

## Survey of macroeconomic forecasts

Twice a year, the MoF conducts a survey (the so-called Colloquium), the aim of which is to find out how relevant institutions see prospects for the Czech economy and to assess major trends the forecasts of the participating institutions envisage. Results of the relevant Colloquium are also regularly compared with macroeconomic frameworks of the State Budget and the Budgetary Outlook, macroeconomic scenario of the Convergence Programme and MoF forecasts. The results of the 34th Colloquium, which took place in November 2012, are based on the forecasts of 18 institutions (MoF, Ministry of Industry and Trade, Ministry of Labour and Social Affairs, CNB, CERGE-EI, Citibank, Cyrrus, Ceska sporitelna, CSOB, Czech Chamber of Commerce, IES FSV UK, Komerční banka, Liberalni institut, Patria Finance, Generali PPF Asset Management, Raiffeisenbank, The Union of Czech Production Co-operatives, UniCredit Bank). To make the survey more representative, the forecasts of the EC (Autumn 2012 Economic Forecast), the IMF (October 2012 World Economic Outlook) and the OECD (November 2012 Economic Outlook) have been added.

Key tendencies within the horizon of years 2012–2015 envisaged in the current MoF forecast are broadly in line with the forecasts of other institutions. However, comparison for the years 2014 and 2015 is complicated by the fact that this period is not covered by the forecasts of all institutions (the whole period 2012–2015 is covered, at least for some indicators, by forecasts of 11 institutions). Key indicators and the last MoF forecast (October 2012) are summed up in Tables 1 and 2.

Table 1: Results of the survey for the years 2012 and 2013

		2012				2013			
		<i>min.</i>	<i>average</i>	<i>max.</i>	<i>MoF CR</i>	<i>min.</i>	<i>average</i>	<i>max.</i>	<i>MoF CR</i>
<i>Assumptions</i>									
<b>GDP of EA12</b>	<i>real growth in %</i>	-0.7	<b>-0.4</b>	0.0	<b>-0.5</b>	-0.7	<b>0.1</b>	1.0	<b>0.3</b>
<b>Crude oil Brent</b>	<i>USD/barrel</i>	107	<b>112</b>	120	<b>113</b>	100	<b>112</b>	130	<b>115</b>
<b>3M PRIBOR</b>	<i>average in %</i>	0.7	<b>0.9</b>	1.1	<b>1.0</b>	0.2	<b>0.6</b>	1.1	<b>0.5</b>
<b>YTM of 10Y gov. bonds</b>	<i>average in %</i>	2.2	<b>2.7</b>	2.9	<b>2.9</b>	2.1	<b>2.4</b>	2.7	<b>2.7</b>
<b>CZK/EUR exchange rate</b>		24.8	<b>25.1</b>	25.3	<b>25.1</b>	24.2	<b>25.0</b>	25.9	<b>24.9</b>
<b>USD/EUR exchange rate</b>		1.25	<b>1.28</b>	1.31	<b>1.28</b>	1.21	<b>1.27</b>	1.33	<b>1.30</b>
<i>Main indicators</i>									
<b>Gross domestic product</b>	<i>real growth in %</i>	-1.5	<b>-1.0</b>	-0.4	<b>-1.0</b>	-0.3	<b>0.3</b>	0.8	<b>0.7</b>
<b>Contr. of change in inventories</b>	<i>percentage points</i>	-2.9	<b>-1.3</b>	-0.9	<b>-0.9</b>	-0.5	<b>0.1</b>	1.2	<b>0.1</b>
<b>Contr. of foreign balance</b>	<i>percentage points</i>	1.4	<b>2.2</b>	3.5	<b>1.8</b>	-0.3	<b>0.7</b>	2.0	<b>1.0</b>
<b>Consumption of households</b>	<i>real growth in %</i>	-3.8	<b>-2.9</b>	-1.3	<b>-3.0</b>	-3.7	<b>-0.4</b>	0.7	<b>-0.5</b>
<b>Consumption of government</b>	<i>real growth in %</i>	-2.4	<b>-0.9</b>	-0.2	<b>-1.1</b>	-1.9	<b>-0.6</b>	0.4	<b>-1.3</b>
<b>Fixed capital formation</b>	<i>real growth in %</i>	-3.0	<b>-0.8</b>	0.8	<b>-0.6</b>	-3.0	<b>-0.1</b>	2.9	<b>0.3</b>
<b>GDP deflator</b>	<i>growth in %</i>	1.0	<b>1.4</b>	1.8	<b>1.3</b>	0.3	<b>1.4</b>	2.6	<b>0.9</b>
<b>Inflation rate (aop)</b>	<i>in %</i>	3.0	<b>3.3</b>	3.5	<b>3.3</b>	1.8	<b>2.4</b>	3.5	<b>2.1</b>
<b>Employment</b>	<i>growth in %</i>	-0.5	<b>0.0</b>	0.4	<b>0.0</b>	-1.3	<b>-0.4</b>	0.0	<b>-0.2</b>
<b>Unemployment rate (LFS)</b>	<i>in %</i>	6.9	<b>7.0</b>	7.3	<b>6.9</b>	7.0	<b>7.5</b>	8.0	<b>7.3</b>
<b>Wage bill (domestic concept)</b>	<i>nom. growth in %</i>	1.5	<b>2.0</b>	2.7	<b>2.0</b>	1.2	<b>2.0</b>	3.0	<b>2.1</b>
<b>BoP – current account</b>	<i>in % of GDP</i>	-2.9	<b>-1.5</b>	-0.1	<b>-1.3</b>	-3.0	<b>-1.4</b>	0.3	<b>-1.2</b>

Source: Survey respondents, MoF calculations

Table 2: Results of the survey for the years 2014 and 2015

		2014				2015			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
<i>Assumptions</i>									
<b>GDP of EA12</b>	<i>real growth in %</i>	-0.2	<b>1.0</b>	1.7	<b>1.1</b>	0.0	<b>1.3</b>	2.5	<b>1.8</b>
<b>Crude oil Brent</b>	<i>USD/barrel</i>	100	<b>112</b>	126	<b>118</b>	96	<b>116</b>	137	<b>120</b>
<b>3M PRIBOR</b>	<i>average in %</i>	0.3	<b>0.8</b>	1.4	<b>0.5</b>	0.6	<b>1.4</b>	2.5	<b>0.6</b>
<b>YTM of 10Y gov. bonds</b>	<i>average in %</i>	2.2	<b>2.8</b>	3.4	<b>3.0</b>	2.4	<b>3.1</b>	3.8	<b>3.3</b>
<b>CZK/EUR exchange rate</b>		23.9	<b>24.7</b>	25.2	<b>24.7</b>	23.5	<b>24.4</b>	25.1	<b>24.5</b>
<b>USD/EUR exchange rate</b>		1.20	<b>1.27</b>	1.35	<b>1.30</b>	1.18	<b>1.25</b>	1.30	<b>1.30</b>
<i>Main indicators</i>									
<b>Gross domestic product</b>	<i>real growth in %</i>	0.5	<b>1.6</b>	2.4	<b>1.9</b>	0.9	<b>2.1</b>	3.3	<b>2.6</b>
<b>Contr. of change in inventories</b>	<i>percentage points</i>	-1.0	<b>0.2</b>	2.0	<b>0.5</b>	-1.0	<b>0.0</b>	0.4	<b>0.4</b>
<b>Contr. of foreign balance</b>	<i>percentage points</i>	-0.7	<b>0.7</b>	2.0	<b>0.6</b>	-0.2	<b>0.7</b>	2.0	<b>0.6</b>
<b>Consumption of households</b>	<i>real growth in %</i>	-3.8	<b>0.8</b>	1.6	<b>1.2</b>	-3.0	<b>0.9</b>	2.3	<b>2.3</b>
<b>Consumption of government</b>	<i>real growth in %</i>	-1.6	<b>-0.1</b>	1.0	<b>-1.2</b>	-0.7	<b>-0.1</b>	0.5	<b>-0.7</b>
<b>Fixed capital formation</b>	<i>real growth in %</i>	-0.5	<b>1.6</b>	4.6	<b>1.8</b>	0.5	<b>2.5</b>	4.1	<b>2.8</b>
<b>GDP deflator</b>	<i>growth in %</i>	0.0	<b>1.1</b>	2.3	<b>1.5</b>	1.2	<b>1.5</b>	2.1	<b>1.4</b>
<b>Inflation rate (aop)</b>	<i>in %</i>	0.9	<b>1.9</b>	3.0	<b>2.3</b>	1.4	<b>2.1</b>	3.0	<b>2.0</b>
<b>Employment</b>	<i>growth in %</i>	-0.4	<b>0.1</b>	0.6	<b>0.2</b>	0.0	<b>0.3</b>	0.8	<b>0.3</b>
<b>Unemployment rate (LFS)</b>	<i>in %</i>	7.0	<b>7.3</b>	8.0	<b>7.2</b>	6.7	<b>7.1</b>	7.8	<b>7.0</b>
<b>Wage bill (domestic concept)</b>	<i>nom. growth in %</i>	1.2	<b>2.9</b>	4.3	<b>4.3</b>	1.5	<b>3.4</b>	5.0	<b>3.9</b>
<b>BoP – current account</b>	<i>in % of GDP</i>	-3.3	<b>-1.3</b>	0.1	<b>-1.0</b>	-3.3	<b>-1.6</b>	0.3	<b>-1.3</b>

Source: Survey respondents, MoF calculations

The main trends of macroeconomic development in 2012 and 2013 can be summed up as follows:

- On average, the institutions expect GDP to decline by 1.0% this year. In 2013, however, economic output should increase by 0.3%. The MoF forecast is in line with the prognoses of other institutions, although it envisages somewhat stronger recovery in 2013.
- Consumer prices will be influenced by changes in indirect taxes, mainly VAT. According to the participating institutions, inflation rate (aop) should reach 3.3% in 2012 and 2.4% in 2013. The MoF forecast is in line with these estimates.
- Employment, which the institutions on average expect to stagnate this year, should decline by 0.4% in 2013. This development is consistent with the MoF forecast.
- According to the forecasts of participating institutions, unemployment rate should increase from 7.0% in 2012 to 7.5% in 2013. The MoF forecast envisages rising unemployment rate, too.
- In their forecasts, the institutions on average expect total wage bill to grow by around 2% in both 2012 and 2013. The MoF shares this view.
- Compared with recent years, current account deficit should shrink significantly. On average, the participating institutions expect current account balance to reach –1.5% of GDP in 2012 and –1.4% of GDP in 2013. The MoF forecast is in line with these estimates.

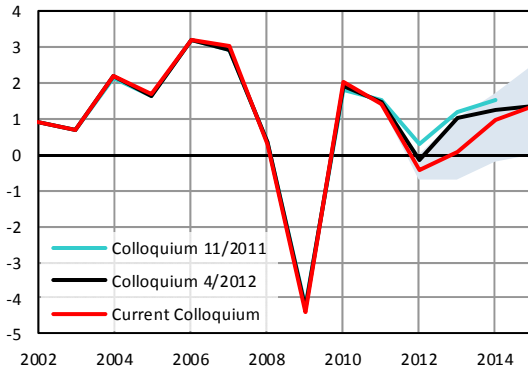
## Overview of indicators

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 EA12**

real growth in %

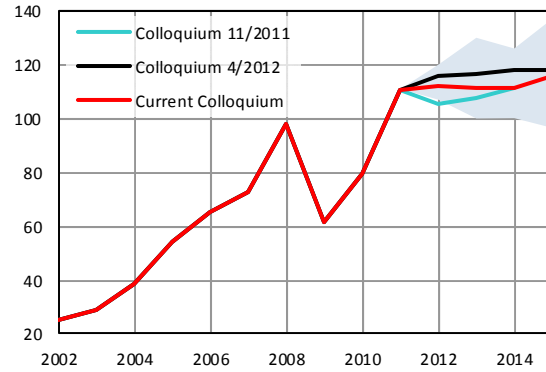
Further deterioration of eurozone's growth prospects



**Graph 2: Crude oil Brent**

USD/barrel

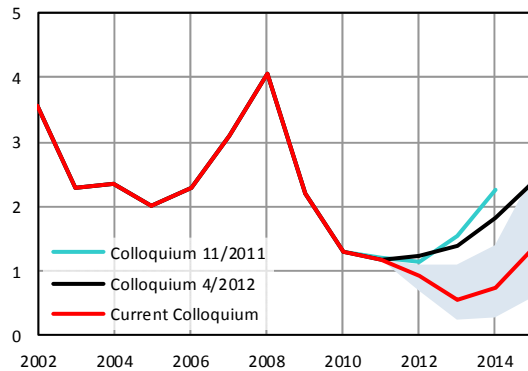
Price of crude oil Brent around 115 USD/barrel



**Graph 3: 3M PRIBOR**

average in %

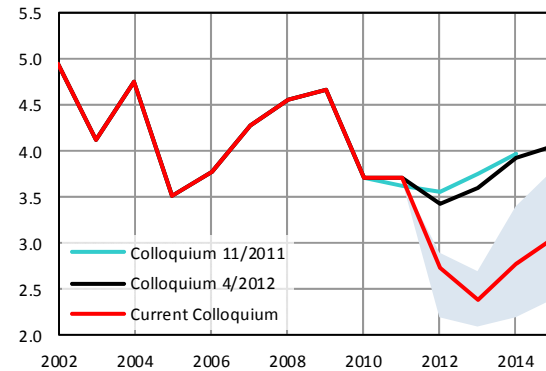
Short-term rates at historically low levels



**Graph 4: YTM of 10Y government bonds**

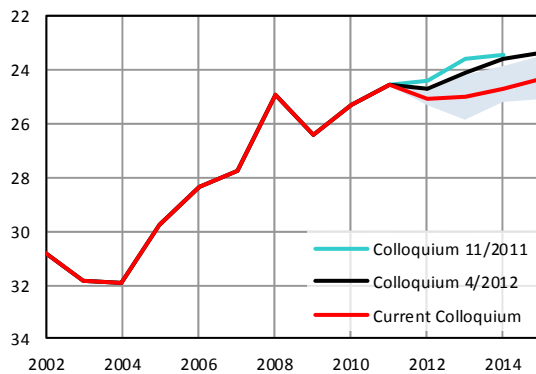
average in %

Czech gov. bonds should enjoy high confidence of financial markets



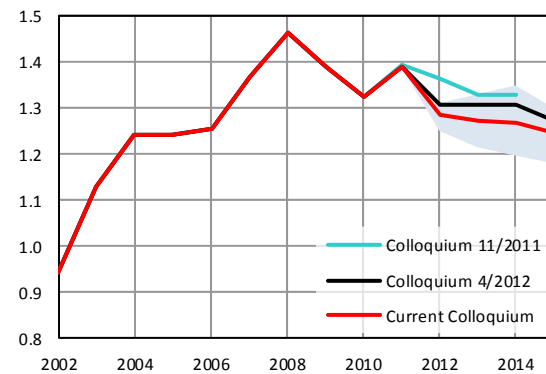
**Graph 5: CZK/EUR exchange rate**

Revision of estimates – slower appreciation and weaker levels of CZK



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

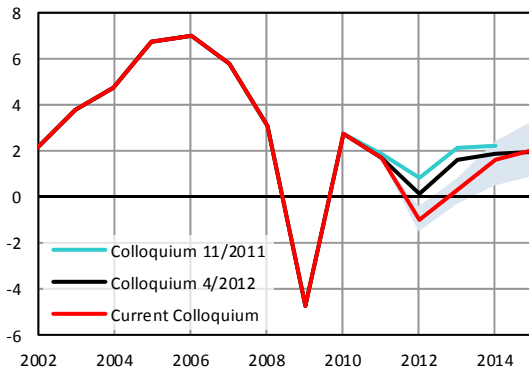
Tendency towards mild appreciation of the US dollar vis-à-vis the euro



**Graph 7: Gross domestic product**

real growth in %

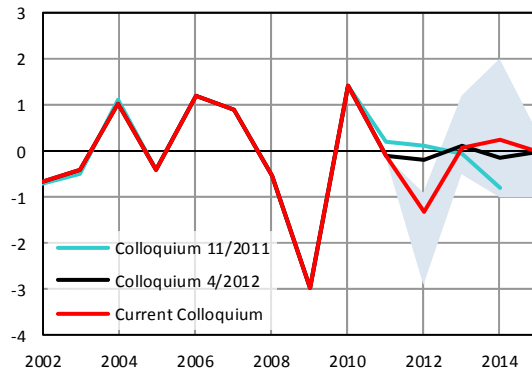
GDP drop in 2012 followed by moderate recovery



**Graph 8: Contribution of change in inventories**

percentage points

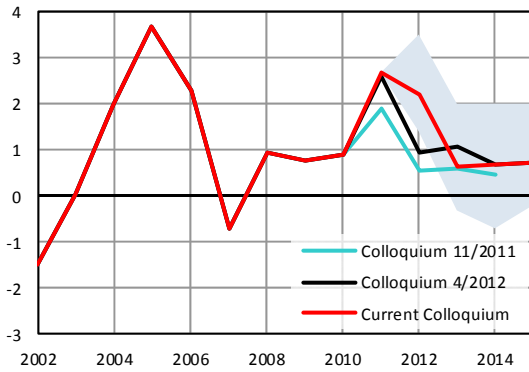
Negligible contr. of change in inventories, with the exception of 2012



**Graph 9: Contribution of foreign balance**

percentage points

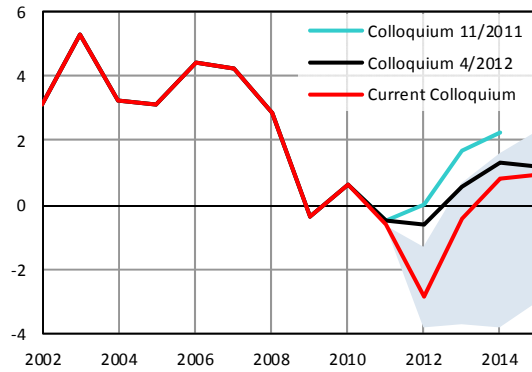
Positive contribution of net exports in the whole forecasting horizon



**Graph 10: Consumption of households**

real growth in %

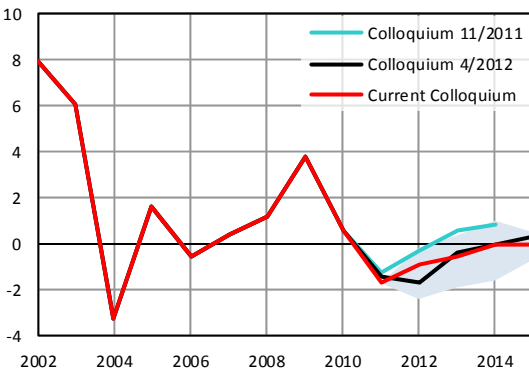
Household consumption on a decline in 2012 and 2013



**Graph 11: Consumption of government**

real growth in %

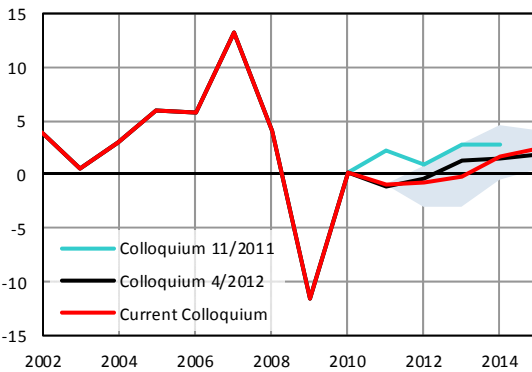
Economizing behaviour of the government sector expected



**Graph 12: Gross fixed capital formation**

real growth in %

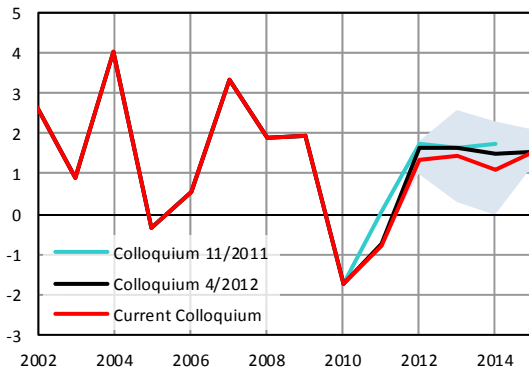
Sluggish growth in investment activity only in 2014 and 2015



**Graph 13: GDP deflator**

*growth in %*

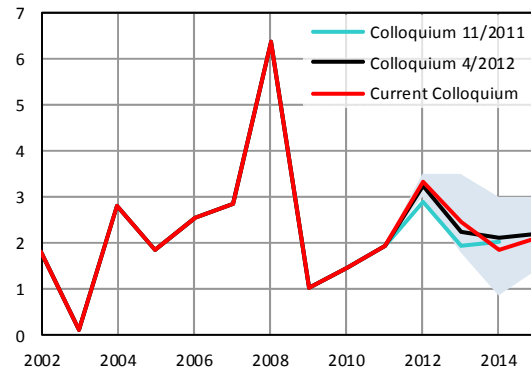
GDP deflator growth around 1.5 %



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

*in %*

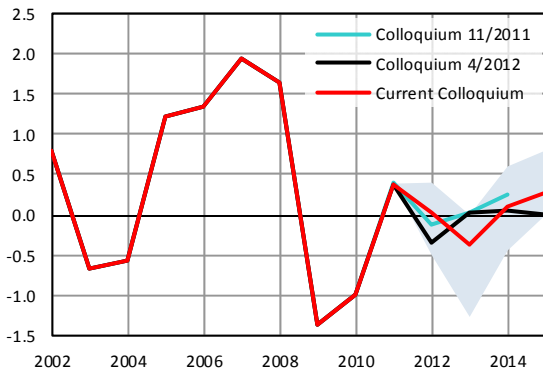
Inflation expectations firmly anchored at the CNB's inflation target



**Graph 15: Employment (LFS)**

*growth v %*

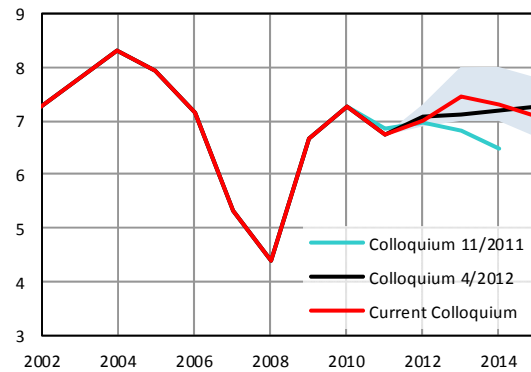
A drop in employment in 2013 followed by moderate growth



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

*in %*

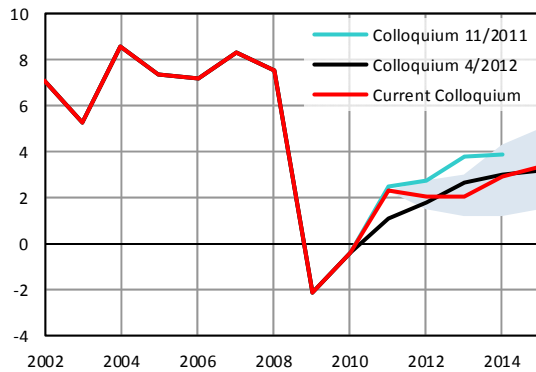
Unemployment rate above 7 % in the whole forecasting horizon



**Graph 17: Total wage bill (domestic concept)**

*nominal growth in %*

Growth of total wage bill in line with nominal GDP dynamics



**Graph 18: Balance of payments – current account**

*in % of GDP*

Significant improvement in the current account balance

