

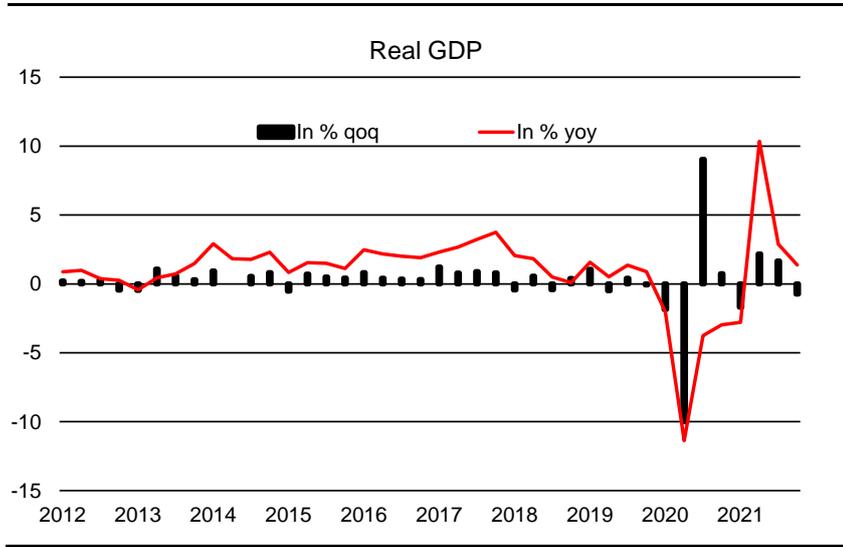
## German GDP: Technical recession likely followed by strong recovery

- German GDP shrank 0.7% qoq in 4Q21 (UniCredit: -0.7%; consensus: -0.3%). It was the first decline in economic activity since 1Q21. On a yoy basis, economic activity (adjusted for working days) still rose 1.4%. Compared to the pre-crisis level, real GDP was 1.5% lower than in 4Q19. Given some changes of historical readings, the figure for 2021 as a whole was revised upward a tad to 2.8% yoy from 2.7%.
- The major reason for the decline in real GDP at year-end 2021 has become a well-known pattern in the times of COVID-19. Since infection rates in the form of the Delta and Omicron variants surged again, restrictions have been tightened anew by the government and weighed on the services sector in the form of lower demand. Furthermore, private households became more cautious by themselves and refrained from going to restaurants, visiting theaters, etc. It is little wonder that private consumer expenditures were pretty weak in 4Q21 as also highlighted by the Federal Statistical Office (FSO) this morning. Given the persistent supply shortages, activity in the manufacturing and construction sector could not compensate for it, although companies have been sitting on a huge pile of backlog orders. The FSO said that investment activity in the construction sector even outright declined, while higher public consumption softened the blow to overall GDP.
- In our view, a renewed shrinking in economic activity in the first quarter is likely for the very same reasons: COVID-19 and supply shortages. In other words, Germany might not skirt a technical recession at the turn of the year. However, when looking at the latest business sentiment indicators, there seems to be light at the end of the tunnel. Given the usual lead-lag pattern between forward-looking expectations of companies and hard data, a strong increase in real GDP in the second quarter may be in the pipeline. This week's release of the Ifo survey for January showed that business expectations rebounded strongly after six consecutive declines. Interestingly, in all four major manufacturing sectors (auto, machinery, chemical and electrical engineering), there seems to be a turnaround in the making. Lo and behold, even the battered services sector has recently become more optimistic, probably in anticipation of declining infection rates in spring and the unloading of consumers' pent-up demand.
- Looking beyond the second quarter, we think that a strong and sustainable recovery in Germany inevitably requires a significant easing of supply shortages. Otherwise, companies in the manufacturing and construction sector cannot work off their backlog orders and restock their record-low inventories to a more normal level. Encouragingly, the latest survey data suggest a tentative easing of supply-side pressures. While it is still early days and risks certainly remain, this has recently been flagged by the suppliers' delivery times subcomponent of the manufacturing PMI.

In greater detail:

While real GDP shrank 0.7% qoq in 4Q21, the figures for the first half of 2021 were somewhat revised upward (1Q21: -1.7% from -1.9%; 2Q21: +2.2% from 2.0%;).

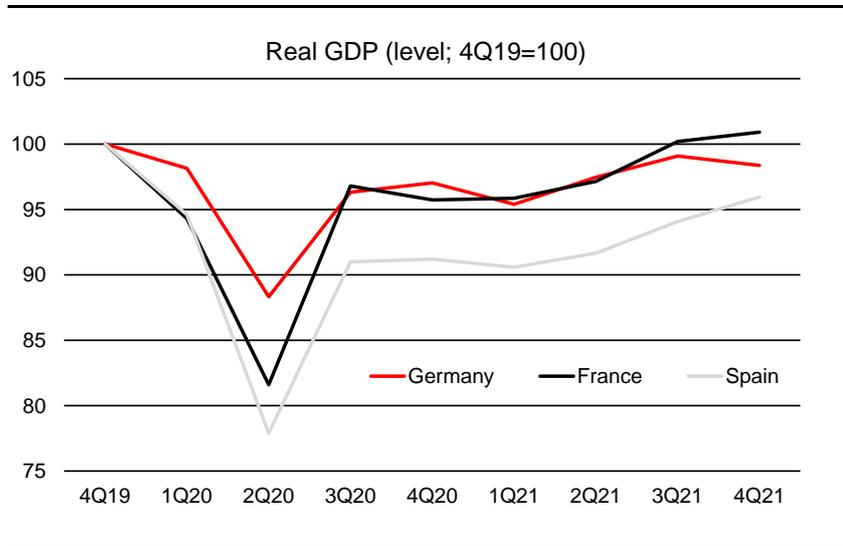
**CHART 1: DIP AT YEAR-END 2021**



Source: Federal Statistical Office, UniCredit Research

Compared to the pre-crisis level, German real GDP was still 1.5% lower than in 4Q19, while the French economy already exceeded it slightly (Spain: -4%).

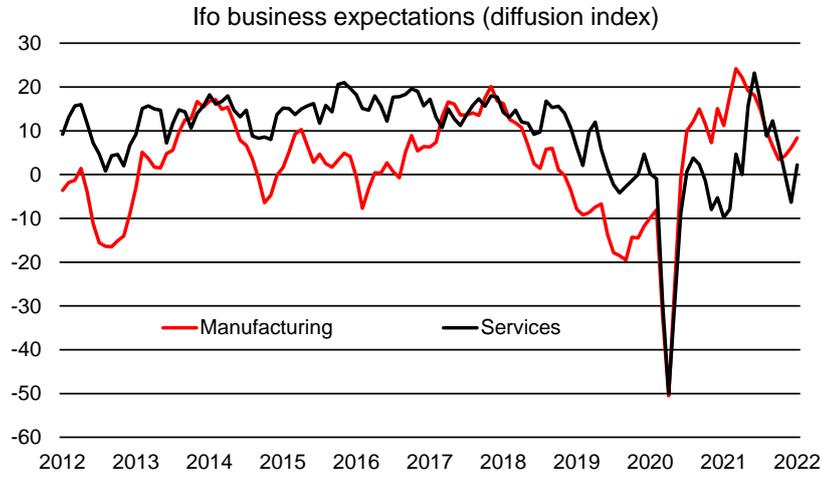
**CHART 2: GERMANY LAGGING BEHIND FRANCE**



Source: Federal Statistical Office, UniCredit Research

Business expectations of companies in the manufacturing and services sector improved in January 2022 but remained well below the levels in spring and early summer of last year.

**CHART 3: COMPANIES GETTING MORE OPTIMISTIC FOR FUTURE BUSINESS**



Source: Federal Statistical Office, UniCredit Research

**Dr. Andreas Rees**, Chief German Economist (UniCredit Bank, Frankfurt)  
+49 69 2717-2074  
[andreas.rees@unicredit.de](mailto:andreas.rees@unicredit.de)

## Legal Notices

### Glossary

A comprehensive glossary for many of the terms used in the report is available on our website: <https://www.unicreditresearch.eu/index.php?id=glossary>

### Disclaimer

Our recommendations are based on information obtained from or are based upon public information sources that we consider to be reliable, but for the completeness and accuracy of which we assume no liability. All information, estimates, opinions, projections and forecasts included in this report represent the independent judgment of the analysts as of the date of the issue unless stated otherwise. We reserve the right to modify the views expressed herein at any time without notice. Moreover, we reserve the right not to update this information or to discontinue it altogether without notice. This report may contain links to websites of third parties, the content of which is not controlled by UniCredit Bank. No liability is assumed for the content of these third-party websites.

This report is for information purposes only and (i) does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any financial, money market or investment instrument or any security, (ii) is neither intended as such an offer for sale or subscription of or solicitation of an offer to buy or subscribe for any financial, money market or investment instrument or any security nor (iii) as marketing material within the meaning of applicable prospectus law. The investment possibilities discussed in this report may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. The investments discussed may fluctuate in price or value. Investors may get back less than they invested. Fluctuations in exchange rates may have an adverse effect on the value of investments. Furthermore, past performance is not necessarily indicative of future results. In particular, the risks associated with an investment in the financial, money market or investment instrument or security under discussion are not explained in their entirety.

This information is given without any warranty on an "as is" basis and should not be regarded as a substitute for obtaining individual advice. Investors must make their own determination of the appropriateness of an investment in any instruments referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position. As this document does not qualify as an investment recommendation or as a direct investment recommendation, neither this document nor any part of it shall form the basis of, or be relied on in connection with or act as an inducement to enter into, any contract or commitment whatsoever. Investors are urged to contact their bank's investment advisor for individual explanations and advice.

Neither UniCredit Bank AG, UniCredit Bank AG London Branch, UniCredit Bank AG Milan Branch, UniCredit Bank AG Vienna Branch, UniCredit Bank Austria AG, UniCredit Bulbank, Zagrebačka banka d.d., UniCredit Bank Czech Republic and Slovakia, ZAO UniCredit Bank Russia, UniCredit Bank Czech Republic and Slovakia Slovakia Branch, UniCredit Bank Romania, UniCredit Bank AG New York Branch nor any of their respective directors, officers or employees nor any other person accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

This report is being distributed by electronic and ordinary mail to professional investors, who are expected to make their own investment decisions without undue reliance on this publication, and may not be redistributed, reproduced or published in whole or in part for any purpose.

This report was completed and first published on 28 January 2022 at 10:47.

#### Responsibility for the content of this publication lies with:

##### UniCredit Group and its subsidiaries are subject to regulation by the European Central Bank

- a) UniCredit Bank AG (UniCredit Bank, Munich or Frankfurt), Arabellastraße 12, 81925 Munich, Germany, (also responsible for the distribution pursuant to §85 WpHG). Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany.
- b) UniCredit Bank AG London Branch (UniCredit Bank, London), Moor House, 120 London Wall, London EC2Y 5ET, United Kingdom. Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany and subject to limited regulation by the Financial Conduct Authority, 12 Endeavour Square, London E20 1JN, United Kingdom and Prudential Regulation Authority 20 Moorgate, London, EC2R 6DA, United Kingdom. Further details regarding our regulatory status are available on request.
- c) UniCredit Bank AG Milan Branch (UniCredit Bank, Milan), Piazza Gae Aulenti, 4 - Torre C, 20154 Milan, Italy, duly authorized by the Bank of Italy to provide investment services. Regulatory authority: "Bank of Italy", Via Nazionale 91, 00184 Roma, Italy and Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany.
- d) UniCredit Bank AG Vienna Branch (UniCredit Bank, Vienna), Rothschildplatz 1, 1020 Vienna, Austria. Regulatory authority: Finanzmarktaufsichtsbehörde (FMA), Otto-Wagner-Platz 5, 1090 Vienna, Austria and subject to limited regulation by the "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany. Details about the extent of our regulation by the Bundesanstalt für Finanzdienstleistungsaufsicht are available from us on request.
- e) UniCredit Bank Austria AG (Bank Austria), Rothschildplatz 1, 1020 Vienna, Austria. Regulatory authority: Finanzmarktaufsichtsbehörde (FMA), Otto-Wagner-Platz 5, 1090 Vienna, Austria
- f) UniCredit Bulbank, Sveta Nedelya Sq. 7, BG-1000 Sofia, Bulgaria. Regulatory authority: Financial Supervision Commission (FSC), 16 Budapeshta str., 1000 Sofia, Bulgaria
- g) Zagrebačka banka d.d., Trg bana Josipa Jelačića 10, HR-10000 Zagreb, Croatia. Regulatory authority: Croatian Agency for Supervision of Financial Services, Franje Račkoga 6, 10000 Zagreb, Croatia
- h) UniCredit Bank Czech Republic and Slovakia, Želetavská 1525/1, 140 92 Praga 4, Czech Republic. Regulatory authority: CNB Czech National Bank, Na Příkopě 28, 115 03 Praga 1, Czech Republic
- i) ZAO UniCredit Bank Russia (UniCredit Russia), Prechistsenskaya nab. 9, RF-119034 Moscow, Russia. Regulatory authority: Federal Service on Financial Markets, 9 Leninsky prospekt, Moscow 119991, Russia
- j) UniCredit Bank Czech Republic and Slovakia, Slovakia Branch, Šancova 1/A, SK-813 33 Bratislava, Slovakia. Regulatory authority: CNB Czech National Bank, Na Příkopě 28, 115 03 Praha 1, Czech Republic and subject to limited regulation by the National Bank of Slovakia, Imricha Karvaša 1, 813 25 Bratislava, Slovakia. Regulatory authority: National Bank of Slovakia, Imricha Karvaša 1, 813 25 Bratislava, Slovakia
- k) UniCredit Bank Romania, Bucharest 1F Expozitiei Boulevard, 012101 Bucharest 1, Romania. Regulatory authority: National Bank of Romania, 25 Lipskani Street, 030031, 3rd District, Bucharest, Romania
- l) UniCredit Bank AG New York Branch (UniCredit Bank, New York), 150 East 42nd Street, New York, NY 10017. Regulatory authority: "BaFin" – Bundesanstalt für Finanzdienstleistungsaufsicht, Marie-Curie-Str. 24-28, 60439 Frankfurt, Germany and New York State Department of Financial Services, One State Street, New York, NY 10004-1511  
Further details regarding our regulatory status are available on request.

#### ANALYST DECLARATION

The analyst's remuneration has not been, and will not be, geared to the recommendations or views expressed in this report, neither directly nor indirectly. All of the views expressed accurately reflect the analyst's views, which have not been influenced by considerations of UniCredit Bank's business or client relationships.

#### POTENTIAL CONFLICTS OF INTERESTS

You will find a list of keys for company specific regulatory disclosures on our website <https://www.unicreditresearch.eu/index.php?id=disclaimer>.

#### RECOMMENDATIONS, RATINGS AND EVALUATION METHODOLOGY

You will find the history of rating regarding recommendation changes as well as an overview of the breakdown in absolute and relative terms of our investment ratings, and a note on the evaluation basis for interest-bearing securities on our website <https://www.unicreditresearch.eu/index.php?id=disclaimer> and <https://www.unicreditresearch.eu/index.php?id=legalnotices>.

#### ADDITIONAL REQUIRED DISCLOSURES UNDER THE LAWS AND REGULATIONS OF JURISDICTIONS INDICATED

You will find a list of further additional required disclosures under the laws and regulations of the jurisdictions indicated on our website <https://www.unicreditresearch.eu/index.php?id=disclaimer>.

E 20/1

## UniCredit Research\*

## Macro Research



**Marco Valli**  
Global Head of Research,  
Chief European Economist  
+39 02 8862-0537  
marco.valli@unicredit.eu



**Dr. Ingo Heimig**  
Head of Research Operations  
& Regulatory Controls  
+49 89 378-13952  
ingo.heimig@unicredit.de

## Head of Macro Research



**Marco Valli**  
Global Head of Research,  
Chief European Economist  
+39 02 8862-0537  
marco.valli@unicredit.eu

## European Economics Research



**Dr. Andreas Rees**  
Chief German Economist  
+49 69 2717-2074  
andreas.rees@unicredit.eu



**Dr. Loredana Federico**  
Chief Italian Economist  
+39 02 8862-0534  
loredanamaría.federico@unicredit.eu



**Stefan Bruckbauer**  
Chief Austrian Economist  
+43 50505-41951  
stefan.bruckbauer@unicreditgroup.at



**Tullia Bucco**  
Economist  
+39 02 8862-0532  
tullia.bucco@unicredit.eu



**Edoardo Campanella**  
Economist  
+39 02 8862-0522  
edoardo.campanella@unicredit.eu



**Walter Pudschedl**  
Economist  
+43 50505-41957  
walter.pudschedl@unicreditgroup.at



**Chiara Silvestre**  
Economist  
chiara.silvestre@unicredit.eu

## International Economics Research



**Daniel Vernazza, Ph.D.**  
Chief International Economist  
+44 207 826-7805  
daniel.vernazza@unicredit.eu

## EEMEA Economics Research



**Dan Bucsa**  
Chief CEE Economist  
+44 207 826-7954  
dan.bucsa@unicredit.eu



**Gökçe Çelik**  
Senior CEE Economist  
+44 207 826-6077  
gokce.celik@unicredit.eu



**Mauro Giorgio Marrano**  
Senior CEE Economist  
+43 50505-82712  
mauro.giorgiomarrano@unicredit.de



**Artem Arkhipov**  
Head, Macroeconomic Analysis  
and Research, Russia  
+7 495 258-7258  
artem.arkhipov@unicredit.ru



**Hrvoje Dolenc**  
Chief Economist, Croatia  
+385 1 6006-678  
hrvoje.dolenc@unicreditgroup.zaba.hr



**Dr. Ágnes Halász**  
Chief Economist, Head, Economics and  
Strategic Analysis, Hungary  
+36 1 301-1907  
agnes.halasz@unicreditgroup.hu



**Ľubomír Koršňák**  
Chief Economist, Slovakia  
+421 2 4950 2427  
lubomir.korsnak@unicreditgroup.sk



**Anca Maria Negrescu**  
Senior Economist, Romania  
+40 21 200-1377  
anca.negrescu@unicredit.ro



**Kristofor Pavlov**  
Chief Economist, Bulgaria  
+359 2 923-2192  
kristofor.pavlov@unicreditgroup.bg



**Pavel Sobíšek**  
Chief Economist, Czech Republic  
+420 955 960-716  
pavel.sobisek@unicreditgroup.cz

UniCredit Research, Corporate & Investment Banking, UniCredit Bank AG, Am Eisbach 4, D-80538 Munich, globalresearch@unicredit.de  
Bloomberg: UCCR, Internet: www.unicreditresearch.eu

MR 22/1

\*UniCredit Research is the joint research department of UniCredit Bank AG (UniCredit Bank, Munich or Frankfurt), UniCredit Bank AG London Branch (UniCredit Bank, London), UniCredit Bank AG Milan Branch (UniCredit Bank, Milan), UniCredit Bank AG Vienna Branch (UniCredit Bank, Vienna), UniCredit Bank Austria AG (Bank Austria), UniCredit Bulbank, Zagrebačka banka d.d., UniCredit Bank Czech Republic and Slovakia, ZAO UniCredit Bank Russia (UniCredit Russia), UniCredit Bank Romania.