

 Euro Zone / Zone Euro

Confidence improved in January

Sentiment continued to improve in January. The Economic Sentiment Indicator rose to 89.2, up for the third consecutive month. This trend could be confirmed going forwards. Nevertheless, do not expect a strong rebound any time soon. Peripheral countries are still lagging behind

■ Sentiment continued to improve in January, according to the European Commission Survey results released this morning. The Economic Sentiment Indicator (ESI) rose to 89.2, up for the third consecutive month. Since its cyclical low of 85.2 in October 2012, the index gained 4 points.

■ The improvement was widespread among sectors. Industrial confidence inched up (+0.3 point), thanks mainly to a better assessment of inventories of finished goods (i.e manufacturers judged them much more in line with the level of demand than few months ago) and production expectations. By contrast, demand remains rather weak as shown by declining order indices. The improvement in the services sector was more marked (+1 point) thanks mainly to better prospects for demand. Consumer confidence was also on the rise (up for the third consecutive month), reflecting better economic prospects and diminishing fears of unemployment.

■ The recent improvement in financial conditions was probably the main factor driving up confidence over recent months. In addition, there are elements suggesting that this trend might be confirmed going forwards. There are signs of renewed confidence towards peripheral countries, as illustrated by new capital inflows, mirrored in smaller Target 2 deficit positions. At the latest auctions of Italian and Spanish debt securities, demand exceeded supply, and sovereign yields fell. Last week, Portugal returned to the market with the issue of a 5-year syndicated bond. Once again, demand surpassed the offer. Hopefully, better financial and funding conditions will gradually filter through to the real economy.

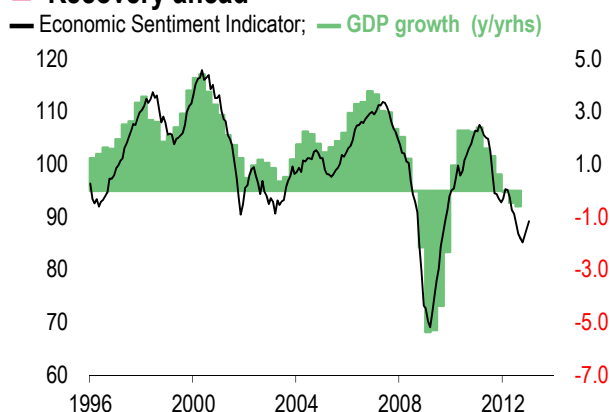
■ Yet, do not expect a sharp rebound of activity any time soon. The ESI is well below its long term average. Peripheral countries are still undertaking significant efforts to correct their imbalances, and these measures will weigh on activity. Today, the Spanish statistical office announced that output contracted by 0.7% q/q in Q4 2012. The recession probably deepened also in the other peripheral countries. The divergence within the zone will continue to characterize the dynamics of the eurozone going forwards. Hopefully, the rest of the zone will benefit from the solid rebound of Germany over the coming quarters.

Clemente De LUCIA
clemente.delucia@bnpparibas.com

La confiance s'améliore en janvier

La confiance s'est à nouveau améliorée en janvier, l'indice du climat économique progressant de 2 point sur le mois, en hausse pour la troisième fois consécutive. Cette tendance pourrait se confirmer au cours des mois à venir. Toutefois, il ne faut pas s'attendre à un fort rebond de l'activité, qui continue de se contracter dans la périphérie

■ Recovery ahead



Sources : Eurostat, European Commission

■ Data in details

Balances, except (*)	Jan 13	Dec 12	Nov 12
Eurozone			
Economic sentiment (*)	89.2	87.8	86.6
Industrial confidence	-13.9	-14.2	-14.9
Services confidence	-8.8	-9.8	-12
Consumer confidence	-23.9	-26.3	-26.7
Retail confidence	-15.6	-15.9	-14.8
Construction confidence	-28.7	-33.3	-28.7

Source: European Commission (*) normalized index 2000 = 100



ECONOMIC RESEARCH DEPARTMENT

<ul style="list-style-type: none"> • Philippe d'ARVISENET Chief Economist 	+33.(0)1.43.16.95.58	philippe.darvisenet@bnpparibas.com
---	----------------------	------------------------------------

OECD COUNTRIES

<ul style="list-style-type: none"> • Jean-Luc PROUTAT Head 	+33.(0)1.58.16.73.32	jean-luc.proutat@bnpparibas.com
<ul style="list-style-type: none"> • Alexandra ESTIOT Deputy Head - Globalisation, United States, Canada 	+33.(0)1.58.16.81.69	alexandra.estiot@bnpparibas.com
<ul style="list-style-type: none"> • Hélène BAUDCHON France, Belgium, Luxembourg 	+33.(0)1.58.16.03.63	helene.baudchon@bnpparibas.com
<ul style="list-style-type: none"> • Frédérique CERISIER Public finance - European institutions 	+33.(0)1.43.16.95.52	frederique.cerisier@bnpparibas.com
<ul style="list-style-type: none"> • Clemente De LUCIA Euro zone, Italy - Monetary issues - Economic modeling 	+33.(0)1.42.98.27.62	clemente.delucia@bnpparibas.com
<ul style="list-style-type: none"> • Thibault MERCIER Spain, Portugal, Greece, Ireland 	+33.(0)1.57.43.02.91	thibault.mercier@bnpparibas.com
<ul style="list-style-type: none"> • Caroline NEWHOUSE Germany, Austria - Supervision of publications 	+33.(0)1.43.16.95.50	caroline.newhouse@bnpparibas.com
<ul style="list-style-type: none"> • Catherine STEPHAN United Kingdom, Switzerland, Nordic Countries - Labour market 	+33.(0)1.55.77.71.89	catherine.stephan@bnpparibas.com
<ul style="list-style-type: none"> • Raymond VAN DER PUTTEN Japan, Australia, Netherlands - Environment - Pensions 	+33.(0)1.42.98.53.99	raymond.vanderputten@bnpparibas.com

BANKING ECONOMICS

<ul style="list-style-type: none"> • Laurent QUIGNON Head 	+33.(0)1.42.98.56.54	laurent.quignon@bnpparibas.com
<ul style="list-style-type: none"> • Céline CHOLET 	+33.(0)1.43.16.95.54	celine.choulet@bnpparibas.com
<ul style="list-style-type: none"> • Julie ENJALBERT 	+33.(0)1.43.16.95.41	julie.enjalbert@bnpparibas.com
<ul style="list-style-type: none"> • Laurent NAHMIA 	+33.(0)1.42.98.44.24	laurent.nahmias@bnpparibas.com

EMERGING ECONOMIES AND COUNTRY RISK

<ul style="list-style-type: none"> • François FAURE Head 	+33.(0)1 42 98 79 82	francois.faure@bnpparibas.com
<ul style="list-style-type: none"> • Christine PELTIER Deputy Head - Methodology, China, Vietnam 	+33.(0)1.42.98.56.27	christine.peltier@bnpparibas.com
<ul style="list-style-type: none"> • Stéphane ALBY Africa, French-speaking countries 	+33.(0)1.42.98.02.04	stephane.alby@bnpparibas.com
<ul style="list-style-type: none"> • Sylvain BELLEFONTAINE Latin America - Methodology, Turkey 	+33.(0)1.42.98.26.77	sylvain.bellefontaine@bnpparibas.com
<ul style="list-style-type: none"> • Sara CONFALONIERI Latin America 	+33.(0)1.42.98.74.26	sara.confalonieri@bnpparibas.com
<ul style="list-style-type: none"> • Pascal DEVAUX Middle East - Scoring 	+33.(0)1.43.16.95.51	pascal.devaux@bnpparibas.com
<ul style="list-style-type: none"> • Anna DORBEC Russia and other CIS countries 	+33.(0)1.42.98.48.45	anna.dorbec@bnpparibas.com
<ul style="list-style-type: none"> • Hélène DROUOT Asia 	+33.(0)1.42.98.33.00	helene.drouot@bnpparibas.com
<ul style="list-style-type: none"> • Jean-Loïc GUIEZE Africa, English and Portuguese speaking countries 	+33.(0)1.42.98.43.86	jeanloic.guieze@bnpparibas.com
<ul style="list-style-type: none"> • Johanna MELKA Asia - Capital Flows 	+33.(0)1.58.16.05.84	johanna.melka@bnpparibas.com
<ul style="list-style-type: none"> • Alexandre VINCENT Central and Eastern Europe 	+33.(0)1.43.16.95.44	alexandre.vincent@bnpparibas.com
<ul style="list-style-type: none"> • Michel BERNARDINI Public Relations Officer 	+33.(0)1.42.98.05.71	michel.bernardini@bnpparibas.com



OUR PUBLICATIONS



CONJONCTURE

Structural or in the news flow, two issues analysed in depth



EMERGING

Analyses and forecasts for a selection of emerging economies



PERSPECTIVES

Analyses and forecasts for the main countries, emerging or developed



ECOFASH

Data releases, major economic events. Our detailed views...



ECOWEEK

Weekly economic news and much more...



ECOTV

In this monthly webTV, our economists make sense of economic news



ECOTV WEEK

What is the main event this week? The answer is in your two minutes of economy

The information and opinions contained in this report have been obtained from, or are based on, public sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate, complete or up to date and it should not be relied upon as such. This report does not constitute an offer or solicitation to buy or sell any securities or other investment. Information and opinions contained in the report are published for the assistance of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient, are subject to change without notice and not intended to provide the sole basis of any evaluation of the instruments discussed herein. Any reference to past performance should not be taken as an indication of future performance. To the fullest extent permitted by law, no BNP Paribas group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this report. All estimates and opinions included in this report are made as of the date of this report. Unless otherwise indicated in this report there is no intention to update this report. BNP Paribas SA and its affiliates (collectively "BNP Paribas") may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this report or derivatives thereon. BNP Paribas may have a financial interest in any issuer or person mentioned in this report, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon. Prices, yields and other similar information included in this report are included for information purposes. Numerous factors will affect market pricing and there is no certainty that transactions could be executed at these prices. BNP Paribas, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this report. BNP Paribas may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this report. BNP Paribas may be a party to an agreement with any person relating to the production of this report. BNP Paribas, may to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis on which it was based, before its publication. BNP Paribas may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this report. Any person mentioned in this report may have been provided with sections of this report prior to its publication in order to verify its factual accuracy. BNP Paribas is incorporated in France with limited liability. Registered Office 16 Boulevard des Italiens, 75009 Paris. This report was produced by a BNP Paribas group company. This report is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNP Paribas. By accepting this document you agree to be bound by the foregoing limitations. Certain countries within the European Economic Area.

This report is solely prepared for professional clients. It is not intended for retail clients and should not be passed on to any such persons. This report has been approved for publication in the United Kingdom by BNP Paribas London Branch. BNP Paribas London Branch is authorised and supervised by the Autorité de Contrôle Prudentiel and authorised and subject to limited regulation by the Financial Services Authority. Details of the extent of our authorisation and regulation by the Financial Services Authority are available from us on request.

This report has been approved for publication in France by BNP Paribas SA, incorporated in France with Limited Liability and is authorised by the Autorité de Contrôle Prudentiel (ACP) and regulated by the Autorité des Marchés Financiers (AMF) whose head office is 16, Boulevard des Italiens 75009 Paris, France.

This report is being distributed in Germany either by BNP Paribas London Branch or by BNP Paribas Niederlassung Frankfurt am Main, a branch of BNP Paribas S.A. whose head office is in Paris, France. BNP Paribas S.A. - Niederlassung Frankfurt am Main, Europa Allee 12, 60327 Frankfurt is authorised and supervised by the Autorité de Contrôle Prudentiel and it is authorised and subject to limited regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin).

United States: This report is being distributed to US persons by BNP Paribas Securities Corp., or by a subsidiary or affiliate of BNP Paribas that is not registered as a US broker-dealer to US major institutional investors only. BNP Paribas Securities Corp., a subsidiary of BNP Paribas, is a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority and other principal exchanges. BNP Paribas Securities Corp. accepts responsibility for the content of a report prepared by another non-U.S. affiliate only when distributed to U.S. persons by BNP Paribas Securities Corp.

Japan: This report is being distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited or by a subsidiary or affiliate of BNP Paribas not registered as a financial instruments firm in Japan, to certain financial institutions defined by article 17-3, item 1 of the Financial Instruments and Exchange Law Enforcement Order. BNP Paribas Securities (Japan) Limited is a financial instruments firm registered according to the Financial Instruments and Exchange Law of Japan and a member of the Japan Securities Dealers Association and the Financial Futures Association of Japan. BNP Paribas Securities (Japan) Limited accepts responsibility for the content of a report prepared by another non-Japan affiliate only when distributed to Japanese based firms by BNP Paribas Securities (Japan) Limited. Some of the foreign securities stated on this report are not disclosed according to the Financial Instruments and Exchange Law of Japan.

Hong Kong: This report is being distributed in Hong Kong by BNP Paribas Hong Kong Branch, a branch of BNP Paribas whose head office is in Paris, France. BNP Paribas Hong Kong Branch is registered as a Licensed Bank under the Banking Ordinance and regulated by the Hong Kong Monetary Authority. BNP Paribas Hong Kong Branch is also a Registered Institution regulated by the Securities and Futures Commission for the conduct of Regulated Activity Types 1, 4 and 6 under the Securities and Futures Ordinance.

Some or all the information reported in this document may already have been published on <https://globalmarkets.bnpparibas.com>
© BNP Paribas (2012). All rights reserved.

To receive our publications, please subscribe on our website. You can read and watch our analyses on EcoNews, our iPad and Android application



<http://economic-research.bnpparibas.com>