

Wide Angle Shot: IMF cautious, lowest growth in 10 years Euro area/USA

In the course of its July forecast update, IMF has come closer to our cautious view for the euro area. Even without further escalation and uncertainties, the G2 economies (euro area, US) face their weakest growth in a decade in 2023. High inflation and restrictive financing conditions have their price. In CE/SEE, key interest rates are already as high as in the "CE/SEE bonanza period" before the Global Financial Crisis. The IMF has slightly improved its forecast for Russia.

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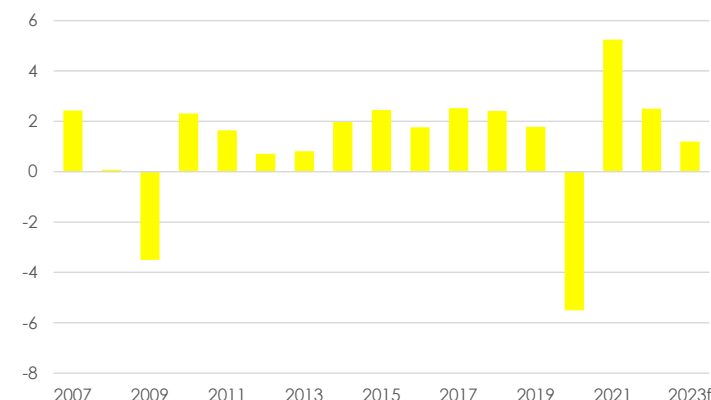


Update Economic Outlook: Gloomy perspectives

We have repeatedly addressed the fact that we have long considered many **medium-term economic forecasts** (i.e. especially for 2023), such as those of the International Monetary Fund (IMF), to be too optimistic already in the spring (see here: [Wide Angle Shot: \(Too\) positive IMF forecasts for CE/SEE & Europe? Not so for EE!](#)). In the meantime, the IMF forecasts for the euro area in particular have come close to our baseline scenario (see table). The IMF now also expects **GDP growth of only 1.2% in 2023** for the **euro area** (in April, IMF expectations were still above 2%), according to its July short update of the World Economic Outlook (under the title "Gloomy mood and greater uncertainty"). For the **US economy**, the IMF has also revised its outlook for 2023 significantly downwards. **GDP growth of only 1%** is expected here in 2023 (below the euro area)! This means that 2023 should see the weakest G2 growth (euro area, USA) in a decade.

	Raiffeisen Research: Real GDP (% yoy)				IMF WEO July (current)		IMF WEO April	
	2020	2021	2022e	2023f	2022e	2023f	2022e	2023f
Global	-6.5	5.3	2.5	1.0	2.6	1.2	2.8	2.3
Euro area	-3.4	5.7	n.a.	n.a.	2.3	1.0	3.7	2.3
USA	-3.0	4.6	-8.0	-2.3	-6.0	-3.5	-8.5	-2.3

G2 GDP growth (euro area & USA)*



IMF, RBI/Raiffeisen Research

Gunter DEUBER

Analyst Editor

+43 1 71707-5707

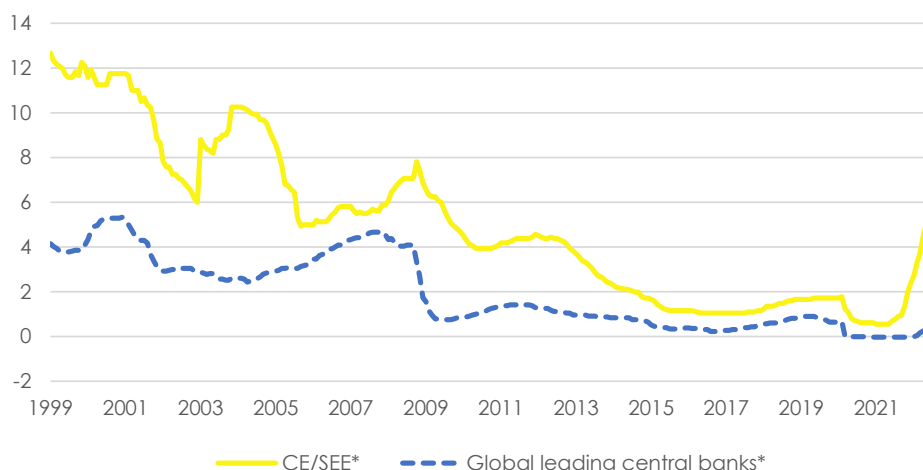
gunter.deuber@rbinternational.com

real, % yoy, euro area and US equally weighted, euro area forecast Raiffeisen Research, US IMF

This scenario will only work if there is no complete escalation in the energy sector with Russia in Europe. However, it should be emphasised that the **noticeable slump** in growth in the **G2 economies** is also linked to the consequences of **high macroeconomic inflation** and the associated **faster-than-expected interest rate hikes** in the context of explicitly disinflationary monetary policies.

The IMF sees risks to the economic outlook tilted to the downside, with inflation risks (even in a negative scenario) tilted to the upside. In line with the IMF's global trend of even **more pronounced monetary tightening in emerging markets, policy rates** in our core **CE/SEE markets** have also reached **pre-Global Financial Crisis levels** of 2008 – we are still far from such levels in the G2 economies.

Key interest rates CE/SEE vs. global trend



BIS, national sources, RBI/Raiffeisen Research

* CE/SEE: CZ, HU, PL, RO; leading global central banks: Fed, ECB, UK, Canada, Switzerland, Sweden

Looking ahead, the IMF expects some **financing problems and/or debt restructurings** in some selected **emerging markets**. However, except for **Ukraine**, which is directly affected by the current geopolitical escalation, we expect significantly fewer risks than in the global emerging markets context in our CE/SEE markets — despite current selective currency turbulences such as in Hungary. Interestingly, **Russia** is one of the few cases and emerging markets for which IMF has raised its growth for 2022 and slightly lowered it for 2023 (the IMF has not published any new forecasts for other CEE countries). We thus see the IMF close to our Russia scenario. This makes it clear that Russia, even according to the new IMF assessment, can avoid disaster scenarios, as feared in part by some forecasters, and is currently even acting from a position of "perceived" economic strength; the mirror image of this is probably the highest current account surplus in relation to GDP since 2000 (see also [here](#)).

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Thomas Sternbach Legal and Compliance Raiffeisen Bank International AG Am Stadtpark 9, 1030 Wien Tel: +43-1-71707-1541 Fax: +43-1-71707-761541 thomas.sternbach@rbinternational.com

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PETER BREZINSCHKE

📍 Austria 
✉ peter.brezinschek@rbinternational.com


MATTHIAS REITH

📍 Austria 
✉ matthias.reith@rbinternational.com


PETER ÖHLINGER

📍 Austria 
✉ peter.oehlinger@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

DAVID VAGENKNECHT

📍 Czech Republic 
✉ david.vagenknecht@rb.cz


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@aval.ua


GUNTER DEUBER

📍 Austria 
✉ gunter.deuber@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@aval.ua

CASPER ENGELEN

📍 Austria 
✉ casper.engelen@rbinternational.com

FRANZ ZOBL

📍 Austria 
✉ franz.zobl@rbinternational.com


VALBONA GJEKA

📍 Albania 
✉ valbona.gjeka@raiffeisen.al


OLGA ZHEGULO

📍 Belarus 
✉ olga.zhegulo@priorbank.by


ANA LESAR

📍 Croatia 
✉ ana.lesar@rba.hr


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

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