Survey of macroeconomic forecasts

Macroeconomic frameworks of the State Budget and Budgetary Outlook and MoF forecasts are regularly compared with results of macroeconomic indicators survey among important relevant institutions (the so-called Colloquium), last round of which took place in May 2010. Outcomes of the 29th round of survey are based on forecasts of 15 domestic institutions (Cyrrus, CNB, Česká spořitelna, ČSOB, Czech Chamber of Commerce, Komerční banka, MoF, Ministry of Labour and Social Affairs, Patria, PPF, Raiffeisen, Union of Czech and Moravian Production Co-operatives, UniCredit, Wood & Company). To make the survey more representative, forecasts of two international institutions were added (European Commission, IMF).

The Colloquium's aim was to get an idea on opinions regarding assumed development of our economy and to assess jointly key tendencies within the horizon of years 2010 through 2013, with years 2012 and 2013 seen as indicative outlook. The key indicators and current MoF forecast are summed up in Tables 1 and 2.

In general it can be summed up that, with minor exceptions, MoF forecasts do not differ considerably from average of other institutions' forecasts.

Table 1: **Results of Survey for Years 2010 and 2011**

		2010				2011			
		min.	*consensus*	*max.*	*MoF CR*	*min.*	*consensus*	*max.*	*MoF CR*
Gross domestic product	*increase in %, const.pr.*	0,8	1,5	1,9	1,5	1,7	2,4	3,1	2,4
Consumption of households	*increase in %, const.pr.*	-1,5	-0,6	0,7	-1,1	0,3	1,4	2,8	2,0
Consumption of government	*increase in %, const.pr.*	-3,0	-0,2	5,2	-2,5	-1,8	0,5	5,1	-0,9
Fixed capital formation	*increase in %, const.pr.*	-6,5	-1,9	3,0	-3,7	-3,2	2,0	4,5	2,5
Inflation rate	*per cent*	1,4	1,6	2,0	1,5	1,8	2,1	2,9	2,3
GDP deflator	*increase in %, const.pr.*	-2,1	0,4	1,5	0,2	0,6	1,8	2,7	1,1
Employment	*increase in per cent*	-2,4	-1,5	-0,6	-0,6	-2,2	0,1	1,0	0,1
Unemployment rate	*average in per cent*	7,4	8,4	9,5	7,9	7,2	8,2	9,2	7,8
Wage Bill (domestic concept)	*increase in %, curr.pr.*	-2,0	0,1	3,0	-0,1	-0,5	2,7	5,3	4,3
Current account / GDP	*per cent*	-2,1	-0,8	0,4	0,4	-2,4	-1,1	1,0	-0,5
Crude oil Brent	*USD / barrel*	75	81	85	81	75	88	105	92

Table 2: **Results of Survey for Years 2012 and 2013**

		2012			2013		
		min.	*consensus*	*max.*	*min.*	*consensus*	*max.*
Gross domestic product	*increase in %, const.pr.*	1,9	3,2	4,2	2,1	3,3	4,4
Consumption of households	*increase in %, const.pr.*	1,2	2,3	4,0	1,3	2,7	4,0
Consumption of government	*increase in %, const.pr.*	-0,7	1,1	5,1	-1,0	1,9	5,1
Fixed capital formation	*increase in %, const.pr.*	-0,5	3,0	5,0	0,6	3,3	6,4
Inflation rate	*per cent*	1,9	2,3	2,8	1,9	2,4	2,9
GDP deflator	*increase in %, const.pr.*	1,5	2,2	2,9	1,5	2,6	3,6
Employment	*increase in per cent*	-1,9	0,4	1,8	-1,9	0,5	1,8
Unemployment rate	*average in per cent*	6,7	7,8	9,0	6,4	7,1	7,5
Wage Bill (domestic concept)	*increase in %, curr.pr.*	-0,4	3,0	6,8	-0,4	3,7	7,4
Current account / GDP	*per cent*	-1,7	-1,2	0,5	-2,0	-1,0	0,5
Crude oil Brent	*USD / barrel*	80	93	108	80	101	110

Sources of tables: Survey respondents, MoF calculations

Main tendencies of macroeconomic developments can be summed up as follows:

- On average, institutions expect that GDP growth will reach 1.5 % in 2010. For 2011 growth is expected to accelerate to 2.4 %. MoF forecast for both years corresponds fully to the consensus forecast. Outlook for years 2012 and 2013 then allows for roughly 3 % growth of the economy.

- Within entire forecast horizon, average rate of inflation should stick to low levels, close to CNB's inflation target. The MoF forecast is in accordance with forecasts' average.

- According to consensus forecast, decline in employment and rise in unemployment rate should continue in this year. In 2011 employment should increase marginally by 0.1 %, with unemployment rate falling moderately. Such tendencies (growth of employment, fall in unemployment rate) should prevail on the labour market also in 2012 and 2013 according to forecasts' average, which is in accordance with MoF estimate.

- Current forecasts allow for decline in wage bill (in current prices) to stop as soon as this year. In 2011 this indicator should rise by 2.7 %, which is by 1.6 p.p. less than forecast by the MoF. Outlook for 2012 and 2013 allows for further acceleration of growth dynamics, which nevertheless should not reach the pre-2009 level.

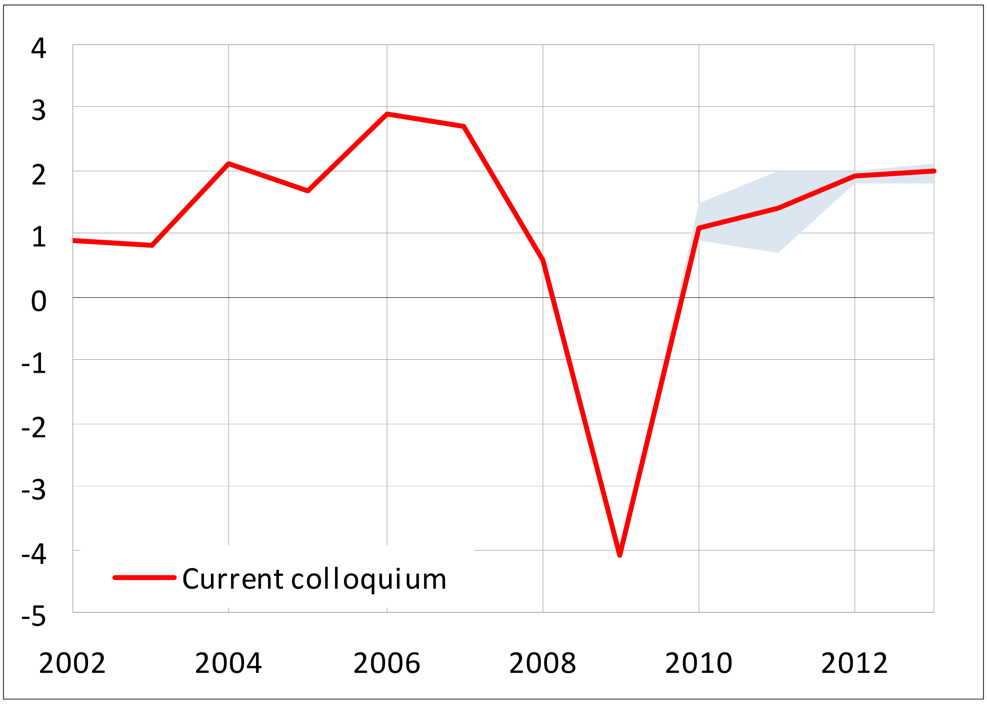
The next Colloquium will take place in November 2010.

List of indicators:

Graphic presentation of past and assumed developments of individual indicators is seen in graphs 1–19. For the sake of comparison, also consensus forecasts of two previous Colloquiums are included. Extreme forecasts of indicators (min. and max. columns in the tables) form thresholds of the highlighted area.

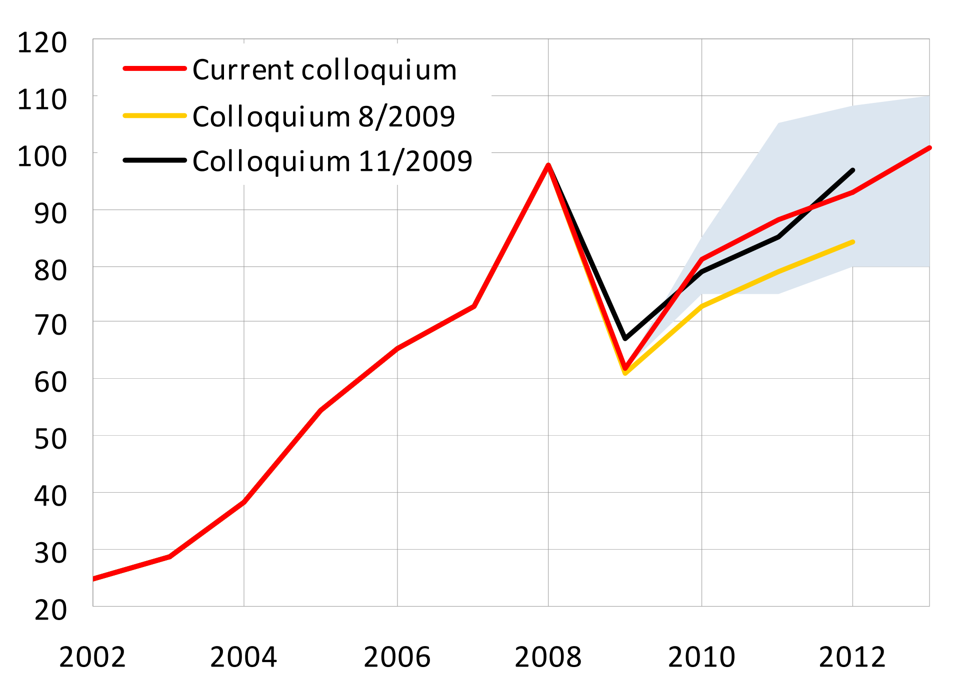
Graph 1: **Gross domestic product of EA12 countries**
Real growth in %

Steep decline replaced by fragile recovery, GDP growth should not exceed 2 % in 2013



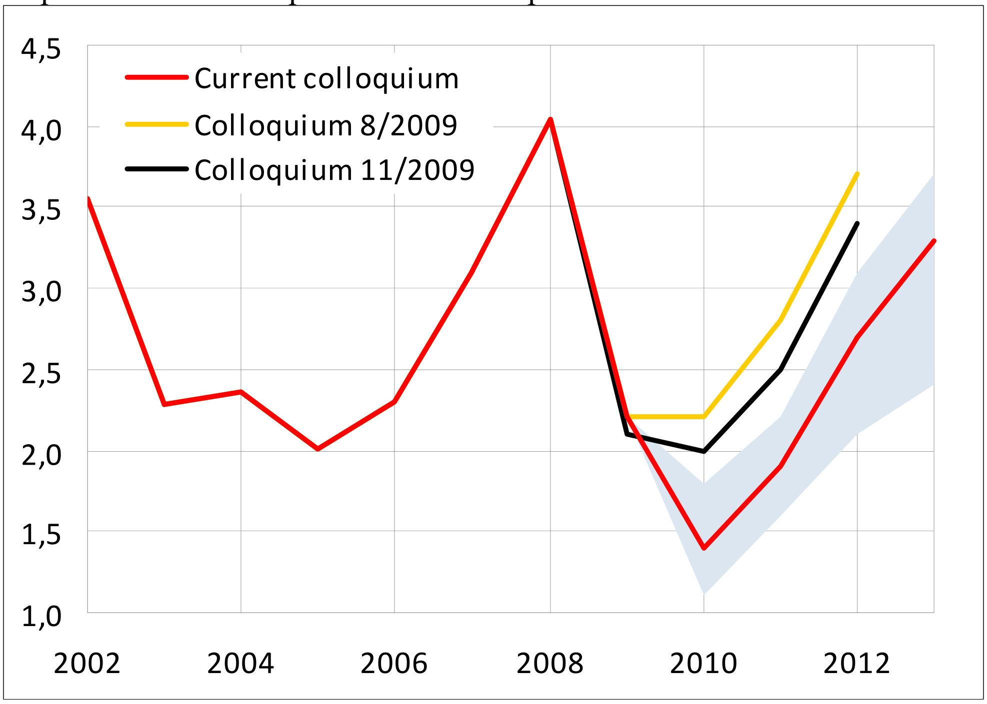
Graph 2: **Price of Brent oil**
USD/barrel

Slow growth of oil price to the level of USD 100 per barrel in 2013 is expected



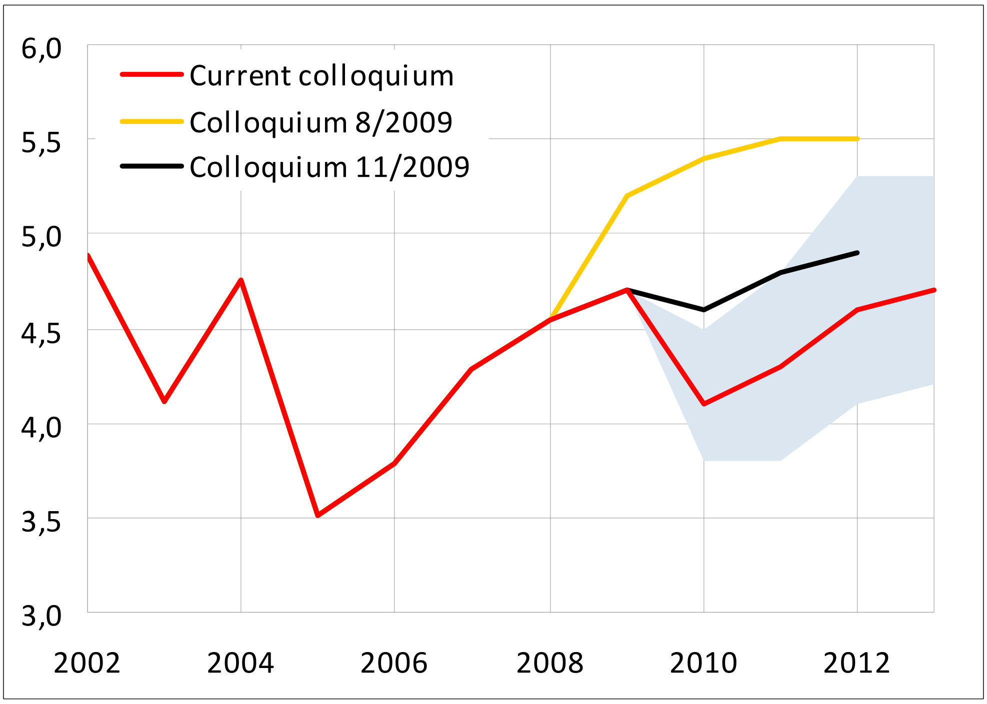
Graph 3: **Short-term interest rates**
% p. a.

The path of short-term interest rates reflects past and expected changes in CNB rates in response to the development of inflation pressures



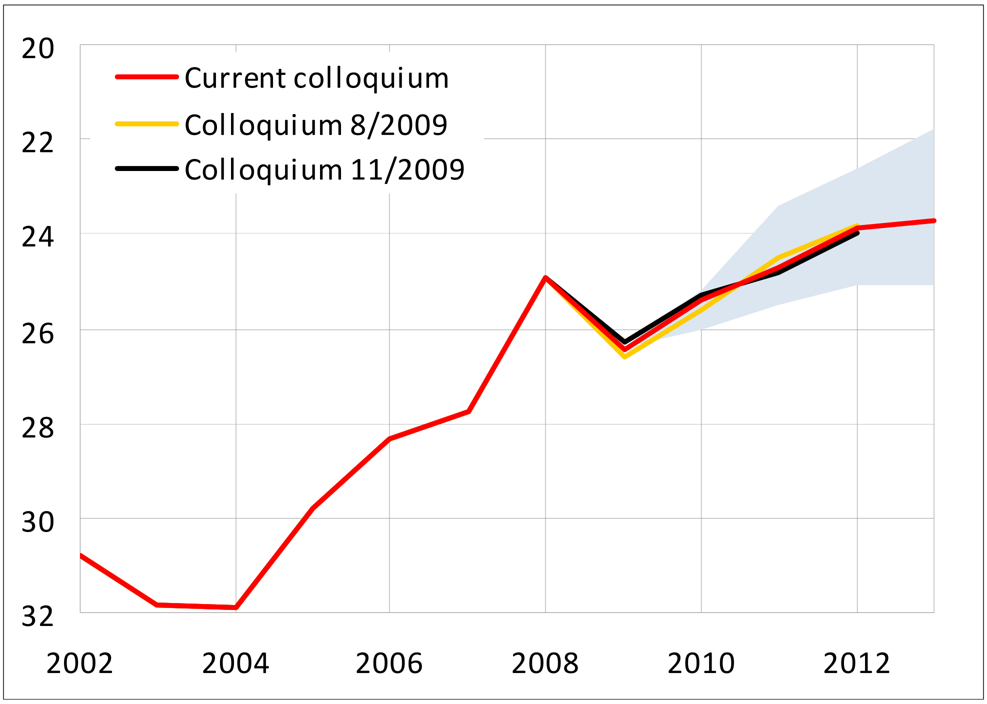
Graph 4: **Long-term interest rates**
% p. a.

Compared to the past colloquium, further considerable cuts in outlook, nevertheless tendency to growth due to higher supply of government bonds and expected growth of short-term rates remains



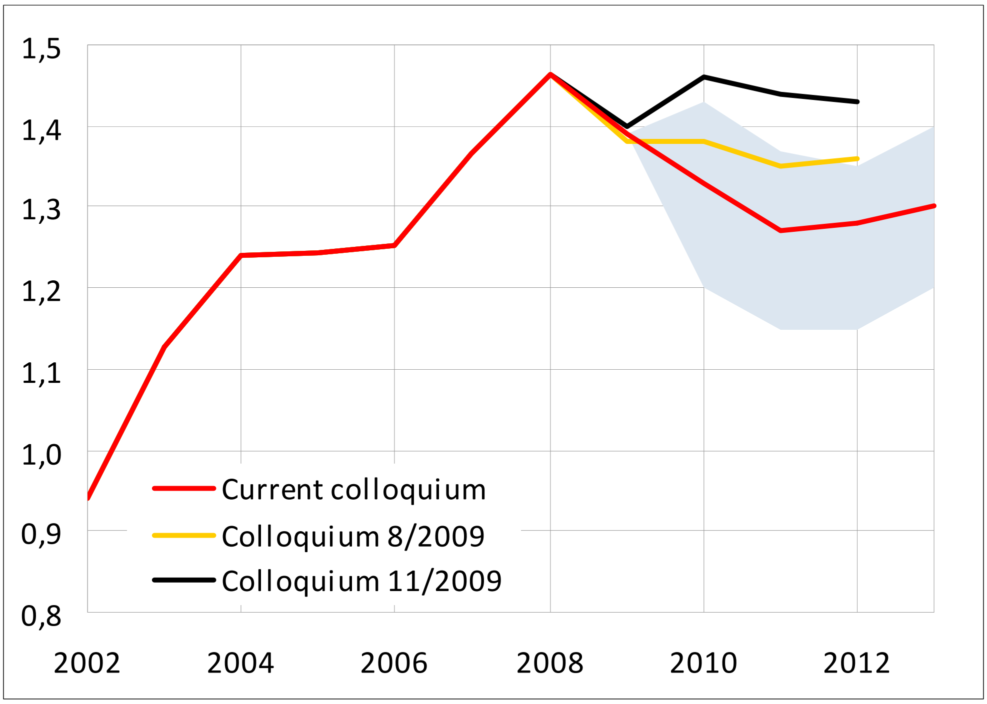
Graph 5: **CZK/EUR exchange rate**

After considerable strengthening and follow-up correction, return to appreciation trend is expected



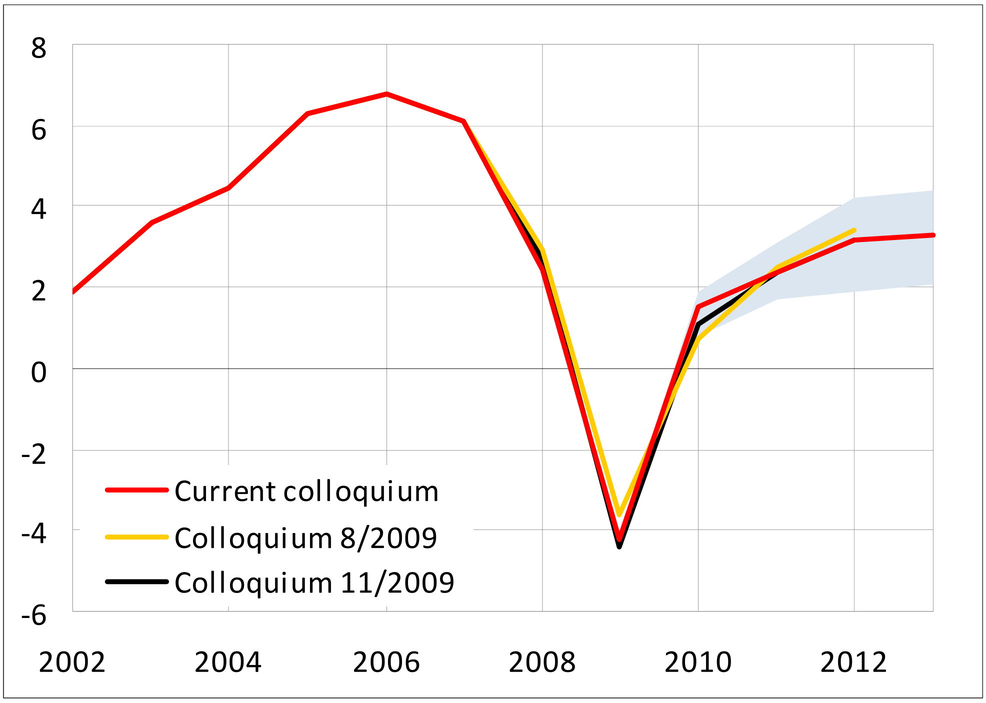
Graph 6: **USD/EUR exchange rate**

State of public finance of some Euro Area countries impacts on the euro's exchange rate



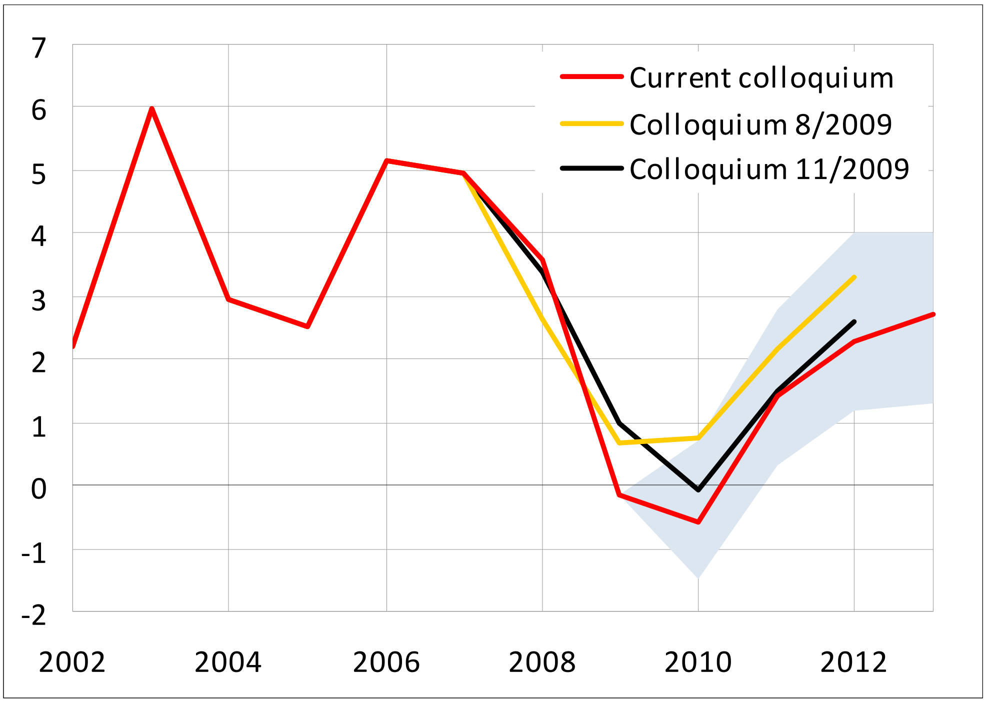
Graph 7: **Gross domestic product**
Real growth in %

After an unprecedented decline in GDP, slight recovery should be recorded this year with acceleration of growth above 3 % in 2012; estimates remain stable



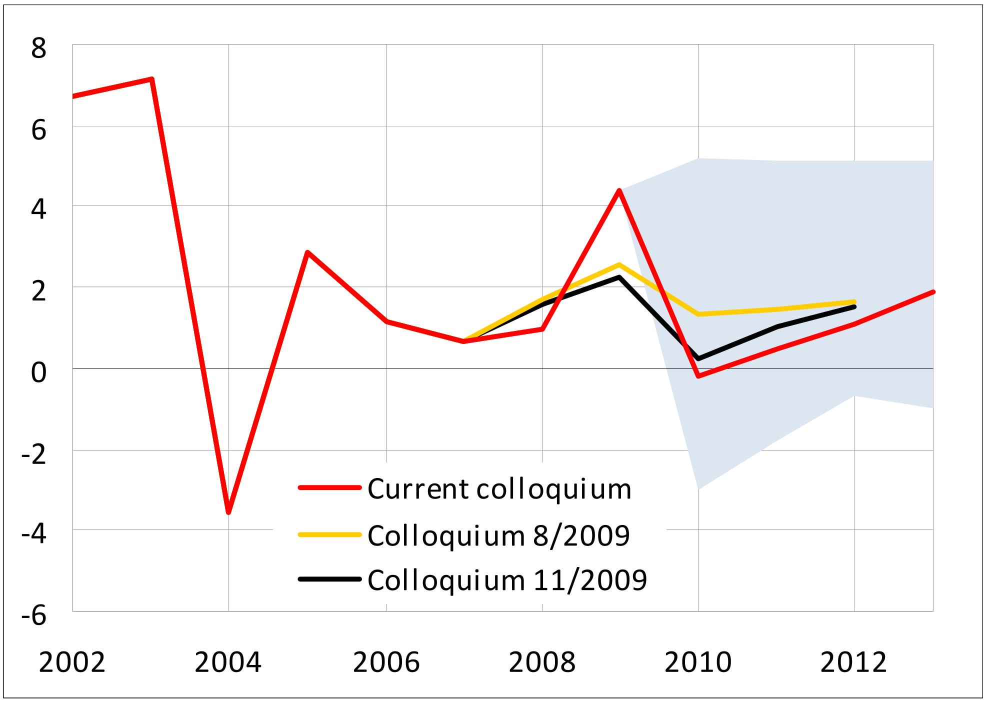
Graph 8: **Consumption of households**
Real growth in %

Due to fiscal consolidation and labour market situation, deepening of decline in 2010, then recovery of growth dynamics



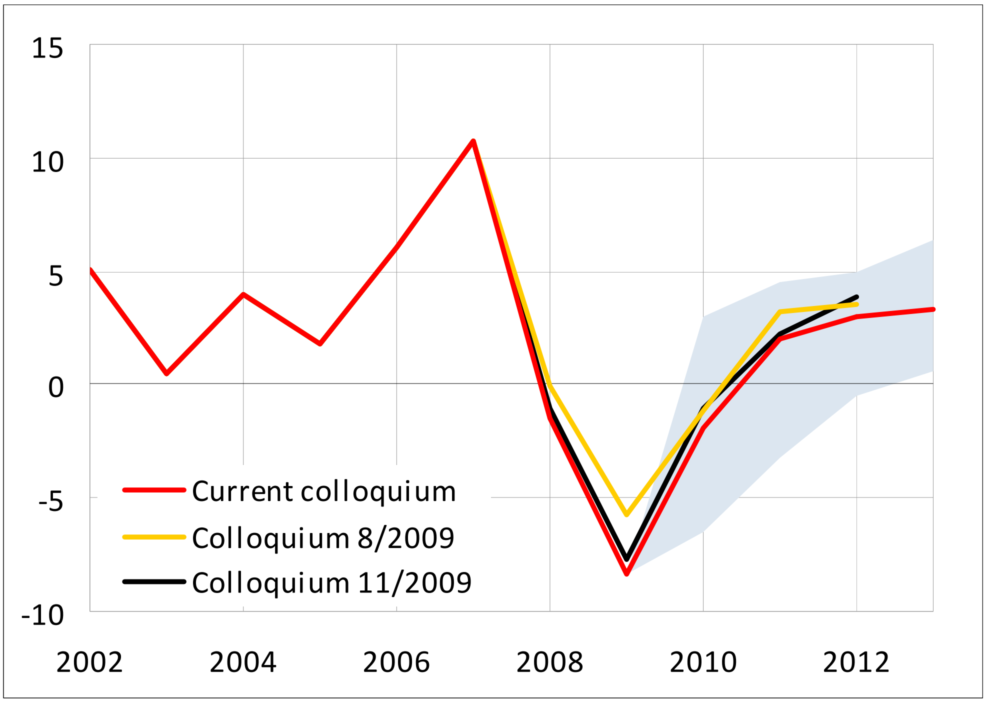
Graph 9: **Consumption of government**
Real growth in %

After stagnation in 2010, only moderate growth of government consumption, nevertheless large variance of estimates



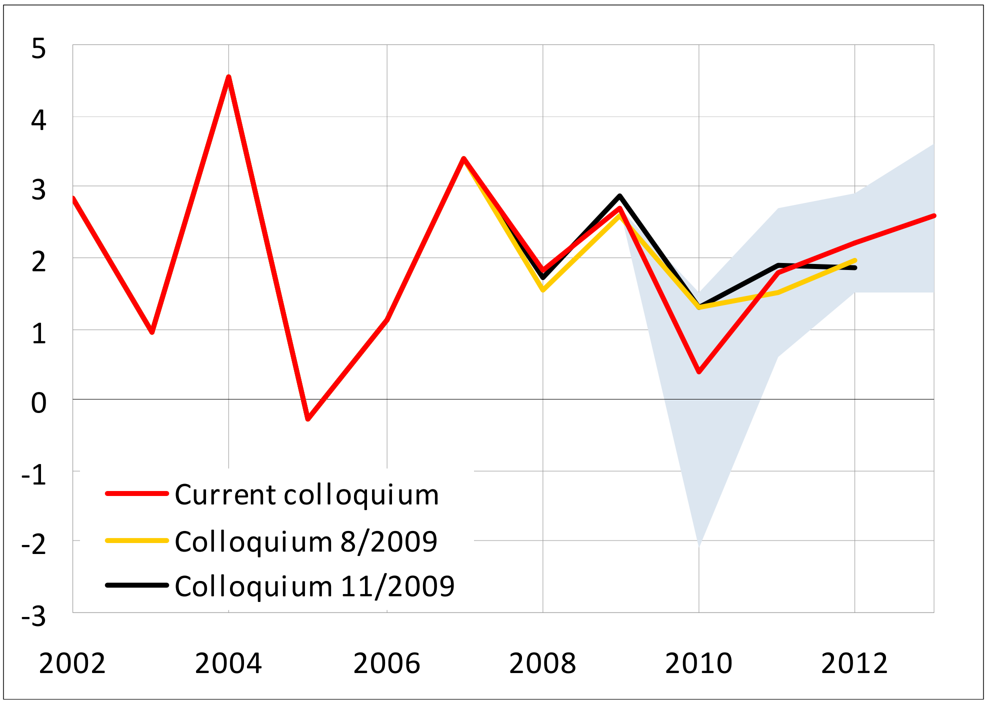
Graph 10: **Gross fixed capital formation**
Real growth in %

Ongoing decline in investment activity, return to growth is expected on average in the next year



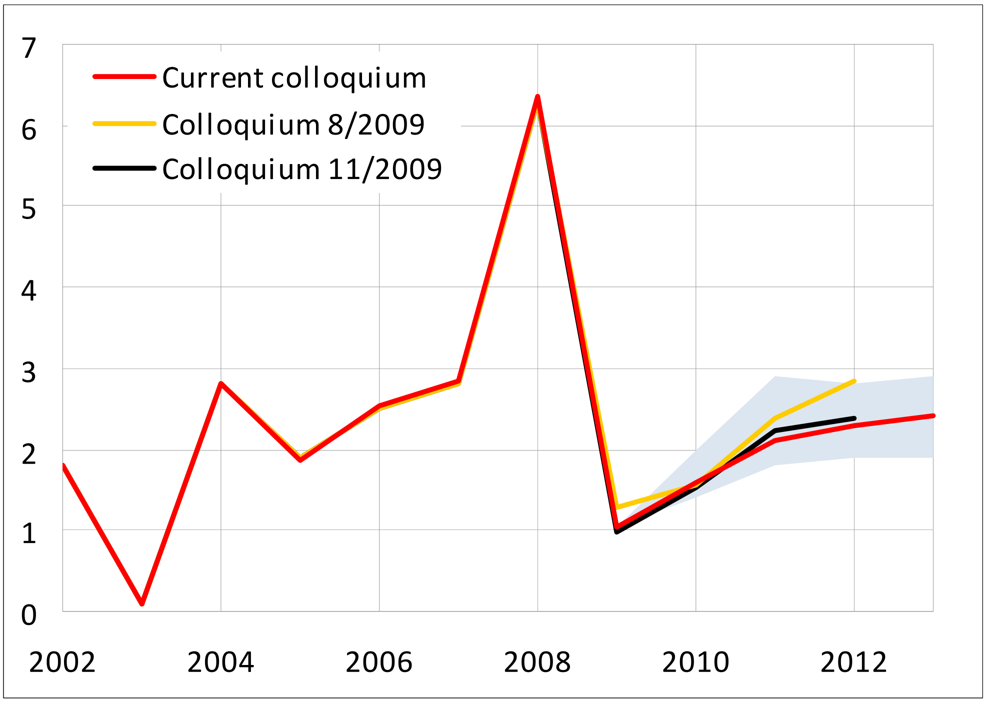
Graph 11: **GDP deflator**
Growth in %

Growth of GDP deflator slightly below 3 % in 2013



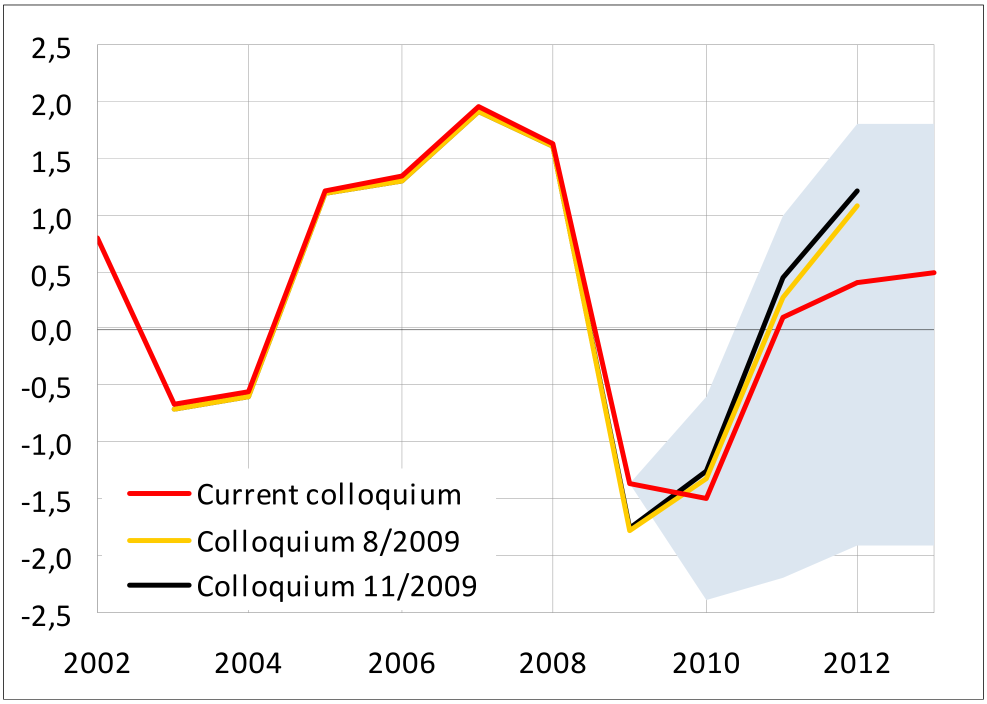
Graph 12: **Consumer prices**
Average rate of inflation in %

Within the forecast horizon, growth of consumer prices to hover within the tolerance band of CNB inflation target



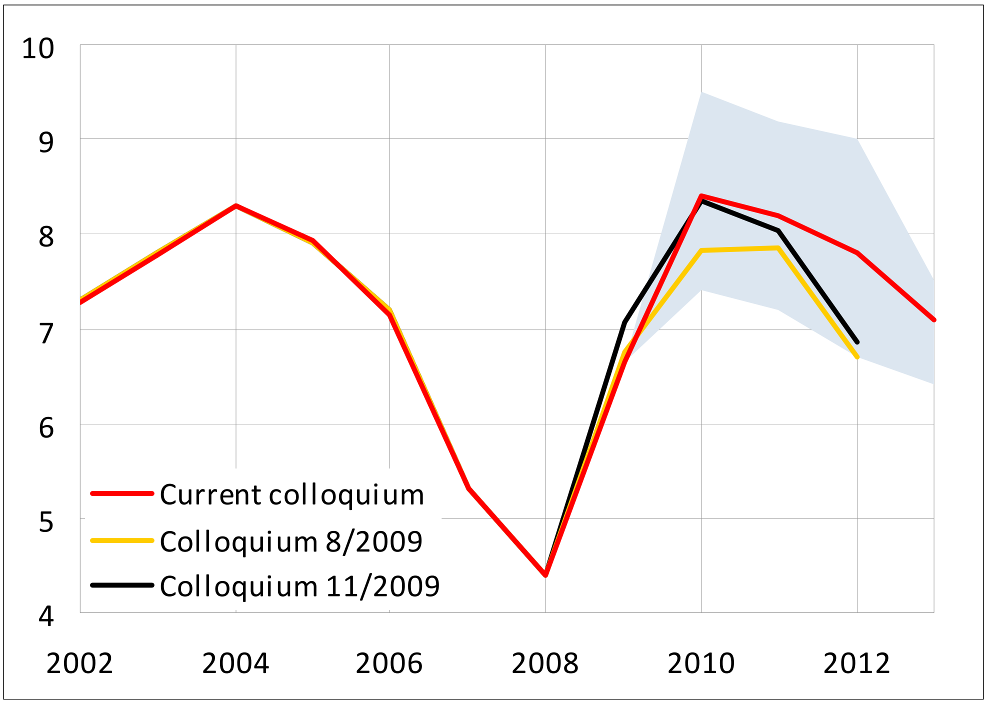
Graph 13: **Employment (LFS)**
Growth in %

Further fall in employment this year, slow growth in the following years



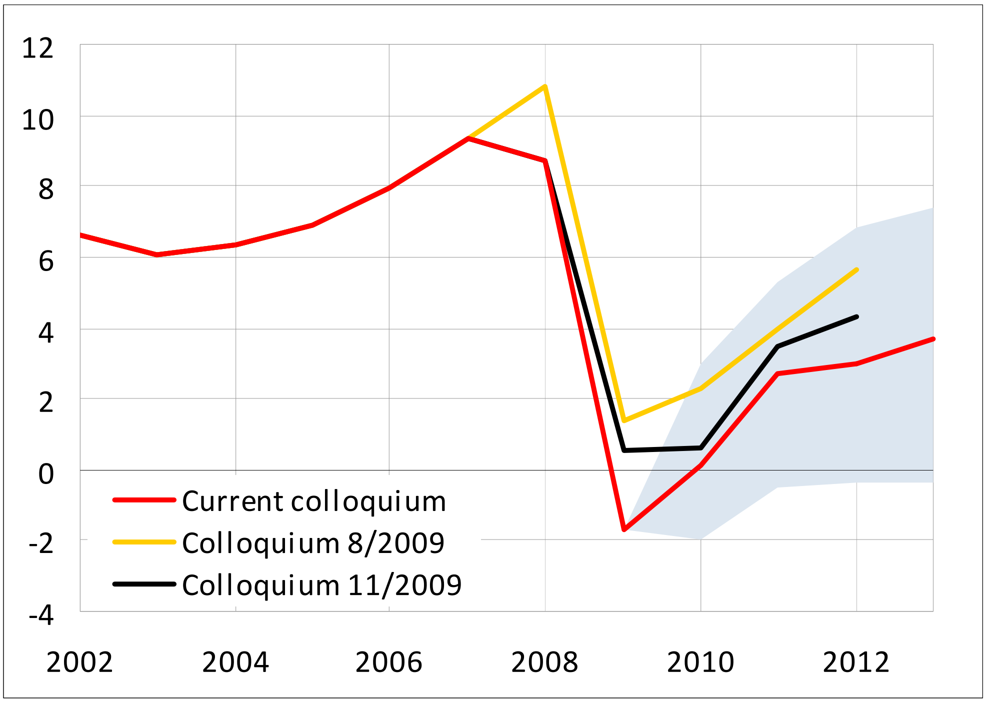
Graph 14: U**nemployment rate (LFS)**
In %

Unemployment rate should peak in 2010



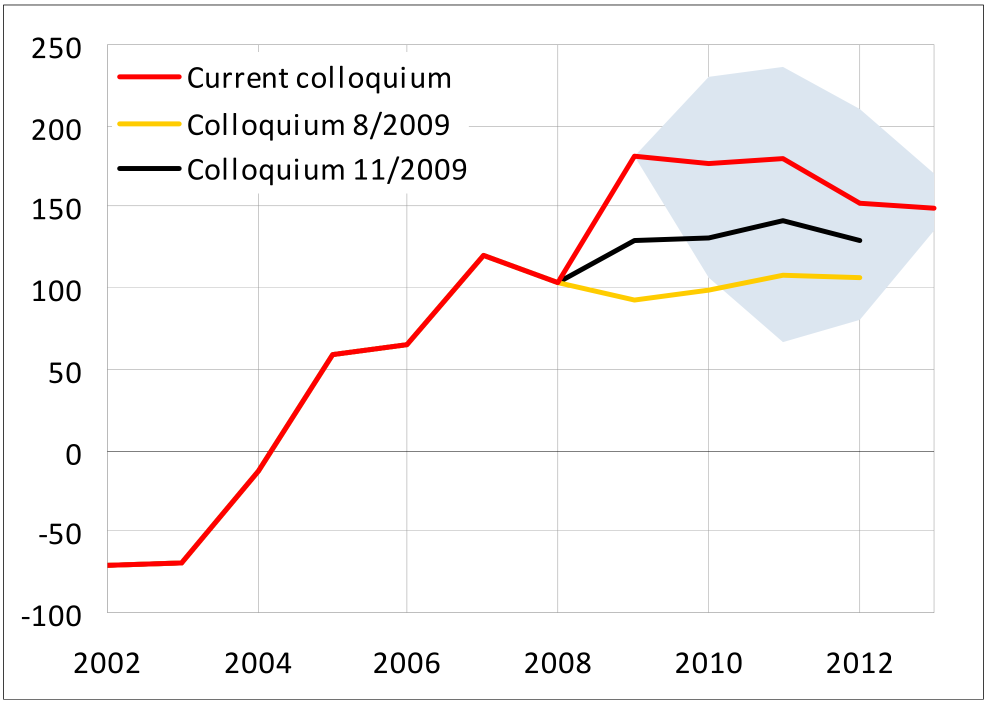
Graph 15: **Total wage bill (domestic concept)**
Nominal growth in %

Past year's decrease in wage bill should be replaced by stagnation this year and then recovery of growth dynamics



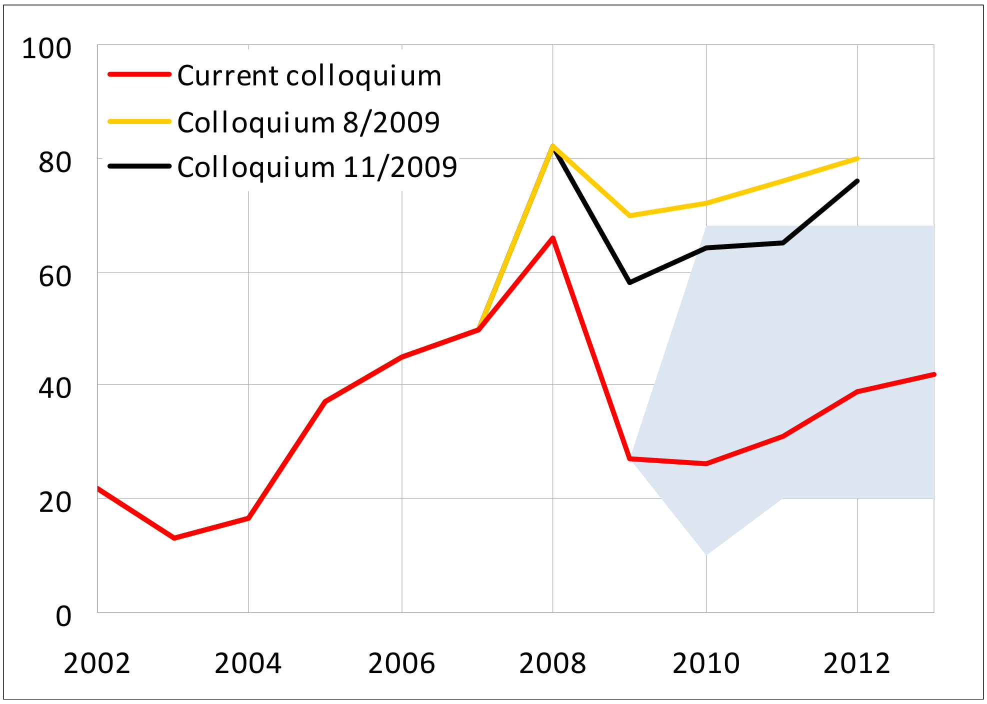
Graph 16: **Trade balance**
fob-fob – BoP, CZK bn

A considerable surplus of trade balance is expected



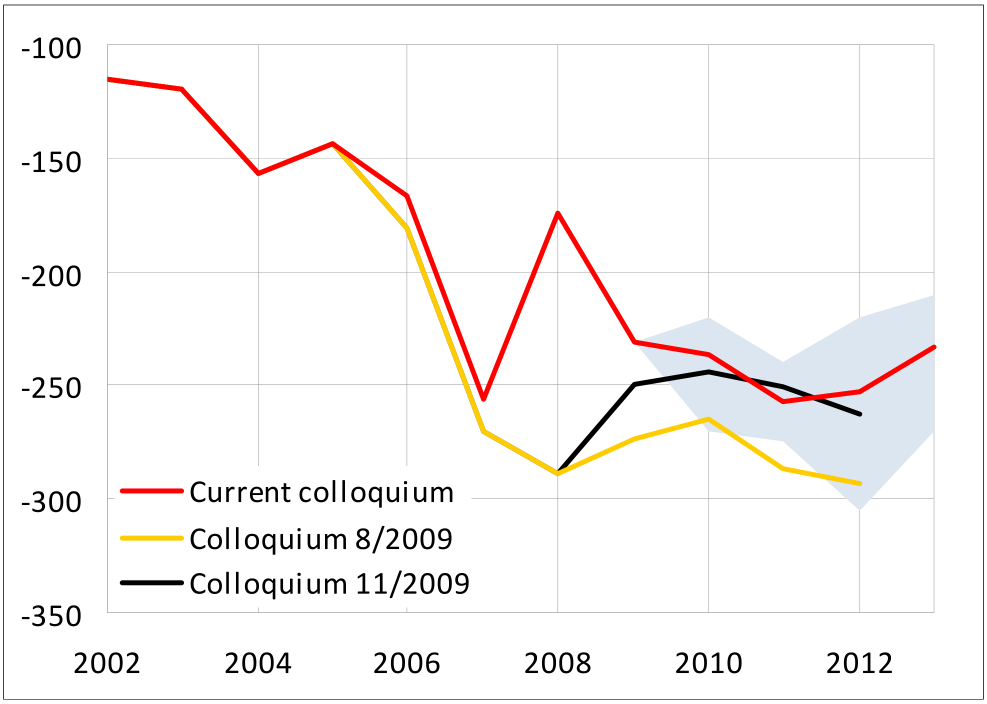
Graph 17: **Balance of services**
CZK bn

Surplus of balance of services should show tendency to moderate growth



Graph 18: **Balance of income**
CZK bn

Balance of income deficit to fluctuate in relatively narrow band



Graph 19: **Balance of payments – current account**
% of GDP

Current account deficit remaining on a sustainable level