

## 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 37th Colloquium, which took place in April 2014, are based on the forecasts of 17 institutions (MoF, Ministry of Industry and Trade, Ministry of Labour and Social Affairs, CNB, CERGE-EI, Citibank, Ceska sporitelna, CSOB, Generali PPF Asset Management, Czech Chamber of Commerce, IES FSV UK, Komerční banka, Liberalni institut, Next Finance, Patria Finance, Confederation of Industry of the Czech Republic, UniCredit Bank Czech Republic & Slovakia). To make the survey more representative, forecasts of the EC (Winter 2014 European Economic Forecast), the IMF (April 2014 World Economic Outlook) and the OECD (OECD Economic Surveys: Czech Republic 2014) have been added.

Key trends for the years 2014–2017 that are envisaged in the current MoF forecast are broadly in line with the forecasts of other institutions. 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 10 institutions). Key indicators and the last MoF forecast (April 2014) are summed up in Tables 1 and 2.

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

		2014				2015			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
<i>Assumptions</i>									
<b>GDP of EA12</b>	<i>real growth in %</i>	0.6	<b>1.1</b>	1.5	<b>1.1</b>	1.0	<b>1.4</b>	1.7	<b>1.5</b>
<b>Crude oil Brent</b>	<i>USD/barrel</i>	102	<b>108</b>	120	<b>105</b>	95	<b>106</b>	120	<b>101</b>
<b>3M PRIBOR</b>	<i>average in %</i>	0.2	<b>0.4</b>	0.5	<b>0.4</b>	0.3	<b>0.7</b>	1.1	<b>0.4</b>
<b>YTM of 10Y gov. bonds</b>	<i>average in %</i>	2.2	<b>2.3</b>	2.5	<b>2.4</b>	2.3	<b>2.7</b>	3.3	<b>2.6</b>
<b>CZK/EUR exchange rate</b>		27.0	<b>27.3</b>	27.5	<b>27.3</b>	26.1	<b>26.8</b>	27.5	<b>27.2</b>
<b>USD/EUR exchange rate</b>		1.30	<b>1.35</b>	1.41	<b>1.35</b>	1.25	<b>1.33</b>	1.46	<b>1.35</b>
<i>Main indicators</i>									
<b>Gross domestic product</b>	<i>real growth in %</i>	1.1	<b>1.8</b>	2.7	<b>1.7</b>	2.0	<b>2.4</b>	3.1	<b>2.0</b>
<b>Contr. of change in inventories</b>	<i>percentage points</i>	-0.5	<b>0.0</b>	0.5	<b>0.2</b>	-0.1	<b>0.1</b>	0.9	<b>0.1</b>
<b>Contr. of foreign balance</b>	<i>percentage points</i>	0.5	<b>0.9</b>	1.6	<b>0.5</b>	0.3	<b>0.8</b>	2.2	<b>0.6</b>
<b>Consumption of households</b>	<i>real growth in %</i>	0.2	<b>0.7</b>	1.5	<b>0.6</b>	0.0	<b>1.5</b>	2.2	<b>1.5</b>
<b>Consumption of government</b>	<i>real growth in %</i>	0.1	<b>1.0</b>	2.0	<b>0.8</b>	0.2	<b>1.1</b>	2.4	<b>0.7</b>
<b>Gross fixed capital formation</b>	<i>real growth in %</i>	-0.3	<b>1.5</b>	4.4	<b>2.7</b>	1.7	<b>3.1</b>	5.1	<b>2.0</b>
<b>GDP deflator</b>	<i>growth in %</i>	1.0	<b>1.6</b>	2.5	<b>1.8</b>	1.1	<b>1.7</b>	2.5	<b>1.7</b>
<b>Inflation rate (aop)</b>	<i>in %</i>	0.9	<b>1.1</b>	1.5	<b>1.0</b>	1.2	<b>2.1</b>	2.7	<b>2.3</b>
<b>Employment</b>	<i>growth in %</i>	-0.6	<b>0.3</b>	1.0	<b>0.2</b>	-0.6	<b>0.3</b>	0.8	<b>0.2</b>
<b>Unemployment rate (LFS)</b>	<i>in %</i>	6.6	<b>6.9</b>	7.4	<b>6.8</b>	6.2	<b>6.7</b>	7.5	<b>6.6</b>
<b>Wage bill (domestic concept)</b>	<i>nom. growth in %</i>	0.0	<b>1.9</b>	3.2	<b>1.8</b>	1.5	<b>3.2</b>	5.8	<b>3.5</b>
<b>BoP – current account</b>	<i>in % of GDP</i>	-2.3	<b>-0.6</b>	1.1	<b>-0.4</b>	-1.9	<b>-0.5</b>	2.2	<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>	1.0	<b>1.7</b>	2.1	<b>1.8</b>	0.2	<b>1.5</b>	2.1	<b>2.1</b>
<b>Crude oil Brent</b>	<i>USD/barrel</i>	94	<b>105</b>	128	<b>97</b>	90	<b>106</b>	136	<b>95</b>
<b>3M PRIBOR</b>	<i>average in %</i>	0.8	<b>1.2</b>	1.5	<b>0.8</b>	1.0	<b>1.9</b>	3.0	<b>1.0</b>
<b>YTM of 10Y gov. bonds</b>	<i>average in %</i>	2.4	<b>2.8</b>	3.0	<b>2.8</b>	2.4	<b>3.0</b>	3.4	<b>3.0</b>
<b>CZK/EUR exchange rate</b>		25.1	<b>26.0</b>	26.8	<b>26.8</b>	24.9	<b>25.6</b>	26.5	<b>26.4</b>
<b>USD/EUR exchange rate</b>		1.20	<b>1.29</b>	1.41	<b>1.35</b>	1.15	<b>1.28</b>	1.41	<b>1.35</b>
<i>Main indicators</i>									
<b>Gross domestic product</b>	<i>real growth in %</i>	2.1	<b>2.6</b>	3.0	<b>2.2</b>	2.1	<b>2.5</b>	3.0	<b>2.5</b>
<b>Contr. of change in inventories</b>	<i>percentage points</i>	0.0	<b>0.2</b>	0.4	<b>0.0</b>	0.0	<b>0.1</b>	0.3	<b>0.0</b>
<b>Contr. of foreign balance</b>	<i>percentage points</i>	0.2	<b>0.7</b>	1.2	<b>0.6</b>	-1.2	<b>0.3</b>	1.0	<b>0.6</b>
<b>Consumption of households</b>	<i>real growth in %</i>	1.5	<b>2.0</b>	2.5	<b>1.9</b>	1.3	<b>2.3</b>	3.2	<b>1.9</b>
<b>Consumption of government</b>	<i>real growth in %</i>	0.0	<b>1.1</b>	2.8	<b>1.2</b>	0.2	<b>1.4</b>	3.1	<b>1.2</b>
<b>Gross fixed capital formation</b>	<i>real growth in %</i>	2.1	<b>3.7</b>	4.7	<b>2.1</b>	2.5	<b>4.0</b>	5.7	<b>3.1</b>
<b>GDP deflator</b>	<i>growth in %</i>	0.9	<b>1.7</b>	2.5	<b>0.9</b>	1.3	<b>1.9</b>	2.5	<b>1.3</b>
<b>Inflation rate (aop)</b>	<i>in %</i>	1.4	<b>1.8</b>	2.4	<b>1.4</b>	1.8	<b>2.1</b>	2.8	<b>2.1</b>
<b>Employment</b>	<i>growth in %</i>	0.0	<b>0.3</b>	0.5	<b>0.2</b>	0.1	<b>0.3</b>	0.5	<b>0.2</b>
<b>Unemployment rate (LFS)</b>	<i>in %</i>	6.0	<b>6.3</b>	6.5	<b>6.4</b>	5.8	<b>6.0</b>	6.7	<b>6.0</b>
<b>Wage bill (domestic concept)</b>	<i>nom. growth in %</i>	2.0	<b>3.5</b>	5.9	<b>3.6</b>	1.2	<b>3.7</b>	6.1	<b>4.1</b>
<b>BoP – current account</b>	<i>in % of GDP</i>	-1.7	<b>-0.4</b>	1.3	<b>-0.5</b>	-1.8	<b>-0.6</b>	0.5	<b>-0.6</b>

Source: Survey respondents, MoF calculations

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

- GDP could increase by 1.8% this year. On average, the institutions expect the growth rate to accelerate to 2.4% in 2015. In both years, the contributions of domestic demand as well as net exports should be positive. This year the contributions of gross domestic expenditure and foreign trade should be equal, whereas in 2015 the main driver of growth should be domestic demand, especially private consumption and gross fixed capital formation.
- 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 1.1% this year, while in 2015 the growth in consumer prices could accelerate to 2.1%.
- Situation on the labour market should be gradually improving. Employment should increase by 0.3% in both 2014 and 2015, while unemployment rate is expected to marginally decline to 6.9% this year and to 6.7% in 2015.
- After declining by 0.9% in 2013, the total wage bill could increase by 1.9%. The participating institutions expect it to grow by 3.2% in 2015.
- Current account deficit, as a percentage of GDP, should reach approximately 0.5% in both 2014 and 2015. Therefore, the current account of the balance of payments should be almost balanced.

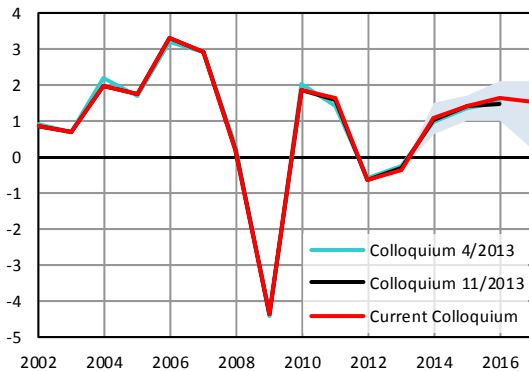
## Overview of indicators

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 %

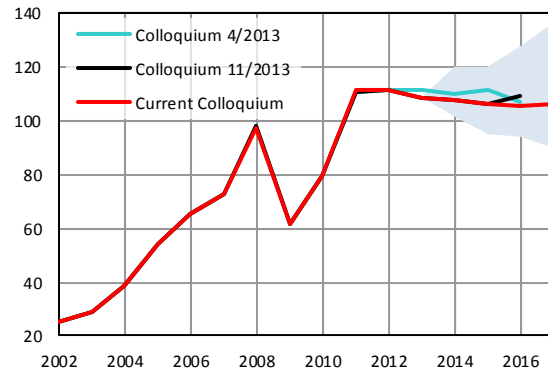
After two years of decline, a moderate growth in EA12 is expected



**Graph 2: Crude oil Brent**

USD/barrel

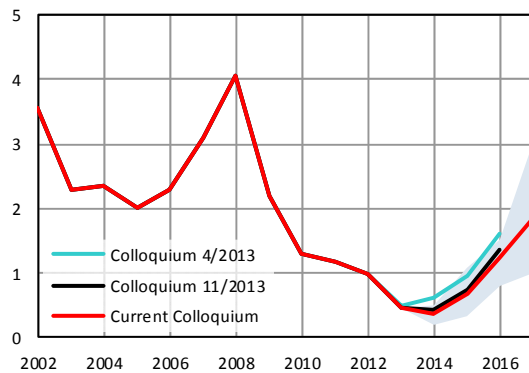
Price of crude oil Brent below 110 USD/barrel



**Graph 3: 3M PRIBOR**

average in %

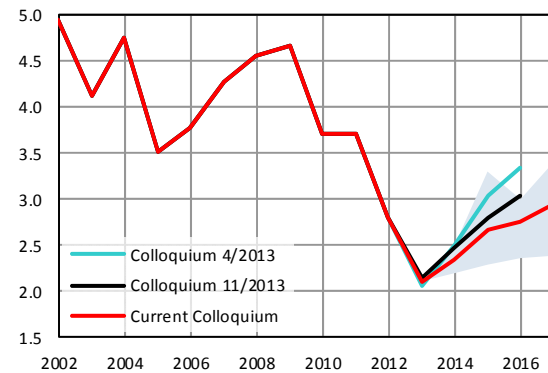
Growth of short-term rates starting in 2015



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

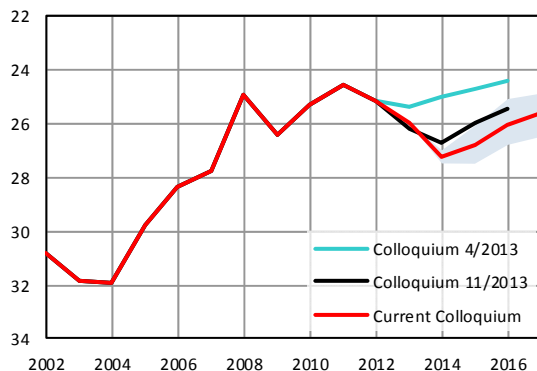
average in %

High confidence of financial markets in Czech gov. bonds



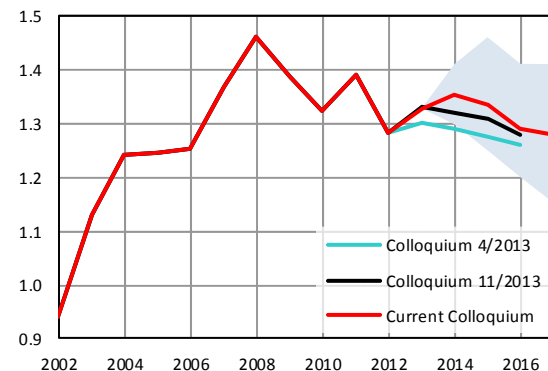
**Graph 5: CZK/EUR exchange rate**

Another revision of estimates towards weaker levels of CZK



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

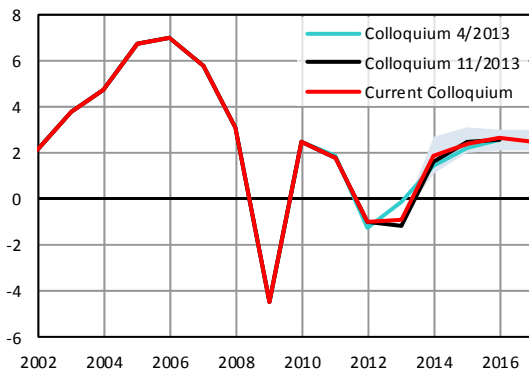
USD/EUR exchange rate around 1.30



**Graph 7: Gross domestic product**

*real growth in %*

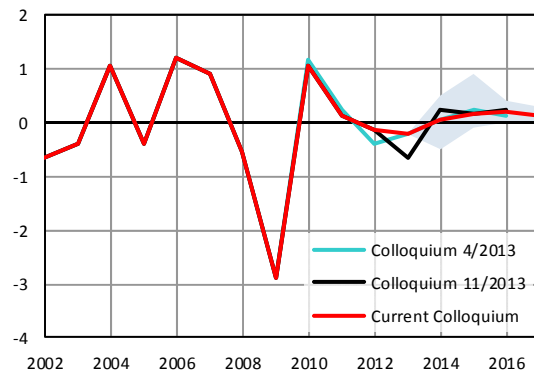
Moderate recovery following two years of GDP decline



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

*percentage points*

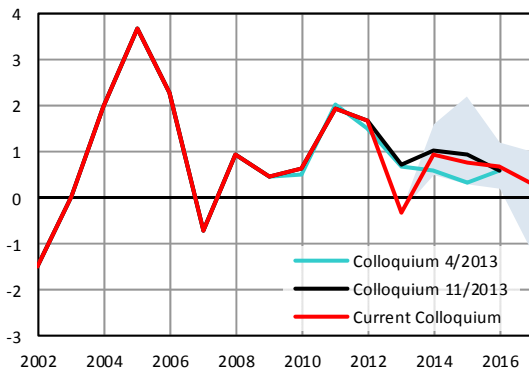
Negligible contribution of change in inventories to GDP growth



**Graph 9: Contribution of foreign balance**

*percentage points*

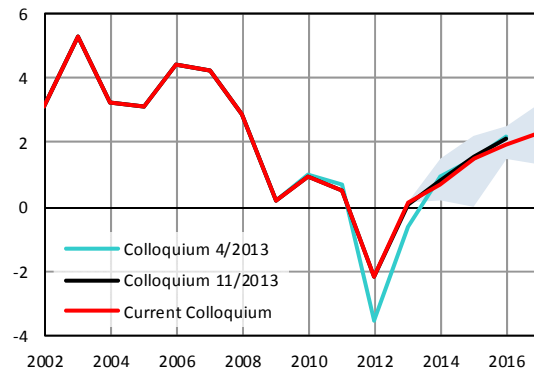
Positive contribution of net exports throughout the forecast horizon



**Graph 10: Consumption of households**

*real growth in %*

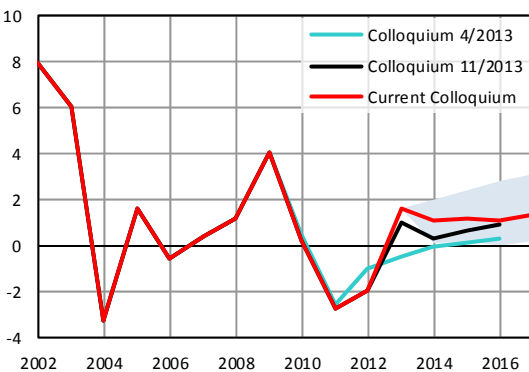
Growth of household consumption slowly gathering pace



**Graph 11: Consumption of government**

*real growth in %*

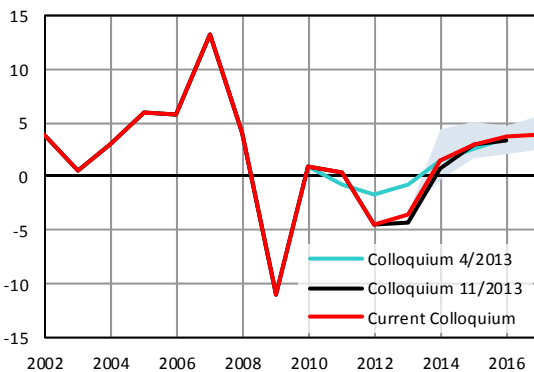
Only a modest growth of public consumption



**Graph 12: Gross fixed capital formation**

*real growth in %*

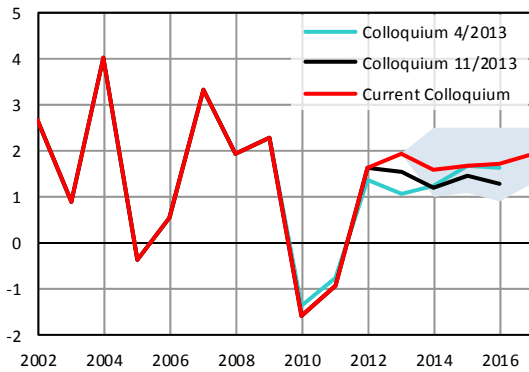
Sluggish growth in investment activity throughout the forecast horizon



**Graph 13: GDP deflator**

*growth in %*

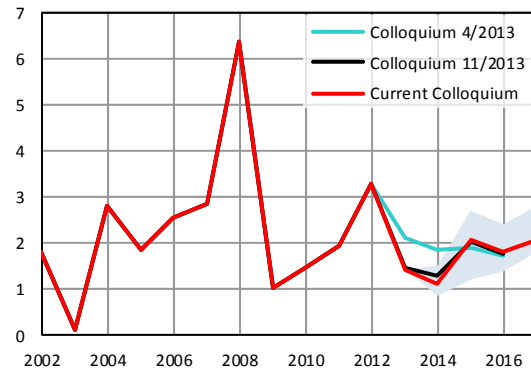
GDP deflator growth within the range of 1.5–2.0%



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

*in %*

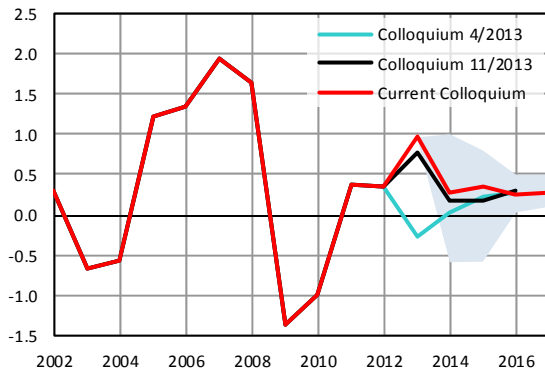
Inflation very low, inflation expectations anchored at the CNB's target



**Graph 15: Employment (LFS)**

*growth v %*

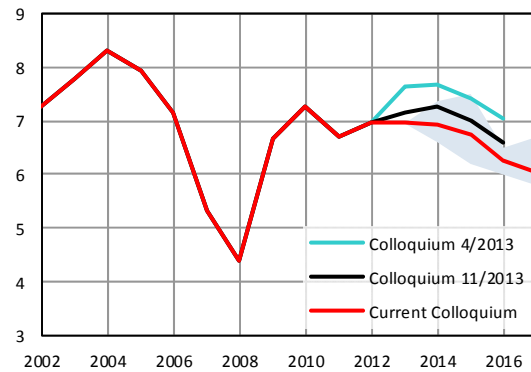
Employment slowly increasing in the whole forecast horizon



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

*in %*

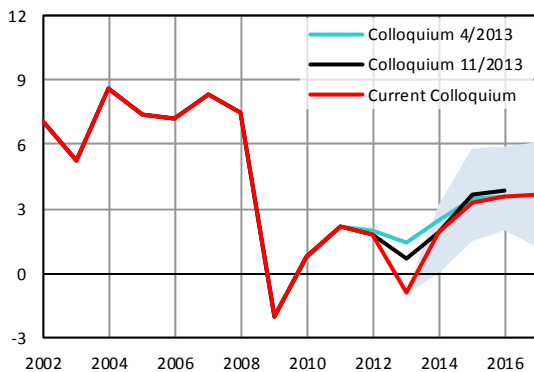
Unemployment rate gradually declining



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

*nominal growth in %*

Growth of total wage bill accelerating to above 3%



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

*in % of GDP*

Current account of the balance of payments almost balanced

