European Economic Network EUREN

EUREN-News

2|2015
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Editorial: The Greek economy close to a third ESM programme

In mid-2015, the Greek economy faces a highly critical situation in various terms. The economic juncture is characterized by the significant worsening in economic indicators. Businesses and households are confronted with massive restrictions in economic transactions caused by the imposed bank holiday and capital controls. The country has suffered a severe loss of confidence and credibility from the part of its economic partners and the Institutions concerning the actual intensions of the Greek government. The latter has legislated a first set of agreed measures, in order to initiate negotiations for a new financial assistance programme from the ESM. Against this background, political instability and social anxiety prevails in the domestic environment due to the necessity to implement additional austerity measures and radical structural reforms.

From an economy with real GDP growth at 0.8% in 2014 and early growth forecasts of over 2% in 2015, Greece is now projected to enter a recessionary phase once again. It is obvious that an economy remains fragile in such a period of transition from a deep crisis to modest economic growth, and that each and every disturbance may easily lead to a setback. Still, the question arises what the root causes are of this unfavourable turnaround in the short term outlook for Greece.

The answer must follow two basic lines of argumentation. The first is quite simple, and it is based on the fact that the country has not yet managed to tackle a number of fundamental structural problems it faces in order to move towards high and viable growth. Despite significant improvement and progress made in some fields, there is undoubtedly much to be done. Nevertheless, deep adjustments need and take time. In addition, they are very likely to fail or at least not to deliver the expected results when implemented in a contractionary economic environment further amplifying the adverse conditions already prevailing. As a result, the Greek economy remains vulnerable and susceptible to abrupt reversals of economic conditions.

The second line of argumentation rests on considerations linked to the initial delay and final non-completion of the second financial assistance programme, due to deadlocked negotiations with the Institutions. Instead of moving towards a gradual restoration of access to financial markets, the Greek economy slowly approached bankruptcy and a potential exit from the Euro zone. The Greek government is now relying on heavy financial assistance through a third Memorandum of Understanding (MOU) to be negotiated.

It is clear that apart from preventing insolvency, any new MOU is meaningful only if it has a considerable potential to drive the Greek economy away from the crisis and towards more balanced and sound economic fundamentals. A different handling of the situation is needed by both the Greek side and its European partners and international institutions, which should evolve around three main pillars.

The first pillar is the implementation of additional growth enhancing measures, to counteract any adverse effects from austerity measures, potentially feeding the contraction further. The second pillar concerns the required flexibility to enable adjustment wherever needed, alongside with emphasis on non-general but rather specific solutions for specific problems and open options to deal with idiosyncratic characteristics of the Greek economy. The third relates to the determination and commitment from both sides to permanently resolve issues. Even if solving such issues might bring about significant cost and/or require resolute political decisions, it should still be able to guarantee the process of building mutual trust through honouring obligations and respecting rules in force, but also existing constraints.

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The EUREN Summer Forecast 2015

Euro area recovery continues

Emerging market slowdown could dampen global growth

At the beginning of this year, the international economic scenario seemed quite supportive for the Euro area economy. The main points were a recovering global economy with low inflation and interest rates.

Financial conditions had improved clearly, also thanks to the announcement of the new strategy of Quantitative Easing by the ECB. The euro exchange rate depreciation against the dollar improved the outlook for exports. Low interest rates for a long period and increasing asset prices were expected to stimulate domestic demand. Furthermore, the collapse of the oil price was seen as a factor to strengthen the international demand.

Recent data describe a less positive outcome: Advanced economies are still growing, but at a quite moderate pace, while the outlook for emerging countries is deteriorating. Expectations for foreign demand and hence for growth in the Euro area have been accordingly revised downwards compared to the beginning of this year.

With respect to the specific trends of the main areas of the world economy, the U,S. economy looks in a quite good shape. The bad data of the first quarter are considered to reflect transitory effects such as a strong winter and strikes in the west coast ports. Recent economic indicators are moving to the upside again. Given the positive economic prospects and the dollar appreciation, the *U.S. economy* is expected to lead the global recovery.

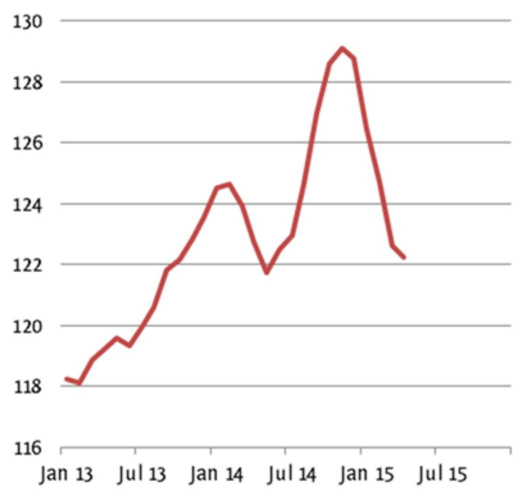
The appreciation of the dollar will dampen U.S. exports, but the outlook for domestic demand is positive. Wage gains, increasing employment and appreciating both real and financial wealth will support the consumption growth. Despite the good economic perspectives of the U.S. economy, and improving labour market conditions, the Federal Reserve is expected to increase the interest rates very gradually.

The economy is also recovering in Japan after the slowdown due to the increase in taxation of last year. Recent economic indicators show that the recovery is on track. The Bank of Japan's quantitative easing should continue, keeping interest rates near zero.

Graph 1

Emerging countries - Imports

Volume; Index 2005 = 100; 3 months moving average



Source: CPB

The outlook seems less brilliant for *emerging countries*. GDP growth slowed in the first quarter, and the leading indicators currently are pointing to a further deceleration in the second and third quarter. The slow growth is affecting imports, and the world demand for advanced countries exports is weaker than expected (Graph 1). Many countries are depreciating their currencies and for some of them inflationary pressures are mounting (Brazil, Russia). There is also a number of countries whose contribution to global growth is deteriorating due to political factors: Russia, North Africa and Middle East are the most problematic areas.

These factors suggest a less supportive external scenario for the Euro area as world trade growth will remain subdued. Slowing global demand and wide spare capacities in many countries will also contribute to moderate global inflation. Prices of non energy commodity have been declining, also due to the strengthening of the dollar. The oil price is well below the peak reached in the summer of last year.

Inflation rates in many countries will increase in the next months following the expected stabilisation of the energy and food prices. However, inflation will remain at low in a long term perspective. This will give monetary authorities the room for maintaining interest rates near the recent historical lows.

The Federal Reserve is expected to start increasing interest rates at the end of this year, but at a moderate pace only. Probably the U.S. short term interest rates will remain negative in real terms in 2016 too.

In the next months, financial markets will be affected by the U.S. monetary policy. The Federal Reserve's increase of interest rates will put emerging countries' currencies under pressure again and will also weight on equity prices.

A risk is indicated by recent developments in the stock markets. In particular the serious losses in the Chinese stock market could anticipate a marked slowdown of the economy in the next quarters.

Table 1

Exogenous and international variables

2013 – 2016; Percentage changes unless otherwise indicated

	2013	2014	2015[e]	2016[e]
World trade	3.4	3.2	3.2	4.4
United States				
GDP	2.2	2.4	2.4	2.9
Inflation	1.5	1.6	0.3	1.9
3m interest rates	0.3	0.2	0.4	1.1
10y Gvt bond yield	2.3	2.5	2.2	2.9
Japan				
GDP	1.6	-0.1	1.0	1.2
3m interest rates	0.1	0.1	0.1	0.1
10y Gvt bond yield	0.7	0.6	0.4	0.7
China, GDP	7.7	7.4	6.9	6.7
US dollar/euro	1.33	1.33	1.10	1.09
Oil price Brent				
US$/barrel	108.9	99.1	60.9	67.3
percentage change	-2.7	-8.8	-39	-11

[e]*EUREN Forecast*

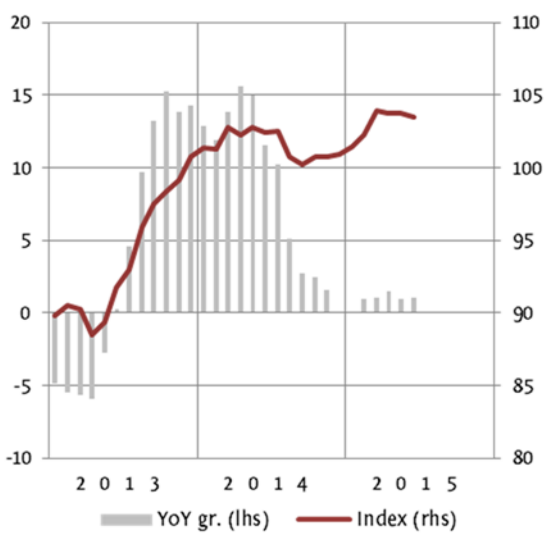
Rebound in Euro area domestic demand and employment

The upward trend in the Euro area economic sentiment indicator seems to have been interrupted in recent months. After six months of continuous advances, it remains/keeps stable or even decreases since March, when a 'grexit' scenario came back to the present (Graph 2).

Graph 2

Euro zone Economic Sentiment Indicator

2013-2015



Source: Eurostat

The recovery of confidence since the fourth quarter of last year has been reflected in a clear rebound of domestic demand. In the last quarters qoq growth rate jumped from 0,4 in q4 2014 to 0.6 in q1 2015.

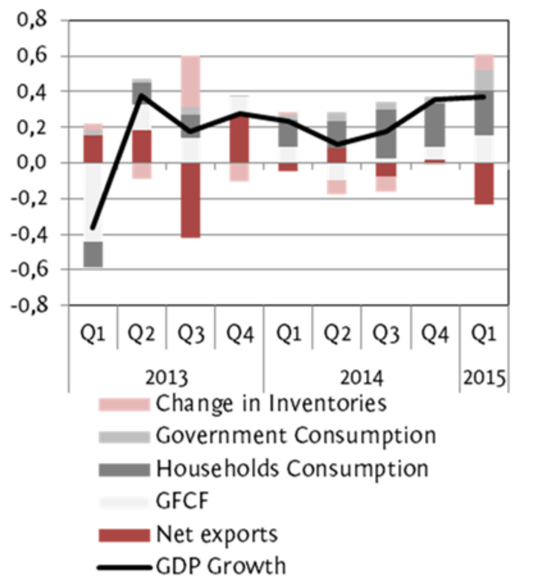
As it is shown in Graph 3. all components of domestic demand have positively contributed to GDP growth, in particular investment and government consumption. General Government consumption grew by 0.6% in the first quarter, a value not seen since the first half of 2009, when the first stimulus packages after the crisis were started.

Nevertheless, the rebound in domestic demand has been offset by a quite similar decrease in net exports' contribution, which at end, has kept the GDP growth rate almost unchanged.

The reduction in net exports has come from both sides, import and export. So, while import growth became stronger, from an 0.8% increase in q4 2014 to 1.2% last quarter, export growth has slowed from 0.8% to 0.6% in the same period.

Graph 3

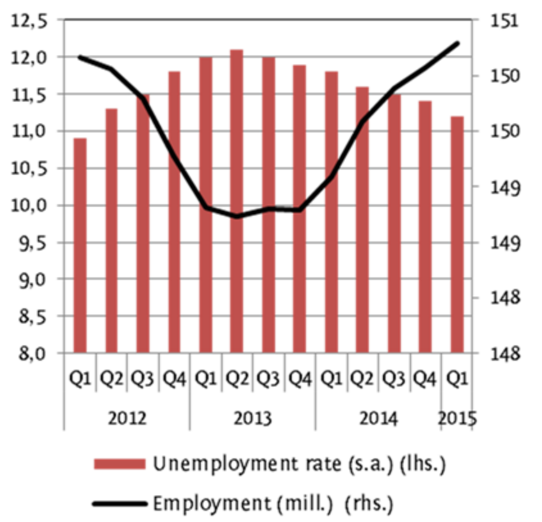
Euro area: Growth of GDP and its components.
Contributions to growth percentage points



Source: Eurostat

Graph 4

Euro area: Labor market performance.
Total employment (s.a) and Unemployment rate (s.a).



Source: Eurostat

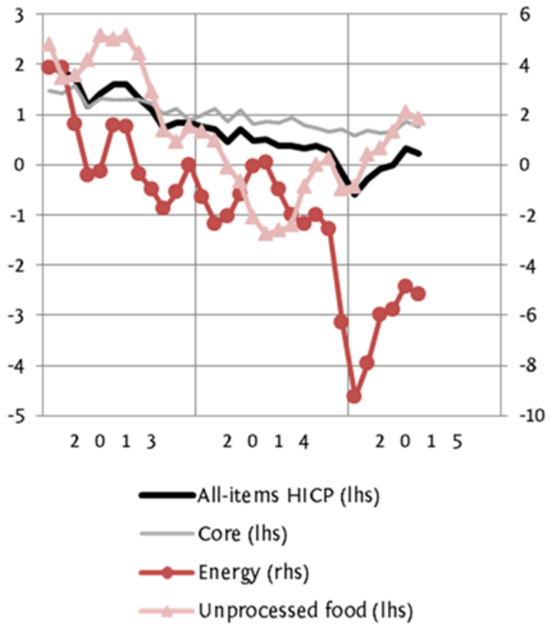
The greater contribution of the domestic demand to economic growth has been reflected in the labor market. Employment grew at annual rates similar to GDP over the last two quarters. Thus, according to Eurostat data, the total employment increased at an annual rate of 0.8% whereas the GDP grew at 1% during the first quarter. All in all, more than 1.2 million jobs have been created on balance between the first quarter of 2014 and the first of 2015.

As can be seen in Graph 4, the total employment has already surpassed pre-recession levels, although the unemployment rate still stands somewhat higher due to the increase in the labor force.

Neither more dynamic domestic demand, nor reducing unemployment rates seem to have affected core inflation. It remains stable at around 0.6-0.7% since the end of last year 2014. By contrast, the general HIPC has shown greater volatility induced both by energy prices and by prices of unprocessed food. Thus, after a minimum reached in January when prices for energy were 9% and for unprocessed food around 1% lower than a year before, the general inflation has started to rise

Graph 5

Euro area: Harmonized Price Index.
YoY growth rate.



Source: Eurostat

somewhat. After four months of negative rates, prices were climbing by around 0.2% in June, when both energy and unprocessed food seem to have presented a turnaround (Graph 5).

Monetary policy continues to be expansionary

In the course of 2015, the ECB sticks to its expansionary monetary stance. The asset purchase programme announced in January 2015 is on the way. Accordingly, the ECB buys public and private sector securities in the amount of 60 billion euro per month, and it is intended to run this programme until September 2016. The impact of the bond purchase programme is controversial. Despite of positive signs it is still unclear how far the additional liquidity will support real economy and how large the risks are of bubble building in financial or housing markets. However, fears that additional demand for state bonds might depress yields seem to be unjustified as yields are picking up again.

On its last meeting in July the ECB decided to keep the interest rates on the main refinancing operations as well as on the marginal lending facility and the deposit facility unchanged at 0.05%, 0.30% and -0.20% respectively.

The ECB sees the measures taken justified as inflation in the Euro area is still well below the medium term target of 2 percent, despite of economic recovery broadening and inflation slightly increasing (Graph 5). However, according to its recent assessment the ECB is becoming more optimistic: it reckons with stronger economic recovery, as well as with an acceleration of the inflation rate in the course of 2016 due to the impact of the lower euro exchange rate and to the hope for somewhat higher oil prices.

Both the Bank Lending Survey and data on loan dynamics suggest that lending to non-financial corporations and households is slightly improving signalling that the bulk of liquidity provided by the ECB might finally be turned into investments. Whilst loans to households show already a definite improvement and borrowing conditions are also improving, loans to non-financial corporations remained subdued.

In connection with the Greek crisis, the ECB continued to support Greek banks. However, it freezed the Emergency Liquidity Assistance (ELA) facilities available to Greek banks. Nevertheless, an immediate collapse of the banking system could be avoided. After the decision of the Greek parliament to accept the harsh conditions specified by the statement of the Euro summit, the ECB raised the level of ELA, as it was put “on the assumption that Greece is … and will remain, a member of the euro area.“ In its communication the ECB stressed that all liquidity provision to Greece has never been unconditional and unlimited. This approach of the ECB is discussed controversially. Some argue that the ECB is acting beyond its competences; whilst others appreciate that it contributed to avoid financial market turbulences and the collapse of the Greek banking system which might cause/show adverse consequences for other European banks as well. However, all these measures give only some temporary ease as the real problems, like how to handle the Greek debt and how to launch reforms generating growth in the Greek economy are still unsolved.

The EUREN Institutes expect that the repo rate could move slightly upward in the forecast period and reach 0.20% by the end of 2016. However, this shows that the expansionary stance of the ECB will stay on, and with inflation rate remaining below the target and economic growth picking up modestly, loose monetary policy will be kept on in order to encourage growth and the credit business.

The exchange rate of the euro will remain subdued during the next years. According to expectations the USD/EUR rate will move around 1.1 USD/EUR, partly because of uncertainties in the Euro area and partly because of the expected tightening of the monetary policy in the U.S.

Fiscal policy becomes less restrictive

In the past few years, many Euro area countries implemented substantial restrictive fiscal policies in order to consolidate their public budgets. This becomes visible in the significant improvement of the structural budget balance (Graph 6). This measure of the fiscal stance rose by 3.4 percentage points of potential GDP between 2010 and 2014.

Following this fiscal adjustment, the European Commission expects in its spring forecast that fiscal stance will be more or less neutral in the Euro area as a whole in 2015 and 2016.

The headline balance-to-GDP ratio, i.e. including the influence of the business cycle, is expected to improve further. Nevertheless, in the Euro area as a whole both the structural and the overall budget will remain in deficit during the current and the next year.

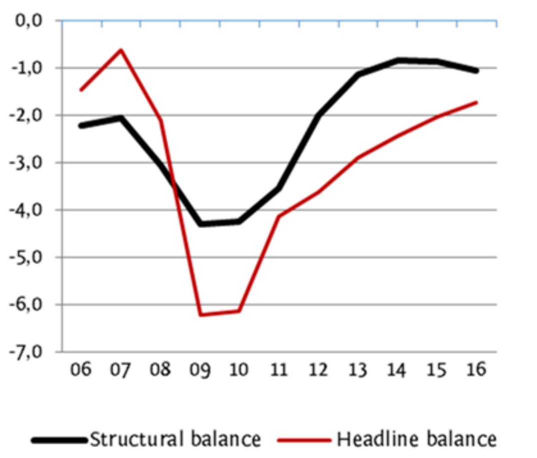
There are still sizeable differences regarding public finances between the Euro area member states. For 2015, the European Commission expects a counter-cyclical fiscal stance in 17 member states and pro-cyclical policies in 11 countries. The headline budget is forecasted to remain in a deficit in all Euro area countries except Luxembourg (balanced budget) and Germany, where a surplus of 0.7 percent of GDP is expected. The budget deficit ranges from 4.5 percent of GDP in Spain to just 0.2 percent in Estonia.

While until 2013 the budget deficit reduction had been driven mainly by revenue increases, improvements since 2014 have increasingly been achieved by expenditure cuts. Since experience shows that expenditure-based consolidations proved to be more durable, this shift should help to put Euro area public finances on a more sustainable path.

The average Euro area debt-to-GDP ratio is estimated to have peaked at 94 percent in 2014, and is expected to decline this year and even more so next year. This improvement is to a large extent driven by the pick-up of nominal GDP growth. Furthermore in particular in Germany the liabilities of the bad banks, which are part of the government sector, will decrease further.

Graph 6

Structural budget balance and headline balance
Percent of potential GDP (structural balance) or actual GDP (headline balance) at current prices



Source: European Commission; AMECO database.

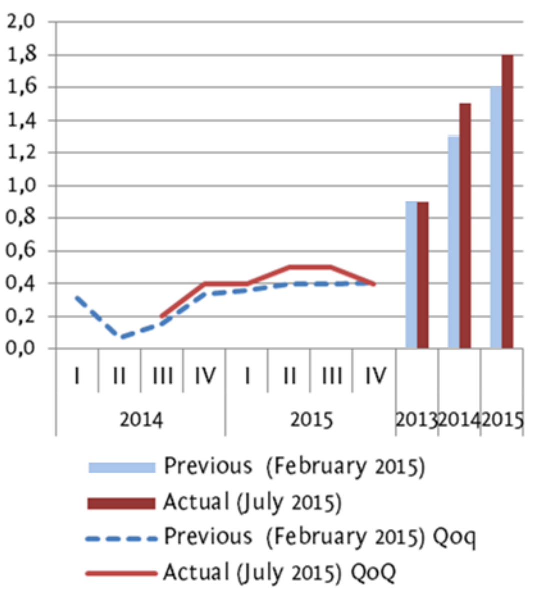
Also the debt ratio varies considerably between countries. It ranges from just 10 percent in Estonia to as much as 180 percent in Greece. At present, only the three Baltic countries, Luxembourg and Slovakia have debt ratios below the 60 percent threshold. Countries with very high debt levels will have to pursue very prudent expenditure policies over a long period.

Despite the recent agreement of the heads of state and government, the future stance of Greek fiscal policies remains highly uncertain. Painful macroeconomic reforms as well as very restrictive fiscal policies have to be implemented over many years to come, and a resurgence of the recent political tensions and uncertainties cannot be excluded.

GDP growth will be driven by domestic demand

The EUREN institutes revise their forecast for 2015 slightly upward compared to the winter forecast. This is in line with recent trends that confirm the recovery of the Euro area economy. Thus, we expect GDP to grow by 1.5% in this year compared to 1.3% in our winter forecast (Graph 7).

Graph 7
Revision of the forecast of Euro area GDP against the winter forecast 2015
qoq rate and annual averages



Source: EUREN estimates.

Looking at the GDP components, the structure of growth seems to be different from our expectations in the previous forecast. On the one hand, the domestic demand in 2014 increased stronger than expected, and figures for the first quarter of 2015 indicate a better result also for this year. Based on the positive development in Q1, both private consumption and public consumption were revised upward for this year. Also investments overcame our expectations and we revise it in 2015 up to 1.9%, which is supported also by the measures taken by the ECB mentioned in the monetary policy part.

These positive trends compensate the development in foreign trade, which is, on the other hand, revised downward. Firstly, as the results for the fourth quarter of 2014 and the first quarter of 2015 were weaker than expected. Secondly, our forecast for the international economy is less optimistic than before. Though exports of Euro area member countries to the rest of the world could benefit from the depreciation of the euro, exports are forecasted to grow only by 3.9%. At the same time the dynamics of imports will be higher due to more buoyant internal demand. On balance, the contribution of net exports to GDP growth will be negative in 2015. In winter, the EUREN institutes had forecasted a slightly positive contribution to growth.

For 2016 we expect net exports to contribute positively to GDP growth again (Graph 8). Hence our forecast for GDP in 2016 is slightly more optimistic. Concerning the other components, we lowered slightly our expectations on private consumption, as the progress in the labour market is limited and the positive effect of declining oil prices on real income is fading out. Inflation continues to be low, also due to the moderate global inflation. Public consumption is expected to stabilize, in accordance with the comments made on fiscal policy. The contribution to GDP growth of gross fixed capital formation in 2016 could increase with capacity utilisation rising and financial conditions remaining favourable, due to the liquidity provided by the ECB.

Table 2

Euro area forecast

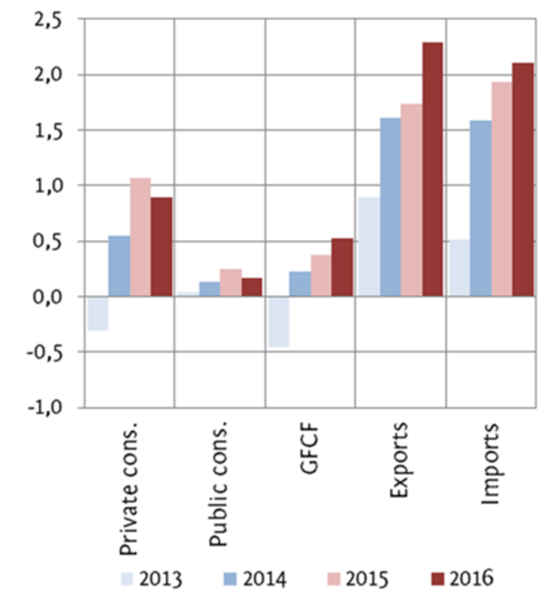
	2013	2014	2015f	2016f	2014	2015				2016f			
					IV	I	IIf	IIIf	IVf	I	II	III	IV
	Annual % change (unless indicated otherwise)					q-o-q%, seasonally adjusted (unless indicated otherwise)							
Private consumption	-0,6	1,0	1,9	1,6	0,4	0,5	0,6	0,5	0,4	0,4	0,4	0,3	0,3
Public consumption	0,2	0,6	1,2	0,8	0,1	0,6	0,3	0,2	0,2	0,2	0,2	0,2	0,2
Gross fixed capital formation	-2,3	1,2	1,9	2,7	0,4	0,8	0,6	0,6	0,6	0,7	0,7	0,7	0,7
Change in inventories[1]	0,0	-0,1	0,0	0,0	0,0	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Domestic demand	-0,7	0,9	1,8	1,7	0,4	0,6	0,5	0,5	0,4	0,4	0,4	0,4	0,4
Exports	2,1	3,7	3,9	5,0	0,8	0,6	1,0	1,1	1,2	1,2	1,3	1,3	1,4
Imports	1,3	4,0	4,8	5,0	0,8	1,2	1,1	1,1	1,2	1,2	1,3	1,3	1,3
Net exports[1]	0,4	0,0	-0,2	0,2	0,0	-0,2	0,0	0,0	0,0	0,1	0,1	0,0	0,1
GDP[1]	-0,3	0,9	1,5	1,8	0,4	0,4	0,5	0,5	0,4	0,4	0,4	0,4	0,4
Unemployment (% of labour force)	12,0	11,6	11,3	10,9	11,5	11,6	11,3	11,2	11,1	11,1	11,0	10,9	10,7
Compensation per employee, yoy	1,5	1,6	1,6	2,0	1,5	1,4	1,4	1,7	1,8	1,9	1,9	2,0	2,1
Consumer price (HICP), yoy	1,4	0,4	0,2	1,0	0,3	0,2	0,2	0,3	0,5	1,0	1,0	1,1	1,1
Current account balance (%GDP)	2,4	2,1	2,1	1,7									
3m interest rates (% per annum)	0,2	0,2	0,1	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,2	0,2	0,2
10y Gvt bond yields (% p.a.)	2,9	2,0	1,1	1,5	1,5	1,0	1,1	1,1	1,4	1,6	1,7	1,3	1,4
ECB repo (end of period)	0,3	0,1	0,1	0,2	0,1	0,1	0,1	0,1	0,1	0,1	0,1	0,2	0,4

This forecast was finished on 21 July 2015. – fEUREN forecast. – [1]Contribution to growth

Graph 8

Euro area GDP forecast by components

Contribution to growth in %



Source: Eurostat; EUREN Forecast.

The labour market indicators signal some improvement that should continue according to our expectations on production. However, our forecast for labour market remains almost unchanged. The unemployment rate is going to decline to 11.3% in this year and 11.0% in the next year.

Concerning consumer prices we expect some influence of QE in Euro area. It should contribute to a gradual increase of the HICP. This is supported by a pick-up of oil prices even if they remain considerably low.

Downside risks linked to our forecast come from the internal side as well as from the external environment. Internally, the Greek crisis remains the main risk. Despite the agreement concluded recently a renewal of political tensions and uncertainties connected with the situation cannot be excluded. Externally, the situation in the financial market in China continues to be the main thread to Euro area growth.

However, most of the indicators for the second quarter indicate that the recovery could be on its way. This is underpinned by the results of EUREN/CEPREDE high frequency model.

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EUREN Inside

New discussion papers:

The Role of Targeted Predictors for Nowcasting GDP with Bridge Models: Application to the Euro Area

by Tobias Kitlinski and Philipp an de Meulen

Using factor models, it has recently been shown that a pre-selection of indicators improves GDP forecasts in the very short-term. The aim of this paper is to adopt this research to the methodology of bridge models in combination with pooling approaches. Focusing on Euro Area GDP between 2005 and 2013, we find that a selection of targeted predictors by means of soft- and hard-threshold algorithms improves the forecasting performance, especially during periods of economic crisis. While a critical number of indicators are needed to include all relevant information, adding additional indicators has a negative effect on forecasting performance, all the more, if the set of indicators becomes unbalanced.

Ruhr Economic Paper #559. DOI: 10.4419/86788640

Crowdsourcing of Economic Forecast – Combination of Forecasts Using Bayesian Model Averaging

by Dongkoo Kim, Tae-hwan Rhee, Keunkwan Ryu and Changmock Shin

Economic forecasts are quite essential in our daily lives, which is why many research institutions periodically make and publish forecasts of main economic indicators. We ask (1) whether we can consistently have a better prediction when we combine multiple forecasts of the same variable and (2) if we can, what will be the optimal method of combination. We linearly combine multiple linear combinations of existing forecasts to form a new forecast ("combination of combinations"), and the weights are given by Bayesian model averaging. In the case of forecasts on Germany's real GDP growth rate, this new forecast dominates any single forecast in terms of root-mean-square prediction errors.

Ruhr Economic Paper #546. DOI: 10.4419/86788624

Imprint

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- Oxford Economics, Oxford, United Kingdom
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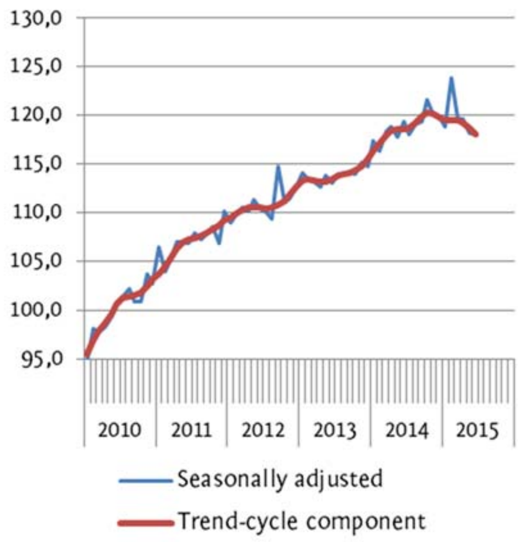
- Ref Ricerche, Milan, Italy

Editor of this issue: Roland Döhrn

RWI/ISL Container Throughput Index: Continued decline

The RWI/ISL Container Throughput Index continues to indicate a weak world trade. Its trend-cycle component shows a downward trend for the seventh consecutive month. Weak data came in particular from Chinese ports. Furthermore, trade restrictions against Russia leave their trace in container shipment. However, the index might underestimate world trade somewhat, since the pickup of intra EU trade is underrepresented in the index.

The index is based on data of 81 world container ports covering approximately 60% of worldwide container handling. The ports are continuously monitored by ISL as part of the institute's market analyses. Because a large part of international merchandise trade is transported by ship, the development of port handling is a good indicator for world trade. As many ports release information about their activities only two weeks after the end of the respective month, the RWI/ISL Container Throughput Index is a reliable early indicator for the activity of the global economy.



RWI/ISL calculations. 2010 = 100. June 2015: flash estimate.

Updated July 22nd, 2015

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Forecast of the EUREN/CEPREDE High Frequency Model

Last update: July 20st, 2015

	14Q3	14Q4	15Q1	15Q2	15Q3	15Q4	2014	2015	2016
May-14	1,5;0,3	1,4;0,2					1,2		
Jun-14	1,4;0,3	1,4;0,2					1,2	1,5	
Jul-14	1,4;0,4	1,7;0,6					1,3	1,7	
Sep-14	0,7;0,3	1,0;0,6					0,8	1,2	
Oct-14	0,6;0,1	1,0;0,6					0,8	1,4	
Nov-14	0,6;0,2	1,0;0,5					0,8	1,4	
Dec-14	0,8;0,3	0,9;0,4					0,8	1,3	
Jan-15	0,8;0,3	0,9;0,3	0,9;0,3	1,1;0,1			0,8	1,2	
Feb-15	[0,8;0,2]	0,8;0,3	1,0;0,4	1,2;0,3	1,6;0,7	1,6;0,3	0,8	1,3	1,5
Mar-15	[0,8;0,2]	[0,9;0,3]	1,1;0,5	1,4;0,4	1,7;0,5	1,7;0,2	[0,9]	1,5	1,7
Apr-15	[0,8;0,2]	[0,9;0,3]	1,1;0,5	1,5;0,5	1,8;0,6	1,8;0,3	[0,9]	1,6	1,7
May-15	[0,8;0,2]	[0,9;0,3]	1,2;0,6	1,5;0,4	1,7;0,4	1,9;0,4	[0,9]	1,6	1,7
Jun-15	[0,8;0,2]	[0,9;0,3]	[1,0;0,4]	1,4;0,5	1,8;0,6	1,9;0,4	[0,9]	1,5	1,7
Jul-15	[0,8;0,2]	[0,9;0,3]	[1,0;0,4]	1,5;0,6	1,9;0,5	2,0;0,4	[0,9]	1,6	1,7

In brackets: GDP data published by EUROSTAT. In italics: quarter on quarter rates.

With most of the indicators already available for the second quarter, it seems that the recovery keeps its strength. Growth could even be somewhat stronger in the second quarter than in the previous one, especially due to quite positive indicators related to private consumption. The High Frequency Model forecasts a q-o-q GDP growth of 0.6% in the second quarter, which is two tenths above the previous quarter. Nevertheless, forecasts for the rest of the year are less optimistic, meaning that the y-o-y growth rates could reach a cyclical maximum at the end of this year.

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