

CEPREMAP / DBNOMICS

## Macroeconomic Outlook – May 2024

## DBnomics

- Most data presented in the forthcoming slides are extracted from DBnomics (<https://db.nomics.world/>), an open-sourced databank created at CEPREMAP, and will be updated every Thursday at 6:00pm
- The project has been financed by generous grants from Banque de France, AFD, DG Trésor, France Stratégie and OECD
- The executive director of the DBnomics project is Christophe Benz
- The slides have been designed by Daniel Cohen and are updated by Jocelyn Maillard and François Langot at CEPREMAP
- Links to the DBnomics data are available in the Appendix
- All materials presented here can be freely used with proper acknowledgment
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## Executive summary

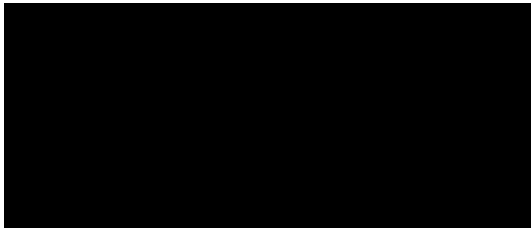
- Markets and policymakers are following in parallel headline inflation, financial-market and labor-market trends.
- In response to inflationary pressures, monetary policy has been tightened up to levels unheard of for the last 20 years. However, both the Fed and the ECB have recently paused the hikes. We seem to be at the peak of the tightening cycle. Notably, the Fed Board members expect three 25-bps cuts in 2024. Nevertheless, no cut occurred during the first quarter of 2024 for the Fed or the ECB.
- Both headline and core inflations dropped below 3% in Europe. In the US, headline inflation remains slightly above 3% while core inflation has slightly decreased but remains high. The return to the 2% inflation target is more complex in the US as the Fed must deal with labor-market overheating.
- Most raw-material prices have come back to their pre-war levels. Natural-gas price difference between Europe and the US remains high. Tensions in the Red sea led to a massive rise of transportation costs for containers since the beginning of the year, potentially leading to a new rise of inflation.
- GDP growth beat market expectations in the third and fourth quarters in the US. However, it was negative in the main countries of the Euro Area as private consumption dropped. Lower difference appears for the first quarter of 2024. However, the OECD now forecasts a below-one-percent growth for the Euro Area versus a 2.1% growth for the US for 2024. This downward revision for the Euro Area is notably a consequence of high energy costs and trade slowdown.
- Sovereign yields remain at a high level in the Euro Area. They have however decreased over the last few months with the fall of inflation. The spreads between core countries and the periphery have also been declining as macroeconomic results have overcome expectations in countries as Spain or Greece.

# Table of Contents

|     |  |    |
|-----|--|----|
| I   | GROWTH AND INFLATION IN SELECTED G20 COUNTRIES | 2  |
| A   | The growth slowdown                            | 3  |
| B   | The seeds of inflation                         | 8  |
| C   | Inflation unbound                              | 14 |
| II  | MONETARY POLICY                                | 18 |
| A   | In the US                                      | 19 |
| B   | In the Euro Area                               | 24 |
| III | IMPACT ON YIELDS AND SPREADS                   | 29 |
| IV  | IMPACT ON STOCK MARKETS                        | 33 |
| V   | APPENDIX                                       | 38 |



## I Growth and inflation in selected G20 countries



## **A    The growth slowdown**

## Growth rates were quite similar in advanced economies in the first quarter

Growth was positive for all main advanced economies in the first quarter of 2024 (except for Japan), following a strong divergence in 2023. However, the OECD have severely revised downward their growth projections for 2024 for European countries and revised upwards those for the US.

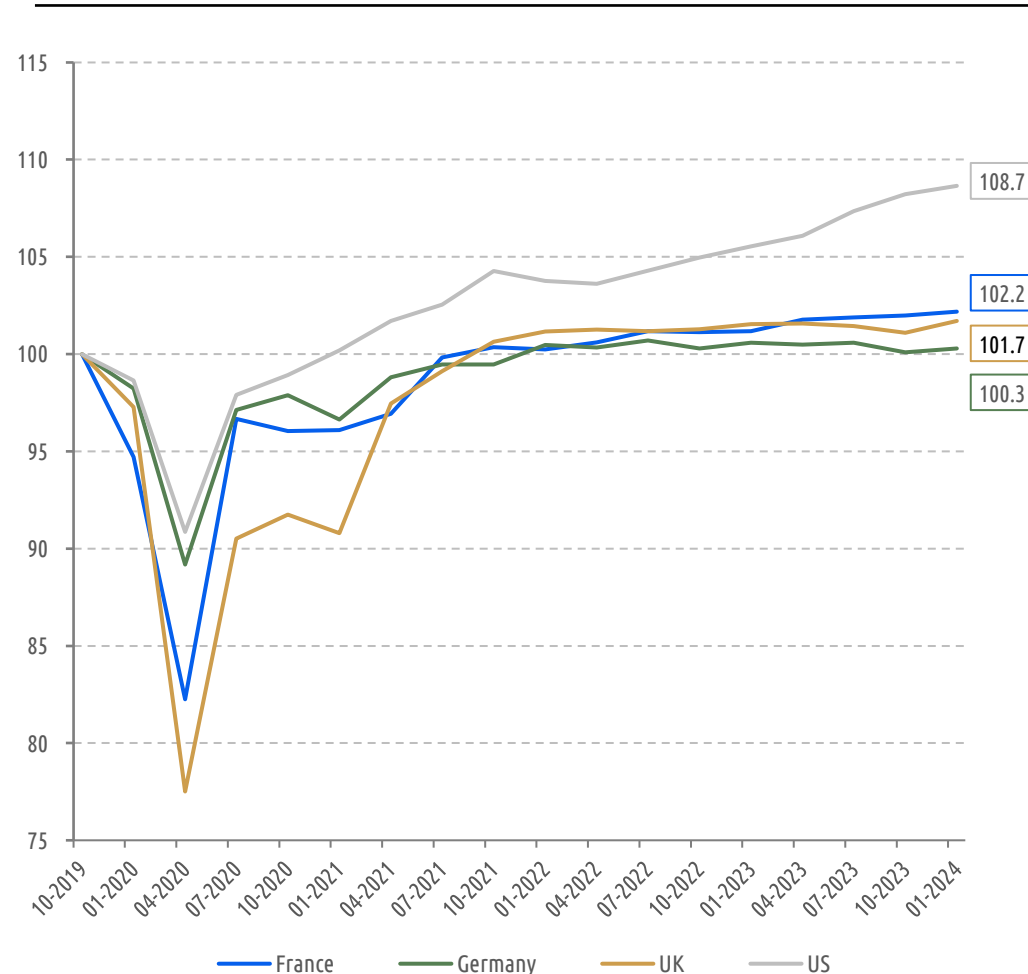
Yearly GDP growth rate (YoY % change)

| Yearly GDP growth rate % |                    |      |      |         |         |         |
|--------------------------|--------------------|------|------|---------|---------|---------|
| Country                  | 2020               | 2021 | 2022 | 2023(E) | 2024(P) | 2025(P) |
| <b>Euro Area</b>         | (6.1) <sup>1</sup> | 5.9  | 3.5  | 0.8     | 0.6     | 1.3     |
| <i>Germany</i>           | (3.8)              | 3.2  | 1.8  | (0.3)   | 0.3     | 1.1     |
| <i>France</i>            | (7.5)              | 6.4  | 3.9  | 0.7     | 0.6     | 1.2     |
| <i>Italy</i>             | (9.0)              | 8.3  | 3.7  | 0.7     | 0.7     | 1.2     |
| <b>UK</b>                | (10.4)             | 8.7  | 4.4  | (0.3)   | 0.7     | 1.2     |
| <b>USA</b>               | (2.2)              | 5.8  | 1.9  | 2.5     | 2.1     | 1.7     |
| <b>Japan</b>             | (4.2)              | 2.2  | 1.1  | 1.3     | 1.0     | 1.0     |

Quarterly GDP growth rate (% change over the previous period)

| Quarterly GDP growth rate % |      |       |       |       |       |      |       |       |       |       |
|-----------------------------|------|-------|-------|-------|-------|------|-------|-------|-------|-------|
| Country                     | 21Q4 | 22Q1  | 22Q2  | 22Q3  | 22Q4  | 23Q1 | 23Q2  | 23Q3  | 23Q4  | 24Q1  |
| <b>Euro Area</b>            | 0.5  | 0.7   | 0.8   | 0.5   | (0.1) | 0.0  | 0.1   | (0.1) | (0.1) | 0.3   |
| <i>France</i>               | 0.5  | (0.1) | 0.4   | 0.6   | (0.0) | 0.0  | 0.6   | 0.1   | 0.1   | 0.2   |
| <i>Germany</i>              | 0.0  | 1.0   | (0.1) | 0.4   | (0.4) | 0.3  | (0.1) | 0.1   | (0.5) | 0.2   |
| <i>Italy</i>                | 0.8  | 0.1   | 1.4   | 0.3   | (0.2) | 0.4  | (0.2) | 0.4   | 0.1   | 0.3   |
| <b>UK</b>                   | 1.5  | 0.5   | 0.1   | (0.1) | 0.1   | 0.3  | 0.0   | (0.1) | (0.3) | 0.6   |
| <b>USA</b>                  | 1.7  | (0.5) | (0.1) | 0.7   | 0.6   | 0.6  | 0.5   | 1.2   | 0.8   | 0.4   |
| <b>Japan</b>                | 1.1  | (0.6) | 1.1   | (0.1) | 0.2   | 1.0  | 1.0   | (0.8) | 0.1   | (0.5) |

Quarterly GDP (base 100 in 2019-Q4)



## Growth remains at high levels in emerging Asian countries

India, Indonesia and China have overperformed the other developing countries in 2023. South Africa has had a particularly low growth. The OECD have lifted their 2024 growth projections for Brazil and Mexico, but they have revised downwards South-African growth.

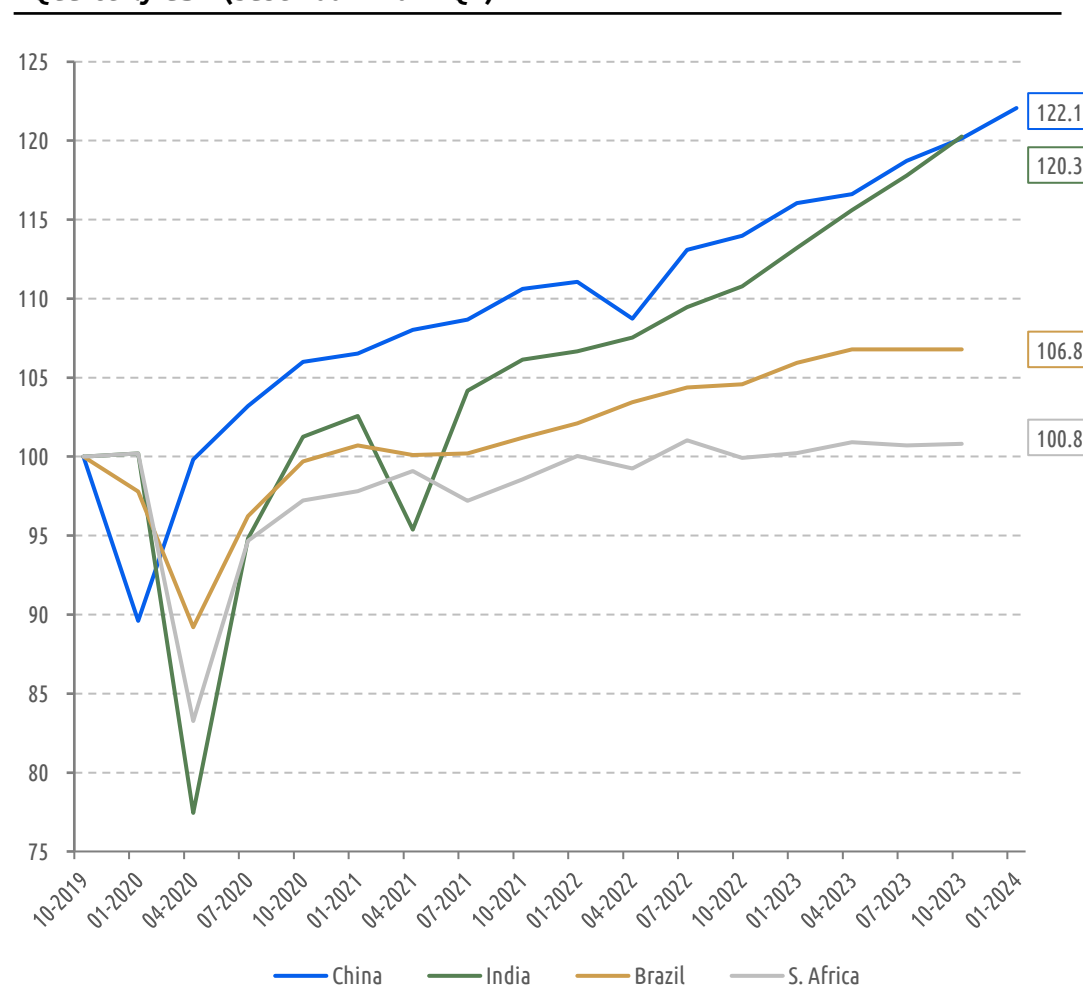
Yearly GDP growth rate (YoY % change)

| Yearly GDP growth rate % |       |      |      |         |         |         |
|--------------------------|-------|------|------|---------|---------|---------|
| Country                  | 2020  | 2021 | 2022 | 2023(E) | 2024(P) | 2025(P) |
| China                    | 2.2   | 8.4  | 3.0  | 5.2     | 4.7     | 4.2     |
| S. Africa                | (6.3) | 4.9  | 2.0  | 0.1     | 1.0     | 1.2     |
| Brazil                   | (3.3) | 5.0  | 2.9  | 0.9     | 1.8     | 2.0     |
| India                    | (5.8) | 9.1  | 6.8  | 5.9     | 6.2     | 6.5     |
| Mexico                   | (8.0) | 4.7  | 3.1  | 1.8     | 2.5     | 2.0     |
| Indonesia                | (2.1) | 3.7  | 5.3  | 5.0     | 5.1     | 5.2     |

Quarterly GDP growth rate (% change over the previous period)

| Quarterly GDP growth rate % |      |       |      |       |      |      |       |      |      |
|-----------------------------|------|-------|------|-------|------|------|-------|------|------|
| Country                     | 22Q1 | 22Q2  | 22Q3 | 22Q4  | 23Q1 | 23Q2 | 23Q3  | 23Q4 | 24Q1 |
| China                       | 0.4  | (2.1) | 4.0  | 0.8   | 1.8  | 0.5  | 1.8   | 1.2  | 1.6  |
| S. Africa                   | 1.5  | (0.8) | 1.8  | (1.3) | 0.3  | 0.7  | (0.2) | 0.1  | -    |
| Brazil                      | 0.9  | 1.3   | 0.9  | 0.2   | 1.3  | 0.8  | 0.0   | 0.0  | -    |
| India                       | 0.5  | 0.8   | 1.8  | 1.2   | 2.2  | 2.1  | 1.9   | 2.1  | -    |
| Mexico                      | 1.6  | 0.8   | 1.1  | 1.0   | 0.7  | 0.6  | 1.1   | 0.1  | 0.2  |
| Indonesia                   | 1.2  | 1.2   | 1.1  | 1.3   | 1.2  | 1.3  | 1.3   | 1.3  | 1.2  |

Quarterly GDP (base 100 in 2019-Q4)

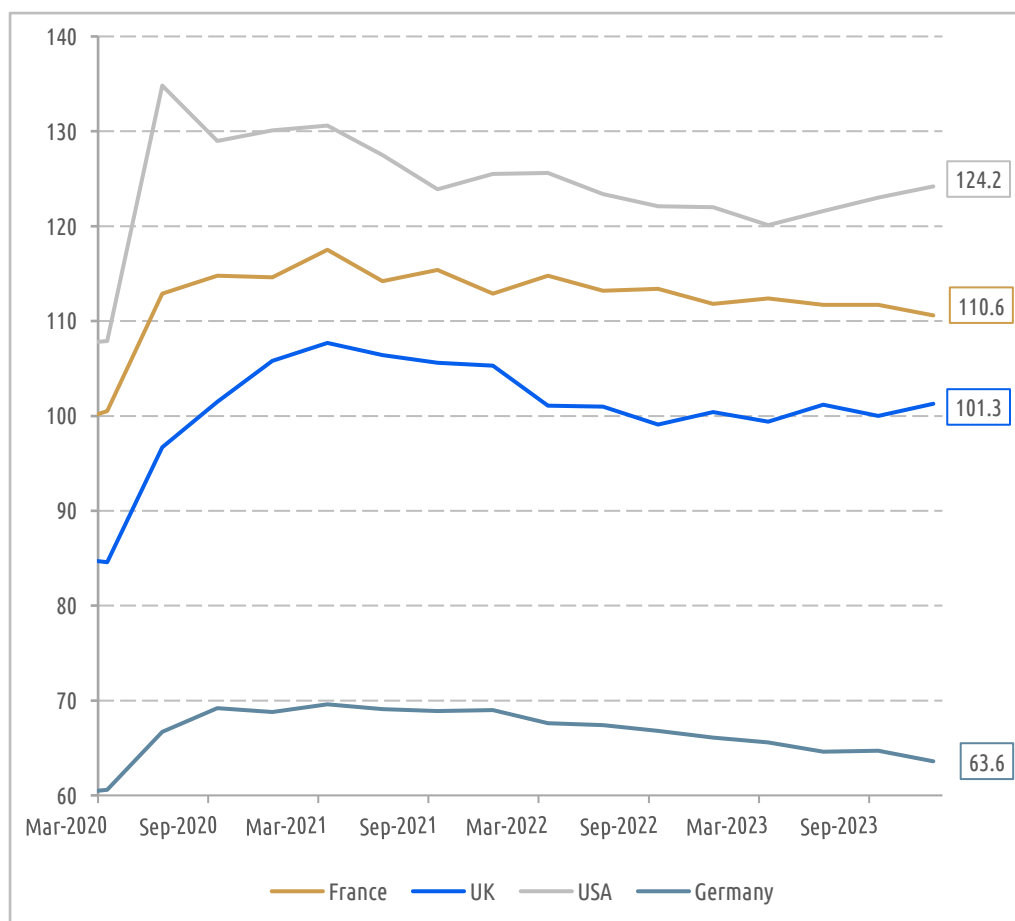




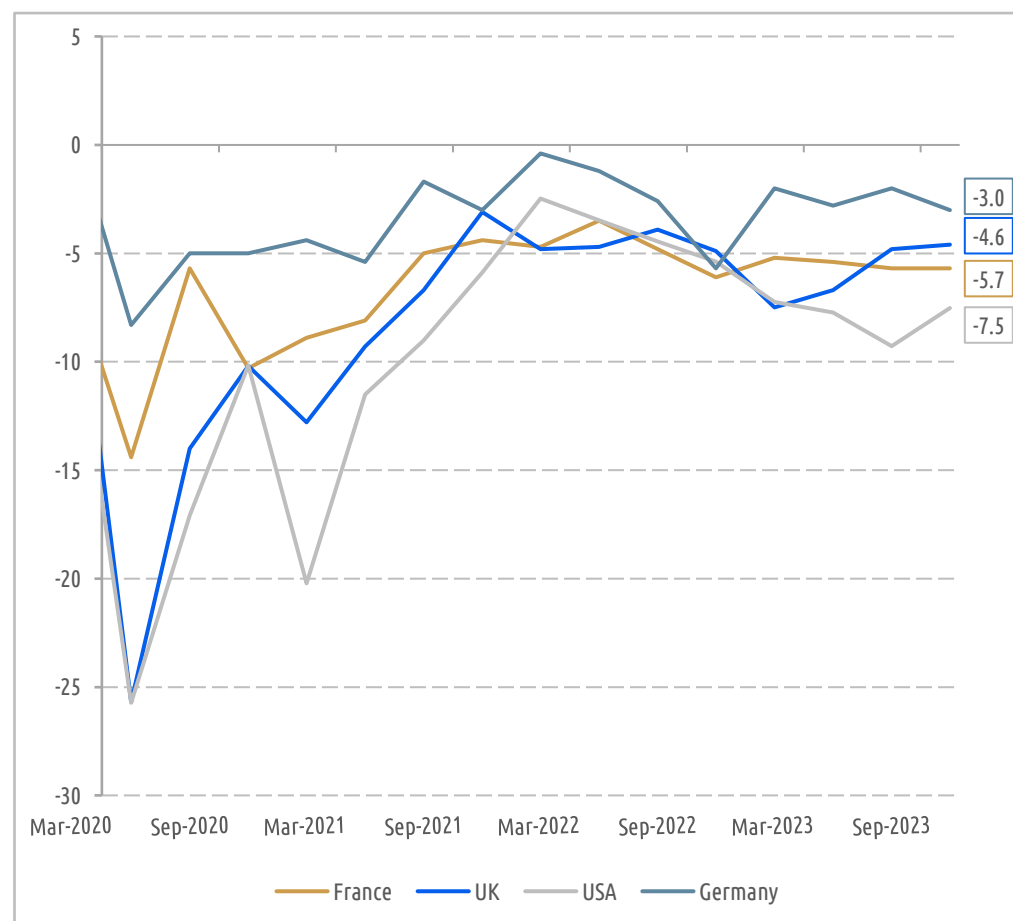
## Government debts have reached a new plateau in G4 countries<sup>1</sup>

Inflation acted as a moderating factor on the evolution on debt ratios. Despite a rising deficit, debt-to-GDP ratio decreased to 110.6% at the end of 2023 in France. Deficits are quite large: from 3.0% in Germany to 7.5% in the US.

General Government debt (% of GDP) – Since 2020



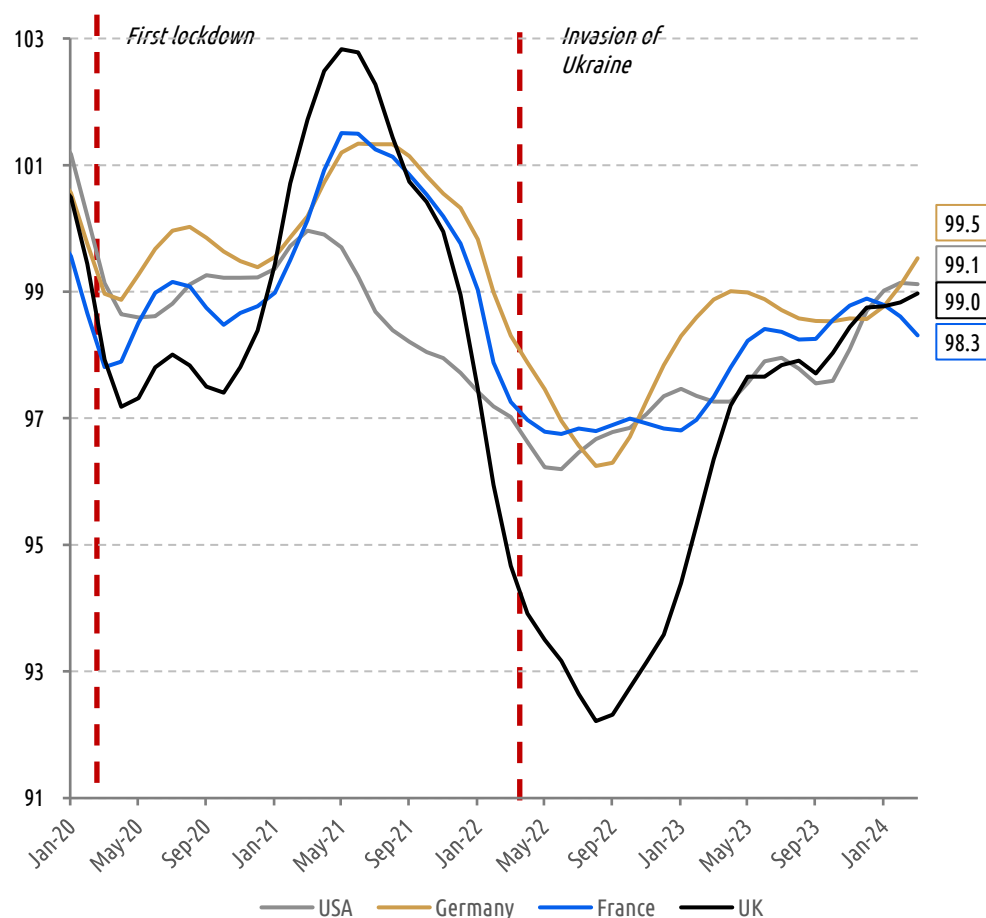
General Government deficit (% of GDP) – Since 2020



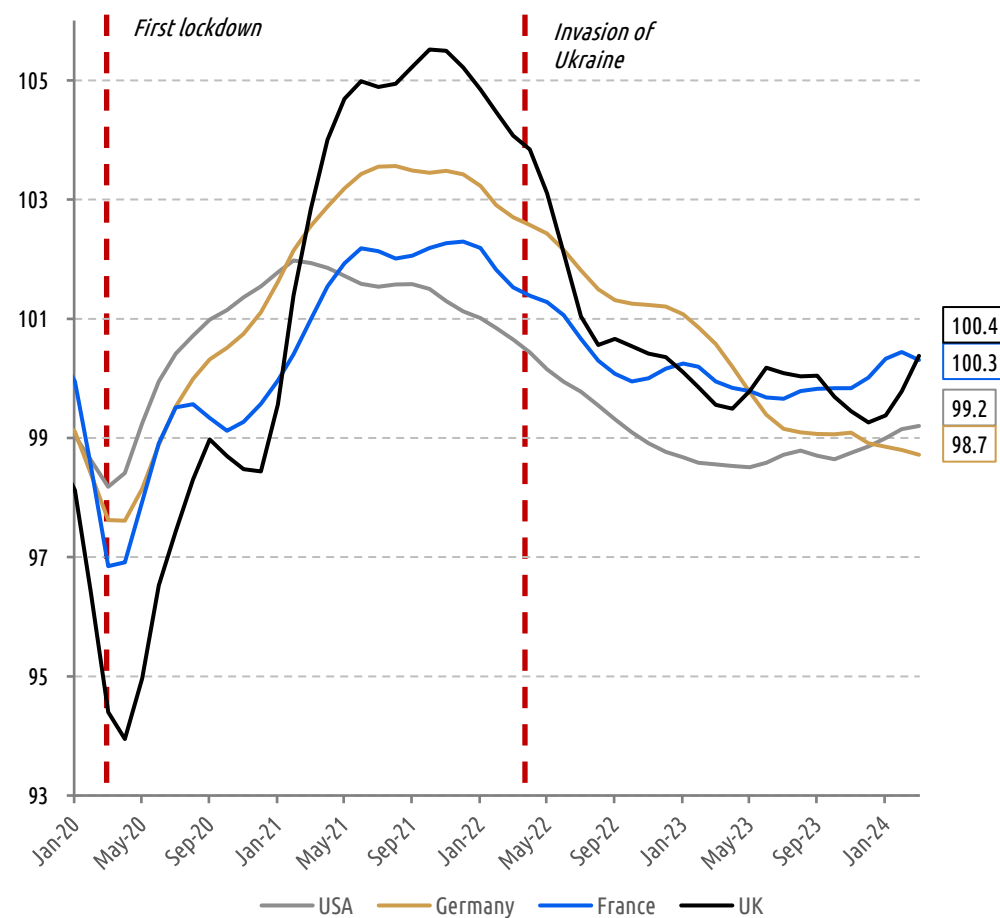
# Consumer and business confidences remain slightly below their pre-covid levels for most countries

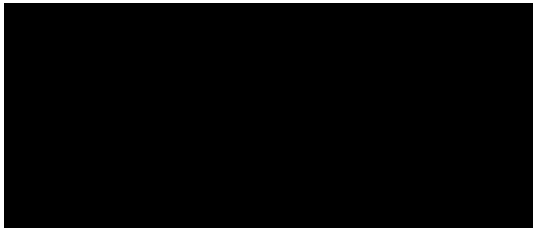
France is the only country where consumer confidence decreased over the last three months.

Consumer confidence indicator – Since Jan. 2020



Business confidence indicator – Since Jan. 2020



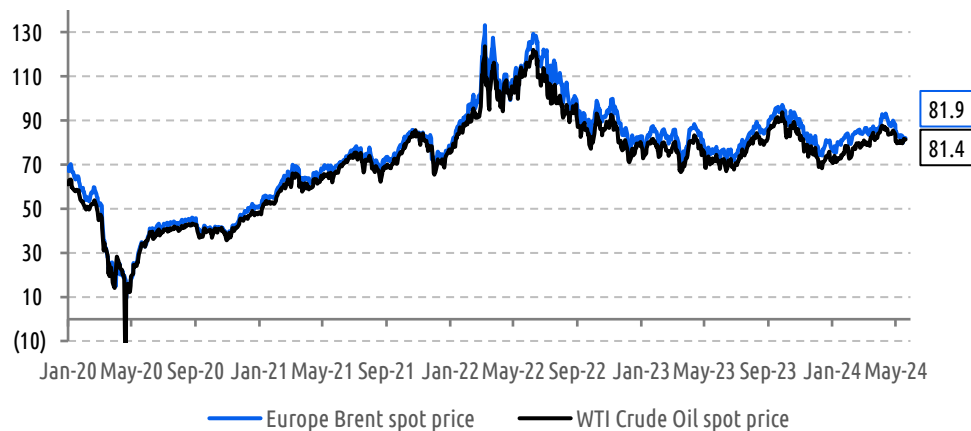


## **B The seeds of inflation**

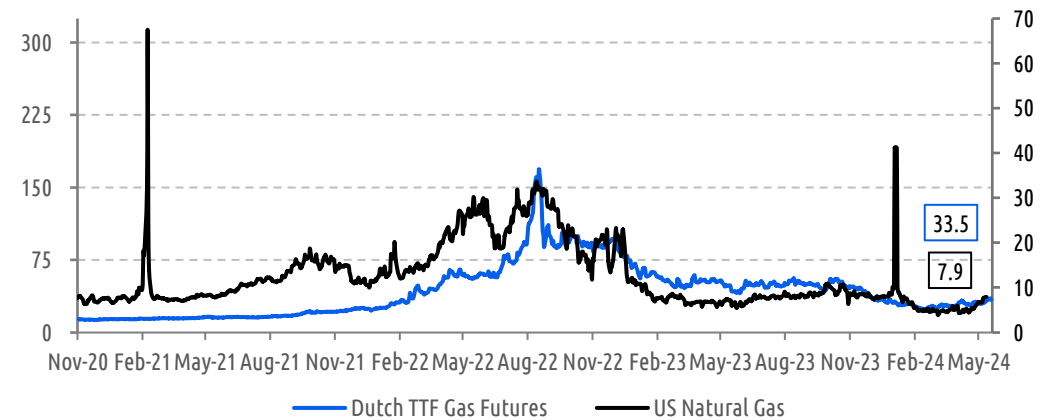
## Prices of raw materials have mostly returned to their pre-war range

Natural-gas prices are now at an almost one-to-five difference between the US and Europe. Copper prices have increased for the last month because of booming global demand while wheat prices have strongly decreased since the Russian invasion to reach their pre-COVID level.

Oil prices in historical perspective (USD per barrel)



EU (left scale) and US (right scale) natural gas prices<sup>1</sup> (€/MWh)



Copper prices in historical perspective (USD/ton)



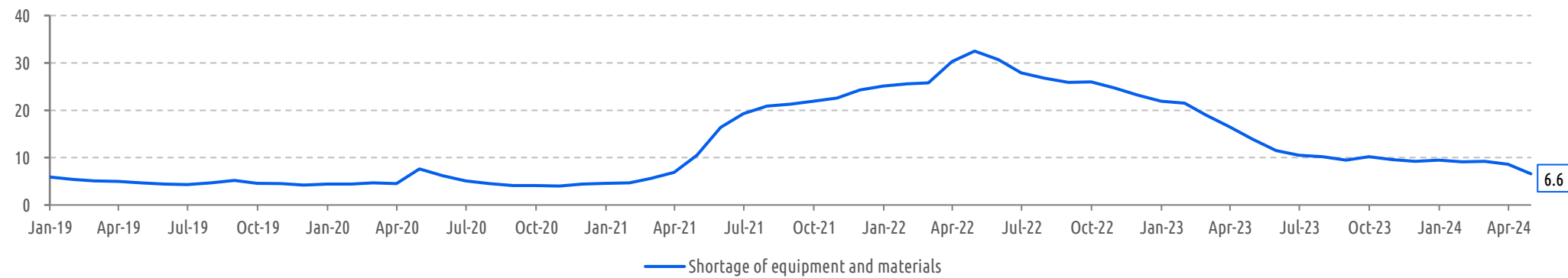
CBOT Wheat (USD/Bushel)



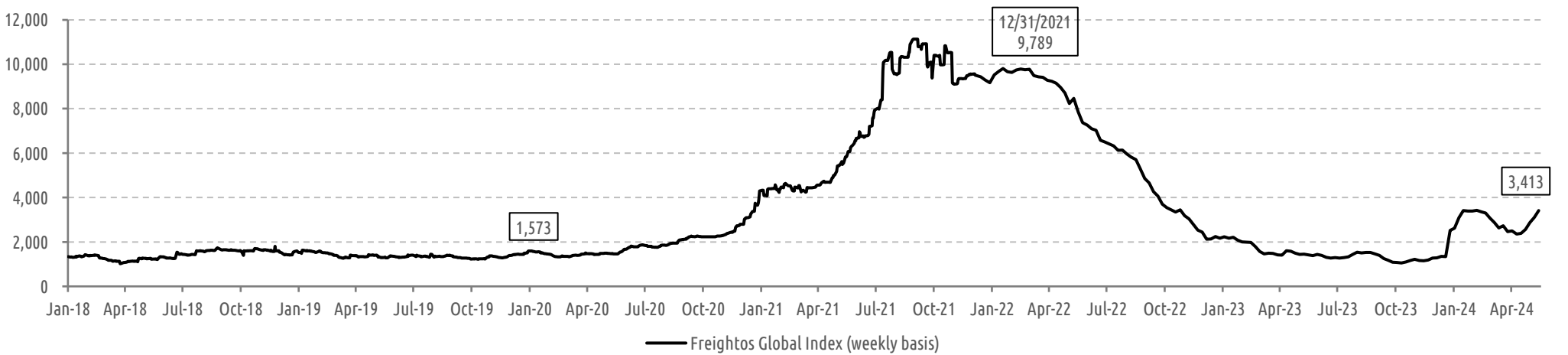
# New supply-chain disruptions have occurred in 2024

Transportation costs have more than doubled since the beginning of the year because of geopolitical tensions in the Red Sea.

% of EU business in the construction industry reporting shortages of materials and equipment as a limiting production factor



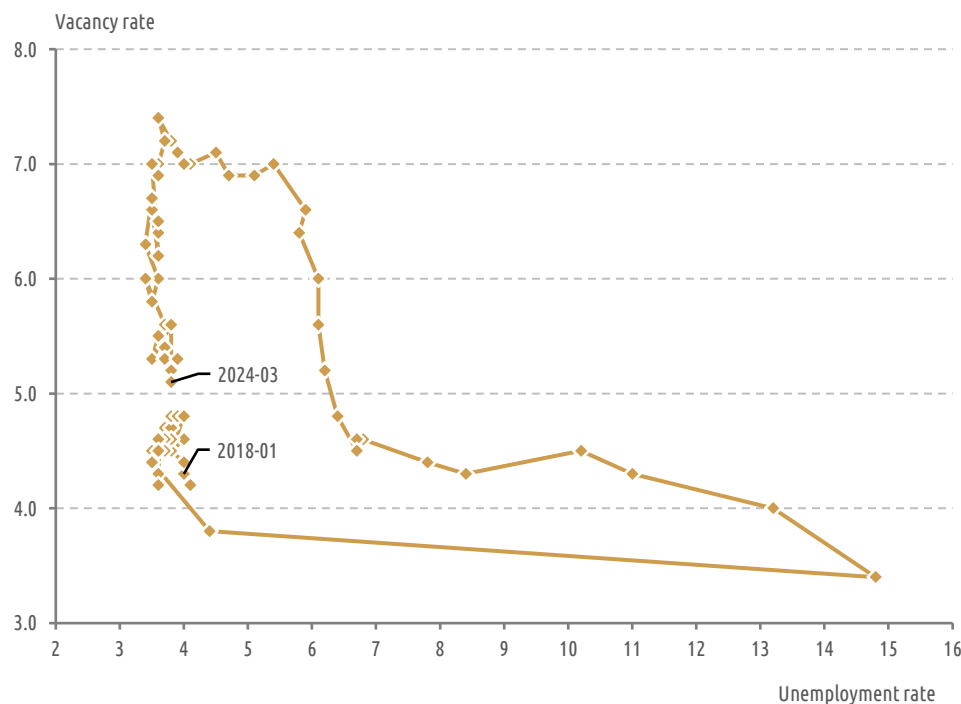
Shipping Container Index (based on spot rate for 40 feet containers)



## Labor markets remain tight... (1/2)

The unemployment rate, both in the US and the EZ, remain at very low levels. In the US, the vacancy/unemployment ratio is falling, getting closer to its pre-covid level.

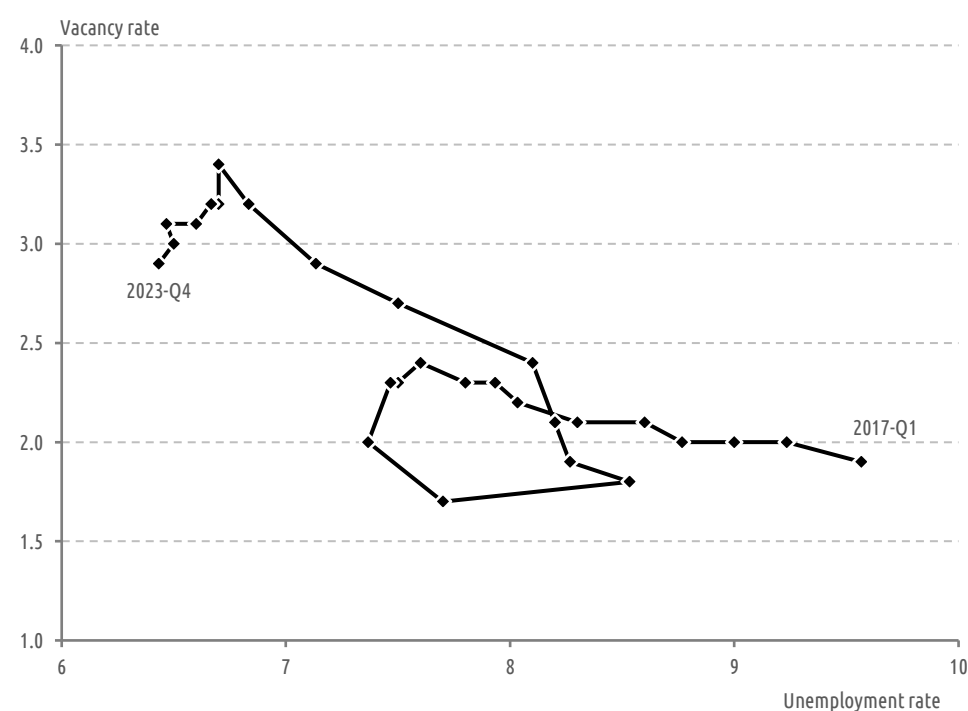
**Beveridge curve - USA, Monthly**



**Unemployment rate (% of labor force) - Monthly**

| Civilian unemployment rate – Total – USA - Seasonally adjusted |       |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator  | 05-23 | 06-23 | 07-23 | 08-23 | 09-23 | 10-23 | 11-23 | 12-23 | 01-24 | 02-24 | 03-24 |
| Rate   | 3.7   | 3.6   | 3.5   | 3.8   | 3.8   | 3.8   | 3.7   | 3.7   | 3.7   | 3.9   | 3.8   |

**Beveridge curve – Euro Area, Quarterly**



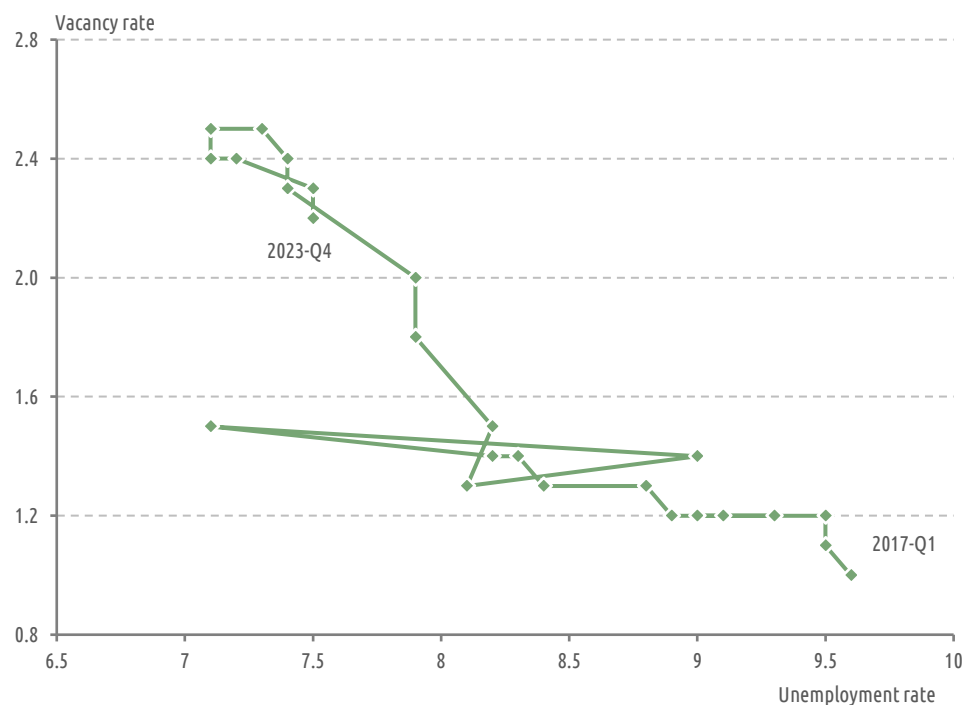
**Unemployment rate (% of labor force) - Monthly**

| Unemployment according to ILO definition - Total – Euro area – Seasonally adjusted |       |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator  | 04-23 | 05-23 | 06-23 | 07-23 | 08-23 | 09-23 | 10-23 | 11-23 | 12-23 | 01-24 | 02-24 |
| Rate   | 6.5   | 6.5   | 6.5   | 6.6   | 6.5   | 6.6   | 6.6   | 6.5   | 6.5   | 6.5   | 6.5   |

## Labor markets remain tight... (2/2)

The vacancy/unemployment ratio remains at record high levels in France and Germany. However, vacancies have started to decrease in both countries.

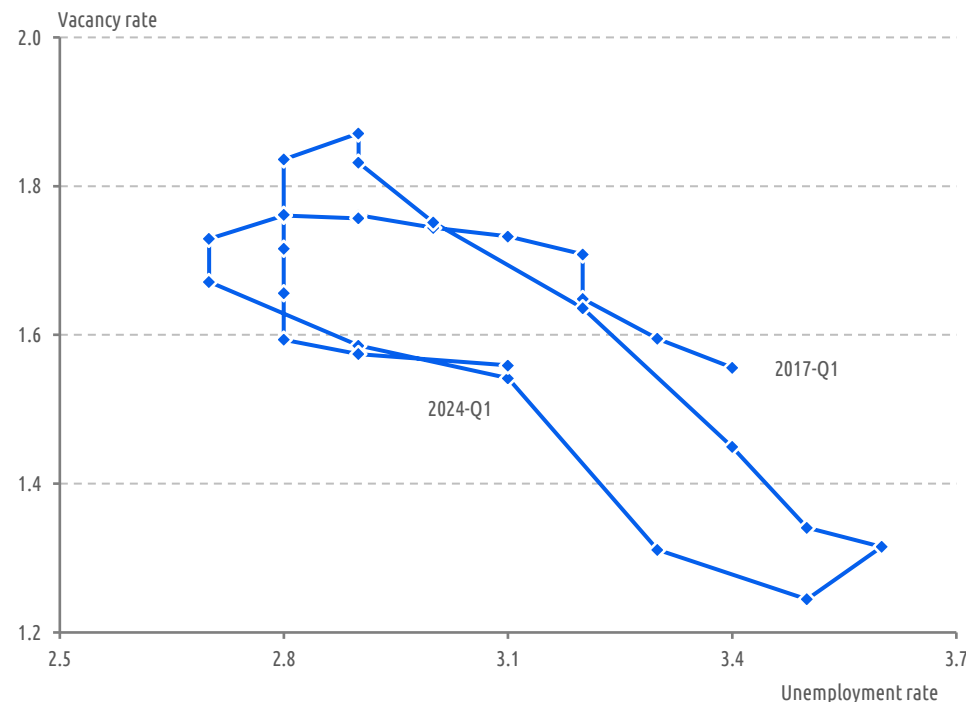
**Beveridge curve - France, Quarterly**



**Unemployment rate (% of labor force) – Monthly (Eurostat)**

| Unemployment rate – Total – France- Seasonally adjusted |       |       |       |       |       |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator   | 04-23 | 05-23 | 06-23 | 07-23 | 08-23 | 09-23 | 10-23 | 11-23 | 12-23 | 01-24 | 02-24 | 03-24 |
| Rate  | 7.3   | 7.4   | 7.4   | 7.4   | 7.4   | 7.4   | 7.5   | 7.5   | 7.5   | 7.5   | 7.4   | 7.3   |

**Beveridge curve - Germany, Quarterly**



**Unemployment rate (% of labor force) – Monthly**

| Unemployment according to ILO definition - Total – Germany – Seasonally adjusted |       |       |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator  | 04-23 | 05-23 | 06-23 | 07-23 | 08-23 | 09-23 | 10-23 | 11-23 | 12-23 | 01-24 | 02-24 | 03-24 |
| Rate   | 2.9   | 2.9   | 3.0   | 3.0   | 3.0   | 3.1   | 3.1   | 3.1   | 3.1   | 3.2   | 3.2   | 3.2   |

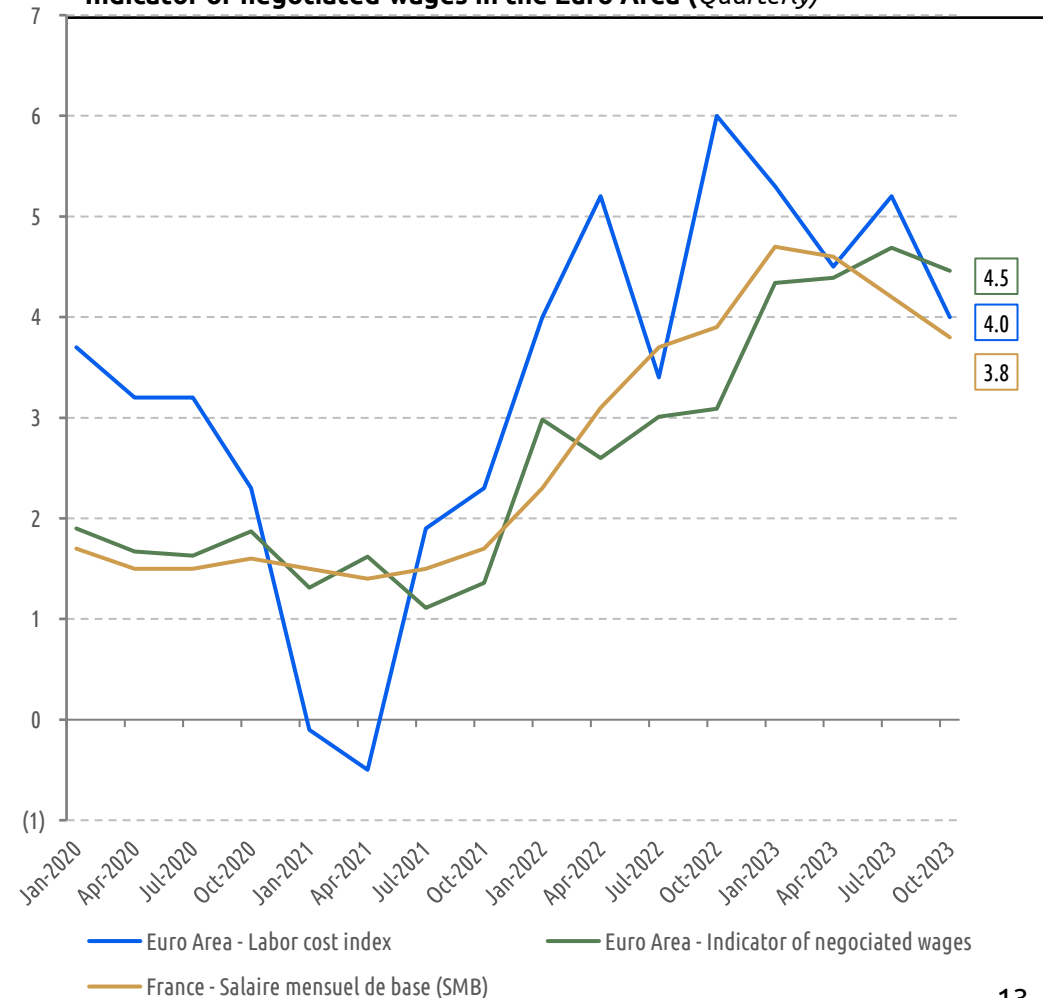
# Wage inflation has been slowly cooling down in the US and the Euro Area

However, wage inflation remains higher than price inflation both in the US and the Euro Area.

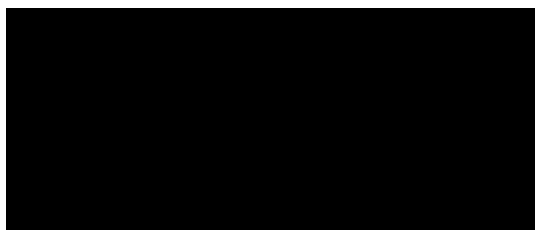
Wage growth tracker (nominal wage growth of individuals) – US (Monthly)



Indicator of negotiated wages in the Euro Area (Quarterly)







## **C    Inflation unbound**

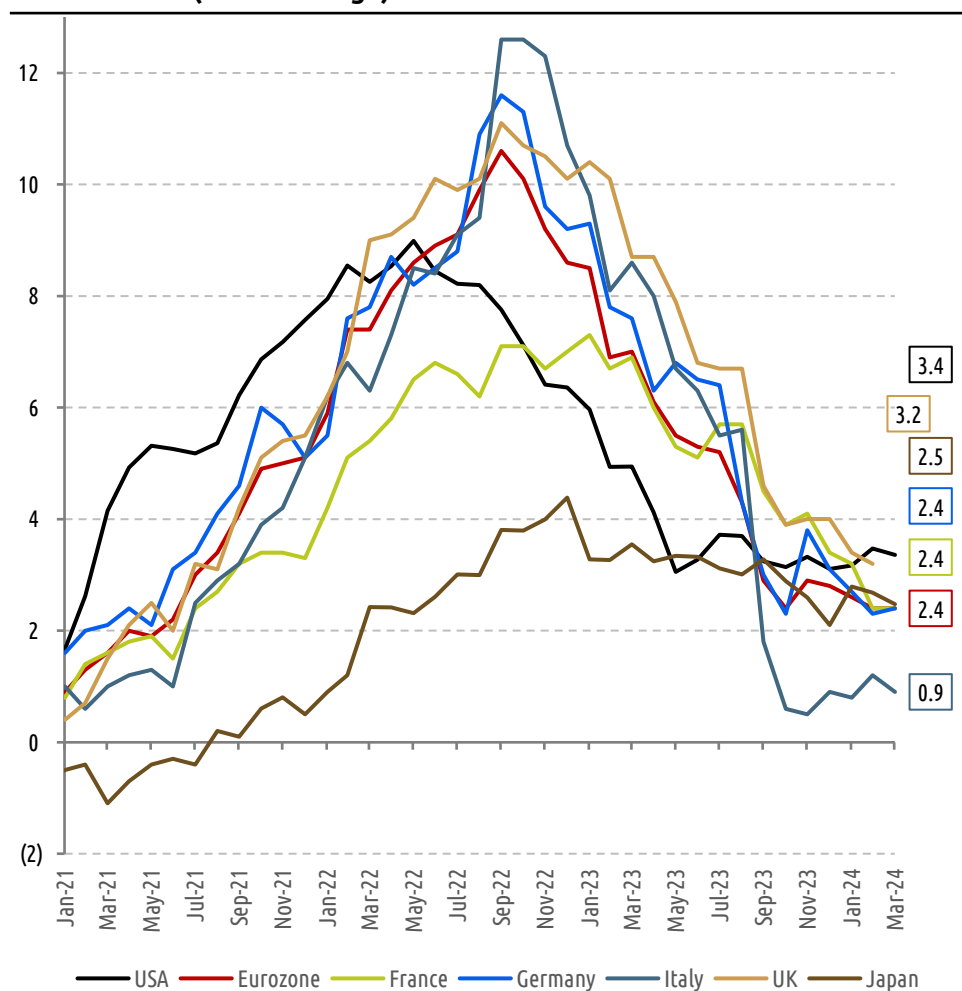
# Inflation is coming down from its peak both in Europe and the US

Inflation stabilized in April. After the huge drop in October, headline inflation is slowly converging to 2% in the Euro Area. Inflation remains above 3% in the US. Core inflation is slowly decreasing, it fell below 3% for the first time since 2021 in the Euro Area in March.

CPI and core inflation in advanced economies (YoY % change)

| Monthly Year-on-Year inflation rates (%) – 2023/2024 |     |     |     |     |     |     |     |     |     |     |     |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Country  | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr |
| <b>US</b>  | 3.1 | 3.3 | 3.7 | 3.7 | 3.2 | 3.1 | 3.3 | 3.1 | 3.2 | 3.5 | 3.4 |
| <i>US core</i>                                       | 4.9 | 4.7 | 4.4 | 4.1 | 4.0 | 4.0 | 3.9 | 3.9 | 3.8 | 3.8 | 3.6 |
| <b>Euro Area*</b>                                    | 5.5 | 5.3 | 5.2 | 4.3 | 2.9 | 2.4 | 2.9 | 2.8 | 2.6 | 2.4 | 2.4 |
| <i>Euro Area core*</i>                               | 5.5 | 5.5 | 5.3 | 4.5 | 4.2 | 3.6 | 3.4 | 3.3 | 3.1 | 2.9 | 2.7 |
| <b>France*</b>                                       | 5.3 | 5.1 | 5.7 | 5.7 | 4.5 | 3.9 | 4.1 | 3.4 | 3.2 | 2.4 | 2.4 |
| <i>France core*</i>                                  | 4.4 | 4.3 | 4.0 | 3.6 | 3.5 | 2.9 | 2.9 | 2.7 | 2.5 | 2.2 | 2.3 |
| <b>France INSEE</b>                                  | 4.5 | 4.3 | 4.9 | 4.9 | 4.0 | 3.5 | 3.7 | 3.1 | 3.0 | 2.3 | 2.2 |
| <i>France core INSEE</i>                             | 5.7 | 5.5 | 5.0 | 4.6 | 4.2 | 3.4 | 3.4 | 3.0 | 2.6 | 2.6 | -   |
| <b>Germany*</b>                                      | 6.8 | 6.5 | 6.4 | 4.3 | 3.0 | 2.3 | 3.8 | 3.1 | 2.7 | 2.3 | 2.4 |
| <i>Germany core*</i>                                 | 6.1 | 6.2 | 6.3 | 4.8 | 4.2 | 3.5 | 3.4 | 3.4 | 3.5 | 3.2 | 2.9 |
| <b>Italy*</b>  | 6.7 | 6.3 | 5.5 | 5.6 | 1.8 | 0.6 | 0.5 | 0.9 | 0.8 | 1.2 | 0.9 |
| <i>Italy core*</i>                                   | 4.9 | 4.7 | 4.0 | 4.1 | 3.8 | 3.3 | 3.0 | 2.8 | 2.6 | 2.2 | 2.2 |
| <b>UK</b>  | 7.9 | 6.8 | 6.7 | 6.7 | 4.6 | 3.9 | 4.0 | 4.0 | 3.4 | 3.2 | -   |
| <i>UK core</i>                                       | 6.9 | 6.9 | 6.2 | 6.1 | 5.7 | 5.1 | 5.1 | 5.1 | 4.5 | 4.2 | -   |
| <b>Japan</b>   | 3.3 | 3.3 | 3.1 | 3.0 | 3.3 | 2.9 | 2.6 | 2.1 | 2.8 | 2.7 | 2.5 |
| <i>Japan core</i>                                    | 4.3 | 4.3 | 4.3 | 4.3 | 4.0 | 3.8 | 3.7 | 3.5 | 3.2 | 2.9 | 2.4 |

CPI Inflation (YoY % change) – since Jan 2021



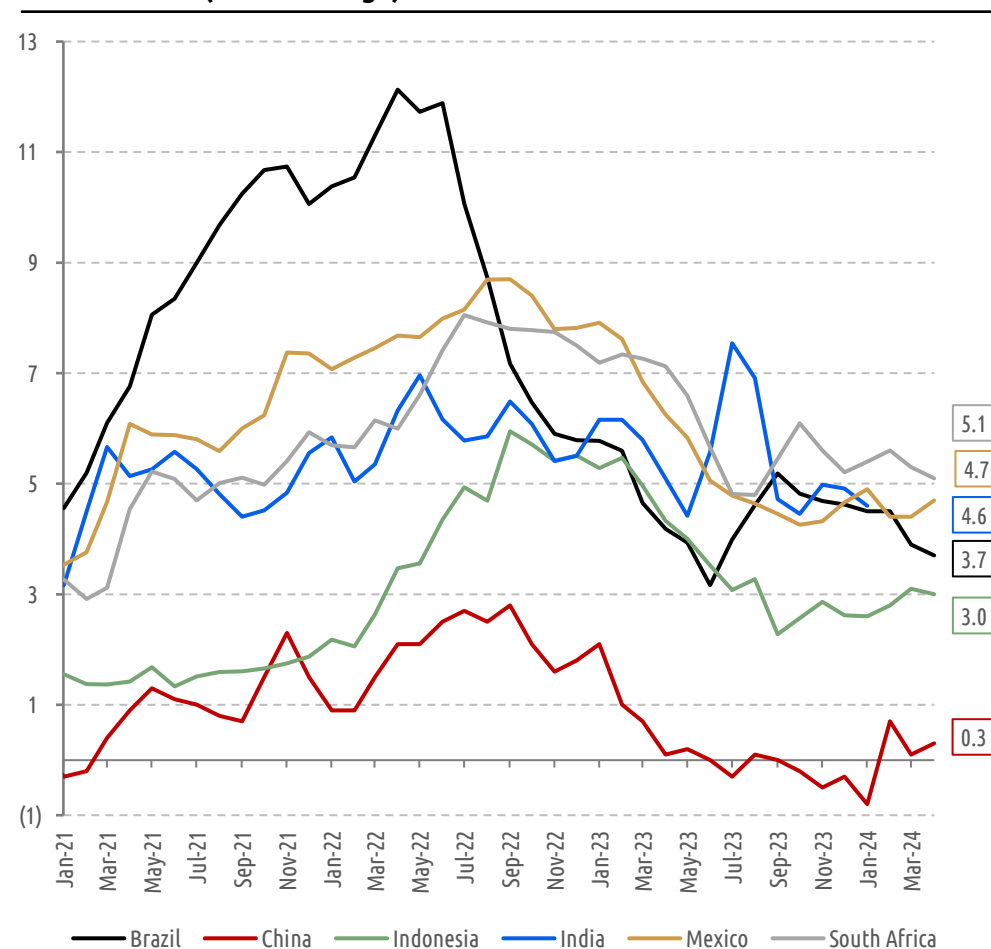
# Inflation in emerging economies is slowly cooling but remains at high levels

China remains an extraordinary exception with a very low level of inflation. However, it got positive inflation since February after four months of deflation.

CPI inflation in emerging economies (YoY % change)

| Monthly Year-on-Year inflation rates (%) – 2023/2024 |     |     |       |     |     |       |       |       |       |     |     |     |
|--|-----|-----|-------|-----|-----|-------|-------|-------|-------|-----|-----|-----|
| Country  | May | Jun | Jul   | Aug | Sep | Oct   | Nov   | Dec   | Jan   | Feb | Mar | Apr |
| China  | 0.2 | 0.0 | (0.3) | 0.1 | 0.0 | (0.2) | (0.5) | (0.3) | (0.8) | 0.7 | 0.1 | 0.3 |
| India  | 4.4 | 5.6 | 7.5   | 6.9 | 4.7 | 4.5   | 5.0   | 4.9   | 4.6   | -   | -   | -   |
| South Africa   | 6.6 | 5.7 | 4.8   | 4.8 | 5.5 | 6.1   | 5.6   | 5.2   | 5.4   | 5.6 | 5.3 | 5.1 |
| Brazil   | 3.9 | 3.2 | 4.0   | 4.6 | 5.2 | 4.8   | 4.7   | 4.6   | 4.5   | 4.5 | 3.9 | 3.7 |
| Mexico   | 5.8 | 5.1 | 4.8   | 4.6 | 4.5 | 4.3   | 4.3   | 4.7   | 4.9   | 4.4 | 4.4 | 4.7 |
| Indonesia  | 4.0 | 3.5 | 3.1   | 3.3 | 2.3 | 2.6   | 2.9   | 2.6   | 2.6   | 2.8 | 3.1 | 3.0 |

CPI Inflation (YoY % change) – since Jan 2021



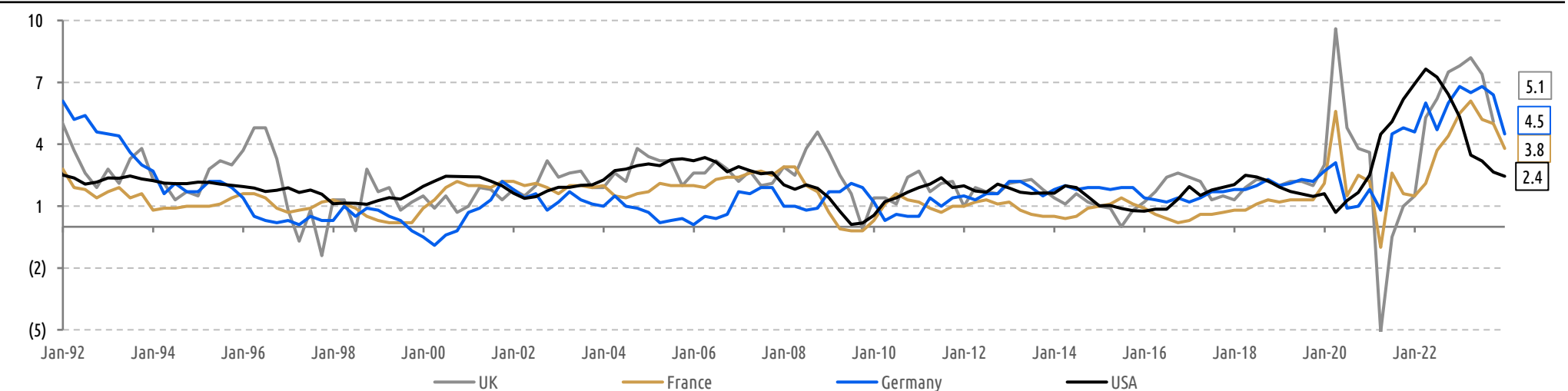
# Implied GDP deflators are decreasing but remain at high levels in Europe

In the US, however, it is lower than headline inflation levels.

## Quarterly implied GDP deflator

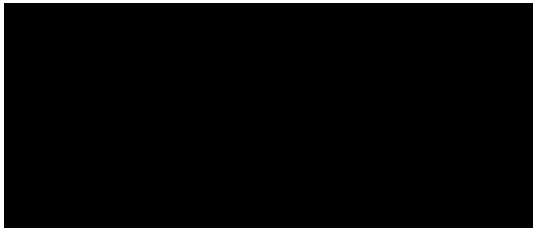
| Implied GDP deflator (YoY % change) |       |       |       |       |       |       |       |       |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Country                             | Q2-22 | Q3-22 | Q4-22 | Q1-23 | Q2-23 | Q3-23 | Q4-23 | Q1-24 |
| USA                                 | 7.7   | 7.3   | 6.4   | 5.3   | 3.5   | 3.2   | 2.6   | 2.4   |
| Germany                             | 6.0   | 4.7   | 6.0   | 6.8   | 6.5   | 6.8   | 6.4   | 4.5   |
| France                              | 2.1   | 3.7   | 4.4   | 5.5   | 6.1   | 5.2   | 5.0   | 3.8   |
| UK                                  | 5.3   | 6.2   | 7.5   | 7.8   | 8.2   | 7.4   | 5.1   | -     |

## Quarterly implied GDP deflator – Since Q1-1992





## II Monetary policy



**A In the US**

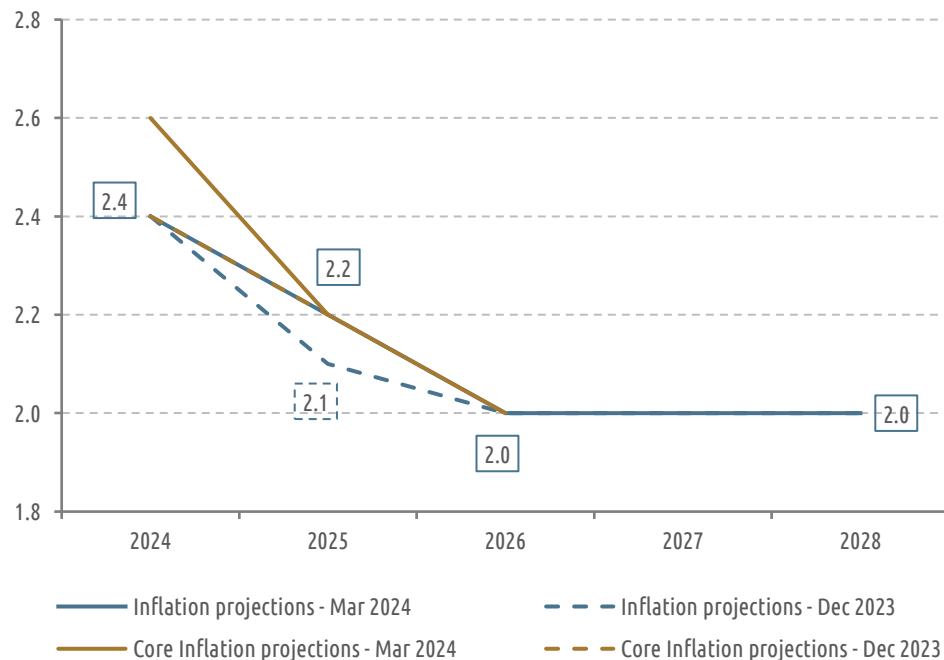
## Monetary policy decisions from the Fed (1/2)

The Fed decided to maintain interest rates at their levels in May as they consider that inflation remains at a too high level while labor market is slowly cooling. President Powell explained that they expect to cut rates at some point in 2024 but are willing to maintain them at their high level for as long as necessary.

### Personal consumption expenditures (PCE) – Monthly (YoY % change)

| Price indexes for Personal Consumption Expenditures |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|
| Indicator   | 09-23 | 10-23 | 11-23 | 12-23 | 01-24 | 02-24 | 03-24 |
| PCE inflation                                       | 3.4   | 2.9   | 2.7   | 2.6   | 2.5   | 2.5   | 2.7   |

### PCE Inflation Projections as of March 2024 (%)



### Key considerations

- The target range of the federal fund rates was maintained at 5.25%-5.50% on May 1<sup>st</sup>.
- The decision comes after already five pauses since September. Interest rates are at their highest levels since 2001.
- In March, the Fed revised up GDP growth projections for 2024 from 1.4% to 2.1% while projections for inflation remained at 2.4% for 2024.
- Next meeting will be on June 12<sup>th</sup>. The key issue is whether a first cut will occur.

### Federal Reserve economic projections as of 20th March 2024

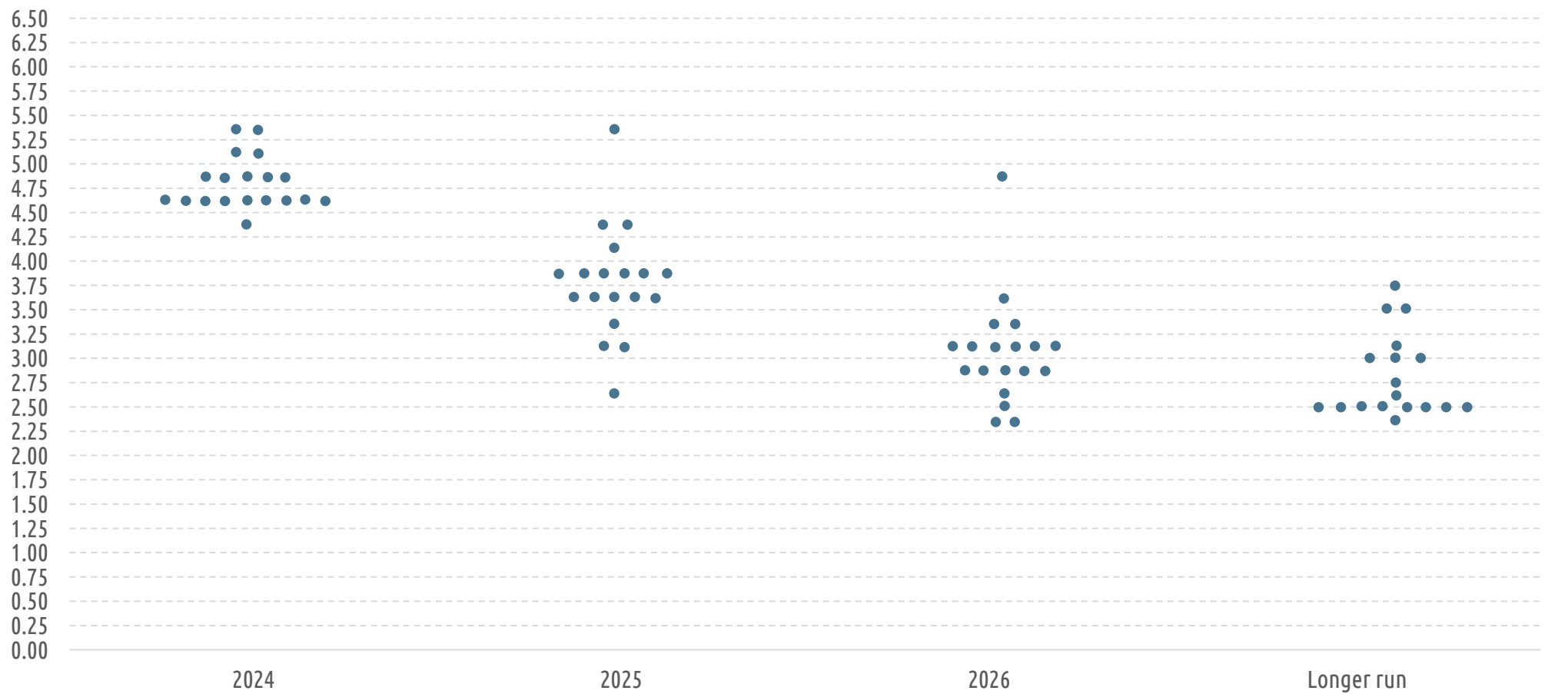
| Indicator          | 2024 | 2025 | 2026 | Longer run |
|--------------------|------|------|------|------------|
| Change in real GDP | 2.1  | 2.0  | 2.0  | 1.8        |
| Unemployment rate  | 4.0  | 4.1  | 4.0  | 4.1        |
| Inflation          | 2.4  | 2.2  | 2.0  | 2.0        |
| Federal funds rate | 4.6  | 3.9  | 3.1  | 2.6        |

“The Committee does not expect it will be appropriate to reduce the target range [for the federal funds rate] until it has gained greater confidence that inflation is moving sustainably toward 2 percent.”

# Monetary policy decisions from the Fed (2/2)

The Federal Reserve’s so-called dot plot shows the median year-end projection for the federal fund rates. The estimates in March are similar to the previous ones in December. It notably implies that Fed members consider that three 25-bps cuts will occur in 2024.

FOMC participants’ assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate as of 20<sup>th</sup> March

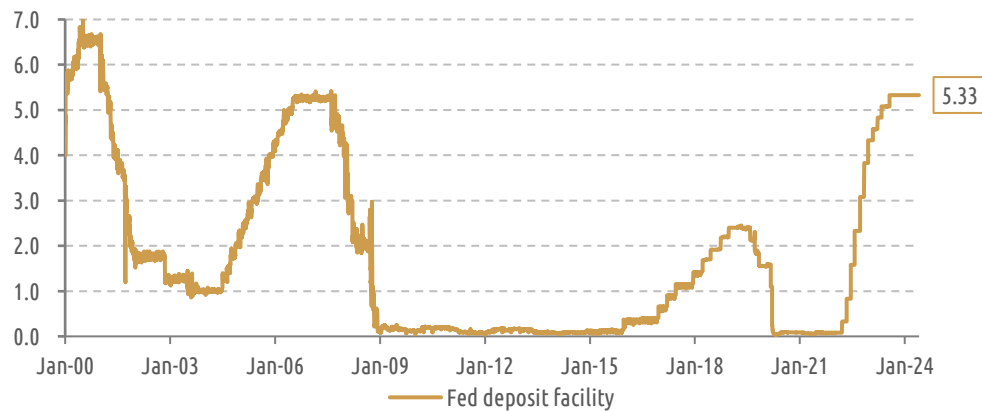




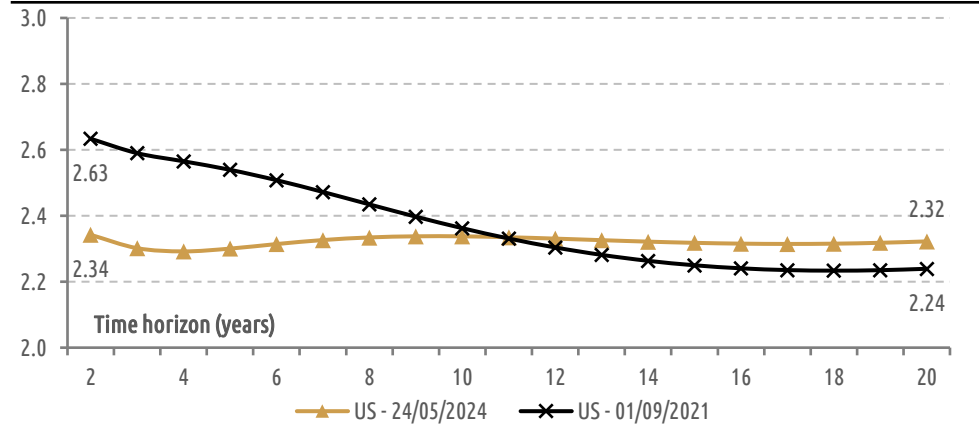
# Nominal long-term rates are at high levels

Real rate however are expected to stay around 2% in real terms.

## Federal funds interest rate



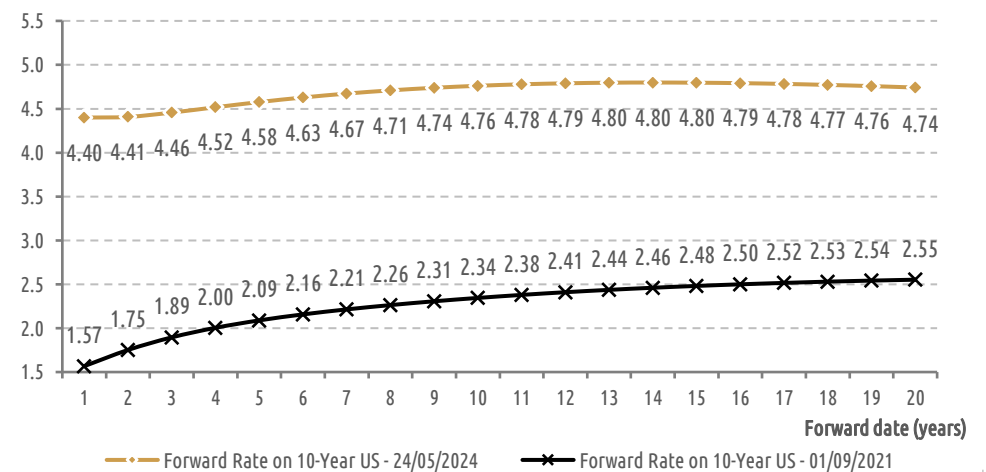
## Inflation Expectations – US (%)



## 10-Y Nominal yield – US



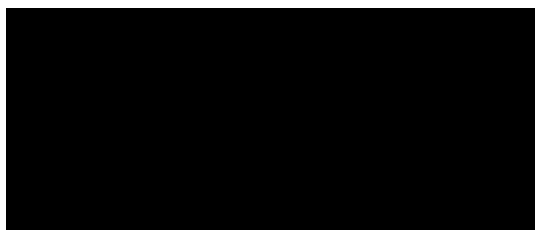
## Forward Rates on 10-Year U.S. Treasuries (%)



## The US yield curve has been inverted for two years

U.S. 10Yr/2Yr Spread – Since Jan. 1978

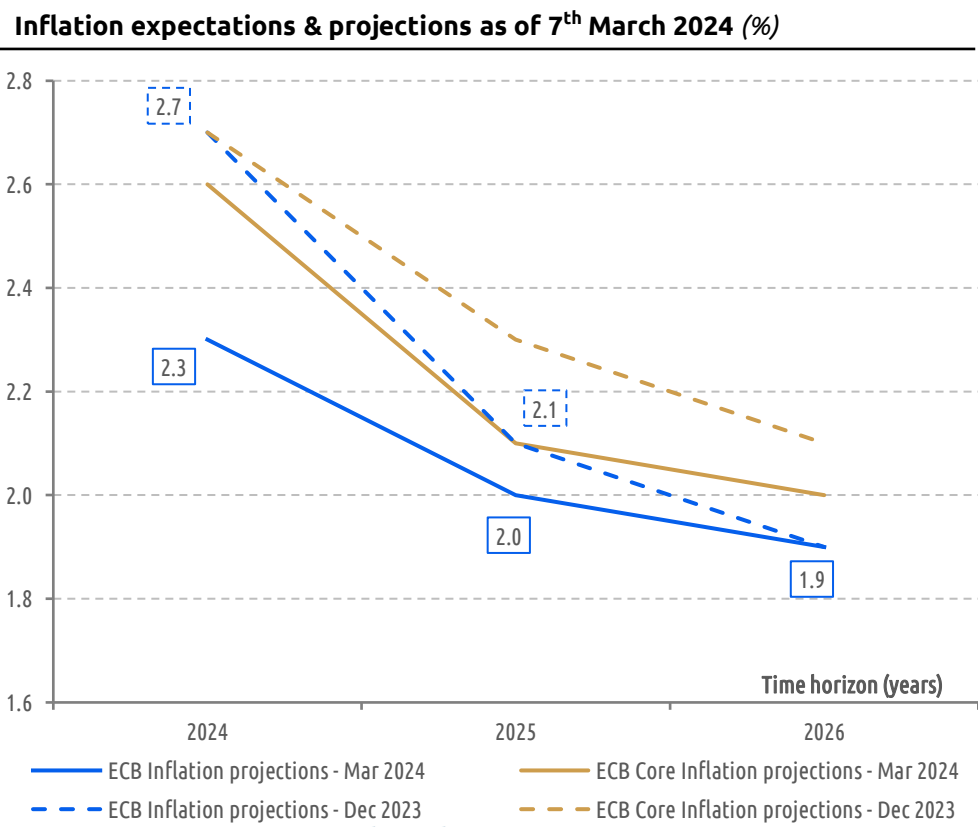




## **B In the Euro Area**

# The ECB decided to keep its interest rates unchanged in its April meeting

President Lagarde explained that growth is low and that the economy is currently showing signs of weakness. However, the ECB expects growth to pick-up soon while inflation would further decrease in 2024, implying possible cuts later this year (possibly in June).



## Key considerations

- **The Governing Council decided to maintain the three key ECB interest rates at their current value (the same since September), after continuous hikes for more than 18 months.**
- Looking ahead, ECB staff have slightly revised their inflation projections down in March. Headline inflation is now expected to average 2.3% in 2024 while core inflation should reach 2.6%. However, they also revised their output growth projections for 2024 from 0.8% to 0.6%.
- The benchmark deposit rate is now set at 4%, coming from minus 0.5% a year and a half ago. It is its highest level since 2000.
- **The next meeting is set on June 6<sup>th</sup> The ECB hinted that the interest rate may decrease.**

| ECB economic projections as of 7 <sup>th</sup> March 2024 |      |      |      |
|---|------|------|------|
| Indicator   | 2024 | 2025 | 2026 |
| Change in real GDP  | 0.6  | 1.5  | 1.6  |
| Unemployment rate   | 6.7  | 6.6  | 6.6  |
| Inflation   | 2.3  | 2.0  | 1.9  |

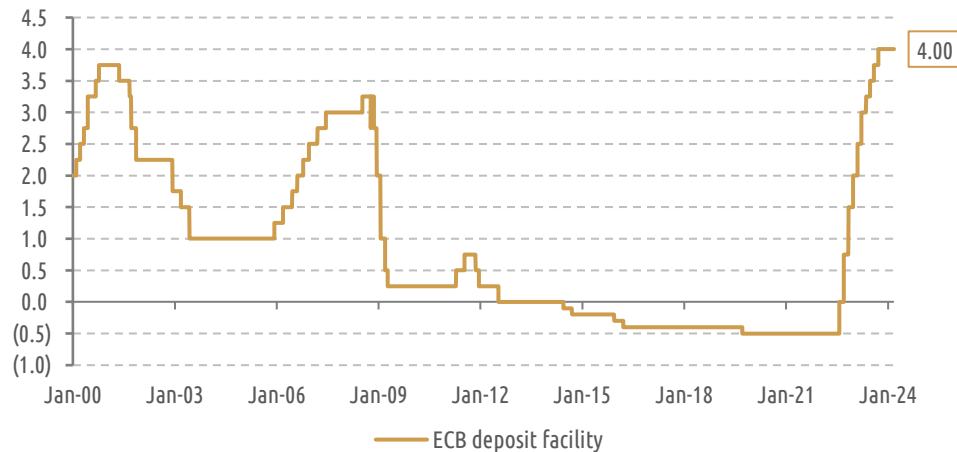
“Inflation is expected to fluctuate around current levels in the coming months and to then decline to our target level next year..”

CHRISTINE LAGARDE, ECB PRESS CONFERENCE, APRIL 11<sup>TH</sup> 2024

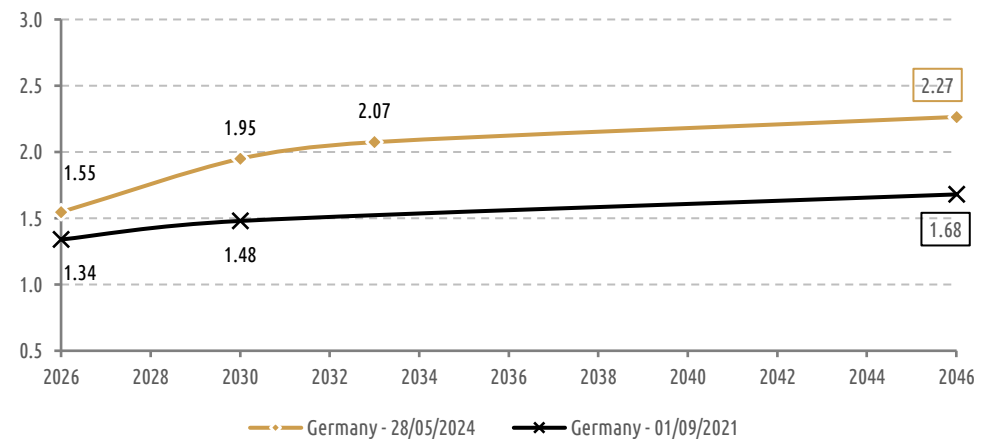
# In the Eurozone, nominal rates are going up again, after having decreased following the fall of inflation

Expected real rates, however, are near zero in the longer run. ECB deposit rates remain at 4%.

### ECB deposit rate



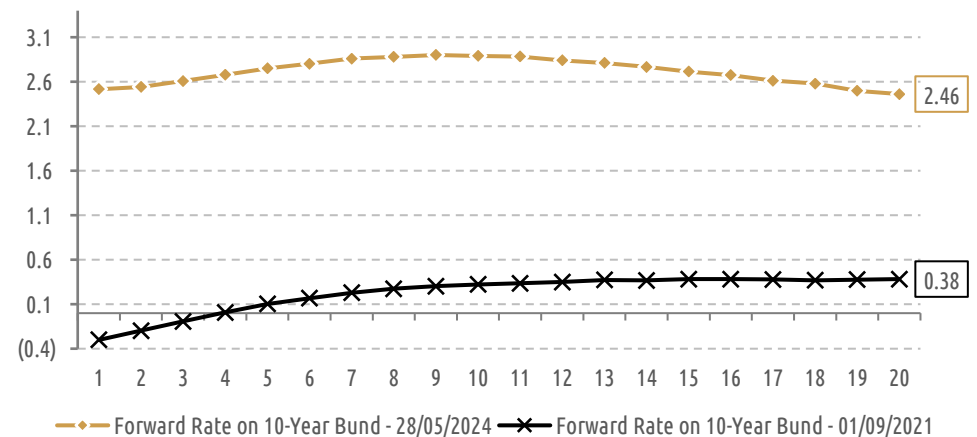
### Inflation Expectations<sup>1</sup> - Germany (%)



### 10-Y Nominal yield – German Bund



### Forward Rates on 10-Year German Bund (%)



# The German-yield curve has been inverted for 18 months, for the first time since 2008

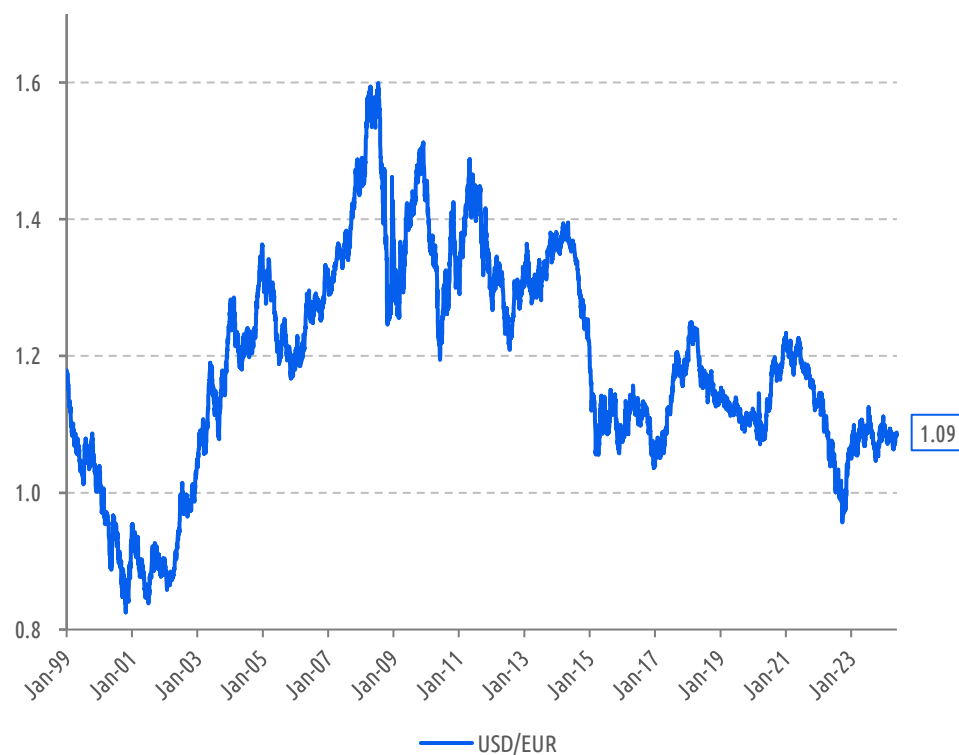
This usually reflects a risk of recession or sluggish growth

## Bund 2Yr/10Yr Spread – Since Jan 1998



## After an appreciation at the end of 2022, the Euro has been rather stable

Nominal Foreign exchange rate in historical perspective – Since Jan. 1999



Nominal Foreign exchange rate in historical perspective – Since Jan. 2020



“The level of the euro matters significantly for imported inflation, [...]. A euro that is too weak would go against our price stability objective”

BANQUE DE FRANCE VILLEROY DE GALHAU, 06 MAY 2022



### **III Impact on yields and spreads**



## In Europe, sovereign yields remain at particularly high levels

Despite their strong decrease during the second semester of 2023.

Italian, Greek and French 10-Y yields – Since Jan. 2021



## Tensions on spreads have moderately eased off for the periphery since their peak in 2022

Tensions are now higher in Italy than in Greece, notably due to fears over larger-than-expected public deficits.

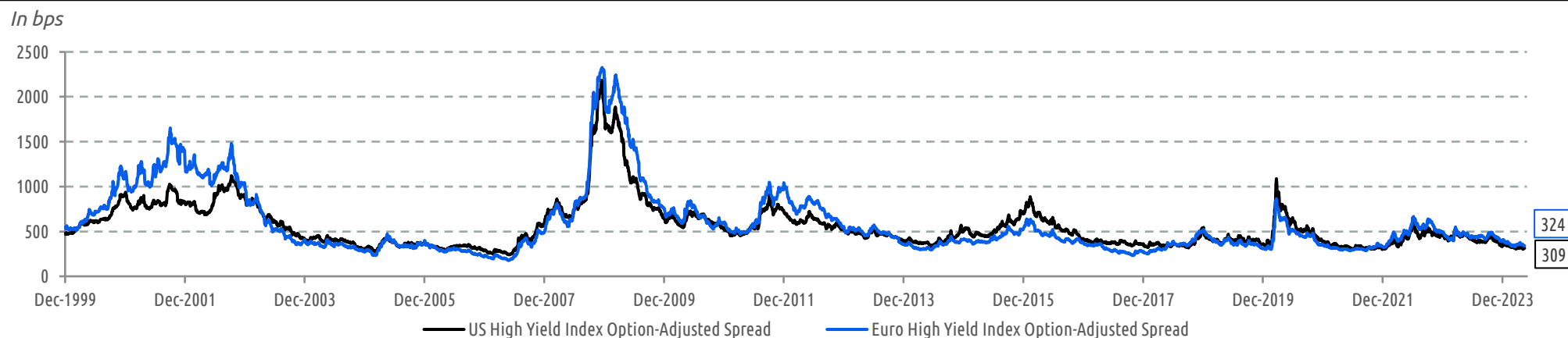
Italian, Greek and French spreads over 10Y German bund – Since Jan. 2021



## High-yield corporate-bond spreads have been decreasing in the last few months both in the US and the Euro Area.

They reached their lowest levels since the beginning of 2022. The spread between the Euro Area and the US has also been decreasing

High yield corporate bond spreads – Since 2000



High yield corporate bond spreads– Since 2022



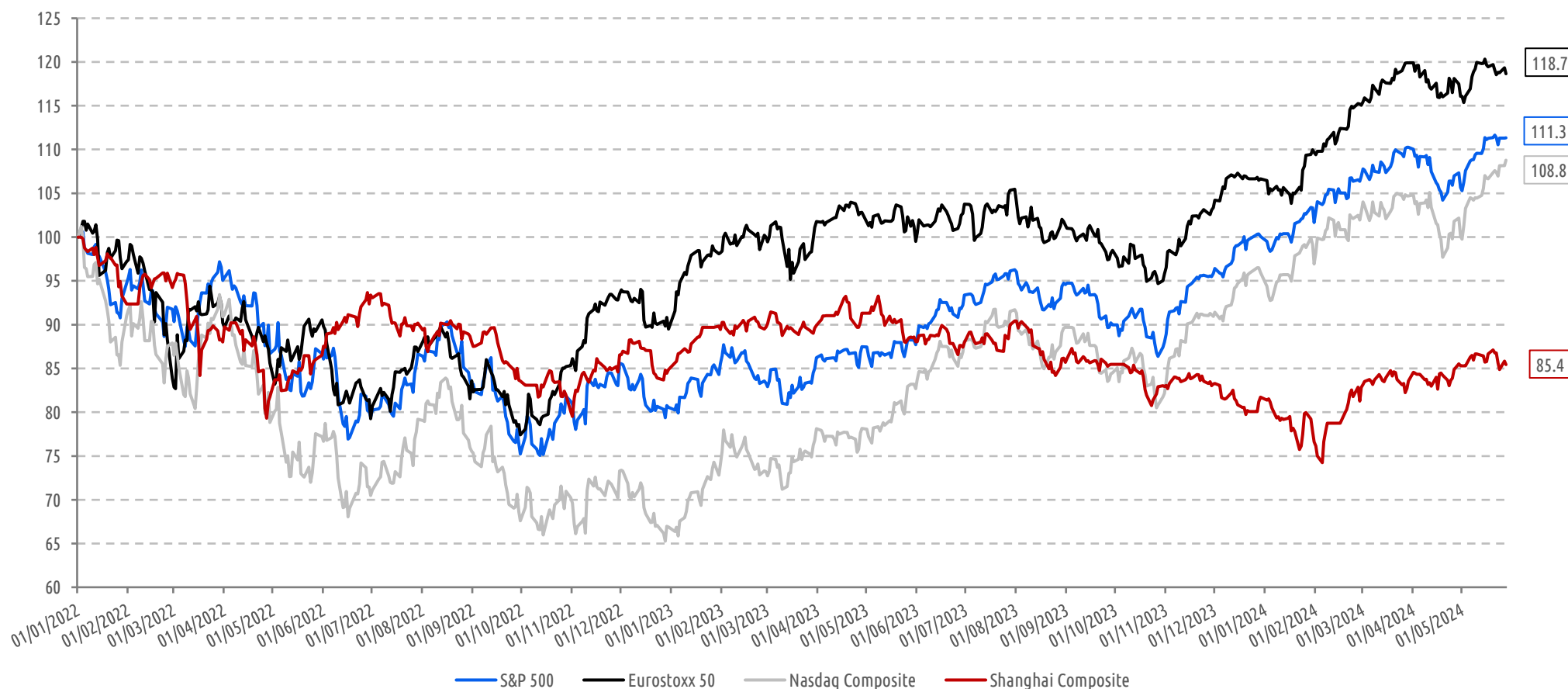


## **IV    Impact on stock markets**

## Stock-market indices have strongly increased during the last few of months, except for the Shanghai Composite

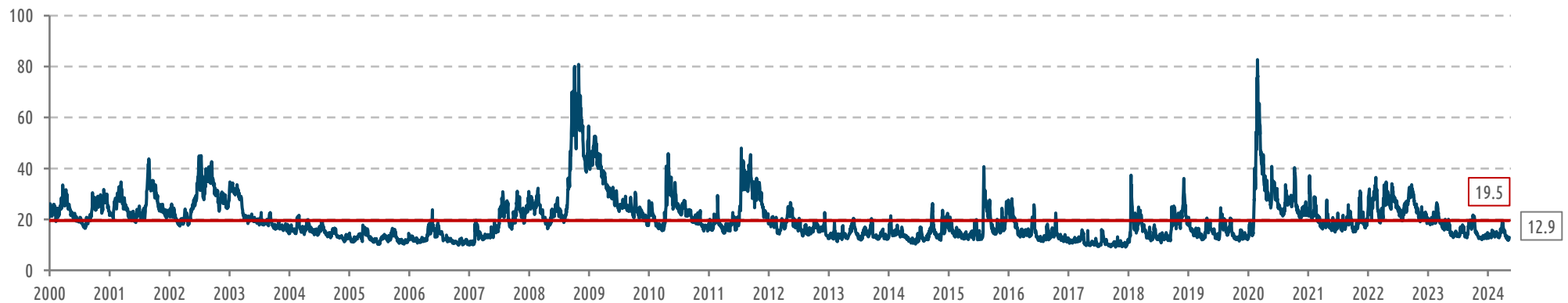
The Shanghai composite has dropped in the last few months. Despite its recent increase, it remains 15% lower than its pre-war level

Nasdaq Composite, S&P 500, Shanghai Composite and Eurostoxx 50 indices – Jan. 2022 = 100

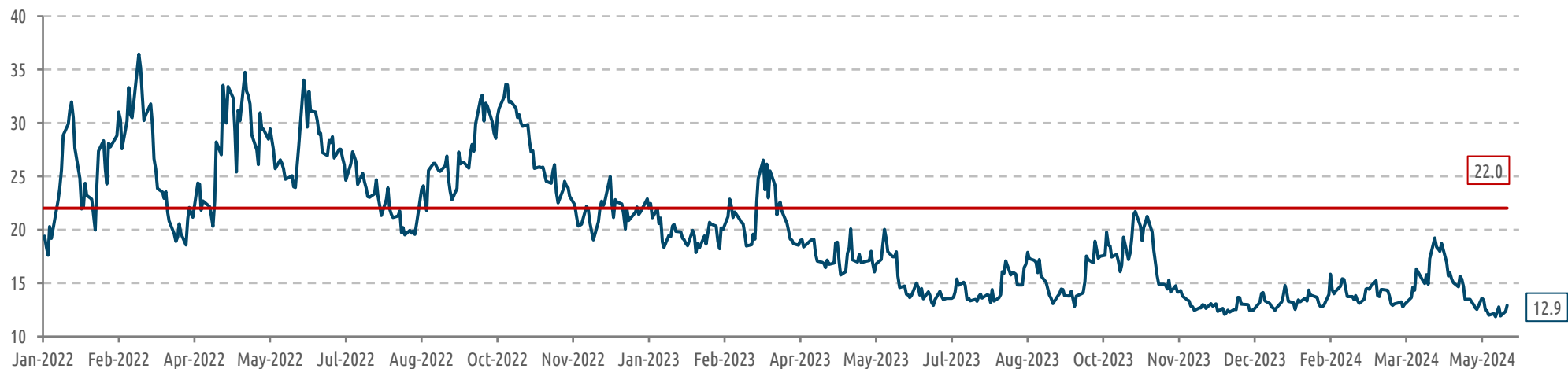


## Volatility on US financial markets has been below its historical average level since November

VIX index – Since 2000

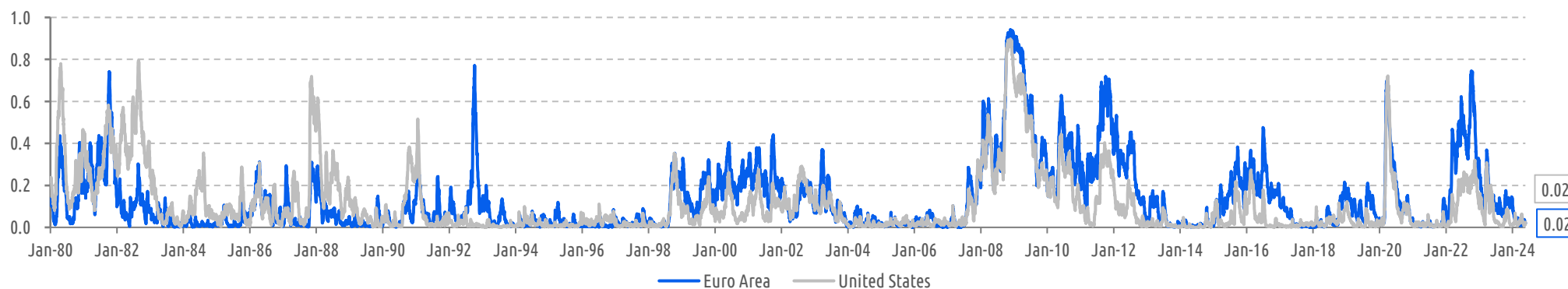


VIX index – Since 2022

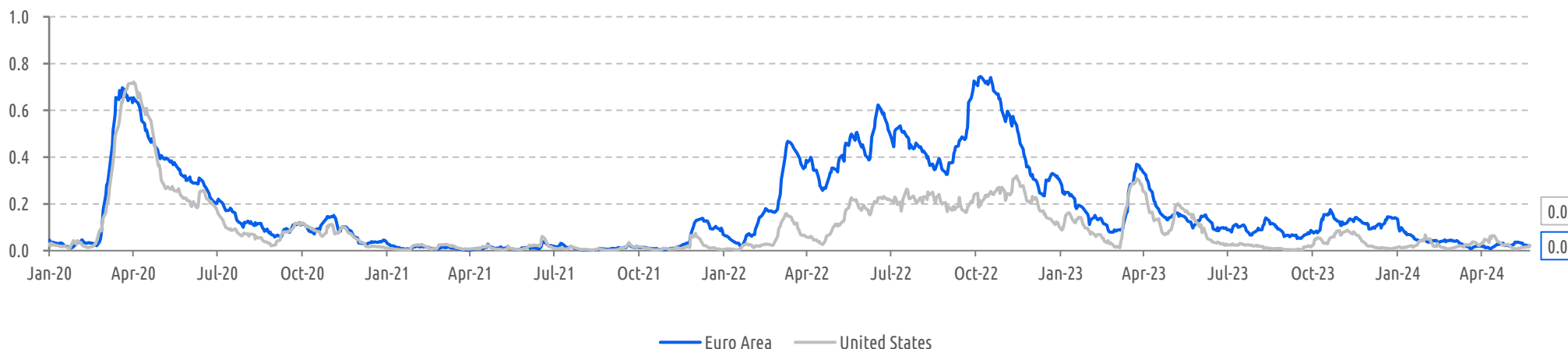


## Financial stress indicators returned to pre-war levels

Composite Indicator of Systemic Stress (daily) – Since Jan. 1980



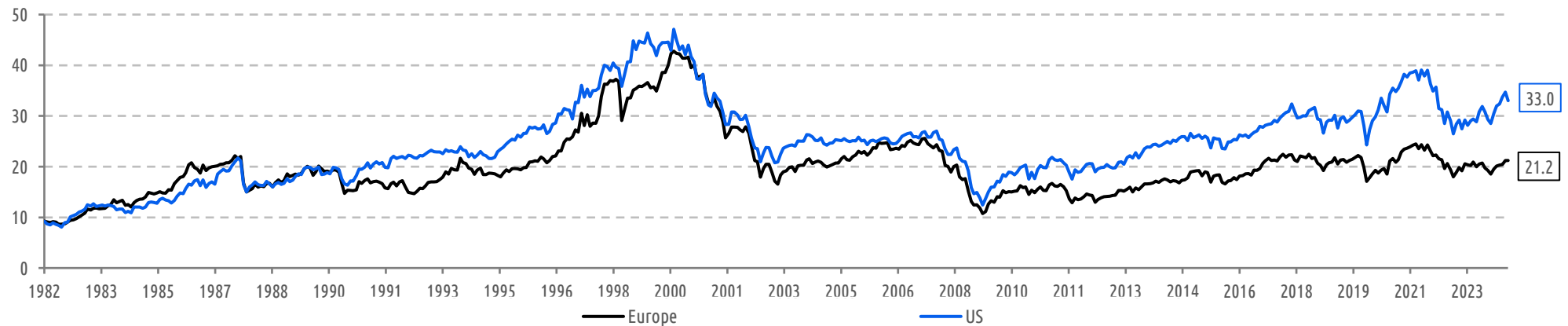
Composite Indicator of Systemic Stress (daily) – Since Jan. 2020



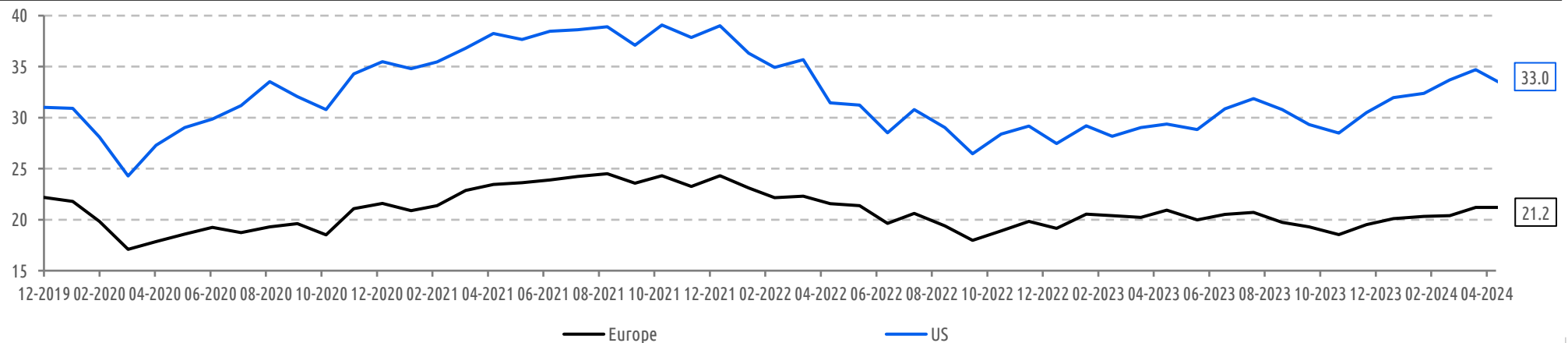
# Shiller CAPE ratio is higher in the US than in Europe

Shiller CAPE ratio is close to its pre-Covid level and to its historical average in Europe.

Cyclically Adjusted Price Earnings ratio – Since 1982



Cyclically Adjusted Price Earnings ratio – Since 2020







## V Appendix

## Links to DBnomics data

| Page # | Graph / Table   | Web link   |
|--------|---|--|
| 4      | Quarterly GDP growth (% change over the previous period) – Germany      | <a href="https://data.oecd.org/naexkp/germany-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.DEU.GP.Q</a>         |
| 4      | Quarterly GDP growth (% change over the previous period) – Eurozone     | <a href="https://data.oecd.org/naexkp/eurozone-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.EA19.GP.Q</a>       |
| 4      | Quarterly GDP growth (% change over the previous period) – France       | <a href="https://data.oecd.org/naexkp/france-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.FRA.GP.Q</a>          |
| 4      | Quarterly GDP growth (% change over the previous period) – UK           | <a href="https://data.oecd.org/naexkp/uk-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.GBR.GP.Q</a>              |
| 4      | Quarterly GDP growth (% change over the previous period) – Italy        | <a href="https://data.oecd.org/naexkp/italy-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.ITA.GP.Q</a>           |
| 4      | Quarterly GDP growth (% change over the previous period) – Japan        | <a href="https://data.oecd.org/naexkp/japan-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.JPN.GP.Q</a>           |
| 4      | Quarterly GDP growth (% change over the previous period) – US           | <a href="https://data.oecd.org/naexkp/usa-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.USA.GP.Q</a>             |
| 5      | Quarterly GDP growth (% change over the previous period) – China        | <a href="https://data.oecd.org/naexkp/china-gdp-growth-quarterly-2013-2023">OECD/DP LIVE/CHN.QGDP.TOT.PC_CHGPP.Q</a> |
| 5      | Quarterly GDP growth (% change over the previous period) – Brazil       | <a href="https://data.oecd.org/naexkp/brazil-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.BRA.GP.Q</a>          |
| 5      | Quarterly GDP growth (% change over the previous period) – Mexico       | <a href="https://data.oecd.org/naexkp/mexico-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.MEX.GP.Q</a>          |
| 5      | Quarterly GDP growth (% change over the previous period) – South Africa | <a href="https://data.oecd.org/naexkp/south-africa-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.ZAF.GP.Q</a>    |
| 5      | Quarterly GDP growth (% change over the previous period) – Indonesia    | <a href="https://data.oecd.org/naexkp/indonesia-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.IDN.GP.Q</a>       |
| 5      | Quarterly GDP growth (% change over the previous period) – India        | <a href="https://data.oecd.org/naexkp/india-gdp-growth-quarterly-2013-2023">OECD/KEI/NAEXKP01.IND.GP.Q</a>           |

## Links to DBnomics data

| Page # | Graph / Table                               | Web link  |
|--------|---|---|
| 6      | General government debt - Germany           | <a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;code=gov_10q_ggdebt/Q.GD.S13.PC_GDP.DE">Eurostat/gov_10q_ggdebt/Q.GD.S13.PC_GDP.DE</a> |
| 6      | General government debt – France            | <a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;code=gov_10q_ggdebt/Q.GD.S13.PC_GDP.FR">Eurostat/gov_10q_ggdebt/Q.GD.S13.PC_GDP.FR</a> |
| 6      | General government debt – United Kingdom    | <a href="https://ons.gov.uk/economy/governmentanddepartments/uk-government-debt-and-financing">ONS/EDP1/YEQJ.Q</a>  |
| 6      | General government deficit – United States  | <a href="https://www.bea.gov/data/government/GDP/GDP-Deficit">BEA/NIPA-T30100/AD01RC-Q</a>  |
| 6      | General government deficit – Germany        | <a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;code=teina205/Q.B9.S13.PC_GDP_SCA.DE">Eurostat/teina205/Q.B9.S13.PC_GDP_SCA.DE</a>     |
| 6      | General government deficit – France         | <a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;code=teina205/Q.B9.S13.PC_GDP_SCA.FR">Eurostat/teina205/Q.B9.S13.PC_GDP_SCA.FR</a>     |
| 6      | General government deficit – United Kingdom | <a href="https://ons.gov.uk/economy/governmentanddepartments/uk-government-debt-and-financing">ONS/UKEA/CT8O.Q</a>  |
| 7      | Consumer confidence index – United States   | <a href="https://www.oecd.org/economy/consumer-confidence/">OECD/MEI_CLI/CSCICP03.USA.M</a>   |
| 7      | Consumer confidence index – Germany         | <a href="https://www.oecd.org/economy/consumer-confidence/">OECD/MEI_CLI/CSCICP03.DEU.M</a>   |
| 7      | Consumer confidence index – France          | <a href="https://www.oecd.org/economy/consumer-confidence/">OECD/MEI_CLI/CSCICP03.FRA.M</a>   |
| 7      | Consumer confidence index – United Kingdom  | <a href="https://www.oecd.org/economy/consumer-confidence/">OECD/MEI_CLI/CSCICP03.GBR.M</a>   |
| 7      | Business confidence index – United States   | <a href="https://www.oecd.org/economy/business-confidence/">OECD/MEI_CLI/BSCICP03.USA.M</a>   |
| 7      | Business confidence index – Germany         | <a href="https://www.oecd.org/economy/business-confidence/">OECD/MEI_CLI/BSCICP03.DEU.M</a>   |
| 7      | Business confidence index – France          | <a href="https://www.oecd.org/economy/business-confidence/">OECD/MEI_CLI/BSCICP03.FRA.M</a>   |
| 7      | Business confidence index – United Kingdom  | <a href="https://www.oecd.org/economy/business-confidence/">OECD/MEI_CLI/BSCICP03.GBR.M</a>   |

## Links to DBnomics data

| Page # | Graph / Table  | Web link  |
|--------|--|---|
| 9      | Natural Gas (Dutch TTF) prices in historical perspective (€/MWh)   | <a href="#">ICE/DUTCH TTF GAS FUTURES/D.5614690</a>   |
| 10     | % of EU business reporting shortages of materials and equipment in the construction industry as a limiting production factor | <a href="#">EC/CONSTRUCTION/TOT.2.F5S.EU.M</a>  |
| 11     | Beveridge curve – Euro Area (Q1-17 – Q2-22), Quarterly   | <a href="#">OECD/MEI/EA20.LRHUTTTT.STSA.Q</a><br><a href="#">Eurostat/jvs q nace2/Q.NSA.B-S.TOTAL.JOBRATE.EA19</a>  |
| 11     | Beveridge curve – United States (Q1-17 – Q2-22), Monthly   | <a href="#">BLS/ln/LNS14000000</a><br><a href="#">BLS/jt/JTS0000000000000000JOR</a>   |
| 11     | Unemployment according to ILO definition - Total – Euro area – Seasonally adjusted, Monthly                                  | <a href="#">Eurostat/ei lmhr m/M.PC ACT.SA.LM-UN-T-TOT.EA20</a>   |
| 12     | Beveridge curve - France, Quarterly  | <a href="#">Eurostat/jvs q nace2/Q.NSA.B-S.GE10.JOBRATE.FR</a><br><a href="#">INSEE/CHOMAGE-TRIM-NATIONAL/T.CTTXC.TAUX.FR-D976.0.00-.POURCENT.CVS.FALSE</a> |
| 12     | Beveridge curve - Germany, Quarterly   | <a href="#">Eurostat/jvs q nace2/Q.NSA.B-S.GE10.JOBRATE.DE</a><br><a href="#">DESTATIS/81000BV001/DG.BV4SB.ERW089</a>                                       |
| 12     | Unemployment according to ILO definition - Total – France – Seasonally adjusted, Monthly                                     | <a href="#">Eurostat/une rt m/M.SA.TOTAL.PC ACT.T.FR</a>  |
| 12     | Unemployment according to ILO definition - Total – Germany – Seasonally adjusted, Monthly                                    | <a href="#">Eurostat/une rt m/M.SA.TOTAL.PC ACT.T.DE</a>  |
| 13     | Wage growth tracker – France (Quarterly)   | <a href="#">INSEE/ICT-2016/T.BDM EUR.ICT.A21-BTN.INDICE.SSE.FE.SO.CVS-CJO.2016</a>  |

## Links to DBnomics data

| Page # | Graph / Table                                 | Web link   |
|--------|---|--|
| 15     | CPI Inflation (YoY % change) – United States  | <a href="https://www.bls.gov/charts/cpi-inflation/cpi-usa-annual-percent-change.html">BLS/cu/CUSR0000SA0</a><br><a href="https://www.bls.gov/charts/cpi-inflation/cpi-usa-annual-percent-change.html">BLS/cu/CUSR0000SA0L1E</a>  |
| 15     | CPI Inflation (YoY % change) – Eurozone       | <a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;language=en&amp;code=sdg_8.8.1">Eurostat/prc hicp manr/M.RCH A.CP00.EA</a><br><a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;language=en&amp;code=sdg_8.8.1">Eurostat/prc hicp manr/M.RCH A.TOT X NRG FOOD.EA</a>                         |
| 15     | CPI Inflation (YoY % change) – France         | <a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;language=en&amp;code=sdg_8.8.1">Eurostat/prc hicp manr/M.RCH A.CP00.FR</a><br><a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;language=en&amp;code=sdg_8.8.1">Eurostat/prc hicp manr/M.RCH A.TOT X NRG FOOD.FR</a>                         |
| 15     | CPI Inflation (YoY % change) – France INSEE   | <a href="https://www.insee.fr/fr/statistiques/1515151?geo=FRANCE&amp;lang=en">INSEE/IPC-2015/M.IPC.SO.SO.4035.GLISSEMENT ANNUEL.ENSEMBLE.FE.POURCENT.BRUT.SO.FALSE</a><br><a href="https://www.insee.fr/fr/statistiques/1515151?geo=FRANCE&amp;lang=en">INSEE/IPC-2015/M.ISJ.SO.SO.4035.GLISSEMENT ANNUEL.ENSEMBLE.FM.POURCENT.CVS-FISC.SO.FALSE</a> |
| 15     | CPI Inflation (YoY % change) – Germany        | <a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;language=en&amp;code=sdg_8.8.1">Eurostat/prc hicp manr/M.RCH A.CP00.DE</a><br><a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;language=en&amp;code=sdg_8.8.1">Eurostat/prc hicp manr/M.RCH A.TOT X NRG FOOD.DE</a>                         |
| 15     | CPI Inflation (YoY % change) – Italy          | <a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;language=en&amp;code=sdg_8.8.1">Eurostat/prc hicp manr/M.RCH A.CP00.IT</a><br><a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;language=en&amp;code=sdg_8.8.1">Eurostat/prc hicp manr/M.RCH A.TOT X NRG FOOD.IT</a>                         |
| 15     | CPI Inflation (YoY % change) – United Kingdom | <a href="https://www.ons.gov.uk/economy/inflationandcosts/tables/cpiinflation">ONS/MM23/D7G7.M</a><br><a href="https://www.ons.gov.uk/economy/inflationandcosts/tables/cpiinflation">ONS/MM23/DKO8.M</a>   |
| 15     | CPI Inflation (YoY % change) – Japan          | <a href="https://www.stat.go.jp/english/press/cpi/cpi.htm">STATJP/CPIin/001</a><br><a href="https://www.stat.go.jp/english/press/cpi/cpi.htm">STATJP/CPIin/740</a>   |
| 16     | CPI Inflation (YoY % change) – South Africa   | <a href="https://data.oecd.org/cpi/cpi-south-africa.htm">OECD/KEI/CPALTT01.ZAF.GY.M</a>  |
| 16     | CPI Inflation (YoY % change) - Brazil         | <a href="https://data.oecd.org/cpi/cpi-brazil.htm">OECD/KEI/CPALTT01.BRA.GY.M</a>  |
| 16     | CPI Inflation (YoY % change) – China          | <a href="https://data.oecd.org/cpi/cpi-china.htm">OECD/KEI/CPALTT01.CHN.GY.M</a>   |
| 16     | CPI Inflation (YoY % change) – Indonesia      | <a href="https://data.oecd.org/cpi/cpi-indonesia.htm">OECD/KEI/CPALTT01.IDN.GY.M</a>   |
| 16     | CPI Inflation (YoY % change) – India          | <a href="https://data.oecd.org/cpi/cpi-india.htm">OECD/KEI/CPALTT01.IND.GY.M</a>   |
| 16     | CPI Inflation (YoY % change) – Mexico         | <a href="https://data.oecd.org/cpi/cpi-mexico.htm">OECD/KEI/CPALTT01.MEX.GY.M</a>  |

## Links to DBnomics data

| Page # | Graph / Table                                   | Web link  |
|--------|---|---|
| 17     | Quarterly implied GDP deflator – France         | <a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;code=namq_10_gdp/Q.PD_PCH_SM_NAC.SCA.B1GQ.DE">Eurostat/namq_10_gdp/Q.PD_PCH_SM_NAC.SCA.B1GQ.DE</a> |
| 17     | Quarterly implied GDP deflator – France         | <a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;code=namq_10_gdp/Q.PD_PCH_SM_NAC.SCA.B1GQ.FR">Eurostat/namq_10_gdp/Q.PD_PCH_SM_NAC.SCA.B1GQ.FR</a> |
| 17     | Quarterly implied GDP deflator - United Kingdom | <a href="https://www.ons.gov.uk/economy/inflationandcosts/tables/quarterlyimpliedgdpdeflator/tables/quarterlyimpliedgdpdeflator">ONS/QNA/IHYU.Q</a>                             |
| 17     | Quarterly implied GDP deflator - United States  | <a href="https://www.bea.gov/nip/t10109/A191RD-Q/A191RD-Q">BEA/NIPA-BEA/NIPA-T10109/A191RD-Q/A191RD-Q</a>   |
| 20     | Personal consumption expenditures (PCE)         | <a href="https://www.bea.gov/nip/t20804/DPCERG-M">BEA/NIPA-T20804/DPCERG-M</a>  |
| 23     | 10-Y Nominal yield – US                         | <a href="https://www.federalreserve.gov/releases/h15/riflgf10.htm">FED/H15/RIFLGFCY10_N.B</a>   |
| 24     | Yield curve – US                                | <a href="https://www.federalreserve.gov/releases/h15/riflgfcm03.htm">FED/H15/RIFLGFCM03_N.B</a>   |
| 27     | 10-Y Nominal yield – German Bund                | <a href="https://www.buba.de/BBK01/WT1010">BUBA/BBK01/WT1010</a>  |
| 27     | Inflation Expectations - Germany                | <a href="https://www.buba.de/BBSSY/D.KCP.EUR.A607.DE0001102523.A">BUBA/BBSSY/D.KCP.EUR.A607.DE0001102523.A</a>  |
| 27     | Forward Rates on 10-Year German Bund            | <a href="https://www.buba.de/BBSIS/D.I.ZAR.ZI.EUR.S1311.B.A604.R10XX.R.A.A.Z.Z.A">BUBA/BBSIS/D.I.ZAR.ZI.EUR.S1311.B.A604.R10XX.R.A.A.Z.Z.A</a>                                  |
| 27     | Yield curve – Germany                           | <a href="https://www.buba.de/BBSSY/D.KCP.EUR.A607.DE0001102523.A">BUBA/BBSSY/D.KCP.EUR.A607.DE0001102523.A</a>  |

## Links to DBnomics data

| Page # | Graph / Table  | Web link   |
|--------|--|--|
| 28     | Nominal Foreign exchange rate in historical perspective        | <a href="#">BUBA/BBEX3/D.USD.EUR.BB.AC.000</a>     |
| 30     | Italian 10-Y yield   | <a href="#">Eurostat/irt_lt_mcbby_d/D.MCBY.IT</a>  |
| 30     | Greek 10-Y yield   | <a href="#">Eurostat/irt_lt_mcbby_d/D.MCBY.EL</a>  |
| 30     | French 10-Y yield  | <a href="#">Eurostat/irt_lt_mcbby_d/D.MCBY.FR</a>  |
| 30     | German 10-Y yield  | <a href="#">Eurostat/irt_lt_mcbby_d/D.MCBY.DE</a>  |
| 36     | Composite Indicator of Systemic Stress (daily) – Euro Area     | <a href="#">ECB/CISS/D.U2.Z0Z.4F.EC.SS_CIN.IDX</a> |
| 36     | Composite Indicator of Systemic Stress (daily) – United States | <a href="#">ECB/CISS/D.US.Z0Z.4F.EC.SS_CIN.IDX</a> |