

# Survey of macroeconomic forecasts

**May 2019**

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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 47th Colloquium, which took place in May 2019, are based on forecasts of 16 institutions (Ministry of Finance; Ministry of Industry and Trade; Ministry of Labour and Social Affairs; Czech National Bank; Akcenta CZ; Česká spořitelna; Československá obchodní banka; Deloitte ČR; Generali Investments CEE; Czech Chamber of Commerce; Institute of Economic Studies, Faculty of Social Sciences, Charles University; ING Bank ČR; Komerční banka; Raiffeisenbank; Confederation of Industry of the Czech Republic; UniCredit Bank). To make the survey more representative, forecasts of the European Commission (Spring 2019 European Economic Forecast) and the International Monetary Fund (April 2019 World Economic Outlook) have been included.

Key trends for the years 2019–2022 that are envisaged in the latest forecast of the MoF (April 2019) are consistent with forecasts of other institutions. However, comparison for the years 2021 and 2022 is complicated by the fact that this period is not covered by forecasts of all institutions (the whole period 2019–2022 is covered, at least for some indicators, by forecasts of 10 institutions). Tables 1 and 2 summarize key indicators and the latest Macroeconomic Forecast of the MoF.

Main macroeconomic trends in 2019 and 2020 can be summed up as follows:

- On average, respondents of the survey expect GDP to increase by 2.5% this year; growth could slow down marginally to 2.4% in 2020. The economy should be exclusively driven by domestic demand, which will at the same time support the growth in imports. Net exports should thus weigh on this year's dynamics of the economy, owing in part to the expected slower growth in the euro area. Growth of wages and salaries, which reflects the situation in the labour market, will support consumption of households. In 2019 and 2020 final consumption expenditures of households could therefore increase by 2.8% and 2.6%, respectively. Growth in consumption of the general government sector should slow down from 3.7% in 2018 to 2.5% in 2019 and further to 1.8% in 2020. The growth in gross fixed capital formation should be much slower than in the last year; 3.6% in 2019 and 2.5% in 2020.
- According to the average of participating institutions' forecasts, the inflation rate should hover slightly above 2% this year and reach 2.0% on average in 2020. The exchange rate will have a moderate anti-inflationary effect, but domestic demand pressures will be pushing inflation up.
- The situation in the labour market should remain tight. On average, the institutions regard the room for unemployment rate to decline further as exhausted. The unemployment rate could thus stay at 2.3% in both 2019 and 2020. Employment could increase by 0.3% in 2019, though it should stagnate in 2020 due to demographic factors and low unemployment.
- On average, the institutions expect the wage bill to grow by 7.0% this year. In 2020 there could be a slowdown to 5.4%. Apart from persisting shortages of the labour force the dynamics of wages and salaries will be supported this year by increases in the minimum and guaranteed wages as well as by the growth of salaries in the general government sector.
- On average, the respondents expect that the current account of the balance of payments will reach a moderate surplus of 0.3% of GDP in 2019 and 0.2% of GDP in 2020.

**Table 1: Results of the survey for the years 2019 and 2020**

		2019						2020					
		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>	1.0	1.1	<b>1.2</b>	1.3	1.5	<b>1.0</b>	1.0	1.2	<b>1.4</b>	1.5	1.7	<b>1.4</b>
<b>Crude oil Brent</b>	<i>USD/barrel</i>	65	67	<b>68</b>	69	73	<b>66</b>	61	63	<b>66</b>	67	73	<b>65</b>
<b>3M PRIBOR</b>	<i>average in %</i>	2.0	2.1	<b>2.2</b>	2.3	2.3	<b>2.1</b>	1.5	2.2	<b>2.3</b>	2.4	2.5	<b>2.3</b>
<b>YTM of 10Y gov. bonds</b>	<i>average in %</i>	1.7	1.9	<b>2.0</b>	2.1	2.2	<b>2.2</b>	1.4	2.0	<b>2.1</b>	2.3	2.6	<b>2.4</b>
<b>CZK/EUR exchange rate</b>		25.3	25.5	<b>25.5</b>	25.6	25.9	<b>25.5</b>	24.1	24.9	<b>25.2</b>	25.6	26.4	<b>25.1</b>
<b>USD/EUR exchange rate</b>		1.11	1.13	<b>1.14</b>	1.14	1.23	<b>1.14</b>	1.05	1.14	<b>1.17</b>	1.21	1.29	<b>1.14</b>
<i>Main indicators</i>													
<b>Gross domestic product</b>	<i>real growth in %</i>	2.1	2.4	<b>2.5</b>	2.6	3.0	<b>2.4</b>	1.4	2.3	<b>2.4</b>	2.5	2.8	<b>2.4</b>
<b>Contr. of change in inventories</b>	<i>perc. points</i>	-0.5	0.0	<b>0.1</b>	0.2	0.6	<b>0.0</b>	0.0	0.0	<b>0.1</b>	0.1	0.7	<b>0.0</b>
<b>Contr. of foreign balance</b>	<i>perc. points</i>	-0.8	-0.4	<b>-0.4</b>	-0.2	-0.2	<b>-0.3</b>	-0.3	-0.1	<b>0.0</b>	0.0	0.5	<b>0.0</b>
<b>Consumption of households</b>	<i>real growth in %</i>	2.1	2.4	<b>2.8</b>	3.0	3.7	<b>2.9</b>	1.7	2.4	<b>2.6</b>	2.9	3.1	<b>2.8</b>
<b>Consumption of government</b>	<i>real growth in %</i>	1.8	2.0	<b>2.5</b>	2.8	3.3	<b>2.2</b>	1.0	1.5	<b>1.8</b>	2.0	2.5	<b>1.9</b>
<b>Gross fixed capital formation</b>	<i>real growth in %</i>	2.2	3.0	<b>3.6</b>	3.9	5.9	<b>3.1</b>	-1.0	2.7	<b>2.5</b>	3.1	3.6	<b>2.7</b>
<b>GDP deflator</b>	<i>growth in %</i>	1.4	2.1	<b>2.5</b>	2.9	3.6	<b>3.0</b>	1.4	1.8	<b>2.0</b>	2.1	2.7	<b>1.9</b>
<b>Inflation rate (aop)</b>	<i>in %</i>	2.2	2.3	<b>2.4</b>	2.5	2.7	<b>2.3</b>	1.6	1.9	<b>2.0</b>	2.1	2.5	<b>1.6</b>
<b>Employment (LFS)</b>	<i>growth in %</i>	-0.8	0.4	<b>0.3</b>	0.5	0.6	<b>0.4</b>	-0.5	-0.1	<b>0.0</b>	0.2	0.3	<b>0.2</b>
<b>Unemployment rate (LFS)</b>	<i>in %</i>	2.0	2.1	<b>2.3</b>	2.3	3.1	<b>2.2</b>	1.9	2.1	<b>2.3</b>	2.5	3.2	<b>2.2</b>
<b>Wage bill (domestic concept)</b>	<i>nom. growth in %</i>	5.9	6.6	<b>7.0</b>	7.4	8.8	<b>7.5</b>	4.3	5.0	<b>5.4</b>	5.7	7.2	<b>5.9</b>
<b>BoP – current account balance</b>	<i>in % of GDP</i>	-0.6	0.1	<b>0.3</b>	0.5	1.1	<b>0.2</b>	-0.9	0.0	<b>0.2</b>	0.5	1.1	<b>0.3</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 2021 and 2022**

		2021				2022			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
<i>Assumptions</i>									
<b>GDP of EA19</b>	<i>real growth in %</i>	0.6	<b>1.2</b>	1.7	<b>1.7</b>	1.3	<b>1.5</b>	1.8	<b>1.8</b>
<b>Crude oil Brent</b>	<i>USD/barrel</i>	63	<b>66</b>	72	<b>63</b>	62	<b>66</b>	75	<b>62</b>
<b>3M PRIBOR</b>	<i>average in %</i>	1.5	<b>2.2</b>	2.6	<b>2.3</b>	1.8	<b>2.2</b>	2.6	<b>2.3</b>
<b>YTM of 10Y gov. bonds</b>	<i>average in %</i>	1.3	<b>2.1</b>	2.6	<b>2.4</b>	1.2	<b>2.2</b>	3.2	<b>2.4</b>
<b>CZK/EUR exchange rate</b>		23.3	<b>24.8</b>	26.4	<b>24.6</b>	22.9	<b>24.4</b>	25.9	<b>24.2</b>
<b>USD/EUR exchange rate</b>		1.02	<b>1.19</b>	1.29	<b>1.14</b>	1.02	<b>1.21</b>	1.31	<b>1.14</b>
<i>Main indicators</i>									
<b>Gross domestic product</b>	<i>real growth in %</i>	1.6	<b>2.1</b>	2.5	<b>2.3</b>	0.7	<b>2.3</b>	3.0	<b>2.2</b>
<b>Contr. of change in inventories</b>	<i>perc. points</i>	-0.7	<b>0.0</b>	0.4	<b>0.0</b>	-0.2	<b>-0.1</b>	0.0	<b>0.0</b>
<b>Contr. of foreign balance</b>	<i>perc. points</i>	-0.6	<b>0.3</b>	1.7	<b>0.1</b>	-0.5	<b>0.2</b>	1.1	<b>0.0</b>
<b>Consumption of households</b>	<i>real growth in %</i>	1.7	<b>2.0</b>	2.5	<b>2.5</b>	1.9	<b>2.0</b>	2.3	<b>2.1</b>
<b>Consumption of government</b>	<i>real growth in %</i>	0.9	<b>1.7</b>	2.3	<b>1.9</b>	1.0	<b>1.5</b>	1.9	<b>1.9</b>
<b>Gross fixed capital formation</b>	<i>real growth in %</i>	-2.6	<b>1.5</b>	3.6	<b>2.6</b>	1.0	<b>2.5</b>	4.3	<b>2.9</b>
<b>GDP deflator</b>	<i>growth in %</i>	1.1	<b>1.7</b>	2.1	<b>1.9</b>	1.1	<b>1.8</b>	2.2	<b>2.0</b>
<b>Inflation rate (aop)</b>	<i>in %</i>	1.3	<b>1.9</b>	2.4	<b>1.8</b>	1.2	<b>1.9</b>	2.3	<b>1.8</b>
<b>Employment</b>	<i>growth in %</i>	-0.5	<b>-0.1</b>	0.3	<b>0.1</b>	-0.1	<b>0.1</b>	0.4	<b>0.0</b>
<b>Unemployment rate (LFS)</b>	<i>in %</i>	2.0	<b>2.7</b>	3.4	<b>2.3</b>	2.0	<b>2.8</b>	3.5	<b>2.3</b>
<b>Wage bill (domestic concept)</b>	<i>nom. growth in %</i>	4.1	<b>4.9</b>	5.9	<b>5.5</b>	3.7	<b>4.8</b>	5.7	<b>5.0</b>
<b>BoP – current account balance</b>	<i>in % of GDP</i>	-1.1	<b>0.2</b>	1.0	<b>0.4</b>	-1.3	<b>0.2</b>	0.8	<b>0.5</b>

Source: Survey respondents. Calculations of the MoF.

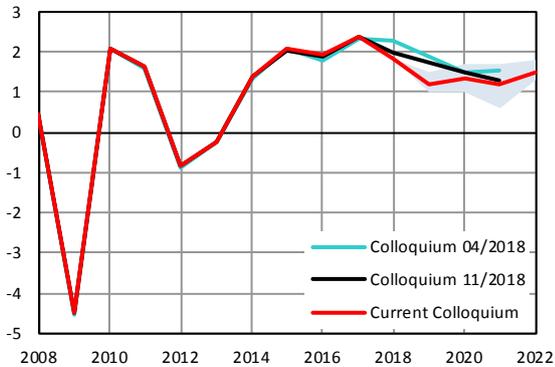
# Overview of indicators

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 %

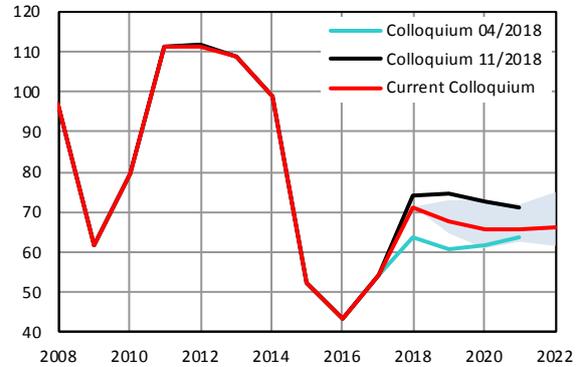
Only moderate economic growth in the euro area



## Graph 2: Crude oil Brent

USD/barrel

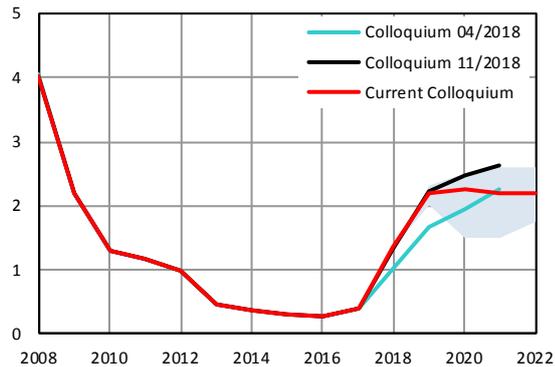
Price of oil slightly above 65 USD/barrel



## Graph 3: 3M PRIBOR

average in %

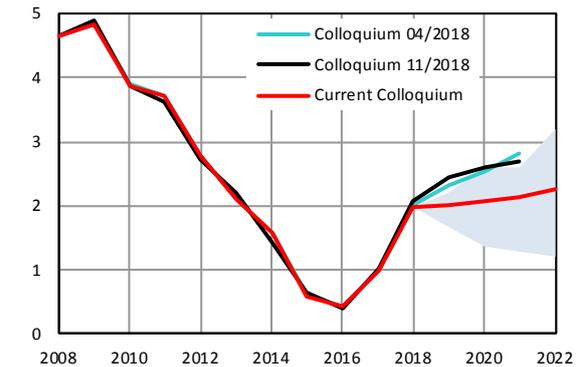
Stagnation of short-term rates at around 2.2%



## Graph 4: YTM of 10Y government bonds

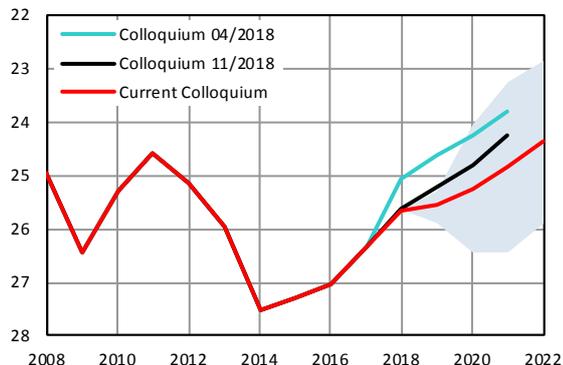
average in %

Long-term interest rates marginally lower than short-term rates



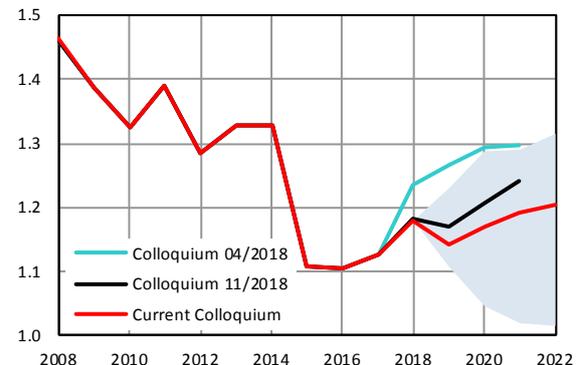
## Graph 5: CZK/EUR exchange rate

Koruna weaker in entire horizon, high uncertainty going forward



## Graph 6: USD/EUR exchange rate

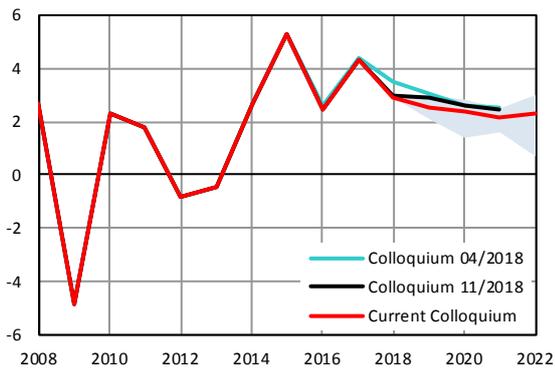
Forecasts revised again in the direction of a stronger US dollar



**Graph 7: Gross domestic product**

real growth in %

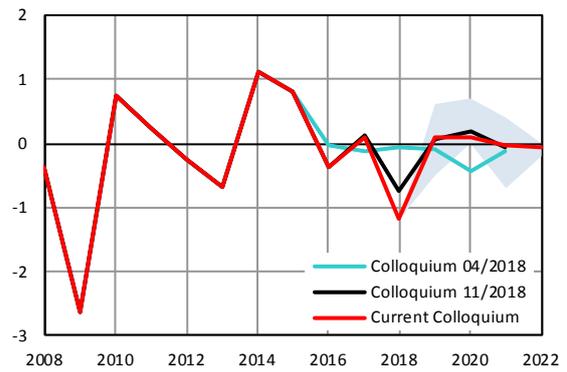
Economic growth in the range of 2.0%–2.5%



**Graph 8: Contribution of change in inventories**

percentage points

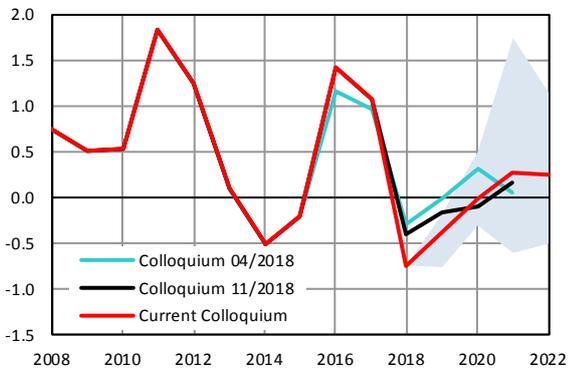
Contribution of change in stocks almost zero in the forecast horizon



**Graph 9: Contribution of net exports**

percentage points

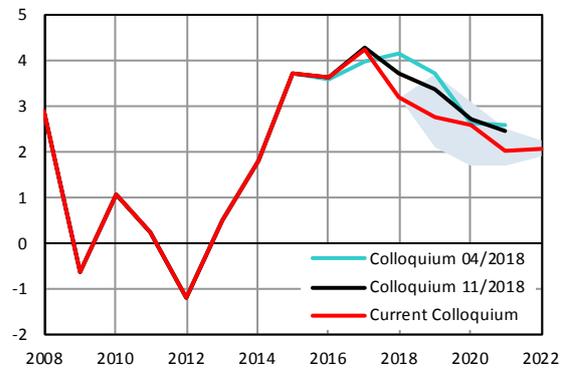
Negative contribution of net exports to GDP growth in 2019



**Graph 10: Consumption of households**

real growth in %

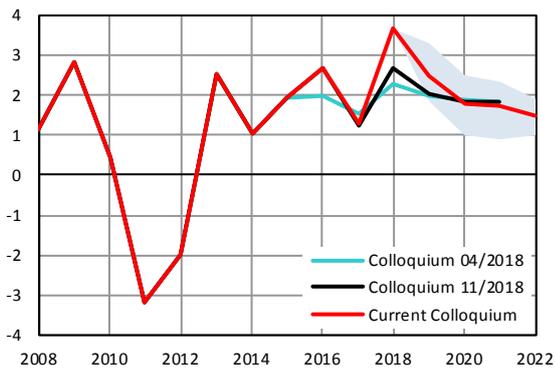
Household consumption slowing down towards 2% in 2021–2022



**Graph 11: Consumption of government**

real growth in %

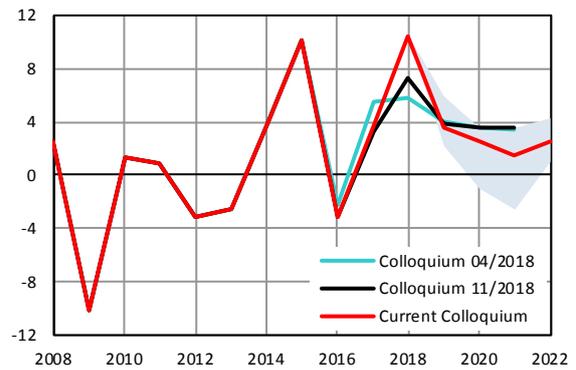
Gradual moderation in dynamics of public consumption



**Graph 12: Gross fixed capital formation**

real growth in %

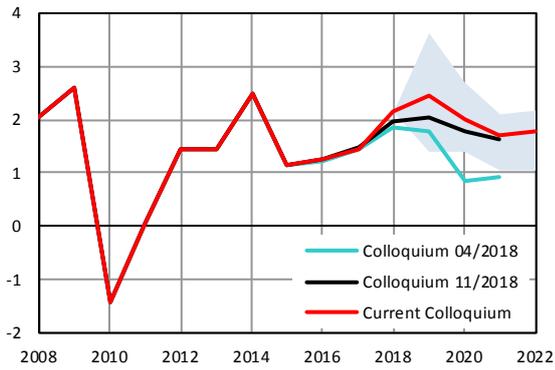
Growth in investments only 2.5% p.a. on average in 2019–2022



**Graph 13: GDP deflator**

growth in %

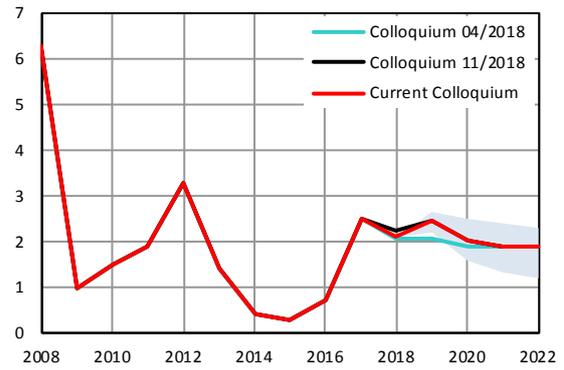
Shift of forecasts in the direction of faster growth in GDP deflator



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

in %

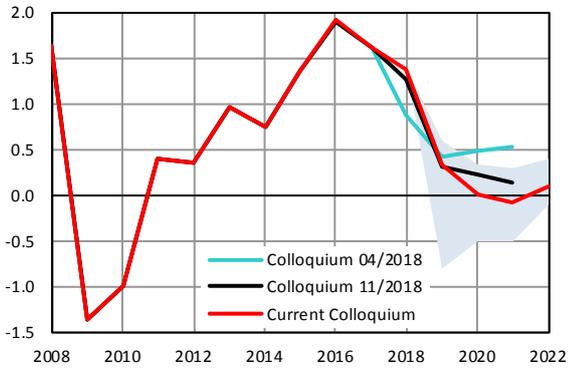
Expectations of growth in consumer prices almost unchanged



**Graph 15: Employment (LFS)**

growth in %

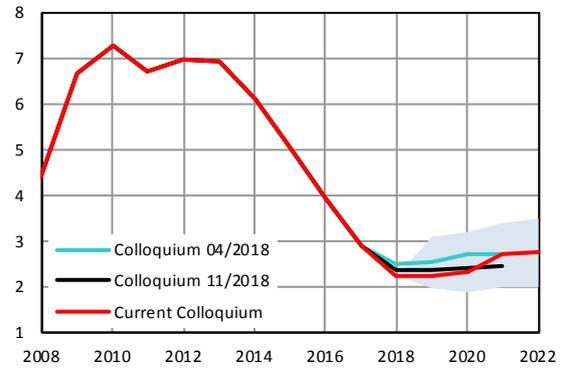
De facto stagnation of employment in 2020–2022



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

in %

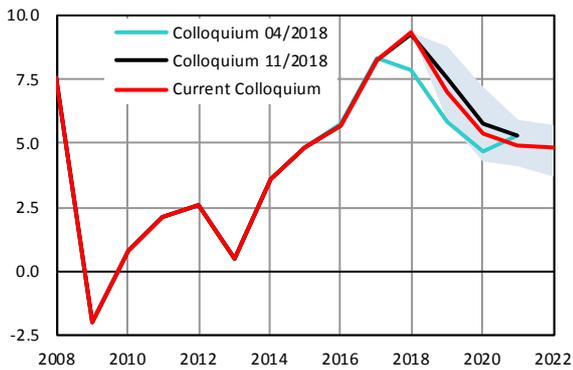
Unemployment rate rising in the second half of the forecast horizon



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

nominal growth in %

Growth in the wage bill decelerating towards 5%



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

in % of GDP

Moderate surplus on the current account of the balance of payments

