

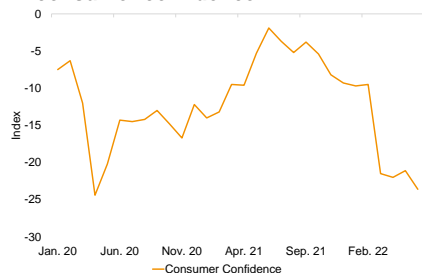
Week Ahead

Focus: EZ economy

Analyst:

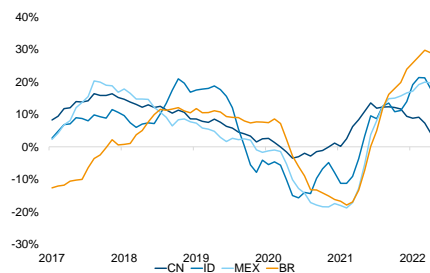
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EZ consumer confidence



Source: EC, Erste Group Research

DE export growth (y/y) CN, ID, BR and MEX



Source: German Statistic Office, Erste Group Research

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Note: Past performance is not necessarily indicative of future results

EZ - downside risks for the economy increase

Already last week, the PMI survey data in manufacturing and in services showed unexpectedly heavy gloominess. Moreover, this week, consumer confidence in the Eurozone fell to a low level similar to that seen at the beginning of the pandemic outbreak in early 2020. Given the massive real wage losses triggered by a record inflation rate of more than 8% recently, the slump in consumer confidence is understandable.

Against this backdrop, the downside risks to the Eurozone economic outlook have increased sharply in recent weeks. With leading indicators weakening at the global level as well, the downward pressure on Eurozone growth is further intensified. The momentum of Germany's exports to China has already been showing signs of weakening since fall 2021. With the latest data available, other countries such as Brazil, India and Mexico are now showing the beginnings of a cooling in external demand.

The curtailment of Russian gas supplies is another risk factor for the economy, as this supply shortage has further increased energy prices in the Eurozone. As a result, the upward pressure of energy prices on inflation could last longer than previously expected. In addition, high energy prices, which have now increased six-fold since the beginning of 2021, are posing significant problems for industry. If this trend continues, we expect energy-intensive industrial sites in Europe to be temporarily shut down and replaced by imports from overseas. This would put additional pressure on growth in the Eurozone via a deterioration in the balance of trade.

On the global level, at least, there are signs of a gradual cooling in key raw material prices, pointing to falling demand. If this trend continues, it should have a dampening effect on the level of inflation in the fall with a certain time lag. The development of global commodity prices in the coming weeks is therefore an important leading indicator for inflation prospects in the Eurozone.

Economic calendar

Ctry	Date	Time	Release	Period	Consens	Prior
Eurozone						
USA						
	8-Jul	14:30	Wages y/y	Jun	5.1%	5.2%
	8-Jul	14:30	Unempl. Rate	Jun	3.6%	3.6%
	8-Jul	14:30	Chg. Non-Farm Payrolls	Jun	261.4 Tsd	390.0 Tsd
China						
	9-Jul	3:30	Inflation y/y	Jun	2.5%	2.1%

Central bank events

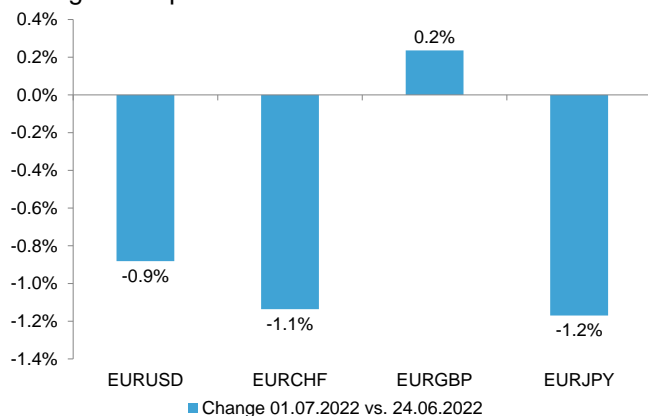
	Date	Time	Representative	Forum	Location
ECB	4-Jul	17:00	Luis de Guindos	speech	Euro Finance Group, Frankfurt
	7-Jul	11:45	Philip Lane	panel discussion	OECD Global Forum, Brussels
	8-Jul	13:55	Christine Lagarde	discussion	Les Rencontres Economiques
Fed	6-Jul	20:00	FOMC	Minutes	

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

Forex and government bond markets

Exchange rates EUR: USD, CHF, GBP and JPY

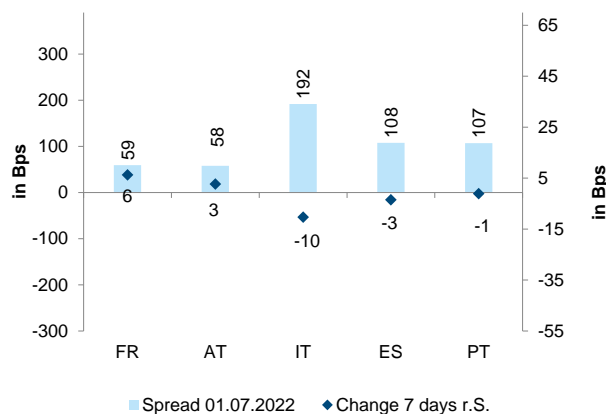
Changes compared to last week



Source: Market Data Provider, Erste Group Research

Eurozone spreads vs. Germany

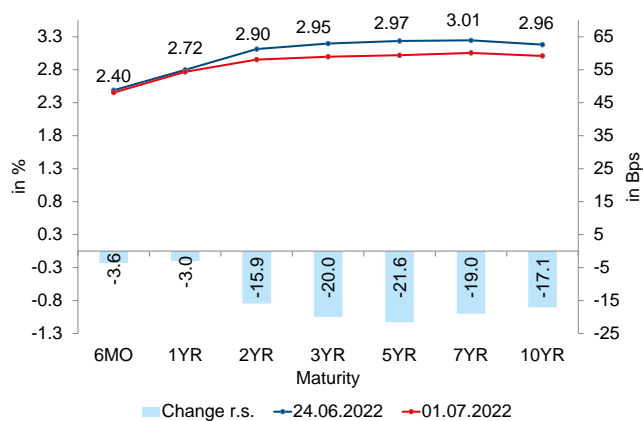
10Y government bonds



Source: Market Data Provider, Erste Group Research

US Treasuries yield curve

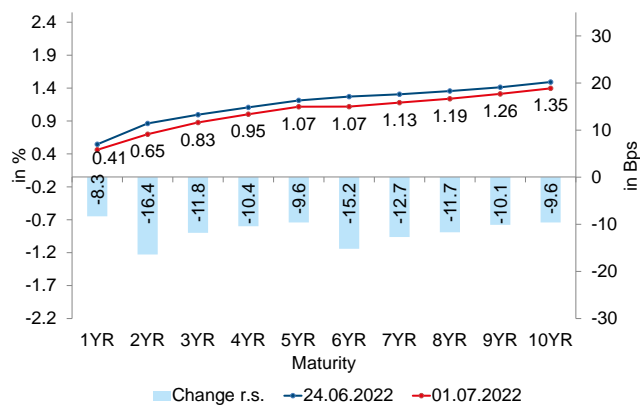
Changes compared to last week



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	2.7 ↓	2.4 ↓
US	-3.5	5.7	2.1	1.7

Inflation	2020	2021	2022	2023
Eurozone	0.3	2.6	6.9	3.0 ↑
US	1.2	4.7	7.7 ↑	2.9 ↑

Interest rates	current	Sep.22	Dec.22	Mar.23	Jun.23
ECB MRR	0.00	0.50	0.75	0.75	1.00
ECB Deposit Rate	-0.50	0.25	0.50	0.50	0.75
3M Euribor	-0.20	0.48	0.48	0.56	0.73
Germany Govt. 10Y	1.35	1.30	1.20	1.20	1.30
Swap 10Y	2.17	2.00	1.80	1.70	1.80

Interest rates	current	Sep.22	Dec.22	Mar.23	Jun.23
Fed Funds Target Rate*	1.58	2.63	3.13	3.13	3.13
3M Libor	2.28	2.79	3.21	3.21	3.21
US Govt. 10Y	2.96	3.00	2.70	2.60	2.50
EURUSD	1.05	1.08	1.10	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.

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