

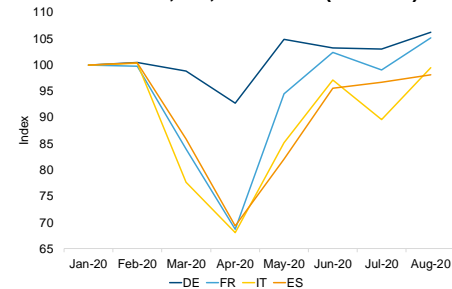
Week Ahead

Focus: EZ economic data

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Retail sales: DE, FR, IT and ES (indexed)



Source: Eurostat, Erste Group Research

EZ: data confirm fast recovery in 3Q

After a slight fall in July, the volume of retail trade increased by 4.4% in the Eurozone in August. Germany in particular stands out among large countries with above-average growth. This is partly due to the temporary reduction of the sales tax in Germany until the end of the year, which has created corresponding incentives for consumers. In contrast, retail trade in Italy and Spain developed rather modestly. Next week (October 14), data on industrial production in August will come into focus. Based on data already released this week from Germany, France and Spain, industrial production is expected to grow at a much slower pace in August, following a strong sequential increase in July (+4.1% compared to June). In Germany, a fall in car production has dampened the recovery momentum. While production in the automobile sector was only 7% below the previous year's level in July, there was a significant drop in August, with production falling 35% below the previous year's level.

Despite the monthly variations, the average level of volume of sales in the retail trade (+13%) and industrial production (+20%) in the large Eurozone countries in 3Q so far is significantly higher than in 2Q. On the basis of this data, Eurozone GDP is expected to grow strongly in 3Q – our forecast is +9%. We expect the momentum of the recovery in industrial production to improve again in September. On the one hand, because new orders in German industry rose significantly in August, by 4.5% compared to the previous month, and are now only 2.2% below the previous year's level. On the other hand, industrial sentiment on the global level continued to improve in September, pointing to further growth in industrial production in the months ahead. Moreover, the momentum of German car production has already improved significantly in September (only -11% y/y), which should give an additional boost to German industrial production in September.

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Margarita Grushanina (Economist AT, Quant.
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Note: Past performance is not necessarily indicative of future results

Economic calendar

Ctry	Date	Time	Release	Period	Consens	Prior
Eurozone						
USA						
	13-Oct	14:30	Inflation y/y	Sep	1.4%	1.3%
	16-Oct	14:30	Retail Sales mom	Sep	0.7%	0.6%
China						
	15-Oct	3:30	Inflation y/y	Sep	1.9%	2.4%

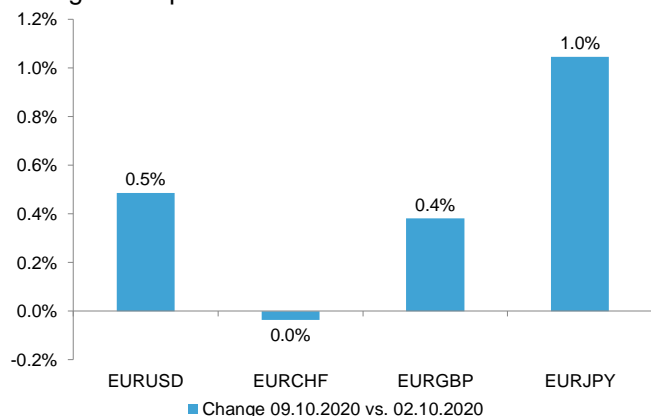
Central bank events

	Date	Time	Event
ECB	12-Oct	13:00	Christine Lagarde, talk with the IMF Governor
	14-Oct	10:00	Christine Lagarde, speech, United Nations Environment Programme Finance Initiative
	14-Oct	14:00	Philip Lane, speech: <i>How to spend it? How to pay it back? EU and US Perspectives</i> , SUERF ONLINE conference
Fed	14-Oct	15:00	Richard Clarida, speech: <i>Economic Outlook and Monetary Policy</i> , Institut of International Finance
	15-Oct	17:00	Randal Quarles, speech: <i>Response th the COVID Event</i> , Institut of International Finance

Source: Market Data Provider, ECB, Federal Reserve, Erste Group Research

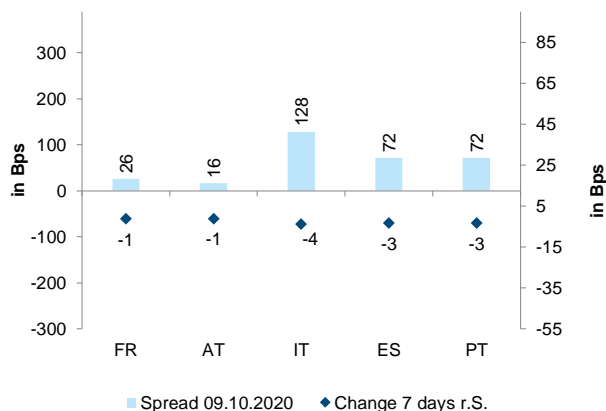
Forex and government bond markets

Exchange rates EUR: USD, CHF, GBP and JPY Changes compared to last week



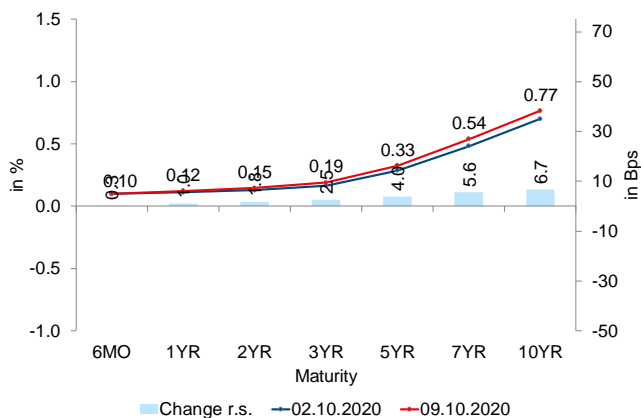
Source: Market Data Provider, Erste Group Research

Eurozone spreads vs. Germany 10Y government bonds



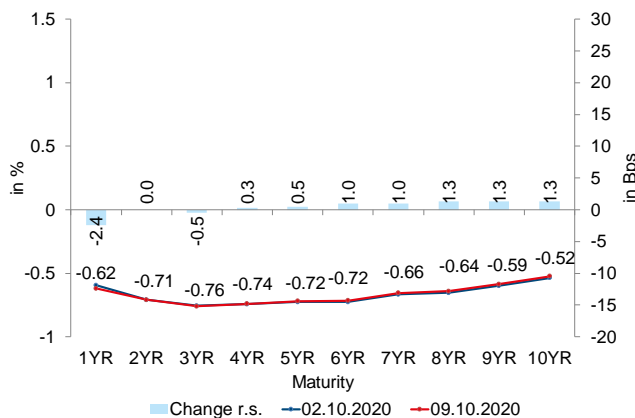
Source: Market Data Provider, Erste Group Research

US Treasuries yield curve Changes compared to last week



Source: Market Data Provider, Erste Group Research

DE Bund yield curve Changes compared to last week



Source: Market Data Provider, Erste Group Research

Forecasts¹

GDP	2018	2019	2020	2021
Eurozone	1.8	1.3	-7.6	5.4
US	2.9	2.3	-4.3	3.8

Inflation	2018	2019	2020	2021
Eurozone	1.7	1.2	0.2	1.1
US	2.4	1.8	1.2	1.9

Interest rates	current	Dec.20	Mar.21	Jun.21	Sep.21
ECB MRR	0.00	0.00	0.00	0.00	0.00
3M Euribor	-0.51	-0.50	-0.50	-0.50	-0.50
Germany Govt. 10Y	-0.54	-0.40	-0.10	0.00	0.00
Swap 10Y	-0.23	-0.10	0.20	0.30	0.30

Interest rates	current	Dec.20	Mar.21	Jun.21	Sep.21
Fed Funds Target Rate*	0.09	0.13	0.13	0.13	0.13
3M Libor	0.23	0.30	0.30	0.30	0.30
US Govt. 10Y	0.77	1.00 ↑	1.10	1.20	1.20
EURUSD	1.18	1.18	1.18	1.20	1.22

*Mid of target range

In case of changes to our forecasts compared to the previous issue, arrows show the direction of the change.

Source: Market Data Provider, Erste Group Research

¹ Note: In accordance with regulations, we are obliged to issue the following statement:
Forecasts are not a reliable indicator of future performance.

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