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The bank
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world

ARE MARKETS PRICING IN AN INCREASE IN STAGFLATION RISK?

The war in Ukraine has caused a jump in commodity prices that will trigger a further increase in inflation and will weigh on GDP growth. Unsurprisingly, the narrative that stagflation is in for a comeback is gaining ground, as shown by the increasing number of media references to this topic. Stagflation is a multi-year phenomenon of high inflation and a high rate of unemployment. Although inflation is high, the other conditions are clearly not met today. Monitoring financial markets developments is useful in gauging whether stagflation risk is on the rise. This can be done by comparing the developments in breakeven inflation and the high yield corporate bond spread. In the US, both have increased recently but it seems premature to interpret this as a sign that markets have already started to price an increase in stagflation risk. After all, these developments are of a very recent nature and the high yield spread is still low.

The war in Ukraine has caused a jump in the price of oil, gas, wheat and other commodities, reflecting concerns about major supply disruption. This negative supply shock, which comes on top of the energy price shock experienced last year, will cause already high inflation to rise further, thereby weighing on real GDP growth. Unsurprisingly, the narrative that stagflation is in for a comeback is gaining ground, as shown by the increasing number of media references to this topic (chart 1).

Stagflation is associated with high inflation and stagnating economic activity, which causes a significant increase in the unemployment rate. In 1980, a report prepared for the Joint Economic Committee of the US Congress defined stagflation as *"the simultaneous presence of excessive unemployment and excessively high rates of inflation"*¹. The sum of both variables is called the discomfort index or misery index. The co-existence, over a multi-year period, of high inflation and slow growth/high unemployment is indeed disconcerting. It creates a dilemma for central banks, weighs on the purchasing power of households in an environment of mounting income uncertainty and puts pressure on corporate profits. Governments may welcome the decline of the real value of outstanding debt due to high inflation but rising unemployment and slow growth have a detrimental impact on the government budget deficit. Stagflation is also challenging for financial markets. When rising inflation is caused by robust demand growth, investors will tend to prefer equities to bonds because the former should benefit from an improved profits outlook whereas the value of the latter will suffer from rising inflation expectations. In case of stagflation, both asset classes may perform poorly. For the various stakeholders, gauging stagflation risks is very important in order to be better prepared. In addition to monitoring the forecasts for the key variables (inflation, growth, unemployment), dissecting the information provided by financial markets can, given their forward-looking nature, also provide useful insights. Stagflation refers to stagnation and inflation. Expectations about the latter can be assessed based on break-even inflation – the difference between the yield on a nominal bond and the yield of an inflation-protected security of the same maturity. Historically, there is a high positive correlation between the oil price and US breakeven inflation: an increase in the former leads to rising market-based inflation expectations (chart 2a) but since the end of last year and until recently, this relationship has fluctuated a lot. Despite a higher oil price, breakeven inflation declined, reflecting a view that several rate hikes by the Federal Reserve would eventually bring inflation under control. Since the start of the war in Ukraine however, the usual positive correlation has been re-established, which

is a manifestation of rising concern about the future evolution of energy prices.

The stagnation part of stagflation can be analysed based on the spread of high yield bonds versus government bonds². This spread consists of two parts: investors' expectations of future corporate defaults and the attitude of investors toward corporate bond risk³. A spread widening thus reflects expectations of rising corporate defaults and/or a worsening of the credit sentiment. Both are linked to the growth outlook. In the US, energy represents 13.5% of the index⁴ and this helps to explain the negative correlation between the high yield spread and the price of oil⁵ (chart 3a). However, since the invasion of Ukraine and despite the huge increase in the price of oil, the high yield spread has widened, reflecting investor concern about rising credit risk (chart 3b). What are the implications for the correlation between breakeven inflation and the high yield spread? Historically, it has been mostly negative, reflecting the dominant role of fluctuations in demand in

STAGFLATION WORD COUNT (7-DAY MOVING AVERAGE)

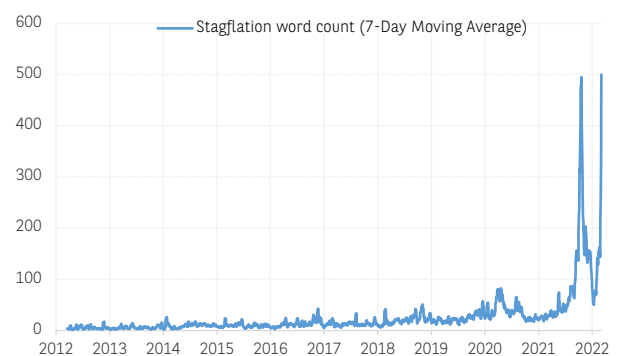


CHART 1

SOURCE: BLOOMBERG, BNP PARIBAS

1. Source: "Stagflation: the causes, effects and solutions," volume 4 of the Special Study on Economic Change prepared for the Joint Economic Committee Congress of the United States, 17 December 1980.

2. High yield bonds are preferred as a metric to investment grade because of their higher sensitivity to the business cycle.
 3. The former represents the premium for expected defaults whereas the latter reflects the sentiment of investors toward the asset class. This sentiment is highly sensitive to changing expectations about the economic outlook. Source: *Recession risk and the excess bond premium*, Giovanni Favara, Simon Gilchrist, Kurt F. Lewis and Egon Zakrajsek, FEDS Notes, 8 April 2016.
 4. It concerns the ICE BofA US High Yield Index.
 5. A higher oil price improves the profitability and reduces the riskiness of bond issuers from the energy sector. Another explanation for the negative correlation is that stronger growth reduces the riskiness of all index constituents and may also lead to an increase in the price of oil. The opposite happens in case of a recession.



explaining growth (chart 4a). Slower growth causes a decline in market-based inflation expectations and an increase in the corporate bond spread. Very recently, this correlation has become positive following the negative supply shock and the jump in geopolitical uncertainty (chart 4b). It seems premature to interpret this as a sign that markets have already started to price an increase in stagflation risk. After all,

these developments are of a very recent nature and the high yield spread is still low. Nevertheless, it will be useful to closely monitor the correlation between breakeven inflation and corporate spreads going forward.

William De Vijlder

US BREAKEVEN INFLATION AND OIL PRICE

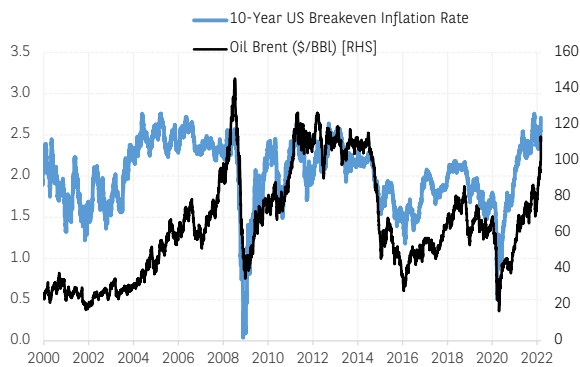
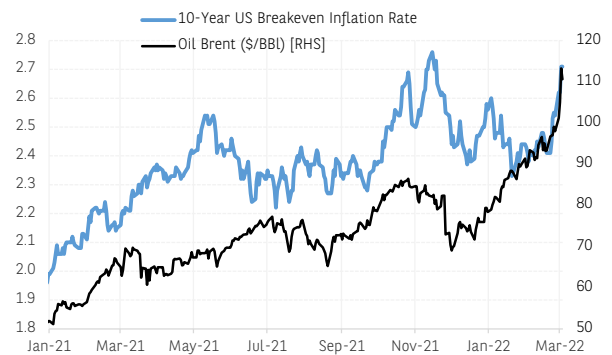


CHART 2



SOURCE: REFINITIV, BNP PARIBAS

US HIGH YIELD SPREAD AND OIL PRICE

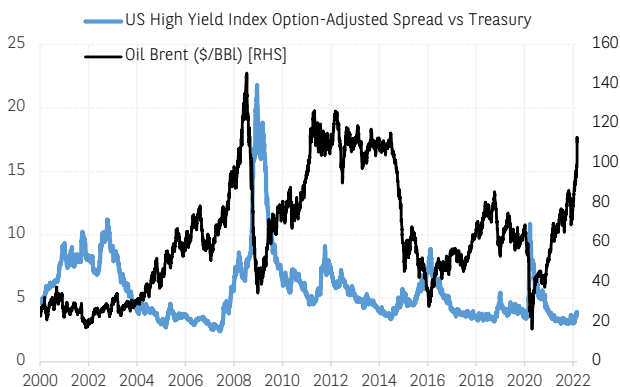
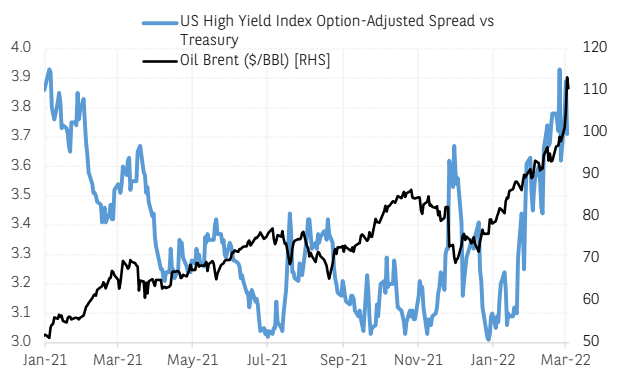


CHART 3



SOURCE: REFINITIV, BNP PARIBAS

US BREAKEVEN INFLATION AND HIGH YIELD SPREAD

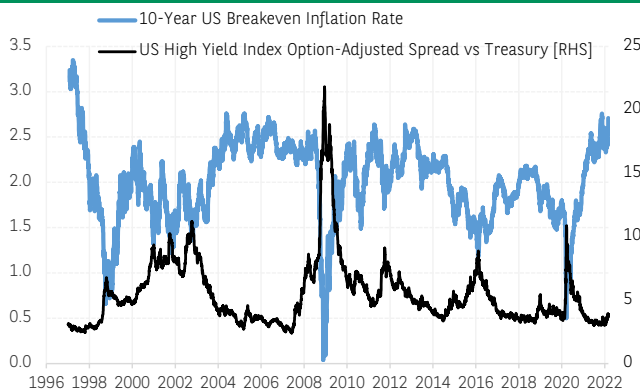
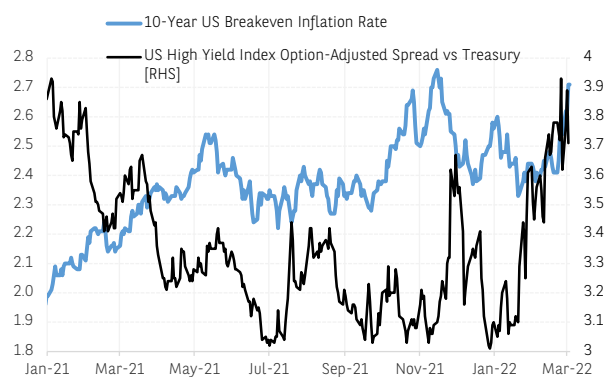


CHART 4



SOURCE: REFINITIV, ICE VIA FEDERAL RESERVE BANK OF ST. LOUIS, BNP PARIBAS



MARKETS OVERVIEW

OVERVIEW

Week 25-2-22 to 4-3-22

▼ CAC 40	6 752	▶ 6 062	-10.2 %
▼ S&P 500	4 385	▶ 4 329	-1.3 %
↔ Volatility (VIX)	27.6	▶ 32.0	+4.4 pb
↔ Euribor 3M (%)	-0.53	▶ -0.52	+0.8 bp
↔ Libor \$ 3M (%)	0.52	▶ 0.61	+8.7 bp
▼ OAT 10y (%)	0.57	▶ 0.28	-28.9 bp
▼ Bund 10y (%)	0.19	▶ -0.14	-33.1 bp
▼ US Tr. 10y (%)	1.99	▶ 1.72	-27.1 bp
▼ Euro vs dollar	1.12	▶ 1.09	-2.9 %
↔ Gold (ounce, \$)	1 887	▶ 1 961	+3.9 %
↔ Oil (Brent, \$)	98.0	▶ 118.3	+20.7 %

MONEY & BOND MARKETS

Interest Rates	highest 22	lowest 22	Yield (%)	highest 22	lowest 22
€ ECB	0.00	0.00 at 03/01	€ AVG 5-7y	0.17	0.54 at 11/02
Eonia	-0.51	-0.51 at 03/01	Bund 2y	-0.83	-0.31 at 04/02
Euribor 3M	-0.52	-0.52 at 14/02	Bund 10y	-0.14	0.28 at 15/02
Euribor 12M	-0.36	-0.28 at 14/02	OAT 10y	0.28	0.67 at 15/02
\$ FED	0.25	0.25 at 03/01	Corp. BBB	1.59	1.80 at 25/02
Libor 3M	0.61	0.61 at 04/03	\$ Treas. 2y	1.49	1.59 at 14/02
Libor 12M	1.35	1.39 at 11/02	Treas. 10y	1.72	2.06 at 16/02
£ BoE	0.50	0.50 at 03/02	High Yield	6.31	6.31 at 04/03
Libor 3M	0.94	0.95 at 03/03	£ gilt. 2y	1.12	1.55 at 15/02
Libor 12M	0.81	0.81 at 03/01	gilt. 10y	1.18	1.59 at 14/02

At 4-3-22

EXCHANGE RATES

1€ =	highest 22	lowest 22	2022
USD	1.09	1.15 at 10/02	1.09 at 04/03
GBP	0.83	0.85 at 07/02	0.83 at 04/03
CHF	1.00	1.06 at 10/02	1.00 at 04/03
JPY	125.37	132.97 at 10/02	125.37 at 04/03
AUD	1.49	1.62 at 04/02	1.49 at 04/03
CNY	6.90	7.29 at 10/02	6.90 at 04/03
BRL	5.55	6.44 at 06/01	5.55 at 04/03
RUB	133.49	133.49 at 04/03	84.45 at 03/01
INR	83.17	85.96 at 11/02	83.17 at 04/03

At 4-3-22

COMMODITIES

Spot price, \$	highest 22	lowest 22	2022	2022(€)
Oil, Brent	118.3	118.3 at 04/03	79.0 at 03/01	+50.9% +57.1%
Gold (ounce)	1 961	1 961 at 04/03	1 785 at 28/01	+7.6% +12.1%
Metals, LMEX	5 356	5 356 at 04/03	4 489 at 06/01	+19.0% +23.9%
Copper (ton)	10 702	10 702 at 04/03	9 543 at 06/01	+9.9% +14.4%
wheat (ton)	393	3.9 at 04/03	281 at 14/01	+65.4% +72.2%
Corn (ton)	286	2.9 at 04/03	226 at 03/01	+2.5% +30.5%

At 4-3-22

EQUITY INDICES

Index	highest 22	lowest 22	2022
World			
MSCI World	2 897	3 248 at 04/01	2 897 at 04/03
North America			
S&P500	4 329	4 797 at 03/01	4 226 at 23/02
Europe			
EuroStoxx50	3 556	4 392 at 05/01	3 556 at 04/03
CAC 40	6 062	7 376 at 05/01	6 062 at 04/03
DAX 30	13 095	16 272 at 05/01	13 095 at 04/03
IBEX 35	7 721	8 886 at 10/02	7 721 at 04/03
FTSE100	6 987	7 672 at 10/02	6 987 at 04/03
Asia			
MSCI, loc.	1 063	1 165 at 05/01	1 063 at 04/03
Nikkei	25 985	29 332 at 05/01	25 971 at 24/02
Emerging			
MSCI Emerging (\$)	1 145	1 267 at 12/01	1 145 at 04/03
China	74	86 at 20/01	74 at 04/03
India	767	891 at 13/01	766 at 24/02
Brazil	1 745	1 766 at 03/03	1 372 at 06/01
Russia	275	772 at 03/01	275 at 04/03

At 4-3-22

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

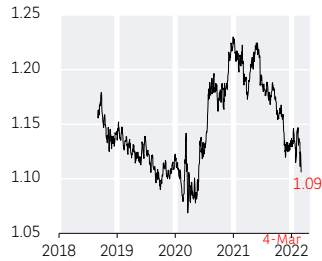
Year 2022 to 4-3, €	Year 2022 to 4-3, \$
+12.3%	+38.4%
+5.6%	+26.6%
-5.8%	+7.7%
-7.7%	+6.6%
-9.1%	+4.8%
-10.4%	+2.4%
-10.9%	-3.0%
-11.8%	-3.5%
-12.4%	-5.5%
-13.5%	-6.0%
-14.3%	-6.1%
-16.0%	-6.3%
-17.0%	-6.5%
-18.0%	-9.0%
-20.0%	-10.5%
-20.3%	-11.0%
-22.0%	-12.0%
-24.6%	-15.3%
-26.1%	-19.1%

SOURCE: REFINITIV, BNP PARIBAS,

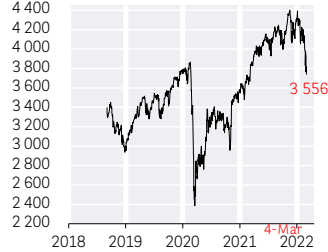


MARKETS OVERVIEW

EURO-DOLLAR



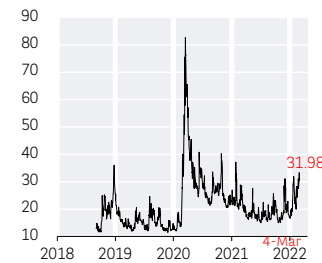
EUROSTOXX50



S&P500



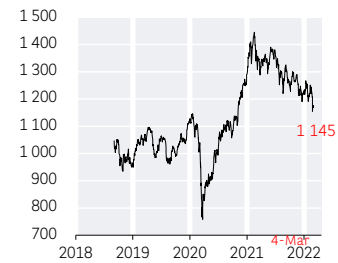
VOLATILITY (VIX, S&P500)



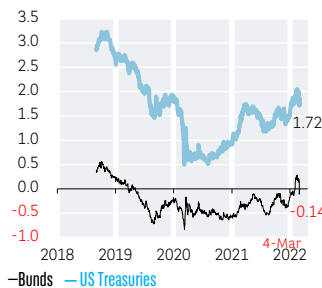
MSCI WORLD (USD)



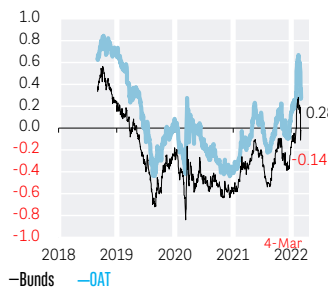
MSCI EMERGING (USD)



10Y BOND YIELD, TREASURIES VS BUND



10Y BOND YIELD



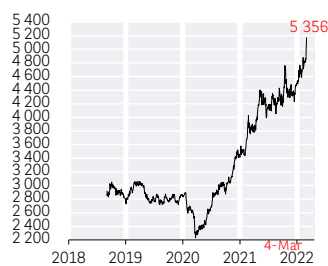
10Y BOND YIELD & SPREADS

Year 2022 to 4-3		
1.72%	Greece	185 bp
1.44%	Italy	157 bp
0.90%	Spain	103 bp
0.82%	Portugal	95 bp
0.33%	Belgium	46 bp
0.29%	Finland	42 bp
0.28%	France	41 bp
0.15%	Austria	29 bp
-0.04%	Ireland	10 bp
-0.06%	Netherlands	8 bp
-0.14%	Germany	

OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS



PMI: DELIVERY TIMES CONTINUE TO SHORTEN BUT REMAIN LONG

The global manufacturing PMI moved slightly higher in February on the back of a sizeable increase in the US and a slight weakening in the euro area where the index improved strongly in France and declined in Germany. Brazil and Mexico recorded better data but the index is still below 50. The PMI in China improved and crossed the 50 line. The global export orders PMI picked up, moving above the 50 mark. The US data were up strongly and the euro area also did better, supported by an improvement in Germany and the Netherlands. The order position worsened in the UK and dropped further in Australia. Japan was also weaker. China saw some improvement but stayed below 50. Due to the wave of infections, the situation deteriorated strongly in Hong Kong. The global services PMI was up strongly followed huge jumps in the US and the euro area, where there was across the board a significant improvement was noted. The situation also improved strongly in the UK. All this shows the impact of the decline in new Covid-19 cases. Sadly, the opposite trend is visible in Japan and Hong Kong.

Services input prices moved higher so the decline in January was shortlived. The US recorded a big jump but the euro area also saw a sizeable increase. The index was up in the UK as well, reaching a particularly high level of 81.5. Input price pressure eased in China.

The global manufacturing employment index, an indicator of hiring intentions, was slightly better in February. The US saw a big increase but the euro area was stable at an elevated level. France did significantly better than in January. Australia recorded a big improvement. Mexico did even better but the level remains well below 50. There was a big drop in Russia. Hiring intentions edged higher in China and India but in both cases the index remains below 50.

Manufacturing output prices were again up at the global level and in particular in the US but they eased in the euro area and in particular in France and Italy. Ireland on the other hand recorded a big increase. Brazil, the Czech Republic, Poland and Turkey saw big drops in output price pressure. Manufacturing input prices edged higher at the global level after declining in January. The US and the euro area saw an easing of price pressures. Germany recorded a noticeable decline whereas the opposite happened in Ireland. Most emerging countries experienced lower input price pressure. Delivery times continue to shorten although they remain unusually long. The situation improved in particular in the euro area where it was broad-based.

William De Vijlder

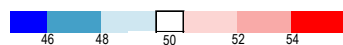
MANUFACTURING PMI

	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	VIETNAM
May-21	56.0	57.0	62.1	63.1	66.4	65.8	59.4	64.4	58.0	64.1	62.3	69.4	59.4	68.6	65.6	61.8	58.3	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	65.5	59.0	65.1	58.6	64.0	62.2	68.8	60.4	67.1	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	69.9	58.0	65.9	57.4	63.3	60.3	67.4	59.0	70.0	60.4	60.8	63.0	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	67.3	57.5	62.6	59.3	62.8	60.9	65.8	59.5	67.0	60.3	51.6	39.9	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	65.2	55.0	58.4	58.4	60.3	59.7	62.0	58.1	67.6	57.1	51.2	51.7	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	54.2	57.7	58.4	58.3	60.6	71.3	53.6	57.8	58.9	62.1	61.1	62.5	57.4	65.7	57.8	50.4	54.6	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	67.3	55.9	57.4	58.8	59.9	62.8	60.7	57.1	63.8	58.1	54.8	51.3	54.5	50.6	49.8	49.4	57.1	54.4	51.7	52.0	48.7	46.1	56.9	57.2	55.9	49.9	52.6	57.6	53.9	52.2
Dec-21	54.3	56.5	57.7	58.0	58.7	63.3	55.6	57.4	59.0	58.3	62.0	58.7	56.2	64.2	57.9		53.8	54.3	50.7	49.8	49.4	59.1	56.1	51.6	52.1	49.0	46.7	53.9	54.1	55.6	50.9	50.8	55.5	53.5	52.5
Jan-22	53.2	56.2	55.5	58.7	61.5	59.4	55.5	59.8	57.9	59.4	58.3	60.1	56.2	63.8	57.3	48.4	52.1	55.4	50.6	47.8	46.1	59.0	54.5	51.8	50.5	47.9	47.1	53.2	57.1	54.1	49.1	48.9	54.0	53.7	53.7
Feb-22	53.6	56.6	57.3	58.2	58.4	50.7	57.2	58.4	57.8	57.8	58.3	60.6	56.9	62.6	58.0	53.2		52.7	50.2	49.6	48.0	56.5	54.7	48.6	50.4	48.1	47.5	56.2	58.6	54.8	50.4	42.9	54.9	51.2	54.3

SERVICES PMI

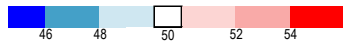
World	USA	EURO ZONE	FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	LEBANON	CHINA	HONG KONG	INDIA
59.5	70.4	55.2	56.6	52.8	62.1	53.1	59.4	62.9	61.2	46.5	48.3	57.5	47.9	55.1	52.5	46.4
57.5	64.6	58.3	57.8	57.5	63.1	56.7	62.5	62.4	57.8	48.0	53.9	56.5	47.5	50.3	51.4	41.2
56.3	59.9	59.8	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
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
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
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
55.6	58.0	55.9	57.4	52.7	59.3	55.9	59.8	58.5	49.6	53.0	53.6	47.1	46.1	52.1	52.6	58.1
54.7	57.6	53.1	57.0	48.7	55.4	53.0	55.8	53.6		52.1	53.6	49.5	46.7	53.1	50.8	55.5
51.0	51.2	51.1	53.1	52.2	56.2	48.5	46.6	54.1	56.2	47.6	52.8	49.8	47.1	51.4	48.9	51.5
53.9	56.5	55.5	55.5	55.8	61.8	52.8	56.6	60.5		44.2		52.1	47.5	50.2	42.9	

SOURCE: MARKIT, BNP PARIBAS



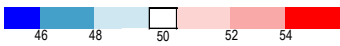
PMI SERVICES INPUT PRICES

	World	USA	EURO ZONE	FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	CHINA	INDIA
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	68.5	75.7	71.4	67.5	73.9	72.6	69.5	75.4	82.0	65.3	57.7	74.4	64.9	55.6	57.6
Dec-21	68.1	77.4	69.6	67.2	70.4	71.5	68.7	73.0	77.0		58.2	65.9	65.8	54.3	57.0
Jan-22	66.3	71.9	70.9	69.6	72.0	70.1	69.9	72.1	79.7	66.1	57.1	69.3	65.6	54.5	58.1
Feb-22	67.4	74.8	72.2	67.9	73.7	74.2	73.1	75.2	81.5		57.8		64.9	52.5	



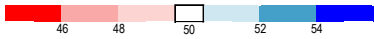
PMI MANUFACTURING OUTPUT PRICES

	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
May-21	62.6	65.9	70.9	69.1	67.9	68.4	65.8	70.6	66.3	64.6	72.0	70.4	65.1	68.3			51.5		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	64.0	66.4	73.7	69.5	66.3	71.6	77.1	67.1	73.2			51.6		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	69.0	66.8	75.1	64.9	68.9	72.6	77.1	63.9	73.1			53.3		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	60.1	61.6	72.6	61.0	66.0	68.1	72.4	62.7	71.6			54.4		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	56.9	66.7	73.3	67.7	69.3	68.4	74.9	64.8	71.9			54.9		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	78.4	66.1	75.6	77.2	70.2	71.5	78.4	68.8	74.2			54.6		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	63.8	68.2	76.3	76.5	71.7	73.4	79.5	70.7	74.0			56.1		66.2	48.8	72.3	71.4	58.4	78.3	54.3	51.9	52.6	48.5		52.6	52.1	54.0	59.3
Dec-21	59.8	63.7	70.5	70.2	70.4	59.9	62.7	70.9	72.8	69.9	73.2	76.6	69.6	74.3			55.9		65.9	52.6	70.9	72.2	59.8	79.9	53.5	53.4	52.6	49.0		54.8	51.0	53.7	55.3
Jan-22	60.9	62.3	68.9	72.7	68.0	59.9	71.7	74.7	74.9	66.3	73.5	73.5	71.1	70.9			59.1		62.1	52.9	78.1	73.7	60.4	71.7	51.7	53.7	52.1	49.2		53.0	51.7	53.8	52.5
Feb-22	61.2	62.4	70.9	71.8	67.5	60.5	68.0	74.3	73.6	70.3	70.0	73.6	71.4	69.9			58.2		60.7	52.8	70.3	68.8	62.8	66.3	51.2	51.7	50.1	49.5		49.8	51.0	53.5	54.3



PMI MANUFACTURING DELIVERY TIMES

	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	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM
May-21	37.3	29.2	25.5	18.5	11.1	21.5	23.5	11.6	33.1	22.5	27.6	13.1	27.2	19.8	51.6	53.6	43.7	50.1	38.1	43.1	18.6	30.1	44.2	40.9	48.7	52.7	56.2	48.6	46.9	46.5	48.1	47.7	44.5
Jun-21	36.0	30.2	17.2	19.1	13.2	27.9	21.0	14.9	31.0	26.9	22.8	12.2	28.9	18.4	58.3	54.3	41.0	50.2	39.9	43.6	18.1	29.6	44.8	43.7	49.6	52.3	67.7	49.3	47.0	45.2	48.7	47.0	39.5
Jul-21	36.0	32.9	16.5	20.0	15.3	20.7	20.4	15.9	32.7	26.5	24.4	16.0	28.8	21.2	59.6	54.4	40.8	50.1	42.9	42.2	17.9	29.5	46.1	41.8	50.4	50.7	71.3	47.6	47.5	49.0	48.7	38.0	34.2
Aug-21	36.2	28.6	16.8	22.8	20.3	11.1	22.5	19.1	31.3	24.4	28.8	16.1	32.0	17.4	41.3	32.8	39.5	50.0	42.8	41.0	21.9	32.3	46.9	42.5	52.0	48.6	70.1	50.7	46.6	46.6	48.5	45.1	30.5
Sep-21	36.5	25.4	16.6	22.5	18.1	7.9	19.7	22.3	28.7	26.4	24.7	15.3	27.2	19.3	49.2	47.6	38.3	50.1	44.4	41.1	22.9	32.1	46.9	45.5	52.8	51.0	73.7	49.8	48.3	49.3	48.5	46.4	28.7
Oct-21	34.8	23.1	16.8	19.4	16.9	10.0	17.7	17.8	24.1	18.0	24.1	15.8	24.3	18.3	41.2	60.2	37.0	50.3	42.4	39.7	21.6	32.9	43.3	42.6	50.8	51.8	72.6	50.8	45.1	48.4	48.6	46.3	39.3
Nov-21	36.4	24.4	18.9	21.7	19.3	5.6	19.8	21.3	24.5	25.9	24.5	18.5	21.8	21.4	53.4	44.6	37.7	50.5	41.3	38.6	22.8	33.4	45.3	36.1	49.1	52.4	70.4	51.5	48.4	48.5	49.1	49.3	43.0
Dec-21	37.8	28.7	24.4	25.3	24.5	15.0	24.7	25.9	24.9	31.1	24.0	22.0	25.3	23.8		51.4	37.1	50.4	42.2	34.7	25.6	35.2	44.1	33.8	49.5	52.3	69.6	51.8	48.7	49.8	47.9	48.6	46.2
Jan-22	38.0	27.8	23.2	26.6	24.6	28.2	24.2	27.1	26.4	27.4	27.4	23.4	30.0	30.4	37.8	53.8	37.8	50.1	40.7	38.8	31.1	34.9	45.3	41.7	49.7	50.0	65.5	52.4	47.5	46.6	48.5	50.1	45.2
Feb-22	39.3	26.8	25.0	31.0	29.2	36.6	25.2	34.0	25.3	30.8	31.5	25.1	31.5	31.7	49.0		38.1	50.5	45.0	43.3	32.0	38.3	44.1	42.1	49.4	53.1	65.8	52.7	48.1	44.2	48.8	50.7	44.8



SOURCE: MARKIT, BNP PARIBAS



BNP PARIBAS

The bank for a changing world

ECONOMIC PULSE

9

UNITED STATES: KEY RATE INCREASE AHEAD

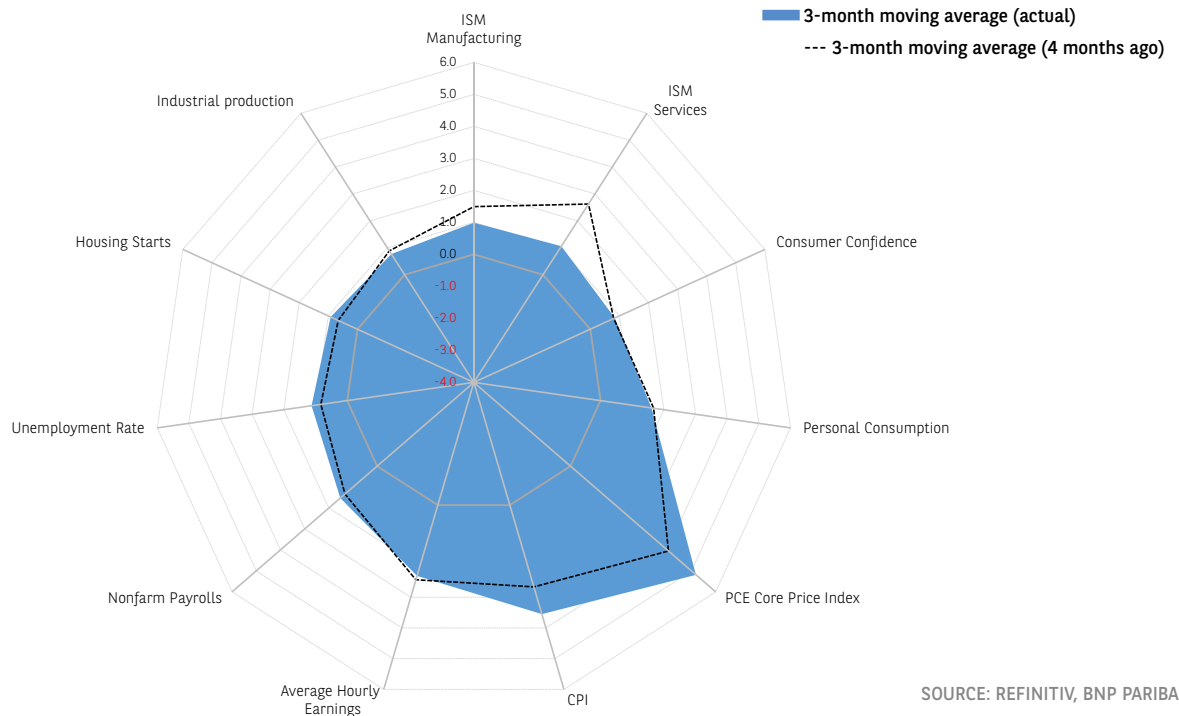
The war in Ukraine, like any war, is above all a human tragedy. It also represents more economic pain for people and government in several countries who have barely recovered from the Covid-19 pandemic. Already under pressure, prices for oil, gas, wheat, oilseeds and most metals have soared to record levels. Inflation rates already hit record highs in early 2022 and are bound to rise further, and the most sensitive items like food products are likely to be hit hardest.

Unlike the European Union, which is relatively dependent on Russian energy, the United States does not have the highest exposure to the shock. As the world's leading hydrocarbon producer, the US can even offset the shortfall of Russian production, at least partially. But in a more uncertain environment that is less propitious for spending, the US economy will not be sheltered. Looking beyond the stock market decline, a few business climate indicators, including the Philly Fed Index and the Empire Manufacturing Index, have already begun to signal a less euphoric environment.

This complicates the task of the US Federal Reserve (the Fed) as it prepares to tighten monetary policy. Chairman Jerome Powell recently reaffirmed his intentions to raise key rates by at least a quarter of a point on 16 March. He undoubtedly has some solid arguments, foremost of which is the rise in shelters, which has become one of the main driving force behind US inflation. This has been accompanied by a rapid expansion in mortgage lending. But beyond that? Although the Fed has warned that there will be several rounds of rate increases and a relatively rapid shrinking of its balance sheet, it has always conditioned any policy changes on economic data. Let's hope that it will be particularly attentive in the months ahead.

Jean-Luc Proutat

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 +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.



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world

ECONOMIC PULSE

EUROZONE: ECB MEETING OF 10 MARCH: KEY POINTS TO WATCH

The launch of Russia’s military invasion against Ukraine on Thursday, 24 February, puts further focus on the next ECB meeting on 10 March and further increases the difficulty of the task facing the central bank. First of all, we will pay particular attention to the extent of the upward revision of its inflation projections. We expect major revisions given the latest developments and the most recent inflation figures, which continue to rise (headline inflation hit 5.8% y/y in February, according to the Eurostat flash estimate, and core inflation was 2.7% y/y). In December 2021, the ECB was forecasting average annual inflation of 3.2% in 2022 and 1.8% in 2023 and 2024. It will also be interesting to see whether the ECB expects inflation to hold above its 2% target in 2024. This is a key point to watch since it will give an idea of the ECB’s confidence in its capacity to reach this target, and whether the conditions have come together yet to begin raising key rates again.

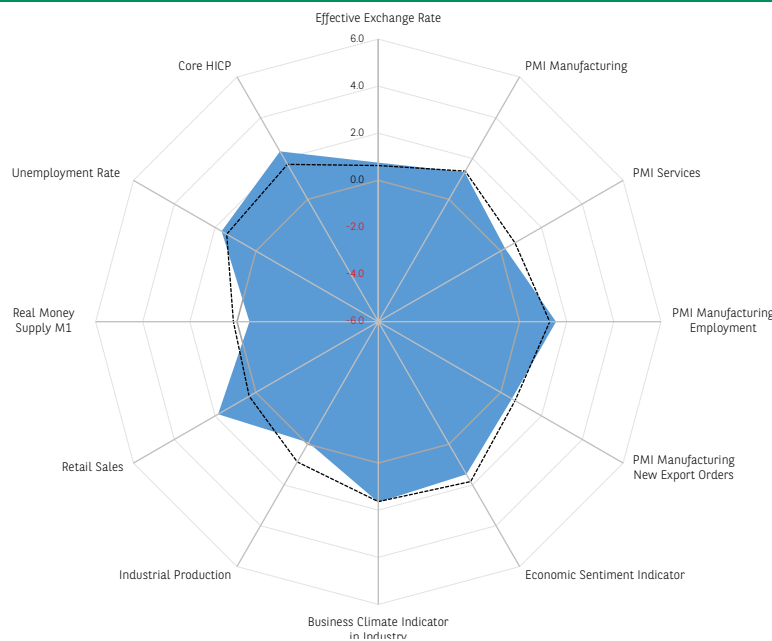
We will also pay attention to the extent of the ECB’s downward revision of its growth forecasts. In December, the central bank was forecasting an average annual growth of 4.2% in 2022 followed by 2.9% in 2023 and 1.6% in 2024. For the time being, the Eurozone seems able to weather the economic shock of the war given its pre-existing economic momentum (as illustrated, for instance, by an unemployment rate at an all-time low of 6.8% in January and by the positive February figures for business confidence surveys) and the very probable implementation of new fiscal support measures to buffer the shock. The size of the shock is very uncertain and hard to evaluate. It will undoubtedly be negative, and one of its first repercussions is already to exacerbate the pressures on supply, the supply chain and prices that were at work. We cannot rule out the possibility that Eurozone GDP will contract for one or two quarters. According to very first estimates from Philip Lane, the ECB’s chief economist, the war could slash between 0.5 and 1 points of growth from the Eurozone in 2022.

For the ECB, the conflict in Ukraine is a game changer. It should cool off the debate that was heating up prior to the invasion about an accelerated timetable for normalising monetary policy in response to inflationary risks (end date for the Asset Purchasing Programme (APP), timing of the first deposit rate hike and the number of rate increases in 2022). The inflationary shock is certainly growing, but so are its negative effects on growth. Fears about growth are winning out over inflationary concerns, and the balance between the downside risks to growth and the upside risks to inflation is shifting towards the first, and thus towards a wait-and-see stance of the ECB. Optionality and flexibility, caution and gradualism as well as data dependence will be the keywords again in the monetary policy setting. The ECB is not an adept of pre-commitments, but as Christine Lagarde said on 25 February, “the ECB stands ready to take whatever action necessary to ensure price stability and financial stability in the euro area.”

According to our central scenario, the Pandemic Emergency Purchasing Programme (PEPP) will end as expected in March while the APP will take over with monthly asset purchases of EUR 40 bn in Q2 and EUR 20 bn per month open-ended thereafter. Our scenario calling for a preliminary 25 bp rate hike as of September now seems unlikely, although a rate increase by the end of the year is still on the table, especially if tensions were to abate.

Hélène Baudchon

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

HIGH-FREQUENCY ACTIVITY INDICATORS CONTINUE TO IMPROVE

The number of new Covid-19 cases continues to decline in most regions of the world. A total of 11 million new Covid-19 cases was confirmed during the week of 23 February to 1 March, a 15% decline on the previous week. This is the fifth consecutive week that the number of new cases has declined. Declines were reported in North America (-31%), South America (-25%) and Europe and Africa (-23%). In Asia, in contrast, the number of new cases rose by 5% over the same period. This increase is due to the sharp rise in the number of new cases reported in Hong Kong (+354%), Vietnam (+78%) and South Korea (+40%) (chart 1). At the same time, 63% of the global population has received at least one dose of the Covid-19 vaccine, but only 13% of the inhabitants of low-income countries, compared to 79% in the wealthy countries (chart 2).

Moreover, retail and leisure traffic held to an upward trend in Spain, Belgium, France, Germany, Italy, the UK and the US, even though some declines were observed for the most recent data points. In Japan, retail and leisure traffic continues to improve (chart 3, blue line).

Lastly, the OECD Weekly Tracker of GDP growth appears to be trending distinctly upwards in Germany, France, Italy, and Spain, and to a lesser extent in Belgium, the UK and the US. In Japan, the upturn is confirmed by recent data points (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)

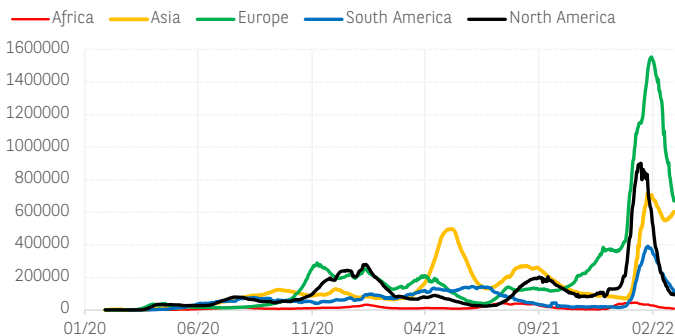


CHART 1

SOURCE: JOHNS-HOPKINS UNIVERSITY (03/02/2021), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

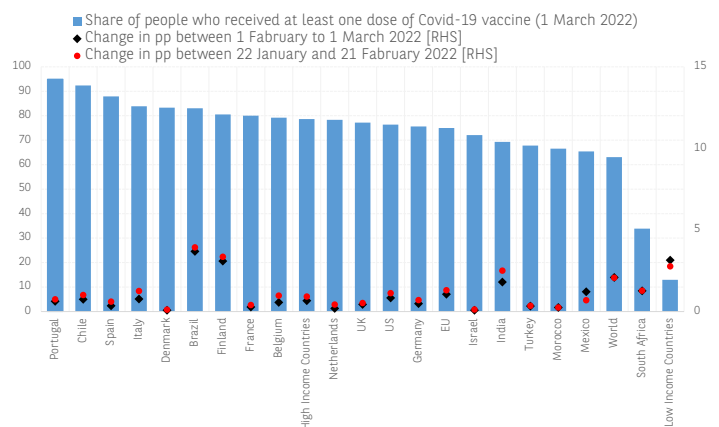


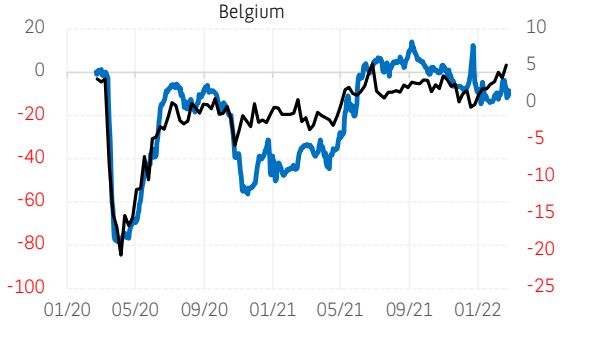
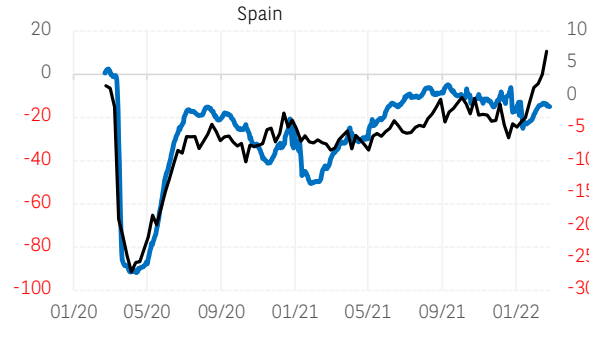
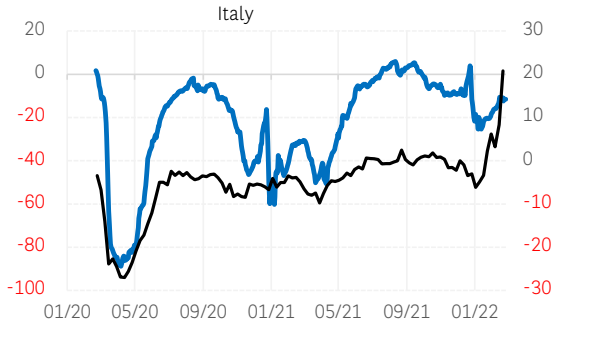
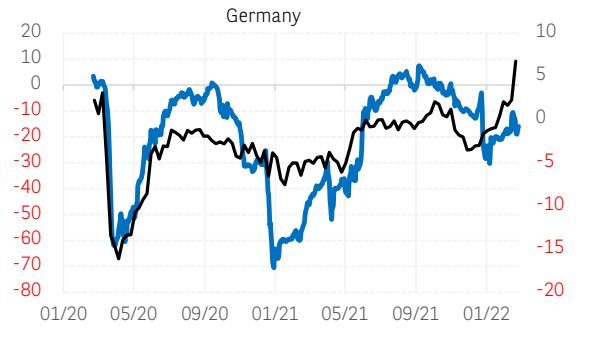
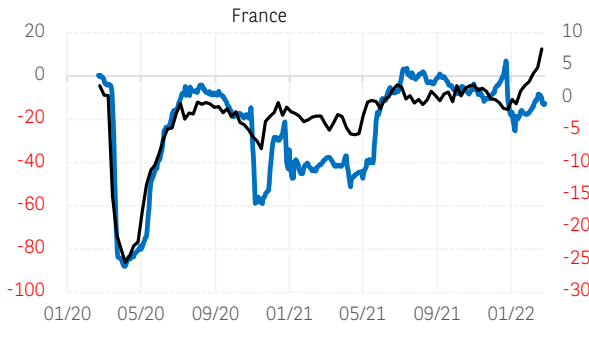
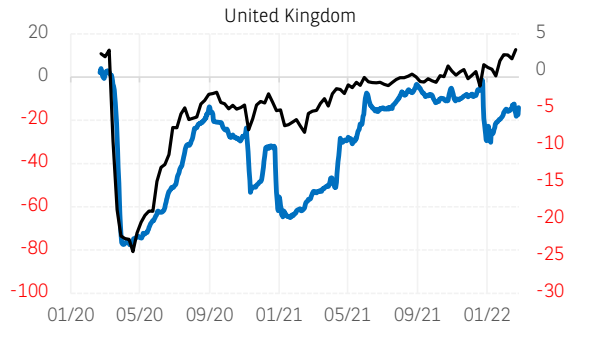
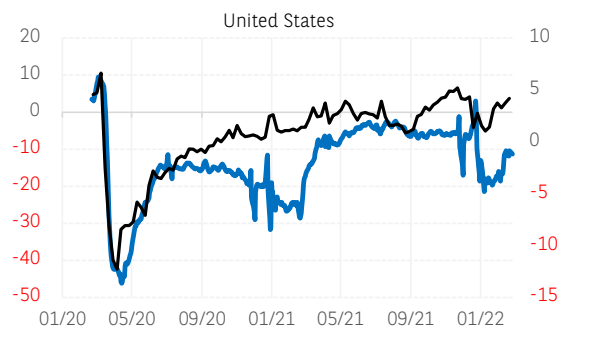
CHART 2

SOURCE: OUR WORLD IN DATA (03/02/2021), BNP PARIBAS



RETAIL AND RECREATION MOBILITY & OECD WEEKLY TRACKER

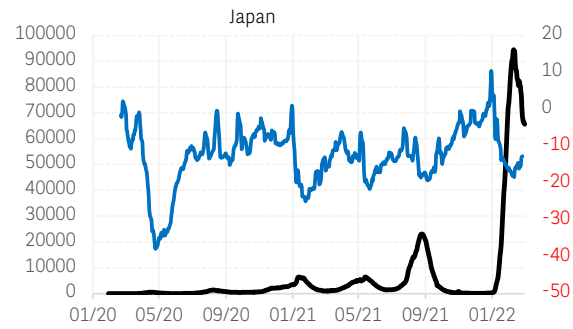
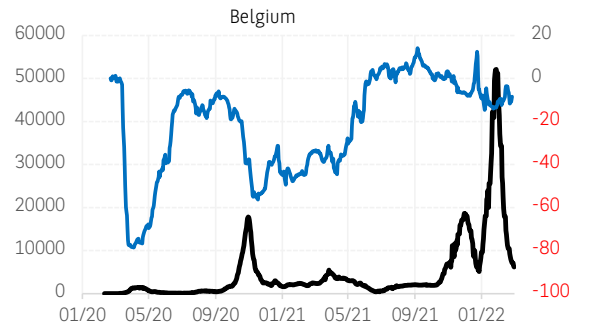
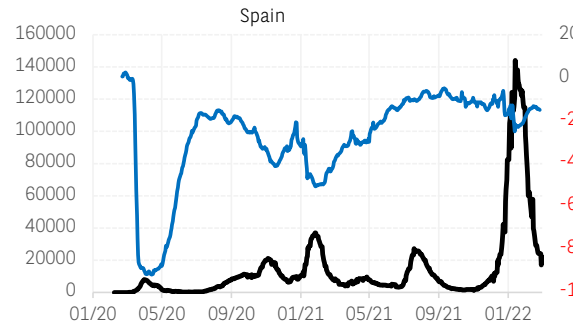
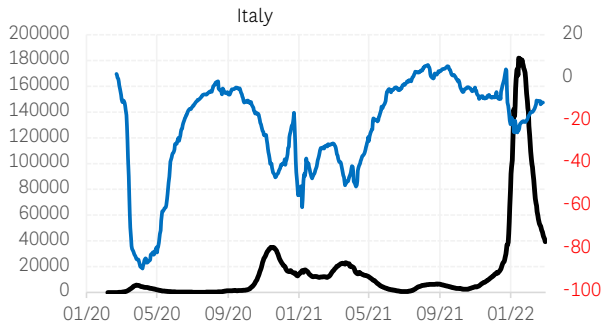
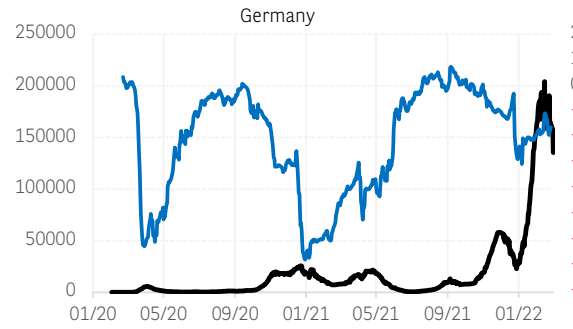
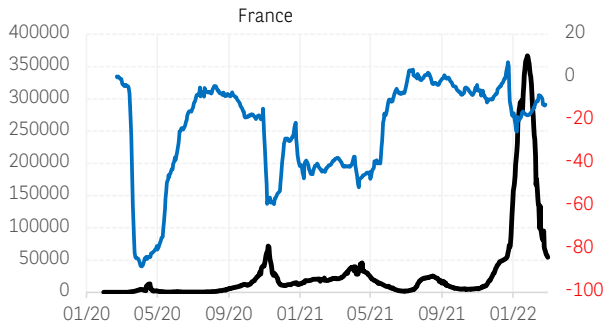
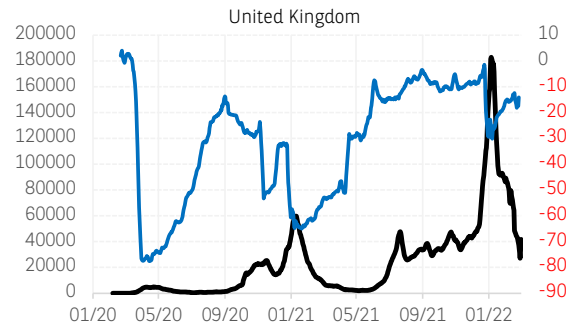
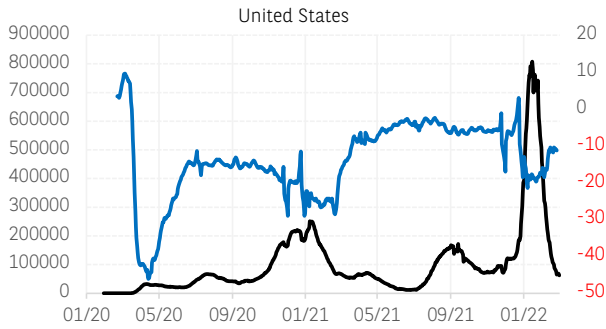
— Retail and recreation mobility (7-day moving average, % from baseline*) — OECD Weekly tracker, y/2y GDP growth [RHS]



SOURCE: OECD (03/02/2021), GOOGLE (03/02/2021), 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 (03/02/2021), GOOGLE (03/02/2021), BNP PARIBAS

ECONOMIC SCENARIO

14

UNITED STATES

The US economy has returned to its pre-pandemic trajectory, and with the unemployment rate at 4%, it is now close to potential. Inflation has risen above 7%, the highest level in forty years, and the Federal Reserve is expected to raise its key rates by at least 100 basis points in 2022. Buoyed by job creations, household consumption is however penalised by the decline in real wages. The downward revision of the government's fiscal ambitions, notably its social welfare plans, may also contribute to calm down private demand. GDP growth will slowdown at around 4%, inflation is expected to remain very high through the end of spring, before easing by the second half of 2022.

CHINA

Economic growth has slowed markedly since last summer. The crisis in the real estate and construction sectors, the authorities' zero-Covid strategy and the persisting weakness of household consumption have heavily weighed on activity. These factors are likely to persist in the short term, even though the government increases fiscal policy support and the central bank enhances monetary easing measures. At the same time, the authorities are expected to continue to act to clean up the property market and tighten the regulatory framework. The export industry, which has remained buoyant in recent months, could start to lose growth momentum in the short term.

EUROZONE

After a strong Q3, growth in Q4 2021 was, as expected, significantly weaker (+0.3% i/t according to the first Eurostat estimate). In addition to the expected normalization, headwinds have increased (supply-side problems, surging inflation and uncertainties arising from the new wave of the pandemic). However, business climate surveys continue to show some resilience. Although the downside risks have intensified, leading, mid-February, to a 0.6 ppts downward revision to our growth forecast for 2022 (to 3.6%), we continue to see the recovery as resilient. A number of tailwinds remain at work – still supportive (albeit less so) policy mix, a build-up of forced savings, scope for the service sector to catch-up, the need for companies to invest and rebuild inventories. Despite a more meaningful slowdown, growth is expected to remain well above its trend rate in 2022. Meanwhile, inflation continues to surge, postponing the expected peak. This is still mainly an energy story but more sustained and widespread factors are also gaining traction. We expect average inflation to spike at 5% in 2022 in annual average terms (after 2.6% in 2021), masking an expected decline over the course of the year.

FRANCE

What is happening at the aggregate eurozone level is representative of what is happening in France, and vice-versa. Although the figures are different, our analysis and view of the economic outlook are identical. In Germany, the headwinds are stronger, while France is less exposed. French growth surprised on the upside in Q4 2021 (0.7% q/q according to INSEE's initial estimate) and reached 7% in 2021 as a whole. In 2022, GDP growth would ease to 4.2%, against a background of higher inflation (3.5% expected in 2022 after 1.8% in 2021).

RATES AND EXCHANGE RATES

In the US, the Federal Reserve has started tapering and this should lead to net asset purchases ending in March this year. The tone of the minutes of the December meeting of the FOMC was hawkish. Given current particularly elevated inflation, the inflation outlook and the strength of the labour market, as reflected in the unemployment rate that has dropped below 4.0%, we expect a first rate hike in March, followed by five additional hikes in 2022 and three more in 2023. In addition, we expect the reduction of the balance sheet (quantitative tightening) to start in July this year. These policy changes should put upward pressure on Treasury yields.

In the eurozone, the ECB will stop net purchases under the PEPP in March and will temporarily increase the monthly volume under the traditional asset purchase program. It insists on the risk that inflation will continue to surprise to the upside, in particular in the short run. Against this background and considering the expected path

of inflation, we were forecasting a first hike in the deposit rate of 25 bp on the occasion of the September meeting, followed by another hike in December. However, due to the economic consequences of the war in Ukraine, this now seems far less likely. One rate hike this year, but later than September, is still a possibility. Two more hikes of 25 bp would follow in 2023. The change in message of the ECB has caused a rise in euro area bond yields. Further increases are to be expected given the outlook for monetary policy and the influence from higher US Treasury yields. We also expect a widening of certain sovereign spreads. The Bank of Japan is expected to maintain its current policy stance over the forecast horizon, whilst allowing the 10-year JGB yield to drift higher under the influence of globally rising yields, towards about 20bp. We expect the dollar to weaken versus the euro, considering that both the Federal Reserve and the ECB will tighten policy and that the euro is undervalued versus the dollar. The increased policy divergence between the Fed and the Bank of Japan should cause an appreciation of the dollar versus the yen but in the latter part of 2023, there is a potential for yen appreciation as we get closer to the cyclical peak in US Treasury yields.

GROWTH & INFLATION

%	GDP Growth			Inflation		
	2021 e	2022 e	2023 e	2021 e	2022 e	2023 e
United-States	5.5	4.1	2.4	4.7	5.4	2.5
Japan	1.7	2.6	1.8	-0.2	1.0	0.8
United-Kingdom	7.1	4.1	2.1	2.5	5.8	2.6
Euro Area	5.0	3.6	2.5	2.5	5.0	2.1
Germany	2.6	3.6	3.6	3.1	4.7	2.4
France	6.7	4.2	2.5	2.0	3.8	2.4
Italy	6.3	4.9	3.0	1.8	5.5	1.7
Spain	4.3	5.4	3.5	3.0	5.2	1.8
China	7.9	4.9	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)	0.50	1.00	1.50	1.75	2.50
	T-Note 10y	2.00	2.10	2.20	2.30	2.30
Ezone	Deposit rate	-0.50	-0.50	-0.25	0.00	0.50
	Bund 10y	0.35	0.45	0.50	0.60	0.70
	OAT 10y	0.90	0.90	1.00	1.10	1.20
	BTP 10y	2.10	2.20	2.40	2.60	2.70
UK	BONO 10y	1.40	1.50	1.65	1.80	1.90
	Base rate	0.75	1.00	1.25	1.25	1.75
Japan	Gilts 10y	1.50	1.55	1.60	1.75	2.00
	BoJ Rate	-0.10	-0.10	-0.10	-0.10	-0.10
	JGB 10y	0.20	0.20	0.20	0.22	0.25

Exchange Rates

End of period		Q1 2022 e	Q2 2022 e	Q3 2022 e	Q4 2022 e	Q4 2023 e
USD	EUR / USD	1.15	1.16	1.17	1.18	1.20
	USD / JPY	115	116	117	118	115
	GBP / USD	1.35	1.35	1.36	1.37	1.40
EUR	EUR / GBP	0.85	0.86	0.86	0.86	0.86
	EUR / JPY	132	135	137	139	138

Brent

End of period		Q1 2022 e	Q2 2022 e	Q3 2022 e	Q4 2022 e	Q4 2023 e
Brent	USD/bbl	87	84	87	92	97

FORECASTS PRODUCED ON 10 FEBRUARY. SOURCE: BNP PARIBAS (E: ESTIMATES & FORECASTS)
(MARKET ECONOMICS, INTEREST RATE STRATEGY, FX STRATEG, COMMODITIES DESK STRATEGY)



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CALENDAR

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LATEST INDICATORS

In China, the February PMI data improved somewhat. Eurozone inflation continued to rise in February, reaching 5.8%, thereby again surprising to the upside. Monthly producer price inflation jumped and was almost twice as high as expected by the consensus. Retail sales grew slightly in January compared to December but less than anticipated. The unemployment rate continues to decline, more than expected. The PMI came in slightly below expectations. The French PMIs were well below the consensus but the level remains high. In Japan, the composite PMI improved whilst remaining well below the 50 mark. In the UK the PMIs were close to the consensus expectations. The manufacturing ISM improved in the US and the new orders component was up as well. The services ISM declined a lot whereas the consensus had expected an improvement. The labour market report was very strong, beating expectations on all fronts: a huge increase in new jobs, a decline in the unemployment rate, an increase in the length of the work week and a slight increase in the participation rate.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
02/28/2022	Japan	Retail Sales MoM	Jan	-1.2%	-1.9%	-1.2%
03/01/2022	Japan	Jibun Bank Japan PMI Mfg	Feb	--	52.7	52.9
03/01/2022	China	Composite PMI	Feb	--	51.2	51.0
03/01/2022	China	Manufacturing PMI	Feb	49.8	50.2	50.1
03/01/2022	China	Non-manufacturing PMI	Feb	50.7	51.6	51.1
03/01/2022	China	Caixin China PMI Mfg	Feb	49.1	50.4	49.1
03/01/2022	France	Markit France Manufacturing PMI	Feb	57.6	57.2	57.6
03/01/2022	Germany	Markit/BME Germany Manufacturing PMI	Feb	58.5	58.4	58.5
03/01/2022	Eurozone	Markit Eurozone Manufacturing PMI	Feb	58.4	58.2	58.4
03/01/2022	United Kingdom	Markit UK PMI Manufacturing SA	Feb	57.3	58.0	57.3
03/01/2022	Germany	CPI EU Harmonized MoM	Feb	0.8%	0.9%	0.9%
03/01/2022	Germany	CPI EU Harmonized YoY	Feb	5.4%	5.5%	5.1%
03/01/2022	United States	Markit US Manufacturing PMI	Feb	57.5	57.3	57.5
03/01/2022	United States	ISM Manufacturing	Feb	58.0	58.6	57.6
03/01/2022	United States	ISM Prices Paid	Feb	77.5	75.6	76.1
03/01/2022	United States	ISM New Orders	Feb	56.3	61.7	57.9
03/01/2022	United States	ISM Employment	Feb	54.2	52.9	54.5
03/02/2022	France	Markit France Services PMI	Feb	57.9	55.5	57.9
03/02/2022	Germany	Unemployment Change (000's)	Feb	-22.5k	-33.0k	-48.0k
03/02/2022	Eurozone	CPI Estimate YoY	Feb	5.6%	5.8%	5.1%
03/02/2022	Eurozone	CPI MoM	Feb P	0.8%	0.9%	0.3%
03/02/2022	Eurozone	CPI Core YoY	Feb P	2.6%	2.7%	2.3%
03/02/2022	United States	U.S. Federal Reserve Releases Beige Book				



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
03/03/2022	Japan	Jibun Bank Japan PMI Services	Feb	--	44.2	42.7
03/03/2022	Japan	Jibun Bank Japan PMI Composite	Feb	--	45.8	44.6
03/03/2022	China	Caixin China PMI Composite	Feb	--	50.1	50.1
03/03/2022	China	Caixin China PMI Services	Feb	50.7	50.2	51.4
03/03/2022	Japan	Consumer Confidence Index	Feb	35.0	35.3	36.7
03/03/2022	France	Markit France Composite PMI	Feb	57.4	55.5	57.4
03/03/2022	Germany	Markit Germany Services PMI	Feb	56.6	55.8	56.6
03/03/2022	Germany	Markit/BME Germany Composite PMI	Feb	56.2	55.6	56.2
03/03/2022	Eurozone	Markit Eurozone Services PMI	Feb	55.8	55.5	55.8
03/03/2022	Eurozone	Markit Eurozone Composite PMI	Feb	55.8	55.5	55.8
03/03/2022	United Kingdom	Markit/CIPS UK Services PMI	Feb	60.8	60.5	60.8
03/03/2022	United Kingdom	Markit/CIPS UK Composite PMI	Feb	60.2	59.9	60.2
03/03/2022	Eurozone	PPI MoM	Jan	2.8%	5.2%	3.0%
03/03/2022	Eurozone	PPI YoY	Jan	27.3%	30.6%	26.3%
03/03/2022	Eurozone	Unemployment Rate	Jan	6.9%	6.8%	7.0%
03/03/2022	United States	Initial Jobless Claims	Feb	225k	215k	233k
03/03/2022	United States	Markit US Services PMI	Feb	56.7	56.5	56.7
03/03/2022	United States	Markit US Composite PMI	Feb	56.0	55.9	56.0
03/03/2022	United States	ISM Services Index	Feb	61.1	56.5	59.9
03/03/2022	United States	Cap Goods Orders Nondef Ex Air	Jan	--	1.0%	0.9%
03/04/2022	France	Industrial Production MoM	Jan	0.5%	1.6%	-0.1%
03/04/2022	Eurozone	Retail Sales MoM	Jan	1.5%	0.2%	-2.7%
03/04/2022	Eurozone	Retail Sales YoY	Jan	9.2%	7.8%	2.1%
03/04/2022	United States	Average Hourly Earnings YoY	Feb	5.8%	5.1%	5.5%
03/04/2022	United States	Change in Nonfarm Payrolls	Feb	423k	678k	481k
03/04/2022	United States	Unemployment Rate	Feb	3.9%	3.8%	4.0%
03/04/2022	United States	Average Hourly Earnings MoM	Feb	0.5%	0.0%	0.6%
03/04/2022	United States	Average Weekly Hours All Employees	Feb	34.6	34.7	34.6
03/04/2022	United States	Labor Force Participation Rate	Feb	62.2%	62.3%	62.2%
03/04/2022	United States	Underemployment Rate	Feb	--	7.2%	7.1%

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

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COMING INDICATORS

This week's highlight is the ECB's governing council meeting. It is eagerly awaited considering the high level of inflation and the prospect of further increases, given the jump in energy prices and food prices. The updated staff projections will shed light on the ECB's assessment of the economic consequences for the euro area of the war in Ukraine. In the US, the focus will be on the inflation numbers, which should shape expectations in terms of Federal Reserve policy this year (number and size of the rate hikes). In Japan and the euro area we will have a new estimate for last year's 4th quarter growth. China will publish inflation data and in France, the Banque de France industrial sentiment index will be released as well as job creation in the final quarter of last year. In the US, we will also have University of Michigan sentiment.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
03/07/2022	China	Exports YTD YoY	Feb	17.30%	60.60%
03/07/2022	China	Imports YTD YoY	Feb	16.50%	22.20%
03/08/2022	Japan	Eco Watchers Survey Outlook SA	Feb	--	42.5
03/08/2022	Japan	Eco Watchers Survey Current SA	Feb	--	37.9
03/08/2022	Eurozone	GDP SA QoQ	4Q	--	0.30%
03/08/2022	Eurozone	GDP SA YoY	4Q	--	4.60%
03/08/2022	United States	NFIB Small Business Optimism	Feb	97.4	97.1
03/09/2022	Japan	GDP SA QoQ	4Q	1.40%	1.30%
03/09/2022	China	PPI YoY	Feb	8.60%	9.10%
03/09/2022	China	CPI YoY	Feb	0.80%	0.90%
03/09/2022	France	Private Sector Payrolls QoQ	4Q	--	0.50%
03/09/2022	United States	JOLTS Job Openings	Jan	10968k	10925k
03/10/2022	Eurozone	ECB Deposit Facility Rate	Mar	--	-0.50%
03/10/2022	United States	CPI MoM	Feb	0.80%	0.60%
03/10/2022	United States	CPI Ex Food and Energy MoM	Feb	0.50%	0.60%
03/10/2022	United States	CPI YoY	Feb	7.90%	7.50%
03/10/2022	United States	Initial Jobless Claims	Mar	--	215k
03/10/2022	United States	CPI Ex Food and Energy YoY	Feb	6.40%	6.00%
03/11/2022	Germany	CPI EU Harmonized MoM	Feb	--	0.90%
03/11/2022	Germany	CPI EU Harmonized YoY	Feb	--	5.50%
03/11/2022	United Kingdom	Monthly GDP (MoM)	Jan	--	-0.20%
03/11/2022	United States	U. of Mich. Sentiment	Mar	63.5	62.8
03/11/2022	United States	U. of Mich. Current Conditions	Mar	--	68.2
03/11/2022	United States	U. of Mich. Expectations	Mar	--	59.4
03/11/2022	United States	U. of Mich. 1 Yr Inflation	Mar	--	4.90%
03/11/2022	United States	U. of Mich. 5-10 Yr Inflation	Mar	--	3.00%
03/11/2022	France	Bank of France Ind. Sentiment	Feb	--	106

SOURCE: BLOOMBERG



FURTHER READING

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Geopolitical uncertainty, monetary and fiscal policy	EcoTVWeek	4 March 2022
Indonesia: mixed consolidation of external accounts	Chart of the Week	2 March 2022
Eurozone : Radical geopolitical uncertainty	EcoWeek	28 February 2022
Rise in sovereign rates and Italian debt: can we draw parallels with the situation in 2010/11?	EcoTVWeek	25 February 2022
France : French households: purchasing power is under pressure	EcoFlash	25 February 2022
Japan : Deflation intensifies in the services sector	Chart of the Week	23 February 2022
Global : Companies' pricing power and the inflation outlook	EcoWeek	21 February 2022
Chile: new President takes office	EcoTVWeek	18 February 2022
France: sharp acceleration in contactless card payments	Chart of the Week	16 February 2022
French industry: a challenge of scale	EcoFlash	15 February 2022
Eurozone sovereign spreads: haunted by the stylised facts	EcoWeek	14 February 2022
France: Towards a EUR 100 bn trade deficit in 2022?	EcoTVWeek	11 February 2022
Egypt: pressure on foreign currency liquidity	Chart of the Week	9 February 2022
ECB: rules and a lot of discretion	EcoWeek	7 February 2022
Inflation: a cycle in the three phases	EcoTVWeek	4 February 2022
European Union: Inflation in France and Germany: an unusual gap	Chart of the Week	2 February 2022
US: US monetary policy outlook: more questions than answers	EcoWeek	31 January 2022
The new Turkish economic policy	EcoTVWeek	28 January 2022
France: Shortages in industry - less acute but not gone	Chart of the Week	26 January 2022
Economic analyses and economic forecasts for a selection of emerging countries	EcoEmerging	26 January 2022



GROUP ECONOMIC RESEARCH

William De Vijlder
Chief Economist

+33 1 55 77 47 31

william.devijlder@bnpparibas.com

OECD ECONOMIES AND STATISTICS

Hélène Baudchon
Head - Eurozone, Germany - Climate

+33 1 58 16 03 63

helene.baudchon@bnpparibas.com

Guillaume Derrien
Southern Europe, Japan - International trade

+33 1 55 77 71 89

guillaume.a.derrien@bnpparibas.com

Stéphane Colliac
France

+33 1 42 98 43 86

stephane.colliac@bnpparibas.com

Veary Bou, Patrick Capeillère, Tarik Rharrab
Statistics

ECONOMIC PROJECTIONS, RELATIONSHIP WITH THE FRENCH NETWORK

Jean-Luc Proutat
Head - United States, United Kingdom

+33 1 58 16 73 32

jean-luc.proutat@bnpparibas.com

BANKING ECONOMICS

Laurent Quignon
Head

+33 1 42 98 56 54

laurent.quignon@bnpparibas.com

Céline Choulet

+33 1 43 16 95 54

celine.choulet@bnpparibas.com

Thomas Humblot

+33 1 40 14 30 77

thomas.humblot@bnpparibas.com

EMERGING ECONOMIES AND COUNTRY RISK

François Faure
Head - Argentina

+33 1 42 98 79 82

francois.faure@bnpparibas.com

Christine Peltier
Deputy Head - Greater China, Vietnam, South Africa

+33 1 42 98 56 27

christine.peltier@bnpparibas.com

Stéphane Alby
Africa (French-speaking countries)

+33 1 42 98 02 04

stephane.alby@bnpparibas.com

Stéphane Colliac
Turkey, Ukraine, Central European countries

+33 1 42 98 26 77

stephane.colliac@bnpparibas.com

Pascal Devaux
Middle East, Balkan countries

+33 1 43 16 95 51

pascal.devaux@bnpparibas.com

Hélène Drouot
Korea, Thailand, Philippines, Mexico, Andean countries

+33 1 42 98 33 00

helene.drouot@bnpparibas.com

Perrine Guérin
Africa (English-speaking countries)

+33 1 42 98 43 86

perrine.guerin@bnpparibas.com

Salim Hammad
Latin America

+33 1 42 98 74 26

salim.hammad@bnpparibas.com

Johanna Melka
India, South Asia, Russia, CIS

+33 1 58 16 05 84

johanna.melka@bnpparibas.com

CONTACT MEDIA

Mickaëlle Fils Marie-Luce

+33 1 42 98 48 59

mickaëlle.filsmarie-luce@bnpparibas.com



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Head office: 16 boulevard des Italiens - 75009 Paris France / Phone : +33 (0) 1.42.98.12.34
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