Globální ekonomický výhled - srpen 2014

Česká národní banka; Sekce měnová a statistiky; Odbor vnějších ekonomických vztahů
2014

GLOBAL ECONOMIC OUTLOOK – AUGUST

2014

Monetary and Statistics Department
External Economic Relations Division

CZECH NATIONAL BANK

Cut-off date for data
11 - 15 August 2014

CF survey date
11 August 2014

GEO publication date
22 August 2014

Notes to charts
ECB and Fed: midpoint of the range of forecasts.

The arrows in the GDP and inflation outlooks indicate the direction of revisions compared to the last GEO. If no arrow is shown, no new forecast is available. Asterisks indicate first published forecasts for given year.

Forecasts for EURIBOR and LIBOR rates are based on implied rates from interbank market yield curve (FRA rates are used from 4M to 15M and adjusted IRS rates for longer horizons). Forecasts for German and US government bond yields (10Y Bund and 10Y Treasury) are taken from CF.

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V. Commodity market developments	Focus

The August issue of Global Economic Outlook presents its regular overview of recent and expected developments in selected territories, focusing on key economic variables: inflation, GDP growth, leading indicators, interest rates, exchange rates and commodity prices. In this issue, we also focus on the evolution and structure of part-time employment. We present a European comparison of the use of part-time employment. It reveals, among other things, that in the crisis period of 2008–2013, part-time employment was most frequently used in countries with high unemployment growth and in demographic groups most at risk of redundancy. This helped to lessen – at least partly – the impacts of the economic crisis on the labour market.

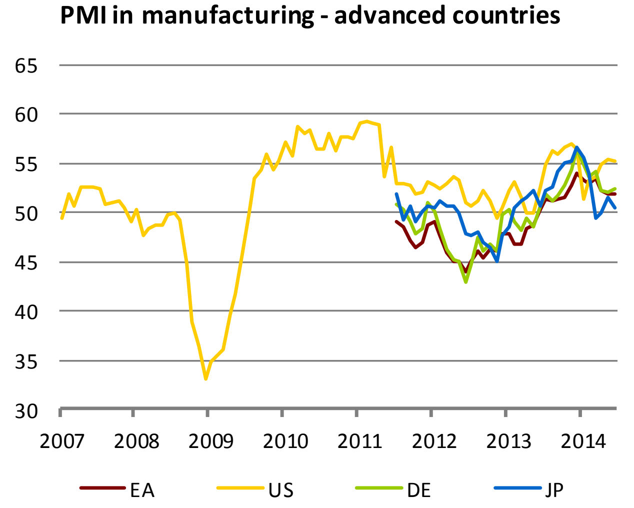
Economic growth in advanced countries should continue to be driven by the US economy, which is returning to optimistic outlooks for GDP growth after faltering briefly. However, the information coming in from Europe is mixed. The euro area as a whole, as well as its significant part – Germany – recorded lower-than-expected economic growth, and a similar trend can be expected going forward. There was some positive news from euro area periphery countries, whose performance surpassed expectations. The outlooks for the Japanese economy are also giving rise to some concerns, stemming from a strong GDP decline in Q2. However, the leading indicator for Japanese industry and the labour market situation are still assessed positively. The inflation outlook in Japan is showing the opposite trend. However, inflation should fall just below 2% at the end of 2015.

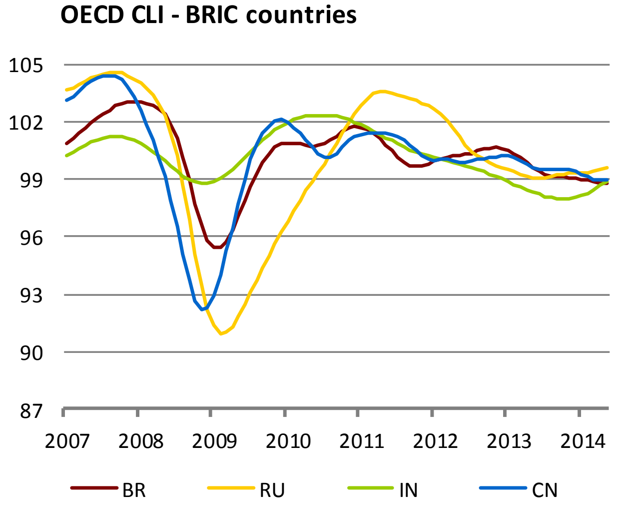
The outlooks for the BRIC countries remain mixed. Economic growth in China has stabilised, but its outlook is declining gradually to the 7% level amid relatively low inflation. The outlooks for Brazil are still none too optimistic. Its GDP growth rate is very low for an emerging economy amid rising inflation and a weakening exchange rate of the real. The macroeconomic prospects of the Russian economy are not encouraging either. This fact is intensified by the persisting political tensions and the economic sanctions imposed by both sides. The Russian economy is thus on the brink of recession in a situation of relatively high inflation. By contrast, the Indian economy is enjoying mostly good news, reflected in an increasing growth outlook and a marked disinflationary process.

The outlooks for euro area interest rates are still very low, with no clear reversal in trend. Interest rates in the USA are expected to rise gradually in late 2014/early 2015, a trend which should continue throughout 2015. According to CF, the US dollar should appreciate against the euro and the Japanese yen. The dollar is also expected to appreciate against the Brazilian and Russian currencies. The Indian currency should initially appreciate against the dollar and then be broadly stable. By contrast, the dollar should depreciate slightly against the Chinese renminbi.

The outlooks for oil prices remain slightly falling until the end of 2015, but may see a turnaround if the security situation in Iraq and Ukraine worsens. Agricultural commodity markets recorded a decline in prices thanks to good harvest worldwide, although the current outlook is slightly rising at the end-2015 horizon. The industrial metals price index, by contrast, rose slightly further last month and the outlook is flat.

Available PMI time series for countires monitored in the GEO



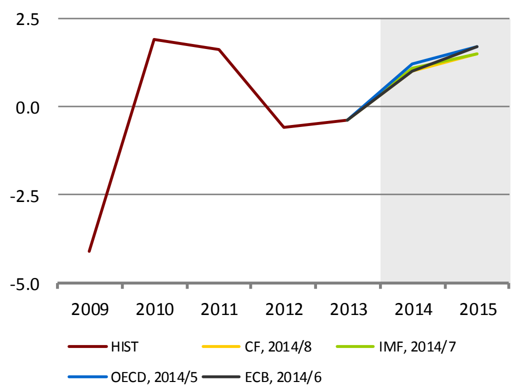


II.1 Euro area

The latest developments increased the uncertainty about the euro area recovery. According to the flash estimate for GDP growth, the euro area economy stagnated in 2014 Q2. This was due mainly to the core countries of the euro area: the German economy contracted by 0.2% quarter on quarter due to low investment and worse sentiment linked with the crisis in Ukraine; Italy also saw a quarterly decline and slipped into its third technical recession since 2008, and France stagnated again. On the other hand, the Spanish and Portuguese economies were a positive surprise, as both grew by 0.6%. Other economic indicators are mixed, too. Industrial production fell month on month in June but the rate of decline was lower than in May. Retail sales growth picked up in June compared to May. The PMI in manufacturing stayed at a seven-month low (51.8) in July, as in June, but continued to signal an expansion in the euro area. The uncertainty surrounding the growth outlook remains high due to the geopolitical tensions and their impact on the economy. The August CF slightly reduced its outlook for this year and the next to 1% and 1.5% respectively. The July update of the IMF forecast slightly lowered the growth outlook for this year. None of the outlooks yet include the weak GDP growth figures for Q2.

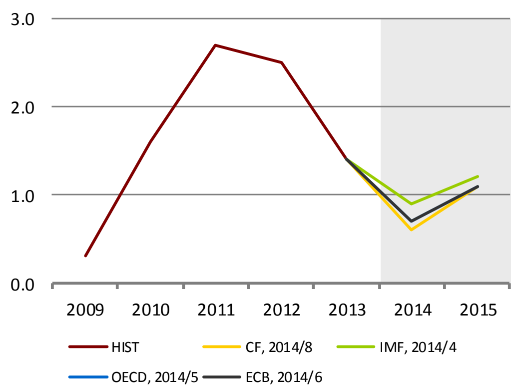
Inflation in the euro area fell to 0.4% in July, i.e. the lowest figure since 2009. At its meeting in August, the ECB repeated its commitment to leave rates at present levels for an extended period of time and to use unconventional policy instruments to prevent too prolonged a period of low inflation. The August CF reduced its inflation outlook by 0.1 pp to 0.6% and 1.1% this year and the next respectively. Government bond yields and their outlook declined across the euro area on expectations of sustained low ECB rates and other central bank actions. In addition, the EONIA dropped to a historical low in the third week of August.

GDP growth, %



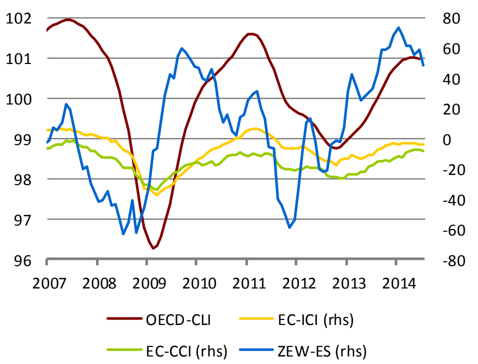
	CF	IMF	OECD	ECB
2014	1.0	1.1	1.2	1.0
2015	1.5	1.5	1.7	1.7

Inflation, %



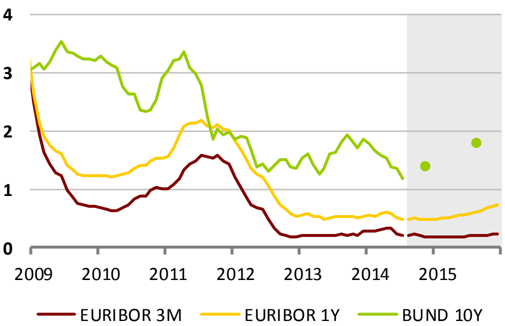
	CF	IMF	OECD	ECB
2014	0.6	0.9	0.7	0.7
2015	1.1	1.2	1.1	1.1

Leading indicators



	OECD-CLI	EC-ICI	EC-CCI	ZEW-ES
5/14	101.0	-3.1	-7.1	55.2
6/14	101.0	-4.3	-7.5	58.40
7/14		-3.8	-8.4	48.10

Interest Rates



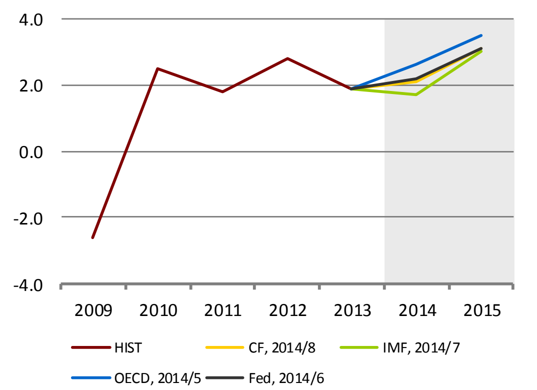
	07/14	08/14	06/15	12/15
3M EURIBOR	0.21	0.20	0.20	0.23
1Y EURIBOR	0.49	0.48	0.57	0.75
	07/14	**11/14**	**08/15**	
10Y Bund	1.20	1.4	1.8	

II.2 United States

Quarterly GDP growth amounted to 4% in 2014 Q2 (in annualised terms) and was almost 1 pp higher than expected. The growth was driven mainly by private consumption spending, investment in inventories and exports of goods. The faster-than-expected GDP growth in Q2 supports the hypothesis that the fall in Q1 (of 2.1%) was due to short-term factors related to the extreme winter. The indicators available as of mid-August also point to a continued robust recovery in 2014 Q3. The labour market situation is solid and most leading indicators are positive. For example, the PMI in manufacturing rose in July for the 14th month in a row (to 57.1). On the other hand, retail sales were flat in July due to relatively slow wage growth. The August CF significantly revised its GDP growth outlook for this year (up by 0.5 pp to 2.1%), almost offsetting the previous month’s negative revision. The growth next year should pick up by 1 pp compared to this year. The IMF reduced its growth outlook for this year (to 1.7%) in its July forecast update.

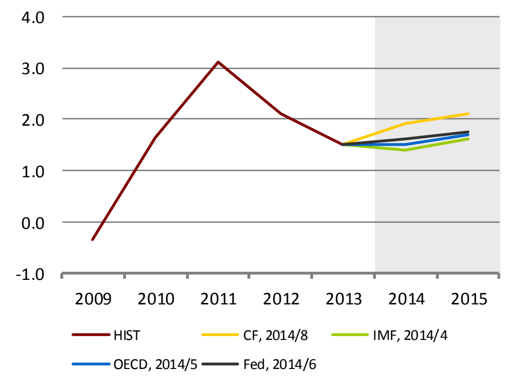
Consumer price inflation was 2.1% in June, the same as in May, and slowed to 1.9% excluding food and energy prices. The outlook expects only a slight rise in inflation, due to slack in the labour market and relatively low wage growth. The Federal Reserve announced at the end of July that it would continue to taper its bond and MBS purchases by USD 10 billion to USD 25 billion in August. However, uncertainty surrounds the first rise in its policy rate. The dollar appreciated against the euro in July and early August due to developments in the euro area and geopolitical tensions, which pose a further risk to the euro area recovery. According to the August CF, the euro should weaken further against the dollar at the 1Y horizon.

GDP growth, %



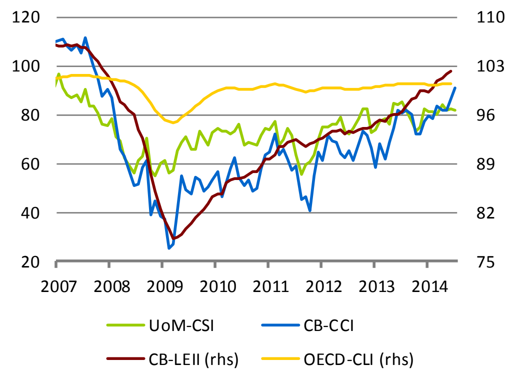
	CF	IMF	OECD	Fed
2014	2.1	1.7	2.6	2.2
2015	3.1	3.0	3.5	3.1

Inflation, %



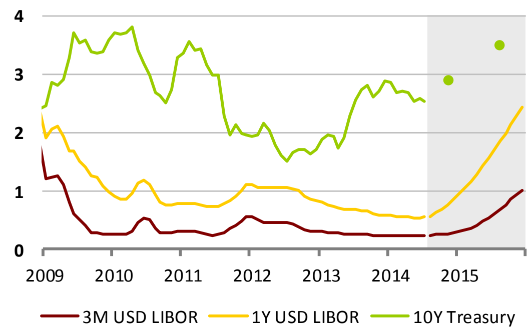
	CF	IMF	OECD	Fed
2014	1.9	1.4	1.5	1.6
2015	2.1	1.6	1.7	1.8

Leading indicators



	CB-LEII	OECD-CLI	UoM-CSI	CB-CCI
5/14	101.9	100.4	81.9	82.2
6/14	102.2	100.4	82.5	86.4
7/14			81.8	90.9

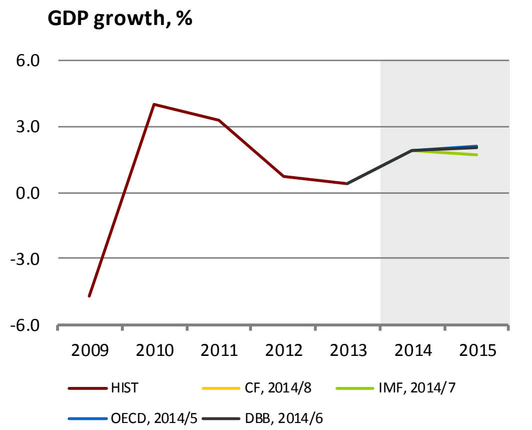
Interest Rates



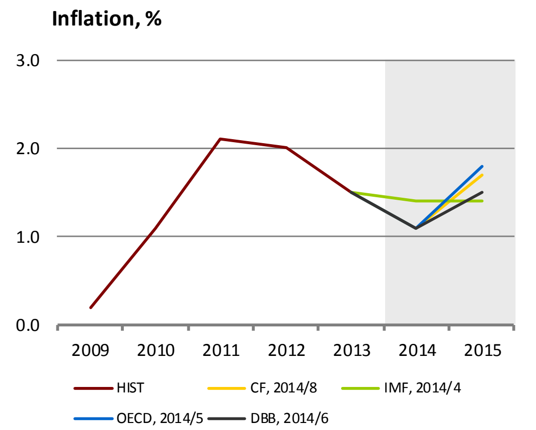
	07/14	08/14	06/15	12/15
3M USD LIBOR	0.23	0.23	0.55	1.02
1Y USD LIBOR	0.56	0.56	1.56	2.44
	07/14	11/14	08/15	
10Y Treasury	2.53	2.9	3.5	

II.3 Germany

According to the Federal Statistical Office's flash estimate, the strong quarterly economic growth observed in Q1 turned into a decline of 0.2% in Q2 and the annual growth of 2.2% decreased significantly to 1.3%. This significant change in economic growth was due to the very warm winter (which made it possible to shift economic activities from Q2 to Q1), slower growth in some major German exports markets and geopolitical tensions due to the crisis in Ukraine. Continued problems in the German economy are also suggested by leading indicators, which edged down in July. Only the PMI in industry was broadly flat at just above 50 points. Inflation in Germany decreased by 0.2 pp to 0.8% in July. Falling energy prices and flat food prices were counteracted by rising prices of services. According to the August CF, inflation of 1.1% is expected for the year as a whole.



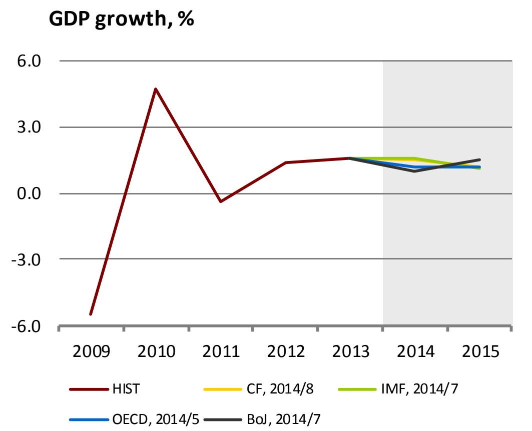
	CF	IMF	OECD	DBB
2014	1.9 ↘	1.9 ↗	1.9	1.9
2015	2.0 →	1.7 ↗	2.1	2.0



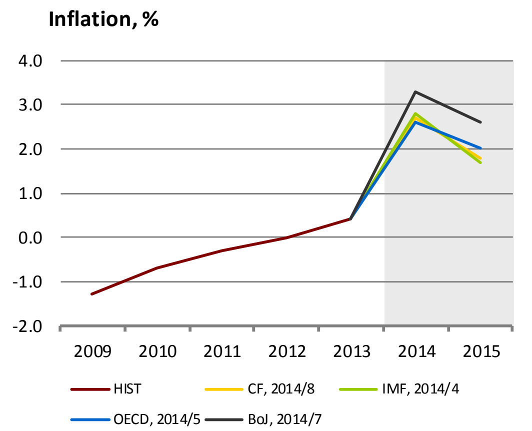
	CF	IMF	OECD	DBB
2014	1.1 →	1.4	1.1	1.1
2015	1.7 ↘	1.4	1.8	1.5

II.4 Japan

According to the flash estimate, GDP in Japan declined by 6.8% quarter on quarter in Q2 (in annualised terms), the biggest contraction since the 2011 tsunami. The sharp fall mainly reflects frontloading in Q1 ahead of a consumption tax hike in April. The fact that industrial production growth moderated in June and exports fell year on year is also worrying. However, the PMI indicator in manufacturing remained in the expansion band in July and the labour market situation also remains favourable. As expected, inflation in Japan slowed in June compared to the previous month – to 3.4% for core inflation excluding food prices and to 3.6% for headline inflation. This is in line with the central bank's expectation that inflation will slow to around 1% in the months ahead. The effects of the tax changes and the weaker currency on import prices are expected to wane. According to the BoJ, the price trend will not change until wages start to rise as the economy recovers. The August CF does not include the new GDP growth data, hence it revised the outlook for GDP growth for 2015 only slightly downwards. Its inflation forecast was unchanged.



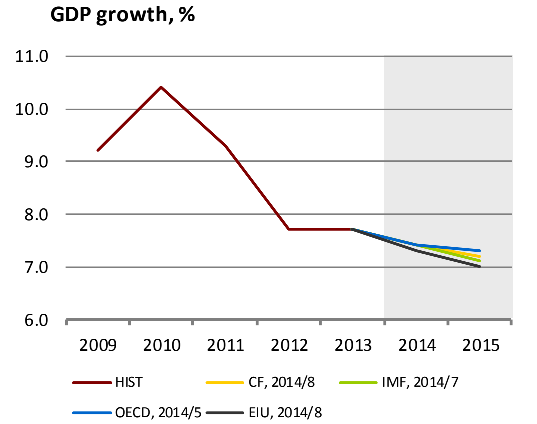
	CF	IMF	OECD	BoJ
2014	1.5 →	1.6 ↗	1.2	1.0 ↘
2015	1.2 ↘	1.1 ↗	1.2	1.5 →



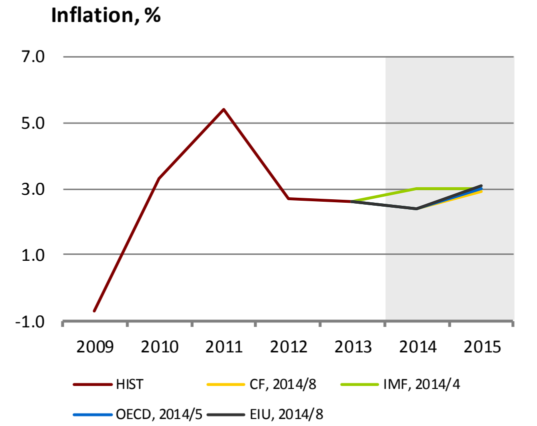
	CF	IMF	OECD	BoJ
2014	2.7 →	2.8	2.6	3.3 →
2015	1.8 →	1.7	2.0	2.6 →

III.1 China

GDP growth in China rose from 7.4% in 2014 Q1 to 7.5% in 2014 Q2. A slight improvement in economic activity is also suggested by the HSBC PMI in industry, which rose to 51.7 points in July. However, GDP growth remains slightly weaker than last year. The slower economic activity in China is fostering weaker external demand and, subsequently, slower GDP growth in China's trading partners. Compared to April, the IMF reduced its GDP growth outlook to 7.4% this year. The revision was due to a larger-than-expected weakening of domestic demand. By contrast, growth should be supported by numerous government measures adopted in the second half of 2014. The IMF expects growth to slow to 7.1% next year. According to CF and the EIU, GDP growth will reach 7.3%–7.4% in 2014 and then slow to 7.0%–7.2%. Inflation was at 2.4% in July, the same figure as in June. The CF and EIU inflation outlooks for 2014 also remained unchanged at 2.4%. Consumer prices will rise by around 3% next year.



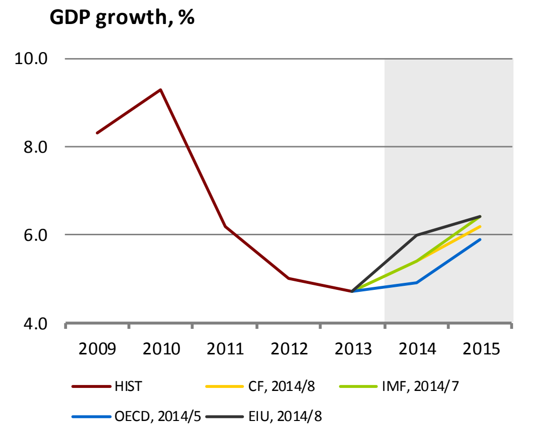
	CF	IMF	OECD	EIU
2014	7.4	7.4	7.4	7.3
2015	7.2	7.1	7.3	7.0



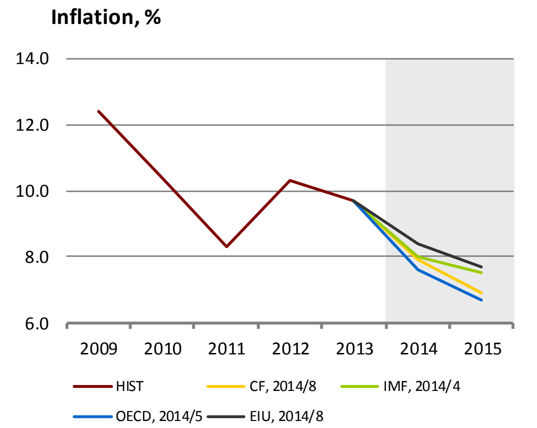
	CF	IMF	OECD	EIU
2014	2.4	3.0	2.4	2.4
2015	2.9	3.0	3.0	3.1

III.2 India

The export restrictions on some foods introduced by the new Indian government are having a positive effect on prices. In June, consumer inflation in India fell to its lowest level since January 2012 (7.3%) and wholesale price inflation also decreased slightly. However, this year's drought and higher household demand remain risks, so no monetary policy easing can be expected for the time being. On the other hand, the industrial production figures were surprisingly good and the PMI leading indicator for manufacturing also indicated an expansion in July. The August CF left its GDP outlook at the July level and slightly lowered its inflation outlook for this year. The EIU left its outlook for the Indian economy unchanged.



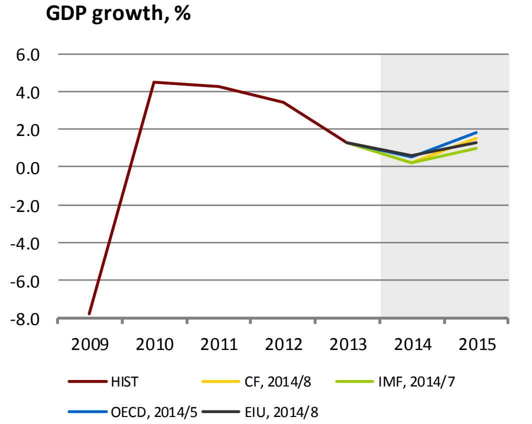
	CF	IMF	OECD	EIU
2014	5.4	5.4	4.9	6.0
2015	6.2	6.4	5.9	6.4



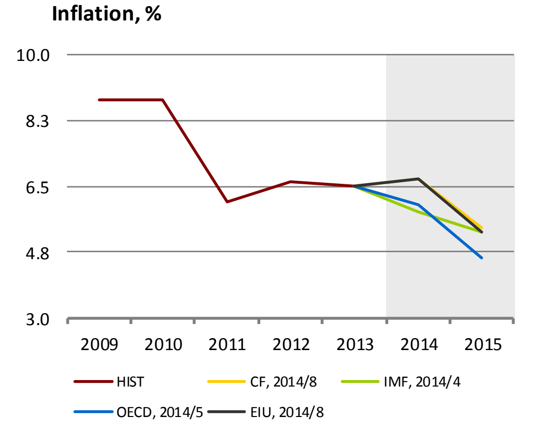
	CF	IMF	OECD	EIU
2014	7.9	8.0	7.6	8.4
2015	6.9	7.5	6.7	7.7

III.3 Russia

The EU imposed a further wave of sanctions on Russia at the end of July. The existing restrictions on selected individuals and corporations were expanded to include sanctions targeted at the financial sector, the oil industry (equipment, technology and investment), arms trading and dual-use items. Russia imposed retaliatory sanctions on the EU and other countries that had announced sanctions. These include a one-year ban on imports of meat, poultry, fish, vegetables and fruit. Russia is also considering widening its sanctions. The current situation may negatively affect its fragile GDP growth relatively soon. A week before the approval of the new EU sanctions, the Russian central bank increased its policy rate to 8% due to an increasing risk of inflation pressures. Annual inflation slowed in July for the first time since January, and flash data issued in early August indicate no significant increase even for food prices, where the upside risk remains high due to retaliatory sanctions. According to CF, the EIU and the IMF, GDP growth will be between 0.2% and 0.6% this year and inflation will reach 6.7% at the end of 2014.



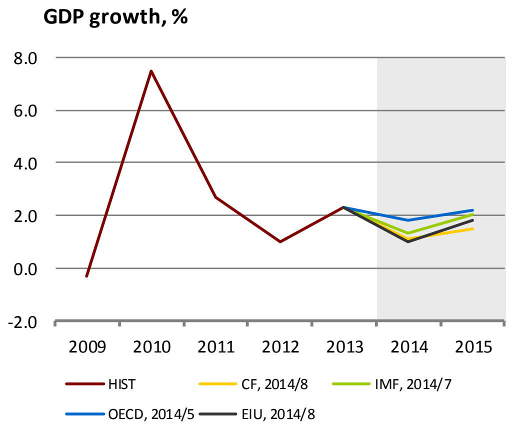
	CF	IMF	OECD	EIU
2014	0.2	0.2	0.5	0.6
2015	1.5	1.0	1.8	1.3



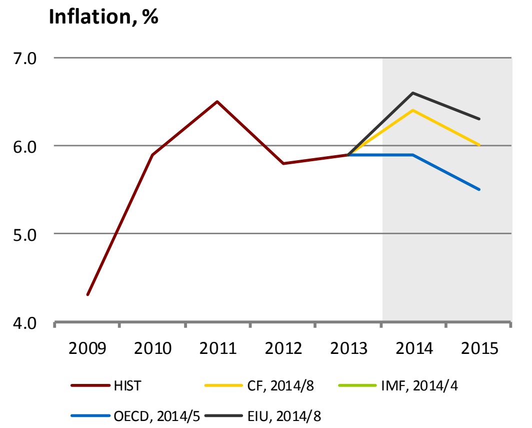
	CF	IMF	OECD	EIU
2014	6.7	5.8	6.0	6.7
2015	5.4	5.3	4.6	5.3

III.4 Brazil

Preliminary July figures confirm a persisting risk of high inflation in Brazil as well. This year's drought has reduced the utilisation of hydroelectric power stations in Brazil and there are concerns that the higher energy costs will pass through to administered prices in early 2015. Moreover, the Brazilian real weakened by more than 4% last month, which may foster further inflation pressures. The growth prospects are also weak. The year-on-year decline in industrial production deepened in June (to -7%) and a recession is expected for Q2. However, inflation remains the central bank's main concern, so no rate changes will be made for now. On the other hand, the bank announced a liquidity easing of BRL 45 billion for domestic banks as part of a package of macro-prudential measures. The August CF reduced its outlooks for the Brazilian economy by 0.4 pp and 0.3 pp in 2014 and 2015 respectively; its inflation outlooks remain at the July levels. The EIU changed only its GDP growth outlook for this year, revising it downwards by 0.1 pp.



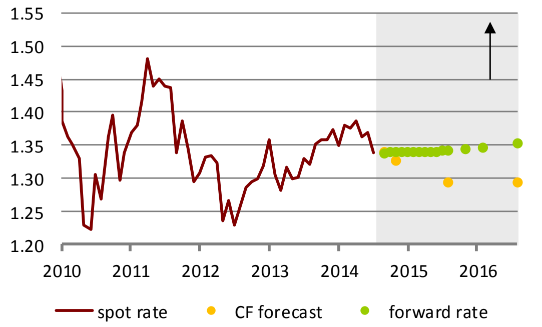
	CF	IMF	OECD	EIU
2014	1.1	1.3	1.8	1.0
2015	1.5	2.0	2.2	1.8



	CF	IMF	OECD	EIU
2014	6.4	5.9	5.9	6.6
2015	6.0	5.5	5.5	6.3

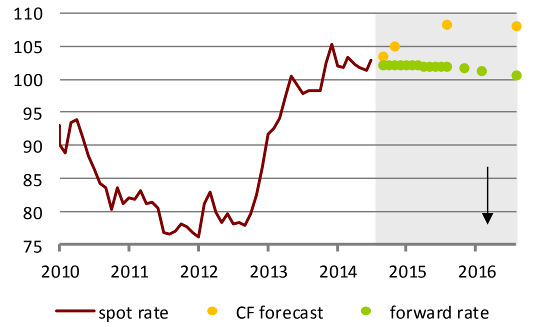
IV. Outlook of exchange rates vis-à-vis the US dollar

THE EURO



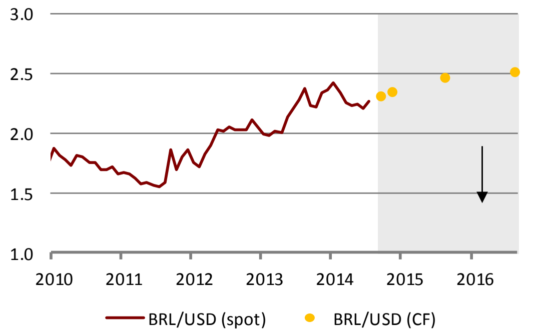
	11/08/14	09/14	11/14	08/15	08/16
spot rate	1.339				
CF forecast		1.340	1.327	1.293	1.295
forward rate		1.339	1.339	1.342	1.354

THE JAPANESE YEN



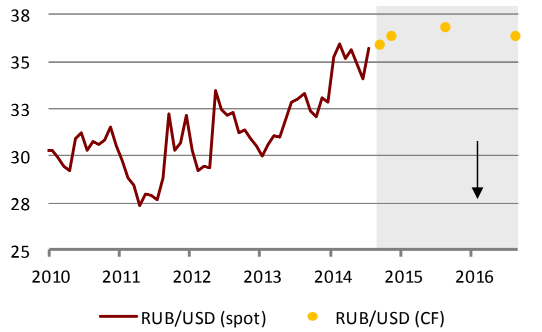
	11/08/14	09/14	11/14	08/15	08/16
spot rate	102.10				
CF forecast		103.40	104.90	108.30	107.90
forward rate		102.17	102.13	101.78	100.51

THE BRAZILIAN REAL



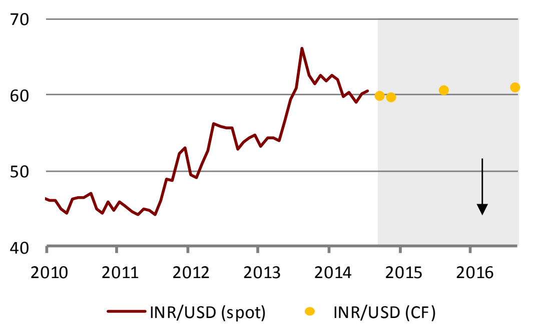
	11/08/14	09/14	11/14	08/15	08/16
spot rate	2.28				
CF forecast		2.31	2.34	2.46	2.51

THE RUSSIAN ROUBLE



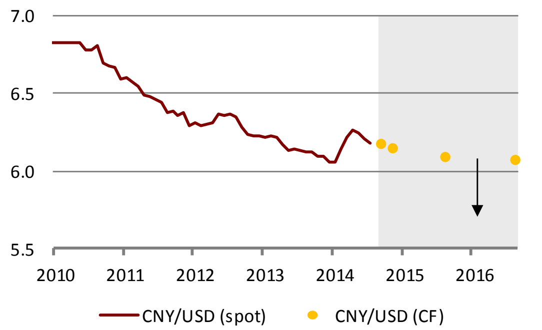
	11/08/14	09/14	11/14	08/15	08/16
spot rate	36.00				
CF forecast		35.90	36.33	36.86	36.33

THE INDIAN RUPIE



	11/08/14	09/14	11/14	08/15	08/16
spot rate	61.18				
CF forecast		59.93	59.62	60.61	61.05

THE CHINESE RENMINBI



	11/08/14	09/14	11/14	08/15	08/16
spot rate	6.15				
CF forecast		6.17	6.14	6.09	6.07

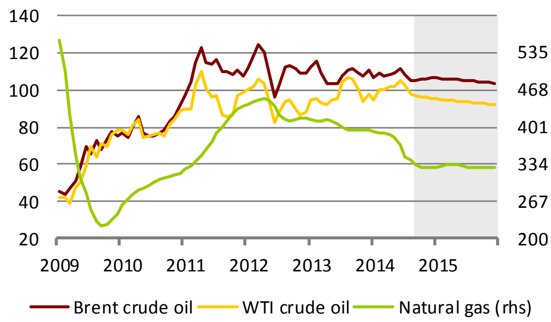
Arrow indicates currency appreciation against US dollar. Exchange rates as of last day of month. Forward rate does not represent outlook; it is based on covered interest parity, i.e. currency of country with higher interest rate is depreciating. Forward rate represents current (as of cut-off date) possibility of hedging future exchange rate.

V.1 Oil and natural gas

A downward price trend currently prevails on the oil market. The continuing conflicts in Iraq, Libya and eastern Ukraine have not led to any reduction in oil supplies from these regions so far. On the contrary, extraction in Libya increased slightly, helping to drive OPEC extraction to a five-month high. The physical oil surplus on the market, augmented by weak demand in European refineries, is pushing down the price of spot oil, and the closing of speculative long positions is reducing prices of more distant contracts. The average Brent crude oil price dropped from USD 112 to USD 108.2 a barrel (bbl) in July. It continued to decline in August, falling below USD 102/bbl in the middle of the month. The fall in the WTI crude oil price in the USA was more moderate due to high activity at local refineries and a decline in stocks at the Cushing hub. The price spread between the two benchmarks thus narrowed. Sufficient oil in the market is confirmed by a rise in commercial stocks in OECD countries, which continued in June for the sixth month in a row. The market outlook expects an average Brent price of USD 105.8/bbl in the remainder of the year and an only slight decline to USD 105.2/bbl in 2015. This is in line with the EIA forecast for 2015 and slightly below the August CF forecast of USD 106.2/bbl at the 1Y horizon.

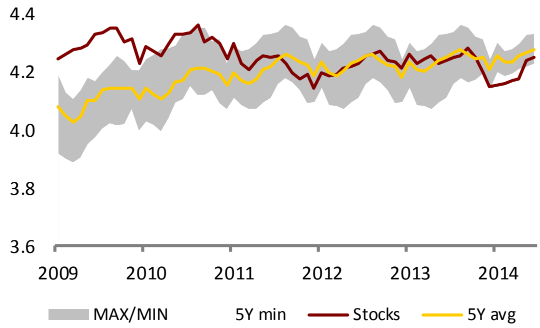
Coal prices increased at the end of July following a three-month decline. The sharp fall in market prices of natural gas observed practically since the start of 2014 also halted. Natural gas prices declined in the USA in summer months due to colder weather (which reduced the operation of energy-intensive air-conditioning units), and that in turn made it possible to replenish gas stocks at a record pace. Concerns about disruption of gas supplies from Russia abated in Europe. The decline in market prices was reflected in a decrease in long-term contracts for natural gas supplies from Russia to the German border.

OUTLOOK FOR PRICES OF OIL AND NATURAL GAS

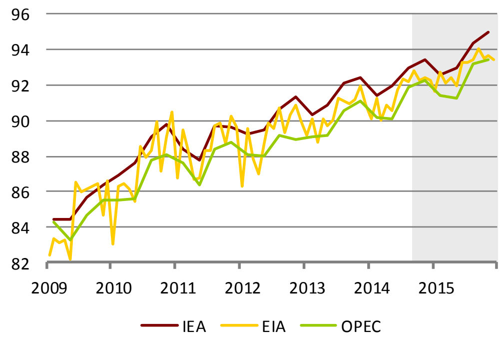


	Brent	WTI	Natural gas
2014	-1.14	1.31	-10.82
2015	-2.18	-5.57	-8.32

TOTAL STOCKS OF OIL AND OIL PRODUCTS IN OECD

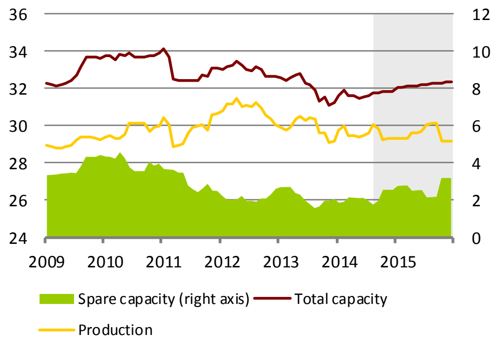


GLOBAL CONSUMPTION OF OIL AND OIL PRODUCTS



	IEA	EIA	OPEC
2014	1.10	1.24	1.25
2015	1.42	1.53	1.32

PRODUCTION, TOTAL AND SPARE CAPACITY IN OPEC COUNTRIES



	Production	Total capacity	Spare capacity
2014	-1.14	-1.11	-0.74
2015	-0.08	1.60	24.91

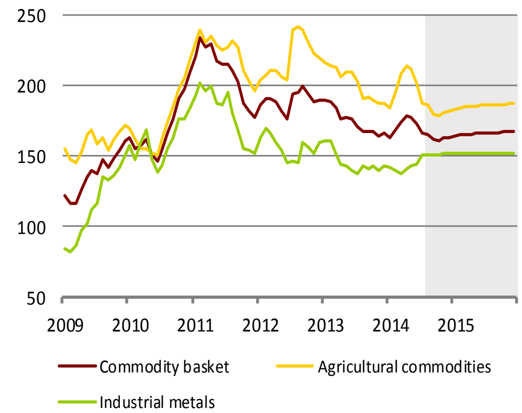
Note: Oil price in USD/barrel, price of Russian natural gas at German border in USD/1,000 m3 (IMF data, smoothed by the HP filter). Future oil prices (grey area) are derived from futures and future gas prices are derived from oil prices using model. Tables show annual percentage changes. Total oil stocks (commercial and strategic) in OECD countries including average, maximum and minimum in past five years in billions of barrels. Global consumption of oil and oil products in millions of barrels a day. Production and extraction capacity of OPEC in million barrels a day (EIA estimate).
Source: Bloomberg, IEA, EIA, OPEC, CNB calculations

V.2 Other commodities

As regards non-energy commodities, prices of agricultural commodities (cereals in particular) continued to decrease on expectations of a good harvest. Good weather in the Black Sea region pushed down wheat prices in Europe, and this process was aided by fading concerns about disruption of supplies from Ukraine. Better-than-expected growing conditions are supporting a decline in prices of corn and soy in the USA. Prices of rice also decreased. Speculation by financial investors in the food commodity market fell as prices went down. However, the decline in cereals prices halted at the end of July and prices of wheat and soy edged up in early August. Prices of pork fell back from a historical high last month and a further sharp fall is expected. By contrast, prices of beef remain close to their high and no major decline is expected. The price of rubber was flat, with the downward trend observed over the last few years coming to a halt, while the price of cotton fell further.

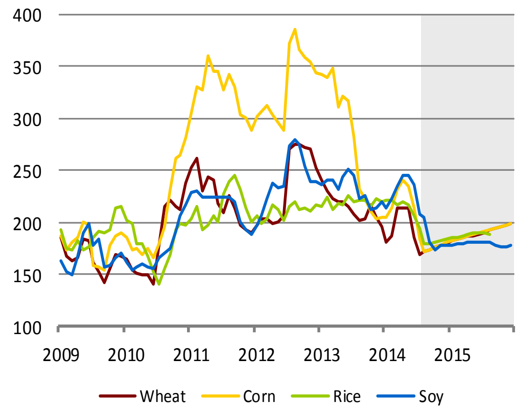
The basic metals price index increased slightly further, supported by continued expansion of manufacturing in China and the USA (as evidenced by the PMI and GDP indicators). The Indonesian government struck a deal with one of the two main suppliers to renew exports of copper, the price of which thus more or less stopped growing and now has a slightly declining outlook. Prices of aluminium rose further as large producers continued to reduce their spare capacity. This is evidently also expected in the outlook, which is rising. Prices of iron ore, lead and zinc also increased. Nevertheless, the tapering of the asset purchase programme by the Fed might have a negative impact on the currencies of emerging economies, and this in turn might be negatively reflected in their ability to import commodities.

PRICES OF NON-ENERGY COMMODITIES



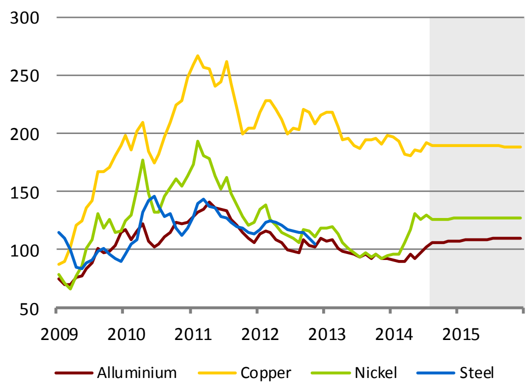
	Overall	Agricultural	Industrial
2014	-3.9	-4.4	0.5
2015	-1.0	-3.6	4.1

FOOD COMMODITIES



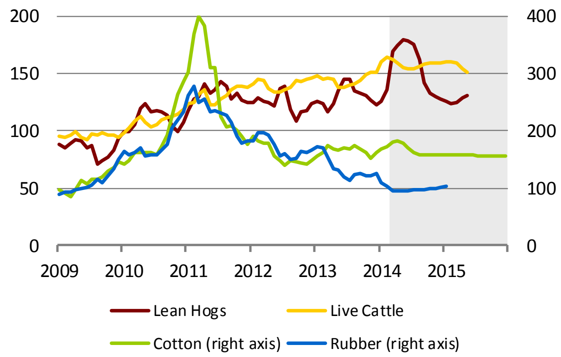
	Wheat	Corn	Rice	Soy
2014	-12.9	-28.0	-8.8	-9.4
2015	1.7	-4.8	-6.1	-14.6

METALS



	Aluminium	Copper	Nickel
2014	1.9	-5.0	17.3
2015	9.9	0.3	6.3

MEAT, NON-FOOD AGRICULTURAL COMMODITIES



	Lean hogs	Live Cattle	Cotton	Rubber
2014	17.2	9.5	1.1	-26.5
2015	-16.9	-0.9	-6.1	

Note: Structure of non-energy commodity price indices corresponds to composition of The Economist commodity indices. All prices are given as indices, 2005 = 100 (charts) and percentage changes (tables).
Source: Bloomberg, CNB calculations.

Evolution and structure of part-time employment: A European comparison[1]

The importance of part-time employment in the European market has increased over the last decade. In 2013, it accounted for 19.6% of total employment. An international comparison reveals that part-time employment is used more in economically strong countries with significant services sectors and a high proportion of women in the labour force. In the crisis period of 2008–2013, part-time employment rose most of all in countries with high unemployment growth (Spain and Ireland) and in demographic groups most at risk of being made redundant (i.e. young people, persons of retirement age and persons with low education). Combined with growth in "involuntary" part-time employees, this suggests that firms endangered by the economic crisis used reduced working hours as an alternative to lay-offs.

1 Introduction

One of the main employment trends observed in the EU when the economic and financial crisis was escalating in 2008–2013 was a rapid increase in part-time work as a percentage of total employment. It is reasonable to assume that firms facing an adverse economic situation preferred to cut their employees' working hours rather than lay them off. A detailed international comparison of the share of part-time employment in the EU makes it possible to quantify how important this trend is in the Czech Republic in relation to other economies, and partly also to forecast its future path. The analysis presented in this article is based on aggregated European Labour Force Survey (LFS) data coordinated by Eurostat, the results of which are directly comparable across the EU due to its harmonised methodology.

Under the 1997 Council Directive concerning the Framework Agreement on part-time working, the term "part-time worker" refers to an employee whose normal hours of work are less than the normal hours of work of a comparable full-time worker. This comparative definition is used because the normal hours of work for full-time work can differ across different occupations. Part-time work covers various forms of employment – job sharing, work placements and partial retirement in addition to traditional shorter working hours. EU directives and guidelines explicitly call on employers to support part-time work, seeing it as a means of achieving greater labour market flexibility for both employees (work-life balance) and employers (adaptation of production to the requirements of the market).

2 Profile of part-time workers

The percentage of employees working shorter hours has increased since 2000 in most advanced countries. While in 2000 part-time work was reported at 15.5% of the labour force in the current EU countries,[2] in 2013 it accounted for 19.6%. Of this 4.1 pp increase, 2 pp occurred in the crisis and post-crisis period of 2008–2013. The overall trend therefore implies a shift towards flexible forms of work. However, a closer analysis reveals large differences in the proportion of employees working part time depending on country, occupational sector and individual characteristics such as age and gender.

Chart 1A shows a **significant positive correlation between the share of part-time workers** in EU and EFTA countries and **GDP per capita**. The highest proportion of part-time workers has long been reported by the Netherlands (50%), followed by Germany (26.2%), Austria (25.7%) and the UK (25.5%). As for European EU non-members, Switzerland (35.1%) and Norway (27%) have the largest shares. Flexible working has

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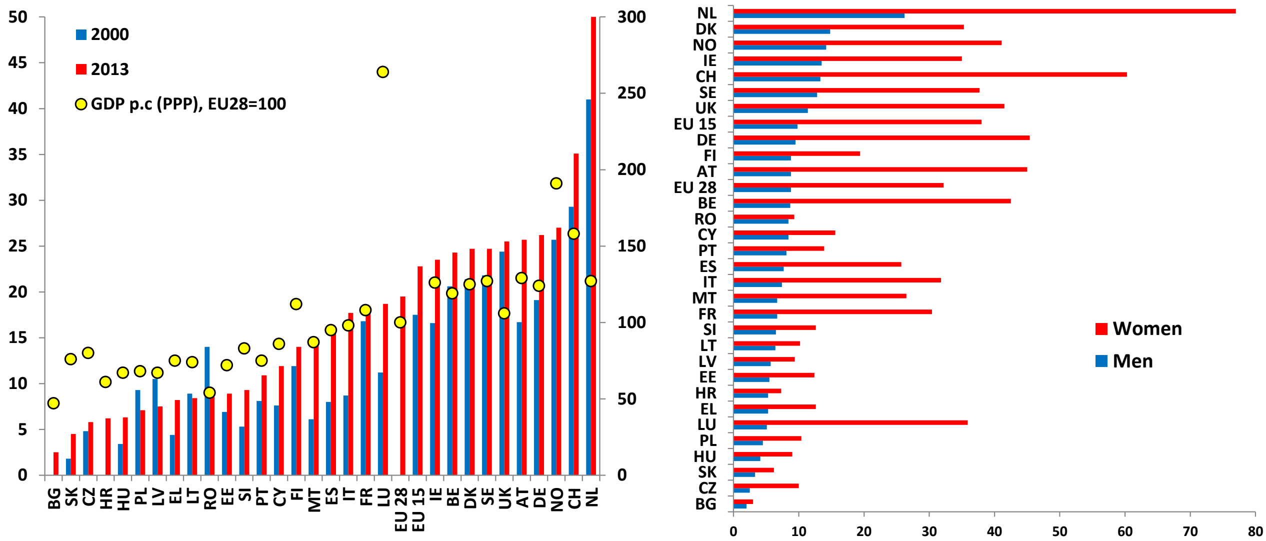
[2] This figure refers to the EU-27, as data for the year 2000 are not available for Croatia. The commentary on developments in 2008–2013 uses EU-28 data.

historically been preferred in these countries by both employees and employers and has also been supported by the government. The result is a high level of economic activity among women and the population as a whole. By contrast, the lowest shares of part-time employees are recorded by Bulgaria (2.5%), Slovakia (4.5%) and the Czech Republic (5.8%). Interestingly, the lowest shares of part-time work are shown exclusively by members of the former Eastern Bloc, where employees historically prefer full-time work, mainly because of relatively low hourly wages compared to the price level (European Company Survey, 2009).

Chart 1: Share of part-time workers in total employment (%)

A: 2000 versus 2013 B: 2013, by gender

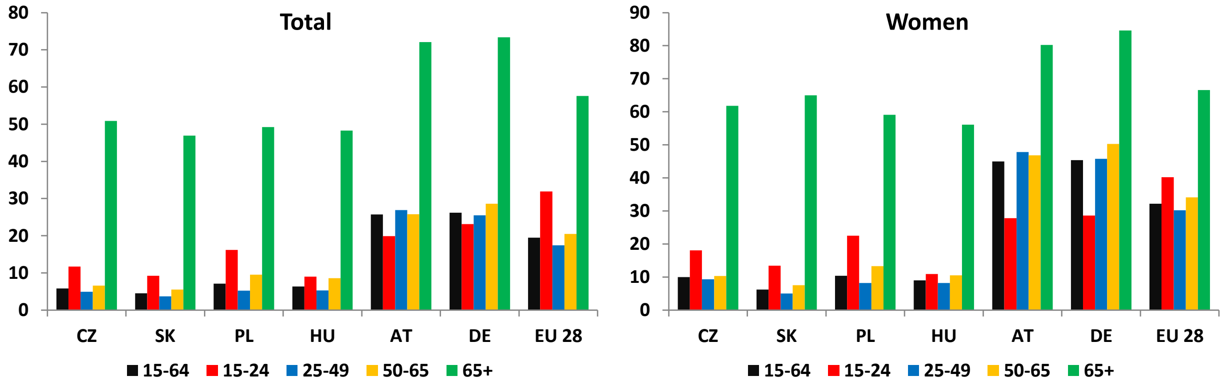


Source: Eurostat, Labour Force Survey

Part-time employment is mostly the domain of women, as shown in Chart 1B. The gender differences are largest in Luxembourg (5% of men vs. 36% of women), Austria, Belgium and Germany. The smallest differences are reported by Romania, Croatia and Bulgaria, i.e. countries with low overall percentages of part-time work in total employment. The Czech Republic is the exception in this comparison as a country with a large gender inequality with part-time work four times more common among women than among men.

As regards **age structure**, part-time work is most common in the 65+ and 15–24 age groups in the Czech Republic (see Chart 2). Since the official retirement age is currently around 63 years for men and 60 years for women, it can be assumed that this is due to a combination of drawing a pension and doing part-time work. This is common, for example, in the academic community. By contrast, the high percentage of part-time work in the youngest age group reflects frequent working while studying and various forms of work experience. When compared with its neighbouring countries and largest trading partners, the Czech Republic's profile most resembles that of the other Visegrad Group (V4) countries – Hungary, Poland and Slovakia. In contrast to the EU-28 average, Germany and Austria have lower shares of part-time work in the 15–24 age group. Their high overall shares of part-time work mean that they also display less significant differences between the categories of persons of retirement age and persons of productive age. Gender differences are negligible in this differentiation. This may be due to a too high level of aggregation within the 15–24 age group, making it impossible to separate out the effect of shorter working hours after maternity leave.

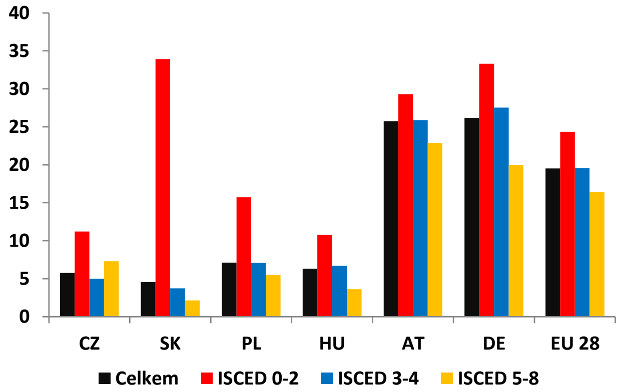
Chart 2: Share of part-time workers in total employment (%) by age group



Source: Eurostat, Labour Force Survey

Another interesting dimension of part-time work is its dependence on education level (see Chart 3). The overall trends at EU level indicate that **the share of part-time work decreases with increasing education**. However, the V4 countries are an exception in this respect, too. The share of part-time work among persons with basic education (ISCED 0–2) relative to the other education categories is higher than the EU average and than that in Germany and Austria. Especially in Slovakia, this mainly involves younger workers, mostly women. On the other hand, specific to the Czech Republic is a relatively high share of part-time work in the highest education category (ISCED 5–8). This is due to a high share of part-time work among men aged 15–24, i.e. it can again be attributed to a high level of working while studying.

Chart 3: Share of part-time workers in total employment (%) by education



Source: Eurostat, Labour Force Survey

Finally, part-time work is more common in certain areas of economic activity. Looking at the individual NACE categories in Table 1, activities with a higher share of part-time work in the EU-28 include working for households as employers (e.g. baby-sitting and cleaning) and working in food and recreational services. The profiles of Germany and Austria are in line with the EU average; moreover, part-time work is often used in education (Germany) and health and social work activities (Austria). All these are sectors in which women account for more than half of all workers, despite a natural lower rate of economic activity.[3] The Czech Republic together with Slovakia and

3 For the EU-28 as a whole, the sectors with the highest shares of female labour are activities for households as employers (89%), human health and social work activities (78%) and education (72%).

Hungary are specific in having very low demand for work carried out directly for households. This is due to historical traditions and relatively low average wages. In all the V4 countries the highest shares of part-time work are recorded in accommodation and food service activities, recreation services and administrative activities. On the other hand, specifically high shares of part-time work in individual countries are recorded in education (where the Czech Republic has the highest share), public administration (Slovakia) and agriculture (Poland).

Table 1: Share of part-time workers in total employment (%) by NACE Rev. 2 classification of economic activities

	CR	SK	PL	HU	AT	DE	EU 28
Agriculture, forestry and fishing	6,1	2,6	**17,0**	6,7	32,0	26,6	21,6
Mining and quarrying	1,0	0,0	0,9	1,1	8,0	4,3	3,3
Manufacturing	2,7	1,6	2,7	4,6	12,6	11,9	7,7
Electricity, gas, steam and air conditioning supply	2,2	1,3	1,0	1,0	7,8	9,0	5,5
Water supply; sewerage, waste management and re	4,3	**9,6**	5,7	3,0	12,0	11,1	7,9
Construction	2,5	1,2	3,2	4,9	11,2	12,0	8,3
Wholesale and retail trade	7,9	3,7	8,4	9,5	32,0	32,7	23,3
Transportation and storage	3,3	0,8	4,4	3,7	13,5	19,5	12,1
Accommodation and food service activities	11,3	7,1	13,9	10,5	34,0	**44,7**	**32,9**
Information and communication	6,1	2,1	9,3	4,9	22,7	23,3	14,0
Financial and insurance activities	6,7	4,4	4,9	6,0	23,5	20,4	13,9
Real estate activities	11,1	5,4	11,4	8,1	35,3	31,7	22,6
Professional, scientific and technical activities	12,2	5,5	9,3	8,4	30,1	25,4	18,8
Administrative and support service activities	**15,6**	**29,9**	15,3	**12,9**	40,1	40,8	32,6
Public administration and defence	3,9	**15,4**	2,9	4,8	21,2	18,6	13,0
Education	14,7	4,7	10,2	6,3	34,4	**42,6**	26,7
Human health and social work activities	9,6	2,6	8,6	6,7	**43,7**	40,4	32,3
Arts, entertainment and recreation	**14,9**	6,5	14,8	**15,0**	36,1	40,4	**33,3**
Other service activities	**16,1**	3,7	**16,2**	**12,9**	**41,4**	42,2	31,5
Activities of households as employers	3,7	0,0	**35,2**	NA	**81,4**	**88,1**	**59,8**

Source: Eurostat, Labour Force Survey

3 Part-time work in the crisis and post-crisis period of 2008–2013

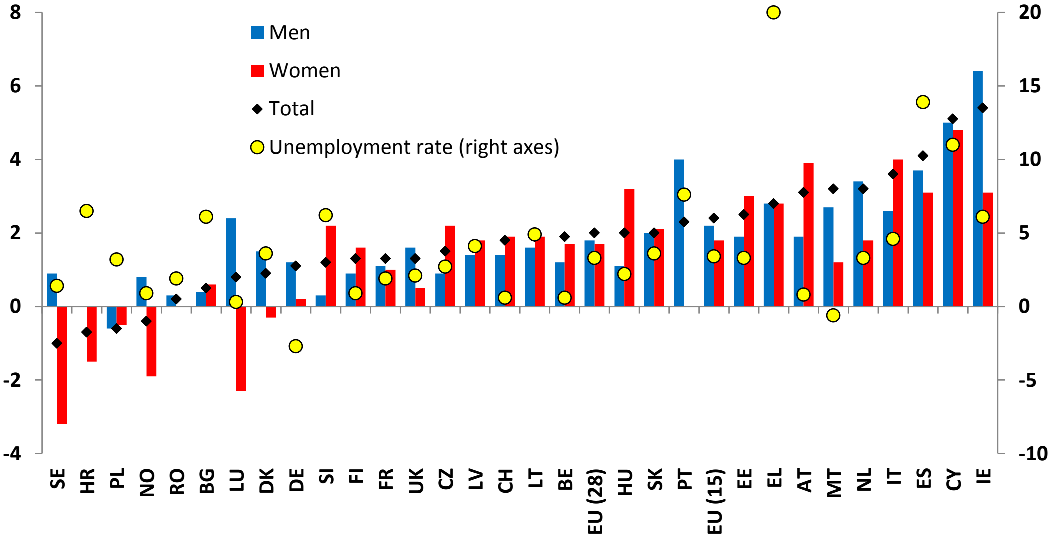
One of the advantages of flexible forms of work, including part-time work, is that they can be used as an alternative to lay-offs in economic bad times. Chart 4 indicates the extent to which employers have been using this option in individual countries. The countries with the largest increases in the share of part-time work in total employment in 2008–2013 include Ireland (5.4 pp), Cyprus (5.1 pp) and Spain (4.1 pp). These are also countries which recorded large changes in unemployment rates in 2013 compared with the EU average (3.9%). This partly confirms the hypothesis that average hours worked shrank in response to the crisis.[4] Also the differentiation by gender is interesting – many countries showed a larger increase among men than among women (Ireland, Spain, the Netherlands, Malta, Portugal), a phenomenon reflected in the overall EU-28 figures. This trend is different from the previous period, indicating other motives for using part-time work than before the crisis. The Czech Republic recorded lower growth

Typically "male" areas include construction (10%), mining and quarrying (12%) and water supply and waste management (20%).

4 On the other hand, some of the countries which recorded only low growth or even a decline in the share of part-time work also suffer from high unemployment (e.g. Croatia and Bulgaria). However, the high unemployment in these countries is structural rather than cyclical in nature.

in part-time work than the EU average (1.5 pp versus 2 pp), with women accounting for most of the rise.

Chart 4: Changes in the unemployment rate and the share of part-time workers in total employment between 2008 and 2013 (pp) by gender

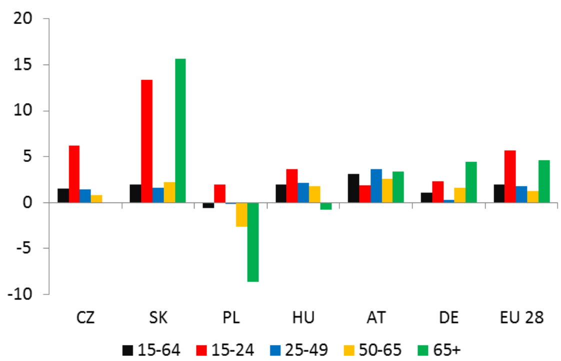


Source: Eurostat, Labour Force Survey

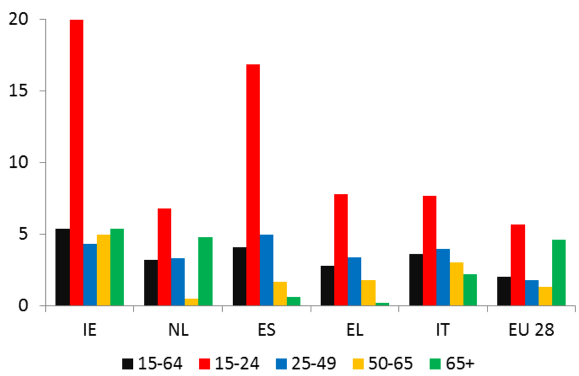
When analysing changes in the share of part-time work in total employment in detail, it is interesting to compare Central European countries with very low initial shares of part-time work (the Czech Republic, Slovakia, Poland and Hungary) with Western European countries that already had high shares before the crisis (the Netherlands, Germany and Austria) and also with countries where the share shot up during the crisis (Ireland, Spain, Italy and Greece). Looking at the age structure of the changes we see that during the crisis part-time work in the EU increased mainly among young workers and persons of retirement age. Specific to southern European countries and Ireland is a significantly above-average increase in part-time work in the 15–24 age group. Combined with an unemployment rate of 23%, this is evidence that the crisis had a highly negative effect on employment and the quality of work in this age group (EMCC, 2014).

Chart 5: Changes in the share of part-time workers in total employment between 2008 and 2013 (pp) by age group

A



B

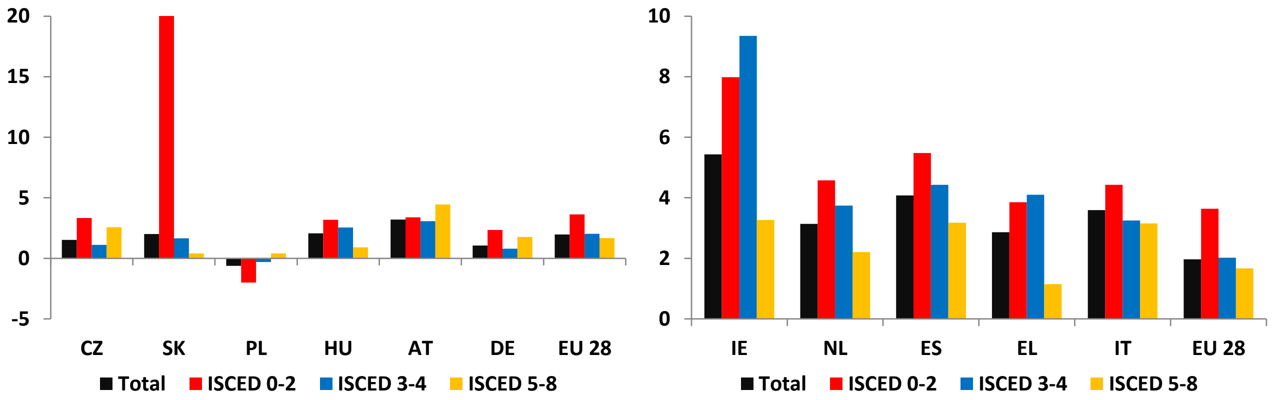


Source: Eurostat, Labour Force Survey

Similar cross-country differences can be seen when one compares education profiles. While countries overall recorded above-average growth in part-time work among people with basic education and below-average growth among those with university education, the Czech Republic and Austria saw above-average growth in the group with the highest proportion of students. In the Czech Republic, this observation can be explained by a large increase in part-time work in the 15–24 age group, which, in turn, can be attributed to working while studying. In Austria, by contrast, shorter working hours occur most of all in the 25–49 age group and are linked with growth in part-time work in financial intermediation and insurance. Among the countries hit hardest by the crisis, Ireland stands out as having a large share of part-time work among persons with secondary education. This can be explained by growth in mining and quarrying and administration.

Chart 6: Changes in the share of part-time workers in total employment between 2008 and 2013 (pp) by education

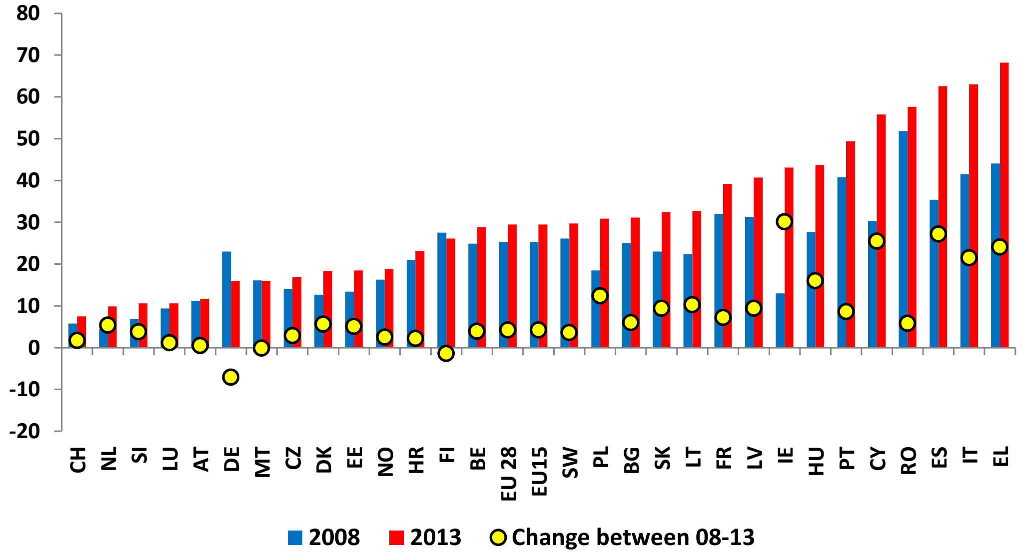
A B



Source: Eurostat, Labour Force Survey

Overall, it can be said that the crisis gave rise to across-the-board growth in part-time employment. This pertained mainly to the demographic groups most at risk of being laid off – young persons, persons of retirement age and persons with low education. The question is how this affected the overall welfare of workers in individual countries. There are two statistics that answer this – the share of persons reporting that they are employed part-time involuntarily, and the reasons for working part-time. As for involuntary part-time work, Chart 7 shows that all the countries in which the share of part-time employment in total employment increased during the crisis (i.e. Greece, Italy, Spain and Ireland) have large shares of persons employed part time involuntarily. In some of them (Ireland) the share as much as tripled during the crisis. This suggests that their citizens are not satisfied with the current situation and part-time work for them is not an adequate alternative to standard forms of employment. This is also reflected in the reported reasons (see Chart 8), as the relative share of persons accepting part-time work as a stopgap allowing them to seek preferred full-time work increased significantly in these countries after the crisis.

Chart 7: Share of involuntary part-time employees in the total number of part-time workers in 2008 and 2013 (%)

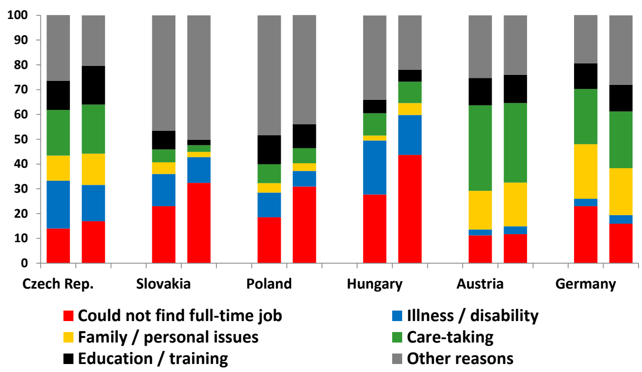


Source: Eurostat, Labour Force Survey

The V4 countries have a lower share of "involuntary" employees than do southern European countries. This is reflected in a lower share of persons seeking full-time work. Specific to these countries is a high share of employees for whom part-time work is a solution to their health issues. However, the Czech Republic stands out from this group in having an even lower rate of involuntary part-time work, bringing it closer to its Western neighbours, Austria and Germany. The Czech Republic also differs in the degree of satisfaction with current hours worked among women versus men. While men are on average less satisfied with part-time work than women (40% of men and 26% of women in the EU-28), it is the other way round in the Czech Republic. This can be explained partly by the reasons for working part-time (see Chart 9). As the main factors men give illness and education (i.e. a voluntary decision) while women mention search for a full-time job and child care.

Chart 8: Reasons for part-time work, 2008 (left-hand column) vs. 2013 (right-hand column)

A



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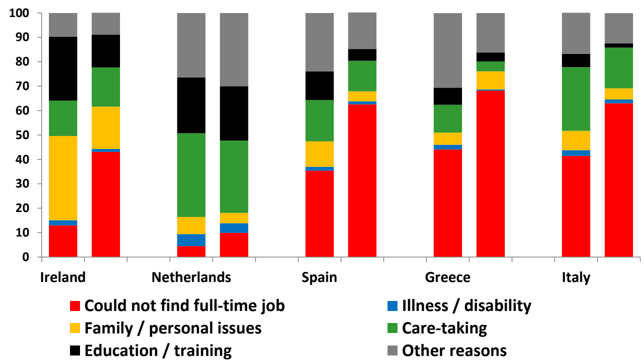
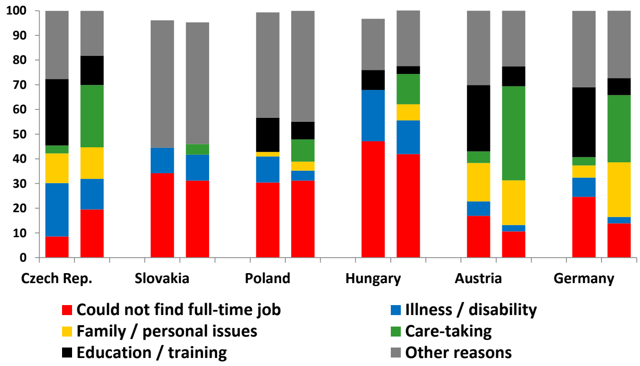


Source: Eurostat, Labour Force Survey

Chart 9: Reasons for part-time work in 2013 by gender (left-hand column – men; right hand column – women)[5]

A



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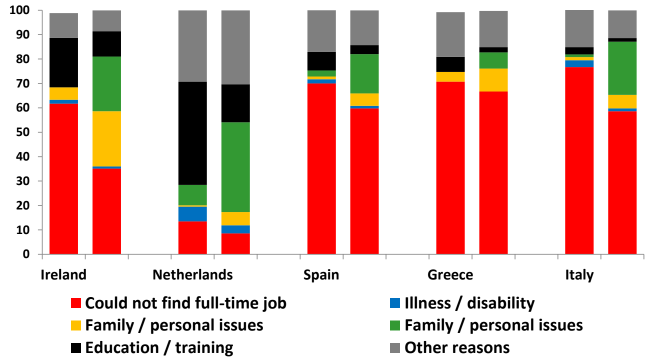

Source: Eurostat, Labour Force Survey

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[5] Due to missing data, the percentages for some countries do not add up to 100.

A1. Change in GDP predictions for 2014

	CF		IMF		OECD		CB / EIU	
EA	-0.1	2014/8 2014/7	-0.1	2014/7 2014/4	0.2	2014/5 2013/11	-0.2	2014/6 2014/3
US	0.5	2014/8 2014/7	-1.1	2014/7 2014/4	-0.3	2014/5 2013/11	-0.7	2014/6 2014/3
DE	-0.1	2014/8 2014/7	0.2	2014/7 2014/4	0.2	2014/5 2013/11	0.2	2014/6 2013/12
JP	0.0	2014/8 2014/7	0.2	2014/7 2014/4	-0.3	2014/5 2013/11	-0.1	2014/7 2014/4
BR	-0.4	2014/8 2014/7	-0.5	2014/7 2014/4	-0.4	2014/5 2013/11	-0.1	2014/8 2014/7
RU	0.0	2014/8 2014/7	-1.1	2014/7 2014/4	-1.8	2014/5 2013/11	0.1	2014/8 2014/7
IN	0.0	2014/8 2014/7	0.0	2014/7 2014/4	-0.2	2014/5 2013/11	0.0	2014/8 2014/7
CN	0.1	2014/8 2014/7	-0.1	2014/7 2014/4	-0.8	2014/5 2013/11	0.0	2014/8 2014/7

A2. Change in inflation predictions for 2014

	CF		IMF		OECD		CB/ EIU	
EA	-0.1	2014/8 2014/7	-0.6	2014/4 2013/10	-0.5	2014/5 2013/11	-0.3	2014/6 2014/3
US	-0.1	2014/8 2014/7	-0.1	2014/4 2013/10	-0.3	2014/5 2013/11	0.1	2014/6 2014/3
DE	0.0	2014/8 2014/7	-0.4	2014/4 2013/10	-0.7	2014/5 2013/11	-0.2	2014/6 2013/12
JP	0.0	2014/8 2014/7	-0.1	2014/4 2013/10	0.3	2014/5 2013/11	0.0	2014/7 2014/4
BR	0.0	2014/8 2014/7	0.1	2014/4 2013/10	0.9	2014/5 2013/11	0.0	2014/8 2014/7
RU	0.2	2014/8 2014/7	0.1	2014/4 2013/10	0.3	2014/5 2013/11	0.7	2014/8 2014/7
IN	-0.1	2014/8 2014/7	-0.9	2014/4 2013/10	-1.4	2014/5 2013/11	0.0	2014/8 2014/7
CN	0.0	2014/8 2014/7	0.0	2014/4 2013/10	0.0	2014/5 2013/11	0.0	2014/8 2014/7

A3. List of abbreviations

BoJ	Bank of Japan
BR	Brazil
BRIC	Brazil, Russia, India and China
CB-CCI	Conference Board Consumer Confidence Index
CB-LEII	Conference Board Leading Economic Indicator Index
CBOT	Chicago Board of Trade
CF	Consensus Forecasts
CN	China
CNB	Czech National Bank
DBB	Deutsche Bundesbank
DE	Germany
EA	euro area
EC	European Commission
ECB	European Central Bank
EC-CCI	European Commission Consumer Confidence Indicator
EC-ICI	European Commission Industrial Confidence Indicator
EIU	The Economist Intelligence Unit database
EEA	European Economic Area
ES	Spain
EU	European Union

EMI	European Monetary Institute	**JP**	Japan
EURIBOR	Euro Interbank Offered Rate	**JPY**	Japanese yen
Fed	Federal Reserve System (the US central bank)	**LIBOR**	London Interbank Offered Rate
FRA	forward rate agreement	**N/A**	not available
GBP	pound sterling	**OECD**	Organisation for Economic Co-operation and Development
GDP	gross domestic product	**OECD-CLI**	OECD Composite Leading Indicator
GR	Greece	**PMI**	Purchasing Managers' Index
CHF	Swiss franc	**PT**	Portugal
ICE	Intercontinental Exchange	**RU**	Russia
IE	Ireland	**UoM**	University of Michigan
IFO	Institute for Economic Research	**UoM-CSI**	University of Michigan Consumer Sentiment Index
IFO-BE	IFO Business Expectations	**US**	United States
IMF	International Monetary Fund	**USD**	US dollar
IN	India	**ZEW-ES**	ZEW Economic Sentiment
IRS	interest rate swap		
IT	Italy		

A4. List of thematic articles published in the GEO

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