

Macroeconomic forecasts' survey

Since 1996, the Ministry of Finance organizes twice a year a survey of forecasts of the Czech Republic's macroeconomic developments, the so-called Colloquium. The Colloquium's aim is to get an idea on economic experts' views of expected development of the economy and to assess its key tendencies. The Colloquium's outcomes are used mainly to verify feasibility of macroeconomic frameworks of the State Budget and Budgetary Outlook. With transition to electronic form of the Colloquium it has been decided to open aggregate results to the general public.

The last, 28th Colloquium took place in November 2009. Results of the survey are based on forecasts of 15 domestic institutions (Cyrrus, CNB, ČSOB, Generali, Chamber of Economy, Komerční banka, Liberal Institute, MoF, Ministry of Industry and Trade, Ministry of Labour and Social Affairs, Patria, Raiffeisen, Union of the Czech and Moravian Production Cooperatives, UniCredit, Wood & Company). To make the survey more representative, forecasts of 3 international institutions were added (European Commission, IMF, OECD).

The aim was to assess key tendencies within the horizon of years 2009 through 2012 where years 2011 and 2012 were regarded as indicative outlook. The key indicators and comparison with October MoF forecast are summed up in Tables 1 and 2.

In general it can be summed up that MoF forecasts keep to the average of other institutions' forecasts but are slightly more pessimistic, not allowing for such a fast recovery of the economy.

Table 1: Results of Survey for Years 2009 and 2010

		2009				2010			
		min.	consensus	max.	MoF CR	min.	consensus	max.	MoF CR
Gross domestic product	<i>increase in %, const.pr.</i>	-5,3	-4,4	-4,0	-5,0	0,0	1,1	2,3	0,3
Consumption of households	<i>increase in %, const.pr.</i>	0,4	1,0	1,6	0,7	-1,5	-0,1	2,0	-1,3
Consumption of government	<i>increase in %, const.pr.</i>	1,0	2,3	4,3	2,0	-2,2	0,3	4,5	-1,0
Fixed capital formation	<i>increase in %, const.pr.</i>	-14,0	-7,7	-5,5	-7,8	-3,9	-1,0	2,0	-3,9
Inflation rate	<i>per cent</i>	0,3	1,0	1,5	0,9	1,1	1,5	2,0	1,4
GDP deflator	<i>increase in %, const.pr.</i>	1,3	2,9	4,2	2,7	0,2	1,3	2,8	0,2
Employment	<i>increase in per cent</i>	-2,5	-1,8	-1,3	-1,3	-2,7	-1,2	1,5	-1,9
Unemployment rate	<i>average in per cent</i>	6,5	7,1	8,3	6,5	7,5	8,4	9,8	8,4
Wage Bill (domestic concept)	<i>increase in %, curr.pr.</i>	-0,3	0,5	2,5	-0,3	-1,1	0,6	3,0	-1,1
Current account / GDP	<i>per cent</i>	-3,0	-1,8	-1,0	-1,4	-3,0	-1,3	0,4	0,4
Crude oil Brent	<i>USD / barrel</i>	60	67	77	61	75	79	85	79

Table 2: Results of Survey for Years 2011 and 2012

		2011				2012			
		<i>min.</i>	<i>consensus</i>	<i>max.</i>	<i>MoF CR</i>	<i>min.</i>	<i>consensus</i>	<i>max.</i>	<i>MoF CR</i>
Gross domestic product	<i>increase in %, const.pr.</i>	1,0	2,4	3,5	2,8	2,0	3,2	4,8	3,3
Consumption of households	<i>increase in %, const.pr.</i>	0,2	1,5	3,0	2,3	1,5	2,6	4,0	2,5
Consumption of government	<i>increase in %, const.pr.</i>	-1,0	1,0	4,5	-0,6	-0,2	1,5	4,5	-0,2
Fixed capital formation	<i>increase in %, const.pr.</i>	-1,0	2,3	4,5	2,5	1,0	3,9	7,0	3,6
Inflation rate	<i>per cent</i>	1,4	2,2	3,0	1,8	1,8	2,4	3,0	2,0
GDP deflator	<i>increase in %, const.pr.</i>	1,3	1,9	2,3	2,3	1,5	1,8	2,3	2,0
Employment	<i>increase in per cent</i>	-0,5	0,5	1,5	0,0	0,4	1,2	2,0	0,9
Unemployment rate	<i>average in per cent</i>	7,0	8,0	9,0	8,2	5,0	6,9	7,8	7,4
Wage Bill (domestic concept)	<i>increase in %, curr.pr.</i>	1,1	3,5	5,7	4,5	2,5	4,3	7,5	5,3
Current account / GDP	<i>per cent</i>	-2,7	-0,7	1,0	0,6	-2,7	-1,1	0,5	0,8
Crude oil Brent	<i>USD / barrel</i>	75	85	95	93	80	97	110	93

Sources: Survey respondents, MoF calculations

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

- For 2009 institutions expect GDP to shrink by 4.0-5.3 %. MoF estimate of the economy's decline by some 5 % ranks the ministry among the more conservative institutions. The same applies to 2010 when stagnation or recovery of the Czech economy is expected; in comparison with average of forecasts, the MoF expects a slighter recovery. Outlook for 2011 and 2012 puts the October MoF forecast close to median values of the entire survey (deviation by 0.4 p.p. in 2011 and 0.1 p.p. in 2012).
- Average rate of inflation should stick to low levels. After this year's marked disinflation, average rate of inflation should shift close to new 2 % inflation target of the CNB in the following years. The MoF forecast is in accordance with forecasts' average.
- According to consensus forecast, decline in employment and rise in rate of unemployment should be seen in this and next year. As regards outlook for 2011 and 2012, institutions allow for reverse tendencies i.e. for growth of employment and lowering of rate of unemployment. The MoF forecast for 2010-2012 is in full accordance with the consensus.
- Current forecasts allow for steep slowdown in growth of wage bill (in current prices) from 8.7 % in 2008 to some 0.5 % in this and next year, while even a decline cannot be excluded. Growth dynamics should gradually recover in the following years. MoF forecast for this and next year is conservative in comparison with average forecast.

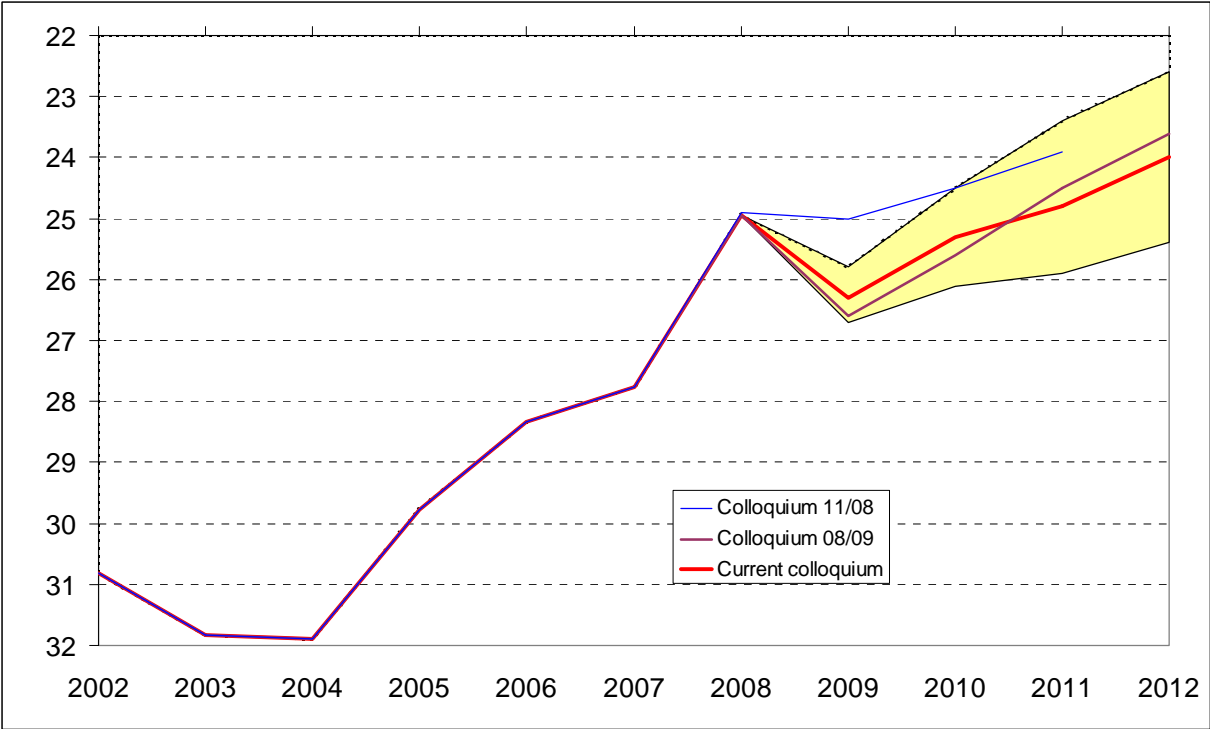
List of indicators:

Graphic presentation of the past and assumed developments of individual indicators is seen in graphs 1–18. 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.

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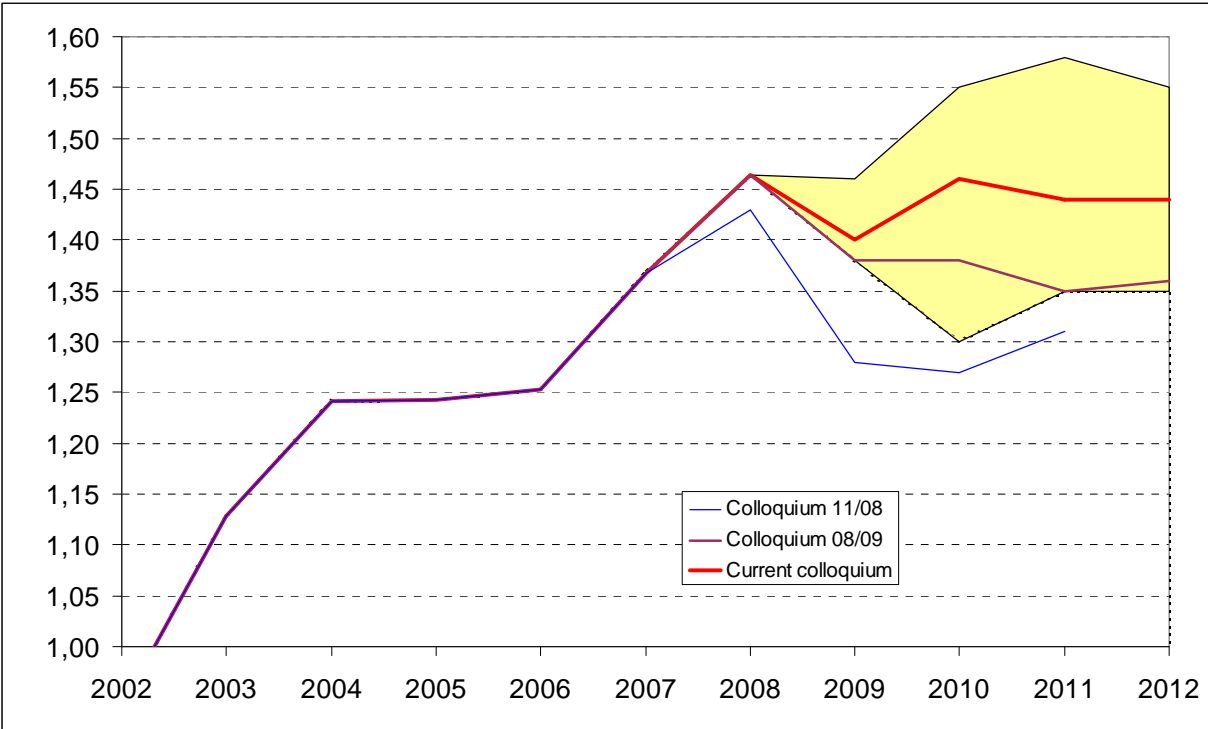
Graph1: CZK/EUR exchange rate

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



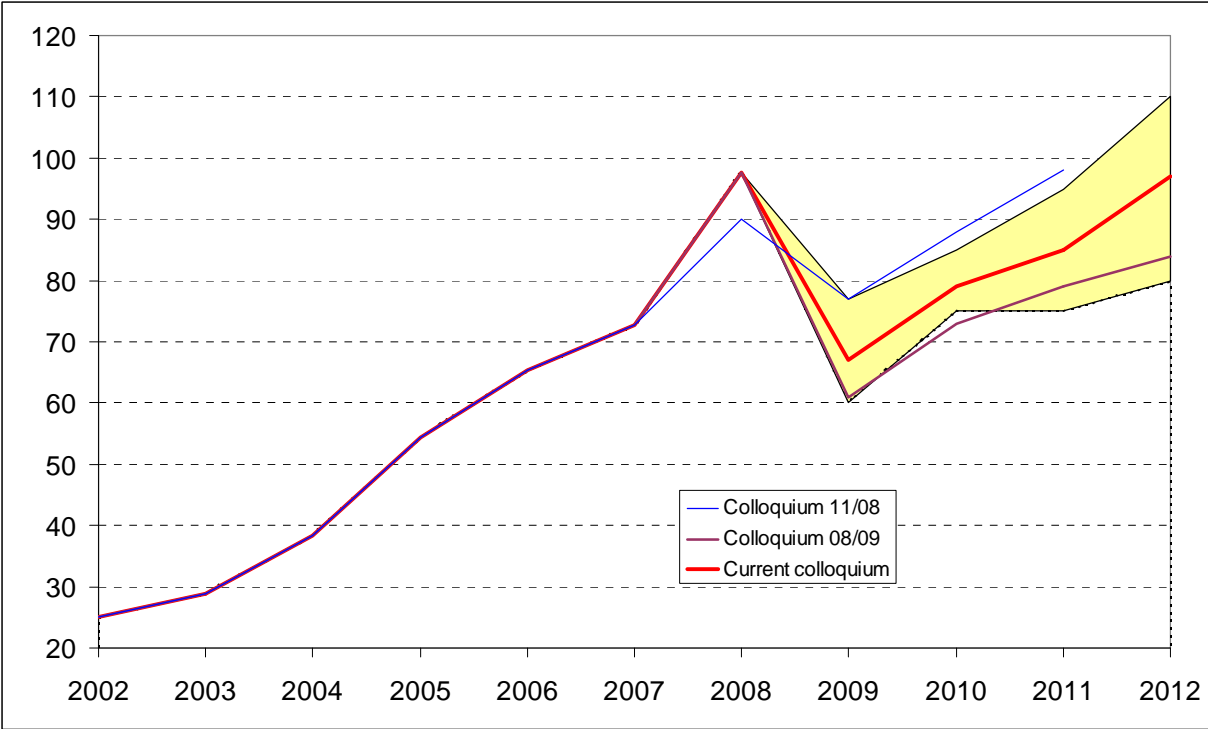
Graph 2: USD/EUR exchange rate

Weakened level of the USD should persist in the long run



Graph 3: Price of Brent oil
USD/barrel

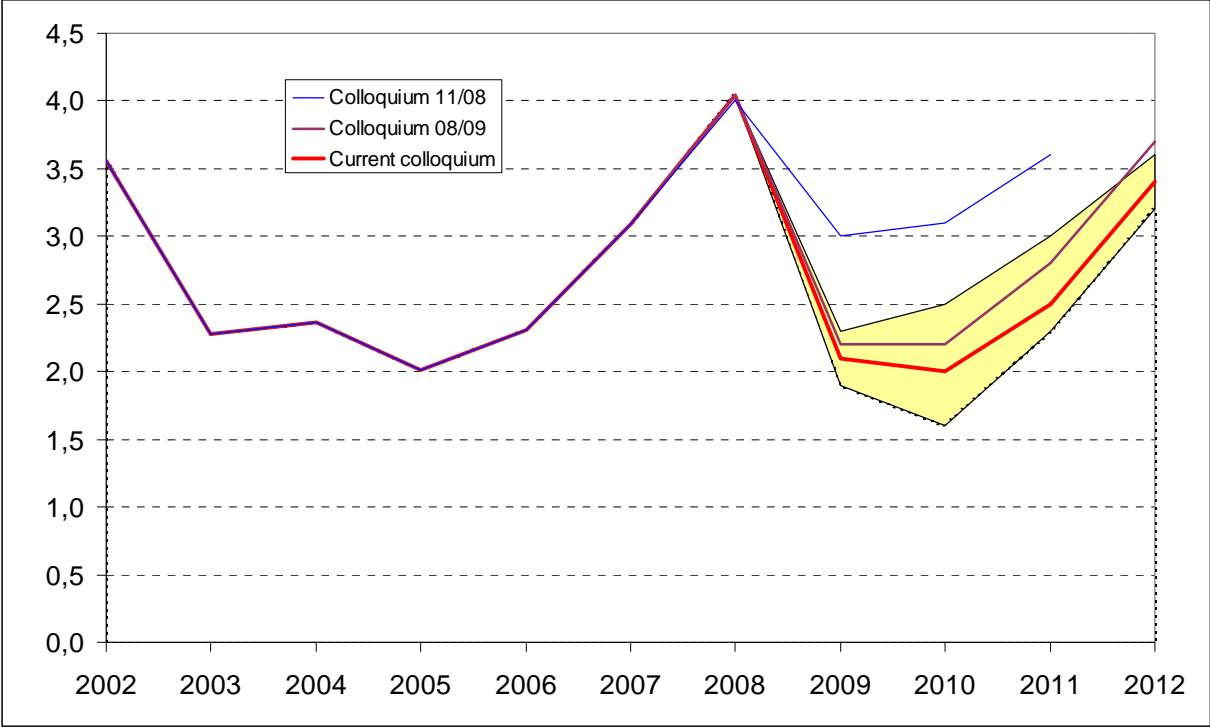
A gradual growth of oil price to the level of USD 100 per barrel is expected in 2012



Graph 4: Short-term interest rates

% p. a.

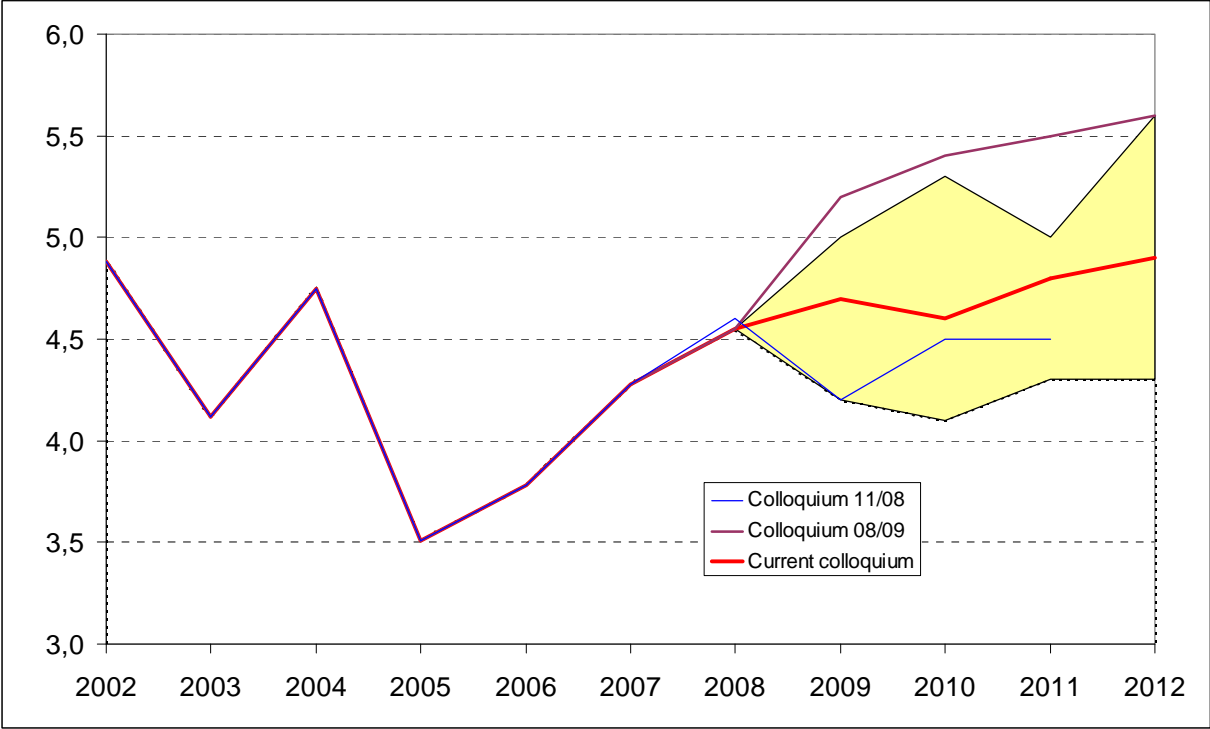
Growth of short-term interest rates should reflect an increase in CNB rates in response to strengthening inflationary pressures



Graph 5: Long-term interest rates

% p. a.

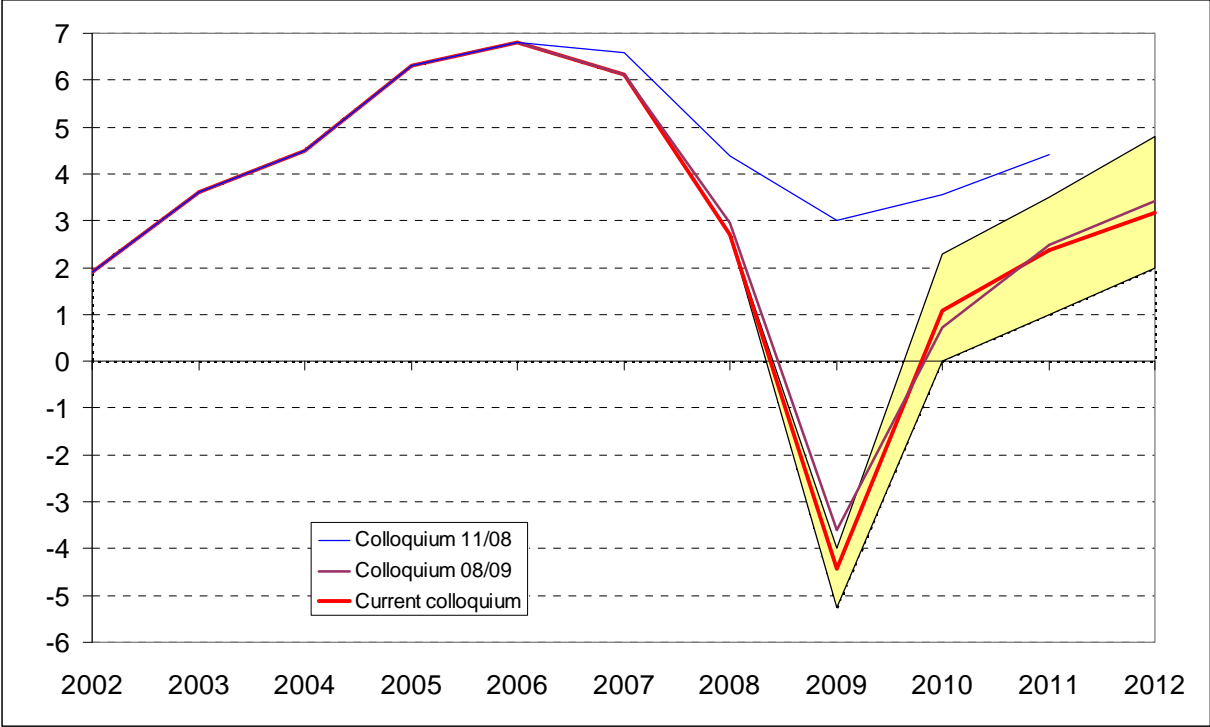
Long-term interest rates should follow trajectory of moderate growth due to increased supply of government bonds. A considerable decrease in outlook in comparison with the situation 3 months ago



Graph 6: Gross domestic product

Real growth in %

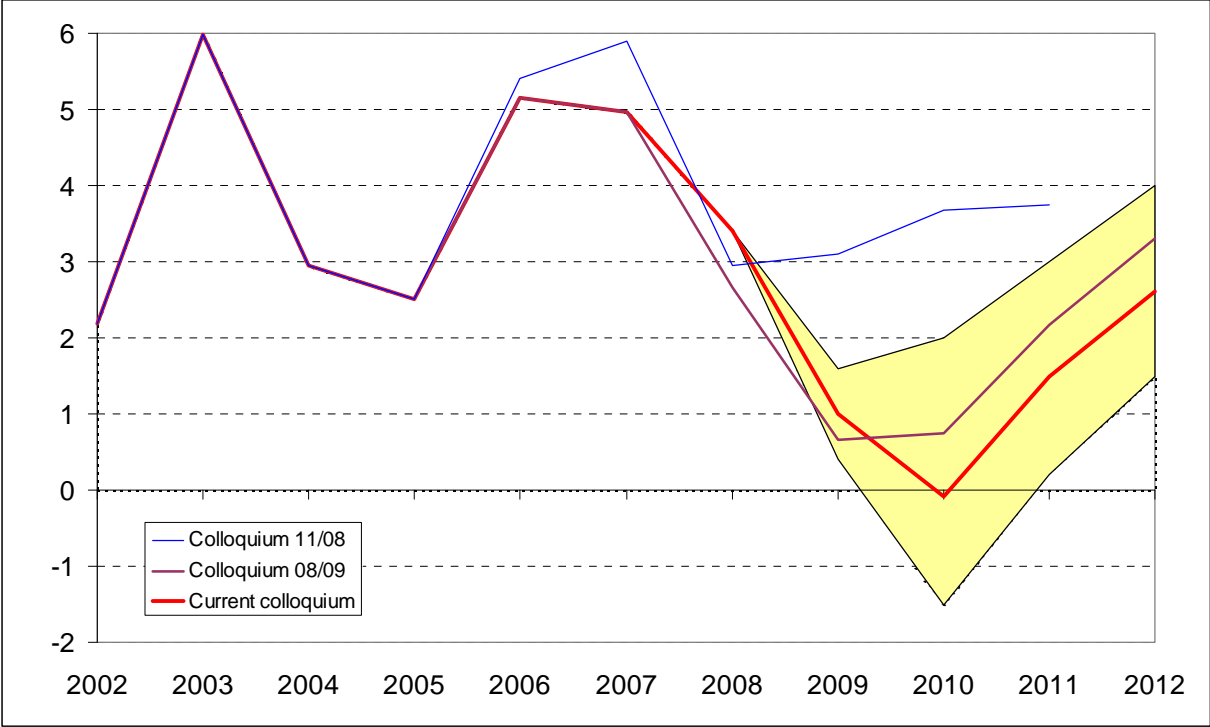
After unexpected slump of GDP, a slight recovery should be seen in 2010 and an increase in growth dynamics thereafter



Graph 7: Household consumption

Real growth in %

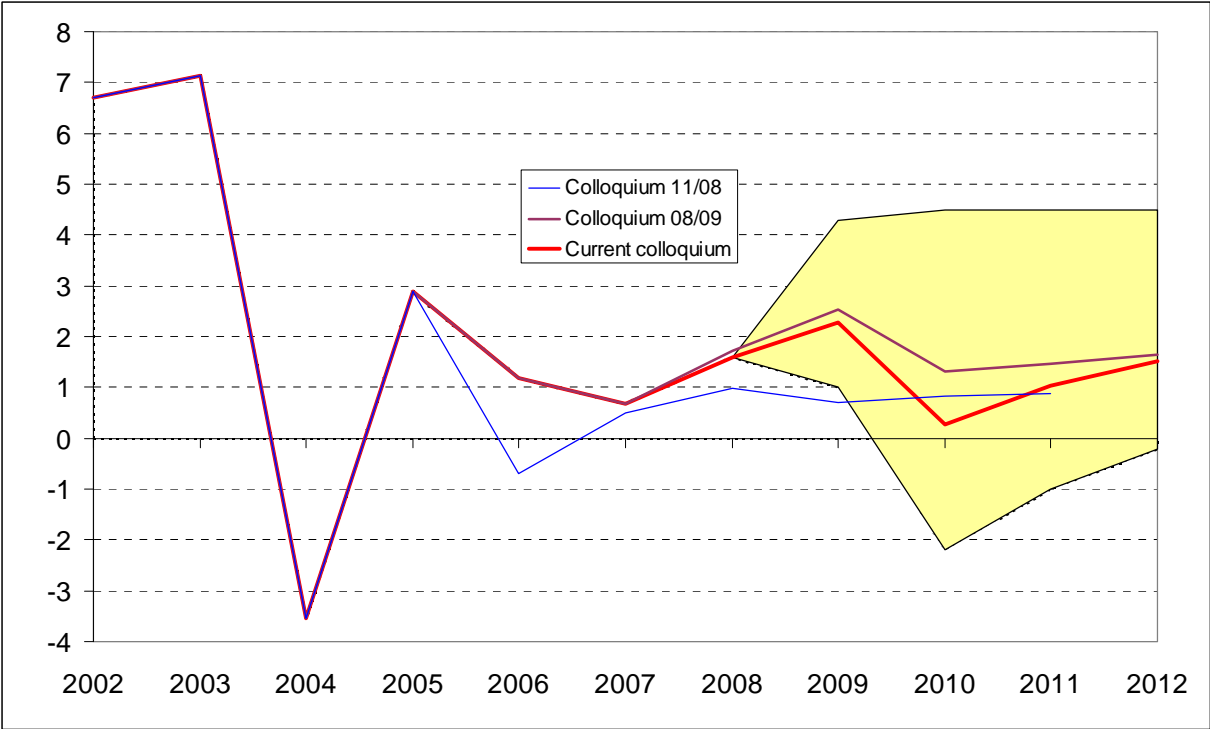
After stagnation due to fiscal consolidation in 2010, a recovery of dynamics in following years



Graph 8: Government consumption

Real growth in %

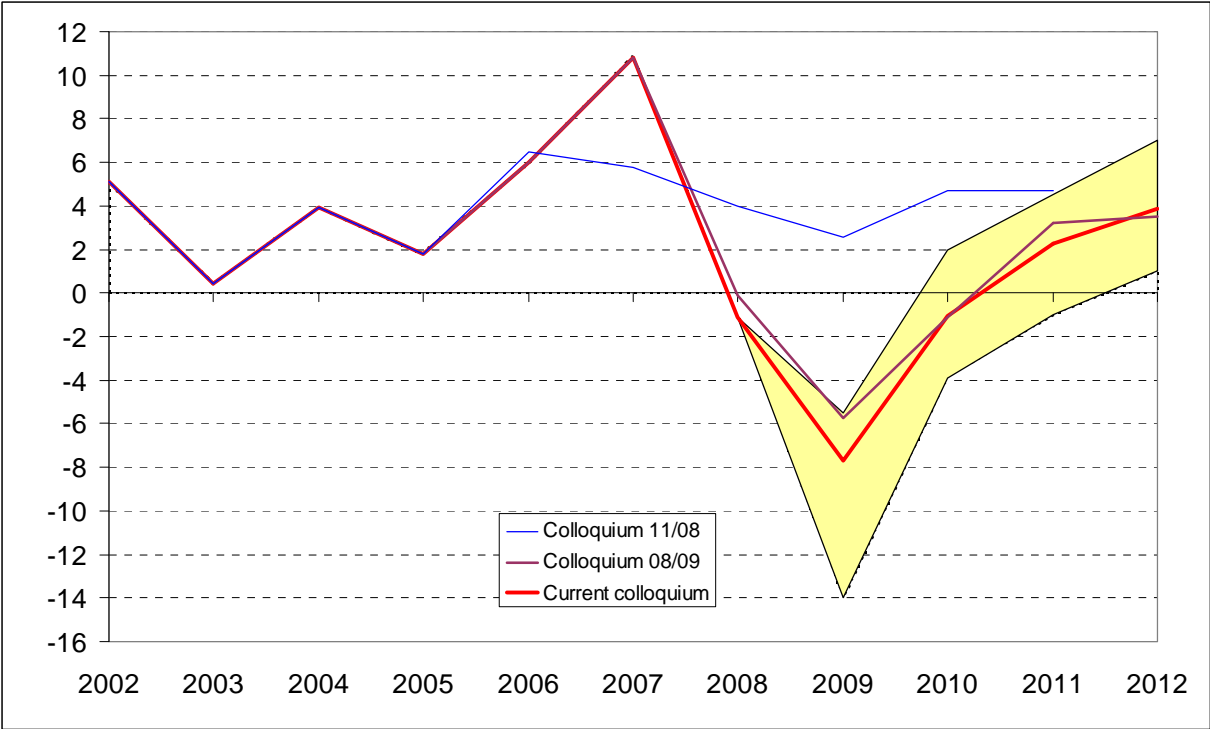
Government consumption should grow only slightly



Graph 9: Gross fixed capital formation

Real growth in %

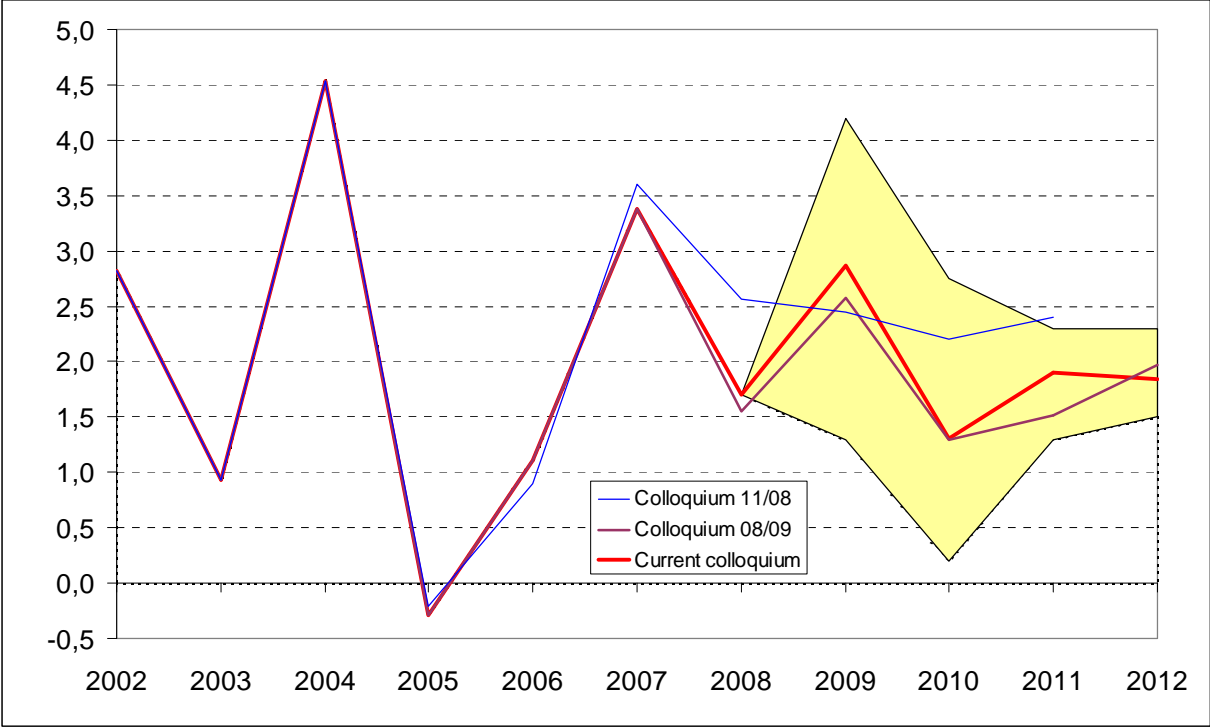
Deep slump in investment activity in this and next years



Graph 10: GDP deflator

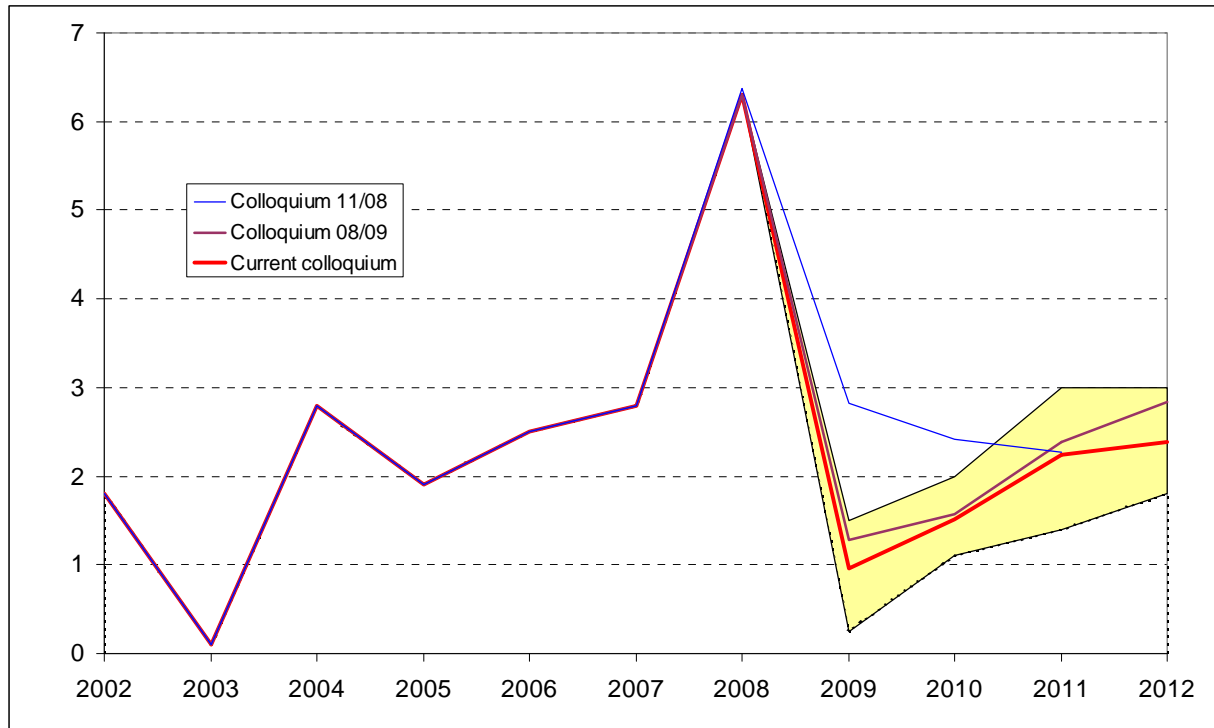
Growth in %

Fluctuations of GDP deflator growth between 1-3 % should reflect development of terms of trade



Graph 11: Consumer prices
Average rate of inflation in %

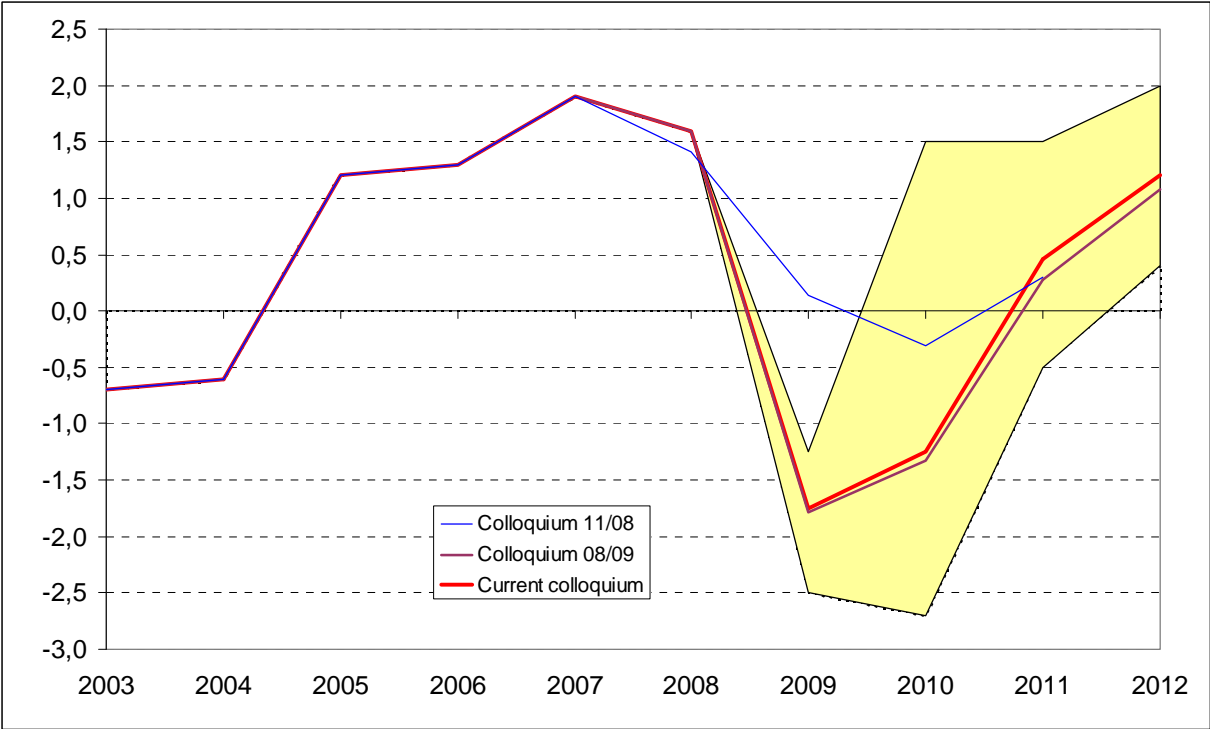
Moderate growth of consumer prices within the tolerance band of CNB's inflation target in 2010–2012



Graph 12: Employment (LFS)

Growth in %

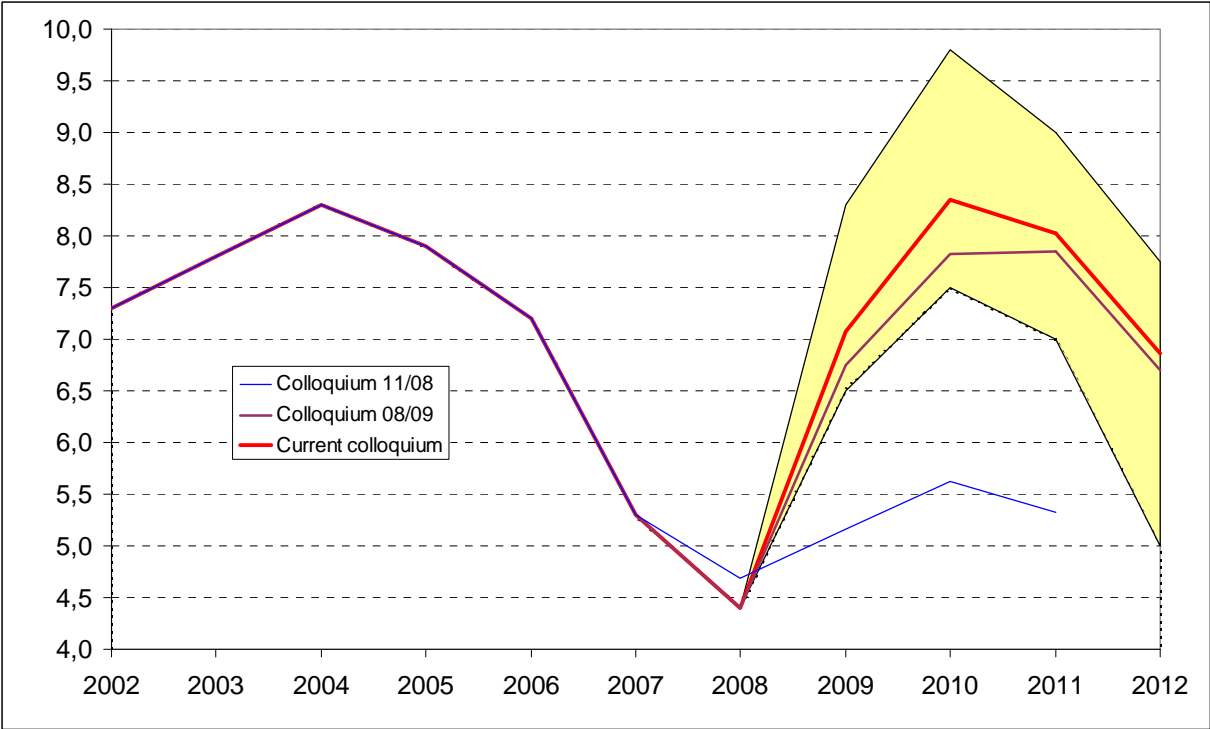
Considerable fall in employment in this and next year, stronger growth as late as in 2012



Graph 13: Rate of unemployment (LFS)

In %

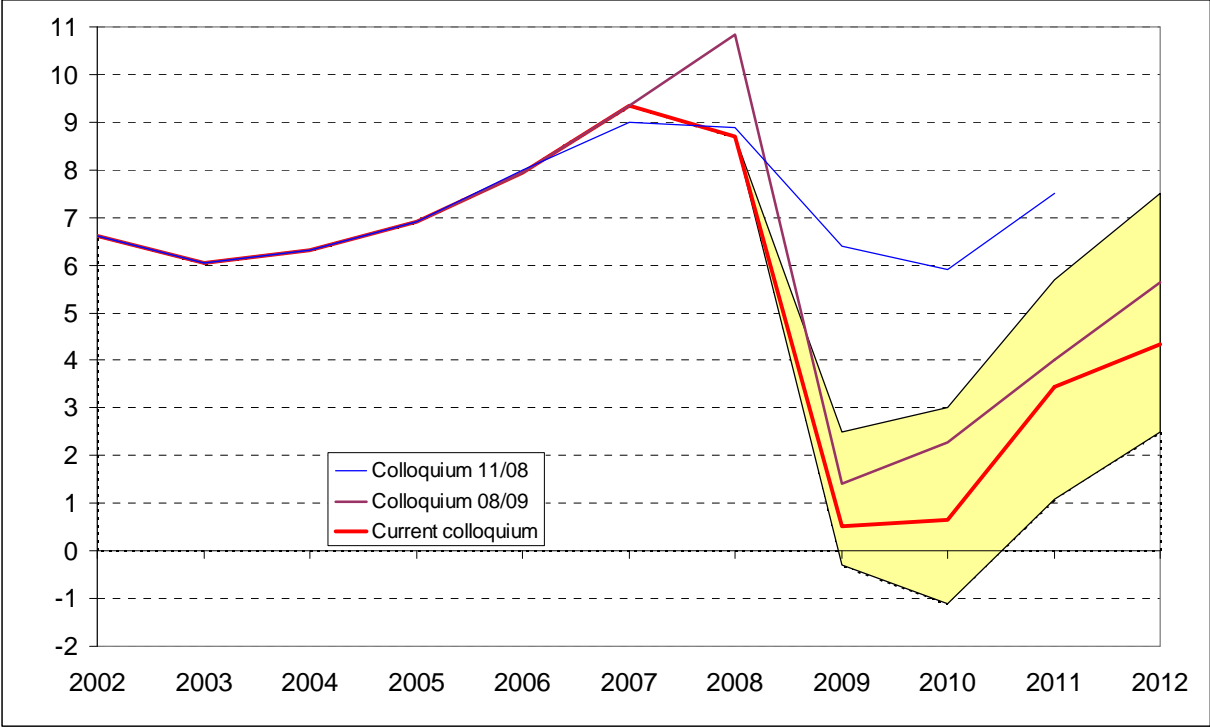
Rate of unemployment should peak in 2010



Graph 14: Wages and salaries (domestic concept)

Nominal growth in %

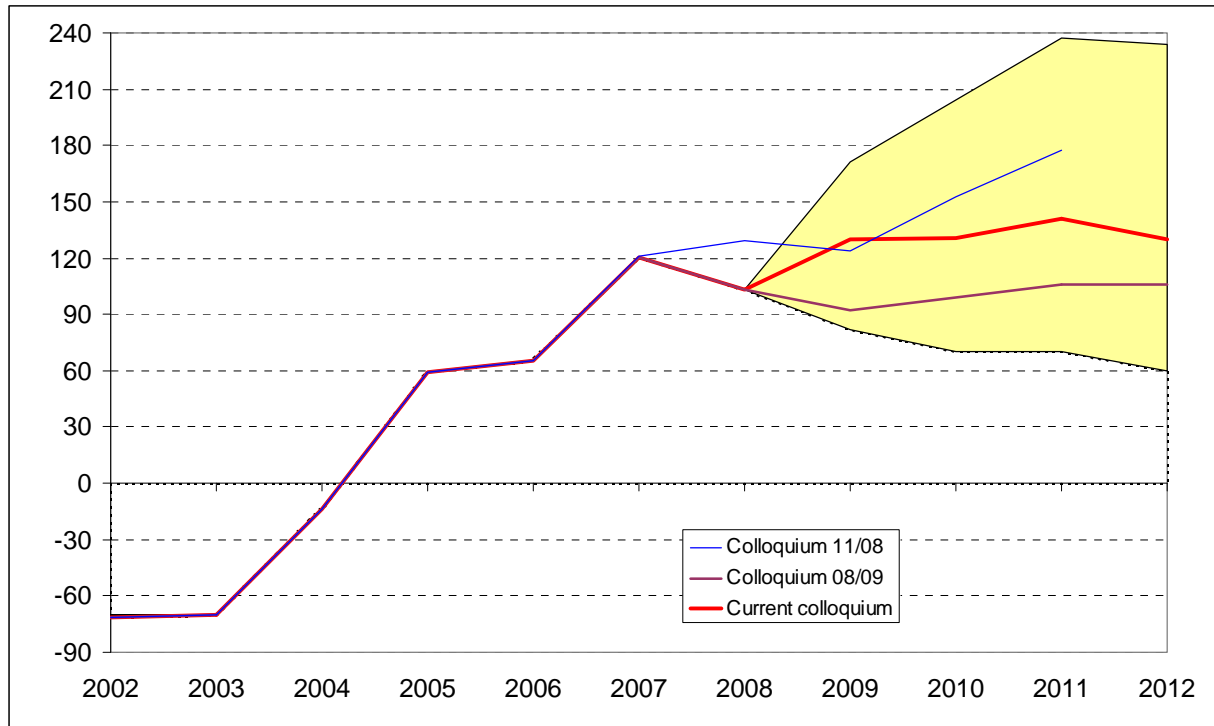
Step slowdown in this year's wage bill growth should be followed by recovery of growth dynamics



Graph 15: Trade balance

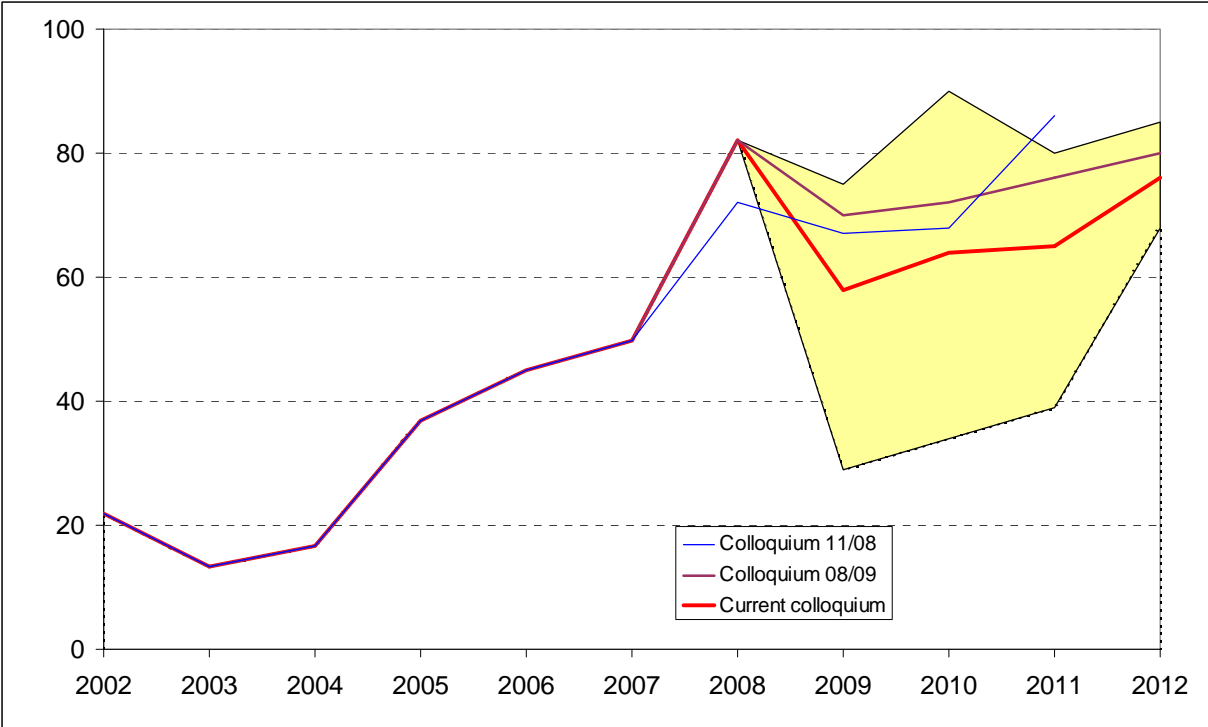
Fob-fob – BoP, CZK bn

Stable, considerably positive balance is mostly expected, with broad variation range reflecting uncertainties



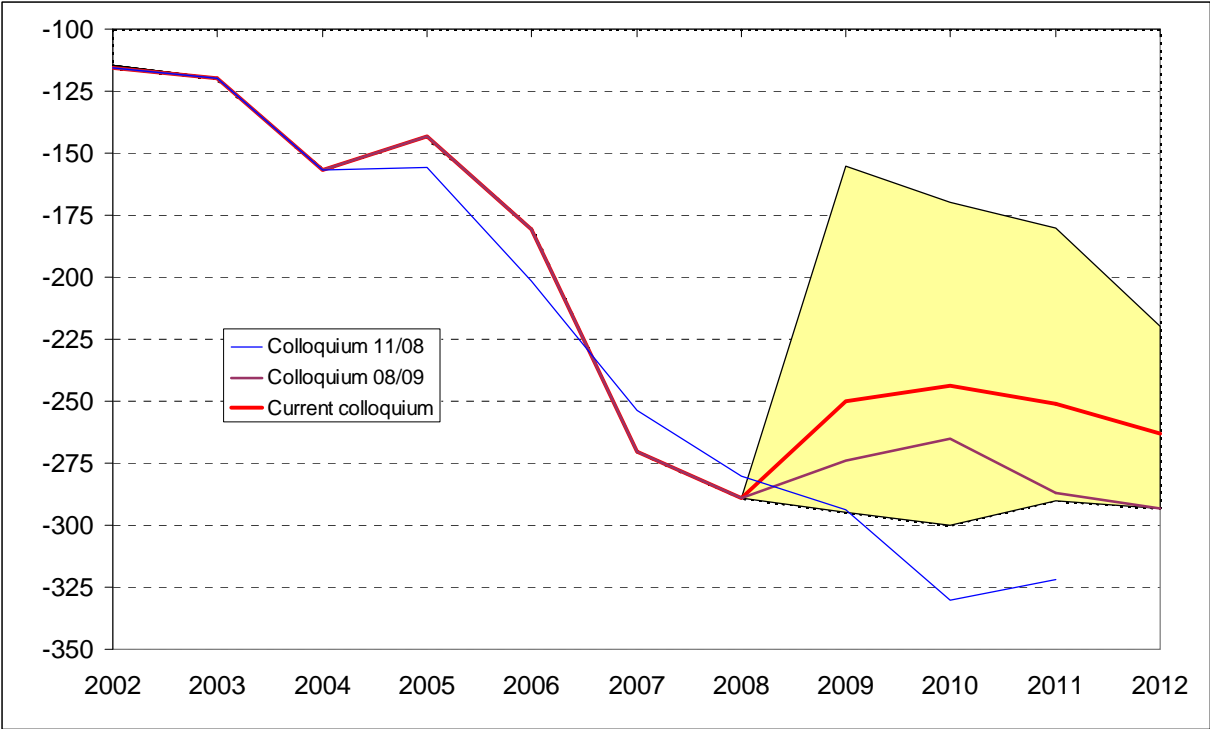
Graph 16: **Balance of services**
CZK bn

After this year's correction, surplus of balance of services should tend to moderate growth



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

Lower incomes from foreign direct investment



Graph 18: Current account of balance of payments
% of GDP

Current account deficit of balance of payments keeping on at sustainable level, tending to balanced level

