

# Survey of macroeconomic forecasts

**April 2017**

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Issued twice a year, free distribution

Electronic archive:  
<http://www.mfcr.cz/macroforecast>

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The survey of macroeconomic forecasts (so-called Colloquium), which is conducted by the Ministry of Finance (MoF), aims to find out how relevant institutions see the prospects for the Czech economy and to assess major trends the forecasts of participating institutions envisage. The results of the 43rd Colloquium, which took place in April 2017, are based on the forecasts of 19 institutions (MoF; Ministry of Industry and Trade; Ministry of Labour and Social Affairs; Czech National Bank; Akcenta CZ; Citibank; CYRRUS; Česká spořitelna; ČSOB; Deloitte; Generali Investments CEE; Czech Chamber of Commerce; Institute of Economic Studies, Faculty of Social Sciences, Charles University; ING Bank; Komerční banka; Raiffeisenbank; Roklen Fin; Confederation of Industry of the Czech Republic; UniCredit Bank). To make the survey more representative, the forecast of the EC (Winter 2017 European Economic Forecast) has been included.

Key trends for the years 2017–2020 that are envisaged in the last MoF's Forecast (April 2017) are consistent with the forecasts of other institutions. However, comparison for the years 2019 and 2020 is complicated by the fact that this period is not covered by the forecasts of all institutions (the whole period 2017–2020 is covered, at least for some indicators, by the forecasts of 11 institutions). Tables 1 and 2 summarize key indicators and the last Forecast of the MoF.

Main macroeconomic trends in 2017 and 2018 can be summed up as follows:

- On average, respondents of the survey expect GDP to increase by 2.6% this year; growth should pick up marginally to 2.7% in 2018. After a decrease in 2016 related to the end of the 2007–2013 programming period, gross fixed capital formation could increase by 2.8% this year. Growth of investment could accelerate to 3.3% in 2018 thanks to drawdown from the 2014–2020 financial perspective. The dynamics of investment – the most import-intensive component of domestic demand – will then affect the contribution of net exports to GDP growth, which could decrease from 0.6 pp in 2017 to 0.3 pp in 2018. Economic growth in this and the next year should be also supported by final consumption expenditure of households and the general government sector.
- According to the average of participating institutions' forecasts, inflation rate could accelerate to 2.4% this year, partially driven by an increase in the price of crude oil. Inflation rate (average of period) could reach 2.0% in 2018, as anti-inflationary effect of the appreciating exchange rate should already be reflected in the dynamics of consumer prices.
- Situation on the labour market should be gradually improving thanks to economic growth. On average, the institutions forecast employment to increase by 0.7% in 2017 and by 0.3% in 2018. Unemployment rate is expected to decline, though only moderately. However, taking into account the currently very low rate of unemployment, which approximately corresponds to the natural rate, there is only limited room for the unemployment rate to decrease further. It could thus average 3.7% this year and 3.6% in 2018.
- On average, the institutions expect total wage bill to increase by 5.5% in 2017. In 2018 growth could decelerate slightly to 4.9%. Apart from this year's increase in the minimum and guaranteed wage, the dynamics of wages and salaries should be supported by an increasingly apparent mismatch between the demand for and the supply of labour.
- On average, the respondents expect that the current account of the balance of payments will reach a surplus of around 1% of GDP in 2017 and 2018, i.e. a similar level as in 2016.

Table 1: Results of the survey for the years 2017 and 2018

		2017						2018					
		min.	P25	average	P75	max.	MoF CR	min.	P25	average	P75	max.	MoF CR
<i>Assumptions</i>													
<b>GDP of EA19</b>	<i>real growth in %</i>	1.5	1.6	<b>1.7</b>	1.8	1.9	<b>1.5</b>	1.3	1.5	<b>1.6</b>	1.7	1.8	<b>1.6</b>
<b>Crude oil Brent</b>	<i>USD/barrel</i>	52	54	<b>55</b>	56	58	<b>56</b>	48	57	<b>58</b>	60	65	<b>57</b>
<b>3M PRIBOR</b>	<i>average in %</i>	0.3	0.3	<b>0.3</b>	0.3	0.5	<b>0.3</b>	0.3	0.4	<b>0.6</b>	0.9	1.2	<b>0.4</b>
<b>YTM of 10Y gov. bonds</b>	<i>average in %</i>	0.8	0.8	<b>1.0</b>	1.0	2.0	<b>0.9</b>	1.0	1.3	<b>1.5</b>	1.6	2.1	<b>1.5</b>
<b>CZK/EUR exchange rate</b>		26.0	26.5	<b>26.6</b>	26.7	27.0	<b>26.9</b>	25.1	25.4	<b>25.8</b>	26.1	27.0	<b>26.3</b>
<b>USD/EUR exchange rate</b>		1.03	1.05	<b>1.07</b>	1.08	1.10	<b>1.05</b>	1.01	1.05	<b>1.09</b>	1.12	1.15	<b>1.05</b>
<i>Main indicators</i>													
<b>Gross domestic product</b>	<i>real growth in %</i>	2.0	2.5	<b>2.6</b>	2.7	2.8	<b>2.5</b>	2.0	2.5	<b>2.7</b>	2.8	3.6	<b>2.5</b>
<b>Contr. of change in inventories</b>	<i>perc. points</i>	-0.9	-0.3	<b>-0.2</b>	0.0	0.0	<b>0.0</b>	-0.3	-0.1	<b>0.0</b>	0.1	0.3	<b>0.0</b>
<b>Contr. of foreign balance</b>	<i>perc. points</i>	-0.1	0.2	<b>0.6</b>	0.8	1.6	<b>0.2</b>	-0.3	0.2	<b>0.3</b>	0.4	0.8	<b>0.2</b>
<b>Consumption of households</b>	<i>real growth in %</i>	2.3	2.6	<b>2.7</b>	2.8	3.2	<b>2.4</b>	1.9	2.4	<b>2.6</b>	2.9	3.1	<b>2.7</b>
<b>Consumption of government</b>	<i>real growth in %</i>	0.7	1.6	<b>1.9</b>	2.2	2.7	<b>1.7</b>	1.0	1.5	<b>1.8</b>	1.9	4.2	<b>1.5</b>
<b>Gross fixed capital formation</b>	<i>real growth in %</i>	0.5	2.0	<b>2.8</b>	3.7	5.0	<b>3.8</b>	2.0	3.0	<b>3.3</b>	3.5	5.0	<b>3.0</b>
<b>GDP deflator</b>	<i>growth in %</i>	0.0	1.1	<b>1.4</b>	1.7	2.3	<b>1.1</b>	1.4	1.6	<b>1.8</b>	2.0	2.3	<b>1.8</b>
<b>Inflation rate (aop)</b>	<i>in %</i>	2.2	2.3	<b>2.4</b>	2.5	2.7	<b>2.4</b>	1.3	1.9	<b>2.0</b>	2.1	2.3	<b>1.7</b>
<b>Employment (LFS)</b>	<i>growth in %</i>	0.2	0.5	<b>0.7</b>	1.0	1.1	<b>1.1</b>	0.0	0.1	<b>0.3</b>	0.4	0.7	<b>0.3</b>
<b>Unemployment rate (LFS)</b>	<i>in %</i>	3.3	3.6	<b>3.7</b>	3.8	3.9	<b>3.4</b>	3.1	3.5	<b>3.6</b>	3.8	3.9	<b>3.3</b>
<b>Wage bill (domestic concept)</b>	<i>nom. growth in %</i>	4.8	5.4	<b>5.5</b>	5.7	6.3	<b>5.7</b>	4.0	4.5	<b>4.9</b>	5.2	5.5	<b>4.8</b>
<b>BoP – current account balance</b>	<i>in % of GDP</i>	-1.4	0.8	<b>0.9</b>	1.3	1.9	<b>0.4</b>	-1.1	0.6	<b>1.0</b>	1.3	2.5	<b>0.5</b>

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

Source: Survey respondents. Calculations of the MoF.

Table 2: Results of the survey for the years 2019 and 2020

		2019				2020			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
<i>Assumptions</i>									
<b>GDP of EA19</b>	<i>real growth in %</i>	1.1	<b>1.6</b>	2.0	<b>1.7</b>	0.6	<b>1.4</b>	1.7	<b>1.7</b>
<b>Crude oil Brent</b>	<i>USD/barrel</i>	52	<b>60</b>	70	<b>56</b>	55	<b>61</b>	75	<b>57</b>
<b>3M PRIBOR</b>	<i>average in %</i>	0.5	<b>1.2</b>	2.5	<b>0.5</b>	0.7	<b>1.5</b>	2.3	<b>0.7</b>
<b>YTM of 10Y gov. bonds</b>	<i>average in %</i>	1.3	<b>1.9</b>	2.5	<b>2.0</b>	1.5	<b>2.3</b>	3.8	<b>2.3</b>
<b>CZK/EUR exchange rate</b>		23.9	<b>25.1</b>	26.0	<b>25.6</b>	22.7	<b>24.6</b>	26.0	<b>25.0</b>
<b>USD/EUR exchange rate</b>		1.00	<b>1.13</b>	1.20	<b>1.05</b>	1.00	<b>1.13</b>	1.21	<b>1.05</b>
<i>Main indicators</i>									
<b>Gross domestic product</b>	<i>real growth in %</i>	2.3	<b>2.6</b>	3.3	<b>2.4</b>	1.5	<b>2.4</b>	3.1	<b>2.3</b>
<b>Contr. of change in inventories</b>	<i>perc. points</i>	-0.3	<b>0.0</b>	0.1	<b>0.0</b>	-0.7	<b>-0.1</b>	0.0	<b>0.0</b>
<b>Contr. of foreign balance</b>	<i>perc. points</i>	-0.3	<b>0.2</b>	0.6	<b>0.4</b>	-0.6	<b>0.2</b>	0.4	<b>0.3</b>
<b>Consumption of households</b>	<i>real growth in %</i>	1.4	<b>2.6</b>	3.3	<b>2.2</b>	0.3	<b>2.4</b>	3.1	<b>2.1</b>
<b>Consumption of government</b>	<i>real growth in %</i>	1.0	<b>1.8</b>	3.7	<b>1.4</b>	1.0	<b>1.8</b>	2.8	<b>1.4</b>
<b>Gross fixed capital formation</b>	<i>real growth in %</i>	2.8	<b>3.6</b>	5.5	<b>3.0</b>	2.8	<b>3.8</b>	6.1	<b>3.0</b>
<b>GDP deflator</b>	<i>growth in %</i>	1.3	<b>1.7</b>	2.1	<b>1.9</b>	0.7	<b>1.8</b>	3.5	<b>1.9</b>
<b>Inflation rate (aop)</b>	<i>in %</i>	1.5	<b>1.9</b>	2.2	<b>1.8</b>	1.3	<b>1.9</b>	2.2	<b>1.8</b>
<b>Employment</b>	<i>growth in %</i>	-0.2	<b>0.1</b>	0.3	<b>0.3</b>	-0.5	<b>0.0</b>	0.3	<b>0.3</b>
<b>Unemployment rate (LFS)</b>	<i>in %</i>	3.0	<b>3.6</b>	4.0	<b>3.2</b>	2.9	<b>3.6</b>	4.0	<b>3.1</b>
<b>Wage bill (domestic concept)</b>	<i>nom. growth in %</i>	2.0	<b>4.2</b>	5.5	<b>4.5</b>	0.4	<b>3.7</b>	5.3	<b>4.2</b>
<b>BoP – current account balance</b>	<i>in % of GDP</i>	-1.3	<b>1.0</b>	2.8	<b>1.0</b>	-1.7	<b>1.1</b>	3.4	<b>1.5</b>

Source: Survey respondents. Calculations of the MoF.

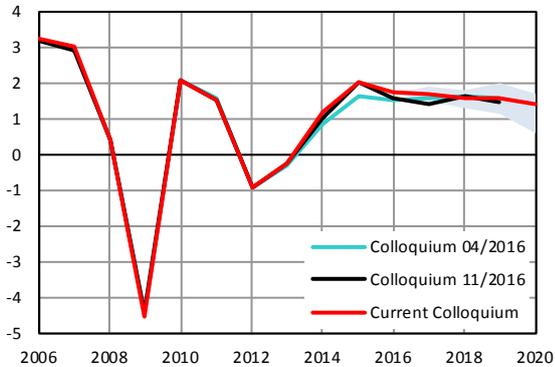
# Overview of indicators

Graphs 1–18 show past and expected development of individual indicators. For comparison, consensus forecasts of two previous Colloquiums are also included. Extreme forecasts of indicators (min. and max. columns in the tables above) form the boundaries of the highlighted area.

## Graph 1: Gross domestic product of the EA19

real growth in %

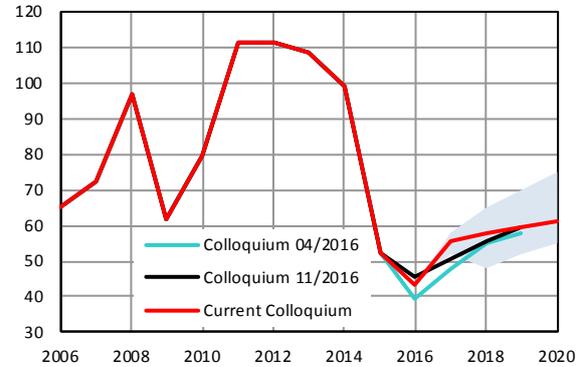
Continuation of moderate GDP growth in the EA19



## Graph 2: Crude oil Brent

USD/barrel

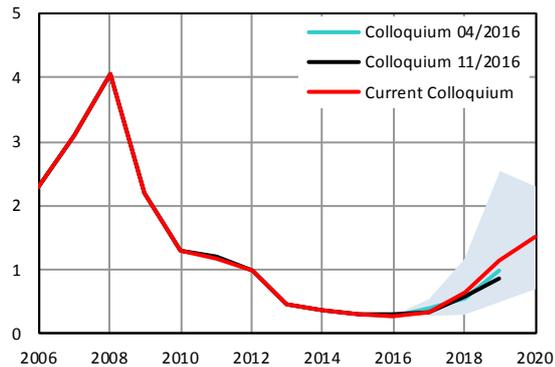
Stronger increase in 2017 followed by a gradual rise in price



## Graph 3: 3M PRIBOR

average in %

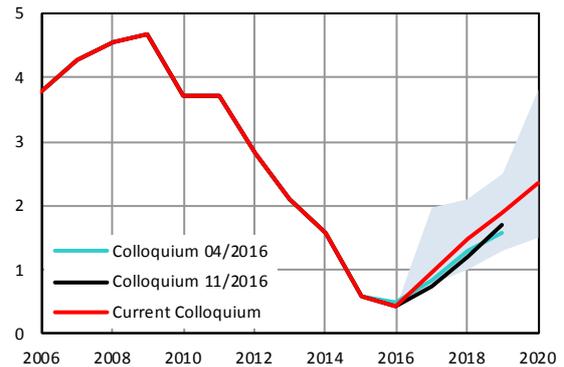
Small increase in short-term rates only in 2018



## Graph 4: YTM of 10Y government bonds

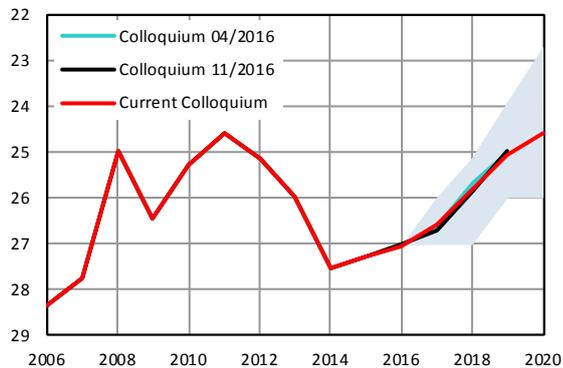
average in %

Gradual increase in yields on Czech gov. bonds from historic lows



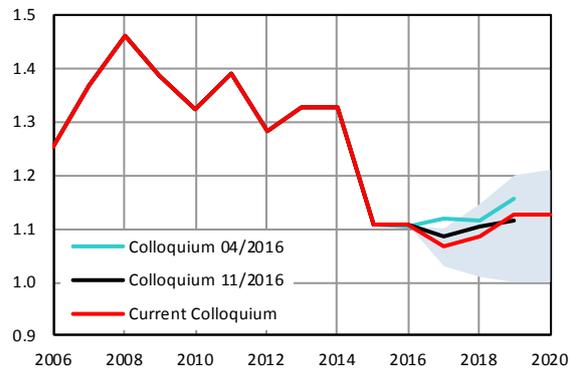
## Graph 5: CZK/EUR exchange rate

Expectations of appreciation of the koruna almost unchanged



## Graph 6: USD/EUR exchange rate

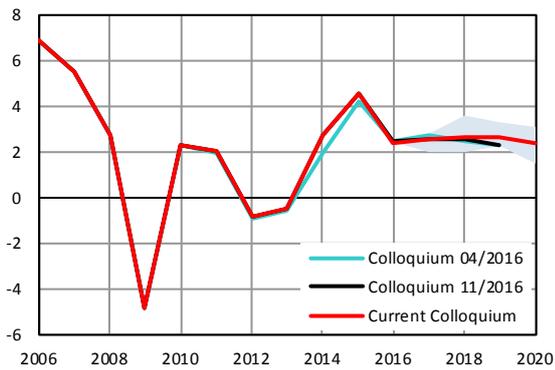
Exchange rate around 1.10 USD/EUR



### Graph 7: Gross domestic product

real growth in %

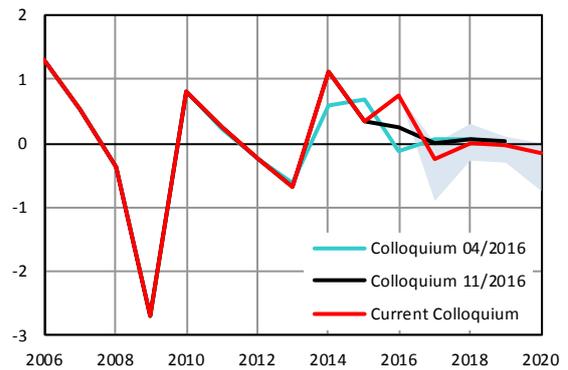
Consensus about GDP growth around 2.6%



### Graph 8: Contribution of change in inventories

percentage points

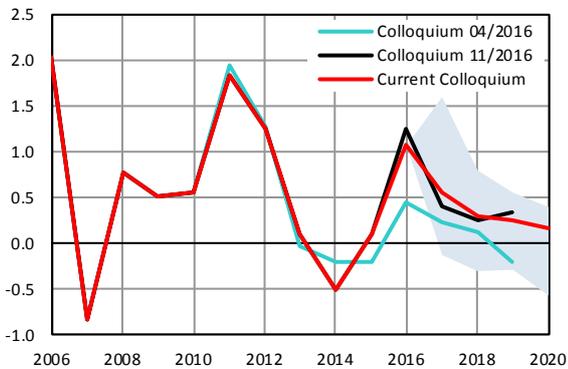
Negligible contribution of change in inventories to GDP growth



### Graph 9: Contribution of net exports

percentage points

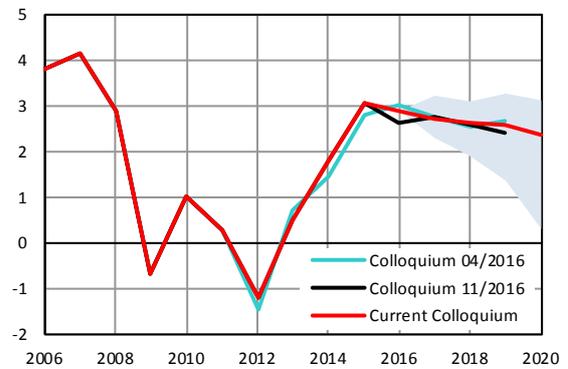
Positive contribution of net exports to GDP growth



### Graph 10: Consumption of households

real growth in %

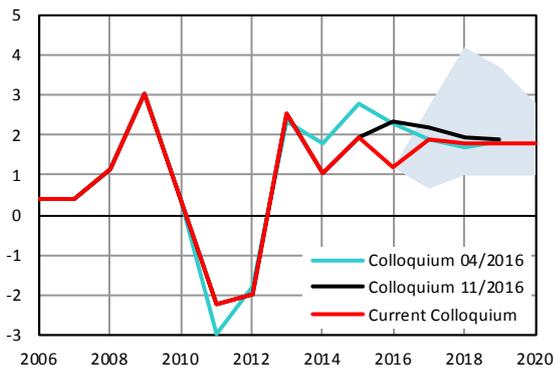
Continued solid growth of household consumption



### Graph 11: Consumption of government

real growth in %

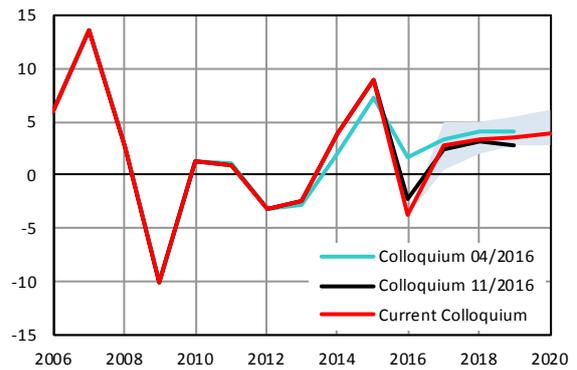
Modest growth of public consumption



### Graph 12: Gross fixed capital formation

real growth in %

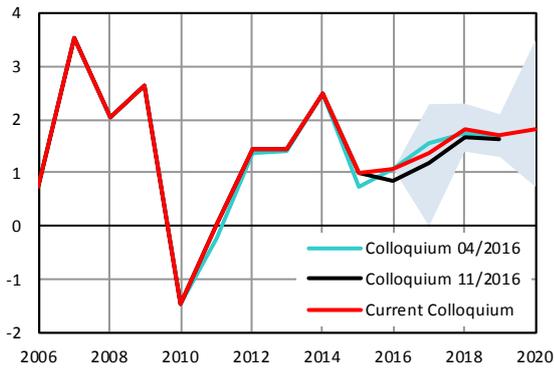
Gradual acceleration of growth of investment after a decrease in 2016



**Graph 13: GDP deflator**

*growth in %*

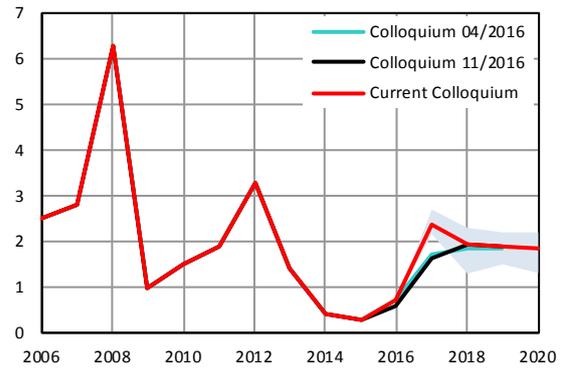
Growth of GDP deflator below 2%



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

*in %*

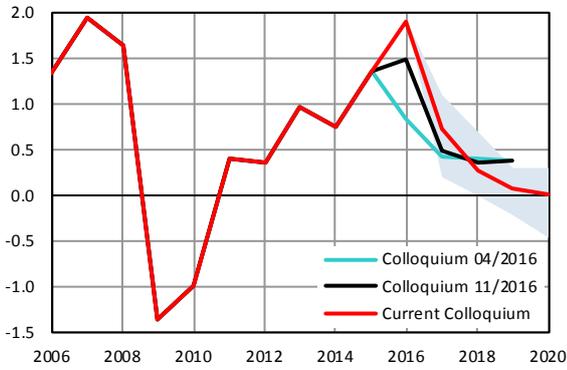
Temporary acceleration of inflation above 2% in 2017



**Graph 15: Employment (LFS)**

*growth v %*

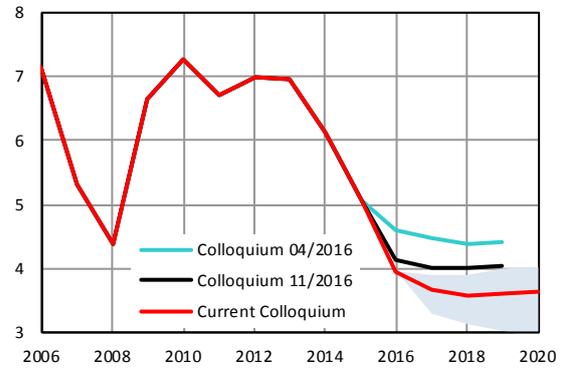
Growth of employment slowing down gradually



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

*in %*

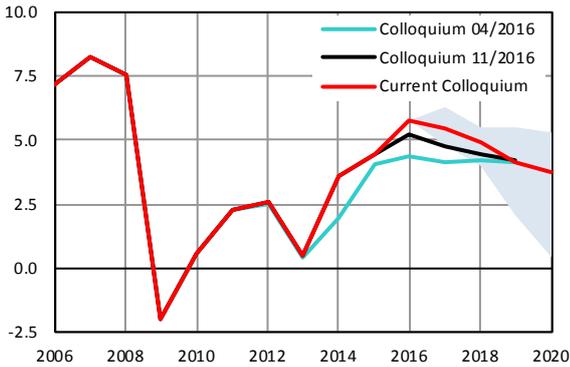
Another downward shift of forecasts



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

*nominal growth in %*

Continued relatively dynamic growth of the wage bill



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

*in % of GDP*

Surplus on the current account around 1% of GDP

