

CESEE: Starke Investitionsdynamik im Jahr 2019 gefolgt von Wachstumsabschwächung 2020 und 2021 - Anhaltend gedämpftes Wachstum in Russland

OeNB-BOFIT-Prognose für ausgewählte CESEE-Länder und Russland^{6,7}

Für die **CESEE-6-Region** erwartet die OeNB eine Abschwächung des BIP-Wachstums von 4,4% im Jahr 2018 auf 3,9% im Jahr 2019. Für die Jahre 2020 und 2021 wird von einer weiteren Verlangsamung auf 3,5% bzw. 3,2% ausgegangen. Trotz einer gewissen Abschwächung wird auch in den nächsten Jahren ein starkes Wachstum des privaten Konsums zu beobachten sein. In Bezug auf die Entwicklung der Bruttoanlageinvestitionen wird für das Jahr 2019 ein dynamisches Wachstum erwartet, gefolgt von einer Abkühlung. Im Einklang mit den eingetrübten Aussichten für das Importwachstum im Euroraum wird sich das Exportwachstum der CESEE-6-Länder im Jahr 2019 abschwächen, in weiterer Folge aber ebenso wie das Importwachstum im Euroraum wieder an Fahrt gewinnen. Auch für das Importwachstum der CESEE-6-Region wird für 2019 mit einem leicht gedämpften Wachstum gerechnet, das sich 2020 und 2021 erholen wird. Das geringste Wachstum wird im Jahr 2019 für Kroatien und die Tschechische Republik erwartet, während Ungarn und Polen die höchsten Wachstumsraten unter den CESEE-6-Ländern verzeichnen werden. Die Risiken für die Wachstumsaussichten ergeben sich hauptsächlich aus dem außenwirtschaftlichen Umfeld und sind eher abwärtsgerichtet.

OeNB/BOFIT-BIP-Prognose 2019-2021 im Vergleich zum World Economic Outlook des IWF

	Eurostat/ Rosstat	OeNB/BOFIT Oktober 2019			IWF World Economic Outlook Oktober 2019			Differenzen zwischen OeNB und IMF		
	2018	2019	2020	2021	2019	2020	2021	2019	2020	2021
	Jahreswachstum in %				Prognose			in Prozentpunkten		
CESEE-6	4,4	3,9	3,5	3,2	3,8	3,1	2,8	0,1	0,4	0,4
Bulgarien	3,3	3,5	3,3	3,1	3,7	3,2	3,0	-	-	-
Kroatien	2,6	2,8	2,6	2,6	3,0	2,7	2,5	-	-	-
Tschechien	2,9	2,7	2,7	2,6	2,5	2,6	2,6	0,2	0,1	0,0
Ungarn	5,1	4,4	3,3	3,5	4,6	3,3	2,9	-0,2	0,0	0,6
Polen	5,2	4,3	3,9	3,5	4,0	3,1	2,7	0,3	0,8	0,8
Rumänien	4,2	4,1	3,3	2,8	4,0	3,5	3,0	0,1	-0,2	-0,2
Russland	2,3	1,0	1,8	1,6	1,1	1,9	2,0	-0,1	-0,1	-0,4

Anmerkung: saisonbereinigte Daten für 2018.

Quellen: OeNB/BOFIT-Prognose Oktober 2019, IWF, Eurostat, Rosstat.

Für Russland⁸ wird für 2019 ein BIP-Wachstum von 1,0% und für 2020 eine schwache Erholung auf 1,8% prognostiziert, bevor 2021 schließlich ein Rückgang auf 1,6% erfolgt. Der Privatkonsum dürfte angesichts

⁶ Autorin: Antje Hildebrandt (Abteilung für die Analyse wirtschaftlicher Entwicklungen im Ausland)

⁷ Stichtag für die dieser Prognose zugrunde liegenden Daten: 20. September 2019 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. Sämtliche Projektionen beruhen auf den Annahmen der von Expertinnen des Eurosystems erstellten gesamtwirtschaftlichen Projektionen für das Euro-Währungsgebiet vom September 2019.

⁸ Die Ölpreisannahme der Bank of Finland bezieht sich auf Preisnotierungen für Brent-Terminkontrakte (Zehntagesdurchschnitt der Tagespreisnotierungen) mit Stichtag 16. September 2019. Annahmen über die zukünftige Entwicklung der Terminkontrakte für Brent-Rohöl deuten darauf hin, dass sich der Ölpreis während des dreijährigen Prognosezeitraums leicht rückläufig von 64 USD je Barrel (2019) auf 59 USD je Barrel (2020) bzw. 57 USD je Barrel (2021) entwickeln wird.

stagnierender Realeinkommen und geringerer Wachstumsraten bei Konsumkrediten nur leicht steigen. Für den Prognosezeitraum werden keine wesentlichen Reformen zur Verbesserung des Investitionsklimas für private Unternehmen erwartet. Deutliche Wachstumsbelebungen dürften daher eher dem relativ mäßigen Anstieg der öffentlichen Ausgaben und Investitionen zuzuschreiben sein. Da sich die weltweiten Konjunkturaussichten im Vergleich zum Frühjahr 2019 eingetrübt haben, ist kaum mehr mit externer Unterstützung für das russische Wirtschaftswachstum zu rechnen. Aufwärts- und Abwärtsrisiken dieser Prognose sind mehr oder weniger ausgeglichen.

OeNB CESEE-6 forecast: continued softening of economic growth over the next years

The CESEE-6 countries grew by 4.2% annually in the first half of 2019. Hence, GDP growth was somewhat smaller than in the same period of 2018. Across the region, GDP growth surprised on the upside compared to our spring 2019 projections. This was particularly the case for Hungary and Romania, but also for Croatia. For the second half of 2019, GDP growth is projected to weaken moderately in most CESEE-6 countries and to remain unchanged in Bulgaria and the Czech Republic as the unexpectedly strong momentum of gross fixed capital formation in several CESEE-6 countries loses some steam. Furthermore, private consumption growth is expected to moderate. Due to deteriorating external demand on the back of continued global trade tensions, export growth is forecast to decline even further in the course of 2019. For the full year of 2019, GDP growth will amount to 3.9%, before moderating to 3.5% in 2020 and further to 3.2% in 2021.

Monetary policy to remain overall accommodative

Our assumptions regarding the monetary policy stance in the CESEE-6 countries remain more or less unchanged compared to our last forecast of spring 2019. Accordingly, we assume that a no-change policy is the most likely scenario for both 2019 and 2020. In this context, lending activity in the CESEE-6 continues to develop dynamically (less so in Croatia, where lending to the corporate sector, in particular, is rather sluggish). Generally, good financing conditions continue to be supportive for private consumption and gross fixed capital formation.

Fiscal policy in the CESEE-6 region is rather neutral or expansionary

Currently, fiscal policy is rather neutral or expansionary in the CESEE-6 countries. In Poland, upcoming elections in 2019 have already caused some fiscal slippage. Furthermore, tax cuts are on the agenda in 2020. After the collapse of the Romanian government at the end of August 2019 due to political turbulence, new elections will only be held in 2020. We therefore expect Romania to implement required fiscal consolidation measures at a later stage with a new government in office (currently, the country is subject to the EU's significant deviation procedure). In Croatia, the Czech Republic and Hungary, we expect fiscal policy to be neutral or slightly expansionary in 2019, and to possibly become more restrictive toward the end of the forecast horizon. Bulgaria maintains its cautious fiscal policy stance.

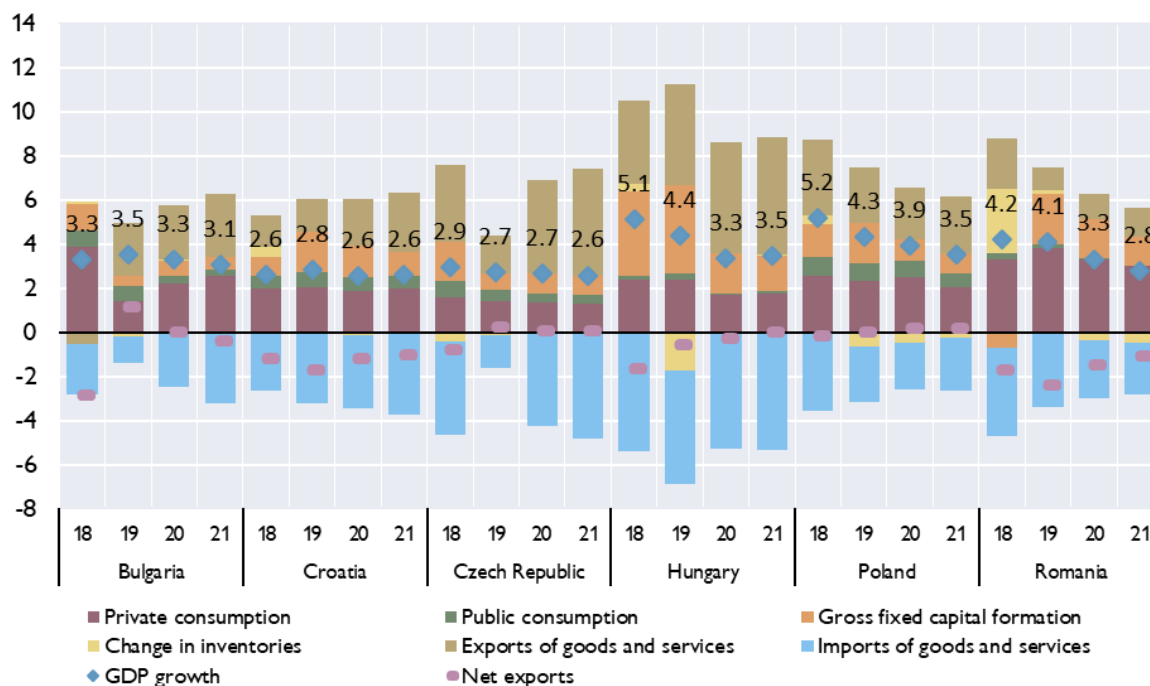
Private consumption growth will remain strong

Despite some moderation over the projection horizon, private consumption growth will generally remain strong. One key factor contributing to this development is certainly the remarkable situation on the labor market with record-low unemployment rates. Furthermore, policy makers in the CESEE-6 countries have implemented (or plan to implement) more or less expansionary policy measures targeting consumers, which provides an additional boost to private consumption growth. Only in Bulgaria we observe a sharp drop in private consumption growth

in 2019 where – apart from a high base effect – consumer mood is leveling off somewhat in 2019. We expect that public consumption growth for the full year of 2019 will develop as it did in the first half of 2019. Thereafter, we forecast some moderation in all CESEE-6 countries, largely driven by consolidation needs.

CESEE-6: GDP and GDP components (realized data for 2018, projections for 2019 to 2021)

Percentage points, year-on-year GDP growth in %



Source: Eurostat, OeNB.

Investment activity driven by EU funds

In most CESEE-6 countries, i.e. in Croatia, Hungary, Poland and Romania, gross fixed capital formation is expected to be very strong in 2019 but to lose steam thereafter. In Hungary, for instance, growth rates exceeded 19% year on year in the first half of 2019 (after 16.5% for the full year of 2018). We expect growth rates to moderate only slightly to 16.2% for the full year of 2019, before decreasing further to below 7% in 2020. In Croatia, investment growth is projected to more than double to 8.5% in 2019 (from 4.1% in 2018), and to decelerate both in 2020 and 2021. In general, accelerated investment activity in 2019 is largely driven by a strong use of EU funds within the EU's multiannual financial framework for the period from 2014 to 2020. However, funds are available for up to two more years after the end of a funding period. To our knowledge, some countries (particularly Hungary) will have invested most of the available funds by end-2019, whereas other countries (e.g. Croatia) will still have a large scope for using funds from the current framework. Therefore, we expect the strong impact of EU funds on investment growth to prevail in some countries over the forecast horizon. In Hungary and Romania, investment growth is also supported by elevated (residential) construction activity. We expect construction activity to generally remain buoyant over the projection horizon, given strong demand for residential construction largely due to favorable income prospects as well as supportive financing conditions and housing subsidies in some countries. In Bulgaria and the Czech

Republic, in contrast, gross fixed capital formation is expected to drop significantly in 2019 compared to 2018, as was already indicated by weak results for the first half of 2019. Apart from a base effect, the weakening in investment activity can be largely explained by deteriorating export prospects which made investors more reluctant to invest. For both 2020 and 2021, however, we expect fixed investment growth to recover somewhat in Bulgaria and the Czech Republic.

Dampened export growth on average in the CESEE-region

In 2019, we project slumping export growth on average in the CESEE-6, which is in line with weakening import growth projections for the euro area. Export growth will be particularly dampened in the Czech Republic, Poland and Romania (and will remain unchanged in Hungary) in 2019. The pattern is somewhat different for Bulgaria and Croatia, where export growth will accelerate in 2019 compared to 2018. In both countries, base effects play a role. Furthermore, in the case of Bulgaria, we see some orientation toward export markets outside the euro area, and in the case of Croatia, export growth is supported by another good tourist season. In all CESEE-6 countries (except in Croatia), import growth will moderate in line with weaker domestic demand in 2019. In some countries, especially in Bulgaria and the Czech Republic, imports will gain speed thereafter. For Poland and Romania, we expect a weakening of import growth over the projection horizon, while import growth is forecast to remain robust in Hungary throughout all three years.

In 2018, the contribution of net exports to growth was negative in all CESEE-6 countries. This picture will change in 2019. In fact, we expect the contribution of net exports to turn positive in Bulgaria and the Czech Republic, to become neutral in Poland, and to narrow in Croatia and Hungary. Only for Romania we expect a widening of the gap. For the remainder of the forecast horizon, we expect a further improvement of net contributions in most countries along with a recovery in export growth.

CESEE-6: risks mostly stem from external developments

Risks to our CESEE-6 forecast are mainly due to external developments that cause a high degree of uncertainty in several areas. Certainly, economic growth of the world economy, in general, or the euro area, in particular, could turn out higher (lower) than assumed in our baseline scenario and would thus translate into higher (lower) growth prospects of the CESEE-6 countries. In our overall risk assessment, however, we conclude that the risks to global economic growth and euro area growth – and eventually to our CESEE-6 projections – are slightly tilted to the downside for several reasons:

First, there is still a high risk that trade tensions between the U.S. and its major trading partners will escalate further. This would shake the world economy and would have negative spillover effects on the mostly small, open and highly integrated CESEE-6 economies.

Second, at the EU level, there are still many uncertainties regarding the conditions under which the U.K. will leave the EU. Several options are under discussion; yet, a messy Brexit with unknown implications for both the U.K. and the EU remains a possible outcome. In any case, the CESEE-6 will be negatively affected in several ways, both directly and indirectly. Most obviously, a disorderly Brexit would harm trade flows within the EU and may have implications for financial stability. Furthermore, Brexit will have a negative impact on the EU's new multiannual financial framework for 2021–2027 as this will be the first EU budget without U.K.'s net contribution. However, this effect will only materialize toward the end of the projection horizon.

Third, new geopolitical risks in the Middle East are emerging, such as those caused by the drone attacks on key oil facilities in Saudi Arabia, one of the largest oil producers in the world, in mid-September 2019. The resulting damage destabilized oil markets across the world and resulted in a sudden jump in oil prices. Despite moderating thereafter, more volatile oil prices may harm the world economy. Moreover, risks persist that the conflicts in the Middle East may spread to other parts of the world, which would severely affect global growth. This would also have adverse effects on the CESEE-6.

Major domestic risks are predominately related to the developments in the CESEE-6 labor markets. Labor shortage is omnipresent not only in all countries but also in almost all sectors. The manufacturing sector, in particular, which is essential for the region's foreign trade, suffers from the lack of a skilled workforce, and thus from the ensuing negative consequences for economic growth. Capacity constraints limit production in a sufficient and timely manner, wage pressures have already started to erode competitiveness in several countries, and foreign investors are more and more likely to be discouraged from investing in countries with obvious labor shortages and prospects of rising wages. While current labor shortages are factored into our baseline, they could become more pronounced, which would tilt the countries' risk profile to the downside. Furthermore, rising wages could feed through to inflation, resulting in higher-than-anticipated monetary tightening, which we consider as a downside risk. On the positive side, further strains on the labor markets could also translate into higher real disposable income fueled by stronger wage growth, which would push private consumption beyond the expected levels.

As discussed in our previous forecast, some sector-specific risks prevail in some CESEE-6 countries. In the Czech Republic and in Hungary, in particular, economic growth is strongly linked to the automotive sector. To remain competitive, these economies therefore have to e.g. react to new technological requirements for the automotive sector or fulfill new emission standards. One minor sector-specific risk relates to adverse weather conditions that could harm the economic growth of CESEE-6 countries with a comparatively large agricultural sector (mainly Poland and Romania).

Non-economic internal risks also prevail in some CESEE-6 countries. Further increases in populist tendencies could erode investor confidence and discourage foreign investors. So far, however, political tendencies have not noticeably undermined investor confidence. Overall, we therefore regard political developments in the CESEE-6 as a minor downside risk to our growth projections.

There are also several upside risks to our GDP growth forecast. As mentioned before, higher-than-expected global economic growth and euro area growth, in particular, could boost exports and eventually GDP growth of the CESEE-6 countries even more than currently projected. Furthermore, there may be a stronger use of EU funds than expected (this upside risk is mostly relevant for our forecasts for Bulgaria, Croatia and Romania as the other CESEE-6 countries already feature high absorption rates). Lastly, Brexit may go off without a hitch.

Russia: state investment projects slightly boost the pace of economic growth

We forecast GDP to grow by 1.0% in 2019 and to recover slightly to 1.8% in 2020, before reverting to a growth rate of 1.6% in 2021. Fluctuations in global commodity markets continue to influence the pace of Russia's economic expansion, even if the country has ample fiscal buffers to sustain even a significant decline in export prices. Our first basic assumption is that Russia will continue to pursue its current economic policies geared to achieving macroeconomic stability and

economic independence. This implies restrained growth in public sector expenditures, the accumulation of excess revenues in the National Welfare Fund, and a continuation of the inflation targeting of the central bank. Economic independence implies favoring domestic products and services over imports as well as maintaining policies that restrict imports. Our second basic assumption relates to global oil prices (see footnote 3). Additionally, we assume that there will be no major shifts in EU-Russia or U.S.-Russia relations. While the current sanctions regime is expected to remain in place, we do not see either side imposing new wide-ranging restrictive measures or removing existing ones.

Private consumption growth in 2018 was supported by a rise in real wages and a very rapid increase in consumer credit, both of which are losing steam. Our baseline only allows for a relatively modest increase in public spending and a more pronounced, albeit temporary, expansion of public investments over the forecast period. The size of the National Welfare Fund increased above the threshold of 7% of GDP in August 2019 and may rise further (based on still relatively high oil prices), allowing for some of the funds to be invested in domestic projects. We do not, however, expect a significant investment boost based on these funds.

Despite brisk growth in fixed investments in 2018, the level of investments (as a ratio to GDP) is still lower than in late 2014. In the first half of 2019, investment growth only came to 0.6% year on year, pointing to a significant slowdown in fixed investment growth. Given the high base effect in the second half of 2018, we do not expect substantial growth for the full year of 2019. In both 2020 and 2021, many of the projects envisaged in Russia's National Projects Program should proceed to the implementation phase, giving a boost to fixed capital formation. We do not expect any real and sustained changes in the investment climate during the forecast period. Uncertainties and lack of structural reforms will hamper private investments.

Russia's export and, above all, import developments have been very volatile in recent years. Overall economic growth was supported by rapid growth in export volumes both in 2017 and 2018. In contrast, early 2019 saw a decline in exports. While a further surge in volumes of Russia's biggest export commodities (crude oil, petroleum products and natural gas) is unlikely, ramping up liquefied natural gas (LNG) production on the Yamal peninsula, the opening of a new gas pipeline to China and rapid growth in certain metal industry exports could sustain export growth in both 2020 and 2021. Given modest growth in domestic demand, import growth is likely to remain weaker than export growth, implying a small positive growth effect from net exports over the entire forecast period.

Upside and downside risks to the Russian forecast are relatively balanced

Due to the floating exchange rate and adherence to its fiscal rule, Russia's economic performance has become less dependent on oil price movements. However, large changes in the price of Russia's top export commodity remain hugely important. Any significant rise or drop in crude oil prices will be reflected in the ruble exchange rate, thereby affecting Russia's financial markets, cost of investment funding and net exports.

The sanctions imposed by the West have had a distinctly negative impact, particularly on Russia's financial markets. Amid the ever-present risk of a flare-up in geopolitical tensions, new sanctions or threats of new sanctions would undoubtedly have a negative, albeit relatively small, impact on Russia's medium-term growth outlook.

We expect government expenditure and fixed investment to grow modestly. If the government budget rule is relaxed or a significant share of the National Welfare Fund is used for

domestic projects, investment growth could accelerate temporarily toward the end of the forecast horizon. Industrial capacity utilization remains extremely high and unemployment is historically low, underlining the need for new investments.

As in the previous forecasts, the largest source of uncertainty relates to net exports as forecasting Russian export volumes has proven to be quite a challenge. Changes in import volumes largely depend on domestic demand and import prices which, in turn, depend on the ruble exchange rate.