Quarterly report

Czech Economic Outlook

Muted for now, but brace for impact

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- **Impact of US tariffs to turn from positive to negative** While stockpiling by US companies and households ahead of the tariffs supported Czech economic growth at the beginning of the year, this effect will fade over the rest of the year. In line with this, we expect the economy to grow by 1.9% this year, before slowing again to 1.1% next year. Although export and industrial performance will decline, household consumption and real wages should continue to recover.

- **Despite its current elevated level, inflation should head back down towards the target** We estimate that inflation will average 2.4% in 2025, before falling to 1.9% in 2026. Rapid growth in prices of services, houses and food will keep inflation elevated this year. However, the effects of tight monetary policy, lower energy and fuel prices, and economic and labour market slowdowns should be felt fully next year. We expect wage growth to cool on the back of higher unemployment.

- **CNB rate cuts to resume at the end of the year** Current elevated inflation and uncertainty around the impact of tariffs on the Czech economy are likely to lead the central bank to adopt a wait-and-see strategy. We therefore expect 25bp cuts in November and February, bringing the repo rate to a neutral 3%. An easing inflation outlook and economic slowdown should put downward pressure on monetary policy rates as well as the short end of the yield curve.

- **Rate cuts to test koruna strength** We expect the interest rate differential, a key factor in the recent koruna strength vs the euro, to narrow going forward. This in turn should put pressure on the currency in the fall and offset some of its gains by the end of the year.

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Tarriffs actually *will* hit the economy

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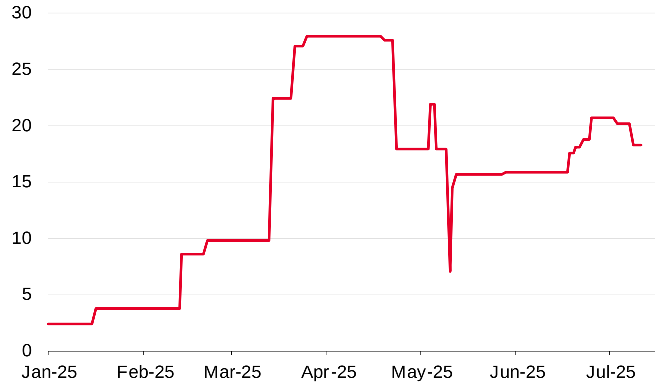
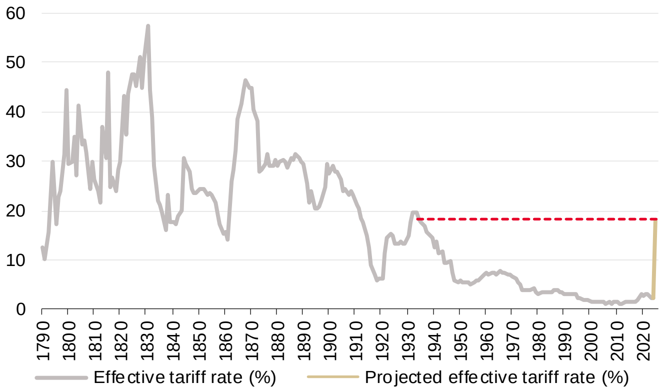
Three months ago, we issued Komerční banka's *Czech Economic Outlook* with the subtitle *Tariffs bite off a chunk of growth*. **In this edition, we nevertheless revise our growth estimate for the Czech economy in 2025 slightly upwards,** from the original 1.5% to 1.9%. However, this does not mean that custom duties on goods exported to the US will not have an adverse impact on the Czech Republic, Germany, and Europe as a whole.

The announced effective tariff rate for imports into the US (%)



Source: The Budget Lab at Yale, Economic and Strategy Research, Komerční banka
Note: This is an announced rate, which may become applicable in the future but which also may be changed before that.

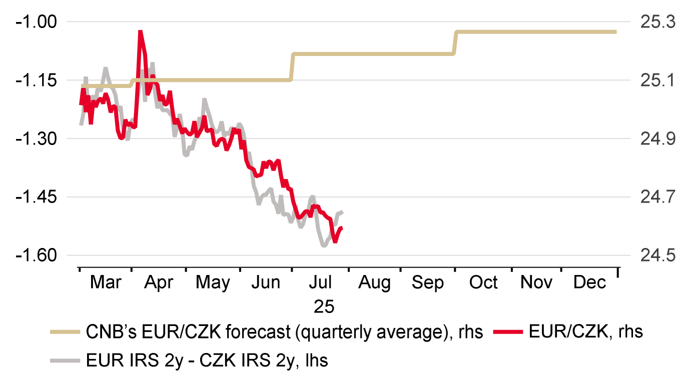
The current announced rate is the highest since 1934



Source: The Budget Lab at Yale, Economic and Strategy Research, Komerční banka

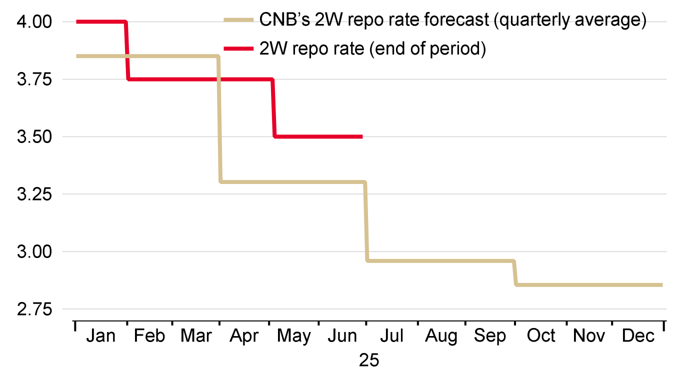
The announced introduction of customs duties led to significant stocking-up effects. Stocking up has had a positive impact on economic growth early this year, until April or May in many cases. The efforts of US businesses and consumers to stock up on cheaper goods, unburdened by custom duties, has helped boost European and Czech exports and industrial production itself. However, this effect has now started to move in the opposite direction. The chaotic introduction of tariffs by President Trump has implications on multiple levels. The announced effective tariff rate calculated by *The Budget Lab at Yale* is highly volatile. This has contributed to a persistently high level of uncertainty, which could potentially have a negative impact on businesses' investment decisions. Our current forecast is based on around 10% effective tariff rate on European exports to the US, which is ultimately not far from the agreement announced by the US and the EU.

The wider interest rate differential supports koruna against the euro; CZK is much stronger than expected in CNB's forecast



Source: CNB, Bloomberg, Macrobond, Economic and Strategy Research, Komerční banka

Actual repo rate cuts have been slower than the CNB's forecast (%)



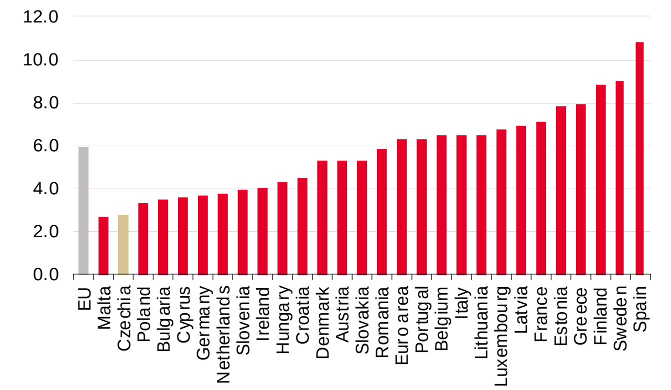
Source: CNB, Macrobond, Economic and Strategy Research, Komerční banka

From the perspective of the country's industrialists, persistent monetary restriction is adding to the list of negative factors. Both elements of monetary conditions are at play:

interest rates are above the CNB's May forecast and the Czech koruna is much stronger, *inter alia* because of the more attractive interest rate differential. The CNB expects the EURCZK rate to average at 25.20 in the third quarter of this year. Meanwhile, it is concerned about a number of inflation risks, ranging from higher price dynamics in the service sector to public finance deficits, tight labour markets and an overheated property market; it is therefore waiting with the additional rate cuts.

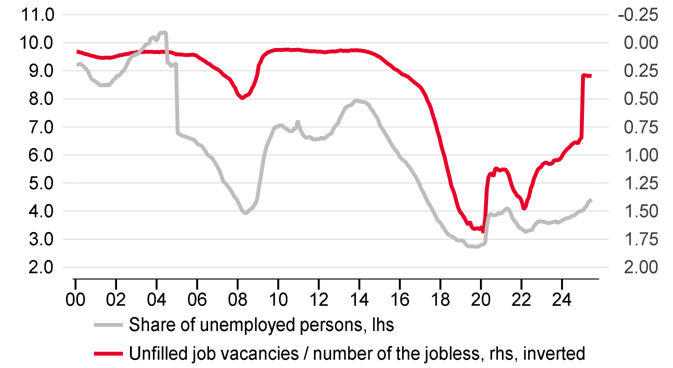
At first glance, the global labour markets still seem robust but under the surface, signs of cooling are perceptible, including in the Czech Republic. Still low rates of unemployment overall conceal the fact that jobs vanishing from industry are currently being absorbed by the service sector, which continues to face labour shortages due to an outflow of labour during the Covid pandemic. However, looking at the ratio of unfilled job vacancies and the total number of jobless people, we can see that peak tightness in labour markets is now behind us in virtually all countries. It is therefore just a matter of time before we see this in a higher rate of unemployment and weaker wage dynamics. Although the Czech unemployment rate is one of the lowest in Europe, it is reaching its highest levels since the pandemic year of 2021. As regards the share of unemployed persons, based on labour office data, the figure is at its highest level since 2017.

Unemployment rate (ILO) in the EU in May 2025 (%)



Source: Eurostat, Macrobond, Economic and Strategy Research, Komerční banka

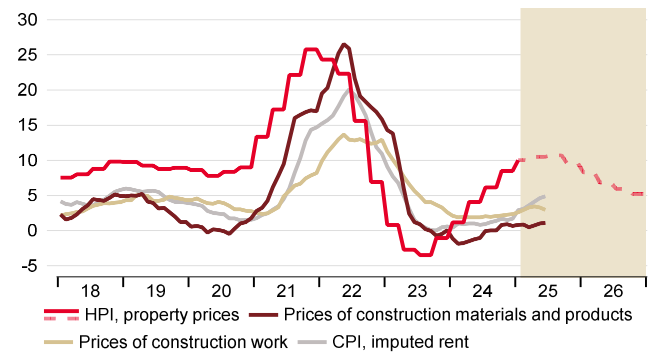
Ratio of unfilled job vacancies and the number of jobless people versus the share of unemployed persons in the Czech Republic



Source: MLSA, Macrobond, Economic and Strategy Research, Komerční banka
Note: In 2025, the vacancies statistics have been marked by a methodological change that has resulted in a significant drop in the total number of vacancies. The number of unfilled job vacancies and jobless people registered by job offices are noted.

Strong growth in property prices passes through to inflation via imputed rent, which in turn reflects higher costs of owner-occupied housing. Together with market rent, it is pushing up the core component of inflation, motivating Czech central bankers to exercise caution. Nevertheless, as Kevin Tran Nguyen discusses in detail in his special box, we consider the room for significantly stronger pressure on core inflation to be limited until the end of this year, despite the current double-digit growth in the House Price Index (HPI). Beyond actual property prices, costs of imputed rent elements, such as maintenance or related services, are rising at a slower pace. In addition, with respect to property

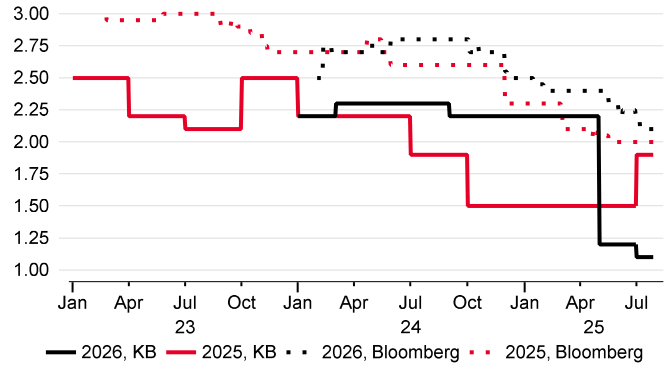
Price hikes in the property market are peaking now (%, yoy)



Source: CZSO, Economic and Strategy Research, Komerční banka prices themselves, we expect the year-on-year HPI dynamics to peak during 3Q, with growth returning to single-digit figures towards the end of the year.

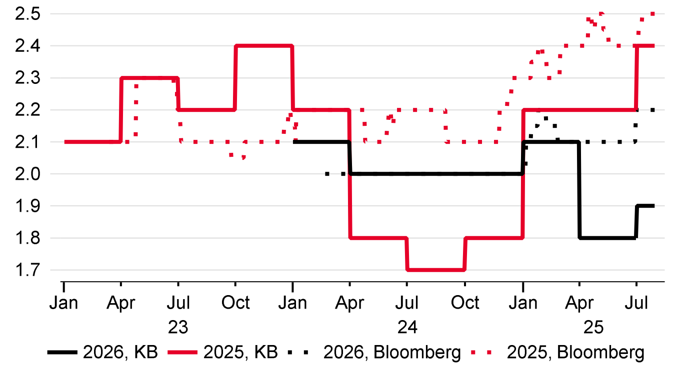
Stocking-up effects, combined with the deferral of higher reciprocal tariffs for European exports to the US, largely explain why the second quarter was better than expected and in turn point to better growth prospects for the Czech economy this year. In spite of that, with growth of 1.9% (versus our original estimate of 1.5%), we remain slightly below the market consensus. We continue to worry about the adverse impacts of US tariffs in the second half of this year, which will be visible in the FY data mainly in 2026. With our real GDP growth estimate of 1.1% (versus 1.2% in our April forecast) we are very well below the market consensus.

The Czech economy's growth prospects (GDP, %, yoy)



Source: Bloomberg, Economic and Strategy Research, Komerční banka

The Czech economy's inflation prospects (CPI, %, yoy)



Source: Bloomberg, Economic and Strategy Research, Komerční banka

We have raised our inflation forecasts for both years, with the property market playing an important role. We now estimate inflation at 2.4% for this year (vs 2.2% in our April forecast) and 1.9% for 2026, i.e. still below the inflation target (vs our original 1.8%). We have therefore left our forecast for the CNB's terminal rate unchanged for this monetary policy cycle, keeping it at 3.0%. However, our new forecast suggests that this rate will not be reached until early next year, i.e. one quarter later than we projected three months ago. Core inflation will also be slower to reach its 2% target, not getting there until 2Q26. We are also below the market expectation in the case of the inflation forecast.

Enjoy reading Komerční banka's summer edition of the *Czech Economic Outlook*!

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External environment and assumptions

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The tariffs will cut into economic growth

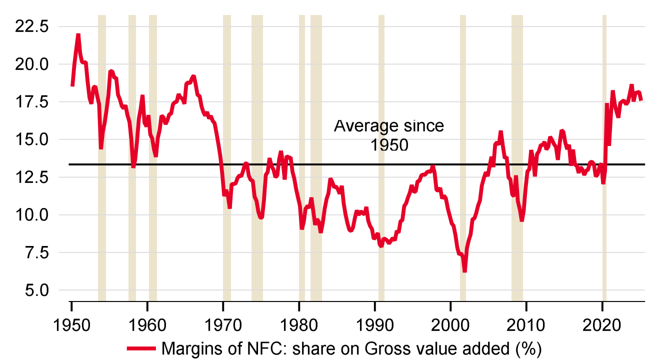
The additional tariffs imposed by the Trump administration are a form of taxation that will have a negative impact on both US consumption and production. Producers are likely to try to reduce higher costs by hiring fewer employees or making lay-offs, passing higher prices on to end-consumers and ultimately reducing their own margins. However, in our opinion, none of the indicators are likely to point to recession territory. Further developments will depend on the scope of the tariffs introduced. Even so, we have pushed back our forecast of the next interest rate cut in the US from September to December. In the eurozone, we expect the decline in net exports to be largely offset by a recovery in household consumption and higher fiscal spending. We forecast that the eurozone economy will grow slightly above 1% this year and next. However, the risks are skewed towards lower growth. Given that inflation is likely to be below the ECB's target, we expect the central bank to cut rates again in September. However, we anticipate monetary conditions tightening at the end of next year.

US: the Fed is likely to pause rate cuts

The effect of overstocking distorts the statistics.

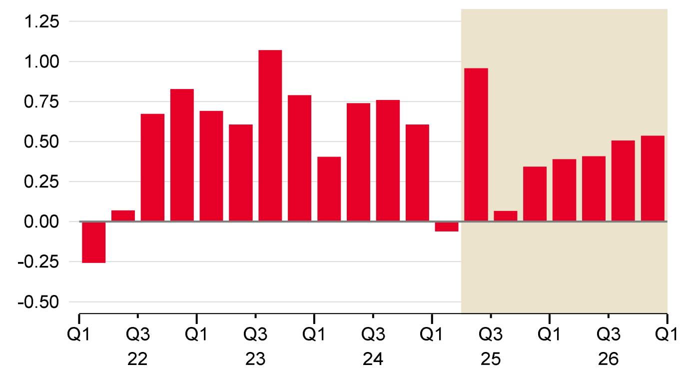
Ahead of the introduction of tariffs, US companies and consumers tried to stock up. This was reflected in a widening of the foreign trade deficit to a historical high and a 0.5% qoq decline in economic output on an annualised basis in 1Q25. In the second quarter, however, we think that imports fell sharply, and that GDP growth picked up. In 3Q25, we expect imports to edge up again and GDP growth to decrease. All this is based on the assumption that the effective tariff rate will average around 10% (previously 2.4%). If that is the case, we forecast that US economic growth will reach 1.8% this year and 1.6% next year. Given that the current average customs duty rate is already higher, the risks are skewed towards lower growth.

Profit margins are not currently indicating a recession



Source: Macrobond, Economic and Strategy Research, Komerční banka. *Beige colour indicates recession

The US economy is in good condition (GDP, %, qoq)

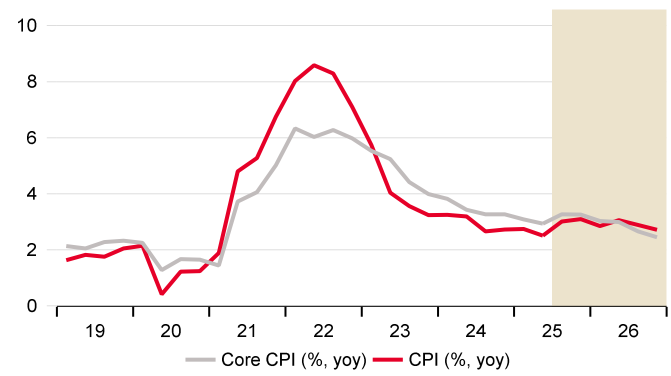


Source: Macrobond, SG Cross Asset Research/Economics

The US central bank will not cut interest rates until December, in our view.

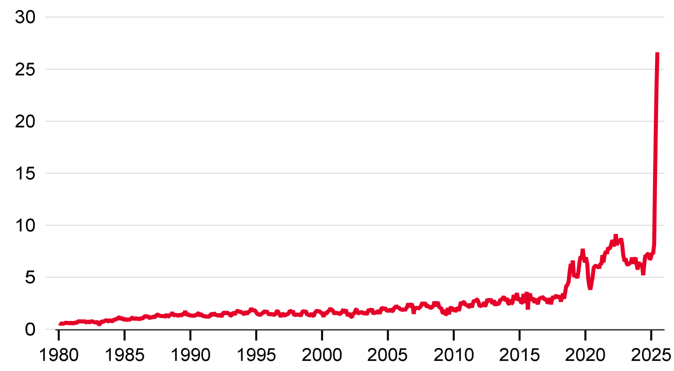
The tariffs represent an additional tax on production and consumption, so it is likely that growth will slow for both of these components. On the other hand, the tariffs will significantly increase US customs revenue. It is estimated that an additional 10% in tariffs means an increase in revenues to USD330bn from the previous USD83bn per year. We expect that rather than causing the economy to fall into recession, the introduction of tariffs will be reflected in a decline in corporate profit margins. These were at their highest level in a decade last year. In order to at least partially avoid these negative effects, we expect companies to start hiring fewer employees and laying off existing ones. At the same time, however, we do not expect labour market data to enter recession territory. The second channel for preventing a decline in profit margins will be companies' efforts to pass on higher costs to final consumers. This will then be reflected in consumer price growth, which we are already seeing. In June, inflation accelerated to its strongest level since February this year (2.7% yoy) and is likely to reach 3% in the coming months, on our forecasts. However, we expect inflation to fall below that level next year. Given the significant uncertainty, the US central bank has paused its interest rate cuts at its last four meetings. We believe this pause will last until December, when we expect further easing of monetary conditions. We think the Fed will then continue to ease until the key rate reaches its neutral level, which we estimate at 3.25-3.50%.

US: tariffs push inflation upwards



Source: Macrobond, SG Cross Asset Research/Economics

US monthly customs revenue (USD bn)



Source: Macrobond, Economic and Strategy Research, Komerční banka

The One Big Beautiful Bill Act will lead to a significant increase in US debt.

In early July, President Trump's 'One Big Beautiful Bill Act' was signed into law. This is a package that, on the one hand, includes tax cuts (extending the reduction in the corporate tax rate from the original 35% to 21% and significantly increased the cap on itemised deduction of state and local taxes from taxable income). However, on the other hand, it also introduces significant cuts to the Medicaid program (which could leave up to 11 million Americans without health insurance over the next ten years) and substantially lowers support for the transition to renewable energy sources and electromobility, while producers of traditional fossil fuels will receive support. In any case, the law will have a significant impact on US debt. According to estimates by the Congressional Budget Office (CBO), it could lead to an increase in public debt of up to USD3.4 trillion over the next ten years. If we add the cost of debt servicing, this would amount to USD4.1 trillion. Public debt as a percentage of GDP could rise from the current 100% to 130%. This could be reflected in a decline in investor interest in US bonds and an increase in their yields, which would further increase the cost of debt servicing and make it more difficult for US companies and households to access financing. However, given the size of the US market and the virtual impossibility of replacing it, it will not be easy for investors to turn away from US assets.

China: growth target unlikely to be met

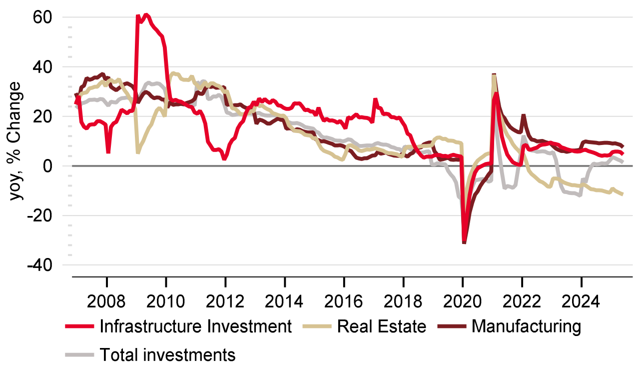
China will have to come up with further support for its economy.

In March, the Chinese government unveiled a fiscal package worth 1.4% of GDP. This included measures to support domestic consumption and infrastructure investment. The Chinese government is also set to continue its efforts to address problems in the real estate market (supporting the completion and sale of unfinished projects and their conversion into social housing). Even so, we expect real estate sales to fall by 3% yoy this year (after last year's 16% decrease) and investment to be down 8% (last year's decline was 10% yoy). Given the extent of the proposed tariffs (an additional 30% compared to the beginning of this year), the current fiscal package is unlikely to be sufficient to achieve the government's 5% target. We estimate that the additional tariffs will cut China's growth by around 1%. We therefore expect the government to announce further support, probably in 3Q this year, when the effect of stockpiling, which currently provides significant support to China's exports, disappears. Our estimate is for GDP growth of 4.8% this year and 4.2% next year. At the same time, the tariffs will reduce China's competitiveness and create further deflationary pressures, which the country has been struggling with for some time.

Interest rate cuts likely to pick up pace again.

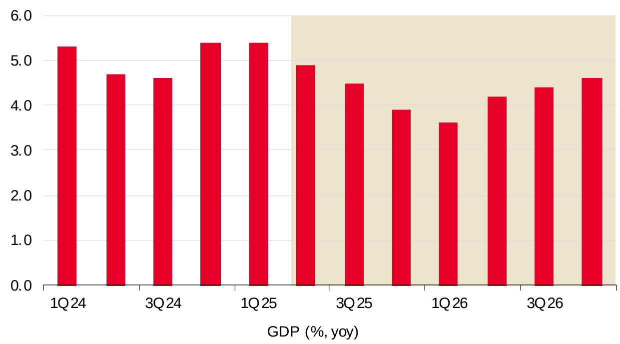
The Chinese central bank will also seek to support the domestic economy. Due to concerns about the exchange rate, the central bank took a cautious approach to monetary policy easing in the first half of the year. It last cut rates in May and left them unchanged at its June meeting. As pressure from tariffs and a weaker dollar intensifies, we expect monetary policy easing to pick up pace again. In addition to lowering the key interest rate, the central bank may also reduce the minimum reserve requirement or use open market operations with government bonds to support a significant issuance of government bonds, which would be linked to fiscal stimulus.

Fiscal package should kick-start investment



Source: Macrobond, Economic and Strategy Research, Komerční banka

This is unlikely to be enough to achieve the growth target



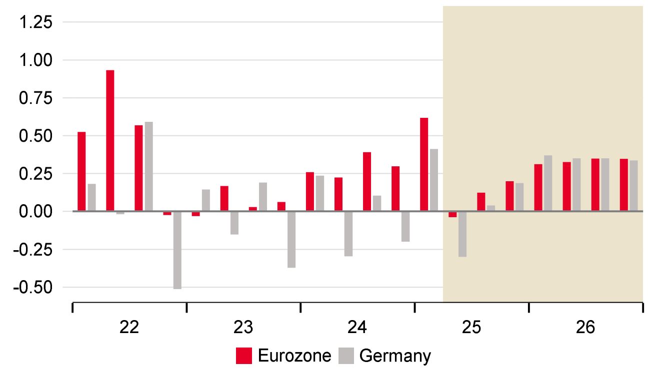
Source: Macrobond, SG Cross Asset Research/Economics

Eurozone: consumption and fiscal stimulus to help mitigate the impact of tariffs

We expect the decline in net exports to be offset by household consumption, and a more relaxed fiscal policy.

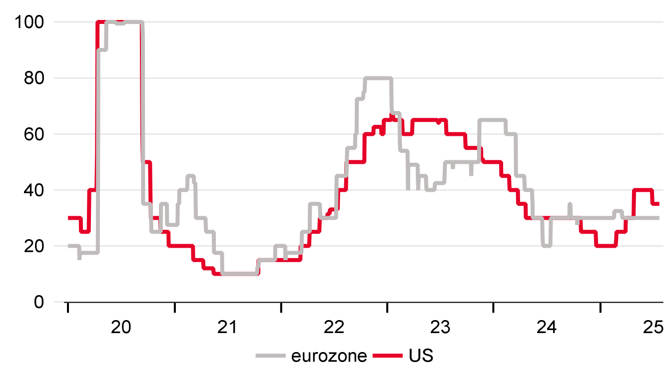
The European Union's gross domestic product grew by a solid 0.6% qoq in the first quarter. The Irish economy contributed significantly to this performance, with GDP growth reaching almost 10% qoq thanks to US companies stockpiling pharmaceutical products. Without Ireland, euro area growth would have been 0.2% qoq. This development is likely to be corrected in the second quarter (exports of pharmaceutical products from Ireland to the US rose by 450% year-on-year in February). It cannot therefore be ruled out that the euro area economy will experience a mild technical recession in the second and third quarters, although our baseline scenario does not currently assume this. The decline in net exports that is set to occur as US companies' efforts to stock up subside, will, in our view, be offset by higher household consumption. Growth in household spending is still lagging that of real disposable income. Last year, growth in disposable income reached 2.2% yoy, while household consumption increased by only 1.2% yoy. Although wage growth is likely to slow down over the course of this year (from 3.9% in 1Q to 3% at the end of this year, on our forecasts), we expect it to remain positive in real terms (at 1-1.2% yoy) due to moderating inflation. We estimate that the euro area economy will grow by 1.2% yoy this year and 1.0% yoy next year. However, the risks are skewed towards lower growth. Our current scenario assumes a 10% tariff rate, while the current agreement is slightly higher (15%).

Eurozone: GDP growth rate (%, qoq)



Source: Macrobond, SG Cross Asset Research/Economics

Recession probability (%)



Source: Macrobond, Bloomberg, SG Cross Asset Research/Economics

Inflation will fall below the ECB target, in our view.

Inflation in the euro area reached the ECB's 2% target in June, while core inflation stagnated at 2.3% yoy. Services inflation also slowed significantly in recent months, to 3.3% yoy. Inflation expectations at the one- and three-year horizons have also shifted downwards. For 2Q, inflation is fully in line with the ECB's forecast, and, in our view, the central bank could therefore take a pause in cutting interest rates. However, we expect inflation to continue to ease in the coming months, to reach 1.5% yoy in 1Q next year and remain there on average for the rest of 2026. This development is likely to be driven mainly by lower energy prices, the strengthening euro-dollar exchange rate, and lower wage growth combined with rising productivity. At the same time, however, there are also a number of risk factors working in the direction of higher inflation. These include trade wars, geopolitical uncertainty, drought in the Nordic countries and the associated lower harvests. As a result of inflationary developments and economic growth concerns, we forecast that the ECB will cut rates once more in September this year. However, if the EU introduces retaliatory tariff measures, the central bank could be more cautious in its monetary easing.

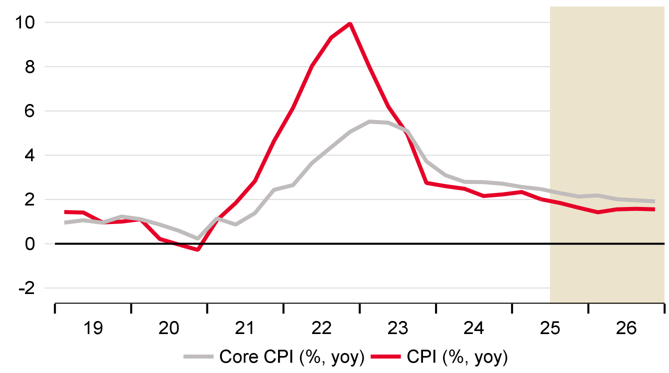
We expect the first rate hike at the end of the last year.

In the medium term, however, we expect unfavourable demographic developments to put pressure on wage growth, which, together with a recovery in consumer demand, could be reflected in an acceleration in inflation. The strong fiscal impulse in Germany, looser fiscal policy across the EU and high ECB's balance sheet will also play a role. We think the ECB will therefore start to raise rates again at the end of next year. Overall, we expect a double tightening of monetary conditions (at the end of 2026 and in the first half of 2027), to bring the deposit rate to 2.25%, where it would remain.

Approved fiscal measures should boost business and consumer confidence.

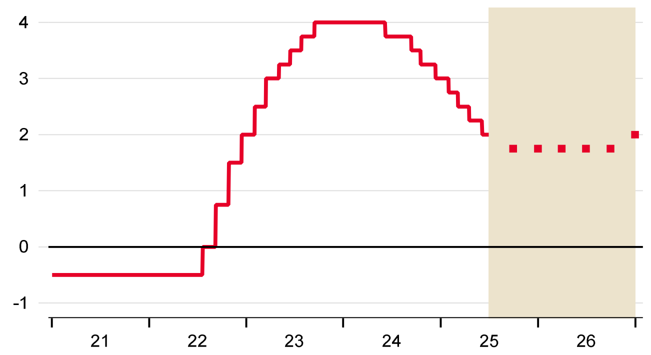
Like the euro area, the German economy surprised to the upside in 1Q, with GDP growing by 0.4% qoq. The second quarter is likely to see a correction of this growth, on account of the fading of the frontloading effect. Even so, manufacturing confidence improved as the manufacturing PMI rose in June to its highest level since August 2022 (49 points). Further developments of the German economy will be influenced by the level of tariffs to be introduced, on the one hand, and the fiscal package, on the other. The new government has already approved this year's budget and the medium-term fiscal plan. This plan focuses on tax breaks for corporations and energy subsidies for businesses and households. The aim is to boost business and consumer confidence so that companies start investing more and households start spending their accumulated savings. The state budget deficit for this year has been approved at €143bn (of which €82bn core deficit and €61bn special funds), representing 3.2% of GDP. Over 2025 to 2029, the government expects German debt to rise by €847bn. The increase in military spending, which is set to rise from 1.9% of GDP this year to 3% in 2029, will play a role. Public spending should also grow as the new infrastructure fund gets underway. All this should help the German economy to at least partially offset the impact of the tariffs being introduced and structural problems. We estimate the German economy will be roughly flat this year. However, we already expect solid growth of 1.0% next year and 1.3% in 2027. The risks this year, however, are concentrated in the direction of lower growth. Firstly, due to the tariffs being introduced, and secondly because the planned investments may not be realised in such a short timeframe (also due to the lack of labour).

Eurozone inflation at target



Source: Macrobond, SG Cross Asset Research/Economics

ECB to cut rates for last time in September, we expect (deposit rate, %)



Source: Macrobond, SG Cross Asset Research/Economics

CEE region: central banks likely to cut rates again

We expect the National Bank of Poland to cut rates again at its September meeting.

The National Bank of Poland surprised the financial markets in early July by cutting rates by 25bp to 5%. The bank justified its action with a new forecast that inflation should slow down rapidly (falling to 2.9% yoy in 3Q25, then moving up to 3.6% yoy in 4Q25 – while the March forecast was for 4.8% yoy in the final quarter). The bank expects inflation to stay close to the upper boundary of the central bank's tolerance band next year (3.5%). The bank revised down its GDP growth forecast slightly for this year (to 3.6%), but increased it for next year (to 3.1% from 2.9%). As a result of the forecast slowdown in inflation, we expect the central bank to cut interest rates at the September and October meetings, by 25bp on both occasions. For the Polish zloty, we expect only a slight depreciation towards EURPLN 4.30 at the end of this year. We assume that a depreciation above this level would be prevented by the central bank through verbal or FX interventions, for which it has sufficient FX reserves. The inflow of money from EU funds and the relatively good condition of the economy would also help prevent significant depreciation of the domestic currency.

Inflation developments should allow further easing of the Hungarian monetary conditions in September and October.

The Hungarian economy did not fare well in the first quarter of this year. GDP contracted by 0.2% quarter-on-quarter in 1Q25, as fixed investment had been falling for several quarters in a row (also due to problems with the absorption of EU funds), while household consumption had been negatively affected by unfavourable sentiment. Meanwhile, the stability of the domestic currency remains key for the central bank. The period of tariff wars does not bode well for risk assets. In addition, Hungary has relatively low foreign exchange reserves and, unlike Poland or the Czech Republic, cannot rely too much on the inflow of EU funds. The Hungarian forint is therefore likely to remain under pressure. It is also likely to move to weaker levels (EURHUF 415 in 4Q, we estimate) as a result of the monetary easing we expect. We think this monetary easing will occur in September and October, thanks to slowing inflation. Inflation peaked in February (5.6%) and has been slowing since then thanks to government price caps in several areas. These caps are likely to remain in force until the general elections in April next year. They should gradually bring inflation back within the central bank's tolerance band.

Macroeconomic forecast

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Positive US tariffs impact set to turn negative soon

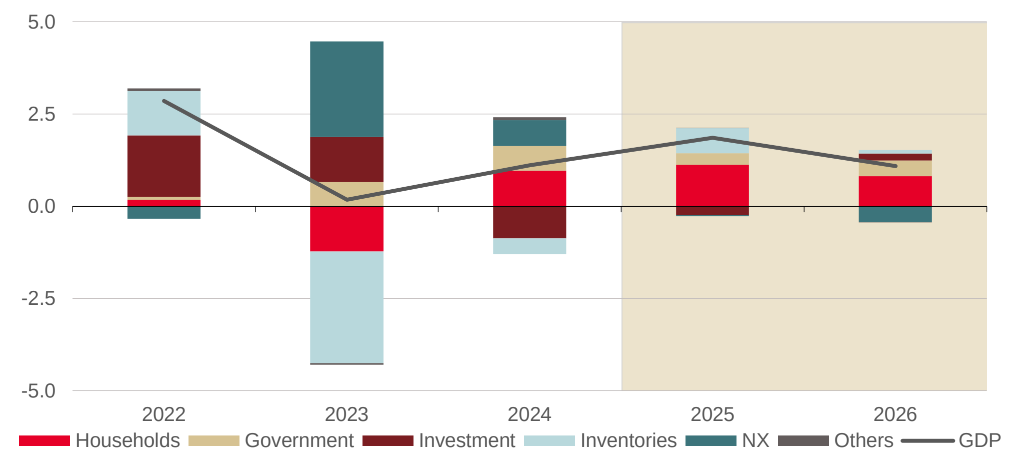
The Czech economy continued to grow rapidly at the beginning of the year, supported by US companies and households stockpiling goods ahead of tariff increases. However, we expect this positive impact to gradually turn negative, leading to a mild recession in 2H25. Nevertheless, we forecast the economy to grow in 2025, driven by the continued recovery of household consumption to pre-pandemic levels. The same should apply to real wages, although we expect wage growth to slow as the labour market cools and unemployment rises. The economic slowdown should help bring inflation down towards the central bank's target. However, core inflation is likely to remain elevated this year due to significant house price increases.

Major changes

GDP:
We have increased our economic growth forecast for this year from 1.5% to 1.9%. This is due to the prolonged effect of US frontloading, as well as our expectation that the impact of tariffs on the economy will be less severe. However, we still forecast GDP growth to slow to 1.1% next year (slightly lower than our previous forecast of 1.2%). We expect household consumption to be the main driver of growth.

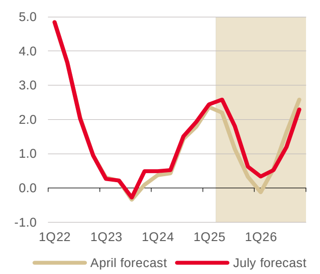
Inflation:
Our inflation forecast has increased from 2.2% to 2.4% this year and from 1.8% to 1.9% next year. This is due to continued rapid growth in services and house prices. While inflation currently remains elevated, we expect it to gradually fall towards the central bank's target. This should be supported by tight monetary conditions, falling energy and fuel prices, and an economic slowdown.

Household consumption to be the main driver of economic growth (%, pp, yoy)



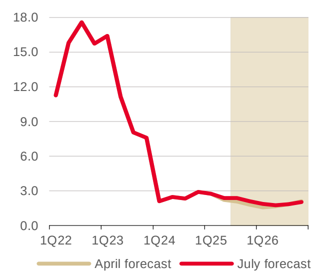
Source: CZSO, Economic & Strategy Research, Komerční banka

Changes to GDP forecast (%, yoy)



Source: CZSO, Economic & Strategy Research, Komerční banka

Changes to CPI forecast (%, yoy)



Source: CZSO, Economic & Strategy Research, Komerční banka

The Czech economy is set to slow again after this year's improvement

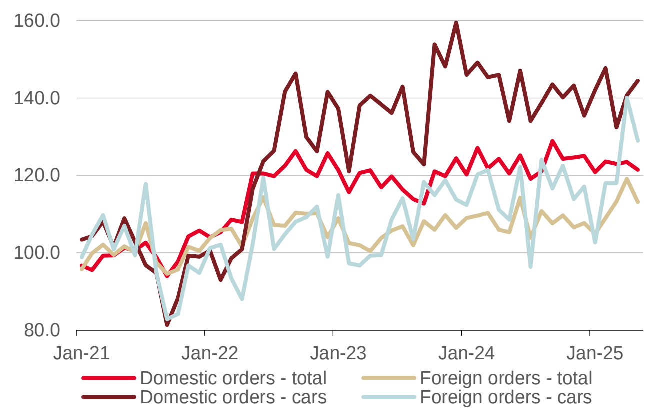
The stockpiling of goods by US companies and households ahead of the introduction of import tariffs has prolonged a period of rapid growth in the Czech economy. Czech GDP grew by 0.7% qoq and by 2.4% yoy in 1Q25. While annual GDP growth was in line with our April forecast, the quarterly pace was slightly below our estimate of +0.9%. Nevertheless, our expectation of continued rapid qoq growth materialised, following +0.8% qoq in 4Q24 and +0.6% qoq in 3Q24. Net exports were the main contributor to qoq GDP growth in 1Q25, contributing +0.6pp. Thus, the export performance of the Czech economy improved significantly after falling steadily over the course of 2024. A similar recovery was seen in industrial production. Manufacturing output increased by 0.8% qoq in 1Q25, after declining in every quarter of 2024. In our view, this sudden change in the export-oriented manufacturing sector was driven by US companies and households stockpiling imported goods before prices rose due to import tariffs. Meanwhile, Czech household consumption slowed sharply to 0.5% qoq in 1Q25, despite growing at a strong rate of close to 1% qoq in 2H24. Private spending remains 2.2% below the pre-pandemic level of 4Q19. By contrast, fixed investment was a positive surprise in 1Q25, rising by 0.5% qoq after falling in each quarter of 2024. However, this growth was primarily driven by household investment in real estate.

We expect the economy to gradually weaken over the course of this year as the positive impact of US tariffs turns negative. Our estimates put Czech GDP growth at 0.4% qoq in 2Q25. US data show that the effect of frontloading has gradually faded since tariffs were introduced in April. However, this process is likely to be slower than we previously thought.

While US frontloading boosted the Czech economy at the start of the year, the impact of US tariffs should be negative in 2H25.

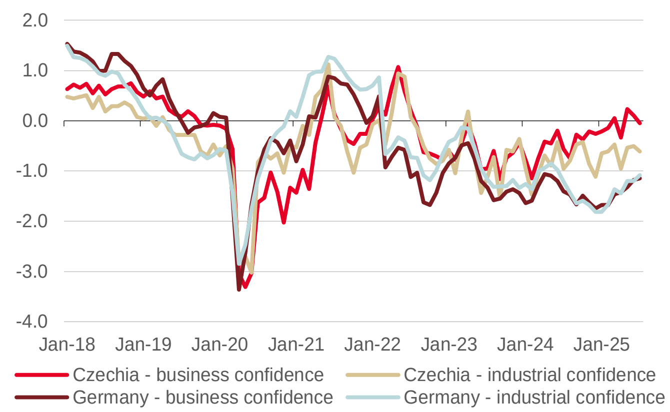
The temporary moratorium on reciprocal tariffs, which was in place for most of 2Q25, and the threat of a sharp increase in the tariff burden after its termination may have had an effect. US stockpiling provided a temporary boost to Czech industry. While domestic orders were broadly stagnant, orders from abroad have grown steadily since the beginning of the year. However, there was a significant decline in May. We expect foreign orders to trend downward in the coming months as the stockpiling effect fades and the problems that caused the decline in industrial production in 2023 and 2024 resurface. Although leading indicators have shown some improvement, probably due to the more positive outlook for the German economy resulting from the substantial fiscal stimulus planned, industrial confidence remains relatively low. Consequently, we continue to anticipate a mild economic recession in 2H25, driven by the reversal of the stockpiling effect, coupled with heightened uncertainty and a slowdown in global foreign trade due to US tariffs.

Domestic industry saw an increase in foreign orders, likely due to US frontloading (in nominal terms, 2021=100, SA)



Source: CZSO, Economic & Strategy Research, Komerční banka

Confidence in Czech and German industries remains subdued (z-score, SA)

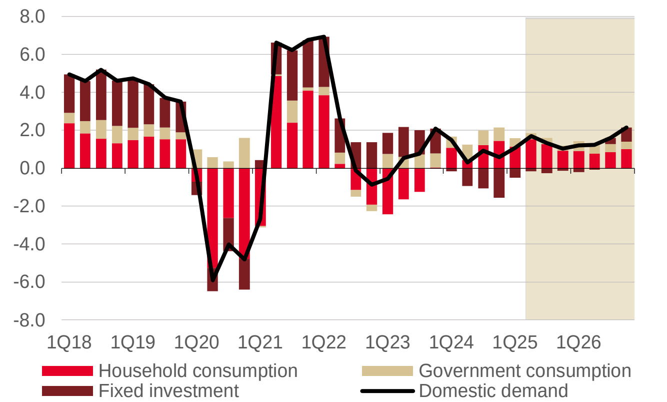


Source: CZSO, Ifo Institute, Economic & Strategy Research, Komerční banka
Note: Indicators for Czechia are based on the CZSO business survey, while those for Germany are based on data from the Ifo Institute. Z-scores are calculated using time series from 2005.

We forecast the Czech economy to grow by 1.9% this year and 1.1% next year, driven mainly by an ongoing recovery in household consumption. Compared to our April forecast, we have raised our 2025 estimate from 1.5% and lowered our 2026 estimate from 1.2%. This is primarily due to the prolonged effect of US frontloading, but also because we now expect the negative economic impact of tariffs to be milder given the partial easing of tensions between the US and its trading partners. While we expect qoq growth in household consumption to remain positive, its pace should slow due to still-heightened economic uncertainty and an easing of the domestic labour market. We do not expect household consumption or real wages to return to pre-pandemic levels until 2Q26. The ongoing recovery in household purchasing power should contribute to sustained growth in private spending. In contrast, we expect fixed investment to decline for the second consecutive year. A strong recovery in the property market and associated household investment in real estate is unlikely to offset the negative trend of falling corporate investment. As the economic slowdown resulting from the tariffs is unlikely to be felt until 2H25, its impact on full-year GDP statistics will be more evident in 2026. The same applies to the contribution of net exports to GDP growth, which we expect to be zero in 2025 before turning negative in 2026. However, this should be offset by an acceleration in German economic growth due to planned fiscal stimulus. Consequently, we expect the Czech economy and industrial production to resume qoq growth in 2026.

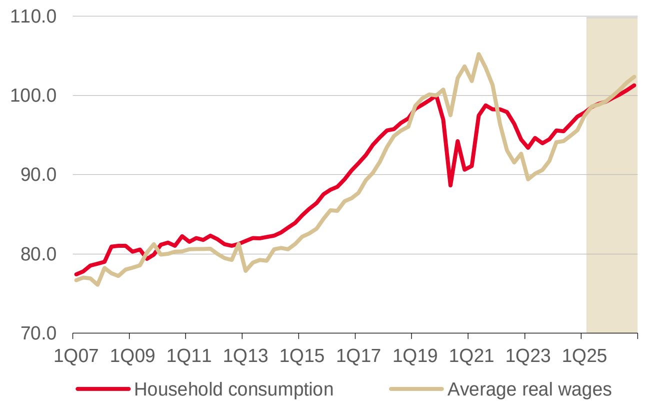
While the risks to our forecast remain considerable, they are not clearly skewed in either direction. Our forecast assumes that EU exports to the US will be subject to an effective tariff rate of around 10%. Accordingly, we expect an overall negative impact on Czech GDP of around 1%. We quantified the impact of various US tariffs on the Czech economy here: https://bit.ly/US_tariffs_Czech_economy_EN. Based on the available information, the trade agreement between the US and the EU, announced after we finalised our forecasts, could result in an effective tariff rate of between 10% and 15%. This should not significantly affect our forecast. However, the final details of trade relations between the US and EU are not yet fully clear. In the longer term, domestic investment may be positively affected by the construction of additional units at the Dukovany nuclear power plant and the purchase of F-35 fighter jets. As the details of these government investments are still unclear, we have not included them in the baseline scenario of our macroeconomic forecast.

Domestic demand driven by household consumption, while investments dragged down by high uncertainty (%, pp, yoy)



Source: CZSO, Economic & Strategy Research, Komerční banka

Household consumption and real wages not to reach pre-pandemic levels until 2026 (4Q19=100)



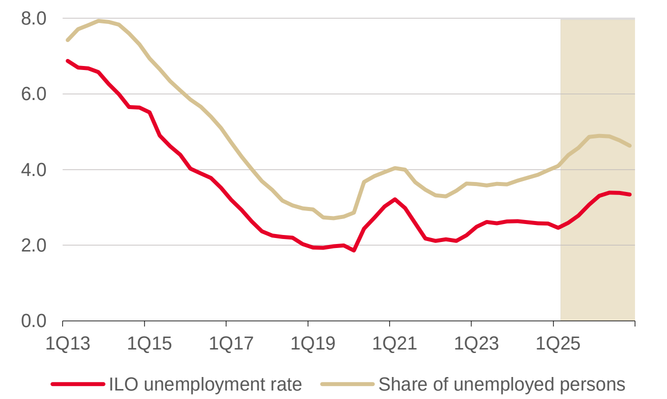
Source: CZSO, Economic & Strategy Research, Komerční banka

Wages continue to rise strongly, but the labour market is cooling

The labour market is already showing signs of cooling, which is likely to be reflected in slower wage growth.

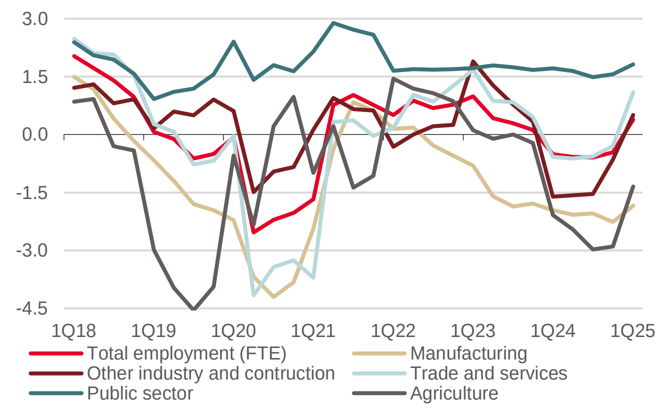
Tightness in the Czech labour market is gradually easing. The seasonally adjusted share of unemployed persons reached 4.4% in 2Q25, the highest level since 1Q17. The figure has been rising since the beginning of last year. In contrast, the seasonally adjusted ILO unemployment rate remained low at 2.6% in 2Q25, which was consistent with the average for both 2023 and 2024. The number of full-time equivalent (FTE) employees fell by 0.5% in 2024 but increased by 0.4% yoy in 1Q25. However, seasonally adjusted FTE employment remained 0.3% lower than in 4Q19, despite real 1Q25 GDP exceeding the pre-pandemic level by 3.3%. Therefore, FTE employment data indicate that labour productivity in 1Q25 was 3.7% higher than in 4Q19.

Unemployment rises slightly and is likely to continue to do so, which will ease the tightness in the labour market (%)



Source: CZSO, MLSA, Economic & Strategy Research, Komerční banka

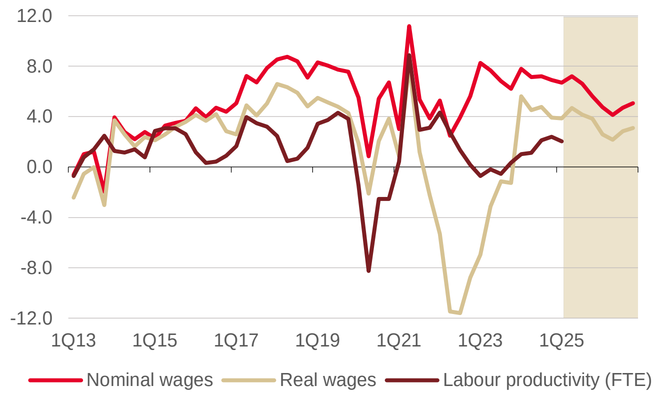
Employment is falling in manufacturing, but increasing in trade, services and the public sector (%, yoy)



Source: CZSO, Economic & Strategy Research, Komerční banka

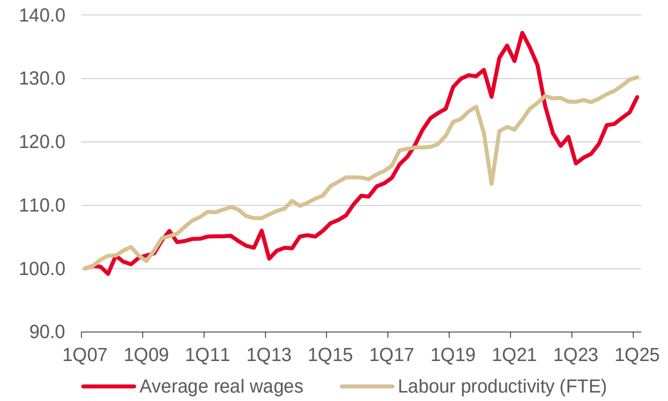
Significant labour market shifts are evident in the sectoral data. Employment in the manufacturing sector continues to decline. The number of FTE employees fell by 1.5% in 2023 and by a further 2% in 2024. Compared to the pre-pandemic year of 2019, employment in manufacturing was 7.4% lower last year. This decline reflects long-standing issues within the manufacturing sector. The latest data show that the decline in manufacturing employment of around 2% yoy continued in 1Q25. However, these employees are finding jobs in other sectors of the economy. Employment in trade and services in 2024 remained 2.3% below the pre-pandemic level. And despite falling slightly last year, employment in trade and services grew by 1.1% yoy in 1Q25, likely supported by renewed growth in consumer demand. Additionally, employment continues to grow strongly in the public sector, with growth ranging from 1.5% to 2% yoy since 2019. Consequently, employment in the health and social care sector was 15.9% higher last year than in 2019, while employment in education was 13.7% higher (private entities operating in this area are also included in the statistics, but the public sector plays a dominant role due to the public education and healthcare systems in Czechia). In contrast, employment in the public administration and defence sector was 0.7% lower than in 2019. Overall, we believe that the current shifts in the labour market may indicate greater vulnerability to sudden shocks.

Wage growth to ease due to a slowdown in the economy and labour market (%, yoy)



Source: CZSO, Economic & Strategy Research, Komerční banka

After declining sharply, real wages continue to lag behind labour productivity (1Q07=100)



Source: CZSO, Economic & Strategy Research, Komerční banka

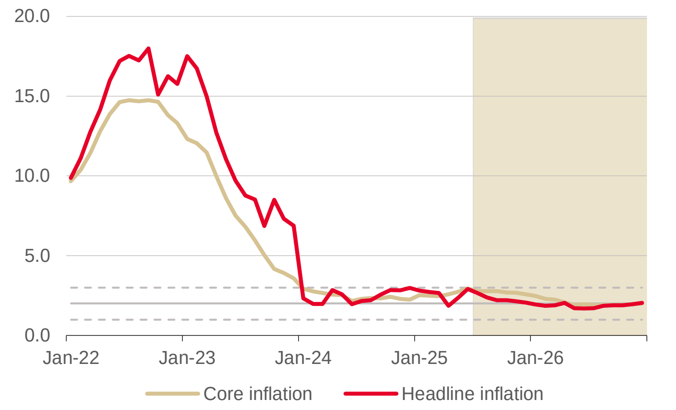
We expect nominal wage growth to slow from 7.2% last year to 6.5% in 2025 and 4.7% in 2026. This is higher than our previous forecasts for both years (5.0% and 4.1%, respectively), as wage growth in 1Q25 was stronger than we had estimated and the economic outlook is slightly more positive. While real wages were still 2.5% lower in 1Q25 than before the pandemic, we expect them to continue recovering and reach pre-pandemic levels in 2Q26. As real wages continue to lag behind labour productivity, the impact of their growth on inflation should be limited. Nevertheless, we expect wage growth to slow gradually due to our anticipated economic slowdown and further labour market easing. We forecast the ILO unemployment rate to rise from 2.6% in 2024 to 2.7% in 2025 and 3.4% in 2026. The share of unemployed persons should rise from 3.8% in 2024 to 4.5% in 2025 and 4.8% in 2026, in our view.

Despite its current elevated level, inflation is heading towards the 2% target

While headline inflation should return to close to the central bank's target by the end of the year, core inflation is likely to remain elevated and fall to 2% only in 2026.

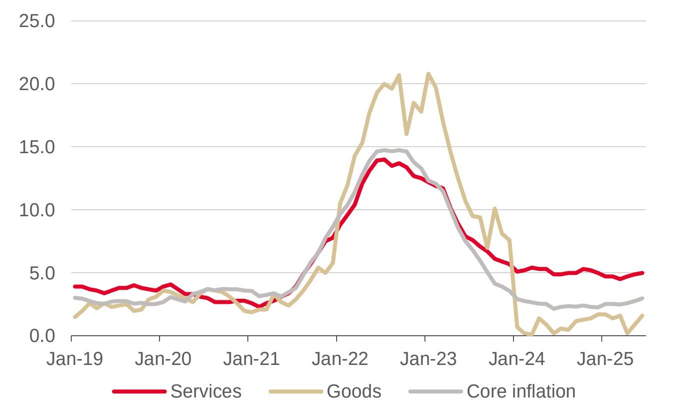
Inflation is coming down slower than expected. Consumer price growth eased from 2.7% yoy in 1Q25 to 2.4% yoy in 2Q25, whereas we had anticipated 2.2% yoy. Higher inflation in 2Q25 compared to our April forecast was driven by stronger growth in the core component and regulated prices. The acceleration in services price growth, from 4.6% yoy in 1Q25 to 4.9% yoy in 2Q25, was driven by imputed rents, which accelerated from 3.2% to 4.5% yoy due to significant house price increases. Conversely, goods price growth slowed from 1.6% to 0.9% yoy. The strong decline in fuel prices of over 10% yoy dragged inflation down in 2Q25.

While headline inflation should return close to the target by year-end, core inflation is likely to fall to 2% in 2026 (%, yoy)



Source: CZSO, CNB, Economic & Strategy Research, Komerční banka

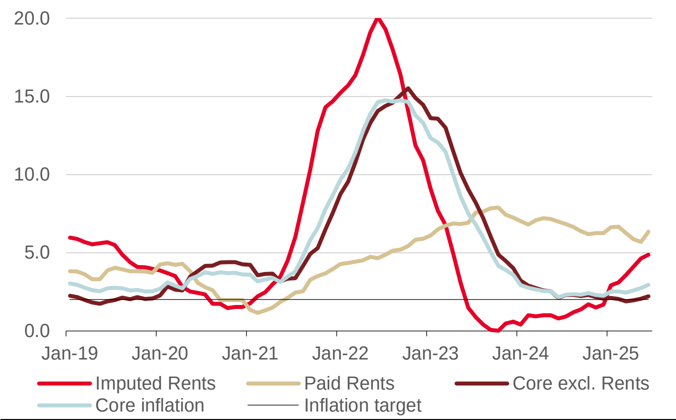
High services inflation has been offset by muted momentum in goods prices (%, yoy)



Source: CZSO, CNB, Economic & Strategy Research, Komerční banka

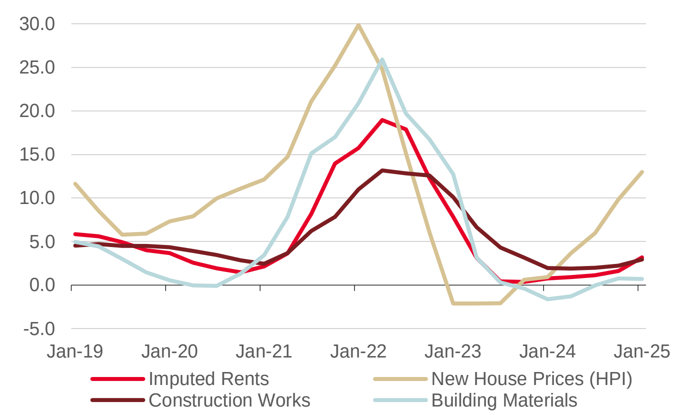
We estimate that inflation will average at 2.4% this year and 1.9% next year, while core inflation will average 2.7% and 2.0%, respectively. These figures represent a slight upward revision compared to our April forecast for both inflation measures and years. In our previous forecast, we expected headline inflation to reach 2.2% in 2025 and 1.8% in 2026, with core inflation reaching 2.4% and 1.9%, respectively. This upward revision is due to higher inflation in 2Q25 than we had anticipated, largely reflecting faster-than-expected growth in house prices and consequently stronger annual growth in imputed rents.

Rent growth accelerated amid a strong recovery in the housing market, but core inflation without rents is close to 2% (%, yoy)



Source: CZSO, CNB, Economic & Strategy Research, Komerční banka

Imputed rents also include the cost of construction work and materials, which has grown slower than house prices (%, yoy)

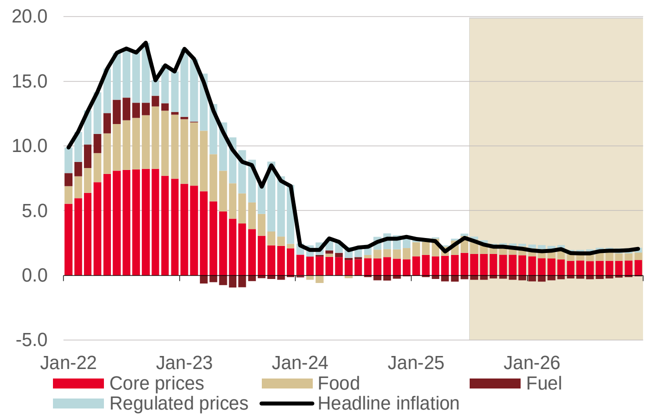


Source: CZSO, Economic & Strategy Research, Komerční banka

We do not expect imputed rents to accelerate significantly further. We forecast growth to remain close to the current rate of 5% yoy. This is due to a higher comparison base, given that mom growth in imputed rents rose markedly in 2H24. Furthermore, we believe that annual house price growth is currently close to its peak. This impact should also continue to be offset by significantly weaker dynamics in other components of imputed rents, such as construction material and labour costs. We expect core inflation to decline only slightly over the rest of this year and remain above 2.5% yoy. Core inflation is also likely to remain elevated due to growth in paid rents, driven by the reduced affordability of owner-occupied housing. By contrast, we expect headline inflation to fall to around 2% yoy by the end of the year. According to our forecast, core inflation will return to the CNB's target next year. This should be supported by the effects of tight monetary conditions, lower energy and fuel prices, and the economic and labour market slowdown that we expect. Core inflation, excluding both imputed and paid rents, has already been close to 2% yoy for some time, as high growth in services prices has been offset by subdued goods price growth. This trend should continue, supported by a yoy decline in producer prices and a stronger koruna vs the euro and US dollar. However, the potential influx of Chinese goods onto the European market poses a risk for lower inflation, while any retaliatory tariff measures by the EU could push inflation up. Over the more distant forecast horizon, the introduction of the ETS 2 emissions trading system could represent an upward risk to our inflation forecast.

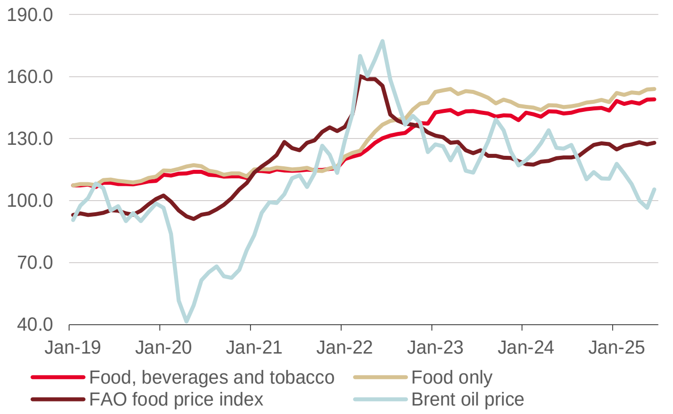
While food prices are likely to continue to rise, fuel prices should fall. We expect food prices (including all beverages and tobacco) to increase by 3.3% this year, with the rise slowing to 2.2% next year. This growth is likely to remain above the central bank's 2% target due to the negative impact of climate change on harvests. According to the FAO index, this is reflected in a slight upward trend in agricultural commodity prices. However, it could be offset by lower transport costs resulting from the significant decline in fuel prices, given that a large proportion of food is imported. In our forecast, we assume that oil prices, and subsequently fuel prices, will fall this year and next. This is due to increased production and lower demand related to the global industrial slowdown and the shift towards renewable energy sources. We expect household electricity and gas prices to continue to trend gradually downward for the remainder of the year. However, this impact is likely to be offset by the continued rapid growth of the non-energy component of regulated prices, which includes prices in healthcare, education and public transport. We estimate that regulated prices will grow by 1.2% in 2025, accelerating to 2.3% in 2026 as the favourable impact of falling electricity and gas prices fades.

Core inflation and food price growth to remain elevated this year, but be offset by cheaper fuel and energy (%, yoy)



Source: CZSO, CNB, Economic & Strategy Research, Komerční banka

Although agricultural commodity prices are increasing slightly, the cost of transporting food should be lower (2014-2016=100)



Source: CZSO, CNB, Macrobond, Economic & Strategy Research, Komerční banka

Monetary policy

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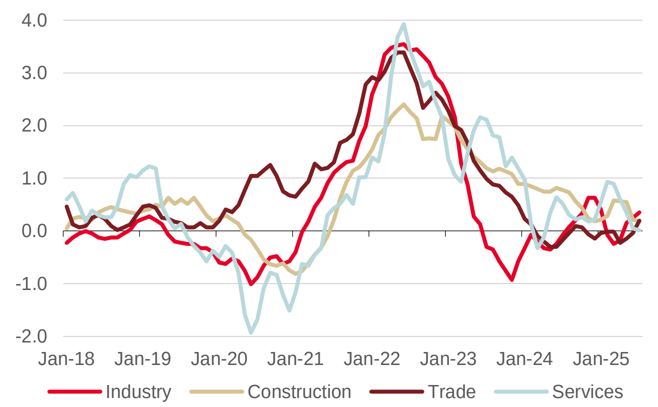
Rate cuts currently on hold, but to resume before year-end

Given the ongoing focus of the CNB board on inflationary risks and increased global uncertainty, we expect interest rates to remain on hold for some time. We now forecast 25bp cuts in November and February, bringing the repo rate to a terminal level of 3%. The favourable outlook for inflation, which is heading towards the 2% target, and the economic slowdown due to US tariffs should allow rates to fall to a policy-neutral level. Although risks in the near future are skewed towards higher rates, we cannot rule out a shift to expansionary monetary policy next year if the pessimistic scenario of a sharper economic slowdown materialises.

Monetary conditions are tighter than suggested in the latest CNB staff forecast.

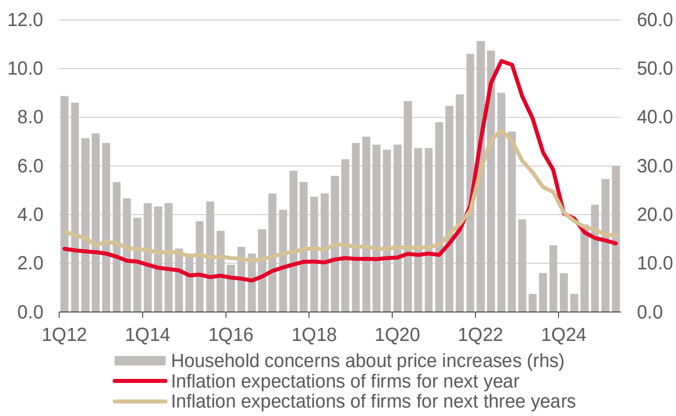
After cutting interest rates in May, the Czech National Bank paused the easing of monetary policy in June. As in 1Q25, interest rates fell at a cautious pace of 25bp per quarter in 2Q25, bringing the key repo rate to 3.5%. This was in line with our April forecast. However, the current monetary policy rates are higher than those indicated in the latest CNB staff forecast from May, which predicted that the repo rate would be lowered to 3% by the middle of the year – a level that CNB staff consider to be policy neutral. This has occurred despite the balance of risks of the latest CNB forecast not being significantly biased. GDP growth in 1Q25 was only slightly higher, at 0.7% qoq vs 0.6% qoq in the CNB forecast. Inflation averaged 2.4% yoy in 2Q25, meeting the CNB's expectations, while core inflation, at 2.8% yoy, exceeded the CNB forecast by just 0.1pp. Only nominal wage growth deviated by a larger margin, reaching 7.2% yoy in 1Q25 vs the CNB forecast of 6.8% yoy. Monetary conditions have thus been tighter than the CNB forecast suggested. This was supported by a stronger koruna, which strengthened from EURCZK 25.1 in 1Q25 to EURCZK 24.9 in 2Q25. In contrast, the CNB had expected stagnation at EURCZK 25.1, implying that the currency was almost 1% stronger.

Price expectations stabilised at around their long-term average across the different sectors of the economy (z-score, SA, 3MA)



Source: CZSO, Economic & Strategy Research, Komerční banka
Note: Price expectations for a specific economic sector based on the CZSO survey. Z-scores are calculated using time series from 2003 and the graph shows their three-month moving averages.

Inflation expectations of non-financial corporations are falling gradually, but household fears of price increases rose (%)



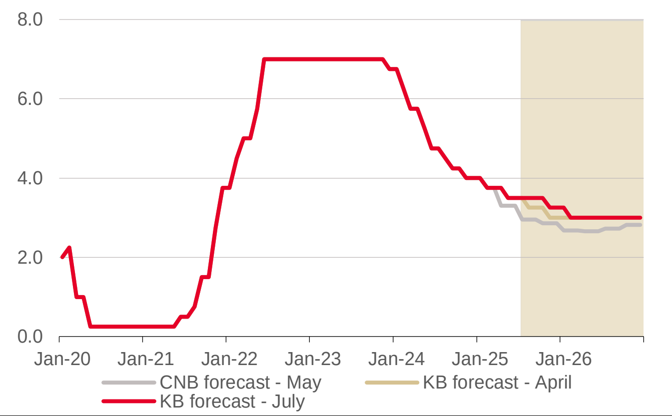
Source: CZSO, CNB, Economic & Strategy Research, Komerční banka

The CNB board continues to emphasise inflationary risks, which coupled with increased global uncertainty will likely lead to rates remaining on hold for an extended period. Governor Michl indicated this at a press conference after the last CNB meeting. The CNB's highlighted inflationary risks continue to be dominated by the rapid growth in services and house prices, as well as fiscal policy developments. Global risks mainly relate to the uncertain impact of US tariffs on the economy. We therefore assume that the central bank will adopt a wait-and-see approach while assessing incoming economic data. Consequently, we have pushed back the remaining two interest rate cuts that we continue to expect in this monetary policy cycle. Rather than the 25bp cuts at the August and November meetings included in our April forecast, we now expect interest rates to be lowered at the November and February meetings. We therefore still expect the repo rate to fall to the policy-neutral level of 3%. This should be supported by a favourable inflation outlook, as we forecast that inflation should to reach the central bank's 2% target over the monetary policy horizon, which currently covers 2H26. With inflation stabilising at close to the target and the economy weakening in 2H25, the CNB board should resume lowering interest rates at the November meeting.

We expect another cut to come at the November meeting, with the repo rate falling to a terminal 3% in February.

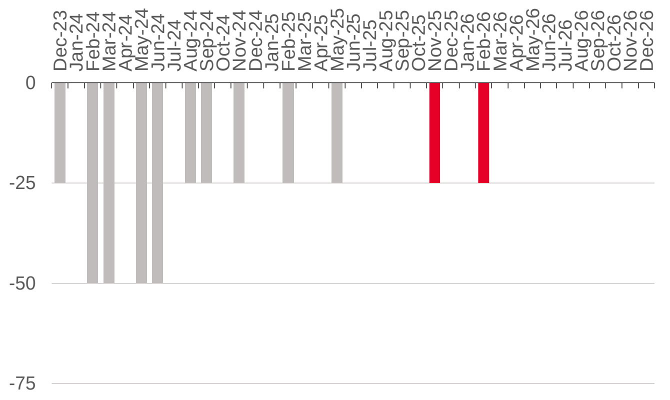
We expect interest rate developments to depend heavily on incoming data. If the economy proves resilient in the face of US tariffs and inflation remains high due to continued rapid growth in services or house prices, interest rates could be kept on hold until year-end. The preference for a higher neutral rate expressed by some CNB board members could also result in higher rates. Therefore, the risks to our forecast are skewed towards higher CNB rates in the near term. However, we cannot rule out the need to lower the repo rate below 3% next year if a pessimistic scenario of a sharp economic slowdown due to US tariffs were to materialise. Even the CNB's May forecast indicates a fall in the repo rate to slightly below 3% by 2026, despite not considering the potential negative impact of US tariffs on the Czech economy.

Repo rate to reach terminal level of 3% in February 2026 (%)



Source: CNB, Economic & Strategy Research, Komerční banka

Another repo rate cut is unlikely before November (bp)



Source: CNB, Economic & Strategy Research, Komerční banka

Fiscal policy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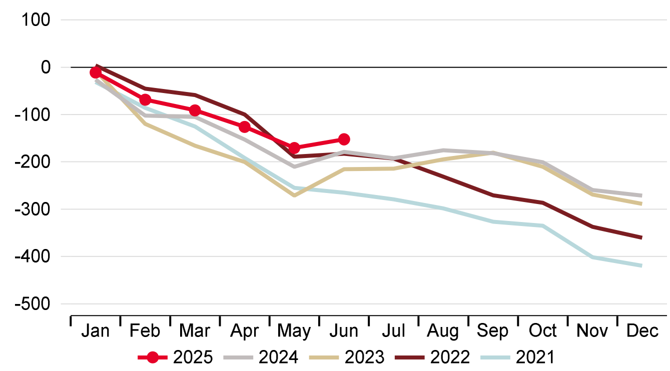
Further consolidation is no longer in sight

Next year, the cash deficit of the state budget should deepen to CZK280bn due to state loan for the construction of new blocks at the Dukovany nuclear power plant and increased defence spending, combined with a slowdown in domestic economic growth. However, in relation to GDP, we expect the public finance deficit to remain slightly above 2% this year and next, as it did last year. The adjusted structural deficit relevant for the assessment of compliance with domestic fiscal rules should not exceed the legal limit next year. However, we do not expect any further visible consolidation of public finances in the coming years, which also means that budgetary policy rules could be relaxed. Nevertheless, we expect the Czech Republic to continue to meet the Maastricht criteria for public finance deficits and debt levels. The overall impact of fiscal policy on the economy, as measured by the fiscal impulse, should be broadly neutral over the forecast horizon.

Budget fulfilment data does not rule out reaching this year's target

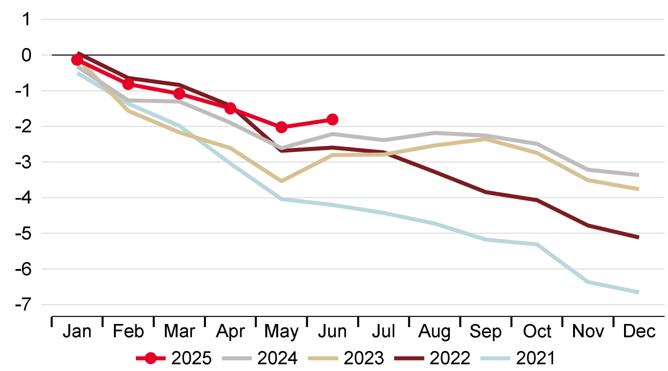
At the end of June, the state budget was running a ytd deficit of CZK152.4bn. This was CZK26.2bn narrower than in the same period last year. At 1.8% of nominal GDP, the deficit in the first half of this year was the lowest since the pre-pandemic year of 2019. In general, we believe that the data on the implementation of the state budget to date do not signal any additional risk to the planned deficit of CZK241bn for this year not being achieved. Nevertheless, the risk is skewed to the downside due to uncertainties surrounding certain items (revenue from emission allowances, spending on education and renewable energy sources) and economic growth, which, given the impact of the tariffs, will be significantly lower than assumed in the MinFin's August forecast, on which the budget was originally based (MF: 2.7%, KB: 1.9%).

State budget balance (CZKbn, ytd cumulative)



Source: Ministry of Finance, Macrobond, Economic & Strategy Research, Komerční banka

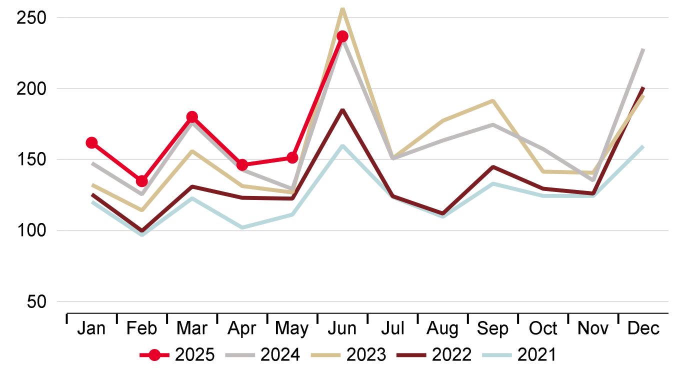
State budget balance (% GDP, ytd cumulative)



Source: Ministry of Finance, CZSO, Macrobond, Economic & Strategy Research, Komerční banka
Note: Nominal GDP in 2025 according to the KB forecast.

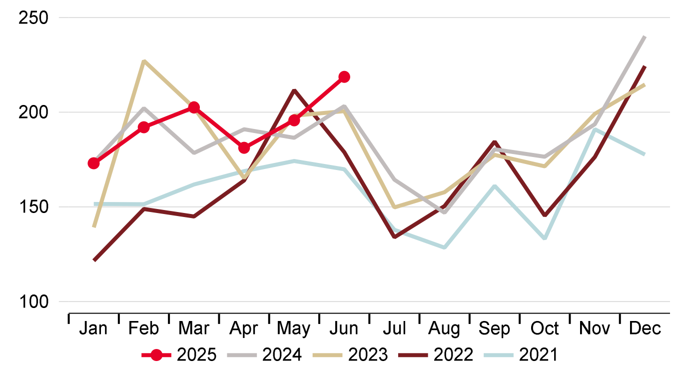
Expenditure was up by CZK28.3bn (+2.5%) year-on-year at the end of June. Compared with last year, current expenditure grew mainly in transfers to local government budgets (+CZK13.6bn) in connection with the financing of education. The largest item in terms of weight, social benefits (+CZK9.7bn), also contributed to the growth in total expenditure. The increase in expenditure (not only) on these items was partly offset by year-on-year lower transfers to businesses, mainly due to the termination of state aid for high energy prices, and lower non-investment transfers to state funds. The year-on-year increase in capital expenditure (investment) of around 5% is mainly driven by investment in transport infrastructure. **Revenues rose by CZK54.6bn (+5.7%) year-on-year by the end of June.** The largest contributors were the most significant items in terms of weight: social contributions (+CZK27.6bn) and VAT (+CZK13.4bn). The dynamics of both items indicate that solid wage growth continued in the second quarter, which was reflected in a revival of consumer demand.

State budget revenue (CZKbn, non-cumulative)



Source: Ministry of Finance, Macrobond, Economic & Strategy Research, Komerční banka

State budget expenditure (CZKbn, non-cumulative)

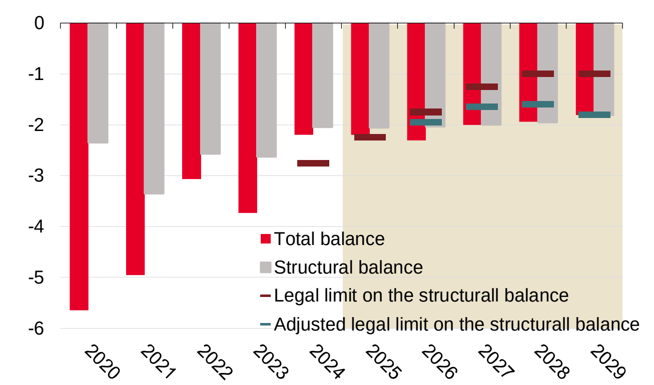


Source: Ministry of Finance, Macrobond, Economic & Strategy Research, Komerční banka

The deficit will grow next year, Czech fiscal rules could be revised

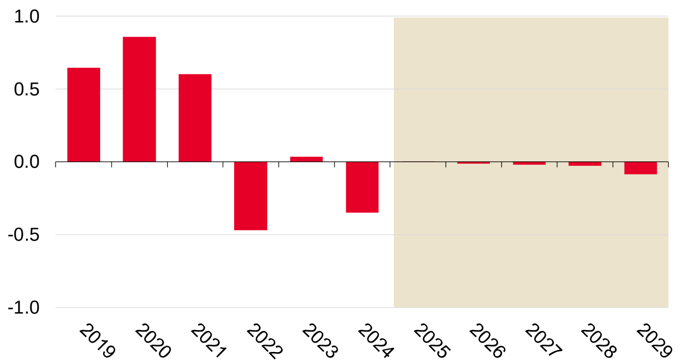
In 2026, the state budget deficit is likely to increase to CZK280bn, a year-on-year increase from this year's c.CZK240bn. The increase will likely be due to, among other things, additional expenditure related to the provision of an interest-free loan for the construction of new nuclear power plant units in Dukovany (CZK24bn in 2026) and an increase in defence spending by 0.2pp to 2.2% of GDP. Expenditure related to the the nuclear power plant project should be reflected in the cash deficit. In accrual terms, it will only be visible in the public debt, but not in the public finance deficit.[1]

Overall and structural balance of public finance – KB forecast



Source: Economic & Strategy Research, Komerční banka
Note: The structural balance is the overall balance adjusted for the impact of the economic cycle and one-off and temporary operations. The adjusted legal limit is increased by estimated defence spending above 2% of GDP, which is subject to an exemption from Czech fiscal rules.

Fiscal impulse (contribution to GDP growth in pp)



Source: CZSO, Ministry of Finance, Macrobond, Economic & Strategy Research, Komerční banka
Note: The fiscal impulse captures the estimate of the impact of a change in the structural balance (fiscal discretion) on GDP dynamics. Calculated on the basis of the top-down method with a uniform fiscal multiplier of 0.6.

We expect growing expenditure pressures to lead to a loosening of domestic fiscal rules. The current law of fiscal responsibility requires a further reduction in the structural deficit by 0.5pp of GDP to a maximum of 1.75% of GDP in 2026, with the same reduction in the deficit also included in the Act for 2027. From 2028, the ceiling for the structural balance is set at 1% of GDP. The only exception to the rules is for defence spending, where anything

[1] According to the uniform European methodology (also used to assess the Maastricht convergence criteria for deficits), this is a government receivable.

above 2% of GDP will not be included in the structural balance. We expect the consolidation of the structural balance to stall in the coming years given that: 1) the Czech Republic is among the third-least indebted countries in the EU, with public debt amounting to 43.3% of GDP; 2) European fiscal rules are less strict than domestic ones; and 3) fiscal discipline is not yet a major priority in the pre-election agenda.

The impact of discretionary fiscal policy measures on the economy should be roughly neutral, given the expected near stagnation of the structural deficit over the entire forecast horizon. Following a visible reduction in the structural deficit of public finances last year, to which the consolidation package contributed, fiscal tightening measured by the approximate aggregate fiscal impulse will, in our view, disappear completely this year. In the absence of further public finance consolidation, fiscal policy will not have a significant impact on economic growth or price developments in the coming years from the perspective of the fiscal impulse. Overall, however, we believe that the risk is skewed towards more expansionary fiscal discretion. On the other hand, the risk that could offset these factors is the possible use of non-debt financing sources (savings on other items, increased tax revenues or the use of EU funds).

The Czech Republic will continue to meet the Maastricht criteria

In our view, this year's public finances will end with a deficit of 2.2% of GDP, the same as last year. The deficit should remain slightly above 2% in 2026.

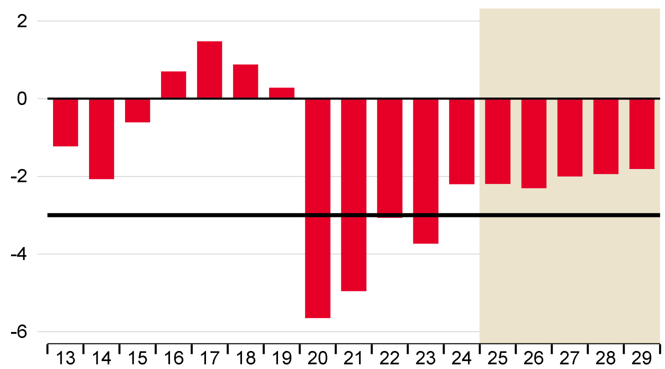
We expect the public finance deficit to be around 2% of GDP over the entire forecast horizon. Compared to central government institutions, or the state budget, the public finance deficit as a whole will be reduced by the positive balance of municipalities finances, which have been in surplus since 2013. The public finance deficit should also be lower compared to the state budget cash balance by the continued financing of the the nuclear power plant project in the form of state loans, which are not captured by the deficit in accrual terms. On our estimates, public sector debt as a percentage of GDP will grow by an average of 0.9 percentage points per year in 2025-2029, reaching 47.6% of GDP in 2029.

Public finance forecasts

	2024	2025f	2026f	2027f	2028f	2029f
Balance (% GDP)	-2.2	-2.2	-2.3	-2.0	-1.9	-1.8
Fiscal effort (pp of GDP)	0.6	0.0	0.0	0.0	0.0	0.1
Public debt (CZKbn)	3 491.9	3 731.9	4 011.9	4 261.9	4 501.9	4 741.9
Debt ratio (% GDP)	43.3	44.3	46.2	46.8	47.3	47.6

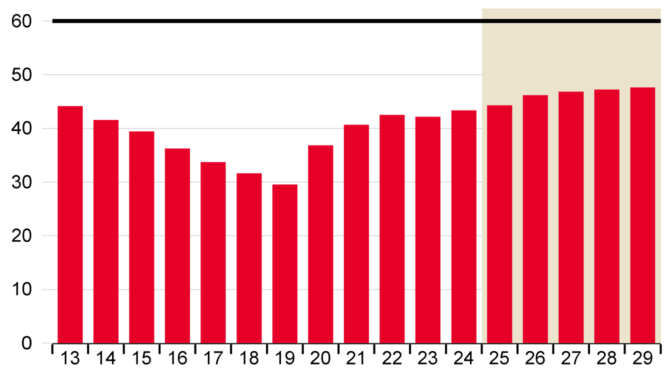
Source: CZSO, Macrobond, Ministry of Finance for published data, Economic & Strategy Research, Komerční banka
Note: fiscal effort is measured as the yoy change in the public finance balance, adjusted for the economic cycle and one-off operations on GDP in pp.

Public finance balance (% of nominal GDP)



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

Public debt (% of nominal GDP)



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

Summary forecast table

	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q3 26	2024	2025	2026	2027	2028	2029
GDP and its breakdown														
GDP (real, yoy, %)	1.9	2.4	2.6	1.8	0.6	0.3	0.5	1.2	1.1	1.9	1.1	2.6	2.4	2.4
Household consumption (real, yoy, %)	3.0	2.4	3.2	2.7	1.9	1.9	1.6	1.8	2.2	2.5	1.8	2.3	2.4	2.3
Government consumption (real, yoy, %)	3.2	1.9	1.4	1.4	1.1	2.2	2.3	1.7	3.2	1.4	2.0	1.3	1.8	1.8
Fixed investment (real, yoy, %)	-5.1	-1.7	-0.5	-0.9	-0.5	-0.7	-0.3	1.2	-3.1	-0.9	0.7	3.8	3.3	3.0
Net exports (contribution to yoy)	-1.0	-0.3	0.2	0.3	-0.2	-0.8	-0.9	-0.3	0.7	0.0	-0.4	0.2	0.3	0.1
Inventories (contribution to yoy)	2.3	1.7	0.8	0.3	0.0	0.1	0.2	0.1	-0.4	0.7	0.1	0.1	-0.1	0.1
Monthly data from the real economy														
Foreign trade (CZKbn)	41.7	81.8	57.3	8.5	34.7	80.8	59.3	11.4	224.6	182.3	194.1	231.8	246.3	256.5
Exports (nominal, yoy, %)	4.6	6.1	0.9	6.3	0.8	1.3	4.0	0.9	4.6	3.5	3.2	6.7	5.6	5.6
Imports (nominal, yoy, %)	5.3	6.7	2.3	8.2	1.4	1.5	4.0	0.7	2.4	4.6	3.1	6.2	5.6	5.7
Industrial production (real, yoy, %)	-2.1	0.6	1.6	0.7	0.3	-1.0	-0.8	0.9	-1.0	0.8	0.5	3.1	3.2	2.9
Construction output (real, yoy, %)	3.1	7.3	-0.4	6.5	1.3	0.3	0.1	-0.4	-1.6	3.7	0.8	4.1	3.6	3.1
Retail sales (real, yoy, %)	4.9	3.6	5.3	4.3	3.3	2.4	1.1	1.6	4.5	4.1	1.9	2.7	2.4	2.5
Labour market														
Wages (nominal, yoy, %)	6.9	6.7	7.2	6.6	5.6	4.7	4.1	4.7	7.2	6.5	4.7	5.1	4.8	4.6
Wages (real, yoy, %)	3.9	3.9	4.7	4.2	3.8	2.6	2.2	2.8	4.7	4.1	2.7	2.9	2.7	2.7
Unemployment rate (MLSA, %)	3.9	4.3	4.2	4.5	4.8	5.1	4.8	4.7	3.8	4.5	4.8	4.5	4.5	4.5
Unemployment rate (ILO 15+, %)	2.5	2.6	2.5	2.8	3.0	3.4	3.3	3.4	2.6	2.7	3.4	3.2	3.2	3.2
Employment (ILO 15+, yoy, %)	2.3	0.5	1.0	0.6	0.3	-1.2	-0.6	-0.3	2.6	0.6	-0.5	0.5	0.3	0.2
Consumer and producer prices														
CPI Inflation (yoy, %)	2.9	2.7	2.4	2.4	2.1	1.9	1.8	1.8	2.4	2.4	1.9	2.1	2.1	1.9
Taxes (contribution to yoy inflation)	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.0	0.0
Core inflation (yoy, %) (*)	2.3	2.5	2.8	2.8	2.7	2.3	2.0	1.9	2.5	2.7	2.0	2.1	2.1	2.0
Food prices (yoy, %) (*)	2.8	4.2	3.8	3.0	2.4	2.3	2.0	2.3	0.7	3.3	2.2	1.8	1.9	1.8
Fuel prices (yoy, %) (*)	-7.4	-4.4	-12.2	-9.8	-9.9	-13.1	-7.9	-6.5	-0.9	-9.1	-7.5	2.9	3.4	1.0
Regulated prices (yoy, %)	7.4	1.2	0.9	1.3	1.2	2.2	2.3	2.4	6.3	1.2	2.3	2.0	2.1	2.1
Producer prices (yoy, %)	1.8	0.0	-0.9	-1.6	-2.7	-1.3	-0.2	0.3	0.8	-1.3	-0.1	2.1	2.3	1.8
Financial variables														
2W Repo (%, average)	4.1	3.9	3.6	3.5	3.4	3.1	3.0	3.0	5.1	3.6	3.0	3.0	3.0	3.0
3M PRIBOR (%, average)	4.0	3.8	3.6	3.5	3.3	3.1	3.2	3.2	5.0	3.5	3.2	3.2	3.2	3.2
EUR/CZK (average)	25.2	25.1	24.9	24.7	24.9	24.8	24.8	24.8	25.1	24.9	24.8	24.6	24.5	24.2
External environment														
GDP in EMU (real, yoy, %)	1.2	1.5	1.3	1.0	0.9	0.6	1.0	1.2	0.8	1.2	1.0	1.3	1.2	1.2
GDP in Germany (real, yoy, %)	-0.2	0.0	0.0	-0.1	0.3	0.3	1.0	1.3	-0.2	0.1	1.0	1.3	1.1	1.1
CPI in EMU (yoy, %)	2.2	2.4	2.0	1.8	1.6	1.5	1.6	1.6	2.4	2.0	1.5	2.0	2.1	2.2
Brent oil price (USD/bbl, average)	73.1	75.0	67.3	66.3	60.0	59.2	56.9	55.0	80.8	67.1	57.5	62.8	65.7	67.0
EUR/USD (quarter eop, year average)	1.07	1.05	1.13	1.16	1.17	1.20	1.20	1.21	1.08	1.13	1.21	1.23	1.24	1.25

Source: CZSO, CNB, MLSA, Bloomberg, Macrobond, Economic & Strategy Research, Komerční banka
Note: (*) these parts of inflation are adjusted for the primary effect of indirect tax changes

The Czech IRS market and government bonds

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Stabilization of rates and yields

In our view, the slowdown in economic activity, price pressures resulting from US tariffs and tight monetary conditions are likely to lead to additional rate cuts by the Czech National Bank (CNB). Consequently, CZK IRS could offset their recent rise, particularly at the shorter end of the curve. However, we see limited scope for a narrowing in the spread between bonds and market rates, given the halt in the consolidation of domestic public finances. Gross issuance of CZGBs is unlikely to slow for the rest of this year compared to the first half. Next year, the supply of government bonds is set to increase due to, among other things, higher volumes of maturing instruments and a deeper budget deficit.

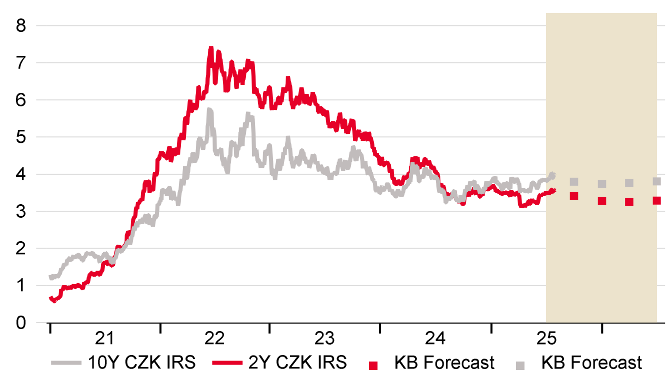
The economic downturn should keep CZK IRS in check

In our view, restrictive monetary conditions and tariff barriers should lead to a cooling off of the domestic economy and reduced price pressures. This would contribute to a further reduction in CNB rates, as well as in koruna market interest rates.

The resilience of economies and hawkish central banks have contributed to a global increase in market interest rates. Data and sentiment indicators on both sides of the Atlantic have been surprisingly positive of late. The very limited impact of uncertainty surrounding US tariff policy has been reflected in fewer investors counting on interest rate cuts by both the Fed and the ECB. The CNB has also maintained its hawkish stance, even changing its risk assessment from “modestly inflationary” to “inflationary” at its June meeting. On the CZK money market, this development has translated into a significant reduction in the number of investors counting on further easing in domestic monetary policy. The markets currently do not expect any further repo rate cuts this year and expect terminal rate range of 3.25-3.50% next year.

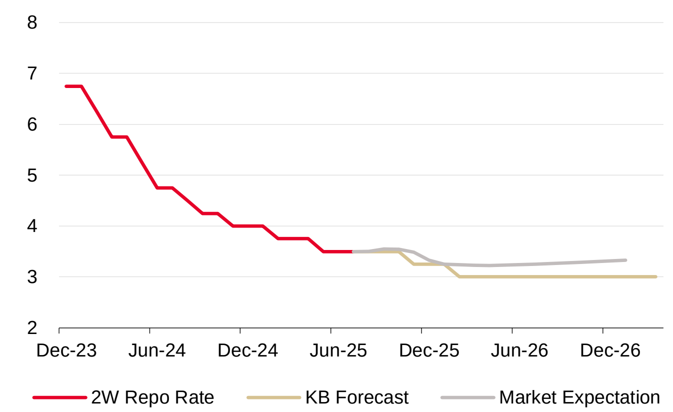
The negative effects of tariffs and strict monetary conditions should gradually start to become apparent. We expect the resulting slowdown in economic activity and price pressures to lead to a further reduction in domestic monetary policy rates later this year. We also estimate the terminal rate to be lower than the market-implied rate, at 3%, given the low growth potential of the Czech economy. In our baseline scenario, we expect this rate to be reached in 1Q26. Our forecast also assumes that the ECB will ease monetary policy further this year, a possibility that financial markets are not fully pricing in. Overall, we therefore expect a slight decline in koruna market interest rates. However, the longer end of the koruna curve should stabilize soon, given the likely halt to the consolidation of domestic public finances. Further monetary policy easing, combined with the stabilization of longer-term interest rates, should result in a slight increase in the slope of the entire curve. Compared to our previous forecast, we have revised our outlook for koruna rates upward across the entire horizon due to the later than expected CNB rate cuts, the less pronounced and more widespread (time-wise) negative effects of tariffs, and a more expansionary fiscal policy.

IRS forecast (%)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Expected CNB key interest rate path as of 29 July 2025 (%)



Source: Bloomberg, CNB, Economic & Strategy Research, Komerční banka

CZK IRS outlook (end of period, %)

	3Q25f	4Q25f	1Q26f	2Q26f
2y	3.40	3.30	3.25	3.30
5y	3.55	3.50	3.50	3.55
10y	3.80	3.75	3.75	3.80

Source: Economic & Strategy Research, Komerční banka

Euro market consistently offers lower interest rates

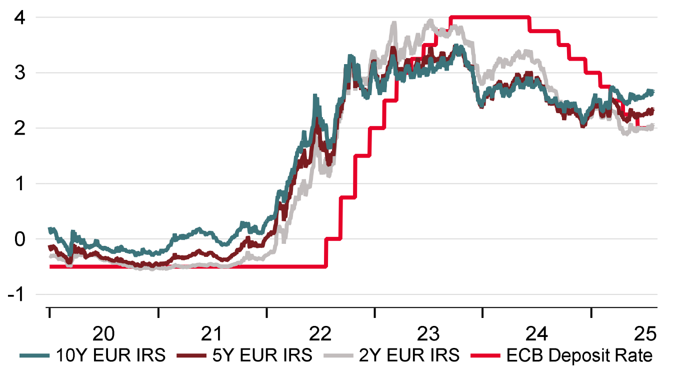
Interest rate hedging conditions on the koruna market have worsened across all maturities due to easing concerns about the negative impact of tariffs. However, we believe the economic slowdown could improve conditions again in the autumn. The forward market currently offers higher rates than the spot IRS market. Interest rates in the euro area remain significantly lower than in the Czech Republic.

CZK forward interest rate swaps (%, p.a., vs 6M Pribor, 1Y vs. 3M Pribor)

Forward \ Maturity	1Y	2Y	3Y	5Y	10Y
Spot	3.52	3.56	3.63	3.74	3.98
3M	3.52	3.59	3.66	3.77	4.00
6M	3.53	3.63	3.69	3.79	4.03
9M	3.57	3.65	3.72	3.82	4.06
1Y	3.60	3.68	3.75	3.84	4.09
2Y	3.77	3.83	3.87	3.97	4.21
3Y	3.88	3.93	3.96	4.08	4.28

Source: Bloomberg, Economic & Strategy Research, Komerční banka, as of 29 July 2025

Euro area rates (%)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

CZGB issuance to rise next year

We expect the state budget's cash deficit to reach CZK240bn this year and increase to CZK280bn next year. Combined with other financing needs, particularly bond and treasury bill maturities, we estimate that the gross issuance of CZGB will end up in the upper half of the range indicated by the Ministry of Finance (MinFin). This assumes the issuance of CZGBs totalling CZK350–450bn (CZK150–250bn in 2H25). As of 16 July this year, the MinFin had issued bonds worth CZK204.0bn on the primary market and CZK10.4bn on the secondary market. The MinFin has stated that it could issue euro-denominated bonds this year, which we estimate would total EUR1bn. However, it traditionally prefers to use domestic market issues to cover foreign currency financing needs. Thus far, foreign currency issues have only been carried out on the secondary market, amounting to EUR250m. Overall, we do not expect issuance activity to slow down in the second half of the year.

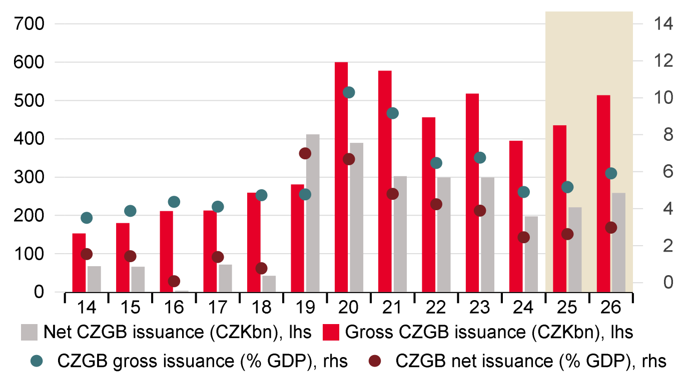
We expect significant increases in gross and net CZGB issuance in 2026. Higher repayments of maturing debt (+CZK40.8bn) and a deeper cash deficit in the state budget (+CZK40bn) will, among other things, contribute to the increase in gross issuance, on our estimates. Nevertheless, due to the previous consolidation of public finances, both net and gross issuance should still be lower than in 2023.

Funding programme and issuance activity (CZKbn)

	2025		2026	
	MinFin	KB	MinFin	KB
State budget deficit	241.0	240.0	225.0	280.0
Transfers and other operations of state financial assets	7.4	7.4	2.5	2.5
T-bonds denominated in local currency redemptions	214.2	214.2	255.0	255.0
T-bonds denominated in foreign currency redemptions	0.0	0.0	0.0	0.0
Redemptions and early redemptions on savings bonds	20.4	20.4	15.7	15.7
Money market instrument redemptions	81.3	81.3	20.0	70.0
Redemption of T-bills		81.3		60.0
Redemption of other money market instruments		0.0		10.0
Repayments on credits and loans	3.2	3.2	26.5	26.5
Total financing needs	**567.5**	**566.5**	**544.7**	**649.7**
Money market instruments		70.0		70.0
T-bills		60.0		60.0
Other money market instruments		10.0		10.0
Gross issuance of CZK T-bonds on domestic market		435.2		513.6
Gross issuance of EUR T-bonds on domestic market/eurobond		25.0		25.0
Gross issuance of government savings bonds		1.3		1.1
Received credits and loans		20.0		20.0
Financial asset and liquidity management		15.0		20.0
Total financing sources		**566.5**		**649.7**
Gross borrowing requirement		**551.5**		**629.7**
Net CZGB issuance		**221.0**		**258.6**

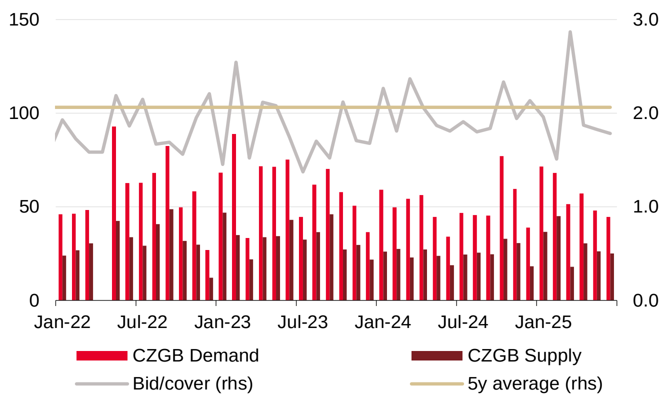
Source: MinFin, Economic & Strategy Research, Komerční banka

CZGB issuance



Source: MinFin, Economic & Strategy Research, Komerční banka

CZGB primary market (CZKbn)



Source: MinFin, CNB, Economic & Strategy Research, Komerční banka

CZGB yield forecast (end of period)

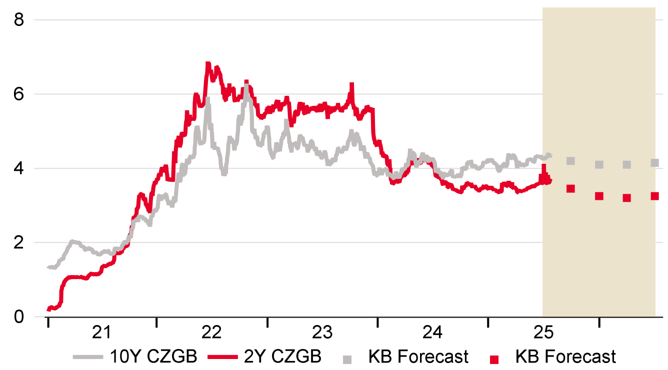
	3Q25f	4Q25f	1Q26f	2Q26f
2y CZGB yield (%)	3.45	3.25	3.20	3.25
5y CZGB yield (%)	3.75	3.60	3.60	3.65
10y CZGB yield (%)	4.20	4.10	4.10	4.15
10y CZGB ASW (bp)	40	35	35	35

Source: Economic & Strategy Research, Komerční banka

Economic slowdown could benefit bonds

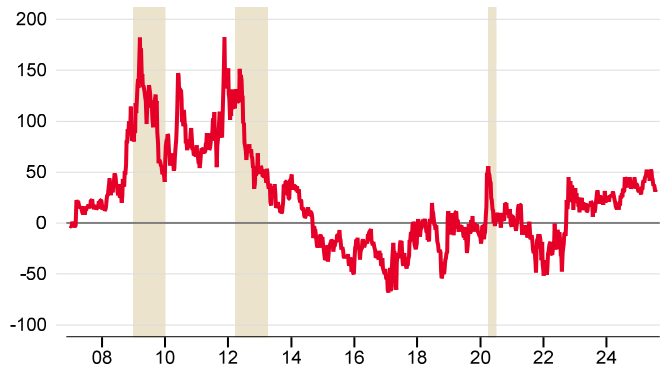
Government bond yields have lagged behind the recent rise in IRS, which narrowed ASW spreads and made them relatively more expensive. This probably reflects some easing of risk aversion and of emerging market assets. Due to the lack of consolidation in domestic public finances (see the *Fiscal Policy* chapter) and increased issuance activity, we do not anticipate a further narrowing of the spread between bond yields and IRS. However, an upcoming slowdown in economic activity will prevent further widening of spreads. As with market interest rates, we expect bond yields to decline over time at the shorter end of the yield curve, while those at the longer end should broadly stabilize.

CZGB yield forecast (%)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

10y CZGB ASW (bp)



Source: Bloomberg, Economic & Strategy Research, Komerční banka
Note: ASW= 10y CZGB yield - 10y CZK IRS; shading indicates recessionary period

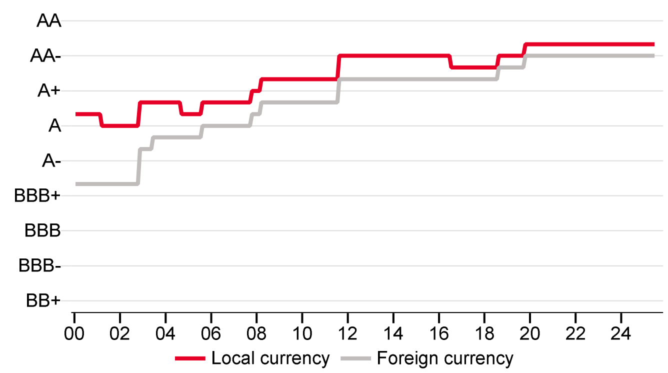
The Czech Republic's sovereign rating remains unchanged, with all major agencies showing stable outlooks. The last change occurred in February 2024, when Fitch, like Moody's in November 2023, upgraded its outlook for the Czech Republic's rating from negative to stable. The Czech Republic therefore still has the best credit rating of all CEE countries.

Sovereign rating overview

	Local currency	Outlook	Foreign currency	Outlook
S&P	AA	STABLE	AA-	STABLE
Moody's	Aa3	STABLE	Aa3	STABLE
Fitch	AA-	STABLE	AA-	STABLE

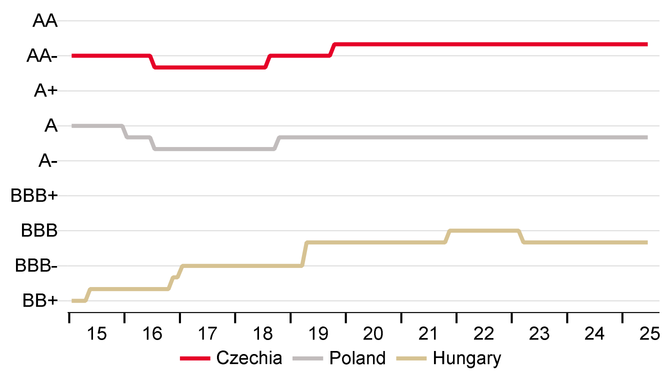
Source: Bloomberg, Economic & Strategy Research, Komerční banka

The Czech Republic's rating (average of Fitch, S&P and Moody's)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Rating in CE3 – local currency (avg. of Fitch, S&P and Moody's)



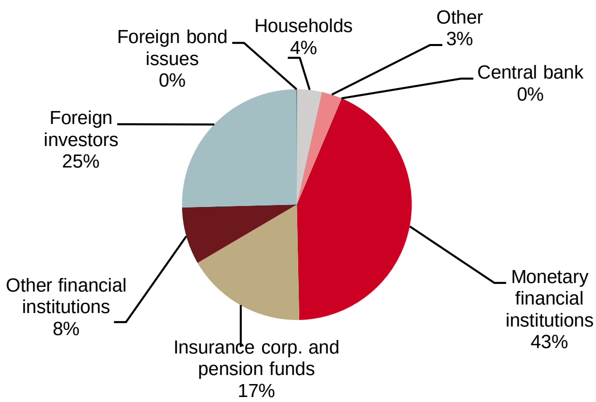
Source: Bloomberg, Economic & Strategy Research, Komerční banka

Government bond overview

Government bond overview									Rich-cheap analysis												
Bond		Dur.	Issued last 90D	Issuance limit	Yield	Δ1W	Δ1M	FX hedged	ASW	Δ1W	Δ1M	Min	90D	Max	Z-Score	Rank	Spline spread	Rank	Carry Roll 90D	Rank
6.00	Feb-26	0.6	0.0	71%	3.33	-2	6	1.97	-21	-2	7	-35		-12	0.7	2	7.7	24	-16.0	24
1.00	Jun-26	0.9	0.0	100%	3.50	3	3	2.11	-6	0	1	-32		-3	1.0	1	-6.1	2	-1.8	23
0.25	Feb-27	1.5	0.0	107%	3.57	3	5	2.18	-3	0	3	-15		12	-0.4	3	-6.3	1	2.3	22
2.50	Aug-28	2.9	0.0	94%	3.69	5	8	2.38	0	2	0	-7		19	-1.0	8	-2.1	5	3.7	17
5.50	Dec-28	3.0	5.1	87%	3.65	2	6	2.39	-3	-2	-3	-10		22	-1.1	10	5.2	23	3.2	20
5.75	Mar-29	3.2	0.0	100%	3.70	1	10	2.47	0	-2	0	-5		27	-0.8	5	2.8	20	3.6	18
2.75	Jul-29	3.7	0.0	100%	3.75	2	7	2.51	2	-3	1	-2		31	-1.2	12	1.2	17	3.8	16
0.05	Nov-29	4.2	0.0	61%	3.81	1	9	2.55	2	-2	-2	1		29	-1.7	20	-1.1	8	4.0	14
0.95	May-30	4.5	0.0	100%	3.85	2	9	2.61	4	-2	-2	2		32	-1.8	21	-0.3	12	4.1	13
5.00	Sep-30	4.3	0.0	100%	3.89	3	11	2.70	11	0	1	5		39	-0.9	6	0.2	14	4.3	8
1.20	Mar-31	5.2	0.0	100%	3.95	4	10	2.70	8	-1	-1	4		37	-1.6	17	-0.8	10	4.3	11
6.20	Jun-31	4.9	0.0	100%	3.92	3	9	2.77	13	-2	-3	5		43	-0.8	4	4.3	22	4.3	12
1.75	Jun-32	6.3	0.0	100%	4.05	3	10	2.82	10	-1	-2	9		39	-1.7	19	2.0	19	4.3	10
4.50	Nov-32	5.9	5.2	100%	4.12	2	11	2.96	22	-2	-1	14		45	-1.1	11	-2.0	6	4.7	1
3.00	Mar-33	6.5	15.8	59%	4.18	3	11	2.98	22	-3	-2	19		44	-1.4	16	-4.8	3	4.7	2
2.00	Oct-33	7.1	0.0	100%	4.21	2	9	2.98	19	-2	-2	17		42	-2.0	22	-1.7	7	4.5	5
4.90	Apr-34	6.9	0.0	100%	4.24	1	9	3.10	28	-2	-2	23		48	-1.2	13	0.2	15	4.6	4
4.25	Oct-34	7.4	21.7	22%	4.32	2	7	3.17	31	-3	-4	25		48	-1.0	9	-2.9	4	4.6	3
3.50	May-35	8.0	4.4	101%	4.31	1	9	3.14	26	-1	-2	22		48	-1.7	18	3.2	21	4.3	9
3.60	Jun-36	8.7	10.1	43%	4.43	4	16	3.27	34	0	3	27		49	-0.9	7	-0.9	9	4.4	7
4.20	Dec-36	8.6	0.0	100%	4.44	3	8	3.32	36	0	-3	30		54	-1.4	15	1.7	18	4.4	6
1.95	Jul-37	10.1	3.1	60%	4.51	1	6	3.27	28	1	-3	29		50	-2.6	24	0.0	13	4.0	15
1.50	Apr-40	12.3	0.0	60%	4.66	1	11	3.41	32	1	0	30		50	-2.5	23	0.7	16	3.3	19
4.00	Apr-44	12.4	2.2	10%	4.77	1	6	3.67	53	1	-4	46		70	-1.2	14	-0.3	11	2.3	21

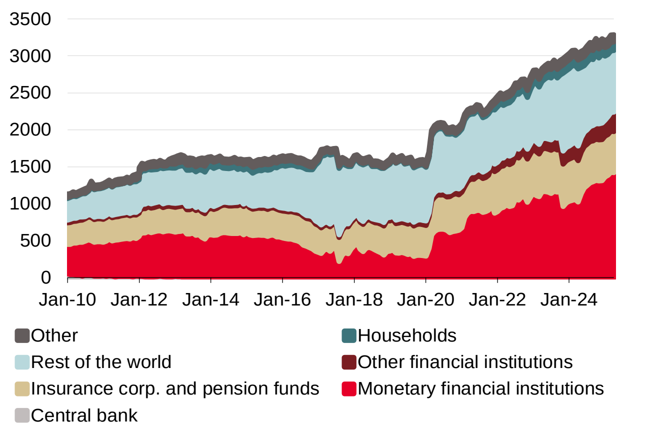
Source: Economic & Strategy Research, Komerční banka; Note: more details in CZGB Auction Alerts

Holdings of CZK government debt (May 2025)



Source: MinFin, Economic & Strategy Research, Komerční banka

Holdings of CZK government debt



Source: MinFin, Economic & Strategy Research, Komerční banka

Czech FX market

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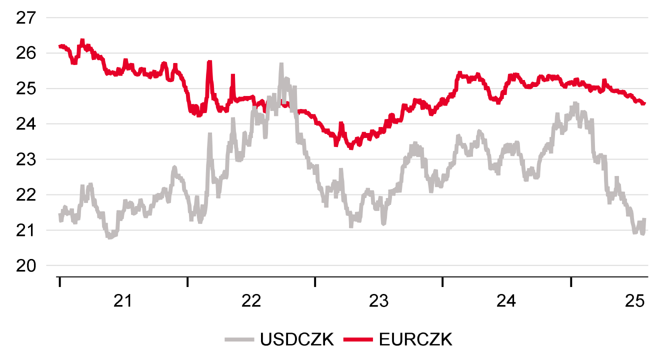
Rate cut will test koruna strength

The CNB's hawkish stance was one of the key factors behind the koruna's recent strengthening against the euro to a level not seen in over a year. This stance is likely to persist until the autumn due to a lack of disinflationary data. However, we believe the negative impact of tariffs and tight monetary conditions will gradually negatively affect economic activity and price pressures. In line with this belief, we predict that a further interest rate cut by the CNB in the autumn could offset some of the koruna's recent gains against the euro.

CZK appreciation against the EUR reflects widening interest rate differential

The koruna rose to more than a year's high against the euro, supported by the hawkish CNB. The widening interest rate differential between koruna and euro market interest rates (IRS) with shorter maturities mainly reflects a reassessment of the CNB's next moves, with the Czech central bank sticking to its hawkish rhetoric. At its June meeting, the central bank even changed its risk balance from "modestly inflationary" to "inflationary". While at the beginning of June, koruna money market instruments were still expecting the CNB to lower the repo rate to 3% this year, they now expect the key rate to remain stable at the current 3.50% for the rest of the year, reaching a terminal rate of 3.25-3.50% in 2026. In general, emerging market currencies are also being helped by the reduction of long dollar positions.

CZK exchange rates



Source: Bloomberg, Economic & Strategy Research, Komerční banka

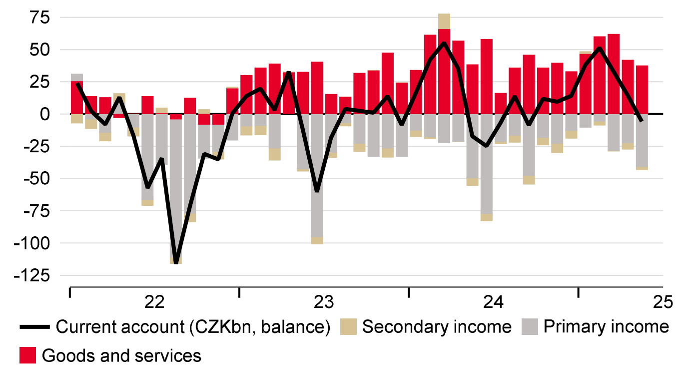
EURCZK and interest rate differential

Source: Bloomberg, Economic & Strategy Research, Komerční banka

A decline in CNB rates could lead to renewed depreciation pressures in the fall. According to our estimates, inflation peaked at 2.9% yoy in June. Over the remainder of the year, inflation should decrease due to a high base effect from the second half of last year, the economic slowdown resulting from the negative impact of tariffs, and restrictive monetary conditions. Further CNB rate cut could narrow the interest rate differential and put the koruna under pressure again. Cross-border flows should have a similar effect on EURCZK, as the Czech foreign trade balance, supported by the temporary effect of pre-stocking in the US, is likely to deteriorate over the remainder of the year. The equilibrium exchange rate model also indicates that the koruna is slightly overvalued against the euro.

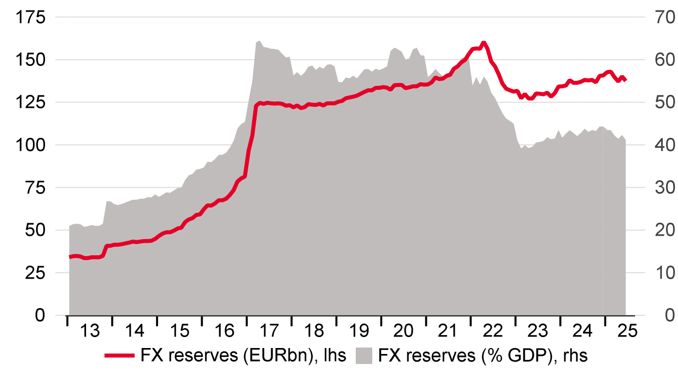
The negative factors could be partially offset by the CNB's high foreign exchange reserves, the Czech economy's positive growth differential vis-à-vis the euro area, and the global weakening of the US dollar. Since September 2023, the CNB has sold foreign exchange reserves at a rate of EUR300m per month. At the end of June this year, the central bank's foreign exchange reserves reached EUR137.5bn, equivalent to over 40% of the country's annual nominal GDP, placing them among the largest in the world. According to the Bloomberg consensus, the Czech economy will outperform the euro area by around one percentage point annually this year and next. From the perspective of global foreign exchange markets, the continued weakening of the US dollar to EURUSD 1.20 over the year should also benefit emerging market currencies.

Current account of the balance of payments



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

CNB's FX reserves

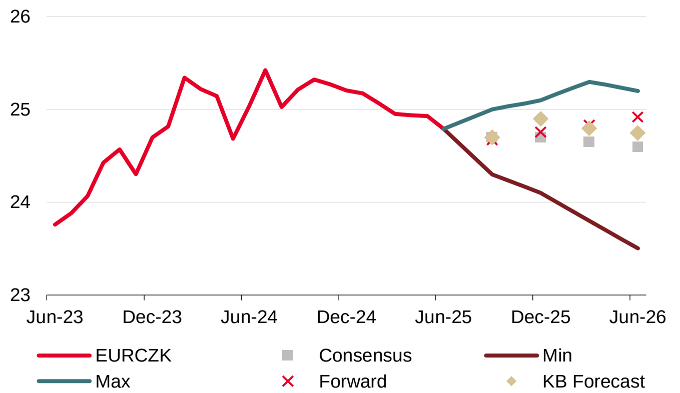


Source: CNB, CZSO, Economic & Strategy Research, Komerční banka

We have revised our forecast for the EURCZK to incorporate slightly stronger CZK levels to reflect the greater resilience of the Czech economy and the later decline in CNB rates.

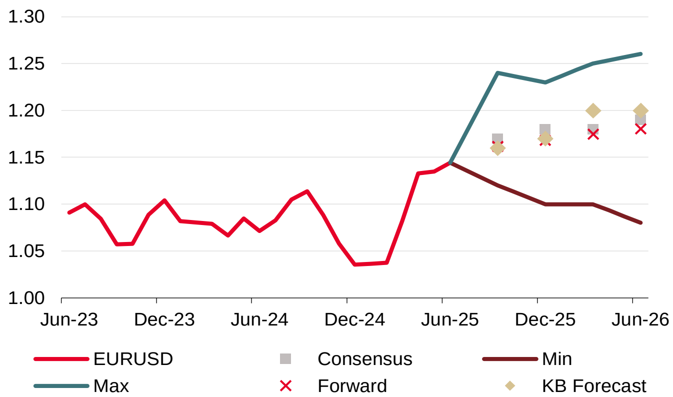
Overall, we expect the koruna to partially reverse its recent appreciation over the remainder of the year. As European economies gradually recover and risk aversion retreats, the koruna should start rising against the euro again next year. However, due to the Czech economy's lower growth potential compared to the pre-pandemic period, this appreciation is likely to be gradual.

Expected EURCZK path, Bloomberg consensus (as of 29 July 2025)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Expected EURUSD path, Bloomberg consensus (as of 29 July 2025)



Source: Bloomberg, Economic & Strategy Research, Komerční banka, SG Cross Asset Research

Koruna exchange rate forecast (end of period)

	3Q25f	4Q25f	1Q26f	2Q26f
EURCZK	24.70	24.90	24.80	24.75
USDCZK	21.30	21.25	20.70	20.60
EURUSD	1.16	1.17	1.20	1.20

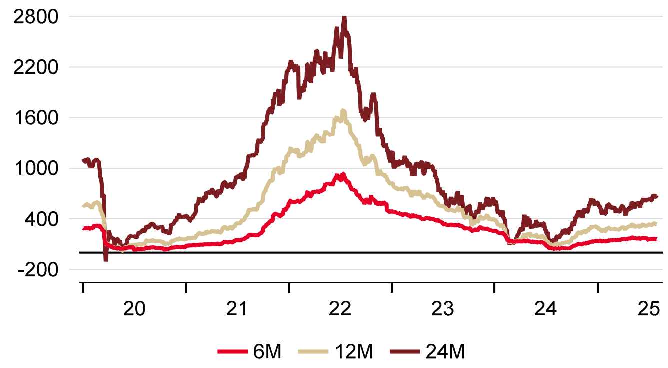
Source: Economic & Strategy Research, Komerční banka, SG Cross Asset Research

Further developments remain subject to considerable uncertainty

Compared to our baseline scenario, the risks are two-sided. They mainly relate to general uncertainty about the final, effective level of world trade tariffs, their potential impact on the Czech economy and the EU, and the monetary policy settings of the CNB and the ECB. The ongoing war in Ukraine also remains a source of uncertainty that could affect market perceptions of Central European currencies.

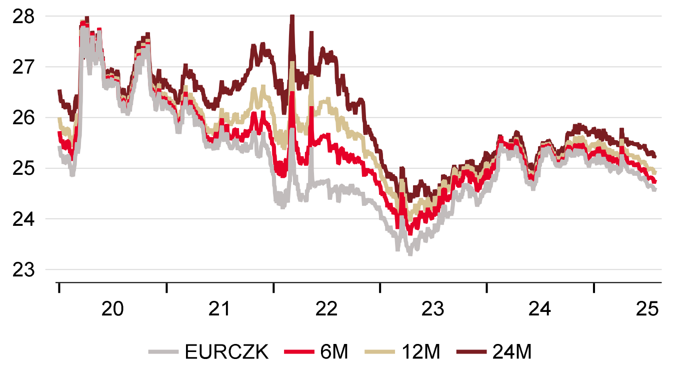
Markets do not expect any major fluctuations in the koruna exchange rate in the coming months. Implied volatility and the global currency market volatility index have normalized since their April peak. In our baseline scenario, hedging conditions should not deteriorate significantly further this year for exporters with euro exposure, given the slowdown in domestic economic activity, the return of inflation to target and the further easing of domestic monetary policy, which will result in a slight weakening of the spot exchange rate.

Forward points



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Forward vs spot exchange rate: EURCZK



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Banking sector

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Credit impulse hampered by trade barriers and uncertainty

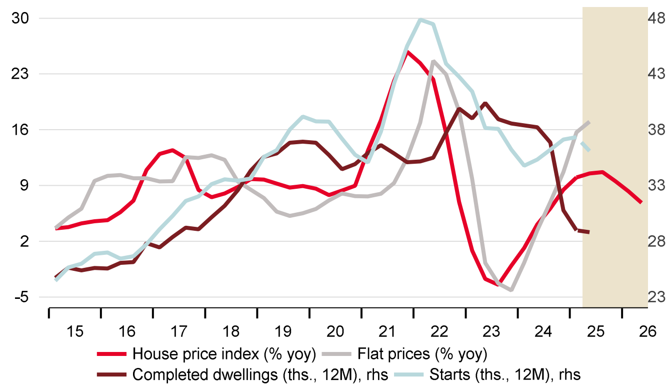
Uncertainty and the cooling of the domestic economy should dampen the credit impulse, which has not been providing much stimulus to the economy since 2Q25. Credit activity should remain driven by the retail segment. The mortgage and housing markets are likely reaching the tipping point, but their fast expansions should respond to the slowing economy with a delay and cool down only gradually. House price growth is set to slow in the short term but remains high, worsening the housing affordability further. Prevailing uncertainty and the deteriorating economic situation are likely to temper business investments. Despite eased financial conditions, business capex decisions are likely to take a back seat. Deposit growth should be supported by increased uncertainty and is likely to exacerbate the deposit overhang. The cooling domestic economy is set to incur more credit risk on bank portfolios, after having declined in 2024. However, we do not expect a significant increase in risk and any major accumulation of credit losses. In our view, the situation remains fundamentally stable in terms of credit risks.

Housing and mortgage markets entering an overheating phase

Despite the weakening economy, we expect the housing and mortgage markets to continue expanding strongly. However, this should slowly taper off given the economic slowdown.

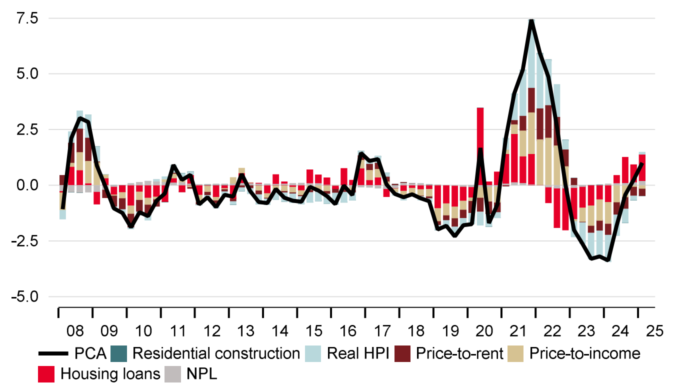
Housing market expansion should gradually taper off, but price growth is likely to remain strong. Rapid house price growth, reaching 10% yoy at the start of the year, is further deteriorating housing affordability and increasing core price pressures. While house price index (HPI) qoq growth slowed to 2.6% in 1Q25, down from 3% in 4Q24, it remains high. It has held at or above 2% since 2Q24. We expect this to continue for most of 2025, but it should weaken gradually. The financial cycle traditionally lags the economic cycle. The slowdown of the domestic economy, easing wage growth and cooling labour market should dampen HPI growth more markedly next year. We see yoy growth peaking in 3Q25, before dropping a touch below 10% at end-2025. Price indicators, especially for flats, have shown more dynamic growth since the start of 2025. Asking prices of flats were up 17% yoy in 2Q and *Flat Zone* data show first-sale Prague apartments up 13.2% yoy (vs 13.9% in 1Q). Following last year's average increase of 5%, we see an additional 10.2% increase in HPI for 2025. It is also likely to outpace wage growth in 2026. Housing affordability is thus likely to continue deteriorating, particularly given the housing market's structural imbalance. Still, despite the HPI's strong growth, the potential to escalate core price pressures has been largely exhausted, in our view. We examine the housing market in more detail in *Box 1.*

House price growth might be close to reaching the summit



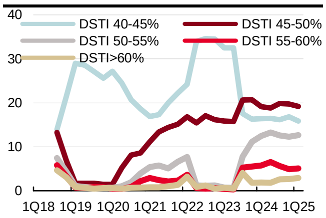
Source: CZSO, Macrobond. Economic & Strategy Research, Komerční banka
Note: data on dwelling completions and starts (as of May 2025) is extrapolated and only indicative for 2Q25. 12M denotes the 12-month trailing sum.

Housing market is drawing support from deferred demand



Source: Economic & Strategy Research, Komerční banka
Note: own calculations; PCA = principal component analysis vector. The composite housing index is the result of Principal Component Analysis (PCA). Construed as per Cár, M., & Vrbovský, R. (2019, March). *Composite index to assess housing price development in Slovakia.* https://www.nbs.sk/_img/documents/_publik_nbs_fsr/biatec/rok2019/03-2019/05_biatec19-3_car.pdf.

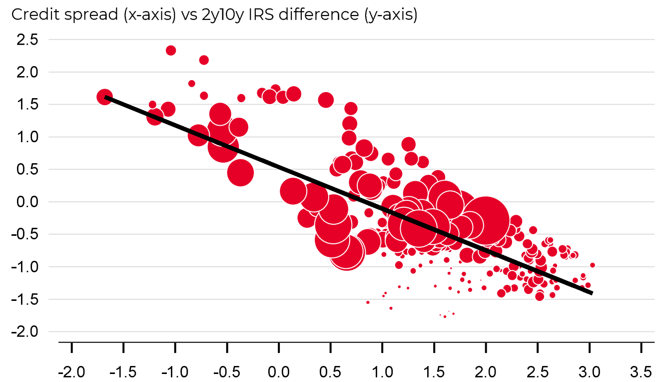
Share of loans by DSTI (%)



Source: CNB, Economic & Strategy Research, Komerční banka

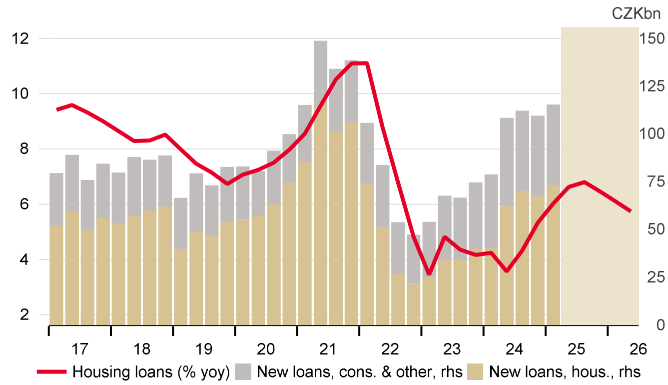
Mortgage lending should remain the key driver of lending growth. The volume of (pure) new housing loans is up 65% ytd at CZK133bn. It is likely to hit the CZK300bn mark (+25% yoy) this year, which would exceed our previous expectation of a 15-20% increase. We expect the housing loans market to grow by 6.5%.[2] Despite the strong expansion of the mortgage and housing markets, the CNB has not yet reintroduced DSTI and DTI limits. Concerns about the overvaluation of house prices and their inflationary impact are likely still outweighed by favourable credit indications from a financial stability perspective.

Mortgage credit spreads over IRS and IRS curve inversion (pp)



Source: CNB, Bloomberg, Macrobond, Economic & Strategy Research, Komerční banka
Note: The size of the bubbles represents the volume of new loans. Credit spread is computed as the difference between the realised interest rate on housing loans and the weighted average of corresponding market IRS (only an approximation).

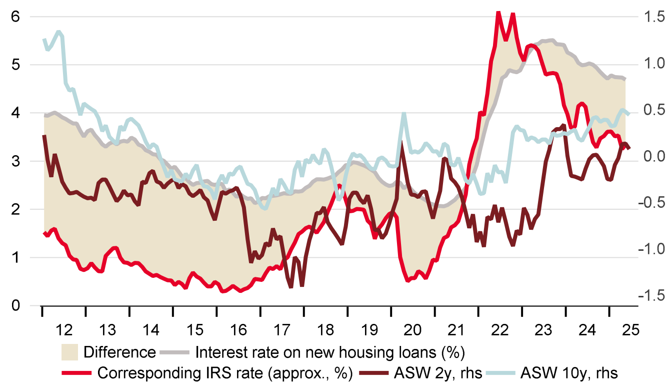
Housing loans stock growth is catching up with new loans



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

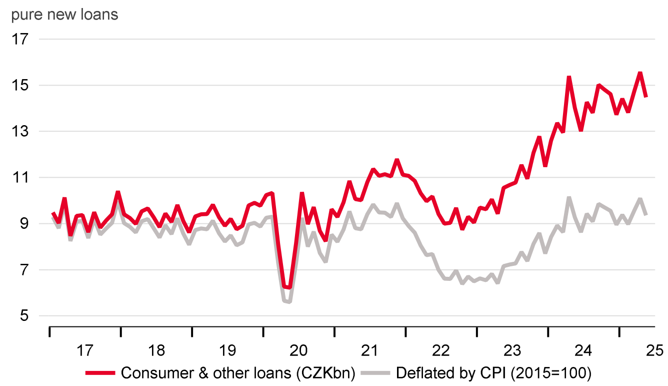
The room for mortgage rates reduction is running out. During 2Q25, mortgage rates fell below 4.7% and while we still anticipate sub-4.5% levels, the shape of the IRS curve and higher IRS levels – or reduced credit spreads – suggest that potential for a more significant decline below this level is limited. Rates on longer fixings remain unfavourable, with most mortgage activity shifting to approx. 3y fixings, increasing the effectiveness of monetary policy. Given the narrowing gap between mortgage rates on new and outstanding loans and the lower volume of refinancing this year – i.e. instalments are not rising as sharply during refixing – the waning effect of tight monetary policy on households is limited this year.

Mortgage rate spreads over IRS (%, pp)



Source: CNB, Bloomberg, Macrobond, Economic & Strategy Research, Komerční banka
Note: ASW (CZGB-IRS) of corresponding CZGBs.

Consumer financing growth is slowing



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka
Note: Pure new loans are loans or extensions to loans that enter the economy for the first time.

[2] Unless stated otherwise, values refer to the end of period yoy growth.

Although consumer finance remains solid, its growth trend is losing steam. It is set to be constrained by a deteriorating labour market, lower wage growth and reduced spending.

Consumer financing remains solid but further strengthening is capped

Growth in consumer financing is gradually losing its breath and it is set to be restrained by slowing household consumption and wage growth. Still, the credit impulse of households remains strongly positive, largely driven by mortgages, and continues to reflect the resilient household consumption. However, we do not expect further strengthening. While mortgage lending should remain strong overall, the cooling labour market and curbed consumer spending will primarily affect consumer credit, the growth of which has slowed markedly in real terms. We expect consumer credit to rise by 8.0% in 2025 and 6.8% in 2026. Overall, bank credit is likely to continue to be driven by the retail segment, particularly mortgage lending, while growth in other segments is likely to be restrained by the cooling domestic economy.

Bank loans and deposits (%, yoy)

	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	2024	2025	2026	2027	2028	2029
Bank loans														
Total	5.3	4.9	6.1	6.6	5.9	5.9	5.1	5.4	6.1	5.9	5.6	6.4	6.1	5.4
Households - real estate loans	5.3	6.0	6.6	6.8	6.5	6.1	5.7	5.7	4.4	6.5	5.8	5.6	5.9	5.1
Households - consumer loans	9.6	9.2	8.7	8.2	8.0	7.2	7.0	6.7	8.7	8.5	6.9	6.9	6.8	6.1
Corporate loans	5.2	4.1	5.8	6.2	5.4	5.5	4.4	5.1	7.5	5.4	5.2	7.6	6.5	5.7
Deposits														
Total	7.8	4.1	5.2	5.3	5.4	7.8	7.9	6.7	7.4	5.0	6.9	5.5	4.8	4.7
Households	7.1	5.8	5.4	5.6	5.9	6.4	6.2	5.9	8.0	5.7	6.0	5.1	5.0	4.7
Non-financial corporations	8.7	2.0	3.4	6.0	4.2	8.4	8.3	5.8	5.4	3.9	6.9	4.4	4.0	4.4
Others	8.2	2.9	6.0	4.5	5.4	9.7	10.5	8.7	8.0	4.7	8.5	6.9	5.1	4.8
Ratios														
Loans/GDP	57.0	56.9	57.2	57.7	57.7	58.1	58.4	59.2	57.0	57.4	58.7	59.9	60.6	61.2
Deposits/GDP	89.6	91.8	92.5	93.4	90.4	95.4	96.9	97.0	92.1	92.0	95.4	96.4	96.4	96.6
Loans/deposits	63.5	62.0	61.8	61.8	63.9	60.9	60.2	61.0	61.9	62.4	61.6	62.1	62.9	63.4
Interest rates														
Real estate loans	4.7	4.7	4.6	4.5	4.4	4.3	4.3	4.3	5.0	4.6	4.3	4.3	4.4	4.5
Consumer loans	8.6	8.2	8.2	8.0	8.0	8.1	8.3	8.5	8.8	8.1	8.4	8.7	8.9	9.2
Corporate loans	5.7	5.5	5.3	5.2	5.0	4.8	4.9	5.0	6.3	5.3	4.9	5.0	5.0	5.0
Share of NPL														
Real estate loans	0.7	0.7	0.7	0.7	0.8	0.9	0.9	1.0	0.7	0.7	1.0	1.2	1.5	1.7
Consumer loans	4.1	4.2	4.2	4.5	5.0	5.3	5.5	5.8	4.2	4.5	5.7	7.0	7.6	8.3
Corporate loans	2.5	2.6	2.5	2.4	2.4	2.6	2.8	3.0	2.5	2.5	2.9	3.6	4.3	5.0

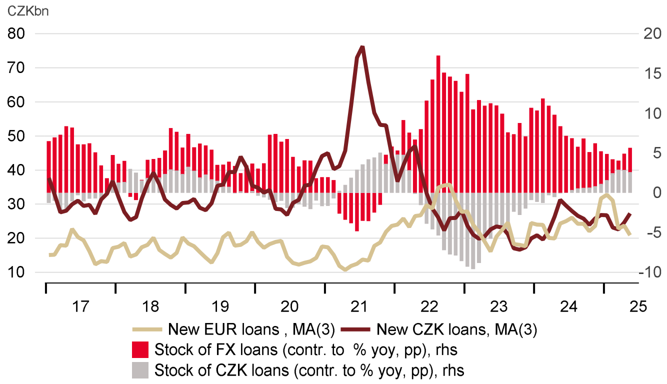
Source: CNB, CZSO, Macrobond, Economic & Strategy Research, Komerční banka
Note: quarterly values are end of period, full-year values are averages.

Credit demand has recovered somewhat but remains subdued relative to GDP. Uncertainty and the cooling economy stand in the way of further strengthening.

Trade barriers barring the weak investment appetite from rising strongly

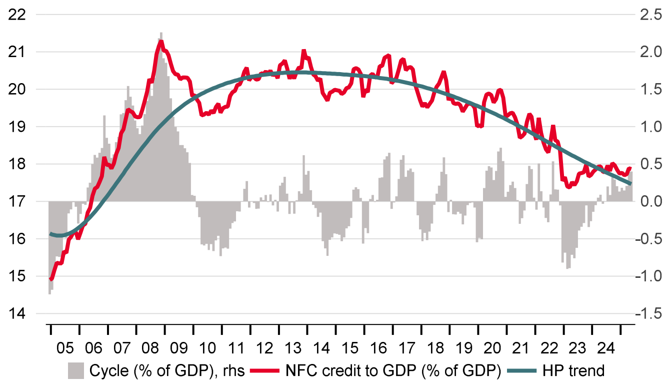
A tariff-induced economic slowdown is likely to put firms' investment decisions on hold, again dampening credit impulse and appetite. Following last year's gradual improvement, when the credit impulse for non-financial corporates (NFCs) was positive, this year's volumes are down yoy. As of May, the volume of koruna (CZK) and euro (EUR) loans had fallen by around 3.5% ytd. After last year's recovery, the credit impulse has plunged into negative territory since March and is not providing much stimulus to the economy. Although the volume of NFC lending has shown a slight upward trend since last year, mainly thanks to EUR loans, it has not continued into this year. The prevailing uncertainty and cooling economy are not helping to reverse it. Relative to GDP, the volume of new (pure) loans remains low despite a slight increase, sitting at around 50-60% below the 2014-19 average. This may also reflect the growing importance of alternative sources and bond financing. The ratio of NFC bank loans to GDP is largely unchanged since 1H23. Monetary restriction likely plays a minor role, but the latest *Bank Lending Survey* (CNB, 2Q25) shows that the level of interest rates is no longer a greatly limiting factor for NFC lending.

NFC credit despite a small pick-up remains low



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

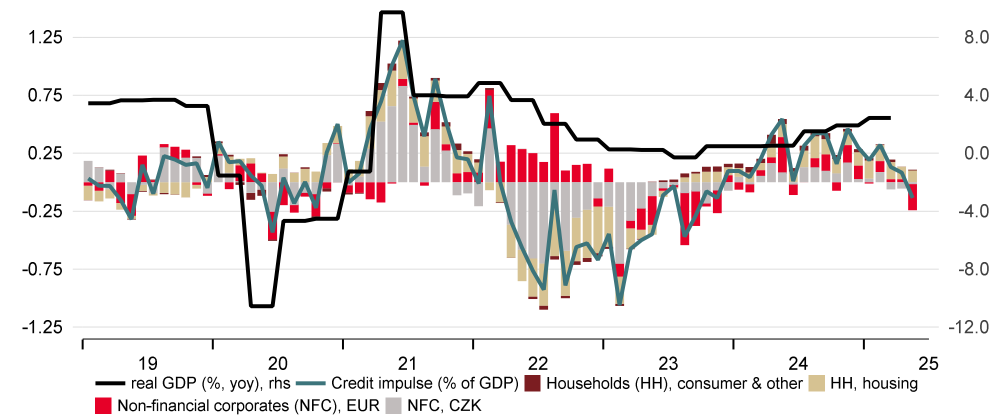
NFC credit-to-GDP ratio had been on a declining trend



Source: CZSO, CNB, Macrobond, Economic & Strategy Research, Komerční banka

Development across sectors can vary. A tariff-led impact on the domestic economy could curb credit demand from export-oriented industries, while sectors that are more reliant on domestic demand and high leverage, such as residential construction, could benefit from eased financial conditions. Taking into account our view on the slowing domestic economy, we estimate NFC credit growth to reach 5.4% in 2025 and 5.9% in 2026.

Credit impulse has moved into negative territory, failing to provide a boost to the economy

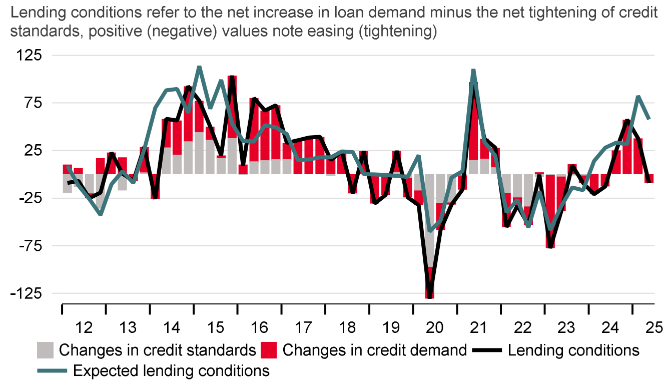


Source: CNB, CZSO, Macrobond, Economic & Strategy Research, Komerční banka

Note: credit impulse is defined as the change in the volume of new borrowing, often given as a % of annual GDP. The presented credit impulse represents the yoy change in new borrowing of the non-financial private sector to trailing 12m nominal GDP. It is further broken down according to the use of the loan for households and the currency denomination for firms. As opposed to monthly credit indicators (as of May 2025), GDP (as of 1Q25) is a quarterly indicator.

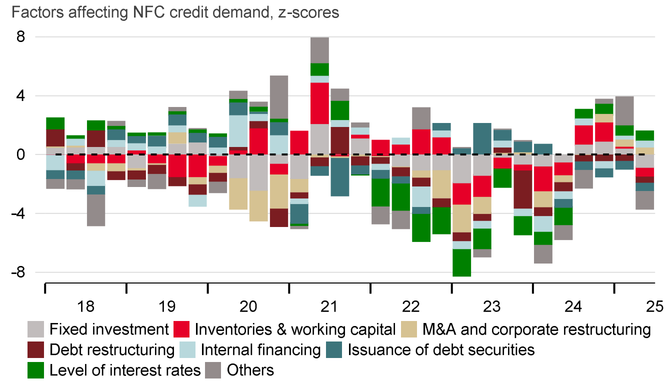
Although financial conditions have tightened since 2Q due to higher IRS and the hawkish CNB, banks still expect credit conditions to ease. The stronger CZK likely contributed to the tightening. Still, EUR funding remains attractive, with the current 3m PRIBOR-EURIBOR spread set to narrow further. However, scope for further cheapening of EUR loans has more or less dried up.

Lending conditions still indicate higher credit demand



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka
Note: Bank lending survey (CNB, 2Q25), loans to NFCs. Expected lending standards refer to questions regarding banks' expectations for the next three months.

Factors affecting NFC credit demand according to banks



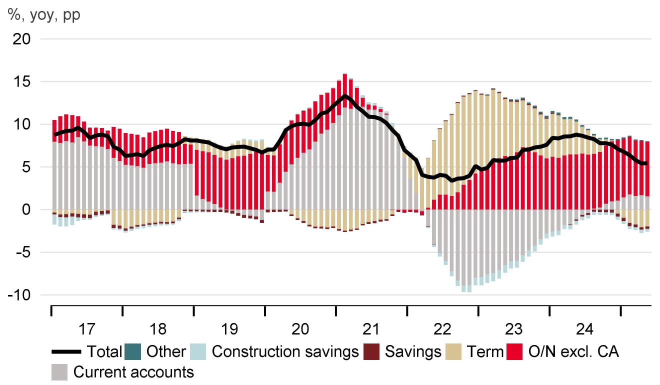
Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka
Note: Stacking the z-scores in the bar chart is for presentation purposes only. *Others* refers to loans from other banks and non-bank institutions, issuance of equity and other.

Deposit growth to remain solid and boosted by uncertainty

Deposit growth is likely to be boosted by precautionary savings.

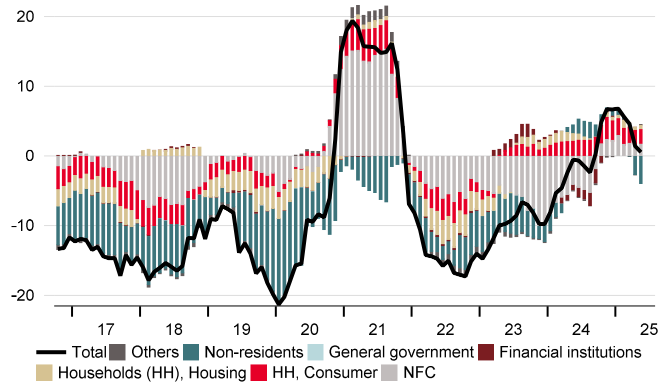
Despite lower interest rates, deposits should grow at a fairly solid pace. The adverse impact of lower credit activity on deposit growth is likely to be partially offset by increased savings and spending restraints. From 2H25 onwards, the overhang of deposits over loans is likely to widen. The deferral of investment and the higher liquidity buffers of corporates and (local) governments could keep deposit balances elevated. However, lower interest rates could spark further outflows from the banking sector. We do not expect major outflows from households, but the shift from interest-bearing to non-interest-bearing deposits should remain slow. Overall, we expect the banks' funding bases to continue expanding at a solid pace, while credit growth is set to be limited. This could result in higher bond absorption capacity, while high excess liquidity should put downward pressure on deposit interest rates. We expect deposit growth to average 5.0% in 2025, although this outlook is highly uncertain due to the high turnover of business deposits.

Household deposit growth slows, but fears may boost it



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka
Note: O/N = overnight; O/N excl. CA also includes non-term savings deposits

Non-performing loans growth has slowed down (%, yoy)



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

A tariff-led impact is not likely to incur major losses to banking portfolios

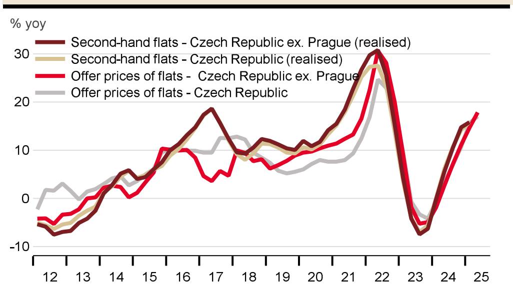
Sector-specific risks may increase in view of the negative impact of tariffs. Overall, however, credit risks remain moderate.

Despite the expanding financial cycle, the level of credit risk on bank portfolios remains moderate. Default rates, or the share of non-performing loans (NPLs), have remained very stable. Although the economic slowdown may lead to a slight rise in NPLs, overall credit risk should remain moderate. The latest *Bank Lending Survey* (CNB, 2Q25) shows more banks expect a decline in credit losses for households and a slight increase for corporates. The situation in terms of credit risk remains exceptionally good; towards end-2024, *Stage 2* loans (increased credit risk compared to origination) declined. The tariff-induced cooling of the economy may contribute to increasing risk, but from a general standpoint, bank portfolios should not take a major hit. Nonetheless, sector-specific risks could come under regulatory scrutiny, likely depending on the links to international trade.

Box 1: How much should house price growth dominate monetary policy debate?

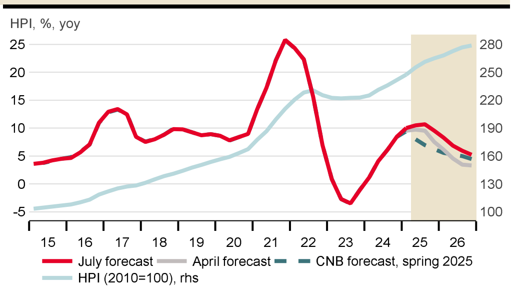
The state of the residential real estate market plays a major role in the decision-making of Czech households. Housing loans account for over 40% of all bank loans and around 77% of loans to households. Furthermore, real estate assets represent a significant portion of household wealth (net worth). It follows that, a booming or contracting housing market has the capacity to significantly alter consumer behaviour. While the share of owner-occupied housing is above average in the EU context – with almost 75% of households living in owner-occupied dwellings – real estate is also a popular investment asset among Czech households. Thus, strong demand for owner-occupied housing is complemented by investment demand. The current rapid rise in house prices is not only further deteriorating housing affordability, but also sustaining inflationary pressures, and is thus a focus of concern for the central bank. In this *Box*, we delve into the housing market developments, their inflationary impact and supply-demand dynamics in the market.

Offer and realised prices of flats



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

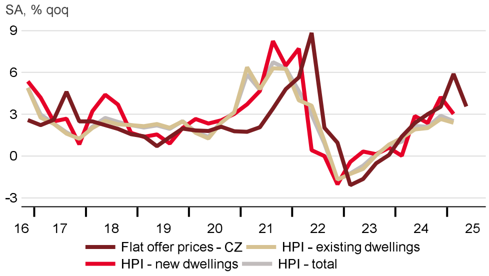
House price growth forecast (%, yoy)



Source: CZSO, CNB, Macrobond, Economic & Strategy Research, Komerční banka

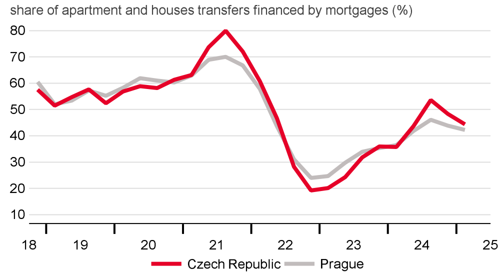
While virtually all price indicators show strong expansion of the housing market, they differ in the assessment of its magnitude. The house price index (HPI) shows a 10% yoy increase in 1Q25. Both realised and asking price data show prices for flats rising faster than prices for other residential real estate. The latter, which should to some extent foreshadow future development, were up 17% yoy in 2Q25, but their qoq growth slowed to a still-high 3.6% (SA) from near 6% qoq in 1Q. HPI growth also eased in 1Q to 2.6% qoq, down from 3% qoq in 4Q24. We expect HPI growth to slow towards year-end, but to remain generally strong. According to our estimates, house prices should increase further by 10.2% on average this year, after gaining 5% in 2024.

Price indicators show a very dynamic growth



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

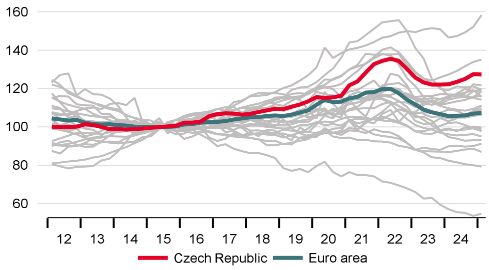
Self-financing plays an important role



Source: *Financial Stability Report, Spring 2025 (CNB)*, Economic & Strategy Research, Komerční banka

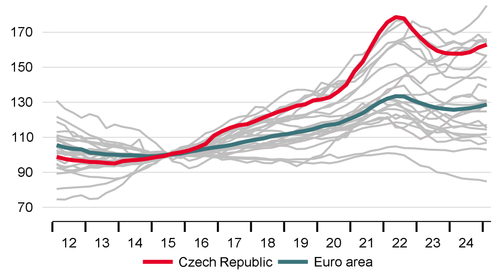
In the short term, we expect the rapid house price growth to normalise somewhat. The cyclical factors currently driving housing demand – lower interest rates, renewed household confidence, solid wage growth and high savings – are set to weaken. This should reflect the gradual saturation of pent-up demand, a cooling domestic economy, slowing wage growth and a worsening labour market. Swift house price growth should also be curbed by further deterioration in housing affordability. Yet, more than half of the property market transactions are self-financed, which may be a sign of continuing strong investment demand.

Price-to-income ratio (2015=100)



Source: OECD, Macrobond, Economic & Strategy Research, Komerční banka

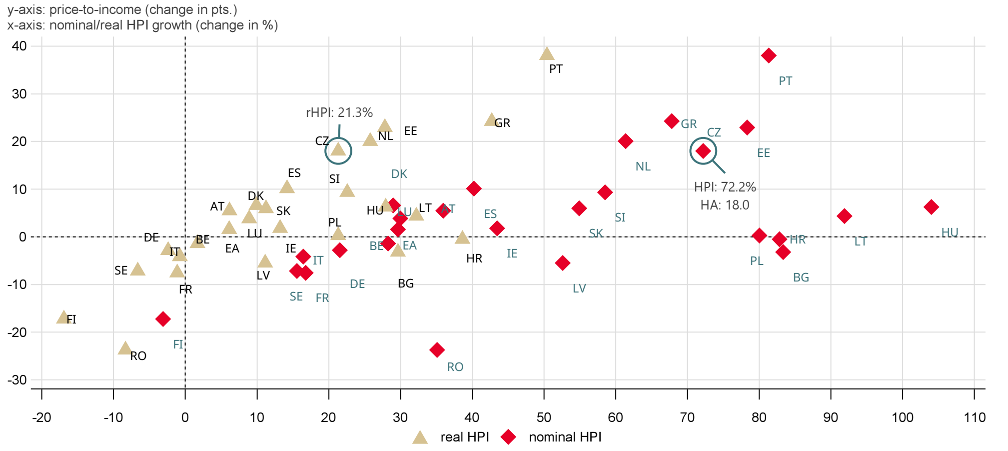
Price-to-rent ratio (2015=100)



Source: OECD, Macrobond, Economic & Strategy Research, Komerční banka

However, in the medium term, we recognise a risk of a more pronounced deterioration of housing affordability due to sustained, high growth in house prices. This is especially the case given the prevailing overhang of strong demand over limited supply on the housing market and, among other things, the relative advantage of investment property assets. Hence, house price growth could continue to consistently outpace wage growth in the future, remaining above 4-5%.

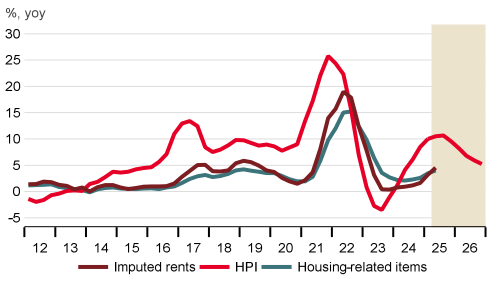
House price growth and decrease in affordability in Czechia has been among the highest in the EU since 2019



Source: OECD, Macrobond, Economic & Strategy Research, Komerční banka

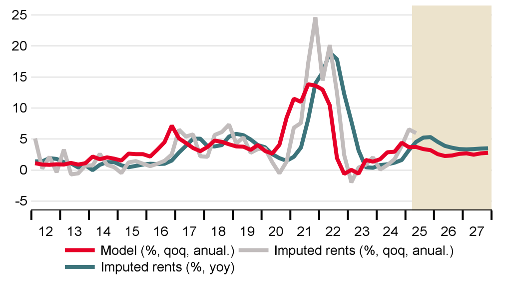
Nevertheless, the medium-term issues in the housing market remain out of the scope of monetary policy. At the same time, however, monetary policy does face the problem of rising housing costs, as they contribute to higher core inflation. We addressed their inflationary potential at the end of 2024 in a special *Box 3 in the Czech Economic Outlook*. While not the only item, house prices do play a major role in imputed rents, which, together with actual paid rents, push up core inflation. Despite the HPI growing in excess of 10% yoy, the scope for core price pressures to intensify further is quite limited, in our view. High house price growth may be offset by weaker dynamics in other components of imputed rents, such as construction materials or labour costs. Moreover, these are more closely aligned with the economic cycle, which we expect to slow down. Furthermore, imputed rent only includes new dwellings intended for own use (housing). Given the low level of housing affordability and significant investment demand, house price growth in this segment (owner-occupied housing) may vary from HPI trends, as the HPI does not distinguish between the purpose of dwellings, in particular it could be lower. Regarding possible second-round effects of house prices, the additional housing-related items identified in the CPI basket (outside of imputed and paid rents) do not show the same level of acceleration as house prices.

Housing-related consumer prices and HPI



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka
Note: Housing-related items in addition to imputed and paid rents include other items related to housing.

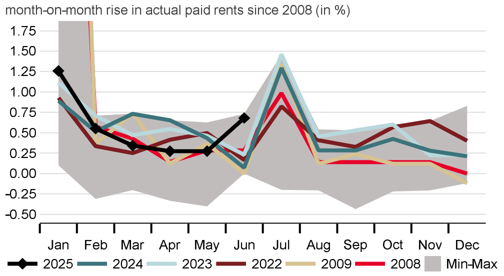
Model estimate of imputed rents



Source: CZSO, CNB, Economic & Strategy Research, Komerční banka
Note: Own calculations. Seasonally adjusted data. Model output is based on estimations of HPI, mortgages and PPI.

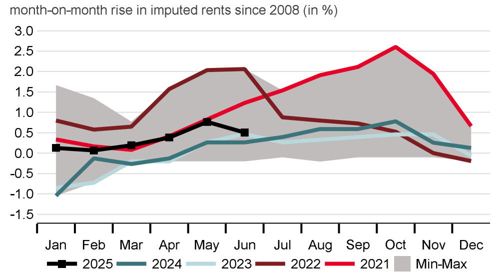
Although house prices often feature on the CNB board members' list of upside risks to inflation, the ability of the 2W key policy rate to directly affect them is admittedly somewhat limited, although the shift to shorter mortgage fixings does help in this regard. While the CNB's signalling of limited scope for monetary easing is tightening financial conditions to some degree, it could also incentivise households that would otherwise choose to defer. The gradual easing of high house price growth – our base-case scenario – may help to appease the CNB. However, the structural imbalance of the domestic housing market means that the risk of continued strong growth remains, which the CNB cannot fully address.

Actual rent paid (%, mom)



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

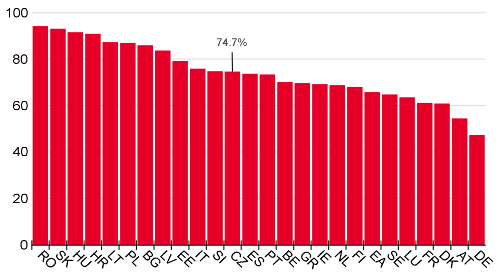
Imputed rents (%, mom)



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

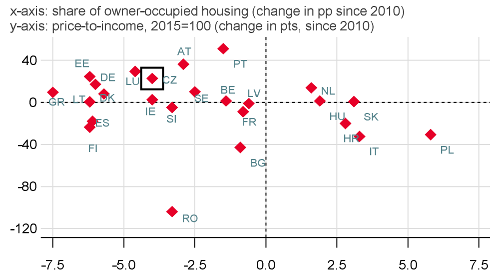
The mortgage market no longer shows visible signs of monetary restriction, but demand should increasingly run into reduced housing affordability. Fundamentally, the demand for own housing is strong. The share of owner-occupied housing is above average compared to other European countries, but lower compared to elsewhere in the CEE region. Moreover, it has fallen by more than 4pp to 74.7% since 2020. Reduced affordability should continue to work in this direction, and in turn, the share of rentals should continue to rise in line with trends in more developed countries. This, coupled with fairly low rental yields relative to high house prices, may put upward pressure on rents.

Share of owner-occupied housing in the EU (%)



Source: Eurostat, Macrobond, Economic & Strategy Research, Komerční banka

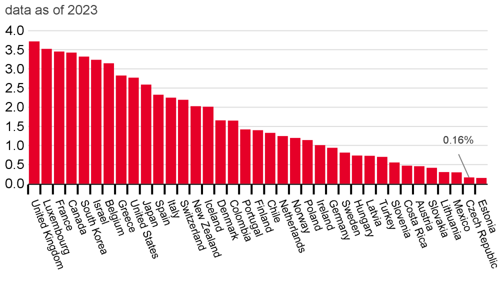
Owner-occupied housing and its affordability



Source: OECD, Eurostat, Macrobond, Economic & Strategy Research, Komerční banka

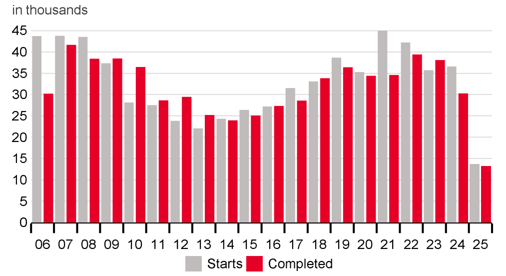
Despite lower rental yields, investment demand is fairly strong, likely due to anticipation of capital gains, which may partially reflect elevated inflation expectations. **Investment demand also benefits from the favourable tax regime.** According to 2023 data, property tax income as a share of GDP in the Czech Republic was among the lowest in OECD countries. Although last year's increase in property taxes improved collection, it likely remains at the lower end in an international context.

Property tax revenue as a share of GDP



Source: OECD, Macrobond, Economic & Strategy Research, Komerční banka

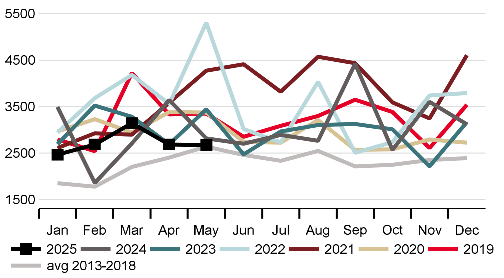
Started and completed dwellings



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka
Note: Data for 2025 are only as of May

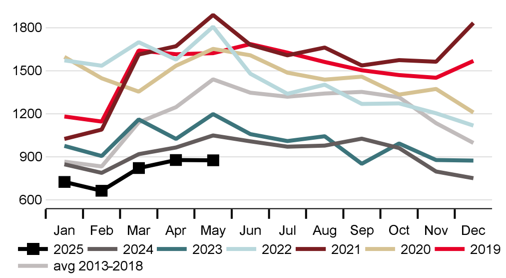
The other side of the coin is that residential construction is failing to keep up with the housing demand or to renew the outdated housing stock at a sufficient pace. Limited construction in previous years has only exacerbated this, and the number of new building permits for residential construction remains near historical lows and does not suggest a quick turnaround. This year's housing starts are at around 33k, which would be the lowest level since 2017. Construction remains structurally constrained by lengthy building permitting processes and rigid zoning plans.

Started dwellings



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

Building permits for residential construction



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

The slowdown in the domestic economy is likely to contribute to moderating strong house price growth. Housing prices, although currently a major contributor to elevated core inflation, have limited scope to further intensify inflationary pressures. However, in the medium term, the structural imbalances in the domestic housing market are still likely to dominate. Furthermore, they could ultimately lead to sustained, high, house price growth, which could again outpace household income growth and further worsen housing affordability. This low level of affordability should gradually reduce the share of owner-occupied housing, supported by other demographic trends. While the CNB is, to an extent, directly influencing the current high house price growth through monetary policy tools, it is not able to address the key structural issues behind it.

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Key economic indicators

Macroeconomic indicators – long-term outlook

		2022	2023	2024	2025	2026	2027	2028	2029
GDP	real, %	2.9	0.2	1.1	1.9	1.1	2.6	2.4	2.4
Inflation	average, %	15.1	10.8	2.4	2.4	1.9	2.1	2.1	1.9
Current account	% of GDP	-4.7	-0.1	1.8	0.5	0.3	0.5	0.6	0.7
3M PRIBOR	average, %	6.3	7.1	5.0	3.5	3.2	3.2	3.2	3.2
EUR/CZK	average	24.6	24.0	25.1	24.9	24.8	24.6	24.5	24.2
USD/CZK	average	23.4	22.2	23.2	22.1	20.5	20.0	19.7	19.4

Source: CZSO, CNB, Macrobond, Economic & Strategy Research, Komerční banka
Note: KB forecasts are in red

FX & interest-rate outlook

		29-07-2025	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26
EUR/CZK	end of period	24.6	24.70	24.90	24.80	24.75	24.75
EUR/USD	end of period	1.16	1.16	1.17	1.20	1.20	1.21
USD/CZK	end of period	21.3	21.30	21.25	20.70	20.60	20.45
3M PRIBOR	end of period, %	3.49	3.45	3.20	3.20	3.20	3.20
10Y IRS	end of period, %	4.00	3.80	3.75	3.75	3.80	3.80

Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka, SG Economic Research
Note: KB forecasts are in red

Monthly macroeconomic data

		X-24	XI-24	XII-24	I-25	II-25	III-25	IV-25	V-25	VI-25
Inflation (CPI)	%, yoy	2.8	2.8	3.0	2.8	2.7	2.7	1.8	2.4	2.9
Inflation (CPI)	%, mom	0.3	0.1	-0.3	1.3	0.2	0.1	-0.1	0.5	0.3
Producer prices (PPI)	%, yoy	0.8	1.7	2.8	0.5	-0.1	-0.3	-1.3	-0.8	-0.7
Producer prices (PPI)	%, mom	0.1	0.4	0.6	0.2	-0.1	-0.3	-0.8	-0.6	-0.2
Unemployment rate	% (MLSA)	3.8	3.9	4.1	4.3	4.4	4.3	4.3	4.2	4.2
Industrial production	%, yoy, c.p.	-1.6	-2.4	-2.7	-1.0	-1.5	4.6	-1.1	-0.9	n.a.
Industrial sales	%, yoy, current.p.	0.8	0.5	0.0	0.8	-3.3	2.9	-2.0	-1.0	n.a.
Construction output	%, yoy, c.p.	-1.9	2.9	9.6	6.5	0.8	11.9	1.8	10.8	n.a.
External trade	CZKbn (national met.)	14.3	16.7	19.3	12.9	15.5	15.8	17.0	13.3	n.a.
Current account	CZKbn	11.7	9.6	14.1	38.0	51.4	33.0	14.4	-5.8	n.a.
Financial account	CZKbn	43.7	-23.5	53.9	45.1	41.4	19.2	-5.3	-25.9	n.a.
M2 growth	%, yoy	6.0	5.3	7.4	4.5	4.0	4.4	3.2	3.5	n.a.
State budget	CZKbn (YTD cum.)	-200.7	-259.2	-271.4	-11.2	-68.6	-91.2	-126.1	-170.5	-152.4
PRIBOR 3M	%, average	4.13	3.95	3.91	3.88	3.76	3.72	3.68	3.53	3.51
EUR/CZK	average	25.3	25.3	25.1	25.2	25.1	25.0	25.0	24.9	24.8
USD/CZK	average	23.2	23.8	24.0	24.3	24.1	23.1	22.3	22.1	21.5

Source: CZSO, CNB, MF, MLSA, Macrobond, Economic & Strategy Research, Komerční banka

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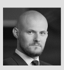
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