CESEE: Tiefste Rezession seit der Transformation, Aufschwung mit erheblichen Unsicherheiten behaftet – Russland: Graduelle Erholung der Volkswirtschaft

OeNB-BOFIT-Prognose für ausgewählte CESEE-Länder und Russland[3,4]

*Das Wirtschaftswachstum in der **CESEE-6 Region** wird 2020 um 5,0 % einbrechen. Wir erwarten eine moderate Erholung von 3,8 % im Jahr 2021 und von 3,6 % im Jahr 2022. Im Jahr 2020 wird der private Konsum das BIP-Wachstum in allen CESEE-6-Ländern aufgrund von Lockdown-Maßnahmen, tatsächlichen und erwarteten Einkommensverlusten sowie der großen Verunsicherung der Haushalte stark bremsen. Für 2021 und 2022 gehen wir von einer allmählichen Erholung aus. Ähnlich sieht es bei der Entwicklung der Bruttoanlageinvestitionen aus. Im Einklang mit unseren Annahmen über das Euroraum-Importwachstum werden die Exporte im Jahr 2020 in allen CESEE-6-Ländern stark einbrechen. Die anschließende Erholung wird etwas gedämpft ausfallen. Das Importwachstum der CESEE-6 Länder wird 2020 aufgrund der geringeren Inlandsnachfrage und des geringeren Bedarfs von Importen für die Exportgüterproduktion negativ sein. Ab 2021 werden sich das Import- und das Exportwachstum deutlich erholen. Im Gegensatz zur globalen Finanzkrise wird der Beitrag der Nettoexporte im Jahr 2020 in fast allen CESEE-6-Ländern – insbesondere in Kroatien und Ungarn – negativ sein. Nur für Polen erwarten wir einen positiven Wachstumsbeitrag der Nettoexporte. Ab 2021 rechnen wir mit einem positiven Beitrag der Nettoexporte in den meisten CESEE-6-Ländern.*

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

	Eurostat/ Rosstat	OeNB/BOFIT Oktober 2020			IWF World Economic Outlook Oktober 2020			Differenz zwischen OeNB und IWF		
	2019	2020	2021	2022	2020	2021	2022	2020	2021	2022
	Jahreswachstum in %									
CESEE-6	3.9	−5.0	3.8	3.6	−4.8	4.6	4.2	−0.2	−0.8	−0.7
Bulgarien	3.4	−5.3	4.3	3.4	−4.0	4.1	3.7	−1.3	0.2	−0.3
Kroatien	3.0	−8.6	4.9	4.1	−9.0	6.0	4.4	0.4	−1.1	−0.3
Tschechische Rep.	2.3	−5.3	2.3	3.7	−6.5	5.1	4.3	1.2	−2.8	−0.6
Ungarn	4.9	−6.3	5.2	3.3	−6.1	3.9	4.0	−0.2	1.3	−0.7
Polen	4.2	−4.2	4.1	3.6	−3.6	4.6	4.5	−0.6	−0.5	−0.9
Rumänien	4.1	−4.9	3.3	3.6	−4.8	4.6	3.9	−0.1	−1.3	−0.3
Russland	1.3	−4.0	2.4	2.2	−4.1	2.8	2.3	0.1	−0.4	−0.1

Quelle: Eurostat, IWF, Rosstat, OeNB/BOFIT Prognose.

*Die **Risiken** unserer Prognose sind überwiegend abwärtsgerichtet. Unsere Prognose ist von einem außergewöhnlich hohen Maß an Unsicherheit im Zusammenhang mit der weiteren Entwicklung der Pandemie, sowohl in den CESEE-6 Ländern als auch in den wichtigsten Handelspartnern der Region geprägt. Mit der Blockade Ungarns und Polens des EU-Finanzpaketes bestehen große Unsicherheiten auch hinsichtlich des zukünftigen EU-Budgets und den daraus resultierenden Finanzmitteln für die CESEE-6-Länder.*

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[4] Stichtag für die dieser Prognose zugrunde liegenden Daten: 29. September 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. Alle Annahmen beruhen auf den Annahmen der September 2020 Macroeconomic Projection Exercise (MPE) für den Euroraum der EZB.

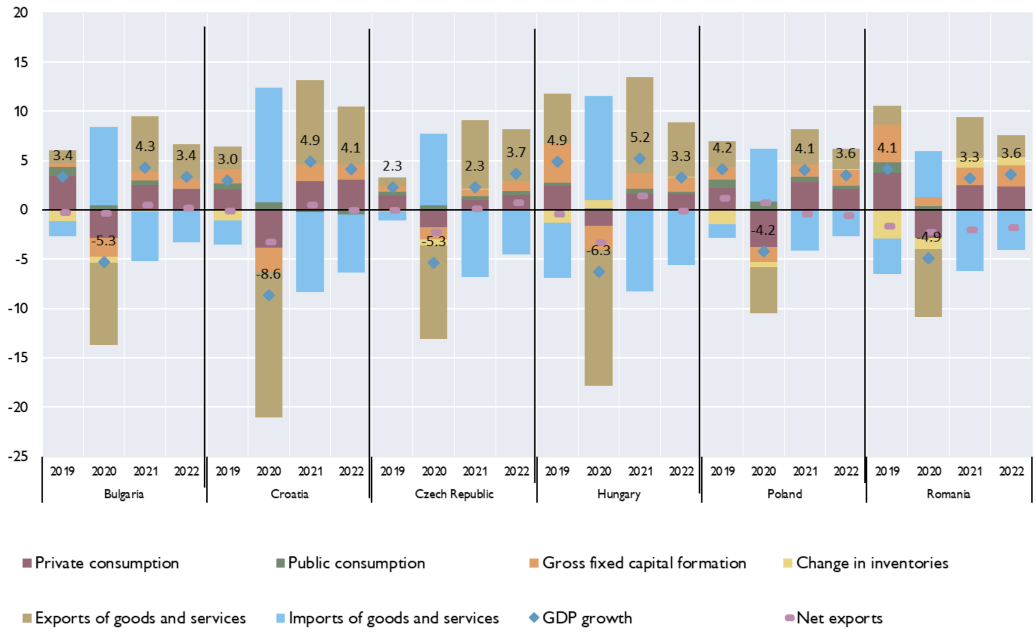
*Die Wirtschaft **Russlands**[5] wird 2020 sowohl von den Auswirkungen der COVID-19 Pandemie als auch von Entwicklungen auf den Rohstoffmärkten negativ getroffen. 2020 wird das reale BIP um 4 % schrumpfen, 2021 wird ein moderates Wachstum erwartet (2,4 %). Die Risiken sind überwiegend abwärtsgerichtet und erwachsen aus der anhaltenden Unsicherheit über die Pandemieentwicklung und den Entwicklungen auf den Rohstoffmärkten.*

OeNB projections for CESEE-6: unprecedented crisis with severe growth impact

Against the background of negative economic growth in the first half of 2020, we expect real GDP growth in the CESEE-6 to amount to a GDP-weighted average of –5.0% in 2020.[6] Annual full-year growth in 2020 will be lower than GDP growth in the first half of 2020 in most CESEE-6 countries. The opposite is the case for the Czech Republic due to already negative growth in the first quarter of 2020 (–1.9% annually). For the third quarter of 2020, we expect a strong rebound in particular in Croatia and the Czech Republic (by 7.5% and 7.9%, respectively, quarter on quarter) that will compensate for some losses recorded in the second quarter of 2020. This development is in line with euro area growth, for which a strong rebound in the third quarter of 2020 is part of our external assumptions. In 2020, growth will be weakest in Croatia (–8.6%) and the economic deterioration will be most contained in Poland (–4.2%).

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.

[5] Die Ölpreisannahme der Bank of Finland basiert auf dem Durchschnitt für Öl-Futures-Kontrakte für zehn Tage vor dem 14. September 2020. Demnach wird sich der Ölpreis während des dreijährigen Prognosezeitraums leicht erholen (von 42 USD je Barrel in 2020 auf 45 USD je Barrel in 2021 und 48 USD je Barrel in 2022).

[6] In our baseline, we assume that the COVID-19 pandemic will be contained or that there will be some form of treatment (e.g. vaccination) around mid-2021. Furthermore, we assume that no full lockdown will be enacted in the CESEE-6 over our projection horizon. Regarding EU funds, the EU multiannual financial framework (MFF) for the period from 2021 to 2027 will be in place while the Next Generation EU (NGEU) framework for the period from 2021 to 2026 is not part of our baseline.

In 2021, average economic growth in the CESEE-6 region will come to 3.8%, and for 2022, we expect some leveling off to 3.6%. Countries with the strongest slump in 2020 (namely Croatia and Hungary) will see the strongest recovery next year, with growth rates reaching around 5%. For the Czech Republic, however, we foresee a rather subdued recovery for country-specific reasons. For the CESEE-6 average, GDP losses are expected to be compensated only in the course of 2022.

Accommodative monetary policy to continue but challenges ahead

So far, monetary policy has been accommodative in the CESEE-6, also in reaction to needs related to the COVID-19 crisis. However, inflation rates have started to accelerate recently, which might challenge the central banks of inflation-targeting countries (i.e. the Czech Republic, Hungary, Poland). Furthermore, the growth of credit to the private sector has weakened since the beginning of the COVID-19 crisis both for households and corporates, and therefore is expected to provide limited support for economic activity at the moment.

Tighter fiscal stance from 2021 onward

With regard to fiscal policy, we still assume a positive impetus for the economy, in particular until the end of 2020. Measures in reaction to the crisis have been implemented in all CESEE-6 countries (even so, they varied in size relative to GDP) and have put severe strain on public finances. Therefore, we assume a tighter fiscal stance from 2021 onward. Against this backdrop, the first round of policy measures taken to dampen the economic fallout from the COVID-19 crisis is unlikely to serve as a blueprint for a second round of policy measures if needed.

COVID-19 crisis weighs strongly on private consumption

For the CESEE-6 average, private consumption will decline by more than 5% in 2020, with the strongest slumps by more than 6% projected for Croatia and Poland. As private consumption is an important growth contributor, this reduction will significantly burden CESEE-6 GDP growth. For 2021 and 2022, we expect private consumption growth to recover and to contribute positively to growth. Importantly, the base effect will help lift private consumption growth into positive territory in 2021, with growth being strongest in countries that experienced the strongest decline. However, there will also be negative carry-over effects from 2020 that will weigh on private consumption, in addition to income losses and the uncertainty of households. In the Czech Republic, private consumption growth will be particularly low compared to other CESEE-6 countries in 2021 for various reasons, such as very little support from fiscal or regulatory policy from 2021 onward.

Public consumption growth is expected to contribute positively to GDP growth in all CESEE-6 countries in 2020. However, despite support packages for households and corporates, public consumption growth will weaken, compared to previous years, in all countries with the exception of Croatia and the Czech Republic, both of which have introduced relatively sizable support packages. In 2021 and 2022, public consumption growth in the CESEE-6 countries will slow down further compared to 2020, possibly due to limited fiscal space. Only in Hungary will growth gain speed because of carry-over effects from 2020 and the upcoming parliamentary elections.

Gross fixed capital formation will be negative in 2020 in all CESEE-6 countries with the notable exception of Romania. The drop will be strongest in Poland (–7.6% in 2020, following a growth rate of above 7% in 2019). In Romania, gross fixed capital formation accelerated by 16% in 2019 and is expected to come to 3.5% in 2020 due to a good first half of the year. The lockdown in

spring 2020 meant a temporary standstill for many projects in CESEE-6. Furthermore, an uncertain future, financial constraints or shortage of labor from abroad due to travel restrictions (particularly in the construction sector) will reduce investment activity visibly in 2020. For 2021, we foresee a recovery, which will also be based on EU funds. The recovery will be muted, though, by tightening financing conditions, a rising number of bankruptcies and idle capacities.
Our export growth projections are in line with the MPE assumption on euro area imports. Accordingly, export growth will collapse in 2020 in all CESEE-6 countries, with growth figures ranging between –30.5% in Croatia (here, the service sector including tourism exports weighs on growth) and around –14% in Hungary and Romania. Importantly, due to weaker global demand, export growth had already lost some steam in a number of CESEE-6 countries prior to the COVID-19 crisis. Most CESEE-6 countries are strongly integrated in supply chains, especially of the automotive sector, which has been particularly strongly hit by the crisis. For 2021 and 2022, we expect a rather modest recovery in line with assumptions on euro area imports. Import growth in the CESEE-6 will turn negative in 2020 due to both weaker domestic demand and lower export growth, given the high import content of traded goods. In 2021, both imports and exports will recover. In sharp contrast to the global financial crisis ten years ago, the contribution of net exports in 2020 will be clearly negative in all CESEE-6 countries, particularly in Croatia and Hungary (reaching –3.2 and –3.3 percentage points, respectively). Only for Poland we do expect a positive contribution of net exports in the current year. From 2021 onward, we expect the contribution of net exports to become slightly more favorable in most CESEE-6 countries.

Risks to CESEE-6 projections point downward

Currently, the most striking risk to our forecast – namely an increased spreading of the coronavirus in the CESEE-6, accompanied by renewed lockdown measures – is materializing in more and more instances. The Czech Republic e.g. already returned to a state of emergency in early October 2020, after the number of cases of COVID-19 infections had accelerated strongly. However, we do not expect such broad-based lockdown measures as in spring 2020. Still, the so-called second wave presents a severe downside risk to our forecast for the last quarter of 2020 and early 2021. Measures to support the economy will cushion some of the negative impacts but we do not foresee any far-reaching support comparable to what we saw during the first wave, given diminishing fiscal and monetary policy space. On the upside, a containment of the spreading of the coronavirus, new ways of reducing the dangers of COVID-19 infections, e.g. by some new treatment, or the availability of vaccination earlier than in mid-2021 (as assumed in our baseline) would improve our outlook for 2021 and 2022.

Economic growth in the CESEE-6 countries depends largely on economic growth in their trading partners. Therefore, higher (lower) growth of the world economy or of the euro area, in particular, than assumed in our baseline scenario would translate into higher (lower) growth prospects for the CESEE-6. However, we see downside risks to external growth due to the negative impacts of an emerging second wave of COVID-19 infections in the CESEE-6 trading partners. In all euro area countries, COVID-19 infection rates have recently increased strongly, with some hotspots emerging, such as France and Spain. Infection rates are now on the rise also in Germany, one of the most important trading partners of the CESEE-6.

On the upside, the CESEE-6 countries would benefit particularly strongly, compared to other EU countries in relation to their GDP, from the July European Council agreement on the EU recovery instrument Next Generation EU (NGEU) for the period from 2021 to 2026 and the multiannual financial framework (MFF) for the period from 2021 to 2027. However, Hungary and Poland, two of the largest net recipients of EU funds in relation to their GDP, have blocked the proposal for the new EU budget (MFF and NGEU). It is currently unclear (1) whether the EU budgetary package 2021-2027 will be adopted this year, (2) when the concrete pay-outs can start in 2021 and (3) to which extent the available funds can be absorbed domestically. Better-than-assumed usage of the MFF could lift our projections. In any case, the likely overlap of projects in 2021 and 2022 stemming from the current and the future MFF period could stimulate investment more strongly than expected in some, but not all countries.

However, different points of view in several political areas, such as migration or climate policy, open and deepen trenches between the EU and some CESEE-6 countries. Furthermore, some CESEE-6 countries' deficiencies in aligning with the EU's democratic standards are challenging these countries' relations with other EU members and present a downside risk for the countries concerned if the EU were to condition the pay-out of EU funds on respecting the rule of law. This could also pose a more general downside risk to all CESEE-6 countries if potentially affected countries vetoed the NGEU.

Regarding Brexit, it is still unclear how the agreement between the EU and Great Britain will be designed after transitional regulations will expire in mid- 2021. A hard Brexit cannot be ruled out and could likely impact our growth projections negatively, especially via trade disruptions.

In the context of international trade, disruptions in supply chains could last longer and leave deeper traces than assumed. On the other hand, a relocation of production to European countries in the process of shortening supply chains could also give a positive impetus to trade in the CESEE-6 region. Concerning the automotive sector, a slower-than-assumed recovery resulting from a combination of the COVID-19 crisis-related containment measures and climate-related policies would impact several CESEE-6 countries more strongly than expected.

On the national level, there are political risks, e.g. in Bulgaria, where strong opposition against political elites has been on the rise. More generally, demonstrations against potential new lockdown measures cannot be ruled out, either.

Second-round effects of the COVID-19 crisis are difficult to assess and present a downside risk to our forecast. In our view, additional risks to our baseline projections – namely risks arising from the phasing-out of loan moratoria, wage support, short-time work schemes, tax deferrals or other measures implemented to protect households and companies from the immediate consequences of the coronavirus induced slump – seem contained overall. In our baseline, we assume a gradual and well-communicated phasing-out of these support measures as is suggested by recent extensions and a more stringent targeting of moratoria and support schemes in many countries. However, an unexpected or too early phasing-out could result in a stronger-than-expected increase in nonperforming loans, lower credit activity or a stronger rise in unemployment. Furthermore, a high degree of uncertainty may prevail among economic agents, both for households and corporates, which might result in higher-than-assumed precautionary saving or in lower-than-assumed investment activity.

Russian economy expected to recover gradually

Russia's GDP is expected to contract by 4% this year and to return to moderate growth rates of 2.4% in 2021 and 2.2% in 2022. The Russian economy has had to endure the combined effects of the COVID-19 pandemic and an upheaval in oil markets. Preliminary figures suggest that Russian GDP contracted by 8% year on year in the second quarter of 2020 and by 3.4% year on year in the first half of 2020. As the COVID-19 pandemic has eased in Russia and other countries since spring and the situation in commodity markets has stabilized, we expect the Russian economy to recover gradually. Yet, with renewed high infection rates in late September and early October in Russia, the recovery may be subdued in the months ahead.

Private consumption has been a major factor behind Russia's sharp GDP contraction. The lockdown and other restrictions implemented to deal with the spread of the coronavirus have cut consumption substantially. Consumption is also restricted by a strong decline in real disposable income and by increased unemployment. Since the lifting of most COVID-19 restrictions, a brisk recovery in private consumption appears to be underway. The recovery in consumption is expected to continue through the end of this year, but slowly and gradually.

Preliminary data show that fixed investment declined by 6% year on year in the first half of 2020. Uncertainty about the future makes firms reluctant to invest in new capital projects. Despite monetary policy easing, the sharp drop in corporate profits in the first half of this year has made the financing of investment more difficult for firms. Public-sector investment is constrained as some spending for investment is being redirected to social issues to relieve the economic impact of the COVID-19 pandemic on households.

The volume of Russian exports shrank in the first half of this year as the COVID-19 pandemic chewed through the global economy. In the second quarter of 2020, the volume of exports, however, already posted a slight growth even in annual terms. The improvement in goods exports has been supported by the brisk recovery of the Chinese economy. Russian exports should come back gradually and grow modestly next year as global commodity demand slowly revives. Russian imports are expected to fall substantially this year on the back of a contraction in domestic demand. In particular, the COVID-19 pandemic has caused a spectacular collapse in tourism abroad. In addition, the depreciation of the Russian ruble has dampened import developments. Imports should return to modest growth next year.

The three-year budget framework for the period from 2020 to 2022, which was approved by the Russian cabinet prior to the COVID-19 pandemic, anticipated increases in government spending. As the pandemic grinds on, budget spending is to be raised further this year to support the economy. With a substantial decline in budget income, government finances should finish 2020 deeply in the red. The government will cover some of the deficit with money set aside from oil earnings in the National Welfare Fund and by increasing domestic debt. From the start of next year, however, fiscal policy is planned to moderate again, reducing the supportive effect of public spending on the economy.

Oil market and COVID-19 infection rates mark crucial risks to our Russia forecast

Also, our forecast for Russia is subject to large downside risks. If the COVID-19 pandemic or the oil market situation worsen significantly, Russia's economic outlook may deteriorate substantially. On the other hand, the recovery of the Russian economy could be slightly stronger if consumption resumes faster or if fixed investment falls more slowly than expected as households' and companies' perceptions of the economic outlook improve. Longer-term growth remains limited by the Russian economy's structural challenges. As yet, there is no evidence that the Russian authorities intend to move ahead with major reforms which would be needed to tackle the country's structural economic issues such as inadequate property protection, corruption and the state's oversized footprint in the economy.