

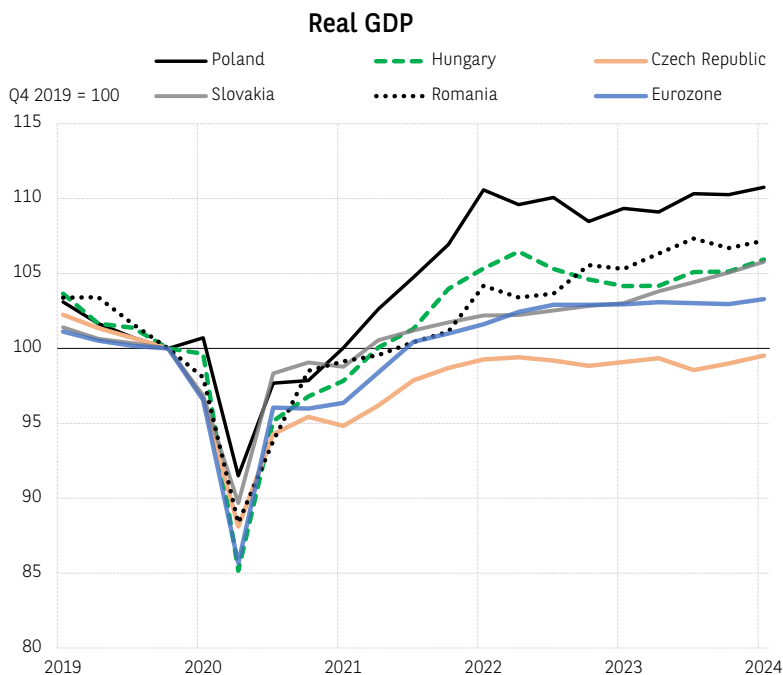
CHART OF THE WEEK



22 May 2024

CENTRAL EUROPE: IMPROVING GROWTH PROSPECTS IN THE SHORT-TERM

Cynthia Kalasopatan Antoine



Source: Eurostat, BNP Paribas

In the first quarter, economic growth in Central European countries improved as expected (Poland: +0.4% q/q in Q1 2024; Hungary: +0.8% q/q; Czech Republic: +0.5% q/q; Slovakia: +0.7% q/q; Romania: +0.5%). Although details of the accounts are not yet available, there is strong evidence that growth was primarily driven by consumption, as reflected by the boost in retail sales. Private consumption has benefited from renewed household confidence, the rise in households' purchasing intentions, sustained wages and lower inflation figures in recent months. Meanwhile, industrial production and business confidence remain rather subdued.

In the short term, the outlook for growth is well oriented. According to forecasts published by the European Commission last week, Romania and Poland could be among the best-performing economies in Central Europe, with a GDP growth of 3.3% and 2.8% expected on average respectively for 2024. A more modest rebound is expected in Hungary and Slovakia. In contrast, Czech Republic may still be lagging behind (forecasts: +1.2% this year).

The Czech Republic's economic underperformance is not limited to 2024. Czech GDP has still not returned to its pre-Covid-19 level, unlike that of neighbouring countries. Supply constraints have been a major obstacle to the country's economic recovery. Similarly, savings accumulated by households during the pandemic were barely used afterwards. The household savings rate, close to 18% in Q1 2024, remains higher than in December 2019.

By contrast, Poland stands out in the region with a significant catch-up effect since 2020. GDP is currently 11% above its pre-pandemic level. While successive shocks since 2020 have constrained growth momentum, Poland has shown resilience due to generous government support measures. Investment has accelerated markedly (+11.6% after +3.4% in 2022), driven by foreign direct investment since 2021 (almost 5% of GDP on average each year). After narrowly escaping a recession in 2023, the expected revival in growth in 2024 should be supported by all growth drivers. Households should benefit from a significant increase in family allowances (+60% for child allowances) and an extension of the moratorium on debt servicing this year. In addition, the release of European funds, including a first tranche of EUR 6.3 billion already approved for Poland at the beginning of the year, will likely support investment.

cynthia.kalasopatanantoine@bnpparibas.com

ECONOMIC RESEARCH



BNP PARIBAS

The bank
for a changing
world

ECOCONJONCTURE

Structural or thematic topics.

ECOEMERGING

Analyses and forecasts for a selection of emerging economies.

ECOPERSPECTIVES

Analyses and forecasts with a focus on developed countries.

ECOFLASH

Data releases, major economic events.

ECOWEEK

Recent economic and policy developments, data comments, economic calendar, forecasts.

ECOCHARTS

Easy-to-read monthly overview of inflation dynamics in the main developed economies.

ECOPULSE

Monthly barometer of key economic indicators of the main OECD countries.

MACROWAVES

Our economic podcast.

HOW TO RECEIVE OUR PUBLICATIONS

SUBSCRIBE ON OUR WEBSITE
see the **Economic Research website**

&

FOLLOW US ON LINKEDIN
see the **Economic Research linkedin page**

OR TWITTER
see the **Economic Research Twitter page**

The graphic features a hand holding a smartphone displaying a website, with a tablet and a laptop also showing the website. The background is dark with white text.

The information and opinions contained in this document have been obtained from, or are based on, public sources believed to be reliable, but there is no guarantee of the accuracy, completeness or fitness for any particular purpose of such information and such information may not have been independently verified by BNPP or by any person. None of BNPP, any of its subsidiary undertakings or affiliates or its members, directors, officers, agents or employees accepts any responsibility or liability whatsoever or makes any representation or warranty, express or implied, as to the accuracy and completeness of the information or any opinions based thereon and contained in this document and it should not be relied upon as such. This document does not constitute research, as defined under MIFID II, or form any part of any offer to sell or issue and is not a solicitation of any offer to purchase any financial instrument, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on, in connection with any contract or investment decision. Information and opinions contained in this document are published for the information of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient, are subject to change without notice. In providing this document, BNPP does not offer investment, financial, legal, tax or any other type of advice to, nor has any fiduciary duties towards, recipients. Any reference to past performance is not indicative of future performance, which may be better or worse than prior results. Any hypothetical, past performance simulations are the result of estimates made by BNPP, as of a given moment, on the basis of parameters, market conditions, and historical data selected by BNPP, and should not be used as guidance, in any way, of future performance. To the fullest extent permitted by law, no BNPP group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this document even when advised of the possibility of such losses. All estimates and opinions included in this document are made as of the date of this document. Unless otherwise indicated in this document there is no intention to update this document. BNPP may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this document or derivatives thereon. Prices, yields and other similar information included in this document are included for information purposes however numerous factors will affect market pricing at any particular time, such information may be subject to rapid change and there is no certainty that transactions could be executed at any specified price. BNPP may have a financial interest in any issuer or person mentioned in this document, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon, or vice versa. BNPP, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this document. BNPP may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this document. BNPP may be a party to an agreement with any person relating to the production of this document. BNPP may to the extent permitted by law, have acted upon or used the information contained herein or in the document, or the analysis on which it was based, before the document was published. BNPP may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this document. Any person mentioned in this document may have been provided with relevant sections of this document prior to its publication in order to verify its factual accuracy.

This document was produced by a BNPP group company. This document is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNPP. By accepting or accessing this document you agree to this.

BNP Paribas is a société anonyme incorporated in France, licensed and supervised as a credit institution by the European Central Bank (ECB) and as an investment services provider by the Autorité de contrôle prudentiel et de résolution (ACPR) and Autorité des marchés financiers (AMF), and having its registered office at 16, boulevard des Italiens, 75009 Paris, France.

Some or all of the information contained in this document may already have been published on <https://globalmarkets.bnpparibas.com>.

For country-specific disclaimers (United States, Canada, United Kingdom, Germany, Belgium, Ireland, Italy, Netherlands, Portugal, Spain, Switzerland, Brazil, Turkey, Israel, Bahrain, South Africa, Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand, Vietnam) please type the following URL to access the applicable legal notices: https://globalmarkets.bnpparibas.com/gm/home/Markets_360_Country_Specific_Notices.pdf
© BNP Paribas (2024). All rights reserved.

Published by BNP PARIBAS Economic Research
Head office: 16 boulevard des Italiens - 75009 Paris France / Phone : +33 (0) 1.42.98.12.34
Internet: group.bnpparibas - www.economic-research.bnpparibas.com
Head of publication : Jean Lemierre / Chief editor: William De Vijlder