/24/2022	United States	S&P Global US Composite PMI	Mar	54.7	58.5	55.9
03/24/2022	United Kingdom	Markit UK PMI Manufacturing SA	Mar	-30.0	-31.0	-26.0
03/25/2022	United Kingdom	GfK Consumer Confidence	Mar	94.2	90.8	98.5
03/25/2022	Germany	IFO Business Climate	Mar	96.6	97.0	98.6
03/25/2022	Germany	IFO Current Assessment	Mar	92.0	85.1	98.4
03/25/2022	Germany	IFO Expectations	Mar	59.7	59.4	59.7
03/25/2022	United States	U. of Mich. Sentiment	Mar	67.6	67.2	67.8
03/25/2022	United States	U. of Mich. Current Conditions	Mar	54.4	54.3	54.4
03/25/2022	United States	U. of Mich. Expectations	Mar	5.4%	5.4%	5.4%
03/25/2022	United States	U. of Mich. 1 Yr Inflation	Mar	--	3.0%	3.0%
03/25/2022	United States	U. of Mich. 5-10 Yr Inflation	Mar	--		3.00%

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

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COMING INDICATORS

A very busy week with a lot of important data covering the month of March, which will allow to better assess the economic consequences of the war in Ukraine. The European Commission will publish the results of its business surveys and the details of the consumer confidence survey. For the eurozone we will also have the unemployment rate and inflation for March. Data on consumer confidence as well as consumer and producer price inflation will be published for France. In Germany we will also have consumer confidence numbers as well as inflation. In Japan we will have retail sales as well as the Tankan survey. In the US several important data will be published: the labour market report for March, Conference Board consumer confidence, personal income and spending as well as the ISM index. Finally, the purchasing managers' indices will be released in several countries.

DATE TIME	COUNTRY/REGION	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
03/29/22	Germany	GfK Consumer Confidence	Apr		
03/29/22	France	Consumer Confidence	Mar		
03/29/22	United States	Conf. Board Consumer Confidence	Mar		
03/29/22	United States	Conf. Board Present Situation	Mar		
03/29/22	United States	Conf. Board Expectations	Mar		
03/29/22	United States	JOLTS Job Openings	Feb		
03/30/22	Japan	Retail Sales YoY	Feb		
03/30/22	Japan	Retail Sales MoM	Feb		
03/30/22	Eurozone	Economic Confidence	Mar		
03/30/22	Eurozone	Industrial Confidence	Mar		
03/30/22	Eurozone	Services Confidence	Mar		
03/30/22	Eurozone	Consumer Confidence	Mar		
03/30/22	Germany	CPI EU Harmonized MoM	Mar		
03/30/22	Germany	CPI EU Harmonized YoY	Mar		
03/30/22	United States	GDP Annualized QoQ	4Q		
03/31/22	China	Composite PMI	Mar		
03/31/22	China	Manufacturing PMI	Mar		
03/31/22	China	Non-manufacturing PMI	Mar		
03/31/22	United Kingdom	GDP QoQ	4Q		
03/31/22	United Kingdom	GDP YoY	4Q		
03/31/22	France	CPI EU Harmonized MoM	Mar		
03/31/22	France	CPI EU Harmonized YoY	Mar		
03/31/22	France	PPI MoM	Feb		
03/31/22	France	PPI YoY	Feb		
03/31/22	France	Consumer Spending MoM	Feb		
03/31/22	France	Consumer Spending YoY	Feb		
03/31/22	Germany	Unemployment Change (000's)	Mar		
03/31/22 11:00	Eurozone	Unemployment Rate	Feb		

SOURCE: BLOOMBERG



DATE TIME	COUNTRY/REGION	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
03/31/22	Eurozone	Unemployment Rate	Feb		
03/31/22	United States	Personal Income	Feb		
03/31/22	United States	Personal Spending	Feb		
03/31/22	United States	Real Personal Spending	Feb		
03/31/22	United States	Initial Jobless Claims	26 March		
03/31/22	United States	PCE Core Deflator MoM	Feb		
03/31/22	United States	PCE Core Deflator YoY	Feb		
04/01/22	Japan	Tankan Large Mfg Index	1Q		
04/01/22	Japan	Tankan Large Non-Mfg Index	1Q		
04/01/22	Japan	Tankan Large Mfg Outlook	1Q		
04/01/22	Japan	Tankan Large Non-Mfg Outlook	1Q		
04/01/22	Japan	Tankan Large All Industry Capex	1Q		
04/01/22	Japan	Tankan Small Mfg Index	1Q		
04/01/22	Japan	Tankan Small Non-Mfg Index	1Q		
04/01/22	Japan	Tankan Small Mfg Outlook	1Q		
04/01/22	Japan	Tankan Small Non-Mfg Outlook	1Q		
04/01/22	Japan	Jibun Bank Japan PMI Mfg	Mar		
04/01/22	China	Caixin China PMI Mfg	Mar		
04/01/22	France	S&P Global France Manufacturing PMI	Mar		
04/01/22	Germany	S&P Global/BME Germany Manufacturing PMI	Mar		
04/01/22	Eurozone	S&P Global Eurozone Manufacturing PMI	Mar		
04/01/22	United Kingdom	S&P Global/CIPS UK Manufacturing PMI	Mar		
04/01/22	Eurozone	CPI Estimate YoY	Mar		
04/01/22	Eurozone	CPI MoM	Mar		
04/01/22	Eurozone	CPI Core YoY	Mar		
04/01/22	United States	Change in Nonfarm Payrolls	Mar		
04/01/22	United States	Unemployment Rate	Mar		
04/01/22	United States	Average Hourly Earnings YoY	Mar		
04/01/22	United States	Average Weekly Hours All Employees	Mar		
04/01/22	United States	Labor Force Participation Rate	Mar		
04/01/22	United States	S&P Global US Manufacturing PMI	Mar		
04/01/22	United States	ISM Manufacturing	Mar		
04/01/22	United States	ISM Prices Paid	Mar		
04/01/22	United States	ISM New Orders	Mar		
04/01/22	United States	ISM Employment	Mar		



FURTHER READING

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About the tightening of the US monetary policy	EcoFlash	25 March 2022
The euro area banking system is strong and little exposed to Russia and Ukraine	EcoTVWeek	25 March 2022
South Africa: A fragile economic recovery	Chart of the Week	23 March 2022
US: Federal Reserve: when will it stop hiking?	EcoWeek	21 March 2022
Egypt: Increasing risk on foreign currency liquidity	EcoTVWeek	18 March 2022
Colombia: Public Finances – any cause for concern?	Conjoncture	17 March 2022
France: improvement in services surplus offsets deterioration in goods deficit	Chart of the Week	16 March 2022
Eurozone : ECB: enhanced policy optionality	EcoWeek	14 March 2022
Eurozone : Eurozone: dynamism and tensions of the labour market	EcoFlash	11 March 2022
ECB: new forecasts, new challenges	EcoTVWeek	11 March 2022
North America : Contrasting LCR trends in Europe and North America	Chart of the Week	9 March 2022
Global : Are markets pricing in an increase in stagflation risk?	EcoWeek	7 March 2022
Geopolitical uncertainty, monetary and fiscal policy	EcoTVWeek	4 March 2022
Indonesia: mixed consolidation of external accounts	Chart of the Week	2 March 2022
Eurozone : Radical geopolitical uncertainty	EcoWeek	28 February 2022
Rise in sovereign rates and Italian debt: can we draw parallels with the situation in 2010/11?	EcoTVWeek	25 February 2022
France : French households: purchasing power is under pressure	EcoFlash	25 February 2022
Japan : Deflation intensifies in the services sector	Chart of the Week	23 February 2022
Global : Companies' pricing power and the inflation outlook	EcoWeek	21 February 2022
Chile: new President takes office	EcoTVWeek	18 February 2022



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A monthly video with interviews of our economists.



ECOTV WEEK

A weekly video discussing the main event of the week.



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