BofA SECURITIES

Europe Economic Weekly

Tell me why I paused, why I really, really, paused

22 September 2023

Economics
Europe

Weekly View: fragile pauses

We stick to our call that the ECB is done with rate hikes. And that the first cut won't come before June 24. Policy is already very restrictive, but we see asymmetric risks of even tighter policy, for even longer. Risks of another ECB hike in December are still significant. SNB: at 1.75%, they are likely done. Norges: we see a final hike in December. Riksbank: they are likely done and will probably cut faster than Norges next year.

Euro area: at least the autumn leaves are colourful

Forecast update: protracted weakness means anaemic growth at 0.5% p.a. in 2023/24E (-10/-20bp) and 1.3% in 2025E (unch), back below consensus. Oil vs food prices: headline inflation forecasts move to 5.7% and 2.7% in 2023/24E (+20bp p.a.). With 1.5% in 2025E (unch), undershooting remains the base case.

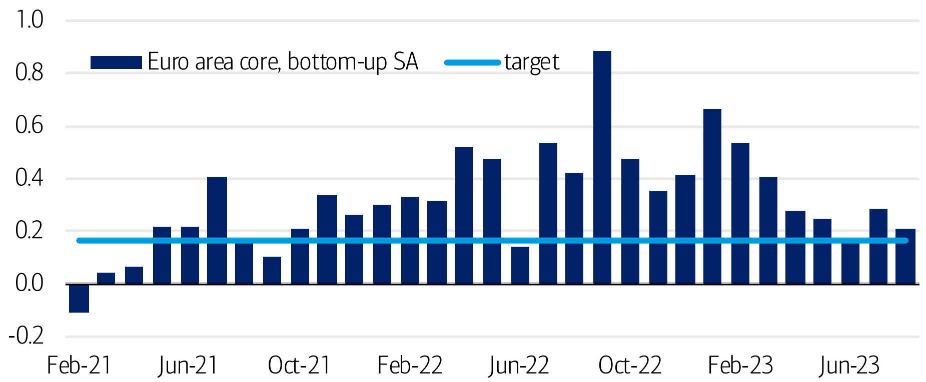
UK: Bank of England review: none and done, probably

After the Bank of England (BoE) held rates at 5.25% we change our call. We expect the BoE to keep rates on hold at 5.25% through 2024. Previously we expected the BoE to hold at 5.5% through 2024. We expect four 25bp rate cuts in 2025 compared to five previously. Fewer hikes now substituted for fewer cuts later.

Next week:

Today: flash PMI for France/Germany/Euro area/UK, final 2Q Spanish GDP, UK retail sales. Next week: IFO on Mon, Euro area soft data on Thu. Inflation: Spain/Germany on Thu (HICP likely at 3.6%/5.2% yoy), then France/Italy and Euro area on Friday (HICP at 5.9%/5.2%/4.5% yoy respectively – Euro area core at 4.6% yoy). UK: 2Q final GDP print (and ONS revisions of full backdata). Fiscal policy: Italy's draft 2024 budget plan by Wed.

Exhibit 1: Euro area, month-on-month core inflation, with bottom-up seasonal adjustment
Disinflation is starting to be more visible in the month-on-month inflation data



Source: Eurostat, BofA Global Research

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Weekly View

Fragile pauses

We didn't cut our Euro area forecasts in our "back to school" piece a few weeks ago for the first time in a few years. But we did warn of some downside risks. Add to that the move in oil prices and we are back to our normal bearish selves. We adjust our forecasts today. Long story short, we expect a bit less growth, a bit more headline inflation, still weaker core inflation than many expect, and an unchanged ECB call.

The themes are the same, just intensified. The energy shock and policy tightening create protracted growth weakness with almost no quarterly growth until spring 2024. That cannot help medium-term underlying inflation in an economy that never overheated. Recent oil price moves add to headline inflation now, but leave undershooting 2% part of our base case for 2025. That leaves us a little nervous on the ECB.

We stick to our call that they're done with rate hikes, but equally that the first cut won't come before Jun-24. Although policy is already very restrictive, we see asymmetric risks of even tighter policy for even longer but, on the flipside, the risk of a faster-than-one-per-quarter cutting cycle when it finally starts.

We flagged last week the risk of another ECB hike in December. That risk is still significant. Indeed, we forecast 4Q23 headline inflation now 20bp above what the ECB expects. But given our benign view on core inflation for the remainder of the year, if it materialises, that should be enough for the ECB to look through the recent move in oil. But pauses are fragile, probably even more elsewhere.

In the meantime, after the final release of Euro area inflation, we reiterate our view that, once seasonal adjustments are done with care, there is more disinflation in core than many appreciate. This will be felt increasingly over the remainder of the year (Exhibit 1).

BoE: A very fragile pause

The BoE kept rates on hold this week, compared to our and consensus calls for a 25bp hike. On the back of this we expect the BoE to keep rates on hold at 5.25% through 2024. Previously we expected it to hold at 5.5% through 2024. We now forecast four 25bp rate cuts in 2025 compared to five previously. Higher-for-longer substitutes fewer hikes now for fewer cuts later, if we're lucky.

Why the change of call? The bias from the BoE's communication this week was towards the risks of doing too much being bigger than those of doing too little. The problem is that our perception from the data mix is the opposite at this point. Private pay growth currently sits above 8%, while core inflation, even after a downside surprise, is above 6%. The labour market remains tight. The recent oil price rise should as a base case not dramatically affect the inflation outlook, but after so many upside inflation shocks we would not have much confidence in that judgement. It's hard to prove inflation expectations have drifted up persistently, but we think the UK data points to the risk being most marked in the UK vs. other central banks.

With all that in mind, while the BoE's bias seems to be to hold, we think the risks skew to the data surprising hawkishly and forcing the BoE, down the line, to do more.

SNB: none and done

The SNB refrained from squeezing in the expected last policy hike. Given the macro backdrop, that makes a lot of sense. This "pause" has more chances of being long-lasting. Growth is on track for 0.9% and 1.1% this year and next – unspectacular enough. And current inflation is already below the asymmetric 2% target. It stays there in our forecasts and gets there durably in 2025 now also in the SNB's. End-point inflation forecasts at 1.9% look particularly optimistic to us, but are probably a way to say another hike in Dec is more likely than a cut, but not the base case at all.

The SNB is done at 1.75% as the terminal rate – much lower than the ECB's 4.00% depo rate for a Swiss economy that probably has a similar, if not somewhat higher, neutral rate. We expected a large differential from the start of the hiking cycle, as much tightening was delivered via FX. The next rate move by the SNB will be a cut, in our view, but not before Sep-24, ie after the ECB, we think. In the meantime, CHF will remain the instrument of choice, with a bias towards gentle tightening.

Nordic central banks: diverging

Pauses are not in fashion, yet, in the north. Riksbank and Norges hiked 25bp as expected but their policy paths are likely to diverge from here. Norges Bank shifted more hawkish relative to the Riksbank this week, in line with our expectation. Norges expects a December hike, while the Riksbank is likely done, we think. Norges expects to run with higher policy rates than Riksbank until mid-2025, six months later than the previous forecasts. We see the risks as skewed towards this Norges-Riksbank gap widening.

Why the divergence? The Riksbank faces a more mixed outlook. Domestic inflation pressure appears likely to slow as past rate hikes are driving the economy into mild recession. But the Riksbank's concern about the inflationary consequences of the weak krona seems to remain intense. Both central banks are presenting a high-for-long strategy. But weaker growth in Sweden will increasingly cut domestic inflationary pressure, in our view, whereas Norges faces a more resilient outlook and possibly stronger wage growth. Yes, the inflationary pressure coming from the currency in Sweden is a concern for the Riksbank. But we think that argument becomes harder the weaker growth is, and we struggle to see Riksbank maintaining that position for a further full year. We look for 3 Riksbank cuts in 2024 compared to two from Norges.

Next week:

Today: flash PMI for France/Germany/Euro area/UK, final 2Q GDP for Spain, UK retail sales. Next week, in the Euro area, we'll get more soft data and, especially, the September flash inflation prints. Germany's IFO will open the week on Monday (we see the headline index at 85.5), followed by consumer confidence for Germany/France on Wednesday and sentiment data for Italy/Euro area on Thursday.

On inflation: Spain/Germany on Thursday (we expect HICP at 3.6% and 5.2% yoy respectively, with Spanish national core at 6.0% yoy) and France/Italy/Euro area on Friday (HICP at 5.9%/5.2%/4.5% respectively – we see Euro area aggregate core at 4.6% yoy). There are large base effects that are moving inflation in both directions. Energy in Spain is pushing higher. Base effects from transport measures in Germany in 2022 are pushing core lower (we expect EA services inflation to drop 50bp). The recent move in brent adds to that. And the unusual seasonality in clothing we saw in August doesn't help, either. Uncertainty about the magnitude of the usual menu cost adjustments in September also blurs the picture. There is ample room for surprises in either direction.

For the UK: on Friday, we'll get the 2Q final GDP print (likely unchanged). This is when the ONS revises the full GDP backdata. We will learn post-2021 revisions. We also will get the August credit data (net consumer credit likely around GBP1.2bn, with 48k mortgage approvals).

On the policy side, we'll be looking carefully at Italy's draft budget plan (to be submitted to parliament by Wednesday 27 Sep). Central bank speakers: Guindos (today), Villeroy (Monday), Lane (Tuesday), Holzmann (Thursday) and Lagarde (Friday).

Euro area

Forecast update: at least the autumn leaves are colourful

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- Protracted weakness means anaemic growth at 0.5% p.a. in 2023/24E (-10/-20bp) and 1.3% in 2025E (unch), back below consensus.
- Oil vs food prices: headline inflation forecasts move to 5.7% and 2.7% in 2023/24E (+20bp p.a.). With 1.5% in 2025E (unch), undershooting remains the base case.
- We still think the ECB is done now with hikes; we see the first cut in Jun-24. Risks are asymmetric for higher rates and later cuts, however.

Same phenomena, stronger effects

We adjust our forecast today – those who missed the customary "back to school" forecast change didn't have to wait long. The themes are the same, just intensified, again. Long story short: the energy shock and policy tightening create very protracted growth weakness with almost no quarterly growth until spring 2024. That cannot help medium-term underlying inflation in an economy that never overheated. Recent oil price moves add to headline inflation now, but leave undershooting 2% part of our base case for 2025. That leaves us a little nervous on the ECB. We stick to our call that they're done with rate hikes, but equally that the first cut won't come before Jun-24. Although policy is already very restrictive, we see asymmetric risks of even tighter policy for even longer, but on the flipside, the risk of a faster than one-per-quarter cutting cycle, when it finally starts.

Growth: you don't need a recession to feel uncomfortable

Our Euro area GDP growth forecasts move to 0.5% in 2023 and 2024 (-10bp and -20bp, respectively), reflecting small cuts through autumn and winter with quarterly growth of 0-0.1% (-10bp on average vs prior forecasts). It's only in 2H24 – when policy becomes a little less tight and the impact of the energy shock starts to lose its grip – that growth will start to recover again. But 1.3% in 2025 is still a very tame "bounce-back" after two years of anaemic below-potential growth, really.

The sequence of growth weakness varies slightly within the Euro area. Today's forecast change concentrates on 3Q23-1Q24 and on core countries, Germany in particular. It's more a reflection of a bigger and longer hit from the energy crisis – ie, an extrapolation of the unexpected extra weakness in 1H23 to the rest of the year. Foreign demand plays second fiddle, still, especially as China growth past the trough and US growth slowing somewhat in our colleagues' forecasts should net out from a Euro area perspective. More country details below.

We move away from Bloomberg consensus (now at 0.5/0.8/1.5% for 2023/24/25), again. We continue to think consensus did and somewhat still does underestimate the persistence of the drag from Covid and the energy shock (never mind the policy tightening on top of that).

The risk balance is still tilted to the downside. Perhaps we are overestimating the consumer resilience in parts of the bloc or underestimating the drag from the construction/real estate sector on the back of policy tightening, for example. Or underestimating the speed at which unspectacular and highly uncertain demand prospects can weigh heavily on capex, like they did in the pre-Covid years, this time paired with fiscal and especially monetary policy tightening. The risk of non-linearities unfolding from the sequence of big shocks over the past few years, topped up with considerable policy tightening is high.

Inflation: higher oil vs lower food prices and disinflation in core

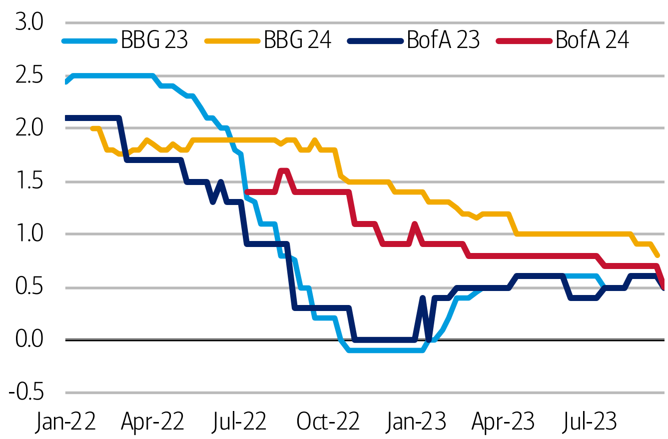
We also update our inflation forecast. The recent rise in oil prices – even if partially offset by lower food prices – pulls our headline forecast to 5.7% this year and 2.7% next (+20bp each) but leaves 2025 unchanged at 1.5%. The impact on core inflation is negligible: our 5.0%, 2.6% and 1.8% forecasts for 2023-25 remain unchanged.

Our headline forecast is now in line with consensus for this year and next, which, arguably, doesn't quite reflect the most recent moves in oil prices just yet.

Where we continue to differ from consensus is 2025 – we stick to our view that both headline and core will be back below the 2% inflation target, while consensus views headline at 2.1% still. Anaemic growth for two years following a still incomplete Covid recovery and very restrictive policy rates aren't the right mix to generate endogenous inflation above target.

Exhibit 2: Euro area GDP growth forecasts vs consensus

2023 growth is largely done now, but 2024 prospects are deteriorating, still



Source: Bloomberg, BofA Global Research

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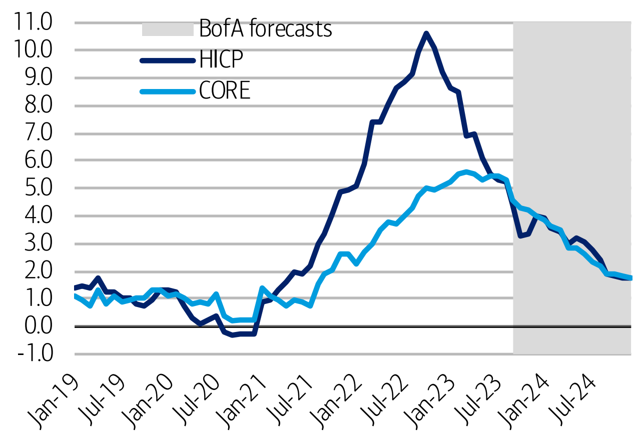
Exhibit 3: Euro area headline and core inflation forecasts

We still see inflation fall below 2% in late-24



Source: Eurostat, BofA Global Research

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ECB: no change to call, but risks are asymmetric

In spite of higher headline inflation forecasts, we think the ECB is done with hikes now that rates are at an all-time high for the institution. But we also still think that June 2024 is the earliest we should expect a hike. And we continue to see asymmetric risks for higher rates and/or a longer hold than an earlier cut – this is a possibility markets will have to entertain.

That said, a deposit rate at 4% is very deep into restrictive territory for the Euro area. The real economy has a lot to chew on with the protracted energy shock, severe monetary tightening, and fiscal policy turning more restrictive, too. In some countries, some Covid support is now reversing as repayments of state-backed start. The risk of stronger-than-expected synergies (or new shocks) is still prominent. That doesn't mean cuts could come earlier, but rather that when the cutting cycle eventually starts, it might go at a faster clip than one 25bp cut per quarter.

Country details: the news is concentrated in the core

Germany: it's tough to grow without any help

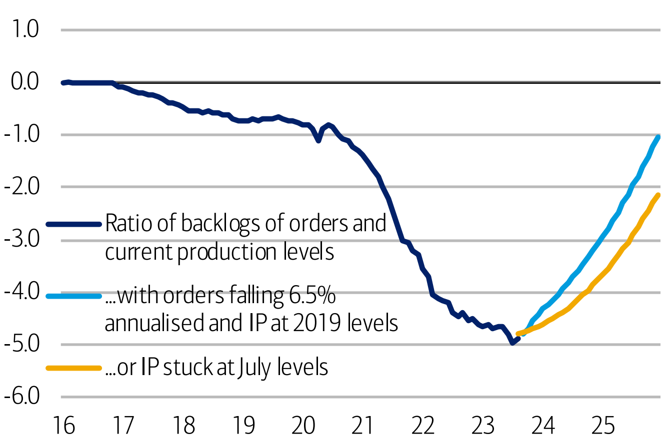
Our forecast stays at -0.4% for 2023 (stronger carryovers from 1Q23 GDP revisions compensate for the cuts to 2H23 quarterly growth forecasts to -0.1% qoq on average). But 2024 drops to 0.3% (-40bp). Although growth is likely to look similar at the Euro area and German levels again in 2025, Germany will have underperformed the bloc's average by a cumulative 4.8% since 2019. We have long been German bears, especially in comparison to neighbouring France, and don't think there is any relief in the pipeline.

Germany has slipped into a mild "technical" recession with two consecutive quarterly contractions last winter. We now pencil-in another contraction in 3Q23 (-0.2% qoq) and zero growth in 4Q23, with higher conviction in a mild contraction in the 2H23 average than the exact profile. This is a "benign" outcome compared with fears of a deep recession on energy supply shortage, but nonetheless bad news because it is still a significant deviation from the pre-war base case. And because temporary and structural forces are at play, we do not think we are done with growth challenges for a while.

Industrial production carryovers at -2.3ppt for 3Q look very weak after July, but August car production numbers suggest some of that will be offset. Beyond that, we expect sector activity to continue to move sideways, essentially. Yes, demand (ie orders) have weakened considerably over the past year, but are starting to show signs of stabilisation in energy-intensive sectors. But current backlogs are still high. Even a sustained downward trend in demand could probably be smoothed over for quite some time. In Exhibit 4 we show the gap between cumulated production and cumulated orders (since 2015) divided by current production levels as a proxy under the assumption of a sustained downward trend in orders of 6.5% from now (equivalent to the 2018/19 trend) with production stuck at July levels or improving c 4% to 2019 levels again by year-end and staying there after. Even under these relatively tough assumptions, it would take until late 2025 for backlogs to return to pre-Covid levels (assuming no cancellations in between, of course). To be clear, what may seem a benign assumption given the underlying structural challenges (the energy mix, high external demand exposure, especially to China, or a concentration of activity in the car industry) is still very tough for the economy, given the sector accounts for almost a quarter of total value added.

Exhibit 4: Backlog proxy: (cum. IP – cum. orders)/ monthly IP

Backlogs are very high and should help smooth production for a while



Source: Destatis, BofA Global Research

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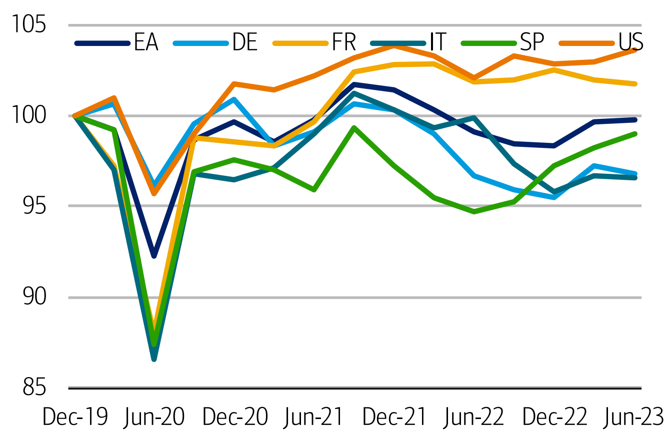
Exhibit 5: Real compensation level (4Q19=100)

German consumers suffered a bigger energy crisis hit than most peers



Source: Eurostat, BEA, BofA Global Research

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Domestic demand is under a lot of pressure, too. The drag from high energy inflation paired with persistent energy supply uncertainty is real. Consumption contracted a cumulative 1.3% last winter, and we don't expect an improvement before real income grows again slightly next year. Gross savings rates remain stubbornly high at the expense of consumption, probably reflecting precautionary motives. Real compensation underperformed that of peers, and wage growth excl one-offs has only normalised to 3%. The use of short-time work schemes is declining, but 157K "effective" short-time workers in Feb-23 (latest official data) is still more than five times as many as in Feb-19, for instance. That is slack in the economy, and part of the reason why we still don't see a wage-inflation spiral. But as disinflation continues – we expect inflation at 6.5%, 3.4% and 2.0% in 2023-25 – real income should stabilise and eventually grow, helping consumption improve somewhat in 2024.

Capex, too, is likely to be anaemic. PMI-implied manufacturing margins have normalised fast from very comfortable levels a year ago still. Uncertainty, weak demand prospects and higher funding costs add to the mix. The construction sector has also turned: Ifo reports more than 20% of surveyed companies reporting project cancellations (highest proportion since the start of the survey in 1991) and 44% an insufficiency of orders. Shortage of labour in the sector seems to be correcting fast, too. Capex is, arguably, where risks to our forecast in 2024 are particularly prominent.

We doubt decisive policy action can be taken to change the economic outlook. The constitutional debt brake still bites. And while the use of one-off envelopes for multiple years in the form of off-balance sheet vehicles blurs the fiscal impulse to the economy (and funding needs), past growth performance would suggest either funds available on paper are not deployed in practice, or that the plethora of measures resulting from political compromise has been rather ineffective in economic terms. Intra-government tensions are high, and polls show rising support for opposition parties, right-wing populist Alternative fuer Deutschland, in particular. The upcoming state elections in Bavaria and Hesse (8 Oct) could create noise. The next federal election is only in 2026, but with political capital constraints and tensions elevated, a swift and decisive rethink of the current and future policy stance that could help the economic outlook is a tail risk, leaving the economy to its own endogenous forces (or the lack thereof).

France: at least growth is looking smooth

France is one of the brighter spots in the Euro area. A particularly strong 2Q23 GDP print triggers an upgrade to 2023 growth forecasts to 0.9%, followed by 0.8% in 2024 (-10bp) and 1.3% in 2025 (unch). ECB policy tightening will slow French growth, too. But the starting point is more comfortable than elsewhere, which matters for the trajectory. Preliminary budget plans for next year (-4.4% of GDP in 2024 after -4.9% in 2023) would imply only a mild tightening of the fiscal stance, thereby lowering the risk of non-linearities from combined monetary and fiscal policy in the economy.

We expect inflation at 5.9%, 2.9% and 1.6% in 2023-25. Wholesale prices for gas and electricity have normalised, so the end of the gas price cap this year should not matter for inflation. And once next February's electricity hike of 10-20% flagged by the regulator (we pencilled-in 15% a while ago) is through, further upside should be limited here, too. With headline disinflation starting, and the economy growing at a decent but not extraordinary pace, we equally think this year's wage growth improvement will prove temporary. But there is perhaps a bit more risk of stickier wage growth in France than elsewhere in the region, at this stage.

Italy: slowing growth, fiscal headaches

We remain below consensus on growth for this year and, especially, for next year. After this week's mark-to-market, our GDP growth forecast stands at 0.7% for 2023 and 0.4% in 2024 (consensus is at 0.8%/0.7%). We shaved 10bp off both years: more subdued consumer dynamics, slower NGEU absorption and clear industrial headwinds (Italy's industry is closely linked to Germany) will likely keep growth very close to zero in the coming quarters. Monetary transmission is quite clear in Italian data – with rates at restrictive levels for several quarters, activity will be constrained. We think risks are fairly balanced around our base case at this stage. In 2025, we would expect growth to reaccelerate to somewhere slightly above 1%.

But, for Italy, all eyes will be on fiscal balances. There are several moving parts: 1) the government will present the 2024 draft fiscal plan next week, with near-zero space for manoeuvre – discussions with the European Commission will follow; 2) there is a lot of uncertainty on the costs of the “Superbonus” tax deductions and their statistical treatment – this may drive large swings in past/current/future deficits and also in capex macro data; 3) Italy’s controversial ratification of the ESM (European Stability Mechanism) treaty will come to a parliamentary vote in October; and 4) the crucial negotiations among EU member states on fiscal rules need to reach a compromise in the coming months.

Giorgia Meloni’s cabinet has been quite careful on the expenditure side so far. With the crucial negotiations ongoing in Brussels, a conflict with the EU institutions and other EU governments would certainly be very costly – a sensible outcome to the fiscal rules negotiation is key for Italy’s outlook, as well as for this government’s policy agenda. Some fiscal restraint remains the base case. But, with slowing growth (we will watch closely the growth assumptions in the new draft budget) and high uncertainty on the “Superbonus” budgetary/growth implications, the government finds itself with near-zero space for fiscal manoeuvre. Coalition members are getting nervous about the lack of funds to meet electoral promises ahead of next year’s European election – increasing political volatility remains the main risk.

Spain: slowing but, still, outperforming

Our forecasts for Spain move little and, mostly, driven by data revisions. We now forecast GDP growth of 2.1% in 2023, 1.1% in 2024, and 1.5% in 2023. Lower energy prices, decent employment growth, improvements in the implementation of NGEU and the final leg of normalisation post reopening have contributed to stronger-than-expected growth. We expect growth to decelerate significantly in the second half of the year and throughout 2024 given the lagged impact of monetary policy but also, fiscal policy that should turn less supportive in 2024 and beyond.

Despite strong growth, internal demand has been suffering over the past few quarters - unsurprising given consumer headwinds. From here, there are cross-currents. The smaller real income squeeze driven by the moderation in energy prices should support an improvement in private consumption (we expect inflation of 4% in 2023, after 8.3% in 2022). At the same time, tighter monetary policy is likely to offset some of that improvement and contribute to weak capex trends. Delays in NGEU implementation, given the political impasse, could also slow growth further.

While we await government formation (or, likely, new elections), we reiterate what we have said before. Most of the challenges still facing the Spanish economy are likely to require agreements between the many different forces in the highly fragmented parliament. Fragmentation is the only certainty we have today on the outcome of the upcoming election. And agreements involving the main traditional parties remain elusive. Hence, vulnerabilities are likely to persist irrespective of the new government, leaving Spain exposed to sudden changes in sentiment in the context of higher interest rates, weak growth, a less supportive ECB balance sheet, large issuance needs, and still sizeable external debt.

UK

Bank of England review: none and done, probably

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Change call, expect no more BoE hikes

After the Bank of England (BoE) held rates at 5.25% today we change our call. We expect the BoE to keep rates on hold at 5.25% through 2024. Previously we expected the BoE to hold at 5.5% through 2024. We expect four 25bp rate cuts in 2025 compared to five previously. Fewer hikes now substituted for fewer cuts later.

Finely balanced decision

The BoE kept rates on hold today, compared to our and the consensus call for a 25bp hike. They upsized Quantitative Tightening to £100bn a year as expected, which we discuss in more detail below. The huge inflation surprise yesterday made today's decision an extremely close call (UK Watch: Inflation forecast update: downside surprise leaves rate decision in balance 20 September 2023). The 5-4 vote to hike 25bp and the BoE saying "the judgement to keep Bank Rate unchanged at this meeting rather than increase it was finely balanced" suggest the decision could have gone either way.

As the BoE aims off the hawkish data

Three factors tipped the balance to a hold. First the BoE argued they should not react as strongly as previously to hawkish official wage growth data because other data sources suggest a weaker picture. Second, the BoE seems prepared to look through a bounceback in services inflation in the next data print if it is driven by the volatile components that led to the downside surprise in August (Exhibit 1). The BoE argues that services inflation, which excludes the volatile items (air fares and accommodation services), had been weaker than expected. This suggests the data would have to surprise by an unusually large amount to warrant a BoE rate hike in November. Third, weaker growth data suggested previous rate hikes were feeding through more than expected.

And shifts emphasis to slack, growth and higher for longer

The minutes of today's decision suggest to us the BoE is shifting emphasis. First, away from lagging indicators of inflation pressure, like wages and inflation, and towards lead indicators like slack and growth (Exhibit 2). And second, away from further hikes to rein in inflation and towards holding rates at this level for longer (Exhibit 3). They also added a new threshold for cuts that could rule them out until the second half of next year at the earliest (if, say, material progress meant headline and core inflation below 3% and 4% sustainably, respectively, Exhibit 4).

Risk skewed to more hikes still

In short, the signal we take today about the BoE's reaction function is a strong preference, at least from the core of BoE rate setters (Bailey, Broadbent, Pill and Ramsden), to hold Bank Rate at its current level. Therefore, base case we expect no further rate hikes now. But in our view, it would be hard to rule out the risk of a further hike in November, or even in December or February next year. November will see a new set of forecasts that could be more hawkish.

With lower Bank Rate, lower sterling, and probably upward revisions to the inflation neutral unemployment rate (NAIRU), the BoE will we think have to work hard to forecast inflation reaching the 2% target in the medium term in the November forecasts.

Furthermore, while the BoE can reasonably in our view argue mixed indicators now suggest a pause, in our view the BoE's bias to hold today goes against the data risks. Throughout this inflation upswing the BoE, we and consensus have been surprised by how persistent consumer price and wage inflation has been and the degree to which behaviour seems to have changed.

Step back. Private pay growth currently sits above 8% and core inflation even after a downside surprise is above 6%. Set against that are surveys suggesting weaker pay growth, a PMI in modest contractionary territory and in our view a fall in employment as odd compared to surveys as pay growth. Underlying the BoE's decision seems, in our view, to be a strong BoE view that the impact of past hike is delayed, not reduced, and that inflation expectations are strongly anchored. We think risks skew to policy effects being reduced as well as delayed and inflation expectations having deanchored somewhat. Additionally, the recent oil price rise should as a base case not dramatically affect the inflation outlook but after so many upside inflation shocks we would not have a lot of confidence in that judgement.

As we note above the BoE set a new threshold today for cuts that in our view pushes back against pricing of cuts in the first half of next year. We would add that potential risks to wage growth, for instance, mean we think it will be hard for the BoE to shift its bias away from hiking at least until it sees wage settlements signals early next year. Bottom line, we expect no further hikes but we continue to think rate cuts are a distant prospect. We assume no cuts before 2025.

Exhibit 1: Downplays accommodation inflation news, discounts future volatility
Minutes of BoE's September policy meeting

"Some of those movements are linked to services such as airfares and accommodation that tend to be volatile over the summer holiday period. Excluding these travel-related components, services inflation has been more stable at continued high rates, albeit slightly weaker than expected.

Services price inflation, however, is projected to remain elevated in the near term, with some potential month-to-month volatility."

Exhibit 2: BoE shifts emphasis towards growth and slack, away from pay and inflation
Minutes of BoE's September policy meeting

"This meant that the decision on whether to increase or to maintain Bank Rate at this meeting had become more finely balanced between the risks of not tightening policy enough when underlying inflationary pressures could still prove persistent, and not placing sufficient weight on the impact of the previous tightening that was still to come through on activity and inflation."

Exhibit 3: BoE shifts 'further tightening' sentence to end of guidance paragraph suggesting preference shifting to responding to hawkish news with higher for longer

Minutes of BoE's September policy meeting

"The MPC would continue to monitor closely indications of persistent inflationary pressures and resilience in the economy as a whole, including the tightness of labour market conditions and the behaviour of wage growth and services price inflation. Monetary policy would need to be sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term, in line with the Committee's remit. Further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures."

Exhibit 4: New threshold for cuts may not be reached until second half 2024

Minutes of BoE's September policy meeting

"Conditions were likely to warrant a restrictive policy stance being maintained until material progress had been made in returning inflation to the 2% target sustainably."

Hot Topic

Norges and Riksbank review: diverging

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Riksbank and Norges hike 25bp as expected

Norges Bank shifted more hawkish relative to the Riksbank today, in-line with our expectation (Nordics monthly: diverging 15 Sep 23). This diverging monetary policy outlook reflects the diverging economic outlook. Sweden appears to be entering recession while Norway skirts it. Both central banks hiked 25bp as expected, but Norges raised its forecast policy rate path 23bp at the peak compared to 5bp from the Riksbank. Norges expects to run with higher policy rates than Riksbank until mid-2025, six months later than the previous forecasts. We see the risks skewed towards this Norges-Riksbank gap widening.

Norges expects another hike in December

Norges Bank says "Whether additional tightening will be needed depends on economic developments. There will likely be one additional policy rate hike, most probably in December." We had expected Norges to signal another hike was more-likely-than-not, but this language was a little stronger than we expected. We push back our call for what we see as Norges final hike. We now expect a final 25bp hike in December, compared to November previously. Pushing up Norges policy path was stronger than expected demand, a higher output gap and higher oil prices.

Riksbank focused on exchange rate

The Riksbank faces a more mixed outlook. Domestic inflation pressure appears likely to slow as past rate hikes are driving the economy into mild recession. But the Riksbank's concern about the inflationary consequences of the weak krona seems to remain intense. Balancing these concerns, the Riksbank suggests it is most likely on hold here but expects to retain a hiking bias until the second half of next year. Specifically, the Riksbank's policy rate forecast peaks in 2Q 2024 at 4.1%. In our view the Riksbank is pushing back hard against market expectations that it will shift to cuts relatively soon as growth weakens. In addition to the policy rate forecast the Riksbank presents scenarios in which higher than expected inflation would require immediate further hikes but weaker than expected demand would not require cuts until mid-next year.

Riksbank outlook more challenged

Both central banks are presenting a high-for-long strategy. In our view the Riksbank's outlook is more challenged than Norges. Weaker growth in Sweden will increasingly cut domestic inflationary pressure in our view, whereas Norges faces a more resilient outlook and possibly stronger wage growth. As we say above, the Riksbank seems to be trying to balance supporting the currency to cut upside inflation risks against that growth weakness. We think that argument becomes harder the weaker growth is and we struggle to see Riksbank maintaining that position for a full further year. We look for 3 Riksbank cuts in 2024 compared to two from Norges. We see risks skewed up to the Norges path and down to the Riksbank. A weak currency remains the key upside risk to our Riksbank view.

European forecasts

Exhibit 6: Euro area economic forecasts

We see the ECB reaching a refi terminal of 4.50%.

		2021	2022	2023	2024	2025	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
GDP	% qoq						0.1	0.1	0.0	0.1	0.1	0.2	0.3	0.3
	% qoq ann.						0.3	0.5	-0.1	0.2	0.3	1.0	1.0	1.3
	% yoy	**5.6**	**3.4**	**0.5**	**0.5**	**1.3**	1.1	0.5	0.1	0.2	0.3	0.4	0.6	0.9
Private Consumption	% qoq						0.0	0.0	0.1	0.1	0.2	0.3	0.3	0.3
	% yoy	**4.1**	**4.3**	**0.3**	**0.7**	**1.1**	1.4	0.2	-0.6	0.2	0.4	0.6	0.9	1.0
Government Consumption	% qoq						-0.6	0.2	0.2	0.2	0.2	0.3	0.2	0.2
	% yoy	**4.1**	**1.4**	**0.0**	**0.9**	**1.0**	-0.4	0.1	0.3	0.0	0.9	0.9	0.9	1.0
Investment	% qoq						0.3	0.3	0.2	0.1	0.0	0.2	0.3	0.4
	% yoy	**3.6**	**2.9**	**1.1**	**0.7**	**1.6**	1.9	1.3	0.6	0.9	0.6	0.5	0.6	0.9
Final Domestic Demand[1]	% qoq						0.0	0.1	0.1	0.1	0.2	0.2	0.3	0.3
	% yoy	**3.9**	**3.1**	**0.4**	**0.7**	**1.1**	1.0	0.4	-0.1	0.3	0.5	0.6	0.8	0.9
Net exports[1]	% qoq						0.6	-0.4	-0.1	0.0	0.1	0.0	0.1	0.1
	% yoy	**1.4**	**-0.1**	**0.4**	**0.0**	**0.3**	0.5	0.2	0.7	0.1	-0.5	0.0	0.1	0.3
Stockbuilding[1]	% qoq						-0.5	0.4	-0.1	0.0	-0.1	0.0	-0.1	0.0
	% yoy	**0.3**	**0.4**	**-0.3**	**-0.2**	**-0.1**	-0.4	-0.1	-0.5	-0.2	0.2	-0.3	-0.3	-0.3
Current Account Balance	EUR bn	**278**	**-149**	**147**	**209**	**219**	74	-36	35	75	55	-6	85	75
	% of GDP	**2.3**	**-1.1**	**1.1**	**1.4**	**1.5**	2.1	-1.0	1.0	2.1	1.5	-0.2	2.4	2.0
Industrial production	% qoq						-0.3	-1.0	0.2	0.5	0.4	0.5	0.7	0.7
	% yoy	**8.8**	**2.1**	**-0.9**	**1.5**	**2.6**	0.1	-1.1	-2.1	-0.6	0.1	1.6	2.1	2.3
Unemployment rate[3]	%	**7.7**	**6.8**	**6.7**	**7.0**	**6.9**	6.6	6.6	6.7	6.7	7.0	7.0	7.0	6.9
CPI (harmonised) [4]	% qoq						0.4	1.6	0.6	0.9	0.4	1.1	-0.1	0.3
	% yoy	**2.6**	**8.4**	**5.7**	**2.7**	**1.5**	8.0	6.2	5.0	3.6	3.6	3.1	2.4	1.8
CPI (core) [4]	% qoq						0.6	2.4	0.5	0.6	0.1	1.5	-0.1	0.3
	% yoy	**1.5**	**3.9**	**5.0**	**2.6**	**1.8**	5.5	5.4	5.1	4.2	3.7	2.8	2.2	1.8
General govt balance	% of GDP	**-5.3**	**-3.6**	**-3.9**	**-3.0**	**-2.6**								
General govt debt	% of GDP	**95.5**	**91.6**	**90.0**	**89.7**	**88.3**								
Refinancing rate	%	**0.00**	**2.50**	**4.50**	**3.75**	**2.75**	3.50	4.00	4.50	4.50	4.50	4.25	4.00	3.75

Source: BofA Global Research, Notes: 1 Contribution to GDP growth 2 Excluding construction, sa, quarterly averages 3 Period averages 4 Period averages, quarterly change

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Exhibit 7: UK economic forecasts

Low growth, entrenched inflation

		2022	2023	2024	2025	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
GDP	% qoq					0.1	0.2	0.4	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.3
	% qoq ann.					0.6	0.8	1.6	0.0	0.0	0.0	0.4	0.4	0.4	0.8	0.8	1.2
	% yoy	**4.1**	**0.6**	**0.3**	**0.6**	0.2	0.4	0.9	0.8	0.6	0.4	0.1	0.2	0.3	0.5	0.6	0.8
Private Consumption	% qoq					0.0	0.6	0.4	0.0	-0.1	-0.1	-0.1	0.0	0.2	0.2	0.2	0.2
	% yoy	**5.6**	**0.7**	**0.1**	**0.4**	0.3	0.5	1.2	0.9	0.8	0.2	-0.3	-0.3	0.0	0.3	0.6	0.8
Government Consumption	% qoq					1.7	1.2	0.9	0.4	0.1	0.3	0.3	0.3	0.3	0.5	0.5	0.5
	% yoy	**1.8**	**1.4**	**2.1**	**1.5**	-2.2	2.6	2.8	2.7	4.6	1.7	1.0	0.9	1.2	1.4	1.7	1.8
Investment	% qoq					2.4	0.0	-1.2	0.1	0.0	-0.2	-0.2	0.0	0.1	0.2	0.3	0.4
	% yoy	**8.6**	**2.0**	**-0.8**	**0.4**	1.5	3.8	1.4	1.3	-1.1	-1.3	-0.2	-0.4	-0.2	0.2	0.6	1.0
Final Domestic Demand[1]	% qoq					0.1	1.0	0.2	0.1	0.0	0.0	0.0	0.1	0.2	0.3	0.3	0.3
	% yoy	**5.4**	**1.1**	**0.3**	**0.7**	0.0	1.5	1.5	1.3	1.2	0.2	0.0	-0.1	0.2	0.5	0.8	1.1
Net exports[1]	% qoq					-1.0	-1.1	-0.1	-0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
	% yoy	**-1.2**	**0.2**	**-0.3**	**0.0**	4.1	1.7	-2.6	-2.2	-1.2	-0.1	0.1	0.1	0.1	0.0	-0.1	-0.2
Stockbuilding[1]	% qoq					1.1	0.3	0.3	-0.1	0.1	0.0	0.1	0.0	-0.1	0.0	0.0	0.0
	% yoy	**-0.1**	**-0.8**	**0.3**	**-0.1**	-3.8	-2.9	1.9	1.6	0.6	0.3	0.1	0.1	0.0	0.3	-0.2	-0.1
Current Account Balance	% of GDP	**-3.8**	**-3.5**	**-3.8**	**-3.7**	-2.3	-3.8	-3.9	-3.9	-3.9	-3.8	-3.7	-3.7	-3.7	-3.7	-3.8	-3.8
Manufacturing output	% qoq					0.7	1.6	1.5	0.0	0.1	0.3	0.5	0.6	0.6	0.6	0.6	0.6
	% yoy	**-3.7**	**1.8**	**1.9**	**-3.7**	-1.7	0.8	4.3	3.8	3.2	1.9	0.9	1.5	2.0	2.3	2.4	2.4
Unemployment rate [2]	%	**3.7**	**4.1**	**4.6**	**4.8**	3.9	4.2	4.2	4.3	4.4	4.6	4.7	4.8	4.8	4.8	4.8	4.7
RPI Inflation[2]	% yoy	**11.6**	**9.8**	**4.3**	**3.4**	13.6	11.1	9.0	6.0	5.2	4.1	4.2	3.9	3.8	3.4	3.3	3.3
CPI Inflation (harmonised)[2]	% yoy	**9.1**	**7.4**	**3.2**	**2.3**	10.2	8.4	6.7	4.7	4.1	2.8	3.1	2.8	2.6	2.2	2.3	2.3
CPI (core)[2]	% yoy	**5.9**	**6.4**	**4.2**	**2.8**	6.1	6.9	6.5	6.0	5.5	4.2	3.8	3.3	3.1	2.7	2.7	2.7
General govt balance [5]	% of GDP	**-5.6**	**-4.7**	**-3.2**	**-2.8**												
General govt debt [3,5]	% of GDP	**96.2**	**97.0**	**98.5**	**98.7**												
General govt debt	% of GDP	**101.0**	**100.1**	**100.8**	**101.8**												
Bank Rate [4]	%	**3.50**	**5.25**	**5.25**	**4.25**	4.25	5.00	5.25	5.25	5.25	5.25	5.25	5.25	5.00	4.75	4.50	4.25

Source: BofA Global Research. Notes: 1 Contribution to GDP growth 2 Period averages 3 Excludes Nationalised banks, and thus is not on Maastricht basis 4 End period, 5 Fiscal years

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Exhibit 8: Euro area GDP and CPI forecasts
Euro area member states profiles

	GDP						HICP					
	2020	2021	2022.0	2023F	2024F	2025F	2020	2021	2022	2023	2024	2025
Euro area	-6.3	5.6	3.4	0.5	0.5	1.3	0.3	2.6	8.4	5.7	2.7	1.5
Austria	-6.5	4.7	4.9	0.1	0.4	1.3	1.4	2.8	8.6	7.6	3.6	2.4
Belgium	-5.4	6.3	3.2	0.9	0.6	1.2	0.4	3.2	10.3	2.8	3.4	1.9
Finland	-2.4	3.2	1.6	0.3	0.5	1.0	0.4	2.1	7.2	4.5	1.7	1.5
France	-7.7	6.4	2.5	0.9	0.8	1.3	0.5	2.1	5.9	5.9	2.9	1.6
Germany	-4.2	3.1	1.9	-0.4	0.3	1.3	0.4	3.2	8.6	6.5	3.4	2.0
Greece	-8.7	8.1	5.9	2.1	1.0	1.7	-1.3	0.6	9.3	4.2	1.9	1.7
Ireland	5.8	14.8	7.1	1.3	2.4	2.0	1.1	1.2	5.1	5.4	2.2	1.6
Italy	-9.0	7.0	3.8	0.7	0.4	1.2	-0.1	1.9	8.7	6.6	2.4	1.4
Netherlands	-3.9	6.2	4.4	0.3	0.3	1.6	1.1	2.8	11.6	4.9	3.3	1.6
Portugal	-8.3	5.5	6.7	2.2	1.1	1.5	-0.1	0.9	8.1	5.8	2.7	1.3
Spain	-11.3	5.5	5.5	2.1	1.1	1.5	-0.3	3.0	8.3	3.7	2.6	1.2

Source: Eurostat, BofA Global Research

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Calendar for the week ahead

Exhibit 9: European Economic calendar
Key data for the next week

	GMT	Country	Data/Event	For	BofAe	Cons.†	Previous	Comments
27 Sep – 3 Oct								
✪✪✪	-	Germany	Retail Sales (mom)	Aug	0.0	--	-0.8%	
✪✪	-	UK	Nationwide House PX (mom)	Sep	-0.3%	--	-0.8%	
✪✪	-	UK	Nationwide House Px (nsa, yoy)	Sep	-6%	--	-5.3%	
Monday, 25 Sep								
✪✪✪	09:00	Germany	IFO Business Climate	Sep	85.5	--	85.7	
✪✪✪	09:00	Germany	IFO Current Assessment	Sep	88.5	--	89.0	
✪✪✪	09:00	Germany	IFO Expectations	Sep	83.0	--	82.6	
✪✪	11:00	UK	CBI Total Dist. Reported Sales	Sep	n.a.	--	-26.0	
✪✪	11:00	UK	CBI Retailing Reported Sales	Sep	n.a.	--	-44.0	
Tuesday, 26 Sep								
			No major data releases					
Wednesday, 27 Sep								
✪✪	07:00	Germany	GfK Consumer Confidence	Oct	-25.5	--	-25.5	
✪✪	07:45	France	Consumer Confidence	Sep	86.0	--	85.0	
✪✪✪	09:00	Euro area	M3 Money Supply (yoy)	Aug	-0.7%	--	-0.4%	
Thursday, 28 Sep								
✪✪✪	08:00	Spain	CPI (mom, P)	Sep	0.3%	--	0.5%	
✪✪✪	08:00	Spain	CPI (yoy, P)	Sep	3.7%	--	2.6%	
✪✪✪	08:00	Spain	CPI EU Harmonised (mom, P)	Sep	1.0%	--	0.5%	
✪✪✪	08:00	Spain	CPI EU Harmonised (yoy, P)	Sep	3.6%	--	2.4%	
✪✪✪	08:00	Spain	CPI Core (yoy, P)	Sep	6.0%	--	6.1%	
✪✪✪	08:00	Spain	Retail Sales (sa, yoy)	Aug	6.2%	--	7.3%	
✪✪	09:00	Italy	Consumer Confidence Index	Sep	106.7	--	106.5	
✪✪	09:00	Italy	Manufacturing Confidence	Sep	97.8	--	97.8	
✪✪	09:00	Italy	Economic Sentiment	Sep	107.0	--	106.8	
✪✪✪	10:00	Euro area	Consumer Confidence (F)	Sep	n.a.	--	--	
✪✪✪	10:00	Euro area	Economic Confidence	Sep	94.0	--	93.3	
✪✪✪	10:00	Euro area	Industrial Confidence	Sep	-9.8	--	-10.3	
✪✪✪	10:00	Euro area	Services Confidence	Sep	4.3	--	3.9	
✪✪✪	13:00	Germany	CPI (mom, P)	Sep	0.5%	--	0.3%	
✪✪✪	13:00	Germany	CPI (yoy, P)	Sep	4.8%	--	6.1%	
✪✪✪	13:00	Germany	CPI EU Harmonized (mom, P)	Sep	0.5%	--	0.4%	
✪✪✪	13:00	Germany	CPI EU Harmonized (yoy, P)	Sep	5.2%	--	6.4%	
Friday, 29 Sep								
✪✪	00:01	UK	Lloyds Business Barometer	Sep	n.a.	--	41.0	
✪✪✪	07:00	UK	GDP (qoq, F)	2Q	0.2%	--	0.2%	
✪✪✪	07:00	UK	GDP (yoy, F)	2Q	0.4%	--	0.4%	
✪✪✪	07:00	UK	Private Consumption (qoq, F)	2Q	n.a.	--	0.7%	
✪✪✪	07:00	UK	Government Spending (qoq, F)	2Q	n.a.	--	3.1%	
✪✪✪	07:00	UK	Gross Fixed Capital Formation (qoq, F)	2Q	n.a.	--	0.0%	
✪✪✪	07:00	UK	Exports (qoq, F)	2Q	n.a.	--	-2.5%	
✪✪✪	07:00	UK	Imports (qoq, F)	2Q	n.a.	--	1.0%	
✪✪✪	07:00	UK	Total Business Investment (qoq, F)	2Q	n.a.	--	3.4%	
✪✪✪	07:00	UK	Total Business Investment (yoy, F)	2Q	n.a.	--	6.7%	
✪✪✪	07:45	France	CPI EU Harmonized (mom, P)	Sep	-0.4%	--	1.1%	
✪✪✪	07:45	France	CPI EU Harmonized (yoy, P)	Sep	5.9%	--	5.7%	
✪✪✪	07:45	France	CPI (mom, P)	Sep	-0.4%	--	1.0%	
✪✪✪	07:45	France	CPI (yoy, P)	Sep	5.0%	--	4.9%	
✪✪✪	07:45	France	Consumer Spending (mom)	Aug	-0.8%	--	0.3%	
✪✪✪	08:55	Germany	Unemployment Change (000's)	Sep	15K	--	18k	
✪✪✪	08:55	Germany	Unemployment Claims Rate (sa)	Sep	5.8%	--	5.7%	
✪✪✪	09:30	UK	Net Consumer Credit	Aug	1.2bn	--	1.2bn	
✪✪✪	09:30	UK	Consumer Credit (yoy)	Aug	n.a.	--	7.3%	
✪✪✪	09:30	UK	Net Lending Sec. on Dwellings	Aug	0.0	--	0.2bn	
✪✪✪	09:30	UK	Mortgage Approvals	Aug	48k	--	49k	
✪✪✪	09:30	UK	Money Supply M4 (mom)	Aug	n.a.	--	-0.5%	
✪✪✪	09:30	UK	M4 Money Supply (yoy)	Aug	n.a.	--	-0.9%	
✪✪✪	09:30	UK	M4 Ex IOFCs 3M Annualised	Aug	n.a.	--	-1.1%	
✪✪✪	10:00	Euro area	CPI Estimate (yoy)	Sep	4.5%	--	5.2%	
✪✪✪	10:00	Italy	CPI EU Harmonized (yoy, P)	Sep	5.2%	--	5.5%	
✪✪✪	10:00	Italy	CPI EU Harmonized (mom, P)	Sep	1.2%	--	0.2%	
✪✪✪	10:00	Italy	CPI NIC incl. tobacco (yoy, P)	Sep	n.a.	--	5.5%	

Exhibit 9: European Economic calendar

Key data for the next week

	GMT	Country	Data/Event	For	BofAe	Cons.†	Previous	Comments
✪✪✪	10:00	Italy	CPI NIC incl. tobacco (mom, P)	Sep	n.a.	--	0.4%	
✪✪✪	10:00	Euro area	CPI (mom, P)	Sep	0.5%	--	0.5%	
✪✪✪	10:00	Euro area	CPI Core (yoy, P)	Sep	4.6%	--	5.3%	
✪✪✪	11:00	Italy	Industrial Sales (wda, yoy)	Jul	n.a.	--	1.3%	
✪✪✪	11:00	Italy	Industrial Sales (mom)	Jul	n.a.	--	0.4%	

Source: BofA Global Research, Bloomberg, Reuters, Central banks. Notes: †Bloomberg consensus; µ = level of importance; A = advanced; F = final; P = preliminary; sa = seasonally adjusted; nsa = not seasonally adjusted; wda = working-day adjusted; n.a. = not available; mom = month-on-month; qoq = quarter-on-quarter; yoy = year-on-year. *Refers to previous period, not preliminary release. BofA GLOBAL RESEARCH

Exhibit 10: Common acronyms/abbreviations used in our reports

This list is subject to change

Acronym/Abbreviation	Definition	Acronym/Abbreviation	Definition
1H	First Half	IT	Italy
2H	Second Half	Jan	January
1Q	First Quarter	Jul	July
2Q	Second Quarter	Jun	June
3Q	Third Quarter	lhs	left-hand side
4Q	Fourth Quarter	m	month
ann	annualized	MA	Moving Average
APP	Asset Purchase Programme	Mar	March
Apr	April	Eonia	Euro overnight indexed average
AS	Austria	mom	month-on-month
Aug	August	Mon	Monday
BdF	Banque de France (Bank of France)	MPC	Monetary Policy Committee
BE	Belgium	MWh	Megawatt-hour
BEA	Bureau of Economic Analysis	NGEU	NextGenerationEU
BLS	Bank Lending Survey	NE	Netherlands
BoE	Bank of England	Nov	November
BofA	Bank of America	NADEF	Nota di Aggiornamento al Documento di Economia e Finanza
BoI	Banca d'Italia (Bank of Italy)	NSA	Non-seasonally Adjusted
BoJ	Bank of Japan	OAT	Obligations assimilables du Trésor
BoS	Banco de España (Bank of Spain)	OBR	Office for Budget Responsibility
bp	basis point	Oct	October
BTP	Buoni Poliennali del Tesoro	OECD	Organisation for Economic Co-operation and Development
Buba	Bundesbank	ONS	Office for National Statistics
c	circa	p	preliminary/flash print
CA	Current Account	PBoC	People's Bank of China
CPI	Consumer Price Index	PEPP	Pandemic Emergency Purchase Programme
CSPP	Corporate Sector Purchase Programme	PMI	Purchasing Managers' Index
d	day	PSPP	Public Sector Purchase Programme
GE	Germany	PT	Portugal
Dec	December	QE	Quantitative Easing
DS	Debt sustainability	qoq	quarter-on-quarter
EA	Euro area	QT	Quantitative Tightening
EC	European Commission	RBA	Reserve Bank of Australia
ECB	European Central Bank	RBNZ	Reserve Bank of New Zealand
ECJ	European Court of Justice	rhs	right-hand side
EFSF	European Financial Stability Facility	RPI	Retail Price Index
EGB	European Government Bond	RRF	Recovery and Resilience Facility
EIB	European Investment Bank	SA	Seasonally Adjusted
EMOT	Economic Mood Tracker	SAFE	Survey on the access to finance of enterprises
EP	European Parliament	Sat	Saturday
SP	Spain	Sep	September
ESI	Economic Sentiment Indicator	SMA	Survey of Monetary Analysts
ESM	European Stability Mechanism	SNB	Swiss National Bank
EU	European Union	SPF	Survey of Professional Forecasters
f	final print	Sun	Sunday
Feb	February	SURE	Support to mitigate Unemployment Risks in an Emergency
Fed	Federal Reserve	S&P	Standard & Poor's
FR	France	Thu	Thursday
Fri	Friday	TLTRO	Targeted Longer-term Refinancing Operations
GC	General collateral	TPI	Transmission Protection Instrument

Exhibit 10: Common acronyms/abbreviations used in our reports
This list is subject to change

Acronym/Abbreviation	Definition	Acronym/Abbreviation	Definition
GDP	Gross Domestic Product	TTF	Title Transfer Facility
GNI	Gross National Income	Tue	Tuesday
GR	Greece	UK	United Kingdom
HICP	Harmonised Index of Consumer Prices	US	United States
HMT	His Majesty's Treasury	WDA	Work-day Adjusted
IMF	International Monetary Fund	Wed	Wednesday

Source: BofA Global Research

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