Europe Economic Weekly

A shifting debate

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Economics
Europe

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Weekly View: Narrowing the band

A first ECB cut in June seems a done deal. The debate is shifting towards the amount of easing thereafter. We think the case for a fourth cut in October is more open than a back-to-back cut in Jun/Jul. We still see the deposit rate back to 2% by mid-2025. The ECB will be late and slow, initially, in our view, but data will force them to reconsider.

Europe: SNB preview - spring pause

We expect the SNB to stay on hold at next week's policy meeting. We also expect an unchanged reference to the FX tool vs December. Our call: five quarterly cuts starting 3Q24 to 0.5% in 3Q25. Market volatility in Spring may reignite CHF pressure.

UK: BoE preview - wait and see

We expect the BoE to stay on hold next week with a 1-7-1 vote. We would not rule out a second vote for a cut. We expect no changes to guidance. The minutes should reflect the continued need for more confidence but smaller tail risks.

A new ECB framework: details down the line will be key

Market implications in the near term are limited, but future details could matter more.

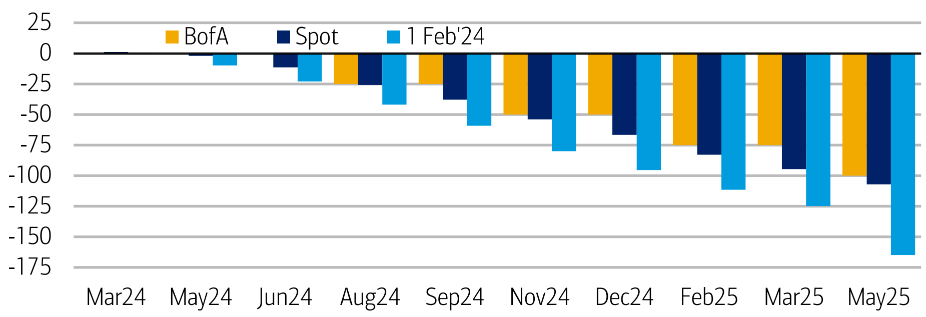
Nordics monthly: diverging paths

Sweden: mild recession, with downside risks. Encouraging signs on inflation. First cut likely in June, but May is live. Norway: sluggish momentum, but resilient economy. Inflation likely to remain sticky. (Slow) easing to start in September.

Next week:

Euro area: final Feb inflation print (Mon), flash PMIs (Thu) and IFO (Fri). UK: inflation (Wed, CPI at 3.5%, core at 4.6%) and retail sales (Fri). Central banks: BoE, SNB and Norges (Thu). Lots of ECB speakes and Watchers conference. EU Council 21-22 March.

Exhibit 1: MPC-dated Sonia Bank Rate hike exp. vs. BofA f'casts, bp
Market priced out more than 25bp of Bank rate cuts in 2024



Source: Bloomberg, BofA Global Research

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Weekly view

Narrowing the band

This week we think there have been two important contributions from ECB speakers, Bank of Greece's Stournaras, and de Nederlansche Bank's Knot. They are important not necessarily because of the weight they carry in the Governing Council but because, given they are at opposite ends of the hawk-dove spectrum, they help to narrow the band of discussion as of today.

June, as the timing for the first cut, seems to be a done deal, absent large surprises, both speakers agreed. But the conversation is shifting towards the amount of easing after the first cut very quickly. Stournaras, among the most dovish members of the Governing Council, called for back-to-back cuts in June and July. He also agreed with market pricing of four 25bp cuts this year. Meanwhile, Knot, a clear hawk, talked about three cuts this year, in meetings with forecasts, in line with our expectations.

Altogether this leaves a much tighter range of options, absent large data surprises, than markets were contemplating a few weeks back. We still think that, with an economy accelerating by June and core still far from 2%, it will be hard to implement back-to-back cuts then (June and July). But we remain more open to the possibility of a fourth cut in October. And, more importantly, we think inflation data will later push them into accelerating the cutting cycle by a lot more than they are probably considering today.

This is what makes us most different from consensus, which expects (based on the Survey of Monetary Analysts) four cuts this year but, at the same time, the deposit rate to reach, almost, 2% by the end of 2027. We have the deposit rate at 2% by mid-2025. The ECB will be late and slow, initially, in our view, but data will force them to reconsider.

A new ECB framework – details down the line will be key

The other highlight of the (ECB) week was the release of details of the new operational framework (see Weekly View: Narrowing the band for details). Long story short, the new operational framework will be a demand-driven floor system. The announcement has few market implications in the near term, but future details could matter more. Liquidity will be provided through a mix of tools: short-term credit operations (MROs), three-month, LTROs, structural longer-term credit operations eventually, and a structural portfolio of securities. The spread between the MRO and the DFR will be reduced to 15bp (from 50bp), as of 18 September 2024.

The absence of details on structural tools probably reflects: i) a lack of urgency to define structural needs now; and ii) disagreements still on the exact size and composition. MROs (main refinancing operations) and LTROs (longer-term refinancing operations) will be conducted through fixed-rate tender procedures with full allotment and are meant to play a key role in policy implementation near term. Details of the structural longer-term credit operations and, eventually, the structural portfolio of securities will be key to the smooth functioning of the system.

BoE preview: wait and see

Next week is the BoE's turn (and the SNB's, see below). We don't expect much excitement, see Bank of England preview: wait and see for full details. There hasn't been enough data since the last meeting for us to gain a lot more confidence that the improvement in inflation is persistent. We expect the BoE to stay on hold next week with a 1-7-1 vote, with Haskel switching from a hike to a hold. We would not rule out a second vote for a cut. We expect no changes to guidance. Surprises in next week's CPI print (see preview below) may tilt the communication slightly, but shouldn't be a deal breaker.

The minutes should reflect the continued need for more confidence but smaller tail risks. The emphasis from here is likely to still be on sticky services inflation, ongoing and upcoming wage negotiations and the pass-through of the imminent increase in the national living wage. As a reminder, we remain convinced that the BoE will keep the Bank Rate on hold at 5.25% until August, with a cutting cycle of 25bp per quarter from there.

SNB: nothing to see here

Similarly to the BoE's case we expect very few changes from the SNB. We think it will keep its policy rate on hold at 1.75% at next week's meeting. In December, the central bank dropped the reference to a focus on foreign asset selling. We expect an unchanged reference to the FX tool next week, with the press release stating it remains willing "to be active in the foreign exchange market as necessary", see SNB preview: Spring pause for details.

We hold our SNB call for a longer pause followed by a later/slower cutting cycle than the ECB. We still expect the central bank to engage in a very slow cutting cycle starting in September 2024, with five quarterly cuts of 25bp until the policy rate is at 0.5% again by Sep-25, with risk of less. Before Sept-24, action is likely to remain confined to FX tools. And even after that, we would expect FX interventions to remain a prominent monetary policy instrument. In our base case, risks of ad hoc FX buying are larger than the opposite.

Nordics: diverging paths

Ahead of the Norges meeting next week we take a look at the divergent paths of Norway and Sweden, see our Nordics monthly: diverging paths. We expect the mild Swedish recession to continue but Norway to remain more resilient. Inflation will likely fall faster in Sweden than Norway, and we see the Riksbank cutting rates earlier and faster than Norges Bank. FX will likely remain a key consideration for both, but is more likely to pose a dilemma to the Riksbank.

The Riksbank's May meeting is live, but more downside surprises would probably be needed for them to move before the ECB. The base case is still for a first Riksbank cut in June, with a total of three rate cuts this year and five more in 2025, back to 2%. We see risks of faster rate cuts later this year.

Meanwhile, in Norway, our base case remains that Norges Bank starts cutting rates in September. We expect two cuts in total this year and four in 2025. We see the risks to our Norges call as more symmetric. What should we expect next week? Consistent with the above, we have them on hold, but with hawkish details. Their rates path will likely be revised down a little, but should stay above current market pricing.

Next week:

For the Euro area, our attention will be on final February inflation numbers (Mon) and preliminary PMIs for March (Thu). We expect PMIs to show further improvement in both the manufacturing and services sectors, also reflecting residual PMIs seasonality for 1Q. We will also get Germany's ZEW survey (Tue) and IFO (Fri) – both should point to better forward-looking components as for March – as well as French business confidence (also on Thu, marginally on the rise). For the UK, all eyes will be on inflation (Wed, we expect CPI at 3.5%, with core at 4.6%), preliminary PMIs (Thu) and retail sales (Fri).

On Thursday, central banks will take central stage with BoE, SNB and Norges policy meetings. The ECB speakers agenda is rich (don't forget "the ECB and its watchers" conference on Wed): Vujcic, Lane (today), de Guindos (Tue), Lagarde, Lane, de Cos, Schnabel, Holzmann (Wed), Nagel, Holzmann and Lane (Fri). Finally, the European Council on 21-22 March will discuss, among other things, EU security and defence and the European Semester.

Europe

SNB preview: Spring pause

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- We expect the SNB to stay on hold at next week's policy meeting. We also expect an unchanged reference to the FX tool vs December.
- We reiterate our call: five quarterly cuts starting 3Q24 to 0.5% in 3Q25. Market volatility in Spring may reignite CHF pressure.

We expect the SNB to keep its policy rate on hold at 1.75% at next week's meeting. In December, the central bank dropped the reference to a focus on foreign asset selling. We expect an unchanged reference to the FX tool next week, with the press release stating it remains willing "*to be active in the foreign exchange market as necessary*".

We hold our SNB call for a longer pause followed by a later/slower cutting cycle than the ECB. We still expect the central bank to engage in a very slow cutting cycle starting in September 2024, with five quarterly cuts of 25bp until the policy rate is at 0.5% again by Sep-25, with risk of less. A potential 125bp of cumulative cuts from the SNB compares to 200bp of cumulative cuts (to 2% between Jun-24 and Jul-25) expected by the ECB. Before Sept-24, action is likely to remain confined to FX tools. And even after that, we would expect FX interventions to remain a prominent monetary policy instrument. In our base case, risks of ad hoc FX buying are larger than the reverse.

Should domestic inflation turn out stronger than the SNB thinks (our base case is even weaker inflation, though), we would expect the SNB to deliver tighter financial conditions via FX appreciation (hence the foreign assets' balance sheet unwind) instead of higher rates.

Note that the start of this slow cutting cycle will likely be the last policy action headed by current SNB Chairman Jordan – he has announced his decision to step down at the end of September.

Three factors behind SNB waiting

In our recent Swiss update (European Viewpoint: Switzerland in '24: Slowly slowly 19 February 2024) we pointed to three factors underpinning our view of a patient SNB: 1) given the 0%-2% SNB target, latest inflation prints closer to 1% than 2% would not increase pressure on the central bank to cut, 2) pressure on CHF stemming from faster disinflation elsewhere (coupled with more aggressive market pricing of cuts) is now past the peak, 3) FX interventions remain conditional on fast and large CHF moves.

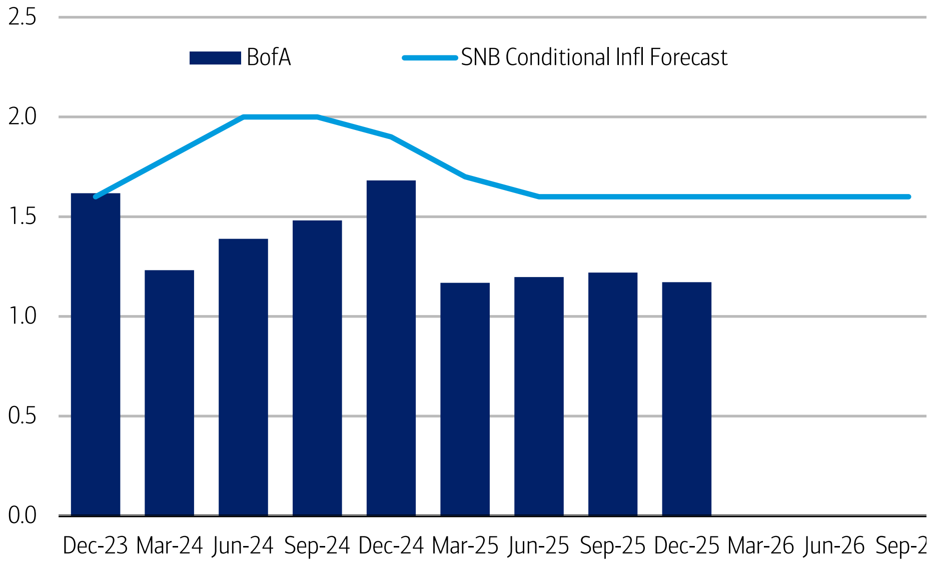
On the latter, foreign asset buying remains the main tool to prevent abrupt and significant CHF appreciation. On the flipside, we regard easing of financial conditions via balanced sheet unwinding as less likely given i) weaker inflation than the SNB expected in 1Q and ii) Jordan's comments that he regards "*financial conditions as appropriate*".

Conditional forecasts to move lower, but target asymmetry to prevail

In December, SNB conditional inflation forecasts were lowered to 1.6% by late 2026 – a level that did not warrant immediate rate cuts. Jan/Feb inflation data imply that 1Q average inflation will be ca 60bp lower than forecast by the SNB (Exhibit 2). This is consistent with a downward shift in the inflation path thereafter, which should be evident in the new projections next week. However, given the SNB's asymmetric below-2% inflation target, we expect no policy action to be viewed as warranted next week.

Our latest forecasts foresee average inflation at ca 1.5% in 2Q/3Q, before averaging ca 1.2% in 2025 (va 1.6% of the SNB's December forecasts). In the short term, this profile embeds small acceleration in the Spring due to an electricity prices base effect and VAT (value-added tax) hike contribution. If anything, this inflation profile remains consistent with no need for rate action before September.

Exhibit 2: Inflation forecasts, SNB December forecasts vs BofA
1Q24 inflation short of SNB expectations but target asymmetry to prevail



Source: SNB, SFSO< BofA Global Research

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FX risks from market volatility at the start of cutting cycles

Given the asymmetric balance of risks around the start/speed of the cutting cycle for the biggest central banks (FED/ECB), FX volatility in the next few months cannot be ruled out. Recent dataflow from the US points to risks of reaccelerating inflation – hence risks of further delays to the call for a first cut in June (or no cuts at all). Likewise, we worry that a similar narrative may gain ground in Europe, fostering market volatility around the pricing of the June cut given the lack of any clear Euro area inflation picture before May (Europe Economic Weekly: Three months to go 08 March 2024). This could translate into renewed pressure on the currency, although in this case it could result in CHF depreciation pressures. We are not sure that would be enough to allow FX selling, but it might make FX buying unnecessary.

CHF appreciation could also result from heightened market volatility or geopolitical uncertainty (in search of relatively 'safe' assets), or a faster cutting cycle by the Fed and the ECB than currently expected. For the Fed, this risk scenario seems limited; for the ECB, we would argue it's a more prominent risk for the fall than for the next few months. Should this materialize, we expect the SNB to step in with FX intervention if needed.

True, the SNB officially has a symmetric FX intervention stance now, allowing selling or buying. But given the above considerations, the risk balance is tilted towards the need for FX buying going forward. That said, slower disinflation from here exerting less REER pressure on CHF, as well as the higher possibility of a delay to Fed cuts, rather than earlier and faster moves, may allow the SNB to refrain from utilizing the FX tool. We continue to expect SNB interventions to be mainly aimed at fending off abrupt FX movements in either direction.

FX: doing the heavy lifting

The Prime Facie evidence would suggest that the SNB should be among the first of the major central banks to cut rates. Inflation this year and next is projected to be the lowest in Western Europe whilst growth is likely to be below trend. However, the SNB does not adhere to the usual rules governing central bank behaviour by virtue of its two-pronged approach to policy setting. With the SNB Policy Rate the lowest in G10, the central bank is likely to want to delay the cutting cycle for as long as possible. Much like the CHF was used in conjunction with rates when tightening policy, we believe there will be a symmetry in the other direction as well.

One of the major reasons for this is the limited room to manoeuvre in cutting official policy rates. We sense SNB reluctance to cut rates materially and back into negative territory. In the meantime, FX is likely to do the heavy lifting as the main policy tool. Whilst inflation remains under the target, the SNB is alert to any signs of a pick-up in inflation that may temper the need to act now. Nonetheless, at the time of writing, Swiss OIS pricing has 10bps of easing for next week's meeting.

This may suggest some asymmetric risks and a stronger CHF on the announcement, but the substantive risks will be from the accompanying statement and the SNB's current views on CHF. From this perspective, the Bank will be encouraged that the real effective TWI has eased off its highs and towards the lows for the year. This may help shape the narrative at the meeting. Nonetheless, a structurally lower CHF remains our high-conviction view for 2024 and beyond, though we are cognisant of the build-up of short positions.

UK

Bank of England preview: wait and see

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In "wait and see" mode

We expect the BoE to stay on hold next week with a 1-7-1 vote. We would not rule out a second vote for a cut. We expect no changes to guidance. The minutes should reflect the continued need for more confidence but smaller tail risks. The emphasis from here is likely to still be on sticky services inflation, ongoing and upcoming wage negotiations and the pass-through of the upcoming increase in the national living wage.

Sticking to the line

In February, the BoE removed the hiking bias from the statement. But the rest of the guidance on the need to be restrictive for sufficiently long remained. Bailey's communication during the press conference was cleanly executed, avoiding dovish biases. We don't expect very big changes in the guidance this time around – March should mostly be a "wait and see" meeting for the BoE. On the margin, we think the decision to hold Bank Rate steady at 5.25% may be accompanied by a slightly more consensual vote breakdown. We see at most one member calling for a March hike: a 1-7-1 vote in favour of a hold seems a reasonable base case. We expect Haskel to switch. The minutes are likely to acknowledge the falling risks of a wage spiral. But they will probably be very clear that cuts are still some way off. Surprises in next week's CPI print may tilt the communication slightly but shouldn't be a deal breaker.

Confidence needs more time (and data)

The BoE's communication over the past few weeks suggests the central bank remains prudent and that its confidence in the inflation outlook will build only gradually. All in all, we think the recent dataflow and political developments are consistent with a longish hold. While January's inflation print was slightly below expectations, we wouldn't overplay that signal – the change in weights played a role there. So far, labour market numbers have signalled slightly weaker compensations momentum. But wage growth at 6.1% yoy remains far too high to be consistent with the inflation target. On the growth side, the data is not giving the BoE a sense of urgency – the latest GDP print points to an end of the recession in 1Q24. On the fiscal side, the Spring Budget was mildly stimulative, but still far from a blowout – maybe marginally hawkish for the BoE.

Our call: on hold until August

We remain convinced that the BoE will keep Bank Rate on hold at 5.25% until August, with a cutting cycle of 25bp per quarter from there. The minimum wage hike scheduled for April and wage settlements in the next few months will keep MPC members on their toes. In our view, the BoE will be the last of the major central banks to start cutting rates and will probably move slowly, at least compared to the ECB. Despite some tentatively encouraging signs, the UK still has higher risks of inflation becoming entrenched. Cuts earlier than August remain unlikely. If anything, we think the balance of risks is tilted towards a later start to the cutting cycle.

FX: Carry On GBP

With the UK rates market pricing in very little in terms of rate cuts for the March meeting, we would expect little impact from the event itself. As a rule of thumb, a non-

Quarterly Inflation Report meeting is generally used as a holding pattern ahead of any forecast revisions before the next Quarterly update (in May). The evidence so far is that the UK has gained some momentum with 2024 consensus forecasts for growth revised up to 0.4% y/y. Whilst this still represents meagre growth, the narrative that the economy would stagnate under the weight of structurally higher inflation and high interest rates has been challenged. In that sense, the markets are now more comfortable trading the positive carry theme which has dominated FX trading in 2024. We therefore expect GBP to remain supported into a positive seasonal month in April as rate differentials and a benign backdrop to risk continue to support sentiment.

Hot Topic 1

A new ECB framework – details down the line will be key

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Announcement of the framework brings no big surprises

The ECB announced this week the details of its new operational framework. As expected, it will be a demand-driven floor system, meaning the DFR (deposit facility rate) will remain the key parameter to steer policy and that liquidity will be provided via several instruments. This new framework reduces the spread between the MROs and the DFR to 15bp (from 50bp now), as of 18 September 2024. The reduction attempts to increase the role of the MRO, while also leaving room for market forces to play their part, and limits volatility. The announcement was broadly in line with expectations and has little market implications in the near term. Future details could matter more down the line.

Liquidity will come from a mix of tools

Liquidity will be provided through a mix of tools: short-term credit operations (MROs), three-month, LTROs, structural longer-term credit operations eventually, and a structural portfolio of securities. The absence of details on the latter probably reflects: i) a lack of urgency to define structural needs now, given liquidity will be abundant for a long while; ii) disagreements still on the exact size and composition of the portfolio. MROs and LTROs will be conducted through fixed-rate tender procedures with full allotment and are meant to play a key role in policy implementation near term.

A long road to the smooth functioning of the system

Details of the structural longer-term credit operations and eventually the structural portfolio of securities will be key to the smooth functioning of the system. The maturity of liquidity operations will be important for regulatory purposes as well as whether that liquidity is provided through full allotment and fixed-rate. Other options would rely disproportionately on estimating the future liquidity needs of the system. While they will have time to learn about this, it would risk leaving the system tight. Similarly, we work on the assumption of an independent structural portfolio of securities, with different characteristics from the existing ones, i.e., potentially shorter maturities as a way of differentiating it clearly (in other words, meant for liquidity provision).

Minimum reserves stay unchanged

The reserve ratio for determining banks' MRR (Minimum Reserve Requirement) remains unchanged at 1%. The remuneration of minimum reserves stays at 0%. This means that, with the new framework, the ECB sees the current level and remuneration of MRR as structurally adequate. This suggests that any speculation on changes will probably disappear for a long while. It does not necessarily mean the same for the remuneration of government deposits, though. We take the absence of news on this as a signal that the remuneration of government deposits was not part of the review, and hence still subject to change (even if unilaterally by some national central banks) down the line.

Hot topic 2

Nordics monthly: diverging paths

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Big picture: faster Riksbank, patient Norges

We expect the mild Swedish recession to continue but Norway to remain more resilient. Inflation will likely fall faster in Sweden than Norway, and we see the Riksbank cutting rates earlier and faster than Norges Bank. FX will likely remain a key consideration for both, but it is more likely to pose a dilemma to the Riksbank.

Sweden: base case is on thin ice

The mild Swedish recession should continue in 1Q24 with a gradual recovery from 2Q24. We look for -0.2% GDP growth in 2024 and 1.4% in 2025 with downside risks, amid a volatile Riksbank and a more fragile labor market. We forecast inflation will move in the right direction, with CPIF (consumer price index with fixed interest rate) inflation back to target by mid-2024. In 2025, we expect both CPIF (CPI with fixed interest rate) and CPIF ex-energy to undershoot the target. Riksbank's May meeting is live, but more downside surprises are likely needed for them to move before the ECB. The base case is still for a first Riksbank cut in June, with a total of three rate cuts this year and five more cuts in '25, back to 2%. We see risks of faster rate cuts later this year.

Norway: behind the noise, stickier inflation

Near-term momentum is sluggish in Norway, but we expect a pick-up in 2H24. We see Norway's mainland growth at 0.5% this year and 1.1% next. Behind the noise, inflation looks sticky, especially in services. We forecast CPI at 3.7% this year and 2.5% in 2025, with CPI-ATE (consumer price index adjusted for tax changes excluding energy) at 3.9% and 2.7%. Inflation will get closer to target only in 2H25. Our base case remains that Norges Bank starts cutting rates in September. We expect two cuts in total this year and four in 2025. We see the risks to our Norges call as more symmetric.

FX: Constructive NOK, SEK and NOKSEK in '24

We remain constructive on the Scandies in 2024, preferring NOK over SEK. We forecast EURNOK at 10.90 (USDNOK 9.48) and EURSEK at 11.10 (USDSEK 9.65) by year-end and expect NOKSEK to move toward 1.02. A softer USD, especially in 2H 24, is key to our constructive Scandies FX view. So are a hawkish Norges and carry in the case of NOK, and the short positioning combined with lower Swedish "hard landing" risks in the case of SEK. In the near term, SEK could weaken if the Riksbank is repriced lower vs the ECB.

Sweden: on thin ice

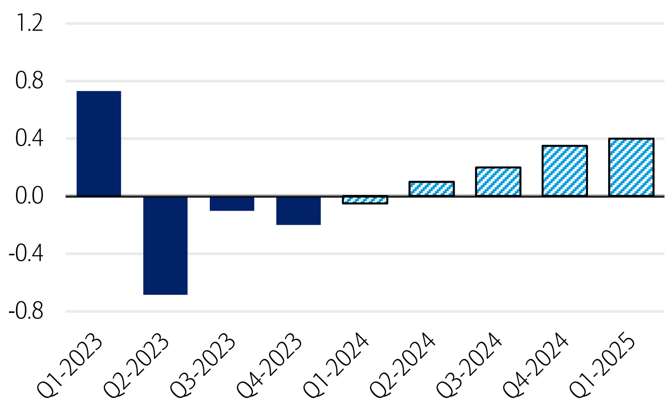
We mark-to-market our macroeconomic forecasts for the Swedish economy, incorporating the latest data. Our core views are as follows:

- **Growth:** In our base case, the mild recession continues in 1Q24, with gradual recovery from 2Q24. Risks are to the downside, with a volatile Riksbank and a more fragile labor market. We estimate GDP growth at -0.2% in 2025, 1.4% in 2025.
- **Inflation:** It's moving in the right direction. We see CPIF back to target by mid-2024. In 2025, we expect both CPIF and CPIF ex-energy to undershoot the target.
- **Riksbank:** May is live, but more downside surprises are needed to move before the ECB. Our base case remains a first cut in June. We expect three cuts this year, five in 2025.

Growth: fragile base case

The latest GDP revisions show that the Swedish economy recorded zero real growth in 2023 vs 2022. All in all, this was not a terrible outcome if we consider all the headwinds. Sweden is famously rates-sensitive and the signs of monetary transmission are easy to spot across the economy – the most obvious being very weak housing investment and private consumption. In 2023, with bleak domestic demand dynamics, the competitive exports-driven sectors "saved" the year, thanks to a combination of SEK weakness, limited wage growth, a better energy mix than continental peers and strong US demand. The recession has been mild so far (in 4Q23 the economy was just 0.2% smaller than in 3Q22), but where do we go from here?

Exhibit 3: Sweden, BofA GDP forecast, %qoq
We expect the recovery to start in 2Q24, accelerating later in the year



Source: BofA Global Research, Statistics Sweden

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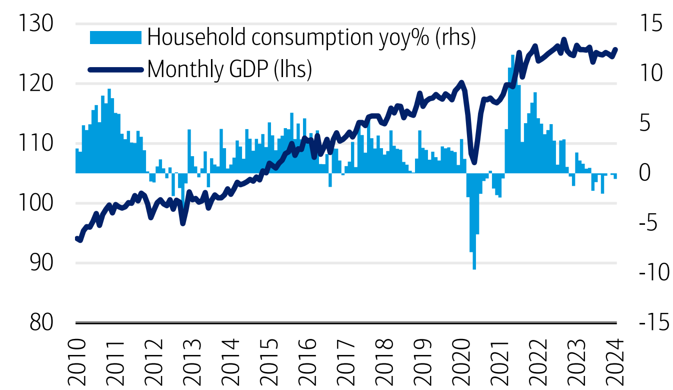
Exhibit 4: Monthly GDP and household consumption
The economy has stabilized, but consumption is very weak



Source: BofA Global Research, Statistics Sweden

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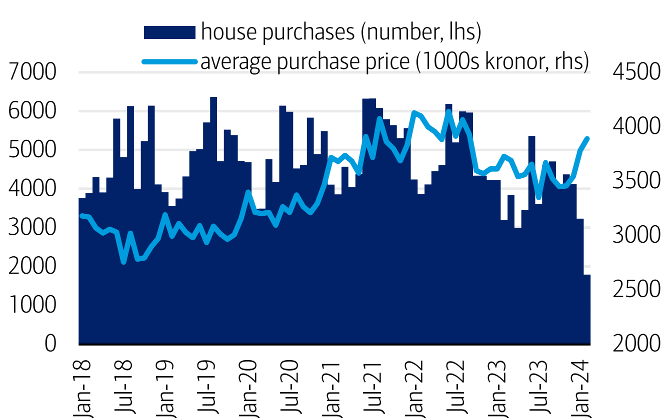
Exhibit 5: House prices and house purchases
Prices have bottomed-out but there are very few transactions



Source: Statistics Sweden

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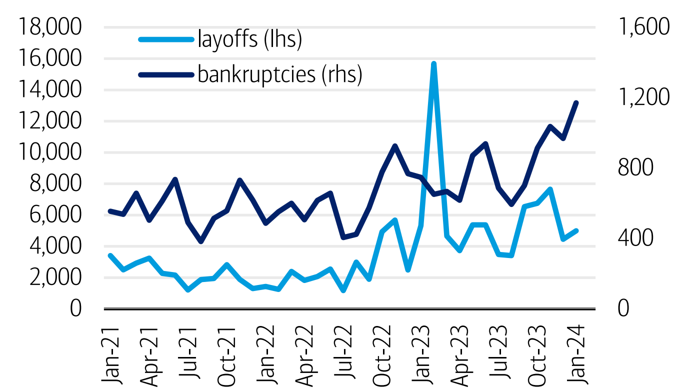
Exhibit 6: Bankruptcies and layoffs
Monetary transmission is clearly at work



Source: Statistics Sweden

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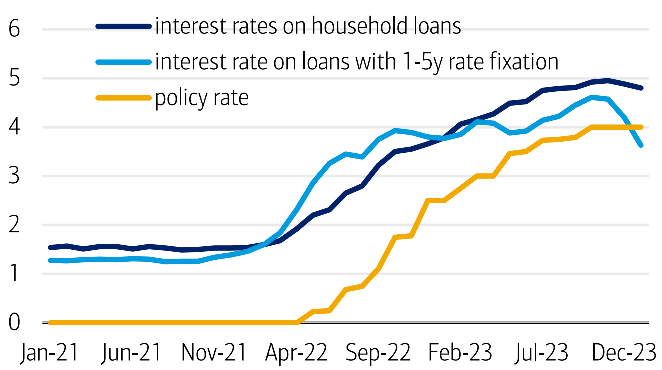
Recent data flow is mixed but, in our view, consistent with a mild recession at the end of its course. On the negative side: (1) household consumption remains very soft, with the economy kept afloat mainly by exports and public consumption; (2) downbeat wage growth constrains consumer prospects; (3) lagged variables such as bankruptcies and layoffs have picked-up across sectors; and (4) German demand (10% of goods exports) prospects look bleak. On the positive side: (1) confidence data seems to be regaining some strength; (2) house prices have bottomed-out, albeit at low transaction levels; (3) interest rates imposed on households are starting, slowly, to come down; and (4) US demand (9% of goods exports) is likely to remain decent for longer than previously expected.

In our estimates, sequential growth in 1Q24 is still slightly negative (Exhibit 3). Then, towards mid-year, lower inflation and real income growth should start supporting household balances. The demand impulse from the Euro area should turn more positive from 2Q24 on. Sweden's growth dynamics should turn cautiously positive in 2Q24, then accelerate towards year-end and in 2025. Due to the negative carryover from 2023 and the gradual recovery, we think 2024 GDP will still be 0.2% down vs 2023. For 2025, we pencil in acceleration to 1.4%.

Exhibit 7: Interest rates, %
Household interest rates are starting to come down



Source: Statistics Sweden

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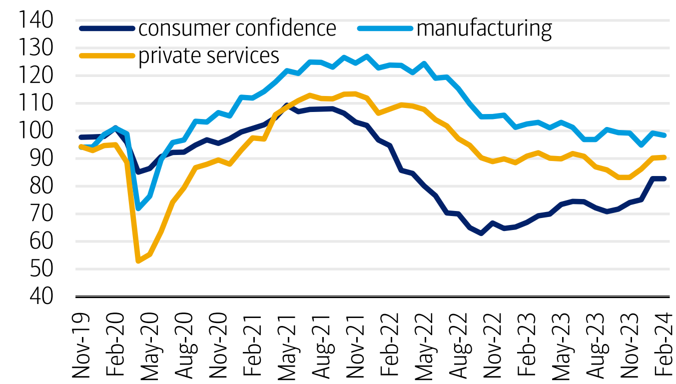
Exhibit 8: Confidence data, percentage balance
Confidence has bottomed-out, with some improvements in 1Q24



Source: Statistics Sweden

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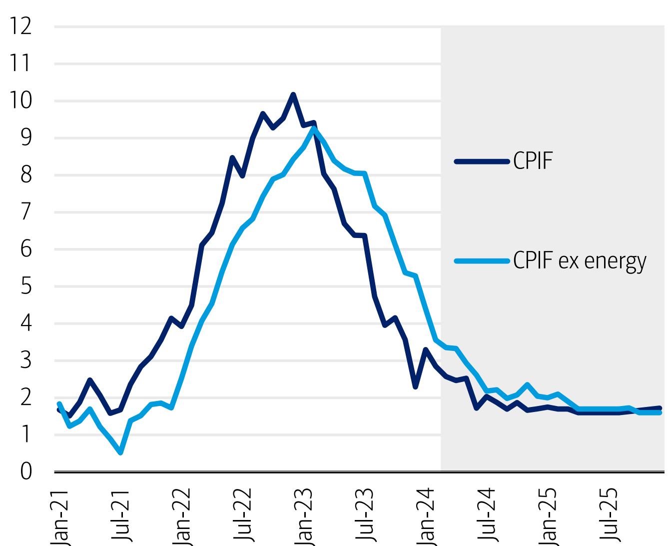
Exhibit 9: Sweden, BofA inflation forecasts, %yoy
Headline below target In June, CPIF-ex energy around target in 2H24



Source: BofA Global Research, Statistics Sweden. CPIF = CPI with a fixed interest rate.

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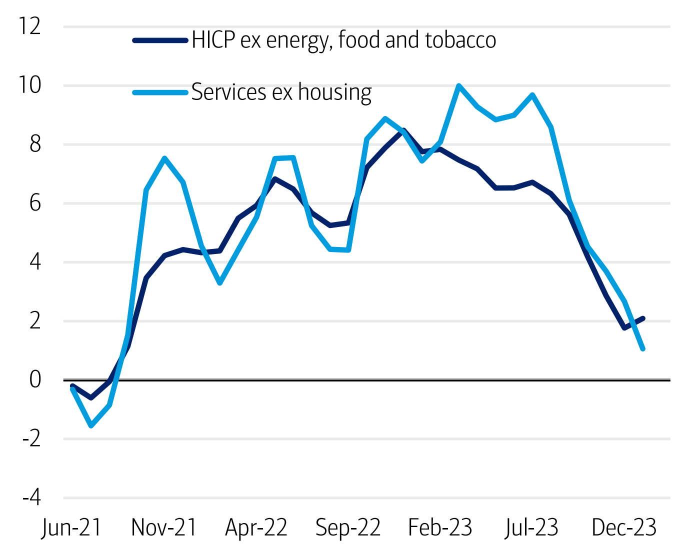
Exhibit 10: Sweden, 3m/3m inflation rate, annualized %
Near-term dynamics look encouraging



Source: BofA Global Research, Statistics Sweden

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The risk balance is tilted to the downside. First, a volatile Riksbank (and/or hawkish surprises from the ECB/Fed) could end up keeping rates higher for far too long. Our "soft landing" scenario needs lower interest rates in the second half of the year and the confidence boost from realistic expectations of a return to 2% over 2025. The second risk is a break in the labor market, preventing household recovery. So far, the unemployment rate has increased quite gradually and we assume it will peak around 8.5% in 4Q24. Relatively modest Swedish wage growth, in nominal and even more in real terms, should keep employment at decent levels, as long as the manufacturing/export sector remains solid.

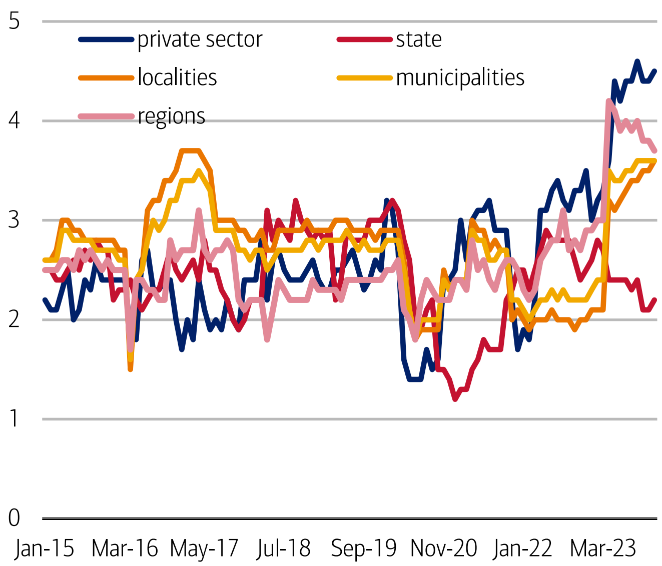
Inflation: in the right direction

On the inflation side, the progress is quite clear and we believe that the outlook is encouraging. Lagged components (especially rents and indexed services in January) remain elevated, but we would tend to discount those (and Riksbank is most likely on the same page). The dynamics of several core categories, and the 3m/3m annualized rates that the Riksbank tracks, are already broadly consistent with its inflation target. In our estimates, CPIF annual rates dip slightly below the target in mid-2024, while CPIF-ex energy hovers just above 2% in 2H24. We then expect both inflation measures to undershoot the target in 2025. We forecast CPIF inflation will average 2.2% this year and 1.7% in 2025, with CPIF ex-energy at 2.7% and 1.8%, respectively.

We see limited risk that inflation remains entrenched in Sweden compared with other economies (e.g., Norway or even the UK): (1) wage growth is relatively tame across sectors (even vs the Euro area); (2) the two-year Swedish wage deal provides more protection from possible upside; (3) inflation expectations are still broadly well behaved; and (4) retailers' updated pricing plans, a key variable to watch, continue to suggest firms are ready to accept reduced margins.

Unless SEK weakens significantly (which is not our base case), we see the risks to our inflation forecasts as quite balanced. We see a fairly slim possibility of Red Sea disruptions creating inflation upside in Sweden and, so far, the supply chain data (e.g., PMI delivery times) doesn't suggest significant upside risks either.

Exhibit 11: Wage growth by sector, yoy%
Wage growth remains below what we see in the Euro area, Norway and UK



Source: Statistics Sweden

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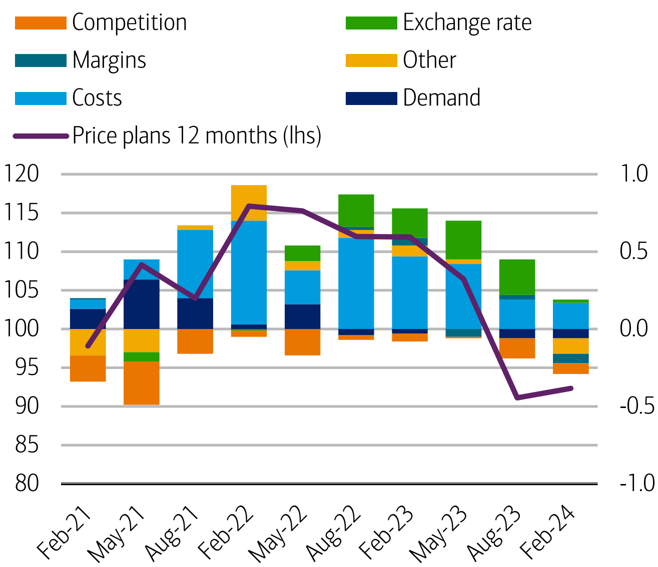
Exhibit 12: Driving forces behind pricing decisions in the next 12m
Retailers are willing to accept reduced margins, due to low demand



Source: Statistics Sweden

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Riksbank: May is live, June still more likely

Where do we stand compared with the Riksbank's forecasts? We probably shouldn't give too much weight to the November forecast at this stage – with the clear February pivot, board members have distanced themselves from the hawkish guidance of the last forecast round (see our European Watch: Riksbank review: goodbye November 01 February 2024). But, so far, activity developments have been a bit stronger than the Riksbank expected in November and, up to the January print, ex-energy inflation has surprised them to the downside (in a consistent but not dramatic way).

In the past few weeks, Riksbank speakers have maintained this new cautiously dovish tone. Board members are showing more confidence in the prospect of inflation stabilizing at a low level. They have opened the door to a cut of the policy rate in the second quarter, assuming the outlook for inflation remains favorable and SEK doesn't depreciate significantly (realistic assumptions, in our view). The dovish pricing plans reported by firms were surely welcomed by the board (Floden mentioned this explicitly) and wage growth is not giving them much reason to worry.

The Riksbank's communication makes a plausible case for a May cut. They indicated that they could cut in non-forecast meetings (such as May) and even openly flagged the possibility of moving before the ECB. But we wouldn't get carried away just yet – the Riksbank's guidance is often volatile and we suspect further downside surprises to growth/inflation would be needed for them actually to move ahead of the ECB. The bar for them to move before the major central banks remains relatively high and we don't see the ECB or the Fed cutting before June. The Riksbank's balance of risks will also depend on the ECB's communication in the coming months – if the ECB's June cut becomes a near-certainty, the Riksbank may take the risk of going earlier. If the ECB stance remains uncertain, it will be tricky for Riksbank to move first. Our call remains for a first Riksbank cut in June, followed by two further cuts at a quarterly pace this year (i.e., to 3.25% by year-end). We then expect them to cut every meeting next year, going back to 2% fairly quickly (i.e., five cuts in total).

Norway: behind the noise, sticky inflation

We update our macroeconomic forecasts for Norway, incorporating the latest data. Our core views are as follows:

- **Growth:** We see mainland growth at 0.5% this year and 1.1% next. Near-term momentum is sluggish, but we expect a pick-up in 2H24.
- **Inflation:** Behind the noise, inflation looks sticky, especially in services. We forecast CPI at 3.7% this year and 2.5% in 2025, with CPI-ATE at 3.9% and 2.7%.
- **Norges Bank:** Our base case is for a first cut in September. We expect two cuts this year and four in 2025.

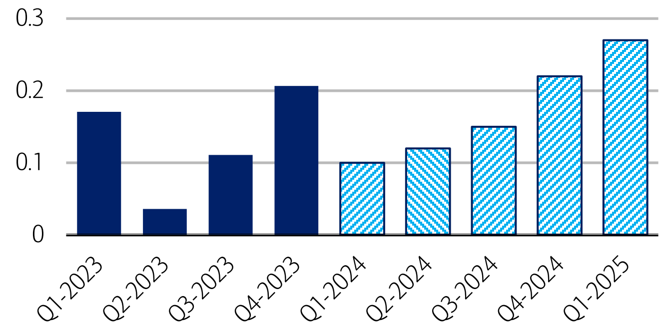
Growth: resilient, but sluggish momentum

Norway managed to grow moderately in 2023, at 0.6% vs 2022 – the mainland economy was supported by the strength of the rates-insensitive energy sector. While private consumption clearly retreated due to higher rates (-0.5% vs 2022), oil and gas investments reached the highest levels in decades.

Going into 2024, the dataflow looks consistent with softer activity dynamics. Survey data are mixed: Norges Bank's regional networks data in December showed slowing momentum, consumer confidence is still stuck at low levels, and the manufacturing PMI is hovering slightly above 50. The hard data surprised somewhat to the upside in 4Q24, but the composition showed an unbalanced economy – we would discount the strong private consumption print, which is probably linked to higher energy use.

This doesn't mean the economy is falling off a cliff. The underlying resilience of the Norwegian economy remains intact: (1) house prices are close to 2022 levels; (2) the partial cooling of the labour market can be hardly described as a deterioration; and (3) insolvencies are still below pre-COVID levels. We estimate low growth around 0.1% in 1Q/2Q this year, then accelerating in 2H24. The unemployment rate will probably tick-up to around 2.2% towards year-end, then retreat in 2025. Strong wage growth (decent in real terms too) reassures us on consumer balances. For 2024 as whole, we forecast growth of 0.5%, then accelerating to 1.1% in 2025.

Exhibit 13: Norway, BofA GDP forecast, %qoq
Sluggish near-term growth, acceleration in 2H24



Source: Statistics Norway, BofA Global Research

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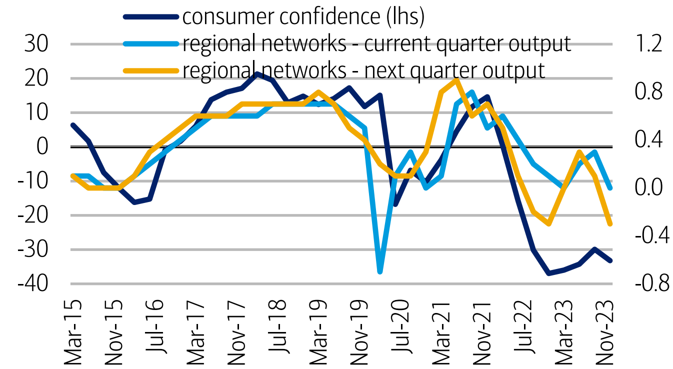
Exhibit 14: Norway, soft data
Softening momentum



Source: Statistics Norway, Norges Bank

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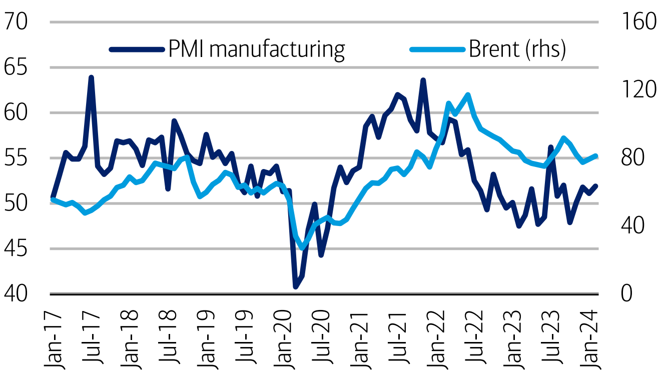
Exhibit 15: PMI manufacturing
Manufacturing confidence remains in positive territory



Source: DNB, Bloomberg

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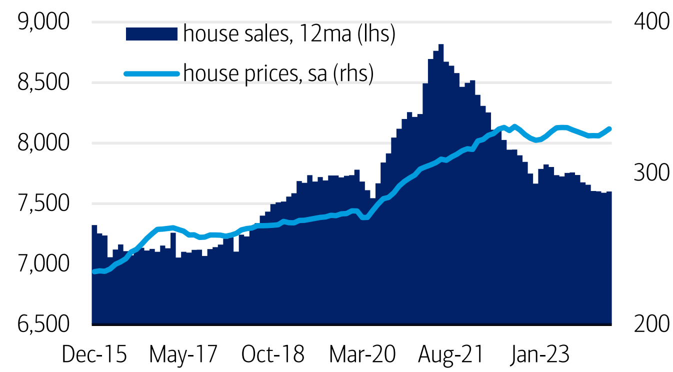
Exhibit 16: Norway, house prices and sales
Resilient house prices, but lower transaction volumes



Source: Statistics Norway

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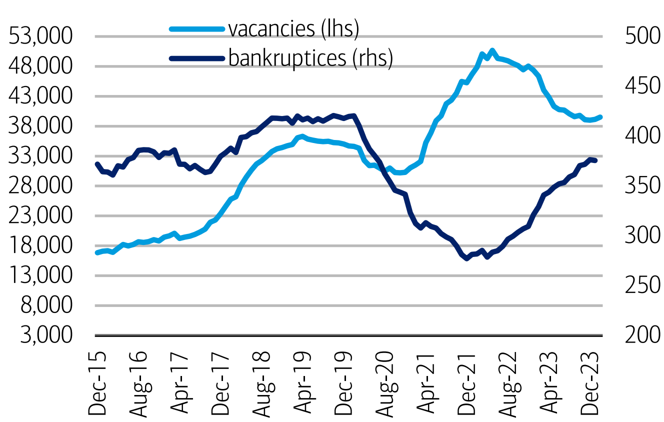
Exhibit 17: Vacancies and bankruptcies
Vacancies still above pre-COVID, bankruptcies still below pre-COVID



Source: Statistics Norway

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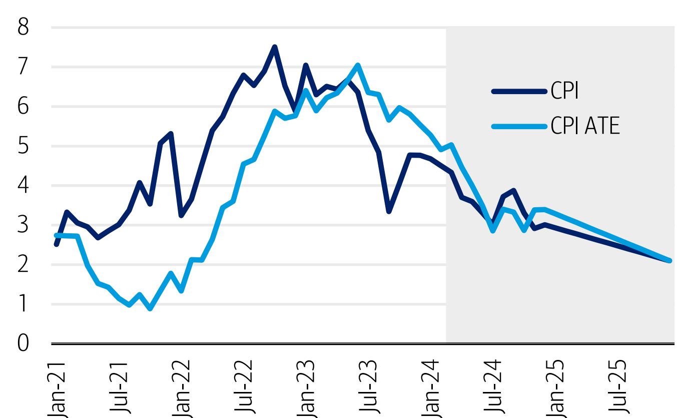
Exhibit 18: Norway, BofA inflation forecasts, %yoy
Above target this year, reaching target at end-2025E



Source: BofA Global Research, Statistics Norway. CPI-ATE: CPI adjusted for tax changes and excluding energy products.

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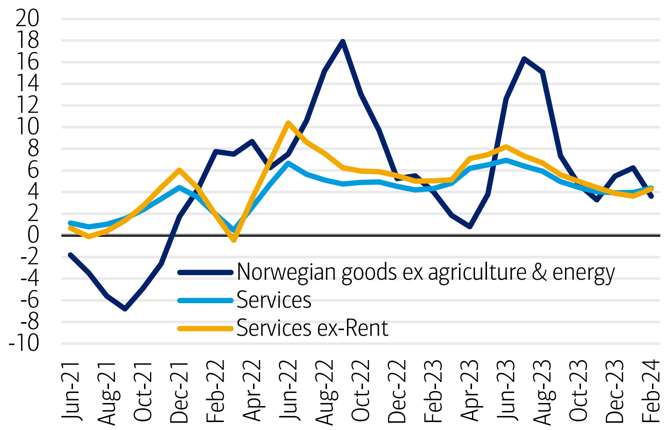
Inflation: fade the food noise, watch the wage negotiations

The February CPI print came in well below Norges Bank expectations and even lower than our below-consensus forecasts, with CPI slowing to 4.5% yoy and CPI-ATE at 4.9%.

We had thought that the change in supermarkets' seasonal pricing behaviour and the discounts flagged by several retailers would dampen food prices, but the impact was greater than in most estimates. Still, we wouldn't overplay the signal of this print – the surprise was driven by food, as expected. Core categories remain well above the pace consistent with the inflation target.

We still think inflation will remain sticky in Norway, in particular for services. We forecast CPI to average 3.7% this year and 2.5% in 2025, with CPI-ATE at 3.9% and 2.7%, respectively. We see inflation getting close to the target only in 2H25. The economy is clearly resilient, wage growth has been much stronger than in Sweden and wage/inflation expectations across social partners have moved higher. Norway's one-year wage negotiation system, despite some specific safeguards to competitiveness, creates upside risks. The 2024 wage negotiations round starts in March – we will be watching the developments closely.

Exhibit 19: Norway, 3m/3m inflation rate, annualized %
The pace of inflation is still well above target



Source: BofA Global Research, Statistics Norway

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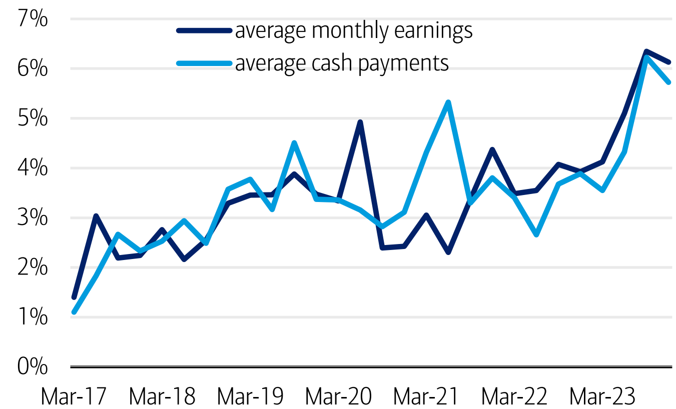
Exhibit 20: Norway, compensation growth, yoy%
Wage growth has been relatively high in Norway



Source: Statistics Norway,

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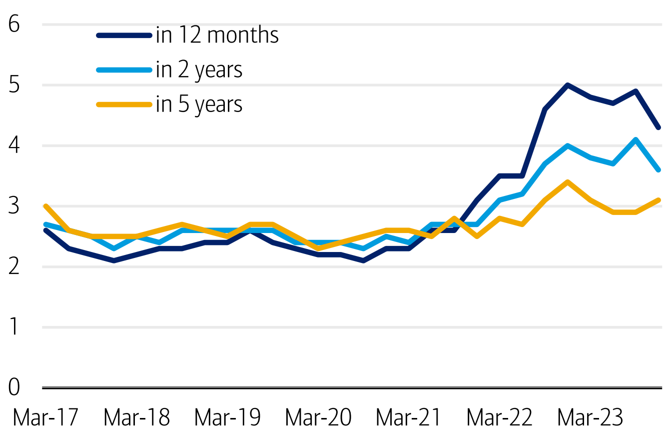
Exhibit 21: Social partners, inflation expectations, %
Inflation expectations remain high, with some encouraging signs



Source: Norges Bank

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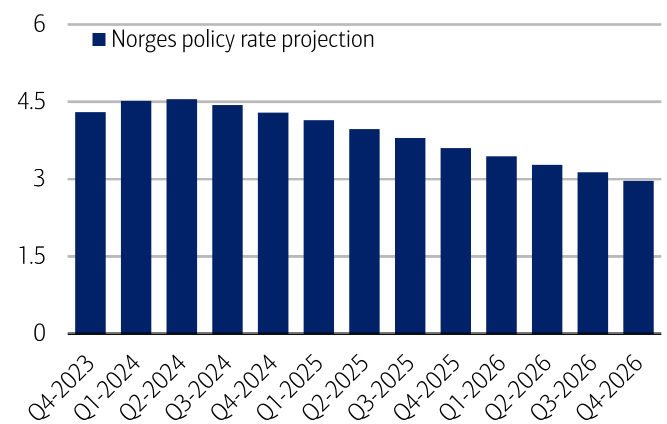
Exhibit 22: Norges Bank policy rate forecast
Norges has guided to a start of easing in 3Q24



Source: Norges Bank

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Norges Bank: all eyes on September

The central bank's December rate path suggested easing would start in 3Q24. Norges Bank clarified that they intended to keep rates high "for some time ahead". Since then, inflation has surprised Norges to the downside but economic growth and the housing market have been in better shape than they were forecasting.

We remain confident in our base case of a first 25bp cut in September, followed by a second cut in December. The February inflation print was very noisy and linked to food seasonality but, on the margin, it still supports a September start. We don't think the underlying inflation picture is consistent with earlier hikes – the economy is in better shape than in Sweden and wages have clearer upside risks. For next year, we now assume they will cut rates once per quarter, ending the year at 3.00%.

European forecasts

Exhibit 23: 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					0.0	0.1	-0.1	0.0	0.0	0.2	0.2	0.3	0.3	0.3	0.3	0.3
	% qoq ann.					0.2	0.5	-0.2	-0.2	0.2	0.9	0.9	1.1	1.2	1.2	1.3	1.3
	% yoy	3.5	0.5	0.4	1.1	1.3	0.6	0.1	0.1	0.1	0.2	0.4	0.8	1.0	1.1	1.2	1.2
Private Consumption	% qoq					0.1	0.1	0.3	0.1	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3
	% yoy	4.2	0.6	0.6	1.1	1.3	0.6	-0.3	0.6	0.5	0.7	0.6	0.8	1.0	1.1	1.2	1.2
Government Consumption	% qoq					-0.4	0.4	0.6	0.6	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2
	% yoy	1.6	0.7	1.3	0.9	0.0	0.5	1.2	1.2	1.8	1.6	1.1	0.7	0.8	0.9	0.9	1.0
Investment	% qoq					0.3	0.2	0.0	1.0	-0.2	0.1	0.2	0.3	0.3	0.4	0.5	0.5
	% yoy	2.6	1.4	0.8	1.4	2.0	1.7	0.4	1.4	0.9	0.9	1.1	0.4	1.0	1.2	1.5	1.6
Final Domestic Demand[1]	% qoq					0.0	0.1	0.3	0.4	0.0	0.2	0.2	0.3	0.3	0.3	0.3	0.3
	% yoy	3.1	0.7	0.8	1.1	1.1	0.8	0.2	0.8	0.8	0.9	0.8	0.7	0.9	1.0	1.2	1.2
Net exports[1]	% qoq					0.5	-0.6	0.1	-0.3	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	0.5	-0.3	-0.7	-0.1	0.0	0.3	0.3	0.2	0.1	0.0
Stockbuilding[1]	% qoq					-0.5	0.5	-0.4	-0.1	-0.1	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0
	% yoy	0.4	-0.4	-0.3	-0.1	-0.4	-0.1	-0.5	-0.5	-0.1	-0.6	-0.3	-0.2	-0.2	-0.2	-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	-0.2	0.5	0.7	0.7	0.6	0.6	0.7	0.6
	% yoy	2.2	-2.1	-0.1	2.6	-0.1	-1.3	-3.8	-3.2	-2.1	-0.6	0.6	1.6	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	6.7	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 24: 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	2.3	10.2	8.4	6.7	4.2	3.4	2.0	1.9	2.3	2.4	2.4	2.5	2.1
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 25: Euro area, GDP and CPI profiles

Euro area member states profiles

						HICP				
	2021	2022	2023	2024F	2025F	2021	2022	2023	2024F	2025F
Euro area	5.9	3.5	0.5	0.4	1.1	2.6	8.4	5.5	2.3	1.4
Austria	4.4	4.8	-0.7	0.1	1.5	2.8	8.7	6.2	2.3	1.0
Belgium	6.9	3.0	1.5	1.0	1.2	3.2	10.3	4.6	1.7	1.6
Finland	2.8	1.3	-0.9	-0.3	1.0	2.1	7.2	4.4	1.8	2.4
France	6.4	2.5	0.9	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	6.1	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	14.7	9.6	-3.3	2.0	2.5	2.4	8.1	5.8	2.9	1.6
Italy	8.3	4.1	1.0	0.5	1.1	1.9	8.7	7.1	1.9	1.4
Netherlands	6.2	4.4	0.1	0.6	1.1	2.8	11.6	4.5	1.1	1.8
Portugal	5.7	6.8	2.3	1.0	1.4	0.9	8.1	5.4	2.5	1.1
Spain	6.4	5.8	2.5	1.6	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 26: European Economic calendar

Key data for the next week

	GMT	Country	Data/Event	For	BofAe	Cons.†	Previous	Comments
Monday, 18 Mar								
✪✪	00:01	UK	Rightmove House Prices (mom)	Mar	n.a.	--	0.9%	
✪✪	00:01	UK	Rightmove House Prices (yoy)	Mar	n.a.	--	0.1%	
✪✪	07:00	Norway	GDP (mom)	Jan	n.a.	--	0.5%	
✪✪	07:00	Norway	GDP Mainland (mom)	Jan	n.a.	--	-0.1%	
✪✪✪	10:00	Euro area	CPI (yoy, F)	Feb	2.6%	--	2.6%	
✪✪✪	10:00	Euro area	CPI (mom, F)	Feb	0.6%	--	0.6%	
✪✪✪	10:00	Euro area	CPI Core (yoy, F)	Feb	3.1%	--	3.1%	
✪✪	10:00	Euro area	Trade Balance (sa)	Jan	n.a.	--	13.0bn	
Tuesday, 19 Mar								
✪✪✪	10:00	Germany	ZEW Survey Expectations	Mar	20.2	--	19.9	
✪✪✪	10:00	Germany	ZEW Survey Current Situation	Mar	-82.5	--	-81.7	
✪✪	10:00	Euro area	ZEW Survey Expectations	Mar	n.a.	--	25.0	
Wednesday, 20 Mar								
✪✪✪	07:00	UK	CPI (mom)	Feb	n.a.	--	-0.6%	
✪✪✪	07:00	UK	CPI (yoy)	Feb	3.5%	--	4.0%	
✪✪✪	07:00	UK	CPI Core (yoy)	Feb	4.6%	--	5.1%	
✪✪✪	07:00	UK	CPI Services (yoy)	Feb	6.1%	--	6.5%	
✪✪✪	07:00	UK	Retail Price Index	Feb	n.a.	--	378.0	
✪✪✪	07:00	UK	RPI (mom)	Feb	n.a.	--	-0.3%	
✪✪✪	07:00	UK	RPI (yoy)	Feb	n.a.	--	4.9%	
✪✪✪	07:00	UK	RPI Ex Mort Int.Payments (yoy)	Feb	n.a.	--	3.8%	
✪✪✪	09:00	Italy	Industrial Production (mom)	Jan	-0.7%	--	1.1%	
✪✪✪	09:00	Italy	Industrial Production (wda, yoy)	Jan	n.a.	--	-2.1%	
✪✪✪	09:00	Italy	Industrial Production (nsa, yoy)	Jan	n.a.	--	-8.0%	
✪✪✪	09:30	UK	House Price Index (yoy)	Jan	n.a.	--	-1.4%	
✪✪✪	10:00	Euro area	Construction Output (mom)	Jan	n.a.	--	0.8%	
✪✪✪	10:00	Euro area	Construction Output (yoy)	Jan	n.a.	--	1.9%	
✪✪✪	15:00	Euro area	Consumer Confidence (P)	Mar	-15.2	--	-15.5	
Thursday, 21 Mar								
✪✪✪	07:00	UK	Public Finances (PSNCR)	Feb	n.a.	--	-23.3bn	
✪✪✪	07:00	UK	Central Government NCR	Feb	n.a.	--	-19.5bn	
✪✪✪	07:00	UK	Public Sector Net Borrowing	Feb	n.a.	--	-17.6bn	
✪✪✪	07:00	UK	PSNB ex Banking Groups	Feb	n.a.	--	-16.7bn	
✪✪	07:45	France	Business Confidence	Mar	99	--	98	
✪✪	07:45	France	Manufacturing Confidence	Mar	100	--	100	
✪✪✪	08:15	France	Manufacturing PMI (P)	Mar	46.5	--	47.1	
✪✪✪	08:15	France	Services PMI (P)	Mar	48.8	--	48.4	
✪✪✪	08:15	France	Composite PMI (P)	Mar	47.9	--	48.1	
✪✪	08:30	Switzerland	SNB Policy Rate	21-Mar	n.a.	--	1.75%	
✪✪✪	08:30	Germany	Manufacturing PMI (P)	Mar	44.0.	--	42.5	
✪✪✪	08:30	Germany	Services PMI (P)	Mar	48.5	--	48.3	
✪✪✪	08:30	Germany	Composite PMI (P)	Mar	47.0	--	46.3	
✪✪✪	09:00	Norway	Deposit Rates	21-Mar	4.50%	--	4.50%	
✪✪✪	09:00	Euro area	Manufacturing PMI (P)	Mar	47.0	--	46.5	
✪✪✪	09:00	Euro area	Services PMI (P)	Mar	50.6	--	50.2	
✪✪✪	09:00	Euro area	Composite PMI (P)	Mar	49.7	--	49.2	
✪✪	09:00	Euro area	ECB Current Account (sa)	Jan	n.a.	--	31.9bn	
✪✪✪	09:30	UK	Manufacturing PMI (P)	Mar	48.0	--	47.5	
✪✪✪	09:30	UK	Services PMI (P)	Mar	53.5	--	53.8	
✪✪✪	09:30	UK	Composite PMI (P)	Mar	53.1	--	53.0	
✪✪✪	12:00	UK	Bank of England Bank Rate	21-Mar	5.25%	--	5.25%	
Friday, 22 Mar								
✪✪	00:01	UK	GfK Consumer Confidence	Mar	-20.5	--	-21.0	
✪✪✪	07:00	UK	Retail Sales Inc Auto Fuel (mom)	Feb	n.a.	--	3.4%	
✪✪✪	07:00	UK	Retail Sales Inc Auto Fuel (yoy)	Feb	n.a.	--	0.7%	
✪✪✪	07:00	UK	Retail Sales Ex Auto Fuel (mom)	Feb	n.a.	--	3.2%	
✪✪✪	07:00	UK	Retail Sales Ex Auto Fuel (yoy)	Feb	n.a.	--	0.7%	
✪✪✪	09:00	Germany	IFO Business Climate	Mar	85.6	--	85.5	
✪✪✪	09:00	Germany	IFO Current Assessment	Mar	86.7	--	86.9	
✪✪✪	09:00	Germany	IFO Expectations	Mar	84.3	--	84.1	
✪	11:00	UK	CBI Trends Total Orders	Mar	n.a.	--	-20.0	

Exhibit 26: European Economic calendar

Key data for the next week

	GMT	Country	Data/Event	For	BofAe	Cons.†	Previous	Comments
✪	11:00	UK	CBI Trends Selling Prices	Mar	n.a.	--	17.0	

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 27: 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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