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ECONOMIC RESEARCH

BNP PARIBAS

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world

UNITED STATES: AN UNEASY FEELING

The chief financial officers of US companies have become gloomier about the outlook for the US economy. The latest Duke University CFO survey shows that 20.8% of the participants expect negative GDP growth over the next 12 months. The assessment about the own-company prospects has declined far less, leading to a record high gap with the outlook for the economy as a whole. This is a source of concern: how long can own-company confidence remain high if the overall environment continues to deteriorate? Interest rate developments will play a key role in this respect. Of those US companies that plan to borrow, two-thirds would reduce their investments in case of an increase of borrowing costs of 3 percent. It is a sobering message considering the expected tightening of monetary policy.

The chief financial officers of US companies have become gloomier about the outlook for the US economy. The recently released quarterly Duke University CFO survey[1] covering the second quarter, shows a leftward shift of the distribution of expectations for real GDP growth for the next four quarters (chart 1). The median estimate has dropped from 2.8% to 1.7% and the percentage of survey participants expecting negative growth over the next 12 months has risen from 12.3% to 20.8%. One can argue that, despite its increase, this number still seems rather low considering the steep decline in the optimism level about the outlook for the US economy (chart 2). The feeling is about as negative as during the first quarter of 2020 (Covid-19 crisis), the fourth quarter of 2012 and the third of 2010 (both quarters marked by fears about a double-dip recession) but remains well above the lows reached during the global financial crisis.

The gloom is striking considering the strength of the labour market and the difficulties of filling vacancies. Interestingly, the assessment about the own-company prospects has declined far less, leading to a record high gap with the outlook for the economy as a whole. Admittedly, CFOs are systematically more positive for their companies than for the US economy. This is unsurprising. After all, they have better information about their own companies than about the economy in general. Moreover, they can directly influence the destiny of their companies, which is clearly not the case for the broader economy.

However, in the latest survey, the difference is exceptionally large. This is a source of concern. How long can own-company confidence remain high when faced with a deterioration of the overall environment? Interest rate developments will play a key role in this respect. 60% of respondents think they have enough cash to finance operations in the next 12 months. However, of those companies that plan to borrow, half would reduce their capital spending plans if the borrowing costs were to increase by 2 percent. In case of an increase of 3 percent, two-third of firms indicate they would reduce their investments. It is a sobering message considering the expected tightening of monetary policy and its likely impact on corporate borrowing rates.[2]

William De Vijlder

1. Source : The CFO Survey, Duke University and the Federal Reserve Banks of Richmond and Atlanta. The quarterly survey of 320 U.S. financial executives was conducted between 25 May and 10 June.
2. The CFO survey was conducted before the FOMC meeting of 14 and 15 June 2022. On the occasion of this meeting, the federal funds rate was raised with 75 basis points. The FOMC members project a federal funds rate at 3.8% at the end of 2023 (this projection corresponds to the midpoint of the projected appropriate target range) (source: Federal Reserve, Summary of Economic Projections, 15 June 2022).

CFO'S EXPECTATIONS FOR REAL GDP GROWTH OVER NEXT FOUR QUARTERS

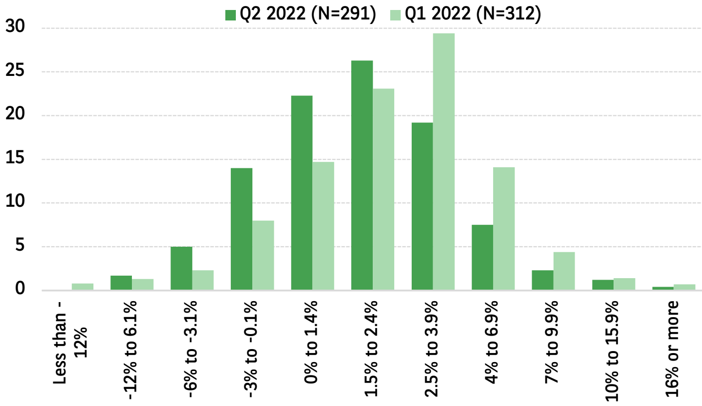


CHART 1 SOURCE: THE CFO SURVEY, DUKE UNIVERSITY AND THE FEDERAL RESERVE BANKS OF RICHMOND AND ATLANTA, BNP PARIBAS

US CFO OPTIMISM

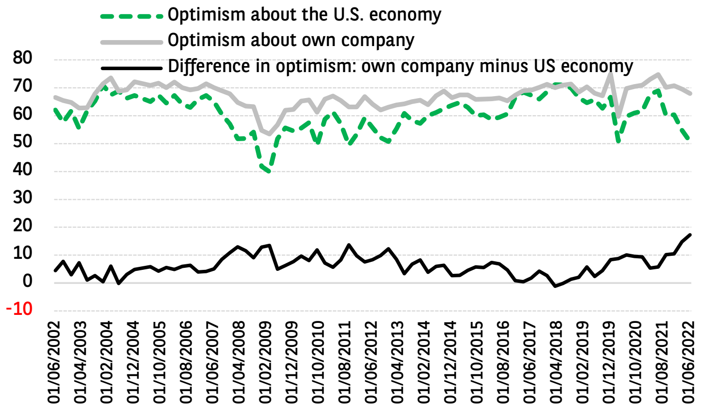


CHART 2 SOURCE: FEDERAL RESERVE BANK OF ATLANTA; BNP PARIBAS

> Of those US companies that plan to borrow, two-thirds would reduce their investments in case of an increase of borrowing costs of 3 percent. It is a sobering message considering the expected tightening of monetary policy.

MARKETS OVERVIEW

OVERVIEW

Week 24-6 22 to 1-7-22

↘ CAC 40	6 073	▶ 5 931	-2.3	%
↘ S&P 500	3 912	▶ 3 825	-2.2	%
↘ Volatility (VIX)	27.2	▶ 26.7	-0.5	pb
↗ Euribor 3M (%)	-0.22	▶ -0.18	+4.2	bp
↗ Libor $ 3M (%)	2.23	▶ 2.29	+5.8	bp
↘ OAT 10y (%)	1.81	▶ 1.61	-20.2	bp
↘ Bund 10y (%)	1.44	▶ 1.23	-20.3	bp
↘ US Tr. 10y (%)	3.12	▶ 2.90	-22.0	bp
↘ Euro vs dollar	1.05	▶ 1.04	-1.5	%
↘ Gold (ounce, $)	1 829	▶ 1 808	-1.1	%
↘ Oil (Brent, $)	113.2	▶ 111.7	-1.3	%

MONEY & BOND MARKETS

Interest Rates			highest 22			lowest 22		
€	ECB	0.00	0.00	at	03/01	0.00	at	03/01
	Eonia	-0.51	-0.51	at	03/01	-0.51	at	03/01
	Euribor 3M	-0.18	-0.16	at	21/06	-0.58	at	05/01
	Euribor 12M	0.96	1.12	at	17/06	-0.50	at	05/01
$	FED	1.75	1.75	at	16/06	0.25	at	03/01
	Libor 3M	2.29	2.29	at	01/07	0.21	at	03/01
	Libor 12M	3.56	3.67	at	16/06	0.58	at	03/01
£	BoE	1.25	1.25	at	16/06	0.25	at	03/01
	Libor 3M	1.69	1.69	at	01/07	0.26	at	03/01
	Libor 12M	0.81	0.81	at	03/01	0.81	at	03/01

At 1-7-22

Yield (%)			highest 22			lowest 22		
€	AVG 5-7y	1.67	2.21	at	15/06	-0.04	at	03/01
	Bund 2y	0.50	1.02	at	14/06	-0.83	at	04/03
	Bund 10y	1.23	1.76	at	21/06	-0.14	at	24/01
	OAT 10y	1.61	2.17	at	21/06	0.15	at	04/01
	Corp. BBB	3.72	4.02	at	21/06	0.90	at	05/01
$	Treas. 2y	2.88	3.43	at	14/06	0.70	at	04/01
	Treas. 10y	2.90	3.48	at	14/06	1.63	at	03/01
	High Yield	9.09	9.09	at	30/06	5.07	at	03/01
£	gilt. 2y	1.77	2.38	at	21/06	0.69	at	03/01
	gilt. 10y	2.09	2.62	at	21/06	0.97	at	03/01

At 1-7-22

EXCHANGE RATES

1€ =		highest 22		lowest 22			2022
USD	1.04	1.15	at 10/02	1.04	at	01/07	-8.6%
GBP	0.87	0.87	at 14/06	0.83	at	14/04	+3.1%
CHF	1.00	1.06	at 10/02	1.00	at	29/06	-3.4%
JPY	140.40	143.95	at 22/06	125.37	at	04/03	+7.2%
AUD	1.53	1.62	at 04/02	1.43	at	05/04	-1.9%
CNY	6.96	7.29	at 10/02	6.87	at	14/04	-3.9%
BRL	5.54	6.44	at 06/01	5.01	at	21/04	-12.6%
RUB	57.41	164.76	at 07/03	56.01	at	29/06	-32.7%
INR	82.13	85.96	at 11/02	80.30	at	05/05	-2.8%

At 1-7-22 *Change*

COMMODITIES

Spot price, $		highest 22			lowest 22			2022	2022(€)
Oil, Brent	111.7	128.2	at	08/03	79.0	at	03/01	+42.5%	+55.9%
Gold (ounce)	1 808	2 056	at	08/03	1 785	at	28/01	-0.8%	+8.5%
Metals, LMEX	3 803	5 506	at	07/03	3 803	at	01/07	-15.5%	-7.5%
Copper (ton)	8 040	10 702	at	04/03	8 040	at	01/07	-17.5%	-9.7%
wheat (ton)	300	4.7	at	17/05	281	at	14/01	+26.3%	+38.2%
Corn (ton)	279	3.2	at	28/06	226	at	03/01	+2.2%	+33.8%

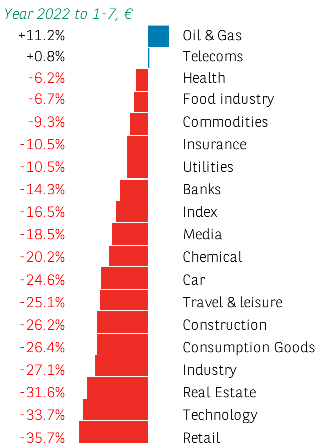
At 1-7-22 *Change*

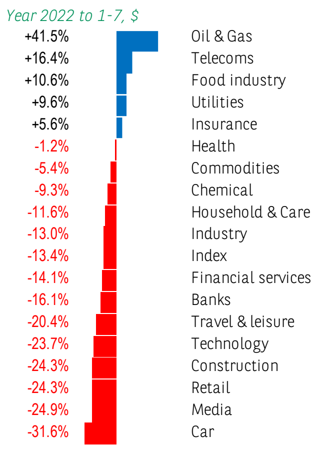
EQUITY INDICES

	Index	highest 22			lowest 22			2022
World								
MSCI World	2 560	3 248	at	04/01	2 486	at	17/06	-20.8%
North America								
S&P500	3 825	4 797	at	03/01	3 667	at	16/06	-19.7%
Europe								
EuroStoxx50	3 448	4 392	at	05/01	3 428	at	16/06	-19.8%
CAC 40	5 931	7 376	at	05/01	5 883	at	17/06	-1.7%
DAX 30	12 813	16 272	at	05/01	12 784	at	30/06	-19.3%
IBEX 35	8 176	8 934	at	27/05	7 645	at	07/03	-0.6%
FTSE100	7 169	7 672	at	10/02	6 959	at	07/03	-0.3%
Asia								
MSCI, loc.	1 042	1 165	at	05/01	1 024	at	08/03	-0.9%
Nikkei	25 936	29 332	at	05/01	24 718	at	09/03	-9.9%
Emerging								
MSCI Emerging ($)	993	1 267	at	12/01	988	at	12/05	-1.9%
China	73	86	at	20/01	59	at	15/03	-11.0%
India	711	891	at	13/01	699	at	17/06	-10.5%
Brazil	1 384	2 003	at	04/04	1 372	at	06/01	-7.7%

At 1-7-22 *Change*

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

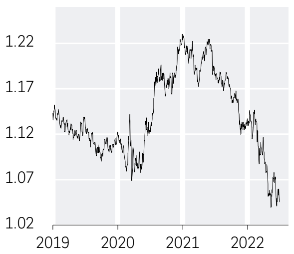




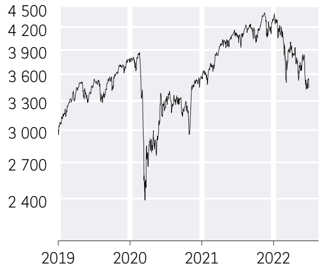
SOURCE: REFINITIV, BNP PARIBAS,

MARKETS OVERVIEW

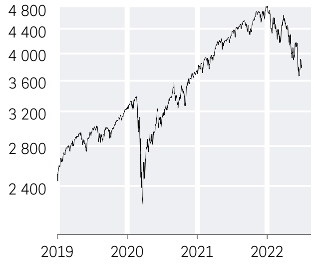
EURO-DOLLAR



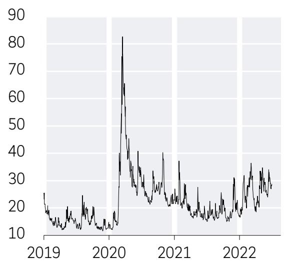
EUROSTOXX50



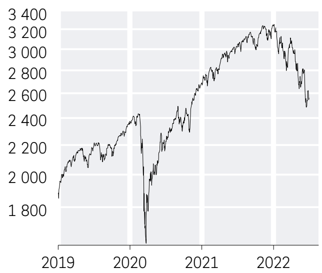
S&P500



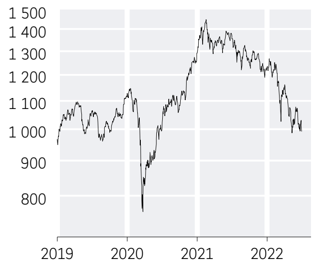
VOLATILITY (VIX, S&P500)



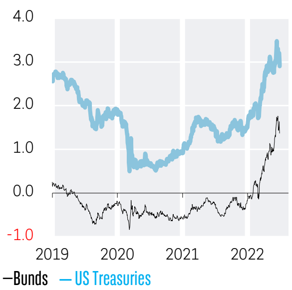
MSCI WORLD (USD)



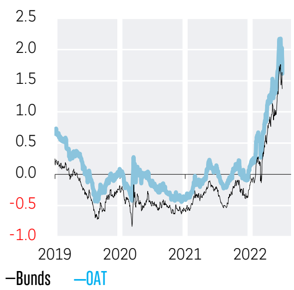
MSCI EMERGING (USD)



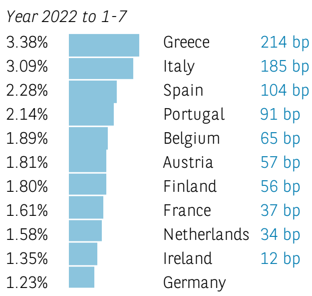
10Y BOND YIELD, TREASURIES VS BUND



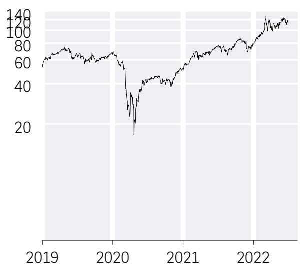
10Y BOND YIELD



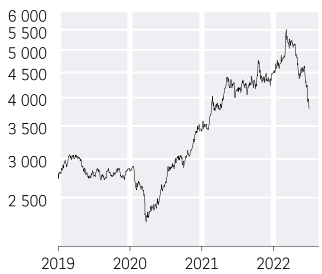
10Y BOND YIELD & SPREADS



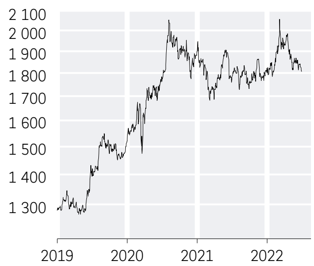
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



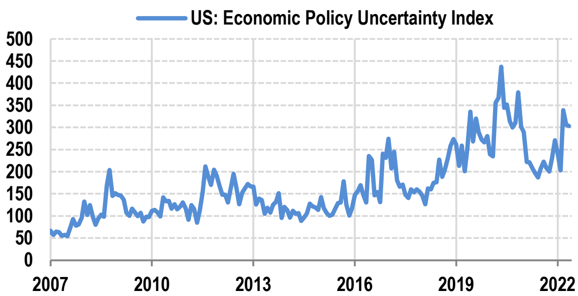
SOURCE: REFINITIV, BNP PARIBAS

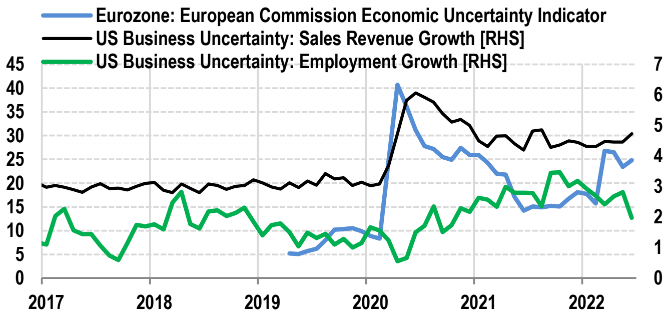
UNCERTAINTY: ECONOMIC UNCERTAINTY STABILISES

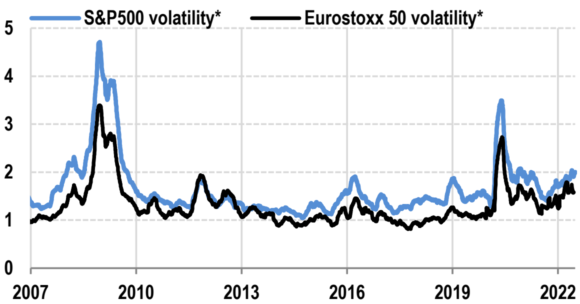
Our different uncertainty gauges are complementary, in terms of scope and methodology. Starting top left and continuing clockwise, US economic policy uncertainty based on media coverage has eased slightly in recent weeks after a significant increase, triggered, at least in part, by concern about the prospect of aggressive rate hikes by the Federal Reserve. In the United States, business uncertainty about sales revenue growth has increased slightly as of late but it has decreased significantly with respect to employment growth. The European Commission's uncertainty index has edged higher. After having jumped following the war in Ukraine, it has essentially been moving sideways. The geopolitical risk index, which is based on media coverage, has declined further after spiking in February and March due to the war in Ukraine. The cross-sectional standard deviation of daily stock market returns of individual companies – a measure of financial uncertainty – has been on a rising trend in recent months in the United States and the euro area.

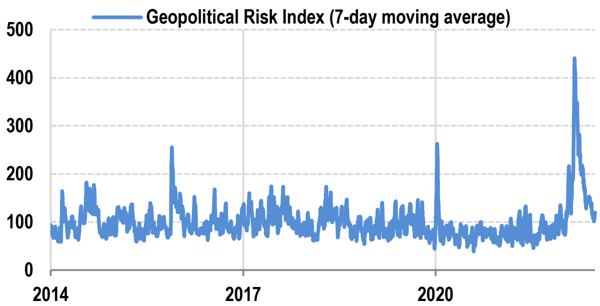
William De Vijlder

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, EUROPEAN COMMISSION, ATLANTA FED, GPR INDEX (MATTEOIACOVIELLO.COM), BNP PARIBAS

ECONOMIC PULSE

EUROZONE: OFF-COLOUR

On the economic front the eurozone has seen a succession of similar-looking months, with inflation continuing to rise and confidence surveys continuing to fall to different extents. Although there is a clear deterioration in the economic situation and outlook (the shrinking of the blue zone on our Pulse shows this), its scale and duration remain uncertain. A recession is getting more likely but is not (yet) a certainty, first because activity levels remain strong and not all the economic indicators are flashing red (particularly when it comes to the labour market) and secondly because growth has some tailwinds or, at the very least, shock-absorbers (recovery post Covid, surplus savings, investment needs and fiscal support).

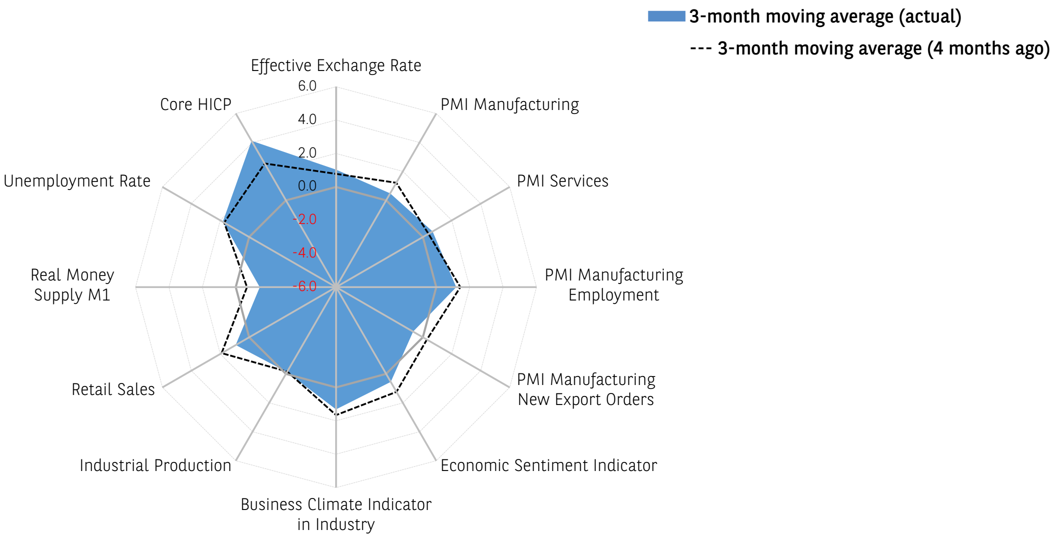
The news on inflation is not quite as bad as it was in May. Although inflation rose significantly again in June (by half a point to 8.6% y/y according to the Eurostat flash estimate), the core inflation figure fell very slightly (by 0.1 of a point to 3.7% y/y). However, this is of limited comfort and one can only feel uneasy at the rapid acceleration in prices for energy (42% y/y, contributing 4.2 points of inflation) and for food (8.9% y/y, contributing 1.9 points). It should also be noted that inflation fell in 2 of the 19 eurozone countries – Germany (-0.5 of a point, to 8.2% y/y) and the Netherlands for the third month running (-0.3 of a point, to 9.9%) – and more strikingly that it has reached or exceeded 10% in 9 countries. The highest inflation came in Estonia (22% y/y), whilst the lowest was in Malta (6.1% y/y), with France remaining in the second but last place (6.5% y/y).

The dominant picture from June's survey data is negative, but this needs to be moderated somewhat by the fact that there has been no widespread deterioration across sectors. The biggest negative signals came from the PMI figures (both the manufacturing and services figures, with the latter showing an even bigger fall), from the European Commission's consumer confidence survey (where the improvement in May proved to be a flash in the pan) and the economic sentiment indicator in construction. At 51.9, the composite PMI remained in expansionary territory, but less comfortably so. The deterioration of economic sentiment in the retail sector was smaller than in construction, but was nevertheless the fourth decline in a row and when we look at the cumulative figures since February, retail comes out worst, with a 10 point fall (against the 6 point drops in construction and industry and the 1 point rise in services). In fact, in both industry and services, economic sentiment improved slightly in June (for the third month in a row in the case of services). The deterioration in the retail sector echoes that in consumer confidence (down by a cumulative 14 points), which has been hit hard by the inflationary shock.

Lastly, the unemployment rate continues to fall. Although this is a lagging indicator, it is good news nonetheless. Although companies' views of employment prospects are worsening, they are doing so to a limited extent and the figures remain high in absolute terms. The same is true of consumer concern over unemployment trends, which is rising but remains moderate.

Hélène Baudchon

EUROZONE: 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 -6 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

JAPAN: BETTER SIGNS FOR THE SUMMER

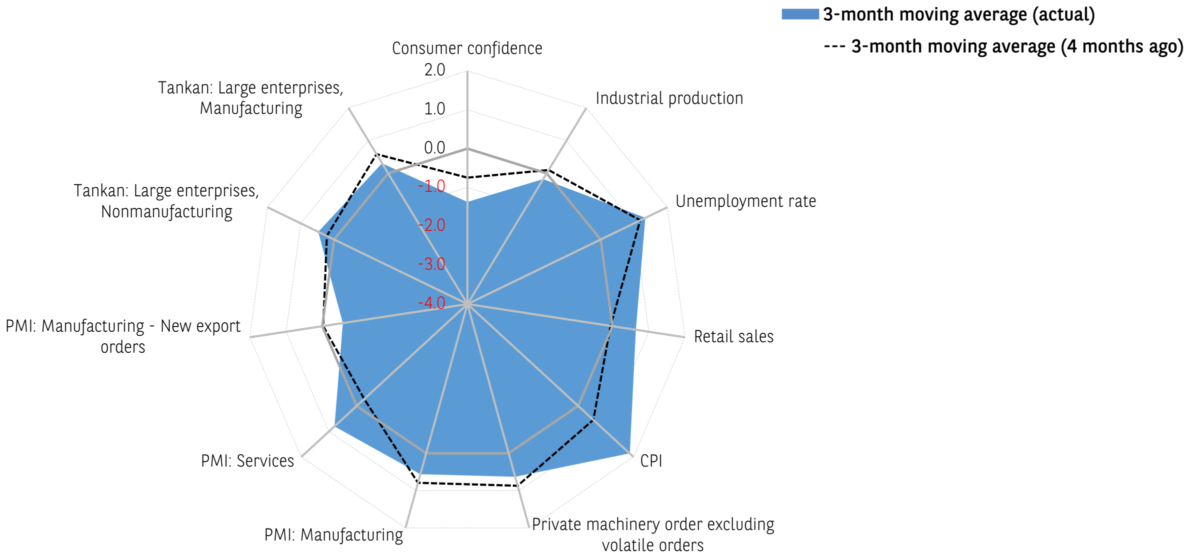
The latest results from the Tankan survey show a fragile but stable outlook for Japanese industry (the balance moved from 2 to 1), whilst confidence in the service sector improved (the balance rose from -2 to 4). The total balance of opinion improved from 0 to 2. Amongst large companies, the improvement in confidence was the biggest in personal services (up 32 points to 18) and hotels and restaurants (up 25 points to -31), even though confidence in the latter remains very low. Conversely, the sectors suffering the biggest falls were lumber and wood products (down 20 points to 0) and iron & steel (down 16 to -6). The expected fall in profits over fiscal year 2022 (April 2022 to March 2023) has been revised down from -8.7% to -3.6%, due in particular to the improved outlook for the second half of the year. Companies continue to report difficulties in hiring, with the corresponding index stable at -24 . Meanwhile, companies have significantly downgraded their expected exchange rate for fiscal year 2022, which was expected given the highly conservative figure reported in the March survey (now JPY/USD119, from JPY/USD111.9).

With a substantial fall in industrial production in May (-7.2% m/m), Japanese industry, and particularly the automotive sector (-8.0% m/m) has suffered from the disruption in China caused by lockdown measures in the country. These restrictions have now been relaxed and this should lead to a significant rebound in Japanese activity over the summer. According to the Ministry of Economy, Trade and Industry (METI), Japanese companies are expecting industrial production to rise by 12.0% m/m in June and 2.5% m/m in July. The PMI figures for the sector also remain relatively positive, given the challenging international context: the manufacturing index nevertheless slipped from 53.3 to 52.7 in June, whilst the composite index (industry and services) rose from 52.3 to 53.2.

Inflation remains under control. It stabilised at 0.8% y/y in May, whilst the Tokyo leading indicator for June slipped back slightly from 2.4% to 2.3%. This said, the underlying year-on-year figure (excluding energy and perishable food) for Tokyo has moved above 1% for the first time since March 2016. The unemployment rate edged up from 2.5% to 2.6% in May and is now 0.4 of a point above its level at end-2019. However, part of this increase was the result of a rise in the activity rate (15 years and above), which, at 62.7%, is at its highest level for 21 years. New job openings continued to rise, although they remained substantially below the pre-Covid level (880,820 in May 2022, compared to 956,727 in December 2019).

Guillaume Derrien

JAPAN: QUARTERLY CHANGES



SOURCE: REFINITIV, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +2. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

ECONOMIC PULSE

FRANCE: AN ECONOMY WEAKENED BY THE SPREAD OF INFLATION

Inflation has continued to accelerate, at 5.8% y/y in June, and has not yet reached its peak. Most significantly, the energy component saw a further monthly rise of 5.3% in June, having already risen by 9% in March. Not only had the initial shock not yet fully passed through into other prices (food, manufactured goods, services), but this new increase signals a further acceleration in inflation, particularly in the food component which suffered the most from the initial shock (1.4% increase month-on-month and 3.1% over 3 months): In June, this food index has increased by 5.7% y/y, below July 2008's 6.4% peak, but should rise above and reach 9% in December 2022, according to our forecasts.

Inflation is becoming increasingly widespread, as shown by Insee's retail survey: in June, retailers expecting price increases were quite at the same proportion in food retail, textile, household equipment and automotive, and even more so in housing development.

The consequence was a further fall in consumer confidence, with an index at 82 (3 points down in June and 17 points lower for the year to date), in keeping with another drop in consumer spending in the second quarter (by 0.7% on our estimates), following the 1.5% q/q fall in the first quarter.

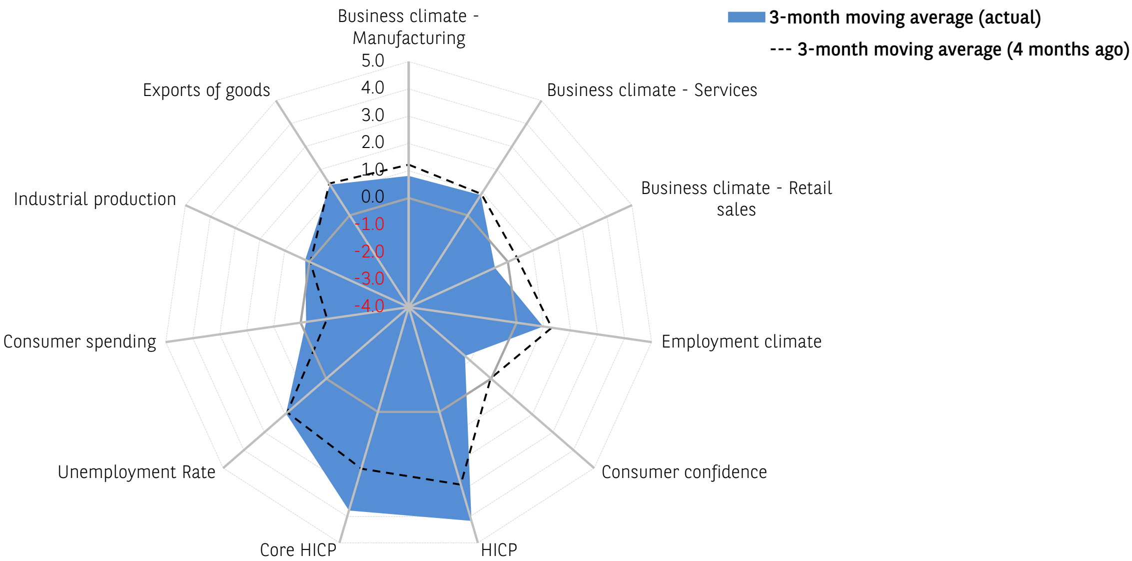
The lengthening of this demand shock is likely to have a growing effect on corporates. In January, the level of inventories of finished goods was low. Thereafter, lower demand and quite unchanged production have helped to rebuild inventories. In the manufacturing sector, it appears that inventories are, on average, back to normal. It entails that a new weakness in terms of demand would imply either inventories above normal or a decrease of the production. Meanwhile, companies' cash holdings, which were higher than normal in January, are no longer showing any surplus.

Thus, corporates no longer benefit in June from the same buffers that they had to soften the impact of the shock during the last four months. In addition, they now face margins that had already fallen significantly, to 31.6% in the first quarter of 2022, with bigger falls in construction and retail. All of this is taking place while the past strength of the labour market, and the withdrawal of the final measures of the 'whatever it takes' programme, are now being reflected in total compensation growth (including all social security contributions). This should reach in 2022 a level 11% above its pre-Covid amount, whilst the value added by companies should only be 7% above its pre-Covid level.

A possible recovery in demand, as a result of government measures to support purchasing power (which should be boosted by 0.9% q/q in Q3), will not be enough to offset the fall in household consumption seen in the Q1 and expected for the Q2. We do not expect a return to end-2021 levels until mid-2023. Overall, after a 0.2% contraction in GDP in Q1, we expect zero growth in Q2 and 2.3% growth for 2023 as a whole.

Stéphane Colliac

FRANCE: QUARTERLY CHANGES



SOURCE: REFINITIV, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +5. 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 SCENARIO

UNITED STATES

Despite a surprising contraction in Q1 2022, the US economy remains dynamic and well supported by household consumption and business investment. The robustness of the labour market which is at full employment, bolsters wages and household consumption. However, inflation, at its highest for four decades, causes a decline in purchasing power. As inflation is higher and more persistent than anticipated, the Federal Reserve is raising sharply the fed funds rate and shrinking its balance sheet. The downward revision of the government's fiscal ambitions, especially its social welfare and environmental plans, may also contribute to moderate growth. Against this background, despite avoiding a recession, the U.S. economy is expected to slow down clearly.

CHINA

Economic activity contracted in April due to the lockdowns imposed in large industrial regions such as Shanghai. This has led us to revise down our real GDP projection for 2022. Economic growth has rebounded since May and the authorities are enhancing fiscal and monetary easing measures. However, short-term downside risks remain high: exports will suffer from the slowdown in global demand, the correction in the property sector should continue, and the recent deterioration in the labour market should weigh on private consumption. Consumer price inflation is accelerating only moderately.

EUROZONE

The surge in inflation that began in early 2021 has morphed into an inflationary shock. Inflation continues to be driven primarily by energy prices but it is also becoming more widespread and thus more persistent. The deterioration of business climate surveys remained limited up until May but consumer confidence has worsened more noticeably. We expect growth to remain positive but weak in the coming quarters. The risk of a recession in the short term is increasing but, should there be one, it would only be technical (limited in duration and extent). The labour market remains robust and the economy still benefits from the cyclical momentum that existed prior to the war in Ukraine, fiscal measures that seek to cushion the impact of inflation on purchasing power, excess savings which are still available and the need to invest. In our scenario (no recession), we expect eurozone growth to reach 2.5% on average over 2022 and 2.3% in 2023.

FRANCE

Real GDP growth entered into negative territory in the 1st quarter of 2022 (-0.2% q/q after +0.4% in the 4th quarter of 2021), as a result of a decrease in household consumption (-1.5% q/q). Higher inflation has pressured households' purchasing power and should also weigh on Q2 expectations. In parallel, corporate investment maintained its growth (+0.4% q/q), as corporates have to cope with output capacity constraints. Overall, in 2022, GDP growth should ease to 2.3% (6.8% in 2021), against a background of higher inflation (5.4% expected in 2022 after 1.6% in 2021).

RATES AND EXCHANGE RATES

In the US, the Federal Reserve will continue its tightening policy at a swift pace. The terminal rate of 3.5% (upper end of the target range) should be reached towards the end of this year. The Fed's hawkish stance is motivated by still very low policy rates against a background of particularly elevated inflation and a strong labour market. When the economy slows down and inflation will be on a downward path, the Federal Reserve should adapt its guidance in an effort to achieve a soft landing. To a very large degree, US Treasury yields already reflect the prospect of monetary policy tightening. This means that year-end levels shouldn't be that different from current levels. For next year we expect somewhat lower yields as growth slows and inflation declines.

The ECB has announced to end its asset purchases at the start of July and to raise its deposit rate later that month. We expect 50bp rate hikes at its September and October meetings, to be followed by five further 25bp hikes between December 2022 and September 2023. This should cause an increase in Bund yields and a widening of sovereign spreads in the euro area.

The Bank of Japan is expected to maintain its current policy stance, at least until Governor Kuroda's term ends in the spring of 2023. Thereafter, we expect the negative interest rate policy to be scrapped and the 10-year rate target to be hiked.

We expect the dollar to weaken significantly versus the euro. The dollar's valuation is expensive, positioning in the market is very long and the long-term interest rate differential should narrow. The yen has already weakened significantly versus the dollar, reflecting the prospect of increased policy divergence between the Fed and the Bank of Japan. We expect the exchange rate to remain around current levels for the remainder of the year. In 2023, the yen should appreciate considering that the federal funds rate should have reached its terminal rate and that the Bank of Japan is expected to tighten policy.

GDP GROWTH & INFLATION

	GDP Growth				Inflation			
%	2021	2022 e	2023 e	2024 e	2021	2022 e	2023 e	2024 e
United-States	5.7	2.6	1.9	1.7	4.7	7.5	3.9	2.4
Japan	1.7	1.4	1.1	0.6	-0.2	1.9	1.0	0.7
United-Kingdom	7.4	3.6	1.5	1.6	2.6	8.0	4.4	2.1
Euro Area	5.3	2.5	2.3	2.2	2.6	7.9	4.1	2.0
Germany	2.9	1.3	2.2	2.3	3.2	8.1	4.6	2.1
France	6.8	2.3	2.1	2.0	2.1	5.9	3.6	1.8
Italy	6.6	2.8	2.0	1.8	1.9	7.7	4.5	1.8
Spain	5.1	4.1	2.5	2.2	3.0	8.0	3.6	1.7
China	8.1	3.7	5.7	5.0	0.9	2.3	3.4	2.5
India*	9.3	8.3	6.2	6.5	5.4	7.9	5.9	5.5
Brazil	4.6	1.5	0.0	1.2	8.3	11.0	7.1	4.3
Russia	4.5	-7.0	0.8	0.3	7.1	14.0	10.5	7.6

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 06/13/2022

INTEREST & EXCHANGE RATES

Interest rates, % End of period		17/06/2022	Q3 2022 e	Q4 2022 e	Q2 2023 e	Q4 2023 e
US	Fed Funds (upper limit)	1.75	3.00	3.50	3.50	3.50
	T-Note 10y	3.24	3.10	3.20	3.10	3.00
Ezone	Deposit rate	-0.50	0.25	1.00	1.75	2.00
	Bund 10y	1.66	1.60	1.80	2.25	2.25
	OAT 10y	2.08	2.15	2.38	2.85	2.85
	BTP 10y	3.57	3.85	4.40	4.65	4.75
	BONO 10y	2.75	2.95	3.40	3.75	3.75
UK	Base rate	1.25	2.00	2.50	2.50	2.50
	Gilts 10y	2.46	2.30	2.50	2.65	2.50
Japan	BoJ Rate	-0.10	-0.10	-0.10	-0.10	0.00
	JGB 10y	0.23	0.24	0.25	0.25	0.45

Exchange Rates End of period		17/06/2022	Q3 2022 e	Q4 2022 e	Q2 2023 e	Q4 2023 e
USD	EUR / USD	1.05	1.09	1.12	1.16	1.20
	USD / JPY	135	131	130	125	120
	GBP / USD	1.22	1.25	1.27	1.32	1.36
EUR	EUR / GBP	0.86	0.87	0.88	0.88	0.88
	EUR / JPY	141	143	146	145	144

Brent End of period		17/06/2022	Q3 2022 e	Q4 2022 e	Q2 2023 e	Q4 2023 e
Brent	USD/bbl	113	120	122	125	125

SOURCE: BNP PARIBAS (E: ESTIMATES & FORECASTS)
(MARKET ECONOMICS, INTEREST RATE STRATEGY, FX STRATEGY, COMMODITIES DESK STRATEGY
* BASE CASE ** LAST UPDATE 06/17/2022)

CALENDAR

LATEST INDICATORS

The data continue to point to softer growth ahead. In the US, the Conference Board consumer confidence index recorded a considerable decline and the previous number was revised downwards. Personal income growth hardly moved but spending growth slowed down. Mortgage applications' growth was weak, reflecting the impact of rising interest rates. Finally, the ISM manufacturing index dropped more than expected. French consumer confidence declined more than anticipated but consumer spending growth in May created a positive surprise. The manufacturing PMI recorded a significant decline. The European Commission's survey for the euro area brought good news in industry and services with both sectors improving versus the month of May but the overall index (which covers industry, services, retail trade, construction and consumers) edged down, but less than expected. Monthly headline inflation was stable compared to May and core inflation was slightly below the May number. In China the composite PMI rebounded following the easing of Covid-19-related restrictions on mobility.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
06/28/2022	France	Consumer Confidence	Jun	84.0	82.0	85.0
06/28/2022	United States	Conf. Board Consumer Confidence	Jun	100.0	98.7	103.2
06/29/2022	Japan	Consumer Confidence Index	Jun	34.8	32.1	34.1
06/29/2022	Eurozone	Economic Confidence	Jun	103.0	104.0	105.0
06/29/2022	Eurozone	Industrial Confidence	Jun	4.8	7.4	6.5
06/29/2022	Eurozone	Services Confidence	Jun	12.8	14.8	14.1
06/29/2022	Eurozone	Consumer Confidence	Jun F	--	-23.6	-23.6
06/29/2022	United States	MBA Mortgage Applications	juin-24	--	0.7%	4.2%
06/30/2022	China	Composite PMI	Jun	--	54.1	48.4
06/30/2022	France	Consumer Spending MoM	May	0.2%	0.7%	-0.7%
06/30/2022	United States	Personal Income	May	0.5%	0.5%	0.5%
06/30/2022	United States	Personal Spending	May	0.4%	0.2%	0.6%
06/30/2022	United States	Initial Jobless Claims	juin-25	230k	231k	233k
06/30/2022	United States	PCE Core Deflator MoM	May	0.4%	0.3%	0.3%
07/01/2022	Japan	Tankan Large Mfg Index	2Q	13.0	9.0	14.0
07/01/2022	China	Caixin China PMI Mfg	Jun	50.2	51.7	48.1
07/01/2022	France	S&P Global France Manufacturing PMI	Jun F	51.0	51.4	54.6
07/01/2022	Germany	S&P Global/BME Germany Manufacturing PMI	Jun F	52.0	52.0	54.8
07/01/2022	Eurozone	S&P Global Eurozone Manufacturing PMI	Jun F	52.0	52.1	54.6
07/01/2022	Eurozone	CPI MoM	Jun P	0.7%	0.8%	0.8%
07/01/2022	Eurozone	CPI Core YoY	Jun P	3.9%	3.7%	3.8%
07/01/2022	United States	S&P Global US Manufacturing PMI	Jun F	52.4	52.7	52.4
07/01/2022	United States	ISM Manufacturing	Jun	54.9	53.0	56.1

SOURCE: BLOOMBERG

CALENDAR: THE WEEK AHEAD

COMING INDICATORS

An important week in terms of data with the services and composite PMIs in several countries as well as, in the US, the labour market report, the ISM survey for the services sector and the publication of the minutes of the FOMC meeting. In Japan we will have the EcoWatchers survey.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
07/05/2022	Japan	Jibun Bank Japan PMI Services	Jun	--	54.2
07/05/2022	China	Caixin China PMI Services	Jun	49	41.4
07/05/2022	France	S&P Global France Services PMI	Jun	--	54.4
07/05/2022	France	S&P Global France Composite PMI	Jun	--	52.8
07/05/2022	Germany	S&P Global Germany Services PMI	Jun	52.4	52.4
07/05/2022	Germany	S&P Global Germany Composite PMI	Jun	51.3	51.3
07/05/2022	Eurozone	S&P Global Eurozone Services PMI	Jun	52.8	52.8
07/05/2022	Eurozone	S&P Global Eurozone Composite PMI	Jun	--	51.9
07/05/2022	United Kingdom	S&P Global/CIPS UK Services PMI	Jun	--	53.4
07/05/2022	United States	Cap Goods Orders Nondef Ex Air	May	--	0.50%
07/06/2022	Eurozone	Retail Sales MoM	May	--	-1.30%
07/06/2022	United States	MBA Mortgage Applications	Juil	--	0.70%
07/06/2022	United States	S&P Global US Services PMI	Jun	51.6	51.6
07/06/2022	United States	ISM Services Index	Jun	54.2	55.9
07/07/2022	United States	Initial Jobless Claims	Juil	--	--
07/08/2022	Japan	Eco Watchers Survey Current SA	Jun	--	54
07/08/2022	Japan	Eco Watchers Survey Outlook SA	Jun	--	52.5
07/08/2022	United States	Change in Nonfarm Payrolls	Jun	250k	390k
07/08/2022	United States	Unemployment Rate	Jun	3.60%	3.60%
07/08/2022	United States	Average Hourly Earnings YoY	Jun	5.10%	5.20%
07/08/2022	United States	Average Weekly Hours All Employees	Jun	34.6	34.6
07/08/2022	United States	Labor Force Participation Rate	Jun	--	62.30%

SOURCE: BLOOMBERG

FURTHER READING

Let's keep talking about climate change	EcoTVWeek	1 July 2022
US: What does the composite leading indicator tell us about the risk of recession?	Chart of the Week	29 June 2022
Eurozone: European household account: a turbulent story	EcoFlash	28 June 2022
Eurozone: Unwarranted spread widening: measurement issues (part 2)	EcoWeek	27 June 2022
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Eurozone: unwarranted spread widening: measurement issues	EcoWeek	20 June 2022
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Portugal: a resilient economy	EcoTVWeek	17 June 2022
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Central Europe: higher funding costs in bond markets	Chart of the Week	15 June 2022
The worrisome cost of worrying about recession	EcoWeek	13 June 2022
Italy: banks' net income sharply declined in the first quarter of 2022	EcoTVWeek	10 June 2022
Japan: foreign subsidiaries, a key driver of the Japanese industry	EcoFlash	8 June 2022
France: housing development and food head the list of retail price rises	Chart of the Week	8 June 2022
US: The recession narrative	EcoWeek	6 June 2022
Let's talk about climate change, often	EcoTVWeek	3 June 2022
Italy: the ratio of new non-performing loans of NFCs has started to rise again	Chart of the Week	1 June 2022
Global: Inflation: shifting focus, shifting concerns	EcoWeek	30 May 2022
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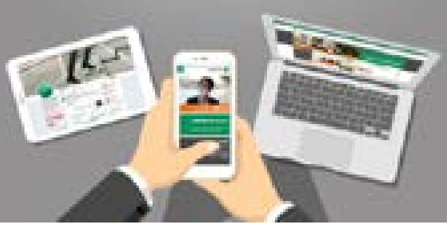

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