

## 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 the prospects for the Czech economy and to assess major trends the forecasts of the participating institutions envisage. The results of the 36th Colloquium, which took place in November 2013, are based on the forecasts of 17 institutions (MoF, Ministry of Industry and Trade, Ministry of Labour and Social Affairs, CNB, CERGE-EI, Citibank, Ceska sporitelna, CSOB, Generali PPF Asset Management, Czech Chamber of Commerce, IES FSV UK, Komerční banka, Liberalni institut, Patria Finance, Raiffeisenbank, Confederation of Industry of the Czech Republic, UniCredit Bank). To make the survey more representative, forecasts of the EC (Autumn 2013 European Economic Forecast), the IMF (October 2013 World Economic Outlook) and the OECD (November 2013 Economic Outlook) have been added.

Key trends for the years 2013–2016 that are envisaged in the current MoF forecast are broadly in line with the forecasts of other institutions. The CZK/EUR exchange rate is an exception, because the majority of institutions have already built the effects of the CNB's FX interventions into their forecasts. Comparison for the years 2015 and 2016 is complicated by the fact that this period is not covered by the forecasts of all institutions (the whole period 2013–2016 is covered, at least for some indicators, by forecasts of 11 institutions). Key indicators and the last MoF forecast (October 2013) are summed up in Tables 1 and 2.

Table 1: Results of the survey for the years 2013 and 2014

		2013				2014			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
<i>Assumptions</i>									
<b>GDP of EA12</b>	<i>real growth in %</i>	-0.5	<b>-0.3</b>	0.1	<b>-0.3</b>	0.6	<b>1.0</b>	1.5	<b>1.0</b>
<b>Crude oil Brent</b>	<i>USD/barrel</i>	105	<b>108</b>	110	<b>108</b>	102	<b>108</b>	120	<b>103</b>
<b>3M PRIBOR</b>	<i>average in %</i>	0.4	<b>0.5</b>	0.5	<b>0.5</b>	0.2	<b>0.4</b>	0.6	<b>0.5</b>
<b>YTM of 10Y gov. bonds</b>	<i>average in %</i>	2.1	<b>2.1</b>	2.3	<b>2.1</b>	2.0	<b>2.5</b>	3.1	<b>2.4</b>
<b>CZK/EUR exchange rate</b>		25.7	<b>26.2</b>	27.0	<b>25.8</b>	25.4	<b>26.7</b>	27.3	<b>25.8</b>
<b>USD/EUR exchange rate</b>		1.30	<b>1.33</b>	1.38	<b>1.31</b>	1.28	<b>1.32</b>	1.38	<b>1.30</b>
<i>Main indicators</i>									
<b>Gross domestic product</b>	<i>real growth in %</i>	-1.5	<b>-1.2</b>	-0.4	<b>-1.0</b>	0.5	<b>1.6</b>	2.3	<b>1.3</b>
<b>Contr. of change in inventories</b>	<i>percentage points</i>	-1.6	<b>-0.7</b>	1.5	<b>-0.7</b>	-0.2	<b>0.2</b>	1.0	<b>0.4</b>
<b>Contr. of foreign balance</b>	<i>percentage points</i>	0.2	<b>0.7</b>	1.5	<b>0.6</b>	0.4	<b>1.0</b>	1.7	<b>0.6</b>
<b>Consumption of households</b>	<i>real growth in %</i>	-0.4	<b>0.1</b>	0.6	<b>0.2</b>	0.3	<b>0.8</b>	1.8	<b>0.9</b>
<b>Consumption of government</b>	<i>real growth in %</i>	0.1	<b>1.0</b>	1.8	<b>0.8</b>	-2.5	<b>0.3</b>	1.5	<b>0.2</b>
<b>Gross fixed capital formation</b>	<i>real growth in %</i>	-5.2	<b>-4.2</b>	-2.5	<b>-4.8</b>	-0.9	<b>0.7</b>	3.7	<b>-0.8</b>
<b>GDP deflator</b>	<i>growth in %</i>	1.2	<b>1.5</b>	2.1	<b>1.2</b>	0.5	<b>1.2</b>	1.7	<b>0.5</b>
<b>Inflation rate (aop)</b>	<i>in %</i>	1.2	<b>1.4</b>	1.8	<b>1.4</b>	0.7	<b>1.3</b>	2.2	<b>0.7</b>
<b>Employment</b>	<i>growth in %</i>	0.0	<b>0.8</b>	1.2	<b>1.2</b>	-1.0	<b>0.2</b>	0.8	<b>0.4</b>
<b>Unemployment rate (LFS)</b>	<i>in %</i>	7.0	<b>7.1</b>	7.6	<b>7.1</b>	6.8	<b>7.3</b>	8.0	<b>7.3</b>
<b>Wage bill (domestic concept)</b>	<i>nom. growth in %</i>	-0.5	<b>0.6</b>	1.6	<b>0.8</b>	0.5	<b>1.9</b>	3.2	<b>2.5</b>
<b>BoP – current account</b>	<i>in % of GDP</i>	-2.2	<b>-1.4</b>	-0.3	<b>-1.7</b>	-2.3	<b>-0.9</b>	1.5	<b>-1.4</b>

Source: Survey respondents, MoF calculations

Table 2: Results of the survey for the years 2015 and 2016

		2015				2016			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
<i>Assumptions</i>									
<b>GDP of EA12</b>	<i>real growth in %</i>	1.0	<b>1.4</b>	2.0	<b>1.2</b>	1.1	<b>1.4</b>	1.7	<b>1.5</b>
<b>Crude oil Brent</b>	<i>USD/barrel</i>	95	<b>106</b>	120	<b>98</b>	95	<b>109</b>	128	<b>95</b>
<b>3M PRIBOR</b>	<i>average in %</i>	0.3	<b>0.7</b>	1.2	<b>0.7</b>	0.7	<b>1.4</b>	2.0	<b>1.0</b>
<b>YTM of 10Y gov. bonds</b>	<i>average in %</i>	2.3	<b>2.8</b>	3.5	<b>2.7</b>	2.3	<b>3.0</b>	3.8	<b>3.1</b>
<b>CZK/EUR exchange rate</b>		25.5	<b>26.0</b>	27.0	<b>25.8</b>	25.0	<b>25.5</b>	26.0	<b>25.8</b>
<b>USD/EUR exchange rate</b>		1.20	<b>1.31</b>	1.40	<b>1.30</b>	1.15	<b>1.28</b>	1.40	<b>1.30</b>
<i>Main indicators</i>									
<b>Gross domestic product</b>	<i>real growth in %</i>	2.0	<b>2.5</b>	3.8	<b>2.2</b>	2.2	<b>2.6</b>	3.0	<b>2.7</b>
<b>Contr. of change in inventories</b>	<i>percentage points</i>	-0.3	<b>0.1</b>	0.6	<b>0.2</b>	0.0	<b>0.2</b>	0.7	<b>0.0</b>
<b>Contr. of foreign balance</b>	<i>percentage points</i>	0.4	<b>0.9</b>	2.5	<b>0.5</b>	-0.4	<b>0.6</b>	2.0	<b>0.7</b>
<b>Consumption of households</b>	<i>real growth in %</i>	0.6	<b>1.6</b>	2.3	<b>2.1</b>	1.5	<b>2.1</b>	2.8	<b>2.5</b>
<b>Consumption of government</b>	<i>real growth in %</i>	-0.3	<b>0.6</b>	1.3	<b>-0.3</b>	0.2	<b>1.0</b>	3.6	<b>0.2</b>
<b>Gross fixed capital formation</b>	<i>real growth in %</i>	1.4	<b>3.0</b>	6.3	<b>2.6</b>	2.0	<b>3.3</b>	4.5	<b>3.1</b>
<b>GDP deflator</b>	<i>growth in %</i>	0.5	<b>1.4</b>	2.1	<b>1.5</b>	0.3	<b>1.3</b>	2.4	<b>0.9</b>
<b>Inflation rate (aop)</b>	<i>in %</i>	1.3	<b>2.0</b>	2.7	<b>1.9</b>	0.9	<b>1.8</b>	2.7	<b>0.9</b>
<b>Employment</b>	<i>growth in %</i>	-0.7	<b>0.2</b>	0.6	<b>0.1</b>	0.0	<b>0.3</b>	1.0	<b>0.1</b>
<b>Unemployment rate (LFS)</b>	<i>in %</i>	6.0	<b>7.0</b>	7.5	<b>7.1</b>	5.3	<b>6.6</b>	7.0	<b>6.6</b>
<b>Wage bill (domestic concept)</b>	<i>nom. growth in %</i>	1.6	<b>3.7</b>	5.4	<b>4.6</b>	2.2	<b>3.8</b>	6.6	<b>3.9</b>
<b>BoP – current account</b>	<i>in % of GDP</i>	-1.9	<b>-0.6</b>	2.3	<b>-1.5</b>	-1.7	<b>-0.7</b>	0.8	<b>-1.7</b>

Source: Survey respondents, MoF calculations

The key macroeconomic trends in 2013 and 2014 can be summed up as follows:

- GDP is expected to fall by 1.2% this year, owing mostly to the marked drop in gross capital formation. For 2014, the economy is expected to grow by 1.6%, with the contributions from all expenditure components being positive.
- Despite the 1 p.p. hike in both VAT rates, effective from 1 January 2013, inflation should average only 1.4% this year. In the next year, consumer prices ought to grow at a similar pace. While the impact of the CNB's FX interventions will be proinflationary, slashing the price of electricity will push the inflation rate down.
- Employment growth should slow down from this year's relatively strong (esp. given the overall economic situation) 0.8% to just 0.2% in 2014.
- Unemployment rate should reach 7.1%, increasing marginally from the last year's 7.0%. It is expected to culminate in 2014, with the yearly average inching up to 7.3%.
- The growth rate of total wage bill should accelerate from this year's 0.6% to 1.9% in 2014.
- Current account deficit, as a percentage of GDP, should be very low – it could decrease to 0.9% in 2014, from 1.4% expected for this year. Current account deficit of this size is fully consistent with the usual definition of external macroeconomic balance.

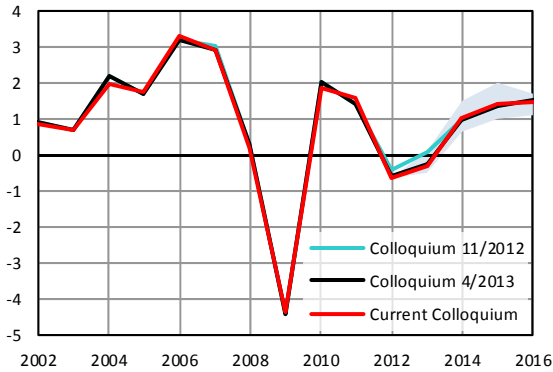
# Overview of indicators

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 %

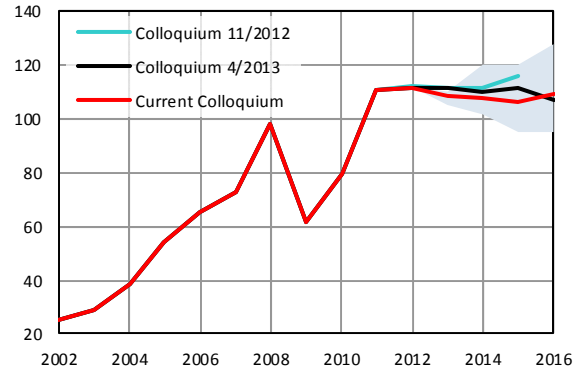
After a small drop in GDP, the EA12 should be gradually recovering



**Graph 2: Crude oil Brent**

USD/barrel

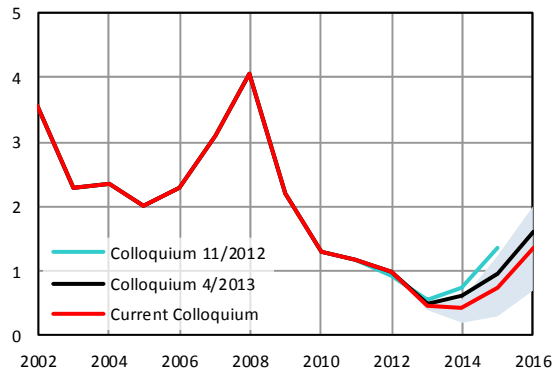
Price of crude oil Brent below 110 USD/barrel



**Graph 3: 3M PRIBOR**

average in %

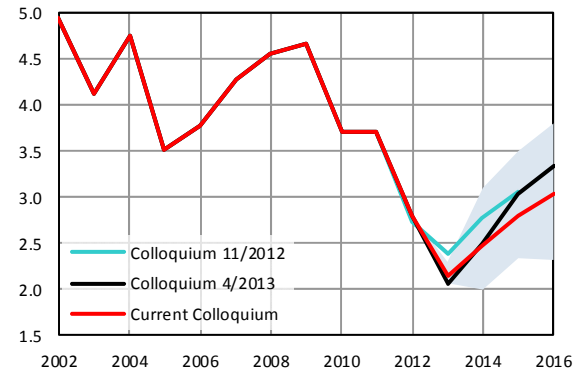
Short-term rates at historical lows



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

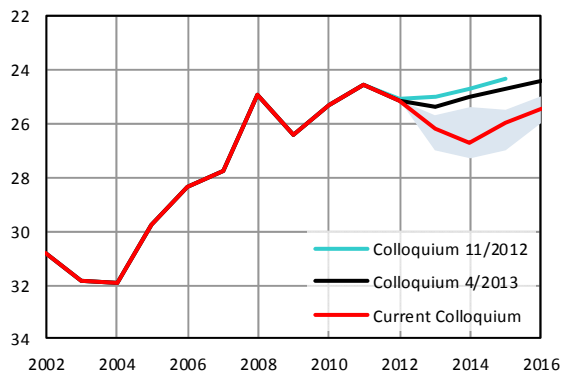
average in %

Czech gov. bonds should enjoy high confidence of financial markets



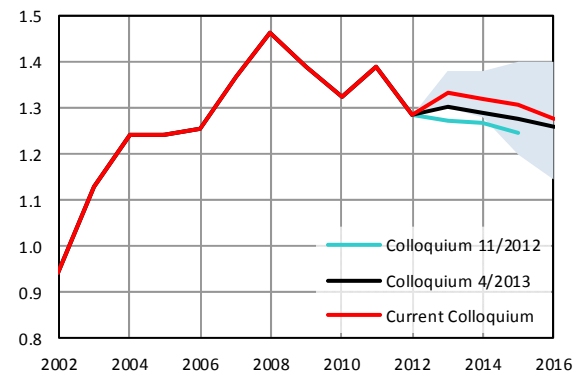
**Graph 5: CZK/EUR exchange rate**

Current estimates reflecting the CNB's FX interventions



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

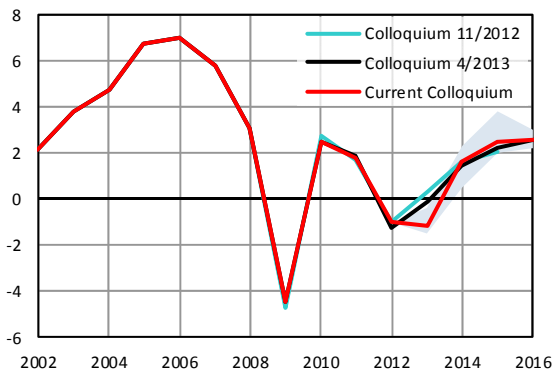
USD/EUR exchange rate around 1.30



**Graph 7: Gross domestic product**

real growth in %

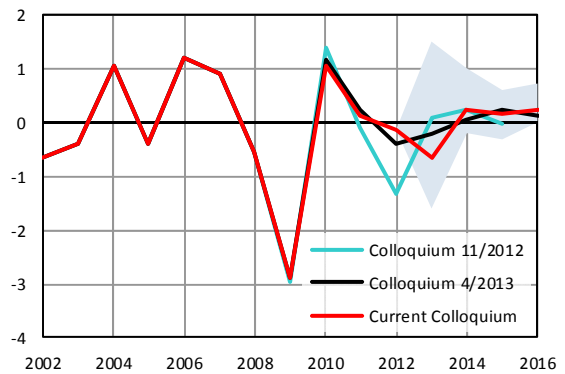
GDP drop in 2013 followed by a moderate recovery



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

percentage points

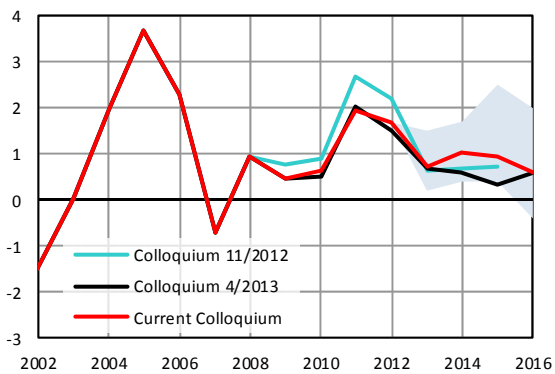
Restocking having a negligible contribution to GDP growth in 2014–16



**Graph 9: Contribution of foreign balance**

percentage points

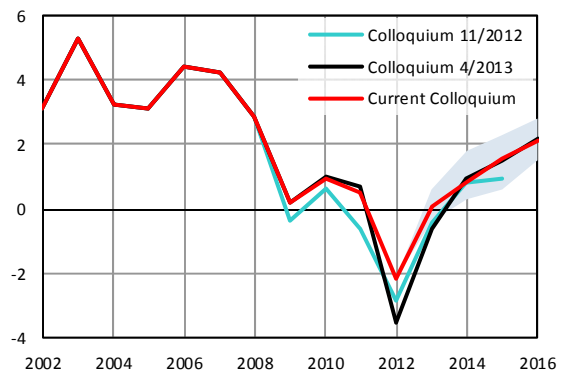
Positive contribution of net exports throughout the forecast horizon



**Graph 10: Consumption of households**

real growth in %

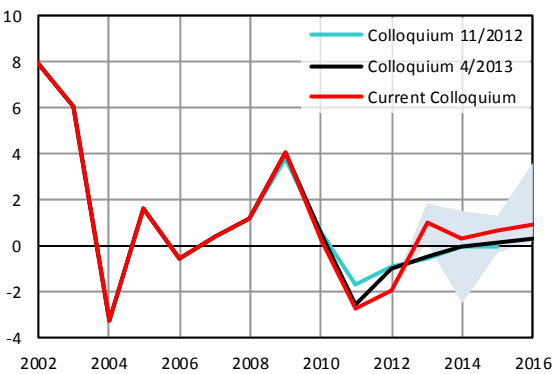
Growth of household consumption slowly gathering pace



**Graph 11: Consumption of government**

real growth in %

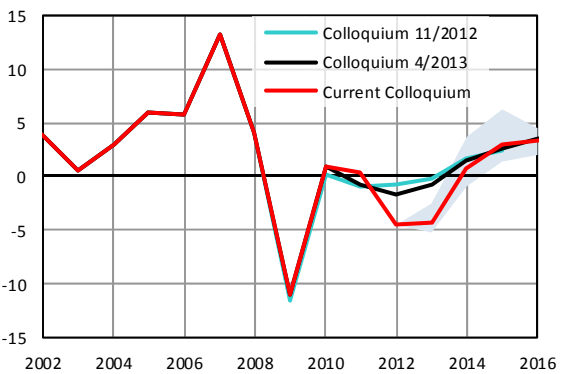
Public consumption reflecting a change in the fiscal policy stance



**Graph 12: Gross fixed capital formation**

real growth in %

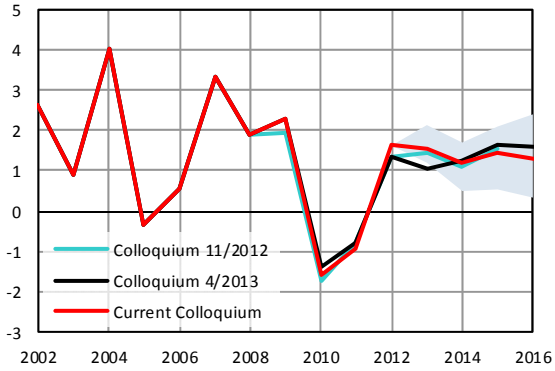
Sluggish growth in investment activity in 2014–2016



**Graph 13: GDP deflator**

*growth in %*

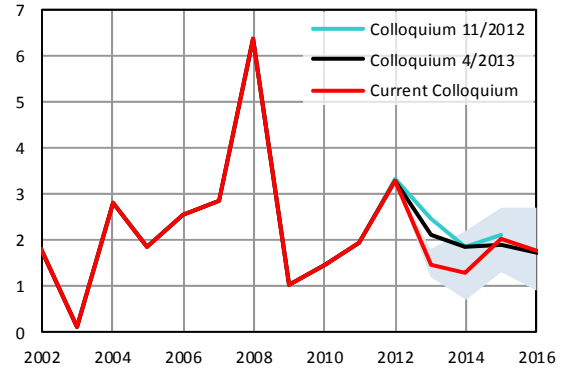
GDP deflator growth within the range of 1–1.5%



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

*in %*

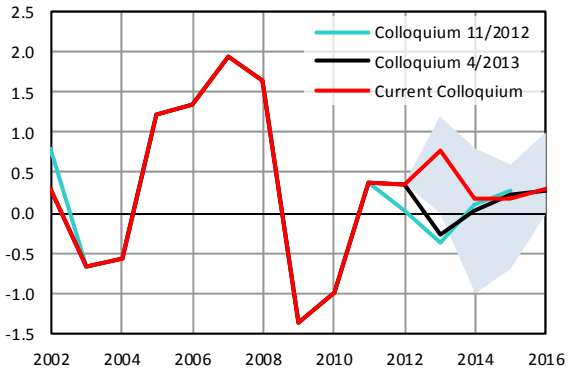
Inflation very low, inflation expectations anchored at the CNB's target



**Graph 15: Employment (LFS)**

*growth v %*

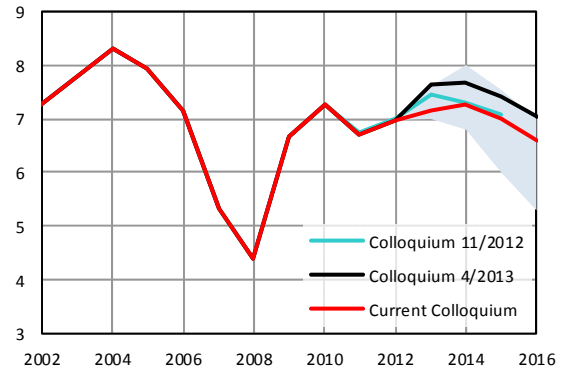
Employment increasing in the whole forecast horizon



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

*in %*

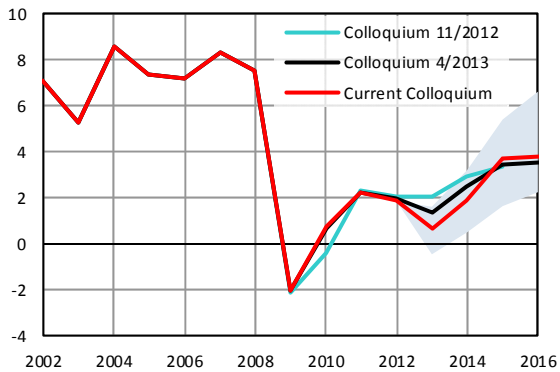
Unemployment rate culminating in 2014, slowly declining thereafter



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

*nominal growth in %*

Growth of total wage bill accelerating towards 4%



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

*in % of GDP*

Current account deficit very low

