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"RECENT DATA ARE CLEARLY GOOD NEWS FOR THE NEAR TERM, BUT BEYOND THAT, CAUTION SHOULD PREVAIL"

ECONOMIC RESEARCH



BNP PARIBAS

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EUROZONE: STARTING THE YEAR ON AN UPBEAT NOTE

The drop in gas prices, the decline in headline inflation and the improvement of survey data in December have created a feeling that for the Eurozone 2023 might be better than expected hitherto. The survey data bode well for the growth momentum at the turn of the year, which could create a favourable carry-over effect for GDP this year and some hope that lower inflation will mean fewer ECB rate hikes. However, caution is warranted. Inflation remains far too high and core inflation has moved higher in December. Moreover, survey data provide little or no information on the pace of growth beyond the first quarter of this year.

We're only one week into the new year but there is a growing feeling that for the Eurozone 2023 might be better -or less bad- than expected. Gas prices (chart 1) have dropped to pre-war levels -on the back of a warm winter thus far, very high inventory levels and cutbacks in gas use-, headline inflation was negative in December versus November -a decline of -0.3% against a Bloomberg consensus of +0.8%- and both the manufacturing and services purchasing managers' indices increased in December, respectively to 47.8 and 49.8, bringing the composite PMI to 49.3.

In addition, the European Commission's economic sentiment indicator rose for the second month in a row in December¹. Unsurprisingly, European equities are up year-to-date with the EuroStoxx 50 outperforming the S&P500 (chart 2). These developments and data have led several commentators to argue that the recession would be shallower than expected hitherto.

Although the likelihood has indeed increased, caution is warranted. Some arguments are in favour of a 'bull' case -a shallower recession- but others argue for a 'bear' case, meaning that it's too early to become more optimistic. The thinking underpinning the more positive assessment runs as follows. The drop in oil and gas prices will benefit households and firms and should accelerate the pace of disinflation this year, which in turn should lead to slower and/or more limited monetary tightening. Moreover, the rebound of the composite PMI in December bodes well for real GDP growth in the final quarter of 2022 and the first quarter of this year.

However, this rosy picture should be nuanced. Firstly, headline inflation has started to decline in the Eurozone, but the gap with the ECB's target remains huge (chart 3). Moreover, core inflation has accelerated in December, both on an annual and monthly basis (chart 4). Secondly, gas prices may increase again later this year when inventories need to be replenished. Thirdly, the hawkish tone after the December governing council meeting has been followed by messages showing that the tightening job is far from over.

¹ The Economic Sentiment Indicator (ESI) is a composite indicator combining results of surveys in industry, construction, retail trade, services as well as amongst consumers. Source: European Commission.

GAS AND OIL PRICES

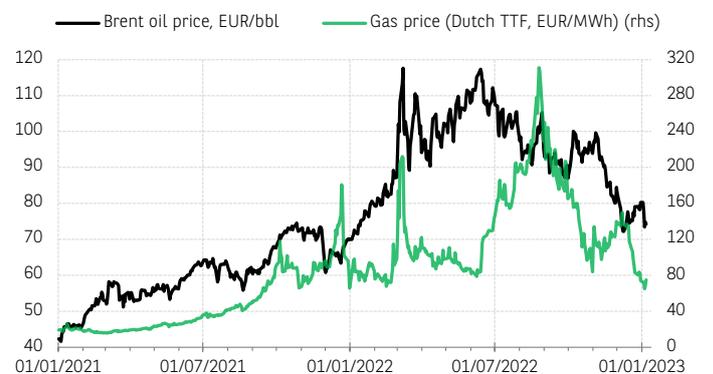


CHART 1

SOURCE: REFINITIV, BLOOMBERG, BNP PARIBAS

STOCKMARKET VALUES IN THE FIRST DAYS OF 2023

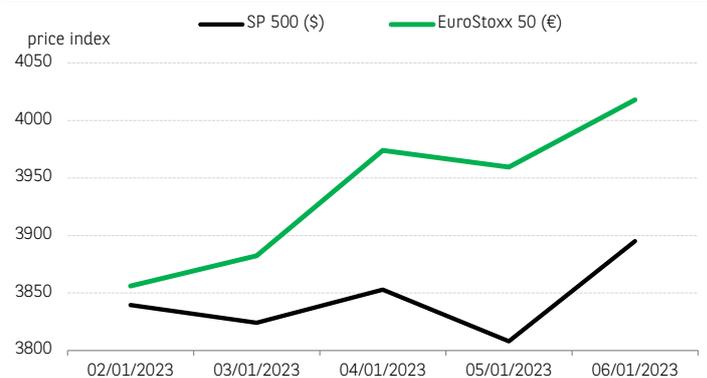


CHART 2

SOURCE: S&P, STOXX, BNP PARIBAS

Recent survey and inflation data, in combination with the drop in the price of gas, have fueled hope that the recession would be shallower than expected hitherto. Although the likelihood has indeed increased, caution is warranted.



François Villeroy de Galhau, governor of the Banque de France, recently stated that “after raising interest rates to close to the “neutral interest rate” of 2% in December, we are now embarking on the second phase towards monetary stabilization: ideally, it would be good to reach the right “terminal rate” by next summer, but it is still too early to say what that level will be.”² He also mentioned the role of core inflation in determining the appropriate stance of monetary policy. His colleague at the Dutch central bank recently commented that the ECB had “only just passed the halfway point of its tightening cycle and needs to be ‘in there for the long game’ to tame high inflation.”³

Finally, one should avoid reading too much in the recent data. The December rebound of the composite PMI and the increase of the European Commission’s economic sentiment indicator is of course good news: GDP growth at the turn of the year could be better than expected and create a positive carry-over effect for this year’s GDP. However, the survey data provide little or no information what this could mean for GDP growth beyond the first quarter of this year. As shown by the table, the relationship between growth and the composite PMI is only significant in the current quarter (T) and the next quarter (T+1)⁴.

Beyond that, the PMI provides no statistically significant information about real GDP growth. Even for the current and next quarter, caution is warranted considering that, as shown by the low adjusted R², a large part of the fluctuations in growth are not explained by what happens with the PMI. Besides, the European Commission survey is only statistically significant for estimating growth in the current quarter. To conclude, the recent data are clearly good news for the near term, but beyond that, caution should prevail.

William De Vijlder

EUROZONE: HEADLINE HICP INFLATION

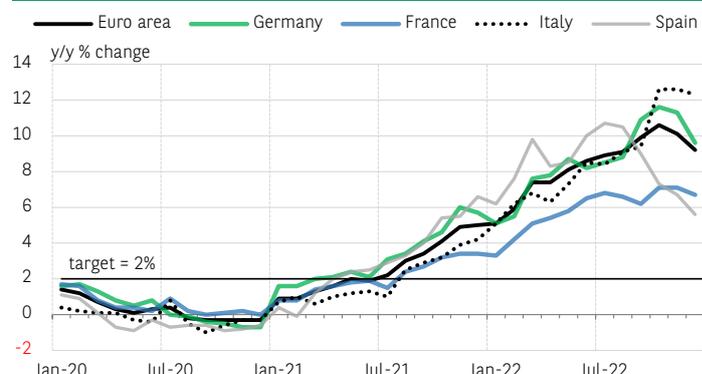


CHART 3

SOURCE: EUROSTAT, BNP PARIBAS

EUROZONE: CORE HICP INFLATION

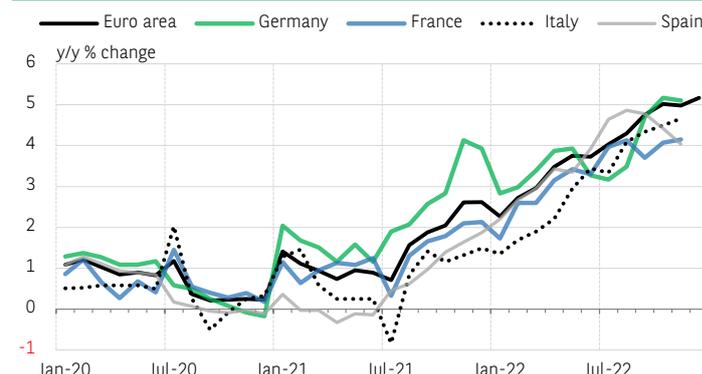


CHART 4

SOURCE: EUROSTAT, BNP PARIBAS

EUROZONE: REAL GDP GROWTH AND COMPOSITE PMI*

	T	T+1	T+2	T+3
Beta	0.14	0.18	-0.07	0.03
t statistic	3.75	4.93	-1.75	0.72
adjusted R ²	0.12	0.20	0.02	-0.01

*REAL GDP GROWTH (QOQ) IN % AS A FUNCTION OF THE COMPOSITE PMI IN THE FINAL MONTH OF THE QUARTER.

TABLE 1

SOURCES : S&P GLOBAL, EUROSTAT, BNP PARIBAS.

DATA START IN SEPT.1998

² Source: New Year wishes 2023, Speech by François Villeroy de Galhau, Governor of the Banque de France, Chairman of the ACPR, Paris, 5 January 2023.

³ Source: Leading ECB policy maker hints at sharp climb to peak rates, Financial Times, 26 December 2022.

⁴ The composite PMI for the final month of a given quarter has been used to produce a forecast of quarterly GDP growth for the same quarter (T) and the following quarters (T+1, T+2, T+3). A similar analysis using the European Commission’s economic sentiment indicator only shows a significant relationship for the same quarter but not for the following quarters.



MARKETS OVERVIEW

5

OVERVIEW

Week 30-12-22 to 6-1-23

➔ CAC 40	6 474	➔ 6 861	+6.0 %
➔ S&P 500	3 840	➔ 3 895	+1.4 %
➔ Volatility (VIX)	21.7	➔ 21.1	-0.5 pb
➔ Euribor 3M (%)	2.13	➔ 2.25	+12.2 bp
➔ Libor \$ 3M (%)	4.77	➔ 4.81	+4.3 bp
➔ OAT 10y (%)	3.09	➔ 2.70	-39.0 bp
➔ Bund 10y (%)	2.56	➔ 2.21	-35.5 bp
➔ US Tr. 10y (%)	3.83	➔ 3.57	-26.1 bp
➔ Euro vs dollar	1.07	➔ 1.06	-0.7 %
➔ Gold (ounce, \$)	1 816	➔ 1 862	+2.6 %
➔ Oil (Brent, \$)	84.9	➔ 78.7	-7.4 %

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	2.25	2.25 at 06/01	2.16 at 02/01	
Euribor 12M	3.33	3.33 at 06/01	3.30 at 05/01	
\$ FED	4.50	4.50 at 02/01	4.50 at 02/01	
Libor 3M	4.81	4.81 at 05/01	4.77 at 02/01	
Libor 12M	5.56	5.56 at 06/01	5.45 at 03/01	
£ BoE	3.50	3.50 at 02/01	3.50 at 02/01	
Libor 3M	3.93	3.93 at 06/01	3.87 at 02/01	
Libor 12M	0.81	0.81 at 02/01	0.81 at 02/01	

At 6-1-23

MONEY & BOND MARKETS

		highest 23	lowest 23
€ AVG 5-7y	2.64	2.64 at 02/01	2.64 at 02/01
Bund 2y	2.59	2.69 at 02/01	2.58 at 04/01
Bund 10y	2.21	2.44 at 02/01	2.21 at 06/01
OAT 10y	2.70	2.99 at 02/01	2.70 at 06/01
Corp. BBB	4.41	4.63 at 02/01	4.41 at 06/01
\$ Treas. 2y	4.27	4.46 at 05/01	4.27 at 06/01
Treas. 10y	3.57	3.83 at 02/01	3.57 at 06/01
High Yield	8.62	9.01 at 02/01	8.62 at 06/01
£ gilt. 2y	3.45	3.69 at 02/01	3.45 at 06/01
gilt. 10y	3.48	3.67 at 02/01	3.48 at 06/01

At 6-1-23

EXCHANGE RATES

1€ =		highest 23	lowest 23	2023
USD	1.06	1.07 at 02/01	1.05 at 05/01	-0.7%
GBP	0.88	0.89 at 02/01	0.88 at 03/01	-0.8%
CHF	0.99	0.99 at 03/01	0.99 at 04/01	-0.0%
JPY	140.40	140.83 at 05/01	138.02 at 03/01	-0.3%
AUD	1.55	1.57 at 02/01	1.55 at 04/01	-1.5%
CNY	7.27	7.42 at 02/01	7.23 at 05/01	-2.0%
BRL	5.57	5.79 at 04/01	5.57 at 06/01	-1.2%
RUB	77.05	77.91 at 02/01	76.58 at 05/01	-1.1%
INR	87.71	88.29 at 02/01	86.85 at 05/01	-0.7%

At 6-1-23

Change

COMMODITIES

Spot price, \$		highest 23	lowest 23	2023	2023(€)
Oil, Brent	78.7	84.9 at 02/01	78.0 at 04/01	-7.4%	-6.8%
Gold (ounce)	1 862	1 862 at 06/01	1 824 at 02/01	+2.6%	+3.2%
Metals, LMEX	3 979	3 984 at 02/01	3 905 at 05/01	-0.1%	+0.5%
Copper (ton)	8 570	8 570 at 06/01	8 236 at 04/01	+2.5%	+3.1%
wheat (ton)	277	2.9 at 02/01	274 at 04/01	-3.1%	-2.4%
Corn (ton)	252	2.6 at 02/01	251 at 04/01	-0.3%	-2.5%

At 6-1-23

Change

EQUITY INDICES

	Index	highest 23	lowest 23	2023
World				
MSCI World	2 650	2 650 at 06/01	2 595 at 05/01	+1.8%
North America				
S&P500	3 895	3 895 at 06/01	3 808 at 05/01	+1.4%
Europe				
EuroStoxx50	4 018	4 018 at 06/01	3 856 at 02/01	+5.9%
CAC 40	6 861	6 861 at 06/01	6 595 at 02/01	+0.6%
DAX 30	14 610	14 610 at 06/01	14 069 at 02/01	+4.9%
IBEX 35	8 701	8 701 at 06/01	8 370 at 02/01	+0.6%
FTSE100	7 699	7 699 at 06/01	7 452 at 02/01	+0.3%
Asia				
MSCI, loc.	1 070	1 070 at 06/01	1 065 at 04/01	+0.0%
Nikkei	25 974	26 095 at 02/01	25 717 at 04/01	-0.5%
Emerging				
MSCI Emerging (\$)	989	989 at 06/01	956 at 02/01	+0.3%
China	69	69 at 06/01	64 at 02/01	+7.4%
India	761	774 at 03/01	761 at 06/01	-1.3%
Brazil	1 457	1 457 at 06/01	1 357 at 04/01	-0.6%

At 6-1-23

Change

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

Year 2023 to 6-1, €		Year 2023 to 6-1, \$
+10.8%	Retail	+10.1%
+8.6%	Consumption Goods	+7.7%
+8.3%	Car	+7.2%
+8.2%	Banks	+5.7%
+7.8%	Technology	+4.4%
+7.6%	Travel & leisure	+4.3%
+6.0%	Construction	+4.0%
+5.6%	Real Estate	+3.9%
+5.3%	Telecoms	+3.7%
+4.9%	Industry	+3.5%
+4.6%	Index	+3.3%
+4.2%	Insurance	+2.6%
+4.1%	Chemical	+2.1%
+4.1%	Commodities	+1.4%
+3.4%	Media	+1.0%
+2.8%	Health	+0.5%
+2.7%	Food industry	+0.4%
+2.4%	Utilities	+0.2%
+0.4%	Oil & Gas	-2.8%

SOURCE: REFINITIV, BNP PARIBAS,

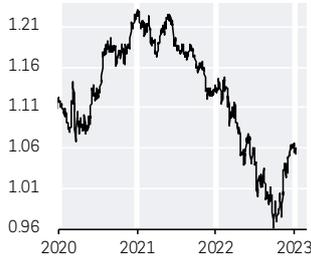


BNP PARIBAS

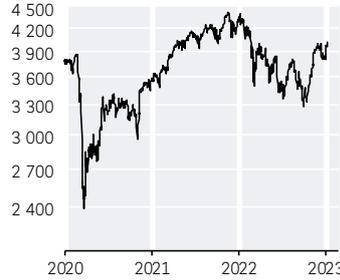
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MARKETS OVERVIEW

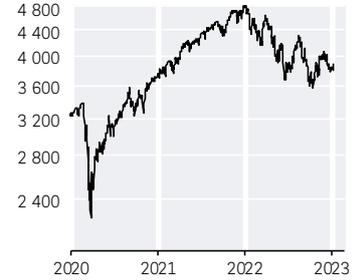
EURO-DOLLAR



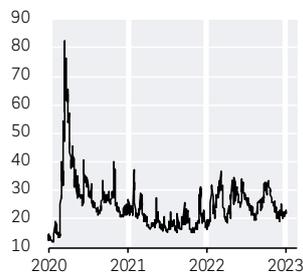
EUROSTOXX50



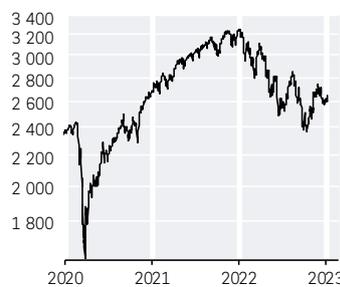
S&P500



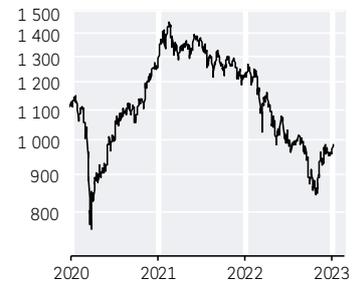
VOLATILITY (VIX, S&P500)



MSCI WORLD (USD)



MSCI EMERGING (USD)

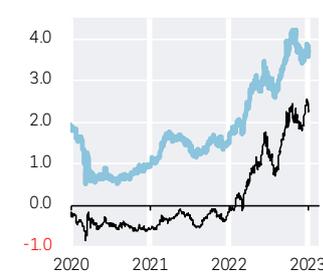


10Y BOND YIELD, TREASURIES VS BUND



-Bunds — US Treasuries

10Y BOND YIELD

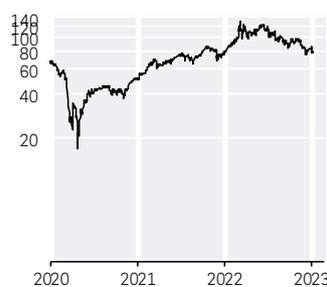


-Bunds —OAT

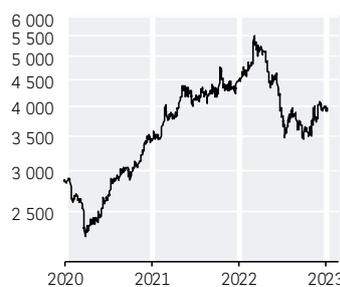
10Y BOND YIELD & SPREADS

Year 2023 to 6-1		
4.74%	Greece	253 bp
4.23%	Italy	201 bp
3.27%	Spain	106 bp
3.13%	Portugal	92 bp
2.91%	Finland	69 bp
2.85%	Belgium	63 bp
2.83%	Austria	62 bp
2.70%	France	49 bp
2.69%	Ireland	48 bp
2.53%	Netherlands	32 bp
2.21%	Germany	

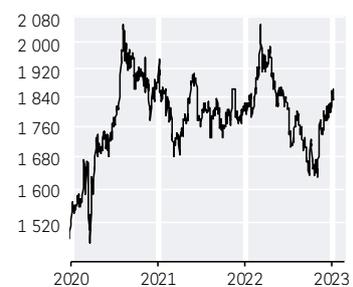
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: REFINITIV, BNP PARIBAS,

ECONOMIC PULSE

PMI: DECEMBER DATA IMPROVE IN THE EURO AREA.

The global manufacturing PMI edged down in December on the back of a new, significant decline in the US and for the second month in a row an increase in the euro area where the improvement is broadbased. The index was down in the UK where, at 45.3, it is firmly below 50. Japan was stable, remaining just below 50, China weakened slightly, Vietnam was down again, dropping to 46.4, but India recorded a big improvement, to 57.8.

The global new orders PMI continued its downward trend in December. There was a big deterioration in the US but, for the second month in a row, a big improvement in the euro area, although the level remains very low (43.1). The biggest improvement in the euro area was seen in the Netherlands. The UK index hardly changed and Japan edged higher. China and Vietnam recorded weaker data whereas India benefited from a big improvement.

The global manufacturing employment PMI hardly changed in December (49.7). Hiring intentions weakened in the US but were stable in the euro area. Within the latter, the picture is diverse with a big decline in France (to 49.0) and a big improvement in Spain and the Netherlands. The downtrend continued in the UK. The situation was stable in China but Vietnam was confronted with another big drop.

The global input prices index declined further in December. The US saw a huge decline and the euro area index recorded a smaller though still sizeable decline. Germany and Greece saw a big drop. The Chinese input price index was down slightly whereas India and Vietnam saw a small increase.

The global output prices PMI was down in December with a big drop in the US. The downward trend continued in the euro area. The index moved higher in India and Vietnam where the considerable drop in November was partly corrected. Global delivery times improved slightly, with a higher number, which means shorter delivery times. The US saw a slight worsening -longer delivery times- but the situation improved significantly in the euro area and especially in Germany and Spain. Data in China were slightly better.

The services PMI dropped in the US to a very low 44.7 and improved in the euro area where, at 49.8, it is very close to 50. The score improved in Japan, China and, in particular, India.

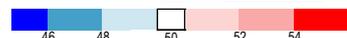
William De Vijlder

MANUFACTURING PMI

	Developed Markets																	Emerging countries																	
	WD	NA		Europe								Asia-Oceania				LATAM		Eurasia			Middle East & Africa			Asia											
	World	CANADA	USA	EUROZONE	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-22	52.9	58.9	58.8	56.5	59.3	61.4	54.7	56.9	54.6	59.4	55.8	58.4	54.2	64.0	55.2	55.7	52.7	54.1	50.1	52.3	49.2	54.7	52.7	44.1	49.4	46.5	47.4	56.8	58.6	54.8	48.1	42.0	54.0	51.3	51.7
Apr-22	52.3	56.2	59.2	55.5	57.9	60.6	55.7	54.6	54.8	59.1	54.5	59.9	53.3	62.5	55.8	58.5	50.8	53.5	50.3	51.8	49.3	54.4	52.4	48.2	49.2	46.9	47.9	55.7	52.3	54.6	46.0	51.7	54.7	51.9	51.7
May-22	52.3	56.8	57.0	54.6	56.6	58.2	54.6	54.8	53.8	56.4	51.9	57.8	53.8	60.0	54.6	52.4	52.7	53.3	50.4	54.2	50.6	52.3	48.5	50.8	49.2	47.0	48.6	55.7	54.5	55.6	48.1	54.9	54.6	50.8	54.7
Jun-22	52.2	54.6	52.7	52.1	51.2	69.1	51.4	52.0	51.1	53.1	50.9	55.9	52.6	59.1	52.8	54.0	50.1	52.7	50.3	54.1	52.2	49.0	44.4	50.9	48.1	45.2	49.1	57.0	52.0	54.8	51.7	52.4	53.9	50.2	54.0
Jul-22	51.1	52.5	52.2	49.8	51.7	38.0	49.5	49.3	49.1	51.8	48.5	54.5	48.7	58.0	52.1	52.5	53.3	52.1	50.1	54.0	48.5	46.8	42.1	50.3	46.9	46.4	49.9	56.3	49.4	55.4	50.4	52.3	56.4	51.3	51.2
Aug-22	50.3	48.7	51.5	49.6	48.8	49.3	50.6	49.1	48.8	51.1	48.0	52.6	49.9	56.4	47.3	49.3	54.9	51.5	50.0	51.9	48.5	46.8	40.9	51.7	47.4	47.6	50.1	57.7	51.1	56.7	49.5	51.2	56.2	51.7	52.7
Sep-22	49.8	49.8	52.0	48.4	48.8	50.1	47.7	47.8	49.7	51.5	48.3	49.0	49.0	57.1	48.4	50.2	51.6	50.8	49.9	51.1	50.3	44.7	43.0	52.0	46.9	47.6	48.8	56.6	48.2	56.1	48.1	48.0	55.1	53.7	52.5
Oct-22	49.4	48.8	50.4	46.4	46.6	51.0	47.2	45.1	48.1	51.4	46.5	47.9	44.7	54.9	46.2	49.6	49.1	50.7	49.7	50.8	50.3	41.7	42.0	50.7	46.4	47.7	49.1	57.2	50.0	56.6	49.2	49.3	55.3	51.8	50.6
Nov-22	48.8	49.6	47.7	47.1	46.6	45.9	48.3	46.2	48.4	48.7	48.4	46.0	45.7	53.9	46.5	44.7	47.4	49.0	49.8	44.3	50.6	41.6	43.4	53.2	45.7	45.4	48.1	58.5	52.6	54.4	49.4	48.7	55.7	50.3	47.4
Dec-22	48.6	49.2	46.2	47.8	47.3	51.2	49.2	47.1	47.2	48.7	48.5	48.6	46.4	54.1	45.3			48.9	49.7	44.2	51.3	42.6	45.6	53.0	48.1	47.2	47.3	56.9		54.2	49.0	49.6	57.8	50.9	46.4

MANUFACTURING PMI - NEW ORDERS

	Developed Markets																	Emerging countries																		
	WD	NA		Europe								Asia-Oceania				LATAM		Eurasia			Middle East & Africa			Asia												
	World	CANADA	USA	EUROZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	ISRAEL	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM
Mar-22	51.4	57.5	59.1	53.7	53.2		51.1	54.0	50.3	60.9	54.6	53.7	47.5	51.8	65.0			52.0	50.3	52.1	47.4	49.4	48.5	40.2	45.9	45.1	49.9	48.3	61.9	50.6	58.3	45.4	33.3	56.1	51.1	52.8
Apr-22	50.5	54.4	59.0	51.6	53.0		53.0	48.8	50.7	58.7	52.6	56.3	49.6	51.7	64.8			51.5	50.4	51.7	46.7	48.5	48.0	45.9	46.2	46.3	50.7	49.6	59.5	49.3	57.2	42.8	52.2	56.8	52.1	51.9
May-22	50.9	54.7	56.1	48.7	48.1		50.6	47.0	50.2	52.0	47.4	52.6	50.0	51.1	55.0			50.4	50.5	53.3	49.6	45.4	43.2	49.3	46.8	44.6	52.1	49.8	59.9	50.2	58.7	47.5	56.5	56.4	51.6	55.3
Jun-22	50.1	52.8	48.7	45.2	41.2		46.1	43.3	45.7	47.9	43.9	52.5	49.7	48.3	55.7			50.2	50.7	52.9	50.7	43.9	39.1	51.0	44.9	41.9	58.5	49.3	63.3	52.5	56.5	51.2	52.1	55.7	50.9	54.8
Jul-22	48.9	48.9	48.6	42.6	43.6		43.0	40.1	43.5	47.0	42.5	51.1	43.5	46.9	59.9			49.2	50.2	52.4	46.2	42.6	35.6	51.8	43.6	43.1	58.1	49.6	62.0	53.3	67.2	50.3	53.3	60.0	51.6	52.0
Aug-22	48.2	44.5	48.8	43.3	39.8		44.8	40.9	45.6	47.3	42.6	48.7	47.3	43.9	55.8			48.2	50.1	51.4	45.1	42.2	33.4	52.9	42.8	45.1	52.7	49.8	64.1	52.2	59.8	48.9	51.3	60.5	52.4	54.1
Sep-22	47.7	46.9	51.1	41.3	38.6		40.4	39.1	45.8	46.1	43.2	43.0	44.4	44.8	57.8			46.3	49.9	50.3	48.0	38.5	35.4	52.4	43.0	45.9	53.4	48.8	62.3	47.1	59.4	47.1	46.1	58.6	56.3	52.3
Oct-22	46.9	46.0	47.6	37.9	32.9		39.4	34.5	43.1	46.5	39.2	39.7	40.3	39.5	53.8			47.9	49.6	48.3	49.8	34.1	37.7	51.1	43.5	46.4	57.9	48.4	62.9	48.3	59.8	48.7	48.9	57.5	52.8	50.8
Nov-22	46.7	46.8	45.2	40.7	36.9		42.2	38.3	44.9	44.7	44.1	39.1	41.2	41.9	47.8			44.6	49.7	38.9	50.2	35.6	39.8	53.0	42.7	41.4		47.8	65.7	50.7	55.7	49.5	48.4	58.8	50.4	47.3
Dec-22	46.3	47.0	42.7	43.1	38.4		44.9	42.1	43.3	43.2	44.4	45.8	43.2	41.4			45.3	49.5	41.1	50.9	36.7	42.8	52.3	46.8	45.5		48.1	62.9	48.5	55.5	48.2	48.8	61.9	50.8	46.2	



SOURCE: S&P GLOBAL, BNP PARIBAS

ECONOMIC PULSE

MANUFACTURING PMI - EMPLOYMENT

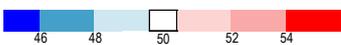
WD	Developed Markets																	Emerging countries														
	NA		Europe										Asia-Oceania					LATAM	Eurasia			Middle East & Africa		Asia								
	World	CANADA	USA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	INDIA	INDONESIA	VIETNAM
Mar-22	52.1	53.2	54.0	54.2	60.2	68.9	51.8	54.4	55.0	56.6	53.2	57.5	51.4	62.4	56.7	53.7	52.2	52.6	51.2	49.2	52.8	51.0	44.7	50.7	48.8	49.7	50.0	50.6	50.4	50.1	50.8	48.3
Apr-22	51.5	54.5	52.7	54.7	57.8	64.3	53.1	55.3	54.9	58.6	52.4	58.5	50.6	60.7	56.7	54.4	49.8	51.4	51.4	51.1	52.7	51.4	45.5	51.5	47.9	51.0	51.4	49.9	49.2	50.5	52.1	52.1
May-22	51.6	55.3	53.1	56.1	57.7	68.5	54.0	58.0	53.4	59.3	52.7	59.9	50.3	62.8	55.4	51.9	52.9	51.9	53.3	51.7	52.5	51.2	47.1	51.7	48.2	50.9	50.4	50.7	48.6	51.0	50.3	53.0
Jun-22	51.3	52.9	52.9	54.5	56.4	69.6	52.5	55.4	53.0	55.7	53.0	58.9	51.0	62.0	53.0	52.5	51.4	51.8	53.4	51.2	48.7	47.6	51.2	51.0	48.5	50.7	51.3	51.2	48.8	50.8	48.9	54.0
Jul-22	50.4	51.9	51.5	53.3	55.7	39.3	50.6	55.2	50.4	52.9	52.0	56.0	48.6	58.4	55.9	53.4	52.7	51.6	55.5	49.6	46.3	47.8	48.4	50.2	50.1	51.3	48.4	51.0	47.8	50.6	52.3	52.3
Aug-22	50.3	48.8	51.1	52.8	53.9	59.7	52.2	54.5	49.1	52.4	50.5	55.2	48.6	58.3	50.4	54.1	53.4	50.8	53.1	49.8	47.7	45.6	49.2	51.2	50.7	51.2	48.4	51.5	48.3	50.1	51.4	53.4
Sep-22	50.8	49.5	53.8	52.4	55.7	45.7	51.0	53.4	49.3	53.8	51.0	52.3	49.8	58.5	51.0	53.5	51.5	52.8	52.2	51.6	50.6	45.2	52.2	49.2	50.4	50.5	46.7	51.4	47.7	50.7	51.9	53.3
Oct-22	50.3	49.0	51.4	52.6	56.2	45.2	51.7	54.5	49.7	52.9	50.8	53.3	45.5	58.2	48.3	53.1	48.7	51.3	52.3	50.3	47.0	43.7	47.0	47.7	49.6	50.2	41.5	52.0	48.7	53.6	50.5	52.3
Nov-22	49.9	51.1	51.1	52.0	54.4	42.9	51.7	53.8	49.6	49.7	51.2	52.0	47.0	61.4	47.8	52.0	46.7	51.1	48.6	51.6	46.5	44.7	51.5	50.2	50.8	50.6	45.7	51.5	47.6	53.4	50.6	46.8
Dec-22	49.7	50.8	50.6	51.9	55.4	45.9	49.0	53.4	50.3	50.2	51.0	53.6	50.0	61.0	45.5	51.6	50.9	47.3	52.3	45.7	47.3	54.3	52.1	49.4	52.0	50.6	47.7	51.8	50.3	45.1		

MANUFACTURING PMI - INPUT PRICES

WD	Developed Markets																	Emerging countries																
	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
Mar-22	71.5	78.6	79.5	87.0	89.2	75.6	84.6	87.2	87.3	92.7	85.1	87.7	86.8	85.3	82.4	75.2	51.9	75.0	69.8	90.1	83.1	90.0	78.5	58.6	54.4	53.5	57.8	57.6	57.5	67.9	71.1			
Apr-22	71.6	75.4	81.9	87.8	90.5	77.9	88.9	88.0	86.7	85.3	87.1	89.2	86.2	89.5	84.4	75.6	52.1	71.4	69.7	86.0	82.6	76.3	73.1	58.3	52.8	53.4	56.9	55.7	59.2	68.8	70.7			
May-22	70.3	73.0	84.2	84.2	87.0	76.2	84.1	84.8	85.8	88.0	81.4	84.5	80.3	86.4	86.5	76.0	52.3	72.4	71.9	84.8	77.4	62.5	69.9	62.1	53.3	53.9	55.0	54.2	58.9	67.4	65.7			
Jun-22	68.7	74.2	79.5	80.0	81.6	76.1	77.7	83.3	81.8	82.6	74.2	77.6	76.3	84.6	89.3	74.6	52.7	71.7	71.7	77.8	68.9	54.9	71.7	72.0	55.3	58.5	55.2	52.2	58.1	67.5	66.8			
Jul-22	65.4	71.4	76.4	74.9	77.2	88.3	71.9	79.1	72.6	82.6	64.4	73.8	70.5	77.5	79.7	75.8	52.6	67.5	70.3	71.1	68.0	55.4	68.9	64.1	55.0	56.5	51.0	53.7	57.2	65.0	56.4			
Aug-22	61.1	64.9	68.1	71.7	74.3	71.9	70.1	77.3	61.7	75.7	58.9	73.2	66.1	67.9	81.7	71.9	52.3	59.1	70.3	67.0	67.2	54.1	59.4	58.8	53.5	48.8	47.8	52.9	56.4	63.6	50.7			
Sep-22	61.3	62.0	65.2	76.5	79.2	60.8	75.0	79.5	71.6	74.4	73.3	74.4	73.0	74.5	84.8	75.6	51.8	53.0	67.5	67.8	68.4	55.3	64.8	64.6	54.0	51.4	47.6	53.1	53.9	61.6	51.5			
Oct-22	61.1	61.7	64.7	72.0	75.3	51.9	72.3	74.0	72.1	72.8	68.4	71.2	66.8	73.7	78.0	74.7	51.5	46.6	69.6	68.8	68.1	58.2	60.6	63.5	52.0	51.4	50.7	54.8	54.0	61.1	52.7			
Nov-22	59.2	60.9	63.4	64.5	64.5	52.7	65.1	66.4	69.2	69.4	58.0	66.3	59.4	69.7	77.2	69.5	51.2	48.1	68.6	59.6	62.0	55.9	54.1	72.4	54.7	50.6	51.4	56.3	51.8	60.5	54.1			
Dec-22	56.8	61.5	55.6	61.0	61.1	46.5	65.0	60.4	59.1	68.5	56.0	62.1	57.0	62.0		68.9	51.0	51.8	67.1	63.8	56.3	55.4	55.9	65.0	52.9	49.8	51.1	56.7	52.0	58.3	54.5			

MANUFACTURING PMI - OUTPUT PRICES

WD	Developed Markets																	Emerging countries																
	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
Mar-22	62.3	70.8	69.7	74.2	72.5	67.2	71.3	75.6	77.8	72.8	73.5	80.0	71.4	71.3	58.8	68.5	53.1	73.3	78.5	77.8	68.7	51.5	52.5	53.8	49.8	51.5	52.2	56.5	58.2					
Apr-22	63.8	69.8	76.3	77.3	79.2	62.1	71.8	79.3	75.8	77.5	77.0	82.5	73.6	78.8	62.5	65.0	54.6	74.9	80.1	72.5	66.8	51.0	53.1	53.4	50.5	54.0	54.1	56.6	58.4					
May-22	61.5	68.0	73.9	76.2	76.6	56.3	70.2	79.1	76.2	78.6	72.7	81.4	72.8	76.1	61.4	66.2	54.2	73.7	71.7	51.7	62.6	52.4	54.3	52.8	48.8	51.5	54.4	55.3	56.3					
Jun-22	60.4	65.9	71.1	70.9	71.1	76.8	66.9	73.7	68.4	68.4	69.2	73.2	68.6	72.1	62.7	66.7	53.8	69.5	65.6	48.9	62.1	61.8	54.9	53.3	48.2	53.0	53.2	54.7	55.9					
Jul-22	58.3	64.1	66.7	67.9	66.3	32.9	67.7	69.1	66.2	71.0	63.9	68.6	66.6	69.6	61.9	61.9	54.5	67.7	62.2	46.4	58.5	56.1	54.2	53.4	49.6	51.3	52.6	53.2	51.6					
Aug-22	56.7	60.5	62.9	65.9	65.4	45.5	61.8	69.4	61.3	66.5	60.3	71.3	63.2	64.8	59.5	56.3	54.4	65.6	61.1	50.6	54.8	53.0	57.2	50.8	47.4	52.2	52.7	53.0	50.5					
Sep-22	56.6	55.4	64.1	67.4	67.6	61.2	63.3	69.1	62.9	66.9	67.3	71.5	65.3	66.4	61.6	52.6	53.0	65.9	60.7	49.4	59.9	54.8	56.8	51.8	48.5	51.2	51.8	52.9	51.4					
Oct-22	56.5	60.8	61.1	66.1	67.0	65.5	61.7	68.5	64.6	68.3	64.1	68.7	61.9	65.0	62.5	47.4	52.0	63.2	61.5	49.8	57.3	53.5	55.9	51.5	49.4	52.0	51.7	52.6	51.1					
Nov-22	56.2	56.6	61.2	63.6	66.0	60.3	59.8	67.0	62.4	62.7	59.7	64.9	60.2	64.6	59.6	49.7	51.2	60.1	61.4	50.2	55.2	57.7	54.6	52.9	49.9	51.6	51.0	52.7	47.5					
Dec-22	54.6	58.7	56.5	61.2	60.5	71.2	61.4	62.1	58.1	64.9	58.6	63.9	56.8	60.1	59.2	51.5	50.9	59.8	59.3	51.9	55.2	57.3	54.5	53.6	48.6	52.0	53.1	52.2	48.2					



SOURCE: S&P GLOBAL, BNP PARIBAS



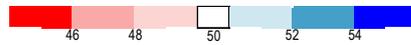
BNP PARIBAS

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ECONOMIC PULSE

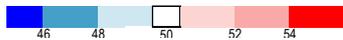
MANUFACTURING PMI - DELIVERY TIMES

WD	Developed Markets																								Emerging countries									
	NA												Europe												LATAM		Eurasia		Middle East & Africa		Asia			
	World	CANADA	USA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM	
Mar-22	38.7	24.8	28.5	25.9	20.2	38.3	24.7	24.9	24.3	32.8	29.9	24.5	22.4	33.4	45.7	51.2	37.5	50.3	44.1	41.1	25.8	32.2	30.5	41.2	48.3	54.1	64.9	52.7	47.1	37.6	49.5	48.2	41.3	
Apr-22	35.8	34.0	26.9	26.3	22.5	33.8	25.4	23.9	24.8	31.5	29.7	24.6	31.2	32.8	50.4	49.4	37.8	50.1	45.2	43.7	26.2	37.2	33.6	43.7	48.9	55.6	63.5	53.5	37.8	38.7	48.9	48.8	46.5	
May-22	38.8	33.3	31.1	29.9	24.2	44.9	30.0	28.2	27.0	33.3	32.6	28.4	33.7	34.1	48.0	54.5	37.1	49.8	44.1	41.9	32.9	41.5	34.3	47.0	48.5	52.2	58.0	52.3	43.3	44.1	49.4	48.3	42.2	
Jun-22	42.2	31.0	33.6	34.2	34.6	44.1	31.2	33.0	30.7	32.4	38.0	36.6	39.8	34.5	51.5	51.6	38.0	50.1	42.1	38.5	37.9	43.2	40.7	46.8	46.1	54.5	63.9	51.4	50.2	44.5	50.3	50.0	45.1	
Jul-22	42.8	33.1	33.7	37.9	38.7	49.2	32.0	38.7	33.4	36.6	40.8	38.5	40.8	37.9	47.4	50.1	39.2	50.3	41.5	41.9	42.4	45.7	39.0	46.2	48.7	55.0	60.2	51.0	49.1	46.9	50.2	48.9	48.5	
Aug-22	44.8	37.6	38.9	40.2	41.4	47.0	33.1	40.9	36.1	37.7	44.5	39.8	44.9	44.5	47.1	54.0	40.0	50.4	46.6	42.5	46.5	47.3	43.8	46.7	49.5	54.6	59.9	52.8	49.4	49.2	50.8	50.0	50.5	
Sep-22	45.7	41.2	43.1	41.8	39.5	54.0	37.8	44.6	35.4	39.5	40.8	42.6	41.1	42.1	52.8	54.4	41.8	50.5	49.1	42.0	47.0	47.7	45.3	46.1	49.4	50.9	61.7	51.7	48.7	49.1	49.4	49.8	50.1	
Oct-22	46.5	44.1	44.3	43.4	41.7	57.9	38.5	47.1	36.7	38.9	42.2	42.2	43.9	43.6	48.3	55.3	43.7	50.6	49.7	43.8	46.4	49.3	43.5	51.2	50.2	51.4	61.9	52.1	48.8	49.0	49.6	49.1	50.4	
Nov-22	47.4	45.0	50.5	47.5	47.4	53.0	39.9	53.1	42.6	42.3	45.7	45.3	44.8	45.3	39.2	43.8	50.4	52.2	46.2	47.9	49.8	44.8	53.3	49.2	49.2	54.6	61.7	51.7	45.5	50.4	50.3	49.4	49.6	
Dec-22	47.8	44.4	49.9	50.0	49.6	57.6	39.1	55.8	47.1	44.7	46.9	49.5	48.4	46.8	43.9	50.5	53.6	46.2	47.0	48.9	45.0	53.3	49.3	51.5	50.5	46.7	50.5	50.0	49.2	49.2				



PMI SERVICES

	World	USA	EURO ZONE	FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	LEBANON	CHINA	HONG KONG	INDIA
Mar-22	53.4	58.0	55.6	57.4	56.1	63.4	52.1	53.4	62.6	56.2	49.4	58.1	38.1	47.4	42.0	42.0	53.6
Apr-22	52.2	55.6	57.7	58.9	57.6	61.7	55.7	57.1	58.9	57.8	50.7	60.6	44.5	47.9	36.2	51.7	57.9
May-22	51.9	53.4	56.1	58.3	55.0	60.2	53.7	56.5	53.4	49.2	52.6	58.6	48.5	48.6	41.4	54.9	58.9
Jun-22	53.9	52.7	53.0	53.9	52.4	55.6	51.6	54.0	54.3	48.8	54.0	60.8	51.7	49.1	54.5	52.4	59.2
Jul-22	51.1	47.3	51.2	53.2	49.7	56.3	48.4	53.8	52.6	51.7	50.3	55.8	54.7	49.9	55.5	52.3	55.5
Aug-22	49.3	43.7	49.8	51.2	47.7	54.7	50.5	50.6	50.9	53.3	49.5	53.9	49.9	50.1	55.0	51.2	57.2
Sep-22	50.0	49.3	48.8	52.9	45.0	54.1	48.8	48.5	50.0	48.0	52.2	51.9	51.1	48.8	49.3	48.0	54.3
Oct-22	49.2	47.8	48.6	51.7	46.5	53.2	46.4	49.7	48.8	47.7	53.2	54.0	43.7	49.1	48.4	49.3	55.1
Nov-22	48.1	46.2	48.5	49.3	46.1	50.8	49.5	51.2	48.8	45.6	50.3	51.6	48.3	48.1	46.7	48.7	56.4
Dec-22	48.1	44.7	49.8	49.5	49.2	52.7	49.9	51.6	49.9	51.1	51.0	45.9	47.3	48.0	49.6	58.5	



SOURCE: S&P GLOBAL, BNP PARIBAS



ECONOMIC SCENARIO

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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 of the Chinese economy since its Q2 2022 contraction has been sluggish and unbalanced. Industrial production has been the main growth driver, but it is expected to lose steam in the short term, largely due to the weakening in external demand and slower export growth. Meanwhile, activity driven by the domestic market and the services sector still struggle to strengthen. The authorities are enhancing fiscal and monetary easing measures. However, the drags on domestic demand remain powerful: the correction in the property sector continues, and the deterioration in the labour market, the still tight Covid policy in spite of small adjustments, and weak household confidence weigh on private consumption. Consumer price inflation is very moderate.

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 (6.2% y/y in October) towards a new peak above 7% 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 & INFLATION

%	GDP Growth				Inflation			
	2021	2022 e	2023 e	2024 e	2021	2022 e	2023 e	2024 e
United-States	5,7	1,9	-0,1	-0,2	4,7	8,1	4,4	2,4
Japan	1,7	1,5	0,9	0,3	-0,2	2,4	2,1	1,3
United-Kingdom	7,4	4,4	-0,9	0,8	2,6	9,1	6,9	2,1
Euro Area	5,3	3,2	-0,5	1,3	2,6	8,4	5,6	2,3
Germany	2,6	1,8	-1,0	1,1	3,2	8,8	5,7	2,0
France	6,8	2,5	0,0	1,0	2,1	6,0	6,4	2,7
Italy	6,6	3,8	-0,4	1,1	1,9	8,7	7,2	2,0
Spain	5,1	4,6	0,0	1,3	3,0	8,3	2,3	1,5
China	8,1	3,2	4,5	4,8	0,9	2,1	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, %		Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q4 2024
End of period						
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
UK	BONO 10y	4.05	3.90	3.75	3.55	2.90
	Base rate	4.25	4.25	4.25	4.25	3.50
Japan	Gilts 10y	4.00	3.75	3.60	3.35	3.15
	Bol 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		Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q4 2024
End of period						
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		Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q4 2024
End of period						
Brent	USD/bbl	95	93	95	92	95

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



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CALENDAR

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LATEST INDICATORS

The week was dominated by the release of the PMI data, which are presented in the Pulse PMI in this Ecoweek. In terms of other data releases, the larger than expected decline of headline inflation in the euro area has grabbed the headlines. Core inflation on the other hand increased from 5.0 to 5.2% against a consensus expectation of 5.1%. Retail sales growth in November was stronger than anticipated. The economic confidence index of the European Commission improved further in December, thereby beating expectations of a smaller increase. The improvement of services' sentiment was particularly strong. In Japan, consumer confidence improved. In the US, the ISM manufacturing index declined slightly, in line with expectations but the services ISM showed a big, unexpected drop. Initial unemployment claims dropped, against expectations. The labour market report showed a slower pace of job creation but the number was better than expected and remains strong. The unemployment rate recorded an unexpected decline despite an increase in the labour force participation rate. The monthly growth of average hourly earnings slowed down more than expected.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
01/02/2023	China	Caixin China PMI Mfg	Dec	49.1	49.0	49.4
01/02/2023	France	S&P Global France Manufacturing PMI	Dec	48.9	49.2	48.9
01/02/2023	Germany	S&P Global/BME Germany Manufacturing PMI	Dec	47.4	47.1	47.4
01/02/2023	Eurozone	S&P Global Eurozone Manufacturing PMI	Dec	47.8	47.8	47.8
01/03/2023	United Kingdom	S&P Global/CIPS UK Manufacturing PMI	Dec	44.7	45.3	44.7
01/03/2023	United States	S&P Global US Manufacturing PMI	Dec	46.2	46.2	46.2
01/04/2023	Japan	Jibun Bank Japan PMI Mfg	Dec	--	48.9	48.8
01/04/2023	China	Caixin China PMI Services	Dec	46.8	48.0	46.7
01/04/2023	France	Consumer Confidence	Dec	84.0	82.0	83.0
01/04/2023	France	S&P Global France Services PMI	Dec	48.1	49.5	48.1
01/04/2023	Germany	S&P Global Germany Services PMI	Dec	49.0	49.2	49.0
01/04/2023	Eurozone	S&P Global Eurozone Services PMI	Dec	49.1	49.8	49.1
01/04/2023	United States	ISM Manufacturing	Dec	48.5	48.4	49.0
01/04/2023	United States	JOLTS Job Openings	Nov	10050k	10458k	10512k
01/04/2023	United States	FOMC Meeting Minutes	Dec	--	--	--
01/05/2023	Japan	Consumer Confidence Index	Dec	28.3	30.3	28.6
01/05/2023	Germany	S&P Global Germany Construction PMI	Dec	--	41.7	41.5
01/05/2023	United Kingdom	S&P Global/CIPS UK Services PMI	Dec	50.0	49.9	50.0
01/05/2023	Eurozone	PPI MoM	Nov	-0.8%	-0.9%	-3.0%
01/05/2023	United States	Initial Jobless Claims	Dec	225k	204k	223k
01/05/2023	United States	S&P Global US Services PMI	Dec	44.4	44.7	44.4



DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
01/06/2023	Japan	Jibun Bank Japan PMI Services	Dec	--	51.1	51.7
01/06/2023	France	Consumer Spending MoM	Nov	1.1%	0.5%	-2.7%
01/06/2023	United Kingdom	S&P Global/CIPS UK Construction PMI	Dec	--	48.8	50.4
01/06/2023	Eurozone	Consumer Confidence	Dec	-22.2	-22.2	-22.2
01/06/2023	Eurozone	CPI MoM	Dec	-0.1%	-0.3%	-0.1%
01/06/2023	Eurozone	CPI Estimate YoY	Dec	9.5%	9.2%	10.1%
01/06/2023	Eurozone	CPI Core YoY	Dec	5.1%	5.2%	5.0%
01/06/2023	Eurozone	Retail Sales MoM	Nov	0.6%	0.8%	-1.5%
01/06/2023	Eurozone	Economic Confidence	Dec	94.7	95.8	94.0
01/06/2023	Eurozone	Industrial Confidence	Dec	-1.3	-1.5	-1.9
01/06/2023	Eurozone	Services Confidence	Dec	3.3	6.3	3.1
01/06/2023	United States	Change in Nonfarm Payrolls	Dec	203k	223k	256k
01/06/2023	United States	Unemployment Rate	Dec	3.7%	3.5%	3.6%
01/06/2023	United States	Average Hourly Earnings MoM	Dec	0.4%	0.3%	0.4%
01/06/2023	United States	Labor Force Participation Rate	Dec	62.2%	62.3%	62.1%
01/06/2023	United States	ISM Services Index	Dec	55.0	49.6	56.5

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

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COMING INDICATORS

A rather light week in terms of data with as highlight the inflation numbers in the US. China will publish producer and consumer price data as well as data on international trade. In the euro area the unemployment rate will be released and the ECB will publish its economic bulletin. The Eco Watchers' survey will be published in Japan and in the US University of Michigan sentiment.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	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%	2.5%
01/10/2023	United States	NFIB Small Business Optimism	Dec	91.5	91.9
01/12/2023	China	PPI YoY	Dec	-0.1%	-1.3%
01/12/2023	China	CPI YoY	Dec	1.8%	1.6%
01/12/2023	Japan	Eco Watchers Survey Current SA	Dec	47.8	48.1
01/12/2023	Japan	Eco Watchers Survey Outlook SA	Dec	45.1	45.1
01/12/2023	Eurozone	ECB Publishes Economic Bulletin			
01/12/2023	United States	CPI MoM	Dec	0.0%	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	--	204k
01/13/2023	United Kingdom	Monthly GDP (MoM)	Nov	-0.3%	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	60.5	59.7
01/13/2023	United States	U. of Mich. Current Conditions	Jan	--	59.4
01/13/2023	United States	U. of Mich. Expectations	Jan	--	59.9
01/13/2023	United States	U. of Mich. 1 Yr Inflation	Jan	--	4.4%
01/13/2023	United States	U. of Mich. 5-10 Yr Inflation	Jan	--	2.9%
01/13/2023	China	Exports YoY	Dec	-12.0%	-8.7%
01/13/2023	China	Imports YoY	Dec	-9.9%	-10.6%
01/06/2023	Eurozone	Industrial Confidence	Dec	-2.0	-2.0

SOURCE: BLOOMBERG


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FURTHER READING

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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
The sobering record of real gdp forecasts during recessions	EcoWeek	28 November 2022
Can Germany escape the recession?	EcoTVWeek	25 November 2022
US: The end of wage bargaining power?	Chart of the Week	23 November 2022
Eurozone: the surprising resilience of the labour market, will it last?	EcoWeek	21 November 2022



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