

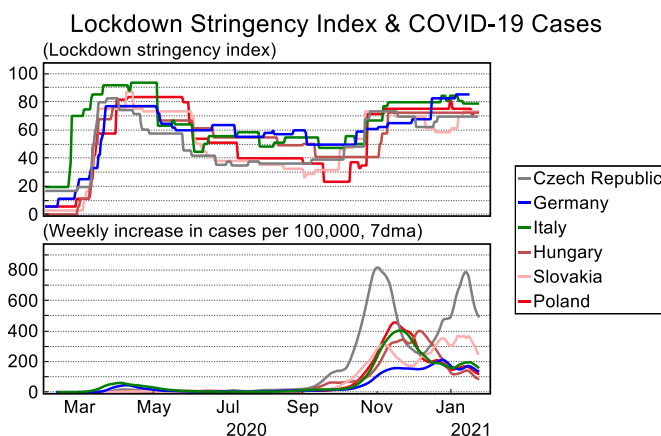
## Visegrad: COVID-19 vaccination roll-out key to real GDP outlook in 2021, downside risks to persist

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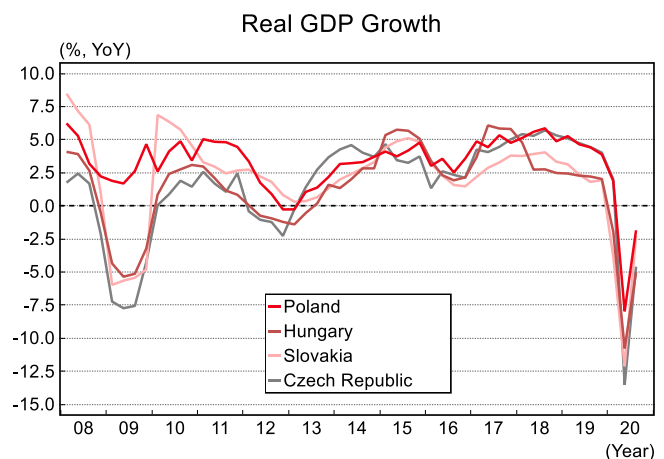
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Survey indicators have yet again declined across the board in Visegrad countries up to December 2020, as a result of a surge of coronavirus cases and resulting increase of lockdown restrictions to limit transmission of COVID-19. This has come just as real GDP figures for Q3 were highlighting a strong rebound and indeed wider PMI figures for Q4 were robust. We had noted the fact that downside risks dominated in our previous report. However, the situation has now worsened to the extent that real GDP will yet again decline in Visegrad countries. This time around, the dip of real GDP in Q4 will of course be smaller than Q2 given the already-reduced levels of activity and adjustment by firms and consumers to COVID restrictions and will lead to a W-shaped recovery; nonetheless future real GDP trajectories look weaker, and the economic backdrop more fragile.



Source: University of Oxford, WHO, Macrobond, MUFG Bank Economic Research Office



Source: Eurostat, MUFG Bank Economic Research Office

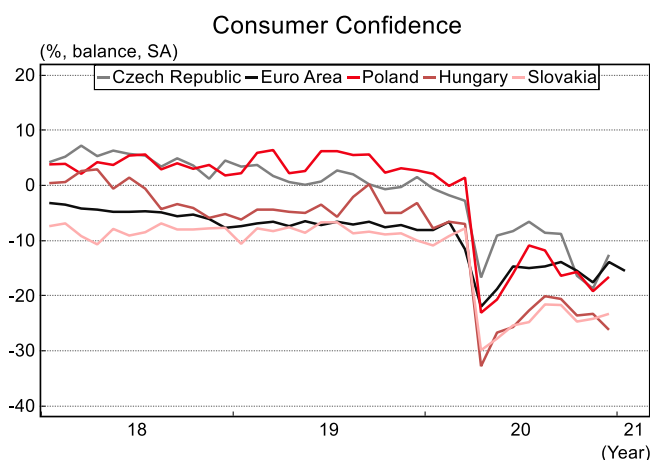
### W-Shaped Real GDP Recovery

The W-shaped recovery is perhaps best highlighted by consumer confidence indicators, which show the obvious strong rebound of sentiment in Q3 followed by a recent dip again. Despite the fact that there has been positive global news on vaccinations, consumer confidence will clearly take some time before it returns to pre-coronavirus levels. The employment outlook has worsened, and consumers will remain reluctant to return fully to shops and workplaces.

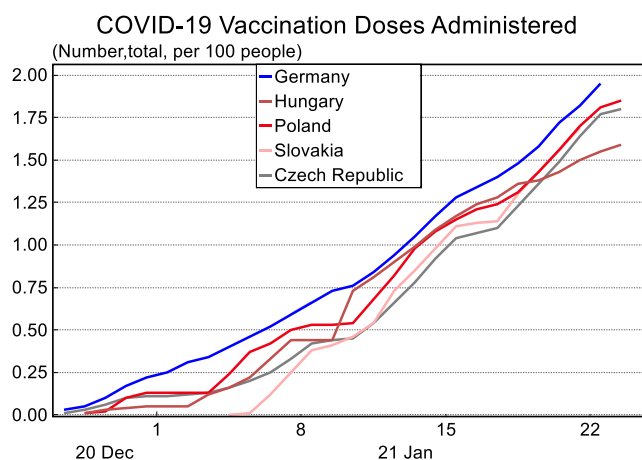
Unemployment has increased across all four countries and will continue to rise. Meanwhile in the Czech Republic, COVID-19 cases have recently surged to the highest in the region at 782 per 100,000 people, a huge increase. The government of the Czech Republic have increased lockdown restrictions over recent months; however despite this, they still remain on par with Poland and Hungary in terms of stringency, and lower than in neighbouring Germany. Therefore, the government of Czech Republic may have to go further, especially given the discovery of more contagious strains in the UK and South Africa recently.

The only way out of the COVID-19 crisis is likely to be mass vaccination. Hungary was among one of the first to start vaccinating healthcare workers from 26 December with the Pfizer-BioNTech COVID-19 vaccine. Poland has vaccinated just over 400,000 people, while Hungary, Slovakia and the Czech Republic have vaccinated around 200 thousand combined. This puts the countries of the Visegrad on par with the likes of Germany and other central European peers in per capita terms. However, this is still significantly lower than global leaders such as Israel and the UAE, where a sizeable proportion is vaccinated.

In order to achieve any semblance of herd immunity, the roll-out of vaccinations must be significantly ramped up. We note that Poland has managed to inject just over 200 thousand people from 8 to 14 January, a significant increase from the previous week. Nevertheless, at this rate it would still take 192 weeks (3.7 years) to fully inoculate Poland. Moreover, there is currently no consensus on the proportion of the population needed to achieve herd immunity or, more appropriately herd protection, given the fact that there is currently not enough data to indicate how long various vaccinations provide protection for.



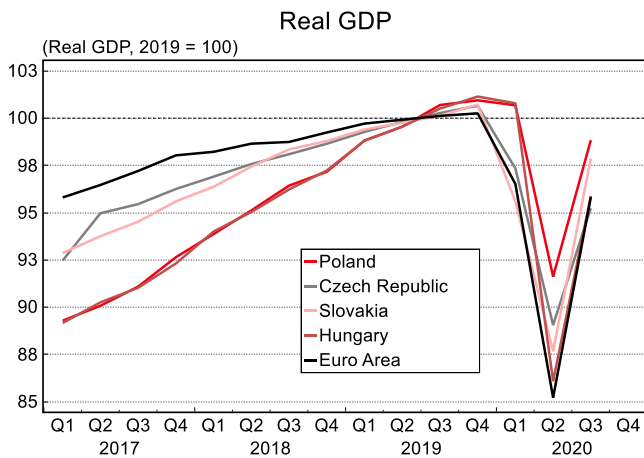
Source: DG ECFIN, Macrobond, MUFG Bank Economic Research Office



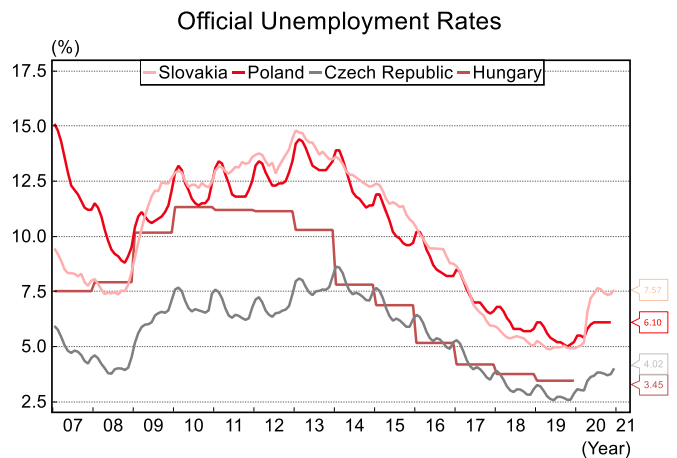
Source: Macrobond, MUFG Bank Economic Research Office

Until COVID-19 cases are brought under control yet again, lockdown restrictions are likely to remain in place. Real GDP will yet again decline over the coming months, until infections drop and some lockdown restrictions are lifted. Further ahead over Q2-Q4 2021, the outlook will be dependent on the extent to which COVID-19 vaccinations can be ramped up. Despite the fact Poland has managed to significantly accelerate vaccinations, these will have to be significantly increased together with the other countries of the Visegrad for the real GDP outlook to improve. Accordingly, risks will remain to the downside over 2021 and real GDP recoveries after a large drop in 2020 are likely to be more modest. IMF's present real GDP forecast for 2021 is 4.6% in Poland, 3.9% in Hungary, 5.1% in Czech Republic and 6.9% in Slovakia, but now the consensus seems to be slightly lower.

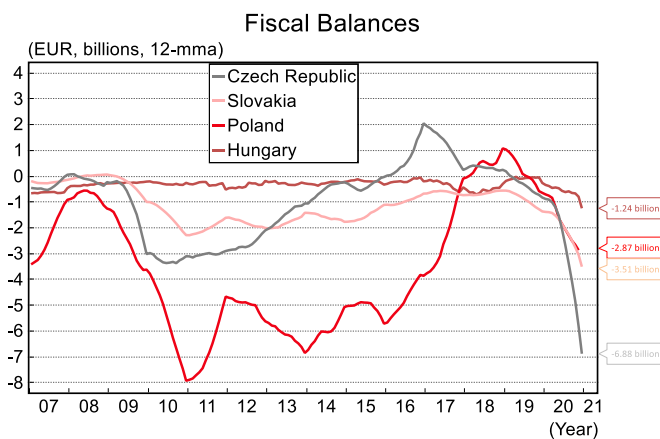
# Economic Snapshot: Select Charts



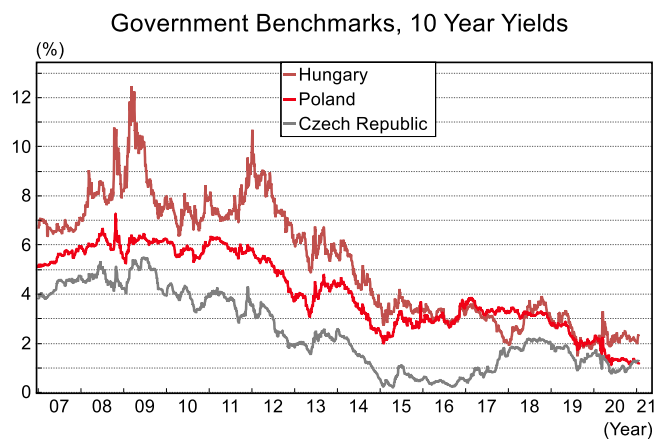
Source: Eurostat, MUFG Bank Economic Research Office



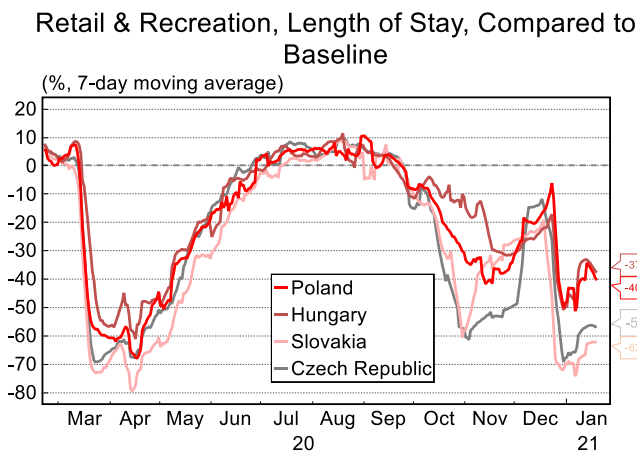
Source: National Sources, Macrobond, MUFG Bank Economic Research Office



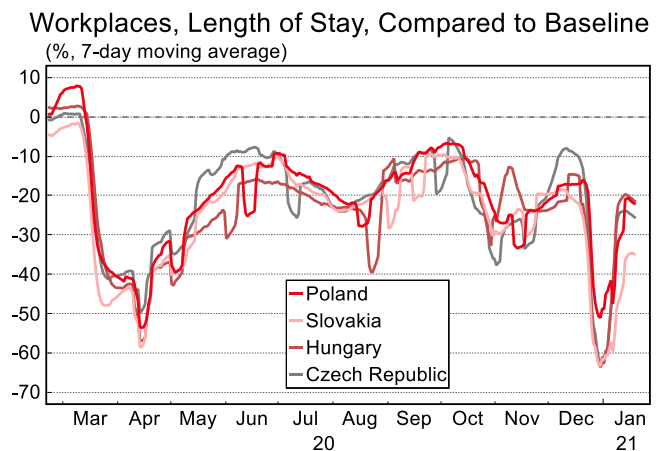
Source: National Sources and Ministries of Finance, Macrobond, MUFG Bank Economic Research Office



Source: Eurostat, Macrobond, MUFG Bank Economic Research Office



Source: Google LLC "Google COVID-19 Community Mobility Reports". <https://www.google.com/covid19/mobility/> Accessed: 19th Jan, Macrobond, MUFG Bank Economic Research Office



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