ECOWEEK

number 23.03
16 January 2023

"THERE IS ENOUGH AMBIGUITY IN THE RECENT DATA TO FUEL THE DEBATE ON WHETHER THE UNITED STATES WILL END UP IN RECESSION"

ECONOMIC RESEARCH

BNP PARIBAS

The bank for a changing world

TABLE OF CONTENT

3
EDITORIAL
United States: leading indicators, the labour market and the recession narrative

5
MARKETS OVERVIEW
Recent market developments (foreign exchange, stock markets, interest rates, commodities, etc.)

7
ECONOMIC PULSE
Analysis of the recent economic data: Global trade, Covid-12 cases and the OECD Weekly Tracker

11
ECONOMIC SCENARIO
Main economic and financial forecasts

12
CALENDARS
Last week's main economic data and key releases for the week ahead

16
FURTHER READING
Latest articles, charts, videos and podcasts of Economic Research

UNITED STATES: LEADING INDICATORS, THE LABOUR MARKET AND THE RECESSION NARRATIVE

Despite the ongoing good pace of job creation and slower wage increases, which through their impact on inflation could influence future Fed policy, there is enough ambiguity in the recent data to fuel the debate on whether the US will end up in recession or not. The survey of professional forecasters points towards heightened recession risk and so do the inversion of the yield curve and the downtrend of the Conference Board's index of leading economic indicators. If this index were to decline further, one would expect, based on the past relationship, a significant weakening in the monthly payroll numbers whereby the narrative that a recession is around the corner would gather force.

The latest US labour market report has been welcomed by investors. In December, the growth of average hourly earnings slowed down to +0.3% versus the previous month and to +4.6% year-over-year rate (+4.8% in November), hinting at easing wage pressures, whereas the monthly pace of job creation -223.000 new jobs- remained strong.

It is tempting to call it goldilocks[1], but that would be too generous and not really appropriate. On the wage front, other measures such as the employment cost index and the Atlanta Fed wage tracker, although having eased, continue to show strong increases. In terms of job creation, the trend is down and fewer sectors than before are still creating jobs. Concerning the economic outlook more generally, the ISM surveys for December were sobering. The manufacturing index declined to 48.4 and the services index dropped from 56.5 to 49.6.

In summary, there is enough ambiguity in these data to fuel the debate on whether the US will end up in recession or not. Evaluating this risk is a tricky and very judgmental exercise that requires making a call about the reaction function of households and firms to economic shocks -last year's jump in inflation, rising interest rates, etc.- and the ensuing impact on income expectations, confidence, company profits, etc. Looking at stylized facts is also important. Based on the historical record, the inversion of the yield curve points towards a recession. The anxious index -a survey amongst economists of the likelihood of the US entering a recession in the next quarter- has reached a level that in the past has always been followed by a recession (*chart 1*).

The Conference Board index of leading indicators is another important input[2]. Based on its cumulative decline since its most recent peak -February 2022-, it seems that the likelihood of recession is increasing. However, the ongoing strong pace of job creation suggests that a recession is not imminent, so the question is when the situation might change.

The historical correlation between the Conference Board's index and job creation allows to shed light on this. Chart 2 shows the relationship between the drawdown of the index of leading indicators -the decline in percent since its historical peak- and the monthly nonfarm payrolls. If the former would continue to decline in the coming months[3], one should expect, based on the past relationship, a further slowdown in the pace of monthly job creations.

SURVEY OF PROFESSIONAL FORECASTERS: ANXIOUS INDEX

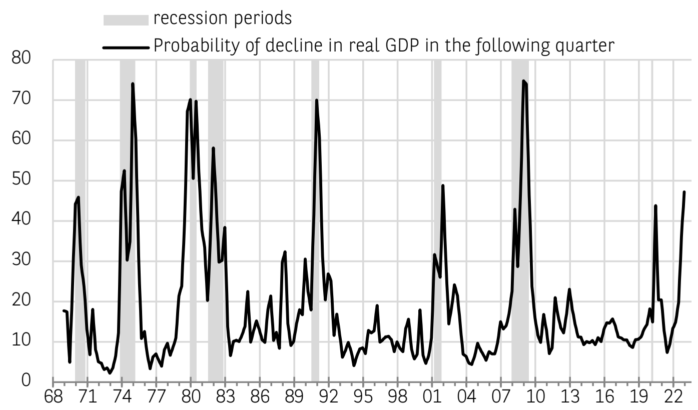


CHART 1 SOURCE: FED OF PHILADELPHIA, NBER, BNP PARIBAS

US: NONFARM PAYROLLS AND DRAWDOWN OF THE CONFERENCE BOARD INDEX OF LEADING INDICATORS

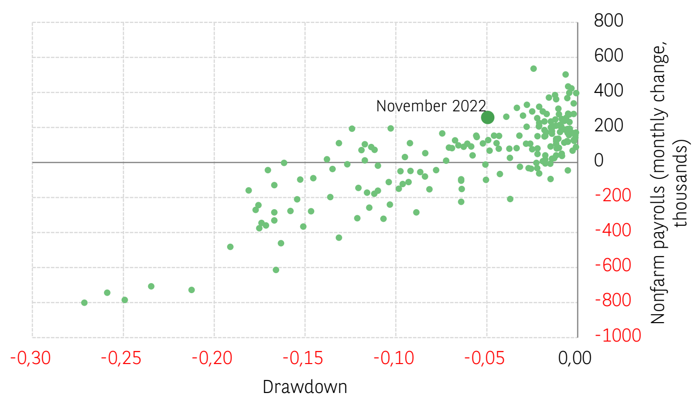


CHART 2 SOURCE: BLS, CONFERENCE BOARD, BNP PARIBAS

1 This concept became popular in economic in the 1990s to describe a combination of sustained growth but with inflation being under control. At the current juncture,it could be tempting to use it given the ongoing strength in the labour market, slower wage growth and the decline in headline inflation.
2 According to the Conference Board, the index of leading indicators anticipates turning points in the business cycle by around 7 months. It consists of ten components: average weekly hours in manufacturing, average weekly initial claims for unemployment insurance, manufacturers' new orders for consumer goods and materials, the ISM index of new orders, manufacturers' new orders for nondefense capital goods excluding aircraft orders, building permits for new private housing units, the S&P 500, the leading credit index™, the interest rate spread between 10-year Treasury bonds and the federal funds rate, average consumer expectations for business conditions. Source: the Conference Board.
3 Given the lags in monetary transmission, the impact of past interest rate increases on final demand is bound to rise further. Moreover, the Federal Reserve will continue to tighten policy, adding more pressure on demand. Under such circumstances, it is difficult to see what would trigger a lasting rebound in the index of leading indicators.

As illustrated by chart 3, when the drawdown is between 0% and -5% (blue dots), in 33% of observations, monthly job creation has been at 110.000 or lower[4]. When the drawdown has been between -5% and -10%, this number rises to 84%. Inevitably, when the frequency of low nonfarm payroll numbers increases, the narrative that a recession is around the corner will gather force.

William De Vijlder

US: NONFARM PAYROLLS (RANKED) AND DRAWDOWN OF THE CONFERENCE BOARD INDEX OF LEADING INDICATORS

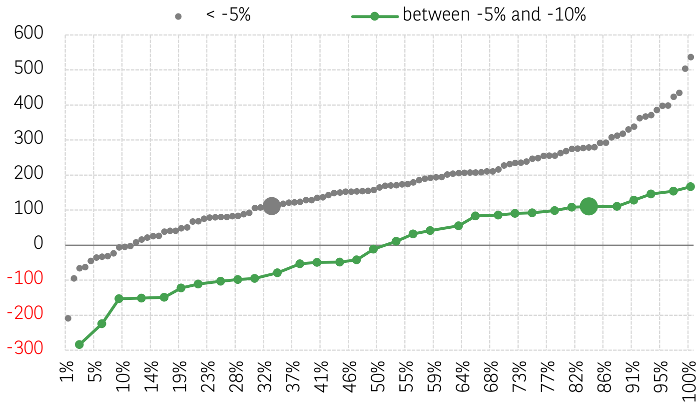


CHART 3

SOURCE: BLS, CONFERENCE BOARD, BNP PARIBAS

4 110.000 is used to illustrate the idea of a significant slowdown in the pace of job creations.

> If the recent downtrend of the Conference Board's index of leading economic indicators continues, one would expect a significant weakening in the monthly payroll numbers whereby the narrative that a recession is around the corner would gather force.

MARKETS OVERVIEW

OVERVIEW

Week 6-1 23 to 13-1-23				
↗ CAC 40	6 861	▸ 7 024	+2.4	%
↗ S&P 500	3 895	▸ 3 999	+2.7	%
↘ Volatility (VIX)	21.1	▸ 18.4	-2.8	pb
↗ Euribor 3M (%)	2.25	▸ 2.33	+7.4	bp
↘ Libor $ 3M (%)	4.81	▸ 4.79	-1.7	bp
↘ OAT 10y (%)	2.70	▸ 2.61	-8.9	bp
↘ Bund 10y (%)	2.21	▸ 2.13	-8.3	bp
↘ US Tr. 10y (%)	3.57	▸ 3.51	-6.0	bp
↗ Euro vs dollar	1.06	▸ 1.08	+2.1	%
↗ Gold (ounce, $)	1 862	▸ 1 911	+2.6	%
↗ Oil (Brent, $)	78.7	▸ 85.3	+8.5	%

MONEY & BOND MARKETS

Interest Rates			highest 23			lowest 23		
€	ECB	2.50	2.50	at	02/01	2.50	at	02/01
	Eonia	-0.51	-0.51	at	02/01	-0.51	at	02/01
	Euribor 3M	2.33	2.33	at	13/01	2.16	at	02/01
	Euribor 12M	3.32	3.37	at	11/01	3.30	at	05/01
$	FED	4.50	4.50	at	02/01	4.50	at	02/01
	Libor 3M	4.79	4.83	at	12/01	4.77	at	02/01
	Libor 12M	5.36	5.56	at	06/01	5.36	at	13/01
£	BoE	3.50	3.50	at	02/01	3.50	at	02/01
	Libor 3M	3.98	3.98	at	13/01	3.87	at	02/01
	Libor 12M	0.81	0.81	at	02/01	0.81	at	02/01

At 13-1-23

Yield (%)			highest 23			lowest 23		
€	AVG 5-7y	2.64	2.64	at	02/01	2.64	at	02/01
	Bund 2y	2.58	2.69	at	02/01	2.57	at	12/01
	Bund 10y	2.13	2.44	at	02/01	2.13	at	13/01
	OAT 10y	2.61	2.99	at	02/01	2.61	at	13/01
	Corp. BBB	4.24	4.63	at	02/01	4.24	at	13/01
$	Treas. 2y	4.25	4.46	at	05/01	4.15	at	12/01
	Treas. 10y	3.51	3.83	at	02/01	3.45	at	12/01
	High Yield	8.28	9.01	at	02/01	8.28	at	13/01
£	gilt. 2y	3.49	3.69	at	02/01	3.44	at	12/01
	gilt. 10y	3.37	3.67	at	02/01	3.33	at	12/01

At 13-1-23

EXCHANGE RATES

1€ =		highest 23			lowest 23			2023
USD	1.08	1.08	at	13/01	1.05	at	05/01	+1.5%
GBP	0.89	0.89	at	12/01	0.88	at	03/01	-0.1%
CHF	1.00	1.00	at	12/01	0.99	at	04/01	+1.6%
JPY	138.09	142.58	at	11/01	138.02	at	03/01	-1.9%
AUD	1.56	1.57	at	02/01	1.55	at	04/01	-1.1%
CNY	7.27	7.42	at	02/01	7.23	at	05/01	-2.0%
BRL	5.52	5.79	at	04/01	5.52	at	13/01	-2.1%
RUB	74.29	77.91	at	02/01	73.32	at	12/01	-4.6%
INR	88.09	88.47	at	09/01	86.85	at	05/01	-0.2%

At 13-1-23 *Change*

COMMODITIES

Spot price, $		highest 23			lowest 23			2023	2023(€)
Oil, Brent	85.3	85.3	at	13/01	78.0	at	04/01	+0.5%	-1.0%
Gold (ounce)	1 911	1 911	at	13/01	1 824	at	02/01	+5.3%	+3.7%
Metals, LMEX	4 273	4 273	at	13/01	3 905	at	05/01	+7.2%	+5.7%
Copper (ton)	9 169	9 169	at	12/01	8 236	at	04/01	+9.6%	+8.0%
wheat (ton)	277	2.9	at	02/01	272	at	10/01	-3.0%	-4.4%
Corn (ton)	262	2.6	at	13/01	251	at	04/01	+0.1%	-0.7%

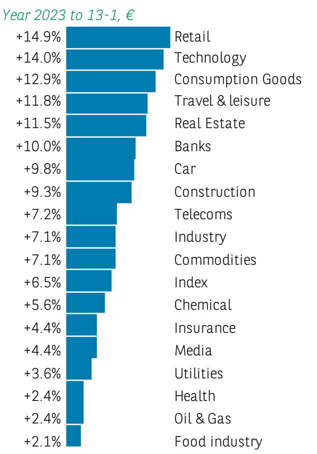
At 13-1-23 *Change*

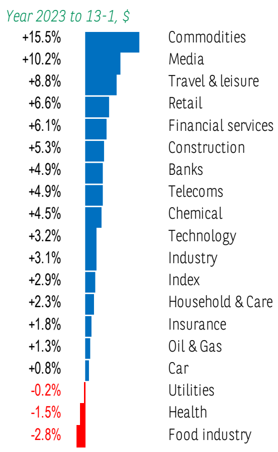
EQUITY INDICES

	Index	highest 23			lowest 23			2023
World								
MSCI World	2 736	2 736	at	13/01	2 595	at	05/01	+5.1%
North America								
S&P500	3 999	3 999	at	13/01	3 808	at	05/01	+4.2%
Europe								
EuroStoxx50	4 151	4 151	at	13/01	3 856	at	02/01	+9.4%
CAC 40	7 024	7 024	at	13/01	6 595	at	02/01	+0.8%
DAX 30	15 087	15 087	at	13/01	14 069	at	02/01	+8.4%
IBEX 35	8 882	8 882	at	13/01	8 370	at	02/01	+0.8%
FTSE100	7 844	7 844	at	13/01	7 452	at	02/01	+0.5%
Asia								
MSCI, loc.	1 090	1 090	at	12/01	1 065	at	04/01	+0.2%
Nikkei	26 120	26 450	at	12/01	25 717	at	04/01	+0.1%
Emerging								
MSCI Emerging ($)	1 030	1 030	at	13/01	956	at	02/01	+0.8%
China	72	72	at	13/01	64	at	02/01	+11.7%
India	778	778	at	13/01	761	at	06/01	-0.7%
Brazil	1 526	1 526	at	13/01	1 357	at	04/01	+0.9%

At 13-1-23 *Change*

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

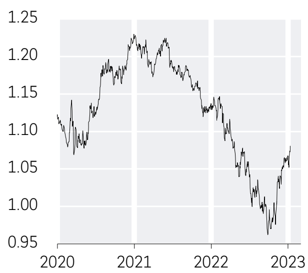




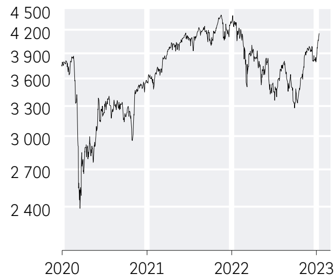
SOURCE: REFINITIV, BNP PARIBAS,

MARKETS OVERVIEW

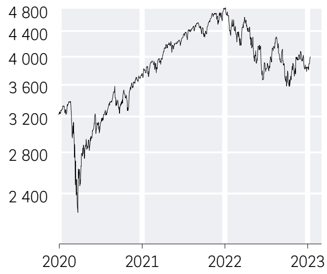
EURO-DOLLAR



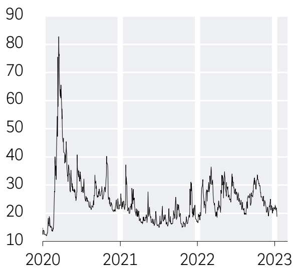
EUROSTOXX50



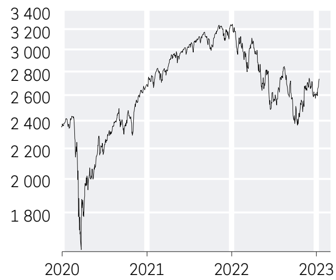
S&P500



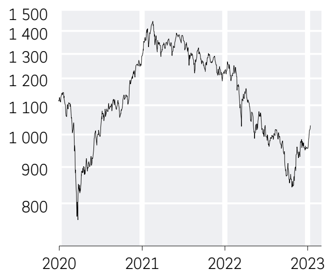
VOLATILITY (VIX, S&P500)



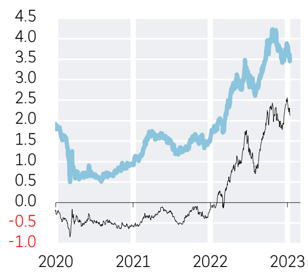
MSCI WORLD (USD)



MSCI EMERGING (USD)

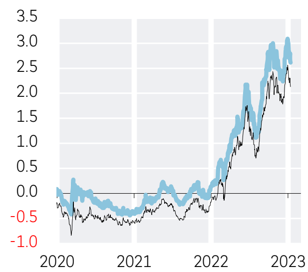


10Y BOND YIELD, TREASURIES VS BUND



—Bunds — US Treasuries

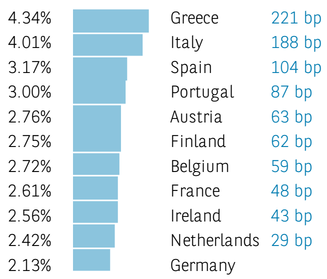
10Y BOND YIELD



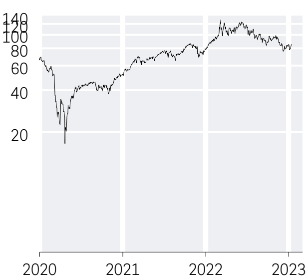
—Bunds —OAT

10Y BOND YIELD & SPREADS

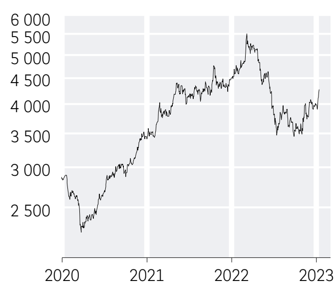
Year 2023 to 13-1



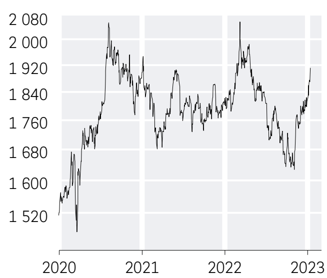
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS,

ECONOMIC PULSE

INTERNATIONAL TRADE: A NOTICEABLE SLOWDOWN

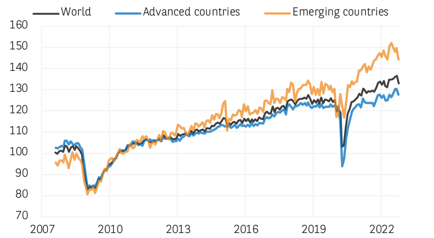
The second half of 2022 was marked by a significant and generalised fall in global transportation costs, accompanied by a freeing up of supply chains (Chart 3). Global maritime freight fell back to levels almost five times lower than at the peak in autumn 2021 (Chart 5). Only transportation costs for liquefied natural gas (LNG) increased significantly, due to Russian gas shortages, although prices have also fallen back since December. While the risks of disruption to trade and global logistics will not fully evaporate in 2023 (risk of strike action, reinstatement of health barriers in the event of a resurgence of Covid-19, tensions linked to China's precipitous exit from its zero-Covid strategy), the indicators will primarily be scrutinised on the demand side, in order to judge the health of the global economy.

However, the slowdown in demand seems to be well under way, and it remains to be seen what the extent of this will ultimately be. Indeed, PMI surveys deteriorated almost without discontinuity throughout 2022, reaching 48.6 in December. The decline in business confidence surveys corroborates the hard data: new export orders from Taiwan fell sharply over one month in November (-13.1% m/m), pulling the annual rate down to a 13-year low. No sector was spared by this fall in orders: chemicals (-28.9% y/y), electronics (-15.2% y/y), plastics and rubber (-38.7% y/y), and textiles (-13.5% y/y). German industrial orders also fell sharply in November by 5.3% m/m, hit by a fall of 8.1% m/m in orders from abroad. The export volumes data, provided by the CPB (Chart 1), are lagging, with the latest data available only until October. While export volumes may have remained high overall, a downward reversal could have started this autumn. Real exports fell by 2.6% m/m in October, the biggest monthly contraction since April 2020, when most of the lockdown measures were implemented around the world.

Guillaume Derrien

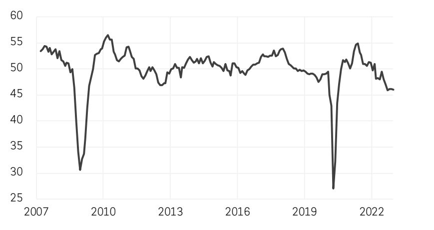
GLOBAL TRADE INDICATORS

1. World exports by area, volume (index 2010 = 100)



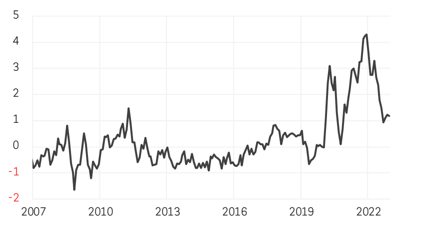
Source: CPB, BNP Paribas

2. Global manufacturing PMI, new export orders



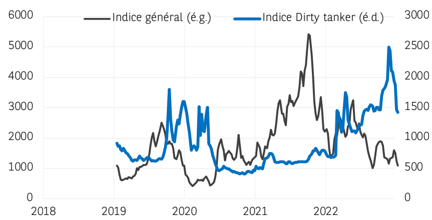
S&P Global (Markit), BNP Paribas

3. Global supply-chain pressures index



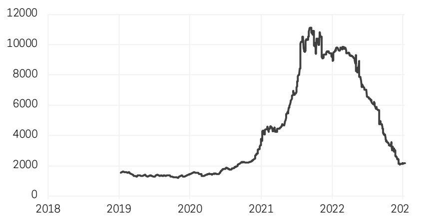
Source: Federal Reserve of New York

4. Baltic Exchange Dry Index



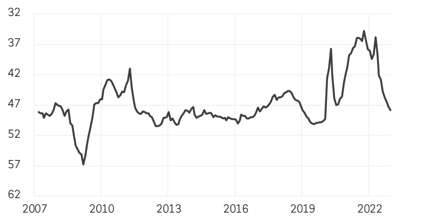
Source: Baltic Exchange, BNP Paribas

5. Freight rate index



Source: Freightos, BNP Paribas

6. Global manufacturing PMI, delivery times (Inverted line)



S&P Global (Markit), BNP Paribas

COVID-19: THE SITUATION IS STILL IMPROVING IN MOST PARTS OF THE WORLD

Between 4 and 10 January, 3.4 million new cases of Covid-19 were recorded worldwide, representing a fall of -3% compared to the previous week (Chart 1). This is the third consecutive week of falling infections following seven weeks of almost continuous increases. The number of new cases continues to fall sharply in South America (-24%) and, to a lesser extent, in Europe (-12%). The number of cases is also falling in Asia (-4%), but is still very high. In the other regions, the number of new cases is increasing again in North America (+31%) and in Africa (+25%). Vaccination coverage also continues to be rolled out, but at a progressively slower rate. To date, 13.2 billion doses of vaccine have been administered worldwide since the start of the campaigns in Q4 2020, including 2.69 billion booster doses. As a consequence, around 69% of the global population have received at least one dose of vaccine (Chart 2).

Finally, the weekly GDP proxy indicator remained strongly negative in the United Kingdom and, to a lesser extent, in the United States, Belgium and Japan, while it stabilised in France. In Germany, Italy and Spain, a dip seems to be emerging on the most recent points (Chart 3, black curve). This tracker is produced by the OECD using Google Trends data from searches relating to consumption, the labour market, real estate, industrial activity and uncertainty. The tracker shown here is calculated on a rolling basis over one year.

Tarik Rharrab

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

DAILY CONFIRMED COVID-19 CASES
(7-DAY MOVING AVERAGE)

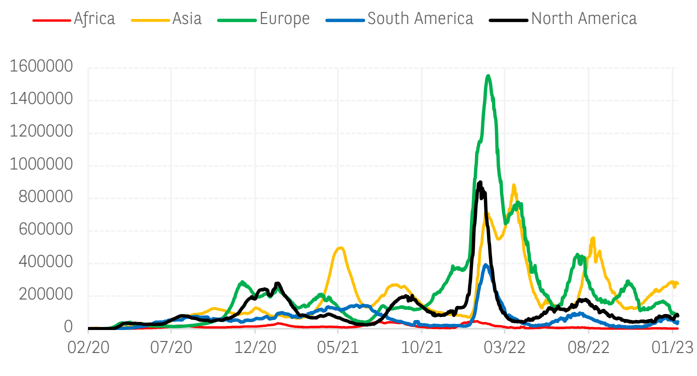


CHART 1 SOURCE: **JOHNS-HOPKINS UNIVERSITY (01/11/2023), BNP PARIBAS**

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

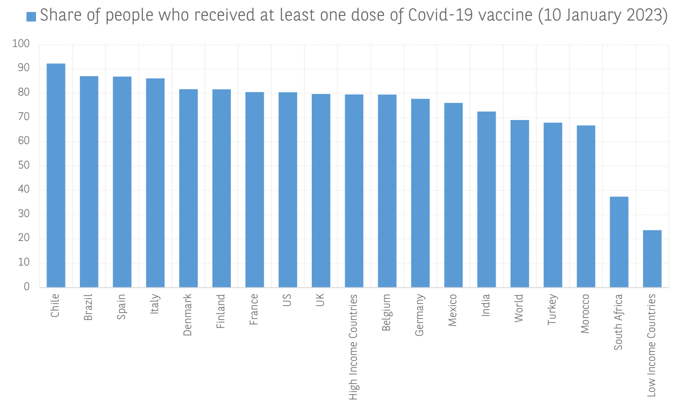
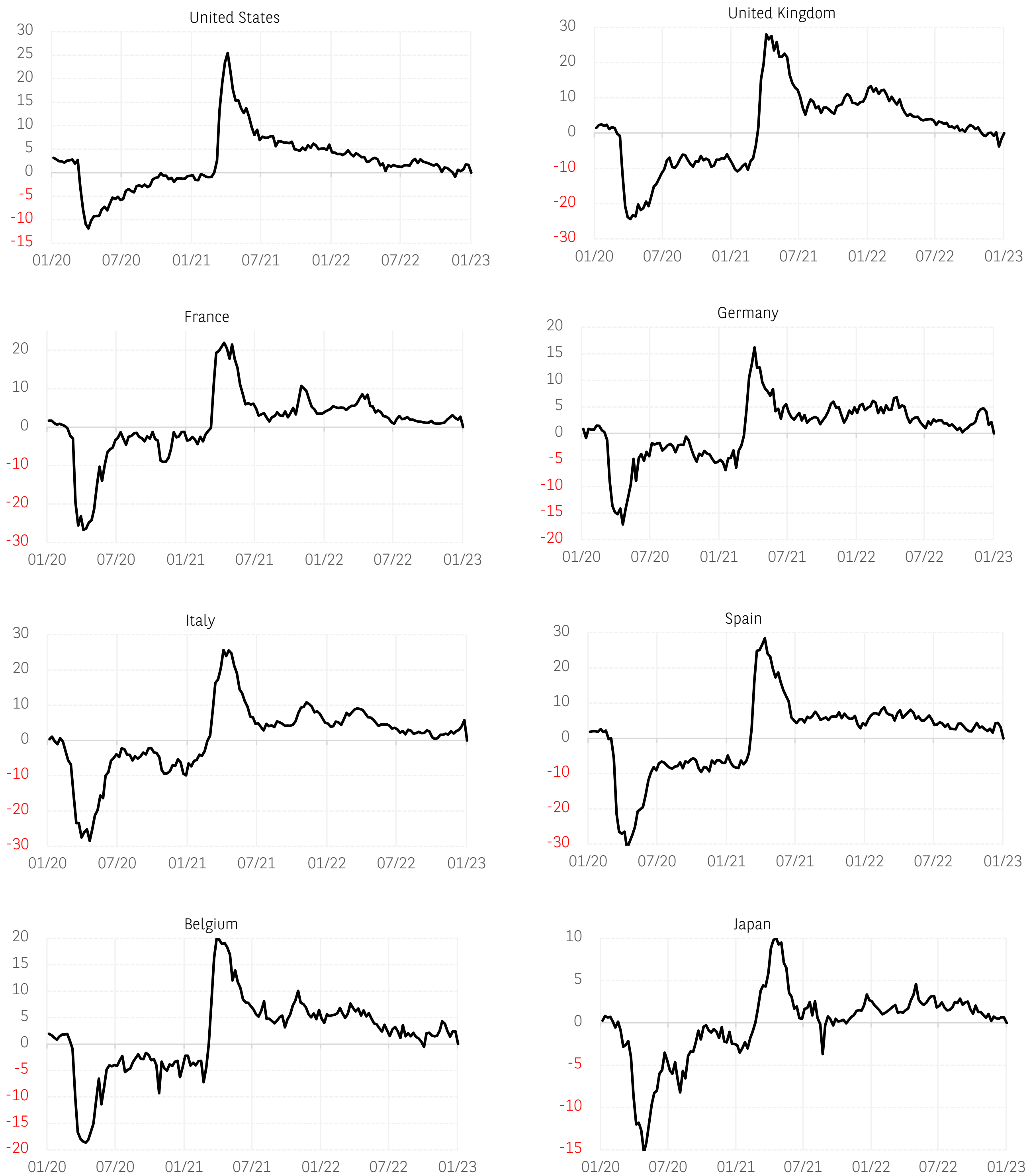


CHART 2 SOURCE: **OUR WORLD IN DATA (01/11/2022), BNP PARIBAS**

ECONOMIC PULSE

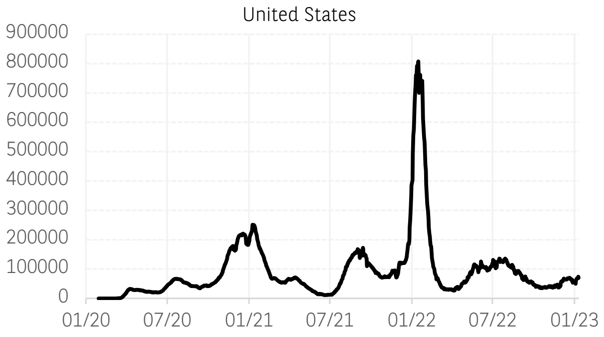
OECD WEEKLY TRACKER, Y/Y GDP GROWTH

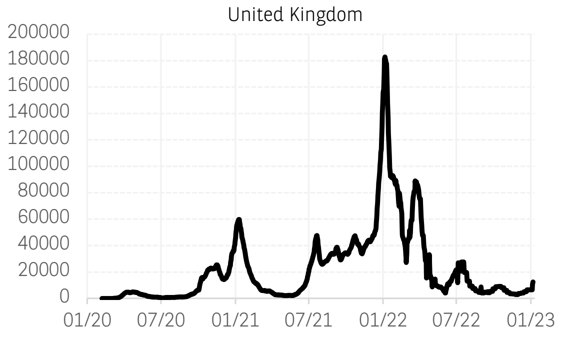


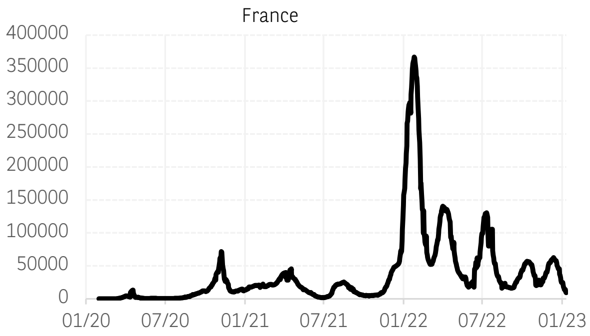
SOURCE: OECD (01/11/2023), BNP PARIBAS

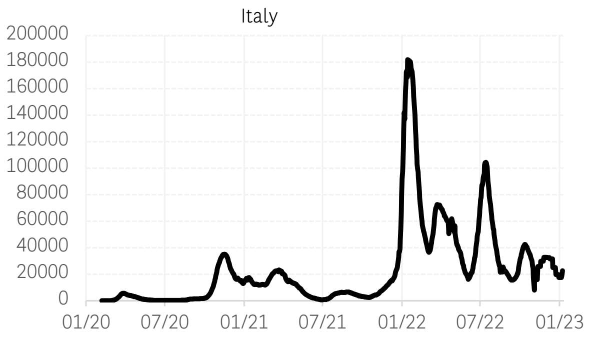
ECONOMIC PULSE

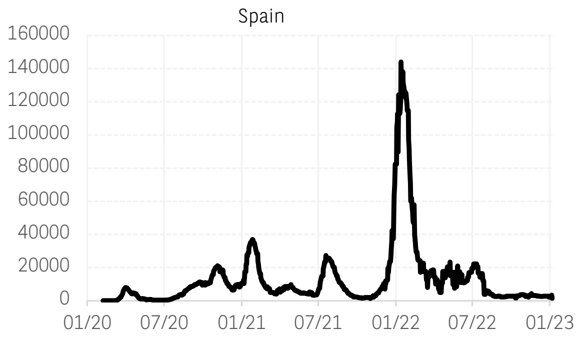
DAILY NEW CASES OF COVID-19 (7-DAY MOVING AVERAGE)

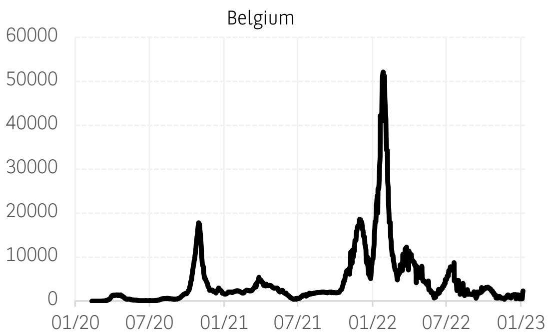


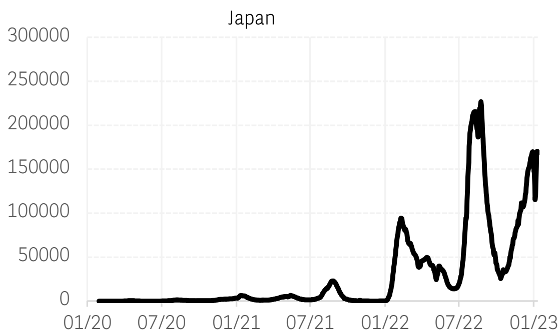












SOURCE: JOHNS-HOPKINS UNIVERSITY (01/11/2023), BNP PARIBAS

ECONOMIC SCENARIO

UNITED STATES

The US economy rebounded strongly during Q3, following two quarters of negative growth, thanks to healthy performances in corporate investment, household spending and, in particular, exports. The labour market is showing very early signs of a slowdown, but job creation remains high, the unemployment rate is still low and wages are still buoyant. Inflation seems to have peaked in the middle of the year and should continue to fall while remaining significantly above the target of 2% by late 2023. Following the mid-term elections, the Democrats retained a narrow majority in the Senate and the Republicans won a very tiny majority in the House of Representatives. This should limit what President Joe Biden can do over the remainder of his term, but, at the same time, compromises could also be reached.

CHINA

The recovery in Chinese economic growth since its Q2 2022 contraction has been sluggish and unbalanced. Industrial production has been the main growth driver, but it has lost steam since last October, largely due to the weakening in external demand and slower export growth. Meanwhile, activity driven by the domestic market and the services sector remains constrained by powerful drags, including the crisis in the property sector, the deterioration in the labour market, weak household confidence, and the Covid policy. Since early December 2022, the very sudden and ill-prepared abandonment of the strict zero Covid policy has plunged the country into new turbulence. However, domestic demand should rebound when the epidemic wave starts to ease. The authorities are enhancing again fiscal and monetary support measures, which are notably aimed at stabilizing the property sector.

EUROZONE

Growth in the euro zone in the third quarter was weak, but at least it remained positive, while the survey data (business and consumer confidence) seemed to be clearly pointing to a decline. Although a contraction was avoided in the third quarter, the euro zone is unlikely to avoid recession. The combination of the inflationary shock, the energy crisis and the enforced monetary tightening and their increasingly negative effects are likely to overcome the resistance seen to date. However, the recession should remain shallow (a cumulative fall in GDP of 1.1% between Q4 2022 and Q2 2023) thanks to the fiscal policy cushion and the current tightness of the labour market. In annual average terms, real GDP growth in the euro zone is expected to reach 3.2% in 2022 but then turn negative in 2023 (-0.5%). The subsequent recovery is likely to be weak. Although it should start to decline towards the end of this year or the beginning of next year, inflation is likely to remain elevated, well above the 2% target at the end of next year and only falling back to it at the end of 2024, which will keep monetary policy in restrictive territory.

FRANCE

Real GDP growth has continued during the 3rd quarter (0.2% q/q, after +0.5% during the 2nd quarter), driven by a growth of manufacturing production partly explained by a recovery of sectors exposed to supply-side problems (particularly the car sector) and partly related to growing inventories in order to avoid potential stronger constraints on production during the winter. This element should weigh on Q4 GDP growth, which should also suffer from the ongoing inflation acceleration (from 5.9% y/y in December towards 6.5% in February, before a gradual disinflation). These shocks should weigh on GDP growth in 2023 (0% according to our forecasts, after 2.5% in 2022).

RATES AND EXCHANGE RATES

In the US, the Federal Reserve will continue its tightening policy, bringing the federal funds rate to its terminal rate for this cycle at 5.25% (upper end of the target range) in the first quarter of next year. Given the expected slow decline in inflation and despite the economy entering recession, this level should be maintained through 2023 and only be followed by rate cuts in 2024. US Treasuries are largely pricing in the upcoming rate hikes. In the near term there is still some upward potential, but subsequently yields should move lower as the inflation outlook improves and the market starts anticipating policy easing in 2024.

The ECB Governing Council will continue to raise its policy rates at its next meetings. We expect the terminal rate -i.e. the peak rate in this cycle- to be reached by the end of the first quarter of next year. We expect a peak for the deposit rate at 3.00%. We expect quantitative tightening to start in the second quarter of 2023. Early on in 2023, we expect higher government bond yields on the back of important supply but thereafter yields should move lower, driven by a gradual decline in inflation. Lower US yields should also play a role in the decline of eurozone yields.

The Bank of Japan has increased the upper end of its target range for the 10-year JGB yield to 0.5% and further adjustments to the Yield curve control policy cannot be excluded. Nevertheless, we do not expect the BoJ to proceed with a rate hike.

We expect the dollar to weaken somewhat versus the euro. The dollar's valuation is expensive, positioning in the market is very long and the long-term interest rate differential should narrow.

The yen has already weakened significantly versus the dollar, reflecting the increased policy divergence between the Fed and the Bank of Japan. We expect the exchange rate to remain around current levels in the near term. In 2023, the yen should strengthen versus the dollar considering that the federal funds rate should have reached its terminal rate.

GDP GROWTH AND INFLATION

	GDP Growth				Inflation			
%	2021	2022 e	2023 e	2024 e	2021	2022 e	2023 e	2024 e
United-States	5,7	2,1	0,3	-0,2	4,7	8,1	4,2	2,4
Japan	1,7	1,2	0,9	0,3	-0,2	2,5	2,2	1,2
United-Kingdom	7,4	4,4	-0,9	0,8	2,6	9,0	6,8	2,1
Euro Area	5,3	3,2	-0,5	1,3	2,6	8,4	5,0	2,3
Germany	2,6	1,8	-1,0	1,1	3,2	8,6	5,0	2,1
France	6,8	2,5	0,0	1,0	2,1	5,9	5,8	2,9
Italy	6,6	3,8	-0,4	1,1	1,9	8,7	6,8	2,1
Spain	5,1	4,6	0,0	1,3	3,0	8,3	2,1	1,5
China	8,1	2,6	5,1	5,3	0,9	2,0	2,7	2,5
India*	9,3	8,3	6,2	6,5	5,4	7,9	5,9	5,5
Brazil	4,6	3,0	0,5	1,3	8,3	9,4	5,4	4,9
Russia	4,5	-7,0	0,8	0,3	7,1	14,0	10,5	7,6

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)
*FISCAL YEAR FROM 1ST APRIL OF YEAR N TO MARCH 31ST OF YEAR N+1

INTEREST & EXCHANGE RATES

Interest rates, %

End of period		Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q4 2024
US	Fed Funds (upper limit)	5.25	5.25	5.25	5.25	3.25
	T-Note 10y	4.30	4.00	3.75	3.50	3.25
Eurozone	Deposit rate	3.00	3.00	3.00	3.00	2.00
	Bund 10y	2.75	2.65	2.50	2.30	2.00
	OAT 10y	3.45	3.30	3.10	2.90	2.50
	BTP 10y	5.25	5.05	4.80	4.60	3.80
	BONO 10y	4.05	3.90	3.75	3.55	2.90
UK	Base rate	4.25	4.25	4.25	4.25	3.50
	Gilts 10y	4.00	3.75	3.60	3.35	3.15
Japan	BoJ Rate	-0.10	-0.10	-0.10	-0.10	-0.10
	JGB 10y	0.25	0.25	0.25	0.25	0.25

Exchange Rates

End of period		Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q4 2024
USD	EUR / USD	1.01	1.00	1.03	1.06	1.10
	USD / JPY	140	138	133	128	120
	GBP / USD	1.09	1.08	1.11	1.14	1.18
EUR	EUR / GBP	0.93	0.93	0.95	0.95	0.95
	EUR / JPY	141	138	137	136	132

Brent

End of period		Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q4 2024
Brent	USD/bbl	95	93	95	92	95

SOURCES: BNP PARIBAS (E: ESTIMATES & FORECASTS) (MARKET ECONOMICS, INTEREST RATE STRATEGY, FX STRATEGY, COMMODITIES DESK STRATEGY)

CALENDAR

LATEST INDICATORS

In China, consumer price inflation increased slightly in December, reaching 1.8% and the decline of producer prices was smaller than before, but larger than expected. In the euro area, the unemployment rate was stable at 6.5% in November. In Japan, the Eco Watchers survey's assessment of the current situation edged down but the outlook improved and surprised positively. In the UK, the November estimate of monthly GDP surprised by showing a slight increase of 0.1%. In the US, small business sentiment declined in December. In the same month, monthly headline inflation was slightly negative at -0.1% but core inflation increased 0.3%. Both numbers were in line with expectations. Jobless claims were stable and surprised positively. University of Michigan sentiment was better than anticipated. Expectations moved higher but the assessment of current conditions improved even more. One-year inflation expectations were down but longer-term expectations edged higher.

DATE	COUNTRY	INDICATOR	PERIOD	ACTUAL	PREVIOUS
01/09/2023	Eurozone	Unemployment Rate	Nov	6.5%	6.5%
01/10/2023	Japan	Tokyo CPI Ex-Fresh Food, Energy YoY	Dec	2.7%	2.4%
01/10/2023	United States	NFIB Small Business Optimism	Dec	89.8	91.9
01/12/2023	China	PPI YoY	Dec	-0.7%	-1.3%
01/12/2023	China	CPI YoY	Dec	1.8%	1.6%
01/12/2023	Japan	Eco Watchers Survey Current SA	Dec	47.9	48.1
01/12/2023	Japan	Eco Watchers Survey Outlook SA	Dec	47.0	45.1
01/12/2023	Eurozone	ECB Publishes Economic Bulletin			
01/12/2023	United States	CPI MoM	Dec	-0.1%	0.1%
01/12/2023	United States	CPI Ex Food and Energy MoM	Dec	0.3%	0.2%
01/12/2023	United States	Initial Jobless Claims	Jan	205k	206k
01/13/2023	United Kingdom	Monthly GDP (MoM)	Nov	0.1%	0.5%
01/13/2023	France	CPI EU Harmonized MoM	Dec	-0.1%	-0.1%
01/13/2023	United States	U. of Mich. Sentiment	Jan	64.6	59.7
01/13/2023	United States	U. of Mich. Current Conditions	Jan	68.6	59.4
01/13/2023	United States	U. of Mich. Expectations	Jan	62.0	59.9
01/13/2023	United States	U. of Mich. 1 Yr Inflation	Jan	4.0%	4.4%
01/13/2023	United States	U. of Mich. 5-10 Yr Inflation	Jan	3.0%	2.9%
01/13/2023	China	Exports YoY	Dec	-9.9%	-8.9%
01/13/2023	China	Imports YoY	Dec	-7.5%	-10.6%

SOURCE: BLOOMBERG

CALENDAR: THE WEEK AHEAD

COMING INDICATORS

Several data will be published in China for the month of December (industrial production, retail sales, jobless rates, investment data) as well as GDP growth for the fourth quarter of 2022. In the UK, we will have labour market numbers, inflation data, retail sales and consumer confidence. The ZEW survey will be released for Germany and the euro area. For the latter, we will also have the final inflation numbers. In the US we will have producer price inflation, retail sales and housing market data. The Federal Reserve will publish its beige book. Finally, markets are eagerly awaiting the outcome of the Bank of Japan meeting to see whether there is any change triggered by the recent increase in inflation.

DATE	COUNTRY	INDICATOR	PERIOD	SURVEY	PREVIOUS
01/16/23	China	New Home Prices MoM	Dec	--	-0.25%
01/17/23	China	Industrial Production YoY	Dec	0.3%	2.2%
01/17/23	China	Retail Sales YoY	Dec	-8.0%	-5.9%
01/17/23	China	Fixed Assets Ex Rural YTD YoY	Dec	5.0%	5.3%
01/17/23	China	Property Investment YTD YoY	Dec	-9.9%	-9.8%
01/17/23	China	Residential Property Sales YTD YoY	Dec	--	-28.4%
01/17/23	China	Surveyed Jobless Rate	Dec	5.8%	5.7%
01/17/23	China	GDP SA QoQ	4Q	-1.0%	3.9%
01/17/23	United Kingdom	Employment Change 3M/3M	Nov	--	27k
01/17/23	Germany	ZEW Survey Expectations	Jan	-17.5	-23.3
01/17/23	Germany	ZEW Survey Current Situation	Jan	-56.4	-61.4
01/17/23	Eurozone	ZEW Survey Expectations	Jan	--	-23.6
01/18/23	United Kingdom	CPIH YoY	Dec	--	9.3%
01/18/23	Eurozone	EU27 New Car Registrations	Dec	--	16.3%
01/18/23	United Kingdom	House Price Index YoY	Nov	--	12.6%
01/18/23	Eurozone	CPI MoM	Dec F	-0.3%	-0.3%
01/18/23	Eurozone	CPI YoY	Dec F	9.2%	9.2%
01/18/23	Eurozone	CPI Core YoY	Dec F	5.2%	5.2%
01/18/23	United States	Retail Sales Advance MoM	Dec	-0.8%	-0.6%
01/18/23	United States	Retail Sales Ex Auto and Gas	Dec	-0.1%	-0.2%
01/18/23	United States	PPI Final Demand MoM	Dec	0.0%	0.3%
01/18/23	United States	PPI Ex Food and Energy MoM	Dec	0.1%	0.4%
01/18/23	United States	NAHB Housing Market Index	Jan	31	31
01/18/23	United States	Federal Reserve Releases Beige Book			
01/18/23	Japan	BOJ 10-Yr Yield Target	janv-18	--	0.000%
01/19/23	United States	Building Permits MoM	Dec	1.4%	-11.2%
01/19/23	United States	Housing Starts MoM	Dec	-5.4%	-0.5%
01/19/23	United States	Initial Jobless Claims	janv-14	--	205k
01/20/23	Japan	Natl CPI Ex Fresh Food, Energy YoY	Dec	3.1%	2.8%
01/20/23	United Kingdom	GfK Consumer Confidence	Jan	--	-42
01/20/23	United Kingdom	Retail Sales Ex Auto Fuel MoM	Dec	--	-0.3%
01/20/23	France	Retail Sales SA YoY	Dec	--	-3.1%

SOURCE: BLOOMBERG

FURTHER READING

Chinese-German trade: increasing dependence	EcoFlash	12 January 2023
2023, electric atmosphere	EcoTVWeek	12 January 2023
Euro adoption strengthens Croatia's economy	Chart of the Week	11 January 2023
Eurozone: starting the year on an upbeat note	EcoWeek	9 January 2023
Economic outlook 2023: three "certainties", many uncertainties	EcoTVWeek	6 January 2023
GDP and carbon, a united couple	Chart of the Week	4 January 2023
2023: a year of transition, to what?	EcoWeek	2 January 2023
France: Nearly a third of housing loans are still guaranteed by mortgage	Chart of the Week	21 December 2022
Three «certainties», many uncertainties	EcoPerspectives	20 December 2022
ECB: tough talk and puzzling projections	EcoWeek	19 December 2022
US disinflation: surely, but slowly	EcoTVWeek	16 December 2022
France: Bottlenecks at a historically high level in construction	Chart of the Week	14 December 2022
European Union: Will the energy transition cause an increase in interest rates?	EcoWeek	12 December 2022
Malaysia: A new prime minister but still high political instability	EcoTVWeek	9 December 2022
Turkey: consumption on credit	Chart of the Week	7 December 2022
Labour hoarding: a source of resilience during a recession	EcoWeek	5 December 2022
A 2023 budget facing moderate uncertainties	EcoFlash	2 December 2022
United States: Expanding US federal debt will require raising more foreign capital	EcoTVWeek	2 December 2022
UK: Foreign trade declines due to Brexit	EcoFlash	30 November 2022
The end of wage bargaining power?	Chart of the Week	30 November 2022

GROUP ECONOMIC RESEARCH

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

OECD ECONOMIES AND STATISTICS

Hélène Baudchon Head - Eurozone - Climate	+33 1 58 16 03 63	helene.baudchon@bnpparibas.com
Felix Berte United States, United Kingdom	+33 1 40 14 01 42	felix.berte@bnpparibas.com
Stéphane Colliac France	+33 1 42 98 43 86	stephane.colliac@bnpparibas.com
Guillaume Derrien Southern Europe, Japan - International trade	+33 1 55 77 71 89	guillaume.a.derrien@bnpparibas.com
Anthony Morlet-Lavidalie Germany, Northern Europe	+33 1 53 31 59 14	anthony.morletlavidalie@bnpparibas.com
Veary Bou, Tarik Rharrab Statistics		

ECONOMIC PROJECTIONS, RELATIONSHIP WITH THE FRENCH NETWORK

Jean-Luc Proutat Head	+33 1 58 16 73 32	jean-luc.proutat@bnpparibas.com

BANKING ECONOMICS

Laurent Quignon Head	+33 1 42 98 56 54	laurent.quignon@bnpparibas.com
Céline Choulet	+33 1 43 16 95 54	celine.choulet@bnpparibas.com
Thomas Humblot	+33 1 40 14 30 77	thomas.humblot@bnpparibas.com
Marianne Mueller	+33 1 40 14 48 11	marianne.mueller@bnpparibas.com

EMERGING ECONOMIES AND COUNTRY RISK

François Faure Head – Argentina, Turkey – Methodology, Modelling	+33 1 42 98 79 82	francois.faure@bnpparibas.com
Christine Peltier Deputy Head – Greater China, Vietnam – Methodology	+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
Pascal Devaux Middle East, Balkan countries	+33 1 43 16 95 51	pascal.devaux@bnpparibas.com
Hélène Drouot South Korea, Philippines, Thailand, 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
Cynthia Kalasopatan Antoine Ukraine, Central European countries	+33 1 53 31 59 32	cynthia.kalasopatan.antoine@bnpparibas.com
Johanna Melka India, South Asia, Russia, Kazakhstan	+33 1 58 16 05 84	johanna.melka@bnpparibas.com

CONTACT MEDIA

Mickaelle Fils Marie-Luce	+33 1 42 98 48 59	mickaelle.filsmarie-luce@bnpparibas.com

GROUP ECONOMIC RESEARCH

ECOCONJONCTURE

Structural or thematic topics.

ECOEMERGING

Analyses and forecasts for a selection of emerging economies.

ECOPERSPECTIVES

Analyses and forecasts with a focus on developed countries.

ECOFLASH

Data releases, major economic events.

ECOWEEK

Recent economic and policy developments, data comments, economic calendar, forecasts.

ECOTV WEEK

A weekly video discussing the main event of the week.

MACROWAVES

Our economic podcast.

HOW TO RECEIVE OUR PUBLICATIONS

SUBSCRIBE ON OUR WEBSITE

see the Economic Research website

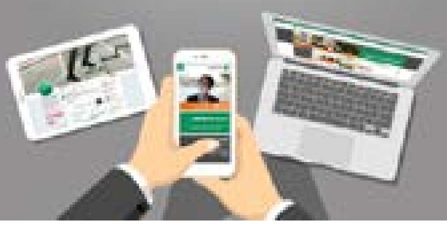
&

FOLLOW US ON LINKEDIN

see the Economic Research linkedin page

OR TWITTER

see the Economic Research Twitter page



Published by BNP PARIBAS Economic Research

Head office: 16 boulevard des Italiens – 75009 Paris France / Phone : +33 (0) 1.42.98.12.34
Internet: www.group.bnpparibas.com - www.economic-research.bnpparibas.com

Head of publication : Jean Lemierre / Chief editor: William De Vijlder

BNP PARIBAS

The bank for a changing world