

## 4 Business As Usual (BAU) - Results

The business as usual scenario is the simplest forecast the model can produce. All parameters and exogenous variables stay at their constant values as described in the previous section. The result is a trajectory of the economy that depicts a future development if all things stay as they were until now. The results for the most important endogenous variables are shown below. Since the specification of all behavioural equations is still very crude and since prices are still completely missing in the model, these results should be seen (at this stage) not as a realistic forecast. However, they significantly reassure that the model is robust, since the results for all variables, flows and stocks, display a steady projection of the trend of the recent past.

### 4.1 BAU-Results: Non-Financial Transactions

GDP and Net Lending/Net Borrowing are the main outcomes from the non-financial transactions.

**Output**  $GDP_t$  is completely demand-driven by (gross) consumption incl. VAT, government spending, investment, as well as the trade balance:

$$GDP_t = C_t + G_t + \sum_s I_{t,s} + EXP_t - IMP_t + T_{va,t} \quad (20)$$

Figure 25 shows the Business as Usual (BAU) forecast for the Austrian GDP. The model and the underlying dynamics we supposed for the parameters shown above seems to replicate past dynamics fairly well. In the forecasting period 2015 - 2025, GDP growth seems to slow down - our model version of “secular stagnation” (to be discussed.)

Figure 25: Austrian GDP - Past Data and Model BAU Forecast (in mln. Euro)

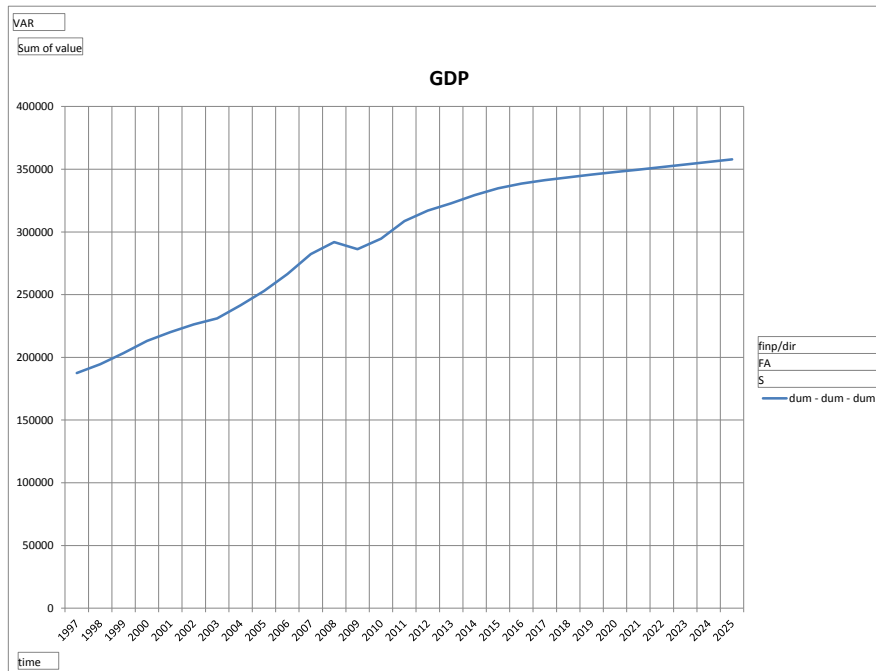


Figure 26 shows important macroeconomic flow-variables for the Business as Usual (BAU) forecast. Specifically private consumption  $G$ , public consumption  $G$ , household income  $INC$ , overall investment  $INV$ , overall operating surplus  $OS$ , and households' wage income  $W$ . Also here, past dynamics continue into the future fairly stable.

Figure 26: Macroeconomic Variables - Past Data and BAU Forecast (in mln. Euro)

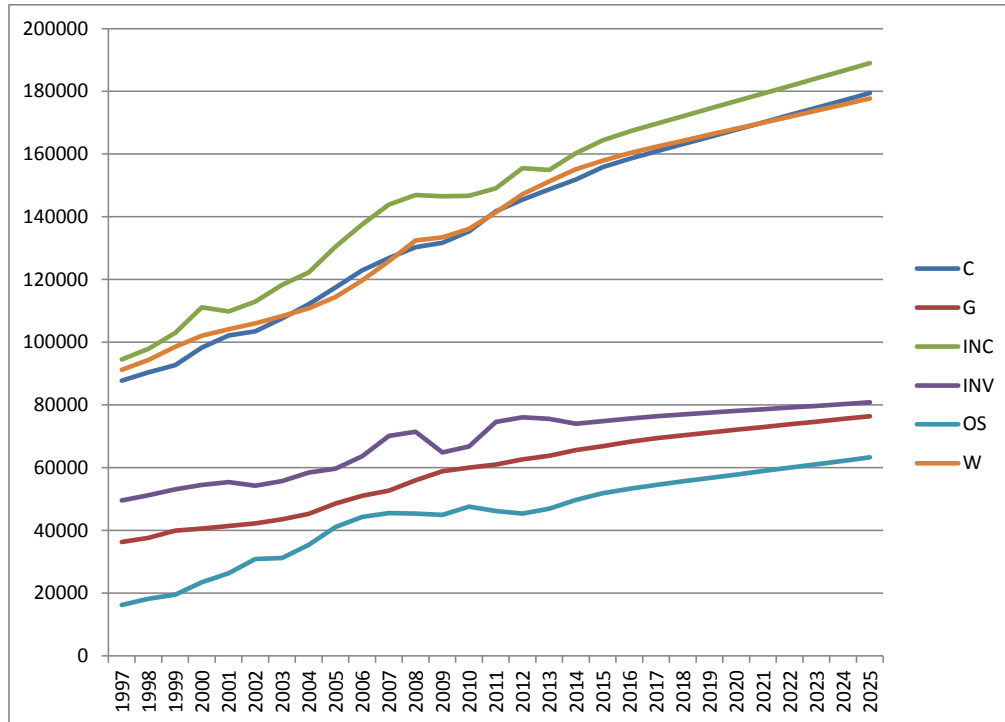
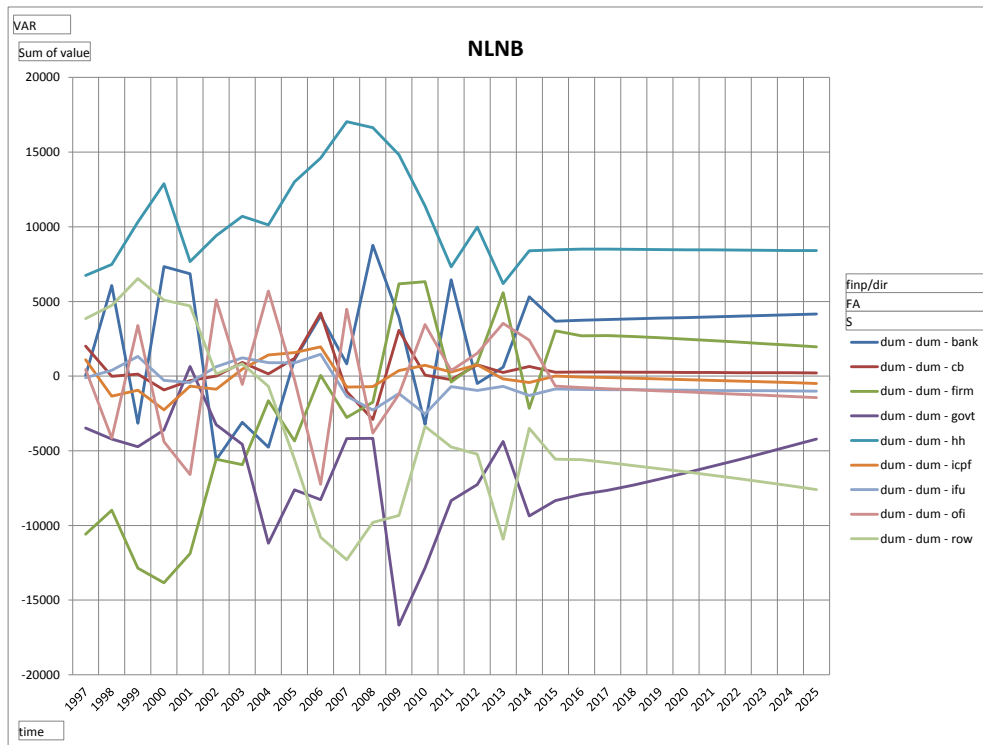


Figure 27 shows NLNB for the different sectors. The data up to 2014, naturally, show very much a different picture than our model forecast, especially for the more volatile sectors NFC (firm), the Rest of World (row), and parts of FC (Banks, CB, OFI, IFU). Again, we kept the development fairly stable in our forecast to avoid distorting our model results. However, since NLNB summed across sectors has to equal zero for reasons of accounting consistency, some developments after 2014 are implied by other projections in our model. Most of all, the deficit of the RoW (light green line at the bottom) increases due to the exogenous developments of exports and imports that we assume as shown in figures 11 and 12. Keeping the surplus of all other private sectors fairly stable, this has implications for the government deficit (purple line at the bottom), which decreases steadily until 2025.

Figure 27: Net Lending/Net Borrowing by Sector - Past Data and BAU Forecast (in mln. Euro)



As mentioned before, NLNB is the main outcome of the non-financial transactions in the model that is carried forward to the financial accounts, which are described below.

## 4.2 BAU-Results: Financial Transactions

**Financial Assets** After having determined the extension of balance sheets, revaluation and portfolio choice, the actual holdings of financial assets by sectors is one of the two outcomes of the financial transactions block of the model, see figure 28. Their actual holdings of financial assets  $FA_{actual,fa,s,finpos}$  will be different from their intended holdings of financial assets  $FA_{intend,fa,s,finpos}$ , since agents cannot anticipate revaluation and other changes in volume effects. The latter constitute the difference between intended and actually held financial assets. As mentioned above, this is a major point of improvement for later model building (to be discussed).

Taking a closer look at figure 28 depicting past balance sheet developments and our model projections, it becomes clear that - even though total growth of assets in nominal values slowed down considerably after 2007/2008 - the total stock of financial assets in the Austrian economy (including asset holdings of the RoW) has not shrunk. After 2015, our model shows a steady increase in financial assets that can be seen as a smooth continuation of the trend from 2008 - 2014 (to be discussed).