

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 prospects for the Czech economy and to assess major trends the forecasts of the participating institutions envisage. Results of the relevant Colloquium are also regularly compared with macroeconomic frameworks of the State Budget and the Budgetary Outlook, macroeconomic scenario of the Convergence Programme and MoF forecasts. The results of the 35th Colloquium, which took place in April 2013, are based on the forecasts of 16 institutions (MoF, Ministry of Industry and Trade, Ministry of Labour and Social Affairs, CNB, CERGE-EI, Citibank, Ceska sporitelna, CSOB, Czech Chamber of Commerce, IES FSV UK, Komerční banka, Liberalni institut, Generali PPF Asset Management, Raiffeisenbank, Confederation of Industry of the Czech Republic, UniCredit Bank). To make the survey more representative, forecasts of the EC (Winter 2013 European Economic Forecast) and the IMF (April 2013 World Economic Outlook) have been added.

Key trends for the years 2013–2016 that are envisaged in the current MoF forecast are broadly in line with forecasts of other institutions. However, comparison for the years 2015 and 2016 is complicated by the fact that this period is not covered by forecasts of all institutions (the whole period 2013–2016 is covered, at least for some indicators, by forecasts of 8 institutions). Key indicators and the last MoF forecast (April 2013) are summed up in Tables 1 and 2.

Table 1: Results of the survey for the years 2013 and 2014

		2013				2014			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
<i>Assumptions</i>									
GDP of EA12	<i>real growth in %</i>	-0.5	-0.3	0.5	-0.4	-0.3	0.9	1.5	0.6
Crude oil Brent	<i>USD/barrel</i>	105	112	130	108	96	110	140	102
3M PRIBOR	<i>average in %</i>	0.4	0.5	0.7	0.5	0.4	0.6	0.8	0.6
YTM of 10Y gov. bonds	<i>average in %</i>	1.9	2.1	2.2	2.2	2.0	2.5	2.9	2.3
CZK/EUR exchange rate		25.0	25.4	25.8	25.4	24.5	25.0	25.8	25.2
USD/EUR exchange rate		1.24	1.30	1.35	1.30	1.17	1.29	1.35	1.30
<i>Main indicators</i>									
Gross domestic product	<i>real growth in %</i>	-0.7	-0.1	0.4	0.0	0.5	1.5	2.2	1.2
Contr. of change in inventories	<i>percentage points</i>	-1.4	-0.2	0.4	0.3	-0.8	0.1	0.5	0.5
Contr. of foreign balance	<i>percentage points</i>	0.2	0.7	1.6	0.4	-1.4	0.6	1.9	0.3
Consumption of households	<i>real growth in %</i>	-1.3	-0.6	0.4	-1.2	0.1	0.9	1.7	1.0
Consumption of government	<i>real growth in %</i>	-1.0	-0.4	0.2	-0.2	-1.7	0.0	0.5	-1.7
Fixed capital formation	<i>real growth in %</i>	-2.1	-0.7	1.0	-0.4	-0.2	1.5	3.2	0.9
GDP deflator	<i>growth in %</i>	0.3	1.1	1.8	0.4	0.5	1.2	2.0	0.9
Inflation rate (aop)	<i>in %</i>	1.6	2.1	3.0	2.1	1.4	1.9	3.0	1.7
Employment	<i>growth in %</i>	-1.0	-0.3	0.2	-0.2	-0.5	0.0	0.5	0.0
Unemployment rate (LFS)	<i>in %</i>	7.1	7.6	8.1	7.6	7.0	7.7	8.4	7.7
Wage bill (domestic concept)	<i>nom. growth in %</i>	-0.2	1.4	2.5	1.4	1.6	2.5	3.6	2.7
BoP – current account	<i>in % of GDP</i>	-2.5	-2.0	0.1	-2.3	-2.8	-1.8	0.5	-2.3

Source: Survey respondents, MoF calculations

Table 2: Results of the survey for the years 2015 and 2016

		2015				2016			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
<i>Assumptions</i>									
GDP of EA12	<i>real growth in %</i>	1.1	1.3	1.8	1.2	1.3	1.5	1.8	1.6
Crude oil Brent	<i>USD/barrel</i>	94	111	122	99	92	107	120	96
3M PRIBOR	<i>average in %</i>	0.6	1.0	1.5	0.7	1.0	1.6	2.5	1.0
YTM of 10Y gov. bonds	<i>average in %</i>	2.6	3.0	3.8	2.7	2.8	3.3	3.8	3.1
CZK/EUR exchange rate		23.8	24.7	25.8	24.9	23.1	24.4	25.8	24.6
USD/EUR exchange rate		1.15	1.28	1.35	1.30	1.10	1.26	1.34	1.30
<i>Main indicators</i>									
Gross domestic product	<i>real growth in %</i>	1.8	2.2	2.8	2.1	2.0	2.5	3.0	2.6
Contr. of change in inventories	<i>percentage points</i>	0.0	0.2	0.6	0.2	0.0	0.1	0.2	0.1
Contr. of foreign balance	<i>percentage points</i>	-0.5	0.4	0.8	0.4	0.4	0.6	0.8	0.5
Consumption of households	<i>real growth in %</i>	0.5	1.5	2.1	2.1	1.4	2.2	2.5	2.5
Consumption of government	<i>real growth in %</i>	-0.8	0.1	1.2	-0.8	-0.1	0.3	1.2	0.1
Fixed capital formation	<i>real growth in %</i>	1.4	2.7	4.0	2.6	3.0	3.5	4.0	3.1
GDP deflator	<i>growth in %</i>	0.9	1.7	3.3	1.4	1.1	1.6	3.0	1.1
Inflation rate (aop)	<i>in %</i>	1.2	1.9	2.2	1.9	1.1	1.7	2.0	1.1
Employment	<i>growth in %</i>	-0.1	0.2	0.6	0.1	0.1	0.3	0.5	0.2
Unemployment rate (LFS)	<i>in %</i>	6.9	7.4	8.1	7.3	6.7	7.1	7.8	6.7
Wage bill (domestic concept)	<i>nom. growth in %</i>	2.2	3.4	4.4	4.4	2.7	3.5	4.0	4.0
BoP – current account	<i>in % of GDP</i>	-2.5	-1.5	0.6	-2.5	-2.8	-1.3	0.6	-2.8

Source: Survey respondents, MoF calculations

The main trends of macroeconomic development in 2013 and 2014 can be summed up as follows:

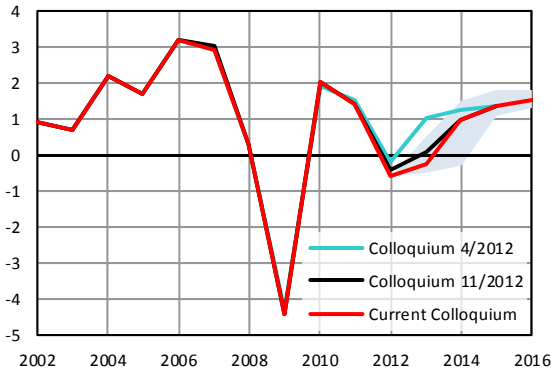
- For this year, the institutions on average expect *de facto* stagnation of GDP. In 2014, however, economic output should increase by 1.5%. In its actual forecast, the MoF also expects GDP to remain flat this year, though for 2014 the MoF forecast is a bit more conservative.
- Despite the 1 p.p. hike in both VAT rates, effective from 1st January 2013, institutions estimate consumer prices to grow at a moderate pace of 2.1% this year. In 2014, inflation rate should remain close to the CNB's inflation target. The MoF forecast is in line with these estimates.
- Slight decline in employment, which is on average envisaged for this year, should be in 2014 followed by stagnation. This development is consistent with the MoF forecast.
- According to the forecasts of participating institutions, unemployment rate should increase from 7.0% in 2012 to 7.6% in 2013 and further to 7.7% in 2014. These estimates are exactly the same as those of the MoF.
- On average, participating institutions expect growth of total wage bill to accelerate from 1.4% this year to 2.5% in 2014. From this view the MoF forecast differs only marginally.
- On average, participating institutions expect the ratio of current account deficit to GDP to be around 2% both in 2013 and 2014. The MoF is of the same opinion.

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.

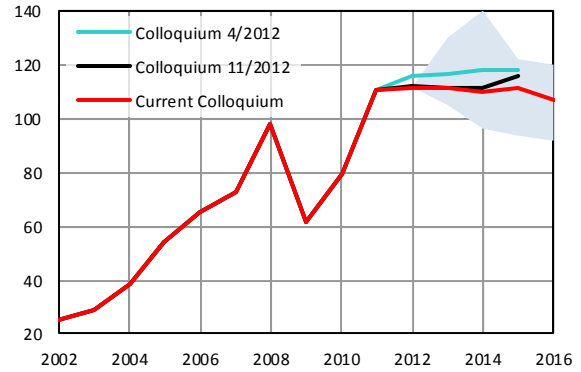
Graph 1: Gross domestic product of EA12
real growth in %

In 2013, GDP in EA12 expected to decline slightly



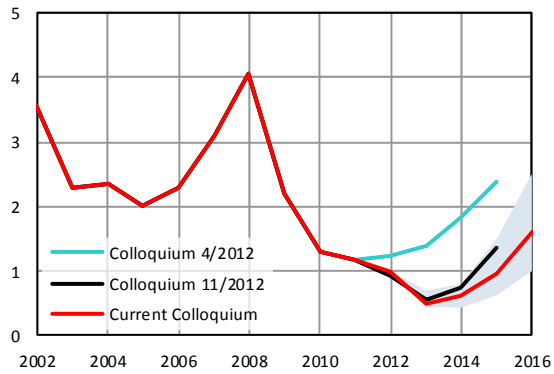
Graph 2: Crude oil Brent
USD/barrel

Price of crude oil Brent around 110 USD/barrel



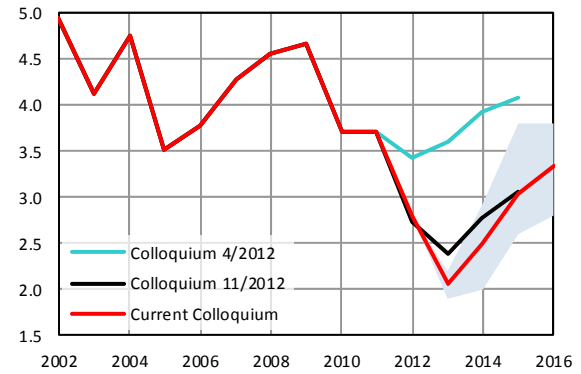
Graph 3: 3M PRIBOR
average in %

Short-term rates at historically low levels



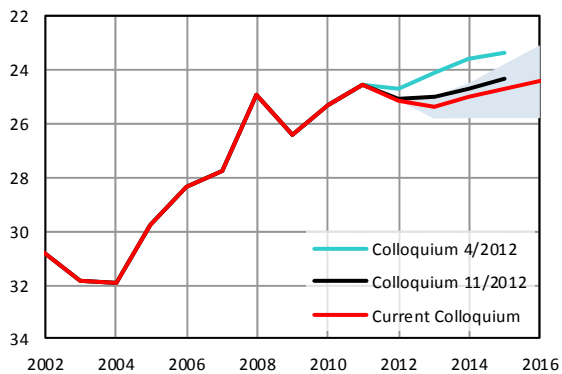
Graph 4: YTM of 10Y government bonds
average in %

Czech gov. bonds should enjoy high confidence of financial markets



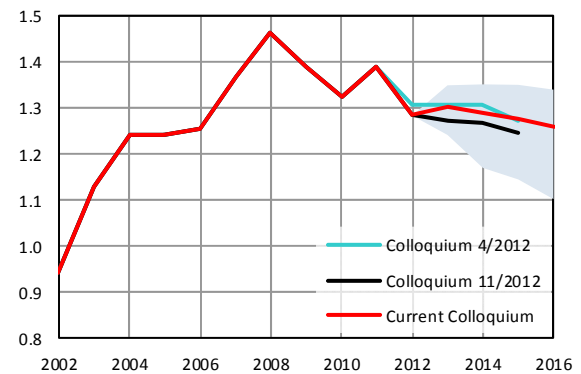
Graph 5: CZK/EUR exchange rate

Revision of estimates towards weaker levels of CZK



Graph 6: USD/EUR exchange rate

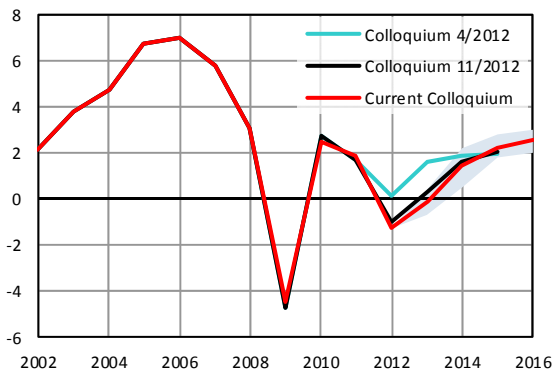
USD/EUR exchange rate below 1.30



Graph 7: Gross domestic product

real growth in %

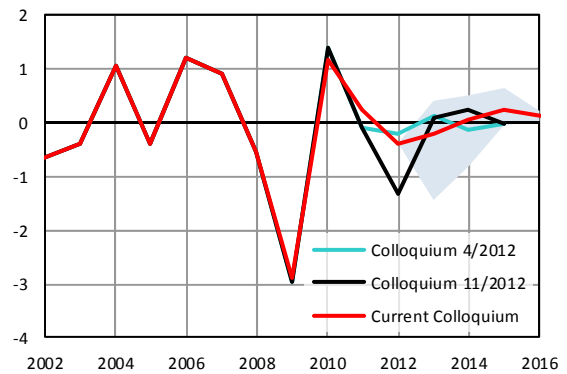
GDP stagnation in 2013 followed by moderate recovery



Graph 8: Contribution of change in inventories

percentage points

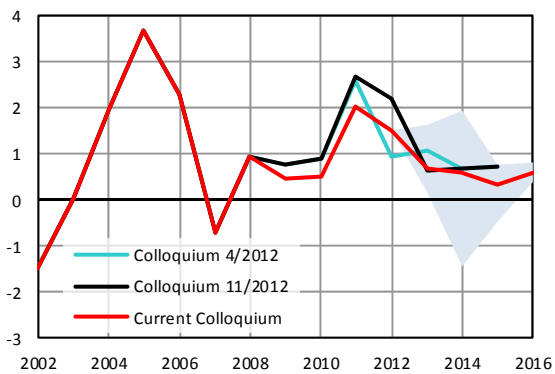
Negligible contribution of change in inventories to GDP growth



Graph 9: Contribution of foreign balance

percentage points

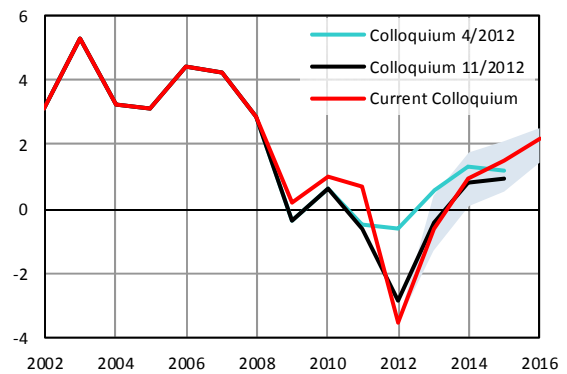
Positive contribution of net exports in the whole forecasting horizon



Graph 10: Consumption of households

real growth in %

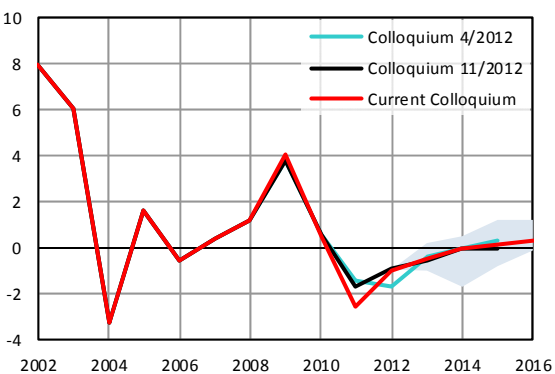
Household consumption on a decline even in 2013



Graph 11: Consumption of government

real growth in %

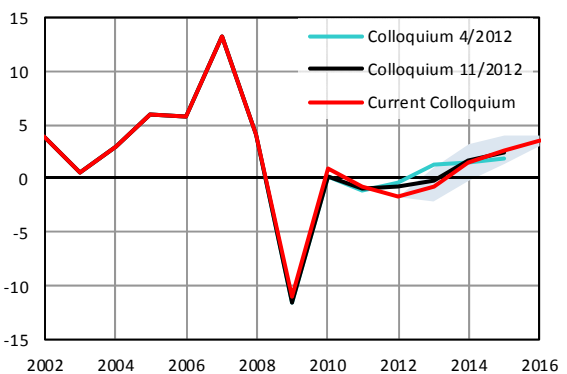
Economizing behaviour of the government sector is expected



Graph 12: Gross fixed capital formation

real growth in %

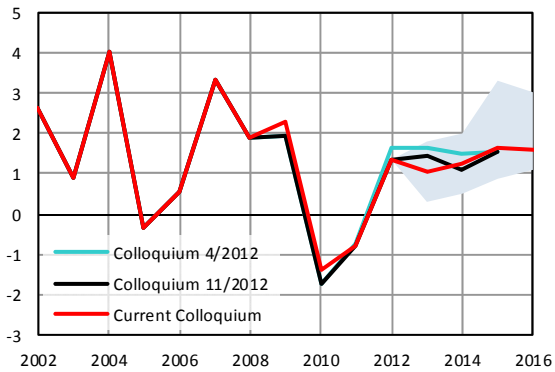
Sluggish growth in investment activity in 2014–2016



Graph 13: GDP deflator

growth in %

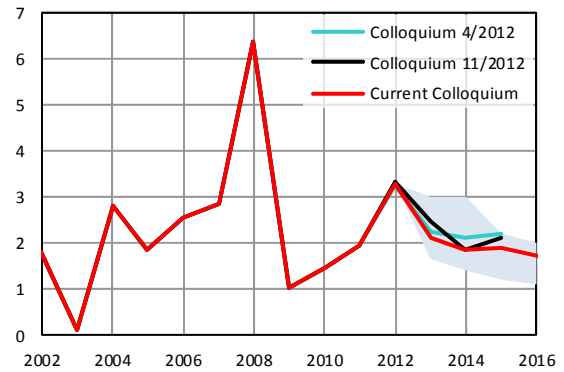
GDP deflator growth within the range of 1–2%



Graph 14: Inflation rate (aop)

in %

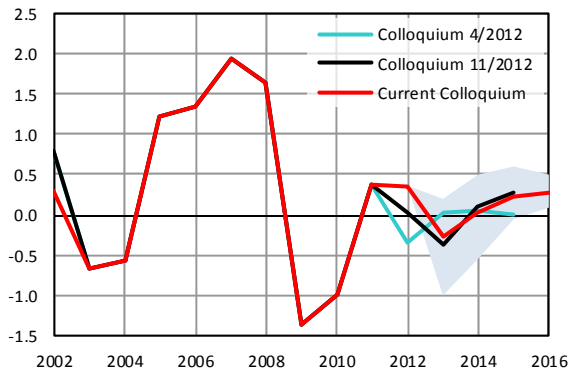
Inflation expectations firmly anchored at the CNB's inflation target



Graph 15: Employment (LFS)

growth v %

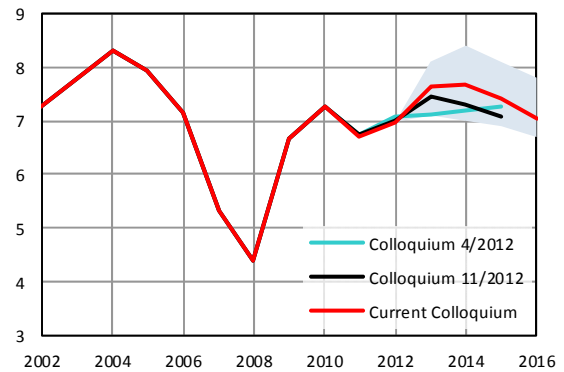
A drop in employment in 2013, stagnation next year



Graph 16: Unemployment rate (LFS)

in %

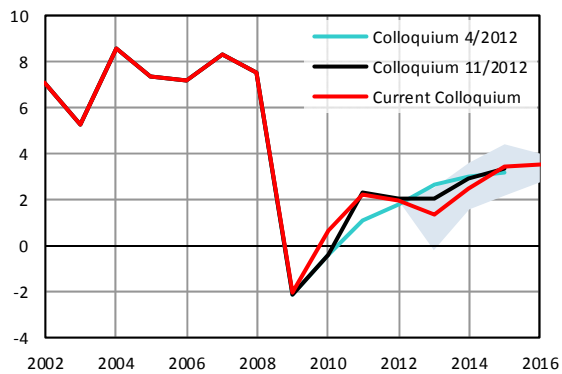
Unemployment rate above 7% in the whole forecasting horizon



Graph 17: Total wage bill (domestic concept)

nominal growth in %

Growth of total wage bill accelerating towards 4%



Graph 18: Balance of payments – current account

in % of GDP

Gradual improvement in the current account balance

