

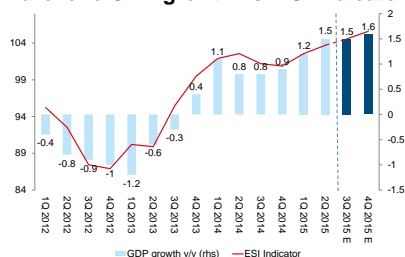
Week ahead

Eurozone – industrial production in August regionally mixed

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Eurozone GDP-growth vs. ESI Indicator



Source: Erste Group Research

Eurozone – industrial production in August: France strong; Germany slightly weaker, due to special factors

The August data for industrial production released this week was regionally mixed. After a decline in August, German industrial production for 3Q thus far rests slightly below the level of activity seen in 2Q. The decline can, however, mainly be attributed to unusually late holidays, which in turn relativizes the significance of the data. In addition, the order intake of German industry declined for July and August on average by 2.0% compared to 2Q. In Spain and Italy, industrial production also declined in August. In France, however, industrial production rose – thanks to the transport sector – quite significantly (+2.0% m/m) in August. Due to solid leading indicators, we expect industrial activity in the Eurozone to bounce back in September. **Based on the European Sentiment Indicator (ESI), we forecast a stable growth pace of 1.5-1.6% y/y for the Eurozone in 3Q and 4Q.** Aside from the aggregated Eurozone data for industrial production (October 14), no relevant economic data is due to be released.

At the Eurogroup meeting this week, Greece and Spain’s draft budget for 2016 (adopted early due to the planned elections in December) have been in focus. Greece will have to adopt extensive reforms (especially regarding taxes and pensions) in order to safeguard the smooth disbursement of support tranches. **If we see delays**, as has quite often been the case in the past, **then Greece might be a potential trouble spot for the markets in November.** With regard to Spain, the European Commission is slightly nervous about the fact that the government is behind schedule with the planned deficit reduction. Spain’s public household is being closely monitored due to a high debt level (100% of GDP) in combination with a high structural deficit of more than 2% of GDP. It might thus happen that, should Spain’s growth pace slow (currently not an issue due to an expected economic growth of close to 3% for 2015), investor risk awareness regarding Spanish bonds could rise.

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Economic calendar

Date	Time	Ctry	Release	Period	Consens	Prior
9-Oct	8:45	FR	Ind. Prod. y/y	Aug	0.4%	1.6%
	10:00	IT	Ind. Prod. y/y	Aug	1.7%	2.7%
12-Oct	8:45	FR	CA Balance (m)	Aug		-441m
13-Oct	8:00	DE	Inflation y/y	Sep F	-0.2%	-0.2%
		DE	CPI m/m	Sep F	-0.3%	-0.3%
14-Oct	8:45	FR	CPI m/m	Sep	-0.4%	0.4%
		FR	Inflation y/y	Sep	0.1%	0.1%
	10:00	IT	Inflation y/y	Sep F		0.2%
	11:00	EA	Ind. Prod. y/y	Aug	1.8%	1.9%
	14:30	US	Retail Sales mom	Sep	0.2%	0.2%
US		PPI y/y	Sep	-0.8%	-0.8%	
15-Oct	14:30	US	Jobless Claims	Oct 8	272.9thd	263.0thd
		US	Inflation y/y	Sep	-0.1%	0.2%
		US	CPI m/m	Sep	-0.2%	-0.1%
16-Oct	9:00	AT	Inflation y/y	Sep		1.0%
		AT	CPI m/m	Sep		-0.2%
	10:00	IT	Trade Balance	Aug		8026m
	11:00	EA	CPI m/m	Sep	0.2%	0.2%
		EA	Inflation y/y	Sep F	-0.1%	-0.1%
		EA	Trade Balance	Aug	22m	22420m
16:00	US	Univ. Michigan Index	Oct P	88.7index	87.2index	

Source: Bloomberg, Erste Group Research

FORECASTS

GDP	2012	2013	2014	2015	2016
Eurozone	-0.6	-0.5	0.9	1.5	1.8
US	2.8	1.9	2.4	2.4	3.0

Inflation	2012	2013	2014	2015	2016
Eurozone	2.3	1.3	0.5	0.3	1.5
US	2.1	1.5	1.6	0.1	1.8

	current	Dec.15	Mar.16	Jun.16	Sep.16
ECB MRR	0.05	0.05	0.05	0.05	0.05
3M Euribor	-0.05	-0.05	-0.05	-0.05	0.00
Germany Govt. 10Y	0.61	1.00	1.30	1.50	1.70
Swap 10Y	0.99	1.30	1.60	1.80	2.00

	current	Dec.15	Mar.16	Jun.16	Sep.16
Fed Funds Target Rate*	0.13	0.38	0.63	0.88	1.38
3M Libor	0.32	0.63	1.00	1.30	1.80
US Govt. 10Y	2.10	2.70	3.00	3.30	3.40
EURUSD	1.13	1.08	1.10	1.12	1.14

*Mid of target range

Source: Bloomberg, Erste Group Research

Erste Group Research

Week ahead | Macro, Fixed Income | Eurozone, USA

09 October 2015

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