Global Economic Outlook

October 2024

Czech National Bank —— Global Economic Outlook —— October 2024

CZECH NATIONAL BANK

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18 October 2024

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Notes to charts
ECB, Fed, BoE and BoJ: midpoint of the range of forecasts.
The arrows in the GDP and inflation outlooks indicate the direction of revisions compared to the last GEO. If no arrow is shown, no new forecast is available. Asterisks indicate first published forecasts for given year. Historical data are taken from CF, with exception of MT and LU, for which they come from OE.
Leading indicators are taken from Bloomberg and Refinitiv Datastream.
Forecasts for EURIBOR and LIBOR rates are based on implied rates from interbank market yield curve (FRA rates are used from 4M to 15M and adjusted IRS rates for longer horizons). Forecasts for German and US government bond yields (10Y Bund and 10Y Treasury) are taken from CF.

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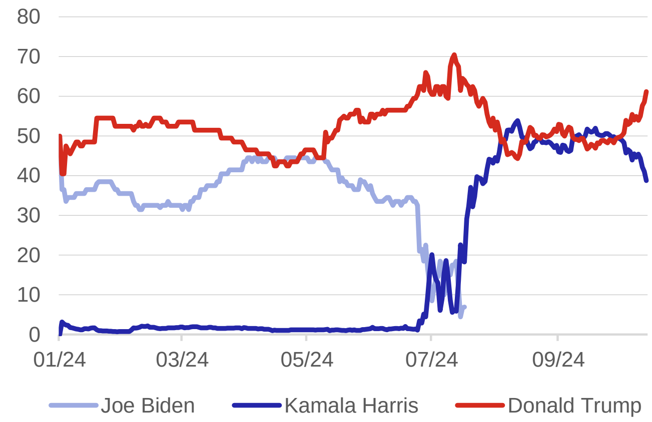
I. Introduction

Making peace in Ukraine: giving up occupied territories for membership of part of Ukraine in NATO? This option has become one of the solutions being talked about behind the scenes to end the conflict. However, giving up the territories occupied by the Russian army, including Crimea, which was annexed ten years ago, has been rejected in official communications. On the other hand, it is clear that Ukraine's survival will not be possible in the long term without including it under NATO's security umbrella. The war is still unfortunately not at an end, loss of human life is rising, material damage from the conflict is reaching astronomic levels, debts are rising, ...

Indebtedness in the world will correspond to the value of annual global GDP by 2030. This alarming news is again being presented by the International Monetary Fund, which also pointed out that global public debt will exceed USD 100 trillion (93% of global GDP) this year. A new warning by the IMF is that the pace at which debt is increasing is likely to accelerate. This is due mainly to spending to deal with the green transition, an ageing population and security concerns. Failure to address the fiscal burden on economies may soon trigger negative financial market reactions and rating downgrades. A current example is the Fitch downgrade of France's rating outlook (debt equal to 111% of GDP) from stable to negative. S&P Global then issued a general warning that sovereign default will be likelier due to higher debt and higher interest costs. The IMF adds that the options for using fiscal policy to deal with negative shocks are decreasing. The circle is closing.

Chances of being elected US President according to bets, %



Source: Polymarket.com
Note: The incumbent Joe Biden pulled out of the race on 21 July 2024

Central banks' monetary policy continues its dovish trend. In the last few weeks, the ECB's October meeting brought the expected fall in rates of 25 bp, another cut in December is almost certain and the probability of a 50 bp cut is growing. The situation is similar in the case of the US Fed, rates will continue to fall, there is only the question of how their decline will be spread over the November and December meetings.

The chart in the current issue shows trends in the chances of being elected US president for the Democratic and Republican candidates. According to the betting, former President Donald Trump currently leads with more than a 60% chance of success. By contrast, the opinion polls are much closer and give a slightly greater chance to Kamala Harris. The election for the 60th President of the United States will take place on Tuesday, 5 November and the results will be impatiently awaited by the entire world, as the US economy is a key global economic, political and security player.

The current issue also contains an analysis: "Trends in Germany's manufacturing industry and foreign trade after the pandemic." The article focuses on German industry, which is lagging behind and which is strongly intertwined with European production, without significant specialisation in terms of both sectors and trading partners. The article states that without major reforms and investments in new technologies, improving energy efficiency and reducing red tape, it will be difficult for Germany to achieve a significant recovery.

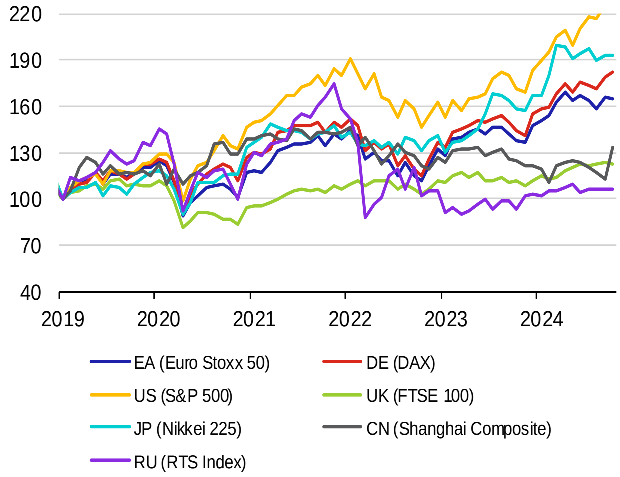
GEO barometer for selected countries

		EA	DE	US	UK	JP	CN	RU
GDP	**2024**	0.7 →	0.0 →	2.6 ↗	1.0 →	0.0 →	4.8 →	3.6 ↗
(%)	**2025**	1.2 ↘	0.7 ↘	1.8 ↗	1.3 ↗	1.2 →	4.4 →	1.7 →
Inflation	**2024**	2.3 ↘	2.3 →	2.9 ↘	2.6 →	2.6 ↗	0.5 →	7.3 ↗
(%)	**2025**	1.9 ↘	1.9 ↘	2.2 →	2.3 ↘	2.1 →	1.2 ↘	4.9 ↗
Unemployment	**2024**	6.5 →	6.0 →	4.1 →	4.3 ↘	2.6 →	3.4 →	2.6 →
(%)	**2025**	6.6 ↗	6.0 →	4.4 →	4.3 ↘	2.5 ↗	3.3 →	2.6 →
Exchange rate	**2024**	1.11 ↗	1.11 ↗		1.31 ↗	138.1 ↘	7.09 ↘	93.5 ↗
(against USD)	**2025**	1.13 →	1.13 →		1.31 ↘	133.3 ↘	7.02 ↘	97.7 ↗

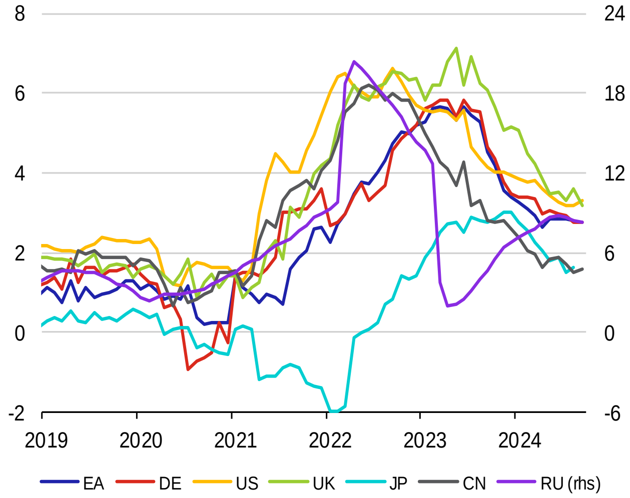
Source: Consensus Forecasts (CF)
Note: The arrows indicate the direction of the revisions compared with the last GEO.

II. Macroeconomic barometer

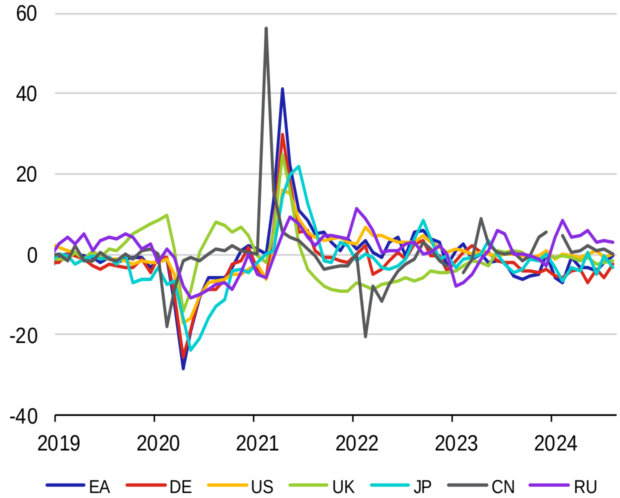
Equity markets development, index 100 = January 2019



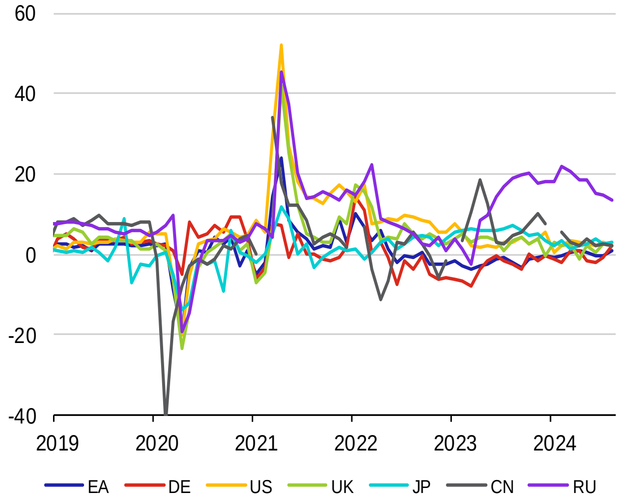
Core inflation, %



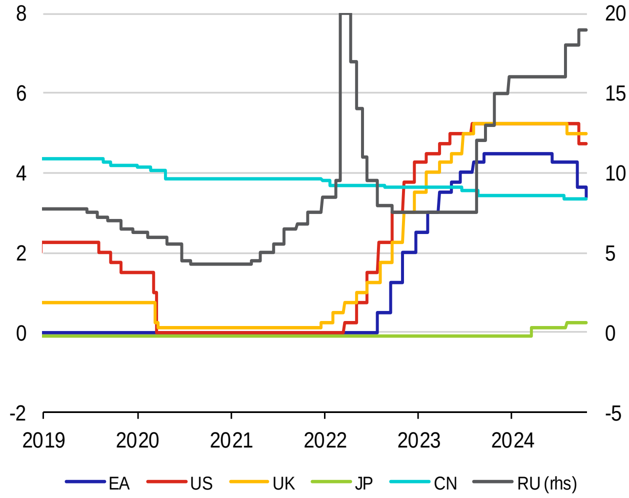
Manufacturing production, yoy %



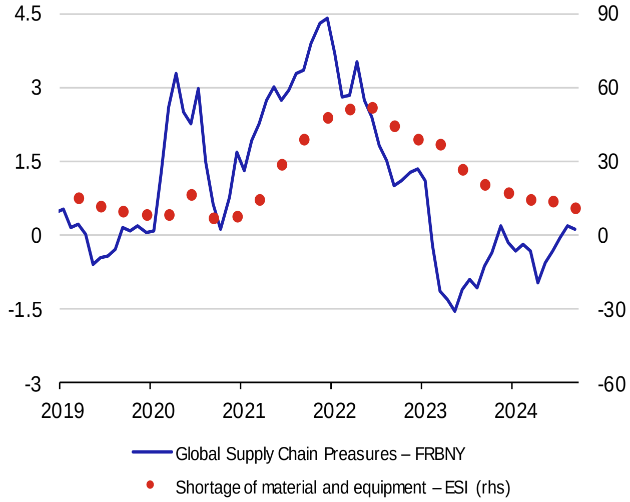
Retail sales, yoy %



Monetary policy rates, %



Supply chains development



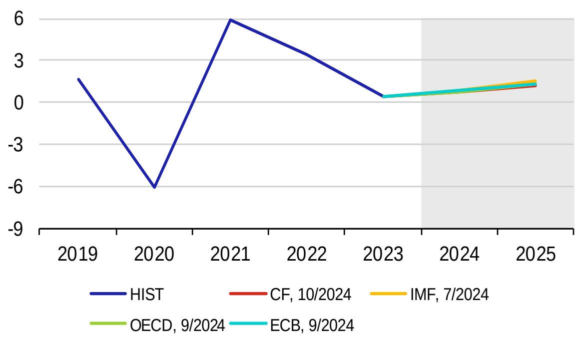
Source: Refinitiv Datastream, European Commision.

III.1 Euro area

The economic growth outlook in the euro area remains weak for this year and solid for next year. The economy continues to face difficulties, especially in industry. Production was markedly volatile in the summer months, recording growth of 1.8% in August. Economic growth has so far been drawing mainly on services, but according to the PMI the decline has been deepening and no recovery is happening. The PMI in services remains in the expansion band, but has been falling gradually in recent months. The August fluctuation resulting from Olympic euphoria in France was only a one-off. The composite indicator returned below the 50-point level in September after six months above it. Nevertheless, the labour market remains relatively stable, with the unemployment rate reaching a historical low (6.4%). However, the pace of job creation is slowing down. At the same time, there is a marked shift in the labour force from industry to services and a narrowing of the unemployment differences across euro area economies. Weak consumer confidence, which has stopped improving in recent months, is redirecting some income growth to savings at the expense of consumption. Investment activity remains subdued in an environment of long-lasting weak economic sentiment and restrictive monetary policy. Short-term outlooks do not expect economic growth to recover and hopes have turned to next year. CF analysts and the OECD interim outlook currently expect GDP growth of 0.7% this year. Next year, the growth rate will return to a level consistent with the long-term outlook of CF analysts for the euro area over the 6–10-year horizon, which edged up to 1.2%.

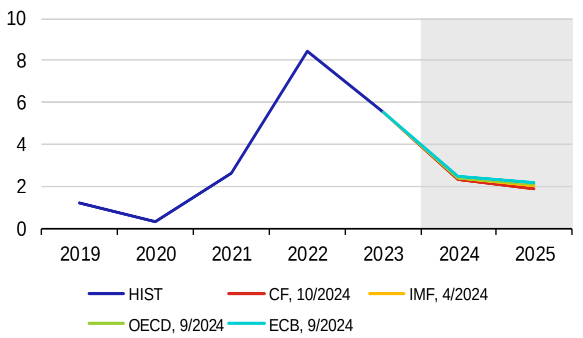
Recent trends brought a slight reduction in the outlook for euro area inflation. A marked slowdown in year-on-year inflation in September was generally expected due to base effects related to energy prices. Despite this, the final figure of 1.7% came as a slight surprise. Inflation is expected to pick up again to above 2% in the months ahead, but CF analysts believe that it will remain within sight of the inflation target. Recent developments confirmed the ECB Governing Council's belief that the disinflation process is on a good trajectory, which convinced it to unanimously decide to reduce base rates by 25 bp at its October meeting. A further rate cut is expected in December.

GDP growth, %



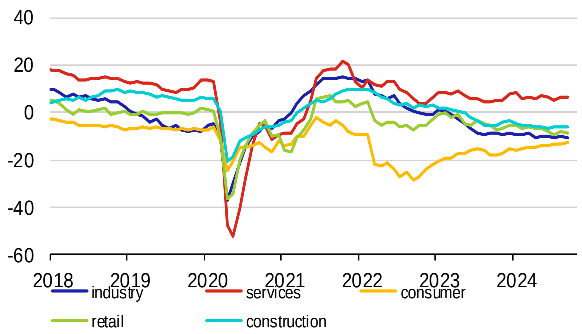
	CF	IMF	OECD	ECB
2024	0.7	0.9	0.7	0.8
2025	1.2	1.5	1.3	1.3

Inflation, %



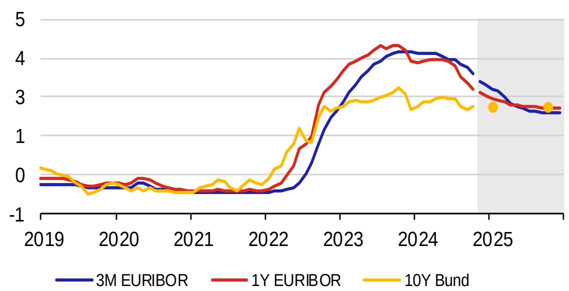
	CF	IMF	OECD	ECB
2024	2.3	2.4	2.4	2.5
2025	1.9	2.0	2.1	2.2

ESI leading indicators



	industry	services	consum.	retail	constr.
7/24	-10.5	5.1	-13.0	-9.1	-6.3
8/24	-9.9	6.4	-13.4	-7.9	-6.3
9/24	-10.9	6.7	-12.9	-8.5	-5.8

Interest Rates, %



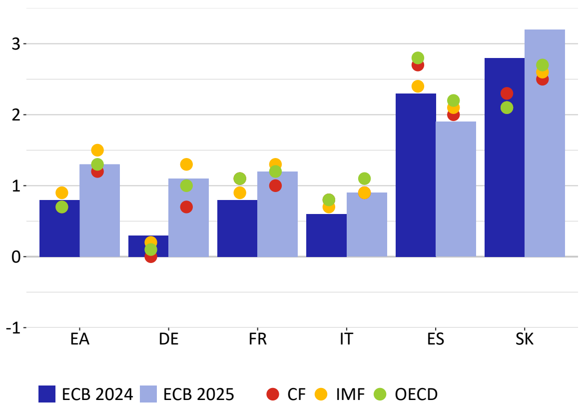
	9/24	10/24	1/25	10/25
3M EURIBOR	3.43	3.23	2.75	1.99
1Y EURIBOR	2.94	2.76	2.46	2.16
10Y Bund	2.11	2.19	2.20	2.20

III.2 Germany

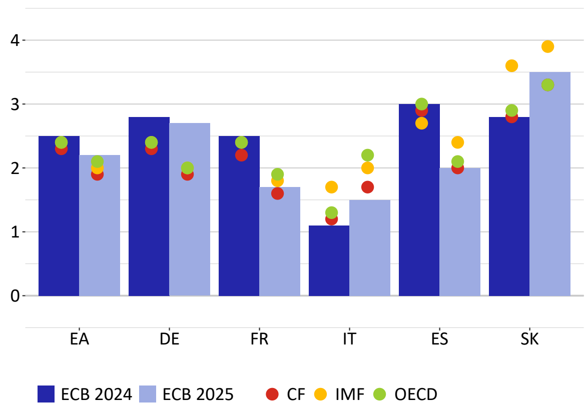
The leading German economic institutes lowered their forecasts for German economic growth this year. In a jointly published report, they stated that GDP would contract by 0.1% this year and grow by 0.8% next year, and warned that the country can hardly return to the pre-pandemic pace of economic expansion. The German government now also predicts that the economy will contract (by 0.2%) and then grow by around 1% in 2025. Both CF and the OECD forecast more or less zero growth this year. The official data show that industrial production has declined, orders have declined, investment levels are falling and private consumption is depressed. The latest forecasts contribute to the poor picture of Germany's economic situation for the rest of the year. The composite PMI fell to 47.5 points in September, confirming the faster decline in private sector activity, which was the sharpest since February. This was due to slower growth in activity in the services sector (50.6) and a deeper decline in manufacturing (40.6). Sentiment among entrepreneurs is deteriorating, as evidenced by the key Ifo and ZEW index for September. In particular, firms were less satisfied with their current situation, but the outlook for the next few months is also continuing to deteriorate. According to a GfK survey, however, consumer sentiment recovered slightly in September, following a sharp deterioration in the previous month, but its recovery is dampened by the willingness to save, which increased, as well as by falling economic expectations.

Harmonised consumer price inflation slowed further in September, falling below the 2% target for the first time in more than three years. Consumer price inflation fell to 1.8% year on year for the second consecutive month (from 2% in August). The decline in inflation is being helped mainly by a fall in energy prices, but on the other hand year-on-year growth in services prices remains above average and is slowing only very gradually. Core inflation, i.e. inflation excluding food and energy, continued to slow slightly to 2.7% (compared to 2.8% in August). The new forecasts by the CF and OECD see inflation of around 2.5% this year and around 2% next year. The same as in July, the decline in industrial producer prices reached 0.8% year on year in August, with lower energy prices still being the main reason behind this.

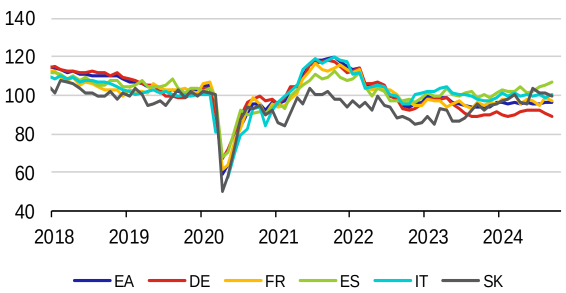
GDP growth in selected euro area countries in 2024 and 2025, %



Inflation in selected euro area countries in 2024 and 2025, %

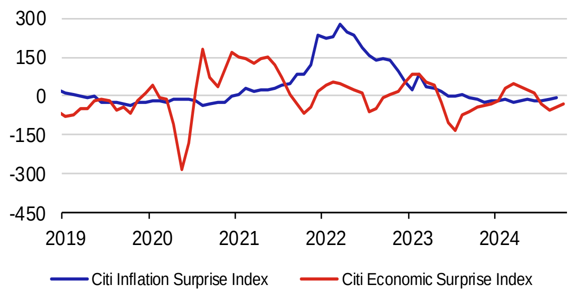


ESI leading indicators



	EA	DE	FR	ES	IT	SK
7/24	96.0	92.2	95.0	104.1	100.2	101.3
8/24	96.5	90.5	98.6	105.4	99.0	101.1
9/24	96.2	89.3	97.2	107.3	100.2	99.4

Economic and inflation surprises in the euro area, %



Inflation expectations based on 5year inflation swap and SPF

	5y5y	SPF
8/24	2.14	2.02
9/24	2.09	2.02
10/24	2.16	

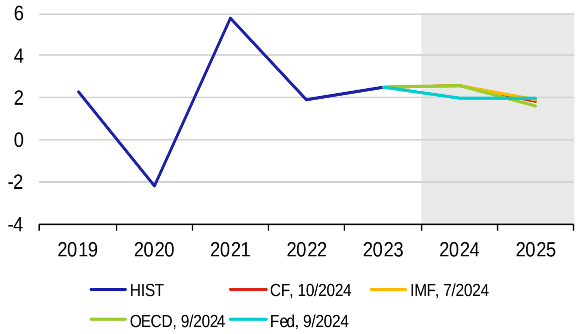
III.3 United States

The analysts' new outlook expects GDP growth of 2.6% this year, as does the new outlook from the OECD's workshop. Recent revisions to US economic data released at the end of September show a narrower difference between the expenditure and the revenue side of the economy, with personal income rising more than originally estimated. This suggests that consumers could have more savings and a greater capacity to keep spending. These adjustments provide a more optimistic outlook for consumer resilience, which is key to economic stability in the months ahead.

The September labour market report was surprisingly strong, with unemployment falling despite a growing labour force. Growth in full-time jobs and a reduction in the number of the unemployed suggest a potential soft landing for the US economy. Nevertheless, recent reports of redundancies in sectors such as aviation (e.g. Boeing) and the automotive industry that should start in October could lead to problems. The inflation outlook suggests that, despite some positive signals such as a slowdown in rent growth, inflation in key sectors such as repairs and car insurance remains increased. Core inflation is expected to remain at 3.3% until the end of 2024, which could make the Fed more cautious when lowering rates. However, the inflation outlook for this year and the next has been revised down and closer to the inflation target by the relevant institutions. The Fed is therefore expected to cut rates by 25 basis points at its November meeting.

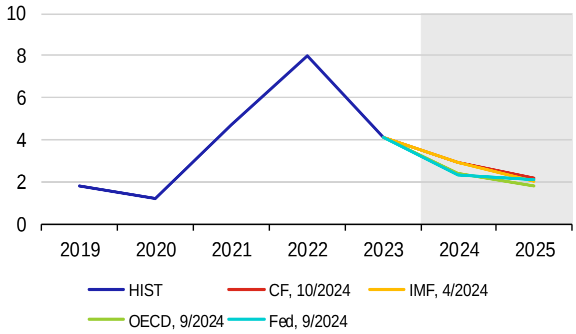
The outcome of the November presidential elections could have significant consequences for the US economy. The election represents a fork in the road: continuing the current policy under the leadership of Vice President Kamala Harris or a potential change under former President Donald Trump. Harris' economic approach would result in moderate growth and a somewhat slower increase in debt. By contrast, Trump's proposals, in particular about tax cuts, could increase GDP in the short term, but at the cost of rising government debt, which could reach 150% of GDP by 2035.

GDP growth, %



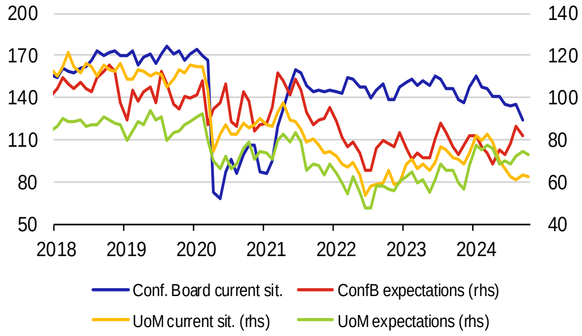
	CF	IMF	OECD	Fed
2024	2.6	2.6	2.6	2.0
2025	1.8	1.9	1.6	2.0

Inflation, %



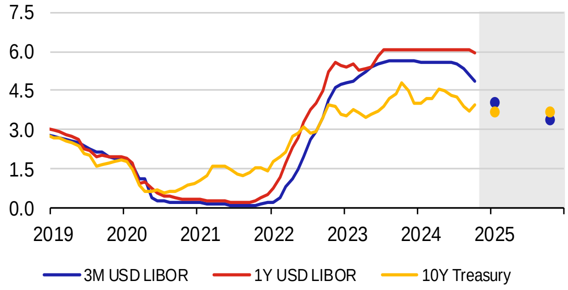
	CF	IMF	OECD	Fed
2024	2.9	2.9	2.4	2.3
2025	2.2	2.0	1.8	2.1

Leading indicators



	ConfB curr.	ConfB exp.	UoM curr.	UoM exp.
8/24	134.6	86.3	61.3	72.1
9/24	124.3	81.7	63.3	74.4
10/24			62.7	72.9

Interest Rates, %



	9/24	10/24	1/25	10/25
USD LIBOR 3M	5.09	4.85	4.10	3.40
USD LIBOR 1R	6.04	6.04		
Treasury 10R	3.73	3.99	3.70	3.70

III.4 China

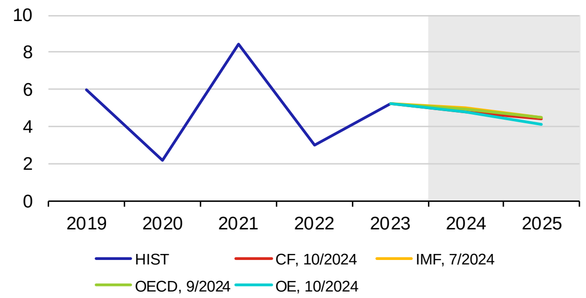
According to the statistical office, year-on-year GDP growth in Q4 was 4.6%, the lowest in the last two years. The contraction in residential and commercial property has not eased yet. There are signs of declining employment due to a downturn in some labour-intensive sectors. Nevertheless, unemployment in urban areas fell slightly to 5.1% in September. The government's current fiscal efforts and the relaxing of a number of monetary policy instruments (key interest rates, reserve requirements, access to central bank funding) are aimed at achieving the growth target for this year of around 5%.

In September, the composite Caixin index, though remaining above 50 points, fell to its lowest level in the past year (50.3). This is due to both an unexpected fall in the PMI in manufacturing (to 49.3 compared to 50.4 in August) and only a slight expansion of the PMI in services (50.3 compared to 51.6 in August). The uncertain outlook and the slowdown in global growth led to a decline in new orders, particularly in export sectors. Consumer confidence was also very low.

Consumer price inflation was 0.4% year on year in September, down by 0.2 pp from August. Total month-on-month inflation was almost zero in September. Core consumer price inflation, although remaining positive (0.1% year on year), was the lowest since February 2021. The year-on-year decline in producer prices continued into September (-2.8%) for the 24th consecutive month, with the fall in September being the sharpest recorded since March. Price trends were strongly affected by falling prices of fuels and other commodities and the continued cooling of the property market.

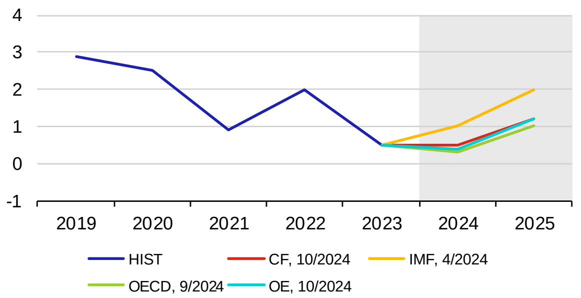
China's exports have been showing stable year-on-year growth (2.4% in September) since the spring. From August onwards, the upward trend in the Asian neighbours of mainland China has spread to most other trading partners. On the import side, by contrast, overall growth in September (0.3%) was very low, as it was in August (0.5%). According to observers, this is linked to the weak outlook for domestic demand for the coming months. In addition, growth was seen only for imports from some territories (notably the United States and ASEAN), while other major trading partners (the EU, Japan and the United Kingdom) saw a decrease for the second consecutive month..

GDP growth, %



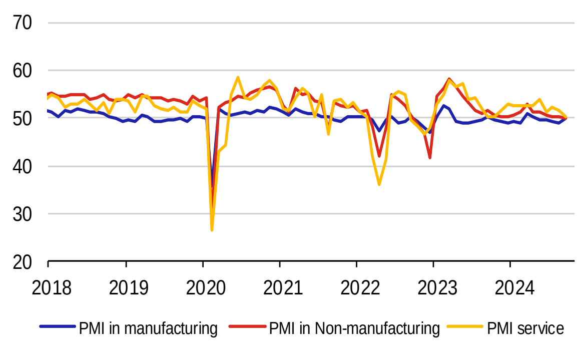
	CF	IMF	OECD	OE
2024	4.8	5.0	4.9	4.8
2025	4.4	4.5	4.5	4.1

Inflation, %



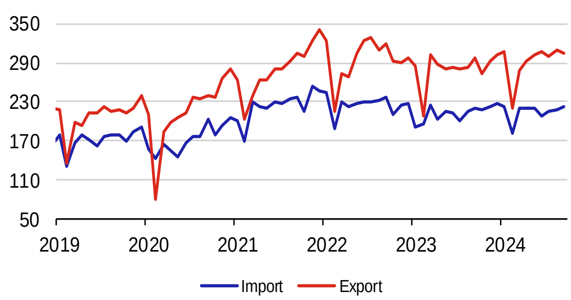
	CF	IMF	OECD	OE
2024	0.5	1.0	0.3	0.4
2025	1.2	2.0	1.0	1.2

Leading indicators



	PMI manuf.	PMI in Non-manufacturing	PMI service
7/24	49.4	50.2	52.1
8/24	49.1	50.3	51.6
9/24	49.8	50.0	50.3

Development of China foreign trade, bil. USD

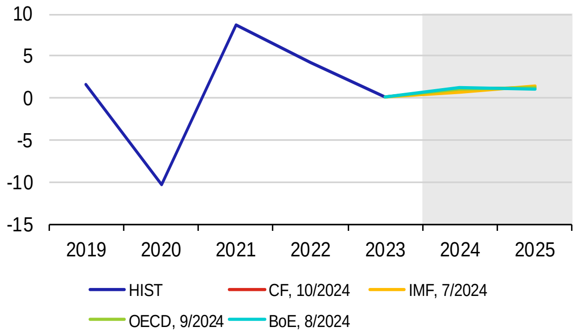


Source: Bloomberg

III.5 United Kingdom

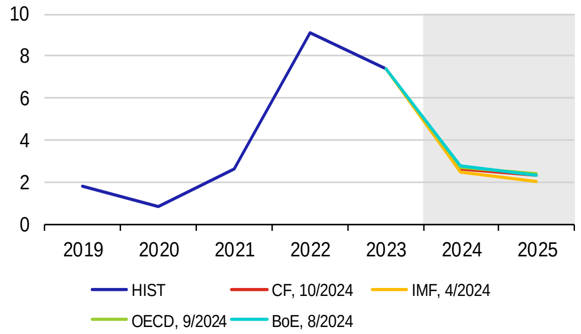
In September, consumer price inflation slowed below the BoE's 2% target for the first time in three years. After stagnating in August, the decline in inflation to 1.7% was due mainly to lower prices of air tickets and motor fuels. Core inflation also slowed (3.2%), as did services inflation (4.9%), but wage growth is also falling. After the BoE left its base interest rate at 5% in September, thanks to moderating inflation pressures there is room for a second rate cut this year, as indicated by Governor Andrew Bailey. Both CF and the OECD are still forecasting that inflation will stay above 2.5% this year and remain below this level next year. The UK economy grew more slowly than expected in the second quarter (0.5% compared to the original 0.6%), as households saved more. GDP growth also slowed compared to the first quarter (0.7%), when the economy moved out of a technical recession. The new CF and OECD forecasts now estimate GDP growth to reach around 1% this year and as high as 1.3% in 2025. The composite PMI indicator fell to 52.6 points in September, but has been pointing to robust dynamism in private sector activity for a number of months. Support was provided by both services and manufacturing.

GDP growth, %



	CF	IMF	OECD	BoE
2024	1.0	0.7	1.1	1.3
2025	1.3	1.5	1.2	1.0

Inflation, %

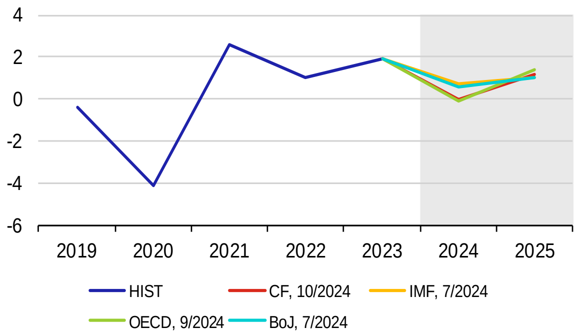


	CF	IMF	OECD	BoE
2024	2.6	2.5	2.7	2.8
2025	2.3	2.0	2.4	2.3

III.6 Japan

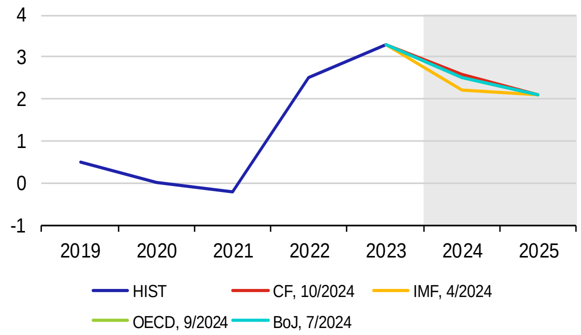
Inflation slowed by 0.5 pp year on year to 2.5% in September and core inflation also slowed to 2.4%. The decline in overall inflation is due to the dissipation of the effect of government subsidies on energy. Real wages switched to negative growth in August (0.6% y-o-y) after a short deviation due to a marked slowdown in bonus growth, but basic wages posted the fastest growth in 32 years. Renewed wage growth has yet to contribute more persistently to household spending, which fell by 1.9% year on year in August. A positive signal for the Japanese economy is, at least, better-than-expected results from a Tankan corporate sentiment survey. While manufacturing remained unchanged, producers outside manufacturing reported improved sentiments. The volatility of the yen's exchange rate against the dollar was partly due to comments made by BoJ Policy Board member Seiji Adachi, which the markets initially interpreted as hawkish. However, the absence of a clear schedule for rate increases created uncertainty. Moreover, trends in the yen are increasingly being influenced by external factors, particularly economic data from the United States and political developments concerning the upcoming elections in Japan and the USA.

GDP growth, %



	CF	IMF	OECD	BoJ
2024	0.0	0.7	-0.1	0.6
2025	1.2	1.0	1.4	1.0

Inflation, %

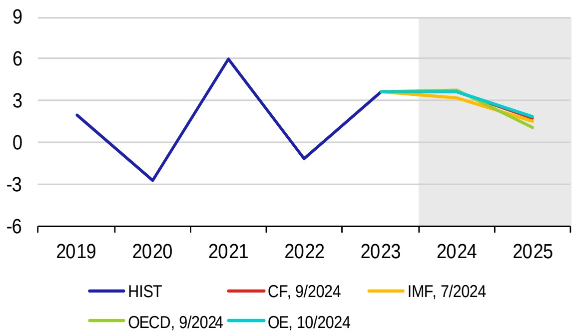


	CF	IMF	OECD	BoJ
2024	2.6	2.2	2.5	2.5
2025	2.1	2.1	2.1	2.1

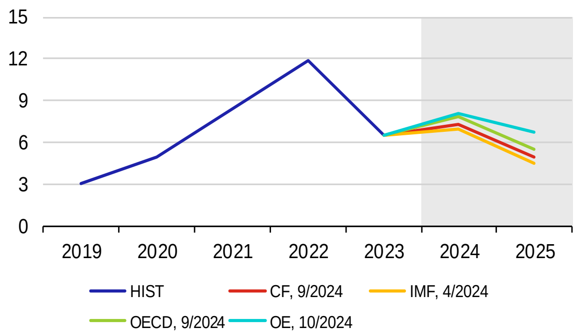
III.7 Russia

In August 2024, inflation in Russia slowed for the first time since December 2023, with the year-on-year inflation rate declining to 8.6%. In addition, inflation expectations rose to a peak of 13.4% in October. While the unemployment rate remains at a historical low of 2.4%, year-on-year wage growth rose to 8.1% in July from 6.2% in June. Markets expect the base interest rate to be raised by 100 basis points to 20% at the October CBR meeting. Russian imports recovered to the previous year's level in the third quarter, although international sanctions complicate payment transactions, with increased domestic demand and appreciation of the rouble being the main drivers of the recovery. Russian export companies are also facing liquidity challenges due to payment delays caused by US sanctions leading to an increase in transaction costs and instability of the rouble's exchange rate. In response, Russia is proposing changes to the way cross-border payments between BRICS countries are made by creating a network of commercial banks for transactions in local currencies and introducing a direct link between central banks.

GDP growth, %



Inflation, %



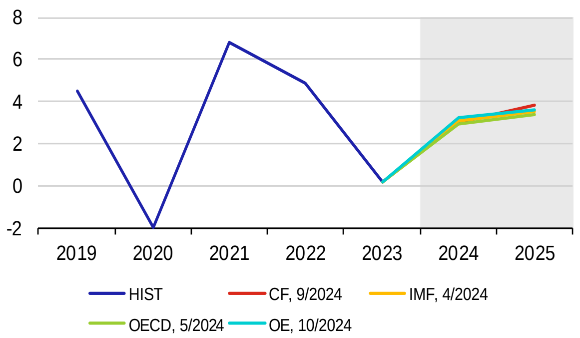
	CF	IMF	OECD	OE
2024	3.6	3.2	3.7	3.6
2025	1.7	1.5	1.1	1.8

	CF	IMF	OECD	OE
2024	7.3	6.9	7.8	8.1
2025	4.9	4.5	5.5	6.7

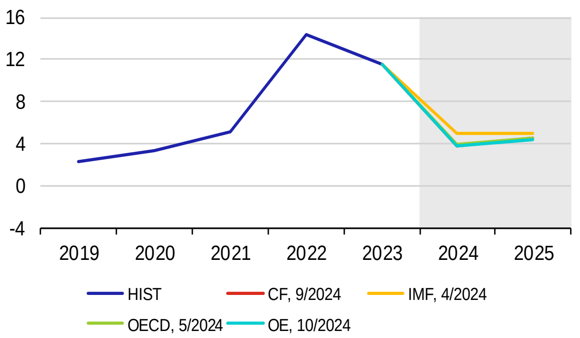
III.8 Poland

Annual inflation in Poland rose to 4.9% in September from 4.3% in August, reaching the highest level of the year. Although goods prices remained stable in month-on-month terms, they rose by 4.2% year on year. In September, prices for services rose by 0.4% compared to August and 6.8% year on year. Interest rates were unchanged at 5.75% during the October central bank meeting, whereas several members of the Monetary Policy Council see an option to lower rates as early as 2025. In response to the recent floods, which increased the funding needs of local governments and led to lower revenues from the sale of emission permits and from VAT, the Polish Minister of Finance indicated the option of revising the government budget for 2024. The balance of payments deficit for August markedly exceeded analysts' expectations, the primary cause being an increase in the goods deficit, together with a narrowing of the services surplus, with Poland recording a significant widening of the trade deficit to EUR 2.2 million in August. The widening of the deficit was caused by the continuing trend in the fall in exports (down by 7% year on year), with a concurrent increase in imports of 1%.

GDP growth, %



Inflation, %



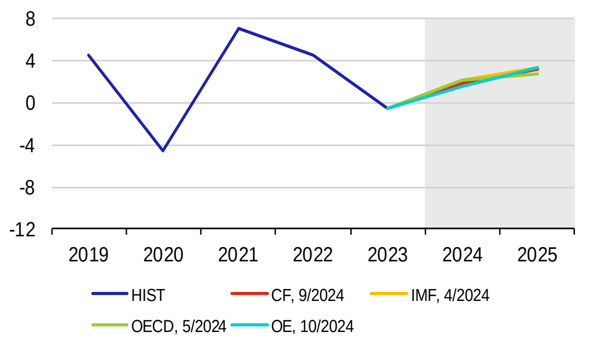
	CF	IMF	OECD	OE
2024	3.0	3.1	2.9	3.2
2025	3.8	3.5	3.4	3.6

	CF	IMF	OECD	OE
2024	3.8	5.0	3.9	3.8
2025	4.5	5.0	4.5	4.4

III.9 Hungary

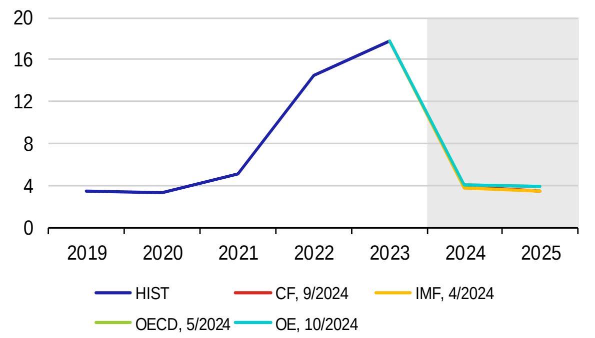
The year-on-year inflation rate returned to the central bank's target in September. Consumer price growth reached its lowest level since January 2021, when the year-on-year inflation rate fell to 3% in September. This was mainly due to slower growth in prices of clothing and services, followed by a decline in energy commodity prices. Core inflation remained elevated at 4.8%, mainly owing to higher processed food prices. Despite this, OE analysts revised their inflation outlook for 2024 downwards. Leading indicators suggest that household consumption will remain the main driver of economic growth, while investment activity will remain subdued. Retail sales posted year-on-year growth for the eighth consecutive month (4.1% in August) as previously very negative consumer confidence gradually improves. By contrast, a sharp decline in domestic investment is reflected in the Hungarian economy's external position as a significant creditor. The current account therefore reached record levels in the first half of 2024, mainly due to the trade surplus. CF analysts expect current account surpluses to persist until 2025.

GDP growth, %



	CF	IMF	OECD	OE
2024	1.8	2.2	2.1	1.5
2025	3.2	3.3	2.8	3.3

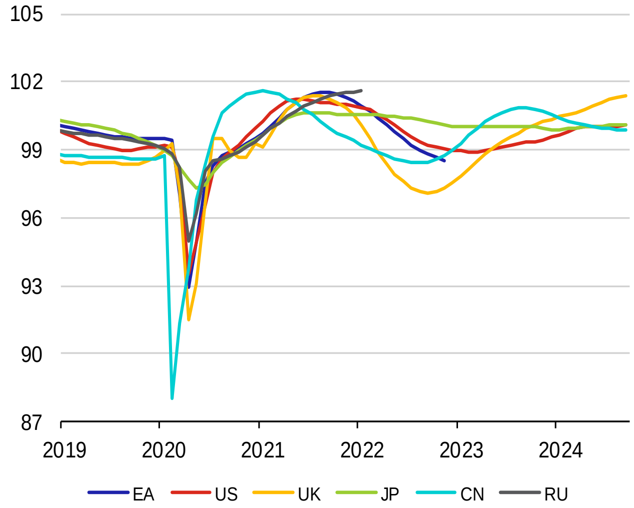
Inflation, %



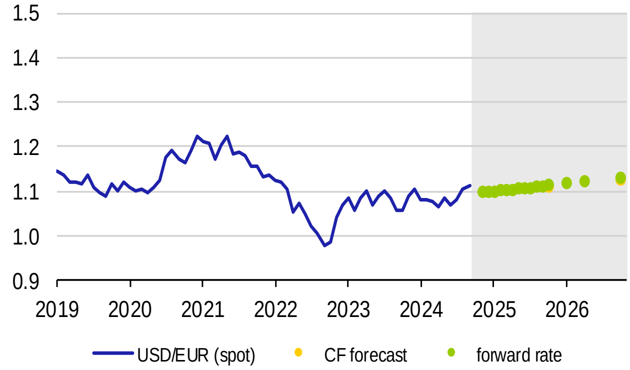
	CF	IMF	OECD	OE
2024	3.9	3.7	4.0	4.0
2025	3.5	3.5	3.9	3.9

IV. Leading indicators and exchange rate outlooks

OECD Composite Leading Indicator

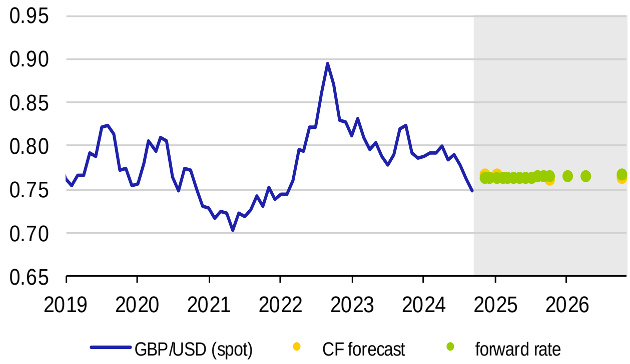


The US dollar (USD/EUR)



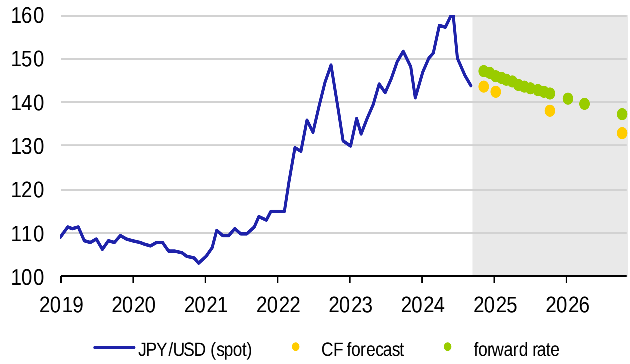
	7/10/24	11/24	1/25	10/25	10/26
spot rate	1.098				
CF forecast		1.101	1.103	1.114	1.127
forward rate		1.099	1.102	1.115	1.132

The British pound (GBP/USD)



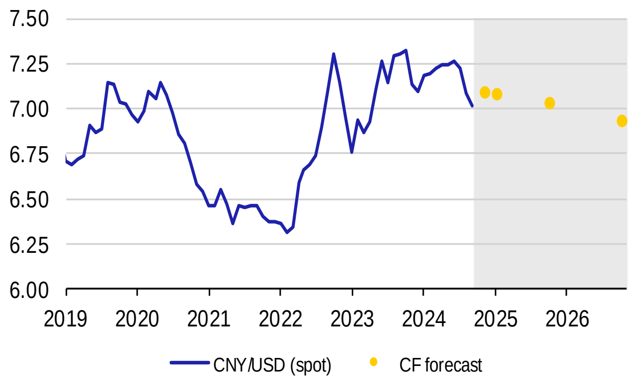
	7/10/24	11/24	1/25	10/25	10/26
spot rate	0.765				
CF forecast		0.769	0.768	0.763	0.764
forward rate		0.764	0.764	0.766	0.768

The Japanese yen (JPY/USD)



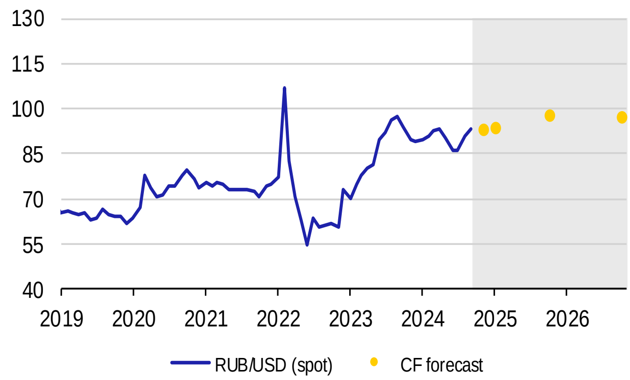
	7/10/24	11/24	1/25	10/25	10/26
spot rate	148.2				
CF forecast		143.7	142.5	138.1	133.3
forward rate		147.5	146.3	142.2	137.5

The Chinese renminbi (CNY/USD)



	7/10/24	11/24	1/25	10/25	10/26
spot rate	7.016				
CF forecast		7.098	7.090	7.036	6.935

The Russian rouble (RUB/USD)



	7/10/24	11/24	1/25	10/25	10/26
spot rate	96.20				
CF forecast		93.20	93.72	97.74	97.59

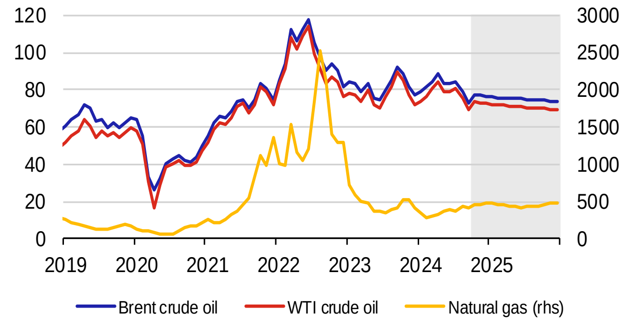
Note: Exchange rates as of last day of month. Forward rate does not represent outlook; it is based on covered interest parity, i.e. currency of country with higher interest rate is depreciating. Forward rate represents current (as of cut-off date) possibility of hedging future exchange rate.

V.1 Oil

The Brent crude oil price fluctuated strongly in the range of USD 70–80 a barrel in September and the first half of October, mainly in response to developments in the Middle East. However, money market funds, which build massive speculative positions and close them quickly after unexpected developments, are also contributing to sharp swings. Sentiment on the financial market remains negative due to the weak outlook for demand from China and growth in extraction outside OPEC+. Net speculative positions in Brent crude oil (and also diesel) turned negative in September for the first time since the start of the monitoring. On the physical market, however, OPEC+ is succeeding in maintaining the oil supply deficit through limited extraction, which was exacerbated by production shortfalls in the Gulf of Mexico and Libya. The oil price also benefited slightly from lower interest rates in the USA and from the announced stimulus measures in China. In early October, the price of Brent crude oil rose rapidly above USD 80 a barrel due to speculation that Israel could attack oil infrastructure in Iran in response to Iranian missile strikes. However, this plan was not supported by the USA, so in mid-October the price fell to just below USD 75 a barrel. However, the decline was also partly due to renewed oil supplies from Libya and the failure of the Chinese government to specify further how the fiscal support will be used to increase weak domestic demand. Moreover, in its October report, OPEC again reduced expected growth in oil demand for 2024 and 2025. The structural weakening of demand (especially in China) puts refineries' margins on fuels under pressure. Whereas China's share in global oil demand growth was 70% in 2023, the IEA expects it to be just 20% in 2024 and 2025.

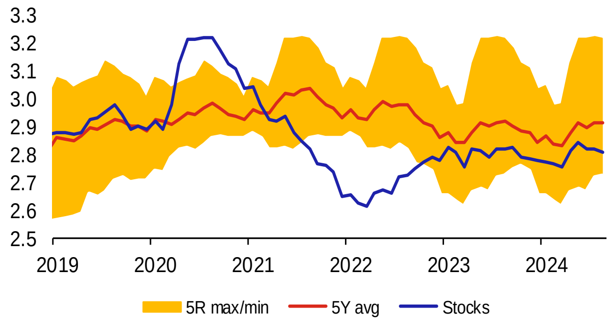
The market outlook for Brent prices from the first half of October edged up on a month earlier. It remains falling at USD 74.0 and USD 72.8 a barrel at the end of 2025 and 2026 respectively. By contrast, the IEA lowered its forecast significantly. The oil price should rise to USD 79 a barrel in 2025 Q2 and then start falling to USD 75 a barrel at the end of the year. CF lowered its forecast only slightly in October, expecting oil prices of around USD 78 a barrel at the one-year horizon.

Outlook for prices of oil (USD/barrel) and natural gas (USD / 1000 m³)

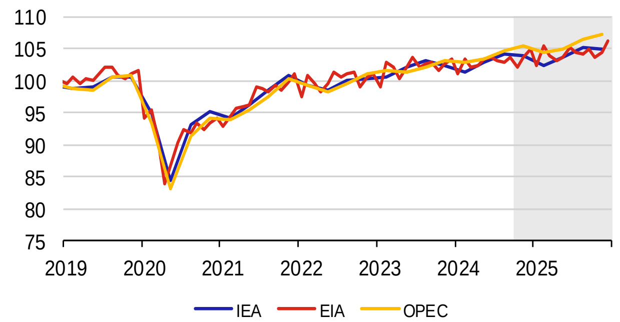


	Brent		WTI		Natural gas	
2024	80.57		76.41		390.09	
2025	75.00		70.72		452.72	

Industrial stocks of oil and oil products in OECD (bil. barrel)

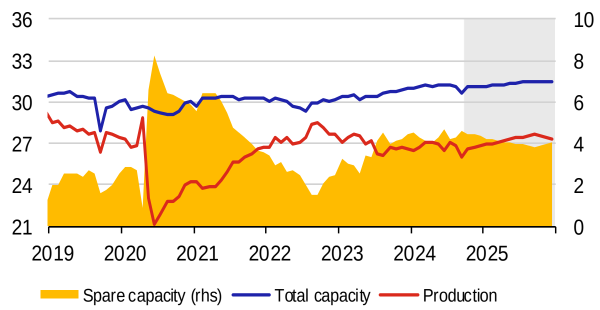


Global consumption of oil and oil products (mil. barrel / day)



	IEA		EIA		OPEC	
2024	103.06		103.06		104.13	
2025	104.03		104.36		105.78	

Production, total and spare capacity in OPEC countries (mil. barrel / day)



	Production		Total capacity		Spare capacity	
2024	26.72		31.08		4.36	
2025	27.32		31.34		4.03	

Source: Bloomberg, IEA, EIA, OPEC, CNB calculation
Note: Oil price at ICE, average natural gas price in Europe – World Bank data. Future oil and gas prices (grey area) are derived from futures. Industrial oil stocks in OECD countries – IEA estimate. Production and extraction capacity of OPEC – EIA estimate.

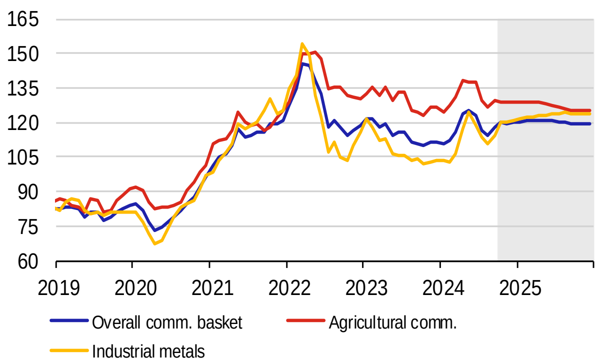
V.2 Other commodities

The price of natural gas in Europe returned to EUR 40/MWh after a temporary decline in mid-September. This is due mainly to the Middle East conflict (and partly to concerns about a drop in LNG exports from the USA), as stocks in Europe are at seasonally high levels, supplies are stable and demand from industry remains weak. However, the market expects gas (and electricity) prices to rise temporarily in winter due to higher demand and also to the planned end of transit of Russian gas through Ukraine. The price of coal in Europe fell in early September due to a surplus on the Chinese market and weak demand from India. However, it went back to its original level in the second half of the month as gas prices rose.

The industrial metals price index grew strongly in September and the first half of October owing to the interest rate cut in the USA and also in response to the Chinese government's pro-growth stimulus measures. However, no major growth in the index is expected in the outlook. The price of most metals was supported by higher demand due to a weaker dollar, as well as hope of a global economic revival due to lower interest rates. However, weak activity in global manufacturing continued to dampen growth in metal prices. Stocks of most basic metals on the LME fell for the third consecutive month, but remained much higher in year-on-year terms. The price of iron ore stagnated in September, but surged in early October, as the PMI in the Chinese steel industry reached the expansion band after three months of decline.

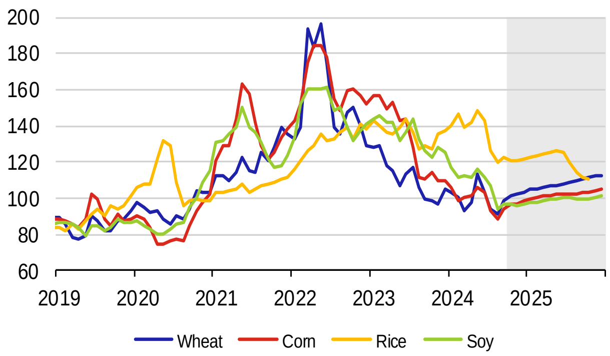
The food commodity price index was virtually flat in September and the first half of October and is expected to fall slightly over the outlook horizon. However, prices of individual commodities exhibited mixed trends. Wheat prices increased in September on concerns about weak exports from Russia and transport problems in the Black Sea. Soybean and maize prices went up in September, but started to fall in October on expectations of a strong harvest in the USA. Coffee prices rose again close to historical highs due to persisting drought in Brazil. Despite falling gradually, cocoa prices remain high due to adverse weather conditions in West Africa.

Non-energy commodities price indicies



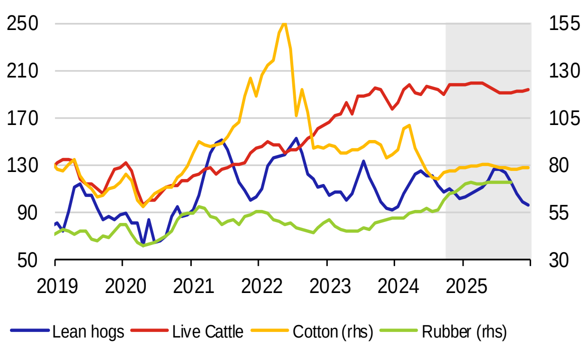
	Overall		Agricultural		Industrial	
2024	118.3	↗	130.7	↗	114.6	↗
2025	120.2	↗	126.9	↗	123.2	↗

Food commodities



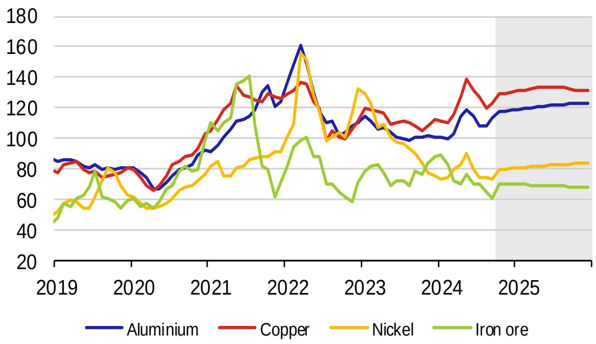
	Wheat		Corn		Rice		Soy	
2024	100.1	↗	98.6	↗	132.6	↗	105.6	↗
2025	108.6	↗	102.3	↗	120.5	↘	99.6	↘

Meat, non-food agricultural commodities



	Lean hogs		Live Cattle		Cotton		Rubber	
2024	111.4	↗	193.4	↗	82.5	↗	57.9	↗
2025	111.2	↗	194.7	↗	79.0	↗	70.4	↗

Basic metals and iron ore



	Aluminium		Copper		Nickel		Iron ore	
2024	111.5	↗	124.7	↗	79.0	↗	72.5	↗
2025	121.6	↗	132.7	↗	82.8	↗	69.2	↗

Source: Bloomberg, CNB calculations.
Note: Structure of non-energy commodity price indices corresponds to composition of The Economist commodity indices. Prices of individual commodities are expressed as indices 2010 = 100.

Trends in Germany’s manufacturing industry and foreign trade after the pandemic [1]

Germany is going through a challenging period – the impacts of the energy crisis and structural challenges, as well as cyclical weakness are giving rise to concerns about the “sick man of Europe”.[2] After an optimistic start to 2024, when energy-intensive industries also saw a recovery, hopes for a robust recovery faded again. The German economy’s unsatisfactory performance is a result of households’ still-low willingness to spend and appreciable fiscal restrictions, as well as German industry, in particular, which is lagging behind. This is because the recovery of the “German engine” is crucial for the economy as a whole. In the following text, we will therefore focus on the main trends in Germany’s manufacturing industry and foreign trade. We will analyse in detail the territorial and commodity structure and relations with domestic and European industrial production. It turns out that German industry is strongly intertwined with European production, with no significant specialisation in terms of either sectors or trading partners. It was able to cope with the end of gas supplies from Russia and geopolitical changes, but increasing Chinese competition, persisting high prices for energy, especially gas, and a lag in information technology will require a fundamental revision of Germany’s growth model. However, Europe as a whole is facing major challenges, as shown by the long-awaited analysis by Mario Draghi on the direction of European competitiveness.

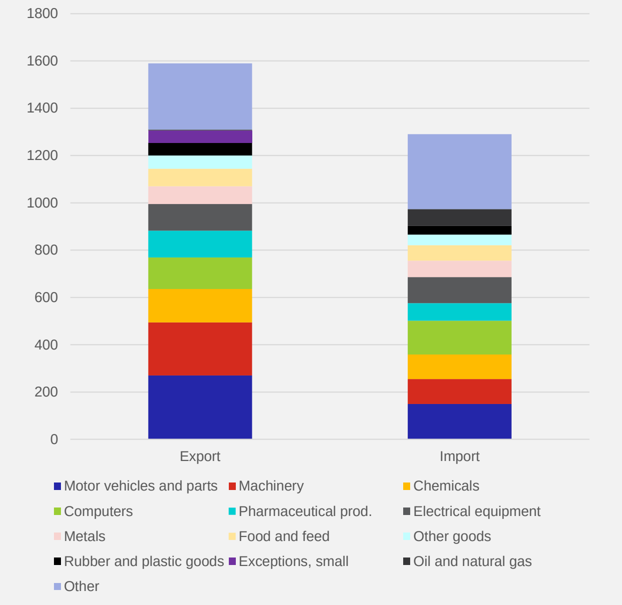
Germany’s foreign trade in goods

Germany is currently the third largest exporter in the world, behind China and the USA. Germany’s share in world trade[3] dropped to 6.6% in 2022, from 7.3% in 2021. China again finished in top position with a 14.4% share, but this represented a fall from 15.0% in 2021. The United States strengthened its second position, with a share of 8.3%, up from 7.9% in 2021. Germany remains one of the most open G7 economies, with a foreign trade turnover of close to 100% of GDP.[4] However, trade with EU countries accounts for a larger proportion of German trade – intra-EU trade comprised 55% of Germany’s total foreign trade in 2022. China was Germany’s most important trading partner, with a total turnover of EUR 254.4 billion in 2023.[5]

Sector diversity in Germany’s foreign trade in goods is visible in both the import and export components (Chart 1). In both cases, motor vehicles and mechanical engineering, which have a significant weight particularly on the export side, play a key role. Other key segments of German foreign trade include chemicals, computer technology and pharmaceutical products. Basic products, such as plastics and metals, also have some weight; in imports it is also fuels such as oil and natural gas. Germany’s foreign trade is therefore not concentrated in just a few sectors, but is spread across a wide range of industrial sectors.

Chart 1 – Germany’s foreign trade in 2023

(EUR billions)



Source: Destatis
Note: Volume in 2023, GP19 classification in two-digit breakdown, for the ten largest categories of goods and Other

From a territorial point of view, Germany’s foreign trade has changed, mainly as a result of geopolitical events such as Russia’s invasion of Ukraine. However, China’s global position is also changing. Germany’s trade links with the United States have recently strengthened significantly, making the USA, together with China, the most important trading partners. According to data from the German Federal Statistical Office, the USA even exceeded China as Germany’s main trading partner in the first quarter of this year. German exports to the USA now accounts for around 10% of the total volume, whereas China’s share fell below 6%. In addition to

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[1] By Soňa Benecká. The opinions expressed in this article are her own and do not necessarily reflect the official position of the Czech National Bank.

[2] In 1998, the economist Holger Schmieding described Germany as the “sick man of Europe” for the first time, when its economic growth fell below the level of other members of the emerging euro area.

[3] Exports and imports in total in USD, source: https://www.wto.org/english/res_e/booksp_e/wtsr_2023_e.pdf

[4] For comparison, Ireland is one of the most open economies in the EU, with a share of 400% of GDP, but the Czech Republic and Hungary, with shares of over 160%, are also highly open economies.

[5] In the first quarter of 2024, according to an official report from the German Federal Statistical Office, China was already in second place behind the United States, as imports from China fell by 11.7% year on year in that period and exports to China fell by 1.1%.

cyclical influences (robust demand in the USA and a slowdown in China), structural and geopolitical factors are also playing a role. German firms often produce locally in China instead of importing to the Chinese market, which reduces the need for exports from Germany. At the same time, Chinese firms have improved the quality of their products significantly and become leading players in some sectors, jeopardising the competitiveness of German producers. The global market shares of German firms have not fallen dramatically yet,[6] but China's penetration of new markets is very dynamic.

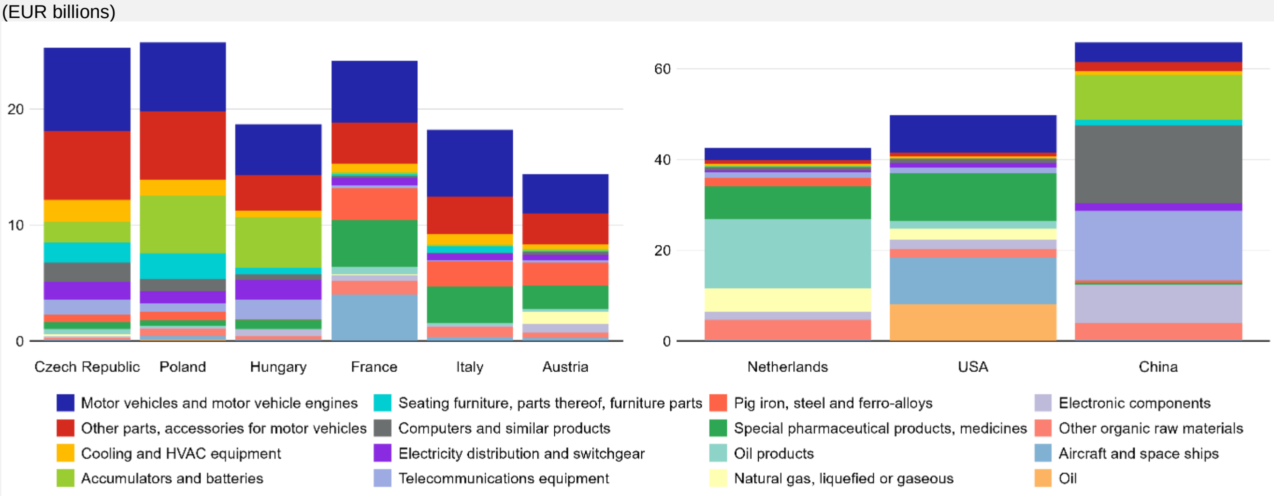
However, trade relations with partners in the European Union are stable. Among European territories, which are no less important for Germany, France, Italy, the Netherlands, Austria, Poland and the Czech Republic posted high trade figures. Last year, the volume of imports from Poland and the Czech Republic was comparable with that from China. For a further analysis of German imports, we indulged in a little simplification, focusing on the most important partners and key trading groups. In reality, the commodity structure of German foreign trade is very diverse (the significant grey contribution of the other groups in Chart 1).[7]

A closer look at German imports

Germany's imports from key partner countries in the European Union are characterised by a different structure of commodity groups compared to goods imported from the United States and China. Chart 2 presents import volumes in billions of euros in 2023, with the four most important product groups identified for each trading partner. In the case of the Czech Republic, Poland and Hungary, trade in cars and their accessories dominates, followed by other important categories such as refrigerating and HVAC equipment, accumulators and batteries. There is also considerable sale in Germany of furniture and electrical engineering products that come from Central European economies. France, Italy and Austria are also intensively involved in the European automotive industry, both for finished cars and their components. Unlike Central European economies, these countries also export pharmaceutical products and steel to Germany. Germany mostly imports commodities from the Netherlands and the USA, such as oil and gas, as well as pharmaceutical products.

Chart 2 – Imports to Germany by most important groups and territories – detailed breakdown

(EUR billions)



Source: Destatis
Note: Annual volumes in 2023, GP19 classification in four-digit breakdown, for the nine largest importers, for the four most important commodity groups for

Electronic components, mainly chips, computers and related products, come from China, while imports of cars and their accessories from this country are minimal. "Aircraft and space ships" are a specific item and seems to reflect trade with one French and one US aircraft producer.

The similarity in the commodity structure of imports for selected territories was confirmed by a cluster analysis. A cluster analysis, which looks for algorithmically similar phenomena, was applied in the GP19 classification (Güterverzeichnis für Produktionsstatistiken, 2019 version)[8] in a two-digit breakdown. Historical links, geo-economic factors and industrial specialisation affect business models between Germany and its main trading partners. Similarity at the level of European partners also reflects the degree of integration of the European single market. The results of the analysis confirmed the relative similarity in the structure of imports from the Czech Republic and Poland to Germany, although the cluster analysis

[6] https://rhg.com/research/tipping-point-germany-and-china-in-an-era-of-zero-sum-competition/

[7] For a deeper analysis, the GP19 classification used by the German Federal Statistical Office (Destatis) in a four-digit breakdown was used. This classification, which corresponds to the German version of the Eurostat PRODCOM production statistics, enables the allocation of imported products to production activities in Germany and enables better comparability with the statistics for domestic production.

[8] https://www.destatis.de/DE/Methoden/Klassifikationen/Gueter-Wirtschaftsklassifikationen/klassifikation-gp-19.html

placed Hungary closer to other eastern EU countries (Romania and Slovakia). The cluster analysis also revealed a significantly similar pattern of imports from western countries, such as France and Italy.

Key production chains across sectors confirm deep industrial connectivity within Europe. One of the most obvious is the automotive industry and its accessories, which makes up a significant segment of production and exports in many European countries. This is related to the production of electrical engineering components and metal materials, which are also crucial for the wider engineering industry. The involvement of Central European countries in the production of heat pumps shows how the green transformation of the German economy is opening up new opportunities for suppliers from these countries. By contrast, their exports of iron are small, as processing, for example into cast iron products, is already taking place in the relevant countries. Paradoxically, exports from Central European economies therefore have a higher degree of processing than from selected western partners, where trade in raw materials persists, possibly for historical reasons (remember the European Coal and Steel Community).

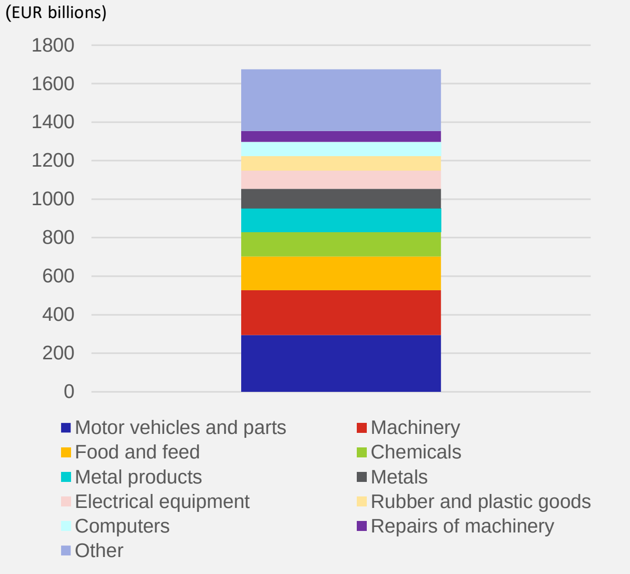
Germany as an industrial power of European significance[9]

German production is dominated by motor vehicles and associated production (Chart 3). Mechanical engineering is a similarly important sector in production and foreign trade. Together with the automotive industry, it accounts for more than one-third of German production (see Table 3 in Annex 1). In addition to these sectors, however, the production of chemicals, plastics, metals and metal products plays an important role. These energy-intensive industries, although an important part of domestic production, do not have such a strong international trade dimension. Germany is therefore not focused primarily on mechanical engineering, as some of the media comments would indicate.

The decline in industrial production in Germany last year was due to trends in energy-intensive sectors. The five industrial sectors with the highest energy consumption, which include the manufacturing of chemical products, metal products, glass and ceramic products, the processing of stone and earth, and the production of paper and coke, were particularly affected. In 2021, these sectors together consumed 77% of the total industrial energy consumption in Germany, accounting for only 17% of gross industrial value added. Since the beginning of 2022, there has been an almost continuous decline in production in these energy-intensive sectors, with the result that their performance has been significantly weaker than industry as a whole.[10] However, by the end of 2023 gas prices declined, giving some relief to these energy-intensive sectors. Their production is therefore only 13% lower than at the beginning of 2022, confirming some stabilisation in these sectors.

However, a decline in activity was also apparent in two key industrial sectors in Germany – the automotive and mechanical engineering sectors. Over the last two years, car production was hit by supply chain difficulties and delayed orders from the pandemic periods, but order books gradually emptied during the second half of 2023. Given the dynamics of orders, this trend was expected and was confirmed by a German Ifo institute survey. By contrast, mechanical engineering saw a slow but persistent decline in output, which was not as strongly caused by problems with

Chart 3 – Manufacturing production



Source: Destatis
Note: Annual production volume in 2023, manufacturing sector, two-digit GP19 classification, for the 10 largest commodity groups and Other

Chart 4 – Industrial production and gross value added in German manufacturing

Source: Eurostat
Note: seasonally and calendar adjusted; quarterly averages of monthly data for industrial production

[9] In terms of gross value added, industry accounts for just over 25% of GVA, agriculture and construction account for less than 5% and services for just over 70% of GDP.

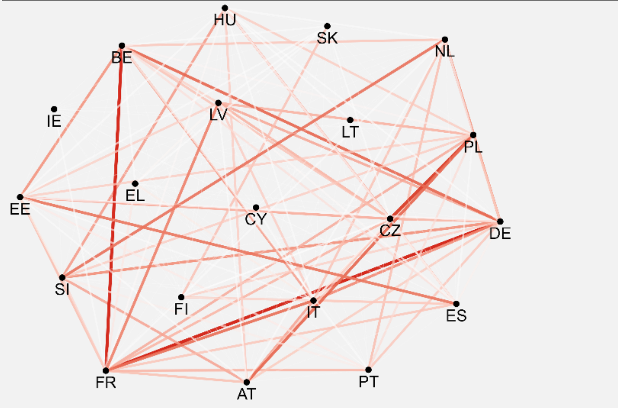
[10] Between February 2022 and July 2023, production in these sectors fell by 16.7%, whereas total industrial production fell by only 2.8%.

supplies of components and parts as was the case in the automotive sector.

According to the industrial production index, trends in German industry indeed gave rise to major concerns among financial analysts over the last year (Chart 4). However, gross value added in industry did not fall dramatically. The largest losses in output were suffered by lower value-added segments (the energy-intensive sectors). However, last year's adverse trends reversed in the first quarter of 2024 and activity in industry started to rise again. The positive start to the year did not continue and German industry returned to stagnation.

However, the decline in activity hit the whole of European industry, which is strongly intercorrelated. As Chart 5 shows,[11] the correlation between month-on-month movements in industrial production is particularly strong in Germany (DE), France (FR), Belgium (BE) and Italy (IT). The supplementary axis of Austria (AT), the Czech Republic (CZ) and Poland (PL) is interesting. On the contrary, trends in Ireland (IE) were markedly isolated from the rest of the euro area, as this economy is strongly focused on the technological and pharmaceutical sectors. The synchronised movements in industrial production are due mainly to intermediate goods,[12] but the production of capital goods in large euro area countries (Germany and France, in particular) is also significantly aligned. Given the linked nature of European industry, all major euro area countries saw a decline in industrial activity to some extent last year. The main factors behind this trend include the ECB's tighter monetary policy (with a larger impact on industry due to greater sensitivity to interest rates). German industry faced greater difficulties than other economies, as the energy crisis hit harder due to greater dependence on gas imports from Russia. Global demand cooled during 2023, whereas domestic demand stagnated as, among other things, German households put away record savings in an environment of high inflation and uncertainty (see the Focus article in Global Economic Outlook 9/2020).

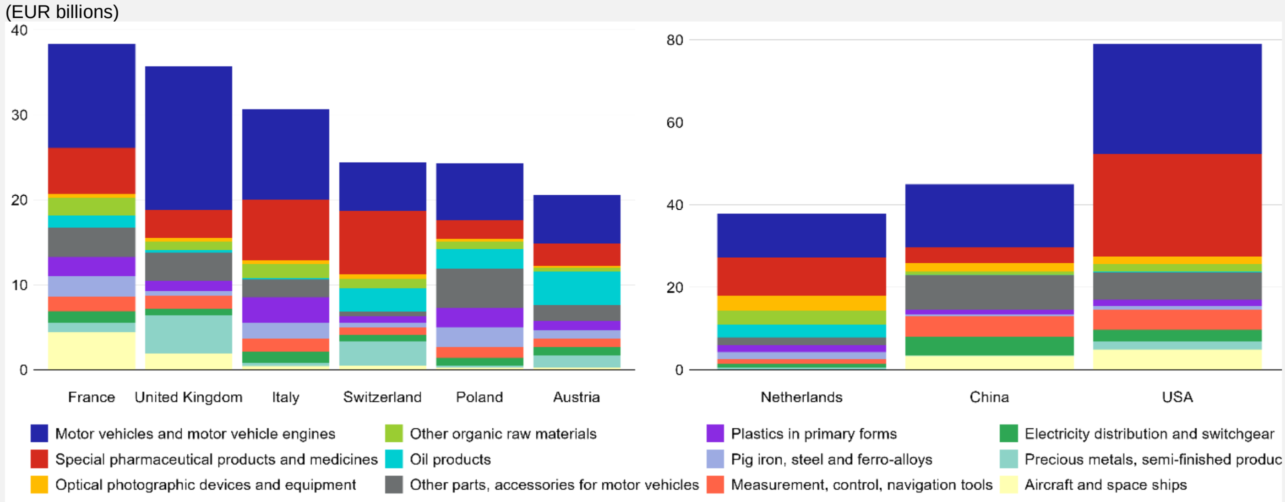
Chart 5 – Synchronous nature of industrial production in the EU



Source: Eurostat
Note: The nodes represent the individual countries (see the note at the bottom of the page), the edges correlations between the month-on-month change in industrial production in the manufacturing sector in total since February 2002

Chart 6 – Exports from Germany by most important groups and territories – detailed breakdown

(EUR billions)



Source: Destatis
Note: Annual export volumes in 2023, GP19 classification in four-digit breakdown, for the nine largest importers, for the four most important commodity groups for each trading partner (excluding "Exceptions" and "Unspecified")

[11] This chart takes into account the whole period, including the pandemic, but the interpretation does not change if shorter samples (before/after the pandemic) are used. Country abbreviations – Czech Republic (CZ), Poland (PL), Hungary (HU), Germany (DE), France (FR), Belgium (BE), Netherlands (NL), Italy (IT), Spain (ES), Portugal (PT), Austria (AT), Finland (FI), Cyprus (CY), Slovenia (SI), Slovakia (SK), Estonia (EE), Latvia (LV), Lithuania (LT), Greece (EL), Ireland (IE).

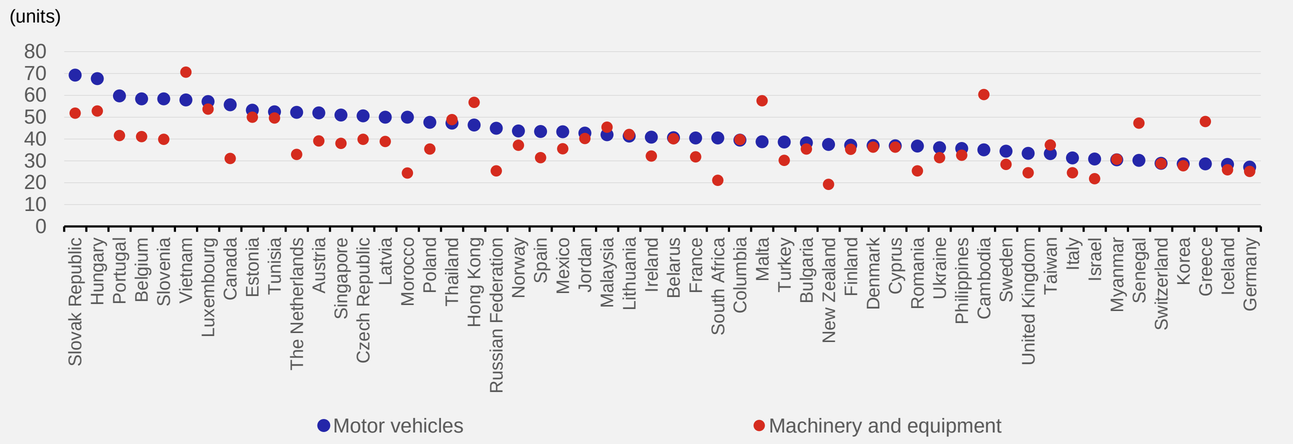
[12] The high intensity of intra-sector trade contributes to greater synchronisation of economic shocks and cyclical alignment, which the CNB regularly examines in its Alignment Analyses.

Germany = global and local exporter

Germany's main export markets are the USA, China, France and the Netherlands, as well as Poland, Italy, Austria and Switzerland. In 2023, the Czech Republic came in 12th in the ranking of Germany's most important export territories (see Table 1 in Annex 1), followed by Hungary in 13th place. Whereas Germany imports a wide range of different products from different countries, its export range is quite uniform and similar in all destination countries. The dominant export items are motor vehicles and their parts, as well as pharmaceutical products, which are a major export product to the USA (Chart 6). However, medicines are also an important component in trade with other partners. Various categories of goods, including products with a lower degree of processing, such as steel and plastics, predominate in European trade. Measurement equipment and electrical engineering devices are more often exported from Germany to the USA and China. By contrast, the importance of the mechanical engineering sector is much smaller, as Chart 1 indicates. There is reason to believe that supplies of components from Central and Eastern Europe play a key role in German production in general, not primarily for exports.

The import intensity of German exports is relatively low. Some claim that Germany resells imported goods with added value in the form of an additional service or under its own brand, or that it assembles imported parts from countries in Eastern Europe and sells them at a significant profit abroad. However, according to the OECD, the import intensity of German exports is relatively low at 23.3% in 2020, which is significantly less than in the Czech Republic (39.6%), Poland (30%) and Hungary (48%). This also applies to specific sectors such as motor vehicles and machinery, as shown in Chart 7. Slovakia and Hungary, as the countries highest up in these statistics with values above 50%, are significantly affected by the automotive industry. However, Germany produces a wide range of products and is integrated into European production chains, from the basic production of plastics and metals to mechanical engineering. The size of the German economy and the role of imports as a key element in domestic production itself, where the pharmaceutical industry is becoming more important, should also be taken into account. The sector's share of total exports has almost doubled since 2008, whereas mechanical engineering has stagnated.

Chart 7 – Import intensity of exports in 2020



Source: OECD (Input Output tables)
Note: Latest available value for 2020

What next?

The current model of economic growth in Germany has probably been largely exhausted. However, Germany is not the only one in this situation. Europe as a whole is facing major challenges, as shown in the long-awaited The Future of European Competitiveness analysis. The paper focuses on a strategy to increase the competitiveness of the European Union in the context of global challenges, such as technological backwardness, the energy crisis and geopolitical uncertainty. It analyses key areas where the EU lags behind the US and China and proposes specific steps to improve innovation, help decarbonisation and strengthen defence capacity. The main topics are highly relevant for Germany:

1. Slowing productivity growth: The same as in the EU as a whole, Germany is facing a slowdown in productivity growth due to the underutilisation of technological innovation and weak digital transformation. Germany, traditionally strong in manufacturing sectors, is having to deal with the challenge of moving towards more technologically advanced sectors such as artificial intelligence and the digital economy, dominated by the US and China.

2. Technology gap: German businesses, especially in the automotive and mechanical engineering sectors, are heavily reliant on traditional technologies and face a lack of innovation in digital technologies and green energy. This lack of

innovation hampers growth and limits their global competitiveness. For example, the German automotive industry lags behind China in electric vehicles and clean technologies.

3. Energy crisis and decarbonisation: Germany has been hit hard by the energy crisis caused by a shift away from Russian gas after the invasion of Ukraine. While energy prices have stabilised, German firms still face significantly higher costs than US competitors, which hampers their competitiveness. At the same time, the pressure to decarbonise and the clean energy transition requires massive investments, which are still slow and uncoordinated, hampering the German economy's recovery.

4. Dependence on external markets and supply chains: Germany is heavily reliant on global trade, especially on China as a key market and raw material supplier. Changes in the global trade order and geopolitical tensions, in particular between the USA and China, are creating uncertainties and risks for export-oriented German industry. This dependence limits Germany's ability to respond to global changes and weakens its economic stability.

5. Lack of coordination and political obstacles: Like the EU as a whole, Germany is facing excessive regulatory and administrative burdens, making it difficult to adapt quickly to new technologies and innovations. SMEs, which are at the base of the German economy, are suffering from the complexity of rules and red tape, hampering their growth and innovation.

6. Ageing population: Germany, like most EU countries, is facing demographic challenges. The ageing of the labour force and skills shortages are slowing growth. Moreover, this problem is linked to insufficient investment in education and retraining of workers for new technologies.

Without major reforms and investments in new technologies, improving energy efficiency and reducing red tape, it will be difficult for Germany to achieve a significant recovery. However, steps in the right direction will need to be taken quickly, as a number of German producers are planning to shift, restructure or terminate production or part of their production chain. According to a Deloitte survey, two-thirds of the responding German companies are considering transferring part of their supply chain abroad. The survey showed that firms intend to shift one third of their German production and assembly capacities and a quarter of their other functions and services (e.g. management, marketing, R&D and maintenance). Manufacturers of cars and other machinery consider the main destinations to be the US and Asia, whereas other industrial companies prefer EU countries as relocation targets (Poland, Romania and the Czech Republic). The primary motives for companies investing outside Germany are lower energy costs (59%), lower wages (53%), a better market environment (51%) and less red tape (50%).

The German government is planning significant investments to boost its competitiveness and innovation. According to the Growth Initiative, it will improve conditions for depreciation and amortisation, increase subsidies for research and improve the availability of credit for small businesses or producers in the security and defence industry. Electromobility infrastructure will be further strengthened, construction procedures will be simplified, AI data centres and computer game producers will be supported. Furthermore, there is a plan to speed up permitting processes by aligning with the Net-Zero Industry Act, allowing for the faster approval of industrial facilities. Another important step is the development of an efficient hydrogen infrastructure and accelerating the development of renewable energy sources in order to reduce costs and ensure a safe and environmentally-friendly supply of energy. Material security is also a priority. However, from the perspective of many analysts, the changes announced are only cosmetic and concerns about fiscal sustainability will also dampen the pro-growth motivation. The competitiveness analysis determined the amount of investment needed to achieve the desired result, but a number of German politicians immediately declared themselves completely against it. Key representatives will need a fundamental shift in thinking to reopen the path to a robust recovery of the German economy.

Conclusion

Germany is a strong global economy with a diverse industrial base, strongly interconnected with its trading partners in the EU. The country was able to benefit from the recent economic recovery in the United States, deal with the end of gas supplies from Russia and, so far, competition from China. At the same time, trends such as the growing importance of the pharmaceutical industry, the reallocation of some production capacities and a greater emphasis on higher value-added production are emerging. The search for a new growth model for Germany will be a gradual process, but some features (innovativeness, diversity in production and interconnectedness with EU trading partners) offer a wide range of new opportunities.

Keywords

international trade, Germany, industry

JEL Classification

E58, F31, F41

A1. Change in predictions for 2024

GDP growth, %

	CF		IMF		OECD		CB / OE	
EA	0	2024/10 2024/9	+0.1	2024/7 2024/4	0	2024/9 2024/5	-0.1	2024/9 2024/6
US	+0.1	2024/10 2024/9	-0.1	2024/7 2024/4	0	2024/9 2024/5	-0.1	2024/9 2024/6
UK	0	2024/10 2024/9	+0.2	2024/7 2024/4	+0.7	2024/9 2024/5	+0.8	2024/8 2024/5
JP	0	2024/10 2024/9	-0.2	2024/7 2024/4	-0.6	2024/9 2024/5	-0.2	2024/7 2024/4
CN	0	2024/10 2024/9	+0.4	2024/7 2024/4	0	2024/9 2024/5	0	2024/10 2024/9
RU	+0.2	2024/9 2024/8	0	2024/7 2024/4	+1.1	2024/9 2024/5	-0.3	2024/10 2024/9

Inflation, %

	CF		IMF		OECD		CB / OE	
EA	-0.1	2024/10 2024/9	-0.9	2024/4 2023/10	+0.1	2024/9 2024/5	0	2024/9 2024/6
US	-0.1	2024/10 2024/9	+0.1	2024/4 2023/10	-0.1	2024/9 2024/5	-0.3	2024/9 2024/6
UK	0	2024/10 2024/9	-1.2	2024/4 2023/10	-0.1	2024/9 2024/5	+0.3	2024/8 2024/5
JP	+0.1	2024/10 2024/9	-0.7	2024/4 2023/10	+0.4	2024/9 2024/5	-0.3	2024/7 2024/4
CN	0	2024/10 2024/9	-0.7	2024/4 2023/10	0	2024/9 2024/5	0	2024/10 2024/9
RU	+0.4	2024/9 2024/8	+0.6	2024/4 2023/10	+0.6	2024/9 2024/2	+0.1	2024/10 2024/9

A2. Change in predictions for 2025

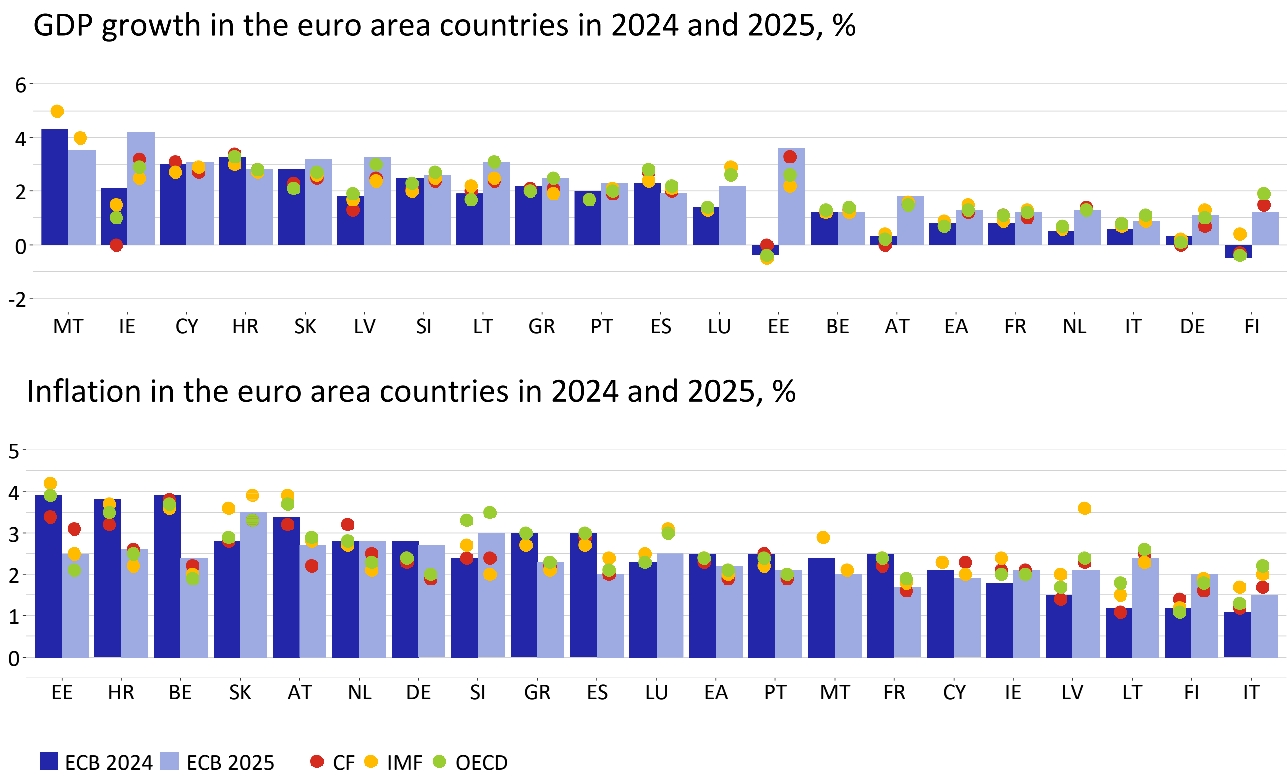
GDP growth, %

	CF		IMF		OECD		CB / OE	
EA	-0.1	2024/10 2024/9	0	2024/7 2024/4	-0.2	2024/9 2024/5	-0.1	2024/9 2024/6
US	+0.1	2024/10 2024/9	0	2024/7 2024/4	-0.2	2024/9 2024/5	0	2024/9 2024/6
UK	+0.1	2024/10 2024/9	0	2024/7 2024/4	+0.2	2024/9 2024/5	0	2024/8 2024/5
JP	0	2024/10 2024/9	0	2024/7 2024/4	+0.3	2024/9 2024/5	0	2024/7 2024/4
CN	0	2024/10 2024/9	+0.4	2024/7 2024/4	0	2024/9 2024/5	0	2024/10 2024/9
RU	0	2024/9 2024/8	-0.3	2024/7 2024/4	+0.1	2024/9 2024/5	+0.1	2024/10 2024/9

Inflation, %

	CF		IMF		OECD		CB / OE	
EA	-0.1	2024/10 2024/9	-0.2	2024/4 2023/10	-0.1	2024/9 2024/5	0	2024/9 2024/6
US	0	2024/10 2024/9	-0.4	2024/4 2023/10	-0.3	2024/9 2024/5	-0.2	2024/9 2024/6
UK	-0.1	2024/10 2024/9	-0.1	2024/4 2023/10	+0.1	2024/9 2024/5	0	2024/8 2024/5
JP	0	2024/10 2024/9	+0.2	2024/4 2023/10	+0.1	2024/9 2024/5	+0.2	2024/7 2024/4
CN	-0.1	2024/10 2024/9	-0.2	2024/4 2023/10	-0.3	2024/9 2024/5	0	2024/10 2024/9
RU	+0.2	2024/9 2024/8	+0.5	2024/4 2023/10	+0.2	2024/9 2024/2	+0.4	2024/10 2024/9

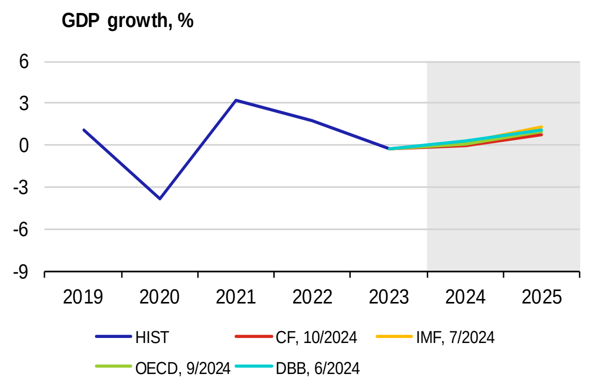
A3. GDP growth and inflation outlooks in the euro area countries



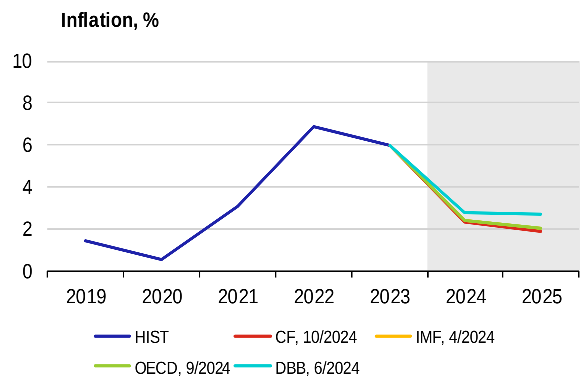
Note: Charts show institutions' latest available outlooks of for the given country.

A4. GDP growth and inflation in the individual euro area countries

Germany

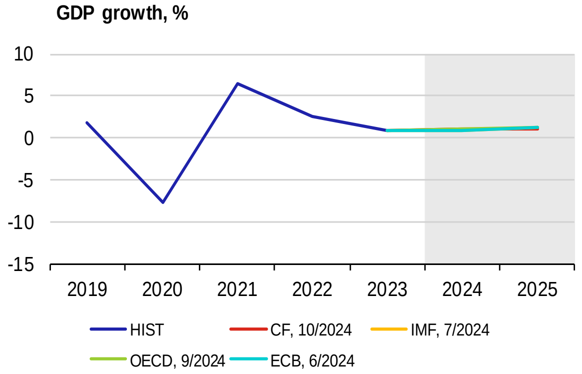


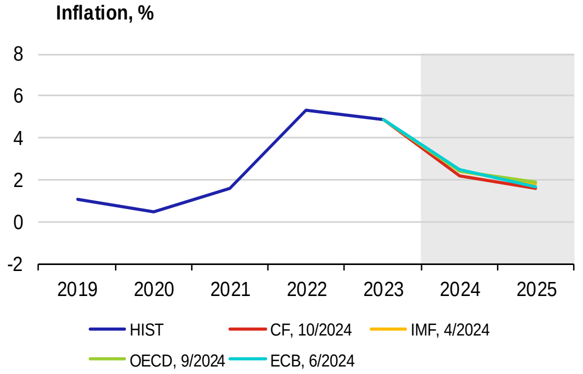
	CF	IMF	OECD	DBB
2024	0.0	0.2	0.1	0.3
2025	0.7	1.3	1.0	1.1



	CF	IMF	OECD	DBB
2024	2.3	2.4	2.4	2.8
2025	1.9	2.0	2.0	2.7

France

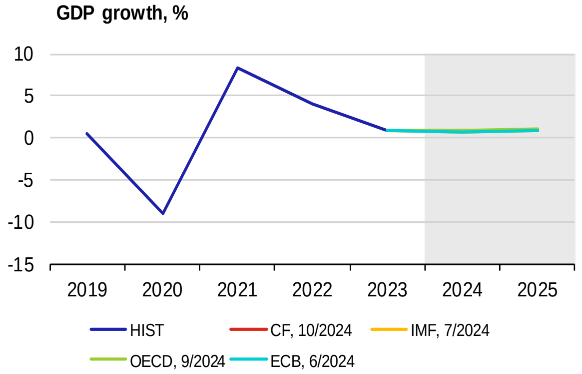


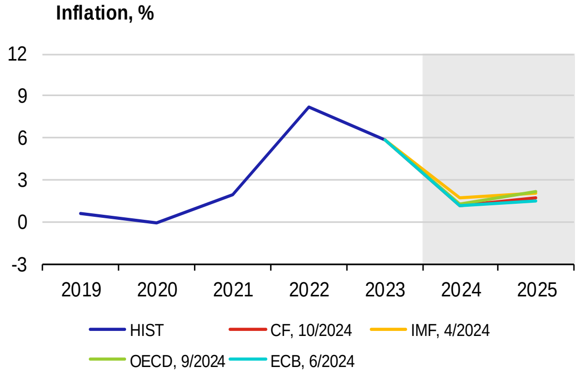


	CF	IMF	OECD	ECB
2024	1.1	0.9	1.1	0.8
2025	1.0	1.3	1.2	1.2

	CF	IMF	OECD	ECB
2024	2.2	2.4	2.4	2.5
2025	1.6	1.8	1.9	1.7

Italy

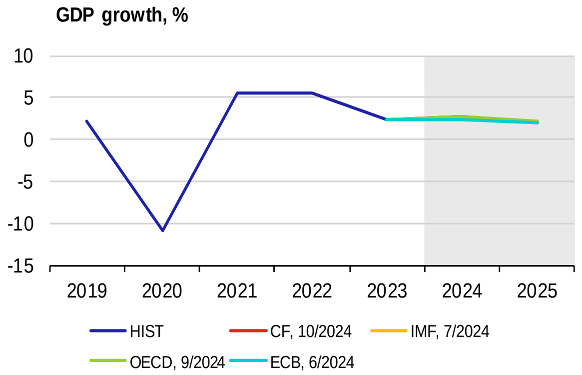


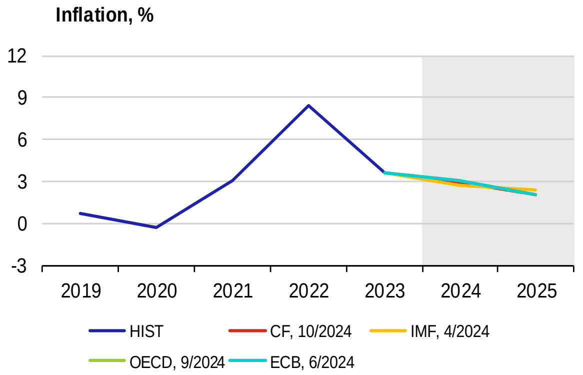


	CF	IMF	OECD	ECB
2024	0.8	0.7	0.8	0.6
2025	0.9	0.9	1.1	0.9

	CF	IMF	OECD	ECB
2024	1.2	1.7	1.3	1.1
2025	1.7	2.0	2.2	1.5

Spain



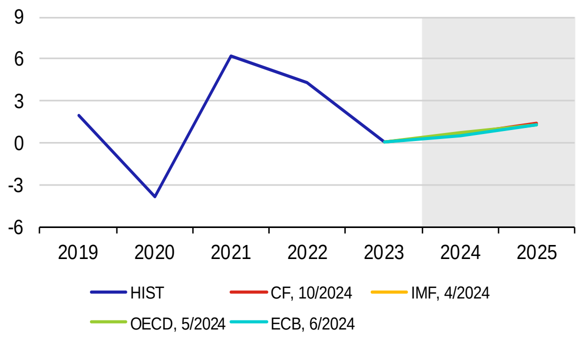


	CF	IMF	OECD	ECB
2024	2.7	2.4	2.8	2.3
2025	2.0	2.1	2.2	1.9

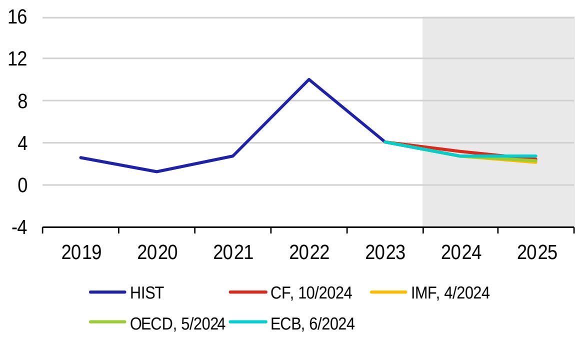
	CF	IMF	OECD	ECB
2024	2.9	2.7	3.0	3.0
2025	2.0	2.4	2.1	2.0

Netherlands

GDP growth, %



Inflation, %

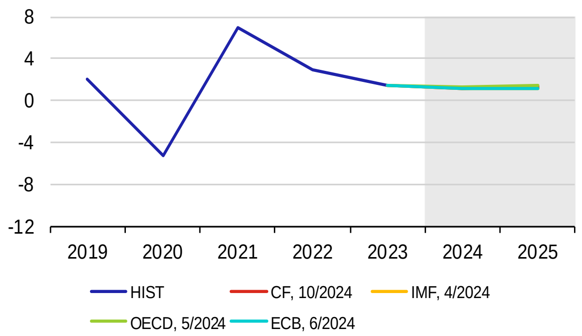


	CF	IMF	OECD	ECB
2024	0.6	0.6	0.7	0.5
2025	1.4	1.3	1.3	1.3

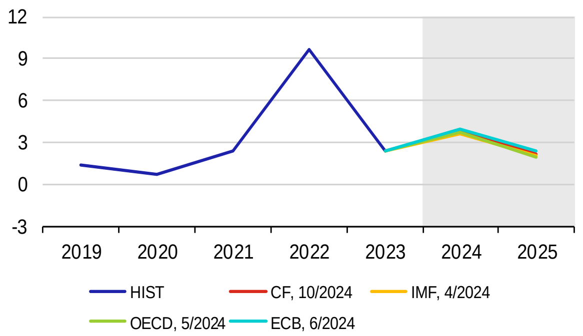
	CF	IMF	OECD	ECB
2024	3.2	2.7	2.8	2.8
2025	2.5	2.1	2.3	2.8

Belgium

GDP growth, %



Inflation, %

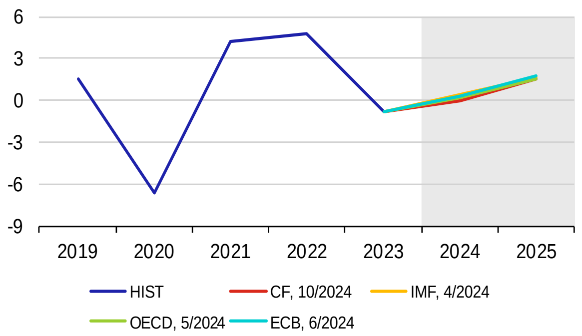


	CF	IMF	OECD	ECB
2024	1.2	1.2	1.3	1.2
2025	1.3	1.2	1.4	1.2

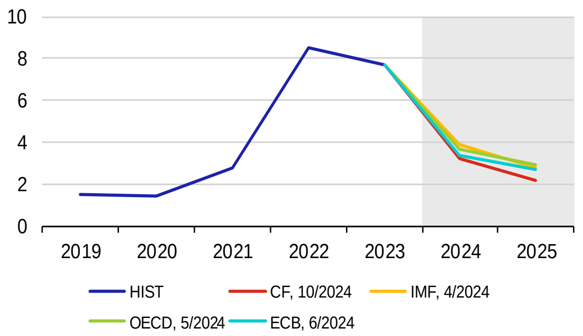
	CF	IMF	OECD	ECB
2024	3.8	3.6	3.7	3.9
2025	2.2	2.0	1.9	2.4

Austria

GDP growth, %



Inflation, %

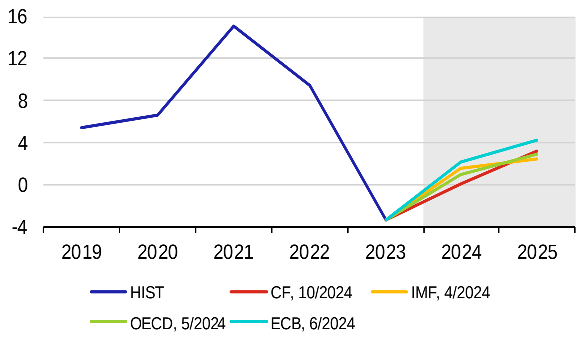


	CF	IMF	OECD	ECB
2024	0.0	0.4	0.2	0.3
2025	1.5	1.6	1.5	1.8

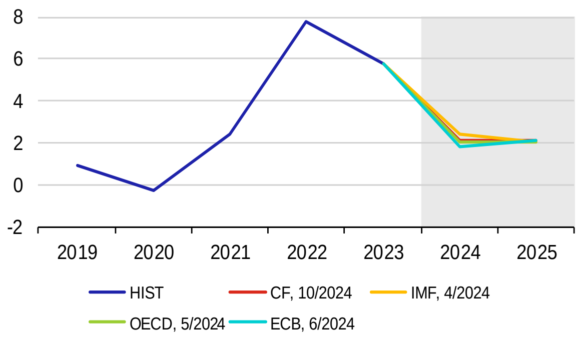
	CF	IMF	OECD	ECB
2024	3.2	3.9	3.7	3.4
2025	2.2	2.8	2.9	2.7

Ireland

GDP growth, %



Inflation, %



GDP growth, %

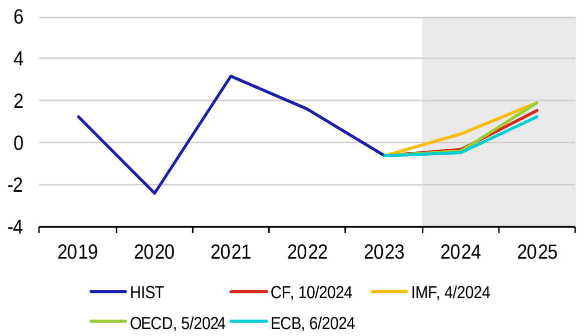
	CF	IMF	OECD	ECB
2024	0.0	1.5	1.0	2.1
2025	3.2	2.5	2.9	4.2

Inflation, %

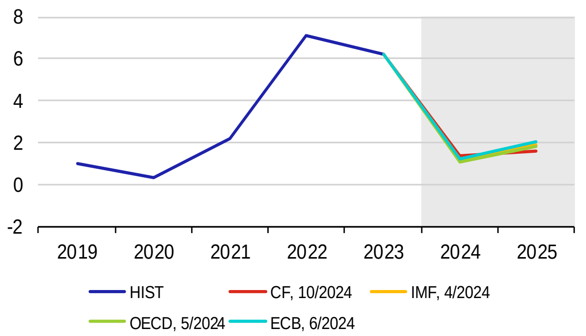
	CF	IMF	OECD	ECB
2024	2.1	2.4	2.0	1.8
2025	2.1	2.0	2.0	2.1

Finland

GDP growth, %



Inflation, %



GDP growth, %

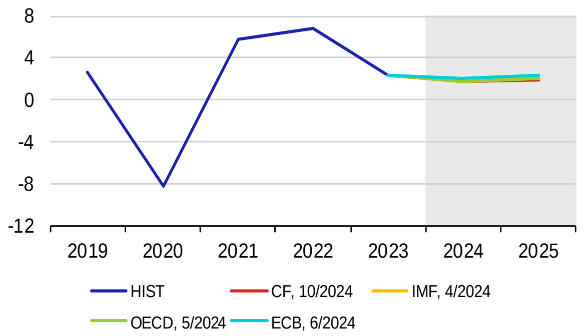
	CF	IMF	OECD	ECB
2024	-0.3	0.4	-0.4	-0.5
2025	1.5	1.9	1.9	1.2

Inflation, %

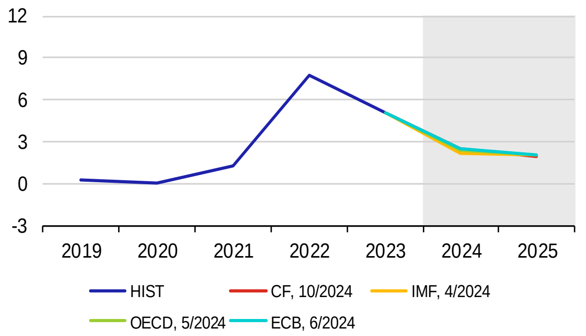
	CF	IMF	OECD	ECB
2024	1.4	1.2	1.1	1.2
2025	1.6	1.9	1.8	2.0

Portugal

GDP growth, %



Inflation, %



GDP growth, %

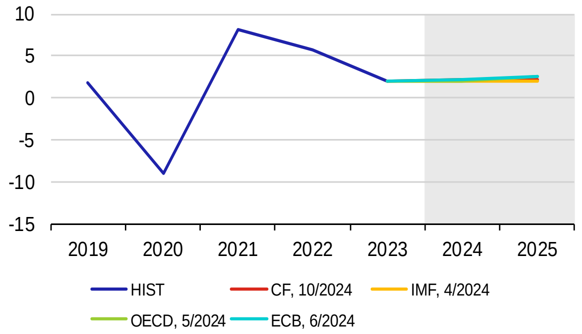
	CF	IMF	OECD	ECB
2024	1.7	1.7	1.7	2.0
2025	1.9	2.1	2.0	2.3

Inflation, %

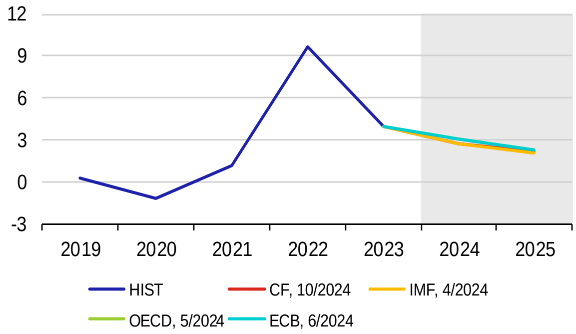
	CF	IMF	OECD	ECB
2024	2.5	2.2	2.4	2.5
2025	1.9	2.0	2.0	2.1

Greece

GDP growth, %



Inflation, %

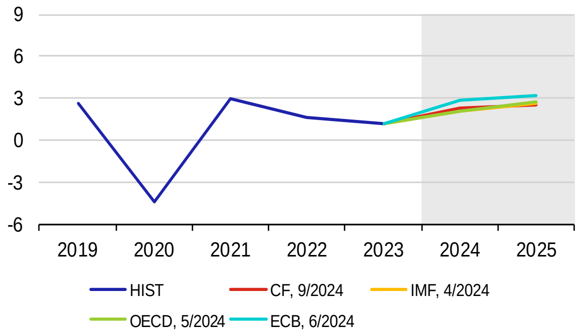


	CF	IMF	OECD	ECB
2024	2.1	2.0	2.0	2.2
2025	2.1	1.9	2.5	2.5

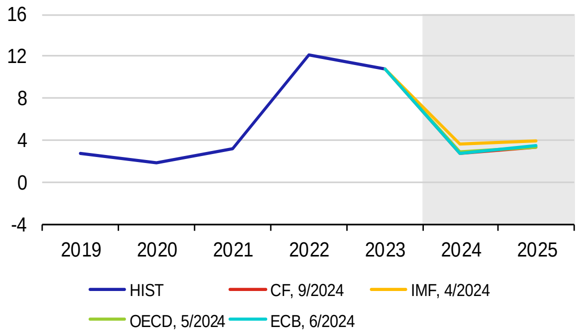
	CF	IMF	OECD	ECB
2024	2.7	2.7	3.0	3.0
2025	2.2	2.1	2.3	2.3

Slovakia

GDP growth, %



Inflation, %

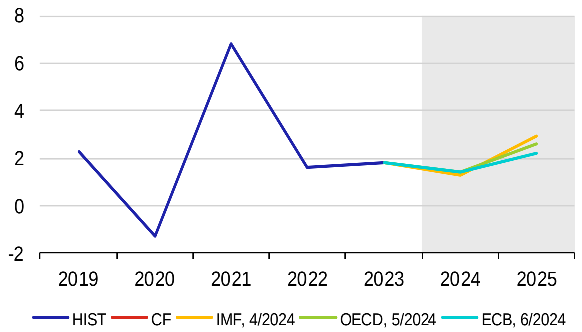


	CF	IMF	OECD	ECB
2024	2.3	2.1	2.1	2.8
2025	2.5	2.6	2.7	3.2

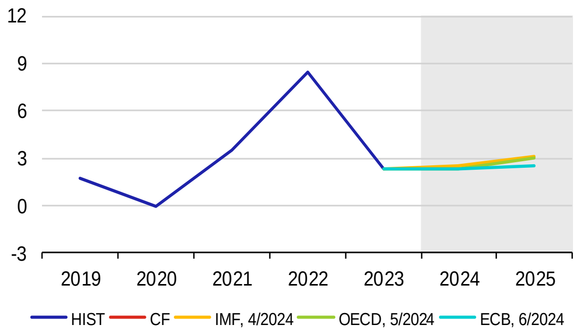
	CF	IMF	OECD	ECB
2024	2.8	3.6	2.9	2.8
2025	3.3	3.9	3.3	3.5

Luxembourg

GDP growth, %



Inflation, %

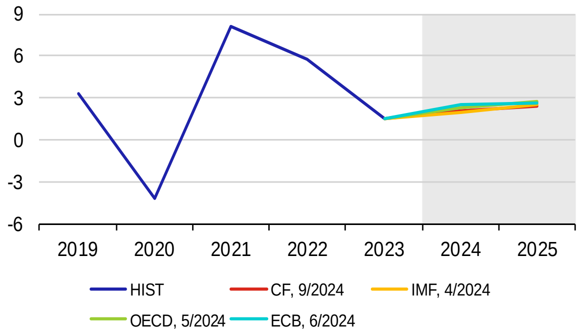


	CF	IMF	OECD	ECB
2024	n. a.	1.3	1.4	1.4
2025	n. a.	2.9	2.6	2.2

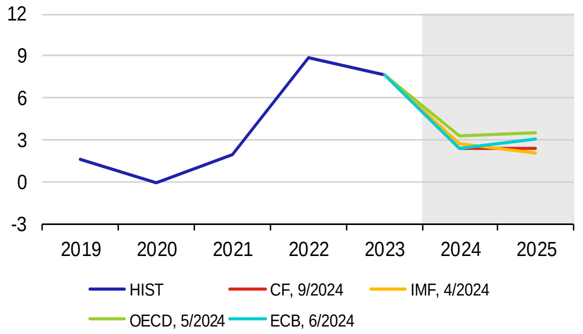
	CF	IMF	OECD	ECB
2024	n. a.	2.5	2.3	2.3
2025	n. a.	3.1	3.0	2.5

Slovenia

GDP growth, %



Inflation, %

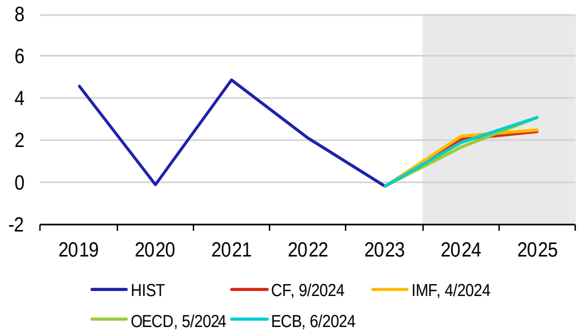


	CF		IMF	OECD	ECB
2024	2.1	↘	2.0	2.3	2.5
2025	2.4	→	2.5	2.7	2.6

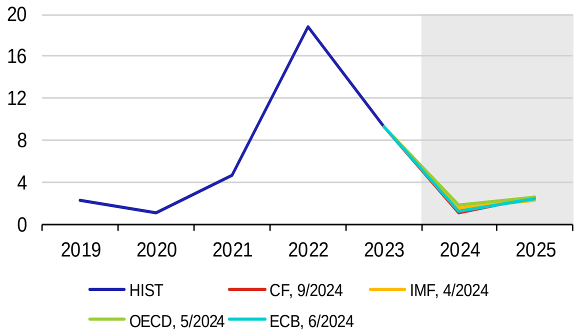
	CF		IMF	OECD	ECB
2024	2.4	↘	2.7	3.3	2.4
2025	2.4	↘	2.0	3.5	3.0

Lithuania

GDP growth, %



Inflation, %

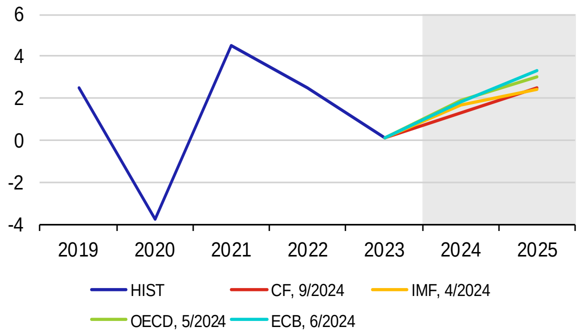


	CF		IMF	OECD	ECB
2024	2.0	→	2.2	1.7	1.9
2025	2.4	→	2.5	3.1	3.1

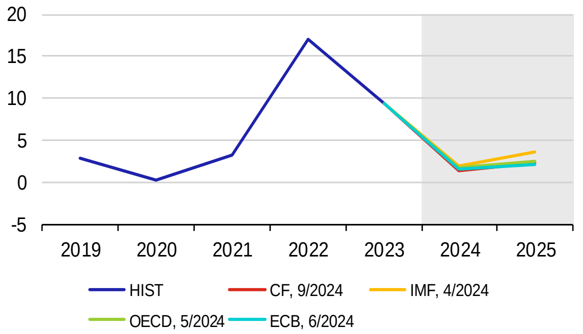
	CF		IMF	OECD	ECB
2024	1.1	↘	1.5	1.8	1.2
2025	2.5	↗	2.3	2.6	2.4

Latvia

GDP growth, %



Inflation, %

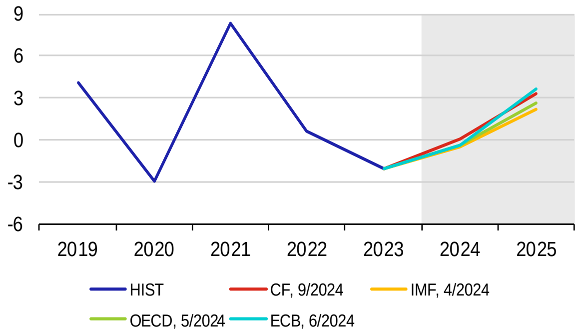


	CF		IMF	OECD	ECB
2024	1.3	↘	1.7	1.9	1.8
2025	2.5	↘	2.4	3.0	3.3

	CF		IMF	OECD	ECB
2024	1.4	↘	2.0	1.7	1.5
2025	2.3	↘	3.6	2.4	2.1

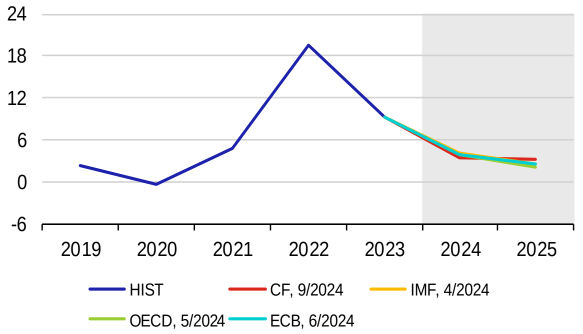
Estonia

GDP growth, %



	CF	IMF	OECD	ECB
2024	0.0	-0.5	-0.4	-0.4
2025	3.3	2.2	2.6	3.6

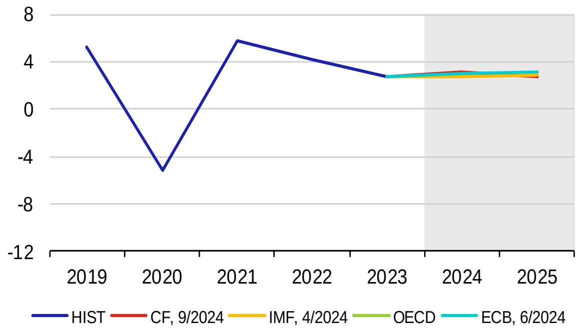
Inflation, %



	CF	IMF	OECD	ECB
2024	3.4	4.2	3.9	3.9
2025	3.1	2.5	2.1	2.5

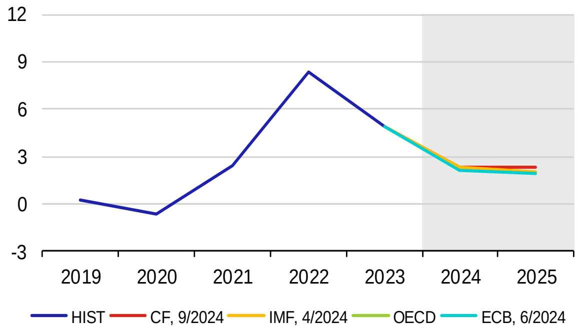
Cyprus

GDP growth, %



	CF	IMF	OECD	ECB
2024	3.1	2.7	n. a.	3.0
2025	2.7	2.9	n. a.	3.1

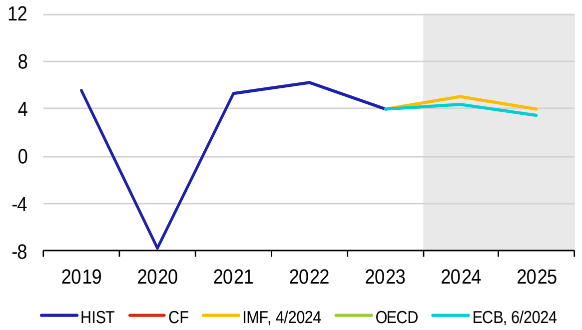
Inflation, %



	CF	IMF	OECD	ECB
2024	2.3	2.3	n. a.	2.1
2025	2.3	2.0	n. a.	1.9

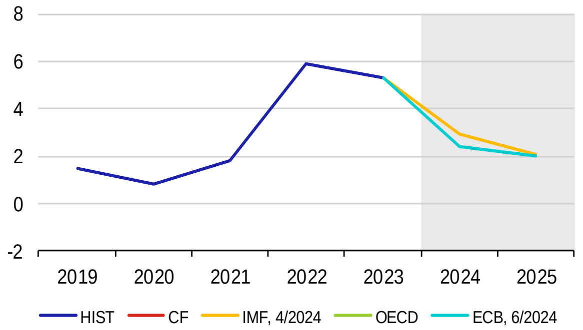
Malta

GDP growth, %



	CF	IMF	OECD	ECB
2024	n. a.	5.0	n. a.	4.3
2025	n. a.	4.0	n. a.	3.5

Inflation, %

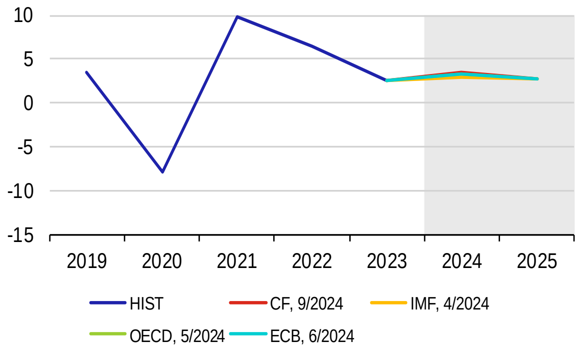


	CF	IMF	OECD	ECB
2024	n. a.	2.9	n. a.	2.4
2025	n. a.	2.1	n. a.	2.0

Ddd

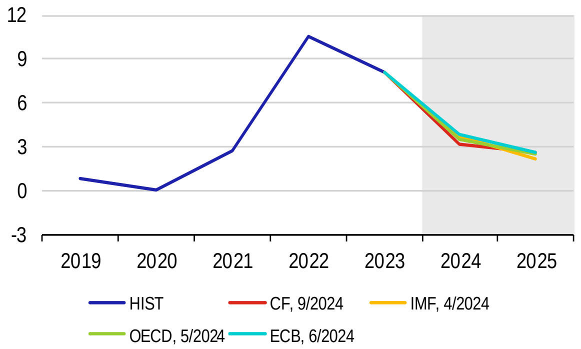
Croatia

GDP growth, %



	CF	IMF	OECD	ECB
2024	3.4	3.0	3.3	3.3
2025	2.8	2.7	2.8	2.8

Inflation, %

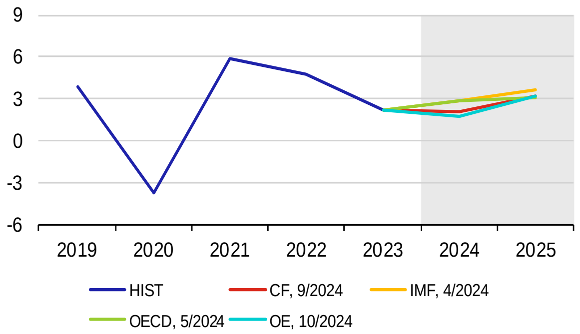


	CF	IMF	OECD	ECB
2024	3.2	3.7	3.5	3.8
2025	2.6	2.2	2.5	2.6

A5. GDP growth and inflation in other selected countries

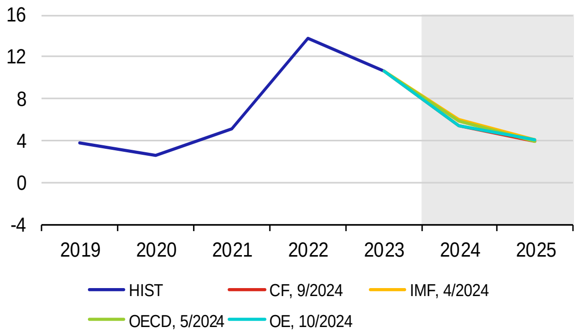
Romania

GDP growth, %



	CF	IMF	OECD	OE
2024	2.1	2.8	2.8	1.7
2025	3.2	3.6	3.1	3.2

Inflation, %



	CF	IMF	OECD	OE
2024	5.4	6.0	5.8	5.4
2025	3.9	4.0	3.9	4.0

A6. List of abbreviations

AT	Austria
bbl	barrel
BE	Belgium
BoE	Bank of England (the UK central bank)
BoJ	Bank of Japan (the central bank of Japan)
bp	basis point (one hundredth of a percentage point)
CB	central bank
CBR	Central Bank of Russia
CF	Consensus Forecasts
CN	China
CNB	Czech National Bank
CNY	Chinese renminbi
ConfB	Conference Board Consumer Confidence Index
CXN	Caixin
CY	Cyprus
DBB	Deutsche Bundesbank (the central bank of Germany)
DE	Germany
EA	euro area
ECB	European Central Bank
EE	Estonia
EIA	Energy Information Administration
ES	Spain
ESI	Economic Sentiment Indicator of the European Commission
EU	European Union
EUR	euro
EURIBOR	Euro Interbank Offered Rate
Fed	Federal Reserve System (the US central bank)
FI	Finland
FOMC	Federal Open Market Committee
FR	France
FRA	forward rate agreement
FY	fiscal year
GBP	pound sterling
GDP	gross domestic product
GR	Greece
HICP	Harmonised Index of Consumer Prices
HR	Croatia
ICE	Intercontinental Exchange
IE	Ireland
IEA	International Energy Agency
IFO	Leibniz Institute for Economic Research at the University of Munich
IMF	International Monetary Fund
IRS	Interest Rate swap
ISM	Institute for Supply Management
IT	Italy
JP	Japan
JPY	Japanese yen
LIBOR	London Interbank Offered Rate
LME	London Metal Exchange
LT	Lithuania
LU	Luxembourg
LV	Latvia
MKT	Markit
MNB	Magyar Nemzeti Bank (the central bank of Hungary)
MT	Malta
NBP	Narodowy Bank Polski (the central bank of Poland)
NIESR	National Institute of Economic and Social Research (UK)
NKI	Nikkei
NL	Netherlands
OE	Oxford Economics
OECD	Organisation for Economic Co-operation and Development
OECD-CLI	OECD Composite Leading Indicator
OPEC+	member countries of OPEC oil cartel and 10 other oil-exporting countries (the most important of which are Russia, Mexico and Kazakhstan)
PMI	Purchasing Managers' Index
pp	percentage point
PT	Portugal
RU	Russia
RUB	Russian rouble
SI	Slovenia
SK	Slovakia
SPF	Survey of Professional Forecasters
TTF	Title Transfer Facility (virtual trading point for natural gas in the Netherlands)
UK	United Kingdom
UoM	University of Michigan Consumer Sentiment Index - present situation
US	United States
USD	US dollar
WEO	World Economic Outlook
WTI	West Texas Intermediate (crude oil used as a benchmark in oil pricing)
ZEW	Centre for European Economic Research

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