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ECONOMIC RESEARCH

BNP PARIBAS

The bank for a changing world

DOES QUANTITATIVE EASING REPRESENT A FREE LUNCH FOR GOVERNMENTS?

In recent decades, the experience in many countries has been that the decline of the public debt ratio during expansions did not compensate for the increase during recessions. This could end up creating concern about sovereign risk and influence the borrowing cost. Under the assumption of permanent reinvestment of maturing paper, significant holdings by the central bank of government paper as a result of quantitative easing, could limit this risk. This depends on the interest rate on excess reserves and on whether such a policy ends up generating higher inflation and/or inflation expectations.

One of the major economic consequences of the Covid-19 pandemic is the significant increase in public sector debt as a percentage of GDP. This is related to the drop this year of the denominator and the jump in the numerator due to the role of automatic stabilisers and, sometimes massive, discretionary measures taken to soften the blow to the economy.

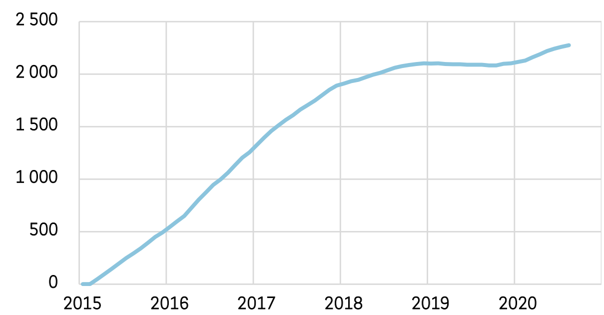
Experience in recent decades shows that in many, if not most, countries, the decline of the public debt ratio during expansions does not compensate for the increase during recessions. It implies that recessions create a stairway of public debt. High and rising levels of public indebtedness imply increased sovereign risk and, a priori, one would expect that this would end up influencing the borrowing cost. In parallel, since the global financial crisis, we have seen the emergence of quantitative easing as a key monetary policy tool considering that the official interest rates offer little or no leeway for more accommodation. We have thus reached a stage of de facto coordination between monetary and fiscal policy. By directly increasing final demand, the latter increases the effectiveness of an expansionary monetary policy, a point that is often emphasized by central bankers. Purchases of government bonds by central banks facilitate the financing of the fiscal stimulus.

Should these trends continue, it would mean that, eventually, a rather considerable part of public debt could end up on the balance sheet of the central bank. Some commentators have argued that this part should not be taken into account when analysing debt sustainability. The rationale is that the coupons received by the central bank would be paid back to government as dividends and that maturing debt will always be reinvested by the central bank. On the latter point, it is unlikely that a central bank would ever announce that such a policy would be maintained forever, because it would be perceived as monetary financing, hit its credibility and possibly create a jump in inflation expectations. However, for the pricing of sovereign risk, such an announcement is not strictly necessary. It is sufficient that the likelihood of reinvestment is sufficiently high. This seems to be the case. The US experience of quantitative tightening[1] has shown how difficult it is to reduce the size of the balance sheet. Moreover, more quantitative tightening is a substitute for policy rate hikes. If a central bank wants to reduce its recourse to QE during a future easing cycle, it should privilege increases in official rates during the expansion in order to create leeway to cut them subsequently. This implies that government bonds, once bought, could remain on the balance sheet for a very long time. Still, this does not mean that QE creates a free lunch for governments. Asset purchases are mirrored on the liability side of the central bank's balance sheet by reserves held by the banking system, which acts as an intermediary between the end investors and the central bank. Under the assumption that coupons are fully paid back to government in the form of dividends, the effective cost of funding is the interest rate paid on excess reserves of the banks with the central bank. We have grown accustomed to this rate being very low or, in the case of the ECB, being even negative. However, one would hope that this is a temporary situation and that eventually it should rise because the neutral rate of interest increases. Another reason behind such a rise would be an increase in inflation and inflation expectations that could follow from an ever bigger role of the central bank in financing the budget deficit. To conclude, under the assumption of permanent reinvestment of maturing paper, significant holdings by the central bank of government paper would imply that sovereign risk is priced in function of the debt held by other investors than the central bank. However, in simulating the long-term dynamics of deficits and debt, the overall debt level should be taken into account, at least if the interest rate on excess reserves is positive. Moreover, a growing role of the central bank in financing public deficits could end up generating higher inflation and/or inflation expectations and influence the cost of borrowing.

William De Vijlder

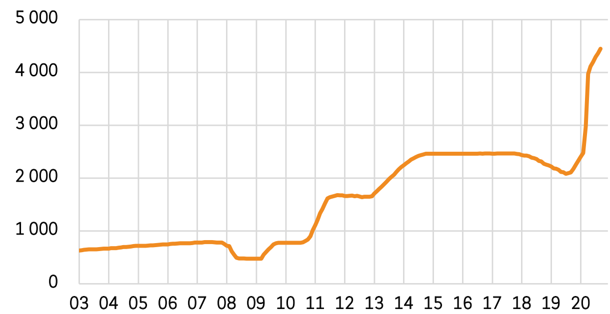
1. This refers to the balance sheet normalization policy whereby maturing securities were no longer re-invested. This policy began in October 2017 and ended in August 2019 (source: Federal Reserve).

ECB: HOLDINGS UNDER THE PUBLIC SECTOR PURCHASE PROGRAMME (BN EUR)



SOURCE: ECB, BNP PARIBAS

FED: SECURITIES HELD OUTRIGHT, TREASURY SECURITIES (BILLION USD)



SOURCE: FED, BNP PARIBAS

MARKETS OVERVIEW

OVERVIEW

Week 25-9 20 to 1-10-20

↗ CAC 40	4 730	▸	4 824	+2.0	%
↗ S&P 500	3 298	▸	3 381	+2.5	%
↗ Volatility (VIX)	26.4	▸	26.7	+0.3	bp
↗ Libor $ 3M (%)	0.22	▸	0.23	+1.6	bp
↘ OAT 10y (%)	-0.30	▸	-0.31	-1.1	bp
↘ Bund 10y (%)	-0.53	▸	-0.53	-0.1	bp
↗ US Tr. 10y (%)	0.66	▸	0.68	+1.8	bp
↗ Euro vs dollar	1.16	▸	1.17	+1.0	%
↗ Gold (ounce, $)	1 862	▸	1 909	+2.5	%
↘ Oil (Brent, $)	42.0	▸	41.0	-2.3	%

MONEY & BOND MARKETS

Interest Rates		highest 20			lowest 20		
$ FED	0.25	1.75	at	01/01	0.25	at	16/03
Libor 3M	0.23	1.91	at	01/01	0.22	at	25/09
Libor 12M	0.36	2.00	at	01/01	0.36	at	29/09
£ BoE	0.10	0.75	at	01/01	0.10	at	19/03
Libor 3M	0.06	0.80	at	08/01	0.05	at	18/09
Libor 12M	0.15	0.98	at	01/01	0.14	at	18/09

At 1-10-20

Yield (%)		highest 20		lowest 20	
€ AVG 5-7y	-0.28	0.72	at 18/03	-0.35	at 30/09
Bund 2y	-0.70	-0.58	at 14/01	-1.00	at 09/03
Bund 10y	-0.53	-0.17	at 19/03	-0.84	at 09/03
OAT 10y	-0.31	0.28	at 18/03	-0.42	at 09/03
Corp. BBB	0.94	2.54	at 24/03	0.65	at 20/02
$ Treas. 2y	0.13	1.59	at 08/01	0.11	at 04/08
Treas. 10y	0.68	1.91	at 01/01	0.50	at 09/03
High Yield	5.97	1 1.29	at 23/03	5.44	at 21/02
£ gilt. 2y	-0.05	0.61	at 08/01	-0.12	at 21/09
gilt. 10y	0.28	0.83	at 01/01	0.04	at 04/08

At 1-10-20

EXCHANGE RATES

1€ =		highest 20			lowest 20			2020
USD	1.17	1.20	at	01/09	1.07	at	20/03	+4.5%
GBP	0.91	0.94	at	23/03	0.83	at	18/02	+7.6%
CHF	1.08	1.09	at	05/06	1.05	at	14/05	-0.7%
JPY	123.97	126.82	at	31/08	114.51	at	06/05	+1.6%
AUD	1.63	1.87	at	23/03	1.60	at	01/01	+2.3%
CNY	7.99	8.26	at	30/07	7.55	at	19/02	+2.2%
BRL	6.62	6.69	at	20/08	4.51	at	02/01	+46.5%
RUB	90.92	92.95	at	29/09	67.75	at	10/01	+30.4%
INR	85.84	89.12	at	18/08	77.21	at	17/02	+7.1%

At 1-10-20 *Change*

COMMODITIES

Spot price, $		highest 20			lowest 20			2020	2020(€)
Oil, Brent	41.0	69.1	at	06/01	16.5	at	21/04	-38.2%	-40.9%
Gold (ounce)	1 909	2 053	at	06/08	1 475	at	19/03	+25.5%	+20.1%
Metals, LMEX	2 873	3 046	at	18/09	2 232	at	23/03	+1.0%	-3.3%
Copper (ton)	6 375	6 853	at	18/09	4 625	at	23/03	+3.7%	-0.8%
wheat (ton)	219	2.4	at	21/01	178	at	26/06	-4.5%	-8.6%
Corn (ton)	143	1.5	at	23/01	113	at	28/04	-0.5%	-8.9%

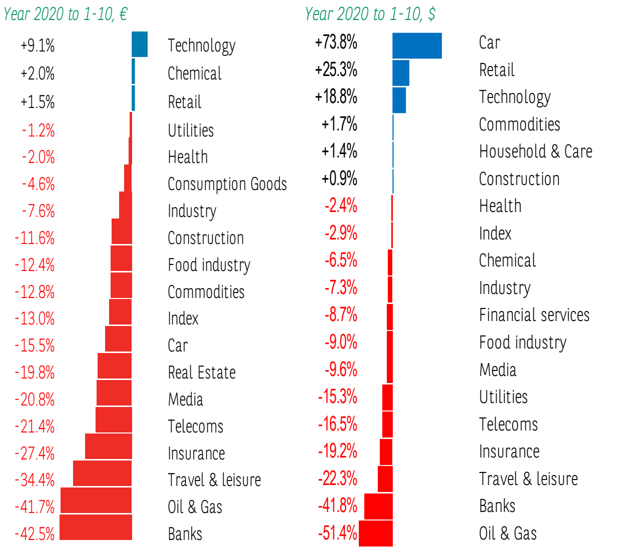
At 1-10-20 *Change*

EQUITY INDICES

	Index	highest 20			lowest 20			2020
World								
MSCI World	2 380	2 494	at	02/09	1 602	at	23/03	+0.9%
North America								
S&P500	3 381	3 581	at	02/09	2 237	at	23/03	+4.6%
Europe								
EuroStoxx50	3 194	3 865	at	19/02	2 386	at	18/03	-14.7%
CAC 40	4 824	6 111	at	19/02	3 755	at	18/03	-1.9%
DAX 30	12 731	13 789	at	19/02	8 442	at	18/03	-3.9%
IBEX 35	6 731	10 084	at	19/02	6 107	at	16/03	-3.0%
FTSE100	5 879	7 675	at	17/01	4 994	at	23/03	-2.2%
Asia								
MSCI, loc.	927	1 034	at	20/01	743	at	23/03	-0.8%
Nikkei	23 185	24 084	at	20/01	16 553	at	19/03	-2.0%
Emerging								
MSCI Emerging ($)	1 085	1 147	at	17/01	758	at	23/03	-0.3%
China	97	102	at	02/09	69	at	19/03	+13.7%
India	571	609	at	17/01	353	at	23/03	-1.1%
Brazil	1 386	2 429	at	02/01	1 036	at	23/03	-18.2%
Russia	558	857	at	20/01	419	at	18/03	-15.7%

At 1-10-20 *Change*

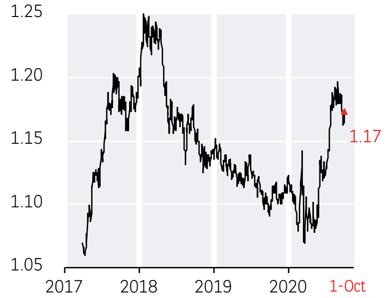
PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)



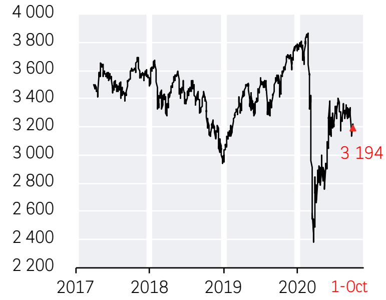
SOURCE: THOMSON REUTERS,

MARKETS OVERVIEW

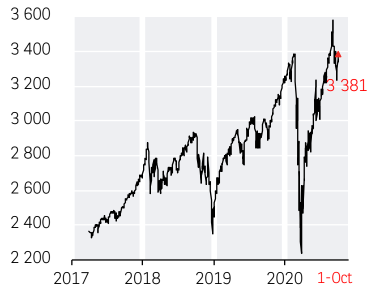
EURO-DOLLAR



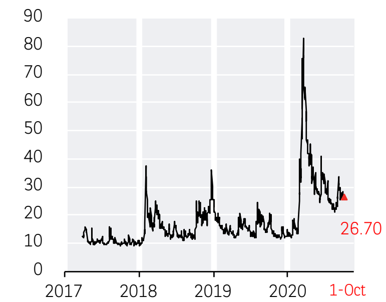
EUROSTOXX50



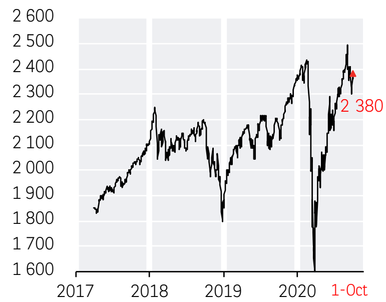
S&P500



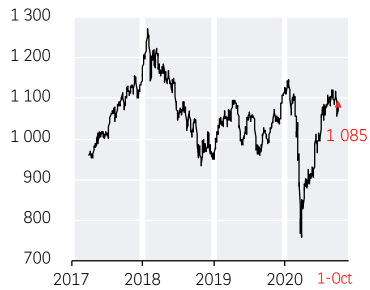
VOLATILITY (VIX, S&P500)



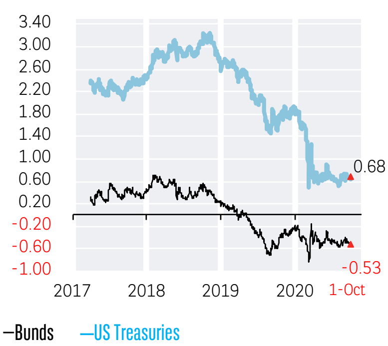
MSCI WORLD (USD)



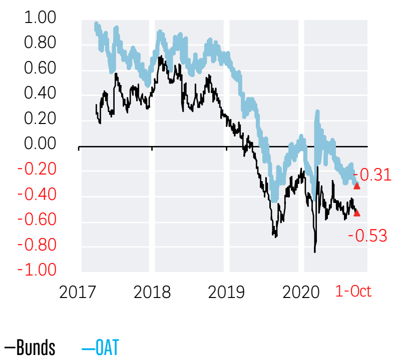
MSCI EMERGING (USD)



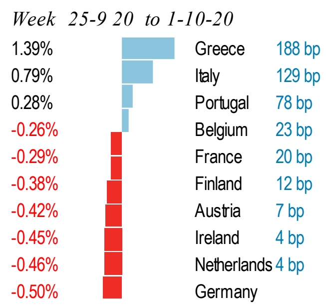
10Y BOND YIELD, TREASURIES VS BUND



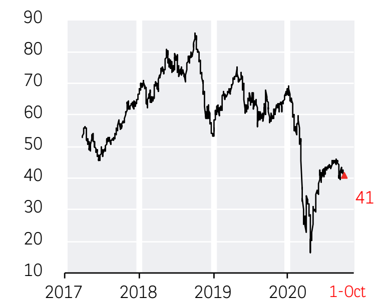
10Y BOND YIELD



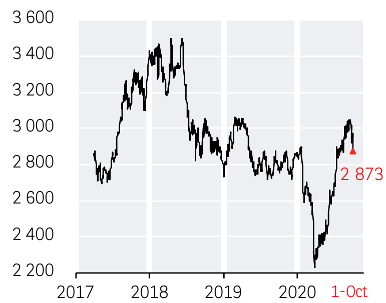
10Y BOND YIELD & SPREADS



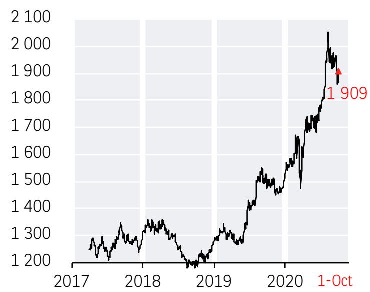
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: THOMSON REUTERS,

ECONOMIC PULSE

UNITED STATES : STILL A SUBSTANTIAL SHORTAGE OF JOBS

Five months after crashing in March-April, the indicators making up our 'barometer' of US economic activity show an incomplete recovery.

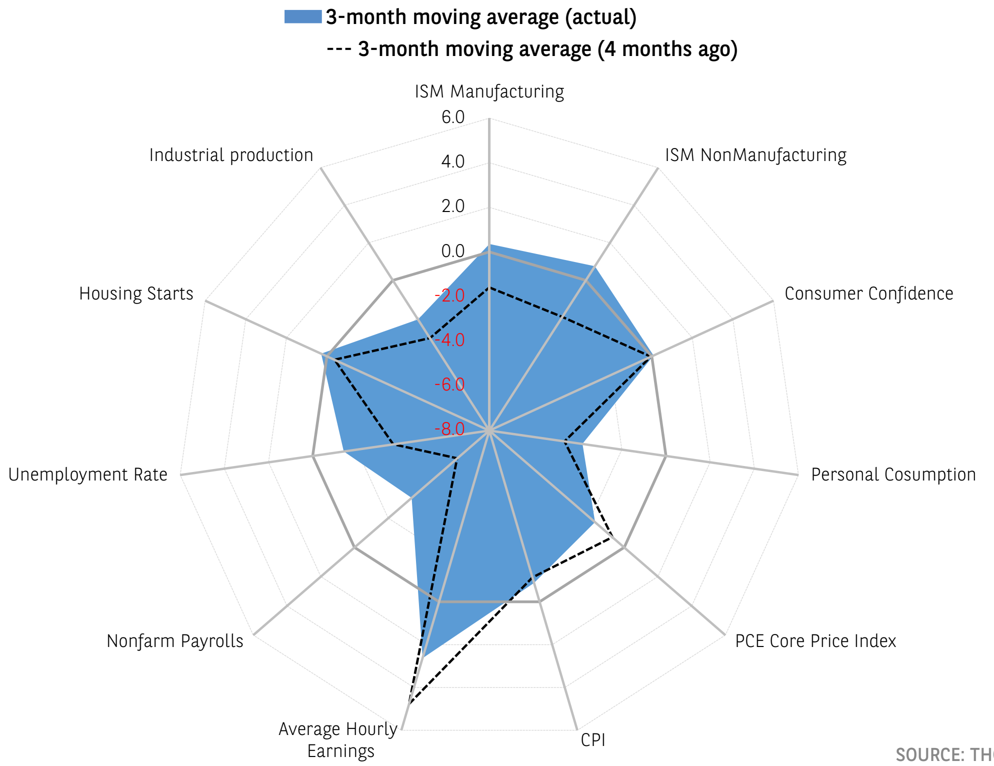
Whilst the Institute for Supply Management survey of directors confirmed its return to normal (it stabilised at slightly above 55 points in September), this was not the case for employment which, despite the creation of 660,000 new jobs in September, is still far below its pre-crisis levels.

The Covid-19 epidemic remains active in the USA (40,000 new cases per day), and has left tens of millions of Americans, generally the poorest, out of work. Figures from the Bureau of Labor Statistics indicate that two-thirds of job losses identified since February have affected people with low levels of qualifications and income. Difficulties in registering for unemployment benefits have affected the same demographic, with a knock-on effect on data for the active population. The figure for unskilled adults has fallen by some 3.5 million and their disappearance from the radar has had unexpected effects on certain macroeconomic variables. Hourly wage data is one example, with the recent increase coming less from US workers getting wealthier than from a reduction in hours worked that has not fully been reflected in pay slips and from under-representation of the lowest-paid.

There are no inflationary pressures. Indeed, tougher competition and the need to run down inventories have had the effect of dragging down prices for consumer goods over the last few months. After bouncing back in the third quarter (by around 7% according to estimates from the Atlanta Federal Reserve), US GDP remains some four points below its pre-crisis level (that was reached at the end of 2019), a 'residual' loss that will be harder to claw back.

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 -8 and +6. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

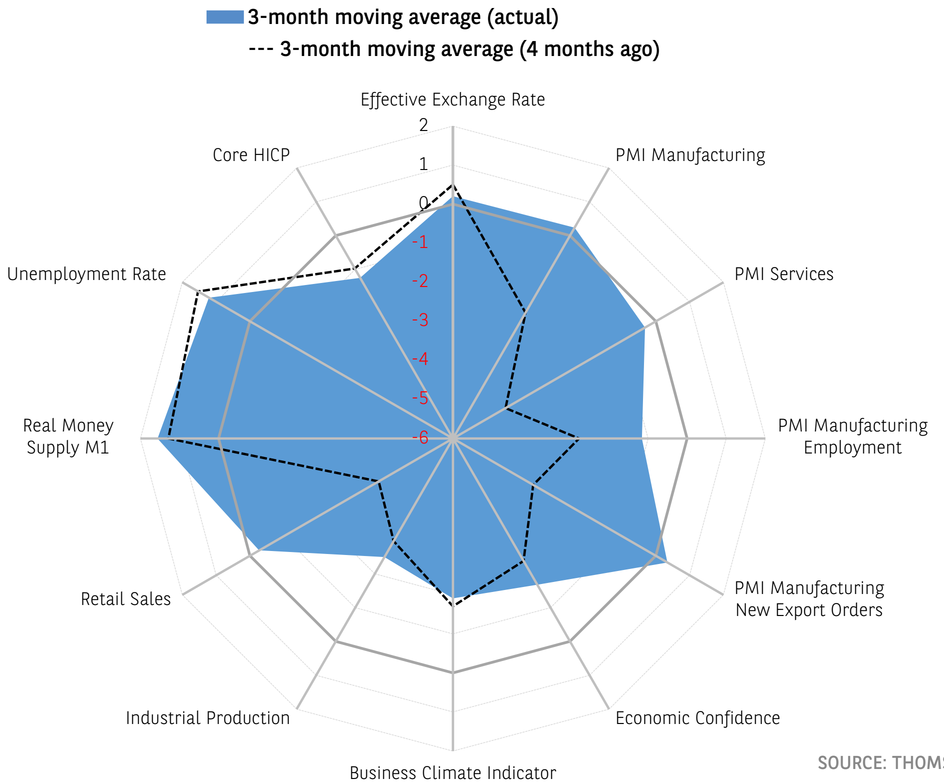
ECONOMIC PULSE

EUROZONE : THE ECONOMIC RECOVERY IS RUNNING OUT OF STEAM

The economic position improved significantly over the last three months compared to the three months prior. The Purchasing Managers Index (PMI) for the euro zone improved in both manufacturing and services. The manufacturing PMI reached 53.7 in September, up from a low of 33.4 in April. Activity was driven in part by a recovery in new export orders. The PMI for this component rose sharply in September, to 55.6, its highest level since early 2018. The recovery in the services sector over recent months has been even stronger, given its record-breaking fall during the lockdown. However, this strong trend is now flattening out or perhaps even going into reverse. Although the services PMI for the euro zone hit 54.7 in July (from 12.0 in April) it has fallen back since then and dropped below the 50-point threshold in September. It is also below its long-term average. The recovery in the euro zone seems to have stalled. It will now depend on the confidence of economic agents and the strength of aggregate demand. On this point, the economic sentiment indicator (the European Commission's composite indicator that covers all sectors of the economy as well as consumers) has risen only slightly in recent months and remains well below its long-term average. A return of consumer confidence in the euro zone seems like a necessary precondition for a strong recovery. Trends in the labour market will be crucial too. Although the unemployment rate has risen since the start of 2020, it remains relatively low. The fiscal support measures adopted have, so far, limited the increase in business failures and redundancies. This support is likely to continue as the majority of forecasts predict a significant rise in unemployment over the coming months. Uncertainties on the economic and health fronts, against a background of a resurgence in the epidemic, must not be exacerbated by uncertainty over the fiscal policies of euro zone member states. Monetary policy will remain accommodative, as the European Central Bank faces increasing deflationary pressure. Underlying inflation remains too low relative to past levels and to the ECB's target level.

Louis Boisset

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 -6 and +2. 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.

JAPAN: UNDER PRESSURE BUT IMPROVED HOUSEHOLD CONFIDENCE PROVIDES SOME HOPE

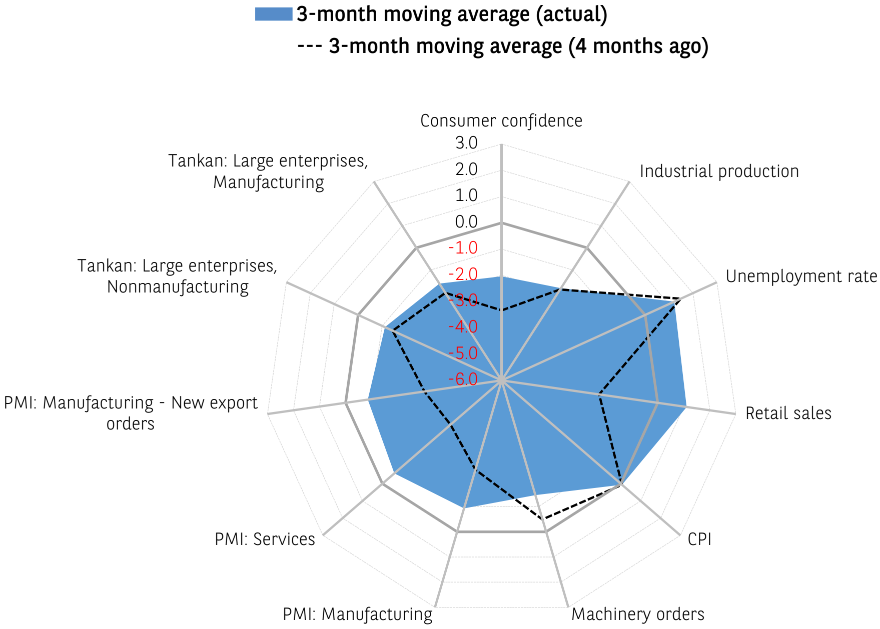
The Japanese economy is in a particularly difficult position. Japanese GDP contracted for the third consecutive quarter in Q2 2020: falls of 1.8% in Q4 2019 (quarter-on-quarter) and 0.6% in Q1 2020 were followed by a record-breaking contraction of 7.9% in Q2 2020. As a result, real GDP fell back, temporarily at least, to its mid-2011 level

The bulk of the contraction in Q2 2020 was due to private consumption, which recorded a drop not seen since the 1980s (-8.2% q/q). Private consumption has since remained weak. Retail sales, which make up a major share of total household consumption, picked up strongly in August 2020 versus July but were still 1.9% below the number of August last year. A hopeful sign is the improvement in consumer confidence in September. Consumer confidence will remain a key factor in the economic recovery and will largely depend on trends in the labour market. The unemployment rate – structurally low in Japan – has been on a rising trend since the end of 2019 and reached 2.9% of the active population in July 2020, up from 2.6% in April and 2.2% in December 2019. Although this is still a low level, and below its long-term average, a prolonged deterioration of activity in Japan could worsen the conditions in the labour market, which would hit further consumer confidence.

As for companies, the signals from the Purchasing Managers Index (PMI) are also mixed. After the mechanical rally following the end of the lockdown, both the manufacturing and services PMI figures have stagnated. The manufacturing PMI was 47.3 in September (from a low of 38.4 in May). It has been below the 50-point threshold - separating expansion and contraction – since May 2019. Meanwhile, the services PMI was 45.6 in September, following a low of 21.5 in April. The index has been virtually unchanged since July. The economic improvement in Japan is thus very limited, and the loss of economic activity due to the Covid-19 could be long lasting.

Louis Boisset

QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

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ECONOMIC SCENARIO

UNITED STATES

After its collapse in the second quarter (-31.7% on an annualized basis) the economy partially recovered during the summer months, with surveys (among households and businesses) returning to almost normal levels. However, at the end of September, the activity deficit to be filled compared to 2019 remains significant (in the order of 4 percentage points of GDP), as the sectors most exposed internationally are far from having returned to their pre-crisis level. With an unemployment rate that has doubled and is now close to 8.5%, the labour market remains hard-hit, a fact that no doubt weighed in the Fed's decision to further accommodate its policy in the long term by adapting its inflation targeting strategy.

CHINA

After plummeting during the period of the strictest lockdown in February, economic activity has gradually turned around since March. The contraction in real GDP was unprecedented in Q1 2020, but the rebound in Q2 was strong enough to completely regain the ground that was lost. Monetary policy has been eased cautiously and should become less supportive in H2 2020 as the authorities focus more on containing risks in the financial system. Stimulus efforts should depend increasingly on fiscal policy in the year ahead, with infrastructure investment boosted further. Downside risks on our short-term scenario are significant, notably due to the sluggish momentum in private consumption growth and tensions with the US.

EUROZONE

As expected, confinement measures taken to tackle the epidemic have severely hit the eurozone economy. GDP has massively fallen in Q2 2020, by -11.8% (q/q) after -3.7% in Q1 2020. While the economy entered Q3 2020 with relatively strong momentum, the latest indicators point to a somewhat slower pace with the risk of a significant decrease in GDP growth in Q4 2020. In all likelihood, the loss of activity following the Covid-19 shock should not be erased by the end-2021. Beyond the uncertainties about the pandemic, worries remain regarding the expected increase in both unemployment rate and bankruptcies. These developments could weigh respectively on consumer confidence and private investment. The policy mix will remain supportive, which is an essential condition for a strong recovery. Fiscal recovery packages, both at the national and European level, are a crucial complement to the accommodative and flexible monetary policy.

FRANCE

In the first half of 2020, the economy suffered a massive recessionary shock caused by the Covid-19 pandemic and containment measures: GDP plunged by 5.9%q/q in Q1 and then by 13.8% q/q in Q2. Since mid-May and the end of the lockdown, a mechanical rebound has been at work: the catching up was vigorous until June-July and is helping to moderate the 2020 GDP contraction. But it remains incomplete and is losing steam. The French sectoral specificities, the dispersed nature of the recovery and the return to normal, both at the sector level and geographically, act as a brake. Uncertainty remains high as to the extent of the shock wave in terms of company failures and rising unemployment. The health situation remains worrying. By 2021, GDP would still be about 2% below its end-2019 level. However, the emergency measures implemented in the spring have played a key cushioning role, while the EUR 100 bn France Recovery plan, detailed on 3 September, have a reinforcing role. We estimate the additional growth in 2021 at 0.6 points.

INTEREST RATES AND FX RATES

In the US, the Federal Reserve's new strategy of targeting average inflation implies a dovish twist. Policy should remain on hold for quite some time, considering that the FOMC wants inflation to move beyond 2% so as to make up for below target inflation in recent years. Should the economic situation worsen, more measures are to be expected. Treasury yields should move higher on the back of the economic recovery and because the Fed will accept and actually wants inflation to rise beyond 2%.

In the eurozone, the ECB projects inflation in 2022 to remain well below its objective and, although the economy is recovering, it considers that risks are still tilted to the downside. This implies that current monetary policy will be maintained for a long time and that more easing is possible should circumstances require. This very accommodative setting should keep a lid on sovereign bond spreads. As usual, eurozone bond yields will be very much influenced by what happens to US yields. Clearly, fluctuations in risk appetite also play an important role.

The Bank of Japan is expected to maintain its current policy stance including its yield curve control strategy.

We expect the recent trend of dollar weakening to continue. 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 which should support the euro. Similar arguments apply for the dollar versus the yen.

GROWTH & INFLATION

%	GDP Growth 2019	GDP Growth 2020 e	GDP Growth 2021 e	Inflation 2019	Inflation 2020 e	Inflation 2021 e
United-States	2.2	-4.2	4.2	1.8	1.3	1.9
Japan	0.7	-5.4	1.2	0.5	0.0	-0.3
United-Kingdom	1.5	-9.7	6.9	1.8	0.7	1.3
Euro Area	1.3	-8.0	5.2	1.2	0.3	0.9
Germany	0.6	-5.6	4.7	1.4	0.6	1.6
France	1.5	-9.8	6.8	1.3	0.6	0.9
Italy	0.3	-10.0	5.3	0.6	-0.1	0.4
Spain	2.0	-13.0	5.0	0.8	-0.3	0.6
China	6.1	2.5	7.5	2.9	2.8	2.3
India*	4.2	-11.4	9.6	4.8	5.5	3.4
Brazil	1.1	-5.0	3.0	3.7	2.6	2.6
Russia	1.3	-5.0	3.1	4.3	3.3	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 09/10/2020

INTEREST & EXCHANGE RATES

Interest rates, %		2020				2021				
End of period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q4e	2020e	2021e
US	Fed Funds (upper limit)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
	T-Notes 10y	0.67	0.80	0.64	0.75	0.90	1.00	1.20	0.75	1.20
Ezone	Deposit rate	-0.50	-0.50	0.00	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
	Bund 10y	-0.46	-0.50	-0.54	-0.30	-0.20	-0.10	0.00	-0.30	0.00
	OAT 10y	-0.05	-0.15	-0.32	-0.05	0.05	0.15	0.25	-0.05	0.25
	BTP 10y	1.55	1.30	0.77	0.90	1.20	1.40	1.50	0.90	1.50
	BONO 10y	0.68	0.50	0.16	0.30	0.50	0.20	0.70	0.30	0.70
UK	Base rate	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
	Gilts 10y	0.31	0.55	0.14	0.30	0.30	0.40	0.70	0.30	0.70
Japan	BoJ Rate	-0.07	-0.10	-0.03	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
	JGB 10y	0.02	0.00	0.02	0.05	0.05	0.10	0.15	0.05	0.15

Exchange Rates		2020				2021				
End of period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q4e	2020e	2021e
USD	EUR / USD	1.10	1.09	1.17	1.23	1.24	1.25	1.27	1.23	1.27
	USD / JPY	108	104	106	102	101	99	95	102	95
	GBP / USD	1.24	1.24	1.28	1.41	1.43	1.45	1.48	1.41	1.48
EUR	EUR / GBP	0.89	0.88	0.91	0.87	0.87	0.86	0.86	0.87	0.86
	EUR / JPY	118	113	124	125	125	124	121	125	121

Brent		2020				2021				
Period-average		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q4e	2020e	2021e
Brent	USD/bbl	51	33	41.02	49	61	58	-	44	59

LAST UPDATE: 09/10/2020

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)

CALENDAR

LATEST INDICATORS

The final number for euro area consumer confidence was in line with the flash estimate, which in turn was slightly better than the August reading. In the US however, the Conference Board consumer confidence saw a huge improvement and also beat expectations by a wide margin. In Japan, retail sales were strong in August and consumer confidence improved in September. Industrial production growth slowed a lot but was better than expected. The Tankan survey improved somewhat for large companies. For small companies, the number didn't change much compared to the second quarter. Moreover, the reading is weaker than for large companies. In China, the September purchasing managers' indices were more or less in line with those of the month before and remained above 50. In France, consumer spending picked up significantly in August and created a positive surprise. The manufacturing PMIs were more or less in line with the flash estimates of last week. In the US, the ISM eased slightly but remains at a rather high level. Finally, concerning the highlight of the week, the US labour market report saw a slower pace of job creation. The number was also lower than expected. In addition the labour force participation rate declined.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
09/29/2020	Eurozone	Consumer Confidence	Sep	--	-13.9	--
09/29/2020	Germany	CPI EU Harmonized YoY	Sep	-0.1%	-0.4%	-0.1%
09/29/2020	United States	Conf. Board Consumer Confidence	Sep	90.0	101.8	86.3
09/30/2020	Japan	Retail Sales MoM	Aug	2.0%	4.6%	-3.4%
09/30/2020	Japan	Industrial Production MoM	Aug	1.4%	1.7%	8.7%
09/30/2020	China	Composite PMI	Sep	--	55.1	54.5
09/30/2020	China	Manufacturing PMI	Sep	51.3	51.5	51.0
09/30/2020	China	Non-manufacturing PMI	Sep	54.7	55.9	55.2
09/30/2020	China	Caixin China PMI Mfg	Sep	53.1	53.0	53.1
09/30/2020	Japan	Machine Tool Orders YoY	Aug	--	-23.2%	-23.3%
09/30/2020	France	CPI EU Harmonized YoY	Sep	0.2%	0.0%	0.2%
09/30/2020	France	Consumer Spending MoM	Aug	-0.2%	2.3%	0.9%
09/30/2020	Eurozone	CPI Core YoY	Sep	0.4%	--	0.4%
10/01/2020	Japan	Tankan Large Mfg Index	3Q	-24	-27	-34
10/01/2020	Japan	Tankan Large Non-Mfg Index	3Q	-9	-12	-17
10/01/2020	Japan	Tankan Small Mfg Index	3Q	-37	-44	-45
10/01/2020	Japan	Tankan Small Non-Mfg Index	3Q	-21	-22	-26
10/01/2020	Japan	Jibun Bank Japan PMI Mfg	Sep	--	47.7	--

SOURCE: BLOOMBERG

CALENDAR

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
10/01/2020	France	Markit France Manufacturing PMI	Sep	50.9	51.2	--
10/01/2020	Germany	Markit/BME Germany Manufacturing PMI	Sep	56.6	56.4	--
10/01/2020	Eurozone	Markit Eurozone Manufacturing PMI	Sep	53.7	53.7	--
10/01/2020	United Kingdom	Markit UK PMI Manufacturing SA	Sep	54.3	54.1	--
10/01/2020	Eurozone	Unemployment Rate	Aug	8.1%	8.1%	8 %
10/01/2020	United States	Initial Jobless Claims	Sep	850,000	837,000	873,000
10/01/2020	United States	Markit US Manufacturing PMI	Sep	53.5	53.2	--
10/01/2020	United States	ISM Manufacturing	Sep	56.5	55.4	56.0
10/02/2020	Japan	Consumer Confidence Index	Sep	30.5	32.7	29.3
10/02/2020	United States	Change in Nonfarm Payrolls	Sep	875,000	661,000	1,371k
10/02/2020	United States	Unemployment Rate	Sep	8.2%	7.9%	8.4%
10/02/2020	United States	Labor Force Participation Rate	Sep	61.9%	61.4%	61.7%
10/02/2020	United States	U. of Mich. Sentiment	Sep	79.0	80.4	78.9

SOURCE: BLOOMBERG

CALENDAR: THE WEEK AHEAD

COMING INDICATORS

Next week brings part 2 of the monthly cycle of PMI data with the release of the September surveys for the services sector as well as the composite index. In the euro area we will also have retail sales for August. August industrial production data will become available for Germany and France. The Banque de France will publish its industrial sentiment index for September. The publication of the minutes of the latest FOMC meeting will be met with the usual interest.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
10/05/2020	Japan	Jibun Bank Japan PMI Services	Sep	--	45.6
10/05/2020	Japan	Jibun Bank Japan PMI Composite	Sep	--	45.5
10/05/2020	France	Markit France Services PMI	Sep	--	47.5
10/05/2020	France	Markit France Composite PMI	Sep	--	48.5
10/05/2020	Germany	Markit Germany Services PMI	Sep	--	49.1
10/05/2020	Germany	Markit/BME Germany Composite PMI	Sep	--	53.7
10/05/2020	Eurozone	Markit Eurozone Services PMI	Sep	--	47.6
10/05/2020	Eurozone	Markit Eurozone Composite PMI	Sep	--	50.1
10/05/2020	United Kingdom	Markit/CIPS UK Services PMI	Sep	--	55.1
10/05/2020	United Kingdom	Markit/CIPS UK Composite PMI	Sep	--	55.7
10/05/2020	Eurozone	Retail Sales MoM	Aug	--	-1.3%
10/05/2020	United States	Markit US Services PMI	Sep	--	54.6
10/05/2020	United States	Markit US Composite PMI	Sep	--	54.4
10/05/2020	United States	ISM Services Index	Sep	56.1	56.9
10/07/2020	Germany	Industrial Production SA MoM	Aug	--	1.2%
10/07/2020	United States	FOMC Meeting Minutes	Sep	--	--
10/08/2020	China	Caixin China PMI Composite	Sep	--	55.1
10/08/2020	China	Caixin China PMI Services	Sep	54.2	54.0
10/08/2020	Japan	Eco Watchers Survey Current SA	Sep	--	43.9
10/08/2020	Japan	Eco Watchers Survey Outlook SA	Sep	--	42.4
10/08/2020	United States	Initial Jobless Claims	Oct	--	--
10/08/2020	France	Bank of France Ind. Sentiment	Sep	--	106
10/09/2020	France	Industrial Production MoM	Aug	--	3.8%

SOURCE: BLOOMBERG

FURTHER READING

Germany: East and West moving closer together	EcoFlash	2 October
United Kindom: Banks face the double challenge of Covid-19 and Brexit	EcoTV Week	2 October
4th quarter 2020 issue of EcoPerspectives	EcoPerspectives	1 October
Germany: facing a sharp contraction of corporate investment	Chart of the Week	30 September
Global: QE forever: on the slippery slope towards fiscal dominance?	EcoWeek	25 September
Global: Uncertainty: still high, though less than before	EcoWeek	25 September
Germany: Recovery held back by uncertainties	EcoWeek	25 September
United Kingdom: How hard will Brexit be?	EcoTV Week	25 September
A worrying trend in the public finances	Chart of the Week	23 September
US monetary policy goes inclusive	EcoWeek	18 September
China: Economic recovery is broadening	EcoWeek	18 September
France: An overview of the recovery plan	EcoTV Week	18 September
Towards a resumption of banking consolidation in southern europe?	Chart of the Week	16 September
Spain: The epidemic’s rebound weighs on confidence	EcoWeek	11 September
Italy: Disinflationary pressures in services increase	EcoWeek	11 September
United Kingdom: While the economy is recovering, Brexit concerns are mounting	EcoWeek	11 September
Eurozone: ECB: patience required	EcoWeek	11 September
EcoTV - September 2020	EcoTV	10 September
Nordics not particularly optimistic despite smaller recession	Chart of the Week	9 September
Covid-19, lockdown and the environment	Podcast	8 September

GROUP ECONOMIC RESEARCH

William De Vijlder Chief Economist	+33 1 55 77 47 31	william.devijlder@bnpparibas.com

ADVANCED ECONOMIES AND STATISTICS

Jean-Luc Proutat Head – United States, United Kingdom	+33 1 58 16 73 32	jeanluc.proutat@bnpparibas.com
Hélène Baudchon France - Labour markets	+33 1 58 16 03 63	helene.baudchon@bnpparibas.com
Louis Boisset European Central Bank watch, Euro area global view, Japan	+33 1 57 43 02 91	louis.boisset@bnpparibas.com
Frédérique Cerisier Euro area (European gouvernance and public finances)	+33 1 43 16 95 52	frederique.cerisier@bnpparibas.com
Guillaume Derrien Spain, Portugal	+33 1 55 77 71 89	guillaume.derrien@bnpparibas.com
Raymond Van Der Putten Germany, Netherlands, Austria, Switzerland – Energy, climate – Projections	+33 1 42 98 53 99	raymond.vanderputten@bnpparibas.com
Tarik Rharrab Statistics	+33 1 43 16 95 56	tarik.rharrab@bnpparibas.com

BANKING ECONOMICS

Laurent Quignon Head	+33 1 42 98 56 54	laurent.quignon@bnpparibas.com
Laure Baquero	+ 33 1 43 16 95 50	laure.baquero@bnpparibas.com
Céline Choulet	+33 1 43 16 95 54	celine.choulet@bnpparibas.com
Thomas Humblot	+ 33 1 40 14 30 77	thomas.humblot@bnpparibas.com

EMERGING ECONOMIES AND COUNTRY RISK

François Faure Head – Argentina	+33 1 42 98 79 82	francois.faure@bnpparibas.com
Christine Peltier Deputy Head – Greater China, Vietnam, South Africa	+33 1 42 98 56 27	christine.peltier@bnpparibas.com
Stéphane Alby Africa (French-speaking countries)	+33 1 42 98 02 04	stephane.alby@bnpparibas.com
Stéphane Colliac Turkey, Ukraine, Central European countries	+33 1 42 98 43 86	stephane.colliac@bnpparibas.com
Perrine Guerin Africa (Portuguese & English-speaking countries)	+33 1 42 98 43 86	perrine.guerin@bnpparibas.com
Pascal Devaux Middle East, Balkan countries	+33 1 43 16 95 51	pascal.devaux@bnpparibas.com
Hélène Drouot Korea, Thailand, Philippines, Mexico, Andean countries	+33 1 42 98 33 00	helene.drouot@bnpparibas.com
Salim Hammad Latin America	+33 1 42 98 74 26	salim.hammad@bnpparibas.com
Johanna Melka India, South Asia, Russia, CIS	+33 1 58 16 05 84	johanna.melka@bnpparibas.com

CONTACT MEDIA

Michel Bernardini	+33 1 42 98 05 71	michel.bernardini@bnpparibas.com

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Bulletin édité par les Etudes Economiques – BNP PARIBAS
Siège social : 16 boulevard des Italiens – 75009 PARIS / Tél : +33 (0) 1.42.98.12.34
Internet : www.group.bnpparibas.com - www.economic-research.bnpparibas.com

Directeur de la publication : Jean Lemierre / Rédacteur en chef : William De Vijlder

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