Global Economic Outlook

April 2021

Czech National Bank ——— Global Economic Outlook ——— April 2021

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Cut-off date for data
16 April 2021

CF survey date
12 April 2021

GEO publication date
23 April 2021

Notes to charts

ECB, Fed, BoE and BoJ: midpoint of the range of forecasts.
The arrows in the GDP and inflation outlooks indicate the direction of revisions compared to the last GEO. If no arrow is shown, no new forecast is available. Asterisks indicate first published forecasts for given year. Historical data are taken from CF, with exception of MT and LU, for which they come from EIU.
Leading indicators are taken from Bloomberg and Refinitiv Datastream.
Forecasts for EURIBOR and LIBOR rates are based on implied rates from interbank market yield curve (FRA rates are used from 4M to 15M and adjusted IRS rates for longer horizons). Forecasts for German and US government bond yields (10Y Bund and 10Y Treasury) are taken from CF.

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I. Introduction

The pace of vaccination against Covid-19 is speeding up, but the debate about rare side effects is still ongoing… However, this is unlikely to significantly hamper, let alone jeopardise, the overall vaccination process. Another news story that grabbed the headlines worldwide concerns the USA's decision to impose new sanctions on Russia (including Russian tech firms and Russian representatives) due to cyber attacks and repeated interference in the US presidential election. The sanctions include an executive order from the US president prohibiting US banks from buying new Russian government bonds with effect from 14 June. This action is perhaps all the stronger for occurring before the planned meeting of the two countries' presidents. In Europe, the European Commission is launching fiscal stimulation, specifically the implementation of a recovery fund with a planned size of EUR 750 billion. Money could start flowing to EU Member States in the second half of this year based on the recovery plans submitted, which will be assessed by the Commission. According to ECB President Christine Lagarde, continued monetary stimulation can be expected, as the pandemic programme (PEPP) is proving highly effective and the ECB still has a lot of room for manoeuvre (only part of the EUR 1.85 trillion made available has been used). Verbal support in a similar tone can also be heard from the USA, where, according to Fed Chairman Jerome Powell, the Fed will continue with monetary stimulation until the economic recovery is complete.

April GDP growth and inflation outlooks for monitored countries, in %

GDP	EA	DE	US	UK	JP	CN	RU
2021	4.2	3.3	6.2	5.4	2.8	8.7	2.9
2022	4.3	4.1	4.1	5.6	2.4	5.5	2.6

Inflation	EA	DE	US	UK	JP	CN	RU
2021	1.6	2.1	2.6	1.6	0.0	1.5	4.2
2022	1.3	1.6	2.3	2.1	0.5	2.2	4.0

Source: Consensus Forecasts (CF)
Note: The arrows indicate the direction of the revisions compared with the last GEO.

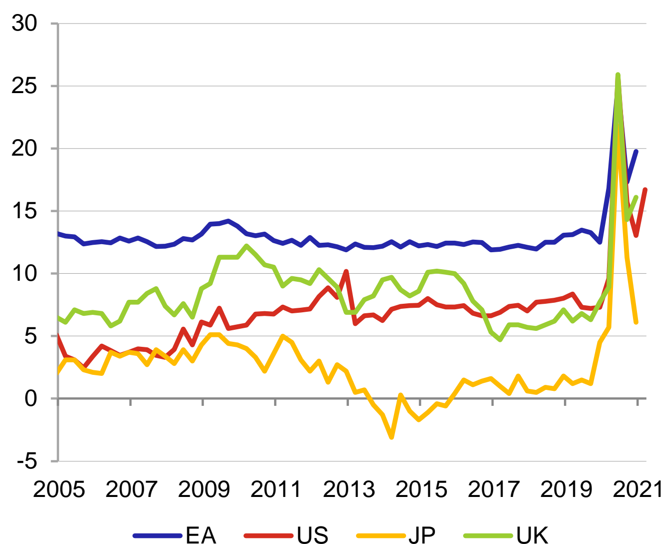
According to the CF analysts, the **April GDP growth outlooks** reflect the current pandemic situation. The growth outlook for the euro area and its strongest economy – Germany – for this year has thus decreased again. This is partly offset by higher expected growth next year. Faster growth is expected in all the economies we monitor (except the UK) next year.

The consumer price inflation outlooks again showed a general upward trend compared to March, and Japan should no longer be in deflation. The inflation outlooks are expected to increase further, with some global economies perhaps reaching the notional 2% ideal again after several years below it. However, they also indicate large differences between global economies.

According to the April CF, **the dollar** will weaken slightly against all the monitored currencies at the one-year horizon. A more pronounced weakening can be expected against the rouble. The CF outlook for **the Brent crude oil price** at the one-year horizon decreased slightly compared to March, to USD 62.9/bbl (highest estimate USD 74/bbl, lowest estimate USD 52/bbl).

The outlook for 3M USD LIBOR market rates is now showing signs of growth, while that for 3M EURIBOR rates remains at the current negative levels with a slight indication of negligible growth in late 2022.

Household saving rate over the last 15 years, in %



Source: Eurostat, ons.gov.uk, FRED, esri.cao.go.jp
Note: Seasonally adjusted data

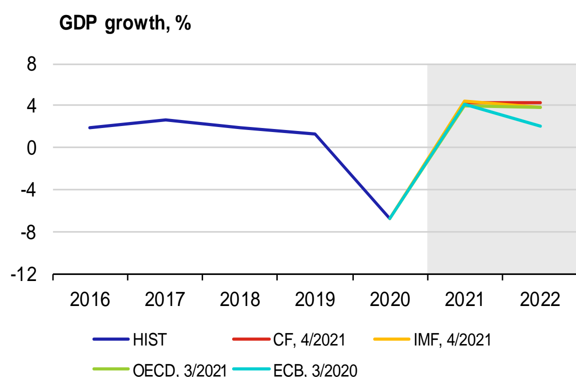
The chart in the current issue shows household saving rates in major world economies. Their surge last year was caused not by a change in households' behaviour, but by limited options to consume; the savings are thus forced. The question is to what extent these savings will support the post-pandemic recovery and future inflation. Inflation expectations are already elevated (see the previous issue of GEO) due to current growth in consumer prices and industrial producer prices (discussed in detail in the thematic article in GEO 12/2020).

The current issue also contains an analysis: On a knife edge: Brexit and financial services. The article focuses on financial services, which were omitted from the Brexit agreement, and the future of their cross-border provision. Services in general are very important for the UK, and the question is whether the City of London will keep its leading global position or whether it will gradually be replaced by another centre in the European Union.

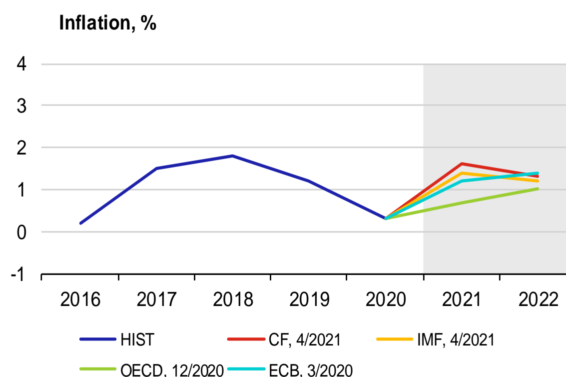
II.1 Euro area

The euro area economy contracted by 0.7% under the strain of the second wave of the pandemic at the end of 2020, and activity is expected to decline further in 2021 Q1. The euro area shrank by 6.6% in 2020 as a whole and will be affected mainly by the coronavirus pandemic again in 2021. In terms of the number of new cases, the pandemic remains broadly unchanged in Germany and Spain. The negative pandemic trend was reversed in Italy, while the number of new cases continues to rise mainly in France, where the epidemic wave started to be reflected in a worse situation in hospitals. Government restrictive measures in euro area countries, which are mainly affecting the services sector, remain strict. Increasing vaccination coverage, which was close to 15% on average, should help improve the situation but is lagging behind the rates in the USA and the UK.

Leading indicators remain favourable despite a decline in industrial production in February. The unconvincing situation in industry at the start of this year was due to supply chain issues, especially shortages of semiconductor components for the automotive industry. However, the manufacturing PMI firmed to a record high in March (due mainly to Germany) and, together with an improvement in the services PMI, caused the composite indicator to move into the expansion band. At the same time, though, firms reported a substantial increase in input prices due to shortages and delivery delays. The Ifo index for Germany increased in March despite there being no improvement in the epidemic situation. The ZEW economic confidence indicator for Germany declined but remains high. Retail sales in the euro area recovered in February. A continued positive trend is suggested by a major improvement in the European Commission consumer confidence indicator in March. The economic sentiment indicator also increased. The unemployment rate was flat at 8.3% in February.

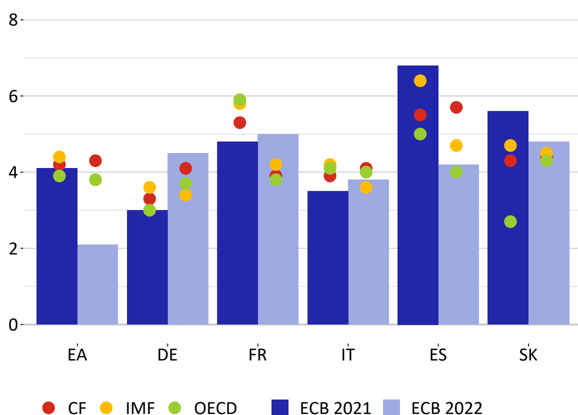


	CF	IMF	OECD	ECB
2021	4.2	4.4	3.9	4.1
2022	4.3	3.8	3.8	2.1

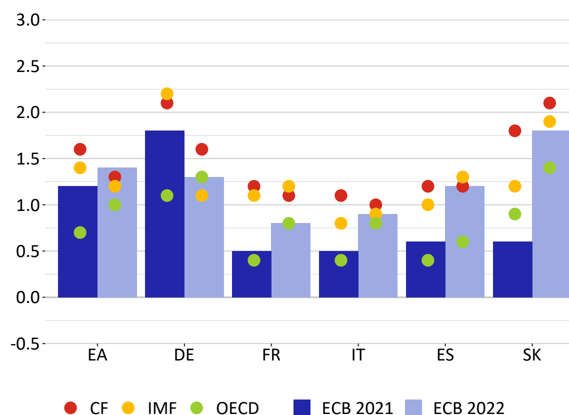


	CF	IMF	OECD	ECB
2021	1.6	1.4	0.7	1.2
2022	1.3	1.2	1.0	1.4

GDP growth in selected euro area countries in 2021 and 2022, %



Inflation in selected euro area countries in 2021 and 2022, %



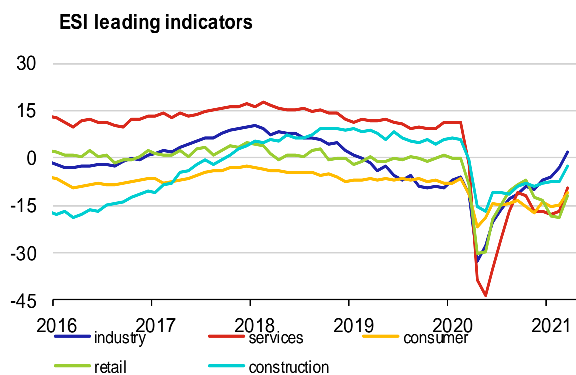
Note: Charts show institutions' latest available outlooks of for the given economy.

The April CF revised the outlook for the euro area growth recovery in 2021 (+4.2%) downwards slightly. The projection for private consumption growth this year worsened, while the outlook for fixed investment improved. Spain and France will record the fastest growth this year (+5.5% and +5.3% respectively), while Germany will grow by 3.3%. The euro area will grow by more than 4% in 2022 as well, with the French, Italian and German economies growing by around 4%, while Spain will maintain a growth rate of almost 6%.

According to CF, the inflation outlook in the euro area countries went up further to 1.6% for this year. Inflation will be driven by the German economy, for which inflation of 2.1% is expected. By contrast, more subdued inflation just above 1% can be expected in France, Italy and Spain. Compared to Germany, these countries were less affected at the start of this year by one-off factors such as renewed growth in VAT rates, a rise in carbon tax and an increase in the minimum wage. Actual euro area inflation picked up to 1.3% in March, while core inflation slowed to 0.9%. The increased inflation pressures should be only temporary this year and decrease next year. Inflation in the euro area is expected to slow to 1.3% on average.

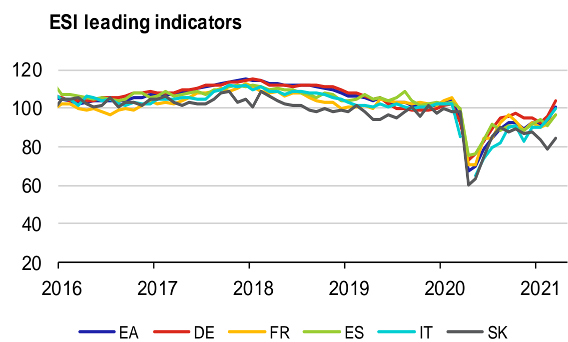
At its March meeting, the European Central Bank announced it would significantly increase the pace of asset purchases in Q2 compared to the initial months of this year. The decision to accelerate the purchases was due mainly to growth in government bond yields visible since the start of the year, which, however, was linked more with movements in long-term US interest rates than with an improved economic outlook for the euro area. Following the announcement of a faster pace of purchases, bond yields in the euro area fell and the spreads of the countries in the south of the euro area narrowed. In April, as the vaccination rate accelerated and optimism rose in the euro area, yields rebounded, their spreads vis-à-vis US government bonds narrowed and the euro appreciated. Higher euro yields are also being supported by the fact that the ECB has not increased the pace of net asset purchases significantly so far. Although the pace has risen compared to 2021 Q1, the purchases have not reached the spring 2020 levels.

ESI leading indicators



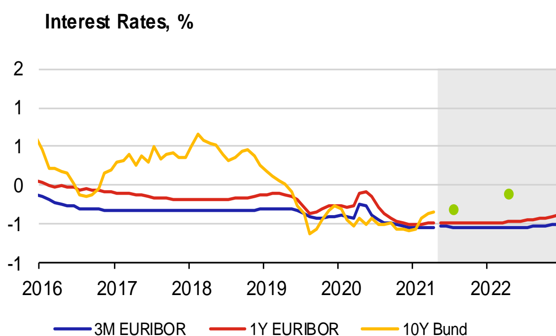
	industry	services	consum.	retail	constr.
1/21	-6.1	-17.7	-15.5	-18.5	-7.7
2/21	-3.1	-17.0	-14.8	-19.1	-7.5
3/21	2.0	-9.3	-10.8	-12.2	-2.7

ESI leading indicators



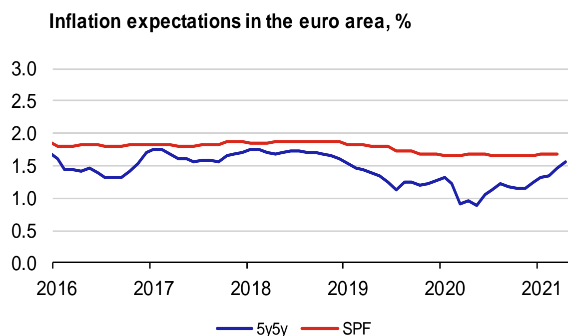
	EA	DE	FR	ES	IT	SK
1/21	91.5	92.8	90.2	93.9	90.2	83.3
2/21	93.4	95.8	91.4	90.7	94.6	79.2
3/21	101.0	103.7	96.8	96.9	99.5	84.7

Interest Rates, %



	3/21	4/21	7/21	4/22
3M EURIBOR	-0.54	-0.54	-0.54	-0.55
1Y EURIBOR	-0.49	-0.49	-0.49	-0.47
10Y Bund	-0.35	-0.34	-0.30	-0.10

Inflation expectations in the euro area, %



Note: Inflation expectations based on 5year inflation swap and SPF

	5y5y	SPF
2/21	1.34	1.69
3/21	1.47	1.69
4/21	1.56	n.a.

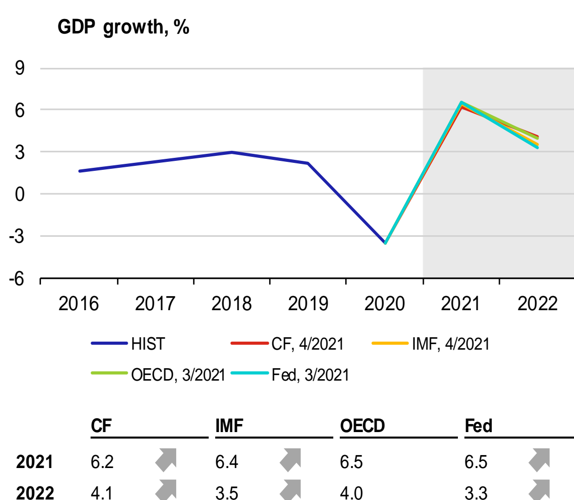
II.2 United States

US President Joe Biden announced that he would impose new sanctions on Russia in reaction to its interference in last year's presidential election and its cyber attacks. This news had a negative effect on Russian markets and especially on the rouble, which depreciated against the dollar. However, as the sanctions are mainly against persons that the USA deems responsible for the cyber attacks, the impacts may not be as large as the markets initially believed.

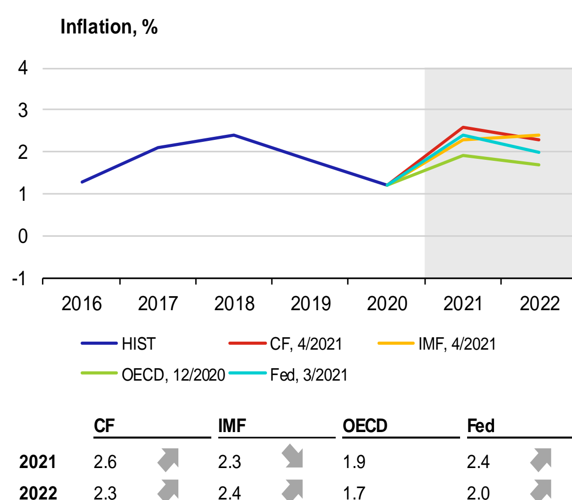
The opposition is against the president's plan to invest a further USD 2.25 trillion in infrastructure. Biden wants to support job creation and to increase the competitiveness of the USA relative to other world economies, especially the fast growing China. The plan aims to develop and support public transport, electromobility and green housing. The strongest opposition among Republicans is due to how the plan is to be funded, by raising the corporate tax from 21% to 28%. Another plan of the president, relating to health care, education and children, is to be unveiled in the second half of April.

The US economic growth outlooks are responding positively not only to the White House's plans, but also to the improving coronavirus situation. The new IMF outlook expects GDP to grow by 6.4% this year. This is 0.2 pp higher than the new CF outlook. The Fed's March forecast is even more optimistic about this year. CF and the IMF also increased their GDP growth estimates for 2022 to 4.1% and 3.5% respectively.

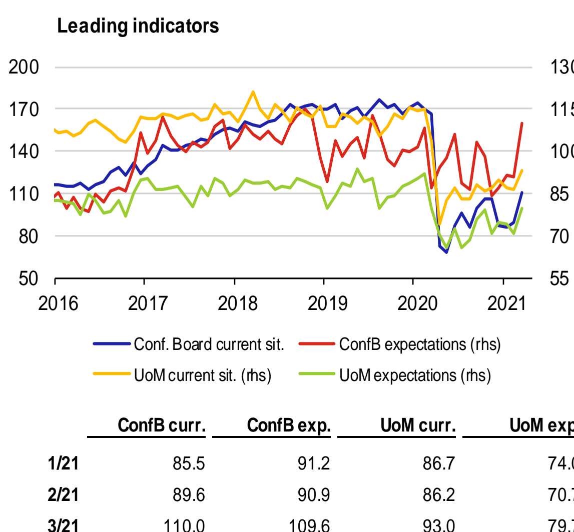
Annual inflation in the USA jumped to 2.6% in March, the highest level since summer 2018. This consumer price growth is largely due to increases in prices of energy (13.2%), food (3.5%) and services (1.6%). Industrial producer prices are also rising significantly (4.3%). The CF inflation outlook for this year was moved by 0.2 pp to 2.6%. The long-term outlook from 2025 expects inflation at 2.4%. Inflation is also being fostered by strong household demand for construction in a situation of limited availability of materials not only in the USA, but worldwide.



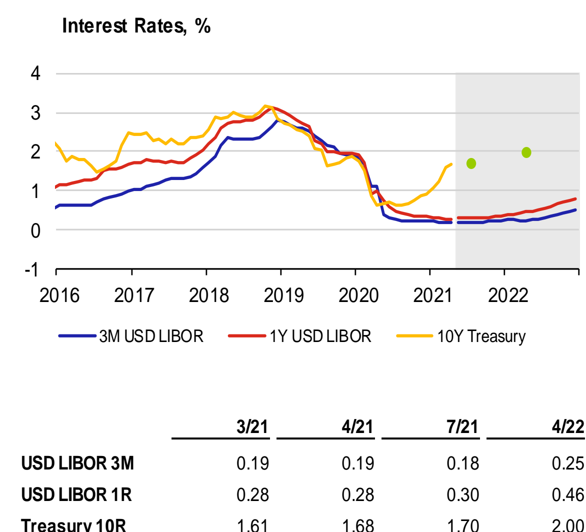
	CF	IMF	OECD	Fed
2021	6.2	6.4	6.5	6.5
2022	4.1	3.5	4.0	3.3



	CF	IMF	OECD	Fed
2021	2.6	2.3	1.9	2.4
2022	2.3	2.4	1.7	2.0



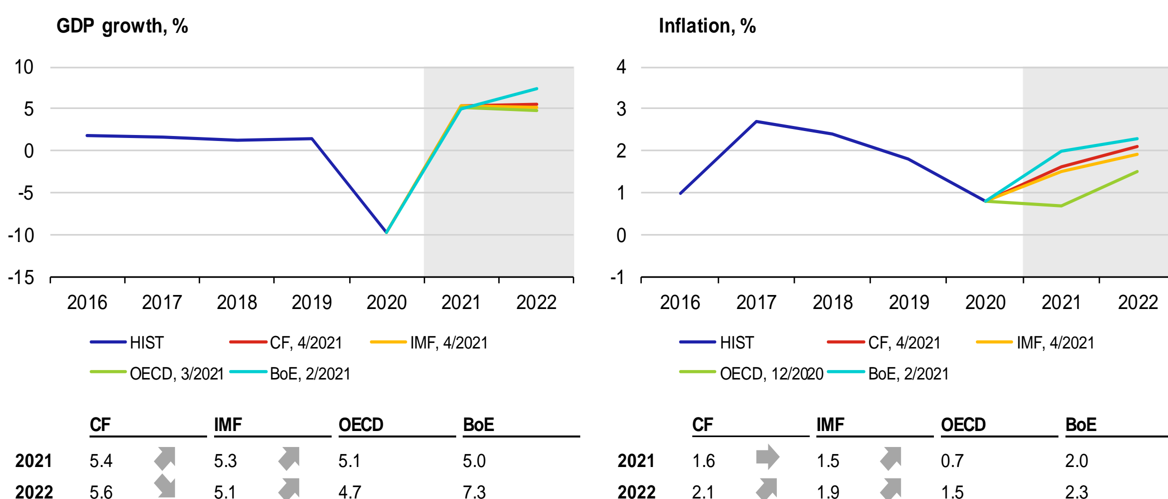
	ConfB curr.	ConfB exp.	UoM curr.	UoM exp.
1/21	85.5	91.2	86.7	74.0
2/21	89.6	90.9	86.2	70.7
3/21	110.0	109.6	93.0	79.7



	3/21	4/21	7/21	4/22
USD LIBOR 3M	0.19	0.19	0.18	0.25
USD LIBOR 1R	0.28	0.28	0.30	0.46
Treasury 10R	1.61	1.68	1.70	2.00

II.3 United Kingdom

Optimism is returning to society as the UK economy reopens. This is mainly due to a fast and successful vaccination programme. If the numbers of new cases and hospital admissions continue to decline, the restrictions are expected to be eased further in May and June. Unprecedented growth in the household saving rate (16.1% in 2020 Q4) will play a significant role. Consumption is expected to increase as the pandemic measures are lifted and will thus be an important driver of the economic recovery in 2021 Q2. Higher GDP growth this year is predicted by both CF (5.4%) and the IMF (5.3%). Economic growth exceeding 5% is also expected in 2021. Rising confidence can also be observed in the composite PMI, which rose sharply in March, entering the expansion band (56.4) after three months. The BoE left its key interest rate at 0.1% and its quantitative easing at GBP 895 billion overall in March. The situation in the UK has also been affected by tensions and unrest in Northern Ireland and by the death of Prince Philip, who passed away two months short of his 100th birthday.



GDP growth, %

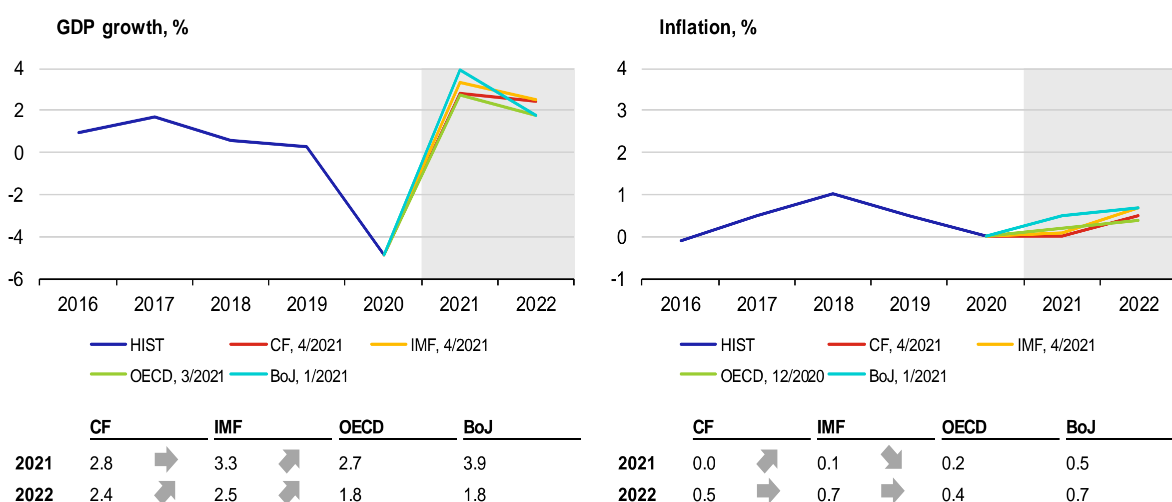
	CF	IMF	OECD	BoE
2021	5.4	5.3	5.1	5.0
2022	5.6	5.1	4.7	7.3

Inflation, %

	CF	IMF	OECD	BoE
2021	1.6	1.5	0.7	2.0
2022	2.1	1.9	1.5	2.3

II.4 Japan

Manufacturing is driving the fast recovery of the Japanese economy. The BoJ's Tankan survey in 2021 Q1 indicates better-than-expected corporate sentiment, especially in industry. For the first time since 2019, the proportion of Japanese producers who consider the business conditions "favourable" exceeded the proportion of those who perceive them as unfavourable. Growth in sentiment was more moderate among firms in services, probably because of the partial epidemic containment measures still in force in large cities. Robust growth of industry is confirmed by the March PMI. Industrial producer prices rose by 1% in March following 12 months of year-on-year decline. As expected, the BoJ left the key parameters of its monetary policy unchanged after reviewing the instruments it is currently using. A slight shift towards greater flexibility is targeted at reducing undesirable side effects, for example on stock markets.



GDP growth, %

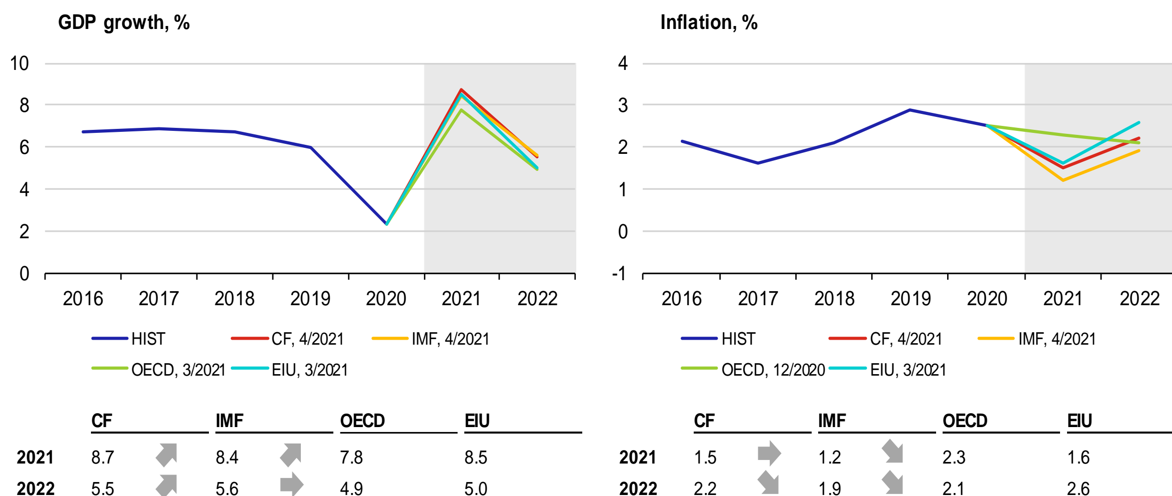
	CF	IMF	OECD	BoJ
2021	2.8	3.3	2.7	3.9
2022	2.4	2.5	1.8	1.8

Inflation, %

	CF	IMF	OECD	BoJ
2021	0.0	0.1	0.2	0.5
2022	0.5	0.7	0.4	0.7

II.5 China

The Chinese economy posted record-high growth in 2021 Q1. According to preliminary estimates it grew by 18.3%, the highest level since the Chinese authorities started to publish GDP data quarterly (since 1992). However, the figure is distorted by last year's low base. GDP went up by a mere 0.6% compared to the previous quarter, one of the smallest increases in 20 years. The growth was fostered mainly by net exports, reflecting solid growth in external demand (for healthcare products, among other things). It was also due to domestic demand, supported by extensive fiscal programmes. According to the April CF, Chinese GDP will grow by 8.7% in 2021 and 5.5% in 2022. Consumer prices in China were flat in Q1 in year-on-year comparison, having risen by 0.4% in March after recording slight declines in January and February. They will grow by 1.5% this year and pick up to 2.2% in 2022.

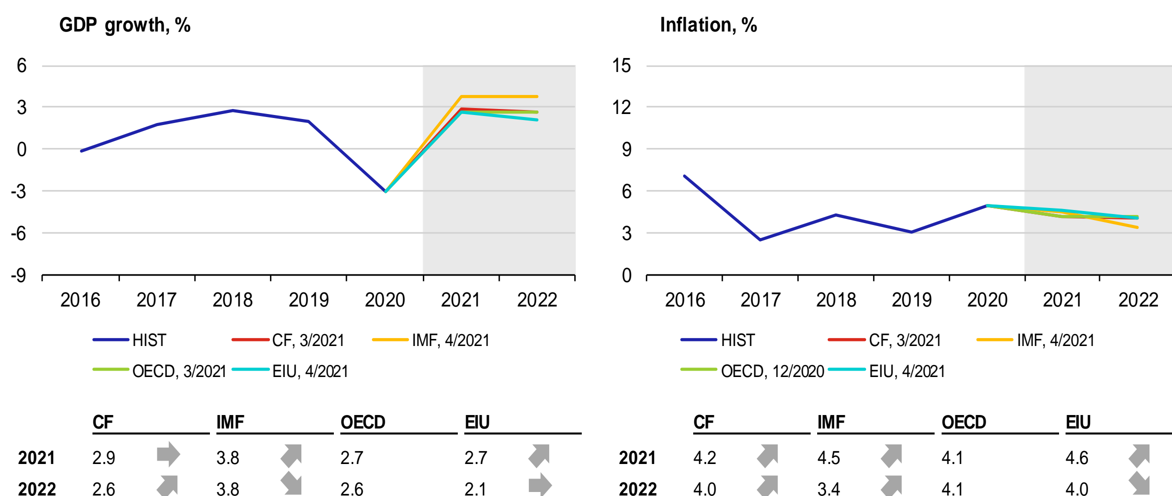


	CF	IMF	OECD	EIU
2021	8.7	8.4	7.8	8.5
2022	5.5	5.6	4.9	5.0

	CF	IMF	OECD	EIU
2021	1.5	1.2	2.3	1.6
2022	2.2	1.9	2.1	2.6

II.6 Russia

The Russian economy is showing signs of recovery. Its PMI indices were in the economic expansion band in March. Industrial production returned to growth (1.1% year on year), rising by more than 12% month on month in March. In line with the latest developments, the IMF and EIU revised their April GDP outlooks upwards. Inflation continued to pick up slightly, reaching 5.8% in March, with fairly considerable variability across regions (from 1.95% to 8.97%). The growth in prices is due to recovering demand and also to rising costs. By contrast, food price inflation slowed. The Russian central bank assessed the March inflation figure as a local maximum, due partly to one-off factors, but also pointed to recent growth in inflationary pressures in the economy. It thus increased the key rate by 0.25 pp to 4.5% in the second half of March. A



	CF	IMF	OECD	EIU
2021	2.9	3.8	2.7	2.7
2022	2.6	3.8	2.6	2.1

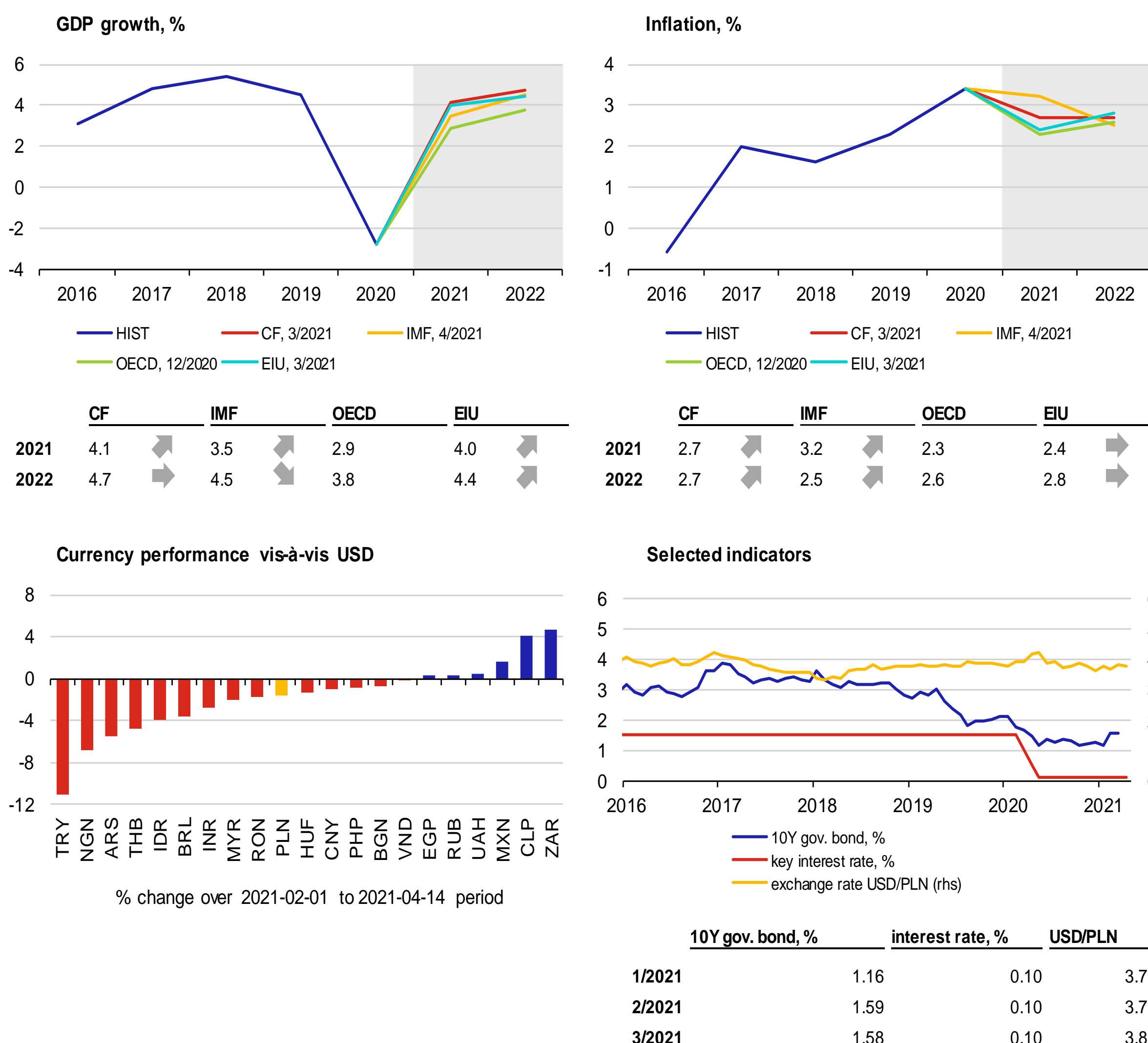
	CF	IMF	OECD	EIU
2021	4.2	4.5	4.1	4.6
2022	4.0	3.4	4.1	4.0

return to the 4% target is expected in 2022. The outlooks of the monitored institutions paint a similar picture.

II.7 Poland

The Polish economy contracted by just 2.7% year on year in 2020, which makes it one of the countries least affected by the coronavirus pandemic in the region. It recorded its largest drop (8.4% year on year) in 2020 Q2. This was followed by a rapid recovery as a result of the easing of pandemic measures in the domestic and global economy, an improvement in economic sentiment, and fiscal and monetary policy support. However, economic activity started to fall again in 2020 Q4 as the pandemic situation worsened, albeit much less so than in the record Q2. During the subsequent waves, the resilience of the Polish economy has increased due to the gradual adaptation of economic agents to the emergency regime, more targeted restrictions, higher consumer and business confidence and an absence of major disruptions in global supply chains. The March PMI outcome was the best since January 2018. Optimism can be seen in the growth outlooks of international institutions and in that of the Polish central bank (NBP) for 2021, which was revised up by 1 pp (from 3.1% in the November forecast to 4.1% in the March forecast) despite the current adverse pandemic situation.

Annual consumer price inflation fluctuated within the tolerance band around the inflation target (1.5%–3.5%) during 2020 and is expected to stay there in the years ahead. Consumer price inflation slowed in the first few months of this year (from 2.6% in January to 2.4% in February) due to slower growth in prices of unprocessed food, market services and non-food goods. This is counteracted by fuel prices, reflecting the current oil price growth (preliminary inflation rose to 3.2% in March). The NBP adjusted its inflation outlook for this year up from 2.6% to 3.1% due to revisions of energy inflation and, to a lesser degree, food price growth and core inflation. Following a substantial easing in 2020 Q1, the NBP is holding rates at technical zero and continuing to implement further measures to soften the impacts of the pandemic. These mainly involve securities purchases on the secondary market and offering bill discount credit aimed at refinancing loans granted to enterprises by banks. The NBP also intervened in the foreign exchange market in December 2020 to reinforce the impact of its monetary policy easing on the economy.



GDP growth, %

	CF	IMF	OECD	EIU
2021	4.1	3.5	2.9	4.0
2022	4.7	4.5	3.8	4.4

Inflation, %

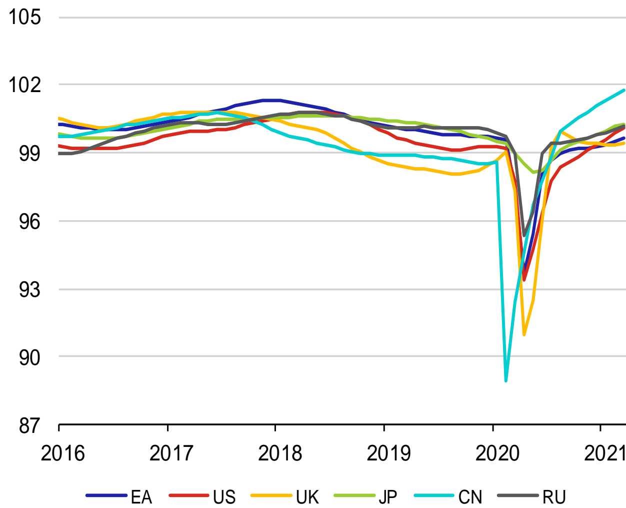
	CF	IMF	OECD	EIU
2021	2.7	3.2	2.3	2.4
2022	2.7	2.5	2.6	2.8

Selected indicators

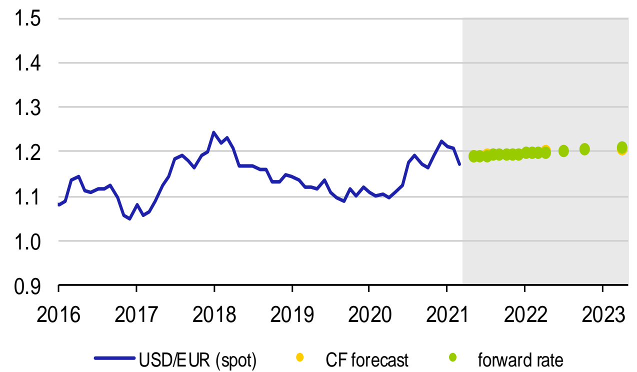
	10Y gov. bond, %	interest rate, %	USD/PLN
1/2021	1.16	0.10	3.76
2/2021	1.59	0.10	3.70
3/2021	1.58	0.10	3.85

III. Leading indicators and outlook of exchange rates

OECD Composite Leading Indicator

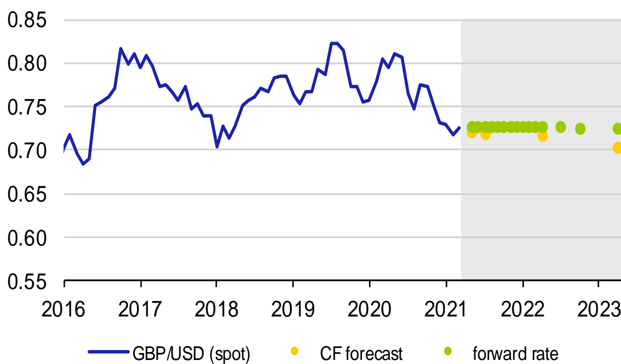


The US dollar (USD/EUR)



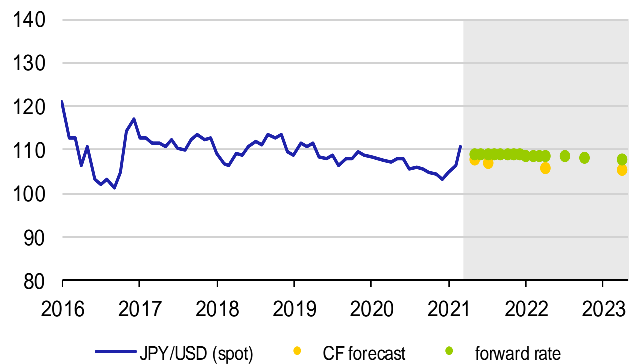
	12/4/21	5/21	7/21	4/22	4/23
spot rate	1.191				
CF forecast		1.190	1.195	1.203	1.207
forward rate		1.192	1.193	1.201	1.213

The British pound (GBP/USD)



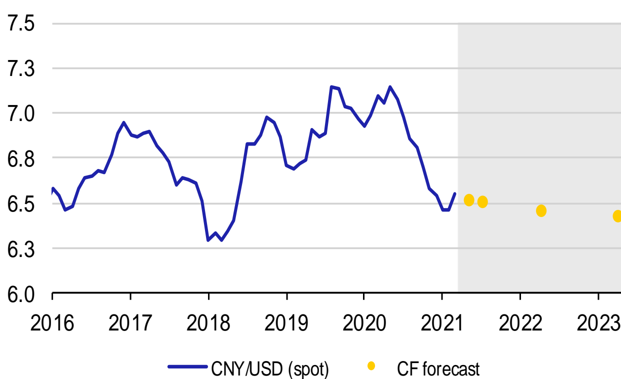
	12/4/21	5/21	7/21	4/22	4/23
spot rate	0.727				
CF forecast		0.723	0.720	0.717	0.705
forward rate		0.728	0.728	0.727	0.726

The Japanese yen (JPY/USD)



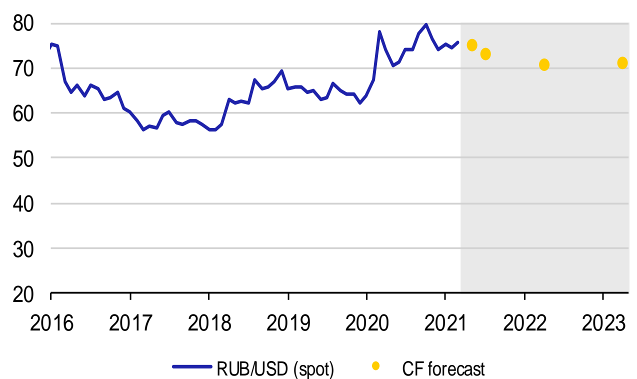
	12/4/21	5/21	7/21	4/22	4/23
spot rate	109.4				
CF forecast		108.2	107.2	106.1	105.5
forward rate		109.3	109.3	108.9	108.1

The Chinese renminbi (CNY/USD)



	12/4/21	5/21	7/21	4/22	4/23
spot rate	6.552				
CF forecast		6.525	6.511	6.468	6.433

The Russian rouble (RUB/USD)



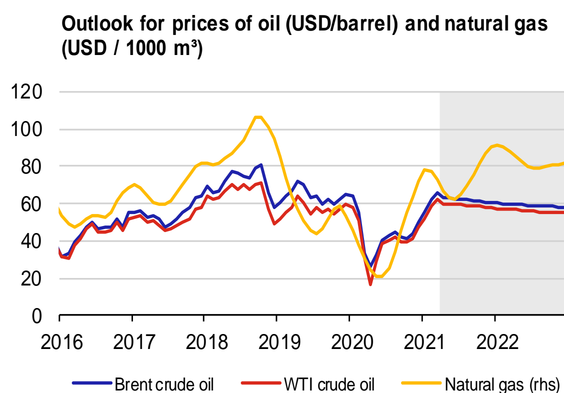
	12/4/21	5/21	7/21	4/22	4/23
spot rate	77.40				
CF forecast		75.12	73.33	70.91	71.39

Note: Exchange rates as of last day of month. Forward rate does not represent outlook; it is based on covered interest parity, i.e. currency of country with higher interest rate is depreciating. Forward rate represents current (as of cut-off date) possibility of hedging future exchange rate.

IV.1 Oil

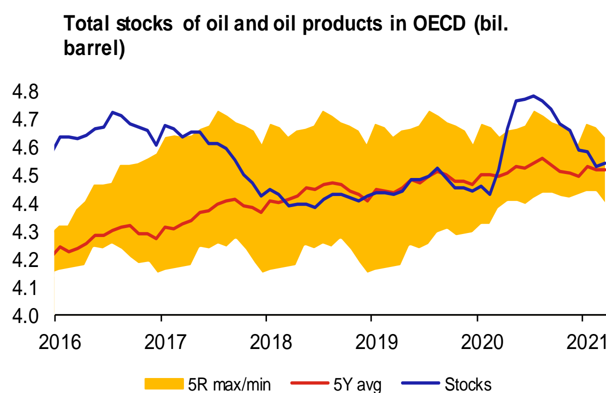
The Brent crude oil price remained elevated just below USD 70/bbl in the first half of March but then fell rapidly and fluctuated close to USD 64/bbl until mid-April. The change in market sentiment was caused by the IEA's assurance that there was no risk of oil shortages in the near term due to still substantial global inventories and OPEC's high spare capacity. According to the EIA, demand will not return to normal before 2023. The drop in the oil price was also a response to news of slowing vaccination due to problems with the AstraZeneca vaccine and to the firming dollar as a result of rising inflation expectations and US government bond yields. Oil output in the USA quickly returned to normal after February shortfalls, while oil exports from Iran (to China) are increasing despite continuing sanctions and may keep growing strongly if the talks on the Iranian nuclear programme are successful. By contrast, the short-term outlook for global oil demand dropped, due mainly to the worsening pandemic situation in Europe and India. Moreover, weak refinery demand is expected in the weeks ahead due to seasonal maintenance. The sharp fall in oil prices was also driven by hedge funds, which started to shed their massive net long positions in mid-March as sentiment changed. OPEC+ expressed confidence in a gradual recovery of the global economy by deciding in early April to gradually raise oil output by 2 million barrels a day between May and July. In mid-April, the oil price rose sharply in response to an increase in expected global consumption growth in 2021 H2 by all three large oil agencies, as continuing vaccination is predicted to lead to broad-based economic normalisation, which has so far occurred mainly in China, the USA and the UK. The market curve at the start of April was signalling a decline in the Brent price from its current level to around USD 60/bbl at the end of 2021 and USD 58/bbl at the end of 2022.

Outlook for prices of oil (USD/barrel) and natural gas (USD / 1000 m³)

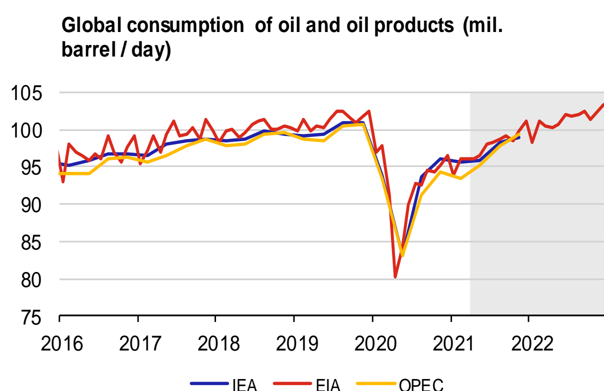


	Brent	WTI	Natural gas
2021	61.76	58.69	222.23
2022	59.14	56.07	249.51

Total stocks of oil and oil products in OECD (bil. barrel)

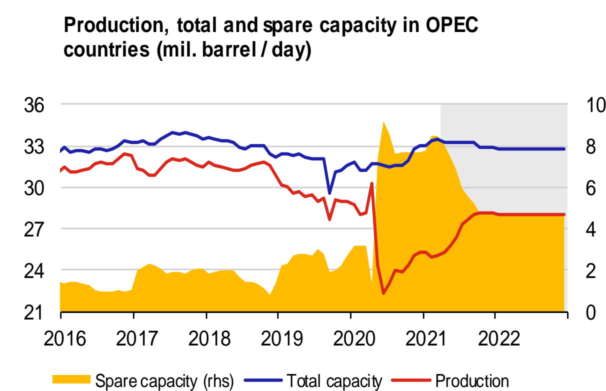


Global consumption of oil and oil products (mil. barrel / day)



	IEA	EIA	OPEC
2021	97.14	97.66	96.43
2022		101.32	

Production, total and spare capacity in OPEC countries (mil. barrel / day)



	Production	Total capacity	Spare capacity
2021	26.66	33.16	6.50
2022	28.03	32.80	4.77

Source: Bloomberg, IEA, EIA, OPEC, CNB calculation
Note: Oil price at ICE, average gas price in Europe – World Bank data, smoothed by the HP filter. Future oil prices (grey area) are derived from futures and future gas prices are derived from oil prices using model. Total oil stocks (commercial and strategic) in OECD countries – IEA estimate. Production and extraction capacity of OPEC – EIA estimate.

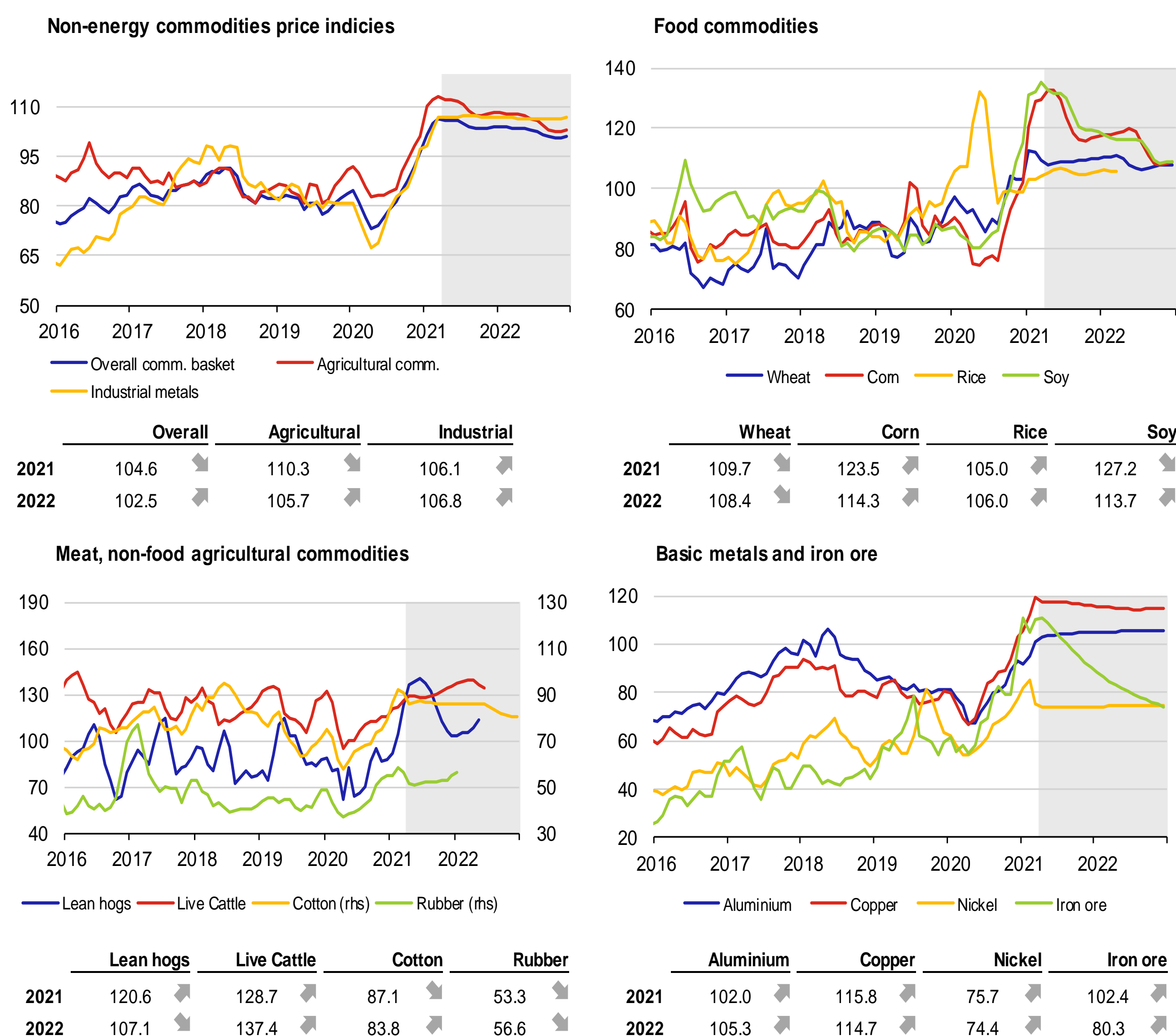
IV.2 Other commodities

The average natural gas price in Europe fell slightly further in March but stayed close to its highest level since January 2019. Inventories in Europe fell further from 37% of total capacity at the end of February to 30% at the end of March (compared to 54% a year earlier) despite milder weather. However, as the difference in prices in Europe and LNG prices in Asia is small, sufficient LNG supplies are being transported to Europe, preventing natural gas prices from rising. The price of coal fell in early March due to weaker imports to China and India, but rose strongly in the second half of the month (by 9.4% in March as a whole) on concerns over limits on Australian exports because of floods.

Growth in the non-energy commodity price index slowed in March and, after 11 straight months of growth, the index dropped slightly in the first half of April, due mainly to the food commodity price sub-index. The falling outlook for the food commodity price sub-index is also the reason behind the expected falling path of the overall index.

The industrial metals price sub-index kept growing strongly in March, although the growth slowed markedly in the first half of April. Growth in copper, zinc and tin prices halted in February, and growth in aluminium prices did the same in late March. Lead and nickel prices fell in March. Solid demand due to the continuing global industrial recovery was counteracted by a drop in aluminium, copper and lead stocks on the LME. The price of iron ore has been high since the start of the year due to continued global growth in steel output (4.1% year on year in February; 10.9% in China).

The previous growth in the food commodity price sub-index slowed in March and the index fell slightly in the first half of April. However, it remains close to a several-year high, although its outlook is falling sharply. This is due to an expected strong correction of the previous growth in corn and soy prices. Wheat, sugar, coffee and cocoa prices fell slightly, while pork prices surged. However, the latter are expected to fall back from their seasonal peak.



	Overall	Agricultural	Industrial
2021	104.6	110.3	106.1
2022	102.5	105.7	106.8

	Wheat	Corn	Rice	Soy
2021	109.7	123.5	105.0	127.2
2022	108.4	114.3	106.0	113.7

	Lean hogs	Live Cattle	Cotton	Rubber
2021	120.6	128.7	87.1	53.3
2022	107.1	137.4	83.8	56.6

	Aluminium	Copper	Nickel	Iron ore
2021	102.0	115.8	75.7	102.4
2022	105.3	114.7	74.4	80.3

Source: Bloomberg, CNB calculations.
Note: Structure of non-energy commodity price indices corresponds to composition of The Economist commodity indices. Prices of individual commodities are expressed as indices 2010 = 100.

On a knife edge: Brexit and financial services[1]

The optimism that followed the signing of the EU-UK trade deal in December is slowly waning, as many questions remain unanswered. Financial services and their cross-border provision were omitted from the agreement, despite the importance of this industry for the UK. A breakdown of relations due to Brexit and considerable uncertainty on financial markets have led to a migration of financial institutions and their assets and employees. Despite newly emerging financial hubs in Europe, the City of London still maintains one of the world's leaders. The UK's loss of unrestricted access to the EU financial market has weakened global trade in financial services. Even the signing of a memorandum of understanding on regulatory cooperation in financial services between the EU and the UK will not salvage the situation. The financial services industry expects support in the future from the UK government, as this will be essential to the economic recovery from the COVID-19 pandemic.

Introduction

The long-awaited agreement on future relations between the EU and the UK was reached literally at the last minute. After many months of intensive talks, a deal was struck on Christmas Eve 2020, just before the transition period ended on 31 December 2020. The two sides managed to negotiate zero-tariff, zero-quota trade and find compromises in the contentious areas that had blocked the negotiations. In particular, acceptable compromises had long been sought on competition rules (including the provision of state aid), minimum standards in social protection, the environment and tax matters, dispute settlement mechanisms and on fisheries.

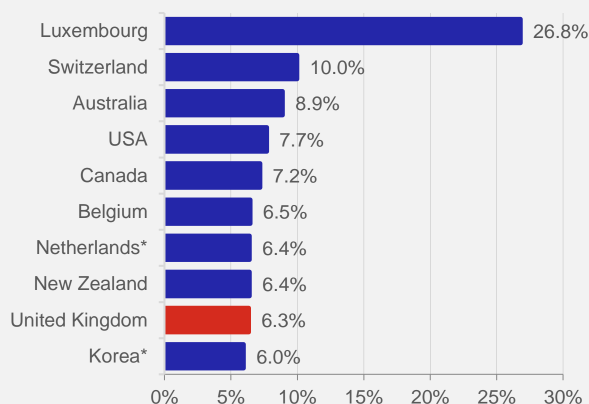
However, the deal focused very little on services in general, and in particular did not provide a solution for the financial sector and the services it provides. Although the financial services sector contributes more than significantly to UK GDP (about 7% of GDP on average over the past ten years), the issue of financial services was essentially excluded from the trade negotiations with Brussels. The City of London in particular expressed the opinion that the sector had been overlooked and that the negotiators were focusing too much on topics of less importance. Although for illustration, over 30% of global currency trading goes through the capital of the UK. According to the latest Global Financial Centres Index (GFCI), which ranks the competitiveness of leading global financial hubs, London is still not only the financial centre of Europe, but also the second most competitive financial centre worldwide (after New York City). Therefore, when the transition period ended, there was considerable uncertainty on the financial markets due to the lack of a firm plan for resolving the issue and the absence of an overall agreement on financial services between the UK and the EU.

Why are financial services so important for the UK?

The UK financial services sector accounts for a significant percentage of national economic output. The share of financial activities in total economic output has been rising since the early 1990s. Based on this share, the sector was the ninth largest in the OECD in 2019 (see Chart 1). It contributed GBP 132 billion to the economy (7% of GDP). The City of London was the main contributor, generating around half of the sector's output. Moreover, financial services in the UK employ over one million skilled workers, i.e. around 3.2% of all jobs. The sector also contributes generously to tax revenue, accounting for a record roughly 11% of total government tax revenues in 2019 (Hutton and Shalchi, 2021).

Chart 1 – Financial services as % of overall economy

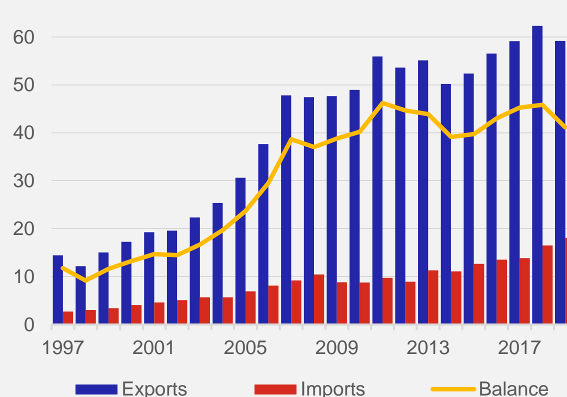
(ten OECD countries with highest %, 2019)



Source: OECD
Note: * indicates estimate for 2019 or data for 2018 or last available date

Chart 2 – UK trade in financial services

(GBP billions)



Source: ONS, Pink Book 2020

[1] Written by Michaela Ryšavá. The views expressed in this article are those of the author and do not necessarily reflect the official position of the Czech National Bank. The author would like to thank Marek Benda from the Czech National Bank for his valuable comments.

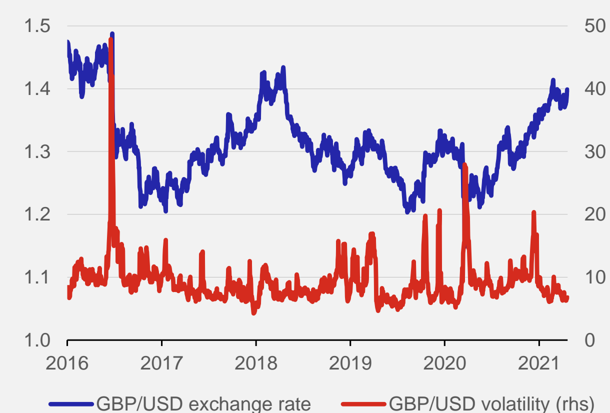
The financial sector has long provided the UK with a healthy goods and services surplus. Over the last two decades, the UK has maintained a trade surplus in financial services, peaking at GBP 46 billion in 2018 (see Chart 2). In 2019, exports of UK financial services were worth almost GBP 60 billion and imports about GBP 18 billion, leading to a financial services trade surplus of around GBP 41 billion. Financial services accounted for 19% of all exports of services from the UK and 8% of all services imports. Around 40% of financial services exports went to the EU and about 32% of imports of these services came from the EU.

Brexit has brought uncertainty to the UK financial sector

The Brexit uncertainty has long been reflected in the financial markets and has had a sizeable impact on them on more than one occasion. Of course, what started off the whole process was the UK referendum on EU membership held on 23 June 2016, which was a very initial intervention. Based on a relatively close result – with 51.9% voting to leave – the UK decided to leave the EU. This was reflected in extreme GBP/USD exchange rate volatility (see Chart 3). The results of a study by Fernández et al. (2020) suggest that the uncertainty caused by the referendum in 2016 adversely affected the efficiency of the UK banking sector. The authors estimate this loss of efficiency at 5.6%. A high level of uncertainty was also evident for almost all of 2019. The date for the UK's withdrawal from the EU was originally set at 29 March 2019, based on the maximum period of two years from the triggering of Article 50 of the Treaty of Lisbon in March 2017 (which started the withdrawal process proper). However, the UK's withdrawal from the EU turned out to be more complicated (and politically difficult to push through in the UK itself) than had been anticipated on either side of the English Channel. Therefore, the Brexit deadline had to be extended several times, first to 12 April 2019, then to 31 October 2019 and finally to 31 January 2020. The transition period started in February 2020, marking the start of a period of intensive negotiations. December 2020 became the deadline for a trade deal between the EU and the UK, as the UK refused to extend the transition period by one or two years in June 2020.

Chart 3 – GBP/USD exchange rate and its volatility

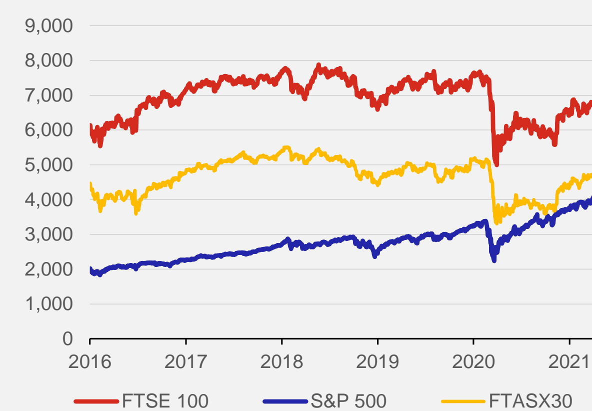
(exchange rate in USD)



Source: Bloomberg
Note: Volatility measured weekly as standard deviation

Chart 4 – Development of stock exchange indices

(points)



Source: Bloomberg
Note: FTASX30 is FTSE All Share Financials and represents the share prices of financial companies.

The financial sector was tested particularly hard last year by a lack of progress in the talks as the end of the transition period approached, amid fears of a "hard" Brexit, which would have left the UK and the EU trading on World Trade Organization (WTO) terms. The outbreak of the COVID-19 pandemic also undoubtedly played a major role last year, somewhat overshadowing the issue of Brexit almost until mid-2020. Besides increased GBP/USD exchange rate volatility, the impact of the above "Brexit events" on the financial markets can be demonstrated using an important London Stock Exchange (LSE) index, the FTSE 100. It more or less stagnated for almost all of 2019, reflecting the uncertainty surrounding the date of the UK's departure from the EU and its constant postponement. Following a subsequent sharp decline in the index due to the coronavirus crisis in March 2020, a downward trend can be observed since mid-2020 after a short lived recovery. This mainly reflects the fears and frustration arising from the deadlocked negotiations between the EU and the UK (see Chart 4). These tendencies directly reflect the uncertainty of the Brexit situation, as other important global equity indices, such as the US S&P 500, showed an upward trend and lower volatility both in 2019 and from March 2020 onwards.

The Brexit migration of financial institutions and their assets and employees

The Brexit-related uncertainty has caused a sharp rise in migration from the UK to the EU. According to a joint Oxford/Berlin study, around 17,000 people have left the UK every year since the 2016 referendum, i.e. 30% more than in 2008–2015. Furthermore, the UK has been experiencing a "brain drain", according to Auer and Tetlow (2020). This study

only examines the migration of British citizens to EU countries. It is worth mentioning that return migration of European citizens from the UK to the EU has been occurring on a much larger scale.

The migration to the rest of the EU has been reflected also in the financial sector. Financial institutions did not rely on the outcome of the Brexit negotiations and instead took a series of steps over time. As of March 2021, EY estimated that over 7,600 financial sector jobs and assets of over GBP 1 trillion (around CZK 30 trillion) had moved from the UK to the EU since 2016. EY monitors the public statements made by 222 of the largest UK financial firms. However, not every firm has disclosed its plans or the amount of assets it intends to transfer. According to EY, there has already been a significant relocation of assets and jobs from the UK to the EU and these transfers are set to continue for compliance purposes, albeit at a slower place. According to Reuters, these figures account for only a small fraction of British financial sector jobs and total assets, so the shifts are not taking place on a mass scale. A substantial part of the assets needs to be transferred, mainly to satisfy EU regulators. However, financial institutions claim that transferring more capital from the UK (and thus London) than is necessary due to Brexit would cause unnecessary and costly market fragmentation. Besides relocating staff from the UK, British financial institutions are continuing to recruit locally in EU countries in mainland Europe, i.e. hiring local staff to existing or new positions. This is due to the high cost of relocating staff, which means it is easier to hire locally. According to EY, this corresponds to about 2,400 new jobs in the EU as of October 2020.

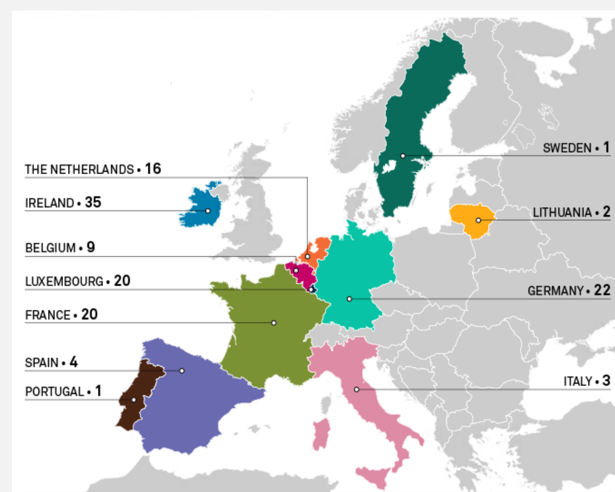
A number of EU authorities, some of them directly related to the financial sector, are also moving out of the UK. Probably the most significant Brexit move out of London from the financial sector perspective was the relocation of the European Banking Authority (EBA). The EBA had to relocate its headquarters from the UK to mainland Europe. Dublin and Frankfurt lost out to Paris, where the EBA moved in July 2019.

New financial centres in Europe

Financial institutions started to safeguard their operations in the EU in advance of a deal so as to be able to continue serving their clients. By establishing subsidiaries or relocating their head offices, financial institutions have sought to ensure business continuity post Brexit. Since the referendum, though, there have been concerns not only about the negative impact of Brexit on financial firms' operations, but also about reduced profitability, deferred mergers and acquisitions, outflows of assets, a slowdown in lending and a loss of customers in markets outside the UK. As of October 2020, over 40% of financial firms monitored by EY had, since 2016, confirmed at least one location in Europe where they were moving or considering moving. The data also indicated that financial firms, especially the sector's biggest players, reached peak preparations in 2019 ahead of a potential no-deal Brexit. Financial institutions have built the infrastructure they need on mainland Europe to be able to serve their clients post Brexit. Very few financial services firms relocated in the first half of 2020. However, this trend reversed as the final deadline approached, despite the pandemic and consequent restrictions on movement, which are making cross-border movement more difficult.

Chart 5 – Current and potential post-Brexit EU bases for global financial institutions

(number of companies considering given country)



Source: S&P Global Market Intelligence (data compiled 5 October 2020, map: Cat Weeks)

London will not be easily or rapidly replicated as a financial centre. However, new popular destinations are slowly forming in the EU both for capital and for staff relocation and the creation of new European headquarters for financial services companies. According to an analysis conducted by S&P Global Market Intelligence, Ireland (Dublin) is becoming the most popular destination, followed in second place by Germany (Frankfurt). Luxembourg (Luxembourg), France (Paris) and the Netherlands (Amsterdam) are also very popular (see Chart 5).

Multinational firms, especially major banks, are "emigrating" from the UK on a large scale. One example is US banking giant JPMorgan, which in September 2020 announced its intention to shift about EUR 200 billion in assets from the UK to Germany as a result of Brexit. The bank had planned to complete the migration of assets by the end of 2020. In September 2020, it also told its roughly 200 employees based in the UK to plan to relocate from London to its European branches.

What happened to financial services after the deal was reached?

The UK lost its unrestricted access to the EU financial market. UK financial firms needed to maintain automatic guaranteed access to European financial markets and the sale of financial services to the single market. However, this was not reflected in the deal. On 1 January 2021, the UK lost one of the advantages of being a member of the EU single market: its single passporting rights, i.e. its ability to operate in the EU relatively barrier free on the basis of the freedom of

establishment and the freedom to provide services. UK financial services firms had to change the way they provided their services in EU Member States. Since the start of 2021, financial firms have been relying on the regulations of the individual EU Member States and have had to apply for licences on a country-by-country basis to be able to offer at least basic services in some parts of the EU. The UK financial sector has therefore been left with only limited access to the EU market.

To mitigate the impacts of Brexit on the financial sector, the UK needs to be granted as many financial services equivalence decisions as possible by the EU in order to maintain ties similar to those it had before Brexit in at least some areas. The UK has moved from mutual recognition of regulation as an EU Member State to third-country status, under which it needs to be granted supervisory and regulatory equivalence from the EU. To achieve long-lasting equivalence, the UK has to demonstrate that its supervisory and regulatory regime for financial services remains just as robust as that in the EU. Of the current roughly 40 possible equivalence regimes (almost a third of which have not been granted to any third country yet), the European Commission has so far granted the UK only two equivalence decisions. The first, issued on 21 September 2020, relates to UK central counterparties for derivatives clearing. It was considered crucial for the protection of EU financial stability and is mainly intended to create time for the migration of exposures of EU customers of these UK clearing houses to EU platforms. This decision will expire on 30 June 2022. The second EC equivalence decision, of 25 November 2020, is valid for an even shorter period, until 30 June 2021, and applies to UK central securities depositories which up to now have served Irish issuers (there is no central securities depository in Ireland). The main purpose of this decision is to ensure sufficient time for the migration of exposures to EU central depositories. Any such equivalence decision shall facilitate cross-border trade. Without them, some activities are impossible and others are simply inefficient and costly. However, they are by no means a full replacement for passporting rights, as they can be unilaterally revoked at 30 days' notice. Companies have focused mainly on meeting their commitments to the UK and EU regulatory authorities. However, given the high degree of uncertainty, it has not been easy to manage new operational processes and make strategic decisions, and this remains the case.

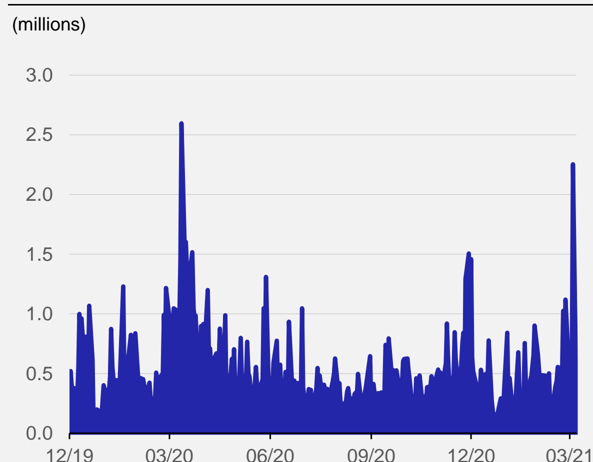
In its passages on financial services, the EU-UK Trade and Cooperation Agreement only contains the standard provisions also enshrined in other EU free trade agreements with third countries. In particular, it contains the principle of non-discrimination for established financial service providers, exemptions for central banks and other public authorities and discretion for prudential measures. One of a series of joint declarations annexed to the agreement contains a commitment by both parties to establish structured regulatory cooperation on financial services. According to this declaration, the parties were to agree a memorandum of understanding (MoU) on this matter by the end of March 2021. However, even if the resulting regulatory dialogue, which the MoU is supposed to form the basis for, were to materialise, it is currently unlikely that it would improve the access of one party's financial services providers to the other party's market beyond that under the trade agreement, and that the unilateral nature of the equivalence regimes would be changed to a model of joint or reciprocal equivalence decisions. Given the protracted uncertainty, the final version of the December deal and the limited number of equivalence regimes granted so far, large UK-based banks have been forced to relocate assets and jobs to the EU to avoid serious disruptions to their operations, as described in greater detail above.

The future of the UK financial services sector

The UK regards financial services as essential, including for economic recovery after the COVID-19 pandemic. For this reason, Chancellor of the Exchequer Rishi Sunak in October 2020 launched discussions on a future regulatory framework for financial services with a view to adapting to the situation and maintaining the UK's position as a leading global financial centre, especially in light of the UK's new status outside the EU. A total of three steps have been announced to fulfill that vision: access to overseas, the use of technology to deliver better outcomes for consumers and businesses, and finally a plan to tackle climate change and protect the environment in the financial services sector. There are likely to be changes in financial services regulation in the UK in the years ahead which will make it significantly more difficult to obtain equivalence from the EU. However, heads of financial services institutions in the City of London have called on the government to exercise caution regarding the planned deregulation of financial services post Brexit and to focus more on creating new flexible rules to support growing areas of the economy, such as strengthening its strong fintech position. There is a related need to retain the skilled employees required for this rapidly growing technological sector.

Chart 6 – LSE trading volumes

(millions)



Source: Bloomberg

It will take time to determine the full impact of Brexit on the UK financial services sector. However, there have already been some visible shifts away from the City of London, for example on the very first day after Brexit (see Chart 6). According to the FT, EUR 6.5 billion of share trading moved from London to the new European financial hubs on 1 January 2021. In January 2021, the Dutch capital Amsterdam became the main beneficiary of the UK's withdrawal from the single market. With average trading of EUR 9.2 billion a day, it even surpassed the City of London as Europe's top share trading centre. The factors underlying its success include stable governance, zero taxation of financial transactions, a good standard of English among the population and fast internet connections. However, some see the USA (New York) as the real threat to London, as a large part of derivatives trading has shifted there.

Could this be the end for the City of London? The City of London still has a big lead over its EU competitors in a number of financial areas, but it has much to lose. To help London maintain its position as one of the world's largest financial hubs, the UK has allowed EU companies to stay in the UK for up to three years. It believes this will encourage these firms to apply for permanent permission to do business in the UK. At the beginning of this year alone, over 400 EU financial institutions were registered which had a permit to provide some form of financial services in the UK for a period of three years. On 9 November 2020, the UK granted a total of 17 equivalence decisions to the EU in the financial services area (compared to two from the EU) and acknowledged that the EU's regulatory framework is so similar to that of the UK that trading in financial products can continue without major barriers. However, the decisions were targeted at areas that were primarily attractive to the UK. But if the EU were to take a very tough stance on equivalence, it could make London less financially attractive in the long run. Nonetheless, despite the situation, investor confidence and attractiveness remain relatively strong. The City of London has demonstrated in the past its ability to adapt and develop to changing circumstances and will likely be able to survive and prosper in this case too, even if the EU does not grant equivalence. The UK fintech sector also has potential. It is currently booming, with nine private UK fintech firms now worth over USD 1 billion. The most important is Revolut, the most hyped fintech in Europe.

Conclusion

A few months after the signing of the EU-UK trade agreement, which largely omitted the financial services sector, the government has been called on by this sector to support the export of financial services and to secure better access to overseas markets. Financial companies say the government has done the minimum to support the sector after Brexit, especially after the failure to reach agreement on the mutual recognition of regulatory rules. A February 2021 report issued by UK Finance (a trade association for the UK banking and finance industry) advocates global convergence of financial standards rather than a regional approach, as this will make it easier for companies to operate in different jurisdictions. Examples include UK engagement in international bodies such as the Financial Stability Board to promote the global convergence of financial standards. UK financial market regulators also need to cooperate with their counterparts in other countries to improve market access for UK financial service providers, and also in the fintech area. According to the report, given the importance of the sector, it is also essential to maintain the openness of the domestic financial services market, regardless of what other countries will do in the coming years.

However, the post-Brexit situation has been welcomed, for example, by the BoE, as its regulatory powers are likely to increase. Commenting at the start of January on the BoE's new-found freedom, BoE Governor Andrew Bailey emphasised that the UK must not become a "rule taker" in the area of financial services. The BoE should be given new rule-making powers, which opens up the possibility for deviating from EU regulations. The BoE has already indicated that it expects changes in some areas. On the other hand, the UK's declared intention to diverge from EU regulations is certainly not an invitation for the European Commission to grant further equivalence to the UK in the coming months or years. The UK will therefore inevitably face the challenge of how to deal with the significantly limited or (in the future) completely non-existent possibility of providing financial services to the EU.

At the end of March 2021, the UK and the EU agreed a memorandum of understanding on regulatory cooperation in financial services, which is expected to have a similar form and scope to the EU-US Regulatory Forum. The UK and the EU will thus have a platform under the auspices of the EU commissioner for financial services and the UK chancellor for regular exchange of information on regulatory initiatives, positions in international regulatory fora and consultations on granting, suspending or withdrawing equivalence. However, the unilateral nature of equivalence regimes should not be affected by these consultations. The EU will be cautious in granting equivalence, as on the one hand it fears that the UK could become a highly deregulated market in the future, and on the other hand it is not considered strategic, especially at European Commission level, for the main financial centre for EU Member States to be located outside the EU and the single market. However, the UK is committed to numerous banking and market obligations, so potential changes cannot be very drastic. On the other hand, the UK believes it can regulate the financial sector more effectively than Brussels. But at the same time – and in the context of the sharpest decline in its economy in a century – more EU equivalence decisions would currently be of great help to the UK. Mutual vigilance thus lies at the heart of the problem, and the low trust is causing friction on both sides. According to BoE Governor Andrew Bailey, the UK should not be too quick to comply with EU equivalence requirements, as it could end up being subject to the regulations set by Brussels. On the other hand, further lengthy negotiations and associated uncertainty could hamper investment, which has already weakened partially in the UK, and divert business from the City of London not only to the EU, but also increasingly to the USA. However, there is still

undoubtedly room for renewed EU-UK convergence and a deeper dialogue. The memorandum on regulatory cooperation modelled on the EU-US Regulatory Forum can certainly aid this process. EU-UK regulatory cooperation through the exchange of information, positions and consultations arising from the memorandum (rather than the creation of common policies) is therefore probably the most that can be achieved in the current situation.

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Keywords

financial services, Brexit, migration, uncertainty on the financial markets

JEL Classification

F22, F30, G10, G20

A1. Change in predictions for 2021

GDP growth, %

	CF		IMF		OECD		CB / EIU	
EA	-0.1	2021/4 2021/3	+0.2	2021/4 2021/1	+0.3	2021/3 2020/12	+0.2	2020/3 2020/12
US	+0.5	2021/4 2021/3	+1.3	2021/4 2021/1	+3.3	2021/3 2020/12	+2.3	2021/3 2020/12
UK	+0.8	2021/4 2021/3	+0.8	2021/4 2021/1	+0.9	2021/3 2020/12	-2.3	2021/2 2020/11
JP	0	2021/4 2021/3	+0.2	2021/4 2021/1	+0.4	2021/3 2020/12	+0.3	2021/1 2020/10
CN	+0.3	2021/4 2021/3	+0.3	2021/4 2021/1	-0.2	2021/3 2020/12	-0.2	2021/3 2021/1
RU	0	2021/3 2021/2	+0.8	2021/4 2021/1	-0.1	2021/3 2020/12	+0.2	2021/4 2021/2

Inflation, %

	CF		IMF		OECD		CB / EIU	
EA	+0.1	2021/4 2021/3	+0.5	2021/4 2020/10	+0.2	2020/12 2020/6	+0.2	2020/3 2020/12
US	+0.2	2021/4 2021/3	-0.5	2021/4 2020/10	+0.4	2020/12 2020/6	+0.6	2021/3 2020/12
UK	0	2021/4 2021/3	+0.3	2021/4 2020/10	+0.1	2020/12 2020/6	0	2021/2 2020/11
JP	+0.1	2021/4 2021/3	-0.2	2021/4 2020/10	+0.3	2020/12 2020/6	+0.1	2021/1 2020/10
CN	0	2021/4 2021/3	-1.5	2021/4 2020/10	+0.4	2020/12 2020/6	+0.1	2021/3 2021/1
RU	+0.3	2021/3 2021/2	+1.3	2021/4 2020/10	+0.1	2020/12 2020/6	+0.7	2021/4 2021/2

A2. Change in predictions for 2022

GDP growth, %

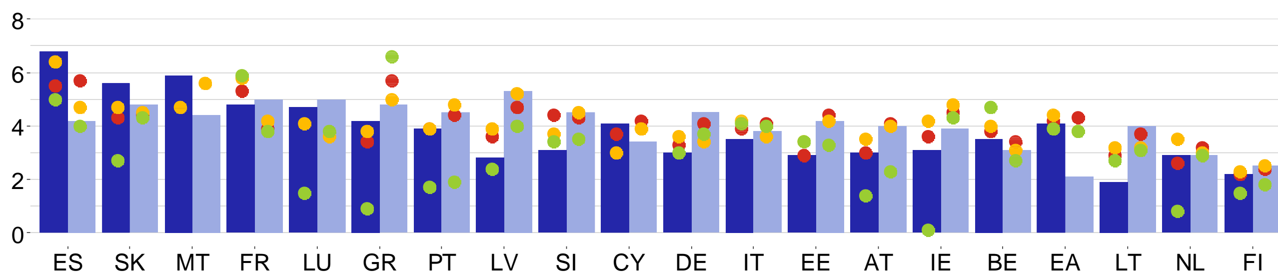
	CF		IMF		OECD		CB / EIU	
EA	+0.1	2021/4 2021/3	+0.2	2021/4 2021/1	+0.5	2021/3 2020/12	-2.1	2020/3 2020/12
US	+0.1	2021/4 2021/3	+1.0	2021/4 2021/1	+0.5	2021/3 2020/12	+0.1	2021/3 2020/12
UK	-0.2	2021/4 2021/3	+0.1	2021/4 2021/1	+0.6	2021/3 2020/12	+1.0	2021/2 2020/11
JP	+0.1	2021/4 2021/3	+0.1	2021/4 2021/1	+0.3	2021/3 2020/12	+0.2	2021/1 2020/10
CN	+0.1	2021/4 2021/3	0	2021/4 2021/1	0	2021/3 2020/12	0	2021/3 2021/1
RU	+0.1	2021/3 2021/2	-0.1	2021/4 2021/1	+0.4	2021/3 2020/12	0	2021/4 2021/2

Inflation, %

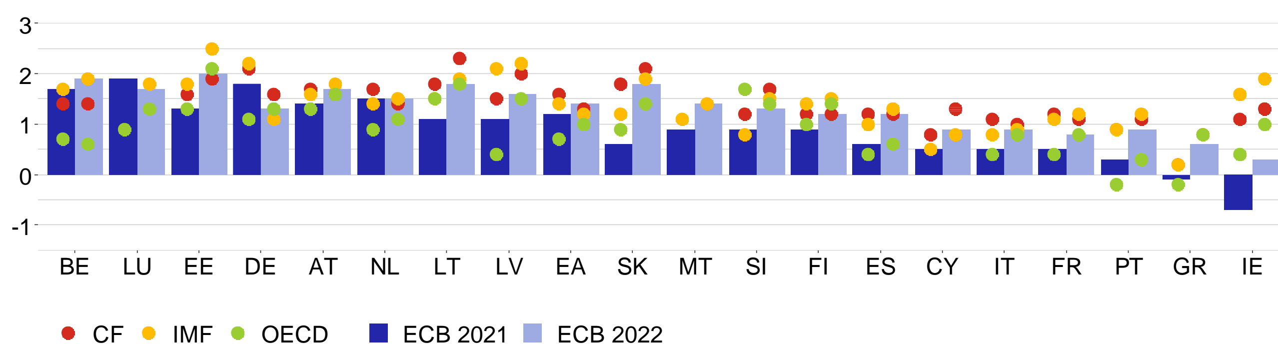
	CF		IMF		OECD		CB / EIU	
EA	0	2021/4 2021/3	0	2021/4 2020/10	---	2020/12 ---	+0.3	2020/3 2020/12
US	+0.1	2021/4 2021/3	+0.3	2021/4 2020/10	---	2020/12 ---	+0.1	2021/3 2020/12
UK	+0.1	2021/4 2021/3	+0.2	2021/4 2020/10	---	2020/12 ---	+0.3	2021/2 2020/11
JP	0	2021/4 2021/3	0	2021/4 2020/10	---	2020/12 ---	0	2021/1 2020/10
CN	-0.3	2021/4 2021/3	-0.7	2021/4 2020/10	---	2020/12 ---	+1.0	2021/3 2021/1
RU	+0.1	2021/3 2021/2	+0.2	2021/4 2020/10	---	2020/12 ---	-0.2	2021/4 2021/2

A3. GDP growth and inflation outlooks in the euro area countries

GDP growth in the euro area countries in 2021 and 2022, %



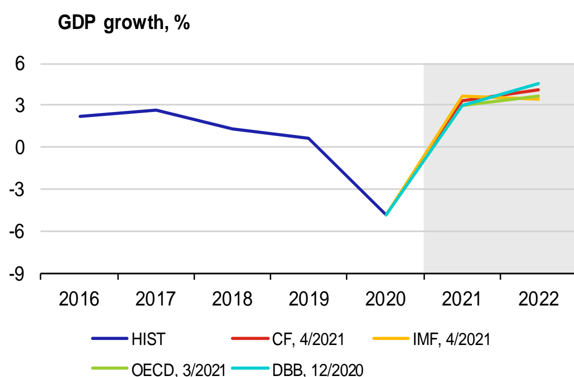
Inflation in the euro area countries in 2021 and 2022, %

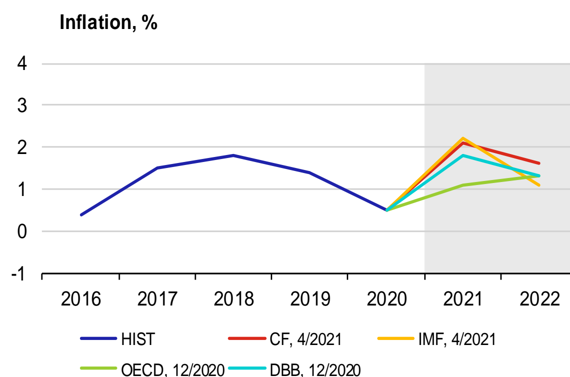


Note: Charts show institutions' latest available outlooks of for the given country.

A4. GDP growth and inflation in the individual euro area countries

Germany

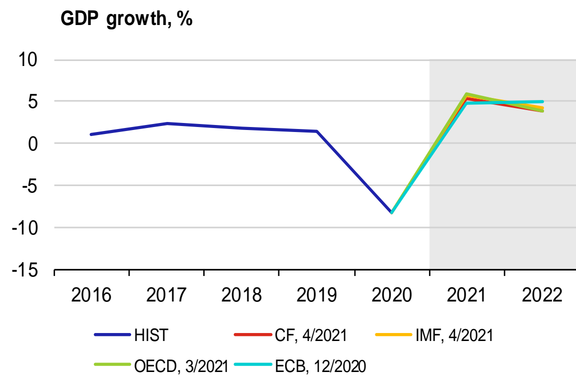


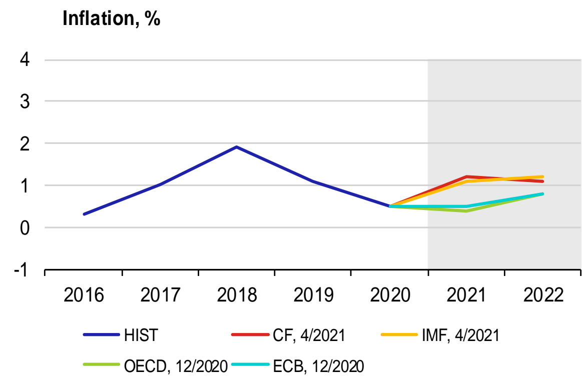


	CF	IMF	OECD	DBB
2021	3.3	3.6	3.0	3.0
2022	4.1	3.4	3.7	4.5

	CF	IMF	OECD	DBB
2021	2.1	2.2	1.1	1.8
2022	1.6	1.1	1.3	1.3

France





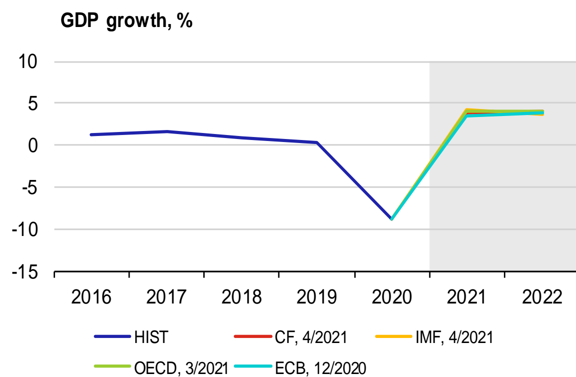
GDP growth, %:

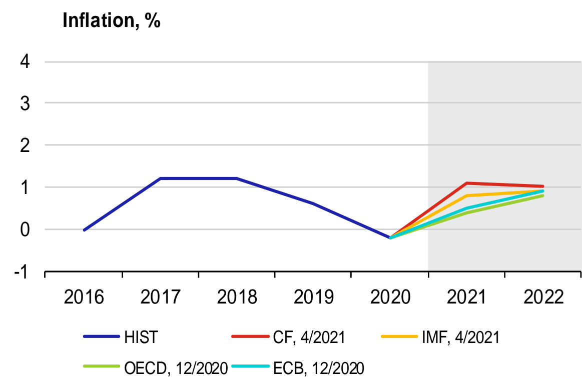
	CF	IMF	OECD	ECB
2021	5.3	5.8	5.9	4.8
2022	3.9	4.2	3.8	5.0

Inflation, %:

	CF	IMF	OECD	ECB
2021	1.2	1.1	0.4	0.5
2022	1.1	1.2	0.8	0.8

Italy





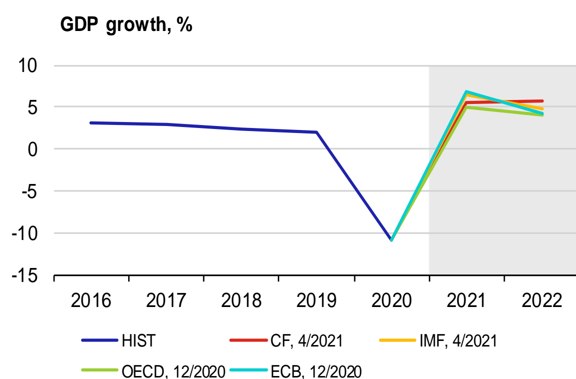
GDP growth, %:

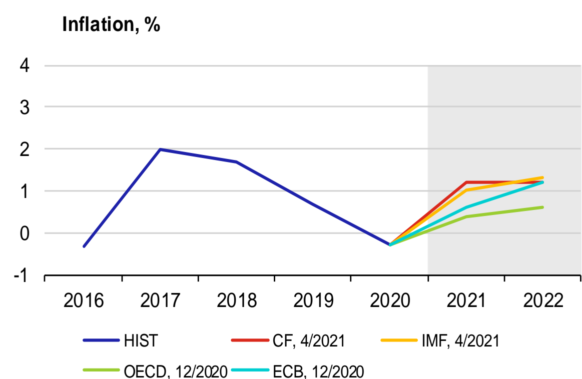
	CF	IMF	OECD	ECB
2021	3.9	4.2	4.1	3.5
2022	4.1	3.6	4.0	3.8

Inflation, %:

	CF	IMF	OECD	ECB
2021	1.1	0.8	0.4	0.5
2022	1.0	0.9	0.8	0.9

Spain





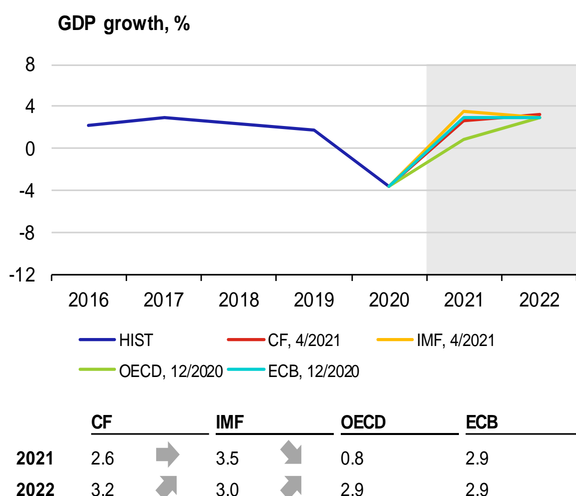
GDP growth, %:

	CF	IMF	OECD	ECB
2021	5.5	6.4	5.0	6.8
2022	5.7	4.7	4.0	4.2

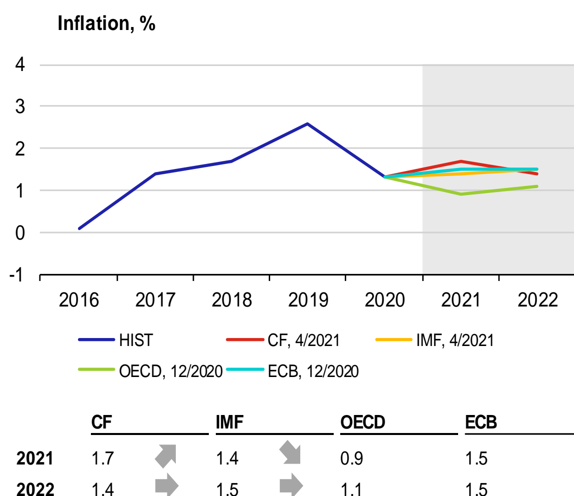
Inflation, %:

	CF	IMF	OECD	ECB
2021	1.2	1.0	0.4	0.6
2022	1.2	1.3	0.6	1.2

Netherlands

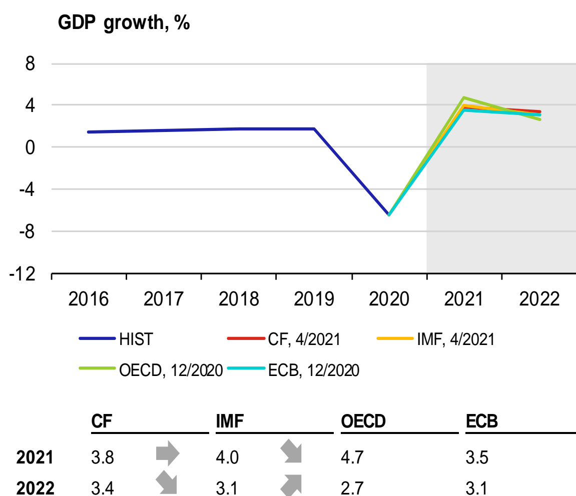


	CF	IMF	OECD	ECB
2021	2.6	3.5	0.8	2.9
2022	3.2	3.0	2.9	2.9

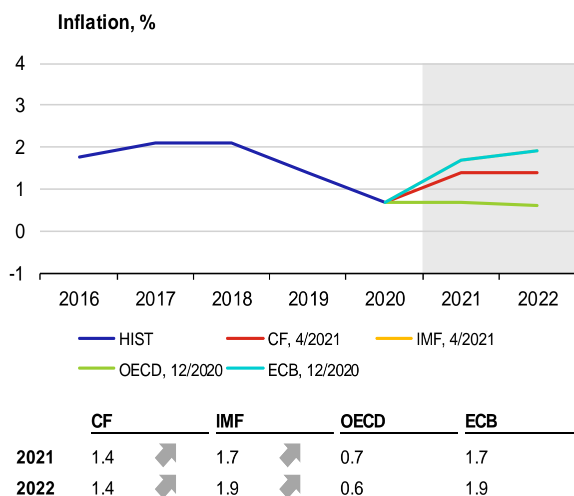


	CF	IMF	OECD	ECB
2021	1.7	1.4	0.9	1.5
2022	1.4	1.5	1.1	1.5

Belgium

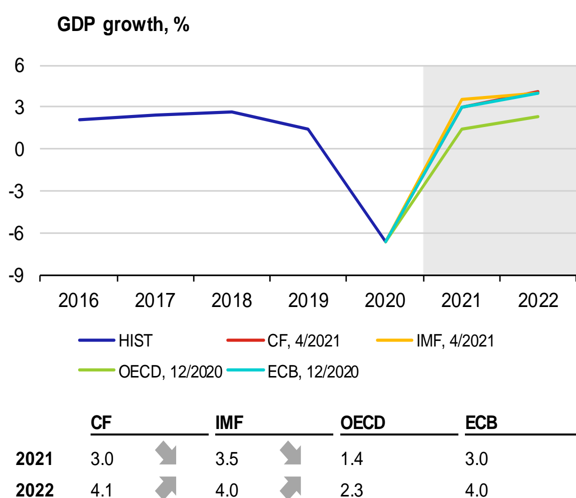


	CF	IMF	OECD	ECB
2021	3.8	4.0	4.7	3.5
2022	3.4	3.1	2.7	3.1

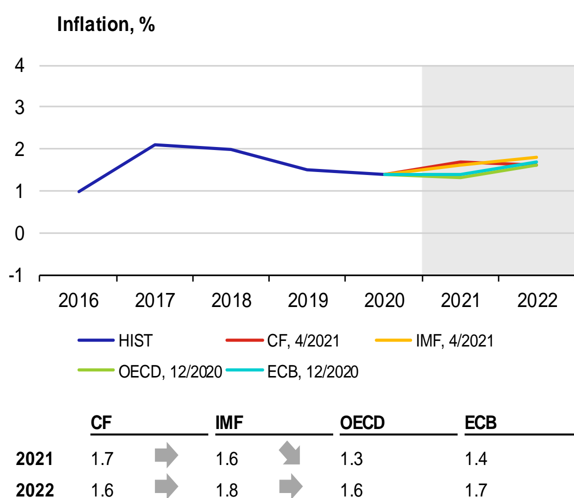


	CF	IMF	OECD	ECB
2021	1.4	1.7	0.7	1.7
2022	1.4	1.9	0.6	1.9

Austria

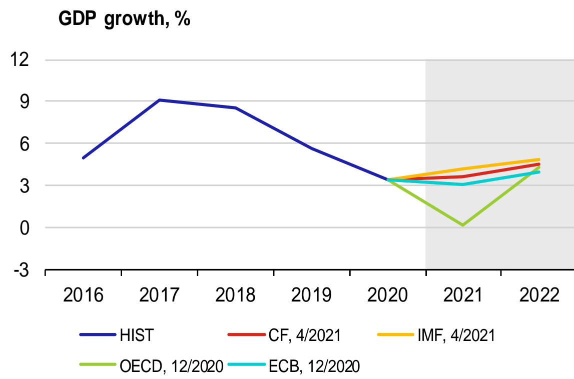


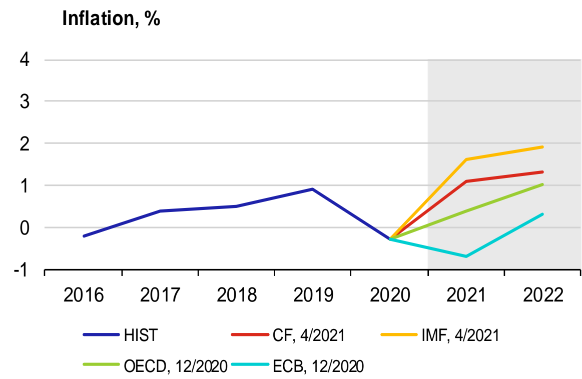
	CF	IMF	OECD	ECB
2021	3.0	3.5	1.4	3.0
2022	4.1	4.0	2.3	4.0



	CF	IMF	OECD	ECB
2021	1.7	1.6	1.3	1.4
2022	1.6	1.8	1.6	1.7

Ireland

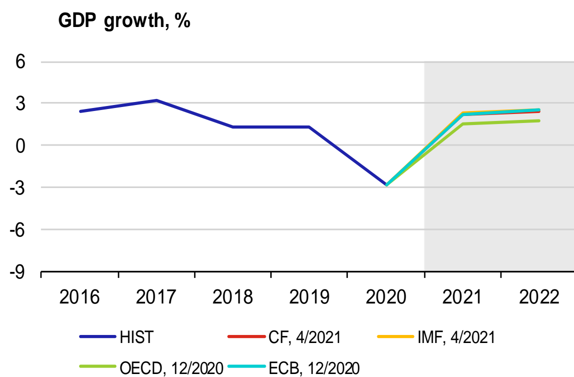


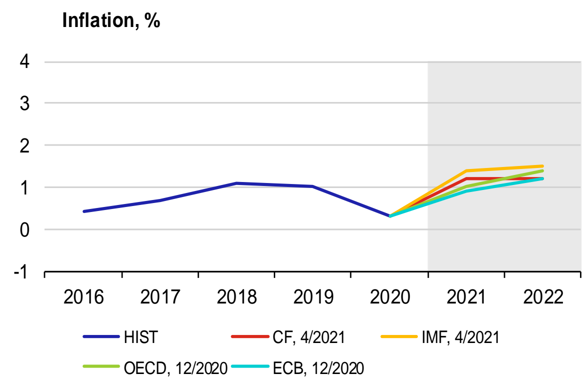


	CF		IMF		OECD	ECB
2021	3.6	↗	4.2	↘	0.1	3.1
2022	4.5	↗	4.8	↗	4.3	3.9

	CF		IMF		OECD	ECB
2021	1.1	↗	1.6	↗	0.4	-0.7
2022	1.3	↗	1.9	→	1.0	0.3

Finland

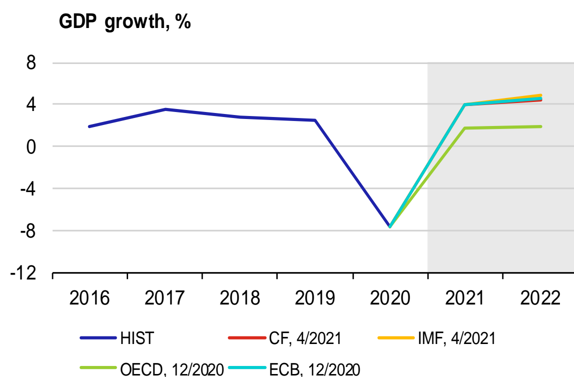


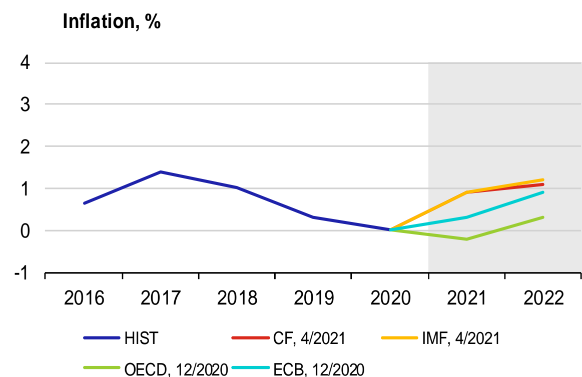


	CF		IMF		OECD	ECB
2021	2.2	↘	2.3	↘	1.5	2.2
2022	2.4	↗	2.5	↗	1.8	2.5

	CF		IMF		OECD	ECB
2021	1.2	↗	1.4	↗	1.0	0.9
2022	1.2	→	1.5	→	1.4	1.2

Portugal

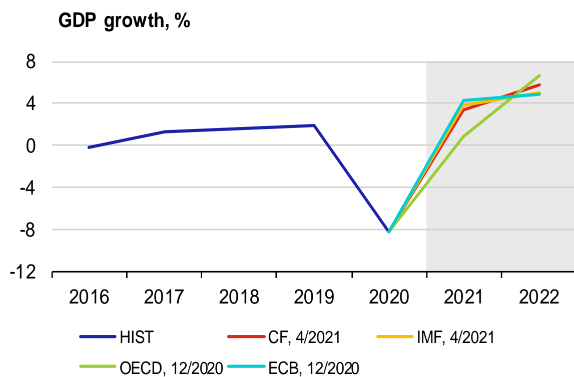


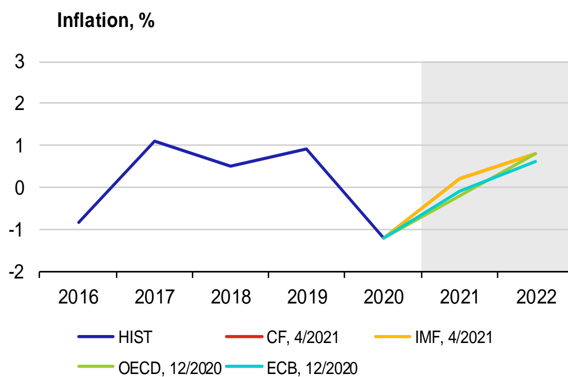


	CF		IMF		OECD	ECB
2021	3.9	↗	3.9	↘	1.7	3.9
2022	4.4	↗	4.8	→	1.9	4.5

	CF		IMF		OECD	ECB
2021	0.9	↗	0.9	↘	-0.2	0.3
2022	1.1	→	1.2	→	0.3	0.9

Greece

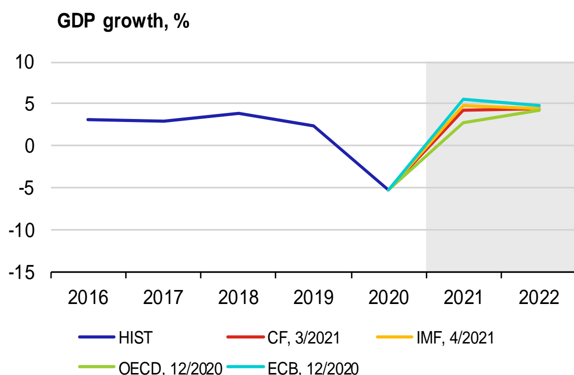


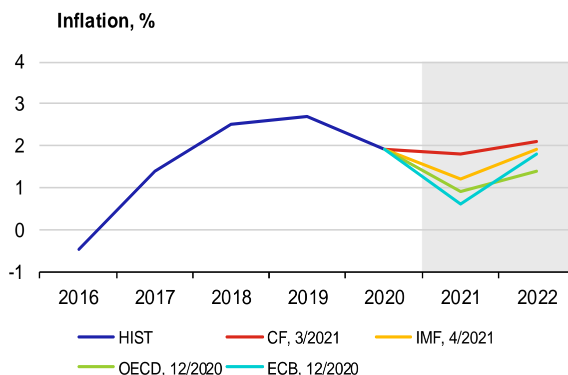


	CF	IMF	OECD	ECB
2021	3.4	3.8	0.9	4.2
2022	5.7	5.0	6.6	4.8

	CF	IMF	OECD	ECB
2021	0.2	0.2	-0.2	-0.1
2022	0.8	0.8	0.8	0.6

Slovakia

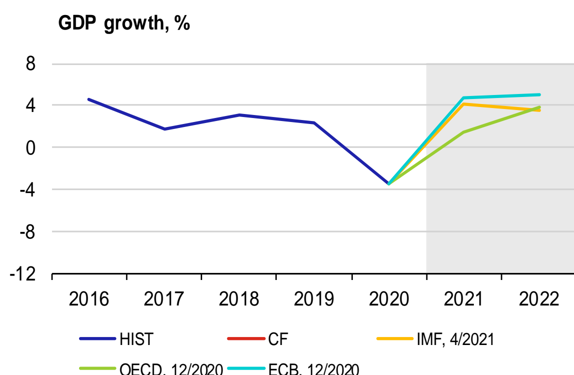


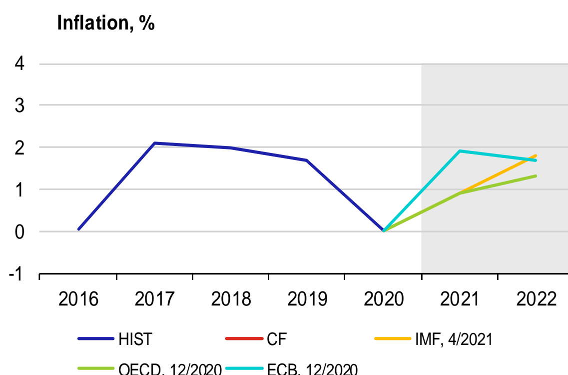


	CF	IMF	OECD	ECB
2021	4.3	4.7	2.7	5.6
2022	4.4	4.5	4.3	4.8

	CF	IMF	OECD	ECB
2021	1.8	1.2	0.9	0.6
2022	2.1	1.9	1.4	1.8

Luxembourg

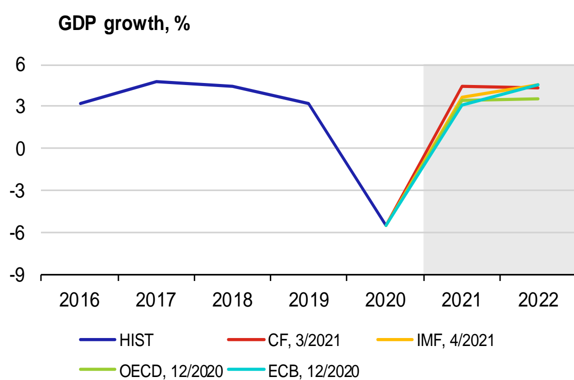


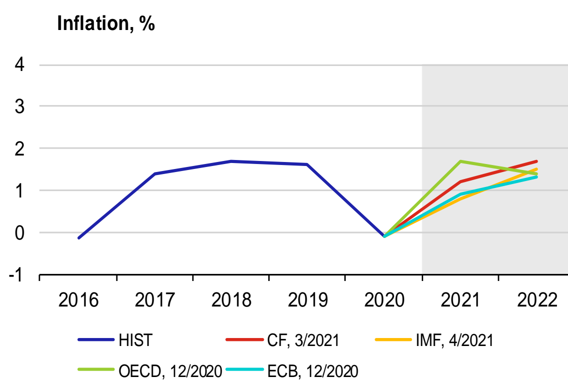


	CF	IMF	OECD	ECB
2021	n. a.	4.1	1.5	4.7
2022	n. a.	3.6	3.8	5.0

	CF	IMF	OECD	ECB
2021	n. a.	0.9	0.9	1.9
2022	n. a.	1.8	1.3	1.7

Slovenia

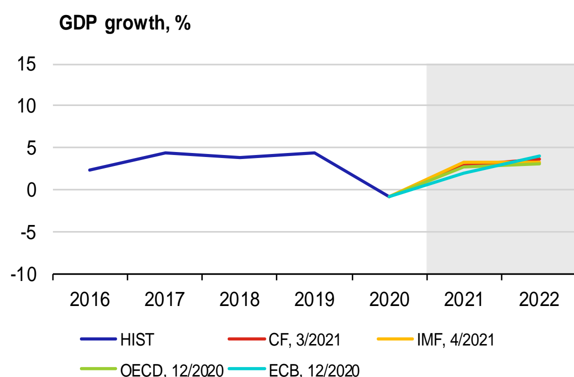


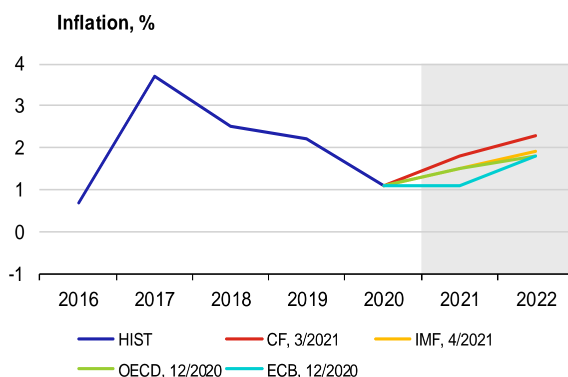


	CF	IMF	OECD	ECB
2021	4.4	3.7	3.4	3.1
2022	4.3	4.5	3.5	4.5

	CF	IMF	OECD	ECB
2021	1.2	0.8	1.7	0.9
2022	1.7	1.5	1.4	1.3

Lithuania

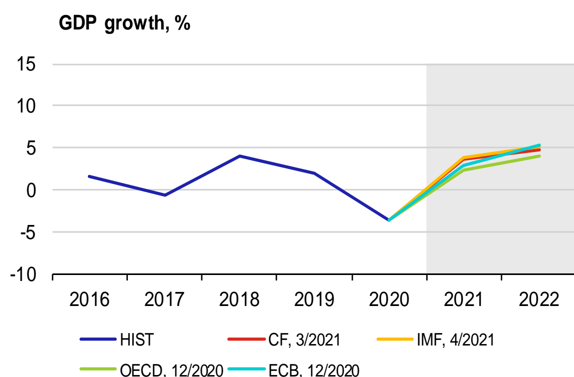


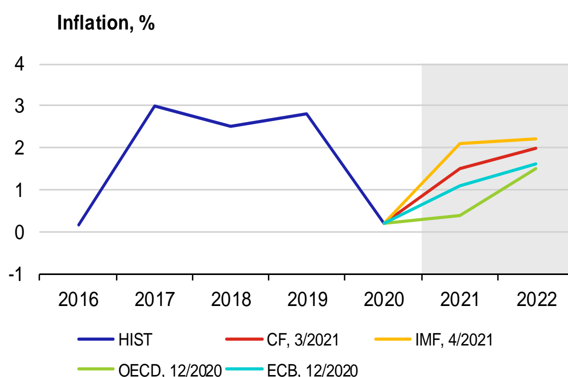


	CF	IMF	OECD	ECB
2021	2.9	3.2	2.7	1.9
2022	3.7	3.2	3.1	4.0

	CF	IMF	OECD	ECB
2021	1.8	1.5	1.5	1.1
2022	2.3	1.9	1.8	1.8

Latvia

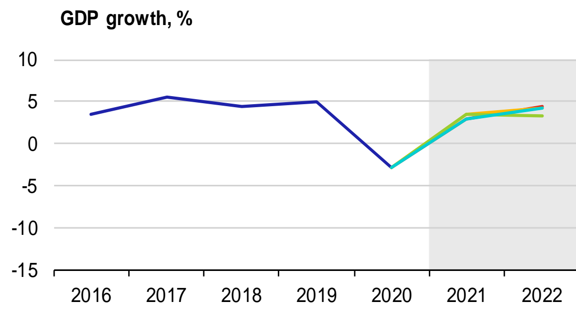




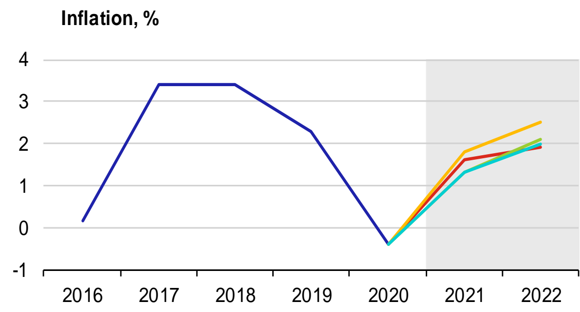
	CF	IMF	OECD	ECB
2021	3.6	3.9	2.4	2.8
2022	4.7	5.2	4.0	5.3

	CF	IMF	OECD	ECB
2021	1.5	2.1	0.4	1.1
2022	2.0	2.2	1.5	1.6

Estonia



HIST CF, 3/2021 IMF, 4/2021
OECD, 12/2020 ECB, 12/2020



HIST CF, 3/2021 IMF, 4/2021
OECD, 12/2020 ECB, 12/2020

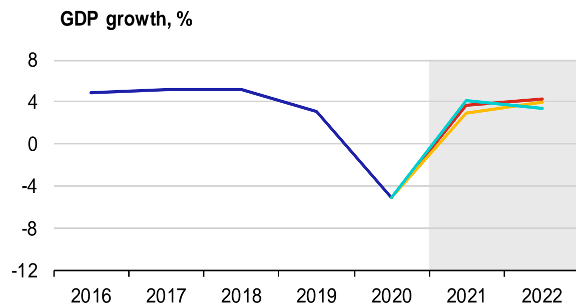
GDP growth, %

	CF	IMF	OECD	ECB
2021	2.9	3.4	3.4	2.9
2022	4.4	4.2	3.3	4.2

Inflation, %

	CF	IMF	OECD	ECB
2021	1.6	1.8	1.3	1.3
2022	1.9	2.5	2.1	2.0

Cyprus



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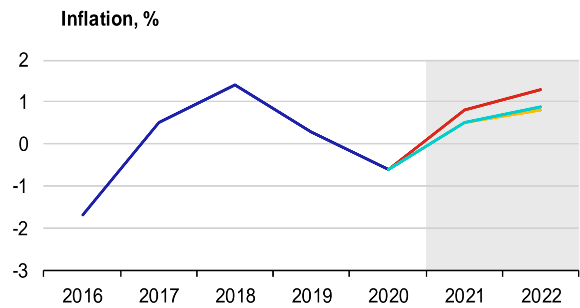
OECD ECB, 12/2020



HIST CF, 3/2021 IMF, 4/2021
OECD ECB, 12/2020

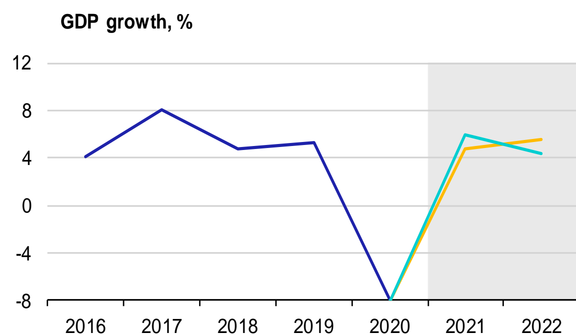
GDP growth, %

	CF	IMF	OECD	ECB
2021	3.7	3.0	n. a.	4.1
2022	4.2	3.9	n. a.	3.4

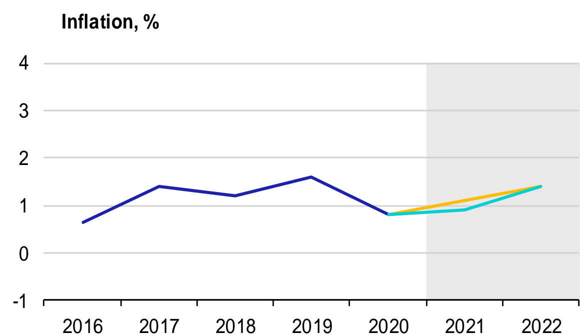
Inflation, %

	CF	IMF	OECD	ECB
2021	0.8	0.5	n. a.	0.5
2022	1.3	0.8	n. a.	0.9

Malta



HIST CF IMF, 4/2021 OECD ECB, 12/2020



HIST CF IMF, 4/2021 OECD ECB, 12/2020

GDP growth, %

	CF	IMF	OECD	ECB
2021	n. a.	4.7	n. a.	5.9
2022	n. a.	5.6	n. a.	4.4

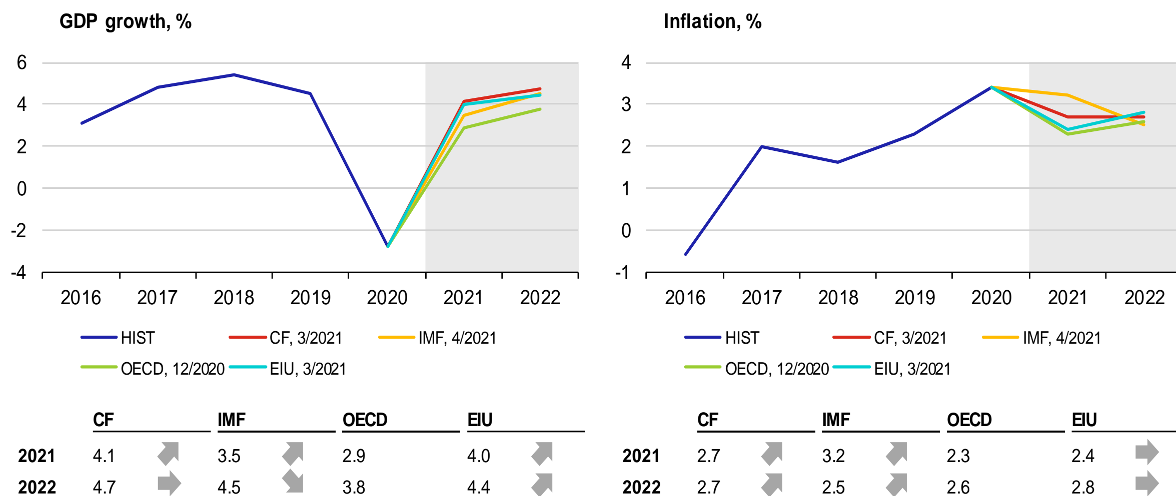
Inflation, %

	CF	IMF	OECD	ECB
2021	n. a.	1.1	n. a.	0.9
2022	n. a.	1.4	n. a.	1.4

Ddd

A5. GDP growth and inflation in other selected countries

Poland



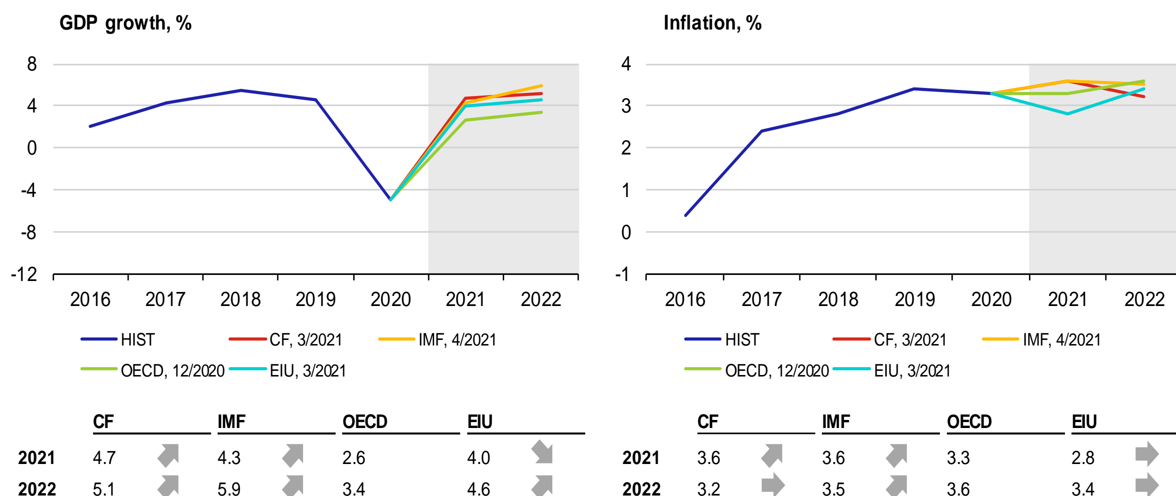
GDP growth, %

	CF	IMF	OECD	EIU
2021	4.1	3.5	2.9	4.0
2022	4.7	4.5	3.8	4.4

Inflation, %

	CF	IMF	OECD	EIU
2021	2.7	3.2	2.3	2.4
2022	2.7	2.5	2.6	2.8

Hungary



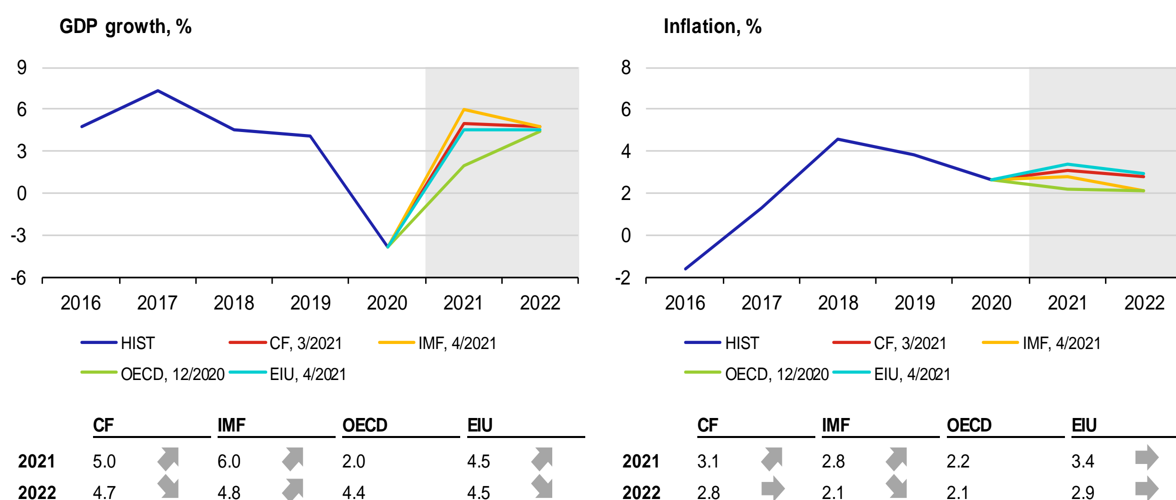
GDP growth, %

	CF	IMF	OECD	EIU
2021	4.7	4.3	2.6	4.0
2022	5.1	5.9	3.4	4.6

Inflation, %

	CF	IMF	OECD	EIU
2021	3.6	3.6	3.3	2.8
2022	3.2	3.5	3.6	3.4

Romania



GDP growth, %

	CF	IMF	OECD	EIU
2021	5.0	6.0	2.0	4.5
2022	4.7	4.8	4.4	4.5

Inflation, %

	CF	IMF	OECD	EIU
2021	3.1	2.8	2.2	3.4
2022	2.8	2.1	2.1	2.9

A6. List of abbreviations

AT	Austria
bbl	barrel
BE	Belgium
BoE	Bank of England (the UK central bank)
BoJ	Bank of Japan (the central bank of Japan)
bp	basis point (one hundredth of a percentage point)
CB	central bank
CBR	Central Bank of Russia
CF	Consensus Forecasts
CN	China
CNB	Czech National Bank
CNY	Chinese renminbi
ConfB	Conference Board Consumer Confidence Index
CXN	Caixin
CY	Cyprus
DBB	Deutsche Bundesbank (the central bank of Germany)
DE	Germany
EA	euro area
ECB	European Central Bank
EE	Estonia
EIA	Energy Information Administration
EIU	Economist Intelligence Unit
ES	Spain
ESI	Economic Sentiment Indicator of the European Commission
EU	European Union
EUR	euro
EURIBOR	Euro Interbank Offered Rate
Fed	Federal Reserve System (the US central bank)
FI	Finland
FOMC	Federal Open Market Committee
FR	France
FRA	forward rate agreement
FY	fiscal year
GBP	pound sterling
GDP	gross domestic product
GR	Greece
ICE	Intercontinental Exchange
IE	Ireland
IEA	International Energy Agency
IFO	Leibniz Institute for Economic Research at the University of Munich
IMF	International Monetary Fund
IRS	Interest Rate swap
ISM	Institute for Supply Management
IT	Italy
JP	Japan
JPY	Japanese yen
LIBOR	London Interbank Offered Rate
LME	London Metal Exchange
LT	Lithuania
LU	Luxembourg
LV	Latvia
MKT	Markit
MT	Malta
NIESR	National Institute of Economic and Social Research (UK)
NKI	Nikkei
NL	Netherlands
OECD	Organisation for Economic Co-operation and Development
OECD-CLI	OECD Composite Leading Indicator
OPEC+	member countries of OPEC oil cartel and 10 other oil-exporting countries (the most important of which are Russia, Mexico and Kazakhstan)
PMI	Purchasing Managers' Index
pp	percentage point
PT	Portugal
QE	quantitative easing
RU	Russia
RUB	Russian rouble
SI	Slovenia
SK	Slovakia
UK	United Kingdom
UoM	University of Michigan Consumer Sentiment Index - present situation
US	United States
USD	US dollar
USDA	United States Department of Agriculture
WEO	World Economic Outlook
WTI	West Texas Intermediate (crude oil used as a benchmark in oil pricing)
ZEW	Centre for European Economic Research

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