

Macroeconomic Forecast of the Czech Republic

November 2024

Macroeconomic Forecast of the Czech Republic

November 2024

Ministry of Finance of the Czech Republic
Economic Policy Department
Letenska 15, 118 10 Prague 1

Tel.: +420 257 041 111

E-mail: macroeconomic.forecast@mfcz.cz

ISSN 2533-5588 (on-line)

Issued quarterly, free distribution

Electronic archive:

<http://www.mfcz.cz/macroforecast>

Macroeconomic Forecast

of the Czech Republic

November 2024

Table of Contents

| | |
|--|-----------|
| Summary of the Forecast | 1 |
| Risks to the Forecast..... | 4 |
| 1 Forecast Assumptions..... | 5 |
| 1.1 External Environment..... | 5 |
| 1.2 Commodity Prices..... | 9 |
| 1.3 Fiscal Policy..... | 10 |
| 1.4 Monetary Policy, Financial Sector and Exchange Rates | 13 |
| 1.5 Demographic Trends | 17 |
| 1.6 Other Assumptions..... | 19 |
| 2 Economic Cycle..... | 20 |
| 2.1 Position within the Economic Cycle..... | 20 |
| 2.2 Business Cycle Indicators..... | 21 |
| 3 Forecast of Macroeconomic Developments in the CR..... | 23 |
| 3.1 Economic Output..... | 23 |
| 3.2 Prices | 30 |
| 3.3 Labour Market..... | 34 |
| 3.4 External Relations..... | 39 |
| 4 Survey of Other Institutions' Forecasts | 44 |

The Macroeconomic Forecast is prepared by the Economic Policy Department of the Czech Ministry of Finance. It contains forecast for the years 2024 and 2025, and for certain indicators an outlook for the 2 following years (i.e. until 2027). It is published on a quarterly basis (in January, April, August and November) and is also available on the website of the Ministry of Finance at:

www.mfcr.cz/macroforecast

Any comments or suggestions that would help us improve the quality of our publication and closer satisfy the needs of its users are welcome. Please send any comments to the following email address:

macroeconomic.forecast@mfcr.cz

List of Tables

| | |
|--|----|
| Table 1.1.1: Gross Domestic Product – yearly | 8 |
| Table 1.1.2: Gross Domestic Product – quarterly | 8 |
| Table 1.2.1: Prices of Selected Commodities – yearly | 9 |
| Table 1.2.2: Prices of Selected Commodities – quarterly | 10 |
| Table 1.3.1: Net Lending/Borrowing and Debt..... | 12 |
| Table 1.4.1: Interest Rates – yearly | 15 |
| Table 1.4.2: Interest Rates – quarterly | 15 |
| Table 1.4.3: Loans and Deposits – yearly averages | 16 |
| Table 1.4.4: Loans and Deposits – quarterly averages | 16 |
| Table 1.4.5: Exchange Rates – yearly..... | 17 |
| Table 1.4.6: Exchange Rates – quarterly..... | 17 |
| Table 1.5.1: Demographics | 19 |
| Table 2.1.1: Output Gap and Potential Product | 21 |
| Table 3.1.1: Real GDP by Type of Expenditure – yearly..... | 26 |
| Table 3.1.2: Real GDP by Type of Expenditure – quarterly..... | 27 |
| Table 3.1.3: Nominal GDP by Type of Expenditure – yearly | 28 |
| Table 3.1.4: Nominal GDP by Type of Expenditure – quarterly | 28 |
| Table 3.1.5: GDP by Type of Income – yearly | 29 |
| Table 3.1.6: GDP by Type of Income – quarterly | 29 |
| Table 3.2.1: Prices – yearly | 32 |
| Table 3.2.2: Prices – quarterly | 33 |
| Table 3.3.1: Labour Market – yearly | 36 |
| Table 3.3.2: Labour Market – quarterly..... | 37 |
| Table 3.3.3: Income and Expenditures of Households – yearly..... | 38 |
| Table 3.4.1: Decomposition of Exports of Goods (National Accounts Methodology) – yearly | 41 |
| Table 3.4.2: Decomposition of Exports of Goods (National Accounts Methodology) – quarterly | 41 |
| Table 3.4.3: Balance of Payments – yearly | 42 |
| Table 3.4.4: Balance of Payments – quarterly | 43 |
| Table 4.1: Summary of the Surveyed Forecasts..... | 44 |

List of Graphs

| | |
|---|----|
| Graph 1.1.1: Real GDP in the euro area and USA | 7 |
| Graph 1.1.2: Real Gross Domestic Product..... | 7 |
| Graph 1.1.3: HICP..... | 7 |
| Graph 1.1.4: Unemployment Rate..... | 7 |
| Graph 1.1.5: Economic Sentiment Indicator..... | 7 |
| Graph 1.1.6: Purchasing Managers' Index..... | 7 |
| Graph 1.1.7: Business Tendency..... | 7 |
| Graph 1.1.8: Ifo and Czech manufacturing production | 7 |
| Graph 1.2.1: Dollar Price of Brent Crude Oil..... | 9 |
| Graph 1.2.2: Koruna Price of Brent Crude Oil..... | 9 |
| Graph 1.3.1: General Government Balance..... | 12 |
| Graph 1.3.2: General Government Debt | 12 |
| Graph 1.4.1: Interest Rates..... | 14 |
| Graph 1.4.2: Loans to Households..... | 14 |
| Graph 1.4.3: New Mortgage Loans..... | 14 |
| Graph 1.4.4: Loans to Non-financial Corporations | 14 |
| Graph 1.4.5: Non-performing Loans..... | 14 |
| Graph 1.4.6: Deposits | 14 |
| Graph 1.4.7: Nominal Exchange Rates..... | 14 |
| Graph 1.4.8: Real Exchange Rate to the Eurozone | 14 |
| Graph 1.5.1: Age Groups | 18 |
| Graph 1.5.2: Life Expectancy at Birth | 18 |
| Graph 1.5.3: Old-Age Pensioners..... | 18 |
| Graph 1.5.4: Population Change..... | 18 |
| Graph 2.1.1: Output Gap | 20 |
| Graph 2.1.2: Potential Output | 20 |
| Graph 2.1.3: Capacity Utilisation in Industry | 20 |
| Graph 2.1.4: Average Number of Hours Worked | 20 |
| Graph 2.2.1: Confidence and GVA in Industry..... | 22 |
| Graph 2.2.2: Confidence and GVA in Construction | 22 |
| Graph 2.2.3: Confidence and GVA in Trade and Services | 22 |
| Graph 2.2.4: Composite Export Indicator | 22 |
| Graph 2.2.5: Consumer Confidence and Consumption | 22 |
| Graph 2.2.6: Decomposition of Consumer Sentiment..... | 22 |
| Graph 2.2.7: Composite Confidence Indicator and GVA | 22 |
| Graph 2.2.8: Composite Leading Indicator | 22 |
| Graph 3.1.1: Resources of Gross Domestic Product..... | 25 |
| Graph 3.1.2: GDP by Type of Expenditure | 25 |
| Graph 3.1.3: Real Gross Domestic Product..... | 25 |
| Graph 3.1.4: Real Consumption of Households..... | 25 |
| Graph 3.1.5: Nominal Consumption of Households..... | 25 |
| Graph 3.1.6: Investment by Type of Expenditure..... | 25 |
| Graph 3.1.7: Investment by Sector | 25 |
| Graph 3.1.8: Sources of Investment Financing..... | 25 |
| Graph 3.2.1: Consumer Prices | 31 |
| Graph 3.2.2: Consumer Prices in Main Divisions | 31 |

| | |
|---|----|
| Graph 3.2.3: Core Inflation and Unit Labour Costs..... | 31 |
| Graph 3.2.4: CZK/EUR and Koruna Price of Oil..... | 31 |
| Graph 3.2.5: Gross Domestic Product Deflator | 31 |
| Graph 3.2.6: Terms of Trade..... | 31 |
| Graph 3.2.7: Offering Prices of Flats..... | 31 |
| Graph 3.2.8: Prices of Flats Relative to Average Wage..... | 31 |
| Graph 3.3.1: Employment..... | 35 |
| Graph 3.3.2: Number of Foreign Employees in the CR..... | 35 |
| Graph 3.3.3: Indicators of Unemployment..... | 35 |
| Graph 3.3.4: Social Security Contributions and Earnings | 35 |
| Graph 3.3.5: Compens. per Employee and Productivity..... | 35 |
| Graph 3.3.6: Nominal Monthly Wages | 35 |
| Graph 3.3.7: Nominal Wage Bill..... | 35 |
| Graph 3.3.8: Gross Savings Rate of Households | 35 |
| Graph 3.4.1: GDP and Goods Imports of Partner Countries..... | 40 |
| Graph 3.4.2: Real Exports of Goods..... | 40 |
| Graph 3.4.3: Deflator of Exports of Goods | 40 |
| Graph 3.4.4: Balance of Trade | 40 |
| Graph 3.4.5: Balance of Services | 40 |
| Graph 3.4.6: Balance of Primary Income | 40 |
| Graph 3.4.7: Current Account..... | 40 |
| Graph 3.4.8: Current External Balance | 40 |
| Graph 4.1: Forecasts for Real GDP Growth in 2024..... | 44 |
| Graph 4.2: Forecasts for Average Inflation Rate in 2024..... | 44 |

List of Abbreviations

| | |
|----------------|--|
| BoP..... | balance of payments |
| const. pr..... | constant prices |
| CNB..... | Czech National Bank |
| CPI..... | consumer price index |
| CR..... | Czech Republic |
| curr. pr..... | current prices |
| CZSO..... | Czech Statistical Office |
| EA20..... | euro zone consisting of 20 countries |
| EC..... | European Commission |
| ECB..... | European Central Bank |
| EU27..... | European Union consisting of 27 countries |
| Fed..... | Federal Reserve System |
| GDP..... | gross domestic product |
| GFCF..... | gross fixed capital formation |
| GVA..... | gross value added |
| IMF..... | International Monetary Fund |
| LFS..... | Labour Force Survey |
| MoF..... | Ministry of Finance |
| MoLSA..... | Ministry of Labour and Social Affairs |
| NPISHs..... | non-profit institutions serving households |
| OECD..... | Organisation for Economic Co-operation and Development |
| pp..... | percentage points |
| PPS..... | Purchasing Power Standard |
| TFP..... | total factor productivity |
| VAT..... | value-added tax |

Symbols Used in Tables

| | |
|------------|---|
| - | A dash in place of a number indicates that the phenomenon did not occur. |
| . | A dot in place of a number indicates that we do not forecast that variable, or the figure is unavailable or unreliable. |
| x, (space) | A cross or space in place of a number indicates that no entry is possible for logical reasons. |

Cut-off Date for Data Sources

The Macroeconomic Forecast is based on data known as of 31 October 2024.

Notes

All data in the Macroeconomic Forecast are unadjusted for seasonal and calendar effects, unless stated otherwise. Published aggregate data may not match sums of individual items to the last decimal place due to rounding.

Data from the previous forecast (August 2024) are indicated by italics. Data relating to the years 2026 and 2027 are an extrapolation scenario that indicates only the direction of possible developments, and as such are not commented upon in the following text.

Summary of the Forecast

Global economic growth remains constrained by restrictive monetary policy and heightened geopolitical instability. International trade is hampered by logistical problems due to ongoing armed conflicts and the associated lengthening of delivery times. The world economy is therefore expected to slow down this year. Growth momentum is also hampered by persistent problems in the Chinese real estate sector and low consumer confidence. It is China's weak domestic demand that is having a negative impact on export-oriented European economies. Economic growth in the euro area will remain lacklustre next year despite a modest recovery.

The Czech economy stagnated in 2023. Gross domestic product fell by 0.1%, but is forecast to grow by 1.1% this year and by 2.5% in 2025. Annual inflation is expected to be close to 2%, except for the end of this year. Real wages will rise thanks to continued strong labour demand and the decrease in inflation.

According to the flash estimate of the Czech Statistical Office, **real gross domestic product** of the Czech Republic, adjusted for seasonal and calendar effects, increased by 0.3% QoQ and by 1.3% YoY in Q3 2024. In Q2 2024, for which detailed data on the structure of growth are available, GDP grew by 0.9% YoY (unadjusted).

GDP could **increase by 1.1%** in **2024**, mainly thanks to renewed growth in household consumption. The external trade balance is also expected to provide a significant boost to the economy, mainly due to weaker dynamics of import-intensive investment demand and expected development of inventories. In **2025**, the Czech economy could **grow by 2.5%** thanks to stronger consumption and investment and more favourable economic developments abroad, but a more robust recovery in domestic demand will also support imports.

After three years, annual **inflation** had reached the vicinity of the Czech National Bank's 2% inflation target at the beginning of this year and should remain within the tolerance band over the forecast horizon except for the very end of this year. Inflationary external supply factors have weakened considerably, while domestic demand pressures are further suppressed by elevated monetary policy rates, supported this year by the restrictive effects of the fiscal consolidation package. The average inflation rate could thus fall to 2.4% this year and further to 2.3% in 2025.

Labour market imbalances related to labour shortages continue to manifest themselves. Despite the weak economic momentum, the unemployment rate could remain at 2.6% in 2024, before falling slightly to 2.5% next year thanks to economic growth. Persistent labour market imbalances will not allow nominal wage growth to slow down significantly. Earnings will also rise in real terms after two years of decline.

The **current account of the balance of payments** recorded a surplus of 1.4% of GDP in Q2 2024. The significant year-on-year improvement in the external balance was mainly due to an increase in the goods surplus, driven by growth in motor vehicle production, lower imports

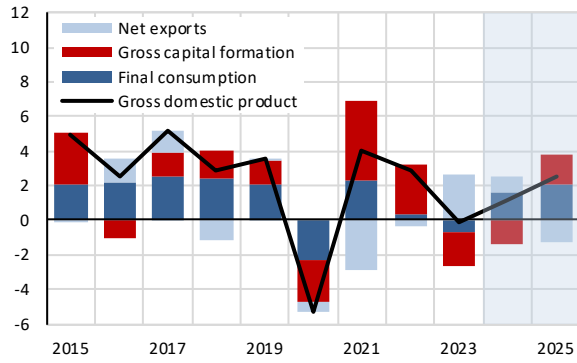
of energy commodities and weaker domestic investment activity. On the primary income balance, investment income outflows (mainly in the form of dividends) declined. Meanwhile, these factors should continue to be relevant over the course of this year. We therefore expect the current account of the balance of payments to reach a surplus of 1.4% of GDP this year and to be in balance in 2025 due to the recovery in domestic demand.

In 2024, the **general government sector deficit** is expected to decrease by 1pp year-on-year, despite increased defence spending, higher pensions and flood damage repair costs. The expected deficit of 2.8% of GDP is reduced by the consolidation package, the winding down of energy crisis-related measures and the economic recovery. Further consolidation of public finances and a reduction of the deficit to 2.3% of GDP are expected next year. With lower nominal GDP growth, general government debt is projected to reach 43.9% of GDP this year and further increase to 44.8% of GDP in 2025.

In aggregate, we consider the risks to the forecast to be **skewed to the downside**. Economic activity in some sectors of the economy may be dampened by renewed problems in supply chains, for example in the context of the situation in the Middle East. In addition to the negative impact on economic output, supply-side problems would create additional inflationary pressures. These could also be triggered by an increase in energy commodity prices in the event of an escalation of geopolitical tensions, or by the introduction or increase in tariffs or other barriers to foreign trade. Given the significant trade links between the Czech and German economies, we also consider structural problems and weak economic growth in Germany to be a downside risk to the forecast. The persistence of price growth in services and the level of inflation expectations are also risks for the Czech economy. Economic growth is supported by the participation of refugees from Ukraine in the labour market, and the full use of their human capital could boost labour productivity.

Economic growth driven by recovery in consumption

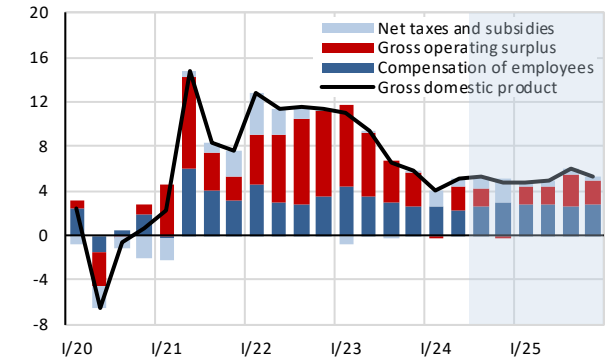
growth rate of real GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Growth in profits will slow sharply

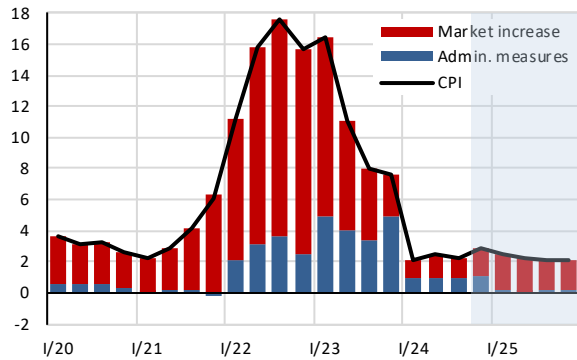
YoY growth of nominal GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Inflation should hover near 2%

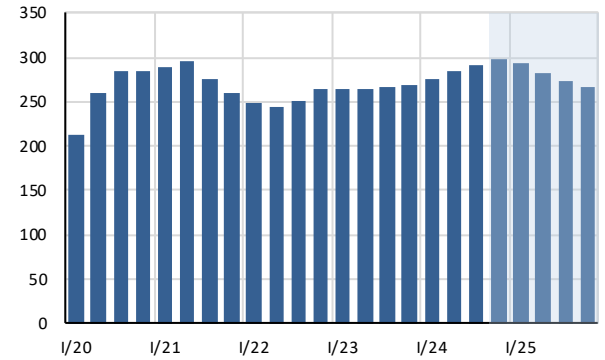
YoY growth rate of CPI in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Unemployment should fall next year

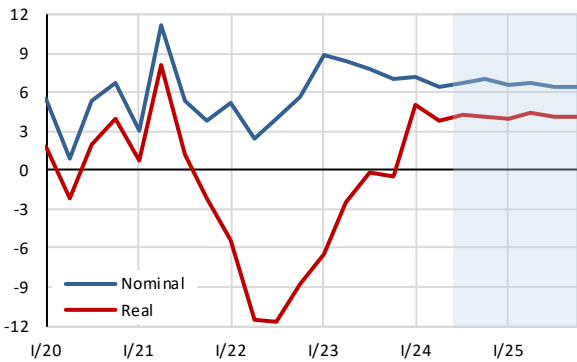
registered unemployment, in thous. of persons, seasonally adjusted



Source: MoLSA. Calc. and forecast of the MoF.

Real wages should rise further

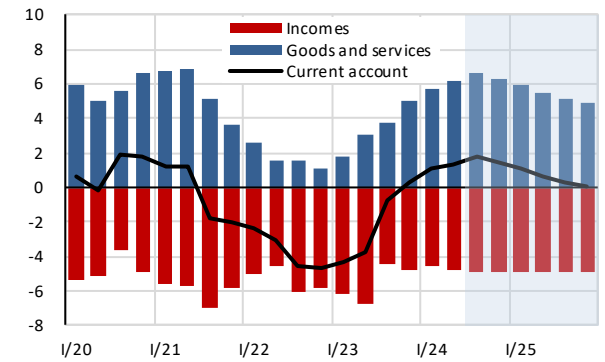
average gross monthly wage, YoY growth rate, in %



Source: CZSO. Calculations and forecast of the MoF.

Current account balance should worsen moderately

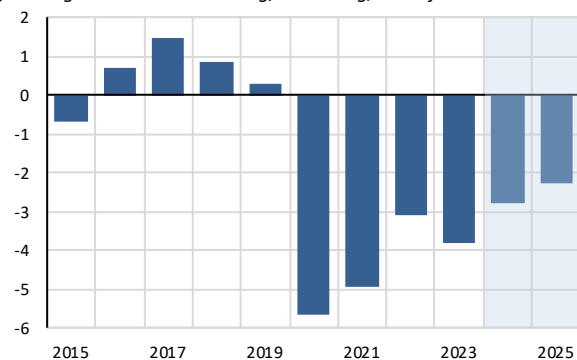
in % of GDP, yearly moving sums



Source: CNB, CZSO. Calculations and forecast of the MoF.

Public finance deficit should drop below 3% of GDP

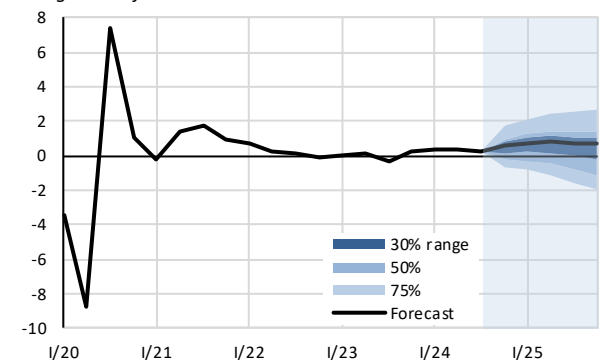
general government net lending/borrowing, in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

Forecast risks are skewed to the downside

QoQ growth of real GDP in %



Source: CZSO. Calculations and forecast of the MoF.

Table: Main Macroeconomic Indicators

| | | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2024 | 2025 |
|---------------------------------------|----------------------------|------------------|--------------|-------------------|--------------|--------------|--------------|--------------|-------|-------|
| | | Current forecast | | Previous forecast | | | | | | |
| Nominal GDP | <i>bill. CZK</i> | 5 889 | 5 828 | 6 308 | 7 050 | 7 619 | 7 988 | 8 410 | 7 960 | 8 393 |
| | <i>nominal growth in %</i> | 7.5 | -1.0 | 8.2 | 11.8 | 8.1 | 4.8 | 5.3 | 4.5 | 5.4 |
| Gross domestic product | <i>real growth in %</i> | 3.6 | -5.3 | 4.0 | 2.8 | -0.1 | 1.1 | 2.5 | 1.1 | 2.7 |
| Consumption of households | <i>real growth in %</i> | 3.1 | -6.4 | 4.2 | 0.5 | -2.8 | 1.9 | 3.7 | 2.1 | 3.9 |
| Consumption of government | <i>real growth in %</i> | 2.6 | 4.1 | 1.5 | 0.4 | 3.5 | 3.7 | 1.8 | 2.3 | 2.2 |
| Gross fixed capital formation | <i>real growth in %</i> | 7.5 | -4.8 | 6.7 | 6.3 | 2.5 | 0.9 | 3.6 | -0.5 | 3.6 |
| Contribution of net exports | <i>pp</i> | 0.1 | -0.6 | -2.8 | -0.3 | 2.6 | 0.9 | -1.3 | 1.0 | -1.3 |
| Contrib. of change in inventories | <i>pp</i> | -0.4 | -1.2 | 2.8 | 1.2 | -2.7 | -1.6 | 0.7 | -1.2 | 0.8 |
| GDP deflator | <i>growth in %</i> | 3.8 | 4.5 | 4.0 | 8.7 | 8.2 | 3.7 | 2.7 | 3.4 | 2.7 |
| Average inflation rate | <i>%</i> | 2.8 | 3.2 | 3.8 | 15.1 | 10.7 | 2.4 | 2.3 | 2.4 | 2.3 |
| Employment (national accounts) | <i>growth in %</i> | -0.1 | -2.3 | 1.0 | 1.0 | 1.0 | 0.3 | 0.2 | 0.3 | 0.2 |
| Unemployment rate (LFS) | <i>average in %</i> | 2.0 | 2.6 | 2.8 | 2.2 | 2.6 | 2.6 | 2.5 | 2.8 | 2.7 |
| Wage bill (domestic concept) | <i>growth in %</i> | 7.9 | 0.4 | 7.2 | 9.1 | 7.7 | 6.2 | 6.3 | 7.1 | 6.4 |
| Current account balance | <i>% of GDP</i> | 0.3 | 1.8 | -2.1 | -4.7 | 0.3 | 1.4 | 0.0 | 1.6 | 0.1 |
| General government balance | <i>% of GDP</i> | 0.3 | -5.6 | -5.0 | -3.1 | -3.8 | -2.8 | -2.3 | -2.5 | . |
| General government debt | <i>% of GDP</i> | 29.6 | 36.9 | 40.7 | 42.5 | 42.4 | 43.9 | 44.8 | 43.7 | . |
| Assumptions: | | | | | | | | | | |
| Exchange rate CZK/EUR | | 25.7 | 26.4 | 25.6 | 24.6 | 24.0 | 25.1 | 24.9 | 25.1 | 24.9 |
| Long-term interest rates | <i>% p.a.</i> | 1.5 | 1.1 | 1.9 | 4.3 | 4.4 | 3.9 | 3.5 | 3.9 | 3.6 |
| Crude oil Brent | <i>USD/barrel</i> | 64 | 42 | 71 | 101 | 82 | 81 | 72 | 82 | 75 |
| GDP in the euro area | <i>real growth in %</i> | 1.6 | -6.2 | 6.3 | 3.6 | 0.5 | 0.8 | 1.2 | 0.8 | 1.3 |

Source: CNB, CZSO, Eurostat, U. S. Energy Information Administration. Calculations and forecast of the MoF.

Risks to the Forecast

The macroeconomic forecast is subject to a number of **risks** that we consider to be **skewed to the downside** in aggregate.

The possibility of **renewed problems in supply chains**, for example in the context of the situation in the Middle East, poses a significant risk for some sectors of the economy. Apart from the negative impact on economic output, supply-side problems would create additional inflationary pressures. These could also be triggered by an increase in energy commodity prices in the event of an escalation of **geopolitical tensions**. An increase in tariffs on selected goods in trade between the European Union and China should have only a minimal impact on the Czech Republic's economic growth, but in general speaking, the introduction or increase of **tariffs** or other barriers to foreign trade poses a risk in the direction of lower growth for the highly open Czech economy.

Given the significant trade links between the Czech and German economies, we also consider **structural problems and weak economic growth in Germany** to be a downside risk to the forecast.

Imports of natural gas and oil from Russia to the European Union remain severely restricted. We anticipate that they will continue to be replaced by increased imports from other countries, with demand being reduced by, for example, investment in new sources and energy savings.

In addition to the persistence of price growth in services, the level of **inflation expectations** also remains a risk.

Different **fiscal policy** stance or a change in the structure of consolidation measures would affect the dynamics of economic growth and other variables.

Labour shortages, evident in almost all sectors of the economy, continue to hamper output growth. In addition to the weak economic dynamics, the influx of refugees from Ukraine has contributed to the easing of the mismatch between demand and supply in the labour market and the associated upward pressure on wages. Thanks to the still high demand for labour by firms and the nature of vacancies, most of which are low-skilled, Ukrainian refugees have no significant problems finding employment in the Czech labour market, although their skill structure may not match demand. Legislative changes in this area are also helping to facilitate the employment of foreigners. Successful **integration of refugees** and full use of their human capital can boost economic growth in the coming years.

Interest rate developments and substantial price increases in recent years have raised the likelihood that some households and firms will run into repayment problems, which would lead to a deterioration in the quality of banks' loan portfolios. However, the economic recovery, renewed real income growth and the expected further decrease in interest rates are gradually mitigating this risk. As a result, the share of non-performing loans in total loans to households and non-financial corporations remains at very low levels. Overvaluation of residential property prices remains a risk.

Global Supply Chain Pressure Index

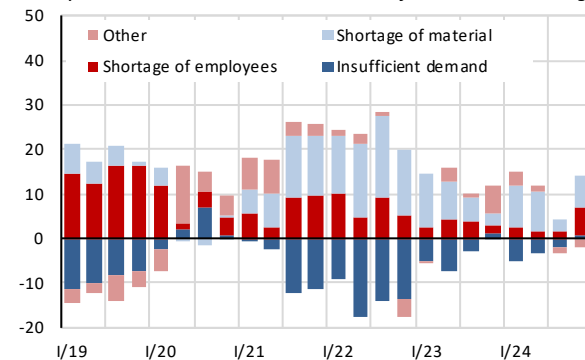
number of standard deviations from the average



Source: Federal Reserve Bank of New York.

Barriers to Production Growth

industry, construction and services; deviation from 2005–19 average



Source: CZSO. Calculations of the MoF.

1 Forecast Assumptions

1.1 External Environment

Global economic growth was still limited in Q3 2024 by restrictive monetary policy in a number of countries and heightened geopolitical instability. International trade was hampered by logistical problems caused by the current armed conflicts and the associated lengthening of delivery times. The disinflation process will continue to have a positive effect on global economic growth, though the impact will weaken as economies approach their inflation targets. Consumption and private investment should be supported by the ongoing reduction of monetary-policy interest rates by the Fed and the ECB. In view of these factors and the remaining risks, global economic growth could slow to 2.9% (*unchanged*) this year and accelerate to 3.5% (*vs. 3.6%*) in 2025, given the expected improvement in international trade.

US GDP grew by 0.7% QoQ (*vs. 0.4%*) in Q3 2024, according to the preliminary estimate. Economic growth was driven mainly by private consumption, and to a lesser extent by government spending, while investment was virtually flat and net exports made a negative contribution.

Annual inflation had fallen steadily since April to 2.4% in September. However, core inflation is still elevated and rose slightly to 3.3% in September. The unemployment rate has remained above 4% in recent months, but fell slightly in August and September. Nevertheless, the labour market remains relatively tight, which, together with the fall in inflation, should support real wage growth. Annual growth in retail sales slowed further to 1.7% in September and remains relatively weak compared to the long-term average.

At the September meeting, the Fed cut its key interest rate by 50 basis points to a range of 4.75%–5.00%. The volume of assets on the Fed's balance sheet will continue to decrease, but since June 2024 it has declined at a slower pace than the May 2022 plan indicated.

October's Purchasing Managers' Index signalled that expansion of business activity continues in services. However, higher new orders have not led to an increase in employment, which, on the contrary, has decreased as a result of labour shortages or firms' efforts to cut costs. In industry, by contrast, conditions deteriorated at the start of Q3. The fall in demand led to a reduction in new industrial orders, production and employment.

We expect the US economy to grow by 2.7% (*vs. 2.6%*) in 2024. Economic activity should be supported by household consumption spending, due to real income growth. In 2025, GDP growth could slow to 2.1% (*vs. 2.0%*). Investment activity should have a positive impact on growth dynamics due to expected monetary easing.

The quarter-on-quarter growth of **the Chinese economy** accelerated to 0.9% in Q3 2024. The government plans to support the generally weaker consumption with economic policy measures, such as lowering interest rates (including on existing mortgages).

Consumer prices rose by just 0.4% YoY in September and core inflation was almost zero. Year-on-year growth in industrial production accelerated to 5.4% in September and conditions in manufacturing improved in October, according to the Purchasing Managers' Index. Activity in services increased slightly, but growth in new orders slowed and expectations deteriorated due to concerns about competition and global economic developments.

China's economic growth could reach 4.6% (*vs. 4.7%*) in 2024 and 4.2% (*vs. 4.3%*) in 2025. Household consumption growth momentum should remain weaker given low consumer confidence and insufficient social safety net. Private investment activity and, to some extent, consumption could be adversely affected by persistent problems in the real estate sector. The high debt burden of local governments also remains a risk. Unfavourable demographic developments will also have a negative impact on the economy. A shift to the higher rungs of supply chains should help to reduce imports, which should make net exports pro-growth even in the face of weaker external demand.

The economy of the **European Union** grew by 0.3% QoQ (*in line with the forecast*) in Q3 2024, while **euro area's** GDP increased by 0.4% (*vs. 0.3%*).

Annual inflation in the euro area rose to 2.0% in October and core inflation (excluding food, alcohol, tobacco and energy prices) stayed at 2.7%. The European Central Bank cut the deposit rate by 25 basis points to 3.25% in October and we expect the ECB to continue cutting its key interest rate. The ECB is also reducing the size of the portfolio purchased under the Pandemic emergency purchase programme and will stop reinvestments under this programme by the end of this year. In addition, it continues to gradually reduce the volume of securities purchased under the Asset purchase programme.

In terms of the stimulus to the economy, fiscal policy should, on balance, be relatively restrictive this year, following the expiry of the general escape clause of the Stability and Growth Pact and unwinding of energy support measures.

In September, the unemployment rate was at record low levels both in the EU (5.9%) and the euro area (6.3%). According to the October Purchasing Managers' Index, manufacturing in the euro area remained in a contrac-

tionary zone, with the decline driven by most sub-indicators (output, demand and employment). The European Commission's Business Climate Indicator fell in September while being below its long-term average, illustrating the deteriorating conditions in manufacturing. In services, the Purchasing Managers' Index points to a slight slowdown in the growth of activity. On the positive side, employment increased in October, while new orders fell. In the EU and the euro area, consumer confidence continued to improve slightly, mainly as a result of better assessment of households' own financial prospects.

Overall, we expect GDP growth in the EU to accelerate to 0.9% (*unchanged*) in 2024, while growth in the euro area could reach 0.8% (*unchanged*). Amid the decline in inflation, tight labour market and rising real wages, the growth should be driven by household consumption. Foreign trade, on the other hand, could dampen the growth momentum on the back of unfavourable developments in industry.

In 2025, economic growth could accelerate to 1.4% (*vs. 1.5%*) in the EU and to 1.2% (*vs. 1.3%*) in the euro area thanks to a continued recovery in household consumption and stronger investment activity supported by interest rate cuts.

The **German** economy grew by 0.2% QoQ (*in line with the forecast*) in Q3, according to the flash estimate. Confidence in manufacturing increased despite the fall in demand and volume of new orders, but is still deep in the contractionary zone. Industrial production fell by more than 4% YoY in July and August 2024 in aggregate. The Services Purchasing Managers' Index is in an expansionary zone and rose in October, mainly due to optimistic expectations, while new orders contracted and employment fell. Consumer sentiment improved only

moderately, but the degree of optimism is not very high due to high inflation, rising unemployment, an increase in corporate bankruptcies and related fears of layoffs. Annual inflation rose to 2.4% in October, while core inflation increased to 3.3%. The unemployment rate has held at 3.5% since May, but is the highest since mid-2021.

In 2024, the German economy could contract by 0.1% (*vs. stagnation*). In addition to the above factors, growth will be limited by weaker government investment activity due to austerity measures in an effort to maintain the debt brake. In 2025, economic growth, supported by household consumption and a recovery in export activity, could reach 1.0% (*vs. 1.2%*).

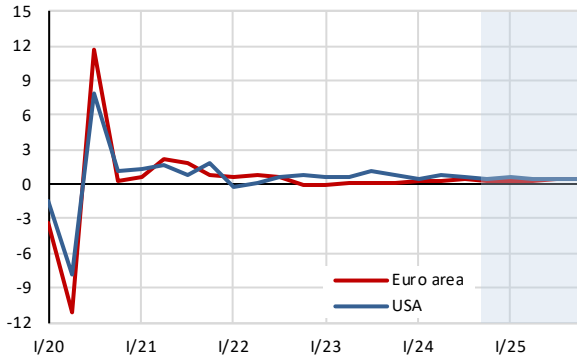
Slovakia's GDP grew by 0.4% QoQ (*vs. 0.5%*) in Q2 2024, with positive contribution coming mainly from the change in inventories, but gross fixed capital formation and household and government final consumption expenditure also increased. In contrast, net export was negative, mainly due to higher imports. The unemployment rate fell to a record low of 5.2% in September. With the exception of a temporary dip during the first wave of the pandemic in the spring 2020, manufacturing output has been more or less stagnant since mid-2019.

Annual inflation rose to 3.5% in October, while core inflation remained at 4.3%. Consumer confidence declined sharply in October, mainly due to a deterioration in economic expectations, but still remains slightly above the long-term average.

We expect Slovakia's GDP to grow by 2.4% (*unchanged*) this year. Economic growth should be supported by household consumption due to real wage growth, while foreign trade should dampen growth dynamics. In 2025, GDP growth could accelerate to 2.6% (*vs. 2.7%*) due to the expected increase in external demand.

Graph 1.1.1: Real GDP in the euro area and USA

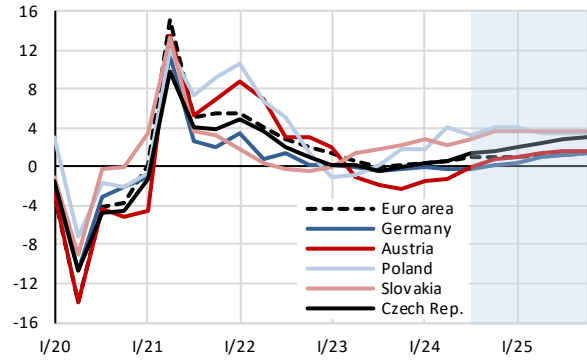
QoQ growth rate in %, seasonally adjusted



Source: Eurostat, OECD. Calculations and forecast of the MoF.

Graph 1.1.2: Real Gross Domestic Product

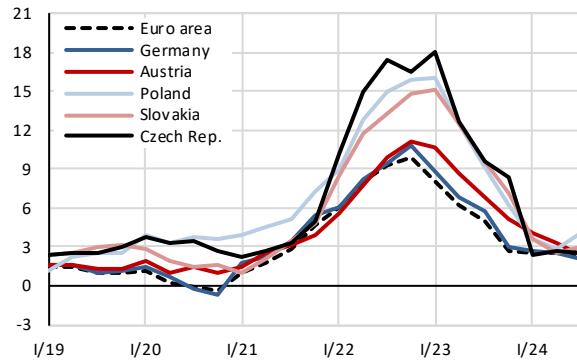
YoY growth in %, seasonally adjusted



Source: CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 1.1.3: HICP

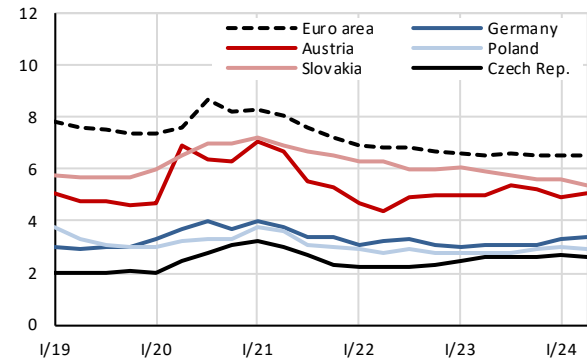
quarterly averages, YoY growth in %



Source: Eurostat. Calculations of the MoF.

Graph 1.1.4: Unemployment Rate

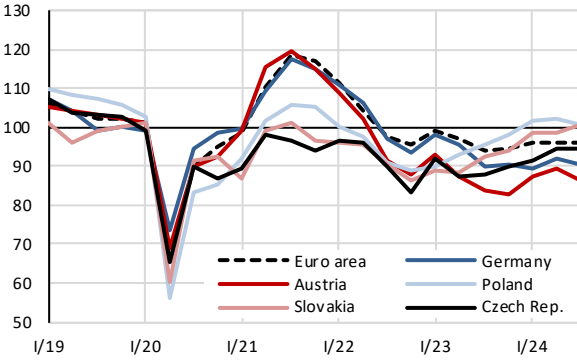
in %, LFS methodology, seasonally adjusted



Source: Eurostat.

Graph 1.1.5: Economic Sentiment Indicator

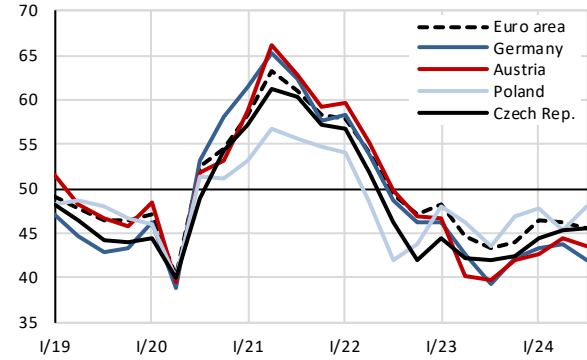
quarterly averages, long-run average = 100



Source: Eurostat. Calculations of the MoF.

Graph 1.1.6: Purchasing Managers' Index

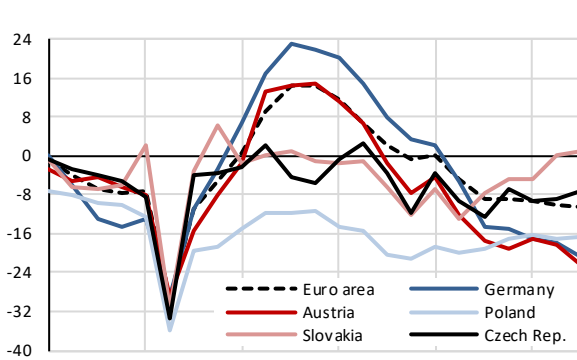
manufacturing, quarterly averages



Source: Markit. Calculations of the MoF.

Graph 1.1.7: Business Tendency

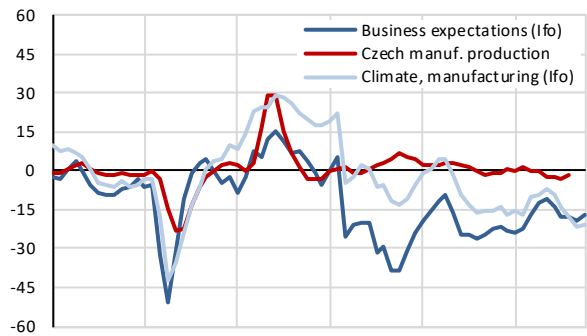
manufacturing, quarterly averages



Source: OECD. Calculations of the MoF.

Graph 1.1.8: Ifo and Czech manufacturing production

balances (Ifo, manufacturing); seas. adjusted industrial production in Czech manufacturing, YoY growth in % (three-month moving avg.)



Source: CESifo, CZSO. Calculations of the MoF.

Table 1.1.1: Gross Domestic Product – yearly

growth rate of real GDP in %

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | |
|-----------------------|---------------------|------|------|------|------|-------|------|------|------|------|----------|----------|
| | | | | | | | | | | | Forecast | Forecast |
| World | seasonally adjusted | 3.3 | 3.8 | 3.6 | 2.8 | -2.7 | 6.5 | 3.5 | 3.3 | 2.9 | 3.5 | |
| USA | seasonally adjusted | 1.8 | 2.5 | 3.0 | 2.6 | -2.2 | 6.1 | 2.5 | 2.9 | 2.7 | 2.1 | |
| China | seasonally adjusted | 6.9 | 6.9 | 6.6 | 6.0 | 1.8 | 8.9 | 3.0 | 5.5 | 4.6 | 4.2 | |
| United Kingdom | seasonally adjusted | 1.9 | 2.7 | 1.4 | 1.6 | -10.3 | 8.6 | 4.8 | 0.3 | 1.0 | 1.6 | |
| European Union | seasonally adjusted | 1.9 | 2.9 | 2.0 | 1.9 | -5.7 | 6.3 | 3.5 | 0.5 | 0.9 | 1.4 | |
| Euro area | seasonally adjusted | 1.8 | 2.7 | 1.7 | 1.6 | -6.2 | 6.3 | 3.6 | 0.5 | 0.8 | 1.2 | |
| Germany | seasonally adjusted | 2.2 | 3.0 | 1.1 | 1.0 | -4.5 | 3.6 | 1.4 | -0.1 | -0.1 | 1.0 | |
| | unadjusted | 2.3 | 2.7 | 1.1 | 1.0 | -4.1 | 3.7 | 1.4 | -0.3 | -0.2 | 1.4 | |
| France | seasonally adjusted | 0.7 | 2.3 | 1.6 | 2.1 | -7.6 | 6.8 | 2.6 | 1.1 | 1.2 | 1.3 | |
| | unadjusted | 0.9 | 2.1 | 1.6 | 2.0 | -7.4 | 6.9 | 2.6 | 0.9 | 1.3 | 1.2 | |
| Italy | seasonally adjusted | 1.4 | 1.7 | 0.7 | 0.4 | -9.0 | 8.8 | 4.8 | 0.8 | 0.5 | 1.1 | |
| | unadjusted | 1.3 | 1.7 | 0.9 | 0.5 | -8.8 | 8.9 | 4.7 | 0.7 | 0.7 | 0.8 | |
| Austria | seasonally adjusted | 2.2 | 2.4 | 2.4 | 1.8 | -6.5 | 5.0 | 5.4 | -0.8 | -0.5 | 1.4 | |
| | unadjusted | 2.0 | 2.3 | 2.4 | 1.5 | -6.4 | 4.8 | 5.3 | -1.0 | -0.3 | 1.5 | |
| Hungary | seasonally adjusted | 2.4 | 4.3 | 5.6 | 5.1 | -4.5 | 7.1 | 4.3 | -0.8 | 0.4 | 2.0 | |
| | unadjusted | 2.2 | 4.3 | 5.4 | 4.9 | -3.8 | 7.1 | 4.3 | -0.9 | 0.4 | 2.1 | |
| Poland | seasonally adjusted | 3.1 | 5.2 | 5.9 | 4.4 | -2.0 | 6.9 | 5.9 | 0.1 | 3.3 | 3.7 | |
| | unadjusted | 3.0 | 5.1 | 5.9 | 4.4 | -2.0 | 6.9 | 5.6 | 0.2 | 3.3 | 3.7 | |
| Slovakia | seasonally adjusted | 1.9 | 2.9 | 4.1 | 2.3 | -2.6 | 5.7 | 0.4 | 1.4 | 2.4 | 2.6 | |
| Czech Republic | seasonally adjusted | 2.5 | 5.3 | 2.8 | 3.5 | -5.3 | 4.0 | 2.9 | 0.0 | 1.0 | 2.6 | |
| | unadjusted | 2.6 | 5.2 | 2.8 | 3.6 | -5.3 | 4.0 | 2.8 | -0.1 | 1.1 | 2.5 | |

Source: CZSO, Eurostat, IMF, OECD, Office for National Statistics. Calculations of the MoF.

Table 1.1.2: Gross Domestic Product – quarterly

growth rate of real GDP in %, data adjusted for seasonal and calendar effects

| | | 2023 | | | | 2024 | | | | | |
|-----------------------|-----|------|------|------|------|------|------|------|-----|----------|----------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | |
| | | | | | | | | | | Estimate | Forecast |
| USA | QoQ | 0.7 | 0.6 | 1.1 | 0.8 | 0.4 | 0.7 | 0.7 | 0.4 | | |
| | YoY | 2.3 | 2.8 | 3.2 | 3.2 | 2.9 | 3.0 | 2.7 | 2.3 | | |
| United Kingdom | QoQ | 0.1 | 0.0 | -0.1 | -0.3 | 0.7 | 0.5 | 0.2 | 0.4 | | |
| | YoY | 0.9 | 0.5 | 0.3 | -0.3 | 0.3 | 0.7 | 1.1 | 1.8 | | |
| European Union | QoQ | 0.1 | 0.0 | 0.2 | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 | | |
| | YoY | 1.2 | 0.5 | 0.1 | 0.4 | 0.6 | 0.8 | 0.9 | 1.1 | | |
| Euro area | QoQ | 0.0 | 0.1 | 0.0 | 0.1 | 0.3 | 0.2 | 0.4 | 0.2 | | |
| | YoY | 1.4 | 0.5 | 0.0 | 0.1 | 0.5 | 0.6 | 0.9 | 1.1 | | |
| Germany | QoQ | 0.1 | -0.2 | 0.2 | -0.4 | 0.2 | -0.3 | 0.2 | 0.1 | | |
| | YoY | 0.2 | 0.1 | -0.3 | -0.2 | -0.1 | -0.3 | -0.2 | 0.3 | | |
| France | QoQ | 0.1 | 0.7 | 0.1 | 0.5 | 0.2 | 0.2 | 0.4 | 0.2 | | |
| | YoY | 1.0 | 1.3 | 0.9 | 1.3 | 1.5 | 1.0 | 1.3 | 1.0 | | |
| Italy | QoQ | 0.4 | -0.2 | 0.2 | 0.0 | 0.3 | 0.2 | 0.0 | 0.3 | | |
| | YoY | 2.3 | 0.5 | 0.1 | 0.3 | 0.2 | 0.6 | 0.4 | 0.7 | | |
| Austria | QoQ | -0.6 | -0.4 | -0.8 | -0.5 | 0.2 | 0.0 | 0.3 | 0.4 | | |
| | YoY | 2.1 | -1.1 | -1.8 | -2.4 | -1.5 | -1.2 | -0.1 | 0.8 | | |
| Hungary | QoQ | -0.5 | 0.2 | 1.1 | -0.3 | 0.4 | -0.2 | -0.7 | 0.6 | | |
| | YoY | -1.4 | -2.3 | 0.0 | 0.4 | 1.4 | 1.0 | -0.8 | 0.1 | | |
| Poland | QoQ | 0.9 | -0.7 | 1.5 | 0.2 | 0.8 | 1.5 | 0.8 | 0.9 | | |
| | YoY | -1.0 | -0.7 | 0.2 | 1.9 | 1.8 | 4.0 | 3.3 | 4.0 | | |
| Slovakia | QoQ | 0.2 | 0.9 | 0.5 | 0.6 | 0.8 | 0.4 | 0.5 | 0.6 | | |
| | YoY | 0.1 | 1.4 | 1.8 | 2.3 | 2.8 | 2.3 | 2.8 | 3.6 | | |
| Czech Republic | QoQ | 0.0 | 0.1 | -0.4 | 0.3 | 0.4 | 0.4 | 0.3 | 0.5 | | |
| | YoY | 0.3 | 0.2 | -0.4 | 0.0 | 0.4 | 0.6 | 1.3 | 1.6 | | |

Source: CZSO, Eurostat, OECD, Office for National Statistics. Calculations and forecast of the MoF.

1.2 Commodity Prices

The price of a barrel of Brent crude oil averaged USD 80 (vs. USD 82) in Q3 2024, down 7.7% YoY, or 4.5% when measured in CZK.

World oil demand is projected to increase gradually in the coming quarters, driven almost entirely by demand from non-OECD countries. The Organisation of the Petroleum Exporting Countries and other coordinating countries (OPEC+) are restricting oil production to support oil price stability. These targeted production cuts are set to continue through the end of next year. Meanwhile, eight OPEC+ member countries are voluntarily reducing production beyond this commitment. Non-OPEC+ countries are anticipated to raise their output further. The situation in the Middle East in particular poses a risk to the price of oil.

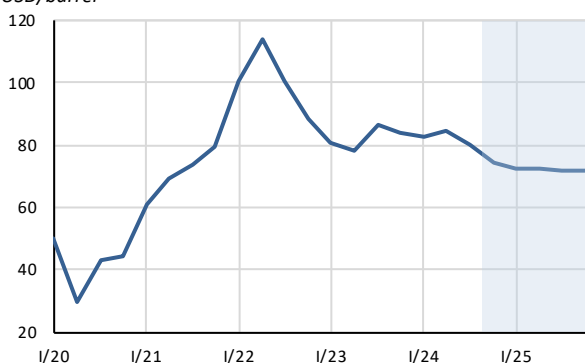
In the futures market, oil with a later delivery date trades cheaper than oil with an earlier delivery date. The projected development of the Brent crude oil price re-

flects this downward slope in futures pricing. This year, the average price of Brent crude oil is forecast to decline by 2.3% YoY to USD 81 (vs. USD 82) per barrel, or a 1.6% increase when measured in CZK due to the koruna's depreciation against the US dollar. For 2025, we assume an average price of USD 72 (vs. USD 75) per barrel.

Volatility in commodity markets remains elevated, largely due to geopolitical risks. Europe's ongoing energy transformation through the reduction of fossil and nuclear power generation is putting upward pressure on electricity prices, while the greenhouse gas emissions trading scheme is increasing energy price volatility and uncertainty about economic viability of coal-fired power plants in the coming years. Longer-term energy supply contracts and frontloading of other commodities are helping to stabilise final prices for consumers and businesses.

Graph 1.2.1: Dollar Price of Brent Crude Oil

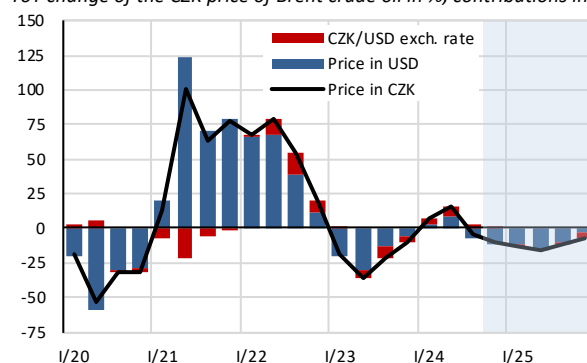
USD/barrel



Source: U. S. EIA. Calculations and forecast of the MoF.

Graph 1.2.2: Koruna Price of Brent Crude Oil

YoY change of the CZK price of Brent crude oil in %, contributions in pp



Source: CNB, U. S. EIA. Calculations and forecast of the MoF.

Table 1.2.1: Prices of Selected Commodities – yearly

spot prices

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | |
|--|-------------|-------|------|-------|-------|-------|-------|-------|-------|------|----------|----------|
| | | | | | | | | | | | Forecast | Forecast |
| Crude oil Brent | USD/barrel | 43.6 | 54.2 | 71.3 | 64.3 | 41.8 | 70.8 | 101.0 | 82.4 | 81 | 72 | |
| | growth in % | -16.9 | 24.3 | 31.7 | -9.8 | -35.0 | 69.3 | 42.7 | -18.4 | -2.3 | -10.2 | |
| Crude oil Brent index (in CZK) | 2010=100 | 70.1 | 83.1 | 102.1 | 97.1 | 63.6 | 101.1 | 155.3 | 120.6 | 122 | 108 | |
| | growth in % | -17.4 | 18.5 | 22.9 | -4.9 | -34.6 | 59.1 | 53.5 | -22.3 | 1.6 | -11.6 | |
| Natural gas (Europe) | USD/MMBtu | 4.6 | 5.7 | 7.7 | 4.8 | 3.2 | 16.1 | 40.3 | 13.1 | . | . | |
| | growth in % | -33.1 | 25.3 | 34.4 | -37.5 | -32.5 | 397.1 | 150.3 | -67.5 | . | . | |
| Natural gas (Europe) index (in CZK) | 2010=100 | 70.7 | 84.2 | 106.0 | 69.6 | 47.1 | 222.9 | 601.4 | 184.5 | . | . | |
| | growth in % | -33.4 | 19.2 | 25.8 | -34.3 | -32.4 | 373.7 | 169.7 | -69.3 | . | . | |

Source: CNB, U. S. Energy Information Administration, World Bank. Calculations and forecast of the MoF.

Table 1.2.2: Prices of Selected Commodities – quarterly

spot prices

| | | 2023 | | | | 2024 | | | |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Crude oil Brent | USD/barrel | 81.1 | 78.0 | 86.7 | 84.0 | 82.9 | 84.7 | 80.0 | 74 |
| | growth in % | -19.6 | -31.5 | -14.0 | -5.3 | 2.3 | 8.6 | -7.7 | -11.4 |
| Crude oil Brent index (in CZK) | 2010=100 | 118.3 | 111.3 | 126.5 | 126.2 | 126.1 | 129.2 | 120.9 | 114 |
| | growth in % | -19.0 | -35.9 | -21.8 | -9.7 | 6.5 | 16.1 | -4.5 | -9.9 |
| Natural gas (Europe) | USD/MMBtu | 16.8 | 11.3 | 10.8 | 13.5 | 8.8 | 10.0 | 11.5 | . |
| | growth in % | -48.4 | -64.2 | -82.1 | -63.4 | -48.0 | -11.5 | 6.9 | . |
| Natural gas (Europe) index (in CZK) | 2010=100 | 236.3 | 155.3 | 151.0 | 195.3 | 127.9 | 147.0 | 167.0 | . |
| | growth in % | -48.0 | -66.5 | -83.7 | -65.1 | -45.9 | -5.3 | 10.6 | . |

Source: CNB, U. S. Energy Information Administration, World Bank. Calculations and forecast of the MoF.

1.3 Fiscal Policy

In 2024, public finances should reach a deficit of 2.8% of GDP (vs. 2.5% of GDP). The reason for the deterioration in the projected outturn compared to the August forecast is the expenditure to cover the consequences of the floods in September this year. Adjusted for their impact, as well as for other one-offs and the business cycle, the (structural) deficit should narrow by 0.5pp YoY to 2.1% of GDP (*unchanged*). The deficit will be mainly attributable to the state budget, while health insurance companies are also likely to run a slight deficit. In contrast, local governments are expected to retain a positive balance.

Total general government revenue is forecast to grow by more than 6%, of which tax revenue, including social security contributions, is projected to increase by 7.8%. **Value added tax** revenue could increase by 2.8% this year. Its dynamics will be negatively affected by the unification of the reduced tax rates at 12% and, at the same time, the shifting of some goods and services between rates. On the other hand, these changes will be mitigated by the additional value added tax revenue resulting from the increase in **excise duties**. Their annual dynamics will be positively affected by the base effect of the reduced tax rate on diesel until the end of July 2023 (CZK 5.6 billion) and the increase in tax rates on tobacco products and alcohol (CZK 4 billion). In contrast, tax revenues are dampened by the end of the effectiveness of an extraordinary measure during the energy crisis in the form of a levy on excess revenues of electricity producers. However, this effect is compensated by the end of the across-the-board waiver of the renewable energy levy for households and firms at the end of 2023, with only energy-intensive businesses receiving aid this year, for which the government has earmarked CZK 3.5 billion. The increase in **property tax** is expected to bring an estimated CZK 10 billion to public budgets.

The expected growth in wages and salaries in the economy determines revenues from **personal income tax** (11.2%) and **social security contributions** (8.8%). The latter also reflects an increase in payments for state in-

sured persons to health insurance companies. Both titles will also be positively affected by the discretionary measures in the consolidation package. In the case of **corporate income tax**, two conflicting factors are mainly at work. On the one hand, there is a year-on-year reduction in tax revenue from windfall profit tax, while on the other hand, there will be a 2pp increase in the statutory tax rate with an estimated impact of around CZK 21 billion.

Regarding other revenues, we expect significantly lower **dividend income** from state-owned companies, as well as **interest** on loans granted under the Treasury liquidity management.

General government expenditure is being held back by the consolidation package. We estimate that **final consumption expenditure** growth will slow to 7% YoY. Despite savings of 5% on each department's operating expenditure, **intermediate consumption** should maintain its pace due to, among other things, repairs of flood-damaged assets. In contrast, we expect a slowdown in **compensation of employees**, which is likely to be significantly lower than last year. Growth in the volume of salaries is determined by the health and education sectors. **Social transfers in kind** are likely to maintain their still high double-digit rate of around 12%, as the national accounts data for H1 2024 indicate. These are driven by rising health insurance spending, made possible not only by increases in social security contributions and payments for state insured persons, but also by the planned deficit. In addition, the higher level of housing benefit payments persists.

In the area of **cash social benefits**, we forecast an increase in expenditure in pension benefits. In addition to the effects of pension indexation, they will be affected by humanitarian benefits paid to refugees from Ukraine, unemployment benefits, sickness insurance benefits and the increase in the payment for the state insured persons. The higher level of payments related to the floods

will also have an impact on the social sector. All of this should lead to a 5.5% increase in cash social benefits.

Fixed asset investment will be affected by increased spending in transport infrastructure and defence, where the 2% of GDP threshold should be reached already this year, and to a minor extent by investments started this year due to the floods in September 2024. In the case of EU co-financed spending, the implementation of the EU Next Generation Instrument and the unfolding 2021–2027 financial perspective will play a role.

The measures of the consolidation package, together with the end of one-offs approved in response to the energy crisis, will represent annual savings in **subsidies** and partly **current transfers** in the order of tens of billions of CZK.

General government debt is expected to rise to 43.9% of GDP (vs. 43.7% of GDP) in 2024. This is likely to lead to a further increase in **interest expenditure** to 1.4% of GDP.

We expect the general government balance to reach –2.3% of GDP in 2025 and –2.0% of GDP in structural terms. **Total general government revenue** is forecast to grow by 5%, of which tax revenue, including social security contributions, is projected to increase by 5.3%.

Rising real earnings should boost household consumption and positively affect **value added tax** revenue, with an estimated growth rate of more than 6%. It will also reflect higher **excise taxes** on tobacco and alcohol as part of the consolidation package.

The forecast for revenue growth from **personal income tax** (4.8%) and **social security contributions** (6.1%) is based on expected growth of wages and salaries in the economy. However, for personal income tax, the dynamics is hampered by the year-on-year evolution of capital gains tax. In the area of social security contributions, the consolidation package further increases the contributions paid by self-employed with an additional impact of around CZK 3 billion in 2025. The automatically indexed payment for state insured persons will bring additional resources for health insurance companies.

The **corporate income tax** revenue is expected to grow by more than 4%. The aggregate annual impact of the recorded discretionary measures is likely to be slightly negative, as the declining tax proceeds from windfall profit tax and the deepening negative effect of the exemption on government bond yields will outweigh the additional positive effect of the 2pp increase in the tax rate and the introduction of a top-up tax.

Other revenues that will significantly affect the overall revenue growth are mainly **capital transfers** reflecting the start-up of projects co-financed by the EU budget from the 2021–2027 programming period. The EU Next Generation Instrument will also play a significant role, and its disbursement is expected to peak next year.

We estimate that **the general government expenditure** will grow at a rate of almost 4%. **Compensation of employees** in the general government sector is expected to be higher than in 2024, mainly due to salaries indexed to average wages. In addition, we also envisage salary increases in other parts of the general government sector, albeit at a lower rate than in the automatically indexed part.

Social transfers in kind are expected to slow down, due to the base effect. For housing benefits, we expect the relatively higher level to be maintained, although spending could weaken slightly due to rising household real earnings. The increase should be driven by health insurance companies' spending made possible by increases in social security contributions and payments for the state insured persons. The year-on-year growth rate of **intermediate consumption** is based on the 2024 level plus spending on repairs to property damaged by the September 2024 floods, which we also assume in the forecast for 2025. On the other hand, the dynamics should be slowed down by government's ongoing consolidation efforts in operating expenditure.

In the case of **cash social benefits**, pension benefits are going to be adjusted from January 2025 on the basis of the statutory indexation formula. In addition to pensions, we foresee the preservation of the humanitarian benefit paid to persons with temporary protection. Additional costs are also associated with adjustments to the care allowance or the increase in the parental allowance effective from 2024. In the development of cash social benefits, the national accounts methodology also reflects an increase in the payment for the state insured of around CZK 2.8 billion. As a result of all these factors, cash social benefits are expected to increase by 2.2%.

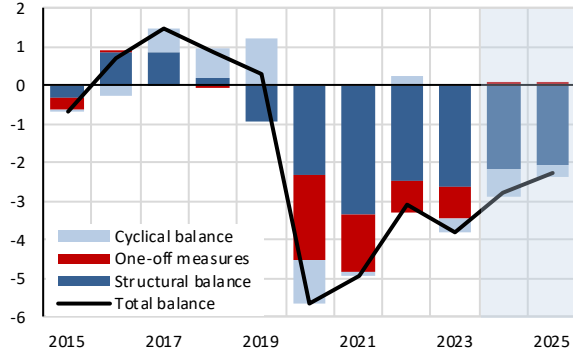
In addition to defence spending, **investment in fixed assets** will also be supported by spending on the reconstruction of infrastructure and assets following the September 2024 floods. In terms of financing, we anticipate the involvement of resources from the National Recovery Plan, and the unfolding 2021–2027 financial perspective will also have an impact in line with the current phase of the cohesion funding cycle. The dynamics of total investment could reach 9.5%, with both national and European projects contributing to the growth.

The measures of the consolidation package include savings in **subsidies and current transfers** with an estimated additional impact of around CZK 10 billion. Both items together should be essentially constant.

The improving performance of the general government sector and the associated lower debt dynamics, combined with falling interest rates, should lead to broadly constant **interest expenditure**, and even a slight decline to 1.3% of GDP in relative terms. **General government debt** is expected to increase by 0.8pp to 44.8% of GDP in 2025.

Graph 1.3.1: General Government Balance

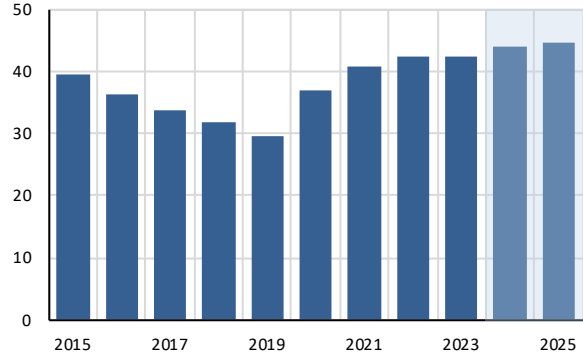
in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

Graph 1.3.2: General Government Debt

in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

Table 1.3.1: Net Lending/Borrowing and Debt

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|-----------|-------|-------|-------|-------|-------|-------|----------|----------|---------|---------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| General government balance | % GDP | 0.9 | 0.3 | -5.6 | -5.0 | -3.1 | -3.8 | -2.8 | -2.3 | -1.7 | -1.4 |
| | bill. CZK | 48 | 17 | -329 | -312 | -216 | -288 | -223 | -192 | -147 | -128 |
| Cyclical balance | % GDP | 0.8 | 1.2 | -1.1 | -0.1 | 0.2 | -0.3 | -0.7 | -0.3 | 0.1 | 0.4 |
| Cyclically adjusted balance | % GDP | 0.1 | -0.9 | -4.5 | -4.8 | -3.3 | -3.5 | -2.1 | -2.0 | -1.7 | -1.7 |
| One-off measures ¹⁾ | % GDP | -0.1 | 0.0 | -2.2 | -1.5 | -0.8 | -0.8 | 0.1 | 0.1 | 0.0 | 0.0 |
| Structural balance | % GDP | 0.2 | -0.9 | -2.3 | -3.3 | -2.4 | -2.6 | -2.1 | -2.0 | -1.7 | -1.7 |
| Fiscal effort ²⁾ | pp | -0.7 | -1.1 | -1.4 | -1.0 | 0.9 | -0.2 | 0.5 | 0.1 | 0.3 | 0.0 |
| Interest expenditure | % GDP | 0.7 | 0.7 | 0.7 | 0.7 | 1.1 | 1.3 | 1.4 | 1.3 | 1.3 | 1.4 |
| Primary balance | % GDP | 1.6 | 1.0 | -4.9 | -4.2 | -2.0 | -2.5 | -1.4 | -0.9 | -0.3 | 0.0 |
| Cyclically adjusted primary balance | % GDP | 0.8 | -0.2 | -3.8 | -4.1 | -2.2 | -2.2 | -0.7 | -0.6 | -0.4 | -0.4 |
| General government debt | % GDP | 31.7 | 29.6 | 36.9 | 40.7 | 42.5 | 42.4 | 43.9 | 44.8 | 45.3 | 45.1 |
| | bill. CZK | 1 735 | 1 740 | 2 150 | 2 567 | 2 998 | 3 234 | 3 510 | 3 765 | 3 997 | 4 173 |
| Change in debt-to-GDP ratio | pp | -2.1 | -2.1 | 7.3 | 3.8 | 1.8 | -0.1 | 1.5 | 0.8 | 0.5 | -0.2 |

¹⁾ One-off and temporary measures are such measures that have only a temporary impact on public budgets. Besides their temporary impact on overall balance, these measures are usually of non-recurring nature and very often result from the events that are beyond the direct power of the government.

²⁾ Change in structural balance.

Source: CZSO. Calculations and forecast of the MoF.

1.4 Monetary Policy, Financial Sector and Exchange Rates

The Czech National Bank started the monetary policy rate cut cycle in December 2023 and has since gradually reduced the **two-week repo rate** by 275 basis points in total from 7.00% to 4.25%. Given the outlook for inflationary pressures, we expect the two-week repo rate to continue its gradual decline in the rest of this year and subsequently in 2025.

The **three-month PRIBOR rate** fell to 4.4% (vs. 4.5%) in Q3 2024, following a further reduction in the CNB's primary interest rates. In Q4, in line with the expected path of the CNB's monetary policy, the three-month PRIBOR rate could fall further to 4.0% (vs. 4.2%) and average 5.0% (*unchanged*) for the whole of 2024. For 2025, we expect a further decrease to 3.5% (vs. 3.6%).

The **yield to maturity on 10-year government bonds** fell to 3.8% on average in Q3 2024 (*in line with the forecast*), and we expect a further decline to 3.7% in Q4 2024 (*unchanged*). Taking into account the assumed monetary policy stance of the CNB and the ECB, as well as inflation outlook, we believe that long-term interest rates should continue on a slightly downward trajectory, averaging 3.9% (*unchanged*) in 2024 and 3.5% (vs. 3.6%) in 2025.

The annual growth in total **loans to households** was 4.7% in Q3 2024. Compared with the pre-pandemic level, the year-on-year growth remains subdued due to lower demand for mortgage loans; the demand, however, is gradually rising, inter alia, supported by falling interest rates – the average client interest rate on new mortgage loans to households fell further by 0.1pp to 5.1% in Q3 2024. By contrast, the rate for new consumer credit rose by 0.1pp to 9.1% over the same period.

The average client interest rate on total household koruna-denominated loans increased to 4.3% in Q3 2024, continuing its gradual growth (from 3.3% in H2 2021). This increase is mainly due to mortgage refixing, as current rates remain higher than those prevailing at the time of the previous fixing.

The volume of **household deposits** increased by 7.9% YoY in Q3 2024. The previous high growth in the volume of time deposits is gradually fading as interest rates fall, while the growth in overnight deposits (savings and current accounts) is gaining momentum and thus becoming the primary source of overall growth in household deposits. The average client rate on all household koruna-

denominated deposits fell further, by 0.3pp to 1.8% in Q3 2024.

Loans to non-financial corporations grew by 6.4% YoY in Q3 2024. Previous strong year-on-year increases in foreign-currency-denominated loans are somewhat weaker, while the volume of koruna-denominated loans recorded its first annual increase of 0.6% in Q3 2024 after more than two years of continuous declines, partially driven by a narrowing positive interest rate differential vis-à-vis the euro area. The share of foreign-currency denominated loans in total loans to non-financial corporations stood at 52.3% in September.

The average client interest rate on the total volume of koruna-denominated loans to non-financial corporations fell by 0.5pp to 6.0% in Q3 2024. For deposits the rate decreased by 0.5pp to 2.2%.

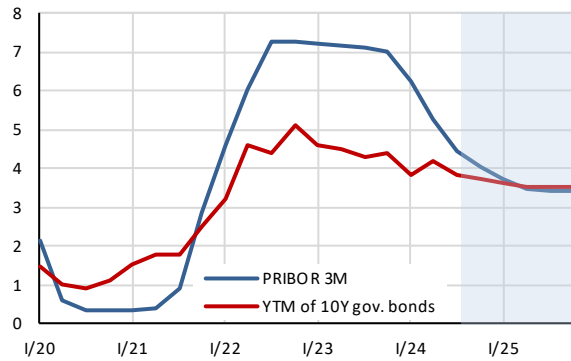
The **share of non-performing loans** in total loans to non-financial corporations and households continues to hover around historic lows. In Q3 2024, it was 1.3% for households and 2.4% for non-financial corporations.

The exchange rate of the Czech koruna against the euro averaged CZK 25.2/EUR in Q3 2024 (*in line with the forecast*), thus depreciating by 4.2% YoY. We do not expect the koruna to strengthen significantly in the rest of the year, as it may be hampered by a slower recovery in the domestic economy and elevated geopolitical risk. Uncertainties may stem from abroad, especially through the development of the US dollar exchange rate. For Q4 2024, we are thus forecasting an average exchange rate of CZK 25.2 to EUR (*unchanged*), partially in view of recent koruna exchange rate developments. In the longer term, appreciation pressures should be generated mainly by favourable economic developments and by the expected resumption of economic convergence. In 2024, the koruna could thus depreciate by 4.4% (vs. 4.3%) on average to CZK 25.1/EUR (*unchanged*). Next year, it could appreciate by 0.8% YoY (vs. 0.9%) to CZK 24.9/EUR (*unchanged*).

The expected development of the koruna against the US dollar is implied by the USD/EUR exchange rate forecast, which is based on the development of futures contracts prior to the cut-off date for input data. For this and next year, we estimate the USD/EUR exchange rate at 1.09 (*unchanged or vs. USD/EUR 1.11, respectively*).

Graph 1.4.1: Interest Rates

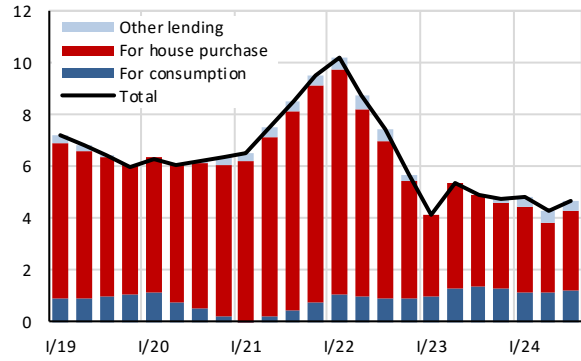
in % p.a.



Source: CNB. Calculations and forecast of the MoF.

Graph 1.4.2: Loans to Households

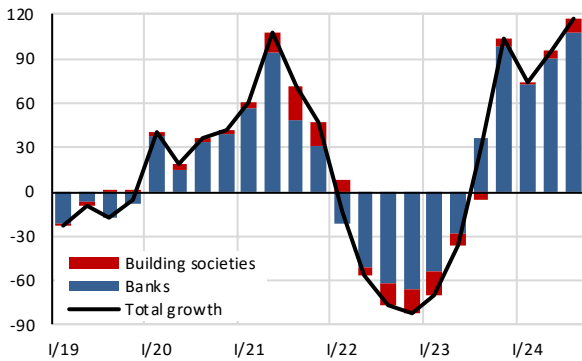
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.3: New Mortgage Loans

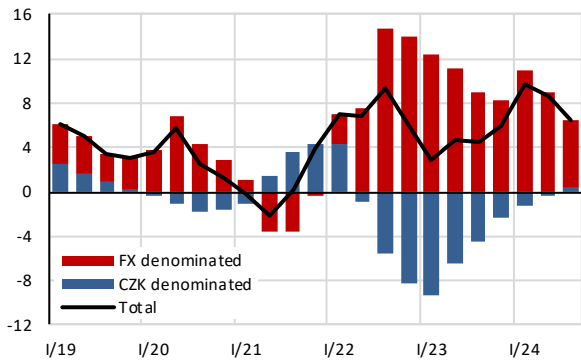
for purchase of residential property, YoY growth in %, contributions in pp



Source: CNB. Calculations of the MoF.

Graph 1.4.4: Loans to Non-financial Corporations

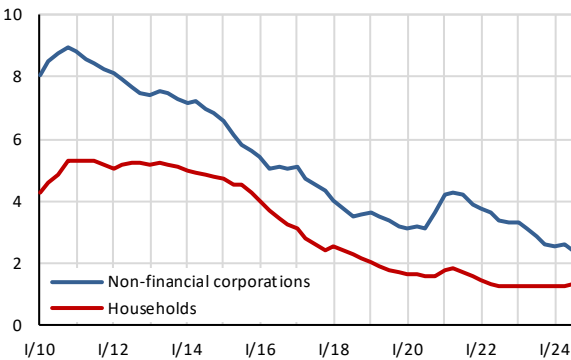
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.5: Non-performing Loans

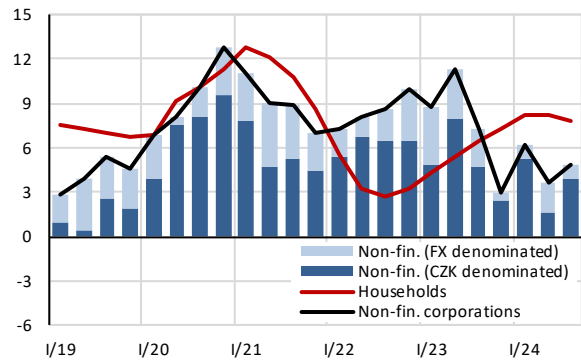
ratio of non-performing to total loans, in %



Source: CNB. Calculations of the MoF.

Graph 1.4.6: Deposits

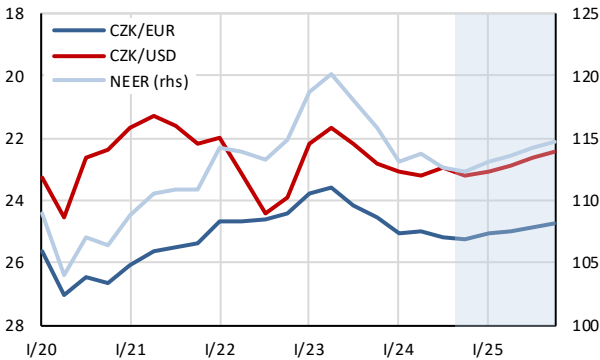
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.7: Nominal Exchange Rates

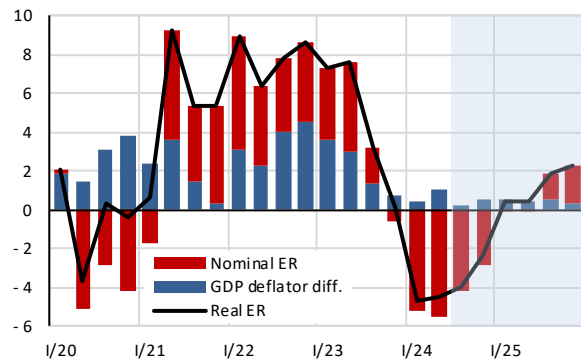
quarterly averages, average 2015=100 (rhs)



Source: CNB. Calculations and forecast of the MoF.

Graph 1.4.8: Real Exchange Rate to the Eurozone

deflated by GDP deflators, YoY growth rate in %, contributions in pp



Source: CNB, CZSO, Eurostat. Calculations and forecast of the MoF.

Table 1.4.1: Interest Rates – yearly*average of period, unless stated otherwise*

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | |
|---|------------------|-------|-------|-------|-------|-------|-------|------|------|------|----------|----------|
| | | | | | | | | | | | Forecast | Forecast |
| Repo 2W rate CNB (end of period) | <i>in % p.a.</i> | 0.05 | 0.50 | 1.75 | 2.00 | 0.25 | 3.75 | 7.00 | 6.75 | . | . | |
| Deposit facility ECB (end of period) | <i>in % p.a.</i> | -0.40 | -0.40 | -0.40 | -0.50 | -0.50 | -0.50 | 2.00 | 4.00 | . | . | |
| Federal funds rate (end of period) | <i>in % p.a.</i> | 0.75 | 1.50 | 2.50 | 1.75 | 0.25 | 0.25 | 4.50 | 5.50 | . | . | |
| PRIBOR 3M | <i>in % p.a.</i> | 0.29 | 0.41 | 1.27 | 2.12 | 0.86 | 1.13 | 6.29 | 7.12 | 5.0 | 3.5 | |
| YTM of 10Y government bonds | <i>in % p.a.</i> | 0.43 | 0.98 | 1.98 | 1.55 | 1.13 | 1.90 | 4.33 | 4.44 | 3.9 | 3.5 | |
| Client interest rates | | | | | | | | | | | | |
| Loans to households | <i>in % p.a.</i> | 4.65 | 4.10 | 3.76 | 3.66 | 3.53 | 3.31 | 3.42 | 3.85 | . | . | |
| Loans to non-financial corporations | <i>in % p.a.</i> | 2.59 | 2.57 | 3.05 | 3.75 | 2.96 | 2.86 | 6.42 | 7.39 | . | . | |
| Deposits of households | <i>in % p.a.</i> | 0.47 | 0.36 | 0.33 | 0.39 | 0.35 | 0.26 | 1.13 | 2.10 | . | . | |
| Deposits of non-financial corporations | <i>in % p.a.</i> | 0.10 | 0.05 | 0.11 | 0.37 | 0.20 | 0.11 | 1.96 | 3.29 | . | . | |

*Source: CNB, ECB, Fed. Calculations and forecast of the MoF.***Table 1.4.2: Interest Rates – quarterly***average of period, unless stated otherwise*

| | | 2023 | | | | 2024 | | | | |
|---|------------------|------|------|------|------|------|------|------|-----|----------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| | | | | | | | | | | Forecast |
| Repo 2W rate CNB (end of period) | <i>in % p.a.</i> | 7.00 | 7.00 | 7.00 | 6.75 | 5.75 | 4.75 | 4.25 | . | |
| Deposit facility ECB (end of period) | <i>in % p.a.</i> | 3.00 | 3.50 | 4.00 | 4.00 | 4.00 | 3.75 | 3.50 | . | |
| Federal funds rate (end of period) | <i>in % p.a.</i> | 5.00 | 5.25 | 5.50 | 5.50 | 5.50 | 5.50 | 5.00 | . | |
| PRIBOR 3M | <i>in % p.a.</i> | 7.20 | 7.17 | 7.10 | 7.03 | 6.23 | 5.25 | 4.44 | 4.0 | |
| YTM of 10Y government bonds | <i>in % p.a.</i> | 4.58 | 4.50 | 4.30 | 4.37 | 3.82 | 4.19 | 3.83 | 3.7 | |
| Client interest rates | | | | | | | | | | |
| Loans to households | <i>in % p.a.</i> | 3.67 | 3.78 | 3.91 | 4.04 | 4.13 | 4.22 | 4.31 | . | |
| Loans to non-financial corporations | <i>in % p.a.</i> | 7.35 | 7.38 | 7.41 | 7.42 | 7.13 | 6.52 | 5.98 | . | |
| Deposits of households | <i>in % p.a.</i> | 1.97 | 2.09 | 2.14 | 2.21 | 2.29 | 2.10 | 1.78 | . | |
| Deposits of non-financial corporations | <i>in % p.a.</i> | 3.03 | 3.48 | 3.38 | 3.25 | 3.07 | 2.71 | 2.22 | . | |

Source: CNB, ECB, Fed. Calculations and forecast of the MoF.

Table 1.4.3: Loans and Deposits – yearly averages

| | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|--------------------|------------|-------------|------------|------------|------------|------------|------------|-------------|------------|------------|
| Households | | | | | | | | | | | |
| Loans | <i>growth in %</i> | 3.4 | 4.8 | 7.2 | 7.8 | 7.6 | 6.6 | 6.3 | 8.0 | 8.0 | 4.8 |
| For consumption | <i>growth in %</i> | -0.9 | 3.4 | 6.0 | 4.3 | 5.4 | 6.4 | 4.4 | 2.6 | 7.0 | 9.0 |
| For house purchase | <i>growth in %</i> | 4.5 | 5.6 | 8.1 | 9.0 | 8.5 | 7.4 | 7.3 | 9.5 | 8.5 | 4.5 |
| Other lending | <i>growth in %</i> | 2.9 | 1.0 | 3.0 | 4.2 | 4.3 | 1.1 | 0.9 | 4.2 | 4.5 | 0.3 |
| CZK denominated | <i>growth in %</i> | 3.4 | 4.7 | 7.2 | 7.7 | 7.6 | 6.6 | 6.3 | 8.0 | 7.9 | 4.7 |
| FX denominated | <i>growth in %</i> | 0.0 | 12.7 | 8.5 | 36.3 | 1.7 | 9.0 | 6.1 | 16.9 | 43.4 | 26.7 |
| Deposits | <i>growth in %</i> | 2.9 | 4.8 | 7.0 | 8.7 | 7.0 | 7.2 | 9.4 | 11.1 | 3.7 | 5.9 |
| CZK denominated | <i>growth in %</i> | 2.7 | 4.1 | 6.9 | 9.7 | 7.1 | 6.9 | 9.2 | 10.9 | 3.2 | 5.2 |
| FX denominated | <i>growth in %</i> | 8.5 | 22.5 | 7.3 | -13.9 | 3.5 | 15.2 | 14.5 | 16.6 | 16.6 | 20.4 |
| Non-performing loans (banking statistics) | <i>share, in %</i> | 4.9 | 4.5 | 3.6 | 2.7 | 2.4 | 1.9 | 1.6 | 1.7 | 1.3 | 1.3 |
| Loans to deposits ratio | <i>in %</i> | 63 | 63 | 63 | 63 | 63 | 63 | 61 | 59 | 62 | 61 |
| Non-financial corporations | | | | | | | | | | | |
| Loans | <i>growth in %</i> | 1.9 | 6.5 | 6.6 | 5.0 | 4.2 | 4.3 | 3.2 | 0.5 | 7.2 | 4.5 |
| CZK denominated | <i>growth in %</i> | -1.0 | 5.9 | 2.8 | -1.4 | 3.0 | 1.9 | -1.8 | 3.2 | -4.0 | -9.4 |
| FX denominated | <i>growth in %</i> | 13.7 | 9.0 | 20.5 | 24.4 | 6.9 | 10.0 | 14.0 | -4.6 | 29.6 | 25.1 |
| Deposits | <i>growth in %</i> | 7.6 | 10.3 | 4.6 | 7.8 | 3.0 | 4.2 | 9.5 | 9.0 | 8.5 | 7.5 |
| CZK denominated | <i>growth in %</i> | 5.6 | 6.7 | 4.5 | 13.9 | 2.1 | 1.9 | 9.4 | 7.1 | 8.3 | 6.6 |
| FX denominated | <i>growth in %</i> | 15.2 | 23.2 | 4.8 | -11.1 | 6.6 | 13.0 | 9.9 | 15.3 | 9.2 | 10.7 |
| Non-performing loans (banking statistics) | <i>share, in %</i> | 7.0 | 6.0 | 5.2 | 4.7 | 3.7 | 3.4 | 3.3 | 4.2 | 3.5 | 3.0 |
| Loans to deposits ratio | <i>in %</i> | 110 | 106 | 108 | 105 | 106 | 106 | 100 | 92 | 91 | 89 |

Note: All indicators, except for the share of non-performing loans, are from the monetary statistics.

Source: CNB, ECB. Calculations of the MoF.

Table 1.4.4: Loans and Deposits – quarterly averages

| | | 2022 | 2023 | | | | 2024 | | |
|--|--------------------|-------------|------------|-------------|------------|------------|------------|------------|------------|
| | | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Households | | | | | | | | | |
| Loans | <i>growth in %</i> | 5.6 | 4.1 | 5.3 | 4.9 | 4.8 | 4.9 | 4.3 | 4.7 |
| For consumption | <i>growth in %</i> | 6.6 | 7.1 | 9.7 | 10.0 | 9.2 | 8.3 | 8.0 | 8.4 |
| For house purchase | <i>growth in %</i> | 5.8 | 4.1 | 5.2 | 4.5 | 4.3 | 4.2 | 3.5 | 3.9 |
| Other lending | <i>growth in %</i> | 2.5 | -0.6 | -0.3 | 0.0 | 2.0 | 5.2 | 5.3 | 5.5 |
| CZK denominated | <i>growth in %</i> | 5.5 | 4.0 | 5.3 | 4.9 | 4.7 | 4.8 | 4.3 | 4.7 |
| FX denominated | <i>growth in %</i> | 55.1 | 46.5 | 32.7 | 16.3 | 17.6 | 19.2 | 10.0 | 9.6 |
| Deposits | <i>growth in %</i> | 3.3 | 4.3 | 5.4 | 6.5 | 7.3 | 8.2 | 8.3 | 7.9 |
| CZK denominated | <i>growth in %</i> | 2.6 | 3.4 | 4.6 | 5.9 | 7.0 | 8.4 | 8.7 | 8.3 |
| FX denominated | <i>growth in %</i> | 20.1 | 26.7 | 23.4 | 18.8 | 13.9 | 5.6 | 0.2 | -1.2 |
| Non-performing loans (banking statistics) | <i>share, in %</i> | 1.2 | 1.2 | 1.2 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| Loans to deposits ratio | <i>in %</i> | 62 | 62 | 61 | 61 | 61 | 60 | 59 | 59 |
| Non-financial corporations | | | | | | | | | |
| Loans | <i>growth in %</i> | 5.9 | 2.9 | 4.6 | 4.5 | 6.0 | 9.7 | 8.7 | 6.4 |
| CZK denominated | <i>growth in %</i> | -12.3 | -14.4 | -10.5 | -7.7 | -4.3 | -2.3 | -0.6 | 0.6 |
| FX denominated | <i>growth in %</i> | 41.7 | 35.2 | 29.0 | 20.9 | 18.5 | 23.8 | 19.1 | 12.4 |
| Deposits | <i>growth in %</i> | 10.0 | 8.7 | 11.4 | 7.3 | 3.0 | 6.2 | 3.6 | 4.9 |
| CZK denominated | <i>growth in %</i> | 8.6 | 6.5 | 10.3 | 6.3 | 3.2 | 7.0 | 2.2 | 5.3 |
| FX denominated | <i>growth in %</i> | 14.7 | 15.9 | 14.8 | 10.5 | 2.4 | 3.8 | 8.1 | 3.6 |
| Non-performing loans (banking statistics) | <i>share, in %</i> | 3.3 | 3.3 | 3.1 | 2.8 | 2.6 | 2.6 | 2.6 | 2.4 |
| Loans to deposits ratio | <i>in %</i> | 89 | 88 | 86 | 90 | 92 | 91 | 90 | 91 |

Note: All indicators, except for the share of non-performing loans, are from the monetary statistics.

Source: CNB, ECB. Calculations of the MoF.

Table 1.4.5: Exchange Rates – yearly

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| Nominal exchange rates | | | | | | | | | | | |
| CZK / EUR | average | 25.65 | 25.67 | 26.44 | 25.65 | 24.57 | 24.01 | 25.1 | 24.9 | 24.5 | 24.0 |
| | appreciation in % | 2.7 | -0.1 | -2.9 | 3.1 | 4.4 | 2.3 | -4.4 | 0.8 | 1.8 | 1.8 |
| CZK / USD | average | 21.74 | 22.94 | 23.20 | 21.68 | 23.36 | 22.21 | 23.1 | 22.8 | 22.0 | 21.2 |
| | appreciation in % | 7.6 | -5.2 | -1.1 | 7.0 | -7.2 | 5.2 | -3.9 | 1.6 | 3.6 | 3.4 |
| NEER | average of 2015=100 | 109.1 | 108.8 | 106.7 | 110.4 | 114.8 | 118.3 | 113 | 114 | 116 | 118 |
| | appreciation in % | 3.7 | -0.3 | -1.9 | 3.4 | 4.0 | 3.0 | -4.5 | 0.8 | 2.0 | 2.0 |
| Real exchange rate to EA19¹⁾ | average of 2015=100 | 108.9 | 111.1 | 110.7 | 116.3 | 125.5 | 131.2 | 126 | 128 | 130 | 133 |
| | appreciation in % | 4.0 | 2.0 | -0.4 | 5.1 | 7.9 | 4.5 | -3.8 | 1.3 | 2.1 | 2.0 |
| REER²⁾ | average of 2015=100 | 111.2 | 111.6 | 112.4 | 116.7 | 126.8 | 139.6 | . | . | . | . |
| | appreciation in % | 4.3 | 0.3 | 0.8 | 3.8 | 8.7 | 10.1 | . | . | . | . |

¹⁾ Deflated by GDP deflators.

²⁾ Eurostat calculations, deflated by CPI, versus 42 countries.

Source: CNB, Eurostat. Calculations and forecast of the MoF.

Table 1.4.6: Exchange Rates – quarterly

| | | 2023 | | | | 2024 | | | |
|--|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | | | Estimate | Forecast |
| Nominal exchange rates | | | | | | | | | |
| CZK / EUR | average | 23.79 | 23.59 | 24.14 | 24.52 | 25.07 | 24.96 | 25.20 | 25.2 |
| | appreciation in % | 3.6 | 4.5 | 1.8 | -0.5 | -5.1 | -5.5 | -4.2 | -2.8 |
| CZK / USD | average | 22.17 | 21.67 | 22.17 | 22.82 | 23.09 | 23.18 | 22.94 | 23.2 |
| | appreciation in % | -0.8 | 6.8 | 10.1 | 4.8 | -4.0 | -6.5 | -3.3 | -1.7 |
| NEER | average of 2015=100 | 118.7 | 120.1 | 118.1 | 115.9 | 113.2 | 113.8 | 112.7 | 112 |
| | appreciation in % | 3.9 | 5.5 | 4.3 | 0.8 | -4.7 | -5.2 | -4.6 | -3.0 |
| Real exchange rate to EA19¹⁾ | average of 2015=100 | 132.6 | 133.7 | 130.7 | 127.8 | 126.5 | 127.7 | 126 | 125 |
| | appreciation in % | 7.3 | 7.6 | 3.2 | 0.2 | -4.6 | -4.5 | -3.9 | -2.3 |
| REER²⁾ | average of 2015=100 | 141.1 | 142.0 | 139.6 | 135.7 | 134.1 | 134.3 | . | . |
| | appreciation in % | 12.2 | 12.4 | 9.4 | 6.3 | -5.0 | -5.4 | . | . |

¹⁾ Deflated by GDP deflators.

²⁾ Eurostat calculations, deflated by CPI, versus 42 countries.

Source: CNB, Eurostat. Calculations and forecast of the MoF.

1.5 Demographic Trends

In H1 2024, the population of the Czech Republic decreased by 21.5 thousand to 10.88 million compared to the end of 2023. The decline was driven not only by a negative balance of natural change (-13.9 thousand), but also by foreign migration (-7.6 thousand).

From January to June of this year, 41.6 thousand children **were born** alive, a year-on-year decrease of 4.5 thousand, or 9.8%. The number of children born in the first half of the year has been declining since 2022 and is at its lowest level since 1992.

The number of **deaths** in H1 2024 reached 55.5 thousand, a decrease of 1.5 thousand or 2.6% compared to the same period of the previous year. The number of deaths was 1.6 thousand lower than the average number for the first half of the years 2015–2019.

The **balance of foreign migration** deteriorated by 69 thousand year-on-year to -7.6 thousand, but a higher

number of emigrants than immigrants (by 41.8 thousand) was recorded only in March. This was related to the expiry of temporary protection for citizens of Ukraine who did not apply for its extension. The total number of emigrants rose by 55.2 thousand YoY to 70.2 thousand in H1 2024. On the other hand, the number of immigrants decreased by 13.8 thousand YoY to 62.7 thousand. Despite the year-on-year decline, the number of immigrants was more than double the average number for the first half of the years 2017–2021.

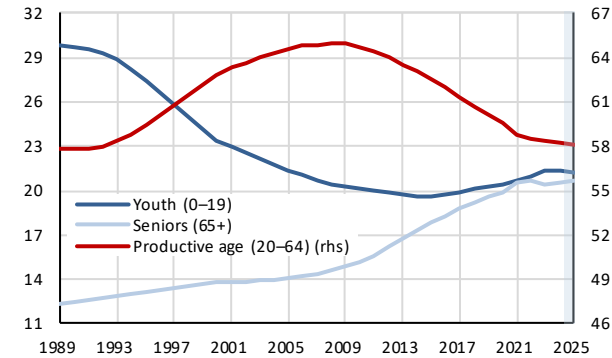
The future intensity of migration flows related to the war in Ukraine cannot be estimated, but we expect some refugees to return to Ukraine, while immigration from that country will remain elevated. We therefore keep the migration balance according to the demographic projection of the CZSO published in November 2023.

At the end of June 2024, the Czech Social Security Administration registered 2.372 million **old-age pensioners**, which corresponded to 21.8% of the Czech population. Despite the extension of the statutory retirement age, the number of old-age pensioners increased by 14.1 thousand, i.e. by 0.6% YoY (Graph 1.5.3). This was driven by early retirements, which increased by 57.5 thousand or 8.3% YoY. However, annual growth

slowed down compared to the previous quarter due to stricter rules on early retirement. In this context, it should be mentioned that people who had claimed the pension benefit by the end of September 2023 could apply for early retirement within 6 months under the original more favourable conditions. For this reason, the slowdown in annual growth did not show up in the data until Q2 2024.

Graph 1.5.1: Age Groups

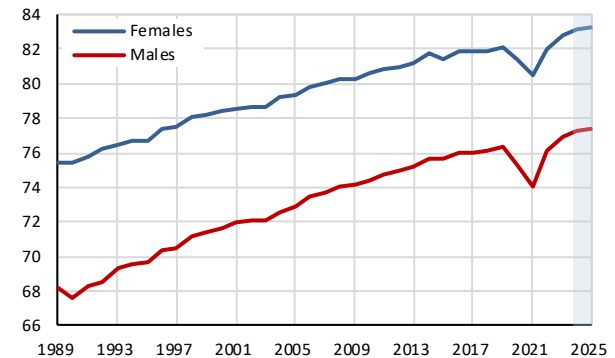
as of 1 January of the given year, shares in total population, in %



Source: CZSO. Calculations of the MoF.

Graph 1.5.2: Life Expectancy at Birth

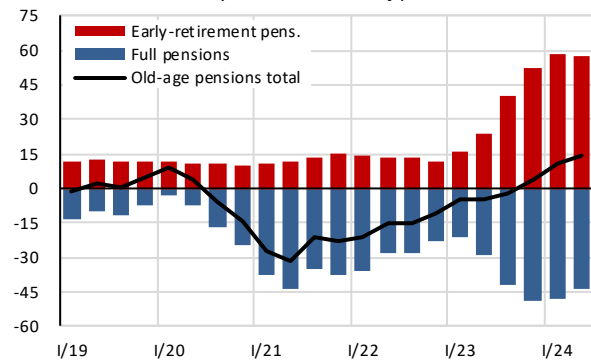
in years



Source: CZSO.

Graph 1.5.3: Old-Age Pensioners

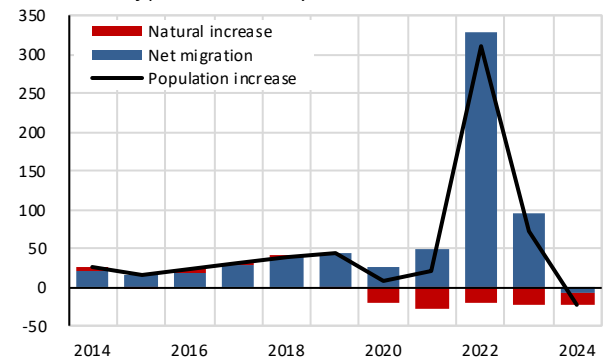
absolute increase over a year in thousands of persons



Source: Czech Social Security Administration. Calculations of the MoF.

Graph 1.5.4: Population Change

in thousands of persons, 2024 only Q1-Q2



Source: CZSO.

Table 1.5.1: Demographics

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| Population (as of 1 January) | <i>thous. persons</i> | 10 610 | 10 650 | 10 694 | 10 495 | 10 517 | 10 828 | 10 901 | 10 906 | 10 853 | 10 796 |
| | <i>growth in %</i> | 0.3 | 0.4 | 0.4 | -1.9 | 0.2 | 3.0 | 0.7 | 0.0 | -0.5 | -0.5 |
| 0–19 years | <i>thous. persons</i> | 2 133 | 2 160 | 2 188 | 2 171 | 2 197 | 2 307 | 2 321 | 2 307 | 2 270 | 2 229 |
| | <i>growth in %</i> | 1.3 | 1.3 | 1.3 | -0.8 | 1.2 | 5.0 | 0.6 | -0.6 | -1.6 | -1.8 |
| 20–64 years | <i>thous. persons</i> | 6 437 | 6 403 | 6 374 | 6 172 | 6 151 | 6 312 | 6 342 | 6 342 | 6 311 | 6 279 |
| | <i>growth in %</i> | -0.7 | -0.5 | -0.4 | -3.2 | -0.3 | 2.6 | 0.5 | 0.0 | -0.5 | -0.5 |
| 65 and more years | <i>thous. persons</i> | 2 040 | 2 087 | 2 132 | 2 152 | 2 169 | 2 208 | 2 237 | 2 256 | 2 272 | 2 288 |
| | <i>growth in %</i> | 2.6 | 2.3 | 2.2 | 0.9 | 0.8 | 1.8 | 1.3 | 0.8 | 0.7 | 0.7 |
| Old-age pensioners (as of 1 January) ¹⁾ | <i>thous. persons</i> | 2 404 | 2 410 | 2 415 | 2 400 | 2 378 | 2 367 | 2 371 | 2 371 | 2 363 | 2 359 |
| | <i>growth in %</i> | 0.4 | 0.3 | 0.2 | -0.6 | -0.9 | -0.4 | 0.2 | 0.0 | -0.3 | -0.2 |
| Old-age dependency ratios (as of 1 January) | | | | | | | | | | | |
| Demographic ²⁾ | % | 31.7 | 32.6 | 33.4 | 34.9 | 35.3 | 35.0 | 35.3 | 35.6 | 36.0 | 36.4 |
| Under current legislation ³⁾ | % | 40.4 | 40.4 | 40.5 | 41.2 | 40.6 | 39.3 | 38.8 | 38.5 | 38.5 | 38.5 |
| Effective ⁴⁾ | % | 45.0 | 44.6 | 45.0 | 45.9 | 44.7 | 44.2 | 43.9 | 43.7 | 43.5 | 43.4 |
| Fertility rate | <i>children</i> | 1.708 | 1.709 | 1.707 | 1.827 | 1.618 | 1.453 | 1.50 | 1.50 | 1.50 | 1.50 |
| Population increase | <i>thous. persons</i> | 40 | 44 | 8 | 22 | 311 | 73 | 5 | -53 | -57 | -61 |
| Natural increase | <i>thous. persons</i> | 1 | 0 | -19 | -28 | -19 | -22 | -19 | -22 | -26 | -29 |
| Live births | <i>thous. persons</i> | 114 | 112 | 110 | 112 | 101 | 91 | 93 | 91 | 88 | 86 |
| Deaths | <i>thous. persons</i> | 113 | 112 | 129 | 140 | 120 | 113 | 112 | 113 | 114 | 115 |
| Net migration | <i>thous. persons</i> | 39 | 44 | 27 | 50 | 330 | 95 | 24 | -31 | -31 | -32 |
| Immigration | <i>thous. persons</i> | 58 | 66 | 56 | 69 | 350 | 141 | . | . | . | . |
| Emigration | <i>thous. persons</i> | 20 | 21 | 29 | 19 | 20 | 47 | . | . | . | . |
| Census difference | <i>thous. persons</i> | x | x | x | -207 | x | x | x | x | x | x |

Note: Between 2020 and 2021, there is a break in the population time series resulting from the 2021 Census.

¹⁾ In 2010 disability pensions of pensioners over 64 were transferred into old-age pensions.

²⁾ Demographic dependency: ratio of people in senior ages (65 and more) to people in productive age (20–64).

³⁾ Dependency under current legislation: ratio of people above the official retirement age to the people over 19 below the official retirement age.

⁴⁾ Effective dependency: ratio of old-age pensioners to working people (LFS methodology).

Source: Czech Social Security Administration, CZSO. Calculations and forecast of the MoF.

1.6 Other Assumptions

In addition to the factors mentioned in the previous chapters, the forecast is based on the following assumptions:

- The significant reduction in imports of natural gas and oil from Russia to the EU remains to be replaced by a combination of increased supplies from other countries (including liquefied natural gas), energy savings and alternative technologies;
- neither the ongoing war in Ukraine nor the tensions in the Middle East will lead to a sustained increase in commodity prices on world markets;
- over the forecast horizon, supply chains will function without significant problems and, as a result, upward pressures on the price level will also ease;
- there will be no significant tariff increases in EU-China trade beyond those already announced;
- except for the changes included in the consolidation package and accompanying consolidation measures, the rates and bases of other major taxes and compulsory levies will remain unchanged;
- the minimum wage and the lowest levels of guaranteed pay will rise faster than the average nominal wage, with the minimum wage gradually approaching 47% of the average wage.

2 Economic Cycle

2.1 Position within the Economic Cycle

The **output gap** was close to -2% of potential output in the first half of this year but should close gradually over the forecast horizon (Graph 2.1.1). However, given the considerable uncertainty and volatility of economic developments, the estimates should be treated with caution.

Potential output growth accelerated to 2.2% (vs. 2.4%) last year. However, it could fall to 1.4% (vs. 1.6%) in 2024, and potential output could grow at a similar pace in the following years.

In the pre-pandemic boom, the trend component of **total factor productivity** was an important determinant of potential growth, but in the last two years its contribution has been neutral. In 2024 and 2025, it could support potential output dynamics to the extent of 0.3pp (vs. 0.5pp) and 0.8pp (vs. 0.9pp), respectively.

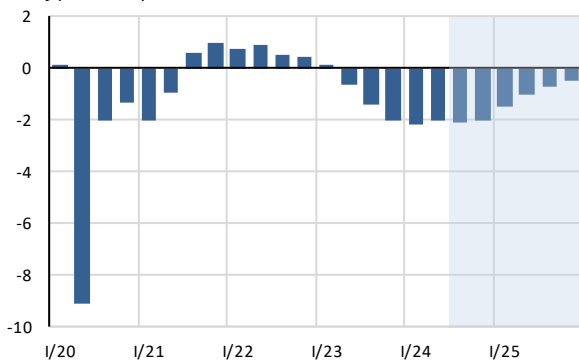
Thanks to the recovery in investment activity, the **capital stock** had been the driver of potential growth in the previous two years. Given the forecast evolution of gross

fixed capital formation and depreciation, the contribution of this factor could fall to 1.0pp (vs. 0.9pp) this year and further to 0.6pp (*unchanged*) in 2025.

The **population aged 15 years and over** accounted for a significant part of potential growth dynamics in 2022 and 2023, with the arrival of refugees from Ukraine playing a dominant role. The **employment rate** in the 15+ age group increased slightly last year, mainly due to the economic recovery and the associated increase in employment. The increase in the statutory retirement age has long had an effect in the same direction, too. The **average number of hours worked** per worker has been on a downward trend over the long term (Graph 2.1.4), with the more pronounced drop during the pandemic being only temporary. In aggregate, the **production factor of labour** is expected to support potential growth less than in the previous two years – to the extent of 0.2pp (*unchanged*) this year, and to be neutral (*unchanged*) in 2025.

Graph 2.1.1: Output Gap

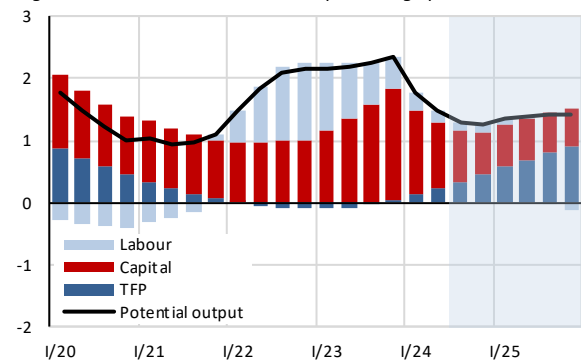
in % of potential product



Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.2: Potential Output

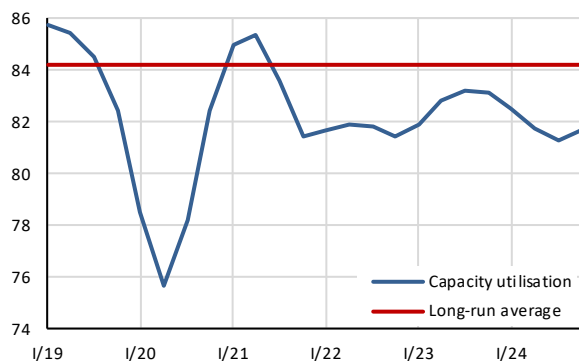
YoY growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.3: Capacity Utilisation in Industry

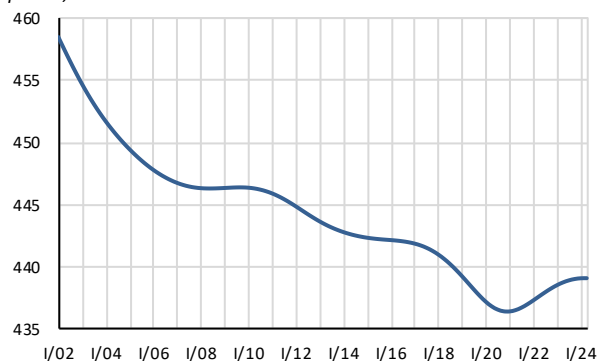
smoothed by centred moving average over 5 quarters, in %



Source: CZSO. Calculations of the MoF.

Graph 2.1.4: Average Number of Hours Worked

smoothed by Hodrick-Prescott filter ($\lambda = 1\,600$), number of hours per quarter, national accounts



Source: CZSO. Calculations of the MoF.

Table 2.1.1: Output Gap and Potential Product

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---------------------------------|-------------|------------|------------|-------------|-------------|------------|-------------|-------------|-------------|------------|------------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| Output gap | % | 2.3 | 3.5 | -3.1 | -0.3 | 0.7 | -1.0 | -2.1 | -0.9 | 0.3 | 1.1 |
| Potential product | growth in % | 2.5 | 2.3 | 1.4 | 1.0 | 1.9 | 2.2 | 1.4 | 1.4 | 1.5 | 1.6 |
| Contributions | | | | | | | | | | | |
| Trend total factor productivity | pp | 1.7 | 1.2 | 0.7 | 0.2 | 0.0 | 0.0 | 0.3 | 0.8 | 1.1 | 1.3 |
| Fixed assets | pp | 0.6 | 1.2 | 1.5 | 0.5 | 1.3 | 1.4 | 1.0 | 0.6 | 0.5 | 0.5 |
| Population 15+ | pp | -0.1 | 0.1 | 0.1 | -0.1 | 1.1 | 0.8 | 0.3 | 0.1 | -0.1 | -0.1 |
| Employment rate | pp | 0.5 | 0.0 | -0.8 | 0.5 | -0.7 | -0.1 | -0.1 | -0.1 | 0.1 | 0.0 |
| Average hours worked | pp | -0.2 | -0.2 | -0.1 | -0.1 | 0.3 | 0.1 | 0.0 | -0.1 | -0.1 | -0.1 |

Source: CZSO. Calculations and forecast of the MoF.

2.2 Business Cycle Indicators

The development of confidence indicators in Q3 2024 points to a year-on-year decline in gross value added in industry. The trade and services sectors saw a slight deterioration in confidence compared to the previous quarter, but the year-on-year trend still indicates growth in gross value added. The positive sentiment development in the construction sector also signals growth in gross value added. However, the correlation between the development of confidence and gross value added in the construction sector is very low.

The composite indicator of exports of goods, compiled by the MoF from sub-questions of the CZSO's business cycle survey and business confidence in Germany, indicates moderate year-on-year growth in exports of goods.

The CZSO's consumer confidence indicator weakened in Q3 2024 compared with the previous quarter, but its development suggests that the gradual recovery in house-

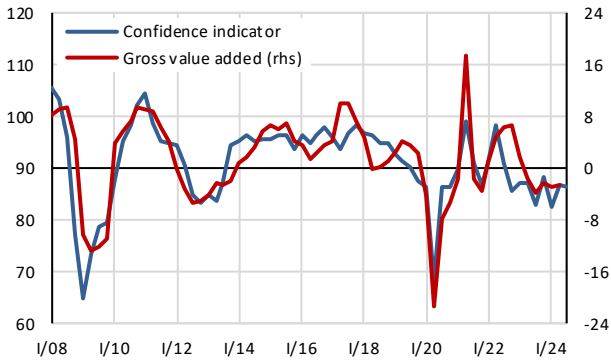
hold final consumption expenditure will continue in Q4 2024 (the confidence indicator shows a one-quarter lead). Similar development in household consumption is also indicated by the consumer confidence indicator compiled by the MoF from sub-questions of the European Commission's consumer survey. Nevertheless, consumer pessimism remains considerable and stems from a significantly negative assessment of the economic situation and concerns about the financial situation of households.

As a result, the composite confidence indicator points to a slight quarter-on-quarter and year-on-year decline in total gross value added in Q3 2024.

According to the composite leading indicator, the output gap is expected to stay deeply negative in H2 2024. This is in line with our current estimate of the economy's position in the business cycle (Chapter 2.1).

Graph 2.2.1: Confidence and GVA in Industry

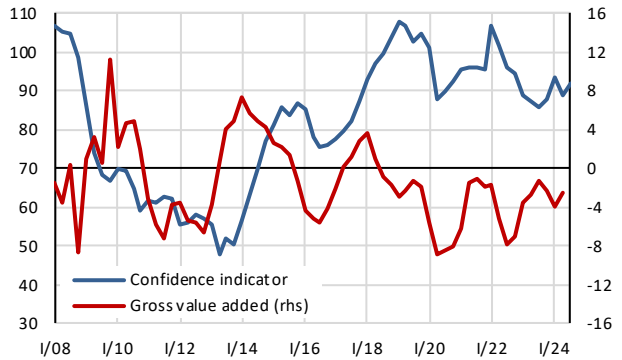
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.2: Confidence and GVA in Construction

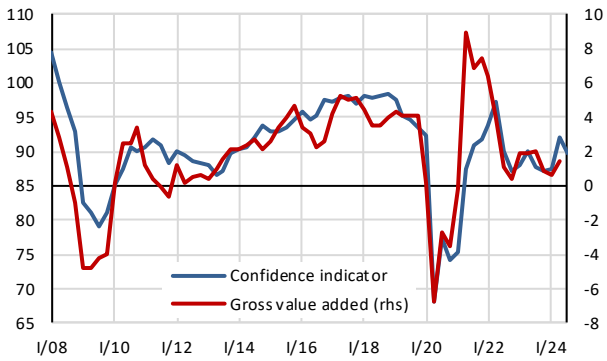
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.3: Confidence and GVA in Trade and Services

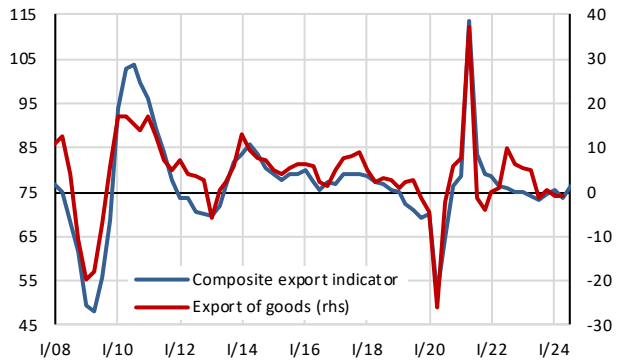
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO. Calculations of the MoF.

Graph 2.2.4: Composite Export Indicator

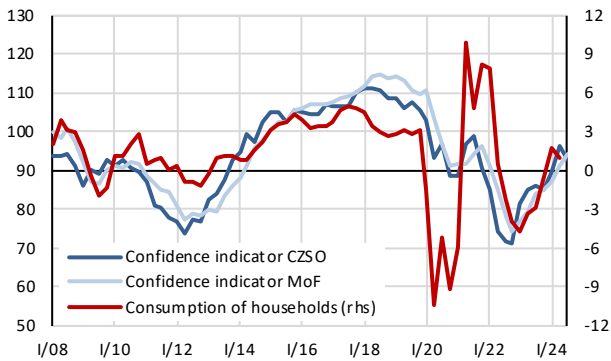
2010=100 (lhs), YoY growth in % (rhs)



Source: CESifo, CZSO. Calculations of the MoF.

Graph 2.2.5: Consumer Confidence and Consumption

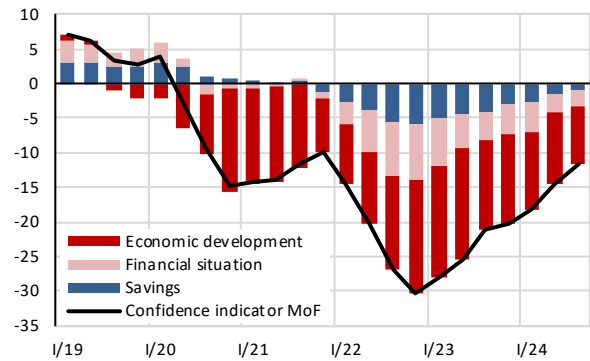
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO, European Commission. Calculations of the MoF.

Graph 2.2.6: Decomposition of Consumer Sentiment

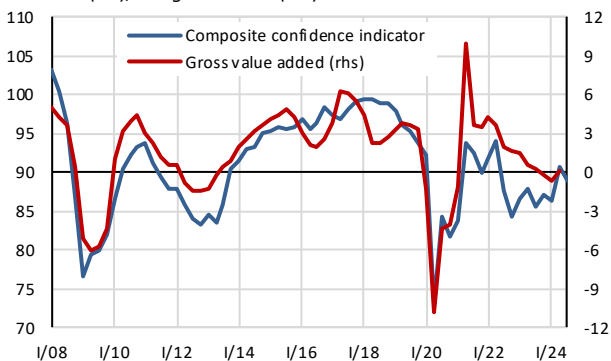
consumer confidence indicator of the MoF, balance, contributions



Source: European Commission. Calculations of the MoF.

Graph 2.2.7: Composite Confidence Indicator and GVA

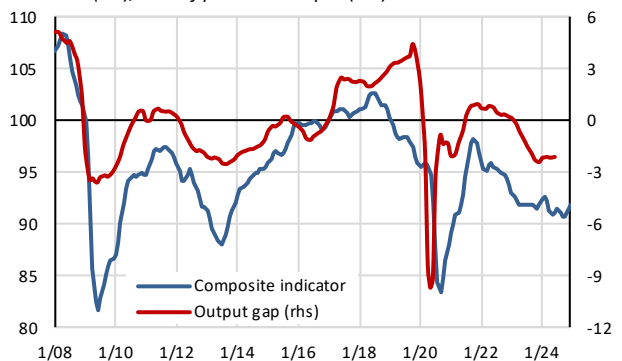
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.8: Composite Leading Indicator

2005=100 (lhs), in % of potential output (rhs)



Source: CZSO. Calculations of the MoF.

3 Forecast of Macroeconomic Developments in the CR

3.1 Economic Output

The Czech economy grew by 0.9% YoY in **Q2 2024** (vs. 0.7%), with seasonally adjusted **GDP** rising by 0.4% (vs. 0.3%) compared with the previous quarter. Economic activity was boosted most by the trade, transportation, accommodation and food services, while it was dampened most significantly by a decline in gross value added in manufacturing. GDP dynamics in H1 2024 were slightly revised up.

Household consumption was 1.3% (vs. 1.4%) higher year-on-year in Q2, thanks to a fall in the savings rate, while real disposable income was stagnant. Households spent more on services and goods, with the exception of durable goods. Consumption expenditure by residents abroad (in constant prices), although down year-on-year, remained very high.

General government consumption rose by 4.3% YoY (vs. 2.4%), driven mainly by purchases of goods and services, which grew in all sub-sectors, most notably in the central government. In addition to the central government, health insurance companies reported a higher pace of social benefits in kind.

Gross fixed capital formation fell by 1.0% YoY (vs. 0.4%). Investment activity was boosted by spending on transport equipment, dwellings and intellectual property products, while the other major categories declined. From a sectoral perspective, investment activity by firms and the government sector weakened, while households invested more year-on-year. Investment was supported by projects co-financed by EU funds.

The **change in inventories** and valuables subtracted 1.7pp (vs. 2.2pp) from the growth of the economy, and gross capital formation thus fell by 6.7% YoY (vs. 8.0%). We believe that the strong fall in inventories in Q2 reflected – as in the previous year – mainly a fall in work-in-progress inventories and a normalisation of inventories of production inputs.

The **foreign trade balance** supported economic growth to the extent of 1.4pp (vs. 1.9pp). While exports of goods and services increased by 1.1% YoY (vs. 2.5%), imports decreased by 1.0% (vs. 0.2%). Exports to the euro area weakened, while exports to other EU and non-EU countries increased. In addition to low export growth, imports were dampened by weak domestic demand (in particular investment and falling inventories).

According to the flash estimate, seasonally adjusted GDP increased by 0.3% QoQ (vs. 0.5%) in Q3 2024, driven by domestic demand. The recovery of the Czech economy should continue at the end of this year. We do not expect the September floods to have a significant impact

on GDP. Growth in Q3 was not much affected due to the “timing” of the floods. In Q4, normal economic activity in the affected areas will be lower than usual, but on the other hand, works to repair the damage and restore property will boost GDP. As a result, real GDP could **grow by 1.1% (unchanged) in 2024**. Private consumption should pick up again after a decline last year and growth should be supported by general government consumption, too. Investment activity will be held back by lower government spending, as the transition between financial perspectives for EU cohesion funds will have a negative impact. The change in inventories will further dampen economic growth, although not as strongly as last year. The external trade balance should have a positive impact on GDP growth, mainly due to weaker growth in import-intensive investment demand and the expected evolution of inventories.

In 2025, economic growth could accelerate to **2.5%** (vs. 2.7%). Growth is forecast to be driven by domestic demand, which will also support import growth. The contribution of foreign trade should therefore be negative despite stronger growth in our trading partners.

Real household consumption could increase by 1.9% (vs. 2.1%) this year and 3.7% (vs. 3.9%) in 2025. Real household incomes should rise in view of the decline in inflation and persistent labour market tightness, but private consumption may be slightly dampened by the consolidation package. The willingness of households to spend should also gradually increase – the savings rate should fall this year, but its decline will initially be dampened by the efforts of lower-income households to rebuild their financial buffers. The decline in the savings rate should stimulate household consumption more significantly only in 2025, but the savings rate should still remain well above the long-term pre-pandemic average. This year and next, the decline in the savings rate should also be supported by falling interest rates, although the incentive to save will still be relatively strong at the beginning of the forecast horizon given the level of interest rates.

General government consumption could grow by 3.7% (vs. 2.3%) in 2024. In addition to fiscal consolidation, its growth will be dampened by the transition to the new 2021–2027 financial perspective, though these factors will be partly offset by the surge in current spending from other EU instruments, notably the Recovery and Resilience Facility. From the end of this year onwards, government consumption will also reflect increased spending on flood damage recovery, while continued consolidation should also have an effect next year. Government consumption could thus grow by 1.8% (vs. 2.2%) in 2025.

Gross fixed capital formation could grow by 0.9% (vs. 0.5% decline) in 2024. Private investment is supported by monetary easing, while persistent problems in euro area countries dampen it. At the same time, the transition to the new financial perspective of EU funds is taking place, affecting primarily investment of the general government sector. For next year, we expect **gross fixed capital formation** to increase by 3.6% (*unchanged*), thanks to the economic recovery in the euro area and growth in government spending supported by EU funding from the Recovery and Resilience Facility. Private investment activity will also benefit from the planned investment by onsemi in chip production.

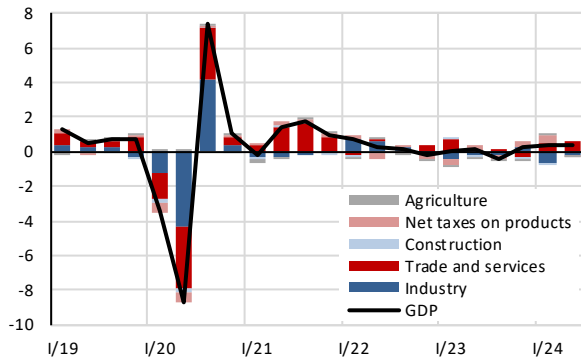
We assume that inventories normalisation will continue over the forecast horizon. As in 2023, this could lead to the completion of work-in-progress production and a reduction in the accumulation of inventories of production inputs and trade goods (goods for “resale”). **The change in inventories** should therefore have a negative

impact on GDP growth in 2024, while a positive contribution is expected for 2025. Thus, gross capital formation could fall by 4.9% (vs. 4.7%) this year, and increase by 6.4% (vs. 6.6%) in 2025.

We expect **exports of goods and services** to grow by 2.0% (vs. 2.7%) this year. Growth dynamics will be limited by the decline in export markets, while export performance, which should benefit from strong motor vehicle production, will have a positive impact (Chapter 3.4). The projected acceleration of export growth in 2025 to 3.3% (vs. 3.4%) reflects the recovery of the main export markets. The dynamism of exports and domestic demand, especially import-intensive investments, is then reflected in the pace of **imports of goods and services**, which could grow by 0.8% (vs. 1.4%) in 2024. The acceleration of growth to 5.6% (vs. 5.8%) in 2025 reflects not only the continued recovery in domestic and foreign demand, but also imports for the aforementioned investment by onsemi.

Graph 3.1.1: Resources of Gross Domestic Product

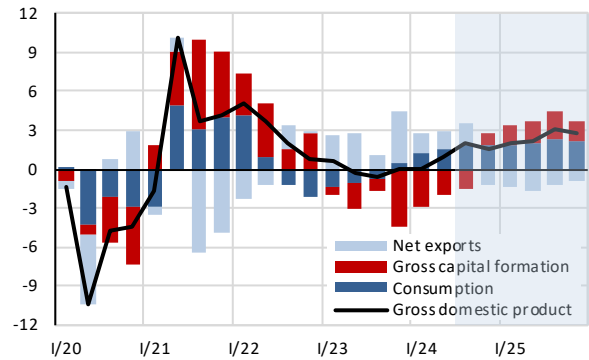
QoQ growth rate of real GDP in %, contrib. in pp, season. adjusted



Source: CZSO. Calculations of the MoF.

Graph 3.1.2: GDP by Type of Expenditure

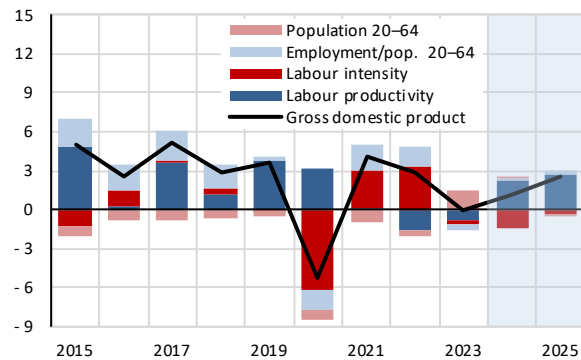
YoY growth rate of real GDP in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.3: Real Gross Domestic Product

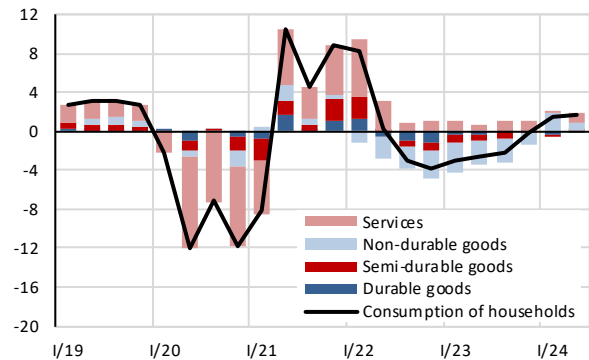
growth in %, contributions in percentage points



Note: Labour intensity gauges the number of hours worked per worker.
Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.4: Real Consumption of Households

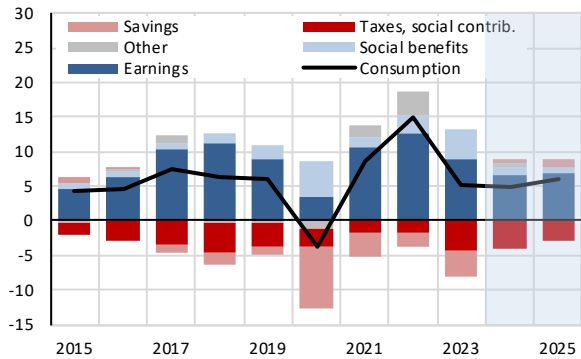
domestic concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.5: Nominal Consumption of Households

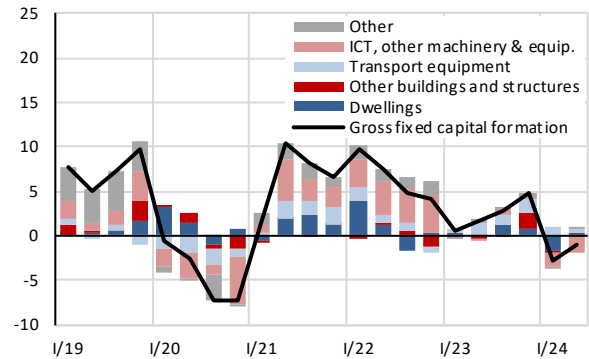
national concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.6: Investment by Type of Expenditure

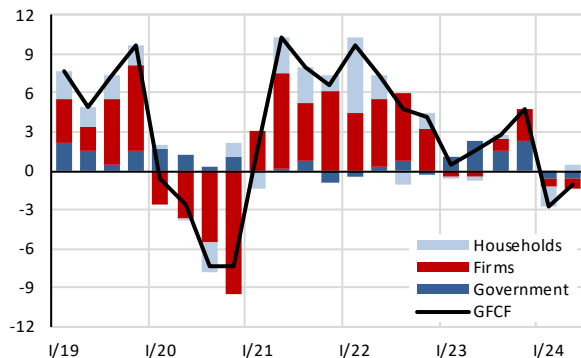
YoY growth rate of real GFCF in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.7: Investment by Sector

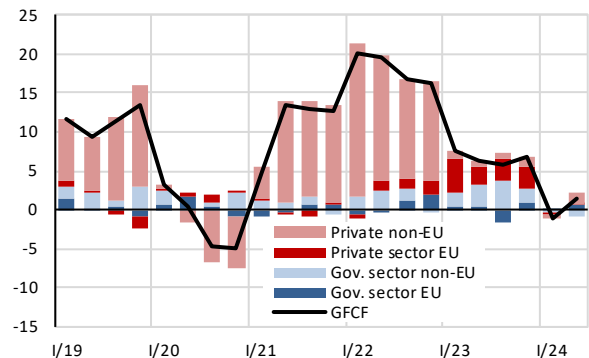
YoY growth rate of real GFCF in %, contributions in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.1.8: Sources of Investment Financing

YoY growth rate of nominal GFCF in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Table 3.1.1: Real GDP by Type of Expenditure – yearly*chained volumes, reference year 2020*

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|-----------------|----------------|----------------|
| | | | | | | | | <i>Forecast</i> | <i>Forecast</i> | <i>Outlook</i> | <i>Outlook</i> |
| Gross domestic product | <i>bill. CZK 2020</i> | 5 943 | 6 155 | 5 828 | 6 063 | 6 236 | 6 230 | 6 301 | 6 458 | 6 627 | 6 797 |
| | <i>growth in %</i> | 2.8 | 3.6 | -5.3 | 4.0 | 2.8 | -0.1 | 1.1 | 2.5 | 2.6 | 2.6 |
| | <i>growth in %¹⁾</i> | 2.8 | 3.5 | -5.3 | 4.0 | 2.9 | 0.0 | 1.0 | 2.6 | 2.7 | 2.4 |
| Private consumption expenditure²⁾ | <i>bill. CZK 2020</i> | 2 846 | 2 933 | 2 745 | 2 859 | 2 874 | 2 794 | 2 848 | 2 952 | 3 042 | 3 118 |
| | <i>growth in %</i> | 3.5 | 3.1 | -6.4 | 4.2 | 0.5 | -2.8 | 1.9 | 3.7 | 3.1 | 2.5 |
| Government consumption exp. | <i>bill. CZK 2020</i> | 1 169 | 1 200 | 1 250 | 1 268 | 1 273 | 1 318 | 1 366 | 1 392 | 1 408 | 1 434 |
| | <i>growth in %</i> | 3.5 | 2.6 | 4.1 | 1.5 | 0.4 | 3.5 | 3.7 | 1.8 | 1.2 | 1.8 |
| Gross capital formation | <i>bill. CZK 2020</i> | 1 503 | 1 589 | 1 441 | 1 708 | 1 881 | 1 758 | 1 673 | 1 781 | 1 883 | 1 973 |
| | <i>growth in %</i> | 6.4 | 5.7 | -9.3 | 18.5 | 10.2 | -6.5 | -4.9 | 6.4 | 5.7 | 4.8 |
| Gross fixed capital formation | <i>bill. CZK 2020</i> | 1 454 | 1 563 | 1 488 | 1 589 | 1 689 | 1 731 | 1 747 | 1 809 | 1 872 | 1 934 |
| | <i>growth in %</i> | 8.9 | 7.5 | -4.8 | 6.7 | 6.3 | 2.5 | 0.9 | 3.6 | 3.5 | 3.3 |
| Change in stocks and valuables | <i>bill. CZK 2020</i> | 49 | 26 | -47 | 119 | 192 | 27 | -74 | -29 | 10 | 38 |
| Exports of goods and services | <i>bill. CZK 2020</i> | 4 261 | 4 317 | 3 949 | 4 271 | 4 491 | 4 614 | 4 705 | 4 859 | 5 027 | 5 187 |
| | <i>growth in %</i> | 3.5 | 1.3 | -8.5 | 8.2 | 5.1 | 2.7 | 2.0 | 3.3 | 3.5 | 3.2 |
| Imports of goods and services | <i>bill. CZK 2020</i> | 3 835 | 3 884 | 3 556 | 4 043 | 4 284 | 4 245 | 4 279 | 4 521 | 4 734 | 4 919 |
| | <i>growth in %</i> | 5.5 | 1.3 | -8.4 | 13.7 | 5.9 | -0.9 | 0.8 | 5.6 | 4.7 | 3.9 |
| Gross domestic expenditure | <i>bill. CZK 2020</i> | 5 520 | 5 724 | 5 435 | 5 835 | 6 028 | 5 864 | 5 881 | 6 119 | 6 329 | 6 519 |
| | <i>growth in %</i> | 4.3 | 3.7 | -5.0 | 7.3 | 3.3 | -2.7 | 0.3 | 4.0 | 3.4 | 3.0 |
| Real gross domestic income | <i>bill. CZK 2020</i> | 5 858 | 6 085 | 5 828 | 6 060 | 6 077 | 6 196 | 6 302 | 6 467 | 6 650 | 6 834 |
| | <i>growth in %</i> | 2.8 | 3.9 | -4.2 | 4.0 | 0.3 | 2.0 | 1.7 | 2.6 | 2.8 | 2.8 |
| Contributions to GDP growth⁴⁾ | | | | | | | | | | | |
| Gross domestic expenditure | <i>pp</i> | 4.0 | 3.5 | -4.7 | 6.9 | 3.2 | -2.7 | 0.3 | 3.8 | 3.3 | 2.9 |
| Consumption | <i>pp</i> | 2.4 | 2.0 | -2.3 | 2.3 | 0.3 | -0.7 | 1.6 | 2.1 | 1.7 | 1.6 |
| Household expenditure | <i>pp</i> | 1.7 | 1.5 | -3.1 | 2.0 | 0.3 | -1.4 | 0.9 | 1.7 | 1.5 | 1.2 |
| Government expenditure | <i>pp</i> | 0.7 | 0.5 | 0.8 | 0.3 | 0.1 | 0.7 | 0.7 | 0.4 | 0.2 | 0.4 |
| Gross capital formation | <i>pp</i> | 1.6 | 1.5 | -2.4 | 4.6 | 2.9 | -2.0 | -1.4 | 1.7 | 1.6 | 1.3 |
| Gross fixed capital formation | <i>pp</i> | 2.1 | 1.9 | -1.2 | 1.7 | 1.7 | 0.7 | 0.2 | 1.0 | 0.9 | 0.9 |
| Change in stocks | <i>pp</i> | -0.5 | -0.4 | -1.2 | 2.8 | 1.2 | -2.7 | -1.6 | 0.7 | 0.6 | 0.4 |
| Foreign balance | <i>pp</i> | -1.1 | 0.1 | -0.6 | -2.8 | -0.3 | 2.6 | 0.9 | -1.3 | -0.6 | -0.3 |
| External balance of goods | <i>pp</i> | -1.0 | 0.5 | -0.4 | -3.0 | 0.5 | 2.6 | 0.8 | -1.3 | -0.6 | -0.4 |
| External balance of services | <i>pp</i> | -0.2 | -0.4 | -0.2 | 0.1 | -0.9 | 0.0 | 0.1 | 0.0 | 0.0 | 0.1 |
| Gross value added | <i>bill. CZK 2020</i> | 5 404 | 5 598 | 5 315 | 5 524 | 5 685 | 5 709 | . | . | . | . |
| | <i>growth in %</i> | 3.0 | 3.6 | -5.1 | 3.9 | 2.9 | 0.4 | . | . | . | . |
| Net taxes and subsidies on products | <i>bill. CZK 2020</i> | 538 | 556 | 513 | 539 | 551 | 522 | . | . | . | . |

¹⁾ From working day adjusted data.²⁾ Including consumption of non-profit institutions serving households (NPISH).

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.2: Real GDP by Type of Expenditure – quarterly*chained volumes, reference year 2020*

| | | 2023 | | | | 2024 | | | |
|--|----------------------------------|--------------|--------------|--------------|--------------|--------------|-----------------|-----------------|--------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | | <i>Estimate</i> | <i>Forecast</i> | |
| Gross domestic product | <i>bill. CZK 2020</i> | 1 475 | 1 582 | 1 577 | 1 596 | 1 474 | 1 597 | 1 609 | 1 621 |
| | <i>growth in %</i> | 0.6 | -0.2 | -0.6 | 0.0 | -0.1 | 0.9 | 2.0 | 1.6 |
| | <i>growth in % ¹⁾</i> | 0.3 | 0.2 | -0.4 | 0.0 | 0.4 | 0.6 | 1.3 | 1.6 |
| | <i>QoQ in % ¹⁾</i> | 0.0 | 0.1 | -0.4 | 0.3 | 0.4 | 0.4 | 0.3 | 0.5 |
| Private consumption expenditure ²⁾ | <i>bill. CZK 2020</i> | 669 | 710 | 699 | 716 | 678 | 720 | 717 | 732 |
| | <i>growth in %</i> | -4.4 | -3.3 | -3.1 | -0.4 | 1.4 | 1.3 | 2.6 | 2.3 |
| Government consumption exp. | <i>bill. CZK 2020</i> | 311 | 319 | 321 | 367 | 320 | 333 | 332 | 381 |
| | <i>growth in %</i> | 3.7 | 3.0 | 3.7 | 3.7 | 3.1 | 4.3 | 3.4 | 3.9 |
| Gross capital formation | <i>bill. CZK 2020</i> | 387 | 459 | 499 | 413 | 343 | 428 | 476 | 425 |
| | <i>growth in %</i> | -1.7 | -6.3 | -3.0 | -14.5 | -11.4 | -6.7 | -4.5 | 2.8 |
| Gross fixed capital formation | <i>bill. CZK 2020</i> | 372 | 430 | 438 | 491 | 361 | 425 | 455 | 505 |
| | <i>growth in %</i> | 0.5 | 1.6 | 2.8 | 4.7 | -2.8 | -1.0 | 3.8 | 2.8 |
| Change in stocks and valuables | <i>bill. CZK 2020</i> | 15 | 30 | 60 | -78 | -18 | 3 | 21 | -80 |
| Exports of goods and services | <i>bill. CZK 2020</i> | 1 174 | 1 178 | 1 069 | 1 192 | 1 157 | 1 191 | 1 131 | 1 227 |
| | <i>growth in %</i> | 7.2 | 3.9 | -1.0 | 0.8 | -1.5 | 1.1 | 5.7 | 3.0 |
| Imports of goods and services | <i>bill. CZK 2020</i> | 1 062 | 1 084 | 1 013 | 1 087 | 1 020 | 1 073 | 1 046 | 1 141 |
| | <i>growth in %</i> | 3.9 | 0.1 | -2.5 | -4.8 | -3.9 | -1.0 | 3.3 | 4.9 |
| Gross domestic expenditure | <i>bill. CZK 2020</i> | 1 366 | 1 489 | 1 518 | 1 492 | 1 342 | 1 481 | 1 524 | 1 535 |
| | <i>growth in %</i> | -2.0 | -3.0 | -1.7 | -4.0 | -1.7 | -0.5 | 0.4 | 2.8 |
| Real gross domestic income | <i>bill. CZK 2020</i> | 1 458 | 1 583 | 1 572 | 1 583 | 1 476 | 1 610 | 1 610 | 1 606 |
| | <i>growth in %</i> | 1.4 | 3.1 | 1.8 | 1.5 | 1.2 | 1.7 | 2.4 | 1.5 |
| Gross value added | <i>bill. CZK 2020</i> | 1 369 | 1 447 | 1 442 | 1 452 | 1 353 | 1 453 | . | . |
| | <i>growth in %</i> | 1.8 | 0.1 | 0.0 | -0.1 | -1.1 | 0.3 | . | . |
| | <i>growth in % ¹⁾</i> | 1.5 | 0.6 | 0.3 | -0.2 | -0.6 | 0.1 | . | . |
| | <i>QoQ in % ¹⁾</i> | 0.4 | -0.2 | -0.2 | -0.1 | -0.1 | 0.5 | . | . |
| Net taxes and subsidies on products | <i>bill. CZK 2020</i> | 107 | 135 | 136 | 144 | 121 | 145 | . | . |

¹⁾ From seasonally and working day adjusted data²⁾ Including consumption of non-profit institutions serving households (NPISH).

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.3: Nominal GDP by Type of Expenditure – yearly

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| Gross domestic product | <i>bill. CZK</i> | 5 476 | 5 889 | 5 828 | 6 308 | 7 050 | 7 619 | 7 988 | 8 410 | 8 830 | 9 256 |
| | <i>growth in %</i> | 5.7 | 7.5 | -1.0 | 8.2 | 11.8 | 8.1 | 4.8 | 5.3 | 5.0 | 4.8 |
| Private consumption expenditure ¹⁾ | <i>bill. CZK</i> | 2 685 | 2 848 | 2 745 | 2 980 | 3 424 | 3 599 | 3 783 | 4 018 | 4 230 | 4 424 |
| | <i>growth in %</i> | 6.5 | 6.1 | -3.6 | 8.6 | 14.9 | 5.1 | 5.1 | 6.2 | 5.3 | 4.6 |
| Government consumption exp. | <i>bill. CZK</i> | 1 054 | 1 141 | 1 250 | 1 319 | 1 381 | 1 506 | 1 612 | 1 699 | 1 765 | 1 844 |
| | <i>growth in %</i> | 9.2 | 8.2 | 9.5 | 5.5 | 4.8 | 9.0 | 7.0 | 5.4 | 3.9 | 4.5 |
| Gross capital formation | <i>bill. CZK</i> | 1 404 | 1 541 | 1 441 | 1 774 | 2 188 | 2 133 | 2 089 | 2 277 | 2 454 | 2 615 |
| | <i>growth in %</i> | 8.1 | 9.8 | -6.5 | 23.1 | 23.3 | -2.5 | -2.0 | 9.0 | 7.7 | 6.6 |
| Gross fixed capital formation | <i>bill. CZK</i> | 1 360 | 1 518 | 1 488 | 1 655 | 1 952 | 2 080 | 2 146 | 2 270 | 2 392 | 2 512 |
| | <i>growth in %</i> | 10.7 | 11.6 | -1.9 | 11.2 | 17.9 | 6.6 | 3.2 | 5.8 | 5.4 | 5.0 |
| Change in stocks and valuables | <i>bill. CZK</i> | 44 | 24 | -47 | 119 | 236 | 53 | -57 | 7 | 62 | 103 |
| External balance | <i>bill. CZK</i> | 333 | 359 | 393 | 235 | 57 | 381 | 504 | 416 | 382 | 374 |
| Exports of goods and services | <i>bill. CZK</i> | 4 140 | 4 247 | 3 949 | 4 450 | 5 105 | 5 255 | 5 548 | 5 824 | 6 072 | 6 306 |
| | <i>growth in %</i> | 2.9 | 2.6 | -7.0 | 12.7 | 14.7 | 2.9 | 5.6 | 5.0 | 4.3 | 3.9 |
| Imports of goods and services | <i>bill. CZK</i> | 3 807 | 3 888 | 3 556 | 4 215 | 5 048 | 4 874 | 5 044 | 5 409 | 5 690 | 5 932 |
| | <i>growth in %</i> | 4.9 | 2.1 | -8.5 | 18.5 | 19.7 | -3.4 | 3.5 | 7.2 | 5.2 | 4.3 |
| Gross national income | <i>bill. CZK</i> | 5 163 | 5 525 | 5 528 | 6 123 | 6 763 | 7 510 | 7 893 | 8 303 | 8 706 | 9 118 |
| | <i>growth in %</i> | 6.4 | 7.0 | 0.0 | 10.8 | 10.4 | 11.1 | 5.1 | 5.2 | 4.9 | 4.7 |
| Primary income balance | <i>bill. CZK</i> | -313 | -364 | -301 | -185 | -287 | -108 | -95 | -108 | -124 | -139 |

¹⁾ Including consumption of non-profit institutions serving households (NPISH).

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.4: Nominal GDP by Type of Expenditure – quarterly

| | | 2023 | | | | 2024 | | | |
|--|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | | | Estimate | Forecast |
| Gross domestic product | <i>bill. CZK</i> | 1 773 | 1 929 | 1 933 | 1 984 | 1 846 | 2 027 | 2 035 | 2 079 |
| | <i>growth in %</i> | 10.9 | 9.3 | 6.5 | 5.9 | 4.1 | 5.1 | 5.3 | 4.8 |
| Private consumption expenditure ¹⁾ | <i>bill. CZK</i> | 854 | 912 | 902 | 931 | 892 | 954 | 952 | 985 |
| | <i>growth in %</i> | 7.4 | 4.8 | 3.3 | 5.2 | 4.4 | 4.6 | 5.5 | 5.8 |
| Government consumption exp. | <i>bill. CZK</i> | 342 | 359 | 364 | 441 | 365 | 386 | 386 | 474 |
| | <i>growth in %</i> | 11.4 | 9.4 | 9.4 | 6.7 | 6.9 | 7.5 | 5.9 | 7.6 |
| Gross capital formation | <i>bill. CZK</i> | 470 | 551 | 605 | 507 | 427 | 531 | 596 | 536 |
| | <i>growth in %</i> | 5.7 | -2.3 | -0.7 | -11.0 | -9.2 | -3.6 | -1.5 | 5.7 |
| Gross fixed capital formation | <i>bill. CZK</i> | 444 | 513 | 527 | 595 | 440 | 520 | 560 | 626 |
| | <i>growth in %</i> | 7.5 | 6.2 | 5.7 | 6.9 | -1.0 | 1.3 | 6.3 | 5.2 |
| Change in stocks and valuables | <i>bill. CZK</i> | 26 | 37 | 78 | -88 | -13 | 11 | 35 | -90 |
| External balance | <i>bill. CZK</i> | 107 | 107 | 61 | 105 | 162 | 156 | 102 | 85 |
| Exports of goods and services | <i>bill. CZK</i> | 1 342 | 1 328 | 1 218 | 1 366 | 1 347 | 1 405 | 1 340 | 1 455 |
| | <i>growth in %</i> | 12.6 | 2.9 | -3.9 | 1.0 | 0.3 | 5.8 | 10.0 | 6.5 |
| Imports of goods and services | <i>bill. CZK</i> | 1 235 | 1 221 | 1 157 | 1 261 | 1 185 | 1 249 | 1 239 | 1 371 |
| | <i>growth in %</i> | 8.3 | -5.3 | -8.9 | -6.5 | -4.0 | 2.3 | 7.1 | 8.7 |

¹⁾ Including consumption of non-profit institutions serving households (NPISH).

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.5: GDP by Type of Income – yearly

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| GDP | <i>bill. CZK</i> | 5 476 | 5 889 | 5 828 | 6 308 | 7 050 | 7 619 | 7 988 | 8 410 | 8 830 | 9 256 |
| | <i>growth in %</i> | 5.7 | 7.5 | -1.0 | 8.2 | 11.8 | 8.1 | 4.8 | 5.3 | 5.0 | 4.8 |
| Balance of taxes and subsidies | <i>bill. CZK</i> | 504 | 534 | 449 | 478 | 592 | 582 | 686 | 725 | 760 | 787 |
| | <i>% of GDP</i> | 9.2 | 9.1 | 7.7 | 7.6 | 8.4 | 7.6 | 8.6 | 8.6 | 8.6 | 8.5 |
| | <i>growth in %</i> | 2.2 | 6.0 | -16.0 | 6.5 | 23.8 | -1.7 | 18.0 | 5.7 | 4.8 | 3.5 |
| Taxes on production and imports | <i>bill. CZK</i> | 656 | 696 | 660 | 716 | 780 | 821 | . | . | . | . |
| | <i>growth in %</i> | 3.3 | 6.2 | -5.3 | 8.5 | 9.0 | 5.2 | . | . | . | . |
| Subsidies on production | <i>bill. CZK</i> | 152 | 162 | 211 | 238 | 189 | 239 | . | . | . | . |
| | <i>growth in %</i> | 7.2 | 6.7 | 30.3 | 12.6 | -20.5 | 26.5 | . | . | . | . |
| Compensation of employees <i>(domestic concept)</i> | <i>bill. CZK</i> | 2 393 | 2 580 | 2 624 | 2 813 | 3 031 | 3 265 | 3 466 | 3 687 | 3 879 | 4 063 |
| | <i>% of GDP</i> | 43.7 | 43.8 | 45.0 | 44.6 | 43.0 | 42.9 | 43.4 | 43.8 | 43.9 | 43.9 |
| | <i>growth in %</i> | 9.7 | 7.8 | 1.7 | 7.2 | 7.7 | 7.7 | 6.2 | 6.4 | 5.2 | 4.7 |
| Wages and salaries | <i>bill. CZK</i> | 1 836 | 1 980 | 1 988 | 2 132 | 2 326 | 2 504 | 2 660 | 2 828 | 2 975 | 3 116 |
| | <i>growth in %</i> | 9.6 | 7.9 | 0.4 | 7.2 | 9.1 | 7.7 | 6.2 | 6.3 | 5.2 | 4.7 |
| Social security contributions | <i>bill. CZK</i> | 557 | 599 | 636 | 682 | 706 | 761 | 807 | 859 | 904 | 947 |
| | <i>growth in %</i> | 10.3 | 7.6 | 6.2 | 7.1 | 3.5 | 7.8 | 6.1 | 6.5 | 5.2 | 4.7 |
| Gross operating surplus and mixed income | <i>bill. CZK</i> | 2 579 | 2 775 | 2 756 | 3 016 | 3 427 | 3 772 | 3 835 | 3 998 | 4 192 | 4 407 |
| | <i>% of GDP</i> | 47.1 | 47.1 | 47.3 | 47.8 | 48.6 | 49.5 | 48.0 | 47.5 | 47.5 | 47.6 |
| | <i>growth in %</i> | 2.9 | 7.6 | -0.7 | 9.5 | 13.6 | 10.1 | 1.7 | 4.2 | 4.8 | 5.1 |
| Consumption of capital | <i>bill. CZK</i> | 1 117 | 1 201 | 1 294 | 1 413 | 1 577 | 1 675 | 1 765 | 1 921 | 2 075 | 2 191 |
| | <i>growth in %</i> | 5.1 | 7.5 | 7.7 | 9.2 | 11.6 | 6.2 | 5.4 | 8.9 | 8.0 | 5.6 |
| Net operating surplus | <i>bill. CZK</i> | 1 462 | 1 574 | 1 462 | 1 604 | 1 850 | 2 097 | 2 070 | 2 076 | 2 117 | 2 217 |
| | <i>growth in %</i> | 1.3 | 7.7 | -7.1 | 9.7 | 15.4 | 13.3 | -1.3 | 0.3 | 2.0 | 4.7 |

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.6: GDP by Type of Income – quarterly

| | | 2023 | | | | 2024 | | | |
|---|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | | | Estimate | Forecast |
| GDP | <i>bill. CZK</i> | 1 773 | 1 929 | 1 933 | 1 984 | 1 846 | 2 027 | 2 035 | 2 079 |
| | <i>growth in %</i> | 10.9 | 9.3 | 6.5 | 5.9 | 4.1 | 5.1 | 5.3 | 4.8 |
| Balance of taxes and subsidies | <i>bill. CZK</i> | 112 | 158 | 162 | 149 | 138 | 173 | 184 | 192 |
| | <i>growth in %</i> | -10.3 | 1.9 | -2.4 | 2.9 | 23.3 | 9.0 | 13.5 | 28.4 |
| Compensation of employees <i>(domestic concept)</i> | <i>bill. CZK</i> | 780 | 815 | 802 | 867 | 828 | 860 | 853 | 925 |
| | <i>growth in %</i> | 9.7 | 8.3 | 7.0 | 6.1 | 6.0 | 5.5 | 6.4 | 6.7 |
| Wages and salaries | <i>bill. CZK</i> | 597 | 625 | 616 | 667 | 635 | 661 | 655 | 710 |
| | <i>growth in %</i> | 9.7 | 8.3 | 7.0 | 6.1 | 6.4 | 5.8 | 6.2 | 6.4 |
| Social security contributions | <i>bill. CZK</i> | 184 | 191 | 186 | 200 | 193 | 200 | 199 | 216 |
| | <i>growth in %</i> | 9.7 | 8.4 | 7.2 | 6.1 | 4.9 | 4.7 | 7.0 | 7.6 |
| Gross operating surplus and mixed income | <i>bill. CZK</i> | 881 | 955 | 968 | 967 | 881 | 994 | 998 | 963 |
| | <i>growth in %</i> | 15.6 | 11.6 | 7.8 | 6.3 | -0.1 | 4.1 | 3.0 | -0.5 |

Source: CZSO. Calculations and forecast of the MoF.

3.2 Prices

Annual **consumer price** inflation reached 2.6% (vs. 2.4%) in September 2024, with mainly energy prices and administered prices in education contributing to the deviation from the forecast. In terms of the consumer basket divisions, the main driver of September annual inflation was the housing division (1.0pp contribution), mainly due to a 6.4% increase in rentals for housing or an 8.8% rise in electricity prices. In contrast, natural gas prices decreased by 4.2%. Additionally, there was a high contribution of the restaurants and hotels (0.5pp) and alcoholic beverages, tobacco (0.4pp) divisions. The transport division had a negative contribution (-0.2pp) to the year-on-year development in the price level. Administrative measures added 1.0pp to inflation, of which regulated prices (especially electricity prices) added almost 1.0pp and tax changes almost 0.1pp.

The annual inflation as measured by the **HICP** (2.8%) was higher in September than inflation according to the national CPI. This was due to lower growth in imputed rents, which are not included in the HICP. Imputed rents are largely determined by the market prices of new flats and houses. Their very high prices in relation to average wages (Graph 3.2.8) and more expensive and previously regulatory restricted mortgage lending have led (through lower demand for owner-occupied housing) to a significant slowdown in property price dynamics and, hence, imputed rents. However, this trend is already starting to reverse as demand for real estate recovers, and an acceleration in imputed rents growth can therefore be expected, especially at the turn of the year.

This year, inflationary pressures are significantly lower than in the previous two years, but the persistently strong growth in services prices continues to pose certain upside risk to inflation. The contribution of regulated prices to the average inflation rate remains elevated. While the non-regulated part of both electricity and gas is becoming cheaper, the very strong increase in the regulated component of total electricity and gas prices at the beginning of the year is offsetting this. Other regulated prices have been affected mainly by the increase in the annual motorway vignette or the rise in water and sewerage charges. Indirect taxes are affected by the fiscal consolidation package. Increases in excise duties on alcohol and tobacco products are boosting inflation this year, while the contribution of changes in VAT rates reported in the price statistics is negative. The first-round effects of the changes to indirect taxes could increase this year's inflation by only 0.1pp (*unchanged*). The contribution of administrative measures to the average inflation rate in 2024 could be 0.9pp (*unchanged*).

The restrictive effect of monetary policy is amplified by the income effect of the fiscal consolidation package, and together they moderate domestic demand inflation pressures. A slight decline in the dollar oil price could also act in the direction of lower inflation. On the other

hand, nominal wage growth and strong depreciation of the koruna represent inflationary factors.

In 2025, inflationary pressures will be shaped primarily by market factors. Regulated prices will rise mainly due to expected moderate growth in regulated energy component prices and an increase in motorway vignette costs. Conversely, the commodity components of electricity and gas are projected to decline in price. Increases in excise duties on alcohol and tobacco products should account for the slightly positive contribution of indirect taxes. Overall, administrative measures could thus add 0.2pp (*unchanged*) to the average inflation rate in 2025.

The decline in oil prices and the renewed appreciation of the koruna should have an anti-inflationary impact next year. Monetary policy will continue to moderate inflationary pressures through interest rates, given the length of the transmission. Sustained higher wage growth is likely to act as an inflationary factor. Price dynamics in services may remain elevated next year, with expected stronger growth in imputed rents starting to contribute more notably. Consequently, the market component of inflation should rise after the current anti-inflationary effect from lower production input prices gradually fades.

In line with the above, we expect the **average inflation rate** to fall significantly to 2.4% (*unchanged*) in 2024 and further to 2.3% (*unchanged*) in 2025. Annual inflation could be slightly above 3% at the end of this year, as the effect of the significant month-on-month price declines at the end of last year disappears. It should then remain close to the inflation target over the next year.

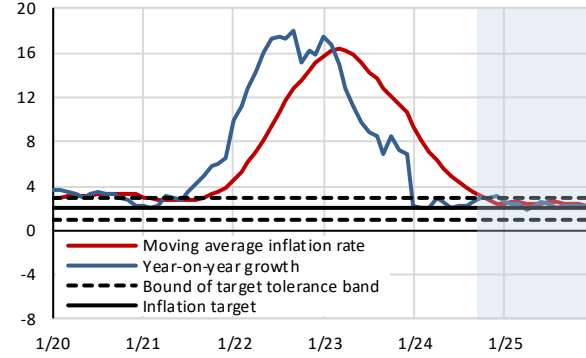
In Q2 2024, **GDP deflator** increased by 4.1% (vs. 3.4%), with the gross domestic expenditure deflator rising by 3.2% (*in line with the forecast*) and the terms of trade improving by 1.3% (vs. 0.4%). The growth in the gross domestic expenditure deflator was driven mainly by the household consumption and the general government consumption deflators. The marked improvement in the terms of trade was driven not only by lower prices of mineral fuels or chemicals, but also by rising prices of machinery and transport equipment.

This year, GDP deflator growth could slow to 3.7% (vs. 3.4%) thanks to lower price dynamics across all components of domestic demand and weaker improvement in the terms of trade. In 2025 it could fall further to 2.7% (*unchanged*), mainly due to only a slight improvement in the terms of trade and slower growth in the household consumption deflator.

This year, the terms of trade should be positively affected mainly by the year-on-year decline in mineral fuel prices, which should continue in 2025. As a result, the terms of trade could improve by 0.8% (vs. 0.5%) in 2024 and by 0.2% (vs. 0.1%) in 2025.

Graph 3.2.1: Consumer Prices

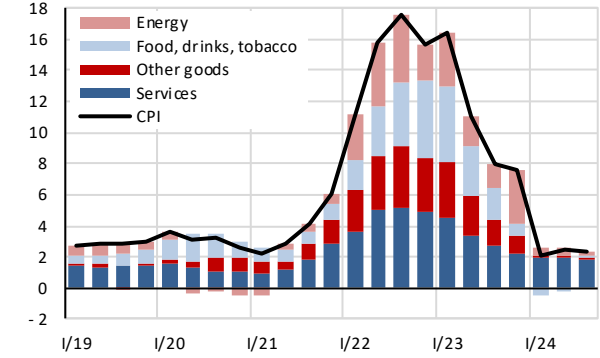
YoY growth rate in %



Source: CNB, CZSO. Calculations and forecast of the MoF.

Graph 3.2.2: Consumer Prices in Main Divisions

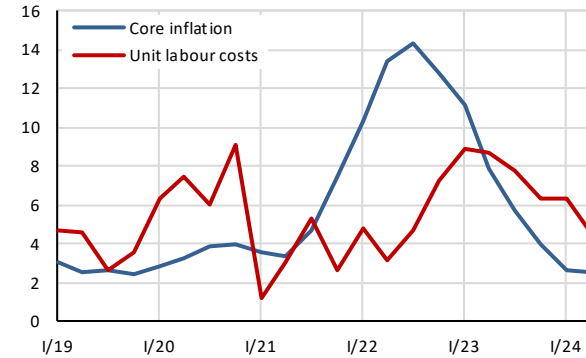
YoY growth of consumer price index in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.2.3: Core Inflation and Unit Labour Costs

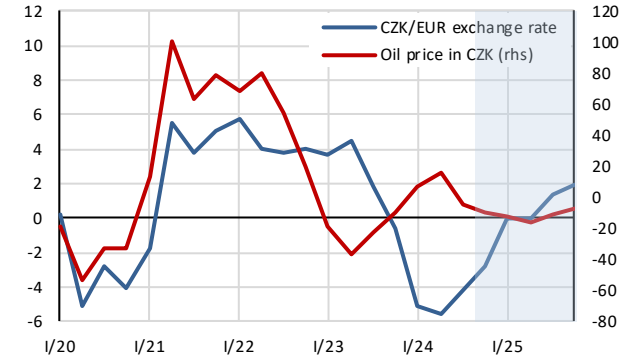
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.4: CZK/EUR and Koruna Price of Oil

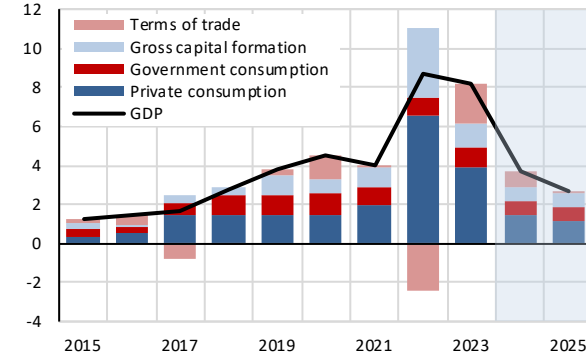
CZK/EUR appreciation, YoY change in CZK price of oil, in %



Source: CNB, U.S. EIA. Calculations and forecast of the MoF.

Graph 3.2.5: Gross Domestic Product Deflator

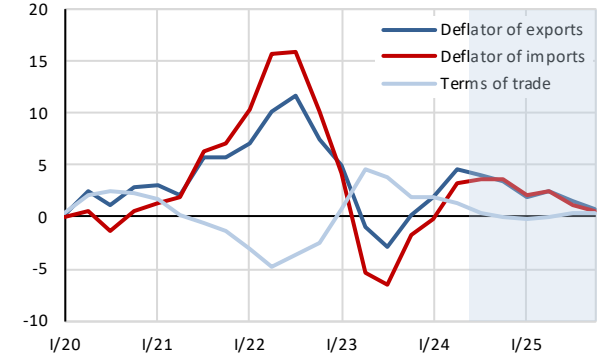
growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.6: Terms of Trade

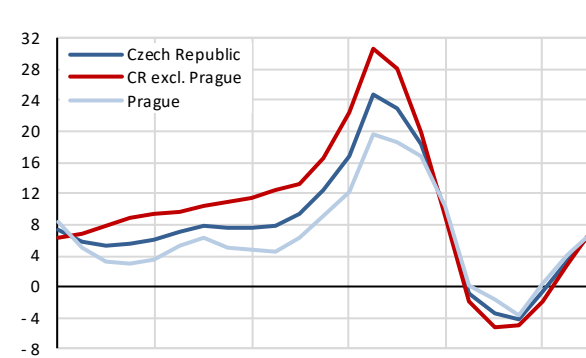
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.7: Offering Prices of Flats

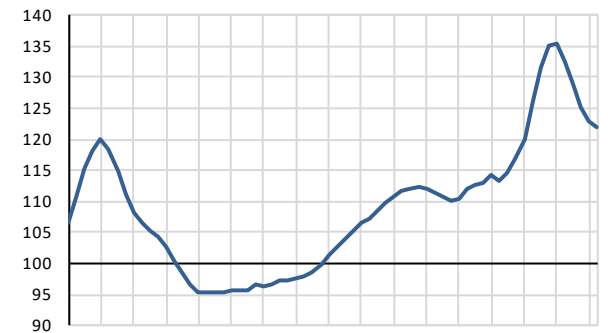
YoY growth rate in %



Source: CZSO.

Graph 3.2.8: Prices of Flats Relative to Average Wage

ratio of index of offering prices of flats to index of average wage, annual moving totals, 2015=100



Source: CZSO. Calculations and forecast of the MoF.

Table 3.2.1: Prices – yearly

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| Consumer Price Index | | | | | | | | | | | |
| Level | <i>average 2015=100</i> | 105.3 | 108.3 | 111.8 | 116.1 | 133.6 | 147.8 | 151.5 | 154.9 | 158.1 | 161.3 |
| Average inflation rate | % | 2.1 | 2.8 | 3.2 | 3.8 | 15.1 | 10.7 | 2.4 | 2.3 | 2.1 | 2.0 |
| Administrative measures ¹⁾ | <i>percentage points</i> | 0.3 | 0.6 | 0.5 | 0.0 | 2.8 | 4.3 | 0.9 | 0.2 | 0.3 | 0.3 |
| Market increase | <i>percentage points</i> | 1.8 | 2.2 | 2.7 | 3.8 | 12.3 | 6.4 | 1.5 | 2.1 | 1.8 | 1.7 |
| Harmonized index of consumer prices | | | | | | | | | | | |
| Level | <i>average 2015=100</i> | 105.1 | 107.8 | 111.4 | 115.1 | 132.1 | 147.9 | 151.9 | 155.3 | 158.5 | 161.7 |
| Average inflation rate | <i>growth in %</i> | 2.0 | 2.6 | 3.3 | 3.3 | 14.8 | 12.0 | 2.7 | 2.3 | 2.1 | 2.0 |
| Deflators | | | | | | | | | | | |
| GDP | <i>average 2015=100</i> | 92.1 | 95.7 | 100.0 | 104.0 | 113.1 | 122.3 | 126.8 | 130.2 | 133.2 | 136.2 |
| | <i>growth in %</i> | 2.8 | 3.8 | 4.5 | 4.0 | 8.7 | 8.2 | 3.7 | 2.7 | 2.3 | 2.2 |
| Gross domestic expenditure | <i>average 2015=100</i> | 93.2 | 96.6 | 100.0 | 104.1 | 116.0 | 123.4 | 127.2 | 130.6 | 133.5 | 136.2 |
| | <i>growth in %</i> | 3.1 | 3.7 | 3.5 | 4.1 | 11.5 | 6.4 | 3.1 | 2.7 | 2.2 | 2.1 |
| Consumption of households | <i>average 2015=100</i> | 94.3 | 97.1 | 100.0 | 104.2 | 119.1 | 128.8 | 132.8 | 136.1 | 139.1 | 141.9 |
| | <i>growth in %</i> | 2.9 | 2.9 | 3.0 | 4.2 | 14.3 | 8.2 | 3.1 | 2.5 | 2.1 | 2.0 |
| Consumption of government | <i>average 2015=100</i> | 90.2 | 95.1 | 100.0 | 104.0 | 108.5 | 114.3 | 117.9 | 122.1 | 125.3 | 128.6 |
| | <i>growth in %</i> | 5.5 | 5.4 | 5.2 | 4.0 | 4.4 | 5.3 | 3.2 | 3.5 | 2.6 | 2.6 |
| Fixed capital formation | <i>average 2015=100</i> | 93.6 | 97.1 | 100.0 | 104.2 | 115.6 | 120.1 | 122.9 | 125.5 | 127.7 | 129.9 |
| | <i>growth in %</i> | 1.6 | 3.8 | 3.0 | 4.2 | 10.9 | 3.9 | 2.3 | 2.1 | 1.8 | 1.7 |
| Exports of goods and services | <i>average 2015=100</i> | 97.2 | 98.4 | 100.0 | 104.2 | 113.7 | 113.9 | 117.9 | 119.9 | 120.8 | 121.6 |
| | <i>growth in %</i> | -0.6 | 1.3 | 1.6 | 4.2 | 9.1 | 0.2 | 3.5 | 1.7 | 0.8 | 0.6 |
| Imports of goods and services | <i>average 2015=100</i> | 99.3 | 100.1 | 100.0 | 104.3 | 117.8 | 114.8 | 117.9 | 119.6 | 120.2 | 120.6 |
| | <i>growth in %</i> | -0.6 | 0.8 | -0.1 | 4.3 | 13.0 | -2.6 | 2.7 | 1.5 | 0.5 | 0.3 |
| Terms of trade | <i>average 2015=100</i> | 97.9 | 98.3 | 100.0 | 99.9 | 96.5 | 99.2 | 100.0 | 100.2 | 100.5 | 100.8 |
| | <i>growth in %</i> | 0.0 | 0.4 | 1.7 | -0.1 | -3.5 | 2.9 | 0.8 | 0.2 | 0.3 | 0.3 |

¹⁾ The contribution of change in regulated prices and indirect taxes to the average inflation rate.

Source: CZSO, Eurostat. Calculations and forecast of the MoF.

Table 3.2.2: Prices – quarterly

| | | 2023 | | | | 2024 | | | |
|--|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | | Estimate | Forecast | |
| Consumer Price Index | <i>average 2015=100</i> | 147.1 | 147.6 | 148.6 | 148.0 | 150.1 | 151.3 | 152.1 | 152.3 |
| | <i>growth in %</i> | 16.4 | 11.1 | 8.0 | 7.6 | 2.1 | 2.5 | 2.3 | 2.9 |
| Administrative measures ¹⁾ | <i>percentage points</i> | 4.9 | 4.0 | 3.4 | 4.9 | 0.9 | 0.9 | 0.9 | 1.0 |
| Market increase | <i>percentage points</i> | 11.5 | 7.1 | 4.6 | 2.7 | 1.2 | 1.6 | 1.4 | 1.9 |
| Harmonized index of consumer prices | <i>average 2015=100</i> | 147.1 | 147.9 | 148.8 | 147.9 | 150.5 | 151.9 | 152.6 | 152.4 |
| | <i>growth in %</i> | 18.0 | 12.6 | 9.5 | 8.4 | 2.4 | 2.7 | 2.6 | 3.0 |
| Deflators | | | | | | | | | |
| GDP | <i>average 2015=100</i> | 120.2 | 121.9 | 122.5 | 124.3 | 125.2 | 126.9 | 126.5 | 128.3 |
| | <i>growth in %</i> | 10.3 | 9.6 | 7.2 | 5.9 | 4.2 | 4.1 | 3.2 | 3.2 |
| Gross domestic expenditure | <i>average 2015=100</i> | 122.0 | 122.4 | 123.3 | 125.9 | 125.5 | 126.4 | 126.9 | 130.0 |
| | <i>growth in %</i> | 9.9 | 6.6 | 4.9 | 4.8 | 2.9 | 3.2 | 2.9 | 3.2 |
| Consumption of households | <i>average 2015=100</i> | 127.8 | 128.4 | 129.0 | 130.1 | 131.6 | 132.5 | 132.7 | 134.5 |
| | <i>growth in %</i> | 12.4 | 8.4 | 6.7 | 5.6 | 3.0 | 3.2 | 2.9 | 3.4 |
| Consumption of government | <i>average 2015=100</i> | 110.0 | 112.6 | 113.6 | 120.1 | 114.1 | 115.9 | 116.4 | 124.3 |
| | <i>growth in %</i> | 7.5 | 6.2 | 5.5 | 2.9 | 3.7 | 3.0 | 2.4 | 3.5 |
| Fixed capital formation | <i>average 2015=100</i> | 119.5 | 119.4 | 120.2 | 121.1 | 121.7 | 122.3 | 123.1 | 123.9 |
| | <i>growth in %</i> | 7.0 | 4.6 | 2.9 | 2.0 | 1.8 | 2.4 | 2.4 | 2.3 |
| Exports of goods and services | <i>average 2015=100</i> | 114.3 | 112.7 | 113.9 | 114.6 | 116.4 | 118.0 | 118.5 | 118.6 |
| | <i>growth in %</i> | 5.0 | -1.0 | -2.9 | 0.2 | 1.9 | 4.7 | 4.1 | 3.5 |
| Imports of goods and services | <i>average 2015=100</i> | 116.3 | 112.7 | 114.2 | 116.0 | 116.2 | 116.5 | 118.4 | 120.1 |
| | <i>growth in %</i> | 4.2 | -5.4 | -6.5 | -1.8 | -0.1 | 3.3 | 3.7 | 3.6 |
| Terms of trade | <i>average 2015=100</i> | 98.3 | 100.0 | 99.7 | 98.8 | 100.2 | 101.3 | 100.1 | 98.7 |
| | <i>growth in %</i> | 0.8 | 4.6 | 3.9 | 2.0 | 2.0 | 1.3 | 0.4 | -0.1 |

¹⁾ The contribution of change in regulated prices and indirect taxes.

Source: CZSO, Eurostat. Calculations and forecast of the MoF.

3.3 Labour Market

Employment (national accounts) increased by 0.2% YoY (*in line with the estimate*) in Q2 2024. Growth was supported by both market and non-market services, but the deepening annual decline in manufacturing employment continued to dampen it. According to the preliminary estimate, employment grew by 0.5% YoY in Q3 2024. Given the expected economic recovery, it should continue to increase over the forecast horizon – by 0.3% on average this year and by 0.2% in 2025 (*unchanged in both years*).

Data from the MoLSA show that the number of registered unemployed exceeded the number of job vacancies in Q3 2024. Tensions in the labour market are easing, but the situation varies across regions. In September, the number of job vacancies exceeded the number of registered unemployed in 4 regions or 28 districts. However, far from all vacancies registered by the labour offices can be considered active. Of the job vacancies offered on the websites of the labour offices, approximately 29% were active at the forecast cut-off date (offers with the last change after 1 May 2024 and the start date on or after 1 August 2024). According to the CZSO's business cycle survey, the shortage of employees remains the main barrier to output growth in the construction sector and is also significant in industry. However, this problem is mitigated by refugees from Ukraine.

According to the estimate¹ of the MoLSA, the number of foreign employees fell by 9 thousand YoY in Q3 2024 to 798 thousand. Workers from Ukraine and Slovakia have dominated in the long term. The number of Ukrainian workers in Q3 2024 practically stagnated year-on-year at 276 thousand.

The **unemployment rate** (Labour Force Survey) fell to 2.5% (*vs. 2.8%*) in Q2 2024. The seasonally adjusted unemployment rate for the 15–64 age group rose slightly to 2.9% in September, but available data suggest that the unemployment rate may have already peaked and is expected to decline very slowly due to the economic recovery. It could average 2.6% (*vs. 2.8%*) this year and fall to 2.5% (*vs. 2.7%*) in 2025.

The **share of unemployed persons** (MoLSA) increased to 3.8% (*vs. 3.7%*) in Q3 of this year and continues to rise year-on-year. It could reach 3.8% (*unchanged*) for the whole of this year and remain at this level next year (*vs. 3.7%*).

The **participation rate** (20–64 years) increased by 0.3pp YoY to 84.2% (*vs. 84.9%*) in Q2 2024. The deviation from the August forecast was due to slower growth in the working-age labour force. This year, the participation rate could reach 84.3% (*vs. 84.8%*), and in 2025, with the

year-on-year growth of the working-age population and decrease in the labour force in this age group, it could fall to 83.2% (*vs. 84.9%*).

Wages and salaries increased by 5.8% YoY (*vs. 7.5%*) in Q2 2024. In the macroeconomically most important sector, manufacturing, wages and salaries rose by 5.1% (with a 2.8% decrease in the number of employees).

Despite some easing of the tight situation, the labour market is experiencing a noticeable shortage of workers in many sectors and occupations, which underpins nominal earnings growth. In recent years, there has been a strong increase in consumer prices and corporate profitability, which is reflected in higher wage demands from employees. The minimum wage has increased by 9.2% to CZK 18,900 from 1 January 2024. The guaranteed wage in the second and third job group has increased by CZK 1,600 (by 8.9% and 8.1% respectively), while in the eighth group it has increased to twice the minimum wage, as required by the law. The other grades remained unchanged. Next year, the minimum wage will be set for the first time by a new indexation mechanism, and should increase gradually to 47% of the average wage in 2029. From 1 January 2025, the minimum wage will thus increase by 10% to CZK 20,800. The simplified system of guaranteed wages will now apply only to the public sector.

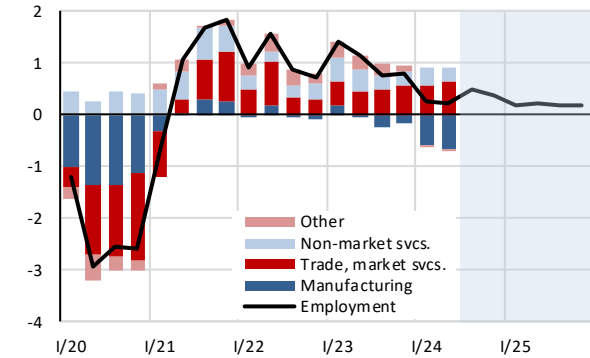
The main driver of salary increases in the public sector over the forecast horizon should be the automatic indexation of teachers' salaries. However, as a result of the consolidation measures, the contribution of the public sector to overall earnings growth will be significantly reduced this year. The acceleration of the minimum wage and stronger labour demand should have a positive impact next year. In aggregate, wages and salaries could increase by 6.2% (*vs. 7.1%*) this year, with growth accelerating slightly to 6.3% (*vs. 6.4%*) in 2025.

The **average wage** (full-time equivalent) increased by 6.5% YoY (*vs. 7.2%*) in Q2 2024, driven mostly by a 7.6% increase in average earnings in manufacturing (1.5pp contribution) and 11.1% in health and social care (1.2pp contribution). Taking into account the above factors, average wage could go up by 6.9% (*vs. 7.2%*) this year and by 6.5% (*unchanged*) in 2025.

¹ The MoLSA provides only qualified estimates of the number of foreign workers from Q3 2024 onwards, due to the effectiveness of Act No.408/2023 Coll. amending the Employment Act.

Graph 3.3.1: Employment

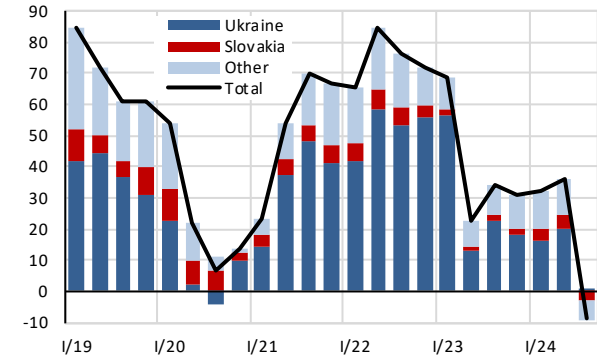
YoY growth rate in %, contributions in pp, national accounts



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.2: Number of Foreign Employees in the CR

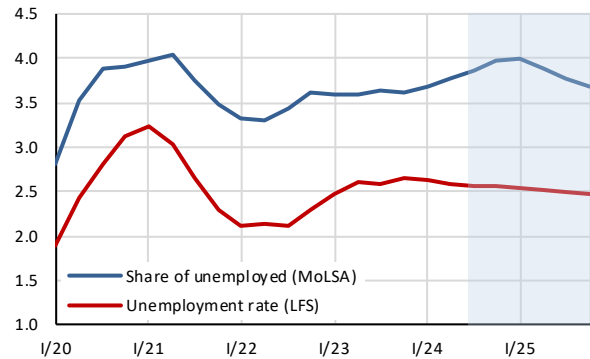
YoY change in thousands of persons



Source: MoLSA. Calculations of the MoF.

Graph 3.3.3: Indicators of Unemployment

seasonally adjusted data, in %



Source: CZSO, MoLSA. Calculations and forecast of the MoF.

Graph 3.3.4: Social Security Contributions and Earnings

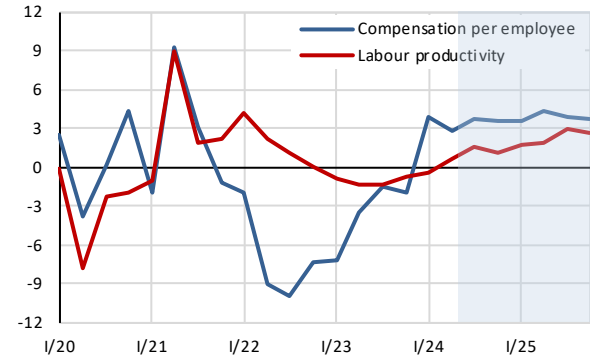
YoY growth rate in %



Source: CZSO, MoF. Calculations and forecast of the MoF.

Graph 3.3.5: Compens. per Employee and Productivity

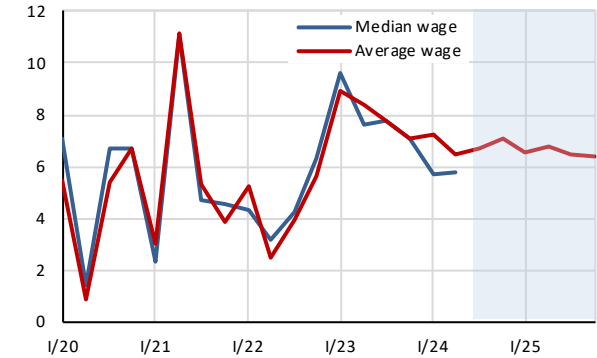
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.6: Nominal Monthly Wages

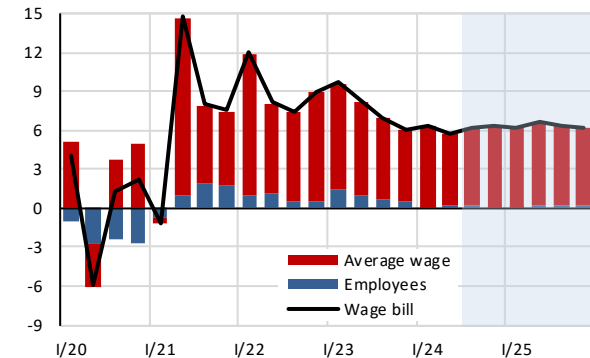
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.7: Nominal Wage Bill

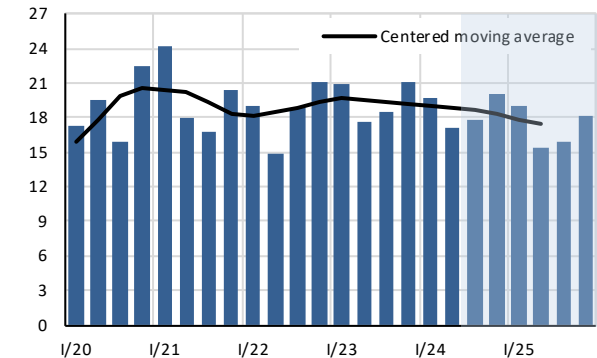
YoY growth rate in %, domestic concept of the wage bill



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.8: Gross Savings Rate of Households

in % of disposable income



Source: CZSO. Calculations and forecast of the MoF.

Table 3.3.1: Labour Market – yearly

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|-----------------------------------|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| National accounts | | | | | | | | | | | |
| Employment | <i>av. in thous. persons</i> | 5 359 | 5 351 | 5 227 | 5 279 | 5 333 | 5 388 | 5 407 | 5 417 | 5 422 | 5 413 |
| | <i>growth in %</i> | 1.2 | -0.1 | -2.3 | 1.0 | 1.0 | 1.0 | 0.3 | 0.2 | 0.1 | -0.2 |
| Employees | <i>av. in thous. persons</i> | 4 594 | 4 598 | 4 496 | 4 541 | 4 578 | 4 621 | 4 628 | 4 635 | 4 637 | 4 630 |
| | <i>growth in %</i> | 1.4 | 0.1 | -2.2 | 1.0 | 0.8 | 0.9 | 0.1 | 0.1 | 0.1 | -0.2 |
| Self-employed persons | <i>av. in thous. persons</i> | 765 | 753 | 731 | 738 | 755 | 767 | 779 | 782 | 785 | 784 |
| | <i>growth in %</i> | -0.1 | -1.5 | -3.0 | 1.0 | 2.3 | 1.6 | 1.6 | 0.4 | 0.3 | -0.1 |
| Wage bill | <i>growth in %</i> | 9.6 | 7.9 | 0.4 | 7.2 | 9.1 | 7.7 | 6.2 | 6.3 | 5.2 | 4.7 |
| Labour productivity | <i>growth in %</i> | 1.7 | 3.7 | -3.1 | 3.0 | 1.8 | -1.1 | 0.8 | 2.3 | 2.5 | 2.7 |
| Unit labour costs ⁶⁾ | <i>growth in %</i> | 6.5 | 3.9 | 7.3 | 3.1 | 5.0 | 7.9 | 5.2 | 3.8 | 2.6 | 2.1 |
| Compensation of employees | <i>% of GDP</i> | 43.7 | 43.8 | 45.0 | 44.6 | 43.0 | 42.9 | 43.4 | 43.8 | 43.9 | 43.9 |
| Labour Force Survey | | | | | | | | | | | |
| Unemployment rate | <i>average in %</i> | 2.2 | 2.0 | 2.6 | 2.8 | 2.2 | 2.6 | 2.6 | 2.5 | 2.4 | 2.4 |
| Employment rate 20–64 | <i>average in %</i> | 79.9 | 80.3 | 79.7 | 80.0 | 81.0 | 81.7 | 82.2 | 81.2 | 81.6 | 81.8 |
| Participation rate 20–64 | <i>average in %</i> | 81.7 | 81.9 | 81.8 | 82.2 | 82.7 | 83.8 | 84.3 | 83.2 | 83.5 | 83.7 |
| Registered unemployment | | | | | | | | | | | |
| Unemployment | <i>av. in thous. persons</i> | 242 | 212 | 259 | 280 | 252 | 266 | 287 | 279 | 260 | 250 |
| Share of unemployed ¹⁾ | <i>average in %</i> | 3.2 | 2.8 | 3.5 | 3.8 | 3.4 | 3.6 | 3.8 | 3.8 | 3.6 | 3.5 |
| Job vacancies | <i>av. in thousands</i> | 285 | 340 | 332 | 346 | 326 | 283 | . | . | . | . |
| Business statistics | | | | | | | | | | | |
| Average monthly wage | | | | | | | | | | | |
| Nominal | <i>CZK monthly</i> | 32 051 | 34 578 | 36 176 | 38 277 | 39 932 | 43 120 | 46 084 | 49 100 | 51 601 | 54 022 |
| | <i>growth in %</i> | 8.1 | 7.9 | 4.6 | 5.8 | 4.3 | 8.0 | 6.9 | 6.5 | 5.1 | 4.7 |
| Real | <i>CZK 2015</i> | 30 438 | 31 928 | 32 358 | 32 969 | 29 889 | 29 175 | 30 428 | 31 707 | 32 643 | 33 496 |
| | <i>growth in %</i> | 5.9 | 4.9 | 1.3 | 1.9 | -9.3 | -2.4 | 4.3 | 4.2 | 3.0 | 2.6 |
| Median monthly wage | <i>CZK monthly</i> | 27 561 | 29 439 | 31 049 | 32 795 | 34 283 | 37 019 | . | . | . | . |
| | <i>growth in %</i> | 8.5 | 6.8 | 5.5 | 5.6 | 4.5 | 8.0 | . | . | . | . |

Note: Following the 2021 Census, new demographic weights have been applied in the LFS since Q1 2022; a new weighting methodology (weighting to the population in private households) is also applied in the data from 2022 onwards. There is therefore a break in the time series between 2021 and 2022.

¹⁾ Share of available job seekers aged 15 to 64 years in the population of the same age.

Source: CZSO, MoLSA. Calculations and forecast of the MoF.

Table 3.3.2: Labour Market – quarterly

| | 2023 | | | | 2024 | | | | |
|---|------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------------|-----------------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 <i>Estimate</i> | Q4 <i>Forecast</i> | |
| National accounts | | | | | | | | | |
| Employment | <i>av. in thous. persons</i> | 5 358 | 5 381 | 5 412 | 5 401 | 5 373 | 5 394 | 5 439 | 5 421 |
| | <i>YoY growth in %</i> | 1.4 | 1.1 | 0.8 | 0.8 | 0.3 | 0.2 | 0.5 | 0.4 |
| | <i>QoQ growth in %</i> | 0.3 | 0.6 | -0.2 | 0.1 | -0.2 | 0.5 | 0.0 | 0.0 |
| Wages and salaries | <i>growth in %</i> | 9.7 | 8.3 | 7.0 | 6.1 | 6.4 | 5.8 | 6.2 | 6.4 |
| Labour Force Survey | | | | | | | | | |
| Unemployment rate | <i>average in %</i> | 2.6 | 2.5 | 2.6 | 2.6 | 2.8 | 2.5 | 2.6 | 2.5 |
| Employment rate 20–64 | <i>average in %</i> | 81.1 | 81.9 | 81.8 | 82.0 | 81.8 | 82.1 | 82.4 | 82.5 |
| | <i>increase over a year</i> | 0.6 | 1.0 | 0.6 | 0.7 | 0.6 | 0.3 | 0.5 | 0.5 |
| Participation rate 20–64 | <i>average in %</i> | 83.2 | 83.9 | 84.0 | 84.1 | 84.1 | 84.2 | 84.5 | 84.5 |
| | <i>increase over a year</i> | 0.6 | 1.4 | 1.0 | 1.0 | 0.8 | 0.3 | 0.5 | 0.4 |
| Registered unemployment | | | | | | | | | |
| Unemployment | <i>av. in thous. persons</i> | 279 | 259 | 259 | 265 | 292 | 278 | 284 | 293 |
| Share of unemployed¹⁾ | <i>average in %</i> | 3.8 | 3.5 | 3.5 | 3.5 | 3.9 | 3.7 | 3.8 | 3.9 |
| Job vacancies | <i>av. in thousands</i> | 284 | 285 | 284 | 279 | 269 | 267 | 263 | . |
| Business statistics | | | | | | | | | |
| Average monthly wage | | | | | | | | | |
| Nominal | <i>CZK monthly</i> | 41 058 | 43 057 | 42 439 | 45 907 | 44 028 | 45 854 | 45 292 | 49 162 |
| | <i>growth in %</i> | 8.9 | 8.4 | 7.8 | 7.1 | 7.2 | 6.5 | 6.7 | 7.1 |
| Real | <i>CZK 2015</i> | 27 912 | 29 171 | 28 559 | 31 018 | 29 332 | 30 307 | 29 778 | 32 277 |
| | <i>growth in %</i> | -6.4 | -2.5 | -0.2 | -0.5 | 5.1 | 3.9 | 4.3 | 4.1 |
| Median monthly wage | <i>CZK monthly</i> | 34 752 | 36 431 | 37 299 | 39 594 | 36 723 | 38 529 | . | . |
| | <i>growth in %</i> | 9.6 | 7.6 | 7.8 | 7.1 | 5.7 | 5.8 | . | . |

¹⁾ Share of available job seekers aged 15 to 64 years in the population of the same age.

Source: CZSO, MoLSA. Calculations and forecast of the MoF.

Table 3.3.3: Income and Expenditures of Households – yearly

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | |
|---|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------|
| | | | | | | | | | | | Forecast | Forecast |
| Current income | | | | | | | | | | | | |
| Compensation of employees | <i>bill.CZK</i> | 2 018 | 2 196 | 2 399 | 2 571 | 2 636 | 2 827 | 3 022 | 3 268 | 3 470 | 3 692 | |
| | <i>growth in %</i> | 5.9 | 8.8 | 9.2 | 7.2 | 2.5 | 7.2 | 6.9 | 8.1 | 6.2 | 6.4 | |
| Gross operating surplus and mixed income | <i>bill.CZK</i> | 767 | 828 | 904 | 965 | 996 | 1 088 | 1 261 | 1 313 | 1 339 | 1 374 | |
| | <i>growth in %</i> | 3.8 | 7.9 | 9.2 | 6.8 | 3.1 | 9.3 | 15.8 | 4.1 | 2.0 | 2.6 | |
| Property income received | <i>bill.CZK</i> | 136 | 165 | 166 | 167 | 137 | 183 | 304 | 346 | 382 | 399 | |
| | <i>growth in %</i> | 3.4 | 21.9 | 0.6 | 0.3 | -17.8 | 33.3 | 66.1 | 13.9 | 10.4 | 4.5 | |
| Social benefits not-in-kind | <i>bill.CZK</i> | 632 | 654 | 690 | 743 | 891 | 934 | 1 008 | 1 154 | 1 204 | 1 230 | |
| | <i>growth in %</i> | 3.0 | 3.5 | 5.4 | 7.7 | 20.0 | 4.8 | 7.9 | 14.5 | 4.3 | 2.2 | |
| Other current transfers received | <i>bill.CZK</i> | 217 | 244 | 281 | 339 | 363 | 487 | 675 | 709 | 795 | 820 | |
| | <i>growth in %</i> | 19.5 | 12.7 | 15.1 | 20.4 | 7.3 | 34.0 | 38.7 | 5.1 | 12.1 | 3.1 | |
| Current expenditure | | | | | | | | | | | | |
| Property income paid | <i>bill.CZK</i> | 23 | 25 | 26 | 34 | 32 | 30 | 60 | 84 | 90 | 94 | |
| | <i>growth in %</i> | -6.2 | 10.1 | 5.6 | 28.0 | -4.5 | -5.5 | 98.0 | 40.0 | 6.5 | 4.7 | |
| Curr. taxes on income and property | <i>bill.CZK</i> | 224 | 247 | 277 | 302 | 315 | 247 | 258 | 297 | 325 | 341 | |
| | <i>growth in %</i> | 10.7 | 10.0 | 12.3 | 9.1 | 4.2 | -21.6 | 4.6 | 15.1 | 9.3 | 4.8 | |
| Social contributions | <i>bill.CZK</i> | 772 | 832 | 908 | 971 | 1 029 | 1 143 | 1 186 | 1 292 | 1 403 | 1 489 | |
| | <i>growth in %</i> | 5.7 | 7.8 | 9.2 | 6.9 | 6.0 | 11.0 | 3.8 | 8.9 | 8.6 | 6.1 | |
| Other current transfers paid | <i>bill.CZK</i> | 207 | 240 | 283 | 341 | 371 | 499 | 673 | 729 | 827 | 857 | |
| | <i>growth in %</i> | 22.5 | 16.0 | 17.8 | 20.7 | 8.6 | 34.5 | 35.0 | 8.4 | 13.5 | 3.6 | |
| Gross disposable income | <i>bill.CZK</i> | 2 544 | 2 744 | 2 946 | 3 137 | 3 277 | 3 601 | 4 093 | 4 387 | 4 545 | 4 735 | |
| | <i>growth in %</i> | 4.1 | 7.9 | 7.4 | 6.5 | 4.5 | 9.9 | 13.7 | 7.2 | 3.6 | 4.2 | |
| Final consumption | <i>bill.CZK</i> | 2 309 | 2 483 | 2 640 | 2 799 | 2 692 | 2 921 | 3 358 | 3 529 | 3 702 | 3 925 | |
| | <i>growth in %</i> | 4.6 | 7.5 | 6.3 | 6.0 | -3.8 | 8.5 | 15.0 | 5.1 | 4.9 | 6.0 | |
| Change in share in pension funds | <i>bill.CZK</i> | 33 | 33 | 36 | 38 | 40 | 41 | 27 | 1 | 8 | 4 | |
| Gross savings | <i>bill.CZK</i> | 267 | 294 | 342 | 376 | 625 | 720 | 761 | 859 | 851 | 813 | |
| Capital transfers | | | | | | | | | | | | |
| <i>(income (-) / expenditure (+))</i> | <i>bill.CZK</i> | -15 | -12 | -17 | -20 | -44 | -43 | -31 | -47 | -40 | -34 | |
| Gross capital formation | <i>bill.CZK</i> | 267 | 254 | 317 | 358 | 364 | 404 | 484 | 497 | 503 | 517 | |
| | <i>growth in %</i> | 9.6 | -4.9 | 24.5 | 12.9 | 1.7 | 11.1 | 19.7 | 2.8 | 1.3 | 2.7 | |
| Change in financial assets and liab. | <i>bill.CZK</i> | 14 | 52 | 42 | 35 | 304 | 356 | 310 | 412 | 391 | 334 | |
| Real disposable income | <i>growth in %</i> | 3.0 | 4.7 | 4.4 | 3.5 | 1.5 | 5.4 | -0.8 | -1.0 | 0.6 | 1.9 | |
| Gross savings rate | <i>%</i> | 10.4 | 10.6 | 11.5 | 11.8 | 18.8 | 19.8 | 18.5 | 19.6 | 18.7 | 17.2 | |

Source: CZSO. Calculations of the MoF.

3.4 External Relations

Export markets fell by 1.8% YoY (vs. 1.4%) in Q2 2024. While GDP of our main trading partners developed more favourably, import intensity, on the other hand, showed a more significant decline. Thus, for this year, given the development of import intensity of trading partners, we forecast a decrease of 1.1% (vs. 0.7%) in export markets, but in 2025, thanks to the economic recovery abroad, they could grow by 3.5% (*unchanged*).

Export performance grew by 1.0% (vs. 2.3%) in Q2 2024. The weaker growth² is likely to have been driven by lower output in manufacturing due to lower export orders. As a result of these factors, we expect export performance to grow by 2.1% (vs. 2.4%) this year; next year, it should decline by 0.2% (vs. 0.3% *growth*), as the expected improvement in manufacturing conditions will be offset by the year-on-year appreciation of the koruna against the euro (Chapter 1.4).

The **current account of the balance of payments** reached a surplus of 1.4% of GDP (vs. 1.8% of GDP) in Q2 2024³. The 5.1% of GDP year-on-year improvement in the balance was driven by an increase in the goods trade surplus and a reduction in the primary income deficit.

The **balance of goods** improved by 3.0% of GDP year-on-year in Q2 2024, reaching a surplus of 4.9% of GDP (vs. 4.8% of GDP). The increase in the positive balance reflects growth in production and export of motor vehicles. The import side was affected by lower imports of energy commodities and weaker investment activity.

Mineral fuel prices continue to be an important factor influencing the **terms of trade**. The deficit on the fuel part of the balance was 2.6% of GDP (vs. 2.8% of GDP) in Q2 2024. Taking into account the evolution of oil prices (Chapter 1.2) and other energy commodities, in particular natural gas, we expect the deficit to ease to 2.5% of GDP (vs. 2.7% of GDP) in 2024 and further to 2.2% of GDP (vs. 2.3% of GDP) in 2025.

We expect the balance of goods to reach a surplus of 4.8% of GDP (vs. 4.7% of GDP) this year, which should narrow to 3.4% of GDP (vs. 3.2% of GDP) next year. The trade balance will be positively affected this year by rising export prices of machinery and transport equipment, as well as increasing production and exports of motor

vehicles. On the import side, weaker growth in investment activity and continued normalisation of inventories will constrain imports. The narrowing of the positive balance of foreign trade in goods in 2025 reflects a rise in imports as investment demand recovers.

The **services balance** showed a positive balance of 1.3% of GDP (vs. 1.4% of GDP) in Q2 2024. The 0.2% of GDP year-on-year improvement in the balance reflected lower imports of services in the transport sector and an increase in exports of other business services. In the opposite direction, the worsening of the tourism balance was driven by increased interest in foreign vacations. Given the expected recovery in domestic and external demand, the services surplus could reach 1.4% of GDP this year and rise slightly to 1.5% of GDP in 2025 (*unchanged in both years*).

The **primary income** deficit decreased by 1.9% of GDP year-on-year to 4.5% of GDP (vs. 4.2% of GDP) in Q2 2024 due to lower outflows of direct investment income (mainly dividends). The significant reduction in the deficit was also caused by a record-high dividend payout in Q3 2022, boosted by the payment of retained profits of the domestic banking sector from 2019 and 2020. In view of the projected evolution of economic performance and the gross operating surplus, we expect the primary income deficit to reach 4.4% of GDP on average for the whole of this year and next year (vs. 4.3% of GDP *in both years*).

Against this backdrop, we expect the **current account** surplus to rise to 1.4% of GDP (vs. 1.6% of GDP) this year, while the current account should be balanced (vs. a *surplus of 0.1% of GDP*) in 2025.

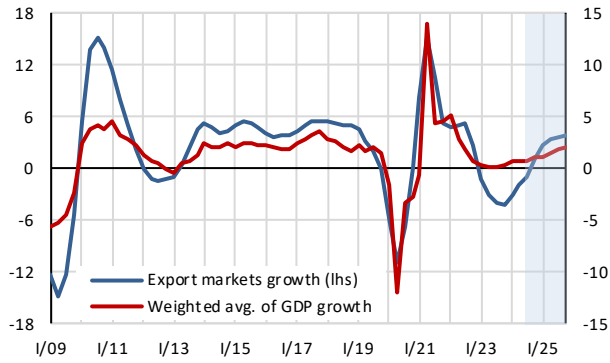
The **current external balance** (national accounts methodology) reached a surplus of 4.0% of GDP in Q2 2024 (Graph 3.4.8). From a sectoral perspective, this was mainly driven by households and non-financial corporations, whose savings exceeded investment by 4.6% and 2.2% of GDP, respectively. In the general government sector, however, the relationship between savings and investment was reversed, with gross capital formation exceeding gross savings by 3.3% of GDP.

² At the same time, it is necessary to point out the methodological bias of the decomposition used. Export performance is calculated as the ratio of total exports of goods to export markets. It is therefore based on the principle that faster growth of exports compared to imports in trading partners leads to a higher share of Czech goods on those markets at the expense of other countries, and therefore to a higher growth of this indicator. However, in the case of a significant decline in imports from our trading partners, i.e. also in export markets compared to Czech exports, the performance indicator improves without any real increase in exports from the Czech Republic.

³ All quarterly data relative to GDP are reported in annual moving totals.

Graph 3.4.1: GDP and Goods Imports of Partner Countries

YoY growth rate in %, seasonally adjusted



Source: Eurostat. Calculations and forecast of the MoF.

Graph 3.4.2: Real Exports of Goods

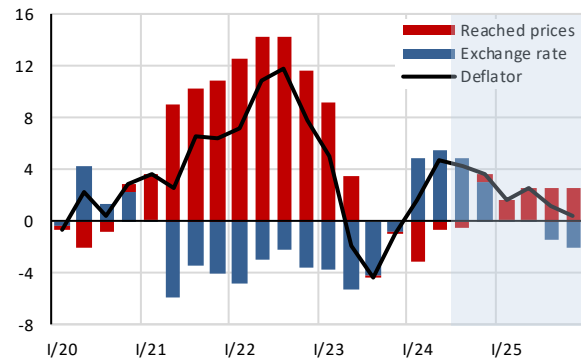
YoY growth in %, contributions in pp, seasonally adjusted



Source: CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 3.4.3: Deflator of Exports of Goods

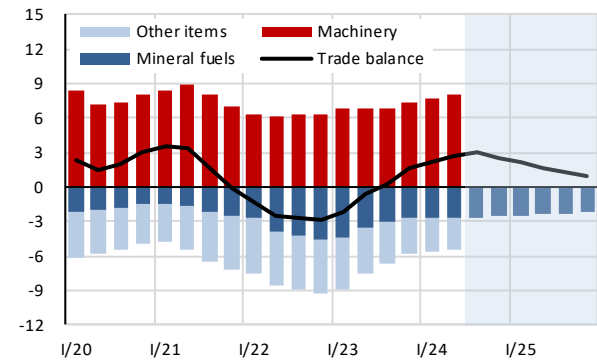
YoY growth in %, contributions in percentage points



Source: CNB, CZSO. Calculations and forecast of the MoF.

Graph 3.4.4: Balance of Trade

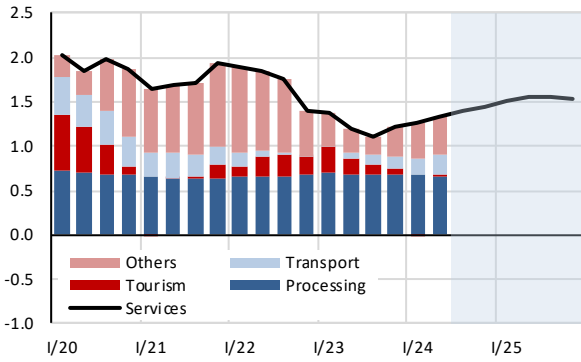
four-quarter moving totals, in % of GDP, change of ownership concept



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.4.5: Balance of Services

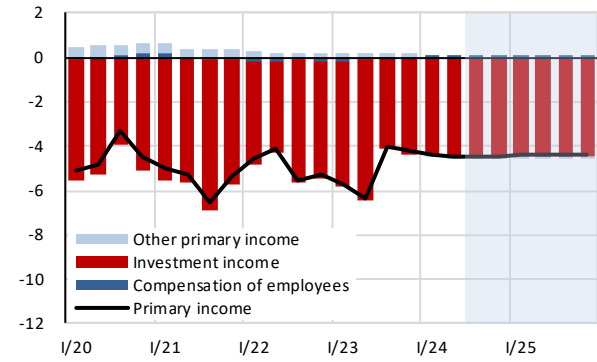
four-quarter moving totals, in % of GDP



Source: CNB, CZSO. Calculations and forecast of the MoF.

Graph 3.4.6: Balance of Primary Income

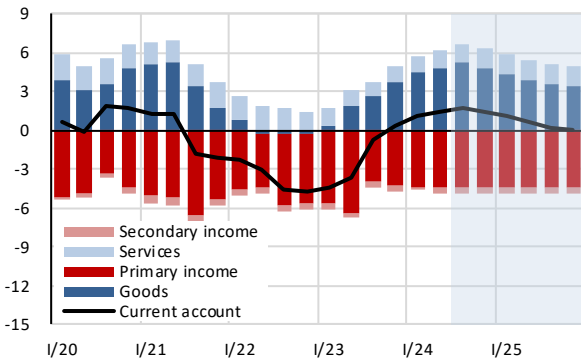
four-quarter moving totals, in % of GDP



Source: CNB, CZSO. Calculations and forecast of the MoF.

Graph 3.4.7: Current Account

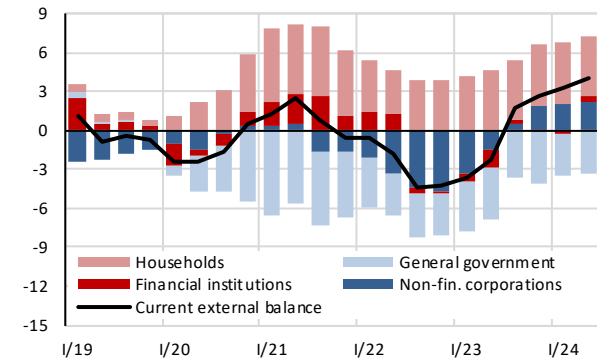
four-quarter moving totals, in % of GDP, BoP methodology



Source: CNB, CZSO. Calculations and forecast of the MoF.

Graph 3.4.8: Current External Balance

four-quarter moving totals, in % of GDP, national accounts



Source: CZSO. Calculations of the MoF.

Table 3.4.1: Decomposition of Exports of Goods (National Accounts Methodology) – yearly*seasonally adjusted*

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | |
|---------------------------------------|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|----------|
| | | | | | | | | | | | Forecast | Forecast |
| GDP ¹⁾ | <i>average of 2010=100</i> | 111.5 | 114.9 | 117.6 | 119.7 | 113.9 | 120.0 | 123.2 | 123.5 | 125 | 127 | |
| | <i>growth in %</i> | 2.1 | 3.1 | 2.3 | 1.8 | -4.9 | 5.4 | 2.6 | 0.2 | 0.8 | 1.7 | |
| Import intensity ²⁾ | <i>average of 2010=100</i> | 109.9 | 112.0 | 115.2 | 115.8 | 114.7 | 119.3 | 121.4 | 117.4 | 115 | 117 | |
| | <i>growth in %</i> | 1.8 | 1.9 | 2.8 | 0.6 | -1.0 | 4.1 | 1.8 | -3.3 | -1.9 | 1.8 | |
| Export markets ³⁾ | <i>average of 2010=100</i> | 122.6 | 128.8 | 135.4 | 138.7 | 130.6 | 143.2 | 149.6 | 145.0 | 143 | 148 | |
| | <i>growth in %</i> | 3.9 | 5.0 | 5.1 | 2.4 | -5.9 | 9.7 | 4.4 | -3.1 | -1.1 | 3.5 | |
| Export performance | <i>average of 2010=100</i> | 112.7 | 115.2 | 113.1 | 111.5 | 110.4 | 108.6 | 108.3 | 114.3 | 117 | 116 | |
| | <i>growth in %</i> | 0.0 | 2.2 | -1.8 | -1.4 | -1.0 | -1.6 | -0.3 | 5.6 | 2.1 | -0.2 | |
| Real exports | <i>average of 2010=100</i> | 138.2 | 148.3 | 153.2 | 154.7 | 144.1 | 155.6 | 162.0 | 165.7 | 167 | 173 | |
| | <i>growth in %</i> | 3.9 | 7.3 | 3.3 | 1.0 | -6.8 | 7.9 | 4.2 | 2.3 | 0.9 | 3.2 | |
| 1 / NEER | <i>average of 2010=100</i> | 106.9 | 103.9 | 100.2 | 100.5 | 102.4 | 99.1 | 95.7 | 92.4 | 97 | 96 | |
| | <i>growth in %</i> | -2.1 | -2.8 | -3.6 | 0.3 | 1.9 | -3.3 | -3.3 | -3.5 | 4.6 | -0.8 | |
| Prices on foreign markets | <i>average of 2010=100</i> | 98.2 | 100.2 | 103.2 | 103.8 | 103.2 | 111.9 | 126.7 | 130.5 | 129 | 132 | |
| | <i>growth in %</i> | -0.7 | 2.1 | 3.0 | 0.6 | -0.6 | 8.4 | 13.2 | 3.0 | -0.9 | 2.3 | |
| Exports deflator | <i>average of 2010=100</i> | 104.9 | 104.2 | 103.4 | 104.4 | 105.7 | 110.8 | 121.3 | 120.6 | 125 | 127 | |
| | <i>growth in %</i> | -2.8 | -0.7 | -0.7 | 1.0 | 1.3 | 4.8 | 9.4 | -0.6 | 3.6 | 1.5 | |
| Nominal exports | <i>average of 2010=100</i> | 144.9 | 154.4 | 158.4 | 161.5 | 152.3 | 172.4 | 196.6 | 199.8 | 209 | 219 | |
| | <i>growth in %</i> | 1.0 | 6.5 | 2.6 | 2.0 | -5.7 | 13.2 | 14.1 | 1.7 | 4.5 | 4.8 | |

¹⁾ Weighted average of GDP of eight most important partners – Germany, Slovakia, Austria, the United Kingdom, Poland, France, Italy and Hungary.²⁾ Index of ratio of real imports of goods to real GDP.³⁾ Weighted average of imports of goods of main partners.

Source: CNB, CZSO, Eurostat. Calculations and forecast of the MoF.

Table 3.4.2: Decomposition of Exports of Goods (National Accounts Methodology) – quarterly*seasonally adjusted*

| | | 2023 | | | | 2024 | | | | | |
|---------------------------------------|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|----------|----------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | | |
| | | | | | | | | | | Estimate | Forecast |
| GDP ¹⁾ | <i>average of 2010=100</i> | 123.3 | 123.3 | 123.7 | 123.6 | 124.1 | 124.3 | 125 | 125 | | |
| | <i>growth in %</i> | 0.3 | 0.1 | 0.1 | 0.4 | 0.6 | 0.8 | 0.7 | 1.1 | | |
| Import intensity ²⁾ | <i>average of 2010=100</i> | 118.9 | 117.8 | 117.0 | 115.8 | 114.6 | 114.8 | 115 | 116 | | |
| | <i>growth in %</i> | -1.6 | -3.1 | -4.0 | -4.7 | -3.6 | -2.6 | -1.5 | 0.0 | | |
| Export markets ³⁾ | <i>average of 2010=100</i> | 146.6 | 145.3 | 144.8 | 143.1 | 142.2 | 142.7 | 144 | 145 | | |
| | <i>growth in %</i> | -1.3 | -3.0 | -3.9 | -4.3 | -3.0 | -1.8 | -0.8 | 1.2 | | |
| Export performance | <i>average of 2010=100</i> | 113.7 | 115.0 | 113.1 | 115.5 | 116.2 | 116.2 | 118 | 117 | | |
| | <i>growth in %</i> | 6.8 | 8.2 | 2.4 | 5.0 | 2.2 | 1.0 | 3.9 | 1.0 | | |
| Real exports | <i>average of 2010=100</i> | 166.7 | 167.2 | 163.7 | 165.2 | 165.3 | 165.8 | 169 | 169 | | |
| | <i>growth in %</i> | 5.4 | 5.0 | -1.5 | 0.5 | -0.8 | -0.8 | 3.1 | 2.2 | | |
| 1 / NEER | <i>average of 2010=100</i> | 92.0 | 90.9 | 92.4 | 94.2 | 96.5 | 96.0 | 97 | 97 | | |
| | <i>growth in %</i> | -3.7 | -5.2 | -4.2 | -0.8 | 4.9 | 5.5 | 4.9 | 3.1 | | |
| Prices on foreign markets | <i>average of 2010=100</i> | 132.5 | 131.6 | 128.9 | 128.9 | 128.5 | 130.7 | 128 | 130 | | |
| | <i>growth in %</i> | 9.2 | 3.5 | -0.1 | -0.1 | -3.1 | -0.7 | -0.5 | 0.6 | | |
| Exports deflator | <i>average of 2010=100</i> | 121.9 | 119.7 | 119.2 | 121.5 | 124.0 | 125.5 | 124 | 126 | | |
| | <i>growth in %</i> | 5.1 | -1.9 | -4.3 | -0.9 | 1.7 | 4.8 | 4.3 | 3.7 | | |
| Nominal exports | <i>average of 2010=100</i> | 203.2 | 200.1 | 195.2 | 200.8 | 205.0 | 208.0 | 210 | 213 | | |
| | <i>growth in %</i> | 10.8 | 3.0 | -5.7 | -0.4 | 0.8 | 3.9 | 7.5 | 6.0 | | |

¹⁾ Weighted average of GDP of eight most important partners – Germany, Slovakia, Austria, the United Kingdom, Poland, France, Italy and Hungary.²⁾ Index of ratio of real imports of goods to real GDP.³⁾ Weighted average of imports of goods of main partners.

Source: CNB, CZSO, Eurostat. Calculations and forecast of the MoF.

Table 3.4.3: Balance of Payments – yearly
international investment position and gross external debt – end of period

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | |
|--|-----------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|-------------|-----------------|-----------------|
| | | | | | | | | | | | <i>Forecast</i> | <i>Forecast</i> |
| Goods and services | <i>bill.CZK</i> | 365 | 394 | 333 | 358 | 389 | 232 | 76 | 384 | 503 | 414 | |
| | <i>% GDP</i> | 7.5 | 7.6 | 6.1 | 6.1 | 6.7 | 3.7 | 1.1 | 5.0 | 6.3 | 4.9 | |
| Goods | <i>bill.CZK</i> | 259 | 259 | 201 | 240 | 280 | 110 | -23 | 290 | 387 | 284 | |
| | <i>% GDP</i> | 5.3 | 5.0 | 3.7 | 4.1 | 4.8 | 1.7 | -0.3 | 3.8 | 4.8 | 3.4 | |
| Services | <i>bill.CZK</i> | 107 | 135 | 132 | 119 | 109 | 122 | 99 | 93 | 115 | 130 | |
| | <i>% GDP</i> | 2.2 | 2.6 | 2.4 | 2.0 | 1.9 | 1.9 | 1.4 | 1.2 | 1.4 | 1.5 | |
| Primary income | <i>bill.CZK</i> | -253 | -281 | -289 | -319 | -260 | -337 | -373 | -323 | -354 | -367 | |
| | <i>% GDP</i> | -5.2 | -5.4 | -5.3 | -5.4 | -4.5 | -5.3 | -5.3 | -4.2 | -4.4 | -4.4 | |
| Secondary income | <i>bill.CZK</i> | -27 | -33 | -22 | -19 | -26 | -30 | -33 | -37 | -34 | -45 | |
| | <i>% GDP</i> | -0.6 | -0.6 | -0.4 | -0.3 | -0.5 | -0.5 | -0.5 | -0.5 | -0.4 | -0.5 | |
| Current account | <i>bill.CZK</i> | 85 | 80 | 21 | 20 | 103 | -130 | -330 | 24 | 114 | 2 | |
| | <i>% GDP</i> | 1.8 | 1.5 | 0.4 | 0.3 | 1.8 | -2.1 | -4.7 | 0.3 | 1.4 | 0.0 | |
| Capital account | <i>bill.CZK</i> | 52 | 45 | 27 | 27 | 67 | 107 | 45 | 88 | 70 | 78 | |
| | <i>% GDP</i> | 1.1 | 0.9 | 0.5 | 0.5 | 1.1 | 1.7 | 0.6 | 1.2 | 0.9 | 0.9 | |
| Net lending/borrowing | <i>bill.CZK</i> | 137 | 125 | 49 | 46 | 169 | -23 | -286 | 112 | 184 | 79 | |
| | <i>% GDP</i> | 2.8 | 2.4 | 0.9 | 0.8 | 2.9 | -0.4 | -4.1 | 1.5 | 2.3 | 0.9 | |
| Financial account | <i>bill.CZK</i> | 122 | 116 | 61 | 8 | 162 | -18 | -292 | 145 | . | . | |
| | <i>% GDP</i> | 2.8 | 2.4 | 0.9 | 0.8 | 2.9 | -0.4 | -4.1 | 1.5 | 2.3 | 0.9 | |
| Direct investments | <i>bill.CZK</i> | -187 | -46 | -51 | -137 | -149 | -29 | -83 | -16 | . | . | |
| Portfolio investments | <i>bill.CZK</i> | -170 | -268 | 30 | -105 | -136 | 75 | 331 | 90 | . | . | |
| Financial derivatives | <i>bill.CZK</i> | 11 | -14 | -15 | 1 | 11 | -58 | -45 | 1 | . | . | |
| Other investments | <i>bill.CZK</i> | -97 | -802 | 47 | 139 | 388 | -302 | -188 | 34 | . | . | |
| Reserve assets | <i>bill.CZK</i> | 564 | 1 246 | 50 | 110 | 48 | 296 | -307 | 36 | . | . | |
| International investment position | <i>bill.CZK</i> | -1 304 | -1 278 | -1 323 | -1 150 | -932 | -939 | -1 424 | -1 022 | . | . | |
| | <i>% GDP</i> | -26.9 | -24.7 | -24.2 | -19.5 | -16.0 | -14.9 | -20.2 | -13.4 | . | . | |
| Gross external debt | <i>bill.CZK</i> | 3 499 | 4 370 | 4 413 | 4 384 | 4 321 | 4 594 | 4 662 | 4 699 | . | . | |
| | <i>% GDP</i> | 72.2 | 84.4 | 80.6 | 74.4 | 74.1 | 72.8 | 66.1 | 61.7 | . | . | |

Source: CNB, CZSO. Calculations and forecast of the MoF.

Table 3.4.4: Balance of Payments – quarterly*four-quarter moving totals, international investment position and gross external debt – end of period*

| | | 2023 | | | | 2024 | | | |
|--|--------------------------|---------------|---------------|---------------|---------------|--------------|--------------|-------------|-------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | | | Estimate | Forecast |
| Goods and services | <i>bill.CZK</i> | 130 | 227 | 281 | 384 | 438 | 482 | 523 | 503 |
| | <i>% GDP</i> | 1.8 | 3.1 | 3.7 | 5.0 | 5.7 | 6.2 | 6.6 | 6.3 |
| Goods | <i>bill.CZK</i> | 31 | 139 | 199 | 290 | 341 | 378 | 412 | 387 |
| | <i>% GDP</i> | 0.4 | 1.9 | 2.6 | 3.8 | 4.4 | 4.9 | 5.2 | 4.8 |
| Services | <i>bill.CZK</i> | 99 | 88 | 83 | 93 | 97 | 104 | 111 | 115 |
| | <i>% GDP</i> | 1.4 | 1.2 | 1.1 | 1.2 | 1.3 | 1.3 | 1.4 | 1.4 |
| Primary income | <i>bill.CZK</i> | -411 | -468 | -299 | -323 | -336 | -348 | -353 | -354 |
| | <i>% GDP</i> | -5.7 | -6.3 | -4.0 | -4.2 | -4.4 | -4.5 | -4.5 | -4.4 |
| Secondary income | <i>bill.CZK</i> | -32 | -31 | -34 | -37 | -13 | -28 | -31 | -34 |
| | <i>% GDP</i> | -0.4 | -0.4 | -0.5 | -0.5 | -0.2 | -0.4 | -0.4 | -0.4 |
| Current account | <i>bill.CZK</i> | -313 | -273 | -52 | 24 | 89 | 106 | 138 | 114 |
| | <i>% GDP</i> | -4.3 | -3.7 | -0.7 | 0.3 | 1.2 | 1.4 | 1.8 | 1.4 |
| Capital account | <i>bill.CZK</i> | 62 | 85 | 72 | 88 | 80 | 77 | 73 | 70 |
| | <i>% GDP</i> | 0.9 | 1.1 | 1.0 | 1.2 | 1.0 | 1.0 | 0.9 | 0.9 |
| Net lending/borrowing | <i>bill.CZK</i> | -251 | -188 | 20 | 112 | 169 | 183 | 212 | 184 |
| | <i>% GDP</i> | -3.5 | -2.5 | 0.3 | 1.5 | 2.2 | 2.3 | 2.7 | 2.3 |
| Financial account | <i>bill.CZK</i> | -234 | -150 | 68 | 145 | 182 | 213 | . | . |
| Direct investments | <i>bill.CZK</i> | -125 | -122 | -76 | -16 | -18 | 13 | . | . |
| Portfolio investments | <i>bill.CZK</i> | 239 | -46 | -119 | 90 | 104 | 143 | . | . |
| Financial derivatives | <i>bill.CZK</i> | -7 | 16 | 11 | 1 | -26 | -39 | . | . |
| Other investments | <i>bill.CZK</i> | 182 | 427 | 339 | 34 | -43 | -40 | . | . |
| Reserve assets | <i>bill.CZK</i> | -523 | -425 | -86 | 36 | 165 | 136 | . | . |
| International investment position | <i>stock in bill.CZK</i> | -1 448 | -1 283 | -1 135 | -1 022 | -764 | -736 | . | . |
| | <i>% GDP</i> | -20.0 | -17.4 | -15.1 | -13.4 | -9.9 | -9.4 | . | . |
| Gross external debt | <i>stock in bill.CZK</i> | 4 490 | 4 521 | 4 596 | 4 699 | 4 918 | 4 891 | . | . |
| | <i>% GDP</i> | 62.1 | 61.2 | 61.2 | 61.7 | 63.9 | 62.8 | . | . |

Source: CNB, CZSO. Calculations and forecast of the MoF.

4 Survey of Other Institutions' Forecasts

On average, the institutions surveyed expect the Czech economy to grow by 1.0% in 2024 and 2.5% in 2025. According to their estimates, the average inflation rate could reach 2.4% this year and fall slightly to 2.3% next year. The average wage could increase by 6.9% this year, with growth slowing to 6.0% in 2025. The current account of the balance of payments should be in surplus, which should reach 0.8% of GDP this year and 1.0% of GDP next year.

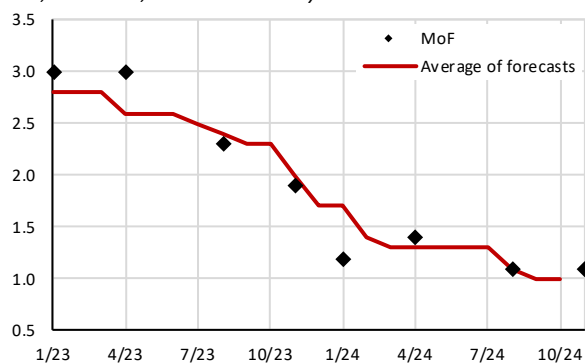
When assessing the differences between the current macroeconomic forecast of the MoF and the average of the estimates of individual institutions, it is necessary to

take into account the date when the forecasts were prepared and the information available to their authors.

The expected GDP growth of the Czech economy for this year is slightly stronger in the forecast of the MoF compared to the average of the monitored institutions. The average inflation rate forecasts for 2024 and 2025 are identical. The same is true for average wage growth for this year. However, the MoF expects stronger earnings growth next year. For 2024, the MoF expects a larger surplus on the current account of the balance of payments compared to the average of the forecasts of the surveyed institutions, while in 2025 it expects a balanced current account.

Graph 4.1: Forecasts for Real GDP Growth in 2024

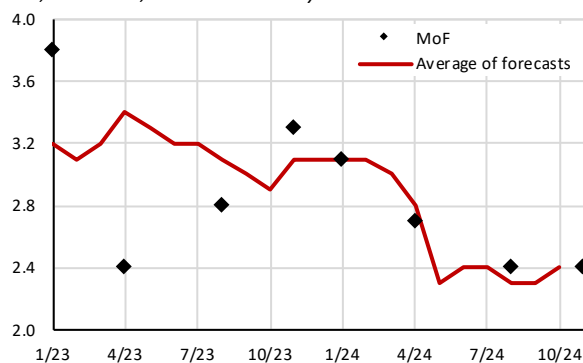
in %; the month, in which the survey was made on the horizontal axis



Source: Forecasts of individual institutions. Calculations of the MoF.

Graph 4.2: Forecasts for Average Inflation Rate in 2024

in %; the month, in which the survey was made on the horizontal axis



Source: Forecasts of individual institutions. Calculations of the MoF.

Table 4.1: Summary of the Surveyed Forecasts

| | | October 2024 | | | November 2024 |
|-------------------------------|------------------------|--------------|------|---------|---------------|
| | | min. | max. | average | MoF forecast |
| Gross domestic product (2024) | growth in %, const.pr. | 0.8 | 1.2 | 1.0 | 1.1 |
| Gross domestic product (2025) | growth in %, const.pr. | 1.5 | 2.9 | 2.5 | 2.5 |
| Average inflation rate (2024) | % | 2.2 | 2.5 | 2.4 | 2.4 |
| Average inflation rate (2025) | % | 1.8 | 2.8 | 2.3 | 2.3 |
| Average monthly wage (2024) | growth in % | 6.6 | 7.4 | 6.9 | 6.9 |
| Average monthly wage (2025) | growth in % | 5.4 | 7.2 | 6.0 | 6.5 |
| Current account / GDP (2024) | % | 0.1 | 1.4 | 0.8 | 1.4 |
| Current account / GDP (2025) | % | 0.1 | 2.3 | 1.0 | 0.0 |

Note: The survey is based on publicly available forecasts of 11 institutions, of which 7 institutions are domestic (Czech Banking Association, CNB, Ministry of Labour and Social Affairs, domestic banks) and the remaining are foreign entities (European Commission, OECD, IMF, The Economist). In the case of GDP, no difference is being made between working-day adjusted and unadjusted forecasts.

Source: Forecasts of individual institutions. Calculations and forecast of the MoF.

Ministry of Finance of the Czech Republic
Economic Policy Department
Letenska 15
118 10 Prague 1

<http://www.mfcr.cz/en>

