Survey of macroeconomic forecasts

The survey of macroeconomic forecasts (so-called Colloquium), which is conducted by the Ministry of Finance (MoF), aims 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 41st Colloquium, which took place in April 2016, are based on the forecasts of 20 institutions (MoF; Ministry of Industry and Trade; Ministry of Labour and Social Affairs; Czech National Bank; Akcenta CZ; Banking Institute, College of Banking; CYRRUS; Česká spořitelna; ČSOB; Deloitte; Generali Investments CEE; Czech Chamber of Commerce; Institute of Economic Studies, Faculty of Social Sciences, Charles University; ING Bank; Komerční banka; Raiffeisenbank; Union of Czech and Moravian Production Co-operatives; Confederation of Industry of the Czech Republic; UniCredit Bank; University of Economics, Prague). To make the survey more representative, the forecasts of the EC (Winter 2016 European Economic Forecast) and the IMF (April 2016 World Economic Outlook) have been added.

Key trends for the years 2016–2019 that are envisaged in the last MoF forecast (April 2016) are consistent with the forecasts of other institutions. However, comparison for the years 2018 and 2019 is complicated by the fact that this period is not covered by the forecasts of all institutions (the whole period 2016–2019 is covered, at least for some indicators, by the forecasts of 13 institutions). Tables 1 and 2 summarize the key indicators and the last MoF forecast.

Main macroeconomic trends in 2016 and 2017 can be summed up as follows:

■ Economic growth in 2015 reached 4.2%; however, it was supported by a range of one-off or temporary factors, among which the absorption of EU funds from the 2007–2013 programming period and a positive supply shock in the form of a deep YoY fall in the price of crude oil were the most important ones. From these factors, only the price of crude oil – though to a lesser extent than in 2015 – should support the economy in 2016. Therefore, the institutions on average forecast GDP growth to decelerate to 2.5% in 2016; growth should pick up moderately to 2.7% in 2017. Economic growth should be driven by domestic demand in both years; not only by final consumption expenditure, but also by investment in fixed capital. Minor positive contribution of net exports to GDP growth reflects expected slow growth in the euro area (principal trading partner of the Czech Republic) as well as higher imports mirroring the relatively solid growth of domestic demand.

■ The year 2016 should be characterized by very low inflation, mainly due to the anti-inflationary impact of the price of oil. According to the average of the participating institutions' forecasts, inflation rate (average of period) could reach 0.7% this year, while in 2017 the growth in consumer prices could accelerate to 1.7%.

■ Situation on the labour market should be gradually improving thanks to the economic growth. On average, the institutions forecast employment to increase by 0.8% in 2016 and by 0.4% in 2017. Unemployment rate is expected to gradually decline, averaging 4.6% this year and 4.5% in 2017.

■ On average, the institutions expect the growth of total wage bill to exceed 4% in both 2016 and 2017. Wages and salaries would thus grow at a similar pace as in 2015.

■ On average, the respondents expect that the current account of the balance of payments will post a surplus of 1.0% of GDP in 2016. Surplus on the current account should decrease slightly to 0.8% of GDP in 2017. Low price of oil will have a positive impact on the current account balance.

Table 1: Results of the survey for the years 2016 and 2017

		2016						2017					
		min.	*P25*	*average*	*P75*	*max.*	*MoF CR*	*min.*	*P25*	*average*	*P75*	*max.*	*MoF CR*
Assumptions													
GDP of EA12	*real growth in %*	1.3	1.5	**1.5**	1.6	1.7	**1.3**	1.3	1.5	**1.6**	1.7	1.8	**1.5**
Crude oil Brent	*USD/barrel*	35	37	**39**	41	45	**41**	43	45	**48**	50	58	**47**
3M PRIBOR	*average in %*	0.2	0.3	**0.3**	0.3	0.3	**0.3**	0.3	0.3	**0.4**	0.4	0.9	**0.3**
YTM of 10Y gov. bonds	*average in %*	0.2	0.5	**0.5**	0.6	0.7	**0.6**	0.3	0.7	**0.8**	1.1	1.3	**0.8**
CZK/EUR exchange rate		27.0	27.0	**27.0**	27.1	27.2	**27.0**	25.7	26.4	**26.6**	27.0	27.1	**26.9**
USD/EUR exchange rate		1.01	1.10	**1.11**	1.12	1.15	**1.10**	0.90	1.09	**1.12**	1.17	1.21	**1.10**
Main indicators													
Gross domestic product	*real growth in %*	2.0	2.4	**2.5**	2.6	3.1	**2.5**	2.2	2.6	**2.7**	2.9	3.2	**2.6**
Contr. of change in inventories	*perc. points*	-0.6	-0.3	**-0.1**	0.1	0.2	**0.1**	-0.3	0.0	**0.0**	0.2	0.4	**0.0**
Contr. of foreign balance	*perc. points*	0.1	0.2	**0.4**	0.6	1.2	**0.2**	-0.4	0.2	**0.2**	0.4	0.8	**0.2**
Consumption of households	*real growth in %*	2.5	2.9	**3.0**	3.2	3.5	**3.1**	2.1	2.6	**2.8**	2.9	3.8	**2.7**
Consumption of government	*real growth in %*	1.3	1.9	**2.3**	2.7	3.4	**2.1**	0.5	1.7	**1.9**	2.1	3.3	**1.6**
Gross fixed capital formation	*real growth in %*	-0.2	0.7	**1.8**	2.2	7.2	**0.6**	1.8	2.8	**3.4**	3.5	7.0	**3.0**
GDP deflator	*growth in %*	0.5	1.0	**1.1**	1.3	1.5	**1.0**	0.5	1.3	**1.6**	1.7	2.4	**1.3**
Inflation rate (aop)	*in %*	0.5	0.6	**0.7**	0.8	1.2	**0.6**	0.5	1.7	**1.7**	2.0	2.4	**1.4**
Employment (LFS)	*growth in %*	0.4	0.6	**0.8**	1.0	1.2	**0.5**	-0.5	0.2	**0.4**	0.5	1.2	**0.1**
Unemployment rate (LFS)	*in %*	4.3	4.5	**4.6**	4.7	5.2	**4.4**	4.0	4.4	**4.5**	4.6	5.1	**4.3**
Wage bill (domestic concept)	*nom. growth in %*	3.5	4.2	**4.4**	4.5	5.4	**4.5**	3.3	3.7	**4.1**	4.5	4.9	**4.6**
BoP – current account balance	*in % of GDP*	-0.4	0.9	**1.0**	1.4	2.0	**1.1**	-0.6	0.7	**0.8**	1.1	1.5	**1.0**

Note: The data in column P25 (P75) correspond to the 1st (3rd) quartile of the forecast sample.
Source: Survey respondents, MoF calculations

Table 2: Results of the survey for the years 2018 and 2019

		2018				2019			
		min.	*average*	*max.*	*MoF CR*	*min.*	*average*	*max.*	*MoF CR*
Assumptions									
GDP of EA12	*real growth in %*	1.3	**1.6**	2.0	**1.8**	1.0	**1.6**	2.0	**1.8**
Crude oil Brent	*USD/barrel*	50	**55**	65	**51**	50	**58**	70	**54**
3M PRIBOR	*average in %*	0.3	**0.6**	1.2	**0.3**	0.3	**1.0**	2.2	**0.5**
YTM of 10Y gov. bonds	*average in %*	0.4	**1.3**	2.2	**1.2**	0.4	**1.6**	3.0	**1.6**
CZK/EUR exchange rate		25.0	**25.6**	26.3	**26.2**	24.0	**25.0**	26.0	**25.6**
USD/EUR exchange rate		0.90	**1.11**	1.25	**1.10**	1.00	**1.16**	1.30	**1.10**
Main indicators									
Gross domestic product	*real growth in %*	2.0	**2.5**	2.9	**2.4**	1.5	**2.3**	2.8	**2.4**
Contr. of change in inventories	*perc. points*	0.0	**0.1**	0.1	**0.0**	-0.1	**0.0**	0.2	**0.0**
Contr. of foreign balance	*perc. points*	-0.2	**0.1**	0.3	**0.3**	-1.1	**-0.2**	0.4	**0.4**
Consumption of households	*real growth in %*	1.4	**2.6**	3.7	**2.4**	1.0	**2.7**	3.5	**2.3**
Consumption of government	*real growth in %*	1.0	**1.7**	3.0	**1.4**	1.0	**1.9**	3.2	**1.3**
Gross fixed capital formation	*real growth in %*	3.0	**4.1**	6.7	**3.1**	1.9	**4.0**	6.6	**3.1**
GDP deflator	*growth in %*	0.4	**1.7**	2.7	**1.6**	0.4	**1.7**	2.4	**1.8**
Inflation rate (aop)	*in %*	0.6	**1.8**	2.3	**1.8**	0.8	**1.9**	2.2	**1.9**
Employment	*growth in %*	0.0	**0.4**	1.1	**0.1**	-0.2	**0.4**	1.2	**0.1**
Unemployment rate (LFS)	*in %*	4.0	**4.4**	4.7	**4.2**	4.0	**4.4**	4.9	**4.2**
Wage bill (domestic concept)	*nom. growth in %*	3.1	**4.2**	5.5	**4.6**	2.3	**4.1**	5.5	**4.6**
BoP – current account balance	*in % of GDP*	-0.5	**0.5**	1.2	**1.2**	-0.6	**0.4**	1.2	**1.2**

*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.

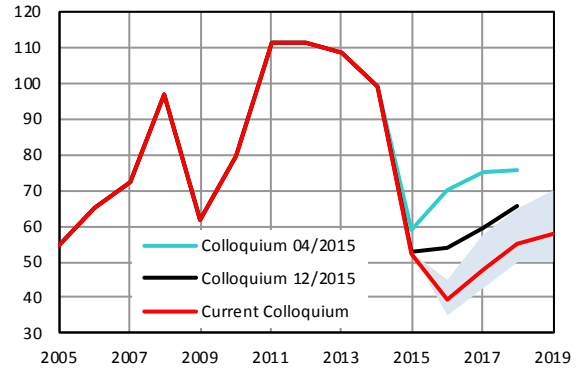## Graph 1: Gross domestic product of the EA12
real growth in %

Continuation of moderate GDP growth in the EA12
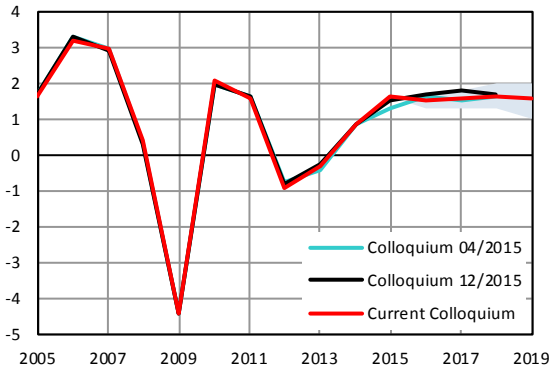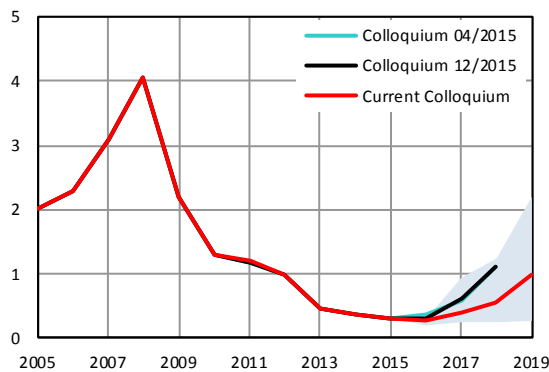

Graph 2: Crude oil Brent
USD/barrel

Another major downward shift of forecasts

Graph 3: 3M PRIBOR
average in %

More substantial growth of short-term rates only in 2019

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

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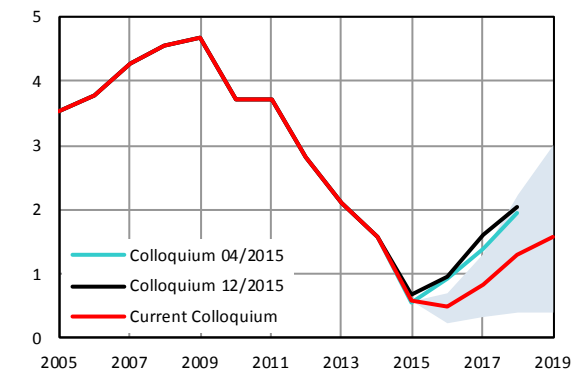
Graph 5: CZK/EUR exchange rate

Appreciation of the koruna below 27 CZK/EUR in 2017
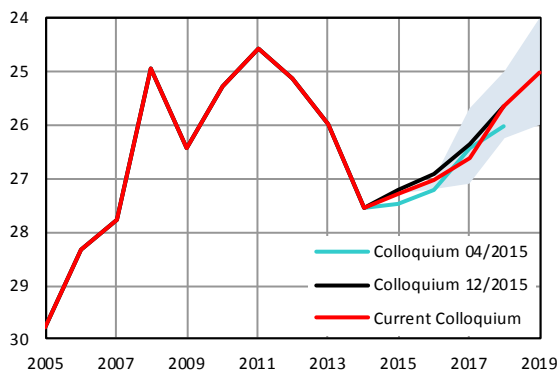
Graph 6: USD/EUR exchange rate

Exchange rate slightly above 1.1 USD/EUR, though with high uncertainty
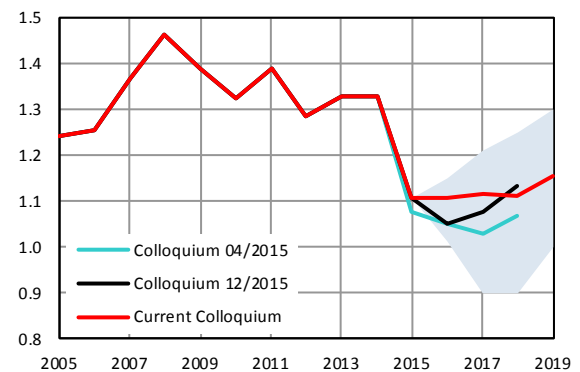
Graph 7: Gross domestic product
real growth in %

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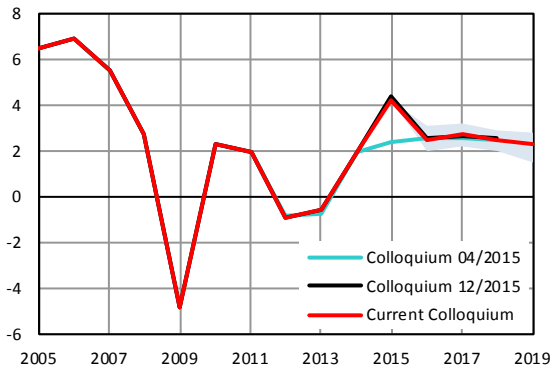
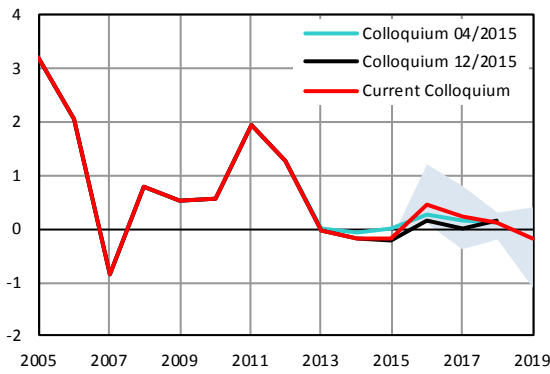## Graph 8: Contribution of change in inventories
percentage points

Negligible contribution of change in inventories to GDP growth
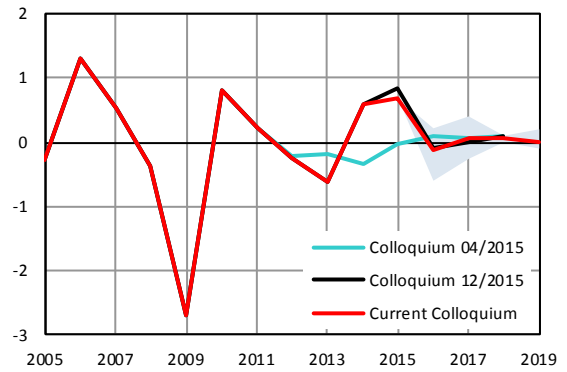
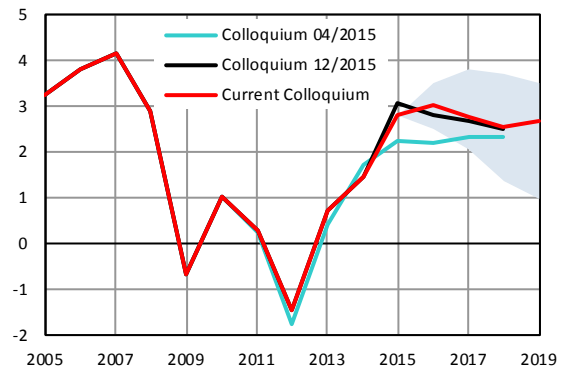## Graph 9: Contribution of net exports
percentage points

Gradually declining contribution of net exports to GDP growth
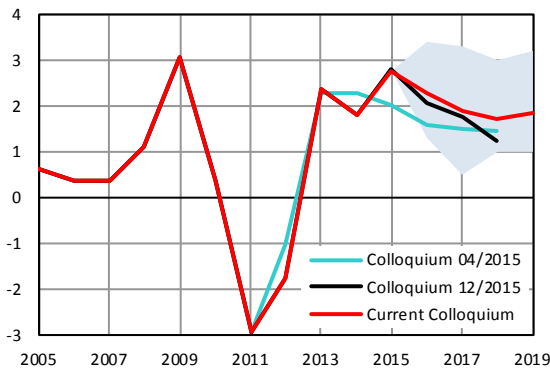

Graph 10: Consumption of households
real growth in %

Continued solid growth of household consumption

Graph 11: Consumption of government
real growth in %

Modest growth of public consumption

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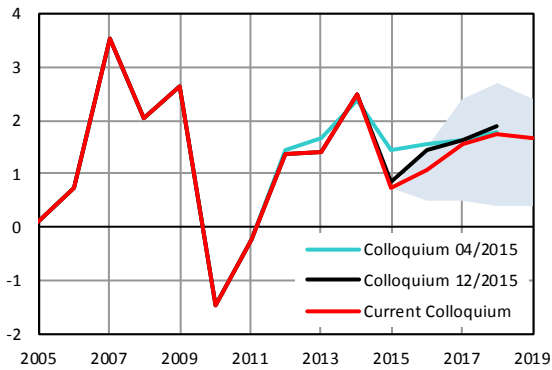*real growth in %*

Slowdown in investment growth in 2016 due to the use of EU funds
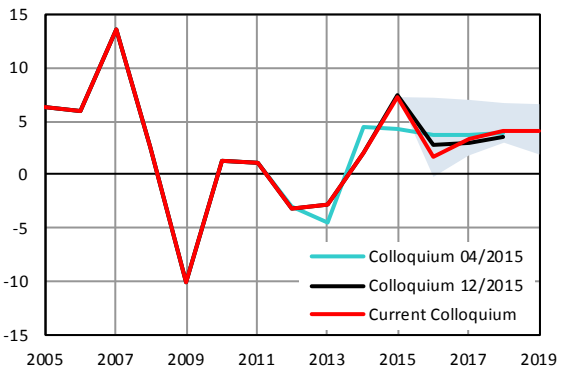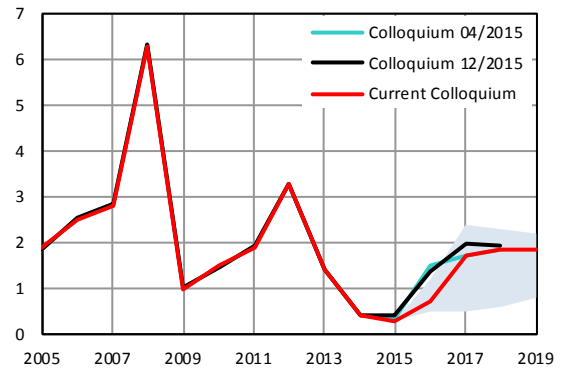
Graph 13: GDP deflator
growth in %
GDP deflator growth below 2%

Colloquium 04/2015
Colloquium 12/2015
Current Colloquium

Graph 14: Inflation rate (aop)
in %
Inflation very low, especially in 2016

Colloquium 04/2015
Colloquium 12/2015
Current Colloquium

Graph 15: Employment (LFS)
growth v %
Employment increasing in the whole forecast horizon

Colloquium 04/2015
Colloquium 12/2015
Current Colloquium
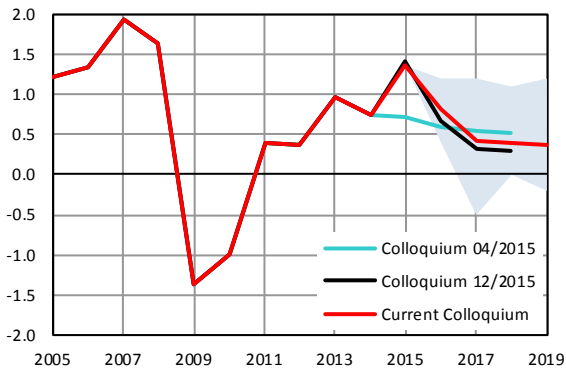
Graph 16: Unemployment rate (LFS)
in %
Another downward shift of forecasts

Colloquium 04/2015
Colloquium 12/2015
Current Colloquium
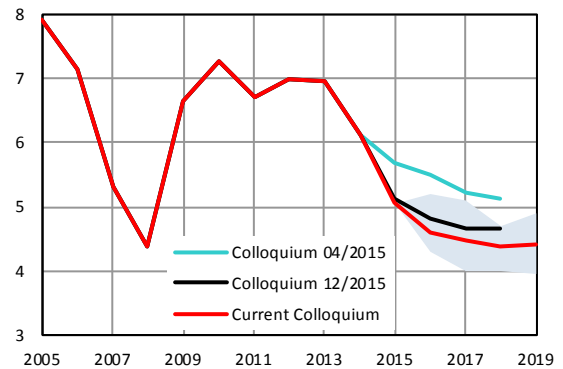
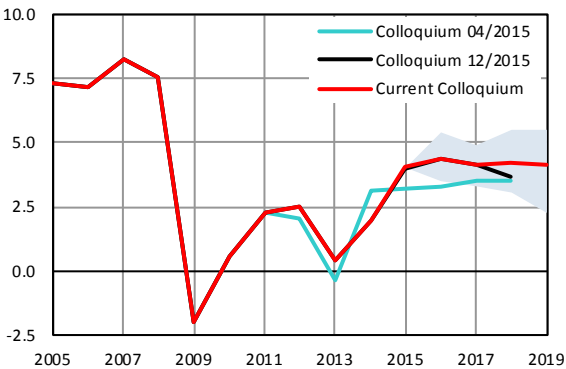**Graph 17: Total wage bill (domestic concept)**
nominal growth in %
Growth rate of total wage bill slightly exceeding 4%

Colloquium 04/2015
Colloquium 12/2015
Current Colloquium

Graph 18: Balance of payments – current account
in % of GDP
Current account of the BoP in surplus

Colloquium 04/2015
Colloquium 12/2015
Current Colloquium