


SPRING 2011 ECONOMIC OUTLOOK FOR THE CZECH REPUBLIC: ANSWERS FROM SPCR
MAIN FORECAST

<i>Annual % change</i>	2010	2011
Real GDP growth	2,3	1,8
Consumer price inflation	1,5	2,3
Unemployment rate	7,3	7,2
Employment growth	-1,0	0,3
Government net lending (% of GDP)	-4,8	-4,6
Gross public debt (% of GDP)	38,9	42,1
Current account balance (% of GDP)	0,0	0,0

Components of aggregate demand - in real terms

<i>Annual % change</i>		
Private consumption	1,0	0,5
Public consumption	0,2	-3,5
Investment (Gross Fixed Capital Formation)	0,0	0,8
Private non-residential investment	0,0	0,0
Exports	13,9	11,1
Imports	15,0	11,0

ECONOMIC SENTIMENT

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>			
Trend in business climate over the next 6 months	Industry					
	Services					
Trend in profitability over the next 6 months	Industry					
		Services				
Investment intentions over the next 6 months	<i>Increase (faster pace)</i>	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i>	
		Industry				
		Services				
Influence on companies' investment decisions	<i>Global demand</i>	<i>Domestic demand</i>	<i>Cost of finance</i>	<i>Availability of finance</i>	<i>Company Profitability</i>	<i>Capacity Utilisation</i>
	positive	neutral	neutral	positive	negative	neutral
Driving force behind investment decisions in the next 6 months	<i>Replacement</i>	<i>Extension</i>	<i>Rationalisation</i>	<i>Innovation</i>		
	negative	positive	positive	positive		
Overall trend in employment	<i>Industry: past 6 months</i>	<i>Industry: next 6 months</i>	<i>Services: past 6 months</i>	<i>Services: next 6 months</i>		
	Down	Up	Down	Same		

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

<i>Compared to 6 months ago, cost/access to finance has been... for SMEs</i>	sharply up / restrained	up / more difficult	same Cost	down / easier Access
<i>for larger companies (>250 employees)</i>				Cost Access

<i>Over the next 6 months, cost /access to finance will be... for SMEs</i>	sharply up / restrained	up / more difficult	same Cost Access	down / easier
<i>for larger companies (>250 employees)</i>			Cost Access	

	<i>Consolidation of banking sector balance sheets</i>	<i>Access to capital markets</i>	<i>Engcouraging equity financing through tax reforms</i>	<i>Better use of existing EU instruments (including EIB)</i>	<i>Greater potential for Public-Private-Partnerships</i>
<i>Measures to alleviate current financial difficulties for SMEs</i>	Moczrate effect	Moczrate effect	Important effect	Important effect	Moczrate effect
<i>Measures to alleviate current financial difficulties for midsize and large companies</i>	Moczrate effect	Important effect	Very important effect	Very important effect	Important effect

POLICY MIX

	<i>Tight, appropriate for the euro area</i>	<i>Tight</i>	<i>Appropriate</i>	<i>Loose</i> yes	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is...</i>					
<i>Consistency between fiscal and monetary policies</i>	<i>adequate</i> yes	<i>inadequate</i>			
<i>Regarding the sustainability of public finances, government shows ...</i>	<i>excellent commitment</i>	<i>satisfactory commitment</i>	<i>neither satisfactory nor unsatisfactory commitment</i> yes	<i>unsatisfactory commitment</i>	<i>no clear commitment creating an extremely worrying situation</i>
<i>Exit Strategies</i>	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>Tight fiscal rules and more effective institutions</i>		yes			
<i>Greater efficiency of public administrations</i>				yes	
<i>Credible cost-cutting measures</i>				yes	
<i>Increased scope of public-private partnerships</i>				yes	
<i>Reform of pension systems</i>				yes	
<i>Improved efficiency of healthcare sector</i>					yes
<i>Entry Strategies</i>	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor unsufficient focus</i>	<i>unsufficient focus</i>	<i>so far ignored</i>
<i>More and better-targeted education and training</i>				yes	
<i>More and better targeted R&D and innovation efforts</i>			yes		
<i>Prioritisation of infrastructure investments</i>				yes	
<i>Growth enhancing tax reforms</i>				yes	
<i>In 2015, the government deficit will...</i>	<i>respect the 3% limit</i> yes	<i>be in balance</i> no			