

Global Macro Outlook: The worst is probably behind us, but big challenges lie ahead

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Our views at a glance

- We forecast **subdued global growth in 2024** as tight monetary policy works its way through the economy. US growth will slow from the rapid pace of 2H23, but no recession. Eurozone growth will pick-up modestly from stagnation. The UK will probably underperform despite a stronger start to the year. China will continue to struggle.
- **Disinflation remains on track.** Goods inflation is weak while services inflation is sticky, but this likely reflects spending patterns and lags. Headline inflation heads to 2% and will fall below target in 2025.
- The **ECB will start cutting interest rates in June**, the Fed in September and the **BoE in August**, and all will **keep going throughout 2025**. Once the BoE starts cutting rates, it will likely have to cut fairly quickly.
- **Longer-term outlook severely clouded** by geopolitics, de-globalization, bad demographics, China's structural issues, the "productivity slowdown" vs. AI, the "green" transition, and high public debt.



Our GDP forecasts by country

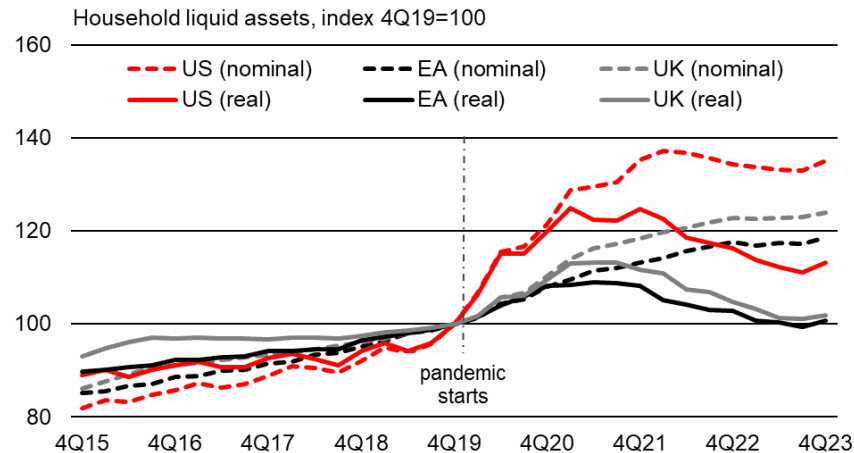
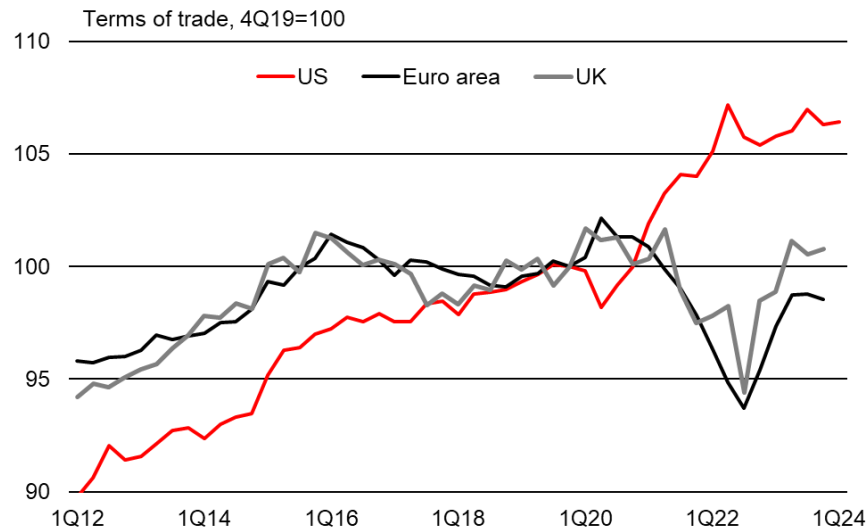
	2023	2024	2025
US	2.5	2.4	1.2
Eurozone	0.5	0.6	1.2
Germany*	-0.2	0.4	1.3
France	0.9	0.8	1.1
Italy	1.0	0.6	1.1
Spain	2.5	1.5	1.5
Austria	-0.8	0.3	1.5
EU-CEE	0.6	2.6	3.0
UK	0.1	0.2	0.8
China	5.2	4.5	4.3
Japan	1.9	0.7	1.0

*Non-wda figures. Adjusted for working days: 0.0% (2023), 0.4% (2024) and 1.4% (2025)

Source: National statistical offices, UniCredit Research



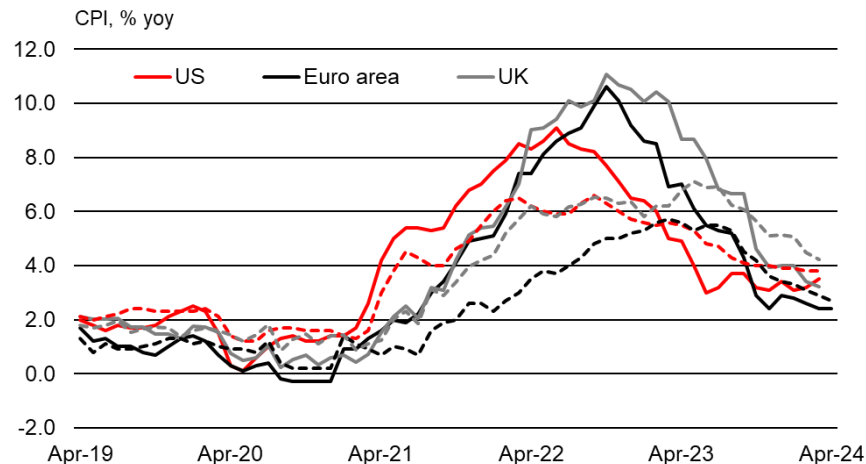
Europe vs. US: Europe hit by big TOT shock and less fiscal support



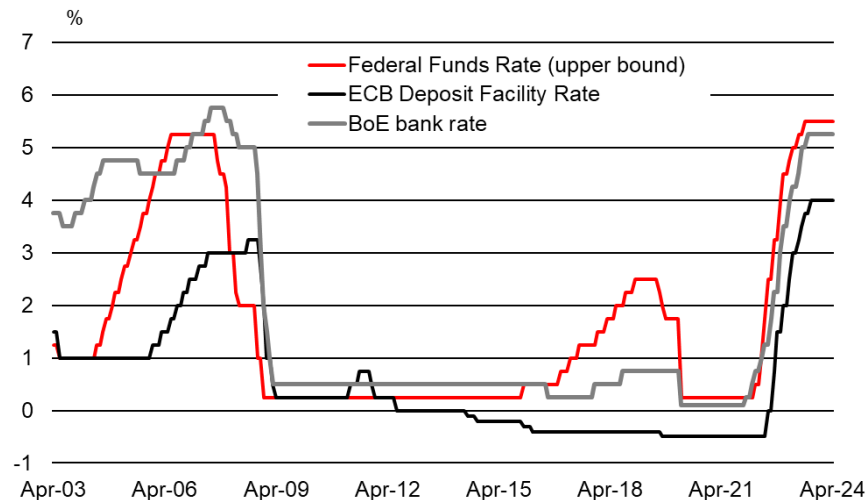
Note: liquid assets are the sum of currency; checkable, time, and savings deposits; and US money market funds. The real series is the nominal series deflated by the all-item consumer price index.



Very similar monetary tightening (despite different inflation drivers)



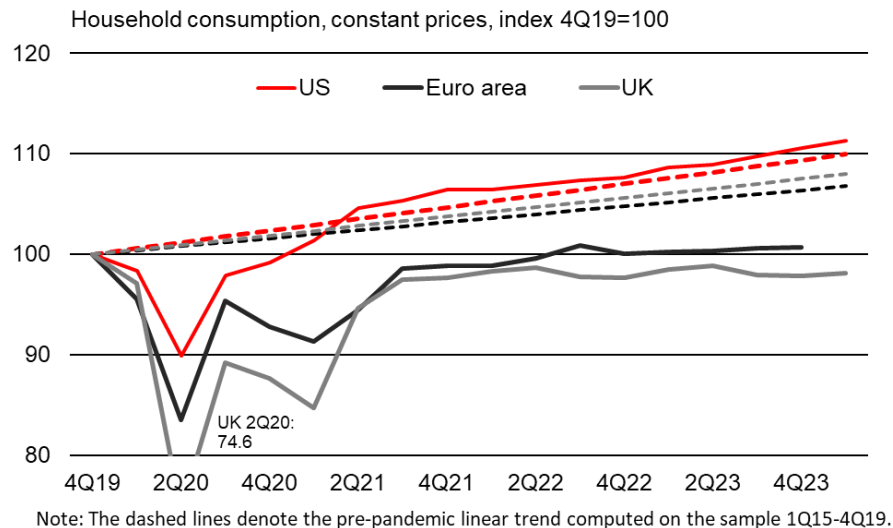
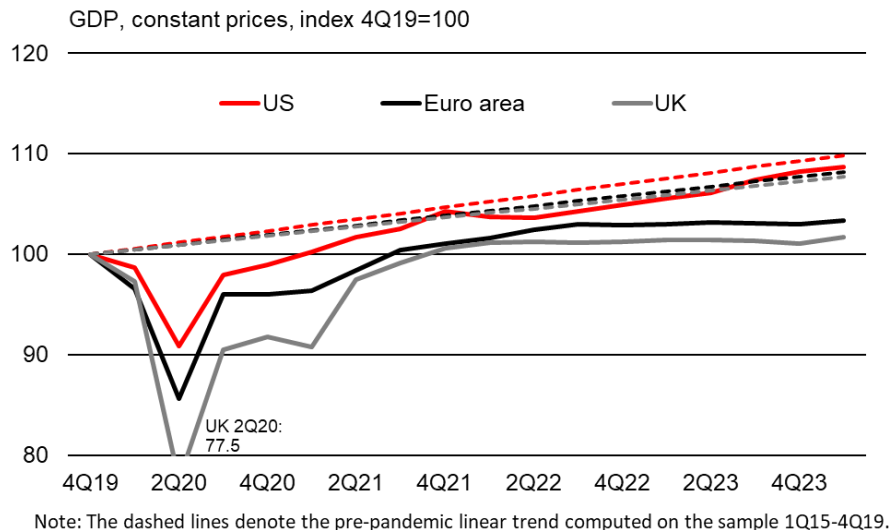
Note: Solid lines are headline inflation, dashed lines are core inflation.



Source: BLS, BoE, ECB, Eurostat, Fed, ONS, UniCredit Research



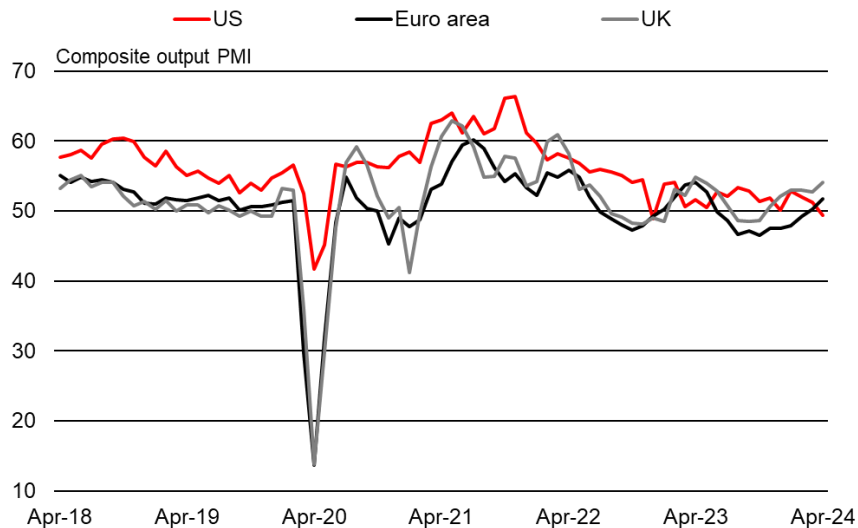
The result: weaker domestic demand in the euro area & UK



Source: BEA, Eurostat, ONS, UniCredit Research



UK: Business surveys point to a pick up amid a rise in real incomes ...

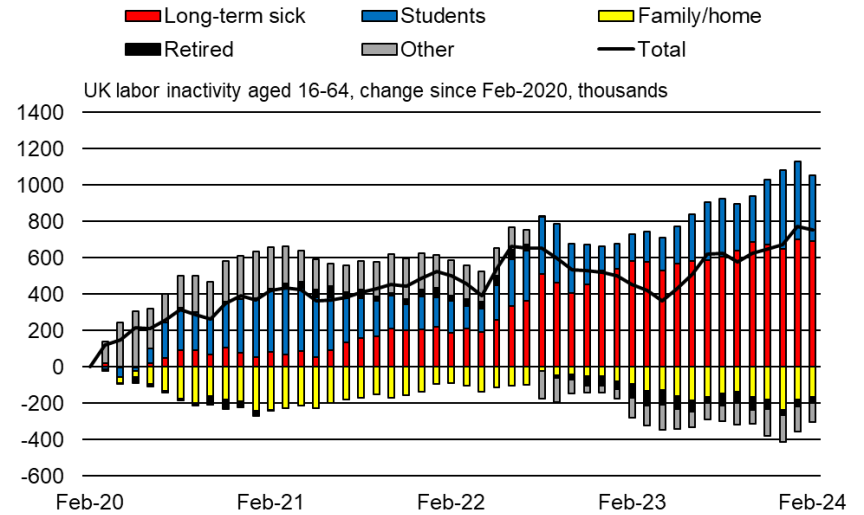
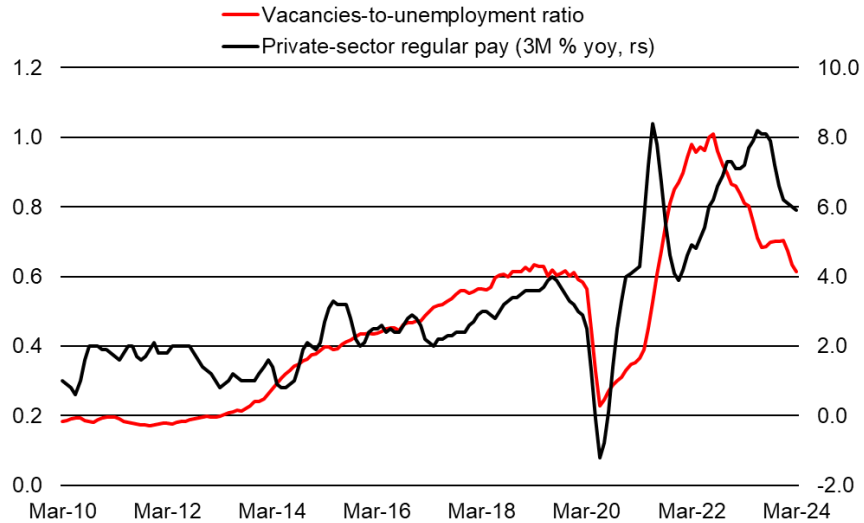


Source: BoE Monetary Policy Report May 2024, ISM, S&P Global, UniCredit Research

UK



... but the UK labor market is deteriorating



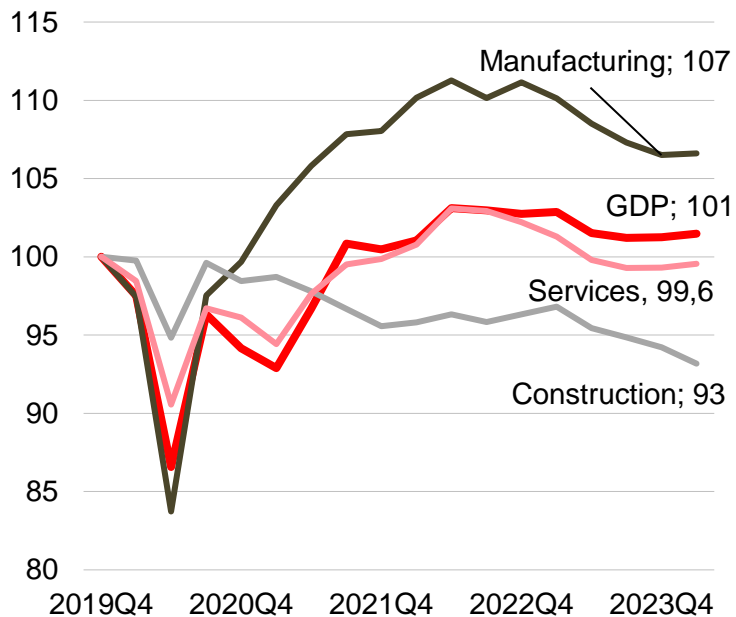
Source: ONS, UniCredit Research



Austria: from recession last year to moderate recovery this year

GDP development in Austria

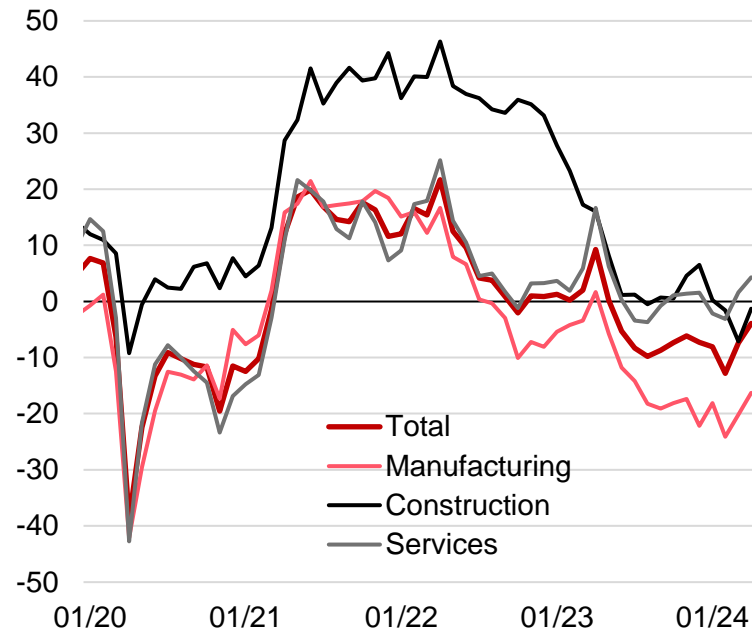
(Q4 2019=100, real)



S: Statistik Austria, UniCredit Research

Sentiment indicators

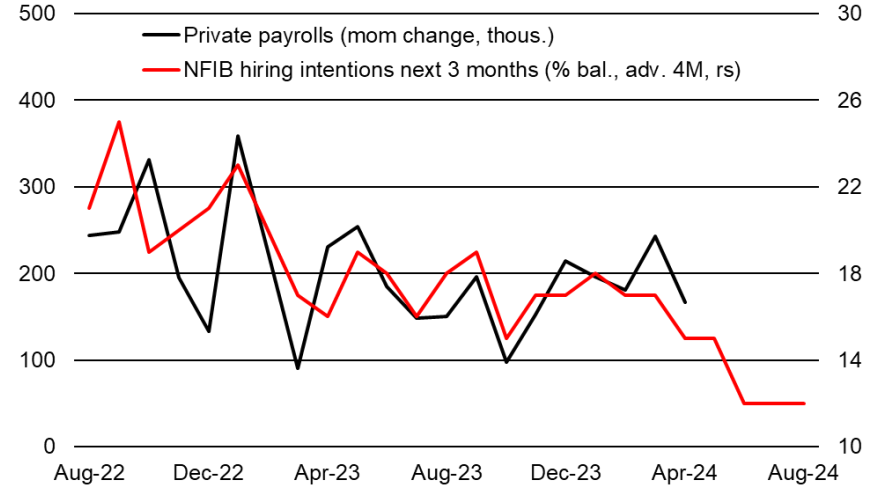
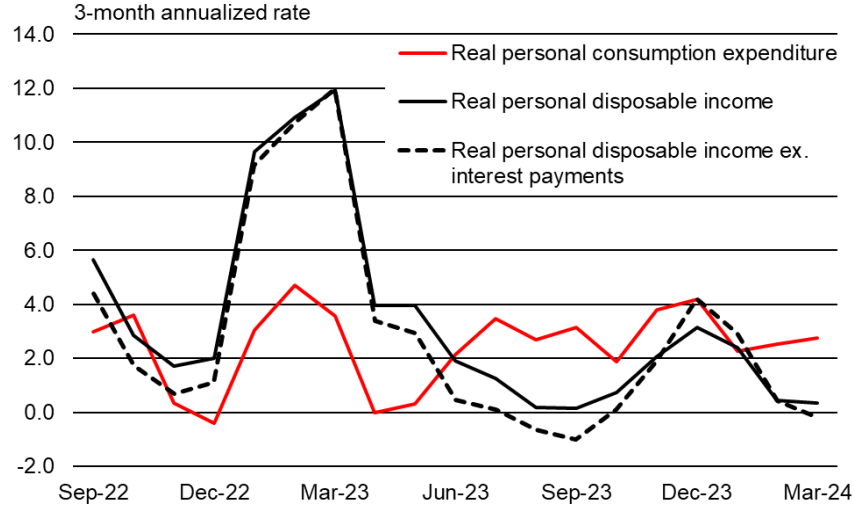
(s.a.)



Source: WIFO business expectations, UniCredit Research



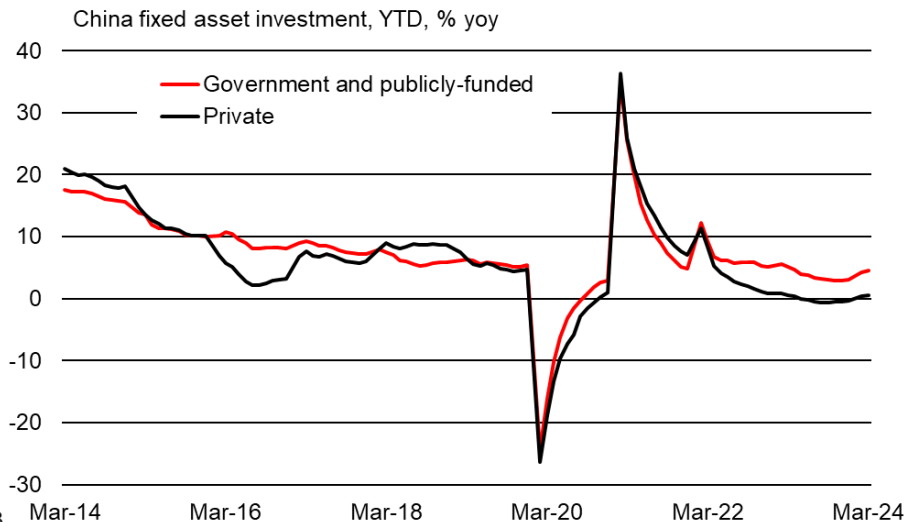
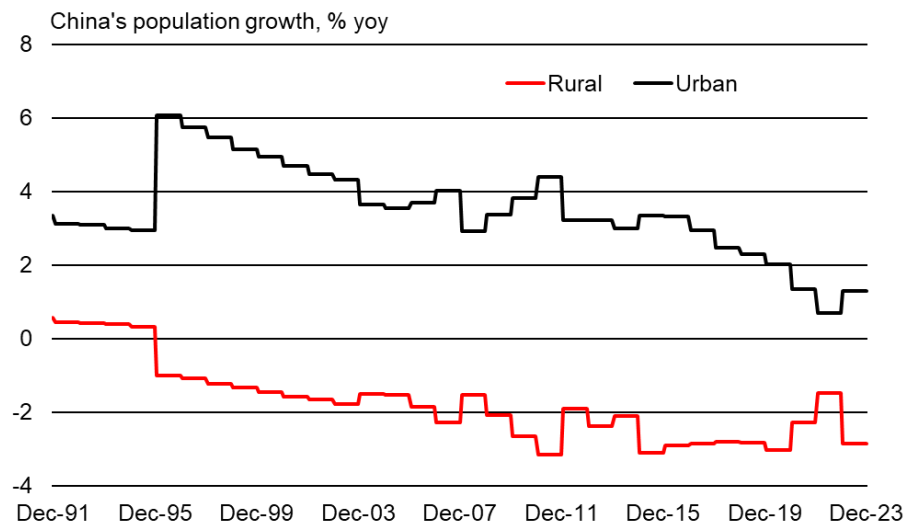
US: consumption to lose traction, weighing on GDP growth



Source: BEA, BLS, NFIB, UniCredit Research



China's structural issues

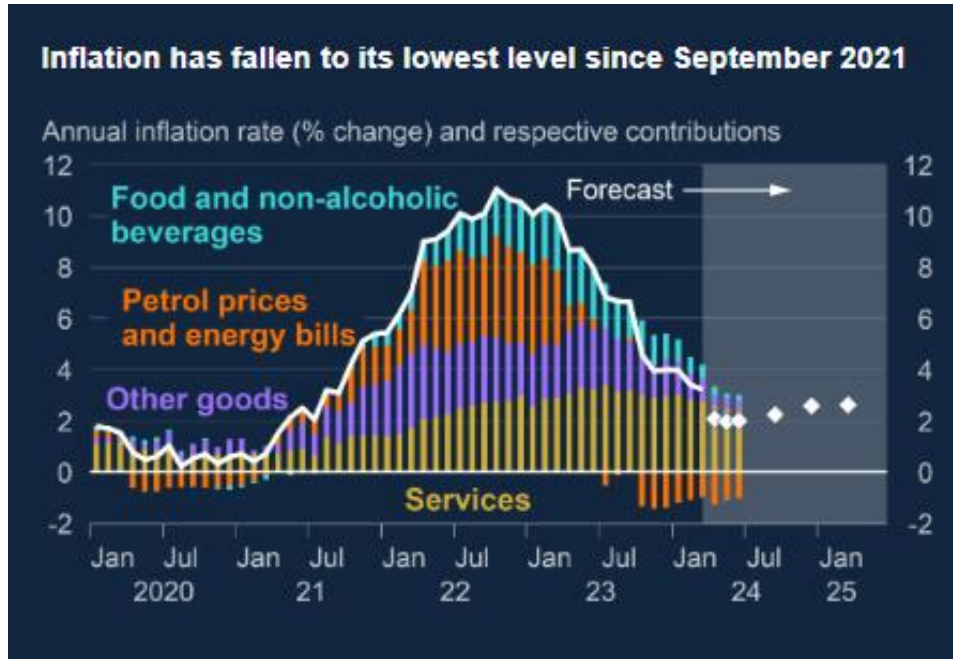


Source: National Bureau of Statistics, UniCredit Research



UK inflation to fall to 2% in April; Austrian disinflation gradual

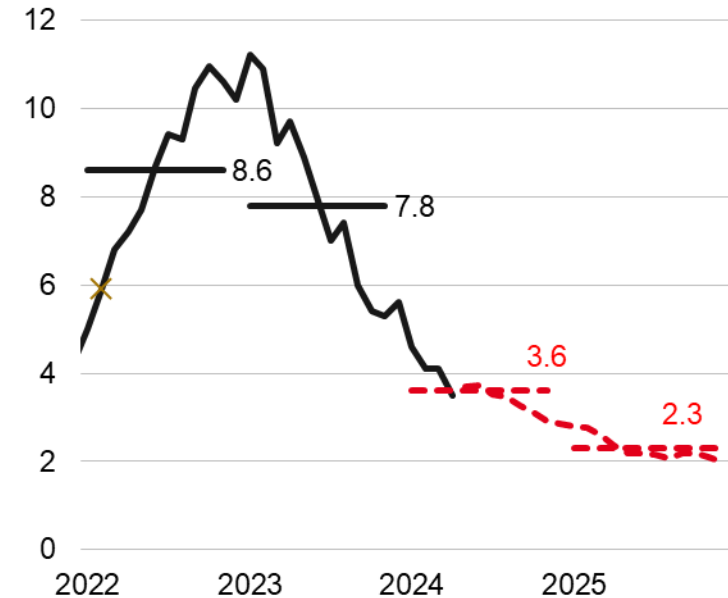
UK inflation



Source: BoE Monetary Policy Report May 2024

Inflation rate Austria

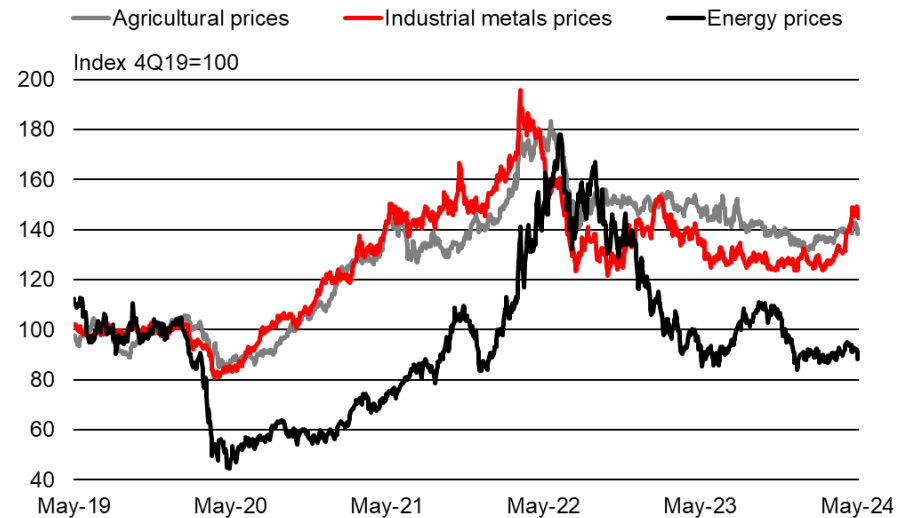
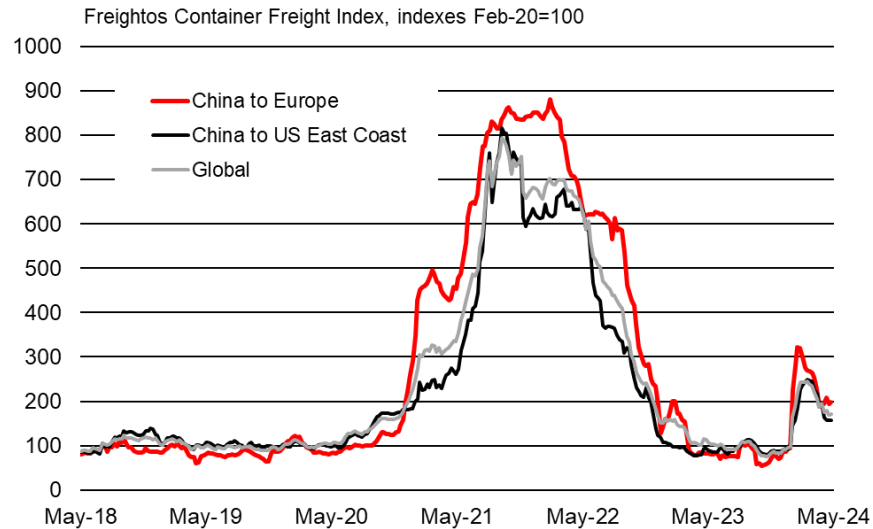
(y/y change in %)



S: Refinitiv Datastream, UniCredit Research
red=forecast



Geopolitics and commodity prices are an upside risk to inflation

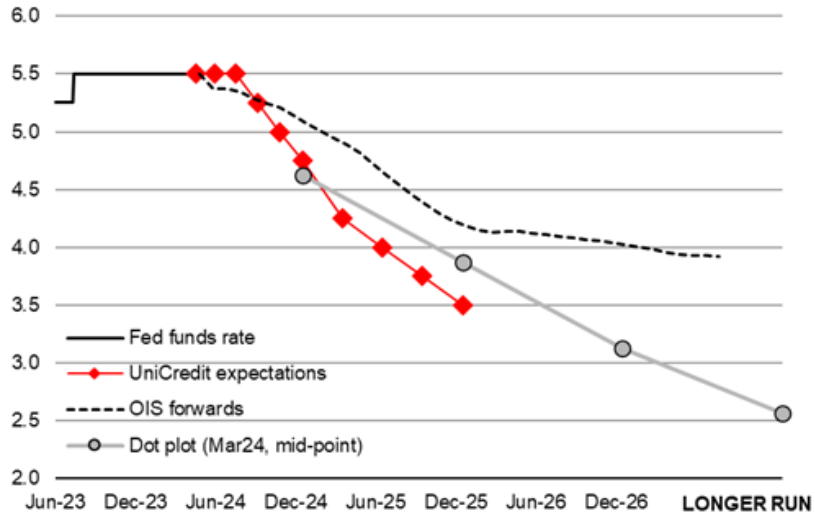


Source: Bloomberg, Freightos, UniCredit Research

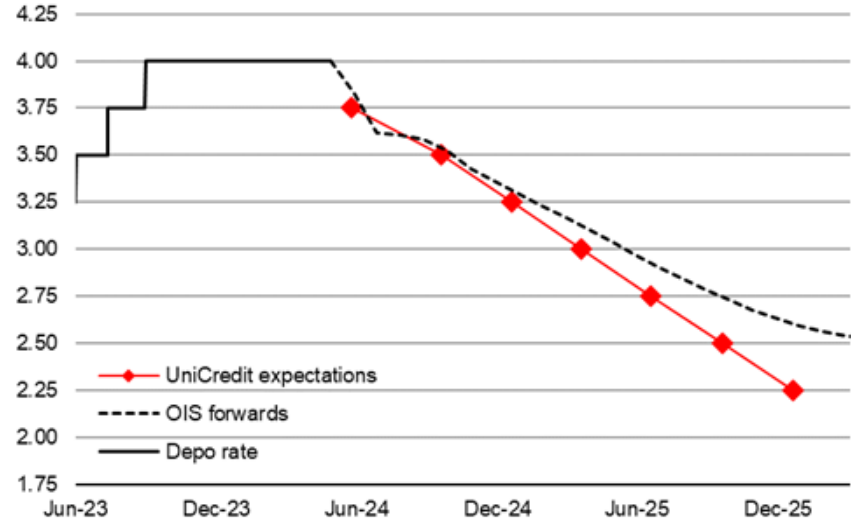


Market expectations for rates too hawkish (I)

Fed



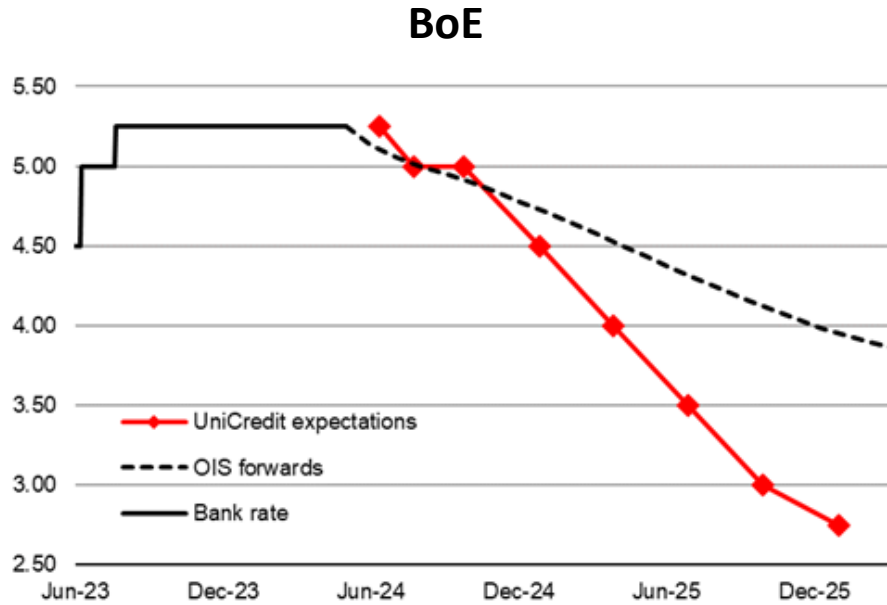
ECB



Source: Bloomberg, Fed, UniCredit Research



Market expectations for rates too hawkish (II)

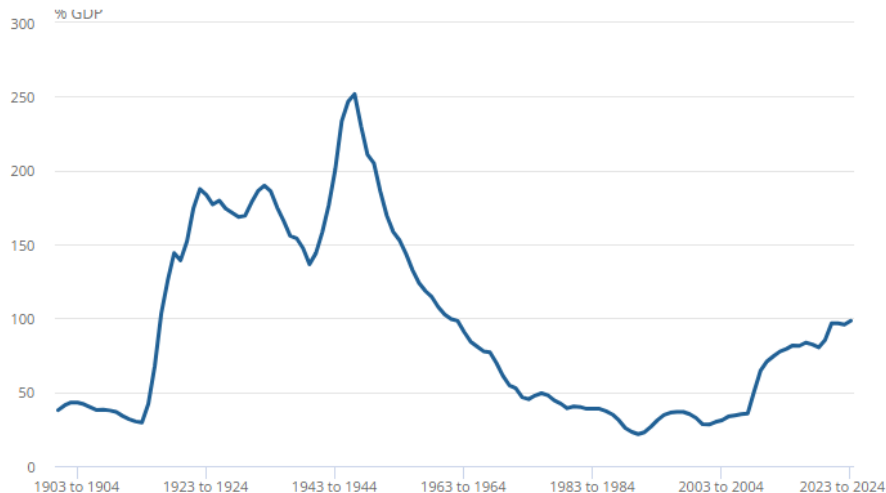


Source: Bloomberg, UniCredit Research

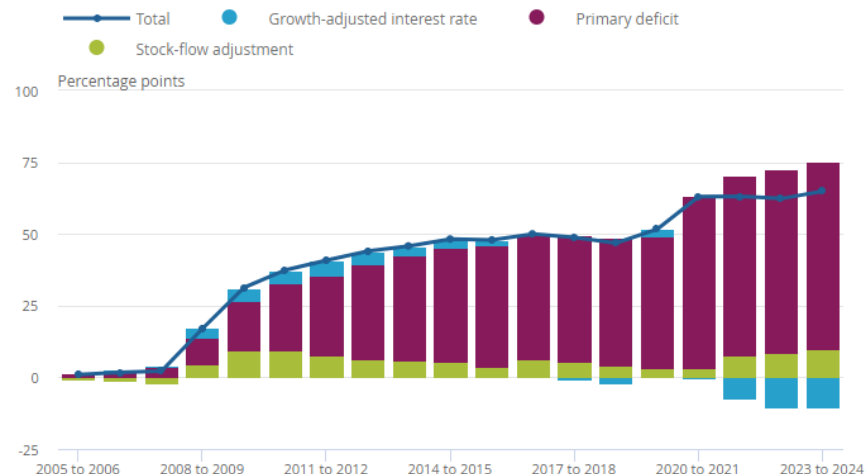


High public sector debt

Public sector net debt excluding public sector banks (PSND ex) at the end of each financial year, financial year 1901 to 1902 to financial year 2023 to 2024, UK (% GDP)



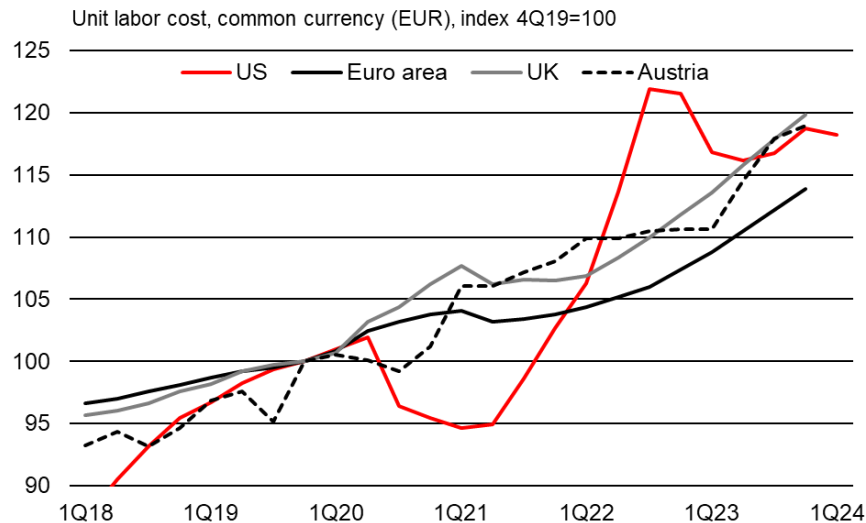
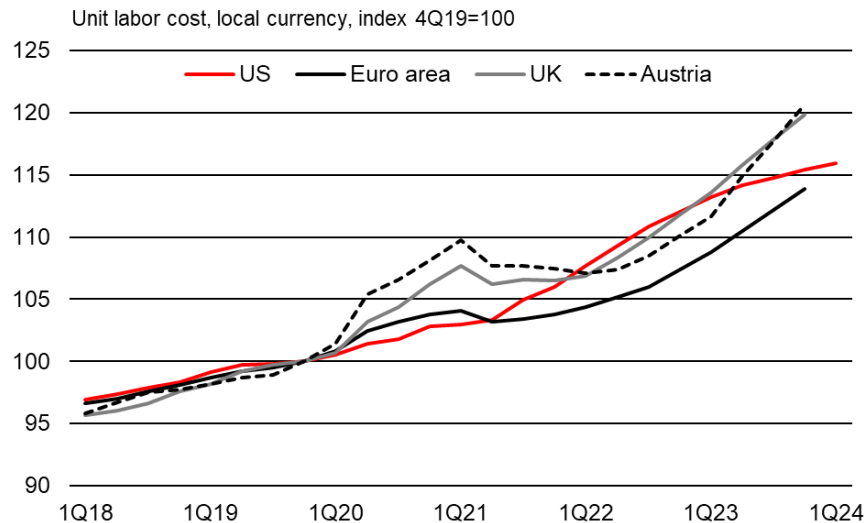
The cumulative change in PSND ex as a percentage of GDP starting from the end of financial year 2004 to 2005 up to the end of financial year 2023 to 2024, UK, percentage points



Source: ONS, "Effects of the economy on public sector net debt, UK : April 2024", 10 May 2024.



Austria & UK have lost competitiveness due to high wages and low productivity, but this should start to unwind



Source: BEA, Eurostat, ONS, UniCredit Research



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