

## Survey of macroeconomic forecasts

Twice a year, the MoF conducts a survey (the so-called Colloquium), the aim of which is to find out how relevant institutions see the prospects for the Czech economy and to assess major trends the forecasts of the participating institutions envisage. The results of the 38th Colloquium, which took place in November 2014, are based on the forecasts of 16 institutions (MoF, Ministry of Industry and Trade, Ministry of Labour and Social Affairs, CNB, Citibank, Cyrrus, CSOB, Generali PPF Asset Management, Czech Chamber of Commerce, IES FSV UK, J&T Banka, Komerční banka, Liberalni institut, Next Finance, Raiffeisenbank CR, Confederation of Industry of the Czech Republic). To make the survey more representative, forecasts of the EC (Autumn 2014 European Economic Forecast), the IMF (October 2014 World Economic Outlook) and the OECD (November 2014 Economic Outlook) have been added.

Key trends for the years 2014–2017 that are envisaged in the current MoF forecast are consistent with the forecasts of other institutions. Worth mentioning is also the fact that in most cases the forecasts for individual indicators fall within an unusually narrow range. Comparison for the years 2016 and 2017 is complicated by the fact that this period is not covered by the forecasts of all institutions (the whole period 2014–2017 is covered, at least for some indicators, by forecasts of 12 institutions). Key indicators and the last MoF forecast (October 2014) are summed up in Tables 1 and 2. In the whole horizon, the comparison of the forecasts is to some, though probably only a limited, extent influenced by the transition to the ESA 2010 system of national accounts and the 6<sup>th</sup> edition of the Balance of Payments Manual.

Table 1: Results of the survey for the years 2014 and 2015

|  |                          | 2014        |                |             |               | 2015        |                |             |               |
|--|--------------------------|-------------|----------------|-------------|---------------|-------------|----------------|-------------|---------------|
|  |                          | <i>min.</i> | <i>average</i> | <i>max.</i> | <i>MoF CR</i> | <i>min.</i> | <i>average</i> | <i>max.</i> | <i>MoF CR</i> |
| <i>Assumptions</i>                     |                          |             |                |             |               |             |                |             |               |
| <b>GDP of EA12</b>                     | <i>real growth in %</i>  | 0.5         | <b>0.8</b>     | 0.9         | <b>0.7</b>    | 0.4         | <b>1.0</b>     | 1.6         | <b>1.1</b>    |
| <b>Crude oil Brent</b>                 | <i>USD/barrel</i>        | 90          | <b>102</b>     | 112         | <b>105</b>    | 80          | <b>92</b>      | 120         | <b>101</b>    |
| <b>3M PRIBOR</b>                       | <i>average in %</i>      | 0.3         | <b>0.4</b>     | 0.4         | <b>0.4</b>    | 0.3         | <b>0.4</b>     | 0.4         | <b>0.4</b>    |
| <b>YTM of 10Y gov. bonds</b>           | <i>average in %</i>      | 0.9         | <b>1.5</b>     | 1.7         | <b>1.7</b>    | 1.1         | <b>1.3</b>     | 1.7         | <b>1.7</b>    |
| <b>CZK/EUR exchange rate</b>           |                          | 27.5        | <b>27.5</b>    | 27.6        | <b>27.5</b>   | 27.2        | <b>27.5</b>    | 28.0        | <b>27.5</b>   |
| <b>USD/EUR exchange rate</b>           |                          | 1.30        | <b>1.33</b>    | 1.35        | <b>1.34</b>   | 1.11        | <b>1.25</b>    | 1.38        | <b>1.30</b>   |
| <i>Main indicators</i>                 |                          |             |                |             |               |             |                |             |               |
| <b>Gross domestic product</b>          | <i>real growth in %</i>  | 2.0         | <b>2.4</b>     | 2.6         | <b>2.4</b>    | 2.0         | <b>2.3</b>     | 2.7         | <b>2.5</b>    |
| <b>Contr. of change in inventories</b> | <i>percentage points</i> | -0.4        | <b>0.1</b>     | 0.5         | <b>0.4</b>    | -0.2        | <b>0.1</b>     | 0.5         | <b>0.0</b>    |
| <b>Contr. of foreign balance</b>       | <i>percentage points</i> | -0.5        | <b>0.2</b>     | 0.5         | <b>-0.1</b>   | -0.4        | <b>0.1</b>     | 0.5         | <b>0.0</b>    |
| <b>Consumption of households</b>       | <i>real growth in %</i>  | 1.1         | <b>1.5</b>     | 1.9         | <b>1.4</b>    | 1.4         | <b>1.9</b>     | 2.4         | <b>1.7</b>    |
| <b>Consumption of government</b>       | <i>real growth in %</i>  | 1.2         | <b>1.7</b>     | 2.2         | <b>1.9</b>    | 0.9         | <b>1.6</b>     | 2.4         | <b>2.0</b>    |
| <b>Gross fixed capital formation</b>   | <i>real growth in %</i>  | 3.8         | <b>4.3</b>     | 5.0         | <b>4.5</b>    | 3.0         | <b>4.2</b>     | 5.3         | <b>4.9</b>    |
| <b>GDP deflator</b>                    | <i>growth in %</i>       | 0.8         | <b>2.0</b>     | 2.6         | <b>2.4</b>    | 1.2         | <b>1.8</b>     | 2.5         | <b>1.8</b>    |
| <b>Inflation rate (aop)</b>            | <i>in %</i>              | 0.3         | <b>0.5</b>     | 0.8         | <b>0.5</b>    | 0.7         | <b>1.4</b>     | 1.9         | <b>1.5</b>    |
| <b>Employment</b>                      | <i>growth in %</i>       | 0.2         | <b>0.6</b>     | 1.0         | <b>0.4</b>    | -0.1        | <b>0.4</b>     | 0.9         | <b>0.3</b>    |
| <b>Unemployment rate (LFS)</b>         | <i>in %</i>              | 6.0         | <b>6.3</b>     | 7.0         | <b>6.3</b>    | 5.8         | <b>6.2</b>     | 6.6         | <b>6.1</b>    |
| <b>Wage bill (domestic concept)</b>    | <i>nom. growth in %</i>  | 2.7         | <b>3.0</b>     | 3.9         | <b>2.9</b>    | 2.5         | <b>3.4</b>     | 4.4         | <b>3.9</b>    |
| <b>BoP – current account</b>           | <i>in % of GDP</i>       | -0.9        | <b>-0.2</b>    | 0.4         | <b>0.0</b>    | -0.8        | <b>-0.4</b>    | 0.2         | <b>-0.3</b>   |

Source: Survey respondents, MoF calculations

Table 2: Results of the survey for the years 2016 and 2017

|  |                          | 2016 |             |      |             | 2017 |             |      |             |
|--|--------------------------|------|-------------|------|-------------|------|-------------|------|-------------|
|  |                          | min. | average     | max. | MoF CR      | min. | average     | max. | MoF CR      |
| <i>Assumptions</i>                     |                          |      |             |      |             |      |             |      |             |
| <b>GDP of EA12</b>                     | <i>real growth in %</i>  | 1.2  | <b>1.5</b>  | 1.9  | <b>1.8</b>  | 1.4  | <b>1.7</b>  | 2.1  | <b>2.1</b>  |
| <b>Crude oil Brent</b>                 | <i>USD/barrel</i>        | 85   | <b>94</b>   | 125  | <b>98</b>   | 80   | <b>91</b>   | 100  | <b>96</b>   |
| <b>3M PRIBOR</b>                       | <i>average in %</i>      | 0.4  | <b>0.8</b>  | 1.2  | <b>0.8</b>  | 1.0  | <b>1.3</b>  | 1.6  | <b>1.0</b>  |
| <b>YTM of 10Y gov. bonds</b>           | <i>average in %</i>      | 1.5  | <b>2.0</b>  | 2.3  | <b>2.1</b>  | 1.8  | <b>2.6</b>  | 3.5  | <b>2.4</b>  |
| <b>CZK/EUR exchange rate</b>           |                          | 26.2 | <b>27.0</b> | 27.6 | <b>27.4</b> | 25.5 | <b>26.2</b> | 27.3 | <b>26.9</b> |
| <b>USD/EUR exchange rate</b>           |                          | 1.02 | <b>1.21</b> | 1.30 | <b>1.30</b> | 1.04 | <b>1.22</b> | 1.32 | <b>1.30</b> |
| <i>Main indicators</i>                 |                          |      |             |      |             |      |             |      |             |
| <b>Gross domestic product</b>          | <i>real growth in %</i>  | 2.2  | <b>2.6</b>  | 3.2  | <b>2.5</b>  | 2.0  | <b>2.5</b>  | 3.1  | <b>2.5</b>  |
| <b>Contr. of change in inventories</b> | <i>percentage points</i> | 0.0  | <b>0.1</b>  | 0.3  | <b>0.0</b>  | 0.0  | <b>0.1</b>  | 0.4  | <b>0.0</b>  |
| <b>Contr. of foreign balance</b>       | <i>percentage points</i> | 0.2  | <b>0.4</b>  | 0.6  | <b>0.5</b>  | 0.1  | <b>0.3</b>  | 0.5  | <b>0.5</b>  |
| <b>Consumption of households</b>       | <i>real growth in %</i>  | 1.5  | <b>2.1</b>  | 2.5  | <b>1.9</b>  | 1.1  | <b>2.2</b>  | 2.9  | <b>1.9</b>  |
| <b>Consumption of government</b>       | <i>real growth in %</i>  | 0.4  | <b>1.3</b>  | 2.3  | <b>1.3</b>  | 0.2  | <b>1.0</b>  | 2.2  | <b>1.1</b>  |
| <b>Gross fixed capital formation</b>   | <i>real growth in %</i>  | 3.3  | <b>4.3</b>  | 7.5  | <b>3.3</b>  | 3.0  | <b>4.0</b>  | 6.1  | <b>3.2</b>  |
| <b>GDP deflator</b>                    | <i>growth in %</i>       | 1.2  | <b>1.6</b>  | 2.2  | <b>1.2</b>  | 1.3  | <b>1.7</b>  | 2.5  | <b>1.3</b>  |
| <b>Inflation rate (aop)</b>            | <i>in %</i>              | 1.6  | <b>2.0</b>  | 2.2  | <b>1.9</b>  | 1.4  | <b>2.0</b>  | 2.3  | <b>2.0</b>  |
| <b>Employment</b>                      | <i>growth in %</i>       | 0.2  | <b>0.4</b>  | 1.0  | <b>0.2</b>  | 0.2  | <b>0.3</b>  | 0.7  | <b>0.2</b>  |
| <b>Unemployment rate (LFS)</b>         | <i>in %</i>              | 5.6  | <b>5.9</b>  | 6.3  | <b>5.9</b>  | 5.4  | <b>5.7</b>  | 6.0  | <b>5.7</b>  |
| <b>Wage bill (domestic concept)</b>    | <i>nom. growth in %</i>  | 3.4  | <b>3.9</b>  | 4.8  | <b>4.1</b>  | 2.1  | <b>3.4</b>  | 4.1  | <b>4.1</b>  |
| <b>BoP – current account</b>           | <i>in % of GDP</i>       | -2.5 | <b>-0.5</b> | 0.2  | <b>-0.5</b> | -2.1 | <b>-0.9</b> | 0.0  | <b>-0.8</b> |

Source: Survey respondents, MoF calculations

The key macroeconomic trends in 2014 and 2015 can be summed up as follows:

- GDP could increase by 2.4% this year. On average, the institutions expect the growth rate to marginally decelerate to 2.3% in 2015. In both years, the growth should be almost exclusively driven by domestic demand – not only by final consumption expenditure, but also by fixed capital investment. The negligible contribution of net exports to GDP growth is due to weak growth in the euro area (principal trading partner of the Czech Republic) and higher imports mirroring the relatively solid growth of domestic demand.
- Despite the weakening of the Czech koruna due to the CNB's foreign exchange interventions, 2014 should be characterized by very low inflation. An important anti-inflationary factor, apart from the negative output gap, is the decline in electricity prices. Inflation rate (average of period) could reach 0.5% this year, while in 2015 the growth in consumer prices could accelerate to 1.4%.
- Situation on the labour market should be gradually improving. Growth of employment could hover around 0.5% in both 2014 and 2015, while unemployment rate is expected to gradually decline. Unemployment rate should average 6.3% this year and 6.2% in 2015.
- Having declined by 0.4% in 2013, the total wage bill could increase by 3.0% this year. The participating institutions expect it to grow by 3.4% in 2015.
- Current account deficit, as a percentage of GDP, could reach approximately 0.3% in both 2014 and 2015. Therefore, the current account of the balance of payments should be almost balanced.

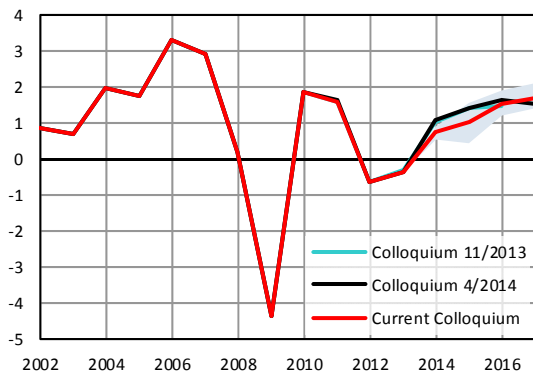
## Overview of indicators

Graphs 1–18 show past and expected development of individual indicators. For comparison, consensus forecasts of two previous Colloquiums are also included. Extreme forecasts of indicators (min. and max. columns in the tables above) form the boundaries of the highlighted area.

**Graph 1: Gross domestic product of EA12**

real growth in %

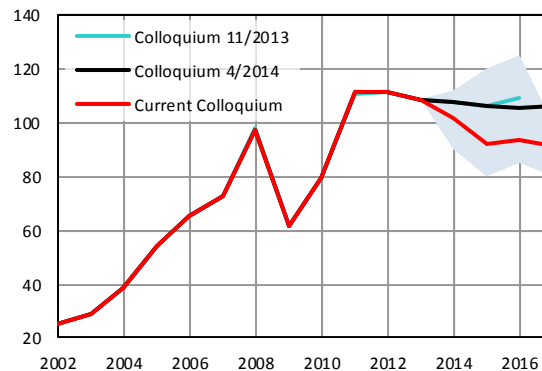
Moderate growth in EA12, after two years of decline



**Graph 2: Crude oil Brent**

USD/barrel

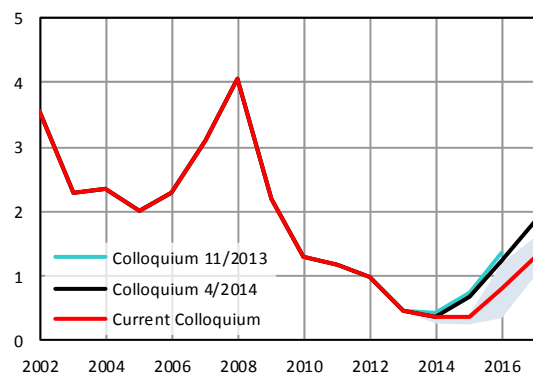
Price of crude oil Brent falling below 95 USD/barrel



**Graph 3: 3M PRIBOR**

average in %

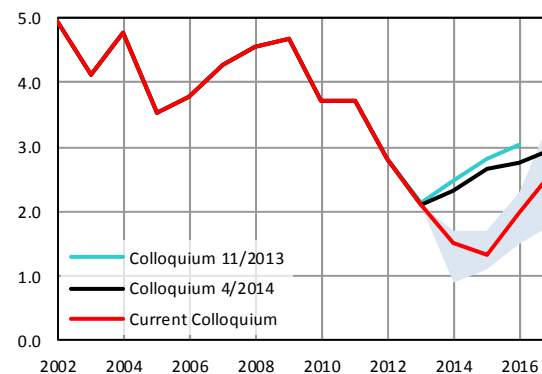
Growth of short-term rates only in 2016



**Graph 4: YTM of 10Y government bonds**

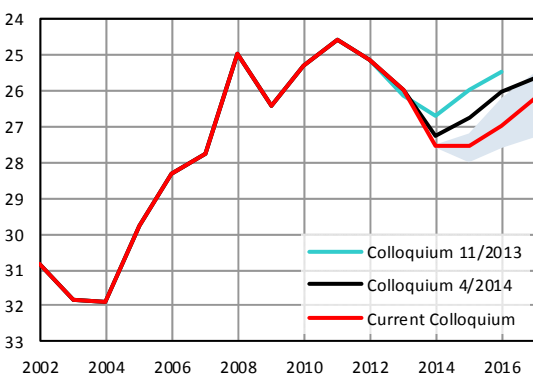
average in %

High confidence of financial markets in Czech gov. bonds



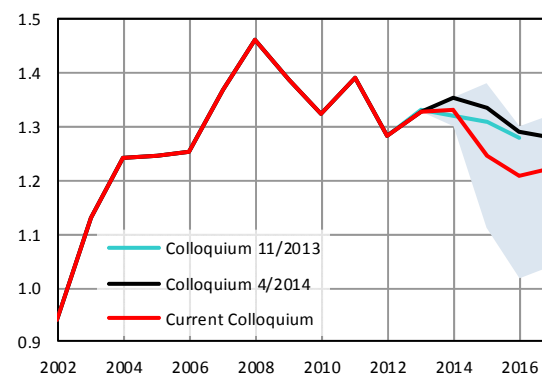
**Graph 5: CZK/EUR exchange rate**

Koruna appreciating above 27 CZK/EUR only in 2017



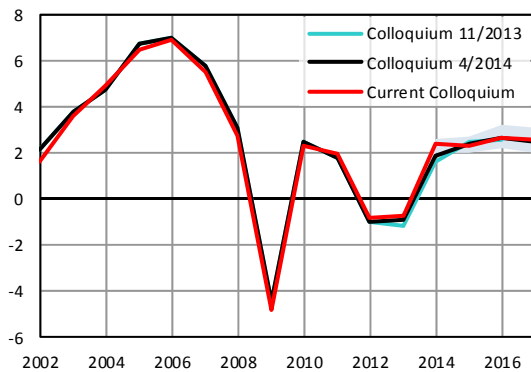
**Graph 6: USD/EUR exchange rate**

US dollar appreciating below 1.25 USD/EUR



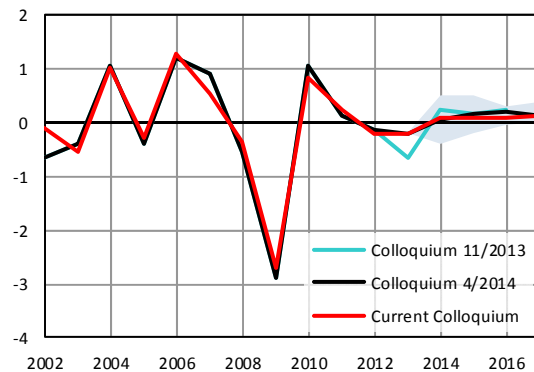
**Graph 7: Gross domestic product**  
real growth in %

GDP growth around 2.5%



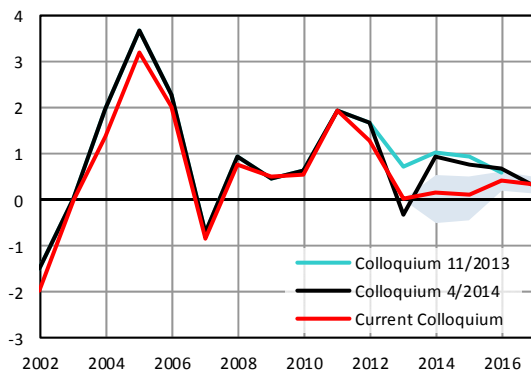
**Graph 8: Contribution of change in inventories**  
percentage points

Negligible contribution of change in inventories to GDP growth



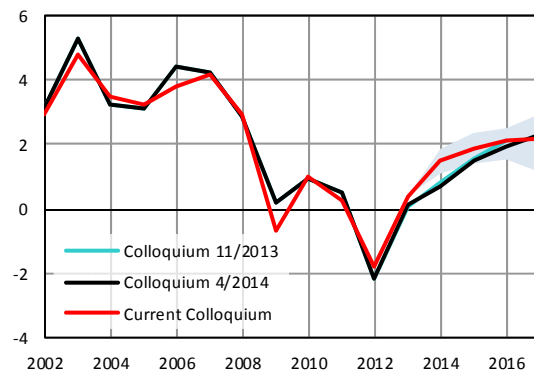
**Graph 9: Contribution of foreign balance**  
percentage points

Low, though positive, contribution of net exports to GDP growth



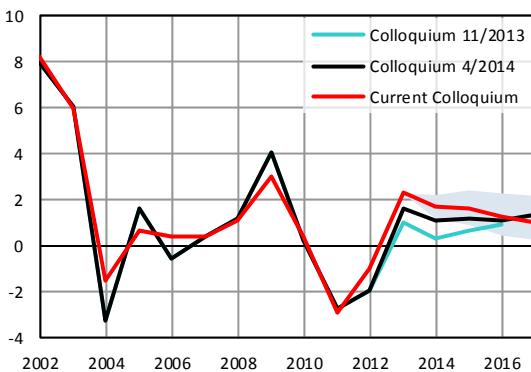
**Graph 10: Consumption of households**  
real growth in %

Growth of household consumption around 2% in 2015–2017



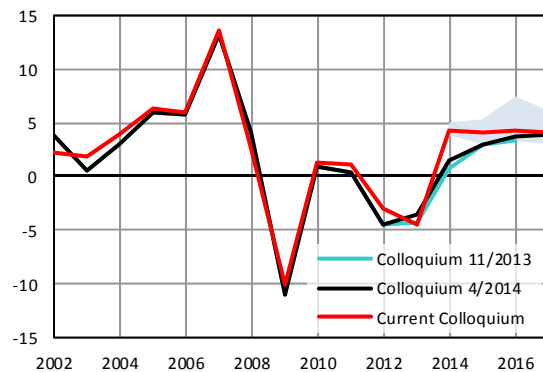
**Graph 11: Consumption of government**  
real growth in %

Only a modest growth of public consumption



**Graph 12: Gross fixed capital formation**  
real growth in %

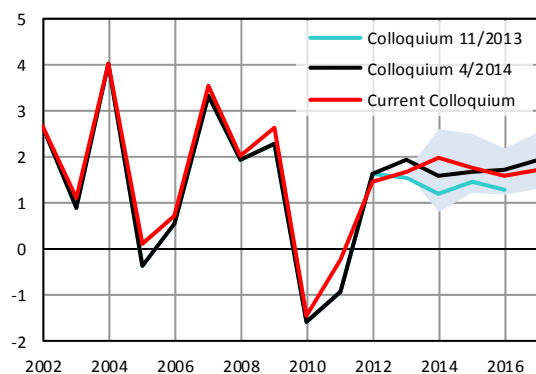
Yearly growth of fixed capital investment around 4%



**Graph 13: GDP deflator**

*growth in %*

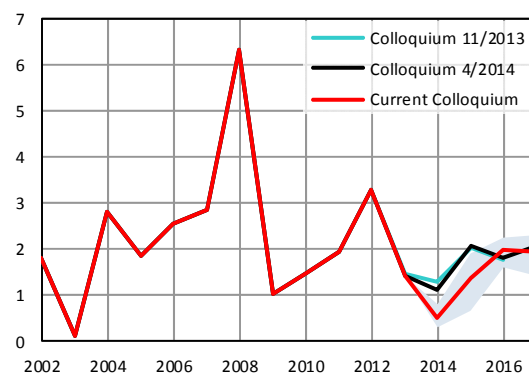
GDP deflator growth within the range of 1.5–2.0%



**Graph 14: Inflation rate (aop)**

*in %*

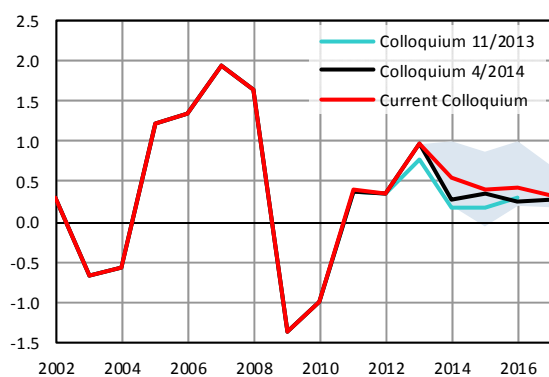
Inflation very low, inflation expectations anchored at the CNB's target



**Graph 15: Employment (LFS)**

*growth v %*

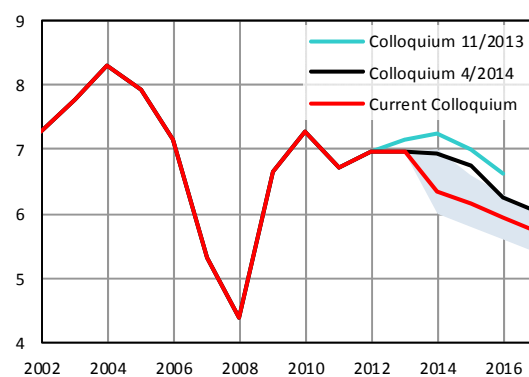
Employment slowly increasing in the whole forecast horizon



**Graph 16: Unemployment rate (LFS)**

*in %*

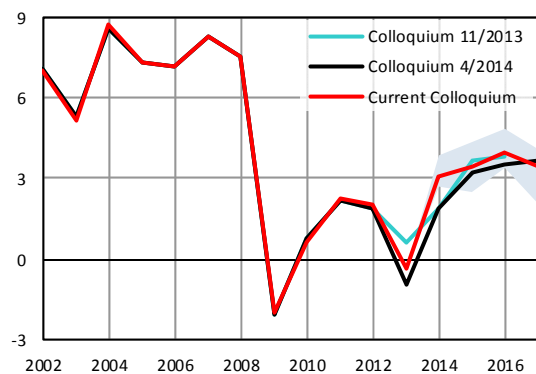
Unemployment rate gradually declining



**Graph 17: Total wage bill (domestic concept)**

*nominal growth in %*

Growth rate of total wage bill above 3%



**Graph 18: Balance of payments – current account**

*in % of GDP*

Deficit of the current account of the BoP below 1% of GDP

