Survey of macroeconomic forecasts

The survey of macroeconomic forecasts (so-called Colloquium), which is conducted by the Ministry of Finance (MoF), aims 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 42nd Colloquium, which took place in November 2016, are based on the forecasts of 19 institutions (MoF; Ministry of Industry and Trade; Ministry of Labour and Social Affairs; Czech National Bank; Akcenta CZ; CERGE-EI; CYRRUS; Česká spořitelna; ČSOB; Deloitte; Generali Investments CEE; Czech Chamber of Commerce; Institute of Economic Studies, Faculty of Social Sciences, Charles University; ING Bank; Komerční banka; Raiffeisenbank; Confederation of Industry of the Czech Republic; UniCredit Bank; University of Economics, Prague). To make the survey more representative, the forecasts of the EC (Autumn 2016 European Economic Forecast), the IMF (October 2016 World Economic Outlook) and the OECD (November 2016 Economic Outlook) have been included.

Key trends for the years 2016–2019 that are envisaged in the last MoF's Forecast (November 2016) are consistent with the forecasts of other institutions. However, comparison for the years 2018 and 2019 is complicated by the fact that this period is not covered by the forecasts of all institutions (the whole period 2016–2019 is covered, at least for some indicators, by the forecasts of 12 institutions). Compared with the previous Colloquium, the average forecast has not changed substantially in the case of many indicators. Tables 1 and 2 summarize key indicators and the last Forecast of the MoF.

Main macroeconomic trends in 2016 and 2017 can be summed up as follows:

- On average, respondents of the survey expect GDP to increase by 2.5% this year; growth should pick up marginally to 2.6% in 2017. Expected development of gross fixed capital formation, which could decrease by 2.3% in 2016 and grow by 2.5% in 2017, reflects the end of the 2007–2013 programming period and a gradual start of the 2014–2020 financial perspective. The dynamics of investment – the most import-intensive component of domestic demand – will then affect the contribution of net exports to GDP growth, which could decrease from 1.2 pp in 2016 to 0.4 pp in 2017. Economic growth in this and the next year should be also supported by final consumption expenditure of households and the government sector.
- The year 2016 should be characterized by very low inflation, mainly due to the anti-inflationary impact of the price of oil. According to the average of the participating institutions' forecasts, inflation rate (average of period) could reach 0.6% this year, while in 2017 the growth in consumer prices could accelerate to 1.6%.
- Situation on the labour market should be gradually improving thanks to the economic growth. On average, the institutions forecast employment to increase by 1.5% in 2016 and by 0.5% in 2017. Unemployment rate is expected to decline. However, taking into account the currently very low rate of unemployment, which is already close to the natural rate, there is only limited room for the unemployment rate to decrease further. It could thus average 4.1% this year and 4.0% in 2017.
- On average, the institutions expect the growth of total wage bill to hover around 5% in 2016 and 2017. Wages and salaries would thus grow at the fastest pace since 2008.
- On average, the respondents expect that the current account of the balance of payments will post a surplus of 2.0% of GDP in 2016. Surplus on the current account should decrease to 1.5% of GDP in 2017. Low price of oil will have a positive impact on the current account balance.

Table 1: Results of the survey for the years 2016 and 2017

		2016						2017					
		min.	*P25*	*average*	*P75*	*max.*	*MoF CR*	*min.*	*P25*	*average*	*P75*	*max.*	*MoF CR*
Assumptions													
GDP of EA12	*real growth in %*	1.4	1.5	**1.6**	1.6	1.8	**1.4**	1.1	1.3	**1.4**	1.5	1.9	**1.1**
Crude oil Brent	*USD/barrel*	43	44	**45**	46	50	**44**	43	48	**51**	54	56	**51**
3M PRIBOR	*average in %*	0.3	0.3	**0.3**	0.3	0.3	**0.3**	0.2	0.3	**0.3**	0.3	0.7	**0.3**
YTM of 10Y gov. bonds	*average in %*	0.4	0.4	**0.4**	0.5	0.5	**0.4**	0.5	0.6	**0.7**	0.9	1.0	**0.6**
CZK/EUR exchange rate		27.0	27.0	**27.0**	27.0	27.0	**27.0**	25.8	26.6	**26.7**	26.9	27.0	**26.9**
USD/EUR exchange rate		1.10	1.11	**1.11**	1.11	1.12	**1.11**	1.05	1.07	**1.09**	1.10	1.13	**1.10**
Main indicators													
Gross domestic product	*real growth in %*	1.8	2.4	**2.5**	2.5	3.0	**2.4**	2.0	2.5	**2.6**	2.7	3.3	**2.5**
Contr. of change in inventories	*perc. points*	-0.1	0.0	**0.3**	0.3	1.3	**0.4**	-0.4	0.0	**0.0**	0.1	0.3	**0.0**
Contr. of foreign balance	*perc. points*	-0.3	1.0	**1.2**	1.5	2.5	**1.3**	-0.1	0.1	**0.4**	0.5	2.3	**0.2**
Consumption of households	*real growth in %*	2.3	2.5	**2.6**	2.8	3.0	**2.5**	2.2	2.6	**2.8**	3.0	3.3	**2.8**
Consumption of government	*real growth in %*	1.7	2.3	**2.4**	2.5	2.8	**2.3**	1.3	2.0	**2.2**	2.4	3.0	**1.6**
Gross fixed capital formation	*real growth in %*	-3.6	-2.9	**-2.3**	-1.7	0.0	**-3.6**	0.9	1.9	**2.5**	2.9	4.3	**2.8**
GDP deflator	*growth in %*	0.3	0.8	**0.8**	1.0	1.4	**0.8**	0.8	1.0	**1.2**	1.4	1.7	**0.9**
Inflation rate (aop)	*in %*	0.5	0.6	**0.6**	0.6	0.6	**0.5**	0.6	1.6	**1.6**	1.8	2.0	**1.2**
Employment (LFS)	*growth in %*	0.4	1.5	**1.5**	1.7	1.9	**1.6**	-0.1	0.3	**0.5**	0.5	2.0	**0.3**
Unemployment rate (LFS)	*in %*	4.0	4.1	**4.1**	4.2	4.5	**4.0**	3.8	3.9	**4.0**	4.1	4.4	**3.9**
Wage bill (domestic concept)	*nom. growth in %*	4.2	5.3	**5.2**	5.5	5.8	**5.4**	3.6	4.7	**4.8**	5.0	5.4	**5.0**
BoP – current account balance	*in % of GDP*	1.4	1.7	**2.0**	2.3	3.1	**2.3**	0.8	1.1	**1.5**	1.6	3.5	**1.8**

Note: The data in column P25 (P75) correspond to the 1st (3rd) quartile of the forecast sample.
Source: Survey respondents. Calculations of the MoF.

Table 2: Results of the survey for the years 2018 and 2019

		2018				2019			
		min.	*average*	*max.*	*MoF CR*	*min.*	*average*	*max.*	*MoF CR*
Assumptions									
GDP of EA12	*real growth in %*	1.2	**1.6**	1.8	**1.7**	0.7	**1.5**	2.0	**1.8**
Crude oil Brent	*USD/barrel*	45	**55**	65	**54**	55	**60**	70	**56**
3M PRIBOR	*average in %*	0.3	**0.6**	1.6	**0.3**	0.3	**0.9**	2.3	**0.5**
YTM of 10Y gov. bonds	*average in %*	0.6	**1.2**	1.6	**1.2**	0.7	**1.7**	2.1	**1.6**
CZK/EUR exchange rate		25.0	**25.8**	27.0	**26.2**	23.8	**25.0**	25.6	**25.6**
USD/EUR exchange rate		1.00	**1.10**	1.20	**1.10**	1.00	**1.11**	1.25	**1.10**
Main indicators									
Gross domestic product	*real growth in %*	1.9	**2.5**	3.4	**2.4**	1.2	**2.3**	3.0	**2.4**
Contr. of change in inventories	*perc. points*	0.0	**0.1**	0.2	**0.0**	-0.2	**0.0**	0.4	**0.0**
Contr. of foreign balance	*perc. points*	-0.3	**0.3**	1.8	**0.4**	-0.2	**0.3**	1.3	**0.4**
Consumption of households	*real growth in %*	1.9	**2.6**	3.2	**2.4**	0.8	**2.4**	3.3	**2.3**
Consumption of government	*real growth in %*	0.3	**1.9**	4.2	**1.4**	0.5	**1.9**	3.3	**1.3**
Gross fixed capital formation	*real growth in %*	0.8	**3.1**	4.4	**2.9**	0.5	**2.9**	4.8	**3.1**
GDP deflator	*growth in %*	1.1	**1.7**	2.1	**1.3**	1.2	**1.6**	2.0	**1.5**
Inflation rate (aop)	*in %*	1.1	**1.9**	2.2	**1.6**	1.3	**1.9**	2.2	**1.8**
Employment	*growth in %*	-0.1	**0.4**	1.6	**0.3**	-0.2	**0.4**	1.4	**0.3**
Unemployment rate (LFS)	*in %*	3.7	**4.0**	4.5	**3.9**	3.6	**4.0**	4.7	**3.8**
Wage bill (domestic concept)	*nom. growth in %*	2.9	**4.5**	5.5	**4.5**	1.8	**4.2**	5.5	**4.5**
BoP – current account balance	*in % of GDP*	0.4	**1.3**	3.4	**1.8**	0.1	**1.2**	3.2	**1.7**

Source: Survey respondents. Calculations of the MoF.

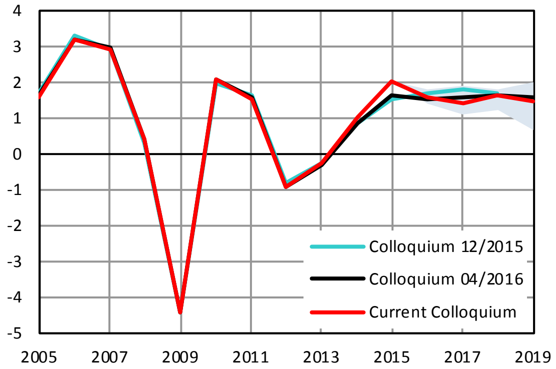
Overview of indicators

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 the EA12

real growth in %

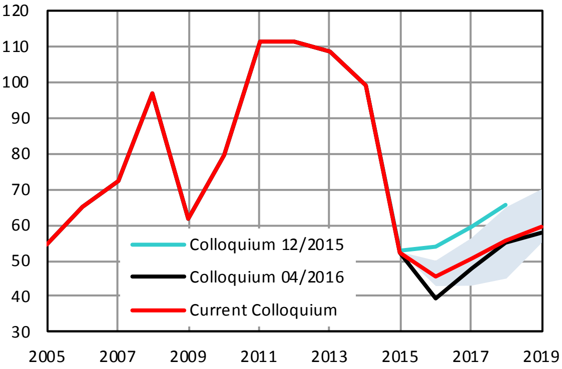
Continuation of moderate GDP growth in the EA12



Graph 2: Crude oil Brent

USD/barrel

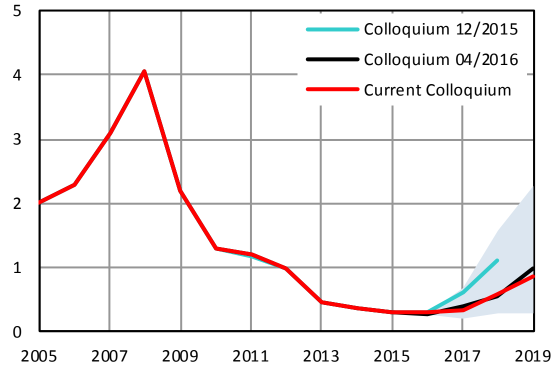
Gradual increase in the crude oil price towards 60 USD/barrel



Graph 3: 3M PRIBOR

average in %

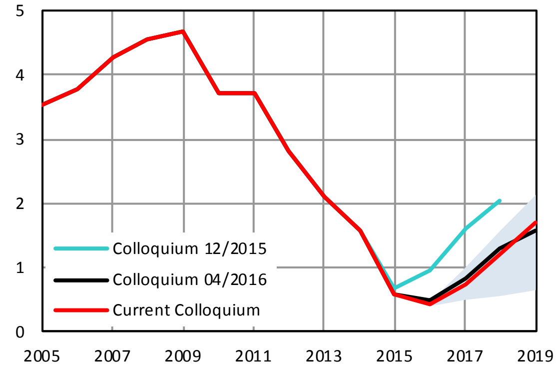
Small increase in short-term rates only in 2018



Graph 4: YTM of 10Y government bonds

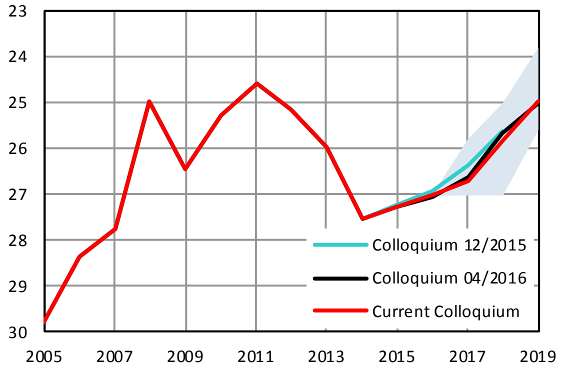
average in %

Very low yield on Czech gov. bonds in the whole forecast horizon



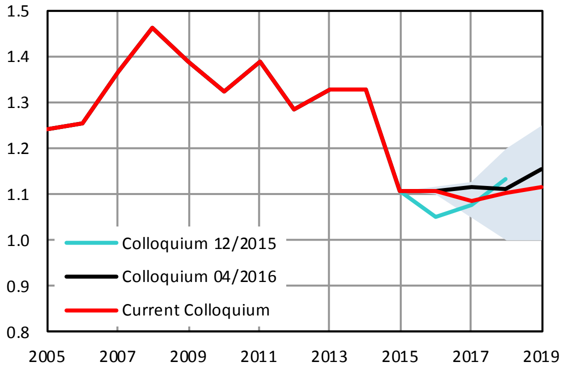
Graph 5: CZK/EUR exchange rate

Appreciation of the koruna below 27 CZK/EUR in 2017



Graph 6: USD/EUR exchange rate

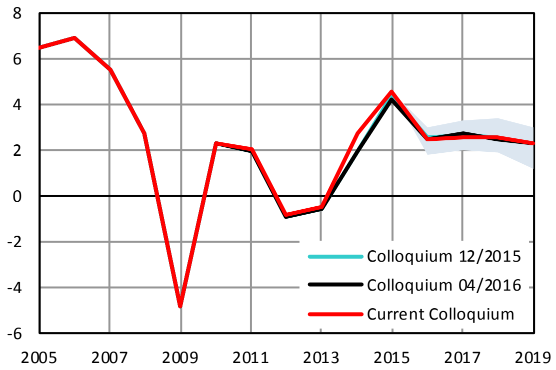
Exchange rate around 1.10 USD/EUR



Graph 7: Gross domestic product

real growth in %

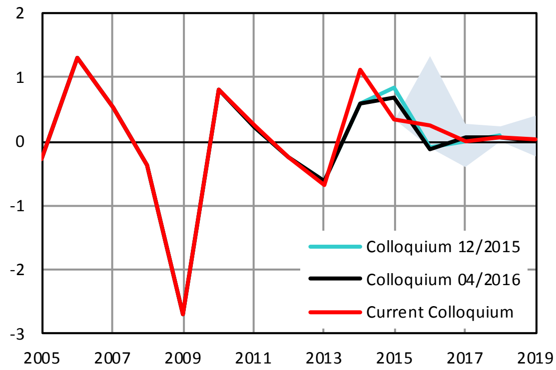
Consensus about GDP growth around 2.5%



Graph 8: Contribution of change in inventories

percentage points

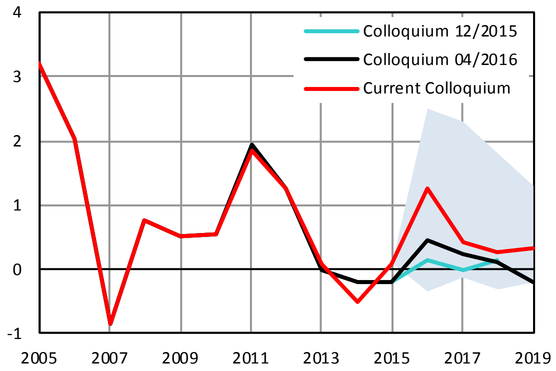
Negligible contribution of change in inventories to GDP growth



Graph 9: Contribution of net exports

percentage points

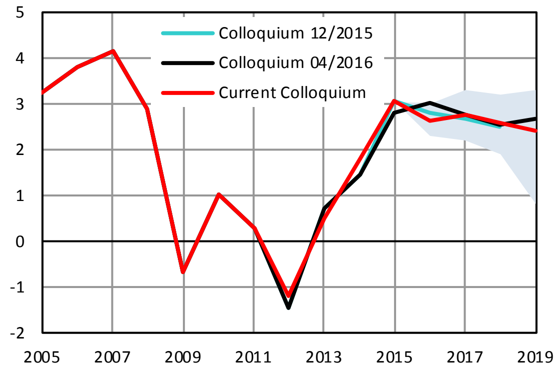
Strong positive contribution of net exports to GDP growth in 2016



Graph 10: Consumption of households

real growth in %

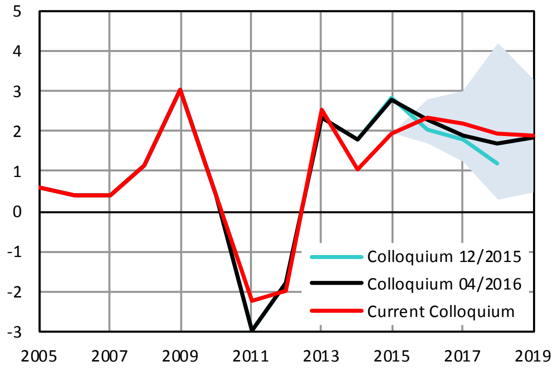
Continued solid growth of household consumption



Graph 11: Consumption of government

real growth in %

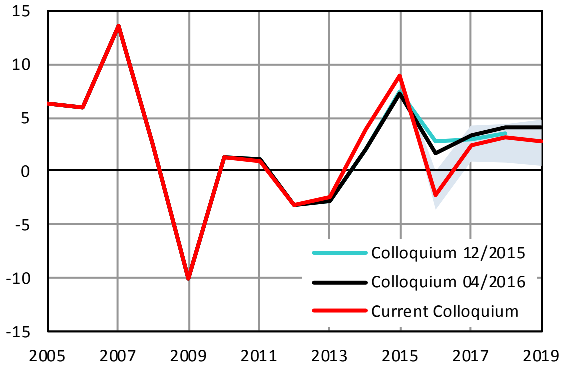
Modest growth of public consumption



Graph 12: Gross fixed capital formation

real growth in %

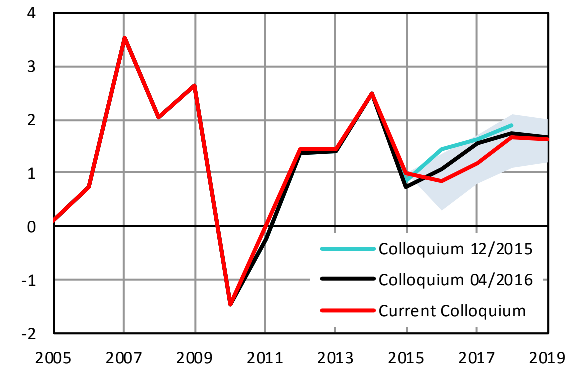
Decrease in investment in 2016 due to the use of EU funds



Graph 13: GDP deflator

growth in %

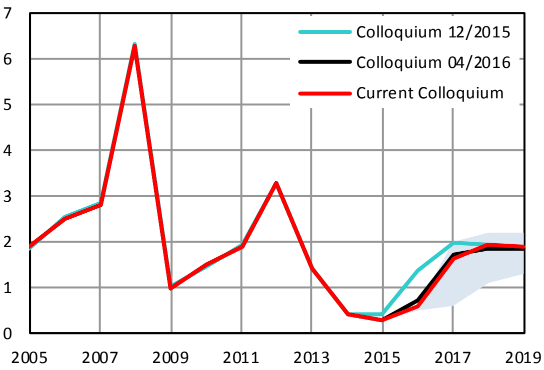
GDP deflator growth below 2%



Graph 14: Inflation rate (aop)

in %

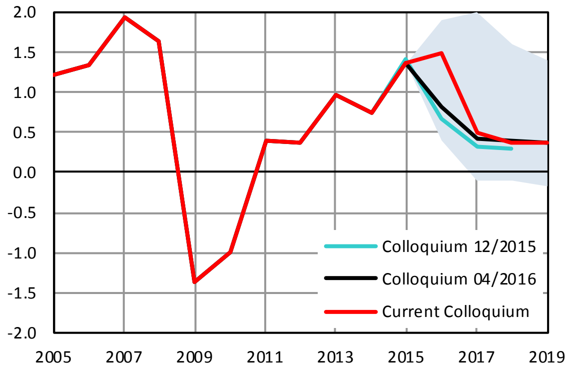
Inflation very low, especially in 2016



Graph 15: Employment (LFS)

growth v %

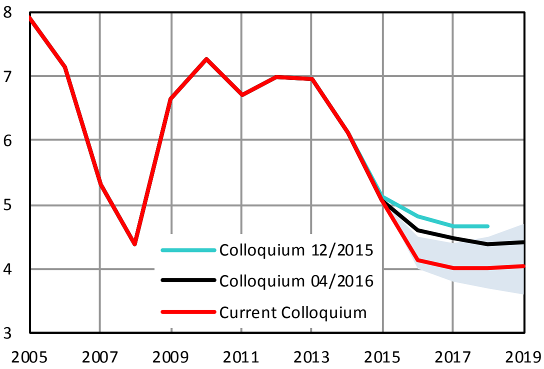
Employment increasing in the whole forecast horizon



Graph 16: Unemployment rate (LFS)

in %

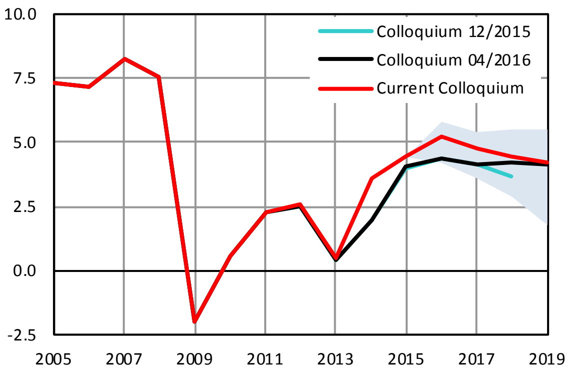
Another downward shift of forecasts



Graph 17: Total wage bill (domestic concept)

nominal growth in %

Growth rate of total wage bill above the threshold of 4%



Graph 18: Balance of payments – current account

in % of GDP

Agreement of respondents on the current account staying in surplus