

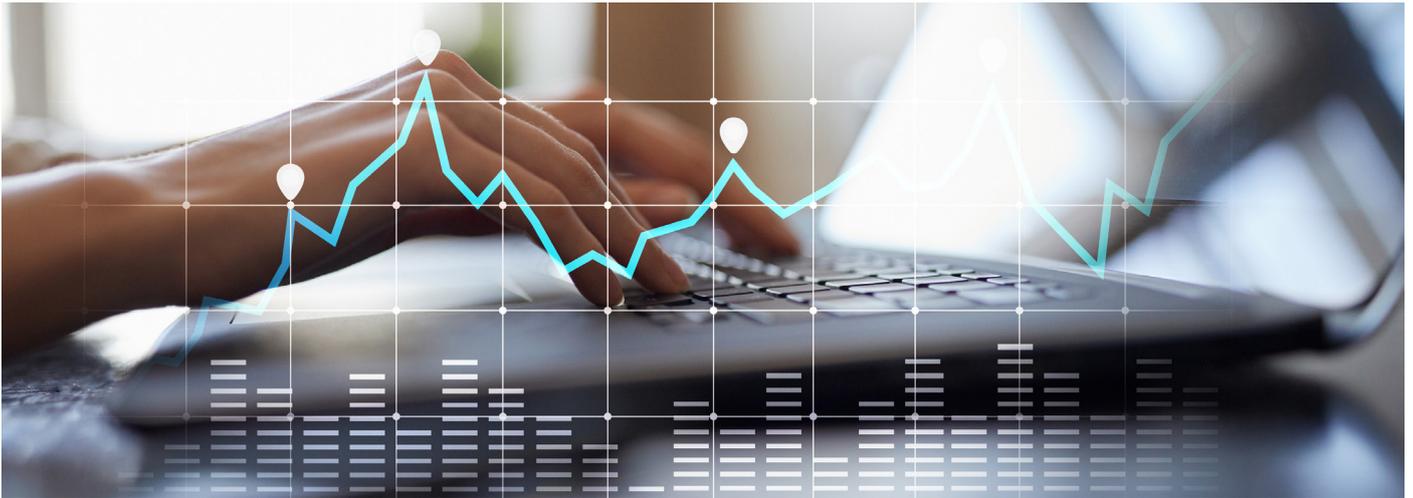


## Economic growth: The USA and CEE outpace the euro area



Last week, the IMF presented its outlook for global economic development for 2021 and 2022. The current dynamic economic development in Asia (especially China) and the USA has led to an increase in the forecast for the global economy, the developed economies and especially the USA. This forecast is also supported by the prospect of continued very pro-cyclical policies, especially in the developed economies. The economic recovery in 2021 and then also in 2022 could thus be significantly more dynamic, especially in the developed economies, than in the aftermath of the global financial crisis of 2008/09. However, Chief Economist Gita Gopinath points out in her blog that the USA is the only region that exceeds the pre-crisis forecasts. The IMF points out that compared to pre-crisis forecasts, the average expected economic growth for 2020-2024 will be 2.3 % lower.

Unfortunately, the Eurozone is becoming a global underperformer, despite an expected significant recovery in 2021. In October 2020, the IMF still trusted the euro area to grow its economic output by 5.2 % in 2021, partly because of the sharp GDP slump in 2020; now it is only 4.4 %. In comparison, the 2021 growth estimates for the USA were raised from 3.1



% (October 2020) to a remarkable 6.4 %, and those for China from 8.2 % to 8.4 % (which corresponds to the highest growth since 2011). In view of economic growth of around 6 % in 2021 (with a GDP slump of 3.5 % in 2020), it should be possible to clearly exceed the pre-crisis GDP level in the USA already this year, which hardly seems realistic in the eurozone after a slump of - 6.6 % in 2020. For the global economy as a whole, the IMF expects growth of 6.0 % this year, slightly more than the latest forecast (5.5 %).

Overall, the Corona pandemic caused a more severe economic collapse than the financial crisis of 2008/09. The developed economies will recover better and faster than the emerging markets. However, GDP growth in CEE should exceed that of the Eurozone in 2021 and especially in 2022. This encouraging outlook, combined with a much smaller GDP decline in Eastern Europe than in the Eurozone in 2020, should mean that pre-crisis GDP levels can be reached more quickly in CEE, mostly probably as early as 2021. In this respect, many Eastern European countries should be on a par with the US and significantly outperform the Eurozone in terms of this measurement approach.

### **And European equities?**

The somewhat sluggish economic recovery is the reason why European markets are lagging behind US markets. As a result, the valuation of European equities is not yet as high as that of their US counterparts. And this could benefit them in the coming months. Analysts are optimistic about the current reporting season. The positive revisions for corporate key figures such as sales and earnings growth currently far outweigh the negative revisions. We also see potential in European equities. The current sector rotation from highly valued growth companies to attractively valued value stocks should support the so-called old economy in Europe.

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