Ministry of Finance
Economic Policy Department

Survey of
macroeconomic forecasts

December 2020

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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 prospects for the Czech economy and to assess major trends the forecasts of participating institutions envisage. The results of the 50th Colloquium, which took place in December 2020, are based on forecasts of 14 institutions (Ministry of Finance; Ministry of Industry and Trade; Ministry of Labour and Social Affairs; Czech National Bank; Akcenta CZ; Citibank; CYRRUS; Československá obchodní banka; Deloitte; Generali Investments CEE; Institute of Economic Studies, Faculty of Social Sciences, Charles University; Komerční banka; Raiffeisenbank; Confederation of Industry of the Czech Republic). To make the survey more representative, forecasts of the European Commission (Autumn 2020 European Economic Forecast), the International Monetary Fund (October 2020 World Economic Outlook) and the Organization for Economic Co-operation and Development (December 2020 Economic Outlook) have been included.

When comparing the latest forecast of the MoF (September 2020) with the average of forecasts, one has to bear in mind that individual forecasts are based on different information. In its September forecast, the MoF could have taken into account neither the sharp deterioration in epidemiological situation, nor the introduction of restrictive measures to contain the spread of contagion. In contrast to other institutions, that made their forecasts mostly in November, or even in December, the MoF also had much less information about economic developments in the second half of the year. Uncertainty about future path of the epidemic apparently contributes to differences among individual forecasts, though the risk of hard Brexit or different assumptions about future parameters of the tax system can also play a role here. Nevertheless, on the qualitative level the participating institutions on average expect the same trends in 2020–21 as the MoF. Comparison for the years 2022 and 2023 further complicates the fact that this period is not covered by forecasts of all institutions (the whole period 2020–2023 cover, at least for some indicators, forecasts of 9 institutions). Tables 1 and 2 summarize key indicators and the latest Macroeconomic Forecast of the MoF.

Main macroeconomic trends in 2020 and 2021 can be summed up as follows:

■ The economy is severely hit by the coronavirus pandemic and measures taken to contain the spread of contagion. On average, respondents of the survey expect GDP to slump by 7.1% in 2020; this should be followed by economic growth of 3.3% in 2021. With the exception of general government consumption, all components of domestic demand should decrease this year and the foreign trade balance should also weigh on GDP dynamics. Both domestic and foreign demand should contribute to the recovery next year.

■ According to the average of participating institutions' forecasts, the inflation rate should reach 3.2% this year, before slowing down to 2.2% in 2021. Weak domestic demand against the backdrop of a negative output gap should have a strong anti-inflationary effect. In the next year, a gradual appreciation of the koruna should impact consumer prices in the same direction, while the increase in the price of oil should be pro-inflationary.

■ The coronavirus pandemic will impact on the labour market, too. However, employment protection measures of the government, as well as the record-high number of job vacancies or high number of employed foreigners (who might be laid off first), should prevent the deep economic slump from having a more significant effect. On average, institutions expect the unemployment rate to increase from 2.0% in 2019 to 2.7% in 2020 and further to 3.6% in 2021. Employment could fall by 1.2% this year and by 1.1% in 2021, according to the average of forecasts.

■ Institutions on average expect wages and salaries to decrease by 0.5% this year. In 2021, earnings could go up by 1.0% nominally. Given the expected rate of inflation, however, wages and salaries should fall again in real terms.

■ On average, respondents expect a surplus on the current account of the balance of payments of 1.0% of GDP in 2020 and 0.7% of GDP in 2021.

Table 1: Results of the survey for the years 2020 and 2021

		2020						2021					
		min.	P25	average	P75	max.	MoF CR	min.	P25	average	P75	max.	MoF CR
Assumptions													
GDP of EA19	*real growth in %*	-9.0	-7.8	**-7.6**	-7.2	-6.8	**-9.0**	2.4	3.8	**4.3**	5.2	5.5	**5.4**
Crude oil Brent	*USD/barrel*	38	41	**42**	43	46	**42**	40	44	**48**	51	61	**48**
3M PRIBOR	*average in %*	0.3	0.8	**0.7**	0.9	0.9	**0.9**	0.3	0.4	**0.5**	0.5	0.9	**0.4**
YTM of 10Y gov. bonds	*average in %*	1.0	1.1	**1.2**	1.2	1.6	**1.1**	0.9	1.1	**1.3**	1.5	1.8	**0.9**
CZK/EUR exchange rate		26.3	26.5	**26.6**	26.6	27.0	**26.3**	25.6	25.8	**26.2**	26.5	27.2	**25.8**
USD/EUR exchange rate		1.13	1.14	**1.14**	1.14	1.20	**1.14**	1.06	1.18	**1.20**	1.23	1.27	**1.18**
Main indicators													
Gross domestic product	*real growth in %*	-8.5	-7.3	**-7.1**	-6.7	-6.5	**-6.6**	1.5	2.7	**3.3**	3.9	5.1	**3.9**
Contr. of change in inventories	*perc. points*	-1.6	-1.5	**-1.1**	-0.9	0.0	**-1.3**	-1.0	-0.5	**0.1**	0.4	1.1	**0.6**
Contr. of foreign balance	*perc. points*	-4.9	-2.6	**-2.4**	-1.7	-1.4	**-1.7**	-0.5	0.6	**0.9**	1.5	1.8	**0.9**
Consumption of households	*real growth in %*	-5.1	-4.9	**-4.4**	-4.2	-2.7	**-5.0**	1.0	1.6	**2.2**	2.7	3.7	**2.2**
Consumption of government	*real growth in %*	1.0	2.0	**2.6**	3.1	4.2	**3.8**	-0.8	1.2	**1.8**	2.6	3.2	**2.9**
Gross fixed capital formation	*real growth in %*	-10.9	-8.3	**-7.1**	-5.9	-2.6	**-7.5**	-1.8	0.7	**2.2**	3.5	8.0	**3.0**
GDP deflator	*growth in %*	3.4	3.6	**4.1**	4.3	5.1	**3.6**	1.4	1.6	**2.0**	2.2	3.2	**1.4**
Inflation rate (aop)	*in %*	3.0	3.2	**3.2**	3.2	3.3	**3.2**	1.4	2.1	**2.2**	2.4	2.8	**1.9**
Employment (LFS)	*growth in %*	-1.6	-1.3	**-1.2**	-1.2	-0.8	**-1.2**	-2.6	-1.4	**-1.1**	-0.7	-0.3	**-0.7**
Unemployment rate (LFS)	*in %*	2.4	2.6	**2.7**	2.7	3.3	**2.6**	3.2	3.3	**3.6**	4.0	4.5	**3.4**
Wage bill (domestic concept)	*nom. growth in %*	-4.0	-1.9	**-0.5**	1.0	3.2	**-1.9**	-2.0	0.8	**1.0**	2.1	2.7	**0.8**
BoP – current account balance	*in % of GDP*	-0.7	0.3	**1.0**	2.0	2.2	**0.3**	-0.5	0.2	**0.7**	0.8	2.5	**0.4**

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 2022 and 2023

		2022				2023			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
Assumptions									
GDP of EA19	*real growth in %*	1.9	**3.2**	4.3	**2.8**	1.3	**2.0**	2.8	**1.8**
Crude oil Brent	*USD/barrel*	40	**51**	65	**50**	42	**57**	70	**51**
3M PRIBOR	*average in %*	0.3	**0.9**	1.5	**1.0**	0.9	**1.5**	2.0	**1.6**
YTM of 10Y gov. bonds	*average in %*	0.9	**1.5**	2.2	**1.4**	1.5	**1.9**	2.5	**2.0**
CZK/EUR exchange rate		24.9	**25.7**	27.2	**25.3**	24.4	**24.8**	25.2	**24.7**
USD/EUR exchange rate		1.06	**1.21**	1.32	**1.18**	1.05	**1.22**	1.34	**1.18**
Main indicators									
Gross domestic product	*real growth in %*	1.2	**3.7**	5.6	**2.2**	2.1	**2.9**	4.7	**2.1**
Contr. of change in inventories	*perc. points*	-0.4	**0.0**	0.5	**0.0**	-0.1	**0.0**	0.2	**0.0**
Contr. of foreign balance	*perc. points*	-2.3	**0.2**	2.0	**0.0**	-0.4	**0.1**	1.0	**-0.4**
Consumption of households	*real growth in %*	1.9	**3.1**	4.4	**1.9**	1.6	**2.5**	3.1	**2.4**
Consumption of government	*real growth in %*	-1.3	**1.3**	2.6	**2.0**	0.3	**1.3**	2.0	**2.0**
Gross fixed capital formation	*real growth in %*	1.3	**4.6**	9.1	**3.3**	0.0	**3.2**	5.6	**3.6**
GDP deflator	*growth in %*	1.1	**1.7**	1.9	**1.9**	1.0	**1.8**	2.0	**2.0**
Inflation rate (aop)	*in %*	1.4	**2.0**	2.8	**2.0**	1.7	**2.1**	2.8	**2.0**
Employment (LFS)	*growth in %*	0.1	**0.4**	1.1	**0.1**	0.1	**0.5**	1.0	**0.1**
Unemployment rate (LFS)	*in %*	2.5	**3.4**	4.4	**3.3**	1.6	**2.9**	3.9	**3.2**
Wage bill (domestic concept)	*nom. growth in %*	2.2	**4.2**	7.6	**2.7**	3.1	**4.6**	6.8	**3.3**
BoP – current account balance	*in % of GDP*	0.2	**0.8**	2.7	**0.4**	0.0	**0.8**	1.9	**0.0**

*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 Colloquiums are also included. Extreme forecasts of indicators (min. and max. columns in the tables above) form the boundaries of the highlighted area.

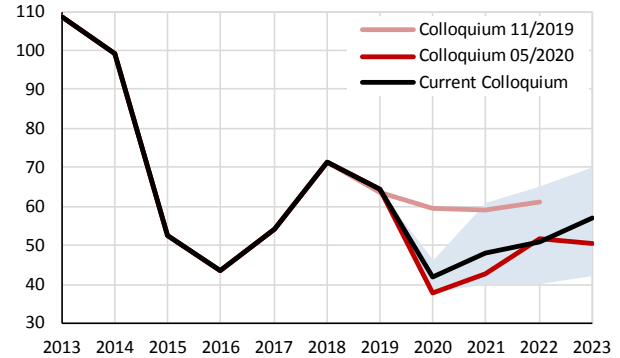## Graph 1: Gross domestic product of the EA19
real growth in %

Record-deep slump in economic activity in the euro area
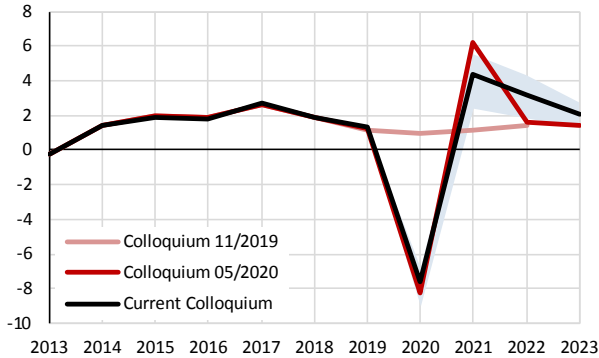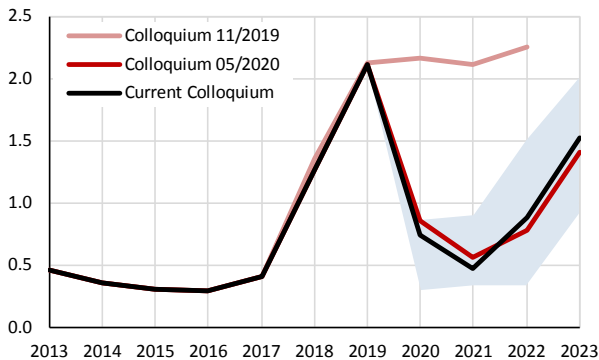

Graph 2: Crude oil Brent
in USD/barrel

Gradual growth in the price of oil towards USD 60/barrel

Graph 3: 3M PRIBOR
in %, average of period

Growth of short-term rates only in 2022

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

Further shift of forecasts towards lower long-term interest rates
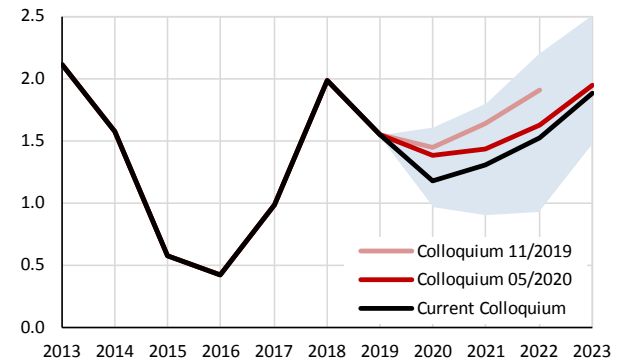
Graph 5: CZK/EUR exchange rate

Renewal of appreciation trend of the koruna after weakening in 2020
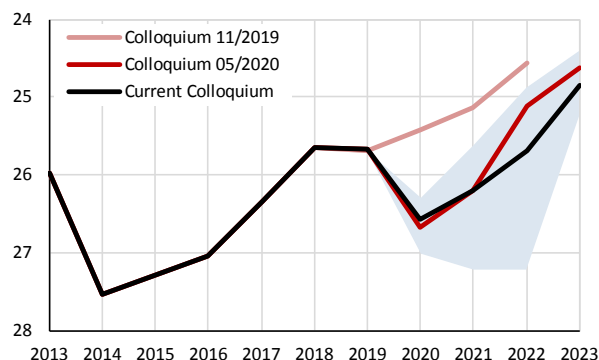
Graph 6: USD/EUR exchange rate

Future path of the USD/EUR exchange rate exceptionally uncertain
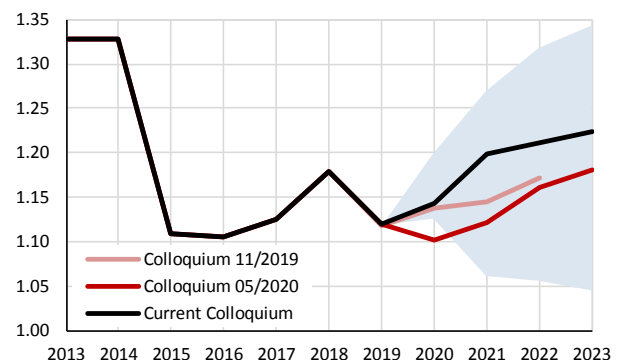
Graph 7: Gross domestic product
real growth in %

Economic downturn in 2020 followed by a gradual recovery

Colloquium 11/2019
Colloquium 05/2020
Current Colloquium
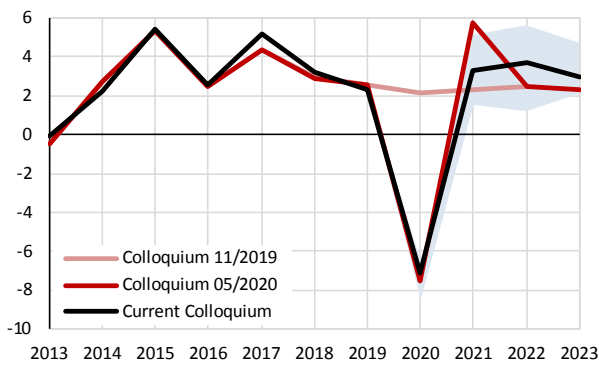
Graph 8: Contribution of change in inventories
in percentage points

Sharp fall in inventories in 2020, zero contribution in subsequent years

Colloquium 11/2019
Colloquium 05/2020
Current Colloquium
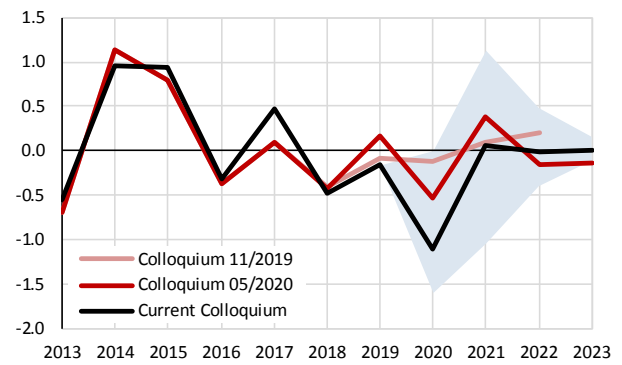
Graph 9: Contribution of net exports
in percentage points

Net exports mirroring developments of foreign demand and investment

Colloquium 11/2019
Colloquium 05/2020
Current Colloquium
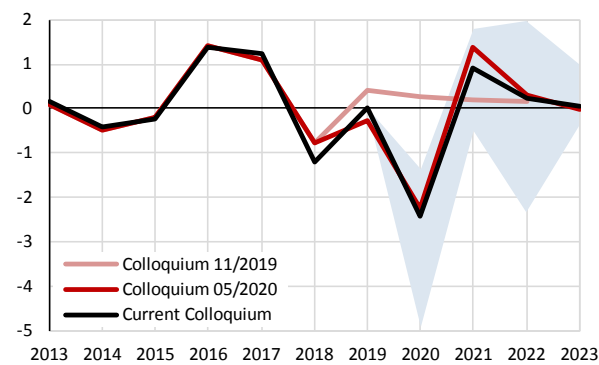
Graph 10: Consumption of households
real growth in %

The deepest contraction of private consumption in the history of the CR

Colloquium 11/2019
Colloquium 05/2020
Current Colloquium
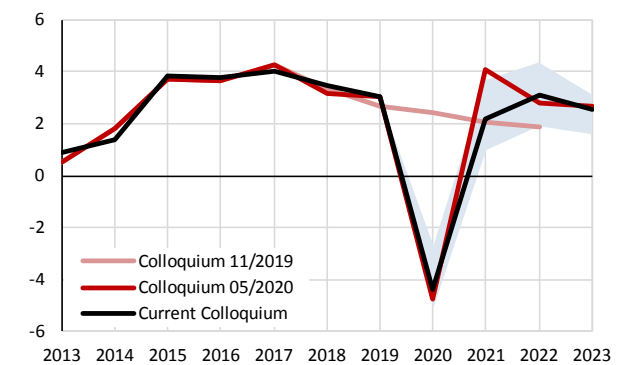
Graph 11: Consumption of government
real growth in %

Moderating growth of general government sector consumption

Colloquium 11/2019
Colloquium 05/2020
Current Colloquium
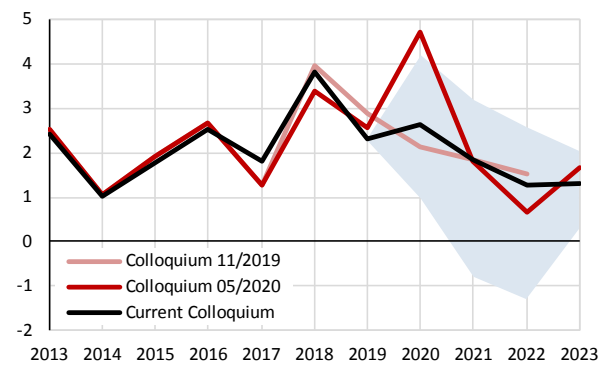
Graph 12: Gross fixed capital formation
real growth in %

Gradual recovery of investment activity in 2021–23

Colloquium 11/2019
Colloquium 05/2020
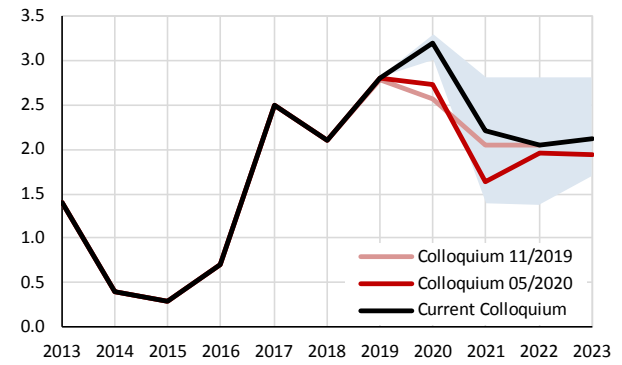Current Colloquium
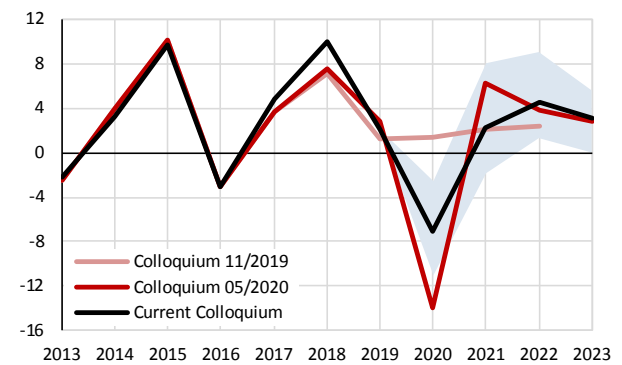
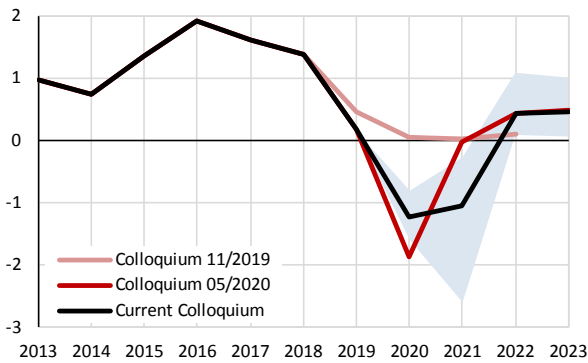**Graph 13: GDP deflator**
growth in %

Sharp slowdown in GDP deflator growth below 2%
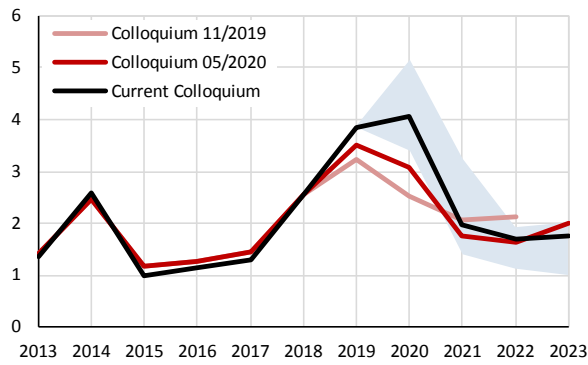
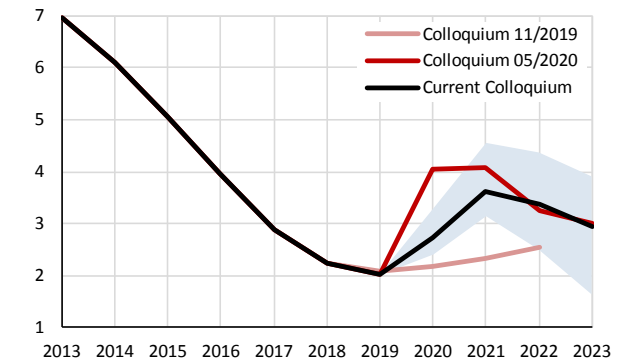**Graph 14: Average inflation rate**
in %

Medium-term inflation expectations anchored close to the CNB's target

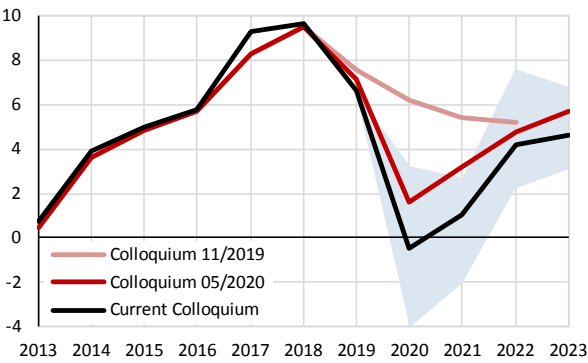**Graph 15: Employment (LFS)**
growth in %

Fall in employment in 2020–21, gradual recovery thereafter

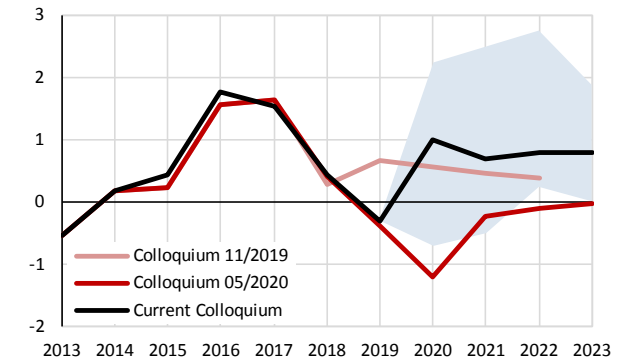**Graph 16: Unemployment rate (LFS)**
in %

Unemployment rate below 4%

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

Marginal decrease in wages and salaries in 2020

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

Current account of the BoP in surplus over the entire forecast horizon