



Economy & Rates

Europe: make or break?

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(figures and charts updated on 14 February, 2019)

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Summary & Tables of forecasts

Summary

Europe: make or break?



- In a baseline scenario, our review of economic conditions and risks prompts us to pluck for the first answer: *it will make it*. In other words, we think there is a higher chance that the Eurozone economy will stabilise and recover in the months ahead than weaken further and fall into recession. Fear of an economic slump can have some virtues. Recently, it has led central bankers across the world to exercise particular caution. The proponents of protectionism now have to be persuaded to do likewise.
- It is obviously important to set out the working assumptions underpinning our baseline scenario. Three exogenous risk factors need examining. The first and most imminent one is Brexit negotiations. In view of the current state of discussions and the political balance of power, the default option is a “no-deal Brexit”. This is the unusual aspect of this negotiation: failure would not result in a status quo but in a paradigm shift in the terms of trade. However, this option has such a high economic and financial cost, and ultimately a political one too for all those who take the blame, that no-one stands to benefit. There is no majority in favour of it in the UK Parliament or the UK government. Approximately one month before the fateful date, and despite the fog hanging over it, we nonetheless think Europe will avert a “no-deal Brexit”, if only at the last moment.
- The economic outlook would obviously be very different if this accident materialises. A disorderly Brexit with no transition process would imply adopting WTO rules overnight, raising import tariffs and, worse still, introducing many non-tariff barriers. For a country that exports almost half its goods and services to the EU, this would sound the death knell for a large part of its trade and trigger a sharp slump in economic activity and tighter financial conditions. Compared with staying in the EU, impact studies quantify the impact of such a shock at a loss of around five points of UK GDP on average over the medium term. In other words, it would be an event with macroeconomic consequences almost as severe as those of the financial crisis of 2008 and the ensuing recession. Since Continental Europe has less exposure to the UK market, European GDP would be expected to fall by around one point only. Given the current weakness of business confidence and economic growth in the Eurozone, such a shock would spark a moderate recession there in the short term. In this case, the answer to the initial question would be: *it would break it*.
- The second risk fuelling uncertainty relates to world trade. At its President’s behest, the US raised tariffs in 2018 on around half its trade with China, as well as levying taxes on industrial metal imports. The affected countries have taken graduated retaliation measures. With a few months’ hindsight, it is clear that this is a lose-lose game (contrary to what Donald Trump thought) leading to lower trade volumes, higher prices of imported goods, disruption to supply chains and turbulence in financial markets with each new twist in this drama. Our working assumption is that a fresh escalation of the tariff war will be averted. The alternative scenario would trigger substantial downward revisions to growth forecasts.
- A third risk lies in the political situation in Europe. On this front, no major country is completely immune. What’s more, elections to the European Parliament next May will give a stage to political forces that want to blow up the system, preferably by avoiding stating clearly what will be done next (based on the model of Yanis Varoufakis and Brexiteers). We have heard it said many times over the past decade that Europe is poised to disintegrate. In reality, support for the euro has rarely been as high as it is today. The Eurosceptic wave is admittedly growing, but it has not morphed into a tsunami. The Eurosceptic parties, themselves divided on many points, are credited with 30% of the seats. This was their political weight thirty years ago, before it fell to 15% prior to the financial crisis. In short, our final working assumption is that Eurosceptics have very little chance of gaining control of the European Parliament and will have no influence on the true centres of power and decision-making, i.e. the Council, the Commission and the ECB.

Table of forecasts (1)



FORECASTS - REAL GDP GROWTH*													
	Average			2018				2019				Consensus**	
	2018	2019	2020	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2019	2020
World	3.7	3.3	3.1										
US	2.9	2.4	1.8	2.2	4.2	3.4	2.3	1.7	2.3	2.1	1.8	2.5	1.8
EMU	1.8	1.5	1.8	1.5	1.7	0.6	0.8	1.8	1.8	1.9	1.9	1.5	1.4
- Germany	1.4	1.4	1.8	1.5	1.8	-0.8	0.1	2.3	2.1	2.0	1.9	1.4	1.6
- France	1.5	1.6	1.8	0.9	0.6	1.1	1.1	2.0	2.1	2.0	1.9	1.5	1.4
- Italy	0.8	0.0	0.9	1.3	0.5	-0.5	-0.9	0.0	0.2	0.7	1.0	0.5	0.7
- Spain	2.5	2.5	2.2	2.2	2.3	2.2	2.8	2.5	2.5	2.2	2.2	2.2	1.9
UK	1.4	0.8	1.5	0.4	1.7	2.5	0.7	0.4	-0.4	1.6	1.2	1.5	1.6
Japan	0.7	0.8	0.9	-0.9	2.2	-2.6	1.4	1.0	1.0	2.0	0.0	1.0	0.4
China (y/y%)	6.6	6.1	5.9	6.8	6.7	6.5	6.4	6.2	6.1	6.0	5.9	6.2	6.1

* y/y or q/q annualised rate

**14 January 2019

FORECASTS - RATES & FX											
	Actual	Target		Last 5 years*		Average					
	13/02/2019	3M	12M	High	Low	2014	2015	2016	2017	2018	2019
Policy rate											
Fed funds	2.50	2.50	3.00	2.50	0.25	0.25	0.27	0.52	1.13	1.96	2.67
ECB deposit rate	-0.40	-0.40	-0.40	0.00	-0.40	-0.08	-0.20	-0.38	-0.40	-0.40	-0.40
10Y rate											
US T-note	2.7	2.7	3.2	3.2	1.5	2.5	2.1	1.8	2.3	2.9	2.8
German Bund	0.1	0.2	0.6	1.6	-0.1	1.2	0.5	0.1	0.4	0.5	0.3
French OAT	0.6	0.7	1.0	2.2	0.2	1.7	0.8	0.5	0.8	0.7	0.7
Forex											
EUR/USD	1.13	-	1.20	1.38	1.05	1.33	1.11	1.11	1.13	1.18	1.16
USD/JPY	111	-	110	124	101	106	121	109	112	110	110
USD/RMB	6.76	-	6.80	6.94	6.13	6.16	6.28	6.64	6.76	6.61	6.77

*monthly average

Table of forecasts (2)



FORECASTS - KEY MACRO DATA for US, EMU, & France *											
	Average			2018				2019			
	2018	2019	2020	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
United States											
Real GDP	2.9	2.4	1.8	2.2	4.2	3.4	2.3	1.7	2.3	2.1	1.8
Private Consumption	2.7	2.8	2.2	0.5	3.8	3.5	3.4	2.0	2.7	2.5	2.2
Nonresidential Investment	6.8	3.7	2.5	11.5	8.7	2.5	4.0	3.5	3.5	3.5	2.5
Residential Investment	-0.1	-0.2	2.3	-3.4	-1.3	-3.6	-2.0	0.0	2.0	2.0	2.0
Domestic Demand (contribution, %pt)	3.1	2.7	2.2	2.1	4.3	3.1	3.1	2.2	2.7	2.6	2.2
Inventories (contribution, %pt)	0.1	0.1	0.0	0.3	-1.5	2.8	-0.5	0.0	0.0	0.0	0.0
Net Exports (contribution, %pt)	-0.3	-0.5	-0.4	-0.1	1.3	-2.3	-0.3	-0.4	-0.4	-0.4	-0.4
Inflation (CPI, % yoy)	2.4	1.9	2.5	2.2	2.7	2.6	2.2	1.6	1.8	1.9	2.1
Unemployment rate (%)	3.9	3.7	3.4	4.1	3.9	3.8	3.8	3.8	3.7	3.6	3.5
Euro area											
Real GDP	1.8	1.5	1.8	1.5	1.7	0.6	0.8	1.8	1.8	1.9	1.9
Private Consumption	1.3	1.4	1.8	2.1	0.8	0.5	0.7	1.9	1.9	1.9	1.9
Investment	3.2	2.4	2.7	0.5	6.4	2.9	1.1	2.0	2.4	2.6	2.7
Domestic Demand (contribution, %pt)	1.6	1.6	1.9	1.2	2.1	1.1	1.0	1.8	1.9	1.9	1.9
Inventories (contribution, %pt)	0.2	0.0	0.0	1.1	-0.3	1.1	-0.5	-0.1	-0.1	0.0	0.0
Net Exports (contribution, %pt)	0.2	-0.1	0.0	-0.4	-0.1	-1.5	0.3	0.1	0.0	-0.1	-0.1
Inflation (HICP, % yoy)	1.7	1.3	1.5	1.3	1.7	2.1	1.9	1.4	1.4	1.2	1.1
Unemployment rate (%)	8.2	7.6	7.2	8.5	8.3	8.0	7.9	7.8	7.6	7.5	7.4
France											
Real GDP	1.5	1.6	1.8	0.9	0.6	1.1	1.1	2.0	2.1	2.0	1.9
Private Consumption	0.9	1.6	1.8	1.2	-0.4	1.6	0.0	2.2	2.2	2.0	2.0
Investment	2.9	2.2	2.1	1.1	3.3	4.0	1.0	2.0	2.0	2.2	2.1
Domestic Demand (contribution, %pt)	1.4	1.7	1.8	1.0	0.8	2.0	0.6	2.0	2.0	2.0	1.9
Inventories (contribution, %pt)	-0.4	-0.2	0.0	-0.2	0.6	-2.0	-0.4	0.0	0.1	0.1	0.1
Net Exports (contribution, %pt)	0.6	0.2	0.0	0.2	-0.8	1.2	0.9	0.0	0.0	-0.1	-0.1
Inflation (HICP, % yoy)	2.1	1.3	1.5	1.5	2.1	2.6	2.2	1.4	1.5	1.3	1.2
Unemployment rate (%)	8.7	8.5	8.1	8.9	8.7	8.8	8.5	8.6	8.5	8.4	8.4

* y/y or q/q annualised rate

Source: Thomson Reuters, Oddo-BHF Securities

14/02/2019

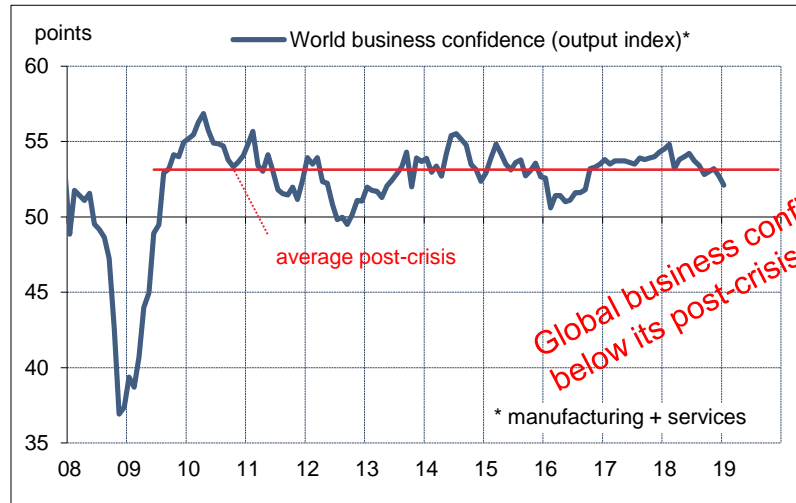
Economic conditions

(how things stand in early 2019)

Global economic conditions



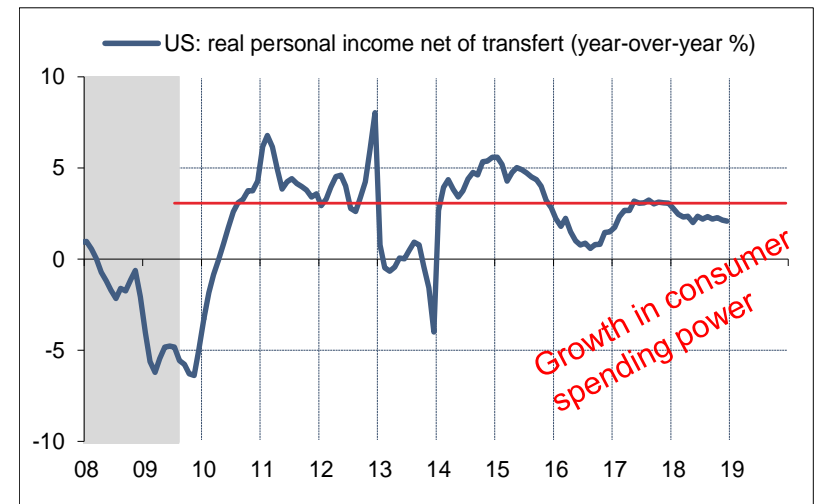
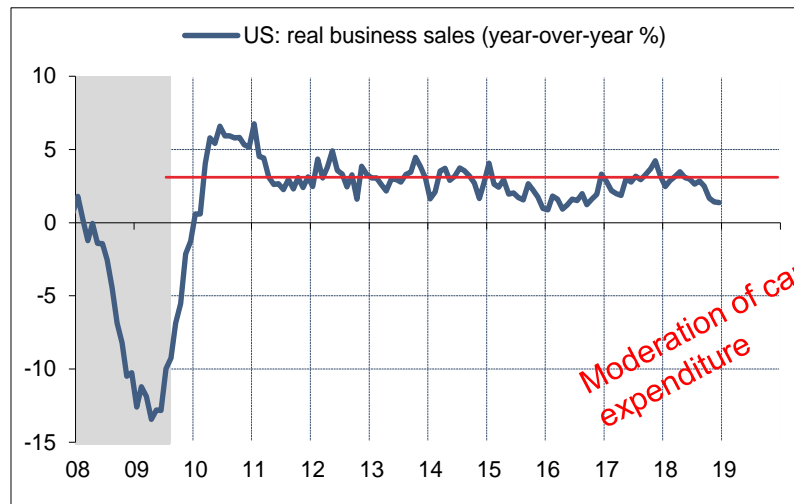
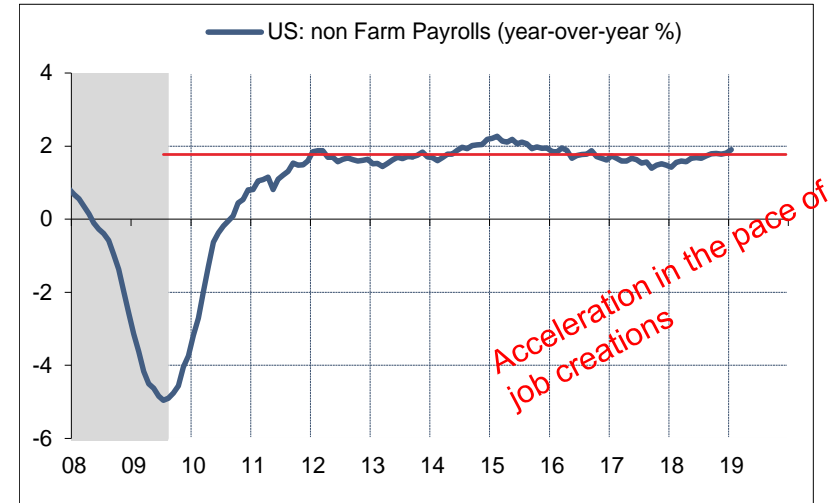
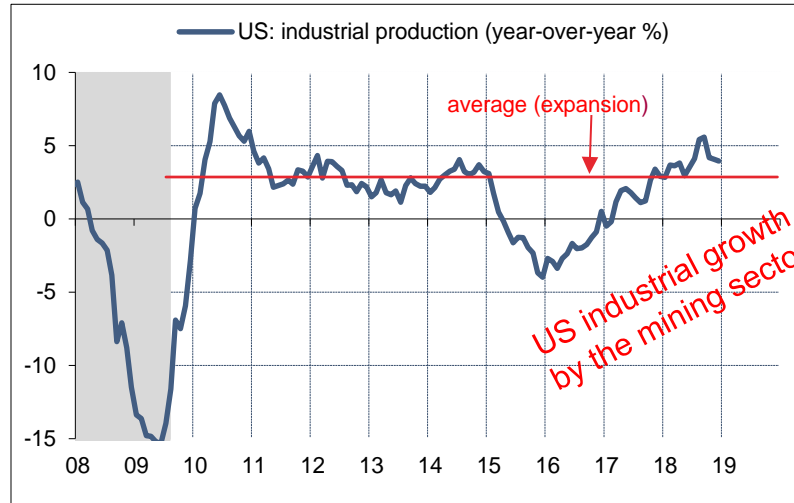
The global cycle continued to weaken in late 2018/early 2019. There are increasingly negative signals on the volume of trade, particularly in Asia. World real GDP growth stood at an annualised 3.1% quarter-over-quarter in Q4 (our estimate), unchanged from Q3.



Economic conditions in the US



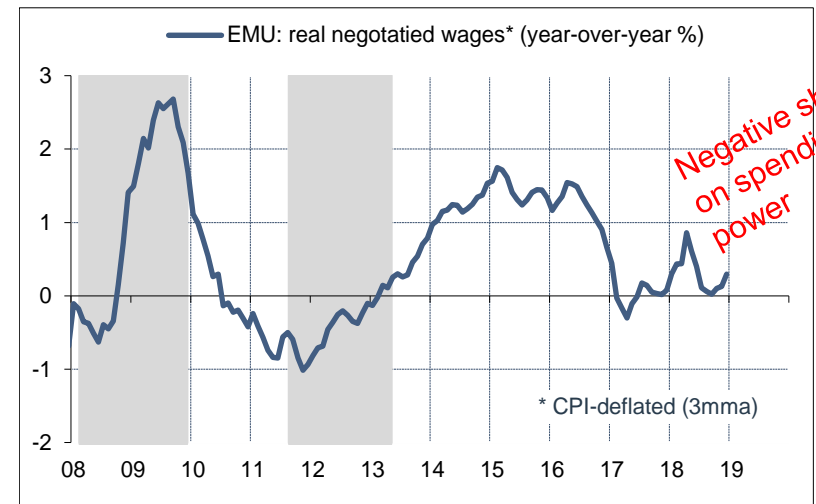
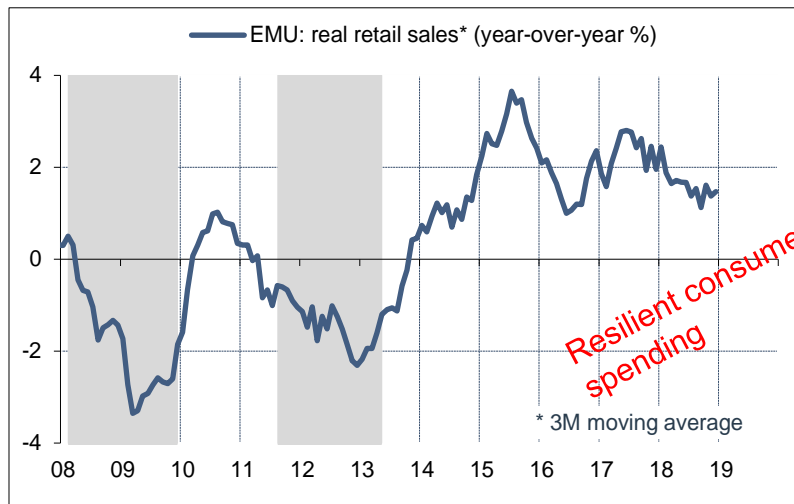
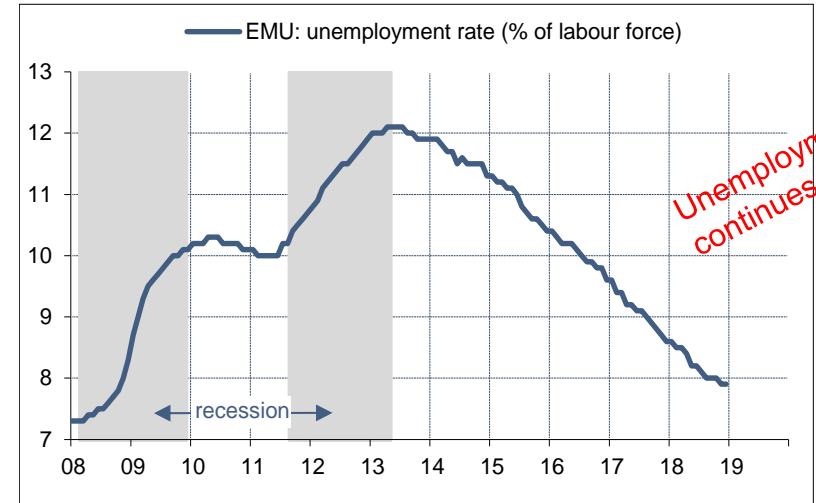
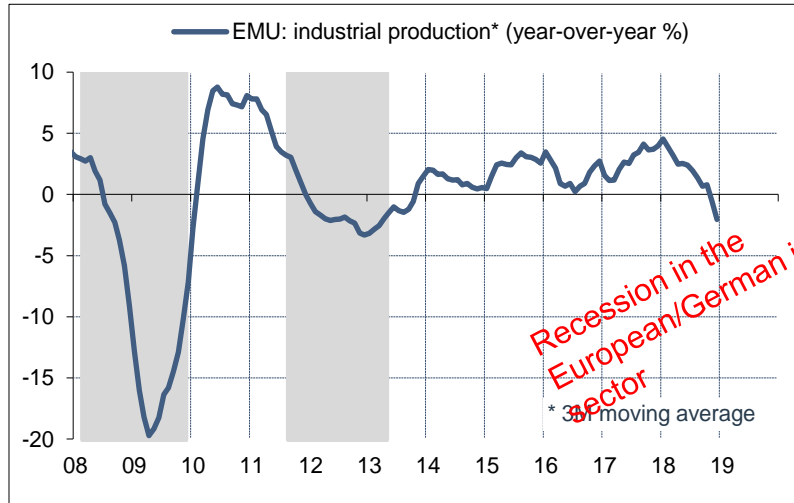
Economic conditions remain strong and almost ideal (low unemployment and inflation). But the outlook is clouded by a number of uncertainties surrounding trade (China) and politics. The Fed has reacted urgently to the market panic by ruling out any rate hikes for the time being.



Economic conditions in the Eurozone



European business confidence has been weakening for more than a year and has still not stabilised. The manufacturing sector is in recession. This is the result of one-off shocks, especially in Germany, and, more worryingly, of a plunge in export order books. Domestic demand is resilient.



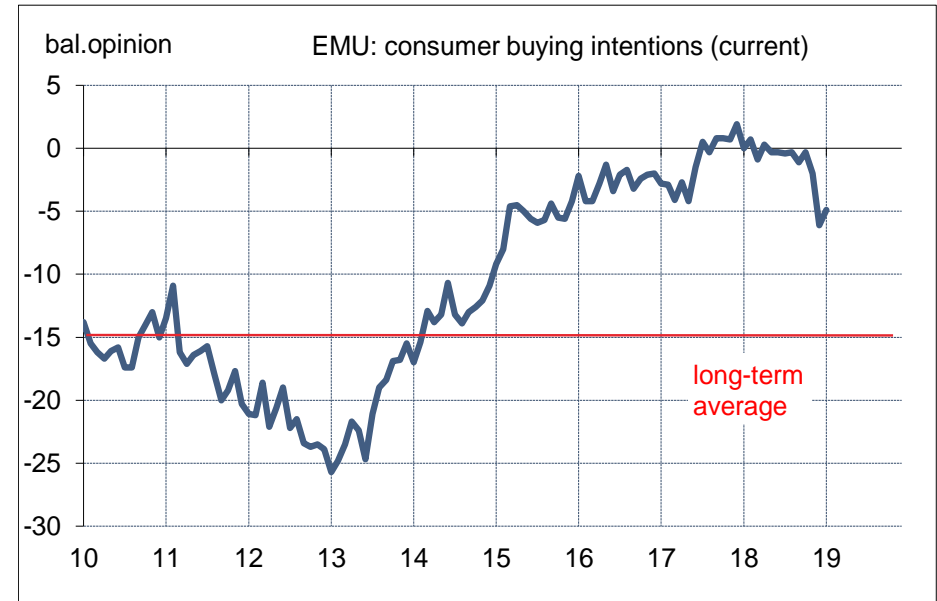
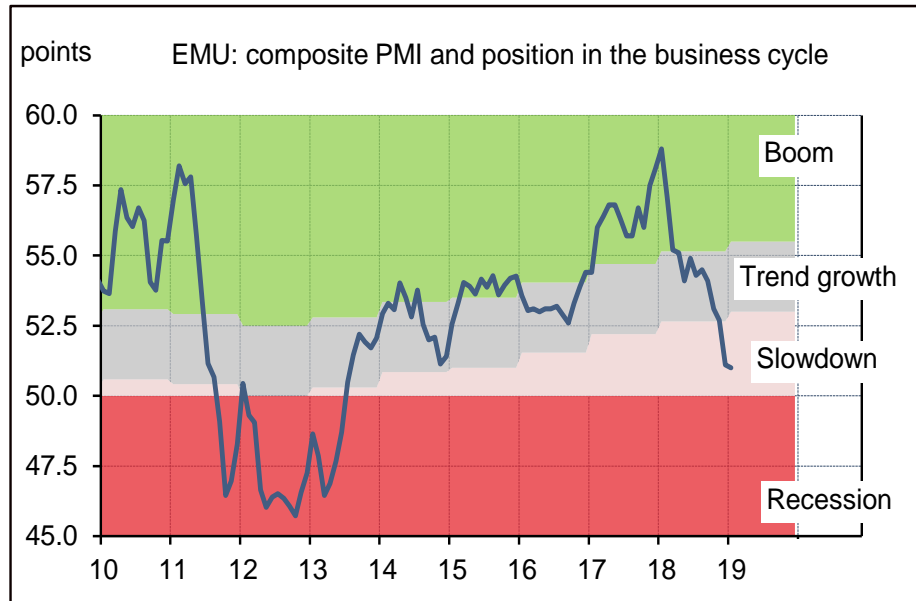
European scenario

(make-it or break-it?)

Eurozone – Business confidence



In the space of one year, the Eurozone growth cycle has gone from a boom phase (growth > potential) to a sub-optimal growth phase. The business sector has been wrong-footed, making forecast revisions all the more radical and anxiety generating.



What's new?

- Overall, eurozone business confidence has fallen to a level where growth is running below its potential rate.
- The level of confidence is dangerously close to the stall zone:
 - Weakening confidence in all countries
 - One common factor (accumulation of external risks) + specific local or sectoral factors
 - A sharper downturn in manufacturing than in services (domestic demand is resilient)

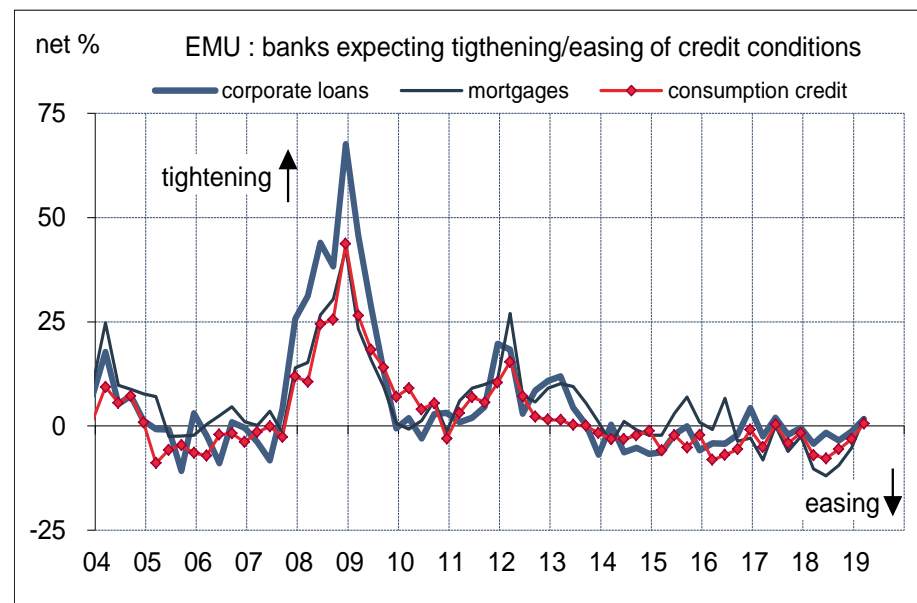
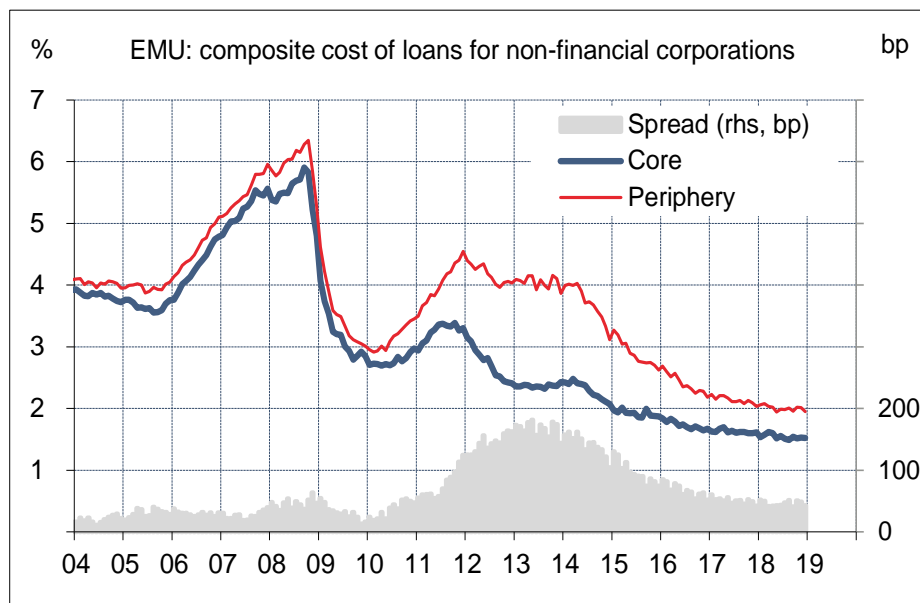
Outlook

- Factors of recovery in the business confidence
 - Germany: catch-up after (WLTP + drought) idiosyncratic shocks
 - France: normalisation of the social climate
 - Stabilisation of markets and world growth (China)
- Factors heightening pessimism
 - Collapse of UK-EU negotiations, "no-deal Brexit" scenario
 - Increase in US tariffs on European products (vehicles)

Eurozone – Credit conditions



The distribution of bank loans to the private sector continued broadly at the same pace in 2018, despite the erosion of general confidence. Borrowing rates are at record lows in this recovery and loan standards are neutral overall.



What's new?

- Loans continue to grow steadily and without any excesses in all borrower categories:
 - Business loans: +3.4% year-on-year (+0.5pts vs end-2017)
 - Consumer loans: +6.5% year-on-year (-0.6pts vs end-2017)
 - Property loans: +3.3% year-on-year (stable vs end-2017)
- The fragmentation of credit conditions is no longer an obstacle to the recovery (as was the case in 2012-2014)

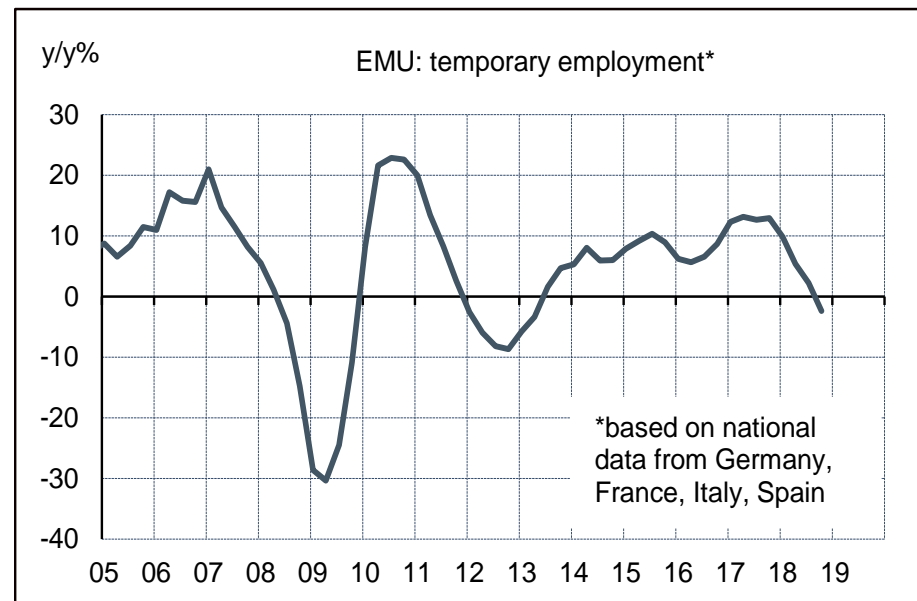
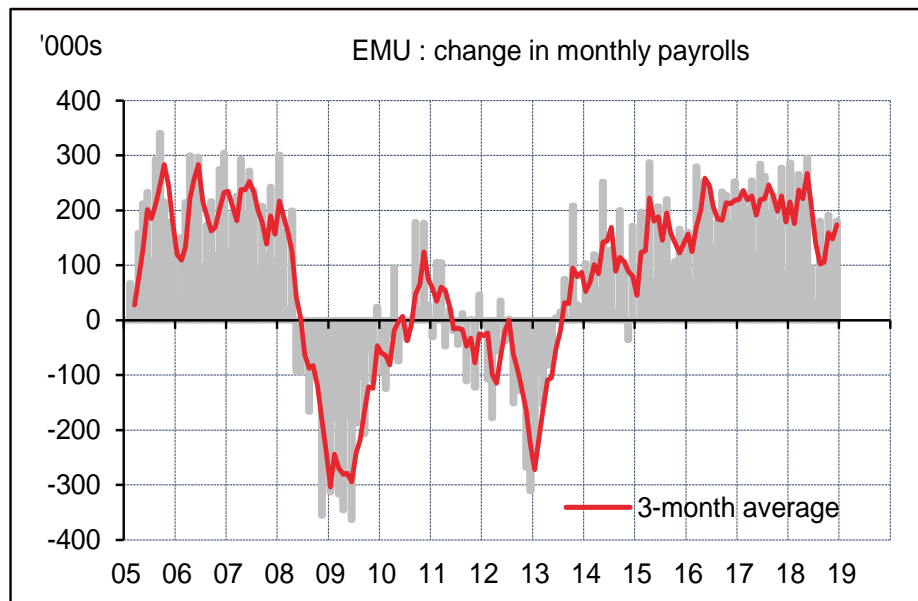
Outlook

- At the start of 2019, banks were forecasting a slight moderation of credit demand (reflecting weakening business confidence) but no tightening of loan standards
 - Exception: Italy, where loans standards have tightened sharply
- Banks' profitability and ECB policy
 - The ECB does not appear ready to end the NIRP (which is eroding banks' net income), but it may announce new liquidity operations to offset the first LTRO repayments.

Eurozone – Employment conditions



The resilience of domestic demand is due in large part to the ongoing improvement in employment conditions (falling unemployment, rising participation rate, wage growth). Manufacturing companies have mainly cut temporary employment positions to date.



What's new?

- The pace of job creations in the eurozone remains firmly within the expansion zone (100-200,000 per month).
 - Moderate slowdown compared with the years 2016-2017
 - A few signs of recovery at the end of 2018 after a soft patch during the summer
- This pace is sufficient to prolong the fall in unemployment.
- The participation rate is on an upward trend (unlike in the US).

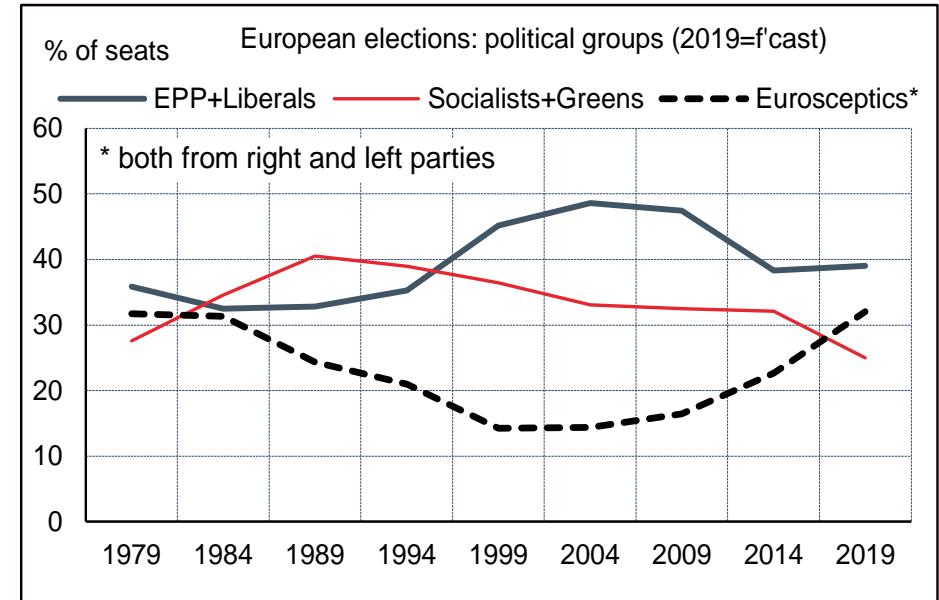
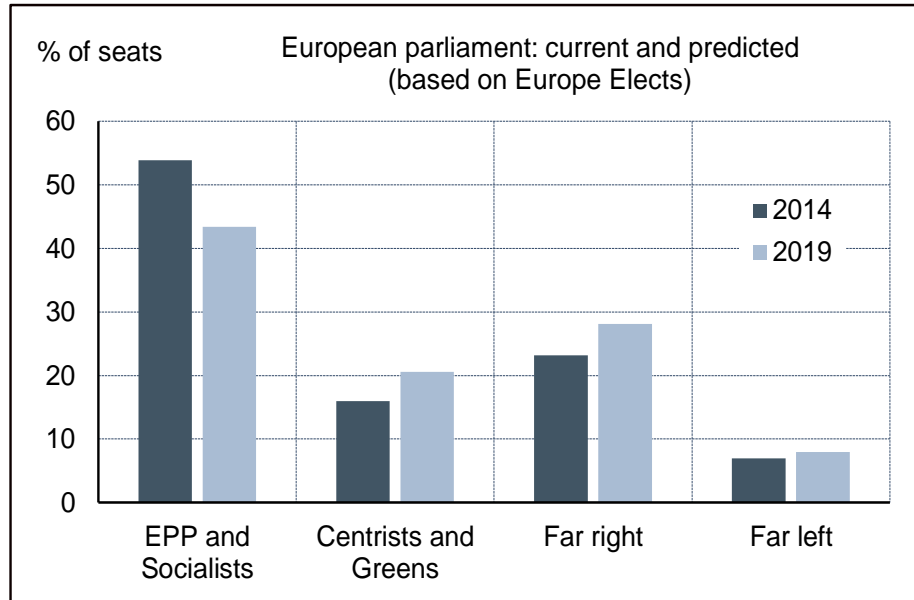
Outlook

- One negative signal (to monitor) is the fairly pronounced correction in temporary employment since the start of 2018.
 - The drop in temporary employment seems to be mainly linked to the sudden weakening of the manufacturing sector
 - Swift adjustment to shocks initially thought to be temporary
 - Barring a stabilisation of their outlook, companies are likely to make permanent downward adjustments to their hiring plans
- Wages are picking up, a positive point for household income.

Eurozone – Political situation



Over the past six months, political risk has fallen slightly in Germany and Italy but mounted in France and Spain. Elections to the European parliament point to a greater fragmentation of political forces. The Eurosceptic block could attain around 30%. This does not constitute a majority.



What's new?

- Political risk: no common trend, local factors
 - Germany: easing of strains on the right (CDU/CSU), with the “GroKo” maintained alongside Merkel as Chancellor.
 - France: the wave of social protests (“yellow vests”) has weakened from its December 2018 peak. Macron is adjusting fiscal policy.
 - Italy: internal strains within the League/M5S coalition, but probably no divorce ahead of European elections in May 2019.
 - Spain: deeply fragile minority PSOE government (Catalan question, fiscal question), risk of new elections

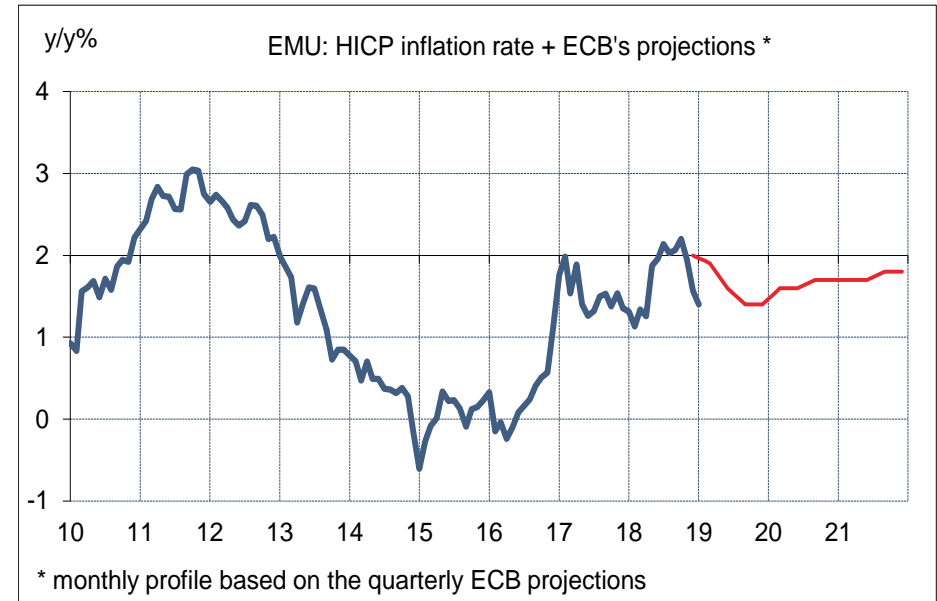
Outlook

- Elections to the European parliament from 23 to 26 May, 2019
 - Barring a cancellation of Brexit, this will be the first time without any UK MEPs (the number of MEPs will fall from 750 to 705).
 - Weakening of the majority group formed by the right (EPP) and Socialists, to the benefit of other centrist parties and far-right parties.
- The representation of “Eurosceptics” (themselves divided) is expected to increase compared with 2009 and 2014 but remain a minority (around 30%). It is set to return to the level seen in the early 1980s.

Eurozone – Monetary policy



The ECB cannot act directly on external risks, but it can defer the next normalisation step (exit from the NIRP/ZIRP). At this stage, it is not seeking to modify market expectations of no policy rate increases before 2020.



What's new?

- The ECB ended the expansion of its balance sheet in 2018
 - No “taper tantrum” type reaction
 - Asset portfolio ≈ €2,500bn (82% government bonds)
 - Total reinvestment of maturing securities (≈€16bn per month)
- The ECB has “moved to the downside” the balance of risks to growth.

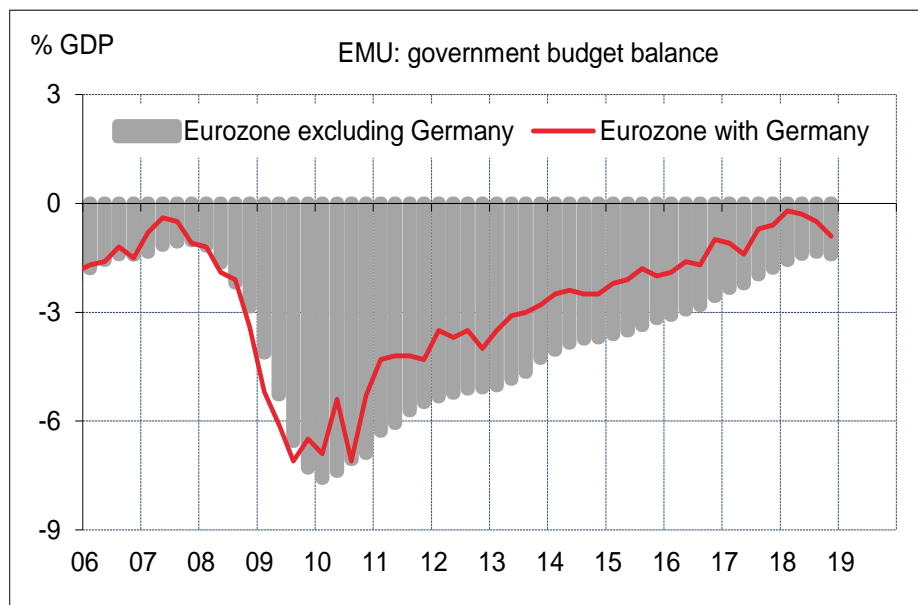
Outlook

- In March 2019, ECB staff are set to cut their macro forecasts.
 - 2019 GDP: ECB 1.7% (in December) vs EC 1.3% (in February)
 - 2019 inflation: ECB 1.6% (in December) vs EC 1.4% (in February)
- Adjustment of forward guidance to postpone rate hikes.
- Liquidity measures to mitigate the impact of LTRO repayments.

Eurozone – Fiscal policy



The overall fiscal situation is good (2018 deficit <1%), making possible a fiscal stimulus effort of around half a point in 2019. The expansionary stance of fiscal policy is in tune with the central bank's accommodative policy.



	Change in deficit				Change in structural deficit			
	2011-13	2014-17	2018e	2019e	2011-13	2014-17	2018e	2019e
EU 28	-1.0	-0.6	-0.3	0.1	-0.9	-0.2	-0.1	0.2
_UK	-1.3	-0.9	-0.5	-0.3	-0.9	-0.5	-0.6	-0.4
Eurozone	-1.0	-0.5	-0.3	0.3	-1.0	-0.1	-0.1	0.4
_Germany	-1.4	-0.3	-0.5	0.4	-0.7	-0.1	-0.6	0.5
_France	-0.9	-0.4	-0.1	0.6	-0.8	-0.2	0.0	0.4
_Italy	-0.4	-0.1	-0.5	0.4	-0.9	0.3	0.0	0.7
_Spain	-0.8	-1.0	-0.4	-0.5	-1.8	0.3	0.2	0.0
US	-1.6	-0.2	0.5	0.6	-0.9	0.1	1.0	0.9
Japan	-0.5	-1.0	-0.4	-0.2	-0.2	-1.0	-0.7	-0.3
China	-0.8	1.6	-0.1	0.2	-	-	-	-
World*	-1.1	0.0	0.0	0.3	-0.8	-0.2	0.3	0.5

EC data for EU countries, CBO data for the US, OECD for Japan, IMF for China ("augmented" gov.deficit)

French and Italian data were adjusted based on the latest announcements

*w weighted average of EU, US, Japan, China by GDP, ex China for structural deficit

What's new?

- The Eurozone budget deficit has fallen to its lowest level since 2007.
 - Eurozone: budget deficit of 0.6% of GDP (average)
 - Mixed situations: Germany (surplus: +1.6%) vs Eurozone ex-Germany (deficit: -1.4%)
- Easing of strains between Rome and Brussels, averting the opening of an excessive deficit procedure.

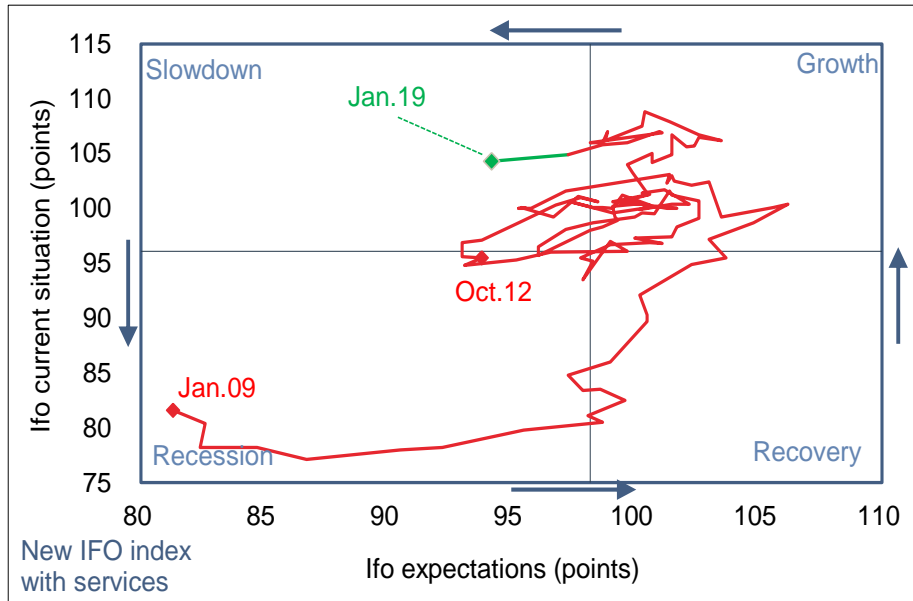
Outlook

- Fiscal stimulus of around ½ point of GDP in 2019
 - Germany: debate over tax cuts (different positions within the coalition, but no absolute rejection of a more expansionary policy)
 - France: implementation of the "Macron plan" (€10-15bn), mostly targeted at the middle classes
 - Italy: bigger than expected deficit breach because of the recession

Germany



The cyclical slowdown is more pronounced in Germany than in the rest of the eurozone. This reveals some structural weaknesses: over-exposure to world demand and protectionist risk, and over-representation of the automotive sector in total activity



What's new?

- A series of "one-offs" throughout 2018
 - Political factors: battle surrounding Merkel's succession
 - Weather factors: exceptional drought, level of the Rhine
 - Sectoral factors: WLTP standards (auto), logistics (chemicals)
- The manufacturing sector was in a "technical recession" in the second half of 2018 (-1.7% q/q in Q3, -1.5% in Q4).
- Real GDP stagnated in H2 2019, barely avoiding a "technical recession".

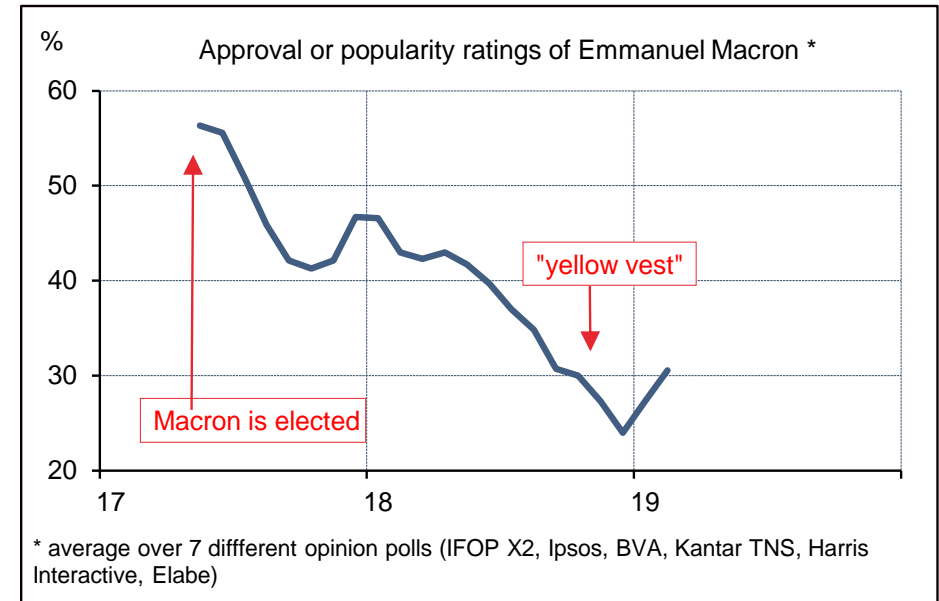
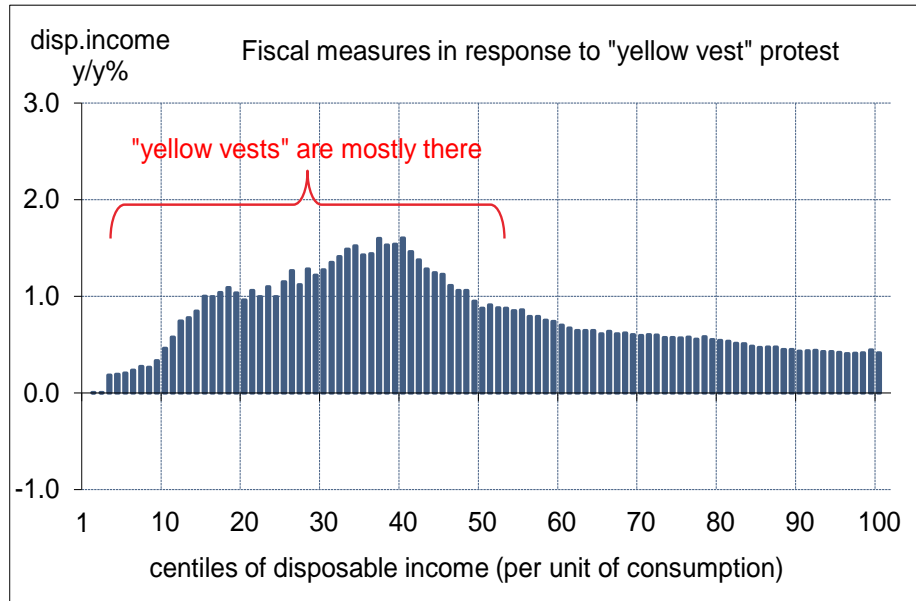
Outlook

- It is difficult to separate precisely the respective contributions due to "one-offs" shocks (transitory by definition) and to a more fundamental weakening of external demand.
 - Downside risk in the short term is linked to Chinese demand. At present, German exports to China have not fallen and rose by close to 10% on average in 2018.
 - Upside risk comes from the return to normal of river transport (as supply chains are re-opened) and the automotive sector (strong recovery in new orders).

France



The impact of the “yellow vests” protests has been deeply negative on confidence indices, but modest on economic growth (aside from disruptions in some sectors). The government’s response is fiscal loosening. The reforms agenda has been postponed but not buried.



What's new?

- 1 December 2018: the yellow vests protests reach their peak, scenes of urban rioting in Paris, negative shock on business confidence.
- 10 December 2018: Macron announces a series of measures (around 0.5pts of GDP) designed to boost household disposable income
 - Elimination of tax hikes on fuel, increase in the “employment bonus” (*prime d'activité*) for employees paid the minimum wage, cancellation of the increase in the social contribution for low income pensioners
- 15 January 2019: launch of the Great National Debate. Summary in April.

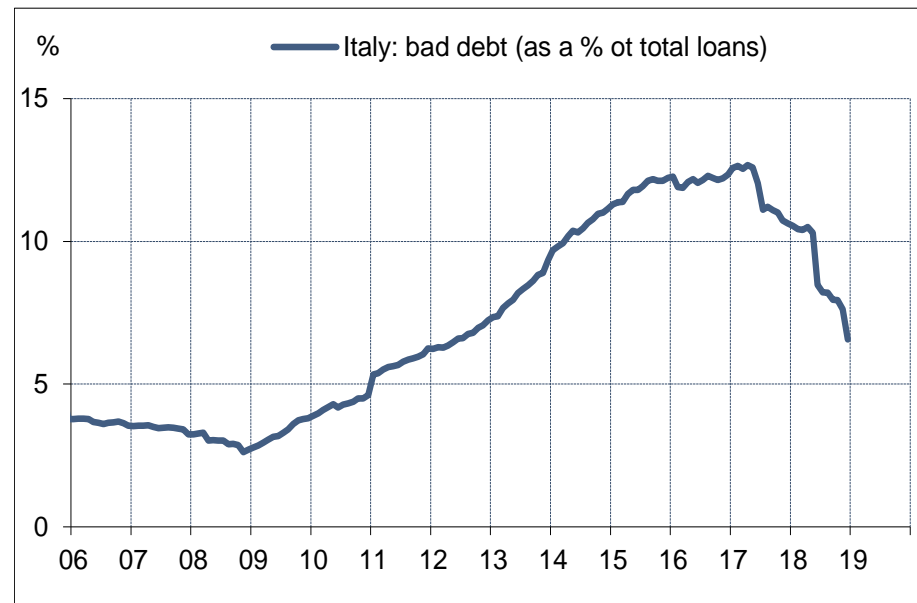
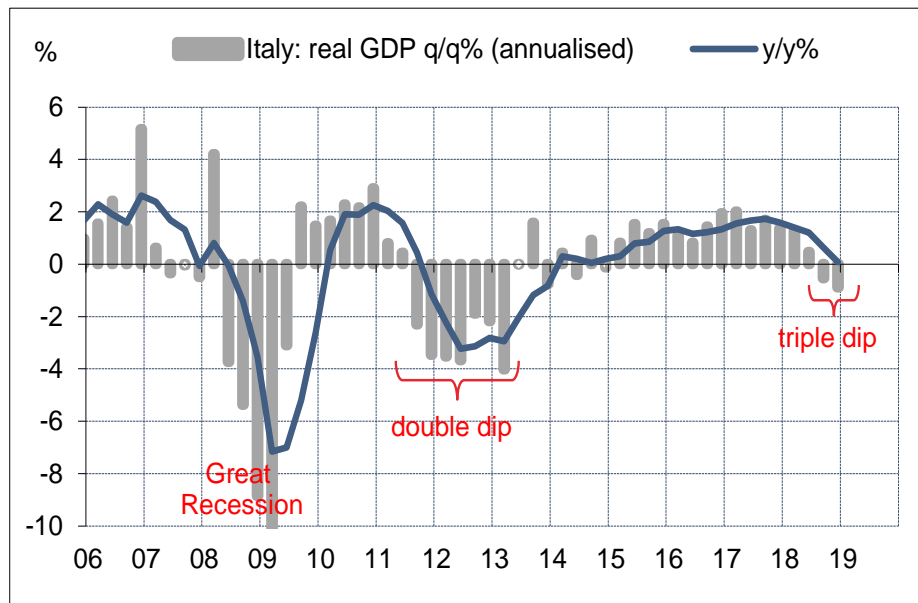
Outlook

- Economy/public finances
 - Stabilisation of confidence indices. Normalisation of activity but downside risk to employment (sharp drop in temporary employment).
 - 2019 budget deficit > 3% GDP. No fine by the Commission. No visibility on fiscal measures decided on after the Great Debate.
- Politics
 - Recovery in Macron's popularity. Divided opposition. Polls for RN (ex-FN) < 25%, less than at European elections in 2014.

Italy



The Lega/M5S coalition's stubborn opposition to Brussels has accentuated the general weakening of business confidence. The Italian economy has slipped back into a (modest) recession for the third time in a decade. Fortunately, strains in the debt market have eased.



What's new?

- Calming of fiscal frictions along the Rome-Brussels axis
 - October 2018: the ECB rejects Italy's budget proposal. Downgrade of the sovereign rating by Moody's. BTP-Bund spread peaks at 327bp.
 - December 2018: budget revision. The Commission abstains from launching an excessive deficit procedure. Spread of 240-280bp.
- The economy enters a "technical correction" (contraction in real GDP of 0.1% q/q in Q3, followed by 0.2% q/q in Q4).

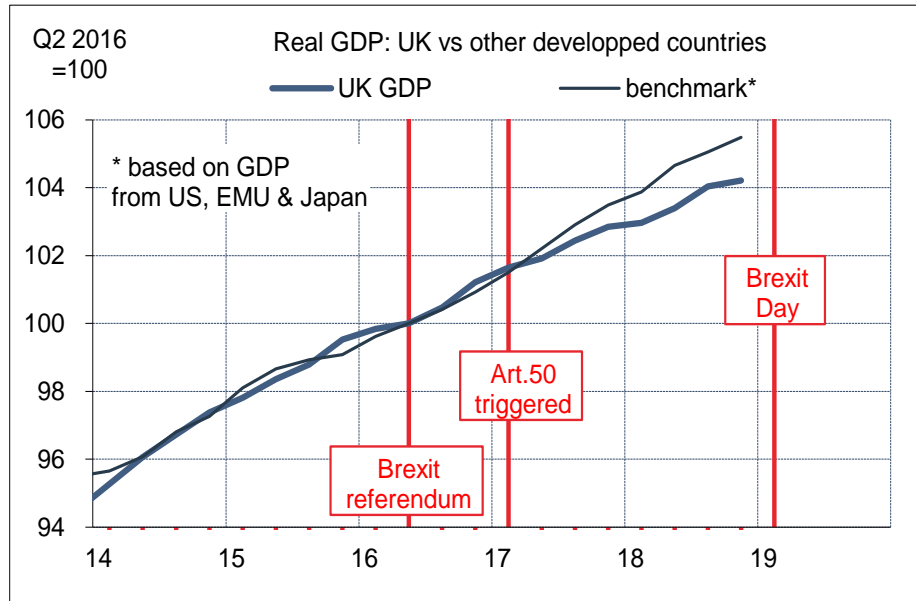
Outlook

- At the domestic level, it will take time to restore a climate of confidence, especially as the political situation has not stabilised.
 - Italy has favourable market borrowing conditions again.
 - Opinion polls and partial elections reveal an imbalance within the coalition (to the benefit of the Lega and to the detriment of M5S), creating the risk of early elections with an uncertain outcome.
- At the external level, the recovery in manufacturing (the weakest sector) hinges on an improvement in Germany's outlook.

UK / Brexit



At present, Theresa May has no majority to ratify the exit agreement and the political declaration signed with the EU. Without a ratification, the default option on 29 March 2019 is a “no-deal Brexit”. In that case (not our central view) , there would be a very severe recession.



Institution / Think-tank	Date	Long-term impact on UK GDP (%)*
Economists for Brexit	2016	4.0
Bertelsmann	2015	-2.3
Open Europe	2015	-2.8
Center for Eco.Performance/ LES	2016	-2.9
IFO	2015	-2.9
CEPII	2018	-2.9
PwC/CBI	2016	-3.5
Central Planning Bureau	2016	-4.1
CEPR	2017	-4.5
NIESR	2018	-5.5
IMF	2016	-5.6
BoE	2018	-6.3
HM Treasury	2018	-7.7
OECD	2016	-7.7
HM Treasury (zero migration)	2018	-9.3
AVERAGE		-4.9

* relative to Remain scenario. If range of estimates, average value

What's new?

- 25 November 2018: signing of the withdrawal agreement (including the Irish backstop) + political declaration by the EU and the UK government
- 15 January 2019: the deal is rejected by the UK Parliament. Historical defeat for Theresa May (432 against, 202 for)
- 27 February 2019: possible vote of an amendment forcing the government to ask the EU for an extension of article 50
- 21 March 2019: last EU summit before Brexit-Day

Outlook

- There is no majority in Parliament (today) to approve the agreement signed by Theresa May, but nor is there a majority for a “no-deal Brexit” (exit without a transition period and a return to WTO rules)
 - The central (reasonable) assumption is that this scenario will be averted (last minute signing with minor adjustments) or deferred (extension of article 50, fresh elections, etc.)
- And what if a "no-deal Brexit" occurs after all?
 - Impact studies estimate a 5pt drop in GDP in the medium term compared with the scenario of remaining in the EU

Appendix – statistics and charts

1. Real GDP growth in the major countries (% quarterly change)
2. Contributions to real GDP growth: G7 countries
3. Real GDP growth: G7 countries + China
4. Real GDP growth: countries of Asia excl. China-Japan (selection)
5. Real GDP growth: other countries (selection)
6. Industrial production: G7 + emerging countries (selection)
7. Consumer price inflation: G7 countries + China
8. Consumer price inflation: emerging countries (selection)
9. Unemployment rates: G7 countries
10. Purchasing managers' confidence (PMI indices): G7 + BRIC countries
11. Consumer confidence: developed countries (selection)
12. Car sales: G7 countries + China + Brazil
13. Central bank policy rates: developed countries (selection)
14. Central bank policy rates: emerging countries (selection)
15. Central bank balance sheets: developed countries (selection)
16. Currency reserves: world and principal holders
17. Current account balances: G7 countries + China
18. Current account balances: emerging countries (selection)
19. Exchange rates against the EUR or USD: major currencies
20. Government debt (as % of GDP): European countries (selection)
21. Sovereign ratings: European countries (selection)
22. Bank financing by the Eurosystem
23. Bank loans to the private sector: European countries (selection)
24. 10-year government bond yield

Appendix 1

Real GDP growth in the major countries (% quarterly change)



	GDP 2016		Weights 2016		Real GDP change (Q/Q non annualised, %)																							
	bn \$	PPP \$	current \$		2013				2014				2015				2016				2017				2018			
			%	%	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
World *	80111	100.0	100.0	0.99	0.95	1.11	0.93	0.74	0.99	1.06	0.88	0.89	0.92	0.82	0.63	0.90	0.85	0.75	0.96	0.95	1.05	1.10	0.88	0.93	1.04	0.75	0.76	e
Developed countries	43116	53.8	36.5	0.49	0.39	0.66	0.51	0.24	0.48	0.76	0.50	0.76	0.53	0.29	0.21	0.54	0.34	0.42	0.55	0.58	0.66	0.65	0.57	0.38	0.72	0.39	0.39	e
Asia excl.Japan	19151	23.9	32.7	1.59	1.52	1.78	1.57	1.37	1.88	1.62	1.36	1.47	1.77	1.61	1.32	1.59	1.67	1.44	1.36	1.43	1.52	1.79	1.39	1.57	1.54	1.33	1.42	e
US	19485	24.3	15.5	0.9	0.1	0.8	0.8	-0.3	1.3	1.2	0.5	0.8	0.8	0.2	0.1	0.4	0.6	0.5	0.4	0.4	0.7	0.7	0.6	0.5	1.0	0.8	-	
EMU	12417	15.5	11.5	-0.4	0.5	0.4	0.2	0.5	0.2	0.4	0.5	0.7	0.4	0.4	0.5	0.7	0.3	0.4	0.8	0.7	0.7	0.7	0.7	0.4	0.4	0.2	0.2	
- Germany	3701	4.6	3.3	-0.3	0.9	0.6	0.4	1.0	-0.1	0.3	1.0	-0.1	0.6	0.3	0.5	0.9	0.4	0.2	0.4	1.1	0.5	0.6	0.5	0.4	0.5	-0.2	0.0	
- France	2588	3.2	2.3	0.0	0.7	0.0	0.4	0.1	0.3	0.4	0.1	0.4	0.0	0.4	0.2	0.7	-0.2	0.2	0.6	0.8	0.6	0.6	0.7	0.2	0.2	0.3	0.3	
- Italy	1939	2.4	1.9	-1.0	0.0	0.4	-0.2	0.1	-0.1	0.2	0.0	0.2	0.4	0.3	0.4	0.3	0.2	0.4	0.5	0.5	0.3	0.4	0.3	0.3	0.1	-0.1	-0.2	
Japan	4873	6.1	4.3	1.1	0.8	0.8	0.0	0.9	-1.9	0.1	0.5	1.3	0.1	0.0	-0.4	0.7	0.0	0.2	0.3	0.8	0.4	0.6	0.5	-0.2	0.6	-0.7	0.3	
UK	2628	3.3	2.3	0.6	0.5	0.9	0.5	0.8	0.8	0.7	0.7	0.4	0.6	0.4	0.7	0.3	0.2	0.5	0.7	0.4	0.3	0.5	0.4	0.1	0.4	0.6	0.2	
Switzerland	679	0.8	0.4	0.4	0.8	0.7	0.2	0.7	0.6	0.8	0.8	-0.3	0.0	0.6	0.4	0.6	0.3	0.4	-0.1	0.4	0.7	0.8	0.7	0.9	0.7	-0.2	-	
Canada	1653	2.1	1.4	0.9	0.6	0.8	1.1	0.1	0.9	1.0	0.7	-0.5	-0.3	0.4	0.1	0.6	-0.5	1.1	0.6	1.0	1.1	0.3	0.4	0.4	0.7	0.5	-	
Australia	1380	1.7	1.0	0.3	0.6	0.7	0.8	0.7	0.7	0.4	0.4	0.9	0.3	0.9	0.6	1.0	0.8	-0.1	1.0	0.4	0.8	0.6	0.5	1.0	0.9	0.3	-	
China	12015	15.0	17.6	1.9	1.8	2.1	1.6	1.8	1.8	1.8	1.7	1.7	1.8	1.7	1.5	1.4	1.9	1.7	1.6	1.5	1.8	1.8	1.5	1.5	1.7	1.6	1.5	
India **	2602	3.2	7.2	1.7	1.3	1.7	2.1	0.8	2.9	1.8	0.9	1.6	3.0	2.0	1.2	2.8	1.7	1.5	1.0	1.6	1.3	2.2	1.8	2.2	1.8	1.2	-	
Korea	1540	1.9	1.6	0.6	1.1	0.8	0.9	1.0	0.6	0.7	0.5	0.8	0.4	1.2	0.8	0.6	0.8	0.4	0.7	1.0	0.6	1.4	-0.2	1.0	0.6	0.6	1.0	
Indonesia **	1015	1.3	2.5	1.4	1.5	1.3	1.2	1.2	1.3	1.3	1.2	1.1	1.1	1.3	1.4	1.0	1.3	1.2	1.2	1.2	1.3	1.3	1.3	1.1	1.4	1.2	1.3	
Taiwan	573	0.7	0.9	-0.3	1.0	0.8	1.5	0.6	1.2	1.1	0.5	0.6	-1.4	-0.1	0.0	0.8	0.9	0.4	0.9	0.8	0.5	1.2	0.8	0.7	0.3	0.4	0.4	
Thailand	455	0.6	1.0	-0.1	-0.6	0.7	0.0	-0.4	0.6	0.9	1.1	0.4	0.5	1.3	0.8	0.8	0.7	0.7	0.7	1.2	1.2	1.2	0.4	2.0	0.9	0.0	-	
Malaysia **	312	0.4	0.7	-0.3	1.6	1.8	1.6	1.1	1.8	1.1	1.4	1.4	1.0	1.0	1.2	0.7	1.1	1.3	1.4	1.7	1.5	1.5	1.1	1.1	0.7	1.4	1.5	
Philippines	314	0.4	0.7	2.2	1.1	1.6	1.1	2.0	1.7	0.7	1.9	1.0	2.1	1.2	2.2	1.4	1.9	1.3	1.8	1.4	2.0	1.7	1.4	1.4	1.5	1.5	1.6	
Singapore	324	0.4	0.4	1.9	2.0	0.5	1.0	1.2	0.4	0.7	1.8	-0.3	0.4	0.7	0.3	0.7	0.4	0.2	2.4	-0.4	0.7	2.7	0.5	0.5	0.3	0.9	0.4	
Brazil	2055	2.6	2.6	0.1	2.2	0.4	-0.1	0.7	-1.3	0.2	0.4	-0.9	-2.3	-1.5	-0.9	-0.9	0.0	-0.8	-0.3	1.1	0.6	0.4	0.2	0.2	0.2	0.8	-	
Chile	277	0.3	0.4	1.0	1.6	0.8	0.5	0.0	0.3	0.1	1.2	0.4	0.9	-0.1	0.9	0.4	-0.6	0.4	0.2	-0.6	0.8	2.4	0.7	1.2	0.7	0.3	-	
Mexico	1151	1.4	2.0	0.3	-0.7	1.0	0.5	0.6	1.3	0.4	1.1	0.5	1.1	1.3	-0.1	0.6	0.5	1.2	0.9	0.4	0.5	-0.2	0.8	1.1	-0.1	0.8	-	
Russia **	1578	2.0	3.2	0.6	0.4	0.2	0.7	-0.5	0.9	-0.4	0.2	-2.4	-0.7	0.2	-0.1	0.3	-0.8	0.3	0.7	0.4	1.0	0.0	-0.4	0.8	1.5	-0.2	-	
Poland	525	0.7	0.9	0.2	1.1	0.8	0.1	1.1	1.1	0.8	0.5	1.3	0.7	1.2	1.1	-0.1	1.3	0.2	2.0	1.2	1.0	1.2	1.2	1.6	1.1	1.7	-	
Turkey	852	1.1	1.7	3.6	2.6	1.3	0.7	2.7	-1.5	2.4	1.5	1.9	1.4	1.6	0.6	0.7	1.1	-2.1	4.2	1.9	2.2	1.9	1.2	1.7	0.6	-1.1	-	
South Africa	349	0.4	0.6	0.5	1.2	0.2	1.4	-0.6	0.3	0.6	1.1	0.5	-0.7	0.1	0.3	-0.4	0.9	0.3	0.1	-0.2	0.7	0.6	0.9	-0.7	-0.2	0.6	-	

* as usual, world weighting is based on real GDP at PPP exchange rate (IMF data)

** for those countries, seasonally-adjusted figures by Oddo BHF Securities

Appendix 2

Contributions to real GDP growth: G7 countries

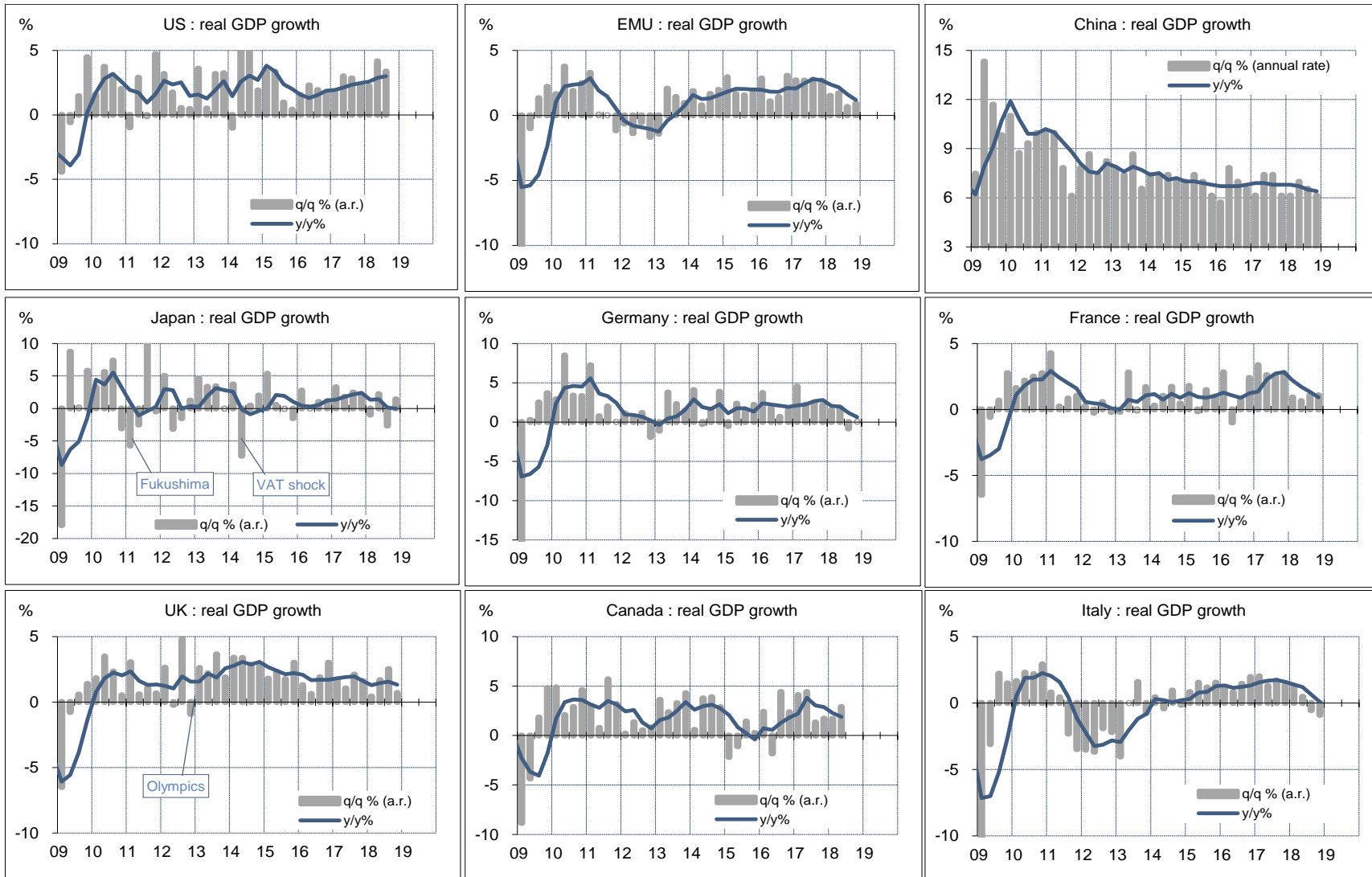


	Real GDP change (Q/Q non annualised, %) and contributions to growth *																												
	Pre-crisis	Crisis	Post-crisis	2013				2014				2015				2016				2017				2018					
	1999-2007	Q3 08-Q2 09	2010 to date	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
US																													
Real GDP qoq %	0.7	-1.0	0.6	0.9	0.1	0.8	0.8	-0.3	1.3	1.2	0.5	0.8	0.8	0.2	0.1	0.4	0.6	0.5	0.4	0.4	0.7	0.7	0.6	0.5	1.0	0.8	-	-	-
- Inventories	0.0	-0.3	0.0	0.3	0.1	0.4	-0.2	-0.3	0.3	0.0	-0.2	0.5	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	0.3	-0.2	0.1	0.3	-0.2	0.1	-0.3	0.6	-	-	-
- Net exports	-0.1	0.3	-0.1	0.1	-0.1	0.0	0.3	-0.3	-0.1	0.0	-0.3	-0.4	0.0	-0.3	-0.1	-0.1	0.1	0.0	-0.3	0.0	0.0	0.0	-0.2	0.0	0.3	-0.5	-	-	-
- Final demand	0.8	-1.0	0.6	0.5	0.1	0.4	0.6	0.3	1.1	1.2	0.9	0.7	0.9	0.7	0.3	0.6	0.6	0.6	0.5	0.7	0.7	0.4	1.0	0.5	1.0	0.7	-	-	-
Japan																													
Real GDP qoq %	0.3	-1.6	0.3	1.1	0.8	0.8	0.0	0.9	-1.9	0.1	0.5	1.3	0.1	0.0	-0.4	0.7	0.0	0.2	0.3	0.8	0.4	0.6	0.5	-0.2	0.6	-0.7	0.3	-	-
- Inventories	0.0	-0.5	0.0	-0.1	-0.6	0.2	0.1	-0.4	0.9	-0.4	-0.3	0.3	0.4	-0.3	-0.1	0.0	0.4	-0.5	-0.2	0.1	-0.1	0.4	0.2	-0.3	0.0	0.1	-0.2	-	-
- Net exports	0.1	-0.4	0.0	0.3	0.0	-0.3	-0.5	-0.2	0.9	0.0	0.4	0.0	-0.1	-0.1	0.0	0.3	0.1	0.3	0.4	0.1	-0.3	0.5	0.0	0.1	-0.2	-0.1	-0.3	-	-
- Final demand	0.2	-0.7	0.3	0.9	1.4	0.9	0.4	1.5	-3.7	0.6	0.4	1.0	-0.1	0.4	-0.3	0.4	-0.4	0.5	0.1	0.7	0.9	-0.4	0.3	0.0	0.7	-0.6	0.9	-	-
Germany																													
Real GDP qoq %	0.4	-1.7	0.5	-0.3	0.9	0.6	0.4	1.0	-0.1	0.3	1.0	-0.1	0.6	0.3	0.5	0.9	0.4	0.2	0.4	1.1	0.5	0.6	0.5	0.4	0.5	-0.2	0.0	-	-
- Inventories	0.0	-0.5	0.0	0.7	0.3	0.0	-0.8	0.5	0.3	-0.9	0.1	0.4	-0.5	-0.1	0.2	0.3	-0.3	0.2	0.4	-0.4	0.0	0.1	0.0	-0.1	0.2	0.7	-	-	-
- Net exports	0.2	-0.9	0.1	-0.3	-0.3	0.0	0.9	-0.1	-0.2	0.8	0.1	-0.5	0.7	-0.3	-0.7	-0.3	0.8	-0.4	-0.5	0.7	-0.2	0.4	0.2	0.0	-0.2	-0.9	-	-	-
- Final demand	0.2	-0.3	0.4	-0.7	0.9	0.6	0.3	0.6	-0.2	0.4	0.8	0.0	0.4	0.7	1.0	0.9	-0.1	0.4	0.5	0.8	0.7	0.1	0.3	0.5	0.5	0.0	-	-	-
France																													
Real GDP qoq %	0.6	-0.9	0.3	0.0	0.7	0.0	0.4	0.1	0.3	0.4	0.1	0.4	0.0	0.4	0.2	0.7	-0.2	0.2	0.6	0.8	0.6	0.6	0.7	0.2	0.2	0.3	0.3	-	-
- Inventories	0.0	-0.4	0.0	0.1	0.2	0.3	-0.1	0.4	0.2	0.2	-0.2	0.2	-0.4	0.4	0.3	-0.4	-0.8	0.6	-0.3	0.8	-0.8	0.3	-0.2	-0.1	0.2	-0.5	-0.1	-	-
- Net exports	-0.1	-0.1	0.0	-0.1	0.1	-0.3	0.0	0.0	-0.3	-0.1	0.1	-0.2	0.3	-0.6	-0.5	0.1	0.3	-0.6	0.2	-0.6	1.0	-0.3	0.6	0.0	-0.2	0.3	0.2	-	-
- Final demand	0.6	-0.4	0.3	0.0	0.4	0.0	0.5	-0.3	0.4	0.4	0.2	0.4	0.0	0.5	0.4	1.0	0.3	0.1	0.6	0.6	0.4	0.7	0.3	0.2	0.2	0.5	0.2	-	-
Italy																													
Real GDP qoq %	0.4	-1.8	0.1	-1.0	0.0	0.4	-0.2	0.1	-0.1	0.2	0.0	0.2	0.4	0.3	0.4	0.3	0.2	0.4	0.5	0.5	0.3	0.4	0.3	0.3	0.1	-0.1	-0.2	-	-
- Inventories	0.0	-0.5	0.0	-0.1	0.2	0.6	0.3	0.0	0.4	0.0	-0.9	0.6	-0.2	0.1	0.1	0.1	0.2	-0.1	-0.3	-0.2	0.5	-0.5	-0.1	0.2	0.1	0.0	-	-	-
- Net exports	0.0	-0.3	0.1	0.2	0.1	0.0	-0.2	0.2	-0.3	0.0	0.3	-0.5	0.0	-0.4	0.1	-0.3	0.1	0.0	0.2	0.5	-0.5	0.2	0.1	0.0	-0.5	0.1	-	-	-
- Final demand	0.4	-1.0	-0.1	-1.1	-0.3	-0.2	-0.3	0.0	-0.2	0.2	0.5	0.1	0.6	0.6	0.2	0.4	0.0	0.5	0.7	0.2	0.3	0.7	0.3	0.1	0.5	-0.3	-	-	-
EMU																													
Real GDP qoq %	0.6	-1.4	0.3	-0.4	0.5	0.4	0.2	0.5	0.2	0.4	0.5	0.7	0.4	0.4	0.5	0.7	0.3	0.4	0.8	0.7	0.7	0.7	0.7	0.4	0.4	0.2	0.2	-	-
- Inventories	0.0	-0.4	0.0	0.2	0.1	0.2	-0.2	0.4	0.2	-0.2	-0.1	0.2	-0.3	0.2	0.2	0.0	-0.2	0.1	0.2	-0.1	0.0	-0.2	-0.1	0.2	-0.1	0.3	-	-	-
- Net exports	0.0	-0.2	0.1	0.0	0.1	-0.2	0.2	0.0	-0.1	0.2	0.2	0.2	-1.1	0.8	-0.6	0.0	0.1	-0.1	-0.2	0.6	-0.1	0.5	0.3	-0.1	0.0	-0.4	-	-	-
- Final demand	0.5	-0.8	0.2	-0.6	0.3	0.3	0.3	0.1	0.1	0.4	0.4	0.3	1.8	-0.6	0.9	0.7	0.4	0.4	0.7	0.1	0.8	0.3	0.4	0.3	0.5	0.3	-	-	-
UK																													
Real GDP qoq %	0.7	-1.4	0.5	0.6	0.5	0.9	0.5	0.8	0.8	0.7	0.7	0.4	0.6	0.4	0.7	0.3	0.2	0.5	0.7	0.4	0.3	0.5	0.4	0.1	0.4	0.6	0.2	-	-
- Inventories	-0.1	0.0	0.1	0.0	0.9	0.2	1.2	-1.1	-0.2	0.5	0.8	0.0	-1.2	0.3	0.7	-0.3	-0.7	1.3	-0.9	0.2	-0.4	-0.3	-0.4	0.1	1.0	-0.8	-	-	-
- Net exports	0.0	0.1	0.0	0.9	-0.7	-0.8	-1.2	1.1	0.6	-0.8	-0.3	-0.3	0.9	-0.4	-0.2	-0.1	0.1	-1.8	1.8	-0.2	0.1	0.5	0.3	-0.1	-0.6	0.8	-	-	-
- Final demand	0.8	-1.5	0.4	-0.3	0.4	1.5	0.5	0.8	0.5	0.9	0.1	0.7	0.9	0.5	0.3	0.8	0.8	1.0	-0.1	0.4	0.6	0.4	0.4	0.2	0.1	0.6	-	-	-

* do not sum up exactly due to roundings

Appendix 3

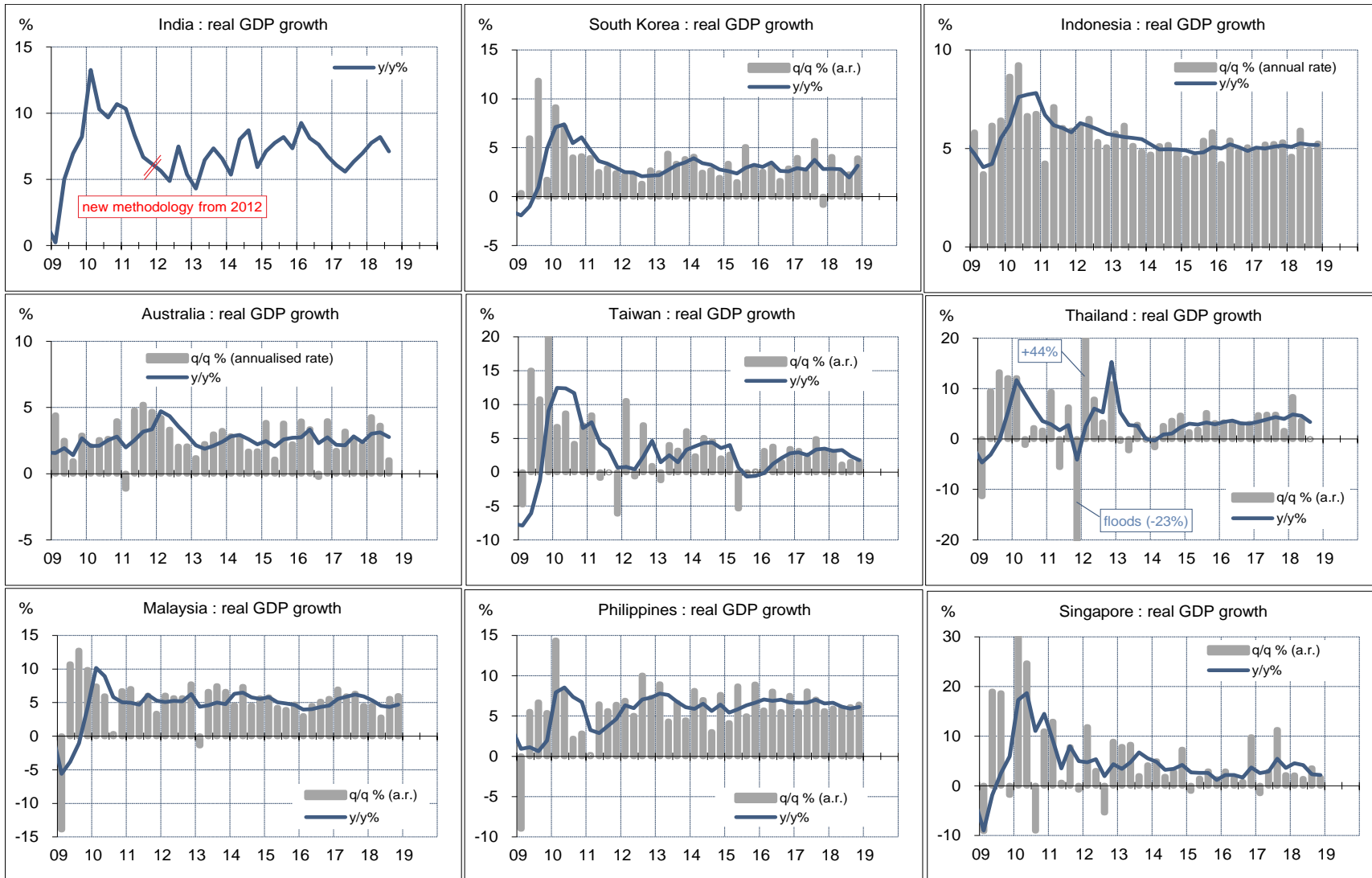
Real GDP growth: G7 countries + China



Source: Thomson Reuters, Odco BHF

Appendix 4

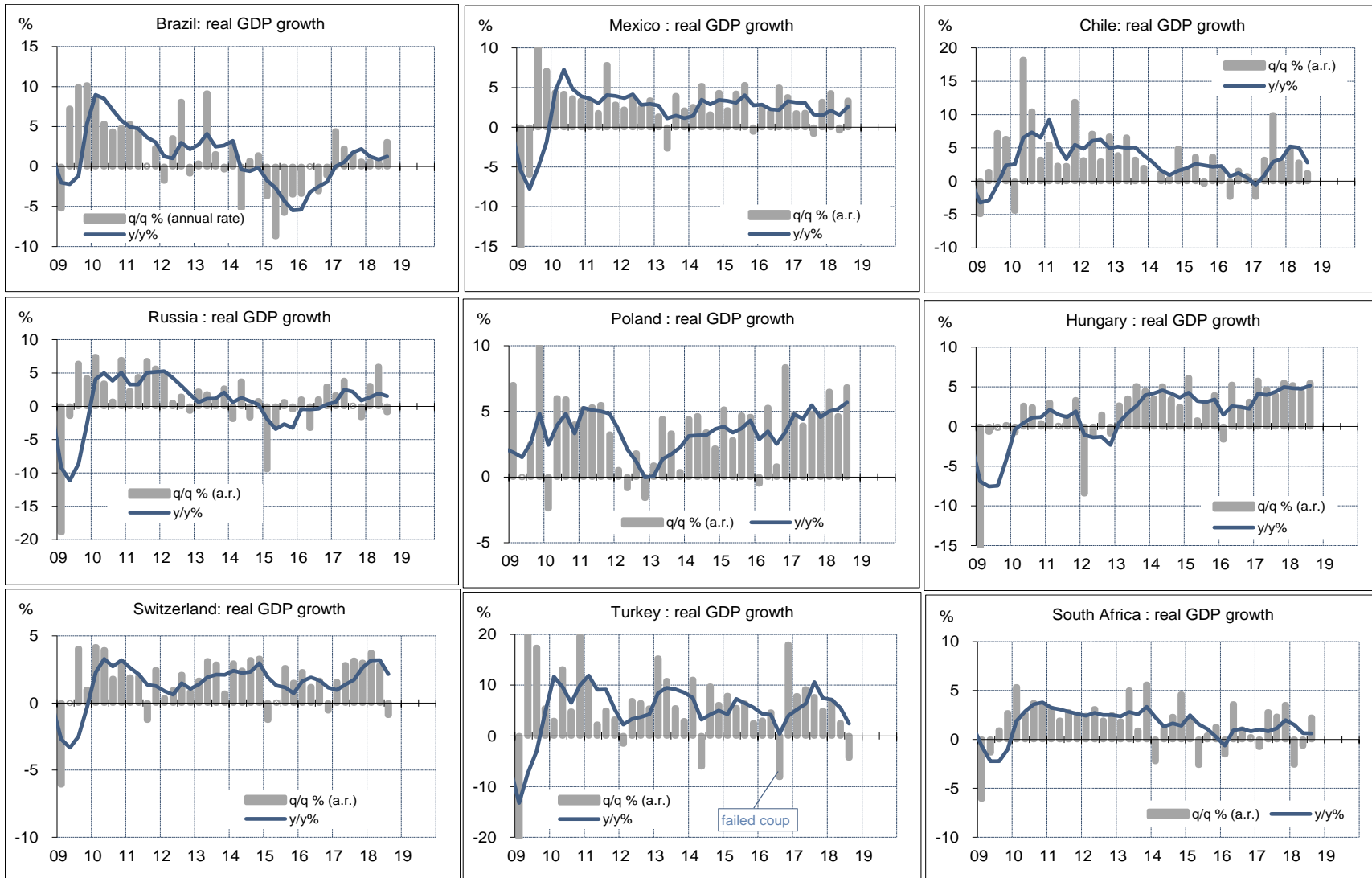
Real GDP growth: countries of Asia excl. China-Japan (selection)



Source: Thomson Reuters, Odco BHF

Appendix 5

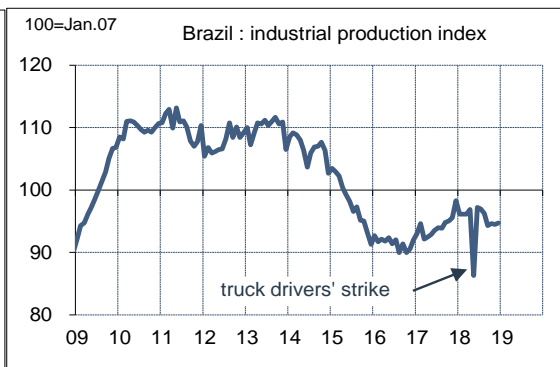
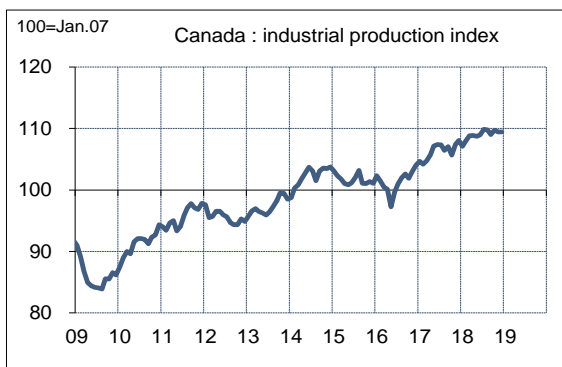
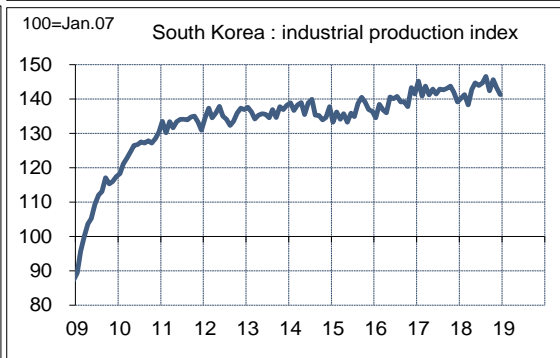
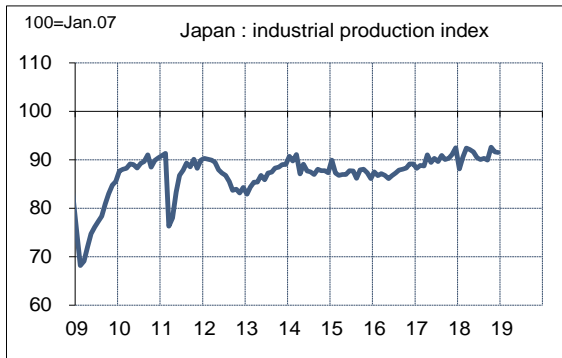
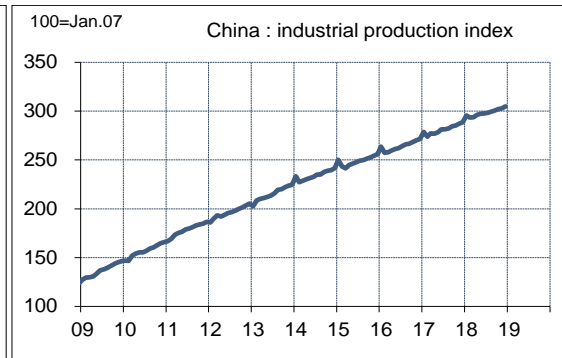
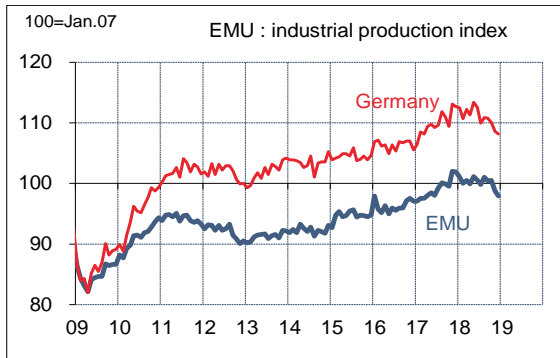
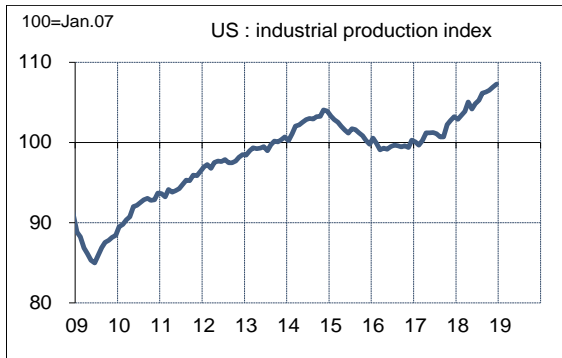
Real GDP growth: other countries (selection)



Source: Thomson Reuters, Odco BHF

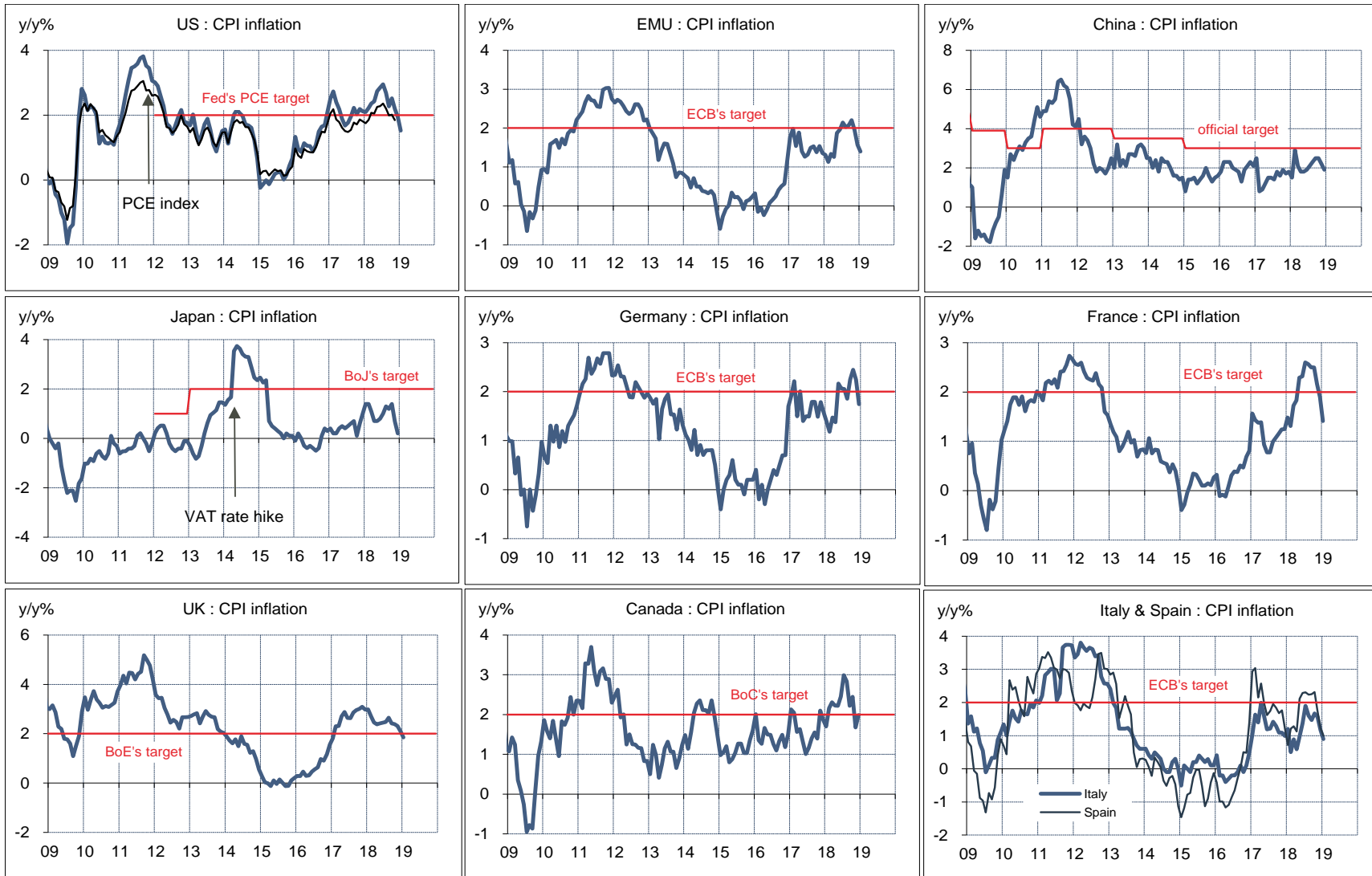
Appendix 6

Industrial production (index): selected countries



Appendix 7

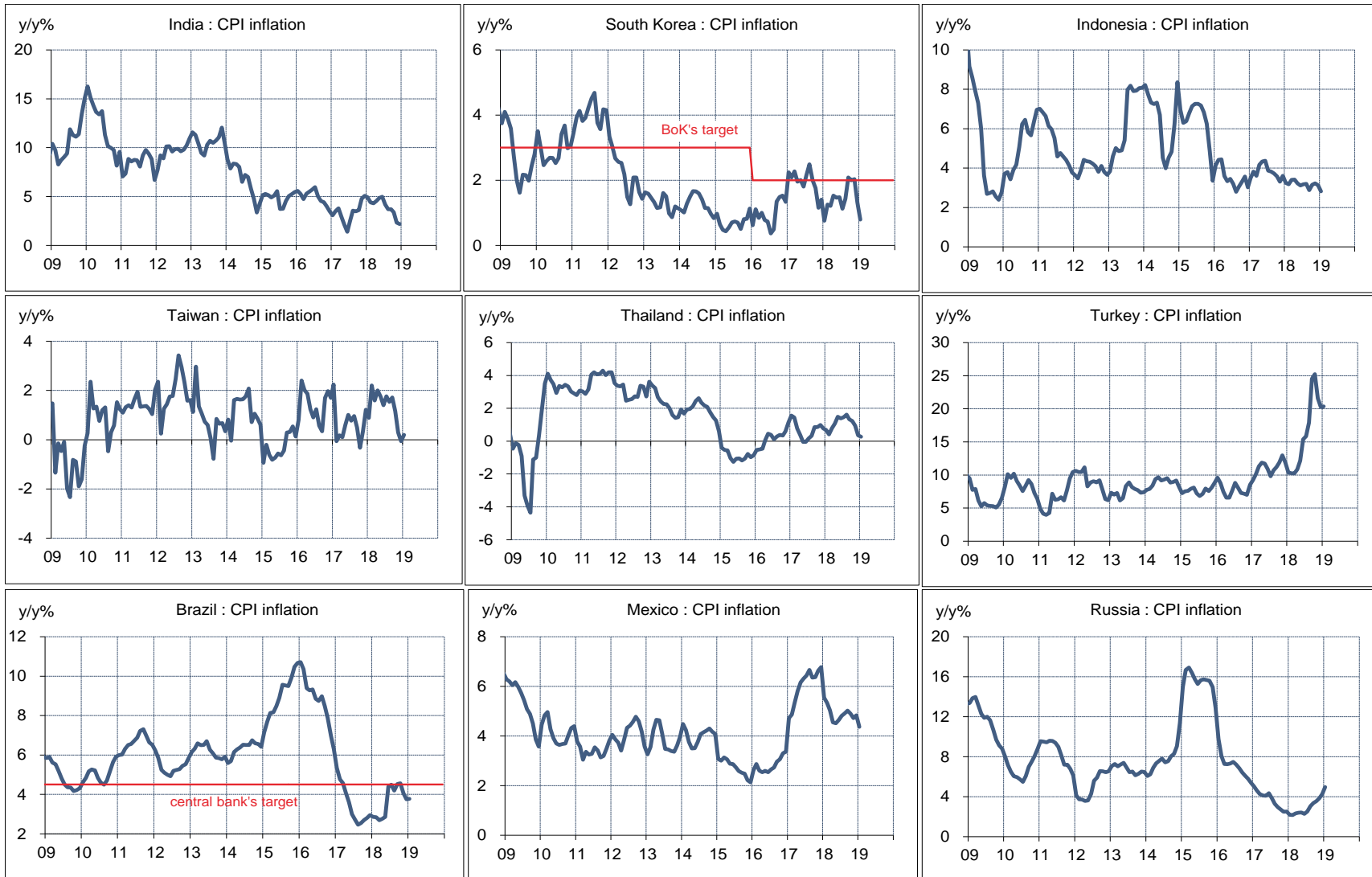
Consumer price inflation: G7 countries + China



Source: Thomson Reuters, Oddo BHF

Appendix 8

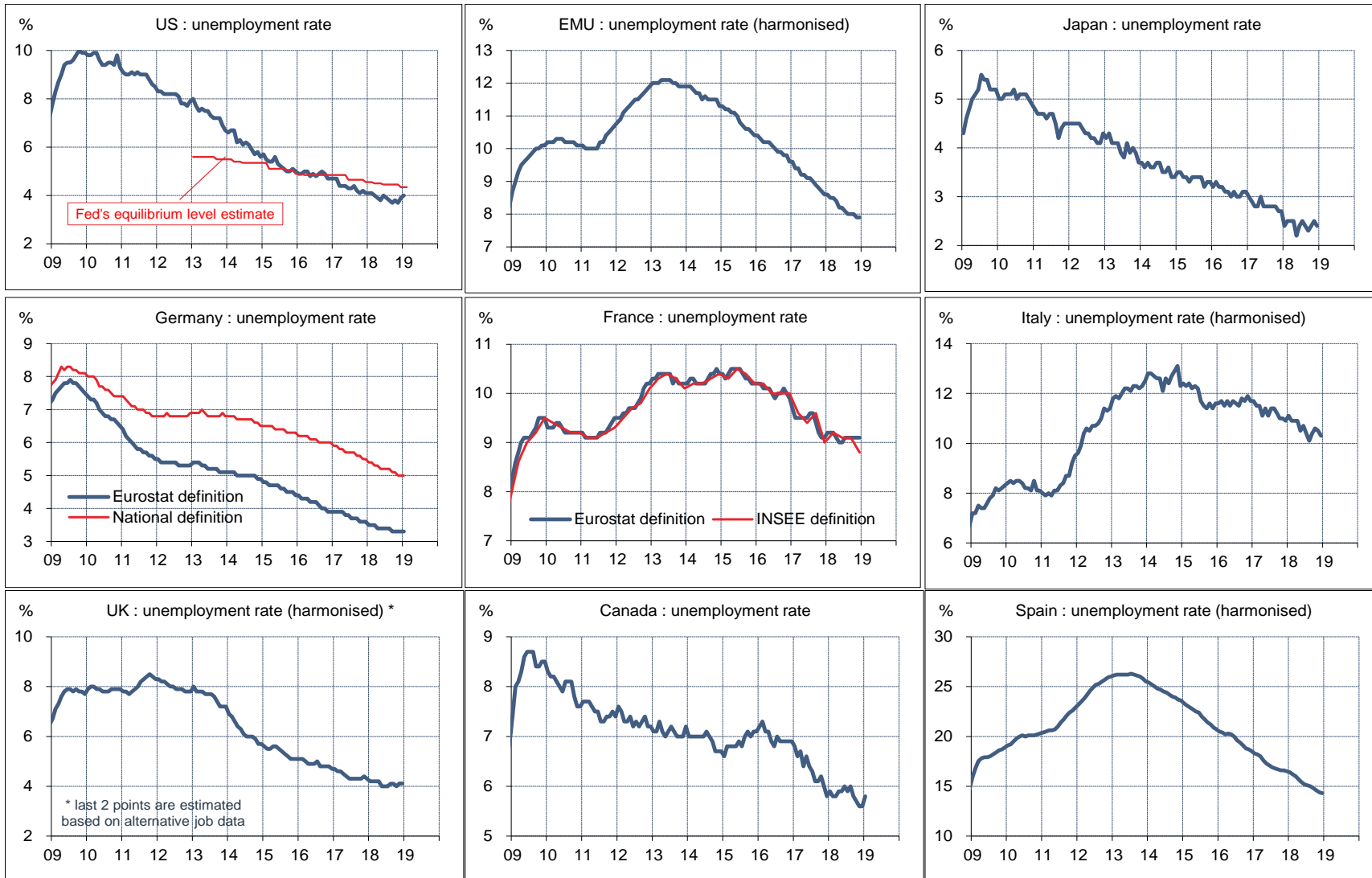
Consumer price inflation: emerging countries (selection)



Source: Thomson Reuters, Odo BHF

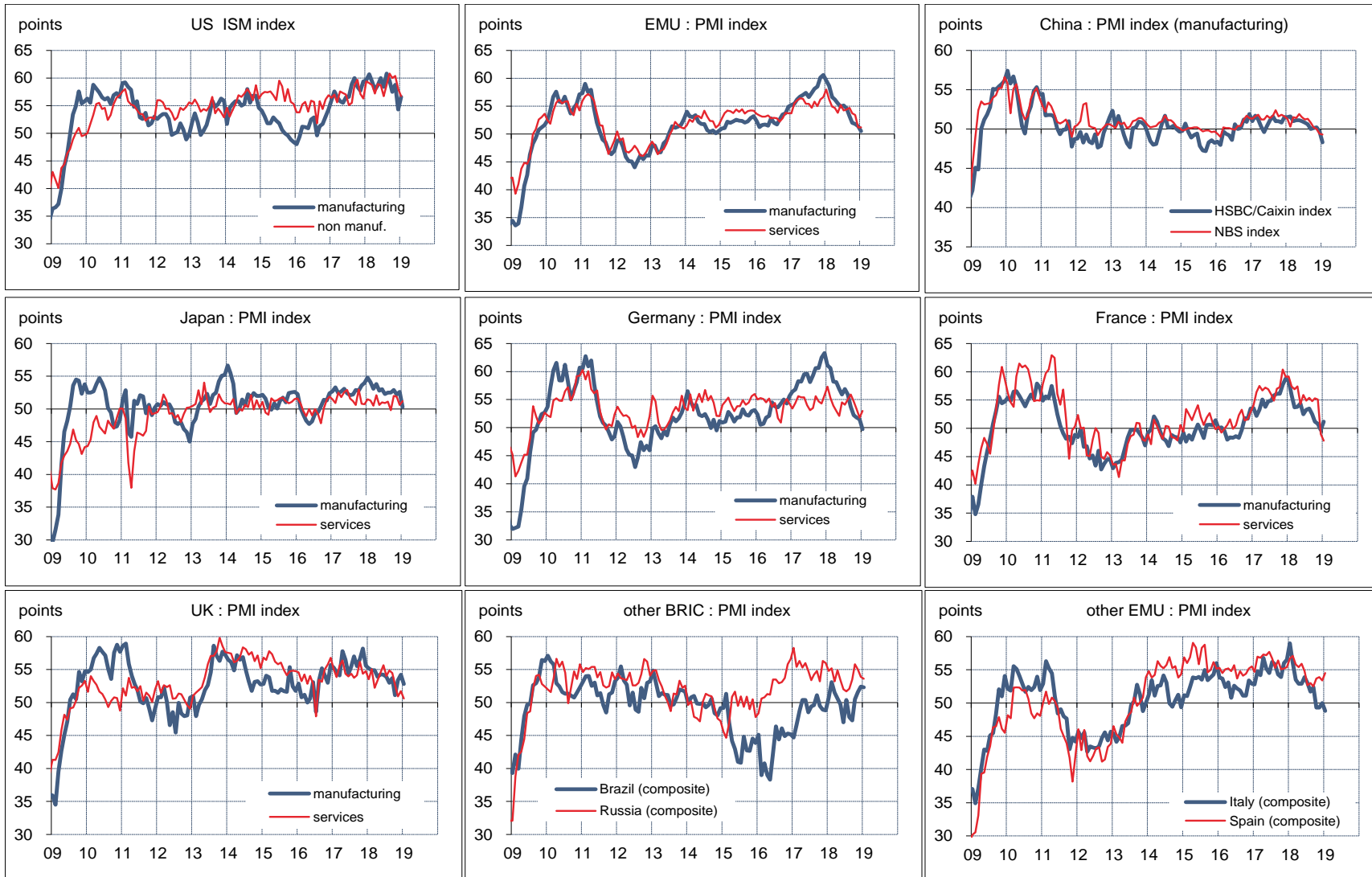
Appendix 9

Unemployment rates: G7 countries



Appendix 10

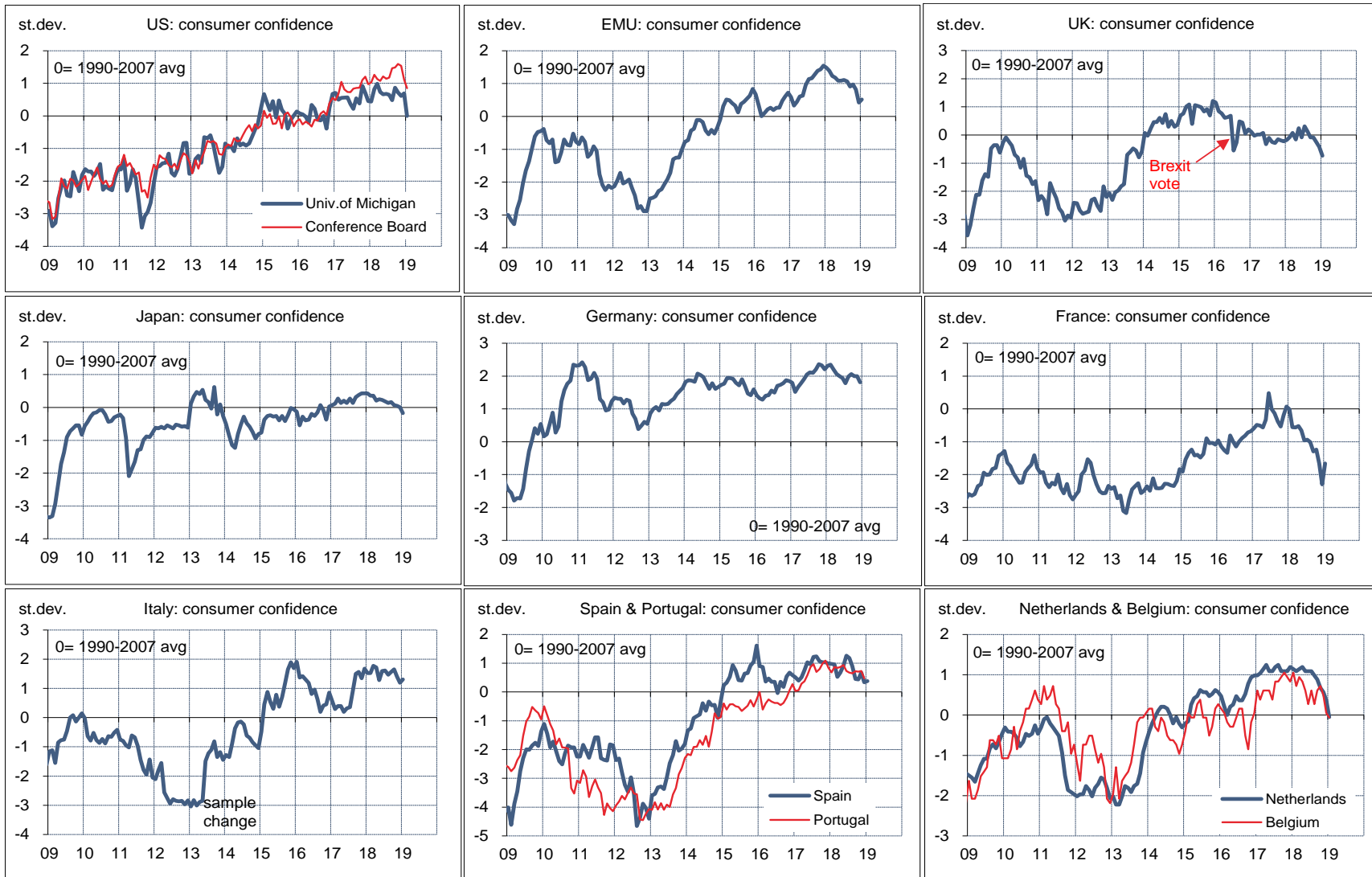
Purchasing managers' confidence (PMI indices): G7 + BRIC countries



Source: Thomson Reuters, Odco BHF

Appendix 11

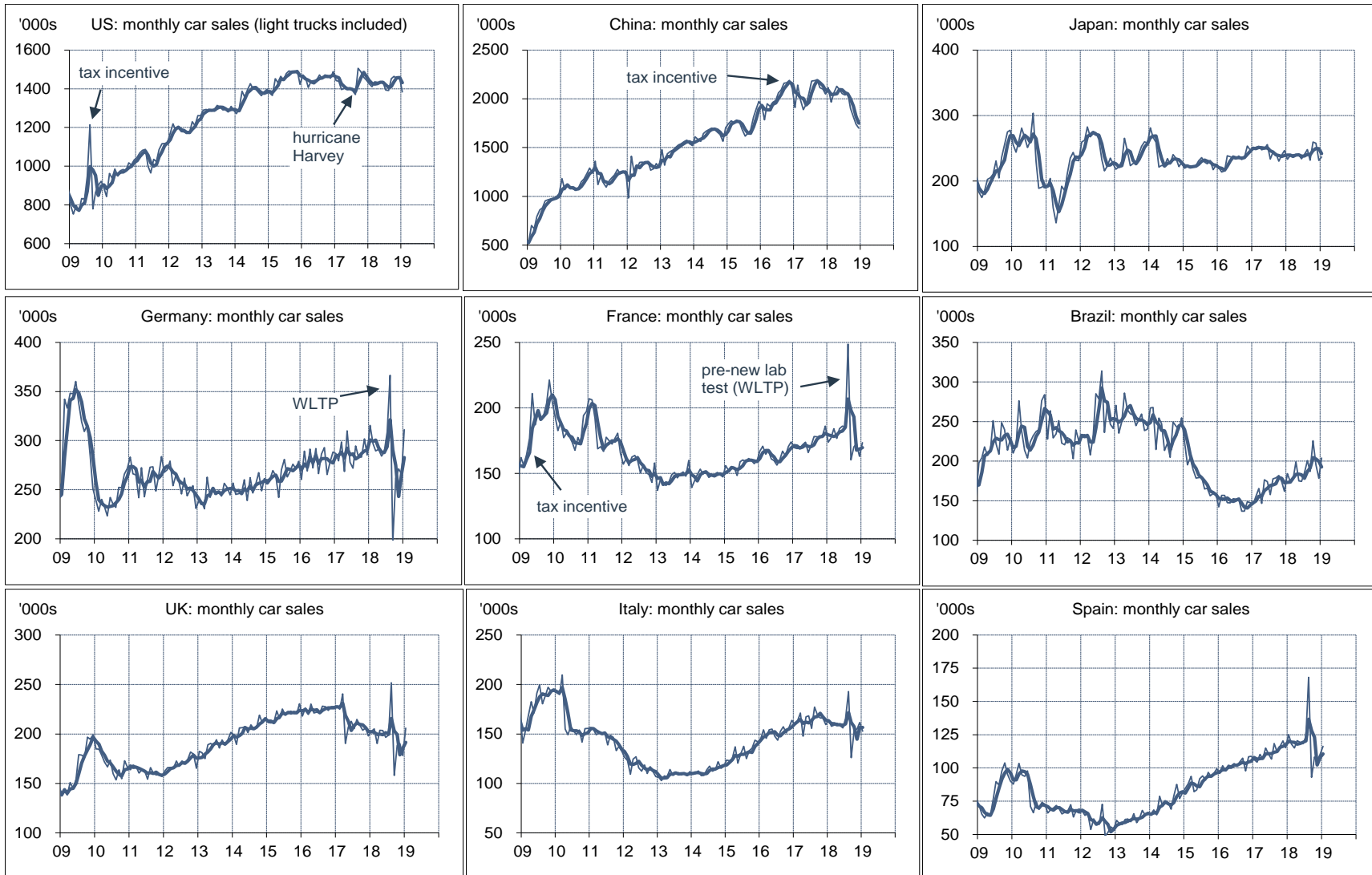
Consumer confidence: developed countries (selection)



Source: Thomson Reuters, Odo BHF

Appendix 12

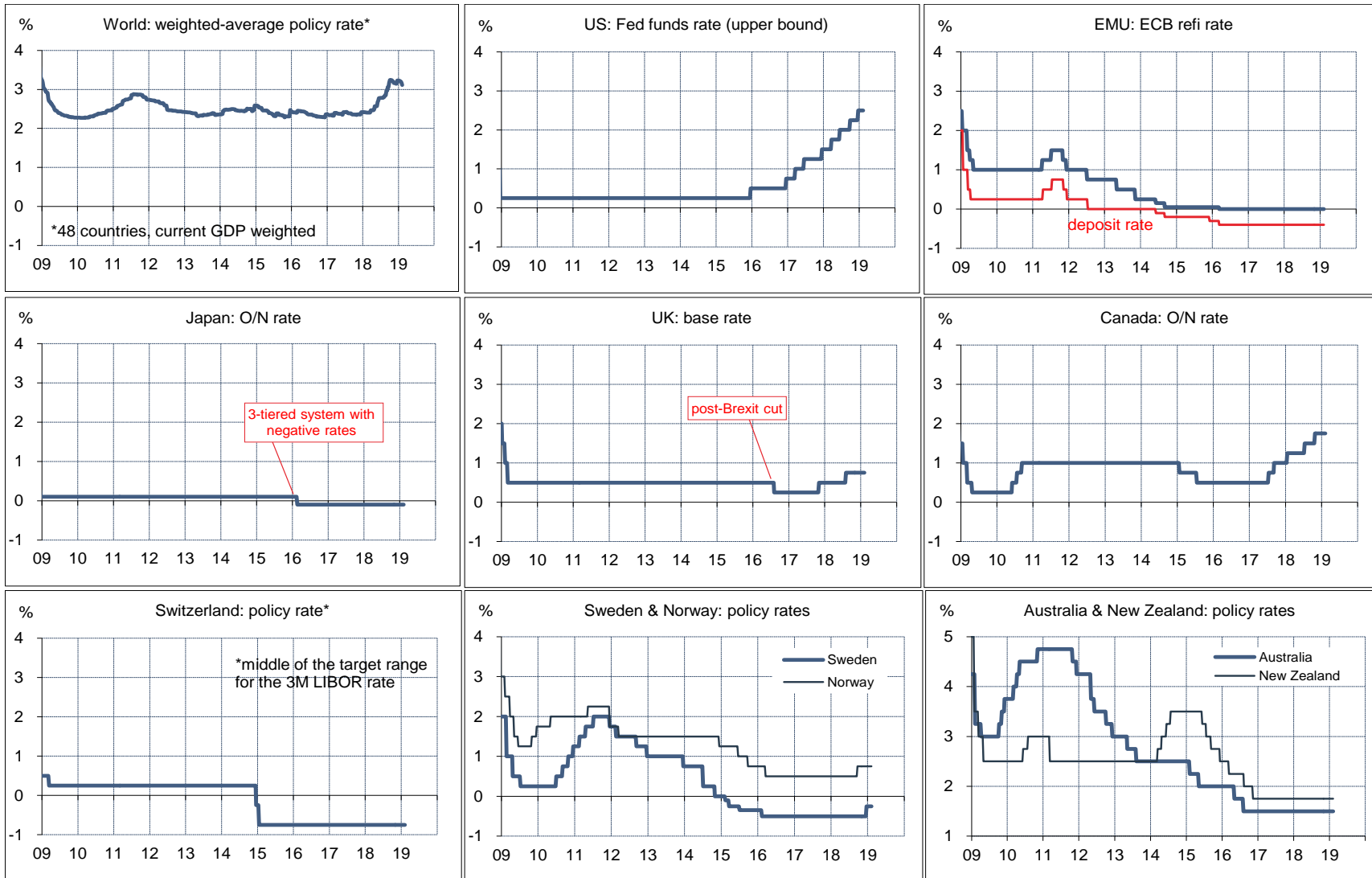
Car sales: G7 countries + China + Brazil



Source: Thomson Reuters, Odo BHF

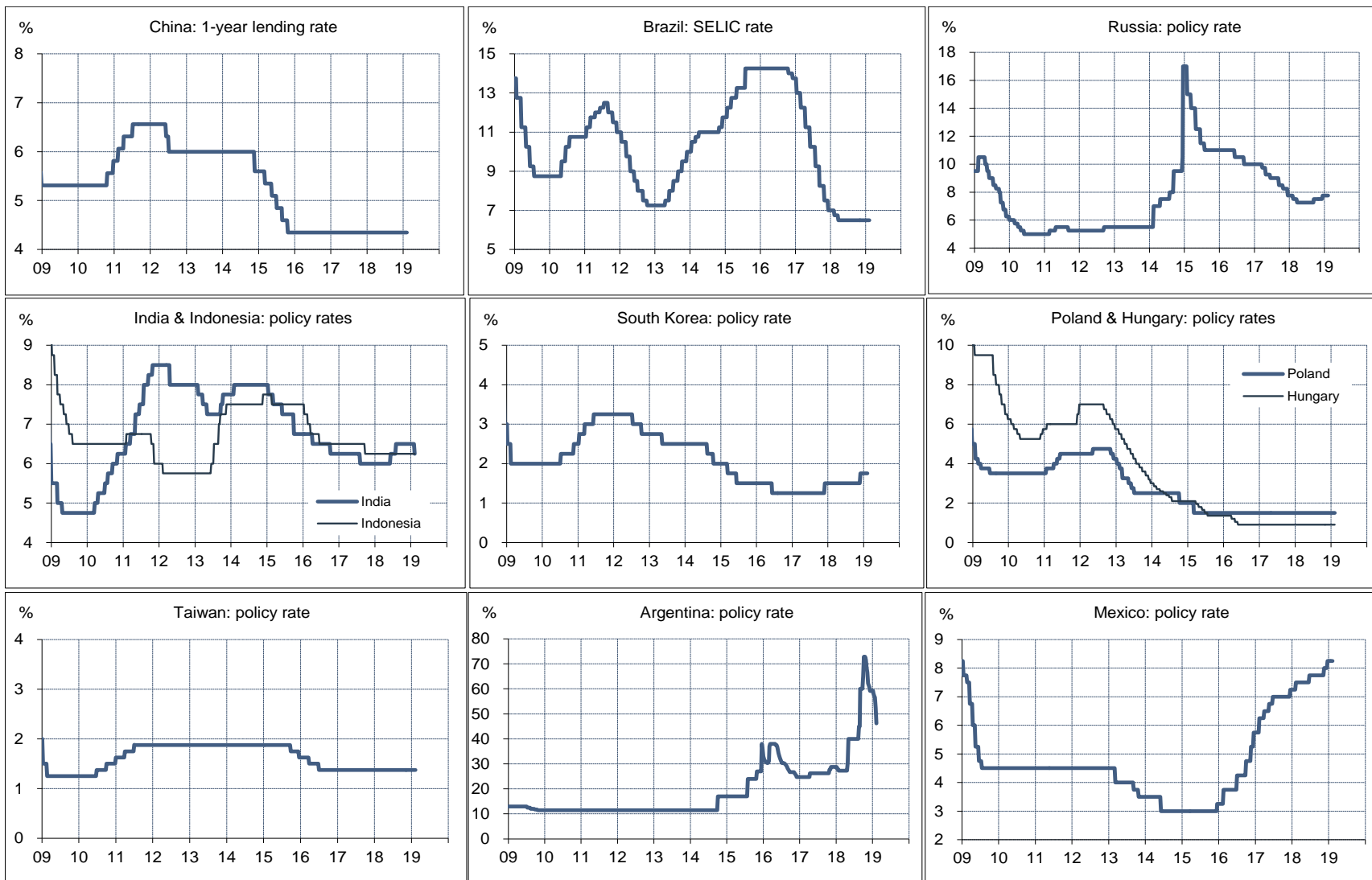
Appendix 13

Central bank policy rates: developed countries (selection)



Appendix 14

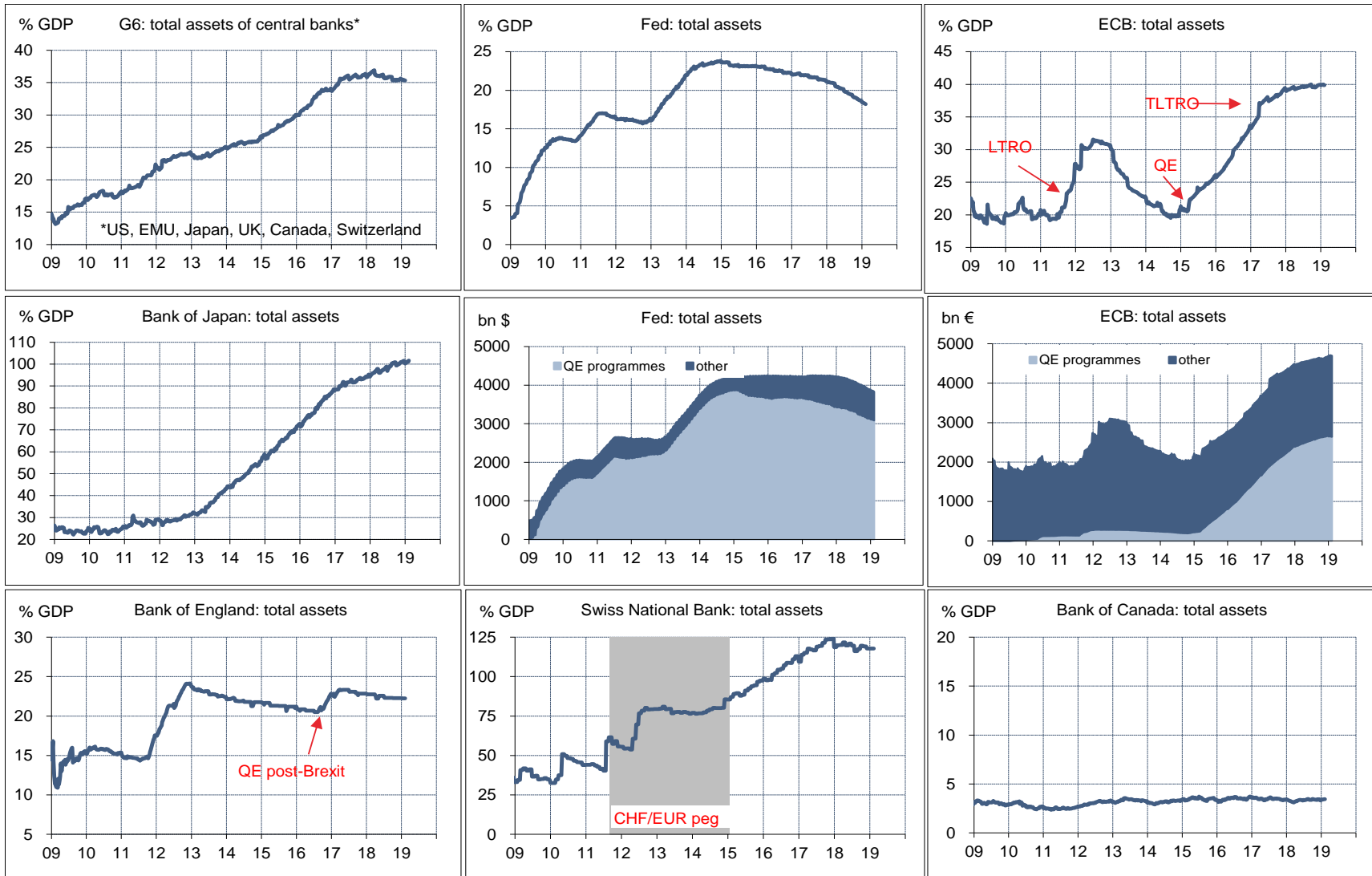
Central bank policy rates: emerging countries (selection)



Source: Thomson Reuters, Odo BHF

Appendix 15

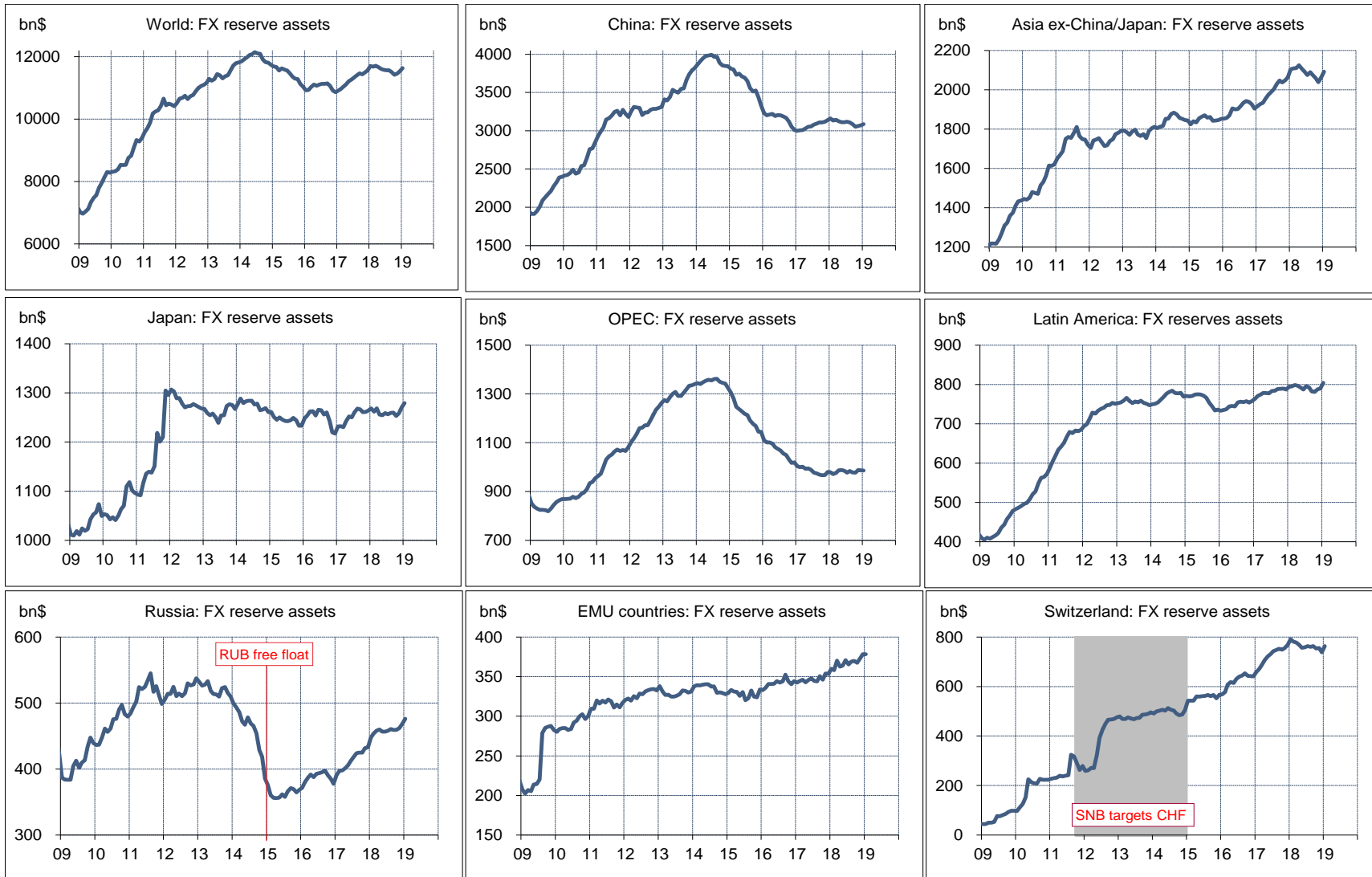
Central bank balance sheets: developed countries (selection)



Source: Thomson Reuters, Odo BHF

Appendix 16

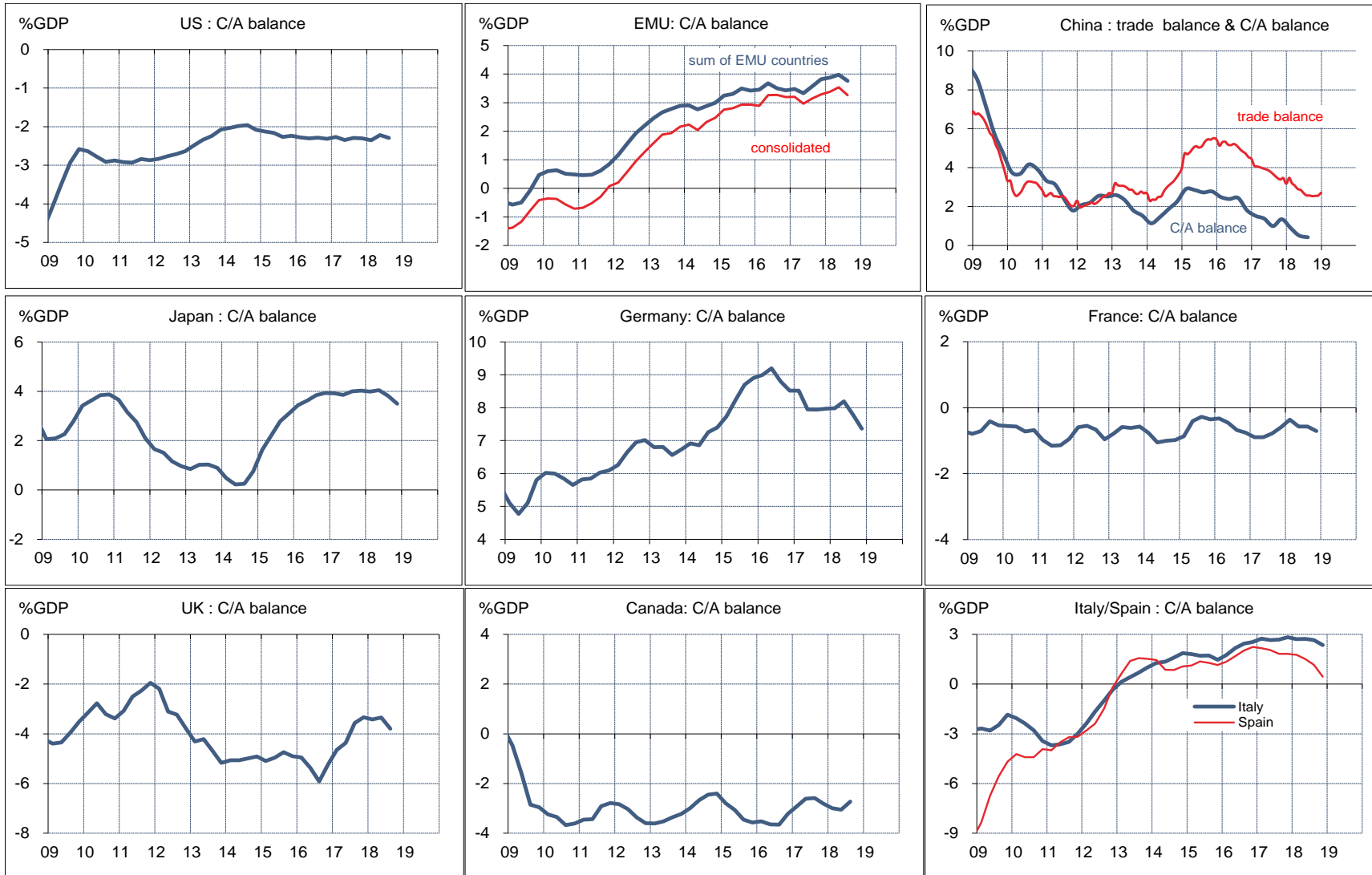
Currency reserves (in US\$): world and principal holders



Source: Thomson Reuters, Oodo BHF

Appendix 17

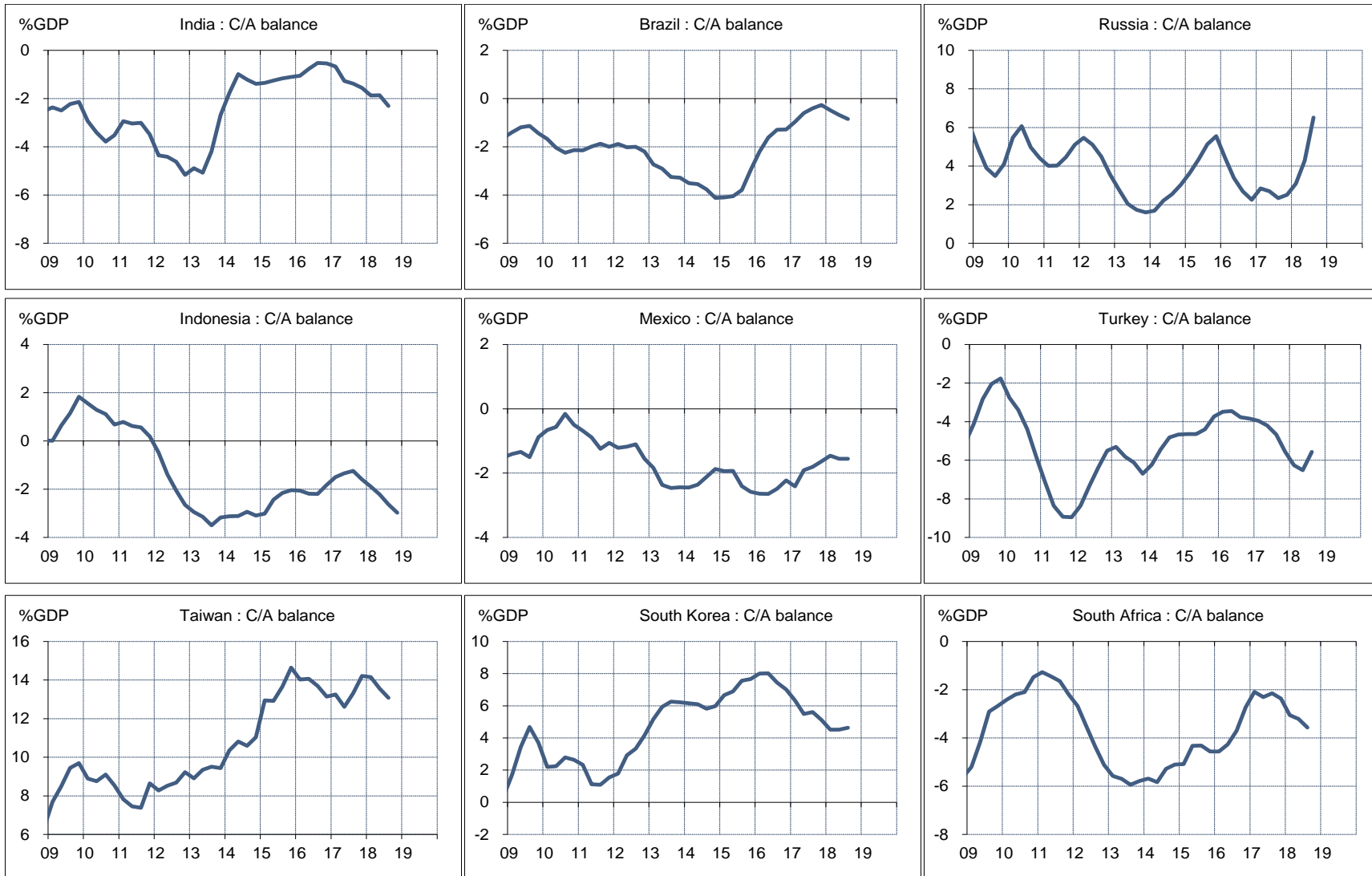
Current account balances (% of GDP): G7 countries + China



Source: Thomson Reuters, Odco BHF

Appendix 18

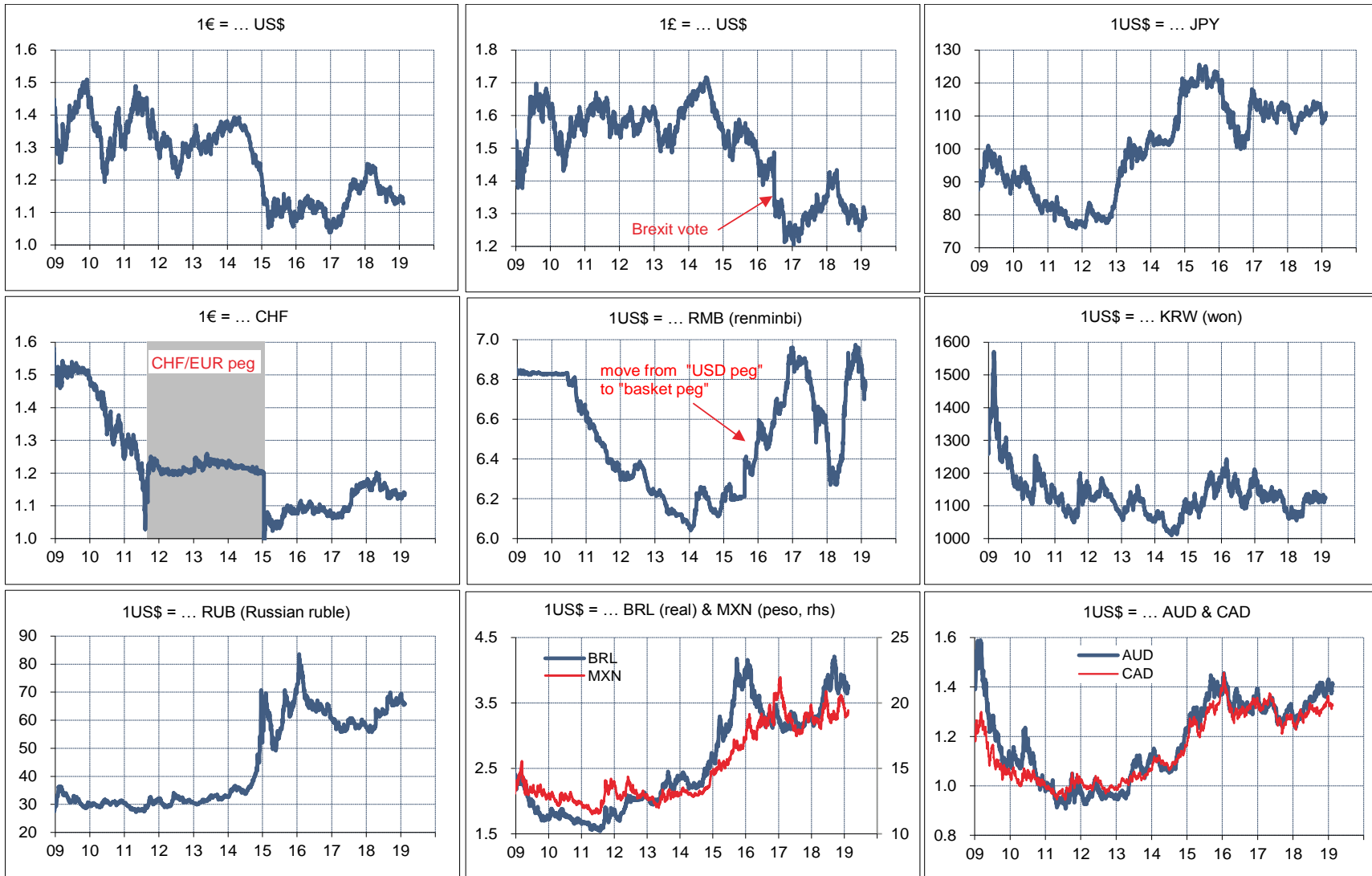
Current account balances (% of GDP): emerging countries (selection)



Source: Thomson Reuters, Odo BHF

Appendix 19

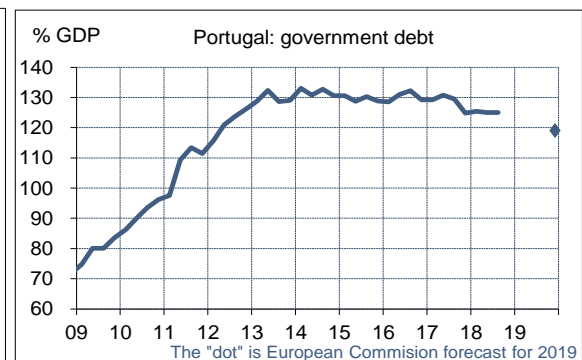
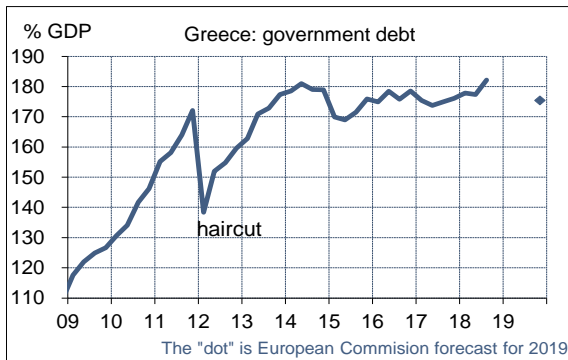
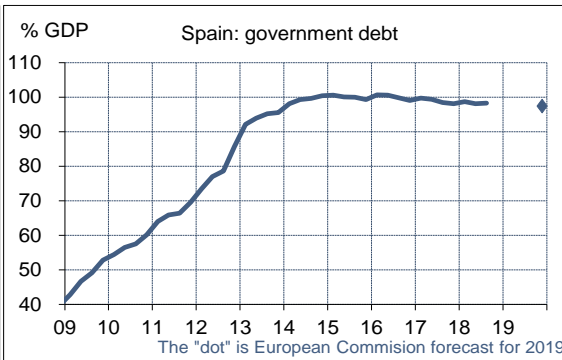
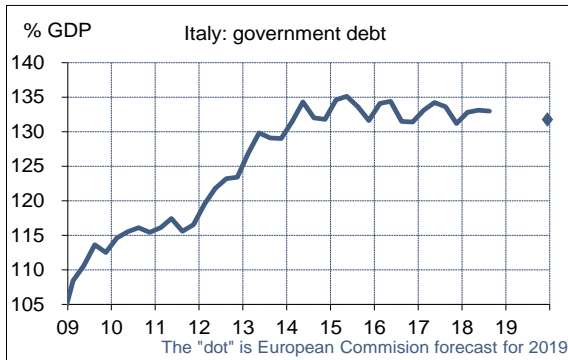
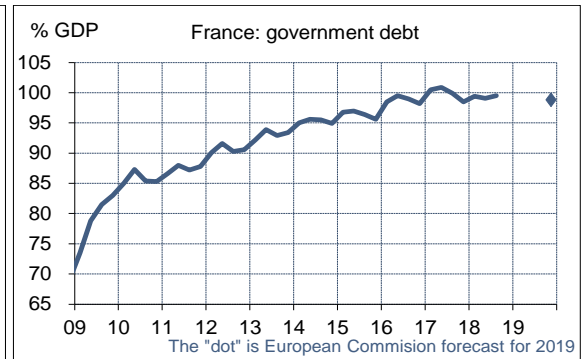
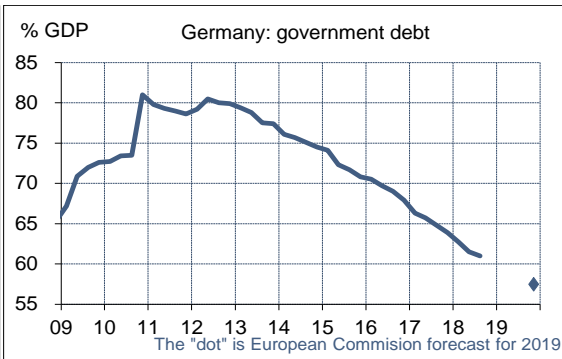
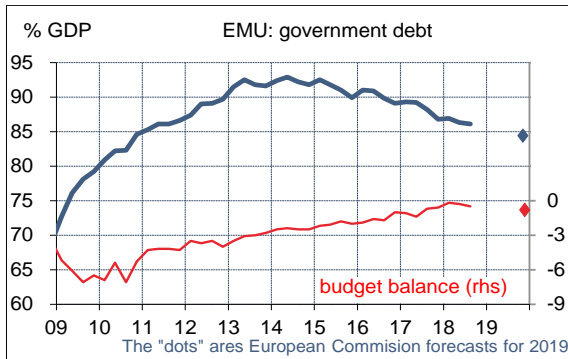
Exchange rates vs EUR or US\$: major currencies



Source: Thomson Reuters, Odco BHF

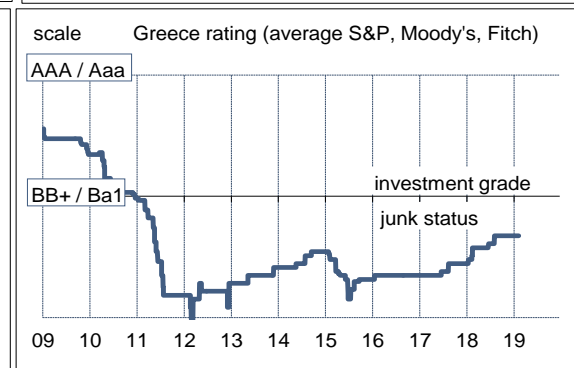
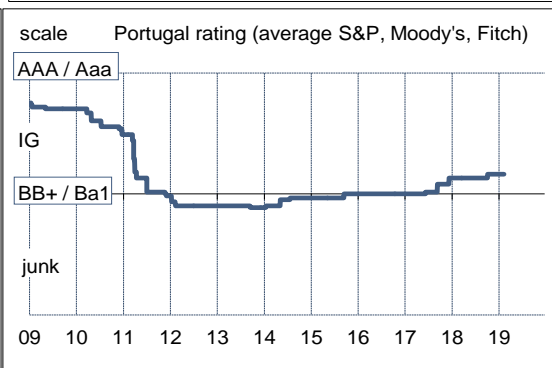
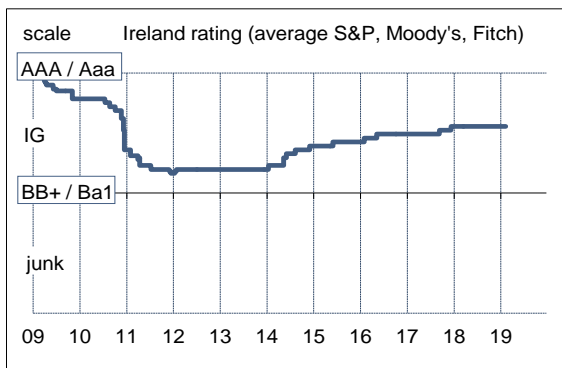
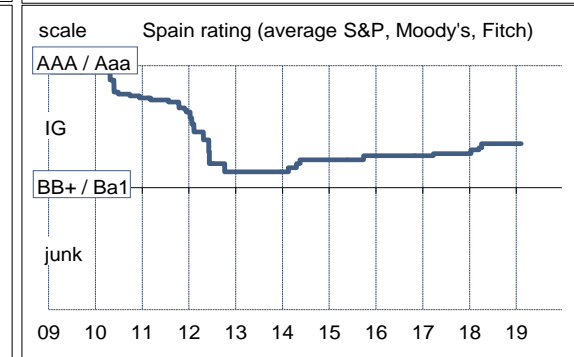
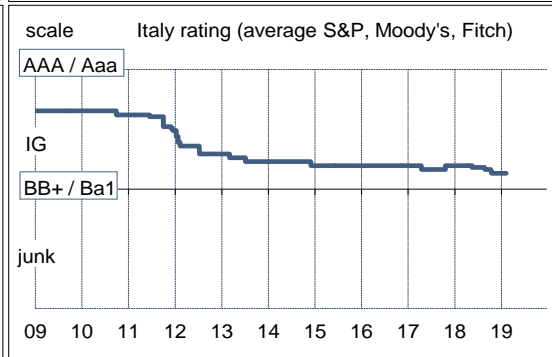
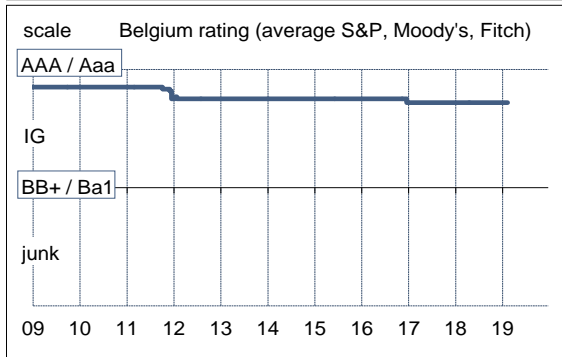
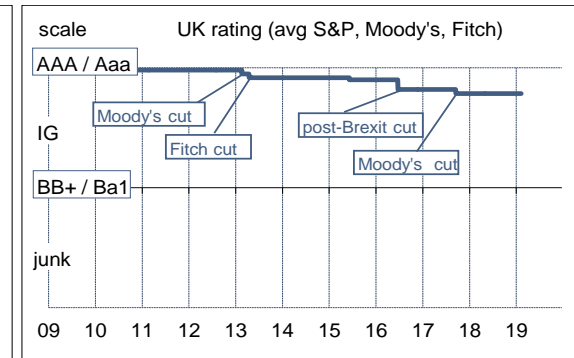
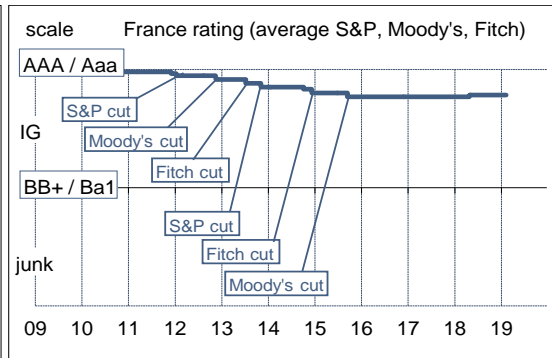
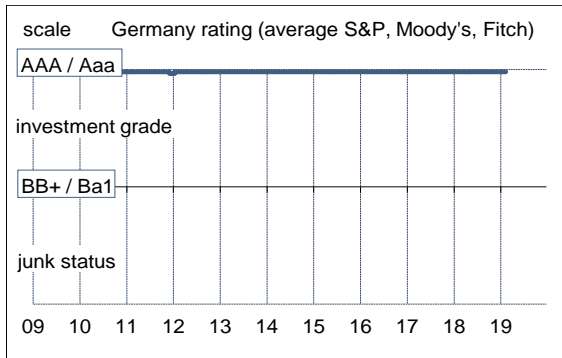
Appendix 20

Government debt (as a % of GDP): European countries (selection)



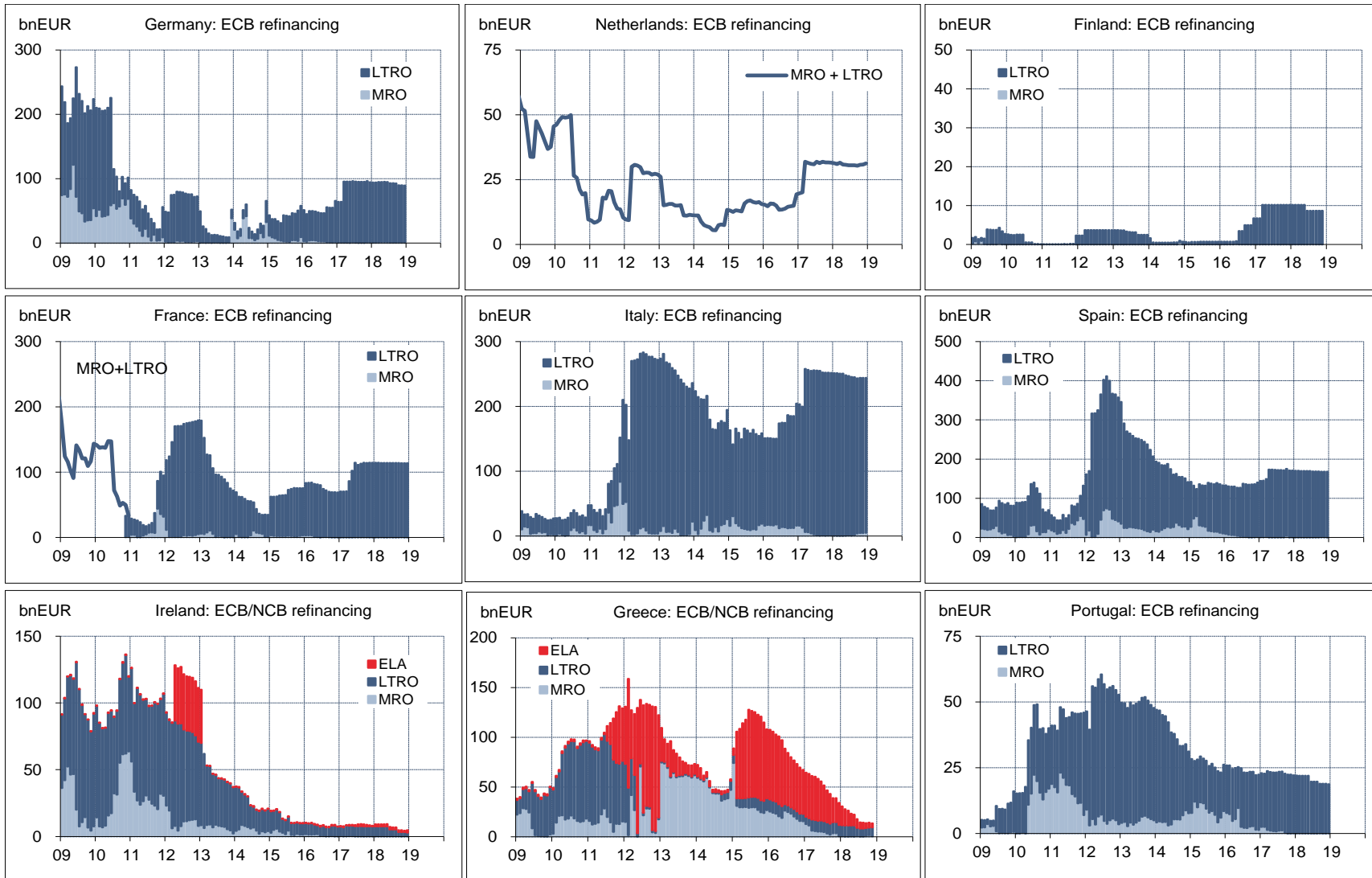
Appendix 21

Sovereign ratings: European countries (selection)



Appendix 22

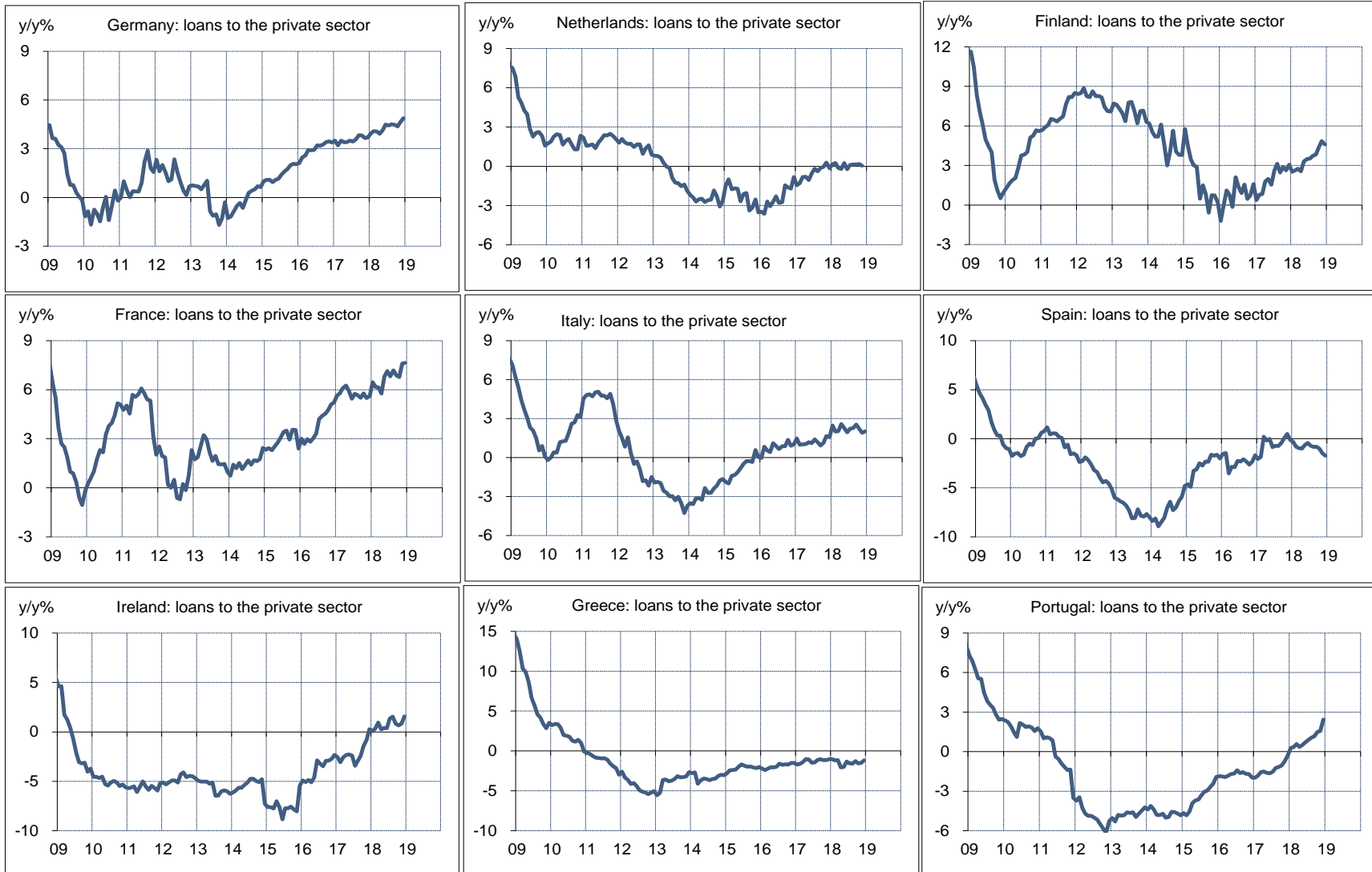
Bank financing by the Eurosystem



Source: Thomson Reuters, Oddo BHF

Appendix 23

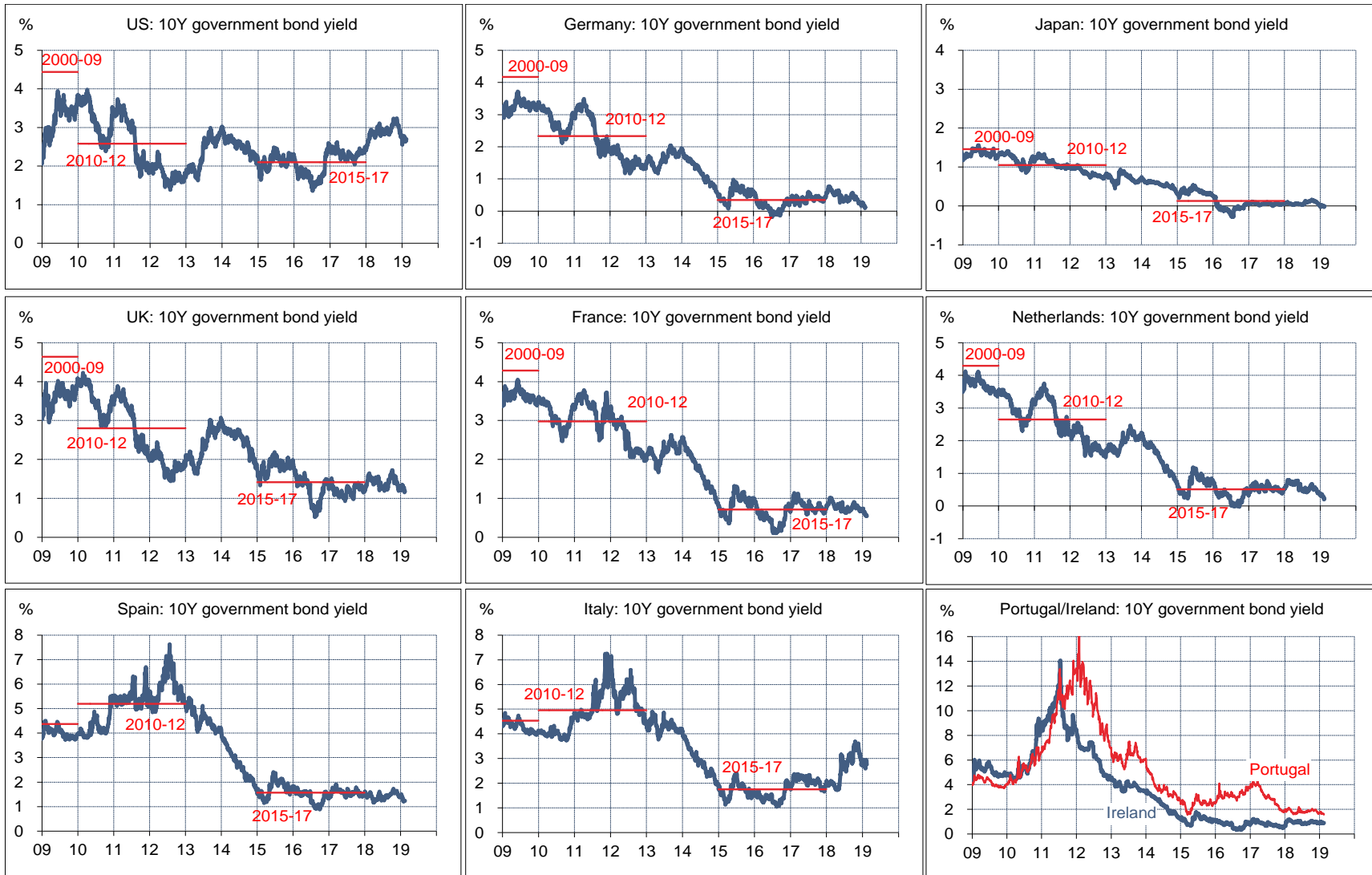
Bank loans to the private sector: European countries (selection)



Source: Thomson Reuters, Odco BHF

Appendix 24

10-year government bond yield



Source: Bloomberg, Oddo BHF



Economic Notes

- Credit growth, a solid base for a European recovery (February 5, 2019)
- Eurozone: still not the right time to capitulate (January 24, 2019)
- News and Fake News about Quantitative Tightening (January 23, 2019)
- Ten questions about 2019 (January 2, 2019)
- ECB: dovish tightening (December 12, 2018)
- Theresa May: yellow card or red card (December 10, 2018)
- The European cycle vs the global/US cycle (December 5, 2018)
- Where are we in the Eurozone business cycle? (2. Local risks) (November 23, 2018)
- Where are we in the Eurozone business cycle? (1. Overview) (November 22, 2018)
- Germany: should we succumb to the prevailing pessimism? (November 14, 2018)
- Di Maio and Salvini are pushing Italy towards a triple dip (November 7, 2018)
- What arsenal of financial assistance in the Eurozone? (October 16, 2018)
- When 'PIGS' fly... (October 9, 2018)
- The cost of Brexit... before it even happens (October 2, 2018)
- ECB: is the end of QE a cause for alarm? (September 25, 2018)
- Will growth in Germany come off the road in Q3? (September 12, 2018)

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- Staying on course, speed reduced, many obstacles (December 13, 2018)
- America Great Again... but for how long? (November 16, 2018)
- Global risks, all on the downside (October 18, 2018)
- Frictions or collision? (September 6, 2018)
- Reassuring on the surface, worrying beneath (August 23, 2018)

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- Back to basics: the French problem, supply or demand? (January 31, 2019)
- France: implications of the “yellow vests” movement (January 16, 2019)
- Unpleasant truths about France’s tax system (November 28, 2018)
- Encouraging signs for France’s economy (October 30, 2018)
- What is the French economic outlook after the summer? (Sept.26, 2018)
- France: still under a lucky star (or two)? (July 20, 2018)
- France: a start-up nation? (June 21, 2018)

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- Progress report on US-China trade war (February 8, 2019)
- A double capitulation (February 1st, 2019)
- US: in the midst of a statistical fog (January 25, 2019)
- US inflation: temporary respite in 2019 (January 18, 2019)
- Headwinds for US industry in 2019 (January 11, 2019)
- US policy-mix adrift (January 4, 2019)
- Donald Trump, year III (December 20, 2018)

Economic Report

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- Global economy: frictions or collision? (September 6, 2018)
- Oil, Protectionism and Populism – three risks for world growth (May 31, 2018)
- Global economic warming (January 10, 2018)
- Synchronised recovery, monetary euphoria (September 7, 2017)

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