

ECB Watch: That was it!

One of the ECB's most controversial interest rate meetings brought a further interest rate hike of 0.25 percentage points, bringing the deposit rate to 4%. At the same time, it was signaled that, from today's perspective, a sufficiently restrictive level has now been reached. The focus is now shifting to the period until the first interest rate cut and the ECB's future liquidity provision.

Disclaimer **3**

Analyst **6**



ECB Economic Forecasts (% yoy)

Year	GDP growth		Inflation		Core Inflation*	
	Sep. 2023	Jun. 2023	Sep. 2023	Jun. 2023	Sep. 2023	Jun. 2023
2023	0.7	0.9	5.6	5.4	5.1	5.1
2024	1.0	1.5	3.2	3.0	2.9	3.0
2025	1.5	1.6	2.1	2.2	2.2	2.3

* Inflation rate ex energy and food

Source: ECB, RBI/Raiffeisen Research

Today's interest rate meeting was eagerly awaited, as it was unclear how the ECB Governing Council would resolve the conflicting signals from the economy and inflation. In the end, the hawkish faction prevailed. The **ECB's interest rates were raised again by 25 basis points**. The **deposit rate is now at 4.0%**, the main refinancing rate at 4.5% and the marginal lending rate at 4.75%. However, the ECB's key interest rates should now have reached a sufficiently restrictive level that will be maintained for a sufficiently long duration to contribute to a timely return to the inflation target, the ECB said. **Balance sheet policy instruments** were not changed at today's meeting. Maturing APP holdings will continue not to be reinvested, but PEPP holdings will be fully reinvested at least until the end of 2024. Targeted long-term refinancing operations (TLTROs) will mature as outlined. No new decisions were taken on minimum reserves either.

The focus was also on the **updated economic forecasts**. There have been some interesting developments here. The **GDP growth forecasts have been revised downward**, with the ECB now forecasting growth of only 0.7% in 2023 and 1% in 2024 (previously 0.9% and 1.5%). The reasons being monetary tightening on the one hand and the weakening international trade on the other. However, **forecasts for inflation have been revised upward**. The headline rate is now expected at 5.6% in 2023 and 3.2% in 2024 (previously 5.4 and 3.0%). A higher inflation contribution from energy prices was the key driver. The core rate was left unchanged at 5.1% in 2023 and even slightly lower in 2024 (2.9% instead of 3.0%).

In our view, the change in forecasts are not the decisive factor for the rate hike, as the underlying inflation outlook (core inflation) remained unchanged compared with June, while the growth outlook was weaker. Inflation "is still expected to remain too high for too long" was key. Considering that inflation is expected to fall significantly in the

Franz ZOBL

Analyst Editor

+43 1 71707-3603

franz.zobl@rbinternational.com

coming months and that the euro area economy should continue to deteriorate according to leading indicators, the window of opportunity for further rate hikes seems to be closed. And the ECB probably sees it similarly according to its communication. The ECB's communication was surprisingly clear and has significantly raised the hurdles for future rate hikes. However, the probable end of the hiking cycle does not necessarily mean an end to more restrictive measures. Balance sheet reduction will continue despite constant key interest rates, and an acceleration cannot be ruled out either.

On **financial markets**, the ECB decision represents a **dovish rate hike**. Bund yields declined along the yield curve and the euro depreciated. For the central bank, it will now be important to anchor its "higher-for-longer" promise in the market without further key rate hikes.

We will **update our interest rate forecasts** in a timely manner to reflect the new developments (in particular today's key rate hike).

Disclosure

Risk notifications and explanations

Warnings

- Figures on performance of economic data presented in this publication refer to the past. Past performance of these data is not a reliable indicator for future results and the development. This is particularly true in cases when the data has been available short (e. g., for less than 12 months). In particular, this very short comparison period is not a reliable indicator for future results and the development of economic data.
- The performance of economic data can rise or fall due to exchange rate fluctuations.
- Forecasts of future performance are based purely on estimates and assumptions. Actual future performance may deviate from the forecast. Consequently, forecasts are not a reliable indicator for future results and the development of economic data.

The information in this publication which is contributed by analysts from RBI's subsidiary banks are disseminated unaltered under RBI's responsibility.

A description of the concepts and methods used in the preparation of macro economic analyses is available under: www.raiffeisenresearch.com/concept_and_methods.

Detailed information on sensitivity analyses (procedure for checking the stability of potential assumptions made in the context of macro economic analysis) is available under: www.raiffeisenresearch.com/sensitivity_analysis.

Disclaimer

Responsible for this publication: Raiffeisen Bank International AG („RBI“)

RBI is a credit institution according to §1 Banking Act (Bankwesengesetz) with the registered office Am Stadtpark 9, 1030 Vienna, Austria.

Raiffeisen RESEARCH is an organisational unit of RBI.

Supervisory authority: As a credit institution (acc. to § 1 Austrian Banking Act; Bankwesengesetz) Raiffeisen Bank International AG is subject to the supervision by the Austrian Financial Market Authority (FMA, Finanzmarktaufsicht) and the National Bank of Austria (OeNB, Oesterreichische Nationalbank). Additionally, RBI is subject to the supervision by the European Central Bank (ECB), which undertakes such supervision within the Single Supervisory Mechanism (SSM), which consists of the ECB and the national responsible authorities (Council Regulation (EU) No 1024/2013 - SSM Regulation). Unless set out herein explicitly otherwise, references to legal norms refer to norms enacted by the Republic of Austria.

This document is for information purposes and may not be reproduced or distributed to other persons without RBI's permission. This document is a macro economic analysis, which contains no recommendations on financial instruments, indices or issuers of financial instruments. This document constitutes neither a solicitation of an offer nor a prospectus in the sense of the Austrian Capital Market Act (Kapitalmarktgesetz) or the Austrian Stock Exchange Act (Börsegesetz) or any other comparable foreign law. An investment decision in respect of a financial instrument, a financial product or an investment (all hereinafter “product”) must be made on the basis of an approved, published prospectus or the complete documentation for such a product in question, and not on the basis of this document.

This document does not constitute a personal recommendation to buy or sell financial instruments in the sense of the Austrian Securities Supervision Act (Wertpapieraufsichtsgesetz). Neither this document nor any of its components shall form the basis for any kind of contract or commitment whatsoever. This document is not a substitute for the necessary advice on the purchase or sale of a financial instrument, a financial product or advice on an investment. In respect of the sale or purchase of one of the above mentioned products, your banking advisor can provide individualised advice suitable for investments and financial products.

This analysis is fundamentally based on generally available information and not on confidential information which the party preparing the analysis has obtained exclusively on the basis of his/her client relationship to a person.

Unless otherwise expressly stated in this publication, RBI deems all of the information to be reliable, but does not make any assurances regarding its accuracy and completeness.

The information in this publication is current as per the latter's creation date. It may be outdated by future developments, without the publication being changed.

Unless otherwise expressly stated (www.raiffeisenresearch.com/special_compensation) the analysts employed by RBI are not compensated for specific investment banking transactions. Compensation of the author or authors of this report is based (amongst other things) on the overall profitability of RBI, which includes, inter alia, earnings from investment banking and other transactions of RBI. In general, RBI forbids its analysts and persons reporting to the analysts from acquiring securities or other financial instruments of any enterprise which is covered by the analysts, unless such acquisition is authorised in advance by RBI's Compliance Department.

SPECIAL REGULATIONS FOR THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (UK): This document does not constitute either a public offer in the meaning of the Austrian Capital Market Act (Kapitalmarktgesetz; hereinafter „KMG“) nor a prospectus in the meaning of the KMG or of the Austrian Stock Exchange Act (Börsegesetz). Furthermore, this document does not intend to recommend the purchase or the sale of securities or investments in the meaning of the Austrian Supervision of Securities Act (Wertpapieraufsichtsgesetz). This document shall not replace the necessary advice concerning the purchase or the sale of securities or investments. For any advice concerning the purchase or the sale of securities of investments kindly contact your RAIFFEISENBANK. This publication has been either approved or issued by RBI in order to promote its investment business. Raiffeisen Bank International AG (“RBI”), London Branch is authorised by the Austrian Financial Market Authority and subject to limited regulation by the Financial Conduct Authority (“FCA”). Details about the extent of its regulation by the FCA are available on request. This publication is not intended for investors who are Retail Customers within the meaning of the FCA rules and shall therefore not be distributed to them. Neither the information nor the opinions expressed herein constitute or are to be construed as an offer or solicitation of an offer to buy (or sell) investments. RBI may have affected an Own Account Transaction within the meaning of FCA rules in any investment mentioned herein or related investments and/or may have a position or holding in such investments as a result. RBI may have been, or might be, acting as a manager or co-manager of a public offering of any securities mentioned in this report or in any related security.

SPECIFIC RESTRICTIONS FOR THE UNITED STATES OF AMERICA AND CANADA: This document may not be transmitted to, or distributed within, the United States of America or Canada or their respective territories or possessions, nor may it be distributed to any U.S. person or any person resident in Canada, unless it is provided directly through RB International Markets (USA) LLC (“RBIM”), a U.S. registered broker-dealer, and subject to the terms set forth below.

SPECIFIC INFORMATION FOR THE UNITED STATES OF AMERICA AND CANADA: This research document is intended only for institutional investors and is not subject to all of the independence and disclosure standards that may be applicable to research documents prepared for retail investors. This report was provided to you by RB International Markets (USA) LLC (RBIM), a U.S. registered broker-dealer, but was prepared by our non-U.S. affiliate Raiffeisen Bank International AG (RBI). Any order for the purchase or sale of securities covered by this report must be placed with RBIM. You can reach RBIM at 1177, Avenue of the Americas, 5th Floor, New York, NY 10036, phone +1 212-600-2588. This document was prepared outside the United States by one or more analysts who may not have been subject to rules regarding the preparation of reports and the independence of research analysts comparable to those in effect in the United States. The analyst or analysts who prepared this research (i) are not registered or qualified as research analysts with the Financial Industry Regulatory Authority (“FINRA”) in the United States, and (ii) are not allowed to be associated persons of RBIM and are therefore not subject to FINRA regulations, including regulations related to the conduct or independence of research analysts.

The opinions, estimates and projections contained in this report are those of RBI only as of the date of this report and are subject to change without notice. The information contained in this report has been compiled from sources believed to be reliable by RBI, but no representation or warranty, express or implied, is made by RBI or its affiliated companies or any other person as to the report's accuracy, completeness or correctness. Securities which are not registered in the United States may not be offered or sold, directly or indirectly, within the United States or to U.S. persons (within the meaning of Regulation S under the Securities Act of


1933 [“the Securities Act”]), except pursuant to an exemption under the Securities Act. This report does not constitute an offer with respect to the purchase or sale of any security within the meaning of Section 5 of the Securities Act and neither shall this report nor anything contained herein form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. This report provides general information only. In Canada it may only be distributed to persons who are resident in Canada and who, by virtue of their exemption from the prospectus requirements of the applicable provincial or territorial securities laws, are entitled to conduct trades in the securities described herein.

If any term of this Disclaimer is found to be illegal, invalid or unenforceable under any applicable law, such term shall, insofar as it is severable from the remaining terms, be deemed omitted from this Disclaimer. It shall in no way affect the legality, validity or enforceability of the remaining terms.

FABIAN BLASCH

📍 Austria 
✉ fabian.blasch@rbinternational.com

AMADEA HIESS

📍 Austria 
✉ amadea.hiess@rbinternational.com

MARKUS TSCHAEPECK

📍 Austria 
✉ markus.tschaepeck@rbinternational.com


VALBONA GJEKA

📍 Albania 
✉ valbona.gjeka@raiffeisen.al


OLGA ZHEGULO

📍 Belarus 
✉ olga.zhegulo@priorbank.by

MIRZA ZORNIC

📍 Bosnia Herzegovina 
✉ mirza.zornic@raiffeisengroup.ba

HELENA HORSKA

📍 Czech Republic 
✉ Helena.Horska@rb.cz


ZOLTÁN TÖRÖK

📍 Hungary 
✉ torok.zoltan@raiffeisen.hu


ANDREEA-ELENA DRAGHIA

📍 Romania 
✉ Andreea-Elena.DRAGHIA@raiffeisen.ro


GREGORY CHEPKOV

📍 Russia 
✉ grigory.chepkov@raiffeisen.ru

TIBOR LORINCZ

📍 Slovakia 
✉ tibor_lorincz@tatrabanka.sk


GUNTER DEUBER

📍 Austria 
✉ gunter.deuber@rbinternational.com


MATTHIAS REITH

📍 Austria 
✉ matthias.reith@rbinternational.com


FRANZ ZOBL

📍 Austria 
✉ franz.zobl@rbinternational.com

FJORENT RRUSHI

📍 Albania 
✉ Fjorent.Rrushi@raiffeisen.al


ASJA GRDJO

📍 Bosnia Herzegovina 
✉ asja.grdjo@raiffeisengroup.ba


ELIZABETA SABOLEK-RESANOVIC

📍 Croatia 
✉ elizabetha.sabolek-resanovic@rba.hr

LEVENTE BLAHÓ

📍 Hungary 
✉ levente.blaho@raiffeisen.hu


DOROTA STRAUCH

📍 Poland 
✉ dorota.strauch@raiffeisen.pl

IONUT DUMITRU

📍 Romania 
✉ Ionut.Dumitru@raiffeisen.ro


STANISLAV MURASHOV

📍 Russia 
✉ stanislav.murashov@raiffeisen.ru


SERHII KOLODII

📍 Ukraine 
✉ serhii.kolodii@raiffeisen.ua


CASPER ENGELEN

📍 Austria 
✉ casper.engelen@rbinternational.com


GOTTFRIED STEINDL

📍 Austria 
✉ gottfried.steindl@rbinternational.com


BRISIDA BUZI

📍 Albania 
✉ Brisida.BUZI@raiffeisen.al

ARISTEA VLLAHU

📍 Albania 
✉ Aristea.Vllahu@raiffeisen.al


IVONA ZAMETICA

📍 Bosnia Herzegovina 
✉ ivona.zametica@raiffeisengroup.ba

ZRINKA ZIVKOVIC-MATIJEVIC

📍 Croatia 
✉ zrinka.zivkovic-matijevic@rba.hr

GERGELY PÁLFFY

📍 Hungary 
✉ gergely.palfy@raiffeisen.hu

NICOLAE COVRIG

📍 Romania 
✉ Nicolae.Covrig@raiffeisen.ro


ANASTASIA BAYKOVA

📍 Russia 
✉ ABAIKOVA@raiffeisen.ru

LJILJANA GRUBIC

📍 Serbia 
✉ ljiljana.grubic@raiffeisenbank.rs

OLEKSANDR PECHERYTSYN

📍 Ukraine 
✉ oleksandr.pecherytsyn@raiffeisen.ua

Imprint

Information requirements pursuant to the Austrian E-Commerce Act

Raiffeisen Bank International AG Registered Office: Am Stadtpark 9, 1030 Vienna
Postal address: 1010 Vienna, Postfach 50 Phone: +43-1-71707-1846 Fax: +43-1-71707-1848

Creation time of this publication: 14/09/2023 15:36 P.M. (CEST);

First Dissemination of this publication: 14/09/2023 15:36 P.M. (CEST)

Company Register Number: FN 122119m at the Commercial Court of Vienna VAT Identification Number: UID ATU 57531200 Austrian Data Processing Register: Data processing register number (DVR): 4002771S.W.I.F.T.-Code: RZBA AT WW

Supervisory Authorities: As a credit institution (acc. to § 1 Austrian Banking Act; Bankwesengesetz) Raiffeisen Bank International AG is subject to the supervision by the Austrian Financial Market Authority (FMA, Finanzmarktaufsicht) and the National Bank of Austria (OeNB, Oesterreichische Nationalbank). Additionally, RBI is subject to the supervision by the European Central Bank (ECB), which undertakes such supervision within the Single Supervisory Mechanism (SSM), which consists of the ECB and the national responsible authorities (Council Regulation (EU) No 1024/2013 - SSM Regulation). Unless set out herein explicitly otherwise, references to legal norms refer to norms enacted by the Republic of Austria.

Membership: Austrian Federal Economic Chamber, Federal Bank and Insurance Sector, Raiffeisen Association.

Statement pursuant to the Austrian Media Act

Publisher and editorial office of this publication Raiffeisen Bank International AG Am Stadtpark 9, A-1030 Vienna **Media Owner of this publication** Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen Am Stadtpark 9, A-1030 Vienna **Executive Committee of Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen:** Mag. Gunter Deuber (Chairman), Mag. Helge Rechberger (Vice-Chairman) Raiffeisen RESEARCH – Verein zur Verbreitung von volkswirtschaftlichen Analysen und Finanzmarktanalysen is constituted as state-registered society. Purpose and activity are (inter alia), the distribution of analysis, data, forecasts and reports and similar publications related to the Austrian and international economy as well as financial markets. **Basic tendency of the content of this publication**

- Presentation of activities of Raiffeisen Bank International AG and its subsidiaries in the area of conducting analysis related to the Austrian and international economy as well as the financial markets.
- Publishing of analysis according to various methods of analyses covering economics, interest rates and currencies, government and corporate bonds, equities as well as commodities with a regional focus on the euro area and Central and Eastern Europe under consideration of the global markets.

Producer of this publication Raiffeisen Bank International AG Am Stadtpark 9, A-1030 Vienna