

Czech Republic Business Forecast Report Q4 2013

<https://marketpublishers.com/r/CAA997288E2EN.html>

Date: September 2013

Pages: 47

Price: US\$ 1,195.00 (Single User License)

ID: CAA997288E2EN

Abstracts

Core Views

We forecast the Czech policy rate to remain at 0.05% throughout 2013 given the lack of domestic inflationary pressures. With headline consumer price inflation falling within the central bank's target range of 2.0% \pm 1.0% in 2013, we do not expect the Czech National Bank to loosen policy further via extraordinary measures, such as foreign exchange rate intervention.

The ouster of former prime minister Petr Necas' conservative government in June should further support our expectation for the fiscal consolidation drive of the public sector to abate in 2013 and 2014. This should help the gradual economic recovery via less pressure on household spending. Even with fiscal targets missed, the Czech Republic is on a sustainable fiscal trajectory in the coming years due to low deficits and public debt.

We reiterate our view that the country will continue to post modest current account deficits for the foreseeable future. The country's status as a regional safe haven will ensure that stable financial inflows continue to cover the country's external financing needs.

Major Forecast Changes

Despite the Czech Republic's worse than expected economic results in Q213, the country is poised for a modest turnaround this year as leading indicators signal that the worst may be now over. Although we have slightly revised down our forecast for growth for 2013 – from 0.2% previously to 0.0% this year, we maintain our expectation for a modest rebound of the Czech economy this year.

Key Risk To Outlook

A more pronounced slowdown in eurozone economic growth and in particular in Germany would have a negative effect on the Czech Republic's economic growth trajectory. Owing to the high degree of trade integration with Germany, the Czech Republic's economic recovery remains highly dependent on external demand remaining relatively receptive to Czech exports.

Contents

EXECUTIVE SUMMARY

CORE VIEWS

MAJOR FORECAST CHANGES

KEY RISK TO OUTLOOK

CHAPTER 1: POLITICAL OUTLOOK

SWOT Analysis

BMI Political Risk Ratings

Domestic Politics

Social Democrats And TOP09 Likely To Form Coalition

We still believe that the most likely outcome of the likely early elections in October 2013 would be a coalition between the Social Democratic Party and the centre-right TOP09. However, we do not rule out a minority government led by the Social Democratic Party and supported by other left-wing parties.

TABLE: POLITICAL OVERVIEW

Long-Term Political Outlook

Further Western Integration Ahead

The Czech Republic will remain the most 'Western' of the Central and Eastern European states over the next 10 years, with per capita income set to reach the level of poorer pre-2004 EU member states by the early 2020s. The country will face some key challenges, namely fiscal pressures from an ageing population, relations between Czechs and immigrant minority groups and potential ructions with Brussels. That said, the Czech Republic will remain among the most politically, socially and economically stable countries in Europe through the next decade.

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis

BMI Economic Risk Ratings

Economic Activity

A Turnaround In H213

We reiterate our expectation for a turnaround in the Czech economy in H213, even though we have slightly revised down our forecast for real GDP growth for 2013 from

0.2% previously to 0.0%. The Q213 contraction of 1.3% y-o-y means that the recovery might take longer to materialise, but a number of leading indicators reinforce our long-held, above consensus forecast on growth for 2013.

TABLE: ECONOMIC ACTIVITY

Balance Of Payments

Smaller Current Account Deficits Ahead

Although we have revised down our forecast for the Czech Republic's current account deficit for 2013 on the back of the slower pace of economic recovery, we reiterate our view that the country will continue to post modest current account deficits for the foreseeable future. Stable financial inflows should amply cover the country's external financing needs.

TABLE: CURRENT ACCOUNT

Deficits To Remain Elevated

The Czech Republic will miss its budget deficit forecast of 2.8% of GDP this year, with the deficit likely to arrive at 4.5% in 2013, a slight deterioration of the 2012 outturn of 4.4%. The weak economy will continue to be the main drag on tax receipts, while a policy shift away from austerity towards growth-oriented measures will ramp up spending.

TABLE: FISCAL POLICY

Monetary Policy

Currency Manipulation Unlikely

Despite very weak growth and the accompanying disinflationary pressures of subdued domestic demand, we reiterate our long-held view that the Czech National Bank is unlikely to ease monetary conditions further through foreign exchange intervention this year or next. The adverse impact of a weaker koruna on consumers and the dubious benefits it would have on the export sector are likely to dissuade the CNB from direct FX intervention.

TABLE: MONETARY POLICY

Regional Outlook

Hungary Model: No Blueprint For CE

The success of the Hungarian government in achieving fiscal consolidation while maintaining broad popular support will become increasingly tempting to emulate as governments in Central Europe struggle to retain popularity amidst still-sluggish growth. However, by significantly reducing potential economic growth, the appeal of the 'Hungary Model' will diminish over a long-term time horizon.

CHAPTER 3: 10-YEAR FORECAST

The Czech Economy To 2022

Effective Convergence

The Czech Republic is forecast to remain a positive convergence story through the coming 10 years, despite the severe adverse impact of the 2008-2009 global recession, with the eurozone accession policy anchor contributing to steady progress in a long-term government reform agenda, despite a target for accession yet to be decided.

TABLE: LONG-TERM MACROECONOMIC FORECASTS

CHAPTER 4: BUSINESS ENVIRONMENT

SWOT Analysis

BMI Business Environment Risk Ratings

Business Environment Outlook

Institutions

TABLE: BMI BUSINESS AND OPERATION RISK RATINGS

TABLE: BMI LEGAL FRAMEWORK RATING

TABLE: LABOUR FORCE QUALITY

Infrastructure

TABLE: EMERGING EUROPE – ANNUAL FDI INFLOWS

TABLE: TRADE AND INVESTMENT RATINGS

Market Orientation

Operational Risk

Pharmaceuticals

CHAPTER 5: KEY SECTORS

TABLE: DRUG MARKET INDICATORS, HISTORICAL DATA AND FORECASTS

TABLE: DRUG MARKET INDICATORS, HISTORICAL DATA AND FORECASTS

TABLE: DRUG MARKET INDICATORS, HISTORICAL DATA AND FORECASTS

Telecommunications

TABLE: THE-COUNTER (OTC) MEDICINE MARKET INDICATORS, HISTORICAL DATA AND FORECASTS

TABLE: TELECOMS SECTOR – FIXED LINE – HISTORICAL DATA AND FORECASTS

TABLE: TELECOMS SECTOR – MOBILE – HISTORICAL DATA AND FORECASTS

TABLE: TELECOMS SECTOR – MONTHLY BLENDED MOBILE ARPU (CZK) – HISTORICAL DATA AND FORECASTS

Other Key Sectors

TABLE: INFRASTRUCTURE SECTOR KEY INDICATORS

TABLE: OIL & GAS SECTOR KEY INDICATORS

TABLE: FREIGHT KEY INDICATORS

CHAPTER 6: BMI GLOBAL ASSUMPTIONS

Global Outlook

Lowering EM Growth Forecasts

TABLE: GLOBAL ASSUMPTIONS

TABLE: DEVELOPED STATES, REAL GDP GROWTH, %

TABLE: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH FORECASTS, %

TABLE: EMERGING MARKETS, REAL GDP GROWTH, %

I would like to order

Product name: Czech Republic Business Forecast Report Q4 2013

Product link: <https://marketpublishers.com/r/CAA997288E2EN.html>

Price: US\$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

info@marketpublishers.com

Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page <https://marketpublishers.com/r/CAA997288E2EN.html>