

Macroeconomic Forecast of the Czech Republic

January 2025

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The Macroeconomic Forecast is prepared by the Economic Policy Department of the Czech Ministry of Finance. It contains forecast for the year 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:

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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:

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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 14 January 2025.

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 (November 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 is supported by weakening inflation, which is boosting household consumption spending, although consumer confidence in many countries has not yet returned to pre-pandemic levels. In contrast, the restrictive effect of real interest rates continues to limit investment activity. Despite some improvement, the problems in China's real estate sector are also having a negative impact, but their impact is being mitigated by supportive fiscal and monetary measures. GDP growth in the euro area will remain subdued this year despite a modest recovery.

Economic developments are burdened by a high degree of risk, particularly in connection with trade and geopolitical tensions. It is difficult to predict whether and to what extent tariffs on goods imported into the United States will be increased or whether further protectionist measures will be taken. The baseline scenario of the macroeconomic forecast is based on the assumption that there will be no macroeconomically significant escalation of trade disputes, but the forecast is complemented by an analysis of the impact on the Czech economy of imposing tariffs of 10% on goods imported from the European Union to the United States.

Real gross domestic product growth in the Czech Republic accelerated to 0.5% QoQ and 1.4% YoY in Q3 2024 (seasonally and calendar adjusted).

For the full year **2024**, GDP was likely to **increase by 1.1%**. The unwinding of high inflation has translated into an increase in households' real disposable income and consumption expenditure. A slight weakening of investment activity and a decline in inventories held back import dynamics, thus the trade balance supported economic growth. In **2025**, economic growth is expected to be boosted mainly by household consumption and investment spending, and GDP could be **2.3% higher** YoY.

The average **inflation** rate in 2024 was 2.4%. Inflationary pressures were significantly lower last year than in the previous two years. Inflationary external supply factors weakened markedly and domestic demand pressures were further suppressed by elevated monetary policy rates, supported by the restrictive effects of the fiscal consolidation package. This year, the average inflation rate is expected to fall further slightly to 2.3%. Inflationary pressures will continue to be moderated by restrictive monetary policy through interest rates, supported by the expected decline in the dollar oil price and a slight appreciation of the koruna against the euro. Conversely, inflationary factors are represented by continued higher wage growth, the weakening of the koruna against the dollar, as well as increased price dynamics in services, including renewed growth in imputed rents.

Labour market imbalances related to labour shortage continue to manifest themselves. As a result, the unemployment rate could remain at 2.6% in 2024 despite the weak economic momentum. It could fall slightly to 2.5% this year thanks to economic growth. The persistent labour market tightness will not allow a significant slowdown in wage and salary growth. Real earnings should increase last year and this year.

The **current account of the balance of payments** ended with a surplus of 1.2% of GDP in Q3 2024. The significant year-on-year improvement in the external balance was mainly due to an increase in the goods surplus, driven by

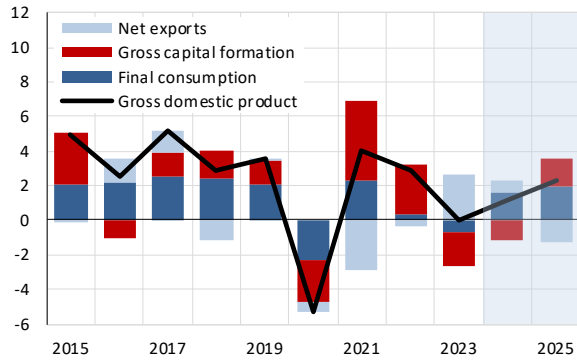
growth in motor vehicle production, lower imports of energy commodities and weaker domestic investment activity. The improvement in the current account balance was offset by higher outflows of investment income (mainly in the form of dividends). Meanwhile, these factors should continue to be relevant over the end of last year. We therefore estimate that the current account ended in 2024 in a surplus at 1.0% of GDP, and could turn into a slight deficit of 0.2% of GDP this year due to the recovery in domestic demand.

The **general government sector** is expected to end 2024 with a deficit 1pp lower year-on-year, despite increased defence spending, higher pensions and flood damage repair costs. The expected deficit of 2.8% of GDP was reduced by the consolidation package, the winding down of energy crisis-related measures and the economic recovery. Further consolidation of public finances is expected this year, bringing the deficit down to 2.3% of GDP. With lower nominal GDP growth, general government debt is projected to reach 43.4% of GDP last year and further increase to 44.3% 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 performance, supply-side problems would create additional inflationary pressures. These could also be triggered by a rise 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 labour market participation of refugees from Ukraine, and the full use of their human capital could boost labour productivity.

The economy will be driven by domestic demand this year

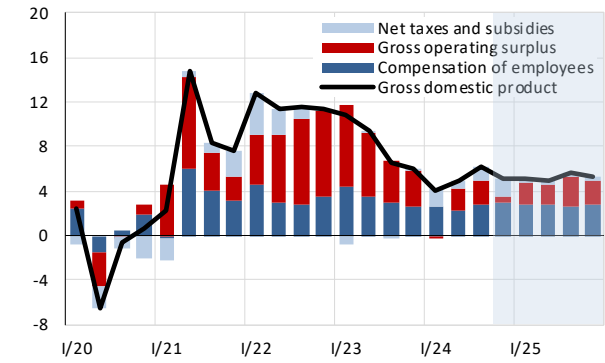
growth rate of real GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Profit growth will slow down significantly

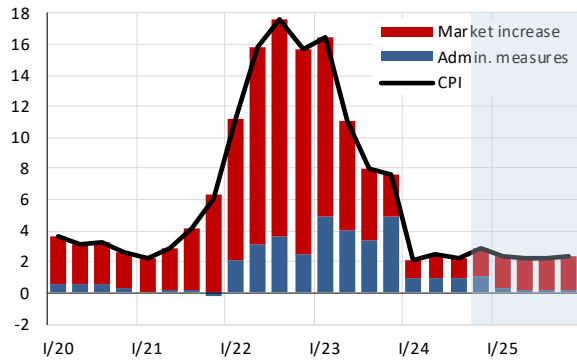
YoY growth of nominal GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Inflation should be close to 2%

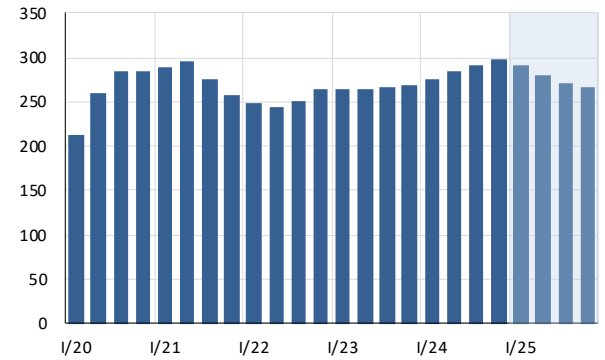
YoY growth rate of CPI in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Unemployment expected to fall this year

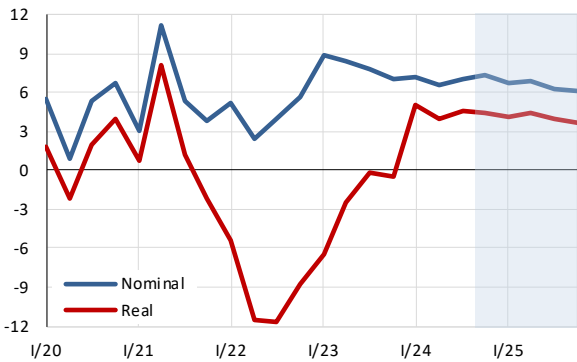
registered unemployment, in thous. of persons, seasonally adjusted



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

Real wages should grow at around 4%

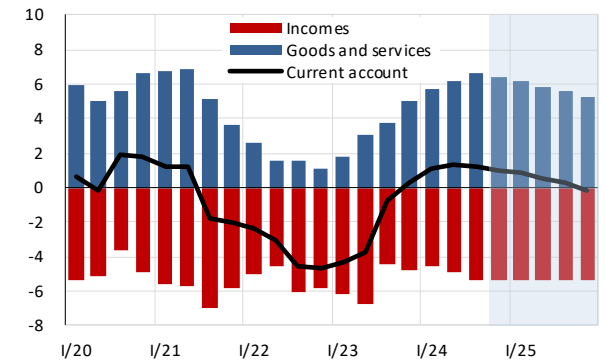
average gross monthly wage, YoY growth rate, in %



Source: CZSO. Calculations and forecast of the MoF.

Current account balance could deteriorate slightly

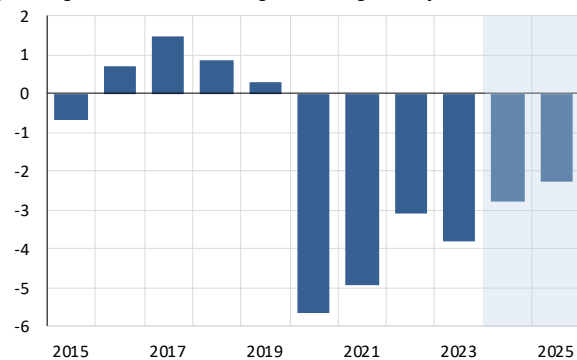
in % of GDP, yearly moving sums



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

Public finance deficit should fall below 3% of GDP

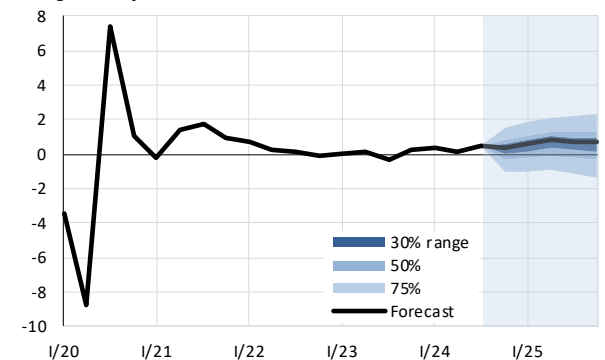
general government net lending/borrowing, in % of GDP



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	8 007	8 431	7 988	8 410
	<i>nominal growth in %</i>	7.5	-1.0	8.2	11.8	8.1	5.1	5.3	4.8	5.3
Gross domestic product	<i>real growth in %</i>	3.6	-5.3	4.0	2.8	-0.1	1.1	2.3	1.1	2.5
Consumption of households	<i>real growth in %</i>	3.1	-6.4	4.2	0.5	-2.8	1.8	3.4	1.9	3.7
Consumption of government	<i>real growth in %</i>	2.6	4.1	1.5	0.4	3.4	3.8	1.8	3.7	1.8
Gross fixed capital formation	<i>real growth in %</i>	7.5	-4.8	6.7	6.3	2.5	-0.1	2.8	0.9	3.6
Contribution of net exports	<i>pp</i>	0.1	-0.6	-2.8	-0.3	2.6	0.7	-1.3	0.9	-1.3
Contrib. of change in inventories	<i>pp</i>	-0.4	-1.2	2.8	1.2	-2.7	-1.1	0.9	-1.6	0.7
GDP deflator	<i>growth in %</i>	3.8	4.5	4.0	8.7	8.1	4.0	3.0	3.7	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	2.6	2.5
Wage bill (domestic concept)	<i>growth in %</i>	7.9	0.4	7.2	9.1	7.7	6.4	6.3	6.2	6.3
Current account balance	<i>% of GDP</i>	0.3	1.8	-2.1	-4.7	0.3	1.0	-0.2	1.4	0.0
General government balance	<i>% of GDP</i>	0.3	-5.6	-5.0	-3.1	-3.8	-2.8	-2.3	-2.8	-2.3
General government debt	<i>% of GDP</i>	29.6	36.9	40.7	42.5	42.4	43.4	44.3	43.9	44.8
Assumptions:										
Exchange rate CZK/EUR		25.7	26.4	25.6	24.6	24.0	25.1	25.1	25.1	24.9
Long-term interest rates	<i>% p.a.</i>	1.5	1.1	1.9	4.3	4.4	4.0	3.7	3.9	3.5
Crude oil Brent	<i>USD/barrel</i>	64	42	71	101	82	81	73	81	72
GDP in the euro area	<i>real growth in %</i>	1.6	-6.2	6.3	3.6	0.5	0.7	1.0	0.8	1.2

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**, e.g. in the context of the situation in the Middle East, poses a risk to some sectors of the economy. In addition to the negative impact on economic performance, supply-side problems would create additional inflationary pressures. These could also be triggered by a rise 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. The possible introduction or increase of **tariffs** in the context of the new US administration or other barriers to foreign trade pose a risk of lower growth for the largely 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.

Oil imports from Russia to the European Union remain severely restricted, and in the case of **natural gas** they have been halted. We expect both commodities to be replaced by imports from other countries, with demand being reduced by, for example, investment in new sources and energy savings.

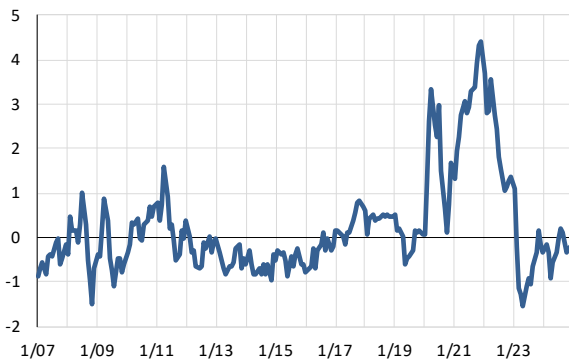
In addition to the persistence of price growth in services, the level of **inflation expectations** also remained a risk. Different **fiscal policy** settings or a change in the structure of consolidation measures would affect the dynamics of economic growth and other variables.

Labour shortages 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. Due 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** supports economic growth, and full use of their human capital could boost labour productivity.

Interest rate developments and substantial price increases in recent years have increased the likelihood that some households and firms will run into repayment problems, which could lead to a reduction in the quality of banks' loan portfolios. However, the economic recovery, renewed real income growth and the expected further decline in interest rates are mitigating these risks. The share of non-performing loans in total loans to households and non-financial corporations remains at low levels.

Global Supply Chain Pressure Index

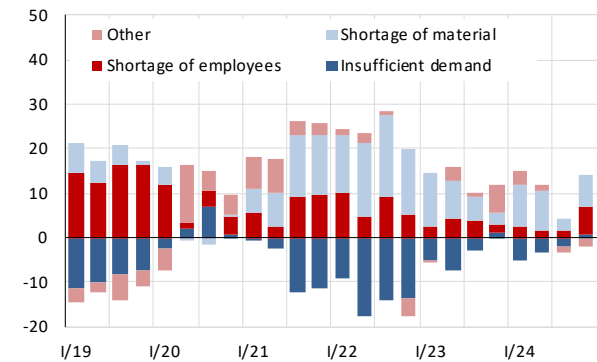
number of standard deviations from the average



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 the last year by restrictive monetary policies in a number of countries and elevated geopolitical and political instability. On the other hand, the normalisation of supply chains had a positive effect on international trade. The disinflation process will continue to have a positive effect on global economic growth, but the effect will be relatively weak as most major economies are already close to their inflation targets. Consumption and private investment should be supported by the ongoing and expected cuts 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*) in 2024 and accelerate to 3.4% (*vs. 3.5%*) in 2025, given the expected improvement in international trade.

US GDP grew by 0.8% QoQ (*vs. 0.7%*) in Q3 2024, driven mainly by household consumption and, to a lesser extent by government spending and gross fixed capital formation. In contrast, changes in inventories and net exports made a negative contribution.

Annual inflation had fallen steadily from April to September, but had risen in the last three months of last year and had reached 2.9% in December. It was driven by the lower base of the previous year and by rising food prices. Core inflation remained elevated and fell slightly to 3.2% in December. The unemployment rate has remained slightly above 4% over the past seven months, falling slightly to 4.1% in December. The labour market remained relatively tight, which, together with the fall in inflation, should support real wage growth. Annual growth in retail sales accelerated in Q4 last year, reaching 3.9% in December. The Fed continued to lower its benchmark interest rate. At its December meeting, the Fed cut the key interest rate by 25 basis points to a range of 4.25%–4.50%. The volume of assets on the Fed's balance sheet will continue to decline, but since June 2024, it has declined at a slower pace than the May 2022 plan indicated.

December's Purchasing Managers' Index signalled the continued expansion of business activity in services. Higher new orders led to a slight increase in employment. In industry, by contrast, conditions were not optimistic at the end of 2024. The fall in demand, particularly from Europe, led to a reduction in new industrial orders and production but firms still increased their number of employees levels slightly.

We estimate that the US economy grew by 2.8% (*vs. 2.7%*) in 2024, with economic activity should have been supported by household consumption spending due to real income growth. In 2025, GDP growth could

slow to 2.3% (*vs. 2.1%*). In addition to continued expansion in household consumption, investment activity should have a positive impact on growth dynamics due to continued monetary easing.

The QoQ growth of **the Chinese** economy accelerated to 0.9% in Q3 2024. The weaker consumption was supported by economic policy measures, such as lowering interest rates (including on existing mortgages). Consumer prices rose by just 0.1% YoY in December and core inflation was 0.4%. YoY growth in industrial production accelerated slightly to 5.4% in November and conditions in manufacturing deteriorated but still remained just inside the expansion zone in December, according to the Purchasing Managers' Index. Activity in services increased slightly on the back of an increase in new domestic orders and was still in the expansion zone despite a decline in employment and lower foreign orders.

We estimate that China's economic growth reached 4.6% (*unchanged*) in 2024 and expect GDP to expand further by 4.3% (*vs. 4.2%*) in 2025. Household consumption momentum should remain weaker given low consumer confidence and a weak 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 tiers 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 0.4% QoQ (*vs. 0.3%*) in Q3 2024 while **euro area's** GDP increased by 0.4% (*in line with the estimate*). Growth was driven mainly by inventory change and household consumption, and to a lesser extent by gross fixed capital formation and government spending. In contrast, net exports hampered growth.

Annual inflation in the euro area rose to 2.0% in December, according to the preliminary estimate, and core inflation remained at 2.7% for the fourth month in a row. The European Central Bank cut the deposit rate by 25 basis points to 3.0% in December 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 stopped reinvestments under this programme by the end of 2024. In addition, it continues to gradually reduce the volume of securities purchased under the Asset purchase programme. In terms of the stimulus to the econ-

omy, fiscal policy should, on balance, be relatively restrictive in 2024, following the expiry of the general escape clause of the Stability and Growth Pact and unwinding of energy support measures.

The unemployment rate was unchanged between August and November, at 5.9% in the EU and 6.3% in the euro area in November. According to the December Purchasing Managers' Index, manufacturing in the euro area remained in a contractionary zone, with the decline in activity driven by most sub-indicators (production, new industrial orders and employment). The European Commission's Business Climate Indicator fell in December while being below its long-term average, illustrating the deterioration of conditions in manufacturing. The Purchasing Managers' Index points to a recovery in activity in the service sector. On the positive side domestic orders, sales and employment increased in December, while new orders from abroad fell. In the EU and the euro area, consumer confidence continued to deteriorate slightly, mainly due to lower expectations of the overall economic situation, and intentions to make major purchases decreased.

Overall, we estimate GDP growth in the EU accelerated to 0.9% (*unchanged*) in 2024, while the euro area economy expanded by 0.7% (*vs. 0.8%*). Amid the decline in inflation, tight labour market and rising real wages, the growth was probably driven by household consumption. Foreign trade, on the other hand, could dampen the momentum on the back of unfavourable developments in industry. In 2025, economic growth could accelerate to 1.1% (*vs. 1.4%*) in the EU and 1.0% (*vs. 1.2%*) 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 0.1% QoQ (*vs. 0.2%*) in Q3, it was hampered by the foreign trade balance, while the change in inventories and, to a lesser extent, household and government consumption contributed positively.

Confidence in manufacturing is deep in a contractionary zone and has fallen further as most sub-indicators (new industrial orders, production and employment) have de-

clined. Manufacturing production fell by 1.9% QoQ in Q3. The Services Purchasing Managers' Index returned to the expansion zone after the decline, despite partial negative signals such as a decline in employment or a reduction in the inflow of new orders. Consumer sentiment improved. On the one hand, there was high economic uncertainty, fear of job losses or high energy prices, while on the other hand the propensity to save decreased and expectations about future income and willingness to buy increased. Annual inflation rose to 2.8% in December, while core inflation increased to 3.3%. The unemployment rate was very stable and remained at 3.4% in November.

We estimate that the German economy contracted by 0.2% (*vs. 0.1%*) in 2024. In addition to the factors mentioned above, economic activity was limited by weaker government investment due to austerity measures in an effort to maintain the national fiscal rule. In 2025, the economy is expected to grow by 0.7% (*vs. 1.0%*), supported by household consumption and a recovery in export activity.

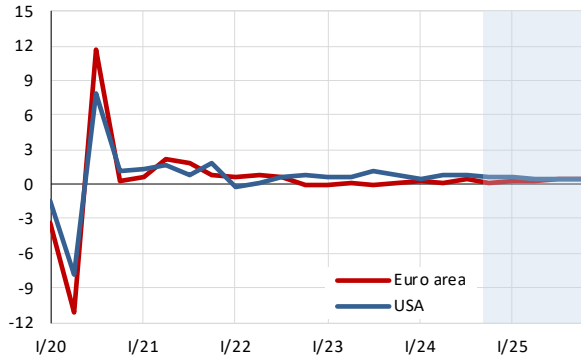
Slovakia's GDP grew by 0.3% QoQ (*vs. 0.5%*) in Q3 2024. The growth dynamics were mostly supported by the external trade balance, when imports fell more sharply in line with the decline in import-intensive gross fixed capital formation. The change in inventories and household consumption also made a positive contribution.

The unemployment rate stagnated at 5.3% in November. Manufacturing output fell QoQ in Q3 and the November data pointed to a further decline, while leading indicators suggested a positive change. Annual inflation declined to 3.1% in December, according to the preliminary estimate, while core inflation rose slightly to 4.4%. Consumer confidence declined slightly in December, mainly due to pessimism about the overall economic situation, and remained slightly below the long-term average.

We estimate that Slovakia's GDP grew by 2.0% (*vs. 2.4%*) in 2024, with household consumption boosted by real wage growth, while foreign trade is likely to dampen growth dynamics. In 2025, GDP growth could accelerate slightly to 2.1% (*vs. 2.6%*) due to the expected increase in external demand.

Graph 1.1.1: Real GDP in the euro area and USA

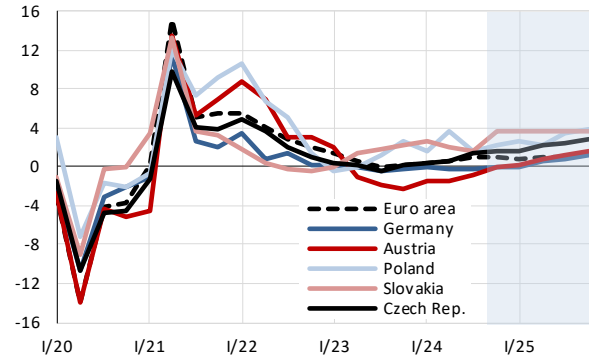
QoQ growth rate in%, seasonally adjusted



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

Graph 1.1.2: Real Gross Domestic Product

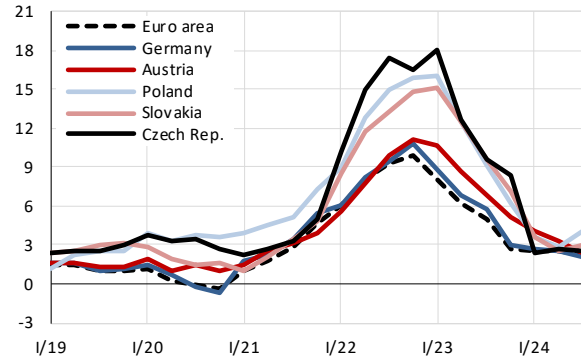
YoY growth in %, seasonally adjusted



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

Graph 1.1.3: HICP

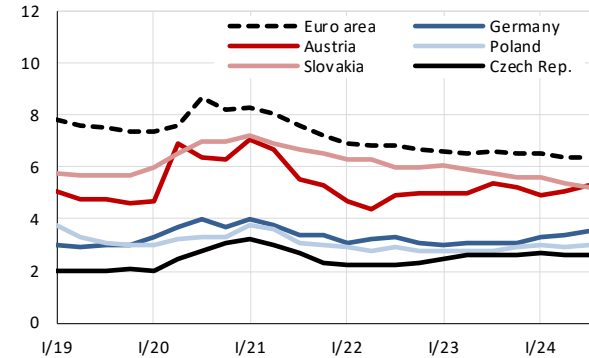
quarterly averages, YoY growth in %



Source: Eurostat. Calculations of the MoF.

Graph 1.1.4: Unemployment Rate

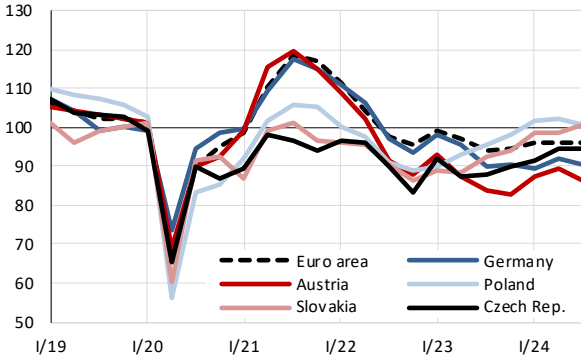
in %, LFS methodology, seasonally adjusted



Source: Eurostat.

Graph 1.1.5: Economic Sentiment Indicator

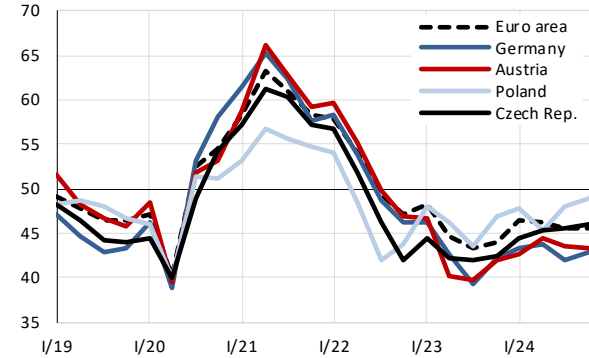
quarterly averages, long-run average = 100



Source: Eurostat. Calculations of the MoF.

Graph 1.1.6: Purchasing Managers' Index

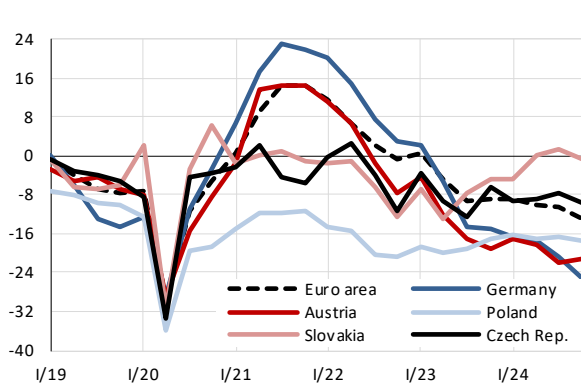
manufacturing, quarterly averages



Source: Markit. Calculations of the MoF.

Graph 1.1.7: Business Tendency

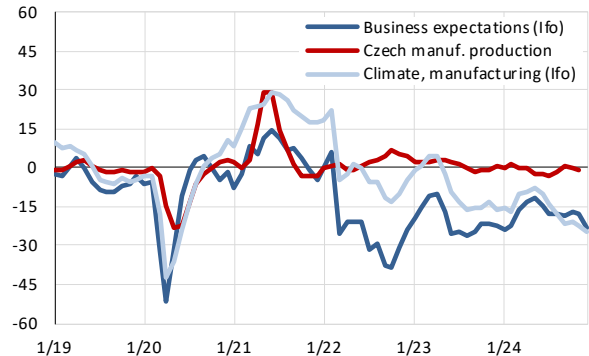
manufacturing, quarterly averages



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	
											Estimate	Forecast
World	seasonally adjusted	3.3	3.8	3.6	2.8	-2.7	6.6	3.6	3.3	2.9	3.4	
USA	seasonally adjusted	1.8	2.5	3.0	2.6	-2.2	6.1	2.5	2.9	2.8	2.3	
China	seasonally adjusted	6.9	6.9	6.6	6.0	1.8	8.9	3.0	5.5	4.6	4.3	
United Kingdom	seasonally adjusted	1.9	2.7	1.4	1.6	-10.3	8.6	4.8	0.4	0.8	1.4	
European Union	seasonally adjusted	1.9	2.9	2.0	1.9	-5.7	6.3	3.5	0.5	0.9	1.1	
Euro area	seasonally adjusted	1.8	2.7	1.7	1.6	-6.2	6.3	3.6	0.5	0.7	1.0	
Germany	seasonally adjusted	2.2	3.0	1.1	1.0	-4.5	3.6	1.4	-0.1	-0.2	0.7	
	unadjusted	2.3	2.7	1.1	1.0	-4.1	3.7	1.4	-0.3	-0.2	1.1	
France	seasonally adjusted	0.7	2.3	1.6	2.1	-7.6	6.8	2.6	1.1	1.1	1.2	
	unadjusted	0.9	2.1	1.6	2.0	-7.4	6.9	2.6	0.9	1.2	1.2	
Italy	seasonally adjusted	1.4	1.7	0.7	0.4	-9.0	8.8	4.8	0.8	0.5	0.9	
	unadjusted	1.3	1.7	0.9	0.5	-8.8	8.9	4.7	0.7	0.7	0.7	
Austria	seasonally adjusted	2.2	2.4	2.4	1.8	-6.5	5.0	5.4	-0.8	-0.9	0.9	
	unadjusted	2.0	2.3	2.4	1.5	-6.4	4.8	5.3	-1.0	-0.7	1.0	
Hungary	seasonally adjusted	2.4	4.3	5.6	5.1	-4.5	7.1	4.3	-0.8	0.5	1.9	
	unadjusted	2.2	4.3	5.4	4.9	-3.8	7.1	4.3	-0.9	0.5	2.0	
Poland	seasonally adjusted	3.1	5.2	5.9	4.4	-2.0	6.9	5.9	0.8	2.3	3.0	
	unadjusted	3.0	5.1	5.9	4.4	-2.0	6.9	5.6	0.9	2.3	3.0	
Slovakia	seasonally adjusted	1.9	2.9	4.1	2.3	-2.6	5.7	0.4	1.4	2.0	2.1	
Czech Republic	seasonally adjusted	2.5	5.3	2.8	3.5	-5.3	4.0	2.9	0.1	1.0	2.3	
	unadjusted	2.6	5.2	2.8	3.6	-5.3	4.0	2.8	-0.1	1.1	2.3	

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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		Estimate				Forecast			
USA	QoQ	0.4	0.7	0.8	0.6	0.5	0.5	0.5	0.5
	YoY	2.9	3.0	2.7	2.5	2.7	2.4	2.2	2.1
United Kingdom	QoQ	0.7	0.4	0.0	0.3	0.4	0.4	0.5	0.5
	YoY	0.3	0.7	0.9	1.4	1.1	1.1	1.6	1.8
European Union	QoQ	0.3	0.2	0.4	0.1	0.3	0.3	0.4	0.4
	YoY	0.6	0.8	1.0	1.1	1.0	1.1	1.1	1.4
Euro area	QoQ	0.3	0.2	0.4	0.1	0.2	0.3	0.4	0.4
	YoY	0.4	0.5	0.9	1.0	0.9	1.0	1.0	1.3
Germany	QoQ	0.2	-0.3	0.1	0.0	0.1	0.3	0.3	0.4
	YoY	-0.1	-0.2	-0.3	0.1	0.0	0.6	0.9	1.2
France	QoQ	0.2	0.2	0.4	0.2	0.3	0.4	0.4	0.4
	YoY	1.4	0.9	1.2	0.9	1.0	1.2	1.2	1.5
Italy	QoQ	0.3	0.2	0.0	0.2	0.2	0.3	0.4	0.4
	YoY	0.3	0.7	0.4	0.7	0.6	0.7	1.1	1.3
Austria	QoQ	0.2	-0.2	-0.1	0.1	0.3	0.4	0.4	0.5
	YoY	-1.5	-1.4	-0.8	0.0	0.1	0.7	1.2	1.6
Hungary	QoQ	0.4	-0.2	-0.7	0.4	0.7	0.8	0.8	0.8
	YoY	1.6	1.3	-0.7	-0.1	0.2	1.3	2.8	3.3
Poland	QoQ	0.6	1.2	-0.1	0.5	0.9	0.9	0.9	0.9
	YoY	1.7	3.7	1.7	2.2	2.5	2.3	3.4	3.8
Slovakia	QoQ	0.7	0.2	0.3	0.5	0.5	0.6	0.7	0.7
	YoY	2.7	2.1	1.7	3.6	3.6	3.6	3.6	3.6
Czech Republic	QoQ	0.4	0.2	0.5	0.4	0.6	0.8	0.7	0.7
	YoY	0.5	0.5	1.4	1.5	1.7	2.3	2.5	2.8

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 75 (vs. USD 74) in Q4 2024, down 11.1% YoY, or 7.9% when measured in CZK. For the full year 2024, the average oil price fell 2.3% YoY to USD 81 (in line with the forecast), and increased 2.1% in CZK due to the significantly stronger dollar.

Global oil demand is projected to increase gradually in the coming quarters, almost exclusively driven by Asian economies, especially India and China. The Organisation of the Petroleum Exporting Countries and other coordinating countries (OPEC+) are restricting oil production to support oil price stability, and the duration of the targeted production cuts has been further extended. Meanwhile, eight OPEC+ countries are voluntarily reducing production beyond this commitment. Non-OPEC+ countries are anticipated to raise their oil output further. The situation in the Middle East in particular poses a risk to the price of oil.

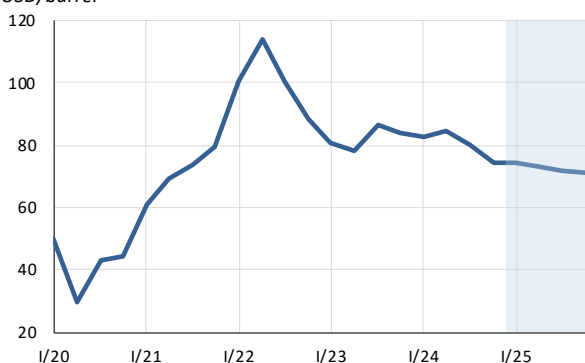
In the futures market, oil with a later delivery date trades cheaper than oil with an earlier delivery date. The

projected development of the Brent crude oil price reflects this downward slope in futures prices. This year, the average price of Brent crude oil is forecast to decline by 9.8% YoY to USD 73 (vs. USD 72); when measured in CZK, the price could fall by a more modest 6.7% due to the continued depreciation of the koruna against the dollar.

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 the economic viability of coal-fired power plants in the coming years. Longer-term energy supply contracts and frontloading of other commodities are helping to relatively stabilise final prices for consumers and businesses.

Graph 1.2.1: Dollar Price of Brent Crude Oil

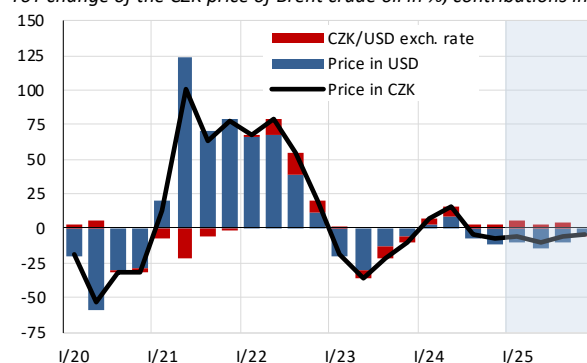
USD/barrel



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
		<i>Forecast</i>									
Crude oil Brent	USD/barrel	43.6	54.2	71.3	64.3	41.8	70.8	101.0	82.4	80.6	73
	growth in %	-16.9	24.3	31.7	-9.8	-35.0	69.3	42.7	-18.4	-2.3	-9.8
Crude oil Brent index (in CZK)	2010=100	70.1	83.1	102.1	97.1	63.6	101.1	155.3	120.6	123.1	115
	growth in %	-17.4	18.5	22.9	-4.9	-34.6	59.1	53.5	-22.3	2.1	-6.7
Natural gas (Europe)	USD/MMBtu	4.6	5.7	7.7	4.8	3.2	16.1	40.3	13.1	11.0	.
	growth in %	-33.1	25.3	34.4	-37.5	-32.5	397.1	150.3	-67.5	-16.4	.
Natural gas (Europe) index (in CZK)	2010=100	70.7	84.2	106.0	69.6	47.1	222.9	601.4	184.5	161.2	.
	growth in %	-33.4	19.2	25.8	-34.3	-32.4	373.7	169.7	-69.3	-12.6	.

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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1 <i>Forecast</i>	Q2 <i>Forecast</i>	Q3 <i>Forecast</i>	Q4 <i>Forecast</i>
Crude oil Brent	<i>USD/barrel</i>	82.9	84.7	80.0	74.7	74.2	73.1	72.1	71.3
	<i>growth in %</i>	2.3	8.6	-7.7	-11.1	-10.5	-13.7	-9.8	-4.5
Crude oil Brent index (in CZK)	<i>2010=100</i>	126.1	129.2	120.9	116.2	119.5	115.6	113.2	111.0
	<i>growth in %</i>	6.5	16.1	-4.5	-7.9	-5.2	-10.5	-6.3	-4.5
Natural gas (Europe)	<i>USD/MMBtu</i>	8.8	10.0	11.5	13.6	.	.	.	.
	<i>growth in %</i>	-48.0	-11.5	6.9	0.3	.	.	.	.
Natural gas (Europe) index (in CZK)	<i>2010=100</i>	127.9	147.0	167.0	203.0	.	.	.	.
	<i>growth in %</i>	-45.9	-5.3	10.6	3.9	.	.	.	.

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

1.3 Fiscal Policy

We estimate that the **general government sector** ended **2024** with a deficit of 2.8% of GDP (*unchanged*). Adjusted for the impact of expenditure to cover the consequences of the floods last September, as well as the impact of other one-offs and the business cycle, the structural deficit should decline by 0.5pp YoY to 2.1% of GDP (*unchanged*). The deficit was mainly attributable to the state budget, health insurance companies were also likely to run a slight deficit. In contrast, local governments are expected to retain a positive balance.

The state budget in the national cash methodology reached a deficit of CZK 271.4 billion at the end of 2024, after adjusting the revenue and expenditure side for the impact of EU funds and financial mechanisms, the deficit was even CZK 16 billion higher. Health insurance companies managed on a cash basis at the end of November 2024 with a CZK 2.4 billion worse result YoY and reported a deficit of CZK 7.9 billion. In contrast, local governments achieved a surplus of CZK 71.6 billion over the same period, which was CZK 2.9 billion lower YoY, but this could have decreased towards the end of the year given the December payout dates.

The estimate foresees an increase in total **general government revenue** of more than 6%, of which tax revenue, including social security contributions, is projected to grow by 7.8%. The dynamics of the **value added tax** was negatively affected by the unification of the reduced tax rates to 12% and, at the same time, the shifting of some goods and services between rates. On the other hand, these changes were mitigated by the additional value added tax revenue resulting from the increase in **excise duties**. Their year-on-year dynamics were positively affected by the base effect of the reduced tax rate on diesel until the end of July 2023 and the increase in tax rates on tobacco and alcohol. Tax revenues were 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 was offset by the end of the

across-the-board waiver of the renewable energy levy for households and firms at the end of 2023, while last year the aid only applied to energy-intensive businesses. The increase in **property tax** brought an estimated CZK 10 billion to public budgets.

Growth in the volume of wages and salaries in the economy determined **personal income tax** (11.7%) and **social security contributions** (8.9%). The latter also reflected a CZK 12.7 billion (9.2%) increase in payments for state insured persons. Both titles were also positively affected by discretionary measures in the consolidation package. In the case of **corporate income tax**, two contradictory factors were mainly at work. On the one hand, there was the year-on-year reduction in tax revenue from windfall profit tax, while on the other hand, there was a 2pp increase in the tax rate with an estimated impact of around CZK 21 billion.

As regards other revenues, we are counting on significantly lower **dividend income** from state-owned companies, as well as lower interest on loans granted as part of the Treasury's liquidity management.

General government expenditure has been held back by the consolidation package. We estimate that **final consumption expenditure** growth slowed to 7.6% YoY. Despite the declared savings of 5% on each department's operating expenditure, intermediate consumption has maintained a high pace due to, among other things, repairs of flood-damaged assets. In contrast, we expect a slowdown in **compensation of employees** in the general government sector, which is likely to have reached a much lower pace compared to 2023. Available national accounts data for the first 3 quarters of 2024 confirmed the still high double-digit pace of **social transfers in kind**. These have been driven by rising health insurance expenditure, made possible not only by increases in social security contributions and payments for state insured persons, but also by the deficit of the public health insurance system. In addition, the already high level of housing benefit payments increased.

The composition of **cash social benefits** was dominated by pension benefits, whose indexation resulted in a 3.6% increase in pension expenditure. In terms of dynamics, however, unemployment benefits, sickness insurance benefits, care allowances and payments for the state insured persons grew in particular. Humanitarian benefits to refugees from Ukraine and emergency aid to citizens affected by the September floods also increased the volume of disbursements. All this probably led to an increase in social benefits of 4.6% in total.

According to the national accounts, the pace of **investment in fixed assets** accelerated in Q3 last year due to the impact of local governments. For 2024 as a whole, we estimate investment growth of 1.8%, driven by spending in transport infrastructure and defence, where the legal threshold of 2% of GDP has been reached. The investment already started as a result of the September 2024 floods should then contribute to a minimal extent to overall growth. In the case of EU co-financed spending, the implementation of the EU Next Generation Instrument and the unfolding 2021-2027 financial perspective played a role.

The measures of the consolidation package, together with the end of temporary titles approved in response to the energy crisis, represented annual savings in **subsidies** and partly **current transfers** in tens of billions of CZK.

The government's consolidation efforts and the ongoing economic recovery should be reflected in the general government outturn **in 2025**, when we expect the deficit to be further reduced.

Rising real earnings should boost household consumption and have a positive impact on **value added tax** revenue. It will also reflect higher **excise taxes** on tobacco and alcohol as part of the consolidation package.

The forecast for **personal income tax** and **social security contributions** is based on expected wage and salary growth 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 self-employment contributions with an additional impact in 2025. The automatically indexed payment for state insured persons will bring additional resources for health insurance companies.

The corporate income tax yield should be dampened by a slightly negative aggregate YoY impact of the recorded discretionary measures, as the declining tax yield on 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 have a significant impact on 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.

On the expenditure side, we expect a further year-on-year slowdown in the pace of final consumption expenditure. **Compensation of employees** in the general government sector is expected to be higher than last year, mainly due to salaries indexed to average wages. In addition, we expect wage growth 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 high base year of 2024. For housing benefits, we expect the relatively higher level to be maintained, although spending could weaken slightly due to rising real earnings. The increase should thus be driven by health insurance companies' spending made possible by increases in social security contributions and payments for state insured persons. The year-on-year growth rate of **intermediate consumption** is based on the 2024 level plus spending on repairs of property damaged by the September 2024 floods, which we are forecasting for 2025 as well. On the other hand, the government's ongoing consolidation efforts in operating expenditure should reflect positively.

In the case of **cash social benefits**, a higher amount of funds will be allocated to the payment of pension benefits, 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 the increase in the payment for the state insured persons.

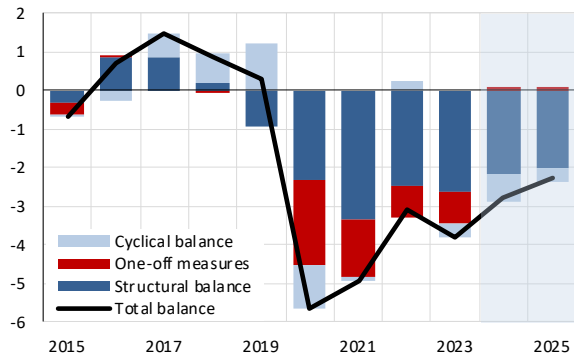
In addition to defence spending, **investment in fixed assets** will also increase spending on the reconstruction of infrastructure and assets following the September 2024 floods. In terms of financing, we anticipate the involvement of resources from the National Recovery Plan, and the unfolding 2021-2027 financial perspective will also have an impact, in line with the current phase of the cohesion funding cycle.

As a result of additional savings in **subsidies and current transfers** under the consolidation package, we expect a slight decline in both these expenditure items.

The government deficit is reflected in the level of **debt**, which is currently estimated to have risen by 1pp to 43.4% of GDP (*vs. 43.9% of GDP*) in 2024 due to lower state debt), and we expect it to rise further to 44.3% of GDP (*vs. 44.8% of GDP*) this year.

Graph 1.3.1: General Government Balance

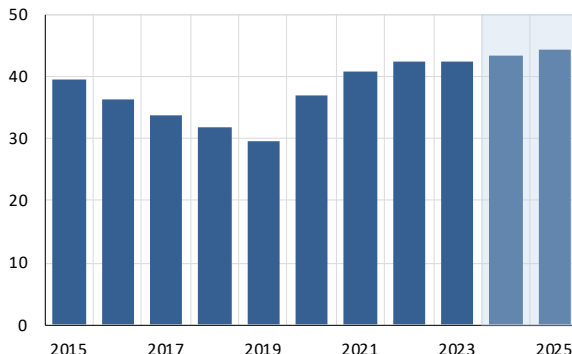
in % of GDP



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

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
											Estimate	Forecast
General government balance	% GDP	0.7	1.5	0.9	0.3	-5.6	-5.0	-3.1	-3.8	-2.8	-2.3	
	bill. CZK	33	76	48	17	-329	-312	-216	-288	-223	-192	
Cyclical balance	% GDP	-0.2	0.6	0.8	1.2	-1.1	-0.1	0.2	-0.3	-0.7	-0.3	
Cyclically adjusted balance	% GDP	0.9	0.8	0.1	-0.9	-4.5	-4.8	-3.3	-3.5	-2.1	-2.0	
One-off measures ¹⁾	% GDP	0.1	0.0	-0.1	0.0	-2.2	-1.5	-0.8	-0.8	0.1	0.1	
Structural balance	% GDP	0.9	0.8	0.2	-0.9	-2.3	-3.3	-2.4	-2.6	-2.1	-2.0	
Fiscal effort ²⁾	pp	1.2	0.0	-0.7	-1.1	-1.4	-1.0	0.9	-0.2	0.5	0.1	
Interest expenditure	% GDP	0.9	0.7	0.7	0.7	0.7	0.7	1.1	1.3	1.4	1.3	
Primary balance	% GDP	1.6	2.2	1.6	1.0	-4.9	-4.2	-2.0	-2.5	-1.4	-0.9	
Cyclically adjusted primary balance	% GDP	1.8	1.6	0.8	-0.2	-3.8	-4.1	-2.2	-2.2	-0.7	-0.6	
General government debt	% GDP	36.2	33.8	31.7	29.6	36.9	40.7	42.5	42.4	43.4	44.3	
	bill. CZK	1 755	1 750	1 735	1 740	2 150	2 567	2 998	3 234	3 478	3 733	
Change in debt-to-GDP ratio	pp	-3.2	-2.5	-2.1	-2.1	7.3	3.8	1.8	-0.1	1.0	0.8	

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.

Note: For the time being, we are keeping the forecast for the general government sector unchanged from the November forecast, except for general government debt.

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 300 basis points in total to 4.0%. Given the outlook for inflationary pressures, we expect the two-week repo rate to continue its gradual decline this year.

The **three-month PRIBOR rate** fell to 4.0% (*in line with the forecast*) in Q4 2024, following a further reduction in the CNB's primary interest rates, and averaged 5.0% (*in line with the forecast*) for the whole of 2024. In Q1 2025, in accordance with the expected path of the CNB's monetary policy, it could fall further to 3.7% (*unchanged*). For the whole year of 2025, we expect an average of 3.5% (*unchanged*).

The **yield to maturity on 10-year government bonds** increased by 0.3pp to 4.1% (*vs. a decline to 3.7%*) on average in Q4 2024 and averaged 4.0% (*vs. 3.9%*) for the whole of 2024. Taking into account the assumed monetary policy stance of the CNB, the Fed, the ECB, as well as inflation outlook, we believe that long-term interest rates could move along a slightly downward trajectory – in Q1 2025, they could fall to 3.9% (*vs. 3.6%*), and average 3.7% (*vs. 3.5%*) for the whole year of 2025. However, the possibility of the US yield curve settling higher for longer is a potential risk to long-term rates staying above the current forecast, especially in the coming quarters.

The annual growth in total **loans to households** was 4.7% in Q3 2024, rising to 5.3% and 5.5% in October and November, respectively. The year-on-year growth mainly reflects the rising volume of housing loans against the backdrop of rising house prices and higher demand due to, among other things, falling interest rates – for new mortgage loans to households, the average client interest rate was 5.1% in Q3 2024, falling to 5.0% and 4.9% in October and November, respectively. For new consumer loans, the rate reached 9.1% in the same period and stood at 8.6% in October and November.

The average client interest rate on total household koruna-denominated loans continues to rise slowly (from 3.3% in H2 2021) – it was 4.3% in Q3 2024 and reached 4.4% in October and November. This increase is (despite the fall in interest rates) due to the higher interest rates on new loans and 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 and by 7.5% and 7.4% in October and November, respectively. 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 interest rate on all household koruna-denominated deposits in Q3 2024 was 1.8%, while in October and November it was around 1.6%.

Loans to non-financial corporations grew by 6.4% YoY in Q3 2024 and by 5.0% and 6.1% in October and November, respectively. The year-on-year growth continues to be primarily driven by growth in foreign currency-denominated loans and, to a lesser extent, by higher volumes of koruna-denominated loans. Foreign currency-denominated loans accounted for 52.1% of total loans to non-financial corporations in November 2024.

The average client interest rate on the total volume of koruna-denominated loans to non-financial corporations was 6.0% in Q3 2024, falling further to 5.7% and 5.5% in October and November, respectively. For deposits the rate decreased from 2.2% to 2.0% and 1.9%, respectively, over the same period.

The **share of non-performing loans** in total loans to non-financial corporations and households continues to hover around historic lows. For households, it stagnated at 1.3% in October and November, while for non-financial corporations it was 2.6%.

The **exchange rate of the Czech koruna against the euro** averaged CZK 25.2/EUR (*in line with the forecast*) in Q4 2024, thus depreciating by 2.9% YoY. For 2024 as a whole, the koruna depreciated by 4.4% to CZK 25.1/EUR (*in line with the forecast*).

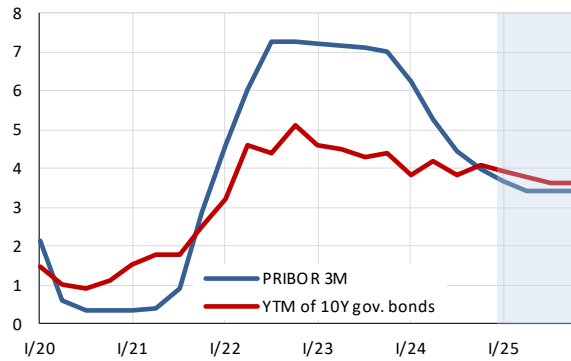
For Q1 2025, we expect the exchange rate at CZK 25.2/EUR (*vs. CZK 25.1/EUR*). In addition to domestic and foreign monetary policy, the exchange rate could be influenced by the new US administration, which has the potential to affect market sentiment, or by uncertainty related to the snap federal elections in Germany.

According to our assumptions, strong pressure from geopolitical environment will shape the exchange rate path of the koruna throughout 2025. External factors could thus roughly offset the slightly positive-looking domestic economic fundamentals – the recovery of the European and domestic economies, higher growth compared to the euro area and a favourable interest-rate differential. Therefore, in 2025, the koruna could appreciate by only 0.2% on average to CZK 25.1/EUR (*vs. CZK 24.9/EUR*). We continue to expect mild appreciation pressures on the koruna exchange rate against the euro due to economic convergence.

The expected development of the koruna against the US dollar is implied by the USD/EUR exchange rate forecast, which is based on the futures contracts prior to the cut-off date for input data. For this year, we estimate the USD/EUR exchange rate at 1.05 (*vs. USD 1.09/EUR*).

Graph 1.4.1: Interest Rates

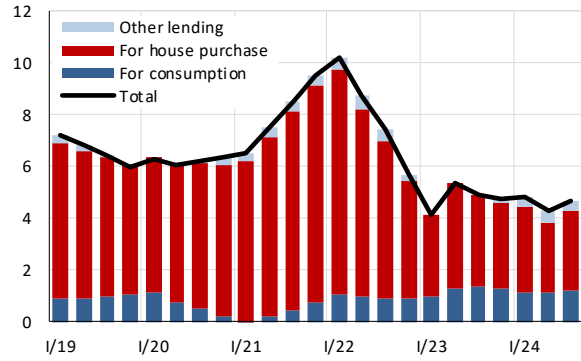
in % p.a.



Source: CNB. Calculations and forecast of the MoF.

Graph 1.4.2: Loans to Households

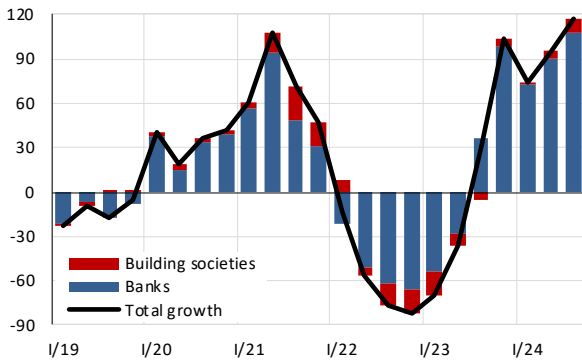
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.3: New Mortgage Loans

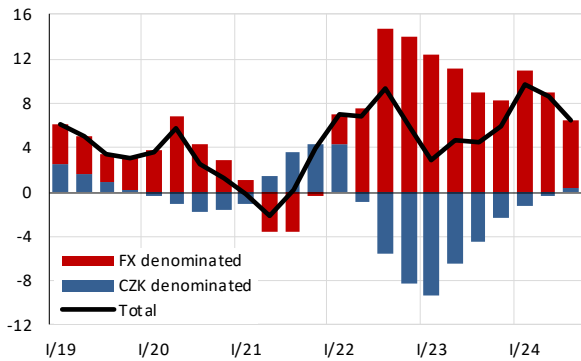
for purchase of residential property, YoY growth in %, contributions in pp



Source: CNB. Calculations of the MoF.

Graph 1.4.4: Loans to Non-financial Corporations

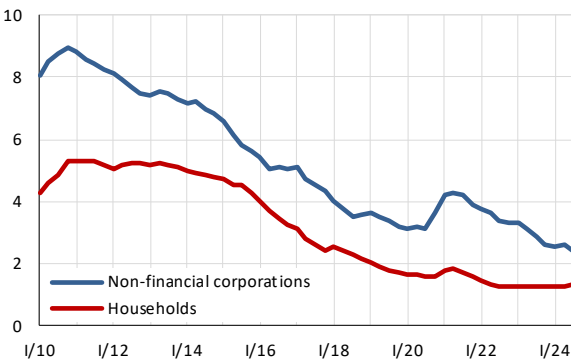
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.5: Non-performing Loans

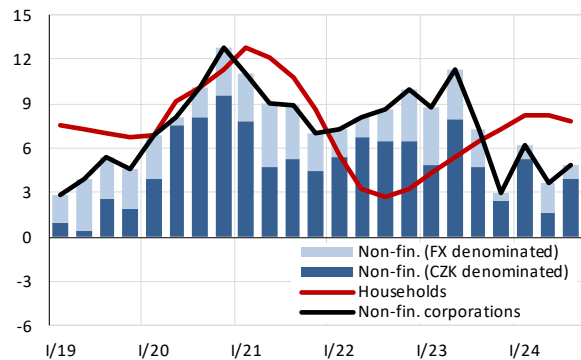
ratio of non-performing to total loans, in%



Source: CNB. Calculations of the MoF.

Graph 1.4.6: Deposits

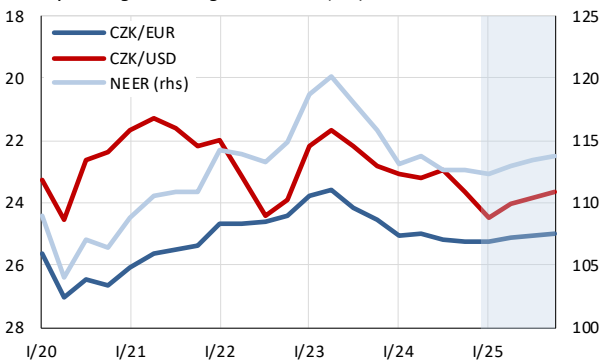
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.7: Nominal Exchange Rates

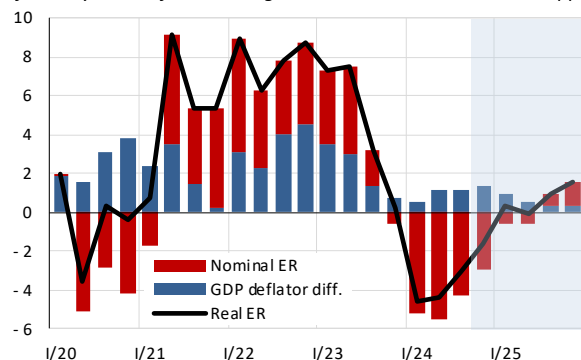
quarterly averages, average 2015=100 (rhs)



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
											<i>Forecast</i>
Repo 2W rate CNB (<i>end of period</i>)	<i>in % p.a.</i>	0.05	0.50	1.75	2.00	0.25	3.75	7.00	6.75	4.00	.
Deposit facility ECB (<i>end of period</i>)	<i>in % p.a.</i>	-0.40	-0.40	-0.40	-0.50	-0.50	-0.50	2.00	4.00	3.00	.
Federal funds rate (<i>end of period</i>)	<i>in % p.a.</i>	0.75	1.50	2.50	1.75	0.25	0.25	4.50	5.50	4.50	.
PRIBOR 3M	<i>in % p.a.</i>	0.29	0.41	1.27	2.12	0.86	1.13	6.29	7.12	4.98	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	3.98	3.7
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*

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Repo 2W rate CNB (<i>end of period</i>)	<i>in % p.a.</i>	5.75	4.75	4.25	4.00	.	.	.	.
Deposit facility ECB (<i>end of period</i>)	<i>in % p.a.</i>	4.00	3.75	3.50	3.00	.	.	.	.
Federal funds rate (<i>end of period</i>)	<i>in % p.a.</i>	5.50	5.50	5.00	4.50	.	.	.	.
PRIBOR 3M	<i>in % p.a.</i>	6.23	5.25	4.44	4.00	3.7	3.4	3.4	3.4
YTM of 10Y government bonds	<i>in % p.a.</i>	3.82	4.19	3.83	4.07	3.9	3.8	3.6	3.6
Client interest rates									
Loans to households	<i>in % p.a.</i>	4.13	4.22	4.31	.	.	.	.	.
Loans to non-financial corporations	<i>in % p.a.</i>	7.13	6.52	5.98	.	.	.	.	.
Deposits of households	<i>in % p.a.</i>	2.29	2.10	1.78	.	.	.	.	.
Deposits of non-financial corporations	<i>in % p.a.</i>	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
								Estimate	Forecast	Outlook	Outlook
Nominal exchange rates											
CZK / EUR	<i>average</i>	25.65	25.67	26.44	25.65	24.57	24.01	25.12	25.1	24.7	24.3
	<i>appreciation in %</i>	2.7	-0.1	-2.9	3.1	4.4	2.3	-4.4	0.2	1.5	1.6
CZK / USD	<i>average</i>	21.74	22.94	23.20	21.68	23.36	22.21	23.21	24.0	23.1	22.3
	<i>appreciation in %</i>	7.6	-5.2	-1.1	7.0	-7.2	5.2	-4.3	-3.3	3.9	3.6
NEER	<i>average of 2015=100</i>	109.1	108.8	106.7	110.4	114.8	118.3	113.2	113	115	117
	<i>appreciation in %</i>	3.7	-0.3	-1.9	3.4	4.0	3.0	-4.3	-0.1	1.7	1.8
Real exchange rate to EA19¹⁾	<i>average of 2015=100</i>	108.9	111.1	110.7	116.3	125.5	131.1	127	128	130	132
	<i>appreciation in %</i>	4.0	2.0	-0.4	5.1	7.9	4.5	-3.4	0.7	1.7	1.6
REER²⁾	<i>average of 2015=100</i>	111.2	111.6	112.4	116.7	126.8	139.6	.	.	.	.
	<i>appreciation in %</i>	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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
					Estimate	Forecast	Forecast	Forecast	Forecast
Nominal exchange rates									
CZK / EUR	<i>average</i>	25.07	24.96	25.20	25.25	25.2	25.1	25.0	25.0
	<i>appreciation in %</i>	-5.1	-5.5	-4.2	-2.9	-0.6	-0.6	0.7	1.2
CZK / USD	<i>average</i>	23.09	23.18	22.94	23.64	24.5	24.0	23.8	23.6
	<i>appreciation in %</i>	-4.0	-6.5	-3.3	-3.5	-5.6	-3.6	-3.7	0.0
NEER	<i>average of 2015=100</i>	113.2	113.8	112.7	112.6	112	113	113	114
	<i>appreciation in %</i>	-4.7	-5.2	-4.6	-2.8	-0.8	-0.7	0.6	1.1
Real exchange rate to EA19¹⁾	<i>average of 2015=100</i>	126.4	127.8	126.6	126	127	128	128	128
	<i>appreciation in %</i>	-4.6	-4.4	-3.1	-1.6	0.4	-0.1	1.0	1.5
REER²⁾	<i>average of 2015=100</i>	134.1	134.3	133.2	.	.	.	.	.
	<i>appreciation in %</i>	-5.0	-5.4	-4.6	.	.	.	.	.

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

At the end of September 2024, the population of the Czech Republic decreased by 3.3 thousand compared to the end of 2023, reaching 10.897 million. The negative balance of natural change (-18.3 thousand) outweighed the positive balance of foreign migration (15.0 thousand).

From January to September of the previous year, 64.2 thousand children were **born** alive, a YoY decrease of 5.9 thousand, or 8.4%. The number of children born in the first to third quarters of 2024 is the lowest since 1992.

The number of **deaths** in the first three quarters of last year reached 82.6 thousand, a decrease of 0.3 thousand or 0.4% compared to the same period in 2023. The number of deaths was 0.8 thousand lower compared to the average number for the first nine months of 2015–2019.

The **balance of foreign migration** in the first to third quarters of 2024 was overall positive, but it fell by 59.3 thousand or 79.8% YoY. A total of 98.5 thousand people immigrated to the Czech Republic, a YoY decrease of 14.2 thousand. Despite the YoY decline, the number of immigrants was more than double the average number for the first three quarters of the years 2017–2021. A total of 83.5 thousand people emigrated from the Czech Republic, which is 45.2 thousand more than the previous year.

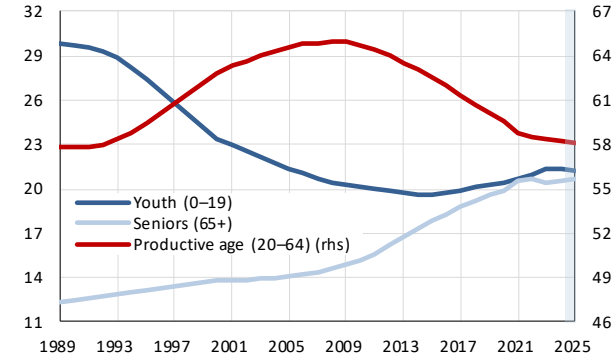
The future intensity of migration flows related to the war in Ukraine cannot be estimated, but we expect some refugees to return to Ukraine, while immigration from that country will remain elevated. We therefore keep the migration balance according to the demographic projection of the CZSO.

At the end of September 2024, the Czech Social Security Administration registered 2.374 million **old-age pensioners**, which corresponded to 21.8% of the Czech population. The number of old-age pensioners increased by 8.2 thousand, i.e. by 0.3% year-on-year (Graph 1.5.3).

This growth can be attributed to a gradual increase in the retiring population cohort, while it was also supported by early retirements, which increased by 44.7 thousand, or 6.2%, year-on-year, but the growth rate slowed down due to stricter rules for early retirement.

Graph 1.5.1: Age Groups

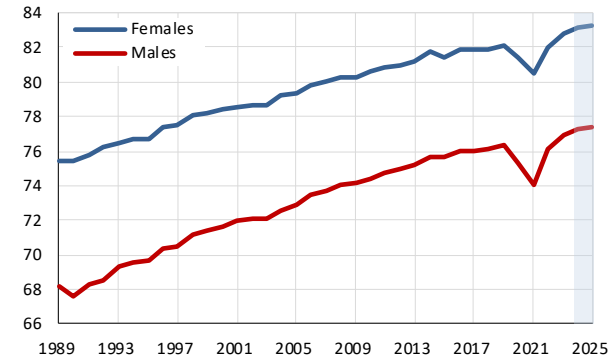
as of 1 January of the given year, shares in total population, in %



Source: CZSO. Calculations of the MoF.

Graph 1.5.2: Life Expectancy at Birth

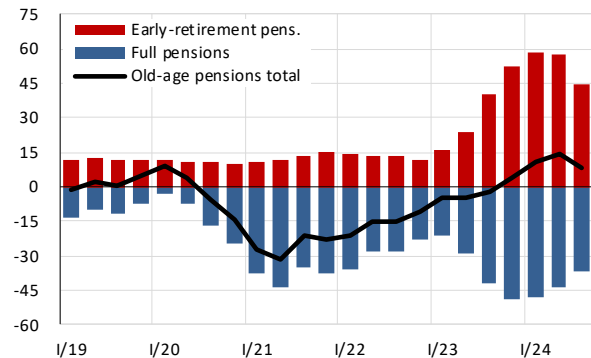
in years



Source: CZSO.

Graph 1.5.3: Old-Age Pensioners

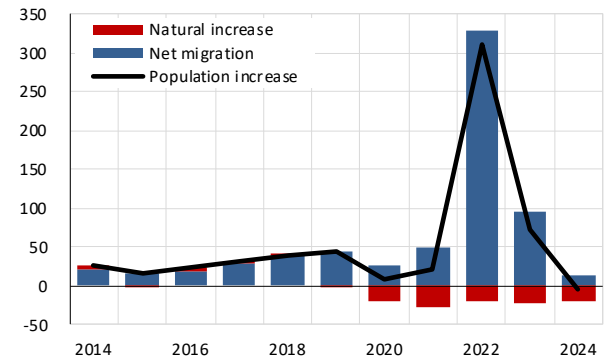
absolute increase over a year in thousands of persons



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

Graph 1.5.4: Population Change

in thousands of persons, 2024 only Q1-Q3



Source: CZSO.

Table 1.5.1: Demographics

		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
								<i>Estimate</i>	<i>Forecast</i>	<i>Outlook</i>	<i>Outlook</i>
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	2 372	2 364	2 360
	<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 of oil imports and the cessation of natural gas imports from Russia to the EU will remain replaced by a combination of 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 operate without major problems and, as a result, there

will be no renewed upward pressure on the price level;

- 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 last year, but we expect it to close gradually over the forecast horizon (Graph 2.1.1). However, given the considerable uncertainty and volatility of economic developments, estimates should be treated with caution.

Potential output growth slowed to 1.4% last year (*unchanged*), according to our estimate. In 2025, its dynamics could remain at 1.4% (*unchanged*) 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 2022-2023 it was neutral. It supported potential output dynamics to the extent of 0.3 pp (*unchanged*) in 2024, and could contribute 0.8 pp (*unchanged*) this year.

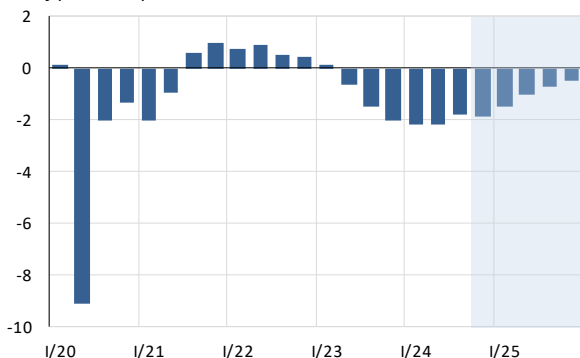
Thanks to the recovery in investment activity, the **capital stock** had been the driver of potential growth in previous years. Given the forecast evolution of gross fixed capital formation and depreciation, the contribution of

this factor could fall to 1.0 pp (*unchanged*) last year and further to 0.6 pp (*unchanged*) in 2025.

The population aged 15 and over contributed significantly to the total potential growth in 2022 and 2023, with the arrival of refugees from Ukraine playing a dominant role. However, the importance of the population aged 15 and over is expected to gradually decline. **The employment rate** in the 15+ age group increased last year, mainly due to the economic recovery and the associated increase in employment. The extension of the statutory retirement age has also been working in the same direction over the long term. **The average number of hours worked** per worker has been on a downward trend over the long term (Graph 2.1.4), with the increased use of part-time work in 2024 also acting in this direction. In aggregate, **the factor of labour** could have supported potential growth of 0.2 pp (*unchanged*) last year, and is expected to be slightly negative at -0.1 pp in 2025 (*against 0.0 pp*).

Graph 2.1.1: Output Gap

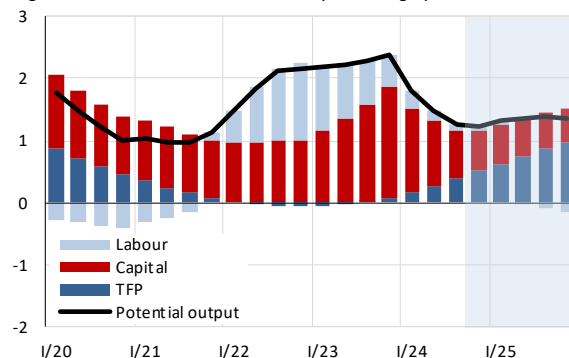
in % of potential product



Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.2: Potential Output

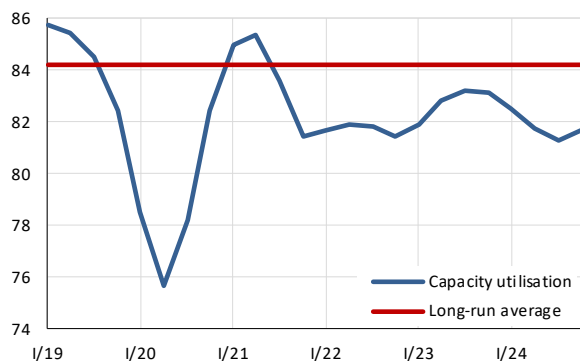
YoY growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.3: Capacity Utilisation in Industry

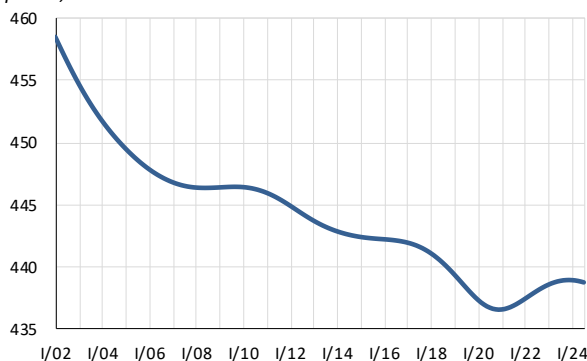
smoothed by centred moving average over 5 quarters, in %



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
								<i>Estimate</i>	<i>Forecast</i>	<i>Outlook</i>	<i>Outlook</i>
Output gap	%	2.3	3.5	-3.1	-0.3	0.6	-1.0	-2.0	-0.9	0.2	1.1
Potential product	growth in %	2.5	2.3	1.4	1.0	1.9	2.3	1.4	1.4	1.4	1.6
Contributions											
Trend total factor productivity	pp	1.7	1.2	0.7	0.2	0.0	0.0	0.3	0.8	1.2	1.3
Fixed assets	pp	0.6	1.2	1.5	0.5	1.3	1.4	1.0	0.6	0.4	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	-0.2	-0.1

Source: CZSO. Calculations and forecast of the MoF.

2.2 Business Cycle Indicators

The development of confidence indicators in Q4 2024 points to a YoY decline in gross value added in industry. In contrast, confidence in the trade and services sectors has improved, both on a quarter-on-quarter and year-on-year basis. Also, positive sentiment developments in the construction sector signals a rise 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 year-on-year growth in exports of goods.

The CZSO's consumer confidence indicator strengthened slightly in Q4 2024 compared with the previous quarter. Its development for Q1 2025 (the confidence indicator shows a 1-quarter lead) suggests that the gradual growth

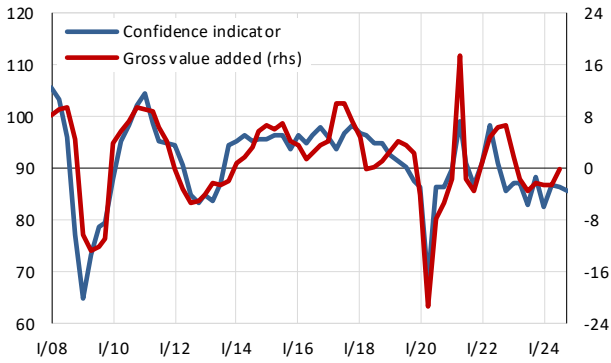
in household final consumption expenditure will continue. A similar development of household consumption is also indicated by the consumer confidence indicator compiled by the MoF from sub-questions of the European Commission's consumer survey. Nevertheless, pessimism continues to prevail among households, stemming from a significantly negative assessment of the economic situation and concerns about the households' financial situation.

As a result, the aggregate confidence indicator for Q4 2024 points to moderate quarter-on-quarter and year-on-year growth in total GVA.

According to the composite leading indicator, the negative output gap should gradually close by mid-2025. This is in line with our current estimate of the economy's position in the business cycle (see Chapter 2.1).

Graph 2.2.1: Confidence and GVA in Industry

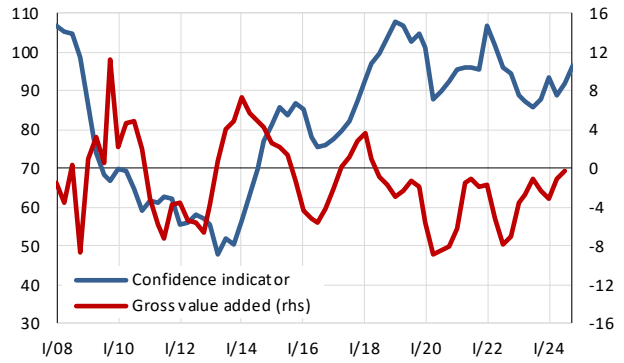
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.2: Confidence and GVA in Construction

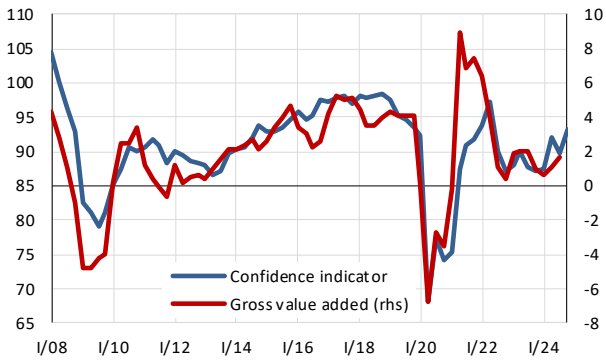
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.3: Confidence and GVA in Trade and Services

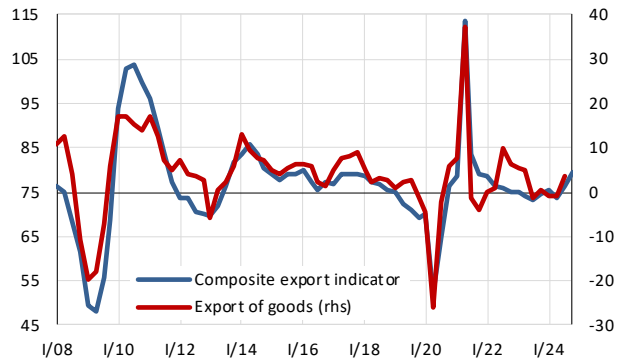
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO. Calculations of the MoF.

Graph 2.2.4: Composite Export Indicator

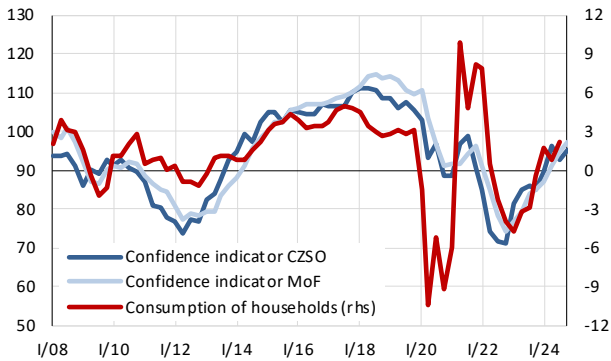
2010=100 (lhs), YoY growth in % (rhs)



Source: CESifo, CZSO. Calculations of the MoF.

Graph 2.2.5: Consumer Confidence and Consumption

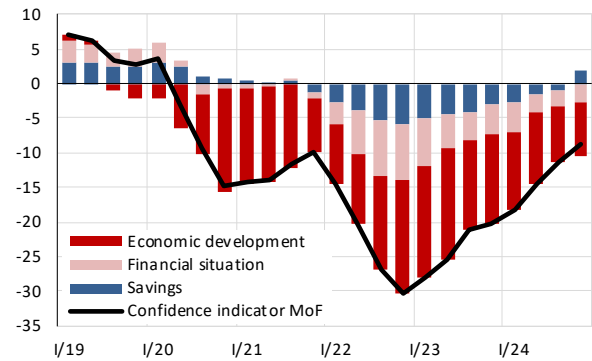
2005=100 (lhs), YoY growth in % (rhs)



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

Graph 2.2.6: Decomposition of Consumer Sentiment

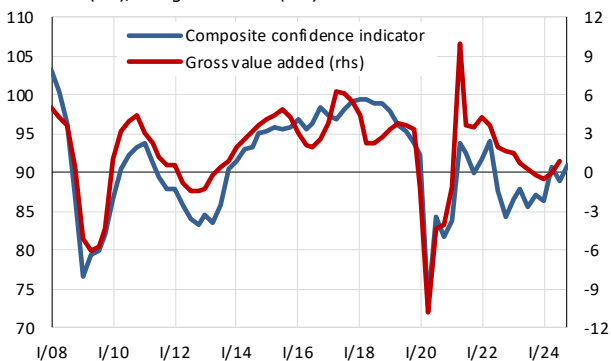
consumer confidence indicator of the MoF, balance, contributions



Source: European Commission. Calculations of the MoF.

Graph 2.2.7: Composite Confidence Indicator and GVA

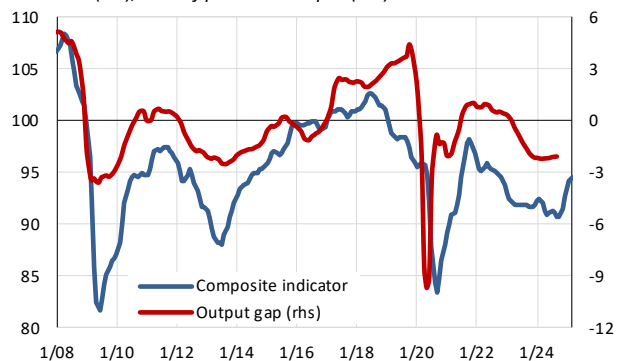
2005=100 (lhs), YoY growth in % (rhs)



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 2.1% year-on-year (vs. 2.0%) in Q3 2024, with seasonally adjusted GDP rising by 0.5% (vs. 0.3%) compared with the previous quarter. Economic activity was boosted most by the trade, transportation, accommodation and food services and manufacturing sectors. GDP growth in H2 2024 has been revised slightly downwards as part of the data revision.

Household consumption was 2.6% higher year on year in Q3 (*in line with the estimate*), due to both growth in real disposable income and a decline in the savings rate. Households increased spending on non-durables relatively the most, but spending increased in all categories except durable goods. Consumption expenditure by residents abroad (at constant prices) declined YoY, but remained at a high level.

Government consumption increased by 3.6% year-on-year (vs. 3.4%), driven mainly by purchases of goods and services, which grew most among health insurance companies and local governments. The higher pace of purchases was then reflected in health insurance companies and social benefits in kind.

Gross fixed capital formation stagnated YoY (vs. 3.8% growth). Investment activity was boosted by investment in transport equipment, dwellings and intellectual property products, while the decline in investment in the category other machinery and equipment worked in the opposite direction. From a sectoral perspective, corporate investment activity weakened, while households and the government sector invested more in YoY. Investment by the general government sector was supported by projects co-financed by EU funds.

The change in inventories and valuables subtracted 0.7 pp from economic growth (vs. 2.6 pp), so gross capital formation fell by 1.9% year on year (vs. 4.5%). Although firms increased their inventories of production inputs, probably because of concerns in supply shortages, inventory accumulation fell YoY due to a decline in the volume of work in progress.

The foreign trade balance supported economic growth to the extent of 0.9 pp (vs. 1.7 pp). While exports of goods and services rose by 6.0% YoY (vs. 5.7%), imports increased by 4.9% (vs. 3.3%). Exports to EU and non-EU countries showed stronger dynamics. In addition to strong export dynamics, imports were stimulated by a higher-than-estimated increase in inventories, especially of raw materials.

We estimate that the Czech economy grew by 0.4% QoQ in Q4 2024 (vs. 0.5%), and that GDP for the whole of 2024 thus grew by 1.1% (*unchanged*). Economic activity

last year was boosted most significantly by a recovery in household consumption, with government consumption and foreign trade also contributing positively to GDP growth. The reduction of inventories had the opposite effect, and the government's consolidation package also had a slightly negative impact.

This year's economic dynamics should be driven by a stronger recovery in household consumption and gross fixed capital formation. However, stronger domestic demand will support a rise in imports and the external trade balance will therefore be negative. Thus, real GDP could grow by 2.3% in 2025 (vs. 2.5%).

Last year, **households' final consumption expenditure** had been supported by a rise in real disposable income, but the restrictive monetary policy stance and, to a lesser extent, the consolidation package had worked in the opposite direction. The savings rate remained at a very high level in historical comparison, despite a slight reduction. We estimate that real household consumption grew by 1.8% in 2024 (vs. 1.9%). We expect households' willingness to spend to increase this year, with the year-on-year decline in the savings rate being driven by the fall in interest rates and the waning desire to build up a financial buffer among low-income households. However, we expect a slightly more gradual acceleration in household consumption following the new data. As a result, household consumption expenditure could increase by 3.4% in 2025 (vs. 3.7%).

General government consumption may have grown by 3.8% in 2024 (vs. 3.7%). In addition to fiscal consolidation, its growth was also dampened by the transition to the new financial perspective 2021-2027, but this was somewhat offset by the surge in current spending from other EU instruments, notably the Recovery and Resilience Facility. Government consumption in the final phase of last year also reflected spending on flood damage recovery. Continued consolidation should also be reflected this year, with real government consumption expenditure likely to increase by 1.8% (*unchanged*).

Gross fixed capital formation stagnated in 2024. Private investment was constrained by persistent problems in euro area countries, a decline in housing construction and lower capacity utilisation in industry. At the same time, the transition to the new financial perspective of EU funds has had negative impact, primarily on general government investment. As a result, gross fixed capital formation might have declined by 0.1% (vs. 0.9% growth) in 2024. Persistent negative sentiment in industry and weak economic growth in the euro area should limit private investment activity in the first half of this

year. On the other hand, growth in the government spending, supported by EU funding from the Recovery and Resilience Facility, as well as onsemi's planned investment in chip production, should be positive. We expect investment activity to grow by 2.8% in 2025 (vs. 3.6%).

Last year the completion of work-in-progress production and a reduction in the accumulation of inventories of production inputs and trade goods (goods for "resale") continued. We estimate that **the change in inventories** thus had a negative impact on GDP growth in 2024, but a positive contribution is already expected in 2025. As a result, gross capital formation may have fallen by 4.1% (vs. 4.9%) last year and should increase by 6.2% (vs. 6.4%) this year.

We estimate that **exports of goods and services** grew by 2.1% last year (vs. 2.0%). The growth momentum was limited by a decline in export markets, while export performance benefited from strong motor vehicle production (see Chapter 3.4). The projected acceleration of export growth in 2025 to 2.9% (vs. 3.3%) reflects the recovery of the main export markets. The dynamism of exports and domestic demand, especially import-intensive investment, is then reflected in the pace of **imports of goods and services**, which could rise by 1.2% (vs. 0.8%) in 2024. The acceleration in growth to 5.3% (vs. 5.6%) in 2025 reflects not only the continued recovery in domestic and foreign demand, but also imports for onsemi's investment mentioned above.

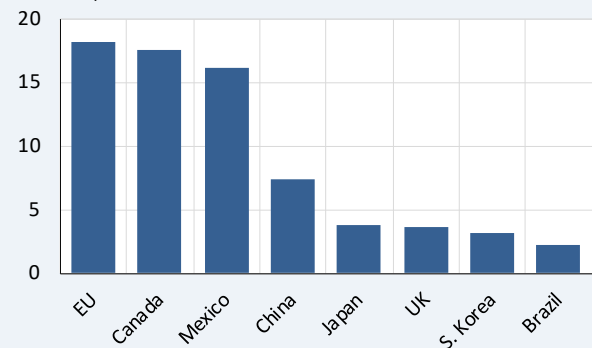
Box 1: The Impact of tariffs on imports of goods to the USA on the Czech economy

In its latest forecast, the World Trade Organisation expects that world trade growth will accelerate from 2.7% in 2024 to 3.0% in 2025, based on the assumption that trade disputes will not escalate, particularly between the US and the EU. With the new US administration, the risks of imposing of tariff and further economic closures have increased significantly. While the US is not a directly important market for the Czech Republic, the deterioration of economic developments in the euro area, where a significant part of Czech exports are headed, poses a risk to the Czech economy. The volume elasticities of foreign trade imply that a 1.0 pp decline in the dynamics of world trade in goods would prompt a 1.1 pp decline in the growth of Czech real exports.

The EU is the largest trading partner for the US, along with Canada and Mexico. In 2023, the EU accounted for over 18% of total US exports (Graph 1), with the Netherlands and Germany accounting for the largest share, with around a fifth of exports to the EU in both countries. The US is also an important trading partner for the EU, with 19.7% of non-EU exports went to the US (Graph 2). Germany accounts for almost a third (31.3%) of EU exports to the US.

Graph 1: US exports – main trading partners

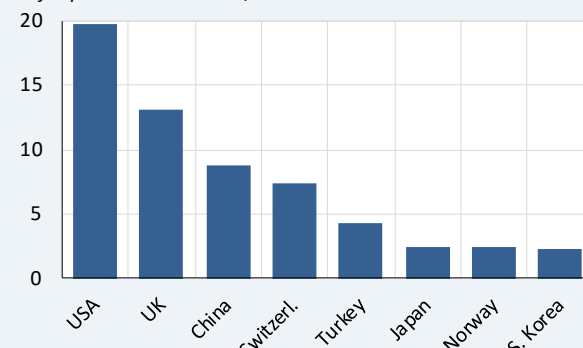
share in %, 2023



Source: US International Trade Administration. Calculations – MoF.

Graph 2: EU exports – main trading partners

% of exports outside the EU, 2023



Source: Eurostat. Calculations – MoF.

The escalation of trade disputes between the US and the EU in the form of universal tariffs thus poses a risk to future economic growth. In our analysis of the impact of the applying tariffs, we consider both direct and indirect effects on the Czech economy. The direct effects stem from a decrease in the volume of foreign trade between the US and the Czech Republic due to the higher tariffs. Indirect effects arise from the spillover effect on the Czech economy due to the decline in trade between the euro area and the US. We are applying tariffs on European goods from the US at least at the level of 10% (including a reciprocal measure from the EU of the same magnitude).

However, the final impact that the introduction of customs measures would have on the Czech economy also depends on factors other than the level of the customs tariffs themselves, especially the extent of the negative impact of customs tariffs on the EU economy, and hence, the US economy. In this respect, estimates vary widely, e.g. the London School of Economics and Political Science¹ estimates a slowdown in EU GDP growth of 0.11 pp.

¹ Saussay, Aurélien (2024): *The economic impacts of Trump's tariff proposals on Europe*. London School of Economics and Political Science, [cit. 15. 1. 2025], <<https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2024/10/Economic-impacts-of-the-Trump-Tariff-Proposals-on-Europe.pdf>>.

Citi² then by 0.3 pp. over two years in the case of unilateral tariffs imposed by the US. Goldman Sachs³ even speaks of a negative impact on eurozone growth up to 1.0 pp. As for the impact on the US, according to the London School of Economics and Political Science, due to a decline in foreign trade and higher costs, real GDP growth in the US would slow down by 0.6 pp. Congressional Budget Office⁴ states that the growth of the US economy in the case of 10% tariffs would be reduced by 0.3 pp. by 2034.

Estimates of the impact of higher tariffs are based on model-estimated elasticities of expenditure components of Czech GDP, while price elasticities of US and EU exports are taken from the International Monetary Fund's estimates⁵. Data on import intensities are based on the OECD's international symmetric input-output tables for 2018⁶.

On this basis, we estimate a slowdown in GDP growth in the euro area by 0.46 pp. For the US, among other things, the less open economy should reduce growth by 0.40 pp. The estimates of MoF do not deviate from those of foreign institutions. They range from -0.1 pp to -1.5 pp for the euro area and between -0.2 pp and -0.6 pp for the US.

The overall impact of a one-off slowdown in the Czech economy could thus amount to -0.4 to -0.5 pp. The effect of the hit on the Czech Republic's foreign trade would be reflected in a slowdown in Czech GDP growth of 0.36 pp. The slowdown in GDP due to a reduction in household final consumption expenditure and gross capital formation would amount to 0.11 pp.

Table 1: Individual effects on GDP of the Czech Republic
in % of GDP

Effects	% of GDP
Impact on direct exports of goods from the CR to the USA	-0.06
Indirect exports to the USA via the main trading partners of the CR	-0.02
Effect of a 0.46 pp weakening of the EA economy	-0.29
Effect of the 0.40 p. p. weakening of the US economy	0.00
Domestic demand response	-0.11
Total impact on GDP	-0.48
of which household final consumption expenditure	-0.04
of which gross fixed capital formation	-0.08
of which foreign trade	-0.36

Source: Calculations of the MoF.

The analysis presents a medium estimate, which could become even more pronounced if there is a sharp decline in the confidence of the economic subjects in future economic development, new restrictive measures or further tariff increases in the context of additional countermeasures. The calculation shows a one-off impact on the Czech GDP. A reduction in the growth rate would be rather temporary. In the medium term, adjustment of the exchange rate would help economic growth to regain momentum. Long-term impacts will also depend on the speed at which companies in the Czech Republic and, especially, in the EU establish new business relationships.

² Citi (2024): *European Road Ahead Special Report: Sizing Up Tariff Risks*. Citi, [cit. 15. 1. 2025], <<https://www.citigroup.com/global/insights/european-road-ahead-special-report-sizing-up-tariff-risks>>.

³ Stehn, Sven Jari a kol. (2024): *Euro Area Outlook 2025: Under Pressure*. Goldman Sachs, [cit. 15. 1. 2025], <<https://www.goldmansachs.com/images/insights/2025-outlooks/Euro-Area-Outlook-2025-Under-Pressure.pdf>>.

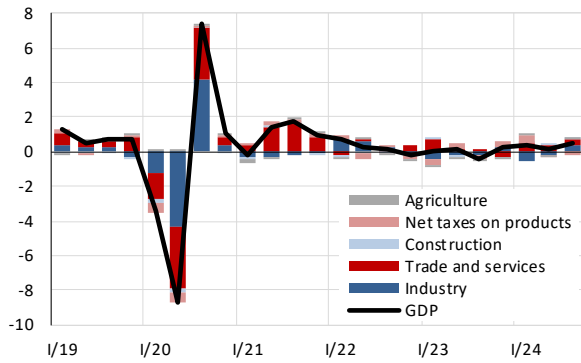
⁴ Congressional Budget Office (2024): *Effects of Illustrative Policies That Would Increase Tariffs*. Congressional Budget Office, [cit. 15. 1. 2025], <<https://www.cbo.gov/system/files/2024-12/61112-Tariffs.pdf>>.

⁵ Boer, Lukas & Rieth, Malte (2024): *The Macroeconomic Consequences of Import Tariffs and Trade Policy Uncertainty*. International Monetary Fund, [cit. 15. 1. 2025], <<https://www.elibrary.imf.org/downloadpdf/view/journals/001/2024/013/article-A001-en.pdf>>.

⁶ OECD (2023): *OECD Inter-Country Input-Output tables*. Organisation for Economic Co-operation and Development, [cit. 15. 1. 2025], <<https://www.oecd.org/sti/ind/inter-country-input-output-tables.htm>>.

Graph 3.1.1: Resources of Gross Domestic Product

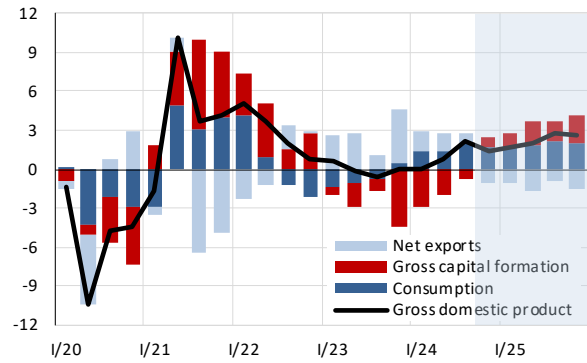
QoQ growth rate of real GDP in %, contrib. in pp, season. adjusted



Source: CZSO. Calculations of the MoF.

Graph 3.1.2: GDP by Type of Expenditure

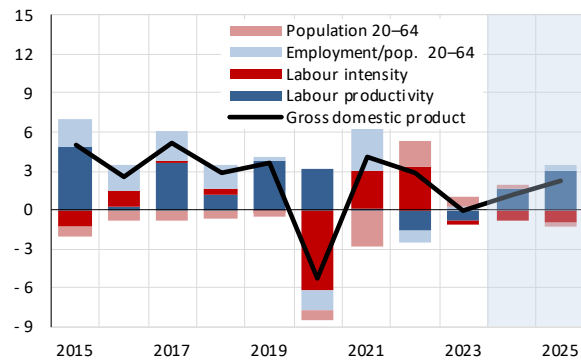
YoY growth rate of real GDP in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.3: Real Gross Domestic Product

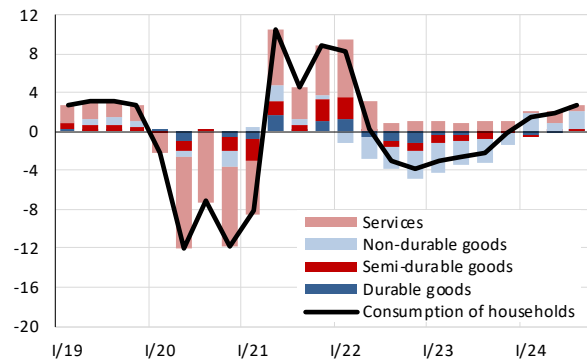
growth in %, contributions in percentage points



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

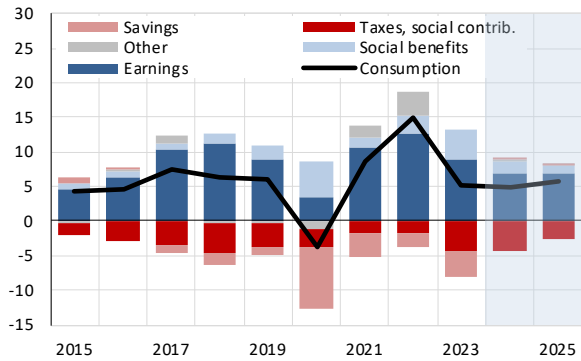
domestic concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.5: Nominal Consumption of Households

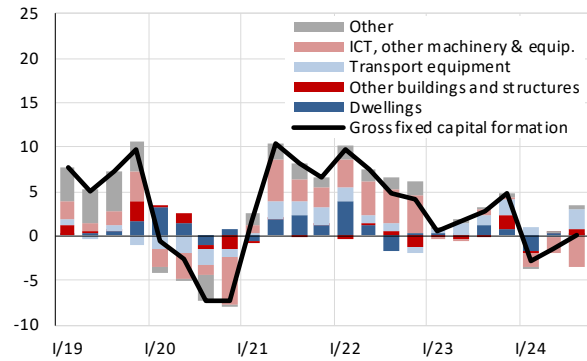
national concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.6: Investment by Type of Expenditure

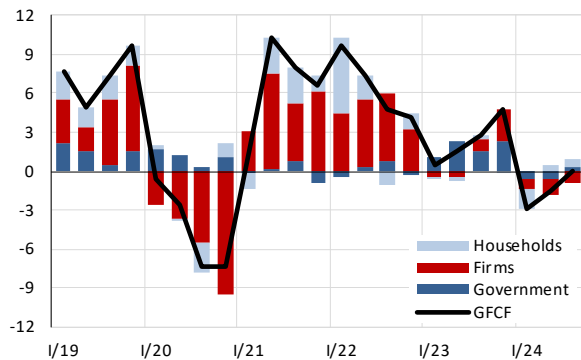
YoY growth rate of real GFCF in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.7: Investment by Sector

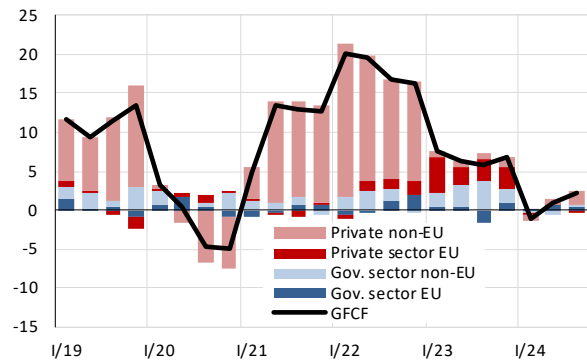
YoY growth rate of real GFCF in %, contributions in percentage points



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>Estimate</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	6 232	6 301	6 444	6 606	6 775
	<i>growth in %</i>	2.8	3.6	-5.3	4.0	2.8	-0.1	1.1	2.3	2.5	2.6
	<i>growth in %¹⁾</i>	2.8	3.5	-5.3	4.0	2.9	0.1	1.0	2.3	2.6	2.4
Private consumption expenditure²⁾	<i>bill. CZK 2020</i>	2 846	2 933	2 745	2 859	2 874	2 795	2 845	2 941	3 030	3 104
	<i>growth in %</i>	3.5	3.1	-6.4	4.2	0.5	-2.8	1.8	3.4	3.0	2.5
Government consumption exp.	<i>bill. CZK 2020</i>	1 169	1 200	1 250	1 268	1 273	1 316	1 366	1 391	1 408	1 434
	<i>growth in %</i>	3.5	2.6	4.1	1.5	0.4	3.4	3.8	1.8	1.2	1.8
Gross capital formation	<i>bill. CZK 2020</i>	1 503	1 589	1 441	1 708	1 881	1 760	1 688	1 792	1 871	1 939
	<i>growth in %</i>	6.4	5.7	-9.3	18.5	10.2	-6.4	-4.1	6.2	4.4	3.6
Gross fixed capital formation	<i>bill. CZK 2020</i>	1 454	1 563	1 488	1 589	1 689	1 732	1 730	1 778	1 837	1 894
	<i>growth in %</i>	8.9	7.5	-4.8	6.7	6.3	2.5	-0.1	2.8	3.3	3.1
Change in stocks and valuables	<i>bill. CZK 2020</i>	49	26	-47	119	192	29	-43	14	35	45
Exports of goods and services	<i>bill. CZK 2020</i>	4 261	4 317	3 949	4 271	4 491	4 614	4 709	4 845	5 029	5 210
	<i>growth in %</i>	3.5	1.3	-8.5	8.2	5.1	2.7	2.1	2.9	3.8	3.6
Imports of goods and services	<i>bill. CZK 2020</i>	3 835	3 884	3 556	4 043	4 284	4 245	4 296	4 523	4 733	4 915
	<i>growth in %</i>	5.5	1.3	-8.4	13.7	5.9	-0.9	1.2	5.3	4.7	3.8
Gross domestic expenditure	<i>bill. CZK 2020</i>	5 520	5 724	5 435	5 835	6 028	5 866	5 893	6 119	6 305	6 472
	<i>growth in %</i>	4.3	3.7	-5.0	7.3	3.3	-2.7	0.5	3.8	3.0	2.6
Real gross domestic income	<i>bill. CZK 2020</i>	5 858	6 085	5 828	6 060	6 077	6 198	6 322	6 485	6 662	6 845
	<i>growth in %</i>	2.8	3.9	-4.2	4.0	0.3	2.0	2.0	2.6	2.7	2.8
Contributions to GDP growth⁴⁾											
Gross domestic expenditure	<i>pp</i>	4.0	3.5	-4.7	6.9	3.2	-2.7	0.4	3.6	2.9	2.5
Consumption	<i>pp</i>	2.4	2.0	-2.3	2.3	0.3	-0.7	1.6	2.0	1.7	1.5
Household expenditure	<i>pp</i>	1.7	1.5	-3.1	2.0	0.3	-1.3	0.9	1.6	1.4	1.2
Government expenditure	<i>pp</i>	0.7	0.5	0.8	0.3	0.1	0.7	0.8	0.4	0.2	0.4
Gross capital formation	<i>pp</i>	1.6	1.5	-2.4	4.6	2.9	-2.0	-1.2	1.6	1.2	1.0
Gross fixed capital formation	<i>pp</i>	2.1	1.9	-1.2	1.7	1.7	0.7	0.0	0.7	0.9	0.8
Change in stocks	<i>pp</i>	-0.5	-0.4	-1.2	2.8	1.2	-2.7	-1.1	0.9	0.3	0.2
Foreign balance	<i>pp</i>	-1.1	0.1	-0.6	-2.8	-0.3	2.6	0.7	-1.3	-0.4	0.0
External balance of goods	<i>pp</i>	-1.0	0.5	-0.4	-3.0	0.5	2.6	0.8	-1.3	-0.4	0.0
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	5 711	.	.	.	.
	<i>growth in %</i>	3.0	3.6	-5.1	3.9	2.9	0.5	.	.	.	.
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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
					Estimate	Forecast	Forecast	Forecast	Forecast
Gross domestic product	<i>bill. CZK 2020</i>	1 476	1 595	1 610	1 620	1 500	1 627	1 654	1 662
	<i>growth in %</i>	0.0	0.8	2.1	1.5	1.7	2.0	2.7	2.6
	<i>growth in % ¹⁾</i>	0.5	0.5	1.4	1.5	1.7	2.3	2.5	2.8
	<i>QoQ in % ¹⁾</i>	0.4	0.2	0.5	0.4	0.6	0.8	0.7	0.7
Private consumption expenditure ²⁾	<i>bill. CZK 2020</i>	679	719	718	730	694	742	745	759
	<i>growth in %</i>	1.4	1.1	2.6	2.0	2.3	3.3	3.9	3.9
Government consumption exp.	<i>bill. CZK 2020</i>	320	333	332	381	329	339	339	384
	<i>growth in %</i>	3.3	4.4	3.6	3.9	2.8	1.7	2.2	0.8
Gross capital formation	<i>bill. CZK 2020</i>	344	430	490	424	361	458	515	458
	<i>growth in %</i>	-11.2	-6.5	-1.9	2.6	4.7	6.6	5.1	8.2
Gross fixed capital formation	<i>bill. CZK 2020</i>	361	423	439	507	372	433	461	512
	<i>growth in %</i>	-2.9	-1.5	0.0	3.2	3.1	2.2	5.2	0.9
Change in stocks and valuables	<i>bill. CZK 2020</i>	-17	7	51	-84	-12	26	53	-54
Exports of goods and services	<i>bill. CZK 2020</i>	1 157	1 193	1 133	1 225	1 191	1 223	1 168	1 262
	<i>growth in %</i>	-1.5	1.2	6.0	2.8	3.0	2.5	3.1	3.0
Imports of goods and services	<i>bill. CZK 2020</i>	1 020	1 077	1 062	1 137	1 073	1 135	1 114	1 201
	<i>growth in %</i>	-3.9	-0.7	4.9	4.6	5.2	5.4	4.9	5.7
Gross domestic expenditure	<i>bill. CZK 2020</i>	1 343	1 481	1 538	1 531	1 384	1 539	1 598	1 599
	<i>growth in %</i>	-1.7	-0.6	1.3	2.6	3.0	3.9	3.9	4.4
Real gross domestic income	<i>bill. CZK 2020</i>	1 478	1 611	1 621	1 613	1 511	1 647	1 669	1 658
	<i>growth in %</i>	1.3	1.7	3.1	1.8	2.2	2.3	3.0	2.8
Gross value added	<i>bill. CZK 2020</i>	1 355	1 451	1 466	.	.	.	.	.
	<i>growth in %</i>	-1.0	0.2	1.7	.	.	.	.	.
	<i>growth in % ¹⁾</i>	-0.5	-0.1	0.9	.	.	.	.	.
	<i>QoQ in % ¹⁾</i>	0.0	0.2	0.8	.	.	.	.	.
Net taxes and subsidies on products	<i>bill. CZK 2020</i>	121	145	145	.	.	.	.	.

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

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.3: Nominal GDP by Type of Expenditure – yearly

		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
								<i>Estimate</i>	<i>Forecast</i>	<i>Outlook</i>	<i>Outlook</i>
Gross domestic product	<i>bill. CZK</i>	5 476	5 889	5 828	6 308	7 050	7 619	8 007	8 431	8 844	9 269
	<i>growth in %</i>	5.7	7.5	-1.0	8.2	11.8	8.1	5.1	5.3	4.9	4.8
Private consumption expenditure ¹⁾	<i>bill. CZK</i>	2 685	2 848	2 745	2 980	3 424	3 599	3 779	4 007	4 219	4 411
	<i>growth in %</i>	6.5	6.1	-3.6	8.6	14.9	5.1	5.0	6.0	5.3	4.5
Government consumption exp.	<i>bill. CZK</i>	1 054	1 141	1 250	1 319	1 381	1 504	1 618	1 706	1 772	1 851
	<i>growth in %</i>	9.2	8.2	9.5	5.5	4.8	8.9	7.6	5.4	3.9	4.5
Gross capital formation	<i>bill. CZK</i>	1 404	1 541	1 441	1 774	2 188	2 134	2 098	2 277	2 422	2 552
	<i>growth in %</i>	8.1	9.8	-6.5	23.1	23.3	-2.4	-1.7	8.6	6.4	5.4
Gross fixed capital formation	<i>bill. CZK</i>	1 360	1 518	1 488	1 655	1 952	2 080	2 124	2 229	2 344	2 458
	<i>growth in %</i>	10.7	11.6	-1.9	11.2	17.9	6.6	2.1	4.9	5.2	4.9
Change in stocks and valuables	<i>bill. CZK</i>	44	24	-47	119	236	55	-26	48	78	94
External balance	<i>bill. CZK</i>	333	359	393	235	57	381	513	440	432	455
Exports of goods and services	<i>bill. CZK</i>	4 140	4 247	3 949	4 450	5 105	5 255	5 553	5 844	6 131	6 408
	<i>growth in %</i>	2.9	2.6	-7.0	12.7	14.7	2.9	5.7	5.2	4.9	4.5
Imports of goods and services	<i>bill. CZK</i>	3 807	3 888	3 556	4 215	5 048	4 874	5 041	5 404	5 699	5 953
	<i>growth in %</i>	4.9	2.1	-8.5	18.5	19.7	-3.4	3.4	7.2	5.5	4.4
Gross national income	<i>bill. CZK</i>	5 163	5 525	5 528	6 123	6 763	7 509	7 862	8 279	8 688	9 108
	<i>growth in %</i>	6.4	7.0	0.0	10.8	10.4	11.0	4.7	5.3	4.9	4.8
Primary income balance	<i>bill. CZK</i>	-313	-364	-301	-185	-287	-109	-145	-151	-156	-161

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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
					<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Gross domestic product	<i>bill. CZK</i>	1 846	2 025	2 050	2 087	1 940	2 126	2 166	2 198
	<i>growth in %</i>	4.1	5.0	6.1	5.2	5.1	5.0	5.7	5.3
Private consumption expenditure ¹⁾	<i>bill. CZK</i>	892	951	953	982	939	1 008	1 014	1 047
	<i>growth in %</i>	4.5	4.3	5.7	5.5	5.2	5.9	6.4	6.5
Government consumption exp.	<i>bill. CZK</i>	365	386	392	475	390	407	415	494
	<i>growth in %</i>	7.1	7.6	7.7	7.8	6.8	5.4	5.9	4.1
Gross capital formation	<i>bill. CZK</i>	426	531	608	533	457	578	653	589
	<i>growth in %</i>	-9.4	-3.8	0.4	5.1	7.2	9.0	7.4	10.5
Gross fixed capital formation	<i>bill. CZK</i>	439	518	539	629	463	540	578	647
	<i>growth in %</i>	-1.2	0.9	2.2	5.6	5.3	4.4	7.4	3.0
Change in stocks and valuables	<i>bill. CZK</i>	-13	13	69	-95	-6	38	75	-58
External balance	<i>bill. CZK</i>	162	157	98	96	154	133	85	68
Exports of goods and services	<i>bill. CZK</i>	1 347	1 411	1 345	1 450	1 421	1 491	1 414	1 518
	<i>growth in %</i>	0.3	6.2	10.4	6.1	5.5	5.6	5.1	4.7
Imports of goods and services	<i>bill. CZK</i>	1 185	1 255	1 247	1 354	1 267	1 358	1 329	1 450
	<i>growth in %</i>	-4.0	2.6	7.8	7.4	6.9	8.2	6.6	7.1

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
								<i>Estimate</i>	<i>Forecast</i>	<i>Outlook</i>	<i>Outlook</i>
GDP	<i>bill. CZK</i>	5 476	5 889	5 828	6 308	7 050	7 619	8 007	8 431	8 844	9 269
	<i>growth in %</i>	5.7	7.5	-1.0	8.2	11.8	8.1	5.1	5.3	4.9	4.8
Balance of taxes and subsidies	<i>bill. CZK</i>	504	534	449	478	592	579	677	708	745	771
	<i>% of GDP</i>	9.2	9.1	7.7	7.6	8.4	7.6	8.5	8.4	8.4	8.3
	<i>growth in %</i>	2.2	6.0	-16.0	6.5	23.8	-2.1	16.9	4.6	5.2	3.4
Taxes on production and imports	<i>bill. CZK</i>	656	696	660	716	780	818	.	.	.	.
	<i>growth in %</i>	3.3	6.2	-5.3	8.5	9.0	4.8	.	.	.	.
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	26.4	.	.	.	.
Compensation of employees <i>(domestic concept)</i>	<i>bill. CZK</i>	2 393	2 580	2 624	2 813	3 031	3 266	3 469	3 689	3 881	4 065
	<i>% of GDP</i>	43.7	43.8	45.0	44.6	43.0	42.9	43.3	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	2 505	2 665	2 832	2 979	3 120
	<i>growth in %</i>	9.6	7.9	0.4	7.2	9.1	7.7	6.4	6.3	5.2	4.7
Social security contributions	<i>bill. CZK</i>	557	599	636	682	706	761	804	857	902	945
	<i>growth in %</i>	10.3	7.6	6.2	7.1	3.5	7.8	5.7	6.6	5.2	4.7
Gross operating surplus and mixed income	<i>bill. CZK</i>	2 579	2 775	2 756	3 016	3 427	3 774	3 862	4 033	4 218	4 433
	<i>% of GDP</i>	47.1	47.1	47.3	47.8	48.6	49.5	48.2	47.8	47.7	47.8
	<i>growth in %</i>	2.9	7.6	-0.7	9.5	13.6	10.1	2.3	4.4	4.6	5.1
Consumption of capital	<i>bill. CZK</i>	1 117	1 201	1 294	1 413	1 577	1 675	1 758	1 902	2 045	2 150
	<i>growth in %</i>	5.1	7.5	7.7	9.2	11.6	6.2	4.9	8.2	7.6	5.1
Net operating surplus	<i>bill. CZK</i>	1 462	1 574	1 462	1 604	1 850	2 099	2 104	2 131	2 172	2 284
	<i>growth in %</i>	1.3	7.7	-7.1	9.7	15.4	13.4	0.2	1.3	1.9	5.1

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.6: GDP by Type of Income – quarterly

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
					<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
GDP	<i>bill. CZK</i>	1 846	2 025	2 050	2 087	1 940	2 126	2 166	2 198
	<i>growth in %</i>	4.1	5.0	6.1	5.2	5.1	5.0	5.7	5.3
Balance of taxes and subsidies	<i>bill. CZK</i>	138	173	183	183	146	180	191	192
	<i>growth in %</i>	24.0	9.5	13.6	23.0	5.6	4.0	4.3	4.8
Compensation of employees <i>(domestic concept)</i>	<i>bill. CZK</i>	828	860	854	927	879	918	908	984
	<i>growth in %</i>	6.1	5.5	6.5	6.8	6.2	6.7	6.3	6.2
	Wages and salaries	<i>bill. CZK</i>	635	660	657	713	675	704	697	756
	<i>growth in %</i>	6.4	5.7	6.6	6.8	6.3	6.7	6.1	6.0
Social security contributions	<i>bill. CZK</i>	193	200	197	214	204	213	211	229
	<i>growth in %</i>	5.1	4.7	6.1	6.8	5.8	6.7	7.0	7.0
Gross operating surplus and mixed income	<i>bill. CZK</i>	880	992	1 013	977	916	1 028	1 067	1 022
	<i>growth in %</i>	-0.2	3.8	4.5	1.0	4.1	3.7	5.3	4.6

Source: CZSO. Calculations and forecast of the MoF.

3.2 Prices

The **average inflation rate** in 2024 was 2.4% (*in line with the forecast*). Annual **consumer price** inflation reached 3.0% (*vs. 3.1%*) in December 2024. In terms of consumer basket divisions, the main driver of December annual inflation was the housing division (1.0pp contribution), mainly due to a 6.2% increase in rentals for housing and an 8.0% rise in electricity prices. In contrast, natural gas prices decreased by 5.5%. Additionally, there was a high contribution of the alcoholic beverages, tobacco (0.4pp) and food and accommodation (0.4pp) divisions. Administrative measures added 1.0pp to inflation, of which regulated prices (especially electricity prices) added 0.9pp and tax changes 0.1pp.

Annual inflation as measured by the **HICP** (3.3% according to preliminary data) was higher than inflation according to the national CPI. This was mainly due to lower growth in imputed rents, which is 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 (Chart 3.2.8) and more expensive and previously regulatory restricted mortgage lending have led (through lower demand for owner-occupied housing) to a slowdown in property price dynamics and, hence, imputed rents. However, this trend has already reversed with the recovered demand for real estate, therefore an acceleration in imputed rents can be expected, especially at the beginning of this year.

In **2024**, inflationary pressures were significantly lower than in the previous two years. Growth in services prices was still markedly elevated (up 5.1%), while goods prices dynamics was subdued (up 0.9%). Administrative measures contributed 1.0pp (*vs. 0.9pp*) to the average inflation rate. Energy prices continued to be the dominant factor last year due to a significant rise in the price of their regulated components. The slightly positive contribution of indirect taxes of 0.1pp (*in line with the forecast*) reflected an increase in excise duties on alcohol and tobacco products, which was partly offset by changes in VAT rates.

The restrictive effect of monetary policy was amplified last year by the income effect of the fiscal consolidation package, and together they moderated domestic demand inflation pressures. A slight decline in the dollar oil price also acted in the direction of lower inflation. On the other hand, nominal wage growth and strong depreciation of the koruna represented inflationary factors.

This year, inflationary pressures will be shaped primarily by market factors. Regulated prices will rise mainly due to growth in regulated energy component prices and an

increase in motorway vignette costs. Cheaper commodity components of electricity and gas should act in the opposite direction. Increase 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 should have anti-inflationary impact this year and monetary policy will continue to moderate inflationary pressures through interest rates, given the length of the transmission. The exchange rate of the koruna against the euro should present more or less neutral factor. Sustained wage growth and the depreciation of the koruna against the dollar should present inflationary factors. Price dynamics in services may remain elevated this 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 slightly to 2.3% (*unchanged*) in 2025. Annual inflation should remain close to the inflation target throughout the year.

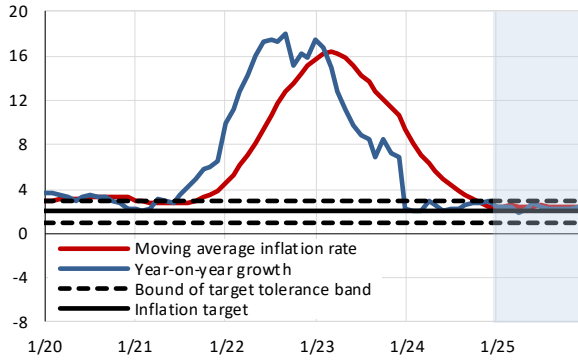
In Q3 2024, the **GDP deflator** increased by 3.9% (*vs. 3.2%*), with the gross domestic expenditure deflator rising by 3.0% (*vs. 2.9%*) and terms of trade improving by 1.3% (*vs. 0.4%*). The growth in the gross domestic expenditure deflator was mainly driven by the household consumption and general government consumption deflators. The marked improvement in the terms of trade was driven not only by lower prices of mineral fuels, but also by rising prices of machinery and transport equipment.

We estimate that GDP deflator growth slowed to 4.0% (*vs. 3.7%*) in 2024 due to lower price dynamics across all components of domestic demand and weaker improvement in the terms of trade. This year, it could fall further to 3.0% (*vs. 2.7%*), mainly due to only a slight improvement in the terms of trade and slower growth in the household consumption deflator.

Last year, the terms of trade were positively affected mainly by the year-on-year decline in mineral fuel prices, which should continue this year. As a result, we estimate that the terms of trade improved by 1.3% (*vs. 0.8%*) in 2024, and we expect them to improve further by 0.4% (*vs. 0.2%*) in 2025.

Graph 3.2.1: Consumer Prices

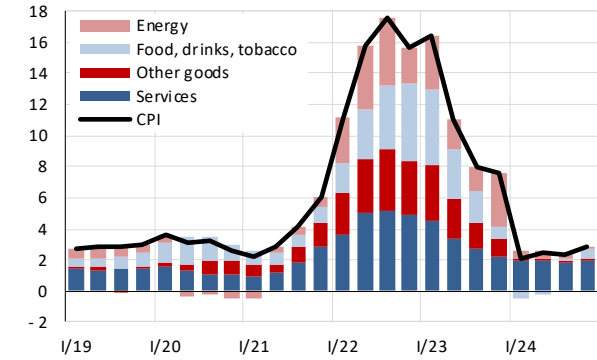
YoY growth rate in %



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

Graph 3.2.2: Consumer Prices in Main Divisions

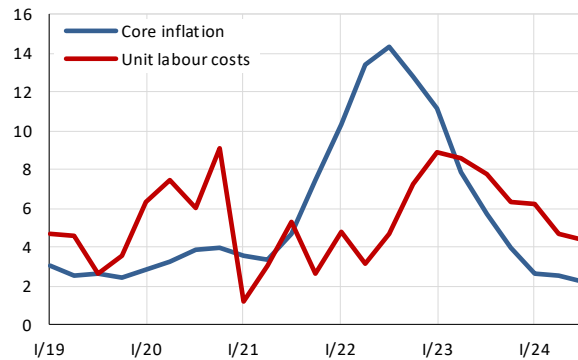
YoY growth of consumer price index in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.2.3: Core Inflation and Unit Labour Costs

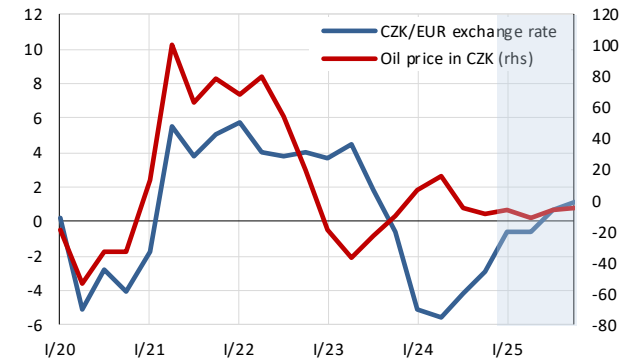
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.4: CZK/EUR and Koruna Price of Oil

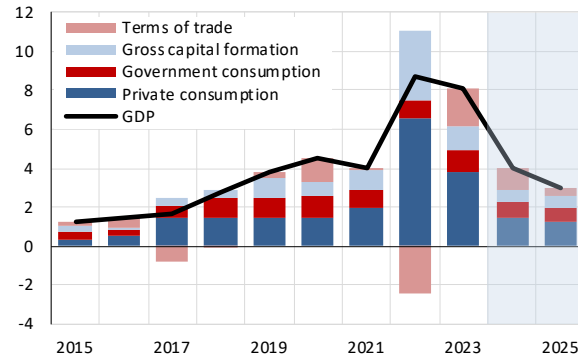
CZK/EUR appreciation, YoY change in CZK price of oil, in %



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

Graph 3.2.5: Gross Domestic Product Deflator

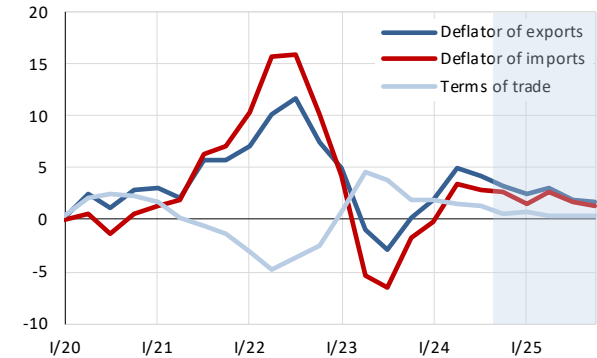
growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.6: Terms of Trade

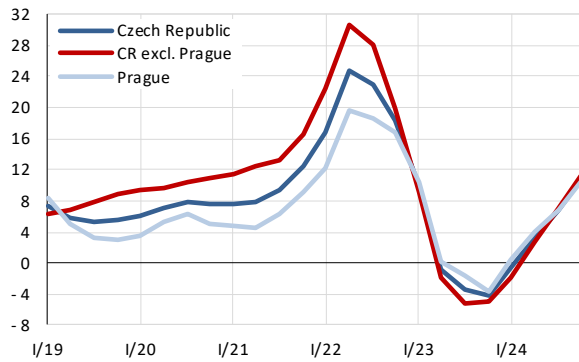
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.7: Offering Prices of Flats

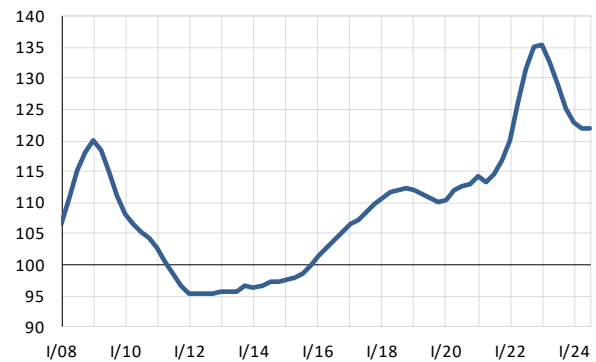
YoY growth rate in %



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
								Estimate	Forecast	Outlook	Outlook
Consumer Price Index											
Level	average 2015=100	105.3	108.3	111.8	116.1	133.6	147.8	151.4	154.9	158.2	161.4
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⁾	percentage points	0.3	0.6	0.5	0.0	2.8	4.3	1.0	0.2	0.3	0.3
Market increase	percentage points	1.8	2.2	2.7	3.8	12.3	6.4	1.4	2.1	1.8	1.7
Harmonized index of consumer prices											
Level	average 2015=100	105.1	107.8	111.4	115.1	132.1	147.9	151.9	155.5	158.8	162.0
Average inflation rate	growth in %	2.0	2.6	3.3	3.3	14.8	12.0	2.7	2.4	2.1	2.0
Deflators											
GDP	average 2015=100	92.1	95.7	100.0	104.0	113.1	122.2	127.1	130.8	133.9	136.8
	growth in %	2.8	3.8	4.5	4.0	8.7	8.1	4.0	3.0	2.3	2.2
Gross domestic expenditure	average 2015=100	93.2	96.6	100.0	104.1	116.0	123.4	127.2	130.6	133.4	136.2
	growth in %	3.1	3.7	3.5	4.1	11.5	6.4	3.1	2.7	2.2	2.1
Consumption of households	average 2015=100	94.3	97.1	100.0	104.2	119.1	128.8	132.8	136.3	139.2	142.1
	growth in %	2.9	2.9	3.0	4.2	14.3	8.1	3.1	2.6	2.2	2.0
Consumption of government	average 2015=100	90.2	95.1	100.0	104.0	108.5	114.3	118.4	122.6	125.8	129.1
	growth in %	5.5	5.4	5.2	4.0	4.4	5.3	3.6	3.5	2.6	2.6
Fixed capital formation	average 2015=100	93.6	97.1	100.0	104.2	115.6	120.1	122.7	125.3	127.6	129.8
	growth in %	1.6	3.8	3.0	4.2	10.9	3.9	2.2	2.1	1.8	1.7
Exports of goods and services	average 2015=100	97.2	98.4	100.0	104.2	113.7	113.9	117.9	120.6	121.9	123.0
	growth in %	-0.6	1.3	1.6	4.2	9.1	0.2	3.5	2.3	1.1	0.9
Imports of goods and services	average 2015=100	99.3	100.1	100.0	104.3	117.8	114.8	117.3	119.5	120.4	121.1
	growth in %	-0.6	0.8	-0.1	4.3	13.0	-2.6	2.2	1.8	0.8	0.6
Terms of trade	average 2015=100	97.9	98.3	100.0	99.9	96.5	99.2	100.5	101.0	101.3	101.5
	growth in %	0.0	0.4	1.7	-0.1	-3.5	2.9	1.3	0.4	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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
					<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Consumer Price Index	<i>average 2015=100</i>	150.1	151.3	152.1	152.2	153.7	154.7	155.5	155.8
	<i>growth in %</i>	2.1	2.5	2.3	2.9	2.4	2.2	2.2	2.4
Administrative measures ¹⁾	<i>percentage points</i>	0.9	0.9	0.9	1.1	0.3	0.2	0.2	0.2
Market increase	<i>percentage points</i>	1.2	1.6	1.4	1.8	2.2	2.0	2.0	2.1
Harmonized index of consumer prices	<i>average 2015=100</i>	150.5	151.9	152.6	152.6	154.4	155.4	156.1	156.1
	<i>growth in %</i>	2.4	2.7	2.6	3.1	2.6	2.3	2.3	2.3
Deflators									
GDP	<i>average 2015=100</i>	125.1	126.9	127.3	128.8	129.3	130.6	131.0	132.3
	<i>growth in %</i>	4.1	4.1	3.9	3.7	3.4	2.9	2.9	2.7
Gross domestic expenditure	<i>average 2015=100</i>	125.4	126.1	127.0	130.0	129.0	129.5	130.3	133.2
	<i>growth in %</i>	2.8	3.1	3.0	3.2	2.9	2.7	2.6	2.5
Consumption of households	<i>average 2015=100</i>	131.5	132.4	132.8	134.5	135.2	135.7	136.0	137.9
	<i>growth in %</i>	3.0	3.2	3.0	3.4	2.8	2.5	2.5	2.5
Consumption of government	<i>average 2015=100</i>	114.1	115.9	118.0	124.6	118.5	120.1	122.3	128.6
	<i>growth in %</i>	3.7	3.1	3.9	3.8	3.9	3.6	3.6	3.2
Fixed capital formation	<i>average 2015=100</i>	121.6	122.2	122.8	123.9	124.3	124.9	125.4	126.4
	<i>growth in %</i>	1.8	2.4	2.1	2.3	2.2	2.2	2.1	2.1
Exports of goods and services	<i>average 2015=100</i>	116.4	118.3	118.7	118.3	119.3	121.9	121.1	120.3
	<i>growth in %</i>	1.9	4.9	4.2	3.2	2.4	3.0	2.0	1.7
Imports of goods and services	<i>average 2015=100</i>	116.2	116.5	117.4	119.1	118.0	119.7	119.4	120.7
	<i>growth in %</i>	-0.1	3.4	2.8	2.7	1.6	2.7	1.7	1.4
Terms of trade	<i>average 2015=100</i>	100.2	101.5	101.1	99.4	101.0	101.8	101.4	99.7
	<i>growth in %</i>	2.0	1.5	1.3	0.6	0.8	0.3	0.3	0.3

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

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

3.3 Labour Market

Tensions in the labour market have eased, throughout last year the number of registered unemployed exceeded the number of job vacancies. However, the situation across regions remained varied. Labour shortages contributed to nominal earnings growth, which, after two years, outpaced inflation last year.

Employment (national accounts) increased by 0.4% YoY in Q3 2024 (vs. 0.5%). Growth was driven by market and non-market services sectors, but was further dampened by the year-on-year decline in manufacturing employment. In Q4 2024, employment may have increased by 0.4% YoY (*unchanged*) and by 0.3% on average over the whole of last year (*unchanged*). Due to the expected economic recovery, it should continue to increase year-on-year within the forecast horizon. It could thus increase by 0.2% on average this year (*unchanged*).

The number of registered unemployed exceeded the number of job vacancies in Q4 2024. Moreover, not all vacancies could be considered active. From this year, the relevance of reported job vacancies should increase as a maximum period of six months has been introduced during which a job vacancy will be kept registered. Statistics on job vacancies should thus better reflect the state of demand in the labour market. 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 the industry. However, the problem is mitigated by refugees from Ukraine.

According to the data of the MoLSA, the number of foreign employees increased by 15 thousand YoY to 841 thousand in Q4 2024. Workers from Ukraine and Slovakia have dominated in the long term. The number of Ukrainian workers increased by 15 thousand YoY to 302 thousand in Q4 2024.

The unemployment rate (LFS) increased slightly to 2.6% in Q3 2024 (in line with *the estimate*). The seasonally adjusted unemployment rate for the 15–64 age group rose to 2.8% in November. We estimate that the unemployment rate fell slightly to 2.5% in Q4 2024 (*unchanged*) and that it averaged 2.6% for the entire year of 2024 (*unchanged*). It could fall slightly to 2.5% this year (*unchanged*).

The **share of unemployed persons** (MoLSA) increased to 3.9% in Q4 2024 (*in line with the forecast*) and continued to rise year-on-year. It reached 3.8% last year (*in line*

with the forecast) and could remain at this level this year (*unchanged*).

The participation rate (20–64 years) increased by 0.4 pp YoY to 84.4% in Q3 2024 (vs. 84.5%). Growth was driven by the working-age labour force, which outpaced population growth. The participation rate is likely to increase to 84.3% in 2024 (*unchanged*). Despite a slight decrease in the working-age labour force in the LFS methodology, the population in this age group is expected to increase, leading to a fall in the participation rate to 83.3% (vs. 83.2%).

The **volume of wages and salaries** increased by 6.6% (*against 6.2%*) YoY in Q3 2024. In the most macroeconomically important manufacturing sector, wages and salaries rose by 4.6% (with a 1.5% decrease in the number of employees).

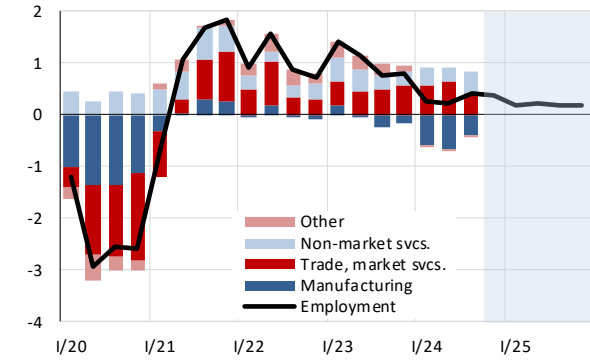
Although there has been some easing of the tight labour market, many sectors and occupations continue to experience a noticeable shortage of workers, which is contributing positively to nominal earnings growth. In addition, the strong increase in consumer prices and firms' profitability in previous years is reflected in higher wage demands from employees. The minimum wage has been set for the first time by a new indexation mechanism at the beginning of this year, with a gradual increase in the minimum wage to 47% of the average wage in 2029. The simplified institution of guaranteed wages is now used only in the public sector.

As a result of the consolidation measures, the contribution of the public sector to overall earnings growth was significantly reduced last year. The main driver of the salary growth over the forecast horizon should continue to be the automatic indexation of teachers' salaries. The acceleration of the minimum wage and the economic recovery associated with rising labour demand should have a positive impact this year. In aggregate, wages and salaries could increase by 6.4% (vs. 6.2%) in 2024, with growth slowing slightly to 6.3% (*unchanged*) this year.

Average wage (business statistics, full-time equivalent) increased by 7.0% (vs. 6.7%) YoY in Q3 2024, driven mostly by a 6.7% increase in average wage in manufacturing (1.2 pp contribution) and 9.2% in health and social care (1.1 pp contribution). Taking into account the above factors, we estimate that average earnings may have increased by 7.0% (vs. 6.9%) last year, and we expect them to grow by 6.5% (*unchanged*) in 2025.

Graph 3.3.1: Employment

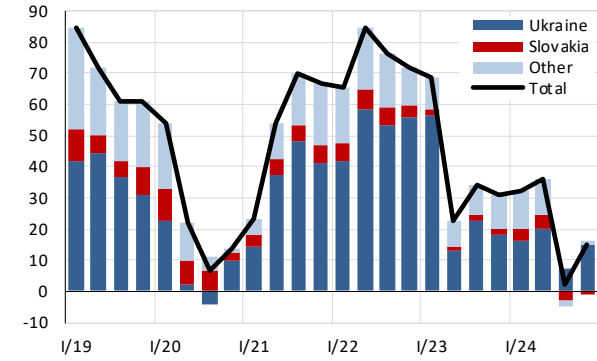
YoY growth rate in%, contributions in pp, national accounts



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.2: Number of Foreign Employees in the CR

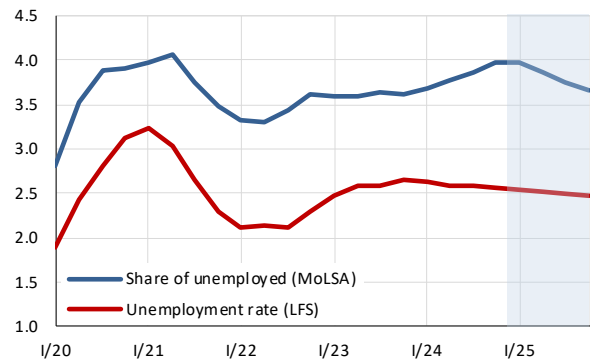
YoY change in thousands of persons



Source: MoLSA. Calculations of the MoF.

Graph 3.3.3: Indicators of Unemployment

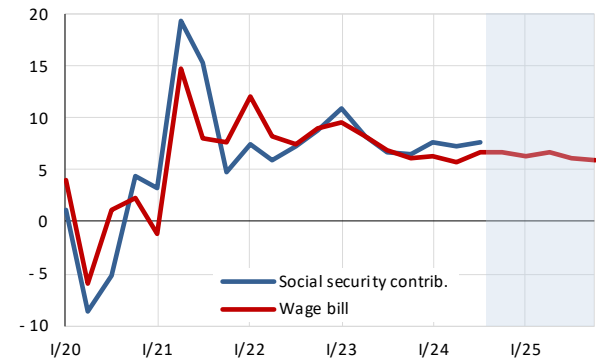
seasonally adjusted data, in%



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

Graph 3.3.4: Social Security Contributions and Earnings

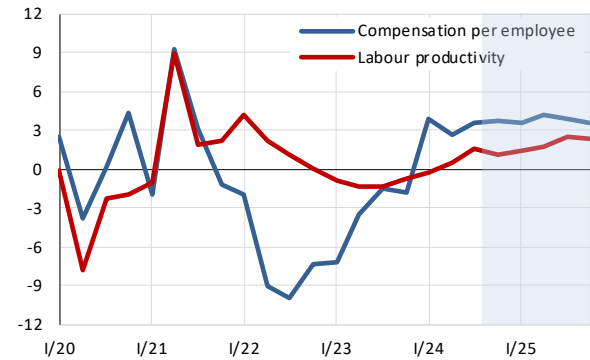
YoY growth rate in%



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

Graph 3.3.5: Compens. per Employee and Productivity

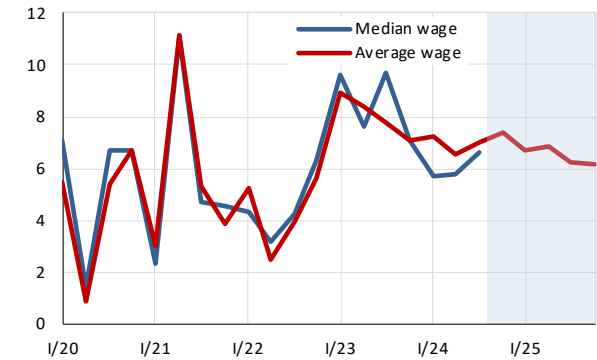
YoY growth rate in%



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.6: Nominal Monthly Wages

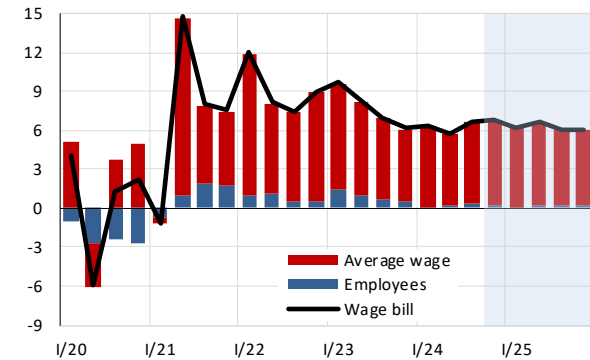
YoY growth rate in%



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.7: Nominal Wage Bill

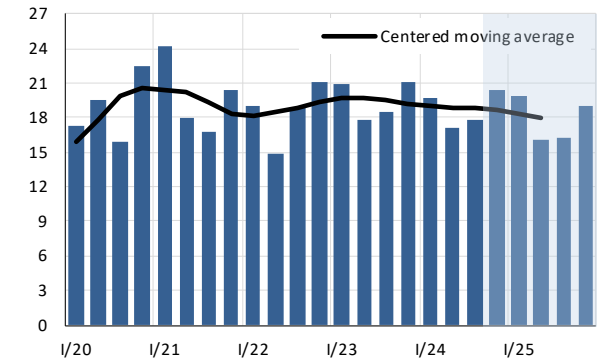
YoY growth rate in%, domestic concept of the wage bill



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
									<i>Estimate</i>	<i>Forecast</i>	<i>Outlook</i>	<i>Outlook</i>
National accounts												
Employment	<i>av. in thous. persons</i>		5 359	5 351	5 227	5 279	5 333	5 388	5 406	5 416	5 421	5 412
	<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	4 630	4 637	4 639	4 632
	<i>growth in %</i>		1.4	0.1	-2.2	1.0	0.8	0.9	0.2	0.1	0.1	-0.2
Self-employed persons	<i>av. in thous. persons</i>		765	753	731	738	755	767	776	779	781	780
	<i>growth in %</i>		-0.1	-1.5	-3.0	1.0	2.3	1.6	1.1	0.4	0.3	-0.1
Wage bill	<i>growth in %</i>		9.6	7.9	0.4	7.2	9.1	7.7	6.4	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	2.1	2.4	2.7
Unit labour costs⁶⁾	<i>growth in %</i>		6.5	3.9	7.3	3.1	5.0	7.9	5.2	4.0	2.6	2.1
Compensation of employees	<i>% of GDP</i>		43.7	43.8	45.0	44.6	43.0	42.9	43.3	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	81.3	81.7	81.9
Participation rate 20–64	<i>average in %</i>		81.7	81.9	81.8	82.2	82.7	83.8	84.3	83.3	83.6	83.8
Registered unemployment												
Unemployment	<i>av. in thous. persons</i>		242	212	259	280	252	266	287	278	259	249
Share of unemployed¹⁾	<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	264	.	.	.
Business statistics												
Average monthly wage												
Nominal	<i>CZK monthly</i>		32 051	34 578	36 176	38 277	39 932	43 120	46 156	49 149	51 646	54 065
	<i>growth in %</i>		8.1	7.9	4.6	5.8	4.3	8.0	7.0	6.5	5.1	4.7
Real	<i>CZK 2015</i>		30 438	31 928	32 358	32 969	29 889	29 175	30 486	31 724	32 645	33 500
	<i>growth in %</i>		5.9	4.9	1.3	1.9	-9.3	-2.4	4.5	4.1	2.9	2.6
Median monthly wage	<i>CZK monthly</i>		27 561	29 439	31 049	32 795	34 283	37 185	.	.	.	.
	<i>growth in %</i>		8.5	6.8	5.5	5.6	4.5	8.5	.	.	.	.

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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
					<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
National accounts									
Employment	<i>av. in thous. persons</i>	5 373	5 394	5 436	5 421	5 383	5 406	5 445	5 430
	<i>YoY growth in %</i>	0.3	0.2	0.4	0.4	0.2	0.2	0.2	0.2
	<i>QoQ growth in %</i>	-0.2	0.5	0.0	0.0	-0.1	0.0	0.1	0.0
Wages and salaries	<i>growth in %</i>	6.4	5.7	6.6	6.8	6.3	6.7	6.1	6.0
Labour Force Survey									
Unemployment rate	<i>average in %</i>	2.8	2.5	2.6	2.5	2.7	2.5	2.5	2.4
Employment rate 20–64	<i>average in %</i>	81.8	82.1	82.4	82.6	81.0	81.2	81.3	81.6
	<i>increase over a year</i>	0.6	0.3	0.5	0.7	-0.7	-0.9	-1.0	-1.1
Participation rate 20–64	<i>average in %</i>	84.1	84.2	84.4	84.6	83.2	83.2	83.3	83.4
	<i>increase over a year</i>	0.8	0.3	0.4	0.5	-0.9	-1.0	-1.1	-1.2
Registered unemployment									
Unemployment	<i>av. in thous. persons</i>	292	278	284	293	308	276	265	261
Share of unemployed ¹⁾	<i>average in %</i>	3.9	3.7	3.8	3.9	4.2	3.8	3.7	3.6
Job vacancies	<i>av. in thousands</i>	269	267	263	259	.	.	.	.
Business statistics									
Average monthly wage									
Nominal	<i>CZK monthly</i>	44 035	45 870	45 412	49 307	46 974	49 003	48 260	52 358
	<i>growth in %</i>	7.3	6.5	7.0	7.4	6.7	6.8	6.3	6.2
Real	<i>CZK 2015</i>	29 337	30 317	29 857	32 396	30 558	31 682	31 034	33 607
	<i>growth in %</i>	5.1	3.9	4.5	4.4	4.2	4.5	3.9	3.7
Median monthly wage	<i>CZK monthly</i>	36 729	38 543	40 482	.	.	.	.	.
	<i>growth in %</i>	5.7	5.8	6.6	.	.	.	.	.

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	
											Estimate	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	3 479	3 697	
	<i>growth in %</i>	5.9	8.8	9.2	7.2	2.5	7.2	6.9	8.2	6.4	6.3	
Gross operating surplus and mixed income	<i>bill.CZK</i>	767	828	904	965	996	1 088	1 261	1 313	1 343	1 383	
	<i>growth in %</i>	3.8	7.9	9.2	6.8	3.1	9.3	15.8	4.1	2.3	3.0	
Property income received	<i>bill.CZK</i>	136	165	166	167	137	183	304	346	369	385	
	<i>growth in %</i>	3.4	21.9	0.6	0.3	-17.8	33.3	66.1	13.9	6.7	4.5	
Social benefits not-in-kind	<i>bill.CZK</i>	632	654	690	743	891	934	1 008	1 154	1 216	1 250	
	<i>growth in %</i>	3.0	3.5	5.4	7.7	20.0	4.8	7.9	14.5	5.4	2.8	
Other current transfers received	<i>bill.CZK</i>	217	244	281	339	363	487	675	711	790	815	
	<i>growth in %</i>	19.5	12.7	15.1	20.4	7.3	34.0	38.7	5.3	11.2	3.1	
Current expenditure												
Property income paid	<i>bill.CZK</i>	23	25	26	34	32	30	60	84	84	88	
	<i>growth in %</i>	-6.2	10.1	5.6	28.0	-4.5	-5.5	98.0	40.0	-0.2	4.7	
Curr. taxes on income and property	<i>bill.CZK</i>	224	247	277	302	315	247	258	296	325	341	
	<i>growth in %</i>	10.7	10.0	12.3	9.1	4.2	-21.6	4.6	14.6	9.8	4.9	
Social contributions	<i>bill.CZK</i>	772	832	908	971	1 029	1 143	1 186	1 292	1 414	1 496	
	<i>growth in %</i>	5.7	7.8	9.2	6.9	6.0	11.0	3.8	9.0	9.4	5.8	
Other current transfers paid	<i>bill.CZK</i>	207	240	283	341	371	499	673	730	820	849	
	<i>growth in %</i>	22.5	16.0	17.8	20.7	8.6	34.5	35.0	8.4	12.4	3.6	
Gross disposable income	<i>bill.CZK</i>	2 544	2 744	2 946	3 137	3 277	3 601	4 093	4 390	4 554	4 757	
	<i>growth in %</i>	4.1	7.9	7.4	6.5	4.5	9.9	13.7	7.3	3.7	4.5	
Final consumption	<i>bill.CZK</i>	2 309	2 483	2 640	2 799	2 692	2 921	3 358	3 529	3 701	3 914	
	<i>growth in %</i>	4.6	7.5	6.3	6.0	-3.8	8.5	15.0	5.1	4.9	5.8	
Change in share in pension funds	<i>bill.CZK</i>	33	33	36	38	40	41	27	1	2	5	
Gross savings	<i>bill.CZK</i>	267	294	342	376	625	720	761	862	856	848	
Capital transfers	<i>bill.CZK</i>	-15	-12	-17	-20	-44	-43	-31	-47	-49	-37	
<i>(income (-) / expenditure (+))</i>												
Gross capital formation	<i>bill.CZK</i>	267	254	317	358	364	404	484	497	506	519	
	<i>growth in %</i>	9.6	-4.9	24.5	12.9	1.7	11.1	19.7	2.9	1.7	2.7	
Change in financial assets and liab.	<i>bill.CZK</i>	14	52	42	35	304	356	310	414	402	369	
Real disposable income	<i>growth in %</i>	3.0	4.7	4.4	3.5	1.5	5.4	-0.8	-0.9	0.7	2.1	
Gross savings rate	<i>%</i>	10.4	10.6	11.5	11.8	18.8	19.8	18.5	19.6	18.8	17.8	

Source: CZSO. Calculations of the MoF.

3.4 External Relations

Export markets declined marginally by 0.3% (vs. 0.8%) YoY in Q3 2024. Although the GDP of our main trading partners developed worse, import intensity, on the other hand, showed a more moderate decline. The lower decline in imports was related to QoQ higher imports into Germany, Austria and Italy, probably due to an increase in inventories of production inputs. Taking into account the evolution of economic activity abroad (see Chapter 1.1) and the decline in import intensity, we estimate that export markets will decline by 0.7% (vs. 1.1%) in 2024, but could grow by 3.3% (vs. 3.5%) in 2025 thanks to the economic recovery abroad.

Export performance in Q3 2024 grew by 3.9% (*in line with the estimate*). Higher output in the automotive industry contributed to the strong growth⁷. We estimate that, thanks to this manufacturing sector, export performance rose by 1.7% (vs. 2.1%) over the whole last year. It is expected to decline by 0.5% (vs. 0.2%) this year. Its evolution should be limited by the persistence of lower industrial orders from abroad and the expected reduction in production in the automotive industry due to lower demand. The year-on-year stability of the koruna against the euro (see Chapter 1.4) should have an approximately neutral effect on export performance.

The current account of the balance of payments reached a surplus of 1.2% of GDP (vs. 1.8% of GDP) in Q3 2024⁸. All components except primary income contributed to the 1.8% of GDP year-on-year improvement in the balance, with the most significant contribution coming from the balance of goods.

The balance of goods improved by 2.6% of GDP YoY in Q3 2024, reaching a surplus of 5.2% of GDP (*in line with the estimate*). The increase in the positive balance reflects growth in production and export of motor vehicles. On the import side, lower imports of energy commodities and weaker investment activity affected the balance.

Mineral fuel prices continue to be an important factor influencing **the terms of trade**. The deficit on the fuel side of the balance in Q3 2024 was 2.6% of GDP (*in line with the estimate*). Taking into account the evolution of the oil prices (see Chapter 1.2) and other energy commodities, in particular natural gas, we assume that the mineral fuels balance for 2024 reached a deficit of 2.5%

⁷ 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.

⁸ All quarterly data relative to GDP are reported in annual moving totals.

of GDP (*unchanged*), which is expected to ease further to 2.3% of GDP in 2025 (vs. 2.2% of GDP).

We estimate that the balance of goods ended last year with a surplus of 5.1% of GDP (vs. 4.8% of GDP), which is expected to decline to 3.8% of GDP (vs. 3.4% of GDP) this year. The trade balance was positively affected last year by an improvement in the terms of trade (in particular, the rise in export prices of machinery and transport equipment), as well as by an increase in motor vehicle production and exports. On the import side, stagnating investment activity and the continued normalisation of inventories limited imports. The narrowing of the positive balance of foreign trade in goods in 2025 then reflects a rise in imports as domestic demand recovers.

The services balance showed a positive balance of 1.4% of GDP (*in line with the estimate*) in Q3 2024. The YoY improvement of 0.3% of GDP in the balance reflects lower imports of services in the transport sector and lower expenditure on insurance services. The surplus on the services balance is estimated at 1.3% of GDP in 2024 (vs. 1.4% of GDP) and could increase to 1.4% of GDP this year (vs. 1.5% of GDP). The improvement in the services balance will be limited only by the gradual economic recovery in the euro area (see Chapter 1.1).

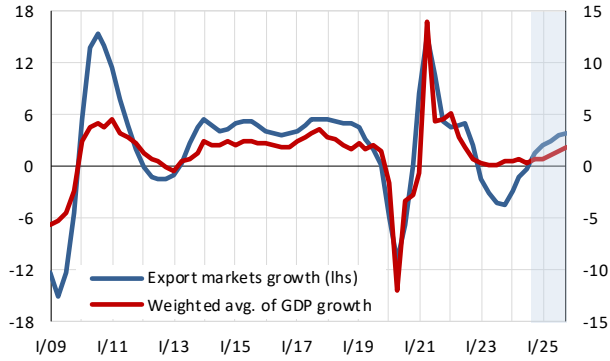
The primary income deficit widened by 1.1% of GDP YoY to 5.1% of GDP (vs. 4.5% of GDP) in Q3 2024 due to higher income outflows from direct investment (mainly dividends), mainly reflecting the rise in profitability of foreign-controlled firms. Given the forecast developments in economic performance and the gross operating surplus, we expect the primary income deficit reached 5.0% of GDP last year. The same deficit in relative terms is expected this year (vs. 4.4% of GDP in both years).

Against this background, we expect the **current account** surplus reached 1.0% of GDP (vs. 1.4% of GDP) last year, while a slight deficit of 0.2% of GDP (vs. 0.0% of GDP) should be reported in 2025.

The current account balance (using the national accounts methodology) reached a surplus of 3.7% of GDP in Q3 2024 (Graph 3.4.8). From a sectoral perspective, this was mainly driven by households and non-financial corporations, whose savings exceeded investment by 4.4% and 2.0% 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 3.1% of GDP.

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

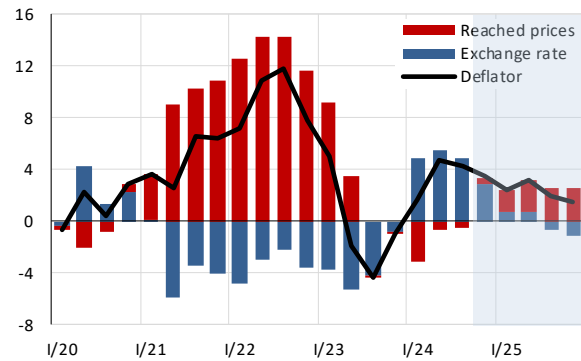
YoY growth in %, contributions in pp, seasonally adjusted



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

Graph 3.4.3: Deflator of Exports of Goods

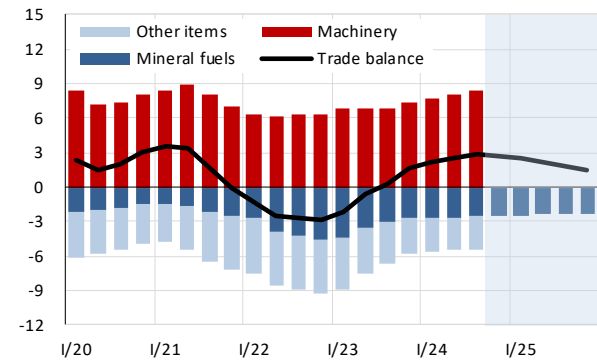
YoY growth in %, contributions in percentage points



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

Graph 3.4.4: Balance of Trade

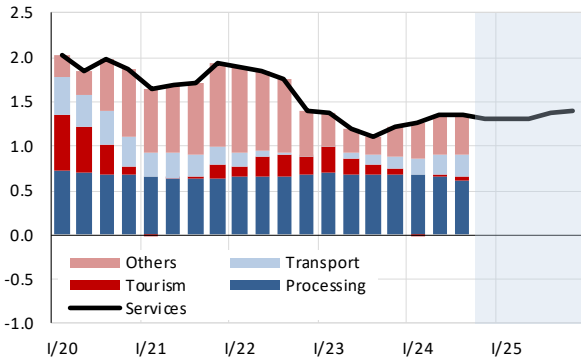
four-quarter moving totals, in % of GDP, change of ownership concept



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.4.5: Balance of Services

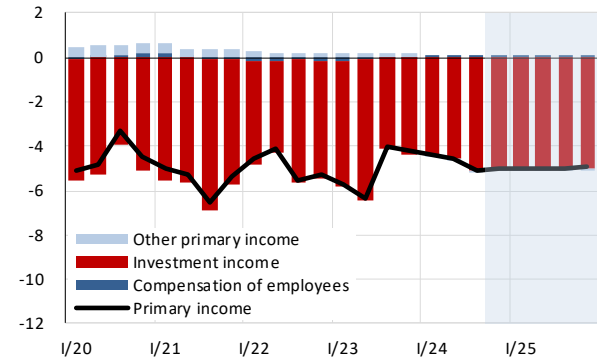
four-quarter moving totals, in % of GDP



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

Graph 3.4.6: Balance of Primary Income

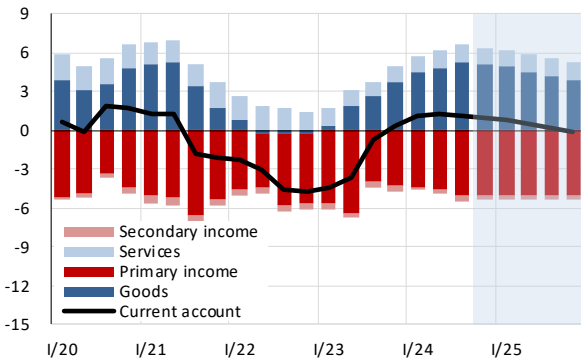
four-quarter moving totals, in % of GDP



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

Graph 3.4.7: Current Account

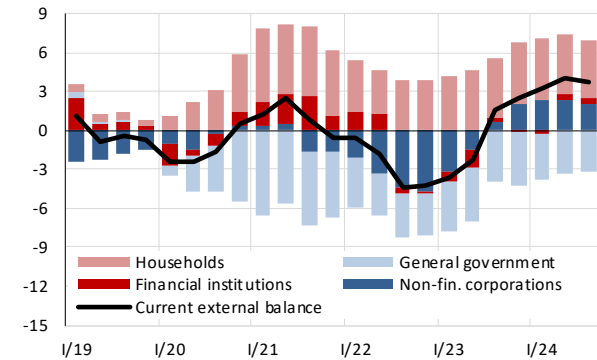
four-quarter moving totals, in % of GDP, BoP methodology



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	
											<i>Estimate</i>	<i>Forecast</i>
GDP ¹⁾	<i>average of 2010=100</i>	111.5	114.9	117.6	119.7	113.9	120.0	123.2	123.6	124	126	
	<i>growth in %</i>	2.1	3.1	2.3	1.8	-4.9	5.4	2.6	0.3	0.6	1.3	
Import intensity ²⁾	<i>average of 2010=100</i>	109.7	111.8	114.9	115.6	114.5	119.2	121.0	116.7	115	117	
	<i>growth in %</i>	1.7	1.9	2.8	0.6	-0.9	4.1	1.5	-3.6	-1.3	2.0	
Export markets ³⁾	<i>average of 2010=100</i>	122.4	128.5	135.1	138.4	130.4	143.1	149.1	144.2	143	148	
	<i>growth in %</i>	3.9	5.0	5.1	2.4	-5.8	9.7	4.2	-3.3	-0.7	3.3	
Export performance	<i>average of 2010=100</i>	112.9	115.4	113.4	111.8	110.5	108.7	108.6	114.9	117	116	
	<i>growth in %</i>	0.0	2.2	-1.8	-1.4	-1.1	-1.7	-0.1	5.8	1.7	-0.5	
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	172	
	<i>growth in %</i>	3.9	7.3	3.3	1.0	-6.8	7.9	4.2	2.3	1.0	2.7	
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	97	
	<i>growth in %</i>	-2.1	-2.8	-3.6	0.3	1.9	-3.3	-3.3	-3.5	4.5	0.0	
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	128	
	<i>growth in %</i>	-2.8	-0.7	-0.7	1.0	1.3	4.8	9.4	-0.6	3.5	2.2	
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	4.6	5.0	

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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
		<i>Estimate</i>				<i>Forecast</i>			
GDP ¹⁾	<i>average of 2010=100</i>	124.2	124.2	124.3	125	125	126	126	127
	<i>growth in %</i>	0.6	0.7	0.4	0.7	0.7	1.1	1.5	1.8
Import intensity ²⁾	<i>average of 2010=100</i>	114.3	115.0	115.4	116	116	117	118	118
	<i>growth in %</i>	-3.4	-1.9	-0.6	0.8	1.9	1.8	2.0	2.1
Export markets ³⁾	<i>average of 2010=100</i>	141.9	142.9	143.5	144	146	147	149	150
	<i>growth in %</i>	-2.8	-1.2	-0.3	1.5	2.6	2.9	3.6	4.0
Export performance	<i>average of 2010=100</i>	116.5	116.1	118.2	117	116	116	116	116
	<i>growth in %</i>	2.1	0.5	3.9	0.5	-0.2	0.0	-1.6	-0.3
Real exports	<i>average of 2010=100</i>	165.3	165.9	169.7	169	169	171	173	175
	<i>growth in %</i>	-0.8	-0.8	3.6	2.0	2.4	2.9	1.9	3.7
1 / NEER	<i>average of 2010=100</i>	96.5	96.0	96.9	97	97	97	96	96
	<i>growth in %</i>	4.9	5.5	4.9	2.9	0.8	0.7	-0.6	-1.0
Prices on foreign markets	<i>average of 2010=100</i>	128.5	130.7	128.3	130	131	134	132	133
	<i>growth in %</i>	-3.1	-0.7	-0.5	0.5	1.6	2.4	2.6	2.6
Exports deflator	<i>average of 2010=100</i>	124.0	125.4	124.4	126	127	129	127	128
	<i>growth in %</i>	1.7	4.8	4.4	3.4	2.4	3.2	1.9	1.5
Nominal exports	<i>average of 2010=100</i>	205.0	208.1	211.0	212	215	221	219	223
	<i>growth in %</i>	0.8	4.0	8.1	5.5	4.8	6.2	3.9	5.3

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>Estimate</i>	<i>Forecast</i>
Goods and services	<i>bill.CZK</i>	365	394	333	358	389	232	76	384	512	439	
	<i>% GDP</i>	7.5	7.6	6.1	6.1	6.7	3.7	1.1	5.0	6.4	5.2	
Goods	<i>bill.CZK</i>	259	259	201	240	280	110	-23	290	407	322	
	<i>% GDP</i>	5.3	5.0	3.7	4.1	4.8	1.7	-0.3	3.8	5.1	3.8	
Services	<i>bill.CZK</i>	107	135	132	119	109	122	99	93	105	117	
	<i>% GDP</i>	2.2	2.6	2.4	2.0	1.9	1.9	1.4	1.2	1.3	1.4	
Primary income	<i>bill.CZK</i>	-253	-281	-289	-319	-260	-337	-373	-323	-403	-418	
	<i>% GDP</i>	-5.2	-5.4	-5.3	-5.4	-4.5	-5.3	-5.3	-4.2	-5.0	-5.0	
Secondary income	<i>bill.CZK</i>	-27	-33	-22	-19	-26	-30	-33	-37	-26	-34	
	<i>% GDP</i>	-0.6	-0.6	-0.4	-0.3	-0.5	-0.5	-0.5	-0.5	-0.3	-0.4	
Current account	<i>bill.CZK</i>	85	80	21	20	103	-130	-330	24	82	-14	
	<i>% GDP</i>	1.8	1.5	0.4	0.3	1.8	-2.1	-4.7	0.3	1.0	-0.2	
Capital account	<i>bill.CZK</i>	52	45	27	27	67	107	45	88	93	101	
	<i>% GDP</i>	1.1	0.9	0.5	0.5	1.1	1.7	0.6	1.2	1.2	1.2	
Net lending/borrowing	<i>bill.CZK</i>	137	125	49	46	169	-23	-286	112	176	87	
	<i>% GDP</i>	2.8	2.4	0.9	0.8	2.9	-0.4	-4.1	1.5	2.2	1.0	
Financial account	<i>bill.CZK</i>	122	116	61	8	162	-18	-292	145	.	.	
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*

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
					<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>	<i>Forecast</i>
Goods and services	<i>bill.CZK</i>	438	482	521	512	504	480	467	439
	<i>% GDP</i>	5.7	6.2	6.6	6.4	6.2	5.9	5.6	5.2
Goods	<i>bill.CZK</i>	341	376	413	407	398	373	354	322
	<i>% GDP</i>	4.4	4.8	5.2	5.1	4.9	4.5	4.3	3.8
Services	<i>bill.CZK</i>	97	105	107	105	106	107	113	117
	<i>% GDP</i>	1.3	1.4	1.4	1.3	1.3	1.3	1.4	1.4
Primary income	<i>bill.CZK</i>	-336	-359	-402	-403	-406	-409	-415	-418
	<i>% GDP</i>	-4.4	-4.6	-5.1	-5.0	-5.0	-5.0	-5.0	-5.0
Secondary income	<i>bill.CZK</i>	-13	-22	-25	-26	-28	-30	-32	-34
	<i>% GDP</i>	-0.2	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4
Current account	<i>bill.CZK</i>	89	101	93	82	70	41	20	-14
	<i>% GDP</i>	1.2	1.3	1.2	1.0	0.9	0.5	0.2	-0.2
Capital account	<i>bill.CZK</i>	80	75	88	93	95	97	99	101
	<i>% GDP</i>	1.0	1.0	1.1	1.2	1.2	1.2	1.2	1.2
Net lending/borrowing	<i>bill.CZK</i>	169	176	181	176	165	138	119	87
	<i>% GDP</i>	2.2	2.3	2.3	2.2	2.0	1.7	1.4	1.0
Financial account	<i>bill.CZK</i>	182	204	161	.	.	.	.	.
Direct investments	<i>bill.CZK</i>	-18	7	-48	.	.	.	.	.
Portfolio investments	<i>bill.CZK</i>	104	143	97	.	.	.	.	.
Financial derivatives	<i>bill.CZK</i>	-26	-39	-25	.	.	.	.	.
Other investments	<i>bill.CZK</i>	-43	-44	50	.	.	.	.	.
Reserve assets	<i>bill.CZK</i>	165	136	87	.	.	.	.	.
International investment position	<i>stock in bill.CZK</i>	-764	-745	-654	.	.	.	.	.
	<i>% GDP</i>	-9.9	-9.6	-8.3	.	.	.	.	.
Gross external debt	<i>stock in bill.CZK</i>	4 918	4 899	5 075	.	.	.	.	.
	<i>% GDP</i>	63.9	62.9	64.2	.	.	.	.	.

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

4 Survey of Other Institutions' Forecasts

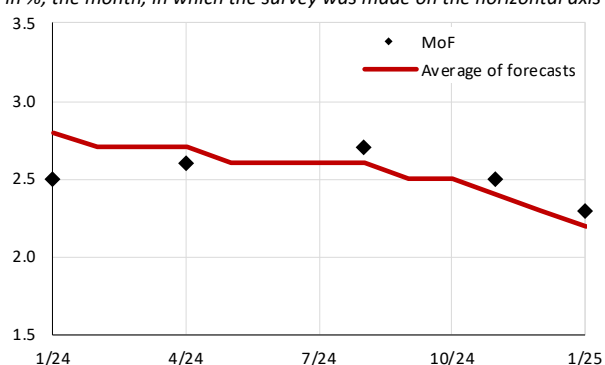
On average, the institutions surveyed expect the Czech economy to grow by 2.2% in 2025 and 2.5% in 2026. According to their estimates, the average inflation rate could reach 2.4% this year and fall to 2.2% next year. Average wage growth could be 5.9% this year and slow to 5.2% next year. The current account of the balance of payments could show a surplus of 0.8% of GDP in both years.

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 of preparation of individual forecasts 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, but it is in line in 2026. The MoF predicts consumer price growth to be slightly slower in both years. The MoF expects stronger average wage growth this year, but next year it is almost in line with the average of the forecasts of the other institutions. Compared to the average of the forecasts of the institutions surveyed, the MoF foresees a slight deficit on the current account of the balance of payments in 2025 and 2026.

Graph 4.1: Forecasts for Real GDP Growth in 2025

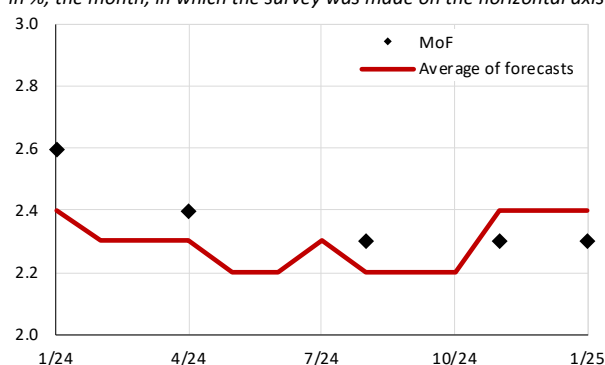
in %; the month, in which the survey was made on the horizontal axis



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

Graph 4.2: Forecasts for Average Inflation Rate in 2025

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

		January 2025			January 2025
		min.	max.	average	MoF forecast
Gross domestic product (2025)	growth in %, const.pr.	1.5	2.4	2.2	2.3
Gross domestic product (2026)	growth in %, const.pr.	2.2	2.9	2.5	2.5
Average inflation rate (2025)	%	1.8	2.9	2.4	2.3
Average inflation rate (2026)	%	2.0	2.5	2.2	2.1
Average monthly wage (2025)	growth in %	5.6	6.5	5.9	6.5
Average monthly wage (2026)	growth in %	5.0	5.4	5.2	5.1
Current account / GDP (2025)	%	0.2	2.2	0.8	-0.2
Current account / GDP (2026)	%	0.3	2.3	0.8	-0.5

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.

5 International Comparison

GDP per capita in current purchasing power parity increased in 2023 in all countries surveyed (see Table 5.1), most notably in Croatia, Slovenia, Spain and Portugal. In 2013, the purchasing power parity of the Czech currency against the EU27 reached CZK 20.31/PPS and compared to the EA20 was CZK 19.43/PPS. The relative economic level of the Czech Republic in current purchasing power parity increased slightly to 87% of the euro area in 2023 and was likely to remain at this level in 2024. It could further increase to 88% due to stronger economic recovery this year.

In 2023, GDP per capita in **exchange rate** terms in the Czech Republic rose to EUR 29,200, equivalent to 70% of the euro area average. In 2024, the relative economic level of the Czech Republic against the euro area could decline, but with the expected increase in economic performance in 2025, it could rise back to the 2023 level.

In 2023, **actual individual consumption** per capita in current purchasing power parity in the Czech Republic fell to 77% of the euro area average and remained at this level last year. Given to a fall in inflation and recovery in consumption, it could rise to 78% of the euro area average this year.

The **comparative price level of GDP**, expressed as the ratio of GDP at purchasing power parity to GDP in exchange rate terms, rose to 81% of the euro area average in 2023 thanks to the appreciation of the koruna. In 2024, it could fall to 78% due to exchange rate depreciation and could rise to 79% this year due to a recovery in economic activity.

In 2023, **average earnings** in the Czech Republic, expressed in current purchasing power parity terms, rose slightly to 74% of the euro area average. In 2023, earnings grew faster in the Czech Republic than in the euro area in terms of domestic currency (by 6.7% vs. 5.7%) as well as purchasing power parity (by 7.1% vs. 5.9%).

The differences in relative economic performance compared to the euro area in 2023 are summarised in Graph 5.21, which decomposes GDP per capita in purchasing

power parity into hourly labour productivity, average hours worked, the number of employed persons to the working-age population (20-64 years) and the effect of demographic factors.

In 2023, hourly **labour productivity** increased in most of the surveyed countries (listed in Tables 5.1–5.3), with only Estonia showing no year-on-year change. Labour productivity in Germany, Austria or France remains above the euro area average, but in the new EU Member States it is still tens of percent lower. In the Czech Republic, as in most of the countries surveyed, the relative level of labour productivity rose (with declines in Estonia, Lithuania, Poland and Italy) to 73% of the euro area average. It was the second highest level among the new EU Member States after Slovenia, which reached 80% of the euro area level.

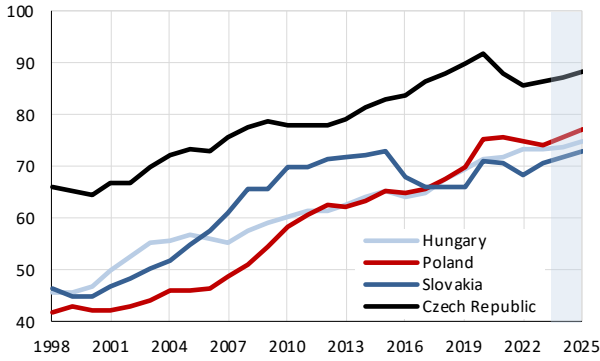
Although the **average number of hours worked** per worker in the Czech Republic fell in 2023, the number of hours worked per worker in the Czech Republic, as in the other new EU Member States, has been higher than in the euro area for a long time (in the Czech Republic, the difference was 15%).

The **ratio of the number of employed persons to the working-age population** varies considerably across the countries surveyed. Countries with high structural unemployment (Spain, Italy and Greece) have long been below the euro area level. The Czech Republic is above the euro area average (by 8% in 2023) thanks to very dynamic employment growth until 2019, limited labour market effects of the pandemic and an increase in the effective retirement age.

The share of the working-age population captured by the **demographic component** declined in most of the countries surveyed in 2023 due to continued population ageing. As of 2022, the demographic component of the Czech Republic was below the euro area average, with the difference increasing to 5% in 2023. Given the demographic development, no significant improvement can be expected over the forecast horizon.

Graph 5.1: GDP per Capita in Current PPP

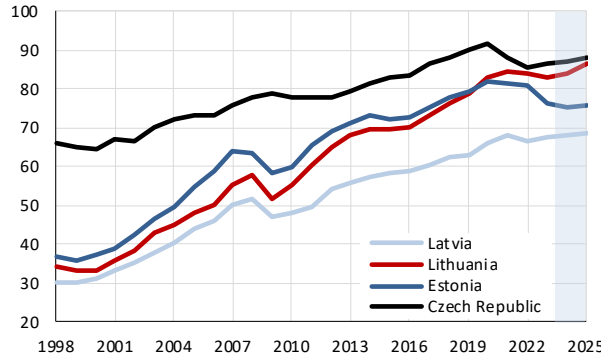
EA20=100



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

Graph 5.2: GDP per Capita in Current PPP

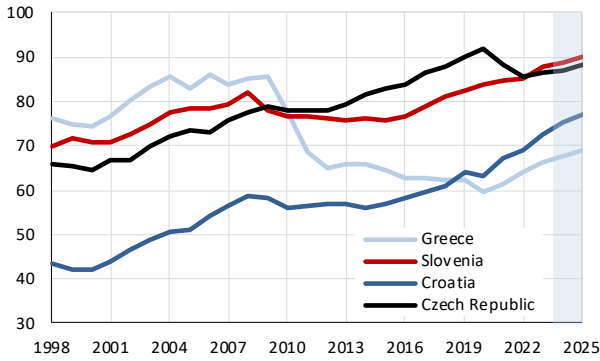
EA20=100



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

Graph 5.3: GDP per Capita in Current PPP

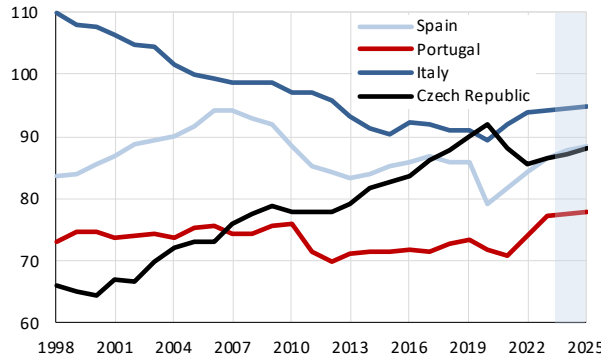
EA20=100



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

Graph 5.4: GDP per Capita in Current PPP

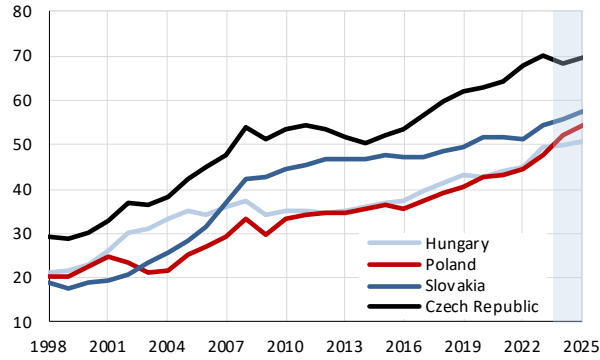
EA20=100



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

Graph 5.5: Exchange Rate Adjusted GDP per Capita

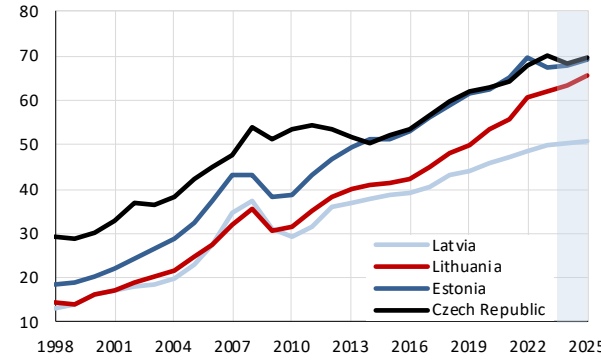
EA20=100



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

Graph 5.6: Exchange Rate Adjusted GDP per Capita

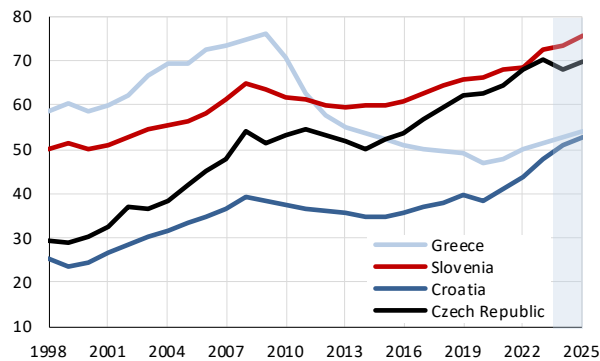
EA20=100



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

Graph 5.7: Exchange Rate Adjusted GDP per Capita

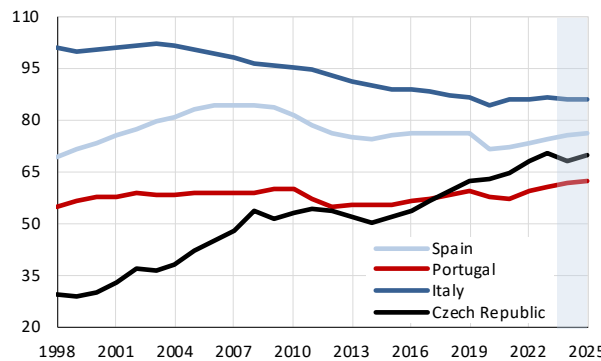
EA20=100



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

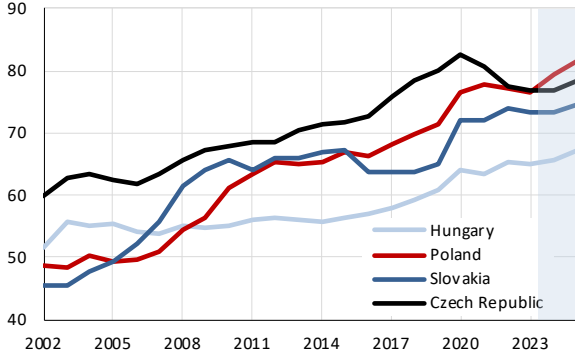
Graph 5.8: Exchange Rate Adjusted GDP per Capita

EA20=100



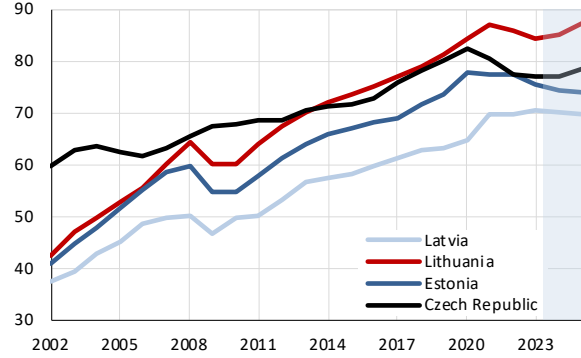
Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.9: Actual Individual Consumption per Capita in current PPP, EA20=100



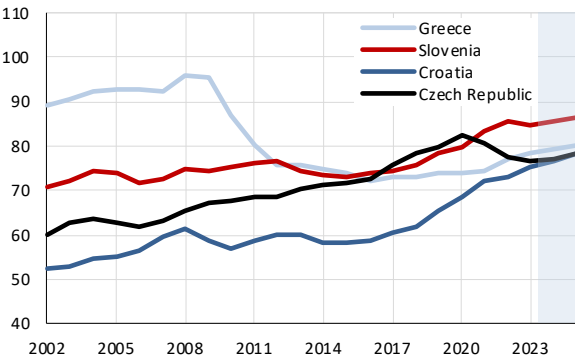
Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.10: Actual Individual Consumption per Capita in current PPP, EA20=100



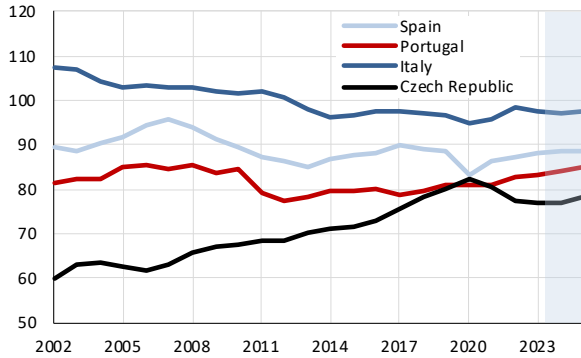
Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.11: Actual Individual Consumption per Capita in current PPP, EA20=100



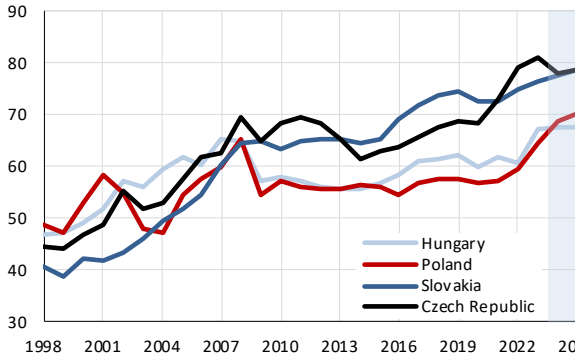
Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.12: Actual Individual Consumption per Capita in current PPP, EA20=100



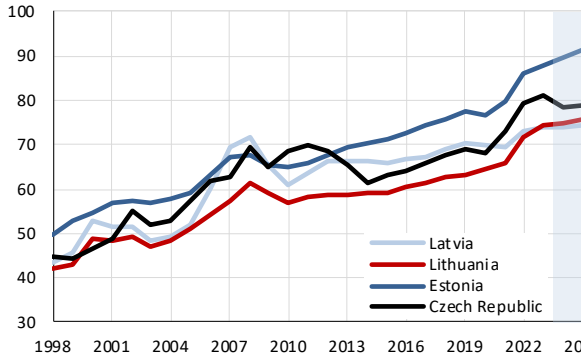
Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.13: Comparative Price Level of GDP EA20=100



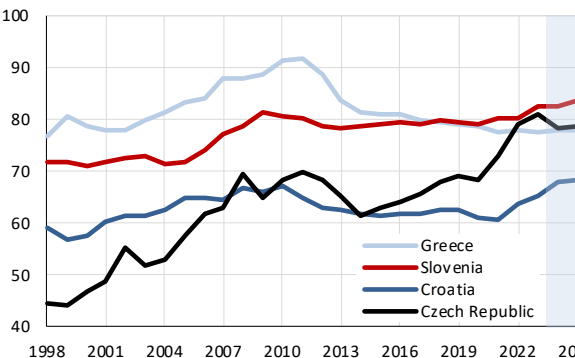
Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.14: Comparative Price Level of GDP EA20=100



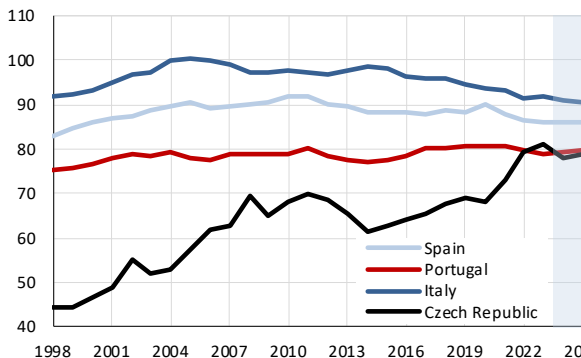
Source: AMECO, CZSO, Eurostat. Calculations and forecast of the MoF.

Graph 5.15: Comparative Price Level of GDP EA20=100



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

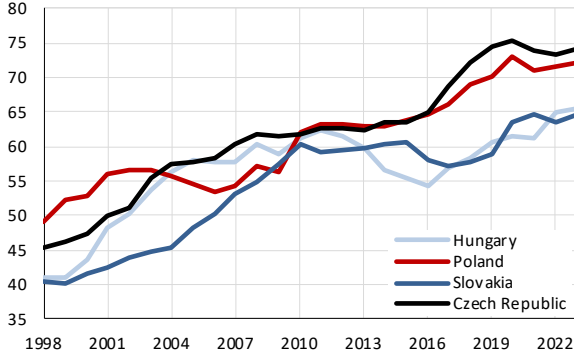
Graph 5.16: Comparative Price Level of GDP EA20=100



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

Graph 5.17: Average Earnings in Current PPP

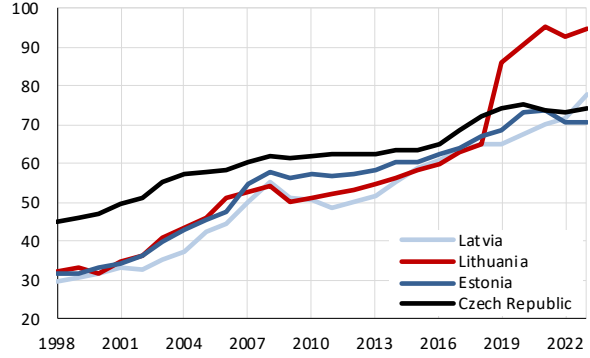
EA20=100



Source: Eurostat. Calculations of the MoF.

Graph 5.18: Average Earnings in Current PPP

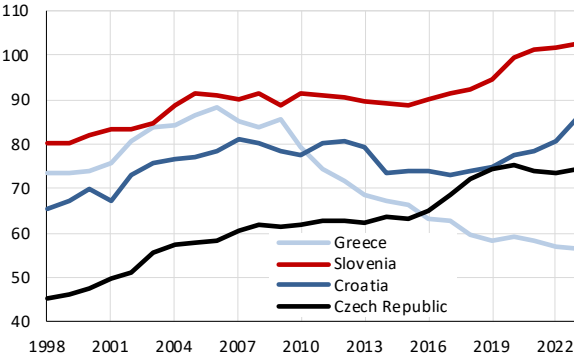
EA20=100



Source: Eurostat. Calculations of the MoF.

Graph 5.19: Average Earnings in Current PPP

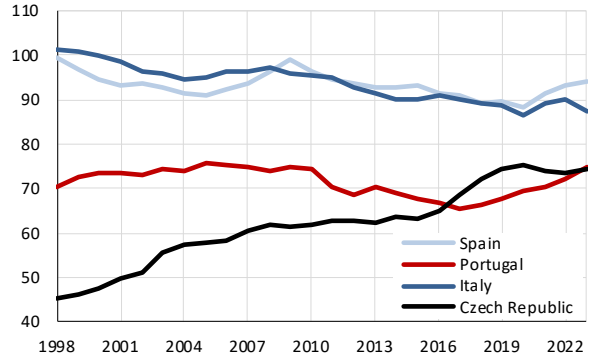
EA20=100



Source: Eurostat. Calculations of the MoF.

Graph 5.20: Average Earnings in Current PPP

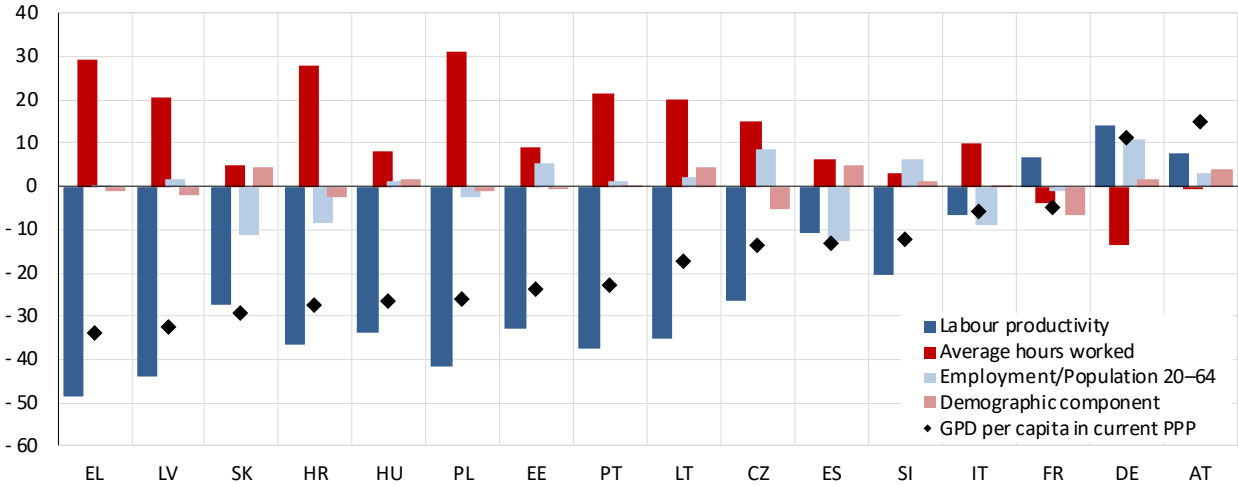
EA20=100



Source: Eurostat. Calculations of the MoF.

Graph 5.21: Current PPP Adjusted GDP per Capita Level Relative to the EA20 Average in 2023

in percentage points



Note: The demographic component is the ratio of the working-age (20-64) to total population.

Source: Eurostat. Calculations of the MoF.

Table 5.1: GDP per Capita in Current Purchasing Power Parity

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
											<i>Estimate</i>	<i>Forecast</i>
Austria	<i>PPS</i>	36 400	37 000	38 400	39 300	37 400	40 200	44 300	45 700	46 500	47 800	
	<i>EA20=100</i>	120	117	119	118	118	116	118	115	113	113	
Germany	<i>PPS</i>	35 800	37 200	38 200	38 500	37 500	39 900	42 400	44 200	45 300	46 500	
	<i>EA20=100</i>	118	118	118	116	118	115	113	111	110	110	
France	<i>PPS</i>	29 900	30 600	31 500	33 200	31 600	33 500	35 200	37 800	39 200	40 500	
	<i>EA20=100</i>	98	97	97	100	99	97	94	95	95	96	
Italy	<i>PPS</i>	28 100	28 900	29 600	30 300	28 400	31 800	35 200	37 500	38 800	40 100	
	<i>EA20=100</i>	92	92	91	91	89	92	94	94	94	95	
Slovenia	<i>PPS</i>	23 300	24 900	26 200	27 500	26 700	29 300	32 100	35 000	36 400	38 100	
	<i>EA20=100</i>	77	79	81	83	84	85	85	88	89	90	
Spain	<i>PPS</i>	26 100	27 400	27 900	28 700	25 100	28 300	31 600	34 500	36 100	37 500	
	<i>EA20=100</i>	86	87	86	86	79	82	84	87	88	89	
Czech Republic	<i>PPS</i>	25 400	27 200	28 500	30 000	29 200	30 500	32 200	34 500	35 800	37 300	
	<i>EA20=100</i>	84	86	88	90	92	88	86	87	87	88	
Lithuania	<i>PPS</i>	21 400	23 100	24 700	26 400	26 400	29 300	31 700	33 000	34 600	36 600	
	<i>EA20=100</i>	70	73	76	79	83	85	84	83	84	86	
Portugal	<i>PPS</i>	21 900	22 600	23 500	24 500	22 800	24 500	27 800	30 700	31 800	33 000	
	<i>EA20=100</i>	72	72	73	73	72	71	74	77	77	78	
Estonia	<i>PPS</i>	22 200	23 700	25 200	26 400	26 000	28 200	30 300	30 500	31 000	32 100	
	<i>EA20=100</i>	73	75	78	79	82	82	81	77	76	76	
Poland	<i>PPS</i>	19 700	20 700	21 900	23 300	23 900	26 200	28 200	29 500	31 000	32 700	
	<i>EA20=100</i>	65	66	68	70	75	76	75	74	76	77	
Hungary	<i>PPS</i>	19 600	20 400	21 900	23 200	22 700	24 800	27 600	29 200	30 300	31 700	
	<i>EA20=100</i>	64	65	67	69	72	72	73	73	74	75	
Croatia	<i>PPS</i>	17 600	18 700	19 700	21 300	20 000	23 300	25 900	29 000	30 800	32 600	
	<i>EA20=100</i>	58	59	61	64	63	67	69	73	75	77	
Slovakia	<i>PPS</i>	20 700	20 800	21 400	22 100	22 600	24 500	25 700	28 100	29 500	30 800	
	<i>EA20=100</i>	68	66	66	66	71	71	68	71	72	73	
Latvia	<i>PPS</i>	17 900	19 000	20 200	20 900	20 900	23 500	25 000	26 900	27 900	29 000	
	<i>EA20=100</i>	59	60	62	63	66	68	66	67	68	69	
Greece	<i>PPS</i>	19 100	19 700	20 200	20 800	18 900	21 200	24 100	26 400	27 800	29 200	
	<i>EA20=100</i>	63	63	62	62	59	61	64	66	68	69	

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

Table 5.2: Exchange Rate Adjusted GDP per Capita

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
											Estimate	Forecast
Austria	EUR	40 700	41 800	43 400	44 600	42 700	45 400	49 500	51 800	53 400	54 900	
	EA20=100	128	127	127	127	127	125	126	125	124	124	
	Comparative price level	EA20=100	107	108	108	108	108	107	107	108	110	110
Germany	EUR	38 800	40 300	41 400	42 500	41 500	44 200	47 200	49 500	50 700	52 200	
	EA20=100	122	122	122	121	124	122	120	119	118	118	
	Comparative price level	EA20=100	103	104	103	105	105	105	106	107	107	107
France	EUR	33 500	34 300	35 100	36 100	34 300	37 000	39 000	41 300	42 600	43 700	
	EA20=100	105	104	103	103	102	102	99	99	99	99	
	Comparative price level	EA20=100	107	107	106	103	103	105	106	105	104	103
Italy	EUR	28 400	29 100	29 700	30 200	28 100	31 200	33 800	36 100	36 800	37 900	
	EA20=100	89	88	87	86	84	86	86	87	86	86	
	Comparative price level	EA20=100	96	96	96	95	94	93	92	92	91	91
Spain	EUR	24 200	25 200	26 000	26 600	23 900	26 100	28 700	31 000	32 500	33 700	
	EA20=100	76	76	76	76	71	72	73	74	76	76	
	Comparative price level	EA20=100	88	88	89	88	90	88	87	86	86	86
Slovenia	EUR	19 400	20 600	21 900	23 100	22 200	24 700	27 000	30 200	31 400	33 300	
	EA20=100	61	63	65	66	66	68	69	72	73	75	
	Comparative price level	EA20=100	79	79	80	80	79	80	80	82	83	84
Czech Republic	EUR	17 000	18 700	20 300	21 700	21 000	23 400	26 700	29 200	29 200	30 700	
	EA20=100	53	57	60	62	63	64	68	70	68	70	
	Comparative price level	EA20=100	64	66	68	69	68	73	79	81	78	79
Estonia	EUR	16 900	18 500	20 000	21 500	21 000	23 700	27 400	28 000	29 100	30 600	
	EA20=100	53	56	59	61	63	65	69	67	68	69	
	Comparative price level	EA20=100	73	74	76	77	76	80	86	88	90	91
Lithuania	EUR	13 500	14 900	16 300	17 500	17 900	20 200	23 800	25 700	27 100	29 000	
	EA20=100	42	45	48	50	53	56	60	62	63	66	
	Comparative price level	EA20=100	60	62	63	63	64	66	72	74	75	76
Portugal	EUR	18 000	18 900	19 800	20 700	19 400	20 800	23 300	25 300	26 400	27 500	
	EA20=100	56	57	58	59	58	57	59	61	62	62	
	Comparative price level	EA20=100	79	80	80	81	81	81	80	79	79	80
Slovakia	EUR	15 000	15 600	16 600	17 300	17 300	18 700	20 200	22 500	24 000	25 400	
	EA20=100	47	47	49	49	52	52	51	54	56	58	
	Comparative price level	EA20=100	69	72	74	75	73	73	75	77	78	79
Greece	EUR	16 200	16 500	16 800	17 300	15 700	17 300	19 600	21 300	22 700	23 900	
	EA20=100	51	50	49	49	47	48	50	51	53	54	
	Comparative price level	EA20=100	81	80	79	79	79	78	78	77	78	78
Latvia	EUR	12 500	13 400	14 600	15 500	15 400	17 100	19 100	20 800	21 500	22 500	
	EA20=100	39	41	43	44	46	47	49	50	50	51	
	Comparative price level	EA20=100	67	67	69	70	70	69	73	74	74	74
Hungary	EUR	11 900	13 100	14 100	15 200	14 400	16 100	17 600	20 500	21 500	22 400	
	EA20=100	37	40	41	43	43	44	45	49	50	51	
	Comparative price level	EA20=100	58	61	61	62	60	62	61	67	68	68
Poland	EUR	11 300	12 400	13 300	14 200	14 300	15 800	17 500	19 900	22 300	24 000	
	EA20=100	35	37	39	40	43	43	44	48	52	54	
	Comparative price level	EA20=100	55	57	58	58	57	57	59	65	69	70
Croatia	EUR	11 400	12 200	13 000	14 000	12 800	14 900	17 300	19 800	21 800	23 300	
	EA20=100	36	37	38	40	38	41	44	48	51	53	
	Comparative price level	EA20=100	62	62	63	62	61	61	64	65	68	68

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

Table 5.3: Actual Individual Consumption per Capita in Current Purchasing Power Parity

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
											<i>Estimate</i>	<i>Forecast</i>
Austria	<i>PPS</i>	23 400	23 900	24 500	25 000	23 600	25 700	28 500	29 900	30 600	31 600	
	<i>EA20=100</i>	114	113	113	113	113	114	115	113	112	112	
Germany	<i>PPS</i>	23 500	24 200	24 900	25 200	24 200	25 600	28 100	29 200	30 100	31 000	
	<i>EA20=100</i>	115	115	115	114	116	114	113	111	110	110	
France	<i>PPS</i>	20 900	21 400	22 000	23 000	22 100	23 200	24 600	26 600	27 700	28 400	
	<i>EA20=100</i>	102	102	102	104	105	103	99	101	101	101	
Italy	<i>PPS</i>	20 000	20 600	21 000	21 400	19 800	21 600	24 400	25 800	26 500	27 400	
	<i>EA20=100</i>	98	98	97	97	95	96	98	98	97	97	
Spain	<i>PPS</i>	18 000	18 900	19 200	19 600	17 400	19 500	21 600	23 200	24 200	24 900	
	<i>EA20=100</i>	88	90	89	89	83	86	87	88	89	88	
Slovenia	<i>PPS</i>	15 100	15 700	16 400	17 400	16 700	18 800	21 300	22 300	23 300	24 300	
	<i>EA20=100</i>	74	75	76	79	80	84	86	85	85	86	
Lithuania	<i>PPS</i>	15 300	16 200	17 100	18 000	17 700	19 600	21 300	22 300	23 200	24 600	
	<i>EA20=100</i>	75	77	79	81	84	87	86	84	85	87	
Portugal	<i>PPS</i>	16 300	16 600	17 200	17 900	16 900	18 200	20 600	22 000	23 000	23 900	
	<i>EA20=100</i>	80	79	80	81	81	81	83	83	84	85	
Greece	<i>PPS</i>	14 800	15 400	15 800	16 400	15 500	16 800	19 200	20 600	21 600	22 600	
	<i>EA20=100</i>	72	73	73	74	74	74	77	78	79	80	
Czech Republic	<i>PPS</i>	14 900	16 000	16 900	17 700	17 300	18 100	19 300	20 200	21 000	22 100	
	<i>EA20=100</i>	73	76	78	80	82	81	78	77	77	78	
Poland	<i>PPS</i>	13 600	14 400	15 100	15 800	16 000	17 500	19 200	20 100	21 700	23 000	
	<i>EA20=100</i>	66	68	70	71	76	78	77	76	80	82	
Estonia	<i>PPS</i>	13 900	14 500	15 500	16 200	16 200	17 400	19 200	19 900	20 200	20 800	
	<i>EA20=100</i>	68	69	72	73	78	77	77	76	74	74	
Croatia	<i>PPS</i>	12 100	12 700	13 400	14 400	14 300	16 300	18 100	19 800	20 900	22 000	
	<i>EA20=100</i>	59	60	62	65	68	72	73	75	77	78	
Slovakia	<i>PPS</i>	13 100	13 400	13 800	14 400	15 100	16 200	18 400	19 300	20 000	21 000	
	<i>EA20=100</i>	64	64	64	65	72	72	74	73	73	75	
Latvia	<i>PPS</i>	12 200	12 900	13 500	13 900	13 600	15 700	17 300	18 500	19 100	19 600	
	<i>EA20=100</i>	60	61	63	63	65	69	70	70	70	70	
Hungary	<i>PPS</i>	11 600	12 200	12 800	13 500	13 400	14 300	16 200	17 100	17 900	18 900	
	<i>EA20=100</i>	57	58	59	61	64	64	65	65	66	67	

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

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