

Week Ahead

Focus: Global economy

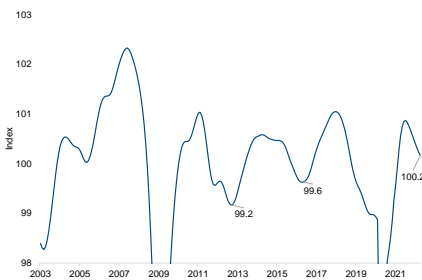
Analyst:

Gerald Walek
gerald.walek@erstegroup.com

Global economy cooling

There are currently increasing indications that global economic growth will slow down in the coming quarters. The leading indicator of the OECD for the world economy weakened in April to an index value of around 100.2. In the downturns since 2000, it took an average of around 12 months to reach the cyclical low from this index level in times of growth slowdown. Based on this data, the cyclical cooling of the global economy could therefore last until spring 2023.

OECD Economic leading indicator World



Source: OECD, Erste Group Research

Currently, the significant increase in inflation in some economies such as the Eurozone is already putting a considerable strain on private consumption. The outbreak of war in Ukraine has exacerbated the rise in inflation at a global level through energy and food prices. Unfortunately, there are no signs of any significant relaxation here in the short term. The current cooling of commodity prices that are sensitive to the economy, such as copper, could dampen global inflationary pressures in the longer term. On the other hand, falling raw material prices are another indicator of a slowdown in the global economy.

Copper price (Future)



Source: refinitiv, Erste Group Research

In addition, unexpectedly strict Covid-related containment measures in China are further clouding the global economic outlook. This could again exacerbate the problems within the value chains. The sharp slump in sentiment among purchasing managers in April suggests that China's economy is currently under severe pressure. Due to a health system that is still poorly developed compared to the EU, the Chinese government believes that the strict restriction measures are unavoidable. However, this also means that far-reaching restriction measures in the event of further virus mutations could lead to renewed burdens on China's economy in the coming years.

Major Markets & Credit Research

Gudrun Egger, CEFA (Head)

Rainer Singer (Senior Economist EZ, USA)
Gerald Walek, CFA (Economist EZ)
Margarita Grushanina (Economist AT, Quant. Analyst EZ)

Note: Past performance is not necessarily indicative of future results

In view of the high rates of inflation, unlike the cyclical cooling phases of the recent past, the global economy cannot initially count on any support from the important central banks. On the contrary, both the US Fed and the ECB are only just beginning to tighten their monetary policy. With the exception of southern Europe, there are no signs of any significant fiscal policy support for the economy in other countries in the Eurozone. We are currently expecting GDP growth of 2.8% for the Eurozone in 2022. In view of the increasing risks for the global economy, however, this forecast is subject to downside risks.

Economic calendar

Ctry	Date	Time	Release	Period	Consens	Prior
Eurozone						
EA	17-May	11:00	GDP q/q	1Q P	0.2%	0.2%
EA	17-May	11:00	GDP y/y	1Q P	5.0%	5.0%
USA						
	17-May	14:30	Retail Sales mom	Apr	0.9%	0.7%
China						

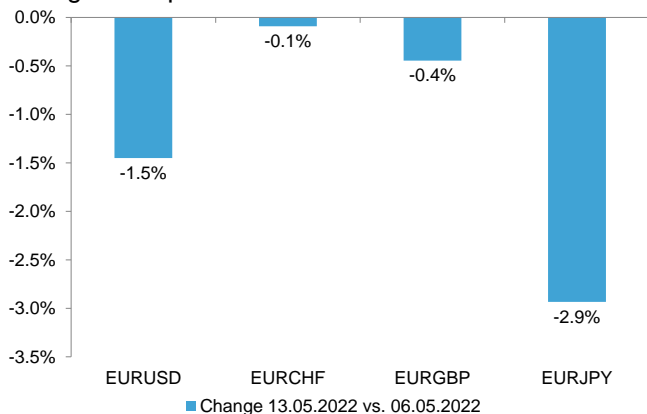
Central bank events

	Date	Time	Representative	Forum	Location
ECB	17-May	19:00	Christine Lagarde	speech	Soroptimist International-Club
	19-May	08:30	Luis de Guindos	speech	Program on International Financial Systems
Fed	17-May	18:00	Jerome Powell	discussion	Wall Street Journal

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

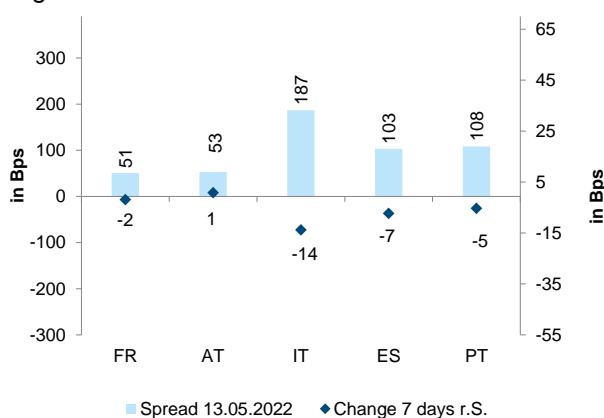
Forex and government bond markets

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



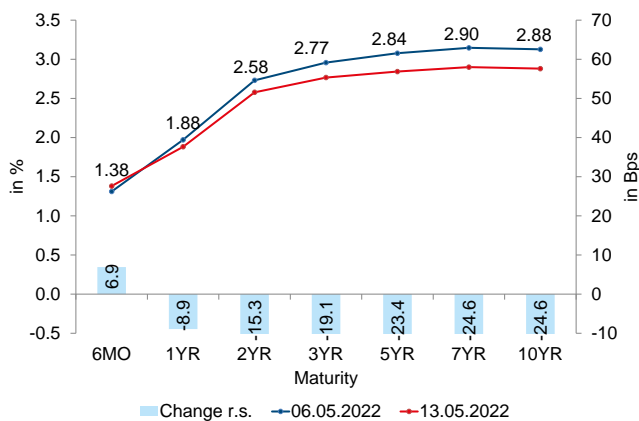
Source: Market Data Provider, Erste Group Research

Eurozone spreads vs. Germany
 10Y government bonds



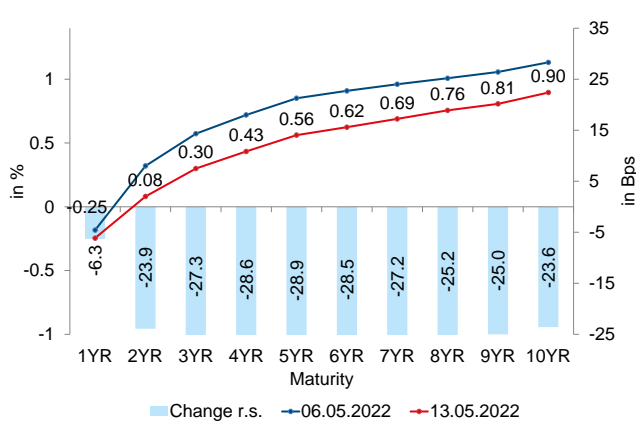
Source: Market Data Provider, Erste Group Research

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	2020	2021	2022	2023
Eurozone	-6.5	5.3	2.8	2.6
US	-3.5	5.7	2.6	2.1

Inflation	2020	2021	2022	2023
Eurozone	0.3	2.6	6.4 ↑	2.4 ↑
US	1.2	4.7	6.4	2.0

Interest rates	current	Jun.22	Sep.22	Dec.22	Mar.23
ECB MRR	0.00	0.00	0.25 ↑	0.50 ↑	0.50
ECB Deposit Rate	-0.50	-0.50	0.00 ↑	0.25 ↑	0.25
3M Euribor	-0.41	-0.33 ↑	0.00 ↑	0.07 ↑	0.25
Germany Govt. 10Y	0.90	0.70 ↑	0.70	0.80	0.90
Swap 10Y	1.68	1.50 ↑	1.50 ↑	1.50 ↑	1.40 ↑

Interest rates	current	Jun.22	Sep.22	Dec.22	Mar.23
Fed Funds Target Rate*	0.83	1.38	1.88	2.38	2.38
3M Libor	1.42	1.63	2.04	2.46	2.46
US Govt. 10Y	2.89	2.60	2.60	2.50	2.50
EURUSD	1.04	1.08	1.13	1.13	1.15

*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.

Contacts

Group Research

Head of Group Research Friedrich Mostböck, CEFA®, CESGA®	+43 (0)5 0100 11902
CEE Macro/Fixed Income Research Head: Juraj Kotian (Macro/FI) Katarzyna Rzentarzevska (Fixed income) Katarina Gumanova	+43 (0)5 0100 17357 +43 (0)5 0100 17356 +43 (0)5 0100 17336
Croatia/Serbia Alen Kovac (Head) Mate Jelić Ivana Rogic	+385 72 37 1383 +385 72 37 1443 +385 72 37 2419
Czech Republic David Navratil (Head) Jiri Polansky Michal Skorepa	+420 956 765 439 +420 956 765 192 +420 956 765 172
Hungary Orsolya Nyeste János Nagy	+361 268 4428 +361 272 5115
Romania Ciprian Dascalu (Head) Eugen Sinca Dorina Ilasco Vlad Nicolae Ionita	+40 3735 10108 +40 3735 10435 +40 3735 10436 +40 7867 15618
Slovakia Maria Valachyova (Head) Matej Hornak	+421 2 4862 4185 +421 902 213 591
Major Markets & Credit Research Head: Gudrun Egger, CEFA® Ralf Burchert, CEFA® (Sub-Sovereigns & Agencies) Hans Engel (Global Equities) Margareta Grushanina (Austria, Quant Analyst) Peter Kaufmann, CFA® (Corporate Bonds) Heiko Langer (Financials & Covered Bonds) Stephan Lingnau (Global Equities) Carmen Riefler-Kovarsch (Financials & Covered Bonds) Rainer Singer (Euro, US) Bernadett Povaszai-Römhild, CEFA® (Corporate Bonds) Elena Statelov, CIIA® (Corporate Bonds) Gerald Walek, CFA® (Euro, CHF)	+43 (0)5 0100 11909 +43 (0)5 0100 16314 +43 (0)5 0100 19835 +43 (0)5 0100 11957 +43 (0)5 0100 11183 +43 (0)5 0100 85509 +43 (0)5 0100 16574 +43 (0)5 0100 19632 +43 (0)5 0100 17331 +43 (0)5 0100 17203 +43 (0)5 0100 19641 +43 (0)5 0100 16360
CEE Equity Research Head: Henning Eßkuchen Daniel Lion, CIIA® (Technology, Ind. Goods&Services) Michael Marschallinger, CFA® Nora Nagy (Telecom) Christoph Schultes, MBA, CIIA® (Real Estate) Thomas Unger, CFA® (Banks, Insurance) Vladimira Urbankova, MBA (Pharma) Martina Valenta, MBA	+43 (0)5 0100 19634 +43 (0)5 0100 17420 +43 (0)5 0100 17906 +43 (0)5 0100 17416 +43 (0)5 0100 11523 +43 (0)5 0100 17344 +43 (0)5 0100 17343 +43 (0)5 0100 11913
Croatia/Serbia Mladen Dodig (Head) Anto Augustinovic Magdalena Basic Davor Spoljar, CFA®	+381 11 22 09178 +385 72 37 2833 +385 72 37 1407 +385 72 37 2825
Czech Republic Petr Bartek (Head) Jan Sařanek	+420 956 765 227 +420 956 765 218
Hungary József Miró (Head) András Nagy Tamás Pletser, CFA®	+361 235 5131 +361 235 5132 +361 235 5135
Poland Cezary Bernatek (Head) Piotr Bogusz Łukasz Jańczak Krzysztof Kawa Jakub Szkopek	+48 22 257 5751 +48 22 257 5755 +48 22 257 5754 +48 22 257 5752 +48 22 257 5753
Romania Caius Rapanu	+40 3735 10441
Group Markets	
Head of Group Markets Oswald Huber	+43 (0)5 0100 84901
Group Markets Retail and Agency Business Head: Christian Reiss	+43 (0)5 0100 84012
Markets Retail Sales AT Head: Markus Kaller	+43 (0)5 0100 84239
Group Markets Execution Head: Kurt Gerhold	+43 (0)5 0100 84232
Retail & Sparkassen Sales Head: Uwe Kolar	+43 (0)5 0100 83214

Fixed Income Institutional Sales

Group Securities Markets Head: Thomas Einramhof	+43 (0)50100 84432
Institutional Distribution Core Head: Jürgen Niemeier	+49 (0)30 8105800 5503
Institutional Distribution DACH+ Head: Marc Frieberthäuser Bernd Bollhof Andreas Goll Mathias Gindele Ulrich Inhothner Sven Klenzle Rene Klases Christopher Lampe-Traupe Karin Rattay Michael Schmotz Klaus Vosseler	+49 (0)711 810400 5540 +49 (0)30 8105800 5525 +49 (0)711 810400 5561 +49 (0)711 810400 5562 +43 (0)5 0100 85544 +49 (0)711 810400 5541 +49 (0)30 8105800 5521 +49 (0)30 8105800 5523 +43 (0)5 0100 84118 +43 (0)5 0100 85542 +49 (0)711 810400 5560
Slovakia Šarlota Šipulová Monika Směliková	+421 2 4862 5619 +421 2 4862 5629
Institutional Distribution CEE & Instl AM CZ Head: Antun Burić Jaromir Malak	+385 (0)7237 2439 +43 (0)5 0100 84254
Czech Republic Head: Ondřej Čech Milan Bartoš Jan Porvich	+420 2 2499 5577 +420 2 2499 5562 +420 2 2499 5566
Institutional Asset Management Czech Republic Head: Petr Holeček Petra Maděřová Martin Peřina David Petráček Blanka Weimerová Petr Valenta	+420 956 765 453 +420 956 765 178 +420 956 765 106 +420 956 765 809 +420 956 765 317 +420 956 765 140
Croatia Head: Antun Burić Zvonimir Tukač Natalija Zujic	+385 (0)7237 2439 +385 (0)7237 1787 +385 (0)7237 1638
Hungary Head: Peter Csizmadia Gábor Bálint Ádám Szönyi	+36 1 237 8211 +36 1 237 8205 +36 1 237 8213
Romania and Bulgaria Head: Octavian Florin Munteanu	+40 746128914
Group Institutional Equity Sales Head: Brigitte Zeitberger-Schmid Werner Fürst Josef Kerekes	+43 (0)50100 83123 +43 (0)50100 83121 +43 (0)50100 83125
Czech Republic Head: Michal Řízek Jiří Fereš Martin Havlan Pavel Krabička	+420 224 995 537 +420 224 995 554 +420 224 995 551 +420 224 995 411
Poland Head: Jacek Jakub Langer Tomasz Galanciak Wojciech Wysocki Przemysław Nowosad Grzegorz Stepien	+48 22 257 5711 +48 22 257 5715 +48 22 257 5714 +48 22 257 5712 +48 22 257 5713
Croatia Matija Tkalicanac	+385 72 37 21 14
Hungary Nandori Levente Krisztián Kandik Balázs Zankay	+ 36 1 23 55 141 + 36 1 23 55 162 + 36 1 23 55 156
Romania Liviu Avram	+40 3735 16569
Group Fixed Income Securities Markets Head: Goran Hobljaj	+43 (0)50100 84403
FISM Flow Head: Aleksandar Doric Margit Hraschek Christian Kienesberger Ciprian Mitu Bernd Thaler Zsuzsanna Toth	+43 (0)5 0100 87487 +43 (0)5 0100 84117 +43 (0)5 0100 84323 +43 (0)5 0100 85612 +43 (0)5 0100 84119 +36-1-237 8209
Poland: Pawel Kielek	+48 22 538 6223
Michal Jamakowicz	+43 50100 85611
Group Fixed Income Securities Trading Head: Goran Hobljaj	+43 (0)50100 84403
Group Equity Trading & Structuring Head: Ronald Nemeč	+43 (0)50100 83011
Business Support Bettina Mahoric	+43 (0)50100 86441

Disclaimer

This publication was prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively as general information pursuant to Art. 36 (2) delegated Regulation (EU) 2017/565 as no direct buying incentives were included in this publication, which is of information character. This publication does not constitute investment research pursuant to Art. 36 (1) delegated Regulation (EU) 2017/565. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to the prohibition on dealing ahead of the dissemination of investment research. The information only serves as non-binding and additional information and is based on the level of knowledge of the person in charge of drawing up the information on the respective date of its preparation. The content of the publication can be changed at any time without notice. This publication does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any securities, and neither this publication nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a security or financial product in a trading strategy. Information provided in this publication are based on publicly available sources which Erste Group considers as reliable, however, without verifying any such information by independent third persons. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this publication. Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers or other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this publication. Any opinion, estimate or projection expressed in this publication reflects the current judgment of the author(s) on the date of publication of this document and do not necessarily reflect the opinions of Erste Group. They are subject to change without prior notice. Erste Group has no obligation to update, modify or amend this publication or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The past performance of securities or financial instruments is not indicative for future results. No assurance can be given that any financial instrument or issuer described herein would yield favorable investment results or that particular price levels may be reached. Forecasts in this publication are based on assumptions which are supported by objective data. However, the used forecasts are not indicative for future performance of securities or financial instrument. Erste Group, its affiliates, principals or employees may have a long or short position or may transact in the financial instrument(s) referred to herein or may trade in such financial instruments with other customers on a principal basis. Erste Group may act as a market maker in the financial instruments or companies discussed herein and may also perform or seek to perform investment services for those companies. Erste Group may act upon or use the information or conclusion contained in this publication before it is distributed to other persons. This publication is subject to the copyright of Erste Group and may not be copied, distributed or partially or in total provided or transmitted to unauthorized recipients. By accepting this publication, a recipient hereof agrees to be bound by the foregoing limitations.

Erste Group is not registered or certified as a credit agency in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the Credit Rating Agencies Regulation). Any assessment of the issuers creditworthiness does not represent a credit rating pursuant to the Credit Rating Agencies Regulation. Interpretations and analysis of the current or future development of credit ratings are based upon existing credit rating documents only and shall not be considered as a credit rating itself.

© Erste Group Bank AG 2022. All rights reserved.

Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna

Erste Group Homepage: www.erstegroup.com