Summary

China

Put to the test

The stock market plunge reveals strong and persistent concerns about growth, but also the difficulties of the structural reform process. In the short-run, we can expect more stimulus measures.

▶ Page 2

United States

What about inflation?

Inflation is picking up. Even if part of the story, energy prices are not the only responsible. Several measures of core inflation are doing better. Still, the question of the sustainability of the phenomenon remains open.

▶ Page 4

Greece

When can we expect to see growth ?

As much as the implementation of reforms, the return of economic growth is a necessity for the success of the assistance program. The sharp drop-off in investment and foreign trade paints a darker picture than the one suggested by the relatively mild decline in GDP so far.

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Market overview

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Summary of forecasts

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Also in :

Eco TV WEEK

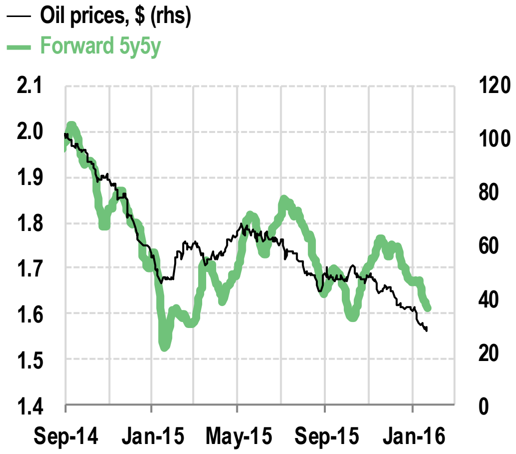
Life On March?

■ Money policy will be reviewed…

■… and possibly reconsidered at the next meeting in March

Unsurprisingly, the European Central Bank (ECB) held its monetary policy steady in January. Mario Draghi nonetheless delivered a very accommodating message, taking note of greater risks – notably from the emerging economies – weighing on the eurozone recovery. He also indicated that monetary policy would be reviewed and possibly reconsidered at the next meeting in March, when the ECB will publish its updated macro projection including a forecast for 2018. Although its growth forecast for 2016 could be revised slightly downwards, it is mainly the inflation outlook that is likely to be lowered given the euro's recent appreciation (+4.5% in nominal effective terms since mid-November) and another sharp drop in oil prices (-37% since mid-November). At a time when inflation is verging on 0%, the oil shock is straining inflation expectations (chart), which through a second-round effect could restrict wage formation. This could set in motion a vicious circle with declining expectations pulling down inflation, a threat the ECB is unwilling to risk. The central bank declared it has "the power, the willingness and the determination to act" with no limits other than its mandate.

GOING SOUTH



Sources: Bloomberg, BNP Paribas

THE WEEK ON THE MARKETS

Week 18-1 16 > 21-1-16

↘ **CAC 40**	4 210	▶	**4 206**	**-0.1**	%
↘ **S&P 500**	1 880	▶	**1 869**	**-0.6**	%
↘ Volatility (VIX)	27.0	▶	26.7	-0.3	%
↘ **Euribor 3M** (%)	-0.14	▶	**-0.15**	**-0.4**	bp
↗ Libor $ 3M (%)	0.62	▶	0.62	+0.2	bp
↘ OAT 10y (%)	0.86	▶	0.79	-7.1	bp
↘ Bund 10y (%)	0.47	▶	0.38	-8.9	bp
↘ US Tr. 10y (%)	2.04	▶	2.03	-0.9	bp
↘ **Euro vs dollar**	1.10	▶	**1.08**	**-1.2**	%
↗ Gold (ounce, $)	1 090	▶	1 094	+0.3	%
↘ **Oil (Brent, $)**	29.8	▶	**29.1**	**-2.3**	%

Source: Thomson Reuters

China

Put to the test

- **Panic shook the Chinese stock markets in early January, revealing persistently strong concerns about China's slowing growth and the effectiveness of its economic policy.**
- **It also brings to light the troubles the authorities are encountering in pushing through structural reforms.**
- **With downside risks straining short-term growth prospects, the authorities are bound to launch more stimulus measures. In particular, they are counting on an upturn in public investment and tax relief to support domestic demand.**

A difficult start to the year

The Chinese economy was hard hit in 2015. In the industry, problems due to weak domestic and external demand, overcapacities and dwindling corporate profits have worsened, and production growth slowed to an all-time low (+6%). This was only partially offset by a good performance in the services sector (+8.3%). Moreover, China has had to deal with unprecedented capital outflows, which have made it harder both to implement an expansionist monetary policy and drive through the reform of the foreign exchange regime. In 2015, the central bank lost 13% of its foreign reserves (which are still very comfortable at USD 3,330 bn) and the yuan lost 4.7% against the US dollar. In the equity markets, share prices collapsed over the summer after an euphoric year. Local governments saw their resources evaporate due to the economic slowdown and the correction in the real estate market, which severely eroded their financial situation and reduced any leeway to support activity. Corporate debt (including that of entities owned by local governments) continued to swell to almost 165% of GDP at year-end 2015, up from 100% at year-end 2008. In this context, corporates' capacity to service their debt has continued to weaken, and the financial sector's performance to deteriorate.

The year 2016 did not get off to a better start. The stock markets have already racked up major losses: the composite index of the Shanghai Stock Exchange dropped 7% on 4 January and again on 7 January (for a cumulative loss of 18% in the first 15 days of 2016). In both cases, the authorities triggered the circuit breaker system, which took effect on 1 January and is aimed at suspending trading for the rest of the day when the index declines by 7%. However, this mechanism has aggravated investors' jitters.

The stock market corrections were triggered by: i) the publication of the PMI index for the manufacturing sector at the end of December, which held below 50, squashing hopes for a recovery in industrial growth in the very short term, and ii) the authorities' decision to accelerate the yuan's depreciation, which fell 1.6% against the USD between 1 and 8 January. The decision was a response to capital outflows, which worsened in the year-end period, as illustrated by the record decline in foreign reserves in December. It also reflects a new step in reforming the foreign exchange regime, which now gives greater consideration to fluctuations in the yuan's effective exchange

Foreign reserves and exchange rate

Downward adjustments reach record levels

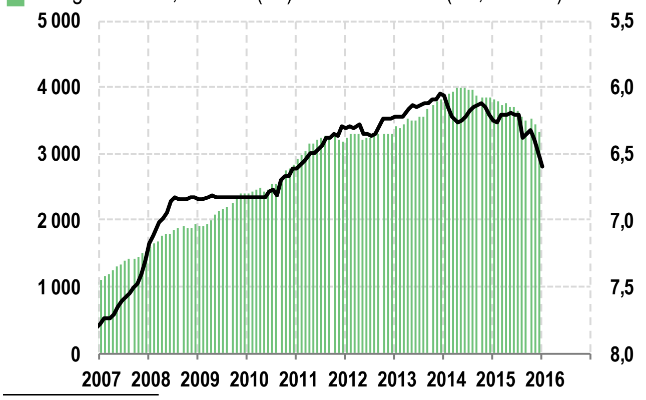


Chart 1 Sources: SAFE, Macrobond

rate. The effective exchange rate appreciated by 2.9% between year-end 2014 and November 2015, based on the central bank's new index[1]. Investors are worried about several factors, including: the lack of detailed explanation reported by the authorities, the possible reasons explaining the yuan's recent depreciation (such as problems encountered by exporters and capital account deterioration), its potential consequences (on Chinese enterprises with foreign-currency debt, on foreign exchange markets in the region…), and increasing expectations of yuan depreciation in the short term.

In addition, stock market investors also anticipated a massive sell-off of securities by the largest shareholders by 8 January, when the ban on selling shares introduced last June had to expire. In response to the wave of panic, the authorities finally restricted large shareholders from selling more than 1% of a given stock over the next three months. They also abandoned the circuit breaker mechanism. Even so, the authorities' interferences and their "trial and error" approach to market regulation may well have eroded investors' confidence even further.

The growth slowdown continues

The stock market crisis should have only limited contagion effects on the rest of the economy: equity financing accounted for only 5% of new financing flows to the economy in 2015, and wealth effects are not significant (less than 20% of households' financial assets are invested in equities). Systemic risks are also relatively limited, although they have been growing over the past year due to the increasing interconnections between the stock market, banks and other financial institutions.

[1] The composite index of the China Foreign Exchange Trading System (CFETS) measures fluctuations in the yuan relative to a basket of 13 currencies, which curiously excludes the currencies of some of China's main Asian trading partners, notably South Korea.

The stock market crisis is more alarming because it reveals the persistently strong fears about the Chinese growth slowdown. It seems to capture the challenges involved in the economy's current transition towards a growth regime that is more moderate and less dependent on credit and investment. The authorities are finding it increasingly difficult to contain the risks arising from the adjustment in investment (i.e. to stimulate activity) while pursuing structural reforms (reduction in industrial overcapacity, streamlining of local government finances, fight against corruption, tighter financial sector regulation, capital account opening and liberalization of the foreign exchange regime…). These reforms are indispensable for the transition, but some of them risk having a recessionary impact in the short term. Consequently, in addition to the economic slowdown and rising vulnerabilities (industrial crisis, debt excess, capital outflows, asset market correction), investors are also becoming increasingly nervous about uncertainty over China's economic policy.

In our central scenario, the authorities will continue to pursue structural reforms in the years ahead, and step up stimulus measures in the short term in order to help contain the growth slowdown. We expect real GDP growth to slow to 6.3% in 2016, from 6.9% in 2015. This scenario remains positive, but has a number of downside risks, given the troubles in the industry, the worsening efficiency of investment and credit, rising financial fragility of corporates, local governments and banks, and the risk of contagion of the industrial slowdown on the services sector.

Fiscal policy loosening to the rescue

To address these risks, the authorities intend to further ease the policy mix. Since November 2014, the central bank has already lowered six times the reserve requirement ratio (from 20% for the large banks to 17.5% at year-end 2015) and the one-year benchmark lending rate (from 6% to 4.35%), in response to weakening domestic demand and lower inflation. This has also helped ease debt servicing costs for corporates and local governments. Nonetheless, the effectiveness of these measures has been undermined by disinflation, which raises real rates, and by capital outflows, which have a restrictive impact on domestic liquidity conditions. Growth in the total stock of credit (including all financing flows to the economy) did not rebound in 2015. Yet, the structure of domestic financing sources has started to change, with a growing role of bond and equity financing. Going forward, further interest rate cuts are expected, along with new liquidity injections and measures to encourage lending in certain targeted sectors.

Domestic investment growth

High hopes for public investment in infrastructure projects

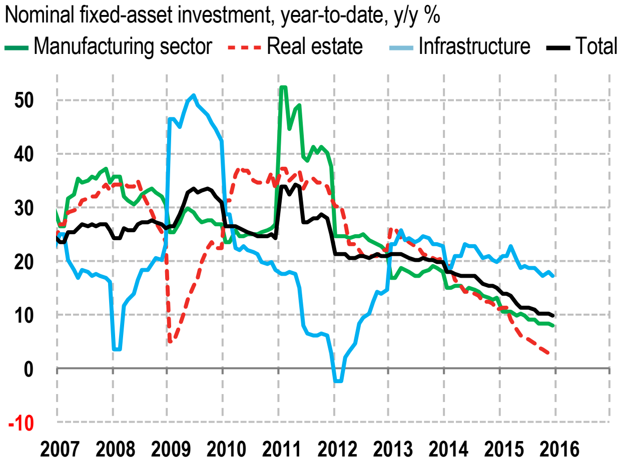


Chart 2 Source: NBS

The authorities will also expand their scope of action on the fiscal policy front. i) Local governments are expected to step up investment in infrastructure projects (after a slowdown since Q2 2015) thanks to the improvement in their financial situation. Firstly, local government debt refinancing has been facilitated since May 2015 by the easing of certain restrictions that were previously introduced with the new budget law of late 2014 (which illustrates how difficult it is for the authorities to reform public finances in the midst of an economic growth slowdown) and by the debt swap program aimed at replacing some bank loans by bonds at lower rates. Secondly, with the stabilisation of the real estate market, land sales proceeds could pick up again after collapsing in 2015 (down 35% y/y in the first three quarters). ii) Additional solutions are being explored to fund public investment, such as the development of public-private partnerships and the rise in quasi-fiscal spending by the three policy banks. iii) The government plans to increase its budget deficit (to at least 3% of GDP in 2016) as a result of some tax cuts. These are part of a series of new measures recently announced, which aim to support corporates by lowering their costs (fiscal, administrative, financial and logistics), in order to improve the quality of supply and reduce financial risks.

United States

What about inflation?

- **Inflation is showing signs of picking up again. Energy prices are not the only explanation as several measures of core inflation are also accelerating.**
- **This raises the question of the trend's sustainability: will it be a short-lived catching-up effect or sustained by the reduction of over-capacities?**
- **Wages tend to argue in favour of the second hypothesis. Yet inflation expectations are somewhat disconcerting and could put a damper on wage acceleration…**

US inflation has been accelerating for the past several months, and whereas it has been lacking in strength, it may well gain in terms of sustainability. Granted, this movement is due in part to base effects on energy prices, which are no longer quite as negative. Although oil prices remain weak, the year-on-year decline in energy prices is no longer as strong, down 12.7% at year-end 2015, compared to -20% at the beginning of the year.

Assuming crude oil prices level off at around USD 30 a barrel in the months ahead, energy's weighting on the general price index should ease over the course of 2016, after a temporary upturn (chart 1). The consumer price index should follow core inflation trends (excluding food and energy prices) more closely this year than in 2015.

Core inflation is also picking up. The index rose 1.8% year-on-year on average in the first 8 months of 2015, and gradually accelerated to 2.1% in December. Other measures confirm this trend (chart 2), such as the private consumption expenditure price index, notably if in addition to food and energy prices, we also exclude goods and services whose cost is not directly supported by households (the market-based core PCE price index). Based on our in-house BoC-like index, which adapts the Bank of Canada's core inflation measure to US data[1], inflation is trending upwards and has reached the highest level since year-end 2012.

The breakdown of core inflation shows that prices of goods have been declining a bit less markedly while service prices are picking up. It seems unlikely that prices of goods will provide much support in the months ahead, due to the strong dollar, the low cost of energy and deflationary pressures from some of the big emerging countries.

Service prices, in contrast, are much less sensitive to fluctuations in the global economy, energy prices and the dollar's external value. In the services sector, the cost of production is comprised primarily of wages, and sector demand is primarily domestic.

Moreover, the increase in service prices is not artificial, i.e. they are not being driven by the cost of primary residence or healthcare. If we exclude the cost of primary residences from the core consumer price index, we can see a very net acceleration in inflation (chart 4).

[1] This index excludes fruit, vegetables, gasoline, fuel oil, natural gas, homeowner equivalent rent of primary residence, inter-city transportation and tobacco products.

Assuming oil prices level off at USD30…

Year-on-year (%), historical data and projections (2016)

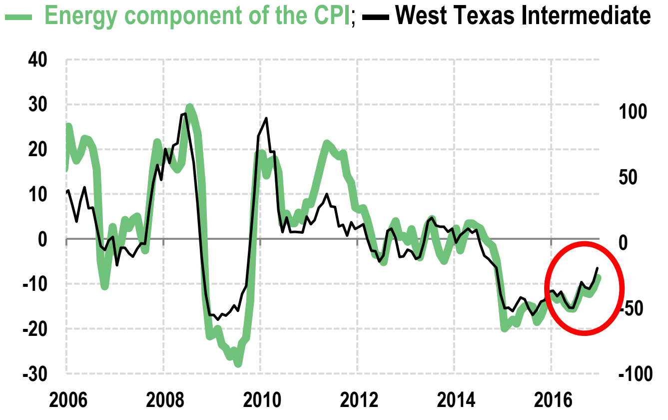


Chart 1 Sources: Bureau of Labor Statistics, BNPP Economic Research

Several measures of core inflation (y/y, %)

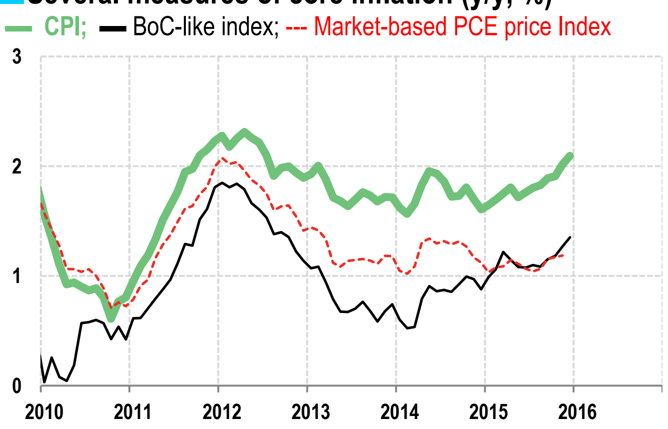


Chart 2 Sources: Bureau of Economic Analysis, BLS, BNPP

Core inflation and its components (y/y, %)

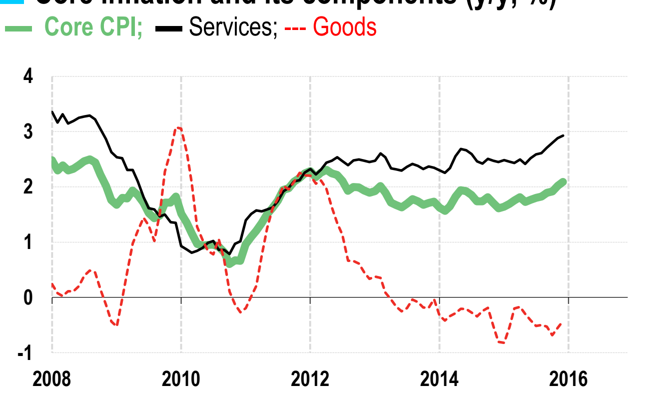


Chart 3 Source: BLS

The big question is whether this movement is sustainable or not. If a catching-up effect is at work as in 2011, then the current acceleration is likely to be followed by an easing trend. Between January 2011 and March 2012, inflation went up from 1% to 2.3% (year-on-year). This acceleration was partially artificial due to weak monthly price inflation in 2010, which illustrates the bell profile of core inflation between 2011 and 2013. Month on month, core prices increased slightly faster in 2011 (and early 2012), but more or less at the same pace as in 2009. Yet monthly trends were so weak in 2010 that they created a strong base effect in 2011, resulting in a strong apparent acceleration in year-on-year inflation. Once these base effects were eliminated, annual inflation dropped again.

In contrast, if the upturn in inflation reflects the reduction of over-capacities, notably in the job market, the movement will be more sustainable, and the Fed will have been right to have predicted that inflation would gradually return towards its target rate.

This second hypothesis is supported by the premise that wage acceleration[2], if confirmed, would result in an increase in unit labour costs due to the sluggishness of productivity gains. At a time of dynamic domestic demand, buoyed notably by a vigorous job market, the increase in costs should lead to higher sales prices and an upturn in inflation.

There would not be anything alarming about such a trend, especially since the combination of (very) low oil prices and a strong dollar limits the risks of soaring inflation. Moreover, higher inflation is unlikely to have much of an impact on household's purchasing power, which is also buoyed by dynamic wages and low energy costs.

Yet this scenario is not without risks. The main one is the low level of inflation expectations, which may well have limited wage acceleration in the past. If these expectations actually curtail wage demands and the bargaining power of payroll employees, the current trend would not augur well for the future. Indeed, inflation expectations are not rebounding, and even seem to be trending downwards again, in keeping with oil prices. To think that cheap oil was once the best possible news for US growth…

Inflation picks up

— CPI excluding food, energy and the cost of primary residence (m/m, mm12, %)
--- 2005-08 average; --- MIN/Max 2005-08

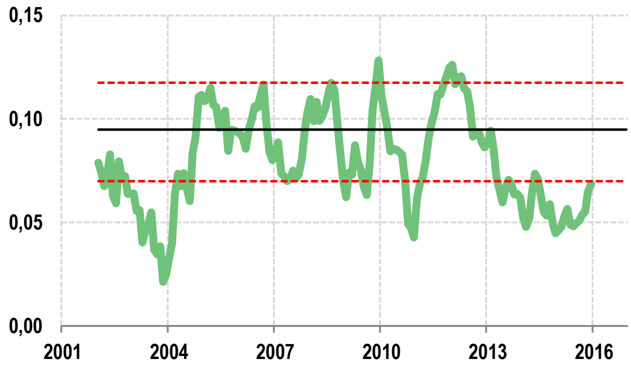


Chart 4 Source: BLS

Inflation picks up

— Inflation expectations (5y 5y, %)
--- West Texas Intermediate (USD/barrel., RHS)

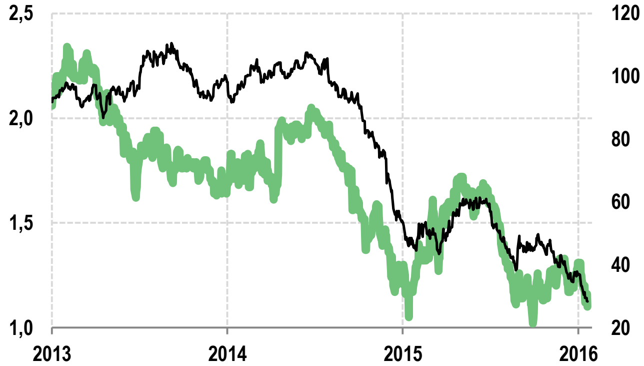


Chart 5 Sources: Bloomberg, Federal Reserve

[2] See "If horses could fly", Alexandra Estiot, Eco Week BNP Paribas, 15 January 2016.

Greece

When can we expect to see growth?

- **Since July 2015, the economy has had to make do with capital controls while trying to shake off the consequences of the confidence crisis that hit all economic players in H1 2015.**
- **The sharp drop-off in investment and foreign trade paints a darker picture than the one suggested by the relatively mild decline in GDP so far.**
- **To revive growth prospects, it is essential to strengthen the banking system. This is not only a prerequisite for lifting capital controls, but also a major support for financing the recovery.**

The international and European institutions have begun the first review of Greece's third bailout programme, which was signed in mid-summer 2015. The main goal is to evaluate the quality of the programme's implementation, including both fiscal savings and the structural and administrative reforms demanded by the creditor institutions and countries. In this update, we will rather focus on the country's situation in terms of activity and its short-term growth prospects. Since July 2015, the Greek economy has operated under a system of capital controls as it strives to recover from the consequences of the confidence crisis that hit all economic players in H1 2015. For the bailout to succeed, restoring growth is obviously just as vital as implementing reforms.

Uncertainty and capital controls undermine activity

At first, we were pleasantly surprised by the resilience of Q2 GDP growth, which rose 0.3% q/q, even though uncertainty and tensions were at their height concerning the outcome of negotiations with the Europeans and the IMF. Similarly, the Q3 contraction in GDP seemed very mild at first, with a preliminary estimate of 0.5% q/q, but this figure was later revised downwards to -0.9% q/q. In addition, these figures were rounded out by other information on the key determinants of growth trends, which are not favourable, and at this stage, activity now seems to be more deteriorated than we thought last fall.

Apparently, Q2 growth was fuelled primarily by an upsurge in household consumption, the only component of overall demand that was still in positive territory in spring 2015. Yet this rebound (+0.6% q/q) was probably largely due to advanced precautionary purchases by Greek households, at a time of fears about the banking system (temporary closings, bail-in, etc.) and a possible exit from the euro[1]. Consequently, this trend reversed itself in Q3 2015, and consumption contracted 0.8% q/q.

More importantly, total investment has been in a free fall since early 2015. This trend was moderate at first, but gained steam thereafter

Growth contracts slightly

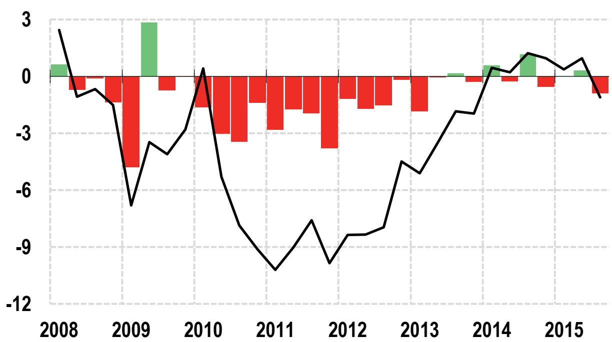


Chart 1 Source: Eurostat

Investment and foreign trade plunge

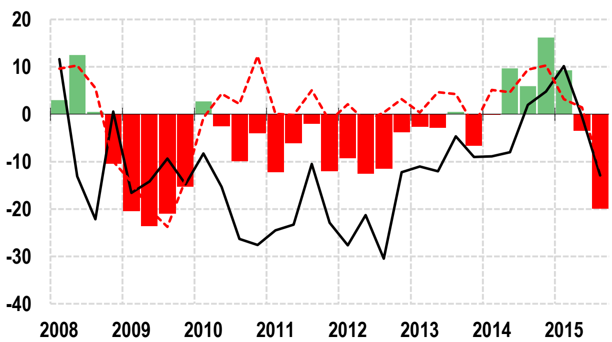


Chart 2 Source: Eurostat

to reach a cumulative decline of 17% in the first three quarters of 2015. To complete the picture, the implementation of capital controls took a heavy toll on foreign trade, which was already hurting since the beginning of the year. Exports were down by more than 11% year-on-year in Q3 2015, and imports, which were naturally hit hardest by measures to limit capital flight, fell by nearly 20% y/y.

Still no signs of levelling off

The sharp drop-off in investment and foreign trade paints a significantly darker picture than the one suggested by the relatively mild decline in GDP observed so far.

Yet implementation of the third bailout programme will surely have some favourable implications for activity in the relatively short term, by helping restore the confidence of domestic economic agents and

[1] In both cases, it is in the interest of households to reduce their bank deposits, and in the case of Grexit, to convert part of their savings into goods whose value would not be directly affected by switching currencies.

by reviving foreign investors' interest in the privatisation programme[2]. It is also conceivable that the troubles in maintaining imports could create a substitution effect that would favour domestic production of certain products, although this will be limited and is bound to take some time. Lastly, the Greek government should have the funds necessary to ease the constraints on its suppliers, by paying at least some of the arrears the government has built up since H1 2015, which were still estimated at EUR 5.7 bn last November.

In brief, currently available statistics suggest that the decline in GDP could be limited to only 0.5% in 2015 (vs. widely accepted estimates of -1.5% just a few months ago). We can then hope that the recession will ease up somewhat early this year, before levelling off thereafter, with a rebound occurring sometime before year-end 2016. Keep in mind, however, that the Greek government is still obliged to conduct a very restrictive fiscal policy. Its target is to bring the primary budget balance into positive territory as of 2016, to 0.5% of GDP. On the whole, GDP could still contract at an average annual rate of more than 1% in 2016.

The banks are still not ready to finance growth

To revive growth prospects, it is essential to strengthen the banking system for two reasons: restoring confidence in the banks is a prerequisite for the lifting or easing of capital controls, and - even though demand is probably lacking as well at this stage - their capacity to finance the recovery by supplying loans is a key determinant of growth.

On this front, things seem to be progressing, even though the situation is still far from normal. Since July, resident deposits have levelled off at about EUR 130 bn (see chart). The country's four main banks have been recapitalised, a process that went fairly smoothly on the whole. Although economic hardships will probably further increase the percentage of non-performing loans, which were already estimated at 35% in mid-2015, the ECB estimated the extra capital needs of the country's four main banks at EUR 13.7 bn last fall. In the end, only EUR 5.4 bn of this amount was taken from the funds in the third bailout package that were specifically reserved for the banking system, compared to potentially available funds of EUR 20 bn[3]. The next step would be for the ECB to re-establish the waiver making Greek sovereign instruments eligible for conventional monetary operations. According to statements made by certain Governing Council members last summer, this decision is largely discretionary, but it will first require credible prospects that the European financing programme will operate smoothly in the future. With the launch of the programme's first quarterly review, the Governing Council could forge an opinion on this subject fairly soon.

Deposits have levelled off

Deposits of non-financial resident agents with monetary and financial institutions (excluding the central bank), of which household deposits

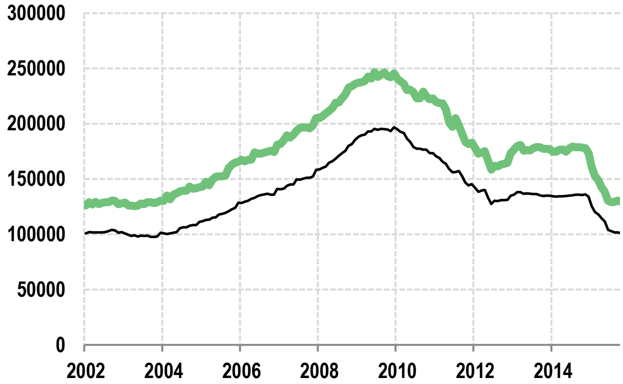


Chart 3 Source: Bank of Greece

Liquidity supply for Greek banks

Main Refinancing Operations (MRO) Long-Term Refinancing Operations (LTRO) Emergency Liquidity Assistance (ELA), EUR bn

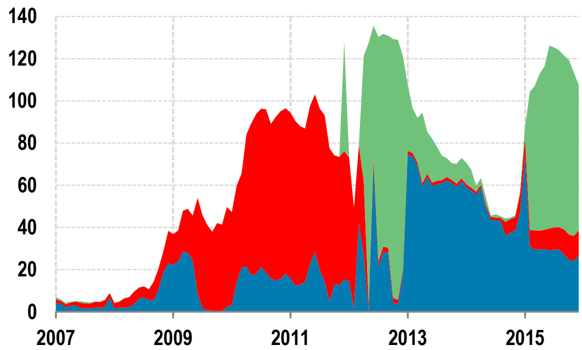


Chart 4 Source: Bank of Greece

[2] In the long term, the Europeans hope this privatisation programme will bring in as much as EUR50bn. In 2015, proceeds were much more moderate at EUR 1.4 bn, with an additional EUR 5 bn expected by 2017.

[3] Equity capital was provided by the Hellenic Financial Stability Fund, with the European Stability Mechanism lending this amount to the Greek government.

Markets overview

The essentials

Week 18-1 16 > 21-1-16

↘	**CAC 40**	4 210	▸	**4 206**	**-0.1**	%
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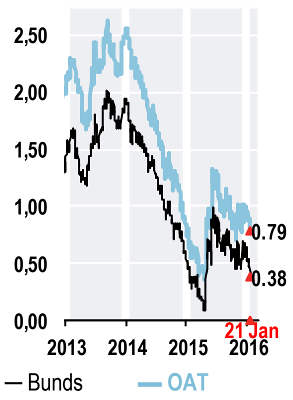
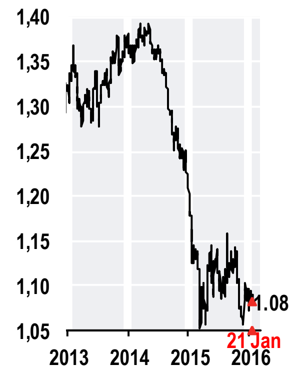
↘	**Oil (Brent, $)**	29.8	▸	**29.1**	**-2.3**	%

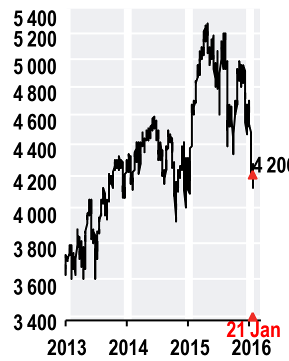
10 y bond yield, OAT vs Bund



Euro-dollar



CAC 40



Money & Bond Markets

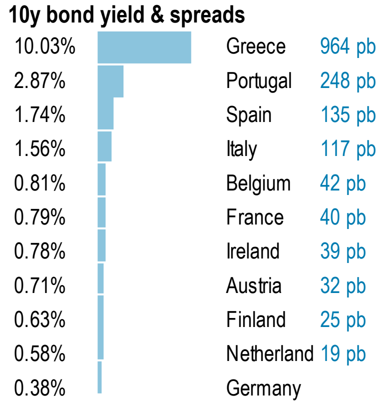
Interest Rates		highest' 16		lowest' 16	
€ ECB	**0.05**	0.05	at 01/01	0.05	at 01/01
Eonia	**-0.24**	-0.13	at 01/01	-0.25	at 06/01
Euribor 3M	**-0.15**	-0.13	at 01/01	-0.15	at 21/01
Euribor 12M	**0.04**	0.06	at 01/01	0.04	at 21/01
$ FED	**0.50**	0.50	at 01/01	0.50	at 01/01
Libor 3M	**0.62**	0.62	at 19/01	0.61	at 04/01
Libor 12M	**1.14**	1.18	at 01/01	1.14	at 20/01
£ BoE	**0.50**	0.50	at 01/01	0.50	at 01/01
Libor 3M	**0.59**	0.59	at 04/01	0.59	at 12/01
Libor 12M	**1.01**	1.07	at 01/01	1.01	at 20/01

At 21-1-16

Yield (%)		highest' 15		lowest' 15	
€ AVG 5-7y	**0.61**	0.91	at 16/06	0.24	at 12/03
Bund 2y	**-0.24**	-0.08	at 01/01	-0.29	at 07/07
Bund 10y	**0.59**	0.99	at 10/06	0.08	at 20/04
OAT 10y	**0.90**	1.33	at 10/06	0.36	at 15/04
Corp. BBB	**2.28**	2.28	at 24/09	1.29	at 10/03
$ Treas. 2y	**0.62**	0.78	at 16/09	0.44	at 15/01
Treas. 10y	**2.12**	2.48	at 10/06	1.67	at 02/02
Corp. BBB	**4.09**	4.21	at 02/09	3.41	at 30/01
£ Treas. 2y	**0.55**	0.82	at 05/08	0.39	at 23/03
Treas. 10y	**1.74**	2.19	at 26/06	1.36	at 30/01

At 24-9-15

10y bond yield & spreads



Commodities

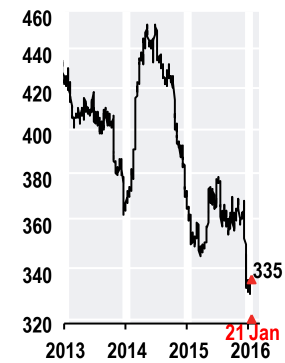
Spot price in dollars		lowest' 16			2016(€)
Oil, Brent	**29**	28	at	20/01	**-18.2%**
Gold (ounce)	**1 094**	1 062	at	01/01	**+3.3%**
Metals, LMEX	**2 098**	2 049	at	12/01	**-4.4%**
Copper (ton)	**4 433**	4 328	at	15/01	**-5.5%**
CRB Foods	**335**	329	at	11/01	**+0.4%**
wheat (ton)	**161**	146	at	04/01	**+4.8%**
Corn (ton)	**142**	135	at	11/01	**+3.2%**

At 21-1-16 *Variations*

Oil (Brent, $)

Gold (Ounce, $)

CRB Foods



Exchange Rates

1€ =		highest' 16			lowest' 16			2016
USD	**1.08**	1.10	at	15/01	1.07	at	05/01	**-0.4%**
GBP	**0.77**	0.77	at	19/01	0.73	at	05/01	+3.9%
CHF	**1.09**	1.10	at	13/01	1.08	at	06/01	+0.7%
JPY	**126.97**	130.68	at	01/01	126.68	at	20/01	-2.8%
AUD	**1.56**	1.59	at	20/01	1.49	at	01/01	+4.4%
CNY	**7.12**	7.21	at	15/01	6.99	at	05/01	+1.0%
BRL	**4.50**	4.50	at	21/01	4.30	at	01/01	+4.8%
RUB	**91.18**	91.18	at	21/01	78.65	at	05/01	+14.9%
INR	**73.56**	74.09	at	15/01	71.42	at	05/01	+2.4%

At 21-1-16 *Variations*

Equity indices

	Index	highest' 16			lowest' 16			2016	2016(€)
CAC 40	**4 206**	4 637	at	01/01	4 125	at	20/01	-9.3%	**-9.3%**
S&P500	**1 869**	2 044	at	01/01	1 859	at	20/01	-8.6%	**-8.2%**
DAX	**9 392**	10 743	at	01/01	9 392	at	20/01	-12.6%	**-12.6%**
Nikkei	**16 017**	19 034	at	01/01	16 017	at	21/01	-15.8%	**-13.4%**
China*	**49**	59	at	01/01	49	at	21/01	-16.7%	**-17.0%**
India*	**409**	460	at	01/01	409	at	21/01	-8.5%	**-10.6%**
Brazil*	**860**	1 036	at	01/01	860	at	21/01	-12.7%	**-16.7%**
Russia*	**333**	405	at	01/01	331	at	20/01	-7.6%	**-17.3%**

At 21-1-16 *Variations*

* Indices MCSI

Economic forecasts

En %	GDP Growth			Inflation			Curr. account / GDP			Fiscal balances / GDP		
	2015 e	2016 e	2017 e	2015 e	2016 e	2017 e	2015 e	2016 e	2017 e	2015 e	2016 e	2017 e
United States	**2.3**	**1.7**	**1.9**	**0.1**	**1.4**	**2.3**	**-2.6**	**-2.8**	**-3.2**	**-2.5**	**-2.4**	**-2.5**
Japan	0.6	0.7	0.4	0.8	0.5	1.9	3.2	2.9	2.8	-4.4	-3.9	-3.2
United Kingdom	2.7	1.8	1.9	0.0	0.9	2.1	-4.8	-4.3	-3.4	-4.0	-2.9	-2.2
Euro Area	**1.5**	**1.6**	**1.8**	**0.0**	**0.5**	**1.5**	**3.1**	**2.8**	**2.6**	**-2.0**	**-1.8**	**-1.3**
Germany	1.5	1.6	2.0	0.1	0.6	1.7	8.1	8.3	8.4	0.9	0.5	0.7
France	1.1	1.4	1.6	0.1	0.6	1.3	0.1	-0.3	-0.9	-3.8	-3.4	-3.0
Italy	0.7	1.3	1.2	0.1	0.4	1.3	1.9	1.7	1.6	-2.6	-2.5	-1.6
Spain	3.1	2.2	2.7	-0.6	0.0	1.2	0.6	0.3	0.4	-4.6	-3.7	-2.3
Netherlands	1.8	1.8	1.9	0.3	1.0	1.3	10.7	9.9	9.3	-2.1	-1.8	-1.6
Belgium	1.2	1.3	1.5	0.6	1.5	1.5	0.4	0.6	0.0	-3.0	-2.7	-2.3
Portugal	1.5	1.5	1.4	0.6	1.0	1.2	1.3	1.5	1.8	-3.0	-2.3	-1.9
Emerging	**3.7**	**3.8**	**4.5**									
China	6.9	6.3	6.1	1.4	1.8	2.0	3.5	3.5	3.3	-2.5	-3.1	-3.0
India	7.3	7.3	8.0	4.9	5.9	5.4	-1.3	-0.8	-0.9	-4.1	-3.9	-3.5
Brazil	-3.8	-4.0	0.0	9.0	9.0	7.0	-3.4	-2.3	-3.0	-12.0	-10.9	-9.8
Russia	-3.8	-2.0	0.5	15.6	8.5	7.0	5.5	1.5	3.5	-5.0	-4.3	-3.0
World	**2.9**	**3.1**	**3.5**									

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

Financial forecasts

Interest rates		2015				2016						
End period		Q1	Q2	Q3	Q4	Q1e	Q2e	Q3e	Q4e	**2015**	**2016e**	**2017e**
US	Fed Funds	0.25	0.25	0.25	0.5	0.50-0.75	0.75-1.00	1.00-1.25	1.00-1.25	0.01	1.00-1.25	2.00-2.25
	3-month Libor $	0.27	0.28	0.33	0.61	0.88	1.13	1.25	1.38	0.61	1.38	2.25
	10-year T-notes	1.93	2.35	2.03	2.27	2.55	2.75	2.75	2.75	2.27	2.75	2.75
EMU	Refinancing rate	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
	3-month Euribor	0.02	-0.01	-0.04	-0.13	-0.20	-0.20	-0.20	-0.20	-0.13	-0.20	-0.20
	10-year Bund	0.18	0.77	0.59	0.63	0.40	0.45	0.50	0.70	0.63	0.70	1.20
	10-year OAT	0.42	1.20	0.90	0.98	0.65	0.70	0.75	1.00	0.98	1.00	1.45
	10-year BTP	1.29	2.31	1.73	1.60	1.20	1.25	1.35	1.60	1.60	1.60	2.30
UK	Base rate	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.25	0.50	1.25	2.00
	3-month Libor £	0.57	0.58	0.58	0.59	0.75	1.00	1.25	1.50	0.59	1.50	2.25
	10-year Gilt	1.58	2.03	1.77	1.96	2.10	2.20	2.25	2.30	1.96	2.30	2.50
Japan	Overnight call rate	0.02	0.01	0.01	0.04	0.10	0.10	0.10	0.10	0.04	0.10	0.10
	3-month JPY Libor	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.20
	10-year JGB	0.40	0.44	0.35	0.25	0.50	0.60	0.65	0.70	0.25	0.70	0.90

Exchange rates		2015				2016						
End period		Q1	Q2	Q3	Q4	Q1e	Q2e	Q3e	Q4e	**2015**	**2016e**	**2017e**
USD	EUR / USD	1.07	1.11	1.12	1.09	1.04	1.02	1.00	1.02	1.09	1.02	1.10
	USD / JPY	120	122	120	120	128	130	134	134	120	134	135
EUR	EUR / GBP	0.72	0.71	0.74	0.74	0.69	0.69	0.67	0.67	0.74	0.67	0.73
	EUR / CHF	1.04	1.04	1.09	1.09	1.12	1.14	1.14	1.16	1.09	1.16	0.01
	EUR/JPY	129	136	134	131	133	133	134	137	131	137	149

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

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