

Survey of macroeconomic forecasts

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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 48th Colloquium, which took place in November 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 Czech Republic; 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 (Autumn 2019 European Economic Forecast), the International Monetary Fund (October 2019 World Economic Outlook) and the OECD (November 2019 Economic Outlook) have been included.

Key trends for the years 2019–2022 that are envisaged in the latest forecast of the MoF (November 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 moderately to 2.2% in 2020. The economy should be driven primarily by domestic demand. Given the sharp slowdown of investment, which have high import content, net exports should support dynamics of the economy, despite slow 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 2.6% and 2.4%, respectively. Consumption of the general government sector should slow down from 3.9% in 2018 to 2.9% in 2019 and further to 2.1% in 2020. The growth in gross fixed capital formation should be much slower than in the last year; 1.2% in 2019 and 1.4% in 2020.
- According to the average of participating institutions' forecasts, the inflation rate should reach 2.8% this year and 2.6% 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 increase marginally from 2.1% in 2019 to 2.2% in 2020. Employment could expand by 0.5% this year, though it should almost stagnate in 2020 due to demographic factors and low unemployment.
- On average, the institutions expect the wage bill to grow by 7.6% this year. In 2020 there could be a slowdown to 6.2%. Apart from persisting shortages of the labour force the dynamics of wages and salaries will be supported 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 0.7% of GDP in 2019 and 0.6% 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>													
GDP of EA19	<i>real growth in %</i>	1.0	1.1	1.1	1.2	1.2	1.0	0.5	0.9	1.0	1.3	1.4	0.7
Crude oil Brent	<i>USD/barrel</i>	62	63	64	64	67	64	56	59	60	61	62	59
3M PRIBOR	<i>average in %</i>	2.1	2.1	2.1	2.1	2.2	2.1	1.8	2.1	2.2	2.2	2.3	2.2
YTM of 10Y gov. bonds	<i>average in %</i>	1.4	1.5	1.6	1.6	1.7	1.5	0.9	1.3	1.4	1.6	2.1	1.2
CZK/EUR exchange rate		25.6	25.7	25.7	25.7	25.8	25.7	24.2	25.3	25.4	25.5	26.2	25.5
USD/EUR exchange rate		1.10	1.12	1.12	1.12	1.13	1.12	1.06	1.12	1.14	1.15	1.30	1.10
<i>Main indicators</i>													
Gross domestic product	<i>real growth in %</i>	2.4	2.5	2.5	2.6	2.7	2.5	1.8	2.0	2.2	2.2	2.7	2.0
Contr. of change in inventories	<i>perc. points</i>	-0.8	-0.1	-0.1	0.0	0.2	0.0	-1.0	-0.2	-0.1	0.0	0.1	0.0
Contr. of foreign balance	<i>perc. points</i>	0.1	0.3	0.4	0.5	1.0	0.4	-0.4	0.2	0.3	0.4	0.6	0.3
Consumption of households	<i>real growth in %</i>	1.3	2.6	2.6	2.8	3.0	2.7	1.1	2.3	2.4	2.6	2.9	2.4
Consumption of government	<i>real growth in %</i>	0.7	3.0	2.9	3.1	3.3	3.0	0.6	2.0	2.1	2.6	2.9	1.8
Gross fixed capital formation	<i>real growth in %</i>	0.3	0.9	1.2	1.4	2.6	0.9	-0.5	0.8	1.4	2.0	3.1	0.7
GDP deflator	<i>growth in %</i>	2.6	3.1	3.2	3.5	4.0	3.3	2.3	2.3	2.5	2.7	3.2	2.4
Inflation rate (aop)	<i>in %</i>	2.6	2.8	2.8	2.8	2.9	2.8	2.3	2.5	2.6	2.7	3.1	2.6
Employment (LFS)	<i>growth in %</i>	0.0	0.3	0.5	0.8	0.9	0.3	-1.0	0.0	0.1	0.2	0.5	0.1
Unemployment rate (LFS)	<i>in %</i>	1.9	2.0	2.1	2.1	2.2	2.0	2.0	2.1	2.2	2.3	2.3	2.2
Wage bill (domestic concept)	<i>nom. growth in %</i>	6.8	7.3	7.6	7.8	9.1	7.4	5.3	5.7	6.2	6.3	8.0	5.9
BoP – current account balance	<i>in % of GDP</i>	-0.1	0.5	0.7	1.0	1.0	0.9	-0.2	0.2	0.6	1.0	1.4	1.4

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>									
GDP of EA19	<i>real growth in %</i>	0.6	1.2	1.7	1.2	1.2	1.4	1.8	1.3
Crude oil Brent	<i>USD/barrel</i>	56	59	64	57	57	61	65	57
3M PRIBOR	<i>average in %</i>	1.4	2.1	2.6	2.2	2.0	2.3	2.7	2.2
YTM of 10Y gov. bonds	<i>average in %</i>	1.2	1.6	2.1	1.2	1.2	1.9	2.6	1.2
CZK/EUR exchange rate		23.5	25.1	26.0	25.2	22.9	24.6	25.7	24.9
USD/EUR exchange rate		1.03	1.15	1.25	1.10	1.02	1.17	1.30	1.10
<i>Main indicators</i>									
Gross domestic product	<i>real growth in %</i>	1.7	2.3	2.8	2.2	2.1	2.5	3.0	2.1
Contr. of change in inventories	<i>perc. points</i>	-0.6	0.1	1.4	0.0	0.0	0.2	0.8	0.0
Contr. of foreign balance	<i>perc. points</i>	-0.3	0.2	0.6	0.2	-0.3	0.2	0.3	0.1
Consumption of households	<i>real growth in %</i>	0.9	2.1	2.8	2.3	0.9	1.9	2.7	2.1
Consumption of government	<i>real growth in %</i>	0.7	1.8	2.5	1.9	0.6	1.5	2.0	1.9
Gross fixed capital formation	<i>real growth in %</i>	0.7	2.1	3.6	2.0	0.8	2.4	4.3	2.4
GDP deflator	<i>growth in %</i>	1.7	2.1	2.6	2.0	1.9	2.1	2.6	2.1
Inflation rate (aop)	<i>in %</i>	1.9	2.1	2.5	2.0	1.9	2.0	2.4	2.0
Employment	<i>growth in %</i>	-0.6	0.0	0.2	0.1	-0.1	0.1	0.3	0.0
Unemployment rate (LFS)	<i>in %</i>	2.0	2.3	2.7	2.4	2.0	2.5	2.8	2.5
Wage bill (domestic concept)	<i>nom. growth in %</i>	4.0	5.4	7.1	5.2	4.7	5.2	5.7	4.7
BoP – current account balance	<i>in % of GDP</i>	-0.7	0.5	1.6	1.6	-0.8	0.4	1.7	1.7

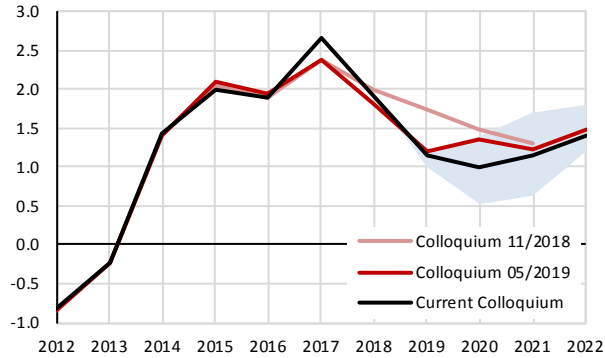
Source: Survey respondents. Calculations of the MoF.

Overview of indicators

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

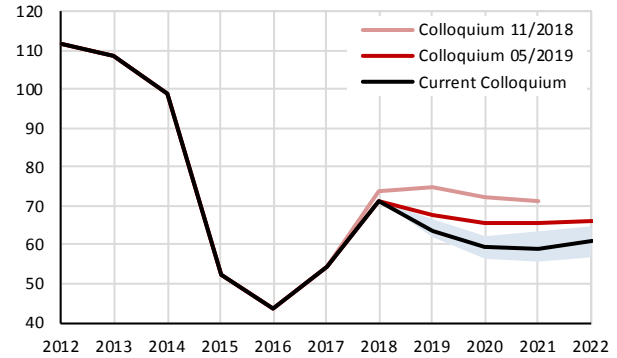
Graph 1: Gross domestic product of the EA19
real growth in %

Only moderate economic growth in the euro area



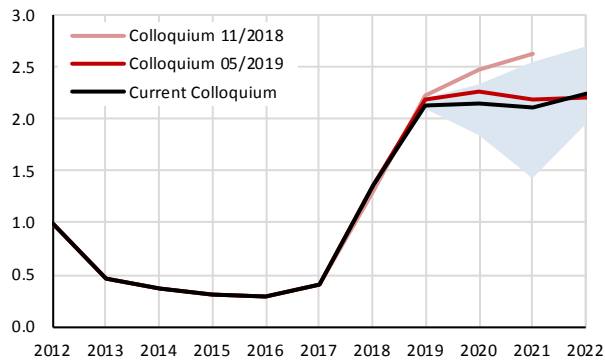
Graph 2: Crude oil Brent
in USD/barrel

Price of oil around 60 USD/barrel



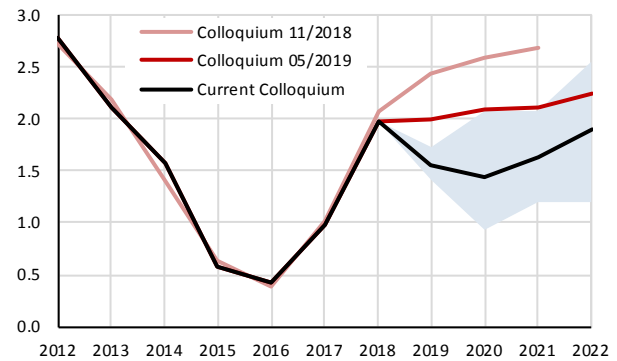
Graph 3: 3M PRIBOR
in %, average of period

Stagnation of short-term rates at around 2.2%



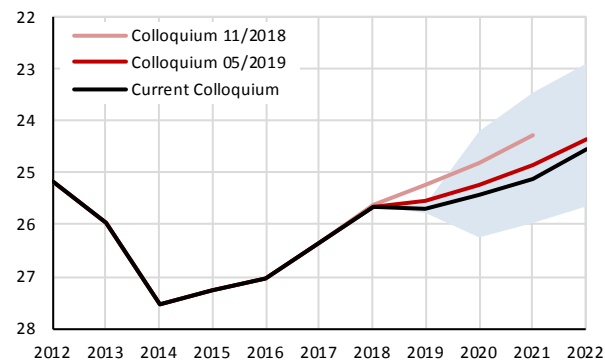
Graph 4: YTM of 10Y government bonds
in %, average of period

Long-term interest rates lower than short-term rates



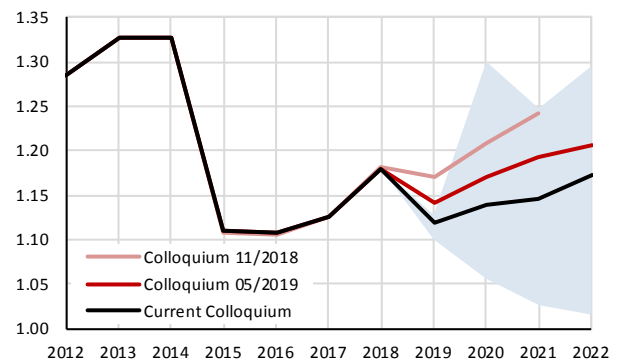
Graph 5: CZK/EUR exchange rate

Forecasts revised again in the direction of weaker koruna



Graph 6: USD/EUR exchange rate

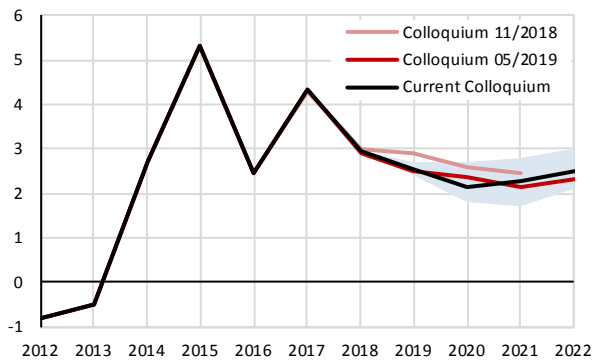
Future path of the USD/EUR exchange rate highly uncertain



Graph 7: Gross domestic product

real growth in %

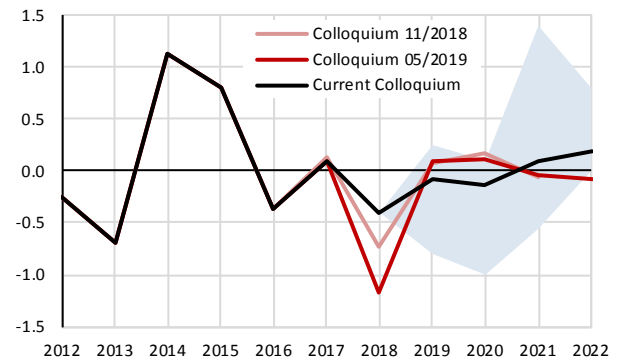
Economic growth in the range of 2.0%–2.5%



Graph 8: Contribution of change in inventories

in percentage points

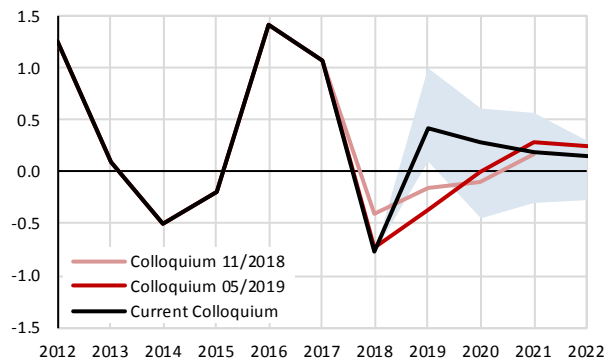
Contribution of change in stocks almost zero in the forecast horizon



Graph 9: Contribution of net exports

in percentage points

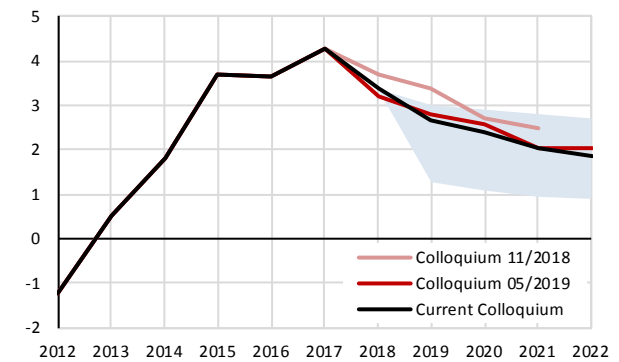
Positive contribution of net exports to GDP growth diminishing



Graph 10: Consumption of households

real growth in %

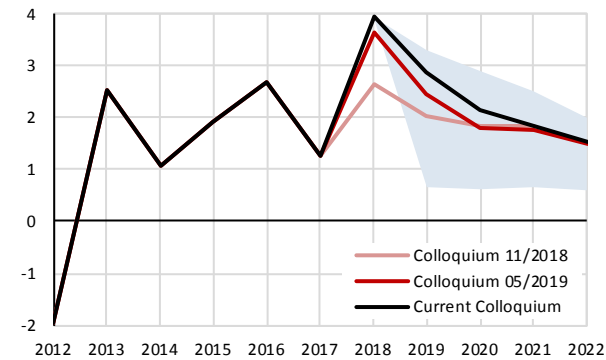
Household consumption slowing down to below 2% in 2022



Graph 11: Consumption of government

real growth in %

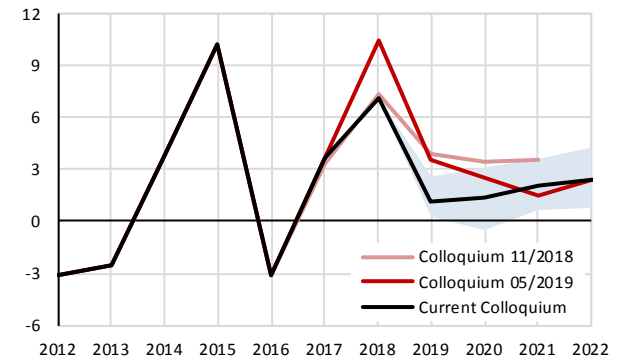
Gradual moderation in dynamics of public consumption



Graph 12: Gross fixed capital formation

real growth in %

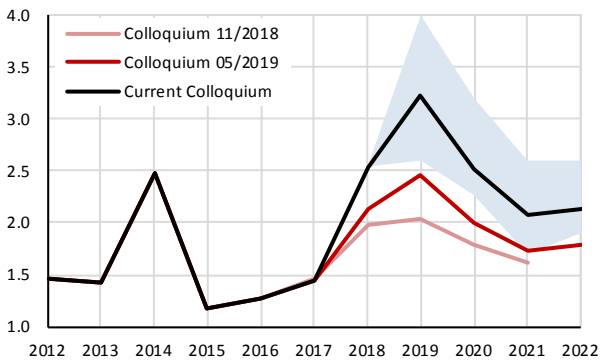
Slight recovery of investment activity only after 2020



Graph 13: GDP deflator

growth in %

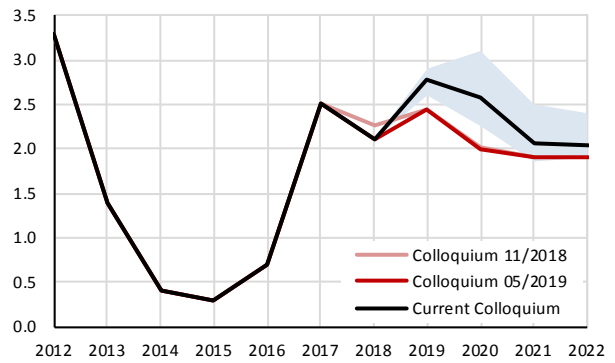
Shift of forecasts in the direction of faster growth in GDP deflator



Graph 14: Average inflation rate

in %

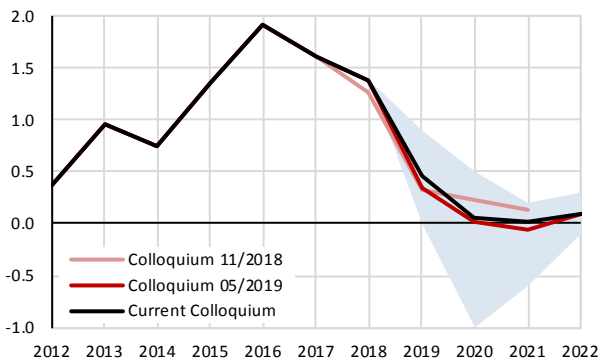
Higher expected inflation in the entire forecast horizon



Graph 15: Employment (LFS)

growth in %

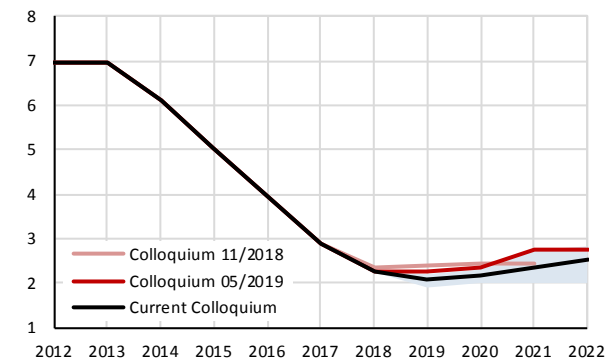
De facto stagnation of employment in 2020–2022



Graph 16: Unemployment rate (LFS)

in %

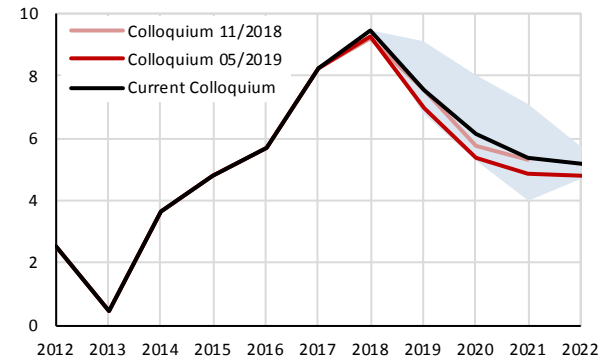
Slight increase in the unemployment rate



Graph 17: Total wage bill (domestic concept)

nominal growth in %

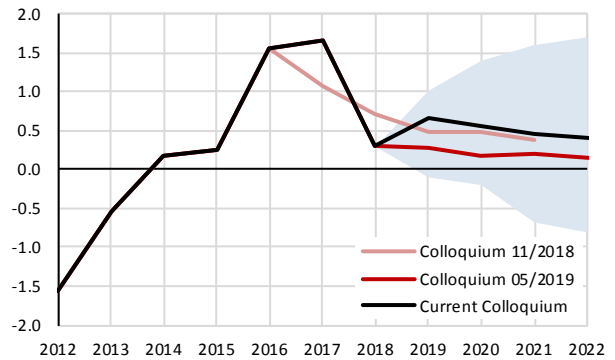
Growth in the wage bill decelerating towards 5%



Graph 18: Balance of payments – current account

in % of GDP

Surplus on the current account around 0.5% of GDP



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