

# **Macroeconomic Forecast of the Czech Republic**

**August 2025**

**Macroeconomic Forecast of the Czech Republic**

August 2025

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

Tel.: +420 257 041 111

E-mail: [macroeconomic.forecast@mfcz.cz](mailto:macroeconomic.forecast@mfcz.cz)

ISSN 2533-5588 (on-line)

Issued quarterly, free distribution

Electronic archive:

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

# **Macroeconomic Forecast**

## **of the Czech Republic**

**August 2025**

# Table of Contents

<b>Summary of the Forecast .....</b>	<b>1</b>
<b>Risks to the Forecast .....</b>	<b>4</b>
<b>1 Forecast Assumptions.....</b>	<b>5</b>
1.1 External Environment .....	5
1.2 Commodity Prices .....	9
1.3 Fiscal Policy .....	10
1.4 Monetary Policy, Financial Sector and Exchange Rates .....	12
1.5 Demographic Trends .....	16
1.6 Other Assumptions .....	18
<b>2 Economic Cycle.....</b>	<b>19</b>
2.1 Position within the Economic Cycle.....	19
2.2 Business Cycle Indicators.....	20
<b>3 Forecast of Macroeconomic Developments in the CR.....</b>	<b>22</b>
3.1 Economic Output.....	22
3.2 Prices .....	29
3.3 Labour Market .....	34
3.4 External Relations .....	39
<b>4 Survey of Other Institutions' Forecasts .....</b>	<b>44</b>

The Macroeconomic Forecast is prepared by the Economic Policy Department of the Czech Ministry of Finance. It contains forecast for the years 2025 and 2026, and for certain indicators an outlook for the 2 following years (i.e., until 2028). It is published on a quarterly basis (in January, April, August and November) and is also available on the website of the Ministry of Finance at:

***[www.mfcr.cz/macroforecast](http://www.mfcr.cz/macroforecast)***

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

***[macroeconomic.forecast@mfcr.cz](mailto:macroeconomic.forecast@mfcr.cz)***

## List of Tables

Table 1.1.1: Gross Domestic Product – yearly .....	8
Table 1.1.2: Gross Domestic Product – quarterly .....	8
Table 1.2.1: Prices of Selected Commodities – yearly .....	9
Table 1.2.2: Prices of Selected Commodities – quarterly .....	10
Table 1.3.1: Net Lending/Borrowing and Debt.....	11
Table 1.4.1: Interest Rates – yearly .....	14
Table 1.4.2: Interest Rates – quarterly .....	14
Table 1.4.3: Loans and Deposits – yearly averages .....	15
Table 1.4.4: Loans and Deposits – quarterly averages .....	15
Table 1.4.5: Exchange Rates – yearly.....	16
Table 1.4.6: Exchange Rates – quarterly.....	16
Table 1.5.1: Demographics .....	18
Table 2.1.1: Output Gap and Potential Product .....	20
Table 3.1.1: Real GDP by Type of Expenditure – yearly .....	25
Table 3.1.2: Real GDP by Type of Expenditure – quarterly.....	26
Table 3.1.3: Nominal GDP by Type of Expenditure – yearly .....	27
Table 3.1.4: Nominal GDP by Type of Expenditure – quarterly .....	27
Table 3.1.5: GDP by Type of Income – yearly .....	28
Table 3.1.6: GDP by Type of Income – quarterly .....	28
Table 3.2.1: Prices – yearly .....	32
Table 3.2.2: Prices – quarterly .....	33
Table 3.3.1: Labour Market – yearly .....	36
Table 3.3.2: Labour Market – quarterly.....	37
Table 3.3.3: Income and Expenditures of Households – yearly.....	38
Table 3.4.1: Decomposition of Exports of Goods (National Accounts Methodology) – yearly .....	41
Table 3.4.2: Decomposition of Exports of Goods (National Accounts Methodology) – quarterly .....	41
Table 3.4.3: Balance of Payments – yearly .....	42
Table 3.4.4: Balance of Payments – quarterly .....	43
Table 4.1: Summary of the Surveyed Forecasts.....	44

## List of Graphs

Graph 1.1.1: Real GDP in the Euro Area and USA.....	7
Graph 1.1.2: Real Gross Domestic Product.....	7
Graph 1.1.3: HICP.....	7
Graph 1.1.4: Unemployment Rate.....	7
Graph 1.1.5: Economic Sentiment Indicator.....	7
Graph 1.1.6: Purchasing Managers' Index.....	7
Graph 1.1.7: Business Tendency.....	7
Graph 1.1.8: Ifo and Czech Manufacturing Production .....	7
Graph 1.2.1: Dollar Price of Brent Crude Oil.....	9
Graph 1.2.2: Koruna Price of Brent Crude Oil.....	9
Graph 1.3.1: General Government Balance.....	11
Graph 1.3.2: General Government Debt .....	11
Graph 1.4.1: Interest Rates.....	13
Graph 1.4.2: Loans to Households.....	13
Graph 1.4.3: New Mortgage Loans .....	13
Graph 1.4.4: Loans to Non-financial Corporations .....	13
Graph 1.4.5: Non-performing Loans.....	13
Graph 1.4.6: Deposits .....	13
Graph 1.4.7: Nominal Exchange Rates.....	13
Graph 1.4.8: Real Exchange Rate to the Eurozone .....	13
Graph 1.5.1: Age Groups .....	17
Graph 1.5.2: Life Expectancy at Birth .....	17
Graph 1.5.3: Old-Age Pensioners.....	17
Graph 1.5.4: Population Change.....	17
Graph 2.1.1: Output Gap .....	19
Graph 2.1.2: Potential Output .....	19
Graph 2.1.3: Capacity Utilisation in Industry .....	19
Graph 2.1.4: Average Number of Hours Worked .....	19
Graph 2.2.1: Confidence and GVA in Industry.....	21
Graph 2.2.2: Confidence and GVA in Construction .....	21
Graph 2.2.3: Confidence and GVA in Trade and Services .....	21
Graph 2.2.4: Composite Export Indicator .....	21
Graph 2.2.5: Consumer Confidence and Consumption .....	21
Graph 2.2.6: Decomposition of Consumer Sentiment.....	21
Graph 2.2.7: Composite Confidence Indicator and GVA .....	21
Graph 2.2.8: Composite Leading Indicator .....	21
Graph 3.1.1: Resources of Gross Domestic Product.....	24
Graph 3.1.2: GDP by Type of Expenditure .....	24
Graph 3.1.3: Real Gross Domestic Product.....	24
Graph 3.1.4: Real Consumption of Households.....	24
Graph 3.1.5: Nominal Consumption of Households .....	24
Graph 3.1.6: Investment by Type of Expenditure.....	24
Graph 3.1.7: Investment by Sector .....	24
Graph 3.1.8: Sources of Investment Financing.....	24
Graph 3.2.1: Consumer Prices .....	31
Graph 3.2.2: Consumer Prices in Main Divisions .....	31

Graph 3.2.3: Core Inflation and Unit Labour Costs.....	31
Graph 3.2.4: CZK/EUR and Koruna Price of Oil.....	31
Graph 3.2.5: Gross Domestic Product Deflator .....	31
Graph 3.2.6: Terms of Trade.....	31
Graph 3.2.7: Offering Prices of Flats.....	31
Graph 3.2.8: Prices of Flats Relative to Average Wage.....	31
Graph 3.3.1: Employment.....	35
Graph 3.3.2: Number of Foreign Employees in the CR.....	35
Graph 3.3.3: Indicators of Unemployment.....	35
Graph 3.3.4: Social Security Contributions and Earnings .....	35
Graph 3.3.5: Compens. per Employee and Productivity.....	35
Graph 3.3.6: Nominal Monthly Wages .....	35
Graph 3.3.7: Nominal Wage Bill.....	35
Graph 3.3.8: Gross Savings Rate of Households .....	35
Graph 3.4.1: GDP and Goods Imports of Partner Countries .....	40
Graph 3.4.2: Real Exports of Goods.....	40
Graph 3.4.3: Deflator of Exports of Goods .....	40
Graph 3.4.4: Balance of Trade .....	40
Graph 3.4.5: Balance of Services .....	40
Graph 3.4.6: Balance of Primary Income .....	40
Graph 3.4.7: Current Account.....	40
Graph 3.4.8: Current External Balance .....	40
Graph 4.1: Forecasts for Real GDP Growth in 2025.....	44
Graph 4.2: Forecasts for Average Inflation Rate in 2025.....	44

## List of Abbreviations

BoP.....	balance of payments
const. pr.....	constant prices
CNB.....	Czech National Bank
CPI.....	consumer price index
CR.....	Czech Republic
curr. pr.....	current prices
CZSO.....	Czech Statistical Office
EA20.....	euro zone consisting of 20 countries
EC.....	European Commission
ECB.....	European Central Bank
EU27.....	European Union consisting of 27 countries
Fed.....	Federal Reserve System
GDP.....	gross domestic product
GFCF.....	gross fixed capital formation
GVA.....	gross value added
IMF.....	International Monetary Fund
LFS.....	Labour Force Survey
MMBtu.....	one million British thermal units
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
p. a. ....	per annum
PMI.....	Purchasing Managers' Index
p.p.....	percentage points
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 11 August 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 (April 2025) are indicated by italics. Data relating to the years 2027 and 2028 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 continues to benefit from easing inflation, which supports household consumption. In contrast, investment activity in many countries remains subdued by tight monetary policy and heightened geopolitical uncertainty.

Global economic activity is further slowed by uncertainties related to trade policy and other measures by the U.S. administration, which have reduced consumer and business confidence. The forecast assumes a 15% tariff on most goods exported from EU countries to the U.S. These tariffs are expected to slightly dampen economic activity in the EU. On the other hand, the recently approved fiscal and tax package in Germany should provide a positive boost, with spillover effects in several other EU countries, including the Czech Republic.

According to a flash estimate from the Czech Statistical Office, **real GDP** in the Czech Republic, adjusted for seasonal and calendar effects, grew by 0.2% quarter-on-quarter and 2.4% year-on-year in the second quarter of 2025. In the first quarter of 2025, for which detailed data are available, GDP grew unadjusted by 2.4% year-on-year. Revised national accounts show that the Czech economy stagnated in 2023, while GDP grew by 1.2% last year.

In **2025**, GDP is expected to grow by **2.1%**, mainly due to stronger household consumption driven by rising real income and a lower savings rate. Growth will also be supported by inventory accumulation and general government consumption. In **2026**, the economy is projected to expand by **2.0%**, supported by renewed investment activity and continued dynamics of household spending. Stronger domestic demand will also increase imports, while exports will be constrained by U.S. tariffs, causing the trade balance to weigh on growth more than this year.

Year-on-year **inflation** has so far stayed mostly between 2.5% and 3%. Its volatility has been driven mainly by base effects from last year's price developments and fluctuations in food and fuel prices. Over the forecast horizon, monetary policy will continue to curb inflationary pressures through interest rates, considering transmission lags. Disinflationary factors include the expected decline in oil prices, appreciation of the koruna, and, this year, lower energy prices. On the other hand, inflationary pressures will come from strong wage growth, higher excise duties on alcohol and on tobacco products, and persistent price increases in services, especially due to rising costs of owner-occupied housing and actual rentals. Average inflation is expected to reach 2.4% this year and slightly decline to 2.3% in 2026.

Despite some cooling, **labour market** imbalances linked to labour shortages persist. Demand for labour in ser-

vices and construction remains strong, offsetting problems in some industrial sectors. The unemployment rate is expected to average 2.6% this year and rise slightly to 2.7% next year. The ongoing mismatch between labour supply and demand prevents a significant slowdown in wage growth. Real wages are expected to rise in both forecast years.

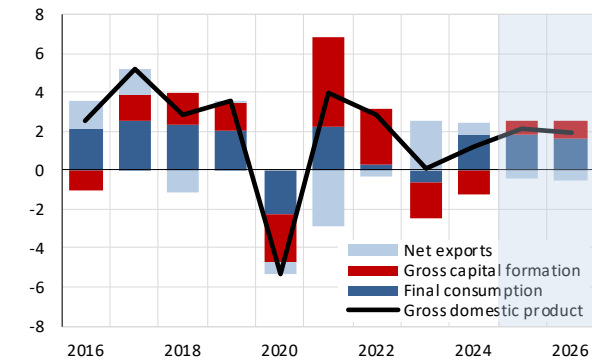
The **current account** posted a surplus of 1.8% of GDP in the first quarter of 2025. The year-on-year improvement in external balance is mainly due to a higher balance of goods surplus, supported by increased exports of investment goods and stronger foreign demand for electricity. Going forward, besides domestic demand, U.S. tariffs will play a key role as they will limit EU exports. For this year, the current account surplus is expected to narrow to 1.2% of GDP, and in 2026, it is projected to decline further to 0.5% of GDP as investment activity picks up.

The **general government deficit** is expected to fall slightly to 1.9% of GDP in 2025, despite higher spending on education, defence, and transport infrastructure. This will be supported by the government's consolidation package and ongoing economic recovery. The general government debt, however, is projected to rise by 0.9 percentage points to 44.2% of GDP, given slower nominal GDP growth.

Overall, we assess the **risks to the forecast** of economic growth as tilted to the downside. The main sources of uncertainty include geopolitical tensions, tariffs and other barriers to international trade, potential renewed disruptions in supply chains, persistently strong price growth in services, and volatility in energy and commodity prices. From the perspective of economic policy, additional uncertainty stems from possible changes in the fiscal policies of EU countries, whether related to increased defence spending or measures similar to Germany's recent stimulus package.

## The economy will be driven solely by domestic demand

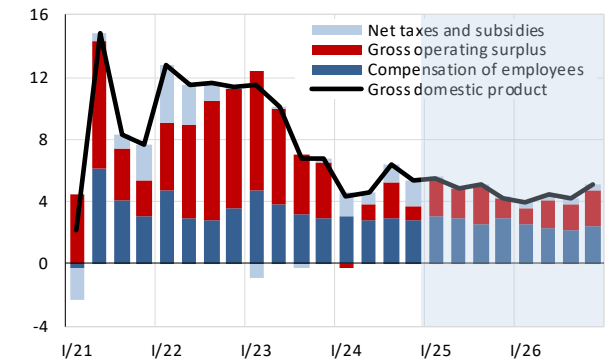
growth rate of real GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

## Profit growth will continue to grow

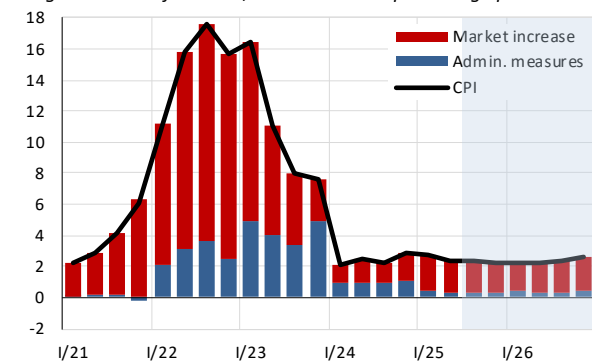
YoY growth of nominal GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

## Inflation should stay close to 2%

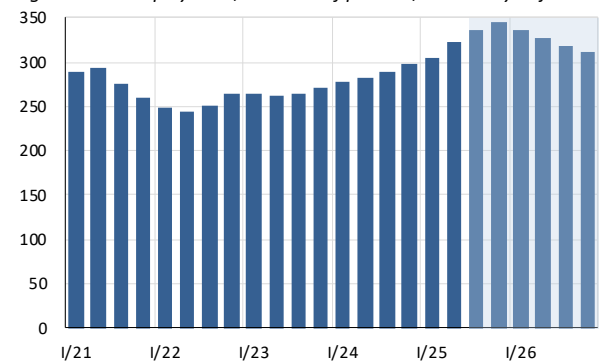
YoY growth rate of CPI in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

## Unemployment is expected to remain higher

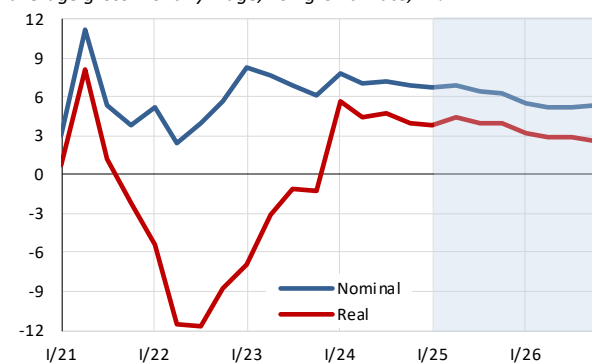
registered unemployment, in thous. of persons, seasonally adjusted



Source: MoLSA. Calculations and forecast of the MoF.

## Real wages should maintain its renewed growth

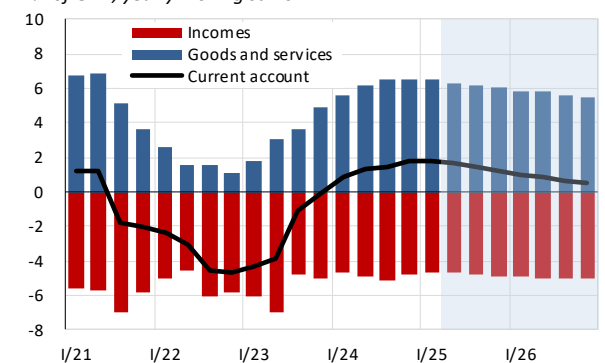
average gross monthly wage, YoY growth rate, in %



Source: CZSO. Calculations and forecast of the MoF.

## Current account balance should gradually deteriorate

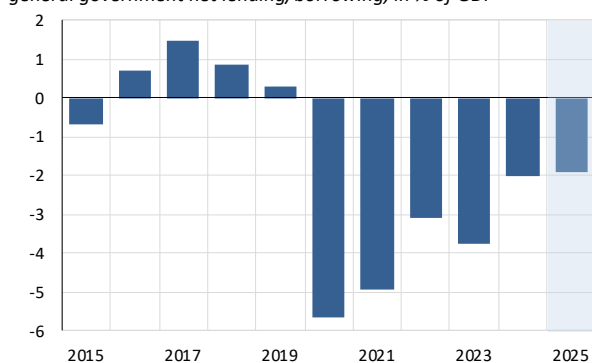
in % of GDP, yearly moving sums



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

## Public finance deficit to remain close to 2% of GDP

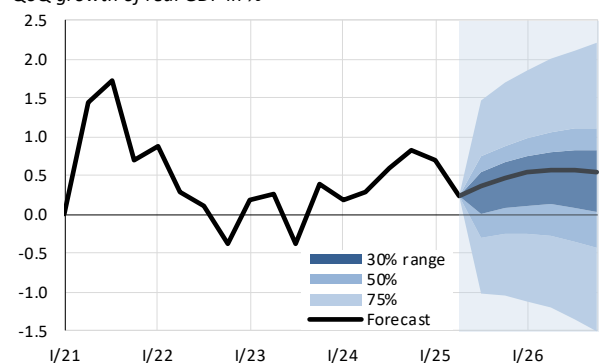
general government net lending/borrowing, in % of GDP



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

		2020	2021	2022	2023	2024	2025	2026	2025	2026
								Current forecast	Previous forecast	
<b>Nominal GDP</b>	bill. CZK	<b>5 828</b>	<b>6 308</b>	<b>7 050</b>	<b>7 660</b>	<b>8 057</b>	<b>8 454</b>	<b>8 832</b>	8 391	8 787
	nominal growth in %	-1.0	8.2	11.8	8.6	5.2	4.9	4.5	4.7	4.7
<b>Gross domestic product</b>	real growth in %	<b>-5.3</b>	<b>4.0</b>	<b>2.8</b>	<b>0.0</b>	<b>1.2</b>	<b>2.1</b>	<b>2.0</b>	2.0	2.4
Consumption of households	real growth in %	-6.4	4.2	0.5	-2.6	2.4	3.0	2.9	3.6	3.2
Consumption of government	real growth in %	4.1	1.5	0.4	3.2	3.2	1.9	1.4	2.0	1.4
Gross fixed capital formation	real growth in %	-4.8	6.7	6.3	4.2	-2.8	0.1	2.9	0.7	3.1
Contribution of net exports	pp	-0.6	-2.8	-0.3	2.6	0.7	-0.4	-0.5	-1.0	-0.5
Contrib. of change in inventories	pp	-1.2	2.8	1.2	-3.0	-0.5	0.7	0.1	0.7	0.2
<b>GDP deflator</b>	growth in %	<b>4.5</b>	<b>4.0</b>	<b>8.7</b>	<b>8.6</b>	<b>3.9</b>	<b>2.8</b>	<b>2.5</b>	2.7	2.3
<b>Average inflation rate</b>	%	<b>3.2</b>	<b>3.8</b>	<b>15.1</b>	<b>10.7</b>	<b>2.4</b>	<b>2.4</b>	<b>2.3</b>	2.4	2.3
<b>Employment (national accounts)</b>	growth in %	<b>-2.3</b>	<b>1.0</b>	<b>1.0</b>	<b>1.6</b>	<b>0.6</b>	<b>1.0</b>	<b>0.1</b>	0.2	0.1
<b>Unemployment rate (LFS)</b>	average in %	<b>2.6</b>	<b>2.8</b>	<b>2.2</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>	2.6	2.5
<b>Wage bill (domestic concept)</b>	growth in %	<b>0.4</b>	<b>7.2</b>	<b>9.1</b>	<b>8.8</b>	<b>6.8</b>	<b>6.6</b>	<b>5.4</b>	6.6	5.6
<b>Current account balance</b>	% of GDP	<b>1.8</b>	<b>-2.1</b>	<b>-4.7</b>	<b>-0.1</b>	<b>1.7</b>	<b>1.2</b>	<b>0.5</b>	0.7	0.1
<b>General government balance</b>	% of GDP	<b>-5.6</b>	<b>-5.0</b>	<b>-3.1</b>	<b>-3.7</b>	<b>-2.0</b>	<b>-1.9</b>	.	-2.2	-2.0
<b>General government debt</b>	% of GDP	<b>36.9</b>	<b>40.7</b>	<b>42.5</b>	<b>42.2</b>	<b>43.3</b>	<b>44.2</b>	.	44.5	45.1
<b>Assumptions:</b>										
<b>Exchange rate CZK/EUR</b>		<b>26.4</b>	<b>25.6</b>	<b>24.6</b>	<b>24.0</b>	<b>25.1</b>	<b>24.8</b>	<b>24.4</b>	24.9	24.5
<b>Long-term interest rates</b>	% p.a.	<b>1.1</b>	<b>1.9</b>	<b>4.3</b>	<b>4.4</b>	<b>4.0</b>	<b>4.2</b>	<b>4.1</b>	4.1	3.7
<b>Crude oil Brent</b>	USD/barrel	<b>42</b>	<b>71</b>	<b>101</b>	<b>82</b>	<b>81</b>	<b>70</b>	<b>67</b>	72	68
<b>GDP in the euro area</b>	real growth in %	<b>-6.2</b>	<b>6.3</b>	<b>3.6</b>	<b>0.7</b>	<b>0.9</b>	<b>1.2</b>	<b>1.3</b>	0.7	1.4

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. Overall, we consider the risks to economic growth to be tilted to the downside.

A significant risk remains **geopolitical tensions**, particularly in connection with ongoing military conflicts in Ukraine and the Middle East. Unpredictable geopolitical events can strongly affect existing international trade relations and global commodity prices, especially energy prices. They also tend to trigger sharp reactions in global financial markets and generally increase uncertainty, which in turn negatively impacts investor, business, and consumer confidence. Conversely, a de-escalation of geopolitical tensions, such as easing conflicts or progress in peace negotiations, could support global stability, reduce some energy prices, and improve economic prospects.

Uncertainty also stems from **tariffs and other barriers to international trade**, which could negatively affect the performance of the highly open Czech economy. In the case of EU–U.S. relations, a preliminary agreement has already been reached, reducing the likelihood of further escalation of trade tensions. However, uncertainty remains regarding the final form of the agreement and the exact impact of the already announced 15% tariff on exports from the EU to the U.S. It is unclear how this tariff will affect Czech exports, particularly to Germany, how domestic firms will respond, and how quickly and effectively Czech exporters will be able to find alternative markets. Positive scenarios, such as effective adaptation by exporters or an easing of trade tensions, cannot be ruled out.

Certain sectors of the economy and price stability are also exposed to the **risk of renewed supply chain disruptions**, which could result from the aforementioned deterioration in the geopolitical situation or the introduction of international trade barriers.

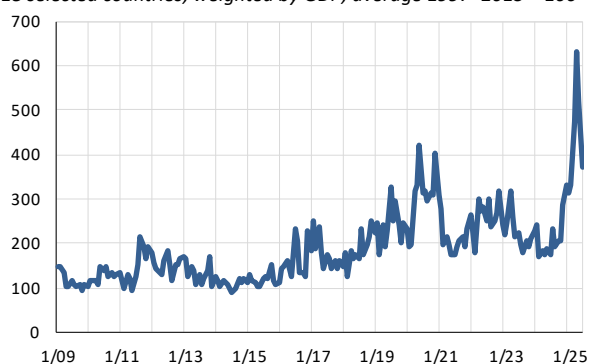
Price stability is also threatened by **the persistence of strong price growth in services** and the closely related dynamic development of real estate prices. Additional uncertainties arise from volatility in energy and commodity prices. The **green transition** significantly increases demand for critical raw materials essential for the development of low-carbon technologies. At the same time, the growing **frequency and intensity of extreme weather events** – such as droughts, heavy rains, or heatwaves – disrupt their extraction and distribution, increasing price volatility in commodity markets. Adverse climate events also negatively affect agricultural production, reduce crop yields, and disrupt food supply chains, which may lead to higher food prices, especially for weather-sensitive crops. The **energy intensity and strong import dependence** of the Czech economy further increase its vulnerability to these external price shocks. As a result, these fluctuations raise the risk of stagflationary pressures.

**Potential changes in fiscal policy settings** could also have significant impacts on economic growth and other macroeconomic variables. The approved **German fiscal stimulus package** could have a positive effect on Czech industry, particularly export-oriented sectors. However, the impact of the package on the Czech economy included in the macroeconomic forecast scenario is associated with a high degree of uncertainty, given its timing and implementation.

Another risk to the forecast is the planned **increase in defence spending in EU countries**. Higher spending may have different structures with varying effects on individual GDP components. Moreover, it is unclear what share of these expenditures will go to domestic production versus imports.

## Economic Policy Uncertainty Index

*frequency of references to economic policy uncertainty in the media of 18 selected countries; weighted by GDP; average 1997–2015 = 100*



Source: Economic Policy Uncertainty.

## Global Supply Chain Pressure Index

*combination of transport cost indicators and PMI adjusted for demand effects; number of standard deviations from long-term average*



Source: Federal Reserve Bank of New York.

# 1 Forecast Assumptions

## 1.1 External Environment

**Global economic growth** in the second quarter of 2025 remained constrained in many countries by restrictive monetary policies, heightened geopolitical tensions, and unpredictable trade measures by the United States. On the positive side, the relative stability of supply chains had a favourable effect. The disinflation process continues to have a positive impact, although its effect is weakening as most major economies are now close to their inflation targets. Household consumption and private investment should be supported by the expected reduction of key interest rates by central banks in most major world economies. The scope for expansionary fiscal policy is limited in many countries by high levels of public debt and persistent budget deficits, which increase the need for fiscal consolidation. On the other hand, NATO member states plan a significant, albeit gradual, increase in defence spending. Global economic growth could reach 3.0% in 2025 (*previously 3.1%*) and could slightly accelerate to 3.1% next year (*previously 3.2%*).

**The United States** GDP in the first quarter of 2025 contracted by 0.1% quarter-on-quarter (*vs. estimate of growth of 0.2%*) due to strong import dynamics as firms stockpiled in anticipation of tariff risks. In the second quarter, economic activity is estimated to have increased by 0.7% quarter-on-quarter (*vs. forecast of 0.3%*). Growth was driven by net exports, reflecting a sharp decline in imports. Household consumption and gross fixed capital formation contributed moderately. Conversely, changes in inventories had a negative impact on growth due to the aforementioned stockpiling in the first quarter of this year.

Annual inflation increased in the second quarter. U.S. economic policy, particularly the expansion of tax relief and imposed tariffs, is considered overall inflationary. Given price developments and existing risks, the Fed has not lowered its key interest rate since December last year, leaving it in the range of 4.25–4.50%.

The labour market weakened in the first half of this year. Unemployment rose above its natural rate, and employment growth slowed, partly due to the new government's immigration policy. According to the July Purchasing Managers' Index, the manufacturing sector was slightly in contraction territory, driven by falling foreign demand, rising input prices, and reduced employment. The services sector, according to the same index, remained in expansion thanks to growth in new orders despite declining foreign demand. Consumer expectations remained optimistic, with improvements particularly among households investing in equities due to positive stock market performance.

We expect the U.S. economy to grow by 1.6% in 2025 (*previously 1.8%*). Economic activity is likely to be dampened by slower household consumption growth, mainly due to higher prices of imported goods. A gradually weakening labour market will also contribute to slower growth. Prolonged restrictive monetary policy, along with uncertainties in international trade policy, will likely limit investment activity as well. In 2026, expected interest rate cuts should support economic activity, and GDP growth could slightly accelerate to 1.8% (*previously 1.9%*).

Quarter-on-quarter growth of **China's** economy reached 1.2% in the first quarter of 2025 and slightly slowed to 1.1% in the second quarter. All components of GDP contributed to growth, particularly final consumption expenditure supported by fiscal measures.

In the second quarter of 2025 Chinese economy continued to grapple with prolonged price stagnation turning into deflation, potentially reflecting deeper structural issues. Year-on-year industrial production growth was around 6% during the same period, but leading indicators suggest a slowdown. In July, activity in the services sector increased according to the Purchasing Managers' Index, driven by higher volumes of new business and employment growth.

China's economic growth could reach 5.0% in 2025 (*previously 4.8%*) and 4.3% in 2026 (*previously 4.4%*). Household consumption growth is expected to remain weak due to low consumer confidence, higher savings, and an insufficient social safety net, despite continued fiscal support. Private investment activity and, to some extent, consumption could be negatively affected by persistent problems in the real estate sector, even though the government has been supporting this sector for a long time. Risks also include relatively high indebtedness of local governments. Negative impacts on the Chinese economy are also likely from unfavourable demographic trends and the trade war with the United States.

The **European Union** economy grew by 0.5% quarter-on-quarter in the first quarter of 2025 (*vs. estimate of 0.2%*), while **euro area** GDP increased by 0.6% (*vs. estimate of 0.1%*). Growth was driven by gross fixed capital formation and net exports, while changes in inventories and government consumption had a negative effect. In the second quarter of 2025, according to preliminary estimates, EU economic output grew by 0.2% quarter-on-quarter (*vs. forecast of 0.1%*), and euro area GDP by 0.1% (*in line with the forecast*).

In the second quarter, the European Central Bank further reduced its key interest rate by 50 basis points to 2.0% in response to favourable consumer price developments. Rates are expected to remain stable in the near term – further easing is considered only if inflation falls below 2% on a sustained basis, and risks related to tariff policy and the geopolitical situation are currently being assessed. In fiscal policy, ongoing efforts to consolidate public finances will act in the opposite direction to the simultaneous increase in defence spending. The unemployment rate has been stable for an extended period. The manufacturing Purchasing Managers' Index continues its long-term rise but remains in contraction territory. Output increased, but new industrial orders and employment declined slightly. Confidence in the services sector is in expansion territory and reached a six-month high in July. In both the EU and the euro area, consumer confidence improved slightly, mainly due to a better perception of household financial situations.

We expect GDP growth in the European Union to accelerate to 1.3% in 2025 (*previously 0.9%*), while euro area growth should reach 1.2% (*previously 0.7%*). Household consumption should contribute to growth thanks to lower inflation, a strong labour market, and rising real wages. Foreign trade, on the other hand, could dampen growth dynamics due to weaker industrial performance and U.S. tariff policy. On the other hand, the European economy should benefit from the German fiscal package and increased defence spending, although both impulses will fully materialize with some delay. In 2026, continued recovery in household consumption and stronger investment activity could accelerate EU economic growth to 1.4% (*previously 1.6%*) and euro area growth to 1.3% (*previously 1.4%*).

The economy of **Germany** grew by 0.3% quarter-on-quarter in the first quarter of 2025 (*vs. estimate of 0.1%*). Growth was driven by foreign trade, household consumption, and gross fixed capital formation, while government consumption and especially changes in inventories had a negative effect. In the second quarter, German GDP is estimated to have declined by 0.1% quarter-on-quarter (*vs. forecast of growth of 0.1%*).

Consumer price developments have been stable, as has the low unemployment rate. The confidence indicator in manufacturing reached its highest level in three years in July, although it remained in contraction territory. Industrial production fell by 1.9% year-on-year in the second quarter of 2025. There was a sharp decline in the chemical industry, and production in the automotive industry also decreased. Growth in industrial orders, primarily export orders, suggests a recovery in industrial activity

in the second half of this year. The services PMI rose into expansion territory – optimism increased and signs of demand recovery appeared, but firms continued to reduce staff. Consumer sentiment worsened due to concerns about U.S. tariffs and the economic outlook.

We expect the German economy to return to growth in 2025 and expand by 0.4% (*previously 0.1%*). Domestic demand should support growth. Private consumption will benefit from a strong labour market, rising wages, and lower inflation on one hand, but will be dampened by uncertainty about the economic situation, which should be reduced by the trade agreement between the EU and the U.S. Lower uncertainty, together with lower interest rates, should gradually support investment dynamics. Next year, the approved fiscal package should further contribute to economic activity. Based on the above, we expect German economic growth to accelerate to 1.4% in 2026 (*previously 1.1%*).

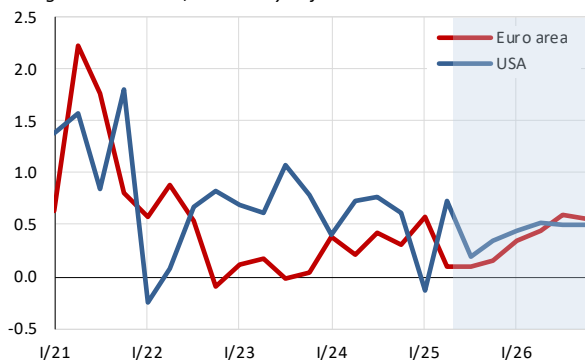
**Slovakia's** GDP grew by 0.2% quarter-on-quarter in the first quarter of 2025 (*vs. estimate of 0.3%*). Growth was mainly supported by changes in inventories and gross fixed capital formation, which, through strong growth in goods imports, significantly contributed to a decline in net exports. The unemployment rate has remained stable.

Annual consumer price growth is among the highest in the EU and continued to rise during the year. Particularly concerning for price stability is the persistently high core inflation. Manufacturing output declined year-on-year in the second quarter of 2025, and industrial orders also decreased. However, expectations for industrial production in the coming months have improved. Consumer confidence fell to a two-year low in July, with households concerned mainly about the expected economic situation in Slovakia and particularly worried about job losses.

We expect Slovak GDP to grow by 1.0% in 2025 (*previously 1.6%*). Economic growth should be driven by investments supported by the Recovery and Resilience Facility. Foreign trade is expected to have a negative impact mainly due to U.S. tariff policy, and household consumption growth should slow significantly due to high inflation and the income effect of the consolidation package. For 2026, we expect GDP growth to accelerate to 2.4% (*previously 2.5%*), supported by a recovery in foreign demand, reduced uncertainty, higher real wage growth due to expected decline in inflation, and the positive effect of the German fiscal package.

**Graph 1.1.1: Real GDP in the Euro Area and USA**

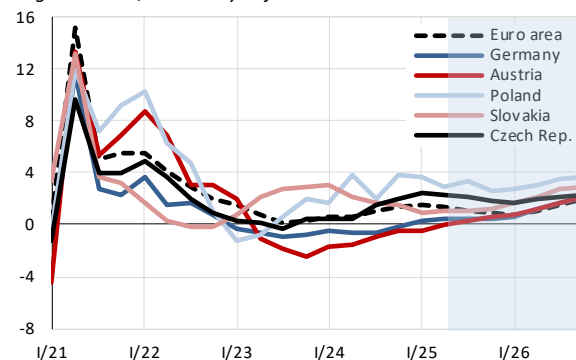
QoQ growth rate in%, seasonally adjusted



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

**Graph 1.1.2: Real Gross Domestic Product**

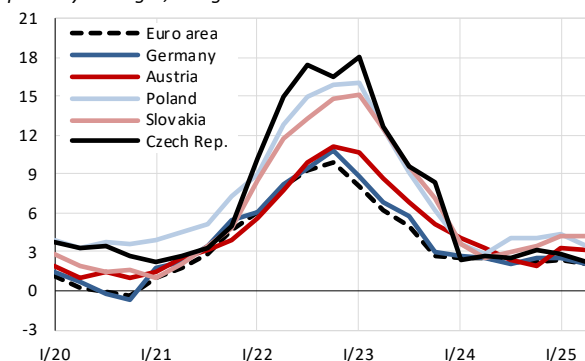
YoY growth in %, seasonally adjusted



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

**Graph 1.1.3: HICP**

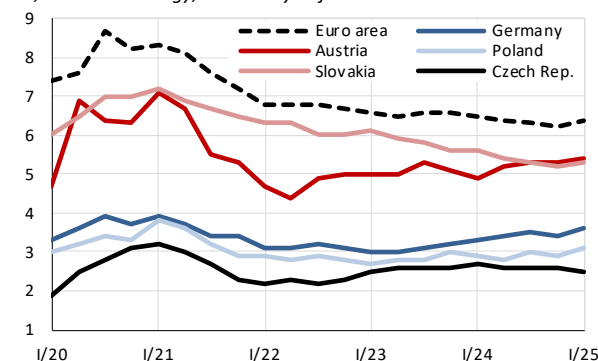
quarterly averages, YoY growth in %



Source: Eurostat. Calculations of the MoF.

**Graph 1.1.4: Unemployment Rate**

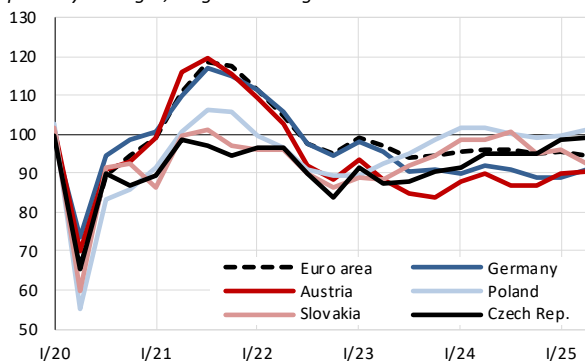
in %, LFS methodology, seasonally adjusted



Source: Eurostat.

**Graph 1.1.5: Economic Sentiment Indicator**

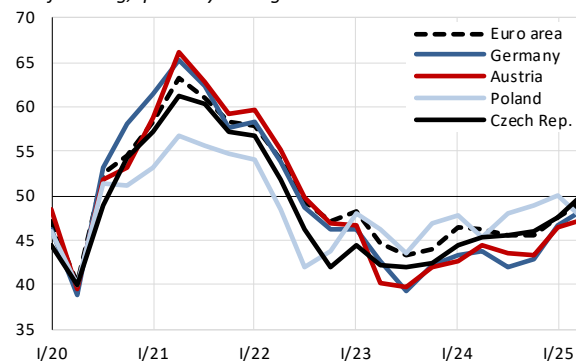
quarterly averages, long-run average = 100



Source: Eurostat. Calculations of the MoF.

**Graph 1.1.6: Purchasing Managers' Index**

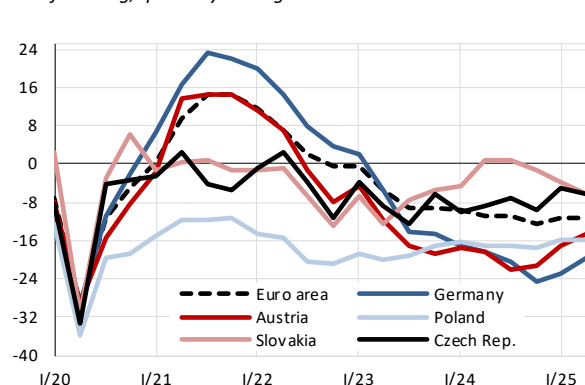
manufacturing, quarterly averages



Source: Markit. Calculations of the MoF.

**Graph 1.1.7: Business Tendency**

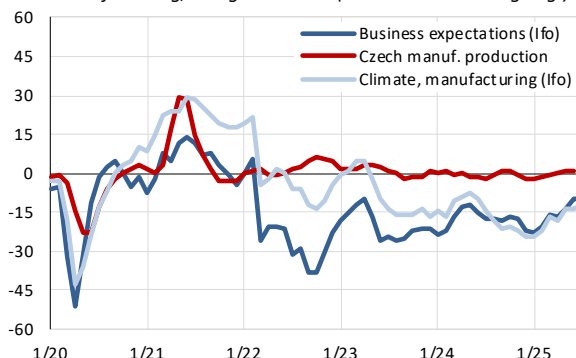
manufacturing, quarterly averages



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 %

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
											Forecast Forecast
<b>World</b>	seasonally adjusted	3.8	3.6	2.8	-2.7	6.6	3.6	3.3	3.2	3.0	3.1
<b>USA</b>	seasonally adjusted	2.5	3.0	2.6	-2.2	6.1	2.5	2.9	2.8	1.6	1.8
<b>China</b>	seasonally adjusted	6.9	6.9	6.2	2.0	8.9	3.2	5.4	5.0	5.0	4.3
<b>United Kingdom</b>	seasonally adjusted	2.7	1.4	1.6	-10.3	8.6	4.8	0.4	1.1	1.4	1.7
<b>European Union</b>	seasonally adjusted	2.9	2.0	1.9	-5.7	6.2	3.5	0.6	1.0	1.3	1.4
<b>Euro area</b>	seasonally adjusted	2.7	1.7	1.6	-6.2	6.3	3.6	0.7	0.9	1.2	1.3
<b>Germany</b>	seasonally adjusted	3.1	1.1	1.0	-4.5	3.9	1.9	-0.7	-0.5	0.4	1.4
	unadjusted	2.8	1.1	1.0	-4.1	3.9	1.8	-0.9	-0.5	0.8	1.6
<b>France</b>	seasonally adjusted	2.3	1.6	2.1	-7.6	6.8	2.8	1.6	1.1	0.6	1.3
	unadjusted	2.1	1.6	2.0	-7.4	6.9	2.7	1.4	1.2	0.6	1.4
<b>Italy</b>	seasonally adjusted	1.7	0.7	0.4	-9.0	8.8	5.0	0.8	0.5	0.5	1.1
	unadjusted	1.6	0.8	0.4	-8.9	8.9	4.8	0.7	0.7	0.4	1.3
<b>Austria</b>	seasonally adjusted	2.4	2.4	1.8	-6.5	5.0	5.4	-0.8	-1.1	0.1	1.5
	unadjusted	2.3	2.5	1.8	-6.3	4.8	5.3	-1.0	-1.0	0.2	1.5
<b>Hungary</b>	seasonally adjusted	4.3	5.6	5.1	-4.5	7.2	4.3	-0.7	0.5	0.5	3.0
	unadjusted	4.1	5.6	5.1	-4.3	7.2	4.3	-0.8	0.5	0.6	3.0
<b>Poland</b>	seasonally adjusted	5.2	6.2	4.5	-2.0	6.8	5.5	0.1	2.9	3.1	3.3
	unadjusted	5.2	6.2	4.6	-2.0	6.9	5.3	0.2	2.9	3.1	3.3
<b>Slovakia</b>	seasonally adjusted	2.9	4.1	2.3	-2.6	5.7	0.4	2.2	2.1	1.0	2.4
<b>Czech Republic</b>	seasonally adjusted	5.3	2.8	3.5	-5.3	4.0	2.9	0.2	1.1	2.2	2.0
	unadjusted	5.2	2.8	3.6	-5.3	4.0	2.8	0.0	1.2	2.1	2.0

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	Forecast
USA	QoQ	0.4	0.7	0.8	0.6	-0.1	0.7	0.2	0.3
	YoY	2.9	3.0	2.7	2.5	2.0	2.0	1.4	1.2
United Kingdom	QoQ	0.9	0.5	0.0	0.1	0.7	0.3	0.3	0.4
	YoY	0.7	1.1	1.2	1.5	1.3	1.1	1.4	1.7
European Union	QoQ	0.4	0.3	0.4	0.4	0.5	0.2	0.1	0.3
	YoY	0.7	0.9	1.2	1.5	1.6	1.5	1.2	1.1
Euro area	QoQ	0.4	0.2	0.4	0.3	0.6	0.1	0.1	0.2
	YoY	0.6	0.6	1.0	1.3	1.5	1.4	1.1	0.9
Germany	QoQ	-0.1	-0.3	0.0	0.2	0.3	-0.1	0.1	0.2
	YoY	-0.5	-0.6	-0.6	-0.2	0.2	0.4	0.4	0.5
France	QoQ	0.1	0.2	0.4	-0.1	0.1	0.3	0.1	0.2
	YoY	1.7	1.0	1.1	0.6	0.6	0.7	0.4	0.7
Italy	QoQ	0.2	0.2	0.0	0.2	0.3	-0.1	0.1	0.2
	YoY	0.3	0.7	0.5	0.6	0.7	0.4	0.5	0.5
Austria	QoQ	0.1	-0.3	-0.1	0.0	0.1	0.1	0.1	0.2
	YoY	-1.6	-1.6	-0.9	-0.4	-0.4	0.0	0.3	0.5
Hungary	QoQ	0.4	-0.3	-0.6	0.6	-0.1	0.4	0.3	0.5
	YoY	1.6	1.2	-0.8	0.2	-0.4	0.3	1.2	1.1
Poland	QoQ	0.8	1.5	0.1	1.4	0.7	0.6	0.6	0.7
	YoY	1.7	3.9	2.1	3.9	3.7	2.8	3.3	2.6
Slovakia	QoQ	0.7	0.2	0.3	0.4	0.2	0.2	0.3	0.5
	YoY	3.0	2.1	1.6	1.5	1.0	1.0	1.0	1.2
Czech Republic	QoQ	0.2	0.3	0.6	0.8	0.7	0.2	0.4	0.5
	YoY	0.5	0.5	1.5	1.9	2.4	2.4	2.1	1.8

## 1.2 Commodity Prices

A barrel of **Brent crude oil** traded at an average of USD 68 in the second quarter of 2025 (vs. *forecast of USD 72*), representing a year-on-year decline of 19.6%, or a decline of 23.8% in koruna terms.

Oil prices remain influenced by a high degree of uncertainty. Key factors include global economic developments, U.S. trade policy, and the changing economic situation in China. On the supply side, the Organization of the Petroleum Exporting Countries and its cooperating partners (OPEC+) play a crucial role, gradually easing previous production cuts, while some countries continue to apply voluntary reductions. OPEC+ policy is primarily focused on short-term responses to market developments.

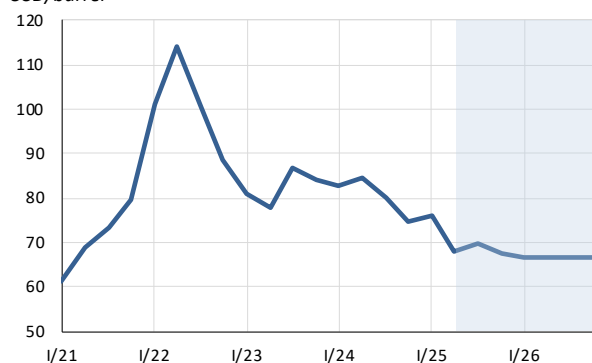
Tensions in the Middle East, particularly between Iran and Israel, increase the risk of supply disruptions, including a potential threat to oil transit through the Strait of Hormuz. The ongoing war in Ukraine and its impact on Europe's energy security also keep markets uncertain. Gradual production growth in non-OPEC+ countries, such as the United States, weakens the cartel's ability to regulate supply.

The expected development of Brent oil prices reflects the downward trajectory of prices on the futures market. This year, the average price per barrel could fall by 12.7% year-on-year to USD 70 (*previously USD 72*), while in koruna terms it could decline by 16.9% due to significant appreciation of the koruna against the dollar. In 2026, oil prices are expected to fall further, by 5.4% in U.S. dollars to USD 67 (*previously USD 68*) and by 11.4% in koruna terms.

Electricity and natural gas prices remain influenced by the uncertain progress of Europe's energy transition. Uncertainties include the pace of phasing out fossil fuels, the future of nuclear energy, and the development of emission allowance prices. Global prices of other commodities – especially metals and agricultural products – generally declined during this year due to weaker demand and sufficient supply, driven by slower industrial activity and favourable harvests. The downward trend in commodity prices is expected to continue, with the most significant declines likely in energy and metals. Food prices should also decrease slightly, although risks related to weather and regulatory interventions persist.

**Graph 1.2.1: Dollar Price of Brent Crude Oil**

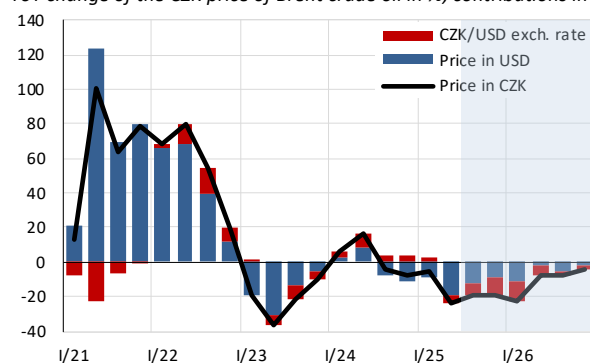
USD/barrel



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

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
										Forecast	Forecast
<b>Crude oil Brent</b>	USD/barrel	54.2	71.3	64.3	41.8	70.8	101.0	82.4	80.6	70	67
	growth in %	24.3	31.7	-9.8	-35.0	69.3	42.7	-18.4	-2.3	-12.7	-5.4
<b>Crude oil Brent index (in CZK)</b>	2020=100	130.7	160.7	152.8	100.0	159.1	244.3	189.7	193.7	161	143
	growth in %	18.5	22.9	-4.9	-34.6	59.1	53.5	-22.3	2.1	-16.9	-11.4
<b>Natural gas (Europe)</b>	USD/MMBtu	5.7	7.7	4.8	3.2	16.1	40.3	13.1	11.0	.	.
	growth in %	25.3	34.4	-37.5	-32.5	397.1	150.3	-67.5	-16.4	.	.
<b>Natural gas (Europe) index (in CZK)</b>	2020=100	179.0	225.2	147.9	100.0	473.7	1277.7	391.9	342.5	.	.
	growth in %	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	Q2	Q3	Q4
								Forecast	Forecast
Crude oil Brent	USD/barrel	82.9	84.7	80.0	74.7	75.9	68.1	70	68
	growth in %	2.3	8.6	-7.7	-11.1	-8.5	-19.6	-12.7	-9.5
Crude oil Brent index (in CZK)	2020=100	198.4	203.3	190.1	182.8	187.4	155.0	153	148
	growth in %	6.5	16.1	-4.5	-7.9	-5.5	-23.8	-19.3	-19.3
Natural gas (Europe)	USD/MMBtu	8.8	10.0	11.5	13.6	14.4	11.9	.	.
	growth in %	-48.0	-11.5	6.9	0.3	64.6	18.4	.	.
Natural gas (Europe) index (in CZK)	2020=100	271.7	312.4	354.7	431.2	462.0	350.9	.	.
	growth in %	-45.9	-5.3	10.6	3.9	70.0	12.3	.	.

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

## 1.3 Fiscal Policy

The government's consolidation efforts and ongoing economic recovery should be reflected in the **general government outturn** in 2025. Despite higher spending on education, defence and transport infrastructure, including flood recovery from September 2024, we expect a slight decline in the deficit to 1.9% of GDP (*previously 2.2% of GDP*). The balance adjusted for the economic cycle and one-offs should remain unchanged year-on-year at -1.7% of GDP (*previously -1.9% of GDP*), still above the minimum allowed by the Fiscal Responsibility Rules Act.

**Total general government revenue** is expected to grow by 5.7%, with tax revenues including social security contributions growing only slightly slower.

Rising real wages should boost household consumption and positively affect **VAT** revenue, which is estimated to grow by 6%. This will also reflect higher **excise duties** on tobacco products and alcohol as part of the consolidation package.

The forecast for **personal income tax** (6.8%) and **social security contributions** (6.5%) is based on expected growth in wages and salaries in the economy. However, personal income tax dynamics is dampened by year-on-year developments in capital gains tax. In the area of social security contributions, the consolidation package further increases contributions from the self-employed, with an additional impact in 2025. On the other hand, the introduction of a pension insurance discount for working pensioners is estimated to cost around CZK 4 billion.

The **corporate income tax** yield (3.7%) should be dampened by a slightly negative impact of discretionary measures. The declining accrual windfall profit tax yield and the deepening negative effect of tax exemption for government bond yields will outweigh the additional positive impact of a 2 percentage points increase in the tax rate and the introduction of a top-up tax.

Among other revenues, **current** and **capital transfers** are also expected to grow significantly, reflecting the start-up of EU co-financed projects from the 2021–2027 programming period. Funds from the Next Generation EU instrument also play an important role.

**Total general government expenditure** is expected to grow more slowly than revenue. We estimate that the growth rate of final consumption expenditure will slow to 5.4% year-on-year due to intermediate consumption and social transfers in kind. Conversely, **compensation of employees** in the general government sector should reach higher dynamics (6%) than last year, mainly due to salaries indexed to the average wage.

The growth rate of **social transfers in kind** should slow to 5%, due to the high base of year 2024. The increase should be driven by health insurance companies' spending, made possible by increases in social security contributions and payments for state insured persons. For housing benefits, we expect the relatively higher level to be maintained, although their growth may slightly weaken due to rising real earnings. The year-on-year 4.7% growth in **intermediate consumption** is based on the 2024 level slightly increased by spending on repairs of property damaged by the September 2024 floods, which we are considering for 2025 as well. On the other hand, the governments' ongoing consolidation efforts in operating expenditure should have a positive effect.

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. The ongoing payment of humanitarian benefits for persons with temporary protection will require an increase of around CZK 1.5 billion year-on-year. Additional spending of around CZK 4 billion is associated with adjustments to the care allowance. The cash performance of state budget for the first seven months of the year also indicates higher growth in unemployment and sickness benefits due to a higher number of unemployed persons and increased

sickness rate, respectively. In both cases, rising earnings also play a role. In the national accounts methodology, the development of social security benefits also reflects the increase in payments for state-insured persons. The result is a forecasted growth of cash social benefits by 2.2%.

**Investment in fixed assets** is expected to grow by 7.7%, driven not only by defence spending but also by expenditure on the reconstruction of infrastructure and assets damaged by the September 2024 floods. In terms of financing, we expect the involvement of resources from the Recovery and Resilience Facility, as well as an increase in funds under the 2021–2027 financial perspective in line with the current phase of the cycle for cohesion funds.

The expected 14% growth in **subsidies** is determined by higher support for renewable energy sources, followed

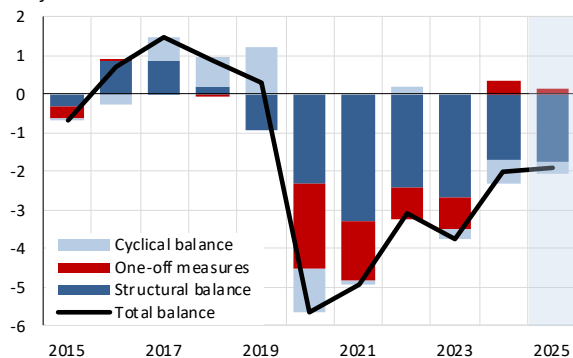
by spending on public transport services. Other subsidies should decline overall due to additional savings resulting from the consolidation package and a reduction in payments for housing of Ukrainian refugees.

An increase in **current** and **capital transfers** by 13.5% will be driven by higher contributions to the EU budget, as well as a CZK 3 billion payment to Czech Post and subsidy programs related to last year's floods. Conversely, the state budget will save around CZK 2 billion by reducing the maximum amount of state subsidy for housing savings.

The government deficit is reflected in the level of **debt**, which is expected to rise by 0.9 percentage points to 44.2% of GDP this year (*previously 44.5% of GDP*). This will lead to a further increase in **interest expenditure** to 1.4% of GDP.

**Graph 1.3.1: General Government Balance**

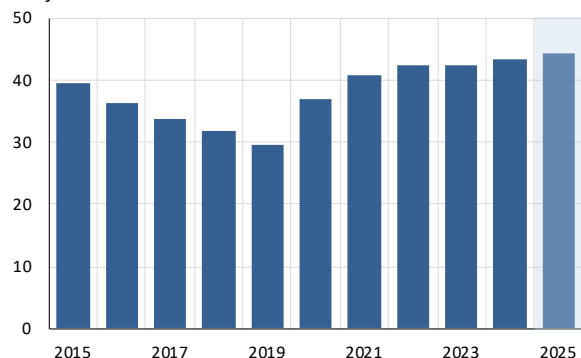
in % of GDP



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
											Forecast
<b>General government balance</b>	% GDP	0.7	1.5	0.9	0.3	-5.6	-5.0	-3.1	-3.7	-2.0	-1.9
	bill. CZK	33	76	48	17	-329	-312	-216	-286	-161	-162
<b>Cyclical balance</b>	% GDP	-0.3	0.6	0.8	1.2	-1.1	-0.1	0.2	-0.2	-0.6	-0.3
<b>Cyclically adjusted balance</b>	% GDP	0.9	0.8	0.1	-0.9	-4.5	-4.8	-3.3	-3.5	-1.4	-1.6
<b>One-off measures <sup>1)</sup></b>	% GDP	0.1	0.0	-0.1	0.0	-2.2	-1.5	-0.8	-0.8	0.3	0.1
<b>Structural balance</b>	% GDP	0.9	0.8	0.2	-0.9	-2.3	-3.3	-2.4	-2.7	-1.7	-1.7
<b>Fiscal effort <sup>2)</sup></b>	pp	1.2	0.0	-0.7	-1.1	-1.4	-1.0	0.9	-0.3	1.0	0.0
<b>Interest expenditure</b>	% GDP	0.9	0.7	0.7	0.7	0.7	0.7	1.1	1.3	1.3	1.4
<b>Primary balance</b>	% GDP	1.6	2.2	1.6	1.0	-4.9	-4.2	-2.0	-2.4	-0.7	-0.6
<b>Cyclically adjusted primary balance</b>	% GDP	1.8	1.6	0.8	-0.2	-3.8	-4.1	-2.1	-2.2	0.0	-0.3
<b>General government debt</b>	% GDP	36.2	33.8	31.7	29.6	36.9	40.7	42.5	42.2	43.3	44.2
	bill. CZK	1 755	1 750	1 735	1 740	2 150	2 567	2 998	3 234	3 492	3 738
<b>Change in debt-to-GDP ratio</b>	pp	-3.2	-2.5	-2.1	-2.1	7.3	3.8	1.8	-0.3	1.1	0.9

Note: The balance for the year 2024 was improved by CZK 16.6 billion compared to the notifications from the Czech Statistical Office in April 2025 due to known facts regarding the revenue from personal and corporate income taxes and the windfall profits tax.

<sup>1)</sup> 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.

<sup>2)</sup> Change in structural balance.

Source: CZSO. Calculations and forecast of the MoF.

## 1.4 Monetary Policy, Financial Sector and Exchange Rates

Since the beginning of this year, the Czech National Bank has gradually reduced the **two-week repo rate** from 4.0% to 3.5%. Given the outlook for inflationary pressures (see section 3.2), overall economic conditions, and the CNB's previous communication, including the expected level of the equilibrium interest rate, we do not anticipate a significant further decline in monetary policy rates.

The **three-month PRIBOR rate** fell to 3.6% in the second quarter of 2025 (*in line with the forecast*), following the reduction in the CNB's primary interest rates. It could average the same value for the entire year 2025 (*previously 3.5%*). For the following year, we forecast a decrease to an average of 3.4% (*unchanged*).

The **yield to maturity on 10-year government bonds** remained broadly unchanged in the second quarter of 2025, averaging 4.2% (*vs. forecast of 4.1%*). A gradual moderate decline in yields is supported by the expected decrease in similar interest rates abroad, particularly in the U.S., although this is likely to occur with a delay given the anticipated prolonged stability of the Fed rate. For the full year 2025, we expect an average yield of 4.2% (*previously 4.1%*) and for next year 4.1% (*previously 3.7%*).

The stock of **household loans** grew by 6.6% in the second quarter of 2025, continuing its faster growth, mainly due to a higher volume of housing loans granted. This reflects rising property prices and increased household credit demand, partly due to lower interest rates – the average interest rate on new mortgage loans to households fell by 0.5 percentage points year-on-year to 4.7% in the second quarter of 2025.

The annual growth in the stock of **household deposits** continues to slow – reaching 5.5% in the second quarter of 2025. This slowdown was also influenced by a year-on-year decline in the average interest rate on the stock of koruna household deposits by 0.5 percentage points to 1.6%.

The annual growth in the stock of **loans to non-financial corporations** was 5.0% in the second quarter of 2025. The contribution of koruna loans is increasing, while the growth of foreign currency loans is gradually weakening. The share of foreign currency loans in total loans to non-financial corporations stood at 51%. The average interest rate on the stock of koruna loans to non-financial corporations fell by 1.2 percentage points year-on-year to 5.3% in the second quarter of 2025.

According to the CNB survey, corporate loan demand weakened in the second quarter of 2025 for the first time since the third quarter of 2024. The reason, as reported by the banks, was corporate caution and the re-

sulting lower need for investment financing due to an uncertain international environment, partly as a result of U.S. tariff policy. On the other hand, corporate loan demand was supported by lower interest rates and activity in mergers, acquisitions, and restructuring.

The **shares of non-performing loans** in total loans to both non-financial corporations and households remain near historically low levels. In the second quarter of 2025, the share of non-performing loans was 1.3% for households and 2.6% for non-financial corporations.

The **Czech koruna's exchange rate against the euro** averaged CZK 24.9 per euro in the second quarter of 2025 (*in line with the forecast*), mostly unchanged from a year earlier, showing only a slight appreciation of 0.1%.

The koruna's exchange rate should continue to reflect primarily developments in the global foreign exchange market. The U.S. dollar could extend its year-to-date losses against the euro, which could indirectly support the koruna relative to the euro. The dollar depreciation is expected due to anticipated Fed rate cuts and a weaker economy in the U.S. However, a possible improvement in global sentiment toward the U.S. currency could indirectly counteract the expected appreciation of the koruna against the euro. External developments remain subject to frequent changes.

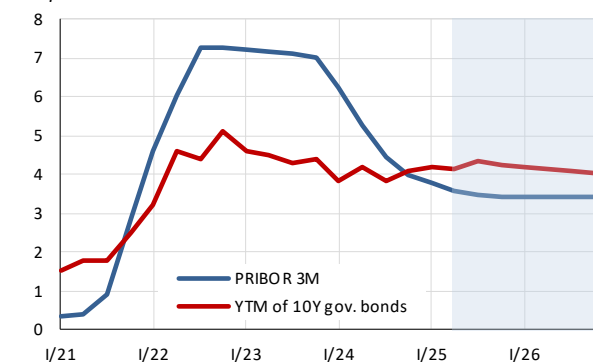
Domestic fundamentals will also support the koruna. Continued recovery of the European and Czech economies combined with relatively stronger domestic growth could contribute to its appreciation. In the longer term, we continue to expect mild appreciation pressure on the koruna due to economic convergence. The interest rate differential should also have a favourable effect on the koruna given the expected development of rates at home and abroad. However, unless a significant domestic impulse emerges, external developments should remain the main driver of the koruna's exchange rate. For 2025, we expect the koruna to appreciate on average by 1.4% to an exchange rate of CZK 24.8 per euro (*previously CZK 24.9 per euro*). In 2026, the koruna could further strengthen by 1.7% to CZK 24.4 per euro (*previously CZK 24.5 per euro*).

The expected exchange rate of the koruna against the U.S. dollar is implied by the forecast for the USD/EUR exchange rate, which is based on the futures contracts prior to the input data cut-off date. For this year, we expect a USD/EUR exchange rate of 1.12 (*previously 1.08*), and for 2026, the rate is expected to reach 1.18 (*previously 1.11*). However, due to the risk premium, the actual development may deviate significantly from the forecast implied by the futures contracts.

.

**Graph 1.4.1: Interest Rates**

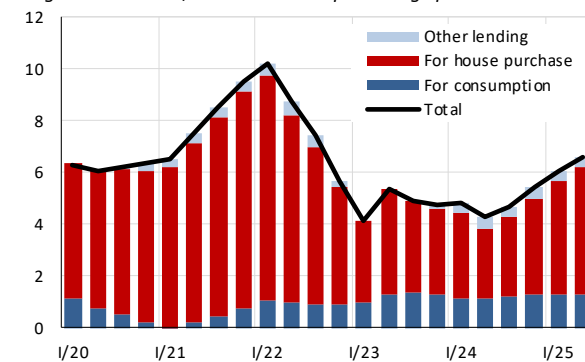
in % p.a.



Source: CNB. Calculations and forecast of the MoF.

**Graph 1.4.2: Loans to Households**

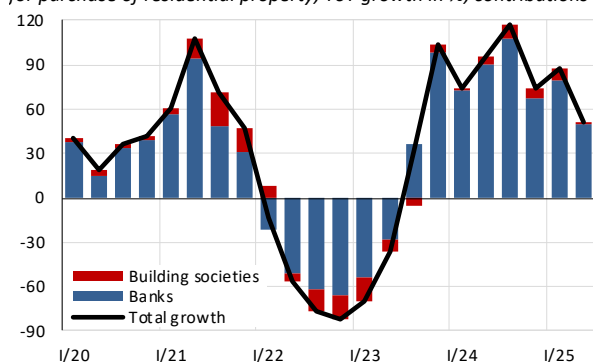
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

**Graph 1.4.3: New Mortgage Loans**

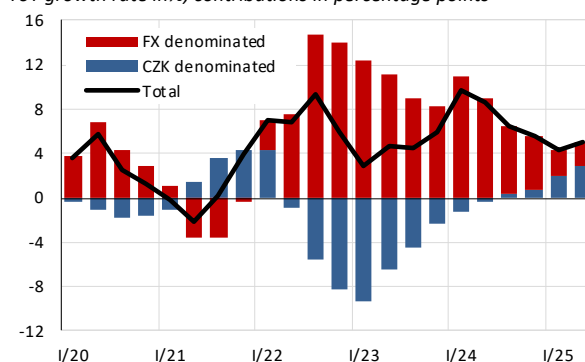
for purchase of residential property, YoY growth in %, contributions in pp



Source: CNB. Calculations of the MoF.

**Graph 1.4.4: Loans to Non-financial Corporations**

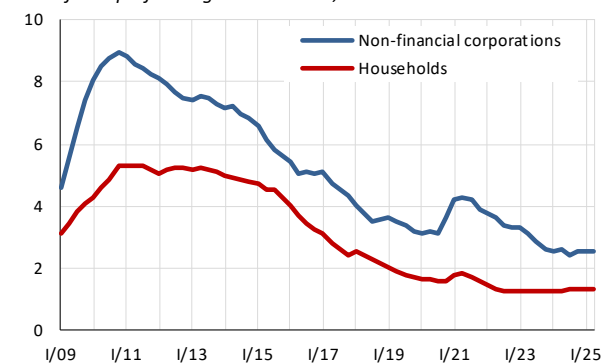
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

**Graph 1.4.5: Non-performing Loans**

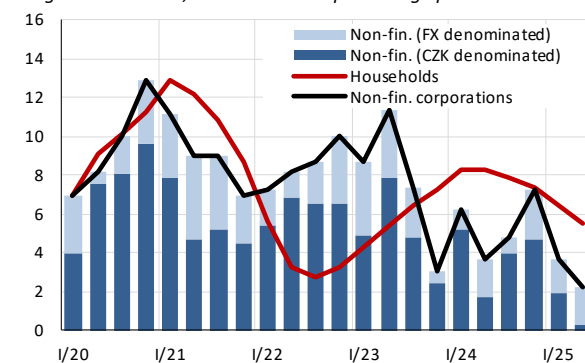
ratio of non-performing to total loans, in%



Source: CNB. Calculations of the MoF.

**Graph 1.4.6: Deposits**

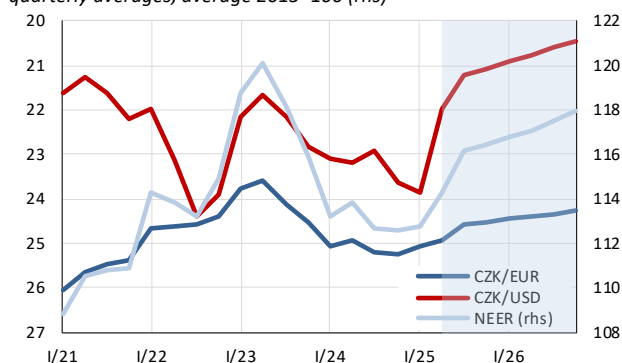
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

**Graph 1.4.7: Nominal Exchange Rates**

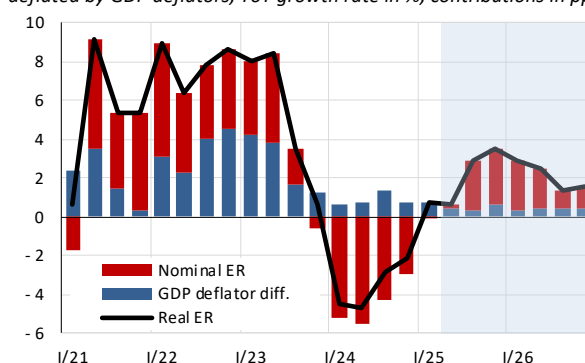
quarterly averages, average 2015=100 (rhs)



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

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
											Forecast Forecast
<b>Repo 2W rate CNB</b> (end of period)	in % p.a.	0.50	1.75	2.00	0.25	3.75	7.00	6.75	4.00	.	.
<b>Deposit facility ECB</b> (end of period)	in % p.a.	-0.40	-0.40	-0.50	-0.50	-0.50	2.00	4.00	3.00	.	.
<b>Federal funds rate</b> (end of period)	in % p.a.	1.50	2.50	1.75	0.25	0.25	4.50	5.50	4.50	.	.
<b>PRIBOR 3M</b>	in % p.a.	0.41	1.27	2.12	0.86	1.13	6.29	7.12	4.98	3.6	3.4
<b>YTM of 10Y government bonds</b>	in % p.a.	0.98	1.98	1.55	1.13	1.90	4.33	4.44	3.98	4.2	4.1
<b>Client interest rates</b>											
<b>Loans to households</b>	in % p.a.	4.10	3.76	3.66	3.53	3.31	3.42	3.85	4.26	.	.
<b>Loans to non-financial corporations</b>	in % p.a.	2.57	3.05	3.75	2.96	2.86	6.42	7.39	6.31	.	.
<b>Deposits of households</b>	in % p.a.	0.36	0.33	0.39	0.35	0.26	1.13	2.10	1.94	.	.
<b>Deposits of non-financial corporations</b>	in % p.a.	0.05	0.11	0.37	0.20	0.11	1.96	3.29	2.47	.	.

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
						Forecast			
Repo 2W rate CNB (end of period)	in % p.a.	5.75	4.75	4.25	4.00	3.75	3.50	.	.
Deposit facility ECB (end of period)	in % p.a.	4.00	3.75	3.50	3.00	2.50	2.00	.	.
Federal funds rate (end of period)	in % p.a.	5.50	5.50	5.00	4.50	4.50	4.50	.	.
PRIBOR 3M	in % p.a.	6.23	5.25	4.44	4.00	3.79	3.57	3.5	3.4
YTM of 10Y government bonds	in % p.a.	3.82	4.19	3.83	4.07	4.17	4.16	4.3	4.2
Client interest rates									
Loans to households	in % p.a.	4.13	4.22	4.31	4.38	4.43	4.47	.	.
Loans to non-financial corporations	in % p.a.	7.13	6.52	5.98	5.61	5.42	5.28	.	.
Deposits of households	in % p.a.	2.29	2.10	1.78	1.62	1.66	1.59	.	.
Deposits of non-financial corporations	in % p.a.	3.07	2.71	2.22	1.90	1.72	1.65	.	.

Table 1.4.3: Loans and Deposits – yearly averages

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Households</b>											
<b>Loans</b>	<i>growth in %</i>	<b>4.8</b>	<b>7.2</b>	<b>7.8</b>	<b>7.6</b>	<b>6.6</b>	<b>6.3</b>	<b>8.0</b>	<b>8.0</b>	<b>4.8</b>	<b>4.8</b>
For consumption	<i>growth in %</i>	3.4	6.0	4.3	5.4	6.4	4.4	2.6	7.0	9.0	8.4
For house purchase	<i>growth in %</i>	5.6	8.1	9.0	8.5	7.4	7.3	9.5	8.5	4.5	4.1
Other lending	<i>growth in %</i>	1.0	3.0	4.2	4.3	1.1	0.9	4.2	4.5	0.3	5.3
CZK denominated	<i>growth in %</i>	4.7	7.2	7.7	7.6	6.6	6.3	8.0	7.9	4.7	4.8
FX denominated	<i>growth in %</i>	12.7	8.5	36.3	1.7	9.0	6.1	16.9	43.4	26.7	11.4
<b>Deposits</b>	<i>growth in %</i>	<b>4.8</b>	<b>7.0</b>	<b>8.7</b>	<b>7.0</b>	<b>7.2</b>	<b>9.4</b>	<b>11.1</b>	<b>3.7</b>	<b>5.9</b>	<b>7.9</b>
CZK denominated	<i>growth in %</i>	4.1	6.9	9.7	7.1	6.9	9.2	10.9	3.2	5.2	8.3
FX denominated	<i>growth in %</i>	22.5	7.3	-13.9	3.5	15.2	14.5	16.6	16.6	20.4	0.6
<b>Non-performing loans</b> (banking statistics)	<i>share, in %</i>	<b>4.5</b>	<b>3.6</b>	<b>2.7</b>	<b>2.4</b>	<b>1.9</b>	<b>1.6</b>	<b>1.7</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>
<b>Loans to deposits ratio</b>	<i>in %</i>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>63</b>	<b>61</b>	<b>59</b>	<b>62</b>	<b>61</b>	<b>59</b>
<b>Non-financial corporations</b>											
<b>Loans</b>	<i>growth in %</i>	<b>6.5</b>	<b>6.6</b>	<b>5.0</b>	<b>4.2</b>	<b>4.3</b>	<b>3.2</b>	<b>0.5</b>	<b>7.2</b>	<b>4.5</b>	<b>7.5</b>
CZK denominated	<i>growth in %</i>	5.9	2.8	-1.4	3.0	1.9	-1.8	3.2	-4.0	-9.4	-0.2
FX denominated	<i>growth in %</i>	9.0	20.5	24.4	6.9	10.0	14.0	-4.6	29.6	25.1	15.9
<b>Deposits</b>	<i>growth in %</i>	<b>10.3</b>	<b>4.6</b>	<b>7.8</b>	<b>3.0</b>	<b>4.2</b>	<b>9.5</b>	<b>9.0</b>	<b>8.5</b>	<b>7.5</b>	<b>5.5</b>
CZK denominated	<i>growth in %</i>	6.7	4.5	13.9	2.1	1.9	9.4	7.1	8.3	6.6	5.1
FX denominated	<i>growth in %</i>	23.2	4.8	-11.1	6.6	13.0	9.9	15.3	9.2	10.7	6.5
<b>Non-performing loans</b> (banking statistics)	<i>share, in %</i>	<b>6.0</b>	<b>5.2</b>	<b>4.7</b>	<b>3.7</b>	<b>3.4</b>	<b>3.3</b>	<b>4.2</b>	<b>3.5</b>	<b>3.0</b>	<b>2.5</b>
<b>Loans to deposits ratio</b>	<i>in %</i>	<b>106</b>	<b>108</b>	<b>105</b>	<b>106</b>	<b>106</b>	<b>100</b>	<b>92</b>	<b>91</b>	<b>89</b>	<b>91</b>

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

		2023		2024				2025	
		Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
<b>Households</b>									
<b>Loans</b>	<i>growth in %</i>	<b>4.9</b>	<b>4.8</b>	<b>4.9</b>	<b>4.3</b>	<b>4.7</b>	<b>5.4</b>	<b>6.1</b>	<b>6.6</b>
For consumption	<i>growth in %</i>	10.0	9.2	8.3	8.0	8.4	9.1	9.2	8.9
For house purchase	<i>growth in %</i>	4.5	4.3	4.2	3.5	3.9	4.8	5.6	6.3
Other lending	<i>growth in %</i>	0.0	2.0	5.2	5.3	5.5	5.3	4.9	4.7
CZK denominated	<i>growth in %</i>	4.9	4.7	4.8	4.3	4.7	5.4	6.1	6.7
FX denominated	<i>growth in %</i>	16.3	17.6	19.2	10.0	9.6	7.6	0.8	-5.6
<b>Deposits</b>	<i>growth in %</i>	<b>6.5</b>	<b>7.3</b>	<b>8.2</b>	<b>8.3</b>	<b>7.9</b>	<b>7.3</b>	<b>6.5</b>	<b>5.5</b>
CZK denominated	<i>growth in %</i>	5.9	7.0	8.4	8.7	8.3	7.8	6.8	5.7
FX denominated	<i>growth in %</i>	18.8	13.9	5.6	0.2	-1.2	-2.1	0.2	1.9
<b>Non-performing loans</b> (banking statistics)	<i>share, in %</i>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>
<b>Loans to deposits ratio</b>	<i>in %</i>	<b>61</b>	<b>61</b>	<b>60</b>	<b>59</b>	<b>59</b>	<b>60</b>	<b>59</b>	<b>60</b>
<b>Non-financial corporations</b>									
<b>Loans</b>	<i>growth in %</i>	<b>4.5</b>	<b>6.0</b>	<b>9.7</b>	<b>8.7</b>	<b>6.4</b>	<b>5.6</b>	<b>4.4</b>	<b>5.0</b>
CZK denominated	<i>growth in %</i>	-7.7	-4.3	-2.3	-0.6	0.6	1.4	3.9	6.1
FX denominated	<i>growth in %</i>	20.9	18.5	23.8	19.1	12.4	9.8	4.8	4.0
<b>Deposits</b>	<i>growth in %</i>	<b>7.3</b>	<b>3.0</b>	<b>6.2</b>	<b>3.6</b>	<b>4.8</b>	<b>7.3</b>	<b>3.7</b>	<b>2.3</b>
CZK denominated	<i>growth in %</i>	6.3	3.2	7.0	2.2	5.2	6.2	2.5	0.5
FX denominated	<i>growth in %</i>	10.5	2.4	3.8	8.1	3.6	10.6	7.4	7.7
<b>Non-performing loans</b> (banking statistics)	<i>share, in %</i>	<b>2.8</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.4</b>	<b>2.5</b>	<b>2.6</b>	<b>2.6</b>
<b>Loans to deposits ratio</b>	<i>in %</i>	<b>90</b>	<b>92</b>	<b>91</b>	<b>90</b>	<b>91</b>	<b>90</b>	<b>91</b>	<b>92</b>

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

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
<b>Nominal exchange rates</b>											
<b>CZK/EUR</b>	average	<b>25.67</b>	<b>26.44</b>	<b>25.65</b>	<b>24.57</b>	<b>24.01</b>	<b>25.12</b>	<b>24.8</b>	<b>24.4</b>	<b>24.1</b>	<b>23.8</b>
	appreciation in %	-0.1	-2.9	3.1	4.4	2.3	-4.4	1.4	1.7	1.2	1.3
<b>CZK/USD</b>	average	<b>22.94</b>	<b>23.20</b>	<b>21.68</b>	<b>23.36</b>	<b>22.21</b>	<b>23.21</b>	<b>22.0</b>	<b>20.7</b>	<b>20.1</b>	<b>19.6</b>
	appreciation in %	-5.2	-1.1	7.0	-7.2	5.2	-4.3	5.3	6.5	2.7	2.5
<b>NEER</b>	average of 2015=100	<b>108.8</b>	<b>106.7</b>	<b>110.4</b>	<b>114.8</b>	<b>118.3</b>	<b>113.2</b>	<b>115</b>	<b>117</b>	<b>119</b>	<b>121</b>
	appreciation in %	-0.3	-1.9	3.4	4.0	3.0	-4.3	1.5	2.1	1.4	1.4
<b>Real exchange rate to EA20 <sup>1)</sup></b>	average of 2015=100	<b>111.1</b>	<b>110.7</b>	<b>116.3</b>	<b>125.5</b>	<b>131.8</b>	<b>127.2</b>	<b>130</b>	<b>132</b>	<b>134</b>	<b>136</b>
	appreciation in %	2.0	-0.4	5.1	7.9	5.0	-3.6	1.9	2.1	1.4	1.3
<b>REER <sup>2)</sup></b>	average of 2015=100	<b>111.5</b>	<b>112.4</b>	<b>116.7</b>	<b>126.9</b>	<b>139.6</b>	<b>133.4</b>	.	.	.	.
	appreciation in %	0.3	0.8	3.8	8.7	10.0	-4.4	.	.	.	.

<sup>1)</sup> Deflated by GDP deflators.

<sup>2)</sup> 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
<b>Nominal exchange rates</b>									
<b>CZK/EUR</b>	average	<b>25.07</b>	<b>24.96</b>	<b>25.20</b>	<b>25.25</b>	<b>25.08</b>	<b>24.92</b>	<b>24.6</b>	<b>24.5</b>
	appreciation in %	-5.1	-5.5	-4.2	-2.9	0.0	0.1	2.5	2.9
<b>CZK/USD</b>	average	<b>23.09</b>	<b>23.18</b>	<b>22.94</b>	<b>23.64</b>	<b>23.84</b>	<b>21.99</b>	<b>21.2</b>	<b>21.1</b>
	appreciation in %	-4.0	-6.5	-3.3	-3.5	-3.2	5.4	8.1	12.1
<b>NEER</b>	average of 2015=100	<b>113.2</b>	<b>113.8</b>	<b>112.7</b>	<b>112.6</b>	<b>112.8</b>	<b>114.3</b>	<b>116</b>	<b>116</b>
	appreciation in %	-4.7	-5.2	-4.6	-2.8	-0.4	0.4	3.1	3.4
<b>Real exchange rate to EA20 <sup>1)</sup></b>	average of 2015=100	<b>127.5</b>	<b>128.4</b>	<b>127.3</b>	<b>125.6</b>	<b>128.4</b>	<b>129</b>	<b>131</b>	<b>130</b>
	appreciation in %	-4.5	-4.7	-2.9	-2.2	0.7	0.6	2.9	3.5
<b>REER <sup>2)</sup></b>	average of 2015=100	<b>134.0</b>	<b>134.3</b>	<b>133.2</b>	<b>132.1</b>	<b>133.2</b>	.	.	.
	appreciation in %	-5.0	-5.4	-4.6	-2.6	-0.6	.	.	.

<sup>1)</sup> Deflated by GDP deflators.

<sup>2)</sup> Eurostat calculations, deflated by CPI, versus 42 countries.

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

## 1.5 Demographic Trends

The population of the Czech Republic decreased by 32.6 thousand in the first quarter of 2025, reaching 10.877 million. The decline was caused by both a negative balance of natural change (−12.6 thousand) and negative balance of foreign migration (−20.1 thousand).

In the first quarter of this year, 18.1 thousand children were **born** alive, 2.9 thousand (13.8%) fewer year-on-year. The birth rate has been declining for the fourth consecutive year. During the same period, 30.9 thousand inhabitants of the Czech Republic **died**, 1.2 thousand (4.1%) more year-on-year. Compared to the average number of deaths in the first quarters of 2015–2019, this year's development was similar.

From January to March this year, the number of emigrants (46.3 thousand) exceeded the number of immigrants (26.2 thousand), resulting in a **foreign migration balance** of −20.1 thousand people. Although the number

of immigrants was almost twice the average for the first quarters of 2017–2021, the predominance of emigrants was caused, as in the first quarter of last year, by a high number of people whose residence permits in the Czech Republic expired. These were mainly individuals whose temporary protection expired at the end of March 2025.

The future intensity of migration flows related to the war in Ukraine remains uncertain. However, we expect some refugees to return to Ukraine, while immigration from that country is likely to remain elevated. Therefore, we maintain the migration balance as projected in the CZSO's demographic projection.

The CZSO also published a detailed **age structure** of the population as of the beginning of 2025. During last year, the population increased slightly by 8.9 thousand to 10.910 million. The youngest age group (0–19 years) decreased year-on-year by 11.7 thousand (0.5%) in con-

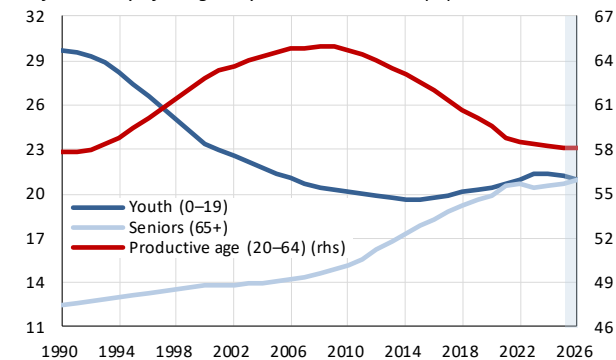
trast to the working-age population and those aged 65 and over. The population aged 65 and over increased by 18.6 thousand (0.8%) year-on-year. The working-age population (20–64 years) remained stable year-on-year, although trends varied across age groups. The 20–44 age group declined by 49.6 thousand (1.5%), while the 45–59 and 60–64 age groups increased by 27.3 thousand (1.1%) and 24.5 thousand (4.0%), respectively.

At the end of June 2025, the Czech Social Security Administration registered 2.346 million **old-age pension-**

**ers**, representing 21.5% of the Czech population. The number of old-age pensioners decreased year-on-year by 26.4 thousand (1.1%). This decline was due to fewer people receiving full old-age pensions as a result of the increasing statutory retirement age. The same factor may also explain the rise in early retirements, although their year-on-year growth slowed further to 8.0 thousand due to stricter rules.

**Graph 1.5.1: Age Groups**

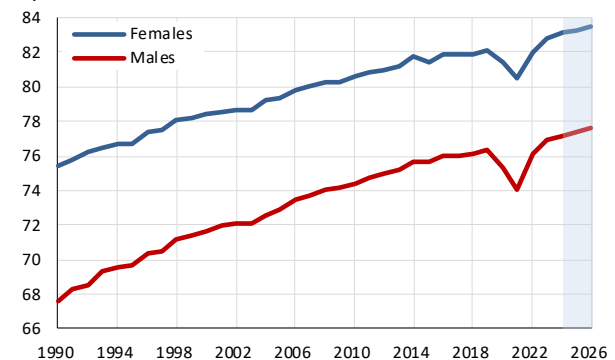
as of 1 January of the given year, shares in total population, in %



Source: CZSO. Calculations of the MoF.

**Graph 1.5.2: Life Expectancy at Birth**

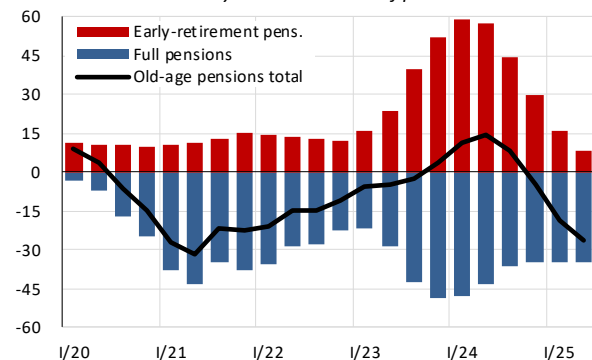
in years



Source: CZSO.

**Graph 1.5.3: Old-Age Pensioners**

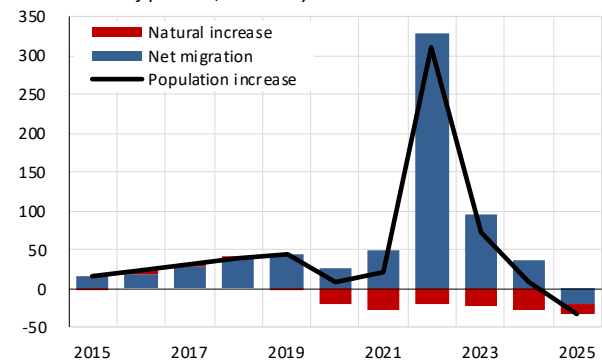
absolute increase over a year in thousands of persons



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

**Graph 1.5.4: Population Change**

in thousands of persons, 2025 only Q1



Source: CZSO.

Table 1.5.1: Demographics

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
<b>Population (as of 1 January)</b>	<i>thous. persons</i>	<b>10 650</b>	<b>10 694</b>	<b>10 495</b>	<b>10 517</b>	<b>10 828</b>	<b>10 901</b>	<b>10 910</b>	<b>10 856</b>	<b>10 799</b>	<b>10 739</b>
	<i>growth in %</i>	0.4	0.4	-1.9	0.2	3.0	0.7	0.1	-0.5	-0.5	-0.6
0–19 years	<i>thous. persons</i>	2 160	2 188	2 171	2 197	2 307	2 321	2 309	2 272	2 231	2 184
	<i>growth in %</i>	1.3	1.3	-0.8	1.2	5.0	0.6	-0.5	-1.6	-1.8	-2.1
20–64 years	<i>thous. persons</i>	6 403	6 374	6 172	6 151	6 312	6 342	6 344	6 313	6 281	6 251
	<i>growth in %</i>	-0.5	-0.4	-3.2	-0.3	2.6	0.5	0.0	-0.5	-0.5	-0.5
65 and more years	<i>thous. persons</i>	2 087	2 132	2 152	2 169	2 208	2 237	2 256	2 272	2 287	2 304
	<i>growth in %</i>	2.3	2.2	0.9	0.8	1.8	1.3	0.8	0.7	0.7	0.7
<b>Old-age pensioners (as of 1 January) <sup>1)</sup></b>	<i>thous. persons</i>	<b>2 410</b>	<b>2 415</b>	<b>2 400</b>	<b>2 378</b>	<b>2 367</b>	<b>2 371</b>	<b>2 367</b>	<b>2 356</b>	<b>2 352</b>	<b>2 352</b>
	<i>growth in %</i>	0.3	0.2	-0.6	-0.9	-0.4	0.2	-0.2	-0.5	-0.2	0.0
<b>Old-age dependency ratios (as of 1 January)</b>											
Demographic <sup>2)</sup>	%	32.6	33.4	34.9	35.3	35.0	35.3	35.6	36.0	36.4	36.9
Under current legislation <sup>3)</sup>	%	40.4	40.5	41.2	40.6	39.3	38.8	38.5	38.4	38.5	38.5
Effective <sup>4)</sup>	%	44.6	45.0	45.9	44.7	44.2	43.6	43.3	42.7	42.6	42.9
<b>Fertility rate</b>	<i>children</i>	<b>1.709</b>	<b>1.707</b>	<b>1.827</b>	<b>1.618</b>	<b>1.453</b>	<b>1.368</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>
<b>Population increase</b>	<i>thous. persons</i>	<b>44</b>	<b>8</b>	<b>22</b>	<b>311</b>	<b>73</b>	<b>9</b>	<b>-53</b>	<b>-57</b>	<b>-61</b>	<b>3</b>
<b>Natural increase</b>	<i>thous. persons</i>	<b>0</b>	<b>-19</b>	<b>-28</b>	<b>-19</b>	<b>-22</b>	<b>-28</b>	<b>-22</b>	<b>-26</b>	<b>-29</b>	<b>-32</b>
Live births	<i>thous. persons</i>	112	110	112	101	91	84	91	88	86	85
Deaths	<i>thous. persons</i>	112	129	140	120	113	112	113	114	115	117
<b>Net migration</b>	<i>thous. persons</i>	<b>44</b>	<b>27</b>	<b>50</b>	<b>330</b>	<b>95</b>	<b>37</b>	<b>-31</b>	<b>-31</b>	<b>-32</b>	<b>35</b>
Immigration	<i>thous. persons</i>	66	56	69	350	141	122	.	.	.	.
Emigration	<i>thous. persons</i>	21	29	19	20	47	85	.	.	.	.
<b>Census difference</b>	<i>thous. persons</i>	<b>x</b>	<b>x</b>	<b>-207</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

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

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

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

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

<sup>4)</sup> 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 sections, the forecast is based on the following assumptions:

- There will be no significant escalation of the war in Ukraine or in the Middle East;
- Supply chains will function without major disruptions over the forecast horizon;
- There will be no changes in trade relations between the EU and the U.S. other than the already agreed tariff adjustments;
- Apart from already enacted legal changes, tax rates, tax bases, and mandatory contributions will remain unchanged;
- The minimum wage and the lowest guaranteed wage levels will grow 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

Economic performance in recent years has lagged behind the dynamics of potential output. The main factors were high inflation and the associated weak household consumption and restrictive monetary policy. With the renewed growth of GDP, the negative **output gap** will gradually close over the forecast horizon.

**Potential output** growth slowed to 1.5% last year (*previously 1.3%*) due to a significantly weaker contribution from the labour factor. We expect similar dynamics over the forecast horizon, with potential output projected to grow by 1.4% this year (*previously 1.2%*) and by 1.5% in 2026 (*unchanged*).

The trend component of **total factor productivity** was a significant driver of potential growth before the pandemic, but in recent years it has had a slightly negative effect. In 2025 and 2026, it could support potential output growth by 0.4 percentage points (*previously 0.6 p.p.*) and 0.9 percentage points (*previously 1.1 p.p.*), respectively.

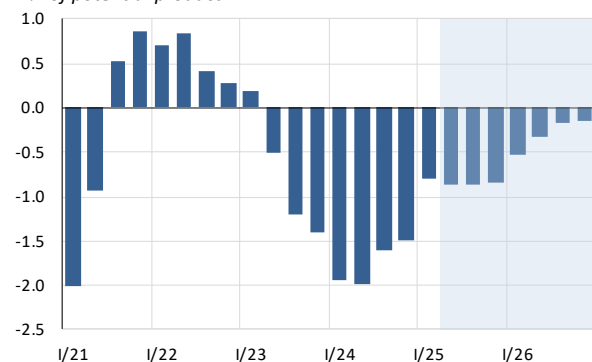
Due to a notable recovery in investment activity, the **capital stock** was the main driver of potential growth in previous years. Given the expected development of

gross fixed capital formation and depreciation, the contribution of this factor could fall to 0.4 percentage points this year (*previously 0.5 p.p.*) and remain at the same level (*unchanged*) in 2026.

The **population aged 15 and over** contributed significantly to overall potential growth in 2022–2023, largely due to the arrival of refugees from Ukraine. In this year and next, the contribution of the population aged 15+ will be negligible due to demographic trends. The **employment rate** in the 15+ age group should have a positive effect, mainly due to relatively strong employment growth this year (see section 3.3). The gradual increase in the statutory retirement age also has a long-term positive effect. The previous long-term downward trend in the **average number of hours worked** per employee reversed during the pandemic. This is partly due to faster growth in hours worked compared to employment in sectors with labour shortages (construction, transport, accommodation and food services). Overall, the **labour factor** could support potential growth by 0.6 percentage points in 2025 (*previously 0.2 p.p.*), while its contribution should decline to 0.2 percentage points next year (*previously 0.0 p.p.*).

**Graph 2.1.1: Output Gap**

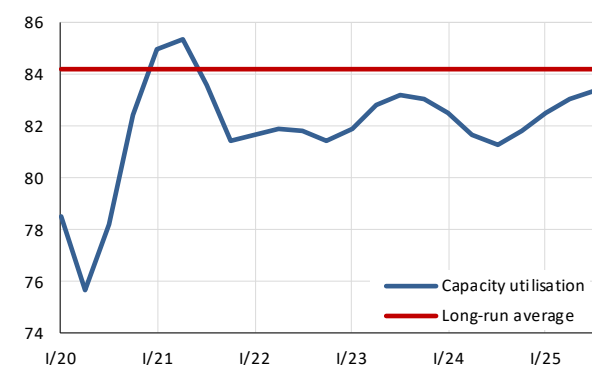
in % of potential product



Source: CZSO. Calculations and forecast of the MoF.

**Graph 2.1.3: Capacity Utilisation in Industry**

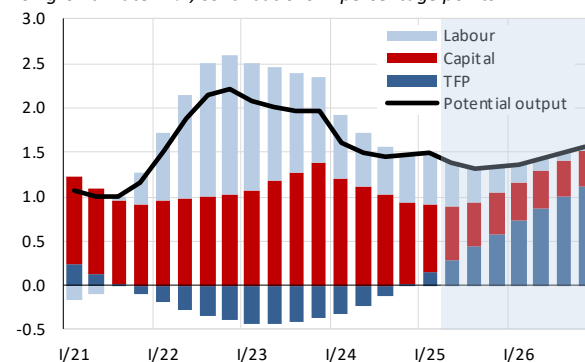
smoothed by centred moving average over 5 quarters, in %



Source: CZSO. Calculations of the MoF.

**Graph 2.1.2: Potential Output**

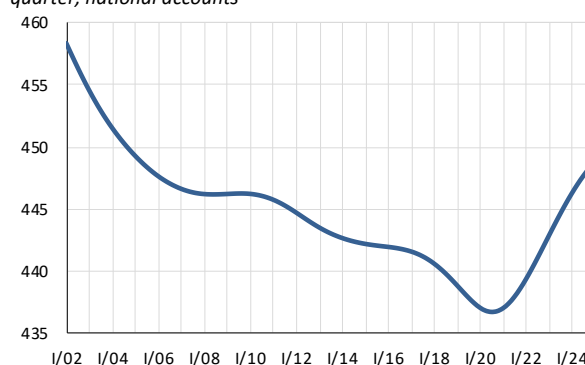
YoY growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast 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**

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
<b>Output gap</b>	%	<b>3.5</b>	<b>-3.1</b>	<b>-0.4</b>	<b>0.6</b>	<b>-0.7</b>	<b>-1.8</b>	<b>-0.8</b>	<b>-0.3</b>	<b>0.3</b>	<b>0.9</b>
<b>Potential product</b>	growth in %	<b>2.3</b>	<b>1.4</b>	<b>1.1</b>	<b>1.9</b>	<b>2.0</b>	<b>1.5</b>	<b>1.4</b>	<b>1.5</b>	<b>1.7</b>	<b>2.0</b>
<b>Contributions</b>											
Trend total factor productivity	pp	1.2	0.6	0.1	-0.3	-0.4	-0.2	0.4	0.9	1.3	1.5
Fixed assets	pp	1.2	1.5	0.6	1.3	1.1	1.1	0.4	0.4	0.5	0.5
Population 15+	pp	0.1	0.1	-0.1	1.1	0.8	0.3	0.1	-0.1	-0.1	0.0
Employment rate	pp	0.0	-0.8	0.5	-0.6	0.2	-0.1	0.3	0.2	0.0	0.0
Average hours worked	pp	-0.2	0.0	0.0	0.5	0.4	0.3	0.2	0.1	0.0	0.0

Source: CZSO. Calculations and forecast of the MoF.

## 2.2 Business Cycle Indicators

The development of confidence indicators in the second quarter of 2025 suggests a quarter-on-quarter decline in gross value added in industry. In trade and services, confidence increased on both a quarterly and year-on-year basis. Growth in gross value added is also signalled by positive sentiment in construction. However, the correlation between confidence and gross value added in construction is very low.

The composite indicator of export of goods, compiled by the MoF from selected questions of the CZSO's business cycle survey and business confidence in Germany, indicates quarter-on-quarter stagnation in goods exports.

The CZSO's consumer confidence indicator strengthened in the second quarter of 2025 compared to the previous quarter. Its development for the third quarter of 2025 (the confidence indicator leads by one quarter) suggests that household final consumption expenditure will continue to grow, albeit at a slower pace. A similar trend in

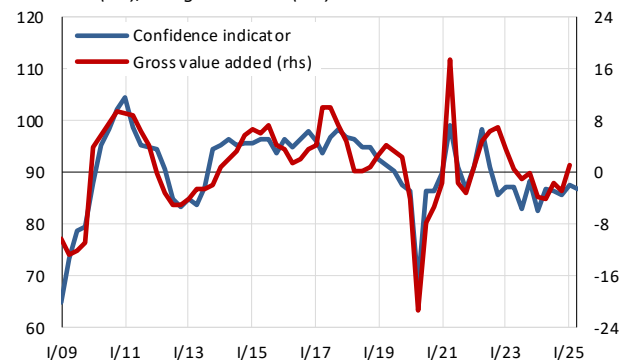
household consumption is indicated by the consumer confidence indicator compiled by the MoF from selected questions of the European Commission's consumer survey. Households remain predominantly pessimistic, stemming from negative assessments of the expected economic situation, likely related to geopolitical tensions and uncertainties surrounding U.S. policy measures. However, household pessimism eased compared to the previous quarter.

As a result, the overall confidence indicator for the second quarter of 2025 points to a slight quarter-on-quarter and year-on-year increase in total gross value added.

According to the composite leading indicator, the Czech economy should remain in a negative output gap in the second half of 2025. This is consistent with our current estimate of the economy's position in the business cycle (see section 2.1).

**Graph 2.2.1: Confidence and GVA in Industry**

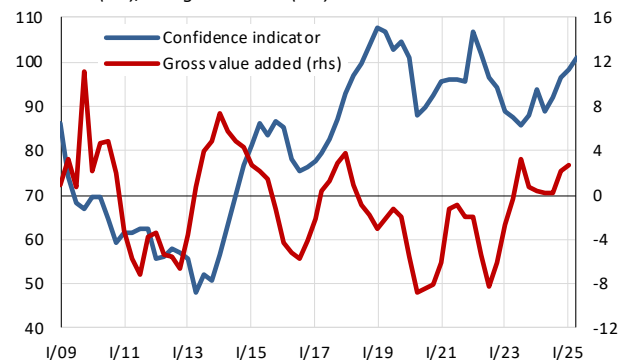
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

**Graph 2.2.2: Confidence and GVA in Construction**

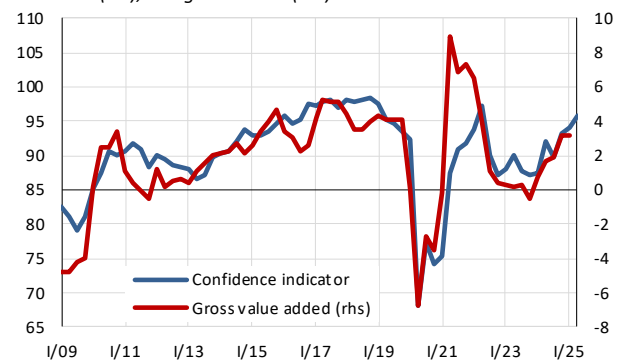
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

**Graph 2.2.3: Confidence and GVA in Trade and Services**

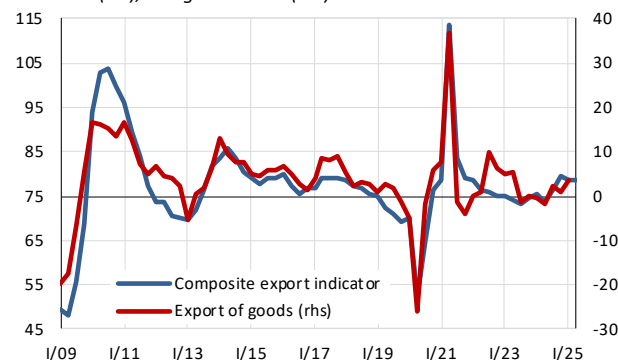
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO. Calculations of the MoF.

**Graph 2.2.4: Composite Export Indicator**

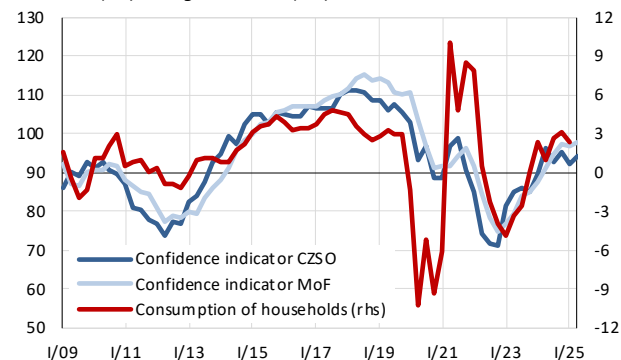
2010=100 (lhs), YoY growth in % (rhs)



Source: CESifo, CZSO. Calculations of the MoF.

**Graph 2.2.5: Consumer Confidence and Consumption**

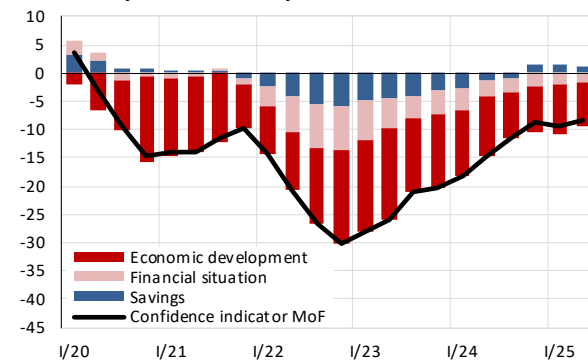
2005=100 (lhs), YoY growth in % (rhs)



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

**Graph 2.2.6: Decomposition of Consumer Sentiment**

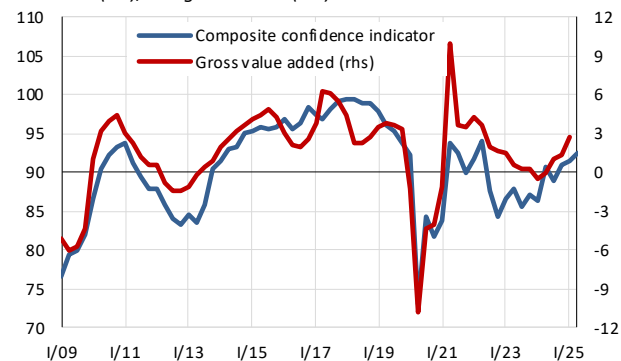
consumer confidence indicator of the MoF, balance, contributions



Source: European Commission. Calculations of the MoF.

**Graph 2.2.7: Composite Confidence Indicator and GVA**

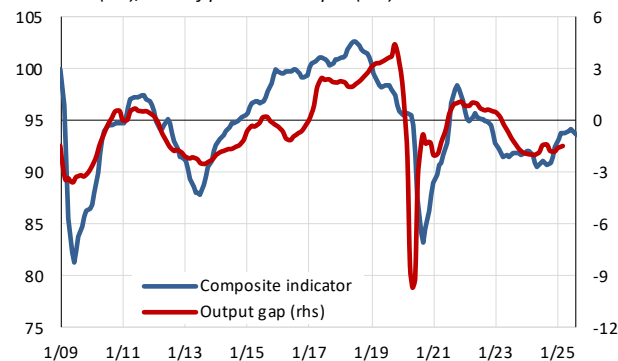
2005=100 (lhs), YoY growth in % (rhs)



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 2.4% year-on-year in the **first quarter of 2025** (vs. *estimate of 1.9%*), while seasonally adjusted **GDP** increased by 0.7% quarter-on-quarter (vs. *estimate of 0.4%*). Year-on-year growth was supported by all sectors of the national economy. The strongest performance was recorded in information and communication activities and in trade, transport, accommodation and food services. As part of a data revision, the CZSO also slightly increased GDP dynamics for 2023 and 2024.

**Household consumption** was 2.5% higher year-on-year in the first quarter (vs. *estimate of 2.9%*), driven by a year-on-year decline in the savings rate, while real disposable income virtually stagnated, rising by just 0.2%. Spending increased mainly on non-durable goods and services. Purchases of semi-durable goods rose slightly, while spending on other goods declined. Resident household expenditure abroad fell by 0.7% year-on-year.

**Government consumption** increased by 2.0% year-on-year (vs. *estimate of 3.2%*). Dynamics were driven by central government institutions such as the Railway Administration and the Directorate of Roads and Motorways, while in local government institutions, public hospitals played a key role.

**Gross fixed capital formation** fell by 1.3% year-on-year (vs. *estimate of 1.2%*). Investment activity was constrained by a decline in investment in dwellings and transport equipment, while improvements were recorded in the category of other buildings and structures and in the category of other machinery and equipment. From a sectoral perspective, investment demand weakened among both firms and households. Investment expenditure by government institutions, supported by EU co-financed projects, increased significantly year-on-year.

**Changes in inventories** and valuables contributed 1.3 percentage points to year-on-year economic growth (vs. *estimate of 1.2 p.p.*), so gross capital formation increased by 4.1% year-on-year (vs. *estimate of 4.0%*). Although a slight decline in inventories was recorded in the first quarter of 2025, the year-on-year decline in inventories eased, likely due to higher demand for production inputs and efforts to stockpile in connection with U.S. trade and tariff policy.

The **foreign trade** balance subtracted 0.1 percentage points from economic growth (vs. *estimate of 1.1 p.p.*). While exports of goods and services rose by 3.5% year-on-year (vs. *estimate of 1.8%*), imports increased by 4.2% (vs. *estimate of 3.8%*). Exports to non-EU countries

rose sharply. Czech exports to the United States increased by almost one-fifth, reflecting efforts to stockpile ahead of the implementation of U.S. trade policy measures. Imports rose mainly due to higher household consumption and stronger export dynamics.

According to preliminary estimates, seasonally adjusted GDP increased by 0.2% quarter-on-quarter in the second quarter of 2025 (vs. *forecast of 0.4%*), mainly due to consumer demand. Economic activity is expected to continue growing in the second half of this year. As a result, real GDP could increase by **2.1% in 2025** (*previously 2.0%*), driven by stronger household consumption growth. Investment activity will be supported by public investment, in addition to investments from the Recovery and Resilience Facility, we expect an acceleration of the current EU structural and investment funds financial perspective. Private investment activity is likely to remain subdued. Renewed inventory accumulation should also contribute positively to economic growth.

**In 2026**, economic growth could slow to **2.0%** (*previously 2.4%*). Growth will be driven by domestic demand, including household consumption and a recovery in private investment activity. Exports will be constrained by increased trade barriers in both years. The foreign trade balance will therefore have a negative impact on economic growth over the forecast horizon.

**Household final consumption expenditure** is expected to continue rising during this year, as indicated by retail sales data and a slight improvement in consumer sentiment. A decline in the savings rate will stimulate household spending more strongly next year, although the savings rate should remain well above its long-term average. A slight deterioration in labour market conditions is expected to result in a slower increase in willingness to consume, particularly among low-income households. Real household consumption could therefore rise by 3.0% this year (*previously 3.6%*) and by 2.9% in 2026 (*previously 3.2%*).

**Government consumption** could increase by 1.9% this year (*previously 2.0%*). Its growth is dampened by fiscal consolidation and slower dynamics in current health insurance expenditure and rising production by general government units. Offsetting effects are expected from spending on flood damage repairs and maintenance of transport infrastructure. Next year, continued consolidation should also be reflected, with real government consumption expenditure expected to rise by 1.4% (*unchanged*).

**Gross fixed capital formation** is expected to increase by only 0.1% in 2025 (*previously 0.7%*) due to persistent

negative business sentiment linked to uncertainties in U.S. economic and trade policy. Private investment activity is likely to remain constrained by still restrictive monetary conditions, while heightened global tensions contribute to lower corporate borrowing. On the other hand, growth in government investment expenditure, supported by EU funds from the Recovery and Resilience Facility and traditional EU funds, should have a positive effect this year. For next year, we expect an increase in investment activity of 2.9% (*previously 3.1%*) driven by economic recovery in the euro area and an anticipated improvement in business sentiment.

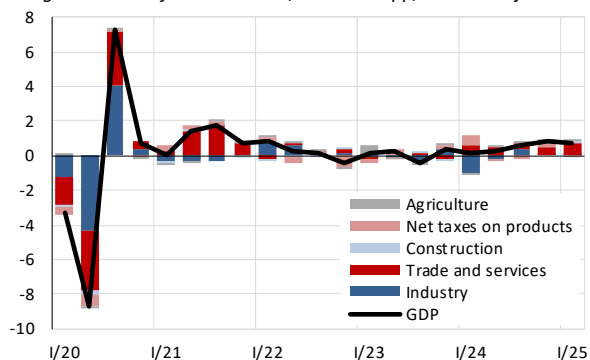
We assume that **inventory accumulation** will remain at levels typical for the given phase of the business cycle over the forecast horizon. Changes in inventories should therefore have a positive impact on GDP growth. As

a result, gross capital formation could increase by 2.9% this year (*previously 3.4%*) and by 3.3% in 2026 (*previously 3.9%*).

We expect **exports of goods and services** to rise by 2.3% this year (*previously 1.6%*). Export dynamics will be limited by stagnating export performance due to weaker conditions in industry (see section 3.4) and U.S. tariff measures. The projected acceleration of export growth to 2.7% in 2026 (*previously 3.5%*) reflects a recovery in foreign demand. The dynamics of exports and domestic demand, particularly import-intensive investments, will be reflected in the pace of **imports of goods and services**, which could increase by 3.3% in 2025 (*previously 3.4%*). The acceleration to 3.9% in 2026 (*previously 4.6%*) reflects continued recovery in both domestic and foreign demand.

**Graph 3.1.1: Resources of Gross Domestic Product**

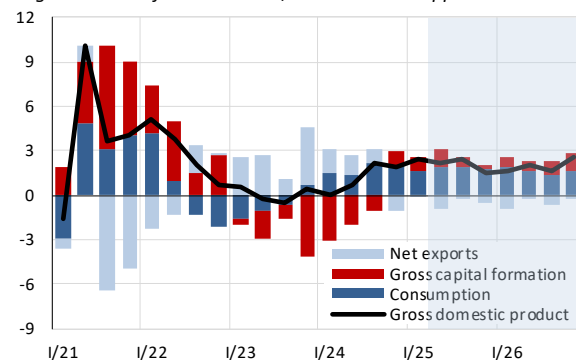
QoQ growth rate of real GDP in %, contrib. in pp, season. adjusted



Source: CZSO. Calculations of the MoF.

**Graph 3.1.2: GDP by Type of Expenditure**

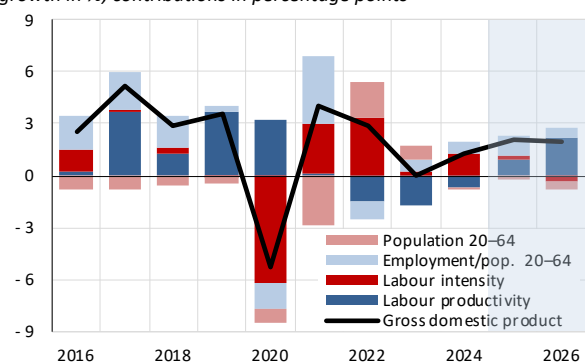
YoY growth rate of real GDP in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

**Graph 3.1.3: Real Gross Domestic Product**

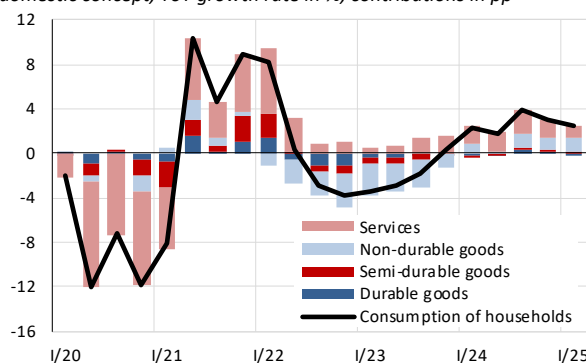
growth in %, contributions in percentage points



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**

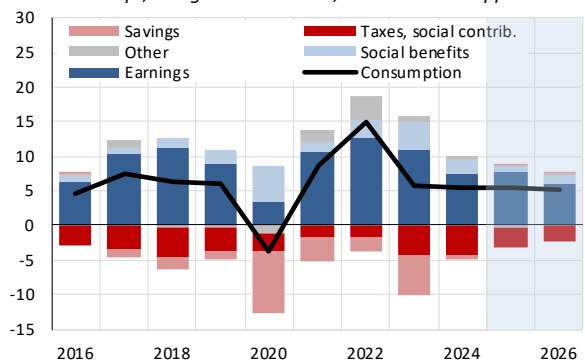
domestic concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations of the MoF.

**Graph 3.1.5: Nominal Consumption of Households**

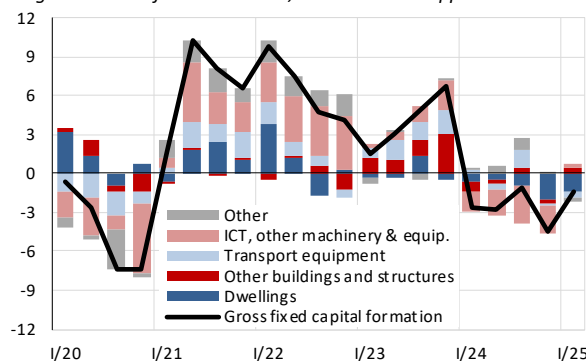
national concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

**Graph 3.1.6: Investment by Type of Expenditure**

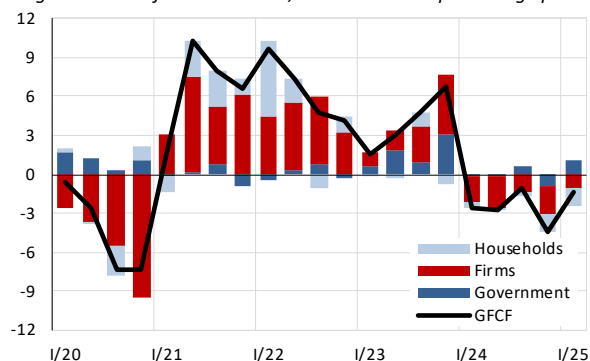
YoY growth rate of real GFCF in %, contributions in pp



Source: CZSO. Calculations of the MoF.

**Graph 3.1.7: Investment by Sector**

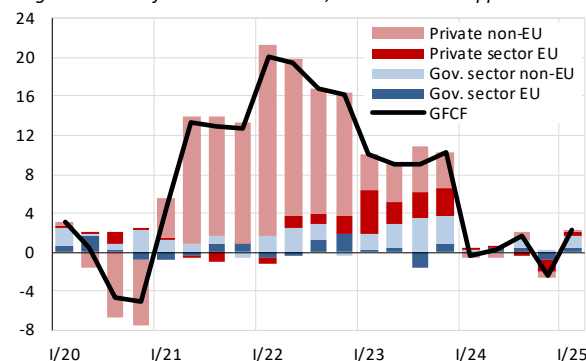
YoY growth rate of real GFCF in %, contributions in percentage points



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*

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								<i>Forecast</i>	<i>Forecast</i>	<i>Outlook</i>	<i>Outlook</i>
<b>Gross domestic product</b>	<i>bill. CZK 2020</i>	<b>6 155</b>	<b>5 828</b>	<b>6 063</b>	<b>6 236</b>	<b>6 239</b>	<b>6 316</b>	<b>6 449</b>	<b>6 575</b>	<b>6 741</b>	<b>6 910</b>
	<i>growth in %</i>	3.6	-5.3	4.0	2.8	0.0	1.2	2.1	2.0	2.5	2.5
	<i>growth in % <sup>1)</sup></i>	3.5	-5.3	4.0	2.9	0.2	1.1	2.2	2.0	2.4	2.7
<b>Private consumption expenditure <sup>2)</sup></b>	<i>bill. CZK 2020</i>	<b>2 933</b>	<b>2 745</b>	<b>2 859</b>	<b>2 874</b>	<b>2 800</b>	<b>2 869</b>	<b>2 954</b>	<b>3 038</b>	<b>3 117</b>	<b>3 187</b>
	<i>growth in %</i>	3.1	-6.4	4.2	0.5	-2.6	2.4	3.0	2.9	2.6	2.3
<b>Government consumption exp.</b>	<i>bill. CZK 2020</i>	<b>1 200</b>	<b>1 250</b>	<b>1 268</b>	<b>1 273</b>	<b>1 313</b>	<b>1 355</b>	<b>1 381</b>	<b>1 401</b>	<b>1 428</b>	<b>1 457</b>
	<i>growth in %</i>	2.6	4.1	1.5	0.4	3.2	3.2	1.9	1.4	2.0	2.0
<b>Gross capital formation</b>	<i>bill. CZK 2020</i>	<b>1 589</b>	<b>1 441</b>	<b>1 708</b>	<b>1 881</b>	<b>1 767</b>	<b>1 689</b>	<b>1 738</b>	<b>1 795</b>	<b>1 845</b>	<b>1 909</b>
	<i>growth in %</i>	5.7	-9.3	18.5	10.2	-6.1	-4.4	2.9	3.3	2.8	3.4
Gross fixed capital formation	<i>bill. CZK 2020</i>	1 563	1 488	1 589	1 689	1 760	1 711	1 713	1 763	1 811	1 873
	<i>growth in %</i>	7.5	-4.8	6.7	6.3	4.2	-2.8	0.1	2.9	2.7	3.4
Change in stocks and valuables	<i>bill. CZK 2020</i>	26	-47	119	192	7	-22	25	32	35	36
<b>Exports of goods and services</b>	<i>bill. CZK 2020</i>	<b>4 317</b>	<b>3 949</b>	<b>4 271</b>	<b>4 491</b>	<b>4 597</b>	<b>4 667</b>	<b>4 776</b>	<b>4 907</b>	<b>5 110</b>	<b>5 268</b>
	<i>growth in %</i>	1.3	-8.5	8.2	5.1	2.3	1.5	2.3	2.7	4.1	3.1
<b>Imports of goods and services</b>	<i>bill. CZK 2020</i>	<b>3 884</b>	<b>3 556</b>	<b>4 043</b>	<b>4 284</b>	<b>4 232</b>	<b>4 255</b>	<b>4 395</b>	<b>4 565</b>	<b>4 762</b>	<b>4 913</b>
	<i>growth in %</i>	1.3	-8.4	13.7	5.9	-1.2	0.5	3.3	3.9	4.3	3.2
<b>Gross domestic expenditure</b>	<i>bill. CZK 2020</i>	<b>5 724</b>	<b>5 435</b>	<b>5 835</b>	<b>6 028</b>	<b>5 875</b>	<b>5 908</b>	<b>6 070</b>	<b>6 231</b>	<b>6 388</b>	<b>6 550</b>
	<i>growth in %</i>	3.7	-5.0	7.3	3.3	-2.5	0.6	2.7	2.7	2.5	2.5
<b>Real gross domestic income</b>	<i>bill. CZK 2020</i>	<b>6 085</b>	<b>5 828</b>	<b>6 060</b>	<b>6 077</b>	<b>6 203</b>	<b>6 325</b>	<b>6 432</b>	<b>6 568</b>	<b>6 740</b>	<b>6 913</b>
	<i>growth in %</i>	3.9	-4.2	4.0	0.3	2.1	2.0	1.7	2.1	2.6	2.6
<b>Contributions to GDP growth <sup>4)</sup></b>											
<b>Gross domestic expenditure</b>	<i>pp</i>	<b>3.5</b>	<b>-4.7</b>	<b>6.9</b>	<b>3.2</b>	<b>-2.5</b>	<b>0.5</b>	<b>2.6</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>
<b>Consumption</b>	<i>pp</i>	<b>2.0</b>	<b>-2.3</b>	<b>2.3</b>	<b>0.3</b>	<b>-0.6</b>	<b>1.8</b>	<b>1.8</b>	<b>1.6</b>	<b>1.6</b>	<b>1.5</b>
Household expenditure	<i>pp</i>	1.5	-3.1	2.0	0.3	-1.3	1.2	1.4	1.4	1.3	1.1
Government expenditure	<i>pp</i>	0.5	0.8	0.3	0.1	0.6	0.6	0.4	0.3	0.4	0.4
<b>Gross capital formation</b>	<i>pp</i>	<b>1.5</b>	<b>-2.4</b>	<b>4.6</b>	<b>2.9</b>	<b>-1.9</b>	<b>-1.2</b>	<b>0.8</b>	<b>0.9</b>	<b>0.7</b>	<b>0.9</b>
Gross fixed capital formation	<i>pp</i>	1.9	-1.2	1.7	1.7	1.2	-0.8	0.0	0.8	0.7	0.9
Change in stocks	<i>pp</i>	-0.4	-1.2	2.8	1.2	-3.0	-0.5	0.7	0.1	0.0	0.0
<b>Foreign balance</b>	<i>pp</i>	<b>0.1</b>	<b>-0.6</b>	<b>-2.8</b>	<b>-0.3</b>	<b>2.6</b>	<b>0.7</b>	<b>-0.4</b>	<b>-0.5</b>	<b>0.1</b>	<b>0.1</b>
External balance of goods	<i>pp</i>	0.5	-0.4	-3.0	0.5	2.5	0.6	-0.5	-0.6	0.0	0.1
External balance of services	<i>pp</i>	-0.4	-0.2	0.1	-0.9	0.0	0.1	0.1	0.0	0.1	0.1
<b>Gross value added</b>	<i>bill. CZK 2020</i>	<b>5 598</b>	<b>5 315</b>	<b>5 524</b>	<b>5 685</b>	<b>5 717</b>	<b>5 750</b>	.	.	.	.
	<i>growth in %</i>	3.6	-5.1	3.9	2.9	0.6	0.6	.	.	.	.
<b>Net taxes and subsidies on products</b>	<i>bill. CZK 2020</i>	<b>556</b>	<b>513</b>	<b>539</b>	<b>551</b>	<b>523</b>	<b>567</b>	.	.	.	.

<sup>1)</sup> From working day adjusted data.<sup>2)</sup> 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
							<i>Estimate</i>	<i>Forecast</i>	<i>Forecast</i>
<b>Gross domestic product</b>	<i>bill. CZK 2020</i>	<b>1 475</b>	<b>1 594</b>	<b>1 612</b>	<b>1 634</b>	<b>1 511</b>	<b>1 628</b>	<b>1 651</b>	<b>1 660</b>
	<i>growth in %</i>	0.0	0.8	2.1	1.9	2.4	2.1	2.4	1.5
	<i>growth in % <sup>1)</sup></i>	0.5	0.5	1.5	1.9	2.4	2.4	2.1	1.8
	<i>QoQ in % <sup>1)</sup></i>	0.2	0.3	0.6	0.8	0.7	0.2	0.4	0.5
<b>Private consumption expenditure <sup>2)</sup></b>	<i>bill. CZK 2020</i>	<b>682</b>	<b>719</b>	<b>725</b>	<b>743</b>	<b>699</b>	<b>742</b>	<b>749</b>	<b>765</b>
	<i>growth in %</i>	2.2	1.3	3.1	3.1	2.5	3.1	3.4	2.9
<b>Government consumption exp.</b>	<i>bill. CZK 2020</i>	<b>317</b>	<b>331</b>	<b>331</b>	<b>377</b>	<b>324</b>	<b>337</b>	<b>336</b>	<b>384</b>
	<i>growth in %</i>	2.3	3.8	3.5	3.1	2.0	2.0	1.8	1.9
<b>Gross capital formation</b>	<i>bill. CZK 2020</i>	<b>342</b>	<b>431</b>	<b>483</b>	<b>433</b>	<b>356</b>	<b>450</b>	<b>496</b>	<b>436</b>
	<i>growth in %</i>	-12.1	-6.5	-2.9	3.2	4.1	4.5	2.5	0.7
Gross fixed capital formation	<i>bill. CZK 2020</i>	366	424	442	478	361	419	447	486
	<i>growth in %</i>	-2.6	-2.7	-1.1	-4.5	-1.3	-1.3	1.0	1.6
Change in stocks and valuables	<i>bill. CZK 2020</i>	-25	7	41	-46	-6	32	49	-50
<b>Exports of goods and services</b>	<i>bill. CZK 2020</i>	<b>1 153</b>	<b>1 180</b>	<b>1 136</b>	<b>1 198</b>	<b>1 194</b>	<b>1 204</b>	<b>1 158</b>	<b>1 221</b>
	<i>growth in %</i>	-1.6	0.6	6.5	1.0	3.5	2.1	1.9	1.9
<b>Imports of goods and services</b>	<i>bill. CZK 2020</i>	<b>1 015</b>	<b>1 064</b>	<b>1 063</b>	<b>1 113</b>	<b>1 058</b>	<b>1 104</b>	<b>1 089</b>	<b>1 144</b>
	<i>growth in %</i>	-4.1	-1.5	5.2	2.7	4.2	3.8	2.4	2.8
<b>Gross domestic expenditure</b>	<i>bill. CZK 2020</i>	<b>1 341</b>	<b>1 480</b>	<b>1 538</b>	<b>1 549</b>	<b>1 378</b>	<b>1 529</b>	<b>1 580</b>	<b>1 582</b>
	<i>growth in %</i>	-1.7	-0.6	1.2	3.2	2.8	3.3	2.8	2.1
<b>Real gross domestic income</b>	<i>bill. CZK 2020</i>	<b>1 471</b>	<b>1 602</b>	<b>1 617</b>	<b>1 635</b>	<b>1 467</b>	<b>1 643</b>	<b>1 659</b>	<b>1 664</b>
	<i>growth in %</i>	1.0	1.2	2.8	2.8	-0.3	2.5	2.6	1.8
<b>Gross value added</b>	<i>bill. CZK 2020</i>	<b>1 354</b>	<b>1 451</b>	<b>1 468</b>	<b>1 478</b>	<b>1 390</b>	.	.	.
	<i>growth in %</i>	-1.1	0.2	1.8	1.4	2.7	.	.	.
	<i>growth in % <sup>1)</sup></i>	-0.6	0.0	1.0	1.4	2.7	.	.	.
	<i>QoQ in % <sup>1)</sup></i>	-0.4	0.4	0.8	0.6	0.9	.	.	.
<b>Net taxes and subsidies on products</b>	<i>bill. CZK 2020</i>	<b>121</b>	<b>144</b>	<b>144</b>	<b>157</b>	<b>121</b>	.	.	.

<sup>1)</sup> From seasonally and working day adjusted data.

<sup>2)</sup> 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**

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
<b>Gross domestic product</b>	<i>bill. CZK</i>	<b>5 889</b>	<b>5 828</b>	<b>6 308</b>	<b>7 050</b>	<b>7 660</b>	<b>8 057</b>	<b>8 454</b>	<b>8 832</b>	<b>9 259</b>	<b>9 689</b>
	<i>growth in %</i>	7.5	-1.0	8.2	11.8	8.6	5.2	4.9	4.5	4.8	4.6
<b>Private consumption expenditure <sup>1)</sup></b>	<i>bill. CZK</i>	<b>2 848</b>	<b>2 745</b>	<b>2 980</b>	<b>3 424</b>	<b>3 621</b>	<b>3 824</b>	<b>4 048</b>	<b>4 266</b>	<b>4 480</b>	<b>4 679</b>
	<i>growth in %</i>	6.1	-3.6	8.6	14.9	5.8	5.6	5.9	5.4	5.0	4.5
<b>Government consumption exp.</b>	<i>bill. CZK</i>	<b>1 141</b>	<b>1 250</b>	<b>1 319</b>	<b>1 381</b>	<b>1 501</b>	<b>1 610</b>	<b>1 698</b>	<b>1 778</b>	<b>1 862</b>	<b>1 950</b>
	<i>growth in %</i>	8.2	9.5	5.5	4.8	8.6	7.3	5.4	4.7	4.7	4.7
<b>Gross capital formation</b>	<i>bill. CZK</i>	<b>1 541</b>	<b>1 441</b>	<b>1 774</b>	<b>2 188</b>	<b>2 161</b>	<b>2 119</b>	<b>2 212</b>	<b>2 319</b>	<b>2 422</b>	<b>2 542</b>
	<i>growth in %</i>	9.8	-6.5	23.1	23.3	-1.2	-1.9	4.4	4.9	4.4	4.9
Gross fixed capital formation	<i>bill. CZK</i>	1 518	1 488	1 655	1 952	2 140	2 134	2 190	2 296	2 398	2 517
	<i>growth in %</i>	11.6	-1.9	11.2	17.9	9.6	-0.3	2.6	4.8	4.5	5.0
Change in stocks and valuables	<i>bill. CZK</i>	24	-47	119	236	21	-15	22	24	24	25
<b>External balance</b>	<i>bill. CZK</i>	<b>359</b>	<b>393</b>	<b>235</b>	<b>57</b>	<b>376</b>	<b>504</b>	<b>497</b>	<b>469</b>	<b>494</b>	<b>518</b>
Exports of goods and services	<i>bill. CZK</i>	4 247	3 949	4 450	5 105	5 239	5 549	5 716	5 925	6 251	6 517
	<i>growth in %</i>	2.6	-7.0	12.7	14.7	2.6	5.9	3.0	3.7	5.5	4.2
Imports of goods and services	<i>bill. CZK</i>	3 888	3 556	4 215	5 048	4 863	5 045	5 219	5 456	5 757	5 999
	<i>growth in %</i>	2.1	-8.5	18.5	19.7	-3.7	3.7	3.4	4.5	5.5	4.2
<b>Gross national income</b>	<i>bill. CZK</i>	<b>5 525</b>	<b>5 528</b>	<b>6 123</b>	<b>6 763</b>	<b>7 378</b>	<b>7 799</b>	<b>8 162</b>	<b>8 523</b>	<b>8 937</b>	<b>9 355</b>
	<i>growth in %</i>	7.0	0.0	10.8	10.4	9.1	5.7	4.6	4.4	4.9	4.7
<b>Primary income balance</b>	<i>bill. CZK</i>	<b>-364</b>	<b>-301</b>	<b>-185</b>	<b>-287</b>	<b>-281</b>	<b>-258</b>	<b>-292</b>	<b>-309</b>	<b>-322</b>	<b>-335</b>

<sup>1)</sup> 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
							Estimate	Forecast	Forecast
<b>Gross domestic product</b>	<i>bill. CZK</i>	<b>1 859</b>	<b>2 032</b>	<b>2 060</b>	<b>2 106</b>	<b>1 962</b>	<b>2 132</b>	<b>2 164</b>	<b>2 196</b>
	<i>growth in %</i>	4.3	4.6	6.3	5.4	5.6	4.9	5.1	4.3
<b>Private consumption expenditure <sup>1)</sup></b>	<i>bill. CZK</i>	<b>905</b>	<b>958</b>	<b>965</b>	<b>995</b>	<b>957</b>	<b>1 016</b>	<b>1 025</b>	<b>1 050</b>
	<i>growth in %</i>	5.2	4.6	6.2	6.4	5.7	6.0	6.2	5.5
<b>Government consumption exp.</b>	<i>bill. CZK</i>	<b>363</b>	<b>385</b>	<b>392</b>	<b>470</b>	<b>378</b>	<b>409</b>	<b>414</b>	<b>497</b>
	<i>growth in %</i>	6.3	7.3	8.3	7.2	4.3	6.0	5.7	5.6
<b>Gross capital formation</b>	<i>bill. CZK</i>	<b>433</b>	<b>540</b>	<b>609</b>	<b>538</b>	<b>459</b>	<b>569</b>	<b>632</b>	<b>552</b>
	<i>growth in %</i>	-8.6	-3.5	0.6	2.9	6.2	5.4	3.8	2.5
Gross fixed capital formation	<i>bill. CZK</i>	454	528	553	599	464	532	571	624
	<i>growth in %</i>	-0.3	0.2	1.7	-2.4	2.3	0.7	3.1	4.1
Change in stocks and valuables	<i>bill. CZK</i>	-21	12	55	-61	-4	37	61	-72
<b>External balance</b>	<i>bill. CZK</i>	<b>159</b>	<b>148</b>	<b>94</b>	<b>103</b>	<b>168</b>	<b>139</b>	<b>93</b>	<b>98</b>
Exports of goods and services	<i>bill. CZK</i>	1 351	1 402	1 358	1 438	1 438	1 441	1 377	1 461
	<i>growth in %</i>	0.9	5.9	11.6	5.7	6.4	2.8	1.4	1.6
Imports of goods and services	<i>bill. CZK</i>	1 192	1 254	1 264	1 335	1 270	1 302	1 284	1 363
	<i>growth in %</i>	-3.2	3.0	9.4	6.1	6.5	3.9	1.6	2.1

<sup>1)</sup> 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

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
<b>GDP</b>	<i>bill. CZK</i>	<b>5 889</b>	<b>5 828</b>	<b>6 308</b>	<b>7 050</b>	<b>7 660</b>	<b>8 057</b>	<b>8 454</b>	<b>8 832</b>	<b>9 259</b>	<b>9 689</b>
	<i>growth in %</i>	7.5	-1.0	8.2	11.8	8.6	5.2	4.9	4.5	4.8	4.6
<b>Balance of taxes and subsidies</b>	<i>bill. CZK</i>	<b>534</b>	<b>449</b>	<b>478</b>	<b>592</b>	<b>579</b>	<b>678</b>	<b>686</b>	<b>719</b>	<b>740</b>	<b>774</b>
	<i>% of GDP</i>	9.1	7.7	7.6	8.4	7.6	8.4	8.1	8.1	8.0	8.0
	<i>growth in %</i>	6.0	-16.0	6.5	23.8	-2.1	17.0	1.2	4.8	3.0	4.5
Taxes on production and imports	<i>bill. CZK</i>	696	660	716	780	817	868	.	.	.	.
	<i>growth in %</i>	6.2	-5.3	8.5	9.0	4.7	6.2	.	.	.	.
Subsidies on production	<i>bill. CZK</i>	162	211	238	189	238	190	.	.	.	.
	<i>growth in %</i>	6.7	30.3	12.6	-20.5	25.8	-20.1	.	.	.	.
<b>Compensation of employees</b>	<i>bill. CZK</i>	<b>2 580</b>	<b>2 624</b>	<b>2 813</b>	<b>3 031</b>	<b>3 287</b>	<b>3 509</b>	<b>3 738</b>	<b>3 940</b>	<b>4 132</b>	<b>4 324</b>
<i>(domestic concept)</i>	<i>% of GDP</i>	43.8	45.0	44.6	43.0	42.9	43.5	44.2	44.6	44.6	44.6
	<i>growth in %</i>	7.8	1.7	7.2	7.7	8.4	6.8	6.5	5.4	4.9	4.6
Wages and salaries	<i>bill. CZK</i>	1 980	1 988	2 132	2 326	2 531	2 702	2 880	3 034	3 182	3 330
	<i>growth in %</i>	7.9	0.4	7.2	9.1	8.8	6.8	6.6	5.4	4.9	4.6
Social security contributions	<i>bill. CZK</i>	599	636	682	706	756	806	859	906	950	994
	<i>growth in %</i>	7.6	6.2	7.1	3.5	7.1	6.7	6.5	5.5	4.9	4.6
<b>Gross operating surplus and mixed income</b>	<i>bill. CZK</i>	<b>2 775</b>	<b>2 756</b>	<b>3 016</b>	<b>3 427</b>	<b>3 794</b>	<b>3 871</b>	<b>4 030</b>	<b>4 173</b>	<b>4 386</b>	<b>4 591</b>
	<i>% of GDP</i>	47.1	47.3	47.8	48.6	49.5	48.0	47.7	47.3	47.4	47.4
	<i>growth in %</i>	7.6	-0.7	9.5	13.6	10.7	2.0	4.1	3.6	5.1	4.7
Consumption of capital	<i>bill. CZK</i>	1 201	1 294	1 413	1 577	1 684	1 786	1 915	2 048	2 139	2 212
	<i>growth in %</i>	7.5	7.7	9.2	11.6	6.8	6.1	7.2	7.0	4.4	3.4
Net operating surplus	<i>bill. CZK</i>	1 574	1 462	1 604	1 850	2 109	2 084	2 115	2 125	2 248	2 380
	<i>growth in %</i>	7.7	-7.1	9.7	15.4	14.0	-1.2	1.5	0.5	5.8	5.9

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
							Estimate	Forecast	Forecast
<b>GDP</b>	<i>bill. CZK</i>	<b>1 859</b>	<b>2 032</b>	<b>2 060</b>	<b>2 106</b>	<b>1 962</b>	<b>2 132</b>	<b>2 164</b>	<b>2 196</b>
	<i>growth in %</i>	4.3	4.6	6.3	5.4	5.6	4.9	5.1	4.3
<b>Balance of taxes and subsidies</b>	<i>bill. CZK</i>	<b>138</b>	<b>172</b>	<b>184</b>	<b>184</b>	<b>140</b>	<b>174</b>	<b>186</b>	<b>186</b>
	<i>growth in %</i>	24.4	9.2	13.7	23.1	1.3	1.1	1.5	1.1
<b>Compensation of employees</b>	<i>bill. CZK</i>	<b>841</b>	<b>873</b>	<b>864</b>	<b>930</b>	<b>898</b>	<b>932</b>	<b>918</b>	<b>991</b>
<i>(domestic concept)</i>	<i>growth in %</i>	6.9	6.5	7.1	6.6	6.7	6.7	6.2	6.5
Wages and salaries	<i>bill. CZK</i>	646	672	665	719	692	718	707	763
	<i>growth in %</i>	6.9	6.7	6.9	6.6	7.1	6.7	6.3	6.2
Social security contributions	<i>bill. CZK</i>	195	201	199	212	206	214	211	228
	<i>growth in %</i>	6.9	6.1	7.7	6.4	5.6	6.6	6.1	7.6
<b>Gross operating surplus and mixed income</b>	<i>bill. CZK</i>	<b>881</b>	<b>986</b>	<b>1012</b>	<b>992</b>	<b>925</b>	<b>1026</b>	<b>1059</b>	<b>1019</b>
	<i>growth in %</i>	-0.5	2.3	4.5	1.6	5.1	4.0	4.7	2.8

Source: CZSO. Calculations and forecast of the MoF.

## 3.2 Prices

Year-on-year growth in **consumer prices** reached 2.4% in the second quarter of 2025 (*vs. forecast of 2.3%*). In terms of consumption basket components, the main contributor was food and non-alcoholic beverages (contribution of 0.9 p.p. with growth of 5.2%). Other significant contributions came from housing (0.5 p.p. with growth of 1.9%), restaurants and hotels (0.3 p.p. with growth of 4.9%), recreation and culture (0.3 p.p. with growth of 3.7%), and alcoholic beverages, tobacco (0.3 p.p. with growth of 3.3%). In July, year-on-year inflation stood at 2.7%.

**Service price** dynamics remained elevated in the second quarter, with year-on-year growth of 4.9%, mainly due to owner-occupied housing costs (contribution to service price growth of 1.2 p.p. with growth of 4.5%), actual rents (0.5 p.p. with growth of 6.0%), catering services (0.7 p.p. with growth of 4.5%), recreational and cultural services (0.3 p.p. with growth of 5.8%) and package holidays (0.3 p.p. with growth of 5.1%). Prices also rose sharply in education services (11.2%), accommodation (7.9%) and social care (10.7%).

The development of **goods prices**, by contrast, moderated overall year-on-year inflation, with growth of only 0.9%. The increase in goods prices was mainly driven by food and non-alcoholic beverages (contribution to goods price growth of 1.5 p.p.) and alcoholic beverages and tobacco (0.5 p.p.). Goods prices fell particularly in transport (−0.7 p.p.), due to lower fuel prices, and in housing (−0.5 p.p.), thanks to lower electricity and gas prices.

**Administrative measures** added 0.3 percentage points to inflation, of which regulated prices contributed 0.1 percentage points and tax changes 0.2 percentage points. Price increases for non-energy items in the consumption basket with at least partially regulated prices (these are, except for prescription medicine, exclusively services) were relatively high. The overall dynamics of regulated prices was reduced only by electricity and gas, but this was solely due to the decline in their unregulated, commodity component. Tax adjustments included year-on-year increases in excise duties on alcohol and on tobacco products.

Year-on-year inflation measured by the **Harmonised Index of Consumer Prices** (HICP) was 2.3% in the second quarter of this year, the same as the weighted average of EU member states. In the Czech Republic, service price growth was significantly higher (5.1% *vs.* 3.8%), which is a common phenomenon associated with price convergence through rising prices of non-tradables. Accordingly, services account for a higher share of total nominal household expenditure in the EU on average (43% *vs.* 32% of the consumption basket), not only due to a larger real volume but also because of higher prices. Due to the higher share of services in household con-

sumption, the EU-wide increase in service price dynamics feeds into average inflation in EU countries more strongly, which contributes to overall inflation being the same as in the Czech Republic despite lower service price dynamics. Within overall inflation, the Czech Republic recorded a higher increase in food prices (5.2% *vs.* 3.0%) and rents (6.0% *vs.* 3.2%) compared to the EU average. Conversely, price dynamics were lower for electricity (−4.7% *vs.* 1.7%), gas (−8.0% *vs.* 4.1%), petrol (−12.6% *vs.* −8.3%) and diesel (−12.4% *vs.* −7.9%). According to a flash estimate, July HICP inflation in the Czech Republic reached 2.5%.

**This year**, inflationary pressures will continue to be mitigated by monetary policy due to transmission lags. Disinflationary effects should also come from the decline in the dollar price of oil and the appreciation of the koruna. Inflationary factors include continued strong wage growth and the persistence of price dynamics in services. A major contributor will be the rise in imputed rents, which are largely determined by rapidly increasing market prices of new flats and houses.

The rise in regulated prices across the consumption basket will be significantly offset this year by cheaper commodity components of electricity and gas. The contribution of indirect taxes reflects higher excise duties on alcohol and on tobacco products. Overall, administrative measures could add 0.3 percentage points to average inflation in 2025 (*unchanged*), of which regulated prices account for 0.1 percentage points and tax changes 0.2 percentage points.

**In 2026**, further declines in the dollar price of oil and continued appreciation of the koruna against both major world currencies should exert downward pressure on inflation. Monetary policy will continue to mitigate inflation through interest rates, given the length of transmission. Conversely, robust wage growth will support real household consumption and exert some upward pressure on consumer prices. The expected continued strong dynamics of property and rent prices will feed into further increases in housing costs and, consequently, services in general.

The development of regulated prices should not deviate significantly from the long-term trend. For energy, despite the expected increase in the regulated components of electricity and gas prices, the base effect of this year's decline in commodity components should prevail. Administrative prices will also rise due to further increases in excise duties on alcohol and on tobacco products. The contribution of administrative measures could therefore amount to almost 0.4 percentage points in 2026 (*unchanged*), of which regulated prices account for over 0.2 percentage points and tax changes for over 0.1 percentage points.

In line with the above, we expect the **average inflation rate** to remain at 2.4% in 2025 (*unchanged*) and to decline slightly to 2.3% in 2026 (*unchanged*). Year-on-year inflation should stay close to the inflation target throughout the forecast horizon.

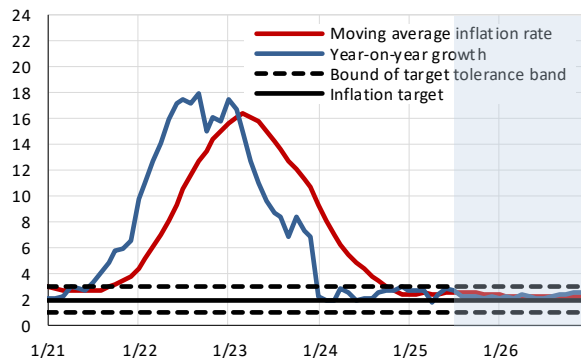
In the first quarter of 2025, the **GDP deflator** increased by 3.0% (*vs. estimate of 3.1%*), driven by a 2.7% rise in the domestic demand deflator (*vs. estimate of 2.5%*) and an improvement in the terms of trade of 0.6% (*vs. estimate of 0.8%*). The growth of the domestic demand deflator was driven by the deflators of household consumption and of fixed capital formation. The improvement in the terms of trade was mainly due to faster growth in koruna export prices of machinery and transport equipment.

This year, due to both slower growth in the domestic demand deflator and more gradual improvement in the terms of trade, GDP deflator growth could slow to 2.8% (*previously 2.7%*). In 2026, its dynamics could decline further to 2.5% (*previously 2.3%*), mainly due to slower growth in the household consumption deflator.

This year and next, the decline in mineral fuel prices should continue, which will be a positive factor for overall price developments in foreign trade. As a result, the terms of trade could improve by 0.5% in 2025 (*unchanged*) and by a further 0.3% in 2026 (*unchanged*).

**Graph 3.2.1: Consumer Prices**

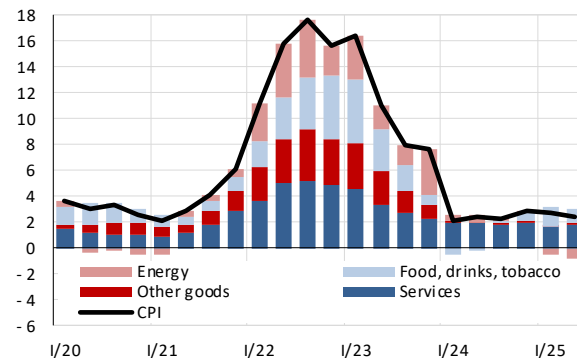
YoY growth rate in %



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

**Graph 3.2.2: Consumer Prices in Main Divisions**

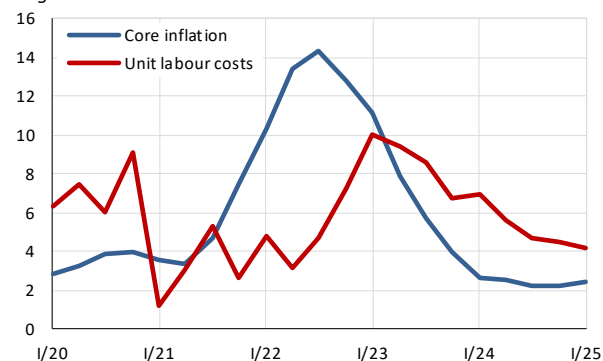
YoY growth of consumer price index in %, contributions in pp



Source: CZSO. Calculations of the MoF.

**Graph 3.2.3: Core Inflation and Unit Labour Costs**

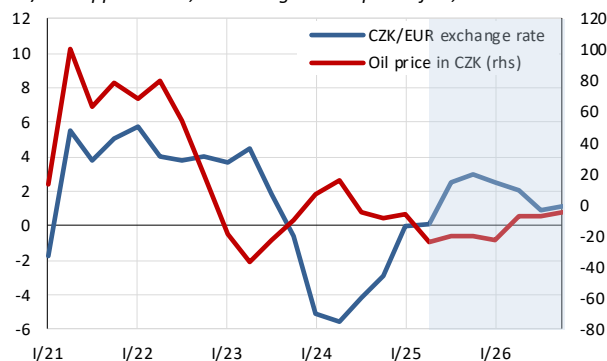
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

**Graph 3.2.4: CZK/EUR and Koruna Price of Oil**

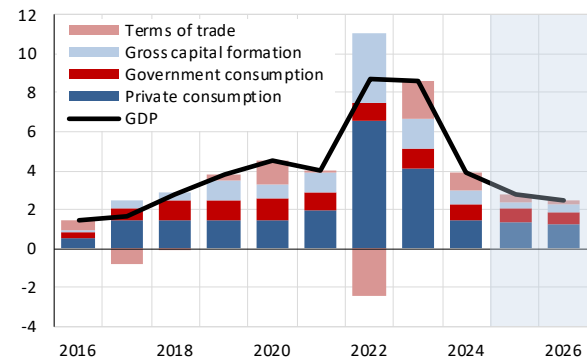
CZK/EUR appreciation, YoY change in CZK price of oil, in %



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

**Graph 3.2.5: Gross Domestic Product Deflator**

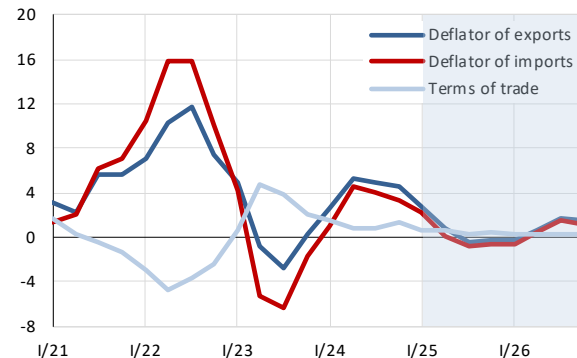
growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

**Graph 3.2.6: Terms of Trade**

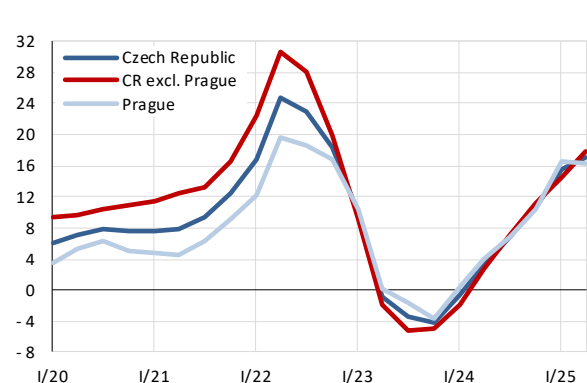
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

**Graph 3.2.7: Offering Prices of Flats**

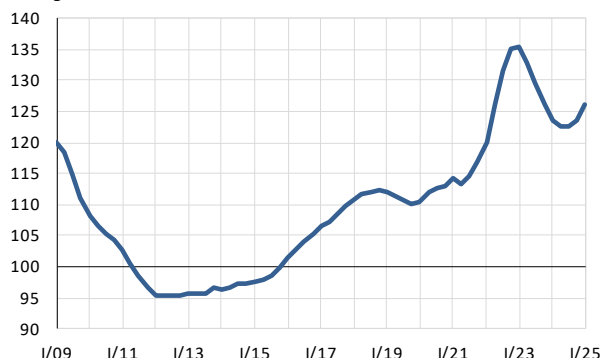
YoY growth rate in %



Source: CZSO.

**Graph 3.2.8: Prices of Flats Relative to Average Wage**

ratio of the flat offering price index to average wage index, annual moving totals, 2015=100



Source: CZSO. Calculations of the MoF.

Table 3.2.1: Prices – yearly

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
<b>Consumer Price Index</b>											
<b>Level</b>	<i>average 2015=100</i>	<b>108.3</b>	<b>111.8</b>	<b>116.1</b>	<b>133.6</b>	<b>147.8</b>	<b>151.4</b>	<b>155.1</b>	<b>158.8</b>	<b>162.5</b>	<b>165.9</b>
<b>Average inflation rate</b>	%	<b>2.8</b>	<b>3.2</b>	<b>3.8</b>	<b>15.1</b>	<b>10.7</b>	<b>2.4</b>	<b>2.4</b>	<b>2.3</b>	<b>2.3</b>	<b>2.1</b>
Administrative measures <sup>1)</sup>	<i>percentage points</i>	0.6	0.5	0.0	2.8	4.3	1.0	0.3	0.4	0.4	0.3
Market increase	<i>percentage points</i>	2.2	2.7	3.8	12.3	6.4	1.4	2.1	2.0	2.0	1.8
<b>Harmonized index of consumer prices</b>											
<b>Level</b>	<i>average 2015=100</i>	<b>107.8</b>	<b>111.4</b>	<b>115.1</b>	<b>132.1</b>	<b>147.9</b>	<b>151.9</b>	<b>155.4</b>	<b>158.6</b>	<b>162.0</b>	<b>165.1</b>
<b>Average inflation rate</b>	<i>growth in %</i>	<b>2.6</b>	<b>3.3</b>	<b>3.3</b>	<b>14.8</b>	<b>12.0</b>	<b>2.7</b>	<b>2.3</b>	<b>2.1</b>	<b>2.1</b>	<b>2.0</b>
<b>Deflators</b>											
<b>GDP</b>	<i>average 2015=100</i>	<b>95.7</b>	<b>100.0</b>	<b>104.0</b>	<b>113.1</b>	<b>122.8</b>	<b>127.6</b>	<b>131.1</b>	<b>134.3</b>	<b>137.4</b>	<b>140.2</b>
	<i>growth in %</i>	3.8	4.5	4.0	8.7	8.6	3.9	2.8	2.5	2.3	2.1
<b>Gross domestic expenditure</b>	<i>average 2015=100</i>	<b>96.6</b>	<b>100.0</b>	<b>104.1</b>	<b>116.0</b>	<b>124.0</b>	<b>127.8</b>	<b>131.1</b>	<b>134.2</b>	<b>137.2</b>	<b>140.0</b>
	<i>growth in %</i>	3.7	3.5	4.1	11.5	6.9	3.1	2.5	2.4	2.2	2.1
<b>Consumption of households</b>	<i>average 2015=100</i>	<b>97.1</b>	<b>100.0</b>	<b>104.2</b>	<b>119.1</b>	<b>129.3</b>	<b>133.3</b>	<b>137.0</b>	<b>140.4</b>	<b>143.7</b>	<b>146.8</b>
	<i>growth in %</i>	2.9	3.0	4.2	14.3	8.6	3.1	2.8	2.5	2.4	2.1
<b>Consumption of government</b>	<i>average 2015=100</i>	<b>95.1</b>	<b>100.0</b>	<b>104.0</b>	<b>108.5</b>	<b>114.3</b>	<b>118.8</b>	<b>122.9</b>	<b>127.0</b>	<b>130.4</b>	<b>133.9</b>
	<i>growth in %</i>	5.4	5.2	4.0	4.4	5.3	4.0	3.4	3.3	2.7	2.7
<b>Fixed capital formation</b>	<i>average 2015=100</i>	<b>97.1</b>	<b>100.0</b>	<b>104.2</b>	<b>115.6</b>	<b>121.6</b>	<b>124.7</b>	<b>127.9</b>	<b>130.3</b>	<b>132.4</b>	<b>134.4</b>
	<i>growth in %</i>	3.8	3.0	4.2	10.9	5.2	2.6	2.5	1.9	1.7	1.5
<b>Exports of goods and services</b>	<i>average 2015=100</i>	<b>98.4</b>	<b>100.0</b>	<b>104.2</b>	<b>113.7</b>	<b>114.0</b>	<b>118.9</b>	<b>119.7</b>	<b>120.7</b>	<b>122.3</b>	<b>123.7</b>
	<i>growth in %</i>	1.3	1.6	4.2	9.1	0.3	4.3	0.7	0.9	1.3	1.1
<b>Imports of goods and services</b>	<i>average 2015=100</i>	<b>100.1</b>	<b>100.0</b>	<b>104.3</b>	<b>117.8</b>	<b>114.9</b>	<b>118.6</b>	<b>118.8</b>	<b>119.5</b>	<b>120.9</b>	<b>122.1</b>
	<i>growth in %</i>	0.8	-0.1	4.3	13.0	-2.5	3.2	0.2	0.6	1.2	1.0
<b>Terms of trade</b>	<i>average 2015=100</i>	<b>98.3</b>	<b>100.0</b>	<b>99.9</b>	<b>96.5</b>	<b>99.2</b>	<b>100.3</b>	<b>100.8</b>	<b>101.0</b>	<b>101.2</b>	<b>101.3</b>
	<i>growth in %</i>	0.4	1.7	-0.1	-3.5	2.8	1.1	0.5	0.3	0.1	0.1

<sup>1)</sup> 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
							Estimate	Forecast	Forecast
<b>Consumer Price Index</b>	<i>average 2015=100</i>	<b>150.1</b>	<b>151.3</b>	<b>152.1</b>	<b>152.2</b>	<b>154.2</b>	<b>154.9</b>	<b>155.8</b>	<b>155.6</b>
	<i>growth in %</i>	2.1	2.5	2.3	2.9	2.7	2.4	2.4	2.3
Administrative measures <sup>1)</sup>	<i>percentage points</i>	0.9	0.9	0.9	1.1	0.4	0.3	0.3	0.3
Market increase	<i>percentage points</i>	1.2	1.6	1.4	1.8	2.3	2.1	2.1	2.0
<b>Harmonized index of consumer prices</b>	<i>average 2015=100</i>	<b>150.5</b>	<b>151.9</b>	<b>152.6</b>	<b>152.5</b>	<b>154.7</b>	<b>155.3</b>	<b>156.0</b>	<b>155.5</b>
	<i>growth in %</i>	2.4	2.7	2.6	3.1	2.8	2.3	2.2	2.0
<b>Deflators</b>									
<b>GDP</b>	<i>average 2015=100</i>	<b>126.1</b>	<b>127.4</b>	<b>127.8</b>	<b>128.9</b>	<b>129.9</b>	<b>131.0</b>	<b>131.1</b>	<b>132.4</b>
	<i>growth in %</i>	4.3	3.8	4.1	3.4	3.0	2.7	2.6	2.7
<b>Gross domestic expenditure</b>	<i>average 2015=100</i>	<b>126.8</b>	<b>127.2</b>	<b>127.8</b>	<b>129.3</b>	<b>130.2</b>	<b>130.4</b>	<b>131.0</b>	<b>132.7</b>
	<i>growth in %</i>	3.3	3.3	3.5	2.4	2.7	2.4	2.5	2.6
<b>Consumption of households</b>	<i>average 2015=100</i>	<b>132.7</b>	<b>133.2</b>	<b>133.2</b>	<b>134.0</b>	<b>136.9</b>	<b>137.0</b>	<b>136.8</b>	<b>137.4</b>
	<i>growth in %</i>	2.9	3.3	2.9	3.2	3.2	2.8	2.7	2.5
<b>Consumption of government</b>	<i>average 2015=100</i>	<b>114.4</b>	<b>116.6</b>	<b>118.5</b>	<b>124.7</b>	<b>117.0</b>	<b>121.1</b>	<b>123.1</b>	<b>129.3</b>
	<i>growth in %</i>	3.9	3.4	4.6	4.0	2.2	3.9	3.9	3.7
<b>Fixed capital formation</b>	<i>average 2015=100</i>	<b>123.8</b>	<b>124.5</b>	<b>125.1</b>	<b>125.3</b>	<b>128.3</b>	<b>127.0</b>	<b>127.7</b>	<b>128.4</b>
	<i>growth in %</i>	2.3	3.0	2.8	2.2	3.7	2.0	2.1	2.5
<b>Exports of goods and services</b>	<i>average 2015=100</i>	<b>117.2</b>	<b>118.8</b>	<b>119.5</b>	<b>120.1</b>	<b>120.5</b>	<b>119.7</b>	<b>118.9</b>	<b>119.7</b>
	<i>growth in %</i>	2.5	5.3	4.8	4.6	2.8	0.7	-0.5	-0.3
<b>Imports of goods and services</b>	<i>average 2015=100</i>	<b>117.5</b>	<b>117.8</b>	<b>118.9</b>	<b>119.9</b>	<b>120.1</b>	<b>117.9</b>	<b>117.9</b>	<b>119.1</b>
	<i>growth in %</i>	1.0	4.5	3.9	3.3	2.2	0.1	-0.8	-0.7
<b>Terms of trade</b>	<i>average 2015=100</i>	<b>99.7</b>	<b>100.8</b>	<b>100.5</b>	<b>100.1</b>	<b>100.3</b>	<b>101.5</b>	<b>100.8</b>	<b>100.5</b>
	<i>growth in %</i>	1.6	0.7	0.8	1.3	0.6	0.6	0.3	0.4

<sup>1)</sup> The contribution of change in regulated prices and indirect taxes.

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

### 3.3 Labour Market

Persistent problems in industrial sectors are contributing to ongoing structural changes in employment. The share of people employed in industry is gradually declining, while the importance of the services sector has been increasing over the long term.

**Employment** (national accounts) increased by 1.1% year-on-year in the first quarter of 2025 (*vs. estimate of 0.2%*). Growth was driven by sectors in market and non-market services, while declining employment in manufacturing continued to dampen it. According to preliminary estimates, employment rose by 1.0% year-on-year in the second quarter of 2025. Given continued economic growth, it should keep rising this year, averaging 1.0% (*previously 0.2%*). For next year, however, we expect a slowdown in growth due to the negative effects of U.S. tariff policy and a year-on-year decline in the working-age population. Strong demand for labour in some sectors should lead to a slight increase in employment of 0.1% (*unchanged*).

During the first half of 2025, the number of registered unemployed exceeded the number of job vacancies. Not all vacancies can be considered active. Of the vacancies listed on the website of the labour offices, about 70% were active at the forecast cut-off date (those with a last change after 1 February 2025 and a start date of 1 May 2025 or later). According to the CZSO's business cycle survey, labour shortages remain the main barrier to output growth in construction and, to some extent, in services.

Demand for foreign workers remains strong. According to the data of the MoLSA, the number of foreign employees increased by 47,000 year-on-year in the second quarter of 2025 to 867,000. Workers from Ukraine and Slovakia have dominated for a long time. The number of Ukrainian workers rose by 33,000 year-on-year in the second quarter of 2025 to 315,000.

The **unemployment rate** (LFS) rose to 2.6% in the first quarter of 2025 (*vs. estimate of 2.7%*). The seasonally adjusted unemployment rate for the 15–64 age group has been rising year-on-year since April, reaching 3.0% in June. On average, the unemployment rate could remain at 2.6% this year (*unchanged*). We assume that problems in industrial sectors will persist, partly due to U.S. tariff policy. However, overall unemployment growth will be dampened by demand for workers in construction and services. Next year, the unemployment rate may rise slightly to 2.7% (*previously 2.5%*).

The **share of unemployed persons** (MoLSA) in the registers of labour offices continued to rise year-on-year, increasing by 0.7 percentage points to 4.4% in July. For the whole of 2025, it could average 4.4% (*previously 4.1%*) and reach 4.5% next year (*previously 3.9%*).

The **participation rate** (20–64 years) increased by 0.7 percentage points year-on-year in the first quarter of 2025 to 84.8% (*vs. estimate of 84.6%*). Over the forecast horizon, the main factor of participation rate growth will be the gradual increase in the statutory retirement age, while the demographic effect of a declining share of age groups with naturally high participation rates will act negatively. The participation rate could therefore rise to 85.0% this year (*previously 84.6%*) and to 85.4% next year (*previously 85.0%*).

The **wage and salary bill** increased by 7.1% year-on-year in the first quarter of 2025 (*vs. estimate of 6.6%*). In the most macroeconomically significant sector, manufacturing, it rose by only 4.0% (with number of employees down by 0.3%). The largest contributions to overall dynamics came from trade, transport, accommodation and food services (up 7.5%) and public administration, defence, education, and health and social care (up 6.1%).

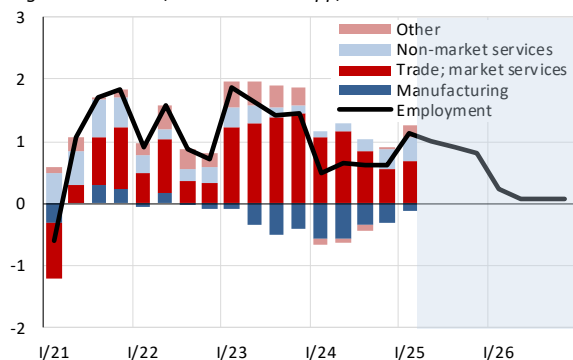
Despite a cooling labour market, significant labour shortages persist in many sectors and occupations, which positively contributes to nominal wage dynamics. Strong increases in consumer prices and corporate profitability in previous years are reflected in higher wage demands from employees. The minimum wage was set for the first time this year under a new indexation mechanism, with a gradual increase planned to reach 47% of the average wage in 2029. From 1 January 2025, the minimum wage rose by 10% to CZK 20,800. The guaranteed wage system with four levels (instead of the previous eight) is now used only in the public sector.

Due to consolidation measures, the contribution of non-market sectors to overall wage dynamics fell significantly last year. The main factor driving wage growth in the non-market sector over the forecast horizon should continue to be the automatic indexation of teachers' salaries. For other public employees, we expect only slightly lower wage dynamics next year compared to this year (see section 1.3). The rising ratio of minimum to average wage will also contribute positively to the wage bill. On the other hand, upward wage pressures will be dampened by a slight increase in the unemployment rate in the second half of this year. Overall, the wage and salary bill could increase by 6.6% this year (*unchanged*), while growth could slow to 5.4% in 2026 (*previously 5.6%*).

The **average wage** (business statistics, full-time equivalent) rose by 6.7% in the first quarter of 2025 (*vs. estimate of 6.8%*), mainly due to increases in the average wage in manufacturing and in wholesale and retail trade, both up 5.8%. In 2025, given the above factors, the average wage could rise by 6.6% (*unchanged*), while its growth could slow to 5.3% next year (*previously 5.4%*). Based on the forecast average wage, the minimum wage should increase by 7.7% from 1 January 2026 to CZK 22,400.

**Graph 3.3.1: Employment**

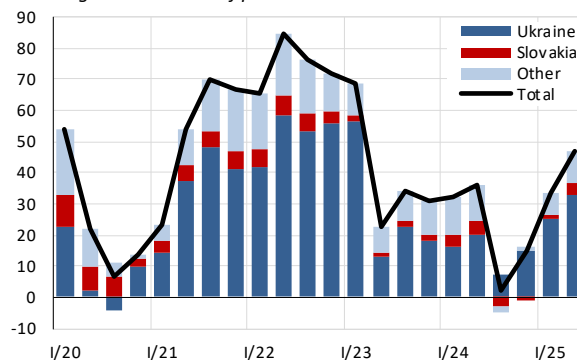
YoY growth rate in%, contributions in pp, national accounts



Source: CZSO. Calculations and forecast of the MoF.

**Graph 3.3.2: Number of Foreign Employees in the CR**

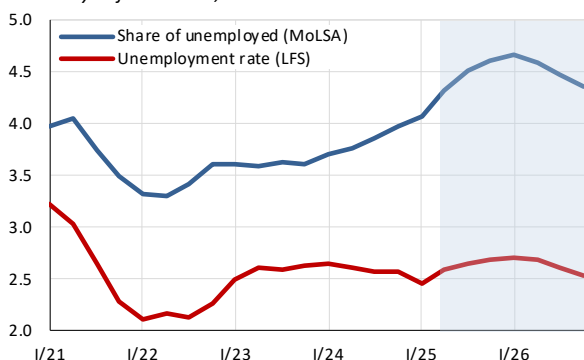
YoY change in thousands of persons



Source: MoLSA. Calculations of the MoF.

**Graph 3.3.3: Indicators of Unemployment**

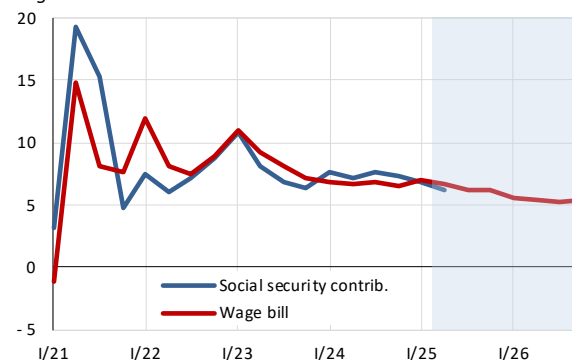
seasonally adjusted data, in%



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

**Graph 3.3.4: Social Security Contributions and Earnings**

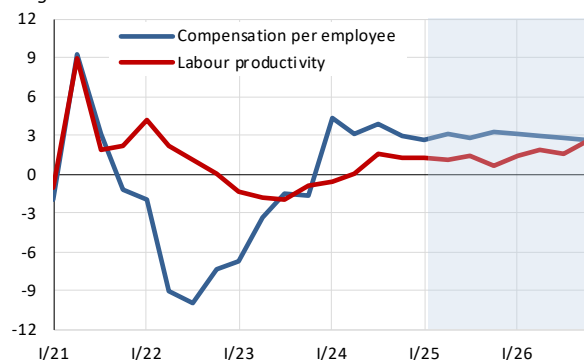
YoY growth rate in%



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

**Graph 3.3.5: Compens. per Employee and Productivity**

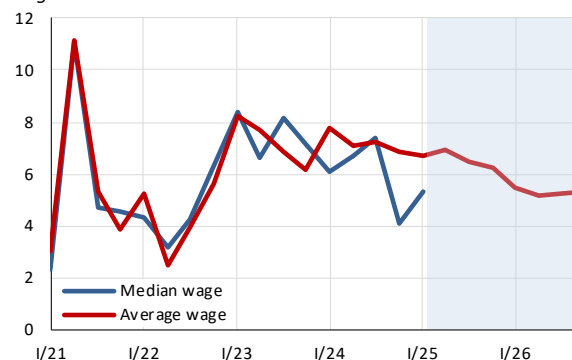
YoY growth rate in%



Source: CZSO. Calculations and forecast of the MoF.

**Graph 3.3.6: Nominal Monthly Wages**

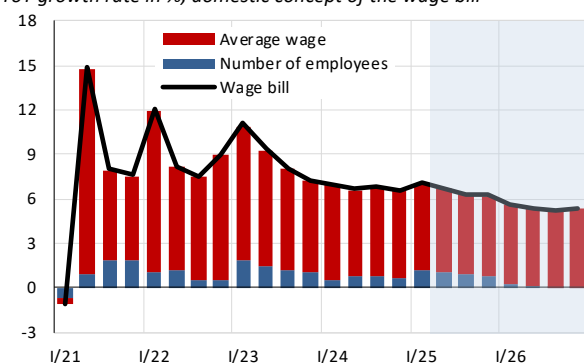
YoY growth rate in%



Source: CZSO. Calculations and forecast of the MoF.

**Graph 3.3.7: Nominal Wage Bill**

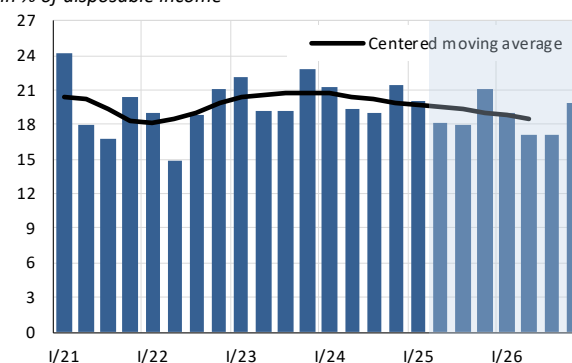
YoY growth rate in %, domestic concept of the wage bill



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

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
<b>National accounts</b>											
<b>Employment</b>	<i>av. in thous. persons</i>	<b>5 351</b>	<b>5 227</b>	<b>5 279</b>	<b>5 333</b>	<b>5 418</b>	<b>5 451</b>	<b>5 503</b>	<b>5 510</b>	<b>5 499</b>	<b>5 493</b>
	<i>growth in %</i>	-0.1	-2.3	1.0	1.0	1.6	0.6	1.0	0.1	-0.2	-0.1
Employees	<i>av. in thous. persons</i>	4 598	4 496	4 541	4 578	4 640	4 669	4 715	4 719	4 711	4 705
	<i>growth in %</i>	0.1	-2.2	1.0	0.8	1.4	0.6	1.0	0.1	-0.2	-0.1
Self-employed persons	<i>av. in thous. persons</i>	753	731	738	755	779	782	789	791	788	788
	<i>growth in %</i>	-1.5	-3.0	1.0	2.3	3.1	0.4	0.8	0.3	-0.3	-0.1
<b>Wage bill</b>	<i>growth in %</i>	<b>7.9</b>	<b>0.4</b>	<b>7.2</b>	<b>9.1</b>	<b>8.8</b>	<b>6.8</b>	<b>6.6</b>	<b>5.4</b>	<b>4.9</b>	<b>4.6</b>
<b>Labour productivity</b>	<i>growth in %</i>	<b>3.7</b>	<b>-3.1</b>	<b>3.0</b>	<b>1.8</b>	<b>-1.5</b>	<b>0.6</b>	<b>1.1</b>	<b>1.8</b>	<b>2.7</b>	<b>2.6</b>
<b>Unit labour costs<sup>6)</sup></b>	<i>growth in %</i>	<b>3.9</b>	<b>7.3</b>	<b>3.1</b>	<b>5.0</b>	<b>8.6</b>	<b>5.4</b>	<b>4.3</b>	<b>3.4</b>	<b>2.3</b>	<b>2.1</b>
<b>Compensation of employees</b>	<i>% of GDP</i>	<b>43.8</b>	<b>45.0</b>	<b>44.6</b>	<b>43.0</b>	<b>42.9</b>	<b>43.5</b>	<b>44.2</b>	<b>44.6</b>	<b>44.6</b>	<b>44.6</b>
<b>Labour Force Survey</b>											
<b>Unemployment rate</b>	<i>average in %</i>	<b>2.0</b>	<b>2.6</b>	<b>2.8</b>	<b>2.2</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>	<b>2.5</b>	<b>2.4</b>
<b>Employment rate 20–64</b>	<i>average in %</i>	<b>80.3</b>	<b>79.7</b>	<b>80.0</b>	<b>81.0</b>	<b>81.7</b>	<b>82.3</b>	<b>82.9</b>	<b>83.3</b>	<b>83.4</b>	<b>83.7</b>
<b>Participation rate 20–64</b>	<i>average in %</i>	<b>81.9</b>	<b>81.8</b>	<b>82.2</b>	<b>82.7</b>	<b>83.8</b>	<b>84.3</b>	<b>85.0</b>	<b>85.4</b>	<b>85.5</b>	<b>85.7</b>
<b>Registered unemployment</b>											
<b>Unemployment</b>	<i>av. in thous. persons</i>	<b>212</b>	<b>259</b>	<b>280</b>	<b>252</b>	<b>266</b>	<b>287</b>	<b>327</b>	<b>323</b>	<b>302</b>	<b>285</b>
<b>Share of unemployed<sup>1)</sup></b>	<i>average in %</i>	<b>2.8</b>	<b>3.5</b>	<b>3.8</b>	<b>3.4</b>	<b>3.6</b>	<b>3.8</b>	<b>4.4</b>	<b>4.5</b>	<b>4.3</b>	<b>4.0</b>
<b>Job vacancies</b>	<i>av. in thousands</i>	<b>340</b>	<b>332</b>	<b>346</b>	<b>326</b>	<b>283</b>	<b>264</b>	.	.	.	.
<b>Business statistics</b>											
<b>Average monthly wage</b>											
Nominal	<i>CZK monthly</i>	34 578	36 176	38 277	39 932	42 801	45 899	48 911	51 497	54 020	56 581
	<i>growth in %</i>	7.9	4.6	5.8	4.3	7.2	7.2	6.6	5.3	4.9	4.7
Real	<i>CZK 2015</i>	31 928	32 358	32 969	29 889	28 959	30 316	31 530	32 436	33 248	34 096
	<i>growth in %</i>	4.9	1.3	1.9	-9.3	-3.1	4.7	4.0	2.9	2.5	2.6
<b>Median monthly wage</b>	<i>CZK monthly</i>	<b>29 439</b>	<b>31 049</b>	<b>32 795</b>	<b>34 283</b>	<b>36 880</b>	<b>39 105</b>	.	.	.	.
	<i>growth in %</i>	6.8	5.5	5.6	4.5	7.6	6.0	.	.	.	.

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

<sup>1)</sup> 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
							Estimate	Forecast	Forecast
<b>National accounts</b>									
<b>Employment</b>	<i>av. in thous. persons</i>	<b>5 409</b>	<b>5 444</b>	<b>5 481</b>	<b>5 469</b>	<b>5 471</b>	<b>5 498</b>	<b>5 530</b>	<b>5 513</b>
	<i>YoY growth in %</i>	0.5	0.7	0.6	0.6	1.1	1.0	0.9	0.8
	<i>QoQ growth in %</i>	-0.1	0.6	0.1	0.0	0.5	0.4	0.0	-0.1
<b>Wages and salaries</b>	<i>growth in %</i>	<b>6.9</b>	<b>6.7</b>	<b>6.9</b>	<b>6.6</b>	<b>7.1</b>	<b>6.7</b>	<b>6.3</b>	<b>6.2</b>
<b>Labour Force Survey</b>									
<b>Unemployment rate</b>	<i>average in %</i>	<b>2.8</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>	<b>2.7</b>	<b>2.6</b>
<b>Employment rate 20–64</b>	<i>average in %</i>	<b>81.8</b>	<b>82.1</b>	<b>82.4</b>	<b>82.7</b>	<b>82.7</b>	<b>82.8</b>	<b>82.9</b>	<b>83.1</b>
	<i>increase over a year</i>	0.6	0.3	0.5	0.7	0.9	0.6	0.5	0.3
<b>Participation rate 20–64</b>	<i>average in %</i>	<b>84.1</b>	<b>84.2</b>	<b>84.4</b>	<b>84.8</b>	<b>84.8</b>	<b>84.9</b>	<b>85.1</b>	<b>85.2</b>
	<i>increase over a year</i>	0.8	0.3	0.4	0.7	0.7	0.7	0.7	0.4
<b>Registered unemployment</b>									
<b>Unemployment</b>	<i>av. in thous. persons</i>	<b>292</b>	<b>278</b>	<b>284</b>	<b>293</b>	<b>320</b>	<b>318</b>	<b>330</b>	<b>339</b>
<b>Share of unemployed <sup>1)</sup></b>	<i>average in %</i>	<b>3.9</b>	<b>3.7</b>	<b>3.8</b>	<b>3.9</b>	<b>4.3</b>	<b>4.3</b>	<b>4.4</b>	<b>4.5</b>
<b>Job vacancies</b>	<i>av. in thousands</i>	<b>269</b>	<b>267</b>	<b>263</b>	<b>259</b>	<b>114</b>	<b>96</b>	<b>.</b>	<b>.</b>
<b>Business statistics</b>									
<b>Average monthly wage</b>									
Nominal	<i>CZK monthly</i>	43 980	45 819	45 101	48 667	46 924	48 990	48 008	51 721
	<i>growth in %</i>	7.8	7.1	7.2	6.9	6.7	6.9	6.4	6.3
Real	<i>CZK 2015</i>	29 300	30 284	29 652	31 976	30 431	31 627	30 821	33 231
	<i>growth in %</i>	5.6	4.5	4.7	3.9	3.9	4.4	3.9	3.9
<b>Median monthly wage</b>	<i>CZK monthly</i>	<b>36 453</b>	<b>38 500</b>	<b>40 204</b>	<b>41 262</b>	<b>38 385</b>	<b>.</b>	<b>.</b>	<b>.</b>
	<i>growth in %</i>	6.1	6.7	7.4	4.1	5.3	.	.	.

<sup>1)</sup> 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

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
										Forecast	Forecast
<b>Current income</b>											
<b>Compensation of employees</b>	bill.CZK	<b>2 196</b>	<b>2 399</b>	<b>2 571</b>	<b>2 636</b>	<b>2 827</b>	<b>3 022</b>	<b>3 299</b>	<b>3 521</b>	<b>3 753</b>	<b>3 955</b>
	growth in %	8.8	9.2	7.2	2.5	7.2	6.9	9.2	6.7	6.6	5.4
<b>Gross operating surplus and mixed income</b>	bill.CZK	<b>828</b>	<b>904</b>	<b>965</b>	<b>996</b>	<b>1 088</b>	<b>1 261</b>	<b>1 353</b>	<b>1 397</b>	<b>1 459</b>	<b>1 498</b>
	growth in %	7.9	9.2	6.8	3.1	9.3	15.8	7.3	3.3	4.4	2.7
<b>Property income received</b>	bill.CZK	<b>165</b>	<b>166</b>	<b>167</b>	<b>137</b>	<b>183</b>	<b>304</b>	<b>374</b>	<b>410</b>	<b>400</b>	<b>415</b>
	growth in %	21.9	0.6	0.3	-17.8	33.3	66.1	23.4	9.5	-2.5	3.7
<b>Social benefits not-in-kind</b>	bill.CZK	<b>654</b>	<b>690</b>	<b>743</b>	<b>891</b>	<b>934</b>	<b>1 008</b>	<b>1 145</b>	<b>1 215</b>	<b>1 241</b>	<b>1 283</b>
	growth in %	3.5	5.4	7.7	20.0	4.8	7.9	13.6	6.1	2.2	3.4
<b>Other current transfers received</b>	bill.CZK	<b>244</b>	<b>281</b>	<b>339</b>	<b>363</b>	<b>487</b>	<b>675</b>	<b>752</b>	<b>855</b>	<b>902</b>	<b>953</b>
	growth in %	12.7	15.1	20.4	7.3	34.0	38.7	11.4	13.7	5.5	5.7
<b>Current expenditure</b>											
<b>Property income paid</b>	bill.CZK	<b>25</b>	<b>26</b>	<b>34</b>	<b>32</b>	<b>30</b>	<b>60</b>	<b>84</b>	<b>88</b>	<b>92</b>	<b>96</b>
	growth in %	10.1	5.6	28.0	-4.5	-5.5	98.0	39.3	5.5	4.0	4.2
<b>Curr. taxes on income and property</b>	bill.CZK	<b>247</b>	<b>277</b>	<b>302</b>	<b>315</b>	<b>247</b>	<b>258</b>	<b>298</b>	<b>329</b>	<b>346</b>	<b>357</b>
	growth in %	10.0	12.3	9.1	4.2	-21.6	4.6	15.4	10.5	5.2	3.2
<b>Social contributions</b>	bill.CZK	<b>832</b>	<b>908</b>	<b>971</b>	<b>1 029</b>	<b>1 143</b>	<b>1 186</b>	<b>1 291</b>	<b>1 417</b>	<b>1 508</b>	<b>1 589</b>
	growth in %	7.8	9.2	6.9	6.0	11.0	3.8	8.8	9.8	6.5	5.4
<b>Other current transfers paid</b>	bill.CZK	<b>240</b>	<b>283</b>	<b>341</b>	<b>371</b>	<b>499</b>	<b>673</b>	<b>769</b>	<b>878</b>	<b>926</b>	<b>980</b>
	growth in %	16.0	17.8	20.7	8.6	34.5	35.0	14.3	14.1	5.5	5.8
<b>Gross disposable income</b>	bill.CZK	<b>2 744</b>	<b>2 946</b>	<b>3 137</b>	<b>3 277</b>	<b>3 601</b>	<b>4 093</b>	<b>4 482</b>	<b>4 685</b>	<b>4 882</b>	<b>5 082</b>
	growth in %	7.9	7.4	6.5	4.5	9.9	13.7	9.5	4.5	4.2	4.1
<b>Final consumption</b>	bill.CZK	<b>2 483</b>	<b>2 640</b>	<b>2 799</b>	<b>2 692</b>	<b>2 921</b>	<b>3 358</b>	<b>3 548</b>	<b>3 739</b>	<b>3 948</b>	<b>4 156</b>
	growth in %	7.5	6.3	6.0	-3.8	8.5	15.0	5.7	5.4	5.6	5.3
<b>Change in share in pension funds</b>	bill.CZK	<b>33</b>	<b>36</b>	<b>38</b>	<b>40</b>	<b>41</b>	<b>27</b>	<b>1</b>	<b>6</b>	<b>13</b>	<b>8</b>
<b>Gross savings</b>	bill.CZK	<b>294</b>	<b>342</b>	<b>376</b>	<b>625</b>	<b>720</b>	<b>761</b>	<b>934</b>	<b>952</b>	<b>947</b>	<b>934</b>
<b>Capital transfers</b>											
(income (-) / expenditure (+))	bill.CZK	<b>-12</b>	<b>-17</b>	<b>-20</b>	<b>-44</b>	<b>-43</b>	<b>-31</b>	<b>-47</b>	<b>-55</b>	<b>-42</b>	<b>-34</b>
<b>Gross capital formation</b>	bill.CZK	<b>254</b>	<b>317</b>	<b>358</b>	<b>364</b>	<b>404</b>	<b>484</b>	<b>505</b>	<b>500</b>	<b>506</b>	<b>518</b>
	growth in %	-4.9	24.5	12.9	1.7	11.1	19.7	4.4	-0.9	1.2	2.3
<b>Change in financial assets and liab.</b>	bill.CZK	<b>52</b>	<b>42</b>	<b>35</b>	<b>304</b>	<b>356</b>	<b>310</b>	<b>475</b>	<b>505</b>	<b>481</b>	<b>449</b>
<b>Real disposable income</b>	growth in %	<b>4.7</b>	<b>4.4</b>	<b>3.5</b>	<b>1.5</b>	<b>5.4</b>	<b>-0.8</b>	<b>0.8</b>	<b>1.4</b>	<b>1.6</b>	<b>1.7</b>
<b>Gross savings rate</b>	%	<b>10.6</b>	<b>11.5</b>	<b>11.8</b>	<b>18.8</b>	<b>19.8</b>	<b>18.5</b>	<b>20.8</b>	<b>20.3</b>	<b>19.4</b>	<b>18.3</b>

Source: CZSO. Calculations of the MoF.

### 3.4 External Relations

**Export markets** grew by 2.5% year-on-year in the first quarter of 2025 (vs. *estimate of 1.6%*). Both the GDP of our main trading partners and their import intensity developed favourably. The quarter-on-quarter increase in imports to Germany, Poland and Slovakia was likely driven by higher demand for production inputs, either for stockpiling or for processing and subsequent export of final products to the United States ahead of the expected tariffs taking effect. For this year, given the development of economic activity abroad (see section 1.1) and expected import intensity, we estimate export market growth of 2.5% (*previously 2.1%*), while in 2026, thanks to economic recovery abroad, they could grow by 3.0% (*previously 3.6%*).

**Export performance** rose by 1.0% in the first quarter of 2025 (vs. *estimate of 0.1%*). This development<sup>1</sup> reflects higher production volumes in industrial sectors, mainly energy. The expected slight increase in performance of 0.1% this year (*previously a decline of 0.4%*) reflects persistently lower volumes of foreign industrial orders and anticipated production cuts in response to the blanket tariffs introduced by the U.S. administration. For next year, despite expected improvements in manufacturing conditions, we anticipate a slight decline in performance of 0.1% (*previously 0.2%*) due to the negative impact of koruna appreciation against the euro (see section 1.4).

The **current account of the balance of payments** recorded a surplus of 1.8% of GDP<sup>2</sup> in the first quarter of 2025 (vs. *estimate of 1.5% of GDP*). The year-on-year improvement of 0.9% of GDP was mainly driven by the balance of trade in goods, and to a lesser extent by a lower primary income deficit.

The **balance of goods** improved by 0.8% of GDP year-on-year in the first quarter of 2025, reaching a surplus of 5.2% of GDP (vs. *estimate of 5.1% of GDP*). The increase in the positive balance reflects stronger foreign demand for electricity and investment goods.

Mineral fuel prices remain an important factor influencing the **terms of trade** in goods. The fuel component of the trade balance recorded a deficit of 2.2% of GDP in the first quarter of 2025 (vs. *estimate of 2.3% of GDP*).

---

<sup>1</sup> It is also necessary to point out the methodological distortion of the applied decomposition. Export performance is calculated as the ratio of total goods exports to export markets. It is therefore based on the principle that faster export growth compared to imports by trading partners leads to a higher share of Czech goods in those markets at the expense of other countries, and thus to a higher growth of this indicator. However, in the case of a significant decline in imports by our trading partners, and thus in export markets compared to Czech exports, the performance indicator improves even without any real increase in exports from the Czech Republic.

<sup>2</sup> All quarterly data as a share of GDP are presented as rolling annual totals.

Given the development of oil prices (see section 1.2) and other energy commodities, especially natural gas, we expect the negative balance of trade in mineral fuels to narrow to 1.9% of GDP in 2025 (*previously 2.1% of GDP*). For 2026, we expect a further reduction in the deficit to 1.6% of GDP (*previously 1.8% of GDP*).

We expect the balance of goods to reach a surplus of 4.6% of GDP this year (*previously 4.4% of GDP*), declining to 4.0% of GDP next year (*previously 3.7% of GDP*). This year's trade balance will benefit from improved terms of trade resulting from developments in energy commodity prices, particularly oil. Conversely, rising trade barriers in the form of higher U.S. import tariffs will negatively affect Czech exports. On the import side, weaker investment activity will act as a limiting factor. The reduction in the positive balance of foreign trade in 2026 reflects higher import dynamics associated with a recovery in domestic investment demand.

The **balance of services** reached a surplus of 1.3% of GDP in the first quarter of 2025 (*in line with the estimate*). The slight year-on-year improvement reflects higher revenues in the transport sector and increased exports of consulting and professional services. In contrast, higher charges for the use of intellectual property offset the overall positive balance. For 2025, we expect a slight increase in the surplus to 1.5% of GDP (*previously 1.4% of GDP*), which could rise to 1.6% of GDP in 2026 (*previously 1.5% of GDP*) thanks to the expected economic recovery in the euro area (see section 1.1).

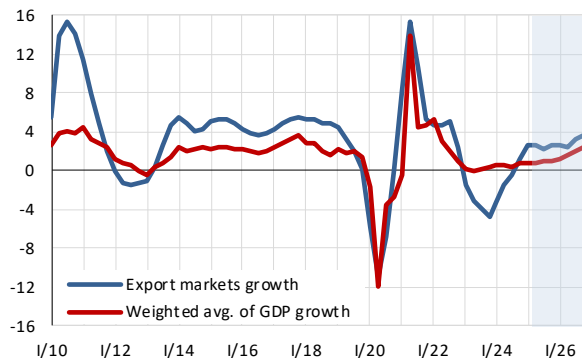
The **primary income** deficit narrowed by 0.4% of GDP year-on-year to 4.1% of GDP (vs. *estimate of 4.3% of GDP*) in the first quarter of 2025, due to lower outflows of income from direct investment. This development likely reflects lower profitability growth of foreign-owned companies. Given the projected development of economic performance and gross operating surplus, we forecast the primary income deficit to reach 4.2% of GDP this year (*previously 4.3% of GDP*). For 2026, we expect a slight increase in the deficit to 4.3% of GDP (*previously 4.4% of GDP*).

Given this, we expect the **current account of the balance of payments** to remain slightly in surplus over the forecast horizon. This year, the positive balance should reach 1.2% of GDP (*previously 0.7% of GDP*), and should decline to 0.5% of GDP in 2026 (*previously 0.1% of GDP*).

The **balance of current transactions** (in national accounts methodology) reached a surplus of 1.8% of GDP in the first quarter of 2025. From a sectoral perspective, this was driven exclusively by households, whose savings exceeded investment by 5.4% of GDP. In other sectors, however, the relationship between savings and investment was the opposite, most notably in the general government sector, where gross capital formation exceeded gross savings by 2.8% of GDP.

**Graph 3.4.1: GDP and Goods Imports of Partner Countries**

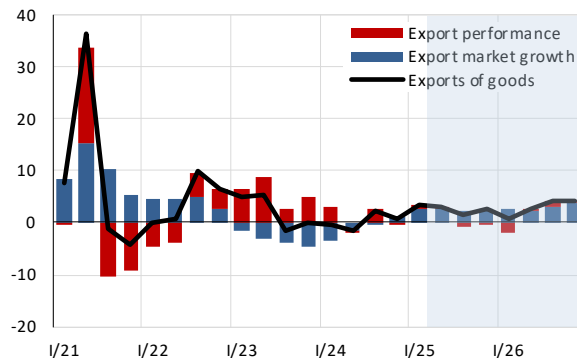
YoY growth rate in %, seasonally adjusted



Source: Eurostat. Calculations and forecast of the MoF.

**Graph 3.4.2: Real Exports of Goods**

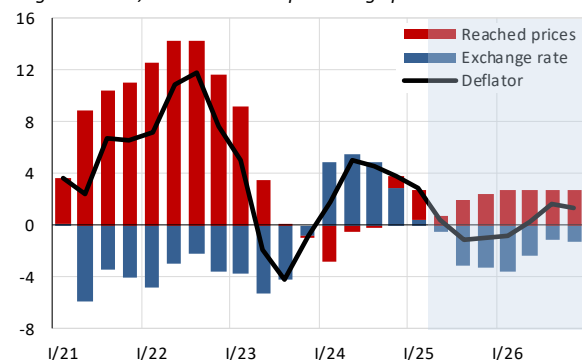
YoY growth in %, contributions in pp, seasonally adjusted



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

**Graph 3.4.3: Deflator of Exports of Goods**

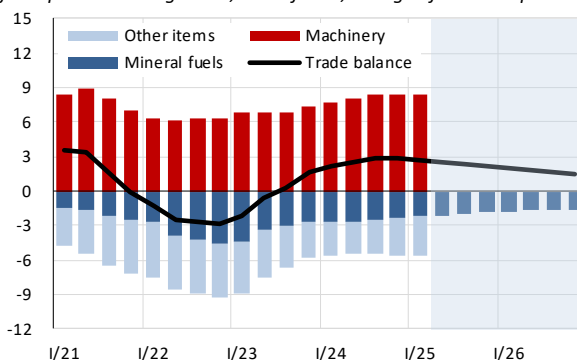
YoY growth in %, contributions in percentage points



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

**Graph 3.4.4: Balance of Trade**

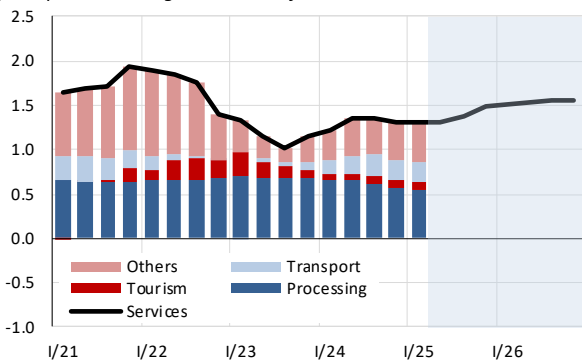
four-quarter moving totals, in % of GDP, change of ownership concept



Source: CZSO. Calculations and forecast of the MoF.

**Graph 3.4.5: Balance of Services**

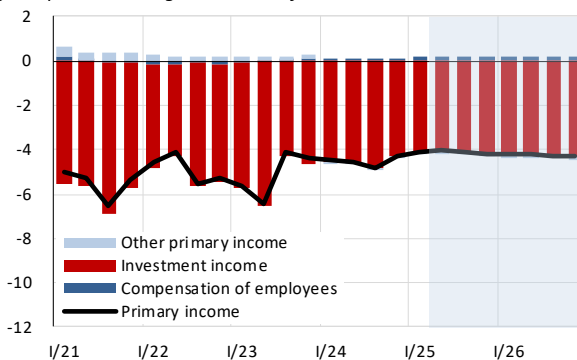
four-quarter moving totals, in % of GDP



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

**Graph 3.4.6: Balance of Primary Income**

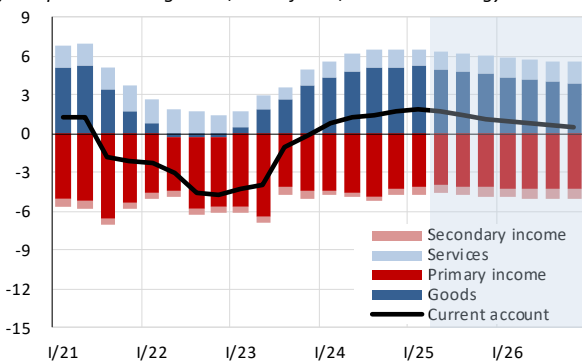
four-quarter moving totals, in % of GDP



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

**Graph 3.4.7: Current Account**

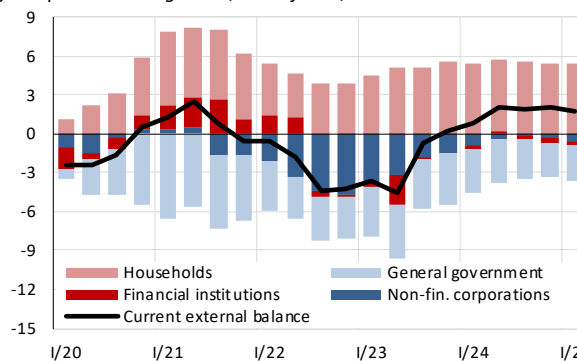
four-quarter moving totals, in % of GDP, BoP methodology



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

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
										Forecast	Forecast
<b>GDP <sup>1)</sup></b>	<i>average of 2010=100</i>	<b>115.0</b>	<b>117.6</b>	<b>119.8</b>	<b>113.9</b>	<b>120.2</b>	<b>123.6</b>	<b>123.8</b>	<b>124.4</b>	<b>126</b>	<b>128</b>
	<i>growth in %</i>	3.1	2.3	1.8	-4.9	5.5	2.8	0.1	0.5	0.9	1.8
<b>Import intensity <sup>2)</sup></b>	<i>average of 2010=100</i>	<b>111.7</b>	<b>114.8</b>	<b>115.5</b>	<b>114.5</b>	<b>119.1</b>	<b>120.7</b>	<b>116.6</b>	<b>114.7</b>	<b>117</b>	<b>118</b>
	<i>growth in %</i>	1.8	2.8	0.6	-0.9	4.0	1.4	-3.4	-1.6	1.6	1.2
<b>Export markets <sup>3)</sup></b>	<i>average of 2010=100</i>	<b>128.5</b>	<b>135.1</b>	<b>138.4</b>	<b>130.4</b>	<b>143.1</b>	<b>149.1</b>	<b>144.3</b>	<b>142.8</b>	<b>146</b>	<b>151</b>
	<i>growth in %</i>	5.0	5.1	2.5	-5.8	9.8	4.2	-3.3	-1.0	2.5	3.0
<b>Export performance</b>	<i>average of 2010=100</i>	<b>115.7</b>	<b>113.6</b>	<b>111.9</b>	<b>110.7</b>	<b>108.8</b>	<b>108.7</b>	<b>114.8</b>	<b>116.4</b>	<b>117</b>	<b>116</b>
	<i>growth in %</i>	2.4	-1.8	-1.5	-1.1	-1.7	0.0	5.6	1.4	0.1	-0.1
<b>Real exports</b>	<i>average of 2010=100</i>	<b>148.6</b>	<b>153.5</b>	<b>154.9</b>	<b>144.3</b>	<b>155.7</b>	<b>162.1</b>	<b>165.7</b>	<b>166.2</b>	<b>171</b>	<b>176</b>
	<i>growth in %</i>	7.5	3.3	0.9	-6.8	7.9	4.2	2.2	0.3	2.6	3.0
<b>1 / NEER</b>	<i>average of 2010=100</i>	<b>103.9</b>	<b>100.2</b>	<b>100.5</b>	<b>102.4</b>	<b>99.1</b>	<b>95.7</b>	<b>92.4</b>	<b>96.6</b>	<b>95</b>	<b>93</b>
	<i>growth in %</i>	-2.8	-3.6	0.3	1.9	-3.3	-3.3	-3.5	4.5	-1.6	-2.1
<b>Prices on foreign markets</b>	<i>average of 2010=100</i>	<b>100.2</b>	<b>103.2</b>	<b>103.8</b>	<b>103.2</b>	<b>111.9</b>	<b>126.7</b>	<b>130.6</b>	<b>129.7</b>	<b>132</b>	<b>136</b>
	<i>growth in %</i>	2.1	3.0	0.6	-0.6	8.5	13.2	3.1	-0.7	1.9	2.8
<b>Exports deflator</b>	<i>average of 2010=100</i>	<b>104.2</b>	<b>103.4</b>	<b>104.4</b>	<b>105.7</b>	<b>110.8</b>	<b>121.3</b>	<b>120.6</b>	<b>125.3</b>	<b>126</b>	<b>126</b>
	<i>growth in %</i>	-0.7	-0.7	1.0	1.2	4.9	9.4	-0.5	3.8	0.3	0.6
<b>Nominal exports</b>	<i>average of 2010=100</i>	<b>154.7</b>	<b>158.7</b>	<b>161.7</b>	<b>152.5</b>	<b>172.5</b>	<b>196.8</b>	<b>199.9</b>	<b>208.3</b>	<b>214</b>	<b>222</b>
	<i>growth in %</i>	6.7	2.6	1.9	-5.7	13.1	14.1	1.6	4.2	2.9	3.6

<sup>1)</sup> Weighted average of GDP of eight most important partners – Germany, Slovakia, Austria, the United Kingdom, Poland, France, Italy and Hungary.

<sup>2)</sup> Index of ratio of real imports of goods to real GDP.

<sup>3)</sup> 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
						Estimate	Forecast	Forecast	
<b>GDP <sup>1)</sup></b>	<i>average of 2010=100</i>	<b>124.2</b>	<b>124.3</b>	<b>124.4</b>	<b>124.8</b>	<b>125.2</b>	<b>125</b>	<b>126</b>	<b>126</b>
	<i>growth in %</i>	0.6	0.6	0.3	0.7	0.8	0.8	0.9	0.9
<b>Import intensity <sup>2)</sup></b>	<i>average of 2010=100</i>	<b>113.7</b>	<b>114.7</b>	<b>115.4</b>	<b>115.2</b>	<b>115.7</b>	<b>117</b>	<b>117</b>	<b>117</b>
	<i>growth in %</i>	-3.9	-2.0	-0.7	0.5	1.7	1.8	1.3	1.7
<b>Export markets <sup>3)</sup></b>	<i>average of 2010=100</i>	<b>141.2</b>	<b>142.7</b>	<b>143.5</b>	<b>143.8</b>	<b>144.8</b>	<b>146</b>	<b>147</b>	<b>148</b>
	<i>growth in %</i>	-3.4	-1.5	-0.4	1.2	2.5	2.7	2.3	2.6
<b>Export performance</b>	<i>average of 2010=100</i>	<b>117.2</b>	<b>115.7</b>	<b>116.8</b>	<b>116.0</b>	<b>118.4</b>	<b>116</b>	<b>116</b>	<b>116</b>
	<i>growth in %</i>	3.2	-0.1	2.9	-0.3	1.0	0.4	-0.9	-0.1
<b>Real exports</b>	<i>average of 2010=100</i>	<b>165.5</b>	<b>165.1</b>	<b>167.6</b>	<b>166.8</b>	<b>171.4</b>	<b>170</b>	<b>170</b>	<b>171</b>
	<i>growth in %</i>	-0.3	-1.6	2.4	0.9	3.6	3.1	1.4	2.5
<b>1 / NEER</b>	<i>average of 2010=100</i>	<b>96.5</b>	<b>96.0</b>	<b>96.9</b>	<b>97.0</b>	<b>96.9</b>	<b>95.5</b>	<b>94</b>	<b>94</b>
	<i>growth in %</i>	4.9	5.5	4.9	2.9	0.4	-0.4	-3.0	-3.3
<b>Prices on foreign markets</b>	<i>average of 2010=100</i>	<b>128.5</b>	<b>130.7</b>	<b>129.2</b>	<b>130.3</b>	<b>131.7</b>	<b>132</b>	<b>132</b>	<b>134</b>
	<i>growth in %</i>	-2.9	-0.5	-0.2	0.9	2.4	0.8	2.0	2.5
<b>Exports deflator</b>	<i>average of 2010=100</i>	<b>124.0</b>	<b>125.4</b>	<b>125.3</b>	<b>126.4</b>	<b>127.5</b>	<b>126</b>	<b>124</b>	<b>125</b>
	<i>growth in %</i>	1.9	5.0	4.6	3.9	2.8	0.4	-1.1	-0.9
<b>Nominal exports</b>	<i>average of 2010=100</i>	<b>205.2</b>	<b>207.0</b>	<b>209.9</b>	<b>210.9</b>	<b>218.7</b>	<b>214</b>	<b>210</b>	<b>214</b>
	<i>growth in %</i>	1.6	3.3	7.2	4.8	6.5	3.4	0.3	1.6

<sup>1)</sup> Weighted average of GDP of eight most important partners – Germany, Slovakia, Austria, the United Kingdom, Poland, France, Italy and Hungary.

<sup>2)</sup> Index of ratio of real imports of goods to real GDP.

<sup>3)</sup> 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*

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
											Forecast Forecast
<b>Goods and services</b>	<i>bill.CZK</i>	<b>394</b>	<b>333</b>	<b>358</b>	<b>389</b>	<b>232</b>	<b>76</b>	<b>378</b>	<b>523</b>	<b>515</b>	<b>487</b>
	<i>% GDP</i>	7.6	6.1	6.1	6.7	3.7	1.1	4.9	6.5	6.1	5.5
Goods	<i>bill.CZK</i>	259	201	240	280	110	-23	290	418	390	349
	<i>% GDP</i>	5.0	3.7	4.1	4.8	1.7	-0.3	3.8	5.2	4.6	4.0
Services	<i>bill.CZK</i>	135	132	119	109	122	99	88	105	125	138
	<i>% GDP</i>	2.6	2.4	2.0	1.9	1.9	1.4	1.1	1.3	1.5	1.6
<b>Primary income</b>	<i>bill.CZK</i>	<b>-281</b>	<b>-289</b>	<b>-319</b>	<b>-260</b>	<b>-337</b>	<b>-373</b>	<b>-336</b>	<b>-343</b>	<b>-353</b>	<b>-378</b>
	<i>% GDP</i>	-5.4	-5.3	-5.4	-4.5	-5.3	-5.3	-4.4	-4.3	-4.2	-4.3
<b>Secondary income</b>	<i>bill.CZK</i>	<b>-33</b>	<b>-22</b>	<b>-19</b>	<b>-26</b>	<b>-30</b>	<b>-33</b>	<b>-50</b>	<b>-39</b>	<b>-61</b>	<b>-65</b>
	<i>% GDP</i>	-0.6	-0.4	-0.3	-0.5	-0.5	-0.5	-0.6	-0.5	-0.7	-0.7
<b>Current account</b>	<i>bill.CZK</i>	<b>80</b>	<b>21</b>	<b>20</b>	<b>103</b>	<b>-130</b>	<b>-330</b>	<b>-8</b>	<b>141</b>	<b>101</b>	<b>45</b>
	<i>% GDP</i>	1.5	0.4	0.3	1.8	-2.1	-4.7	-0.1	1.7	1.2	0.5
<b>Capital account</b>	<i>bill.CZK</i>	<b>45</b>	<b>27</b>	<b>27</b>	<b>67</b>	<b>107</b>	<b>45</b>	<b>88</b>	<b>140</b>	<b>177</b>	<b>173</b>
	<i>% GDP</i>	0.9	0.5	0.5	1.1	1.7	0.6	1.1	1.7	2.1	2.0
<b>Net lending/borrowing</b>	<i>bill.CZK</i>	<b>125</b>	<b>49</b>	<b>46</b>	<b>169</b>	<b>-23</b>	<b>-286</b>	<b>79</b>	<b>281</b>	<b>279</b>	<b>218</b>
	<i>% GDP</i>	2.4	0.9	0.8	2.9	-0.4	-4.1	1.0	3.5	3.3	2.5
<b>Financial account</b>	<i>bill.CZK</i>	<b>116</b>	<b>61</b>	<b>8</b>	<b>162</b>	<b>-18</b>	<b>-292</b>	<b>91</b>	<b>206</b>	.	.
Direct investments	<i>bill.CZK</i>	-46	-51	-137	-149	-29	-83	-76	-43	.	.
Portfolio investments	<i>bill.CZK</i>	-268	30	-105	-136	75	331	90	-197	.	.
Financial derivatives	<i>bill.CZK</i>	-14	-15	1	11	-58	-45	1	-38	.	.
Other investments	<i>bill.CZK</i>	-802	47	139	388	-302	-188	40	457	.	.
Reserve assets	<i>bill.CZK</i>	1 246	50	110	48	296	-307	36	27	.	.
<b>International investment position</b>	<i>bill.CZK</i>	<b>-1 278</b>	<b>-1 323</b>	<b>-1 150</b>	<b>-932</b>	<b>-939</b>	<b>-1 424</b>	<b>-1 104</b>	<b>-575</b>	.	.
	<i>% GDP</i>	-24.7	-24.2	-19.5	-16.0	-14.9	-20.2	-14.4	-7.1	.	.
<b>Gross external debt</b>	<i>bill.CZK</i>	<b>4 370</b>	<b>4 413</b>	<b>4 384</b>	<b>4 321</b>	<b>4 594</b>	<b>4 662</b>	<b>4 811</b>	<b>5 271</b>	.	.
	<i>% GDP</i>	84.4	80.6	74.4	74.1	72.8	66.1	62.8	65.4	.	.

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>
<b>Goods and services</b>	<i>bill.CZK</i>	<b>434</b>	<b>482</b>	<b>519</b>	<b>523</b>	<b>530</b>	<b>521</b>	<b>520</b>	<b>515</b>
	<i>% GDP</i>	5.6	6.2	6.5	6.5	6.5	6.3	6.2	6.1
Goods	<i>bill.CZK</i>	339	375	412	418	424	412	405	390
	<i>% GDP</i>	4.4	4.8	5.2	5.2	5.2	5.0	4.8	4.6
Services	<i>bill.CZK</i>	95	106	107	105	106	108	115	125
	<i>% GDP</i>	1.2	1.4	1.4	1.3	1.3	1.3	1.4	1.5
<b>Primary income</b>	<i>bill.CZK</i>	<b>-345</b>	<b>-355</b>	<b>-381</b>	<b>-343</b>	<b>-334</b>	<b>-330</b>	<b>-343</b>	<b>-353</b>
	<i>% GDP</i>	-4.5	-4.5	-4.8	-4.3	-4.1	-4.0	-4.1	-4.2
<b>Secondary income</b>	<i>bill.CZK</i>	<b>-20</b>	<b>-25</b>	<b>-26</b>	<b>-39</b>	<b>-47</b>	<b>-52</b>	<b>-57</b>	<b>-61</b>
	<i>% GDP</i>	-0.3	-0.3	-0.3	-0.5	-0.6	-0.6	-0.7	-0.7
<b>Current account</b>	<i>bill.CZK</i>	<b>69</b>	<b>101</b>	<b>112</b>	<b>141</b>	<b>149</b>	<b>138</b>	<b>120</b>	<b>101</b>
	<i>% GDP</i>	0.9	1.3	1.4	1.7	1.8	1.7	1.4	1.2
<b>Capital account</b>	<i>bill.CZK</i>	<b>78</b>	<b>73</b>	<b>93</b>	<b>140</b>	<b>156</b>	<b>163</b>	<b>170</b>	<b>177</b>
	<i>% GDP</i>	1.0	0.9	1.2	1.7	1.9	2.0	2.0	2.1
<b>Net lending/borrowing</b>	<i>bill.CZK</i>	<b>147</b>	<b>175</b>	<b>204</b>	<b>281</b>	<b>306</b>	<b>302</b>	<b>291</b>	<b>279</b>
	<i>% GDP</i>	1.9	2.2	2.6	3.5	3.7	3.7	3.5	3.3
<b>Financial account</b>	<i>bill.CZK</i>	<b>137</b>	<b>181</b>	<b>167</b>	<b>206</b>	<b>219</b>	.	.	.
Direct investments	<i>bill.CZK</i>	-74	-27	-71	-43	-47	.	.	.
Portfolio investments	<i>bill.CZK</i>	104	143	97	-197	41	.	.	.
Financial derivatives	<i>bill.CZK</i>	-26	-39	-23	-38	-32	.	.	.
Other investments	<i>bill.CZK</i>	-32	-33	77	457	252	.	.	.
Reserve assets	<i>bill.CZK</i>	165	136	87	27	5	.	.	.
<b>International investment position</b>	<i>stock in bill.CZK</i>	<b>-872</b>	<b>-857</b>	<b>-804</b>	<b>-575</b>	<b>-716</b>	.	.	.
	<i>% GDP</i>	-11.3	-10.9	-10.1	-7.1	-8.8	.	.	.
<b>Gross external debt</b>	<i>stock in bill.CZK</i>	<b>4 982</b>	<b>4 983</b>	<b>5 178</b>	<b>5 271</b>	<b>5 303</b>	.	.	.
	<i>% GDP</i>	64.4	63.7	65.1	65.4	65.0	.	.	.

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

## 4 Survey of Other Institutions' Forecasts

On average, the monitored institutions expect the Czech economy to grow by 1.9% in 2025 and by 2.0% in 2026. The average inflation rate is expected to reach 2.4% this year and slow to 2.2% next year. Average wage growth could amount to 6.3% this year and then slow to 5.1% next year. The current account balance will remain in surplus in both 2025 and 2026, at 1.0% of GDP and 0.9% of GDP, respectively.

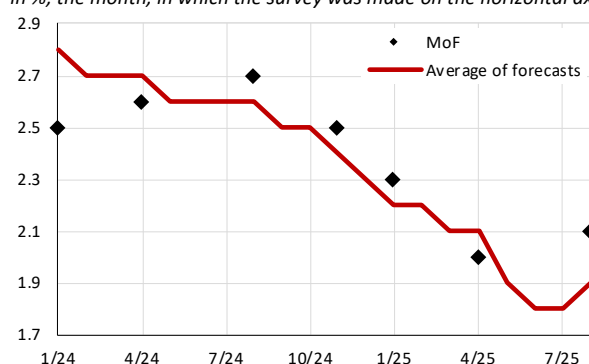
When assessing the differences between the current macroeconomic forecast of the Ministry of Finance and the average of estimates by individual institutions, it is necessary to take into account the date of preparation of

the forecasts and the information available to their authors.

The Ministry of Finance expects stronger GDP growth in 2025 compared to the average of the monitored institutions, while its expectation for next year is in line. The forecast for consumer price growth is almost in line with the average of other institutions in both years. The Ministry of Finance estimates stronger average wage growth in both years. While it expects a higher current account surplus for 2025 than the average of the monitored institutions, it anticipates a lower surplus for 2026.

**Graph 4.1: Forecasts for Real GDP Growth in 2025**

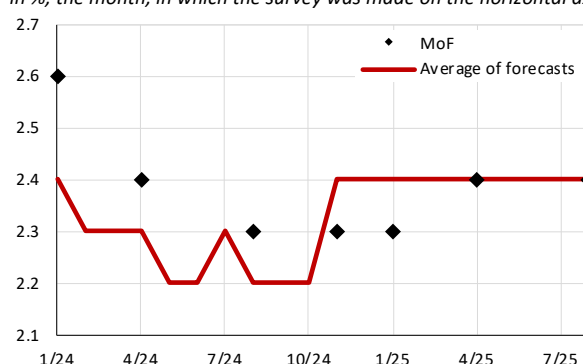
in %; the month, in which the survey was made on the horizontal axis



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**

		August 2025			August 2025
		min.	max.	average	MoF forecast
Gross domestic product (2025)	growth in %, const.pr.	1.6	2.6	1.9	2.1
Gross domestic product (2026)	growth in %, const.pr.	1.1	2.6	2.0	2.0
Average inflation rate (2025)	%	2.2	2.6	2.4	2.4
Average inflation rate (2026)	%	1.9	2.4	2.2	2.3
Average monthly wage (2025)	growth in %	5.9	6.6	6.3	6.6
Average monthly wage (2026)	growth in %	4.7	5.5	5.1	5.3
Current account / GDP (2025)	%	-0.1	2.0	1.0	1.2
Current account / GDP (2026)	%	-0.6	2.4	0.9	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.

