

CESEE: Starker Rückgang der wirtschaftlichen Aktivität im Jahr 2020 gefolgt von einer zögerlichen Erholung

OeNB-BOFIT-Prognose für ausgewählte CESEE-Länder und Russland^{15,16}

Vor dem Hintergrund der Corona-Pandemie erwarten wir einen Rückgang der Wirtschaftsleistung in der **CESEE-6-Region** um -4,5% im Jahr 2020. Für 2021 und 2022 gehen wir von einer Erholung des Wirtschaftswachstums auf 3,0% bzw. 3,3% aus. Damit wird das Bruttoinlandsprodukt in beiden Jahren niedriger ausfallen als noch vor der Krise angenommen. Abgesehen vom öffentlichen Konsum werden alle Komponenten des BIP negativ zum Wachstum beitragen. Der Absturz des privaten Konsums und der Investitionen führt zu einem ausgeprägten Rückgang der inländischen Nachfrage, was sich auch dämpfend auf die Importe auswirken wird. Gleichzeitig werden aufgrund der Schwäche der internationalen Nachfrage auch die Exporte schrumpfen. Die erwartete Erholung für 2021 und 2022 wird von einer höheren Dynamik der Binnennachfrage aufgrund eines positiven Basiseffekts und der fiskal- und geldpolitischen Stimuli getrieben. Exporte und Importe werden sich ebenso erholen, die Außenwirtschaft wird aber weiterhin nicht substantiell zum Wachstum beitragen.

Die **Risiken** für die vorliegende Prognose sind hoch und meist abwärtsgerichtet. Die größten Risiken gehen von der weiteren Entwicklung der COVID-Infektionen in CESEE und auch international sowie von den möglichen Auswirkungen der Krise auf internationale Wertschöpfungsketten aus.

OeNB/BOFIT-BIP-Prognose 2020-2022 im Vergleich zum World Economic Outlook des IWF

	Eurostat/ Rosstat	OeNB/BOFIT April 2020				IWF World Economic Outlook April 2020			Differenzen zwischen OeNB und IMF		
	2019	2020	2021	2022	Prognose			2020	2021	2022	
	Jahreswachstum in %				in Prozentpunkten						
CESEE-6	3.9	-4.5	3.0	3.3	-4.9	4.8	..	0.4	-1.8	..	
Bulgarien	3.4	-6.4	4.3	3.7	-4.0	6.0	..	-2.4	-1.7	..	
Kroatien	3.0	-7.6	4.2	4.5	-9.0	4.9	..	1.4	-0.7	..	
Tschechien	2.5	-3.8	2.9	2.8	-6.5	7.5	..	2.7	-4.6	..	
Ungarn	4.9	-3.5	3.2	3.9	-3.1	4.2	..	-0.4	-1.0	..	
Polen	4.1	-4.3	2.8	3.3	-4.6	4.2	..	0.3	-1.4	..	
Rumänien	4.2	-4.9	2.7	3.1	-5.0	3.9	..	0.1	-1.2	..	
Russland	1.3	-3.0	2.0	1.8	-5.5	3.5	..	2.5	-1.5	..	

Anmerkung: saisonbereinigte Daten für 2019.

Quellen: OeNB/BOFIT-Prognose April 2020, IWF, Eurostat, Rosstat.

Die Corona-Pandemie und fallende Ölpreise haben sich erheblich auf die Wachstumsaussichten in **Russland**¹⁷ ausgewirkt. Die russische Wirtschaft wird laut BOFIT im Jahr 2020 um -3% schrumpfen, bevor sich das Wachstum im Jahr 2021 im Gleichklang mit der Weltwirtschaft und aufgrund steigender Staatsausgaben wieder erholen wird (+2%). Abwärtsrisiken für diese Prognose sind signifikant und beruhen vor allem auf der weiteren Entwicklung von Rohstoffpreisen und dem weiteren Verlauf von COVID-Infektionen.

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¹⁶ Stichtag für die dieser Prognose zugrunde liegenden Daten: 30. März 2020 Die Projektionen für die CESEE-6-Länder – Bulgarien, Kroatien, Polen, Rumänien, die Tschechische Republik, und Ungarn – wurden von der OeNB erstellt; jene für Russland wurden von der Bank of Finland in Kooperation mit der OeNB ausgearbeitet. Die Projektionen beruhen auf der Annahme einer achtwöchigen Dauer der Eindämmungsmaßnahmen im Euroraum, gefolgt von einer langsamen Erholung im weiteren Verlauf von 2020.

¹⁷ Die Ölpreisannahme der Bank of Finland bezieht sich auf Preisnotierungen für Brent-Terminkontrakte (Fünftagesdurchschnitt der Tagespreisnotierungen) mit Stichtag 3. April 2020. Annahmen über die zukünftige Entwicklung der Terminkontrakte für Brent-Rohöl deuten darauf hin, dass sich der Ölpreis während des dreijährigen Prognosezeitraums leicht erholen wird (von 36 USD je Barrel in 2020 auf 39 USD je Barrel in 2021 und 42 USD je Barrel in 2022).

OeNB projections for CESEE-6: coronavirus pandemic has fueled uncertainty and will lead to a broad-based decline in economic activity

The outbreak of the coronavirus in China and its development into a worldwide pandemic is deemed to be the largest crisis since the end of World War II by many European policymakers. This crisis has thoroughly altered the outlook for the CESEE economies. Even before the outbreak of the pandemic, a slowdown in economic momentum for the CESEE region was evident, given the U.S.-China trade conflict, shrinking world trade amid weaker global growth in general, and a sluggish performance in Germany. In the fourth quarter of 2019, average quarter-on-quarter growth in the CESEE-6 countries stood at 0.7%, the lowest level in three years. Nevertheless, at 3.9%, average growth for the whole year 2019 came in only moderately lower than in 2018 (4.4%).

Since the beginning of the year, and even more so in recent weeks and days, a completely new situation has been rapidly unfolding. At the cutoff date for this forecast, far-reaching economic restrictions have been imposed across CESEE and the duration, coverage and extent of these restrictions remains unclear. For several sectors of the economy, activity has been brought close to a standstill and a general economic recession is becoming inevitable. The question how deep the recession is going to turn out, however, is surrounded by an extraordinarily high degree of uncertainty.

First, there is still a lack of hard data for February and March that could provide facts on the impact of the coronavirus pandemic on CESEE economies and that could inform projections for the following quarters. One of the few available figures is the latest release of the European Commission's Economic Sentiment Indicator (ESI). The March reading of the indicator for the CESEE-6 countries came in at an average of 97.3 points, 3.6 points lower than in the previous months. While this represents the lowest value since early 2014, the drop in the euro area's ESI reading was even more pronounced (–8.9 points to 94.5 points). The comparatively low decline in the CESEE-6 countries could be related to the timing of the fieldwork for the survey (between February 26 and March 23); it cannot be ruled out that most survey responses were collected before strict containment measures were enacted.

Second, the duration of shutdown measures (and consequently the depth and duration of recession) is wide open and depends on how well people will comply with hygiene and social distancing requirements and on the subsequent development of coronavirus infections.

Third, national authorities have entered partly uncharted territory with the policy measures taken to contain the economic fallout from the crisis. The current crisis is unique in that it stems from a politically imposed almost complete reduction in economic activity for public health reasons, resulting in a drastic shortage of supply and a subsequent loss of demand. Against this backdrop, previous crises can only partly serve as a blueprint for finding an adequate policy mix and gauging the current situation's implications for near and medium-term economic developments.

Fourth, individual sectors of the economy will be affected to a very different degree. While sectors like tourism, arts, cultural, recreational and sports activities, as well as large parts of wholesale and retail trade are literally lying idle, other sectors are running at full speed (e.g. health care, trade of daily consumer goods). The composition of the slump in economic activity will therefore differ markedly from previous crises. We have reason to expect that private consumption will collapse to a much greater extent than in previous recessions and – on the supply side – the service sector will not be able to act as a stabilizing element.

Fifth, given the very nature of this crisis, a rather swift rebound in economic activity after the lifting of containment measures cannot be ruled out. As most CESEE economies entered the current downturn in generally solid economic shape without any major macroeconomic imbalances, impediments to kick-starting economic activity should, in principle, be low. However, a swift rebound crucially depends on a number of factors: how long the shutdown measures last (the longer they last, the more likely they will have an impact on the growth potential), whether disruptions of the global value chains are of a temporary or permanent nature and how the international environment will evolve. The major regions of the world economy are sequentially entering the shutdown phase and the question arises whether the lifting of related measures will occur simultaneously or in a more staggered approach.

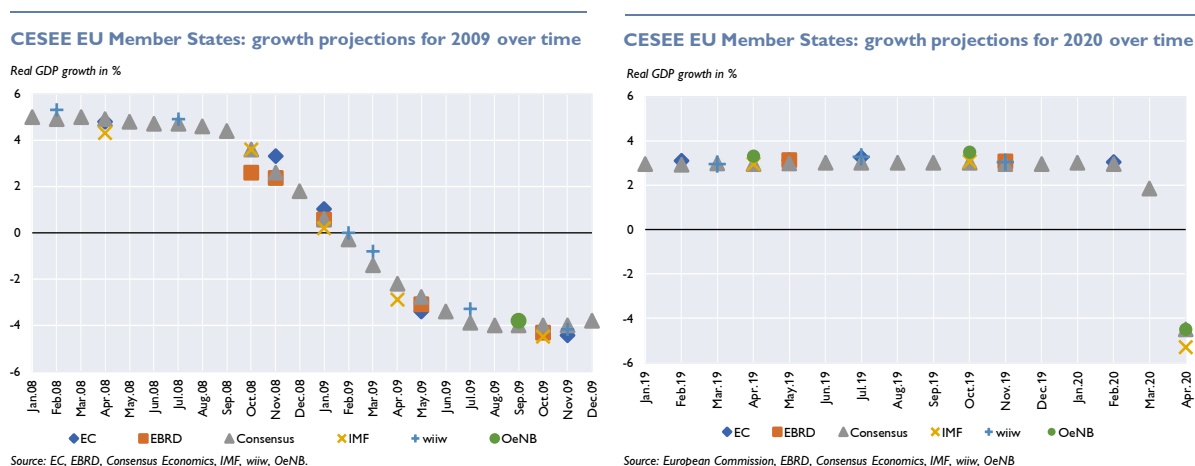
Decline in economic activity stronger than during great financial crisis

Given the lack of data available to capture the impact of the coronavirus pandemic, we assume a moderately negative shock to economic activity in the first quarter of 2020, a strongly negative shock in the second quarter of 2020 and, again, a moderately negative shock in the third quarter of 2020. Given positive base effects and catch-up effects buttressed by massive demand-side fiscal and monetary support, we have penciled in a moderately positive shock for 2021.

Against this backdrop, we project real GDP growth to decline to an average of -4.5% in 2020. This is a hard brake on economic activity compared to 2019 ($+3.9\%$). The projected recession will be even deeper than in the year 2009 at the height of the global financial crisis (-1.8%), mostly because the Polish economy will no longer act as a stabilizing anchor for the region. On the country level, we expect output to decline, with rates ranging from -3.5% in Hungary to -7.6% in Croatia. The response to the shock will strongly depend on idiosyncratic factors such as the availability of fiscal space and the specific structure of the economy.

In general, we are currently witnessing an unprecedented decline in growth projections for the CESEE region as is shown by a comparison of different forecast vintages. This is illustrated in chart 1, which shows projections for the year 2009 at different points in time compared to projections for the current year.

Chart 1



For the year 2021, we see a muted recovery to an average growth rate of 3.0% , mainly on the back of positive base effects and fiscal and monetary stimuli for the region. Furthermore, we penciled in a somewhat stronger rebound of investment spending as the financing periods of the EU multiannual financial frameworks for 2014–2020 and 2021–2027 overlap. However, the level of economic activity will remain notably below the baseline of our previous forecast, not least

given second-round effects of the recession (e.g. higher unemployment, weaker wage growth and a deterioration in consumer confidence). Real GDP growth will return to positive levels in all CESEE-6 countries in 2021 and range from 2.7% in Romania to 4.3% in Bulgaria.

Economic dynamics in 2022 will be very much like those expected in 2021, with an average real GDP growth rate of 3.3% and a broadly similar range of outcomes at the country level as in the previous year.

Broad-based recession in 2020 affecting all GDP components

The downturn in 2020 will be broadly based and encompass all components of GDP except for public consumption. The largest negative growth contributions will come from private consumption, but gross fixed capital formation will have a largely equal negative impact on growth in Romania and Poland. In line with weaker projections for euro area import growth, CESEE-6 export growth will also substantially lose steam in 2020. Given the high import content of exports and fading domestic demand, however, we also project a strong decline in import growth. This translates into a roughly neutral growth contribution of the external sector.

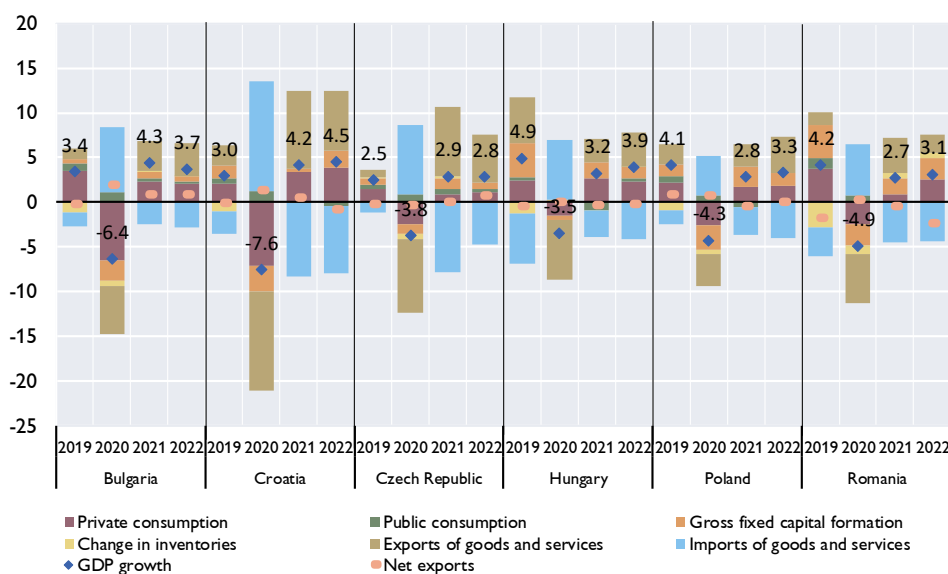
Comparing these trends with the experience of the 2009 recession, we expect a broadly similar decline of investments but a much larger contraction of private consumption in the current year than back then. Furthermore, the external sector will not act as a stabilizing element as it did in 2009, as the collapse of imports will not be more pronounced than the collapse of exports according to our projections. (Import growth in the global financial crisis had come down from very high and partly unsustainable levels.)

The recovery in 2021 and 2022 will be just as broadly based as the downturn in 2020, with all components of domestic demand bolstering GDP growth. The growth contribution of net exports will remain about neutral, as both, export and import growth are set to accelerate. Compared to 2009, we project a stronger rebound of domestic demand on the back of comprehensive monetary and fiscal measures and a larger base effect.

Chart 2

CESEE-6: GDP and GDP components

GDP contributions in percentage points, year-on-year GDP growth in %



Note: Realized data for 2019, projections for 2020 to 2022.

Source: Eurostat, OeNB.

Risks to projections are extraordinarily high and mostly tilted to the downside

As outlined above, the current situation is surrounded by an unusually high degree of uncertainty. Therefore, the risks to our CESEE-6 forecast are high and crucially depend on the accuracy of the assumed shocks our projections are based on.

The most important risk relates to the duration of the shutdown measures. Far-reaching restrictions to economic activity beyond the second quarter of 2020 represent the most important downside risk to our forecast. A quicker lifting of restrictions than assumed in our scenario represents an upside risk to our forecast. Furthermore, the possibility of repeated waves of infections (and shutdown measures) until the development of a vaccine also is a downward risk that could alter the outlook for 2021 and 2022.

Certainly, economic growth of the world economy, in general, or the euro area, in particular, could turn out higher (or lower) than assumed in our baseline scenario and would thus translate into higher (or lower) growth prospects for the CESEE-6 countries. A better than expected coordination of the international policy response to the approaching recession represents an upward risk to our projections. In our overall risk assessment, however, we conclude that the risks to external demand are tilted to the downside. The U.S.A. – the largest economy of the world and an important component of final demand for CESEE products – are currently developing into a hot spot of the coronavirus pandemic and infection is spreading at alarming speed. The U.S.A. have so far been rather reluctant to fight the spread of the virus, but the introduction of more full-fledged (European style) measures is becoming more likely. At the European level, there are still many uncertainties regarding the future relationship between the U.K. and the EU.

The coronavirus crisis could potentially accelerate the process of de-globalization that we have been witnessing in recent years and thus impact negatively on supply as well. The closing of European (and international) borders, the ensuing interruption of the free flow of goods and people and the consequent scarcity of supplies that are vital to our economies and health-care systems (the most prominent example being protective masks) could lead to a reconsideration of the current international division of labor. A shift or a complete dismantling of global production chains would be especially harmful for CESEE, as the region is tightly interwoven in such structures. However, in the medium term, the region could also benefit from a reallocation of production capacities from more remote destinations to Europe and closer to European consumer markets given the still existing wage advantage vis-à-vis Western Europe.

The CESEE-6 countries' ability to manage a quick economic recovery after the acute phase of the crisis might be impaired by a permanent loss of productive capacity, following waves of bankruptcies and surging unemployment. A shift in demand patterns and/or a substantial sectoral restructuring would render previous investment decisions and qualifications obsolete and thus cause notable hysteresis effects. While policy measures are being introduced to avoid such a scenario, it still represents a downside risk especially for the years 2021 and 2022.

Governments throughout CESEE are trying to shield companies, workers and households from the most severe consequences of the coronavirus-induced economic slump by lending fiscal support, which will lead to higher public debt. A drastic tightening of global financial conditions and/or the deterioration of sentiment could impinge on (re)financing this debt. The same is true for other European countries, especially those with already high debt levels. If the solvency of a core member of the euro area should be at risk, a general loss of confidence in the single currency could not only have detrimental effects on the euro area but also on the CESEE region. This represents a negative tail risk.

BOFIT-OeNB projection for Russia: Russian economy set to contract in 2020

Russia's GDP growth slowed down last year to 1.3% due to lower growth in private consumption resulting from the hike in value-added tax and because of shrinking exports. The coronavirus pandemic and falling oil prices have seriously eroded prospects for the Russian economy. Thus, we expect Russia's growth to turn negative this year, reaching -3%. Growth is expected to revive next year as the outlook for the global economy recovers and Russia's public sector spending rises further. The risk of a weaker than expected outcome is significant due to the uncertainty on commodity markets and effects of the coronavirus pandemic.

If the weakening of the global economy remains temporary, Russia is expected to stick to current spending plans. Under the approved 2020–2022 budget framework, public sector spending will increase by 6% to 7% a year in nominal terms. With the current oil price outlook, however, the net deficit will turn negative this year. Russia's ability to deal with external shocks is supported by the Russian government's comfortable financial position. The Russian government carries little debt (14% of GDP), but U.S. sanctions restrict its ability to borrow internationally. Russia has also built up its sovereign wealth fund again. The National Welfare Fund now holds about USD 150 billion in liquid assets (9% of GDP). So far public sector support measures related to the coronavirus situation have been relatively limited in terms of spending and realized within the current budget framework, but additional measures may be decided.

Consumption is expected to contract this year hampered by slower economic activity and measures to contain the coronavirus pandemic. Recent ruble depreciation is likely to increase inflation and thus reduce purchasing power. In addition, consumption growth will be restrained

by lower growth in consumer credit due to tighter regulation. In coming years, consumption growth is expected to pick up, supported by a gradual rise in incomes, including planned increases in social spending. Fixed investment recovered slightly last year, growing by slightly more than 1%. Fixed investment is expected to decline substantially this year due to the deteriorating economic outlook over the near term; notably, private sector capital formation is expected to decline sharply, whereas public sector investment may slightly increase, with the government attempting to push forward national projects. Fixed investment should then gradually pick up in the coming years as spending on national projects gets into full swing.

Russian exports contracted by 2% in 2019 for the first time in decades. Much of the contraction was due to a decline in metal and grain exports. Exports are expected to contract even more this year due to the weakness in the global economy. Exports should recover gradually next year as demand returns. Russian imports grew moderately last year supported by ruble appreciation. Imports are expected to fall substantially this year, constrained particularly by ruble depreciation from lower oil prices. Imports should also be dampened by investment demand's public sector focus, which favors domestic suppliers. In addition, imports of tourism services will fall substantially due to the coronavirus pandemic.

In the current situation, forecasting risks are exceptionally high. Russia's economic development may turn out considerably weaker if the coronavirus pandemic is prolonged and oil prices fall further for an extended period. Russia, however, has the capacity to soften the impact of negative shocks through government support. The planned referendum on changes to the Russian constitution and the State Duma elections in 2021 could also create pressure to increase public sector spending. In addition, a stronger than expected fall in imports could mitigate the GDP contraction.