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BNP PARIBAS

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THREE HEADWINDS TO GROWTH

In his testimony to a commission of the US Senate, Jerome Powell has acknowledged that inflation is less transitory than considered hitherto, adding that, as a consequence, a faster tapering seems warranted. Despite this hawkish tone, the reaction of US Treasuries was muted. This may, amongst other things, reflect concern about how the pandemic might evolve. The new Omicron variant undeniably represents an uncertainty shock for households and companies. It comes on top of a negative supply shock that is already a clear headwind to demand. It clearly makes the task of central banks more complicated than ever when deciding how much of a monetary headwind they can create.

'Everything is transitory, including life'. This (obvious) point was recently made by a US senator when introducing his question to Jerome Powell about the transitory nature of inflation¹. The Fed Chairman acknowledged that inflation may very well be elevated for longer and hence less transitory than considered hitherto. Given that the economy is strong, he added this would justify a faster tapering than signaled following the latest FOMC meeting².

Unsurprisingly, markets reacted instantaneously to this more hawkish tone with 10-year Treasury yields moving about 6 basis points higher and the 2-year yield increasing slightly more, about 11 basis points (chart 1)³. Thereafter, the short end of the yield curve fluctuated in a narrow range. More surprising was that after this knee-jerk reaction, the 10-year yield started drifting lower, leaving the yield at the close of Wall Street, barely above the level before Powell had spoken. This could reflect three things. One, investors might feel uncomfortable about the accelerated tapering and the increased likelihood that official rate hikes would come sooner rather than later. They probably fear that the economy would react quickly and quite negatively to such a policy tightening. Under such a scenario, the yield curve inevitably flattens. Two, investors are less concerned about the economy but fear that the more hawkish stance of the Fed would weigh on the equity market. Under such an outcome, demand for safe assets would rise, causing an increase in bond prices and lower yields. The muted reaction of the bond market to Powell's comments could reflect an anticipation of this scenario. Three, market participants may fear that, should the number of new cases of the Delta variant continue to increase, this might end up weighing on growth in the short run. It looks like we are already moving in that direction in several European countries, hence the concern about what might happen in the US. Chart 2 shows, based on Google mobility data, that in Europe, footfall in retail and recreation has declined quite significantly in recent weeks.⁴ It remains to be seen

whether this will weigh on aggregate spending, but it should clearly have sector effects – think of the negative impact on the leisure and hospitality sector – and could favour online purchases over in-store shopping. It is to be feared that the new variant, Omicron, will reinforce these developments, although this depends on its transmissibility, on the effectiveness of existing vaccines and whether it causes severe disease or not. When the news about this variant started to spread, markets reacted by revising the growth outlook, witness the decline in oil prices – reflecting an expected drop in demand – and a weakening of the dollar versus the euro – reflecting the view that the Federal Reserve may be less inclined to tighten quickly. The decline in bond yields also points in that direction.

Omicron undeniably represents an uncertainty shock to the economy and raises the concern that, once again, the return to normality may take longer than expected. Research shows that such an uncertainty shock weighs on investment spending – companies preferring to wait until they see more clearly – but household spending, in particular on durable goods, can also suffer when households fear a hit to the labour market. At the current juncture, the reaction will probably be more muted, based on the hope that, again, successful vaccines will

US TREASURY YIELD (IN %), 30 NOVEMBER 2021 (CET)

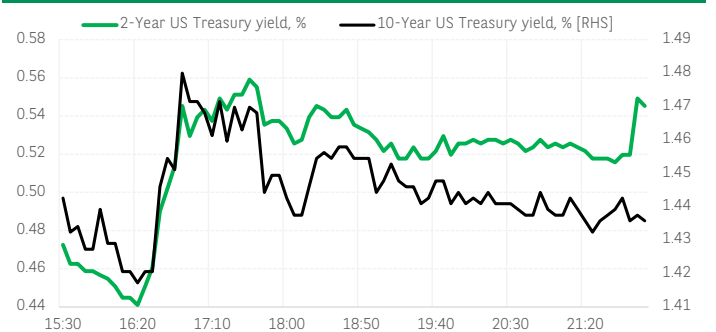


CHART 1

SOURCE: BLOOMBERG, BNP PARIBAS

1. "Coronavirus and CARES Act", Testimony of Jerome H. Powell before the Committee on Banking, Housing, and Urban Affairs, US Senate, 30 November 2021.
2. This was held on 2 and 3 November 2021.
3. The time shown on the chart is CET. The testimony started around 16.00 CET.

For households and companies, the Omicron variant thus far represents an uncertainty shock. It comes on top of a negative supply shock that is a clear headwind to demand. It makes the task of central banks more complicated than ever when deciding how much of a monetary headwind they can create.



quickly be developed if need be. However, for households and companies, this uncertainty shock comes on top of a negative supply shock – supply disruption, a huge increase in producer prices and, albeit to a lesser degree, consumer prices – that is a clear headwind to demand. It clearly makes the task of central banks more complicated than ever when deciding how much of a monetary headwind they can create. Not only is there the question of how transitory inflation is, there is also the even more difficult one of how transitory the impact of the new variant might be.

William De Vijlder

RETAIL AND RECREATION MOBILITY (7-DAY MOVING AVERAGE, % FROM BASELINE*)

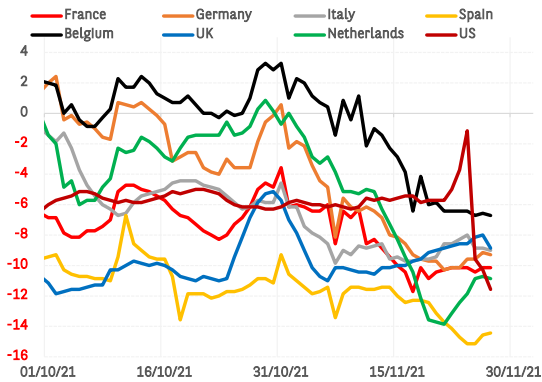
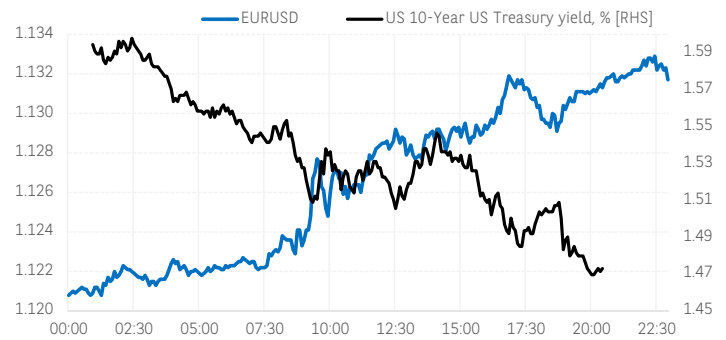
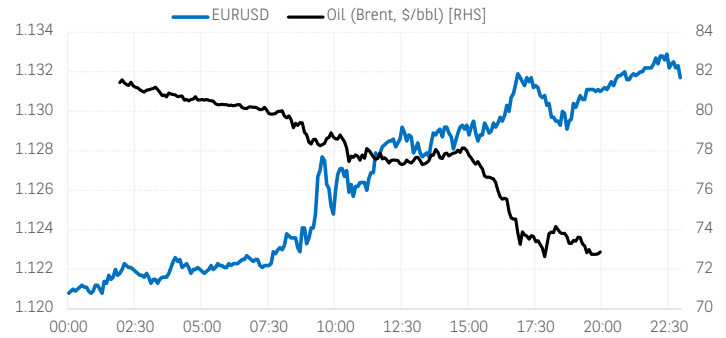


CHART 2

SOURCE: GOOGLE, BNP PARIBAS

* 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.

FINANCIAL MARKETS ON 26 NOVEMBER 2021 (CET)



CHARTS 3 & 4

SOURCE: BLOOMBERG, BNP PARIBAS

“Price increases have spread much more broadly in the recent few months across the economy and I think the risk of higher inflation has increased (...) So I think the word “transitory” has different meanings to different people. To many it carries a sense of short-lived, we tend to use it to mean that it won’t leave a permanent mark in the form of higher inflation. I think it is probably a good time to retire that word and try to explain more clearly what we mean.”

“But clearly the risk of more persistent inflation has risen and I think you’ve seen our policy adapt and you’ll see it’ll continue to adapt. We’ll use our tools to make sure that higher inflation does not become entrenched.”

“Remember that every dollar of asset purchases adds accommodation to the economy but at this point the economy is very strong and inflationary pressures are high and it is therefore appropriate in my view to consider wrapping up the taper of our asset purchases, which we actually announced at the November meeting, perhaps a few months sooner. And I expect that we will discuss that at our upcoming meeting in a couple of weeks...”

“And also we’ve said that we do see these inflationary pressures as now being sustained well into next year. We do expect them though to subside in the second half of next year and by the way that is very widely held in the forecasting community which admittedly has much to be humble about.”

Some of J. Powell’s comments at US Senate hearing on 30 November 2021 (Source: https://www.youtube.com/watch?v=_D97jdDzznk)



MARKETS OVERVIEW

OVERVIEW

Week 26-11 21 to 3-12-21

➔ CAC 40	6 740	▶ 6 766	+0.4 %
➔ S&P 500	4 595	▶ 4 538	-1.2 %
➔ Volatility (VIX)	28.6	▶ 30.7	+2.1 pb
➔ Euribor 3M (%)	-0.57	▶ -0.56	+0.9 bp
➔ Libor \$ 3M (%)	0.18	▶ 0.19	+1.2 bp
➔ OAT 10y (%)	-0.04	▶ -0.08	-4.0 bp
➔ Bund 10y (%)	-0.34	▶ -0.38	-4.3 bp
➔ US Tr. 10y (%)	1.47	▶ 1.33	-14.4 bp
➔ Euro vs dollar	1.13	▶ 1.13	-0.3 %
➔ Gold (ounce, \$)	1 799	▶ 1 775	-1.4 %
➔ Oil (Brent, \$)	72.9	▶ 70.1	-3.9 %

MONEY & BOND MARKETS

Interest Rates	highest 21	lowest 21	Yield (%)	highest 21	lowest 21
€ ECB	0.00	0.00 at 01/01	€ AVG 5-7y	-0.21	0.03 at 29/10
Eonia	-0.49	-0.47 at 26/01	Bund 2y	-0.77	-0.58 at 29/10
Euribor 3M	-0.56	-0.53 at 07/05	Bund 10y	-0.38	-0.09 at 22/10
Euribor 12M	-0.50	-0.44 at 01/11	OAT 10y	-0.08	0.23 at 17/05
\$ FED	0.25	0.25 at 01/01	Corp. BBB	0.78	0.87 at 29/11
Libor 3M	0.19	0.24 at 13/01	\$ Treas. 2y	0.54	0.58 at 25/11
Libor 12M	0.46	0.47 at 25/11	Treas. 10y	1.33	1.75 at 31/03
£ BoE	0.10	0.10 at 01/01	High Yield	5.38	5.45 at 30/11
Libor 3M	0.09	0.25 at 28/10	£ gilt. 2y	0.47	0.70 at 03/11
Libor 12M	0.65	0.85 at 28/10	gilt. 10y	0.75	1.20 at 21/10

At 3-12-21

EXCHANGE RATES

1€ =	highest 21	lowest 21	2021
USD	1.13	1.23 at 06/01	1.12 at 24/11 -7.8%
GBP	0.85	0.91 at 06/01	0.84 at 22/11 -4.7%
CHF	1.04	1.11 at 04/03	1.04 at 03/12 -4.0%
JPY	127.72	133.97 at 28/05	125.22 at 18/01 +1.1%
AUD	1.61	1.64 at 20/08	1.53 at 18/03 +1.4%
CNY	7.18	8.00 at 01/01	7.15 at 24/11 -10.2%
BRL	6.39	6.95 at 03/03	5.88 at 24/06 +0.6%
RUB	83.37	92.47 at 20/04	80.71 at 26/10 -7.9%
INR	84.79	90.39 at 23/04	83.30 at 24/11 -5.2%

At 3-12-21 Change

COMMODITIES

Spot price, \$	highest 21	lowest 21	2021	2021(€)
Oil, Brent	70.1	86.5 at 26/10	51.2 at 04/01	+35.1% +46.5%
Gold (ounce)	1 775	1 947 at 05/01	1 682 at 08/03	-6.5% +1.4%
Metals, LME	4 315	4 763 at 15/10	3 415 at 01/01	+26.4% +37.1%
Copper (ton)	9 486	11 300 at 18/10	7 749 at 01/01	+22.4% +32.8%
wheat (ton)	238	2.9 at 07/05	223 at 10/09	-3.9% +4.3%
Corn (ton)	226	2.9 at 07/05	188 at 04/01	+2.0% +29.8%

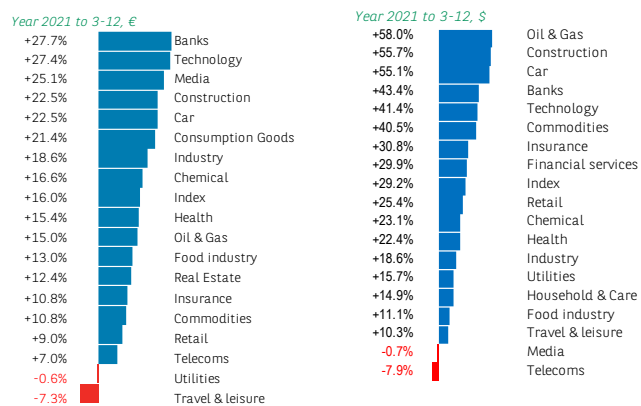
At 3-12-21 Change

EQUITY INDICES

Index	highest 21	lowest 21	2021
World			
MSCI World	3 086	3 238 at 08/11	2 662 at 29/01 +14.7%
North America			
S&P500	4 538	4 705 at 18/11	3 701 at 04/01 +20.8%
Europe			
EuroStoxx50	4 080	4 401 at 16/11	3 481 at 29/01 +14.8%
CAC 40	6 766	7 157 at 17/11	5 399 at 29/01 +2.2%
DAX 30	15 170	16 251 at 17/11	13 433 at 29/01 +10.6%
IBEX 35	8 242	9 281 at 14/06	7 758 at 29/01 +0.2%
FTSE100	7 122	7 384 at 11/11	6 407 at 29/01 +1.0%
Asia			
MSCI, loc.	1 124	1 196 at 14/09	1 044 at 06/01 +0.8%
Nikkei	28 030	30 670 at 14/09	27 013 at 20/08 +2.1%
Emerging			
MSCI Emerging (\$)	1 225	1 445 at 17/02	1 212 at 30/11 -0.5%
China	85	130 at 17/02	85 at 03/12 -21.2%
India	825	877 at 12/11	659 at 29/01 +25.7%
Brazil	1 422	2 098 at 24/06	1 398 at 01/12 -17.3%
Russia	794	914 at 25/10	647 at 01/02 +18.7%

At 3-12-21 Change

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

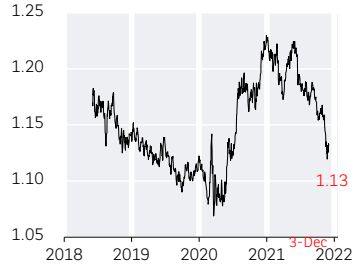


SOURCE: REFINITIV, BNP PARIBAS,



MARKETS OVERVIEW

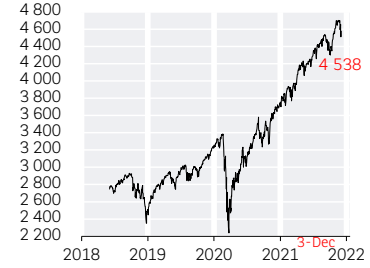
EURO-DOLLAR



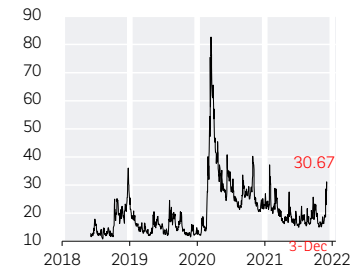
EUROSTOXX50



S&P500



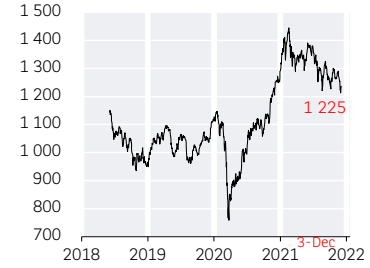
VOLATILITY (VIX, S&P500)



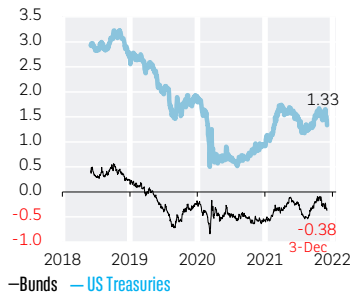
MSCI WORLD (USD)



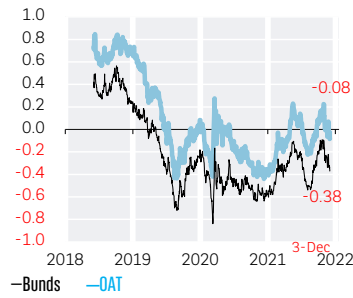
MSCI EMERGING (USD)



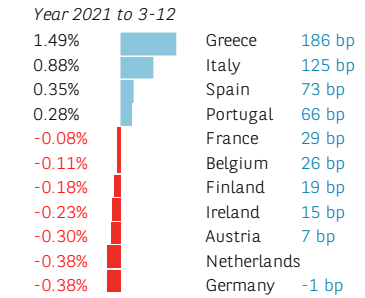
10Y BOND YIELD, TREASURIES VS BUND



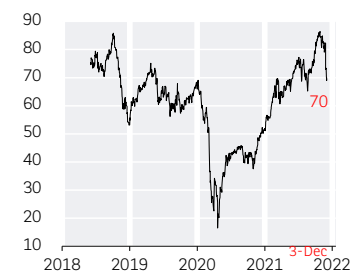
10Y BOND YIELD



10Y BOND YIELD & SPREADS



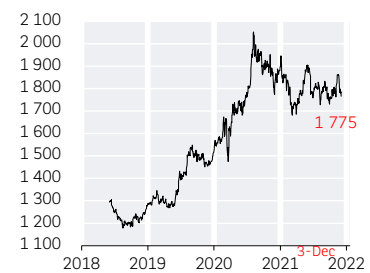
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS



PMI: PRICE PRESSURES REMAIN ELEVATED

The global manufacturing PMI has been stable since the month of August although over the same period, the data have weakened in the US and the Eurozone, whilst staying well above the global level. Focusing on November, there was a significant improvement in France and Italy and even more so in Australia. The recent upward trend continues in Japan where the PMI is now solidly above the 50 level. The Czech Republic, South Africa and India saw particularly strong increases.

The services PMI declined in the US but picked up in the Eurozone, where France, Italy and Spain recorded significantly better data. Japan also was a big improvement, whereas the score for China declined. In Russia, the downward trend continues. The composite PMI declined slightly in the US but improved in the Eurozone, on the back of better data for France, Spain and, in particular, Italy. Japan recorded a strong increase and the index for China edged down slightly. The global manufacturing employment PMI has been without a clear direction since the end of the summer. In November, the data for the US and the Eurozone weakened slightly but in the latter's case, the level remains high. The numbers are particularly strong in Italy with a jump in November. French data were also a lot better. The strong improvement continues in the UK. The index declined in China, thereby neutralizing the improvement seen in October. For the past four months it has been just below 50. The global manufacturing new export orders PMI has been on a declining trend since its peak in May but November has seen a welcome rebound. The considerable decline of the US index has given way to a slight improvement whereas in the Eurozone the November number was a bit weaker. Within the Eurozone, the index for France and Spain have recorded a sizeable increase. The Czech republic has seen a big improvement. In the UK and in China, the index remains stuck just below 50 and the improving trend continues in Japan. The export order assessment of Australian companies has jumped but this series have been particularly volatile.

The global manufacturing input prices PMI, after jumping in October, has dropped almost as much in November. However, at 71.5 the level remains very high. The index increased in the US reaching the highest level this year (87.6). The reading eased in the Eurozone, but here again, the level is extremely elevated (88.9). Within the Eurozone, France and Ireland saw a large drop in price pressures. The increased in Greece, Italy and Spain. Input prices are moving significantly higher in the UK, Japan, Brazil, the Czech republic, Poland, Russia, Turkey and Vietnam. There was a - hard to explain - big drop in input price pressure in China. Input prices in services saw a significant increase in the US and the Eurozone in November. Noteworthy are the huge increases in Italy and Spain. The global manufacturing output prices PMI declined in November, correcting part of the jump seen in October. The US recorded a big drop after the huge increase the month before. In the Eurozone, output prices continued moving higher, reflecting an increase in the majority of countries. Looking at the big changes compared to October, one should note the increase in Turkey and Vietnam and the drop in Poland.

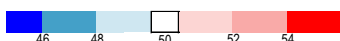
William De Vijlder

MANUFACTURING PMI

	WD	Developed Markets																	Emerging countries																
		NA		Europe								Asia-Oceania							LATAM			Eurasia			Middle East & Africa			Asia							
		CANADA	USA	EURO ZONE		AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA
Feb-21	54.0	54.8	58.6	57.9	58.3	46.4	56.1	60.7	49.4	52.0	56.9	59.6	52.9	61.3	55.1	58.8	54.4	51.4	50.5	58.4	44.2	56.5	53.4	51.5	51.7	49.3	42.2	53.9	54.6	50.6	50.9	50.2	57.5	50.9	51.6
Mar-21	55.0	58.5	59.1	62.5	63.4	66.1	59.3	66.6	51.8	57.1	59.8	64.7	56.9	66.3	58.9	59.9	64.0	52.7	50.8	52.8	45.6	58.0	54.3	51.1	52.6	48.0	46.4	53.3	58.5	52.6	50.6	50.5	55.4	53.2	53.6
Apr-21	55.8	57.2	60.5	62.9	64.7	67.3	58.9	66.2	54.4	60.8	60.7	67.2	57.7	69.5	60.9	61.7	58.2	53.6	50.9	52.3	48.4	58.9	53.7	50.4	50.4	47.7	47.1	55.2	58.1	52.7	51.9	50.3	55.5	54.6	54.7
May-21	56.0	57.0	62.1	63.1	66.4	66.1	59.4	64.4	58.0	64.1	62.3	69.4	59.4	69.9	65.6	61.8	58.4	53.0	50.7	53.7	47.6	61.8	57.2	51.9	49.3	48.6	47.9	56.4	58.3	52.3	52.0	52.5	50.8	55.3	53.1
Jun-21	55.5	56.5	62.1	63.4	67.0	66.0	59.0	65.1	58.6	64.0	62.2	68.8	60.4	66.7	63.9	63.2	59.9	52.4	50.8	56.4	48.8	62.7	59.4	49.2	51.3	49.9	47.5	56.4	57.5	52.2	51.3	51.4	48.1	53.5	44.1
Jul-21	55.4	56.2	63.4	62.8	63.9	70.2	58.0	65.9	57.4	63.3	60.3	67.4	59.0	71.1	60.4	60.8	62.4	53.0	51.0	56.7	49.6	62.0	57.6	47.5	54.0	49.1	47.0	55.8	43.5	54.0	50.3	51.3	55.3	40.1	45.1
Aug-21	54.1	57.2	61.1	61.4	61.8	67.8	57.5	62.6	59.3	62.8	60.9	65.8	59.5	67.7	60.3	51.6	39.7	52.7	50.9	53.6	47.1	61.0	56.0	46.5	54.1	49.8	46.6	54.1	56.2	53.8	49.2	53.3	52.3	43.7	40.2
Sep-21	54.1	57.0	60.7	58.6	62.8	65.8	55.0	58.4	58.4	60.3	59.7	62.0	58.1	68.1	57.1	51.2	51.6	51.5	50.8	54.4	48.6	58.0	53.4	49.8	52.5	48.9	46.9	58.6	54.7	53.3	50.0	51.7	53.7	52.2	40.2
Oct-21	54.3	57.7	58.4	58.3	60.6	71.9	53.6	57.8	58.9	62.1	61.1	62.5	57.4	65.4	57.8	50.4	54.3	53.2	50.8	51.7	49.3	55.1	53.8	51.6	51.2	48.7	46.6	57.7	53.6	55.7	50.6	50.8	55.9	57.2	52.1
Nov-21	54.2	57.2	58.3	58.4	58.1	55.9	57.4	58.8	59.9	62.8	60.7	57.1	58.1	54.8	54.5	50.6	50.6	49.8	49.4	49.8	49.4	57.1	54.4	51.7	52.0			57.2	49.9	52.6	57.6	53.9	52.2		

SERVICES PMI

	World	USA	EURO ZONE		FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	LEBANON	CHINA	HONG KONG	INDIA
Feb-21	52.8	59.8	45.7	45.6	45.7	41.2	48.8	43.1	49.5	55.8	46.3	47.1	52.2	42.2	51.5	50.2	55.3	
Mar-21	54.7	60.4	49.6	48.2	51.5	54.6	48.6	48.1	56.3	58.7	48.3	44.1	55.8	46.4	54.3	50.5	54.6	
Apr-21	57.1	64.7	50.5	50.3	49.9	57.7	47.3	54.6	61.0	61.0	49.5	42.9	55.2	47.1	56.3	50.3	54.0	
May-21	59.6	70.4	55.2	56.6	52.8	62.1	53.1	59.4	62.9	61.2	46.5	48.3	57.5	47.9	55.1	52.5	46.4	
Jun-21	57.4	64.6	58.3	57.8	57.5	63.1	56.7	62.5	62.4	57.8	48.0	53.9	56.5	47.5	50.3	51.4	41.2	
Jul-21	56.3	59.9	59.8	56.8	61.8	66.6	58.0	61.9	59.6	51.8	47.4	54.4	53.5	47.0	54.9	51.3	45.4	
Aug-21	52.8	55.1	59.0	56.3	60.8	63.7	58.0	60.1	55.0	45.6	42.9	55.1	49.3	46.6	46.7	53.3	56.7	
Sep-21	53.8	54.9	56.4	56.2	56.2	63.7	55.5	56.9	55.4	45.7	47.8	54.6	50.5	46.9	53.4	51.7	55.2	
Oct-21	55.6	58.7	54.6	56.6	52.4	63.4	52.4	56.6	59.1	47.6	50.7	54.9	48.8	46.6	53.8	50.8	58.4	
Nov-21	58.0	55.9	57.4	52.7	59.3	55.9	59.8	58.5		53.0	53.6	47.1			52.1	52.6	58.1	



SOURCE: MARKIT, BNP PARIBAS



PMI - MANUFACTURING INPUT PRICES

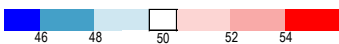
WD	Developed Markets																	Emerging countries																		
	NA		Europe										Asia-Oceania					LATAM		Eurasia			Middle East & Africa			Asia										
	World	CANADA	USA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM	
Feb-21	65.1	65.0	73.2	73.9	76.5	68.9	69.3	78.3	73.8	64.7	70.8	78.1	69.0		80.1	74.1			55.6	50.6	83.5	56.0	73.0	75.8	76.8	66.5	52.4		50.7		50.4	58.1	51.6	58.2	62.1	57.9
Mar-21	68.4	69.5	74.8	79.7	82.3	82.8	75.8	83.7	78.4	75.2	75.9	83.8	74.8		80.6	71.3			59.9	50.8	87.3	57.0	81.9	81.2	72.6	74.2	51.7		51.5		52.9	61.5	51.8	57.3	63.4	64.6
Apr-21	69.7	71.7	77.2	82.2	85.7	84.8	79.0	84.3	81.8	76.3	81.6	86.3	78.3		80.4	74.1			60.4	50.9	86.8	60.3	85.8	84.5	76.3	70.3	55.1		52.7		51.1	62.0	53.8	59.4	62.9	64.3
May-21	71.7	72.5	78.1	87.1	91.3	86.6	79.8	93.1	81.9	78.9	83.7	90.1	80.1		87.6	82.1			62.4	51.0	81.1	57.0	93.0	85.0	74.4	71.4	55.2		53.2		50.6	64.4	56.0	57.0	62.8	65.4
Jun-21	70.7	72.5	82.8	88.5	91.5	81.1	80.3	92.5	83.0	80.5	89.2	93.9	83.6		89.2	78.8			63.2	51.1	84.0	59.6	93.5	88.2	76.0	75.7	55.9		53.0		51.8	56.7	55.2	57.0	63.5	57.8
Jul-21	71.2	72.0	86.7	89.2	93.0	75.1	84.1	93.7	81.7	79.5	88.6	96.7	79.6		87.5	84.6			66.7	51.3	81.0	62.6	96.7	84.9	71.8	77.1	53.9		51.5		52.3	55.6	55.4	56.7	65.5	66.6
Aug-21	70.3	77.2	87.5	87.0	88.1	83.8	80.3	93.0	78.8	74.6	84.1	93.5	80.7		86.4	81.3			64.5	51.4	79.1	59.4	89.1	79.4	65.8	70.0	57.9		51.4		52.0	56.2	55.3	56.3	66.2	65.7
Sep-21	71.2	77.4	87.0	86.9	90.2	79.0	85.5	90.3	89.6	82.9	82.3	87.8	82.7		84.4	78.1			68.0	51.7	78.1	55.3	86.5	78.1	65.0	70.2	59.3		52.5		51.4	58.6	57.3	57.5	65.7	66.0
Oct-21	74.4	77.3	86.9	89.5	91.5	70.7	88.4	91.3	92.3	87.8	86.6	91.2	87.7		87.4	81.8			70.4	51.8	77.6	62.9	88.5	80.8	63.7	74.8	64.5		51.1		65.1	56.7	60.3	69.5	67.5	
Nov-21	71.5	74.5	87.6	88.9	89.5		84.6	91.0	94.5	84.5	88.0	90.4	89.0		89.7	78.3			72.3	51.7	81.4	62.4	90.7	82.3	66.6	87.3				52.3	56.5	60.1	71.0	70.4		

PMI: SERVICES - INPUT PRICES

	World	USA	EURO ZONE	FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	CHINA	INDIA
Feb-21	60.4	70.1	53.2	49.7	53.2	56.5	55.6	56.2	58.6	64.4	50.2	63.8	63.8	55.6	57.1
Mar-21	62.5	72.7	55.6	52.4	59.0	60.6	54.4	54.6	64.0	64.7	54.3	69.6	65.1		56.8
Apr-21	63.2	73.3	57.6	55.6	60.5	59.9	52.6	60.2	64.9	69.7	54.0	69.3	62.2	54.5	57.8
May-21	65.3	77.1	59.6	54.8	63.0	65.3	58.2	61.3	67.3	68.1	52.9	66.5	68.3	56.6	56.7
Jun-21	64.1	74.2	63.2	56.0	70.0	66.5	60.0	64.4	71.8	65.4	52.5	67.5	62.4	50.9	56.5
Jul-21	64.1	72.3	63.1	58.0	67.7	68.5	61.3	63.2	74.2	74.1	53.8	64.2	61.8	54.8	56.7
Aug-21	63.8	72.5	63.3	58.5	68.7	70.3	59.9	62.5	72.3	71.5	53.7	68.5	61.2	52.1	57.1
Sep-21	65.2	74.1	65.2	63.9	67.9	70.8	60.9	65.2	73.5	64.5	54.0	73.2	63.1	53.0	55.7
Oct-21	65.4	71.7	67.5	66.5	70.0	73.1	62.7	68.3	78.7	73.6	54.7	72.6	64.7	53.6	57.5
Nov-21		75.7	71.4	67.5	73.9	72.6	69.5	75.4	82.0		57.7	74.4	64.9	55.6	57.6

PMI - MANUFACTURING OUTPUT PRICES

WD	Developed Markets																	Emerging countries																
	NA		Europe										Asia-Oceania					LATAM		Eurasia			Middle East & Africa			Asia								
	World	CANADA	USA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA
Feb-21	55.7	56.3	60.6	56.5	55.7	41.1	52.8	57.4	55.1	58.9	58.1	59.2	54.5		61.2				73.0	45.9	52.1	61.9	66.3	54.2	50.3	52.1	50.9		49.2		47.7	52.2	53.7	51.6
Mar-21	59.3	61.6	69.1	60.9	60.8	66.9	58.3	62.8	61.2	58.1	59.9	63.3	58.5		63.7				73.3	46.7	58.7	66.0	65.3	62.1	50.4	58.3	49.0		49.5		49.7	52.0	53.1	54.6
Apr-21	59.8	63.3	68.0	64.3	62.4	67.5	63.8	64.4	64.6	62.8	65.5	66.7	62.6		65.3				77.2	48.6	61.6	69.0	67.1	61.8	51.8	56.2	50.7		51.1		49.3	54.2	52.9	56.9
May-21	62.6	65.9	70.9	69.1	67.9	69.5	65.8	70.6	66.3	64.6	72.0	70.4	65.1		68.3				76.5	47.5	65.5	73.8	66.9	62.3	51.3	50.8	51.0		49.8		52.7	53.3	51.5	58.0
Jun-21	60.8	64.9	70.9	71.1	68.4	65.3	66.4	73.7	69.5	66.3	71.6	77.1	67.1		73.2				72.5	49.3	68.7	76.2	66.2	66.4	51.0	54.6	51.1		50.1		52.5	52.1	52.9	50.8
Jul-21	60.3	65.2	72.8	71.9	73.2	70.3	66.8	75.1	64.9	68.9	72.6	77.1	63.9		73.1				69.5	50.0	72.6	72.6	61.1	64.7	50.7	55.1	51.9		50.4		52.1	51.7	53.2	53.6
Aug-21	60.1	65.1	73.2	68.6	69.0	61.4	61.6	72.6	61.0	66.0	68.1	72.4	62.7		71.6				69.3	49.5	72.6	72.0	62.3	61.1	54.4	52.0	53.1		49.6		54.8	52.3	53.5	53.9
Sep-21	60.9	67.7	73.9	70.4	73.0	58.7	66.7	73.3	67.7	69.3	68.4	74.9	64.8		71.9				66.3	48.6	70.6	71.4	57.2	61.6	52.2	50.9	51.1		48.7		53.7	52.0	54.3	51.3
Oct-21	63.7	67.1	76.4	72.6	73.3	78.1	66.1	75.6	77.2	70.2	71.5	78.4	68.8		74.2				67.2	51.0	71.8	75.2	58.5	67.2	54.6	51.3	53.7		49.0		53.1	52.3	54.0	54.7
Nov-21	61.3	65.8	73.6	73.7	71.1	64.8	68.2	76.3	76.5	71.7	73.4	79.5	70.7		74.0				66.2	48.8	72.3	71.4	58.4	78.3					52.6	52.1	54.0	59.3		



SOURCE: MARKIT, BNP PARIBAS



BNP PARIBAS

The bank for a changing world

ECONOMIC PULSE

INTERNATIONAL TRADE: WORLD TRADE TENSIONS PERSIST AT THE END OF 2021

World trade tensions and supply chain frictions will continue to be major sources of uncertainty in 2022, given their impact on imports prices, and in turn, consumer prices. Based on simulations, UNCTAD¹ estimates that an increase in maritime freight costs would drive up global import prices by 10.6% by the end of 2023, with a smaller but non-negligible impact on global consumer prices of 1.5%². There is also a risk that shortages of certain key components, notably semiconductors, persist for several more months³.

According to several indicators, although certain transport costs may not have eased in November (they are holding at very high levels), they at least are no longer rising. The Baltic Exchange Dry Index shows that transport costs for dry goods declined by about 15% last month. Even so, the index is still about twice higher than at the beginning of the year. Maritime container transport costs from China have levelled off but are still close to October's peak.

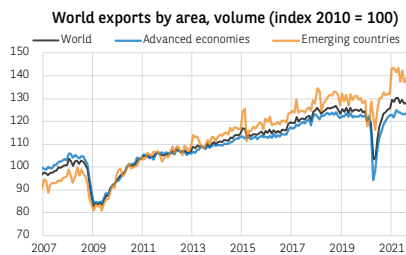
Supply chain disruptions are particularly fierce given that global demand is still very robust, which is maintaining major bottlenecks. Indeed, new export orders from Taiwan (a reliable indicator of global industrial activity), continued to rise in Q3 2021, although the improvement in the global PMI indices has stalled. Delivery times also remain the highest on record, as evidenced by the corresponding global PMI index, shown below.

Production and delivery delays have generated a decline in global trade volumes, which fell 2.5% between March and September 2021 according to the CPB. The regions or countries reporting the sharpest declines in exports during this period were the United States (-6.7%), Japan (-6.3%) and Latin America (-4.3%). In contrast, combined exports from Africa and the Middle East increased 4.0% over this six-month period, although the regions' exports had rebounded only mildly since the collapse of spring 2020.

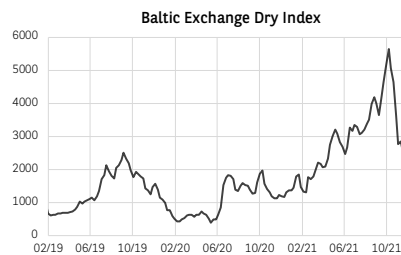
Guillaume Derrien

1. United Nations Conference on Trade and Development
2. Increase from the price level that would have prevailed at the end of 2023, if sea freight costs had remained at the level of summer 2020. Review of Maritime Transport 2021, UNCTAD, November 2021.
3. See "Renault sees 'difficult' chip supply until at least Mid-2022", Bloomberg, 30th November 2021.

INTERNATIONAL TRADE INDICATORS



Source: CPB, BNP Paribas



Source: Baltic Exchange, BNP Paribas



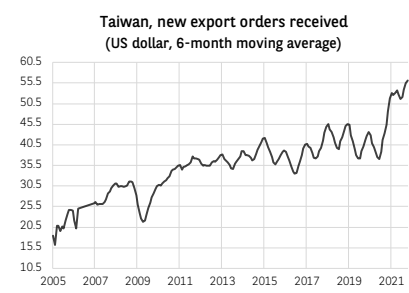
Source: Shanghai Shipping Exchange, BNP Paribas



Source: Markit, BNP Paribas



Source: Markit, BNP Paribas



Source: Ministry of Economic Affairs



ECONOMIC PULSE

GERMANY: HOISTING THE STORM SIGNAL

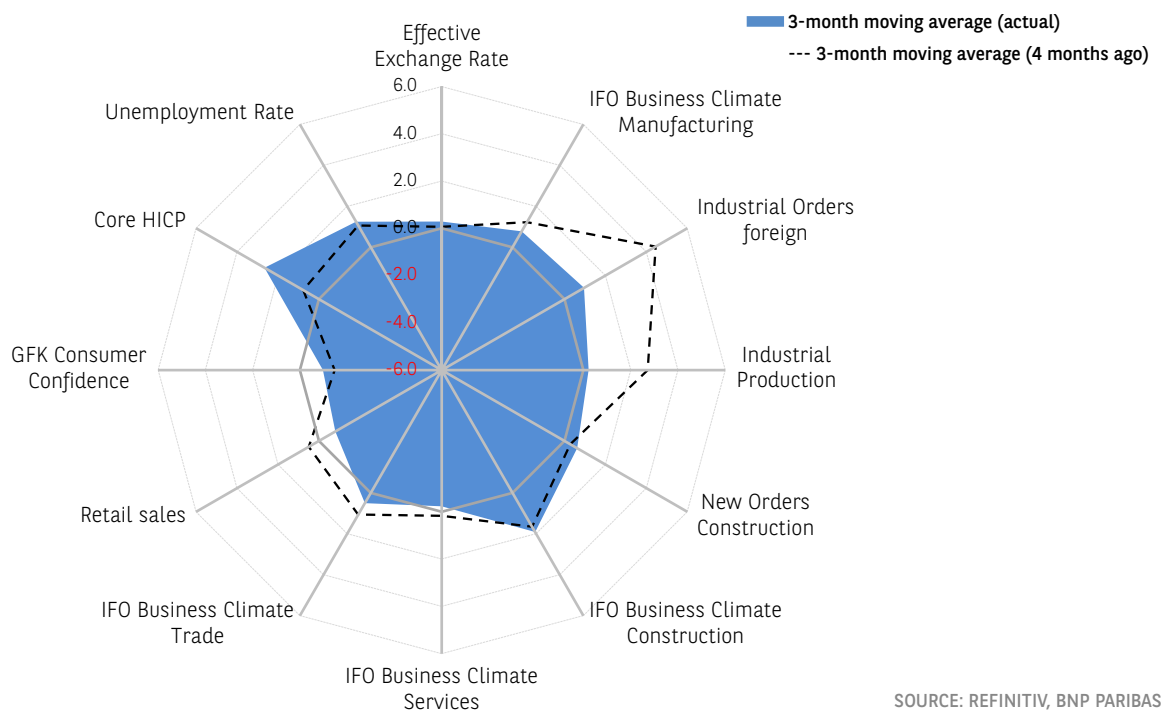
Our Pulse is clearly pointing to bad weather, as the blue area of the spider chart – the economic situation in the past three months – is clearly shrinking compared to the situation in the preceding three months – the area within the dashed line. The deterioration is noticeable in all sectors, with the exception of the construction industry. Ifo reported that the business climate in the manufacturing sector worsened in November for the fifth consecutive month. Industrial activity is dampened by supply bottlenecks and rising input prices. The improvement in expectations, in particular in the car industry, could signal that the shortages of parts in this sector are diminishing.

In the retail sector, sentiment has been affected by the fourth wave of the coronavirus pandemic. In some states, restrictions have been tightened by the introduction of the 2G-rule, which requires shoppers to show proof that they are either fully vaccinated or have recently recovered from COVID-19. In addition, rising inflation has been weighing on purchasing power. Harmonised inflation could have reached 6% in November, largely because of hikes in energy and food prices (22% and 4.5%, respectively). Consumer confidence is crumbling and the propensity to buy fell in November to a nine-month low.

When the need is greatest, the rescue is nearest. Last week, the SPD (social democrats), the Greens and the FDP (liberals) reached agreement on forming the next government headed by Olaf Scholz (SPD). The coalition programme provides continuity rather than a radical break with the Merkel policies. As the SPD had promised in its election programme, the minimum hourly wage will be raised from EUR 9.60 to EUR 12.00. For the Greens, the priority is meeting the climate targets of the Paris agreement through an early exit from coal-powered energy plants and the closure of coal mines “if possible” by 2030. The new finance minister, Christian Lindner (FDP), is expected to uphold the budgetary rules in Germany and at the European level. The lifting of uncertainties concerning policies should provide a boost to business and consumer confidence. However, the first challenge for the incoming government is to deal with the fourth wave of corona infections.

Raymond Van Der Putten

GERMANY: QUARTERLY CHANGES



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

FRANCE: GOOD VIBES DESPITE BOTTLENECKS

The first indications for Q4 2021 suggest that the main confidence indicators are holding at high levels, especially business sentiment. The improvement in the French labour market observed over the past several months also seems to be continuing. With Q3 GDP growth recently confirmed at 3% q/q, France should have no trouble reaching our full-year 2021 forecast of 6.7%.

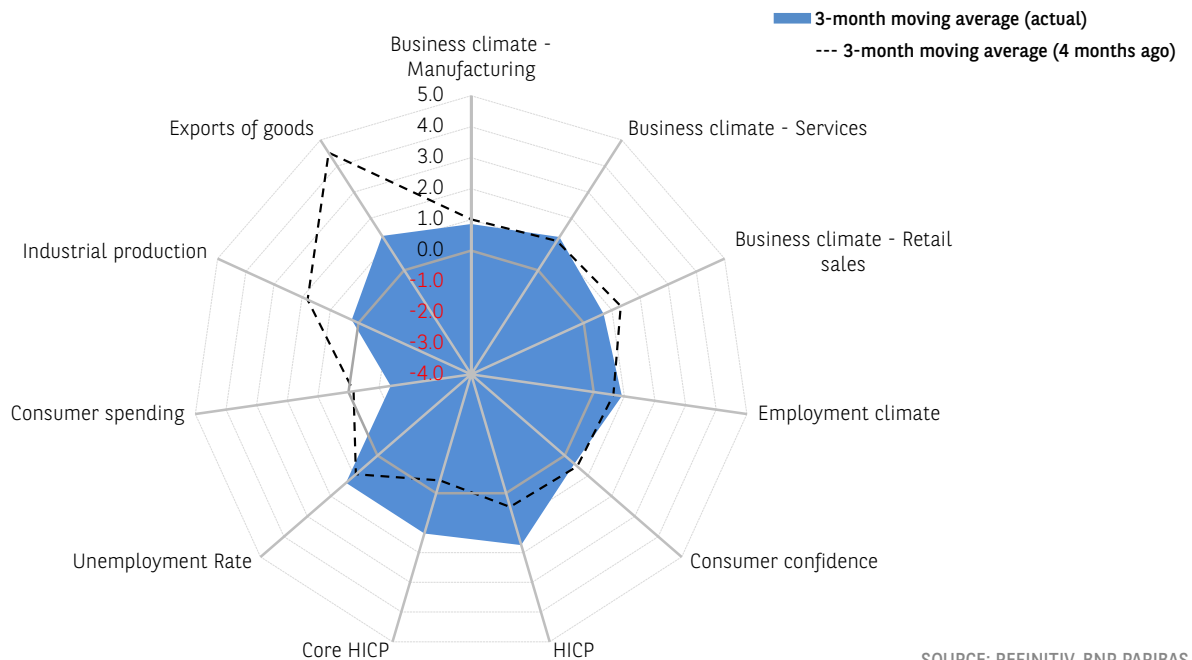
Even so, our Pulse seems to suggest that growth is slowing, held back by several headwinds. The first is the lag between order books and the turnaround time necessary for companies to meet demand. Order books have been full for several months, but supply disruptions are accumulating. For 44% of industrial companies, supply bottlenecks are the main factors limiting production according to the European Commission Q4 business survey. Consequently, they are struggling to meet demand, as illustrated by the relatively low level of inventory, mild growth of industrial production and the sharp increase in producer prices (+14.9% y/y in October 2021 vs. +9% three months earlier). The second headwind has to do with consumer behaviour, notably in relation to accelerating inflation (2.8% y/y in November). Higher energy costs are the main source of inflation, but they are beginning to spill over to other items on the consumer price index. Prices of manufactured goods were up 0.8% y/y in November. Year-on-year inflation has been in positive territory since August, bringing to an end nearly a decade-long decline in manufacturing prices.

At the same time, household consumption of goods has tended to erode (-0.7% over the 3-month period to the end of October, compared to the three previous months). Although industrial shortages are partly to blame (decline in new car registrations, partially reflecting the growing importance of electric vehicles), households have also maintained a big appetite for savings (67% consider it a good moment to save, which is historically high).

Exports could also provide a new source of growth. They have held below pre-Covid levels for longer compared to European neighbours, mainly due to the preponderant weight of aeronautics. In August 2021, however, exports of goods rose above the Q4 2019 level for the first time, and prospects look promising, with the INSEE's latest industrial survey reporting a strong improvement in export order books in aeronautics. Consequently, even though growth is slowing, the French economy should maintain a relatively robust pace of 0.6% q/q in Q4, assuming the health situation does not (overly) cloud the horizon.

Hélène Baudchon & Stéphane Colliac

FRANCE: QUARTERLY CHANGES



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

COVID-19: A NEW VARIANT HAS THE WORLD ON EDGE

According to the latest data from Johns Hopkins University, 3.97 million new Covid-19 cases were reported worldwide between 25 November and 1 December, a 3.2% increase over the previous week. Increases were reported in Europe (+5.9%), Asia (+3.1%), South America (+3%) and Africa (+9.9%), where the sudden upturn in new cases is linked to the discovery of the new Omicron variant in South Africa. The new variant has now spread to 21 countries around the globe. North America, in contrast, reported a 6.1% decline in new cases (chart 1). To date, 8.07 billion doses of the vaccine have been administered globally, including 250 million booster shots, which brings to 55% the share of the global population that has received at least one dose of the Covid-19 vaccine (chart 2).

Retail and leisure footfall continues to trend downwards in France, Belgium, Spain, Italy and Germany, despite the slight uptick observed recently, whereas trends have levelled off in the UK and in the US. The recent decline in the US can be attributed to the Thanksgiving holiday. Meanwhile Japan is maintaining its positive momentum as it continues to approach the pre-pandemic level (chart 3, blue line).

Lastly, the OECD Weekly Tracker of GDP growth continues to trend upwards in Spain, the United States, the UK and Japan. In France, the most recent data seem to reflect a slight downward inflection, while in Germany, Italy and Belgium, a rather sharp downward trend is taking shape (chart 3, black line). The OECD Tracker is based on Google Trends resulting from queries on consumption, the labour market, housing, industrial activity as well as uncertainty. The OECD calculates the tracker over a 2-year period (y/2y) to avoid the base effect of a comparison with 2020 data.

Tarik Rharrab

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

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

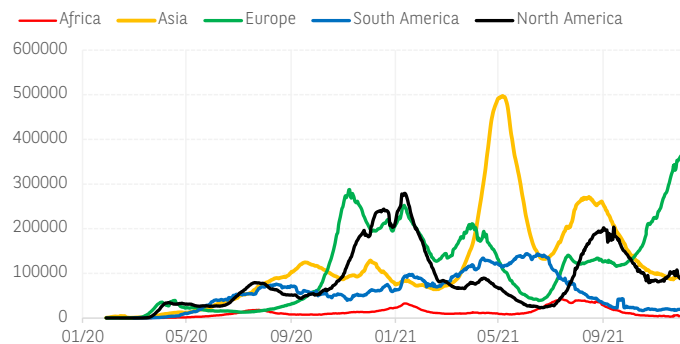


CHART 1

SOURCE: JOHNS-HOPKINS UNIVERSITY (12/02/2021), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

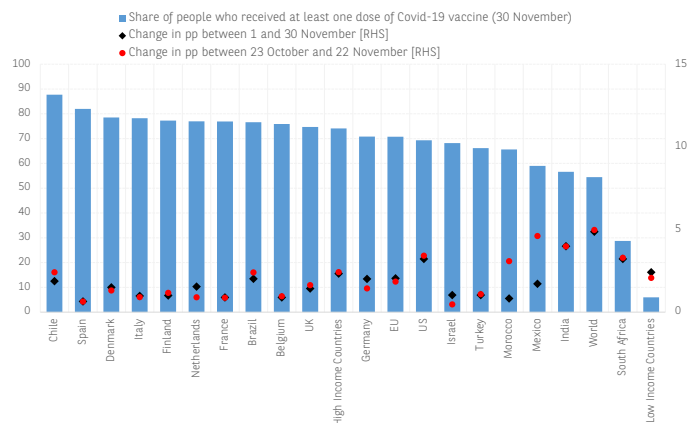


CHART 2

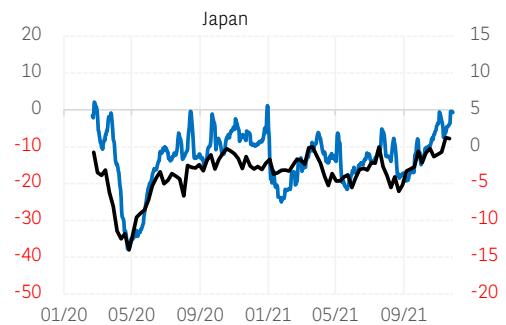
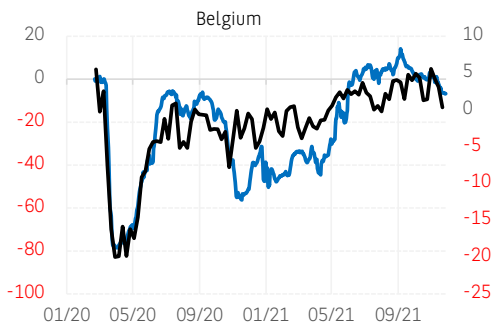
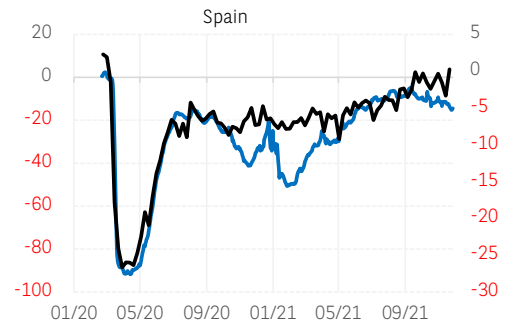
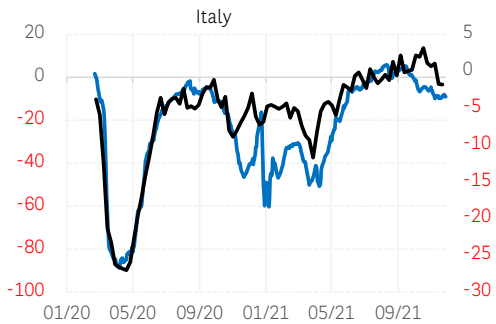
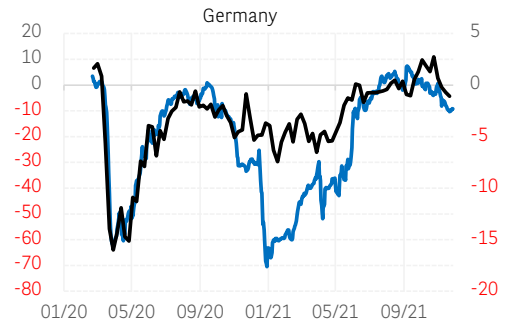
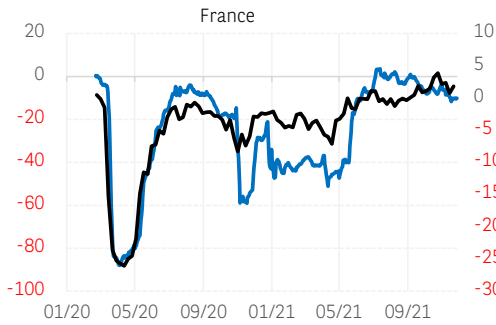
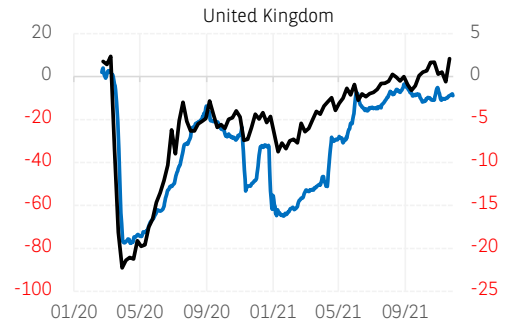
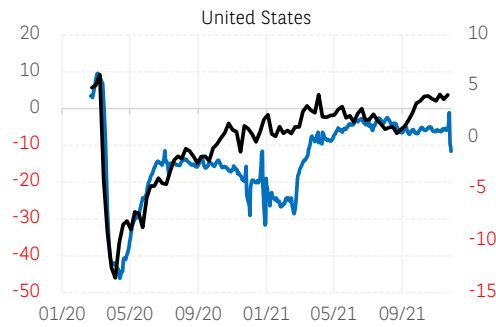
SOURCE: OUR WORLD IN DATA (12/02/2021), BNP PARIBAS



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]

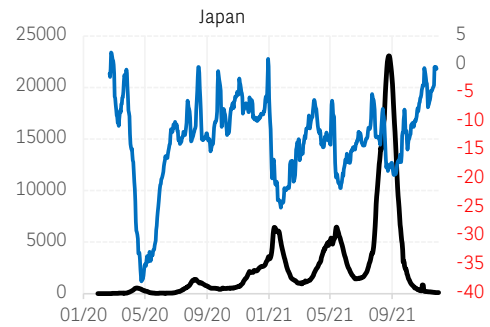
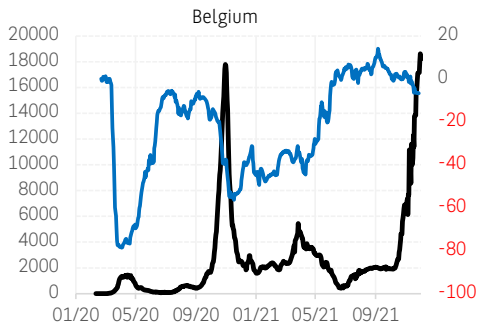
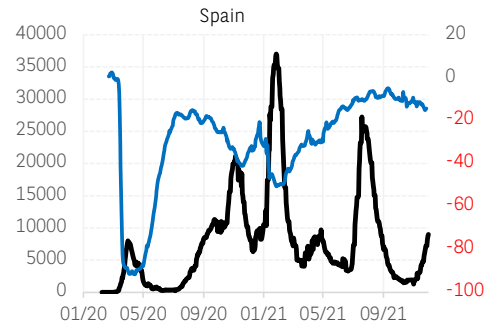
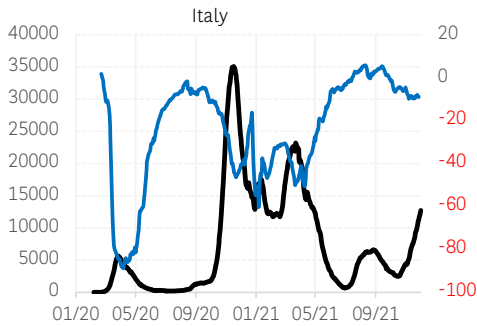
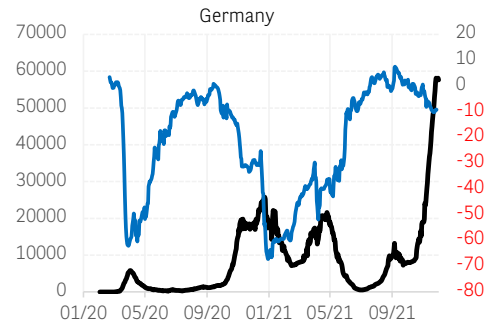
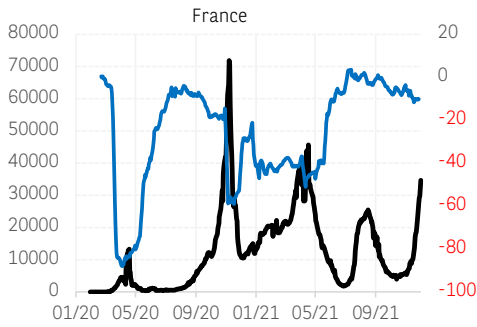
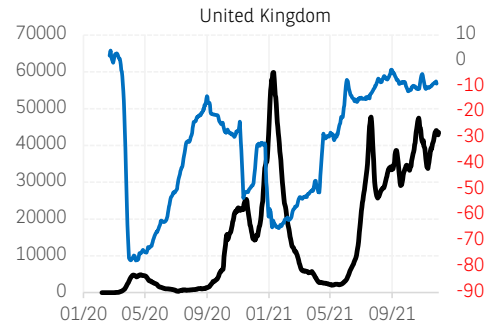
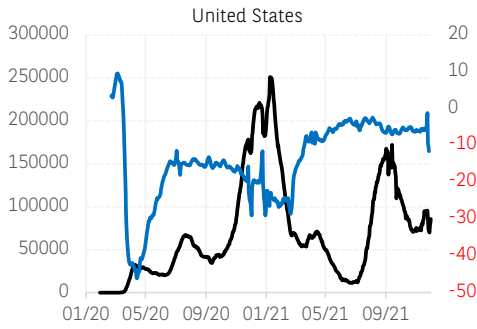


SOURCE: OECD (12/02/2021), GOOGLE (12/02/2021), BNP PARIBAS



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 (12/02/2021), GOOGLE (12/02/2021), BNP PARIBAS



ECONOMIC SCENARIO

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UNITED STATES

Albeit in a rather uneven manner, the US economy has bounced back swiftly from the Covid-19 pandemic and is now stronger than in 2019. Its growth rate, at 5.5% in 2021, is likely to return gradually to normal. Longer and stronger than expected, the upturn in inflation is also likely to ease, if only due simply to the basis of comparison (once prices stop being compared to their depressed levels of 2020). The return towards the 2% target could, however, be hampered by rising prices for services, particularly rents. The situation in the labour market has improved: with a rising activity rate and unemployment dropping significantly below 5% of the active population, the economy is approaching full employment.

CHINA

Economic growth has slowed markedly since last summer. Export performance remains strong and supports manufacturing investment. However, the other components of domestic demand are constrained by a host of factors: the effects of the H1 tightening in fiscal policy and domestic credit conditions, the toughening of regulations in various services, the crisis in the property sector, supply constraints in the industry, and the resurgence of the epidemic. In the short term, industrial production growth should recover. Moreover, the authorities should increase their support to domestic activity through prudent monetary and fiscal policy measures, while continuing regulatory tightening and maintaining their objective of rebalancing the real estate market. The contraction in housing sales and the "zero covid" strategy should continue to weigh on private consumption.

EUROZONE

Growth in the eurozone remained strong in Q3 2021, in line with expectations (2.2% q/q). However, the outlook for Q4 is much less bright. According to our most recent forecast dated 25 November, we expect growth to slow down to 0.4% q/q. In addition to the awaited normalization, headwinds have increased (supply-side problems, surging inflation and uncertainties arising from the new wave of the pandemic). Nevertheless, business conditions surveys have shown resilience so far. Although the downside risks have increased, our scenario for 2022 remains fairly optimistic. This is because there is no shortage of tailwinds – supportive 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 – assuming that supply-side problems ease from the second half of the year. Above all, growth will remain well above its trend rate in 2022. We also expect it to be not much lower than its 2021 figure (4.2% versus 5%). Compared with our September scenario, we have cut our growth forecasts and raised our inflation forecasts, taking the view that behind the current temporary pressures on prices, more sustained and widespread factors are also at play. We expect average inflation to be higher in 2022 than in 2021 (3.1% versus 2.5%), although we see inflation falling over the course of next 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 was strong in Q3 2021 – beating expectations at 3% q/q according to INSEE's initial estimate – but we expect it to slow to 0.6% q/q in Q4. In 2022, we anticipate growth of 4.2% in annual average terms (vs. 6.7% in 2021) and inflation of 2.5% (vs. 2%).

RATES AND EXCHANGE RATES

In the US, the Federal Reserve has started tapering and this should lead to net asset purchases ending by the middle of next year, although the exact timing depends on how the economy will evolve. Given current particularly elevated inflation, the inflation outlook and the prospect of a further decline in the unemployment rate, we expect a first rate hike in July 2022, followed by two additional hikes in 2022 and four more in 2023. This should put upward pressure on Treasury yields.

In the eurozone, the ECB is expected to announce in December that it will stop net purchases under the PEPP in March 2022. On that occasion, the monthly volume under the traditional asset purchase program should be increased to avoid market disruption. Given the strength of the recovery, we expect underlying price pressures to build further. We expect that the ECB will hike its deposit rate in June 2023, considering that by then the three conditions for a rate hike would be met. Two additional hikes should follow in the second half of 2023. This, in combination with the influence from higher US Treasury yields, should lead to higher Bund yields and some widening of 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, which is in the upper end 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	5,5	4,7	2,8	4,7	4,6	2,1
Japan	1,7	2,6	1,6	-0,2	0,7	0,5
United-Kingdom	7,1	5,4	2,1	2,5	4,5	2,1
Euro Area	5,0	4,2	3,0	2,5	3,1	2,0
Germany	2,6	3,6	3,6	3,1	3,4	2,2
France	6,7	4,2	2,5	2,0	2,5	2,1
Italy	6,3	4,9	3,0	1,8	2,9	1,7
Spain	4,3	5,4	3,5	3,0	3,7	1,7
China	7,9	5,3	5,5	0,9	2,1	2,5
India*	8,0	11,0	6,0	5,4	5,7	5,0
Brazil	4,8	0,5	2,0	8,3	8,3	4,3
Russia	4,5	3,0	1,8	7,0	6,3	4,1

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

INTEREST & EXCHANGE RATES

Interest rates, %

End of period		Q1 2022 e	Q2 2022 e	Q3 2022 e	Q4 2022 e	Q4 2023 e
US	Fed Funds (upper limit)	0.25	0.25	0.75	1.00	2.00
	T-Notes 10y	1.70	1.80	1.90	2.00	2.30
	Deposit rate	-0.50	-0.50	-0.50	-0.50	-0.10
Ezone	Bund 10y	0.00	0.05	0.05	0.10	0.40
	OAT 10y	0.45	0.40	0.35	0.45	0.70
	BTP 10y	1.35	1.45	1.45	1.55	2.00
	BONO 10y	0.75	0.85	0.90	1.05	1.45
	Base rate	0.25	0.50	0.50	0.75	1.25
UK	Gilts 10y	1.10	1.20	1.30	1.45	1.75
	BoJ Rate	-0.10	-0.10	-0.10	-0.10	-0.10
Japan	JGB 10y	0.12	0.14	0.15	0.18	0.20

Exchange Rates

End of period		Q1 2022 e	Q2 2022 e	Q3 2022 e	Q4 2022 e	Q4 2023 e
USD	EUR / USD	1.13	1.12	1.11	1.09	1.09
	USD / JPY	115	116	117	118	120
	GBP / USD	1.35	1.35	1.35	1.33	1.36
EUR	EUR / GBP	0.84	0.83	0.82	0.82	0.80
	EUR / JPY	130	130	130	129	131

Brent

End of period		Q1 2022 e	Q2 2022 e	Q3 2022 e	Q4 2022 e	Q4 2023 e
Brent	USD/bbl	84	80	79	80	85

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)



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CALENDAR

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LATEST INDICATORS

For a detailed comment on the Markit PMI data for November, the reader is referred to the Pulse section of this publication. The Eurozone economic confidence index of the European Commission declined slightly in November, but was in line with expectations. Industrial hardly changed and, unexpectedly, services sentiment improved, so the decline in the overall index is related to the decline in consumer confidence versus October on the back of rising infections and high inflation (one should note that for this series, the number in the 'prior' column refers to the advance estimate for November). In China, the composite PMI improved underpinned by a better performance in manufacturing. In France, producer price inflation jumped to 14.9% in October whereas consumer price inflation beat expectations, reaching 3.4% in November. In Germany, inflation is significantly higher, at 6.0%. For the Eurozone, the equivalent number is 4.9% (well ahead of expectations) and, for core inflation, 2.6%, an unexpectedly big acceleration from the previous month when it was at 2%. Eurozone producer prices increased an amazing 21.9% in October. In Germany, the decline in the unemployment number for November was smaller than in October but the result was better than anticipated. In the US, the Conference Board household sentiment index weakened in November. Whereas the Markit PMI for the manufacturing sector was weaker the ISM index improved. New orders and employment moved higher but, interestingly, the prices paid series declined. The Markit PMI for services declined slightly but the ISM services index recorded a strong increase, beating expectations by a wide margin. Finally, the eagerly awaited labour market report disappointed in terms of creation of new jobs (201K versus the Bloomberg consensus of 550K) but surprised positively with respect to the unemployment rate, which declined to 4.2% (4.6% in October). Another positive development was the small increase in the participation rate.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
11/29/2021	Japan	Retail Sales YoY	Oct	1.1%	0.9%	-0.5%
11/29/2021	Eurozone	Consumer Confidence	Nov	--	-6.8	-6.8
11/29/2021	Eurozone	Economic Confidence	Nov	117.5	117.5	118.6
11/29/2021	Eurozone	Industrial Confidence	Nov	14.0	14.1	14.2
11/29/2021	Eurozone	Services Confidence	Nov	17.0	18.4	18.0
11/29/2021	Germany	CPI EU Harmonized MoM	Nov	-0.2%	0.3%	0.5%
11/29/2021	Germany	CPI EU Harmonized YoY	Nov	5.5%	6.0%	4.6%
11/29/21-12/02/21	Germany	Retail Sales MoM	Oct	0.9%	-0.3%	-1.9%
11/30/2021	China	Non-manufacturing PMI	Nov	51.5	52.3	52.4
11/30/2021	China	Manufacturing PMI	Nov	49.7	50.1	49.2
11/30/2021	China	Composite PMI	Nov	--	52.2	50.8
11/30/2021	France	PPI YoY	Oct	--	14.9%	11.7%
11/30/2021	France	Consumer Spending MoM	Oct	0.0%	-0.4%	0.2%
11/30/2021	France	CPI EU Harmonized MoM	Nov	0.2%	0.4%	0.4%
11/30/2021	France	CPI EU Harmonized YoY	Nov	3.2%	3.4%	3.2%
11/30/2021	France	GDP QoQ	3Q	3.0%	3.0%	3.0%
11/30/2021	Germany	Unemployment Change (000's)	Nov	-25.0k	-34.0k	-40.0k
11/30/2021	Eurozone	CPI Core YoY	Nov	2.3%	2.6%	2.0%
11/30/2021	Eurozone	CPI Estimate YoY	Nov	4.5%	4.9%	4.1%
11/30/2021	Eurozone	CPI MoM	Nov	0.1%	0.5%	0.8%
11/30/2021	United States	FHFA House Price Index MoM	Sep	1.2%	0.9%	1.0%
11/30/2021	United States	S&P CoreLogic CS 20-City YoY NSA	Sep	19.30%	19.05%	19.65%
11/30/2021	United States	Conf. Board Consumer Confidence	Nov	110.9	109.5	111.6
11/30/2021	United States	Conf. Board Present Situation	Nov	--	142.5	145.5
11/30/2021	United States	Conf. Board Expectations	Nov	--	87.6	89.0
12/01/2021	Japan	Capital Spending YoY	3Q	1.5%	1.2%	5.3%
12/01/2021	Japan	Jibun Bank Japan PMI Mfg	Nov	--	54.5	54.2
12/01/2021	China	Caixin China PMI Mfg	Nov	50.6	49.9	50.6



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
12/01/2021	France	Markit France Manufacturing PMI	Nov	54.6	55.9	54.6
12/01/2021	Germany	Markit/BME Germany Manufacturing PMI	Nov	57.6	57.4	57.6
12/01/2021	Eurozone	Markit Eurozone Manufacturing PMI	Nov	58.6	58.4	58.6
12/01/2021	United Kingdom	Markit UK PMI Manufacturing SA	Nov	58.2	58.1	58.2
12/01/2021	Eurozone	OECD Publishes Economic Outlook				
12/01/2021	United States	Markit US Manufacturing PMI	Nov	59.1	58.3	59.1
12/01/2021	United States	ISM Manufacturing	Nov	61.2	61.1	60.8
12/01/2021	United States	ISM Prices Paid	Nov	85.5	82.4	85.7
12/01/2021	United States	ISM New Orders	Nov	--	61.5	59.8
12/01/2021	United States	ISM Employment	Nov	--	53.3	52.0
12/01/2021	United States	U.S. Federal Reserve Releases Beige Book				
12/01/2021	United States	Wards Total Vehicle Sales	Nov	13.45m	12.86m	12.99m
12/02/2021	Eurozone	Unemployment Rate	Oct	7.3%	7.3%	7.4%
12/02/2021	Eurozone	PPI YoY	Oct	19.0%	21.9%	16.1%
12/02/2021	United States	Initial Jobless Claims	Nov	240k	222k	194k
12/03/2021	Japan	Jibun Bank Japan PMI Services	Nov	--	53.0	52.1
12/03/2021	Japan	Jibun Bank Japan PMI Composite	Nov	--	53.3	52.5
12/03/2021	China	Caixin China PMI Composite	Nov	--	51.2	51.5
12/03/2021	China	Caixin China PMI Services	Nov	53.0	52.1	53.8
12/03/2021	France	Markit France Services PMI	Nov	58.2	57.4	58.2
12/03/2021	France	Markit France Composite PMI	Nov	56.3	56.1	56.3
12/03/2021	Germany	Markit Germany Services PMI	Nov	53.4	52.7	53.4
12/03/2021	Germany	Markit/BME Germany Composite PMI	Nov	52.8	52.2	52.8
12/03/2021	Eurozone	Markit Eurozone Services PMI	Nov	56.6	55.9	56.6
12/03/2021	Eurozone	Markit Eurozone Composite PMI	Nov	55.8	55.4	55.8
12/03/2021	United Kingdom	Markit/CIPS UK Services PMI	Nov	58.6	58.5	58.6
12/03/2021	United Kingdom	Markit/CIPS UK Composite PMI	Nov	57.7	57.6	57.7
12/03/2021	Eurozone	Retail Sales MoM	Oct	0.3%	0.2%	-0.4%
12/03/2021	Eurozone	Retail Sales YoY	Oct	1.4%	1.4%	2.6%
12/03/2021	United States	Two-Month Payroll Net Revision	Nov	--	82k	235k
12/03/2021	United States	Change in Nonfarm Payrolls	Nov	550k	210k	546k
12/03/2021	United States	Unemployment Rate	Nov	4.5%	4.2%	4.6%
12/03/2021	United States	Average Hourly Earnings MoM	Nov	0.4%	0.3%	0.4%
12/03/2021	United States	Average Weekly Hours All Employees	Nov	34.7	34.8	34.7
12/03/2021	United States	Labor Force Participation Rate	Nov	61.7%	61.8%	61.6%
12/03/2021	United States	Underemployment Rate	Nov	--	7.8%	8.3%
12/03/2021	United States	Markit US Services PMI	Nov	57.0	58.0	57.0
12/03/2021	United States	Markit US Composite PMI	Nov	--	57.2	56.5
12/03/2021	United States	ISM Services Index	Nov	65.0	69.1	66.7
12/03/2021	United States	Cap Goods Orders Nondef Ex Air	Oct	--	0.7%	0.6%
12/03/2021	United States	Cap Goods Ship Nondef Ex Air	Oct	--	0.4%	0.3%

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

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COMING INDICATORS

A rather light week ahead of us in terms of data with surveys for the construction sector in Germany and the UK, the ZEW survey for Germany and the Eurozone, the EcoWatchers survey in Japan, Banque de France industrial sentiment and University of Michigan sentiment in the US. In China we will have the external trade numbers, inflation data and data on the financing of the economy. Updates of estimated Q3 GDP growth will be available in Japan and the Eurozone. Finally, we will have third quarter employment data for France.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
12/06/2021	Germany	Markit Germany Construction PMI	Nov	--	47.7
12/06/2021	United Kingdom	New Car Registrations YoY	Nov	--	-24.60%
12/06/2021	United Kingdom	Markit/CIPS UK Construction PMI	Nov	--	54.6
12/07/2021	Germany	Industrial Production SA MoM	Oct	--	-1.10%
12/07/2021	Eurozone	Household Cons QoQ	3Q	--	3.70%
12/07/2021	Germany	ZEW Survey Expectations	Dec	--	31.7
12/07/2021	Germany	ZEW Survey Current Situation	Dec	--	12.5
12/07/2021	Eurozone	Employment QoQ	3Q	--	0.90%
12/07/2021	Eurozone	Employment YoY	3Q	--	2.00%
12/07/2021	Eurozone	GDP SA QoQ	3Q	--	2.20%
12/07/2021	Eurozone	ZEW Survey Expectations	Dec	--	25.9
12/07/2021	China	Exports YoY CNY	Nov	--	20.30%
12/07/2021	China	Imports YoY CNY	Nov	--	14.50%
12/08/2021	Japan	GDP SA QoQ	3Q	-0.90%	-0.80%
12/08/2021	Japan	Eco Watchers Survey Current SA	Nov	--	55.5
12/08/2021	Japan	Eco Watchers Survey Outlook SA	Nov	--	57.5
12/08/2021	France	Total Payrolls	3Q	--	1.10%
12/08/2021	United States	JOLTS Job Openings	Oct	--	10438k
12/08/2021	France	Bank of France Ind. Sentiment	Nov	--	102
12/09/2021	China	CPI YoY	Nov	--	1.50%
12/09/2021	China	PPI YoY	Nov	--	13.50%
12/09/2021	Germany	Exports SA MoM	Oct	--	-0.70%
12/09/2021	Germany	Imports SA MoM	Oct	--	0.10%
12/09/2021	United States	Initial Jobless Claims	Dec	--	--
12/09/21-12/15/21	China	Aggregate Financing CNY	Nov	--	1590.0b
12/10/2021	United Kingdom	Monthly GDP (MoM)	Oct	--	0.60%
12/10/2021	Germany	CPI EU Harmonized MoM	Nov	--	0.30%
12/10/2021	Germany	CPI EU Harmonized YoY	Nov	--	6.00%
12/10/2021	United States	CPI MoM	Nov	0.70%	0.90%
12/10/2021	United States	CPI Ex Food and Energy MoM	Nov	0.50%	0.60%
12/10/2021	United States	CPI YoY	Nov	--	6.20%
12/10/2021	United States	CPI Ex Food and Energy YoY	Nov	--	4.60%
12/10/2021	United States	U. of Mich. Sentiment	Dec	68.5	67.4
12/10/2021	United States	U. of Mich. Current Conditions	Dec	--	73.6
12/10/2021	United States	U. of Mich. Expectations	Dec	--	63.5
12/10/2021	United States	U. of Mich. 1 Yr Inflation	Dec	--	4.90%
12/10/2021	United States	U. of Mich. 5-10 Yr Inflation	Dec	--	3.00%

SOURCE: BLOOMBERG



FURTHER READING

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US: PPP government-guaranteed loans are largely converted into public subsidies	EcoTVWeek	3 December 2021
US: The Fed, the new preferred repo counterparty in times of tension	EcoFlash	2 December 2021
Egypt: persistent vulnerabilities	EcoConjoncture	1 December 2021
Turkey: New financial tensions	Chart of the Week	1 December 2021
High inflation, optionality and central bank patience	EcoWeek	29 November 2021
Supply shocks, inflation and monetary policy	EcoTVWeek	26 November 2021
United States: reallocation of bank portfolios towards the Eurozone since Brexit	Chart of the Week	24 November 2021
European labour market bottlenecks: structural aspects	EcoWeek	22 November 2021
Services support French growth: towards a (big) comeback?	EcoTVWeek	19 November 2021
COP26: Investment in energy system should double to reach zero carbon by 2050	Chart of the Week	17 November 2021
Spain : Upturn in the labour market	EcoFlash	16 November 2021
Eurozone : Euro area labour market bottlenecks: cyclical aspects	EcoWeek	15 November 2021
China's economic engine is stopped	EcoTVWeek	12 November 2021
Poland: industrial shortages trigger a slump in exports	Chart of the Week	10 November 2021
Eurozone : Deposit rate lift-off, markets and the ECB	EcoWeek	8 November 2021
Monetary tightening in emerging countries	EcoTVWeek	5 November 2021
Eurozone : Stabilisation of state-guaranteed loans (SGLs) outstanding amounts	Chart of the Week	3 November 2021
US : Weaker US household confidence, a source of concern?	EcoWeek	29 October 2021
International trade: disruptions remain high	EcoTVWeek	29 October 2021
France's 2022 budget: automatic deficit reduction	EcoFlash	27 October 2021



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