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BNP PARIBAS

The bank
for a changing
world

CENTRAL BANKS AND CLIMATE CHANGE

Central banks have become increasingly aware of the impact of climate change on price and financial stability. Moreover, by accepting collateral or via asset purchases, central banks are taking explicitly climate risks on their balance sheets. At the European Central Bank, climate change has become integral part of the monetary strategy review launched in 2020. A major question is whether climate objectives should be pursued in the conduct of monetary policy. The fear is that it could be seen as “mission creep”. At a minimum, one would expect the ECB to ask for more disclosure concerning climate-related factors for assets held on its balance sheet. But the question to what extent market neutrality should be abandoned in favour of greener objectives is still open. The outcome of the review should be announced in September 2021.

Climate change has been at the top of the agenda since the groundbreaking speech by the Governor of the Bank of England, Mark Carney, before Lloyds of London in 2015.¹ The Governor singled out three channels through which climate change could affect the stability of the financial sector.

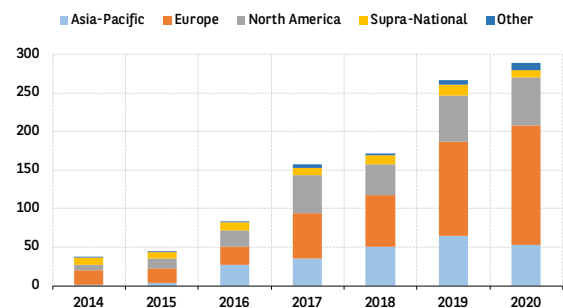
First, physical risk: climate and weather related events can impact insurance liabilities and financial assets through damages to properties and disruptions of trade. Second, liability risk: victims of climate change-related events could seek compensation from those they consider to be responsible, such as investors. Finally, transition risk: the changes in policy and technology could result in asset losses. Extreme examples are stranded assets such as oil reserves that cannot be exploited or nuclear power stations that have to be dismantled because of changes in energy policy. Several of these factors could weigh on the effectiveness of monetary policy. Other developments could have an impact on price stability²: increased short-term volatility in output and inflation through extreme weather events; a durable divergence, due to transition policies and innovation, between headline and core measures of inflation influencing inflation expectations of households and businesses; the equilibrium interest rate could decline on the back of lower productivity; finally, assessing the appropriate stance of monetary policy could also become more difficult due to volatility and accelerated structural change.

The Bank of England has continued to play a leading role in the area of climate change. Together with the Banque de France and De Nederlandsche Bank, it took the initiative of setting up the Network for Greening the Financial System. The purpose of the group is to define and promote best practices for green finance. The network has now 87 members, among which all the central banks of the Eurosystem. Recently, the US Federal Reserve became a full member.

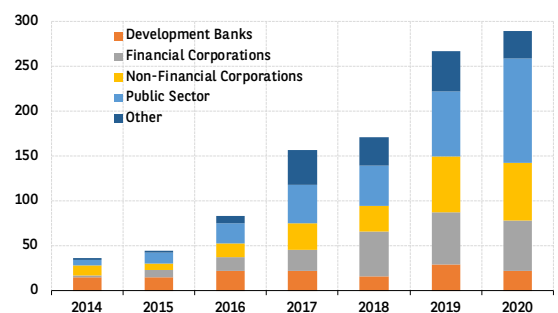
Climate change is also very high on the agenda of the ECB. At her confirmation hearings before the European Parliament in September 2019, Christine Lagarde declared that “any institution has to actually have climate change risk and protection of the environment at the core of

their understanding of their mission”. One year later, this message was made more concrete when Ms Lagarde announced a review of the monetary strategy, which will also include the implications of climate change for price stability. In the framework of this review, the European central bankers are regularly meeting to discuss climate change. The ECB considers that, based on the EU Treaty, focusing on climate change is an obligation³. Its primary objective is to maintain price stability

GREEN BONDS ISSUANCE BY REGION (USD BN)



GREEN BONDS BY ISSUER TYPE (USD BN)



SOURCE: CLIMATE BOND INITIATIVE, BNP PARIBAS

1. Mark Carney, “Breaking the Tragedy of the Horizon – climate change and financial stability”, Speech at Lloyds of London on 29 September 2015.

2. Climate change and central banking, Keynote speech by Christine Lagarde, President of the ECB, at the ILF conference on Green Banking and Green Central Banking, Frankfurt am Main, 25 January 2021.

3. See: “Greening monetary policy”, Blog post by Frank Elderson, Member of the Executive



There is a certain analogy with economic policy to promote structural change: it should increase the effectiveness of monetary policy. It is not different with respect to climate change where an appropriate and ambitious policy should have a similar effect.



but without prejudice to this objective *“it shall support the general economic policies in the Community with a view to contributing to the achievement of the objectives of the Community as laid down in Article 2.”* This article explicitly mentions *“sustainable and non-inflationary growth respecting the environment”*.⁴

As a first concrete step to take climate change into account, the Bank of England, as supervisor of the UK banking sector, will roll out a climate stress test this year. In 2022, the ECB will follow for the banks in the eurozone. Preliminary tests with a 30-year horizon show *“that in the absence of a transition, physical risks in Europe are concentrated unevenly across countries and sectors of the economy.”*⁵ This clearly would complicate the task of running a monetary policy suitable for the euro area as a whole.

Climate change is not only an issue because of its potential impact on financial and prices stability. By accepting collateral or via asset purchases, the central bank is taking implicitly climate risks on its balance sheet. Bundesbank President Jens Weidmann argues that the ECB should practice what it preaches, and make transparent the climate risk in its portfolio.⁶ This implies that the bank should only buy bonds or accept them as collateral for monetary purposes if their issuers meet climate-related reporting requirements. This should have an enormous impact on the disclosure of the carbon contents of financial assets.

The Governor of the Banque de France, François Villeroy de Galhau wants to go further by proposing to decarbonize the corporate assets held on the ECB balance sheet.⁷ This brings us to a fundamental question of whether balance sheet risk considerations should determine the standards that are applied or whether -as the third reason why climate change is an issue for a central bank- climate objectives should be pursued in the conduct of its monetary policy. This is a complex matter. There seems to be limited enthusiasm among European central bankers to take climate considerations into account as part of the assets purchase programme, fearing that it might interfere with their mandate.⁸ The ECB's primary objective is to achieve price stability. Proponents of a more active role for the ECB argue that it is part of the bank's secondary objective, which is to support the general economic policies of the EU, including promoting environmental sustainability. Such an interpretation could be seen as mission creep, raising questions like how far the ECB should go in pursuing this objective as well as concerns about pressure -from politics or society at large- further down the road to add even more goals. Perhaps, the practical relevance of the debate on monetary policy and climate change is overestimated. Imagine there were strict 'green' criteria for the asset purchase programme, how much of a difference would this make compared to bonds which would not be eligible? Research shows a differential impact of about 15 basis points between bonds that were eligible for the ECB Corporate Sector Purchasing Program versus the

non-eligible ones. *“Fifteen basis points is not an altogether negligible reduction, but needs to be seen in the context of a 500 basis point fall in yields since 2008.”*⁹ To put it differently, the overall market impact is by far more important than the influence on relative prices.

The asset purchase programme is a temporary instrument in the ECB toolkit to reach its inflation objective so eventually, its influence on the pricing of bonds and financial markets more generally will wane, or even go into reverse, when the central bank stops its net asset purchases and, in a second stage, starts shrinking its balance sheet by no longer fully reinvesting the holdings that mature. At the same time, the need to promote the energy transition does not disappear. So other policy levers, which are not in the remit of the central bank, will need to be used.

It is not the ECB's role to take the lead in this area by stimulating green investment and discourage investing in carbon-intensive activities. Government and elected parliaments that have democratic legitimacy are better placed to take decisions in this area.

The new monetary strategy will be announced in September. Environmental campaigners are hoping that the ECB will start greening its assets, but there is room for disappointment given the complexities involved. At a minimum, one would expect the ECB to ask for more disclosure concerning climate-related factors. This could already be an important step forward in improving reporting in this area and lead to more transparency. In that respect, it could make an important contribution in achieving the objectives of the Paris treaty.

Another change could relate to the neutrality principle. This states that asset purchases by central bank should be in line with the issuance volume, so as to avoid favouring bonds with certain characteristics over others. *“However, this interpretation of the principle of market neutrality is increasingly challenged on the ground that it may reinforce market failures that decelerate society's transition to a carbon-neutral economy and may therefore impede, rather than favour, an efficient allocation of resources.”*¹⁰

*“The concept of neutrality need not be one of aligning the bought portfolio with market shares. Given the secondary mandate to support other aspects of public policy, a clear societal preference for an alternative formula should be accommodated by the central bank, provided it is not so restrictive as to hamper the success of the primary policy goal. The practical problem for most central banks is to identify such a formula.”*¹¹ The EU Treaty and the 'ECB listens' initiative could help the ECB is defining its policy.

There is a certain analogy with economic policy to promote structural change: it should increase the effectiveness of monetary policy, which is why Mario Draghi used to conclude his press conferences by insisting on the necessity of making progress in this area. It is not different with respect to climate change where an appropriate and ambitious policy should have a similar effect.

William De Vijlder and Raymond Van der Putten

Board of the ECB, 13 February 2021

4. Source: Treaty on European Union, Official Journal of the European Communities, 92/C 191/01

5. Climate change and central banking, Keynote speech by Christine Lagarde, President of the ECB, at the ILF conference on Green Banking and Green Central Banking, Frankfurt am Main, 25 January 2021.

6. Jens Weidmann, “Combatting climate change – What central banks can and cannot do”, Speech at the European Banking Congress on 20 November 2020.

7. François Villeroy de Galhau, “The role of central banks in the greening of the economy”, Speech at the 5th edition of the rencontres on “Climate Change and Sustainable Finance” on 11 February 2021.

8. Martin Arnold, “ECB set to disappoint campaigners on climate change”, Financial Times, 21 February 2021.

9. Patrick Honohan, “Should Monetary Policy Take Inequality and Climate Change into Account?”, Council on Economic Policies, discussion note 2020/3. October 2019, Peterson Institute for International Economics working paper 19-18

10. From green neglect to green dominance? Intervention by Isabel Schnabel, Member of the Executive Board of the ECB, at the “Greening Monetary Policy – Central Banking and Climate Change” online seminar, organised as part of the “Cleveland Fed Conversations on Central Banking”, 3 March 2021

11. Patrick Honohan, *op. cit.*



MARKETS OVERVIEW

OVERVIEW

Week 2-4 21 to 9-4-21

➔ CAC 40	6 103	▶ 6 169	+1.1 %
➔ S&P 500	4 020	▶ 4 129	+2.7 %
➔ Volatility (VIX)	17.3	▶ 16.7	-0.6 pb
➔ Euribor 3M (%)	-0.54	▶ -0.54	-0.6 bp
➔ Libor \$ 3M (%)	0.20	▶ 0.19	-1.2 bp
➔ OAT 10y (%)	-0.16	▶ -0.11	+5.2 bp
➔ Bund 10y (%)	-0.37	▶ -0.34	+2.8 bp
➔ US Tr. 10y (%)	1.68	▶ 1.67	-1.3 bp
➔ Euro vs dollar	1.18	▶ 1.19	+1.1 %
➔ Gold (ounce, \$)	1 730	▶ 1 743	+0.8 %
➔ Oil (Brent, \$)	65.0	▶ 63.3	-2.5 %

MONEY & BOND MARKETS

Interest Rates	highest 21	lowest 21	Yield (%)	highest 21	lowest 21	
€ ECB	0.00 at 01/01	0.00 at 01/01	€ AVG 5-7y	-0.26	-0.22 at 26/02	-0.46 at 04/01
Eonia	-0.49 at 26/01	-0.50 at 01/01	Bund 2y	-0.69	-0.65 at 25/02	-0.75 at 01/01
Euribor 3M	-0.54 at 26/02	-0.56 at 06/01	Bund 10y	-0.34	-0.26 at 25/02	-0.60 at 04/01
Euribor 12M	-0.50 at 01/03	-0.52 at 02/02	OAT 10y	-0.11	-0.03 at 25/02	-0.41 at 04/01
\$ FED	0.25 at 01/01	0.25 at 01/01	Corp. BBB	0.65	0.72 at 18/03	0.50 at 08/01
Libor 3M	0.19 at 13/01	0.18 at 19/02	\$ Treas. 2y	0.16	0.17 at 05/04	0.11 at 05/02
Libor 12M	0.29 at 01/01	0.28 at 18/03	Treas. 10y	1.67	1.75 at 31/03	0.91 at 01/01
£ BoE	0.10 at 01/01	0.10 at 01/01	High Yield	4.68	4.87 at 09/03	4.60 at 19/02
Libor 3M	0.09 at 24/03	0.03 at 01/01	E gilt. 2y	0.05	0.13 at 26/02	-0.08 at 04/01
Libor 12M	0.16 at 30/03	0.07 at 11/01	E gilt. 10y	0.81	0.91 at 18/03	0.21 at 04/01

At 9-4-21

EXCHANGE RATES

1€ =	highest 21	lowest 21	2021	
USD	1.19	1.23 at 06/01	1.17 at 30/03	-2.8%
GBP	0.87	0.91 at 06/01	0.85 at 05/04	-3.3%
CHF	1.10	1.11 at 04/03	1.08 at 18/01	+1.7%
JPY	130.30	130.46 at 07/04	125.22 at 18/01	+3.1%
AUD	1.56	1.60 at 04/01	1.53 at 18/03	-1.7%
CNY	7.80	8.00 at 01/01	7.69 at 25/03	-2.5%
BRL	6.71	6.95 at 03/03	6.33 at 18/01	+5.6%
RUB	92.00	92.20 at 28/01	86.53 at 16/03	+1.7%
INR	88.87	89.88 at 07/01	85.30 at 27/03	-0.6%

At 9-4-21

COMMODITIES

Spot price, \$	highest 21	lowest 21	2021	2021(€)	
Oil, Brent	63.3	69.7 at 11/03	51.2 at 04/01	+22.1%	+25.6%
Gold (ounce)	1 743	1 947 at 05/01	1 682 at 08/03	-8.2%	-5.5%
Metals, LME	3 883	4 027 at 25/02	3 415 at 01/01	+13.7%	+17.0%
Copper (ton)	8 935	9 456 at 25/02	7 749 at 01/01	+15.3%	+18.7%
wheat (ton)	245	2.6 at 15/01	231 at 30/03	-1.0%	+1.8%
Corn (ton)	209	2.3 at 08/04	188 at 04/01	+1.1%	+13.9%

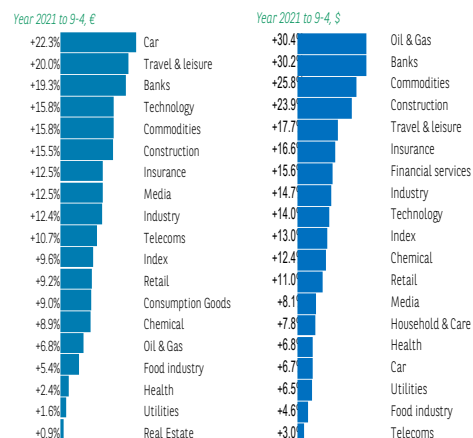
At 9-4-21

EQUITY INDICES

Index	highest 21	lowest 21	2021	
World				
MSCI World	2 910	2 910 at 09/04	2 662 at 29/01	+8.2%
North America				
S&P500	4 129	4 129 at 09/04	3 701 at 04/01	+9.9%
Europe				
EuroStoxx50	3 979	3 979 at 09/04	3 481 at 29/01	+12.0%
CAC 40	6 169	6 169 at 09/04	5 399 at 29/01	+1.1%
DAX 30	15 234	15 234 at 09/04	13 433 at 29/01	+11.0%
IBEX 35	8 566	8 658 at 16/03	7 758 at 29/01	+0.6%
FTSE100	6 916	6 942 at 08/04	6 407 at 29/01	+0.7%
Asia				
MSCI, loc.	1 128	1 137 at 18/03	1 044 at 06/01	+0.8%
Nikkei	29 768	30 468 at 16/02	27 056 at 06/01	+8.5%
Emerging				
MSCI Emerging (\$)	1 330	1 445 at 17/02	1 288 at 25/03	+0.3%
China	108	130 at 17/02	106 at 25/03	+0.2%
India	707	736 at 03/03	659 at 29/01	+7.2%
Brazil	1 682	1 941 at 14/01	1 561 at 09/03	-2.6%
Russia	670	740 at 16/03	647 at 01/02	+4.3%

At 9-4-21

PERFORMANCE BY SECTOR (Eurostoxx50 & S&P500)

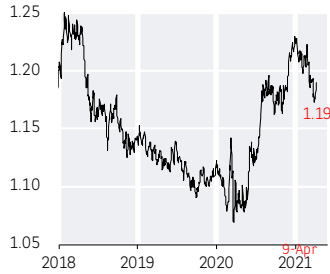


SOURCE: THOMSON REUTERS,



MARKETS OVERVIEW

EURO-DOLLAR



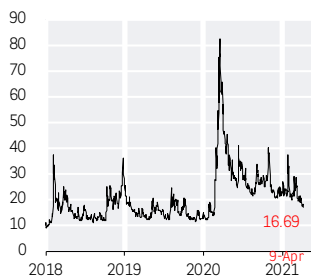
EUROSTOXX50



S&P500



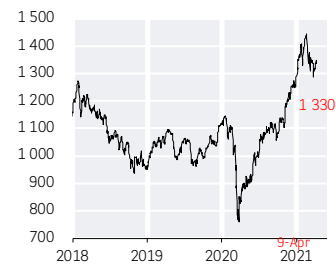
VOLATILITY (VIX, S&P500)



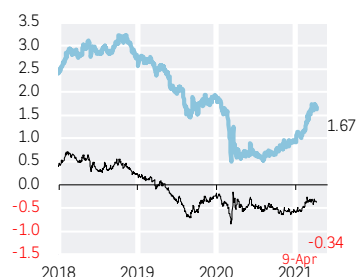
MSCI WORLD (USD)



MSCI EMERGING (USD)

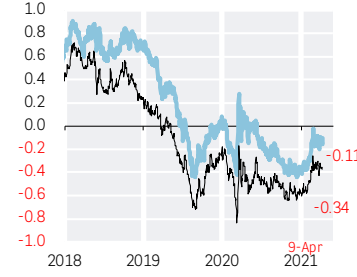


10Y BOND YIELD, TREASURIES VS BUND



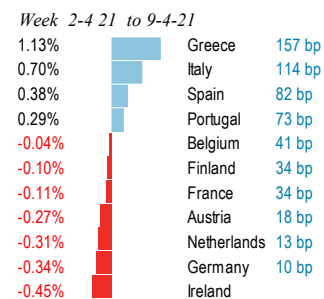
-Bunds -US Treasuries

10Y BOND YIELD

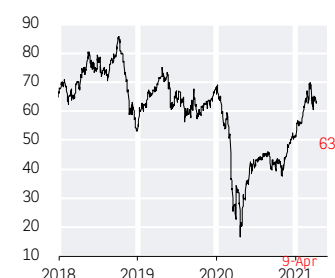


-Bunds -OAT

10Y BOND YIELD & SPREADS



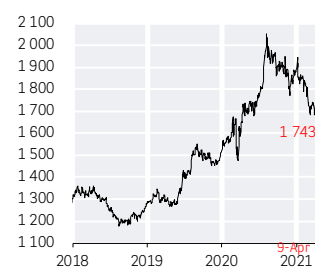
OIL (BRENT, USD)



METALS (LMEX, USD)



GOLD (OUNCE, USD)



SOURCE: THOMSON REUTERS,



PMI: EARLY SIGNS OF IMPROVEMENT IN THE SERVICES SECTOR

In the manufacturing sector, with a few rare exceptions like Mexico, Egypt and Lebanon, virtually all the countries in our sample reported PMI above the 50 threshold in March 2021. Global manufacturing PMI rose to the highest level in the period under review. The same can be said for the Eurozone, where the index rebounded strongly again in March. Denmark and Germany both reported very strong increases. French PMI continues to improve, though it is still lower than the Eurozone average, and the improvement in Italy was confirmed. Greek PMI rose above the 50 threshold after declining in February. In March, PMI continued to rise in the Asia Pacific countries, with Australia, Japan and Singapore reaching the highest levels in the period under review. In China, PMI declined in March for the fourth consecutive month and is holding just above the 50 threshold. After levelling off in February, India's PMI declined in March but is still at a comfortable level.

The services PMI tended to increase in March compared to the previous month. It rose strongly in China and more timidly in the United States. In the Eurozone, PMI is improving but remains below the 50 threshold. The German index picked up strongly, rising above 50 for the first time since September 2020. After declining in February, the French index began rising again, while the Italian index stagnated. The UK reported a strong increase in PMI, bolstered by the rapid pace of vaccinations. Russia experienced a clear improvement while the Brazilian index deteriorated. In India, the services PMI dipped slightly but remains at a relatively high level.

The composite PMI index stagnated in the United States but picked up strongly in the Eurozone, where it is now holding comfortably above the 50 threshold. This positive performance can be seen in all of the member states in our sample. Germany performed especially well. For the first time since summer 2020, composite PMI reached 50 in France and Spain. In Italy, the index continues to improve. Japan is verging on the 50 threshold, unlike Brazil where the index plummeted again. After declining for three consecutive months, composite PMI rose in China. It declined slightly in India but is holding at a high level.

The employment component of the manufacturing PMI improved again at the global level. The index decreased in the United States, but stepped up again in the Eurozone in March. The rally could be seen in all the member states in our sample without exception. These strong performances are a good sign for the labour market in the months ahead. In China and Indonesia, the employment component picked up slightly but is still below 50. Already rising in February, the new export orders component of the PMI increased even more strongly in March, to the highest level reported in the period under review. Although it stagnated in the United States, the component rose strongly in the Eurozone. This very positive assessment of export orders was buoyed by strong figures for Germany, and to a lesser extent for Spain and France. Greece was the only country that has still not yet crossed the 50 threshold. In China, the component rose strongly.

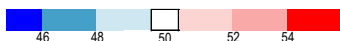
Louis Boisset

MANUFACTURING PMI

	WD	Developed Markets															Emerging countries																		
		NA		Europe													Asia-Oceania		LATAM		Eurasia			Middle East & Africa			Asia								
		USA	EURO ZONE	AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM	
May-20	42.4	40.6	39.8	39.4	40.4	54.3	40.6	36.6	41.1	39.2	45.4	40.5	38.3	42.5	40.7	41.6	40.7	38.4	46.8	38.3	38.3	39.6	40.6	36.2	40.9	40.7	37.2	48.1	43.7	46.7	50.7	43.9	30.8	28.6	42.7
Jun-20	48.0	47.8	49.8	47.4	46.5	52.1	52.3	45.2	49.4	51.0	47.5	45.2	49.0	41.4	50.1	51.5	56.6	40.1	48.0	51.6	38.6	44.9	47.2	49.4	53.9	44.6	43.2	47.7	53.3	50.4	51.2	49.6	47.2	39.1	51.1
Jul-20	50.6	52.9	50.9	51.8	52.8	56.3	52.4	51.0	48.6	57.3	51.9	47.9	53.5	49.6	53.3	53.5	59.2	45.2	50.2	58.2	40.4	47.0	52.8	48.4	56.9	49.6	44.9	50.0	49.4	50.8	52.8	44.5	46.0	46.9	47.6
Aug-20	51.8	55.1	53.1	51.7	51.0	51.4	49.8	52.2	49.4	52.3	53.1	52.3	49.9	51.0	55.2	49.3	50.9	47.2	50.1	64.7	41.3	49.1	50.6	51.1	54.8	49.4	40.1	48.8	55.8	49.4	53.1	44.0	52.0	50.8	45.7
Sep-20	52.4	56.0	53.2	53.7	51.7	53.6	51.2	56.4	50.0	50.0	53.2	52.5	50.8	52.8	54.1	46.7	53.6	47.7	50.3	64.9	42.1	50.7	50.8	48.9	52.8	50.4	42.1	50.7	58.5	51.0	53.0	47.7	56.8	47.2	52.2
Oct-20	53.1	55.5	53.4	54.8	54.0	61.7	51.3	58.2	48.7	50.3	53.8	50.4	52.5	52.9	53.7	56.3	52.2	48.7	50.5	66.7	43.6	51.9	50.8	46.9	53.9	51.4	43.3	51.0	60.9	49.5	53.6	49.8	58.9	47.8	51.8
Nov-20	53.8	55.8	56.7	53.8	51.7	46.8	49.6	57.3	42.3	52.2	51.5	54.4	49.8	54.5	55.6	52.1	54.9	49.0	50.4	64.0	43.7	53.9	50.8	46.3	51.4	50.9	42.4	54.7	52.6	49.5	54.9	50.1	56.3	50.6	49.9
Dec-20	53.8	57.9	57.1	55.2	53.5	42.2	51.1	58.3	46.9	57.2	52.8	58.2	51.0	57.3	57.5		48.3	50.0	50.5	61.5	42.4	57.0	51.7	49.7	50.8	48.2	43.2	57.0	50.3	51.2	53.0	43.5	56.4	51.3	51.7
Jan-21	53.6	54.4	59.2	54.8	54.2	43.6	51.6	57.1	50.0	51.8	65.1	58.8	49.3	59.4	54.1	55.3	58.0	49.8	50.7	56.5	43.0	57.0	51.9	50.9	54.4	48.7	41.0	57.1	50.9	51.2	51.5	47.8	57.7	52.2	51.3
Feb-21	53.9	54.8	58.6	57.9	58.3	40.1	56.1	60.7	49.4	52.0	56.9	59.6	52.9	61.3	55.1	58.8	53.4	51.4	50.5	58.4	44.2	56.5	53.4	51.5	51.7	49.3	42.2	53.9	53.0	50.6	50.9	50.2	57.5	50.9	51.6
Mar-21	55.8	58.5	59.1	62.5	63.4	65.4	59.3	66.6	51.8	57.1	59.8	64.7	56.9	66.3	58.9	59.9		52.7	50.8	52.8	45.6	58.0	54.3	51.1	52.6	48.0	46.4	53.3	57.4	52.6	50.6		55.4	53.2	53.6

SERVICES PMI

	World	USA	EURO ZONE	FRANCE	GERMANY	IRELAND	ITALY	SPAIN	UK	AUSTRALIA	JAPAN	BRAZIL	RUSSIA	LEBANON	CHINA	HONG KONG	INDIA
May-20	35.2	37.5	30.5	31.1	32.6	23.4	28.9	27.9	29.0	31.7	26.5	27.6	35.9	37.2	55.0	43.9	12.6
Jun-20	48.1	47.9	48.3	50.7	47.3	39.7	46.4	50.2	47.1	31.5	45.0	35.9	47.8	43.2	58.4	49.6	33.7
Jul-20	50.7	50.0	54.7	57.3	55.6	51.9	51.6	51.9	56.5	44.0	45.4	42.5	58.5	44.9	54.1	44.5	34.2
Aug-20	52.0	55.0	50.5	51.5	52.5	52.4	47.1	47.7	58.8	42.5	45.0	49.5	58.2	40.1	54.0	44.0	41.8
Sep-20	52.0	54.6	48.0	47.5	50.6	45.8	48.8	42.4	56.1	36.2	46.9	50.4	53.7	42.1	54.8	47.7	49.8
Oct-20	52.9	56.9	46.9	46.5	49.5	48.3	46.7	41.4	51.4	51.4	47.7	52.3	46.9	43.3	56.8	49.8	54.1
Nov-20	52.2	58.4	41.7	38.8	46.0	45.4	39.4	39.5	47.6	52.9	47.8	50.9	48.2	42.4	57.8	50.1	53.7
Dec-20	51.8	54.8	46.4	49.1	47.0	50.1	39.7	48.0	49.4		47.7	51.1	48.0	43.2	56.3	43.5	52.3
Jan-21	51.6	58.3	45.4	47.3	46.7	36.2	44.7	41.7	39.5	54.3	46.1	47.0	52.7	41.0	52.0	47.8	52.8
Feb-21	52.8	59.8	45.7	45.6	45.7	41.2	48.8	43.1	49.5	55.8	46.3	47.1	52.2	42.2	51.5	50.2	55.3
Mar-21	60.4	49.6	48.2	51.5	54.6	48.6	48.1	56.3		48.3	44.1	55.8	46.4	54.3			54.6



SOURCE: MARKIT, BNP PARIBAS



COMPOSITE PMI*

	WD	NA		Europe										Asia-Oceania				LATAM	Eurasia			Middle East & Africa			Asia												
		CANADA	USA	EURO ZONE			AUSTRIA	DENMARK	FRANCE	GERMANY	GREECE	IRELAND	ITALY	NETHERLANDS	SPAIN	SWITZERLAND	UK	AUSTRALIA	NEW ZEALAND	JAPAN	SINGAPORE	BRAZIL	MEXICO	CZECH REPUBLIC	POLAND	RUSSIA	TURKEY	EGYPT	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM
May-20	36.3	37.0	31.9						32.1	32.3		25.7	33.9		29.2						27.8		28.1										54.5			14.8	
Jun-20	47.9	47.9	48.5						51.7	47.0		44.3	47.6		49.7						40.8		40.5										55.7			37.8	
Jul-20	51.1	50.3	54.9						57.3	55.3		55.9	52.5		52.8						44.9		47.3										54.5			37.2	
Aug-20	52.5	54.6	51.9						51.6	54.4		54.0	49.5		48.4						45.2		53.9										55.1			46.0	
Sep-20	52.5	54.3	50.4						48.5	54.7		46.9	50.4		44.3						46.6		53.6										54.5			54.6	
Oct-20	53.4	56.3	50.0						47.5	55.0		49.0	49.2		44.1						48.0		55.9										56.7			58.0	
Nov-20	53.1	58.6	45.3						40.6	51.7		47.7	42.7		41.7						48.1		53.8									57.5			56.3		
Dec-20	52.7	55.3	49.1						49.5	52.0		53.4	43.0		48.7						48.5		53.5									55.8			54.9		
Jan-21	52.3	58.7	47.8						47.7	50.8		40.3	47.2		43.2						47.1		48.9									52.2			55.8		
Feb-21	53.2	59.5	48.8						47.0	51.1		42.7	51.4		45.1						48.2		49.6									51.7			57.3		
Mar-21	59.7	59.7	53.2						50.0	57.3		54.5	51.9		50.1						49.9		45.1									53.1			56.0		

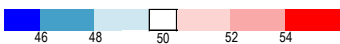
*manufacturing & services

MANUFACTURING PMI – EMPLOYMENT

	WD	NA		Developed Markets										Emerging countries																				
		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
May-20	43.1	32.7	38.0	37.6	41.0	34.8	35.7	36.5	38.4	40.1	40.6	40.7	35.2	42.6	31.4	41.6	39.5	49.5	39.1	35.7	37.7	43.6	34.6	47.3	45.5	48.7	26.9	48.7	49.2	42.7	31.5	44.2		
Jun-20	46.0	44.8	47.9	41.3	44.1	44.7	44.6	38.8	47.9	46.1	40.3	41.2	44.6	39.4	41.4	45.9	48.3	47.7	43.7	36.8	41.1	46.5	46.9	52.8	44.6	47.0	33.2	46.4	48.6	44.3	39.1	47.8		
Jul-20	47.3	50.9	49.6	42.9	48.5	48.5	48.8	37.2	48.4	50.8	45.0	42.9	47.4	46.1	43.9	48.2	47.3	47.8	52.3	38.7	42.7	47.8	44.7	54.8	46.1	47.8	33.7	47.5	49.5	44.3	43.5	45.4		
Aug-20	48.6	53.9	52.7	44.2	44.7	48.4	44.7	40.2	50.5	47.5	49.4	48.3	46.7	45.7	43.8	47.8	49.3	48.4	56.4	41.5	45.1	49.6	48.6	54.3	45.9	48.2	38.6	41.5	49.8	45.5	46.9	43.7		
Sep-20	49.5	54.3	52.5	47.1	49.1	44.8	46.5	44.2	50.9	49.1	51.9	47.7	50.1	47.1	46.5	51.8	51.6	49.8	56.5	44.6	48.1	51.1	45.6	55.2	48.3	49.0	44.8	47.7	50.1	45.4	46.1	48.5		
Oct-20	49.5	51.2	51.9	47.2	46.7	53.7	47.9	44.4	49.8	50.8	50.5	48.0	50.4	45.0	45.4	48.7	52.3	48.9	58.2	45.6	50.3	52.3	47.4	55.5	47.8	48.8	49.1	47.6	50.2	47.3	45.6	50.5		
Nov-20	50.2	52.5	51.7	48.7	47.4	46.2	48.7	47.2	45.0	51.2	51.5	51.7	48.3	47.9	47.2	53.1	51.3	49.1	56.8	46.3	50.7	52.8	45.4	54.4	48.5	50.1	47.2	48.8	51.3	47.4	47.0	48.4		
Dec-20	50.1	55.8	52.2	49.2	49.4	46.7	50.4	46.5	47.8	53.0	53.2	52.4	48.5	51.8	48.8	53.4	49.8	50.1	53.8	43.4	53.2	52.5	47.9	54.4	47.6	49.1	43.8	47.7	49.9	47.6	47.4	50.8		
Jan-21	50.3	51.3	54.7	49.4	51.2	49.2	49.1	47.8	50.9	50.8	53.2	52.1	46.9	52.2	50.6	52.9	56.1	48.7	51.2	44.2	52.1	52.1	50.2	56.1	48.7	49.3	48.6	50.2	49.6	48.1	47.5	49.9		
Feb-21	50.7	52.6	56.3	51.5	54.5	46.6	52.5	50.0	50.3	52.9	53.6	53.0	49.2	52.5	51.9	52.1	49.8	49.7	53.8	45.4	54.2	52.9	50.6	54.1	49.3	49.6	44.1	49.9	48.1	47.6	48.7	50.6		
Mar-21	51.5	53.7	54.5	54.8	57.7	59.9	56.2	54.1	51.0	55.7	55.3	55.1	53.2	54.4	55.7	53.3				50.0	48.5	47.1	54.7	53.2	50.1	54.2	48.9	49.9	44.4	49.5	49.5	47.2	49.8	52.1

MANUFACTURING PMI – NEW EXPORT ORDERS

	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	ISRAEL	LEBANON	SAUDI ARABIA	SOUTH AFRICA	UAE	CHINA	HONG KONG	INDIA	INDONESIA	VIETNAM
May-20	32.3	39.2	25.9	28.7	30.2	29.2	24.5	36.1	30.9	35.8	29.6	30.4			33.9	31.1			30.8	45.6	31.7	34.2	32.2	29.4	30.5	29.8	34.7	37.4	30.9	45.1	20.2	40.2	41.7	36.4	11.8	15.8	34.3	
Jun-20	43.5	43.6	47.9	43.1	37.0	42.5	41.4	48.1	52.1	44.5	41.4	47.5			44.9	47.2			37.4	47.2	45.2	36.1	40.7	43.0	42.0	50.5	49.0	38.6	36.7	43.9	33.5	51.1	47.0	42.0	38.9	21.5	48.5	
Jul-20	47.2	47.8	49.8	51.8	49.6	45.9	54.8	45.2	58.7	48.9	46.4	53.9			47.7	41.4			40.2	50.5	46.2	41.6	43.6	50.5	48.5	54.4	51.7	48.6	45.3	45.7	40.7	47.7	48.3	36.2	43.3	38.4	41.7	
Aug-20	49.9	52.9	52.9	51.9	50.4	48.3	55.7	46.9	52.5	46.5	55.2	49.8			51.5	52.2			47.3	50.2	46.2	44.4	47.1	50.3	48.8	53.4	53.0	53.4	33.6	45.4	38.7	48.5	50.7	38.0	47.8	40.1	42.0	
Sep-20	51.7	51.3	51.2	55.5	52.7	51.5	61.2	49.3	47.7	51.3	54.0	51.4			53.4	46.5			47.3	50.4	53.9	42.0	50.2	51.0	43.8	50.9	55.8	51.1	40.8	52.0	45.8	50.9	54.4	44.8	53.8	36.4	52.9	
Oct-20	51.3	52.9	49.3	56.3	56.8	50.1	61.3	46.2	49.0	55.8	53.2	51.2			54.1	52.7			50.6	50.8	54.2	42.1	52.1	53.5	50.4	51.7	54.0	48.2	42.2	48.4	49.3	50.6	51.0	47.8	55.2	37.6	50.0	
Nov-20	51.8	50.2	50.5	53.0	53.7	45.4	58.4	35.9	50.1	49.6	53.9	49.2			55.5	50.0			49.2	50.9	55.3	40.4	55.1	49.7	52.4	49.5	52.4	56.1	41.4	52.0	47.1	49.5	53.3	47.6	54.8	47.5	46.8	
Dec-20	51.1	54.0	50.7	54.6	54.8	49.7	57.3	38.7	51.8	53.2	60.1	52.6			55.6				48.6	50.7	52.8	38.4	55.1	52.6	50.4	47.7	49.7	44.1	44.6	51.5	47.6	52.9	51.8	40.2	51.8	41.1	52.8	
Jan-21	50.2	49.9	54.0	54.7	54.0	49.6	58.8	42.3	47.7	54.5	58.1	49.8			48.4	61.4			48.2	50.9	49.9	41.9	53.3	53.7	41.3	53.4	52.4	42.6	40.5	53.5	45.9	55.2	47.4	43.9	53.9	44.2	49.9	
Feb-21	51.0	50.2	53.7	57.7	55.1	54.0	62.2	46.5	48.1	57.3	58.0	52.5			50.4	54.1			51.5	50.7	50.6	41.6	52.0	54.3	46.6	50.7	56.3	43.2	47.3	51.6	48.4	49.8	47.6	44.2	52.0	43.5	50.5	
Mar-21	53.4	54.4	53.5	63.0	61.4	56.4	69.1	46.8	54.6	61.3	66.5	55.0			51.6	51.3			50.8	51.0	50.1	42.6	56.0	56.7	49.0	51.4	48.7	48.7	46.2	46.7	50.7	51.4	53.8	46.5	55.1			



SOURCE: MARKIT, BNP PARIBAS



ECONOMIC PULSE

FRANCE : THE ECONOMY CONTINUES TO YO-YO

Our Pulse chart shows an improvement in the French economy over the last few months, compared to the previous three ones: the blue-shaded area is larger than the dotted area. However, the picture that emerges from the monthly changes in the component indicators is made less clear by their yo-yo movements. The marked recovery in confidence survey data in March followed on from a deterioration in February, with both movements running contrary to the relative stability of Google's mobility indicators. Moreover, it is unlikely that this rebound will continue, as the surveys did not include the effects of the government's latest lockdown measures. We would therefore expect fresh falls in April before, perhaps, the beginnings of a longer-lasting recovery in May.

Consumer spending on goods has also continued to fluctuate wildly, as this area is hit hardest by lockdown measures and sees the biggest rebounds when these are lifted. Thus a 17.9% m/m fall in November was followed by 22.5% m/m growth in December and then a 4.9% m/m fall in January. This pattern of swings was, however, interrupted in February, when a stable figure disappointed our expectations and those of INSEE of a strong rise. The boost to purchases of goods from the winter sales period (+3.4% m/m) was likely limited by the

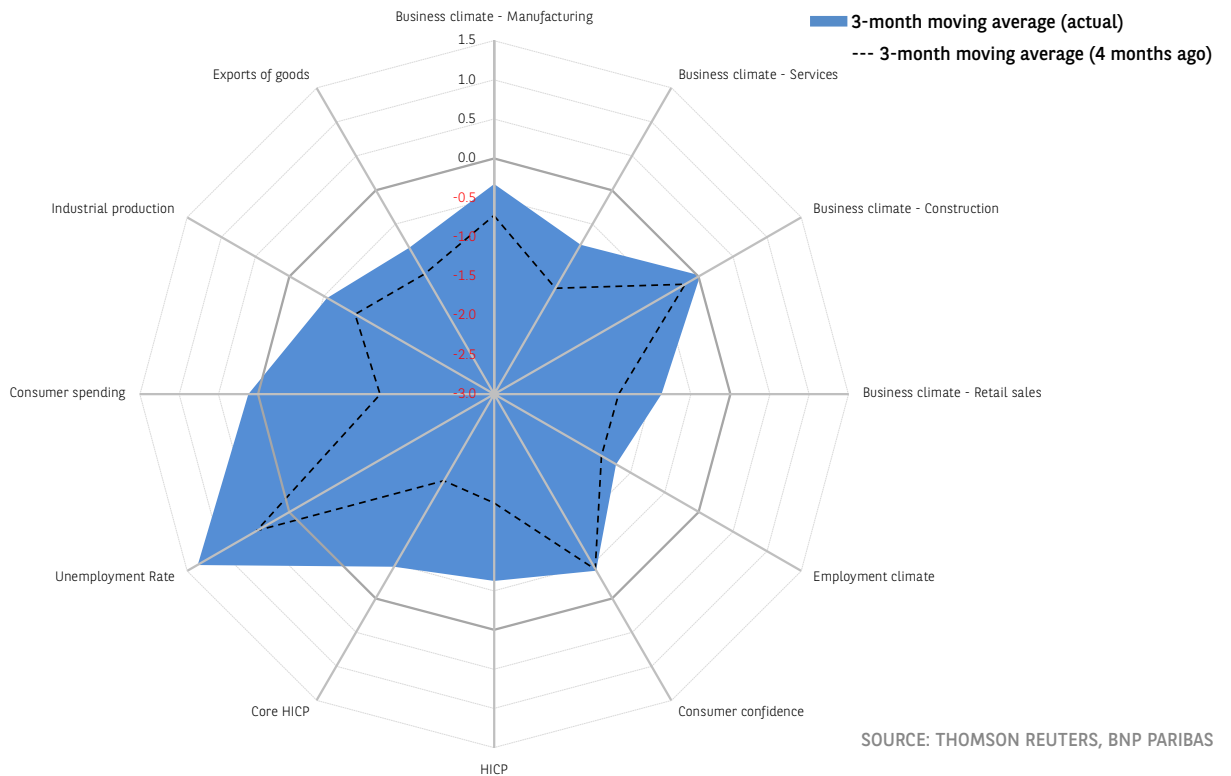
targeted tightening of lockdown measures and then offset by falls in consumption of energy (-3.1% m/m) and food (-2.2% m/m).

Unusually, industrial production has been doing a bit better than consumption as it is less affected by health restrictions and has been benefiting from the improvement in the global environment. Even so, it has not escaped the yo-yo trend. A rise of 3.2% m/m in January took it back to pre-crisis levels, but it then fell back sharply in February, by 4.7% m/m, a decline that is hard to reconcile with the more positive signals from survey data. As for exports, their recovery since the shock of the first lockdown has been significant, but less so than those in production and consumption and below what is suggested by the improvement in survey data and the CPB's World Trade Monitor. This shortfall can be blamed on difficulties in the aerospace sector, which is holding back a greater upturn in exports.

After the expected small rise in GDP in Q1 (boosted by the positive carry-over effect of the activity rebound in December), Q2 prospects are not particularly encouraging. Our baseline scenario puts growth close to zero, and a negative number cannot be ruled out.

Hélène Baudchon

QUARTERLY CHANGES



SOURCE: THOMSON REUTERS, BNP PARIBAS

The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -3 and +1.5. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

ECONOMIC PULSE

SPAIN: A SLOW IMPROVEMENT

The barometer improved in March, driven by the manufacturing sector, where growth continues to pick up strongly. According to the purchasing managers index (PMI), confidence in the manufacturing sector has increased to 56.9, the highest level in more than 14 years. By contrast, services sector activity and household consumption remained very fragile in Q1, which can be attributed to health restrictions and January's winter storm, Filomena. This is clearly visible in the 3-month trend for retail sales, which deteriorated in March.

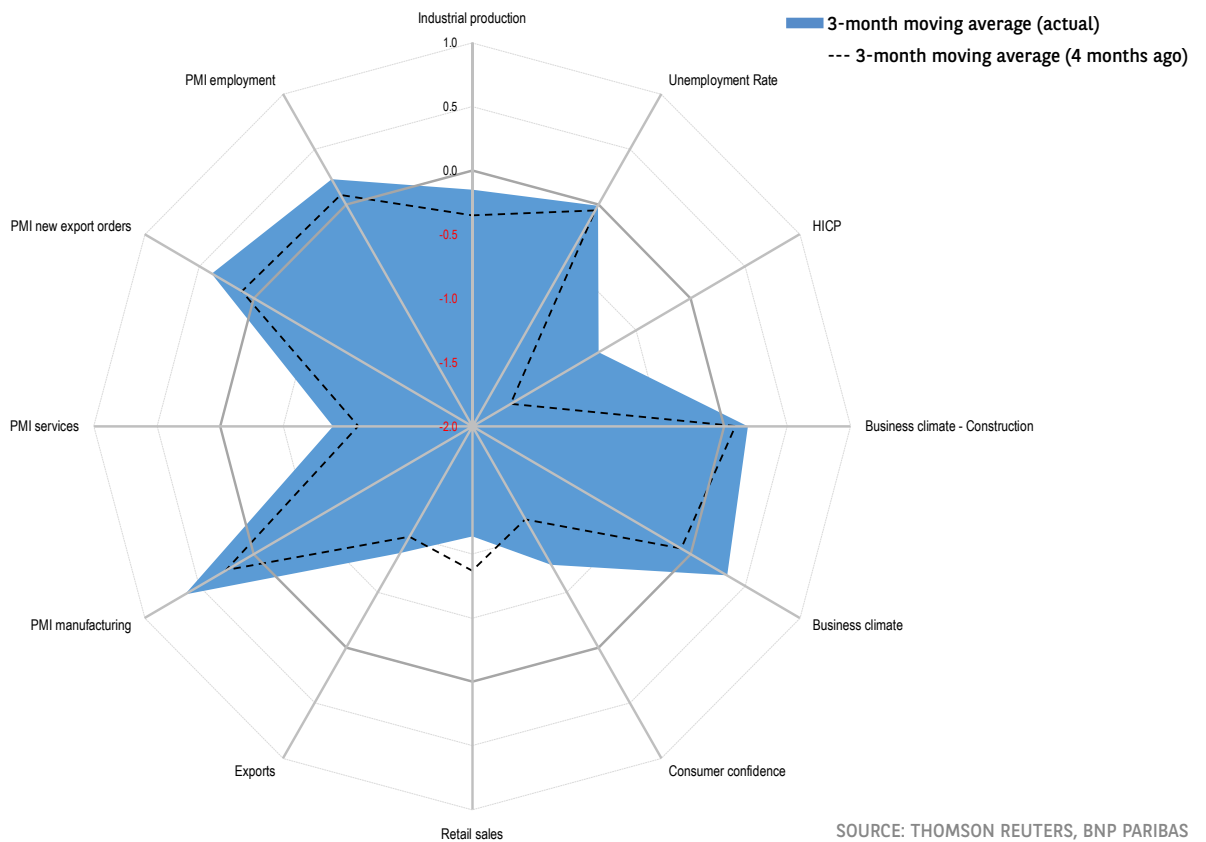
The recovery in the labour market also stalled in the first quarter. On a seasonally-adjusted basis, the number of workers affiliated to the social security system increased only 0.2% (+46,700) in Q1, while unemployment rose by 1.0% (+37,000). There were still significant lags in the recovery of jobs between sectors: while employment in industry –and construction in particular– has recovered most of its losses recorded after the first lockdown, the level of employment in the services sector is still very depressed. At the end of March, about 743,000 workers were still covered by ERTE short-time working schemes.

Even so, we expect to see a significant rebound in activity over the spring months, and more certainly in the second half of 2021. According to the IMF's latest economic projections published this week, real GDP in Spain is expected to rebound 6.4% in 2021. Although this is an upward revision from January's forecast, it is still below October's projections of 7.2%. Moreover, the "slight" upturn in new Covid-19 cases since mid-March is a good reminder that health conditions may continue to strain the economic recovery in the weeks ahead.

The upturn in inflation expectations –visible in opinion surveys– is materialising, and it is not only due to base effects linked to the first lockdown in 2020. The consumer price index (CPI) rebounded by 1% month-on-month in March and by 1.3% year-on-year. According to the March PMI, this upward trend is bound to continue this spring.

Guillaume Derrien

QUARTERLY CHANGES



The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -2 and +1. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

ECONOMIC PULSE

VACCINATION CAMPAIGNS ACCELERATE IN EUROPE

The global pandemic continues to worsen as the number of new Covid-19 cases continues to rise. In the week of 1-7 April, more than 4.14 million new cases were reported*, a 23% increase over the previous week. Increases were observed in Europe (+1.38 million), Asia, excluding China (+1.35 million), and the Americas (+1.33 million), up 12%, 51% and 15%, respectively. In Europe, however, the growth rate of the new infections is on a declining trend over the past week (Chart 1).

Despite the health crisis, footfall to retail and recreation** increased in most of the main advanced countries in the week of 26 March to 1 April compared to the previous week. During this week, consumer traffic increased by 7 points in Italy, 4 points in France and 3.1 points in Spain. In the UK, which entered the second phase of its gradual reopening on 29 March, footfall increased by 3.9 points. In Belgium, footfall began declining again, down 7.4 points (Chart 3). Moreover, OECD's weekly tracker for year-on-year GDP growth in the main advanced countries began to decline recently. The tracker only showed ongoing improvements for Japan and Belgium. This indicator is based on Google Trends resulting from queries on consumption, the labour market, housing, industrial activity as well as uncertainty. Note, however, that these calculations may partly reflect a base effect (Chart 3).

Lastly, vaccination campaigns continue to be rolled out around the globe. Over the past month, the number of doses administered per 100 inhabitants increased by 2.6 points: 4.9% of the global population has received at least one dose of the vaccine (chart 2), up from 2.3% the previous month. By country, Israel is still in the lead: 61% of its population has already received at least one dose of the vaccine, a

3.9 points increase over the previous month. The UK is in second place: 46.6% of its population has received at least one shot, an increase of 13.6 points. Both countries have reported a slowdown in their vaccination campaigns over the past week. In the European Union, the vaccination campaign clearly accelerated in the first week of April, up 6.6 points relative to the previous month. France, Portugal, Italy and Belgium all reported major accelerations.

Tarik Rharrab

* 7-day moving average

** 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)

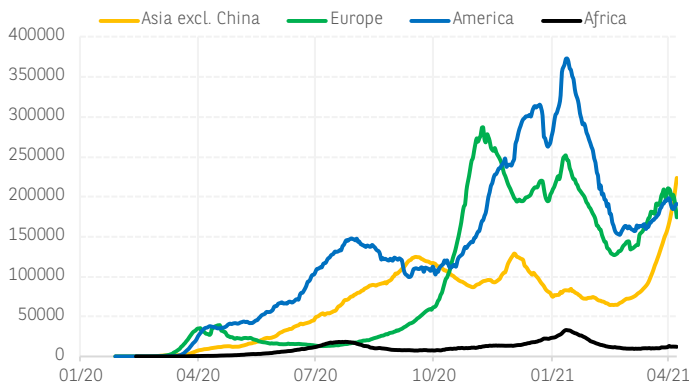


CHART 1

SOURCE: JOHNS-HOPKINS UNIVERSITY (04/08/2021), BNP PARIBAS

SHARE OF PEOPLE WHO RECEIVED AT LEAST ONE DOSE OF VACCINE

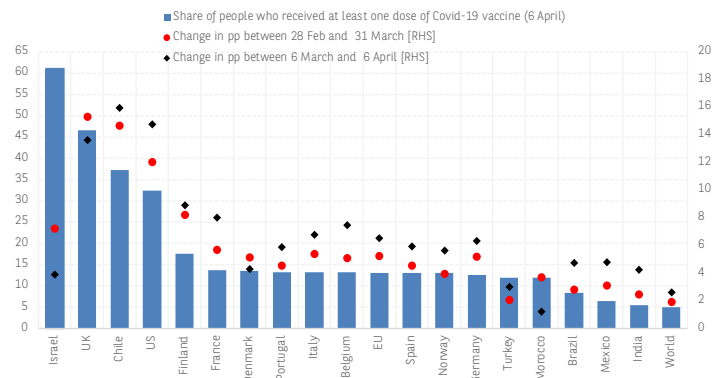


CHART 2

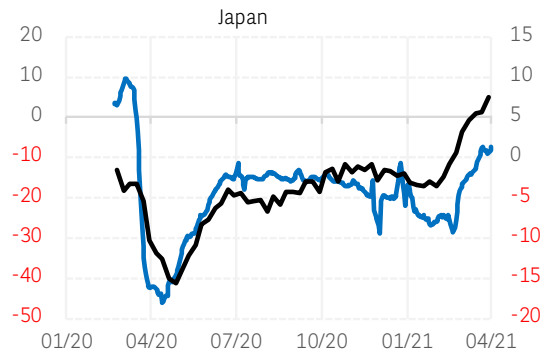
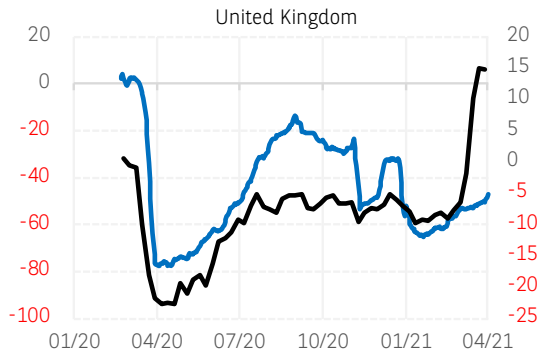
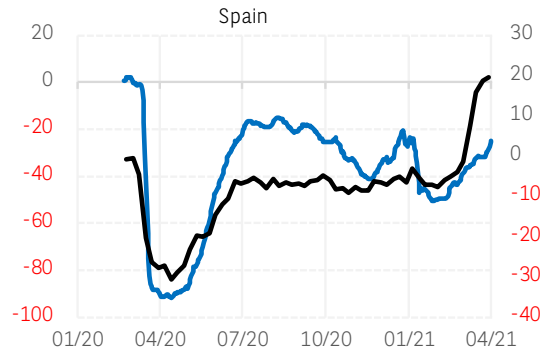
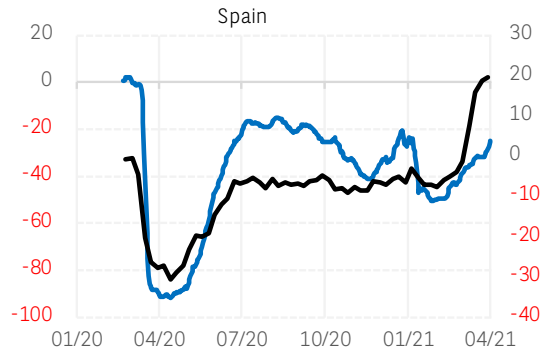
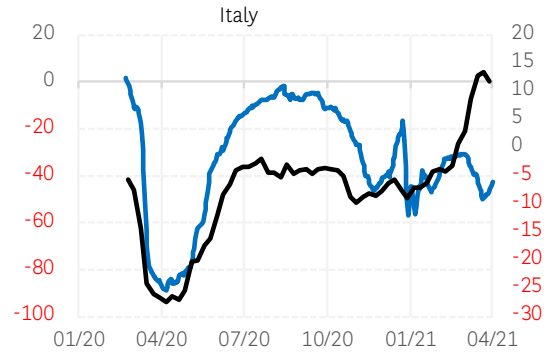
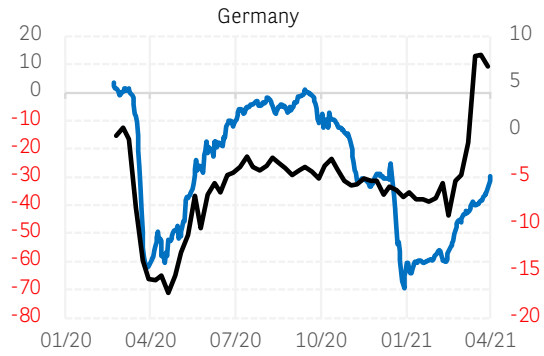
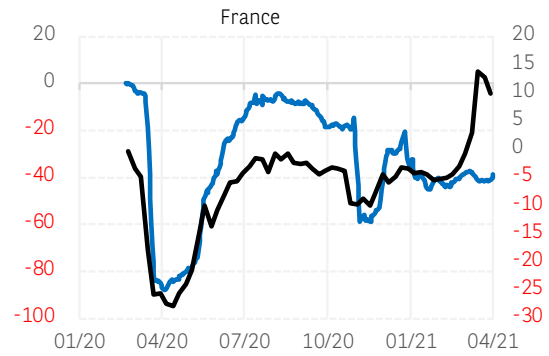
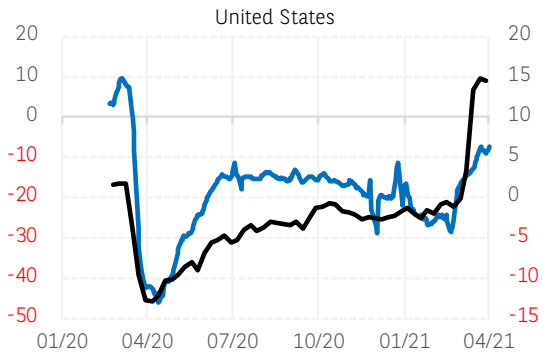
SOURCE: OUR WORLD IN DATA (04/08/2021), BNP PARIBAS



RETAIL AND RECREATION MOBILITY & OECD WEEKLY TRACKER

— Retail and recreation mobility (7-day moving average, % from baseline*)

— OECD Weekly tracker, y/y GDP growth [RHS]



SOURCE: OECD (04/07/2021), GOOGLE (04/07/2021), BNP PARIBAS



ECONOMIC SCENARIO

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UNITED STATES

Having limited the damage in 2020, the US economy is now recovering fast, driven by a vaccination campaign that is steaming ahead and raising hopes of collective immunity to Covid-19 being achieved at some point in the summer. The economy has also benefited from the exceptional fiscal stimulus package, which is twice the size of that put in place after the financial crisis of 2008. As a result, US GDP growth will be close to 7% in 2021, opening the way to a rapid return to pre-crisis levels. The employment deficit remains significant as a result of the pandemic, but this should steadily be absorbed, opening the way to a rapid fall in the unemployment rate, which is expected to drop below the 5% mark in the second half. Expected inflation has risen sharply and is unlikely to fall back, particularly as reported inflation is picking up. Over the coming months the latter is likely to run well above the 2% target set by the Federal Reserve, but this will not cause the central bank to deviate from its accommodating stance.

CHINA

After plummeting in Q1 2020, economic activity has experienced a V-shaped rebound since Q2. Economic growth will stay strong in 2021, still supported by industrial production and exports. Manufacturing investment growth should accelerate in the short term while investment growth in infrastructure and real estate projects is expected to slow. The growth recovery in the services sector and in private consumption has started later and been slower, but it should gain momentum in 2021. The authorities are expected to reduce very gradually their fiscal policy support measures and continue the cautious credit policy tightening, which was initiated in Q4 2020 in order to stabilize domestic debt-to-GDP ratios and contain risks in the financial system.

EUROZONE

After an historic recession in 2020 (-6.8%, annual average), the Eurozone economy should firmly rebound this year (+4.2%), especially from the H2. In 2022, the economic recovery would be still on track with an economic growth of +5%. Globally, Eurozone GDP could reach its pre-crisis level faster than we expected before, around the middle of 2022. The current resurgence in the pandemic across many Member states and new health restrictions keep weighing on the dynamics of the recovery and uncertainties remain at a significant level. Nevertheless, the expected acceleration of vaccines rollout is the brightest spot for the economy in the months ahead. Also, in this still tricky situation, the policy-mix will remain accommodative to support the recovery. The European central bank has already announced a higher pace of assets purchases, helping to maintain very favorable financing conditions in the Eurozone. Over the coming months, one of the most important issues to focus on will be to restore consumers' confidence. This constitutes an essential vector of a prompt and sustained recovery.

FRANCE

Contrary to what the discovery of vaccines at the end of 2020 suggested, i.e. the end of the stop-and-go activity, at the beginning of 2021, due to the appearance of variants and the slowness of vaccination, we are still on a trajectory of crisis exit in fits and starts. The capacity of the economy to rebound and the possibility of a vigorous rebound are not, as such, called into question; it is the timing of the rebound that has been postponed. It is now expected in H2 2021, bolstered by the acceleration of the immunization and the support of the policy-mix. For 2021 as a whole, growth would average 6.1%. This is a rather optimistic forecast, half a point above the March 2021 consensus. In 2022, growth would remain strong (4.4%). According to our scenario, French GDP would exceed its pre-crisis level in Q1 2022. Inflation is also expected to pick up, driven by temporary factors (commodity prices) but also by the more lasting influence of supply (constrained) and demand (rising) and the reflationary efforts of monetary policy.

RATES AND EXCHANGE RATES

In the US, policy will remain on hold for quite some time, considering that the FOMC wants inflation to move beyond 2% to make up for past below-target inflation. Its outcome-dependent guidance is very clear: the current pace of asset purchases will

be maintained 'until substantial further progress has been made' toward reaching its goals in terms of maximum employment and inflation and the FOMC will signal well in advance when the economy is on a path warranting a change in policy. Although it expects an increase in inflation later this year, it considers it will be transient and limited. Treasury yields should continue to move higher on the back of fiscal stimulus and the prospect of a strong acceleration of economic growth.

In the eurozone, the ECB will maintain its very accommodative stance centered around its asset purchases and forward guidance, with the objective to generate a pick-up in inflation. The pandemic emergency purchase programme (PEPP) is to last at least until the end of March 2022. Nevertheless, bond yields are expected to move higher based on the acceleration of euro area growth, the reduction in uncertainty and the spillover effect of higher US Treasury yields. This should also lead to a slight increase in sovereign spreads in the euro area. The Bank of Japan is expected to maintain its current policy stance including its yield curve control strategy although the range of the latter has recently been widened to +/- 25 bp around 0%. Within this range, JGB yields are expecting to move higher, following the global trend. We expect the dollar to weaken slightly versus the euro. This is the result of conflicting forces: faster growth in the US than in the eurozone but narrow interest rate differentials at the short end of the curve and a dollar which at current levels is expensive compared to fair value. Concerning the yen, little change is expected versus the dollar whereas it is expected to weaken against the euro.

GROWTH & INFLATION

%	GDP Growth				Inflation			
	2019	2020	2021 e	2022 e	2019	2020	2021 e	2022 e
United-States	2.2	-3.5	6.9	4.7	1.8	1.2	2.5	2.2
Japan	0.3	-4.8	3.0	2.3	0.5	0.0	-0.3	0.0
United-Kingdom	1.5	-10.2	6.1	6.0	1.8	0.9	1.4	2.1
Euro Area	1.3	-6.8	4.2	5.0	1.2	0.3	1.7	1.4
Germany	0.6	-5.3	3.0	4.8	1.4	0.4	2.1	1.5
France	1.5	-8.2	6.1	4.4	1.3	0.5	1.4	1.0
Italy	0.3	-8.9	5.0	3.9	0.6	-0.1	1.5	1.4
Spain	2.0	-10.8	5.9	5.6	0.8	-0.3	1.3	1.2
China	6.1	2.3	9.2	5.3	2.9	2.5	1.8	2.8
India*	4.2	-7.2	12.5	4.1	4.8	6.2	4.9	4.6
Brazil	1.1	-4.1	2.5	3.0	3.7	3.2	6.5	4.0
Russia	1.3	-4.5	4.0	3.0	4.3	3.4	5.1	4.0

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, %		2021				2021e		2022e	
End of period		Q1	Q2e	Q3e	Q4e	2021e	2022e		
US	Fed Funds (upper limit)	0.25	0.25	0.25	0.25	0.25	0.25		
	T-Notes 10y	1.75	2.00	2.10	2.20	2.20	2.50		
Ezone	Deposit rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50		
	Bund 10y	-0.33	-0.20	-0.10	0.20	0.20	0.20		
	OAT 10y	-0.11	0.00	0.15	0.50	0.50	0.20		
	BTP 10y	0.63	0.70	0.90	1.35	1.35	0.20		
	BONO 10y	0.34	0.45	0.60	0.95	0.95	0.20		
UK	Base rate	0.10	0.10	0.10	0.10	0.10	0.10		
	Gilts 10y	0.88	1.00	1.10	1.20	1.20	1.30		
Japan	BoJ Rate	-0.04	-0.10	-0.10	-0.10	-0.10	-0.10		
	JGB 10y	0.09	0.12	0.18	0.23	0.23	0.28		

Exchange Rates		2021				2021e		2022e	
End of period		Q1	Q2e	Q3e	Q4e	2021e	2022e		
USD	EUR / USD	1.18	1.18	1.20	1.23	1.23	1.18		
	USD / JPY	111	111	111	111	111	114		
	GBP / USD	1.38	1.39	1.43	1.46	1.46	1.42		
EUR	EUR / GBP	0.85	0.85	0.84	0.84	0.84	0.83	/11/2020	
	EUR / JPY	130	131	133	137	137	135		

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)



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CALENDAR

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LATEST INDICATORS

In Japan, most data releases improved versus the previous month although the outlook component of the Eco Watchers survey was an exception and saw an unexpected decline. In the US, the ISM services index rose strongly, much more than anticipated. Initial unemployment claims disappointed. In China, the services PMI improved strongly and more than anticipated. This also pushed higher the composite PMI. The PMIs in France, Germany and the eurozone improved, thereby beating expectations.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
04/05/2021	Japan	Jibun Bank Japan PMI Services	Mar	--	48.3	46.5
04/05/2021	Japan	Jibun Bank Japan PMI Composite	Mar	--	50	48
04/05/2021	United States	Markit US Services PMI	Mar	60.2	60.4	60
04/05/2021	United States	Markit US Composite PMI	Mar	--	59.7	59.1
04/05/2021	United States	ISM Services Index	Mar	59	63.7	55.3
04/05/2021	United States	Cap Goods Orders Nondef Ex Air	Feb	-0.8%	-0.9%	-0.8%
04/06/2021	China	Caixin China PMI Composite	Mar	--	53.1	51.7
04/06/2021	China	Caixin China PMI Services	Mar	52.1	54.3	51.5
04/06/2021	Eurozone	Unemployment Rate	Feb	0.1	0.1	0.1
04/07/2021	France	Markit France Services PMI	Mar	47.8	48.2	47.8
04/07/2021	France	Markit France Composite PMI	Mar	49.5	50	49.5
04/07/2021	Germany	Markit Germany Services PMI	Mar	50.8	51.5	50.8
04/07/2021	Germany	Markit/BME Germany Composite PMI	Mar	56.8	57.3	56.8
04/07/2021	Eurozone	Markit Eurozone Services PMI	Mar	48.8	49.6	48.8
04/07/2021	Eurozone	Markit Eurozone Composite PMI	Mar	52.5	53.2	52.5
04/07/2021	United Kingdom	Markit/CIPS UK Services PMI	Mar	56.8	56.3	56.8
04/07/2021	United Kingdom	Markit/CIPS UK Composite PMI	Mar	56.6	56.4	56.6
04/07/2021	United States	FOMC Meeting Minutes	Mar			
04/08/2021	Japan	Consumer Confidence Index	Mar	35.5	36.1	33.9
04/08/2021	Japan	Eco Watchers Survey Current SA	Mar	45	49.0	41.3
04/08/2021	Japan	Eco Watchers Survey Outlook SA	Mar	51.8	49.8	51.3
04/08/2021	United States	Initial Jobless Claims	Apr	680k	744k	728k
04/09/2021	China	CPI YoY	Mar	0.3%	0.4%	-0.2%
04/09/2021	China	PPI YoY	Mar	3.6%	4.4%	1.7%
04/09/2021	Germany	Exports SA MoM	Feb	1.0%	0.9%	1.6%
04/09/2021	United States	PPI Ex Food and Energy MoM	Mar	0.2%	0.7%	0.2%
04/09/21-04/15/21	China	Aggregate Financing CNY	Mar	3700.0b	--	1712.9b

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

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COMING INDICATORS

A rather light week ahead of us in terms of data. As usual around this time of the month, we will have several releases in China but year-over-year comparisons will be hugely distorted by last year's lockdown. A key indicator to watch will be first quarter GDP. In the eurozone we will have retail sales, inflation, the ZEW survey -which is also published for Germany- and car registrations. The Banque de France will release its industrial sentiment index. Several data are published in the US: inflation, retail sales, housing market data, Philadelphia Fed business outlook, University of Michigan sentiment. The Federal Reserve will publish its Beige book.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
04/12/2021	United Kingdom	Monthly GDP (MoM)	Feb	0.5%	-2.90%
04/12/2021	Eurozone	Retail Sales MoM	Feb	1.0%	-5.90%
04/12/2021	France	Bank of France Ind. Sentiment	Mar	--	99
04/13/2021	Germany	ZEW Survey Expectations	Apr	78.5	76.6
04/13/2021	Germany	ZEW Survey Current Situation	Apr	-53.5	-61
04/13/2021	Eurozone	ZEW Survey Expectations	Apr	--	74
04/13/2021	United States	NFIB Small Business Optimism	Mar	98.0	95.8
04/13/2021	United States	CPI Ex Food and Energy MoM	Mar	0.2%	0.10%
04/14/2021	Japan	Core Machine Orders MoM	Feb	2.8%	-4.50%
04/14/2021	United States	U.S. Federal Reserve Releases Beige Book	Apr		
04/15/2021	United States	Initial Jobless Claims	Apr	--	--
04/15/2021	United States	Retail Sales Control Group	Mar	5.5%	-3.50%
04/15/2021	United States	Philadelphia Fed Business Outlook	Apr	40.0	51.8
04/15/2021	United States	Industrial Production MoM	Mar	3.0%	-2.20%
04/15/2021	United States	Capacity Utilization	Mar	75.8%	73.80%
04/15/2021	United States	NAHB Housing Market Index	Apr	84.0	82
04/16/2021	China	New Home Prices MoM	Mar	--	0.36%
04/16/2021	China	GDP SA QoQ	1Q	1.4%	2.60%
04/16/2021	China	Surveyed Jobless Rate	Mar	5.4%	5.50%
04/16/2021	Eurozone	EU27 New Car Registrations	Mar	--	-19.30%
04/16/2021	Eurozone	CPI YoY	Mar	1.3%	0.90%
04/16/2021	Eurozone	CPI Core YoY	Mar	0.9%	0.90%
04/16/2021	United States	Building Permits MoM	Mar	1.5%	-10.80%
04/16/2021	United States	Housing Starts MoM	Mar	13.7%	-10.30%
04/16/2021	United States	U. of Mich. Sentiment	Apr	88.8	84.9
04/16/2021	United States	U. of Mich. Current Conditions	Apr	--	93
04/16/2021	United States	U. of Mich. Expectations	Apr	--	79.7
04/16/2021	United States	U. of Mich. 1 Yr Inflation	Apr	--	3.10%
04/16/2021	United States	U. of Mich. 5-10 Yr Inflation	Apr	--	2.80%

SOURCE: BLOOMBERG



FURTHER READING

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EcoPerspectives April 2021 issue	EcoPerspectives	9 April 2021
EcoTV. April 2021 issue	EcoTV	9 April 2021
US banks: reactivation of the fed's reverse repo facility, a factor in reducing balance sheets	Chart of the Week	7 April 2021
France: The French labour market: 2020 in review	EcoFlash	6 April 2021
EcoWeek 21.13. April 2 issue	EcoWeek	2 April 2021
Eurozone: green shoots of recovery	EcoTVWeek	2 April 2021
Nordic countries: greater confidence?	Chart of the Week	31 March 2021
EcoWeek 21.12. March 29 issue	EcoWeek	29 March 2021
Banks are keeping appetite for TLTROs	EcoTVWeek	26 March 2021
Rising us treasury yields : no spillovers yet to emerging bond markets	Chart of the Week	24 March 2021
US : Does the American Rescue Plan go too far?	EcoFlash	23 March 2021
Netherlands : A liberal victory at the general election	EcoFlash	22 March 2021
EcoWeek 21.11. March 22 issue	EcoWeek	22 March 2021
France: state of play after one year of crisis	EcoTVWeek	19 March 2021
Denmark: negative rates are applied to more than 80% of corporate deposits outstanding	Chart of the Week	17 March 2021
EcoWeek 21.10. March 15 issue	EcoWeek	15 March 2021
EcoTV - March 2021	EcoTV	11 March 2021
France : Debt. size is not all that matters	Chart of the Week	10 March 2021
French economy Pocket Atlas	Pocket Atlas	9 March 2021
Eurozone : Towards an unwelcome tightening of financial conditions in the euro area?	EcoWeek	5 March 2021



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