

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 40th Colloquium, which took place in December 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; Deloitte; Generali Investments CEE; 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; Next Finance; 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 (Autumn 2015 European Economic Forecast), the IMF (October 2015 World Economic Outlook) and the OECD (November 2015 Economic Outlook) have been added.

Key trends for the years 2015–2018 that are envisaged in the last MoF forecast (October 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 14 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:

- Economic growth in 2015 is supported by a range of one-off factors (drawdown of the EU funds from the programming period 2007–2013, fiscal stimulation, positive supply shock in the form of a big YoY fall in the price of crude oil, statistical effect of exceptionally strong GDP growth in the first quarter of 2015). Thanks to these factors, the respondents on average expect real GDP to increase by 4.4% this year (the strongest growth since 2007). On average, the institutions forecast the growth rate to decelerate to 2.5% in 2016, as the aforementioned factors fade away. 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. According to the average of the participating institutions' forecasts, inflation rate (average of period) could reach 0.4% this year, while in 2016 the growth in consumer prices could accelerate to 1.4%.
- Situation on the labour market should be gradually improving thanks to the economic growth. On average, the institutions forecast employment to increase by 1.4% in 2015 and by 0.7% in 2016. Unemployment rate is expected to gradually decline, averaging 5.1% this year and 4.8% in 2016.
- According to the average forecast, the growth of total wage bill should reach approximately 4% in both 2015 and 2016. The growth rate could thus be more than twice as high as in 2014.
- On average, the respondents expect that the current account of the balance of payments will post a surplus of around 1% of GDP 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
<i>Assumptions</i>									
GDP of EA12	<i>real growth in %</i>	1.4	1.5	1.8	1.4	1.2	1.7	2.0	1.6
Crude oil Brent	<i>USD/barrel</i>	45	53	57	54	45	54	60	59
3M PRIBOR	<i>average in %</i>	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.3
YTM of 10Y gov. bonds	<i>average in %</i>	0.4	0.7	0.8	0.7	0.6	1.0	2.1	1.2
CZK/EUR exchange rate		27.0	27.2	27.4	27.3	26.3	26.9	27.2	27.1
USD/EUR exchange rate		1.08	1.11	1.12	1.11	0.90	1.05	1.13	1.10
<i>Main indicators</i>									
Gross domestic product	<i>real growth in %</i>	3.9	4.4	4.7	4.5	1.9	2.5	3.0	2.7
Contr. of change in inventories	<i>percentage points</i>	0.4	0.8	1.7	0.7	-1.0	-0.1	0.5	0.0
Contr. of foreign balance	<i>percentage points</i>	-0.5	-0.2	0.0	-0.2	-0.6	0.1	0.5	0.3
Consumption of households	<i>real growth in %</i>	2.8	3.1	3.3	2.9	2.0	2.8	4.0	2.5
Consumption of government	<i>real growth in %</i>	2.1	2.8	4.5	2.2	1.0	2.1	4.2	2.0
Gross fixed capital formation	<i>real growth in %</i>	5.8	7.4	11.7	8.2	-0.3	2.8	4.7	2.9
GDP deflator	<i>growth in %</i>	0.5	0.9	1.6	0.7	0.9	1.5	2.4	0.9
Inflation rate (aop)	<i>in %</i>	0.1	0.4	0.6	0.4	1.0	1.4	1.7	1.1
Employment (LFS)	<i>growth in %</i>	1.0	1.4	2.3	1.3	0.2	0.7	1.0	0.3
Unemployment rate (LFS)	<i>in %</i>	4.9	5.1	5.3	5.2	4.4	4.8	5.3	4.9
Wage bill (domestic concept)	<i>nom. growth in %</i>	3.0	4.0	4.5	4.2	3.5	4.3	6.4	4.3
BoP – current account balance	<i>in % of GDP</i>	0.7	1.3	1.9	0.7	-0.1	0.9	1.8	0.2

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
<i>Assumptions</i>									
GDP of EA12	<i>real growth in %</i>	1.5	1.8	2.3	2.0	1.3	1.7	2.1	2.1
Crude oil Brent	<i>USD/barrel</i>	50	60	70	68	58	66	80	72
3M PRIBOR	<i>average in %</i>	0.3	0.6	1.2	0.6	0.5	1.1	2.5	0.9
YTM of 10Y gov. bonds	<i>average in %</i>	0.8	1.6	2.8	1.5	0.8	2.0	3.5	1.8
CZK/EUR exchange rate		25.4	26.4	27.1	26.8	24.6	25.6	26.5	26.2
USD/EUR exchange rate		0.90	1.08	1.21	1.10	0.96	1.13	1.33	1.10
<i>Main indicators</i>									
Gross domestic product	<i>real growth in %</i>	1.3	2.6	3.0	2.4	2.2	2.6	3.1	2.4
Contr. of change in inventories	<i>percentage points</i>	-0.4	0.0	0.6	-0.1	-0.1	0.1	0.5	0.0
Contr. of foreign balance	<i>percentage points</i>	-0.3	0.0	0.2	0.2	-0.1	0.2	0.8	0.2
Consumption of households	<i>real growth in %</i>	1.8	2.7	4.0	2.3	1.2	2.5	3.7	2.3
Consumption of government	<i>real growth in %</i>	1.0	1.8	3.2	1.5	0.5	1.2	1.7	1.3
Gross fixed capital formation	<i>real growth in %</i>	-0.8	3.0	4.8	3.4	1.3	3.5	4.9	3.2
GDP deflator	<i>growth in %</i>	0.9	1.6	2.2	1.4	1.4	1.9	2.3	1.6
Inflation rate (aop)	<i>in %</i>	1.2	2.0	2.2	1.9	1.4	1.9	2.2	1.9
Employment	<i>growth in %</i>	-0.8	0.3	1.0	0.1	-0.3	0.3	1.0	0.1
Unemployment rate (LFS)	<i>in %</i>	4.0	4.7	5.4	4.8	4.0	4.7	5.5	4.7
Wage bill (domestic concept)	<i>nom. growth in %</i>	3.2	4.1	5.7	4.3	2.5	3.7	4.3	4.3
BoP – current account balance	<i>in % of GDP</i>	-1.5	0.4	1.9	-0.2	-2.2	0.0	2.1	-0.3

Source: Survey respondents, MoF calculations

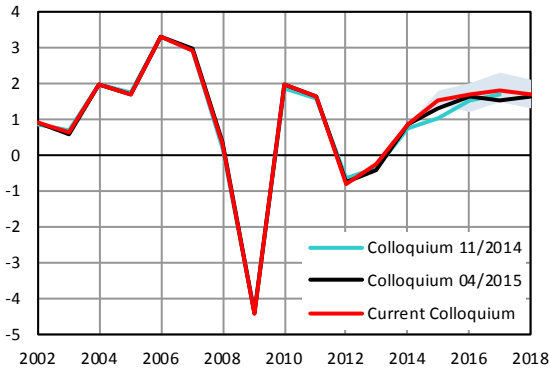
Overview of indicators

Graphs 1–18 show past and expected development of individual indicators. For comparison, consensus forecasts of two previous 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 EA12

real growth in %

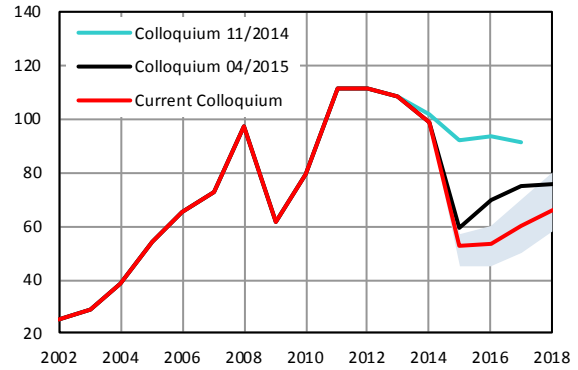
Continuation of moderate GDP growth in the EA12



Graph 2: Crude oil Brent

USD/barrel

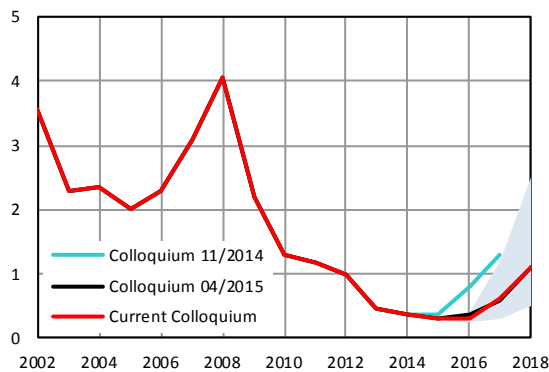
Another major downward revision to the forecasts



Graph 3: 3M PRIBOR

average in %

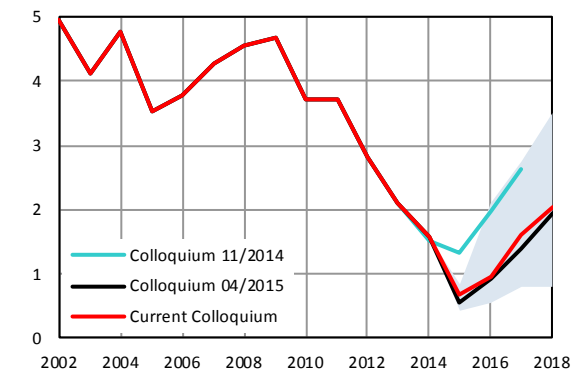
More substantial growth of short-term rates only in 2018



Graph 4: YTM of 10Y government bonds

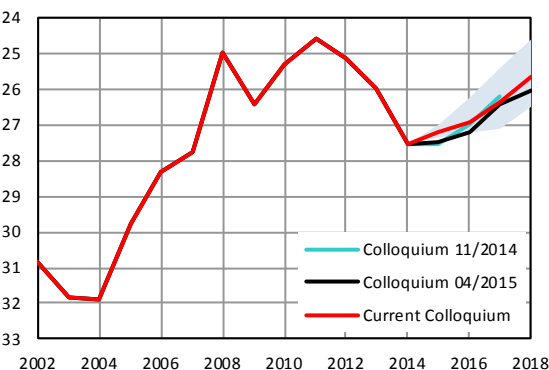
average in %

Very low yield on Czech gov. bonds in the whole forecast horizon



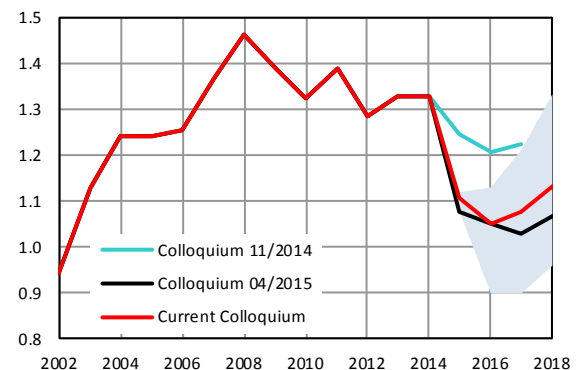
Graph 5: CZK/EUR exchange rate

Appreciation below 27 CZK/EUR already in 2016



Graph 6: USD/EUR exchange rate

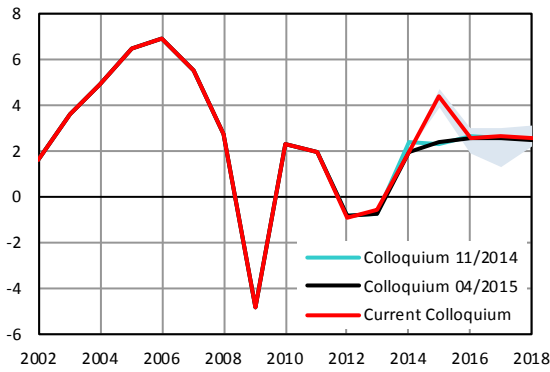
USD/EUR exchange rate around 1.1, with high uncertainty in the future



Graph 7: Gross domestic product

real growth in %

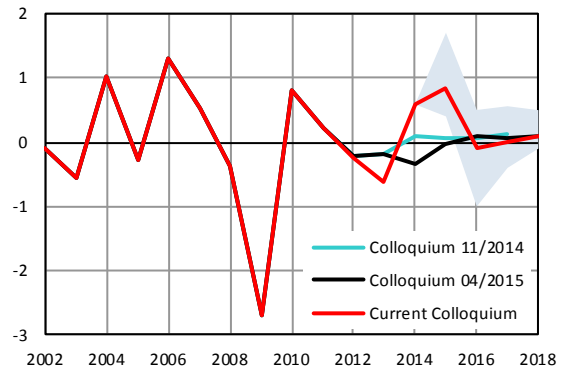
GDP growth exceptionally strong in 2015 and around 2.5% thereafter



Graph 8: Contribution of change in inventories

percentage points

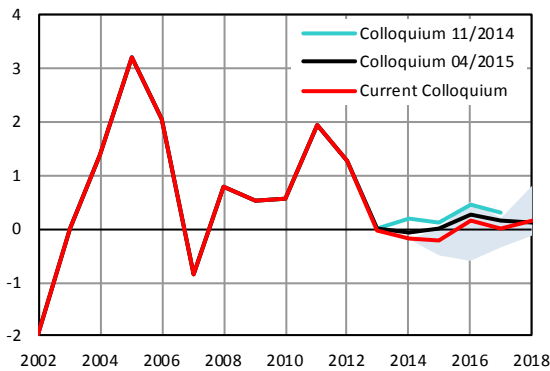
Sizeable impact of change in inventories on GDP growth only in 2015



Graph 9: Contribution of foreign balance

percentage points

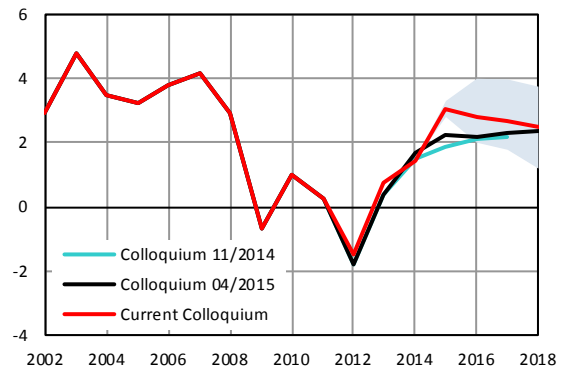
Contribution of net exports to GDP growth negligible



Graph 10: Consumption of households

real growth in %

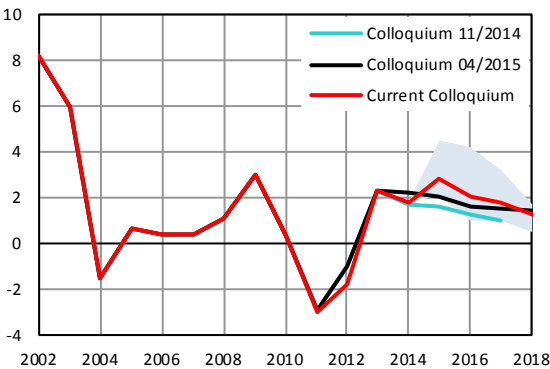
Upward revision to the forecasts for growth of household consumption



Graph 11: Consumption of government

real growth in %

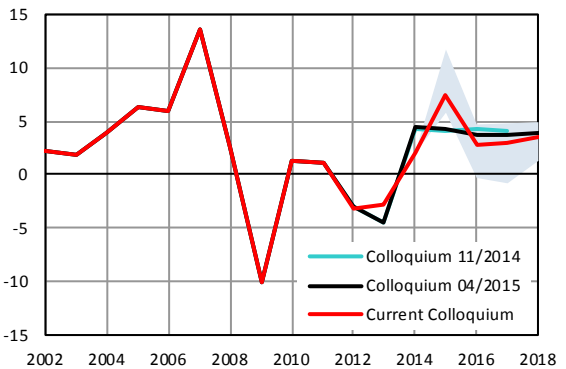
Only a modest growth of public consumption



Graph 12: Gross fixed capital formation

real growth in %

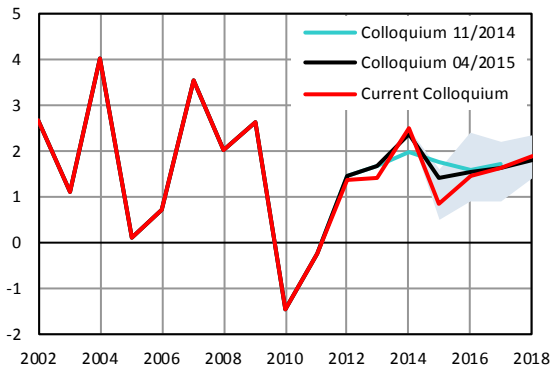
Drawdown of EU funds affecting growth of investment in 2015 and 2016



Graph 13: GDP deflator

growth in %

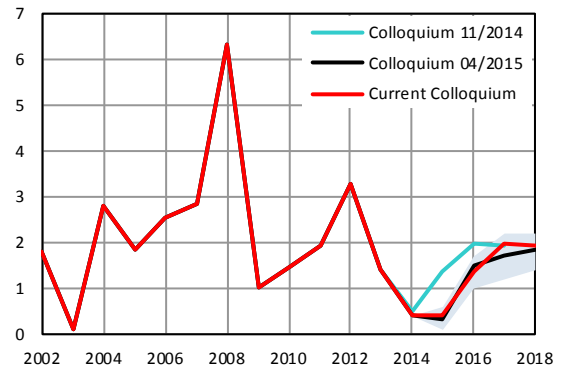
GDP deflator growth below 2%



Graph 14: Inflation rate (aop)

in %

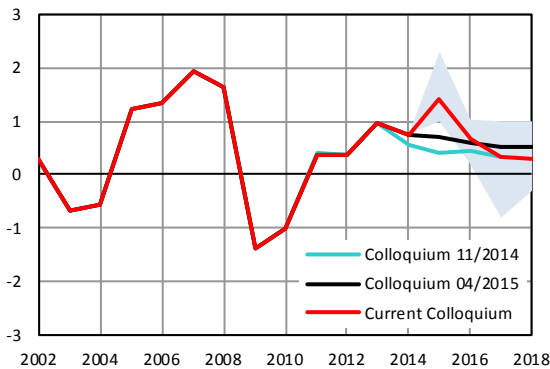
Inflation very low, especially in 2015



Graph 15: Employment (LFS)

growth v %

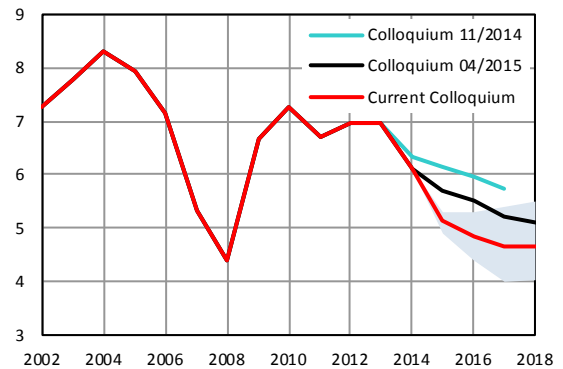
Employment increasing in the whole forecast horizon



Graph 16: Unemployment rate (LFS)

in %

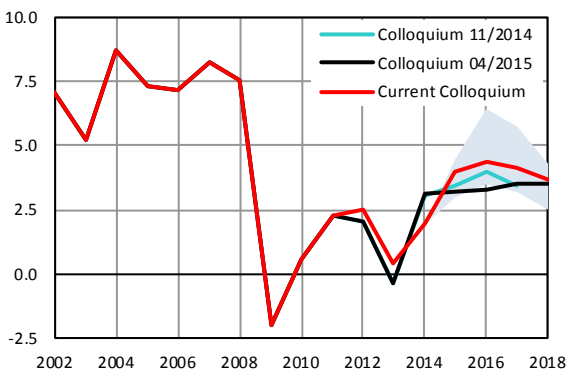
Another downward revision to the forecasts



Graph 17: Total wage bill (domestic concept)

nominal growth in %

Growth rate of total wage bill around 4%



Graph 18: Balance of payments – current account

in % of GDP

Gradually declining surplus on the current account of the BoP

