

## Press release

For business editors  
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### Commerzbank Research economic outlook: the state of emergency becomes the norm

- **Chief Economist Jörg Krämer: “We predict a strong economic recovery will emerge following a tough lockdown winter”**
- **2021 growth forecast: 4.5% for Germany, 5.0% for the eurozone, 4.0% for the US**
- **2021 DAX year-end forecast: 14,200 points**
- **Core inflation to average at only 0.8% in 2021**

Eurozone in lockdown: the current quarter as well as the first quarter of 2021 will be marked by lockdowns. German gross domestic product (GDP) is likely to fall in the winter months. “We expect a technical recession in Germany, even if industry is holding up well,” said Commerzbank Chief Economist Dr. Jörg Krämer. However, a strong recovery is likely to begin in the spring. Firstly, the rate of infection is likely to subside due to warmer temperatures. Secondly, a broad-based vaccination programme should have sufficiently immunised the population from autumn onwards. Thirdly, consumers will spend part of the large volume of savings they had accumulated especially in the spring. “Based on our estimates, these coronavirus savings add up to a considerable 4% of disposable income in Germany,” comments Dr. Jörg Krämer. The German economy, like most eurozone countries, will have returned to pre-crisis levels by the end of next year at the latest. Commerzbank’s economists expect annual growth for 2021 to average at 4.5% for Germany and at 5.0% for the eurozone; they are therefore more optimistic than the average consensus of economists in general.

#### **Fiscal policy: relaxation beyond 2021**

The role of the state in combating the pandemic, as well as in mitigating its economic consequences, has been met with increased acceptance. “The reawakened belief in the state favours a climate in which economic policy will remain in coronavirus mode for a long time to come, even if the slump in gross domestic product is offset again,” Dr. Jörg Krämer stated. “EU fiscal policy will allow euro area countries to run budget deficits above 3% of GDP long after the crisis has subsided. The €750bn coronavirus pandemic recovery fund, which should be launched at the start of 2021, is also synonymous with this transition,” says Dr. Jörg Krämer. Commerzbank’s economists estimate that the EU will disburse a good €400bn in the form of loans and non-repayable grants over the next two years. This corresponds to 1.6% of EU gross domestic product on average.

## ECB: monetary easing will not end in December

Since the outbreak of the coronavirus pandemic, the ECB's net bond purchases have equated to the EU member states' total net issuance. "Since the outbreak of the virus, the ECB has been financing entire national budget deficits," explains Dr. Jörg Krämer. According to Commerzbank's economists, the ECB will extend the PEPP bond purchase programme by six months up to the end of 2021 at least and increase the volume by €600bn to €1,950bn. While interest rate cuts are no longer expected, there should be a further increase in bond purchases in mid-2022.

With the prospect of a very expansive fiscal and monetary policy longer term, we will see continued asset price inflation. The ten-year German government bond yield, for example, is likely to remain in negative territory over the next two years, fluctuating around the -0.5% mark according to Commerzbank Research. The DAX is forecast to rise further in 2021 (year-end target: 14,200), even though the price-earnings ratio is already well above the ten-year average. "The fact that the loose monetary policy continues to spark off rising asset prices is because consumer price inflation is expected to remain low in the coming years," Dr. Jörg Krämer explains. Commerzbank's economists expect core inflation (inflation excluding energy, food and beverages) to average at just 0.8% in the coming year, although it will rise slightly temporarily once the wave of infection has subsided.

## Commerzbank Research forecasts

	2021	2022
<b>Euro area</b>	5,0	5,0
<b>Germany</b>	4,5	4,5
<b>Great Britain</b>	5,5	4,5
<b>USA</b>	4,0	3,5
<b>China</b>	8,0	5,0
<b>World</b>	5,2	3,7
<b>US Dollar (per Euro at year end)</b>	1,24	1,28

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## About Commerzbank

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