Survey of macroeconomic forecasts

Twice a year, the Ministry of Finance (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 39th Colloquium, which took place in April 2015, are based on the forecasts of 20 institutions (MoF; Ministry of Industry and Trade; Ministry of Labour and Social Affairs; Czech National Bank; Citibank; CYRRUS; Česká spořitelna; ČSOB; Generali Investments CEE; Czech Chamber of Commerce; IDEA CERGE-EI; Institute of Economic Studies, Faculty of Social Sciences, Charles University; ING Bank; J&T Banka; Komerční banka; Liberální Institut + Faculty of Economics, University of Economics; Raiffeisenbank; Union of Czech and Moravian Production Co-operatives; Confederation of Industry of the Czech Republic; UniCredit Bank). To make the survey more representative, the forecasts of the EC (Winter 2015 European Economic Forecast) and the IMF (April 2015 World Economic Outlook) have been added.

Key trends for the years 2015–2018 that are envisaged in the last MoF forecast (April 2015) are consistent with the forecasts of other institutions. However, comparison for the years 2017 and 2018 is complicated by the fact that this period is not covered by the forecasts of all institutions (the whole period 2015–2018 is covered, at least for some indicators, by the forecasts of 12 institutions). Tables 1 and 2 summarize the key indicators and the last MoF forecast.

The key macroeconomic trends in 2015 and 2016 can be summed up as follows:

■ GDP could increase by 2.4% this year. On average, the institutions expect the growth rate to marginally accelerate to 2.6% in 2016. Growth should be driven by domestic demand in both years; not only by final consumption expenditure, but also by investment in fixed capital. Negligible contribution of net exports to GDP growth reflects expected weak growth in the euro area (principal trading partner of the Czech Republic) and higher imports mirroring the relatively solid growth of domestic demand.

■ Similarly to the previous year, the year 2015 should be characterized by very low inflation, mainly due to a strongly anti-inflationary impact of the price of oil. Inflation rate (average of period) could reach 0.3% this year, while in 2016 the growth in consumer prices could accelerate to 1.5%.

■ Situation on the labour market should be gradually improving thanks to the economic growth. Growth of employment could remain slightly above 0.5% in both 2015 and 2016, while unemployment rate is expected to gradually decline. Unemployment rate should average 5.7% this year and 5.5% in 2016.

■ Total wage bill should retain the dynamics from the previous year. On average, the participating institutions expect the wage bill to grow by 3.2% in 2015 and by 3.3% in 2016.

■ Current account of the balance of payments should post a small surplus in both 2015 and 2016. Low price of oil will have a positive impact on the current account balance.

Table 1: Results of the survey for the years 2015 and 2016

		2015				2016			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
Assumptions									
GDP of EA12	*real growth in %*	0.8	**1.3**	1.6	**1.4**	1.0	**1.6**	2.0	**1.8**
Crude oil Brent	*USD/barrel*	53	**59**	80	**60**	62	**70**	90	**68**
3M PRIBOR	*average in %*	0.3	**0.3**	0.4	**0.3**	0.3	**0.4**	0.6	**0.3**
YTM of 10Y gov. bonds	*average in %*	0.4	**0.6**	0.9	**0.6**	0.4	**0.9**	1.9	**0.8**
CZK/EUR exchange rate		27.0	**27.5**	28.0	**27.5**	26.3	**27.2**	28.0	**27.5**
USD/EUR exchange rate		1.00	**1.08**	1.17	**1.07**	0.91	**1.05**	1.17	**1.05**
Main indicators									
Gross domestic product	*real growth in %*	1.8	**2.4**	2.7	**2.7**	1.6	**2.6**	3.2	**2.5**
Contr. of change in inventories	*percentage points*	-1.0	**0.0**	0.7	**0.0**	-0.2	**0.1**	0.5	**0.0**
Contr. of foreign balance	*percentage points*	-0.4	**0.0**	0.5	**-0.3**	-0.2	**0.3**	0.9	**0.0**
Consumption of households	*real growth in %*	1.7	**2.2**	2.8	**2.8**	1.5	**2.2**	2.9	**2.3**
Consumption of government	*real growth in %*	1.0	**2.0**	4.0	**1.7**	0.4	**1.6**	4.0	**1.6**
Gross fixed capital formation	*real growth in %*	3.0	**4.3**	5.8	**5.3**	2.5	**3.7**	4.9	**4.2**
GDP deflator	*growth in %*	0.2	**1.4**	2.1	**1.9**	0.4	**1.5**	2.5	**1.4**
Inflation rate (aop)	*in %*	-0.1	**0.3**	0.9	**0.3**	0.5	**1.5**	2.0	**1.5**
Employment (LFS)	*growth in %*	0.2	**0.7**	1.3	**0.7**	0.0	**0.6**	1.2	**0.2**
Unemployment rate (LFS)	*in %*	5.3	**5.7**	6.1	**5.7**	4.4	**5.5**	6.0	**5.5**
Wage bill (domestic concept)	*nom. growth in %*	0.5	**3.2**	4.1	**4.0**	0.4	**3.3**	4.2	**4.1**
BoP − current account balance	*in % of GDP*	0.1	**0.8**	1.6	**1.3**	-0.5	**0.5**	1.6	**0.9**

Source: Survey respondents, MoF calculations

Table 2: Results of the survey for the years 2017 and 2018

		2017				2018			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
Assumptions									
GDP of EA12	*real growth in %*	0.8	**1.6**	1.9	**1.9**	0.9	**1.6**	2.2	**2.1**
Crude oil Brent	*USD/barrel*	70	**75**	85	**74**	70	**76**	80	**77**
3M PRIBOR	*average in %*	0.3	**0.6**	1.1	**0.4**	0.4	**1.1**	1.9	**0.5**
YTM of 10Y gov. bonds	*average in %*	0.4	**1.4**	2.1	**1.2**	0.5	**1.9**	2.8	**1.8**
CZK/EUR exchange rate		25.5	**26.4**	27.4	**27.2**	25.3	**26.0**	27.3	**26.8**
USD/EUR exchange rate		0.80	**1.03**	1.20	**1.05**	0.70	**1.07**	1.30	**1.05**
Main indicators									
Gross domestic product	*real growth in %*	2.0	**2.6**	3.2	**2.3**	2.0	**2.5**	3.1	**2.3**
Contr. of change in inventories	*percentage points*	-0.1	**0.1**	0.4	**0.0**	-0.1	**0.1**	0.5	**0.0**
Contr. of foreign balance	*percentage points*	-0.3	**0.1**	0.6	**0.1**	-0.3	**0.1**	0.6	**0.1**
Consumption of households	*real growth in %*	1.3	**2.3**	3.0	**2.2**	1.4	**2.3**	3.0	**2.1**
Consumption of government	*real growth in %*	0.2	**1.5**	4.0	**1.5**	0.2	**1.4**	3.0	**1.3**
Gross fixed capital formation	*real growth in %*	2.6	**3.8**	5.4	**3.2**	2.9	**3.8**	5.3	**3.2**
GDP deflator	*growth in %*	1.4	**1.6**	2.0	**1.4**	1.1	**1.8**	2.6	**1.5**
Inflation rate (aop)	*in %*	1.0	**1.7**	2.2	**1.8**	1.2	**1.9**	2.2	**1.9**
Employment	*growth in %*	0.0	**0.5**	1.2	**0.1**	0.1	**0.5**	1.2	**0.1**
Unemployment rate (LFS)	*in %*	3.9	**5.2**	6.0	**5.4**	3.8	**5.1**	6.0	**5.3**
Wage bill (domestic concept)	*nom. growth in %*	2.1	**3.5**	4.5	**4.1**	2.4	**3.5**	4.2	**4.1**
BoP − current account balance	*in % of GDP*	-0.8	**-0.1**	0.6	**0.4**	-1.2	**-0.3**	0.6	**0.0**

*Source: Survey respondents, MoF calculations*

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.

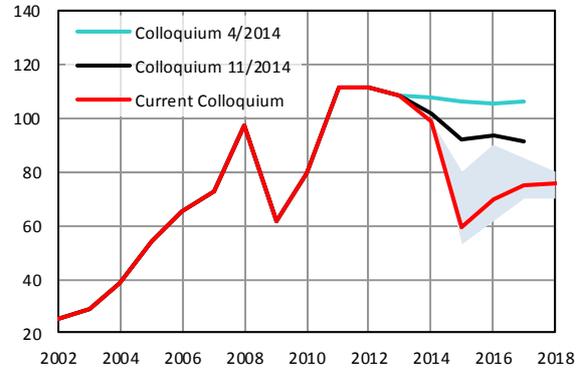### Graph 1: Gross domestic product of EA12
real growth in %

Moderate GDP growth should continue in the EA12
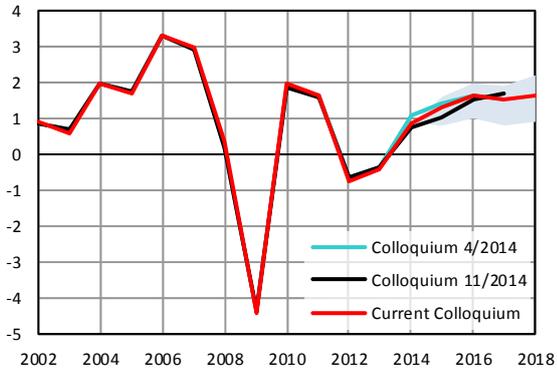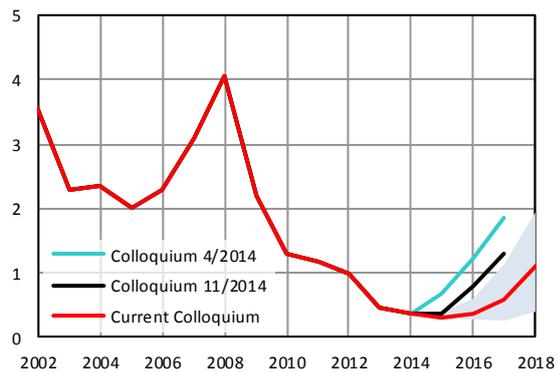

Graph 2: Crude oil Brent
USD/barrel

Major downward revision of forecasts

Graph 3: 3M PRIBOR
average in %

More substantial growth of short-term rates only in 2018

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

Very low yield on Czech gov. bonds in the whole forecast horizon
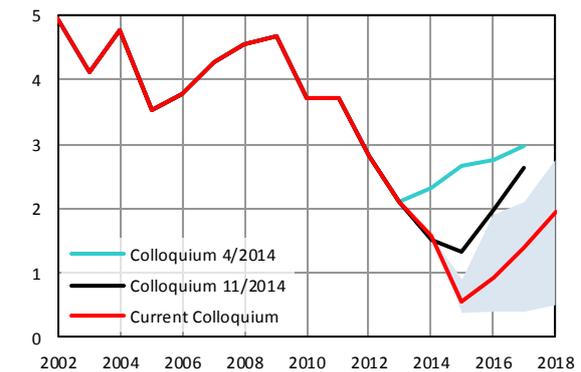
Graph 5: CZK/EUR exchange rate

Koruna appreciating above 27 CZK/EUR only in 2017
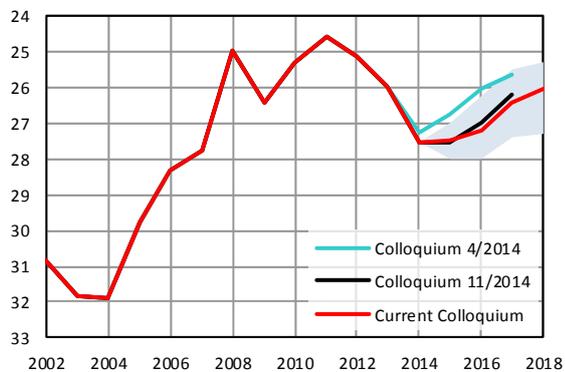
Graph 6: USD/EUR exchange rate

Substantial revision of forecasts towards stronger US dollar
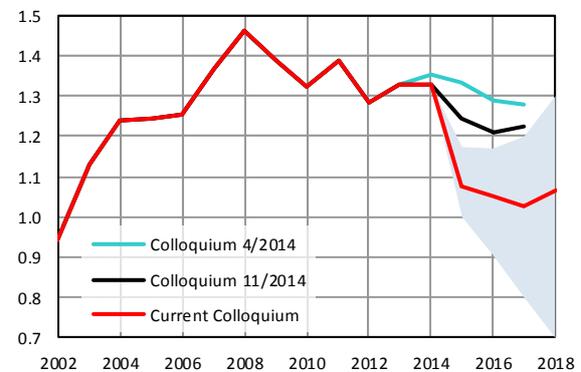
Graph 7: Gross domestic product
real growth in %

GDP growth around 2.5%
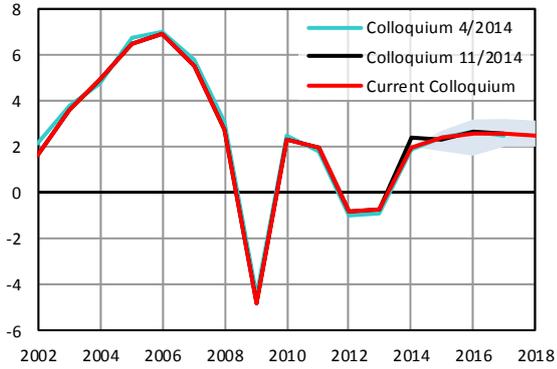
Graph 8: Contribution of change in inventories
percentage points

Contribution of change in inventories to GDP growth virtually zero
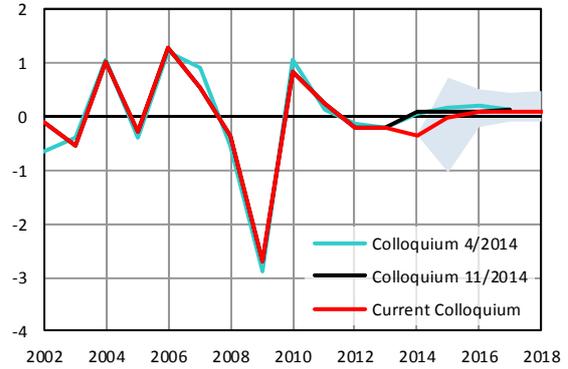
Graph 9: Contribution of foreign balance
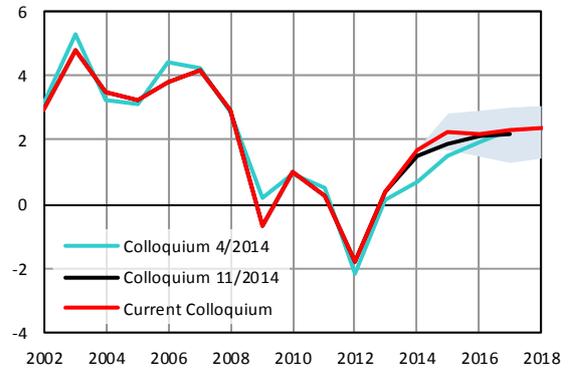*percentage points*

Contribution of net exports to GDP growth also negligible
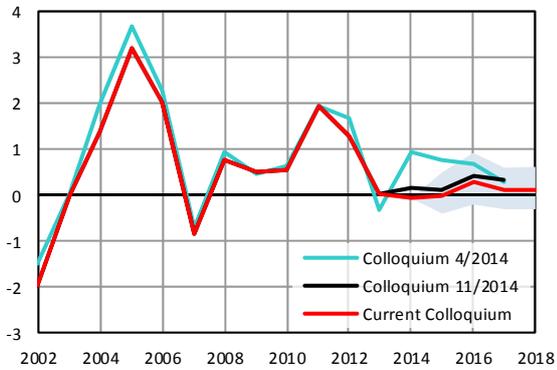
Graph 10: Consumption of households
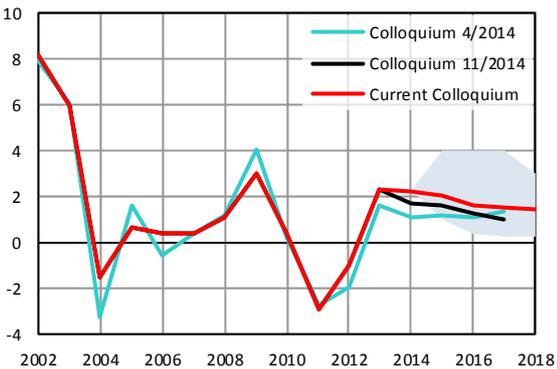*real growth in %*

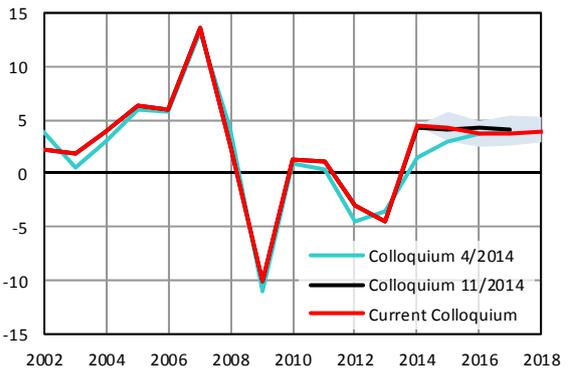Growth of household consumption slightly above 2%

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 investment in fixed capital around 4%
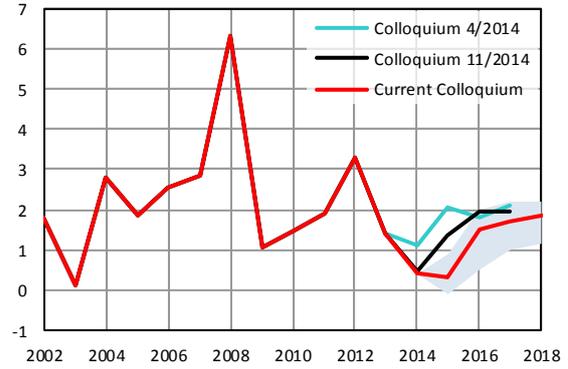
Graph 13: GDP deflator
growth in %

GDP deflator growth below 2%
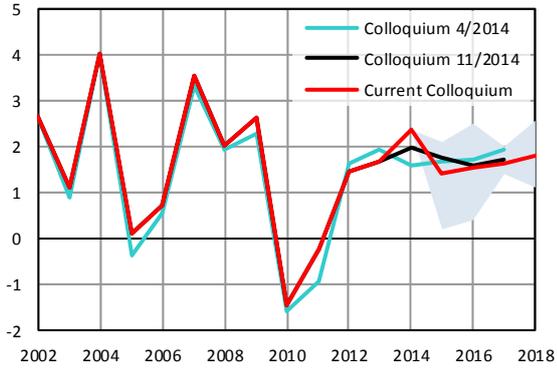
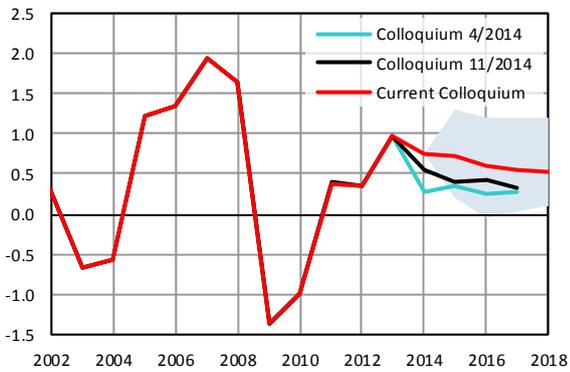## Graph 14: Inflation rate (aop)
in %

Inflation very low, especially in 2015

Graph 15: Employment (LFS)
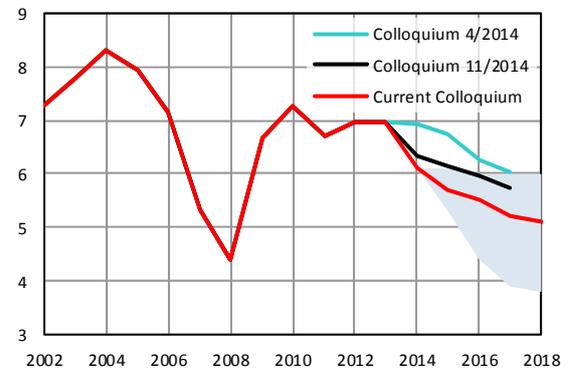*growth v %*

Employment slowly increasing in the whole forecast horizon

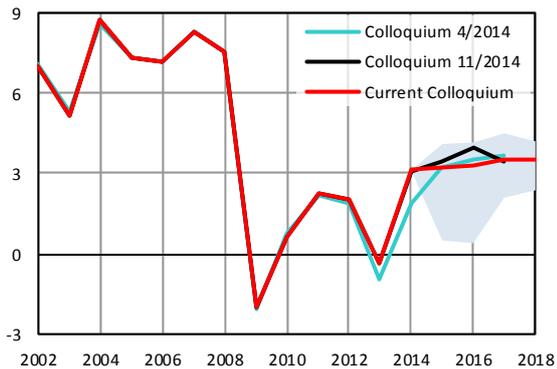

Graph 16: Unemployment rate (LFS)
in %

Ongoing decline in unemployment rate

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

Current account of the BoP in surplus in 2015 and 2016