

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 49th Colloquium, which took place in May 2020, are based on forecasts of 13 institutions (Ministry of Finance; Ministry of Industry and Trade; Ministry of Labour and Social Affairs; Czech National Bank; Akcenta CZ; Československá obchodní banka; Deloitte Czech Republic; Generali Investments CEE; Institute of Economic Studies, Faculty of Social Sciences, Charles University; Komerční banka; Raiffeisenbank; Confederation of Industry of the Czech Republic; UniCredit Bank). To make the survey more representative, forecasts of the European Commission (Spring 2020 European Economic Forecast) and the International Monetary Fund (April 2020 World Economic Outlook) have been included.

On the qualitative level, key trends for the years 2020–2023 that are envisaged in the latest forecast of the MoF (April 2020) are consistent with the average forecast. As for the quantification of expected developments, the MoF expects milder economic downturn in 2020 than the average of forecasts; however, it also projects slower growth in 2021. Out of forecasts included in the survey, the forecast of the MoF is the least recent, which is very significant here. Comparison for the years 2022 and 2023 complicates the fact that this period is not covered by forecasts of all institutions (the whole period 2020–2023 cover, at least for some indicators, forecasts of 7 institutions). Tables 1 and 2 summarize key indicators and the latest Macroeconomic Forecast of the MoF.

Main macroeconomic trends in 2020 and 2021 can be summed up as follows:

- The economy is severely hit by the coronavirus pandemic and measures taken to limit the spread of contagion. On average, respondents of the survey expect GDP to slump by 7.6% in 2020; this should be followed by economic growth of 5.8% in 2021. With the exception of general government consumption, all components of domestic demand should decrease this year and the foreign trade balance should also contribute negatively to GDP developments. Both domestic and foreign demand should contribute to the recovery next year.
- According to the average of participating institutions' forecasts, the inflation rate should reach 2.7% this year and 1.6% in 2021. The slump in the price of oil and weakened domestic demand against the backdrop of a negative output gap should be strongly anti-inflationary this year, but a sizeable increase in unit labour costs and depreciated exchange rate of the koruna should have opposite effect on consumer prices.
- The labour market will be strongly affected by the coronavirus pandemic. On average, the institutions expect the unemployment rate to increase from 2.0% in 2019 to 4.1% in 2020. Next year the unemployment rate should remain at this level. Employment could fall by 1.9% this year and it should stagnate in 2021, according to the average of forecasts. Employment protection measures of the government, as well as the record-high number of job vacancies or high number of employed foreigners (who might be laid off first), should prevent the deep economic slump from having a more significant impact on the labour market.
- On average, institutions expect growth of the wage bill to slow down significantly, from 7.1% in 2019 to 1.6% this year. In 2021, the growth of earnings could accelerate to 3.2%.
- On average, the respondents expect that the current account of the balance of payments will reach a moderate deficit of 1.2% of GDP in 2020 and 0.2% of GDP in 2021.

Table 1: Results of the survey for the years 2020 and 2021

		2020						2021					
		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>	-13.0	-8.8	-8.2	-6.8	-5.7	-5.7	2.9	4.7	6.2	7.5	11.0	2.9
Crude oil Brent	<i>USD/barrel</i>	31	37	38	39	41	38	38	40	43	45	55	40
3M PRIBOR	<i>average in %</i>	0.7	0.8	0.9	0.9	1.0	0.8	0.2	0.4	0.6	0.7	1.1	0.3
YTM of 10Y gov. bonds	<i>average in %</i>	1.1	1.1	1.4	1.6	1.8	1.5	0.5	1.0	1.4	1.8	2.2	1.5
CZK/EUR exchange rate		26.3	26.4	26.7	26.9	27.0	26.5	25.0	25.8	26.2	26.5	27.5	26.2
USD/EUR exchange rate		1.08	1.09	1.10	1.11	1.13	1.10	1.09	1.09	1.12	1.14	1.21	1.09
<i>Main indicators</i>													
Gross domestic product	<i>real growth in %</i>	-11.0	-7.9	-7.6	-6.5	-5.6	-5.6	3.1	4.2	5.8	7.0	9.7	3.1
Contr. of change in inventories	<i>perc. points</i>	-1.1	-1.0	-0.5	-0.1	0.0	-0.8	0.0	0.0	0.4	0.7	0.9	0.8
Contr. of foreign balance	<i>perc. points</i>	-5.4	-2.8	-2.2	-1.2	-0.9	-1.2	0.3	0.7	1.4	2.0	4.3	0.7
Consumption of households	<i>real growth in %</i>	-15.3	-4.8	-4.8	-2.8	-1.3	-1.5	0.8	2.6	4.1	4.1	12.5	0.8
Consumption of government	<i>real growth in %</i>	2.0	2.7	4.7	5.7	12.3	2.6	-5.4	2.0	1.8	2.8	4.8	2.0
Gross fixed capital formation	<i>real growth in %</i>	-20.0	-14.9	-14.0	-12.5	-9.8	-13.6	3.0	4.1	6.3	8.1	9.6	3.2
GDP deflator	<i>growth in %</i>	1.4	3.0	3.1	3.3	4.1	3.7	1.0	1.6	1.8	1.8	2.9	1.4
Inflation rate (aop)	<i>in %</i>	2.1	2.5	2.7	2.8	3.4	3.2	0.2	1.4	1.6	1.9	2.5	1.6
Employment (LFS)	<i>growth in %</i>	-3.2	-2.0	-1.9	-1.2	-0.6	-1.2	-1.1	-1.0	0.0	0.4	1.5	0.2
Unemployment rate (LFS)	<i>in %</i>	3.0	3.3	4.1	4.3	7.5	3.3	3.1	3.5	4.1	4.7	6.0	3.5
Wage bill (domestic concept)	<i>nom. growth in %</i>	-0.1	0.6	1.6	2.7	3.2	2.6	0.8	2.5	3.2	4.4	4.8	0.8
BoP – current account balance	<i>in % of GDP</i>	-2.6	-2.1	-1.2	-0.6	0.5	0.2	-1.6	-0.9	-0.2	0.3	1.0	0.3

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 2022 and 2023

		2022				2023			
		min.	average	max.	MoF CR	min.	average	max.	MoF CR
<i>Assumptions</i>									
GDP of EA19	<i>real growth in %</i>	1.1	1.6	2.2	2.1	1.1	1.4	1.7	1.3
Crude oil Brent	<i>USD/barrel</i>	41	52	64	43	42	50	59	46
3M PRIBOR	<i>average in %</i>	0.3	0.8	1.4	0.7	0.7	1.4	2.4	0.7
YTM of 10Y gov. bonds	<i>average in %</i>	0.9	1.6	2.8	1.5	1.5	2.0	3.2	1.5
CZK/EUR exchange rate		24.4	25.1	25.7	25.5	24.0	24.6	25.2	24.8
USD/EUR exchange rate		1.08	1.16	1.27	1.09	1.06	1.18	1.32	1.09
<i>Main indicators</i>									
Gross domestic product	<i>real growth in %</i>	1.7	2.5	3.0	1.9	0.7	2.3	3.1	1.8
Contr. of change in inventories	<i>perc. points</i>	-0.4	-0.2	0.0	0.0	-0.4	-0.1	0.0	0.0
Contr. of foreign balance	<i>perc. points</i>	0.2	0.3	0.6	0.2	-0.4	0.0	0.5	-0.4
Consumption of households	<i>real growth in %</i>	1.6	2.8	4.7	1.6	1.8	2.6	4.2	2.0
Consumption of government	<i>real growth in %</i>	-5.1	0.7	2.6	2.0	1.2	1.7	2.1	2.1
Gross fixed capital formation	<i>real growth in %</i>	2.4	3.8	5.2	2.4	0.7	2.8	4.3	3.6
GDP deflator	<i>growth in %</i>	0.9	1.6	2.0	1.9	1.3	2.0	2.7	2.0
Inflation rate (aop)	<i>in %</i>	1.7	2.0	2.2	2.0	1.2	1.9	2.3	2.0
Employment (LFS)	<i>growth in %</i>	-0.2	0.4	1.0	0.2	0.1	0.5	1.0	0.1
Unemployment rate (LFS)	<i>in %</i>	2.6	3.2	3.8	3.5	2.5	3.0	3.5	3.5
Wage bill (domestic concept)	<i>nom. growth in %</i>	2.9	4.7	8.0	2.9	3.5	5.7	7.1	3.5
BoP – current account balance	<i>in % of GDP</i>	-1.0	-0.1	1.0	0.4	-1.1	0.0	1.0	0.0

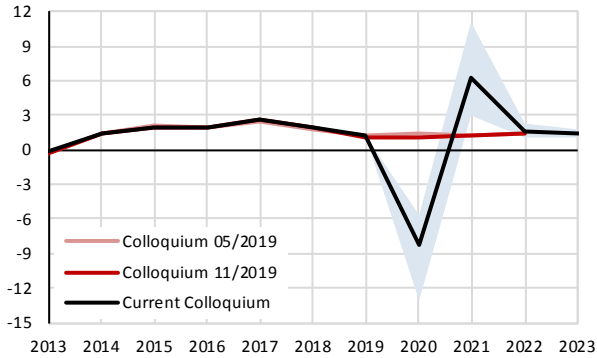
Source: Survey respondents. Calculations of the MoF.

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.

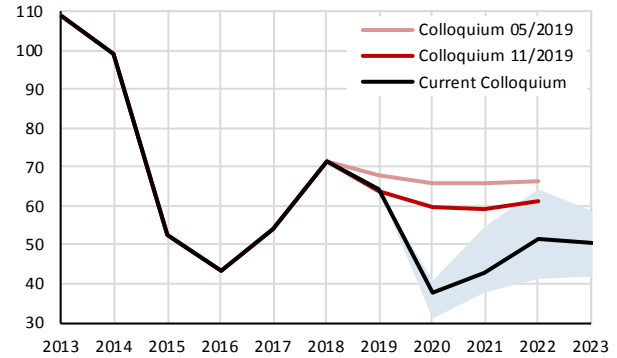
Graph 1: Gross domestic product of the EA19
real growth in %

Record-deep slump in economic activity in the euro area



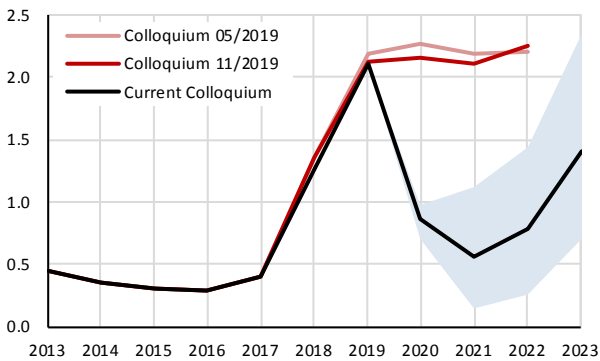
Graph 2: Crude oil Brent
in USD/barrel

Average price falling below 40 USD/barrel, then moderate growth



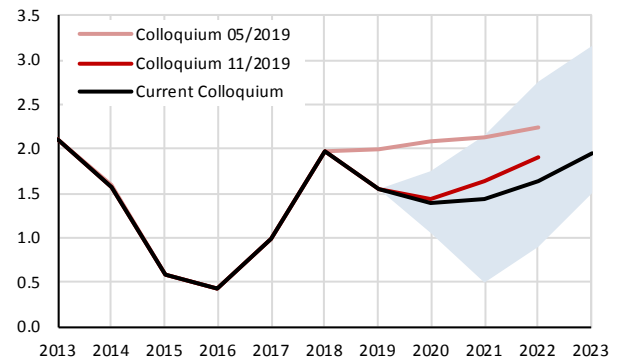
Graph 3: 3M PRIBOR
in %, average of period

Growth of short-term rates only in 2022



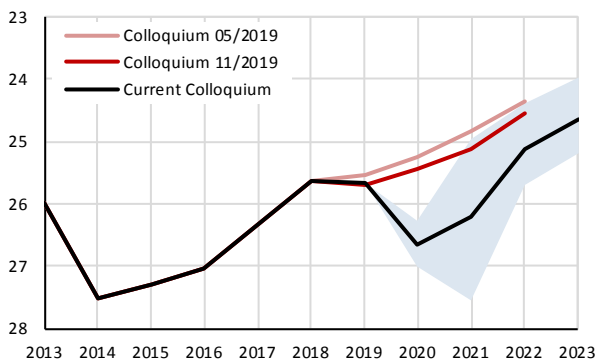
Graph 4: YTM of 10Y government bonds
in %, average of period

Long-term interest rates stable below 1.5% in 2020–21



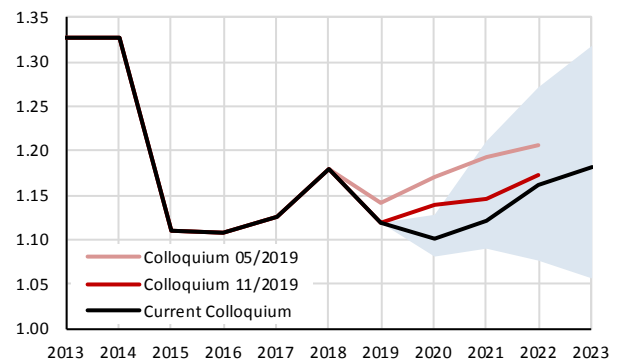
Graph 5: CZK/EUR exchange rate

Renewal of appreciation trend of the koruna after weakening in 2020



Graph 6: USD/EUR exchange rate

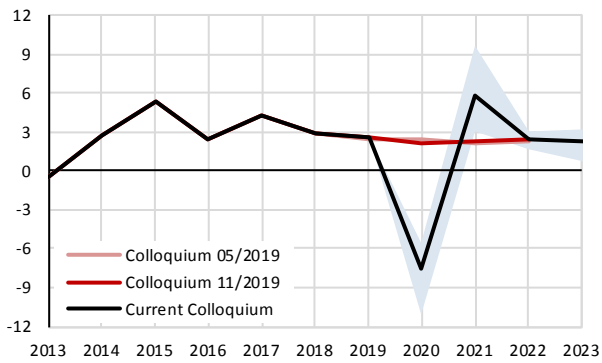
The euro should gradually appreciate against the US dollar



Graph 7: Gross domestic product

real growth in %

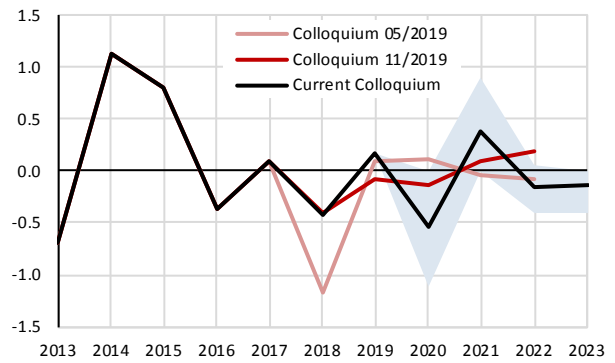
Economic downturn in 2020 followed by a strong recovery



Graph 8: Contribution of change in inventories

in percentage points

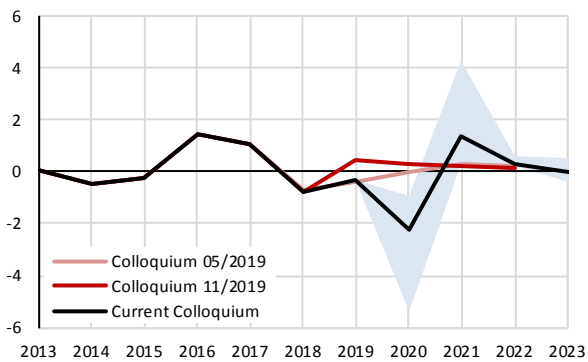
Decrease in inventories expected this year, restocking in 2021



Graph 9: Contribution of net exports

in percentage points

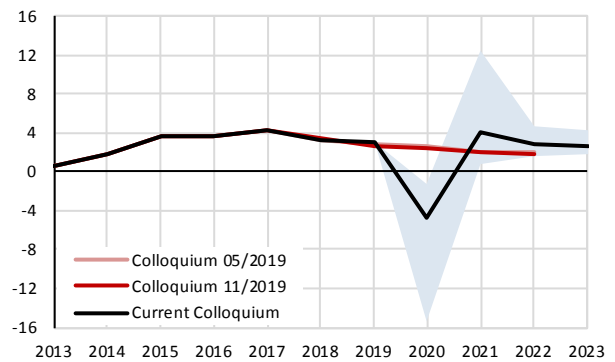
Net exports mirroring developments of foreign demand and investment



Graph 10: Consumption of households

real growth in %

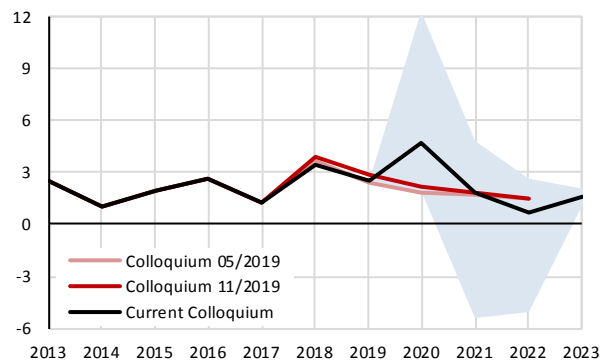
The deepest contraction of private consumption in the history of the CR



Graph 11: Consumption of government

real growth in %

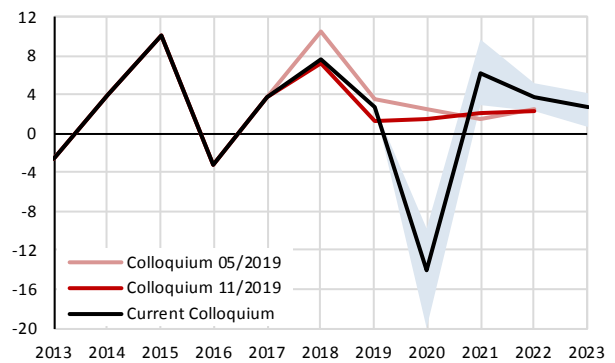
Higher public consumption due to the fight against coronavirus



Graph 12: Gross fixed capital formation

real growth in %

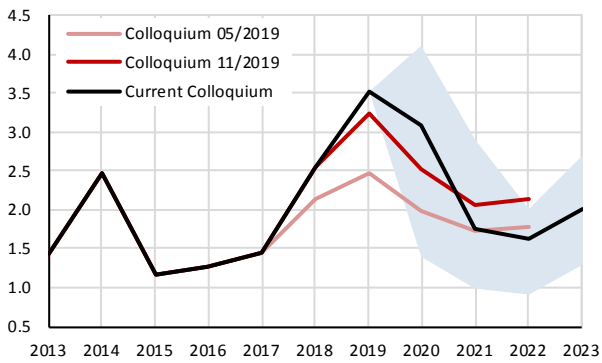
Deep slump in investment activity



Graph 13: GDP deflator

growth in %

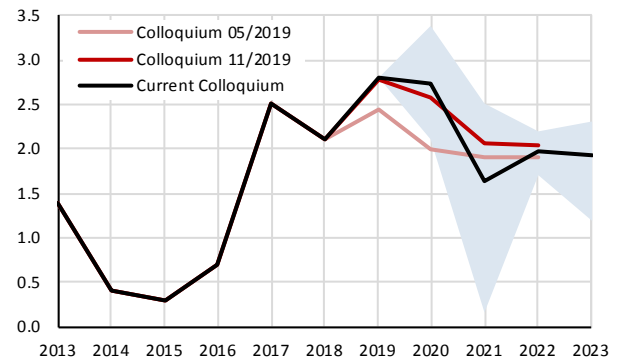
GDP deflator growth slowing down below 2% in 2021



Graph 14: Average inflation rate

in %

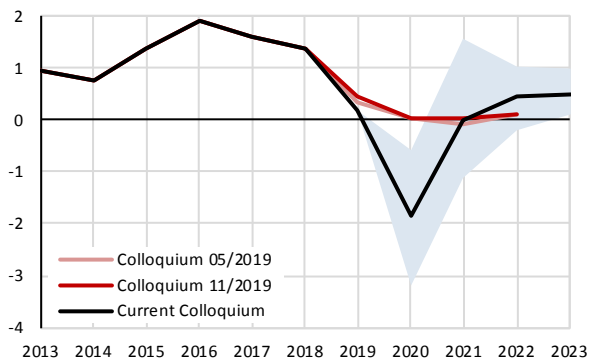
Medium-term inflation expectations anchored close to the CNB's target



Graph 15: Employment (LFS)

growth in %

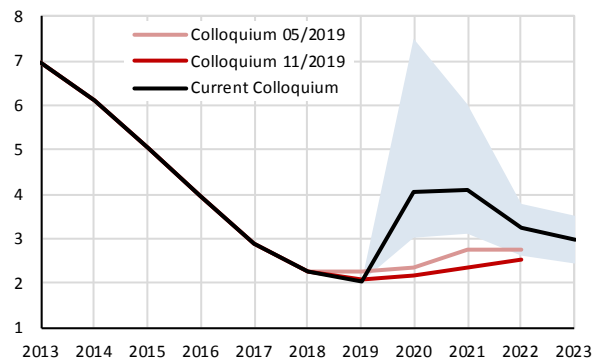
Decrease in employment, slight increase only in 2022–23



Graph 16: Unemployment rate (LFS)

in %

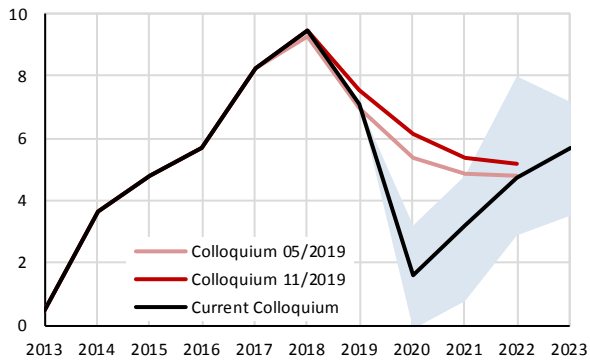
Unemployment rate marginally above 4% in 2020 and 2021



Graph 17: Total wage bill (domestic concept)

nominal growth in %

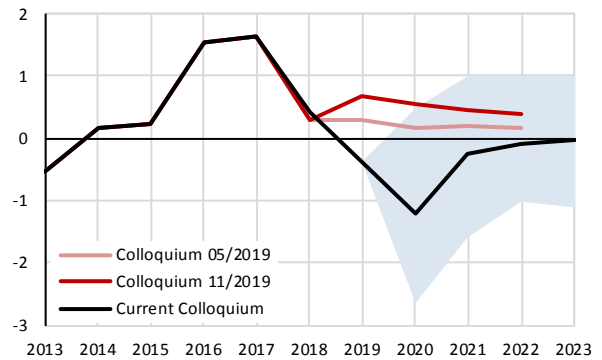
Growth momentum of earnings recovering after a sharp slowdown



Graph 18: Balance of payments – current account

in % of GDP

Gradual narrowing of a slight deficit on the current account





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