



FOCUS | CEEMEA  
10 June 2021

MARKETS 360™  
STRATEGY & ECONOMICS

EM ECONOMICS | EM STRATEGY

# South Africa: Moving on up

## KEY MESSAGES

South Africa's Q1 GDP report highlights the economy is not only benefitting from strong commodity prices, but also some pent up consumer demand, we think.

We have revised up our GDP growth forecasts by a further 0.5pp to 4.7% in 2021 and 0.2pp to 2.1% in 2022, on a slightly improved consumption outlook and slower depletion of inventories.

Record terms of trade continue to benefit the balance of payments position. Therefore, we have revised up our 2021 current account surplus by 0.7pp to 2.3% of GDP.

A slightly faster closing of the output gap and broader GDP inflation gains have prompted us to further tweak up our CPI forecasts by 0.2pp for 2021 and 2022 and supports our call for a rate hike by November this year. We now see an end-2022 policy rate of 4.50%.

South Africa's Q1 GDP performance (+4.6% q/q saar, -3.2% y/y) confirmed our view of strong positive multipliers from higher commodity prices benefitting the economy.

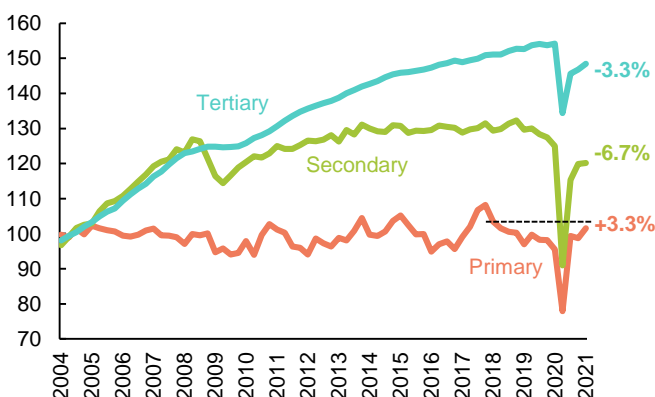
**Primary sector above pre-Covid activity levels:** Production-side GDP detail showed the mining sector was one of the strongest contributors to Q1 GDP, rising more than 18% q/q saar. This, alongside an agriculture sector that was shielded from production difficulties in 2020 meant that the primary sector is already enjoying activity levels above that seen in 2019 (Figure 1).

The expenditure-side detail also revealed one of the strong side effects from a booming commodity sector, namely in inventories. Though still drawn down in Q1, inventory depletion was around half of what it averaged last year (annualised), and the single largest contributor to the quarterly GDP expenditure performance (+8.7pp).

## MARKET VIEW

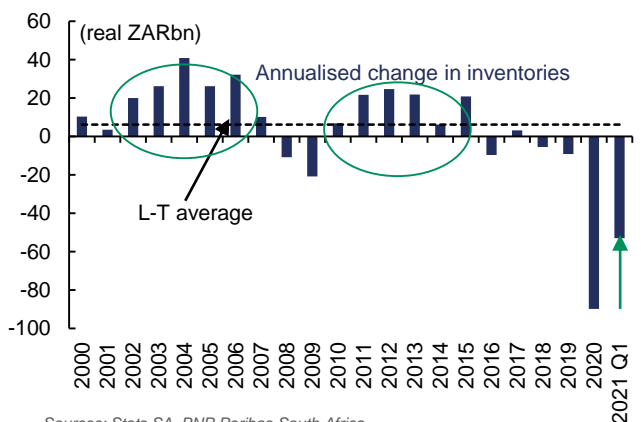
The continued upward revisions in growth numbers are also reflected as better fiscal performance, hence NT has already decrease auction sizes twice this year. We see continued strong demand for SAGBs and remain [long asset swap spreads in R2032 bonds](#). We also favour ZAR and SAGBs as overweight in our [local markets model portfolio](#).

Fig. 1: Primary sector back above pre-Covid activity levels



Sources: Stats SA, BNP Paribas South Africa

Fig. 2: Commodity rally points to larger growth contributions from inventory restocking in 2021-22



Sources: Stats SA, BNP Paribas South Africa



Jeffrey Schultz, Senior Economist | BNP Paribas South Africa Branch | Burak Baskurt, Senior CEEMEA strategist | BNP Paribas London Branch  
Please refer to MAR disclosures and important information at the end of this report.

# Slower inventory depletion and some pent up demand

As we highlighted in [South Africa: Net trade puts a shine to 2021 GDP growth](#), dated 26 April, higher global commodity prices amid strong global activity and demand should have strong feedback loops into the economy.

While the Q1 GDP performance did not necessarily reflect this directly through the net trade channel this time around, the 26% q/q saar spike in imports was attributed to higher machinery and equipment and mineral and mining imports (indicative of increased activity levels in the supply-side of the economy).

This, we think, also needs to be seen in conjunction with a much slower pace of inventory depletion in the quarter. Figure 2 indicates that inventories have also shown to be responsive to strong commodity upcycles, with an average *real* inventory rebuild of ZAR20-25bn per annum. This compares with an average annual inventory depletion of ZAR5bn per annum during 2016-19). Therefore, we have toned down our inventory depletion assumptions underpinning our 2021 GDP estimate.

**Short-term limits to inventory replenishment:** There are still some hurdles to a rapid turnaround in inventory replenishment in 2021, though. The first being that most strong inventory cycles coincide with stronger fixed investment – something that we think will only surface in

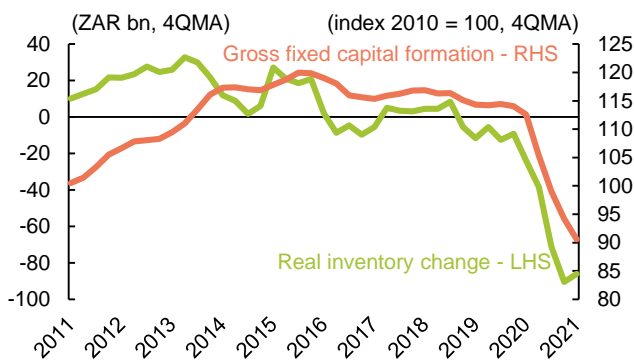
2022 as a by-product of a sustained strong commodity price performance. We still see GFCF contracting 0.6% in 2021, but now see a stronger recovery to +1.3% in 2022 (+0.6pp) – see [page 4](#).

The second relates to ongoing supply chain challenges with manufacturers continuing to cite raw material shortages as a constraint to higher capacity utilisation (Figure 4). However, as these bottlenecks clear, we see scope for inventory rebuilding to prop up growth in 2022.

**Pent up demand props up consumer spend:** Another 'bright spot' in the Q1 GDP report was the 4.7% q/q growth in consumer spending. While this is encouraging and continues to suggest a resilient consumer, we caution that Q1 still had Covid-19 support grants, which ran to April. Importantly, we also believe that there is some pent up demand from middle-to-upper income consumers following 2020, which saw household net savings as a percentage of GDP turn positive for the first time since the global financial crisis (Figure 5).

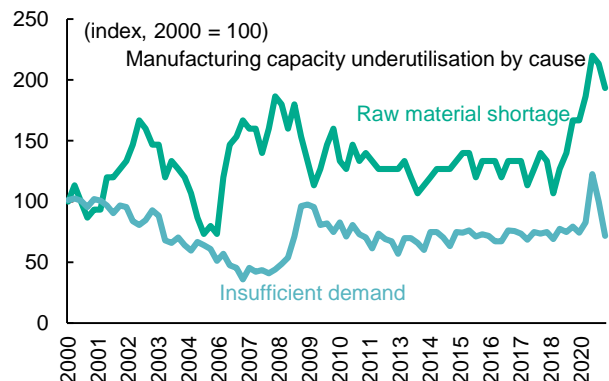
However, a still worrisome labour market environment keeps us cautious on the medium-term outlook for consumption (Figure 6). We upgrade our forecast for a 6.2% (+1.2pp) rise in consumption growth in 2021, slowing to +1.5% in 2022 – see [page 4](#).

Fig. 3: Fixed investment and inventory trends



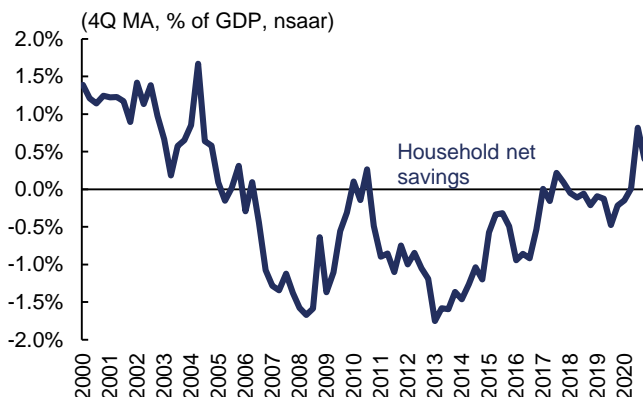
Sources: Stats SA, SARB, BNP Paribas South Africa

Fig. 4: Supply chain challenges persist



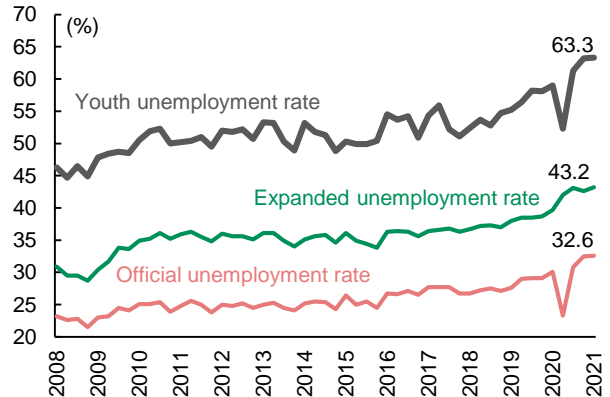
Sources: Stats SA, BNP Paribas South Africa

Fig. 5: Household savings rise points to some pent up demand



Sources: SARB, BNP Paribas South Africa calculations

Fig. 6: High unemployment even as participation is low



Sources: Stats SA, BNP Paribas South Africa

# Stronger recovery to support measured hikes from Q4

**Further upgrades to 2021 and 2022 GDP growth:** The Q1 GDP report confirms our belief that strong external tailwinds are serving to more than offset some of the competing structural economic challenges (e.g. electricity supply cuts – which began in earnest in recent weeks).

Our revised assumption for a slower pace of inventory depletion (led by the primary sector) and some release of pent up consumer demand leads us to further revise up our GDP estimates. We push our already above consensus 2021 GDP forecast up 0.5pp to 4.7% (+0.5pp) and 2022 growth to 2.1% (+0.2pp) – see [page 4](#).

**Healthier current account surplus in 2021:** Record export receipts, coupled with still lacklustre domestic demand and poor local investment (keeping imports around 8% below pre-pandemic levels) continues to keep terms of trade in record territory (Figure 7). Q1's current account surplus of 5.0% of GDP, along with our view that the global commodity price rally has legs, means that the economy looks well placed to equal or even surpass last year's surplus of 2.2%, its largest in nearly three decades. We revise up our 2021 current account surplus by 0.7pp to 2.3% of GDP, but still see a return to a deficit of 1.4% of GDP in 2022 (-0.3pp revision) on a return of investment and import growth.

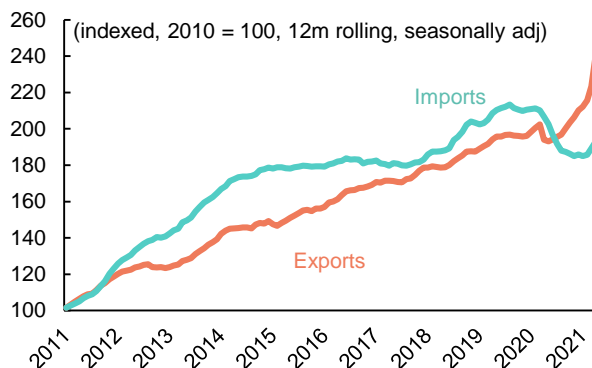
**SARB output gap estimates likely to narrow further:** With the Q1 GDP report again coming in well above the SARB's 2.7% q/q saar expectation, we would expect the central bank to make further upward adjustments to [its GDP estimates](#) in the coming MPC meetings. This implies another faster narrowing of the output gap and a slightly faster policy rate normalisation trajectory implied by its quarterly projection model (QPM) – Figure 8. We expect the 22 July MPC to mark the first indication of this.

**Higher inflation coming, but swift policy action unlikely:** While the Q1 2021 GDP deflator slowed to 5.1% y/y from 7.4% in Q4 2020, factors driving underlying prices appear to be changing, with deflators in the tertiary/service sector picking up momentum alongside the primary sector (Figure 9). Given services inflation has a weighting of more than 51% in the CPI basket, we think this is notable and indicates some early signs of broader core pressure building.

**Further tweaks up to CPI forecasts:** On its own, we do not think this will be enough to prompt the SARB to turn overly hawkish. Neither do we see this materially changing our view that there remain important structural underpinnings to less problematic core inflation (at least relative to its EM peers) – see [South Africa: Rates likely on hold, for now](#), dated 17 May. Nevertheless, our macro upgrades and evidence of broader price pressures in GDP inflation do push our 2021 and 2022 CPI numbers up 0.2pp to an average of 4.5% and 4.2% respectively (see [page 4](#)).

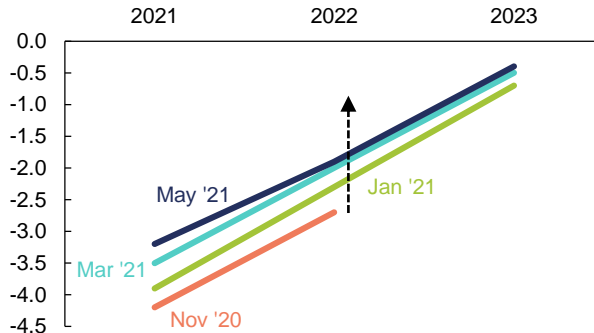
**End 2022 policy rate now 4.50%:** With CPI set to move above the SARB's 4.5% midpoint from May and seen in conjunction with our expectation of a stronger recovery, we remain comfortable in our out-of-consensus view for the SARB to begin policy rate normalisation in November, with a 25bp hike. We have also added another 25bp hike to our 2022 policy rate profile, taking our end 2022 repo rate estimate to 4.50% from 3.50% currently.

Fig. 7: Sustained terms of trade gains = larger C/A surplus



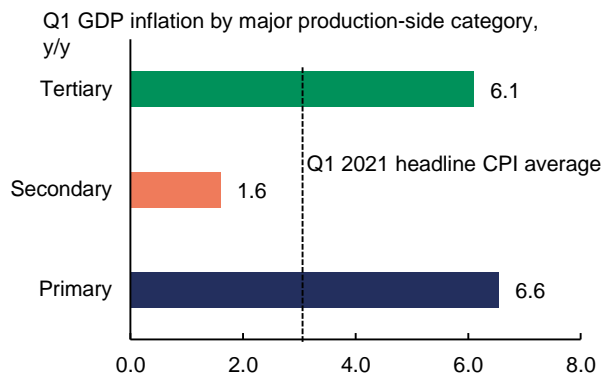
Sources: Stats SA, BNP Paribas South Africa calculations

Fig. 8: SARB output gap estimates by MPC meeting (pp of GDP)



Sources: SARB, BNP Paribas South Africa

Fig. 9: GDP deflator shows more pressure in services prices



Sources: Stats SA, BNP Paribas South Africa estimates

# South Africa's updated macro and financial forecasts

Fig. 10: South Africa's economic and financial forecasts

					2019				2020				2021				2022				
	19	20	21 <sup>(1)</sup>	22 <sup>(1)</sup>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 <sup>(1)</sup>	Q3 <sup>(1)</sup>	Q4 <sup>(1)</sup>	Q1 <sup>(1)</sup>	Q2 <sup>(1)</sup>	Q3 <sup>(1)</sup>	Q4 <sup>(1)</sup>	
<b>Components of growth %</b>																					
GDP	0.2	-7.0	4.7	2.1	0.0	0.9	0.1	-0.5	0.4	-17.8	-6.2	-4.2	-3.2	16.8	3.3	2.0	2.0	1.8	2.1	2.3	
Private consumption	1.0	-5.5	6.2	1.5	0.5	1.5	1.3	0.9	0.9	-16.7	-3.7	-2.4	-0.9	19.2	4.2	2.5	1.7	1.4	1.4	1.6	
Fixed investment	-0.9	-17.3	-0.6	1.3	-2.9	-0.5	0.9	-1.3	-5.5	-25.5	-21.6	-16.7	-13.0	8.6	2.4	-0.3	0.7	0.9	1.5	2.0	
Exports	-2.3	-10.3	12.8	4.3	1.5	-0.5	-4.3	-6.1	-0.2	-28.8	-7.8	-4.2	-3.7	41.4	9.3	4.3	5.5	4.3	3.9	3.5	
Imports	-0.4	-16.4	11.9	4.8	-0.2	3.3	-2.7	-2.0	-5.1	-24.9	-23.3	-12.2	-2.7	18.7	21.1	10.6	5.4	5.1	4.6	4.1	
<b>Inflation %</b>																					
CPI		4.1	3.3	4.5	4.2	4.2	4.4	4.1	3.7	4.4	2.4	3.1	3.2	3.1	4.9	4.9	5.0	4.8	4.3	4.0	3.9
CPI <sup>(2)</sup>		4.0	3.1	5.1	4.0	4.5	4.5	4.1	4.0	4.1	2.2	3.0	3.1	3.2	4.9	4.9	5.1	4.7	4.3	4.0	4.0
Core CPI <sup>(2)</sup>		3.8	3.3	3.6	3.6	4.4	4.3	4.0	3.8	3.7	3.0	3.3	3.3	2.5	3.3	3.5	3.6	3.9	3.9	3.6	3.6
<b>External trade</b>																					
Trade balance (USD bn)	2.7	17.3	20.7	4.4	0.7	-0.6	0.8	1.7	2.9	0.9	6.6	6.9	7.3	6.6	3.8	3.0	2.1	1.3	0.5	0.5	
Current account (USD bn)	-10.7	6.6	8.3	-5.3	-2.6	-3.7	-3.2	-1.2	1.0	-1.9	4.3	3.2	4.5	3.0	0.5	0.2	-0.3	-1.1	-1.9	-2.0	
Current account (% of GDP)	-3.0	2.2	2.3	-1.4	-3.0	-4.1	-3.7	-1.3	1.4	-3.1	5.9	3.7	5.0	3.4	0.6	0.2	-0.3	-1.2	-2.1	-2.1	
<b>Financial variables</b>																					
General govt. budget (% of GDP) <sup>(3)</sup>	-5.7	-11.2	-8.3	-7.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Primary budget (% of GDP) <sup>(3)</sup>	-3.2	-7.0	-3.8	-1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
General govt. debt (% of GDP)	63.5	79.5	83.5	86.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Interest rates and bonds<sup>(2)</sup></b>																					
Policy rate (%)	6.50	3.50	3.75	4.50	6.75	6.75	6.50	6.50	5.25	3.75	3.50	3.50	3.50	3.50	3.50	3.75	4.25	4.50	4.50	4.50	
3-month rate (%)	6.80	3.64	4.00	4.85	7.15	7.10	6.90	6.80	5.61	3.90	3.35	3.64	3.65	3.70	3.75	4.00	4.55	4.80	4.85	4.85	
10-year bond (%)	9.02	8.74	9.00	9.00	9.15	8.82	9.00	9.02	11.00	9.24	9.42	8.74	9.48	8.80	9.00	9.00	9.00	9.00	9.00	9.00	
<b>FX rates<sup>(2)</sup></b>																					
USDZAR	14.75	14.70	15.00	15.50	14.50	14.09	14.80	14.75	17.84	17.35	16.75	14.70	14.78	14.00	14.50	15.00	15.50	15.50	15.50	15.50	

Footnotes: (1) forecast, (2) end period, (3) consolidated budget balance based on National Treasury financial year  
 Figures are year-on-year percentage changes unless otherwise indicated

Sources: Stats SA, SARB, National Treasury, Bloomberg, BNP Paribas South Africa estimates

This document or where relevant the document/communication to which this notice relates (all references in this notice to a document or communication shall be construed as referring to this document or such document/communication related to this notice, as appropriate) has been written by our Strategist and Economist teams within the BNP Paribas group of companies (collectively "BNPP"); it does not purport to be an exhaustive analysis, and may be subject to conflicts of interest resulting from their interaction with sales and trading which could affect the objectivity of this report. This document is non-independent research for the purpose of the UK Financial Conduct Authority rules. For the purposes of the recast Markets in Financial Instruments Directive (2014/65/EU) (MiFID II), non-independent research constitutes a marketing communication. This document is not investment research for the purposes of MiFID II. It has not been prepared in accordance with legal requirements designed to provide the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

The content in this document/communication may also contain "Research" as defined under the MiFID II unbundling rules. If the document/communication contains Research, it is intended for those firms who are either in scope of the MiFID II unbundling rules and have signed up to one of the BNPP Global Markets Research packages, or firms that are out of scope of the MiFID II unbundling rules and therefore not required to pay for Research under MiFID II. Please note that it is your firm's responsibility to ensure that you do not view or use the Research content in this document if your firm has not signed up to one of the BNPP Global Markets Research packages, except where your firm is out of scope of the MiFID II unbundling rules.

Please note any reference to EU legislation or requirements herein or in the document should be read as a reference to the relevant EU legislation or requirement and/or its UK equivalent legislation or requirement, as appropriate, where applicable, and as the context requires. For example references to "MiFID II" means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU, and/or such directive as implemented in UK law through the relevant UK legislation and PRA and FCA rules as may give effect to Directive 2014/65/EU, as appropriate, where applicable, and as the context requires.

STEER™ is a trade mark of BNPP.

MARKETS 360 is a trade mark of BNP Paribas

This document constitutes a marketing communication and has been prepared by BNPP for, and is directed at, (a) Professional Clients and Eligible Counterparties as defined by the recast Markets in Financial Instruments Directive (2014/65/EU) (MiFID II), and (b) where relevant, persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, and at other persons to whom it may lawfully be communicated (together "Relevant Persons") under the regulations of any relevant jurisdiction. Any investment or investment activity to which this document relates is available only to and will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or its content.

Securities described herein or in the document may not be eligible for sale in all jurisdictions or to certain categories of investors.

The information and opinions contained in this document have been obtained from, or are based on, public sources believed to be reliable, but there is no guarantee of the accuracy, completeness or fitness for any particular purpose of such information and such information may not have been independently verified by BNPP or by any person. None of BNPP, any of its subsidiary undertakings or affiliates or its members, directors, officers, agents or employees accepts any responsibility or liability whatsoever or makes any representation or warranty, express or implied, as to the accuracy and completeness of the information or any opinions based thereon and contained in this document and it should not be relied upon as such.

This document does not constitute or form any part of any offer to sell or issue and is not a solicitation of any offer to purchase any financial instrument, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on, in connection with any contract or investment decision. To the extent that any transaction is subsequently entered into between the recipient and BNPP, such transaction will be entered into upon such terms as may be agreed by the parties in the relevant documentation.

Information and opinions contained in this document are published for the information of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgment 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 or in the document. In providing this document, BNPP does not offer investment, financial, legal, tax or any other type of advice to, nor has any fiduciary duties towards, recipients. Any reference to past performance is not indicative of future performance, which may be better or worse than prior results. Any hypothetical, past performance simulations are the result of estimates made by BNPP, as of a given moment, on the basis of parameters, market conditions, and historical data selected by BNPP, and should not be used as guidance, in any way, of future performance. To the fullest extent permitted by law, no BNPP 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 document even where advised of the possibility of such losses. All estimates and opinions included in this document are made as of the date of this document. Unless otherwise indicated in this document there is no intention to update this document.

BNPP may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this document or derivatives thereon. Prices, yields and other similar information included in this document are included for information purposes however numerous factors will affect market pricing at any particular time, such information may be subject to rapid change and there is no certainty that transactions could be executed at any specified price.

BNPP may have a financial interest in any issuer or person mentioned in this document, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon, or vice versa. BNPP, 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 document. BNPP 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 document. BNPP may be a party to an agreement with any person relating to the production of this document. BNPP may to the extent permitted by law, have acted upon or used the information contained herein or in the document, or the analysis on which it was based, before the document was published. BNPP 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 document. Any person mentioned in this document may have been provided with relevant sections of this document prior to its publication in order to verify its factual accuracy.

This document is for information purposes only and there is no assurance that a transaction(s) will be entered into on such indicative terms. Any indicative price(s) contained herein or in the document have been prepared in good faith in accordance with BNPP's own internal models and calculation methods and/or are based on or use available price sources where considered relevant. Indicative price(s) based on different models or assumptions may yield different results. Numerous factors may affect the price(s), which may or may not be taken into account. Therefore, these indicative price(s) may vary significantly from indicative price(s) obtained from other sources or market participants. BNPP expressly disclaims any responsibility for the accuracy or completeness of its own internal models or calculation methods, the accuracy or reliability of any price sources used, any errors or omissions in computing or disseminating these indicative price(s), and for any use you make of the price(s) provided. The indicative price(s) do not represent (i) the actual terms on which a new transaction could be entered into, (ii) the actual terms on which any existing transactions could be unwound, (iii) the calculation or estimate of an amount that would be payable following an early termination of the transactions or (iv) the price(s) given to the transactions by BNPP in its own books of account for financial reporting, credit or risk management purposes. As an investment bank with a wide range of activities, BNPP may face conflicts of interest, which are resolved under applicable legal provisions and internal guidelines. You should be aware, however, that BNPP may engage in transactions in a manner inconsistent with the views expressed in this document, either for its own account or for the account of its clients.

This document may contain certain performance data based on back-testing, i.e. simulations of performance of a strategy, index or assets as if it had actually existed during a defined period of time. To the extent any such performance data is included, the scenarios, simulations, development expectations and forecasts contained in this document are for illustrative purposes only. All estimates and opinions included in this document constitute the judgment of BNPP and its affiliates as of the date of the document and may be subject to change without notice. This type of information has inherent limitations which recipients must consider carefully. While the information has been prepared in good faith in accordance with BNPP's own internal models and other relevant sources, an analysis based on different models or assumptions may yield different results. Unlike actual performance records, simulated performance returns or scenarios may not necessarily reflect certain market factors such as liquidity constraints, fees and transactions costs. Actual historical or back tested past performance does not constitute an indication of future results or performance.

This document is only intended to generate discussion regarding particular products and investments and is subject to change or may be discontinued. We are willing to discuss it with you on the understanding that you have sufficient knowledge, experience and professional advice to understand and make your own independent evaluation of the merits and risk of the information and any proposed structures. The information contained herein or in the document is not and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein or in the document, or solicitation of an offer to buy securities described herein or in the document, in Canada, the U.S. or any other province or territory nor shall it be deemed to provide investment, tax, accounting or other advice. Transactions involving the product(s) described in this document may involve a high degree of risk and the value of such transactions may be highly volatile. Such risks include, without limitation, risk of adverse or unanticipated market developments, risk of counterparty or issuer default, risk of adverse events involving any underlying reference obligation or entity and risk of illiquidity. In certain transactions, counterparties may lose their entire investment or incur an unlimited loss.

The information relating to performance contained in this document is illustrative and no assurance is given that any indicated returns, performance or results will be achieved. Moreover, past performance is not indicative of future results. Information herein or in the document is believed reliable but BNPP and its affiliates do not warrant or guarantee its completeness or accuracy. All information, terms and pricing set forth herein or in the document reflect our judgment at the date and time hereof and are subject to change without notice. In the event that we were to enter into a transaction with you, we will do so as principal (and not as agent or in any other capacity, including, without limitation, as your fiduciary, advisor or otherwise). Only in the event of a potential transaction will an offering document be prepared, in which case, you should refer to the prospectus or offering document relating to the above potential transaction which includes important information, including risk factors that relate to an investment in the product(s) described herein or in the document.

Prior to transacting, you should ensure that you fully understand (either on your own or through the use of independent expert advisors) the terms of the transaction and any legal, tax and accounting considerations applicable to them. You should also consult with independent advisors and consultants (including, without limitation, legal counsel) to determine whether entering into any securities transactions contemplated herein or in the document would be contrary to local laws. Unless the information contained herein or document/communication to which this notice relates is made publicly available by BNPP, it is provided to you on a strictly confidential basis and where it is provided to you on a strictly confidential basis you agree that it may not be copied, reproduced or otherwise distributed by you, whether in whole or in part (other than to your professional advisers), without our prior written consent. Neither we, nor any of our affiliates, nor any of their respective directors, partners, officers, employees or representatives accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its content; and any of the foregoing may from time to time act as manager, co-manager or underwriter of a public offering or otherwise, in the capacity of principal or agent, deal in, hold or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to the securities or related derivatives that are discussed herein or in the document. BNPP and its affiliates may (or may in the future) hold a position or act as a market maker in the financial instruments discussed, or act as an advisor, manager, underwriter or lender to such issuer. In no circumstances shall BNPP or its affiliates be obliged to disclose any information that it has received on a confidential basis or to disclose the existence thereof.

The information presented herein or in the document does not comprise a prospectus of securities for the purposes of EU Regulation (EU) 2017/1129 (as amended from time to time).

This document was produced by a BNPP group company. This document 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 BNPP. By accepting or accessing this document you agree to this.

**For country- specific disclaimers** (United States, Canada, United Kingdom, France, Germany, Belgium, Ireland, Italy, Netherlands, Portugal, Spain, Switzerland, Brazil, Turkey, Israel, Bahrain, South Africa, Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand, Vietnam) please type the following URL to access our legal notices: [https://globalmarkets.bnpparibas.com/gm/home/20191111\\_Markets\\_360\\_Country\\_Specific\\_Notices.pdf](https://globalmarkets.bnpparibas.com/gm/home/20191111_Markets_360_Country_Specific_Notices.pdf)

Some or all of the information contained in this document may already have been published on [MARKETS 360™ Portal](#)

© BNPP (2021). All rights reserved.

**IMPORTANT DISCLOSURES by producers and disseminators of investment recommendations for the purposes of the Market Abuse Regulation:**

Although the disclosures provided herein or in the document have been prepared on the basis of information we believe to be accurate, we do not guarantee the accuracy, completeness or reasonableness of any such disclosures. The disclosures provided herein or in the document have been prepared in good faith and are based on internal calculations, which may include, without limitation, rounding and approximations.

BNPP and/or its affiliates may be a market maker or liquidity provider in financial instruments of the issuer mentioned in the recommendation.

BNPP and/or its affiliates may provide such services as described in Sections A and B of Annex I of MiFID II (Directive 2014/65/EU), to the Issuer to which this investment recommendation relates. However, BNPP is unable to disclose specific relationships/agreements due to client confidentiality obligations.

Section A and B services include A. Investment services and activities: (1) Reception and transmission of orders in relation to one or more financial instruments; (2) Execution of orders on behalf of clients; (3) Dealing on own account; (4) Portfolio management; (5) Investment advice; (6) Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; (7) Placing of financial instruments without a firm commitment basis; (8) Operation of an MTF; and (9) Operation of an OTF. B. Ancillary services: (1) Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management and excluding maintaining securities accounts at the top tier level; (2) Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction; (3) Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings; (4) Foreign exchange services where these are connected to the provision of investment services; (5) Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments; (6) Services related to underwriting; and (7) Investment services and activities as well as ancillary services of the type included under Section A or B of Annex 1 related to the underlying of the derivatives included under points (5), (6), (7) and (10) of Section C (detailing the MiFID II Financial Instruments) where these are connected to the provision of investment or ancillary services.

BNPP and/or its affiliates do not, as a matter of policy, permit pre-arrangements with issuers to produce recommendations. BNPP and/or its affiliates as a matter of policy do not permit issuers to review or see unpublished recommendations. BNPP and/or its affiliates acknowledge the importance of conflicts of interest prevention and have established robust policies and procedures and maintain effective organisational structure to prevent and avoid conflicts of interest that could impair the objectivity of this recommendation including, but not limited to, information barriers, personal account dealing restrictions and management of inside information.

BNPP and/or its affiliates understand the importance of protecting confidential information and maintain a "need to know" approach when dealing with any confidential information. Information barriers are a key arrangement we have in place in this regard. Such arrangements, along with embedded policies and procedures, provide that information held in the course of carrying on one part of its business to be withheld from and not to be used in the course of carrying on another part of its business. It is a way of managing conflicts of interest whereby the business of the bank is separated by physical and non-physical information barriers. The Control Room manages this information flow between different areas of the bank where confidential information including inside information and proprietary information is safeguarded. There is also a conflict clearance process before getting involved in a deal or transaction.

In addition, there is a mitigation measure to manage conflicts of interest for each transaction with controls put in place to restrict the information flow, involvement of personnel and handling of client relations between each transaction in such a way that the different interests are appropriately protected. Gifts and Entertainment policy is to monitor physical gifts, benefits and invitation to events that is in line with the firm policy and Anti-Bribery regulations. BNPP maintains several policies with respect to conflicts of interest including our Personal Account Dealing and Outside Business Interests policies which sit alongside our general Conflicts of Interest Policy, along with several policies that the firm has in place to prevent and avoid conflicts of interest.

The remuneration of the individual producer of the investment recommendation may be linked to trading or any other fees in relation to their global business line received by BNPP and/or affiliates.

**IMPORTANT DISCLOSURES by disseminators of investment recommendations for the purposes of the Market Abuse Regulation:**

Where relevant, the BNPP disseminator of the investment recommendation is identified in the document/communication including information regarding the relevant competent authorities which regulate the disseminator. The name of the individual producer within BNPP or an affiliate and the legal entity the individual producer is associated with is identified where relevant, in the document/communication. The date and time of the first dissemination of this investment recommendation by BNPP or an affiliate is addressed where relevant, in the document/communication. Where this investment recommendation is communicated by Bloomberg chat or by email by an individual within BNPP or an affiliate, the date and time of the dissemination by the relevant individual is contained, where relevant, in the communication by that individual disseminator.

The disseminator and producer of the investment recommendations are part of the same group, i.e. the BNPP group. The relevant Market Abuse Regulation disclosures required to be made by producers and disseminators of investment recommendations are provided by the producer for and on behalf of the BNPP Group legal entities disseminating those recommendations and the same disclosures also apply to the disseminator.

If an investment recommendation is disseminated by an individual within BNPP or an affiliate via Bloomberg chat or email, the disseminator's job title is available in their Bloomberg profile or bio. If an investment recommendation is disseminated by an individual within BNPP or an affiliate via email, the individual disseminator's job title is available in their email signature.

For further details on the basis of recommendation specific disclosures available at this link (e.g. valuations or methodologies, and the underlying assumptions, used to evaluate financial instruments or issuers, interests or conflicts that could impair objectivity recommendations or to 12 month history of recommendations history) are available at [MARKETS 360™ Portal](#). If you are unable to access the website please contact your BNPP representative for a copy of this document.



**BNP PARIBAS**

The bank  
for a changing  
world