Euro wrap-up

Overview

Chris Scicluna
+44 20 7597 8326

Emily Nicol
+44 20 7597 8331

- Bunds made very modest losses despite some weaker industrial production data from the euro area's periphery.
- Gilts made gains after UK GDP data surprised on the downside.
- The coming week will see the ECB announce updated plans for its asset purchases in the New Year while the BoE will again likely decide to leave Bank Rate unchanged.

Daily bond market movements

Bond	Yield	Change
BKO 0 12/23	-0.711	+0.007
OBL 0 10/26	-0.594	+0.009
DBR 0 08/31	-0.356	+0.003
UKT $0^{1}/_{8}$ 01/24	0.396	-0.017
UKT $0^{3}/_{8}$ 10/26	0.532	-0.014
UKT 0¼ 07/31	0.726	-0.026

*Change from close as at 4:00pm GMT.
Source: Bloomberg

Euro area

ECB set to provide some clarity on outlook for asset purchases

The conclusion of the ECB policy meeting on Thursday will bring a degree of clarity on its asset purchases in the New Year. Based on its updated economic projections and current forward guidance, the Governing Council will indicate its expected pace of net PEPP purchases in the coming quarter, and provide a steer on the likely extent and nature of asset purchases from April on. However, not least given the uncertainties surrounding the impact of the Omicron variant on inflation, and recognizing other economic and political risks, the Governing Council may well leave some of the detail of its plans from April onwards to be determined in the New Year. And it will insist that it remains "flexible", retaining "optionality" for either more hawkish or dovish pivots if the outlook shifts in the course of 2022.

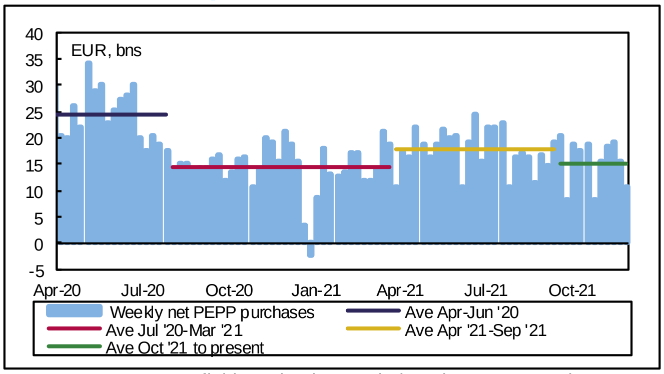
Near-term GDP outlook to be nudged down but economy to be judged resilient to Omicron

Given the current wave of Covid-19 and associated tightening of restrictions, restraints on economic activity caused by supply bottlenecks, and the erosion of real incomes by high inflation, the ECB will revise down its near-term projection for euro area GDP. However, while it will acknowledge additional downside risks to economic output from the Omicron variant, it will take comfort from evidence that it typically does not cause severe symptoms as well as the increasing resilience of activity to each successive wave of pandemic. So, it will still predict that the pre-pandemic level of GDP will be surpassed in the current quarter, and that the economic recovery will be sustained throughout next year. And the revisions to full-year GDP growth from its September projections, of 5.0% Y/Y and 4.6% Y/Y in 2021 and 2022 respectively, should be minimal.

Inflation outlook to be revised higher and close to 2% target in 2024

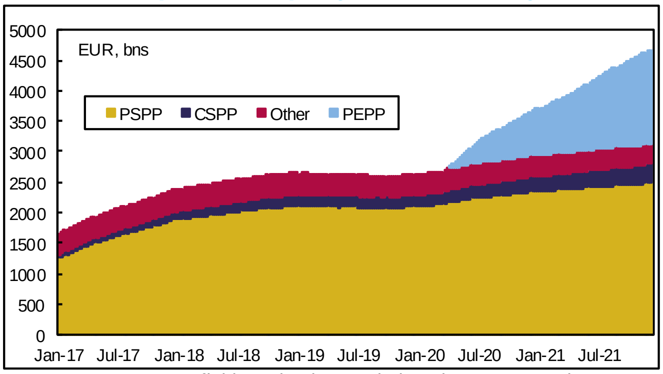
More importantly for its monetary policy decision, the ECB will revise up significantly its forecast for inflation. In September, it expected the annual CPI rate to peak at 3.1% Y/Y in the current quarter before falling back to below 2.0% Y/Y from Q222 on. But inflation leapt to a 30-year high of 4.9% Y/Y in November. And while it will take a step down in January, higher prices of energy as well as the pass-through of cost pressures in non-energy industrial goods and services will keep inflation above 2.0% Y/Y at least through to Q322. While the Omicron variant risks weighing additionally on demand, the ECB will be wary that its impact on supply – both within the euro area and globally – could mean that bottlenecks persist throughout next year, adding to price pressures rather than allowing them to dissipate. So, while it will likely continue to suggest that headline and core inflation will average less than 2.0% Y/Y in 2023, it will probably nudge up its forecasts for that year to above 1½% Y/Y. Moreover, its projections for 2024 – to be published for the first time – will likely suggest that inflation will have returned close to the 2.0% Y/Y target that year. And it will judge the risks to the inflation outlook to be skewed to the upside.

ECB: Net PEPP purchases



Source: Refinitiv and Daiwa Capital Markets Europe Ltd.

ECB: Asset purchase programme holdings



Source: Refinitiv and Daiwa Capital Markets Europe Ltd.

Rate hikes still unlikely in 2022 but net PEPP purchases likely to end in March

The ECB's forward guidance, set out following its strategic review, specifies that the Governing Council expects its key interest rates to remain at their present or lower levels until it: (1) sees inflation reaching 2% well ahead of the end of its projection horizon and (2) durably for the rest of the projection horizon, and (3) judges that progress in underlying inflation is sufficiently advanced to be consistent with inflation stabilising at 2% over the medium term. While a projection of 2% (or thereabouts) inflation in 2024 would be considered a step closer to a future rate hike, the outlook will not be considered consistent with parts (1) or (2) of the guidance. So, as in September, in response to questioning, Christine Lagarde might well repeat that the inflation outlook remains inconsistent with the preconditions for rate hikes set out in the forward guidance. However, the upside skew to inflation risks could suggest that a hike cannot completely be ruled out. And as the Governing Council will also likely judge that the downward impact of the pandemic on the projected path of inflation has eased, Lagarde will also be able to repeat that the net PEPP purchases are still expected to be brought to an end in March, even though Covid-19 continues to spread rapidly across the euro area.

Net PSPP purchases likely to be maintained throughout 2022

One precondition of a return of inflation to target by 2024 will be the maintenance of favourable financial conditions, currently reflected in real yields close to record lows. The ECB's total stock of assets already accumulated of about €4.7trn – comprising almost €2.5trn under its regular PSPP and more than €1.5trn under the PEPP, as well as its holdings of corporate and covered bonds and asset-backed securities – will make a big contribution to preserving such conditions by limiting the amount of available bonds in the market. However, to avoid a sudden upwards shift in yields, the ECB will also maintain net asset purchases via its regular PSPP programme well beyond the end of the net PEPP purchases, and probably over the full course of 2022. Notwithstanding its desire to retain some flexibility should the inflation outlook change significantly, it might signal its expectation to do that at the current meeting.

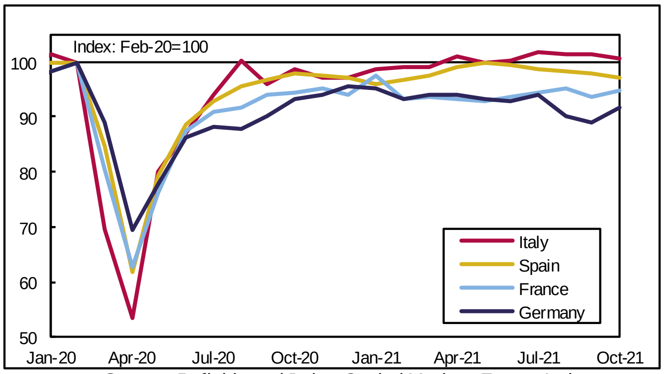
Pace of total net purchases to be slowed steadily throughout 2022

The Governing Council will certainly agree its guidance on the amount of purchases to be bought over the coming quarter. Given the likely drop in net borrowing requirements of more than €300bn to close to €500bn in 2022 – explained principally by Germany but with other member states also set to reduce the funding needs significantly – the ECB should have scope to reduce the pace of net PEPP purchases in Q1 without prompting a marked tightening of financial conditions, as long as global market conditions (e.g. in light of Fed moves to tighten) and political developments in France and Italy allow. While it will not specify an explicit amount, net PEPP purchases somewhere in the range of €40-50bn per month in Q1, down from the average close to €65bn per month since the September Governing Council meeting, seems reasonable. Once the PEPP net purchases have concluded in March, the ECB is highly likely to increase the amount of net purchases under the PSPP to compensate somewhat. A Reuters report yesterday, which tallies with recent comments from Governing Council members, suggests two options. The first would see the Governing Council approve a new purchase envelope for the PSPP, available for use up to the end of 2022 but with no compulsion to buy the full amount if it was not needed. The alternative would be to commit to an increase in PSPP purchases once the PEPP had concluded, but with the volume to be adjusted over time. Whichever approach was taken, we might expect an initial doubling of PSPP purchases to €40bn per month throughout Q222, followed by a steady reduction in Q3 and Q4 – and perhaps to zero in the course of 2023 – allowing real yields to rise in line with expectations of rate hikes further ahead.

Euro area IP to rise in October despite weakness in Italy and Spain

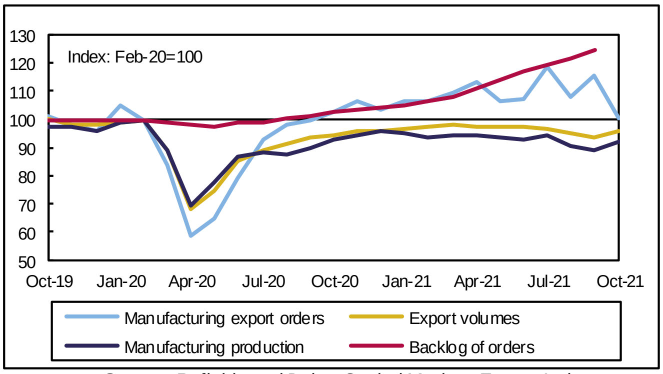
Data-wise, contrasting with some encouraging IP reports from Germany and France over the past week, today's October production numbers from Italy and Spain came in on the soft side. In particular, Italian industrial output fell 0.6% M/M, as declines in production of machinery, ICT equipment and metal products more than offset a modest pickup in autos and energy output. Nevertheless, industrial output was still more than 2% higher than a year earlier and a little more than ½%

Euro area: Manufacturing production by country



Source: Refinitiv and Daiwa Capital Markets Europe Ltd.

Germany: Production, orders and exports



Source: Refinitiv and Daiwa Capital Markets Europe Ltd.

above the pre-pandemic level. Spanish IP also fell as manufacturing production declined (0.2%M/M) for the fifth consecutive month. This also reflected weakness in machinery, ICT equipment and pharmaceuticals, which offset an acceleration in car production. Looking ahead to the aggregate euro area release due on Tuesday, the strength in the largest two member states will have offset today's weakness. And based on data already published by member states, euro area IP should rise by more than 1%M/M, to leave it a little less than ½% below the pre-pandemic level.

German exports up for the first month in four

Consistent with the improved manufacturing performance in the largest member state, yesterday's German trade figures reported a notable rebound in exports in October. In particular, the value of exports jumped more than 4%M/M, the most since July 2020, to be almost 3½% higher than the Q3 average and more than 8% higher than a year earlier. This in part reflected a near-13%Y/Y increase in exports to other euro area countries, while exports to the US were up 11.4%Y/Y and China up 9.4%Y/Y. But the value of imports was also up a sizable 5.1%M/M, 17.3%Y/Y. As such, the goods trade surplus narrowed by €0.4bn to €12.5bn, the lowest since May 2020. However, export and import values were again significantly inflated by prices in October. The Bundesbank's adjusted trade series showed a somewhat more modest increase in export volumes, by 2.6%M/M, still the first monthly rise in four and leaving them almost 1% higher than the Q3 average. And with import volumes up just 1.1%M/M and 0.7% above the Q3 average, these data suggest that net goods trade provided a modest boost to GDP growth at the start of Q4. But while elevated order backlogs imply that production will maintain an upwards trend if and when supply chains permit, there has been a sizable drop in new manufacturing orders from overseas since the summer to their lowest since September 2020.

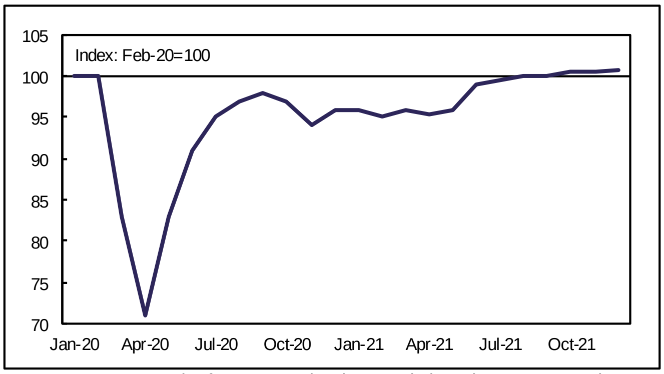
Bank of France survey indicates ongoing growth in GDP despite pandemic revival

Despite the worsening wave of pandemic, the Bank of France's latest business survey (conducted from 26 November to 3 December) also suggested that French economic activity continued to pick up last month, with output stronger in industry, services and, albeit to a lesser extent, construction. And firms expect continued improvement in December too. Nevertheless, 51% of firms cited challenges recruiting new staff while more than half of firms in manufacturing (57%) and construction (56%) also reported continued problems with supply bottlenecks, with autos activity still most severely hampered despite reporting a slight improvement in semiconductor supplies last month. And firms in hospitality, leisure and personal services reported the negative impact of the accelerated spread of Covid-19 and associated restrictions. Nevertheless, after French GDP returned to its pre-Covid level in Q3, the BoF estimates growth of a little less than ¾%Q/Q in Q4 to take full-year growth in 2021 to 6.7%Y/Y.

The week ahead in the euro area

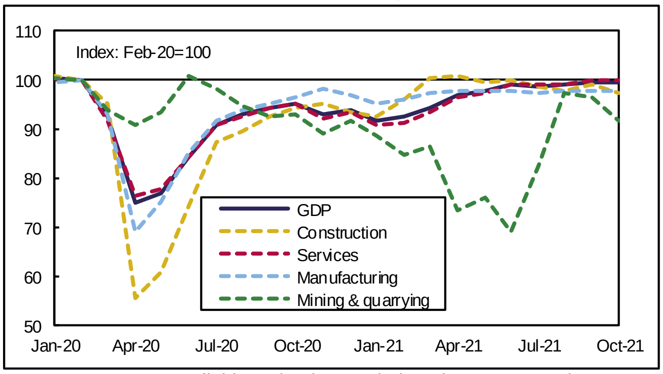
Alongside the ECB announcements, Thursday will also bring arguably the most noteworthy data of the coming week in the shape of the December flash PMIs. The final services PMIs in November recorded a marked deterioration in conditions compared with the flash release as the resurgence of the Delta variant and reintroduction of restrictions dented confidence. And the subsequent emergence of the Omicron variant and further tightening of lockdown measures seems bound to have weighed further on services sentiment this month, while manufacturers might well be more concerned about additional supply-chain disruption. The French INSEE and German ifo business indices for December are also due Thursday and Friday. Ahead of these, the aforementioned euro area IP numbers (due Tuesday) will be followed by final November inflation numbers from France, Italy and Spain (Wednesday). The final German CPI numbers published today aligned with the preliminary release, with headline inflation (on the EU harmonised measure) up 1.4ppt to 6.0%Y/Y. Therefore, we expect the final November euro area CPI numbers (Friday) to similarly confirm the flash estimates that saw headline inflation jump 0.8ppt to 4.9%Y/Y, with core inflation up 0.6ppt to 2.6%Y/Y. In contrast, euro area labour costs data for Q3 (Thursday) are expected to have remained very subdued. Euro area construction output numbers for October and new car registrations for November are also due Friday. In addition, the ECB will publish on Thursday the allotment results from its final TLTRO III operation.

France: GDP level – BoF estimate



Source: Bank of France and Daiwa Capital Markets Europe Ltd.

UK: GDP level and sector components



Source: Refinitiv and Daiwa Capital Markets Europe Ltd.

UK

Labour market and price expectations surveys mixed

Just like the ECB, the BoE will announce its monetary policy decision on Thursday. The MPC has been signalling for some time that Bank Rate will likely, in due course, need to be raised to ensure that inflation returns to the 2.0%Y/Y target on a sustainable basis. But while its updated economic projections suggested that more than 50bps of tightening might ultimately be required, last month the Committee voted 7-2 against a modest first 15bps hike in Bank Rate to 0.25%. Among other things, the majority on the MPC wanted first to gauge the impact of the end of the Job Retention Scheme on the labour market and were also wary that inflation expectations might become de-anchored. Recent data, including this week's REC report on jobs indices (see below), suggest that the labour market remains tight. But wage growth has moderated somewhat. In addition, the BoE's latest survey of household price expectations, also published today, suggested only a modest increase in medium-term inflation expectations to a level still below those recorded ahead of the arrival of Covid-19. Admittedly, the latest labour market and inflation figures, due on Tuesday and Wednesday respectively, might again flag the upside risks to the inflation outlook.

Omicron variant adds to uncertainty as Johnson tightens pandemic restrictions

Of course, like the ECB, the BoE will be wary that the emergence of the Omicron variant might add to inflationary pressures as it worsens supply-side strains. Indeed, after the identification of the new variant, two MPC members who voted for unchanged rates in November – Deputy Governor Ben Broadbent and Chief Economist Huw Pill – both refused to rule out voting for a hike this month. However, over the near term, the negative impact on demand might be the principal concern related to the pandemic. As illustrated by today's October GDP data, economic activity continued to slow in early autumn. And the government's (seemingly politically-motivated) decision on Wednesday to tighten pandemic restrictions by implementing its Plan B – including encouraging working from home wherever possible, and limiting access to nightclubs and large gatherings to the vaccinated – is highly likely to weigh on demand for consumer-facing services this month and next. In particular, hospitality and leisure, as well as transport, will lose all-important festive-season trade. And while the government's Recovery Loan Scheme will support finance for SMEs affected by the new rules, there will be no job furlough scheme to support employee incomes. So, consumer and business confidence will likely be adversely impacted, not least given the additional uncertainty about the likely profile of the pandemic in the New Year.

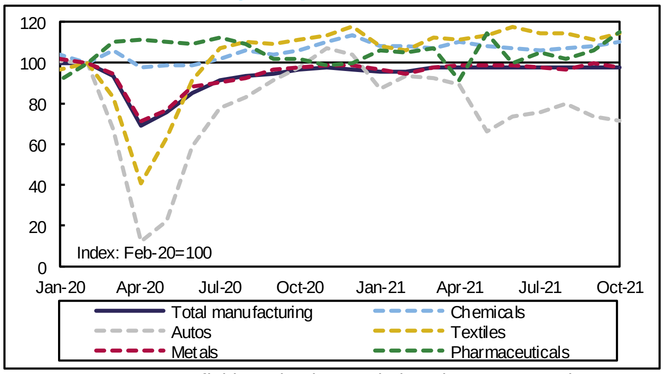
Case for raising Bank Rate in December no stronger than in November

Overall, therefore, it is hard to argue that the case for tightening monetary policy this month is any stronger than at the time of the November MPC meeting. With the BoE also traditionally reluctant to hike rates ahead of Christmas, perhaps for fear of being portrayed as Scrooge, we think that the majority of MPC members will again vote to leave rates unchanged on Thursday. Instead of moving this month, the Committee will probably await updated projections in February before nudging Bank Rate up to 0.25%. As has long been expected, however, the MPC will confirm the end of its net asset purchases this month, when the stock of government bond purchases will have reached the target set in November 2020 of £875bn and the total target stock of asset purchases reached £895bn.

GDP growth slows more than expected in October

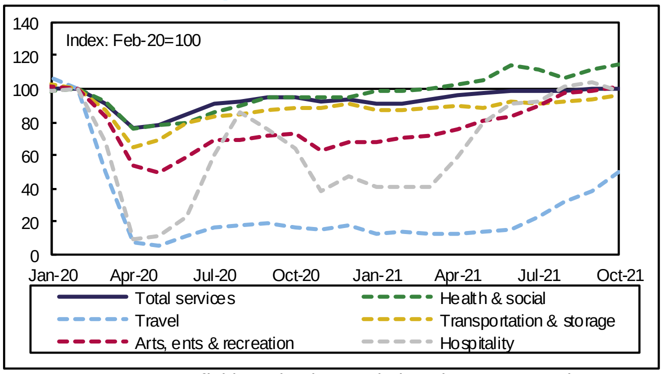
Today's data revealed that UK GDP fell short of expectations in October, implying a further slowing of momentum at the start of the fourth quarter and raising additional uncertainties about the resilience of the economy to tighter pandemic restrictions. In particular, GDP rose just 0.1%M/M to leave output still ½% below the pre-pandemic level and three-month growth slowing 0.4ppt to 0.9%3M/3M, the softest such growth since the economy emerged from lockdown in April. Admittedly, the weakness was in part caused by sharp declines in oil extraction and gas supply, to leave overall industrial production (-0.6%M/M) a drag on GDP growth for a second successive month. But manufacturing output merely moved sideways, to be still 2½%

UK: Manufacturing output



Source: Refinitiv and Daiwa Capital Markets Europe Ltd.

UK: Services output



Source: Refinitiv and Daiwa Capital Markets Europe Ltd.

lower than in February 2020. And the performance of the different subsectors was mixed, with an 8½%M/M increase in pharmaceuticals offsetting a 9½%M/M drop in output of machinery and equipment, while autos production (down 1½%M/M) remained impeded by supply bottlenecks – indeed, autos output was still almost 30% lower than the pre-pandemic level. And supply-chain challenges continued to limit construction activity too, with the 1.8%M/M decline in October the fourth monthly drop out of the past six and the steepest since April 2020, to leave output 2.8% lower than the pre-pandemic level.

Services output back to pre-pandemic level (for now) supported by healthcare and retail

Recovery momentum in the services sector also slowed in October. Nevertheless, growth of 0.4%M/M left output back to its pre-pandemic level for the first time. Growth remained supported by public sector services, as the first full month's provision of booster vaccinations and face-to-face GP appointments saw the health sector contribute 0.2ppt to monthly GDP. Private sector services were driven by second-hand car sales and employment agencies, while the travel sector also reported strong growth on more relaxed international travel restrictions. But following exceptionally strong growth over the summer, the hospitality sector saw activity slip back in October (-5½%M/M). And overall, consumer-facing services were still more than 5% lower than the pre-pandemic level.

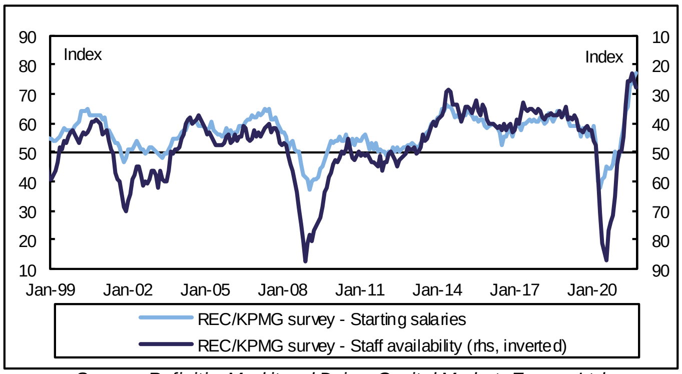
New restrictions a setback to the recovery around the turn of the year

While retail sales in November seem likely to have been supported by Black Friday deals and early Christmas shopping, high-frequency data suggest a further slowing in restaurant bookings last month, while the travel sector will have been impacted by tightening restrictions across various European countries. Moreover, the government's aforementioned decision this week to move to Plan B will undoubtedly have a negative impact on hospitality, other recreation activities and public transport. So, while the health sector will be further boosted by the vaccination programme, we now expect services output to decline in December and remain subdued in January. And while the economic impact will likely be smaller than earlier in the pandemic, persisting supply shortages in the construction and manufacturing sectors might also continue to weigh on production. As such, after a moderate pick-up in growth in November, we now expect GDP to contract in December to leave growth over the fourth quarter as a whole at 0.6%Q/Q. And we do not expect a significant acceleration in Q1.

The week ahead in the UK

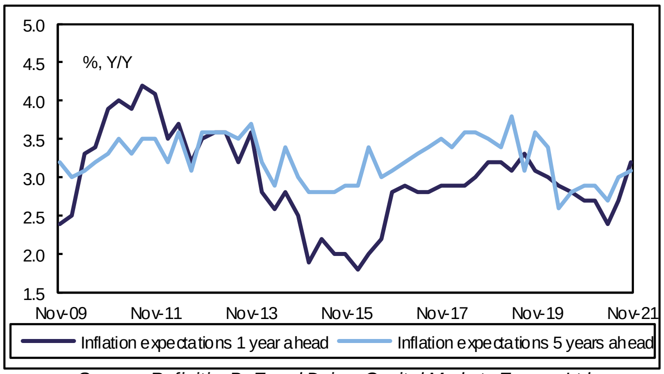
In the absence of the government's Plan B, the coming week's UK data might have been pivotal for Thursday's BoE decision. However, they might now be academic. Yesterday's KPMG/REC report on jobs signalled a further sharp increase in hiring activity in November, with strong growth in permanent and temporary jobs. According to this report, there was a further marked increase in vacancies, but a further decline in the availability of appropriate candidates. And this persisting imbalance led to further increases in the survey's measure of starting pay, to the highest since the series began in 1998. A tight labour market is likely to be the message from the official labour market numbers on Tuesday too, with the unemployment rate forecast to fall 0.1ppt to 4.2% in the three months to October, the claimant count expected to have fallen further in November and vacancies to remain at record levels. But redundancies might well have edged higher in October after the conclusion of the furlough scheme, while developments in wage growth will also be closely watched. Meanwhile, Wednesday's data are likely to show that CPI inflation jumped further in December. Not least given higher petrol prices, we expect to see headline inflation increase 0.7ppt to 4.9%Y/Y, which would be the highest since 2011. But core CPI inflation is likely to rise too, by 0.3ppt to 3.7%Y/Y. Also of interest will be Friday's retail sales data for November. Recent retail surveys, including the BRC retail sales monitor, suggest a strong increase last month, as consumers snapped up early Black Friday deals and seemingly brought forward their festive spending amid concerns about supply shortages and prices. Survey-wise, Thursday brings the release of the preliminary manufacturing, services and composite PMIs for December, which, ahead of the tightening of pandemic restrictions, were likely to signal another month of decent growth in output and jobs amid ongoing price pressures. In addition, the BoE will publish on Monday its latest quarterly Financial Stability Report and annual Stress Test results for 2021.

UK: REC/KPMG labour market survey indices



Source: Refinitiv, Markit and Daiwa Capital Markets Europe Ltd.

UK: BoE inflation attitudes survey



Source: Refinitiv, BoE and Daiwa Capital Markets Europe Ltd.

The next edition of the Euro wrap-up will be published on 14 December 2021

Daiwa economic forecasts

	2021		2022				2021	2022	2023
	Q3	Q4	Q1	Q2	Q3	Q4			
GDP forecasts %, Q/Q									
Euro area	2.2	0.7	1.0	0.9	0.9	0.5	5.0	4.5	2.2
UK	1.3	0.6	0.6	1.0	0.6	0.6	6.8	4.3	1.9
Inflation forecasts %, Y/Y									
Euro area									
Headline CPI	2.8	4.6	3.7	3.8	2.9	1.5	2.6	3.0	1.3
Core CPI	1.4	2.5	2.0	2.8	2.3	1.6	1.5	2.2	1.3
UK									
Headline CPI	2.8	4.7	5.1	4.8	4.1	2.5	2.5	4.1	1.8
Core CPI	2.6	3.7	4.0	3.5	2.9	2.0	2.3	3.1	2.0
Monetary policy									
ECB									
Refi Rate %	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deposit Rate %	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
PEPP envelope* (€bn)	1850	1850	1850	1850	1850	1850	1850	1850	1850
BoE									
Bank Rate %	0.10	0.10	0.25	0.25	0.50	0.50	0.10	0.50	0.75
Gilt purchases* (£bn)	875	875	875	875	866	866	875	866	833

**Target end of period. Source: Bloomberg, ECB, BoE and Daiwa Capital Markets Europe Ltd.*

European calendar

Today's results

Economic data

Country	Release	Period	Actual	Market consensus/ *Daiwa forecast*	Previous	Revised
Germany	Final CPI (EU-harmonised CPI) Y/Y%	Nov	**5.2 (6.0)**	5.2 (6.0)	4.5 (4.6)	-
Italy	Industrial production M/M% (Y/Y%)	Oct	**-0.6 (2.0)**	0.3 (3.3)	0.1 (4.4)	**- (4.5)**
Spain	Industrial production M/M% (Y/Y%)	Oct	**-0.4 (-0.9)**	0.3 (0.8)	0.3 (1.2)	**0.0 (0.4)**
UK	GDP M/M% (3M/3M%)	Oct	**0.1 (0.9)**	*0.7 (1.1)*	0.6 (1.3)	-
	Industrial production M/M% (Y/Y%)	Oct	**-0.6 (1.4)**	0.1 (2.2)	-0.4 (2.9)	-
	Manufacturing production M/M% (Y/Y%)	Oct	**0.0 (1.3)**	0.1 (1.7)	-0.1 (2.8)	-
	Construction output M/M% (Y/Y%)	Oct	**-1.8 (3.3)**	0.3 (5.4)	1.3 (7.2)	-
	Index of services M/M% (3M/3M)	Oct	**0.4 (1.1)**	0.4 (1.2)	0.7 (1.6)	-
	Goods trade balance £bn	Oct	**-13.9**	-14.1	-14.7	-
	BoE/Kantar inflation expectations, next 12 months	Nov	**3.2**	-	2.7	-

Auctions

Country	Auction
- Nothing to report -	

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

The coming week's data calendar

The coming week's key data releases

Country	GMT	Release	Period	Market consensus/ *Daiwa forecast/actual*	Previous
		Monday 13 December 2021			
UK	00.01	Rightmove house price index M/M% (Y/Y%)	Dec	-	-0.6 (6.3)
		Tuesday 14 December 2021			
Euro area	10.00	Industrial production M/M% (Y/Y%)	Oct	1.2 (3.2)	-0.2 (5.2)
UK	07.00	Unemployment claimant count rate % (change '000s)	Nov	-	5.1 (-14.9)
	07.00	Average earnings incl. bonuses (excl. bonuses) 3M/Y%	Oct	4.6 (4.0)	5.8 (4.9)
	07.00	ILO unemployment rate 3M%	Oct	4.3	4.3
	07.00	Employment change, '000s 3M/3M	Oct	220	247
		Wednesday 15 December 2021			
France	07.45	Final CPI (EU-harmonised CPI) Y/Y%	Nov	2.8 (3.4)	2.6 (3.2)
Italy	09.00	Final CPI (EU-harmonised CPI) Y/Y%	Nov	3.8 (4.0)	3.0 (3.2)
Spain	08.00	Final CPI (EU-harmonised CPI) Y/Y%	Nov	5.6 (5.6)	5.4 (5.4)
UK	07.00	CPI (core CPI) Y/Y%	Nov	*4.9 (3.7)*	4.2 (3.4)
	07.00	PPI input prices (output prices) Y/Y%	Nov	13.1 (8.1)	13.0 (8.0)
	09.30	House price index Y/Y%	Oct	11.2	11.8
		Thursday 16 December 2021			
Euro area	09.00	Preliminary manufacturing (services) PMI	Dec	57.9 (54.3)	58.4 (55.9)
	09.00	Preliminary composite PMI	Dec	54.2	55.4
	10.00	Trade balance €bn	Oct	5.8	6.1
	10.00	Labour costs Y/Y%	Q3	-	-0.1
	12.45	ECB refinancing rate %	Dec	*0.00*	0.00
	12.45	ECB marginal lending facility rate %	Dec	*0.25*	0.25
	12.45	ECB deposit rate %	Dec	*-0.50*	-0.50
Germany	08.30	Preliminary manufacturing (services) PMI	Dec	57.1 (51.3)	57.4 (52.7)
	08.30	Preliminary composite PMI	Dec	51.1	52.2
France	07.45	INSEE business confidence	Dec	113	114
	07.45	INSEE manufacturing confidence (production outlook)	Dec	109 (-)	109 (20)
	08.15	Preliminary manufacturing (services) PMI	Dec	55.0 (55.6)	55.9 (57.4)
	08.15	Preliminary composite PMI	Dec	55.2	56.1
UK	09.30	Preliminary manufacturing (services) PMI	Dec	57.5 (57.0)	58.1 (58.5)
	09.30	Preliminary composite PMI	Dec	56.4	57.6
	12.00	BoE Bank Rate %	Dec	*0.10*	0.10
	12.00	BoE Gilt purchase target £bn	Dec	*875*	875
	12.00	BoE Corporate bond target £bn	Dec	*20*	20
		Friday 17 December 2021			
Euro area	07.00	EU27 new car registrations Y/Y%	Nov	-	-30.3
	10.00	Final CPI (core CPI) Y/Y%	Nov	4.9 (2.6)	4.1 (2.0)
	10.00	Construction output M/M% (Y/Y%)	Oct	-	0.9 (1.5)
Germany	07.00	PPI Y/Y%	Nov	19.9	18.4
	09.00	Ifo business climate	Dec	95.2	96.5
	09.00	Ifo current assessment (expectations)	Dec	97.2 (93.5)	99.0 (94.2)
France	07.45	Final wages Q/Q%	Q3	0.3	0.3
Spain	08.00	Labour costs Y/Y%	Q3	-	13.2
UK	00.01	GfK consumer confidence	Dec	-17	-14
	07.00	Retail sales incl. auto fuels M/M% (Y/Y%)	Nov	0.8 (4.0)	0.8 (-1.3)
	07.00	Retail sales excl. auto fuels M/M% (Y/Y%)	Nov	0.8 (2.4)	1.6 (-1.9)

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

Daiwa Capital Markets

The coming week's key events & auctions			
Country		GMT	Event / Auction
			Monday 13 December 2021
UK		17.00	BoE publishes Financial Stability Report and Stress Test results
			Tuesday 14 December 2021
Italy		10.00	Auction: Up to €3.5bn of 0% 2024 bonds
			Wednesday 15 December 2021
			- Nothing scheduled -
			Thursday 16 December 2021
Euro area		10.30	ECB announces allotment of final TLTRO III operation
		12.45	ECB monetary policy announcement
		13.30	ECB President Lagarde speaks at post-Governing Council press conference
		12.00	BoE monetary policy announcement, publication of MPC meeting summary and minutes
		12.00	BoE publishes Q4 Agents' summary of business conditions
			Friday 17 December 2021
UK		12.00	BoE publishes Q4 Quarterly Bulletin

Source: Bloomberg and Daiwa Capital Markets Europe Ltd.

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