BNP PARIBAS

The bank
for a changing
world

ECONOMIC RESEARCH DEPARTMENT

Summary

United States
Reflation?
Data released this week highlight a rebound in activity and inflation. It is however too soon to read this as the first signs of the reflation some are expecting...
▶ **Page 2**

France
Significantly more jobs, a little less unemployment in 2016
The job market is finally showing clear signs of improvement. In 2016, 170 000 payroll jobs were created in the non-farm business sector, the strongest pace of job growth since 2007.
▶ **Page 3**

Market overview
▶ **Page 5**

Summary of forecasts
▶ **Page 6**

Also in

Creative destruction

■ The UK is about to start to leave the UE ■ A painful process that will need a certain degree of creativity

So far, so good. The UK, which has just approved the decision to exit the European Union (EU), has seen the downturn in Sterling and the rally in global markets bolster its economy. With short-term prospects improving, the Bank of England has raised its growth forecast to 2% in 2017, better than in the eurozone. Like the protectionism of the new Trump administration, Brexit is not hampering the pace of the business world. Some might be surprised, but the explanation for this is simple and should be seen as a word of caution: it has not yet started. At the end of March, after invoking article 50 launching the process of withdrawal from the EU, the British government will plunge into the heart of the matter. Notably, it must reach an agreement with the European Commission on the amount outstanding to be settled: the UK's exit payment could range between EUR 40 bn and EUR 60 bn. Britain must then unravel the innumerable ties that have been forged as part of the single market, which reach far beyond simple tariff agreements. The automobile industry, air transport and agro-food business, for example, are so deeply integrated that backtracking risks creating a massive regulatory and legal headache. In these and other areas, the Brexit negotiators will need lots of energy and inventiveness to replace the existing agreements with solutions that are acceptable by all. To paraphrase Schumpeter, the UK is entering a process of "creative destruction", and it is hard to imagine a happy ending.

THE FALL

Source: Bank of England

THE WEEK ON THE MARKETS

Week 10-2 17 > 16-2-17

		10-2 17		16-2-17	Change	
↗	**CAC 40**	4 828	▶	**4 899**	**+1.5**	%
↗	**S&P 500**	2 316	▶	**2 347**	**+1.3**	%
↗	Volatility (VIX)	10.9	▶	11.8	+0.9	%
↗	**Euribor 3M** (%)	-0.33	▶	**-0.33**	**+0.1**	bp
↗	Libor $ 3M (%)	1.04	▶	1.04	+0.6	bp
↘	OAT 10y (%)	1.05	▶	1.02	-2.3	bp
↗	Bund 10y (%)	0.32	▶	0.35	+3.1	bp
↗	US Tr. 10y (%)	2.43	▶	2.47	+4.3	bp
↗	**Euro vs dollar**	1.06	▶	**1.07**	**+0.4**	%
↗	Gold (ounce, $)	1 231	▶	1 242	+0.9	%
↘	**Oil (Brent, $)**	56.9	▶	**55.5**	**-2.5**	%

Source: Thomson Reuters

United States

Reflation?

■ **Cyclical indicators are looking upbeat. At the same time, inflation has rebounded.**

■ **These results should not be over-interpreted, however, since they might be due to nothing more than temporary factors.**

■ **For the moment, it is better to see these figures as a catching-up movement after an extended slump.**

Data released this week point to a rebound in activity and inflation. Yet it is too early to interpret them as the first signs of the reflation that some are expecting. Granted, inflation has made an impressive rebound, retail sales are reassuringly robust, and the turnaround in surveys, notably in the manufacturing sector, is encouraging. Yet we shouldn't over-interpret these results nor forget the risks.

Last summer, consumer price inflation was limited to about 1% year-on-year, whereas in January 2016, it surged to 2.5%, more or less in line with the Fed's target. This target is not based on the consumer price index (CPI) but rather on the less volatile personal consumption expenditures price index (PCE). In the past, PCE inflation of 2% – the Fed's target – has corresponded to CPI inflation of about 2.5%. As in the eurozone[1], the upturn in inflation must be seen above all as the result of the rebound in oil prices. The energy component of the CPI declined by about 10% year-on-year in summer 2016 but in January 2017, it rose by more than 11%. Last summer, energy was holding down inflation by roughly 0.7 percentage points, whereas today it is lifting inflation by about 0.8 pp. This perfectly explains the acceleration in prices. Core inflation, which excludes food and energy prices, has held at 2.3%, virtually the same level since last summer.

In February, the energy price base effect will be just as strong as in January, and it will not fade off until March, and then only gradually. If oil prices were to level off at current levels, the contribution of the energy component wouldn't normalise until May, fluctuating between 0.2 and 0.4 pp through the end of the year. Inflation would continue to be driven upwards by energy, albeit to a lesser extent. As to core prices, they depend primarily on wages.

Despite its dynamic momentum, the job market has still failed to generate sustained wage growth. The US economy has been creating jobs since October 2010, more than 15 million overall in a little over six years. Yet wages have stuck to a soft trend. The average hourly wages of non-supervisory and production workers – our preferred measurement – only increased 2.4%. In 2006-2007, when the unemployment rate was as low as it is today (4.8%), wages were growing at a pace of nearly 4%. This is probably due to residual underemployment. Despite the job market's impressive performance in recent years, there is still a large job gap. If from late 2007, job creation had been strong enough to absorb new entrants on the job market (net of those quitting it), non-farm payroll employment would be about 6.5 million higher than it is currently. Although this helps calm fears about an inflationary surge, it also calls for strong demand in order to normalise the labour market.

In this respect, recent retail sales trends are very encouraging. Reported in value terms, this data are volatile. To isolate volume effects from price effects, we have to focus only on "core" retail sales. The control group excludes vehicle and fuel sales as well as food services and building materials, and thus follows more closely the consumption of goods as defined in the national accounts. Those core sales have accelerated in recent months, rising to an annualised quarterly rate of 3.5% in January, from 1.2% in September 2016.

For the moment, manufacturing production has picked up, but not at such a robust pace. In January, output rose 2.2% (annualised 3-month rate) after a year of virtual stagnation. But prospects are definitely encouraging. First, the decline in inventory is bound to trigger a rebound in production. The inventory to sales ratio slipped from 1.40 in May to 1.35 in December. Second, surveys have picked up strongly since the beginning of the year. In January, manufacturing ISM rose to 56, a cumulative gain of 6.6 points in five months, driven by solid components for production (+12.1) and new orders (+11.5).

Surveys by the New York and Philadelphia Feds point to another upsurge in February. Our NEM composite index – using weighted data reconstructed according to the ISM calculation method – gained 1.6 points between January and February. This is a spectacular turnaround from last summer's trough, and in February, the NEM index hit 55.3, the highest level since year-end 2014, when US industrial output began to feel the strains of the drop-off in oil prices and the dollar's rebound.

Seen in this light, we can see the expected rebound as a catching-up movement after the sluggish growth reported by the US economy between year-end 2015 and mid-2016. A welcome performance, but nothing miraculous.

Since Donald Trump's election, mortgage rates have increased by about 65 basis points, enough to raise fears of a slowdown in construction. So yes, we are witnessing a cyclical rally. Yet the main explanations might be nothing more than temporary factors. Moreover, the strong dollar does not leave much room for a rebound in the manufacturing sector, whose external competitiveness is also undermined by the upturn in unit labour costs. It is too early to begin popping the corks.

[1] See "Euro*zone: four inflation criteria"*, Thibault Mercier, Eco Week BNP Paribas, 3 February 2017.

France

Significantly more jobs, a little less unemployment in 2016

- **The job market is finally showing clear signs of improvement. In 2016, 170 000 payroll jobs were created in the non-farm business sector, the strongest pace of job growth since 2007.**
- **The unemployment rate fell by 0.3 points to 10.1% in 2016 in annual average terms, the biggest decline since 2008.**
- **Even so, the job market is still far from being in good health. Further measures are still needed to remedy job market dysfunctions and mass unemployment. Once again, this will be one of the key challenges facing the next president.**

The year 2016 was a good one for the job market, clearly for employment and slightly less so for unemployment. The job market recovery that began in 2015 has not only been confirmed, but it has accelerated (see chart).

The net creation of 62,200 non-farm payroll jobs in Q4 2016 (INSEE's first estimate) brings the full-year 2016 total to 170,000, and to 191,700 when measured on a year-on-year basis. These figures show a significant improvement compared to 2015, when average annual job creations totalled 24,000, or 99,000 year-on-year in Q4 2015. The main drivers of job growth were in the services sector (159,000 net job creations in 2016, up from 82,000 in 2015) and temporary employment services (53,000 and 29,000 jobs, respectively). Industry and construction continue to report net job destructions, but the figures have been diminishing (-29,000 vs. -40,000 in industry, and -13,000 vs. -46,000 in construction).

In 2016, the pace of job creations also reached its highest level since 2007, even though economic growth was much slower (averaging 1.1% last year vs. 2.3% in 2007). In fact, non-farm payroll employment grew at the same pace as growth in 2016, an exceptional situation synonymous with the crushing of labour productivity gains. Yet, although the dynamic pace of job growth augurs well for economic growth in the short term, the absence of productivity gains is harmful for longer-term prospects.

The improvement of the unemployment situation is less important. In Q4 2016, the unemployment rate slipped to 10% of the labour force (9.7% for Metropolitan France), down 0.1 points compared to the previous quarter, and 0.2 points in year-on-year terms. In 2016, the full-year average dropped to 10.1%, 0.3 points less than in 2015, the biggest decline since 2008.

The number of category A jobseekers registered with *Pôle Emploi* also resumed declining: it is down 3% year-on-year in December. France counted 30,000 fewer Category A jobseekers in full-year 2016 than in 2015: although this is tiny compared to the total of 3.5 million, it is nonetheless the first decline since 2008. The jobless curve has been reversed even though only modestly so.

These favourable trends should be credited more to measures to boost the job content of growth undertaken over the past four years, rather than to growth alone, which has been relatively weak. Besides, although the French job market situation has improved, it is still far from being in good health. For example, non-farm payrolls are still nearly 2% below their pre-crisis peak (whereas GDP is 4.5% higher). And above all, the problem of mass unemployment and its structural nature is still intact.

Jobs and unemployment

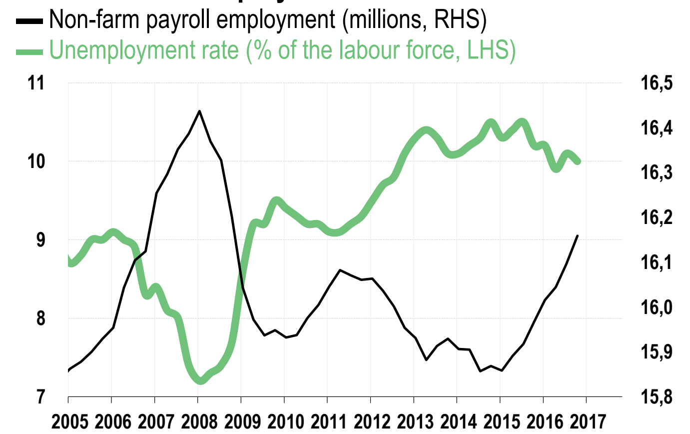


Chart Source: INSEE

Further measures are necessary to remedy the deep-rooted and persistent dysfunctions of the French job market[1]. Once again, this will be one of the key challenges facing the next president. To help clarify the debate, the table on next page summarises the job market proposals of the main presidential candidates (the four leaders based on current polls of voting intentions).

The table presents both specific job market measures and those aimed at supporting companies and households, and thus growth and employment (knowing that, other measures not presented here, typically financing measures, play in the opposite direction). A wide range of proposals have been made, but they can be aggregated along two key lines: greater (or lesser) job market flexibility, and the type of economic policy (whether the accent is placed more on supporting supply or stimulating demand).

[1] *See:* "France: unemployment, a deep-rooted problem", Conjoncture n°2, February 2015.

Comparison of economic platforms: job market proposals

	Fillon	Macron	Hamon	Le Pen
Job market	- El Khomri labour law maintained and accentuated with a refocus of the Labour Code on a few fundamental standards while leaving all the rest to company and sector-wide negotiations - Elimination of all references to an official working week; each company is given the liberty to negotiate collective bargaining agreements setting the number of working hours best adapted to their needs (within the European limit of a maximum 48-hour workweek) - Decreasing unemployment benefits - Introduction of a "secure" long-term job contract - Raising of social welfare thresholds	- El Khomri labour law maintained - 35-hour workweek maintained, albeit with greater possibilities for modulation - Universal unemployment benefits (open to the self-employed, small businessmen and employees who have resigned); end of the joint administration by social partners of the Unédic unemployment insurance system, which would be taken over by the State - Introduction of a floor and ceiling on labour court awards - Introduction of a bonus/penalty system for CDD short-term contracts - 50% increase in the in-work bonus (*prime d'activité*) - Limitation of government-subsidised contracts in the private sector	- Repeal of the El Khomri labour law - 35-hour workweek maintained, but various incentives for reducing the number of working hours	- Withdrawal of the El Khomri labour law - 35-hour workweek maintained, but authorisation to negotiate an increase in the number of hours worked exclusively at the branch level, on condition of full wage compensation - Creation of a "first job" system, with total exemption of employer contributions for hiring youth under 21, for a maximum of 2 years - Massive development of work-study programmes
Support for companies	- EUR 40 bn in tax cuts (including capital taxation measures): transformation of the CICE tax credit into an employers' contributions cut; cut in the corporate tax rate (from 33.3% to 25%); reductions in various taxes paid by companies	- Transformation of the CICE tax credit into an employers' contributions cut - An additional 4-point reduction in employers' contributions for minimum-wage earners (in addition to the 6-point decline due to the transformation of the CICE tax credit)	- The CICE tax credit is tied to employment targets, ecological improvements and a reduction in the number of hours worked	- Support measures target small and very small SME: introduction of an intermediary corporate tax rate of 24% (EUR 5.5 bn) - Transformation of the CICE tax credit into an employers' contribution cut, which would be tied to preserving employment - Priority given to French companies, notably SMEs, for public contracts (unless national products are more than 25% more expensive than international products)
Support for households	- EUR 12 bn in tax cuts: reintroduction of universal family allowances; increase in the ceiling on the family quotient; lump-sum deduction for employees' contributions; revaluation of small pensions	- Elimination of employees' contributions for health and unemployment insurance (EUR 22 bn)	- Immediate 10% increase in the minimum wage and minimum social welfare benefits; revaluation of the public sector point system - Reduction in the CSG tax for low-income households (*via* a merger with income tax; number of tax brackets increased to 10)	- EUR 40 bn in tax cuts (EUR 20 bn) and support for purchasing power (EUR 20 bn): tax exemption of overtime work; 10% reduction in income taxes for first three tax brackets; local and property tax cuts; increase in the ceiling on the family quotient; reintroduce the universal family allowances; 20% increase in minimum old-age pensions and the allocation for adults with disabilities; purchasing power bonus (by revaluing low wages and pensions); increase in public sector point system

Table Source: BNP Paribas

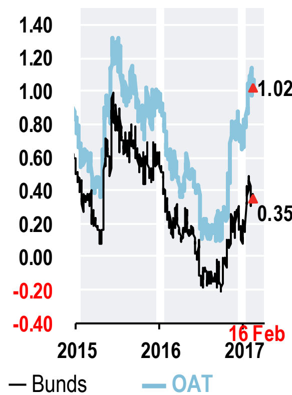
Markets overview

The essentials

Week 10-2 17 > 16-2-17

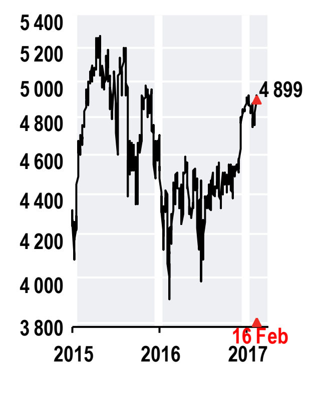
↗	**CAC 40**	4 828	▸	**4 899**	**+1.5**	%
↗	**S&P 500**	2 316	▸	**2 347**	**+1.3**	%
↗	Volatility (VIX)	10.9	▸	11.8	+0.9	%
↗	**Euribor 3M** (%)	-0.33	▸	**-0.33**	**+0.1**	bp
↗	Libor $ 3M (%)	1.04	▸	1.04	+0.6	bp
↘	OAT 10y (%)	1.05	▸	1.02	-2.3	bp
↗	Bund 10y (%)	0.32	▸	0.35	+3.1	bp
↗	US Tr. 10y (%)	2.43	▸	2.47	+4.3	bp
↗	**Euro vs dollar**	1.06	▸	**1.07**	**+0.4**	%
↗	Gold (ounce, $)	1 231	▸	1 242	+0.9	%
↘	**Oil (Brent, $)**	56.9	▸	**55.5**	**-2.5**	%

10 y bond yield, OAT vs Bund



Euro-dollar

CAC 40



Money & Bond Markets

Interest Rates		highest' 17		lowest' 17	
€ ECB	**0.00**	0.00	at 02/01	0.00	at 02/01
Eonia	**-0.35**	-0.35	at 04/01	-0.36	at 02/01
Euribor 3M	**-0.33**	-0.32	at 02/01	-0.33	at 17/01
Euribor 12M	**-0.11**	-0.08	at 02/01	-0.11	at 16/02
$ FED	**0.75**	0.75	at 02/01	0.75	at 02/01
Libor 3M	**1.04**	1.04	at 20/01	1.00	at 02/01
Libor 12M	**1.72**	1.73	at 20/01	1.68	at 06/01
£ BoE	**0.25**	0.25	at 02/01	0.25	at 02/01
Libor 3M	**0.36**	0.37	at 05/01	0.35	at 03/02
Libor 12M	**0.75**	0.78	at 09/01	0.75	at 14/02

At 16-2-17

Yield (%)			highest' 17		lowest' 17	
€	AVG 5-7y	**0.51**	0.56	at 02/02	0.23	at 02/01
	Bund 2y	**-0.78**	-0.66	at 25/01	-0.83	at 14/02
	Bund 10y	**0.35**	0.49	at 26/01	0.09	at 02/01
	OAT 10y	**1.02**	1.14	at 06/02	0.67	at 02/01
	Corp. BBB	**1.54**	1.65	at 01/02	1.49	at 02/01
$	Treas. 2y	**1.21**	1.26	at 15/02	1.15	at 23/01
	Treas. 10y	**2.47**	2.52	at 15/02	2.33	at 17/01
	Corp. BBB	**3.75**	3.81	at 03/01	3.68	at 17/01
£	Treas. 2y	**0.06**	0.22	at 06/01	0.06	at 02/01
	Treas. 10y	**1.26**	1.51	at 26/01	1.22	at 08/02

At 16-2-17

10y bond yield & spreads

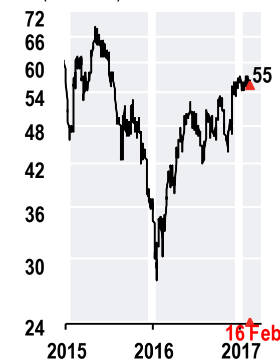
Yield	Country	Spread
7.83%	Greece	748 pb
4.24%	Portugal	388 pb
2.15%	Italy	179 pb
1.59%	Spain	123 pb
1.05%	Ireland	70 pb
1.02%	France	67 pb
0.86%	Belgium	51 pb
0.61%	Austria	25 pb
0.54%	Finland	19 pb
0.49%	Netherland	14 pb
0.35%	Germany	

Commodities

Spot price in dollars		lowest' 17			2017(€)
Oil, Brent	55	54	at	19/01	**-3.4%**
Gold (ounce)	**1 242**	1 156	at	03/01	**+6.1%**
Metals, LMEX	**2 921**	2 639	at	03/01	**+8.5%**
Copper (ton)	**5 983**	5 487	at	03/01	**+7.1%**
CRB Foods	**349**	339	at	02/01	**+1.8%**
wheat (ton)	**164**	146	at	02/01	**+11.0%**
Corn (ton)	**139**	133	at	02/01	**+3.8%**

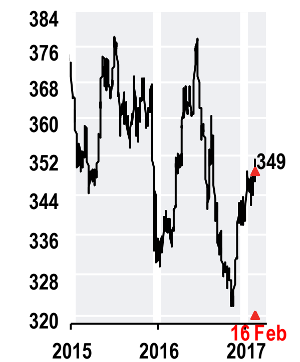
At 16-2-17 — *Variations*

Oil (Brent, $)



Gold (Ounce, $)

CRB Foods



Exchange Rates

1€ =		highest' 17			lowest' 17			2017
USD	**1.07**	1.08	at	31/01	1.04	at	03/01	**+1.2%**
GBP	**0.85**	0.88	at	16/01	0.85	at	26/01	-0.0%
CHF	**1.07**	1.07	at	24/01	1.06	at	08/02	-0.6%
JPY	**120.90**	123.21	at	06/01	119.70	at	08/02	-1.7%
AUD	**1.39**	1.46	at	02/01	1.38	at	15/02	-4.7%
CNY	**7.32**	7.43	at	31/01	7.22	at	03/01	-0.2%
BRL	**3.27**	3.44	at	18/01	3.24	at	15/02	-4.8%
RUB	**61.50**	64.95	at	31/01	60.60	at	15/02	-4.5%
INR	**71.54**	73.32	at	31/01	70.72	at	14/02	-0.1%

At 16-2-17 — *Variations*

Equity indices

	Index	highest' 17			lowest' 17			2017	2017(€)
CAC 40	**4 899**	4 925	at	15/02	4 749	at	31/01	+0.8%	**+0.8%**
S&P500	**2 347**	2 349	at	15/02	2 239	at	02/01	+4.8%	**+3.6%**
DAX	**11 757**	11 849	at	26/01	11 510	at	06/02	+2.4%	**+2.4%**
Nikkei	**19 348**	19 594	at	04/01	18 788	at	24/01	+1.2%	**+3.0%**
China*	**66**	66	at	16/02	59	at	02/01	+12.0%	**+10.7%**
India*	**485**	486	at	13/02	445	at	03/01	+7.2%	**+7.2%**
Brazil*	**1 993**	1 998	at	15/02	1 654	at	02/01	+12.1%	**+17.8%**
Russia*	**604**	622	at	03/01	589	at	23/01	-4.4%	**-1.0%**

At 16-2-17 — *Variations*

* MSCI index

Economic forecasts

En %	GDP Growth			Inflation			Curr. account / GDP			Fiscal balances / GDP		
	2016 e	2017 e	2018 e	2016 e	2017 e	2018 e	2016 e	2017 e	2018 e	2016 e	2017 e	2018 e
Advanced	**1.6**	**1.7**	**2.1**	**0.8**	**1.7**	**1.9**						
United States	**1.6**	**2.4**	**2.8**	**1.3**	**2.4**	**2.5**	**-2.5**	**-2.4**	**-2.4**	**-3.4**	**-4.2**	**-5.0**
Japan	1.0	1.1	0.8	-0.1	0.7	1.0	3.6	3.8	4.1	-4.6	-4.2	-4.1
United Kingdom	2.1	1.1	1.6	0.6	2.4	2.6	-5.5	-4.6	-3.5	-3.7	-4.0	-4.1
Euro Area	**1.7**	**1.5**	**1.5**	**0.2**	**1.6**	**1.2**	**3.2**	**2.9**	**2.9**	**-1.8**	**-1.6**	**-1.4**
Germany	1.8	1.8	1.9	0.4	1.6	1.5	8.9	8.1	8.4	0.6	0.6	0.5
France	1.1	1.3	1.5	0.3	1.0	0.9	-0.9	-0.6	-0.8	-3.4	-3.0	-2.7
Italy	0.9	0.6	0.7	-0.1	1.1	0.9	2.0	2.2	2.0	-2.5	-2.6	-2.6
Spain	3.3	2.4	2.0	-0.3	2.2	1.4	1.1	1.6	1.6	-4.6	-3.8	-3.2
Netherlands	2.2	2.0	1.6	0.1	1.0	1.4	8.5	8.3	8.0	-1.1	-0.5	-0.2
Belgium	1.4	1.2	1.4	1.8	1.6	1.6	0.8	0.6	0.6	-2.9	-1.6	-1.9
Emerging	**4.3**	**4.6**	**5.1**	**4.8**	**4.4**	**4.2**						
China	6.7	6.2	6.4	2.0	2.3	2.5	2.2	1.7	1.5	-3.0	-3.3	-3.5
India	7.5	8.1	8.3	5.0	5.7	4.9	-1.1	-0.5	-1.3	-3.9	-3.5	-3.5
Brazil	-3.5	1.0	3.0	8.2	4.5	4.4	-1.1	-1.4	-2.1	-9.6	-9.3	-7.4
Russia	-0.5	1.0	2.5	7.0	4.6	4.2	2.5	2.7	3.2	-3.7	-2.9	-1.8
World	**3.1**	**3.3**	**3.8**	**3.1**	**3.3**	**3.3**						

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

Financial forecasts

Interest rates		2016				2017						
End period		Q1	Q2	Q3	Q4	Q1e	Q2e	Q3e	Q4e	**2016**	**2017e**	**2018e**
US	Fed Funds	0.25-0.5	0.25-0.5	0.25-0.5	0.75	0.50-0.75	0.50-0.75	0.75-1.00	1.00-1.25	0.25-0.75	1.00-1.25	2.00-2.25
	3-month Libor $	0.63	0.65	0.85	1.00	0.90	0.90	0.95	1.10	1.00	1.10	2.45
	10-year T-notes	1.79	1.49	1.61	2.45	2.55	2.75	2.85	3.00	2.45	3.00	3.50
EMU	Refinancing rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	3-month Euribor	-0.24	-0.29	-0.30	-0.32	-0.30	-0.30	-0.30	-0.30	-0.32	-0.30	-0.15
	10-year Bund	0.16	-0.13	-0.19	0.11	0.40	0.50	0.60	0.70	0.11	0.70	1.20
	10-year OAT	0.41	0.20	0.12	0.69	0.90	0.90	1.00	1.10	0.69	1.10	1.70
	10-year BTP	1.23	1.35	1.19	1.84	1.90	2.10	2.30	2.50	1.84	2.50	3.00
UK	Base rate	0.50	0.50	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
	3-month Libor £	0.59	0.56	0.38	0.37	0.40	0.40	0.40	0.40	0.37	0.40	0.40
	10-year Gilt	1.42	1.02	0.76	1.24	1.70	1.65	1.75	1.90	1.24	1.90	2.15
Japan	Overnight call rate	-0.00	-0.06	-0.06	-0.06	-0.10	-0.10	-0.10	-0.10	-0.06	-0.10	-0.10
	3-month JPY Libor	0.10	0.06	0.06	0.06	-0.10	-0.10	-0.10	-0.10	0.06	-0.10	0.05
	10-year JGB	-0.04	-0.23	-0.08	0.05	-0.06	-0.05	-0.02	0.00	0.05	0.00	0.15

Exchange rates		2016				2017						
End period		Q1	Q2	Q3	Q4	Q1e	Q2e	Q3e	Q4e	**2016**	**2017e**	**2018e**
USD	EUR / USD	1.14	1.11	1.12	1.05	1.04	1.02	1.02	1.00	1.05	1.00	1.06
	USD / JPY	112	103	101	117	118	121	124	128	117	128	130
EUR	EUR / GBP	0.79	0.83	0.87	0.85	0.83	0.82	0.82	0.80	0.85	0.80	0.82
	EUR / CHF	1.09	1.08	1.09	1.07	1.08	1.10	1.12	1.12	1.07	1.12	1.15
	EUR/JPY	128	114	114	123	123	123	126	128	123	128	138

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

Most recent articles

FEBRUARY	10 February	**17-06**	Emerging: Justified caution Turkey: A complex equation
	03 February	**17-05**	Eurozone: Four inflation criteria China: The threat of capital outflows
JANUARY 2017	27 january	**17-04**	Global: 2017 outlook France: Could growth be stronger in 2017 than in 2016? Brazil: A slow recovery in the making
	20 january	**17-03**	Global: Focus on a classical nexus United States: Ceasing purchases is the plan Italy: Monte dei Paschi: What's next?
	13 January	**17-02**	United Kindgom: London Bridge Is Falling Down European Union: Dealing with Chinese competition France: Towards a net rebound in Q4 growth
	6 January	**17-01**	Global: A weak euro for long Global: 2017: A critical year for the climate negotiations Eurozone: Characteristics of a healthier job market
DECEMBER	16 December	**16-44**	United States: A bird in the hand is worth two in the bush Netherlands: Government faces disgruntled voters
	09 December	**16-43**	Eurozone: ECB: "A sustained presence on the markets" Eurozone: The European Commission's case Italy: Referendum: limited consequences for banks
	02 December	**16-42**	France: Inflation picks up slightly Portugal: The European Commission shows some flexibility
NOVEMBER	25 November	**16-41**	Japan: Abenomics: A failure called too early France: Labour market: Late November update
	18 November	**16-40**	Global: Youth unemployment: an important ongoing policy challenge Ireland: Beyond revisions
	10 November	**16-39**	United States: The day after tomorrow France: A closer look at weak Q3 growth Finland: Slow motion turnaround
	04 November	**16-38**	United States: Time to spend China: No rest for credit risks
OCTOBER	28 October	**16-37**	United States: The sin of certainty Russia: A budget constrained
	21 October	**16-36**	Eurozone: ECB: Waiting for December Austria: Worrisome trends
	14 October	**16-35**	United States: In the name of credibility, but which one ? France: The CICE tax credit must still prove its worth
	07 October	**16-34**	Eurozone: Budget season France: Economic indicators are turning green
SEPTEMBER	30 September	**16-33**	Germany: Slowing growth but peaking confidence France: A constrained budget
	23 September	**16-32**	United States: Rich, deep, serious Eurozone: ECB: The PSPP parameters Japan: Monetary policy: let's give it another try France: Growth prospects and confidence
	16 September	**16-31**	United States: The meaning of prudence France: Labour market: a mild but virtuous improvement
	09 September	**16-30**	United States: Who pays the ferryman? On the disappearance of the treasury market risk premium Eurozone: ECB: the status quo, for the time being Emerging countries: Is the restart of portfolio investments justified?
	02 September	**16-29**	United States: Jackson Hole 2016 : conventional monetary policy redefined Eurozone: Summer's end France: Growth hits another snag
JULY	29 July	**16-28**	Global: A midsummer month's dream European Union: A transitional phase for bail-ins

BNP PARIBAS

The bank
for a changing
world

Group Economic Research

Name	Phone	Email
William DE VIJLDER Chief Economist	+33(0)1 55 77 47 31	william.devijlder@bnpparibas.com

ADVANCED ECONOMIES AND STATISTICS

Name	Phone	Email
Jean-Luc PROUTAT Head	+33.(0)1.58.16.73.32	jean-luc.proutat@bnpparibas.com
Alexandra ESTIOT Works coordination - United States - United Kingdom - Globalisation	+33.(0)1.58.16.81.69	alexandra.estiot@bnpparibas.com
Hélène BAUDCHON France (short-term outlook and forecasts) - Labour markets	+33.(0)1.58.16.03.63	helene.baudchon@bnpparibas.com
Frédérique CERISIER Euro Area - European institutions and governance - Public finances	+33.(0)1.43.16.95.52	frederique.cerisier@bnpparibas.com
Thibault MERCIER France (structural reforms) - European central bank	+33.(0)1.57.43.02.91	thibault.mercier@bnpparibas.com
Manuel NUNEZ Japan, Ireland - Projects	+33.(0)1.42.98.27.62	manuel.a.nunez@bnpparibas.com
Catherine STEPHAN Spain, Portugal - World trade - Education, health, social conditions	+33.(0)1.55.77.71.89	catherine.stephan@bnpparibas.com
Raymond VAN DER PUTTEN Germany, Netherlands, Austria, Switzerland - Energy, climate - Long-term projections	+33.(0)1.42.98.53.99	raymond.vanderputten@bnpparibas.com
Tarik RHARRAB Statistics and Modelling	+33.(0)1.43.16.95.56	tarik.rharrab@bnpparibas.com

BANKING ECONOMICS

Name	Phone	Email
Laurent QUIGNON Head	+33.(0)1.42.98.56.54	laurent.quignon@bnpparibas.com
Céline CHOULET	+33.(0)1.43.16.95.54	celine.choulet@bnpparibas.com
Thomas HUMBLOT	+33.(0)1.42.98.44.24	thomas.humblot@bnpparibas.com
Laurent NAHMIAS	+33.(0)1.40.14.30.77	laurent.nahmias@bnpparibas.com

EMERGING ECONOMIES AND COUNTRY RISK

Name	Phone	Email
François FAURE Head	+33.(0)1 42 98 79 82	francois.faure@bnpparibas.com
Christine PELTIER Deputy Head - Greater China, Vietnam - Methodology	+33.(0)1.42.98.56.27	christine.peltier@bnpparibas.com
Stéphane ALBY Africa (French-speaking countries)	+33.(0)1.42.98.02.04	stephane.alby@bnpparibas.com
Sylvain BELLEFONTAINE Turkey, Brazil, Mexico, Central America - Methodology	+33.(0)1.42.98.26.77	sylvain.bellefontaine@bnpparibas.com
Valérie PERRACINO-GUERIN Africa (English and Portuguese speaking countries)	+33.(0)1.55.77.80.60	valerie.perracino@bnpparibas.com
Pascal DEVAUX Middle East, Balkan countries - Scoring	+33.(0)1.43.16.95.51	pascal.devaux@bnpparibas.com
Anna DORBEC CIS, Central European countries	+33.(0)1.42.98.48.45	anna.dorbec@bnpparibas.com
Hélène DROUOT Asia	+33.(0)1.42.98.33.00	helene.drouot@bnpparibas.com
Johanna MELKA Asia, Russia	+33.(0)1.58.16.05.84	johanna.melka@bnpparibas.com
Alexandra WENTZINGER South America, Caribbean countries	+33.(0)1.42.98.74.26	alexandra.wentzinger@bnpparibas.com

Name	Phone	Email
Michel BERNARDINI Public Relation Officer	+33.(0)1.42.98.05.71	michel.bernardini@bnpparibas.com

BNP PARIBAS

The bank
for a changing
world

OUR PUBLICATIONS

CONJONCTURE

Structural or in news flow, two issues analysed in depth

EMERGING

Analyses and forecasts for a selection of emerging economies

PERSPECTIVES

Analyses and forecasts for the main countries, emerging or developed

ECOFLASH

Data releases, major economic events. Our detailed views...

ECOWEEK

Weekly economic news and much more...

ECOTV

In this monthly web TV, our economists make sense of economic news

ECOTV WEEK

What is the main event this week? The answer is in your two minutes of economy

The information and opinions contained in this report have been obtained from, or are based on, public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate, complete or up to date and it should not be relied upon as such. This report does not constitute an offer or solicitation to buy or sell any securities or other investment. It does not constitute investment advice, nor financial research or analysis. Information and opinions contained in the report are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient; they are subject to change without notice and not intended to provide the sole basis of any evaluation of the instruments discussed herein. Any reference to past performance should not be taken as an indication of future performance. To the fullest extent permitted by law, no BNP Paribas group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this report. All estimates and opinions included in this report are made as of the date of this report. Unless otherwise indicated in this report there is no intention to update this report. BNP Paribas SA and its affiliates (collectively "BNP Paribas") may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this report or derivatives thereon. BNP Paribas may have a financial interest in any issuer or person mentioned in this report, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon. Prices, yields and other similar information included in this report are included for information purposes. Numerous factors will affect market pricing and there is no certainty that transactions could be executed at these prices. BNP Paribas, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this report. BNP Paribas may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this report. BNP Paribas may be a party to an agreement with any person relating to the production of this report. BNP Paribas, may to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis on which it was based, before its publication. BNP Paribas may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this report. Any person mentioned in this report may have been provided with sections of this report prior to its publication in order to verify its factual accuracy.

BNP Paribas is incorporated in France with limited liability. Registered Office 16 Boulevard des Italiens, 75009 Paris. This report was produced by a BNP Paribas group company. This report is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNP Paribas. By accepting this document you agree to be bound by the foregoing limitations.

Certain countries within the European Economic Area:

This report has been approved for publication in the United Kingdom by BNP Paribas London Branch. BNP Paribas London Branch is authorised and supervised by the Autorité de Contrôle Prudentiel and authorised and subject to limited regulation by the Financial Services Authority. Details of the extent of our authorisation and regulation by the Financial Services Authority are available from us on request.

This report has been approved for publication in France by BNP Paribas SA. BNP Paribas SA is incorporated in France with Limited Liability and is authorised by the Autorité de Contrôle Prudentiel (ACP) and regulated by the Autorité des Marchés Financiers (AMF). Its head office is 16, boulevard des Italiens 75009 Paris, France.

This report is being distributed in Germany either by BNP Paribas London Branch or by BNP Paribas Niederlassung Frankfurt am Main, a branch of BNP Paribas S.A. whose head office is in Paris, France. BNP Paribas S.A. – Niederlassung Frankfurt am Main, Europa Allee 12, 60327 Frankfurt is authorised and supervised by the Autorité de Contrôle Prudentiel and it is authorised and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United States: This report is being distributed to US persons by BNP Paribas Securities Corp., or by a subsidiary or affiliate of BNP Paribas that is not registered as a US broker-dealer. BNP Paribas Securities Corp., a subsidiary of BNP Paribas, is a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority and other principal exchanges. BNP Paribas Securities Corp. accepts responsibility for the content of a report prepared by another non-U.S. affiliate only when distributed to U.S. persons by BNP Paribas Securities Corp.

Japan: This report is being distributed in Japan by BNP Paribas Securities (Japan) Limited or by a subsidiary or affiliate of BNP Paribas not registered as a financial instruments firm in Japan, to certain financial institutions defined by article 17-3, item 1 of the Financial Instruments and Exchange Law Enforcement Order. BNP Paribas Securities (Japan) Limited is a financial instruments firm registered according to the Financial Instruments and Exchange Law of Japan and a member of the Japan Securities Dealers Association and the Financial Futures Association of Japan. BNP Paribas Securities (Japan) Limited accepts responsibility for the content of a report prepared by another non-Japan affiliate only when distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan.

Hong Kong: This report is being distributed in Hong Kong by BNP Paribas Hong Kong Branch, a branch of BNP Paribas whose head office is in Paris, France. BNP Paribas Hong Kong Branch is registered as a Licensed Bank under the Banking Ordinance and regulated by the Hong Kong Monetary Authority. BNP Paribas Hong Kong Branch is also a Registered Institution regulated by the Securities and Futures Commission for the conduct of Regulated Activity Types 1, 4 and 6 under the Securities and Futures Ordinance.

Some or all the information reported in this document may already have been published on
https://globalmarkets.bnpparibas.com

© BNP Paribas (2015). All rights reserved.

© BNP Paribas (2015). All rights reserved.

Prepared by Economic Research – BNP PARIBAS
Registered Office: 16 boulevard des Italiens – 75009 PARIS
Tel : +33 (0) 1.42.98.12.34
Internet : www.group.bnpparibas.com - www.economic-research.bnpparibas.com

Publisher: Jean Lemierre
Editor : William De Vijlder