Summary

United States

The sin of certainty

Will FOMC replay the November 2015 meeting in announcing a December rate hike ? Several elements are consistent with such a move. However, it appears that regional Fed presidents look much more convince than governors that a rate increase is appropriate…

► Page 2

Russia

A budget constrained

The Russian economy is getting a bit better but the recovery is fragile. The consolidation of public finances has become the government's priority. To achieve this, it is ready to freeze spending for the next three years.

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Market overview

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Also in :

Eco TV WEEK

A growthless world

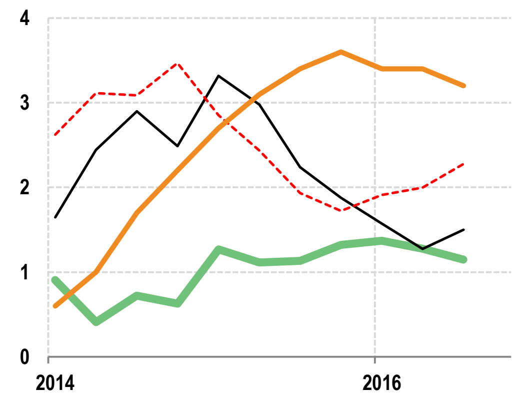
■ Limited rebound in the US ■ Deceleration confirmed in the euro zone ■ The UK proving resilient, but for how long?

Initial estimates of third quarter growth are starting to be released. The resilience of the UK economy is striking. Granted, we were not expecting a rapid transmission of the Brexit effect into activity data, but from there to a position of renewed dynamism is a leap. The UK took this leap, posting 0.5% quarterly growth in Q3. It will be another month before details of the components of demand are published, but it seems most likely that growth was driven by consumption and exports. For the former, a reversal is to be expected. The significant depreciation of sterling is already having a marked effect on inflation, which will inevitably hit consumer purchasing power. Exports will benefit from the weaker pound, although we would not expect any particularly strong impact on economic activity.

In the euro zone, the expected deceleration of growth is now taking clearer shape. The quarter-on-quarter figures show respectable growth, particularly in Spain (0.7%), but suffer from fading supports (the depreciation of the euro and falling energy prices). France disappoints once more, with a limited rebound of 0.2% that owes much to a rebuilding of inventories, something that could be corrected in Q4. The US returned another mixed bag: growth (2.9%, quarterly annualised rate) was stronger than in Europe, but below par given the economy's potential and recent underperformance.

THE BRITISH MYSTERY

GDP growth, year-on-year (%)



Sources: National statistical offices

THE WEEK ON THE MARKETS

Week 21-10 16 > 27-10-16

↘	**CAC 40**	4 536	►	**4 534**	**-0.1**	%
↘	**S&P 500**	2 141	►	**2 133**	**-0.4**	%
↗	Volatility (VIX)	13.3	►	15.4	+2.0	%
↗	**Euribor 3M** (%)	-0.31	►	**-0.31**	**+0.0**	bp
↗	Libor $ 3M (%)	0.88	►	0.89	+0.9	bp
↗	OAT 10y (%)	0.22	►	0.42	+19.9	bp
↗	Bund 10y (%)	-0.07	►	0.10	+16.7	bp
↗	US Tr. 10y (%)	1.74	►	1.84	+10.3	bp
↗	**Euro vs dollar**	1.09	►	**1.09**	**+0.4**	%
↗	Gold (ounce, $)	1 266	►	1 268	+0.2	%
↘	**Oil (Brent, $)**	51.6	►	**50.7**	**-1.9**	%

Source : Thomson Reuters

United States

The sin of certainty

■ November's FOMC meeting is expected to produce just one thing: a repeat of the Fed's November 2015 announcement when it pre-committed to raising key rates at its following meeting.

■ The Fed's intent can already be seen in September's announcements. Statements by the regional presidents of the Chicago and New York Federal Reserve Banks seem to confirm a shift in the FOMC's centre of gravity.

■ Wanting its communications to be as transparent as possible, the Fed will continue insisting on its gradual approach to the normalisation of monetary policy. In other words, a December rate increase would not necessarily mark the beginning of a series of rate increases.

■ Fine tuning seems to be the Fed's operating mode for the current cycle of rate increases, using a walrasian *tâtonnement* in order to narrow the gap between the Fed funds rate and the natural rate, without reaching it too quickly. This is no easy task: the natural rate is just as elusive as the output gap and the NAIRU.

Next week the Federal Open Market Committee (FOMC) will hold a "simple" monetary policy meeting, neither updating its economic projections nor holding a press conference. Although it is a point of honour for FOMC members to affirm that each meeting is "live", i.e. that it could result in a change of monetary policy, not a single Fed watcher expects anything to happen at the November meeting, or more precisely, they all expect the Fed to signal that it will very probably decide to raise rates in December. Clearly this is a case of history repeating itself. In October 2015, the press release following the FOMC meeting very clearly indicated the Fed's intentions to determine "*whether it will be appropriate to raise the target range at its next meeting*". And in December, the Fed raised its key rates by 25 basis points.

Expectations of a pre-commitment were fed by September's announcements: "*the Committee judges that the case for an increase in the federal funds rate has strengthened*". Although the FOMC decided to wait to raise key rates, three members opposed this decision, judging that the time was already ripe to tighten monetary policy[1]. Since then, William C. Dudley, president of the New York Fed, seems to have joined their ranks. Mr. Dudley, whose analysis is often seen as being close to that of Janet L. Yellen, stated in mid-October: "*If the economy stays on its current trajectory I think ... we'll see an interest rate hike later this year*". Charles L. Evans, another FOMC member, foresees three rate increases by year-end 2017. Although he currently is a non-voting FOMC member – he will vote again as of 2017 – Mr. Evans attracts a lot of attention: his calls for

[1] See "Rich, deep and serious", Alexandra Estiot, Eco Week BNP Paribas, 23 September 2016.

Inflation is still low

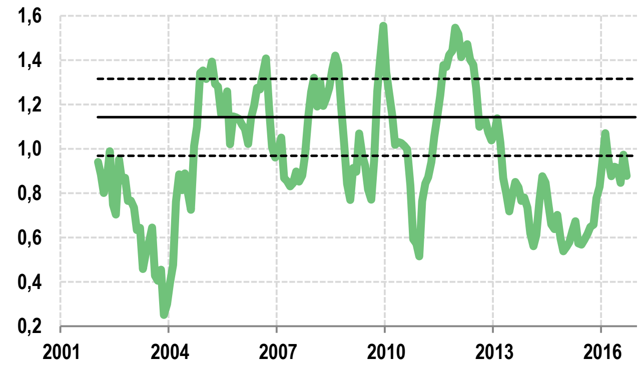


Chart 1 **Source: US Bureau of Labor Statistics**

setting an intermediate unemployment target in early 2012[2] won him the reputation of an "ultra-dove". If Mr. Evans believes the time has come to resume the normalisation of monetary policy, then this would prove that the FOMC's centre of gravity has truly shifted.

There is no doubt about the opinions of the regional Fed presidents with voting rights. The positions of the Board of Governors are not as clear cut. During a televised interview in early September, Daniel K. Tarullo opened the door to a rate increase, but also said it would be conditioned on observing accelerating inflation. The latest data do not point in this direction. Excluding energy and food, the price index for personal consumption expenditure has been stable overall since the beginning of the year, while the core consumer price index – excluding the cost of primary residence – levelled off in September. At earlier stages, imported deflationary pressures are softening, a trend that is bound to continue as the effects of the dollar past appreciation wear off. Wages are also regaining some strength: +2.7% y/y in September, the strongest wage growth since 2010. According to some measures, inflation expectations are also picking up, although this must be kept in perspective since that rebound seems to be due solely to the rebound in oil prices. These forward-looking indications might not convince Mr. Tarullo or Lael Brainard. Ms. Brainard has not given any indication of which way she is leaning since her speech in mid-September[3], when she expressed doubts about the reliability of models predicting that inflation will accelerate after the unemployment rate falls.

The members of the Board of Governors express themselves less frequently, and Jerome H. Powell is possibly even more discreet than his colleagues. At Jackson Hole in late August, he built a bridge

[2] "*Macroeconomic Effects of FOMC Forward Guidance*", Charles L. Evans, Speech at the Brookings Institution, 22 March 2012.
[3] "*The 'New Normal' and What It Means for Monetary Policy*", Lael Brainard, Speech at the Chicago Council on Global Affairs, 12 September 2016.

between the various points of view: the direction of interest rate policy is upwards; any decisions will continue to be guided by patience and caution; price trends are increasingly less dependent on wages and thus on the tightness of the labour market; and the low level of inflation can be attributed in part to the lagging effects of the drop-off in oil prices and the strong dollar.

Stanley Fischer, the Fed's vice chair, has long advocated this latter point. More recently, he has focused on the low level of the natural rate of interest, echoing the FOMC's growing concerns on this subject. This brings to mind Janet Yellen's comments during her last post-FOMC press brief, when she stressed this point: "*With the federal funds rate modestly below the neutral rate, the current stance of monetary policy should be viewed as modestly accommodative*". Last December, Janet Yellen[4] highlighted estimates of the natural rate, notably those by Laubach and Williams[5]. According to the most recent update of this model, the natural rate[6] is still very low at about 0.2%.

As to the tightness of monetary policy, Janet Yellen's assessment might seem like a "mild" underestimation of reality, since the difference between the estimated natural rate and the effective rate is about 1 point, and has been more or less constant since December 2012. However, using the Wu-Xia "shadow" rate[7] to take into account the successive waves of quantitative easing, the degree of monetary policy support has effectively fallen drastically, and is now more or less equivalent to what it was before the Fed launched its unconventional monetary measures. This brings to mind the slowdown in the US economy in recent quarters, which reduced the underlying trend from about 2.5% to 2%.

Recently, Janet Yellen returned to a more academic footing and made a list of questions raised by the economic trends following the 2007-2009 crisis. It would be an understatement to say that her speech verges on heterodoxy, notably when she wonders about the possibility that demand could influence supply or whether it is opportune to conduct a policy that aims to grow the economy at a faster pace than its long-term potential.

Each of the questions on this list[8] reduces the certainty that the Fed needs to raise key rates, and leaves a similar impression to the one raised by the minutes of the September FOMC meeting: is the Fed really going to raise rates in December? This clarifies somewhat a point that the minutes left unclear: the regional Fed presidents seem to be much more convinced of a need for a rate increase than the Board of Governors. In the end, the November meeting could be much more interesting than some expect, although we will surely have to wait until the minutes, released on 23 November, to get the full picture.

Natural rate: low but rising (%)

— Real natural rate of interest
— Real Fed funds target rate (using core PCE deflator)

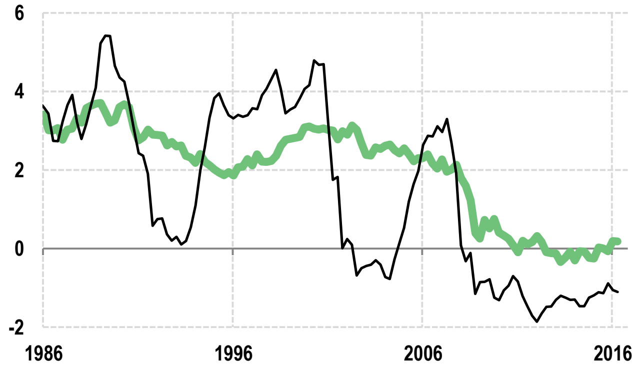


Chart 2 Sources: BEA, FOMC, Laubach and Williams

Tightness of Fed policy

— Spread between the estimated natural rate and the observed Fed funds target rate; — *Measure using the Wu-Xia shadow rate between 2008 and 2015 to take into account the various waves of QE*

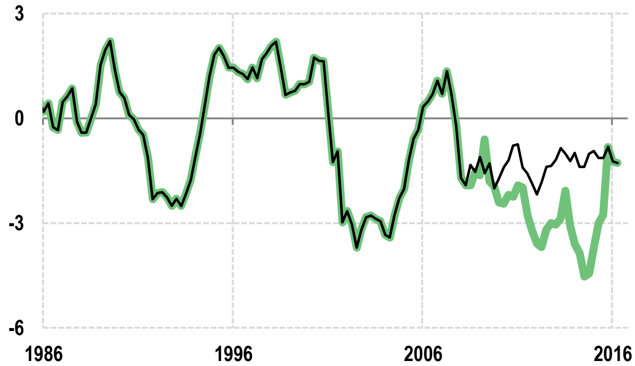


Chart 3 Sources: BEA, FOMC, Laubach-Williams, Wu-Xia

[4] "*The Economic Outlook and Monetary Policy*", Janet L. Yellen, Speech at the Economic Club of Washington, 2 December 2015.
[5] "*Measuring the Natural Rate of Interest Redux*", Thomas Laubach and John C. Williams, Brookings Institution, Hutchins Center Working Papers 15, November 2015. This paper is partly an update of research from 2003: "*Measuring the Natural Rate of Interest*", Thomas Laubach and John C. Williams, Review of Economics and Statistics, vol. 85, November 2003.
[6] Here we are talking about the real rate. To deflate nominal rates, we used the core price index for personal consumption expenditure excluding energy and food (core PCE).
[7] "*Measuring the Macroeconomic Impact of Monetary Policy at the Zero Lower Bound*", Jing Cynthia Wu and Fan Dora Xia, Chicago Booth Research Paper No. 13-77, May 2015.
[8] The need to take into account a certain heterogeneity in the behaviour of households and firms; the links between the financial and real spheres; inflation dynamics, with the downward rigidity of wages, the role of globalisation and inflation expectations; and the effects of US monetary policy on the rest of the world.

Russia

A budget constrained

- **The Russian economy is getting a bit better. In the second quarter, GDP growth contracted by only 0.6% and manufacturing activity accelerated slightly.**
- **However, the recovery is fragile. Household consumption remains depressed by falling real wages and the government does not have sufficient fiscal rooms for manoeuvre to support the economy.**
- **The consolidation of public finances has become its priority. To achieve this, it is ready to freeze spending for the next three years.**

A painful recovery

The Russian economy is slowly and painfully coming out of recession.

In the second quarter, growth contracted by only 0.6%, compared to the 4.5% contraction in the same period last year. The economy continues to be supported by a strong agricultural sector, which posted growth of 2% y/y in Q2 2016. Conversely, in construction, considered as the most fragile sector, activity continued to contract, falling 9.5% y/y. Signs of an economic recovery have, since June, been most visible in manufacturing. In Q2 2016, activity recovered by 0.3% y/y, after five consecutive quarters of contraction. This recovery nevertheless remains fragile, as shown by the fall in industrial production in July, which was followed by a fresh recovery in August.

In addition, companies have started to rebuild inventories and their prospects have improved, as shown by marked rallies in business confidence indices. On the other hand, consumer spending remains in the doldrums. In Q2 2016, it contracted for the sixth quarter in a row (down 5.2% y/y) and retail sales trends suggest little prospect of an improvement in the third quarter. Moreover, real wages contracted again in July and August, having recovered over the spring. The central bank estimates wage arrears at RUB 3,531 billion, the equivalent of 1% of total wages.

In order to encourage this painful recovery, in September the central cut its main policy rate for the second time this year to 10%. Nevertheless, despite the sharp fall in inflation (6.5% y/y in September, from 15.7% a year ago), it has already announced that it will not be making any further rate cuts this year.

The central bank and the Finance Minister have downgraded their growth forecasts, on the hypothesis that oil prices will average USD 40 over the next three years. Growth is now expected to be between 0.5% and 1% in 2017 and between 1.5% and 2.2% in 2019.

This said, despite these very modest growth prospects, the government is not planning to support the economy by boosting public spending. Its priority now is to consolidate the public finances.

Industrial production

Economic activity indicators (y/y, %)

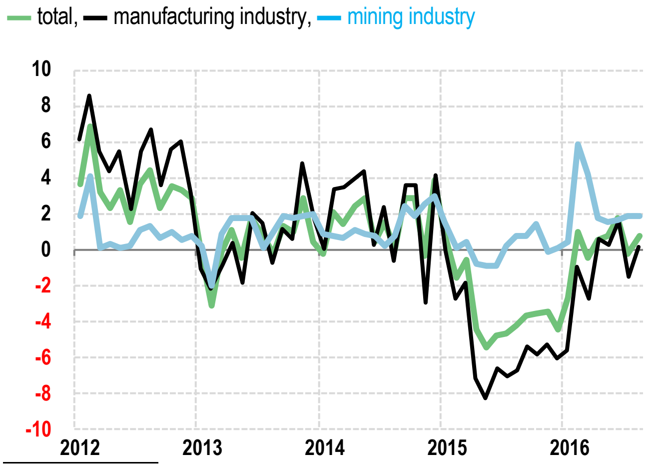


Chart 1 Source : RosStat

A widening deficit

Over the first eight months of 2016 the government's budget deficit hit RUB 1,518 billion, equal to 3% of GDP, putting it 67% higher than in the previous financial year. This increase was due to falling receipts (-9%), particularly those from oil (-25%), and came despite the exceptional income generated from the sale of Alrosa shares (estimated at USD 800 million).

At the same time, cuts in government spending, have been extremely modest, at just 2%. Higher pension costs and debt servicing costs (up 13% and 21% respectively) offset the sharp cut in military spending (down 27%). In order to control the budget deficit, the government sold its holdings in Bashneft (EUR 4.7 billion) and should sale its stakes in Rosneft between now and the end of the year, or at the latest early next year if market conditions are not favourable beforehand. In this context, the government revised upward its initial target for the 2016 fiscal deficit to 3.7% of GDP from 3% of GDP.

Over the first eight months of the current year, the deficit has mainly been funded from the reserve fund, which had been reduced to just USD 32 billion by the end of August, USD 38 billion lower than a year before. In order to stem the bleeding from this fund, the government made two debt issues, one in May the other in September, for a total of USD 3 billion. Given that its bonds trade freely on the secondary market, the government could make greater use of this means of financing its deficit.

The 2017 budget was officially presented on 13 October and will be submitted to the Duma on 28 October, alongside the revised 2016 budget. However, the headline items have already been announced.

The government has decided to introduce a program of fiscal consolidation over the next three years[1] (2017 to 2019). Returning to this approach (which had been abandoned in the previous two budgets) will encourage greater transparency, as the financing of the deficit remains the main problem.

The Finance Minister's aim is to decrease the fiscal deficit from 3.2% of GDP in 2017 to 1.2% in 2019, requiring a one-point reduction each year.

Two thirds of this consolidation will come from a freeze on spending (in nominal terms) at RUB 15.8 trillion over the period 2016 to 2019. As a percentage of GDP, this means that public spending will fall from 19% of GDP this year to just 15.7% in 2019. As the details have not yet been announced, it is hard to assess the feasibility of such a programme. The government has still not announced whether or not it will freeze public sector pay for the third year running. However, it is likely to allow an increase in pensions of between 5% and 6%. In order to offset this increase, it will probably have to make further cuts to education and health spending, which will have the effect of reducing potential growth.

Meanwhile, over the period from 2017 to 2019, the government is expecting only a modest increase in receipts, driven by a return to growth and an increase in dividends and the proceeds of privatisation. This said, and given that its hypothesis of USD 40/barrel is particularly conservative, it is possible that receipts will be higher than predicted.

Over the longer term, from 2020, the Finance Ministry expects to introduce a new fiscal rule ensuring that the primary budget will be balanced.

Consolidation of the balance of payments

In the first half of 2016, the current account surplus shrank by more than 70% relative to last year to 2.3% of GDP from 9% a year ago. This sharp fall was due to a collapse in exports caused by tumbling commodity prices in the first quarter of 2016. Even though oil and gas prices have since recovered, they remain low, and Russia's current account surplus is unlikely to exceed 3% to 3.5% of GDP over the next two years according to the IMF.

Nevertheless, despite the fall in the current account surplus, Russia's balance of payments has consolidated. Over the first eight months of the year, outflows of private capital fell significantly and reached only USD 9.9 billion, a fifth of their level a year ago. Meanwhile, direct foreign investment gathered pace in the second quarter. As a result the deficit on the financial account was only USD 6 billion in the first half, from more than USD 55 billion a year earlier. Foreign exchange reserves increased by 4% y/y to USD 322 billion by end-September.

The consolidation of the balance of payments is likely to continue, to the extent that repayments of external debt will fall still further. Over 2017 as a whole, the central bank estimates repayments of USD 70 billion, from more than USD 91 billion this year.

[1] The budget has been drawn up assuming oil at USD 40/barrel and a RUB/USD exchange rate of 69.1 on average over the next three years. Moreover, the government assumes that international sanctions will be held until 2019.

Balance of Payments (4 quarters moving sum % of GDP)

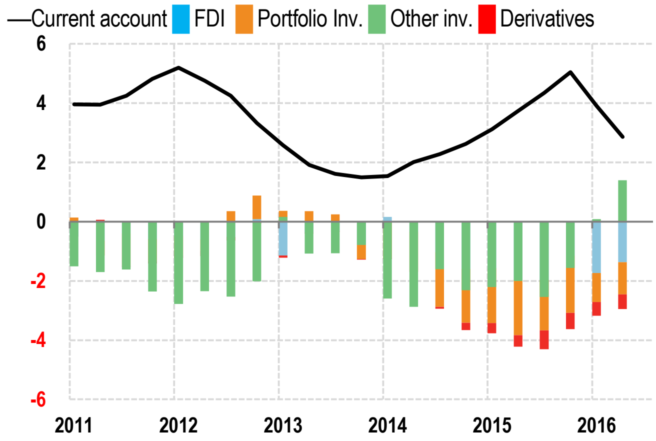


Chart 2 Source : CBR

Substantial victory in parliamentary elections

In September's elections the ruling United Russia party won 343 of the 450 seats, on 54.2% of the votes. By way of comparison, United Russia received 'only' 49.3% of the votes in 2011.

A victory on this scale gives President Putin full scope to conduct his economic and diplomatic policy as he wishes. However, it is likely that he will wait until after the 2018 presidential before introducing certain particularly unpopular reforms, such as measures on pensions.

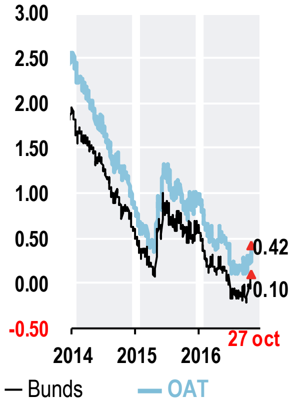
Markets overview

The essentials

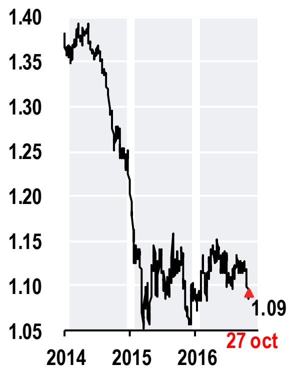
Week 21-10 16 > 27-10-16

↘ **CAC 40**	4 536	▸	**4 534**	**-0.1**	%
↘ **S&P 500**	2 141	▸	**2 133**	**-0.4**	%
↗ Volatility (VIX)	13.3	▸	15.4	+2.0	%
↗ **Euribor 3M** (%)	-0.31	▸	**-0.31**	**+0.0**	bp
↗ Libor $ 3M (%)	0.88	▸	0.89	+0.9	bp
↗ OAT 10y (%)	0.22	▸	0.42	+19.9	bp
↗ Bund 10y (%)	-0.07	▸	0.10	+16.7	bp
↗ US Tr. 10y (%)	1.74	▸	1.84	+10.3	bp
↗ **Euro vs dollar**	1.09	▸	**1.09**	**+0.4**	%
↗ Gold (ounce, $)	1 266	▸	1 268	+0.2	%
↘ **Oil (Brent, $)**	51.6	▸	**50.7**	**-1.9**	%

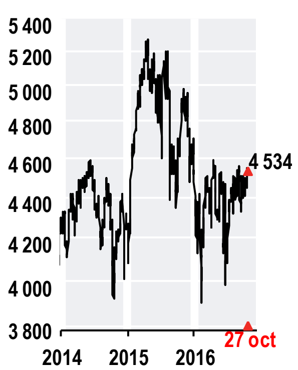
10 y bond yield, OAT vs Bund



Euro-dollar



CAC 40



Money & Bond Markets

Interest Rates		highest' 16		lowest' 16	
€ ECB	**0.00**	0.05	at 01/01	0.00	at 16/03
Eonia	**-0.35**	-0.13	at 01/01	-0.36	at 26/05
Euribor 3M	**-0.31**	-0.13	at 01/01	-0.31	at 19/10
Euribor 12M	**-0.07**	0.06	at 01/01	-0.07	at 21/10
$ FED	**0.50**	0.50	at 01/01	0.50	at 01/01
Libor 3M	**0.89**	0.89	at 26/10	0.61	at 04/01
Libor 12M	**1.58**	1.60	at 12/10	1.12	at 12/02
£ BoE	**0.25**	0.50	at 01/01	0.25	at 04/08
Libor 3M	**0.40**	0.59	at 15/02	0.38	at 08/09
Libor 12M	**0.81**	1.07	at 01/01	0.72	at 10/08

At 27-10-16

Yield (%)			highest' 16		lowest' 16	
€	AVG 5-7y	**0.12**	0.49	at 12/01	-0.14	at 27/09
	Bund 2y	**-0.64**	-0.34	at 01/01	-0.70	at 28/09
	Bund 10y	**0.10**	0.63	at 01/01	-0.22	at 28/09
	OAT 10y	**0.42**	0.98	at 01/01	0.10	at 27/09
	Corp. BBB	**1.39**	2.50	at 20/01	1.14	at 07/09
$	Treas. 2y	**0.89**	1.06	at 01/01	0.56	at 05/07
	Treas. 10y	**1.84**	2.27	at 01/01	1.36	at 08/07
	Corp. BBB	**3.37**	4.50	at 12/02	3.24	at 18/08
£	Treas. 2y	**0.29**	0.65	at 01/01	0.07	at 29/09
	Treas. 10y	**1.26**	1.96	at 01/01	0.61	at 12/08

At 27-10-16

10y bond yield & spreads

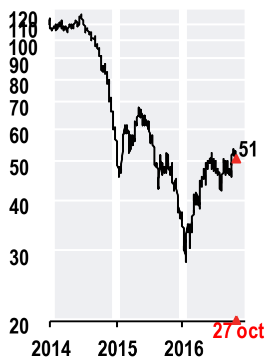
8.39%	Greece	829 pb
3.30%	Portugal	319 pb
1.63%	Italy	153 pb
1.20%	Spain	110 pb
0.64%	Ireland	54 pb
0.43%	Belgium	33 pb
0.42%	France	32 pb
0.36%	Austria	26 pb
0.30%	Finland	20 pb
0.29%	Netherland	19 pb
0.10%	Germany	

Commodities

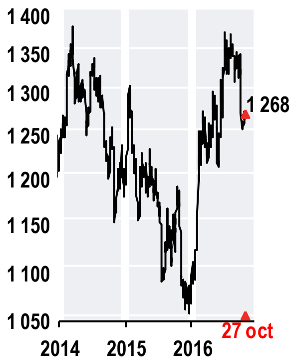
Spot price in dollars		lowest' 16			2016(€)
Oil, Brent	**51**	28	at	20/01	**+41.2%**
Gold (ounce)	**1 268**	1 062	at	01/01	**+18.8%**
Metals, LMEX	**2 435**	2 049	at	12/01	**+10.0%**
Copper (ton)	**4 782**	4 328	at	15/01	**+1.1%**
CRB Foods	**329**	325	at	21/10	**-2.3%**
wheat (ton)	**148**	126	at	16/08	**-4.5%**
Corn (ton)	**133**	113	at	31/08	**-3.9%**

At 27-10-16 *Variations*

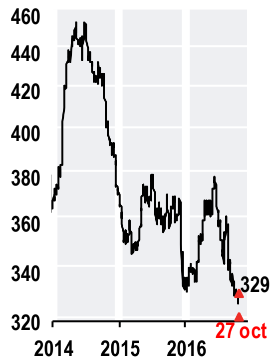
Oil (Brent, $)



Gold (Ounce, $)



CRB Foods



Exchange Rates

1€ =		highest' 16			lowest' 16			2016
USD	**1.09**	1.15	at	03/05	1.07	at	05/01	**+0.5%**
GBP	**0.90**	0.90	at	13/10	0.73	at	05/01	+21.7%
CHF	**1.08**	1.11	at	04/02	1.08	at	24/06	-0.3%
JPY	**114.68**	131.84	at	01/02	110.95	at	08/07	-12.2%
AUD	**1.44**	1.60	at	11/02	1.42	at	25/10	-3.7%
CNY	**7.40**	7.54	at	22/08	6.99	at	05/01	+4.9%
BRL	**3.45**	4.53	at	16/02	3.39	at	25/10	-19.8%
RUB	**68.46**	91.22	at	11/02	67.55	at	25/10	-13.7%
INR	**73.00**	77.50	at	11/02	71.42	at	05/01	+1.6%

At 27-10-16 *Variations*

Equity indices

	Index	highest' 16			lowest' 16			2016	2016(€)
CAC 40	**4 534**	4 637	at	01/01	3 897	at	11/02	-2.2%	**-2.2%**
S&P500	**2 133**	2 190	at	15/08	1 829	at	11/02	+4.4%	**+3.8%**
DAX	**10 717**	10 761	at	24/10	8 753	at	11/02	-0.2%	**-0.2%**
Nikkei	**17 336**	19 034	at	01/01	14 952	at	24/06	-8.9%	**+3.8%**
China*	**62**	65	at	22/09	48	at	12/02	+5.3%	**+4.7%**
India*	**482**	504	at	08/09	393	at	11/02	+5.9%	**+4.3%**
Brazil*	**1 867**	1 879	at	26/10	860	at	21/01	+43.9%	**+79.3%**
Russia*	**516**	529	at	10/10	331	at	20/01	+12.9%	**+26.9%**

At 27-10-16 *Variations*

* MSCI index

Economic forecasts

En %	GDP Growth			Inflation			Curr. account / GDP			Fiscal balances / GDP		
	2015	2016 e	2017 e	2015	2016 e	2017 e	2015	2016 e	2017 e	2015	2016 e	2017 e
Advanced	**1.9**	**1.4**	**1.3**	**0.3**	**0.7**	**1.5**						
United States	**2.6**	**1.5**	**1.6**	**0.1**	**1.3**	**2.3**	**-2.5**	**-2.6**	**-2.7**	**-2.5**	**-3.1**	**-3.1**
Japan	0.5	0.4	0.1	0.8	-0.2	0.5	3.3	3.6	3.2	-4.5	-4.3	-3.9
United Kingdom	2.2	1.6	0.7	0.1	0.6	2.4	-5.4	-5.9	-4.4	-4.1	-3.6	-4.4
Euro Area	**1.9**	**1.5**	**1.1**	**0.0**	**0.2**	**1.0**	**3.2**	**2.9**	**2.7**	**-2.1**	**-2.1**	**-1.9**
Germany	1.5	1.8	1.3	0.1	0.3	1.1	8.6	8.2	7.5	0.7	0.3	0.1
France	1.2	1.3	1.0	0.1	0.4	1.2	-0.2	-0.2	-0.4	-3.5	-3.4	-3.1
Italy	0.6	0.8	0.3	0.1	-0.1	0.9	2.2	2.2	2.1	-2.6	-2.8	-2.8
Spain	3.2	3.1	1.9	-0.6	-0.4	1.2	1.4	1.2	1.0	-5.1	-4.6	-3.5
Netherlands	2.0	1.8	1.3	0.2	0.1	0.8	8.5	8.5	8.1	-1.9	-1.2	-0.8
Belgium	1.4	1.2	1.5	0.6	1.5	1.5	0.8	1.3	1.5	-2.5	-2.7	-2.3
Portugal	1.6	1.0	1.1	0.5	0.8	1.2	0.8	0.6	0.4	-4.2	-2.9	-2.7
Emerging	**4.1**	**4.2**	**4.9**	**5.9**	**6.5**	**5.5**						
China	6.9	6.6	6.3	1.4	2.0	2.2	3.1	2.6	1.9	-2.4	-3.0	-3.2
India	7.2	7.9	8.3	4.9	5.4	5.0	-1.3	-1.1	-1.3	-4.1	-3.9	-3.5
Brazil	-3.8	-3.0	2.0	9.0	8.8	5.0	-3.3	-1.0	-1.5	-10.3	-10.1	-9.4
Russia	-3.7	0.0	2.2	15.6	7.1	5.4	5.2	2.8	3.5	-2.4	-3.4	-2.2
World	**3.1**	**3.0**	**3.3**	**3.5**	**4.0**	**3.8**						

Source : BNP Paribas Group Economic Research (e: Estimates & forecasts)

Financial forecasts

Interest rates		2016				2017						
End period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q3e	Q4e	**2015**	**2016e**	**2017e**
US	Fed Funds	0.25-0.5	0.25-0.5	0.25-0.5	0.50-0.75	0.50-0.75	0.50-0.75	0.50-0.75	0.50-0.75	0.25-0.5	0.50-0.75	0.50-0.75
	3-month Libor $	0.63	0.65	0.85	0.85	0.90	0.90	0.95	0.95	0.61	0.85	0.95
	10-year T-notes	1.79	1.49	1.61	1.60	1.60	1.55	1.55	1.50	2.27	1.60	1.50
EMU	Refinancing rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00
	3-month Euribor	-0.24	-0.29	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.13	-0.30	-0.30
	10-year Bund	0.16	-0.13	-0.19	-0.20	-0.20	-0.20	-0.20	-0.20	0.63	-0.20	-0.20
	10-year OAT	0.41	0.20	0.12	0.10	0.20	0.10	0.10	0.10	0.98	0.10	0.10
	10-year BTP	1.23	1.35	1.19	0.90	0.90	0.90	0.80	0.80	1.60	0.90	0.80
UK	Base rate	0.50	0.50	0.25	0.10	0.10	0.10	0.10	0.10	0.50	0.10	0.10
	3-month Libor £	0.59	0.56	0.38	0.20	0.30	0.35	0.35	0.35	0.59	0.20	0.35
	10-year Gilt	1.42	1.02	0.76	0.65	0.65	0.65	0.70	0.80	1.96	0.65	0.80
Japan	Overnight call rate	-0.00	-0.06	-0.06	-0.10	-0.10	-0.10	-0.10	-0.10	0.04	-0.10	-0.10
	3-month JPY Libor	0.10	0.06	0.06	0.05	0.05	0.05	0.05	0.05	0.17	0.05	0.05
	10-year JGB	-0.04	-0.23	-0.08	-0.10	-0.15	-0.15	-0.15	-0.15	0.25	-0.10	-0.15

Exchange rates		2016				2017						
End period		Q1	Q2	Q3	Q4e	Q1e	Q2e	Q3e	Q4e	**2015**	**2016e**	**2017e**
USD	EUR / USD	1.14	1.11	1.12	1.08	1.12	1.10	1.07	1.05	1.09	1.08	1.05
	USD / JPY	112	103	101	108	106	108	115	120	120	108	120
EUR	EUR / GBP	0.79	0.83	0.87	0.84	0.86	0.84	0.79	0.77	0.74	0.84	0.77
	EUR / CHF	1.09	1.08	1.09	1.12	1.13	1.14	1.15	1.16	1.09	1.12	1.16
	EUR/JPY	128	114	114	117	119	119	123	126	131	117	126

Source : BNP Paribas Group Economic Research / GlobalMarkets (e: Estimates & forecasts)

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