

Survey of macroeconomic forecasts

November 2017

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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 44th Colloquium, which took place in November 2017, are based on the forecasts of 14 institutions (MoF; Ministry of Industry and Trade; Ministry of Labour and Social Affairs; Czech National Bank; Akcenta CZ; Citibank; ČSOB; Czech Chamber of Commerce; Institute of Economic Studies, Faculty of Social Sciences, Charles University; ING Bank; Komerční banka; Confederation of Industry of the Czech Republic; UniCredit Bank; University of Economics). To make the survey more representative, forecasts of the EC (Autumn 2017 European Economic Forecast), the IMF (October 2017 World Economic Outlook) and the OECD (November 2017 Economic Outlook) have been included.

Key trends for the years 2017–2020 that are envisaged in the last MoF's Forecast (November 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 forecasts of all institutions (the whole period 2017–2020 is covered, at least for some indicators, by forecasts of 8 institutions). Tables 1 and 2 summarize key indicators and the latest Macroeconomic 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 4.4% this year; growth could slow down to 3.3% in 2018. Domestic demand should be the main driver of growth, though net exports should also contribute significantly to economic growth in 2017. Dynamic growth of wages and salaries, which reflects the situation in the labour market, will support household consumption. Final consumption expenditure of households could therefore grow at around 4% p.a. in 2017 and 2018. Consumption of the general government sector should grow at a similar pace as in 2015 and 2016, i.e. at around 2% annually. After a decrease in 2016 related to the end of the 2007–2013 programming period, gross fixed capital formation could increase by 5.4% this year. Growth of investment should decelerate to 4.6% in 2018.
- According to the average of participating institutions' forecasts, inflation rate could accelerate to 2.5% this year, partially driven by an increase in the price of crude oil. Dynamics of consumer prices in 2018 should already reflect the anti-inflationary effect of the appreciating exchange rate; however, domestic demand pressures will be pushing inflation up. Inflation rate (average of period) could therefore reach 2.3% in 2018.
- Situation on the labour market should be gradually improving thanks to the economic growth. On average, the institutions forecast employment to increase by 1.3% in 2017 and by 0.7% in 2018. The room for the unemployment rate to decrease further is severely limited. Unemployment rate could thus average 3.0% this year and 2.9% in 2018.
- On average, the institutions expect the wage bill to grow dynamically by almost 8% p.a. in 2017 and 2018. Apart from an increase in the minimum and guaranteed wage, the dynamics of wages and salaries should be supported by salary increases in the general government sector and growing lack of labour force.
- On average, the respondents expect that the current account of the balance of payments will reach a surplus of 0.7% of GDP in 2017. In 2018 the positive balance could decrease marginally to 0.5% of GDP.

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> | | | | | | | | | | | | | |
| GDP of EA19 | <i>real growth in %</i> | 2.1 | 2.2 | 2.3 | 2.3 | 2.7 | 2.1 | 1.7 | 2.0 | 2.2 | 2.3 | 2.9 | 2.0 |
| Crude oil Brent | <i>USD/barrel</i> | 52 | 53 | 54 | 55 | 56 | 53 | 50 | 54 | 56 | 59 | 62 | 55 |
| 3M PRIBOR | <i>average in %</i> | 0.4 | 0.4 | 0.4 | 0.4 | 0.6 | 0.4 | 0.7 | 1.0 | 1.1 | 1.3 | 1.5 | 1.0 |
| YTM of 10Y gov. bonds | <i>average in %</i> | 0.8 | 1.0 | 1.1 | 1.2 | 1.6 | 0.9 | 1.5 | 1.7 | 1.9 | 2.1 | 2.5 | 1.5 |
| CZK/EUR exchange rate | | 25.5 | 26.2 | 26.2 | 26.3 | 26.4 | 26.4 | 25.0 | 25.0 | 25.3 | 25.4 | 25.8 | 25.5 |
| USD/EUR exchange rate | | 1.12 | 1.13 | 1.13 | 1.13 | 1.17 | 1.12 | 1.15 | 1.18 | 1.20 | 1.22 | 1.24 | 1.15 |
| <i>Main indicators</i> | | | | | | | | | | | | | |
| Gross domestic product | <i>real growth in %</i> | 3.5 | 4.3 | 4.4 | 4.5 | 5.0 | 4.1 | 2.6 | 3.2 | 3.3 | 3.5 | 3.9 | 3.3 |
| Contr. of change in inventories | <i>perc. points</i> | -0.7 | -0.6 | -0.3 | 0.0 | 0.2 | -0.5 | -0.4 | -0.1 | -0.1 | 0.0 | 0.2 | 0.0 |
| Contr. of foreign balance | <i>perc. points</i> | 0.5 | 0.9 | 1.0 | 1.2 | 1.4 | 0.9 | -1.0 | -0.2 | 0.1 | 0.3 | 0.8 | 0.3 |
| Consumption of households | <i>real growth in %</i> | 3.5 | 3.8 | 4.0 | 4.1 | 4.5 | 3.9 | 3.0 | 3.5 | 3.9 | 4.1 | 4.5 | 3.5 |
| Consumption of government | <i>real growth in %</i> | 1.5 | 1.7 | 1.9 | 2.0 | 2.4 | 1.9 | 0.9 | 1.7 | 1.9 | 2.1 | 2.5 | 1.7 |
| Gross fixed capital formation | <i>real growth in %</i> | 3.8 | 4.7 | 5.4 | 6.0 | 7.4 | 6.2 | 3.0 | 3.8 | 4.6 | 5.3 | 6.4 | 4.1 |
| GDP deflator | <i>growth in %</i> | 1.0 | 1.1 | 1.3 | 1.4 | 1.8 | 1.1 | 1.1 | 1.5 | 1.8 | 2.1 | 2.7 | 2.1 |
| Inflation rate (aop) | <i>in %</i> | 2.3 | 2.4 | 2.5 | 2.5 | 2.9 | 2.4 | 1.8 | 2.2 | 2.3 | 2.5 | 2.9 | 2.4 |
| Employment (LFS) | <i>growth in %</i> | 0.7 | 1.1 | 1.3 | 1.6 | 1.8 | 1.4 | -0.6 | 0.5 | 0.7 | 0.7 | 1.9 | 0.4 |
| Unemployment rate (LFS) | <i>in %</i> | 2.8 | 3.0 | 3.0 | 3.1 | 3.3 | 3.0 | 2.5 | 2.7 | 2.9 | 3.0 | 3.2 | 2.8 |
| Wage bill (domestic concept) | <i>nom. growth in %</i> | 7.2 | 7.4 | 7.8 | 8.0 | 8.9 | 7.4 | 6.3 | 7.5 | 7.7 | 8.3 | 8.7 | 7.6 |
| BoP – current account balance | <i>in % of GDP</i> | 0.2 | 0.6 | 0.7 | 0.9 | 1.2 | 0.6 | -0.1 | 0.2 | 0.5 | 0.9 | 1.0 | 0.5 |

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> | | | | | | | | | |
| GDP of EA19 | <i>real growth in %</i> | 1.2 | 1.8 | 2.2 | 1.8 | 0.6 | 1.7 | 2.3 | 1.8 |
| Crude oil Brent | <i>USD/barrel</i> | 49 | 55 | 60 | 54 | 54 | 55 | 56 | 54 |
| 3M PRIBOR | <i>average in %</i> | 0.6 | 1.6 | 2.0 | 1.6 | 0.6 | 1.8 | 2.5 | 2.1 |
| YTM of 10Y gov. bonds | <i>average in %</i> | 1.5 | 2.3 | 3.0 | 2.0 | 1.6 | 2.3 | 3.0 | 2.3 |
| CZK/EUR exchange rate | | 24.0 | 25.0 | 25.8 | 25.1 | 23.7 | 24.4 | 25.1 | 24.7 |
| USD/EUR exchange rate | | 1.15 | 1.21 | 1.31 | 1.15 | 1.14 | 1.25 | 1.34 | 1.15 |
| <i>Main indicators</i> | | | | | | | | | |
| Gross domestic product | <i>real growth in %</i> | 2.3 | 2.8 | 3.3 | 2.6 | 1.9 | 2.6 | 3.1 | 2.4 |
| Contr. of change in inventories | <i>perc. points</i> | -0.4 | -0.1 | 0.0 | 0.0 | -0.4 | -0.2 | 0.0 | 0.0 |
| Contr. of foreign balance | <i>perc. points</i> | -0.5 | 0.2 | 0.8 | 0.3 | -0.5 | 0.4 | 1.2 | 0.3 |
| Consumption of households | <i>real growth in %</i> | 1.9 | 3.1 | 4.4 | 2.6 | 0.7 | 2.5 | 3.7 | 2.2 |
| Consumption of government | <i>real growth in %</i> | 1.4 | 1.8 | 2.2 | 1.4 | 1.4 | 1.8 | 2.1 | 1.4 |
| Gross fixed capital formation | <i>real growth in %</i> | 3.0 | 3.9 | 6.1 | 3.4 | 3.0 | 4.2 | 6.1 | 3.0 |
| GDP deflator | <i>growth in %</i> | 1.2 | 1.8 | 2.2 | 2.0 | 0.2 | 1.2 | 2.0 | 2.0 |
| Inflation rate (aop) | <i>in %</i> | 1.7 | 2.0 | 2.5 | 2.0 | 0.7 | 1.8 | 2.1 | 1.8 |
| Employment | <i>growth in %</i> | 0.1 | 0.6 | 1.4 | 0.3 | 0.2 | 0.7 | 1.3 | 0.3 |
| Unemployment rate (LFS) | <i>in %</i> | 2.5 | 2.9 | 3.8 | 2.7 | 2.5 | 3.0 | 3.8 | 2.7 |
| Wage bill (domestic concept) | <i>nom. growth in %</i> | 4.6 | 5.2 | 6.0 | 4.9 | 2.3 | 4.7 | 6.2 | 4.5 |
| BoP – current account balance | <i>in % of GDP</i> | -0.2 | 0.6 | 1.4 | 0.7 | -0.6 | 0.7 | 1.8 | 1.0 |

Source: Survey respondents. Calculations of the MoF.

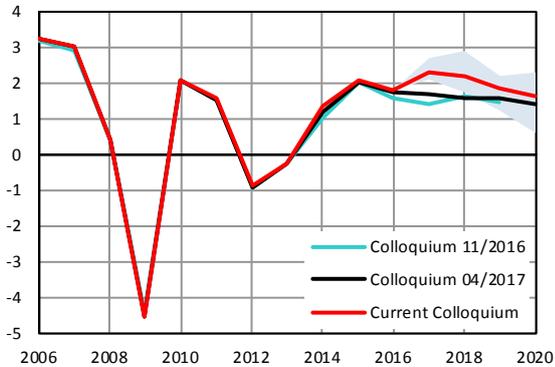
Overview of indicators

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 %

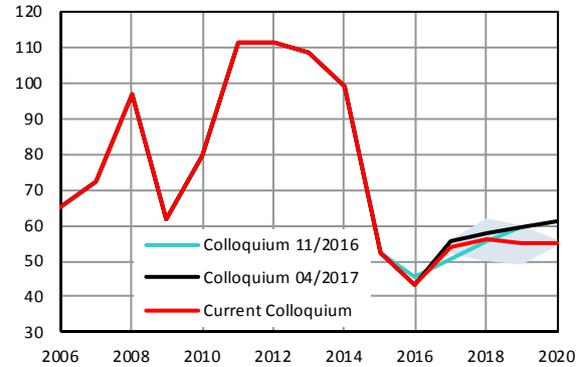
Improved growth prospects for the Euro Area



Graph 2: Crude oil Brent

USD/barrel

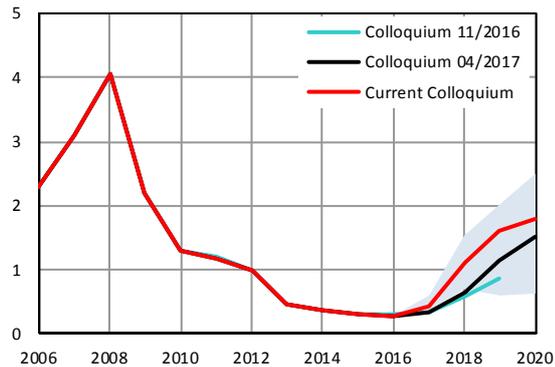
Price of oil stagnating around 55 USD/barrel



Graph 3: 3M PRIBOR

average in %

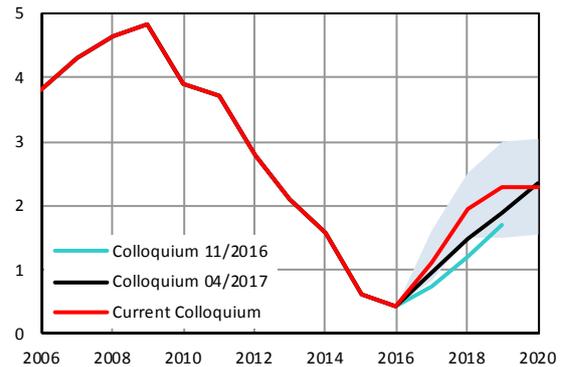
Stronger tightening of monetary conditions in interest rate component



Graph 4: YTM of 10Y government bonds

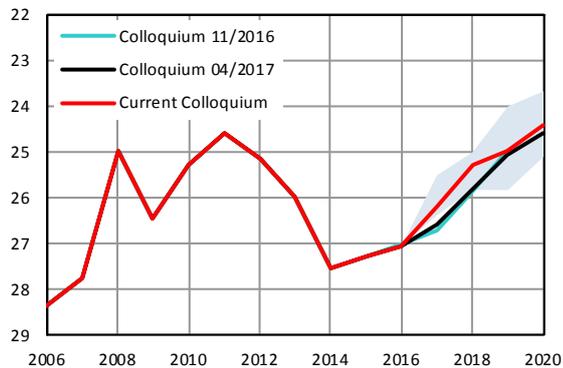
average in %

Increase in yields on Czech gov. bonds from historic lows



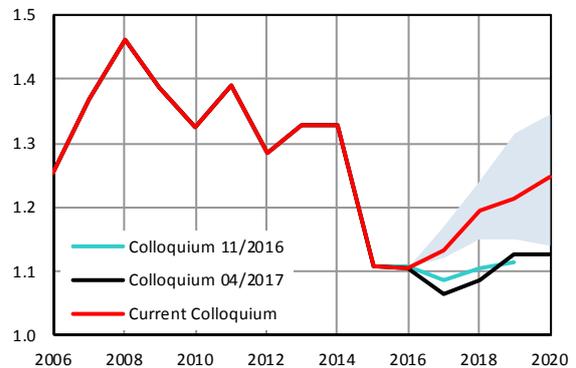
Graph 5: CZK/EUR exchange rate

Gradual appreciation, koruna slightly stronger in the entire horizon



Graph 6: USD/EUR exchange rate

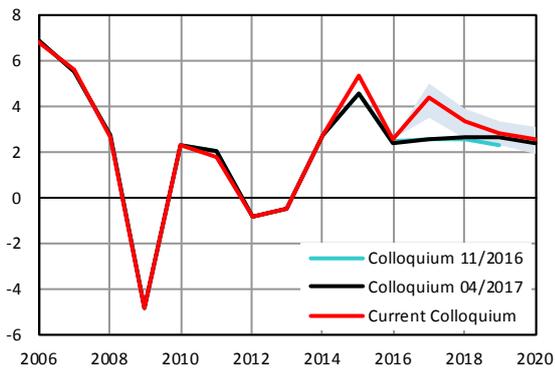
Gradual weakening of the dollar towards 1.25 USD/EUR in 2020



Graph 7: Gross domestic product

real growth in %

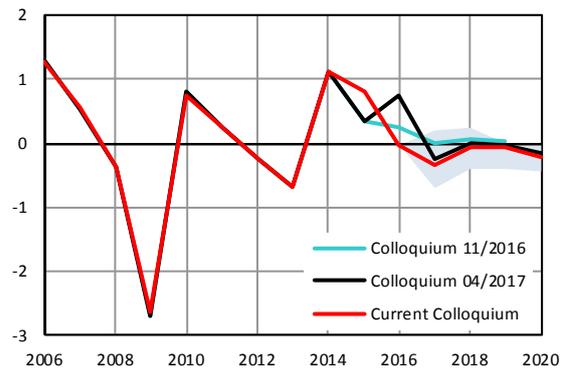
Strong improvement in the forecasts for the years 2017 and 2018



Graph 8: Contribution of change in inventories

percentage points

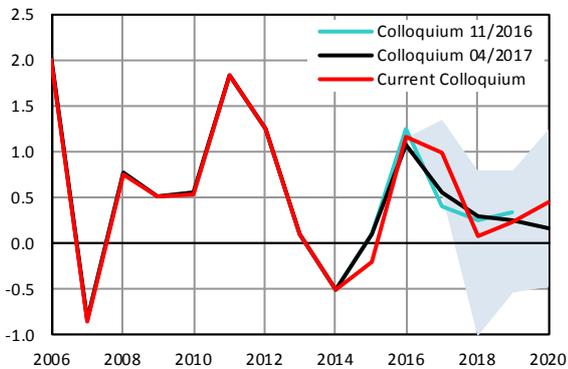
Negligible contribution of change in inventories to GDP growth



Graph 9: Contribution of net exports

percentage points

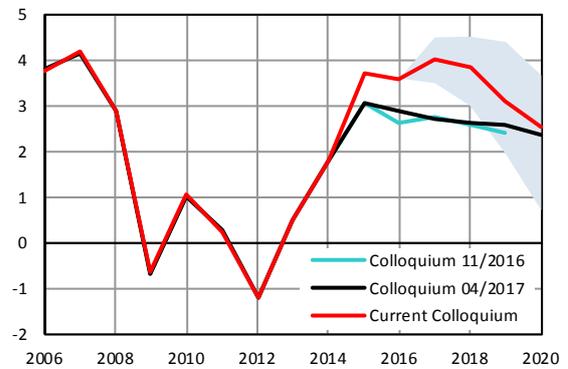
Positive contribution of net exports to GDP growth



Graph 10: Consumption of households

real growth in %

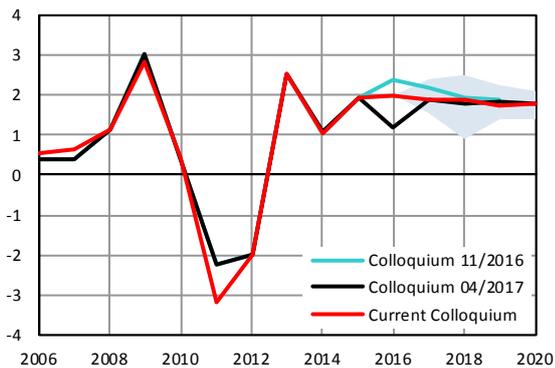
Dynamic growth of household consumption in 2017 and 2018



Graph 11: Consumption of government

real growth in %

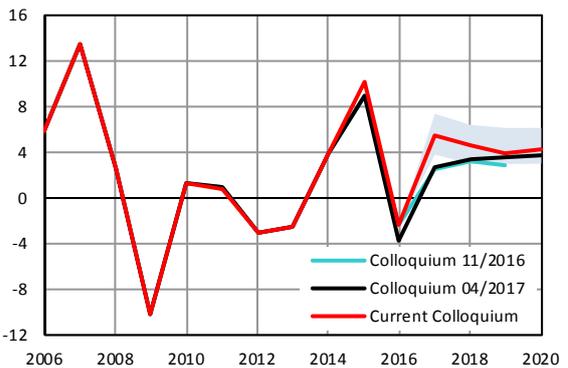
Modest growth of public consumption



Graph 12: Gross fixed capital formation

real growth in %

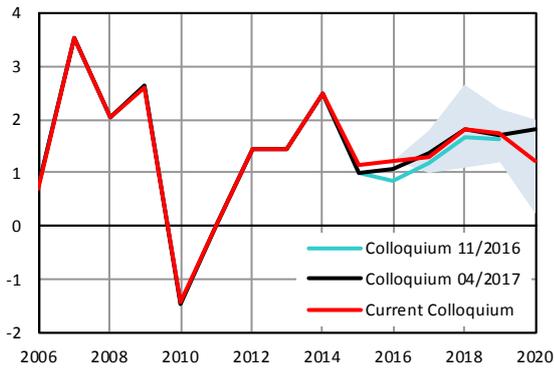
Sustained growth of investment



Graph 13: GDP deflator

growth in %

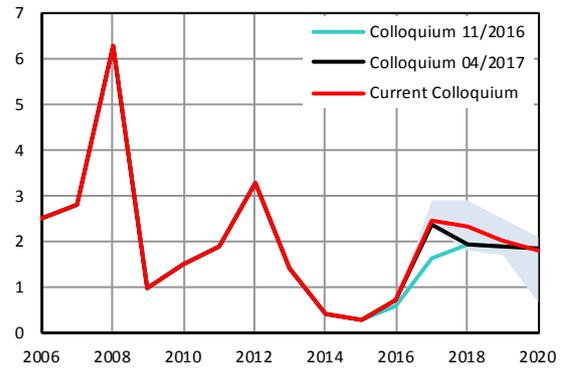
Growth of GDP deflator below 2%



Graph 14: Inflation rate (aop)

in %

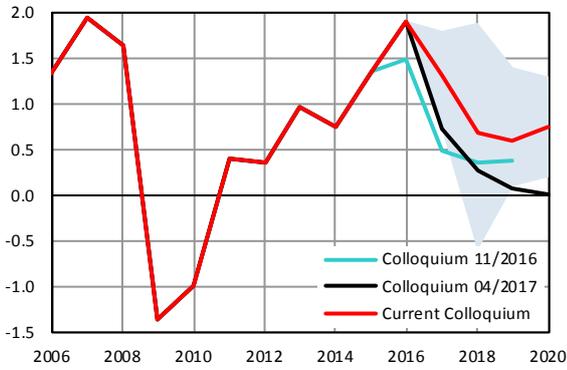
Temporary acceleration of inflation above 2% in 2017 and 2018



Graph 15: Employment (LFS)

growth v %

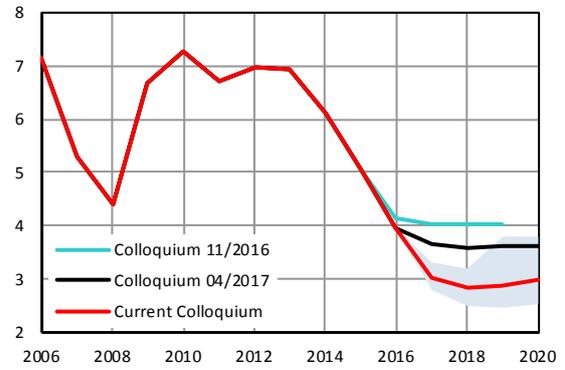
Slowdown in employment growth, forecasts revised up



Graph 16: Unemployment rate (LFS)

in %

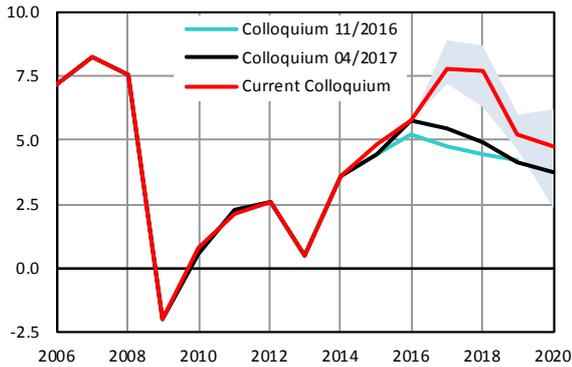
Extremely low unemployment rate in the entire forecast horizon



Graph 17: Total wage bill (domestic concept)

nominal growth in %

Strong growth of the wage bill in 2017 and 2018



Graph 18: Balance of payments – current account

in % of GDP

Moderate surplus on the current account of the balance of payments

