

OeNB-BOFIT-Prognose für ausgewählte CESEE-Länder: Konjunkturrückgang in der CESEE-6-Region erreicht, stabiles aber mäßiges Wachstum in Russland³

Für die **CESEE-6-Region** (Bulgarien, Kroatien, Polen, Rumänien, die Tschechische Republik und Ungarn) erwarten wir für 2018 ein durchschnittliches jährliches BIP-Wachstum von 3,9%, das sich 2019 und 2020 auf 3,4% bzw. 3,1% abschwächen wird. Mit den höchsten Wachstumsraten wird im gesamten Prognosezeitraum für Polen und Rumänien gerechnet, mit den niedrigsten für Kroatien. Das Wachstum der privaten Konsumausgaben bleibt kräftig, wird sich allerdings über den Prognosezeitraum verlangsamen. Lohnzuwächse im öffentlichen Sektor führen dazu, dass in den meisten Ländern die öffentlichen Konsumausgaben 2018 im Vergleich zu 2017 zulegen werden. Das Investitionswachstum bleibt auch 2018 äußerst robust, was zum großen Teil mit einer starken Nutzung von EU-Mitteln zu erklären ist. Außerdem könnte angesichts des hohen Kapazitätsauslastungsgrads und des akuten Arbeitskräftemangels eine verstärkte private Investitionstätigkeit mit dem Ziel einer erhöhten Automatisierung und Roboterisierung einsetzen. Die Exporttätigkeit profitiert aktuell von der günstigen Entwicklung im Euroraum. Allerdings ist über den Prognosezeitraum angesichts der zu erwartenden allmählichen Abschwächung der Wirtschaftsdynamik im Euroraum mit einer Verlangsamung zu rechnen. Wir gehen weiterhin von einem soliden Importwachstum aufgrund der robusten inländischen Nachfrage aus. Die Abwärtsrisiken haben sich seit Herbst 2017 deutlich verstärkt und gehen sowohl von nationalen als auch globalen Faktoren aus.

Für **Russland** rechnen wir für 2018 mit einem BIP-Wachstum von 1,8%, das in den Folgejahren auf 1,6% (2019) bzw. 1,5% (2020) zurückgehen wird. Die Konsumausgaben der privaten Haushalte werden moderat ansteigen. Für die öffentlichen Ausgaben wird angesichts neuer Fiskalregeln ein relativ langsames Wachstum prognostiziert. Die Anlageinvestitionen werden steigen, da der relativ veraltete Kapitalstock des Landes Ersatzinvestitionen notwendig macht und die Produktionskapazitäten bereits an ihre Grenzen stoßen. Das Wachstum des russischen Exportvolumens wird sich verlangsamen und infolge der Verringerung des Exporteinnahmewachstums wird sich die Erholung der Importe auch abflachen. Die jüngsten US-Sanktionen haben die Abwärtsrisiken für die aktuelle Prognose stark erhöht. Die Ölpreisentwicklung stellt ein fortwährendes jedoch derzeit ausgeglichenes Risiko dar, da der Ölpreis einerseits durch Ausweitung des Angebotes (etwa durch US-Fracker) oder Abflachung der Weltkonjunktur schwächeln könnte, andererseits durch aufflammende geopolitische Konflikte (z.B. Iran) steigen könnte.

OeNB-BOFIT BIP-Prognose für 2018-2020 im Vergleich zu anderen Prognosen

	2017	2018			2019			2020		
	Eurostat/ Rosstat	OeNB Apr 18	IWF Apr 18	wiiw Mär 18	OeNB Apr 18	IWF Apr 18	wiiw Mär 18	OeNB Apr 18	IWF Apr 18	wiiw Mär 18
	Jahreswachstum in %									
CESEE-6	4,8	3,9	4,1	3,9	3,4	3,3	3,4	3,1	2,9	3,3
Bulgarien	3,7	3,5	3,8	3,6	3,2	3,1	3,5	3,0	2,8	3,4
Kroatien	2,8	2,9	2,8	2,7	2,9	2,6	3,0	2,9	2,4	3,0
Tschechien	4,6	3,5	3,5	3,5	3,2	3,0	3,2	3,2	2,5	3,2
Ungarn	4,2	3,5	3,8	3,8	3,0	3,0	2,6	2,6	2,6	1,7
Polen	4,6	4,0	4,1	3,8	3,5	3,5	3,5	3,3	3,0	3,3
Rumänien	6,8	4,5	5,1	4,7	3,7	3,5	3,8	3,2	3,1	4,2
Russland	1,5	1,8	1,7	1,8	1,6	1,5	1,6	1,5	1,5	1,6

Anmerkung: saisonbereinigte Daten für 2017.

Quelle: OeNB-BOFIT Prognose April 2018, Eurostat, Rosstat, wiiw.

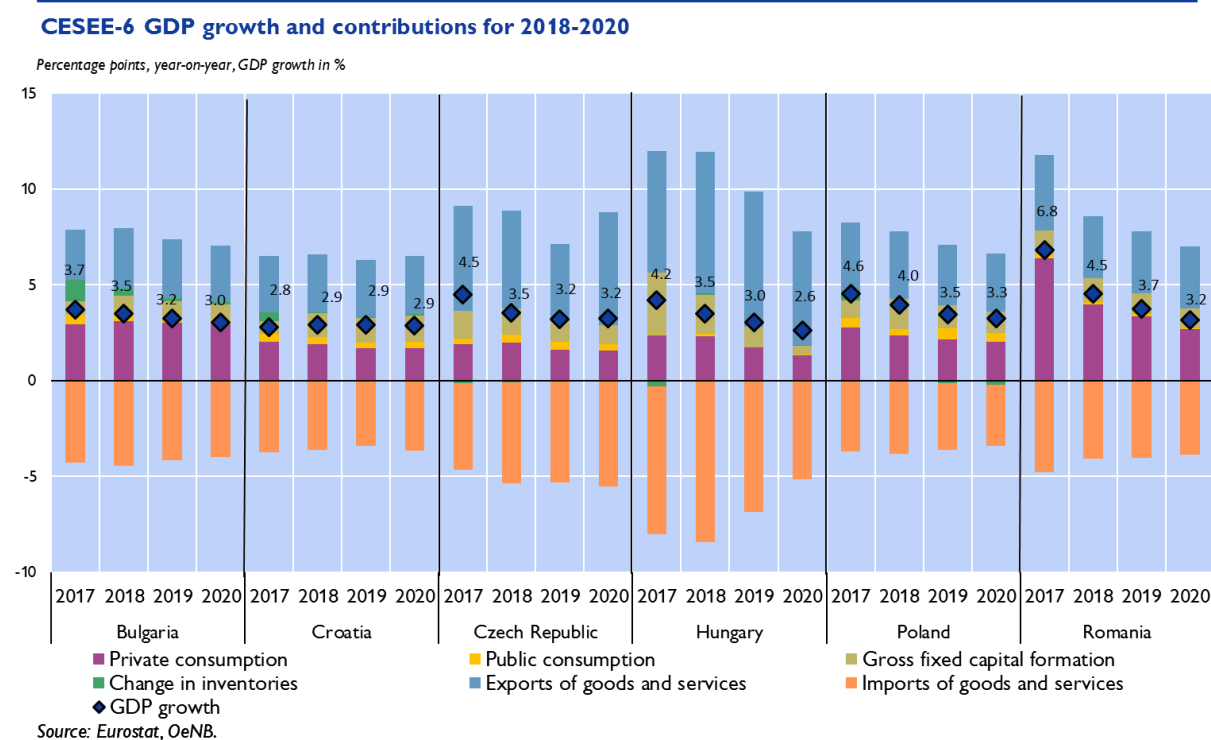
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1 OeNB CESEE-6 forecast: favorable internal and external economic conditions

We predict GDP growth in the **CESEE-6 countries**⁴ to reach 3.9% per annum in 2018 and to moderate to 3.4% and 3.1% in 2019 and 2020, respectively. Throughout the projection horizon, Poland and Romania will be the growth leaders, while Croatia will see the lowest growth rates (below 3%). Economic growth is broad based, benefiting from favorable internal and external conditions: strong wage growth supports private consumption, favorable financing conditions for households and corporates underpin lending, and the inflow of EU funds supports gross fixed capital formation especially in 2018. In addition, the growth prospects for the euro area – the main trading partner of the region – have been revised upward since our last forecast. Downside risks to the outlook for CESEE emanate from both domestic and global factors and have increasingly been building up. Despite strong growth momentum on the back of strong euro area growth, income convergence with the euro area will slow down to 1.4 to 1.5 percentage points over the forecast horizon from 2.3 percentage points in 2017.

GDP and GDP components (realized data for 2017, projections for 2018 to 2020)

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



Sentiment indicators confirm the overall optimistic economic momentum in the CESEE-6 region

Consumer confidence improved further over the last months: Favorable labor market conditions combined with fiscal stimuli in some countries boosted consumer confidence. In Romania, however, consumer optimism declined somewhat in early 2018, possibly reflecting uncertainties about future political developments. A similar pattern has become apparent in the overall economic sentiment indicator, where we see very favorable assessments for all CESEE-6 countries except for Romania. In a similar vein, industrial sentiment is generally very upbeat. The development of leading indicators is largely consistent with economic sentiment and confirms the overall positive outlook for the region. Retail growth continues to be robust. Similarly, industrial

⁴ CESEE-6: Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania.

production remains strong over the last months despite some slight moderation in early 2018 in some countries. In Croatia, however, industrial output growth turned negative at the end of November 2017.

Very tight labor markets are increasingly becoming a mixed blessing in terms of economic growth

Unemployment rates have continuously been moving downward. The unemployment rate in the Czech Republic, the country with the lowest rate by far, fell to 2.4% in early 2018 (according to the EU Labor Force Survey). Croatia features the highest unemployment rate in the CESEE-6 but rates have meanwhile moved below 10% for the first time after the economic and financial crisis. Strong labor demand pushed up wages across the region. Moreover, minimum wage hikes and public wage increases in several countries provided a further boost to labor costs. Clearly, higher incomes are supportive of private consumption. However, the lack of (skilled) labor and high capacity utilization rates have increasingly been emerging as a major bottleneck for economic growth. This has been most visible in the Czech Republic, where the vacancy rate in industry accelerated further – to 4.4% – at the end of 2017. This rate is considerably higher than in peer countries or in the euro area. Furthermore, the employment rate is above 70% in the Czech Republic suggesting that there is little room for job creation. By contrast, in the remaining CESEE-6 countries, employment rates are below the euro area average of 66.6% (2016). In addition, as in the case of Poland, inward migration alleviates the problem of labor shortage to some extent.

Monetary policy expected to remain rather accommodative

The overall accommodative monetary policy stance is expected to prevail over the projection horizon despite somewhat stronger inflationary pressures. The CESEE economies are operating close to full capacity. The Czech National Bank (in 2017 and 2018) and the National Bank of Romania (in 2018) increased their key policy rates several times. However, until now most of the inflation-targeting central banks project that their countries' inflation rates will remain within the target bands over the coming months. Only in Romania inflation has already surpassed the target, but the National Bank of Romania expects a return within the target band toward the end of 2018. Additionally, (still) favorable financing conditions and ongoing progress in cleaning up the balance sheets of banks supports lending activity. The Czech Republic and Romania report the highest credit growth rates (in particular of household loans) in the region. Croatia was the only CESEE country not to report an expansion of the credit stock, despite some recovery in credit dynamics.

No noticeable fiscal tightening so far

Positive economic growth prospects have not induced noticeable fiscal tightening so far, despite high (and rising) structural deficits in some CESEE-6 countries. Romania's lax fiscal stance induced the European Commission to issue an early warning already in May 2017 to prevent the opening of an excessive deficit procedure. However, according to Romania's 2018 budget, the government is planning another year of procyclical fiscal policies. In Hungary, we expect a weakening of public consumption over the forecast horizon following accelerated public spending ahead of parliamentary elections in April 2018. For Poland, we do not foresee a strictly counter-cyclical fiscal policy stance over the projection horizon. In the remaining CESEE-6 countries, the fiscal stance is rather neutral or restrictive.

Strong private consumption growth to continue

Against this background private consumption will remain strong over the projection horizon, but some emerging developments may have a dampening effect. We expect wages to continue to grow robustly in light of favorable economic conditions, but some moderation will take place due to the strained labor market and base effects from earlier (substantial) minimum wage increases.

Furthermore, stronger inflationary pressure will lower real disposable income. This will be particularly noticeable in Romania in 2018. In addition, the higher wage bill will not translate into proportionally higher consumption growth because a comparatively smaller share of income is expected to be used for consumption purposes and a larger share is going into savings.

Mixed picture for public consumption growth

In most countries, public consumption will be stronger in 2018 than in 2017 and will be supported to a large extent by public wage growth. This is the case in Bulgaria and the Czech Republic. In Poland and Romania, public consumption growth will slow down – in Poland due to a freeze of the public wage bill in 2018 and in Romania due to fiscal consolidation needs.

Investment growth was remarkably strong in 2017 and is expected to remain robust in 2018

Investments in the CESEE-6 countries are strongly linked to the use of EU funds, as a large share of investments (in particular in Bulgaria, Hungary and Romania) is (co-)financed by EU transfers, which are expected to be utilized to a high degree in 2018. In addition, further (labor-saving) private investment activity could kick in on the back of high capacity utilization rates and pressing labor shortages. Poland, for instance, will see much higher growth in gross fixed capital formation in 2018 than the year before because of carry-over effects from the fourth quarter of 2017. Apart from the base effect, which adds to exceptionally strong growth in 2018, investment activity in 2019 and 2020 will also slow down due to some frontloading of EU funds (as in Hungary) and potentially more restrictive financing conditions. In Croatia, investment growth will remain strong over the entire projection horizon because of a stronger absorption of EU funds.

Export activity clearly benefits from favorable developments in the euro area

Generally, export growth will be even stronger in 2018 than in 2017, before decelerating somewhat amid the expected gradual moderation of economic activity in the CESEE-6's main trading partners. In the Czech Republic and Romania, we expect a somewhat different picture. Export growth will slow down in 2018 – albeit from high levels – which is possibly due to the fact that the countries are already touching certain capacity constraints. Furthermore, rising unit labor costs in the manufacturing sector might weigh on export growth over the projection horizon. Import growth will remain firm, reinforced by robust private consumption and export-led demand for investment goods. From 2019 onward, however, import growth will weaken somewhat in line with the expected moderation of domestic demand. The contribution of net exports will remain negative in most CESEE-6 countries over the projection horizon. In the Czech Republic and Hungary, by contrast, the negative contribution will turn positive from 2019 onward.

Downside risks have clearly intensified since autumn 2017

A number of downside risks to the forecast emanate from the current external environment. The first implementation of frequently announced protectionist measures by the U.S. administration clearly takes center stage in our risk assessment. At this stage, however, we do not expect direct negative effects from U.S. steel tariffs on the CESEE-6 countries. Clearly, the picture would change if U.S. tariffs were enforced on cars as this would also heavily affect the car components industry and hence intra-European production networks.

Geopolitical tensions surrounding Ukraine or the Middle East continue to be seen as a downward risk to our CESEE-6 forecast. Further external risks relate to sudden financial market

corrections and stronger-than-anticipated monetary tightening in the U.S.A. could dampen global GDP growth via a tightening of financial conditions.

Major challenges at the EU level – largely provoked by the Brexit decision – are considered as another downside risk to our forecast. Political uncertainty, for instance, related to recent election outcomes and their implications for the future European integration process still represent a downside risk to our forecast.

Further major political risks stem from domestic developments in the CESEE-6. In some countries, repeated discussions with the EU over issues concerning regulation or amendments to laws, transparency or corruption have become an increasing factor of uncertainty for foreign investors. Moreover, uncertainty about the political stance on integration in general and rising public protest in some countries could dampen (foreign) investment growth and consumer confidence in an adverse scenario.

Economically, heightened labor market constraints in all CESEE-6 countries represents a major risk factor to our forecast. Furthermore, for Romania and – to a much lesser extent – for the Czech Republic, we also see a slight danger of economic overheating. A hard landing would dampen economic growth toward the end of the projection horizon much more strongly than expected.

Turning to upside domestic risks to the forecast, we still see further room for increasing the absorption rate of EU funds for most CESEE-6 countries. With respect to external factors, the major upside risks to our forecast are currently a stronger economic upswing in the euro area or a stronger expansion of the global economy along with increasingly buoyant global trade.

2 BOFIT-OeNB Russia forecast⁵: slow recovery grinds on

With GDP rising by 1.5%, the Russian economy started to pull out of recession in 2017. Private consumption and fixed investment began to recover fairly well from their deep slumps and buoyed up a strong recovery, especially of imports, which had suffered badly during the recent recession. For 2018, we expect Russian GDP to increase by 1.8%. In the following years, Russian growth will ease to 1.6% in 2019 and to 1.5% in 2020 as the oil price is expected to gently decline to around USD 60 per barrel.

Private consumption will expand moderately, based on a rather slow growth of disposable income, low inflation and stepped-up growth of household lending. The rise of corporate sector wages is expected to remain reasonable relative to productivity adjustments. Fixed investment will increase as the country's relatively worn-out capital stock requires upgrading for replacement and production is close to capacity constraints. Capital formation may also slightly benefit from some further key interest rate reductions, which can be expected in 2018, given the low inflation rate that has been achieved. However, investment expansion will probably not be at high gear as a number of large energy and infrastructure projects are approaching completion and appetite for new investment is still weakened by the poor business environment.

Public spending is expected to increase relatively slowly due to the authorities' new fiscal budget rule. Nevertheless, government revenues will grow notably in 2018 based on the

⁵ The oil price assumption used by the Bank of Finland is based on the preceding ten-day averages of Brent futures. We expect the oil price to rise from USD 44 per barrel in 2016 to USD 51 USD per barrel in 2017 and further to USD 53 per barrel in 2019. The cut-off date for the oil price assumption was September 13, 2017.

trajectory of oil prices and on the continuing economic recovery before rising at a lesser speed in the following years. The fiscal rule limits federal budget expenditure i. a. to a revenue frame which is determined by the price of Urals crude over the next few years. Should the basic calculation price of USD 41 to 42 per barrel be surpassed, which is highly probable, excess revenue is to be placed in the state reserve fund (National Welfare Fund). If the oil price remains roughly at its current level and spending is limited according to the fiscal rule, the budget seems on track to deliver a surplus.

Growth in the volume of Russian exports is expected to slow from brisk rates achieved last year as the ruble remains fairly strong and Russian energy exports are likely to increase slowly, inter alia on the back of continued OPEC-Russia output restraints. We have slightly raised this year's import forecast from last fall as higher oil prices will increase domestic demand by raising oil-related incomes and will boost the country's export revenues. The recovery in imports, however, will continue to decelerate significantly this year and at a moderate pace in the coming years as the increase in export earnings is fading.

Risks to the forecast for Russia

Oil prices represent a continuous risk to Russian economic growth. A higher-than-expected oil price could boost growth by improving export revenues, whereas a drop in the price would have the opposite effect. Partly connected to this, there are risks facing the global growth outlook: Significant unexpected geopolitical events and other international incidents have come to the fore, and developments in the next few years may affect the Russian economy directly or via the global economy. In particular the latest US sanctions against Russia pose a sizeable downward risk to our projections.

In the light of recent years, growth in Russia's exports of basic commodities outside the energy sector could exceed expectations. However, as capacity utilization in Russia is near its earlier peaks, production capacity could constitute a greater constraint on Russia's staple exports than expected, and also more broadly on growth of the domestic economy. These constraints stem from the ongoing uncertainty surrounding productive capital formation.