


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

<i>Annual % change</i>	2011	2012
Real GDP growth	2,0	2,5
Consumer price inflation	2,3	3,5
Unemployment rate	8,2	8,5 - 9
Employment growth	0,2	0,2
government net lending (% of GDP)	-4,2	-3,5
gross public debt (% of GDP)	41,2	42,2
current account balance (% of GDP)	-3,9	-3,6

**Components of aggregate demand - in real terms**

<i>Annual % change</i>		
Private consumption	0,5	2,0
Public consumption	-2,4	-2,1
Investment (Gross Fixed Capital Formation)	1,9	3,2
Private non-residential investment	1,2	1,2
Exports	12,5	11,5
Imports	10,7	10,3

**ECONOMIC SENTIMENT**

	<b>Positive</b>	<b>Negative</b>	<b>Unchanged</b>
<b>Trend in business climate over the next 6 months</b>		Industry	Services

	<b>Positive</b>	<b>Negative</b>	<b>Unchanged</b>
<b>Trend in profitability over the next 6 months</b>		Industry	Services

	<b>Increase (faster pace)</b>	<b>Increase (slower pace)</b>	<b>Unchanged</b>	<b>Decrease (slower pace)</b>	<b>Decrease (faster pace)</b>
<b>Investment intentions over the next 6 months</b>				Industry	Services

	<b>Global demand</b>	<b>Domestic demand</b>	<b>Cost of finance</b>	<b>Availability of finance</b>	<b>Company Profitability</b>	<b>Capacity Utilisation</b>
<b>Influence on companies' investment decisions</b>	negative	negative	neutral	neutral	negative	negative

	<b>Replacement</b>	<b>Extension</b>	<b>Rationalisation</b>	<b>Innovation</b>
<b>Driving force behind investment decisions in the next 6 months</b>	positive	neutral	positive	positive

	<b>Industry: past 6 months</b>	<b>Industry: next 6 months</b>	<b>Services: past 6 months</b>	<b>Services: next 6 months</b>
<b>Overall trend in employment</b>	Up	Down	Same	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>	<b>sharply up / restrained</b>	<b>up / more difficult</b>	<b>same</b> Cost Access	<b>down / easier</b>
<i>for larger companies (&gt;250 employees)</i>			Cost Access	

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

	<i>Consolidation of banking sector balance sheets</i>	<i>Access to capital markets</i>	<i>Encouraging 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>	Very limited effect	Moderate effect	Moderate effect	Important effect	Very important effect
<i>Measures to alleviate current financial difficulties for midsize and large companies</i>	Very limited effect	Moderate effect	Moderate effect	Important effect	Very important effect

**POLICY MIX**

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