

Macroeconomic Forecast of the Czech Republic

April 2021

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Table of Contents

Introduction and Summary	1
Forecast Risks and Uncertainty	4
1 Forecast Assumptions.....	5
1.1 External Environment.....	5
1.2 Commodity Prices.....	8
1.3 Fiscal Policy.....	10
1.4 Monetary Policy, Financial Sector and Exchange Rates	13
1.5 Structural Policies	17
1.6 Demographic Trends	18
2 Economic Cycle.....	20
2.1 Position within the Economic Cycle.....	20
2.2 Business Cycle Indicators.....	21
3 Forecast of Macroeconomic Developments in the CR.....	23
3.1 Economic Output.....	23
3.2 Prices	30
3.3 Labour Market	34
3.4 External Relations.....	40
4 Survey of Other Institutions' Forecasts	45
5 International Comparison.....	46
6 Looking back at the Year 2020	51

The Macroeconomic Forecast is prepared by the Economic Policy Department of the Czech Ministry of Finance. It contains a forecast for the years 2021 and 2022 and for certain indicators an outlook for 2 following years (i.e. until 2024). It is published on a quarterly basis (usually in January, April, July and November) and is also available on the website of the Ministry of Finance at:

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Any comments or suggestions that would help us improve the quality of our publication and closer satisfy the needs of its users are welcome. Please send any comments to the following email address:

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List of Tables

Table 1.1.1: Gross Domestic Product – yearly	7
Table 1.1.2: Gross Domestic Product – quarterly	8
Table 1.2.1: Prices of Selected Commodities – yearly	9
Table 1.2.2: Prices of Selected Commodities – quarterly	9
Table 1.3.1: Net Lending/Borrowing and Debt.....	12
Table 1.4.1: Interest Rates – yearly	15
Table 1.4.2: Interest Rates – quarterly	15
Table 1.4.3: Loans and Deposits – yearly averages	16
Table 1.4.4: Loans and Deposits – quarterly averages	16
Table 1.4.5: Exchange Rates – yearly.....	17
Table 1.4.6: Exchange Rates – quarterly.....	17
Table 1.6.1: Demographics	19
Table 2.1.1: Output Gap and Potential Product	21
Table 3.1.1: Real GDP by Type of Expenditure – yearly.....	26
Table 3.1.2: Real GDP by Type of Expenditure – quarterly.....	27
Table 3.1.3: Nominal GDP by Type of Expenditure – yearly	28
Table 3.1.4: Nominal GDP by Type of Expenditure – quarterly	28
Table 3.1.5: GDP by Type of Income – yearly	29
Table 3.1.6: GDP by Type of Income – quarterly	29
Table 3.2.1: Prices – yearly	32
Table 3.2.2: Prices – quarterly	33
Table 3.3.1: Labour Market – yearly	37
Table 3.3.2: Labour Market – quarterly	38
Table 3.3.3: Income and Expenditures of Households – yearly.....	39
Table 3.4.1: Decomposition of Exports of Goods (National Accounts Methodology) – yearly	42
Table 3.4.2: Decomposition of Exports of Goods (National Accounts Methodology) – quarterly	42
Table 3.4.3: Balance of Payments – yearly	43
Table 3.4.4: Balance of Payments – quarterly	44
Table 4.1: Summary of the Surveyed Forecasts.....	45
Table 5.1: GDP per Capita in Current Purchasing Power Parity.....	49
Table 5.2: Exchange Rate Adjusted GDP per Capita	50
Table 6.1: Macroeconomic Framework of the 2020 State Budget – Comparison with Actual Data	52

List of Graphs

Graph 1.1.1: GDP Developments in the EA19 and USA	6
Graph 1.1.2: Real Gross Domestic Product.....	6
Graph 1.1.3: HICP.....	6
Graph 1.1.4: Unemployment Rate.....	6
Graph 1.1.5: Economic Sentiment Indicator.....	7
Graph 1.1.6: Purchasing Managers' Index.....	7
Graph 1.1.7: Business Tendency.....	7
Graph 1.1.8: Ifo and Czech manufacturing production	7
Graph 1.2.1: Dollar Price of Brent Crude Oil.....	9
Graph 1.2.2: Koruna Price of Brent Crude Oil.....	9
Graph 1.3.1: General Government Balance.....	12
Graph 1.3.2: General Government Debt	12
Graph 1.4.1: Interest Rates.....	14
Graph 1.4.2: Loans to Households.....	14
Graph 1.4.3: New Mortgage Loans.....	14
Graph 1.4.4: Loans to Non-financial Corporations	14
Graph 1.4.5: Non-performing Loans.....	14
Graph 1.4.6: Deposits	14
Graph 1.4.7: Nominal Exchange Rates.....	14
Graph 1.4.8: Real Exchange Rate to the EA19	14
Graph 1.6.1: Age Groups	18
Graph 1.6.2: Life Expectancy at Birth	18
Graph 1.6.3: Old-Age Pensioners.....	19
Graph 1.6.4: Number of Deaths in 2020 and 2021.....	19
Graph 2.1.1: Output Gap	20
Graph 2.1.2: Potential Output	20
Graph 2.1.3: Capacity Utilisation in Industry.....	21
Graph 2.2.1: Confidence and GVA in Industry.....	22
Graph 2.2.2: Confidence and GVA in Construction	22
Graph 2.2.3: Confidence and GVA in Trade and Services	22
Graph 2.2.4: Composite Export Indicator	22
Graph 2.2.5: Consumer Confidence and Consumption	22
Graph 2.2.6: Decomposition of Consumer Sentiment.....	22
Graph 2.2.7: Composite Confidence Indicator and GVA	22
Graph 2.2.8: Composite Leading Indicator	22
Graph 3.1.1: Resources of Gross Domestic Product.....	25
Graph 3.1.2: GDP by Type of Expenditure	25
Graph 3.1.3: Real Gross Domestic Product.....	25
Graph 3.1.4: Real Consumption of Households.....	25
Graph 3.1.5: Nominal Consumption of Households.....	25
Graph 3.1.6: Investment by Type of Expenditure.....	25
Graph 3.1.7: Investment by Sector.....	25
Graph 3.1.8: Investment Co-financing from EU Funds	25
Graph 3.2.1: Consumer Prices	31
Graph 3.2.2: Consumer Prices in Main Divisions	31
Graph 3.2.3: Core Inflation and Unit Labour Costs.....	31

Graph 3.2.4: CZK/EUR and Koruna Price of Oil	31
Graph 3.2.5: Gross Domestic Product Deflator	31
Graph 3.2.6: Terms of Trade.....	31
Graph 3.2.7: Offering Prices of Flats.....	31
Graph 3.2.8: Prices of Flats Relative to Average Wage.....	31
Graph 3.3.1: Employees in Different Statistics	36
Graph 3.3.2: Number of Foreign Employees in the CR.....	36
Graph 3.3.3: Indicators of Unemployment.....	36
Graph 3.3.4: Social Security Contributions and Earnings	36
Graph 3.3.5: Compens. per Employee and Productivity.....	36
Graph 3.3.6: Nominal Monthly Wage.....	36
Graph 3.3.7: Nominal Wage Bill.....	36
Graph 3.3.8: Gross Savings Rate of Households	36
Graph 3.4.1: GDP and Goods Imports of Partner Countries.....	41
Graph 3.4.2: Real Exports of Goods.....	41
Graph 3.4.3: Deflator of Exports of Goods	41
Graph 3.4.4: Balance of Trade	41
Graph 3.4.5: Balance of Services	41
Graph 3.4.6: Balance of Primary Income	41
Graph 3.4.7: Current Account.....	41
Graph 3.4.8: Current External Balance	41
Graph 4.1: Forecasts for Real GDP Growth in 2021.....	45
Graph 4.2: Forecasts for Average Inflation Rate in 2021.....	45
Graph 5.1: GDP per Capita in Current PPP.....	47
Graph 5.2: GDP per Capita in Current PPP.....	47
Graph 5.3: GDP per Capita in Current PPP.....	47
Graph 5.4: GDP per Capita in Current PPP.....	47
Graph 5.5: Exchange Rate Adjusted GDP per Capita	47
Graph 5.6: Exchange Rate Adjusted GDP per Capita	47
Graph 5.7: Exchange Rate Adjusted GDP per Capita	47
Graph 5.8: Exchange Rate Adjusted GDP per Capita	47
Graph 5.9: Comparative Price Level of GDP	48
Graph 5.10: Comparative Price Level of GDP	48
Graph 5.11: Comparative Price Level of GDP	48
Graph 5.12: Comparative Price Level of GDP	48
Graph 5.13: Average Earnings in Current PPP	48
Graph 5.14: Average Earnings in Current PPP	48
Graph 5.15: Average Earnings in Current PPP	48
Graph 5.16: Average Earnings in Current PPP	48
Graph 5.17: Current PPP Adjusted GDP per Capita Level Relative to the EA19 Average in 2019	49

List of Abbreviations

BoP.....	balance of payments
const.pr.....	constant prices
CNB.....	Czech National Bank
CPI.....	consumer price index
CR.....	Czech Republic
curr.pr.....	current prices
CZSO.....	Czech Statistical Office
EA19.....	euro zone consisting of 19 countries
EC.....	European Commission
ECB.....	European Central Bank
EU27.....	European Union consisting of 27 countries
Fed.....	Federal Reserve System
GDP.....	gross domestic product
GFCF.....	gross fixed capital formation
GVA.....	gross value added
IMF.....	International Monetary Fund
LFS.....	Labour Force Survey
MoF.....	Ministry of Finance
MoLSA.....	Ministry of Labour and Social Affairs
pp.....	percentage points
TFP.....	total factor productivity
VAT.....	value-added tax

Symbols Used in Tables

-	A dash in place of a number indicates that the phenomenon did not occur.
.	A dot in place of a number indicates that we do not forecast that variable, or the figure is unavailable or unreliable.
x, (space)	A cross or space in place of a number indicates that no entry is possible for logical reasons.

Cut-off Date for Data Sources

The forecast is based on the data known as of 1 April 2021; the cut-off date for selected forecast assumptions was 11 March 2021.

Notes

All data in the Macroeconomic Forecast are unadjusted for seasonal and calendar effects, unless stated otherwise. Published aggregate data may not match sums of individual items to the last decimal place due to rounding.

Data from the previous forecast (January 2021) are indicated by italics. Data relating to the years 2023 and 2024 are an extrapolation scenario that indicates only the direction of possible developments, and as such are not commented upon in the following text.

Introduction and Summary

We expect to see a recovery in global economic activity in 2021. Growth prospects have improved quite significantly over the past few months as the COVID-19 vaccination programme proceeds and other fiscal stimuli come into play in certain countries (notably the US). The data available also suggests that some economies are coping with restrictive anti-epidemic measures better than in the first wave of the pandemic. Even so, the outlook remains burdened by significant downside risks. Critical factors will be the speed and efficiency of the vaccination process and how effective the vaccines are in the face of new coronavirus mutations.

During Q4 2020, the Czech economy showed considerable resilience to the adverse epidemic situation. **Real gross domestic product** adjusted for seasonal and calendar effects rose by 0.6% QoQ, and its year-on-year decline eased from 5.1% in Q3 to 4.8% in Q4. Taking 2020 as a whole, however, the economy contracted by 5.6%, the largest slump in the history of the independent Czech Republic.

On the use side, the most significant contribution to the year-on-year growth in Q4 (3.3 pp) came from **foreign trade**, which was driven by output growth in export-oriented industry, especially in the automotive sector. The record trade surplus was also helped by very weak investment activity among domestic firms, the renewed slowdown in household consumption, and the still low price of oil.

As for domestic demand, the year-on-year decline in **household consumption** deepened significantly to 8.1%. This was due to the closure of a large number of shops and service establishments, as well as the persisting high level of the savings rate prompted by increased uncertainty about the future. **Government consumption**, including increased spending not only in the health sector, but also on some of the government's anti-crisis programmes for the business sector, was the only component of domestic use to report growth, rising by 6.8%.

Fixed capital formation slumped by 12.7%, with declines in all major categories. The most significant decrease was in investments in machinery and equipment. From a sectoral perspective, the fall was slowed by rising public investment.

In the Macroeconomic Forecast, we work on the scenario that current restrictions will be eased considerably towards the end of Q2 2021. However, only if the population is vaccinated will there be a sustainable improvement in the epidemic situation. In this light, economic activity should recover more strongly from Q3 onwards and, in doing so, should gradually make up for the previous shock to aggregate demand and supply.

The **3.1%** increase in economic output forecast **this year** should be driven by gross fixed capital formation, inventory rebuilding, and government consumption. The foreign trade balance should also be positive, thanks to the recovery in other countries. By contrast, household consumption should be more or less flat. Economic **growth**

could accelerate to **3.7% in 2022**, mainly on the strength of a rebound in private consumption.

Starting in Q4 2020, the year-on-year growth of **consumer prices** clearly slowed, returning below the upper 3% bound of the tolerance band of the Czech National Bank's inflation target. While a fall in consumer demand is anti-inflationary, frictions on the supply side of the economy have the opposite effect. The year-on-year inflation should remain in the upper half of the inflation target's tolerance band. For 2021, we expect an average **inflation rate** of 2.5%. This increase in the forecast is mainly underpinned by higher oil and food prices. In 2022, in the absence of more substantial inflationary factors – aside from the recovery in household consumption – the inflation rate could ease to 2.3%.

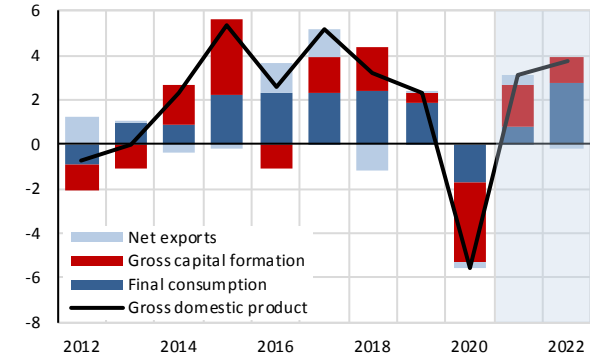
Labour market developments are largely influenced by fiscal stimulus measures. **Unemployment**, despite some increase, is therefore at a much lower level than would be consistent with the current cyclical position of the Czech economy. The unemployment rate (Labour Force Survey) is expected to increase to 3.6% in 2021 as the delayed effects of the economic downturn come to the fore. It could rise slightly to 3.7% in 2022, as the economic recovery and the end of the government measures that are keeping employment high (assumed to take place at the end of this year) work against each other.

The unfavourable economic situation led to an increase in the surplus on the **current account of the balance of payments**, as the reduced profitability of foreign-controlled enterprises improved the primary income deficit. The trade balance benefited in H2 2020 from a rise in automobile exports, a decline in capital goods imports, and low oil prices. However, most of these factors are temporary. Therefore, the current account surplus should gradually decline from a record 3.6% of GDP in 2020 to 1.3% of GDP in 2021, and then to 0.5% of GDP in 2022.

The **public finances** deficit of 6.2% of GDP in 2020 was largely the result of the coronavirus epidemic. The deep slump in economic activity entailed a fall in revenue even as spending was increased to contain the spread of the epidemic and mitigate its social and economic impact. The ongoing epidemic will be reflected in this year's balance, which we expect to be 2.6 pp deeper year-on-year. Public debt is then likely to rise from 38.1% of GDP in 2020 to 44.8% of GDP at the end of 2021. With consolidation under way, we forecast a deficit below 6% of GDP and debt above 48% of GDP next year.

The recovery driven by domestic demand

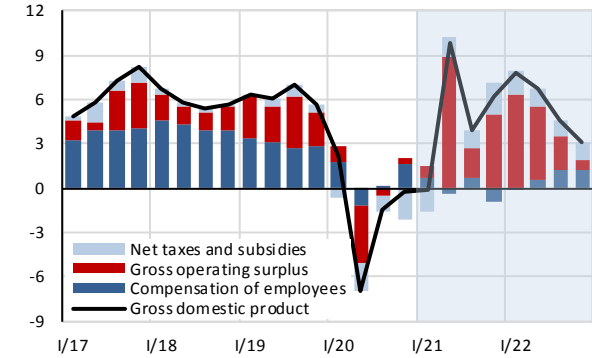
growth rate of real GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Firms' profitability likely to increase substantially

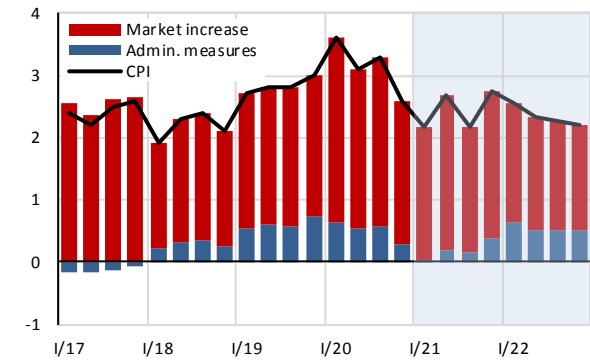
YoY growth of nominal GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Inflation slightly above the 2% target of the CNB

YoY growth rate of CPI in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Unemployment should not rise much further

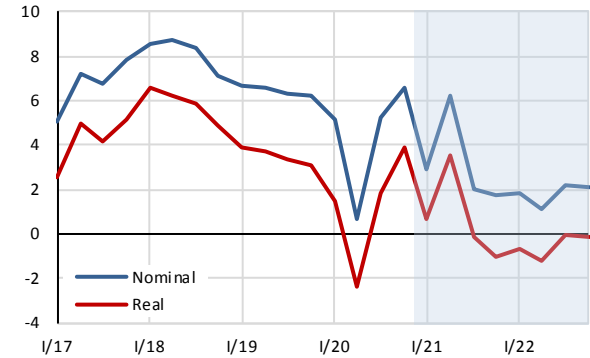
registered unemployment, in thous. of persons, seasonally adjusted



Source: MoLSA. Calc. and forecast of the MoF.

Wage growth should moderate

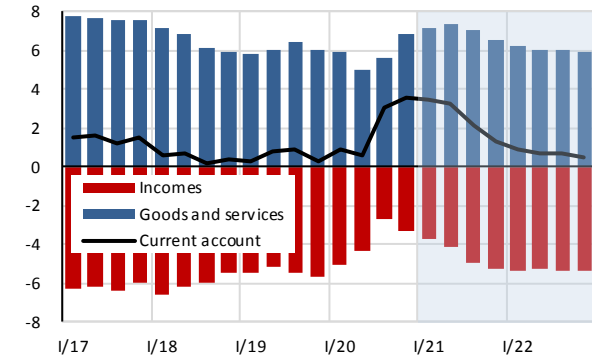
average gross monthly wage, YoY growth rate, in %



Source: CZSO. Calculations and forecast of the MoF.

Current account surplus should gradually decrease

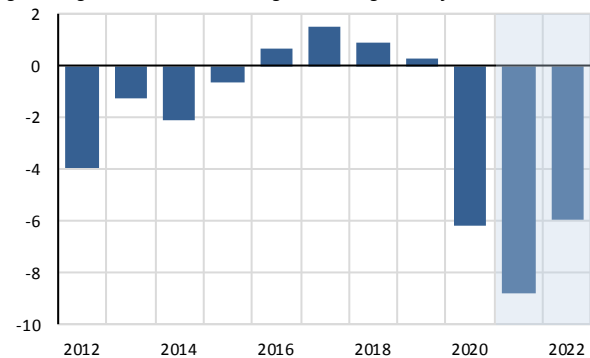
in % of GDP (yearly moving sums)



Source: CNB, CZSO. Calculations and forecast of the MoF.

Public finances bear the costs of the crisis

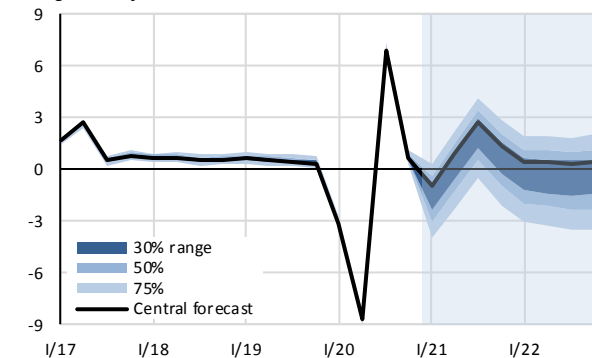
general government net lending/borrowing, in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

Forecast risks are strongly skewed to the downside

QoQ growth of real GDP in %



Note: Past probability distribution determined by data revisions.

Source: CZSO. Calculations and forecast of the MoF.

Table: Main Macroeconomic Indicators

		2016	2017	2018	2019	2020	2021	2022	2020	2021
		Current forecast						Previous forecast		
Nominal GDP	<i>bill. CZK</i>	4 797	5 111	5 410	5 749	5 652	5 932	6 257	5 613	5 874
	<i>nominal growth in %</i>	3.7	6.5	5.8	6.3	-1.7	4.9	5.5	-2.4	4.7
Gross domestic product	<i>real growth in %</i>	2.5	5.2	3.2	2.3	-5.6	3.1	3.7	-6.1	3.1
Consumption of households	<i>real growth in %</i>	3.8	4.0	3.5	3.0	-5.2	0.1	5.7	-5.1	3.3
Consumption of government	<i>real growth in %</i>	2.5	1.8	3.8	2.2	3.5	3.4	0.9	2.1	2.9
Gross fixed capital formation	<i>real growth in %</i>	-3.0	4.9	10.0	2.3	-8.1	3.8	4.5	-8.2	3.8
Contribution of net exports	<i>pp</i>	1.4	1.2	-1.2	0.0	-0.3	0.4	-0.2	-0.6	-0.1
Contrib. of change in inventories	<i>pp</i>	-0.3	0.5	-0.5	-0.2	-1.5	0.9	0.0	-1.4	0.0
GDP deflator	<i>growth in %</i>	1.1	1.3	2.6	3.9	4.2	1.8	1.7	4.0	1.5
Average inflation rate	<i>%</i>	0.7	2.5	2.1	2.8	3.2	2.5	2.3	3.2	1.9
Employment (LFS)	<i>growth in %</i>	1.9	1.6	1.4	0.2	-1.3	-1.4	0.0	-1.1	-0.6
Unemployment rate (LFS)	<i>average in %</i>	4.0	2.9	2.2	2.0	2.6	3.6	3.7	2.6	3.3
Wage bill (domestic concept)	<i>growth in %</i>	5.7	9.2	9.6	6.7	0.0	0.7	2.3	0.2	1.2
Current account balance	<i>% of GDP</i>	1.8	1.5	0.4	0.3	3.6	1.3	0.5	3.6	1.4
General government balance	<i>% of GDP</i>	0.7	1.5	0.9	0.3	-6.2	-8.8	-5.9	-5.8	-6.6
Assumptions:										
Exchange rate CZK/EUR		27.0	26.3	25.6	25.7	26.4	25.9	25.5	26.4	26.1
Long-term interest rates	<i>% p.a.</i>	0.4	1.0	2.0	1.5	1.1	1.5	1.8	1.1	1.2
Crude oil Brent	<i>USD/barrel</i>	44	54	71	64	42	64	60	42	51
GDP in the euro area	<i>real growth in %</i>	1.8	2.7	1.9	1.3	-6.8	3.8	3.6	-7.3	3.6

Source: CNB, CZSO, Eurostat, U. S. Energy Information Administration. Calculations and forecast of the MoF.

Forecast Risks and Uncertainty

The macroeconomic forecast is subject to a number of risks which, taken together, we consider to be **heavily tilted to the downside**.

The main negative factors for the Czech Republic and other economies are the development of the **epidemic situation** (including the risk that new mutations will spread) and the speed at which the population is vaccinated. The macroeconomic forecast is based on the assumption that there will be a significant and prolonged relaxation of anti-epidemic measures towards the end of Q2 2021. As more and more of society is vaccinated, any restrictions in the second half of the year should no longer be macroeconomically significant. The forecast also assumes that the coronavirus pandemic will have no longer-term impact on global supply chains.

Although the European Union and the United Kingdom struck a deal on their future relationship, we still believe there is some uncertainty in **international trade**, particularly between the United States and China. The EU's trade relations with the United States remain an unresolved issue, but the new US administration may be open to a more consensual approach.

Another crucial factor is whether and how quickly **structural changes** will take place in the economy. If the current contraction in economic activity lasts longer than forecast, there could be large-scale lay-offs in the affected sectors, despite government support for firms and entrepreneurs. If there is a subsequent mismatch between supply and demand on the labour market, the increase in unemployment would become protracted (given the structure of labour demand, redundant workers in the sectors experiencing a downturn would not have

the required skills). At the same time, slow or insufficient change would limit the growth of firms in rising sectors as they would face labour shortages.

Considering demographic developments, in the medium and long term it will remain crucial to increase **labour productivity**. A major opportunity lies in the advancement of automation, robotics and digital technologies. Given how heavily involved Czech firms are in global supply chains, there would be a significant boost to productivity if they shifted to higher value-added positions (focusing either on the initial R&D phase or the final product sales phase).

The downturn in economic activity and the associated deterioration in the financial situation of many households and firms is likely to **increase** the volume of **non-performing loans**. Nevertheless, the decline in the quality of banks' loan portfolios should not threaten financial stability. The **overvaluation of residential property prices** remains a risk.

Bearing in mind how important **the automotive industry** is to the Czech economy, risks are posed by the strong procyclicality of this sector, its export focus, and its dependence on supply chains. In the medium to long term, the risks are exacerbated by the structural changes that are likely to occur in the automotive industry as emission standards are gradually tightened. However, the transition to alternative propulsion will require huge investments in the development of technology, machinery and equipment, as well as in infrastructure. Repercussions for employment, supplier-customer relations and energy prices can also be expected.

1 Forecast Assumptions

1.1 External Environment

The worsening epidemic situation and the reintroduction of anti-epidemic measures dampened global economic activity in Q4 2020. Nevertheless, GDP of some major world economies rose quarter-on-quarter. We expect the global economy to grow by 5.5% this year (*versus 4.1%*) and 4.0% next year. However, the outlook remains weighed down by significant downside risks. The speed and efficiency of the vaccination process and the effectiveness of vaccines against new coronavirus mutations will be absolutely crucial. US trade relations with China and the EU and the impact of structural changes in the automotive industry also remain uncertain.

Despite the worsening epidemic, **US** economic growth only slowed to 1.0% QoQ (*versus 1.2%*) in Q4 2020. The economy was mainly driven by growth in investment activity. Government consumption was the only component of domestic demand to fall, slipping by 0.6%.

Despite a gradual improvement, the labour market is still struggling with the fallout from the coronavirus epidemic. The unemployment rate dipped further to 6.0% in March 2021, but remains around 2.5 pp higher than before the pandemic. Employment is also slowly recovering, with growth reported mainly in the leisure and hospitality, education and construction sectors.

Responding to the economic impacts of the pandemic, the Fed kept the federal funds rate in the target range of 0.00–0.25% at its March meeting, as expected. Current economic developments and statements by the majority of the Board of Governors do not indicate an increase in the rate over the forecast horizon.

The epidemic situation in the United States has improved significantly since the beginning of this year. The numbers of infected and hospitalised individuals are falling and vaccination of the population is progressing successfully. These developments have already had a positive impact on consumer confidence, which is the highest since March last year. Retail sales are also rising, having increased by 6.3% in February. The expectations of businesses in manufacturing and services are also looking up.

In March, the “American Rescue Plan” was approved. Worth around 9% of the 2020 GDP, the main aim is to mitigate the economic and health repercussions of the epidemic. Besides measures in the health sector, it includes assistance for affected households and small businesses in the form of tax cuts and extended unemployment benefits. Considering this massive stimulus, the more favourable evolution of the epidemic situation and the ongoing vaccination of the population, we forecast that economic growth could be 5.9% (*versus 3.3%*)

in 2021. Next year, the growth rate could slow to 4.4% due to the base effect and the gradual fading of the effects of the fiscal stimulus.

China’s GDP growth slowed slightly to 2.6% QoQ in Q4 2020 (*versus 2.2%*). The drivers were household consumption and investment. Although purchasing managers’ indices in services and manufacturing declined in February 2021, mainly due to the deterioration of the epidemic situation in certain countries, businesses remain optimistic and confident of an improvement in global economic circumstances in the coming months. After a slight contraction in December, consumer confidence rebounded in January 2021. The recovery of household consumption was reflected in a marked acceleration in year-on-year retail sales growth to 33.8% in January–February. We estimate that the Chinese economy could grow by 7.9% (*versus 8.5%*) in 2021 and slow to 4.1% in 2022.

The performance of the **European Union’s** economy fell by 0.5% QoQ (*versus 2.6%*) in Q4 2020. Against a backdrop of renewed restrictive measures, declining household consumption was the dominant factor. Other expenditure components had only a marginally positive impact on growth.

Government support programmes continued to cushion the negative effects of economic developments on the labour market, with the unemployment rate in the EA19 holding at 8.1% for the third month in a row in January. Annual inflation returned to positive territory at the beginning of this year, mainly due to rising services and food prices, and accelerated to 1.3% in March. The European Central Bank kept its key interest rate unchanged at 0.0% in March, and the volume of asset purchases also remained unchanged. As a result, monetary conditions remain extremely easy. The purchasing managers’ index in manufacturing is in expansionary territory, while output in services continues to decline. The limited opportunities of households to spend were reflected in dynamics of retail sales, which fell by 6.4% YoY in January.

Although the EU–UK reciprocal trade agreement now introduces no tariffs, trade between the two parties is beset by problems as a result of extra red tape and the need to adapt to the new rules. The future of trade relations with the US remains a risk, as does the ability of the automotive industry to cope with increasing demands on environmental standards. If the vaccination of the population proceeds smoothly, the EU economy could return to growth this year, which we estimate at 3.6% (*versus 3.5%*), on the back of renewed household

consumption. The EU27's economic output could then increase by 3.7% next year.

GDP in **Germany** increased by 0.3% QoQ in Q4 2020 (*versus a decline of 1.9%*). This was driven by an increase in inventories and an improvement in the foreign trade balance, with household consumption acting in the opposite direction.

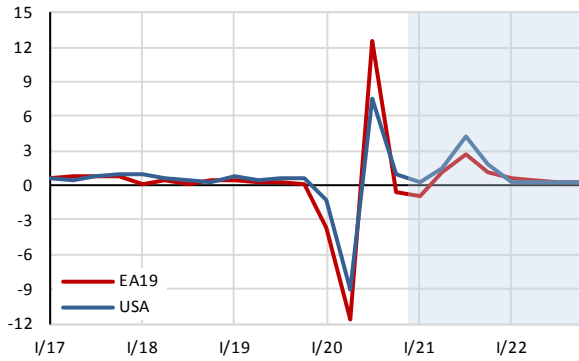
The manufacturing purchasing managers' index rose to an all-time high in March, thanks mainly to the accelerating pace of new orders. Consumer confidence remains in a contractionary zone due to ongoing restrictions and the worsening epidemic situation. The unemployment rate declined marginally to 4.5% in February, but household spending was severely constrained by the restrictions adopted, and retail sales fell by 9.0% YoY. In early March, the restrictive measures were partially lifted and the government introduced further easing steps, conditional on an acceptable epidemic situation. We ex-

pect German economic growth to reach 3.3% this year (*versus 2.9%*) and accelerate slightly to 3.6% in 2022 as a result of the recovery in household consumption and external demand.

The **Slovak** economy grew slightly by 0.2% in Q4 (*versus a decline of 2.8%*). Economic activity was held back by foreign trade and household consumption, while other components were positive. Industrial output increased by 0.7% MoM in January, with the unemployment rate rising only slightly to 7.2%. Since the end of January, the epidemic situation has started to deteriorate again, and the tightened measures have had little impact. If the automotive industry develops along favourable lines and there is an economic recovery among EU trading partners, Slovakia could see a rapid recovery in economic performance. GDP could therefore grow by 4.2% in 2021 (*versus 3.2%*), before the growth rate slows to 3.7% next year.

Graph 1.1.1: GDP Developments in the EA19 and USA

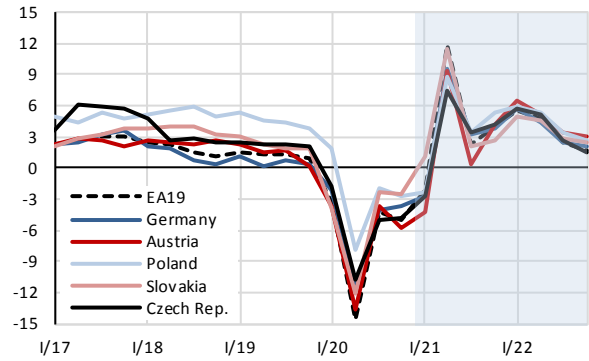
QoQ growth rate of real GDP in%, seasonally adjusted



Source: Eurostat, OECD. Calculations and forecast of the MoF.

Graph 1.1.2: Real Gross Domestic Product

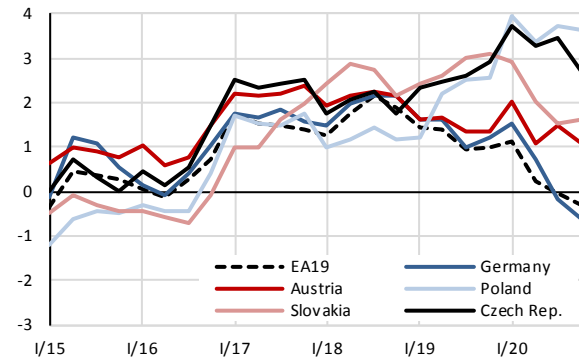
YoY growth in %, seasonally adjusted



Source: CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 1.1.3: HICP

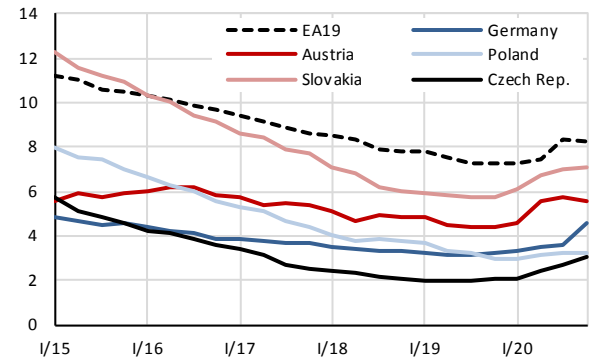
quarterly averages, YoY growth in %



Source: Eurostat. Calculations of the MoF.

Graph 1.1.4: Unemployment Rate

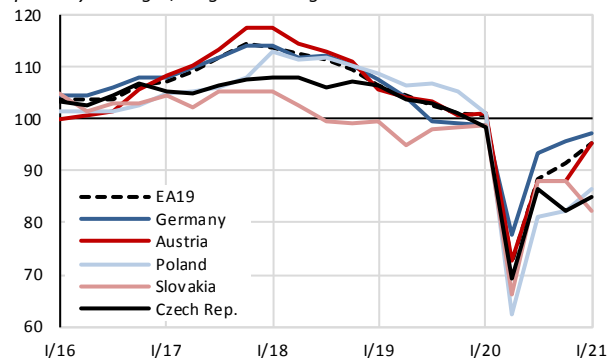
in %, LFS methodology, seasonally adjusted



Source: Eurostat.

Graph 1.1.5: Economic Sentiment Indicator

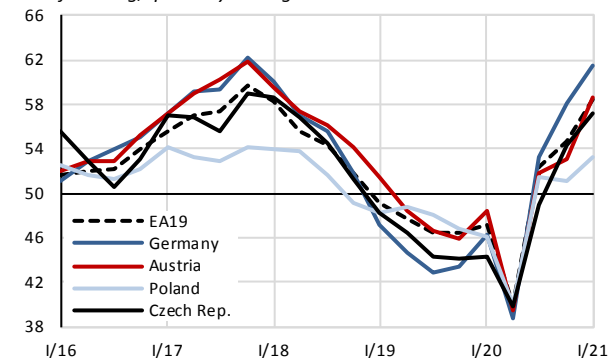
quarterly averages, long-run average = 100



Source: Eurostat. Calculations of the MoF.

Graph 1.1.6: Purchasing Managers' Index

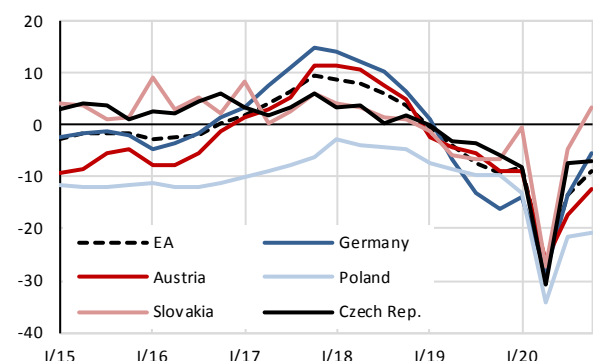
manufacturing, quarterly averages



Source: Markit. Calculations of the MoF.

Graph 1.1.7: Business Tendency

manufacturing, quarterly averages



Source: OECD. Calculations of the MoF.

Graph 1.1.8: Ifo and Czech manufacturing production

balances (Ifo); seasonally adjusted index of industrial production in Czech manufacturing, YoY growth in% (three-month moving avg.)



Source: CESifo, CZSO. Calculations of the MoF.

Table 1.1.1: Gross Domestic Product – yearly

growth rate of real GDP in %

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
											Forecast	Forecast
World	seasonally adjusted	3.5	3.5	3.4	3.3	3.8	3.5	2.8	-3.4	5.5	4.0	
USA	seasonally adjusted	1.8	2.5	3.1	1.7	2.3	3.0	2.2	-3.5	5.9	4.4	
China	seasonally adjusted	7.8	7.3	6.9	6.7	7.0	6.8	6.0	1.8	7.9	4.1	
United Kingdom	seasonally adjusted	2.2	2.9	2.4	1.7	1.7	1.3	1.4	-9.8	5.0	4.4	
EU27	seasonally adjusted	0.0	1.6	2.2	2.0	2.9	2.1	1.6	-6.3	3.6	3.7	
	unadjusted	0.0	1.6	2.3	2.0	2.8	2.1	1.6	-6.2	.	.	
EA19	seasonally adjusted	-0.2	1.4	1.9	1.8	2.7	1.9	1.3	-6.8	3.8	3.6	
	unadjusted	-0.2	1.4	2.0	1.9	2.6	1.9	1.3	-6.6	.	.	
Germany	seasonally adjusted	0.6	2.2	1.2	2.1	2.9	1.3	0.6	-5.3	3.3	3.6	
	unadjusted	0.4	2.2	1.5	2.2	2.6	1.3	0.6	-4.9	3.4	3.7	
France	seasonally adjusted	0.6	1.0	1.0	1.0	2.4	1.8	1.5	-8.2	4.8	4.0	
	unadjusted	0.6	1.0	1.1	1.1	2.3	1.8	1.5	-8.1	4.9	3.9	
Italy	seasonally adjusted	-1.9	0.1	0.7	1.4	1.7	0.8	0.3	-8.9	3.6	3.4	
	unadjusted	-1.8	0.0	0.8	1.3	1.7	0.9	0.3	-8.9	3.6	3.3	
Austria	seasonally adjusted	0.0	0.8	0.9	2.0	2.5	2.5	1.4	-6.7	2.2	4.5	
	unadjusted	0.0	0.7	1.0	2.0	2.4	2.6	1.4	-6.6	2.1	4.5	
Hungary	seasonally adjusted	1.9	4.1	3.8	2.1	4.5	5.4	4.6	-5.1	4.3	4.7	
	unadjusted	1.9	4.2	3.8	2.1	4.3	5.4	4.6	-5.0	4.3	4.7	
Poland	seasonally adjusted	1.1	3.4	4.2	3.2	4.9	5.4	4.6	-2.7	3.7	4.3	
	unadjusted	1.1	3.4	4.2	3.1	4.8	5.4	4.5	-2.7	3.6	4.3	
Slovakia	seasonally adjusted	0.7	2.6	4.8	2.1	3.0	3.8	2.3	-5.2	4.2	3.7	
Czech Republic	seasonally adjusted	0.0	2.3	5.5	2.4	5.4	3.2	2.2	-5.6	3.0	3.7	
	unadjusted	0.0	2.3	5.4	2.5	5.2	3.2	2.3	-5.6	3.1	3.7	

Source: CZSO, Eurostat, IMF, NBS China, OECD, Office for National Statistics. Calculations of the MoF.

Table 1.1.2: Gross Domestic Product – quarterly

growth rate of real GDP in %, data adjusted for seasonal and calendar effects

		2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
USA	QoQ	-1.3	-9.0	7.5	1.0	0.2	1.4	4.3	1.8
	YoY	0.3	-9.0	-2.8	-2.4	-1.0	10.3	7.0	7.9
China	QoQ	-9.7	11.6	3.0	2.6	0.7	0.5	0.6	0.5
	YoY	-6.8	3.2	4.9	6.5	18.8	6.9	4.5	2.3
United Kingdom	QoQ	-2.8	-19.5	16.9	1.3	-1.5	2.1	2.8	1.6
	YoY	-2.2	-21.4	-8.5	-7.3	-6.1	19.1	4.7	5.0
EU27	QoQ	-3.3	-11.2	11.6	-0.5	-0.9	1.1	2.6	1.1
	YoY	-2.7	-13.8	-4.1	-4.6	-2.2	11.3	2.4	3.9
EA19	QoQ	-3.8	-11.6	12.5	-0.7	-1.0	1.2	2.7	1.1
	YoY	-3.3	-14.6	-4.2	-4.9	-2.2	11.9	2.2	4.0
Germany	QoQ	-2.0	-9.7	8.5	0.3	-1.1	1.8	2.3	0.8
	YoY	-2.2	-11.3	-4.0	-3.6	-2.8	9.6	3.3	3.8
France	QoQ	-5.9	-13.5	18.5	-1.4	-1.2	0.5	3.4	1.3
	YoY	-5.6	-18.6	-3.7	-4.9	-0.2	15.9	1.2	4.0
Italy	QoQ	-5.5	-13.0	15.9	-1.9	-0.8	0.6	2.7	1.2
	YoY	-5.8	-18.2	-5.2	-6.6	-1.9	13.4	0.6	3.8
Austria	QoQ	-3.0	-10.7	11.8	-2.7	-1.4	2.0	2.5	1.0
	YoY	-3.6	-13.6	-3.8	-5.9	-4.2	9.4	0.3	4.2
Hungary	QoQ	-0.4	-14.5	11.0	1.4	-0.5	1.4	2.3	1.4
	YoY	2.0	-13.4	-4.8	-4.1	-4.3	13.5	4.6	4.6
Poland	QoQ	-0.3	-9.0	7.9	-0.7	0.2	1.3	2.5	1.2
	YoY	1.9	-8.0	-1.8	-2.7	-2.3	8.8	3.3	5.3
Slovakia	QoQ	-5.1	-8.3	11.6	0.2	-1.4	1.0	2.4	0.8
	YoY	-3.8	-12.1	-2.3	-2.6	1.2	11.4	2.2	2.8
Czech Republic	QoQ	-3.1	-8.7	6.9	0.6	-0.9	0.9	2.8	1.4
	YoY	-1.8	-10.8	-5.1	-4.8	-2.7	7.5	3.4	4.2

Source: CZSO, Eurostat, NBS China, OECD, Office for National Statistics. Calculations and forecast of the MoF.

1.2 Commodity Prices

The **Brent crude oil** price is estimated to have averaged USD 63/bbl in Q1 2021 (*versus USD 51/bbl*). It increased by almost a quarter year-on-year, but by a more modest 16% when measured in CZK.

The decision by the Organisation of the Petroleum Exporting Countries and other affiliate states to extend the March production limits into April probably contributed to the oil price increase in Q1. However, Saudi Arabia's voluntary reduction in oil production by 1 million barrels per day, which can be expected to run through April at the moment, seems to have had an even more significant impact on the oil price momentum. The OPEC and other affiliate states are expected to renegotiate production limits at the turn of the first and second quarter of 2021.

The US Energy Information Administration estimates that starting in Q2 2021, world oil production will roughly match consumption. Therefore, there will be no significant changes in the stock of crude oil produced, which

would pave the way for stable pricing. However, on the futures market, oil with later delivery is trading cheaper than oil with earlier delivery.

The forecast of Brent crude oil price reflects this declining futures price curve, which, however, is still positioned much higher compared to the January Macroeconomic Forecast. In 2021, the average price of a barrel of crude oil should be almost 53% higher than in 2020, i.e. USD 64 (*versus USD 51*), and in 2022 it should reach USD 60. The growth in the CZK price of crude oil should be dampened by the appreciation of the Czech koruna against the US dollar, especially in 2021 (Graph 1.2.2).

Besides the oil price, the price of natural gas also increased in H2 2020 (see Table 1.2.2). Neither of these commodities is an exception to the upward trend that has been evident in **commodity markets** particularly since Q4 2020. In addition to energy, this trend also applies to metals and food commodities, and we therefore consider it to be an inflationary risk.

Graph 1.2.1: Dollar Price of Brent Crude Oil

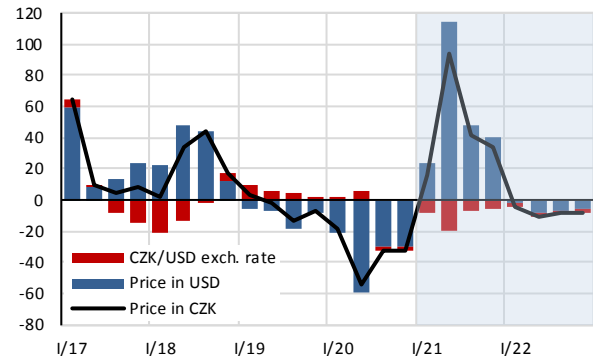
USD/barrel



Source: U. S. EIA. Calculations and forecast of the MoF.

Graph 1.2.2: Koruna Price of Brent Crude Oil

YoY change of the CZK price of Brent crude oil in %, contributions in pp



Source: CNB, U. S. EIA. Calculations and forecast of the MoF.

Table 1.2.1: Prices of Selected Commodities – yearly

spot prices

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
											Forecast	Forecast
Crude oil Brent	USD/barrel	108.6	99.0	52.4	43.6	54.2	71.4	64.3	41.8	64	60	
	growth in %	-2.6	-8.8	-47.1	-16.9	24.3	31.7	-9.9	-35.0	52.6	-6.2	
Crude oil Brent index (in CZK)	2010=100	139.9	134.6	85.0	70.1	83.1	102.2	97.1	63.6	90	83	
	growth in %	-2.7	-3.8	-36.9	-17.4	18.5	23.0	-5.0	-34.6	41.8	-7.8	
Natural gas (Europe)	USD/MMBtu	11.8	10.1	6.8	4.6	5.7	7.7	4.8	3.2	.	.	
	growth in %	2.7	-14.7	-32.1	-33.1	25.3	34.4	-37.5	-32.5	.	.	
Natural gas (Europe) index (in CZK)	2010=100	145.9	131.7	106.2	70.7	84.2	106.0	69.6	47.1	.	.	
	growth in %	2.6	-9.8	-19.4	-33.4	19.2	25.8	-34.3	-32.4	.	.	

Source: CNB, U. S. Energy Information Administration, World Bank. Calculations and forecast of the MoF.

Table 1.2.2: Prices of Selected Commodities – quarterly

spot prices

		2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						Estimate	Forecast	Forecast	Forecast
Crude oil Brent	USD/barrel	50.3	29.7	42.9	44.3	63	66	64	62
	growth in %	-20.3	-57.0	-30.7	-30.0	24.5	122.5	49.3	41.0
Crude oil Brent index (in CZK)	2010=100	77.0	48.0	64.0	65.2	89	93	90	88
	growth in %	-18.0	-53.8	-32.2	-32.3	15.8	94.6	41.0	34.3
Natural gas (Europe)	USD/MMBtu	3.1	1.8	2.9	5.2	.	.	.	.
	growth in %	-49.8	-57.6	-25.1	5.1	.	.	.	.
Natural gas (Europe) index (in CZK)	2010=100	45.4	28.2	41.1	73.5	.	.	.	.
	growth in %	-48.4	-54.5	-26.8	1.7	.	.	.	.

Source: CNB, U. S. Energy Information Administration, World Bank. Calculations and forecast of the MoF.

1.3 Fiscal Policy

According to Czech Statistical Office data, the general government sector ended **2020** with a deficit of 6.2% of GDP (*versus 5.8% of GDP*). This can be attributed mainly to the outcome of the state budget, which, in addition to its enhanced redistributive function, bore the brunt of stabilising the economy and compensating for the shortfall in income suffered by other units of public finance. Transfers from the state budget then led to local governments again reporting a surplus, while health insurance companies ran only a slight deficit during the health crisis. In terms of the structural balance, the expansionary fiscal policy led to a deficit of 2.7% of GDP (*versus 2.0% of GDP*), as a whole number of measures were one-off or temporary in nature and, to some extent, the decline in revenue was cyclical.

The revenue side was characterised by a decline or loss of momentum in tax revenues due to the deep economic recession. Tax receipts, including social security contributions, fell by 2.7%, with the largest fall reported in corporate income tax revenue (-22.1%). In addition to the forced downturn in corporate economic activity, the decline also reflected the impact of the “2021 Tax Package” introducing extraordinary depreciation and an increase in the limit for the depreciation of tangible fixed assets with an estimated impact of CZK 13.4 billion. In the case of personal income tax, again because of employment stabilisation measures, there was a 3.3% year-on-year increase. The 1.3% growth in the compensation of employees, together with an increase in the state’s payments for the state insured persons by CZK 25.4 billion and the waiver of the minimum advance payments for social and health insurance for the self-employed (CZK -14.3 billion), as well as the waiver of employer social insurance contributions (CZK -13.3 billion), were the factors determining the momentum of social security contributions (1.6%).

Besides the decline in household final consumption (see Chapter 3.1), value added tax (-3.0%) also reflected the reduction in the rate on selected goods and services. Excise tax revenue, net of subsidies for renewable energy, fell by 6.4%. Mineral oil tax revenue echoed the lower consumption of diesel and petrol stemming from a sharp decline in transport, as well as the higher rebate on “green diesel”. Tobacco tax revenue was affected considerably by a reduction in cross-border purchases and tourism. On the other hand, the change in rates on tobacco products and alcohol had a positive revenue effect, with an impact initially expected at around CZK 10.3 billion. In contrast, the abolition of the tax on the acquisition of immovable property resulted in a revenue shortfall of CZK 13.8 billion.

The final consumption expenditure of the general government sector maintained its strong momentum at 8.7% thanks to the compensation of employees and social transfers in kind. Double-digit growth in the compen-

sation of employees was driven by the salaries of education and health-care workers, complemented by funds for compensation in the health sector, social services, and security forces. Social transfers in kind, or healthcare expenditure paid to non-government entities, grew even faster (10.6%). By contrast, expenditure on intermediate consumption rose only slightly (1.9%), as higher consumption in the health sector, rail transport and research was offset by lower intermediate consumption in road transport and public universities.

Cash social benefits increased by 15.9% YoY. Besides economic developments, this reflected the high indexation of pension benefits, the lump-sum benefit for pensioners (CZK 15 billion), the increase in the parental allowance (CZK 14.1 billion) and the carer’s allowance temporarily increased during the epidemic (CZK 12 billion).

Compared to the previous three years, the growth rate of capital expenditure slowed to 9.8%, with more than 82% of this comprising investments financed from national sources. Central government increased its investments by 15.2%, while territorial units recorded a rise by only 4.2%. The higher borrowing needs of the state, required to cover the increased state budget deficit and to strengthen the treasury’s liquid reserves, led to a 7.1% increase in interest costs to 0.8% of GDP.

More than 35% of the increase in subsidies was made up of funding to support various groups of economic entities affected by the coronavirus epidemic or, more specifically, by measures taken to prevent its spread. These were mainly the Antivirus Programme – A/A Plus and B schemes, amounting to CZK 25.5 billion, and specific COVID schemes run by the Ministry of Industry and Trade and the Ministry of Regional Development. Other measures were implemented by means of transfers that were up by over 28% YoY, most notably the “compensation bonus” paid to qualifying self-employed persons, small limited liability companies, and employees working under non-employment contracts, i.e. “work agreements” or “agreements to perform work”, with a total impact of CZK 26.3 billion.

In **2021**, the general government sector will continue to be heavily influenced by the situation caused by the coronavirus epidemic, its economic consequences, and the measures implemented in public health system and as part of the fiscal policy stimulus. We therefore expect a deep deficit of 8.8% of GDP (*versus 6.6% of GDP*), which will again be mainly borne by the state budget. Local governments, on the other hand, are likely to post a slight surplus, helped by a change in tax assignment in their favour. Despite a further increase in the payment for state-insured persons, we expect social security funds to run a deficit. From the perspective of the structural balance, the expansionary fiscal policy should lead to a deficit of 6.5% of GDP (*versus 5.9% of GDP*).

The forecast assumes approximately the same level of tax revenues and social security contributions as in 2020, with tax receipts themselves expected to fall by 4.7%, mainly as a result of the approved “2021 Tax Package”. Among other things, this package has reduced the effective personal income tax rate with an estimated impact on public finances of CZK 99 billion. This effect consists of adjustments to the tax base and rates, together with an increase in the basic tax credit. On the other hand, we expect corporate income tax to grow by 6.0%, but here again the momentum is adjusted for the impact of several measures under the “2021 Tax Package”.

Social security contributions are expected to increase by 5.9% YoY. This growth rate is based on the forecast for the compensation of employees in the national economy and the gradual unwinding of measures mitigating the socio-economic impact of the anti-epidemic restrictions (the waiver of minimum advances required of the self-employed in 2020, the Antivirus Programme – Mode C). The increase in payments for state-insured persons will add a further approximately CZK 30 billion to the public health insurance system.

We forecast growth of 3.8% in value added tax revenue. This autonomous development is consistent with the expected growth in nominal household consumption and part of final consumption expenditure and gross fixed capital formation of the general government sector. The reclassification of selected goods and services to the second reduced VAT rate during 2020 is likely to cut revenue by CZK 2.4 billion this year. VAT receipts will also be reduced due to the tax waiver on COVID-19 testing devices and vaccines, along with the tax waiver on respirators, resulting in a total impact of CZK 2.3 billion.

Excise tax revenue (excluding renewable energy subsidies) is expected to increase by 12.6%. In particular, the changes in the rates on tobacco products, estimated to net a total of CZK 5.2 billion, will have a positive effect. Excise duties should also be positively affected by the introduction of the digital tax, with an expected impact of CZK 1.1 billion in 2021. Regarding mineral oil tax revenue, we expect stronger growth on the back of the economic recovery which should largely erase the decline in 2020. This positive autonomous development in tax revenue will be dampened by the impact of the reduction in the tax rate on diesel by CZK 1 per litre, totalling CZK 5.6 billion.

Final consumption expenditure, expected to grow by 6.9%, will be driven by intermediate consumption, social transfers in kind and the compensation of employees. The approved salary rises are broadly split between education, health and social service workers. Public sector salaries should increase by 5.1%, in part as a result of the special remuneration of health personnel in the context of the second wave of the epidemic. The relatively strong growth in social transfers in kind should continue

(11.0%). We forecast that, in the first half of 2021, health spending will still be guided by the epidemic situation and the process of vaccinating the Czech population. Intermediate consumption growth should come to 8.4% this year, partly offsetting last year’s lacklustre increase following the closure of schools and other public institutions. In health care, purchases of COVID-19 vaccines and testing kits for schools should be felt.

The 6.1% increase in cash social benefits reflects both the statutory indexation of pension benefits and developments on the labour market, as well as the rise in transfers to public health insurance.

In view of the expected performance of the general government sector in 2020 and 2021 and the projected evolution of interest rates, interest costs should go up by 5.7%. Fixed capital investment should accelerate to 13.5%. We expect new EU programmes and instruments to be involved here.

Ongoing support programmes related to the COVID-19 epidemic are the reason for the high level of forecast subsidies, as some of the measures will remain in place in the first half of 2021 (especially the Antivirus Programme). The COVID – 2021 and COVID – Uncovered Costs programmes, with a total estimated impact of CZK 12 billion, are a new form of compensation in 2021 to mitigate the negative impact that the restrictions associated with the COVID-19 measures are having on businesses.

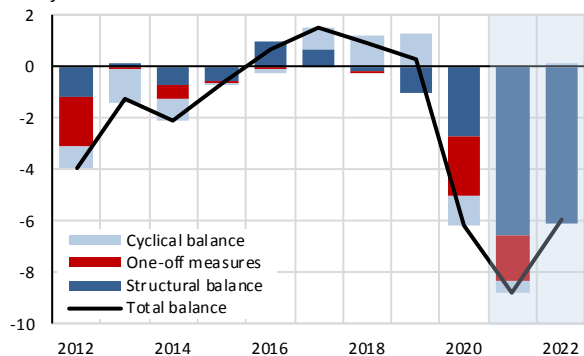
The rise in total expenditure has been fuelled significantly by capital transfers with 47.0% year-on-year growth. Continued support in the form of the compensation bonus should result in an outlay of CZK 33.4 billion. An accrual impact of approximately CZK 19 billion is linked to the introduction of the tax loss carryback concept, which can be used by both individuals and legal entities.

The deficit budgetary performance of government institutions, in particular the state budget, was also reflected in the level of debt in 2020, which rose by 7.8 pp to 38.1% of GDP (*versus 38.3% of GDP*). In 2021, we project that the threshold of 40% of GDP will be crossed, with debt reaching 44.8% of GDP at the end of the year (*versus 43.3% of GDP*).

The effects of the epidemic should no longer be felt in the public finances **in 2022**. Most one-off or other temporary operations will no longer be effective and the momentum of health purchases should slow down. However, some stabilisation and stimulus measures, primarily associated with the “2021 Tax Package”, will remain in place. At the same time, the Fiscal Responsibility Rules Act foresees a fiscal effort of 0.5 pp compared to 2021. In this light, we forecast that the general government deficit will fall by almost 3 pp to –5.9% of GDP and debt will rise to 48.2% of GDP.

Graph 1.3.1: General Government Balance

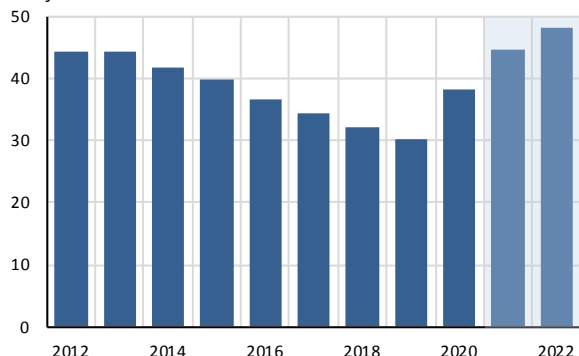
in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

Graph 1.3.2: General Government Debt

in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

Table 1.3.1: Net Lending/Borrowing and Debt

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
								Forecast	Forecast	Outlook	Outlook
General government balance	% GDP	-0.6	0.7	1.5	0.9	0.3	-6.2	-8.8	-5.9	-5.4	-5.2
	bill. CZK	-30	34	77	49	18	-348	-522	-370	-351	-355
Cyclical balance	% GDP	0.0	-0.1	0.9	1.2	1.3	-1.2	-0.5	0.1	0.2	0.1
Cyclically adjusted balance	% GDP	-0.6	0.8	0.7	-0.3	-1.0	-5.0	-8.3	-6.0	-5.5	-5.3
One-off measures ¹⁾	% GDP	-0.1	-0.1	0.0	-0.1	0.0	-2.3	-1.8	0.0	0.0	0.0
Structural balance	% GDP	-0.6	1.0	0.7	-0.2	-1.0	-2.7	-6.5	-6.0	-5.5	-5.3
Fiscal effort ²⁾	pp	0.1	1.5	-0.3	-0.8	-0.8	-1.7	-3.8	0.5	0.5	0.2
Interest expenditure	% GDP	1.1	0.9	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Primary balance	% GDP	0.4	1.6	2.2	1.7	1.0	-5.4	-8.0	-5.1	-4.6	-4.4
Cyclically adjusted primary balance	% GDP	0.4	1.7	1.4	0.5	-0.3	-4.2	-7.6	-5.3	-4.8	-4.5
General government debt	% GDP	39.7	36.6	34.2	32.1	30.3	38.1	44.8	48.2	51.5	54.6
	bill. CZK	1 836	1 755	1 750	1 735	1 740	2 153	2 655	3 017	3 352	3 692
Change in debt-to-GDP ratio	pp	-2.2	-3.1	-2.3	-2.2	-1.8	7.8	6.7	3.5	3.3	3.0

¹⁾ One-off and temporary measures are such measures that have only a temporary impact on public budgets. Besides their temporary impact on overall balance, these measures are usually of non-recurring nature and very often result from the events that are beyond the direct power of the government.

²⁾ Change in structural balance.

Source: CZSO. Calculations and forecast of the MoF.

1.4 Monetary Policy, Financial Sector and Exchange Rates

1.4.1 Monetary Policy

As predicted, the CNB kept the two-week repo rate at 0.25% in Q1 2021. This was due not only to the epidemic situation and the impact of restrictive measures on the domestic economy, but also to expected economic developments abroad.

In Q1, monetary conditions were highly relaxed in the interest rate component. In view of the projected path of short-term interest rates and the forecast inflation, real interest rates will continue to be stimulative in 2021 and 2022. The exchange rate component should be more or less neutral over the forecast horizon. Monetary conditions will thus be pro-growth for the economy in a situation where the negative output gap is gradually closing.

1.4.2 Financial Sector and Interest Rates

The **three-month PRIBOR rate** averaged 0.4% in Q1 2021 (*as forecast*). If the monetary policy stance is in line with our assumptions (gradual normalisation of interest rates from Q4 2021), it should stand at 0.4% in Q2 (*unchanged*), the same as the average for 2021 as a whole (*unchanged*). In 2022, the three-month PRIBOR rate could rise to 1.1% on average.

Yields to maturity on 10-year government bonds for convergence purposes increased to 1.3% and 1.5% in January and February 2021, respectively. For Q1, we estimate that their average value was 1.5% (*versus 1.2%*). Taking into account the assumed monetary policy stance of the CNB and the ECB, inflation developments, and the rising yield curve, we believe that long-term interest rates could average 1.6% in Q2 (*versus 1.2%*) and 1.5% for the whole of 2021 (*versus 1.2%*). For 2022, we expect a slight increase to 1.8%.

In both Q4 2020 and January 2021, **loans to households** increased by 6.4% YoY, with the rate rising slightly to 6.5% in February. Growth in consumer credit had gradually slowed over the past year, and there was even a slight year-on-year decline in January and February. By contrast, the growth rate of other loans, which include loans to sole traders, rose to 3.9% in Q4 2020 and remained at a similar level in January and February. Growth in total housing loans gradually accelerated to 8.2% in February, helped by low interest rates and the loosening of the CNB's recommendations on the management of risks associated with retail lending secured with residential property (only the recommendation for the loan-to-value ratio, which should not exceed 90%,

has been active since June 2020). The average client interest rate on total household loans fell by 0.2 pp YoY to 3.4% in February.

Loans to non-financial corporations, the growth of which slowed to 1.2% in Q4 2020, were almost flat in January and February 2021. Only foreign-currency loans and loans with a maturity of over 1 year increased. The average client interest rate on total loans to non-financial corporations fell by 1.3 pp YoY to 2.5% in February.

As of November 2020, banks were no longer obliged to grant requests for repayment deferment. This had a more pronounced impact on the **share of non-performing loans** for non-financial corporations than for households. The share of non-performing loans in total loans was virtually flat at 1.6% for households in Q4 2020 and reached 1.8% in both January and February 2021. For non-financial corporations, it increased to 3.7% in Q4, and stood at 4.2% in both January and February.

1.4.3 Exchange Rates

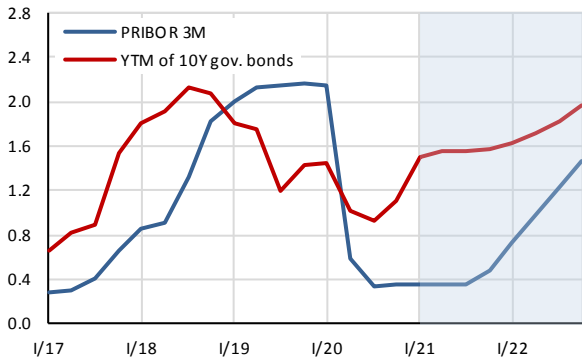
At the start of 2021, the Czech koruna first strengthened against the euro, rising to CZK 25.7/EUR, but then returned to weaker levels of around CZK 26.3/EUR. On average, then, the koruna depreciated by 1.7% YoY to CZK 26.1/EUR in Q1 2021 (*versus CZK 26.3/EUR*). The koruna exchange rate remains highly volatile, probably due to the fluctuating sentiment on international financial markets in an environment of heightened global risks and uncertainties.

From Q2 onwards, we expect the koruna to return to a gradual appreciation trajectory of 0.4% QoQ. The koruna exchange rate against the euro should thus average CZK 26.0/EUR in Q2 2021 (*versus CZK 26.2/EUR*), and CZK 25.9/EUR in 2021 as a whole (*versus CZK 26.1/EUR*). The gradual appreciation should initially reflect the positive interest rate differential and the improvement in global sentiment following the stabilisation of the epidemic situation; later, the real convergence of the Czech economy towards the euro area should also be a contributing factor.

The expected exchange rate of the koruna against the US dollar is implied by the USD/EUR exchange rate, for which we made an assumption of stability at the level of USD 1.21/EUR (*versus USD 1.22/EUR*), i.e. at the average of the 10 days preceding the cut-off date for selected forecast assumptions.

Graph 1.4.1: Interest Rates

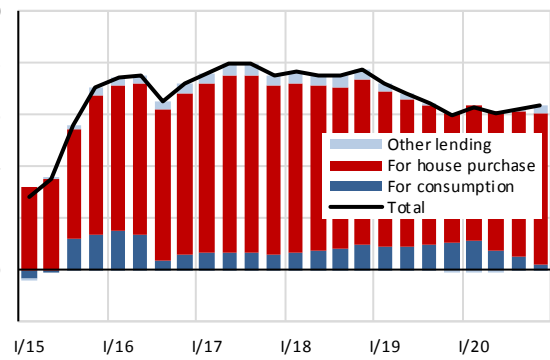
in % p.a.



Source: CNB. Calculations and forecast of the MoF.

Graph 1.4.2: Loans to Households

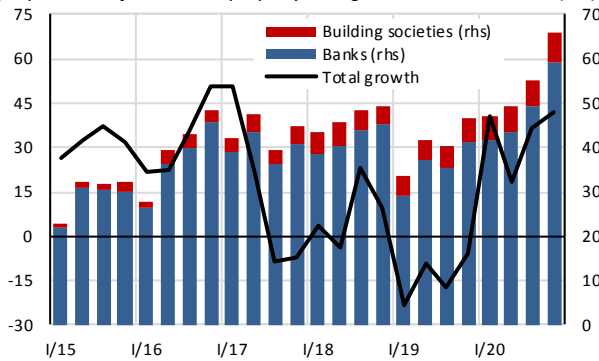
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.3: New Mortgage Loans

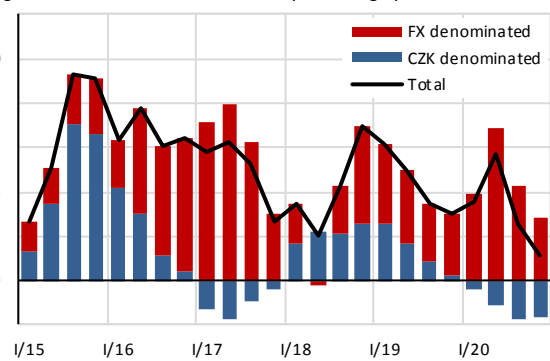
for purchase of residential property, YoY growth in %, CZK billion (rhs)



Source: CNB. Calculations of the MoF.

Graph 1.4.4: Loans to Non-financial Corporations

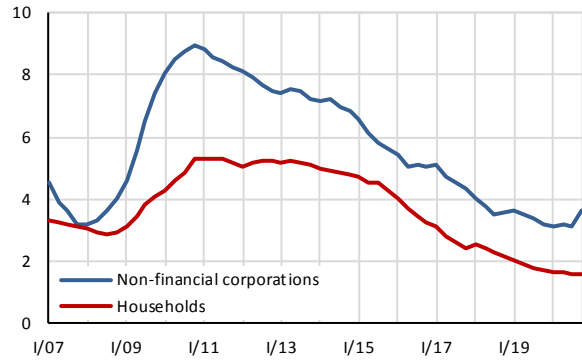
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.5: Non-performing Loans

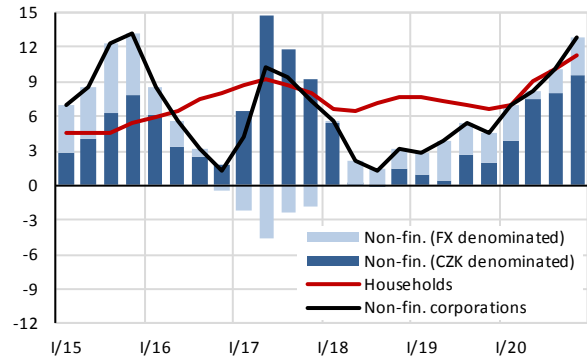
ratio of non-performing to total loans, in%



Source: CNB. Calculations of the MoF.

Graph 1.4.6: Deposits

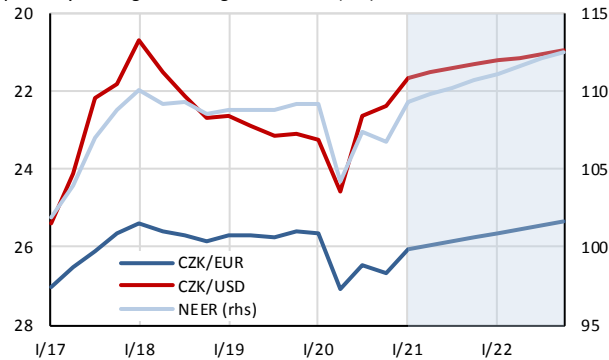
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.7: Nominal Exchange Rates

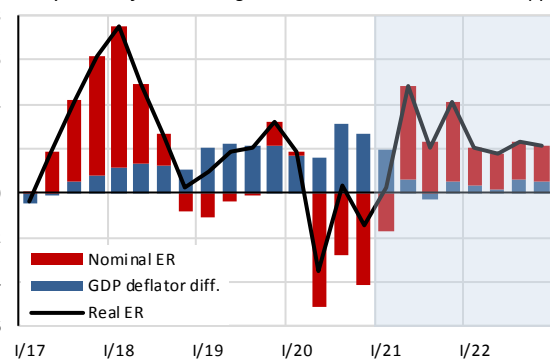
quarterly averages, average 2015=100 (rhs)



Source: CNB. Calculations and forecast of the MoF.

Graph 1.4.8: Real Exchange Rate to the EA19

deflated by GDP deflators, YoY growth rate in %, contributions in pp



Source: CNB, CZSO, Eurostat. Calculations and forecast of the MoF.

Table 1.4.1: Interest Rates – yearly
average of period, unless stated otherwise

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
											Forecast	Forecast
Repo 2W rate CNB (end of period)	<i>in % p.a.</i>	0.05	0.05	0.05	0.05	0.50	1.75	2.00	0.25	.	.	
Main refinancing rate ECB (end of period)	<i>in % p.a.</i>	0.25	0.05	0.05	0.05	0.00	0.00	0.00	0.00	.	.	
Federal funds rate (end of period)	<i>in % p.a.</i>	0.25	0.25	0.50	0.75	1.50	2.50	1.75	0.25	.	.	
PRIBOR 3M	<i>in % p.a.</i>	0.46	0.36	0.31	0.29	0.41	1.23	2.12	0.86	0.4	1.1	
YTM of 10Y government bonds	<i>in % p.a.</i>	2.11	1.58	0.58	0.43	0.98	1.98	1.55	1.13	1.5	1.8	
Client interest rates												
Loans to households	<i>in % p.a.</i>	6.05	5.59	5.15	4.65	4.10	3.76	3.66	3.53	.	.	
Loans to non-financial corporations	<i>in % p.a.</i>	3.20	3.01	2.78	2.59	2.57	3.05	3.75	2.96	.	.	
Deposits of households	<i>in % p.a.</i>	1.02	0.85	0.65	0.47	0.36	0.33	0.39	0.35	.	.	
Deposits of non-financial corporations	<i>in % p.a.</i>	0.41	0.29	0.19	0.10	0.05	0.11	0.37	0.20	.	.	

Source: CNB, ECB, Fed. Calculations and forecast of the MoF.

Table 1.4.2: Interest Rates – quarterly
average of period, unless stated otherwise

		2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						Estimate	Forecast	Forecast	Forecast
Repo 2W rate CNB (end of period)	<i>in % p.a.</i>	1.00	0.25	0.25	0.25	0.25	.	.	.
Main refinancing rate ECB (end of period)	<i>in % p.a.</i>	0.00	0.00	0.00	0.00	0.00	.	.	.
Federal funds rate (end of period)	<i>in % p.a.</i>	0.25	0.25	0.25	0.25	0.25	.	.	.
PRIBOR 3M	<i>in % p.a.</i>	2.15	0.59	0.34	0.35	0.36	0.4	0.4	0.5
YTM of 10Y government bonds	<i>in % p.a.</i>	1.46	1.02	0.93	1.11	1.5	1.6	1.6	1.6
Client interest rates									
Loans to households	<i>in % p.a.</i>	3.62	3.53	3.50	3.46	.	.	.	.
Loans to non-financial corporations	<i>in % p.a.</i>	3.76	2.97	2.55	2.55	.	.	.	.
Deposits of households	<i>in % p.a.</i>	0.44	0.38	0.30	0.27	.	.	.	.
Deposits of non-financial corporations	<i>in % p.a.</i>	0.43	0.22	0.08	0.06	.	.	.	.

Source: CNB, ECB, Fed. Calculations and forecast of the MoF.

Table 1.4.3: Loans and Deposits – yearly averages

		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Households											
Loans	<i>growth in %</i>	6.6	5.0	4.0	3.4	4.8	7.2	7.8	7.6	6.6	6.3
For consumption	<i>growth in %</i>	4.2	-1.0	-0.1	-0.9	3.4	6.0	4.3	5.4	6.4	4.4
For house purchase	<i>growth in %</i>	6.5	6.4	5.5	4.5	5.6	8.1	9.0	8.5	7.4	7.3
Other lending	<i>growth in %</i>	11.1	6.0	1.2	2.9	1.0	3.0	4.2	4.3	1.1	0.9
CZK denominated	<i>growth in %</i>	6.6	4.9	4.0	3.4	4.7	7.2	7.7	7.6	6.6	6.3
FX denominated	<i>growth in %</i>	2.4	30.8	-1.3	0.0	12.7	8.5	36.3	1.7	9.0	6.1
Deposits	<i>growth in %</i>	5.0	4.5	3.3	2.9	4.8	7.0	8.7	7.0	7.2	9.4
CZK denominated	<i>growth in %</i>	5.4	4.7	3.3	2.7	4.1	6.9	9.7	7.1	6.9	9.2
FX denominated	<i>growth in %</i>	-4.0	-2.1	2.3	8.5	22.5	7.3	-13.9	3.5	15.2	14.5
Non-performing loans (banking statistics)	<i>share, in %</i>	5.3	5.2	5.2	4.9	4.5	3.6	2.7	2.4	1.9	1.6
Loans to deposits ratio	<i>in %</i>	62	63	63	63	63	63	63	63	63	61
Non-financial corporations											
Loans	<i>growth in %</i>	4.7	3.5	1.3	1.9	6.5	6.6	5.0	4.2	4.3	3.2
CZK denominated	<i>growth in %</i>	4.9	2.6	0.3	-1.0	5.9	2.8	-1.4	3.0	1.9	-1.8
FX denominated	<i>growth in %</i>	3.7	7.8	5.7	13.7	9.0	20.5	24.4	6.9	10.0	14.0
Deposits	<i>growth in %</i>	0.4	8.9	4.9	7.6	10.3	4.6	7.8	3.0	4.2	9.5
CZK denominated	<i>growth in %</i>	2.0	8.2	4.2	5.6	6.7	4.5	13.9	2.1	1.9	9.4
FX denominated	<i>growth in %</i>	-6.1	11.8	8.0	15.2	23.2	4.8	-11.1	6.6	13.0	9.9
Non-performing loans (banking statistics)	<i>share, in %</i>	8.5	7.8	7.4	7.0	6.0	5.2	4.7	3.7	3.4	3.3
Loans to deposits ratio	<i>in %</i>	126	120	116	110	106	108	105	106	106	100

Note: All indicators, except for the share of non-performing loans, are from the monetary statistics.

Source: CNB, ECB. Calculations of the MoF.

Table 1.4.4: Loans and Deposits – quarterly averages

		2019				2020			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Households									
Loans	<i>growth in %</i>	7.2	6.8	6.4	6.0	6.3	6.1	6.2	6.4
For consumption	<i>growth in %</i>	6.0	6.1	6.4	7.0	7.6	5.2	3.6	1.6
For house purchase	<i>growth in %</i>	8.0	7.6	7.2	6.7	6.9	7.1	7.3	7.7
Other lending	<i>growth in %</i>	2.7	2.1	0.4	-0.7	-0.4	-0.7	1.1	3.7
CZK denominated	<i>growth in %</i>	7.2	6.8	6.4	6.0	6.3	6.1	6.2	6.4
FX denominated	<i>growth in %</i>	23.2	13.3	0.6	0.9	-2.7	4.9	7.4	15.5
Deposits	<i>growth in %</i>	7.6	7.3	7.1	6.7	6.9	9.1	10.1	11.3
CZK denominated	<i>growth in %</i>	7.5	7.0	6.7	6.3	6.4	8.9	10.1	11.2
FX denominated	<i>growth in %</i>	11.3	13.6	18.2	17.4	21.0	14.7	9.0	14.1
Non-performing loans (banking statistics)	<i>share, in %</i>	2.0	1.9	1.8	1.7	1.7	1.7	1.6	1.6
Loans to deposits ratio	<i>in %</i>	63	63	63	63	63	61	61	60
Non-financial corporations									
Loans	<i>growth in %</i>	6.1	5.0	3.4	3.0	3.6	5.7	2.6	1.2
CZK denominated	<i>growth in %</i>	3.7	2.4	1.2	0.4	-0.5	-1.6	-2.5	-2.5
FX denominated	<i>growth in %</i>	12.1	11.1	8.4	8.7	12.7	21.8	13.4	8.7
Deposits	<i>growth in %</i>	2.9	3.9	5.4	4.5	6.9	8.2	10.0	12.9
CZK denominated	<i>growth in %</i>	1.1	0.6	3.3	2.5	5.0	9.7	10.4	12.4
FX denominated	<i>growth in %</i>	9.7	16.9	13.2	12.2	13.9	2.8	8.7	14.5
Non-performing loans (banking statistics)	<i>share, in %</i>	3.7	3.5	3.4	3.2	3.1	3.2	3.2	3.7
Loans to deposits ratio	<i>in %</i>	107	105	107	107	103	103	100	96

Note: All indicators, except for the share of non-performing loans, are from the monetary statistics.

Source: CNB, ECB. Calculations of the MoF.

Table 1.4.5: Exchange Rates – yearly

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
								Forecast	Forecast	Outlook	Outlook
Nominal exchange rates											
CZK / EUR	average	27.28	27.03	26.33	25.65	25.67	26.44	25.9	25.5	25.1	24.7
	appreciation in %	0.9	0.9	2.7	2.7	-0.1	-2.9	2.1	1.7	1.7	1.7
CZK / USD	average	24.60	24.43	23.39	21.74	22.94	23.19	21.5	21.1	20.7	20.4
	appreciation in %	-15.7	0.7	4.5	7.6	-5.2	-1.1	8.1	1.8	1.7	1.7
NEER	average of 2015=100	100.0	102.4	105.4	109.3	108.9	106.9	110	112	114	116
	appreciation in %	-0.8	2.4	2.9	3.7	-0.3	-1.9	2.9	1.7	1.7	1.7
Real exchange rate to EA19 ¹⁾	average of 2015=100	100.0	101.1	104.0	108.1	110.3	109.5	113	115	118	120
	appreciation in %	0.5	1.1	2.9	3.9	2.0	-0.7	2.8	2.1	2.4	2.3
REER ²⁾	average of 2015=100	100.0	102.6	106.6	111.1	111.5	.	.	.	.	.
	appreciation in %	-0.9	2.6	3.9	4.3	0.3	.	.	.	.	.

¹⁾ Deflated by GDP deflators.

²⁾ Eurostat calculations, deflated by CPI, versus 42 countries.

Source: CNB, Eurostat. Calculations and forecast of the MoF.

Table 1.4.6: Exchange Rates – quarterly

		2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						Estimate	Forecast	Forecast	Forecast
Nominal exchange rates									
CZK / EUR	average	25.63	27.05	26.46	26.66	26.07	26.0	25.9	25.7
	appreciation in %	0.2	-5.1	-2.7	-4.1	-1.7	4.2	2.4	3.5
CZK / USD	average	23.25	24.55	22.64	22.36	21.64	21.5	21.4	21.3
	appreciation in %	-2.7	-6.9	2.3	3.3	7.4	14.3	5.9	5.0
NEER	average of 2015=100	109	104	107	107	109	110	110	111
	appreciation in %	0.4	-4.2	-1.3	-2.2	0.1	5.3	2.6	3.7
Real exchange rate to EA19 ¹⁾	average of 2015=100	111.8	106.2	110.7	109.4	112	111	113	114
	appreciation in %	1.9	-3.5	0.3	-1.4	0.3	4.8	2.0	4.1
REER ²⁾	average of 2015=100	114.0	109.2	113.5	112.7	.	.	.	.
	appreciation in %	2.0	-1.7	1.9	0.8	.	.	.	.

¹⁾ Deflated by GDP deflators.

²⁾ Eurostat calculations, deflated by CPI, versus 42 countries.

Source: CNB, Eurostat. Calculations and forecast of the MoF.

1.5 Structural Policies

The Czech Republic has been hit hard by further waves of the COVID-19 epidemic. The **state of emergency**, which allows the government to take the measures necessary to minimise the risk of the spread of the disease, has been in place since 5 October 2020.

To mitigate the macroeconomic and social impact of these measures and to support the subsequent recovery, **strong fiscal stimuli** were introduced. These focus on both the revenue and expenditure side of public budgets (support for sole traders and firms, compensation for wage costs under the Antivirus programmes, support for the health and social service sectors, etc.). The strengthening of these stimuli and consideration for the budgetary impact of the “Tax Package” for 2021 are enshrined in the **amendment to the Act on the State Budget** for 2021, which took effect on 1 March 2021. The planned deficit of the state budget was increased from

CZK 320 billion to CZK 500 billion (8.4% of the GDP forecast for 2021).

A significant stimulus for the economy in 2021 can be found in changes to **personal income tax**. By narrowing the tax base to gross wage, net of employer contributions to social and health insurance, and simultaneously increasing the basic tax credit, general government revenues are reduced by around CZK 99 billion in favour of household disposable income.

To improve the epidemic (and consequently the economic) situation in the long term, it is necessary to **vaccinate a large part of the Czech population**. The vaccination process started at the end of December 2020, when the first doses of vaccines arrived in the Czech Republic. Vaccination has been slow because of the low number of doses delivered and problems in vaccination logistics. However, since the second half of February, the pace of vaccination has picked up considerably. By the end of

March, 1.2 million people (over 11% of the population) had been vaccinated with a first dose of the vaccine, and more than 0.5 million people (5% of the population) had been vaccinated completely. So far, vaccination coverage has been concentrated on healthcare workers, people in the most vulnerable age groups, the clients and employees of social services, and teaching and non-teaching staff in the education sector.

1.6 Demographic Trends

The long-term stable moderate population growth of the Czech Republic slowed down significantly in 2020. At the beginning of 2021, 10.702 million people were living in the Czech Republic. In 2020, the population increased by 7,800, i.e. by 0.1%. This increase was less than one fifth compared to 2019. A very gradual increase in population can be expected over the forecast horizon.

The difference between the number of births and deaths resulted in a natural population decline by 19,100. The number of live **births** (110,200) decreased slightly by 2,000 compared to the previous year. The lower number of births is due to the changing age structure of women of reproductive age and the shift of the numerically weaker cohorts born in the late 1980s and early 1990s to the age of highest fertility. Fertility rate, according to preliminary results, remained at 1.71 children per woman.

By contrast, the number of **deaths** (129,300) exceeded the 2019 level by 16,900 and was the highest since 1986. This was mainly due to the escalation of the coronavirus epidemic in Q4 2020. In this period, 15,700 more people died compared to the 2015–2019 average. The Institute of Health Information and Statistics reported that more than 11,000 people died with COVID-19 in Q4 2020 (92% of them were aged 65 years or over). The increased mortality has continued into the early months of 2021 (see Graph 1.6.4).

The epidemic also had a heavily negative impact on the balance of international migration. The **positive balance**

The pace of vaccination can be expected to accelerate further in the coming period. If the promised deliveries materialise and vaccines from other manufacturers are approved soon, vaccines should be secured so that almost 4 million people (37% of the population) can be vaccinated with at least the first dose by the end of Q2 2021 and about 7 million people (66% of the population) by the end of Q3. This should be a significant help in restoring normal economic and social life.

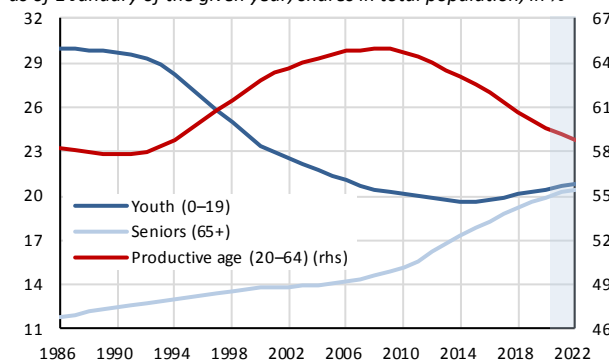
of migration amounted to just 26,900 people, two-fifths less year-on-year. There was both a decline in the number of immigrants and an increase in emigration. A clearly positive balance of migration was recorded only for citizens of Ukraine (16,000), and much less so for Slovakia and Russia. Conversely, negative balances, albeit small in magnitude, were registered among citizens of the United Kingdom, Poland and Germany. The intensity and directions of migration flows are likely to continue to be influenced by the evolution of the pandemic and the economic environment.

Detailed data on the **age structure** of the Czech population at the beginning of 2021 will be published in June. However, we can expect an increase in the population in both the youngest age groups and in the elderly age bracket, where the rise compared to previous years was probably significantly lower due to COVID-19 deaths. In contrast, the decline in the population aged 20–64, although somewhat slowed by immigration with a favourable age structure, appears to have continued.

At the beginning of 2021, there were 2,400,000 **old-age pensioners** in the pension system, i.e. 22.4% of the population of the Czech Republic. The rise in the statutory retirement age, combined with demographic developments, in particular increased mortality, led to a decrease in the number of old-age pensioners by 14,300, i.e. by 0.6% at the turn of the year.

Graph 1.6.1: Age Groups

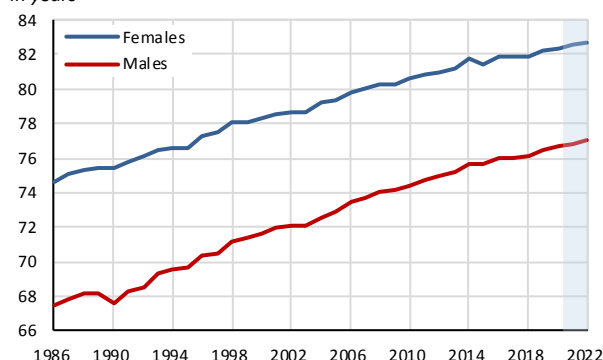
as of 1 January of the given year, shares in total population, in %



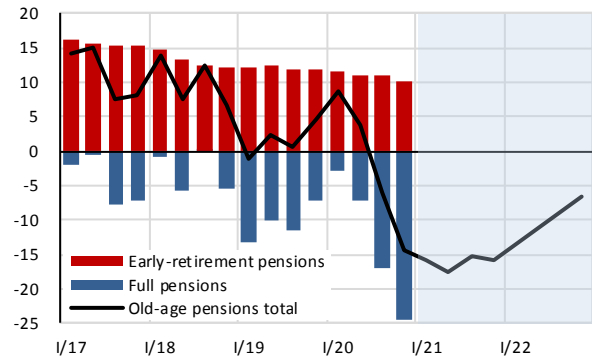
Source: CZSO. Calculations of the MoF.

Graph 1.6.2: Life Expectancy at Birth

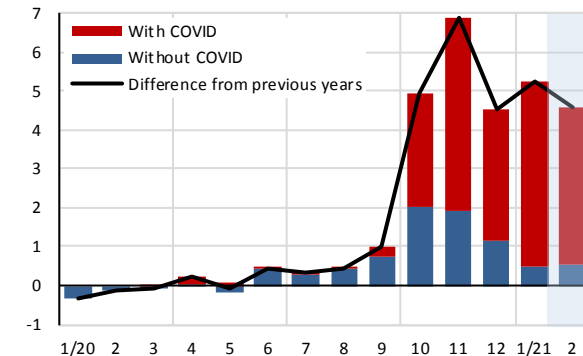
in years



Source: CZSO.

Graph 1.6.3: Old-Age Pensioners
absolute increase over a year in thousands of persons


Source: Czech Social Security Administration. Calculations and forecast of the MoF.

Graph 1.6.4: Number of Deaths in 2020 and 2021
difference from the 2015–2019 average, in thousands


Note: February 2021 – estimate of the MoF.

Source: CZSO, Institute of Health Information and Statistics. Calculations of the MoF.

Table 1.6.1: Demographics

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
								Forecast	Forecast	Outlook	Outlook
Population (as of 1 January)	<i>thous. persons</i>	10 538	10 554	10 579	10 610	10 650	10 694	10 702	10 707	10 724	10 739
	<i>growth in %</i>	0.2	0.1	0.2	0.3	0.4	0.4	0.1	0.0	0.2	0.1
0–19 years	<i>thous. persons</i>	2 064	2 082	2 106	2 133	2 160	2 188	2 210	2 228	2 244	2 256
	<i>growth in %</i>	0.3	0.9	1.2	1.3	1.3	1.3	1.0	0.9	0.7	0.5
20–64 years	<i>thous. persons</i>	6 594	6 540	6 484	6 437	6 403	6 374	6 329	6 289	6 257	6 235
	<i>growth in %</i>	-0.5	-0.8	-0.9	-0.7	-0.5	-0.4	-0.7	-0.6	-0.5	-0.4
65 and more years	<i>thous. persons</i>	1 880	1 932	1 989	2 040	2 087	2 132	2 163	2 189	2 224	2 248
	<i>growth in %</i>	3.0	2.8	2.9	2.6	2.3	2.2	1.5	1.2	1.6	1.1
Old-age pensioners (as of 1 January)¹⁾	<i>thous. persons</i>	2 355	2 377	2 395	2 403	2 410	2 415	2 400	2 385	2 378	2 368
	<i>growth in %</i>	0.6	0.9	0.8	0.3	0.3	0.2	-0.6	-0.7	-0.3	-0.4
Old-age dependency ratios (as of 1 January)											
Demographic ²⁾	%	28.5	29.5	30.7	31.7	32.6	33.4	34.2	34.8	35.5	36.1
Under current legislation ³⁾	%	39.3	39.8	40.1	40.4	40.4	40.5	40.3	40.1	39.9	39.6
Effective ⁴⁾	%	46.9	46.8	46.2	45.7	45.2	45.5	46.0	46.1	45.8	45.6
Fertility rate	<i>children</i>	1.570	1.630	1.687	1.708	1.715	1.71	1.70	1.70	1.70	1.70
Population increase	<i>thous. persons</i>	16	25	31	40	44	8	5	17	15	12
Natural increase	<i>thous. persons</i>	0	5	3	1	0	-19	-21	-9	-11	-14
Live births	<i>thous. persons</i>	111	113	114	114	112	110	107	105	103	101
Deaths	<i>thous. persons</i>	111	108	111	113	112	129	128	114	114	115
Net migration	<i>thous. persons</i>	16	20	28	39	44	27	26	26	26	26
Immigration	<i>thous. persons</i>	35	38	46	58	67	56	.	.	.	.
Emigration	<i>thous. persons</i>	19	17	18	20	22	29	.	.	.	.

¹⁾ In 2010 disability pensions of pensioners over 64 were transferred into old-age pensions.

²⁾ Demographic dependency: ratio of people in senior ages (65 and more) to people in productive age (20–64).

³⁾ Dependency under current legislation: ratio of people above the official retirement age to the people over 19 below the official retirement age.

⁴⁾ Effective dependency: ratio of old-age pensioners to working people (LFS methodology).

Source: Czech Social Security Administration, CZSO. Calculations and forecast of the MoF.

2 Economic Cycle

2.1 Position within the Economic Cycle

The Czech economy slumped into a **deeply negative output gap** in 2020 due to the measures taken to counter the effects of the COVID-19 epidemic. Real gross value added fell short of its potential by almost 9% in Q2 2020, by far the starkest result in the history of the independent Czech Republic. A strong economic recovery in Q3 and a modest quarter-on-quarter increase in GVA in Q4 reduced the size of the negative output gap to -2.0%. For the full year 2020, the output gap was -3.1% of potential output, which was comparable to the recessions of 2009 and 2013.

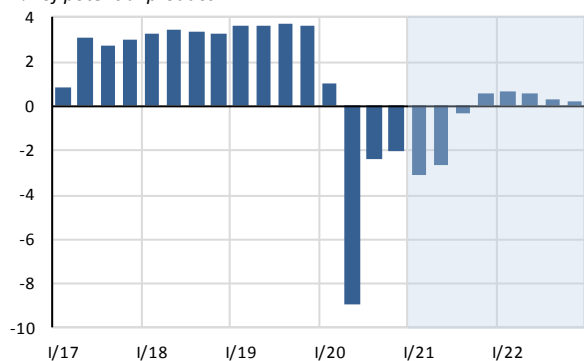
The onset of further waves of the epidemic and measures taken since the end of Q4 2020 have seen the negative output gap widen again. However, we expect it to close in the coming period on the back of the economic recovery. However, the increased uncertainty of results at a time of extreme volatility in economic output means that these estimates need to be treated with a high degree of caution.

The economic downturn has highlighted the medium-term trend of slowing **potential output** growth. According to the current estimate, it reached 1.1% in 2020. Once the epidemic has subsided, potential output growth should gradually accelerate above 2% in 2024.

In terms of components (see Graph 2.1.2), potential growth is determined by the trend component of **total factor productivity**, with a contribution of 1.0 pp in 2020. It should increase slightly in the years ahead.

Graph 2.1.1: Output Gap

in % of potential product



Source: CZSO. Calculations and forecast of the MoF.

Labour supply is affected by the ageing process (Chapter 1.6). Among other things, this is reflected in a long-term decline in the working-age population aged 20–64. This took 0.3 pp off potential output growth in 2020, and a similar figure can be expected in the coming period.

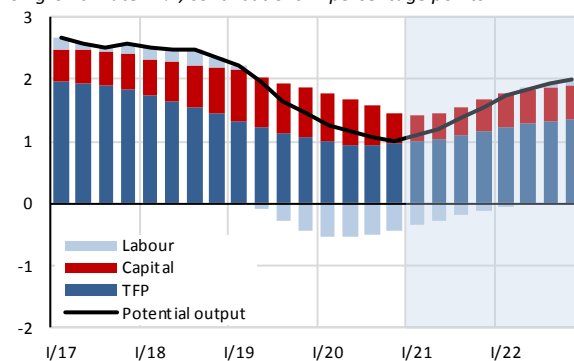
For a long time, the negative impact of demographic developments on labour supply was cushioned by a dynamic increase in the **participation rate**, thanks to which the size of the labour force in the economy was growing. However, since 2019, the year-on-year growth in participation has weakened, and in early 2020 the participation rate actually started to decline. Despite action taken to protect the labour market, economic uncertainty is likely to have temporarily reinforced this trend. In this respect, the contribution of the participation rate to potential output growth reached -0.1 pp in 2020 and could be around 0.2 pp in the following years thanks to the expected increase in the participation rate (Chapter 3.3).

In the Czech Republic, there has been a long-term gradual decline in the number of **hours usually worked**. This factor has further hampered potential output growth, but its impact should be practically negligible over the forecast horizon.

The fall in gross fixed capital formation in 2020 led to a slowdown in the increase in the **capital stock**. Its contribution to potential growth came to 0.7 pp last year and is expected to fall slightly further in 2021, after which it could slowly increase thanks to renewed investment growth.

Graph 2.1.2: Potential Output

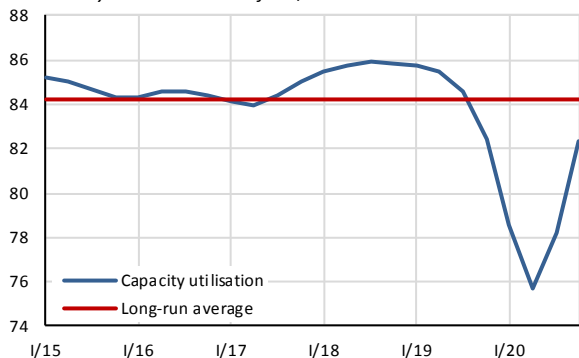
YoY growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.3: Capacity Utilisation in Industry

smoothed by Hodrick-Prescott filter, in %



Source: CZSO.

Table 2.1.1: Output Gap and Potential Product

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
								Forecast	Forecast	Outlook	Outlook
Output gap	%	0.0	-0.3	2.4	3.3	3.6	-3.1	-1.4	0.4	0.5	0.3
Potential product¹⁾	growth in %	2.5	2.7	2.6	2.4	1.8	1.1	1.3	1.9	2.0	2.1
Contributions											
Trend total factor productivity	pp	1.7	2.0	1.9	1.6	1.2	1.0	1.1	1.3	1.4	1.4
Fixed assets	pp	0.7	0.6	0.5	0.7	0.8	0.7	0.4	0.5	0.6	0.6
Population 20–64 yers	pp	-0.3	-0.5	-0.5	-0.4	-0.3	-0.3	-0.4	-0.3	-0.2	-0.1
Participation rate	pp	0.5	0.8	0.7	0.7	0.2	-0.1	0.2	0.3	0.3	0.1
Usually worked hours	pp	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0

¹⁾ Based on gross value added.

Source: CZSO. Calculations and forecast of the MoF.

2.2 Business Cycle Indicators

The development of confidence indicators in Q1 2021 points to a quarter-on-quarter recovery in gross value added growth in industry, construction and, to a lesser extent, in trade and services. In the construction sector, however, there is little correlation between confidence and gross value added.

The composite indicator of exports of goods, compiled by the Ministry of Finance from questions in the CZSO's business cycle survey and from business confidence in Germany, slowed down significantly after previous steep growth, indicating a moderate year-on-year rise in exports of goods for Q1 2021.

The CZSO's consumer confidence indicator stagnated in Q1 2021. For the first half of this year (the confidence indicator has a lead of 1–2 quarters), this signals stabilisation in the dynamics of household final consumption expenditure. The consumer confidence indicator, com-

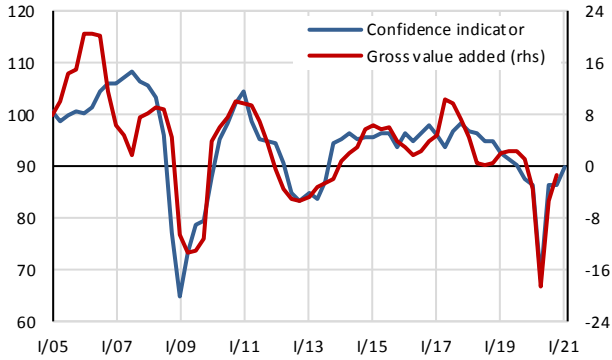
plied by the Ministry of Finance from questions in the European Commission's consumer survey, continued to decline. Consequently, the two indicators moved very close to each other in Q1 2021. The lower consumer confidence stemmed from a stronger preference for saving and, above all, a significantly worse assessment of the economic situation.

Overall, the composite confidence indicator for Q1 2021 signals a slight year-on-year decline in GVA.

The composite leading indicator points to a noticeable closing of the negative output gap in the first half of 2021. Given the anti-epidemic measures in place, we view the information from the composite leading indicator more in qualitative terms, i.e. we believe that the output gap is likely to remain deeply negative in the first half of 2021.

Graph 2.2.1: Confidence and GVA in Industry

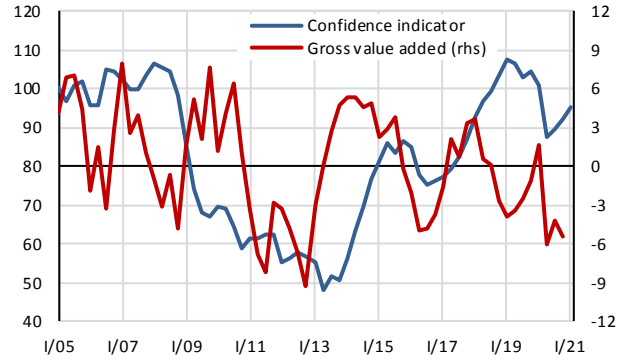
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.2: Confidence and GVA in Construction

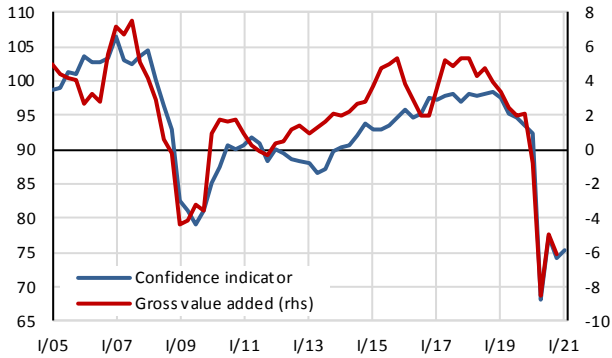
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.3: Confidence and GVA in Trade and Services

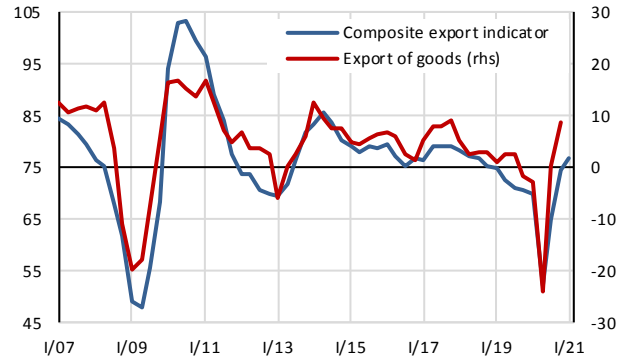
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO. Calculations of the MoF.

Graph 2.2.4: Composite Export Indicator

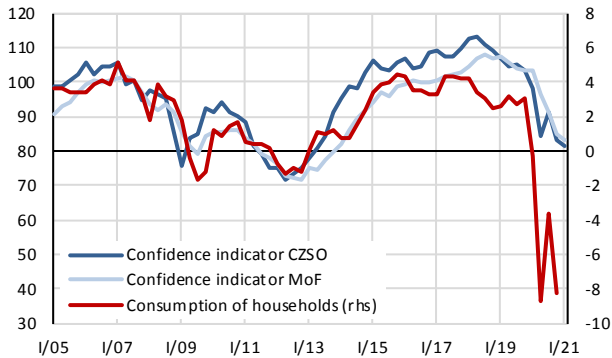
2010=100 (lhs), YoY growth in % (rhs)



Source: CESifo, CZSO. Calculations of the MoF.

Graph 2.2.5: Consumer Confidence and Consumption

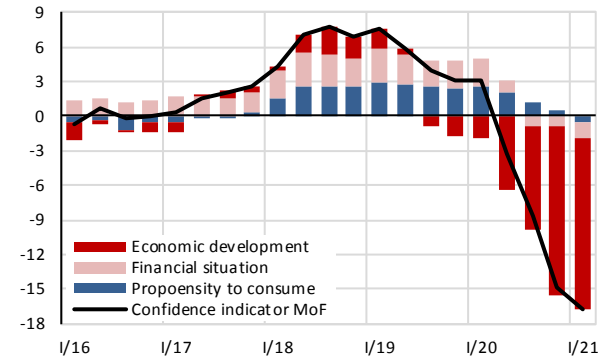
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO, European Commission. Calculations of the MoF.

Graph 2.2.6: Decomposition of Consumer Sentiment

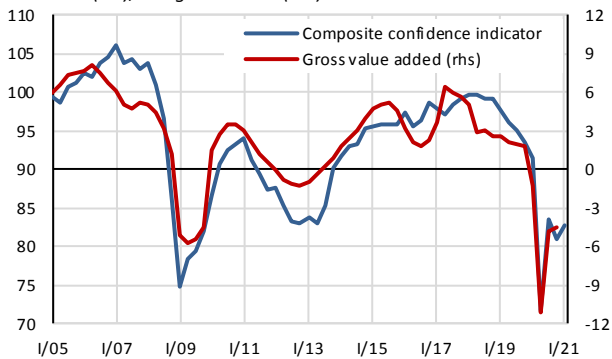
consumer confidence indicator of the MoF, balance, contributions



Source: European Commission. Calculations of the MoF.

Graph 2.2.7: Composite Confidence Indicator and GVA

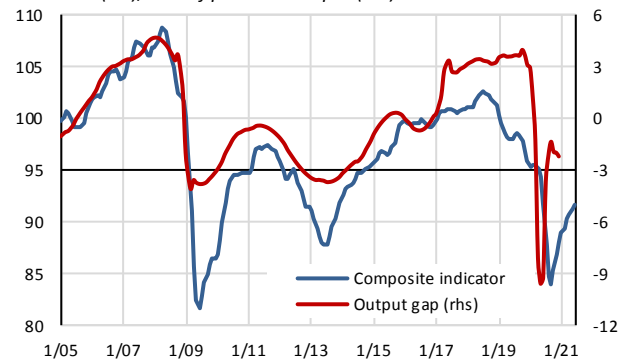
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.8: Composite Leading Indicator

2005=100 (lhs), in % of potential output (rhs)



Source: CZSO. Calculations of the MoF.

3 Forecast of Macroeconomic Developments in the CR

3.1 Economic Output

3.1.1 GDP in the Fourth Quarter of 2020

The economy's performance as measured by real GDP tumbled by 4.8% YoY in Q4 2020 (*versus 6.5%*). Despite the renewed tightening of anti-epidemic measures, however, seasonally adjusted GDP showed a slight quarter-on-quarter increase of 0.6% (*versus a 1.5% decline*), mainly driven by industry. By contrast, the trade, transportation, accommodation and food service sectors were hardest hit. The CZSO slightly revised down the year-on-year decline in real GDP in the preceding quarters of 2020. Gross capital formation fell much less, while other components of use reported relatively small overall changes.

The year-on-year decline in real GDP was driven entirely by domestic demand, with the economic downturn moderated by growth in government final consumption expenditure. The recovery in external demand provided a significant positive impulse.

Household consumption fell dramatically year-on-year in response to pessimistic expectations and anti-epidemic measures limiting the ability to spend on selected goods and services. Given the nature of the products and the focus of the restrictions, in relative terms the decline in consumption of intermediate goods was the steepest, but the fall in spending on services was the most significant in terms of the impact on overall consumption. Purchases of durable and non-durable goods were also down. In real terms, household final consumption expenditure fell by 8.1% (*versus 8.0%*). General government consumption increased by 6.8% (*versus 1.9%*), mainly due to the dynamism of central government (where the effects of certain anti-crisis measures were felt) and health insurance companies.

Gross fixed capital formation fell by 12.7% (*versus 11.0%*). All major components of investment, including housing and non-residential construction, declined. From a sectoral perspective, the fall was cushioned by rising public investment. With a significantly negative contribution from the change in inventories, gross capital formation fell more than fixed investment, slumping by 20.2% (*versus 18.0%*).

Foreign trade in goods continued to recover rapidly and has already surpassed pre-pandemic levels. Exports and imports of services, however, were still 16% lower year-on-year. On aggregate, then, exports of goods and services rose by 4.7% (*versus 0.1%*) in Q4 2020. Imports of goods and services, where there was an offsetting effect of export growth and weakening investment demand, rose by a slight 0.3% (*versus a decline of 2.5%*). As a re-

sult, net exports made a major positive contribution to GDP growth.

Terms of trade improved by 2.0% (*as expected*) as export and import prices fell. Real gross domestic income thus went down by 3.3% YoY (*versus 5.2%*).

The gross operating surplus rose by 0.7% (*versus a decline of 3.7%*) and compensation of employees was up by 3.7% (*versus 1.6%*). The balance of taxes and subsidies on production was 23.8% lower year-on-year (*versus 18.6%*). As a result, nominal GDP declined by 0.2% (*versus 2.7%*).

3.1.2 GDP Forecast for 2021 and 2022

In view of the unfavourable epidemic situation, stricter restrictive measures were in force during Q1 2021. This mainly affected certain services and a part of the retail sector. As a result, real GDP may have fallen by 0.9% QoQ (*versus growth of 0.2%*) and by 3.1% YoY (*versus 3.8%*) in Q1. The estimated reduction in the quarter-on-quarter GDP growth reflects figures on economic developments in early 2021 that were available at the forecast cut-off date (confidence indicators, industrial and construction output, retail and services sales, and foreign trade).

In 2021, both domestic and external demand should contribute to GDP growth. We expect real GDP to climb by 3.1% this year (*unchanged*) and by 3.7% in 2022. The forecast is based on the assumption that the most important restrictive measures will be relaxed towards the end of the second quarter due to the improvement in the epidemic situation and the gradual vaccination of society, after which economic activity can be expected to recover. Similarly, no longer-term impact of the coronavirus pandemic on global supply chains is foreseen.

The dynamics of household final consumption expenditure should be affected in 2021 by moderate growth in real disposable income, which will benefit from a reduction in the effective taxation of earnings and a number of supportive fiscal programmes. The restrictive measures associated with the declaration of a state of emergency should mainly affect spending on services. The household savings rate should increase further due to limited spending opportunities and increased caution. Despite an expected recovery in household consumption expenditure in the second half of the year, real household consumption is forecast to grow only by a marginal 0.1% (*versus 3.3%*) for the whole of 2021. In 2022, the dynamics of household consumption should be supported by significant normalisation of the savings rate, as well as the statistical effect of the strong recovery in consumer spending in the second half of this year.

Household consumption could thus increase by 5.7% for the whole of 2022.

We expect general government consumption to grow by 3.4% in 2021 (*versus* 2.9%). It may then slow to 0.9% in 2022. The main drivers of growth in 2021 may include an increase in purchasing volumes due to the epidemic, the continuation of anti-crisis measures and, to a lesser extent, an increase in public sector employment. Despite savings in central government, staffing increases are foreseen in education and the armed forces. Growth in expenditure on purchases of goods and services, supported by current subsidies from EU funds, may also support momentum. In 2022, the expected slowdown is related to the unwinding of temporary factors related to the epidemic.

Gross fixed capital formation should start to recover in 2021 thanks to renewed economic growth abroad, supportive monetary conditions, capacity utilization in industry, and the accelerated depreciation of tangible assets. Investment activity in the general government sector, supported by the implementation of projects co-financed by EU funds, including Next Generation EU, should contribute significantly to growth. In contrast, investment momentum will be dampened this year by the restrictive measures adopted and the associated uncertainties, but these should subside in 2022. As a result,

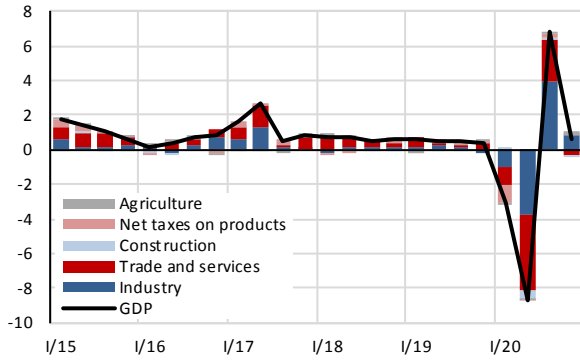
the pace of private investment should noticeably increase. However, this development is subject to significant risks (see Forecast Risks and Uncertainty). Gross fixed capital formation could grow by 3.8% in 2021 (*unchanged*), while growth of 4.5% is forecast for 2022. The outlook for 2023 includes the purchase of military helicopters from the US worth CZK 17.5 billion, which will also be fully included in imports of goods.

We anticipate that 2021 could be a time of restocking after significant depletion. Going forward, the forecast works on the technical assumption of a zero contribution of the change in inventories to GDP growth. Total gross capital formation could therefore increase by 7.7% this year (*versus* 3.9%) and by 4.5% next year.

We expect exports of goods and services to grow by 5.0% (*versus* 4.7%) in 2021 and 5.7% in 2022. In both years, the increase in exports of goods should almost entirely reflect growth in export markets, with export performance virtually neutral (see Chapter 3.4). The dynamics of exports and import-intensive investment demand will then be reflected in the pace of imports of goods and services. Imports could thus grow by 4.9% in 2021 (*versus* 5.3%). Increased imports for household consumption should be added to these factors in 2022. Imports could thus rise by 6.6% next year.

Graph 3.1.1: Resources of Gross Domestic Product

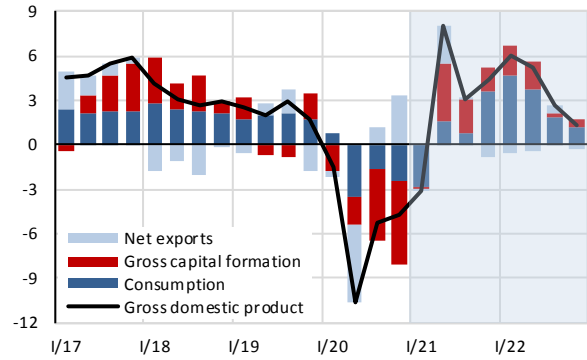
QoQ growth rate of real GDP in %, contrib. in pp, season. adjusted



Source: CZSO. Calculations of the MoF.

Graph 3.1.2: GDP by Type of Expenditure

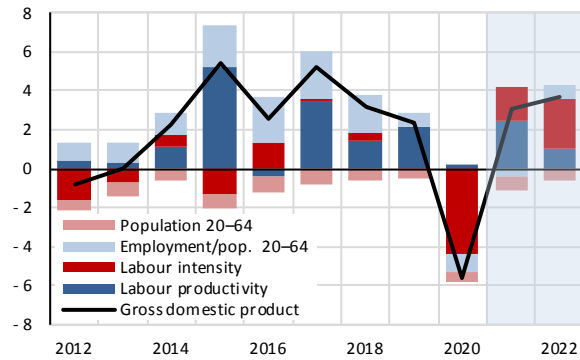
YoY growth rate of real GDP in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.3: Real Gross Domestic Product

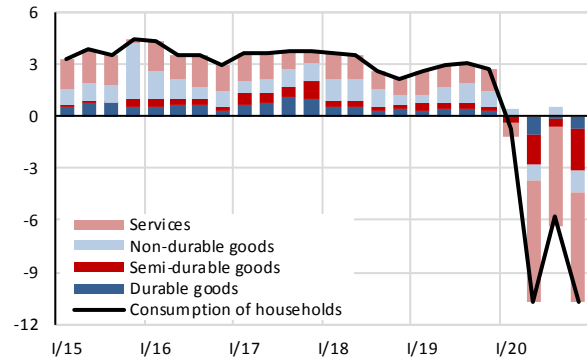
growth in %, contributions in percentage points



Note: Labour intensity gauges the number of hours worked per worker.
Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.4: Real Consumption of Households

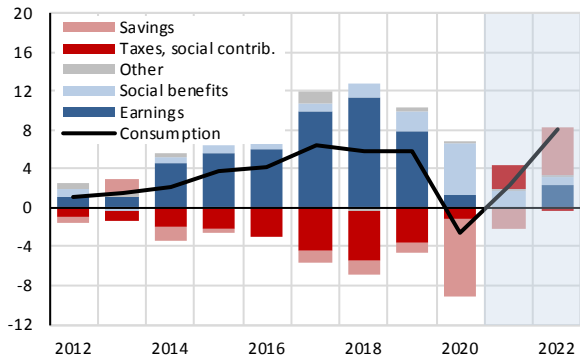
domestic concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.5: Nominal Consumption of Households

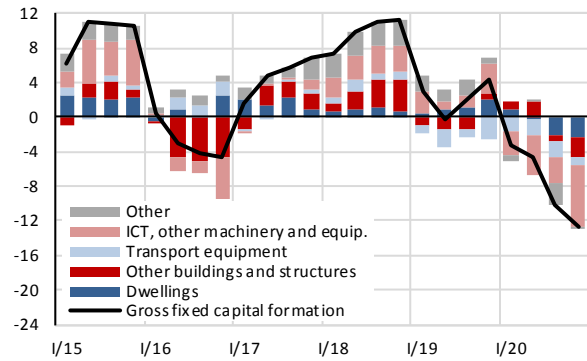
national concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.6: Investment by Type of Expenditure

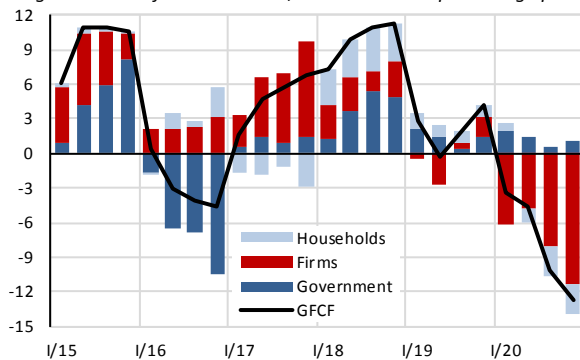
YoY growth rate of real GFCF in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.7: Investment by Sector

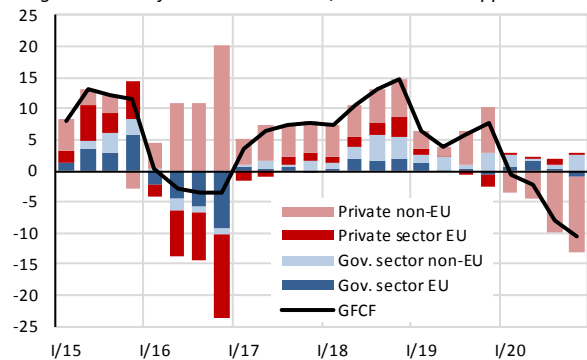
YoY growth rate of real GFCF in %, contributions in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.1.8: Investment Co-financing from EU Funds

YoY growth rate of nominal GFCF in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Table 3.1.1: Real GDP by Type of Expenditure – yearly

chained volumes, reference year 2015

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
								Forecast	Forecast	Outlook	Outlook
Gross domestic product	bill. CZK 2015	4 625	4 743	4 988	5 147	5 267	4 971	5 125	5 316	5 419	5 530
	growth in %	5.4	2.5	5.2	3.2	2.3	-5.6	3.1	3.7	1.9	2.1
	growth in % ¹⁾	5.5	2.4	5.4	3.2	2.2	-5.6	3.0	3.7	2.1	1.9
Private consumption expenditure ²⁾	bill. CZK 2015	2 181	2 264	2 355	2 438	2 512	2 383	2 386	2 521	2 567	2 623
	growth in %	3.9	3.8	4.0	3.5	3.0	-5.2	0.1	5.7	1.8	2.2
Government consumption exp.	bill. CZK 2015	875	897	913	948	969	1 003	1 037	1 047	1 058	1 073
	growth in %	1.8	2.5	1.8	3.8	2.2	3.5	3.4	0.9	1.1	1.5
Gross capital formation	bill. CZK 2015	1 294	1 243	1 323	1 425	1 447	1 255	1 352	1 412	1 476	1 494
	growth in %	13.1	-4.0	6.5	7.7	1.6	-13.3	7.7	4.5	4.5	1.3
Gross fixed capital formation	bill. CZK 2015	1 227	1 190	1 248	1 374	1 405	1 291	1 340	1 401	1 465	1 483
	growth in %	9.7	-3.0	4.9	10.0	2.3	-8.1	3.8	4.5	4.6	1.2
Change in stocks and valuables	bill. CZK 2015	67	53	75	51	42	-37	11	11	11	11
Exports of goods and services	bill. CZK 2015	3 726	3 888	4 168	4 322	4 379	4 119	4 324	4 572	4 746	4 920
	growth in %	6.0	4.3	7.2	3.7	1.3	-5.9	5.0	5.7	3.8	3.7
Imports of goods and services	bill. CZK 2015	3 451	3 549	3 771	3 989	4 044	3 798	3 985	4 249	4 448	4 597
	growth in %	6.8	2.8	6.3	5.8	1.4	-6.1	4.9	6.6	4.7	3.4
Gross domestic expenditure	bill. CZK 2015	4 351	4 404	4 592	4 810	4 928	4 648	4 782	4 983	5 103	5 193
	growth in %	6.0	1.2	4.3	4.8	2.4	-5.7	2.9	4.2	2.4	1.8
Methodological discrepancy ³⁾	bill. CZK 2015	0	0	-1	3	4	11	11	14	19	16
Real gross domestic income	bill. CZK 2015	4 625	4 780	4 988	5 148	5 286	5 045	5 183	5 366	5 480	5 603
	growth in %	5.7	3.4	4.3	3.2	2.7	-4.6	2.7	3.5	2.1	2.2
Contributions to GDP growth ⁴⁾											
Gross domestic expenditure	pp	5.6	1.2	3.9	4.4	2.3	-5.3	2.7	3.9	2.3	1.7
Consumption	pp	2.2	2.3	2.3	2.4	1.9	-1.8	0.8	2.8	1.1	1.3
Household expenditure	pp	1.9	1.8	1.9	1.7	1.4	-2.4	0.1	2.6	0.9	1.0
Government expenditure	pp	0.3	0.5	0.3	0.7	0.4	0.7	0.7	0.2	0.2	0.3
Gross capital formation	pp	3.4	-1.1	1.7	2.0	0.4	-3.6	1.9	1.1	1.2	0.3
Gross fixed capital formation	pp	2.5	-0.8	1.2	2.5	0.6	-2.1	1.0	1.1	1.2	0.3
Change in stocks	pp	0.9	-0.3	0.5	-0.5	-0.2	-1.5	0.9	0.0	0.0	0.0
Foreign balance	pp	-0.2	1.4	1.2	-1.2	0.0	-0.3	0.4	-0.2	-0.3	0.4
External balance of goods	pp	-1.0	1.0	0.9	-1.0	0.5	-0.2	0.4	-0.2	-0.3	0.4
External balance of services	pp	0.8	0.4	0.3	-0.2	-0.5	-0.1	0.0	0.0	0.0	0.0
Gross value added	bill. CZK 2015	4 165	4 269	4 491	4 643	4 745	4 490	.	.	.	.
	growth in %	4.8	2.5	5.2	3.4	2.2	-5.4	.	.	.	.
Net taxes and subsidies on products	bill. CZK 2015	460	474	497	504	521	481	.	.	.	.

¹⁾ From working day adjusted data.²⁾ Including consumption of non-profit institutions serving households (NPISH).³⁾ Deterministic impact of using prices and structure of the previous year for calculation of y-o-y growth.⁴⁾ Calculated on the basis of prices and structure of the previous year with perfectly additive contributions.

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.2: Real GDP by Type of Expenditure – quarterly

chained volumes, reference year 2015

		2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Gross domestic product	<i>bill. CZK 2015</i>	1 218	1 186	1 275	1 292	1 180	1 281	1 314	1 349
	<i>growth in %</i>	-1.4	-10.6	-5.3	-4.8	-3.1	8.0	3.0	4.4
	<i>growth in %¹⁾</i>	-1.8	-10.8	-5.1	-4.8	-2.7	7.5	3.4	4.2
	<i>QoQ in %¹⁾</i>	-3.1	-8.7	6.9	0.6	-0.9	0.9	2.8	1.4
Private consumption expenditure²⁾	<i>bill. CZK 2015</i>	597	575	612	597	549	584	615	637
	<i>growth in %</i>	-0.1	-8.4	-3.7	-8.1	-8.0	1.5	0.5	6.6
Government consumption exp.	<i>bill. CZK 2015</i>	235	242	239	286	246	251	247	293
	<i>growth in %</i>	4.3	2.0	0.5	6.8	4.7	3.8	3.0	2.5
Gross capital formation	<i>bill. CZK 2015</i>	288	325	331	311	286	373	360	332
	<i>growth in %</i>	-7.0	-7.1	-16.9	-20.2	-0.6	14.8	8.8	6.9
Gross fixed capital formation	<i>bill. CZK 2015</i>	291	315	329	357	280	316	349	395
	<i>growth in %</i>	-3.4	-4.5	-10.1	-12.7	-4.1	0.4	6.4	10.8
Change in stocks and valuables	<i>bill. CZK 2015</i>	-3	10	3	-46	7	57	11	-63
Exports of goods and services	<i>bill. CZK 2015</i>	1 071	859	1 029	1 160	1 037	983	1 097	1 206
	<i>growth in %</i>	-1.5	-23.1	-3.5	4.7	-3.2	14.5	6.6	4.0
Imports of goods and services	<i>bill. CZK 2015</i>	975	820	937	1 067	941	911	1 005	1 127
	<i>growth in %</i>	-1.1	-18.2	-5.6	0.3	-3.5	11.1	7.3	5.7
Gross domestic expenditure	<i>bill. CZK 2015</i>	1 122	1 143	1 183	1 199	1 086	1 208	1 222	1 266
	<i>growth in %</i>	-1.0	-5.9	-6.9	-8.4	-3.3	5.7	3.3	5.7
Methodological discrepancy³⁾	<i>bill. CZK 2015</i>	1	6	0	5	2	1	0	8
Real gross domestic income	<i>bill. CZK 2015</i>	1 228	1 204	1 295	1 318	1 204	1 290	1 322	1 366
	<i>growth in %</i>	-1.2	-9.6	-3.9	-3.3	-1.9	7.1	2.2	3.7
Gross value added	<i>bill. CZK 2015</i>	1 110	1 068	1 150	1 162	.	.	.	.
	<i>growth in %</i>	-1.0	-10.8	-5.0	-4.4	.	.	.	.
	<i>growth in %¹⁾</i>	-1.3	-11.0	-4.8	-4.4	.	.	.	.
	<i>QoQ in %¹⁾</i>	-2.3	-9.6	7.4	0.7	.	.	.	.
Net taxes and subsidies on products	<i>bill. CZK 2015</i>	107	118	126	130	.	.	.	.

¹⁾ From seasonally and working day adjusted data²⁾ Including consumption of non-profit institutions serving households (NPISH).³⁾ Deterministic impact of using prices and structure of the previous year for calculation of y-o-y growth.

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.3: Nominal GDP by Type of Expenditure – yearly

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
								Forecast	Forecast	Outlook	Outlook
Gross domestic product	<i>bill. CZK</i>	4 625	4 797	5 111	5 410	5 749	5 652	5 932	6 257	6 506	6 769
	<i>growth in %</i>	6.4	3.7	6.5	5.8	6.3	-1.7	4.9	5.5	4.0	4.0
Private consumption expenditure ¹⁾	<i>bill. CZK</i>	2 181	2 273	2 420	2 568	2 720	2 654	2 713	2 930	3 046	3 174
	<i>growth in %</i>	3.9	4.2	6.5	6.1	5.9	-2.5	2.3	8.0	4.0	4.2
Government consumption exp.	<i>bill. CZK</i>	875	910	959	1 049	1 134	1 232	1 317	1 348	1 380	1 418
	<i>growth in %</i>	4.1	4.0	5.4	9.4	8.1	8.7	6.9	2.3	2.4	2.8
Gross capital formation	<i>bill. CZK</i>	1 294	1 248	1 348	1 472	1 549	1 376	1 511	1 611	1 720	1 776
	<i>growth in %</i>	14.5	-3.6	8.0	9.2	5.2	-11.1	9.8	6.6	6.8	3.3
Gross fixed capital formation	<i>bill. CZK</i>	1 227	1 196	1 273	1 423	1 509	1 420	1 508	1 608	1 716	1 772
	<i>growth in %</i>	11.2	-2.5	6.4	11.7	6.0	-5.9	6.1	6.6	6.7	3.2
Change in stocks and valuables	<i>bill. CZK</i>	67	52	74	49	40	-44	4	3	3	4
External balance	<i>bill. CZK</i>	275	366	384	321	346	390	390	368	361	400
Exports of goods and services	<i>bill. CZK</i>	3 726	3 795	4 039	4 163	4 277	4 041	4 198	4 433	4 610	4 799
	<i>growth in %</i>	4.6	1.8	6.4	3.1	2.7	-5.5	3.9	5.6	4.0	4.1
Imports of goods and services	<i>bill. CZK</i>	3 451	3 429	3 654	3 842	3 931	3 651	3 808	4 065	4 249	4 399
	<i>growth in %</i>	5.0	-0.7	6.6	5.1	2.3	-7.1	4.3	6.8	4.5	3.5
Gross national income	<i>bill. CZK</i>	4 308	4 473	4 821	5 113	5 402	5 424	5 577	5 875	6 102	6 343
	<i>growth in %</i>	6.4	3.8	7.8	6.0	5.7	0.4	2.8	5.3	3.9	3.9
Primary income balance	<i>bill. CZK</i>	-317	-324	-289	-297	-347	-229	-355	-382	-404	-426

¹⁾ Including consumption of non-profit institutions serving households (NPISH).

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.4: Nominal GDP by Type of Expenditure – quarterly

		2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						Estimate	Forecast	Forecast	Forecast
Gross domestic product	<i>bill. CZK</i>	1 356	1 340	1 450	1 507	1 355	1 472	1 506	1 600
	<i>growth in %</i>	2.1	-7.0	-1.4	-0.2	-0.1	9.8	3.9	6.2
Private consumption expenditure ¹⁾	<i>bill. CZK</i>	663	641	683	666	620	666	700	728
	<i>growth in %</i>	3.7	-5.4	-1.2	-6.4	-6.5	3.8	2.4	9.3
Government consumption exp.	<i>bill. CZK</i>	278	288	293	374	298	320	305	394
	<i>growth in %</i>	9.4	5.2	4.7	14.5	7.5	11.1	4.2	5.3
Gross capital formation	<i>bill. CZK</i>	311	354	365	347	315	410	404	382
	<i>growth in %</i>	-4.6	-5.2	-14.7	-17.9	1.4	15.8	10.9	10.1
Gross fixed capital formation	<i>bill. CZK</i>	316	345	363	397	310	354	394	449
	<i>growth in %</i>	-0.8	-2.4	-7.9	-10.5	-1.8	2.7	8.7	13.2
Change in stocks and valuables	<i>bill. CZK</i>	-5	9	2	-50	5	56	10	-67
External balance	<i>bill. CZK</i>	104	57	109	120	121	76	97	96
Exports of goods and services	<i>bill. CZK</i>	1 038	853	1 003	1 147	1 027	944	1 057	1 171
	<i>growth in %</i>	-2.5	-22.0	-3.7	6.4	-1.0	10.6	5.4	2.0
Imports of goods and services	<i>bill. CZK</i>	934	796	893	1 027	906	868	960	1 074
	<i>growth in %</i>	-2.3	-18.5	-7.8	-0.1	-3.0	8.9	7.4	4.6

¹⁾ Including consumption of non-profit institutions serving households (NPISH).

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.5: GDP by Type of Income – yearly

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
								Forecast	Forecast	Outlook	Outlook
GDP	<i>bill. CZK</i>	4 625	4 797	5 111	5 410	5 749	5 652	5 932	6 257	6 506	6 769
	<i>growth in %</i>	6.4	3.7	6.5	5.8	6.3	-1.7	4.9	5.5	4.0	4.0
Balance of taxes and subsidies	<i>bill. CZK</i>	434	454	493	504	534	448	492	568	593	608
	<i>% of GDP</i>	9.4	9.5	9.7	9.3	9.3	7.9	8.3	9.1	9.1	9.0
	<i>growth in %</i>	13.0	4.8	8.6	2.2	5.9	-16.1	9.9	15.4	4.4	2.4
Taxes on production and imports	<i>bill. CZK</i>	570	595	635	656	697	659	.	.	.	.
	<i>growth in %</i>	9.6	4.4	6.6	3.3	6.2	-5.4	.	.	.	.
Subsidies on production	<i>bill. CZK</i>	137	141	142	152	163	211	.	.	.	.
	<i>growth in %</i>	-0.1	3.2	0.4	7.2	7.5	29.5	.	.	.	.
Compensation of employees <i>(domestic concept)</i>	<i>bill. CZK</i>	1 891	2 003	2 185	2 399	2 562	2 597	2 597	2 640	2 716	2 802
	<i>% of GDP</i>	40.9	41.7	42.8	44.3	44.6	45.9	43.8	42.2	41.8	41.4
	<i>growth in %</i>	5.1	5.9	9.1	9.8	6.8	1.3	0.0	1.7	2.9	3.1
Wages and salaries	<i>bill. CZK</i>	1 455	1 538	1 680	1 842	1 965	1 966	1 980	2 027	2 086	2 151
	<i>growth in %</i>	5.0	5.7	9.2	9.6	6.7	0.0	0.7	2.3	2.9	3.1
Social security contributions	<i>bill. CZK</i>	437	464	505	557	597	631	616	613	631	651
	<i>growth in %</i>	5.5	6.4	8.7	10.3	7.2	5.6	-2.3	-0.5	2.9	3.1
Gross operating surplus	<i>bill. CZK</i>	2 300	2 340	2 432	2 506	2 653	2 608	2 843	3 049	3 196	3 359
	<i>% of GDP</i>	49.7	48.8	47.6	46.3	46.1	46.1	47.9	48.7	49.1	49.6
	<i>growth in %</i>	6.4	1.7	4.0	3.0	5.8	-1.7	9.0	7.3	4.8	5.1
Consumption of capital	<i>bill. CZK</i>	957	988	1 022	1 074	1 141	1 195	1 267	1 338	1 389	1 447
	<i>growth in %</i>	3.8	3.2	3.5	5.0	6.3	4.7	6.0	5.6	3.8	4.2
Net operating surplus	<i>bill. CZK</i>	1 343	1 352	1 410	1 433	1 511	1 413	1 576	1 711	1 808	1 913
	<i>growth in %</i>	8.3	0.6	4.3	1.6	5.5	-6.5	11.6	8.6	5.6	5.8

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.6: GDP by Type of Income – quarterly

		2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						Estimate	Forecast	Forecast	Forecast
GDP	<i>bill. CZK</i>	1 356	1 340	1 450	1 507	1 355	1 472	1 506	1 600
	<i>growth in %</i>	2.1	-7.0	-1.4	-0.2	-0.1	9.8	3.9	6.2
Balance of taxes and subsidies	<i>bill. CZK</i>	101	109	133	105	79	126	150	137
	<i>growth in %</i>	-8.6	-21.0	-9.9	-23.8	-21.4	15.4	12.7	30.6
Compensation of employees <i>(domestic concept)</i>	<i>bill. CZK</i>	636	624	634	702	645	620	643	689
	<i>growth in %</i>	3.8	-2.5	0.3	3.7	1.4	-0.7	1.5	-1.9
	Wages and salaries	<i>bill. CZK</i>	487	458	492	528	483	470	495	532
	<i>growth in %</i>	4.0	-6.4	1.3	1.3	-0.8	2.6	0.5	0.7
Social security contributions	<i>bill. CZK</i>	149	166	141	174	162	149	148	157
	<i>growth in %</i>	3.2	10.0	-3.0	11.6	8.5	-10.0	4.9	-10.1
Gross operating surplus	<i>bill. CZK</i>	619	607	683	699	631	726	712	773
	<i>growth in %</i>	2.3	-8.5	-1.2	0.7	1.9	19.7	4.3	10.7

Source: CZSO. Calculations and forecast of the MoF.

3.2 Prices

Annual **consumer price inflation** in February 2021 was 2.1% (*versus 1.5%*). The unexpectedly rapid price growth in the food and non-alcoholic beverages section contributed to the deviation from the forecast. The 3.1% month-on-month increase in January was the highest since November 2007. In terms of the consumer basket sections, the largest contribution to the February year-on-year inflation was made by the alcoholic beverages and tobacco (0.9 pp contribution), with the rise in the price of tobacco products being fuelled by an increase in excise duty. Year-on-year inflation was driven exclusively by market factors, with administrative measures showing a zero contribution. This is because the contribution of administered prices (0.1 pp) was cancelled out by the contribution of changes in indirect taxes (-0.1 pp), reflecting the reduction in value added tax and excise duty on diesel fuel, as well as the increase in excise duty on tobacco products.

In view of global food commodity price developments, the above-mentioned deviation between actual and forecast inflation in February was probably not a transitory phenomenon. As such, it was one of the reasons behind the increase in the forecast for the average inflation rate this year. Within assumptions of the macroeconomic forecast underlying price developments, there was a significant increase in the projected oil price (see Chapter 1.2), which is another factor related to the adjustment of this year's inflation forecast. Of the changes in economic variables outside the forecast's assumptions, the main factor contributing to the change in the inflation forecast is the different view of real household consumption, which is expected to be virtually flat this year (see Chapter 3.1).

Inflation is expected to decline **in 2021** compared with the previous year. Administrative measures are likely to contribute only 0.2 pp to the average inflation rate (*unchanged*). As regulated prices should be almost flat, this contribution reflects changes in indirect taxes, where there will be a further increase in excise duties on tobacco products. Inflation this year should therefore be determined mainly by market factors. However, with the exception of a significant rise in the oil price, there will be no major inflationary factors. Stagnant household consumption and a persisting negative output gap do not indicate demand-side inflationary pressures. A fall in unit labour costs should push inflation down. Inflation should also be slightly dampened by the appreciation of the Czech koruna against both major world currencies.

Annual inflation is likely to fluctuate in the upper half of the tolerance band of the CNB's inflation target in 2021. We expect the **average inflation rate** to slow to 2.5% **in 2021** (*versus 1.9%*).

In 2022, there should again be no significant inflationary factors, the only exception being a strong recovery in household consumption. The decline in unit labour costs should continue to push inflation lower. The appreciation of the Czech koruna against both major world currencies could also have a weak anti-inflationary effect. Inflation should not be significantly affected by oil prices or the position of the economy in the business cycle. However, growth in regulated prices should be noticeable. As part of changes to indirect taxes, we expect a further, albeit more modest, increase in excise duty on tobacco products compared to this year. In line with the above, we expect the **average inflation rate** to reach 2.3% **in 2022**.

We believe that risks to the inflation forecast are skewed to the upside, mainly due to global commodity price increases (see Chapter 1.2).

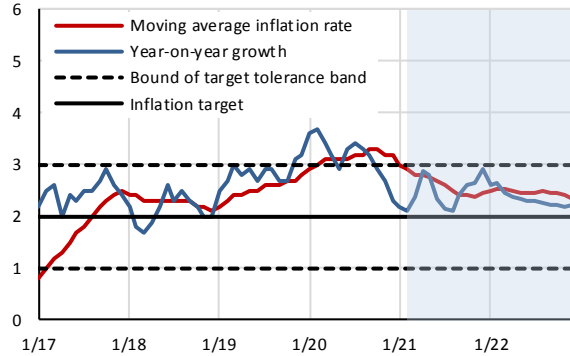
In Q4 2020, the **GDP deflator** increased by 4.8% (*versus 4.2%*), with the gross domestic expenditure deflator rising by 3.6% (*versus 2.9%*) and terms of trade improving by 2.0% (*as estimated*). The evolution of the gross domestic expenditure deflator reflected the growth of the deflators of all components of domestic demand.

In 2021, the GDP deflator is expected to increase by 1.8% (*versus 1.5%*). Two thirds of the significant decline in momentum compared to 2020 will be due to worse terms of trade developments. Within domestic demand, the main factor will be a slowdown in the growth of the household and general government consumption deflators. GDP deflator growth could slow slightly to 1.7% in 2022, with the slower growth in the government consumption deflator more or less neutralised by a lower negative contribution from terms of trade. Graph 3.2.5 summarises the situation.

In 2021, the developments projected in export and import prices will be influenced by a strong increase in oil prices and the renewed appreciation of the koruna, which should last into subsequent periods. As a result, terms of trade could deteriorate by 0.5% in 2021 (*versus 0.1%*) and by 0.2% in 2022.

Graph 3.2.1: Consumer Prices

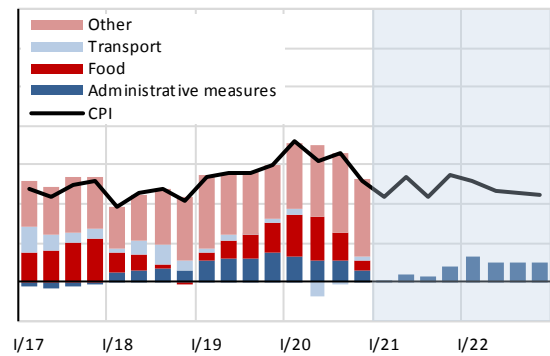
YoY growth rate in %



Source: CNB, CZSO. Calculations and forecast of the MoF.

Graph 3.2.2: Consumer Prices in Main Divisions

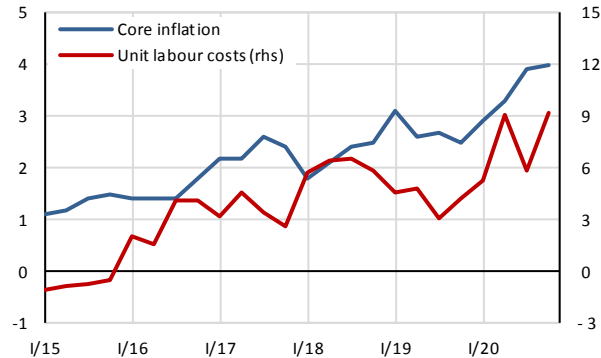
YoY growth of consumer price index in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.3: Core Inflation and Unit Labour Costs

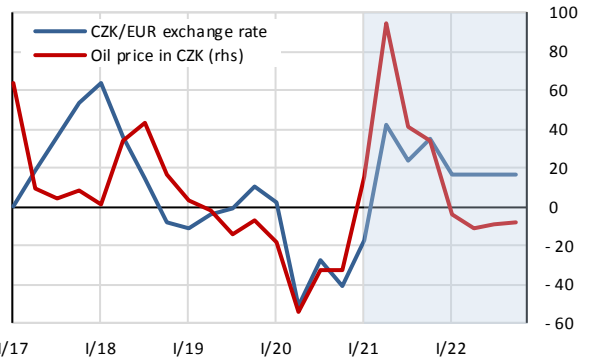
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.4: CZK/EUR and Koruna Price of Oil

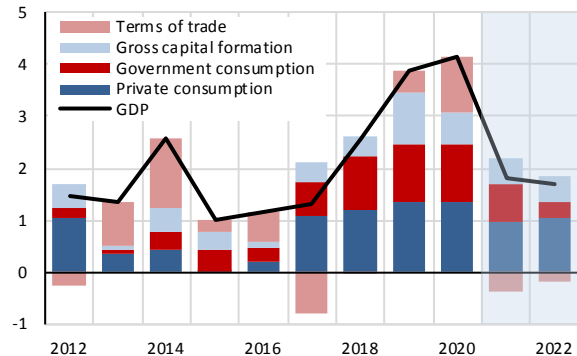
CZK/EUR appreciation, YoY change in CZK price of oil, in %



Source: CNB, U.S. EIA. Calculations and forecast of the MoF.

Graph 3.2.5: Gross Domestic Product Deflator

growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.6: Terms of Trade

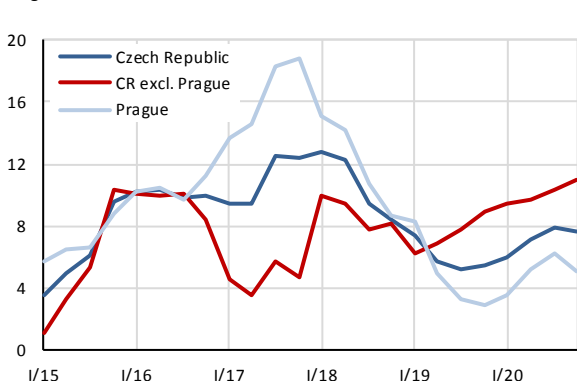
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.7: Offering Prices of Flats

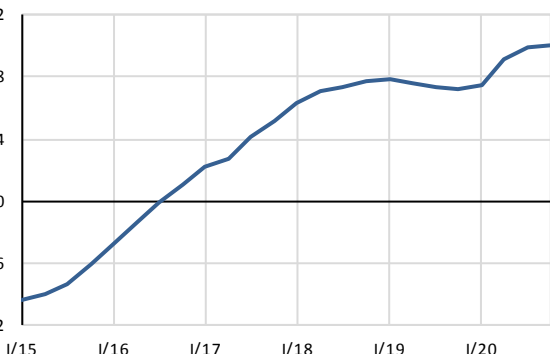
YoY growth rate in %



Source: CZSO.

Graph 3.2.8: Prices of Flats Relative to Average Wage

ratio of index of offering prices of flats to index of average wage, annual moving totals, Q4 2010=100



Source: CZSO. Calculations of the MoF.

Table 3.2.1: Prices – yearly

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
								Forecast	Forecast	Outlook	Outlook
Consumer Price Index											
Level	<i>average 2015=100</i>	100.0	100.7	103.1	105.3	108.3	111.8	114.5	117.2	119.7	122.0
Average inflation rate	%	0.3	0.7	2.5	2.1	2.8	3.2	2.5	2.3	2.1	2.0
Administrative measures ¹⁾	<i>percentage points</i>	0.2	0.2	-0.1	0.3	0.6	0.5	0.2	0.5	0.4	0.3
Market increase	<i>percentage points</i>	0.1	0.5	2.6	1.8	2.2	2.7	2.3	1.8	1.7	1.7
Level in December	<i>average 2015=100</i>	99.5	101.5	103.9	106.0	109.4	111.9	115.2	117.7	120.2	122.5
Annual inflation in December	%	0.1	2.0	2.4	2.0	3.2	2.3	2.9	2.2	2.1	1.9
Harmonized index of consumer prices											
Level	<i>average 2015=100</i>	100.0	100.7	103.1	105.1	107.8	111.4	114.1	116.7	119.1	121.3
Average inflation rate	<i>growth in %</i>	0.3	0.6	2.4	2.0	2.6	3.3	2.4	2.3	2.1	1.9
Deflators											
GDP	<i>average 2015=100</i>	100.0	101.1	102.5	105.1	109.2	113.7	115.7	117.7	120.1	122.4
	<i>growth in %</i>	1.0	1.1	1.3	2.6	3.9	4.2	1.8	1.7	2.0	1.9
Domestic final use	<i>average 2015=100</i>	100.0	100.6	102.9	105.8	109.6	113.2	115.9	118.2	120.4	122.6
	<i>growth in %</i>	0.8	0.6	2.3	2.8	3.7	3.3	2.4	2.0	1.9	1.8
Consumption of households	<i>average 2015=100</i>	100.0	100.4	102.7	105.3	108.3	111.4	113.7	116.2	118.7	121.0
	<i>growth in %</i>	0.0	0.4	2.3	2.5	2.8	2.8	2.1	2.2	2.1	2.0
Consumption of government	<i>average 2015=100</i>	100.0	101.4	105.0	110.6	117.0	122.9	127.0	128.8	130.4	132.1
	<i>growth in %</i>	2.3	1.4	3.5	5.4	5.8	5.1	3.3	1.4	1.3	1.3
Fixed capital formation	<i>average 2015=100</i>	100.0	100.5	102.0	103.6	107.4	110.0	112.5	114.8	117.1	119.4
	<i>growth in %</i>	1.3	0.5	1.5	1.6	3.7	2.4	2.3	2.0	2.0	2.0
Exports of goods and services	<i>average 2015=100</i>	100.0	97.6	96.9	96.3	97.7	98.1	97.1	97.0	97.1	97.5
	<i>growth in %</i>	-1.3	-2.4	-0.7	-0.6	1.4	0.5	-1.0	-0.1	0.2	0.4
Imports of goods and services	<i>average 2015=100</i>	100.0	96.6	96.9	96.3	97.2	96.1	95.6	95.7	95.5	95.7
	<i>growth in %</i>	-1.7	-3.4	0.3	-0.6	0.9	-1.1	-0.6	0.1	-0.1	0.2
Terms of trade	<i>average 2015=100</i>	100.0	101.0	100.0	100.0	100.5	102.1	101.6	101.3	101.7	101.9
	<i>growth in %</i>	0.4	1.0	-1.0	0.0	0.5	1.6	-0.5	-0.2	0.3	0.3

¹⁾ The contribution of change in regulated prices and indirect taxes to the average inflation rate.

Source: CZSO, Eurostat. Calculations and forecast of the MoF.

Table 3.2.2: Prices – quarterly

		2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Consumer Price Index	<i>average 2015=100</i>	111.2	111.5	112.4	112.0	113.6	114.5	114.9	115.1
	<i>growth in %</i>	3.6	3.1	3.3	2.6	2.2	2.7	2.2	2.8
Of which the contribution of:									
Administrative measures ¹⁾	<i>percentage points</i>	0.6	0.5	0.6	0.3	0.0	0.2	0.1	0.4
Market increase	<i>percentage points</i>	3.0	2.6	2.7	2.3	2.1	2.5	2.0	2.4
Harmonized index of consumer prices	<i>average 2015=100</i>	110.7	111.1	112.1	111.6	113.1	114.1	114.5	114.5
	<i>growth in %</i>	3.7	3.3	3.5	2.7	2.2	2.6	2.2	2.7
Deflators									
GDP	<i>average 2015=100</i>	111.3	113.0	113.7	116.6	114.8	114.9	114.6	118.5
	<i>growth in %</i>	3.6	4.0	4.1	4.8	3.1	1.7	0.8	1.7
Domestic final use	<i>average 2015=100</i>	111.5	112.2	113.3	115.7	113.7	115.5	115.3	118.7
	<i>growth in %</i>	3.7	2.9	2.9	3.6	1.9	2.9	1.8	2.6
Consumption of households	<i>average 2015=100</i>	111.0	111.4	111.6	111.5	112.8	113.9	113.7	114.3
	<i>growth in %</i>	3.8	3.3	2.5	1.9	1.6	2.3	1.9	2.5
Consumption of government	<i>average 2015=100</i>	117.9	119.2	122.3	130.7	121.0	127.6	123.7	134.3
	<i>growth in %</i>	5.0	3.2	4.1	7.2	2.6	7.1	1.1	2.8
Fixed capital formation	<i>average 2015=100</i>	108.4	109.5	110.5	111.3	110.9	112.0	112.9	113.6
	<i>growth in %</i>	2.7	2.2	2.5	2.4	2.3	2.3	2.2	2.1
Exports of goods and services	<i>average 2015=100</i>	96.9	99.4	97.4	98.9	99.1	96.0	96.3	97.0
	<i>growth in %</i>	-0.9	1.5	-0.2	1.6	2.2	-3.4	-1.2	-1.9
Imports of goods and services	<i>average 2015=100</i>	95.8	97.1	95.4	96.3	96.3	95.2	95.5	95.3
	<i>growth in %</i>	-1.2	-0.4	-2.3	-0.4	0.5	-1.9	0.1	-1.0
Terms of trade	<i>average 2015=100</i>	101.1	102.4	102.2	102.7	102.9	100.8	100.9	101.8
	<i>growth in %</i>	0.3	1.9	2.2	2.0	1.7	-1.5	-1.3	-0.9

¹⁾ The contribution of change in regulated prices and indirect taxes.

Source: CZSO, Eurostat. Calculations and forecast of the MoF.

3.3 Labour Market

The impact of the downturn in economic activity, related to the coronavirus pandemic and the anti-epidemic measures taken, on the labour market remains heavily cushioned by government programmes.

Employment fell by 1.6% YoY (*versus 1.1%*) in Q4 2020 according to the LFS. The number of employees decreased by 2.0% (*versus 1.0%*), while the number of entrepreneurs rose by a slight 0.1% (*versus a decline of 1.5%*). The number of entrepreneurs without employees (sole traders) increased by 0.9% YoY, but the number of entrepreneurs with employees fell again, this time by a striking 4.9% (however, this indicator is known for its high volatility). Taking 2020 as a whole, employment was down by 1.3% (*versus 1.1%*).

From a sectoral perspective, manufacturing contributed most to the decline in the number of employees (business statistics, full-time equivalent), with a decrease of more than 50,000. A strong decline of 24,000 was recorded in the accommodation and food service activities and administrative and support service activities sectors. The latter formally includes agency workers, a significant proportion of whom actually work in industry.

According to data on job vacancies, a shortage of labour was evident in many sectors and regions also at the beginning of 2021. In February, there were more vacancies than registered unemployed in 35 districts and 5 regions, respectively. However, by no means all vacancies registered by employment offices can be considered active. At the forecast cut-off date, the share of active offers (jobs for which the last change took place after 1 October 2020 and the start date was 1 January 2021 or later) was 44%, i.e. approximately 137,000 jobs. By Q1 2021, the shortage of employees remained the main barrier to output growth only in the construction sector.

Despite the continuing relatively unfavourable macroeconomic situation, there have been no redundancies among foreign workers so far. In February, their number increased by 20,000 year-on-year to 648,000. Workers from Slovakia and Ukraine have long predominated.

The impact of the negative macroeconomic situation on the labour market is being cushioned by a number of government measures, especially the Antivirus Programme, under which employers are provided with wage subsidies. The Antivirus Programme has been extended until the end of April 2021, with slightly stricter parameters (a minimum three months' employment). It may then be followed by so-called *Kurzarbeit* (subsidy for short-time work). Another important factor is the decline in effective taxation among employees, which has allowed firms to maintain high employment thanks to non-increasing labour costs. For entrepreneurs, the compensation bonus has limited the increase in the number of registered unemployed. We assume that employment will be supported by government measures,

though not necessarily the current ones, through to the end of 2021. Even so, it could fall by 1.4% (*versus 0.6%*) for the full year due to the delayed effects of recession. In 2022, employment could be stagnant, with the recovery in economic activity and the projected end of the government labour market support measures working against each other.

The **unemployment rate** (LFS) was 3.0% in Q4 2020 (*as estimated*) and averaged 2.6% for the whole of 2020 (*as estimated*). Higher unemployment growth is being held back not only by the aforementioned continuation of government programmes, but also by the continued high demand for labour in some sectors, which is evident from the number of vacancies and the numbers of foreigners in employment. Nevertheless, the unemployment rate could rise to 3.6% this year (*versus 3.3%*), bearing in mind the prolonged duration of the anti-epidemic measures and the delayed effects of the economic downturn. It could also report a year-on-year increase in Q1 2022 after the expected end of the government's employment support measures, but should decline after that thanks to the economic recovery. However, the unemployment rate could rise slightly to 3.7% on average for the year as a whole.

The **share of unemployed persons** (MoLSA) is increasing only slightly, with a stronger increase in regions more focused on tourism (e.g. Prague, Karlovy Vary, Český Krumlov). We expect an increase to 4.3% (*versus 4.1%*) in 2021 and then to 4.4% in 2022.

The **participation rate** (20–64 year-olds) was 82.1% (*versus 82.3%*) in Q4 2020, and the average for the year as a whole was 81.8% (*as expected*). The largest declines were seen in the 35–39 and 25–29 age groups. Only the 60–64 age bracket showed a noticeable increase (due to the effect of the increase in the retirement age). The participation rate for women fell by 0.4 pp to 74.0% in 2020, while for men it stagnated at 89.2%.

The main role in the further development of the participation rate over the forecast horizon will be played by the increase in the statutory retirement age and demographic aspects in the form of a growing share of age groups with a naturally high level of economic activity (especially the 40–54 group). However, the increase in the economic activity rate could be dampened by a decline in the participation of pre-retirees, who may retire early at an increased rate. As such, the participation rate could rise to 82.0% this year (*versus 82.3%*) and then to 82.3% in 2022.

The **volume of wages and salaries** increased by 1.3% in Q4 2020 (*versus 1.9%*). Earnings fell by 10.5% in trade, transport, accommodation and food services, i.e. the sectors most affected by the epidemic. In manufacturing, wages and salaries fell by 1.4%, while the number of employees was down by 3.0%. The opposite was true for

the public administration, defence, education and health and social work sectors, where earnings rose by 15.5%.

In addition to redundancies, which are much more pronounced in the services sector, the carer's allowance awarded due to school and pre-school closures had a negative effect on earnings growth in Q1. Compensation from the Antivirus Programme evidently pushed up compensation of employees in Q1, in contrast to wages and salaries, which do not include these benefits. In Q1 2021, wages and salaries may have declined by 0.8% (*versus growth of 0.2%*).

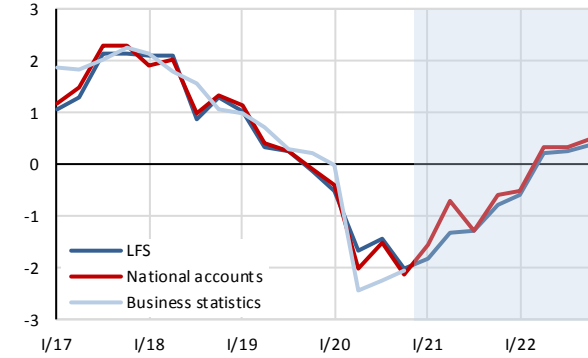
The financial issues faced by entities in the hardest hit sectors have so far had only a limited impact on earnings momentum, thanks to government support programmes and the relatively low share of the affected sectors in total wages and salaries. Nevertheless, the expected deeper decline in employment this year compared to the previous forecast should be the main factor behind the slowdown in wage and salary growth. On the other hand, increases in both tariff and non-tariff com-

ponents in sectors dominated by the general government sector should dampen the negative effects. Next year, the positive effect of renewed labour demand should be partly mitigated by a slowdown in public wage dynamics. Wages and salaries could thus increase by 0.7% this year (*versus 1.2%*) and by 2.3% in 2022.

The **average wage** (business statistics, full-time equivalent) increased by 6.5% in Q4 2020 (*versus 5.3%*), compared with 5.2% in the previous quarter. The median wage rose by 5.4% over the same period. The acceleration in growth was driven by extraordinary remuneration in the healthcare sector and layoffs of relatively lower-paid employees, which are likely to be occurring at an increased rate. We estimate that average nominal wages may have risen by 2.9% in Q1 2021 (*versus 2.8%*). For the full year 2021, average wage could increase by 3.2% (*versus 2.2%*), and by 1.8% next year. The slowdown should reflect weaker public wage momentum (partly due to the high 2021 benchmark) and a slight increase in the unemployment rate.

Graph 3.3.1: Employees in Different Statistics

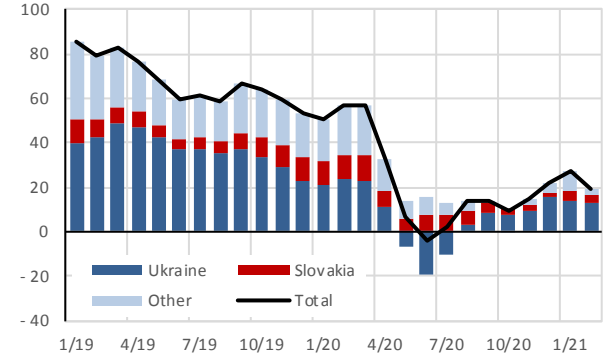
YoY growth rate in%



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.2: Number of Foreign Employees in the CR

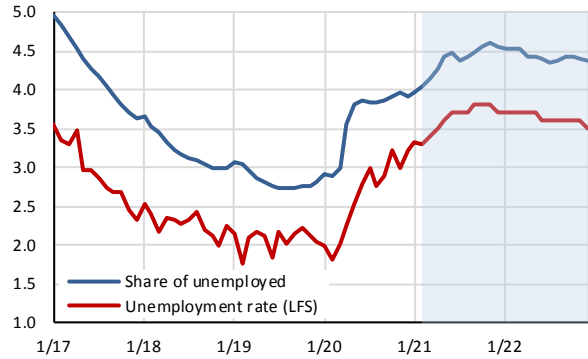
YoY change in thousands of persons



Source: MoLSA. Calculations and forecast of the MoF.

Graph 3.3.3: Indicators of Unemployment

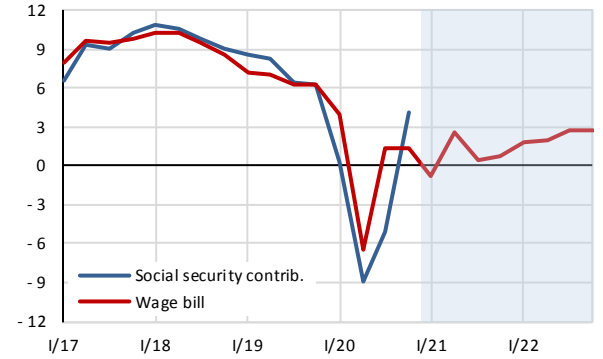
seasonally adjusted data, in%



Source: CZSO, MoLSA. Calculations and forecast of the MoF.

Graph 3.3.4: Social Security Contributions and Earnings

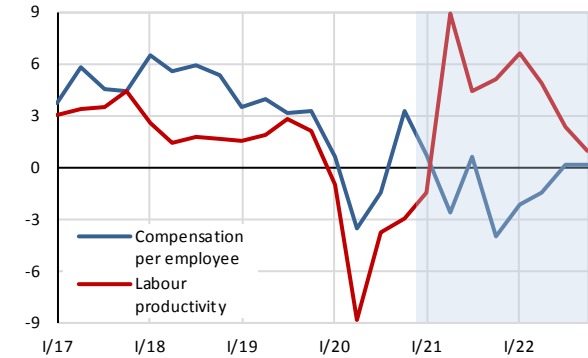
YoY growth rate in%



Source: CZSO, MoF. Calculations and forecast of the MoF.

Graph 3.3.5: Compens. per Employee and Productivity

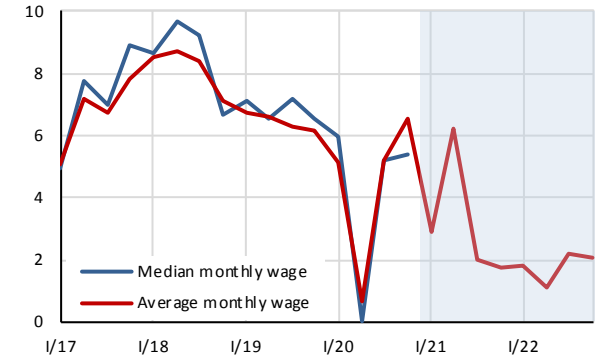
YoY growth rate in%



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.6: Nominal Monthly Wage

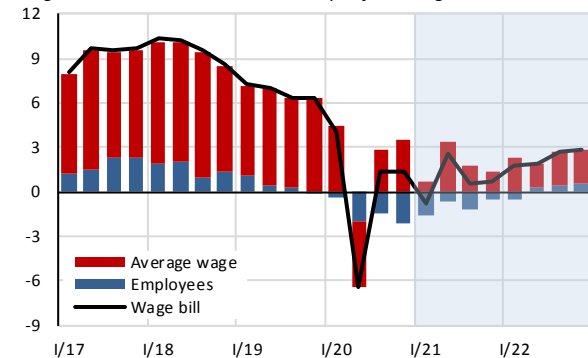
YoY growth rate in%



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.7: Nominal Wage Bill

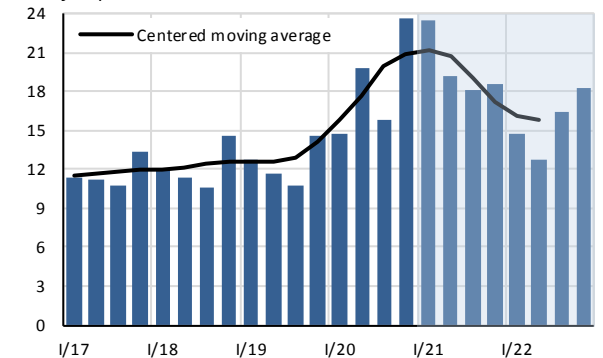
YoY growth rate in %, domestic concept of the wage bill



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.8: Gross Savings Rate of Households

in % of disposable income



Source: CZSO. Calculations and forecast of the MoF.

Table 3.3.1: Labour Market – yearly

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
								Forecast	Forecast	Outlook	Outlook
Labour Force Survey											
Employment	<i>av. in thous.persons</i>	5 042	5 139	5 222	5 294	5 303	5 235	5 164	5 165	5 175	5 183
	<i>growth in %</i>	1.4	1.9	1.6	1.4	0.2	-1.3	-1.4	0.0	0.2	0.1
Employees	<i>av. in thous.persons</i>	4 168	4 257	4 327	4 396	4 412	4 351	4 295	4 298	4 308	4 315
	<i>growth in %</i>	2.2	2.1	1.7	1.6	0.4	-1.4	-1.3	0.1	0.2	0.2
Entrepreneurs and self-employed	<i>av. in thous.persons</i>	874	882	894	897	891	884	869	867	867	868
	<i>growth in %</i>	-2.4	1.0	1.4	0.4	-0.8	-0.7	-1.7	-0.2	0.1	0.1
Unemployment	<i>av. in thous.persons</i>	268	211	156	122	109	137	195	196	190	186
Unemployment rate	<i>average in %</i>	5.1	4.0	2.9	2.2	2.0	2.6	3.6	3.7	3.5	3.5
Long-term unemployment ¹⁾	<i>av. in thous.persons</i>	127	89	54	37	33	30	.	.	.	.
Labour force	<i>av. in thous.persons</i>	5 310	5 350	5 377	5 415	5 412	5 372	5 359	5 361	5 365	5 369
	<i>growth in %</i>	0.2	0.8	0.5	0.7	-0.1	-0.7	-0.2	0.0	0.1	0.1
Population aged 20–64	<i>av. in thous.persons</i>	6 566	6 510	6 456	6 414	6 383	6 355	6 309	6 274	6 248	6 234
	<i>growth in %</i>	-0.7	-0.9	-0.8	-0.7	-0.5	-0.4	-0.7	-0.6	-0.4	-0.2
Employment/Pop. 20–64	<i>average in %</i>	76.8	78.9	80.9	82.5	83.1	82.4	81.8	82.3	82.8	83.1
Employment rate 20–64 ²⁾	<i>average in %</i>	74.8	76.7	78.5	79.9	80.3	79.7	79.1	79.5	79.7	79.9
Labour force/Pop. 20–64	<i>average in %</i>	80.9	82.2	83.3	84.4	84.8	84.5	84.9	85.5	85.9	86.1
Participation rate 20–64 ³⁾	<i>average in %</i>	78.7	79.9	80.9	81.7	82.0	81.8	82.0	82.3	82.6	82.8
Participation rate 15–64 ³⁾	<i>average in %</i>	74.0	75.0	75.9	76.6	76.7	76.4	76.5	76.5	76.4	76.3
Registered unemployment											
Unemployment	<i>av. in thous.persons</i>	479	406	318	242	212	259	313	323	311	303
Share of unemployed ⁴⁾	<i>average in %</i>	6.6	5.6	4.3	3.2	2.8	3.5	4.3	4.4	4.3	4.2
Wages and salaries											
Average monthly wage ⁵⁾											
Nominal	<i>CZK monthly</i>	26 591	27 764	29 638	32 051	34 111	35 611	36 737	37 399	38 403	39 587
	<i>growth in %</i>	3.2	4.4	6.7	8.1	6.4	4.4	3.2	1.8	2.7	3.1
Real	<i>CZK 2010</i>	24 730	25 641	26 735	28 307	29 292	29 623	29 837	29 679	29 843	30 168
	<i>growth in %</i>	2.9	3.7	4.3	5.9	3.5	1.1	0.7	-0.5	0.6	1.1
Median monthly wage	<i>CZK monthly</i>	22 414	23 692	25 398	27 561	29 444	30 663	.	.	.	.
	<i>growth in %</i>	2.9	5.7	7.2	8.5	6.8	4.1	.	.	.	.
Wage bill	<i>growth in %</i>	5.0	5.7	9.2	9.6	6.7	0.0	0.7	2.3	2.9	3.1
Labour productivity	<i>growth in %</i>	3.9	0.9	3.6	1.8	2.1	-4.2	4.2	3.6	1.6	1.9
Unit labour costs ⁶⁾	<i>growth in %</i>	-0.8	3.0	3.5	6.1	4.2	7.4	-3.1	-2.0	0.9	1.0
Compens. of employees / GDP	<i>%</i>	40.9	41.7	42.8	44.3	44.6	45.9	43.8	42.2	41.8	41.4

¹⁾ Persons in unemployment for longer than 12 months.

²⁾ The indicator does not include employment over 64 years.

³⁾ The indicator does not include labour force over 64 years.

⁴⁾ Share of available job seekers aged 15 to 64 years in the population of the same age.

⁵⁾ Derived from full-time-equivalent employers in the entire economy.

⁶⁾ Ratio of nominal compensation per employee to real productivity of labour.

Source: CZSO, Ministry of Labour and Social Affairs. Calculations and forecast of the MoF.

Table 3.3.2: Labour Market – quarterly

		2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						Estimate	Forecast	Forecast	Forecast
Labour Force Survey									
Employment	<i>av. in thous. persons</i>	5 277	5 213	5 233	5 217	5 178	5 140	5 162	5 174
	<i>YoY growth in %</i>	-0.5	-1.6	-1.4	-1.6	-1.9	-1.4	-1.4	-0.8
	<i>QoQ growth in %</i>	0.0	-1.2	0.0	-0.5	-0.1	-0.8	0.1	0.0
Employees	<i>av. in thous. persons</i>	4 390	4 330	4 347	4 337	4 311	4 273	4 292	4 304
	<i>growth in %</i>	-0.5	-1.7	-1.4	-2.0	-1.8	-1.3	-1.3	-0.8
Entrepreneurs and self-employed	<i>av. in thous. persons</i>	888	882	886	880	867	867	870	870
	<i>growth in %</i>	-0.7	-1.1	-1.2	0.1	-2.3	-1.8	-1.8	-1.1
Unemployment	<i>av. in thous. persons</i>	106	126	154	162	181	192	206	203
Unemployment rate	<i>average in %</i>	2.0	2.4	2.9	3.0	3.4	3.6	3.8	3.8
Long-term unemployment ¹⁾	<i>av. in thous. persons</i>	29	26	31	35	.	.	.	.
Labour force	<i>av. in thous. persons</i>	5 384	5 339	5 387	5 379	5 359	5 332	5 368	5 377
	<i>growth in %</i>	-0.6	-1.1	-0.6	-0.6	-0.5	-0.1	-0.4	0.0
Population aged 20–64	<i>av. in thous. persons</i>	6 374	6 355	6 358	6 333	6 324	6 314	6 304	6 294
	<i>growth in %</i>	-0.4	-0.5	-0.3	-0.6	-0.8	-0.7	-0.9	-0.6
Employment/Pop. 20–64	<i>average in %</i>	82.8	82.0	82.3	82.4	81.9	81.4	81.9	82.2
	<i>increase over a year</i>	-0.1	-0.9	-0.9	-0.9	-0.9	-0.6	-0.4	-0.2
Employment rate 20–64 ²⁾	<i>average in %</i>	80.1	79.4	79.7	79.7	79.1	78.7	79.1	79.4
	<i>increase over a year</i>	0.0	-0.8	-0.7	-0.8	-0.9	-0.7	-0.5	-0.3
Labour force/Pop. 20–64	<i>average in %</i>	84.5	84.0	84.7	84.9	84.7	84.5	85.2	85.4
	<i>increase over a year</i>	-0.1	-0.6	-0.3	-0.1	0.3	0.4	0.4	0.5
Participation rate 20–64 ³⁾	<i>average in %</i>	81.7	81.3	82.0	82.1	81.8	81.5	82.2	82.4
	<i>increase over a year</i>	-0.1	-0.4	-0.1	-0.1	0.1	0.2	0.2	0.3
Participation rate 15–64 ³⁾	<i>average in %</i>	76.4	75.9	76.6	76.7	76.4	76.1	76.6	76.8
	<i>increase over a year</i>	-0.3	-0.6	-0.3	-0.2	0.0	0.1	0.0	0.1
Registered unemployment									
Unemployment	<i>av. in thous. persons</i>	226	256	277	277	307	309	319	319
Share of unemployed ⁴⁾	<i>average in %</i>	3.0	3.5	3.8	3.8	4.2	4.3	4.4	4.4
Wages and salaries									
Average monthly wage ⁵⁾									
Nominal	<i>CZK monthly</i>	34 141	34 342	35 435	38 525	35 127	36 489	36 142	39 190
	<i>growth in %</i>	5.2	0.7	5.2	6.5	2.9	6.3	2.0	1.7
Real	<i>CZK 2010</i>	28 561	28 652	29 327	31 998	28 762	29 650	29 272	31 679
	<i>growth in %</i>	1.5	-2.4	1.8	3.9	0.7	3.5	-0.2	-1.0
Median monthly wage	<i>CZK monthly</i>	29 388	29 183	31 212	32 870	.	.	.	.
	<i>growth in %</i>	6.0	0.0	5.2	5.4	.	.	.	.
Wage bill	<i>growth in %</i>	4.0	-6.4	1.3	1.3	-0.8	2.6	0.5	0.7

¹⁾ Persons in unemployment for longer than 12 months.

²⁾ The indicator does not include employment over 64 years.

³⁾ The indicator does not include labour force over 64 years.

⁴⁾ Share of available job seekers aged 15 to 64 years in the population of the same age.

⁵⁾ Derived from full-time-equivalent employers in the entire economy.

Source: CZSO, Ministry of Labour and Social Affairs. Calculations and forecast of the MoF.

Table 3.3.3: Income and Expenditures of Households – yearly

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
										Forecast	Forecast
Current income											
Compensation of employees	<i>bill.CZK</i>	1 751	1 825	1 923	2 038	2 223	2 430	2 579	2 620	2 615	2 658
	<i>growth in %</i>	1.5	4.2	5.4	6.0	9.1	9.3	6.2	1.6	-0.2	1.7
Gross operating surplus and mixed income	<i>bill.CZK</i>	655	674	691	703	740	801	852	844	847	865
	<i>growth in %</i>	-0.7	3.0	2.4	1.7	5.2	8.3	6.4	-0.9	0.3	2.1
Property income received	<i>bill.CZK</i>	133	133	127	133	162	162	173	171	173	176
	<i>growth in %</i>	3.9	0.0	-4.3	4.1	21.9	0.2	6.9	-1.5	1.6	1.8
Social benefits not-in-kind	<i>bill.CZK</i>	583	596	613	630	650	685	734	877	923	948
	<i>growth in %</i>	-0.8	2.2	2.8	2.8	3.2	5.4	7.2	19.4	5.2	2.7
Other current transfers received	<i>bill.CZK</i>	146	160	181	217	244	281	339	312	326	341
	<i>growth in %</i>	-3.1	9.2	13.3	19.4	12.8	15.1	20.5	-7.8	4.3	4.7
Current expenditure											
Property income paid	<i>bill.CZK</i>	21	16	14	14	13	19	20	26	26	26
	<i>growth in %</i>	40.5	-24.3	-10.7	0.2	-7.4	43.2	2.0	30.4	1.3	1.6
Curr. taxes on income and property	<i>bill.CZK</i>	185	197	205	227	264	309	335	318	215	205
	<i>growth in %</i>	3.5	6.5	3.9	10.8	16.3	16.9	8.4	-5.1	-32.3	-4.8
Social contributions	<i>bill.CZK</i>	670	696	732	775	836	911	974	1021	1 060	1 077
	<i>growth in %</i>	2.4	3.8	5.3	5.8	7.9	9.0	7.0	4.8	3.8	1.6
Other current transfers paid	<i>bill.CZK</i>	140	150	169	207	238	278	336	299	311	324
	<i>growth in %</i>	-9.3	7.3	12.5	22.4	15.3	16.5	20.7	-10.8	3.8	4.4
Gross disposable income	<i>bill.CZK</i>	2 251	2 328	2 414	2 497	2 666	2 842	3 013	3 160	3 272	3 356
	<i>growth in %</i>	0.2	3.4	3.7	3.4	6.8	6.6	6.0	4.9	3.5	2.6
Final consumption	<i>bill.CZK</i>	2 027	2 072	2 152	2 241	2 383	2 524	2 671	2 603	2 661	2 874
	<i>growth in %</i>	1.6	2.2	3.9	4.1	6.4	5.9	5.8	-2.5	2.2	8.0
Change in share in pension funds	<i>bill.CZK</i>	35	35	33	31	32	33	38	38	47	50
Gross savings	<i>bill.CZK</i>	260	292	295	286	315	350	380	596	658	532
Capital transfers											
<i>(income (-) / expenditure (+))</i>	<i>bill.CZK</i>	-13	-32	-12	-14	-11	-12	-13	-41	-30	-27
Gross capital formation	<i>bill.CZK</i>	203	214	220	237	216	261	294	277	291	297
	<i>growth in %</i>	1.7	5.2	2.9	7.9	-9.2	21.2	12.5	-5.8	5.1	1.9
Change in financial assets and liab.	<i>bill.CZK</i>	68	108	85	61	110	100	100	359	397	262
Real disposable income	<i>growth in %</i>	-0.5	2.6	3.7	3.0	4.4	4.0	3.1	2.0	1.4	0.3
Gross savings rate	<i>%</i>	11.4	12.4	12.1	11.3	11.7	12.2	12.5	18.6	19.8	15.6

Source: CZSO. Calculations of the MoF.

3.4 External Relations

The **current account of the balance of payments** reported a surplus of 3.6% of GDP in Q4 2020, and thus for the year as a whole¹ (*as expected*). The quarter-on-quarter improvement by 0.6% of GDP reflects a strong increase in the goods surplus, other items contributed negatively to the overall change in the balance.

At the same time as the data for Q4 2020 was released, the figures for 2019 and Q1–Q3 2020 were revised. The most significant change for 2019 was a reduction in the primary income balance deficit by 0.6% of GDP to 5.1% of GDP. The current account balance improved to the same extent, posting a surplus of 0.3% of GDP in 2019. According to the revised data, the Czech economy has thus been running current account surpluses since 2014.

Export markets fell by only 0.8% YoY (*versus 6.8%*) in Q4 2020. The main reason for this was the unusually strong quarter-on-quarter growth in imports among most of our trading partners (in the case of the UK, a role was evidently played by the desire to stockpile in the light of mounting concerns that a deal would not be struck after the end of the transition period and that tariff and non-tariff barriers to foreign trade with the EU would emerge). For the full year 2020, export markets fell by 6.3% (*versus 8.1%*). Given the improvement in the GDP forecasts of our main trading partners for this year, we expect export markets to grow by 5.1% (*versus 4.2%*). In 2022, export markets are projected to increase by 5.4% as the recovery in other countries continues.

Export performance rose by 9.8% (*versus 11.2%*) in Q4, the largest increase since Q1 2010. The sharp rise in performance was driven by improved industrial conditions, particularly in motor vehicle manufacturing. For the full year, however, export performance was up by just 1.9% (*versus 2.5%*), mainly because of the deep slump in Q2. We expect performance to stagnate this year (*versus growth of 0.6%*). The slight deterioration in the forecast reflects the stronger appreciation of the koruna (see Chapter 1.4) and carmakers' component shortage problems. For 2022, we forecast marginal growth of 0.3%.

In foreign trade (BoP methodology), the **goods trade** surplus rose to 5.0% of GDP in Q4 2020 (*versus 4.8% of GDP*). This was driven by a quarter-on-quarter improvement in the balance in the machinery and transport equipment group, which accounts for more than half of total goods exports. Within this group, exports of motor vehicles and electronic equipment increased. Growth in exports of intermediate consumption goods and the low oil price also contributed to the higher surplus in the goods balance.

Prices of mineral fuels remain an important factor affecting **terms of external trade** in goods. The deficit on the

fuel side of the balance was 1.5% of GDP (*versus 1.6% of GDP*) in Q4 2020. Considering the projected oil price (see Chapter 1.2), we expect the deficit to widen to 2.0% of GDP this year (*versus 1.7% of GDP*). The deficit of the mineral fuels class could narrow to 1.7% of GDP in 2022.

We forecast that the goods surplus relative to GDP will reach 4.8% this year (*versus 4.4%*). The improvement in the forecast reflects lower import momentum due to stagnating household consumption. A deterioration in terms of trade will have the opposite effect. In 2022, we expect the surplus to decline to 4.1% of GDP on the back of projected stronger investment activity and a recovery in household consumption.

The **balance of services** posted a surplus of 1.9% of GDP (*versus 1.8% of GDP*) in Q4 2020. The slight year-on-year deterioration in the positive balance can be attributed to a decline in tourism receipts and a rise in transport sector costs. The coronavirus pandemic's negative impact on services was cushioned by revenue growth in telecommunication services and a decline in R&D imports. In view of the persistent constraints on economic activity in services, we expect the surplus to narrow slightly to 1.8% of GDP this year (*versus 1.7% of GDP*). In relative terms, the surplus should remain at this level in 2022.

The **primary income** deficit widened by 0.6% of GDP quarter-on-quarter to 2.8% of GDP in Q4 2020 (*versus 2.3% of GDP*). The widening of the deficit reflects higher-than-expected outflows of direct investment income in the form of dividends and reinvested earnings. The higher primary income deficit may also reflect the resumption of dividend payments, which were evidently suspended by banking institutions in Q2 and Q3 2020 following a CNB's recommendation. Taking into account the GDP and gross operating surplus forecasts, we expect the profits of foreign-controlled firms to rise this year. The primary income deficit could thus amount to 4.7% of GDP (*versus 4.1% of GDP*). For 2022, we project that the deficit will rise to 4.9% of GDP as economic activity, and hence the profitability of non-resident-owned firms, continues to grow.

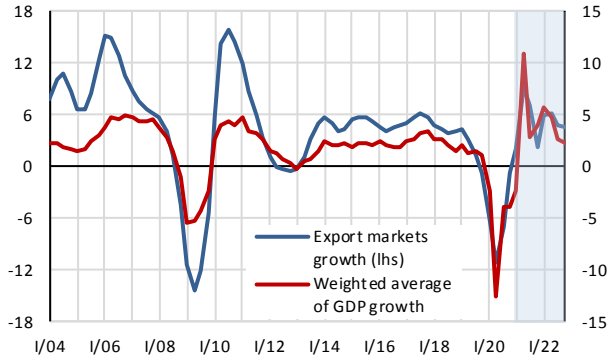
Against this background, we expect the **current account of the balance of payments** to remain in surplus, which could amount to 1.3% of GDP this year (*versus 1.4% of GDP*). For 2022, we forecast a reduction in the positive balance to 0.5% of GDP.

The **current external balance** (national accounts methodology) posted a surplus of 1.8% of GDP in 2020 (see Graph 3.4.8). From a sectoral perspective, this was mainly driven by households, whose savings exceeded investment by 5.7% of GDP. In the general government sector, the relationship between savings and investment was the reverse, with gross capital formation exceeding gross savings by 6.0% of GDP.

¹ All *quarterly* data relative to GDP are reported in annual moving totals.

Graph 3.4.1: GDP and Goods Imports of Partner Countries

YoY growth rate in %, seasonally adjusted



Source: Eurostat. Calculations and forecast of the MoF.

Graph 3.4.2: Real Exports of Goods

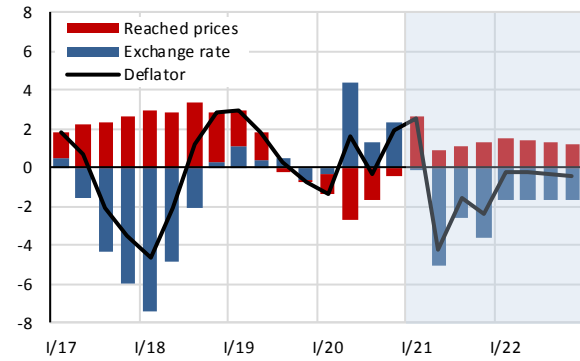
YoY growth in %, contributions in pp, seasonally adjusted



Source: CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 3.4.3: Deflator of Exports of Goods

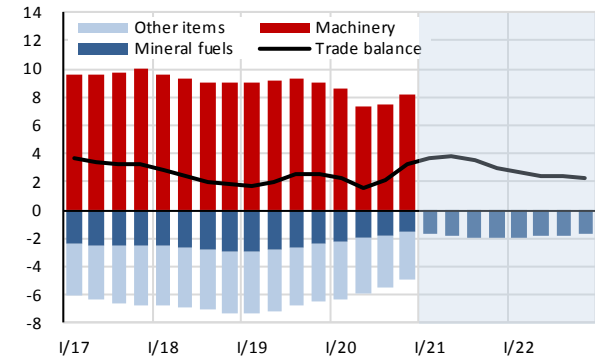
YoY growth in %, contributions in percentage points



Source: CNB, CZSO. Calculations and forecast of the MoF.

Graph 3.4.4: Balance of Trade

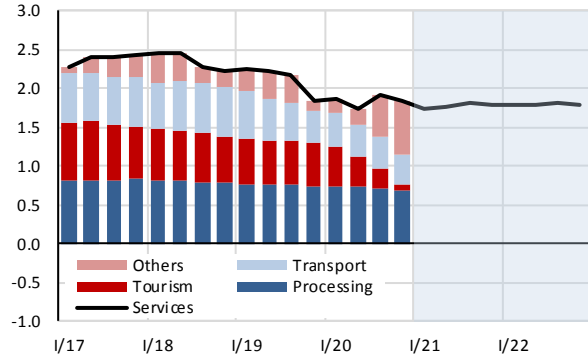
four-quarter moving totals, in % of GDP, change of ownership concept



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.4.5: Balance of Services

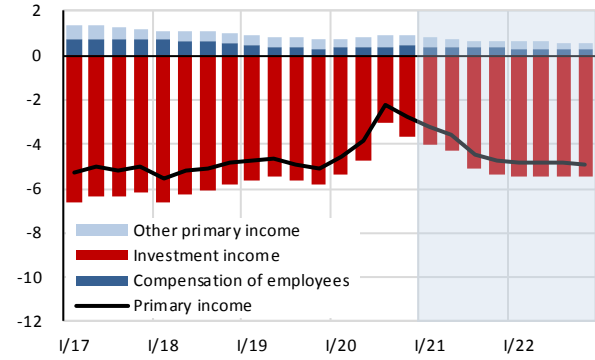
four-quarter moving totals, in % of GDP



Source: CNB, CZSO. Calculations and forecast of the MoF.

Graph 3.4.6: Balance of Primary Income

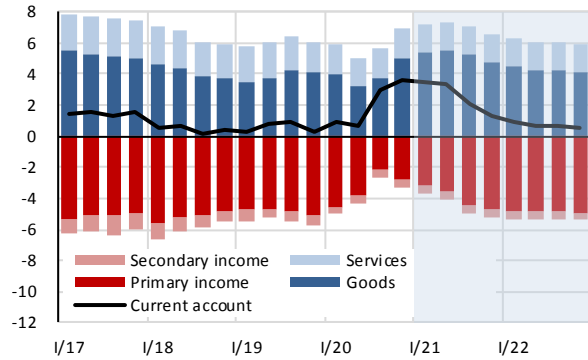
four-quarter moving totals, in % of GDP



Source: CNB, CZSO. Calculations and forecast of the MoF.

Graph 3.4.7: Current Account

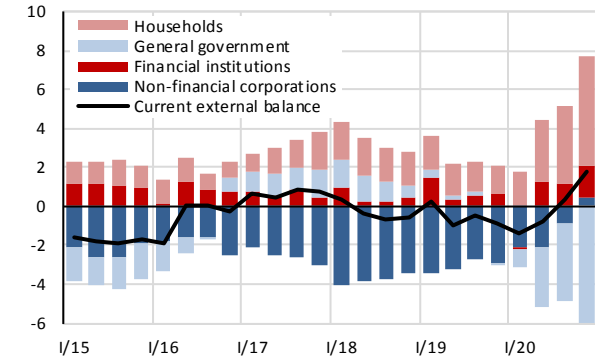
four-quarter moving totals, in % of GDP, BoP methodology



Source: CNB, CZSO. Calculations and forecast of the MoF.

Graph 3.4.8: Current External Balance

four-quarter moving totals, in % of GDP, national accounts



Source: CZSO. Calculations of the MoF.

Table 3.4.1: Decomposition of Exports of Goods (National Accounts Methodology) – yearly
seasonally adjusted

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
										Forecast	Forecast
GDP ¹⁾	average of 2010=100	105.2	107.6	109.9	112.2	115.6	118.1	119.8	113.1	117	122
	growth in %	0.7	2.2	2.2	2.1	3.0	2.2	1.5	-5.6	3.7	3.8
Import intensity ²⁾	average of 2010=100	104.5	107.1	110.6	113.1	116.1	118.5	119.1	118.3	120	122
	growth in %	1.5	2.5	3.3	2.3	2.6	2.0	0.6	-0.7	1.3	1.5
Export markets ³⁾	average of 2010=100	109.9	115.2	121.6	127.0	134.2	139.9	142.8	133.8	141	148
	growth in %	2.2	4.8	5.5	4.5	5.6	4.3	2.0	-6.3	5.1	5.4
Export performance	average of 2010=100	105.3	109.8	109.7	109.4	111.4	110.6	109.6	111.7	112	112
	growth in %	-1.5	4.3	-0.1	-0.3	1.8	-0.7	-0.9	1.9	0.0	0.3
Real exports	average of 2010=100	115.8	126.5	133.4	138.9	149.5	154.7	156.5	149.5	157	166
	growth in %	0.7	9.3	5.4	4.2	7.6	3.5	1.1	-4.4	5.1	5.6
1 / NEER	average of 2010=100	103.0	108.6	109.9	106.9	103.9	100.2	100.5	102.4	100	98
	growth in %	2.4	5.5	1.2	-2.8	-2.8	-3.6	0.4	1.9	-2.8	-1.7
Prices on foreign markets	average of 2010=100	102.5	100.8	98.2	98.2	100.3	103.2	104.0	102.4	104	105
	growth in %	-0.9	-1.7	-2.6	-0.1	2.1	2.9	0.7	-1.4	1.5	1.4
Exports deflator	average of 2010=100	105.6	109.5	108.0	104.9	104.1	103.4	104.5	104.9	103	103
	growth in %	1.5	3.7	-1.4	-2.8	-0.7	-0.7	1.1	0.4	-1.4	-0.3
Nominal exports	average of 2010=100	122.2	138.5	144.0	145.7	155.6	159.9	163.5	156.8	163	171
	growth in %	2.2	13.4	3.9	1.2	6.8	2.8	2.2	-4.1	3.7	5.3

¹⁾ Weighted average of GDP of the six most important partners – Germany, Slovakia, Austria, the United Kingdom, Poland and France.

²⁾ Index of ratio of real imports of goods to real GDP.

³⁾ Weighted average of imports of goods of main partners.

Source: CNB, CZSO, Eurostat. Calculations and forecast of the MoF.

Table 3.4.2: Decomposition of Exports of Goods (National Accounts Methodology) – quarterly
seasonally adjusted

		2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						Estimate	Forecast	Forecast	Forecast
GDP ¹⁾	average of 2010=100	116.8	104.6	115.6	115.5	114	116	119	120
	growth in %	-2.4	-12.5	-3.7	-3.8	-2.2	11.0	2.9	3.9
Import intensity ²⁾	average of 2010=100	115.3	121.9	114.7	121.6	120	120	120	120
	growth in %	-4.0	1.7	-3.4	3.2	4.3	-1.7	4.2	-1.5
Export markets ³⁾	average of 2010=100	134.7	127.5	132.6	140.5	138	139	142	144
	growth in %	-6.3	-11.1	-6.9	-0.8	2.1	9.2	7.2	2.3
Export performance	average of 2010=100	112.5	94.4	118.9	120.0	110	98	119	120
	growth in %	3.9	-14.5	7.6	9.8	-2.1	3.9	-0.3	-0.1
Real exports	average of 2010=100	151.5	120.3	157.7	168.6	151	136	169	172
	growth in %	-2.6	-24.0	0.1	9.0	-0.1	13.5	6.9	2.2
1 / NEER	average of 2010=100	100.2	105.0	101.9	102.5	100	100	99	99
	growth in %	-0.4	4.4	1.3	2.3	-0.1	-5.1	-2.6	-3.6
Prices on foreign markets	average of 2010=100	103.2	101.3	101.9	103.2	106	102	103	105
	growth in %	-1.0	-2.7	-1.6	-0.4	2.6	0.9	1.1	1.3
Exports deflator	average of 2010=100	103.5	106.5	103.9	105.8	106	102	102	103
	growth in %	-1.4	1.6	-0.3	1.9	2.5	-4.2	-1.5	-2.3
Nominal exports	average of 2010=100	156.8	128.0	163.8	178.4	161	139	172	178
	growth in %	-3.9	-22.8	-0.2	11.0	2.4	8.7	5.3	-0.2

¹⁾ Weighted average of GDP of the six most important partners – Germany, Slovakia, Austria, the United Kingdom, Poland and France.

²⁾ Index of ratio of real imports of goods to real GDP.

³⁾ Weighted average of imports of goods of main partners.

Source: CNB, CZSO, Eurostat. Calculations and forecast of the MoF.

Table 3.4.3: Balance of Payments – yearly
international investment position and gross external debt – end of period

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
											Forecast	Forecast
Goods and services	<i>bill.CZK</i>	237	276	274	365	384	321	346	390	390	368	
	<i>% GDP</i>	5.7	6.3	5.9	7.6	7.5	5.9	6.0	6.9	6.6	5.9	
Goods	<i>bill.CZK</i>	167	220	188	259	259	201	240	285	283	256	
	<i>% GDP</i>	4.0	5.1	4.1	5.4	5.1	3.7	4.2	5.0	4.8	4.1	
Services	<i>bill.CZK</i>	70	56	87	107	125	120	106	105	106	112	
	<i>% GDP</i>	1.7	1.3	1.9	2.2	2.4	2.2	1.8	1.9	1.8	1.8	
Primary income	<i>bill.CZK</i>	-249	-261	-255	-253	-255	-260	-292	-158	-280	-307	
	<i>% GDP</i>	-6.0	-6.0	-5.5	-5.3	-5.0	-4.8	-5.1	-2.8	-4.7	-4.9	
Secondary income	<i>bill.CZK</i>	-10	-7	1	-27	-50	-37	-34	-29	-31	-27	
	<i>% GDP</i>	-0.2	-0.2	0.0	-0.6	-1.0	-0.7	-0.6	-0.5	-0.5	-0.4	
Current account	<i>bill.CZK</i>	-22	8	21	85	79	24	19	204	79	34	
	<i>% GDP</i>	-0.5	0.2	0.4	1.8	1.5	0.4	0.3	3.6	1.3	0.5	
Capital account	<i>bill.CZK</i>	82	32	99	52	45	13	24	71	81	93	
	<i>% GDP</i>	2.0	0.7	2.1	1.1	0.9	0.2	0.4	1.3	1.4	1.5	
Net lending/borrowing	<i>bill.CZK</i>	61	40	120	137	124	37	44	275	160	127	
	<i>% GDP</i>	1.5	0.9	2.6	2.9	2.4	0.7	0.8	4.9	2.7	2.0	
Financial account	<i>bill.CZK</i>	68	64	173	122	116	61	8	244	.	.	
	<i>bill.CZK</i>	7	-80	50	-187	-46	-51	-137	-73	.	.	
Direct investments	<i>bill.CZK</i>	-93	90	-164	-170	-268	30	-105	-136	.	.	
Portfolio investments	<i>bill.CZK</i>	-5	-6	-5	11	-14	-15	1	12	.	.	
Financial derivatives	<i>bill.CZK</i>	-30	-13	-59	-97	-802	47	139	393	.	.	
Other investments	<i>bill.CZK</i>	188	73	351	564	1 246	50	110	48	.	.	
Reserve assets	<i>bill.CZK</i>											
International investment position	<i>bill.CZK</i>	-1 695	-1 577	-1 523	-1 304	-1 273	-1 320	-1 147	-710	.	.	
	<i>% GDP</i>	-40.9	-36.3	-32.9	-27.2	-24.9	-24.4	-19.9	-12.6	.	.	
Gross external debt	<i>bill.CZK</i>	2 733	2 947	3 119	3 499	4 370	4 413	4 384	4 301	.	.	
	<i>% GDP</i>	66.0	67.8	67.4	72.9	85.5	81.6	76.3	76.1	.	.	

Source: CNB, CZSO. Calculations and forecast of the MoF.

Table 3.4.4: Balance of Payments – quarterly*four-quarter moving totals, international investment position and gross external debt – end of period*

		2020				2021			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Goods and services	<i>bill.CZK</i>	343	282	320	390	407	426	413	390
	<i>% GDP</i>	5.9	5.0	5.7	6.9	7.2	7.4	7.1	6.6
Goods	<i>bill.CZK</i>	234	184	212	285	308	324	308	283
	<i>% GDP</i>	4.1	3.2	3.8	5.0	5.4	5.6	5.3	4.8
Services	<i>bill.CZK</i>	108	98	108	105	99	102	106	106
	<i>% GDP</i>	1.9	1.7	1.9	1.9	1.8	1.8	1.8	1.8
Primary income	<i>bill.CZK</i>	-266	-220	-124	-158	-181	-206	-259	-280
	<i>% GDP</i>	-4.6	-3.9	-2.2	-2.8	-3.2	-3.6	-4.4	-4.7
Secondary income	<i>bill.CZK</i>	-25	-27	-25	-29	-29	-30	-30	-31
	<i>% GDP</i>	-0.4	-0.5	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5
Current account	<i>bill.CZK</i>	52	35	171	204	196	191	125	79
	<i>% GDP</i>	0.9	0.6	3.0	3.6	3.5	3.3	2.1	1.3
Capital account	<i>bill.CZK</i>	48	57	73	71	74	76	79	81
	<i>% GDP</i>	0.8	1.0	1.3	1.3	1.3	1.3	1.3	1.4
Net lending/borrowing	<i>bill.CZK</i>	100	92	244	275	270	267	203	160
	<i>% GDP</i>	1.7	1.6	4.3	4.9	4.8	4.6	3.5	2.7
Financial account	<i>bill.CZK</i>	109	69	257	244	.	.	.	.
Direct investments	<i>bill.CZK</i>	-107	-94	-27	-73	.	.	.	.
Portfolio investments	<i>bill.CZK</i>	1	-13	33	-136	.	.	.	.
Financial derivatives	<i>bill.CZK</i>	23	20	21	12	.	.	.	.
Other investments	<i>bill.CZK</i>	70	46	123	393	.	.	.	.
Reserve assets	<i>bill.CZK</i>	121	109	107	48	.	.	.	.
International investment position	<i>stock in bill.CZK</i>	-731	-755	-553	-710	.	.	.	.
	<i>% GDP</i>	-12.7	-13.3	-9.8	-12.6	.	.	.	.
Gross external debt	<i>stock in bill.CZK</i>	4 476	4 373	4 366	4 301	.	.	.	.
	<i>% GDP</i>	77.5	77.0	77.2	76.1	.	.	.	.

Source: CNB, CZSO. Calculations and forecast of the MoF.

4 Survey of Other Institutions' Forecasts

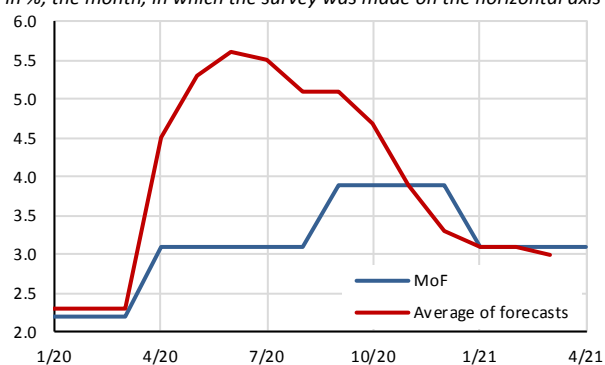
On average, the forecasts of the monitored institutions assume that last year's low base will allow for real GDP growth of 3.0% this year. However, this will fall far short of restoring the level of economic performance seen in 2019. Economic growth should accelerate to 4.2% in 2022. The average inflation rate should come to 2.2% in both 2021 and 2022, just above the CNB's inflation target. Average wage growth could accelerate to 4.0% next year from around 3% in 2021. The current account of the balance of payments should continue to report a surplus

in both 2021 and 2022, albeit on a smaller scale than in the record year 2020.

The forecast of the Ministry of Finance differs only slightly from the averaged estimates of the individual institutions and was within the same range as the monitored forecasts. The only exception is average wage growth in 2022, where the MoF's forecast suggests much lower momentum. This may be due to the increase projected in the unemployment rate and the slowdown in wage growth in the MoF's forecast.

Graph 4.1: Forecasts for Real GDP Growth in 2021

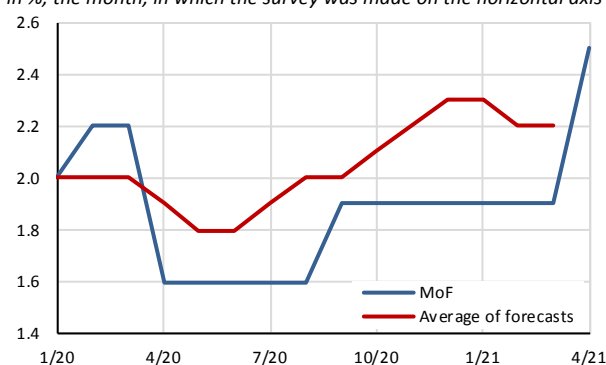
in %; the month, in which the survey was made on the horizontal axis



Source: Forecasts of individual institutions. Calculations of the MoF.

Graph 4.2: Forecasts for Average Inflation Rate in 2021

in %; the month, in which the survey was made on the horizontal axis



Source: Forecasts of individual institutions. Calculations of the MoF.

Table 4.1: Summary of the Surveyed Forecasts

		March 2021			April 2021
		min.	max.	average	MoF forecast
Gross domestic product (2021)	growth in %, const.pr.	1.5	5.1	3.0	3.1
Gross domestic product (2022)	growth in %, const.pr.	3.0	5.5	4.2	3.7
Average inflation rate (2021)	%	1.8	2.5	2.2	2.5
Average inflation rate (2022)	%	1.9	2.7	2.2	2.3
Average monthly wage (2021)	growth in %	2.0	5.2	3.1	3.2
Average monthly wage (2022)	growth in %	3.3	4.5	4.0	1.8
Current account / GDP (2021)	%	-0.5	3.3	1.4	1.3
Current account / GDP (2022)	%	0.1	2.1	0.9	0.5

Note: The survey is based on publicly available forecasts of 13 institutions, of which 8 institutions are domestic (CNB, Ministry of Labour and Social Affairs, domestic banks and investment companies) and the remaining are foreign entities (European Commission, OECD, IMF etc.). In the case of GDP, no difference is being made between working-day adjusted and unadjusted forecasts.

Source: Forecasts of individual institutions. Calculations and forecast of the MoF.

5 International Comparison

In 2019, the purchasing power parity in the Czech Republic was 18.65 CZK/PPS compared to the EU27 and 17.70 CZK/EUR compared to the EA19. The Czech Republic's economic level in current purchasing power parity remained at 87% of the average of the EA19 countries in the same year, but moved closer to the economic level of Italy.

In 2020, we estimate that GDP per capita in **current purchasing power parity** terms declined in all countries surveyed as a result of the coronavirus pandemic, with the exception of Lithuania, which saw a slight increase due to strong exports. The largest falls in GDP were recorded in the more tourism-oriented countries of southern Europe, notably Spain, France, Portugal and Italy. At the same time, these countries, as well as Greece and Croatia, experienced a decline in their relative economic level compared to the euro area average. Although GDP per capita in current purchasing power parity terms in the Czech Republic probably fell last year, the relative economic level vis-à-vis the euro area may have risen slightly to 88%. It could remain around this level in 2021 and 2022.

GDP per capita in **exchange rate** terms fell to EUR 20,000 in 2020, equivalent to around 61% of the average EA19 level. We expect the Czech economy to continue to converge slowly towards the euro area, reaching 63% of its level in 2022. Price and exchange rate developments should be the main factors over the forecast horizon.

We estimate that the **comparative price level of GDP** in the Czech Republic, after a period of growth in 2014–2019, remained at around the 2019 level of 69% of the EA19 average in 2020. However, in 2021 and 2022, the price level of GDP could gradually increase to 71% and 72%, respectively.

Persistent labour shortages, continued wage growth in the general government sector, and further increases in minimum and guaranteed wages in 2019 once again brought **average earnings** in current purchasing power parity terms slightly closer to the euro area average. Average wages in the Czech Republic stood at 73% of the EA19 average in 2019. Earnings in Lithuania grew most strongly among the economies surveyed, mainly due to

continued high economic growth, strong wage and salary increases and lower labour taxation.

The differences in relative economic performance compared to the euro area average are summarised in more detail in Graph 5.17 by decomposing GDP per capita into hourly labour productivity, average hours worked per worker, the share of employed persons in the working-age population, and demographic effects.

In 2019, **labour productivity** increased in all countries surveyed except Croatia. In general, labour productivity levels in the new EU Member States are still several tens of percent lower than in the EA19. By contrast, in France, labour productivity has been significantly higher than the EA19 average for a long time. In the Czech Republic, it reached 71% of the euro area average in 2019. Of the new EU Member States, it was higher only in Slovenia (77%).

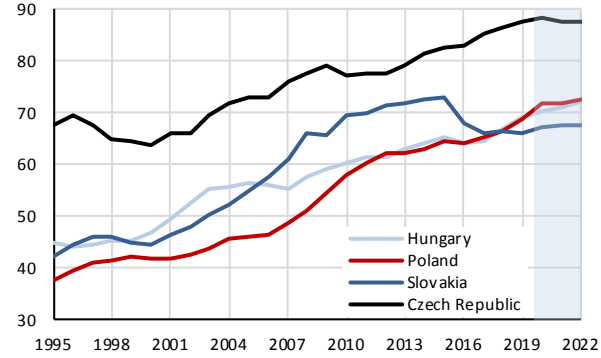
The **average number of hours** worked per worker fell in most of the countries surveyed in 2019, but, with the exception of France, it remains above the euro area average. The average number of hours worked in the Czech Republic has long been well above the EA19 average, exceeding it by 13% over the last three years.

The **ratio of employed persons to the working-age population** (20–64 years) varies considerably across the countries surveyed. Countries with high structural unemployment rates (Greece, Spain, etc.) have been below the EA19 level for a long time. Highly dynamic employment growth and increases in the effective retirement age have contributed to the Czech Republic being above the euro area average since 2012 – by 6% in 2019.

The share of the working-age population, as captured by the **demographic component**, has been declining in most countries over the past decade due to population ageing. This demographic phenomenon is particularly pronounced in Romania, the Czech Republic, Slovenia and Poland. Although the level of the demographic component in the Czech Republic is slightly above the EA19 average, demographic trends indicate that no significant improvement can be expected over the forecast horizon.

Graph 5.1: GDP per Capita in Current PPP

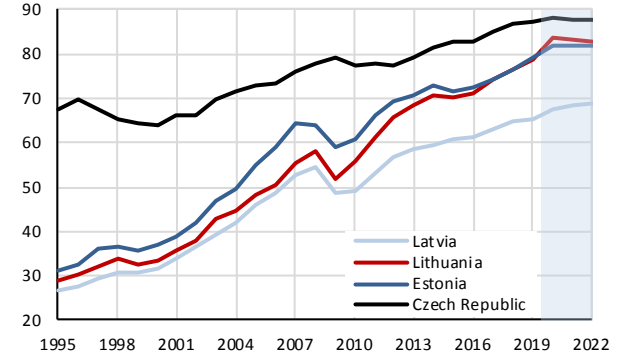
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.2: GDP per Capita in Current PPP

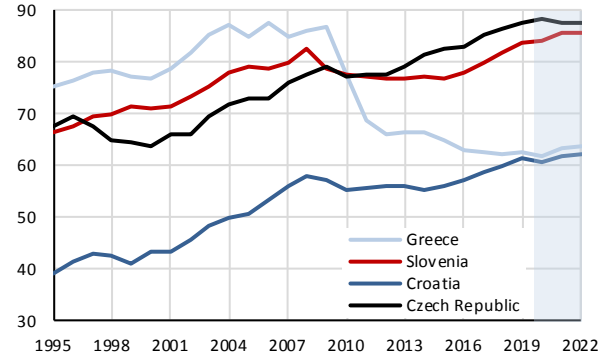
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.3: GDP per Capita in Current PPP

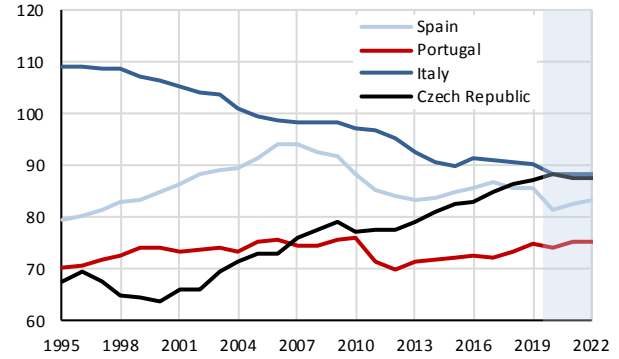
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.4: GDP per Capita in Current PPP

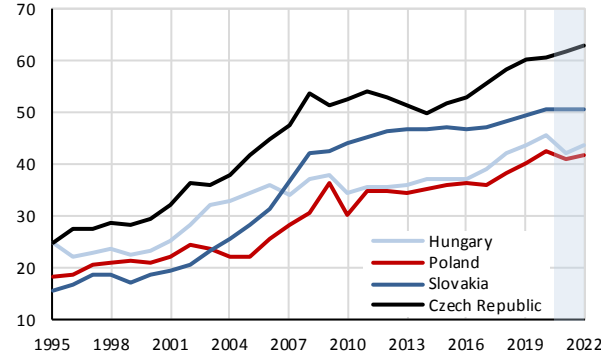
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.5: Exchange Rate Adjusted GDP per Capita

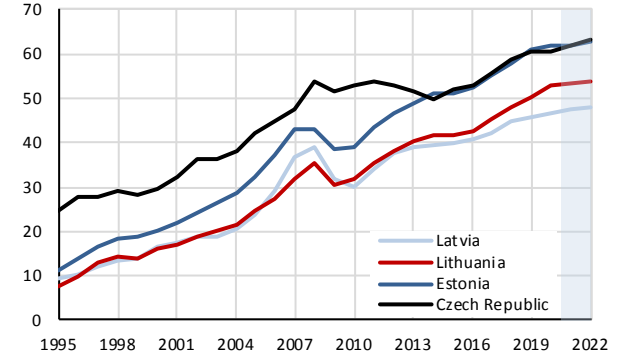
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.6: Exchange Rate Adjusted GDP per Capita

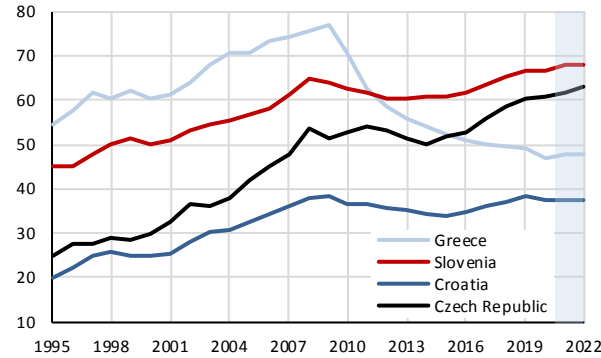
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.7: Exchange Rate Adjusted GDP per Capita

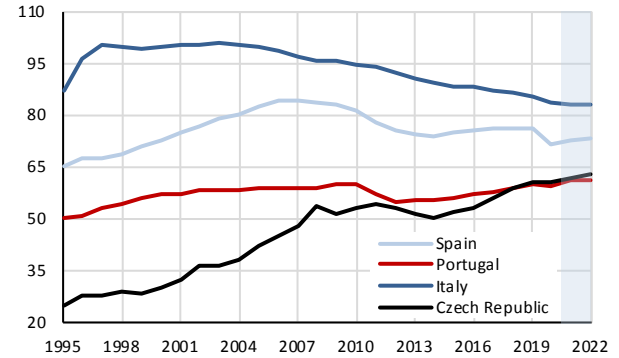
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.8: Exchange Rate Adjusted GDP per Capita

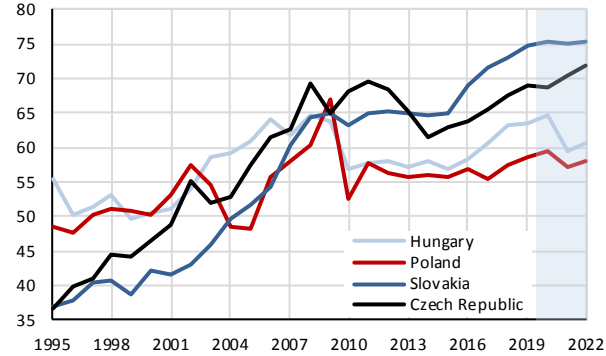
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.9: Comparative Price Level of GDP

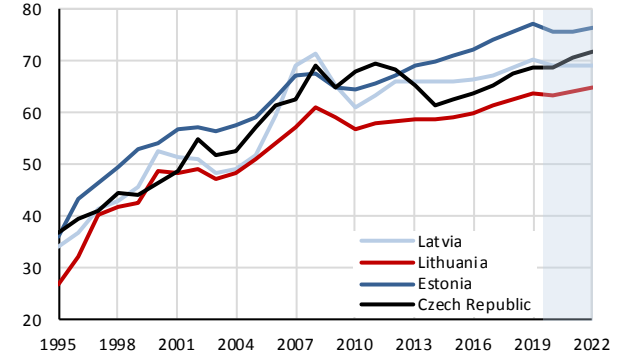
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.10: Comparative Price Level of GDP

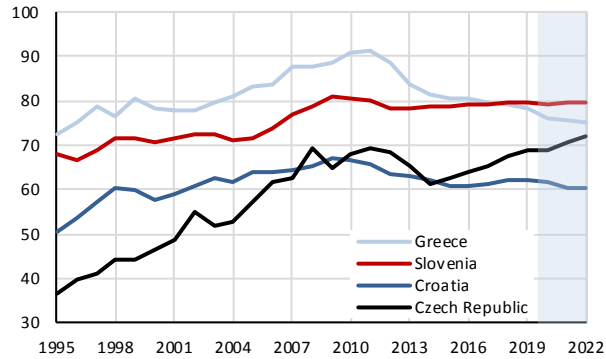
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.11: Comparative Price Level of GDP

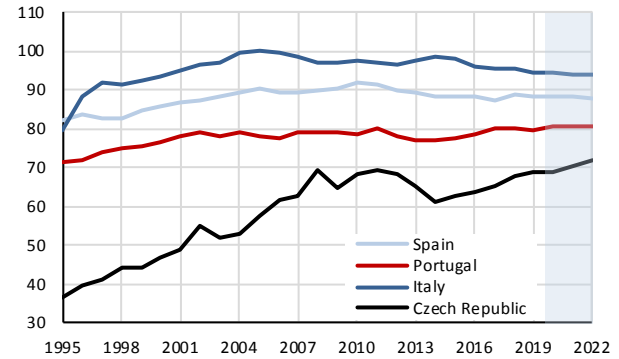
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.12: Comparative Price Level of GDP

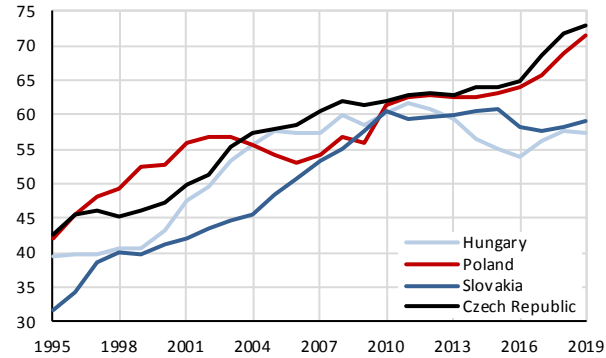
EA19=100



Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.13: Average Earnings in Current PPP

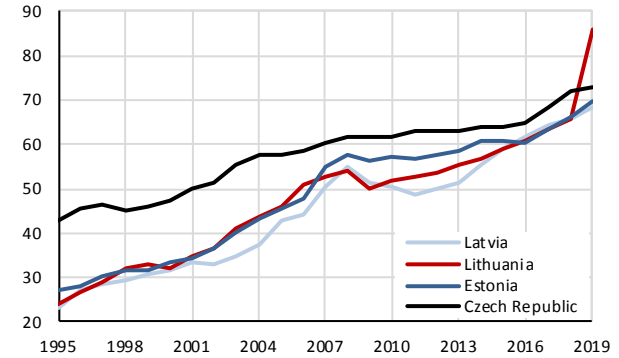
EA19=100



Source: Eurostat. Calculations of the MoF.

Graph 5.14: Average Earnings in Current PPP

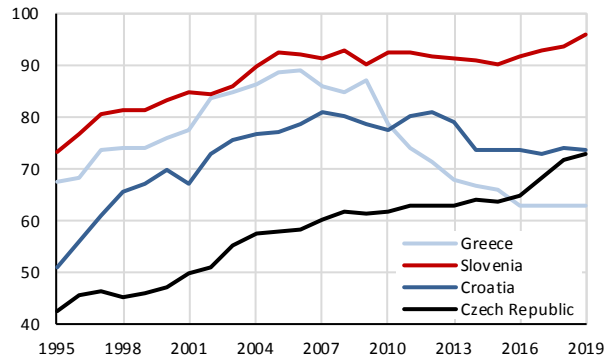
EA19=100



Source: Eurostat. Calculations of the MoF.

Graph 5.15: Average Earnings in Current PPP

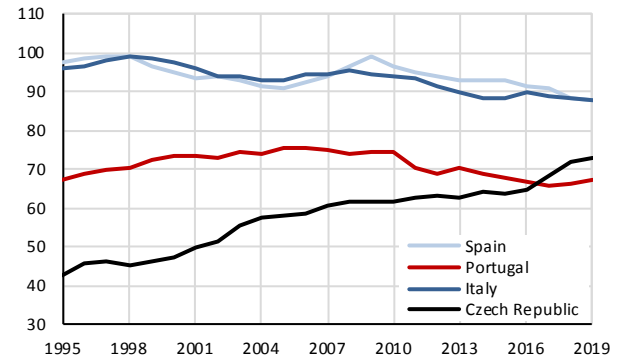
EA19=100



Source: Eurostat. Calculations of the MoF.

Graph 5.16: Average Earnings in Current PPP

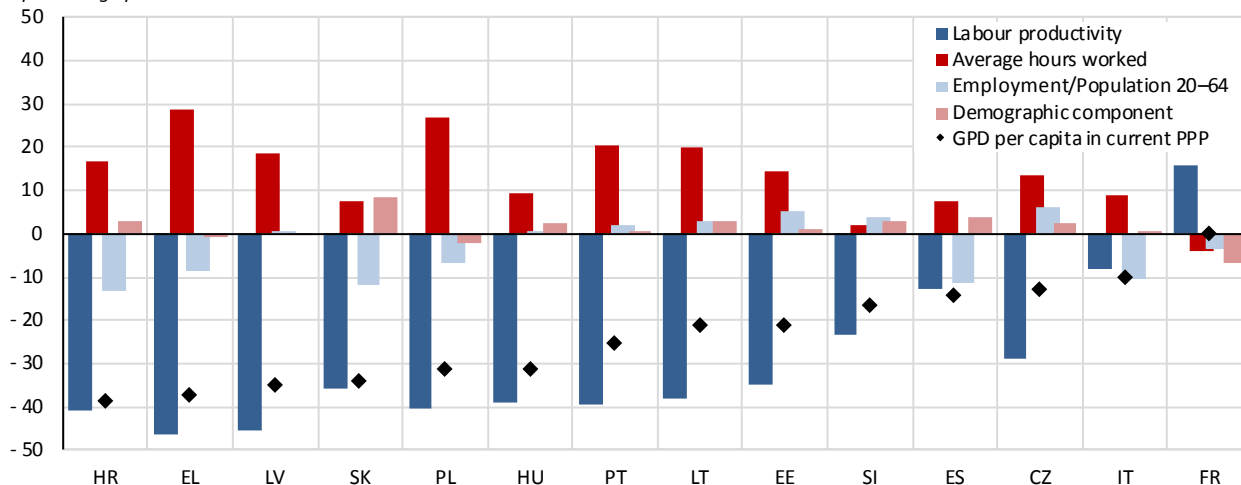
EA19=100



Source: Eurostat. Calculations of the MoF.

Graph 5.17: Current PPP Adjusted GDP per Capita Level Relative to the EA19 Average in 2019

in percentage points



Note: The demographic component is the ratio of the working-age (20-64) to total population.

Source: Eurostat. Calculations of the MoF.

Table 5.1: GDP per Capita in Current Purchasing Power Parity

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
										Estimate	Forecast	Forecast
France	PPS	28 500	28 800	29 400	29 800	30 500	31 500	33 100	30 700	32 500	34 200	
	EA19=100	101	100	99	98	97	98	100	98	99	99	
Italy	PPS	26 000	25 900	26 500	27 700	28 600	29 200	29 800	27 700	28 900	30 300	
	EA19=100	93	91	90	92	91	91	90	89	88	88	
Czech Republic	PPS	22 200	23 300	24 400	25 100	26 700	27 900	28 900	27 600	28 700	30 100	
	EA19=100	79	81	83	83	85	87	87	88	87	88	
Spain	PPS	23 400	24 000	25 100	25 900	27 200	27 600	28 400	25 500	27 100	28 700	
	EA19=100	83	84	85	86	87	86	86	81	83	83	
Slovenia	PPS	21 600	22 100	22 700	23 600	25 100	26 400	27 700	26 300	28 000	29 400	
	EA19=100	77	77	77	78	80	82	84	84	86	86	
Estonia	PPS	19 900	20 900	21 200	21 900	23 300	24 700	26 100	25 600	26 800	28 100	
	EA19=100	71	73	72	72	74	77	79	82	82	82	
Lithuania	PPS	19 300	20 200	20 700	21 500	23 200	24 600	26 000	26 200	27 300	28 500	
	EA19=100	69	70	70	71	74	76	79	84	83	83	
Portugal	PPS	20 200	20 600	21 300	21 900	22 700	23 700	24 800	23 200	24 800	25 900	
	EA19=100	72	72	72	73	72	73	75	74	75	76	
Hungary	PPS	17 700	18 400	19 200	19 400	20 200	21 600	22 800	22 000	23 300	24 800	
	EA19=100	63	64	65	64	65	67	69	70	71	72	
Poland	PPS	17 500	18 000	19 100	19 400	20 400	21 400	22 700	22 400	23 500	24 900	
	EA19=100	62	63	65	64	65	66	69	72	72	73	
Slovakia	PPS	20 200	20 800	21 500	20 600	20 700	21 400	21 900	21 000	22 100	23 200	
	EA19=100	72	73	73	68	66	66	66	67	67	68	
Latvia	PPS	16 500	17 100	17 900	18 500	19 700	20 900	21 500	21 200	22 500	23 700	
	EA19=100	59	60	61	61	63	65	65	68	69	69	
Greece	PPS	18 700	19 100	19 200	19 100	19 700	20 100	20 700	19 300	20 700	21 900	
	EA19=100	67	67	65	63	63	62	63	62	63	64	
Croatia	PPS	15 700	15 800	16 500	17 300	18 400	19 300	20 300	19 000	20 300	21 400	
	EA19=100	56	55	56	57	59	60	61	61	62	62	

Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Table 5.2: Exchange Rate Adjusted GDP per Capita

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
										<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>
France		32 100	32 400	33 000	33 400	34 300	35 100	36 000	33 700	35 400	37 200	
		109	108	106	105	104	104	103	102	102	103	
	<i>Comparative price level</i>	107	107	107	107	107	106	103	104	103	103	
Italy	<i>EUR</i>	26 600	26 800	27 300	28 000	28 700	29 300	29 700	27 500	28 700	30 000	
	<i>EA19=100</i>	90	89	88	88	87	86	85	83	83	83	
	<i>Comparative price level</i>	98	98	98	96	96	95	94	94	94	94	
Spain	<i>EUR</i>	21 900	22 200	23 200	24 000	25 000	25 800	26 400	23 600	25 200	26 500	
	<i>EA19=100</i>	74	74	75	75	76	76	76	72	73	73	
	<i>Comparative price level</i>	89	88	88	88	87	89	88	88	88	88	
Slovenia	<i>EUR</i>	17 700	18 300	18 800	19 600	20 800	22 100	23 200	22 000	23 500	24 600	
	<i>EA19=100</i>	60	61	61	62	63	65	67	67	68	68	
	<i>Comparative price level</i>	78	79	79	79	79	80	79	79	80	79	
Estonia	<i>EUR</i>	14 400	15 300	15 800	16 700	18 100	19 700	21 200	20 400	21 400	22 700	
	<i>EA19=100</i>	49	51	51	52	55	58	61	62	62	63	
	<i>Comparative price level</i>	69	70	71	72	74	76	77	76	76	76	
Czech Republic	<i>EUR</i>	15 200	15 000	16 100	16 800	18 300	19 900	21 000	20 000	21 300	22 800	
	<i>EA19=100</i>	52	50	52	53	56	59	60	61	62	63	
	<i>Comparative price level</i>	65	61	63	64	65	68	69	69	71	72	
Portugal	<i>EUR</i>	16 300	16 600	17 400	18 100	19 000	20 000	20 800	19 700	21 000	22 000	
	<i>EA19=100</i>	55	55	56	57	58	59	60	60	61	61	
	<i>Comparative price level</i>	77	77	77	78	80	80	80	81	81	81	
Lithuania	<i>EUR</i>	11 800	12 500	12 900	13 600	14 900	16 200	17 500	17 500	18 400	19 500	
	<i>EA19=100</i>	40	41	41	43	45	48	50	53	53	54	
	<i>Comparative price level</i>	59	59	59	60	61	63	64	63	64	65	
Slovakia	<i>EUR</i>	13 800	14 100	14 700	14 900	15 500	16 400	17 200	16 700	17 500	18 400	
	<i>EA19=100</i>	47	47	47	47	47	48	49	51	51	51	
	<i>Comparative price level</i>	65	65	65	69	72	73	75	75	75	75	
Greece	<i>EUR</i>	16 400	16 300	16 300	16 200	16 500	16 700	17 100	15 500	16 500	17 300	
	<i>EA19=100</i>	56	54	52	51	50	49	49	47	48	48	
	<i>Comparative price level</i>	84	81	81	81	80	79	78	76	75	75	
Latvia	<i>EUR</i>	11 400	11 800	12 400	12 900	13 900	15 100	15 900	15 400	16 400	17 300	
	<i>EA19=100</i>	39	39	40	41	42	45	46	47	48	48	
	<i>Comparative price level</i>	66	66	66	66	67	69	70	69	69	69	
Hungary	<i>EUR</i>	10 600	11 200	11 500	11 900	12 900	14 300	15 200	15 000	14 600	15 800	
	<i>EA19=100</i>	36	37	37	37	39	42	44	46	42	44	
	<i>Comparative price level</i>	57	58	57	58	61	63	63	65	60	61	
Poland	<i>EUR</i>	10 200	10 600	11 200	11 600	11 900	13 000	14 000	14 100	14 200	15 200	
	<i>EA19=100</i>	35	35	36	36	36	38	40	43	41	42	
	<i>Comparative price level</i>	56	56	56	57	55	58	59	59	57	58	
Croatia	<i>EUR</i>	10 400	10 300	10 600	11 100	11 800	12 600	13 300	12 300	13 000	13 600	
	<i>EA19=100</i>	35	34	34	35	36	37	38	37	37	38	
	<i>Comparative price level</i>	63	62	61	61	61	62	62	62	60	60	

Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

6 Looking back at the Year 2020

The macroeconomic framework of the 2020 state budget was prepared on the basis of the August update of the July 2019 Macroeconomic Forecast. Table 6.1 shows a comparison with data published up to 1 April 2021. However, for most indicators, these data cannot be considered final as they will be further revised.

The macroeconomic framework for 2020 was based on the trajectory of a gentle economic slowdown resulting from a gradual closing of the positive output gap and a return to equilibrium. However, in early March 2020, Czech society was hit hard by the coronavirus pandemic. The government declared a state of emergency, enabling it to take action that would minimise the risk of the spread of the disease. This included the closure of some shops and other establishments, a switch to distance schooling, restrictions on the free movement of people, and other measures limiting social contact. However, after a temporary lull during the summer, the epidemic situation deteriorated sharply in the autumn. In response to these developments, the government again adopted a series of restrictive measures.

Despite the massive fiscal stimulus, the anti-epidemic measures had far-reaching macroeconomic consequences. Therefore, it would be misleading to draw conclusions based on a comparison of the macroeconomic framework and the reality in 2020.

In terms of economic performance, the epidemic and related measures led to the deepest decline in real GDP since 1991. Given the huge uncertainties clouding future developments, investment has been most affected. Household consumption was also hit hard, dampened by

the restrictions on retail and services. In contrast, higher growth in government consumption reflected higher healthcare output and purchases of protective equipment, as well as the budgetary impact of some government measures.

In relation to consumer prices, the coronavirus pandemic represented both a negative demand shock (with an anti-inflationary effect) and a negative supply shock (with a pro-inflationary effect). The higher-than-expected inflation in 2020 was therefore probably due to supply-side frictions outweighing the effect of demand constraints.

The impact on the labour market was cushioned considerably by government measures (Antivirus programmes, compensation bonuses). As a result, the rise in the unemployment rate was much lower than would be consistent with the scale of the economic downturn. However, the fall in the participation rate was also partly reflected here. The volume of wages and salaries stagnated, affected not only by the reduction in employment, but also by government programmes compensating employers for at least part of their wage costs (within compensation of employees these funds were classified as employers' social contributions, not as wages and salaries).

Somewhat paradoxically, the unfavourable economic situation increased the surplus on the current account of the balance of payments. This is because the reduced profitability of foreign-controlled enterprises caused a significant improvement in the primary income deficit, mainly due to the reduction in dividends paid abroad.

Table 6.1: Macroeconomic Framework of the 2020 State Budget – Comparison with Actual Data

		2020 State Budget (August 2019)				Outcome (April 2021)				Difference (outcome - forecast)			
		2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
		Forecast											
Gross domestic product	<i>bill. CZK</i>	5 047	5 329	5 627	5 880	5 111	5 410	5 749	5 652	63	81	122	-228
Gross domestic product	<i>growth in %, curr.pr.</i>	5.9	5.6	5.6	4.5	6.5	5.8	6.3	-1.7	0.7	0.3	0.7	-6.2
Gross domestic product	<i>growth in %, const.pr.</i>	4.4	3.0	2.4	2.2	5.2	3.2	2.3	-5.6	0.8	0.2	-0.1	-7.8
Consumption of households	<i>growth in %, const.pr.</i>	4.3	3.4	2.6	2.4	4.0	3.5	3.0	-5.2	-0.2	0.1	0.4	-7.5
Consumption of government	<i>growth in %, const.pr.</i>	1.3	3.9	2.4	1.9	1.8	3.8	2.2	3.5	0.5	-0.1	-0.3	1.6
Gross fixed capital formation	<i>growth in %, const.pr.</i>	3.7	7.2	2.5	2.4	4.9	10.0	2.3	-8.1	1.2	2.9	-0.2	-10.5
Contr. of net exports to GDP grow	<i>p.p., const.pr.</i>	1.1	-0.8	0.4	0.2	1.2	-1.2	0.0	-0.3	0.1	-0.4	-0.4	-0.4
GDP deflator	<i>growth in %</i>	1.4	2.5	3.1	2.2	1.3	2.6	3.9	4.2	-0.1	0.0	0.8	1.9
Average inflation rate	<i>%</i>	2.5	2.1	2.7	2.4	2.5	2.1	2.8	3.2	0.0	0.0	0.1	0.8
Employment (LFS)	<i>growth in %</i>	1.6	1.4	0.7	0.3	1.6	1.4	0.2	-1.3	0.0	0.0	-0.6	-1.5
Unemployment rate (LFS)	<i>average in %</i>	2.9	2.2	2.2	2.3	2.9	2.2	2.0	2.6	0.0	0.0	-0.2	0.3
Wage bill (domestic concept)	<i>growth in %, curr.pr.</i>	8.3	9.5	7.4	5.9	9.2	9.6	6.7	0.0	1.0	0.2	-0.7	-5.9
Current account balance	<i>% of GDP</i>	1.7	0.3	0.6	0.8	1.5	0.4	0.3	3.6	-0.1	0.2	-0.3	2.8
<u>Assumptions:</u>													
Exchange rate CZK/EUR		26.3	25.6	25.6	25.2	26.3	25.6	25.7	26.4	0.0	0.0	0.1	1.3
Long-term interest rates	<i>% p.a.</i>	1.0	2.0	1.6	1.5	1.0	2.0	1.5	1.1	0.0	0.0	0.0	-0.3
Crude oil Brent	<i>USD/barrel</i>	54	71	64	60	54	71	64	42	0	0	0	-18
GDP of the euro area	<i>growth in %, const.pr.</i>	2.4	1.9	1.1	1.4	2.7	1.9	1.3	-6.8	0.3	0.0	0.2	-8.2

Source: CNB, CZSO, Eurostat, MoF, U. S. Energy Information Administration. Calculations of the MoF.

