

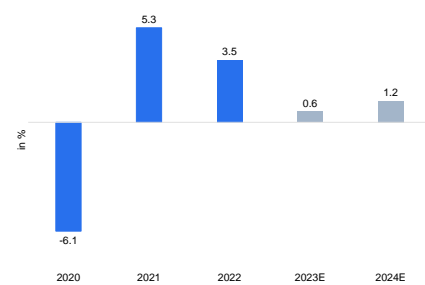
# Week Ahead

Focus: EZ 1Q 2023 GDP

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**EZ – GDP 2020 – 2024E**



Source: Eurostat, Erste Group Research

## EZ - Stagnation expected in 1Q 2023

Next week (28 April), a first flash estimate of Eurozone GDP growth for 1Q 2023 will be published. In 4Q 2022, the economy stagnated. On the one hand, both consumption and investment contracted triggered by the unexpectedly sharp rise in energy prices until the end of August 2022. This decline was compensated by foreign trade because there was a significant drop in the average gas price during 4Q. As a result, the Eurozone countries had to spend considerably less money on current energy deliveries than in the previous quarter. At the country level, Germany in particular performed particularly weakly, with a 0.4% decline compared to the previous quarter.

For 1Q 2023, we expect the data to show continued stagnation in the Eurozone economy. The trend in inflation and wages turned in favour of wages for the first time in a long time during 4Q 2022. However, we expect consumption to remain weak due to persistent real wage losses nevertheless. The restraint in investment should also only gradually ease somewhat. Although energy prices have fallen substantially, key interest rates have risen significantly to 3.5% in the Eurozone. This will dampen the investment propensity of companies and households for the time being. Germany in particular, where the construction sector has grown at an above-average rate in the last decade, will probably suffer.

Following the turmoil in the US banking sector, uncertainty has increased for the Eurozone's economic outlook. The economy could suffer primarily from weaker global trade dynamics. In contrast, domestic consumption in particular should gradually return to slight growth in the current 2Q. It will be able to benefit from a gradual decline in inflation as well as from further wage increases. In terms of investment activity, we do not expect any significant impulses for the economy for the time being due to the persistently high interest rate level. For the year as a whole, we are sticking to our conservative growth forecast of 0.6%. At the country level, Italy and Spain should develop above average after they continue to benefit from the support from the financial pots of the EU reconstruction plan in 2023. In 2024, we then expect growth to accelerate slightly to 1.2%.

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Note: Past performance is not necessarily indicative of future results

## Economic calendar

Ctry	Date	Time	Release	Period	Consens	Prior
<b>Eurozone</b>						
DE	24-Apr	10:00	Ifo Index	Apr	93.5 Index	93.3 Index
FR	28-Apr	7:30	GDP y/y	1Q P		0.5%
DE	28-Apr	10:00	GDP y/y	1Q P	0.2%	0.9%
IT	28-Apr	10:00	GDP y/y	1Q P		1.4%
EA	28-Apr	11:00	GDP q/q	1Q A		0.0%
EA	28-Apr	11:00	GDP y/y	1Q A		1.8%
<b>USA</b>						
	27-Apr	14:30	GDP q/q	1Q A	1.9%	2.6%
	28-Apr	14:30	PCE Deflator	Mar	4.1%	5.0%

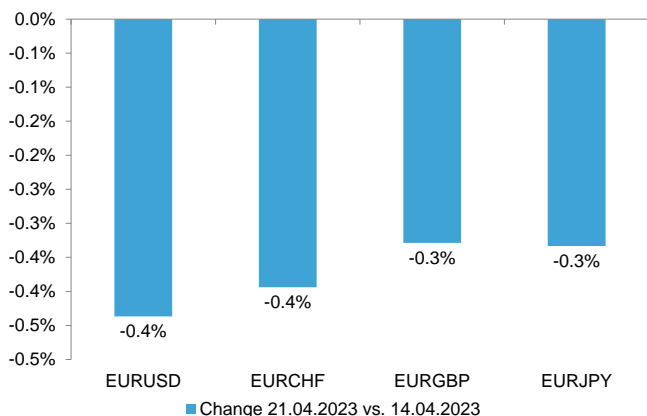
## Central bank events

	Date	Time	Representative	Forum	Location
<b>ECB</b>	24-Apr	11:00	Fabio Panetta	Panel discussion	Bruegel
	26-Apr	14:00	Luis de Guindos	Panel discussion	Delphi Economic Forum
<b>Fed</b>	21-Apr	22:35	Lisa Cook	Speech	Georgetown University

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

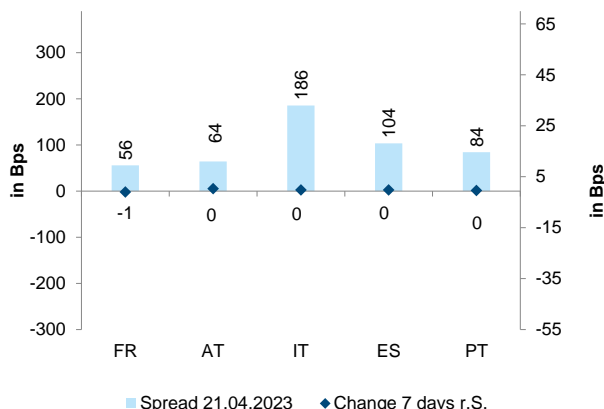
## Forex and government bond markets

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



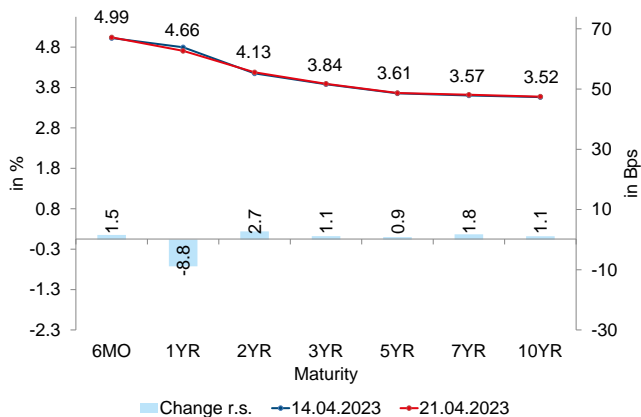
Source: Market Data Provider, Erste Group Research

**Eurozone spreads vs. Germany**  
 10Y government bonds



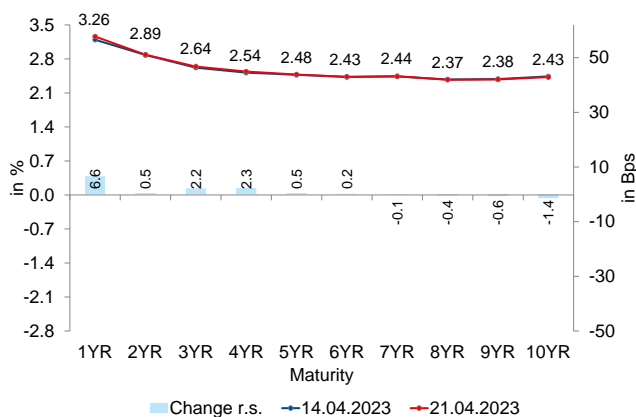
Source: Market Data Provider, Erste Group Research

**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

## Forecasts<sup>1</sup>

<b>GDP</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Eurozone</b>	5.3	3.5	0.6	1.2
<b>US</b>	5.7	2.0	1.4	1.1

<b>Inflation</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Eurozone</b>	2.6	8.4	5.7	2.7
<b>US</b>	4.7	8.0	4.0	1.9

<b>Interest rates</b>	<b>current</b>	<b>Jun.23</b>	<b>Sep.23</b>	<b>Dec.23</b>	<b>Mar.24</b>
<b>ECB MRR</b>	3.50	4.00	4.00	4.00	4.00
<b>ECB Deposit Rate</b>	3.00	3.50	3.50	3.50	3.50
<b>3M Euribor</b>	3.21	3.45	3.47	3.50	3.44
<b>Germany Govt. 10Y</b>	2.43	2.20	2.20	2.20	2.20
<b>Swap 10Y</b>	3.08	2.70	2.70	2.70	2.70

<b>Interest rates</b>	<b>current</b>	<b>Jun.23</b>	<b>Sep.23</b>	<b>Dec.23</b>	<b>Mar.24</b>
<b>Fed Funds Target Rate*</b>	4.83	5.13	5.13	4.88	4.63
<b>3M Libor</b>	5.26	5.21	5.21	4.96	4.71
<b>US Govt. 10Y</b>	3.52	3.30	3.10	2.90	2.90
<b>EURUSD</b>	1.09	1.08	1.10	1.12	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*

<sup>1</sup> 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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