



CONFEDERATION OF INDUSTRY
OF THE CZECH REPUBLIC

REPRESENTING THOSE WHO CREATE VALUE

STRONGER TOGETHER

10 Years Anniversary
CEE Initiative Meeting - Split
28 – 29 May 2015

CZ economic recovery is continuing

- Over the past year, real GDP has increased by 2.0 %, solely due to the growth in domestic demand. **This year the expected economic growth is 2.7 %, in the coming years real GDP growth could slow down slightly to 2.3 % in 2017 and 2018.**
- **The main driver** of growth in the prediction horizon and outlook should be domestic demand, **both consumption and investment.**
- The balance of foreign trade at constant prices should, however, slightly slow down the GDP growth in 2015; however for the next years we anticipate a neutral effect of net exports on GDP growth.
- The average inflation rate in 2014 reached 0.4 %. Also in the current year the consumer prices are expected to rise very slowly, mainly due to the significant drop in oil prices. **The average inflation rate this year could thus be further reduced to 0.3 %.** Growth in consumer prices is therefore expected to accelerate, but the inflation should be in the lower half of the tolerance band of 2 % inflation target. In 2017 and 2018, inflation should be already close to the CNB's inflation target.
- The labour market situation should also gradually improve. **The unemployment rate could fall to 5.3 % in 2018,** while employment within the forecast horizon should grow very slightly. Growth in wages and salaries in the years 2015 - 2018 should be around 4 %.

CZ Main Macroeconomic Indicators

		2011	2012	2013	2014	2015	2016	2017	2018
						Forecast	Forecast	Outlook	Outlook
Gross domestic product	<i>bill. CZK</i>	4 022	4 048	4 086	4 266	4 467	4 644	4 816	5 002
Gross domestic product	<i>growth in %, const.pr.</i>	2,0	-0,8	-0,7	2,0	2,7	2,5	2,3	2,3
Consumption of households	<i>growth in %, const.pr.</i>	0,2	-1,8	0,4	1,7	2,8	2,3	2,2	2,1
Consumption of government	<i>growth in %, const.pr.</i>	-2,9	-1,0	2,3	2,3	1,7	1,6	1,5	1,3
Gross fixed capital formation	<i>growth in %, const.pr.</i>	1,1	-2,9	-4,4	4,5	5,3	4,2	3,2	3,2
Contr. of foreign trade to GDP growth	<i>p.p., const.pr.</i>	1,9	1,3	0,0	-0,1	-0,3	0,0	0,1	0,1
Contr. of increase in stocks to GDP growth	<i>p.p., const.pr.</i>	0,2	-0,2	-0,2	-0,3	0,0	0,0	0,0	0,0
GDP deflator	<i>growth in %</i>	-0,2	1,4	1,7	2,4	1,9	1,4	1,4	1,5
Average inflation rate	<i>%</i>	1,9	3,3	1,4	0,4	0,3	1,5	1,8	1,9
Employment (LFS)	<i>growth in %</i>	0,4	0,4	1,0	0,8	0,7	0,2	0,1	0,1
Unemployment rate (LFS)	<i>average in %</i>	6,7	7,0	7,0	6,1	5,7	5,5	5,4	5,3
Wage bill (domestic concept)	<i>growth in %, curr.pr.</i>	2,2	2,1	-0,4	3,1	4,0	4,1	4,1	4,1
Current account / GDP	<i>%</i>	-2,1	-1,6	-0,5	0,6	1,3	0,9	0,4	0,0
<u>Assumptions:</u>									
Exchange rate CZK/EUR		24,6	25,1	26,0	27,5	27,5	27,5	27,2	26,8
Long-term interest rates (10 years)	<i>% p.a.</i>	3,7	2,8	2,1	1,6	0,6	0,8	1,2	1,8
Crude oil Brent	<i>USD/barrel</i>	111	112	109	99	60	68	74	77
GDP in Eurozone (EA-12)	<i>growth in %, const.pr.</i>	1,6	-0,8	-0,4	0,9	1,4	1,8	1,9	2,1

EC specific recommendations for CZ

- **Achieve a fiscal adjustment of 0,5 % of GDP in 2015 and 2016.** Further improve the cost-effectiveness and governance of the health sector.
- **Fight tax evasion, simplify the tax system** and implement the anti-corruption plan. Take measures **to increase transparency and efficiency of public procurement** and strengthening guidance and supervision.
- **Reduce the high level of taxation levied on low-income earners,** by shifting taxation to other areas. To improve the availability of affordable childcare.
- **Adopt the higher education reform.** Ensure adequate training for teachers, support poor performing schools, to make education more inclusive.

What we are missing: A further support for VET and technical education and focus on better labour market matching.

SP welcomes EC's commitment to better and fair regulation

- The national **Regulatory Impact Assessment Board** (only RIAB) established in November 2011 as a body entitled to quality review of submitted RIA reports, functioning **within the Government Legislative Council (GLC)**.
- RIAB's role is to check whether the draft laws are:
 - **In compliance with the Constitution and constitutional laws;**
 - **In conformity with EU legislation and**
 - **Whether the draft legislation was prepared in accordance with RIA principles of draft legislation.**
- **RIAB consists of 16 independent members** (economists/lawyers) mostly from academic and business world (**including a SP's representative**).
- CZ is a member of the like-minded group in the area of better regulation: A common paper **„Momentum for Better Regulation“** addressed to VP F. Timmermans (*Targets and REFIT-scoreboard*), better and greater independent regulatory scrutiny, further proof legislation: fit for SMEs, (digital) competitiveness and innovation, improving of consultations with member states, stakeholders, end-users.
- The published **Better Regulation Package is a good step in the right direction** (Commission open to scrutiny, shared commitment for EU institutions, more targeted, quantitative and targeted REFIT, independent RSB).

CZ calls for a complex and ambitious TTIP

- **SP's approach is positive and pragmatic** based both on interests and concerns of its companies.
- The Czech business calls particularly for predictability and legal certainty of the trade and economic relations between the EU and the USA.
- **The SP calls member states to be more constructive and offensive** equipping the Commission with a stronger mandate.
- **The SP is supporting Czech Government in its positive campaign and debate** with all national stakeholders facing many times unjustified arguments of the trade unions.
- The Ministry of Trade and Industry is preparing **an impact study for CZ**.
- On 15 May the business community met relevant Czech MEPs and delivered **a common statement on TTIP** before a voting in INTA and EP Plenary.
- The SP appreciates very much **the BUSINESSEUROPE's effort** in guiding and representing the European business during the whole negotiation process.