

## Survey of macroeconomic forecasts

Since 1996, twice a year the Ministry of Finance has been organizing a survey of forecasts of macroeconomic developments in the Czech Republic, the so-called Colloquium. The Colloquium is set to get an idea on economic experts' views of expected development of the economy and to assess its key tendencies. The Colloquium's outcomes are used mainly to verify feasibility of macroeconomic frameworks of the State Budget and Budgetary Outlook. With transition to electronic form of the Colloquium, it has been decided to open aggregate results to the general public.

27th Colloquium took place at the turn of July and August 2009. Results are based on forecasts of 15 domestic institutions (CERGE-EI, Cyrrus, CNB, Česká spořitelna, ČSOB, ING, Komerční banka, Liberal Institute, MoF, Ministry of Industry and Trade, Ministry of Labour and Social Affairs, Patria, Raiffeisen, Union of the Czech and Moravian Production Cooperatives, UniCredit). To make the survey more representative, forecasts of 3 international institutions, engaged in economic forecasts concerning the CR, were added (European Commission, IMF, OECD).

Respondents expressed their views of the economic developments in 2009 through 2012 where years 2011 and 2012 were regarded as an indicative outlook. Summary of key indicators and comparison with the Czech MoF's Macroeconomic Forecast from July 2009, which has been used to formulate macroeconomic framework of draft 2010 State Budget and Budgetary Outlook for 2011-2012, can be found in Tables 1 and 2.

Table 1: Results of Survey for Years 2009 and 2010

		2009				2010			
		min.	consensus	max.	MoF CR	min.	consensus	max.	MoF CR
Gross domestic product	increase in % const.pr.	-5,0	-3,6	-2,7	-4,3	-0,2	0,7	1,7	0,3
Consumption of households	increase in % const.pr.	-1,2	0,7	2,0	1,1	-0,8	0,7	2,5	0,7
Consumption of government	increase in % const.pr.	0,5	2,5	5,5	1,3	-1,2	1,3	4,7	0,5
Fixed capital formation	increase in % const.pr.	-12,5	-5,7	-2,5	-5,7	-3,5	-1,1	4,0	-1,5
Inflation rate	per cent	-0,8	1,3	3,0	1,1	0,3	1,6	4,0	1,1
GDP deflator	increase in % const.pr.	1,6	2,6	4,5	2,8	0,1	1,3	2,5	1,0
Employment	increase in per cent	-2,6	-1,8	-0,5	-1,8	-2,4	-1,3	1,5	-2,1
Unemployment rate	average in per cent	5,5	6,8	7,6	6,8	5,7	7,8	9,4	8,5
Wage Bill (domestic concept)	increase in %, curr.pr.	-0,9	1,4	2,8	1,0	0,3	2,3	5,0	1,0
Current account / GDP	per cent	-4,4	-2,7	-1,4	-2,0	-4,1	-2,0	1,0	-0,9
Crude oil Brent	USD / barrel	53	61	70	62	60	73	90	79

Table 2: Results of Survey for Years 2011 and 2012

		2011				2012			
		min.	consensus	max.	MoF CR	min.	consensus	max.	MoF CR
Gross domestic product	increase in % const.pr.	1,0	2,5	3,5	2,4	2,0	3,4	5,4	3,2
Consumption of households	increase in % const.pr.	0,5	2,2	3,5	2,0	2,0	3,3	6,0	2,5
Consumption of government	increase in % const.pr.	-0,5	1,5	3,8	1,1	0,5	1,7	3,9	1,1
Fixed capital formation	increase in % const.pr.	1,0	3,2	5,0	2,5	1,0	3,5	5,1	3,0
Inflation rate	per cent	1,7	2,4	5,0	2,1	2,0	2,8	5,0	2,0
GDP deflator	increase in % const.pr.	0,7	1,5	2,2	2,2	1,8	2,0	2,2	2,1
Employment	increase in per cent	-0,9	0,3	1,5	-0,3	0,6	1,1	2,0	1,4
Unemployment rate	average in per cent	7,0	7,9	10,1	8,1	5,0	6,7	8,0	6,9
Wage Bill (domestic concept)	increase in %, curr.pr.	1,0	4,0	5,8	4,0	4,3	5,6	7,5	5,4
Current account / GDP	per cent	-3,2	-2,1	-0,6	-0,6	-3,0	-2,7	-2,4	-0,6
Crude oil Brent	USD / barrel	65	79	95	93	70	84	97	97

Sources: Survey respondents, calculations of the Czech MoF

**Main expected tendencies of macroeconomic developments can be summed up as follows:**

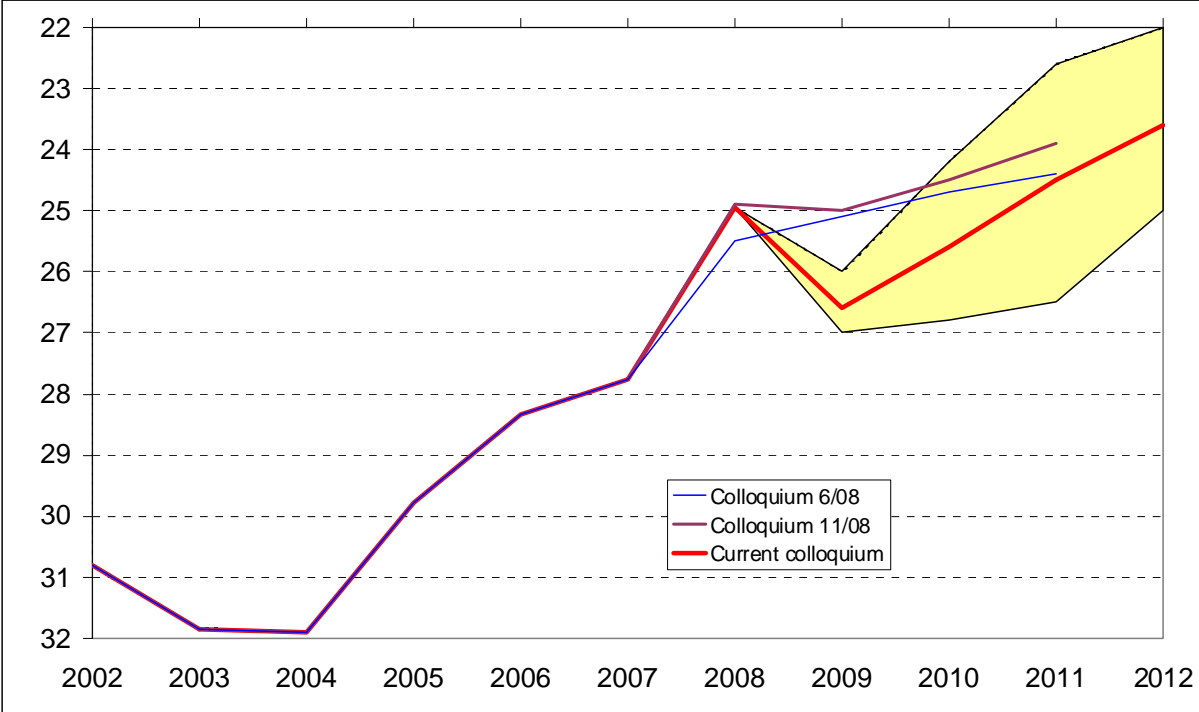
- For 2009, all institutions expect GDP to shrink by more than 2.7 % but not more than 5 % of GDP. In most cases, a slight recovery is anticipated in 2010 while in 2011 and 2012 acceleration of growth should be expected. While in 2009 and 2010 expenditures on final consumption of households and government should become the main stabilizing component in the structure of use, within the horizon of the outlook the economy's dynamics should be pulled again by gross fixed capital formation.
- Most respondents expect low-inflationary character of the Czech economy to be maintained. Rate of inflation in 2009 and 2010 is anticipated at low levels (1.3 % and 1.6 %, respectively) compared with the extraordinary year 2008. In the following years rate of inflation is mostly expected to shift to values of central bank's new inflationary target or slightly above it.
- Labour market forecasts reflect GDP developments. Lower predicted economic output thus augurs bigger fall in employment and higher rate of unemployment. Respondents expect decline in rate of employment to continue till 2010, while unemployment should peak in 2011 at the level of 7.9 %.
- Current forecasts of wage bill (based on the national accounts in current prices) anticipate abrupt slowdown in wage growth from 10.8 % in 2008 to 1.4 % and 2.3 % in 2009 and 2010, respectively. Wage growth dynamics should recover gradually in 2011 and 2012.
- None of the respondents perceives current account deficit as a risk to maintaining of macroeconomic balance.

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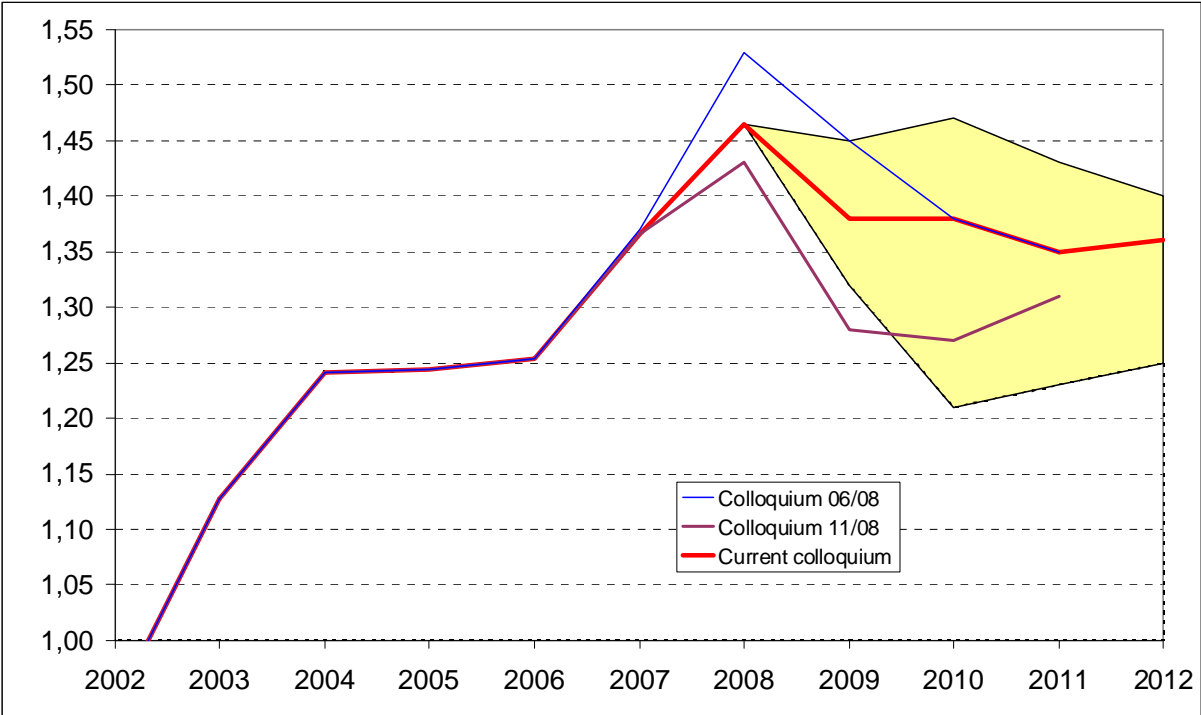
Graph 1: CZK/EUR Exchange Rate

After significant strengthening and follow-up correction, return to appreciation trend is expected



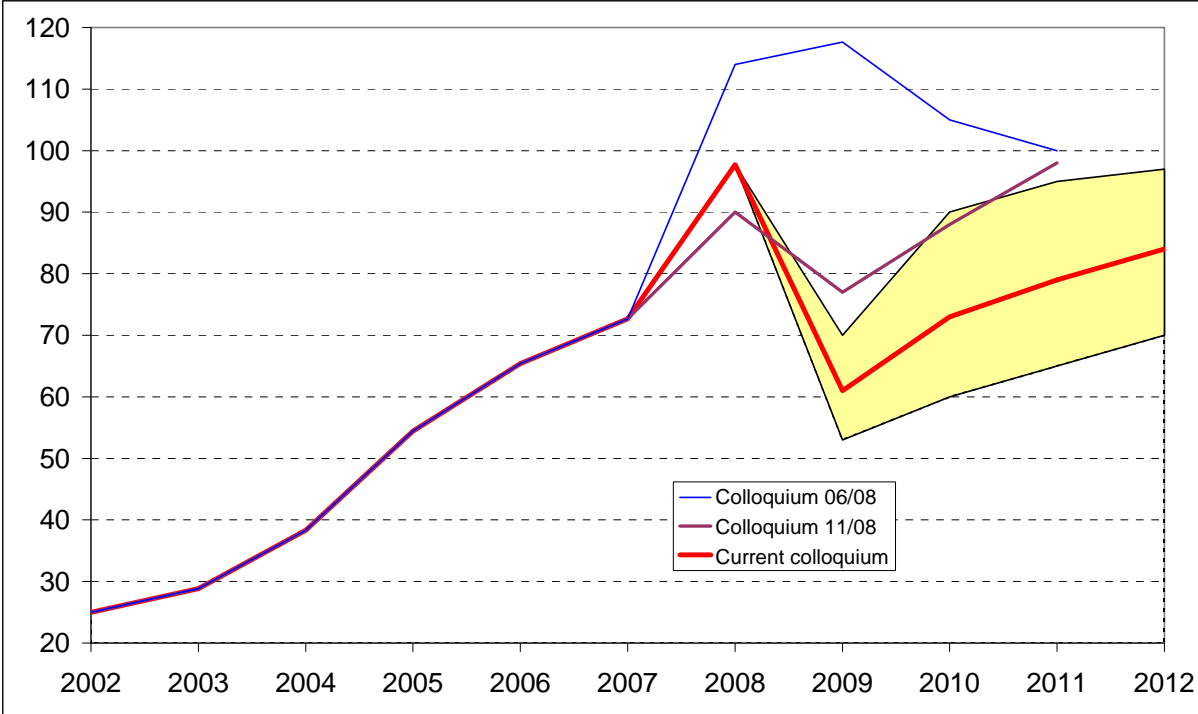
**Graph 2: USD/EUR Exchange Rate**

The dollar should strengthen slightly against the euro



**Graph 3: Price of Brent Oil**  
*USD/barrel*

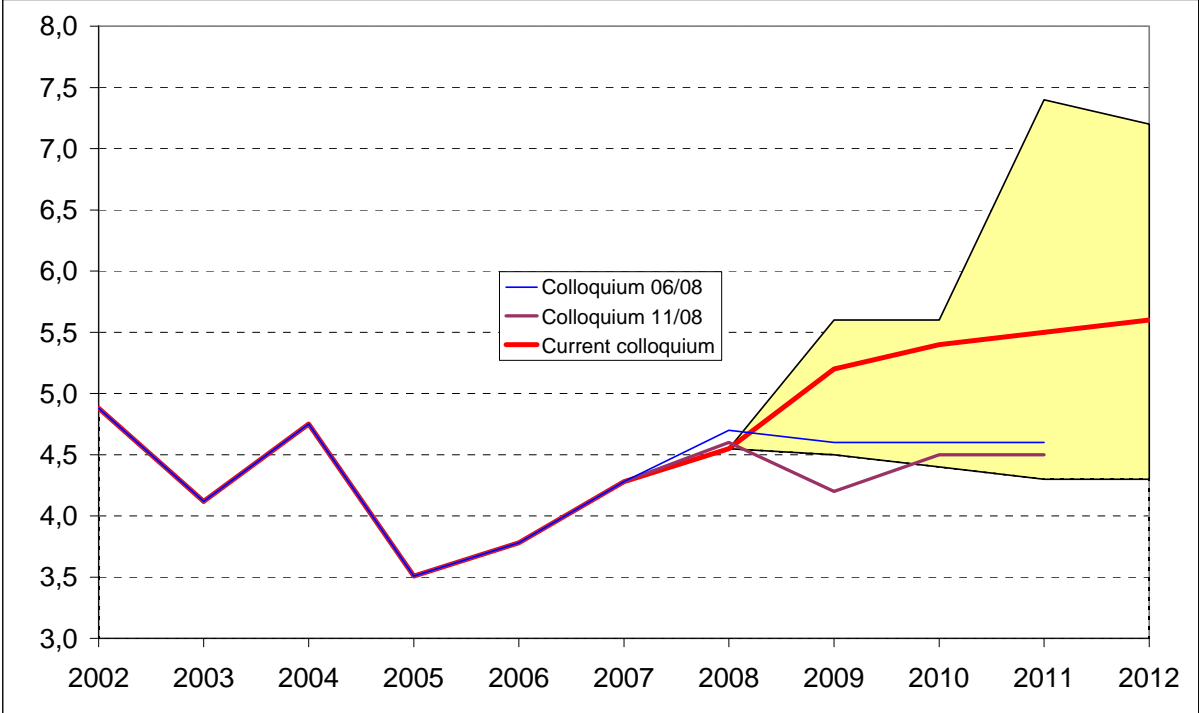
A gradual growth of oil price above USD 80 per barrel is expected in 2012



**Graph 4: Long-term Interest Rates**

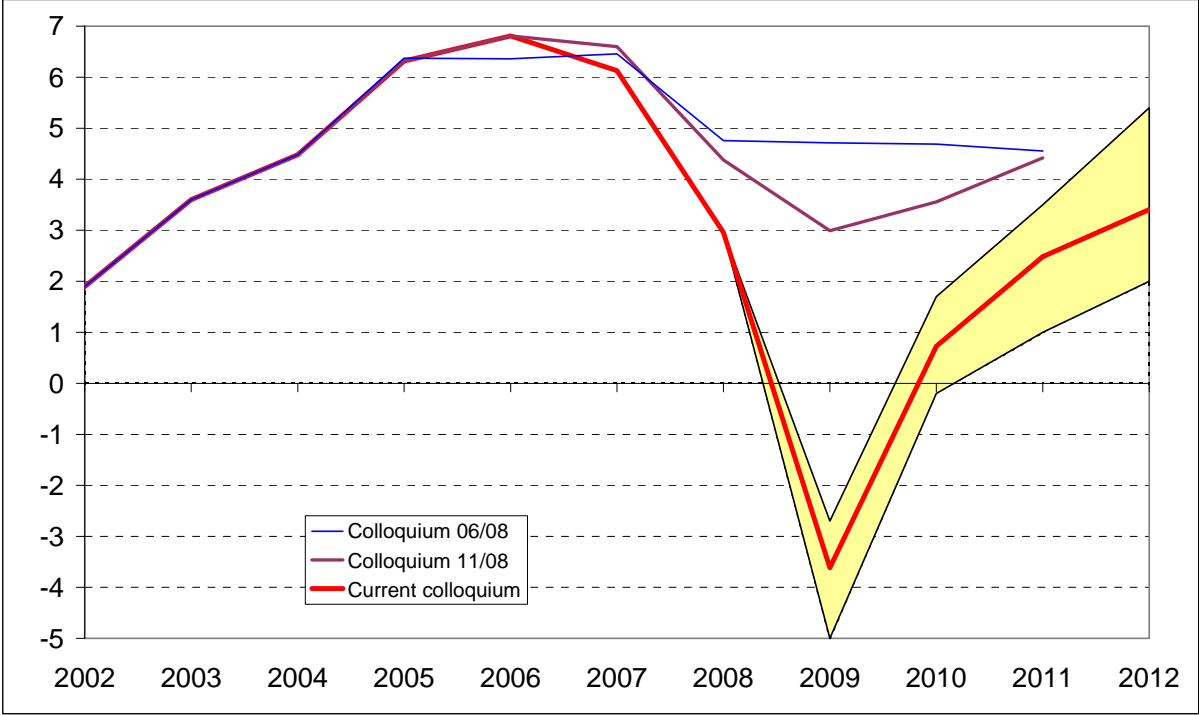
*% p. a.*

Long-term interest rates should follow trajectory of moderate growth due to increased supply of government bonds



**Graph 5: Gross Domestic Product**  
*real growth in %*

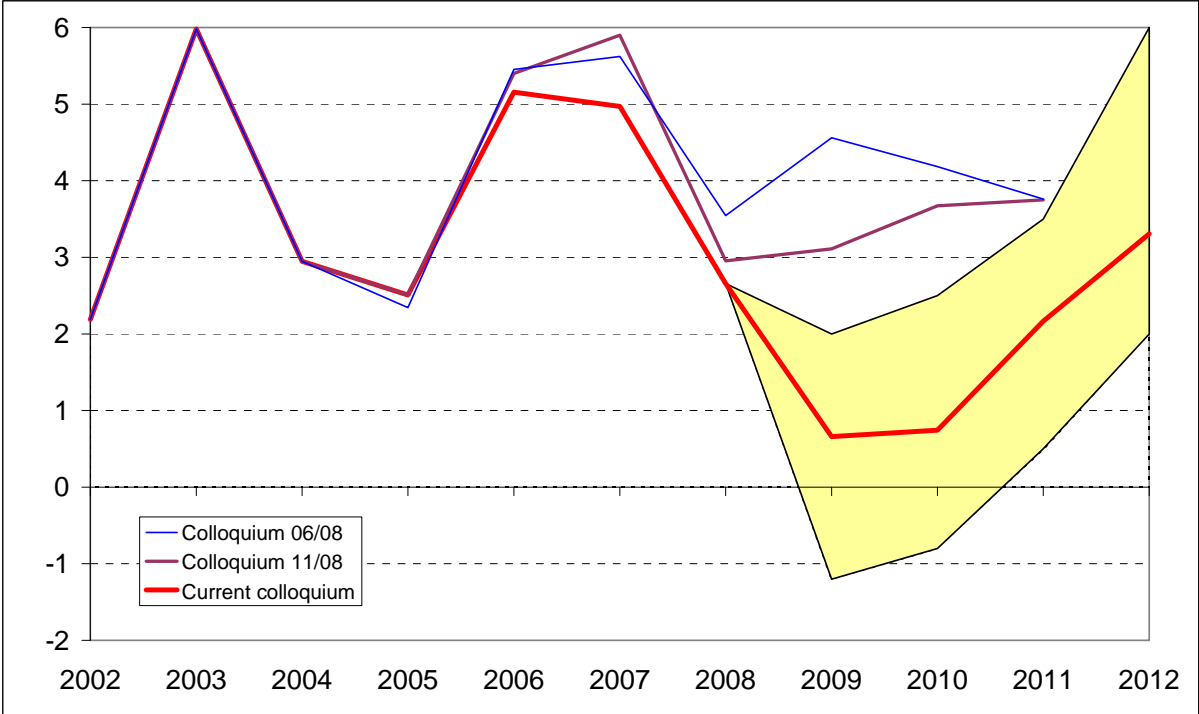
After unexpected slump of GDP, a slight recovery should be seen in 2010 and an increase in growth dynamics thereafter





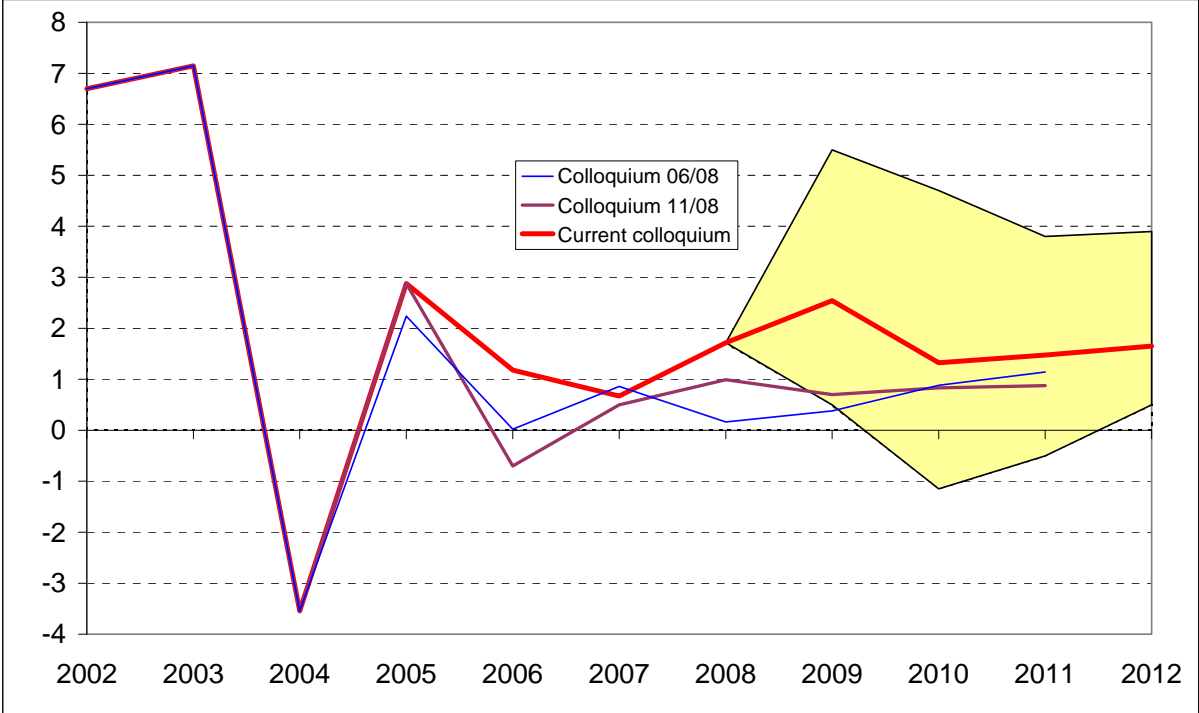
**Graph 6: Household Consumption**  
*real growth in %*

Only temporary slowdown in growth of household consumption in 2009-2010



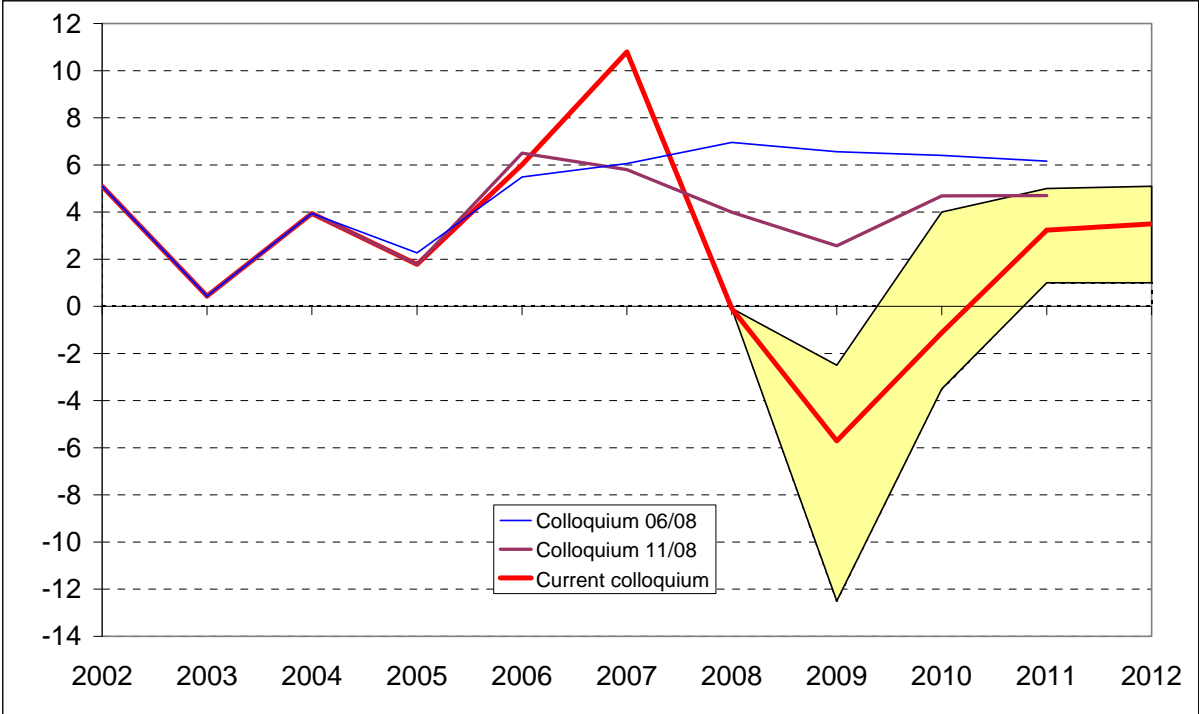
**Graph 7: Government Consumption**  
*real growth in %*

Contrary to past year's expectations, government consumption should grow at a slightly faster pace



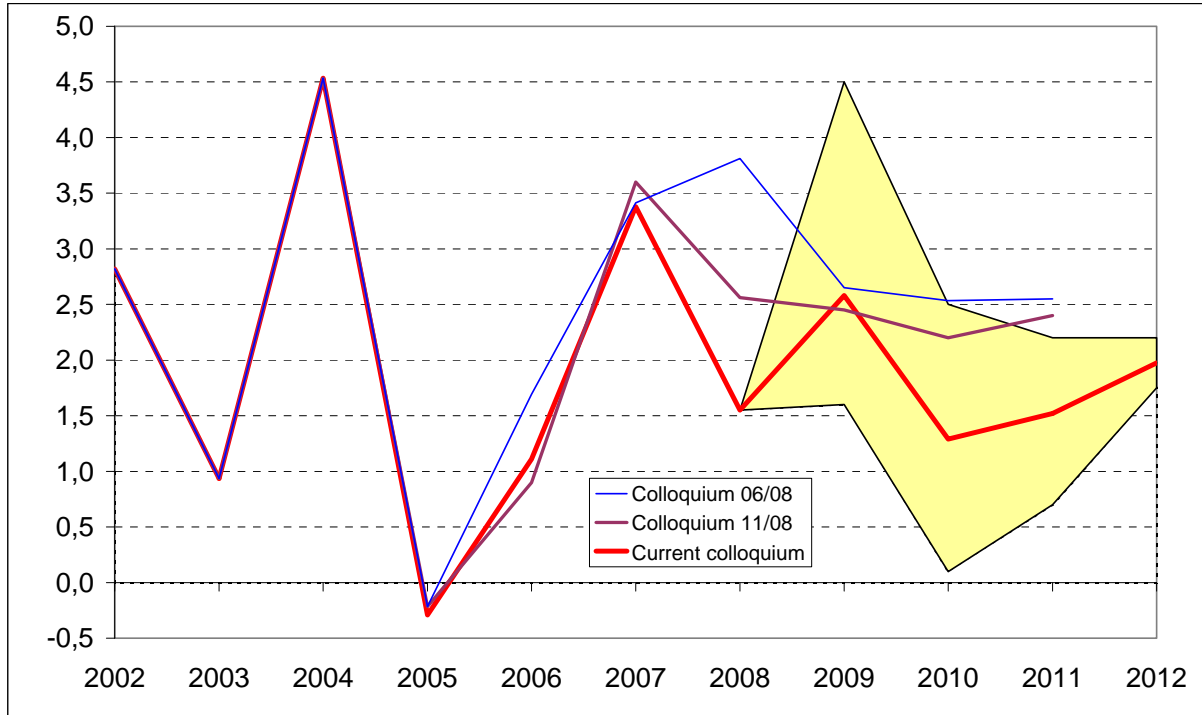
**Graph 8: Gross Fixed Capital Formation**  
*real growth in %*

Deep investment activity slump in this and next years



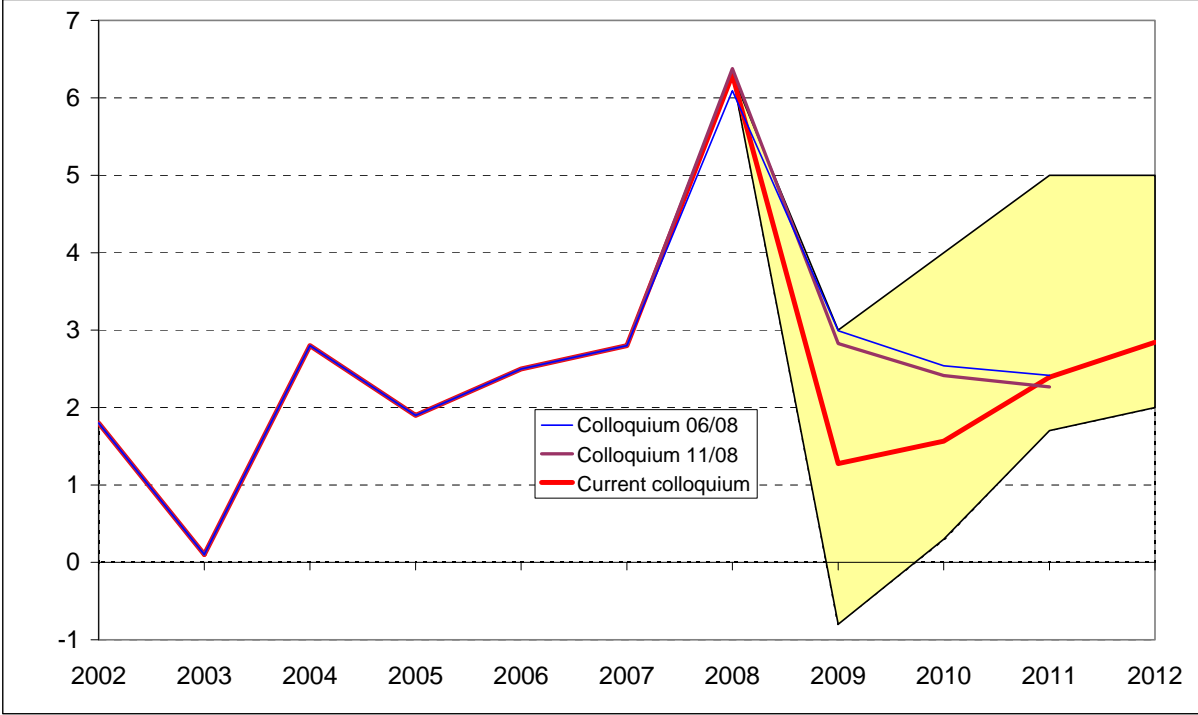
**Graph 9: GDP Deflator**  
*growth in v %*

Fluctuations of GDP deflator growth between 1–3 % should reflect terms-of-trade developments



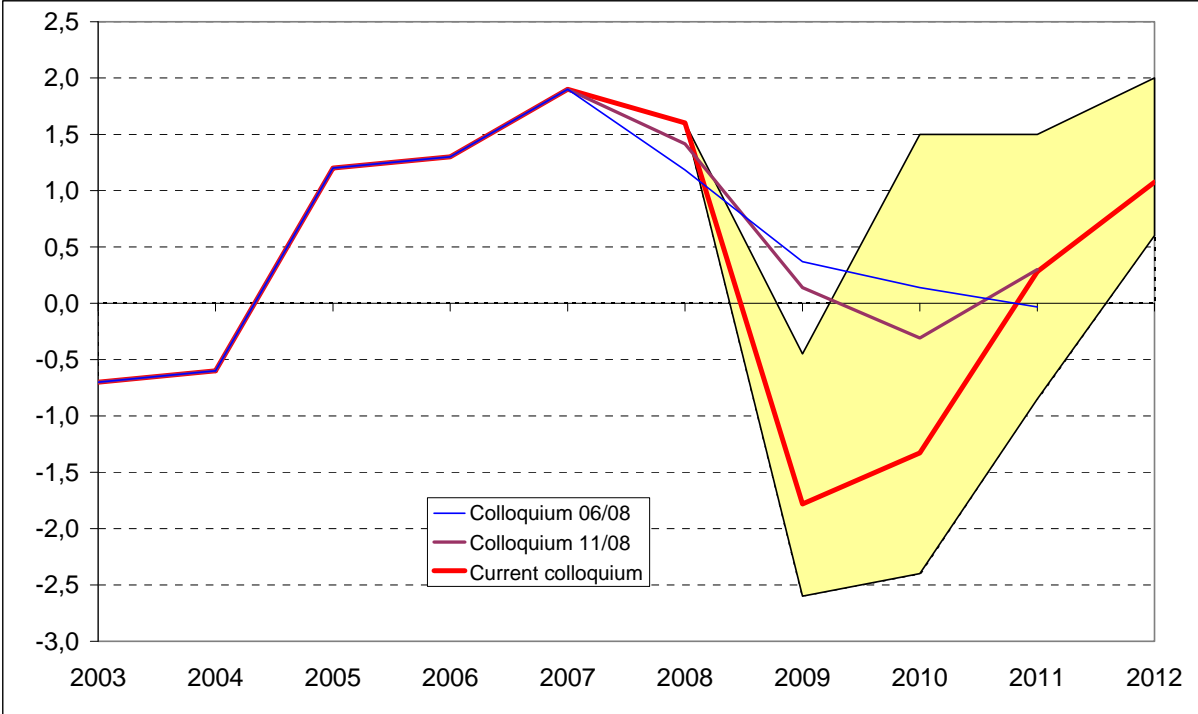
**Graph 10: Consumer Prices**  
*average rate of inflation in %*

Moderate growth of consumer prices mostly within tolerance band of CNB's inflation target in 2010-2012



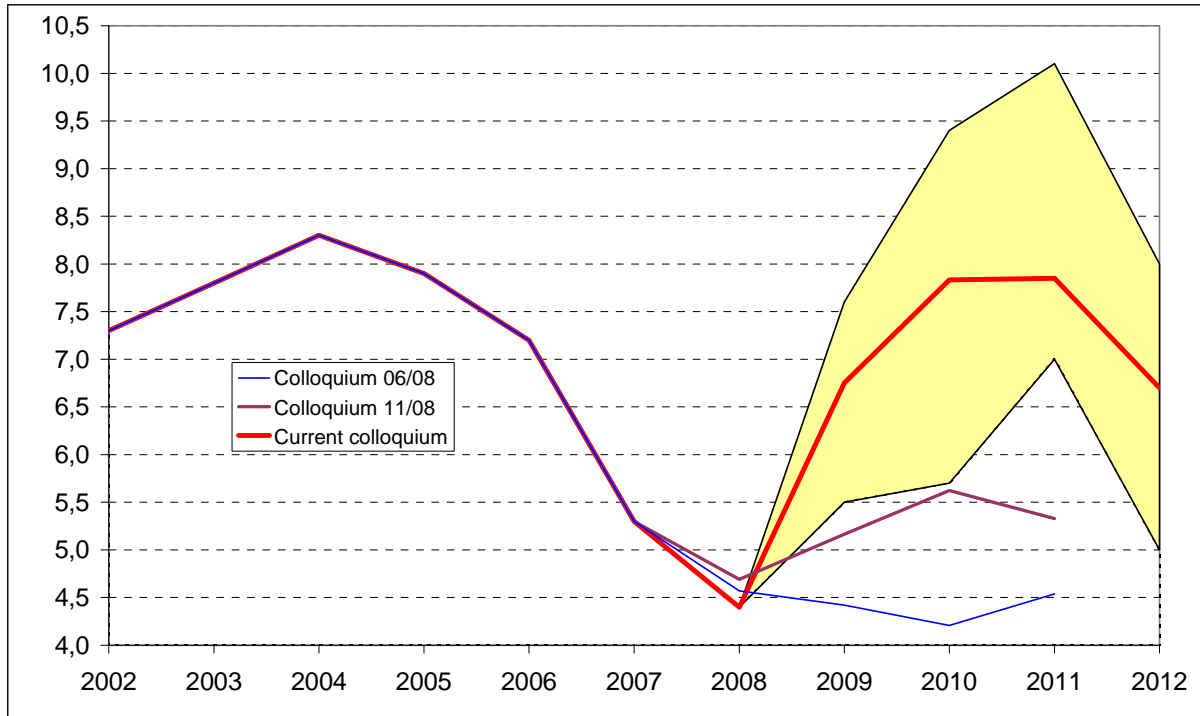
Graph 11: **Employment (LFS)**  
*growth in %*

Considerable fall in employment in this and next years, stronger growth as late as in 2012



Graph 12: **Rate of Unemployment (LFS)**  
*in %*

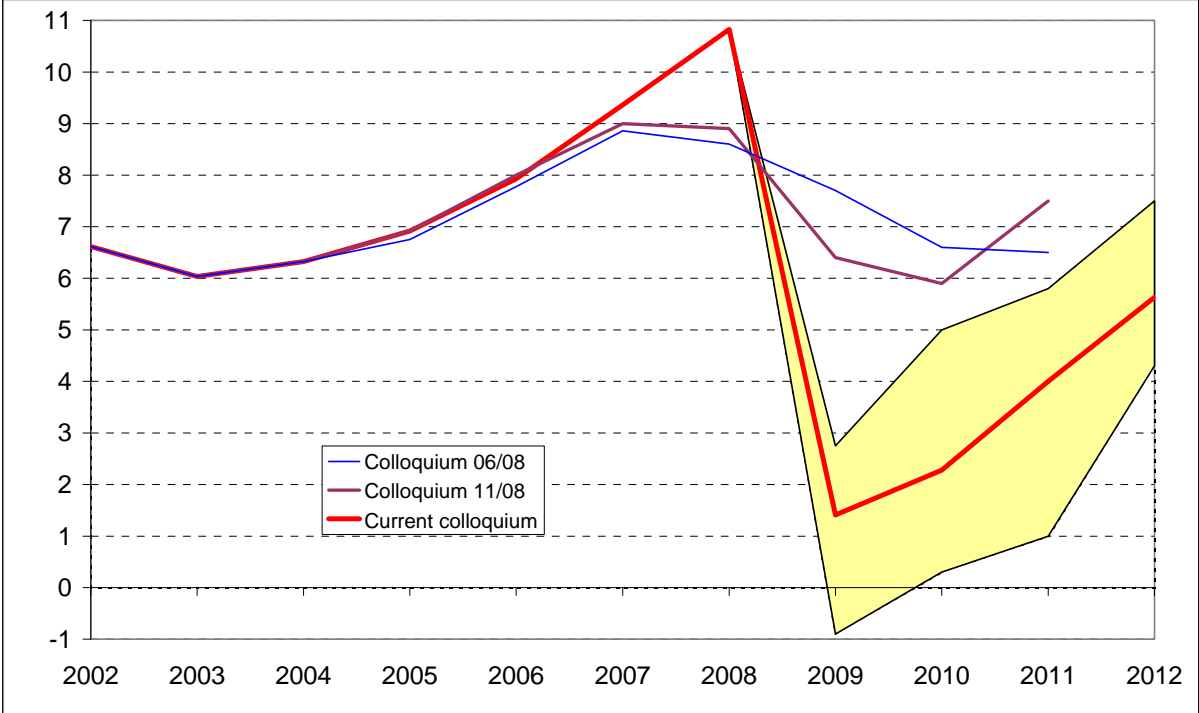
Sharp growth of rate of unemployment, stagnation in 2011 and fall in 2012



**Graph13: Wage Bill (domestic concept)**

*nominal growth in %*

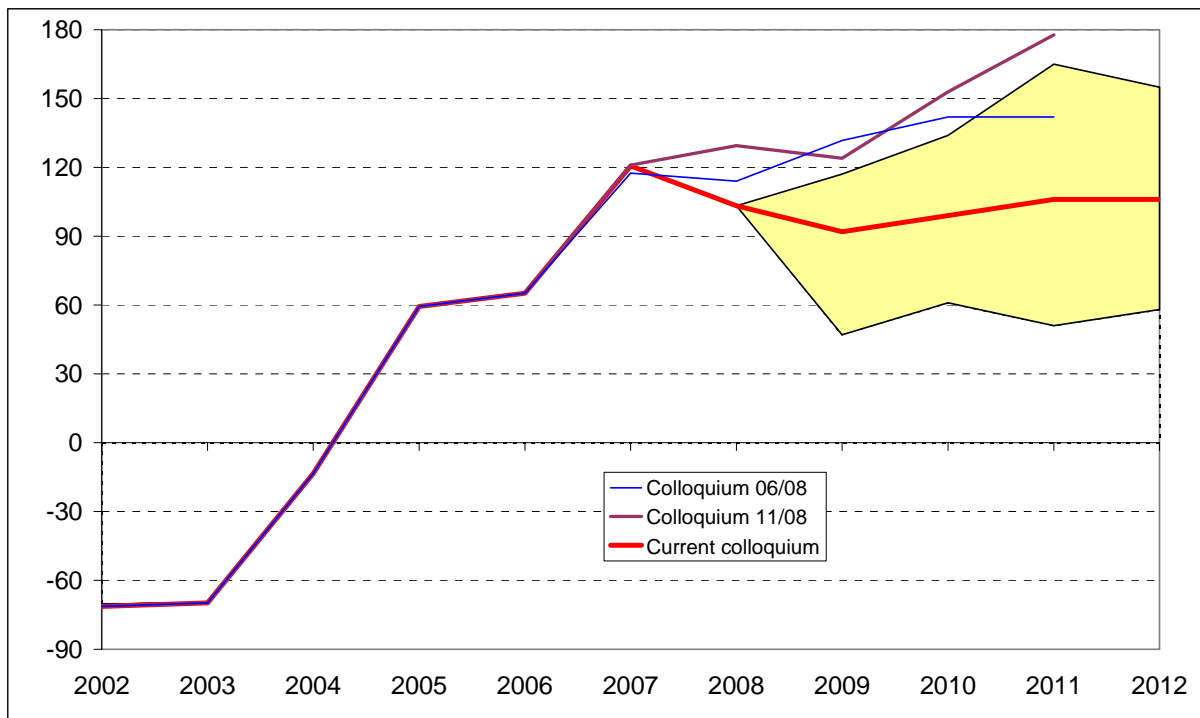
This year's abrupt slowdown in wage bill growth should be followed by gradual recovery in 2011 and 2012





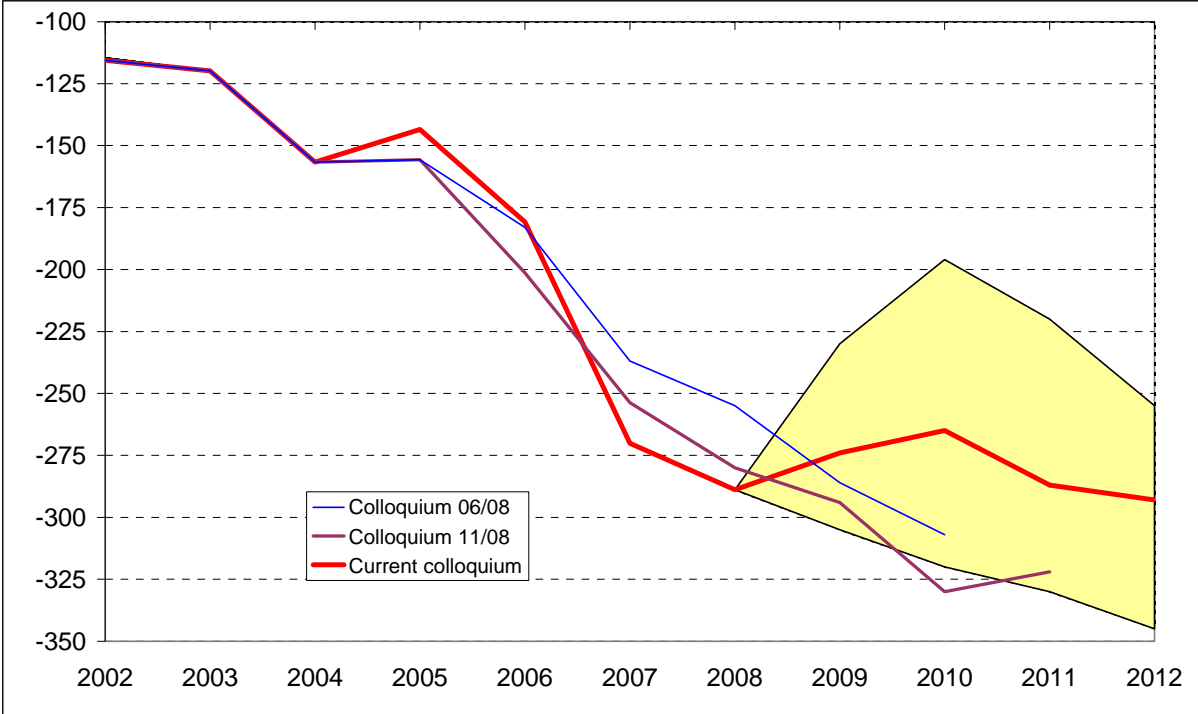
**Graph14: Trade Balance**  
*fob-fob – BoP definitions, CZK bn*

Lesser surplus of trade balance than expected in the past year, but still considerable



Graph 15: **Balance of Income**  
CZK bn

Lower incomes from foreign direct investment



**Graph 16: Current Account of Balance of Payments**  
*in % of GDP*

Current account deficit keeping on at sustainable level

