

CEPREMAP / DBNOMICS

# Macroeconomic Outlook – October 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
- Questions and comments about the presentation can be addressed at [jocelyn.maillard@cepremap.org](mailto:jocelyn.maillard@cepremap.org)

## 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, with the fall of inflation, a loosening of monetary policy has started. The ECB decreased its rates in June, in September and in October each time by 25bp for the first time since 2019 while the Fed cut its rates by 50bp in September and expects another 50bp cut in 2024.
- Core inflation is now below 2% in Europe while it is finally below 3% in the US. Core inflation has decreased but remains higher than headline inflation. The return to the 2% inflation target is more complex in the US as the Fed first had to 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 since the beginning of the year, potentially leading to a new rise of inflation.
- GDP growth differences between the US and Europe remain strong at the beginning of 2024, and the OECD forecasts a below-one-percent growth for the Euro Area versus a 2.6% 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 decreased over the past year 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 but have been disappointing in Germany or France.

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# I Growth and inflation in selected G20 countries



## **A The growth slowdown**

# Growth rates are diverging in advanced economies

Growth was particularly high for the US, the UK and Japan in the second quarter of 2024 while the Euro Area is suffering. The OECD expects low growth for 2024 for European countries and high growth for the US.

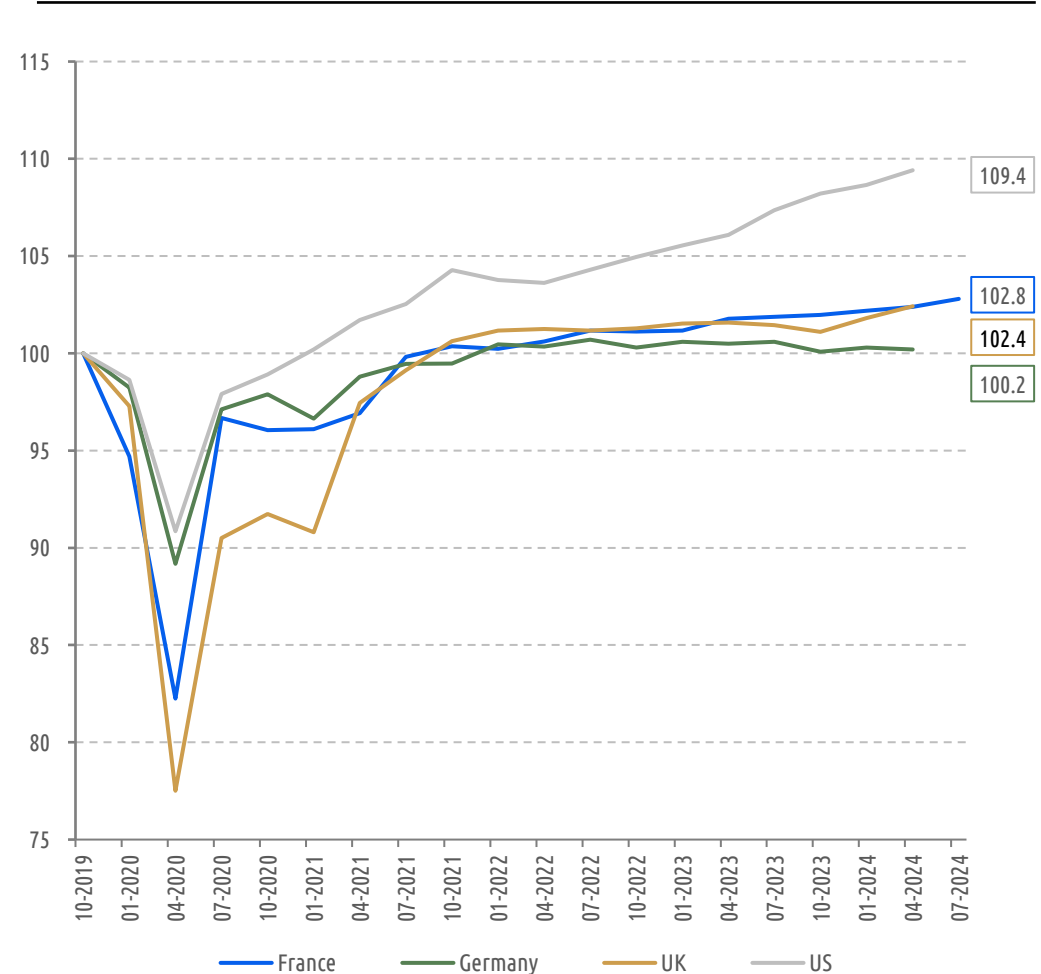
Yearly GDP growth rate (YoY % change)

| 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  | 0.5     | 0.7     | 1.3     |
| <i>Germany</i>           | (3.8)              | 3.1  | 1.9  | (0.1)   | 0.1     | 1.0     |
| <i>France</i>            | (7.5)              | 6.4  | 2.5  | 0.9     | 1.1     | 1.2     |
| <i>Italy</i>             | (9.0)              | 8.3  | 4.1  | 1.0     | 0.8     | 1.1     |
| <b>UK</b>                | (10.4)             | 8.7  | 4.4  | (0.3)   | 1.1     | 1.2     |
| <b>USA</b>               | (2.2)              | 5.8  | 1.9  | 2.5     | 2.6     | 1.6     |
| <b>Japan</b>             | (4.2)              | 2.2  | 1.0  | 1.9     | (0.1)   | 1.4     |

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

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

Quarterly GDP (base 100 in 2019-Q4)



# Growth remains at high levels in emerging Asian countries

India and Indonesia outperformed other emerging countries. China growth strongly decreased in the second quarter. South Africa and Mexico have had particularly low economic growth. The OECD have lifted their 2024 growth projections for Brazil.

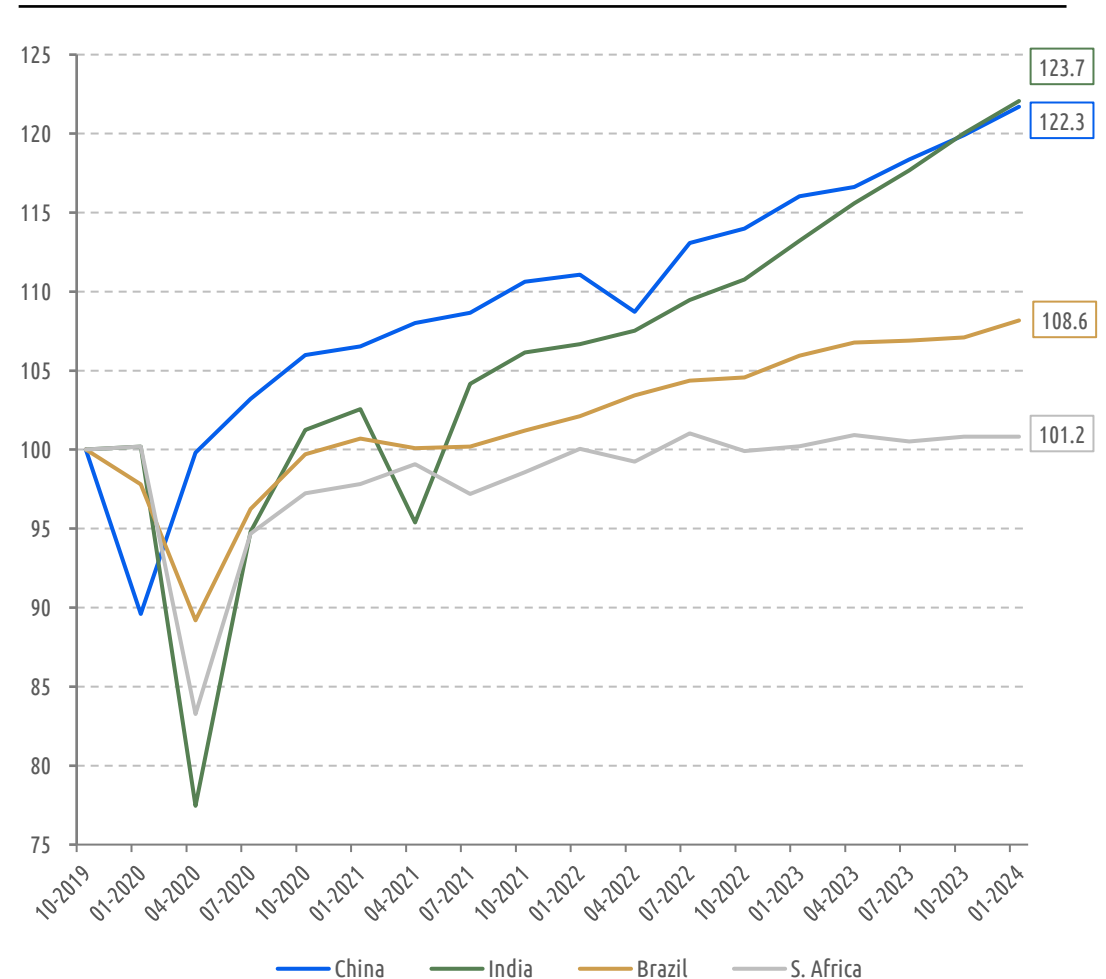
Yearly GDP growth rate (YoY % change)

| Yearly GDP growth rate % |       |      |      |         |         |         |
|--------------------------|-------|------|------|---------|---------|---------|
| Country                  | 2020  | 2021 | 2022 | 2023(E) | 2024(P) | 2025(P) |
| China                    | 2.2   | 8.4  | 3.0  | 5.2     | 4.9     | 4.5     |
| S. Africa                | (6.3) | 4.7  | 1.9  | 0.6     | 1.0     | 1.4     |
| Brazil                   | (3.3) | 5.0  | 3.1  | 2.9     | 2.9     | 2.6     |
| India                    | (5.8) | 9.1  | 7.0  | 7.8     | 6.7     | 6.8     |
| Mexico                   | (8.0) | 5.7  | 3.9  | 3.2     | 1.4     | 1.2     |
| 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                     | 22Q2  | 22Q3 | 22Q4  | 23Q1 | 23Q2 | 23Q3  | 23Q4  | 24Q1 | 24Q2 |
| China                       | (2.1) | 4.0  | 0.8   | 1.8  | 0.5  | 1.5   | 1.3   | 1.5  | 0.5  |
| S. Africa                   | (0.8) | 1.8  | (1.3) | 0.3  | 0.7  | (0.4) | 0.3   | 0.0  | 0.4  |
| Brazil                      | 1.3   | 0.9  | 0.2   | 1.3  | 0.9  | 0.1   | 0.2   | 1.0  | 1.4  |
| India                       | 0.8   | 18   | 1.2   | 2.2  | 2.1  | 1.8   | 2.0   | 1.7  | 1.3  |
| Mexico                      | 0.9   | 1.0  | 1.0   | 0.7  | 0.8  | 0.7   | (0.1) | 0.1  | 0.2  |
| Indonesia                   | 1.2   | 1.1  | 1.3   | 1.2  | 1.3  | 1.3   | 1.3   | 1.2  | 1.2  |

Quarterly GDP (base 100 in 2019-Q4)

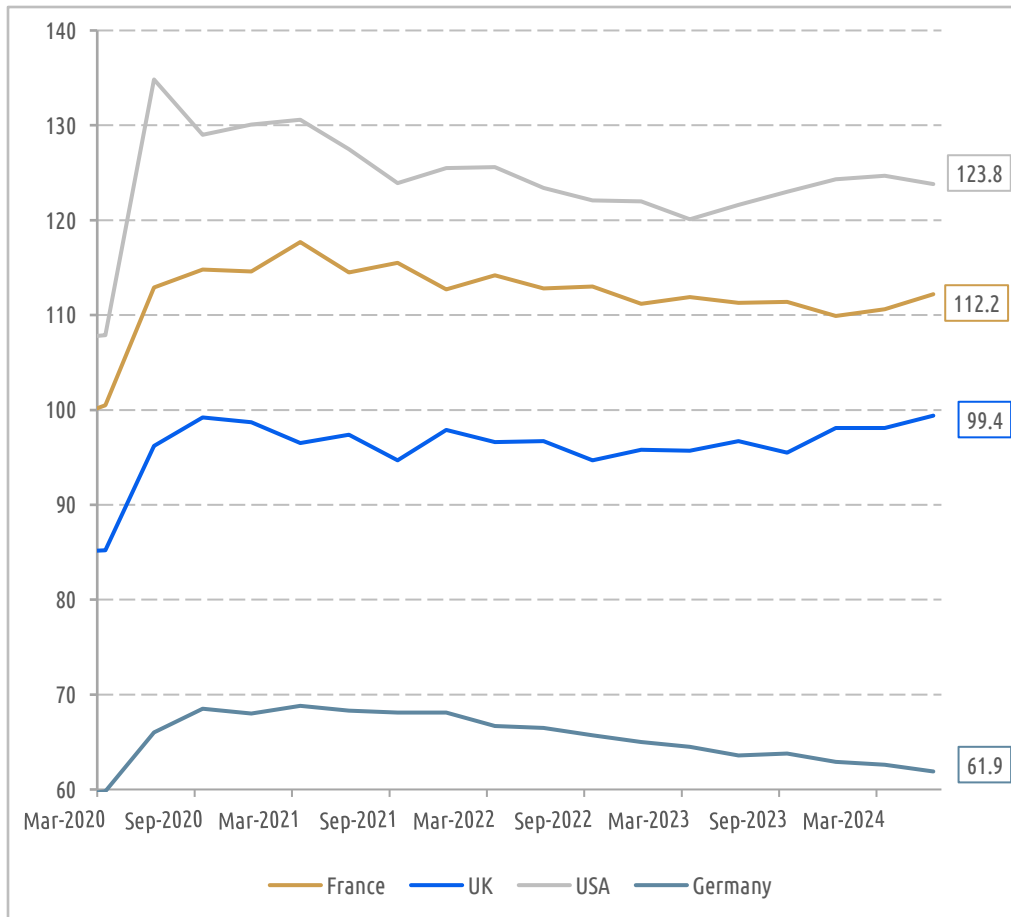




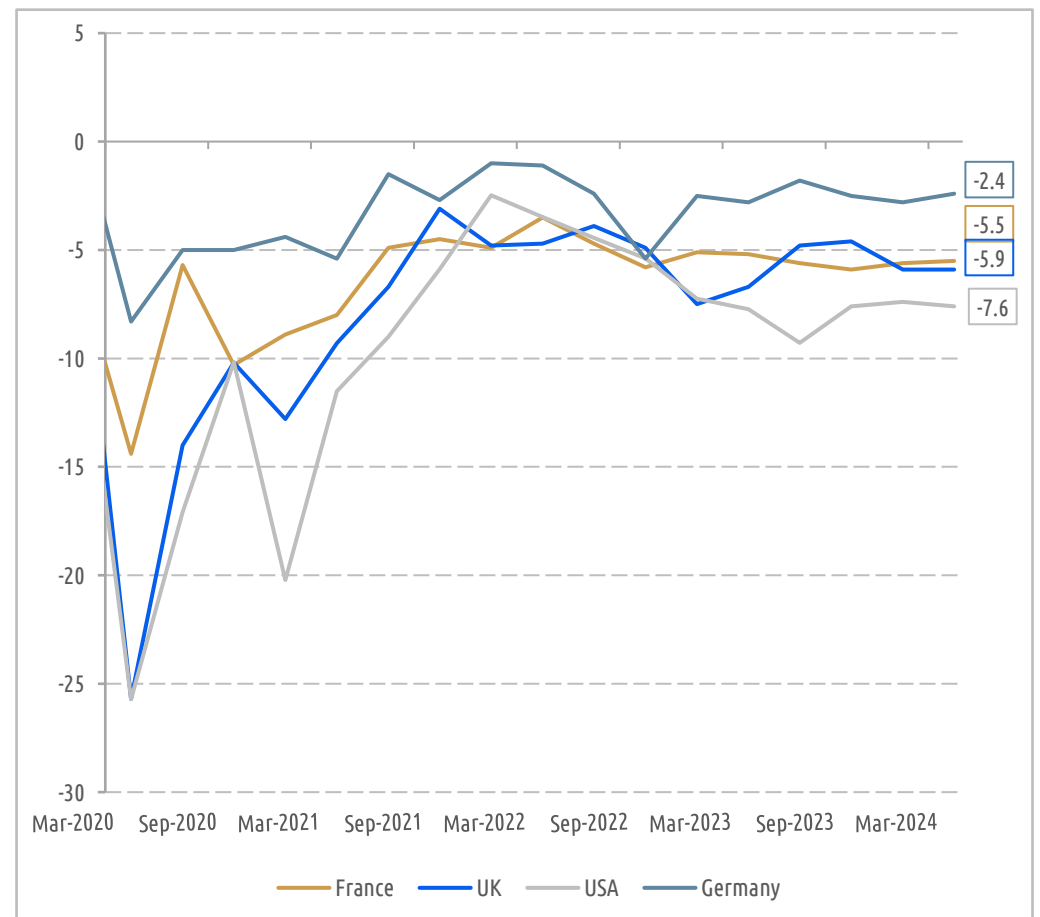
# Government debts are increasing in G4 countries<sup>1</sup>

Inflation acted as a moderating factor on the evolution on debt ratios. With the fall of inflation, debt is increasing again in most countries (except Germany). Deficits are quite large: from 2.4% in Germany to 7.6% in the US, and do not seem to be decreasing.

General Government debt (% of GDP) – Since 2020



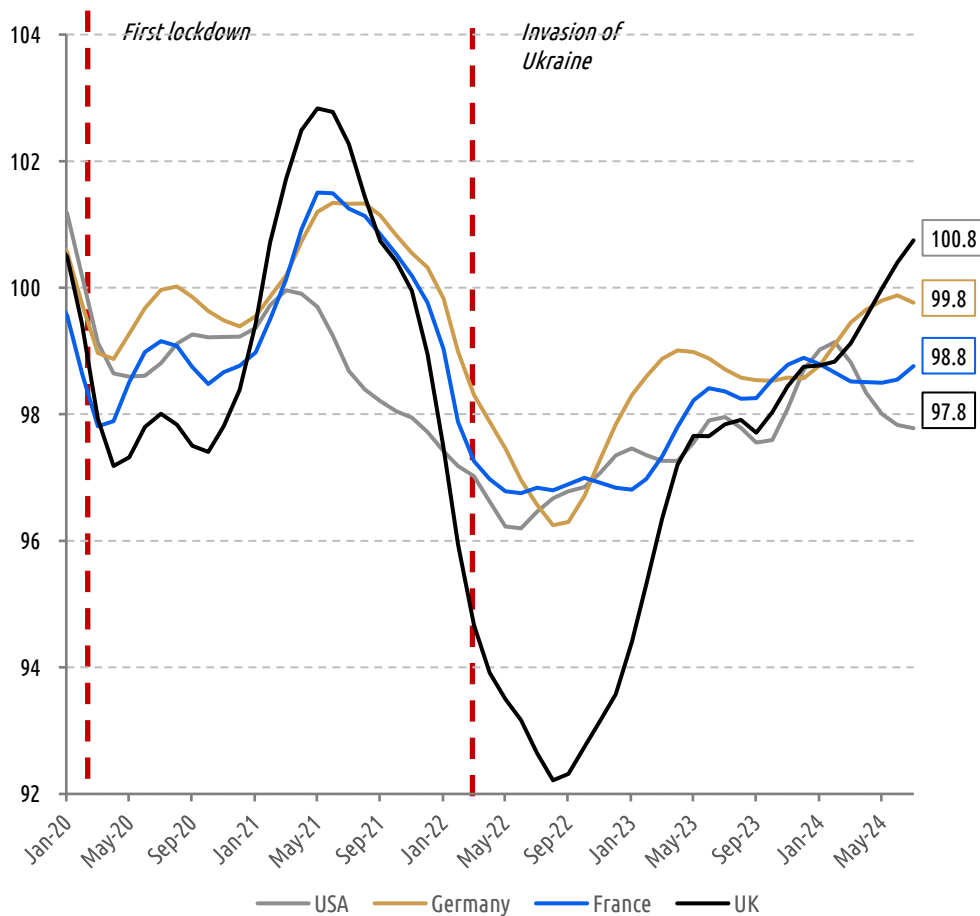
General Government deficit (% of GDP) – Since 2020



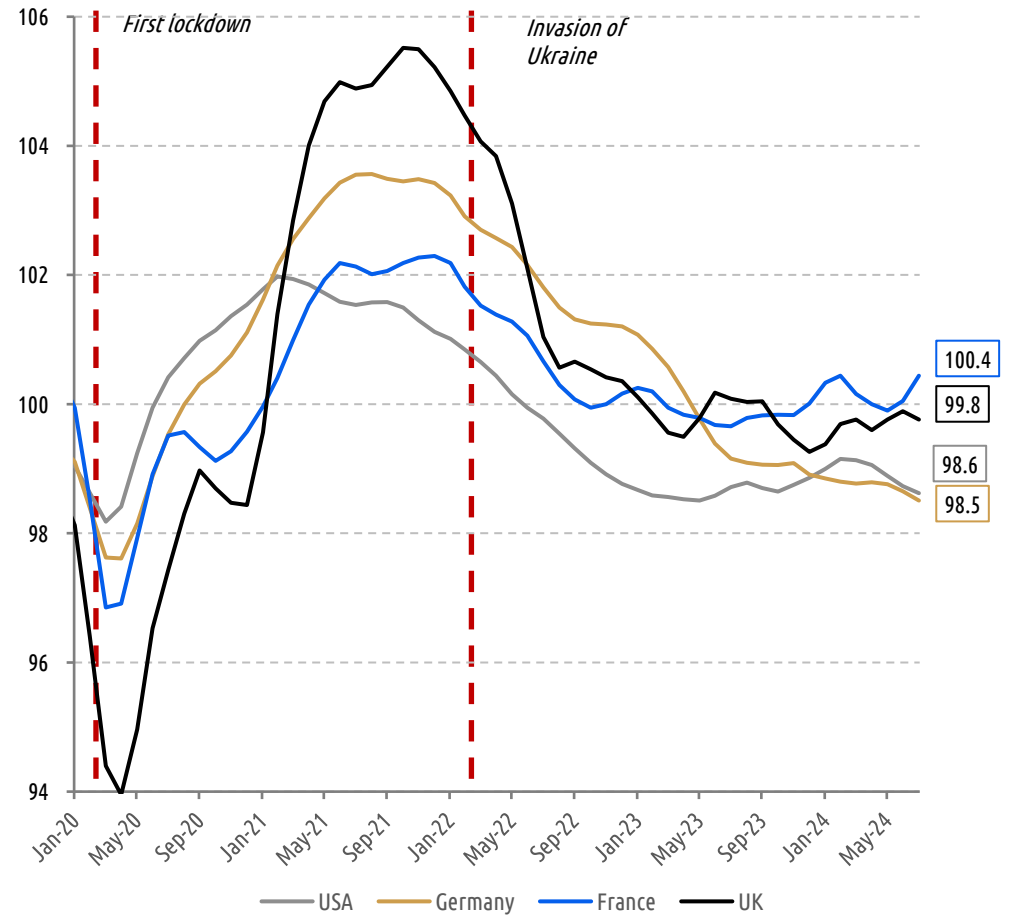
# Consumer and business confidences remain slightly below their pre-covid levels for most countries

Consumer confidence strongly decreased in the US in the last couple of months while it rose in most European countries. Business confidence is higher than consumer confidence for France.

**Consumer confidence indicator – Since Jan. 2020**



**Business confidence indicator – Since Jan. 2020**



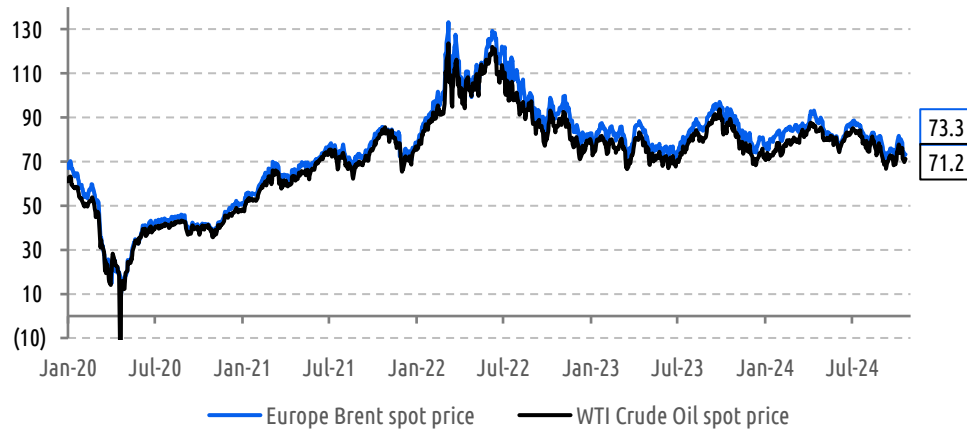


## **B The seeds of inflation**

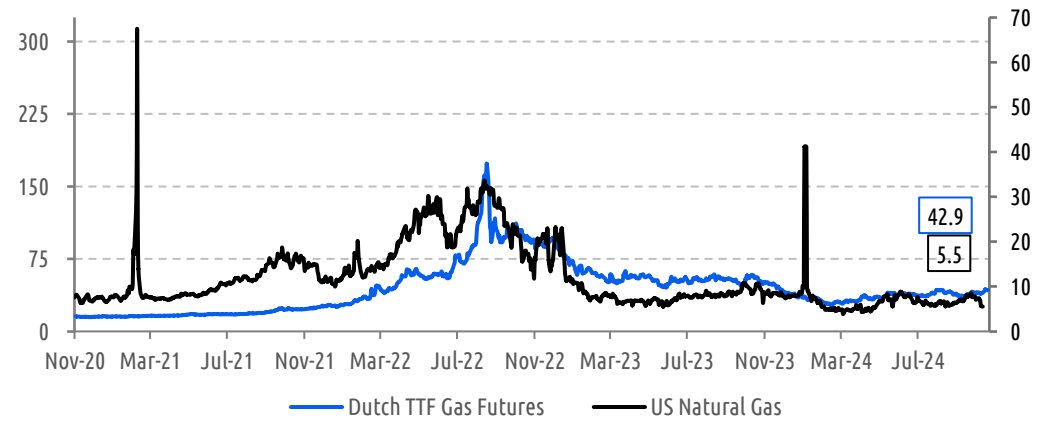
# Prices of raw materials have mostly returned to their pre-war range

Natural-gas prices are now at a one-to-eight difference between the US and Europe. Copper prices have increased following China stimulus measures. Wheat prices have strongly decreased since the Russian invasion to reach their pre-COVID level.

Oil prices in historical perspective (USD per barrel)



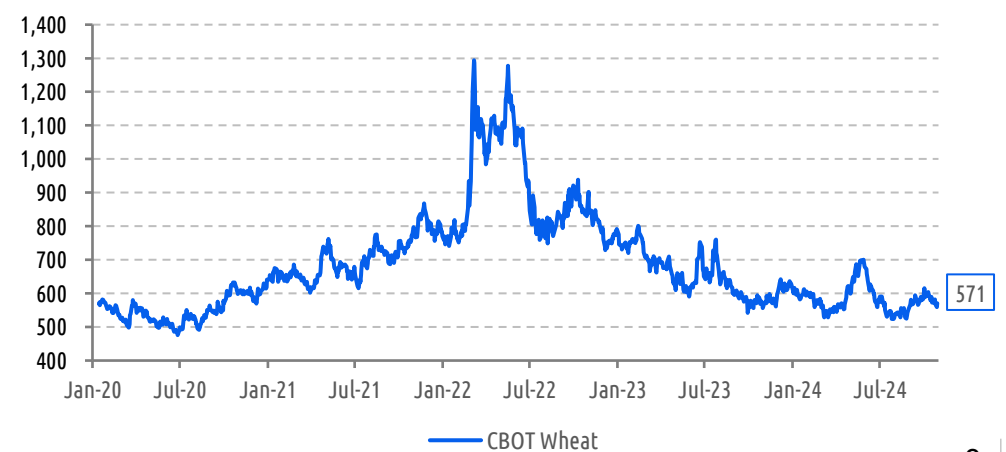
EU (left scale) and US (right scale) natural gas prices<sup>1</sup> (€/MWh)



Copper prices in historical perspective (USD/ton)



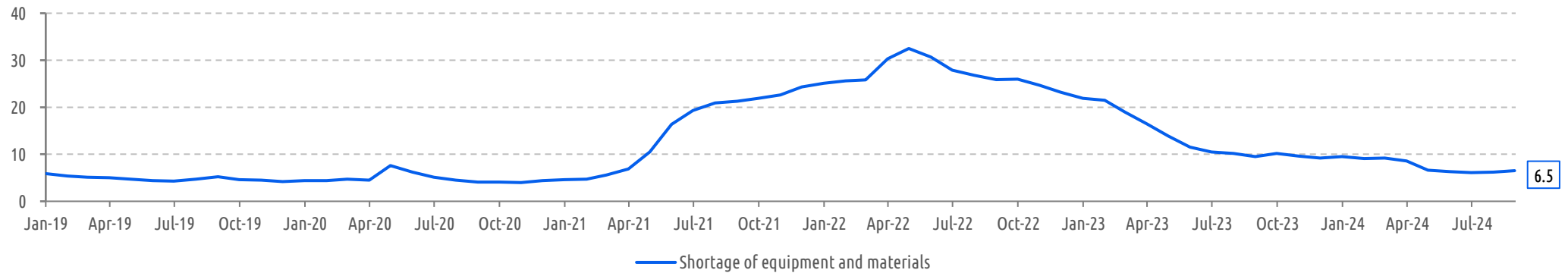
CBOT Wheat (USD/Bushel)



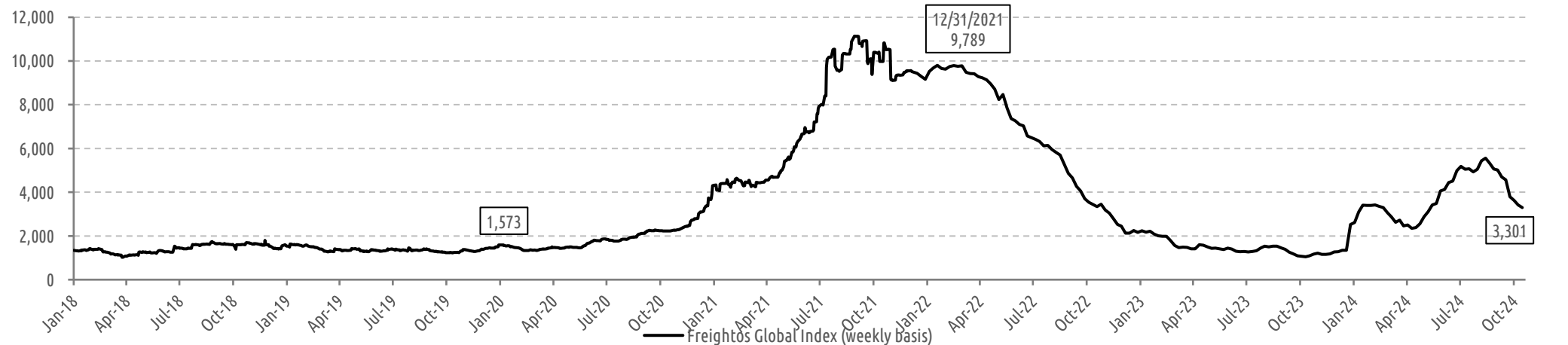
# New supply-chain disruptions have occurred in 2024

Transportation costs have tripled since the beginning of the year because of geopolitical tensions in the Red Sea. They are now decreasing again.

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



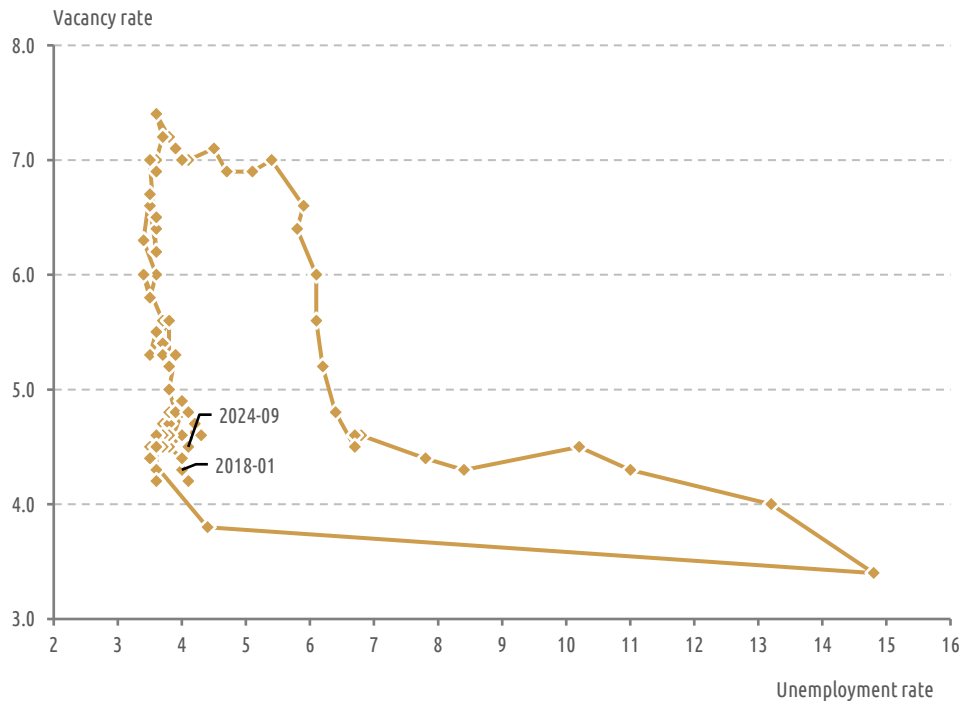
**Shipping Container Index (based on spot rate for 40 feet containers)**



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

The unemployment rate, both in the US and the EZ, remains at very low levels. In the US, the vacancy/unemployment ratio fell to its pre-covid level. In the Euro Area, it has also been falling but it remains high.

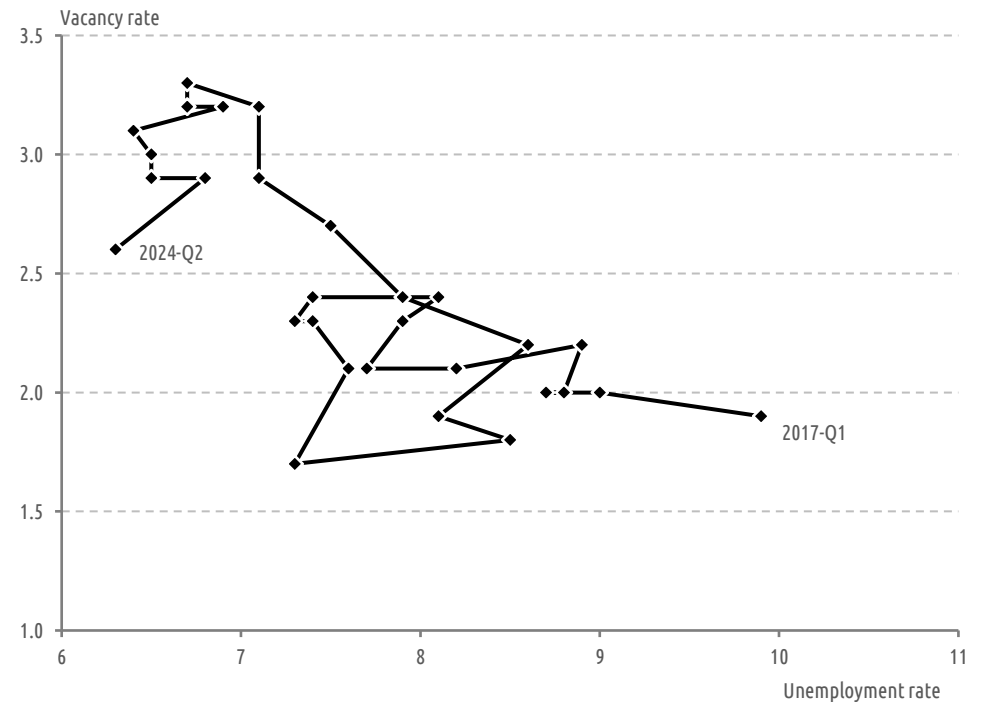
**Beveridge curve - USA, Monthly**



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

| Civilian unemployment rate – Total – USA - Seasonally adjusted |       |       |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator  | 10-23 | 11-23 | 12-23 | 01-24 | 02-24 | 03-24 | 04-24 | 05-24 | 06-24 | 07-24 | 08-24 | 09-24 |
| Rate   | 3.8   | 3.7   | 3.7   | 3.7   | 3.9   | 3.8   | 3.9   | 4.0   | 4.1   | 4.3   | 4.2   | 4.1   |

**Beveridge curve – Euro Area, Quarterly**



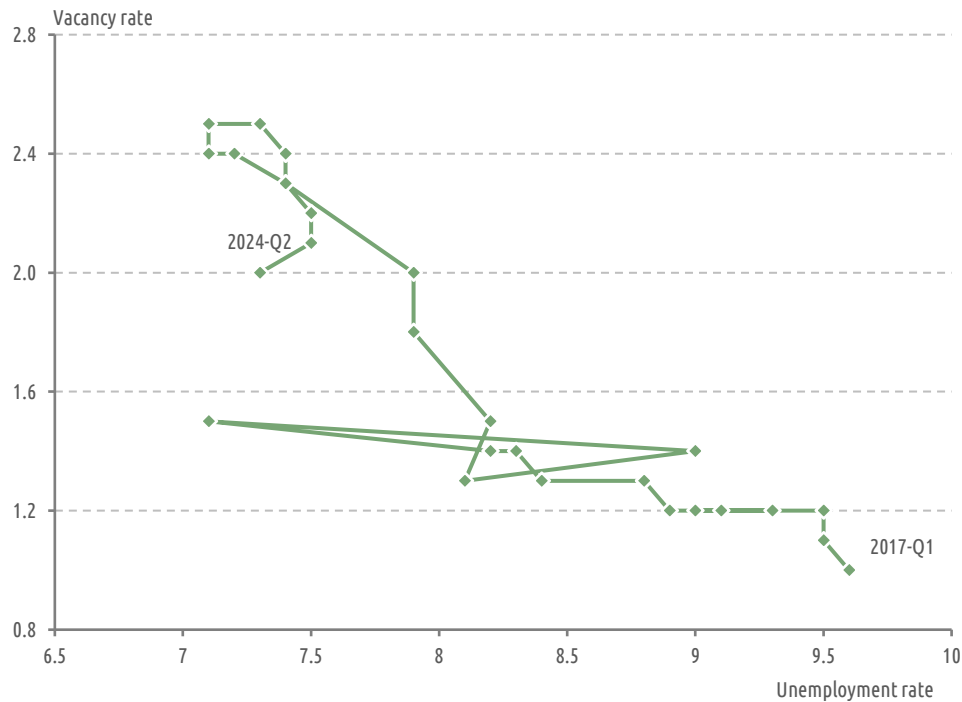
**Unemployment rate (% of labor force) - Monthly**

| Unemployment according to ILO definition - Total – Euro area – Seasonally adjusted |       |       |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator  | 09-23 | 10-23 | 11-23 | 12-23 | 01-24 | 02-24 | 03-24 | 04-24 | 05-24 | 06-24 | 07-24 | 08-24 |
| Rate   | 6.6   | 6.6   | 6.5   | 6.5   | 6.5   | 6.5   | 6.5   | 6.4   | 6.5   | 6.5   | 6.4   | 6.4   |

# 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.

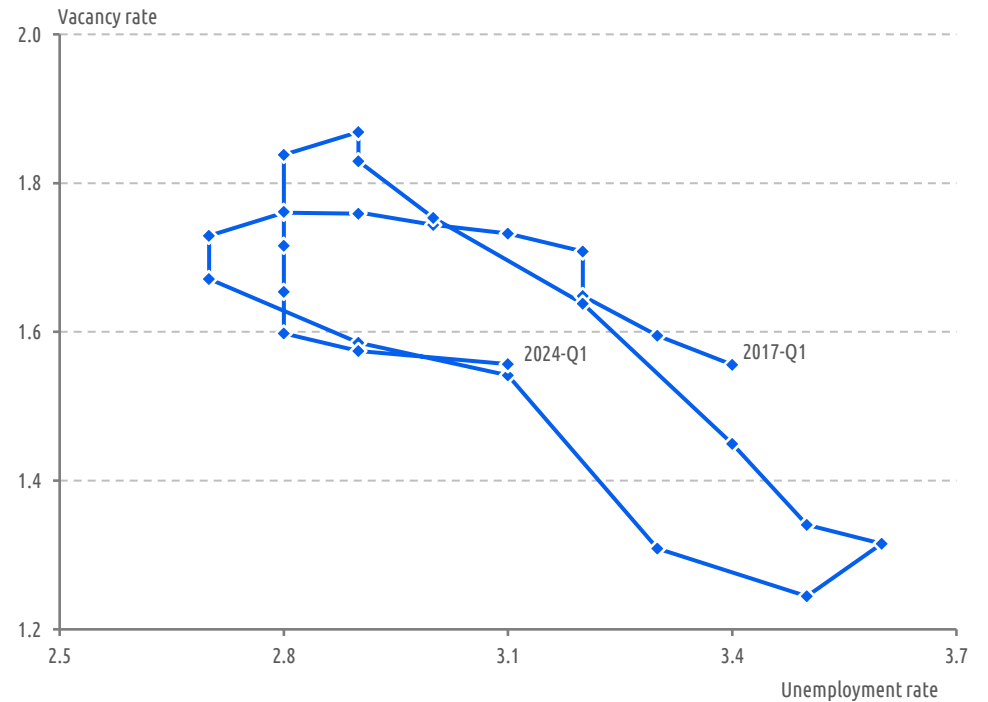
**Beveridge curve - France, Quarterly**



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

| Unemployment rate – Total – France- Seasonally adjusted |       |       |       |       |       |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator   | 09-23 | 10-23 | 11-23 | 12-23 | 01-24 | 02-24 | 03-24 | 04-24 | 05-24 | 06-24 | 07-24 | 08-24 |
| Rate  | 7.4   | 7.5   | 7.5   | 7.6   | 7.5   | 7.5   | 7.4   | 7.4   | 7.5   | 7.5   | 7.5   | 7.5   |

**Beveridge curve - Germany, Quarterly**



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

| Unemployment according to ILO definition - Total – Germany – Seasonally adjusted |       |       |       |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Indicator  | 09-23 | 10-23 | 11-23 | 12-23 | 01-24 | 02-24 | 03-24 | 04-24 | 05-24 | 06-24 | 07-24 | 08-24 |
| Rate   | 3.1   | 3.1   | 3.1   | 3.2   | 3.2   | 3.3   | 3.4   | 3.4   | 3.5   | 3.5   | 3.5   | 3.5   |

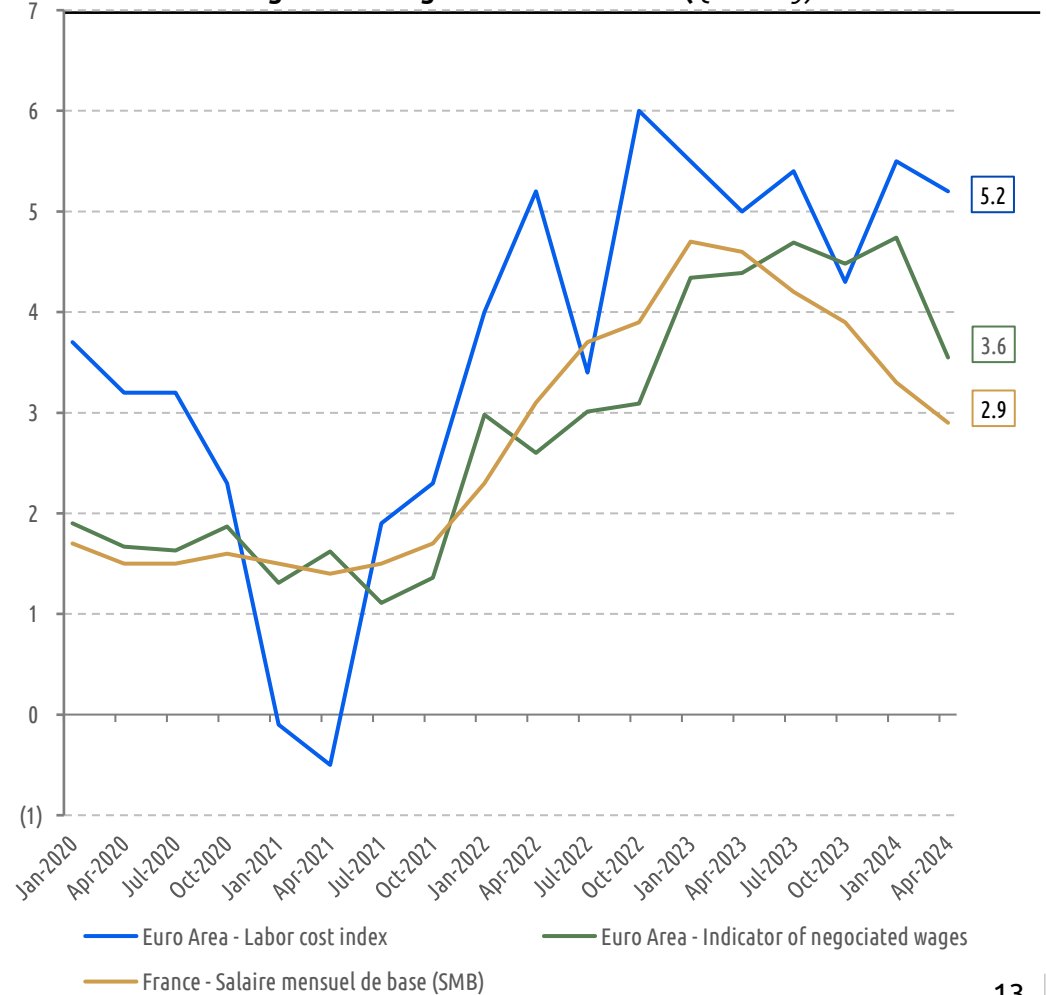
# Wage inflation remains higher than price inflation

However, it seems to be slowing down since the beginning of 2024.

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



Indicator of negotiated wages in the Euro Area (Quarterly)







## **C Inflation unbound**

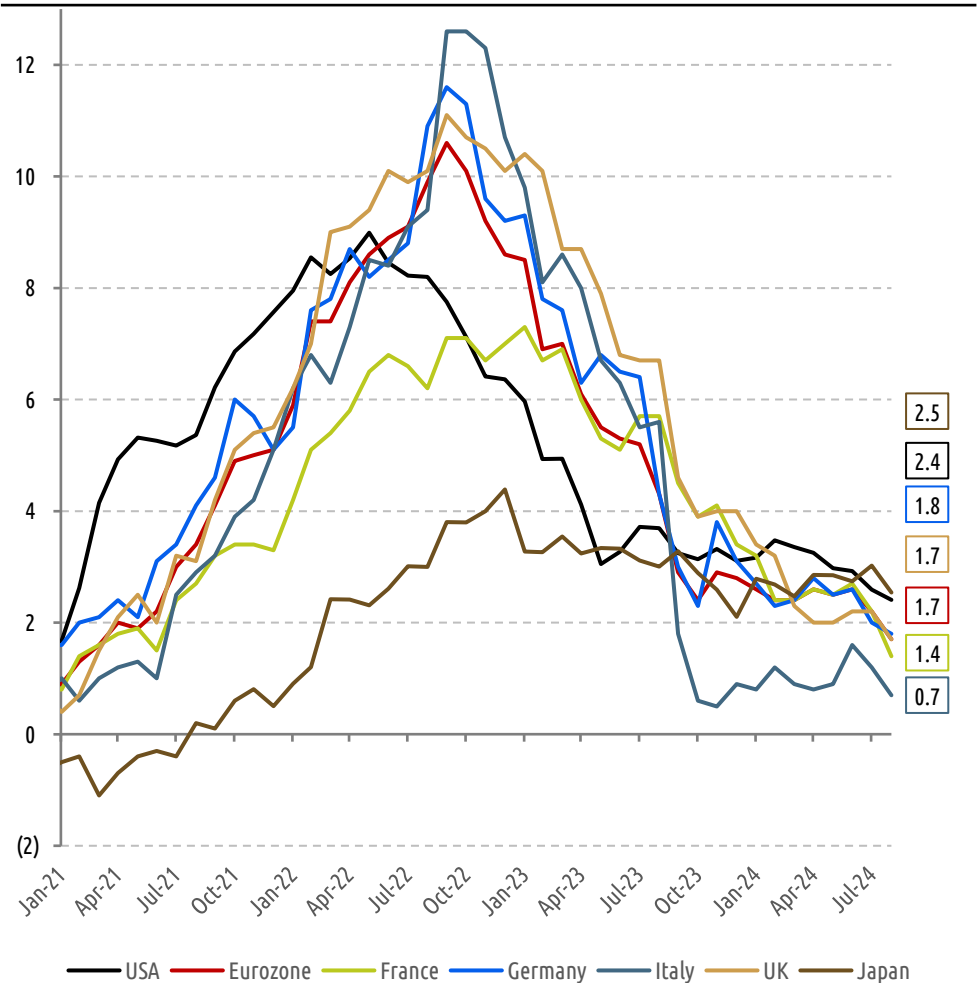
# Inflation came down from its peak and it keeps falling.

Headline inflation went below 2% in European countries in September. It has been falling but remains higher in the US. Core inflation is slowly decreasing but remains higher than 2% in all countries.

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

| Monthly Year-on-Year inflation rates (%) – 2023/2024 |     |     |     |     |     |     |     |     |     |     |     |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Country  | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep |
| <b>US</b>  | 3.1 | 3.3 | 3.1 | 3.2 | 3.5 | 3.4 | 3.3 | 3.0 | 2.9 | 2.6 | 2.4 |
| <i>US core</i>                                       | 4.0 | 3.9 | 3.9 | 3.8 | 3.8 | 3.6 | 3.4 | 3.3 | 3.2 | 3.3 | 3.3 |
| <b>Euro Area*</b>                                    | 2.4 | 2.9 | 2.8 | 2.6 | 2.4 | 2.4 | 2.6 | 2.5 | 2.6 | 2.2 | 1.7 |
| <i>Euro Area core*</i>                               | 3.6 | 3.4 | 3.3 | 3.1 | 2.9 | 2.7 | 2.9 | 2.9 | 2.9 | 2.8 | 2.7 |
| <b>France*</b>                                       | 3.9 | 4.1 | 3.4 | 3.2 | 2.4 | 2.4 | 2.6 | 2.5 | 2.7 | 2.2 | 1.4 |
| <i>France core*</i>                                  | 2.9 | 2.9 | 2.7 | 2.5 | 2.2 | 2.3 | 2.3 | 2.5 | 2.3 | 2.6 | 2.1 |
| <b>Germany*</b>                                      | 2.3 | 3.8 | 3.1 | 2.7 | 2.3 | 2.4 | 2.8 | 2.5 | 2.6 | 2.0 | 1.8 |
| <i>Germany core*</i>                                 | 3.5 | 3.4 | 3.4 | 3.5 | 3.2 | 2.9 | 3.5 | 3.3 | 3.3 | 3.0 | 3.0 |
| <b>Italy*</b>  | 0.6 | 0.5 | 0.9 | 0.8 | 1.2 | 0.9 | 0.8 | 0.9 | 1.6 | 1.2 | 0.7 |
| <i>Italy core*</i>                                   | 3.3 | 3.0 | 2.8 | 2.6 | 2.2 | 2.2 | 2.2 | 2.1 | 2.4 | 2.3 | 1.8 |
| <b>UK</b>  | 3.9 | 4.0 | 4.0 | 3.4 | 3.2 | 2.3 | 2.0 | 2.0 | 2.2 | 2.2 | 1.7 |
| <i>UK core</i>                                       | 5.1 | 5.1 | 5.1 | 4.5 | 4.2 | 3.9 | 3.5 | 3.5 | 3.3 | 3.6 | 3.2 |
| <b>Japan</b>   | 2.9 | 2.6 | 2.1 | 2.8 | 2.7 | 2.5 | 2.9 | 2.9 | 2.7 | 3.0 | 2.5 |
| <i>Japan core</i>                                    | 3.8 | 3.7 | 3.5 | 3.2 | 2.9 | 2.4 | 2.2 | 2.1 | 1.9 | 2.1 | 2.0 |

CPI Inflation (YoY % change) – since Jan 2021



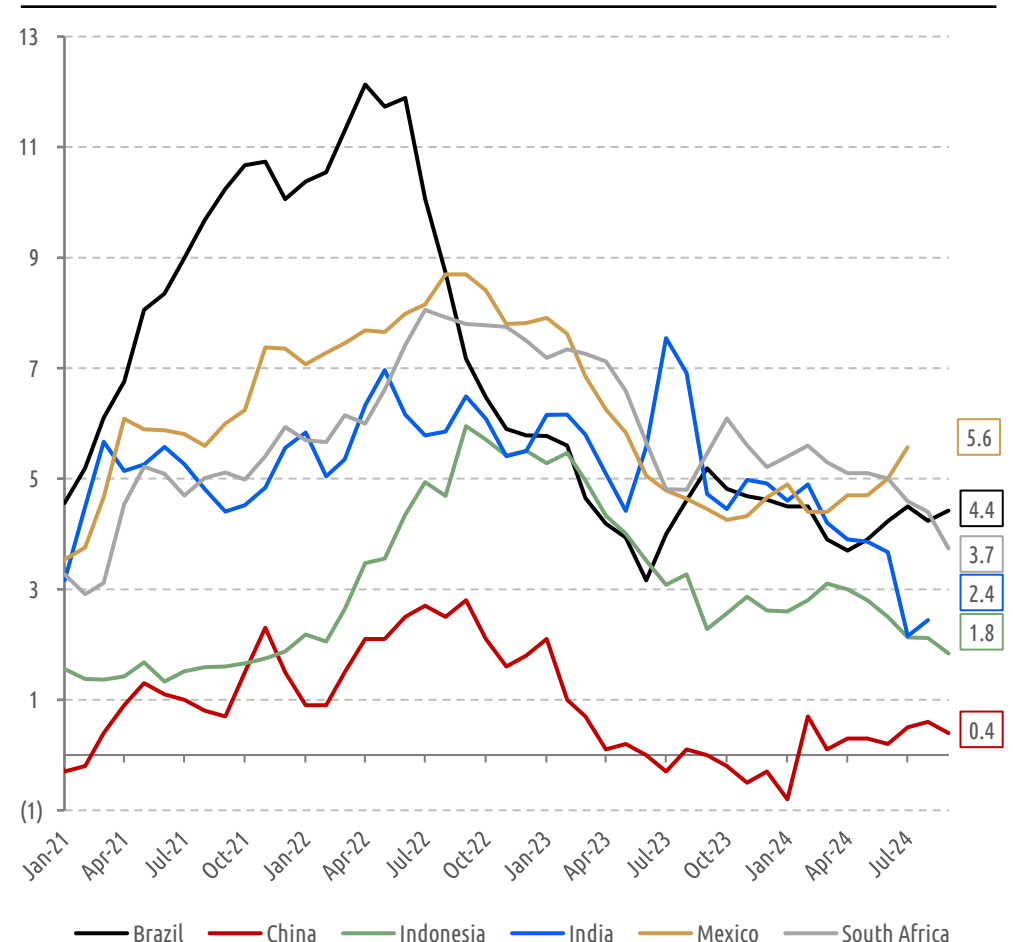
# Inflation has been strongly decreasing in Asian emerging economies

It is plateauing at rather high levels for the other emerging countries. China remains an extraordinary exception with a very low level of inflation for a long time.

CPI inflation in emerging economies (YoY % change)

| Monthly Year-on-Year inflation rates (%) – 2023/2024 |       |       |       |       |     |     |     |     |     |     |     |     |
|--|-------|-------|-------|-------|-----|-----|-----|-----|-----|-----|-----|-----|
| Country  | Oct   | Nov   | Dec   | Jan   | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep |
| <b>China</b>   | (0.2) | (0.5) | (0.3) | (0.8) | 0.7 | 0.1 | 0.3 | 0.3 | 0.2 | 0.5 | 0.6 | 0.4 |
| <b>India</b>   | 4.5   | 5.0   | 4.9   | 4.6   | 4.9 | 4.2 | 3.9 | 3.9 | 3.7 | 2.2 | 2.4 | -   |
| <b>South Africa</b>                                  | 6.1   | 5.6   | 5.2   | 5.4   | 5.6 | 5.3 | 5.1 | 5.1 | 5.0 | 4.6 | 4.4 | 3.7 |
| <b>Brazil</b>  | 4.8   | 4.7   | 4.6   | 4.5   | 4.5 | 3.9 | 3.7 | 3.9 | 4.2 | 4.5 | 4.2 | 4.4 |
| <b>Mexico</b>  | 4.3   | 4.3   | 4.7   | 4.9   | 4.4 | 4.4 | 4.7 | 4.7 | 5.0 | 5.6 | -   | -   |
| <b>Indonesia</b>                                     | 2.6   | 2.9   | 2.6   | 2.6   | 2.8 | 3.1 | 3.0 | 2.8 | 2.5 | 2.1 | 2.1 | 1.8 |

CPI Inflation (YoY % change) – since Jan 2021



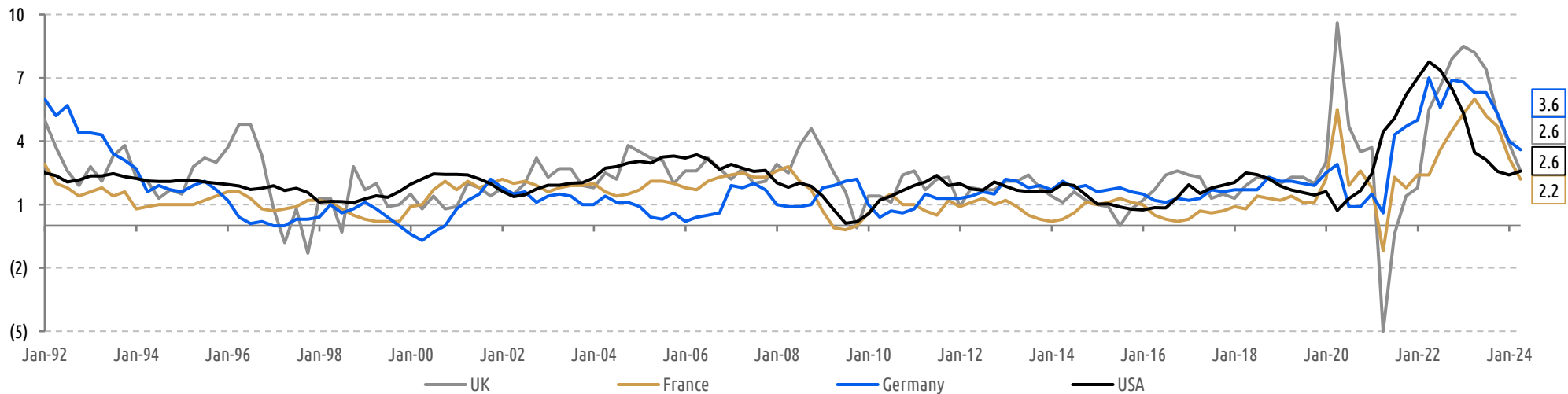
# Implied GDP deflators are strongly decreasing

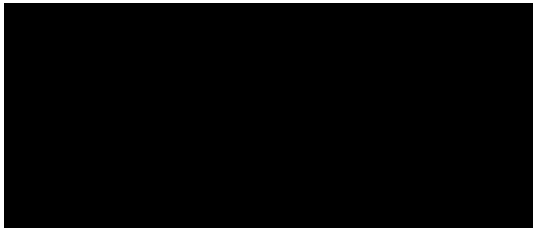
It became lower than headline inflation in the second quarter except for Germany.

## Quarterly implied GDP deflator

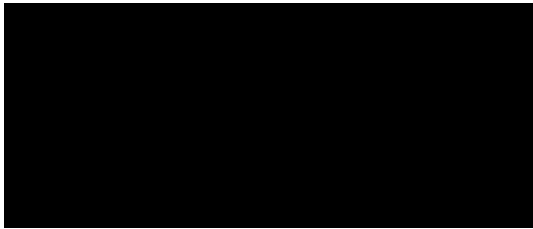
| Implied GDP deflator (YoY % change) |       |       |       |       |       |       |       |       |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Country                             | Q3-22 | Q4-22 | Q1-23 | Q2-23 | Q3-23 | Q4-23 | Q1-24 | Q2-24 |
| USA                                 | 7.4   | 6.5   | 5.3   | 3.5   | 3.1   | 2.6   | 2.4   | 2.6   |
| Germany                             | 5.6   | 6.9   | 6.8   | 6.3   | 6.3   | 5.3   | 4.0   | 3.6   |
| France                              | 3.6   | 4.5   | 5.3   | 6.0   | 5.2   | 4.7   | 3.2   | 2.2   |
| UK                                  | 6.6   | 7.9   | 8.5   | 8.2   | 7.4   | 5.2   | 3.9   | 2.6   |

## Quarterly implied GDP deflator – Since Q1-1992





## II Monetary policy



## **A In the US**

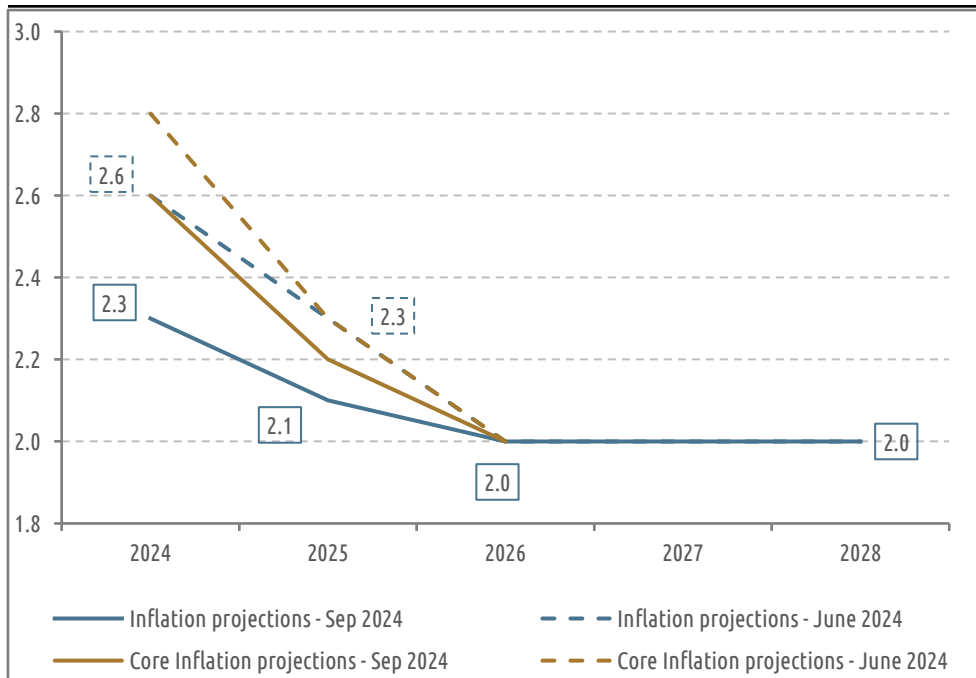
# The Fed cut its rates by 50bp in September

This decision came as inflation expectations have been decreasing. Furthermore, while economic growth remains steady, the risk of an unemployment surge has been increasing. As such, the Fed considers that its role is now to ensure maximum employment and a rise of purchasing power.

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

| Price indexes for Personal Consumption Expenditures |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|
| Indicator   | 02-24 | 03-24 | 04-24 | 05-24 | 06-24 | 07-24 | 08-24 |
| PCE inflation                                       | 2.6   | 2.8   | 2.7   | 2.6   | 2.4   | 2.5   | 2.2   |

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



## Key considerations

- The target range of the federal fund rates was decreased to 4.75%-5.00% on September 18<sup>th</sup>.
- The decision comes at a surprise, a cut of only 25bp was expected by most investors. It is the first cut in more than two years. The rate was previously at its highest since 2001.
- The Fed revised down inflation projections from 2.6% to 2.3% for 2024 and GDP projections from 2.1% to 2.0 while it revised up its unemployment projections from 4% to 4.4%.
- Next meeting will be on November 7<sup>th</sup>. The question is whether a new cut will occur.

## Federal Reserve economic projections as of 11th June 2024

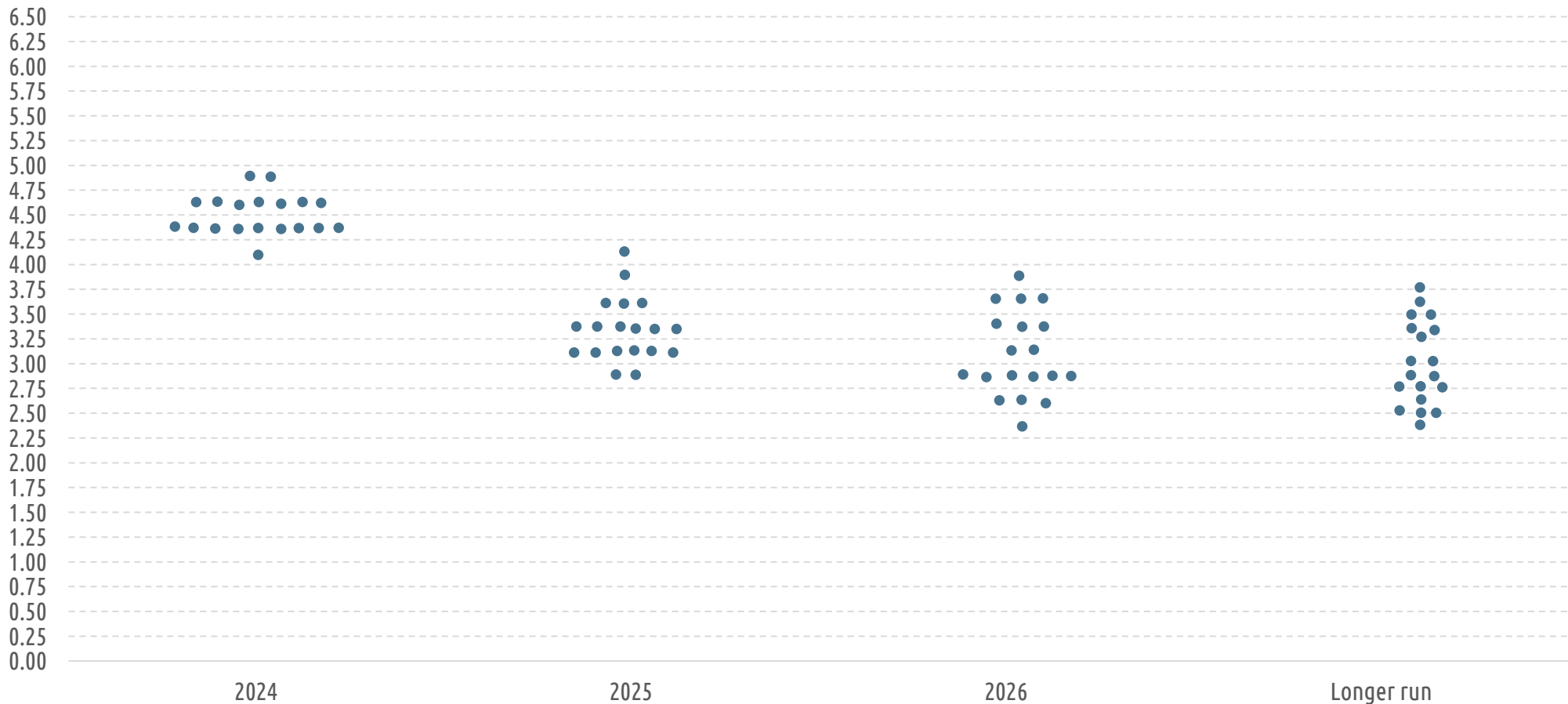
| Indicator          | 2024 | 2025 | 2026 | Longer run |
|--------------------|------|------|------|------------|
| Change in real GDP | 2.0  | 2.0  | 2.0  | 1.8        |
| Unemployment rate  | 4.4  | 4.4  | 4.3  | 4.2        |
| Inflation          | 2.6  | 2.3  | 2.0  | 2.0        |
| Federal funds rate | 4.4  | 3.4  | 2.9  | 2.9        |

“As inflation has declined and the labor market has cooled, the upside risks to inflation have diminished and the downside risks to employment have increased. We now see the risks to achieving our employment and inflation goals as roughly in balance.”

# 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. In September, Fed members have forecasted lower interest rates than previously. It notably implies that Fed members now consider that two 25-bps cut will occur in 2024 after the 50bp cut of September.

FOMC participants’ assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate as of 18<sup>th</sup> September

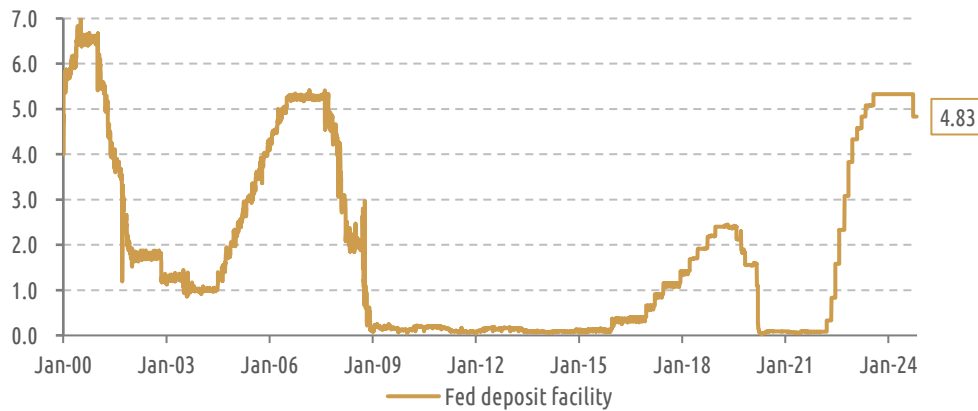




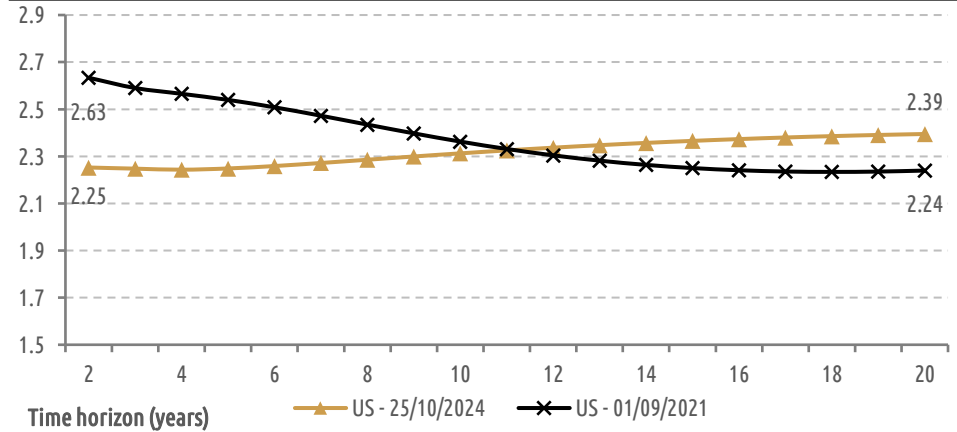
# Nominal long-term rates are at high levels

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

Federal funds interest rate



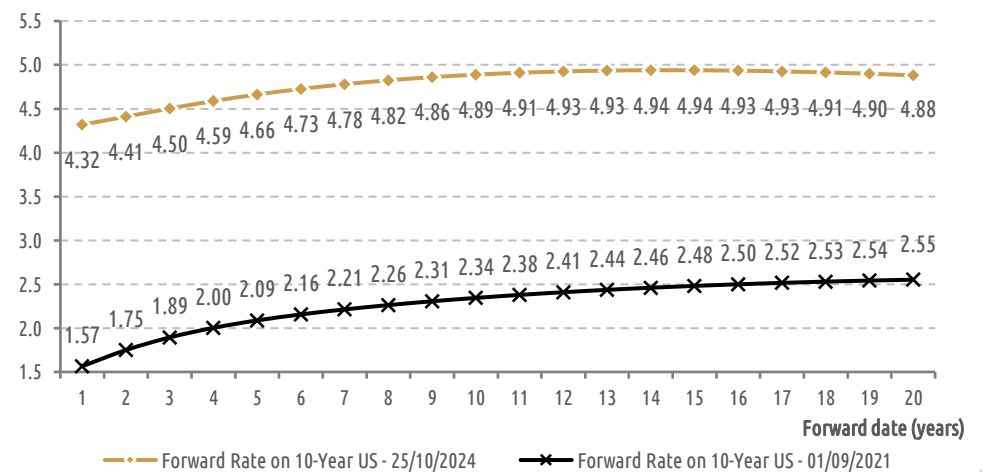
Inflation Expectations – US (%)



10-Y Nominal yield – US



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

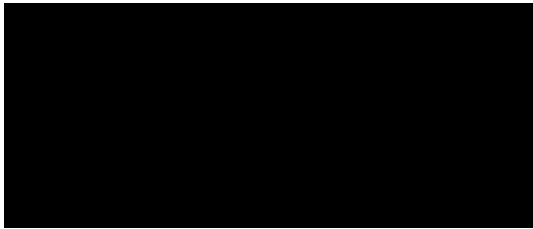


# The US yield curve is getting positive for the first time in two years

This indicates the trust in a durable decrease of inflation and in a sustained growth of the economy.

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



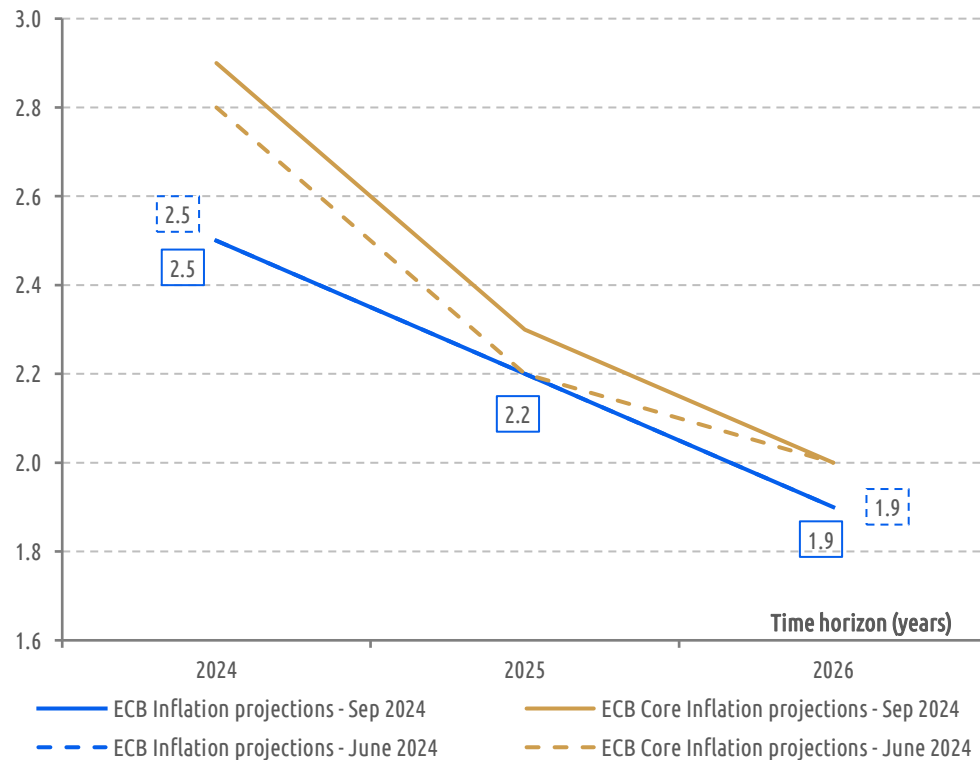


## **B In the Euro Area**

# The ECB cut again its rates in October as inflation goes below 2%

President Lagarde explained that ECB actions over the last few months have brought inflation down and the ECB is confident that inflation will be around the 2% target in 2025. As such, they decided to lower their key rates to support economic growth that has been affected by some downside surprises.

**Inflation expectations & projections as of September 12<sup>th</sup> 2024 (%)**



## Key considerations

- **The Governing Council decided to cut by 25bp its three key ECB interest rates. It comes after two first cuts by 25bp in June and September. They are the first cuts since 2019 after nine months of holding rates steady.**
- Looking ahead, ECB staff have maintained their inflation projections. Headline inflation is expected to average 2.5% in 2024 while core inflation should reach 2.9%. They revised their output growth projections slightly downwards for 2024 from 0.9% to 0.8%.
- **The next meeting is set on December 12<sup>th</sup>. The ECB hinted that the interest rate should remain at its current level.**

| ECB economic projections as of September 12 <sup>th</sup> 2024 |      |      |      |
|--|------|------|------|
| Indicator  | 2024 | 2025 | 2026 |
| Change in real GDP   | 0.8  | 1.3  | 1.5  |
| Unemployment rate  | 6.5  | 6.5  | 6.5  |
| Inflation  | 2.5  | 2.2  | 1.9  |

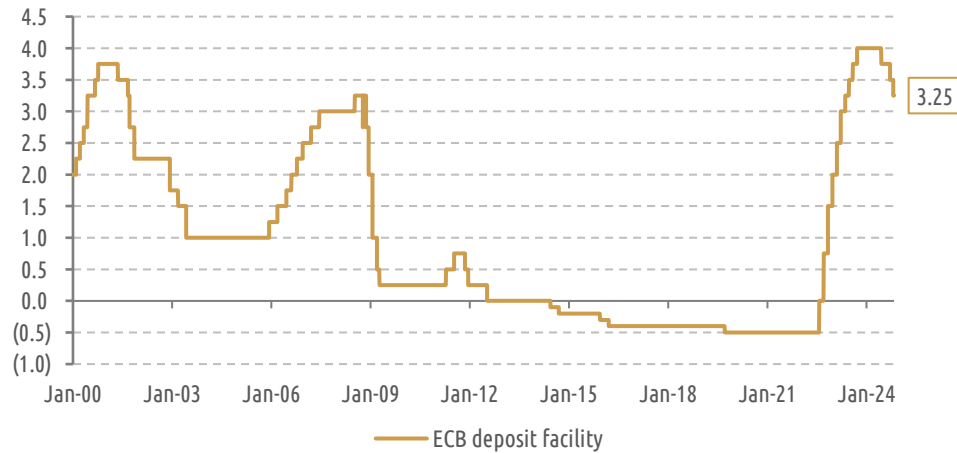
“The disinflation process should be supported by easing labour cost pressures and the past monetary policy tightening gradually feeding through to consumer prices.”

CHRISTINE LAGARDE, ECB PRESS CONFERENCE, SEPTEMBER 12<sup>TH</sup> 2024

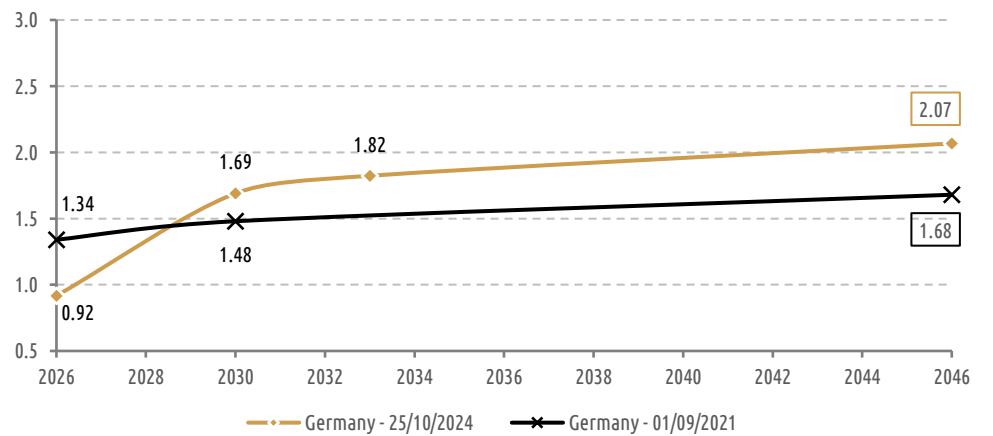
# In the Eurozone, nominal rates are plateauing

Expected real rates, however, are near zero in the longer run. ECB deposit rates decreased to 3.25% in October.

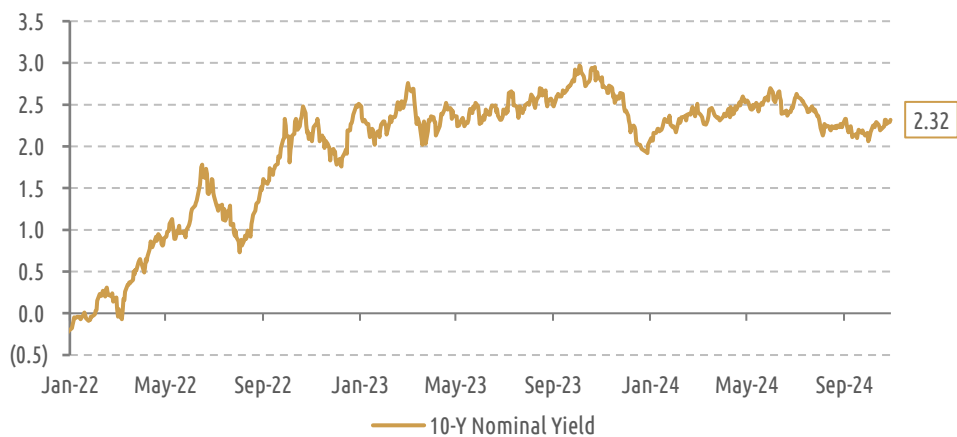
**ECB deposit rate**



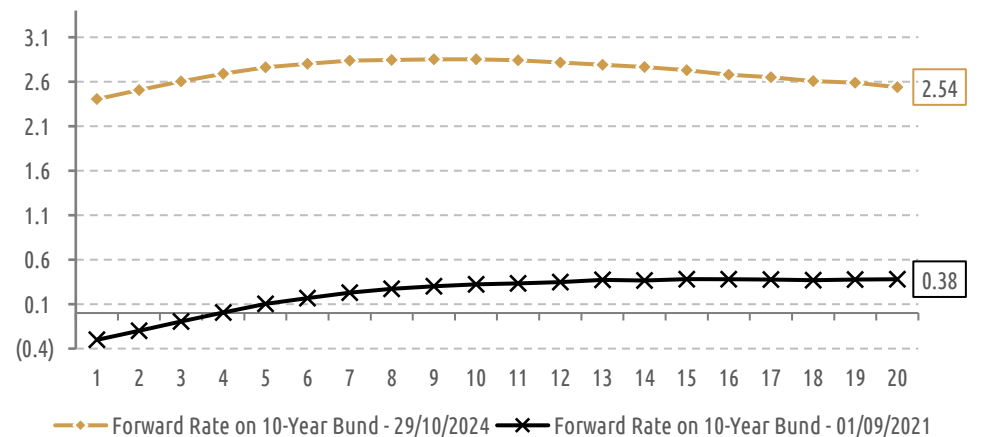
**Inflation Expectations<sup>1</sup> - Germany (%)**



**10-Y Nominal yield – German Bund**



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



# The German yield curve is positive, for the first time in almost two years

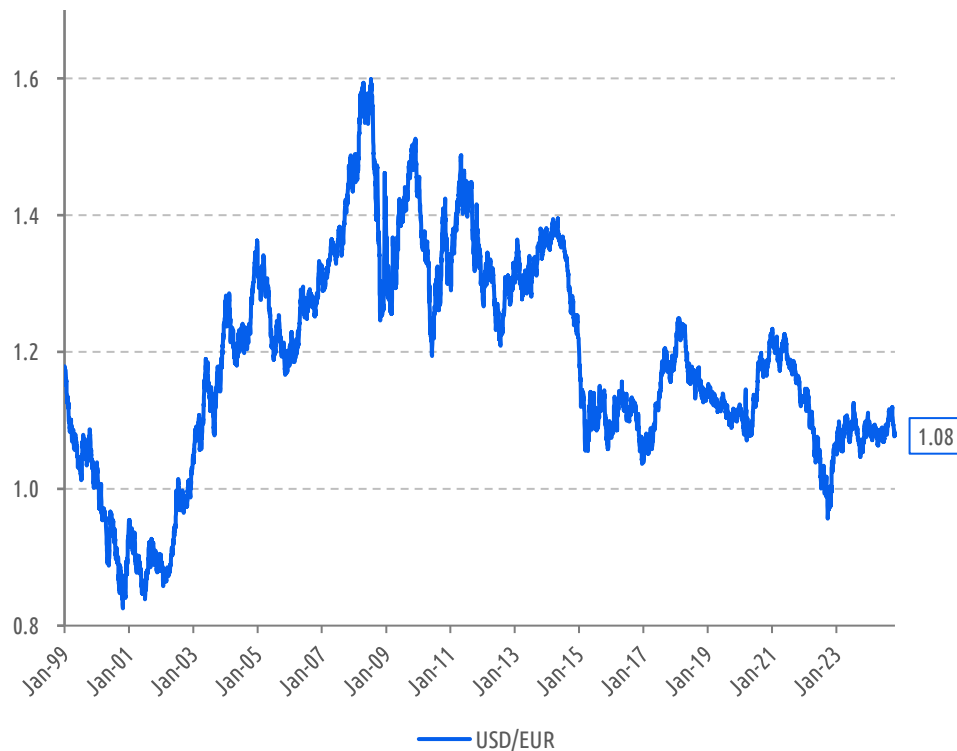
It is following the pattern of the US yield curve, signaling that investors believe that the decrease of inflation will be durable.

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

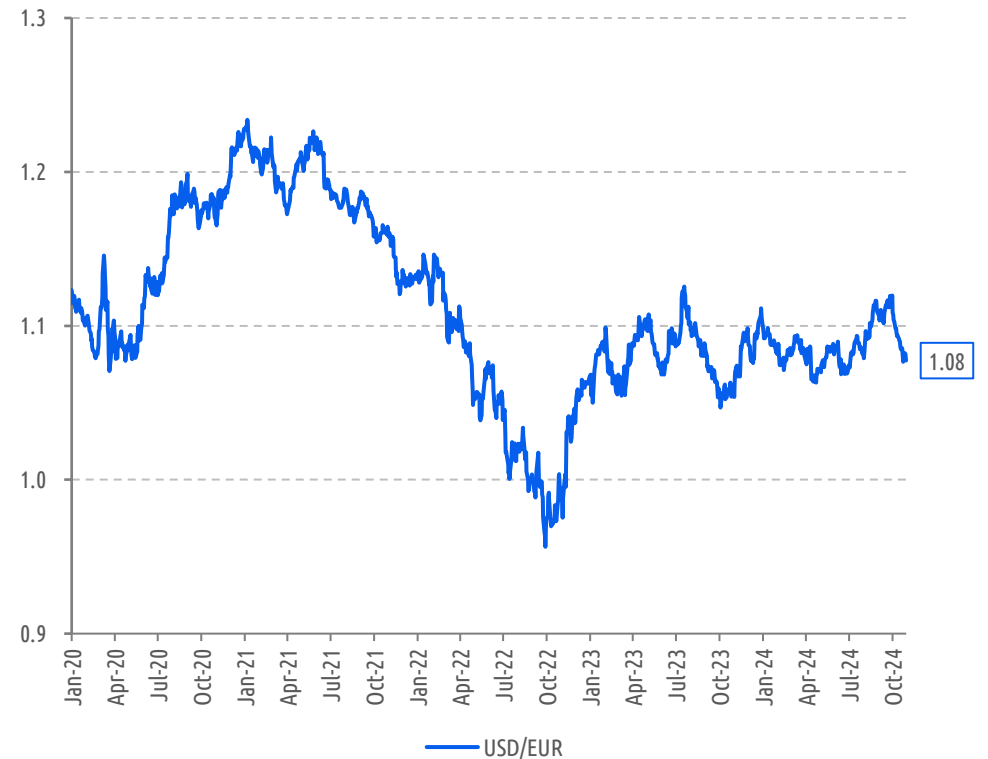


# After an appreciation at the end of 2022, the Euro has been rather stable

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

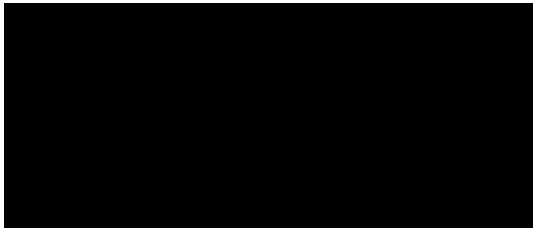


Nominal Foreign exchange rate in historical perspective – Since Jan. 2020



“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 JUNE 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. The spread between France and countries of the periphery has been strongly decreasing.

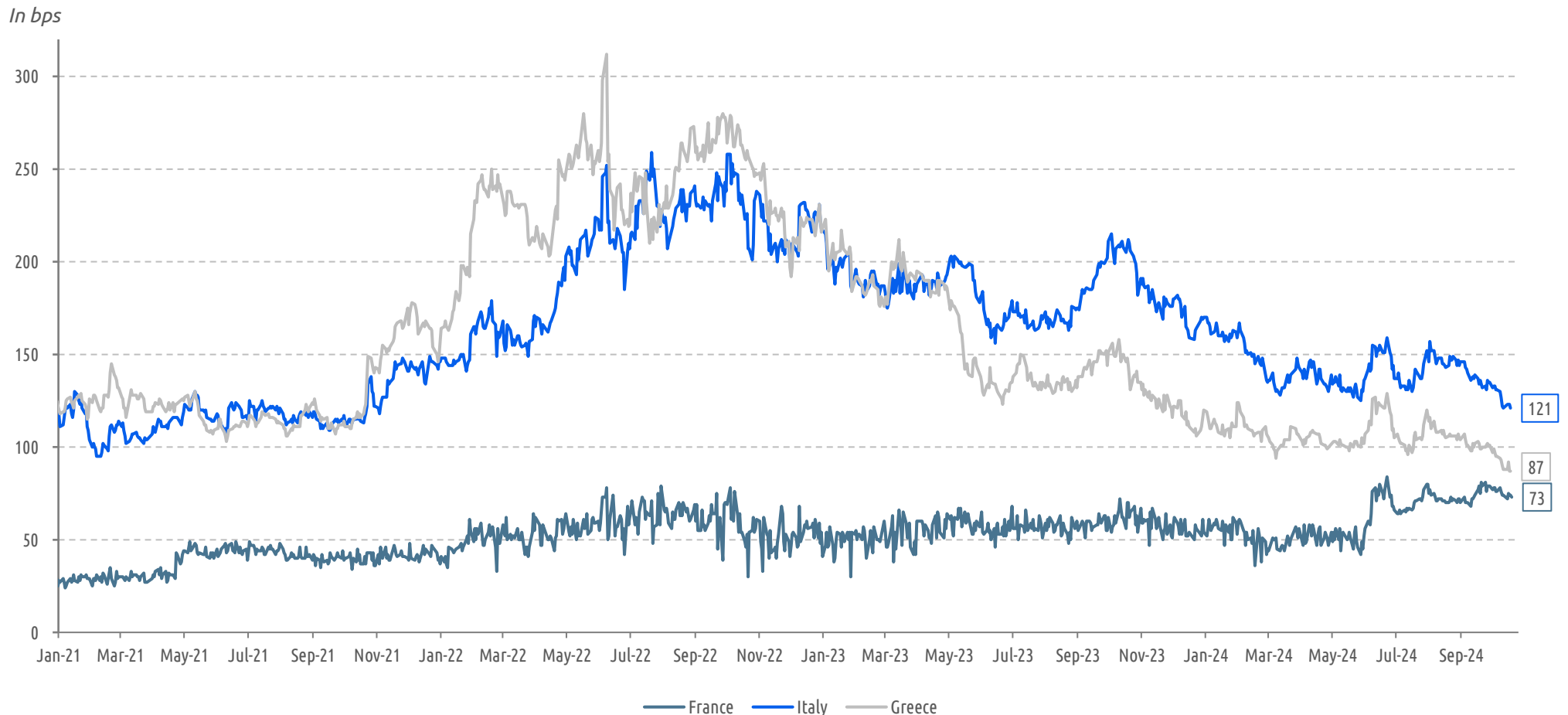
Italian, Greek and French 10-Y yields – Since Jan. 2021



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

For France, spreads increased after the results of the European and legislative elections and have not returned to the 50bp medium-term value.

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



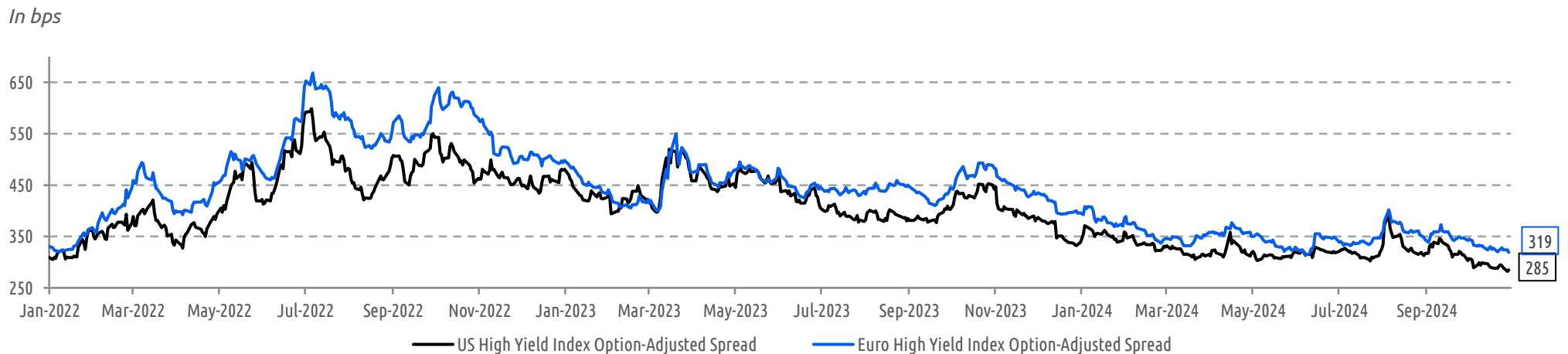
# High-yield corporate-bond spreads have been decreasing in the last few months both in the US and the Euro Area

They reached their lowest levels since the beginning of 2022.

High yield corporate bond spreads – Since 2000



High yield corporate bond spreads – Since 2022



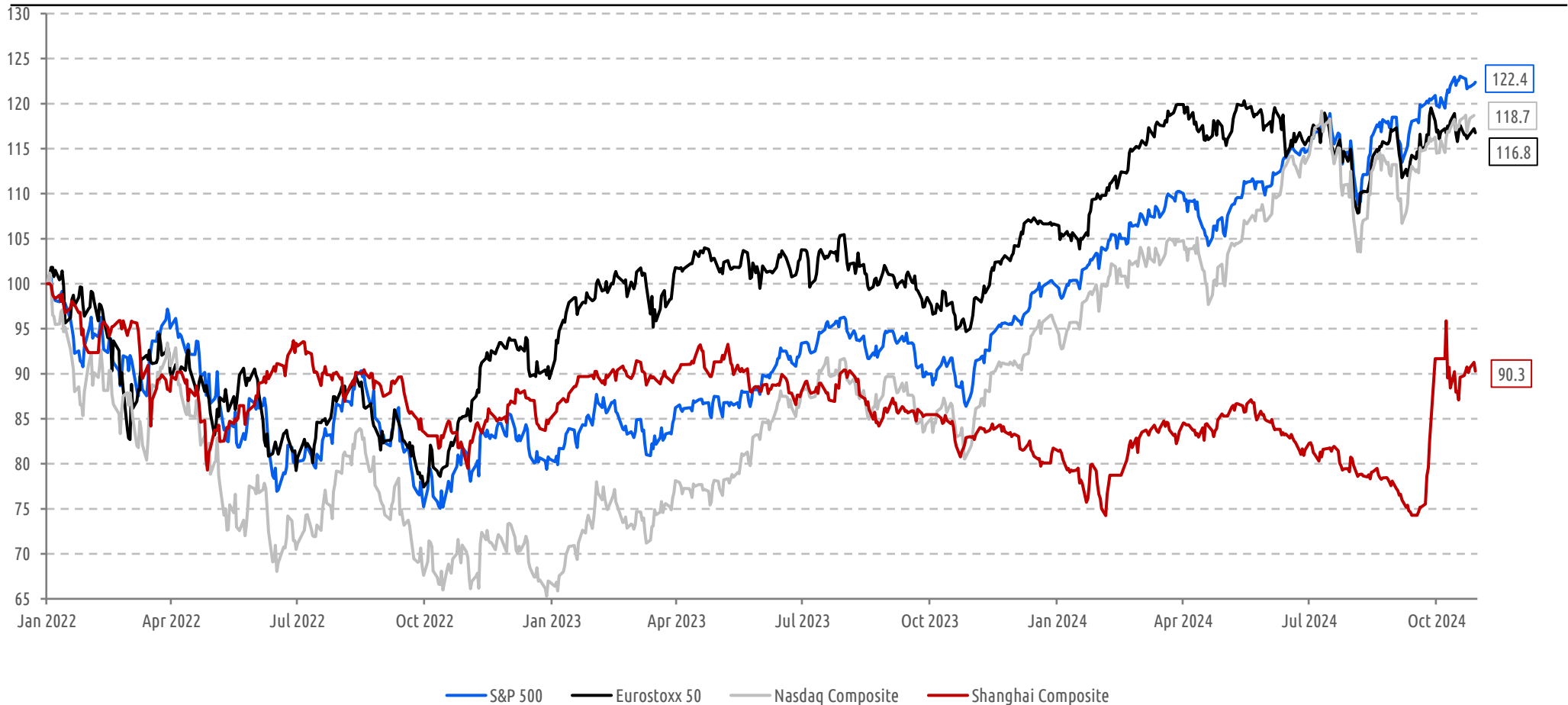


## **IV Impact on stock markets**

# Stock-market indices have strongly increased during the last year except the Shanghai composite.

After a long fall, the Shanghai composite soared at the beginning of October following the announcement of strong fiscal stimulus measures. The other indices have also increased over the last month after the Fed's decision to cut interest rates.

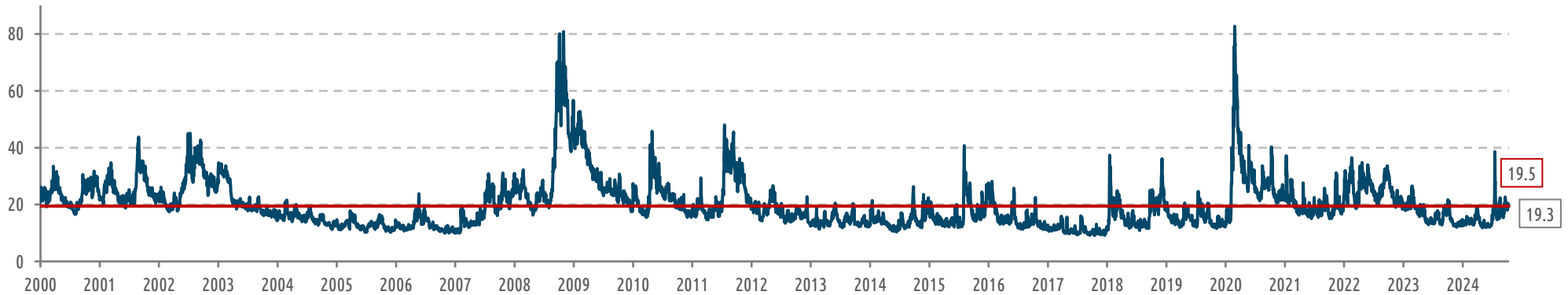
Nasdaq Composite, S&P 500, Shanghai Composite and Eurostoxx 50 indices – Jan. 2022 = 100



# The VIX index surged at the beginning of August over fear of slow economic growth

It is now around its long-term average.

VIX index – Since 2000

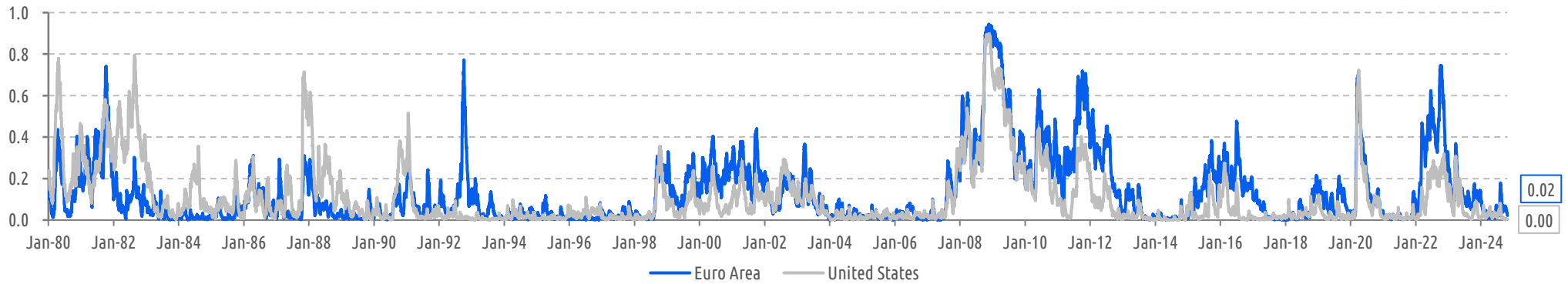


VIX index – Since 2022

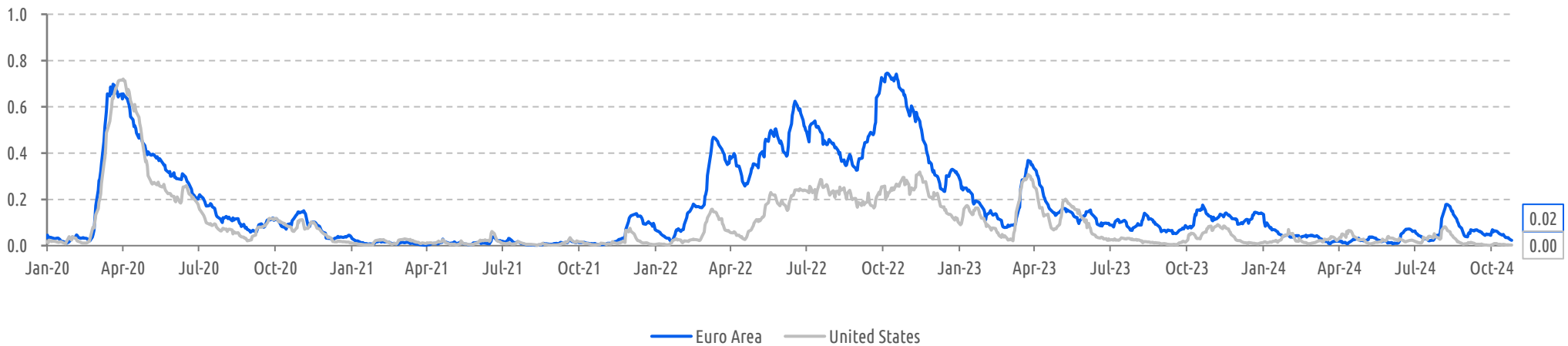


# Financial stress indicators returned to pre-war levels

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



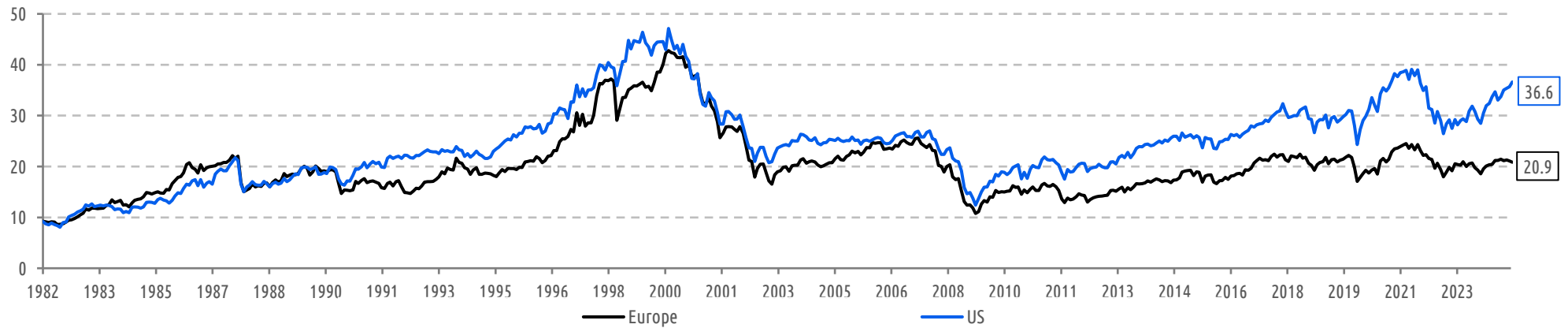
**Composite Indicator of Systemic Stress (daily) – Since Jan. 2020**



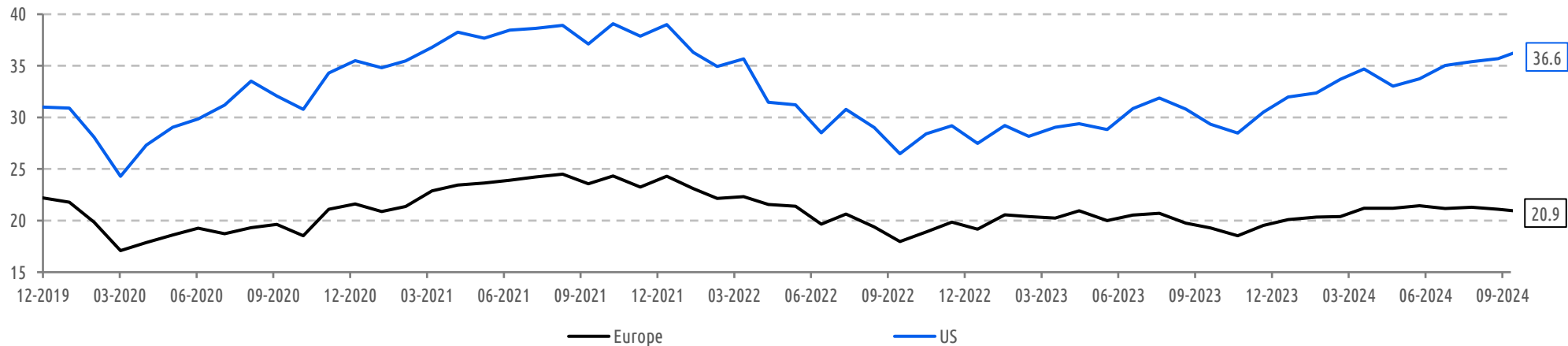
# Shiller CAPE ratio is higher in the US than in Europe

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/kei/naexkp01.deu.gp.q">OECD/KEI/NAEXKP01.DEU.GP.Q</a>                     |
| 4      | Quarterly GDP growth (% change over the previous period) – Eurozone     | <a href="https://data.oecd.org/kei/naexkp01.ea19.gp.q">OECD/KEI/NAEXKP01.EA19.GP.Q</a>                   |
| 4      | Quarterly GDP growth (% change over the previous period) – France       | <a href="https://data.oecd.org/kei/naexkp01.fra.gp.q">OECD/KEI/NAEXKP01.FRA.GP.Q</a>                     |
| 4      | Quarterly GDP growth (% change over the previous period) – UK           | <a href="https://data.oecd.org/kei/naexkp01.gbr.gp.q">OECD/KEI/NAEXKP01.GBR.GP.Q</a>                     |
| 4      | Quarterly GDP growth (% change over the previous period) – Italy        | <a href="https://data.oecd.org/kei/naexkp01.ita.gp.q">OECD/KEI/NAEXKP01.ITA.GP.Q</a>                     |
| 4      | Quarterly GDP growth (% change over the previous period) – Japan        | <a href="https://data.oecd.org/kei/naexkp01.jpn.gp.q">OECD/KEI/NAEXKP01.JPN.GP.Q</a>                     |
| 4      | Quarterly GDP growth (% change over the previous period) – US           | <a href="https://data.oecd.org/kei/naexkp01.usa.gp.q">OECD/KEI/NAEXKP01.USA.GP.Q</a>                     |
| 5      | Quarterly GDP growth (% change over the previous period) – China        | <a href="https://data.oecd.org/dp/live/chn.qgdp.tot.pc.chgpp.q">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/kei/naexkp01.bra.gp.q">OECD/KEI/NAEXKP01.BRA.GP.Q</a>                     |
| 5      | Quarterly GDP growth (% change over the previous period) – Mexico       | <a href="https://data.oecd.org/kei/naexkp01.mex.gp.q">OECD/KEI/NAEXKP01.MEX.GP.Q</a>                     |
| 5      | Quarterly GDP growth (% change over the previous period) – South Africa | <a href="https://data.oecd.org/kei/naexkp01.zaf.gp.q">OECD/KEI/NAEXKP01.ZAF.GP.Q</a>                     |
| 5      | Quarterly GDP growth (% change over the previous period) – Indonesia    | <a href="https://data.oecd.org/kei/naexkp01.idn.gp.q">OECD/KEI/NAEXKP01.IDN.GP.Q</a>                     |
| 5      | Quarterly GDP growth (% change over the previous period) – India        | <a href="https://data.oecd.org/kei/naexkp01.ind.gp.q">OECD/KEI/NAEXKP01.IND.GP.Q</a>                     |

## Links to DBnomics data

| Page # | Graph / Table                               | Web link  |
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| 6      | General government debt - Germany           | <a href="https://ec.europa.eu/eurostat/tgm/table.do?tab=table&amp;init=1&amp;language=en&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;language=en&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://www.ons.gov.uk/economy/governmentanddepartments/departmentofhealthandsocialcare/ONS/EDP1/YEQJ.Q">ONS/EDP1/YEQJ.Q</a>   |
| 6      | General government deficit – United States  | <a href="https://www.bea.gov/data/government/BEA/NIPA-T30100/AD01RC-Q">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;language=en&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;language=en&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://www.ons.gov.uk/economy/governmentanddepartments/departmentofhealthandsocialcare/ONS/UKEA/CT8O.Q">ONS/UKEA/CT8O.Q</a>   |
| 7      | Consumer confidence index – United States   | <a href="https://www.oecd.org/economy/CLI/CSCICP03.USA.M">OECD/MEI CLI/CSCICP03.USA.M</a>   |
| 7      | Consumer confidence index – Germany         | <a href="https://www.oecd.org/economy/CLI/CSCICP03.DEU.M">OECD/MEI CLI/CSCICP03.DEU.M</a>   |
| 7      | Consumer confidence index – France          | <a href="https://www.oecd.org/economy/CLI/CSCICP03.FRA.M">OECD/MEI CLI/CSCICP03.FRA.M</a>   |
| 7      | Consumer confidence index – United Kingdom  | <a href="https://www.oecd.org/economy/CLI/CSCICP03.GBR.M">OECD/MEI CLI/CSCICP03.GBR.M</a>   |
| 7      | Business confidence index – United States   | <a href="https://www.oecd.org/economy/CLI/BSCICP03.USA.M">OECD/MEI CLI/BSCICP03.USA.M</a>   |
| 7      | Business confidence index – Germany         | <a href="https://www.oecd.org/economy/CLI/BSCICP03.DEU.M">OECD/MEI CLI/BSCICP03.DEU.M</a>   |
| 7      | Business confidence index – France          | <a href="https://www.oecd.org/economy/CLI/BSCICP03.FRA.M">OECD/MEI CLI/BSCICP03.FRA.M</a>   |
| 7      | Business confidence index – United Kingdom  | <a href="https://www.oecd.org/economy/CLI/BSCICP03.GBR.M">OECD/MEI CLI/BSCICP03.GBR.M</a>   |

## Links to DBnomics data

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| 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.html">BLS/cu/CUSR0000SA0</a><br><a href="https://www.bls.gov/charts/cpi-inflation/cpi-usa.html">BLS/cu/CUSR0000SA0L1E</a>  |
| 15     | CPI Inflation (YoY % change) – Eurozone       | <a href="https://ec.europa.eu/eurostat/tgm/table.do?code=prc_hicp_manr&amp;lang=en">Eurostat/prc_hicp_manr/M.RCH A.CP00.EA</a><br><a href="https://ec.europa.eu/eurostat/tgm/table.do?code=prc_hicp_manr&amp;lang=en">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?code=prc_hicp_manr&amp;lang=en">Eurostat/prc_hicp_manr/M.RCH A.CP00.FR</a><br><a href="https://ec.europa.eu/eurostat/tgm/table.do?code=prc_hicp_manr&amp;lang=en">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/1212121?geo=FRANCE">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/1212121?geo=FRANCE">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?code=prc_hicp_manr&amp;lang=en">Eurostat/prc_hicp_manr/M.RCH A.CP00.DE</a><br><a href="https://ec.europa.eu/eurostat/tgm/table.do?code=prc_hicp_manr&amp;lang=en">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?code=prc_hicp_manr&amp;lang=en">Eurostat/prc_hicp_manr/M.RCH A.CP00.IT</a><br><a href="https://ec.europa.eu/eurostat/tgm/table.do?code=prc_hicp_manr&amp;lang=en">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/m23d7g7m">ONS/MM23/D7G7.M</a><br><a href="https://www.ons.gov.uk/economy/inflationandcosts/tables/m23dko8m">ONS/MM23/DKO8.M</a>   |
| 15     | CPI Inflation (YoY % change) – Japan          | <a href="https://www.stat.go.jp/english/press/cpi/cpi001.htm">STATJP/CPIm/001</a><br><a href="https://www.stat.go.jp/english/press/cpi/cpi740.htm">STATJP/CPIm/740</a>   |
| 16     | CPI Inflation (YoY % change) – South Africa   | <a href="https://www.oecd.org/kei/cpalTT01.ZAF.GY.M">OECD/KEI/CPALTT01.ZAF.GY.M</a>  |
| 16     | CPI Inflation (YoY % change) - Brazil         | <a href="https://www.oecd.org/kei/cpalTT01.BRA.GY.M">OECD/KEI/CPALTT01.BRA.GY.M</a>  |
| 16     | CPI Inflation (YoY % change) – China          | <a href="https://www.oecd.org/kei/cpalTT01.CHN.GY.M">OECD/KEI/CPALTT01.CHN.GY.M</a>  |
| 16     | CPI Inflation (YoY % change) – Indonesia      | <a href="https://www.oecd.org/kei/cpalTT01.IDN.GY.M">OECD/KEI/CPALTT01.IDN.GY.M</a>  |
| 16     | CPI Inflation (YoY % change) – India          | <a href="https://www.oecd.org/kei/cpalTT01.IND.GY.M">OECD/KEI/CPALTT01.IND.GY.M</a>  |
| 16     | CPI Inflation (YoY % change) – Mexico         | <a href="https://www.oecd.org/kei/cpalTT01.MEX.GY.M">OECD/KEI/CPALTT01.MEX.GY.M</a>  |

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