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The bank for a changing world

US FISCAL STIMULUS: DOING NOT ENOUGH IS THE GREATER RISK

The dire state of the labour market requires a major support effort for the economy. This view is shared by Fed Chairman Jerome Powell and Treasury Secretary Yellen. The massive fiscal stimulus plan prepared by the Biden administration has received criticism from prominent economists. They argue that the plan is too big and could trigger a sizeable increase in inflation. In deciding on the size of the fiscal plan, risk management considerations play an important role. Doing not enough is clearly the greater risk. However, doing a lot will eventually force the Federal Reserve to demonstrate its independence by not shying away from raising rates despite the impact on government finances.

In her recent nomination hearing before the US Senate Committee on Finance, Janet Yellen observed *"Economists don't always agree, but I think there is a consensus now: Without further action, we risk a longer, more painful recession now – and long-term scarring of the economy later."*[1]

With the benefit of hindsight, this statement has turned out to be somewhat optimistic. The USD 1.9 trillion fiscal stimulus plan that has been put forward by the Biden administration has received criticism, most notable from Larry Summers[2]. Whilst noting that the Biden plan's *"ambition, its rejection of austerity orthodoxy and its commitment to reducing economic inequality are all admirable"*, he is concerned about the size, which would correspond to at least three times the output gap. This could *"set off inflationary pressures of a kind we have not seen in a generation, with consequences for the value of the dollar and financial stability."*

Moreover, at a later stage, it would limit the possibility to increase public investment in infrastructure, education, renewable energy, etc. Coming from a prominent economist and former Treasury Secretary, these remarks should not be taken lightly. Former IMF chief economist Olivier Blanchard also has his reservations about the size of the plan and considers that USD 1 trillion should be sufficient[3]. Paul Krugman, the recipient of the 2008 Nobel Prize in Economics, on the other hand, argues that the plan is not too big. The necessary size has been determined based on a bottom-up process with careful identification of the needs. Moreover, we don't know for sure the size of the inflation risk and, should inflation rise too much, the Federal Reserve could bring it back under control without triggering a recession[4].

1. *"Hearing to Consider the Anticipated Nomination of the Honorable"* Janet L. Yellen to Secretary of the Treasury, United States Senate Committee on Finance, 19 January 2021, www.finance.senate.gov.
2. Larry Summers, *"The Biden stimulus is admirably ambitious. But it brings some big risks, too"*, The Washington Post, 4 February 2021.
3. Olivier Blanchard, *"The Federal Debt and the Covid-19 Recession"*, podcast, Econofact, 8 February 2021.
4. Paul Krugman, *"Fighting Covid is Like Fighting a War"*, The New York Times, 7 February 2021.

The necessity to "act big", as stated by Janet Yellen in her confirmation hearing and the concern raised by others about what happens to inflation reminds us of the inflation/unemployment trade-off that has been at the heart of macroeconomic debate for decades. This relationship – also known as the Phillips curve – has for a long time underpinned the conduct of monetary policy, leading to preemptive tightening when the unemployment was on a strongly declining path and approaching the natural rate.

However, the link between the unemployment rate and inflation has gradually become very loose in recent years, which – already in the latter part of Alan Greenspan's Chairmanship at the Fed – has triggered a change in the conduct of monetary policy. It has become reactive with respect to inflation based on the view that the natural rate of unemployment is very hard to estimate with sufficient precision[5].

5. This was clearly explained by Jerome Powell in his Jackson Hole speech in 2018. See: Fed: Avoiding the risks of stargazing, BNP Paribas, Ecoweek, 31 August 2018. https://economic-research.bnpparibas.com/pdf/en-US/Avoiding-risks-stargazing-8/31/2018,31226

US CUMULATIVE JOB CREATIONS SINCE CYCLICAL TROUGH OF EMPLOYMENT

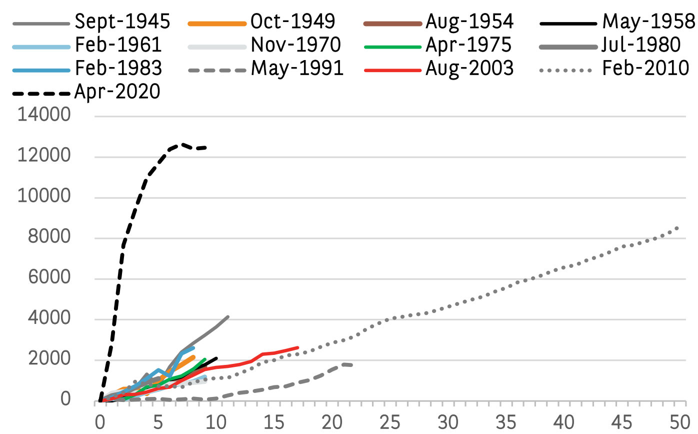


CHART 1

SOURCE: BLS, BNP PARIBAS

> Risk management considerations warrant a major fiscal stimulus in the US but this will eventually force the Federal Reserve to demonstrate its independence by not shying away from raising rates despite the impact on government finances.

Moreover, as an outcome of its Strategy Review, the Federal Reserve last year has adopted an asymmetric approach with respect to employment. A high level of unemployment would trigger easing measures whereas a very low level will not necessarily cause a tightening, unless inflation or instability risks would be on the rise[6].

In a recent speech[7], Jerome Powell has expressed at length his concern about the dire state of the labour market. The decline of the published unemployment rate to 6.3% in January *"dramatically understated"* the deterioration in the labour market. Correcting for the decline in the participation rate and for misclassifications – certain unemployed people being reported as having a job –, the unemployment rate is close to 10%. Moreover, disparities have increased: *"the decline in employment for workers in the top quartile of the wage distribution has been only 4 percent, while the decline for the bottom quartile has been a staggering 17 percent (...) employment for these workers has changed little in recent months, while employment for the higher-wage groups has continued to improve."*

About 10 million jobs still need to be created to reach the pre-pandemic employment level. Following the Great Recession, it took the US economy about 50 months to create the 8 million jobs that had been lost before. The longer it takes, the more hardship in the short run but also the bigger the risk of longer-lasting consequences, e.g. due to the increased difficulty of finding a job for the longer-term unemployed. Against this background, the necessity for ongoing monetary support is beyond doubt: *"My colleagues and I are strongly committed to doing all we can to promote this employment goal."* However, *"achieving and sustaining maximum employment will require more than supportive monetary policy. It will require a society-wide commitment, with contributions from across government and the private sector."* Clearly, there is full alignment between Powell and Yellen in terms of the analysis and what needs to be done. The central bank needs fiscal policy to enhance the effectiveness of its policy whereas the Treasury needs the Federal Reserve's accommodative stance to keep the cost of new borrowing low.

In deciding on the size of the fiscal plan, risk management considerations play an important role. The consequences of not doing enough – out of fear of triggering an outburst of inflation – are pretty clear. It would mean slow progress in reducing unemployment, in particular for lower income households, which have suffered more than others and are already financially stretched. Assessing the consequences of doing too much is more difficult. 'Running the economy hot' should allow for a swift return to maximum employment and a closing of the output gap. It is not clear how much of a lasting acceleration in inflation this would generate, considering that the relationship between the unemployment gap – the difference between the unemployment rate and the natural rate of unemployment – or the output gap and inflation is not that close. This implies that it is not clear how much of a monetary tightening a 'doing too much' scenario would trigger, nor how financial markets – the part of the economy which, together with housing, is most sensitive to rate hikes – would react. Unsurprisingly, based on a risk management approach, it is recommended to avoid ending up in a situation of not having done enough.

6. *"The Federal Reserve enters a new era of inflation targeting"*, BNP Paribas, Ecoweek, 31 August 2020. https://economic-research.bnpparibas.com/pdf/en-US/Federal-Reserve-enters-inflation-targeting-8/31/2020,39276
7. *"Getting Back to a Strong Labor Market"*, Remarks by Jerome H. Powell at the Economic Club of New York, 10 February 2021. Source: Federal Reserve. https://www.federalreserve.gov/newsevents/speech/powell20210210a.htm

US CORE PCE AND UNEMPLOYMENT RATE

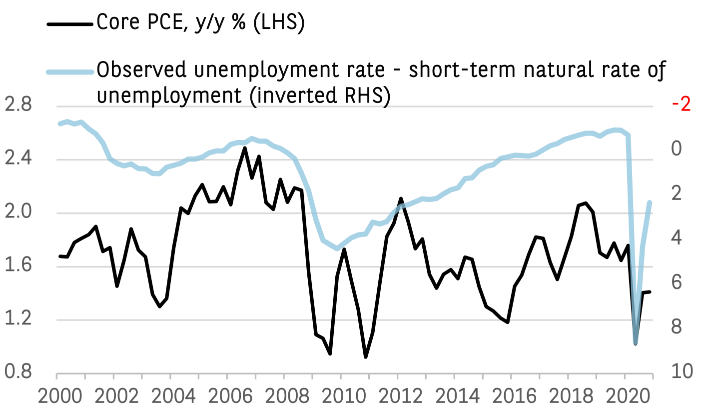


CHART 2 SOURCE: BEA, BLS, FRED, BNP PARIBAS

US CORE PCE AND OUTPUT GAP

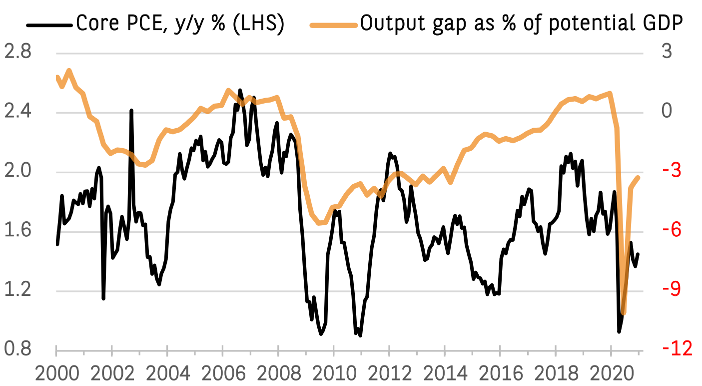


CHART 3 SOURCE: BEA, CBO, BNP PARIBAS

The Federal Reserve will appreciate that this would bring forward the start of monetary policy normalisation. However, it will also be confronted with the key challenge of being able to demonstrate its independence and to not shy away from raising rates despite what this would mean for an economy with a significantly higher public indebtedness.

William De Vijlder

MARKETS OVERVIEW

OVERVIEW

Week 5-2 21 to 11-2-21

↗ CAC 40	5 659	▸	5 670	+0.2	%
↗ S&P 500	3 887	▸	3 916	+0.8	%
↗ Volatility (VIX)	20.9	▸	21.3	+0.4	pb
↘ Euribor 3M (%)	-0.54	▸	-0.54	-0.6	bp
↗ Libor $ 3M (%)	0.19	▸	0.20	+1.0	bp
↘ OAT 10y (%)	-0.29	▸	-0.30	-1.0	bp
↘ Bund 10y (%)	-0.47	▸	-0.49	-2.2	bp
↘ US Tr. 10y (%)	1.17	▸	1.14	-3.1	bp
↗ Euro vs dollar	1.20	▸	1.21	+0.9	%
↗ Gold (ounce, $)	1 808	▸	1 837	+1.6	%
↗ Oil (Brent, $)	59.5	▸	61.2	+2.9	%

MONEY & BOND MARKETS

Interest Rates			highest 21			lowest 21		
€	ECB	0.00	0.00	at	01/01	0.00	at	01/01
	Eonia	-0.48	-0.47	at	26/01	-0.50	at	01/01
	Euribor 3M	-0.54	-0.54	at	05/02	-0.56	at	06/01
	Euribor 12M	-0.50	-0.49	at	25/01	-0.52	at	02/02
$	FED	0.25	0.25	at	01/01	0.25	at	01/01
	Libor 3M	0.20	0.24	at	13/01	0.19	at	05/02
	Libor 12M	0.31	0.34	at	01/01	0.30	at	02/02
£	BoE	0.10	0.10	at	01/01	0.10	at	01/01
	Libor 3M	0.05	0.05	at	10/02	0.03	at	01/01
	Libor 12M	0.12	0.12	at	08/02	0.07	at	11/01

At 11-2-21

Yield (%)			highest 21		lowest 21	
€	AVG 5-7y	-0.42	-0.38	at 22/01	-0.46	at 04/01
	Bund 2y	-0.71	-0.67	at 12/01	-0.75	at 01/01
	Bund 10y	-0.49	-0.47	at 05/02	-0.60	at 04/01
	OAT 10y	-0.30	-0.27	at 10/02	-0.41	at 04/01
	Corp. BBB	0.54	0.58	at 29/01	0.50	at 08/01
$	Treas. 2y	0.11	0.15	at 06/01	0.11	at 05/02
	Treas. 10y	1.14	1.17	at 05/02	0.91	at 01/01
	High Yield	4.63	4.86	at 12/01	4.63	at 11/02
£	gilt. 2y	0.02	0.05	at 05/02	-0.08	at 04/01
	gilt. 10y	0.49	0.51	at 05/02	0.21	at 04/01

At 11-2-21

EXCHANGE RATES

1€ =		highest 21			lowest 21			2021
USD	1.21	1.23	at	06/01	1.20	at	04/02	-0.8%
GBP	0.88	0.91	at	06/01	0.88	at	05/02	-1.9%
CHF	1.08	1.09	at	07/01	1.08	at	18/01	-0.1%
JPY	127.05	127.42	at	07/01	125.22	at	18/01	+0.6%
AUD	1.56	1.60	at	04/01	1.56	at	14/01	-1.4%
CNY	7.81	8.00	at	01/01	7.74	at	04/02	-2.4%
BRL	6.52	6.69	at	11/01	6.33	at	18/01	+2.6%
RUB	89.29	92.20	at	28/01	88.87	at	20/01	-1.3%
INR	88.39	89.88	at	07/01	87.40	at	04/02	-1.1%

At 11-2-21 *Change*

COMMODITIES

Spot price, $		highest 21			lowest 21			2021	2021(€)
Oil, Brent	61.2	61.6	at	10/02	51.2	at	04/01	+17.9%	+18.9%
Gold (ounce)	1 837	1 947	at	05/01	1 790	at	04/02	-3.2%	-2.4%
Metals, LMEX	3 643	3 643	at	11/02	3 415	at	01/01	+6.7%	+7.6%
Copper (ton)	8 289	8 303	at	10/02	7 749	at	01/01	+7.0%	+7.9%
wheat (ton)	247	2.6	at	15/01	247	at	11/02	-0.3%	+0.6%
Corn (ton)	208	2.2	at	08/02	188	at	04/01	+1.0%	+11.4%

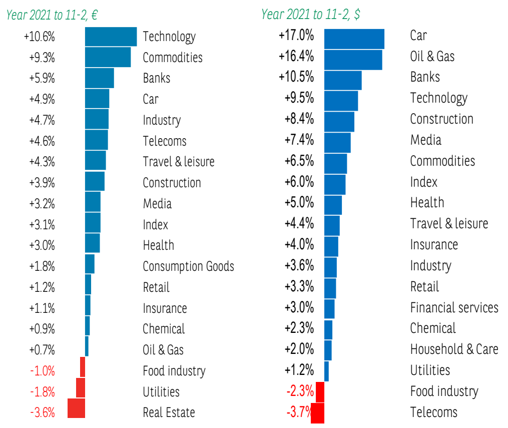
At 11-2-21 *Change*

EQUITY INDICES

	Index	highest 21			lowest 21			2021
World								
MSCI World	2 807	2 807	at	11/02	2 662	at	29/01	+4.4%
North America								
S&P500	3 916	3 916	at	11/02	3 701	at	04/01	+4.3%
Europe								
EuroStoxx50	3 672	3 672	at	11/02	3 481	at	29/01	+3.4%
CAC 40	5 670	5 707	at	08/01	5 399	at	29/01	+0.2%
DAX 30	14 041	14 060	at	04/02	13 433	at	29/01	+2.3%
IBEX 35	8 038	8 408	at	08/01	7 758	at	29/01	-0.0%
FTSE100	6 529	6 873	at	08/01	6 407	at	29/01	+0.1%
Asia								
MSCI, loc.	1 112	1 112	at	11/02	1 044	at	06/01	+0.6%
Nikkei	29 563	29 563	at	10/02	27 056	at	06/01	+7.7%
Emerging								
MSCI Emerging ($)	1 428	1 428	at	11/02	1 292	at	01/01	+1.1%
China	128	128	at	11/02	108	at	01/01	+17.9%
India	727	727	at	11/02	659	at	29/01	+7.4%
Brazil	1 818	1 941	at	14/01	1 727	at	29/01	+0.3%
Russia	693	722	at	14/01	647	at	01/02	+3.1%

At 11-2-21 *Change*

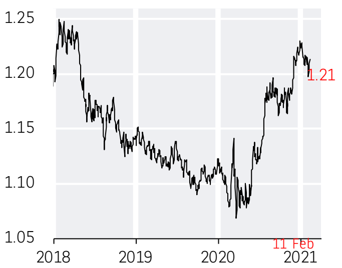
PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)



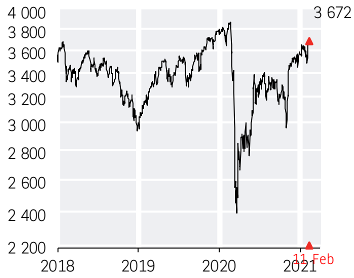
SOURCE: THOMSON REUTERS,

MARKETS OVERVIEW

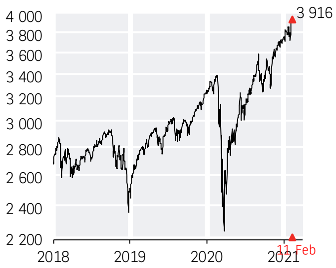
EURO-DOLLAR



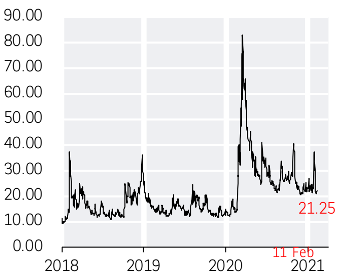
EUROSTOXX50



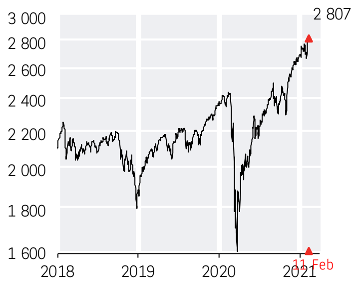
S&P500



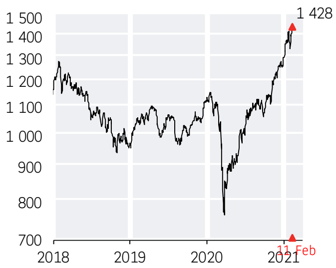
VOLATILITY (VIX, S&P500)



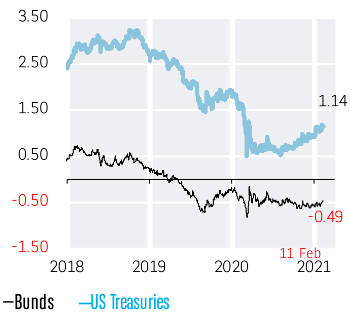
MSCI WORLD (USD)



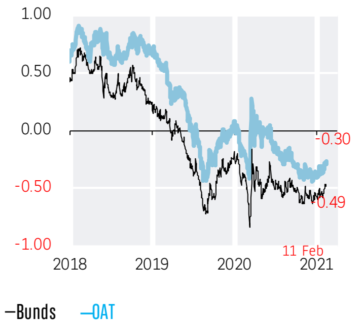
MSCI EMERGING (USD)



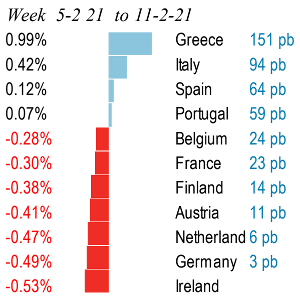
10Y BOND YIELD, TREASURIES VS BUND



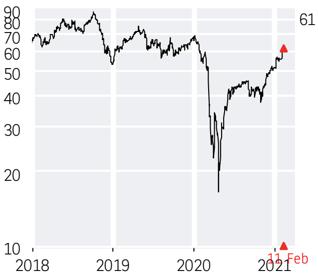
10Y BOND YIELD



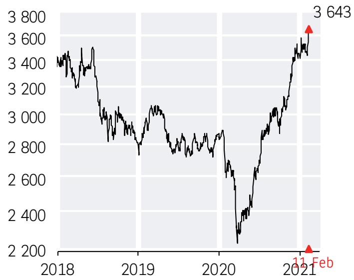
10Y BOND YIELD & SPREADS



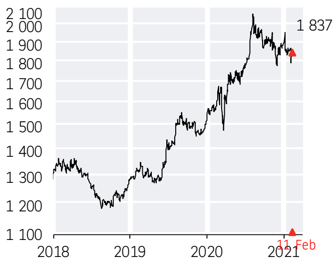
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: THOMSON REUTERS,

ECONOMIC PULSE

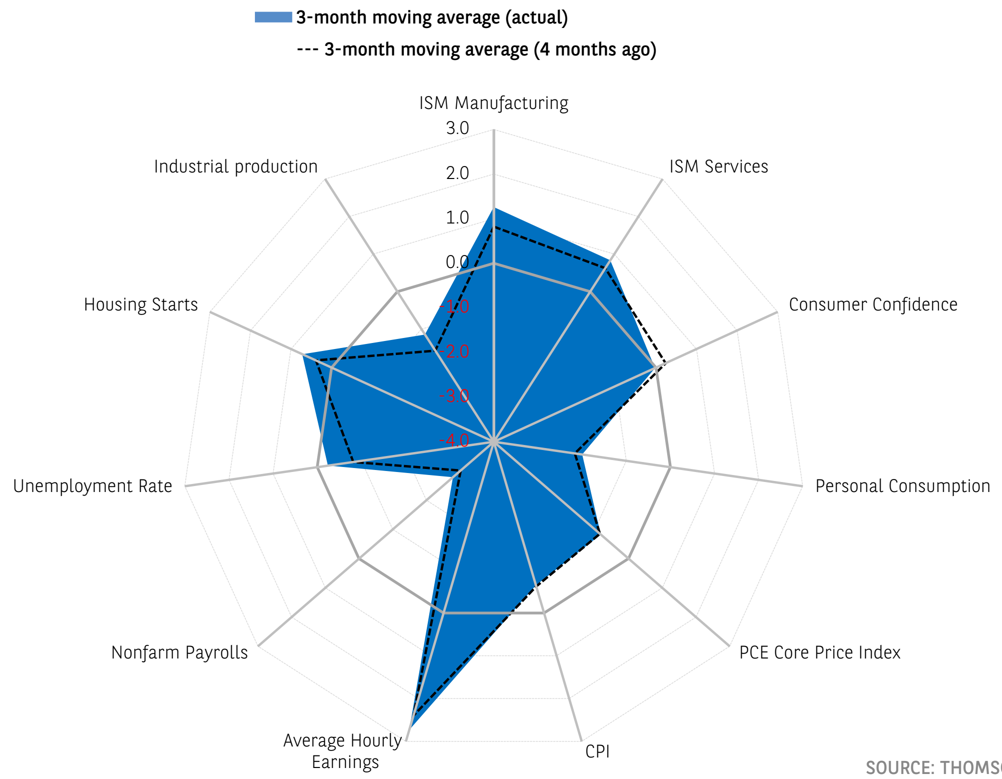
UNITED STATES: LIGHT AT THE END OF THE TUNNEL

Even as the Covid-19 pandemic spreads to more victims than ever in the United States, there have never been such high hopes for a recovery. With the number of deaths averaging nearly 3000 a day since January 15 – 50% more than during the April 2020 peak – the health situation remains persistently bad. At 12 February, the pandemic had caused 470,000 deaths, which is still the world record.

Yet vaccination campaigns are also accelerating. The United States is beginning to see the light at the end of the tunnel: nearly 45 million doses have already been administered, and the number of new cases is falling (100,000 new cases a day, down from nearly double that figure the previous month). Except for the outbreak of an uncontrollable variant, herd immunity now seems within reach by early fall 2021, a hypothesis cautiously put forward by Dr. Anthony Fauci, the White House's chief medical advisor. By year end, the US GDP could have regained most of the ground lost since 2019, bolstered by a massive fiscal stimulus package of USD 1.9 trillion (9 points of GDP) that Congress is still debating. In the meantime, economic activity will continue to benefit from strong monetary support. In a speech before the Economic Club of New York, Federal Reserve chairman Jerome Powell justified his "patiently accommodating" policy bias based on the job market situation, which is far from satisfactory. In January, non-farm payroll job creations were weak (49,000 new jobs) and failed to offset December's job losses (227,000 jobs). Compared to the pre-Covid situation, the working population has shrunk by 10 million employees, a bigger loss than during the 2008 financial crisis. The jobless rate is only 6.3%, but this figure is held down by a historically low participation rate. Inflation is not a problem, at only 1.4% year-on-year in January. Although Mr. Powell expects inflation to accelerate in the wake of rising oil prices and after the easing of lockdown restrictions, he nonetheless expects it to remain transitory. The return to full employment and the ensuing increase in prices is unlikely to occur until much later

Jean-Luc Proutat

QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +3. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

ECONOMIC PULSE

PMI: BROAD-BASED STRENGTH IN MANUFACTURING WHEREAS SERVICES OFFER A MORE DIVERSE PICTURE

The World composite purchasing managers' index has been in a narrow range since August last year. At 52.3, it is still comfortably above the 50 mark, although it has been trending down since the peak of 53.3 reached in October. However, the dynamics at the country level are very heterogeneous. The US index saw a big jump in January, reaching the highest level for the period under review. The index remains at a very strong level in India but has eased in China. With the exception of Germany (50.8), the numbers for the European countries are below the 50 mark, sometimes significantly, such as in Ireland, Spain and the UK.

In the manufacturing sector, the message is quite different. At the world level, it eased very slightly in January, remaining close to the high over the past 12 months. Importantly, 15 countries have a PMI above 54 whereas only 3 have an index lower than 46. The US PMI continues to strengthen, reaching second place, right behind Switzerland. The eurozone and its members are doing fine, with exception of Spain, which dropped below 50. Germany and the Netherlands are particularly strong and Italy saw a significant improvement. The same applies to Turkey. China on the other hand recorded again a decline. The index is now at 51.5 coming from 54.9 in November.

The picture is less favourable for new export orders. The index was again down at the global level and it improved significantly in the US. However, in China, it dropped well below the 50 mark. Vietnam also saw a decline, although less strong than in China. The biggest drop was recorded in Russia. In Europe, the data for Germany, Spain and Italy are particularly robust. The index for the UK had a huge decline, from 55.6 to 48.4.

The employment component of the manufacturing PMI shows that companies remain cautious in their assessment of hiring needs. At the global level, the index has been remarkably stable for the past three months, slightly above the 50 mark. The reading improved in the US and inched higher in the eurozone. In France it dropped below 50 to 49.1, whereas it improved in Germany, to 47.8. Spain recorded a considerable drop, to 46.9. The services PMI had another small decline at the global level but at 51.6, it is still well above 50. This is underpinned by the strong scores for the US –where the index rebounded significantly-, Australia, China –which saw a large decline from 56.3 to 52.0- and India. The poor data for the eurozone reflect the impact of the restrictions to fight the pandemic.

William De Vijlder

COMPOSITE PMI

	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
	Developed Markets																			Emerging countries															
	WD	NA		Europe												Asia-Oceania				LAT AM		Eurasia				Middle East & Africa					Asia				
Feb-20	46.1		49.6	51.6			52.0	50.7		56.7	50.7		51.8		53.0			47.0		50.9				50.9							27.5		57.6		
Mar-20	39.2		40.9	29.7			28.9	35.0		37.3	20.2		26.7		36.0			36.2		37.6				39.5							46.7		50.6		
Apr-20	26.2		27.0	13.6			11.1	17.4		17.3	10.9		9.2		13.8			25.8		26.5				13.9							47.6		7.2		
May-20	36.3		37.0	31.9			32.1	32.3		25.7	33.9		29.2		30.0			27.8		28.1				35.0							54.5		14.8		
Jun-20	47.9		47.9	48.5			51.7	47.0		44.3	47.6		49.7		47.7			40.8		40.5				48.9							55.7		37.8		
Jul-20	51.1		50.3	54.9			57.3	55.3		55.9	52.5		52.8		57.0			44.9		47.3				56.8							54.5		37.2		
Aug-20	52.5		54.6	51.9			51.6	54.4		54.0	49.5		48.4		59.1			45.2		53.9				57.3							55.1		46.0		
Sep-20	52.5		54.3	50.4			48.5	54.7		46.9	50.4		44.3		56.5			46.6		53.6				53.7							54.5		54.6		
Oct-20	53.3		56.3	50.0			47.5	55.0		49.0	49.2		44.1		52.1			48.0		55.9				47.1							55.7		58.0		
Nov-20	53.1		58.6	45.3			40.6	51.7		47.7	42.7		41.7		49.0			48.1		53.8				47.8							57.5		56.3		
Dec-20	52.7		55.3	49.1			49.5	52.0		53.4	43.0		48.7		50.4			48.5		53.5				48.3							55.8		54.9		
Jan-21	52.3		58.7	47.8			47.7	50.8		40.3	47.2		43.2		41.2			47.1		48.9				52.3							52.2		55.8		

* Manufacturing and services

MANUFACTURING PMI

	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
	Developed Markets																			Emerging countries															
	WD	NA		Europe												Asia-Oceania				LAT AM		Eurasia				Middle East & Africa					Asia				
Feb-20	47.1	51.8	50.7	49.2	50.2	46.8	49.8	48.0	56.2	51.2	48.7	52.9	50.4	49.2	51.7	44.3	54.3	47.8	48.7	52.3	50.0	46.5	48.2	48.2	52.4	47.1	45.4	52.5	39.7	49.1	40.3	33.1	54.5	51.9	49.0
Mar-20	47.3	46.1	48.5	44.5	45.8	44.9	43.2	45.4	42.5	45.1	40.3	50.5	45.7	43.5	47.8	53.7	38.5	44.8	45.4	48.4	47.9	41.3	42.4	47.5	48.1	44.2	35.0	42.4	41.8	45.2	50.1	34.9	51.8	45.3	41.9
Apr-20	39.6	33.0	36.1	33.4	31.6	37.6	31.5	34.5	29.5	36.0	31.1	41.3	30.8	41.2	32.6	35.8	26.3	41.9	44.7	36.0	35.0	35.1	31.9	31.3	33.4	29.7	30.9	44.4	30.3	44.1	49.4	36.9	27.4	27.5	32.7
May-20	42.4	40.6	39.8	39.4	40.4	54.5	40.6	36.6	41.1	39.2	45.4	40.5	38.3	42.5	40.7	41.6	40.5	38.4	46.8	38.3	38.3	39.6	40.6	36.2	40.9	40.7	37.2	48.1	43.7	46.7	50.7	43.9	30.8	28.6	42.7
Jun-20	47.9	47.8	49.8	47.4	46.5	52.3	52.3	45.2	49.4	51.0	47.5	45.2	49.0	41.4	50.1	51.5	56.6	40.1	48.0	51.6	38.6	44.9	47.2	49.4	53.9	44.6	43.2	47.7	53.3	50.4	51.2	49.6	47.2	39.1	51.1
Jul-20	50.6	52.9	50.9	51.8	52.8	56.4	52.4	51.0	48.6	57.3	51.9	47.9	53.5	49.6	53.3	53.5	59.2	45.2	50.2	58.2	40.4	47.0	52.8	48.4	56.9	49.6	44.9	50.0	49.4	50.8	52.8	44.5	46.0	46.9	47.6
Aug-20	51.8	55.1	53.1	51.7	51.0	51.6	49.8	52.2	49.4	52.3	53.1	52.3	49.9	51.0	55.2	49.3	50.9	47.2	50.1	64.7	41.3	49.1	50.6	51.1	54.3	49.4	40.1	48.8	55.8	49.4	53.1	44.0	52.0	50.8	45.7
Sep-20	52.4	56.0	53.2	53.7	51.7	53.8	51.2	56.4	50.0	50.0	53.2	52.5	50.8	52.8	54.1	46.7	53.6	47.7	50.3	64.9	42.1	50.7	50.8	48.9	52.8	50.4	42.1	50.7	58.5	51.0	53.0	47.7	56.8	47.2	52.2
Oct-20	53.0	55.5	53.4	54.8	54.0	63.2	51.3	58.2	48.7	50.3	53.8	50.4	52.5	52.9	53.7	56.3	52.1	48.7	50.5	66.7	43.6	51.9	50.8	46.9	53.9	51.4	43.3	51.0	60.9	49.5	53.6	49.8	58.9	47.8	51.8
Nov-20	53.8	55.8	56.7	53.8	51.7	46.6	49.6	57.8	42.3	52.2	51.5	54.4	49.8	54.5	55.6	52.1	54.7	49.0	50.4	64.0	43.7	53.9	50.8	46.3	51.4	50.9	42.4	54.7	52.6	49.5	54.9	50.1	56.3	50.6	49.9
Dec-20	53.8	57.9	57.1	55.2	53.5	41.7	51.1	58.3	46.9	57.2	52.8	58.2	51.0	57.3	57.5		48.7	50.0	50.5	61.5	42.4	57.0	51.7	49.7	50.8	48.2	43.2	57.0	50.3	51.2	53.0	43.5	56.4	51.3	51.7
Jan-21	53.5	54.4	59.2	54.8	54.2	42.1	51.6	57.1	50.0	51.8	55.1	58.8	49.3	59.4	54.1	55.3		49.8	50.7	56.5	43.0	57.0	51.9	50.9	54.4	48.7	41.0	57.1	50.9	51.2	51.5	47.8	57.7	52.2	51.3

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SOURCE: MARKIT, BNP PARIBAS

ECONOMIC PULSE

SERVICES PMI

	World	USA	EURO ZONE	FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	LEBANON	CHINA	HONG KONG	INDIA
Feb-20	47.1	49.4	52.6	52.5	52.5	59.9	52.1	52.1	53.2	47.0	46.8	50.4	52.0	45.4	26.5	33.1	57.5
Mar-20	36.8	39.8	26.4	27.4	31.7	32.5	17.4	23.0	34.5	38.7	33.8	34.5	37.1	35.0	43.0	34.9	49.3
Apr-20	23.7	26.7	12.0	10.2	16.2	13.9	10.8	7.1	13.4	27.1	21.5	27.4	12.2	30.9	44.4	36.9	5.4
May-20	35.2	37.5	30.5	31.1	32.6	23.4	28.9	27.9	29.0	31.7	26.5	27.6	35.9	37.2	55.0	43.9	12.6
Jun-20	48.1	47.9	48.3	50.7	47.3	39.7	46.4	50.2	47.1	31.5	45.0	35.9	47.8	43.2	58.4	49.6	33.7
Jul-20	50.7	50.0	54.7	57.3	55.6	51.9	51.6	51.9	56.5	44.0	45.4	42.5	58.5	44.9	54.1	44.5	34.2
Aug-20	52.0	55.0	50.5	51.5	52.5	52.4	47.1	47.7	58.8	42.5	45.0	49.5	58.2	40.1	54.0	44.0	41.8
Sep-20	52.0	54.6	48.0	47.5	50.6	45.8	48.8	42.4	56.1	36.2	46.9	50.4	53.7	42.1	54.8	47.7	49.8
Oct-20	52.9	56.9	46.9	46.5	49.5	48.3	46.7	41.4	51.4	51.4	47.7	52.3	46.9	43.3	56.8	49.8	54.1
Nov-20	52.2	58.4	41.7	38.8	46.0	45.4	39.4	39.5	47.6	52.9	47.8	50.9	48.2	42.4	57.8	50.1	53.7
Dec-20	51.8	54.8	46.4	49.1	47.0	50.1	39.7	48.0	49.4		47.7	51.1	48.0	43.2	56.3	43.5	52.3
Jan-21	51.6	58.3	45.4	47.3	46.7	36.2	44.7	41.7	39.5	54.3	46.1	47.0	52.7	41.0	52.0	47.8	52.8

MANUFACTURING PMI – NEW EXPORT ORDERS

	Developed Markets																			Emerging countries															
	WD	NA		Europe												Asia-Oceania				LAT AM		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-20	45.0	50.5	49.1	47.6	49.3		47.5	46.1	57.7	48.4	48.5	50.8	49.5		49.6	44.5		47.1	48.1	49.2	51.1	44.8	44.1	47.8	52.8	##	45.9	50.6	47.7	49.8	36.4	18.6	54.2	49.1	49.2
Mar-20	43.0	44.2	46.2	37.0	36.0		34.7	35.8	34.4	41.7	36.0	45.5	40.9		43.0	44.6		40.0	43.0	46.3	49.0	33.9	35.4	43.1	42.0	##	21.3	41.3	39.4	44.3	46.4	17.7	46.9	29.8	37.0
Apr-20	27.1	30.9	24.9	18.9	17.5		15.6	18.8	18.8	25.7	18.2	28.1	17.3		25.2	42.6		33.0	42.5	30.2	30.8	22.7	21.7	22.0	21.2	##	17.5	37.8	32.3	35.2	33.7	19.7	10.3	8.5	17.7
May-20	32.3	39.2	25.9	28.7	30.2		29.2	24.5	36.1	30.9	35.8	29.6	30.4		33.9	31.1		30.8	45.6	31.7	34.2	32.2	29.4	30.5	29.8	##	30.9	45.1	20.2	40.2	41.7	36.4	11.8	15.8	34.3
Jun-20	43.5	43.6	47.9	43.1	37.0		42.5	41.4	48.1	52.1	44.5	41.4	47.5		44.9	47.2		37.4	47.2	45.2	36.1	40.7	43.0	42.0	50.5	##	36.7	43.9	33.5	51.1	47.0	42.0	38.9	21.5	48.5
Jul-20	47.2	47.8	49.8	51.8	49.6		45.9	54.8	45.2	58.7	48.9	46.4	53.9		47.7	41.4		40.2	50.5	46.2	41.6	43.6	50.5	48.5	54.4	##	45.3	45.7	40.7	47.7	48.3	36.2	43.3	38.4	41.7
Aug-20	49.9	52.9	52.9	51.9	50.4		48.3	55.7	46.9	52.5	46.5	55.2	49.8		51.5	52.2		47.3	50.2	46.2	44.4	47.1	50.3	48.8	53.4	##	33.6	45.4	38.7	48.5	50.7	38.0	47.8	40.1	42.0
Sep-20	51.7	51.3	51.2	55.5	52.7		51.5	61.2	49.3	47.7	51.3	54.0	51.4		53.4	46.5		47.3	50.4	53.9	42.0	50.2	51.0	43.8	50.9	##	40.8	52.0	45.8	50.9	54.4	44.8	53.8	36.4	52.9
Oct-20	51.3	52.9	49.3	56.3	56.8		50.1	61.3	46.2	49.0	55.8	53.2	51.2		54.1	52.7		50.6	50.8	54.2	42.1	52.1	53.5	50.4	51.7	##	42.2	48.4	49.3	50.6	51.0	47.8	55.2	37.6	50.0
Nov-20	51.8	50.2	50.5	53.0	53.7		45.4	58.4	35.9	50.1	49.6	53.9	49.2		55.5	50.0		49.2	50.9	55.3	40.4	55.1	49.7	52.4	49.5	##	41.4	52.0	47.1	49.5	53.3	47.6	54.8	47.5	46.8
Dec-20	51.1	54.0	50.7	54.6	54.8		49.7	57.3	38.7	51.8	53.2	60.1	52.6		55.6			48.6	50.7	52.8	38.4	55.1	52.6	50.4	47.7	##	44.6	51.5	47.6	52.9	51.8	40.2	51.8	41.1	52.8
Jan-21	50.1	49.9	54.0	54.7	54.0		49.6	58.8	42.3	47.7	54.5	58.1	49.8		48.4	61.4		48.2	50.9	49.9	41.9	53.3	53.7	41.3	53.4	##	40.5	53.5	45.9	55.2	47.4	43.9	53.9	44.2	49.9

MANUFACTURING PMI – EMPLOYMENT

	Developed Markets																		Emerging countries													
	WD	NA		Europe												Asia-Oceania			LAT AM		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	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	INDIA	INDONESIA	VIETNAM
Feb-20	47.2	51.1	50.6	47.7	51.1	56.6	48.6	45.0	57.7	48.4	49.2	53.9	49.2	50.4	49.7	49.5	51.4	50.9	51.7	49.4	44.1	47.3	47.9	53.2	46.8	50.0	37.1	49.4	41.2	50.4	50.6	48.4
Mar-20	47.3	44.6	47.0	44.3	42.7	41.1	45.4	43.0	46.2	42.6	45.3	49.0	45.2	42.2	44.2	47.6	45.4	49.6	46.5	49.2	41.5	43.2	49.9	51.9	47.0	49.6	39.1	44.8	48.6	50.4	47.0	44.3
Apr-20	41.5	25.1	36.4	35.8	33.3	40.4	32.5	37.2	30.0	30.5	39.3	39.9	30.9	40.8	28.1	38.8	41.4	46.1	39.0	34.2	35.4	38.6	33.4	44.5	46.1	47.2	26.9	46.4	47.7	43.1	34.3	38.2
May-20	43.1	32.7	38.0	37.6	41.0	33.8	35.7	36.5	38.4	40.1	40.6	40.7	35.2	42.6	31.4	41.6	39.5	49.5	39.1	35.7	37.7	43.6	34.6	47.3	45.5	48.7	26.9	48.7	49.2	42.7	31.5	44.2
Jun-20	46.0	44.8	47.9	41.3	44.1	45.2	44.6	38.8	47.9	46.1	40.3	41.2	44.6	39.4	41.4	45.9	48.3	47.7	43.7	36.8	41.1	46.5	46.9	52.8	44.6	47.0	33.2	46.4	48.6	44.3	39.1	47.8
Jul-20	47.4	50.9	49.6	42.9	48.5	49.1	48.8	37.2	48.4	50.8	45.0	42.9	47.4	46.1	43.9	48.2	47.2	47.8	52.3	38.7	42.7	47.8	44.7	54.8	46.1	47.8	33.7	47.5	49.5	44.3	43.5	45.4
Aug-20	48.6	53.9	52.7	44.2	44.7	49.2	44.7	40.2	50.5	47.5	49.4	48.3	46.7	45.7	43.8	47.8	49.2	48.4	56.4	41.5	45.1	49.6	48.6	54.3	45.9	48.2	38.6	41.5	49.8	45.5	46.9	43.7
Sep-20	49.5	54.3	52.5	47.1	49.1	45.6	46.5	44.2	50.9	49.1	51.9	47.7	50.1	47.1	46.5	51.8	51.5	49.8	56.5	44.6	48.1	51.1	45.6	55.2	48.3	49.0	44.8	47.7	50.1	45.4	46.1	48.5
Oct-20	49.5	51.2	51.9	47.2	46.7	54.0	47.9	44.4	49.8	50.8	50.5	48.0	50.4	45.0	45.4	48.7	52.3	48.9	58.2	45.6	50.3	52.3	47.4	55.5	47.8	48.8	49.1	47.6	50.2	47.3	45.6	50.5
Nov-20	50.2	52.5	51.7	48.7	47.4	46.8	48.7	47.2	45.0	51.2	51.5	51.7	48.3	47.9	47.2	53.1	51.3	49.1	56.8	46.3	50.7	52.8	45.4	54.4	48.5	50.1	47.2	48.8	51.3	47.4	47.0	48.4
Dec-20	50.1	55.8	52.2	49.2	49.4	46.2	50.4	46.5	47.8	53.0	53.2	52.4	48.5	51.8	48.8	53.4	49.9	50.1	53.8	43.4	53.2	52.5	47.9	54.4	47.6	49.1	43.8	47.7	49.9	47.6	47.4	50.8
Jan-21	50.2	51.3	54.7	49.4	51.2	47.8	49.1	47.8	50.9	50.8	53.2	52.1	46.9	52.2	50.6	52.9		48.7	51.2	44.2	52.1	52.1	50.2	56.1	48.7	49.3	48.6	50.2	49.6	48.1	47.5	49.9

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SOURCE: MARKIT, BNP PARIBAS

COVID-19: A HETEROGENEOUS VACCINATION PACE

The rollout of the vaccination process is vital for the economies to go back to normal again. According to the latest figures available on Oxford University's Our World in Data website, 152 million doses of Covid-19 vaccines were administered in 73 countries, adding 72 million doses and 9 countries up to 10 February. The United States, the United Kingdom and China head the list for most vaccines administered, with a total of 98 million, or nearly 65% of the global total. These three countries are also the main producers of Covid-19 vaccines.

On a per capita basis, Israel leads the field, with 69.5 doses per 100 people, a total of 6 million doses, followed by the United Arab Emirates, with 47.4 doses per 100 people. The United Kingdom is making progress with 20 doses per 100 people. This is very much welcome, as the country is facing a highly contagious variant. The United States, which has had the highest number of deaths compared to the size of its population has given 13.4 doses per 100 people, with a total of 44.8 million doses, or 30% of global vaccine production.

Denmark heads the European Union table with 6.1%, followed by Spain, at 4.8%. Germany, the EU's most populated country (83.8 million people) has a vaccination rate of 4.2%, putting it behind Italy (4.6%); in absolute terms, it has administered the biggest number of doses in the EU, with a total of 3.5 million. In South America, Chile leads the way, with a ratio of 5.6%, and a total of 1.1 million doses. It was one of the first South American countries to offer its citizens a vaccine. Amongst the continent's largest countries, Brazil lags Chile by some distance, with a ratio of 1.9%. China, the world's most populous country, has administered 2.8 doses per 100 people, or a total of 40.5 million doses. This represents 26.6% of global Covid-19 vaccine production to date. China produces three vaccines, developed by Sinopharm, CanSino Biologics and Sinovac Biotech. The CanSino vaccine has so far only been authorised in China. Lastly, Morocco, the first African country to launch a vaccination campaign, has a ratio of 2%, slightly above the world average of 1.9%.

Tarik Rharrab

CUMULATIVE COVID-19 VACCINATION DOSES ADMINISTERED PER 100 PEOPLE*

		Last update	Total vaccinations	Populations (million)
Israel	(69.5)	(10 Feb)	6.0	8.7
United Arab Emirates	(47.4)	(10 Feb)	4.7	9.9
United Kingdom	(20.0)	(09 Feb)	13.6	67.9
United States	(13.4)	(10 Feb)	44.8	331.0
Denmark	(6.1)	(09 Feb)	0.4	5.8
Chile	(5.6)	(09 Feb)	1.1	19.1
Spain	(4.8)	(09 Feb)	2.2	46.8
Slovenia	(4.7)	(09 Feb)	0.1	2.1
Poland	(4.7)	(09 Feb)	1.8	37.8
Italy	(4.6)	(10 Feb)	2.8	60.5
Norway	(4.2)	(09 Feb)	0.2	5.4
Finland	(4.2)	(10 Feb)	0.2	5.5
Germany	(4.2)	(09 Feb)	3.5	83.8
Sweden	(4.0)	(10 Feb)	0.4	10.1
Belgium	(4.0)	(09 Feb)	0.5	11.6
Portugal	(3.9)	(10 Feb)	0.4	10.2
France	(3.5)	(09 Feb)	2.4	65.3
Austria	(3.5)	(08 Feb)	0.3	9.0
Turkey	(3.3)	(10 Feb)	2.8	84.3
Canada	(3.1)	(10 Feb)	1.2	37.7
China	(2.8)	(09 Feb)	40.5	1439.3
Netherlands	(2.7)	(10 Feb)	0.5	17.1
Morocco	(2.0)	(10 Feb)	0.7	36.9
Brazil	(1.9)	(10 Feb)	4.1	212.6
World	(1.9)	(10 Feb)	151.5	7794.8

*Number of people having received at least one dose. Excluding countries with populations of less than 500,000.

SOURCE: OFFICIAL DATA COLLECTED BY OUR WORLD IN DATA, BNP PARIBAS

ECONOMIC SCENARIO

UNITED STATES

With a drop in GDP of an estimated 3.6% in 2020, the USA has experienced a record-breaking recession, albeit one that has been less severe than in most other countries. The health cost of the Covid-19 epidemic has, however, been immense, with the USA having the highest number of deaths in the world and suffering a higher mortality rate than the European Union. As we move into winter, the disease is surging again, forcing certain states, such as New York and California, to tighten social distancing measures. Although the economy had seemed able to avoid a further contraction, it could be flatlining at the start of the new year, although a gradual return to normal is then expected as vaccines become available.

CHINA

After plummeting in Q1 2020, economic activity has experienced a V-shaped rebound since Q2. The recovery has first been driven principally by industrial production and investment in infrastructure projects and the real estate sector. Then exports have strengthened, supported by the rebound in global demand. Finally, the services sector and private consumption have regained growth momentum since last summer. In the short term, fiscal policy should continue to support economic growth. Domestic credit conditions, which have been eased prudently in 2020, have started to be tightened since Q4, as the authorities aim to contain risks in the financial system.

EUROZONE

After a solid rebound in Q3 2020 (+12.6%), even exceeding expectations, Eurozone GDP should slow sharply in Q4 2020. Given the resurgence of the pandemic and the implementation of new sanitary restrictions in most of the member states, the recovery is losing momentum. The activity loss caused by the Covid-19 crisis is unlikely to be fully erased before year-end 2021. Despite the hopes raised by the vaccines, worries about the pandemic and unemployment trends in eurozone member states in the months ahead are shaking consumer confidence, which remains low. The risk of corporate defaults continues to rise as long as the pandemic is not completely under control, which is undermining private investment. Support from fiscal policy at both the national and European levels will be essential, as is maintaining an accommodating and flexible monetary policy.

FRANCE

The risks have materialized for a W-shaped growth profile. After the massive recessionary shock of H1 2020 due to the first lockdown, the economy vigorously recovered in Q3 before relapsing again in Q4 under the impact of a new lockdown designed to curb the second wave of the Covid-19 pandemic. Yet the second V is bound to be less pronounced than the first: on the downside because the second lockdown was not as restrictive nor as long, and on the upside because this time the restrictive measures will be lifted gradually and conditionally. Major fiscal resources have been deployed that effectively buffered the double shock, but still the economy has been weakened, which is straining its rebound capacity. The start-up of a massive vaccination campaign in 2021 raises hopes that we might be seeing the light at the end of the tunnel. Growth should also get a boost from the first effects of the France Relance stimulus package. French GDP is expected to catch up pre-crisis levels during 2022 and the economy to return to 100% of its normal functioning. Inflation is also expected to pick up, but will hold at extremely low levels.

RATES AND EXCHANGE RATES

In the US, policy should remain on hold for quite some time, considering that the FOMC wants inflation to move beyond 2% to make up for past below target inflation. To this end, it has decided at its December meeting that the current pace of asset purchases will be maintained 'until substantial further progress has been made' toward reaching its goals in terms of maximum employment and inflation. Should the economic situation worsen, more measures are to be expected. Treasury yields should move higher on the back of fiscal stimulus and the economic recovery and because the Fed will accept and actually wants inflation to rise beyond 2%.

In the eurozone, at its December meeting, the ECB has eased policy further. In particular, it has decided to increase the envelope of the pandemic emergency purchase programme (PEPP) and to extend its horizon for net purchases to at least the end of March 2022. These measures aim to support the economy so as to create a pick-up in inflation, which has dropped to a very low level. This very accommodative stance –which will be maintained for a long time- should keep a lid on sovereign bond spreads, although at some point, speculation that the PEPP's end date might not be prolonged any further should cause some spread widening. As usual, eurozone bond yields will be very much influenced by what happens to US yields. The prospect of a more lasting recovery as a vaccine will be deployed, should contribute to somewhat higher bond yields.

The Bank of Japan is expected to maintain its current policy stance including its yield curve control strategy. We expect the dollar to weaken further versus the euro. Due to the limited short-term interest rate differential, international investors incur low costs when they want to hedge their dollar exposure, the euro is still undervalued versus the dollar and the Fed's new strategy of targeting average inflation implies a more dovish stance compared to the ECB. The 'risk-on' environment is also supportive for the euro. Similar arguments apply for the dollar versus the yen.

GROWTH & INFLATION

	GDP Growth				Inflation			
%	2019	2020	2021 e	2022 e	2019	2020	2021 e	2022 e
United-States	2.2	-3.5	4.2	4.1	1.8	1.2	1.9	1.9
Japan	0.3	-5.3	1.1	3.0	0.5	0.0	-0.4	-0.3
United-Kingdom	1.5	-9.9	4.0	8.6	1.8	0.9	1.5	2.1
Euro Area	1.3	-6.8	3.8	5.5	1.2	0.2	0.8	1.3
Germany	0.6	-5.3	2.7	5.1	1.4	0.5	1.3	1.2
France	1.5	-8.3	5.5	4.7	1.3	0.5	0.6	1.2
Italy	0.3	-8.9	4.5	4.4	0.6	-0.2	0.5	1.3
Spain	2.0	-11.0	5.4	5.9	0.8	-0.3	0.4	0.9
China	6.1	3.0	9.5	5.3	2.9	2.9	2.3	2.8
India*	4.2	-11.4	11.6	5.0	4.8	4.9	4.3	3.8
Brazil	1.1	-4.5	3.0	3.0	3.7	2.7	4.0	4.0
Russia	1.3	-4.5	3.8	3.0	4.3	3.2	3.5	3.5

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)
*FISCAL YEAR FROM 1ST APRIL OF YEAR N TO MARCH 31ST OF YEAR N+1
LAST UPDATE: 23 NOVEMBER 2020, *GROWTH UPDATED ON 7 JANUARY 2021

INTEREST & EXCHANGE RATES

Interest rates, %		2021					
End of period		Q1e	Q2e	Q3e	Q4e	2021e	2022e
US	Fed Funds (upper limit)	0.25	0.25	0.25	0.25	0.25	0.25
	T-Notes 10y	1.10	1.20	1.30	1.40	1.40	1.50
Ezone	Deposit rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
	Bund 10y	-0.35	-0.50	-0.40	-0.20	-0.20	0.10
	OAT 10y	-0.10	-0.25	-0.15	0.10	0.10	0.50
	BTP 10y	0.75	0.60	0.80	1.20	1.20	1.70
	BONO 10y	0.35	0.20	0.40	0.60	0.60	1.00
UK	Base rate	0.10	0.10	0.10	0.10	0.10	0.10
	Gilts 10y	0.40	0.40	0.50	0.60	0.60	0.75
Japan	BoJ Rate	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
	JGB 10y	0.05	0.05	0.10	0.10	0.10	0.15

Exchange Rates		2021					
End of period		Q1e	Q2e	Q3e	Q4e	2021e	2022e
USD	EUR / USD	1.22	1.24	1.25	1.25	1.25	1.30
	USD / JPY	101	100	98	98	98	95
	GBP / USD	1.39	1.41	1.44	1.44	1.44	1.59
EUR	EUR / GBP	0.88	0.88	0.87	0.87	0.87	0.82
	EUR / JPY	123	124	123	123	123	124

Brent		2021					
Period-average		Q1e	Q2e	Q3e	Q4e	2021e	2022e
Brent	USD/bbl	56	54	55	59	56	-

LAST UPDATE: 23/11/2020

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)

CALENDAR

LATEST INDICATORS

In Japan, the assessment of the current situation in the Eco Watchers Survey deteriorated but less than expected. Importantly, the assessment of the outlook improved whereas a decline had been anticipated. The growth in machine tool orders was stable. Banque de France industrial sentiment was in line with expectations and improved slightly. In China, aggregate financing saw a big increase, more than expected. Consumer prices recorded an unexpected decline. In the UK, 4th quarter GDP beat expectations, driven by government spending and gross fixed capital formation. In the US, the core consumer price index was stable - the consensus had expected an increase of 0.2% - whereas small business optimism hardly changed compared to the previous month. The pace of job openings improved but, on the other hand, initial unemployment claims came in higher than expected. University of Michigan sentiment disappointed, coming in below expectations. Although the current conditions index hardly changed, expectations declined significantly, whereas the consensus had expected an improvement.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
02/08/2021	Japan	Eco Watchers Survey Current SA	Jan	30.0	31.2	34.3
02/08/2021	Japan	Eco Watchers Survey Outlook SA	Jan	35.0	39.9	36.1
02/08/2021	Germany	Industrial Production SA MoM	Dec	0.3%	0.0%	1.5%
02/09/2021	Japan	Machine Tool Orders YoY	Jan P	--	9.7%	9.9%
02/09/2021	Germany	Exports SA MoM	Dec	-0.6%	0.1%	2.3%
02/09/2021	Germany	Imports SA MoM	Dec	-2.0%	-0.1%	5.4%
02/09/2021	United States	NFIB Small Business Optimism	Jan	97.0	95.0	95.9
02/09/2021	United States	JOLTS Job Openings	Dec	6 400	6 646	6 572
02/09/2021	France	Bank of France Ind. Sentiment	Jan	98.0	98.0	98.0
02/09/21-02/15/21	China	Aggregate Financing CNY	Jan	4600.0b	5170.0b	1719.2b
02/10/2021	China	CPI YoY	Jan	0.0%	-0.3%	0.2%
02/10/2021	China	PPI YoY	Jan	0.3%	0.3%	-0.4%
02/10/2021	Germany	CPI EU Harmonized MoM	Jan	1.4%	1.4%	1.4%
02/10/2021	France	Industrial Production MoM	Dec	0.4%	-0.8%	-0.7%
02/10/2021	United States	CPI Ex Food and Energy MoM	Jan	0.2%	0.0%	0.0%
02/10/2021	United Kingdom	Total Business Investment QoQ	4Q	-1.3%	1.3%	9.4%
02/10/2021	United Kingdom	GDP QoQ	4Q	0.5%	1.0%	16.0%
02/10/2021	United Kingdom	Private Consumption QoQ	4Q	-0.2%	-0.2%	19.5%
02/10/2021	United Kingdom	Government Spending QoQ	4Q	1.3%	6.4%	10.4%
02/10/2021	United Kingdom	Gross Fixed Capital Formation QoQ	4Q	-1.0%	2.1%	17.9%
02/10/2021	United Kingdom	Exports QoQ	4Q	6.4%	0.1%	-0.4%
02/10/2021	United Kingdom	Imports QoQ	4Q	11.0%	8.9%	11.7%
02/11/2021	Eurozone	European Commission publishes Economic Forecasts		0.0%	0.0%	0.0%
02/11/2021	United States	Initial Jobless Claims	6-Feb	760k	793k	812k
02/12/2021	Eurozone	Industrial Production SA MoM	Dec			
02/12/2021	United States	U. of Mich. Sentiment	Feb	80.9	76.2	79.0
02/12/2021	United States	U. of Mich. Current Conditions	Feb	89.0	86.2	86.7
02/12/2021	United States	U. of Mich. Expectations	Feb	76.0	69.8	74.0
02/12/2021	United States	U. of Mich. 1 Yr Inflation	Feb	--	3.3%	--
02/12/2021	United States	U. of Mich. 5-10 Yr Inflation	Feb	--	2.7%	--

SOURCE: BLOOMBERG

CALENDAR: THE WEEK AHEAD

COMING INDICATORS

A very busy week ahead of us with the eagerly awaited flash PMIs in several countries, as well as the minutes of the FOMC. In the eurozone we will have an updated estimate of 4th quarter GDP, ZEW survey expectations, consumer confidence and new car registrations. France will publish its unemployment rate as well as inflation. In Germany, the ZEW survey will be published. For Japan, we have the details of 4th quarter GDP, export data, machine orders and department store sales. In the UK, data on inflation, consumer confidence, retail sales and order books will be released. Finally, in the US we will have several data on the housing market, producer price inflation, retail sales and the Philadelphia Fed business survey.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
02/15/2021	Japan	GDP SA QoQ	4Q	2.50%	5.30%
02/15/2021	Japan	GDP Private Consumption QoQ	4Q	2.00%	5.10%
02/15/2021	Japan	GDP Business Spending QoQ	4Q	2.40%	-2.40%
02/15/2021	Japan	Inventory Contribution % GDP	4Q	-0.20%	-0.20%
02/15/2021	Japan	Net Exports Contribution % GDP	4Q	0.90%	2.70%
02/16/2021	France	ILO Unemployment Rate	4Q	--	9.00%
02/16/2021	Eurozone	Employment QoQ	4Q	--	1.00%
02/16/2021	Eurozone	GDP SA QoQ	4Q	--	-0.70%
02/16/2021	Eurozone	ZEW Survey Expectations	Feb	--	58.3
02/16/2021	Germany	ZEW Survey Expectations	Feb	--	61.8
02/16/2021	Germany	ZEW Survey Current Situation	Feb	--	-66.4
02/17/2021	Japan	Exports YoY	Jan	--	2.00%
02/17/2021	Japan	Core Machine Orders MoM	Dec	--	1.50%
02/17/2021	Eurozone	EU27 New Car Registrations	Jan	--	-3.30%
02/17/2021	United Kingdom	CPI Core YoY	Jan	--	1.40%
02/17/2021	United States	PPI Ex Food and Energy MoM	Jan	0.20%	0.10%
02/17/2021	United States	Retail Sales Advance MoM	Jan	0.80%	-0.70%
02/17/2021	United States	Retail Sales Ex Auto MoM	Jan	0.80%	-1.40%
02/17/2021	United States	Retail Sales Control Group	Jan	0.40%	-1.90%
02/17/2021	United States	NAHB Housing Market Index	Feb	84	83
02/17/2021	United States	FOMC Meeting Minutes	Jan	--	--
02/17/21-02/24/21	Japan	Tokyo Dept Store Sales YoY	Jan	--	-15.90%
02/18/2021	Japan	Machine Tool Orders YoY	Jan	--	9.70%
02/18/2021	United States	Building Permits MoM	Jan	-2.10%	4.50%

SOURCE: BLOOMBERG

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
02/18/2021	United States	Housing Starts MoM	Jan	-1.10%	5.80%
02/18/2021	United States	Initial Jobless Claims	13-Feb	--	--
02/18/2021	United States	Philadelphia Fed Business Outlook	Feb	19	26.5
02/18/2021	Eurozone	Consumer Confidence	Feb	--	-15.5
02/19/2021	United Kingdom	GfK Consumer Confidence	Feb	--	-28
02/19/2021	Japan	Jibun Bank Japan PMI Mfg	Feb	--	49.8
02/19/2021	Japan	Jibun Bank Japan PMI Services	Feb	--	46.1
02/19/2021	Japan	Jibun Bank Japan PMI Composite	Feb	--	47.1
02/19/2021	United Kingdom	Retail Sales Ex Auto Fuel MoM	Jan	--	0.40%
02/19/2021	France	CPI EU Harmonized MoM	Jan	--	0.30%
02/19/2021	France	Markit France Manufacturing PMI	Feb	--	51.6
02/19/2021	France	Markit France Services PMI	Feb	--	47.3
02/19/2021	France	Markit France Composite PMI	Feb	--	47.7
02/19/2021	Germany	Markit/BME Germany Manufacturing PMI	Feb	--	57.1
02/19/2021	Germany	Markit Germany Services PMI	Feb	--	46.7
02/19/2021	Germany	Markit/BME Germany Composite PMI	Feb	--	50.8
02/19/2021	Eurozone	Markit Eurozone Manufacturing PMI	Feb	--	54.8
02/19/2021	Eurozone	Markit Eurozone Services PMI	Feb	--	45.4
02/19/2021	Eurozone	Markit Eurozone Composite PMI	Feb	--	47.8
02/19/2021	United Kingdom	Markit UK PMI Manufacturing SA	Feb	--	54.1
02/19/2021	United Kingdom	Markit/CIPS UK Services PMI	Feb	--	39.5
02/19/2021	United Kingdom	Markit/CIPS UK Composite PMI	Feb	--	41.2
02/19/2021	United Kingdom	CBI Trends Total Orders	Feb	--	-38
02/19/2021	United States	Markit US Manufacturing PMI	Feb	--	59.2
02/19/2021	United States	Markit US Composite PMI	Feb	--	58.7
02/19/2021	United States	Markit US Services PMI	Feb	--	58.3

SOURCE: BLOOMBERG

FURTHER READING

Spain: Catalonia regional election: independence no longer the key issue?	EcoFlash	11 February 2021
Emerging Markets : The covid crisis has not raised domestic borrowing costs for governments	Chart of the Week	10 February 2021
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EcoWeek 21.05. February 5, 2021 issue	EcoWeek	5 February 2021
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