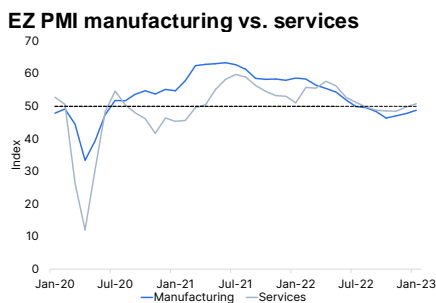


Week Ahead

Focus: Eurozone PMI data

Analysts:

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Source: Market data provider, Erste Group Research

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Note: Past performance is not necessarily indicative of future results

EZ – Is the economy finding its balance again?

Next week, sentiment data from Eurozone purchasing managers (February 21) for February will be published. In January, sentiment brightened in both manufacturing and among service providers. In particular, the business outlook improved enormously in manufacturing, rising above the February 2022 level for the first time. This underscores the fact that, from an economic perspective, an optimistic outlook for 2023 is justified. At the country level, sentiment was already above average, especially in Italy and Spain. The ongoing inflow of funds from the EU recovery plan to these two countries is certainly a factor contributing to this positive development.

We expect a further slight increase in business sentiment in the Eurozone in February. In general, there are currently increasingly positive signs that the economy not only in Europe, but also globally, could return to a sustainable equilibrium in the current year after the turbulent year 2022. Above all, the considerable supply-side shortages resulting from supply chain problems and an energy price crisis in Europe have already been largely resolved and should therefore not pose an obstacle to growth in the current year. Thanks to the sustained improvement in the supply side situation, a further decline in inflation momentum should be possible, despite a gradually recovering economy. Above all, this is also because growth is currently low and below potential. In this environment, the economy, not only in Europe, but also globally, should succeed in returning to a sustainable equilibrium. Then, thanks to a robust and stable supply side, rising demand should no longer be able to trigger an 'inflation shock' similar to the one in 2022.

In addition, the global growth outlook is brightening visibly. For example, several indicators are showing signs of increasing growth momentum in China following the end of the zero-covid policy. Sentiment in industry and among service providers has already improved significantly in January. With regard to the US economy, concerns about a possible recession are also diminishing, thanks to recent strong economic data (including strong retail sales). Furthermore, the 4Q22 reporting season of US companies has provided some positive surprises (especially for technology stocks) and confidence among US Homebuilders has improved significantly in February. With China and the US being the Eurozone's most important trading partners, we believe that this is another factor supporting a positive growth outlook for the Eurozone.

Economic calendar

Ctry	Date	Time	Release	Period	Consens	Prior
Eurozone						
FR	21-Feb	9:15	PMI Index	Feb P		50.5 Index
DE	21-Feb	9:30	PMI Index	Feb P	48.2 Index	47.3 Index
EA	21-Feb	10:00	PMI Index	Feb P	49.4 Index	48.8 Index
DE	22-Feb	10:00	Ifo Index	Feb	91.1 Index	90.2 Index
DE	24-Feb	8:00	GDP y/y	4Q F	1.1%	1.1%
USA						
	23-Feb	14:30	GDP q/q	4Q S	3.0%	2.9%
	24-Feb	14:30	PCE Deflator	Jan	3.8%	5.0%

China

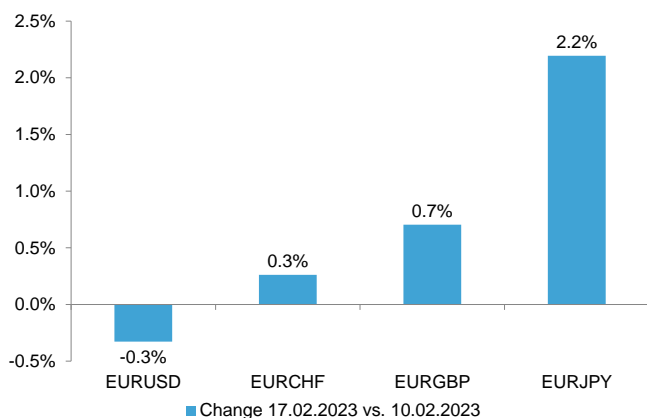
Central bank events

	Date	Time	Representative	Forum	Location
ECB	24-Feb		Christine Lagarde	Discussion	G20 Finance Ministers and Central Bank Governors meeting
Fed	22-Feb	20:00	FOMC	Minutes	
	24-Feb	16:15	Philip N. Jefferson	Speech	2023 U.S. Monetary Policy Forum

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

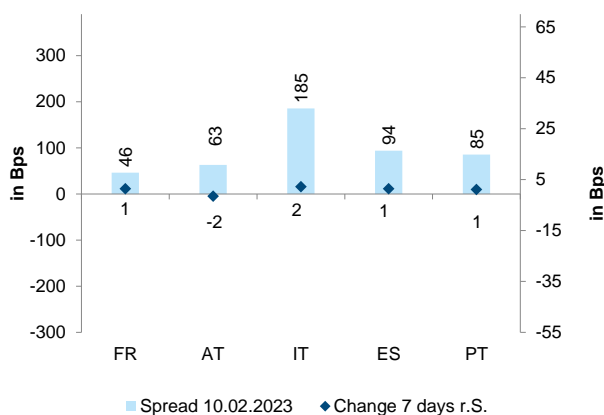
Forex and government bond markets

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



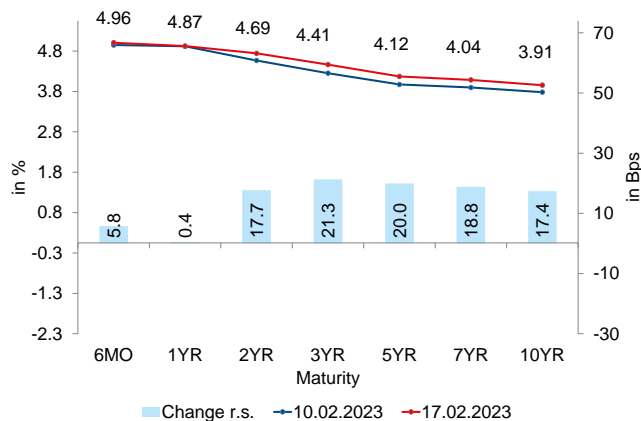
Source: Market Data Provider, Erste Group Research

Eurozone spreads vs. Germany
 10Y government bonds



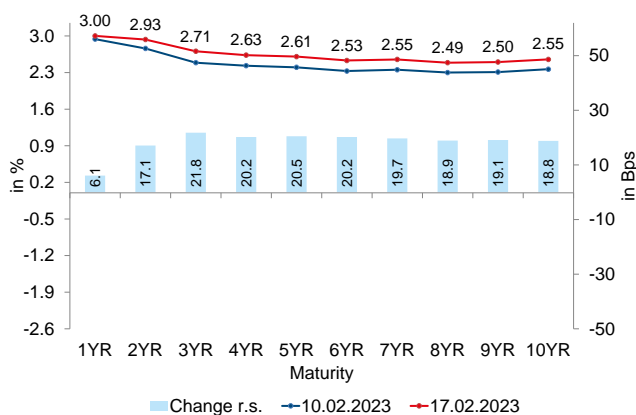
Source: Market Data Provider, Erste Group Research

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	2021	2022	2023	2024
Eurozone	5.3	3.5	0.6	1.2
US	5.7	2.0	1.2	1.1

Inflation	2021	2022	2023	2024
Eurozone	2.6	8.4	5.6	2.3
US	4.7	8.0	2.9	1.9

Interest rates	current	Mar.23	Jun.23	Sep.23	Dec.23
ECB MRR	3.00	3.50	3.75	3.75	3.75
ECB Deposit Rate	2.50	3.00	3.25	3.25	3.25
3M Euribor	2.70	3.11	3.20	3.24	3.28
Germany Govt. 10Y	2.56	2.20	2.00	1.90	1.90
Swap 10Y	3.09	2.80	2.50	2.40	2.40

Interest rates	current	Mar.23	Jun.23	Sep.23	Dec.23
Fed Funds Target Rate*	4.58	4.88	4.88	4.88	4.63
3M Libor	4.88	4.96	4.96	4.96	4.71
US Govt. 10Y	3.91	3.50	3.30	3.10	2.90
EURUSD	1.06	1.08	1.08	1.10	1.12

*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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