Europe Economic Weekly

Back to school: it's really never easy

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Economics
Europe

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Weekly View: There is always something new

Time for our customary "back to school" overview. We still think the European Central Bank (ECB) will start cuts in June, but expect the first Bank of England (BoE) cut now in August – still later than peers. Shipping costs create new inflation risks, but quantification is tough and the macro backdrop (weak demand, tight policy, lower energy prices) very different to last time around.

Euro area: Back to school – January 2024 edition

Euro area growth forecasts move to 0.4% and 1.1% for 2024/25 (-10bp per year), inflation to 2.3% (-30bp) and 1.4% (unch). The ECB call remains unchanged: first cut in June 2024. Faster 2H24 cuts seem currently more likely than an earlier start. We provide a calendar of key events for 2024, too.

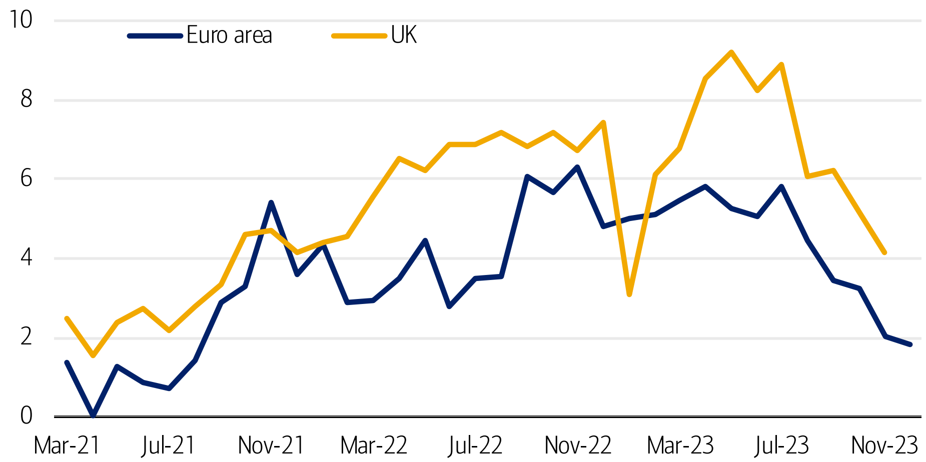
UK: Earlier but still slow cuts

Headline inflation forecasts move to 3.0% (-40bp) for 2024 and 2.6% (-10bp) for 2025 with core inflation at 3.8% and 3.0%, respectively. We now expect quarterly BoE cuts starting in Aug-24 (rather than in Feb 2025). That's still later than the Fed and the ECB (slower than the latter in 2025, too).

Next week:

UK data in focus with labour market data (Tue), CPI (Wed) and retail sales (Fri). Minutes for the December ECB meeting due on Thu. ECB speakers calendar is rich: Holzmann (Mon), Villeroy (Tue), Vasle, Simkus, Vujcic, Knot (Wed) and Lagarde thrice (Wed,Thu, Fri).

Exhibit 1: Instantaneous services inflation tracker
The UK November print was encouraging, but services inflation remains elevated



Source: BofA Global Research, BLS, Eurostat, ONS. Original methodology from Eeckhout (2023).

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Weekly view

There is always something new

For those who missed our "back to school" piece at the beginning of the week, this weekly is an extended and amended rerun. In this weekly view, we reiterate our Euro area forecasts, update our UK ones (inflation and Bank of England call) and add our thoughts on the (potential) implications of the rise in shipping costs on the back of Red Sea events. But before we get there, here is a brief summary of the main forecast elements for the Euro area:

- Our Euro-area GDP growth forecasts changed to 0.4% for 2024 and 1.1% for 2025 (-10bp per year), mainly on idiosyncratic German fiscal choices.
- Our Euro-area inflation forecast moves to 2.3% in 2024 (-30bp) and stays at 1.4% in 2025 on recent energy price moves.
- We stick to our expectation for quarterly 2024 ECB cuts starting in June, accelerating to one per meeting in 2025 until 2% is reached.

To us, the risk of faster 2H24 cuts is more prominent than the risk of earlier ones. The ECB is showing a preference for doing too much rather than too little to return to 2% inflation, in contrast to other large central banks (the Fed in particular). That means they really want to wait for 1H24 evidence of wage growth, services inflation and profit easing before cutting.

The apparent preference to wait rather too long is not confined to the usual hawks, but more widely spread. Villeroy de Galhau, for instance, argued this week that he wants to see "effective" inflation data and prospects at target. Prior to the holidays, Lane pointed to the need for an easing in domestic services inflation – and hence services inflation stuck at 4.0% yoy in the December print won't help the cause for earlier cuts.

Our concern (and base case), of course, is that by the time a return to 2% is quasi guaranteed, it will be very tough to stop the endogenous forces driving an undershoot, especially in an economy like the Euro area with chronic demand insufficiency.

New UK forecasts, with earlier BoE cuts

Our forecast "news" in this weekly comes from the UK:

- Headline inflation forecasts move to 3.0% (-40bp) for 2024 and 2.6% (-10bp) for 2025 with core inflation at 3.8% and 3.0%, respectively.
- We now expect quarterly BoE cuts starting in Aug-24 (rather than in Feb-25). That's still later than the Fed and the ECB (slower than the latter in 2025, too).

Like elsewhere, disinflation is progressing faster in the UK than initially thought. But it is still progressing slower in the UK than elsewhere, so the diagnosis of a more entrenched UK inflation issue remains. While we cannot rule out the BoE getting carried away into faster 2H24 cuts, the risk is that sticky services inflation forces an earlier end to the cutting cycle than elsewhere (especially if 2H24 cuts turn out faster than we think).

Faster (past) disinflation vs shipping cost risks

Geopolitics remains a key risk to the (global) outlook. The rise in global shipping cost on the back of developments in the Red Sea are currently the most acute ones. Qualitatively, that obviously means upside risks to goods inflation. But quantifying these effects is tough, and the outcome not quite so obvious:

1. Estimates of the potential impact of shipping costs on consumer price inflation vary a lot across empirical work and confidence intervals around estimates tend to be

large. Here are a few examples: In a 2022 ECB blogpost, Chief Economist Lane argued that the 355% increase in freight costs from China to the Euro area would impact output prices by 30bp (with pass-through to consumers unclear)[1]. A BoE blogpost suggests a Euro-area HICP impact of 5bp for a one-standard deviation shock to shipping costs at peak roughly six months into the event[2]. An IMF working paper suggests upside risks of c 30bp within three months, and more than twice that within a year, from a doubling of shipping costs in the Euro area.

2. As with oil price changes, the persistence and size of the impact depend on whether the shock is supply- or demand-driven, temporary or permanent. That also matters for the growth implication.

3. Initial conditions matter. Similar to what we argued when oil prices spiked in early autumn 2023, the strength of demand and the orientation of policy matter for the pass-through of a cost-push shock. With demand now weaker within the Euro area, and policy in restrictive territory, margins are more likely to absorb a significant part of a persistent move in shipping costs than a couple of years ago.

   Weaker global demand (including in China); evidence of continued inventory unwind (so delaying shipping might actually work for some companies given the current demand dynamics); and oil and natural gas prices moving in the opposite direction from shipping costs could all help to reduce the impact of freight cost increases on consumer price inflation.

Still, the ECB in particular is likely to take notice. The post-Covid price surge has left scars. Developments in freight costs add another reason to be cautious on the timing of the beginning of the cutting cycle. Nervousness that the geopolitics triggering the rise in shipping costs could eventually also impact oil and gas prices could also play a role.

That increases our conviction that the ECB will stick to June 2024 for the first cut, rather than move earlier as markets price. This is particularly the case because progress on core inflation in the next few months will be driven more by services than goods than it was throughout 2023. Why? Core goods have made a significant contribution to disinflation in the past few months. Services are meant to lead the way from here, but will move more slowly.

Even a modest reversal of goods disinflation could put the progressive decline of core inflation in the next few months at risk. In an extreme case, if the move in shipping prices is larger and very persistent, it could postpone the cutting cycle further into 2024. But absent much larger shocks we doubt that the ECB would restart hikes given the evidence of domestic disinflation by now.

Next week:

Time for the more UK-centric week of the month, with labour market data (Tue), CPI (Wed) and retail sales (Fri). In the Euro area, the ECB's consumer expectation survey on Wednesday will be worth checking out, and final December inflation data (Wed) will come with the full components breakdown that allows us to update our seasonally adjusted monthly core inflation rate, again.

ECB speakers end their holiday break in earnest next week, before the purdah period starts: Holzmann (Mon), Villeroy (Tue), Vasle, Simkus, Vujcic, Knot (Wed) and Lagarde three times (Wed, Thu, Fri). Minutes for the Dec meeting (probably confirming this preference to wait for too long) are due for release, too (Thu).

[1] "Inflation dynamics during a pandemic", Philip Lane, ECB Blog post, 1 April 2021
[2] "The impact of shipping costs and inflation", Vehbi et al, Bank Underground, 2 March 2022
"Shipping Costs and Inflation", Cairrère-Swallow et al, IMF WP/22/61, March 2022

Euro area

Back to school – January 2024 edition

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- Time for our customary "back to school" summary, including a calendar of key events for 2024 and a forecast update.
- Euro area growth forecasts move to 0.4% and 1.1% for 2024/25 (-10bp per year), inflation to 2.3% (-30bp) and 1.4% (unch).
- The ECB call remains unchanged: first cut in June 2024. Faster 2H24 cuts seem currently more likely than an earlier.

New year, same (almost) forecasts

We update our Euro area growth forecasts slightly to 0.4% in 2024 and 1.1% in 2025 (-10bp each). This is still below consensus forecasts of 0.5% and 1.4%, respectively, although the gap has narrowed over time.

The forecast change is concentrated in Germany, where we cut to -0.1% in 2024E (-40bp) with 2025E unchanged at 0.9%. Germany was on track to underperform the Euro area aggregate, anyway. But the government's decision to resolve the constitutional court challenge to 2024 budget plans with additional fiscal tightening by c 1% (mainly through spending reductions) further accentuates that theme (see Euro Area Watch: German budget: it's getting special 24 November 2023 for our initial response). Elsewhere, forecast changes are marginal, mainly reflecting data revisions.

On the positive side, the acute risk from EU fiscal rule reform is gone (more below), and faster-than-expected disinflation helps, at the margin. And so does the easing of financing conditions, although we would argue markets have moved too much too fast. Sentiment data should continue to improve, partially because of natural mean-reversion by construction, partially because the economy is digesting (slowly) the shocks.

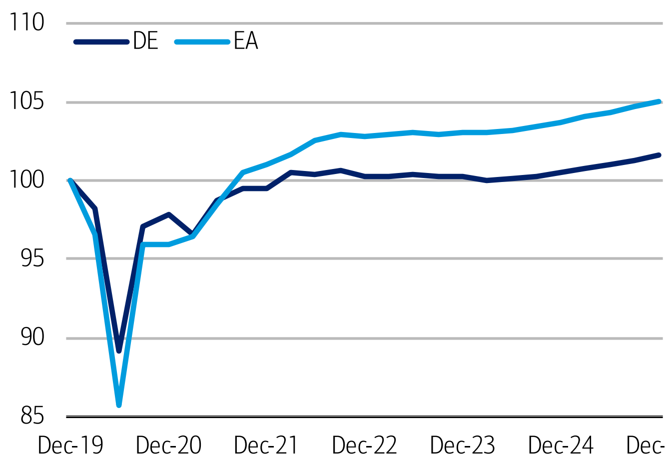
Then again, the outlook remains fragile. There is still a sizeable risk that we are underestimating the endogenous weakness that the permanent energy shock and severe policy tightening provokes. Household savings rates remain stubbornly high. Corporate profits have started to compress. And, corporate insolvencies are rising, though perhaps more "normalising" from admittedly very low levels. Also, the labour market is easing. Furthermore, perhaps we are underestimating the strain on the corporate sector from state-backed loans having to be repaid soon in parts of the Euro area, at a time when lending flows have come to pause. So far, none of these phenomena go beyond what is compatible with our expectations, but vigilance is warranted.

Inflation: it went up, and now it is falling

We had updated our Euro area inflation forecasts ahead of last week's December print. Our headline inflation forecast moved to 2.3% in 2024 (-30bp) and stayed at 1.4% in 2025, with the core at 2.5% (-10bp) and 1.8% (unchanged), respectively. See Euro Area Watch: Inflation update: What goes up... 02 January 2024. The headline rate will probably be back at target in August – core in late 2024E. And then, both should fall further. We continue to expect an inflation target undershoot in 2025 on the back of insufficient demand and (too) tight policy.

More short term, we had expected Dec-23 HICP at 3.0% with core inflation at 3.4% yoy. The small downward surprise to headline arguably doesn't change the outlook much, especially with core broadly as expected. Uncertainty into Jan/Feb prints is always a bit higher given the change in weights. Select countries' energy and tax measures come on top of that – with (again) Germany the epicentre of the noise potential. But, more broadly speaking, we had expected Dec/Jan inflation to be higher vs November again in headline terms, but to resume the disinflation trend again thereafter.

Exhibit 2: Euro area and German GDP levels (4Q19= 100)
The Euro area is stuck below pre-crisis trend levels, Germany even more so



Source: BofA Global Research, Eurostat

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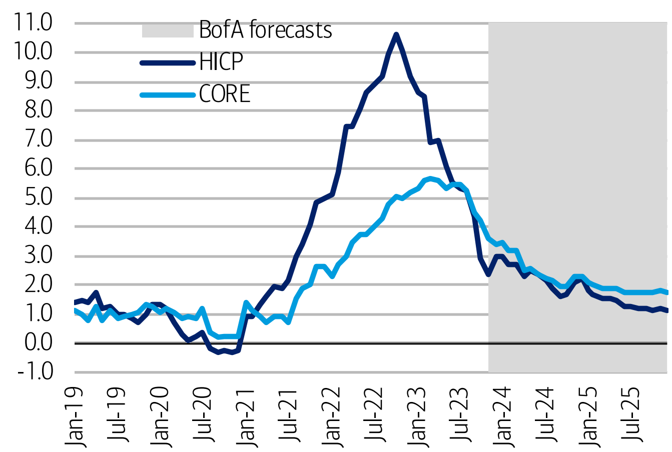
Exhibit 3: Euro area inflation forecasts
2% target in reach for headline in August, for core in late-24



Source: BofA Global Research, Eurostat

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Ending energy price caps and VAT changes are the main German factors. According to the German Association of Energy and Water Industries (BDEW), electricity prices were still c 10% above cap levels on average in Dec-23, so that is likely to create a January bump. Gas prices are back below cap level, but the value-added tax (VAT) reversal from 7% to 19% in February will still be felt. VAT will also return from 7% to 19% in select hospitality sectors in January (basically restaurants excluding catering and takeaway). We pencil in services inflation up by c 10bp, though in practice, passthrough is uncertain.

ECB call: bias for holding too long

Markets are pricing earlier and more central bank cuts for 2024 than we expect, with similar trajectories for the US and the Euro area. Our US team has brought forward the start of expected quarterly Fed cuts to March (US Economic Viewpoint: Sticking the landing 18 December 2023). But we leave our ECB call unchanged: the first cut in June, and quarterly cuts thereafter for 2024E; and one cut per meeting in 2025E until the depo is back at 2%. We then expect a pause, with more cuts in 2026E.

To us, the difference in the December communication between the Fed and ECB is symptomatic of their relative inflation tolerance. Unlike the Fed, the ECB would rather do too much than too little to make sure inflation returns to target, implicitly creating an asymmetric risk of undershoot (which is actually our base case).

The ECB wants to see evidence that wage growth has peaked (or at least plateaued) in spring, to make sure the disinflation trend engaged now goes all the way. We would argue that tentative evidence thereof is already in the data but the ECB seems to be ignoring that.

As a consequence, we would argue there is a bigger risk of faster cuts post-June than earlier cuts, at least at this stage. January inflation prints will be important for this. The usual menu-cost adjustments will determine how persistent core inflation will be throughout 2024 and therefore be an important input for the speed of the cutting cycle in 2H24.

On other policy matters, we still expect the operational framework review to bring an adjustment in the minimum reserve ratio to 2-3%. And absent significant surprises, we expect the central bank to stick to the pre-announced plan to reduce PEPP (Pandemic Emergency Purchase Programme) reinvestments by half in 2H24 and stop fully thereafter.

Wage growth: where it is and where it's going

We still argue that the Euro area labour market is not as tight as headline unemployment rates and employment numbers suggest. Labour supply has increased, employment levels are up, and working hours per employed remain 1.3% below the pre-crisis trend. We think this is more likely to be labour market slack than a structural shift, given the economic backdrop. Consequently, we would expect negotiated wage growth to cool from 4.6% yoy in 4Q23 to 3.5% (if not further) by end-2024 and into 2025.

Evidence of an inflection of wage growth is cumulating.

- At the Euro area level, the "Indeed wage posting", which ECB hawks had pointed to during the hiking cycle, has eased from close to 5% in 2H22 to 3.8% on average in Oct/Nov. Negotiated wage growth picked up to 4.6% in 3Q23, but, as we flagged previously, that mainly reflects one-off payments in German wage deals (again).

- In Belgium, where inflation indexation is very pronounced, the headline rate fell from close to 11% yoy in 2H22 to -0.6% yoy in 4Q23. The labour market cannot replicate that pace but negotiated wage growth slowed from a peak at 9.4% in 1Q23 to 7.5% two quarters later.

- In France, minimum wages are a function of inflation (unless the government applies discretion) and, with inflation cooling, the magnitude and frequency of increases should slow from here. We cannot rule out that the broader wage growth rise in France last year simply reflected that, rather than labour market tightness or inflation expectations.

- In Germany, most of the negotiated wage growth comes from one-off inflation payments, which should (by definition) not repeat eternally. Base pay growth briefly returned to pre-Covid levels but inflected again in recent months. We will be watching the wage bargaining round in 2024 closely – Exhibit 4 provides the tentative calendar.

- Spain is worth watching closely. Collective bargaining stands just below the agreed level for 2023 of 4% (3.63% in November), suggesting we should not worry a lot but there is no clear peak in sight yet. The early months of 2024 will be important to understand whether the agreed step-down to 3% materialises.

Fiscal rules: reform on paper, status quo in practice

We have been worried for more than a year about the potential outcome of the negotiations on new fiscal rules. We were concerned that they could end up being too tight structurally, leaving little room for fiscal policy to act through the cycle and restricting the ability of governments to address the long-term challenges facing the European economy. And the outcome clearly showed we were right to worry.

Indeed, Germany and the rest of the fiscal hawks manage to obtain very strict fiscal rules – the wrong recipe for what the region needs, we think. But, in the usual European bad compromise spirit, the only way to get these rules agreed was by introducing enough caveats to ensure they don't bite fully until 2027.

The likelihood is that these rules are never applied. In fact, the door to upside we described a few weeks back – more sensible fiscal rules and a common fiscal capacity to deal with European challenges after the European Parliament election – is still full open. We start the year with at least this optimistic take.

Exhibit 4: German wage bargaining round 2024

Differentiating between one-off and base pay components will matter

End of current deal	Sector	Empl ('000)
Dec-23	Security services	155
	Hospitality (Hamburg, Brandenburg, Saxony)	83
	Health insurance	79
	Plastic industry (Bavaria, Berlin, Brandenburg)	79
	Real estate	64
Jan-24	Private transport services Lower Saxony	77
Feb-24	Print industry	109
Mar-24	Construction	731
	Labour leasing	700
	Hospitality (Bavaria, Mecklenburg-Vorpommern)	182
	Private transport services (Baden Wuerttemberg)	93
Apr-24	Private transport services (North-Rhine Westphalia)	176
	Hospitality (Lower Saxony, Thuringia)	67
May-24	Banking sector	205
	Hospitality (Schleswig Holstein, North Rhine Westphalia)	175
Jun-24	Chemical industry	587
	System catering	79
Sep-24	Metal and electronic industry	3639
	Painting services	131
	Hospitality (Baden Wuerttemberg)	100
	Roofing trade	72
Nov-24	Private transport services (Bavaria)	132
	Volkswagen AG	100
Dec-24	Public service (federal and municipalities)	2442
	Cleaning services	490
	Deutsche Post	160

Source: BofA Global Research, WSI Tarifarchiv

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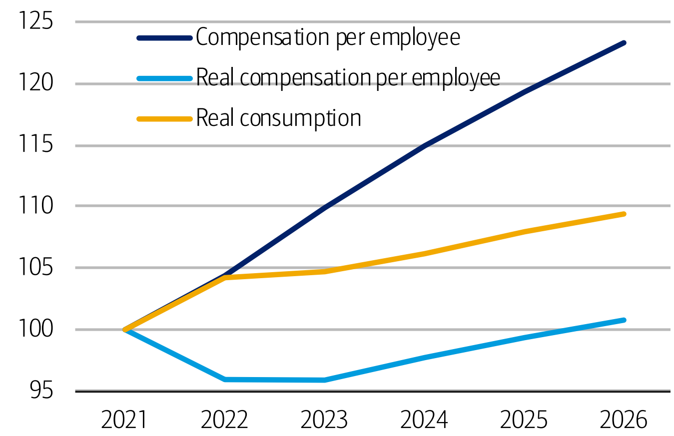
Exhibit 5: ECB forecasts: compensation and consumption (2021=100)

The real labour income shock is deep and long lasting



Source: BofA Global Research, Eurostat

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Europe is still Europe

As customary with our "back to school" summary, we provide a year ahead calendar for key 2024 events for (developed) EU. The US election will likely overshadow any European events this year, but the electoral calendar is busy this side of the pond too. General elections in the UK are to be held by January 2025 at the latest and will likely take place in 2H24. In continental Europe, immediate policy ramifications of the European parliament election on 6-9 June will probably be limited, and therefore actionable market implications too. But voting intentions show a rise in right-wing, EU-sceptic support. Some concerns about the next round of national elections could materialise. In France, the 2027 presidential election is probably still too far out for markets to care. In Germany, however, select state elections follow in the autumn, and the 2025 general election (a priori in September) is not. So the calendar is prone to deliver the usual reminder of EU institutional fragilities next year.

Exhibit 6: Calendar of Developed Europe events

EU elections in June, UK elections by Jan-25 are the bigger election events

Calendar of main Euro area/UK events for 2024		
	Central banks	
25-Jan	Euro area	ECB monetary policy meeting
01-Feb	UK	BoE MPC meeting
07-Mar	Euro area	ECB monetary policy meeting (with forecast update)
21-Mar	UK	BoE MPC meeting
11-Apr	Euro area	ECB monetary policy meeting
09-May	UK	BoE MPC meeting
06-Jun	Euro area	ECB monetary policy meeting (with forecast update)
20-Jun	UK	BoE MPC meeting
18-Jul	Euro area	ECB monetary policy meeting
01-Aug	UK	BoE MPC meeting
12-Sep	Euro area	ECB monetary policy meeting (with forecast update)
19-Sep	UK	BoE MPC meeting
17-Oct	Euro area	ECB monetary policy meeting
07-Nov	UK	BoE MPC meeting
12-Dec	Euro area	ECB monetary policy meeting (with forecast update)
19-Dec	UK	BoE MPC meeting
	EU events/European Semester timeline (non-exhaustive)	
15-Jan	Euro area	Eurogroup
16-Jan	EU	Economic and Financial Affairs Council
01-Feb	EU	Special European Council
Mid-Feb	EU	European Commission - Winter Economic Forecasts
22-24 Feb	EU	Informal meeting of economic and financial affairs ministers
23-Feb	Euro area	Eurogroup
11-Mar	Euro area	Eurogroup
12-Mar	EU	Economic and Financial Affairs Council
20-Mar	EU	Tripartite Social Summit
21-22 Mar	EU	European Council
Apr	EU members	Stability and Convergence Programmes and bi-annual national reform programme report (incl. Recovery and Resilience Fund)
11-Apr	Euro area	Eurogroup
12-Apr	EU	Economic and Financial Affairs Council
17-18 Apr	EU	Informal meeting of the members of the European Council
Early-May	EU	European Commission - Spring Economic Forecasts
13-May	Euro area	Eurogroup
14-May	EU	Economic and Financial Affairs Council
End of May	EU	The EC published the country-specific recommendations
17-Jun	EU	Informal meeting of the members of the European Council
20-Jun	Euro area	Eurogroup
21-Jun	EU	Economic and Financial Affairs Council
27-28 Jun	EU	European Council
1-3 July	EA	ECB Forum on Central Banking
Mid-July	EU	European Commission - Summer Economic Forecasts
Mid-Oct	EU members	2025 Draft Budget Plans and bi-annual RRF reports
Mid-Nov	EU	European Commission Autumn Forecasts
30 Nov	EU	European Commission preliminary budget plan assessment
	National elections	
6/9 Jun-24	EU	European Parliament elections
09-Jun	Belgium	Federal elections
Autumn-24	Austria	Legislative elections
By 2025	UK	UK (A UK general election must be held by January 2025 and is widely expected in Autumn 2024)
	Local elections	
02-May	UK	Local elections
01-Sep	Germany	Saxony, Landtag elections
01-Sep	Germany	Thuringia, Landtag elections
22-Sep	Germany	Brandenburg, Landtag elections
Unknown	Spain	Basque Country, Parliament elections
Unknown	Spain	Galicia, Parliament elections

Source: BofA Global Research

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UK

Earlier but still slow cuts

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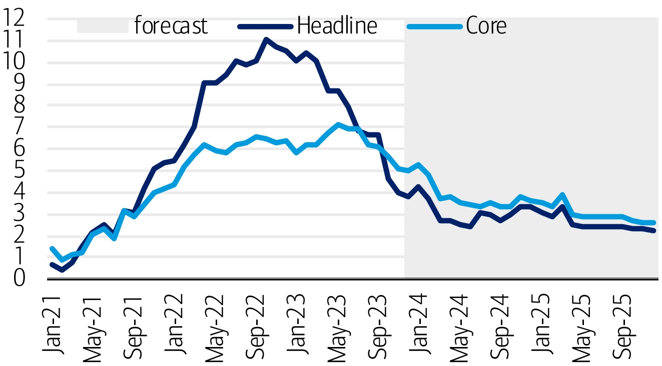
- We update our 2024 forecasts for UK inflation: headline falls to 3% (-40bp), with core at 3.8% (-20bp). But disinflation will still be slower than elsewhere.
- We now expect BoE to stay on hold at 5.25% until August 2024 (from February 2025), and we expect a cutting cycle of 25bp per quarter from there.
- Risks are more balanced now. We assume the UK avoids recession – a clearer downturn could mean earlier cuts.

Lower inflation, earlier cuts

Our 2024 forecast for headline inflation drops to 3% (-40bp), while 2025 falls only 10bp. We expect core inflation now to average 3.8% in 2024 (-20bp) and 3% in 2025 (-10bp). Disinflation is likely to happen faster than we thought a couple of months ago, but it is still much slower than elsewhere, particularly when it comes to services inflation. The UK still has a persistent inflation problem, despite recent improvements.

Exhibit 7: UK, BofA CPI forecast (yoy%)
Disinflation is ongoing but we still think UK has a sticky inflation problem



Source: ONS, BofA Global Research
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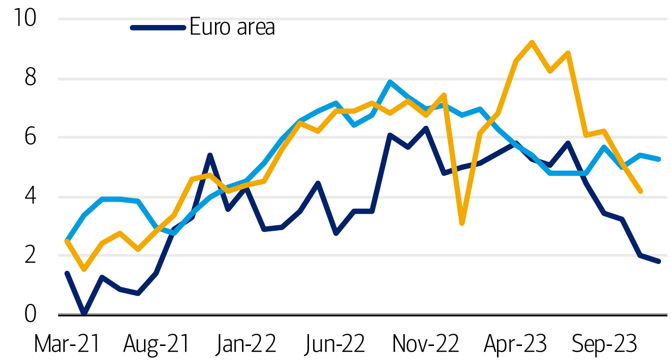
Exhibit 8: Instantaneous services inflation tracker
UK Nov CPI was encouraging, but services inflation remains elevated



Source: BofA Global Research, BLS, Eurostat, ONS. Original methodology from Eeckhout (2023).
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However, with faster disinflation, there is less need to keep real rates as high as we thought before. Hence, we now expect the BoE to keep Bank Rate on hold at 5.25% until August 2024 (from February 2025), and we expect a cutting cycle of 25bp per quarter from there. The UK will be the last of the major central banks to start the cutting cycle and it is likely to move slower, at least compared with the ECB (our US team also expects one cut per quarter there, starting earlier, in March 2024).

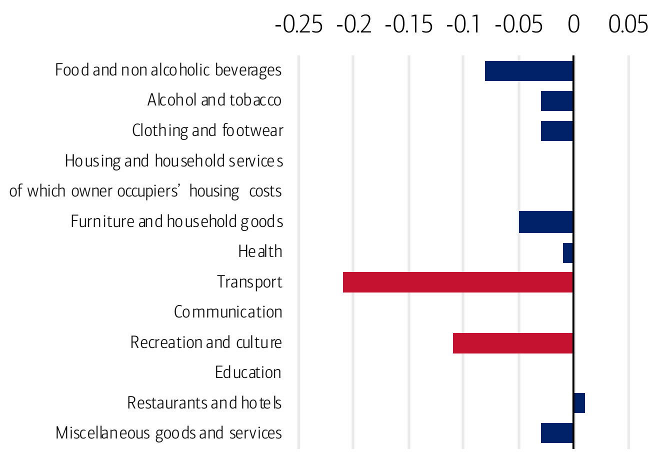
Disinflation is happening, but the UK is still different

The November CPI report was encouraging, with a clear slowdown in both headline and core inflation (Exhibit 9). Importantly, services inflation softened (c30bp), thanks to a drop in transportation services pricing (linked to the downward effect of fuel prices). Recreational and cultural goods and services prices were weaker too. But near-term swings in products, such as computer games and theatre/concert tickets, should be taken with a pinch of salt, due to the volatile compositional effect.

Marking-to-market our inflation forecasts, we take onboard some clearer deflationary forces at play in the coming months. This results in a 40bp cut to our headline inflation profile and a 20bp cut to core this year (to 3% and 3.8% respectively, with RPI at 4.4%). We also shave 10bp from 2025E core inflation to 3%.

However, we think longer-term inflationary pressures remain concerning in the UK. Ex-bonus pay growth remains well above 6% yoy (Exhibit 10) and, considering the challenges to the supply side of the economy (see our UK Viewpoint: Market challenges to the Bank of England 31 October 2023), we don't expect normalisation to be quick. This will keep services inflation stickier, we think, at still above 5% at the end of this year.

Exhibit 9: Contributions to change in the annual CPIH (Nov vs Oct '23)
Transport services and recreation/culture drove the slowdown in Nov



Source: ONS. Note: data in percentage points

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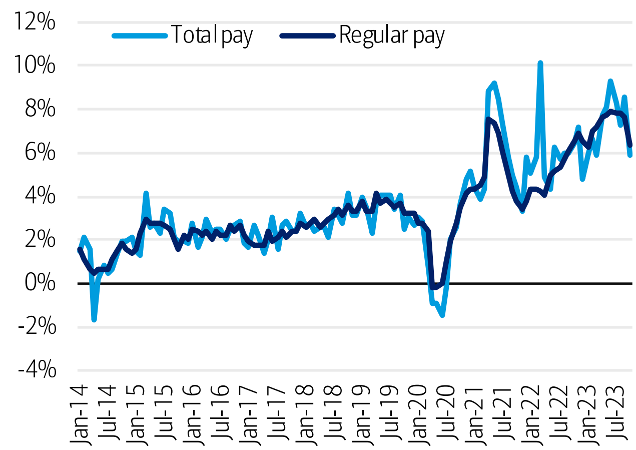
Exhibit 10: Average weekly earnings (yoy%)
Ex-bonus pay growth still above 6% yoy



Source: ONS

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Risks are more balanced

As we flagged recently, risks seem much more balanced around inflation and rates this year. While we see upside risks to the Bank Rate, there are meaningful downside risks too. We assume the UK avoids recession but a more substantial downturn, perhaps as rate hikes bite particularly in the corporate sector, could mean earlier cuts than we expect. We would still see cuts as unlikely in the first half of this year but a sizeable recession could mean relatively rapid decreases after that point. Also, evidence on deanchored inflation expectations and a higher NAIRU are not quantitatively precise. Falling headline inflation could help reanchor expectations.

Risks of faster cuts, for a short while

In the end, as we argued previously, the market sees a more inflation-tolerant BoE reaction function than in the past, boosting market inflation expectations. Consistent with that, and given the improvement in inflation developments, we see a risk that the BoE cuts rates 25bp per meeting when it starts in August this year. We think that trend would have short legs if it were to materialise. In 2025, with less help from energy and goods reducing inflation, sticky services will be the main driver of inflation. Faster cuts in 2024 would likely need to be followed by a long pause down the line or, in some circumstances, even a small reversal of the move.

Yes, we still think the UK has a more entrenched inflation problem that others. In our view, Covid, Brexit and a decade of supply shocks have raised the inflation neutral unemployment rate (NAIRU), possibly steepened the Phillips curve and modestly deanchored inflation expectations. The impact of interest rates on the economy seems to have been reduced as well as delayed. For all these reasons, we think the BoE faces a tougher job returning inflation to target than other major economies.

Why not May?

Some competitors and markets see May as a likely month to start the cutting cycle. We disagree. Bailey didn't sound dovish on the economic outlook this week in Parliament, referring to a better backdrop to household income and to less stress in the UK housing market. And the last BoE minutes are a good example of why we see early cuts as unlikely, absent further inflation surprises. They suggest the central bank is considerably more cautious. The majority said "…economic developments had been relatively limited overall. For most members within this group, it was too early to conclude that services price inflation and pay growth were on a firmly downward path." Weaker pay growth in recent months is set in the broader context of much higher wage and services inflation in the UK than elsewhere. A reference to next year's minimum wage increase posing an upside inflation risk suggests rate setters want to wait for wage data past April before considering cuts. Overall, the minutes suggest to us that rate setters are looking for very strong evidence before changing their bias from further hikes. And the upcoming budget in March could add another reason to be patient.

FX: Benign backdrop for GBP

We find ourselves in the relatively unusual position of being constructive GBP in 2024. With the pound having successfully reintegrated back into the G10 FX universe, GBP is now reverting to tracking its historical drivers. That means investors should have a better handle on how sterling will trade through various phases of the business cycle. Under our base case scenario for a global soft landing and steeper US yield curve, this benign environment should be conducive to vol adjusted carry trades. With one of the higher policy rates in G10, GBP should be a beneficiary of such a backdrop. Even though our team has now added rates cuts for 2024, this is still below current market pricing for the BoE. If the market moves towards our scenario and the pricing out of rate cuts should be supportive for GBP.

Whilst we concede that the procyclical properties of GBP mean that it will face headwinds from a slowdown in both UK and global growth, we would observe that various survey indicators suggest that a good amount of pessimism has already been built into UK growth expectations. The UK economy will slow, and the market knows this. But in the absence of contagion spill-overs, a large part of this will be absorbed by carry. Nonetheless, with GBP, there are always risks. The fragile state of UK public finances, current account deficits, the Spring Budget on March 6th and a looming general election are event risks that need to be considered. As a general rule, if any of these factors come to dominate the carry signal then GBP is vulnerable. This is not our base case but is a tangible risk to a broadly positive environment.

Rates: fine tuning our UK yield expectations

We fine-tune and mark-to-market our UK yield forecasts, now seeing both 2y and 10y Sonia at 3.75% by end-2024 and 3.25% and 3.50% by end-2025, respectively. Our 2y forecast lies around 50bp above the forwards in 1Q24, approaching the forwards by end-2025 (Exhibit 11). Similarly, our 10y Sonia forecast lies some 30bp above the forwards in 1Q24, approaching the forwards by end-2025 (Exhibit 12).

Near-term, there is potential for the early-2024 Gilt selloff to run further on (1) the Gilt supply pick up in 1Q24, (2) fiscal concern ahead of pre-election Spring Budget and (3) any BoE pushback on early 1H24 Bank rate cut pricing. The BoE does tend to be mild and often implicit in its pushback, but we would note that the Bank did try to distance itself from the Fed in December, with the minutes having several references to market pricing, implying to us BoE's thinking that markets have gone too far. However, any downside surprises in the data can accelerate the pricing of rate cuts in 2024. We do not exclude the possibility of more than two Bank rate cuts in 2024, but cuts in the first half of this year seem unlikely, as outlined above.

Medium-term, our economists still see the BoE cutting later than either the Fed or the ECB. The inflation problem in the UK is more structural. The UK also has unique macro vulnerabilities: the current account deficit, weak public sector balance sheet and large external liabilities. These, along with the supply-demand outlook and political risks, point to more persistent risk premia being priced even as the BoE eventually starts cutting, also reflected in our UK rates forecasts.

Exhibit 11: BofA 2y Sonia forecast vs. forward, % and bp
Some 50bp above the forwards in the near-term

	2y Sonia		
	Market fwd	Forecast	F'cast vs. fwd
Mar-24	4.02	4.50	48
Jun-24	3.78	4.25	47
Sep-24	3.58	4.00	42
Dec-24	3.45	3.75	30
Dec-25	3.21	3.25	4

Source: Bloomberg, BofA Global Research

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Exhibit 12: BofA 10y Sonia forecast vs. forward, % and bp
Some 30bp above the forwards in the near-term

	10y Sonia		
	Market fwd	Forecast	F'cast vs. fwd
Mar-24	3.51	3.75	24
Jun-24	3.47	3.75	28
Sep-24	3.44	3.75	31
Dec-24	3.42	3.75	33
Dec-25	3.43	3.50	7

Source: Bloomberg, BofA Global Research

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European forecasts

Exhibit 13: Euro area economic forecasts
We see the ECB stopping at a refi terminal of 4.50%.

		2022	2023	2024	2025	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
GDP	% qoq					0.0	0.2	-0.1	0.0	0.0	0.2	0.2	0.3	0.3	0.3	0.3	0.3
	% qoq ann.					0.2	0.6	-0.4	0.2	0.0	0.7	0.9	1.3	1.2	1.2	1.3	1.2
	% yoy	**3.4**	**0.5**	**0.4**	**1.1**	1.2	0.5	0.1	0.2	0.1	0.1	0.5	0.7	1.0	1.1	1.2	1.2
Private Consumption	% qoq					0.2	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**	**0.7**	**1.1**	1.3	0.4	-0.3	0.5	0.4	0.7	0.7	0.8	1.0	1.1	1.2	1.3
Government Consumption	% qoq					-0.6	0.4	0.5	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2
	% yoy	**1.6**	**0.3**	**0.9**	**0.9**	-0.4	0.2	0.8	0.5	1.2	1.0	0.7	0.7	0.8	0.9	0.9	1.0
Investment	% qoq					0.4	0.1	0.1	0.0	-0.2	0.1	0.2	0.4	0.3	0.4	0.5	0.5
	% yoy	**2.8**	**1.1**	**0.1**	**1.4**	1.9	1.4	0.4	0.7	0.0	0.0	0.1	0.4	1.0	1.3	1.5	1.6
Final Domestic Demand[1]	% qoq					0.1	0.1	0.3	0.1	0.0	0.2	0.2	0.3	0.3	0.3	0.3	0.3
	% yoy	**3.1**	**0.5**	**0.6**	**1.1**	1.0	0.5	0.1	0.5	0.5	0.6	0.5	0.7	0.9	1.0	1.2	1.2
Net exports[1]	% qoq					0.5	-0.4	0.1	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
	% yoy	**0.0**	**0.4**	**0.1**	**0.1**	0.6	0.0	0.7	0.2	-0.2	0.3	0.2	0.3	0.3	0.2	0.1	0.0
Stockbuilding[1]	% qoq					-0.5	0.5	-0.1	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
	% yoy	**0.3**	**-0.2**	**-0.1**	**-0.1**	-0.4	0.0	-0.2	-0.1	0.3	-0.2	-0.3	-0.3	-0.2	-0.1	0.0	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	0.4	1.2	0.1	0.3	0.1	1.0	-0.1	0.2
	% yoy	**8.4**	**5.5**	**2.3**	**1.4**	8.0	6.2	5.0	2.7	2.8	2.4	1.9	2.0	1.7	1.4	1.2	1.1
CPI (core)[4]	% qoq					0.6	2.4	0.5	0.2	0.2	1.6	0.1	0.3	0.0	1.4	0.0	0.3
	% yoy	**3.9**	**5.0**	**2.5**	**1.8**	5.5	5.5	5.1	3.7	3.3	2.5	2.1	2.2	2.0	1.8	1.7	1.8
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 14: 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					0.3	0.2	-0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.3
	% qoq ann.					1.3	0.8	-0.4	0.0	0.0	0.0	0.4	0.4	0.4	0.8	0.8	1.2
	% yoy	**4.3**	**0.5**	**0.1**	**0.6**	0.5	0.6	0.5	0.4	0.1	-0.1	0.1	0.2	0.3	0.5	0.6	0.8
Private Consumption	% qoq					0.7	0.4	0.0	0.0	-0.1	-0.1	-0.1	0.0	0.2	0.2	0.2	0.2
	% yoy	**5.2**	**0.6**	**-0.1**	**0.4**	0.2	0.1	0.9	1.0	0.3	-0.2	-0.3	-0.3	0.0	0.3	0.6	0.8
Government Consumption	% qoq					-1.2	2.5	0.9	0.4	0.1	0.3	0.3	0.3	0.3	0.5	0.5	0.5
	% yoy	**2.5**	**0.6**	**1.9**	**1.5**	-3.2	1.3	1.5	2.7	4.0	1.7	1.0	0.9	1.2	1.4	1.7	1.8
Investment	% qoq					2.5	0.8	-2.0	-0.6	-0.5	-0.2	0.1	0.0	-0.1	0.0	0.0	-0.2
	% yoy	**7.9**	**2.6**	**-1.9**	**-0.2**	3.9	4.6	1.3	0.6	-2.3	-3.3	-1.2	-0.6	-0.2	0.0	-0.1	-0.3
Final Domestic Demand[1]	% qoq					0.6	0.9	-0.2	0.0	-0.1	0.0	0.0	0.1	0.2	0.2	0.2	0.2
	% yoy	**5.1**	**0.9**	**-0.1**	**0.6**	0.1	1.2	1.1	1.3	0.5	-0.4	-0.2	-0.1	0.2	0.5	0.7	0.8
Net exports[1]	% qoq					-1.6	-1.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
	% yoy	**-1.7**	**0.1**	**-0.2**	**0.0**	3.8	1.8	-2.7	-2.6	-1.0	0.0	0.1	0.1	0.1	0.0	-0.1	-0.2
Stockbuilding[1]	% qoq					1.2	0.3	0.1	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1
	% yoy	**0.9**	**-0.5**	**0.3**	**0.0**	-3.5	-2.4	2.1	1.7	0.6	0.3	0.2	0.2	-0.1	0.3	0.0	0.1
Current Account Balance	% of GDP	**-3.1**	**-3.5**	**-3.7**	**-3.6**	-2.3	-3.8	-3.8	-3.8	-3.8	-3.7	-3.6	-3.6	-3.6	-3.6	-3.6	-3.7
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**	**4.9**	3.9	4.2	4.2	4.3	4.5	4.6	4.8	4.9	4.9	4.9	4.9	4.8
RPI Inflation[2]	% yoy	**11.6**	**9.8**	**4.6**	**3.6**	13.6	11.1	9.0	5.8	5.2	4.3	4.5	4.6	4.2	3.6	3.5	3.4
CPI Inflation (harmonised)[2]	% yoy	**9.1**	**7.3**	**3.0**	**2.6**	10.2	8.4	6.7	4.1	3.6	2.5	2.9	3.2	3.1	2.5	2.4	2.4
CPI (core)[2]	% yoy	**5.9**	**6.2**	**3.8**	**3.0**	6.1	6.9	6.4	5.3	4.6	3.6	3.4	3.6	3.6	2.9	2.9	2.7
General govt balance [5]	% of GDP	**-5.0**	**-4.9**	**-4.3**	**-3.9**												
General govt debt [3,5]	% of GDP	**97.1**	**98.4**	**100.9**	**102.7**												
General govt debt	% of GDP	**101.0**	**100.3**	**102.4**	**104.5**												
Bank Rate [4]	%	**3.50**	**5.25**	**5.25**	**4.25**	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 15: Euro area, GDP and CPI profiles
Euro area member states profiles

	GDP						HICP					
	2020	**2021**	**2022**	**2023F**	**2024F**	**2025F**	**2020**	**2021**	**2022**	**2023F**	**2024F**	**2025F**
Euro area	-6.2	5.9	3.4	0.5	0.4	1.1	0.3	2.6	8.4	5.5	2.3	1.4
Austria	-6.7	4.4	4.8	-0.7	0.0	1.5	1.4	2.8	8.6	7.7	2.7	2.1
Belgium	-5.3	6.9	3.0	1.4	0.9	1.2	0.4	3.2	10.3	2.2	1.5	1.7
Finland	-2.4	2.8	1.6	-0.4	0.2	1.0	0.4	2.1	7.2	4.3	0.9	1.2
France	-7.7	6.4	2.5	0.8	0.7	1.3	0.5	2.1	5.9	5.8	3.1	1.9
Germany	-4.2	3.1	1.9	-0.1	-0.1	0.9	0.4	3.2	8.6	6.3	3.6	1.5
Greece	-9.0	8.1	5.7	2.0	1.1	1.7	-1.3	0.6	9.3	4.2	2.0	1.7
Ireland	5.8	14.8	9.5	-1.4	2.7	2.0	-0.5	2.4	8.1	5.8	2.9	1.6
Italy	-9.0	8.3	3.9	0.7	0.3	1.1	-0.1	1.9	8.7	6.0	1.7	1.4
Netherlands	-3.9	6.2	4.4	0.0	0.3	1.1	1.1	2.8	11.6	4.1	1.7	1.6
Portugal	-8.3	5.7	6.8	2.2	1.0	1.4	-0.1	0.9	8.1	5.4	2.5	1.1
Spain	-11.2	6.4	5.8	2.4	1.3	1.5	-0.3	3.0	8.3	3.4	2.6	0.9

Source: BofA Global Research, Eurostat

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Calendar for the week ahead

Exhibit 16: European Economic calendar
Key data for the next week

	GMT	Country	Data/Event	For	BofAe	Cons.†	Previous	Comments
Monday, 15 Jan								
✪✪	00:01	UK	Rightmove House Prices (mom)	Jan		--	-1.9%	
✪✪	00:01	UK	Rightmove House Prices (yoy)	Jan		--	-1.1%	
✪✪✪	07:00	Sweden	CPI (mom)	Dec		--	0.3%	
✪✪✪	07:00	Sweden	CPI (yoy)	Dec		--	5.8%	
✪✪✪	07:00	Sweden	CPIF (mom)	Dec		--	0.1%	
✪✪✪	07:00	Sweden	CPIF (yoy)	Dec		--	3.6%	
✪✪✪	07:00	Sweden	CPIF Excl. Energy (mom)	Dec		--	-0.5%	
✪✪✪	07:00	Sweden	CPIF Excl. Energy (yoy)	Dec		--	5.4%	
✪✪✪	09:00	Germany	GDP (nsa, yoy)	2023	0%	--	1.8%	
✪✪✪	10:00	Euro area	Industrial Production (sa, mom)	Nov	-0.3%	--	-0.7%	
✪✪✪	10:00	Euro area	Industrial Production (wda, yoy)	Nov		--	-6.6%	
✪✪	10:00	Euro area	Trade Balance (sa)	Nov		--	10.9bn	
Tuesday, 16 Jan								
✪✪✪	07:00	UK	Claimant Count Rate	Dec		--	4.0%	
✪✪✪	07:00	UK	Jobless Claims Change	Dec		--	16k	
✪✪✪	07:00	UK	Average Weekly Earnings 3M (yoy)	Nov		--	7.2%	
✪✪✪	07:00	UK	Weekly Earnings ex Bonus 3M (yoy)	Nov		--	7.3%	
✪✪✪	07:00	UK	ILO Unemployment Rate 3Mths	Nov		--	--	
✪✪✪	07:00	UK	Employment Change 3M/3M	Nov		--	--	
✪✪	07:00	Norway	GDP (mom)	Nov		--	2.1%	
✪✪	07:00	Norway	GDP Mainland (mom)	Nov		--	0.4%	
✪✪✪	07:00	Germany	CPI (mom, F)	Dec	0.1%	--	0.1%	
✪✪✪	07:00	Germany	CPI (yoy, F)	Dec	3.7%	--	3.7%	
✪✪✪	07:00	Germany	CPI EU Harmonized (mom, F)	Dec	0.2%	--	0.2%	
✪✪✪	07:00	Germany	CPI EU Harmonized (yoy, F)	Dec	3.8%	--	3.8%	
✪✪✪	09:00	Italy	CPI EU Harmonized (yoy, F)	Dec	0.5%	--	0.5%	
✪✪✪	09:00	Italy	CPI FOI Index Ex Tobacco	Dec		--	118.7	
✪✪✪	10:00	Germany	ZEW Survey Expectations	Jan	10.0	--	12.8	
✪✪✪	10:00	Germany	ZEW Survey Current Situation	Jan	-77.0	--	-77.1	
✪✪	10:00	Euro area	ZEW Survey Expectations	Jan		--	23.0	
Wednesday, 17 Jan								
✪✪✪	07:00	UK	CPI (mom)	Dec		--	-0.2%	
✪✪✪	07:00	UK	CPI (yoy)	Dec	3.8%	--	3.9%	
✪✪✪	07:00	UK	CPI Core (yoy)	Dec	5.0%	--	5.1%	
✪✪✪	07:00	UK	Retail Price Index	Dec		--	377.3	
✪✪✪	07:00	UK	RPI (mom)	Dec		--	-0.1%	
✪✪✪	07:00	UK	RPI (yoy)	Dec		--	5.3%	
✪✪✪	07:00	UK	RPI Ex Mort Int.Payments (yoy)	Dec		--	4.1%	
✪✪✪	09:30	UK	House Price Index (yoy)	Nov		--	-1.2%	
✪✪✪	10:00	Euro area	CPI (yoy, F)	Dec	2.9%	--	2.9%	
✪✪✪	10:00	Euro area	CPI (mom, F)	Dec	0.2%	--	0.2%	
✪✪✪	10:00	Euro area	CPI Core (yoy, F)	Dec	3.4%	--	3.4%	
Thursday, 18 Jan								
✪✪✪	00:01	UK	RICS House Price Balance	Dec		--	-43.0%	
✪✪	09:00	Euro area	ECB Current Account (sa)	Nov		--	33.8bn	
✪✪✪	10:00	Euro area	Construction Output (mom)	Nov		--	-1.0%	
✪✪✪	10:00	Euro area	Construction Output (yoy)	Nov		--	-0.7%	
✪✪✪	07:00	UK	Retail Sales Inc Auto Fuel (mom)	Dec		--	1.3%	
✪✪✪	07:00	UK	Retail Sales Inc Auto Fuel (yoy)	Dec		--	0.1%	
✪✪✪	07:00	UK	Retail Sales Ex Auto Fuel (mom)	Dec		--	1.3%	
✪✪✪	07:00	UK	Retail Sales Ex Auto Fuel (yoy)	Dec		--	0.3%	
✪✪	11:00	UK	CBI Total Dist. Reported Sales	Dec	n.a.	--	-9.0	
✪✪	11:00	UK	CBI Retailing Reported Sales	Dec	n.a.	--	-11.0	
Friday, 19 Jan								

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 17: Common acronyms/abbreviations used in our reports

This list is subject to change

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