Survey of macroeconomic forecasts

Macroeconomic frameworks of the State Budget and the Budgetary Outlook and MoF forecasts are regularly compared with the results of macroeconomic indicators survey among important relevant institutions (the so-called Colloquium), last round of which took place in November 2010. Outcomes of the 30th round of the survey are based on the forecasts of 15 institutions (Atlantic, Bank of America Merrill Lynch, CERGE-EI, ČNB, ČSOB, Generali PPF Asset Management, ING, Komerční banka, MF ČR, MPO, MPSV, Patria, Raiffeisen, Union of Czech and Moravian Production Co-operatives, UniCredit). To make the survey more representative, the forecasts of two international institutions were added (IMF, OECD).

The aim of the Colloquium is to get an idea of opinions regarding the expected development of our economy and to assess the key tendencies within the horizon of the years 2010–2013, with the years 2012 and 2013 seen as an indicative outlook. Key indicators and the last MoF forecast are summed up in Tables 1 and 2.

In general, one can conclude that with minor exceptions, the MoF forecast does not differ considerably from the average of other institutions' forecasts.

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

		2010				2011			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
Assumptions									
GDP of EA12	real growth in %	1,6	1,9	2,6	1,6	0,9	1,5	2,0	1,5
Crude oil Brent	USD/barrel	78	81	85	78	82	88	95	84
3M PRIBOR	average in %	1,2	1,3	1,6	1,3	1,2	1,5	2,3	1,3
YTM of 10Y gov. bonds	average in %	3,4	3,8	3,9	3,7	3,4	3,9	4,3	3,9
CZK/EUR exchange rate		24,8	25,2	25,3	25,3	23,9	24,3	24,8	24,2
USD/EUR exchange rate		1,30	1,33	1,35	1,31	1,29	1,34	1,42	1,30
Main indicators									
Gross domestic product	real growth in %	1,8	2,2	2,7	2,2	1,1	2,0	2,8	2,0
Contr. of change in inventories	percentage points	1,2	1,7	2,6	1,4	0,0	0,9	2,1	0,4
Contr. of foreign balance	percentage points	-0,1	0,7	1,4	0,7	-1,0	0,8	1,6	1,5
Consumption of households	real growth in %	0,1	1,0	1,8	1,5	-0,3	0,9	2,1	1,5
Consumption of government	real growth in %	-0,5	0,7	1,9	0,2	-5,9	-1,7	1,2	-4,5
Fixed capital formation	real growth in %	-4,9	-2,4	0,5	-3,0	-0,4	2,1	5,8	1,3
GDP deflator	growth in %	-1,2	-0,5	0,7	-0,5	0,6	1,5	2,2	1,3
Inflation rate (aop)	in %	1,2	1,5	1,6	1,5	1,8	2,1	2,7	2,2
Employment	growth in %	-1,2	-0,8	0,2	-1,2	-2,0	0,0	0,8	0,8
Unemployment rate (LFS)	in %	7,2	7,6	8,7	7,4	6,6	7,5	8,5	7,2
Wage bill (domestic concept)	nom. growth in %	-0,5	0,9	3,0	0,5	-0,5	2,0	3,8	3,4
BoP – current account	in % of GDP	-3,5	-2,2	-1,1	-1,4	-3,5	-2,1	-0,6	-1,1

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

		2012			2013		
		min.	*average*	*max.*	*min.*	*average*	*max.*
Assumptions							
GDP of EA12	*real growth in %*	1,2	2,0	3,2	1,5	2,2	3,5
Crude oil Brent	*USD/barrel*	89	94	105	85	101	120
3M PRIBOR	*average in %*	1,8	2,4	3,5	2,3	3,2	3,6
YTM of 10Y gov. bonds	*average in %*	3,9	4,2	4,6	4,1	4,4	4,8
CZK/EUR exchange rate		23,1	23,7	24,6	22,2	23,4	24,4
USD/EUR exchange rate		1,22	1,31	1,41	1,28	1,31	1,37
Main indicators							
Gross domestic product	*real growth in %*	1,4	2,9	4,5	2,7	3,4	4,0
Contr. of change in inventories	*percentage points*	-0,3	0,4	2,5	0,0	0,9	2,5
Contr. of foreign balance	*percentage points*	-1,5	0,4	1,0	-0,8	0,3	1,0
Consumption of households	*real growth in %*	0,9	2,5	4,0	1,3	3,0	3,6
Consumption of government	*real growth in %*	-1,7	0,7	2,2	-3,5	-0,7	1,4
Fixed capital formation	*real growth in %*	-0,2	3,6	6,2	0,6	3,5	5,6
GDP deflator	*growth in %*	1,1	1,8	2,1	1,3	1,9	2,6
Inflation rate (aop)	*in %*	1,7	2,3	2,8	2,0	2,3	2,8
Employment	*growth in %*	-1,6	0,0	0,7	-0,6	0,2	0,8
Unemployment rate (LFS)	*in %*	6,7	7,1	7,9	6,5	6,9	7,2
Wage bill (domestic concept)	*nom. growth in %*	-0,4	3,3	5,4	-0,2	3,5	5,5
BoP – current account	*in % of GDP*	-3,5	-2,1	-0,7	-3,5	-2,3	-1,1

Sources of tables: Survey respondents, MoF calculations

The main tendencies of macroeconomic development can be summed up as follows:

- On average, the institutions expect the GDP growth to reach 2.2 % in 2010. For 2011, they envisage a minor slowdown to 2.0 %. The MoF forecast fully corresponds to the forecasts' average. From 2012 on, the economic growth should accelerate to 3.4 % in 2013.

- Inflation expectations have proven to be well anchored. Over the entire forecasting horizon, the average rate of inflation should remain at low levels close to the CNB's inflation target. The MoF forecast is in accord with the forecasts' average.

- The economic recovery should be driven by labour productivity growth, with the creation of jobs remaining limited. According to the forecasts' average, employment should fall by 0.8 % this year, stagnate in 2011 and 2012, and grow by modest 0.2 % in 2013. Compared with the average of other institutions' forecasts, the MoF envisages more substantial drop in 2010 and, on the contrary, faster growth (0.6–0.8 %) in the years to come.

- This year, the unemployment rate should reach its peak at 7.6 % (yearly average). In the years to come, it should be declining only gradually. The MoF forecast is roughly in accord with the forecasts' average.

- After the total wage bill stagnated last year, it is expected to rise by 0.9 % this year, according to the current forecasts. The growth is assumed to be gaining pace in the years 2011–2013; however, the growth dynamics should not reach the pre-2009 levels. The MoF expects slower growth in 2010, while in the years to come it assumes the total wage bill to expand faster, compared with the forecasts' average.

The next Colloquium will take place in May 2011.

List of indicators:

Graphic presentation of 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.

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

GDP growth in 2010 better than previously expected, in 2013 slightly above 2 %
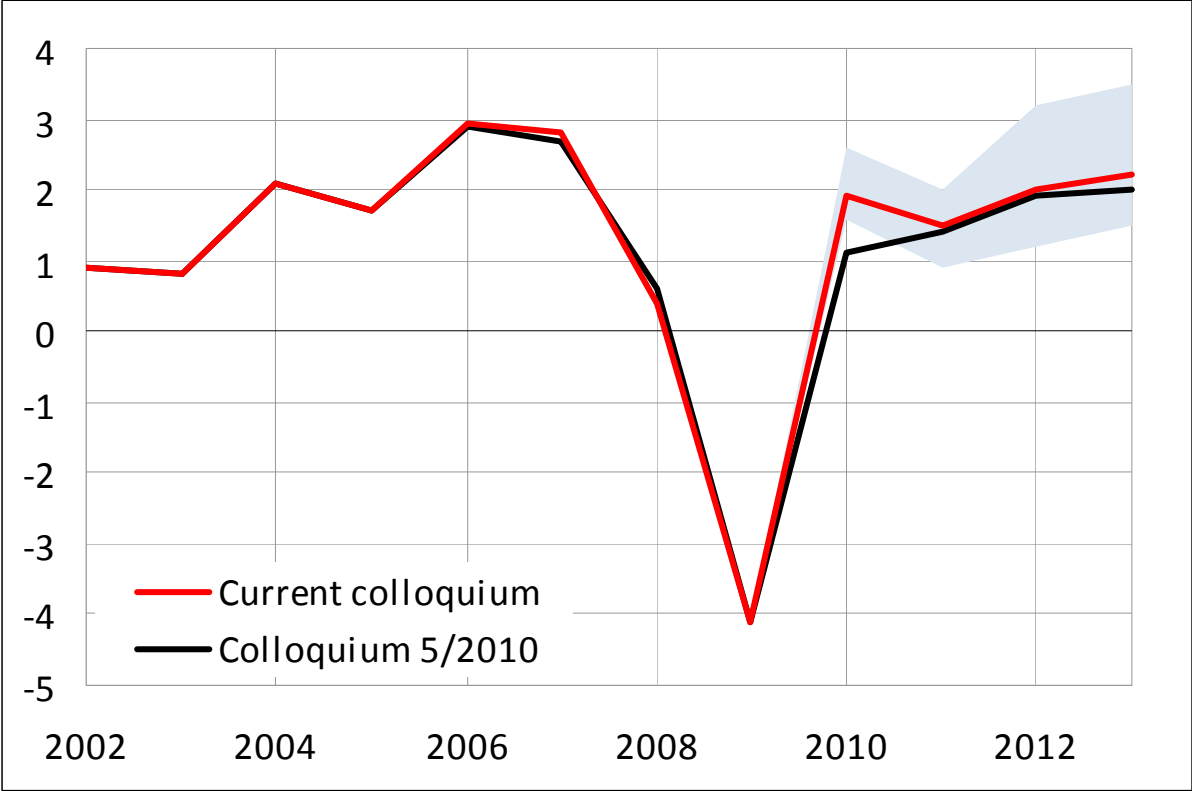
Graph 2: **Crude oil Brent**
USD/barrel

Stable expectations: prices increasing only moderately towards 100 USD in 2013
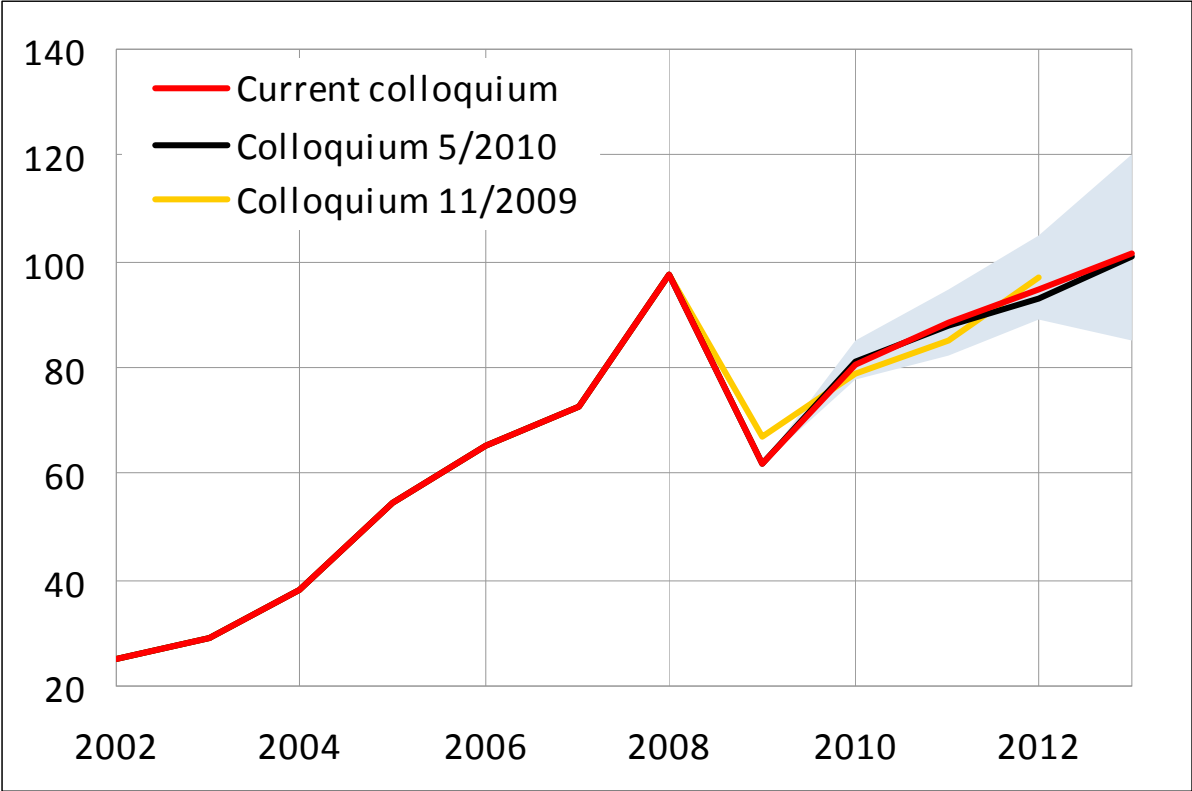
Graph 3: **3M PRIBOR**
average in %

Monetary tightening expected later, compared with the last colloquium
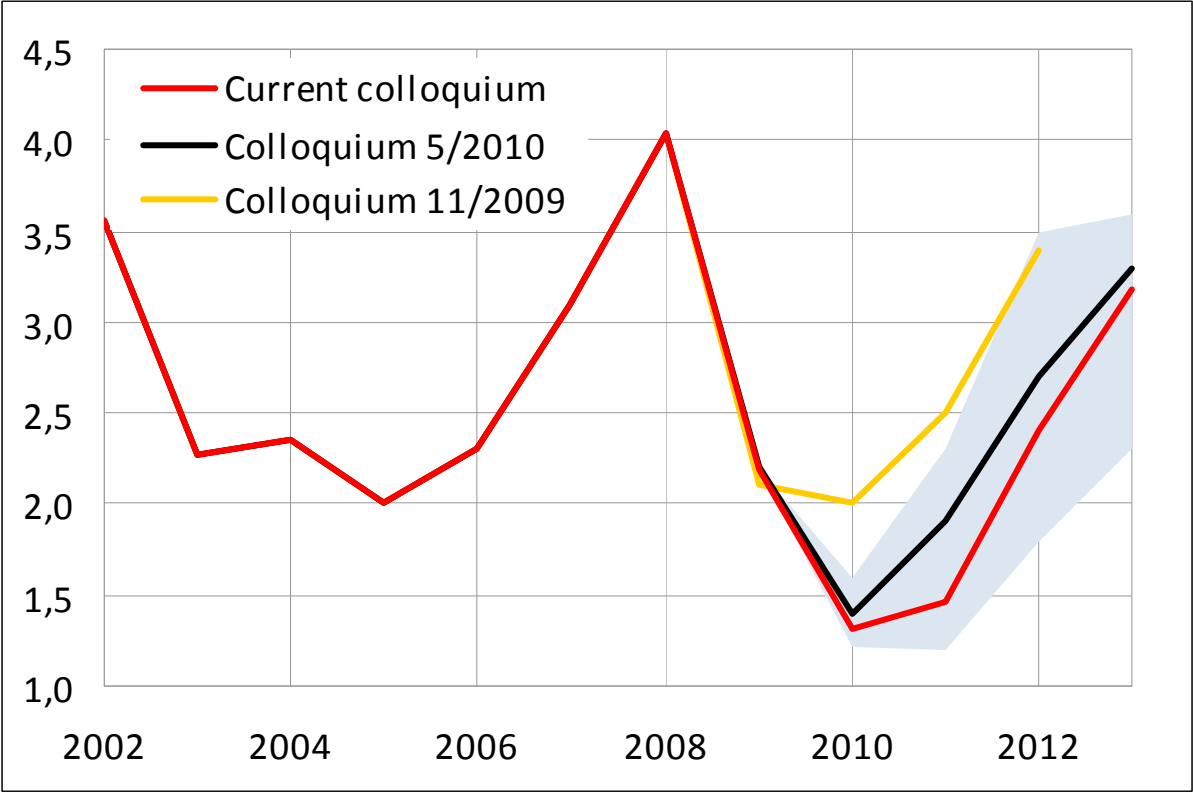
Graph 4: **YTM of 10Y government bonds**
average in %

Outlook further improved, compared with the last colloquium, due to the increased confidence in the Czech economy; however, a tendency to increase due to higher supply of gov. bonds and expected monetary tightening remains
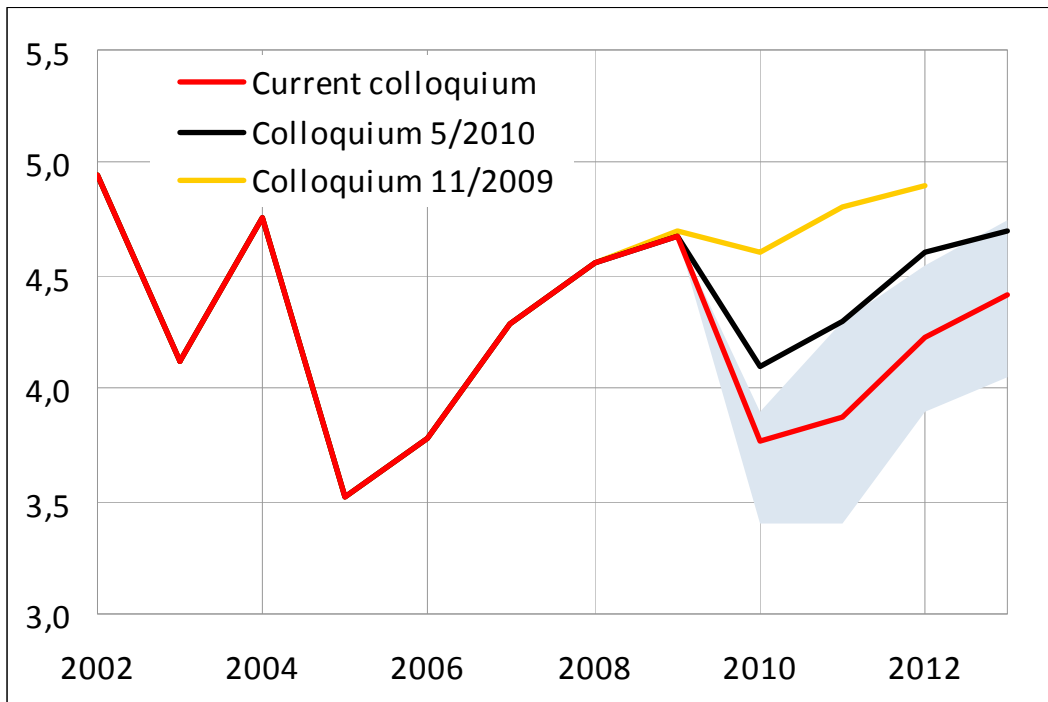
Graph 5: **CZK/EUR exchange rate**

Koruna expected to appreciate vis-à-vis euro
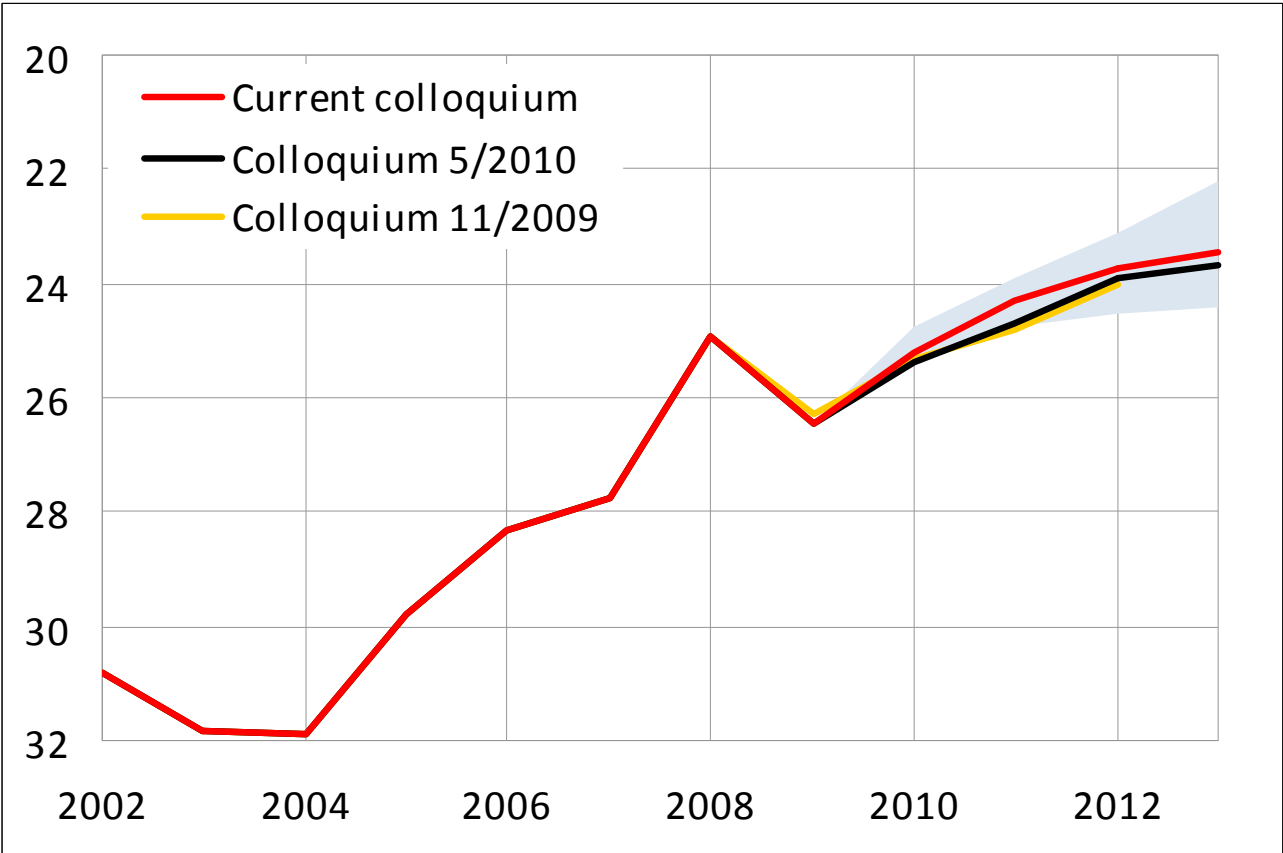
Graph 6: **USD/EUR exchange rate**

USD/EUR exchange rate forecasts within a narrow band 1.30–1.35 until 2013, despite current high volatility
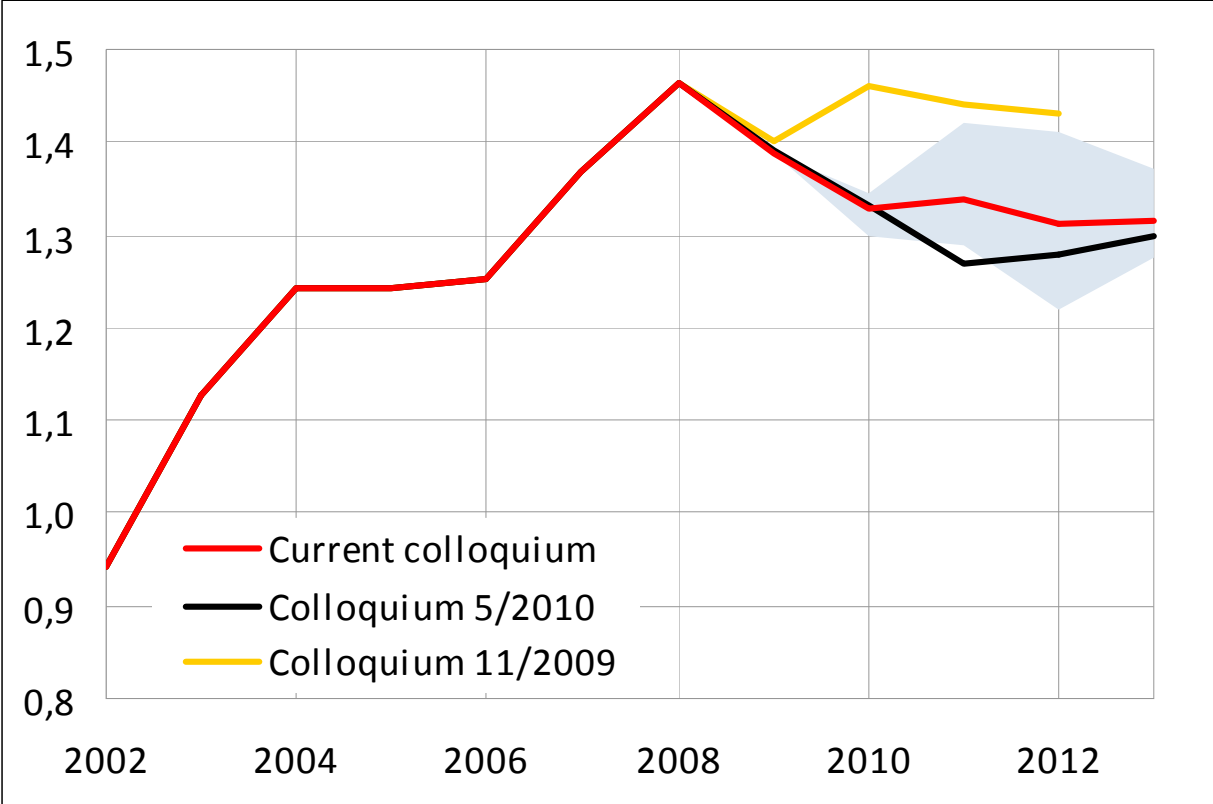
Graph 7: **Gross domestic product**
real growth in %

Stronger than previously expected growth in 2010, minor slowdown to 2.0 % in the next year
caused by restrictive fiscal policy
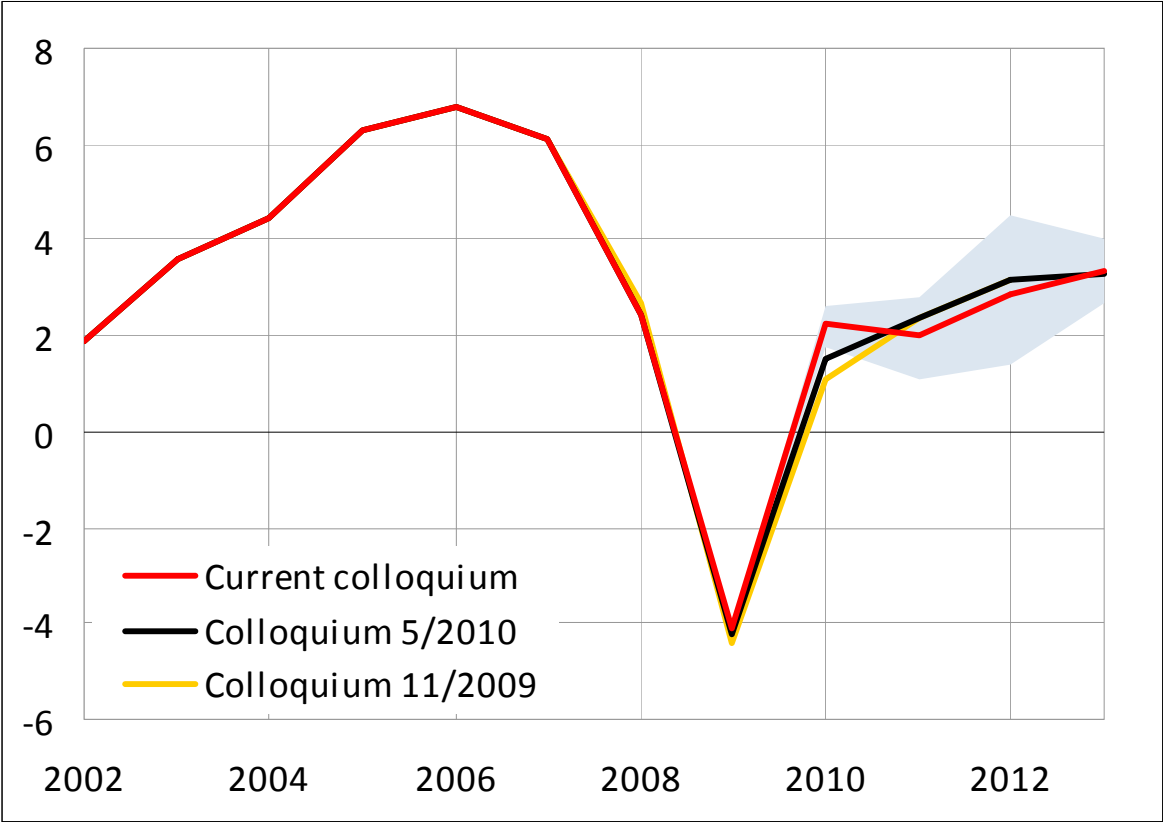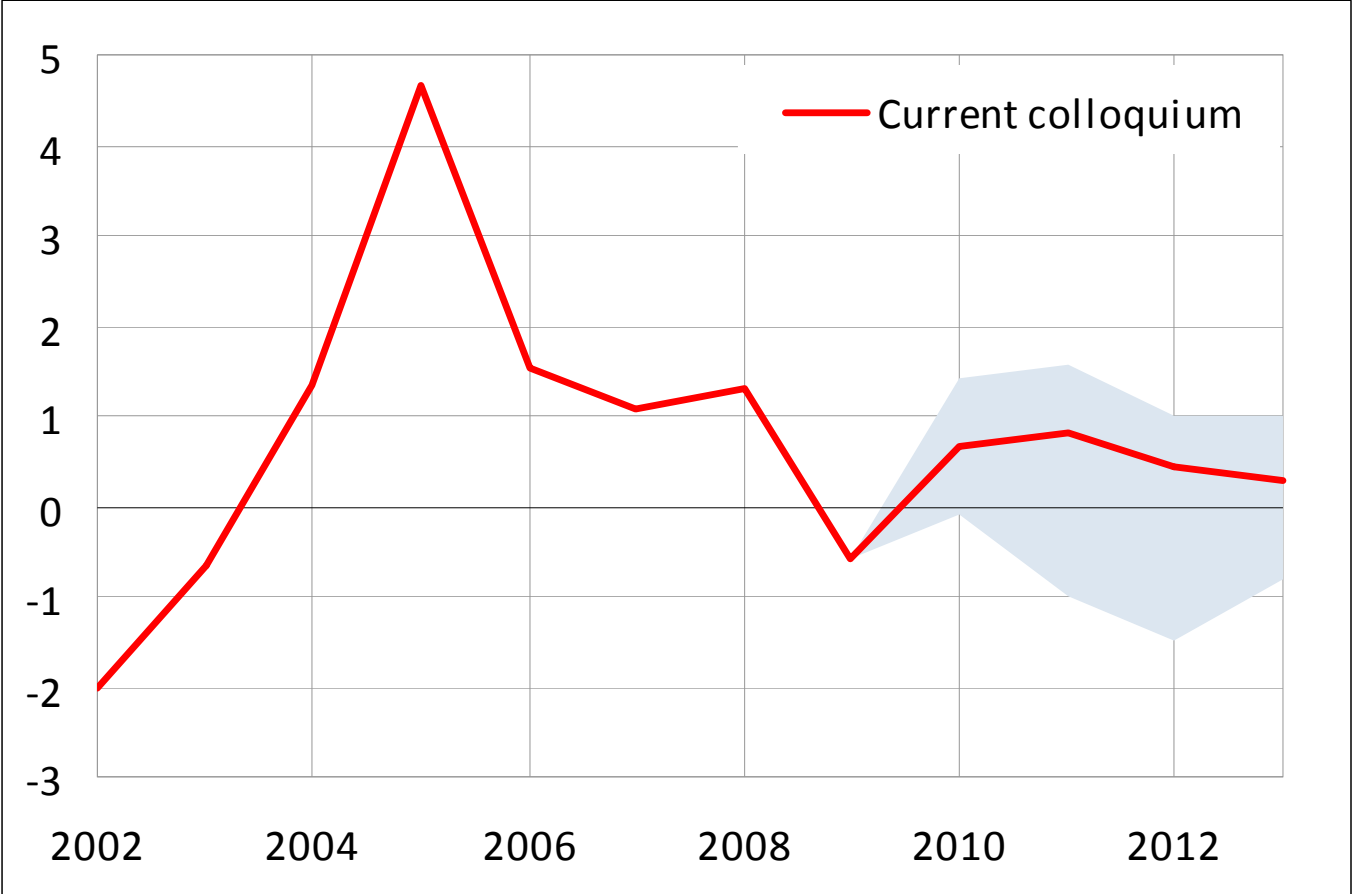
Graph 8: **Contribution of change in inventories**
percentage points

Strong contribution of change in inventories to the GDP growth in 2010
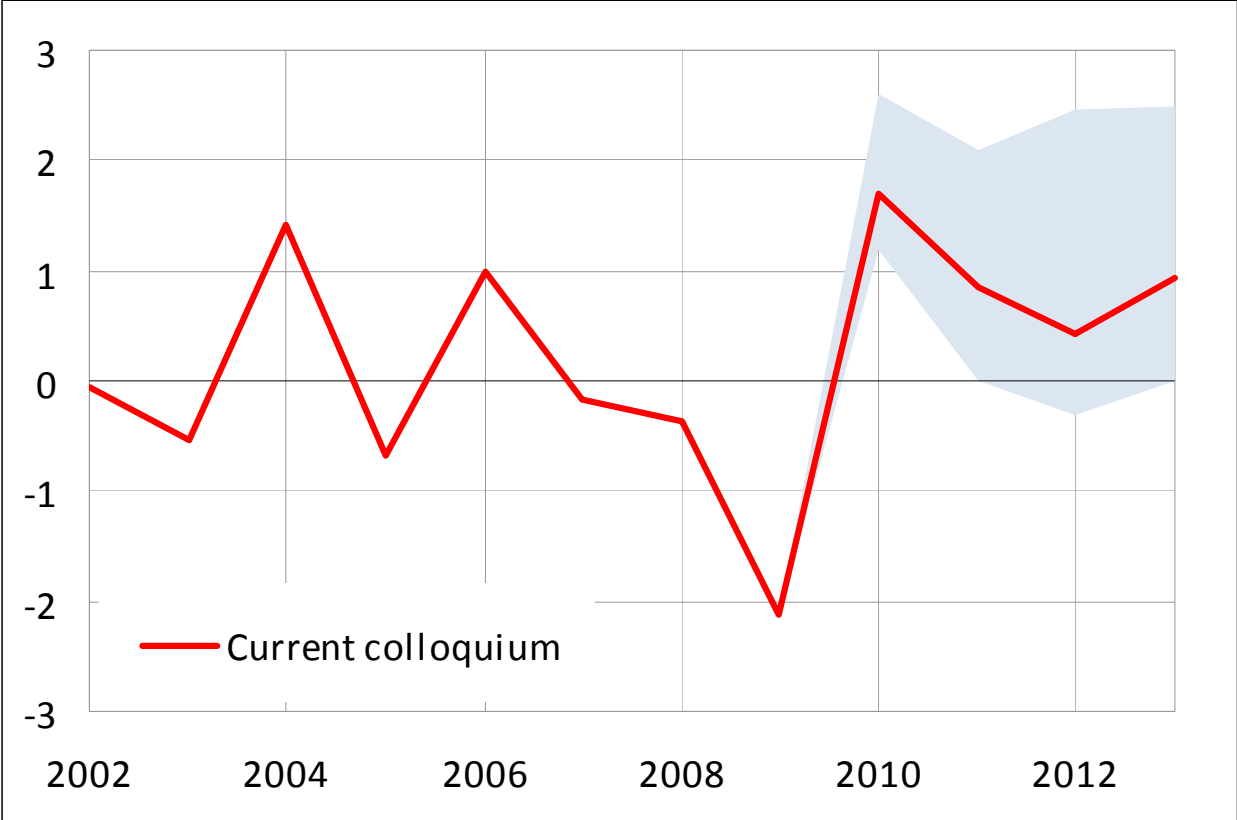
Graph 9: **Contribution of foreign balance**
percentage points

Foreign trade should contribute positively to the GDP growth

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

Unexpected growth of consumption of households, minor slowdown in the next year due to the austerity measures, growth dynamics recovering thereafter
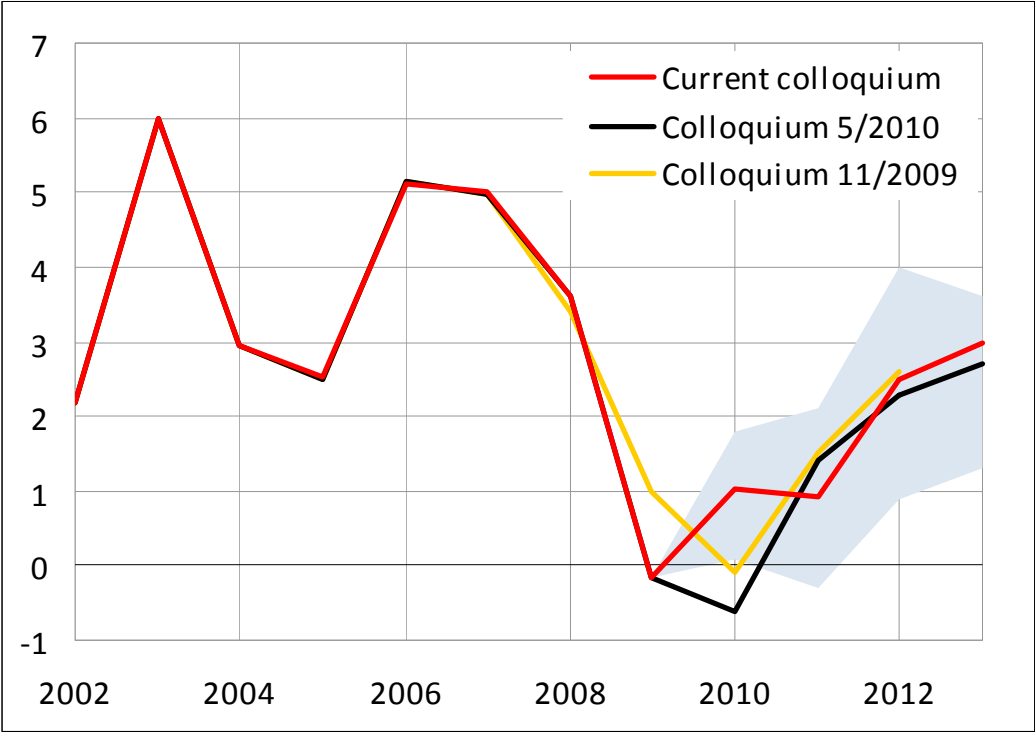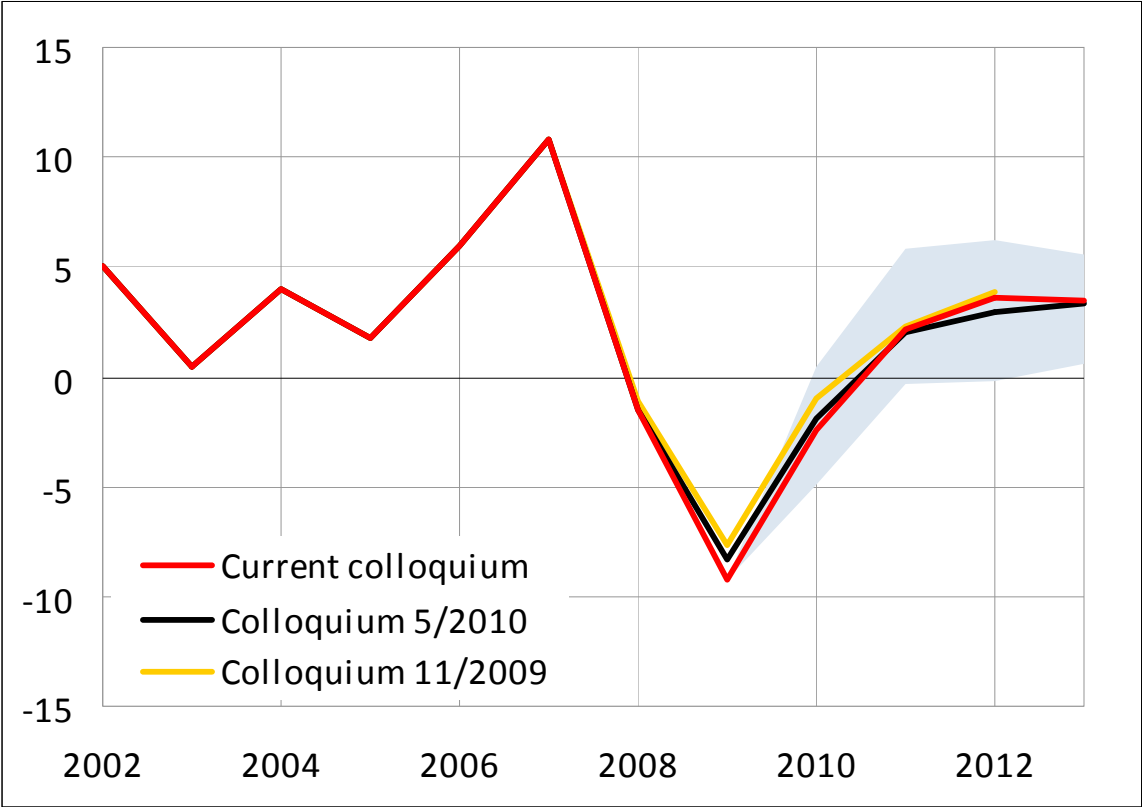
Graph 11: **Consumption of government**
real growth in %

Expected fall in consumption of government reflects the planned austerity measures
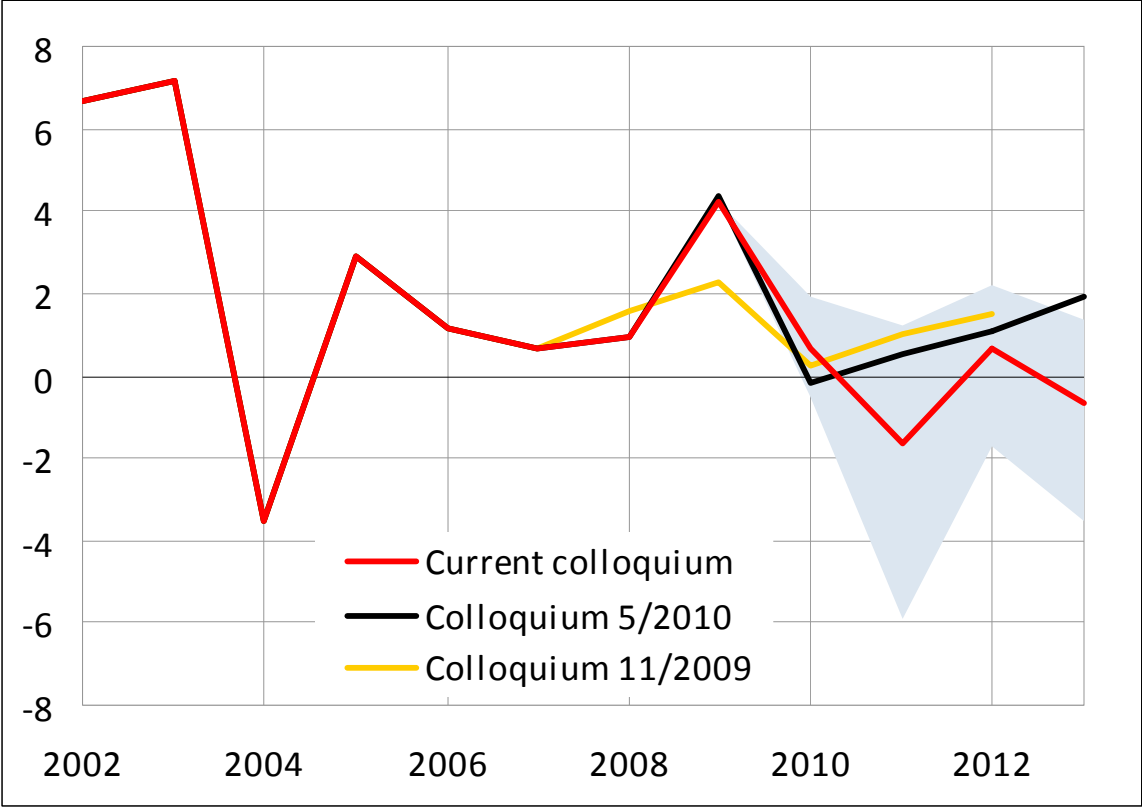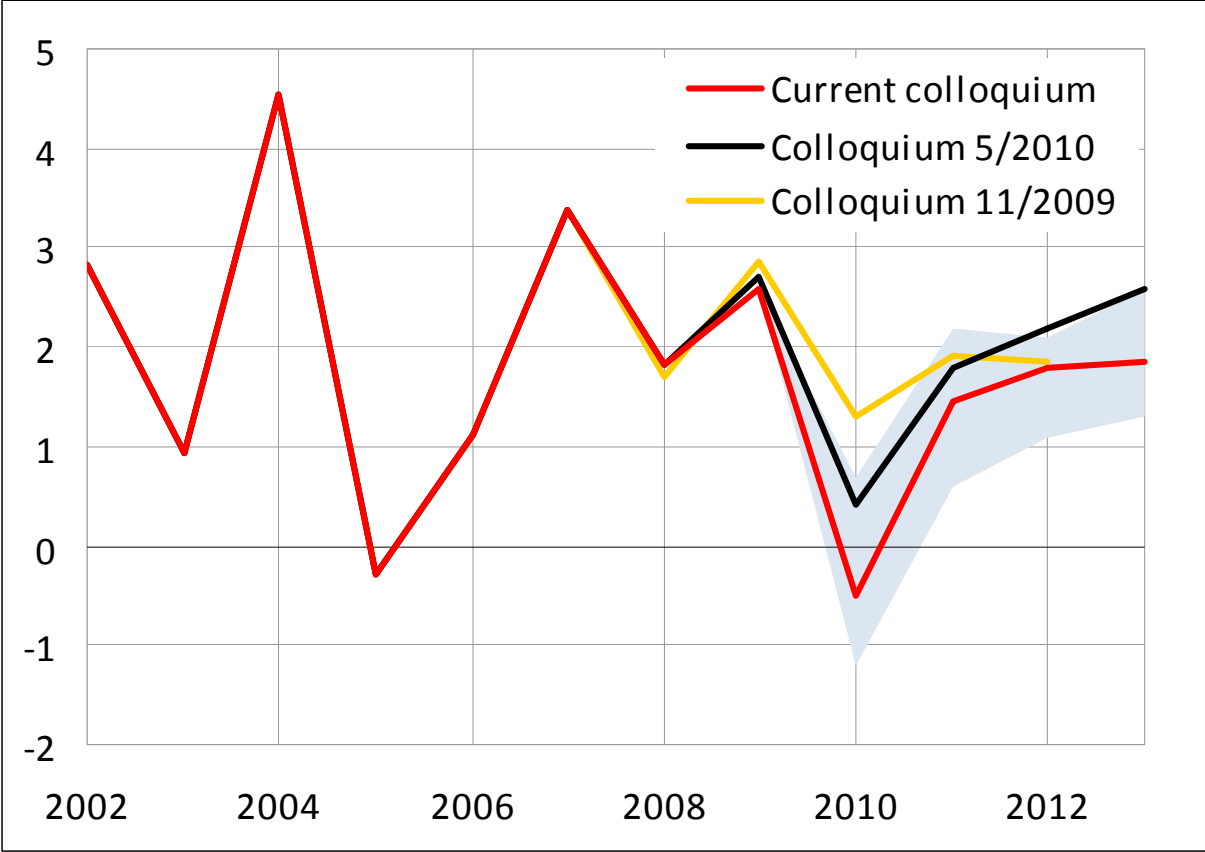
Graph 12: **Gross fixed capital formation**
real growth in %

Ongoing decline in investment activity, return to growth expected on average in the next year
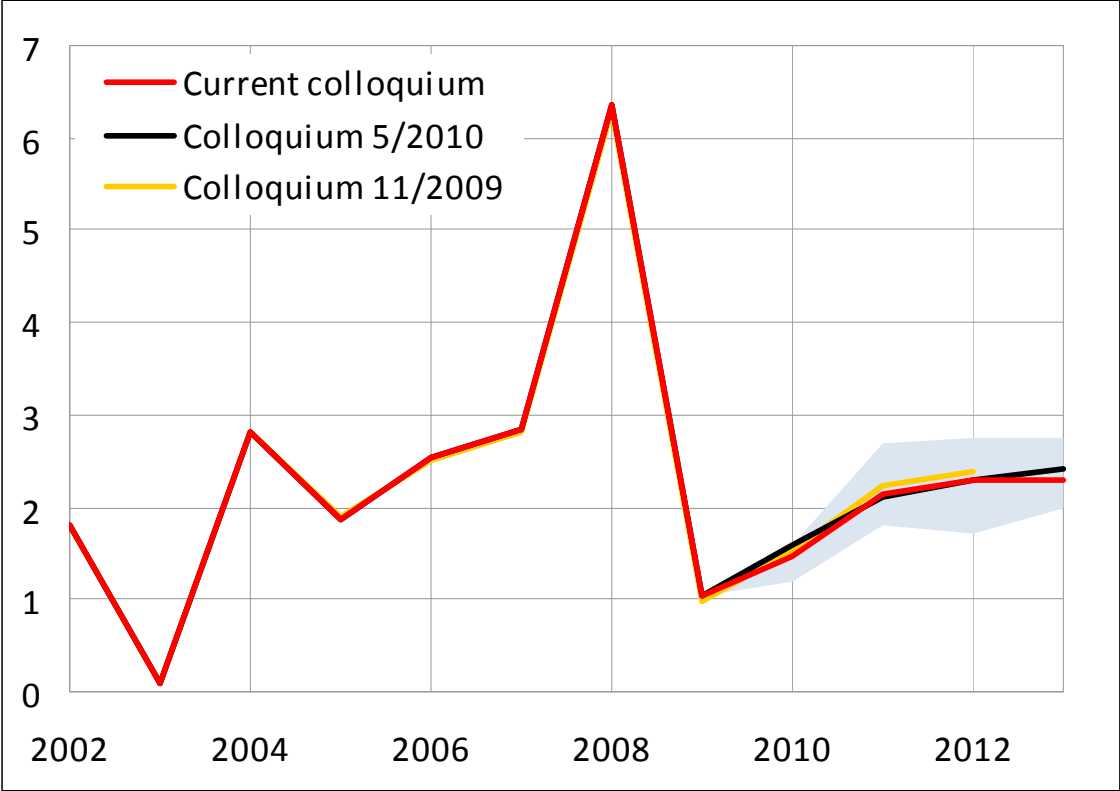
Graph 13: **GDP deflator**
growth in %

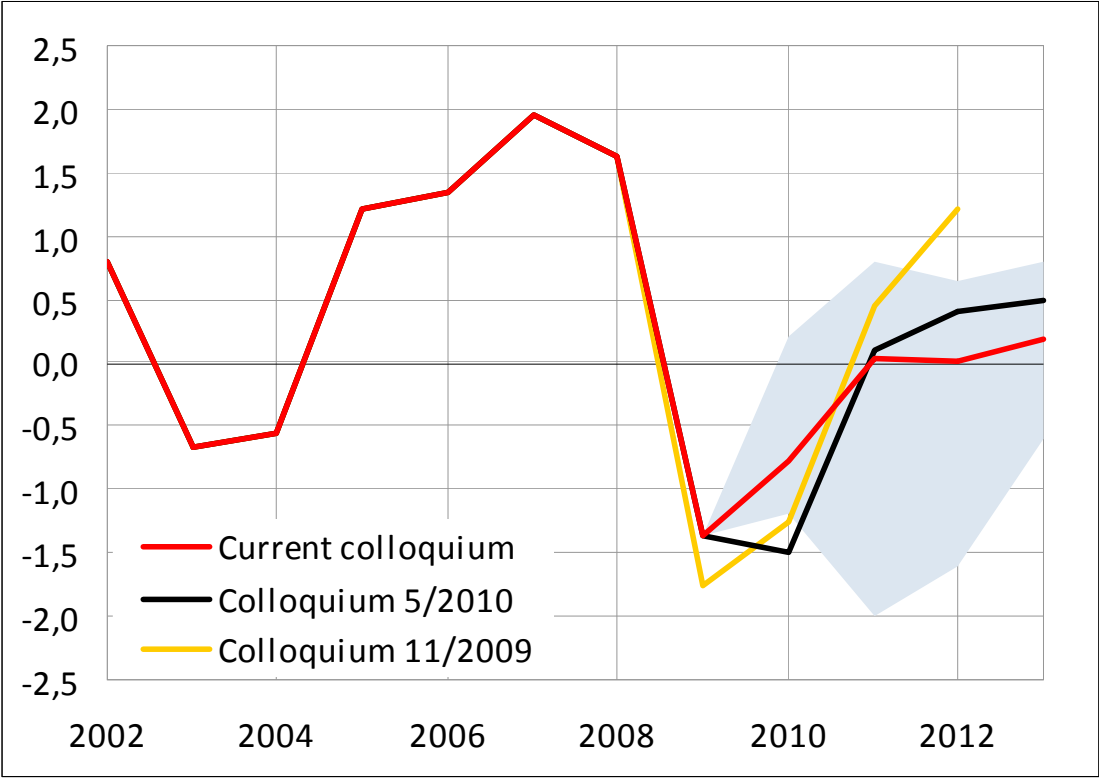GDP deflator falling this year, growing at roughly 2 % in 2013

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

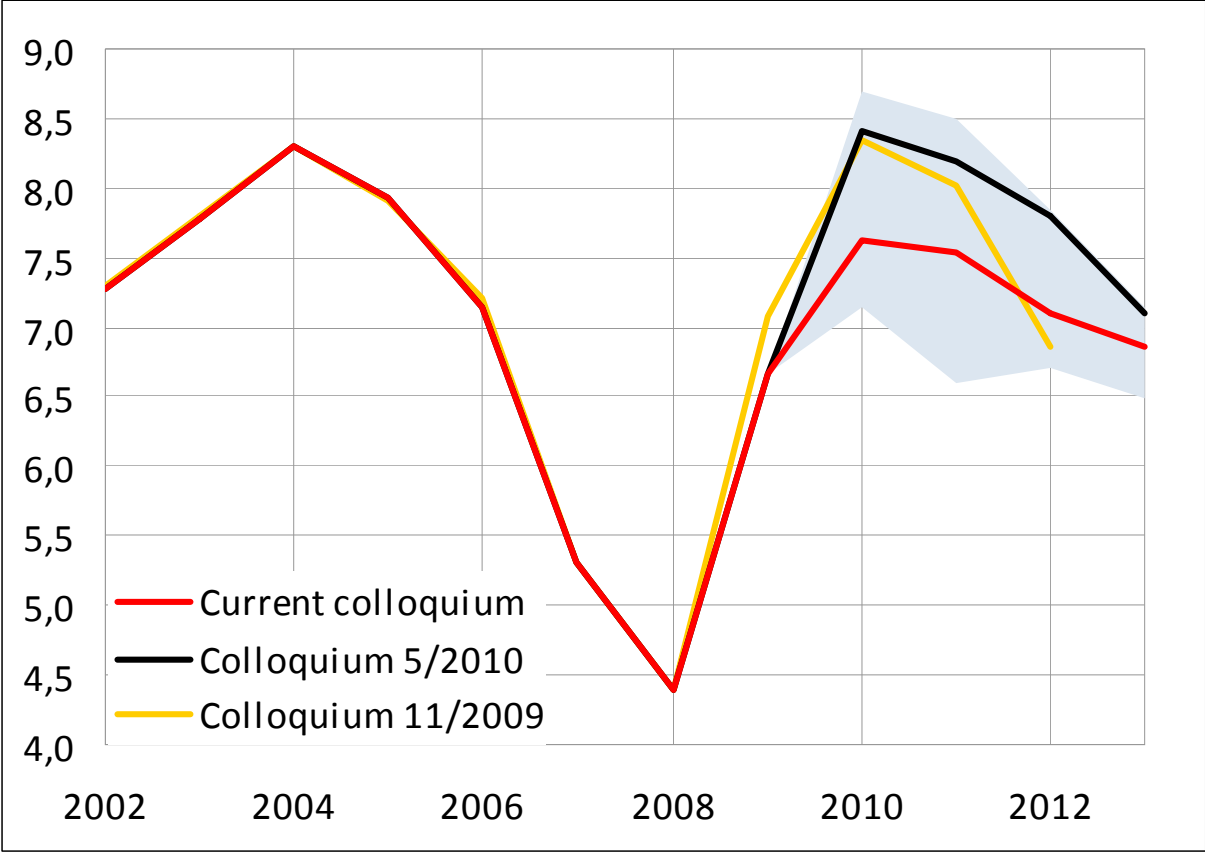Growth rate of consumer prices within the tolerance band of the CNB's inflation target

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

Employment expected to fall this year, stagnate in 2011 and 2012 and grow moderately in 2013
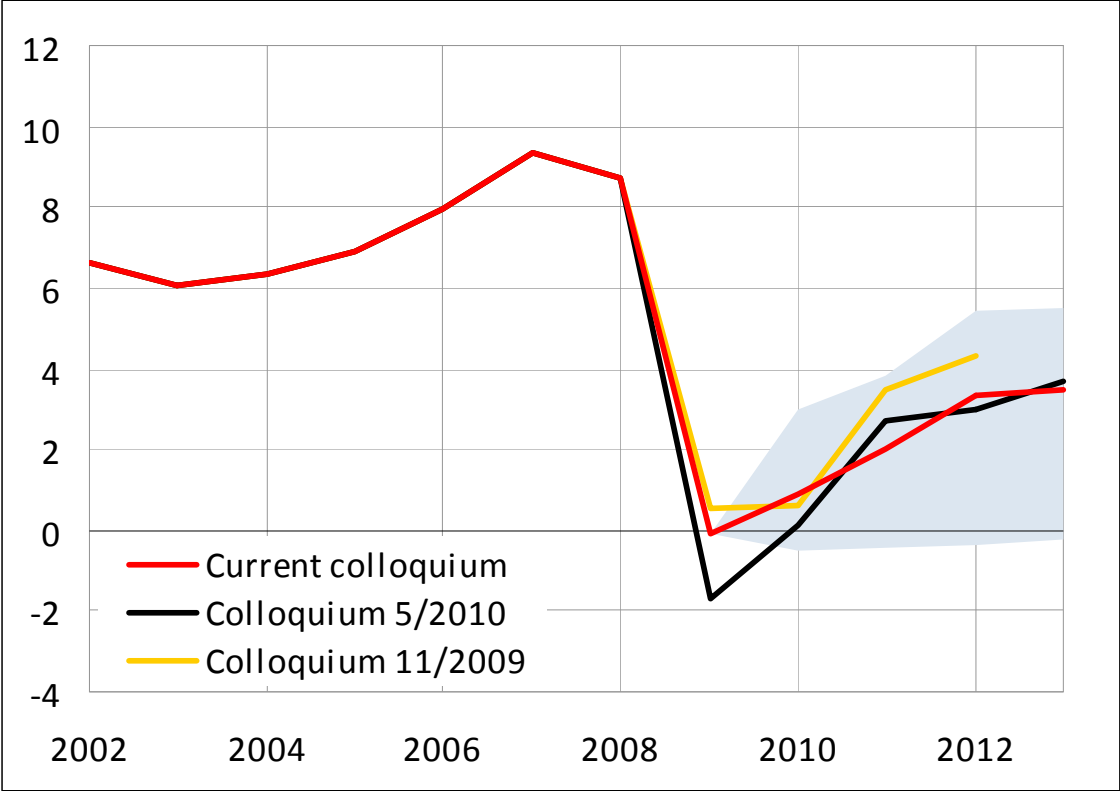
Graph 16: **Unemployment rate (LFS)**
in %

Significant improvement in the estimates of unemployment rate

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

Growth dynamics of the total wage bill should be recovering, after the stagnation in 2009

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

Current account deficit on sustainable levels