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**ECONOMIC RESEARCH**



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## RADICAL GEOPOLITICAL UNCERTAINTY

**The war in Ukraine influences the euro area economy through different channels: increased uncertainty, financial market volatility, reduced exports, higher prices for oil, gas and certain other commodities. Although the economic channels of transmission are clear, the size of the impact is not. Counterfactual analysis of last year's jump in oil and gas prices provides a reference point but the geopolitical nature of the economic shock reduces the reliability of model-based estimates. Moreover, the other transmission channels should also have an impact on growth. Finally, there is a genuine concern that, the longer the crisis lasts, the bigger the economic consequences because eventually, months of elevated uncertainty would end up weighing heavily on household and business confidence.**

The events in Ukraine have made us enter an environment of radical uncertainty. *"It is not just that we do not know what will happen. We often do not even know the kinds of things that might happen."*<sup>1</sup> Although the economic channels of transmission are rather clear, the size of the impact is not because it depends on the reactions and decisions of political leaders, households, companies and financial markets.

Uncertainty complicates the task of the forecaster but it is also a channel of transmission of the geopolitical shock. Economic agents feel less convinced than before about the outlook in terms of income, employment, profits, etc. and this may lead to a wait-and-see attitude until uncertainty is resolved. The impact on the euro area economy should be small in the short-run – investment projects will not be stopped overnight – but should increase if uncertainty were to remain high and possibly cause non-linear reactions. Financial markets are another channel whereby lower equity prices would weigh on the real economy through a drop in confidence, a negative wealth effect and higher financing costs. However, research shows that the effect of a severe decline in equity prices on the real economy is limited. Moreover, the market reaction thus far has also been limited, although this does not provide insight in how things might evolve going forward.

International trade should play a bigger role as transmission channel. Depending on the nature of sanctions and their consequences for the Russian economy as well as the possibility of retaliation, exports to Russia should be impacted. In 2020, goods exports to Russia represented 4.1% of EU exports, but there are huge differences between EU members (table 1). For Poland, Lithuania, Czech Republic, Finland, Latvia, Estonia and, to a lesser degree, Hungary, Slovakia and Slovenia, exports to Russia represent a significant share of their extra-EU exports. Exports to Ukraine will suffer from a decline in import demand following the invasion. In 2020 they represented 1.2% of EU goods exports but this percentage was significantly higher for Hungary, Poland, Lithuania. Ukraine is also an important trading partner of Latvia, Slovakia, Romania, Czechia and Estonia.

A better measure to assess the potential impact is looking at exports to Russia and Ukraine as a percentage of domestic value added of the exporting countries. This takes into account the possibility that exports

have a certain import content such as commodities or intermediate inputs. This implies that a reduction in exports would also cause a decline in imports. Table 1 shows that, from this perspective, Lithuania has the highest exposure to Russia (8.62%) followed by Latvia (7.13%). Exports to Ukraine represent a very low percentage of domestic value added, except in Lithuania (2.02%) and Hungary (1.97%).

Commodity prices are a crucial transmission channel, in particular oil and gas prices considering that Russia provides 27% of EU oil imports<sup>2</sup> and 38% of EU gas needs<sup>3</sup>, but also wheat and certain metals (palladium, aluminium, nickel). The weights of electricity, oil, gas and food prices in the HICP (table 2) vary considerably between countries, which implies large differences in terms of exposure to higher oil, gas and wheat prices. Gas prices are particularly important because, as we have seen last year, higher prices spill over to wholesale electricity prices<sup>4</sup>, implying an even bigger impact on households' purchasing power and company profits. Within industry, certain sectors are particularly gas-dependent. This is the case for the energy sector itself, which mostly transforms natural gas into other forms of energy, but also for chemicals, basic metals, non-metallic minerals (glass, cement, ceramics, etc.) and food and beverages<sup>5</sup>.

What can be assumed in terms of potential impact on GDP? With respect to the impact of higher oil and gas prices, the counterfactual analyses of the European Commission and the ECB of last year's increase can be used as a reference point. The European Commission calculations show a negative impact on real GDP growth of -0.3 percentage points in 2021 and -0.5 percentage points in 2022. Counterfactual simulations by the ECB based on the surge in oil and gas prices since the start of 2021 suggest a negative impact on euro area GDP in 2022 of -0.2%.

2. Source: Eurostat (data for 2019).

3. Source: McWilliams, B., Sgaravatti, G., Tagliapietra, S. and G. Zachmann (2022) 'Can Europe survive painlessly without Russian gas?', Bruegel Blog, 27 January (data for 2021).

4. Gas power plants have become price setters in wholesale electricity markets because the EU electricity market is based on a marginal pricing and pay-as-clear model, where the market wholesale price normally reflects the cost of the last unit of energy bought via an auction mechanism where gas is a predominant input. Source: European Commission, European Economic Forecast, Autumn 2021, Institutional paper 160, November 2021.

5. Source: ECB, Economic Bulletin, Issue 1, 2022.



There is a genuine concern that, the longer the crisis lasts, the bigger the economic consequences because eventually, months of elevated uncertainty would end up weighing heavily on household and business confidence.



However, the assessment of the economic impact for the eurozone of higher commodity prices is hugely challenging due to the geopolitical nature of the economic shock, which reduces the reliability of model-based estimates. Moreover, the other transmission channels should also have an impact on growth. Reuters recently reported that according to ECB chief economist Philip Lane, the Ukraine conflict might have a negative impact on this year's euro area GDP of -0.3% to -0.4%. Under a severe scenario, the reduction could be close to -1%<sup>6</sup>. The range of estimates is wide. In addition, there is a genuine concern that, the longer the crisis lasts, the bigger the economic consequences because eventually, months of elevated uncertainty would end up weighing heavily on household and business confidence.

**William De Vijlder**

6. Source: ECB policymakers told Ukraine war may shave 0.3%-0.4% off GDP, Reuters, 25 February 2022.

#### EXPORTS TO RUSSIA AND UKRAINE IN 2020

2020	EU exports of goods to Russia			EU exports of goods to Ukraine		
	EUR million	as a % of extra EU exports	as a % of gross value added	EUR million	as a % of extra EU exports	as a % of gross value added
Germany	23 155	4.0	0.8	4 673	0.8	0.2
Poland	7 136	11.5	1.5	5 250	8.5	1.1
Italy	7 101	3.4	0.5	1 702	0.8	0.1
Netherlands	6 684	3.3	0.9	1 194	0.6	0.2
France	5 158	2.6	0.3	1 012	0.5	0.0
Belgium	3 893	3.0	0.9	612	0.5	0.1
Lithuania	3 830	30.4	8.6	897	7.1	2.0
Czechia	3 698	10.9	1.9	1 166	3.4	0.6
Finland	3 016	11.4	1.5	194	0.7	0.1
Austria	2 158	4.7	0.6	560	1.2	0.2
Spain	1 874	1.8	0.2	506	0.5	0.0
Latvia	1 831	34.3	7.1	235	4.4	0.9
Sweden	1 777	2.7	0.4	350	0.5	0.1
Hungary	1 608	7.0	1.4	2 272	10	2.0
Slovakia	1 184	7.4	1.4	668	4.2	0.8
Denmark	911	2.0	0.3	287	0.6	0.1
Slovenia	865	6.7	2.1	229	1.8	0.6
Romania	818	5.1	0.4	572	3.6	0.3
Estonia	803	16.6	3.4	156	3.2	0.7
Bulgaria	420	4.4	0.8	227	2.4	0.4
Ireland	373	0.4	0.1	71	0.1	0.0
Portugal	178	1.2	0.1	31	0.2	0.0
Croatia	176	3.6	0.4	58	1.2	0.1
Greece	161	1.2	0.1	194	1.5	0.1
Luxembourg	116	4.9	0.2	13	0.5	0.0
Cyprus	47	2.6	0.2	15	0.8	0.1
Malta	4	0.4	0.0	2	0.2	0.0
EU 27	78 951	4.1	0.7	23 062	1.2	0.2

TABLE 1

SOURCE: EUROSTAT



## WEIGHT IN % IN HICP BASED ON INDIVIDUAL CONSUMPTION BY PURPOSE

2022	Housing related			Transport-related		Total	Energy	Food	Bread & Cereals
	Electricity	Gas	Liquid Fuels	Diesel	Petrol				
EU 27	3.1	2.0	0.6	1.7	2.6	10.1	11.3	15.9	2.9
Euro Area	3.1	2.2	0.7	1.8	2.4	10.3	10.9	15.1	2.8
Belgium	3.9	2.4	1.2	1.8	1.4	10.6	10.7	15.5	3.2
Bulgaria	4.3	0.7	0.0	1.9	3.2	10.1	13.6	20.5	2.9
Czech Republic	3.7	2.0	0.0	1.3	2.5	9.5	11.7	18.6	3.4
Denmark	2.9	0.7	0.3	0.8	1.9	6.7	8.9	12.7	1.8
Germany	3.0	2.9	1.3	1.0	3.0	11.2	12.1	11.1	2.0
Estonia	4.3	1.2	0.0	2.4	3.4	11.3	15.9	19.2	3.2
Ireland	2.5	0.9	1.1	1.9	2.0	8.5	8.9	10.8	2.0
Greece	4.3	0.9	1.7	0.4	3.8	11.2	11.5	19.8	4.2
Spain	4.1	1.5	0.6	3.1	2.5	11.7	11.7	20.6	3.1
France	3.3	1.9	0.7	2.2	1.7	9.8	10.3	15.2	2.8
Croatia	5.1	1.7	0.8	2.0	2.4	12.1	13.2	18.6	3.7
Italy	2.4	2.3	0.1	2.0	2.4	9.2	9.7	17.9	3.4
Cyprus	3.1	0.3	0.5	1.1	4.5	9.5	9.7	14.1	2.9
Latvia	3.4	1.1	0.0	3.6	2.7	10.7	16.2	23.4	5.1
Lithuania	1.8	0.8	0.1	1.9	3.7	8.3	12.8	19.2	2.8
Luxembourg	1.5	1.5	0.5	6.2	2.9	12.6	12.7	10.9	2.2
Hungary	1.6	1.9	0.0	0.7	5.9	10.1	11.3	19.3	3.5
Malta	2.5	0.2	0.0	1.4	2.5	6.7	6.7	15.8	3.1
Netherlands	3.2	3.7	0.0	0.7	3.4	11.1	11.3	14.2	3.0
Austria	2.4	0.9	0.5	2.1	1.5	7.4	8.7	12.0	2.5
Poland	2.8	1.5	0.0	1.7	3.3	9.3	14.5	16.7	2.4
Portugal	2.7	1.0	0.1	2.5	1.6	8.0	8.0	20.4	4.1
Romania	2.0	2.3	0.1	1.8	3.8	10.0	12.1	28.3	6.5
Slovenia	3.2	1.0	0.9	3.1	2.9	11.1	13.2	15.8	2.5
Slovakia	4.2	3.6	0.0	0.8	2.3	10.9	15.1	21.0	4.2
Finland	3.4	0.0	0.4	1.2	2.9	7.8	9.5	14.0	2.1
Sweden	5.3	0.1	0.0	1.3	1.6	8.3	9.6	13.8	2.1

TABLE 2

SOURCE: EUROSTAT



# MARKETS OVERVIEW

## OVERVIEW

Week 18-2-22 to 25-2-22

↓ CAC 40	6 930	▶ 6 752	-2.6 %
↑ S&P 500	4 349	▶ 4 385	+0.8 %
↓ Volatility (VIX)	27.8	▶ 27.6	-0.2 pb
↑ Euribor 3M (%)	-0.53	▶ -0.53	+0.0 bp
↑ Libor \$ 3M (%)	0.48	▶ 0.52	+4.3 bp
↑ OAT 10y (%)	0.56	▶ 0.57	+0.5 bp
↑ Bund 10y (%)	0.17	▶ 0.19	+2.5 bp
↑ US Tr. 10y (%)	1.94	▶ 1.99	+5.2 bp
↓ Euro vs dollar	1.13	▶ 1.12	-0.8 %
↓ Gold (ounce, \$)	1 895	▶ 1 887	-0.4 %
↑ Oil (Brent, \$)	93.3	▶ 98.0	+5.0 %

## MONEY & BOND MARKETS

### Interest Rates

		highest 22	lowest 22
€ ECB	0.00	0.00 at 03/01	0.00 at 03/01
Eonia	-0.51	-0.51 at 03/01	-0.51 at 03/01
Euribor 3M	-0.53	-0.52 at 14/02	-0.58 at 05/01
Euribor 12M	-0.35	-0.28 at 14/02	-0.50 at 05/01
\$ FED	0.25	0.25 at 03/01	0.25 at 03/01
Libor 3M	0.52	0.52 at 25/02	0.21 at 03/01
Libor 12M	1.33	1.39 at 11/02	0.58 at 03/01
£ BoE	0.50	0.50 at 03/02	0.25 at 03/01
Libor 3M	0.85	0.89 at 15/02	0.26 at 03/01
Libor 12M	0.81	0.81 at 03/01	0.81 at 03/01

At 25-2-22

### Yield (%)

		highest 22	lowest 22
€ AVG 5-7y	0.42	0.54 at 11/02	-0.04 at 03/01
Bund 2y	-0.45	-0.31 at 04/02	-0.67 at 25/01
Bund 10y	0.19	0.28 at 15/02	-0.14 at 24/01
OAT 10y	0.57	0.67 at 15/02	0.15 at 04/01
Corp. BBB	1.80	1.80 at 25/02	0.90 at 05/01
\$ Treas. 2y	1.57	1.59 at 14/02	0.70 at 04/01
Treas. 10y	1.99	2.06 at 16/02	1.63 at 03/01
High Yield	6.10	6.23 at 24/02	5.07 at 03/01
£ gilt. 2y	1.21	1.55 at 15/02	0.69 at 03/01
gilt. 10y	1.46	1.59 at 14/02	0.97 at 03/01

At 25-2-22

## EXCHANGE RATES

1€ =		highest 22	lowest 22	2022
USD	1.12	1.15 at 10/02	1.11 at 24/02	-1.1%
GBP	0.84	0.85 at 07/02	0.83 at 20/01	-0.2%
CHF	1.04	1.06 at 10/02	1.03 at 24/02	+0.7%
JPY	129.98	132.97 at 10/02	128.46 at 25/01	-0.7%
AUD	1.56	1.62 at 04/02	1.56 at 25/02	-0.5%
CNY	7.10	7.29 at 10/02	7.03 at 24/02	-2.0%
BRL	5.80	6.44 at 06/01	5.69 at 23/02	-8.5%
RUB	93.05	97.50 at 24/02	84.45 at 03/01	+9.1%
INR	84.66	85.96 at 11/02	83.65 at 31/01	+0.2%

At 25-2-22

Change

## COMMODITIES

Spot price, \$		highest 22	lowest 22	2022	2022(€)
Oil, Brent	98.0	99.1 at 24/02	79.0 at 03/01	+25.0%	+26.4%
Gold (ounce)	1 887	1 925 at 24/02	1 785 at 28/01	+3.6%	+4.7%
Metals, LME	4 840	4 878 at 10/02	4 489 at 06/01	+7.5%	+8.7%
Copper (ton)	9 918	10 305 at 10/02	9 543 at 06/01	+1.8%	+3.0%
wheat (ton)	313	3.4 at 24/02	281 at 14/01	+31.7%	+33.2%
Corn (ton)	254	2.7 at 24/02	226 at 03/01	+1.1%	+12.6%

At 25-2-22

Change

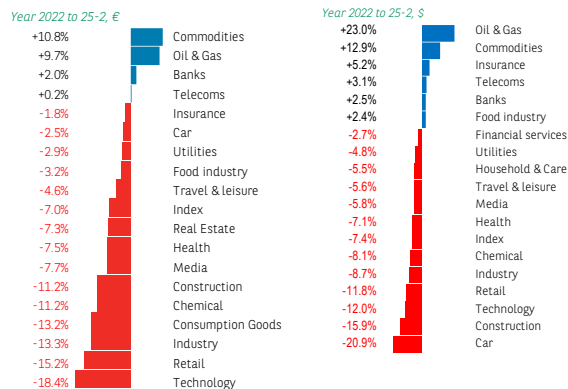
## EQUITY INDICES

	Index	highest 22	lowest 22	2022
<b>World</b>				
MSCI World	2 980	3 248 at 04/01	2 906 at 24/02	-7.8%
<b>North America</b>				
S&P500	4 385	4 797 at 03/01	4 226 at 23/02	-8.0%
<b>Europe</b>				
EuroStoxx50	3 971	4 392 at 05/01	3 829 at 24/02	-7.6%
CAC 40	6 752	7 376 at 05/01	6 521 at 24/02	-0.6%
DAX 30	14 567	16 272 at 05/01	14 052 at 24/02	-8.3%
IBEX 35	8 487	8 886 at 10/02	8 199 at 24/02	-0.3%
FTSE100	7 489	7 672 at 10/02	7 207 at 24/02	+0.1%
<b>Asia</b>				
MSCI, loc.	1 079	1 165 at 05/01	1 068 at 27/01	-0.6%
Nikkei	26 477	29 332 at 05/01	25 971 at 24/02	-8.0%
<b>Emerging</b>				
MSCI Emerging (\$)	1 172	1 267 at 12/01	1 155 at 24/02	-0.5%
China	78	86 at 20/01	78 at 24/02	-6.9%
India	790	891 at 13/01	766 at 24/02	-5.2%
Brazil	1 693	1 718 at 22/02	1 372 at 06/01	+9.2%
Russia	447	772 at 03/01	354 at 24/02	-35.6%

At 25-2-22

Change

## PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

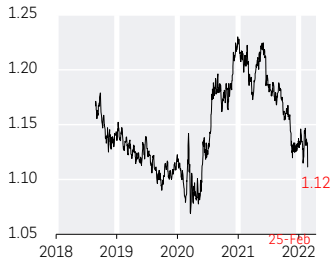


SOURCE: REFINITIV, BNP PARIBAS,



# MARKETS OVERVIEW

**EURO-DOLLAR**



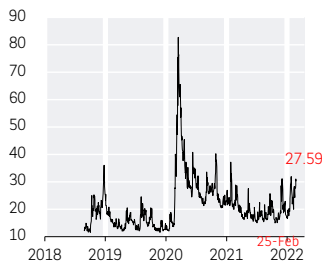
**EUROSTOXX50**



**S&P500**



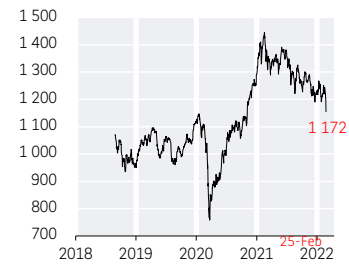
**VOLATILITY (VIX, S&P500)**



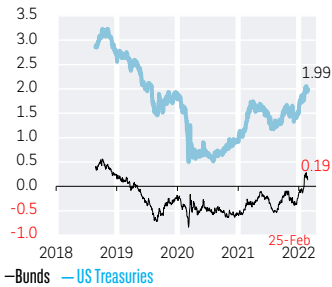
**MSCI WORLD (USD)**



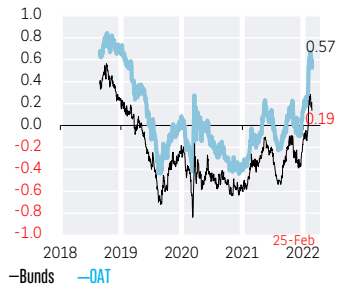
**MSCI EMERGING (USD)**



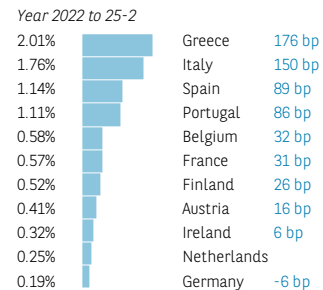
**10Y BOND YIELD, TREASURIES VS BUND**



**10Y BOND YIELD**



**10Y BOND YIELD & SPREADS**



**OIL (BRENT, USD)**



**METALS (LMEX, USD)**



**GOLD (OUNCE, USD)**



SOURCE: REFINITIV, BNP PARIBAS



## ECONOMIC PULSE

7

## INTERNATIONAL TRADE: ONGOING SUPPLY PRESSURE ALTHOUGH DEMAND IS SOFTENING

After a spectacular rebound in 2021, global trade in goods is likely to see slower growth this year. The World Trade Organisation's latest forecasts show that trade in goods will rise by 4.7% this year, following a jump of 10.8% in 2021.

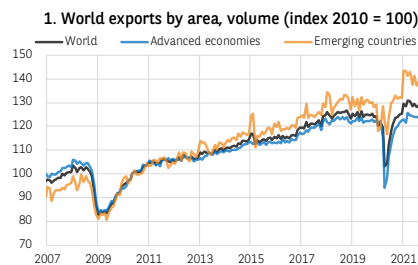
The global PMI manufacturing new orders index also fell below the 50 threshold in January, for the first time in a year and a half (see chart 4). That said, the slowdown will not be visible in all sectors. Indeed, demand for semiconductors remains very high, and this dynamic largely explains why Taiwan continues to record rapidly rising export orders (see chart 6).

Global supply chains, which were already very stretched, will be affected by the conflict in Ukraine since many production plants will shut down. It will also be harder to transport goods by road and rail from China to Europe, but the overall impact will be small given that a majority of trade between the two regions is through the maritime channel. The PMI delivery times index remains close to its October 2010 record (see chart 5). PMI indices at the sectoral level show particularly long delivery times in the electronic equipment, food and automotive sectors.

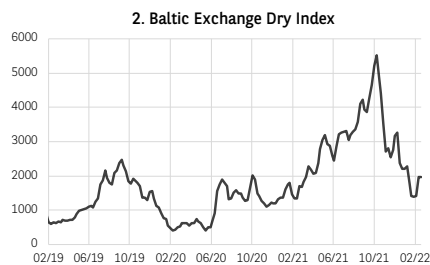
The Baltic Exchange Dry index, which shows the cost of transporting dry bulk goods, is now rising again following a sharp drop in the second half of last year (see chart 2). Concerning container freight rates from Shanghai, it remains to be seen whether the recent weakening represents the start of a downward trend.

Guillaume Derrien

## TRADE INDICATORS



Source: CPB, BNP Paribas



Source: Baltic Exchange, BNP Paribas



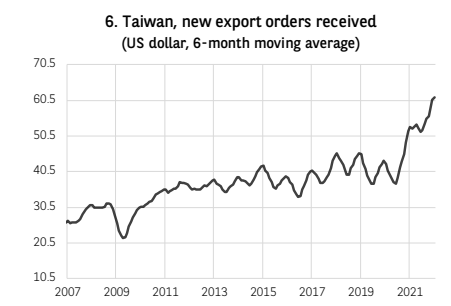
Source: Shanghai Shipping Exchange, BNP Paribas



Source: Markit, BNP Paribas



Source: Markit, BNP Paribas



Source: Ministry of Economic Affairs



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for a changing  
world

# ECONOMIC SCENARIO

8

## 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 now forecast a first hike in the deposit rate of 25 bp on the occasion of the September meeting, followed by another hike in December. 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 1<sup>ST</sup> APRIL OF YEAR N TO MARCH 31<sup>ST</sup> 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 the eurozone, the manufacturing sector flash PMI for February declined marginally but the services PMI rebounded strongly, beating expectations, as the number of infections has declined. The European Commission's economic sentiment index moved higher in February on the back of a significant improvement in services. As a consequence, the composite PMI also recorded a big increase. The final inflation number for January came in at 5.1%, with core inflation at 2.3%.

In France, both the manufacturing and services flash PMIs improved in February, in each case beating expectations. Business confidence was up strongly as well, much more than anticipated. Inflation moved higher and surprised to the upside. In Germany, the increase of producer prices eased in January but remains very high, more than expected. Versus one year ago, producer prices are up 25.0%. In terms of flash PMIs, manufacturing declined unexpectedly but services improved a lot, creating a positive surprise. The IFO business climate improved strongly but consumer confidence weakened. The updated estimate showed a smaller contraction in GDP in Q4 of last year.

In Japan, both the services and the manufacturing PMIs dropped. In the UK, the strong increase in the services PMI caused a similar movement of the composite index. The manufacturing PMI was stable. Consumer confidence was down and disappointed. In the US, the manufacturing and services PMIs were up and strongly so for the latter. The Conference Board consumer confidence index declined, in line with expectations whereas University of Michigan sentiment moved higher on the back of improved expectations. In January, nominal personal income was flat but that this didn't stop real spending to increase significantly.

DATE	COUNTRY/REGION	EVENT	PERIOD	SURV(M)	ACTUAL	PREVIOUS
02/21/22	Japan	Jibun Bank Japan PMI Services	Feb P	--	42.7	47.6
02/21/22	Japan	Jibun Bank Japan PMI Composite	Feb P	--	44.6	49.9
02/21/22	Japan	Jibun Bank Japan PMI Mfg	Feb P	--	52.9	55.4
02/21/22	Germany	PPI YoY	Jan	24.4%	25.0%	24.2%
02/21/22	Germany	PPI MoM	Jan	1.5%	2.2%	5.0%
02/21/22	France	Markit France Services PMI	Feb P	54.0	57.9	53.1
02/21/22	France	Markit France Manufacturing PMI	Feb P	55.5	57.6	55.5
02/21/22	France	Markit France Composite PMI	Feb P	53.0	57.4	52.7
02/21/22	Germany	Markit/BME Germany Manufacturing PMI	Feb P	59.8	58.5	59.8
02/21/22	Germany	Markit Germany Services PMI	Feb P	53.1	56.6	52.2
02/21/22	Germany	Markit/BME Germany Composite PMI	Feb P	54.5	56.2	53.8
02/21/22	Eurozone	Markit Eurozone Manufacturing PMI	Feb P	58.7	58.4	58.7
02/21/22	Eurozone	Markit Eurozone Services PMI	Feb P	52.1	55.8	51.1
02/21/22	Eurozone	Markit Eurozone Composite PMI	Feb P	52.9	55.8	52.3
02/21/22	United Kingdom	Markit/CIPS UK Services PMI	Feb P	55.5	60.8	54.1
02/21/22	United Kingdom	Markit/CIPS UK Composite PMI	Feb P	55.3	60.2	54.2
02/21/22	United Kingdom	Markit UK PMI Manufacturing SA	Feb P	57.0	57.3	57.3
02/22/22	Germany	IFO Business Climate	Feb	96.5	98.9	96.0
02/22/22	Germany	IFO Current Assessment	Feb	96.5	98.6	96.2
02/22/22	Germany	IFO Expectations	Feb	96.2	99.2	95.8
02/22/22	United Kingdom	CBI Trends Total Orders	Feb	25.0	20.0	24.0
02/22/22	United Kingdom	CBI Trends Selling Prices	Feb	68.0	77.0	66.0
02/22/22	United States	S&P CoreLogic CS 20-City YoY NSA	Dec	18.1%	18.6%	18.4%
02/22/22	United States	Markit US Manufacturing PMI	Feb P	56.0	57.5	55.5



DATE	COUNTRY/REGION	EVENT	PERIOD	SURV(M)	ACTUAL	PREVIOUS
02/22/22	United States	Markit US Services PMI	Feb P	53.0	56.7	51.2
02/22/22	United States	Conf. Board Consumer Confidence	Feb	110.0	110.5	111.1
02/22/22	United States	Conf. Board Present Situation	Feb	--	145.1	144.5
02/22/22	United States	Conf. Board Expectations	Feb	--	87.5	88.8
02/23/22	Germany	GfK Consumer Confidence	Mar	-6.3	-8.1	-6.7
02/23/22	France	Business Confidence	Feb	108.0	112.0	107.0
02/23/22	Eurozone	CPI YoY	Jan F	5.1%	5.1%	5.0%
02/23/22	Eurozone	CPI MoM	Jan F	0.3%	0.3%	0.3%
02/23/22	Eurozone	CPI Core YoY	Jan F	2.3%	2.3%	2.3%
02/24/22	France	Consumer Confidence	Feb	100.0	98.0	99.0
02/24/22	United States	Initial Jobless Claims	19-Feb	235k	232k	249k
02/24/22	United States	GDP Annualized QoQ	4Q S	7.0%	7.0%	6.9%
02/24/22	United States	New Home Sales MoM	Jan	-1.0%	-4.5%	12.0%
02/25/22	United Kingdom	GfK Consumer Confidence	Feb	-18.0	-26.0	-19.0
02/25/22	Germany	GDP SA QoQ	4Q F	-0.7%	-0.3%	1.7%
02/25/22	France	CPI EU Harmonized MoM	Feb P	0.4%	0.8%	0.2%
02/25/22	France	CPI EU Harmonized YoY	Feb P	3.6%	4.1%	3.3%
02/25/22	France	Consumer Spending MoM	Jan	-0.8%	-1.5%	0.2%
02/25/22	France	Consumer Spending YoY	Jan	-1.8%	--	-5.1%
02/25/22	France	GDP QoQ	4Q F	0.7%	0.7%	3.1%
02/25/22	Eurozone	Economic Confidence	Feb	113.1	114.0	112.7
02/25/22	Eurozone	Industrial Confidence	Feb	14.1	14.0	13.9
02/25/22	Eurozone	Services Confidence	Feb	10.2	13.0	9.1
02/25/22	Eurozone	Consumer Confidence	Feb F	--	-8.8	-8.8
02/25/22	United States	Personal Income	Jan	-0.3%	0.0%	0.4%
02/25/22	United States	Personal Spending	Jan	1.6%	2.1%	-0.8%
02/25/22	United States	Real Personal Spending	Jan	1.2%	1.5%	-1.3%
02/25/22	United States	Cap Goods Orders Nondef Ex Air	Jan P	0.3%	0.9%	0.4%
02/25/22	United States	PCE Core Deflator MoM	Jan	0.5%	0.5%	0.5%
02/25/22	United States	PCE Core Deflator YoY	Jan	5.2%	5.2%	4.9%
02/25/22	United States	U. of Mich. Sentiment	Feb F	61.7	62.8	67.2
02/25/22	United States	U. of Mich. Current Conditions	Feb F	68.5	68.2	72.0
02/25/22	United States	U. of Mich. Expectations	Feb F	57.3	59.4	64.1
02/25/22	United States	U. of Mich. 1 Yr Inflation	Feb F	--	4.9%	4.9%
02/25/22	United States	U. of Mich. 5-10 Yr Inflation	Feb F	3.1%	3.0%	3.1%

SOURCE: BLOOMBERG



# CALENDAR: THE WEEK AHEAD

## COMING INDICATORS

An important week in terms of data with the PMI surveys (manufacturing, services, composite) in a large number of countries as well as the ISM surveys in the US. The Federal Reserve will publish its beige book about the economic situation across the US. In the euro area we will have inflation data for the month of February, producer prices for January and the unemployment rate. Highlight of the week will be the labour market report in the US.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
02/28/2022	Japan	Retail Sales MoM	Jan	--	-1.00%
03/01/2022	Japan	Jibun Bank Japan PMI Mfg	Feb	--	52.9
03/01/2022	China	Composite PMI	Feb	--	51
03/01/2022	China	Manufacturing PMI	Feb	49.8	50.1
03/01/2022	China	Non-manufacturing PMI	Feb	50.5	51.1
03/01/2022	China	Caixin China PMI Mfg	Feb	48.9	49.1
03/01/2022	France	Markit France Manufacturing PMI	Feb	--	57.6
03/01/2022	Germany	Markit/BME Germany Manufacturing PMI	Feb	--	58.5
03/01/2022	Eurozone	Markit Eurozone Manufacturing PMI	Feb	--	58.4
03/01/2022	United Kingdom	Markit UK PMI Manufacturing SA	Feb	--	57.3
03/01/2022	Germany	CPI EU Harmonized MoM	Feb	--	0.90%
03/01/2022	Germany	CPI EU Harmonized YoY	Feb	--	5.10%
03/01/2022	United States	Markit US Manufacturing PMI	Feb	--	--
03/01/2022	United States	ISM Manufacturing	Feb	58.2	57.6
03/01/2022	United States	ISM Prices Paid	Feb	--	76.1
03/01/2022	United States	ISM New Orders	Feb	--	57.9
03/01/2022	United States	ISM Employment	Feb	--	54.5
03/02/2022	France	Markit France Services PMI	Feb	--	57.9
03/02/2022	Germany	Unemployment Change (000's)	Feb	--	-48.0k
03/02/2022	Eurozone	CPI Estimate YoY	Feb	--	5.10%
03/02/2022	Eurozone	CPI MoM	Feb P	--	--
03/02/2022	Eurozone	CPI Core YoY	Feb P	--	--
03/02/2022	United States	U.S. Federal Reserve Releases Beige Book			

SOURCE: BLOOMBERG



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
03/03/2022	Japan	Jibun Bank Japan PMI Services	Feb	--	42.7
03/03/2022	Japan	Jibun Bank Japan PMI Composite	Feb	--	44.6
03/03/2022	China	Caixin China PMI Composite	Feb	--	50.1
03/03/2022	China	Caixin China PMI Services	Feb	50.7	51.4
03/03/2022	Japan	Consumer Confidence Index	Feb	--	36.7
03/03/2022	France	Markit France Composite PMI	Feb	--	57.4
03/03/2022	Germany	Markit Germany Services PMI	Feb	--	56.6
03/03/2022	Germany	Markit/BME Germany Composite PMI	Feb	--	56.2
03/03/2022	Eurozone	Markit Eurozone Services PMI	Feb	--	55.8
03/03/2022	Eurozone	Markit Eurozone Composite PMI	Feb	--	55.8
03/03/2022	United Kingdom	Markit/CIPS UK Services PMI	Feb	--	60.8
03/03/2022	United Kingdom	Markit/CIPS UK Composite PMI	Feb	--	60.2
03/03/2022	Eurozone	PPI MoM	Jan	--	2.90%
03/03/2022	Eurozone	PPI YoY	Jan	--	26.20%
03/03/2022	Eurozone	Unemployment Rate	Jan	--	7.00%
03/03/2022	United States	Initial Jobless Claims	Feb	--	--
03/03/2022	United States	Markit US Services PMI	Feb	--	--
03/03/2022	United States	Markit US Composite PMI	Feb	--	--
03/03/2022	United States	ISM Services Index	Feb	61	59.9
03/03/2022	United States	Cap Goods Orders Nondef Ex Air	Jan	--	--
03/04/2022	France	Industrial Production MoM	Jan	--	-0.20%
03/04/2022	Eurozone	Retail Sales MoM	Jan	--	-3.00%
03/04/2022	Eurozone	Retail Sales YoY	Jan	--	2.00%
03/04/2022	United States	Average Hourly Earnings YoY	Feb	--	5.70%
03/04/2022	United States	Change in Nonfarm Payrolls	Feb	400k	467k
03/04/2022	United States	Unemployment Rate	Feb	3.90%	4.00%
03/04/2022	United States	Average Hourly Earnings MoM	Feb	0.50%	0.70%
03/04/2022	United States	Average Weekly Hours All Employees	Feb	34.6	34.5
03/04/2022	United States	Labor Force Participation Rate	Feb	--	62.20%
03/04/2022	United States	Underemployment Rate	Feb	--	7.10%

SOURCE: BLOOMBERG



# FURTHER READING

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