

NON-RATING ACTION COMMENTARY

Global Economic Growth Was Better than Expected in 1Q23

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Fitch Ratings-London-28 April 2023: The global economy got off to a better than expected start in 2023 with growth significantly beating our forecasts for China and broadly matching expectations for the US and the eurozone, Fitch Ratings says in its latest '20/20 Vision'.

Growth in the larger eurozone countries exceeded expectations. In the US, growth slowed sharply from the previous quarter but consumption growth picked up. A combination of China's reopening, a significant easing of the natural gas crisis in Europe and a resilient US consumer accounted for the better outturns, as highlighted in the high-frequency indicators tracked in Fitch's '20/20 Vision' chart pack.

China's economy grew by 2.2% q/q, more rapidly than our forecast of 1.4% in March's Global Economic Outlook (GEO), driven by a strong rebound in both exports and consumption. The lifting of Covid-19 restrictions has resulted in a rapid recovery in the service sector and property sales have stabilised.

US headline growth of 0.3% q/q (non-annualised) was just below the 0.4% Fitch expected in March's GEO and half the 0.6% increase in 4Q22. In terms of the composition of US growth, strong consumption and a pick-up in exports were offset by a contraction in

investment, the fourth consecutive quarterly decline, and falling inventories.

The euro area grew by 0.1%, in line with the GEO. However, Italy and Spain exceeded our expectations, seeing strong gains of 0.5% (compared to -0.2% and zero, respectively, in the GEO), France recording a modest gain of 0.2% (0.1%) while Germany saw zero growth (-0.3%) after a quarterly contraction of 0.5% in 4Q22.

Fitch's bi-monthly '20/20 Vision' chart pack covers the 20 major economies (the Fitch20) that are the focus of Fitch's Economics team's global macro analysis and plots five years of high frequency economic data for 20 variables, with consistent coverage across each country.

'20/20 Vision – April 2023' is available at www.fitchratings.com or by clicking the link above.

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