BofA SECURITIES

Europe Economic Weekly

Not fashionably late

23 February 2024

Economics
Europe

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See Team Page for List of Analysts

See Exhibit 22 for definitions of acronyms and abbreviations used in the report.

Weekly View: Weighing sentiment

We are entering a period during which survey data should start to improve. February "flash" composite PMIs did, but they started 2022/23 on the same pattern. Our proprietary EMOT sentiment tracker actually shows wobbling sentiment.

Euro area: Not in a rush

We mark to market inflation. Same averages, a bit more short-term inflation and a bit less after. This, details of the January inflation print, and wages, do not create a sense of urgency for the ECB to cut before June. Data (inflation undershoot) should eventually push the ECB to speed up the cutting cycle.

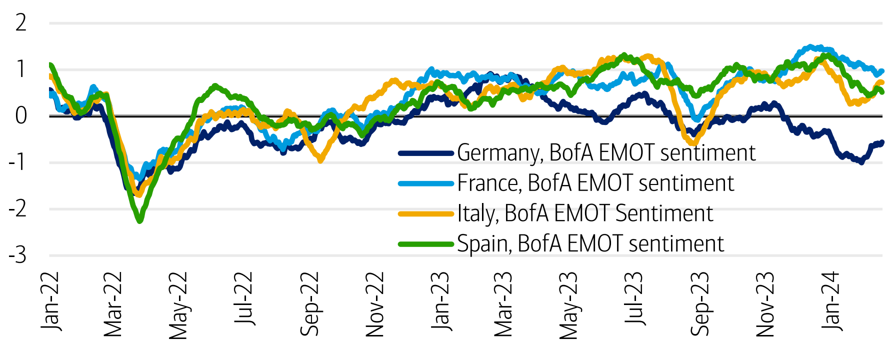
UK: Inflation mark-to-market – armed with patience

Inflation mark-to-market: we expect CPI to average 2.4% this year (unch), with core at 3.7% (-10bp). Our inflation-slicing trackers for the UK show that domestic inflationary pressures remain clear and services improvements are only modest.

Next week:

Inflation data in focus. We expect HICP in France at 3.2% yoy, in Spain at 2.8% and in Germany at 2.9% (Thur) and for the Euro area at 2.6% yoy (with core at 3.1%, on Fri). We will check January credit data (Tue) and the European Commission sentiment indicator for February (Wed). Before pre-meeting blackout, the ECB speaker calendar is light.

Exhibit 1: BofA EMOT economic sentiment
Clear German weakness, resilience in France



Source: BofA Global Research, GDELT Project (www.gdeltproject.com). The tracker identified as an EMOT above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This tracker was not created to act as a benchmark. 30dMA smoothed.

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Timestamp: 23 February 2024 01:30AM EST

Weekly view

Weighing sentiment

The March ECB meeting is approaching and investor questions on their forecast update are becoming more frequent. As usual, we will formalise our expectations for ECB forecasts in our preview next week. But we have the ingredients. The cut-off date for ECB forecasts is probably 10 days behind us now, so the technical assumptions are set.

The inflation starting point is lower than the December forecast assumed. We expect next week's February print to be 2.6% for headline (3.1% for core), which would put 1Q24 on track to be c 20bp below ECB expectations but with core potentially surprising the ECB, marginally, on the upside. Add easier financing conditions (via 10y bond yields) and lower gas prices that could help the growth outlook, corporate profits, the labour market and eventually core inflation. That potential for inflation to move higher again is the whole motive for the ECB's still very biased assessment.

Remember the ECB December forecast assumes a big drop in inflation through 1H24 before inflation gets stuck. It's difficult to prove this assumption wrong with certainty until wage growth data is in. It was a relief that negotiated wage growth at 4.5% yoy in 4Q23 was 20bp lower than in 3Q and was probably distorted by the upside from Italy's one-off payment in the public sector. We are moving in the right direction, but this wasn't enough to signal that wage growth is deteriorating faster than thought. So the forecast ingredients might all be there to make a cut to inflation forecasts probable, but the bulk of changes may be short term, while 2025/26 implications could be relatively limited.

The ECB does not seem ready to take decisions yet. If they were moving in that direction, the last set of minutes could have been a signalling tool. But our read of the minutes was rather hawkish. Yes, markets are pricing more cuts because they expect lower inflation. But the ECB doesn't share that view, that's it.

We still think the risk balance has shifted the other way

Needless to reiterate (but we cannot resist): we are more worried about inflation downside than upside. We update our battery of alternative inflation metrics, and while January seasonally adjusted monthly inflation looks strong, momentum doesn't.

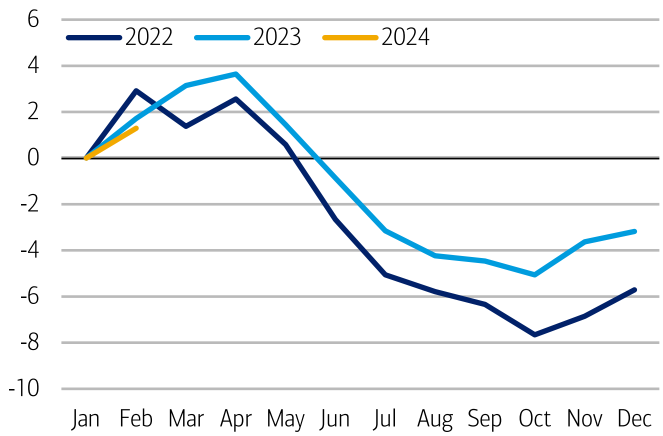
We are still comfortable with the assumptions that cuts before June are unlikely, but we are increasingly twitchy on our 2H24 call of quarterly cuts. That the central bank has to speed up cuts from one per quarter in 2024 to one per meeting in 2025 has been our base case since in November. But the more data we get, the more we think perhaps an October 2024 cut could be possible, too. To us, that means markets may be pricing too much for the ECB too soon, but too little further down the road, as inflation damage from too tight policy for too long unfolds.

Springs in spring

Meanwhile, we are entering a period during which survey data should start to improve. And selectively, it is. The Euro area "flash" composite PMI shows decent improvement to 48.9 in February, up 1 point mom. The problem we have, however, is that PMIs are not a very accurate growth signal in normal times. And over the last two years, they have started to show a recurring pattern of a winter improvement until April and a steady decline for the rest of the year (Exhibit 2). So if there is something to see in Jan/Feb-24 data, then it is that this seasonal improvement is relatively mild this year. Else, we might have to wait until May to see if really this year's improvement is really better.

Our proprietary EMOT sentiment tracker may be more helpful here. It has been some time since we updated it, but results are fairly clear. Sentiment is a little bit wobbly everywhere, but the clear outlier (to the downside) is Germany (Exhibit 3). Activity data was already telling that story in 4Q23, but manufacturing PMIs have looked okay vs peers. The EMOT doesn't. We continue to worry about that economy. So far, the domestic part seems to resist the year-long manufacturing weakness. But if sentiment falters more meaningfully and durably without an obvious trigger, our growth outlook (-0.2% this year and 0.9% next) could look optimistic.

Exhibit 2: Euro area composite PMIs, changes since January
Since 2022, PMIs show recurring patterns of improvements during winter, and deterioration for the rest of the year.



Source: S&P Global/Hamburg Commercial Bank, BofA Global Research

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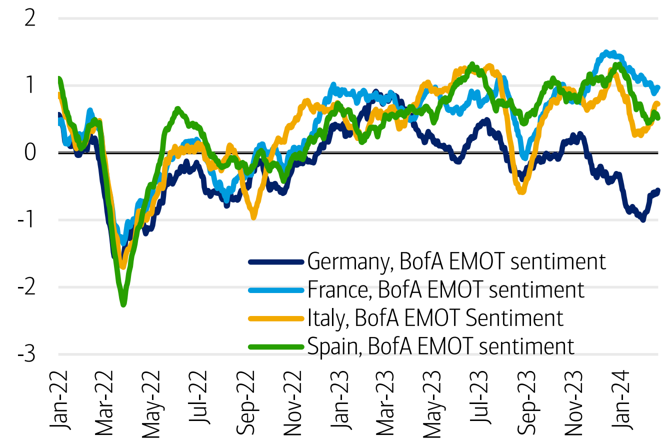
Exhibit 3: BofA EMOT economic sentiment
Clear German weakness, resilience in France



Source: BofA Global Research, GDELT Project (www.gdeltproject.com). The tracker identified as an EMOT above is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This tracker was not created to act as a benchmark. 30dMA smoothed.

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Red Sea evidence still limited for now

Qualitatively, we have also analysed the manufacturing PMI very carefully this month. Red Sea developments have the potential to create upward pressure on prices via shipping costs and supply bottlenecks or outright disruptions. Manufacturing PMI supply delivery times and input prices are inputs that could show the impact early. But in the Euro area (and the US actually), they didn't. Supply delivery times have shortened (i.e., the index rose), and input prices have increased a little, but not conspicuously so.

The outlier here is the UK, where supply delivery times have actually risen sharply. But input prices have not, so it's only half the story for the moment. We will continue to monitor the situation, but stick to our view for now that the passthrough of the surge in shipping costs could turn out to be relatively mild given a very different economic backdrop today compared to 2021/22.

The UK is always a bit special

We still view the UK as being in a very different inflation environment to that of the Euro area. The "news" this week is that we apply our usual inflation-slicing metrics to UK data, too. The findings match *a priori*: domestic inflation pressures remain obvious and the improvement in services inflation very slim.

So yes, January inflation has surprised to the downside. Marking-to-market brings our core inflation forecasts to 3.7% for this year (-10bp, headline unchanged at 2.4%). But that's too little to move the BoE, we think, and stick to our view of a first cut in August.

Next week:

Inflation data takes centre stage. We expect HICP in France at 3.2% yoy, in Spain at 2.8% and in Germany at 2.9% (all Thursday), paving the way for the Euro area at 2.6% yoy with core at 3.1% (on Friday). Elsewhere, we look for small improvements in German retail sales and consumer confidence (Tue). We will check the credit impulse in M3 and lending data (Tue). And the European Commission Sentiment should improve (Wed).

The ECB speaker calendar is light, with only Vujcic and Stournaras (Mon) speaking before the customary pre-meeting blackout period.

Euro Area

Not in a rush

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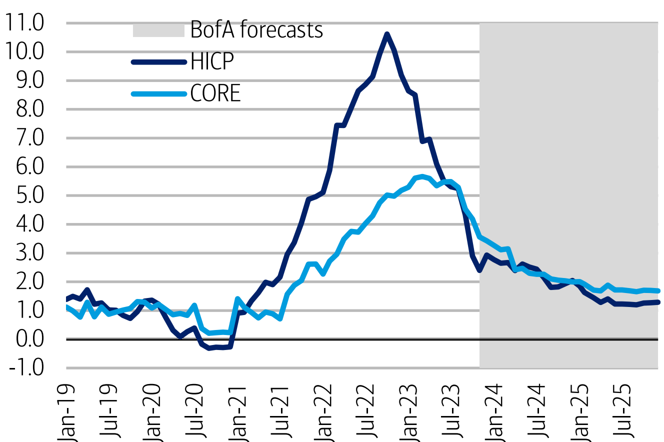
- We mark to market inflation. Same averages, a bit more short-term inflation and a bit less after.
- This, details of the January inflation print, and wages do not create a sense of urgency for the ECB to cut before June.
- Data (inflation undershoot) will eventually push the ECB to speed up the cutting cycle.

A few reasons to wait

We update our inflation forecasts, taking on board recent developments in market prices. Higher oil prices should lead to a bit more inflation near term, but lower gas prices will likely have the opposite effect a few months out. Overall, yearly averages are unchanged, with headline inflation at 2.3% and 1.4% this year and next, and core at 2.5% in 2024E and 1.8% in 2025E. We are heading towards a persistent inflation-target undershoot.

But that undershoot is a bit more backloaded now. This, together with details of the January inflation print, growing signs of an accelerating economy, and the first signals from wages for 1Q, probably do not create a sense of urgency for the ECB to cut before June. We therefore stick to our call that (inflation) data will eventually push the ECB to speed up the cutting cycle by more than they currently expect. Hence, our call for the ECB depo to be at 2% by mid-2025. Remember we have 75bp of cuts in 2024E and 125bp in 2025E (one per quarter in 2024, accelerating to one per meeting in December). And we have been flagging the risk of earlier acceleration of the cutting cycle than we expect now (by September). But that implies at most 100bp of cuts in 2024 and a lot more than is priced in for 2025.

Exhibit 4: BofA inflation forecasts
Monthly profiles



Source: Eurostat, BofA Global Research estimates

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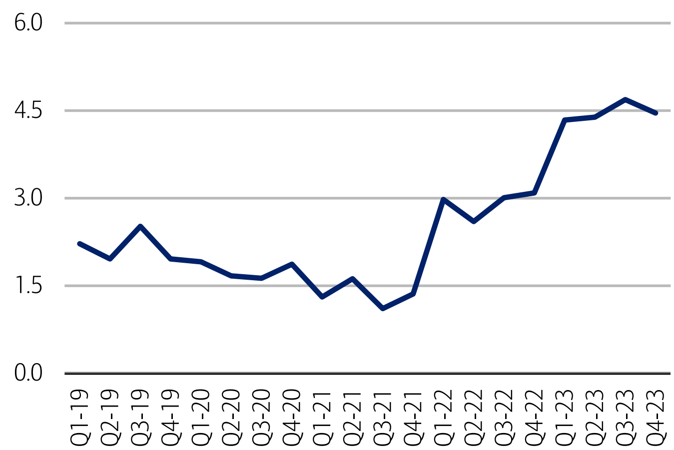
Exhibit 5: ECB, negotiated wages tracker, yoy%
The peak seems to be behind



Source: ECB

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Some fine-tuning

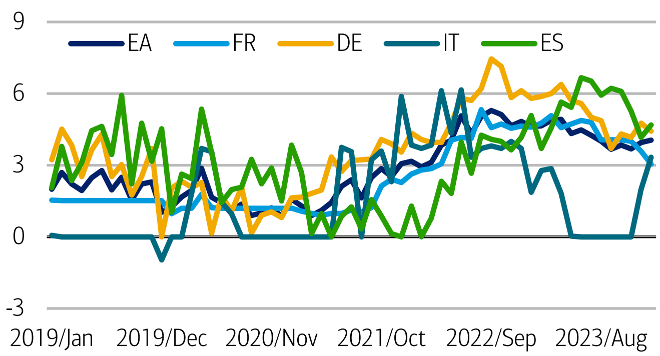
Oil prices have moved higher since our last inflation forecast exercise. Meanwhile, gas prices have moved lower. Timing matters since oil feeds through much faster to inflation than gas. This translates into slightly higher inflation until mid-2024, and then lower in the later part of 2024 and the first half of 2025 (Exhibit 4). We do not yet incorporate any meaningful impact from developments in shipping costs given the worst seems to be behind us and soft data comments appear to confirm little impact on prices. But risks remain.

With core inflation coming down ever so slowly, and an economy with tentative signs of accelerating, we see no strong reason to change our call for the first ECB cut in June, although risks of April are a bit more significant now after Banque de France's Villeroy interview with *Les Echos* last week.

Details matter, for now

But we argue that developments in January give plenty of extra reasons for the ECB to remain patient, even if we don't share that caution. The main reason the ECB wants to be cautious is that domestic inflation remains sticky, particularly non-contact intensives services, putting the focus on their main determinant, wages, in the next few months. There is a strong desire to affirm that wages will be well-behaved and moderate, in line with expectations, before commencing a cutting cycle.

Exhibit 6: Indeed wage tracker, yoy%
A small uptick in January



Source: Indeed

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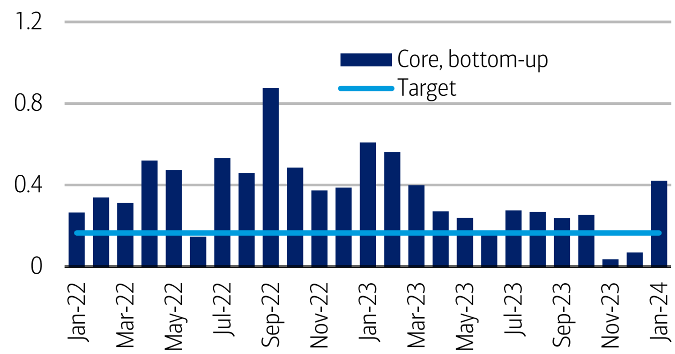
Exhibit 7: Euro area, core inflation mom%, bottom-up SA
The January print gives a reason to wait



Source: Eurostat, BofA Global Research

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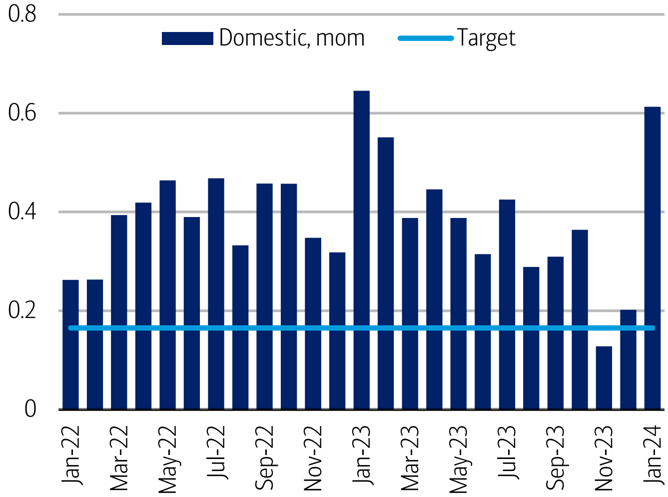
We disagree with that. In the context where catch-up effects in wages are unlikely to be inflationary, particularly given that real wages won't recover to the 2021 level until 2026, even if nominal wages decelerate a bit less than expected, that should be no reason to delay a cutting cycle. Then, if they were to surprise negatively, cutting could be paused for a while. We understand there is aversion to avoid a false start, but that should not dominate the aversion to generate unnecessary economic pain.

With that in mind, recent developments in negotiated wages for 4Q (Exhibit 5) were broadly in line with what we (and probably the ECB) expected, confirming a peak is likely behind us when it comes to wage growth. But the extent of the moderation is still unknown. And the fact that the Indeed wage tracker ticked up marginally in January, even if driven by volatile Italian data, is likely to feed the hawks for now (Exhibit 6).

More importantly, details of the January inflation print are also likely to support those pushing for a late start. First, our bottom-up month-on-month seasonally adjusted core inflation print jumped significantly above target, breaking with months of quite decent numbers (Exhibit 7). Additionally, this was concentrated precisely in those components more directly linked to wages, domestic and non-contact intensive services. As Exhibit 8 shows, there was a very significant jump in domestic inflation in January, which was not concentrated only in non-contact intensive services (Exhibit 9 and Exhibit 10).

Exhibit 8: Euro area, domestic inflation, mom%
The January print gives a reason to wait



Source: Eurostat, BofA Global Research

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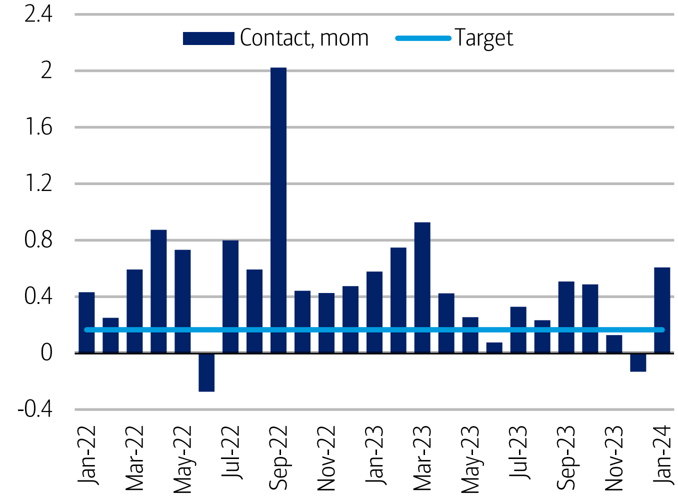
Exhibit 9: Euro area, contact services, mom%
The January print gives a reason to wait



Source: Eurostat, BofA Global Research

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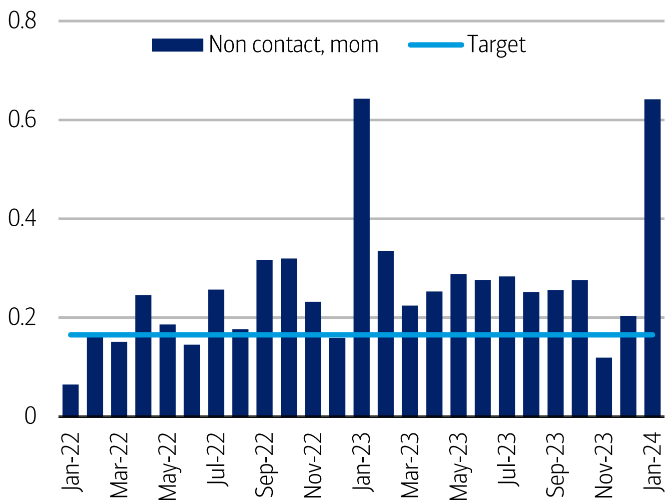
Are there reasons to be concerned? We doubt it, for now. Monthly data is volatile and momentum measures (Exhibit 11) remain well-behaved. And January, with plenty of annual changes in several categories, is a special month. Also, some one-offs like insurance go a long way to explaining the strong print. We would need more evidence of the disinflation process slowing down significantly before we start to worry, but it does give the ECB additional incentives to be patient from here.

Exhibit 10: Euro area, contact services, mom%
The January print gives a reason to wait



Source: Eurostat, BofA Global Research

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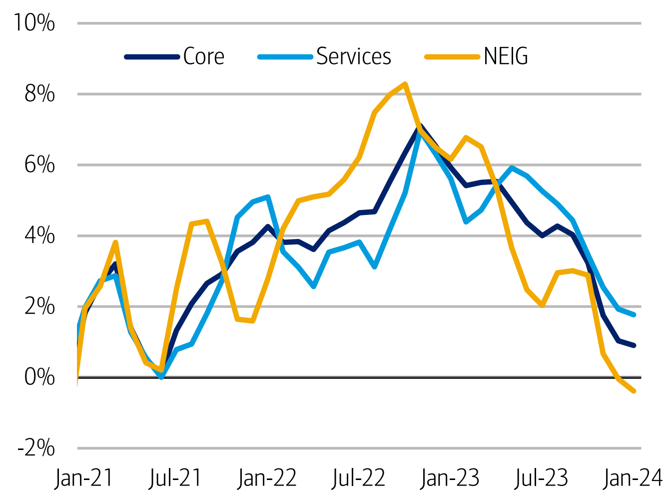
Exhibit 11: Inflation momentum
Momentum trackers remain well-behaved



Source: Eurostat, BofA Global Research

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UK

Inflation mark-to-market: armed with patience

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- Inflation mark-to-market: we expect CPI to average 2.4% this year (unch), with core at 3.7% (-10bp).

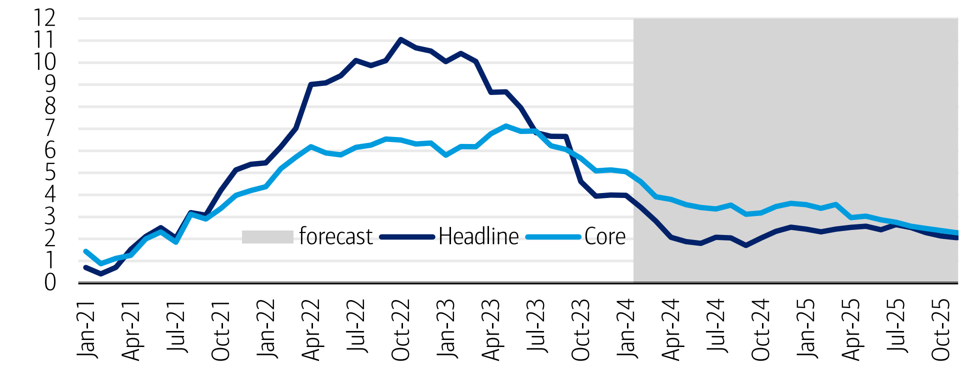
- We replicate our inflation-slicing trackers for the UK too – domestic inflationary pressures remain clear and services improvements are only narrow.

Mark-to-market: story unchanged

The January inflation print came in slightly below our and the BoE's expectations. The surprise versus our forecast was mostly due to weaker-than-expected services (at 6.5% yoy). But looking at the details by category, we wouldn't overstate the signal from this print for the inflation outlook. Essentially, odd seasonal dynamics in air fares, amplified by the significant weight increase for those categories, drove this January surprise.

We mark-to-market our inflation profiles, including the January print, updated market prices and the most recent energy cap forecasts. Our forecast profiles are broadly unchanged, with just a slight cut to core inflation averages this year (3.7%, vs 3.8% before). We see headline inflation dipping below target in May, just temporarily. In Exhibit 17, we report our assumptions for services inflation this year – we think services price growth will remain >5% yoy until June, soften a tad in 3Q due to base effects, and then reaccelerate to 4.6%-4.9% at year-end (Exhibit 17).

Exhibit 12: UK, BofA CPI & CPI core forecasts
Headline CPI below target in May, but just temporarily



Source: ONS, BofA Global Research

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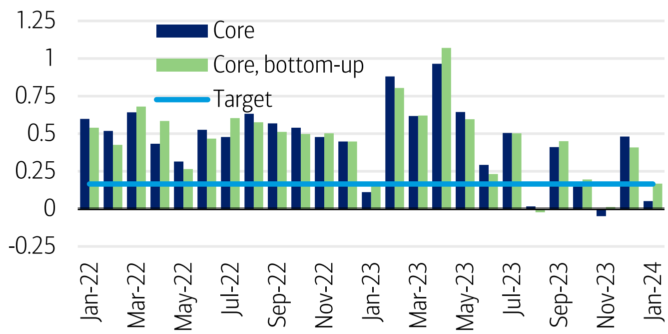
Slicing the sources of inflation: domestic services remain sticky

In Exhibit 13-Exhibit 16, we replicate the "inflation-slicing" trackers that we use for the Euro area (see our Euro area piece) with UK data. This exercise confirms that the latest improvements are not robust once we apply alternative seasonal adjustment methodologies and undertake careful slicing of inflation categories. The improvements in services remain narrow. We are still confident that inflation will remain stickier in the UK than elsewhere in Europe.

If we isolate the categories that reflect domestic inflationary pressures (with the same product categories that we use for the Euro area), UK sequential dynamics remain above the pace consistent with the target (Exhibit 14). Most of the improvement in services inflation so far has been driven by contact-intensive services (Exhibit 15). Non-contact-intensive services, which are those less affected by the post-COVID normalization and are closely linked to wages, remain above target, with little sign of abating (Exhibit 16).

Exhibit 13: Core inflation, mom %, seasonally adjusted
Jan improvement is not robust to bottom-up seasonal adjustments



Source: ONS, BofA Global Research

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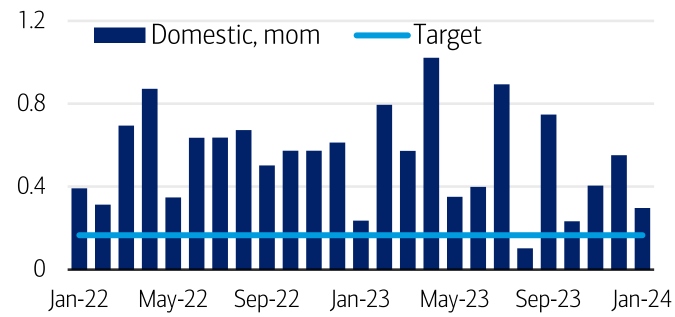
Exhibit 14: Domestic inflation, mom % seasonally adjusted
Replication of the ECB domestic inflation tracker shows sticky inflation



Source: ONS, BofA Global Research

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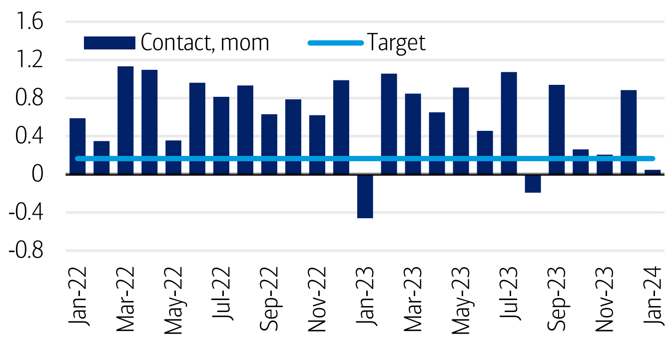
Exhibit 15: Contact services inflation, mom % seasonally adjusted
The services slowdown is concentrated in contact services ...



Source: ONS, BofA Global Research

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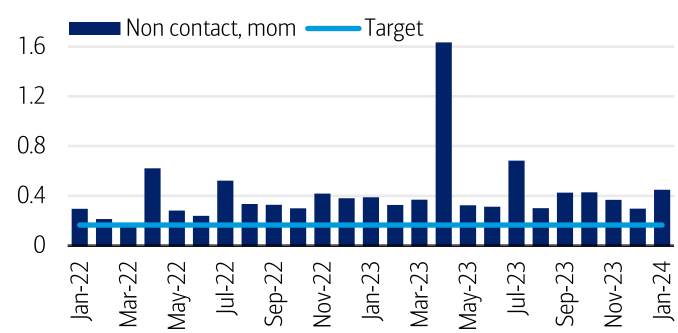
Exhibit 16: Non-contact services inflation, mom % seasonally adjusted
... while non-contact categories remain sticky



Source: ONS, BofA Global Research

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Exhibit 17: BofA inflation forecasts, yoy%
Sticky services inflation

	CPI, yoy%	Core, yoy%	Services, yoy%
Jan-24	4.0	5.1	6.5
Feb-24	3.4	4.6	6.1
Mar-24	2.8	3.9	5.5
Apr-24	2.1	3.8	5.3
May-24	1.9	3.6	5.1
Jun-24	1.8	3.4	4.9
Jul-24	2.1	3.4	4.8
Aug-24	2.0	3.5	5.0
Sep-24	1.7	3.1	4.5
Oct-24	2.0	3.2	4.5
Nov-24	2.3	3.5	4.6
Dec-24	2.5	3.6	4.9

Source: ONS, BofA Global Research

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European forecasts

Exhibit 18: Euro area economic forecasts

We expect ECB cuts to start in June 2024

		2022	2023	2024	2025	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
GDP	% qoq					0.1	0.1	-0.1	0.0	0.0	0.2	0.2	0.3	0.3	0.3	0.3	0.3
	% qoq ann.					0.4	0.5	-0.5	0.2	0.1	0.8	0.9	1.2	1.2	1.2	1.3	1.2
	% yoy	**3.4**	**0.5**	**0.4**	**1.1**	1.3	0.6	0.0	0.1	0.1	0.1	0.5	0.7	1.0	1.1	1.2	1.2
Private Consumption	% qoq					0.1	0.0	0.3	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3
	% yoy	**4.2**	**0.5**	**0.6**	**1.1**	1.4	0.6	-0.4	0.4	0.4	0.6	0.6	0.8	1.0	1.1	1.2	1.3
Government Consumption	% qoq					-0.5	0.2	0.4	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2
	% yoy	**1.6**	**0.2**	**0.8**	**0.9**	-0.2	0.2	0.6	0.3	1.0	0.9	0.7	0.7	0.8	0.9	0.9	1.0
Investment	% qoq					0.4	-0.1	0.0	-0.3	-0.2	0.1	0.2	0.4	0.3	0.4	0.5	0.5
	% yoy	**2.8**	**0.7**	**-0.2**	**1.4**	1.8	1.1	-0.1	0.0	-0.6	-0.4	-0.2	0.4	1.0	1.3	1.5	1.6
Final Domestic Demand[1]	% qoq					0.0	0.0	0.2	0.0	0.0	0.2	0.2	0.3	0.3	0.3	0.3	0.3
	% yoy	**3.1**	**0.4**	**0.5**	**1.1**	1.0	0.6	-0.1	0.3	0.3	0.4	0.4	0.7	0.9	1.0	1.2	1.2
Net exports[1]	% qoq					0.6	-0.6	0.0	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
	% yoy	**0.0**	**0.2**	**0.1**	**0.2**	0.6	-0.1	0.4	0.0	-0.5	0.1	0.3	0.3	0.3	0.2	0.1	0.0
Stockbuilding[1]	% qoq					-0.5	0.7	-0.3	0.0	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
	% yoy	**0.3**	**-0.2**	**-0.2**	**-0.1**	-0.4	0.1	-0.3	-0.2	0.2	-0.5	-0.2	-0.3	-0.2	-0.1	-0.1	0.0
Current Account Balance	EUR bn	**-90**	**209**	**209**	**219**	38	61	35	75	55	-6	85	75	55	-6	75	95
	% of GDP	**-0.7**	**1.5**	**1.4**	**1.5**	1.1	1.8	1.0	2.1	1.5	-0.2	2.4	2.1	1.5	-0.2	2.0	2.5
Industrial production	% qoq					-1.3	-1.1	-0.5	-0.4	0.3	0.5	0.7	0.7	0.6	0.6	0.7	0.6
	% yoy	**2.2**	**-2.1**	**0.4**	**2.6**	-0.1	-1.3	-3.8	-3.2	-1.6	-0.1	1.1	2.2	2.5	2.7	2.7	2.6
Unemployment rate[3]	%	**6.8**	**6.6**	**7.1**	**7.1**	6.6	6.5	6.6	6.6	7.0	7.1	7.1	7.1	7.0	7.0	6.9	6.9
CPI (harmonised)[4]	% qoq					0.4	1.6	0.6	0.2	0.3	1.4	0.2	0.0	0.0	1.1	0.1	0.0
	% yoy	**8.4**	**5.5**	**2.3**	**1.4**	8.0	6.2	5.0	2.7	2.7	2.5	2.1	1.9	1.6	1.3	1.2	1.3
CPI (core)[4]	% qoq					0.6	2.4	0.5	0.2	0.1	1.6	0.3	0.1	-0.1	1.5	0.2	0.1
	% yoy	**3.9**	**5.0**	**2.5**	**1.8**	5.5	5.5	5.1	3.7	3.2	2.4	2.2	2.0	1.9	1.8	1.7	1.7
General govt balance	% of GDP	**-3.6**	**-3.4**	**-3.1**	**-3.1**												
General govt debt	% of GDP	**91.0**	**91.0**	**90.3**	**90.1**												
Refinancing rate	%	**2.50**	**4.50**	**3.75**	**2.50**	3.50	4.00	4.50	4.50	4.50	4.25	4.00	3.75	3.25	2.75	2.50	2.50

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 19: 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					0.2	0.0	-0.1	-0.3	0.1	0.2	0.3	0.3	0.2	0.2	0.1	0.1
	% qoq ann.					0.9	0.0	-0.5	-1.4	0.6	1.0	1.4	1.2	0.7	0.6	0.5	0.5
	% yoy	**4.3**	**0.1**	**0.3**	**0.8**	0.3	0.3	0.2	-0.2	-0.3	-0.1	0.4	1.0	1.1	1.0	0.8	0.6
Private Consumption	% qoq					0.9	0.5	-0.8	-0.1	0.0	0.1	0.2	0.2	0.2	0.2	0.2	0.1
	% yoy	**5.0**	**0.4**	**-0.2**	**0.7**	0.3	0.4	0.5	0.4	-0.5	-0.9	0.2	0.5	0.7	0.8	0.8	0.7
Government Consumption	% qoq					-0.8	2.4	1.1	-0.3	0.1	0.3	0.3	0.3	0.3	0.5	0.5	0.5
	% yoy	**2.3**	**0.6**	**1.4**	**1.6**	-3.5	1.5	2.1	2.4	3.3	1.1	0.3	1.0	1.2	1.5	1.7	1.8
Investment	% qoq					2.5	-0.9	-1.4	1.4	0.3	-0.1	-0.8	0.1	0.0	0.0	0.0	-0.2
	% yoy	**8.0**	**2.9**	**0.0**	**-0.4**	5.4	4.0	0.8	1.7	-0.5	0.3	0.8	-0.4	-0.8	-0.7	0.1	-0.2
Final Domestic Demand[1]	% qoq					0.9	0.6	-0.5	0.1	0.1	0.1	0.0	0.2	0.2	0.2	0.2	0.1
	% yoy	**5.0**	**0.9**	**0.2**	**0.7**	0.4	1.3	0.9	1.0	0.3	-0.2	0.3	0.4	0.5	0.7	0.8	0.7
Net exports[1]	% qoq					-1.7	-0.9	0.4	-0.6	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
	% yoy	**-1.7**	**0.1**	**-0.5**	**0.0**	3.7	1.8	-2.2	-2.8	-1.2	-0.3	-0.5	0.1	0.1	0.0	-0.1	-0.2
Stockbuilding[1]	% qoq					1.0	0.3	0.1	0.2	0.1	0.1	0.2	0.1	0.0	0.0	0.0	0.0
	% yoy	**1.1**	**-0.9**	**0.5**	**0.2**	-3.8	-2.8	1.6	1.5	0.6	0.4	0.6	0.5	0.4	0.4	0.0	0.0
Current Account Balance	% of GDP	**-3.1**	**-3.4**	**-4.0**	**-3.9**	-2.3	-3.9	-3.5	-4.1	-4.1	-4.0	-3.9	-3.9	-3.9	-3.9	-3.9	-4.0
Manufacturing output	% qoq					0.5	1.9	0.0	-0.3	0.1	0.3	0.5	0.6	0.6	0.6	0.6	0.6
	% yoy	**-3.3**	**1.1**	**1.0**	**-3.3**	-1.6	1.2	2.9	2.0	1.7	0.1	0.6	1.5	2.0	2.3	2.4	2.4
Unemployment rate[2]	%	**3.7**	**4.1**	**4.7**	**4.8**	3.9	4.2	4.2	4.4	4.6	4.7	4.8	4.9	4.8	4.8	4.8	4.7
CPI Inflation (harmonised)[2]	% yoy	**9.1**	**7.3**	**2.4**	**2.4**	10.2	8.4	6.7	4.2	3.4	2.0	1.9	2.3	2.4	2.5	2.5	2.2
CPI (core)[2]	% yoy	**5.9**	**6.2**	**3.7**	**2.8**	6.1	6.9	6.4	5.3	4.5	3.6	3.3	3.4	3.5	3.0	2.6	2.4
General govt balance[5]	% of GDP	**-5.0**	**-4.9**	**-4.3**	**-3.9**												
General govt debt[3,5]	% of GDP	**97.1**	**98.9**	**101.1**	**103.3**												
General govt debt	% of GDP	**101.0**	**100.7**	**102.9**	**104.8**												
Bank Rate[4]	%	**3.50**	**5.25**	**4.75**	**3.75**	4.25	5.00	5.25	5.25	5.25	5.25	5.00	4.75	4.50	4.25	4.00	3.75

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 20: Euro area, GDP and CPI profiles

Euro area member states profiles

						HICP				
	2021	**2022**	**2023F**	**2024F**	**2025F**	**2021**	**2022**	**2023**	**2024F**	**2025F**
Euro area	5.9	3.4	0.5	0.4	1.1	2.6	8.4	5.5	2.3	1.4
Austria	4.4	4.8	-0.7	0.0	1.5	2.8	8.6	7.7	2.7	2.1
Belgium	6.9	3.0	1.4	0.9	1.2	3.2	10.3	2.2	1.5	1.7
Finland	2.8	1.6	-0.4	0.2	1.0	2.1	7.2	4.3	0.9	1.2
France	6.4	2.5	0.8	0.7	1.3	2.1	5.9	5.7	2.9	2.0
Germany	3.1	1.9	-0.1	-0.2	0.9	3.2	8.6	6.0	2.7	1.4
Greece	8.1	5.7	2.0	1.1	1.7	0.6	9.3	4.2	2.0	1.7
Ireland	14.8	9.5	-1.4	2.7	2.0	2.4	8.1	5.8	2.9	1.6
Italy	8.3	3.9	0.7	0.5	1.1	1.9	8.7	6.0	1.8	1.5
Netherlands	6.2	4.4	0.0	0.3	1.1	2.8	11.6	4.1	1.7	1.6
Portugal	5.7	6.8	2.2	1.0	1.4	0.9	8.1	5.4	2.5	1.1
Spain	6.4	5.8	2.4	1.3	1.5	3.0	8.3	3.4	2.6	1.1

Source: BofA Global Research, Eurostat

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Calendar for the week ahead

Exhibit 21: European Economic calendar
Key data for the next week

	GMT	Country	Data/Event	For	BofAe	Cons.†	Previous	Comments
Monday, 26 Feb								
✪✪	11:00	UK	CBI Total Dist. Reported Sales	Feb	n.a.	--	-33.0	
✪✪	11:00	UK	CBI Retailing Reported Sales	Feb	n.a.	--	-50.0	
Tuesday, 27 Feb								
✪✪	07:00	Germany	Retail Sales (mom)	Jan	0.4%	--	-1.6%	
✪✪	07:00	UK	Nationwide House PX (mom)	Feb	n.a.	--	0.7%	
✪✪	07:00	UK	Nationwide House Px (nsa, yoy)	Feb	n.a.	--	-0.2%	
✪✪	00:01	UK	BRC Shop Price Index (yoy)	Feb	n.a.	--	2.9%	
✪✪	07:00	Germany	GfK Consumer Confidence	Mar	-29.3	--	-29.7	
✪✪✪	07:45	France	Consumer Confidence	Feb	92	--	91	
✪✪✪	09:00	Euro area	M3 Money Supply (yoy)	Jan	0.1%	--	0.1%	
Wednesday, 28 Feb								
✪✪	09:00	Italy	Consumer Confidence Index	Feb	96.6	--	96.4	
✪✪	09:00	Italy	Manufacturing Confidence	Feb	88.5	--	88.3	
✪✪	09:00	Italy	Economic Sentiment	Feb	98.4	--	98.1	
✪✪✪	10:00	Euro area	Consumer Confidence (F)	Feb	-15.5	--	-15.5	
✪✪✪	10:00	Euro area	Services Confidence	Feb	9.0	--	8.8	
✪✪✪	10:00	Euro area	Industrial Confidence	Feb	-9.0	--	-9.4	
✪✪✪	10:00	Euro area	Economic Confidence	Feb	96.5	--	96.2	
✪✪	10:00	Belgium	GDP (sa, qoq, F)	4Q	0.4%	--	0.4%	
✪✪	10:00	Belgium	GDP (sa, yoy, F)	4Q	1.6%	--	1.6%	
Thursday, 29 Feb								
✪✪	00:01	UK	Lloyds Business Barometer	Feb	n.a.	--	44.0	
✪✪✪	07:45	France	CPI EU Harmonized (mom, P)	Feb	1.0%	--	-0.2%	
✪✪✪	07:45	France	CPI EU Harmonized (yoy, P)	Feb	3.2%	--	3.4%	
✪✪✪	07:45	France	CPI (mom, P)	Feb	0.9%	--	-0.2%	
✪✪✪	07:45	France	CPI (yoy, P)	Feb	3.0%	--	3.1%	
✪✪✪	07:45	France	GDP (qoq, F)	4Q	0.0%	--	0.0%	
✪✪✪	07:45	France	GDP (yoy, F)	4Q	0.7%	--	0.7%	
✪✪✪	07:45	France	Consumer Spending (mom)	Jan	0.2%	--	0.3%	
✪✪✪	07:45	France	Consumer Spending (yoy)	Jan	n.a.	--	1.3%	
✪✪	08:00	Switzerland	GDP (qoq)	4Q	0.3%	--	0.3%	
✪✪	08:00	Switzerland	GDP (yoy)	4Q	n.a.	--	0.3%	
✪✪✪	08:00	Spain	CPI (mom, P)	Feb	0.2%	--	0.1%	
✪✪✪	08:00	Spain	CPI (yoy, P)	Feb	2.6%	--	3.4%	
✪✪✪	08:00	Spain	CPI EU Harmonised (mom, P)	Feb	0.3%	--	-0.2%	
✪✪✪	08:00	Spain	CPI EU Harmonised (yoy, P)	Feb	2.8%	--	3.5%	
✪✪✪	08:00	Spain	CPI Core (yoy, P)	Feb	3.3%	--	3.6%	
✪✪✪	08:55	Germany	Unemployment Change (000's)	Feb	5k	--	-2k	
✪✪✪	08:55	Germany	Unemployment Claims Rate (sa)	Feb	5.8%	--	5.8%	
✪✪✪	09:00	Italy	Industrial Sales (wda, yoy)	Dec	n.a.	--	-3.4%	
✪✪✪	09:00	Italy	Industrial Sales (mom)	Dec	n.a.	--	-1.0%	
✪✪✪	09:30	UK	Net Consumer Credit	Jan	n.a.	--	1.2bn	
✪✪✪	09:30	UK	Consumer Credit (yoy)	Jan	n.a.	--	8.5%	
✪✪✪	09:30	UK	Net Lending Sec. on Dwellings	Jan	n.a.	--	-0.8bn	
✪✪✪	09:30	UK	Mortgage Approvals	Jan	n.a.	--	51k	
✪✪✪	09:30	UK	Money Supply M4 (mom)	Jan	n.a.	--	0.5%	
✪✪✪	09:30	UK	M4 Money Supply (yoy)	Jan	n.a.	--	-0.9%	
✪✪✪	09:30	UK	M4 Ex IOFCs 3M Annualised	Jan	n.a.	--	4.4%	
✪✪	11:00	Portugal	GDP (qoq, F)	4Q	0.8%	--	0.8%	
✪✪	11:00	Portugal	GDP (yoy, F)	4Q	2.2%	--	2.2%	
✪✪✪	13:00	Germany	CPI (yoy, P)	Feb	3.1%	--	2.9%	
✪✪✪	13:00	Germany	CPI (mom, P)	Feb	1.0%	--	0.2%	
✪✪✪	13:00	Germany	CPI EU Harmonized (mom, P)	Feb	0.8%	--	-0.2%	
✪✪✪	13:00	Germany	CPI EU Harmonized (yoy, P)	Feb	2.9%	--	3.1%	
Friday, 1 Mar								
✪✪✪	08:15	Spain	Manufacturing PMI	Feb	50.0	--	49.2	
✪✪✪	08:45	Italy	Manufacturing PMI	Feb	48.8	--	48.5	
✪✪✪	08:50	France	Manufacturing PMI (F)	Feb	46.8	--	46.8	
✪✪✪	08:55	Germany	Manufacturing PMI (F)	Feb	42.3	--	42.3	
✪✪✪	09:00	Euro area	Manufacturing PMI (F)	Feb	46.1	--	46.1	
✪✪✪	09:00	Italy	Unemployment Rate	Jan	7.3%	--	7.2%	

Exhibit 21: European Economic calendar

Key data for the next week

	GMT	Country	Data/Event	For	BofAe	Cons.†	Previous	Comments
✪✪✪	09:30	UK	Manufacturing PMI (F)	Feb	47.1	--	47.1	
✪✪✪	10:00	Euro area	CPI Estimate (yoy)	Feb	2.6%	--	2.8%	
✪✪✪	10:00	Euro area	CPI (mom, P)	Feb	0.7%	--	-0.4%	
✪✪✪	10:00	Euro area	CPI Core (yoy, P)	Feb	3.1%	--	3.3%	
✪✪✪	10:00	Euro area	Unemployment Rate	Jan	6.5%	--	6.4%	
✪✪✪	10:00	Italy	CPI EU Harmonized (yoy, P)	Feb	1.0%	--	0.9%	
✪✪✪	10:00	Italy	CPI EU Harmonized (mom, P)	Feb	0.2%	--	-1.1%	
✪✪✪	10:00	Italy	CPI NIC incl. tobacco (yoy, P)	Feb	1.0%	--	0.8%	
✪✪✪	10:00	Italy	CPI NIC incl. tobacco (mom, P)	Feb	0.3%	--	0.3%	

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

Acronyms and abbreviations

Exhibit 22: 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
DM	Developed Markets	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
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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