



ECONOMIC RESEARCH DEPARTMENT

Summary

United States

Relance ?

Data released this week highlight a rebound in activity and inflation. It is however too soon to read this as the first signs of the reflation some are expecting...

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France

Significantly more jobs, a little less unemployment in 2016

The job market is finally showing clear signs of improvement. In 2016, 170 000 payroll jobs were created in the non-farm business sector, the strongest pace of job growth since 2007.

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Market overview

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Summary of forecasts

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Also in



Creative destruction

■ The UK is about to start to leave the UE ■ A painful process that will need a certain degree of creativity

So far, so good. The UK, which has just approved the decision to exit the European Union (EU), has seen the downturn in Sterling and the rally in global markets bolster its economy. With short-term prospects improving, the Bank of England has raised its growth forecast to 2% in 2017, better than in the eurozone. Like the protectionism of the new Trump administration, Brexit is not hampering the pace of the business world. Some might be surprised, but the explanation for this is simple and should be seen as a word of caution: it has not yet started. At the end of March, after invoking article 50 launching the process of withdrawal from the EU, the British government will plunge into the heart of the matter. Notably, it must reach an agreement with the European Commission on the amount outstanding to be settled: the UK's exit payment could range between EUR 40 bn and EUR 60 bn. Britain must then unravel the innumerable ties that have been forged as part of the single market, which reach far beyond simple tariff agreements. The automobile industry, air transport and agro-food business, for example, are so deeply integrated that backtracking risks creating a massive regulatory and legal headache. In these and other areas, the Brexit negotiators will need lots of energy and inventiveness to replace the existing agreements with solutions that are acceptable by all. To paraphrase Schumpeter, the UK is entering a process of "creative destruction", and it is hard to imagine a happy ending.

THE FALL

— Sterling effective exchange rate (Jan. 2005=100)



Source: Bank of England

THE WEEK ON THE MARKETS

Week 10-2 17 > 16-2-17			
↗ CAC 40	4 828	▶ 4 899	+1.5 %
↗ S&P 500	2 316	▶ 2 347	+1.3 %
↗ Volatility (VIX)	10.9	▶ 11.8	+0.9 %
↗ Euribor 3M (%)	-0.33	▶ -0.33	+0.1 bp
↗ Libor \$ 3M (%)	1.04	▶ 1.04	+0.6 bp
↘ OAT 10y (%)	1.05	▶ 1.02	-2.3 bp
↗ Bund 10y (%)	0.32	▶ 0.35	+3.1 bp
↗ US Tr. 10y (%)	2.43	▶ 2.47	+4.3 bp
↗ Euro vs dollar	1.06	▶ 1.07	+0.4 %
↗ Gold (ounce, \$)	1 231	▶ 1 242	+0.9 %
↘ Oil (Brent, \$)	56.9	▶ 55.5	-2.5 %

Source: Thomson Reuters