Macroeconomic Outlook & Implications of the „Green Agenda“ in the EU

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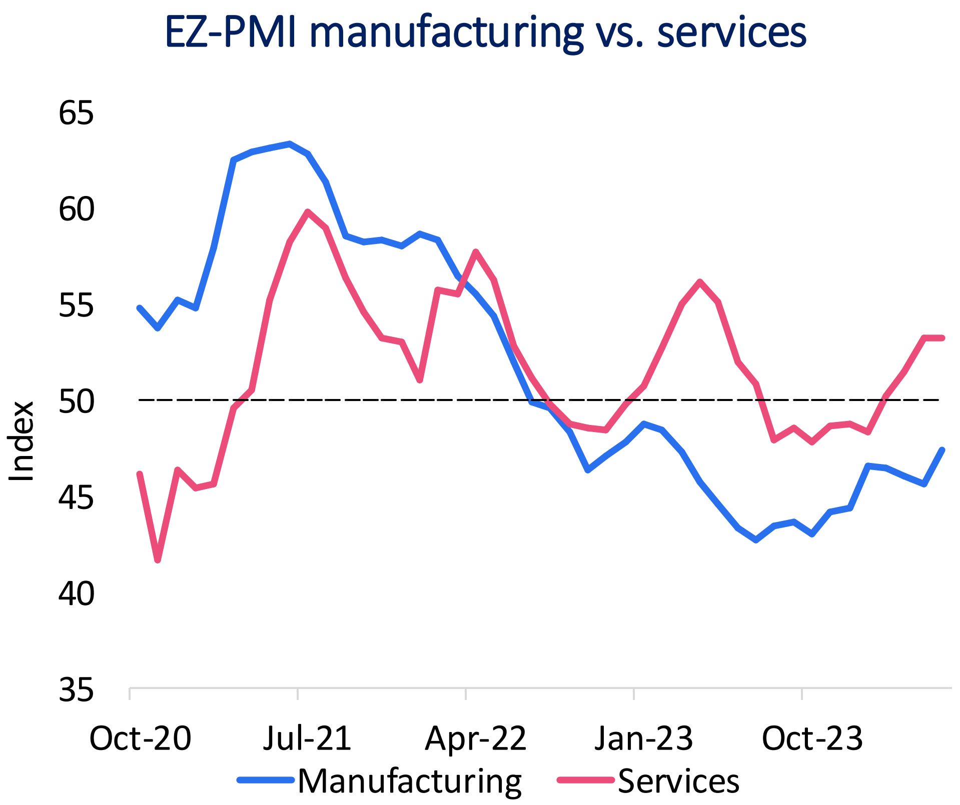
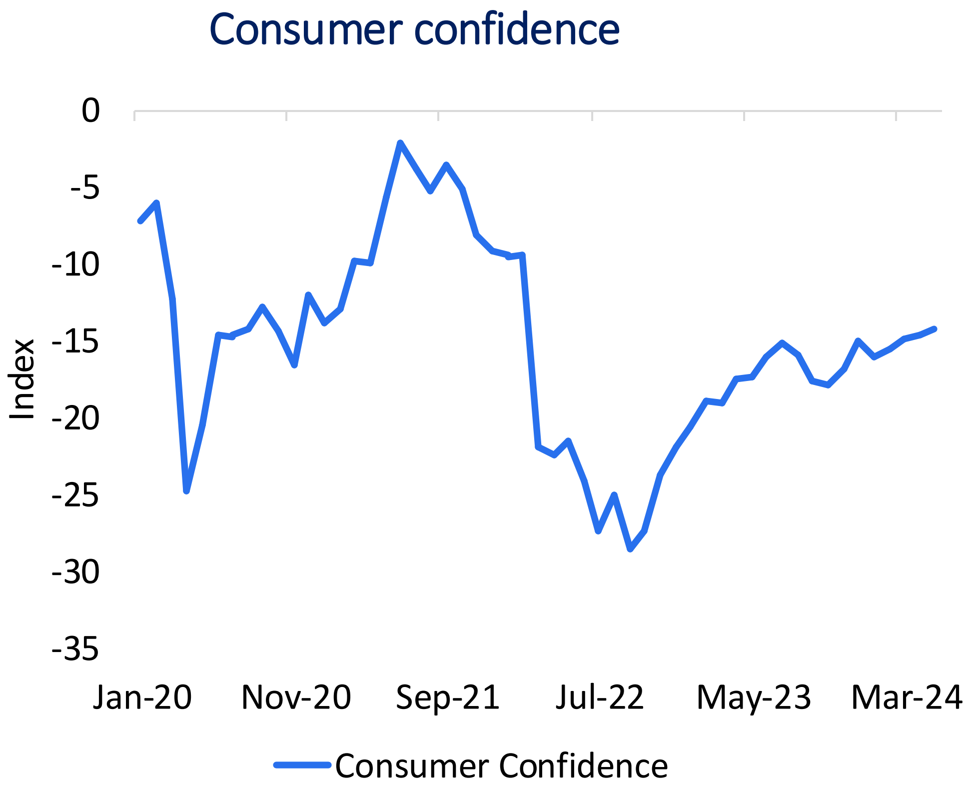
20 & 21st June 2024, Porto, Portugal.

Eurozone economy, inflation and interest rates outlook

Sentiment is in general improving across all sectors



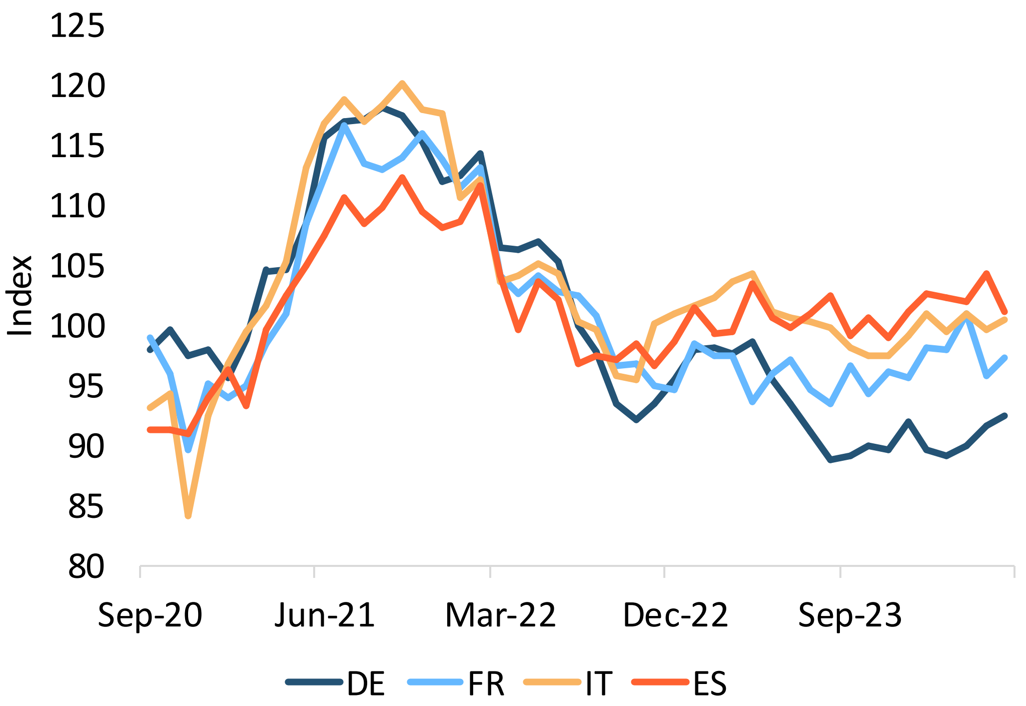
Source: Market data provider, Erste Group Research



Source: EC, Erste Group Research

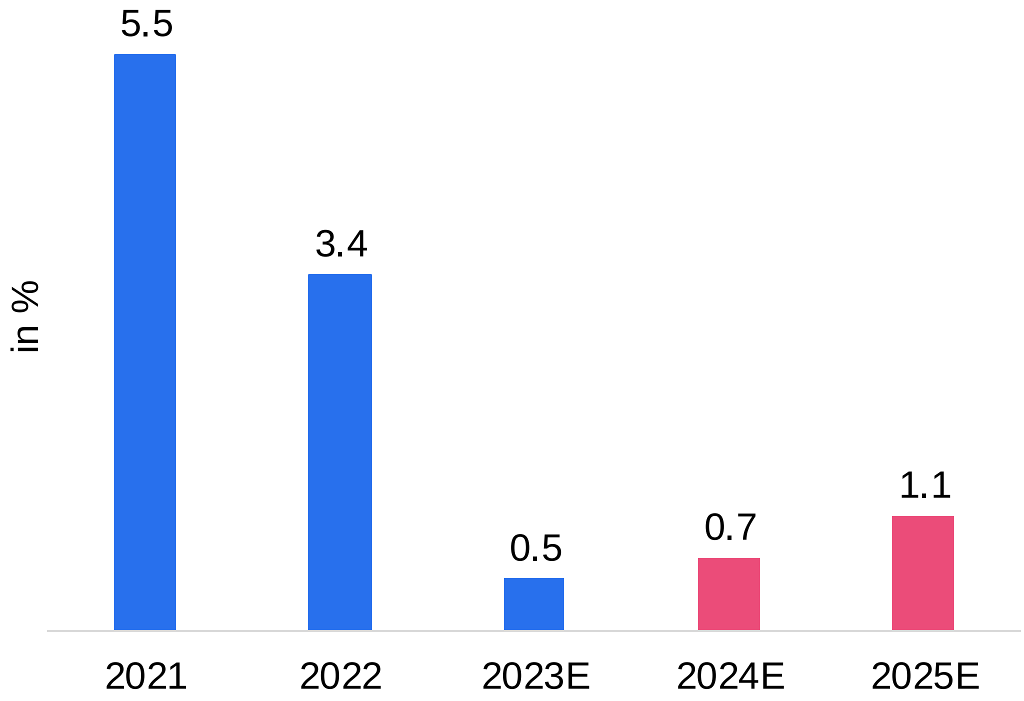
German economy continues to lag behind

Business sentiment DE, FR, IT and ES



Source: EC, Erste Group Research

EZ-GDP growth 2021 – 2025E

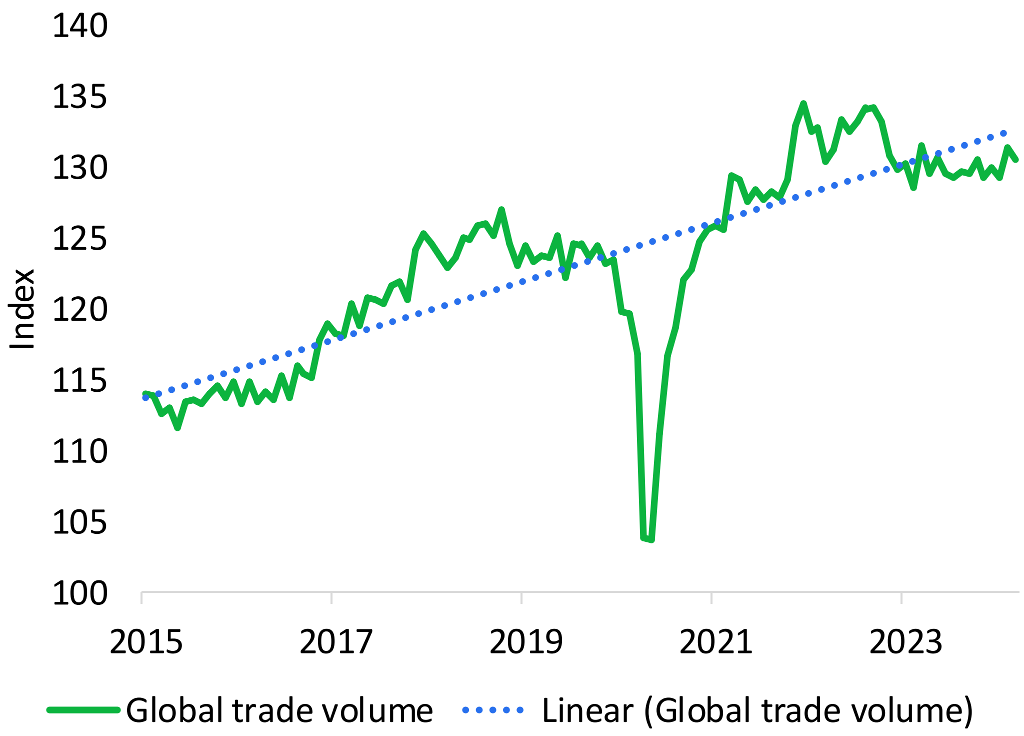


Source: Eurostat, Erste Group Research

Global Economy

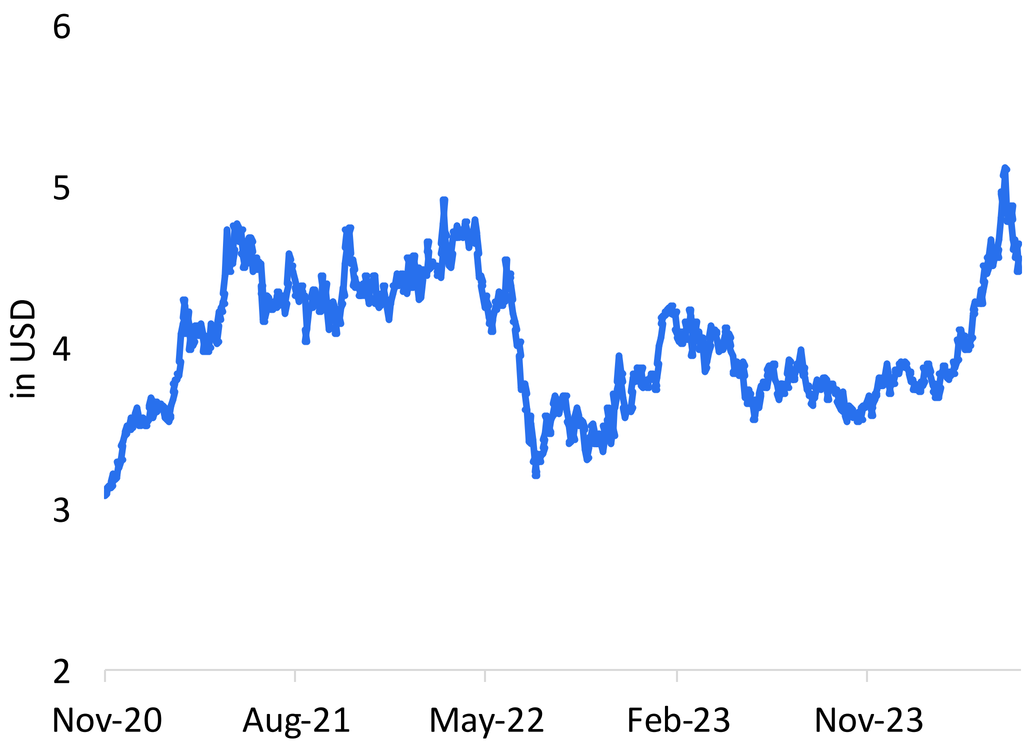
Global trade volumes still below trend

Global trade volume vs. trend



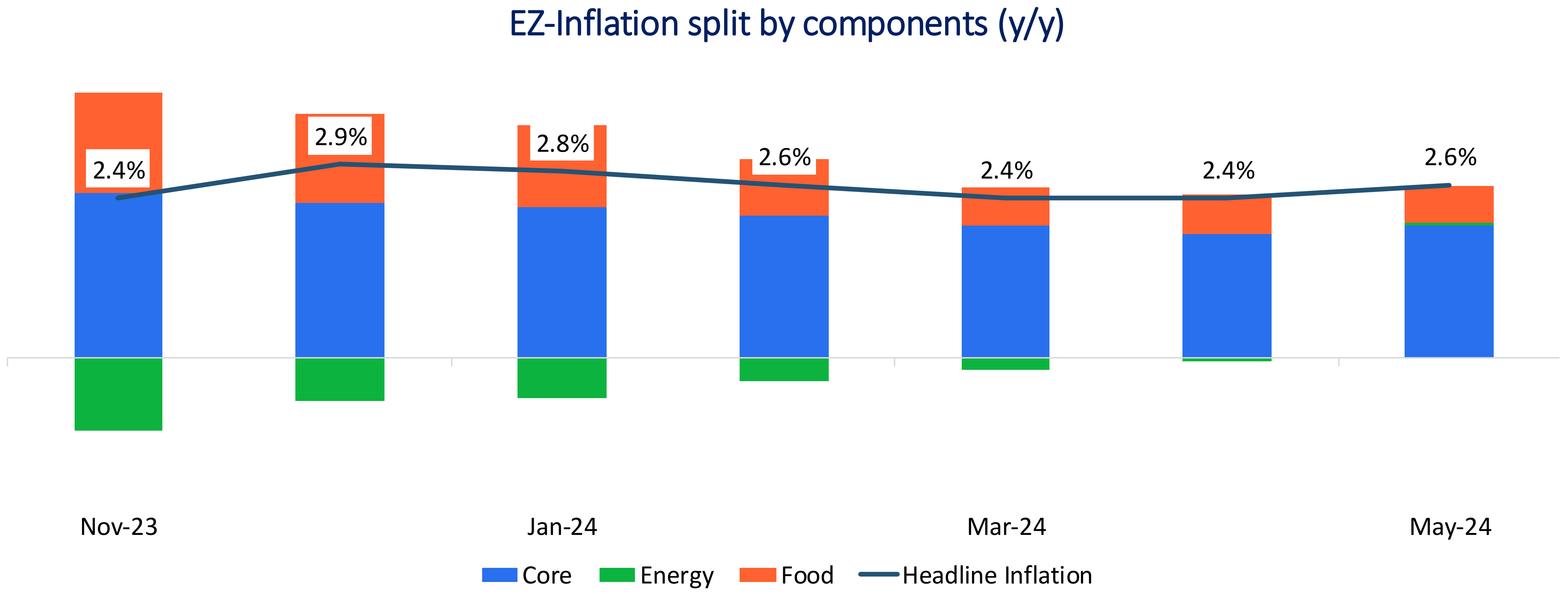
Source: CPB, Erste Group Research

Copper Price



Source: Refinitiv, Erste Group Research

Inflation rises unexpectedly in May



Source Eurostat, Erste Group Research

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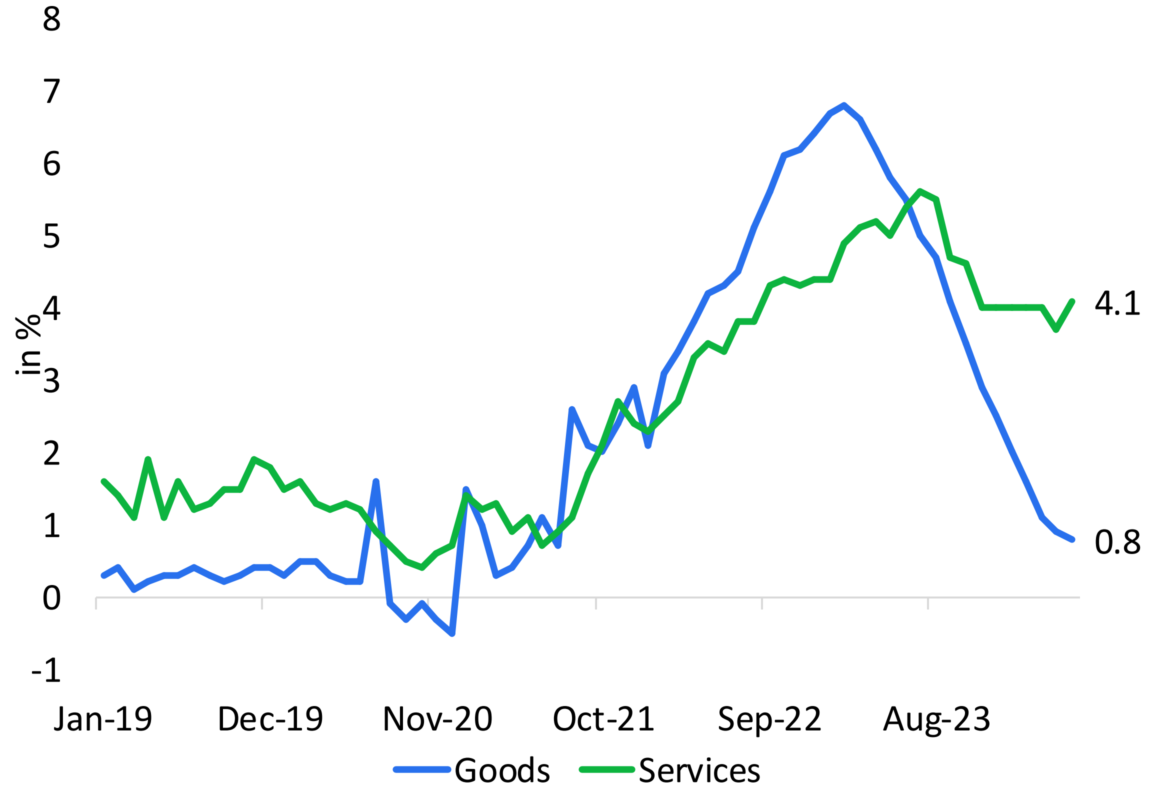
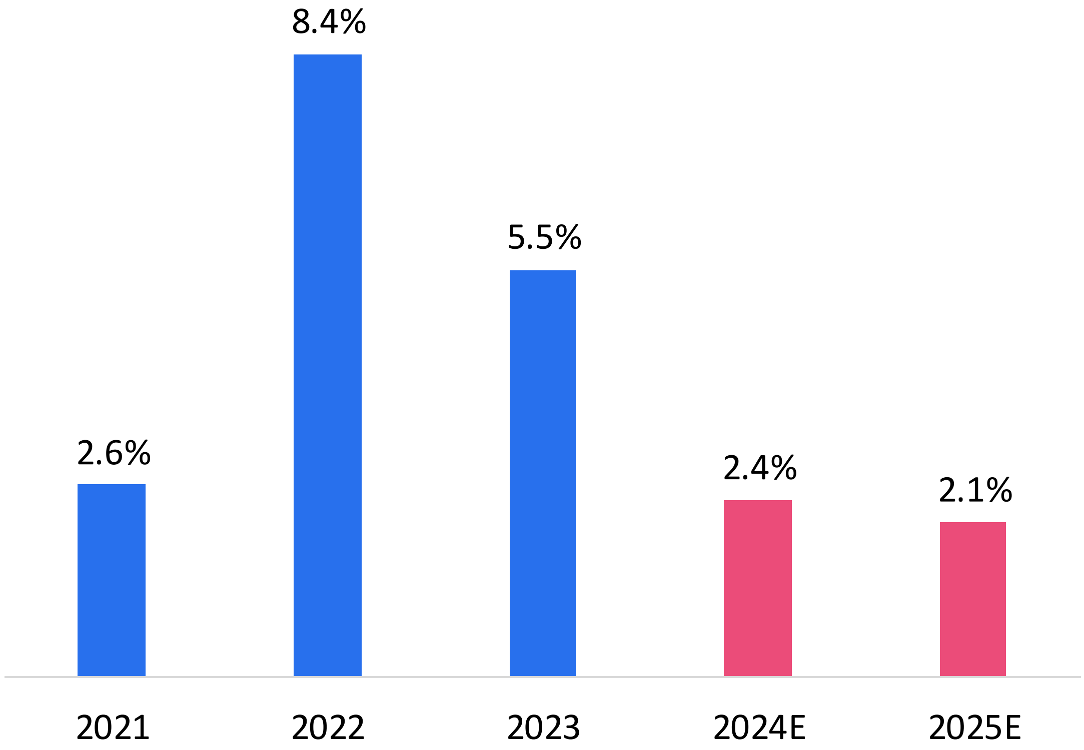
Focus on relatively high services inflation

EZ core inflation goods vs. services y/y



Source: Eurostat, Erste Group Research

EZ-Inflation 2021 – 2025E

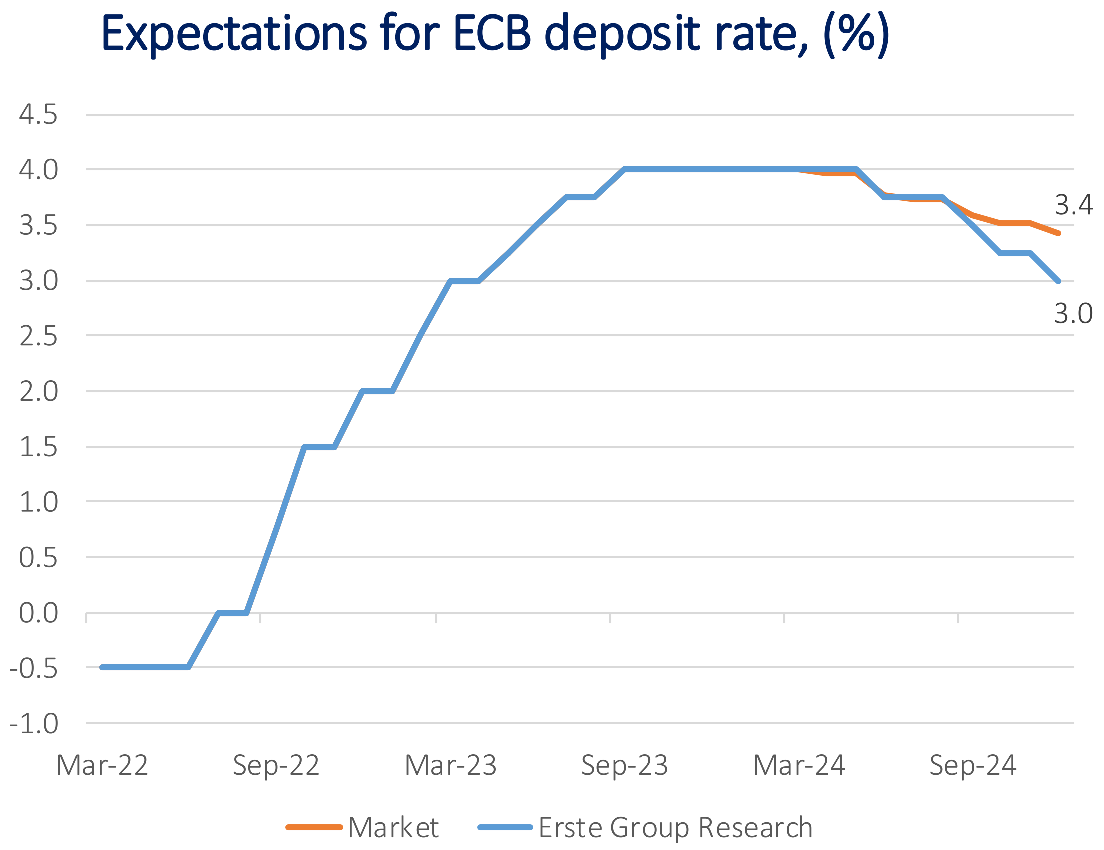


Source: Eurostat, Erste Group Research

ECB delivers first rate cut, further course „data dependent“

ECB

- Pace of further monetary loosening will depend on the incoming data, no pre-commitment by the Governing Council.
- We expect rate cuts in September, October and December this year.
- Largest risks: Sticky service price inflation and too high wage growth.



Source: Market data provider, Erste Group Research

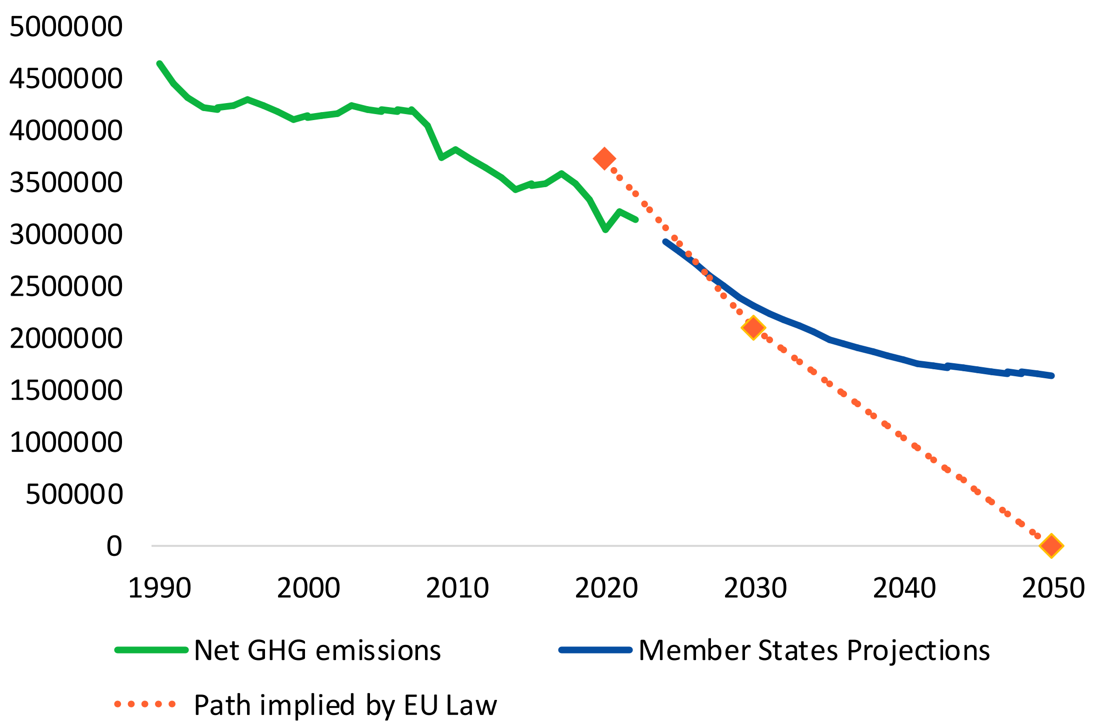
Implications of the „Green Agenda“ in the EU

Europe wants to be the first climate-neutral continent by 2050

- Reduction of greenhouse gas (GHG) emissions by 55% until 2030 from levels of 1990.
- Net-Zero GHG-emissions targeted by 2050.
- Member states with their plans well on track until 2030.
- After 2030 member states have to step up efforts substantially to reach the goals.

Note: the term net zero refers to the fact that even after 2050 there will be emission of GHGs. However, because of so called „negative emissions“ the net effect of the emissions will be zero from 2050 onwards.

Net GHG-emissions EU27 in kt CO2-equivalents

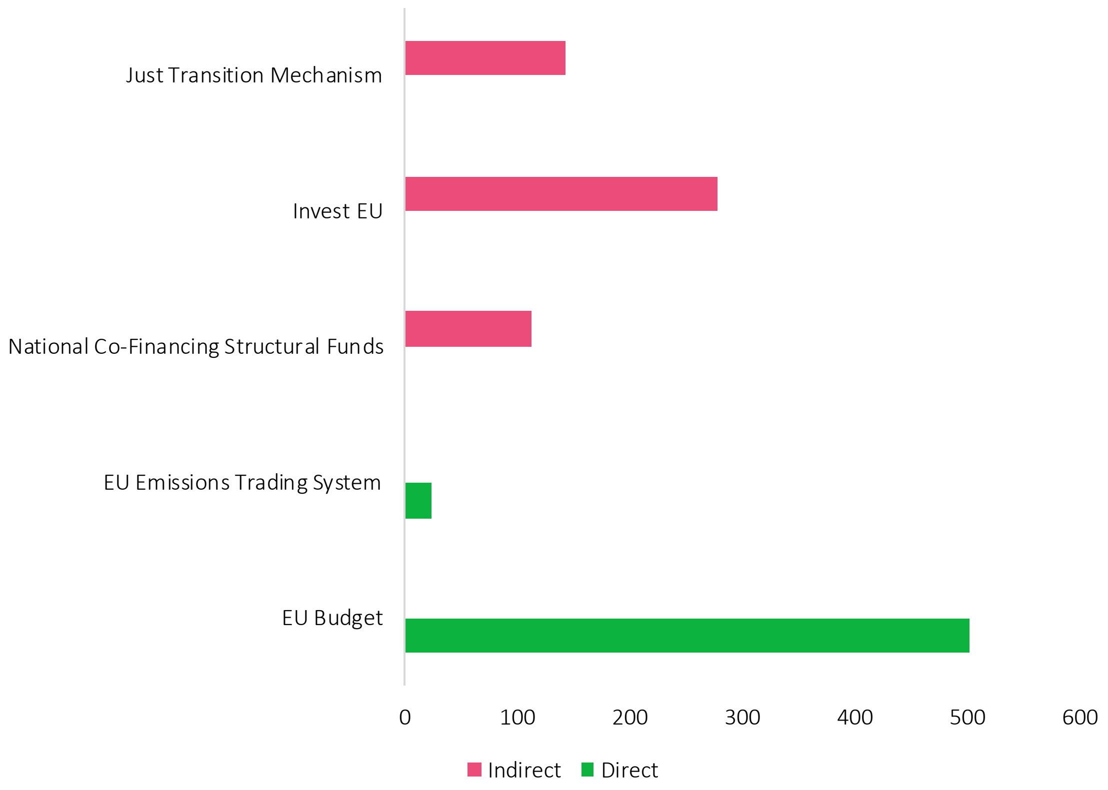


Sources: European Environment Agency, Erste Group Research

EU will mobilise more than EUR 1 trillion of investments until 2030

EU Green Deal Investment Plan (in Eur Billions)

- EU Green Deal Investment Plan will mobilise EUR 1 trillion until 2030.
- The money will come from both public budgets and private investments.
- Investments will also be financed indirectly via EU guarantees.
- Just Transition Mechanism guarantees that countries severely affected by the transition will get more funds.

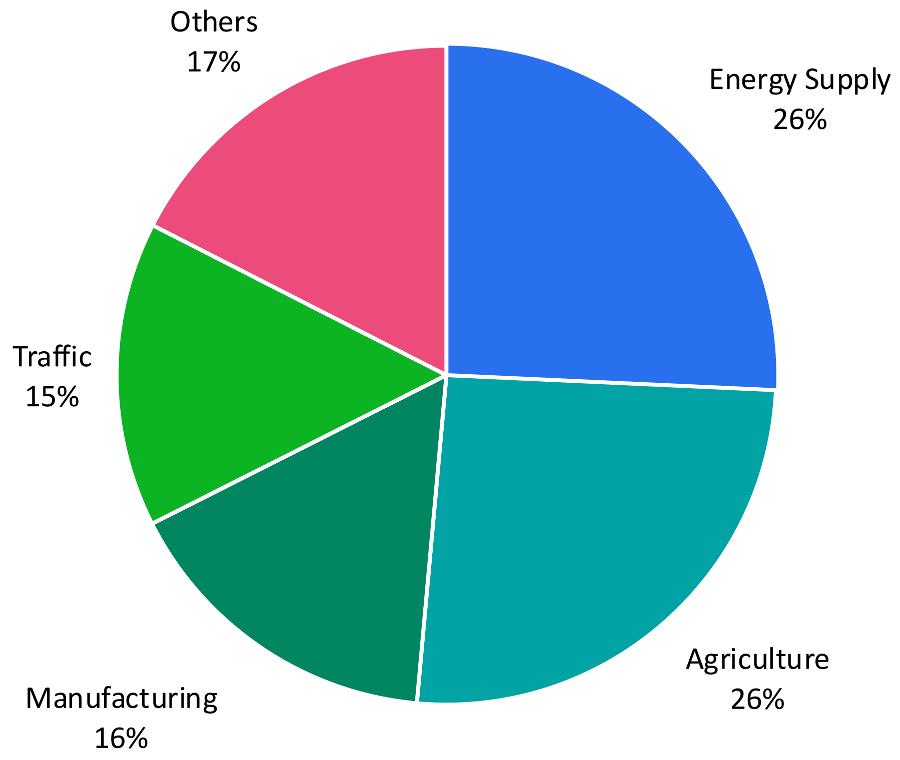


Sources: EU Commission, Erste Group Research

EU will mobilise more than EUR 1 trillion of investments until 2030

- Highest annual GHG-emissions from Energy Supply, Agriculture, Manufacturing and Traffic
- These sectors face the biggest transformation risk.
- From an economic perspective, we expect the biggest investment opportunities in these sectors.

GHG-emissions by sector 2022

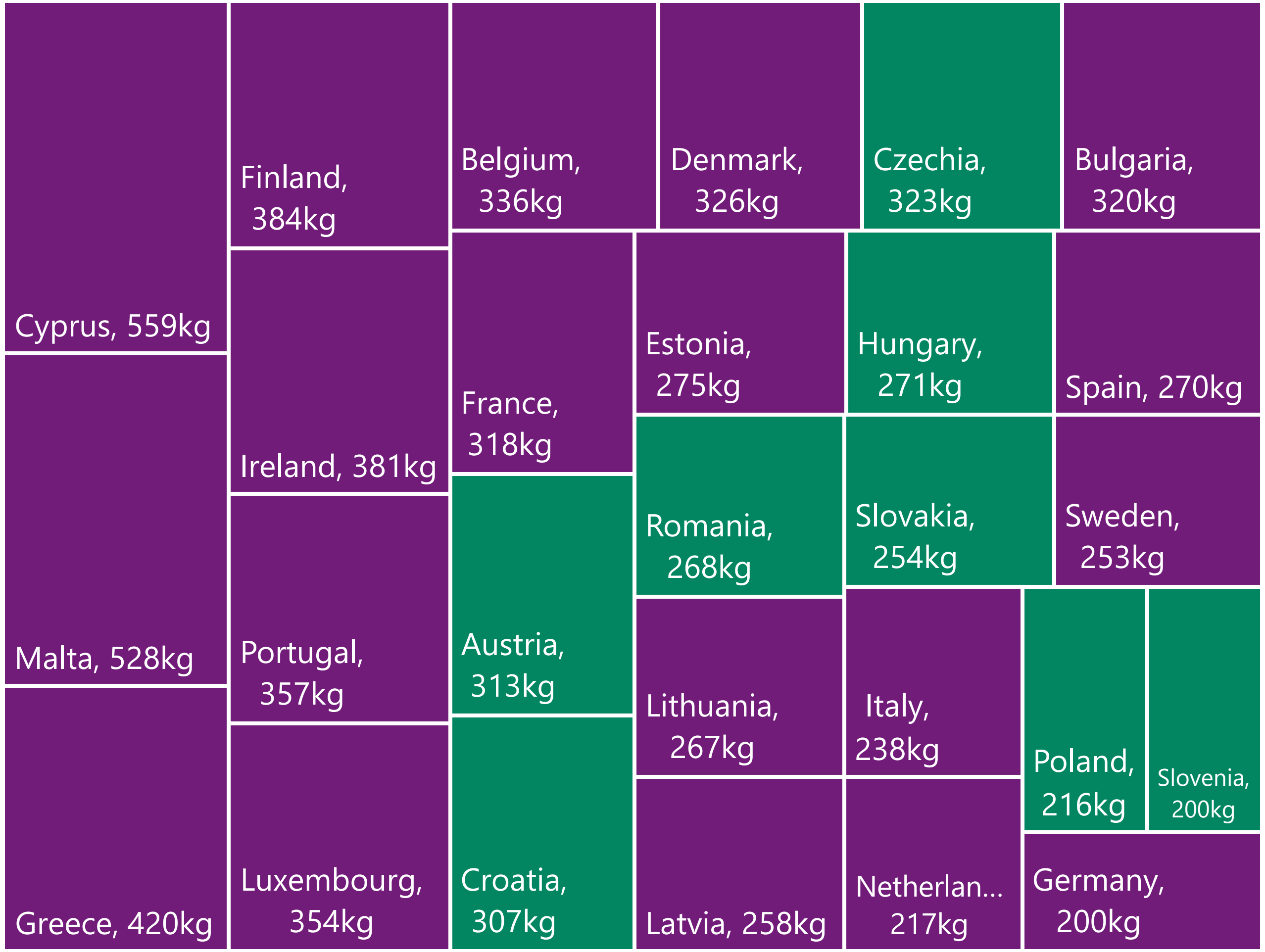


Sources: Eurostat, Erste Group Research

Some CEE states best for low waste levels

- The CEE region has one of the best rankings.
- Slovenia's 200.3kg of unrecycled municipal waste per capita is just 0.4kg behind Germany's performance.
- Poland ranks as 3rd best in the EU

Unrecycled municipal waste per capita



Source: Eurostat, Erste Group Research

What does the „Green Deal“ mean for the economy?

- EU will mobilise EUR 1 trillion of investment funds in total until 2030 to support the transformation.
- EU estimates that an additional EUR 500bn of investments for energy infrastructure and energy efficiency will have to be raised per year until 2030.
- Biggest investment needs in:

  Energy sector (power grid & renewable energy sources)

  Manufacturing sector (mainly heavy industries, e.g. metal industry)

  Transport sector (EVs & hydrogen)

  Agriculture

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Forecasts

GDP	2022	2023	2024	2025
Eurozone	3.5	0.5	0.7	1.1
US	1.9	2.5	2.2	1.4

Inflation	2022	2023	2024	2025
Eurozone	8.4	5.5	2.4	2.1
US	8.0	4.1	2.8	2.2

Interest rates	current	Sep.24	Dec.24	Mar.25	Jun.25
ECB MRR	4.25	3.65	3.15	2.90	2.65
ECB Deposit Rate	3.75	3.50	3.00	2.75	2.50
3M Euribor	3.74	3.40	3.09	2.86	2.64
Germany Govt. 10Y	2.67	2.40	2.50	2.60	2.60
Swap 10Y	2.91	2.70	2.80	2.90	2.90

Interest rates	current	Sep.24	Dec.24	Mar.25	Jun.25
Fed Funds Target Rate*	5.33	5.13	4.63	4.13	3.63
3M Libor	5.60	5.30	4.71	4.30	3.88
US Govt. 10Y	4.44	4.10	3.80	3.70	3.70
EURUSD	1.08	1.11	1.13	1.14	1.14

*Mid of target range

Prices as of June 11, 2024

Source: Market data providers, Erste Group Research

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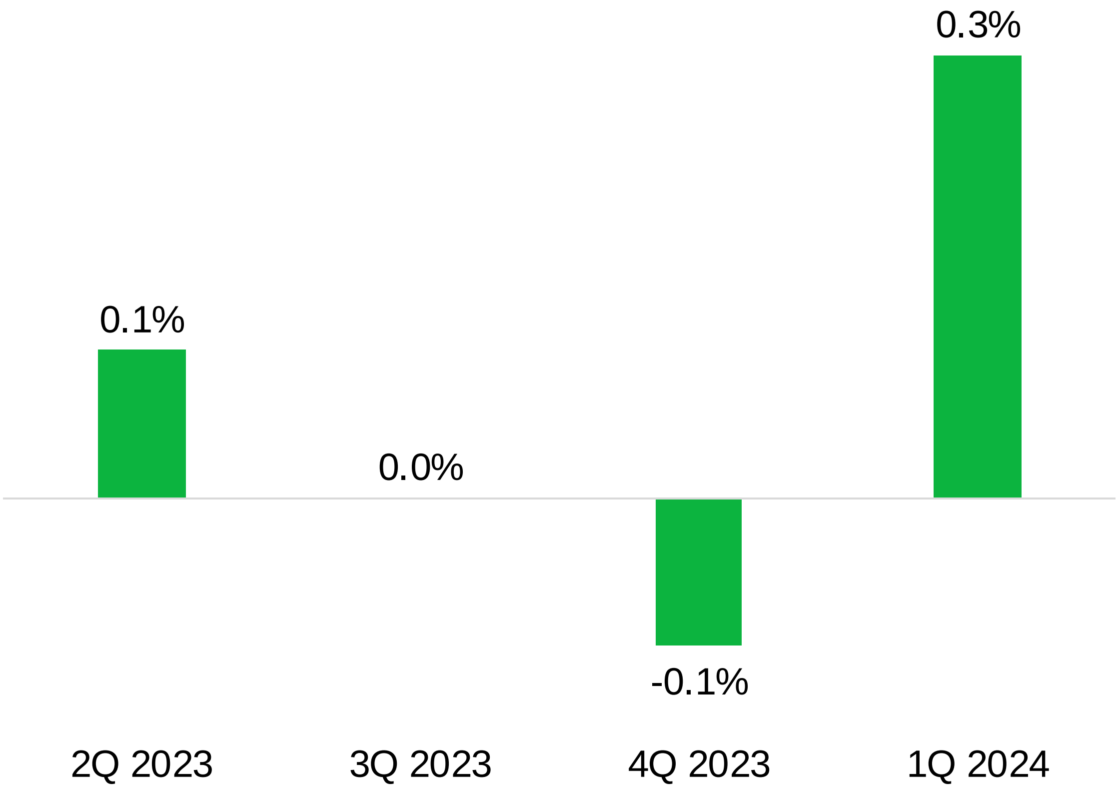
Appendix

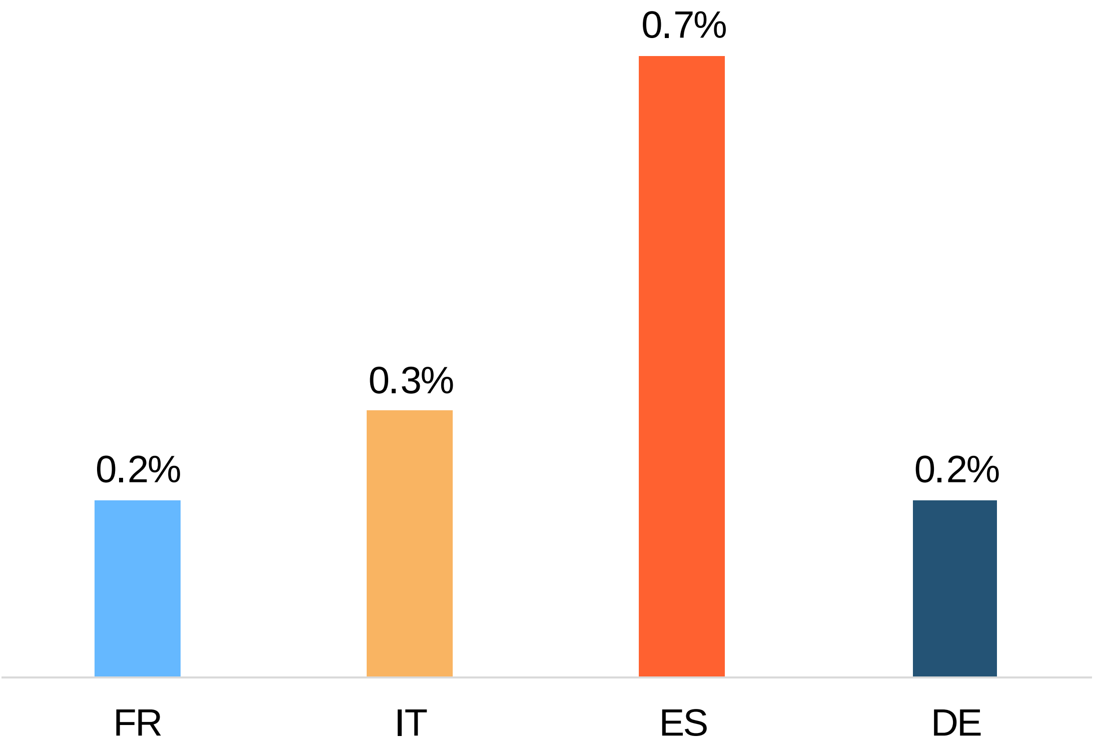
1Q 2024 GDP growth delivers positive surprise

EZ-GDP growth Q/Q



Source: Eurostat, Erste Group Research

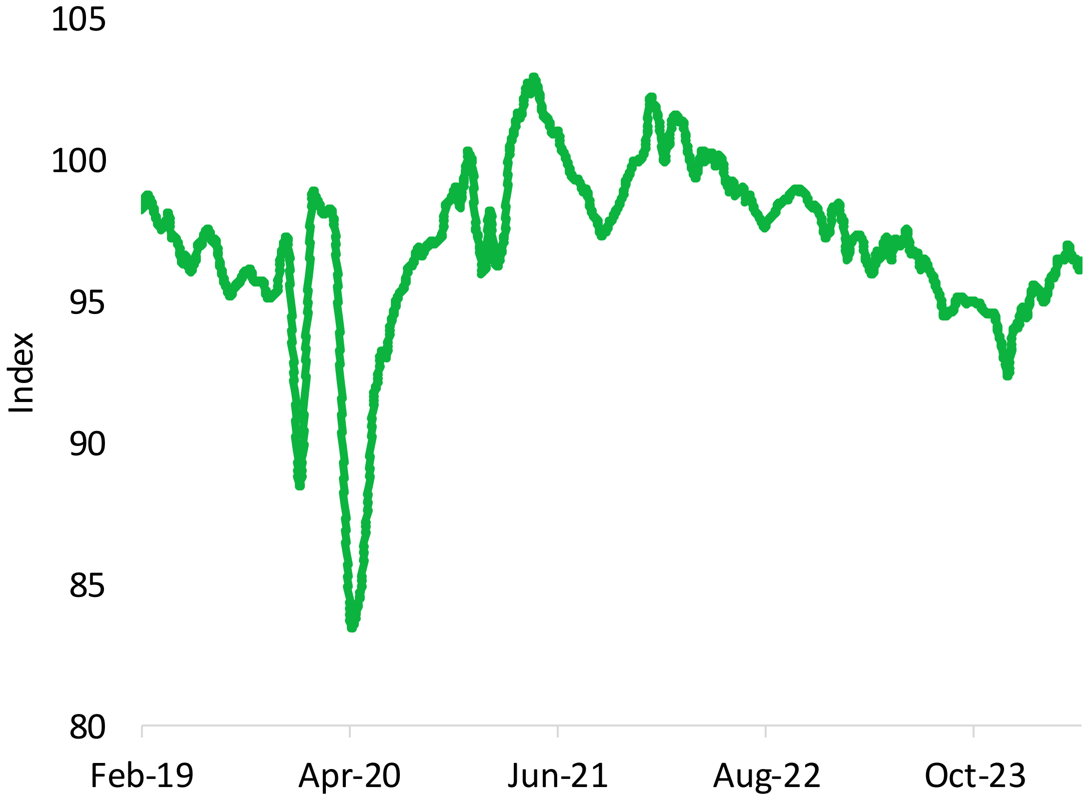
GDP growth 1Q 2024 FR, IT, ES and DE



Source: Eurostat, Erste Group Research

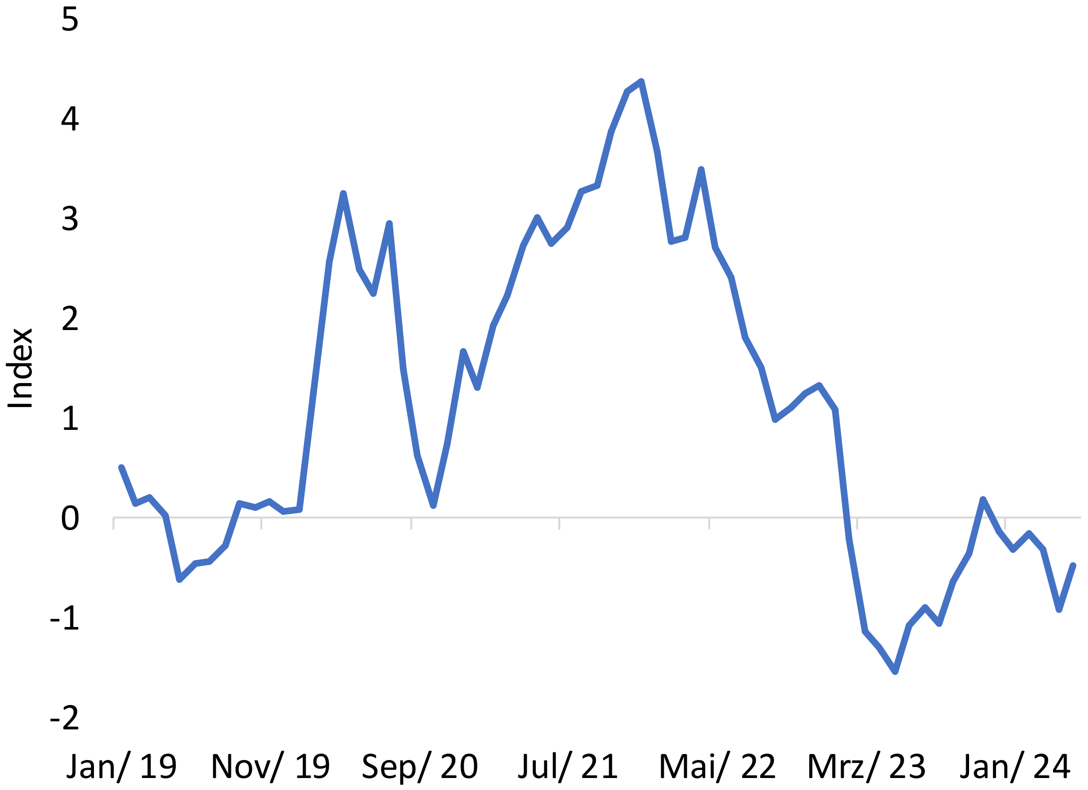
Truck traffic picking up on German roads; Global supply-chains in good shape

Germany truck toll index



Source: Bundesbank, Erste Group Research

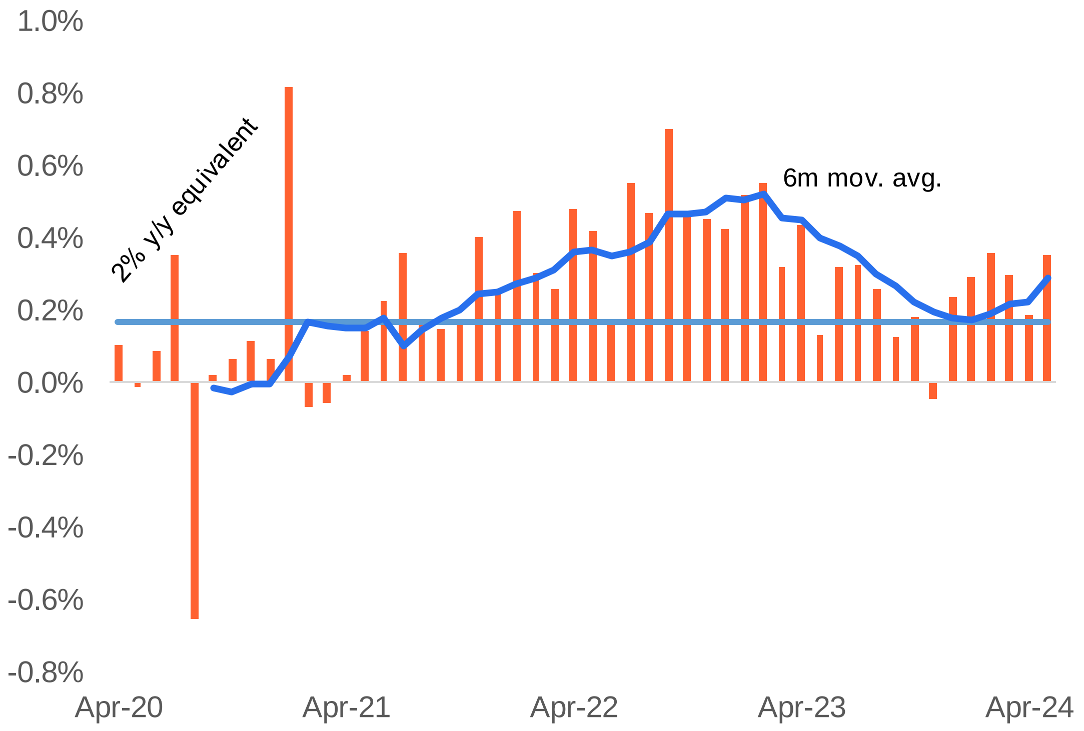
Global supply-chain-pressure-index



Source: US Fed, Erste Group Research

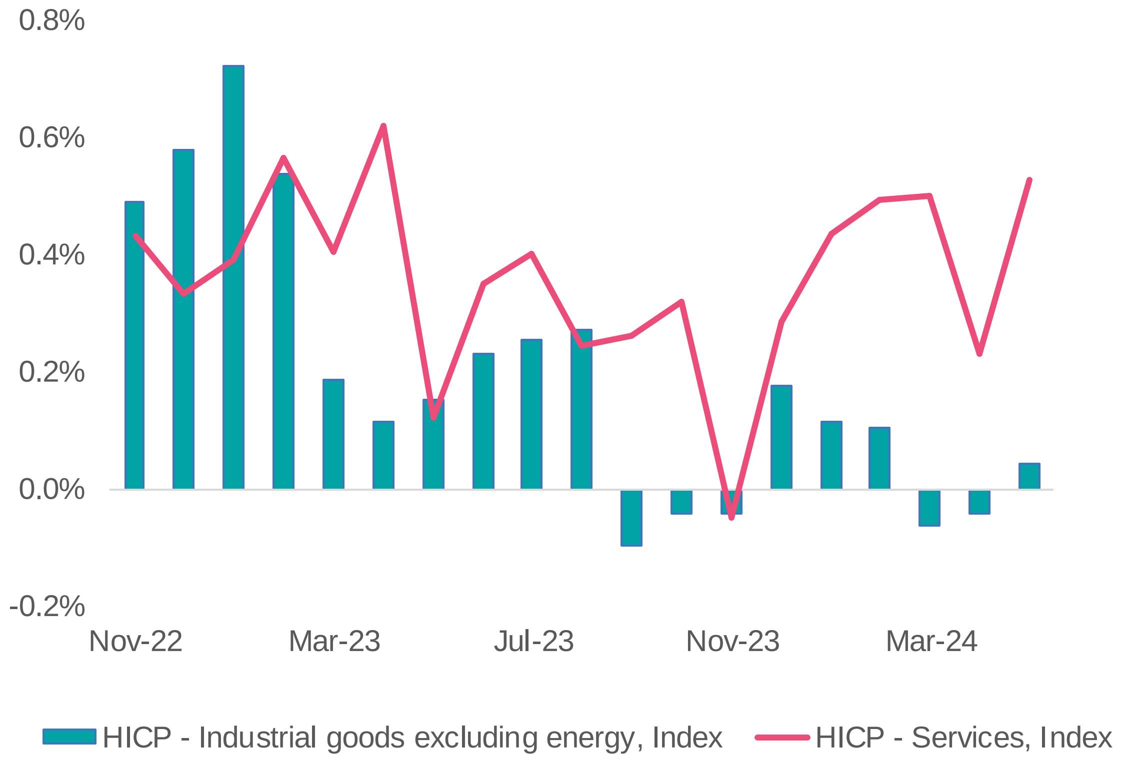
Recent inflation data was mixed

Core inflation s.a., m/m in %



Source: ECB, Erste Group Research

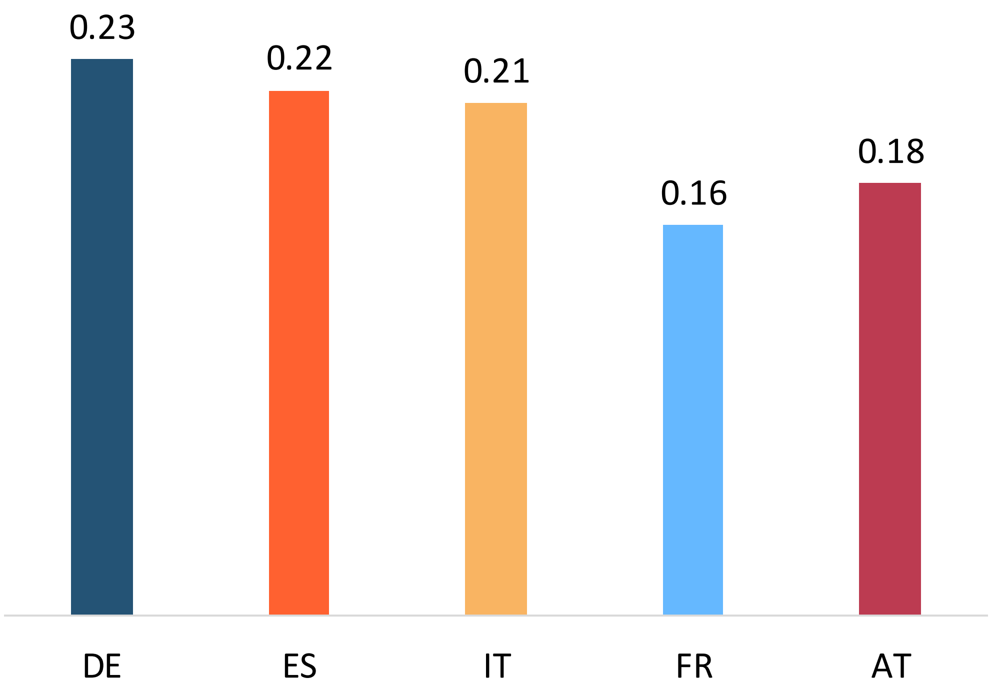
Core inflation by sector s.a., m/m in %



Source: ECB, Erste Group Research

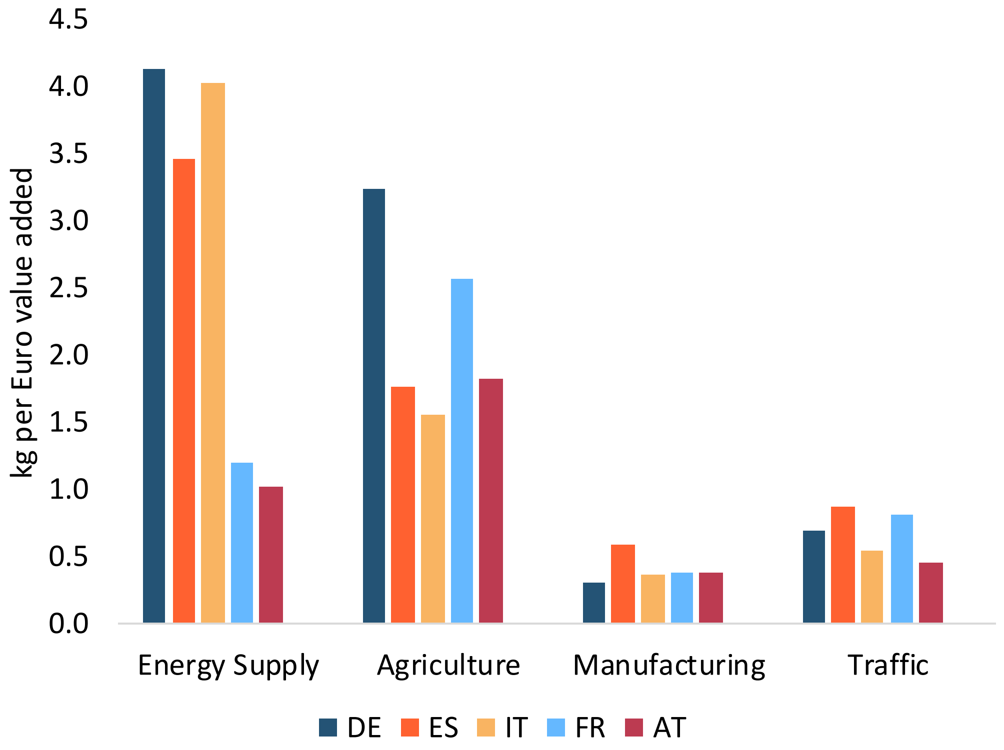
France stands out with lowest air emission intensity; Austria is also in a good position

Air Emission Intensity (kg GHG per Euro gross value added)



Sources: Eurostat, Erste Group Research

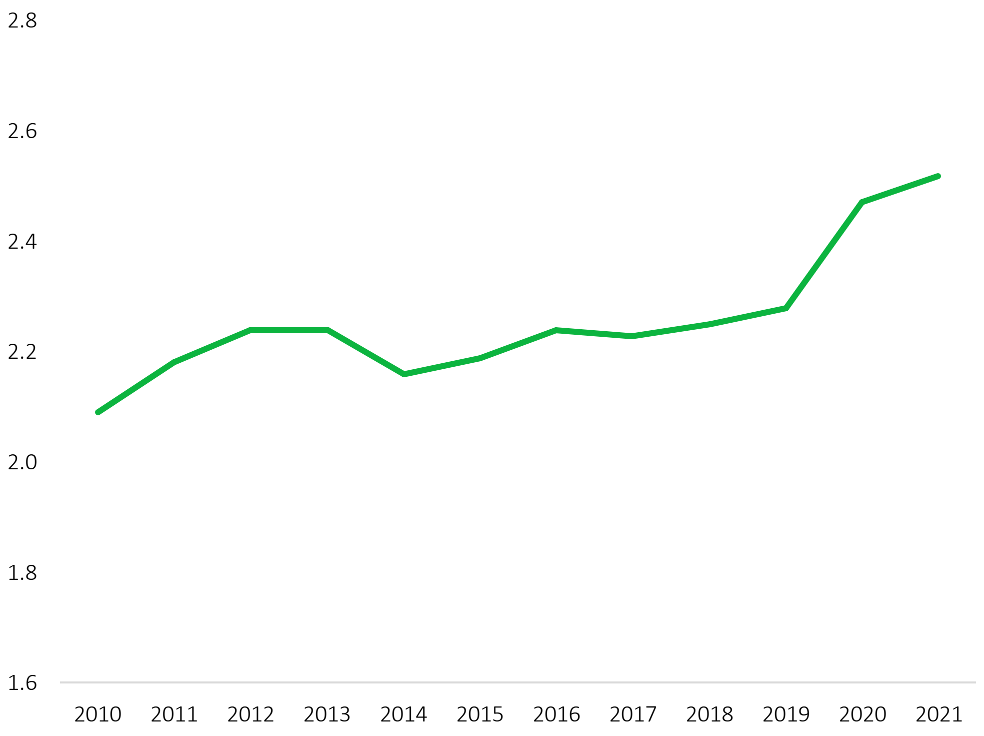
Air Emission Intensity by sector (kg GHG per Euro gross value added)



Sources: Eurostat, Erste Group Research

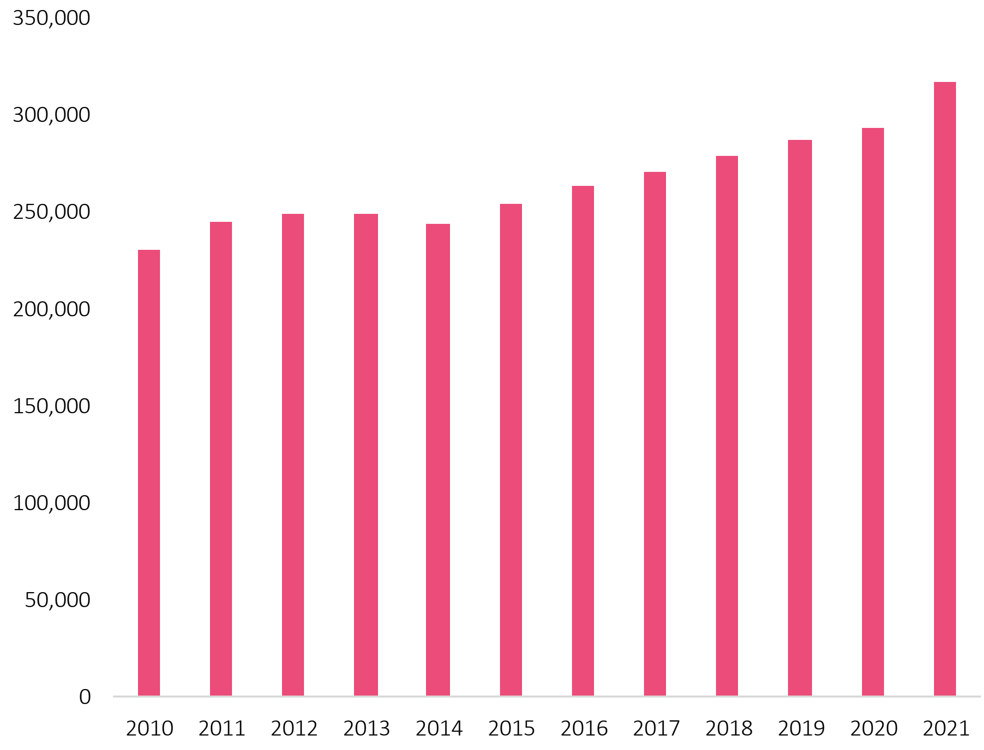
Contribution of green economy increased to 2.5% of GDP, gross value added (GVA) grew more than GDP in this period

Contribution of green economy to EU27 GDP (in % of EU27 GDP)



Sources: Eurostat, Erste Group Research

GVA of green economy in EU27 (in Million Euros, 2010 prices)



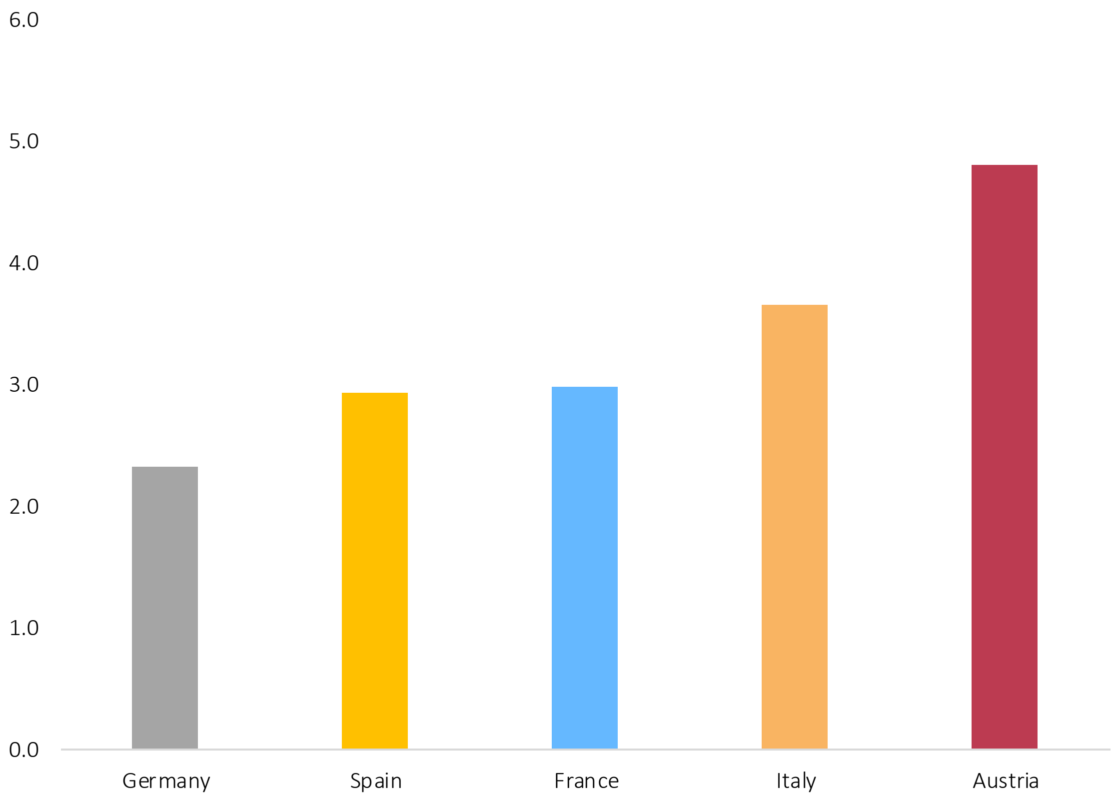
Sources: Eurostat, Erste Group Research

Austria‘s green economy has 2nd highest share of GDP in EU27

Comparing the shares of green economy across the EU27 member states, one finds that Austria is performing pretty well. With a share of 4.81%, Austria has the 2nd highest share after Finland which has a share of close to 6%.

Comparing the biggest EU27 member states, we find that Germany is the least „green“ economy with a share of 2.33% and below EU27-average. Spain and France with a share of around 3% are above average. Also Italy is well above average with a share of 3.66%.

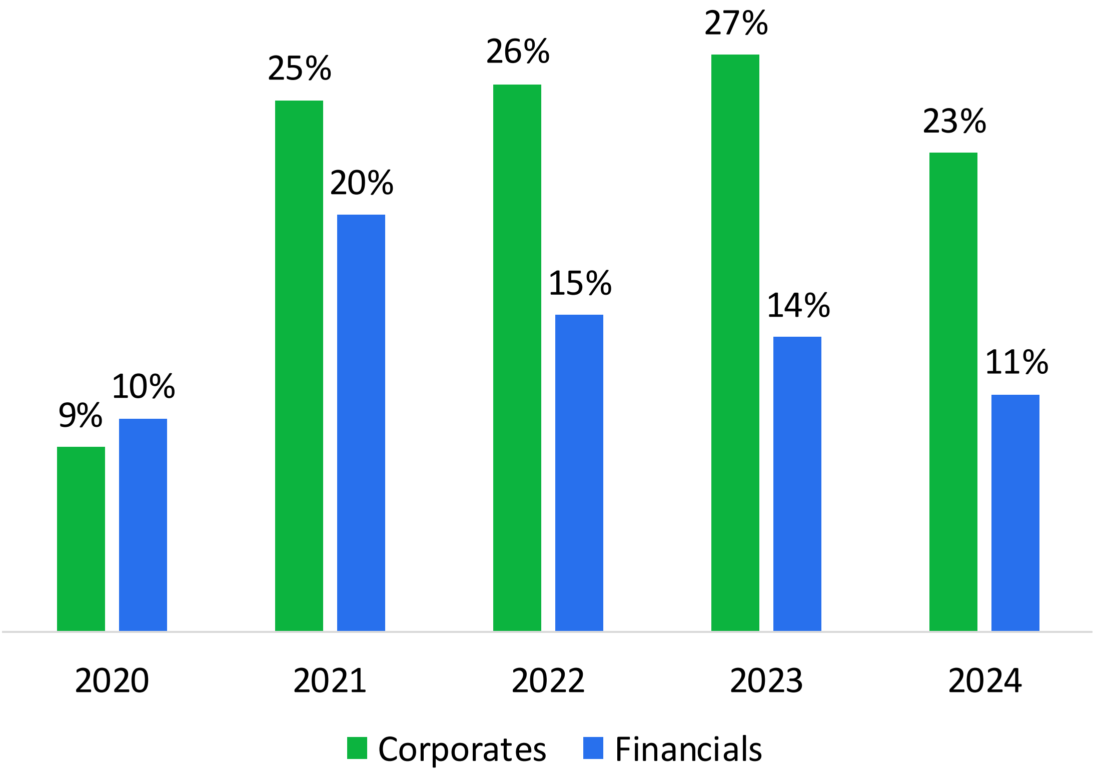
Share of green economy of GDP (2021, in %)



Sources: Eurostat, Erste Group Research

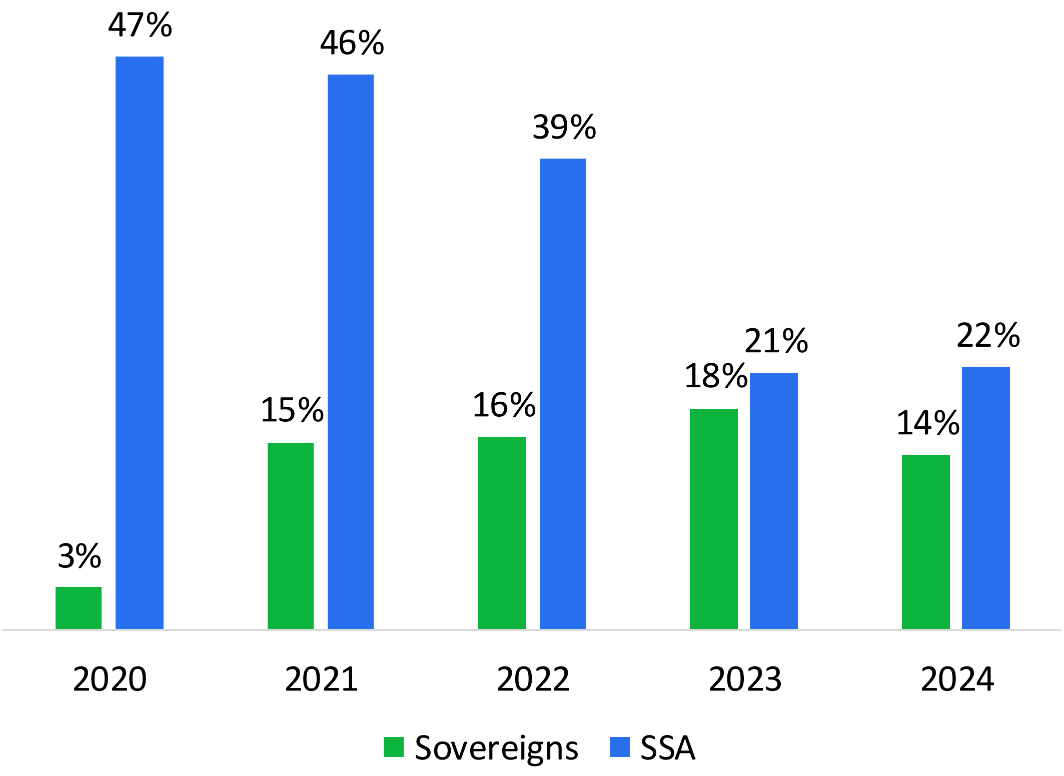
ESG Eurobonds already play a significant role on financial markets

Share of ESG-Eurobonds – Corporates vs. Financials



Sources: Bloomberg, Erste Group Research

Share of ESG-Eurobonds – Sovereigns vs. SSA



Sources: Bloomberg, Erste Group Research

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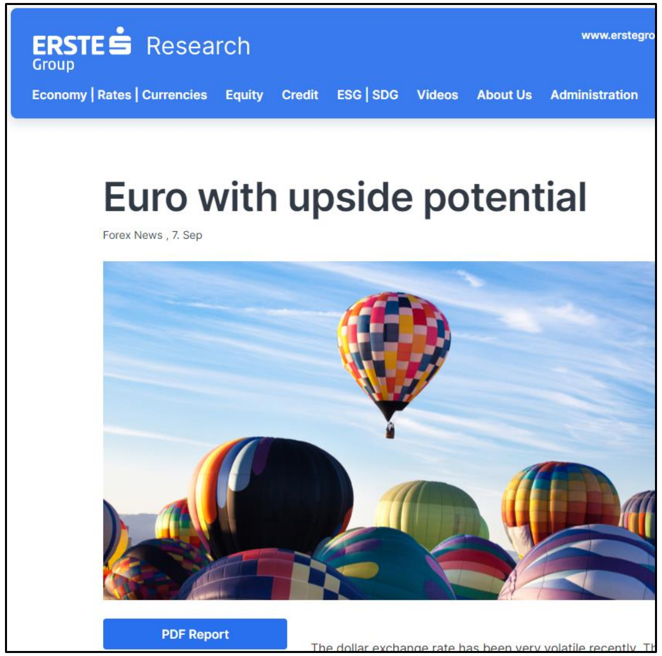

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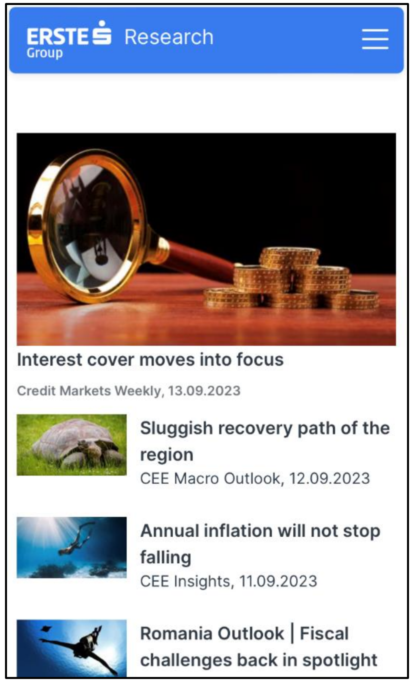

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