

Survey of macroeconomic forecasts

April 2018

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Issued twice a year, free distribution

Electronic archive:
<http://www.mfcr.cz/macroforecast>

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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 participating institutions envisage. The results of the 45th Colloquium, which took place in April 2018, are based on the forecasts of 16 institutions (MoF; Ministry of Industry and Trade; Ministry of Labour and Social Affairs; Czech National Bank; Akcenta CZ; Citibank; Česká spořitelna; ČSOB; Deloitte Advisory; Czech Chamber of Commerce; Institute of Economic Studies, Faculty of Social Sciences, Charles University; ING Bank; Komerční banka; Raiffeisenbank; Confederation of Industry of the Czech Republic; UniCredit Bank). To make the survey more representative, forecasts of the EC (Winter 2018 European Economic Forecast) and the IMF (April 2018 World Economic Outlook) have been included.

Key trends for the years 2018–2021 that are envisaged in the last MoF's Forecast (April 2018) are consistent with the forecasts of other institutions. However, comparison for the years 2020 and 2021 is complicated by the fact that this period is not covered by forecasts of all institutions (the whole period 2018–2021 is covered, at least for some indicators, by forecasts of 9 institutions). Tables 1 and 2 summarize key indicators and the latest Macroeconomic Forecast of the MoF.

Main macroeconomic trends in 2018 and 2019 can be summed up as follows:

- On average, respondents of the survey expect GDP to increase by 3.5% this year; growth could slow down to 3.0% in 2019. Economic growth should be exclusively driven by domestic demand, whose dynamics will support the growth in imports. Net exports should thus weigh on GDP growth this year, despite favourable developments in the Euro Area; in 2019 their contribution could be zero. Dynamic growth of wages and salaries, which reflects the situation in the labour market, will support household consumption. Final consumption expenditures of households could therefore grow at around 4% p.a. in 2018 and 2019. Growth in consumption of the general government sector should remain moderate, reaching approximately 2% annually. After a 5.4% increase in 2017 the gross fixed capital formation should add 5.8% this year; growth in investments could decelerate to 4.0% in 2019.
- According to the average of participating institutions' forecasts, inflation rate could slow down to 2.1% this year and further to 2.0% in 2019. Anti-inflationary effects of the appreciating exchange rate will contribute to the deceleration; however, domestic demand pressures will be pushing inflation up.
- Situation in the labour market should reflect the favourable economic developments. On average, the institutions forecast employment to increase by 0.9% in 2018 and by 0.4% in 2019. There is almost no room left for the unemployment rate to decrease further. The unemployment rate could thus average 2.5% in both this and the next year.
- On average, the institutions expect the wage bill to grow by almost 8% in 2018 and by close to 6% in 2019. This year the dynamics of wages and salaries will be supported by the increase in the minimum and guaranteed wage as well as by salary increases in the general government sector. Lack of labour force will boost the wage bill in both years.
- On average, the respondents expect that the current account of the balance of payments will reach a surplus of 0.8% of GDP in 2017. In 2018 the positive balance could decrease marginally to 0.7% of GDP.

Table 1: Results of the survey for the years 2018 and 2019

		2018						2019					
		min.	P25	average	P75	max.	MoF CR	min.	P25	average	P75	max.	MoF CR
<i>Assumptions</i>													
GDP of EA19	real growth in %	1.8	2.2	2.3	2.4	2.5	2.3	1.4	1.8	1.9	2.0	2.3	1.8
Crude oil Brent	USD/barrel	59	62	64	65	70	65	49	59	61	64	70	61
3M PRIBOR	average in %	0.9	1.0	1.0	1.1	1.1	1.0	1.3	1.6	1.7	1.7	2.0	1.4
YTM of 10Y gov. bonds	average in %	1.9	1.9	2.0	2.0	2.3	1.9	1.9	2.2	2.3	2.5	2.7	2.2
CZK/EUR exchange rate		24.9	25.0	25.1	25.2	25.4	25.1	23.9	24.6	24.6	24.7	25.0	24.7
USD/EUR exchange rate		1.16	1.22	1.23	1.26	1.29	1.23	1.12	1.23	1.27	1.32	1.35	1.23
<i>Main indicators</i>													
Gross domestic product	real growth in %	2.4	3.3	3.5	3.6	4.2	3.6	2.5	2.8	3.0	3.3	3.5	3.3
Contr. of change in inventories	perc. points	-0.5	-0.1	0.0	0.1	0.2	0.0	-0.8	-0.1	-0.1	0.0	0.1	0.0
Contr. of foreign balance	perc. points	-1.1	-0.4	-0.3	0.0	0.3	-0.2	-0.9	-0.2	0.0	0.1	1.1	-0.1
Consumption of households	real growth in %	2.4	3.9	4.2	4.6	5.2	4.3	2.9	3.4	3.7	3.8	4.7	4.1
Consumption of government	real growth in %	1.4	1.6	2.3	2.3	4.6	1.9	1.3	1.6	2.0	2.2	3.2	2.0
Gross fixed capital formation	real growth in %	3.9	4.7	5.8	6.3	8.8	5.7	1.6	3.5	4.0	4.5	6.1	4.4
GDP deflator	growth in %	0.9	1.6	1.9	2.1	2.8	1.5	1.2	1.6	1.8	2.0	2.3	1.8
Inflation rate (aop)	in %	1.7	1.9	2.1	2.2	2.9	2.1	1.9	1.9	2.0	2.2	2.4	1.9
Employment (LFS)	growth in %	0.4	0.7	0.9	1.0	1.9	0.7	-0.3	0.2	0.4	0.4	1.6	0.2
Unemployment rate (LFS)	in %	2.2	2.4	2.5	2.6	3.0	2.4	2.1	2.3	2.5	2.7	3.2	2.3
Wage bill (domestic concept)	nom. growth in %	6.7	7.5	7.8	8.3	8.7	7.7	4.0	5.5	5.8	6.4	6.8	6.5
BoP – current account balance	in % of GDP	-0.2	0.8	0.8	1.0	1.7	0.4	-0.1	0.4	0.7	0.9	1.7	0.2

Note: The data in column P25 (P75) correspond to the 1st (3rd) quartile of the forecast sample.

Source: Survey respondents. Calculations of the MoF.

Table 2: Results of the survey for the years 2020 and 2021

		2020				2021			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
<i>Assumptions</i>									
GDP of EA19	real growth in %	0.6	1.5	1.9	1.8	1.2	1.5	1.8	1.7
Crude oil Brent	USD/barrel	56	62	70	59	57	64	75	57
3M PRIBOR	average in %	1.1	2.0	2.4	1.9	1.6	2.3	2.9	2.5
YTM of 10Y gov. bonds	average in %	1.9	2.5	3.0	2.6	1.9	2.8	3.5	2.9
CZK/EUR exchange rate		23.1	24.2	24.8	24.3	22.5	23.8	24.9	23.9
USD/EUR exchange rate		1.09	1.29	1.40	1.23	1.10	1.30	1.42	1.23
<i>Main indicators</i>									
Gross domestic product	real growth in %	1.7	2.6	3.2	2.6	1.7	2.5	3.0	2.4
Contr. of change in inventories	perc. points	-1.6	-0.4	0.0	0.0	-0.3	-0.1	0.0	0.0
Contr. of foreign balance	perc. points	-1.1	0.3	2.3	0.1	-1.4	0.0	0.9	0.2
Consumption of households	real growth in %	1.1	2.6	3.8	2.9	1.9	2.6	3.3	2.6
Consumption of government	real growth in %	1.5	1.9	2.7	1.8	1.7	1.8	2.0	1.8
Gross fixed capital formation	real growth in %	-0.4	3.6	8.3	3.0	1.8	3.4	6.1	2.8
GDP deflator	growth in %	-2.9	0.8	1.8	1.7	-2.8	0.9	1.9	1.9
Inflation rate (aop)	in %	1.4	1.9	2.2	1.8	1.5	1.9	2.0	1.8
Employment	growth in %	-0.1	0.5	1.6	0.2	0.0	0.5	1.9	0.1
Unemployment rate (LFS)	in %	2.3	2.7	3.1	2.3	2.3	2.7	3.3	2.3
Wage bill (domestic concept)	nom. growth in %	3.0	4.7	5.9	5.5	5.0	5.3	5.6	5.4
BoP – current account balance	in % of GDP	-0.9	0.6	2.7	0.3	-0.3	0.9	2.2	0.5

Source: Survey respondents. Calculations of the MoF.

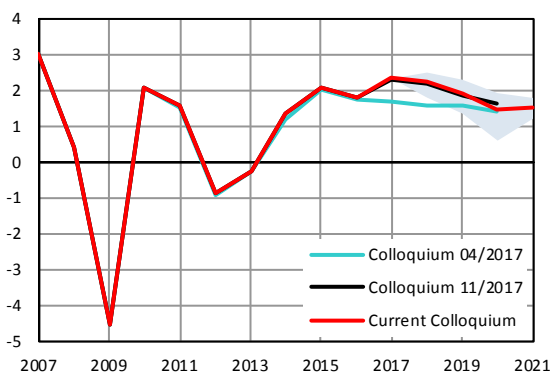
Overview of indicators

Graphs 1–18 show past and expected development of individual indicators. For comparison, consensus forecasts of two previous Colloquia 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 EA19

real growth in %

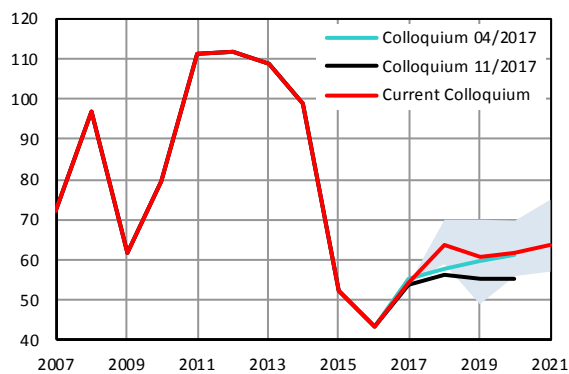
Growth prospects of the Euro Area almost unchanged



Graph 2: Crude oil Brent

USD/barrel

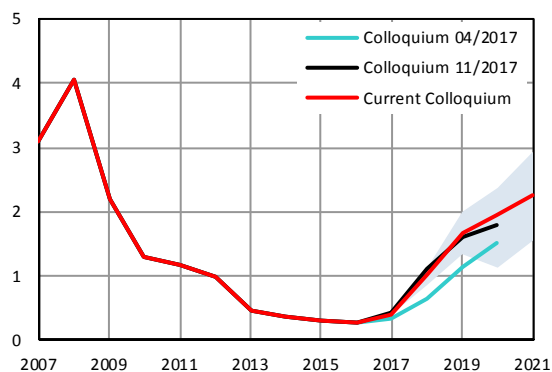
Price of oil stagnating in the range of 60–65 USD/barrel



Graph 3: 3M PRIBOR

average in %

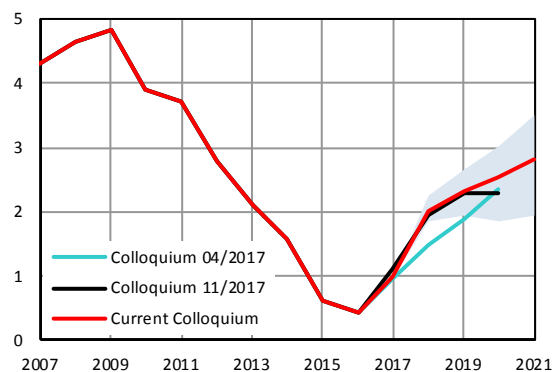
Gradual tightening of monetary conditions in interest rate component



Graph 4: YTM of 10Y government bonds

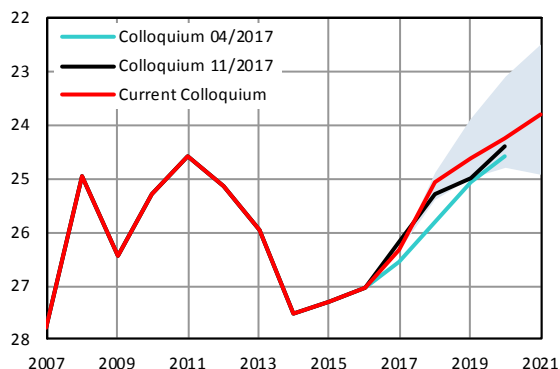
average in %

Ongoing increase in yields on Czech government bonds



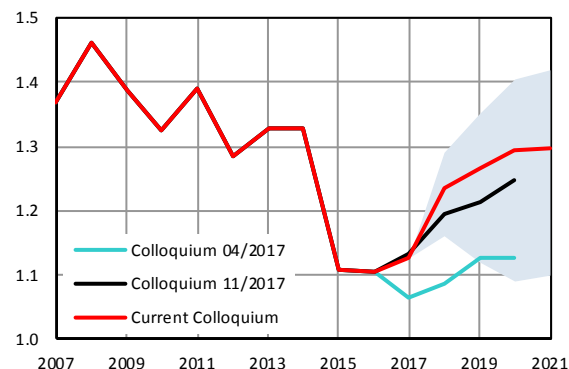
Graph 5: CZK/EUR exchange rate

Gradual appreciation, koruna slightly stronger in the entire horizon



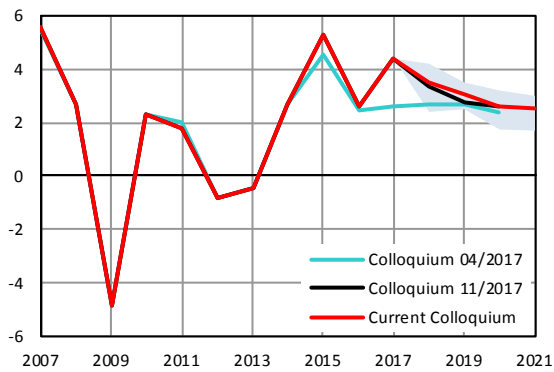
Graph 6: USD/EUR exchange rate

Another change in forecasts in the direction of a weaker dollar

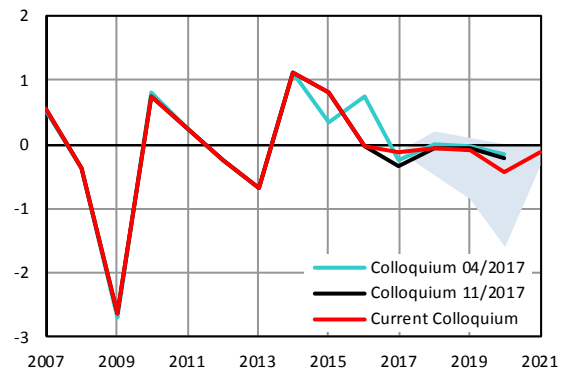


Graph 7: Gross domestic product*real growth in %*

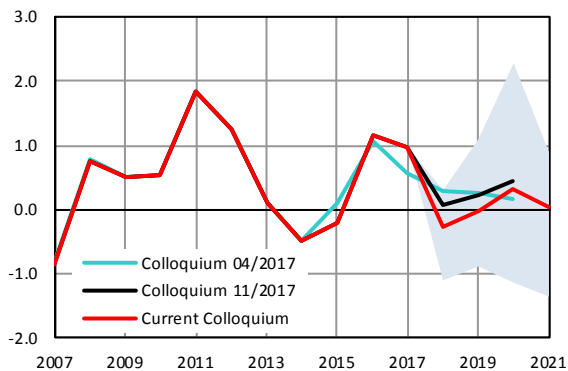
Growth to slow down gradually towards 2.5 in 2020 and 2021

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

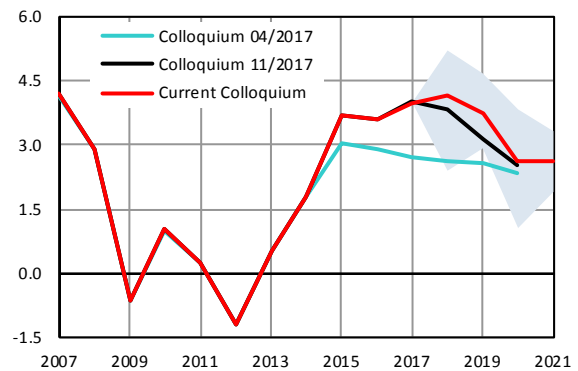
Negligible contribution of change in inventories to GDP growth

**Graph 9: Contribution of net exports***percentage points*

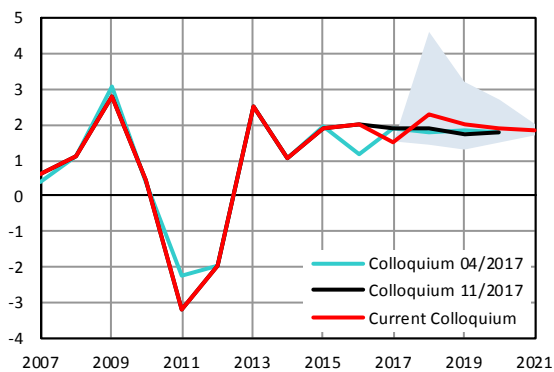
Lower contrib. of net exports due to strong growth of domestic demand

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

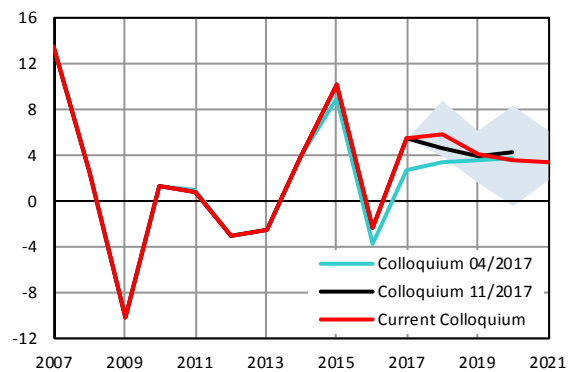
Dynamic growth of household consumption in 2018 and 2019

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

Modest growth of public consumption

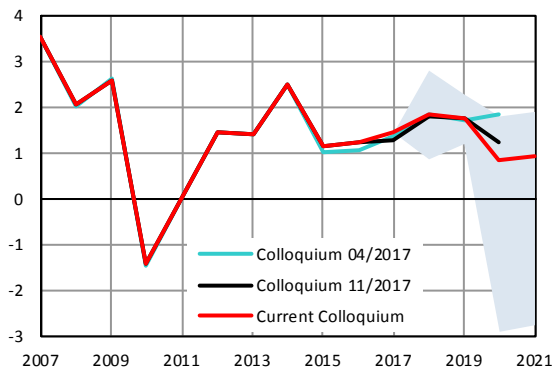
**Graph 12: Gross fixed capital formation***real growth in %*

Sustained growth of investment

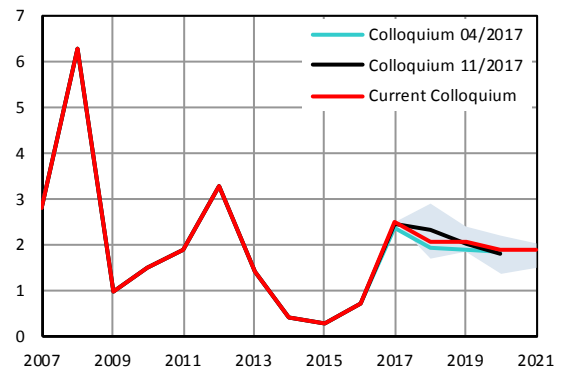


Graph 13: GDP deflator*growth in %*

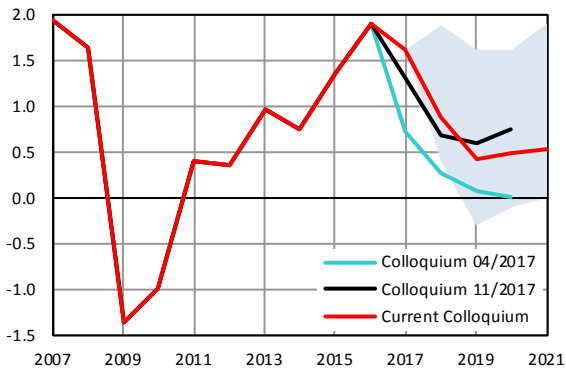
Growth of GDP deflator below 2%

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

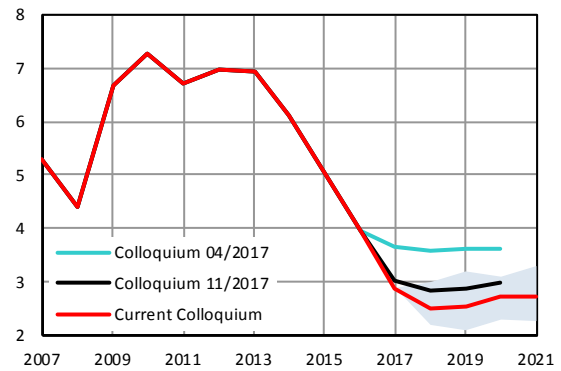
Inflation rate close to 2%

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

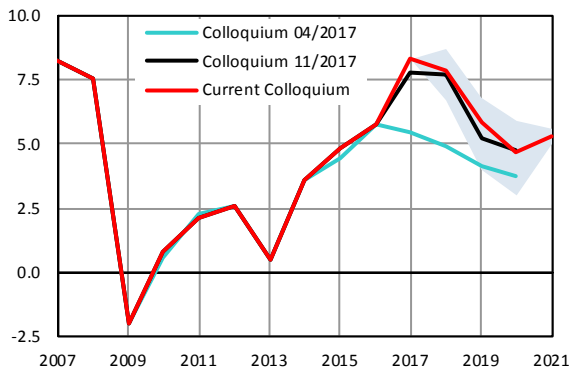
Slowdown in the growth of employment

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

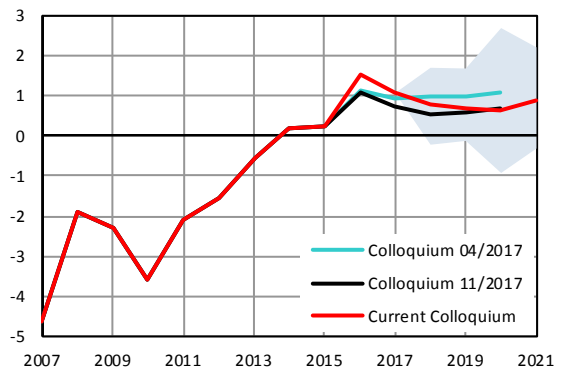
Unemployment rate visibly below 3% in the entire forecast horizon

**Graph 17: Total wage bill (domestic concept)***nominal growth in %*

Growth of the wage bill to slow down towards 5% in 2020–21

**Graph 18: Balance of payments – current account***in % of GDP*

Moderate surplus on the current account of the balance of payments



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