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Survey of macroeconomic forecasts

November 2018

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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 participating institutions envisage. The results of the 46th Colloquium, which took place in November 2018, are based on the forecasts of 16 institutions (Ministry of Finance; Ministry of Industry and Trade; Ministry of Labour and Social Affairs; Czech National Bank; Akcenta CZ; Citibank; Československá obchodní banka; 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). To make the survey more representative, forecasts of the European Commission (Autumn 2018 European Economic Forecast), the International Monetary Fund (October 2018 World Economic Outlook) and the Organisation for Economic Co-operation and Development (November 2018 Economic Outlook) have been included.

Key trends for the years 2018–2021 that are envisaged in the latest forecast of the MoF (November 2018) are consistent with forecasts of other institutions. However, comparison for the years 2020 and 2021 is complicated by the fact that this period is not covered by forecasts of all institutions (the whole period 2018–2021 is covered, at least for some indicators, by forecasts of 12 institutions). Tables 1 and 2 summarize key indicators and the latest Macroeconomic Forecast of the MoF.

Main macroeconomic trends in 2018 and 2019 can be summed up as follows:

- On average, respondents of the survey expect GDP to increase by 3.0% this year; growth could slow down marginally to 2.9% in 2019. The economy should be exclusively driven by domestic demand, which will at the same time support the growth in imports. Net exports should thus weigh on dynamics of the economy, despite ongoing growth in the Euro Area. Growth of wages and salaries, which reflects the situation in the labour market, will support consumption of households. In 2018 and 2019 final consumption expenditures of households could therefore increase by 3.7% and 3.4%, respectively. Growth in consumption of the general government sector should slow down from the expected 2.7% in 2018 to 2.0% in 2019. Gross fixed capital formation could go up by 7.3% this year; growth in investments should decelerate to 3.9% in 2019.
- According to the average of participating institutions' forecasts, inflation rate should hover slightly above 2%. It could reach 2.3% in 2018 and 2.4% in 2019. Appreciating exchange rate will have anti-inflationary effects, but domestic demand pressures will be pushing inflation up.
- Situation in the labour market should remain tight. On average, the institutions regard the room for unemployment rate to decline further as exhausted. The unemployment rate could thus stay at 2.4% in both 2018 and 2019. Employment could increase by 1.3% in 2018, though its growth should decelerate to 0.3% in 2019 due to demographic factors and the low unemployment.
- On average, the institutions expect the wage bill to grow by 9.2% this year. In 2019 there could be a slowdown to 7.6%. Apart from persisting shortage of the labour force the dynamics of wages and salaries will be supported by increases in the minimum and guaranteed wages as well as by growth of salaries in the general government sector.
- On average, the respondents expect that the current account of the balance of payments will reach a surplus of 0.7% of GDP in 2018. In 2019 the positive balance could decrease marginally to 0.5% of GDP.

Table 1: Results of the survey for the years 2018 and 2019

		2018						2019					
		min.	P25	average	P75	max.	MoF CR	min.	P25	average	P75	max.	MoF CR
<i>Assumptions</i>													
GDP of EA19	real growth in %	1.8	2.0	2.0	2.0	2.1	2.0	1.4	1.7	1.7	1.8	1.9	1.7
Crude oil Brent	USD/barrel	72	73	74	75	75	74	66	72	75	78	81	77
3M PRIBOR	average in %	1.1	1.2	1.3	1.3	2.0	1.2	1.6	2.1	2.2	2.4	2.6	2.1
YTM of 10Y gov. bonds	average in %	1.9	2.0	2.1	2.1	2.3	2.1	1.9	2.3	2.4	2.6	2.9	2.6
CZK/EUR exchange rate		25.5	25.6	25.6	25.7	25.8	25.5	24.3	25.0	25.2	25.6	25.9	24.9
USD/EUR exchange rate		1.16	1.18	1.18	1.19	1.20	1.19	1.10	1.15	1.17	1.19	1.22	1.17
<i>Main indicators</i>													
Gross domestic product	real growth in %	2.8	2.8	3.0	3.1	3.5	3.0	2.7	2.7	2.9	3.0	3.3	2.9
Contr. of change in inventories	perc. points	-1.5	-1.2	-0.7	-0.3	-0.2	-0.8	-0.2	0.0	0.1	0.1	0.6	0.0
Contr. of foreign balance	perc. points	-1.4	-0.6	-0.4	-0.2	0.3	-0.4	-1.0	-0.3	-0.2	0.0	0.6	0.0
Consumption of households	real growth in %	3.0	3.5	3.7	3.9	4.5	3.6	2.3	3.3	3.4	3.6	4.0	3.6
Consumption of government	real growth in %	1.8	2.5	2.7	2.8	3.9	2.5	1.5	1.8	2.0	2.3	2.5	2.1
Gross fixed capital formation	real growth in %	5.5	6.3	7.3	8.1	8.9	7.8	0.6	3.4	3.9	4.5	6.9	3.2
GDP deflator	growth in %	0.8	1.9	2.0	2.1	2.9	1.9	1.4	1.9	2.0	2.2	2.8	2.2
Inflation rate (aop)	in %	2.2	2.2	2.3	2.2	2.5	2.2	2.3	2.4	2.4	2.5	2.7	2.3
Employment (LFS)	growth in %	0.7	1.2	1.3	1.4	1.7	1.3	-0.7	0.2	0.3	0.5	0.8	0.2
Unemployment rate (LFS)	in %	2.3	2.3	2.4	2.4	2.5	2.3	2.1	2.2	2.4	2.4	3.0	2.3
Wage bill (domestic concept)	nom. growth in %	7.7	8.8	9.2	9.6	10.2	9.5	6.1	7.1	7.6	8.1	8.8	8.4
BoP – current account balance	in % of GDP	-0.4	0.5	0.7	0.9	1.3	0.4	-0.9	0.3	0.5	0.7	1.4	0.4

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 2020 and 2021

		2020				2021			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
<i>Assumptions</i>									
GDP of EA19	real growth in %	1.1	1.5	1.7	1.7	0.8	1.3	1.7	1.7
Crude oil Brent	USD/barrel	62	72	82	73	65	71	84	70
3M PRIBOR	average in %	1.9	2.5	3.0	2.5	2.1	2.6	3.2	2.8
YTM of 10Y gov. bonds	average in %	1.8	2.6	3.1	3.0	1.8	2.7	3.3	3.3
CZK/EUR exchange rate		22.7	24.8	25.9	24.4	21.9	24.3	26.0	24.0
USD/EUR exchange rate		1.04	1.21	1.34	1.17	1.01	1.24	1.34	1.17
<i>Main indicators</i>									
Gross domestic product	real growth in %	2.0	2.6	3.3	2.7	1.5	2.4	3.3	2.5
Contr. of change in inventories	perc. points	0.0	0.2	0.8	0.0	-0.4	-0.1	0.1	0.0
Contr. of foreign balance	perc. points	-0.7	-0.1	0.2	0.2	-0.7	0.2	0.6	0.2
Consumption of households	real growth in %	1.0	2.7	3.5	2.9	1.5	2.5	3.2	2.7
Consumption of government	real growth in %	1.0	1.8	2.7	1.9	1.0	1.8	2.3	1.9
Gross fixed capital formation	real growth in %	1.5	3.5	5.8	2.9	2.1	3.6	6.1	2.8
GDP deflator	growth in %	1.2	1.8	2.1	1.7	1.1	1.6	2.0	1.8
Inflation rate (aop)	in %	1.5	2.0	2.3	1.9	1.3	1.9	2.1	1.8
Employment	growth in %	-0.1	0.2	0.4	0.2	-0.3	0.1	0.5	0.1
Unemployment rate (LFS)	in %	2.0	2.4	3.2	2.3	1.9	2.4	3.5	2.3
Wage bill (domestic concept)	nom. growth in %	4.8	5.7	7.7	6.3	4.8	5.3	6.1	6.1
BoP – current account balance	in % of GDP	-1.2	0.5	2.1	0.6	-1.4	0.4	1.4	0.9

Source: Survey respondents. Calculations of the MoF.

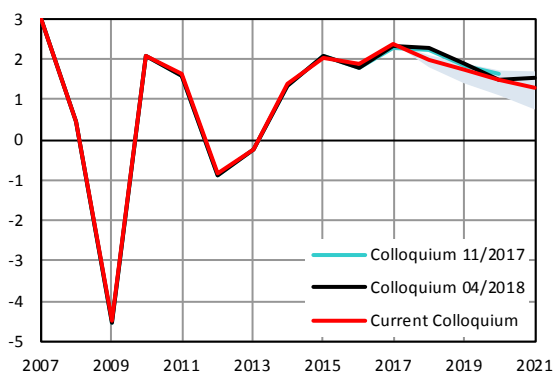
Overview of indicators

Graphs 1–18 show past and expected development of individual indicators. For comparison, consensus forecasts of two previous Colloquia 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 EA19

real growth in %

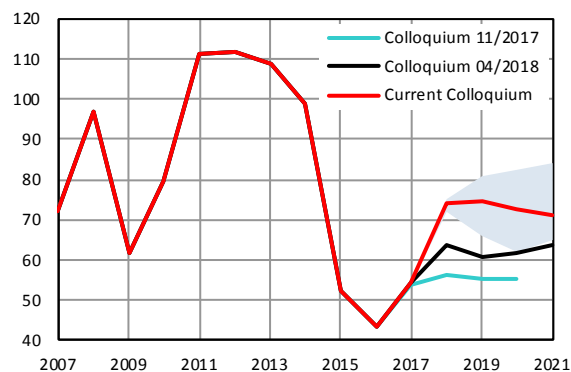
Gradual slowdown of economic growth in the Euro Area



Graph 2: Crude oil Brent

USD/barrel

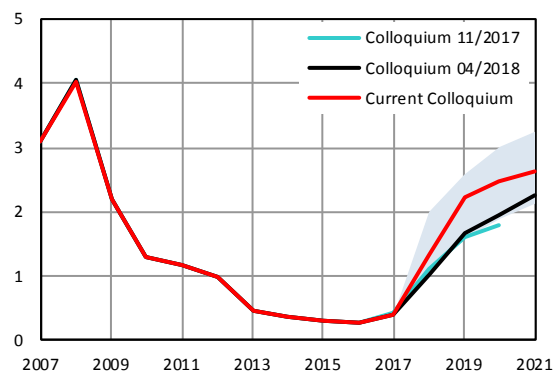
Price of oil above 70 USD/barrel



Graph 3: 3M PRIBOR

average in %

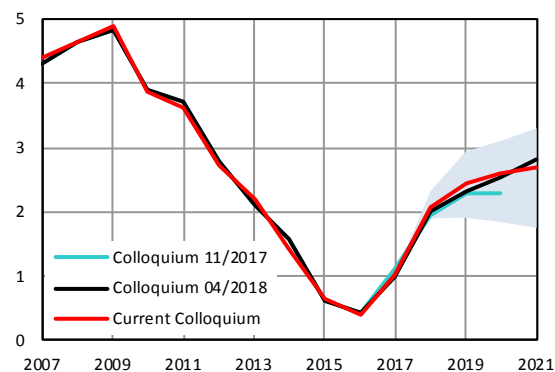
Tightening of monetary conditions in the interest rate component



Graph 4: YTM of 10Y government bonds

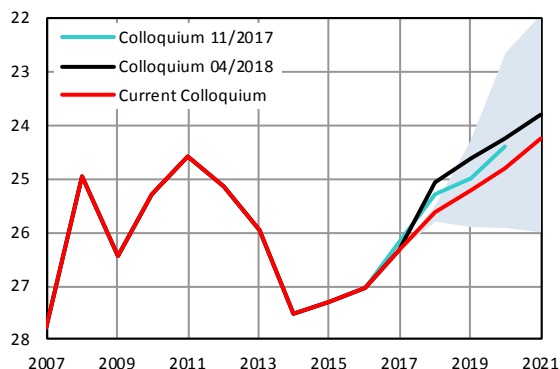
average in %

Ongoing increase in yields on Czech government bonds



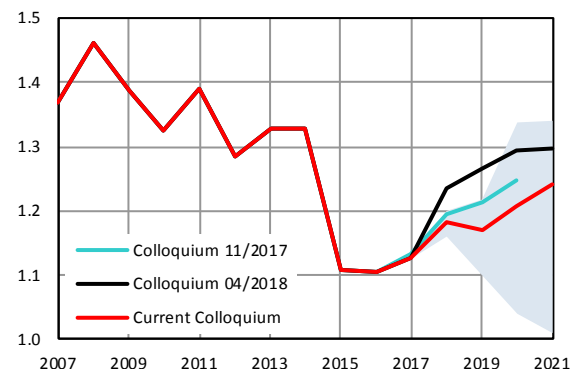
Graph 5: CZK/EUR exchange rate

Koruna weaker in entire horizon, pace of appreciation highly uncertain



Graph 6: USD/EUR exchange rate

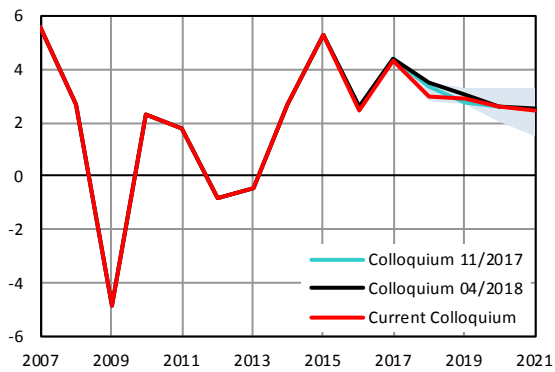
Forecasts revised in the direction of a stronger US dollar



Graph 7: Gross domestic product

real growth in %

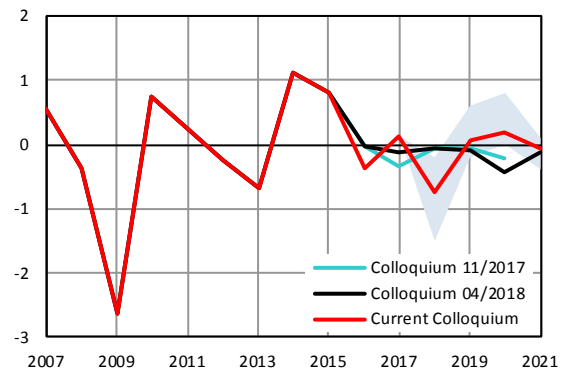
Downward revision of estimates for the year 2018



Graph 8: Contribution of change in inventories

percentage points

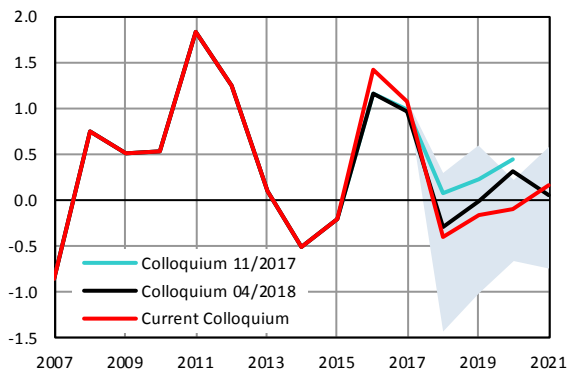
Change in inventories weighing on GDP growth in 2018



Graph 9: Contribution of net exports

percentage points

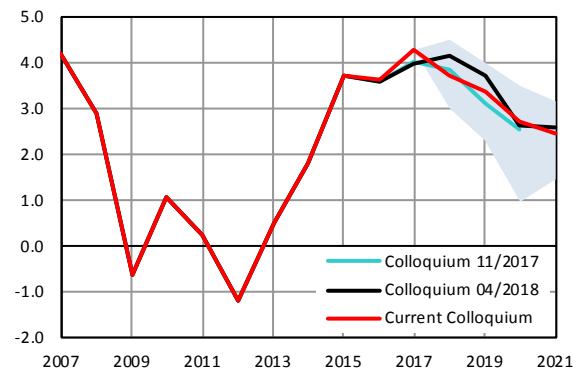
Positive contribution of net exports to GDP growth only in 2021



Graph 10: Consumption of households

real growth in %

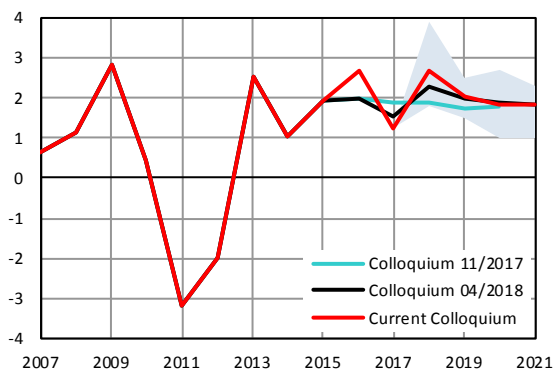
Growth of household consumption slowing down towards 2.5% in 2021



Graph 11: Consumption of government

real growth in %

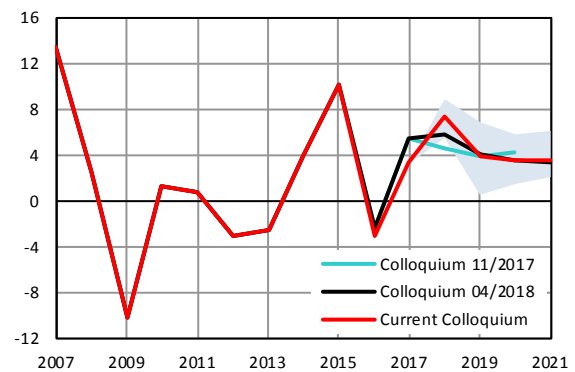
Modest growth of public consumption



Graph 12: Gross fixed capital formation

real growth in %

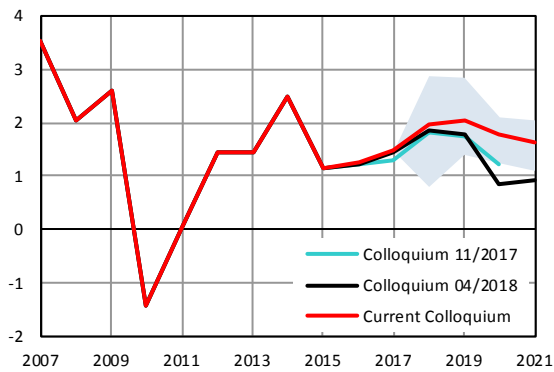
Slowdown below 4% after strong growth in 2018



Graph 13: GDP deflator

growth in %

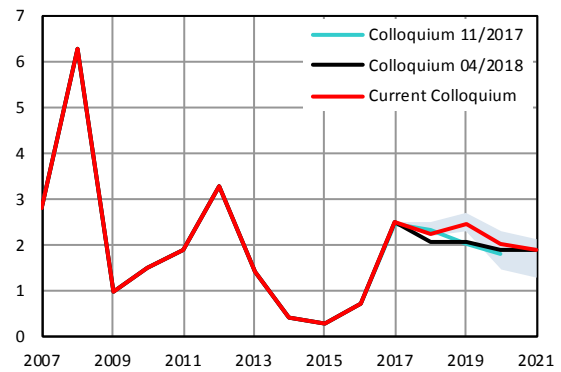
Growth of GDP deflator around 2% in 2018 and 2019



Graph 14: Inflation rate (aop)

in %

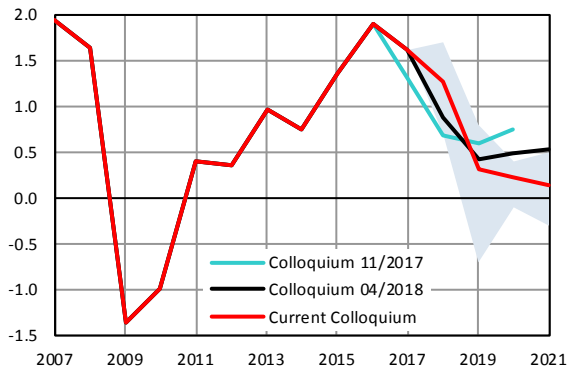
Growth of consumer prices consistent with the CNB's target



Graph 15: Employment (LFS)

growth v %

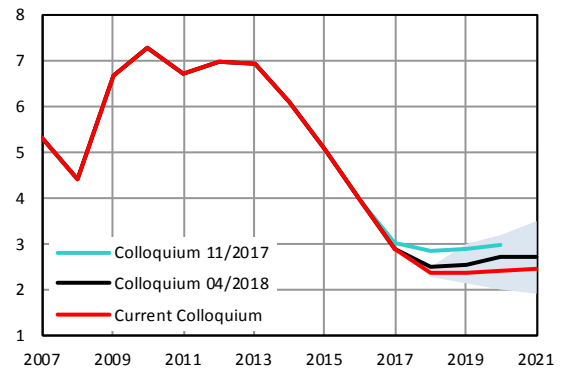
Significant slowdown in the growth of employment



Graph 16: Unemployment rate (LFS)

in %

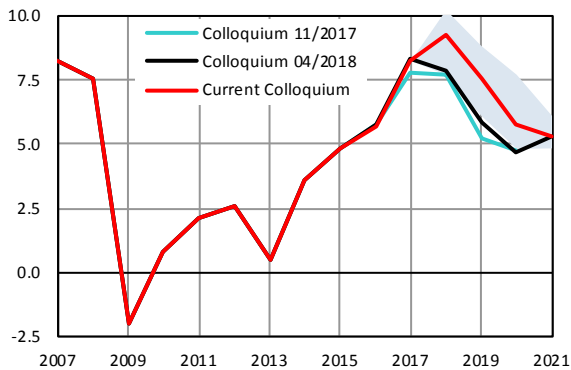
Decreases in unemployment rate coming to an end



Graph 17: Total wage bill (domestic concept)

nominal growth in %

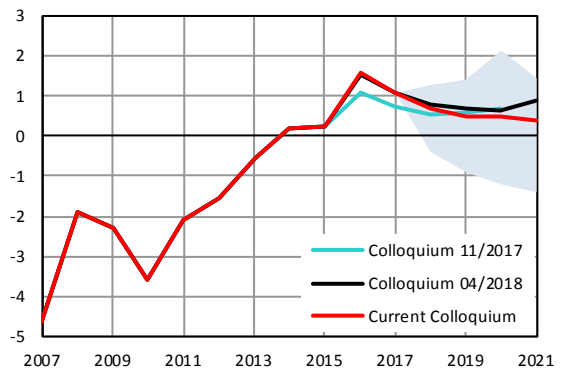
Extraordinarily strong growth of the wage bill in 2018



Graph 18: Balance of payments – current account

in % of GDP

Moderate surplus on the current account of the balance of payments



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