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ECONOMIC RESEARCH

BNP PARIBAS

The bank for a changing world

EDITORIAL

TOWARDS AN UNWELCOME TIGHTENING OF FINANCIAL CONDITIONS IN THE EURO AREA?

The financial cycle, as captured by bond and equity market developments is very much globally synchronised, but, at present, there is a business cycle desynchronization between the US and the euro area. Rising euro area government bond yields, on the back of higher US yields, cannot be considered as a sign of economic strength. Quite to the contrary, they come at a bad moment. One would expect, at a minimum, a very strong statement from the ECB's Governing Council on 11 March on its decisiveness to act should yields continue to rise. Markets would of course prefer immediate action. After all, the tool –the PEPP- is available so one might as well step up its use.

"The dollar is our currency, but it's your problem". The statement was made by Treasury Secretary John Connally at the G-10 meeting late 1971[1]. An updated version would go like *"It's our policy mix, but it's your problem"*. Of course, these words have not been uttered by US officials, but nevertheless, the combination of a strong commitment of sticking to a very accommodative monetary policy as long as necessary and a very expansionary fiscal policy –the upcoming USD 1.9 trillion fiscal stimulus– is having spillover effects in the euro area.

Some are favourable –the prospect of faster growth of exports to the US, confidence effects based on a feeling of "when the US is doing fine, the world economy will be in better shape"– but others are unfavourable. The latter refer to the increase in US Treasury yields which have pulled along euro area government bond yields (chart 1). Whereas the US economy should be able to cope with higher yields, at least up to a certain level, in the euro area it's another story. The financial cycle, as captured by bond and equity market developments is very much globally synchronised, but, at present, there is a business cycle desynchronization between the US and the euro area, witness e.g. the gap between the respective composite PMIs (chart 3).

Considering that the euro area, after a strong but short-lived rebound in the third quarter of 2020, again entered into recession in the fourth quarter, a significant tightening of financial conditions would be most unwelcome. Against this background, the financial conditions index for the euro area that has been developed by the Banque de France provides interesting insights[2]. The index consists of 18 variables grouped in 6 factors: interest rates, credit, equity, uncertainty, inflation and exchange rates. Whereas during the course of January, conditions became less easy, this movement has been reversed in February (chart 3) on the back of developments in exchange rates, uncertainty, equity markets and credit. Inflation moved in the other direction whereas the contribution from the rates factor was stable. It should be emphasized that, based on this measure, financial conditions in general remain easy, so we should not be concerned too much about short term swings. On the other hand, the scores for rates and inflation are already in the 'tight' area and, should higher bond yields end up weighing more significantly on equity markets, the scores for the equity and uncertainty factors would also worsen[3].

The issue of assessing financial conditions came up several times in the press conference of ECB President Lagarde on 21 January and, given recent market developments, we can expect it will again be a key topic during the press conference on 11 March. The message in January was that *"our assessment of favourable financing conditions is not driven by any single indicator. It is a holistic approach, it takes into account multiple indicators"*[4]. The emphasis on 'holistic' reflects that whether tighter conditions warrant policy actions depends on the economic context[5]. At the current juncture, rising euro area government bond yields cannot be considered as a sign of economic strength. Quite to the contrary, they come at a bad moment. Fabio Panetta, member of the Executive Board of the ECB, has been very explicit on this in a recent speech: *"we are already seeing undesirable contagion from rising US yields into the euro area yield curve. If unaddressed, this would lead to a tightening of financing conditions that is inconsistent with our domestic outlook and inimical to our recovery."* [6] Based on this, one would expect, at a minimum, a very strong statement from the ECB's Governing Council on 11 March on its decisiveness to act should yields continue to rise. Markets would of course prefer immediate action. After all, the tool –the Pandemic Emergency Purchase Programme– is available so one might as well step up its use.

William De Vijlder

1. *"The dollar is our currency, but it's your problem"* IPE Magazine, October 2007.
2. A new Banque de France Financial Conditions Index for the euro area, Bulletin de la Banque de France, 223/1 - May-June 2019.
3. In the Banque de France index, the equity factor is represented by the Euro Stoxx broad index and the Euro Stoxx Banks index whereas the uncertainty factor is captured by Euro Stoxx implied volatility and the Citigroup Surprise index for the euro area.
4. ECB, Press conference of Christine Lagarde, President of the ECB, and Luis de Guindos, Vice-President of the ECB, 21 January 2021.
5. For a detailed explanation why a financial conditions index cannot be used in a mechanical way in setting monetary policy, see: Calibrating unconventional monetary policy, Speech by Peter Praet, Member of the Executive Board of the ECB, 6 April 2017.
6. *"Mind the gap(s): monetary policy and the way out of the pandemic"*, Speech by Fabio Panetta, Member of the Executive Board of the ECB, 2 March 2021.

FINANCIAL CYCLE SYNCHRONISATION

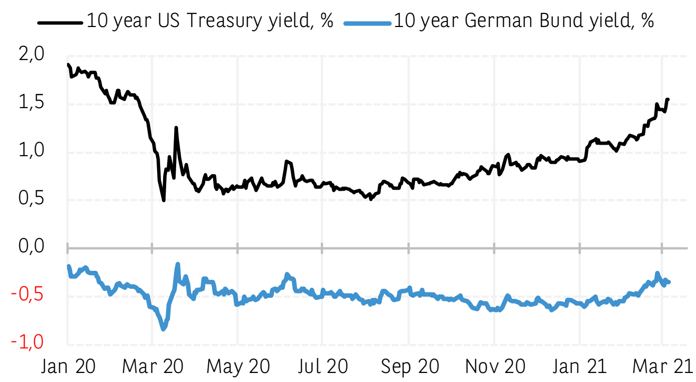


CHART 1 SOURCE: REFINITIV, BNP PARIBAS

DESYNCHRONISATION OF BUSINESS SENTIMENT

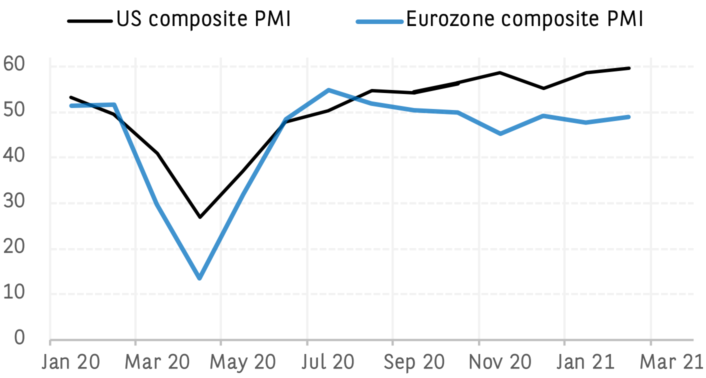


CHART 2

SOURCE: MARKIT ECONOMICS, BNP PARIBAS

EUROZONE: FINANCIAL CONDITIONS INDEX (FCI)

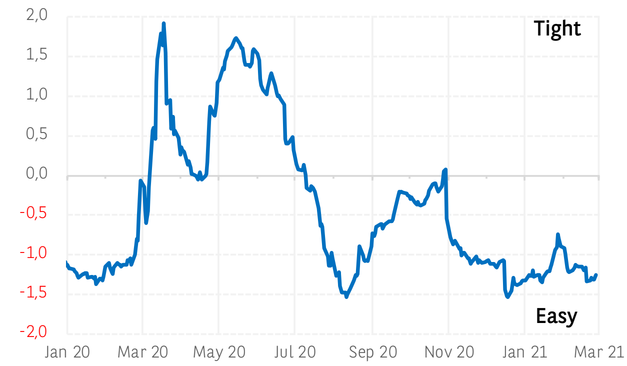


CHART 3

SOURCE: BANQUE DE FRANCE, BNP PARIBAS

EUROZONE FINANCIAL CONDITIONS INDEX – FACTOR DECOMPOSITION

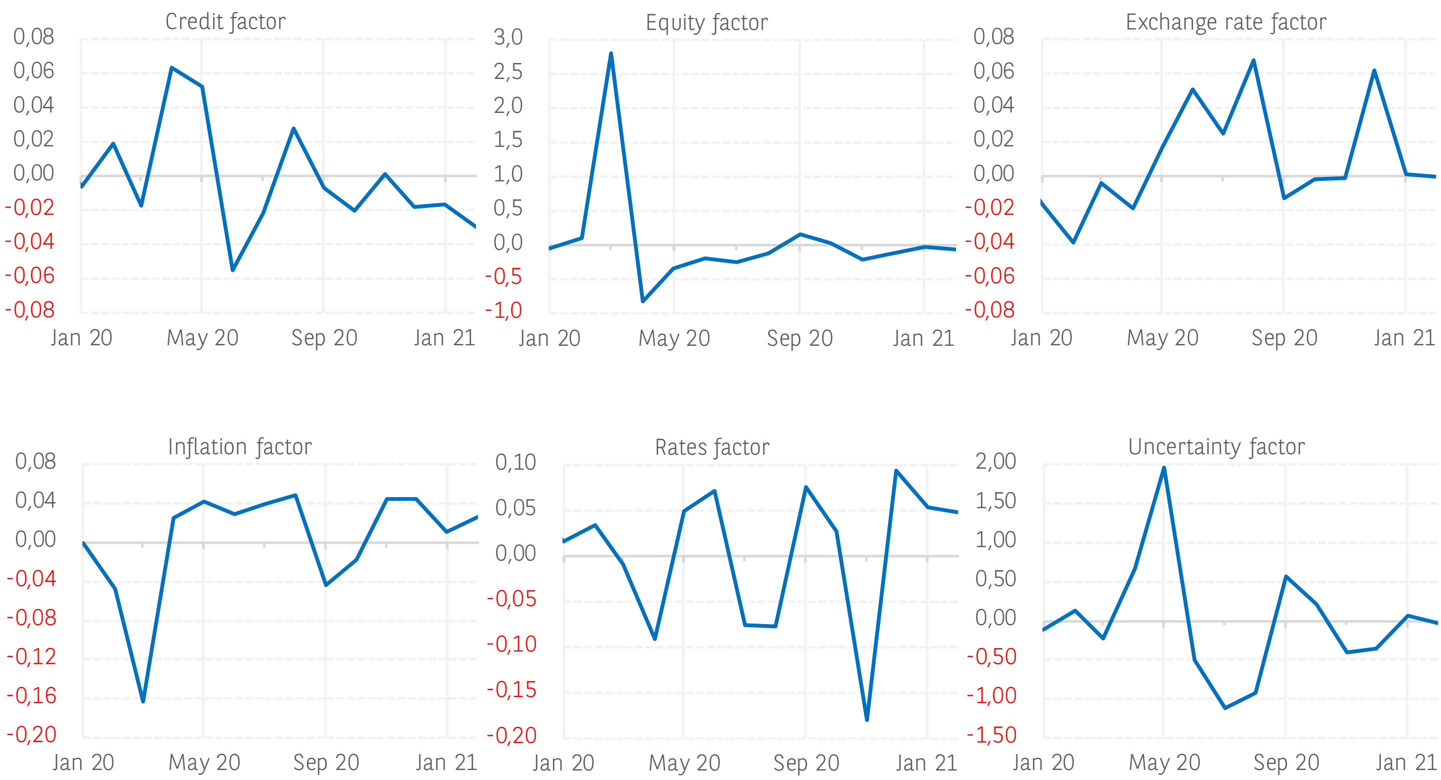


CHART 4

SOURCE: BANQUE DE FRANCE, BNP PARIBAS

MARKETS OVERVIEW

OVERVIEW

Week 26-2 21 to 4-3-21				
↗ CAC 40	5 703	▸ 5 831	+2.2	%
↘ S&P 500	3 811	▸ 3 768	-1.1	%
↗ Volatility (VIX)	28.0	▸ 28.6	+0.6	pb
↘ Euribor 3M (%)	-0.53	▸ -0.54	-1.1	bp
↗ Libor $ 3M (%)	0.19	▸ 0.19	+0.5	bp
↘ OAT 10y (%)	-0.09	▸ -0.13	-3.9	bp
↘ Bund 10y (%)	-0.29	▸ -0.35	-5.7	bp
↗ US Tr. 10y (%)	1.45	▸ 1.55	+10.5	bp
↘ Euro vs dollar	1.21	▸ 1.20	-0.8	%
↘ Gold (ounce, $)	1 727	▸ 1 719	-0.5	%
↗ Oil (Brent, $)	66.1	▸ 66.9	+1.2	%

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	-0.53	at	26/02	-0.56	at	06/01
	Euribor 12M	-0.49	-0.48	at	01/03	-0.52	at	02/02
$	FED	0.25	0.25	at	01/01	0.25	at	01/01
	Libor 3M	0.19	0.24	at	13/01	0.18	at	19/02
	Libor 12M	0.28	0.34	at	01/01	0.28	at	24/02
£	BoE	0.10	0.10	at	01/01	0.10	at	01/01
	Libor 3M	0.07	0.07	at	03/03	0.03	at	01/01
	Libor 12M	0.15	0.15	at	03/03	0.07	at	11/01

At 4-3-21

Yield (%)			highest 21		lowest 21	
€	AVG 5-7y	-0.24	-0.22	at 26/02	-0.46	at 04/01
	Bund 2y	-0.67	-0.65	at 25/02	-0.75	at 01/01
	Bund 10y	-0.35	-0.26	at 25/02	-0.60	at 04/01
	OAT 10y	-0.13	-0.03	at 25/02	-0.41	at 04/01
	Corp. BBB	0.67	0.72	at 26/02	0.50	at 08/01
$	Treas. 2y	0.15	0.17	at 25/02	0.11	at 05/02
	Treas. 10y	1.55	1.55	at 04/03	0.91	at 01/01
	High Yield	4.77	4.86	at 12/01	4.60	at 19/02
£	gilt. 2y	0.08	0.13	at 26/02	-0.08	at 04/01
	gilt. 10y	0.77	0.86	at 26/02	0.21	at 04/01

At 4-3-21

EXCHANGE RATES

1€ =		highest 21			lowest 21			2021
USD	1.20	1.23	at	06/01	1.20	at	04/02	-1.6%
GBP	0.86	0.91	at	06/01	0.86	at	24/02	-3.9%
CHF	1.11	1.11	at	04/03	1.08	at	18/01	+3.0%
JPY	129.56	129.90	at	25/02	125.22	at	18/01	+2.6%
AUD	1.54	1.60	at	04/01	1.53	at	24/02	-2.7%
CNY	7.79	8.00	at	01/01	7.74	at	04/02	-2.7%
BRL	6.71	6.95	at	03/03	6.33	at	18/01	+5.6%
RUB	88.57	92.20	at	28/01	88.57	at	04/03	-2.1%
INR	87.71	89.88	at	07/01	87.40	at	04/02	-1.9%

At 4-3-21 *Change*

COMMODITIES

Spot price, $		highest 21			lowest 21			2021	2021(€)
Oil, Brent	66.9	67.2	at	24/02	51.2	at	04/01	+28.9%	+31.0%
Gold (ounce)	1 719	1 947	at	05/01	1 719	at	04/03	-9.4%	-7.9%
Metals, LMEX	3 773	4 027	at	25/02	3 415	at	01/01	+10.5%	+12.3%
Copper (ton)	8 933	9 456	at	25/02	7 749	at	01/01	+15.3%	+17.1%
wheat (ton)	251	2.6	at	15/01	247	at	11/02	+1.5%	+3.1%
Corn (ton)	207	2.2	at	08/02	188	at	04/01	+1.0%	+11.6%

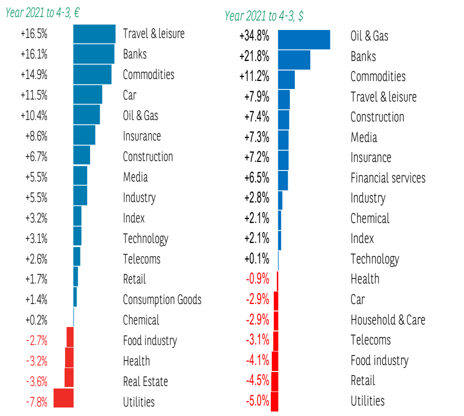
At 4-3-21 *Change*

EQUITY INDICES

	Index	highest 21			lowest 21			2021
World								
MSCI World	2 706	2 830	at	15/02	2 662	at	29/01	+0.6%
North America								
S&P500	3 768	3 935	at	12/02	3 701	at	04/01	+0.3%
Europe								
EuroStoxx50	3 705	3 734	at	15/02	3 481	at	29/01	+4.3%
CAC 40	5 831	5 831	at	04/03	5 399	at	29/01	+0.5%
DAX 30	14 056	14 109	at	15/02	13 433	at	29/01	+2.5%
IBEX 35	8 354	8 408	at	08/01	7 758	at	29/01	+0.3%
FTSE100	6 651	6 873	at	08/01	6 407	at	29/01	+0.3%
Asia								
MSCI, loc.	1 092	1 133	at	16/02	1 044	at	06/01	+0.5%
Nikkei	28 930	30 468	at	16/02	27 056	at	06/01	+5.4%
Emerging								
MSCI Emerging ($)	1 346	1 445	at	17/02	1 292	at	01/01	+0.4%
China	114	130	at	17/02	108	at	01/01	+5.0%
India	729	736	at	03/03	659	at	29/01	+7.6%
Brazil	1 657	1 941	at	14/01	1 587	at	03/03	-5.3%
Russia	687	722	at	14/01	647	at	01/02	+2.3%

At 4-3-21 *Change*

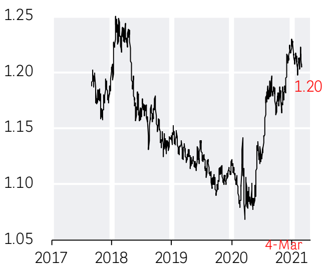
PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)



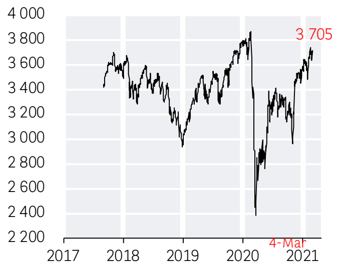
SOURCE: THOMSON REUTERS,

MARKETS OVERVIEW

EURO-DOLLAR

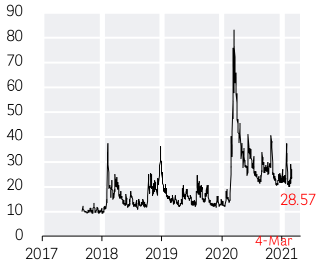


EUROSTOXX50

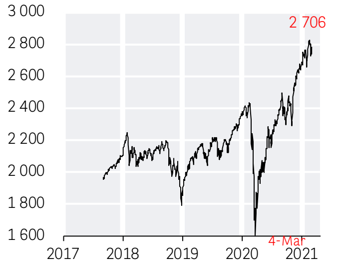


S&P500

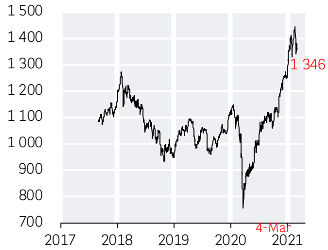
VOLATILITY (VIX, S&P500)



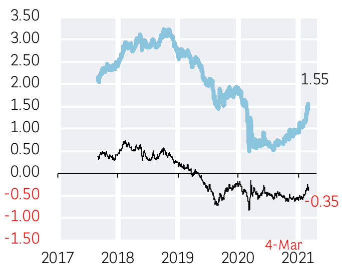
MSCI WORLD (USD)



MSCI EMERGING (USD)

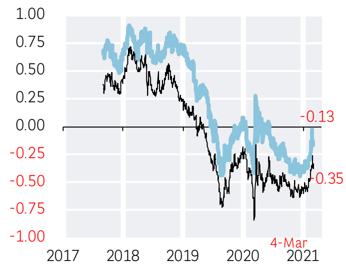


10Y BOND YIELD, TREASURIES VS BUND



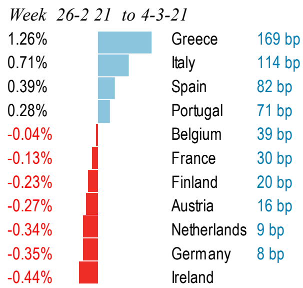
—Bunds —US Treasuries

10Y BOND YIELD

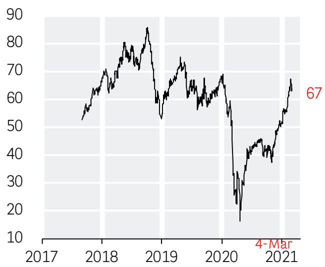


—Bunds —OAT

10Y BOND YIELD & SPREADS

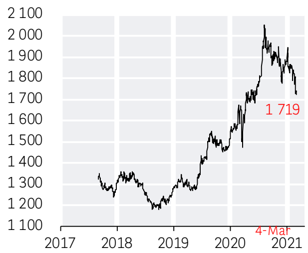


OIL (BRENT, USD)



METALS (LMEX, USD)

GOLD (OUNCE, USD)



SOURCE: THOMSON REUTERS,

FRANCE: EROSION OF CONFIDENCE IN FEBRUARY

We took away three key points from the detailed breakdown of the Q4 2020 quarterly accounts. First, households reported remarkable purchasing power gains in both Q4 2020 (+1.5% q/q, +1.9% y/y) and full-year 2020 (+0.6%), even though GDP contracted (-1.4% q/q, -4.9% y/y; -8.2% in annual average terms). The resilience of household purchasing power is largely due to emergency support measures. Second, the household savings rate rose consequently very strongly (to 21.4% in 2020, compared to 14.9% in 2019). Unlocking these savings is one of the key factors behind a vigorous rebound in economic growth. The debate has become fiercer in recent days on how to encourage this freeing, and announcements are expected in the weeks ahead. Third, margins of non-financial companies, slightly up in Q4 (+0.7 points, after +2.3 points in Q3), nonetheless declined sharply in 2020 (-4 points to 29.3%, the lowest level since 1985). Restoring margins will be another key factor.

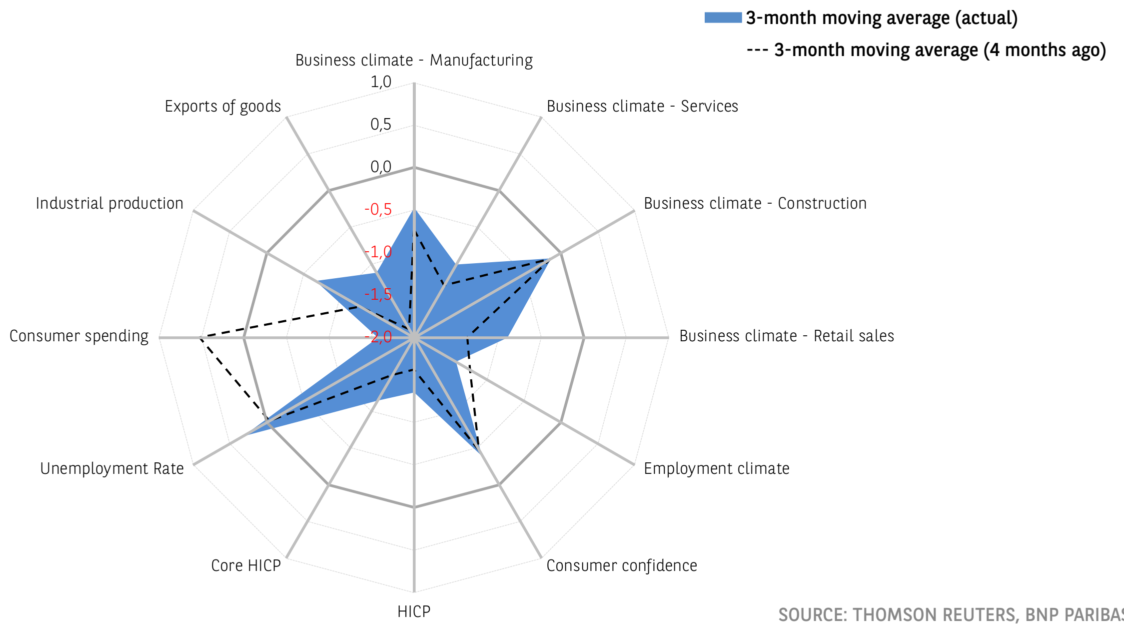
As to the cyclical situation in the first months of the year, the results are mixed. Since the outbreak of the Covid-19 crisis, consumer spending on goods has been very jagged, with a series of drops followed by rebounds depending on whether lockdown measures are tightened or eased. This spending declined again in January, down 4.6% m/m, after jumping 22.4% m/m in December, following a 17.9% plunge in November. On a year-on-year basis, consumer spending is at the same level as a in January 2020.

The INSEE composite business climate index eroded, down 1 point to 90, after holding flat in January, as did the Markit composite PMI (-0.7 points to 47, after -1.8 points in January). This slight deterioration masks more clear-cut sector trends. The industrial sector continues to weather the crisis better than services, and has done significantly better based on the strong increase in the manufacturing PMI (+4.5 points to 56.1, a 3-year high). Business confidence continues to erode in services (PMI dropped 1.7 points to 45.6 and the INSEE index fell 3 points to 88) and retail trade (the INSEE index was down 4 points to 89). The signal is also negative on the household confidence front (-1 point to 91, after a 3-point decline in January).

How the situation will evolve in March is still highly uncertain. The most likely scenario seems to be a slight erosion of economic activity. Yet for Q1 2021 as a whole, the French economy is likely to avoid another contraction in GDP thanks to the stability of the situation in January and February: as in December, the economy was operating at 96% of pre-crisis levels in the first two months of the year.

Hélène Baudchon

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 -2 and +1. 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

SPAIN: GROUNDS FOR HOPE, DESPITE A GLUM FIRST QUARTER IN 2021

Although our barometer generally improved in March, economic growth is set to remain weak in the first quarter of 2021. New car sales were still 40% lower in February 2021 than in February 2020, although the data can be volatile from a month to another. The manufacturing PMI improved in February – to 52.9 – but this reading is significantly lower than what we observed in Italy, Germany and France. The services PMI remains mired in the contractionary zone – at 43.1 – mirroring the dramatic fall in tourist inflows that has continued through this winter (down 89.5% year-on-year in January).

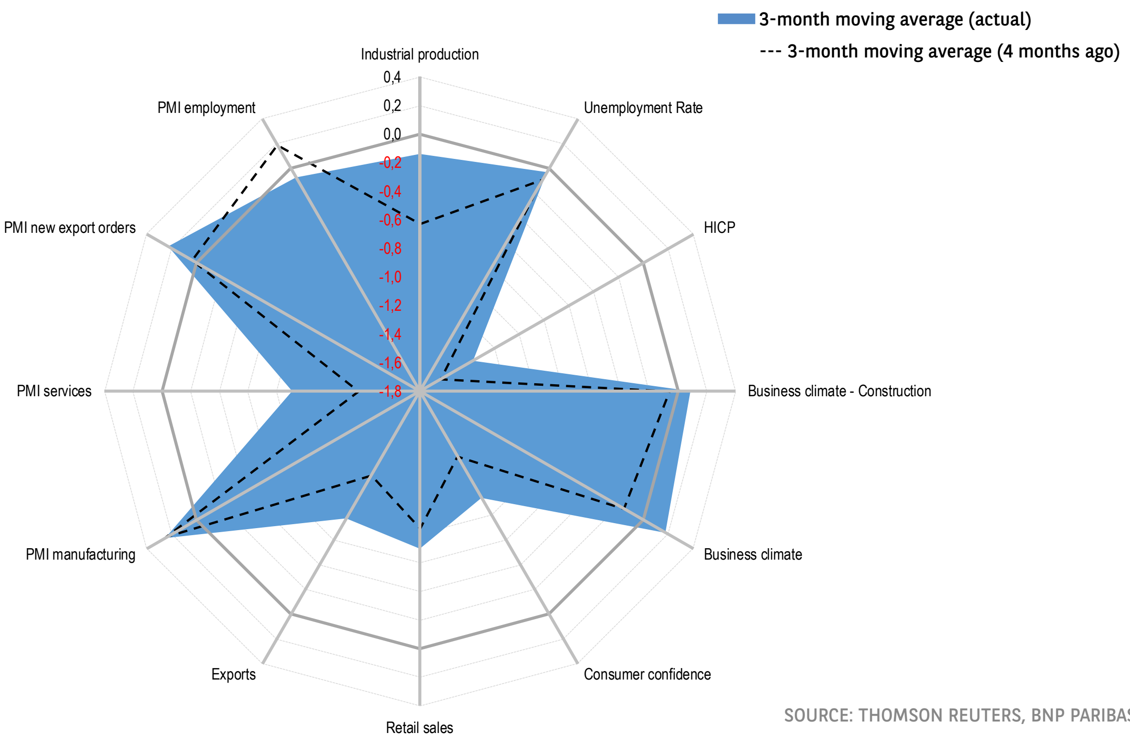
All of this has fed through into employment, for which the recovery has stalled at the beginning of the year. According to the Spanish employment service (SEPE), the number of workers registered with the social security system fell 0.2% in February, whilst unemployment rose 0.5% (seasonally-adjusted data). Nearly 900,000 people were still covered by the ERTE short-time working scheme at the end of February.

However, there are some encouraging signals suggesting a stronger economic recovery from the spring onwards. The sharp fall in Covid-19 cases in the country as well as the expected massive deliveries of new vaccine doses, should allow a gradual easing of restrictions over the next few weeks. Prime Minister Pedro Sanchez has announced a quadrupling of the number of vaccine doses to be made available in Q2. These positive developments are reflected in the confidence indicators: the services PMI for business expectations over the next twelve months jumped to 70.2 in February, its highest level since May 2018.

Although the Consumer Price Index (CPI) edged up this winter, inflation remains historically low. According to the first INE estimate, the CPI even recorded a slight decline in February on a year-on-year basis (-0.1%). However, inflationary pressures, mainly linked to the rise in raw materials prices and bottlenecks in production chains (as reflected in the surveys), could lead to an acceleration in inflation in the country.

Guillaume Derrien

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 -1.8 and +0.4. 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.

PMI: MANUFACTURING STRENGTH BUT A HETEROGENEOUS PICTURE IN SERVICES

In the manufacturing sector, at the world level, the PMI recorded an improvement in February after having eased the month before. It is now at the highest level of the period under review. This also applies to the eurozone, where the index saw a big jump in February. The improvement in the French index was even more impressive, although its level is still below that of the eurozone. Noteworthy is the further improvement in Italy whereas Germany and the Netherlands reach very high scores. The Australian continued its rise in February and in Japan it has now surpassed the 50 mark. The Chinese PMI continues to weaken and is approaching the 50 level whereas Indian is stabilising at a high level.

The services PMI did not change a lot in February versus January: a bit better in the US, a bit weaker in China, where the index is now at 51.5 versus 57.8 last November. India saw a big improvement to 55.3. In the euro area there was a slight increase but Germany and in particular France saw a decline. In Italy on the other hand, sentiment picked up strongly, which is probably to some extent related to the new government led by Mario Draghi. The composite PMI hardly changed in the US but improved in the euro area. In the latter, one observes diverging movements: weaker in France, slightly better in Germany –and above the 50 mark–and a big improvement in Italy –to 51.4–, which now has the highest reading amongst the euro area countries. In the UK, the composite PMI saw a huge jump in February, probably related to the prospect of an easing of restrictions on the back of significant progress in the vaccination campaign. The Chinese composite PMI eased further and it improved quite a bit in India.

The employment component of the manufacturing PMI improved at the world level. The reading for the US was again higher and the index is now reaching a particularly high level of 56.3. The was also an improvement in the euro area where the 50 hurdle has been passed. The improvement was broad-based with better data in Austria, France, Germany, Ireland, Italy, the Netherlands and Spain. This provides some hope with respect to the labour market in the coming months. In China, the index was again lower –it moved below 50 in December– and India was also lower, despite the strong reading of the manufacturing PMI.

After declining in January, the new export orders PMI was up again in February, back to the level seen in December. The euro area recorded a big improvement in the assessment of export orders, underpinned by a significantly better reading in France, Germany, Greece, Italy and Spain. In China, the PMI hardly changed and remains at a low level (47.6).

William De Vijlder

MANUFACTURING PMI

	Developed Markets																		
	WD	NA		Europe												Asia-Oceania			
	World	CANADA	USA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE
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	38,6	44,8	45,4
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	26,2	41,9	44,7
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	40,7	38,4	46,8
Jun-20	48,0	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
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	59,3	45,2	50,2
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
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	53,7	47,7	50,3
Oct-20	53,1	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	52,3	48,7	50,5
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	55,2	49,0	50,4
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		48,3	50,0	50,5
Jan-21	53,6	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	57,5	49,8	50,7
Feb-21	53,9	54,8	58,6	57,9	58,3	40,8	56,1	60,7	49,4	52,0	56,9	59,6	52,9	61,3	55,1	58,8		51,4	50,5

	Emerging countries															
	LATAM		Eurasia				Middle East & Africa					Asia				
	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM
Mar-20	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	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	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	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	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	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	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	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	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	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	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
Feb-21	58,4	44,2	56,5	53,4	51,5	51,7	49,3	42,2	53,9	53,0	50,6	50,9	50,2	57,5	50,9	51,6

SERVICES PMI

	World	USA	EURO ZONE	FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	LEBANON	CHINA	HONG KONG	INDIA
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
Feb-21		59.8	45.7	45.6	45.7	41.2	48.8	43.1	49.5		46.3	47.1	52.2	42.2	51.5	50.2	55.3

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SOURCE: MARKIT, BNP PARIBAS

COMPOSITE PMI*

	WD	NA		Europe												Asia-Oceania				LATAM		Eurasia				Middle East & Africa					Asia				
	World	CANADA	USA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM
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	53.4		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		
Feb-21			59.5	48.8			47.0	51.1		42.7	51.4		45.1		49.6			48.2		49.6				52.6							51.7		57.3		

Developed Markets: WD, NA, Europe, Asia-Oceania. Emerging countries: LATAM, Eurasia, Middle East & Africa, Asia.

*manufacturing & services

MANUFACTURING PMI – EMPLOYMENT

Developed Markets: WD, NA, Europe, Asia-Oceania. Emerging countries: LATAM, Eurasia, Middle East & Africa, Asia.

	WD	NA		Europe												Asia-Oceania			LATAM		Eurasia				Middle East & Africa				Asia			
	World	CANADA	USA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	INDIA	INDONESIA	VIETNAM
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	48,4	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	47,3	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	49,3	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	51,6	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	52,4	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	51,5	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	50,2	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	50,3	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	55,4	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
Feb-21	50,6	52,6	56,3	51,5	54,5	40,6	52,5	50,0	50,3	52,9	53,6	53,0	49,2	52,5	51,9	52,1		49,7	53,8	45,4	54,2	52,9	50,6	54,1	49,3	49,6	44,1	49,9	48,1	47,6	48,7	50,6

MANUFACTURING PMI – NEW EXPORT ORDERS

Developed Markets: WD, NA, Europe, Asia-Oceania. Emerging countries: LATAM, Eurasia, Middle East & Africa, Asia.

	WD	NA		Europe												Asia-Oceania				LATAM		Eurasia				Middle East & Africa					Asia				
	World	CANADA	USA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM
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	33,2	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	11,8	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	34,7	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	49,0	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	51,7	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	53,0	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	55,3	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	54,0	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	52,4	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	49,7	44,6	51,5	47,6	52,9	51,8	40,2	51,8	41,1	52,8
Jan-21	50,2	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	52,4	40,5	53,5	45,9	55,2	47,4	43,9	53,9	44,2	49,9
Feb-21	51,1	50,2	53,7	57,7	55,1		54,0	62,2	46,5	48,1	57,3	58,0	52,5		50,4	54,1		51,5	50,7	50,6	41,6	52,0	54,3	46,6	50,7	56,3	47,3	51,6	48,4	49,8	47,6	44,2	52,0	43,5	50,5

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SOURCE: MARKIT, BNP PARIBAS

ECONOMIC PULSE

RETAIL AND LEISURE: MOBILITY MOMENTUM CONTINUES TO PICK UP IN THE DEVELOPED ECONOMIES

The latest Google Mobility Report, of 1 March, revealed trends in visits to retail and recreation in the main European countries, Japan and the United States. Over the month, the indicator jumped from -60% to -45% in Germany, from -46% to -33% in Belgium and from -51% to -42% in Spain. In France, the recovery was less distinct than in neighbouring countries with the indicator rising only 3 points from -42% to -39%. In Italy, after a rising trend in visit numbers the moving average has stabilised over the past week, at 31% compared to baseline* (char 1). In the United Kingdom, visit also jumped over a month (from -64% to -55%, chart 2). But this still remains low in comparison to the major European countries.

Lastly, in the US and Japan, visit numbers have started rising again over the past week, after a brief dip (chart 2). Because of looser restrictions, visit levels in these countries remain higher than in Europe.

Meanwhile, in line with the extension and tightening of measures in response to the Covid-19 pandemic, the final services PMI for February remained subdued in Europe, in sharp contrast to the US where it increased strongly due to looser restrictions (chart 3). In Europe, the index remains below the 50 mark, which separates contraction from expansion.

Tarik Rharrab

RETAIL AND RECREATION MOBILITY

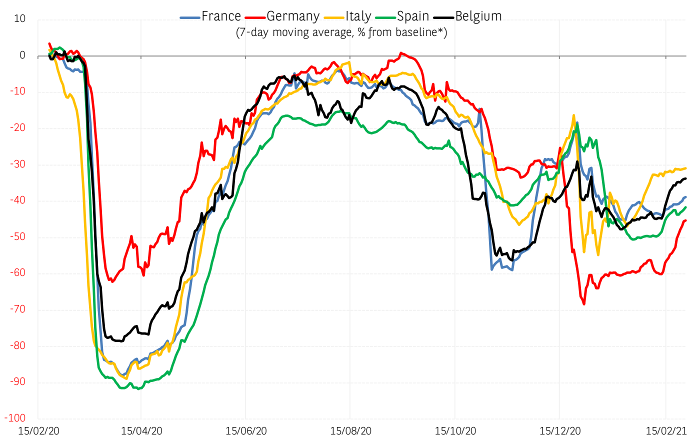

CHART 1

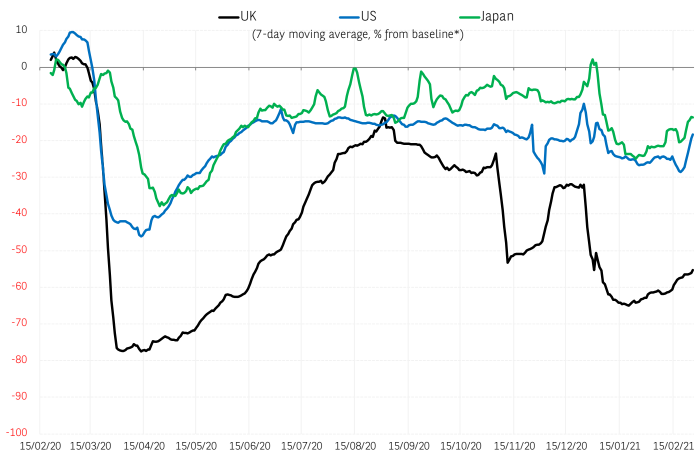

CHART 2

SOURCE: GOOGLE (UPDATE AS OF 02/03/2021), BNP PARIBAS

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

RELATIONSHIP BETWEEN MARKIT PMI SURVEYS IN THE SERVICES SECTOR AND RETAIL AND RECREATION MOBILITY

CHART 3

SOURCE: GOOGLE (LAST UPDATE 02/03/2021), MARKIT, 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 2019	2020	2021 e	2022 e	Inflation 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, % End of period		2021 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 End of period		2021 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 Period-average		2021 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

Japan saw an improvement in the purchasing managers' indices (PMI) although the level remains well below 50 in the services sector. Consumer confidence improved more than anticipated. China saw a weakening of the PMIs. The eurozone manufacturing PMI was more or less stable but services improved, although it's still below 50. In France, both the manufacturing and services PMIs improved, thereby beating expectations. There was little change in the UK PMIs. In the US, the manufacturing ISM improved -the consensus had expected a stabilisation- with a strong increase in new orders and in the 'prices paid' component, which is now reaching a particularly high level. On services, the signals are conflicting: the ISM services index saw a large decline whereas the services PMI improved. In the euro area, annual inflation was stable in February whereas core inflation recorded a decline. The January unemployment rate remained stable –the consensus had expected an increase- but retail sales recorded a big drop. In the US, the labour market report showed very strong job creation, reflecting a private sector that is getting ready for the 're-opening' of the economy as the percentage of people having been vaccinated continues to increase rapidly.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
03/01/2021	Japan	Jibun Bank Japan PMI Mfg	Feb	--	51.4	50.6
03/01/2021	China	Caixin China PMI Mfg	Feb	51.4	50.9	51.5
03/01/2021	France	Markit France Manufacturing PMI	Feb	55.0	56.1	55.0
03/01/2021	Germany	Markit/BME Germany Manufacturing PMI	Feb	60.6	60.7	60.6
03/01/2021	Eurozone	Markit Eurozone Manufacturing PMI	Feb	57.7	57.9	57.7
03/01/2021	United Kingdom	Markit UK PMI Manufacturing SA	Feb	54.9	55.1	54.9
03/01/2021	United States	Markit US Manufacturing PMI	Feb	58.5	58.6	58.5
03/01/2021	United States	ISM Manufacturing	Feb	58.9	60.8	58.7
03/01/2021	United States	ISM Prices Paid	Feb	80.0	86.0	82.1
03/01/2021	United States	ISM New Orders	Feb	60.0	64.8	61.1
03/01/2021	United States	ISM Employment	Feb	--	54.4	52.6
03/01/21-03/02/21	Germany	Retail Sales MoM	Jan	0.3%	-4.5%	-9.1%
03/02/2021	Eurozone	CPI Estimate YoY	Feb	0.9%	0.9%	0.9%
03/02/2021	Eurozone	CPI Core YoY	Feb	1.1%	1.1%	1.4%
03/03/2021	Japan	Jibun Bank Japan PMI Services	Feb	--	46.3	45.8
03/03/2021	Japan	Jibun Bank Japan PMI Composite	Feb	--	48.2	47.6
03/03/2021	China	Caixin China PMI Composite	Feb	--	51.7	52.2
03/03/2021	China	Caixin China PMI Services	Feb	51.5	51.5	52.0
03/03/2021	France	Markit France Services PMI	Feb	43.6	45.6	43.6
03/03/2021	France	Markit France Composite PMI	Feb	45.2	47.0	45.2

SOURCE: BLOOMBERG

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
03/03/2021	Germany	Markit Germany Services PMI	Feb	45.9	45.7	45.9
03/03/2021	Germany	Markit/BME Germany Composite PMI	Feb	51.3	51.1	51.3
03/03/2021	Eurozone	Markit Eurozone Services PMI	Feb	44.7	45.7	44.7
03/03/2021	Eurozone	Markit Eurozone Composite PMI	Feb	48.1	48.8	48.1
03/03/2021	United Kingdom	Markit/CIPS UK Services PMI	Feb	49.7	49.5	49.7
03/03/2021	United Kingdom	Markit/CIPS UK Composite PMI	Feb	49.8	49.6	49.8
03/03/2021	United States	Markit US Composite PMI	Feb	--	59.5	58.8
03/03/2021	United States	Markit US Services PMI	Feb	58.9	59.8	58.9
03/03/2021	United States	ISM Services Index	Feb	58.7	55.3	58.7
03/03/2021	United States	U.S. Federal Reserve Releases Beige Book				
03/04/2021	Japan	Consumer Confidence Index	Feb	30.0	33.8	29.6
03/04/2021	Eurozone	Unemployment Rate	Jan	8.3%	8.1%	8.3%
03/04/2021	Eurozone	Retail Sales MoM	Jan	-1.4%	-5.9%	2.0%
03/04/2021	United States	Initial Jobless Claims	27-Feb	750k	745k	730k
03/04/2021	United States	Cap Goods Orders Nondef Ex Air	Jan	0.5%	0.4%	0.5%
03/05/2021	United States	Change in Nonfarm Payrolls	Feb	200k	379k	49k
03/05/2021	United States	Unemployment Rate	Feb	6.3%	6.2%	6.3%
03/05/2021	United States	Average Hourly Earnings MoM	Feb	0.2%	0.2%	0.2%
03/05/2021	United States	Average Weekly Hours All Employees	Feb	34.9	34.6	35.0
03/05/2021	United States	Labor Force Participation Rate	Feb	61.4%	61.4%	61.4%
03/05/2021	United States	Underemployment Rate	Feb	--	11.1%	11.1%

SOURCE: BLOOMBERG

CALENDAR: THE WEEK AHEAD

COMING INDICATORS

The highlight of next week is the ECB meeting. The previous press conference was all about assessing financial conditions and, with the increase in bond yields under the influence of developments in the US, we can expect even more questions on the same topic. The week will be rather light in terms of data. Japan and the euro area will publish an updated estimate of 4th quarter growth. We will have inflation data in China and the United States. In France we will have Banque de France industrial sentiment as well as employment date for the final quarter of last year. In the US, we will also have small business optimism and University of Michigan sentiment. Finally, in Japan the Eco Watchers survey will be published.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
03/08/2021	Japan	Eco Watchers Survey Current SA	Feb	--	31.2
03/08/2021	Japan	Eco Watchers Survey Outlook SA	Feb	--	39.9
03/08/2021	France	Bank of France Ind. Sentiment	Feb	--	98
03/09/2021	Japan	GDP SA QoQ	4Q	3.00%	3.00%
03/09/2021	Japan	Machine Tool Orders YoY	Feb	--	9.70%
03/09/2021	France	Private Sector Payrolls QoQ	4Q	--	-0.20%
03/09/2021	Germany	Exports SA MoM	Jan	--	0.10%
03/09/2021	Eurozone	OECD Publishes Interim Economic Outlook			
03/09/2021	Eurozone	Employment QoQ	4Q	--	0.30%
03/09/2021	Eurozone	GDP SA QoQ	4Q	--	-0.60%
03/09/2021	Eurozone	GDP SA YoY	4Q	--	-5.00%
03/09/2021	Eurozone	Govt Expend QoQ	4Q	--	4.80%
03/09/2021	Eurozone	Household Cons QoQ	4Q	--	14.00%
03/09/2021	Eurozone	Gross Fix Cap QoQ	4Q	--	13.40%
03/09/2021	United States	NFIB Small Business Optimism	Feb	96	95
03/09/21-03/15/21	China	Aggregate Financing CNY	Feb	900.0b	5170.0b
03/10/2021	China	CPI YoY	Feb	-0.30%	-0.30%
03/10/2021	China	PPI YoY	Feb	1.40%	0.30%
03/10/2021	United States	CPI Ex Food and Energy MoM	Feb	0.20%	0.00%
03/11/2021	Eurozone	ECB Deposit Facility Rate	Mar	--	-0.50%
03/11/2021	United States	Initial Jobless Claims	Mar	--	--
03/11/2021	United States	JOLTS Job Openings	Jan	--	6646
03/12/2021	United Kingdom	Monthly GDP (MoM)	Jan	--	1.20%
03/12/2021	United Kingdom	Monthly GDP (3M/3M)	Jan	--	4.10%
03/12/2021	United States	PPI Ex Food and Energy MoM	Feb	0.20%	1.20%
03/12/2021	United States	PPI Ex Food, Energy, Trade MoM	Feb	0.20%	1.20%
03/12/2021	United States	U. of Mich. Sentiment	Mar	77.2	76.8
03/12/2021	United States	U. of Mich. Current Conditions	Mar	--	86.2
03/12/2021	United States	U. of Mich. Expectations	Mar	--	70.7
03/12/2021	United States	U. of Mich. 1 Yr Inflation	Mar	--	3.30%
03/12/2021	United States	U. of Mich. 5-10 Yr Inflation	Mar	--	2.70%

SOURCE: BLOOMBERG

FURTHER READING

Does the rise of bond yields call for yield curve control?	EcoTVWeek	5 March 2021
Growth jumps to 0.4% In third quarter of the fiscal year	Chart of the Week	3 March 2021
Europe: the shock of Covid-19 and the fear of accelerated zombification	Conjoncture	2 March 2021
United Kingdom : the trajectory of UK public finances after Covid	Conjoncture	2 March 2021
EcoWeek 21.08. February 26, 2021 issue	EcoWeek	26 February 2021
Central Europe: growth amid shortages	EcoTVWeek	26 February 2021
Accommodation and food service activities have made intensive use of sgls	Chart of the Week	24 February 2021
EcoWeek 21.07. February 19, 2021 issue	EcoWeek	19 February 2021
Spain: the debate on pension reform arises again	EcoTVWeek	19 February 2021
Sub-Sahara Africa : dealing with Africa's risk of debt distress	Conjoncture	18 February 2021
World merchandise trade quickly back to pre-pandemic levels	Chart of the Week	17 February 2021
EcoWeek 21.06. February 12, 2021 issue	EcoWeek	12 February 2021
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
February 2021 edition	EcoTV	9 February 2021
EcoWeek 21.05. February 5, 2021 issue	EcoWeek	5 February 2021
Towards a delayed eurozone recovery?	EcoTVWeek	5 February 2021
Us banks: plans for share buybacks before the downsizing of balance sheets	Chart of the Week	3 February 2021
EcoWeek 21.04. January 29, 2021 issue	EcoWeek	29 January 2021
United Kingdom: a month after Brexit	EcoTVWeek	29 January 2021

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