

Macroeconomic Forecast of the Czech Republic

November 2025

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

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

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List of Abbreviations

BoP.....	balance of payments
const. pr.....	constant prices
CNB.....	Czech National Bank
CPI.....	consumer price index
CR.....	Czech Republic
curr. pr.....	current prices
CZSO.....	Czech Statistical Office
EA20.....	euro zone consisting of 20 countries
EC.....	European Commission
ECB.....	European Central Bank
EU27.....	European Union consisting of 27 countries
Fed.....	Federal Reserve System
GDP.....	gross domestic product
GFCF.....	gross fixed capital formation
GVA.....	gross value added
IMF.....	International Monetary Fund
LFS.....	Labour Force Survey
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 31 October 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 (August 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

The global economy is currently experiencing gradually weakening inflationary pressures, which supports the growth of real incomes and household consumption. However, investment activity remains subdued due to persistent geopolitical uncertainty – especially in trade policy – and the delayed effects of tighter monetary conditions.

Although tensions in international trade have eased somewhat following an agreement between the United States and the European Union, uncertainties persist regarding tariffs, restrictions on strategic raw material exports, and ongoing trade disputes among major global economies, including China, India, and Russia. In the European context, a positive impulse comes from Germany's fiscal and tax package, which is expected to support economic growth not only in Germany but also in other European Union member states, including the Czech Republic.

According to a flash estimate from the Czech Statistical Office, seasonally and calendar-adjusted **real GDP** in the Czech Republic increased by 0.7% quarter-on-quarter and by 2.7% year-on-year in the third quarter of 2025. Year-on-year growth was mainly driven by household consumption and gross capital formation, while quarter-on-quarter growth was also supported by exports of goods and services. In the second quarter of 2025, for which detailed structural data are available, the Czech economy grew by 2.3% year-on-year (unadjusted). All major sectors contributed to the annual growth, especially services. Household consumption rose due to a lower savings rate, while government consumption increased mainly in central institutions. Fixed capital investment remained unchanged, but overall gross capital formation was supported by inventory accumulation. This, along with rising domestic consumption, led to a dynamic increase in imports, which outweighed strong exports.

GDP is expected to **grow by 2.4% in 2025**, mainly due to accelerating household consumption, supported by a year-on-year decline in the savings rate and rising real income. Economic growth should also be supported to a lesser extent by inventory accumulation and government consumption. In **2026**, the Czech economy could **grow by 2.2%**, driven by renewed investment activity and continued household consumption dynamics. Rising domestic demand will also boost imports, while exports will be dampened by tariffs imposed by the United States.

Year-on-year **inflation** has stayed near the inflation target so far this year. While service prices have remained significantly elevated, goods prices have been subdued, mainly due to falling energy prices – i.e., of electricity, natural gas, and fuels. Over the forecast horizon, inflationary pressures will continue to be moderated by monetary policy. Additional disinflationary effects will come from the expected decline in the dollar price of oil and the strengthening of the Czech koruna. On the other hand, inflationary pressures will stem from continued strong wage growth and persistent price dynamics in services, particularly due to rising costs of owner-occupied housing and actual rentals for housing. Average

inflation could reach 2.4% this year and slightly decline to 2.3% in 2026.

Despite a slight increase in unemployment, the **labour market** continues to show imbalances related to labour shortages. Demand for labour in services and construction remains strong and helps mitigate problems in some industrial sectors. Unemployment is expected to rise only slightly – to an average of 2.7% this year and 2.8% in 2026. The ongoing mismatch between labour supply and demand will result in strong wage and salary dynamics. Real earnings are expected to increase in both forecast years.

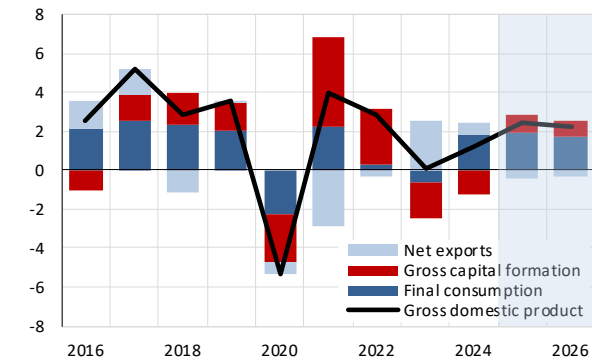
The **current account of the balance of payments** recorded a surplus of 0.8% of GDP in the second quarter of 2025. The year-on-year deterioration in external balance was partly due to a reduction in the trade surplus, driven by increased imports of consumer goods and raw materials. Future developments in the current account will be influenced by domestic demand as well as import tariffs imposed by the United States, which will limit exports from the European Union. For this year, we expect the current account surplus to decline to 0.8% of GDP. In 2026, the surplus is expected to narrow further to 0.3% of GDP, reflecting renewed investment activity.

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 is supported by the government's consolidation package and ongoing economic recovery. Next year, the overall balance is expected to remain unchanged year-on-year, with the structural balance at the legally required limit. The general government debt is projected to reach 43.9% of GDP this year and should rise to 45.3% of GDP in 2026.

Risks to the economic growth forecast are overall tilted to the downside. Key uncertainties include geopolitical tensions, tariffs and other trade barriers, potential renewed supply chain disruptions, continued strong service price growth, and volatility in energy and other commodity prices. Another risk factor is potential changes in economic policy settings in European Union member states, especially Germany.

The economy will be driven solely by domestic demand

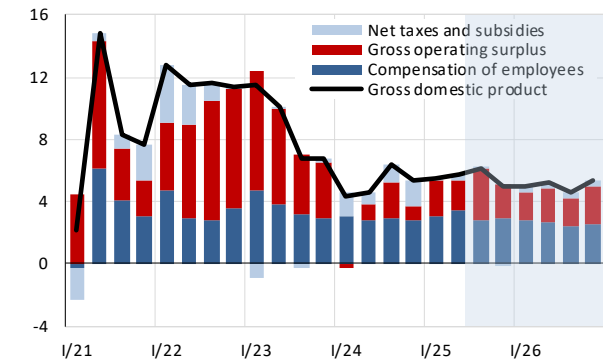
growth rate of real GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Profit growth will continue despite higher wage costs

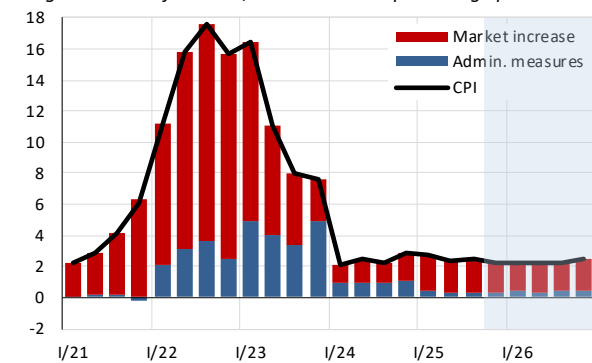
YoY growth of nominal GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Inflation should stay stabilised close to 2% target

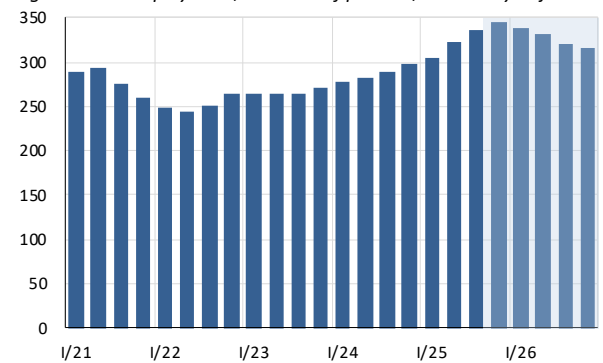
YoY growth rate of CPI in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Unemployment should start decreasing over next year

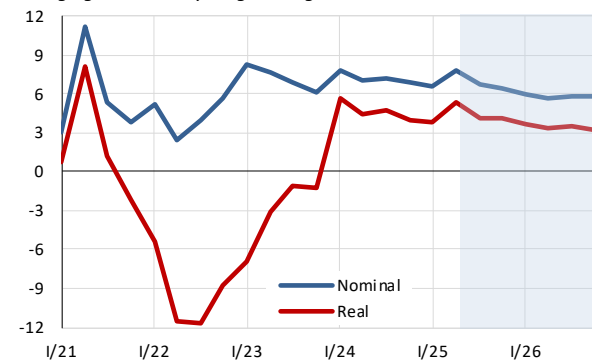
registered unemployment, in thous. of persons, seasonally adjusted



Source: MoLSA. Calculations and forecast of the MoF.

Real wages should maintain its strong growth

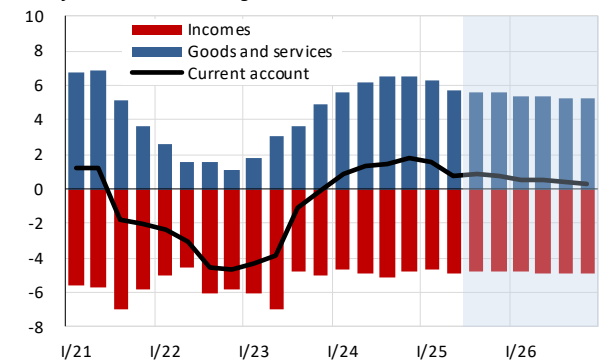
average gross monthly wage, YoY growth rate, in %



Source: CZSO. Calculations and forecast of the MoF.

Current account balance should gradually deteriorate

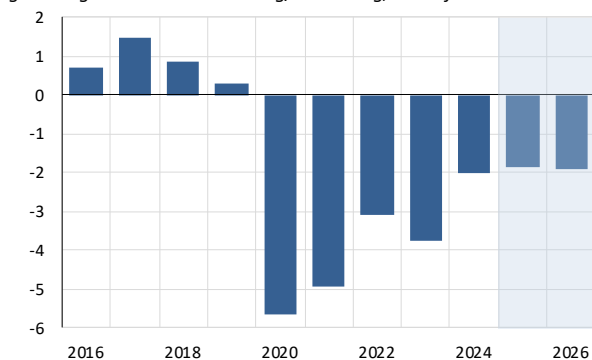
in % of GDP, annual moving sums



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

Public finance deficit to remain close to 2% of GDP

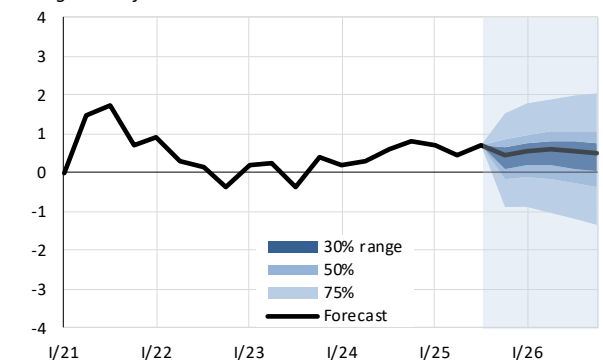
general government net lending/borrowing, in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

Risks to the GDP forecast 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	
Nominal GDP	<i>bill. CZK</i>	5 828	6 308	7 050	7 660	8 057	8 510	8 940	8 454	8 832
	<i>nominal growth in %</i>	-1.0	8.2	11.8	8.6	5.2	5.6	5.1	4.9	4.5
Gross domestic product	<i>real growth in %</i>	-5.3	4.0	2.8	0.0	1.2	2.4	2.2	2.1	2.0
Consumption of households	<i>real growth in %</i>	-6.4	4.2	0.5	-2.6	2.4	3.1	3.0	3.0	2.9
Consumption of government	<i>real growth in %</i>	4.1	1.5	0.4	3.2	3.2	2.1	1.6	1.9	1.4
Gross fixed capital formation	<i>real growth in %</i>	-4.8	6.7	6.3	4.2	-2.8	0.2	3.0	0.1	2.9
Contribution of net exports	<i>pp</i>	-0.6	-2.8	-0.3	2.6	0.7	-0.4	-0.3	-0.4	-0.5
Contrib. of change in inventories	<i>pp</i>	-1.2	2.8	1.2	-3.0	-0.5	0.9	0.0	0.7	0.1
GDP deflator	<i>growth in %</i>	4.5	4.0	8.7	8.6	3.9	3.1	2.8	2.8	2.5
Average inflation rate	<i>%</i>	3.2	3.8	15.1	10.7	2.4	2.4	2.3	2.4	2.3
Employment (national accounts)	<i>growth in %</i>	-2.3	1.0	1.0	1.6	0.6	0.9	0.1	1.0	0.1
Unemployment rate (LFS)	<i>average in %</i>	2.6	2.8	2.2	2.6	2.6	2.7	2.8	2.6	2.7
Wage bill (domestic concept)	<i>growth in %</i>	0.4	7.2	9.1	8.8	6.8	7.1	5.9	6.6	5.4
Current account balance	<i>% of GDP</i>	1.8	-2.1	-4.7	-0.1	1.7	0.8	0.3	1.2	0.5
General government balance	<i>% of GDP</i>	-5.6	-5.0	-3.1	-3.7	-2.0	-1.9	-1.9	-1.9	.
General government debt	<i>% of GDP</i>	36.9	40.7	42.5	42.2	43.3	43.9	45.3	44.2	.
Assumptions:										
Exchange rate CZK/EUR		26.4	25.6	24.6	24.0	25.1	24.7	24.3	24.8	24.4
Long-term interest rates	<i>% p.a.</i>	1.1	1.9	4.3	4.4	4.0	4.3	4.3	4.2	4.1
Crude oil Brent	<i>USD/barrel</i>	42	71	101	82	81	70	66	70	67
GDP in the euro area	<i>real growth in %</i>	-6.2	6.4	3.7	0.6	0.8	1.4	1.4	1.2	1.3

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

Risks to the Forecast

The macroeconomic forecast is subject to a number of risks. Overall, we consider the risks to economic growth to be **tilted to the downside**.

A significant risk remains **geopolitical tensions**, especially in connection with ongoing armed conflicts in Ukraine and the Middle East. Unpredictable geopolitical events can significantly affect existing international trade relations and global commodity prices, particularly energy commodities. They also tend to provoke strong reactions in global financial markets and generally increase uncertainty, which negatively impacts investor, business, and consumer confidence. De-escalation of geopolitical tensions – such as conflict mitigation or progress in peace negotiations – could, on the other hand, support global stability, reduce energy prices, and improve economic prospects.

Tariffs and other barriers to international trade also represent uncertainty, potentially negatively affecting the performance of the highly open Czech economy. Although a framework trade agreement has been concluded between the EU and the USA, reducing the likelihood of further escalation, it remains uncertain how tariffs will affect Czech exports – especially to Germany – how domestic companies 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 easing of trade tensions, cannot be ruled out.

Some sectors of the economy and price stability are also exposed to the **risk of renewed supply chain disruptions**, which could result from worsening geopolitical conditions or the introduction of international trade barriers.

Price stability is also threatened by the **persistence of high price growth in services** and the dynamic devel-

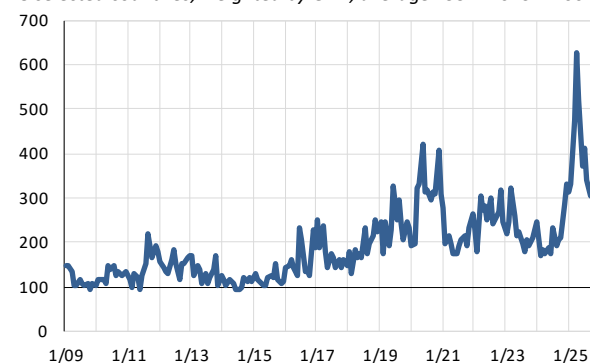
opment of real estate prices. Uncertainties also stem from volatility in energy and other commodity prices. The **green transition** significantly increases demand for critical raw materials essential for low-carbon technologies. At the same time, the growing **frequency and intensity of extreme climate events** – such as droughts, flash floods, and heatwaves – disrupt extraction and distribution, increasing price volatility in commodity markets. Adverse climate events also negatively affect agricultural production, worsen crop yields, and disrupt food supply chains, potentially driving up food prices, especially for weather-sensitive crops. The Czech economy's **energy intensity and strong dependence on imports** further increase its vulnerability to these external price shocks. These fluctuations ultimately raise the risk of stagflationary pressures.

Potential changes in fiscal policy settings could also have significant impacts on economic growth and other macroeconomic indicators. The approved **German fiscal stimulus package** may have a positive impact on Czech industry, especially export-oriented sectors. The package's impact on the Czech economy is included in the forecast scenario but remains subject to uncertainty – stemming from the timing and implementation method (e.g., direct government investment, tax relief, or government consumption). The effectiveness of specific measures – i.e., their real impact on domestic demand, business investment, or industrial production – will be key.

Another risk to the forecast is the planned **increase in defence spending in EU countries**. These expenditures may vary in structure and have different impacts on individual GDP components. Moreover, it is unclear what share of spending 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 remained subdued in the third quarter of 2025 due to lingering restrictive monetary policy and heightened geopolitical tensions, although risks related to U.S. trade measures have eased thanks to gradual agreement-making. Stabilisation of supply chains and the final phase of disinflation are having a favourable effect. Consumption and investment are expected to be supported by earlier and ongoing interest rate cuts, while the scope for fiscal expansion remains limited due to high public debt.

The United States economy grew by 2.1% year-on-year and 0.9% quarter-on-quarter in the second quarter. Quarterly growth was mainly driven by an increase in net exports, linked to earlier stockpiling, as well as solid household consumption and investment. Changes in inventories had a negative impact. Activity in both industry and services increased, but the labour market was cooling, with unemployment rising and labour demand slightly declining. Fiscal policy is inflationary due to expanded tax relief and tariffs. However, in response to negative labour market signals, the Fed lowered rates to the 3.75–4.00% range. For 2025, we expect GDP growth of 1.9% (*previously 1.6%*). Economic activity should be supported by household consumption due to continued real wage growth. Growth will be dampened by higher import prices and a weakening labour market. In 2026, rate cuts should support investment and lead to a slight acceleration in growth to 2.0% (*previously 1.8%*). Risks remain elevated due to inflation, trade policy, and uncertainty surrounding the federal budget.

China's GDP grew by 4.8% year-on-year and 1.1% quarter-on-quarter in the third quarter. Industrial production and services showed partial improvement, but domestic demand remains subdued due to low consumer confidence, insufficient social safety nets, and an ongoing real estate crisis dampening investment. Fiscal support for consumption – e.g., subsidies for new cars and appliances – faces households' precautionary saving. Deflationary pressures have intensified, reflecting not only weakening household consumption but also structural factors such as an aging population, declining employment, past overreliance on the troubled real estate sector, and overproduction linked to aggressive pricing strategies. For 2025, we expect GDP growth of 5.0% (*unchanged*), and in 2026, growth may slow to 4.4% (*previously 4.3%*) due to weakening domestic demand. Risks remain tilted to the downside due to structural challenges.

The **EU** economy grew by 1.5% year-on-year and 0.3% quarter-on-quarter in the third quarter, according to preliminary estimates; the **euro area** grew by 1.3% and 0.2%, respectively. Among EU member states with

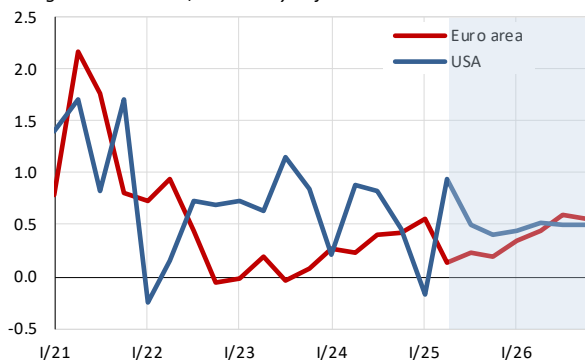
available preliminary data, high year-on-year growth was recorded in Ireland, Spain, the Czech Republic, Portugal, and Sweden. Finland, Germany, and Italy showed low growth dynamics. Services remain resilient, but industry continues to show low activity and business expectations remain subdued. The ECB signals rate stability at 2.0%. Fiscal consolidation efforts in many countries are clashing with gradual increase in defence spending. For 2025, we expect EU GDP growth of 1.5% (*previously 1.3%*) and euro area growth of 1.4% (*previously 1.2%*), supported by low inflation, a strong labour market, and real wage growth. Investment activity is expected to be constrained by uncertainty in industry, and foreign trade may be negatively affected by lower export orders and U.S. tariffs. In 2026, growth in the EU should remain at 1.5% (*previously 1.4%*) and in the euro area at 1.4% (*previously 1.3%*), with stronger domestic demand likely offset by lower contribution of inventories accumulation and only gradual industrial recovery.

Germany's economy grew by 0.3% year-on-year and stagnated quarter-on-quarter in the third quarter, according to preliminary estimates. Quarterly growth was supported by investment in machinery and equipment, while exports declined. Industry still faces weak foreign demand and elevated costs, while services show gradual recovery. Business uncertainty and postponed capital expenditure are particularly evident in construction and energy-intensive manufacturing sectors. For 2025, we expect modest GDP growth of 0.3% (*previously 0.4%*), supported by domestic demand and gradually rising real incomes. In 2026, growth should accelerate to 1.3% (*previously 1.4%*) due to the fiscal package, easing monetary conditions, and accelerating foreign economic growth. Key risks include slow investment recovery, weak industrial competitiveness, and export sensitivity to global trade policy developments.

Slovakia's GDP grew by 0.7% year-on-year and 0.2% quarter-on-quarter in the second quarter. Quarterly growth was driven by investment, while changes in inventories had a negative impact. Annual price growth remained significantly elevated in the third quarter, reaching 4.5%, with core inflation at 5.6%. This, along with fiscal consolidation, limits real consumption. Investment should continue to be supported by the Recovery and Resilience Facility. For 2025, we expect GDP growth of only 0.8% (*previously 1.0%*). In 2026, growth should accelerate to 1.8% (*previously 2.4%*) due to recovering foreign demand and the positive effect of Germany's fiscal package. Government consolidation, mainly affecting consumers, will dampen growth dynamics. Risks, especially from the external environment, persist.

Graph 1.1.1: Real GDP in the Euro Area and USA

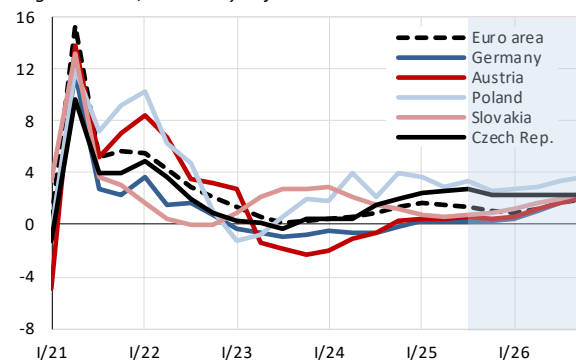
QoQ growth rate in %, seasonally adjusted



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

Graph 1.1.2: Real Gross Domestic Product

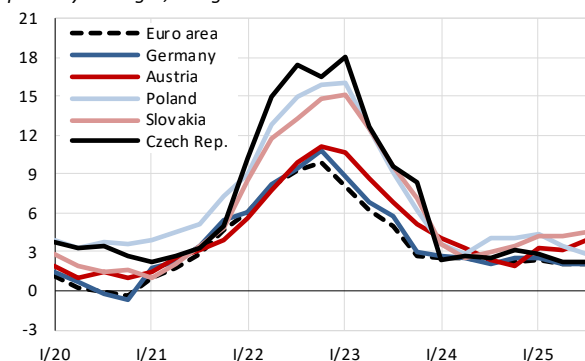
YoY growth in %, seasonally adjusted



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

Graph 1.1.3: HICP

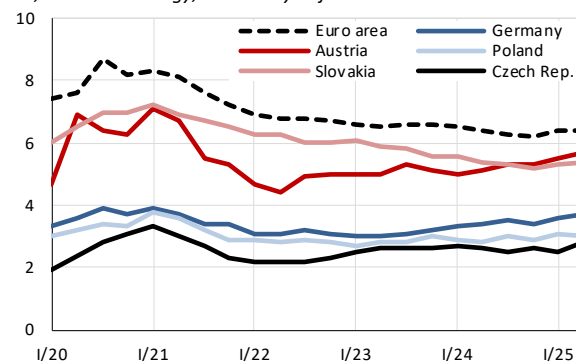
quarterly averages, YoY growth in %



Source: Eurostat. Calculations of the MoF.

Graph 1.1.4: Unemployment Rate

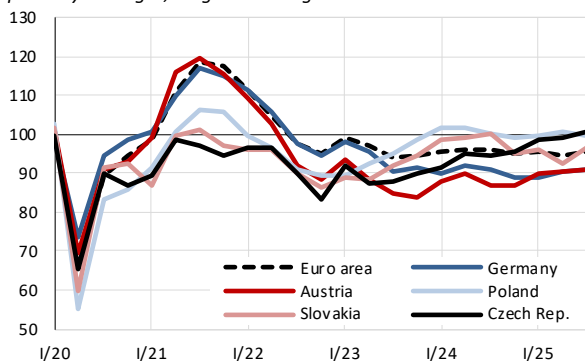
in %, LFS methodology, seasonally adjusted



Source: Eurostat.

Graph 1.1.5: Economic Sentiment Indicator

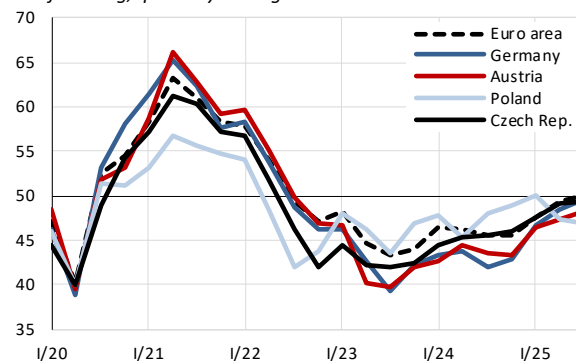
quarterly averages, long-run average = 100



Source: Eurostat. Calculations of the MoF.

Graph 1.1.6: Purchasing Managers' Index

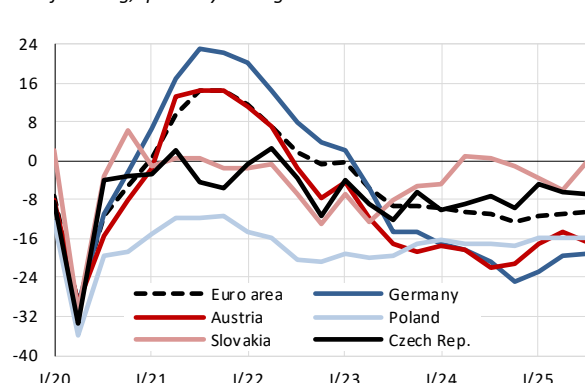
manufacturing, quarterly averages



Source: Markit. Calculations of the MoF.

Graph 1.1.7: Business Tendency

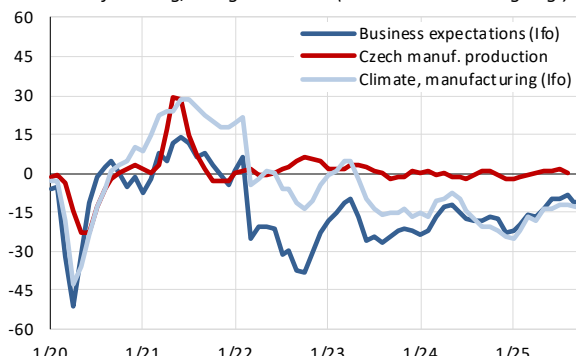
manufacturing, quarterly averages



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 – annual

growth rate of real GDP in %

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
											Forecast Forecast
World	seasonally adjusted	3.8	3.6	2.8	-2.7	6.6	3.6	3.3	3.2	3.1	3.2
USA	seasonally adjusted	2.5	3.0	2.6	-2.1	6.2	2.5	2.9	2.8	1.9	2.0
China	seasonally adjusted	6.9	6.9	6.2	2.0	8.9	3.2	5.4	4.9	5.0	4.4
United Kingdom	seasonally adjusted	2.7	1.4	1.6	-10.3	8.6	4.8	0.4	1.1	1.4	1.7
European Union	seasonally adjusted	3.0	2.0	1.9	-5.7	6.3	3.6	0.5	1.0	1.5	1.5
Euro area	seasonally adjusted	2.8	1.8	1.6	-6.2	6.4	3.7	0.6	0.8	1.4	1.4
Germany	seasonally adjusted	3.1	1.1	1.0	-4.5	3.9	1.9	-0.7	-0.5	0.3	1.3
	unadjusted	2.8	1.1	1.0	-4.1	3.9	1.8	-0.9	-0.5	0.7	1.6
France	seasonally adjusted	2.3	1.6	2.1	-7.6	6.8	2.8	1.6	1.1	0.8	1.6
	unadjusted	2.1	1.6	2.0	-7.4	6.9	2.7	1.4	1.2	0.8	1.7
Italy	seasonally adjusted	1.7	0.7	0.4	-9.0	8.8	5.0	1.1	0.5	0.5	1.0
	unadjusted	1.6	0.8	0.4	-8.9	8.9	4.8	1.0	0.7	0.3	1.2
Austria	seasonally adjusted	2.4	2.4	1.7	-6.4	5.0	5.4	-0.7	-0.8	0.5	1.4
	unadjusted	2.3	2.5	1.8	-6.3	4.9	5.3	-0.8	-0.7	0.5	1.4
Hungary	seasonally adjusted	4.3	5.6	5.1	-4.5	7.2	4.2	-0.7	0.6	0.3	2.5
	unadjusted	4.1	5.6	5.1	-4.3	7.2	4.2	-0.8	0.6	0.3	2.5
Poland	seasonally adjusted	5.2	6.2	4.5	-2.0	6.8	5.5	0.1	3.0	3.2	3.2
	unadjusted	5.2	6.2	4.6	-2.0	6.9	5.3	0.2	3.0	3.2	3.2
Slovakia	seasonally adjusted	2.9	4.1	2.3	-2.6	5.7	0.5	2.1	1.9	0.8	1.8
Czech Republic	seasonally adjusted	5.3	2.8	3.5	-5.3	4.0	2.9	0.2	1.1	2.5	2.3
	unadjusted	5.2	2.8	3.6	-5.3	4.0	2.8	0.0	1.2	2.4	2.2

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

Table 1.1.2: Gross Domestic Product – quarterly

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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
								Estimate	Forecast
USA	QoQ	0.2	0.9	0.8	0.5	-0.2	0.9	0.5	0.4
	YoY	2.9	3.1	2.8	2.4	2.0	2.1	1.8	1.7
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	1.2	1.5	1.8
European Union	QoQ	0.3	0.3	0.4	0.5	0.5	0.2	0.3	0.3
	YoY	0.6	0.8	1.1	1.5	1.7	1.6	1.5	1.3
Euro area	QoQ	0.3	0.2	0.4	0.4	0.6	0.1	0.2	0.2
	YoY	0.5	0.5	1.0	1.3	1.6	1.5	1.3	1.1
Germany	QoQ	-0.1	-0.3	0.0	0.2	0.3	-0.2	0.0	0.2
	YoY	-0.5	-0.6	-0.6	-0.2	0.2	0.3	0.3	0.3
France	QoQ	0.1	0.2	0.3	0.0	0.1	0.3	0.5	0.3
	YoY	1.7	1.0	1.1	0.6	0.6	0.7	0.9	1.2
Italy	QoQ	0.1	0.2	0.1	0.1	0.3	-0.1	0.0	0.2
	YoY	0.3	0.6	0.6	0.5	0.7	0.5	0.4	0.4
Austria	QoQ	0.1	-0.2	0.0	0.4	0.2	-0.1	0.1	0.2
	YoY	-2.0	-1.0	-0.6	0.3	0.4	0.5	0.6	0.4
Hungary	QoQ	0.3	-0.1	-0.4	0.3	-0.2	0.5	0.0	0.4
	YoY	1.3	1.3	-0.4	0.1	-0.3	0.2	0.6	0.7
Poland	QoQ	0.9	1.5	0.1	1.5	0.6	0.8	0.5	0.7
	YoY	1.8	4.0	2.1	3.9	3.7	2.9	3.4	2.6
Slovakia	QoQ	0.6	0.3	0.1	0.3	0.1	0.2	0.3	0.3
	YoY	2.8	2.2	1.5	1.3	0.8	0.7	0.8	0.9
Czech Republic	QoQ	0.2	0.3	0.6	0.8	0.7	0.5	0.7	0.5
	YoY	0.5	0.5	1.5	1.9	2.4	2.6	2.7	2.3

1.2 Commodity Prices

The price of **Brent crude oil** averaged USD 69 (vs. *forecast of USD 70*) per barrel in the third quarter of 2025, representing a year-on-year decline of 13.7%, or 21.1% in Czech koruna terms.

Oil prices continue to be influenced by high uncertainty. Key factors include global economic developments, U.S. trade policy, and the growing electrification of transport, which slows oil demand growth – especially in China. On the supply side, the Organization of the Petroleum Exporting Countries and cooperating countries (OPEC+) continues to play a crucial role. Since spring, OPEC+ has been gradually easing previous production restrictions. Its policy remains focused mainly on short-term market reactions. The gradual increase in production from non-OPEC+ countries is weakening the cartel's ability to regulate supply effectively.

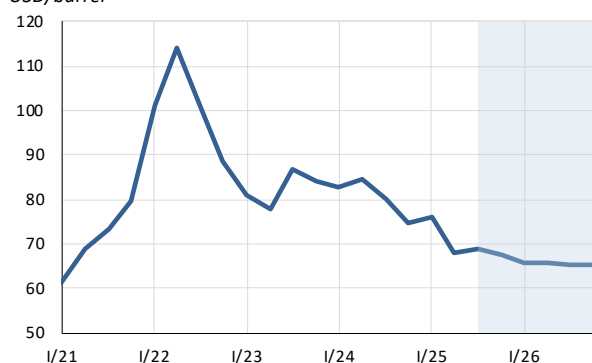
Geopolitical risks affecting oil prices remain elevated. Tensions in the Middle East pose a threat of supply disruptions, while the ongoing war in Ukraine and its impact on EU energy security continue to weigh on market sentiment.

The expected path of Brent oil prices reflects the declining trajectory of futures market prices over the forecast horizon. This year, the average price per barrel could fall by 13.0% year-on-year to USD 70 (*unchanged*), and in koruna terms – due to significant appreciation of the Czech currency against the dollar – by 17.5%. In 2026, oil prices are expected to decline further, by 6.5% to USD 66 (*previously USD 67*), or by 13.1% in koruna terms owing to continued strengthening of the Czech currency.

Global prices of **other commodities** have increased this year, especially those of rare metals, coffee beans, meat, coconut oil, and fertilisers. Conversely, prices of grains and coal have declined. Major risks persist due to volatile weather and regulatory interventions such as export restrictions and imposed tariffs. Electricity and natural gas prices remain affected by uncertainties surrounding Europe's energy transition. These include the pace of phasing out fossil fuels, the future of nuclear energy, and the price development of emission allowances.

Graph 1.2.1: Dollar Price of Brent Crude Oil

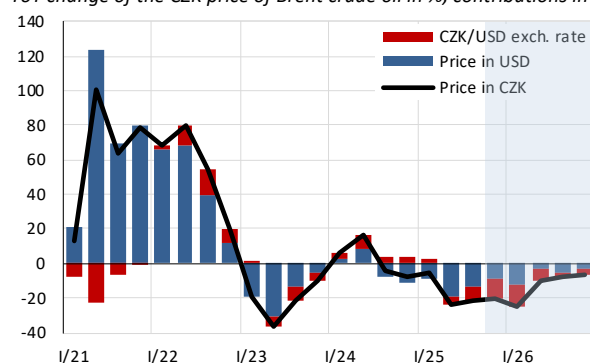
USD/barrel



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 – annual

spot prices

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
										Forecast	Forecast
Crude oil Brent	USD/barrel	54.2	71.3	64.3	41.8	70.8	101.0	82.4	80.6	70	66
	growth in %	24.3	31.7	-9.8	-35.0	69.3	42.7	-18.4	-2.3	-13.0	-6.5
Crude oil Brent index (in CZK)	2020=100	130.7	160.7	152.8	100.0	159.1	244.3	189.7	193.7	160	139
	growth in %	18.5	22.9	-4.9	-34.6	59.1	53.5	-22.3	2.1	-17.5	-13.1
Natural gas (Europe)	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	.	.
Natural gas (Europe) index (in CZK)	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							
Crude oil Brent	USD/barrel	82.9	84.7	80.0	74.7	75.9	68.1	69.0	67
	growth in %	2.3	8.6	-7.7	-11.1	-8.5	-19.6	-13.7	-9.8
Crude oil Brent index (in CZK)	2020=100	198.4	203.3	190.1	182.8	187.4	155.0	150.0	147
	growth in %	6.5	16.1	-4.5	-7.9	-5.5	-23.8	-21.1	-19.9
Natural gas (Europe)	USD/MMBtu	8.8	10.0	11.5	13.6	14.4	11.9	11.3	.
	growth in %	-48.0	-11.5	6.9	0.3	64.6	18.4	-1.8	.
Natural gas (Europe) index (in CZK)	2020=100	271.7	312.4	354.7	431.2	462.0	350.9	318.5	.
	growth in %	-45.9	-5.3	10.6	3.9	70.0	12.3	-10.2	.

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 are 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 (*unchanged*). The balance adjusted for the economic cycle and one-offs is expected to worsen to -1.9% of GDP (*previously -1.7% of GDP*) due to rising defence expenditures.

Total general government revenue is expected to grow by 5.9%, with tax revenues including social security contributions growing only slightly slower.

Household consumption growth, supported by higher earnings, largely determines **VAT** revenue, which is expected to increase by 6.3%. This includes the additional effect of higher excise duties on tobacco products and alcohol introduced in the consolidation package, as well as increased public investment.

The forecast for **personal income tax** (growth of 6.1%) and **social security contributions** (growth of 6.5%) is based on expected increases in wages and salaries in the economy. However, personal income tax dynamics is dampened by lower capital gains tax revenue due to reduced interest rates on deposit accounts (see Chapter 1.4). In the area of social security contributions, the consolidation package further increased contributions from the self-employed, with an estimated impact of CZK 8 billion. On the other hand, the introduction of a pension insurance discount for working pensioners is estimated at CZK -4 billion.

Corporate income tax revenue is expected to grow by 6.1% due to higher corporate profits. Discretionary measures should dampen this growth – the declining accrual revenue from the windfall profits tax and the deepening negative effect of tax exemption for government bond yields will outweigh the additional positive impact of the introduction of the top-up tax.

Among other revenues, we expect a more significant increase in **current** and **capital transfers**, reflecting the implementation of EU co-financed projects from the 2021–2027 programming period. Funds from the Recovery and Resilience Facility also play a key 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 5.7% year-on-year due to intermediate consumption and social transfers in kind. In contrast, **compensation of employees** in the general government sector is expected to grow by 6.5%, showing higher dynamics than last year.

The growth rate of **social transfers in kind** is expected to slow to 4.6%, mainly due to the high base in 2024. The increase should be driven by health insurance companies' expenditures, enabled by higher social security contributions and payments for state-insured persons. The high volume of housing-related social benefits is expected to increase further this year, based on current development of cash performance of state budget. The 4.8% year-on-year growth in **intermediate consumption** also reflects the 2024 base, which was slightly raised by spending on repairs of property damaged by the September 2024 floods. These are also included in the 2025 forecast. On the other hand, the government's ongoing consolidation efforts should result in savings in operating expenditures.

In the case of **cash social benefits**, which are forecast to grow by 2.0%, the 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. Continued payment of humanitarian allowance for persons under temporary protection will require an increase of about CZK 1.5 billion year-on-year. Adjustments to the care allowance are associated with additional expenditures of around CZK 4 billion. The cash performance of state budget also indicates higher growth in unemployment and sickness benefits

due to more unemployed persons and higher sickness rate. In both cases, rising earnings also play a role. In national accounts methodology, the development of social security benefits also reflects the increase in payments for state-insured persons.

Investment in fixed assets is expected to accelerate significantly to 8.5%, driven by defence and transport spending, as well as infrastructure and property reconstruction after the September 2024 floods. Funding will include resources from the Recovery and Resilience Facility and increased allocations from the 2021–2027 financial perspective in line with the current phase of the cycle for cohesion funds.

The expected nearly 15% growth in **subsidies** is driven by increased support for renewable energy sources and spending on public transport services. Conversely, the additional savings from the consolidation package and a year-on-year decline in payments for housing of Ukrainian refugees have a positive effect.

The 9.3% increase in **current** and **capital transfers** will be driven by higher contributions to the EU budget, payments to the Czech Post Office and subsidy programmes related to last year's floods. On the other hand, reducing the maximum amount of state subsidy for housing savings should lower the state budget burden by about CZK 2 billion.

The government deficit will be reflected in the level of **debt**, which is expected to rise by 0.6 percentage points to 43.9% of GDP (*previously 44.2% of GDP*). The absolute debt increase of 7.2% will lead to a further rise in **interest expenditure** estimated at 6.6%, but in relative terms, they should remain at 1.3% of GDP.

In 2026, we expect the **general government balance** to remain unchanged year-on-year at –1.9% of GDP, with the structural balance at the legally required limit.

Rising real earnings should continue to support household consumption and positively affect **VAT** revenue. However, dynamics will be dampened by adjustments related to bad debts. The resulting VAT increase is expected to be 4.7%. **Excise duties** revenue will be positively influenced by previously introduced consolidation measures, with an additional estimated impact exceeding CZK 3 billion.

Growth in wages and salaries will determine **personal income tax** (growth of 5.4%) and **social security contributions** (growth of 6.3%), also reflecting the expected increase in payments for state-insured persons of about CZK 5 billion. According to the current legislation, the consolidation package further increases mandatory contributions of self-employed persons, with an estimated impact of around CZK 6 billion. Personal income tax dynamics will be dampened by year-on-year development in capital gains tax. Both revenue items should be strengthened by the introduction of a Unified Monthly Employer's Report, which will ena-

ble together with amendments to the Employment Act more effective enforcement of tax obligations.

Corporate income tax revenue is expected to decline by 8.3% year-on-year, primarily due to the expiration of the windfall profits tax. Other discretionary measures are expected to have a slightly negative overall impact.

The development of revenue **transfers** largely reflects the implementation of EU co-financed projects from the 2021–2027 programming period. Funds from the Recovery and Resilience Facility will also play a significant role, with disbursement ending in 2026.

On the expenditure side, **compensation of employees** in the general government sector is expected to show higher dynamics (7.6%) than this year, especially for employees with salaries indexed to the average wage. We also expect wage increases in other segments of the government sector, though mostly at lower rates than in the automatically indexed part. The additional effect of increased military personnel salaries from July 2025 will also boost dynamics.

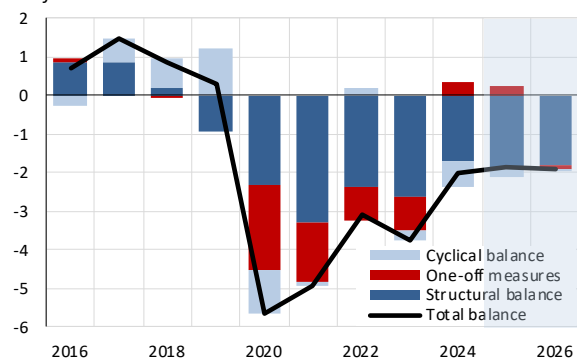
Social transfers in kind should maintain a similar pace as in 2025. Rising real household earnings are expected to reduce housing-related social benefits. Conversely, health insurance companies' expenditures will increase due to higher social security contributions and payments for state-insured persons. **Intermediate consumption** growth of 1.5% is significantly lower than in 2025 both due to the high comparison base raised by flood recovery spending and as a result of savings in operating costs of public institutions.

Regarding **cash social benefits**, we expect the growth of pension benefits, influenced by standard indexation from January 2026 based on a 3.1% increase in the cost-of-living index for pensioners. In addition to pensions, we expect continued humanitarian allowance for persons under temporary protection. Expenditures will also rise due to adjustments to the parameters of unemployment benefits and retraining support (by CZK 2.8 billion), as well as an increase in the care allowance (by CZK 1.4 billion). The total growth in cash social benefits, including payments for state-insured persons, is expected to reach 3.5%. **Investment in fixed assets** will be influenced by increased defence spending, which will exceed 2% of GDP. Investments will also be boosted by transport infrastructure construction. The 2021–2027 financial perspective will play a role, in line with the phase of the cycle for cohesion funds. The impact of the National Recovery Plan is expected to weaken. The dynamics of investment in fixed assets could reach 4.1%, driven mainly by national investments.

General government **debt** is expected to increase by 1.3 percentage points to 45.3% of GDP in 2026. While the absolute debt level will rise by 8.3%, **interest expenditure** is estimated to grow by 3.2%. In relative terms, they should remain at 1.3% of GDP.

Graph 1.3.1: General Government Balance

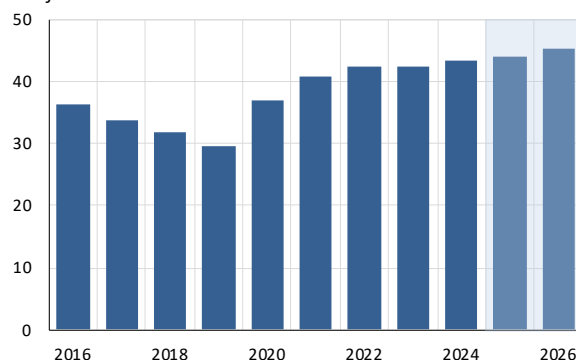
in % of GDP



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

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
General government balance	% GDP	0.3	-5.6	-5.0	-3.1	-3.7	-2.0	-1.9	-1.9	-1.9	-1.8
	bill. CZK	17	-329	-312	-216	-286	-163	-157	-171	-175	-177
Cyclical balance	% GDP	1.2	-1.1	-0.1	0.2	-0.3	-0.7	-0.3	0.0	0.1	0.3
Cyclically adjusted balance	% GDP	-0.9	-4.5	-4.8	-3.2	-3.5	-1.4	-1.6	-1.9	-2.0	-2.1
One-off measures ¹⁾	% GDP	0.0	-2.2	-1.5	-0.9	-0.9	0.3	0.3	-0.1	0.0	0.0
Structural balance	% GDP	-0.9	-2.3	-3.3	-2.4	-2.6	-1.7	-1.9	-1.8	-2.0	-2.1
Fiscal effort ²⁾	pp	-1.1	-1.4	-1.0	0.9	-0.2	0.9	-0.2	0.0	-0.2	-0.1
Interest expenditure	% GDP	0.7	0.7	0.7	1.1	1.3	1.3	1.3	1.3	1.3	1.4
Primary balance	% GDP	1.0	-4.9	-4.2	-2.0	-2.4	-0.7	-0.5	-0.6	-0.5	-0.4
Cyclically adjusted primary balance	% GDP	-0.2	-3.8	-4.1	-2.1	-2.2	0.0	-0.2	-0.6	-0.7	-0.7
General government debt	% GDP	29.6	36.9	40.7	42.5	42.2	43.3	43.9	45.3	45.8	46.4
	bill. CZK	1 740	2 150	2 567	2 998	3 234	3 488	3 738	4 047	4 296	4 559
Change in debt-to-GDP ratio	pp	-2.1	7.3	3.8	1.8	-0.3	1.1	0.6	1.3	0.5	0.6

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

²⁾ Change in structural balance.

Source: CZSO. Calculations and forecast of the MoF.

1.4 Monetary Policy, Financial Sector and Exchange Rates

The Czech National Bank (CNB) gradually lowered the **two-week repo rate** this year from 4.0% to 3.5%, then kept the rate unchanged. Given the outlook for inflationary pressures (see section 3.2), overall economic conditions, the CNB's previous communication, and 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 3.5% (*in line with the forecast*) in the third quarter of 2025 following the earlier reduction in the CNB's primary interest rates. For the whole of 2025, the average rate is expected to be 3.6% (*unchanged*). For 2026, we forecast a decrease to an average of 3.4% (*unchanged*).

The **yield to maturity on 10-year government bonds** rose to an average of 4.4% (*vs. forecast of 4.3%*) in the third quarter of 2025. This increase was likely driven by persistent inflationary pressures, especially in services, and the recovery of both the domestic and European economy despite the adverse external risks. Further yield increases may be supported by the expected rise in government bond issuance next year. Conversely, downward pressure could come from declining similar interest rates abroad, particularly in the U.S. Overall, considering the likely stability of CNB and ECB rates, we expect the yield to partially stabilise. For 2025, we forecast an average yield of 4.3% (*previously 4.2%*), and the same level (*previously 4.1%*) is expected for 2026.

The stock of **household loans** rose by 7.4% year-on-year in the third quarter of 2025, continuing its faster growth due to housing loans. This reflects rising property prices and increased household credit demand, partly due to falling interest rates – the average interest rate on new mortgage loans dropped by 0.5 percentage points year-on-year to 4.6%.

The annual growth in the stock of **household deposits** slowed in the third quarter of 2025, increasing by 5.2%. This downward trend reflects higher consumer spending and lower deposit interest rates. The average interest rate on the volume of koruna household deposits fell by 0.2 percentage points year-on-year to 1.5%.

The stock of **loans to non-financial corporations** grew by 2.9% year-on-year in the third quarter of 2025. The contribution of koruna loans continues to rise, while foreign currency loans declined for the first time since 2021. This is partly due to the stronger koruna, which reduces the CZK-equivalent volume. Foreign currency loans accounted for 49% of the total non-financial corporate loans. The average interest rate on the volume of koruna loans to non-financial corporations fell by 0.8 percentage points year-on-year to 5.2%.

According to the CNB survey, corporate loan demand rose quarter-on-quarter in the third quarter of 2025, especially among large firms. The reason, as reported by the banks, were lower interest rates and increased investment activity – both in fixed and working capital. Loan demand was also said to be supported by mergers, acquisitions, and corporate restructuring, along with increased interest in debt restructuring.

The shares of **non-performing loans** in total loans to both non-financial corporations and households remain near historical lows. In the third 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 24.5 per euro (*vs. forecast of CZK 24.6 per euro*) in the third quarter of 2025, representing a year-on-year appreciation of 2.8%.

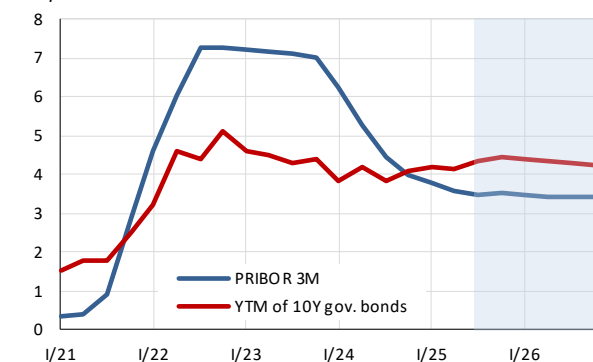
The koruna's exchange rate should continue to significantly reflect global currency market developments. The U.S. dollar may weaken against the euro slightly next year due to expected Fed rate cuts, continuing its substantial losses from this year. This could indirectly support the koruna against the euro. However, persistent uncertainties, which shall underpin Fed' cautious approach, and strong U.S. household consumption may limit dollar depreciation. On the other hand, improved global sentiment toward the U.S. currency could indirectly counteract the expected appreciation of the koruna. 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, should contribute to its appreciation. In the long term, we continue to expect mild appreciation pressure on the koruna due to economic convergence. The interest rate differential, given the expected rate developments at home and abroad, and the CNB's cautious stance should also support the koruna. For 2025, we expect the koruna to appreciate by 1.6% to an average of CZK 24.7 per euro (*previously CZK 24.8 per euro*). In 2026, it could strengthen further by 1.6% to CZK 24.3 per euro (*previously CZK 24.4 per euro*).

The expected **Czech koruna's exchange rate against the U.S. dollar** is implied by the forecast of the USD/EUR exchange rate, which is based on the futures contracts prior to the input data cut-off date. For 2025, we expect a USD/EUR exchange rate of 1.13 (*previously 1.12*), and for 2026, the rate of 1.19 (*previously 1.18*). However, due to the risk premium, the actual development may deviate significantly from the futures-based forecasts.

Graph 1.4.1: Interest Rates

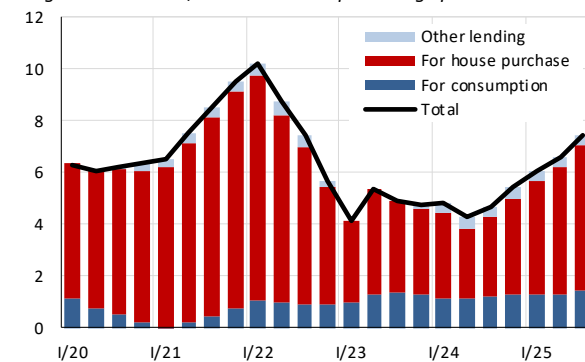
in % p.a.



Source: CNB. Calculations and forecast of the MoF.

Graph 1.4.2: Loans to Households

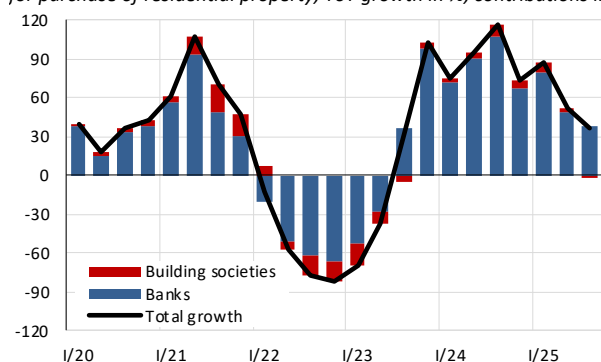
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.3: New Mortgage Loans

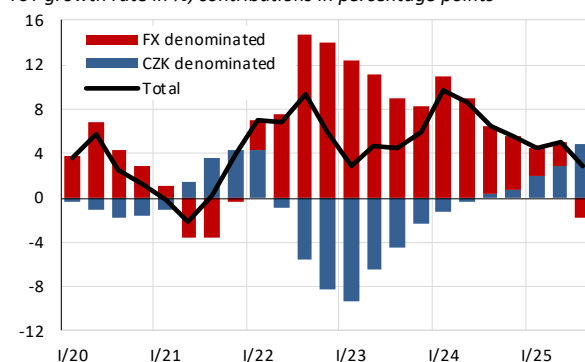
for purchase of residential property, YoY growth in %, contributions in pp



Source: CNB. Calculations of the MoF.

Graph 1.4.4: Loans to Non-financial Corporations

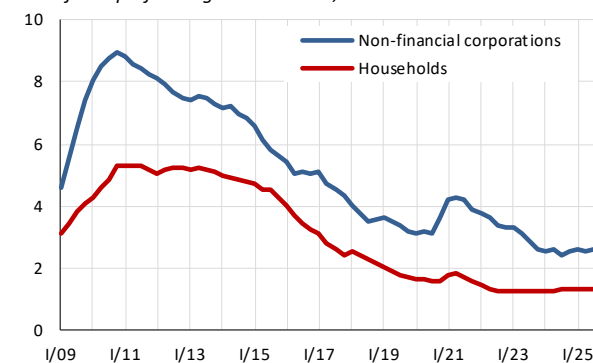
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.5: Non-performing Loans

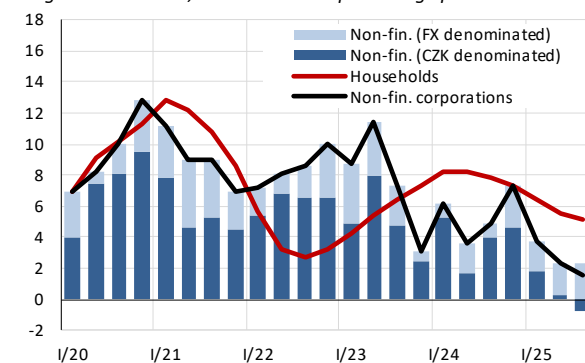
ratio of non-performing to total loans, in %



Source: CNB. Calculations of the MoF.

Graph 1.4.6: Deposits

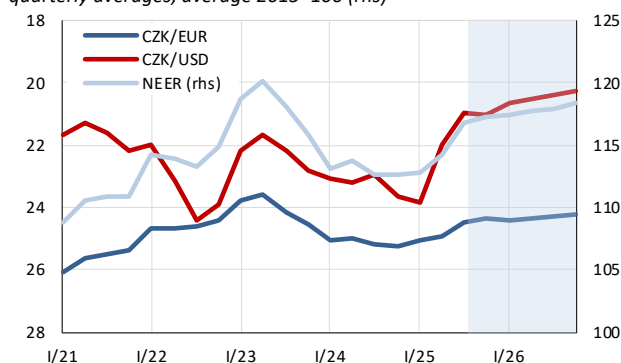
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.7: Nominal Exchange Rates

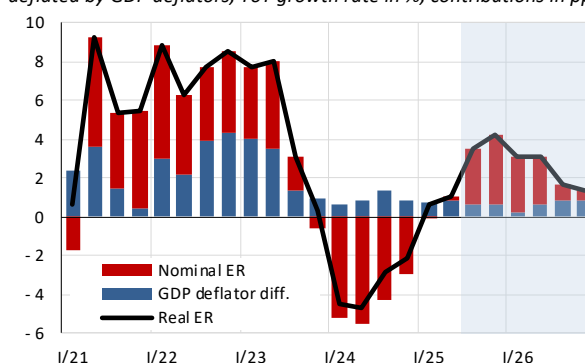
quarterly averages, average 2015=100 (rhs)



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 – annual*average of period, unless stated otherwise*

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
											Forecast Forecast
Repo 2W rate CNB <i>(end of period)</i>	<i>in % p.a.</i>	0.50	1.75	2.00	0.25	3.75	7.00	6.75	4.00	.	.
Deposit facility ECB <i>(end of period)</i>	<i>in % p.a.</i>	-0.40	-0.40	-0.50	-0.50	-0.50	2.00	4.00	3.00	.	.
Federal funds rate <i>(end of period)</i>	<i>in % p.a.</i>	1.50	2.50	1.75	0.25	0.25	4.50	5.50	4.50	.	.
PRIBOR 3M	<i>in % p.a.</i>	0.41	1.27	2.12	0.86	1.13	6.29	7.12	4.98	3.6	3.4
YTM of 10Y government bonds	<i>in % p.a.</i>	0.98	1.98	1.55	1.13	1.90	4.33	4.44	3.98	4.3	4.3
Client interest rates											
Loans to households	<i>in % p.a.</i>	4.10	3.76	3.66	3.53	3.31	3.42	3.85	4.26	.	.
Loans to non-financial corporations	<i>in % p.a.</i>	2.57	3.05	3.75	2.96	2.86	6.42	7.39	6.31	.	.
Deposits of households	<i>in % p.a.</i>	0.36	0.33	0.39	0.35	0.26	1.13	2.10	1.94	.	.
Deposits of non-financial corporations	<i>in % p.a.</i>	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	3.50	.	
Deposit facility ECB (end of period)	in % p.a.	4.00	3.75	3.50	3.00	2.50	2.00	2.00	.	
Federal funds rate (end of period)	in % p.a.	5.50	5.50	5.00	4.50	4.50	4.50	4.25	.	
PRIBOR 3M	in % p.a.	6.23	5.25	4.44	4.00	3.79	3.57	3.50	3.5	
YTM of 10Y government bonds	in % p.a.	3.82	4.19	3.83	4.07	4.17	4.16	4.36	4.4	
Client interest rates										
Loans to households	in % p.a.	4.13	4.22	4.31	4.38	4.43	4.47	4.51	.	
Loans to non-financial corporations	in % p.a.	7.13	6.52	5.98	5.61	5.42	5.28	5.17	.	
Deposits of households	in % p.a.	2.29	2.10	1.78	1.62	1.66	1.59	1.54	.	
Deposits of non-financial corporations	in % p.a.	3.07	2.71	2.22	1.90	1.72	1.65	1.56	.	

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

Table 1.4.3: Loans and Deposits – annual

			2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Households												
Loans	<i>growth in %</i>		4.8	7.2	7.8	7.6	6.6	6.3	8.0	8.0	4.8	4.8
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
Deposits	<i>growth in %</i>		4.8	7.0	8.7	7.0	7.2	9.4	11.1	3.7	5.9	7.9
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
Non-performing loans (banking statistics)	<i>share, in %</i>		4.5	3.6	2.7	2.4	1.9	1.6	1.7	1.3	1.3	1.3
Loans to deposits ratio	<i>in %</i>		63	63	63	63	63	61	59	62	61	59
Non-financial corporations												
Loans	<i>growth in %</i>		6.5	6.6	5.0	4.2	4.3	3.2	0.5	7.2	4.5	7.5
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
Deposits	<i>growth in %</i>		10.3	4.6	7.8	3.0	4.2	9.5	9.0	8.5	7.5	5.5
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
Non-performing loans (banking statistics)	<i>share, in %</i>		6.0	5.2	4.7	3.7	3.4	3.3	4.2	3.5	3.0	2.5
Loans to deposits ratio	<i>in %</i>		106	108	105	106	106	100	92	91	89	91

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

Source: CNB, ECB. Calculations of the MoF.

Table 1.4.4: Loans and Deposits – quarterly

			2023	2024					2025		
			Q4	Q1	Q2	Q3	Q4		Q1	Q2	Q3
Households											
Loans	<i>growth in %</i>		4.8	4.9	4.3	4.7	5.4		6.1	6.6	7.4
For consumption	<i>growth in %</i>		9.2	8.3	8.0	8.4	9.1		9.2	8.9	9.8
For house purchase	<i>growth in %</i>		4.3	4.2	3.5	3.9	4.8		5.6	6.3	7.3
Other lending	<i>growth in %</i>		2.0	5.2	5.3	5.5	5.3		4.9	4.7	4.5
CZK denominated	<i>growth in %</i>		4.7	4.8	4.3	4.7	5.4		6.1	6.7	7.5
FX denominated	<i>growth in %</i>		17.6	19.2	10.0	9.6	7.6		0.8	-5.6	-10.6
Deposits	<i>growth in %</i>		7.3	8.2	8.3	7.9	7.3		6.5	5.5	5.2
CZK denominated	<i>growth in %</i>		7.0	8.4	8.7	8.3	7.8		6.8	5.7	5.1
FX denominated	<i>growth in %</i>		13.9	5.6	0.2	-1.2	-2.1		0.2	1.9	5.9
Non-performing loans (banking statistics)	<i>share, in %</i>		1.3	1.3	1.3	1.3	1.3		1.3	1.3	1.3
Loans to deposits ratio	<i>in %</i>		61	60	59	59	60		59	60	61
Non-financial corporations											
Loans	<i>growth in %</i>		6.0	9.7	8.7	6.4	5.6		4.4	5.0	2.9
CZK denominated	<i>growth in %</i>		-4.3	-2.3	-0.6	0.6	1.4		4.0	6.1	10.0
FX denominated	<i>growth in %</i>		18.5	23.8	19.1	12.4	9.8		4.9	4.0	-3.6
Deposits	<i>growth in %</i>		3.0	6.2	3.6	4.8	7.3		3.7	2.3	1.6
CZK denominated	<i>growth in %</i>		3.2	7.0	2.2	5.2	6.2		2.5	0.4	-1.0
FX denominated	<i>growth in %</i>		2.4	3.8	8.1	3.6	10.6		7.4	7.7	9.6
Non-performing loans (banking statistics)	<i>share, in %</i>		2.6	2.6	2.6	2.4	2.5		2.6	2.6	2.6
Loans to deposits ratio	<i>in %</i>		92	91	90	91	90		91	92	93

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 – annual

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
Nominal exchange rates											
CZK/EUR	average	25.67	26.44	25.65	24.57	24.01	25.12	24.7	24.3	24.0	23.7
	appreciation in %	-0.1	-2.9	3.1	4.4	2.3	-4.4	1.6	1.6	1.2	1.3
CZK/USD	average	22.94	23.20	21.68	23.36	22.21	23.21	22.0	20.4	19.9	19.5
	appreciation in %	-5.2	-1.1	7.0	-7.2	5.2	-4.3	5.7	7.4	2.5	2.4
NEER	average of 2015=100	108.8	106.7	110.4	114.8	118.3	113.2	115	118	119	121
	appreciation in %	-0.3	-1.9	3.4	4.0	3.0	-4.3	1.8	2.2	1.3	1.4
Real exchange rate to EA20 ¹⁾	average of 2015=100	111.1	110.7	116.3	125.4	131.4	126.7	130	133	135	137
	appreciation in %	2.0	-0.4	5.1	7.8	4.7	-3.5	2.3	2.3	1.6	1.5
REER ²⁾	average of 2015=100	111.5	112.4	116.7	126.9	139.6	133.4	.	.	.	.
	appreciation in %	0.3	0.8	3.8	8.7	10.0	-4.4	.	.	.	.

¹⁾ Deflated by GDP deflators.

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

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

Table 1.4.6: Exchange Rates – quarterly

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
								Estimate	Forecast
Nominal exchange rates									
CZK/EUR	average	25.07	24.96	25.20	25.25	25.08	24.92	24.50	24.4
	appreciation in %	-5.1	-5.5	-4.2	-2.9	0.0	0.1	2.8	3.6
CZK/USD	average	23.09	23.18	22.94	23.64	23.84	21.99	20.97	21.0
	appreciation in %	-4.0	-6.5	-3.3	-3.5	-3.2	5.4	9.4	12.6
NEER	average of 2015=100	113.2	113.8	112.7	112.6	112.8	114.3	116.8	117
	appreciation in %	-4.7	-5.2	-4.6	-2.8	-0.4	0.4	3.6	4.2
Real exchange rate to EA20 ¹⁾	average of 2015=100	126.9	128.0	126.8	125.3	127.8	129.3	131	131
	appreciation in %	-4.5	-4.7	-2.9	-2.1	0.7	1.0	3.5	4.3
REER ²⁾	average of 2015=100	134.0	134.3	133.2	132.1	133.2	134.8	.	.
	appreciation in %	-5.0	-5.4	-4.6	-2.6	-0.6	0.4	.	.

¹⁾ Deflated by GDP deflators.

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

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

1.5 Demographic Trends

At the end of June 2025, the Czech Republic population stood at 10.882 million. During the first half of this year, the population decreased by 27.2 thousand. This decline resulted both from the excess of deaths over live births (by 20.3 thousand), mainly due to a year-on-year decline in births, and from the negative balance of foreign migration (–6.9 thousand).

From January to June 2025, 37.4 thousand children were **born** alive, 4.9 thousand (11.5%) fewer year-on-year. In the same period, 57.7 thousand people **died**, 2 thousand (3.5%) more year-on-year. Compared to the average number of deaths in the first halves of 2015–2019, this year's development was similar.

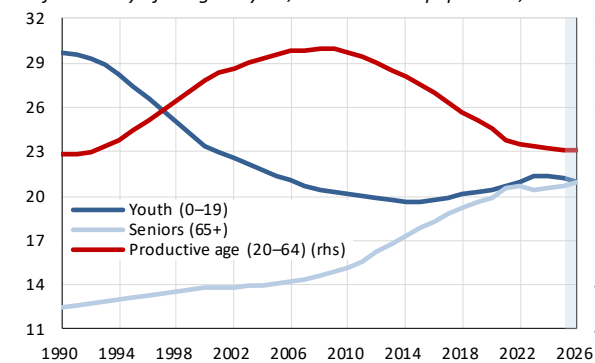
The **foreign migration balance** in the first half of 2025 decreased year-on-year by 6.3 thousand to –6.9 thousand. The development of the balance was influenced, among other factors, by the numerous expirations

of temporary protection at the end of March 2025, especially for Ukrainian citizens who did not apply for its extension. Nevertheless, the number of emigrants decreased year-on-year by 3.2 thousand (5.4%) to 56.4 thousand. Although the number of immigrants was almost twice compared to the average for the first halves of 2017–2021, still mainly due to Ukrainian citizens, it decreased year-on-year by 9.6 thousand (16.2%) to 49.6 thousand.

At the end of June 2025, the Czech Social Security Administration registered 2.346 million **old-age pensioners**, representing 21.5% of the population. The number of old-age pensioners decreased year-on-year by 26.4 thousand (1.1%). This was due to fewer people receiving full old-age pensions due to the increasing statutory retirement age. The same factor may also explain the rise in early retirements, but the year-on-year growth slowed to 8.0 thousand due to stricter rules.

Graph 1.5.1: Age Groups

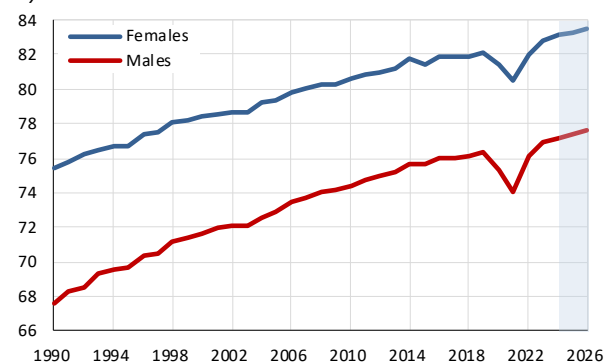
as of 1 January of the given year, shares in total population, in %



Source: CZSO. Calculations of the MoF.

Graph 1.5.2: Life Expectancy at Birth

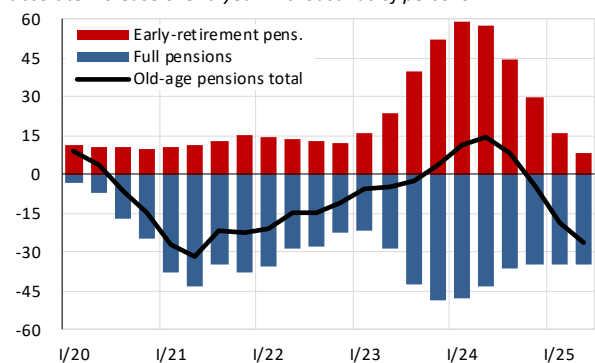
in years



Source: CZSO.

Graph 1.5.3: Old-Age Pensioners

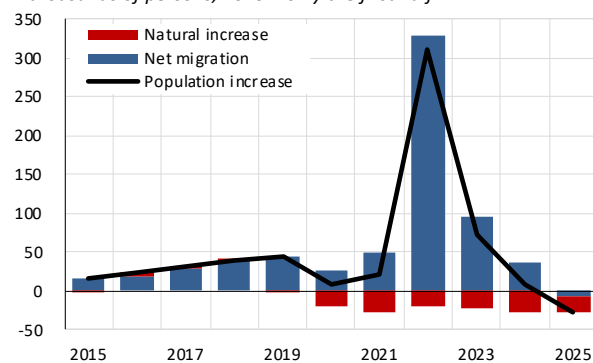
absolute increase over a year in thousands of persons



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

Graph 1.5.4: Population Change

in thousands of persons, 2025 – only the first half



Source: CZSO.

Table 1.5.1: Demographics

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
Population (as of 1 January)	<i>thous. persons</i>	10 650	10 694	10 495	10 517	10 828	10 901	10 910	10 856	10 799	10 739
	<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
Old-age pensioners (as of 1 January) ¹⁾	<i>thous. persons</i>	2 410	2 415	2 400	2 378	2 367	2 371	2 367	2 356	2 352	2 352
	<i>growth in %</i>	0.3	0.2	-0.6	-0.9	-0.4	0.2	-0.2	-0.5	-0.2	0.0
Old-age dependency ratios (as of 1 January)											
Demographic ²⁾	%	32.6	33.4	34.9	35.3	35.0	35.3	35.6	36.0	36.4	36.9
Under current legislation ³⁾	%	40.4	40.5	41.2	40.6	39.3	38.8	38.5	38.4	38.5	38.5
Effective ⁴⁾	%	44.6	45.0	45.9	44.7	44.2	43.6	43.3	42.7	42.6	42.9
Fertility rate	<i>children</i>	1.709	1.707	1.827	1.618	1.453	1.368	1.50	1.50	1.50	1.50
Population increase	<i>thous. persons</i>	44	8	22	311	73	9	-53	-57	-61	3
Natural increase	<i>thous. persons</i>	0	-19	-28	-19	-22	-28	-22	-26	-29	-32
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
Net migration	<i>thous. persons</i>	44	27	50	330	95	37	-31	-31	-32	35
Immigration	<i>thous. persons</i>	66	56	69	350	141	122	.	.	.	.
Emigration	<i>thous. persons</i>	21	29	19	20	47	85	.	.	.	.
Census difference	<i>thous. persons</i>	x	x	-207	x	x	x	x	x	x	x

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

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

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

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

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

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

1.6 Other Assumptions

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

- There will be no significant escalation of wars in Ukraine or the Middle East.
- Supply chains will function without major disruptions over the forecast horizon.
- In trade relations between the EU and the USA, no changes will occur beyond already agreed tariff adjustments – the general 15% tariffs on most commodities exported from EU countries to the USA will remain in effect.
- Except for already enacted legislative changes, tax rates and bases, as well as 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.
- The EU ETS 2 emissions allowance system is not included in the baseline scenario, as the parameters of the mechanism regulating the volume of allowances in circulation are unknown, and the future price of allowances cannot be reliably determined.

2 Economic Cycle

2.1 Position within the Economic Cycle

Real GDP growth has remained below the potential output growth rate in recent years. The main factors were the COVID-19 pandemic, supply chain disruptions, tense geopolitical tensions – especially due to Russian aggression and conflicts in the Middle East – and the resulting energy crisis. These factors led to high inflation, subdued household consumption, and restrictive monetary policy. With the gradual recovery of growth, the negative **output gap** is slowly closing, a process that should be completed around the turn of 2026 and 2027.

Potential output growth slowed to 1.5% (*unchanged*) last year, mainly due to a significantly weaker contribution from the labour factor. A similar dynamic is expected over the forecast horizon, with potential output projected to grow by 1.4% this year (*unchanged*) and by 1.5% (*unchanged*) in 2026.

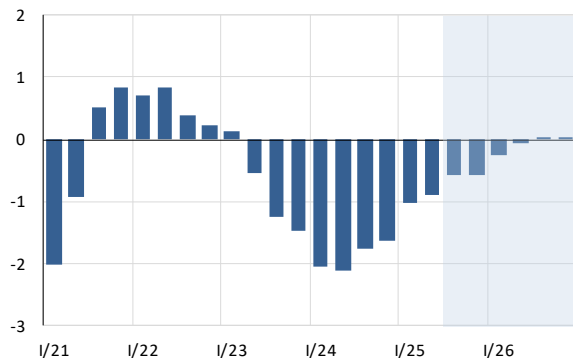
The trend component of **total factor productivity** contributed negatively to potential growth in recent years, in contrast to the pre-pandemic period. This year and next, it could again have a positive effect to the extent of 0.4 percentage points (*unchanged*) and 0.9 percentage points (*unchanged*), respectively.

In previous years, the main source of potential growth was the **capital stock**, thanks to a strong recovery in investment activity. Given the forecasted development

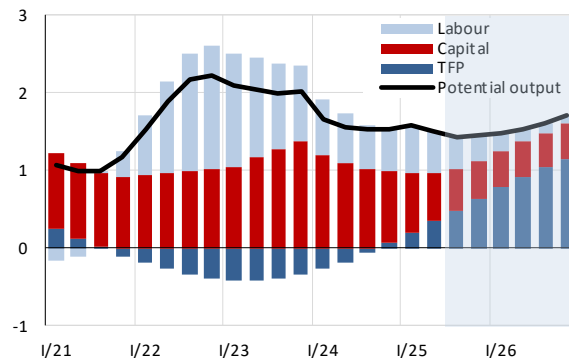
of gross fixed capital formation and depreciation, the contribution of this factor could decline to 0.4 percentage points (*unchanged*) and remain at the same level (*unchanged*) in 2026.

The **number of people aged 15 and over** contributed significantly to overall potential growth in 2022–2023, largely due to the arrival of refugees from Ukraine. In both this year and next, the contribution of this component is expected to be negligible. The **employment rate** in the 15+ age group should have a positive effect, mainly due to relatively strong employment growth this year. The statutory retirement age increase also has a long-term positive impact. The previous long-term trend of declining **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, food services, and accommodation.

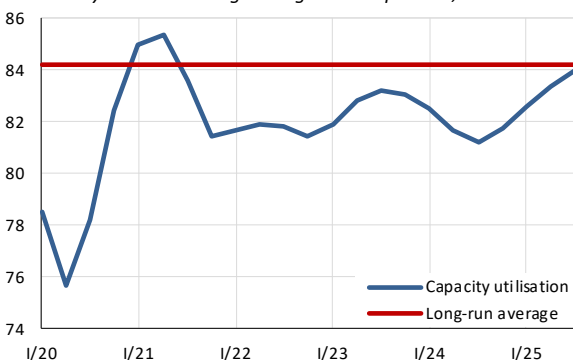
Overall, the **labour factor** could support potential growth by 0.7 percentage points (*previously 0.6 percentage points*) in 2025, while in 2026 its contribution is expected to decline to 0.2 percentage points (*unchanged*).

Graph 2.1.1: Output Gap*in % of potential product*

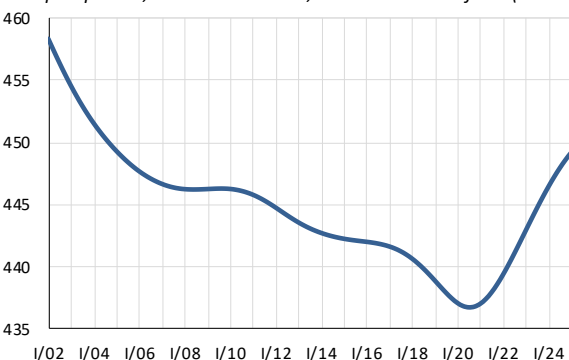
Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.2: Potential Output*YoY growth rate in %, contributions in percentage points*

Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.3: Capacity Utilisation in Industry*smoothed by centred moving average over 5 quarters, in %*

Source: CZSO. Calculations of the MoF.

Graph 2.1.4: Average Number of Hours Worked*hours per quarter, national accounts, Hodrick-Prescott filter ($\lambda = 1\,600$)*

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
Output gap	%	3.5	-3.1	-0.4	0.5	-0.8	-1.9	-0.8	-0.1	0.4	0.9
Potential product	growth in %	2.3	1.4	1.1	2.0	2.0	1.6	1.5	1.6	1.9	2.2
Contributions											
Trend total factor productivity	pp	1.2	0.6	0.1	-0.3	-0.4	-0.1	0.4	1.0	1.4	1.6
Fixed assets	pp	1.2	1.5	0.6	1.3	1.1	1.1	0.4	0.4	0.5	0.6
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	0.4	0.2	-0.1	-0.1
Average hours worked	pp	-0.2	0.0	0.0	0.5	0.4	0.4	0.2	0.1	0.1	0.1

Source: CZSO. Calculations and forecast of the MoF.

2.2 Business Cycle Indicators

Developments in confidence indicators in the third quarter of 2025 suggest growth in GVA across industry, trade, services, and construction.

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 year-on-year growth in goods' exports, though the pace is expected to slow down compared to the previous quarter.

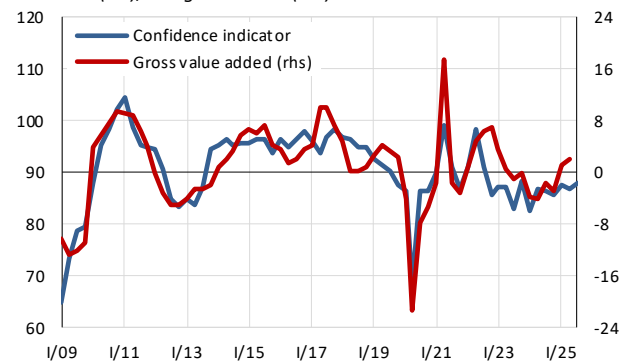
The CZSO's consumer confidence indicator strengthened in the third quarter of 2025 compared to the previous quarter and suggests that household final consumption expenditure will continue to grow at a brisk pace. A similar trend in household consumption is indicated by the

consumer confidence indicator compiled by the MoF from selected questions of the European Commission's consumer survey. However, pessimism still prevails among households, stemming from negative expectations of the economic situation – likely linked to geopolitical tensions – and concerns about their own financial situation.

The overall confidence indicator points to both quarter-on-quarter and year-on-year growth in total GVA in the third quarter of 2025. The composite leading indicator suggests that the Czech economy remains in a negative output gap in the second half of 2025. This is consistent with the estimated position of the economy within the business cycle (see Chapter 2.1).

Graph 2.2.1: Confidence and GVA in Industry

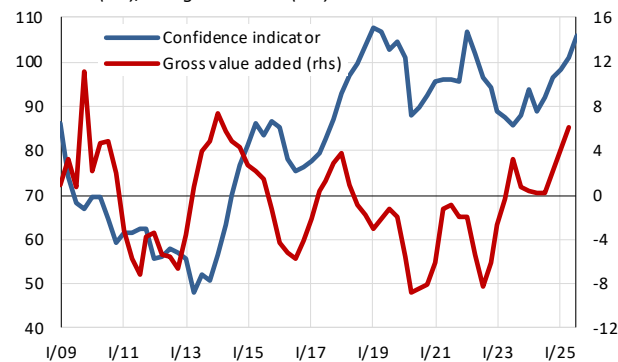
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.2: Confidence and GVA in Construction

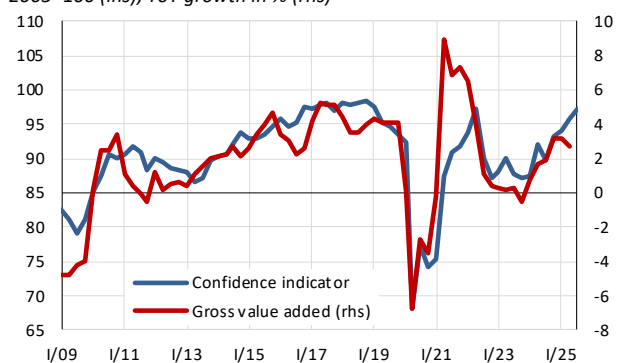
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.3: Confidence and GVA in Trade and Services

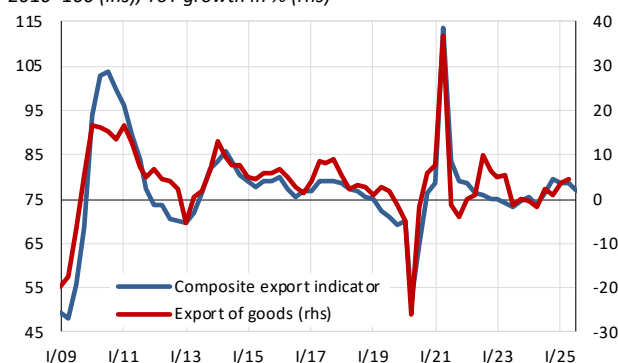
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO. Calculations of the MoF.

Graph 2.2.4: Composite Export Indicator

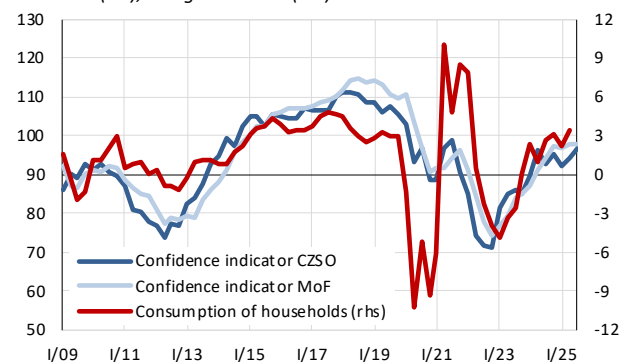
2010=100 (lhs), YoY growth in % (rhs)



Source: CESifo, CZSO. Calculations of the MoF.

Graph 2.2.5: Consumer Confidence and Consumption

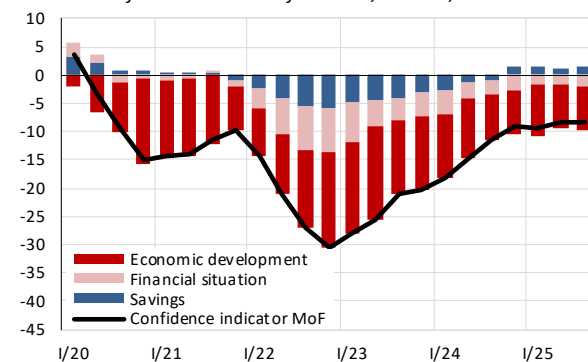
2005=100 (lhs), YoY growth in % (rhs)



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

Graph 2.2.6: Decomposition of Consumer Sentiment

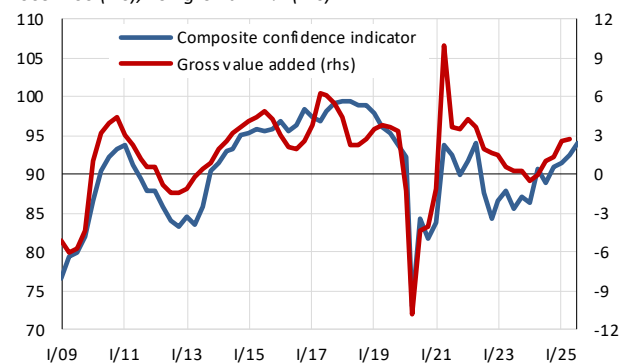
consumer confidence indicator of the MoF, balance, contributions



Source: European Commission. Calculations of the MoF.

Graph 2.2.7: Composite Confidence Indicator and GVA

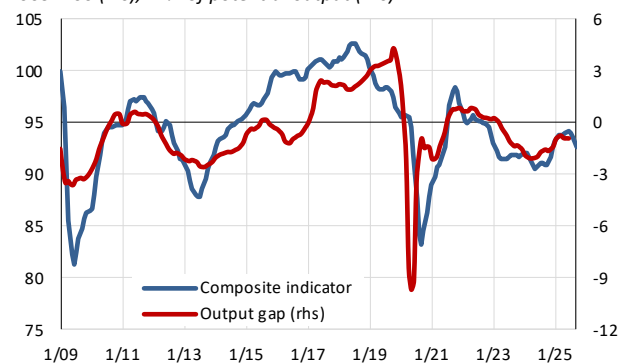
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.8: Composite Leading Indicator

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



Source: CZSO. Calculations of the MoF.

3 Forecast of Macroeconomic Developments in the CR

3.1 Economic Output

According to the flash estimate, the Czech **real GDP** grew by 2.7% (vs. *forecast of 2.1%*) year-on-year in the **third quarter of 2025**, mainly due to household consumption and gross capital formation. Quarter-on-quarter economic growth of 0.7% (vs. *forecast of 0.4%*) was also positively influenced by household consumption and capital formation, with strong exports contribution as well. Gross value added increased both quarter-on-quarter and year-on-year, especially in construction and the trade, transport, accommodation, and food service sectors. Other service sectors also showed positive developments.

In the second quarter of 2025, for which detailed structural data are available, the economy grew by 2.3% (vs. *estimate of 2.1%*) year-on-year and seasonally adjusted GDP increased by 0.5% (vs. *estimate of 0.2%*) quarter-on-quarter. All sectors of the national economy contributed to the year-on-year growth, especially trade, transport, accommodation, and food services, as well as information and communication activities.

Household consumption in the second quarter was 3.3% (vs. *estimate of 3.1%*) higher year-on-year, driven by a decline in the savings rate, while real disposable income stagnated. Real household expenditures increased across all major categories, especially short-term goods (growth of 5.6%). Durable goods consumption grew at the fastest pace in three years (2.7% year-on-year), possibly reflecting postponed major purchases. Spending by residents abroad rose by 2.7% year-on-year.

Government consumption increased by 2.7% (vs. *estimate of 2.0%*) year-on-year, driven by central government institutions, particularly the Railway Administration and research institutions. Local government consumption rose mainly due to semibudgetary organisations and public hospitals.

Gross fixed capital formation stagnated (vs. *estimate of -1.3%*) year-on-year. Investment activity was limited by decline in investment in dwellings, transport equipment, and other machinery and equipment, while improvements were seen in other buildings and structures and intellectual property products. From a sectoral perspective, investment demand weakened among both firms and households. Government investment spending, supported by EU co-financed projects, increased significantly year-on-year – by 13.0% in nominal terms.

Changes in inventories and valuables contributed 1.2 percentage points (vs. *estimate of 1.5 percentage points*) to year-on-year GDP growth. Inventory accumulation in the second quarter likely reflected restocking of inputs and products following increased

exports in the previous quarter, in response to U.S. trade policy.

The **foreign trade** balance subtracted 1.0 percentage point (*in line with the estimate*) from GDP growth. While exports of goods and services rose by 3.3% (vs. *estimate of 2.1%*) year-on-year, imports increased by 5.2% (vs. *estimate of 3.8%*). Exports to non-eurozone EU countries increased, while exports to the U.S. declined sharply compared to the previous quarter. Imports rose due to higher household consumption, stronger export dynamics, and inventory accumulation.

Real GDP is expected to grow by **2.4%** (*previously 2.1%*) in **2025**, mainly due to stronger household consumption. Investment activity will be driven by public investment, supported by the Recovery and Resilience Facility and the acceleration of the EU structural and investment funds' financial perspective. Private investment is expected to remain subdued. Inventory accumulation and government consumption will also contribute positively to growth. The foreign trade balance will likely have a negative impact due to rising consumer demand and inventory accumulation. In **2026**, economic growth is expected to slow to **2.2%** (*previously 2.0%*), driven exclusively by domestic demand. In addition to continued household consumption growth, private investment activity is expected to recover, which will also boost imports. Export growth will be limited by increased trade barriers. The contribution of net exports to GDP growth is expected to remain negative.

Household final consumption expenditure is expected to maintain strong momentum. In both forecast years, real wage growth will support household consumption. In 2026, consumption will also be boosted by a decline in the savings rate, although it will remain well above its long-term average. Consumption dynamics – especially for low-income households – will be dampened by a slight increase in unemployment. Real household consumption is expected to grow by 3.1% (*previously 3.0%*) in 2025 and by 3.0% (*previously 2.9%*) in 2026.

Government consumption is expected to grow by 2.1% (*previously 1.9%*) in 2025. Growth will be dampened by fiscal consolidation, slower dynamics in current health insurance companies' expenditures, and increased production by general government sector. On the other hand, spending on flood recovery and transport infrastructure maintenance and repairs will have a positive effect. In 2026, continued consolidation under the Fiscal Responsibility Rules Act will be re-

flected and real government consumption is expected to grow by 1.6% (*previously 1.4%*).

Gross fixed capital formation is expected to grow by only 0.2% (*previously 0.1%*) in 2025 due to persistent negative business sentiment linked to uncertainties in U.S. economic and trade policy. Private investment will be also limited by delayed effects of previous monetary tightening. Public investment, supported by EU funds, will have a positive impact. In 2026, investment activity is expected to increase by 3.0% (*previously 2.9%*) due to economic recovery in the euro area and improved business sentiment.

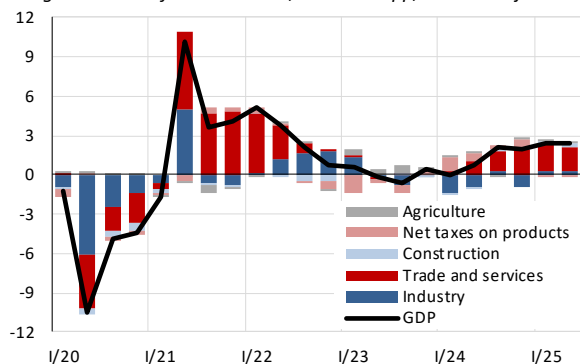
Changes in inventories are expected to contribute 0.9 percentage points (*previously 0.7 percentage points*) to GDP growth in 2025, reflecting renewed accumula-

tion due to increased economic activity. In 2026, with continued growth, inventory levels are expected to stabilise, and the contribution should be zero (*previously 0.1 percentage points*).

Exports of goods and services are expected to grow by 3.8% (*previously 2.3%*) in 2025, supported by export-market developments. In 2026, export growth is expected to slow to 2.9% (*previously 2.7%*) due to U.S. trade measures. Export and domestic demand dynamics – especially import-intensive investments – will be reflected in the pace of **imports of goods and services**, which is expected to reach 4.8% (*previously 3.3%*) in 2025 and slow to 3.7% (*previously 3.9%*) in 2026.

Graph 3.1.1: Resources of Gross Domestic Product

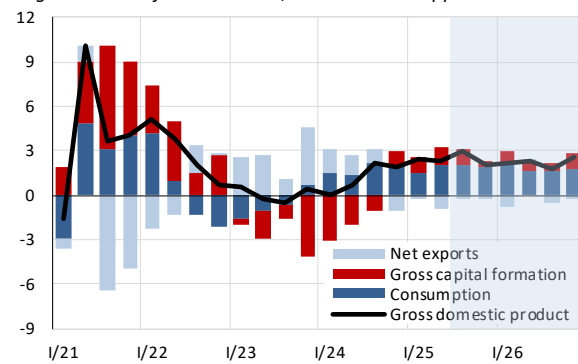
QoQ growth rate of real GDP in %, contrib. in pp, season. adjusted



Source: CZSO. Calculations of the MoF.

Graph 3.1.2: GDP by Type of Expenditure

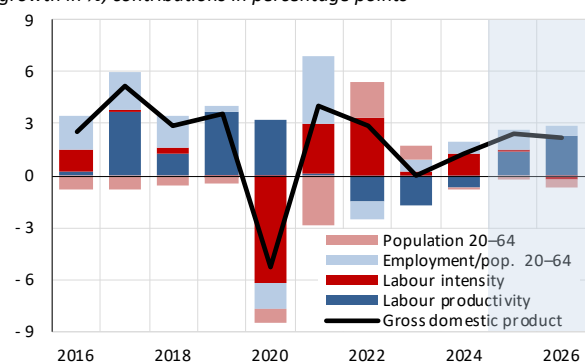
YoY growth rate of real GDP in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.3: Real Gross Domestic Product

growth in %, contributions in percentage points

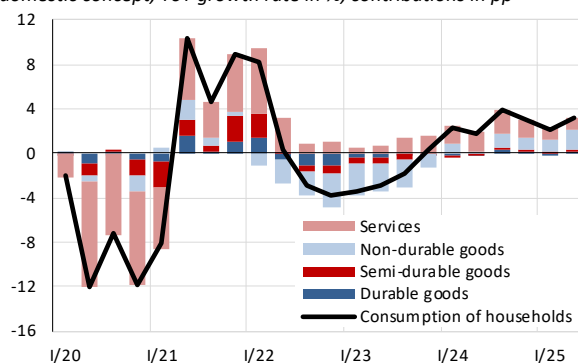


Note: Labour intensity gauges the number of hours worked per worker.

Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.4: Real Consumption of Households

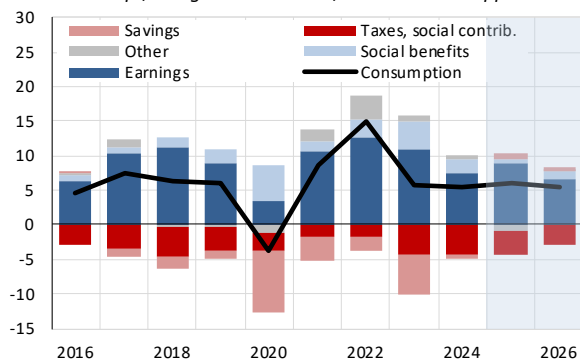
domestic concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.5: Nominal Consumption of Households

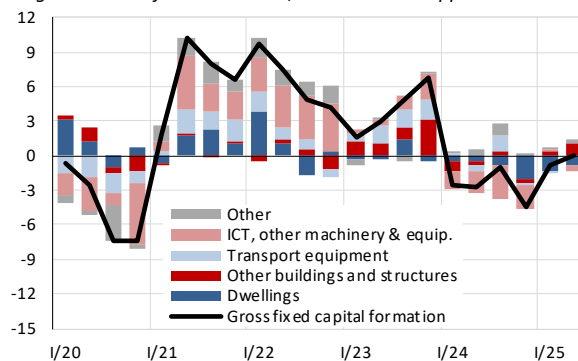
national concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.6: Investment by Type of Expenditure

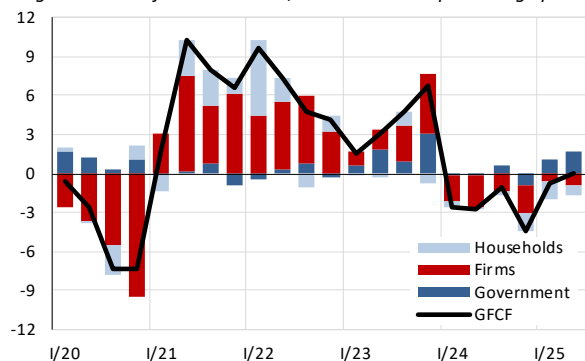
YoY growth rate of real GFCF in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.7: Investment by Sector

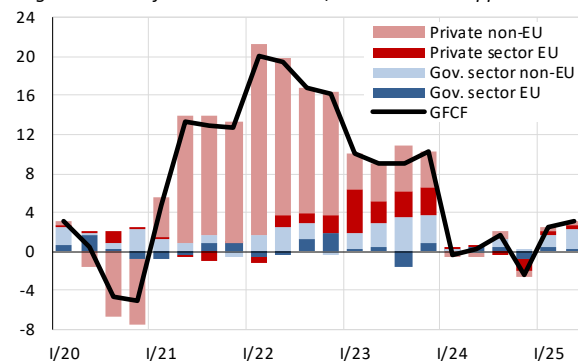
YoY growth rate of real GFCF in %, contributions in percentage points



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 – annual*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>
Gross domestic product	<i>bill. CZK 2020</i>	6 155	5 828	6 063	6 236	6 239	6 316	6 470	6 614	6 778	6 948
	<i>growth in %</i>	3.6	-5.3	4.0	2.8	0.0	1.2	2.4	2.2	2.5	2.5
	<i>growth in % ¹⁾</i>	3.5	-5.3	4.0	2.9	0.2	1.1	2.5	2.3	2.3	2.7
Private consumption expenditure ²⁾	<i>bill. CZK 2020</i>	2 933	2 745	2 859	2 874	2 800	2 869	2 958	3 048	3 127	3 197
	<i>growth in %</i>	3.1	-6.4	4.2	0.5	-2.6	2.4	3.1	3.0	2.6	2.3
Government consumption exp.	<i>bill. CZK 2020</i>	1 200	1 250	1 268	1 273	1 313	1 355	1 383	1 405	1 433	1 461
	<i>growth in %</i>	2.6	4.1	1.5	0.4	3.2	3.2	2.1	1.6	2.0	2.0
Gross capital formation	<i>bill. CZK 2020</i>	1 589	1 441	1 708	1 881	1 767	1 689	1 750	1 803	1 850	1 911
	<i>growth in %</i>	5.7	-9.3	18.5	10.2	-6.1	-4.4	3.6	3.0	2.6	3.3
Gross fixed capital formation	<i>bill. CZK 2020</i>	1 563	1 488	1 589	1 689	1 760	1 711	1 715	1 766	1 811	1 868
	<i>growth in %</i>	7.5	-4.8	6.7	6.3	4.2	-2.8	0.2	3.0	2.5	3.2
Change in stocks and valuables	<i>bill. CZK 2020</i>	26	-47	119	192	7	-22	35	37	39	43
Exports of goods and services	<i>bill. CZK 2020</i>	4 317	3 949	4 271	4 491	4 597	4 667	4 844	4 984	5 208	5 371
	<i>growth in %</i>	1.3	-8.5	8.2	5.1	2.3	1.5	3.8	2.9	4.5	3.1
Imports of goods and services	<i>bill. CZK 2020</i>	3 884	3 556	4 043	4 284	4 232	4 255	4 459	4 626	4 840	4 993
	<i>growth in %</i>	1.3	-8.4	13.7	5.9	-1.2	0.5	4.8	3.7	4.6	3.2
Gross domestic expenditure	<i>bill. CZK 2020</i>	5 724	5 435	5 835	6 028	5 875	5 908	6 087	6 253	6 408	6 567
	<i>growth in %</i>	3.7	-5.0	7.3	3.3	-2.5	0.6	3.0	2.7	2.5	2.5
Real gross domestic income	<i>bill. CZK 2020</i>	6 085	5 828	6 060	6 077	6 203	6 325	6 402	6 558	6 727	6 900
	<i>growth in %</i>	3.9	-4.2	4.0	0.3	2.1	2.0	1.2	2.4	2.6	2.6
Contributions to GDP growth ⁴⁾											
Gross domestic expenditure	<i>pp</i>	3.5	-4.7	6.9	3.2	-2.5	0.5	2.8	2.6	2.3	2.3
Consumption	<i>pp</i>	2.0	-2.3	2.3	0.3	-0.6	1.8	1.9	1.8	1.6	1.5
Household expenditure	<i>pp</i>	1.5	-3.1	2.0	0.3	-1.3	1.2	1.5	1.5	1.2	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
Gross capital formation	<i>pp</i>	1.5	-2.4	4.6	2.9	-1.9	-1.2	0.9	0.8	0.7	0.9
Gross fixed capital formation	<i>pp</i>	1.9	-1.2	1.7	1.7	1.2	-0.8	0.1	0.8	0.6	0.8
Change in stocks	<i>pp</i>	-0.4	-1.2	2.8	1.2	-3.0	-0.5	0.9	0.0	0.0	0.0
Foreign balance	<i>pp</i>	0.1	-0.6	-2.8	-0.3	2.6	0.7	-0.4	-0.3	0.2	0.2
External balance of goods	<i>pp</i>	0.5	-0.4	-3.0	0.5	2.5	0.6	-0.3	-0.4	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
Gross value added	<i>bill. CZK 2020</i>	5 598	5 315	5 524	5 685	5 717	5 750	.	.	.	.
	<i>growth in %</i>	3.6	-5.1	3.9	2.9	0.6	0.6	.	.	.	.
Net taxes and subsidies on products	<i>bill. CZK 2020</i>	556	513	539	551	523	567	.	.	.	.

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

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.2: Real GDP by Type of Expenditure – quarterly

chained volumes, reference year 2020

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
								Estimate	Forecast
Gross domestic product	bill. CZK 2020	1 475	1 594	1 612	1 634	1 511	1 632	1 660	1 668
	growth in %	0.0	0.8	2.1	1.9	2.4	2.3	3.0	2.1
	growth in % ¹⁾	0.5	0.5	1.5	1.9	2.4	2.6	2.7	2.3
	QoQ in % ¹⁾	0.2	0.3	0.6	0.8	0.7	0.5	0.7	0.5
Private consumption expenditure ²⁾	bill. CZK 2020	682	719	725	743	698	743	750	767
	growth in %	2.2	1.3	3.1	3.1	2.4	3.3	3.6	3.2
Government consumption exp.	bill. CZK 2020	317	331	331	377	324	339	337	384
	growth in %	2.3	3.8	3.5	3.1	2.0	2.7	1.8	1.8
Gross capital formation	bill. CZK 2020	342	431	483	433	357	451	502	439
	growth in %	-12.1	-6.5	-2.9	3.2	4.5	4.7	3.9	1.5
Gross fixed capital formation	bill. CZK 2020	366	424	442	478	363	424	444	483
	growth in %	-2.6	-2.7	-1.1	-4.5	-0.8	0.0	0.4	1.0
Change in stocks and valuables	bill. CZK 2020	-25	7	41	-46	-6	27	58	-44
Exports of goods and services	bill. CZK 2020	1 153	1 180	1 136	1 198	1 198	1 219	1 184	1 243
	growth in %	-1.6	0.6	6.5	1.0	3.9	3.3	4.2	3.8
Imports of goods and services	bill. CZK 2020	1 015	1 064	1 063	1 113	1 063	1 119	1 114	1 162
	growth in %	-4.1	-1.5	5.2	2.7	4.8	5.2	4.8	4.4
Gross domestic expenditure	bill. CZK 2020	1 341	1 480	1 538	1 549	1 379	1 533	1 588	1 587
	growth in %	-1.7	-0.6	1.2	3.2	2.8	3.5	3.3	2.4
Real gross domestic income	bill. CZK 2020	1 471	1 602	1 617	1 635	1 467	1 594	1 670	1 671
	growth in %	1.0	1.2	2.8	2.8	-0.3	-0.5	3.3	2.2
Gross value added	bill. CZK 2020	1 354	1 451	1 468	1 478	1 390	1 487	.	.
	growth in %	-1.1	0.2	1.8	1.4	2.7	2.5	.	.
	growth in % ¹⁾	-0.6	0.0	1.0	1.4	2.7	2.8	.	.
	QoQ in % ¹⁾	-0.4	0.4	0.8	0.6	0.9	0.5	.	.
Net taxes and subsidies on products	bill. CZK 2020	121	144	144	157	121	145	.	.

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

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.3: Nominal GDP by Type of Expenditure – annual

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
Gross domestic product	bill. CZK	5 889	5 828	6 308	7 050	7 660	8 057	8 510	8 940	9 379	9 826
	growth in %	7.5	-1.0	8.2	11.8	8.6	5.2	5.6	5.1	4.9	4.8
Private consumption expenditure ¹⁾	bill. CZK	2 848	2 745	2 980	3 424	3 621	3 824	4 064	4 295	4 511	4 713
	growth in %	6.1	-3.6	8.6	14.9	5.8	5.6	6.3	5.7	5.0	4.5
Government consumption exp.	bill. CZK	1 141	1 250	1 319	1 381	1 501	1 610	1 702	1 793	1 878	1 967
	growth in %	8.2	9.5	5.5	4.8	8.6	7.3	5.7	5.4	4.7	4.7
Gross capital formation	bill. CZK	1 541	1 441	1 774	2 188	2 161	2 119	2 246	2 361	2 469	2 596
	growth in %	9.8	-6.5	23.1	23.3	-1.2	-1.9	6.0	5.1	4.6	5.1
Gross fixed capital formation	bill. CZK	1 518	1 488	1 655	1 952	2 140	2 134	2 196	2 309	2 412	2 534
	growth in %	11.6	-1.9	11.2	17.9	9.6	-0.3	2.9	5.1	4.5	5.0
Change in stocks and valuables	bill. CZK	24	-47	119	236	21	-15	49	52	57	62
External balance	bill. CZK	359	393	235	57	376	504	498	491	521	550
Exports of goods and services	bill. CZK	4 247	3 949	4 450	5 105	5 239	5 549	5 748	5 964	6 330	6 615
	growth in %	2.6	-7.0	12.7	14.7	2.6	5.9	3.6	3.7	6.1	4.5
Imports of goods and services	bill. CZK	3 888	3 556	4 215	5 048	4 863	5 045	5 251	5 473	5 809	6 065
	growth in %	2.1	-8.5	18.5	19.7	-3.7	3.7	4.1	4.2	6.1	4.4
Gross national income	bill. CZK	5 525	5 528	6 123	6 763	7 378	7 799	8 261	8 668	9 089	9 517
	growth in %	7.0	0.0	10.8	10.4	9.1	5.7	5.9	4.9	4.9	4.7
Primary income balance	bill. CZK	-364	-301	-185	-287	-281	-258	-249	-273	-291	-309

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

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.4: Nominal GDP by Type of Expenditure – quarterly

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
								Estimate	Forecast
Gross domestic product	bill. CZK	1 859	2 032	2 060	2 106	1 961	2 149	2 187	2 212
	growth in %	4.3	4.6	6.3	5.4	5.5	5.8	6.2	5.0
Private consumption expenditure ¹⁾	bill. CZK	905	958	965	995	956	1 022	1 031	1 055
	growth in %	5.2	4.6	6.2	6.4	5.7	6.6	6.8	6.0
Government consumption exp.	bill. CZK	363	385	392	470	378	411	415	498
	growth in %	6.3	7.3	8.3	7.2	4.1	6.5	6.0	6.0
Gross capital formation	bill. CZK	433	540	609	538	460	582	645	559
	growth in %	-8.6	-3.5	0.6	2.9	6.4	7.8	5.9	3.9
Gross fixed capital formation	bill. CZK	454	528	553	599	465	544	567	620
	growth in %	-0.3	0.2	1.7	-2.4	2.6	3.1	2.5	3.5
Change in stocks and valuables	bill. CZK	-21	12	55	-61	-5	38	78	-61
External balance	bill. CZK	159	148	94	103	167	135	96	100
Exports of goods and services	bill. CZK	1 351	1 402	1 358	1 438	1 444	1 450	1 387	1 467
	growth in %	0.9	5.9	11.6	5.7	6.8	3.5	2.2	2.0
Imports of goods and services	bill. CZK	1 192	1 254	1 264	1 335	1 277	1 315	1 292	1 367
	growth in %	-3.2	3.0	9.4	6.1	7.1	4.9	2.2	2.4

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

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.5: GDP by Type of Income – annual

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
GDP	<i>bill. CZK</i>	5 889	5 828	6 308	7 050	7 660	8 057	8 510	8 940	9 379	9 826
	<i>growth in %</i>	7.5	-1.0	8.2	11.8	8.6	5.2	5.6	5.1	4.9	4.8
Balance of taxes and subsidies	<i>bill. CZK</i>	534	449	478	592	579	678	687	724	745	771
	<i>% of GDP</i>	9.1	7.7	7.6	8.4	7.6	8.4	8.1	8.1	7.9	7.8
	<i>growth in %</i>	6.0	-16.0	6.5	23.8	-2.1	17.0	1.4	5.3	2.9	3.6
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	.	.	.	.
Compensation of employees	<i>bill. CZK</i>	2 580	2 624	2 813	3 031	3 287	3 509	3 756	3 978	4 178	4 376
<i>(domestic concept)</i>	<i>% of GDP</i>	43.8	45.0	44.6	43.0	42.9	43.5	44.1	44.5	44.5	44.5
	<i>growth in %</i>	7.8	1.7	7.2	7.7	8.4	6.8	7.0	5.9	5.0	4.7
Wages and salaries	<i>bill. CZK</i>	1 980	1 988	2 132	2 326	2 531	2 702	2 894	3 064	3 218	3 370
	<i>growth in %</i>	7.9	0.4	7.2	9.1	8.8	6.8	7.1	5.9	5.0	4.7
Social security contributions	<i>bill. CZK</i>	599	636	682	706	756	806	862	915	961	1 006
	<i>growth in %</i>	7.6	6.2	7.1	3.5	7.1	6.7	6.9	6.1	5.0	4.7
Gross operating surplus and mixed income	<i>bill. CZK</i>	2 775	2 756	3 016	3 427	3 794	3 871	4 067	4 238	4 456	4 678
	<i>% of GDP</i>	47.1	47.3	47.8	48.6	49.5	48.0	47.8	47.4	47.5	47.6
	<i>growth in %</i>	7.6	-0.7	9.5	13.6	10.7	2.0	5.1	4.2	5.1	5.0
Consumption of capital	<i>bill. CZK</i>	1 201	1 294	1 413	1 577	1 684	1 786	1 902	2 033	2 127	2 203
	<i>growth in %</i>	7.5	7.7	9.2	11.6	6.8	6.1	6.5	6.9	4.6	3.6
Net operating surplus	<i>bill. CZK</i>	1 574	1 462	1 604	1 850	2 109	2 084	2 165	2 205	2 330	2 475
	<i>growth in %</i>	7.7	-7.1	9.7	15.4	14.0	-1.2	3.9	1.9	5.6	6.2

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
GDP	<i>bill. CZK</i>	1 859	2 032	2 060	2 106	1 961	2 149	2 187	2 212
	<i>growth in %</i>	4.3	4.6	6.3	5.4	5.5	5.8	6.2	5.0
Balance of taxes and subsidies	<i>bill. CZK</i>	138	172	184	184	140	180	185	182
	<i>growth in %</i>	24.4	9.2	13.7	23.1	1.4	4.6	0.7	-0.8
Compensation of employees	<i>bill. CZK</i>	841	873	864	930	897	943	923	993
<i>(domestic concept)</i>	<i>growth in %</i>	6.9	6.5	7.1	6.6	6.7	8.0	6.8	6.7
Wages and salaries	<i>bill. CZK</i>	646	672	665	719	691	728	710	765
	<i>growth in %</i>	6.9	6.7	6.9	6.6	6.9	8.3	6.8	6.4
Social security contributions	<i>bill. CZK</i>	195	201	199	212	206	215	212	228
	<i>growth in %</i>	6.9	6.1	7.7	6.4	5.7	7.1	6.7	7.8
Gross operating surplus and mixed income	<i>bill. CZK</i>	881	986	1 012	992	925	1 026	1 079	1 037
	<i>growth in %</i>	-0.5	2.3	4.5	1.6	5.0	4.0	6.7	4.5

Source: CZSO. Calculations and forecast of the MoF.

3.2 Prices

Year-on-year **consumer price growth in the third quarter of 2025** reached 2.5% (*vs. forecast of 2.4%*). The main contributors were food and non-alcoholic beverages. Food prices rose by 3.9%, mainly due to higher prices of dairy products and meat, and non-alcoholic beverages increased by 6.3%. The housing category also contributed significantly; imputed rent rose by 4.9% and actual rentals of housing 5.7%, while electricity fell by 3.8% and natural gas by 8.1%. In the recreation and culture category, prices rose particularly for package holidays and other recreational and cultural services. In the restaurants and accommodation category, prices of restaurant services rose by 4.5% and accommodation services by 6.7%. The alcoholic beverages and tobacco category reflected a 6.2% increase in tobacco prices, while alcohol prices stagnated despite higher excise duties. Clothing and footwear prices declined, and also the transport category saw a price drop due to lower petrol (–7.5%) and diesel (–6.2%) prices.

Service price dynamics remained significantly elevated in the third quarter, with year-on-year growth of 4.7%, mainly due to owner-occupied housing costs (contributing 1.3 percentage points to service price growth), actual rentals of housing (0.5 percentage points), restaurants, and recreational and cultural services, including package holidays. Service prices also rose rapidly in education, accommodation, and social care services.

Goods price developments moderated overall inflation, with year-on-year growth of 1.1%. The main contributors were food (1.0 percentage points) and tobacco (0.5 percentage points). Energy prices declined, i.e., electricity (–0.3 percentage points), gas (–0.2 percentage points), and fuels (–0.4 percentage points).

Administrative measures added 0.3 percentage points to inflation – regulated prices contributed 0.1 percentage points and tax changes 0.2 percentage points. The increase in non-energy items with at least partially regulated prices was elevated, which is related to the fact that, except for prescription medicines, these are exclusively services. The overall dynamics of regulated prices were reduced only by electricity and gas, but solely thanks to the decline in their unregulated, commodity components. Within tax adjustments, there was a year-on-year increase in excise duties on alcohol and tobacco products.

Producer prices in industry decreased year-on-year by 1.0% in the third quarter of 2025, mainly due to the decline in energy prices. This created disinflationary pressure on input costs across sectors, especially energy-intensive ones, and also had a direct impact on energy prices for consumers in housing and transport. Manufacturing prices were broadly flat, but with highly divergent developments across individual branches, with food industry prices rising by 3.4%

in particular. Agricultural producer prices increased by 9.8%, mainly due to an 18.6% rise in animal production prices, which was reflected in dynamically rising consumer prices of meat and dairy products. Prices of crop production rose by a moderate 2.7% – largely related to globally declining grain prices (see Chapter 1.2). Construction work prices were 2.7% higher year-on-year, mainly due to higher labour costs, as prices of construction materials and products increased by only 1.0%. Construction work prices, which are part of estimated owner-occupied housing costs, thus tended to moderate the growth of imputed rent.

Property prices continued to grow dynamically in the third quarter of 2025 according to the asking price index, with apartment prices outside Prague rising faster year-on-year. The internationally comparable index of residential property prices increased by 10.5% year-on-year in the second quarter, for which the latest data are available – the price of new dwellings rose by 15.0% and of older ones by 9.4%. The rise in property prices is markedly elevated in international comparison – in the EU, residential building prices increased by an average of 5.4% over the same period. For new dwellings, the year-on-year price growth in the Czech Republic was the highest among all EU countries. Property prices exerted strong upward pressure on consumer prices through **owner-occupied housing costs** and indirectly through actual rentals for housing. Over the forecast horizon, we expect continued strong dynamics in property prices and, consequently, consumer housing costs. In the long term, the high growth in their prices is driven by structural factors, particularly the insufficient pace of new residential construction. The expected development of nominal wages, as well as relatively more accessible mortgage financing compared to previous years, including due to relaxed macroprudential limits, should then stimulate demand for properties.

Year-on-year inflation measured by the **Harmonised Index of Consumer Prices (HICP)** was 2.3% in the third quarter of 2025, lower than the EU average of 2.5%. In the Czech Republic, service price growth was significantly higher (4.9% vs. 3.5%), while goods prices rose more slowly (1.0% vs. 1.6%)¹. Within overall infla-

¹ This is a common phenomenon associated with price convergence of the economy through rising prices of internationally non-tradable goods. In the Czech Republic, services thus have a lower share of total nominal household expenditures (32% vs. 43% of the consumer basket in the EU), not only due to lower real volume but also due to lower prices. The EU-wide increase in service price dynamics therefore translates into average inflation in EU countries more strongly than in the Czech Republic.

tion, the Czech Republic saw higher price increases for certain food items – dairy products, eggs, oils, and fats – but overall food price developments did not diverge significantly from the EU average (3.8% vs. 3.3%). Higher domestic service price growth was especially evident in recreation and culture (4.4% vs. 1.5%) and accommodation (6.7% vs. 3.3%). The dynamic growth in actual rentals for housing (5.7% vs. 3.1%) has only a mild effect on overall inflation due to the high rate of owner-occupied housing in the Czech Republic and the relatively low weight of rental housing in the consumer basket. The exclusion of owner-occupied housing costs from the HICP explains why year-on-year inflation measured by the harmonised index is lower than that measured by the national consumer price index. Energy price dynamics were lower in the Czech Republic than in the EU – electricity (–3.8% vs. +2.0%), natural gas (–8.1% vs. –0.5%), petrol (–7.5% vs. –4.0%), and diesel (–6.2% vs. –2.0%) – reflecting the effect of a stronger domestic currency on koruna-denominated import prices.

This year, inflationary pressures will continue to be moderated by monetary policy due to delayed monetary transmission effects. Disinflationary effects will also come from falling dollar oil prices and global grain prices. The strengthening of the koruna will further reduce import prices. On the other hand, inflationary pressures will stem from continued strong wage growth and persistent price dynamics in services – especially due to rising imputed rent.

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

In 2026, inflation will be further reduced by continued declines in dollar oil prices and further appreciation of the koruna against both the euro and the dollar. Inflation will continue to be moderated by monetary policy via interest rates, although transmission will remain delayed. On the other hand, robust wage growth will support real household consumption and exert upward pressure on consumer prices. Continued strong dynamics in property prices and actual rentals for housing will further drive housing-related price growth.

The development of regulated prices in 2026 is expected to be mixed. For energy, increases in regulated compo-

nents of electricity and gas prices will likely be offset by falling commodity components, resulting in overall energy price stagnation. Other regulated prices will rise due to continued elevated service price dynamics. Administrative prices will also reflect further increases in excise duties on alcohol and tobacco. The contribution of administrative measures in 2026 is expected to reach nearly 0.4 percentage points (*unchanged*), with regulated prices contributing 0.3 percentage points and tax changes 0.1 percentage points.

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

In the second quarter of 2025, the **GDP deflator** rose by 3.4% (*vs. estimate of 2.7%*), driven by a 3.3% (*vs. estimate of 2.4%*) increase in the deflator of gross domestic expenditure and an improvement in terms of trade by 0.4% (*vs. estimate of 0.6%*). The growth in the gross domestic expenditure deflator reflected similar increases across all its components. The improvement in terms of trade was mainly due to falling prices of mineral fuels and materials, while rising prices of food and live animals had a negative effect.

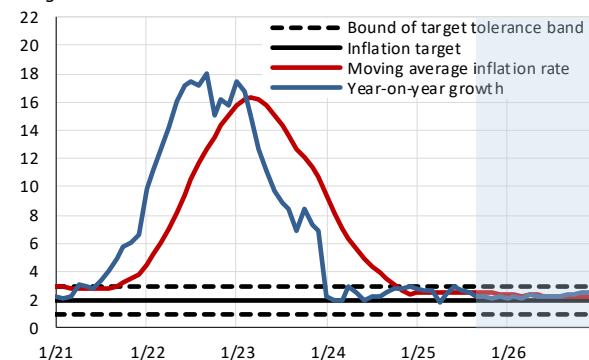
In both forecast years, the **gross domestic expenditure deflator** will reflect consumer price growth via the household consumption deflator, and expected public sector wage increases via the government consumption deflator.

Export prices adjusted for exchange rate effects have risen so far this year, mainly due to higher export prices for electricity and motor vehicles. Import prices also increased, especially for food products and motor vehicles. Import prices fell for basic metals and refined petroleum products. The expected continued decline in mineral fuel prices will be the main positive factor for overall **foreign trade price** developments over the forecast horizon. The anticipated strengthening of the koruna will reduce koruna-denominated prices similarly for both exports and imports. As a result, terms of trade could improve by 0.5% (*unchanged*) in 2025 and by another 0.3% (*unchanged*) in 2026.

Due to slower improvement in terms of trade, the expected increase in **GDP deflator** should slow down to **3.1% (*previously 2.8%*) in 2025** and further to **2.8% (*previously 2.5%*) in 2026**, mainly due to slower growths in the household consumption deflator and in the fixed capital investment deflator.

Graph 3.2.1: Consumer Prices

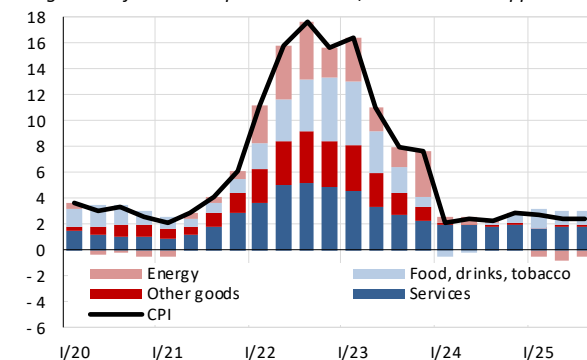
YoY growth rate in %



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

Graph 3.2.2: Consumer Prices in Main Divisions

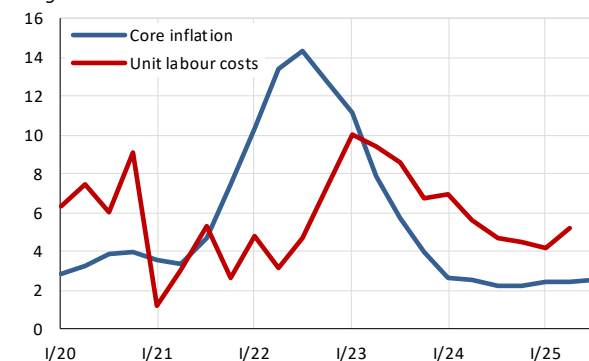
YoY growth of consumer price index in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.2.3: Core Inflation and Unit Labour Costs

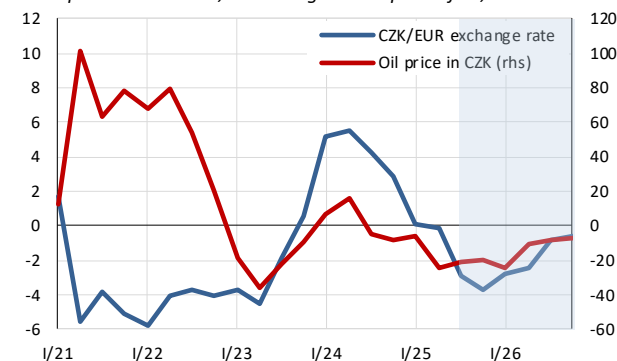
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.4: CZK/EUR and Koruna Price of Oil

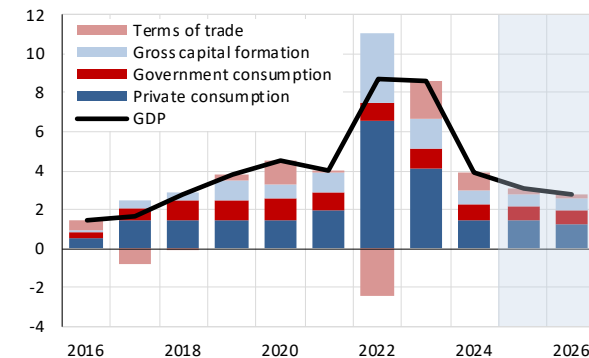
CZK depreciation to EUR, YoY change in CZK price of oil, in %



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

Graph 3.2.5: Gross Domestic Product Deflator

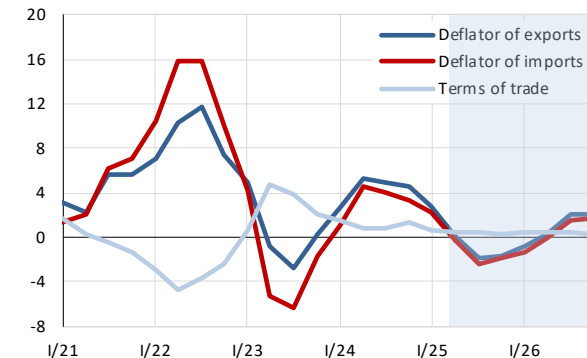
Growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.6: Terms of Trade

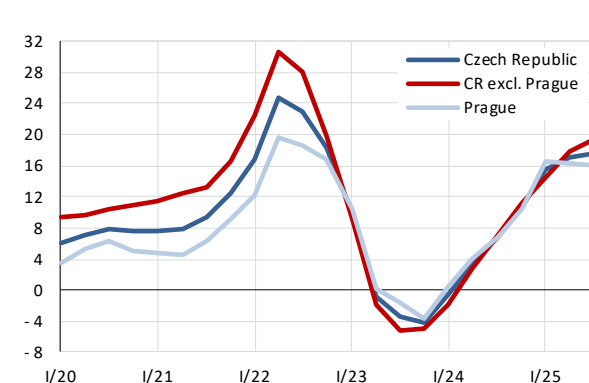
YoY growth rate in %



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 – annual

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
Consumer Price Index											
Level	<i>average 2015=100</i>	108.3	111.8	116.1	133.6	147.8	151.4	155.1	158.7	162.4	165.8
Average inflation rate	%	2.8	3.2	3.8	15.1	10.7	2.4	2.4	2.3	2.3	2.1
Administrative measures ¹⁾	<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	1.9	1.9	1.8
Harmonized index of consumer prices											
Level	<i>average 2015=100</i>	107.8	111.4	115.1	132.1	147.9	151.9	155.4	158.6	161.9	165.3
Average inflation rate	<i>growth in %</i>	2.6	3.3	3.3	14.8	12.0	2.7	2.3	2.0	2.1	2.1
Deflators											
GDP	<i>average 2015=100</i>	95.7	100.0	104.0	113.1	122.8	127.6	131.5	135.2	138.4	141.4
	<i>growth in %</i>	3.8	4.5	4.0	8.7	8.6	3.9	3.1	2.8	2.4	2.2
Gross domestic expenditure	<i>average 2015=100</i>	96.6	100.0	104.1	116.0	124.0	127.8	131.6	135.1	138.2	141.2
	<i>growth in %</i>	3.7	3.5	4.1	11.5	6.9	3.1	3.0	2.7	2.3	2.2
Consumption of households	<i>average 2015=100</i>	97.1	100.0	104.2	119.1	129.3	133.3	137.4	140.9	144.3	147.4
	<i>growth in %</i>	2.9	3.0	4.2	14.3	8.6	3.1	3.1	2.6	2.4	2.2
Consumption of government	<i>average 2015=100</i>	95.1	100.0	104.0	108.5	114.3	118.8	123.1	127.6	131.1	134.6
	<i>growth in %</i>	5.4	5.2	4.0	4.4	5.3	4.0	3.6	3.7	2.7	2.7
Fixed capital formation	<i>average 2015=100</i>	97.1	100.0	104.2	115.6	121.6	124.7	128.1	130.7	133.2	135.6
	<i>growth in %</i>	3.8	3.0	4.2	10.9	5.2	2.6	2.7	2.1	1.9	1.8
Exports of goods and services	<i>average 2015=100</i>	98.4	100.0	104.2	113.7	114.0	118.9	118.7	119.7	121.5	123.2
	<i>growth in %</i>	1.3	1.6	4.2	9.1	0.3	4.3	-0.2	0.8	1.6	1.3
Imports of goods and services	<i>average 2015=100</i>	100.1	100.0	104.3	117.8	114.9	118.6	117.8	118.3	120.0	121.5
	<i>growth in %</i>	0.8	-0.1	4.3	13.0	-2.5	3.2	-0.7	0.5	1.4	1.2
Terms of trade	<i>average 2015=100</i>	98.3	100.0	99.9	96.5	99.2	100.3	100.8	101.1	101.3	101.4
	<i>growth in %</i>	0.4	1.7	-0.1	-3.5	2.8	1.1	0.5	0.3	0.1	0.1

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

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

Table 3.2.2: Prices – quarterly

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3 <i>Estimate</i>	Q4 <i>Forecast</i>
Consumer Price Index	<i>average 2015=100</i>	150.1	151.3	152.1	152.2	154.2	154.9	155.9	155.6
	<i>growth in %</i>	2.1	2.5	2.3	2.9	2.7	2.4	2.5	2.2
Administrative measures ¹⁾	<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	2.2	2.0
Harmonized index of consumer prices	<i>average 2015=100</i>	150.5	151.9	152.6	152.5	154.7	155.3	156.1	155.4
	<i>growth in %</i>	2.4	2.7	2.6	3.1	2.8	2.3	2.3	1.9
Deflators									
GDP	<i>average 2015=100</i>	126.1	127.4	127.8	128.9	129.8	131.7	131.8	132.6
	<i>growth in %</i>	4.3	3.8	4.1	3.4	3.0	3.4	3.1	2.9
Gross domestic expenditure	<i>average 2015=100</i>	126.8	127.2	127.8	129.3	130.1	131.4	131.7	133.1
	<i>growth in %</i>	3.3	3.3	3.5	2.4	2.6	3.3	3.0	2.9
Consumption of households	<i>average 2015=100</i>	132.7	133.2	133.2	134.0	137.0	137.5	137.4	137.7
	<i>growth in %</i>	2.9	3.3	2.9	3.2	3.2	3.2	3.2	2.7
Consumption of government	<i>average 2015=100</i>	114.4	116.6	118.5	124.7	116.7	121.0	123.4	129.9
	<i>growth in %</i>	3.9	3.4	4.6	4.0	2.0	3.8	4.1	4.2
Fixed capital formation	<i>average 2015=100</i>	123.8	124.5	125.1	125.3	128.0	128.3	127.6	128.3
	<i>growth in %</i>	2.3	3.0	2.8	2.2	3.4	3.1	2.1	2.4
Exports of goods and services	<i>average 2015=100</i>	117.2	118.8	119.5	120.1	120.5	119.0	117.2	118.0
	<i>growth in %</i>	2.5	5.3	4.8	4.6	2.8	0.2	-2.0	-1.7
Imports of goods and services	<i>average 2015=100</i>	117.5	117.8	118.9	119.9	120.1	117.5	115.9	117.6
	<i>growth in %</i>	1.0	4.5	3.9	3.3	2.2	-0.3	-2.5	-1.9
Terms of trade	<i>average 2015=100</i>	99.7	100.8	100.5	100.1	100.3	101.3	101.1	100.4
	<i>growth in %</i>	1.6	0.7	0.8	1.3	0.6	0.4	0.5	0.3

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

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

3.3 Labour Market

Employment (national accounts) increased by 0.9% (vs. *estimate of 1.0%*) year-on-year in the second quarter of 2025. Growth was supported by both market and non-market services, while the continued year-on-year decline in manufacturing employment dampened the overall increase. According to preliminary estimate, employment rose by 0.9% year-on-year in the third quarter of 2025. For 2025, we expect average employment growth of 0.9% (*previously 1.0%*) due to continued economic expansion. In 2026, employment should continue to grow due to strong labour demand in some sectors, but growth will be dampened by a year-on-year decline in the working-age population (see Chapter 1.5) and persistent problems in industrial sectors, also due to U.S. tariff policy. For these reasons, we expect only a slight increase in employment of 0.1% (*unchanged*).

The number of registered unemployed increased both year-on-year and quarter-on-quarter in the third quarter of 2025. The number of job vacancies also rose quarter-on-quarter, but at a slower pace than the number of job seekers. Moreover, not all vacancies can be considered active. Of the vacancies listed on the website of the labour offices, approximately 66% were active at the forecast cut-off date (those with a last change after 1 May 2025, and a start date of 1 August 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.

Given the persistently low unemployment rate, there remains significant scope for the integration of foreign workers into the domestic economy. According to the data of the MoLSA, the number of foreign employees increased by 80,000 year-on-year to 889,000 in the third quarter of 2025. Workers from Ukraine and Slovakia have dominated for a long time. In the third quarter of this year, the number of Ukrainian workers rose by 45,000 year-on-year to 328,000.

The **unemployment rate** (LFS) increased by 0.2 percentage points year-on-year to 2.7% (vs. *estimate of 2.5%*) in the second quarter of 2025. The seasonally adjusted unemployment rate for the 15–64 age group has been rising year-on-year since April, reaching 3.1% in September, with the accelerating year-on-year growth. For 2025, the average unemployment rate is expected to reach 2.7% (*previously 2.6%*). In 2026, problems in industrial sectors, partly due to U.S. tariff policy, should persist, but the unemployment rate should gradually decline throughout the year due to an improving overall economic situation. The average unemployment rate for 2026 is expected to be 2.8% (*previously 2.7%*).

The **share of unemployed persons** (MoLSA) in the registers of labour offices increased by 0.7 percentage points year-on-year to 4.4% (*in line with forecast*)

in the third quarter of 2025. For 2025, the average share of unemployed persons is expected to be 4.4% (*unchanged*), and in 2026 to rise slightly to 4.6% (*previously 4.5%*).

The **participation rate** (20–64 years) increased by 0.9 percentage points year-on-year to 85.1% (vs. *estimate of 84.9%*) in the second quarter of 2025. For 2025, it is expected to reach 85.1% (*previously 85.0%*), and in 2026 to rise further to 85.4% (*unchanged*). Over the forecast horizon, the increasing statutory retirement age will be the main positive factor for participation rate growth. On the other hand, demographic effect of the declining share of age groups with naturally high participation rates will act as a negative factor.

The **volume of wages and salaries** increased by 8.3% (vs. *estimate of 6.7%*) year-on-year in the second quarter of 2025. In the most macroeconomically significant sector, manufacturing, the wage bill rose by 5.9% (with a 0.4% decline in number of employees). The strongest contributions to overall wage dynamics came from public administration, defence, education, health and social care (growth of 9.1%), and trade, transport, accommodation, and food services (growth of 9.1%).

In many sectors and professions, labour shortages continue to be evident, positively contributing to nominal wage dynamics. Strong consumer price growth and corporate profitability from previous years also support higher wage demands. On the other hand, the slight increase in unemployment in the second half of 2025 will dampen wage pressure. Public sector wages will be influenced by automatic valorisation for teachers. For other public sector employees, we also expect increases in pay scales (see Chapter 1.3).

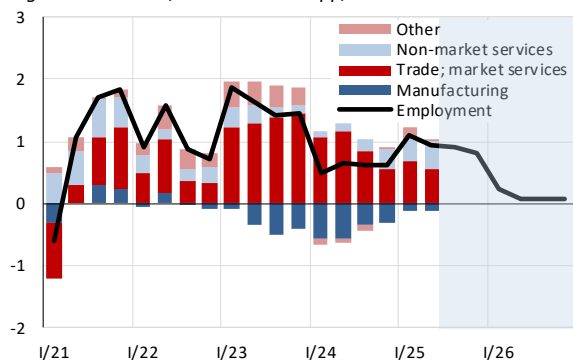
The rising ratio of minimum to average wage will positively contribute to the volume of wages and salaries. For 2025, the minimum wage was set for the first time using a new valorisation mechanism, with a gradual increase expected to reach 47% of the average wage by 2029. As of January 1, 2025, the minimum wage rose by 10% to CZK 20,800. Based on the August forecast of average wage, it will increase by 7.7% to CZK 22,400 as of January 1, 2026.

Overall, the volume of wages and salaries is expected to increase by 7.1% (*previously 6.6%*) in 2025, and to slow to 5.9% (*previously 5.4%*) in 2026.

The average wage (business statistics, full-time equivalent) rose by 7.8% (vs. *estimate of 6.9%*) in the second quarter of 2025, mainly due to increases in manufacturing (growth of 7.5%) and wholesale and retail trade (growth of 7.1%). For 2025, the average wage is expected to rise by 6.9% (*previously 6.6%*) in view of the above factors, and in 2026 to slow to 5.8% (*previously 5.3%*).

Graph 3.3.1: Employment

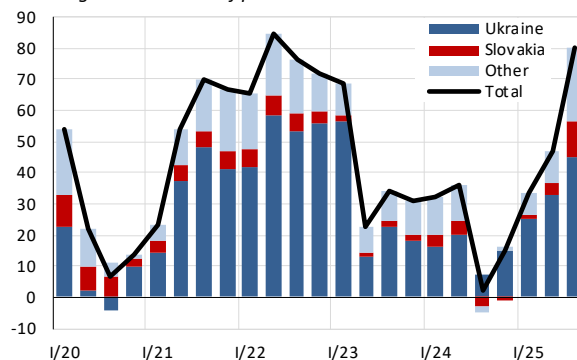
YoY growth rate in %, contributions in pp, national accounts



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.2: Number of Foreign Employees in the CR

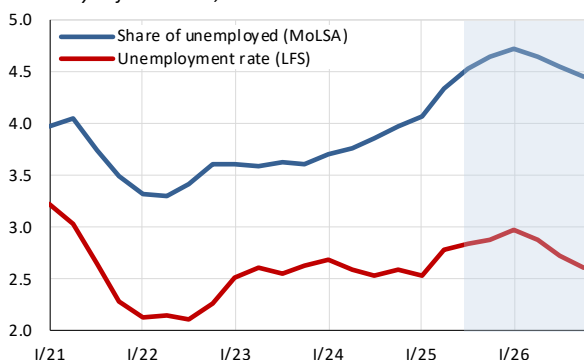
YoY change in thousands of persons



Source: MoLSA. Calculations of the MoF.

Graph 3.3.3: Indicators of Unemployment

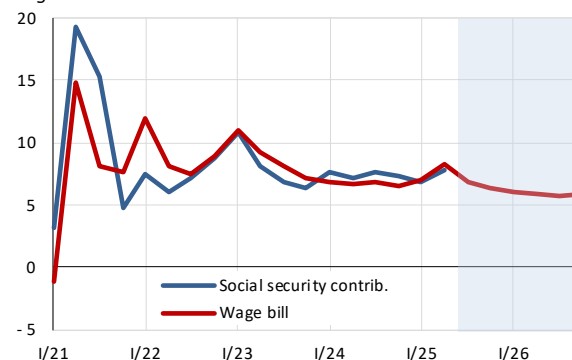
seasonally adjusted data, in %



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

Graph 3.3.4: Social Security Contributions and Earnings

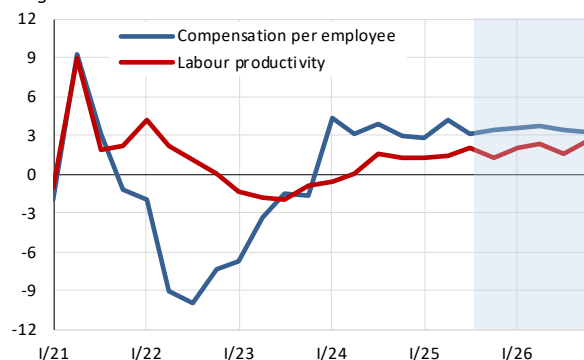
YoY growth rate in %



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

Graph 3.3.5: Compens. per Employee and Productivity

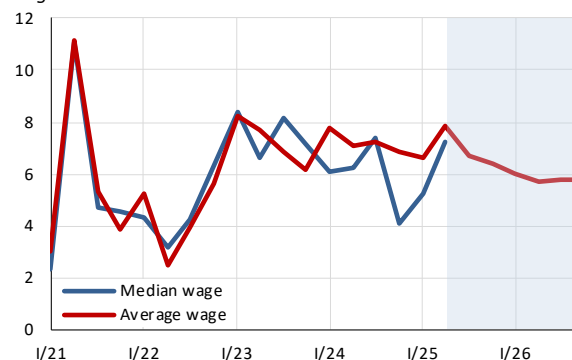
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.6: Nominal Monthly Wages

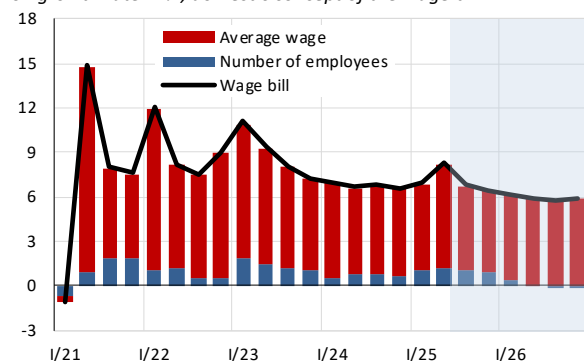
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.7: Nominal Wage Bill

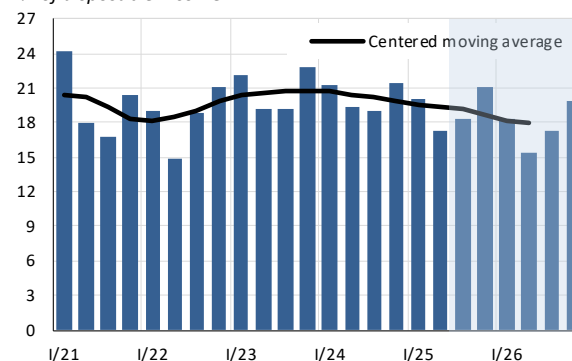
YoY growth rate in %, domestic concept of the wage bill



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 – annual

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	Forecast	Outlook	Outlook
National accounts											
Employment	<i>av. in thous. persons</i>	5 351	5 227	5 279	5 333	5 418	5 451	5 502	5 508	5 498	5 492
	<i>growth in %</i>	-0.1	-2.3	1.0	1.0	1.6	0.6	0.9	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	4 718	4 721	4 713	4 707
	<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	784	788	785	785
	<i>growth in %</i>	-1.5	-3.0	1.0	2.3	3.1	0.4	0.3	0.5	-0.3	-0.1
Wage bill	<i>growth in %</i>	7.9	0.4	7.2	9.1	8.8	6.8	7.1	5.9	5.0	4.7
Labour productivity	<i>growth in %</i>	3.7	-3.1	3.0	1.8	-1.5	0.6	1.5	2.1	2.7	2.6
Unit labour costs⁶⁾	<i>growth in %</i>	3.9	7.3	3.1	5.0	8.6	5.4	4.4	3.7	2.5	2.2
Compensation of employees	<i>% of GDP</i>	43.8	45.0	44.6	43.0	42.9	43.5	44.1	44.5	44.5	44.5
Labour Force Survey											
Unemployment rate	<i>average in %</i>	2.0	2.6	2.8	2.2	2.6	2.6	2.7	2.8	2.6	2.4
Employment rate 20–64	<i>average in %</i>	80.3	79.7	80.0	81.0	81.7	82.3	82.9	83.2	83.3	83.5
Participation rate 20–64	<i>average in %</i>	81.9	81.8	82.2	82.7	83.8	84.3	85.1	85.4	85.4	85.5
Registered unemployment											
Unemployment	<i>av. in thous. persons</i>	212	259	280	252	266	287	327	326	306	289
Share of unemployed¹⁾	<i>average in %</i>	2.8	3.5	3.8	3.4	3.6	3.8	4.4	4.6	4.3	4.1
Job vacancies	<i>av. in thousands</i>	340	332	346	326	283	264	.	.	.	.
Business statistics											
Average monthly wage											
Nominal	<i>CZK monthly</i>	34 578	36 176	38 277	39 932	42 801	45 899	49 053	51 909	54 525	57 161
	<i>growth in %</i>	7.9	4.6	5.8	4.3	7.2	7.2	6.9	5.8	5.0	4.8
Real	<i>CZK 2015</i>	31 928	32 358	32 969	29 889	28 959	30 316	31 618	32 706	33 580	34 469
	<i>growth in %</i>	4.9	1.3	1.9	-9.3	-3.1	4.7	4.3	3.4	2.7	2.6
Median monthly wage	<i>CZK monthly</i>	29 439	31 049	32 795	34 283	36 880	39 064	.	.	.	.
	<i>growth in %</i>	6.8	5.5	5.6	4.5	7.6	5.9	.	.	.	.

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

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

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

Table 3.3.2: Labour Market – quarterly

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
								Estimate	Forecast
National accounts									
Employment	<i>av. in thous. persons</i>	5 409	5 444	5 481	5 469	5 468	5 496	5 530	5 513
	<i>YoY growth in %</i>	0.5	0.7	0.6	0.6	1.1	0.9	0.9	0.8
	<i>QoQ growth in %</i>	-0.1	0.6	0.1	0.0	0.4	0.5	0.0	-0.1
Wages and salaries	<i>growth in %</i>	6.9	6.7	6.9	6.6	6.9	8.3	6.8	6.4
Labour Force Survey									
Unemployment rate	<i>average in %</i>	2.8	2.5	2.6	2.5	2.6	2.7	2.9	2.8
Employment rate 20–64	<i>average in %</i>	81.8	82.1	82.4	82.7	82.7	82.9	83.0	83.2
	<i>increase over a year</i>	0.6	0.3	0.5	0.7	0.9	0.7	0.6	0.4
Participation rate 20–64	<i>average in %</i>	84.1	84.2	84.4	84.8	84.8	85.1	85.3	85.4
	<i>increase over a year</i>	0.8	0.3	0.4	0.7	0.7	0.9	1.0	0.6
Registered unemployment									
Unemployment	<i>av. in thous. persons</i>	292	278	284	293	320	318	330	340
Share of unemployed ¹⁾	<i>average in %</i>	3.9	3.7	3.8	3.9	4.3	4.3	4.4	4.6
Job vacancies	<i>av. in thousands</i>	269	267	263	259	114	96	96	.
Business statistics									
Average monthly wage									
Nominal	<i>CZK monthly</i>	43 980	45 819	45 101	48 667	46 887	49 402	48 133	51 791
	<i>growth in %</i>	7.8	7.1	7.2	6.9	6.6	7.8	6.7	6.4
Real	<i>CZK 2015</i>	29 300	30 284	29 652	31 976	30 407	31 893	30 875	33 290
	<i>growth in %</i>	5.6	4.5	4.7	3.9	3.8	5.3	4.1	4.1
Median monthly wage	<i>CZK monthly</i>	36 453	38 337	40 204	41 262	38 355	41 115	.	.
	<i>growth in %</i>	6.1	6.3	7.4	4.1	5.2	7.2	.	.

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

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

Table 3.3.3: Income and Expenditures of Households – annual

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
										Forecast	Forecast
Current income											
Compensation of employees	<i>bill.CZK</i>	2 196	2 399	2 571	2 636	2 827	3 022	3 299	3 521	3 764	3 987
	<i>growth in %</i>	8.8	9.2	7.2	2.5	7.2	6.9	9.2	6.7	6.9	5.9
Gross operating surplus and mixed income	<i>bill.CZK</i>	828	904	965	996	1 088	1 261	1 353	1 397	1 482	1 522
	<i>growth in %</i>	7.9	9.2	6.8	3.1	9.3	15.8	7.3	3.3	6.1	2.7
Property income received	<i>bill.CZK</i>	165	166	167	137	183	304	374	410	384	398
	<i>growth in %</i>	21.9	0.6	0.3	-17.8	33.3	66.1	23.4	9.5	-6.4	3.7
Social benefits not-in-kind	<i>bill.CZK</i>	654	690	743	891	934	1 008	1 145	1 215	1 238	1 282
	<i>growth in %</i>	3.5	5.4	7.7	20.0	4.8	7.9	13.6	6.1	2.0	3.5
Other current transfers received	<i>bill.CZK</i>	244	281	339	363	487	675	752	855	899	950
	<i>growth in %</i>	12.7	15.1	20.4	7.3	34.0	38.7	11.4	13.7	5.2	5.7
Current expenditure											
Property income paid	<i>bill.CZK</i>	25	26	34	32	30	60	84	88	94	98
	<i>growth in %</i>	10.1	5.6	28.0	-4.5	-5.5	98.0	39.3	5.5	6.5	4.2
Curr. taxes on income and property	<i>bill.CZK</i>	247	277	302	315	247	258	298	329	354	373
	<i>growth in %</i>	10.0	12.3	9.1	4.2	-21.6	4.6	15.4	10.5	7.7	5.3
Social contributions	<i>bill.CZK</i>	832	908	971	1 029	1 143	1 186	1 291	1 417	1 512	1 605
	<i>growth in %</i>	7.8	9.2	6.9	6.0	11.0	3.8	8.8	9.8	6.7	6.2
Other current transfers paid	<i>bill.CZK</i>	240	283	341	371	499	673	769	878	926	980
	<i>growth in %</i>	16.0	17.8	20.7	8.6	34.5	35.0	14.3	14.1	5.5	5.8
Gross disposable income	<i>bill.CZK</i>	2 744	2 946	3 137	3 277	3 601	4 093	4 482	4 685	4 881	5 082
	<i>growth in %</i>	7.9	7.4	6.5	4.5	9.9	13.7	9.5	4.5	4.2	4.1
Final consumption	<i>bill.CZK</i>	2 483	2 640	2 799	2 692	2 921	3 358	3 548	3 739	3 967	4 185
	<i>growth in %</i>	7.5	6.3	6.0	-3.8	8.5	15.0	5.7	5.4	6.1	5.5
Change in share in pension funds	<i>bill.CZK</i>	33	36	38	40	41	27	1	6	28	8
Gross savings	<i>bill.CZK</i>	294	342	376	625	720	761	934	952	942	905
Capital transfers											
<i>(income (-) / expenditure (+))</i>	<i>bill.CZK</i>	-12	-17	-20	-44	-43	-31	-47	-55	-44	-35
Gross capital formation	<i>bill.CZK</i>	254	317	358	364	404	484	505	500	503	515
	<i>growth in %</i>	-4.9	24.5	12.9	1.7	11.1	19.7	4.4	-0.9	0.6	2.3
Change in financial assets and liab.	<i>bill.CZK</i>	52	42	35	304	356	310	475	505	482	424
Real disposable income	<i>growth in %</i>	4.7	4.4	3.5	1.5	5.4	-0.8	0.8	1.4	1.3	1.7
Gross savings rate	<i>%</i>	10.6	11.5	11.8	18.8	19.8	18.5	20.8	20.3	19.2	17.8

Source: CZSO. Calculations of the MoF.

3.4 External Relations

Export markets grew by 4.0% (*vs. estimate of 2.7%*) year-on-year in the second quarter of 2025, driven exclusively by a more favourable development of the import intensity of our trading partners. The quarter-on-quarter increase in imports in the most of our main trading partners likely reflected inventory replenishment. These inventories had been strongly affected in the previous quarter by increased exports to the United States ahead of the expected tariff implementation. Given the strong dynamics in the first half of 2025, foreign economic activity (see Chapter 1.1), and expected import intensity, we forecast export market growth of 3.8% (*previously 2.5%*) in 2025 and 3.4% (*previously 3.0%*) in 2026. Growth in export markets next year will be limited by U.S. trade measures.

Export performance² increased by 0.6% (*vs. estimate of 0.4%*) in the second quarter of 2025. This reflects higher output in industrial sectors, especially the automotive industry. The expected relatively low growth of 0.5% (*previously 0.1%*) in 2025 reflects the continued lower volume of foreign industrial orders. For 2026, despite expected improvements in manufacturing conditions, we anticipate a decline in performance of 0.4% (*previously 0.1%*) due to the negative impact of koruna appreciation against the euro (see Chapter 1.4) on export competitiveness.

The **current account of the balance of payments** recorded a surplus of 0.8% of GDP³ (*vs. estimate of 1.7% of GDP*) in the second quarter of 2025. The year-on-year deterioration of 0.5 percentage points was driven by all components except primary income.

The **balance of goods** deteriorated by 0.2 percentage points year-on-year in the second quarter of 2025, reaching a surplus of 4.6% of GDP (*vs. estimate of 5.0% of GDP*). The decline of surplus reflects higher imports of materials and consumer goods. We expect the balance of goods to reach a surplus of 4.4% of GDP (*previously 4.6% of GDP*) in 2025. Exports will be negatively affected by lower export orders, while imports will be supported by rising consumer demand and renewed inventory accumulation. The overall balance will be posi-

tively influenced by improved terms of trade due to falling energy commodity prices, especially oil prices (see Chapter 1.2). In 2026, the goods balance surplus is expected to decline to 3.9% of GDP (*previously 4.0% of GDP*). Domestic exports will be limited by trade barriers, while imports will rise due to recovering domestic investment demand – partially offset by continued declines in imported energy prices.

The **balance of services** recorded a surplus of 1.1% of GDP (*vs. estimate of 1.3% of GDP*) in the second quarter of 2025. The year-on-year deterioration reflects increased spending on telecommunications services and higher fees for intellectual property use. For 2025, we estimate a surplus of 1.2% of GDP (*previously 1.5% of GDP*), which could rise to 1.3% in 2026 (*previously 1.6% of GDP*) due to expected improvement in economic sentiment in the euro area.

The **primary income** deficit narrowed by 0.2 percentage points year-on-year to 4.3% of GDP (*vs. estimate of 4.0% of GDP*) in the second quarter of 2025. On the income side, reinvested earnings abroad and interest income from direct investments increased. On the expenditure side, higher dividends paid by foreign-controlled companies and increased portfolio investment income contributed to the deficit. Other investment income expenditures declined significantly. Given the projected development of economic output and gross operating surplus – and its implications for profits of foreign-controlled firms – we expect the primary income deficit to reach 4.3% of GDP (*previously 4.2% of GDP*) in 2025 and to rise slightly to 4.4% (*previously 4.3% of GDP*) in 2026.

The **secondary income** balance recorded a deficit of 0.6% of GDP (*in line with the estimate*) in the second quarter of 2025. The year-on-year widening of the deficit by 0.3 percentage points may reflect a decline in non-investment subsidies from EU structural funds. These subsidies will remain the main factor influencing secondary income developments over the forecast horizon. For 2025, we expect a deficit of 0.5% of GDP (*previously 0.7% of GDP*), and in 2026 a slight increase to 0.6% of GDP (*previously 0.7% of GDP*) due to lower non-investment income from the Recovery and Resilience Facility.

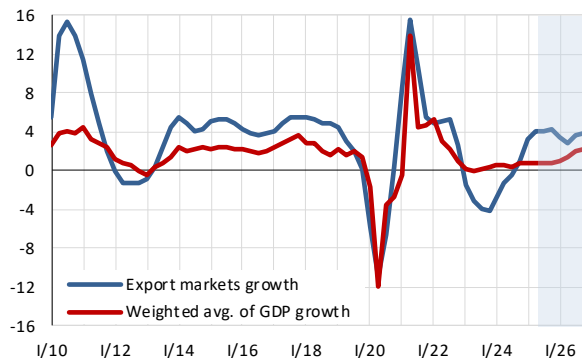
In summary, we expect the **current account of the balance of payments** to remain slightly in surplus over the forecast horizon. This year, the surplus should reach 0.8% of GDP (*previously 1.2% of GDP*), and in 2026 it may decline to 0.3% of GDP (*previously 0.5% of GDP*).

² Export performance is calculated as the ratio of total goods exports to export markets. It is based on the principle that faster growth of Czech exports compared to the growth of imports by our trading partners leads to a higher share of Czech goods in those markets at the expense of other countries, and thus this indicator increases. A situation may arise where, in the case of a more pronounced decline in imports by our trading partners compared to a decline or stagnation in Czech exports, the performance indicator improves even though exports from the Czech Republic have not actually increased.

³ All quarterly data expressed as a ratio to GDP are presented as rolling annual totals.

Graph 3.4.1: GDP and Goods Imports of Partner Countries

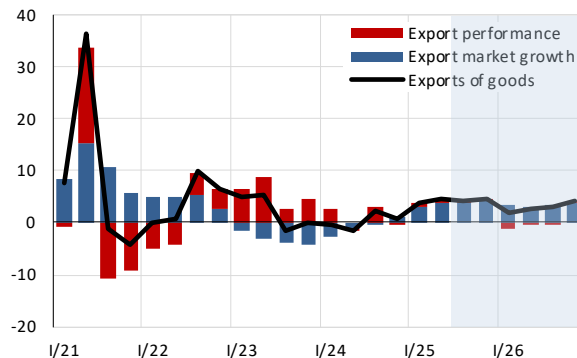
YoY growth rate in %, seasonally adjusted



Source: Eurostat. Calculations and forecast of the MoF.

Graph 3.4.2: Real Exports of Goods

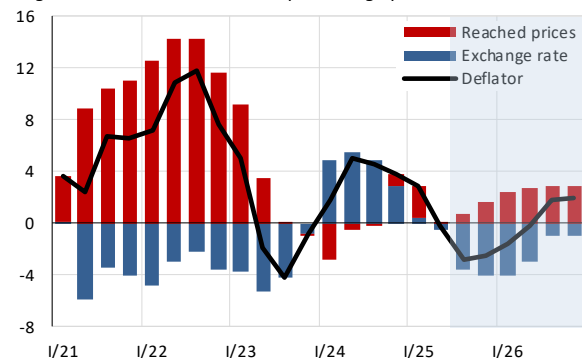
YoY growth in %, contributions in pp, seasonally adjusted



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

Graph 3.4.3: Deflator of Exports of Goods

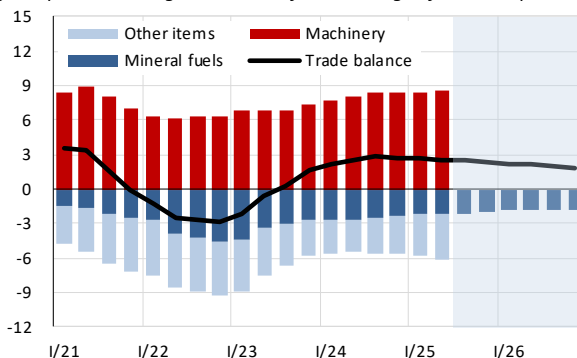
YoY growth in %, contributions in percentage points



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

Graph 3.4.4: Balance of Trade

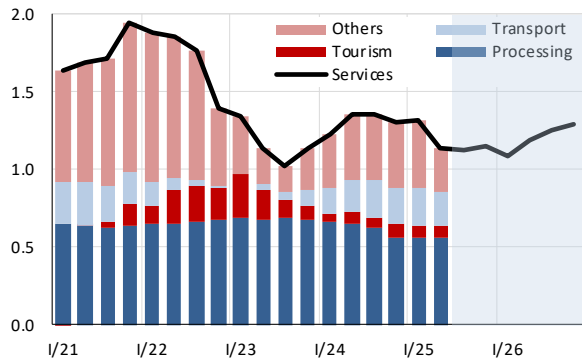
four-quarter moving totals, in % of GDP, change of ownership concept



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.4.5: Balance of Services

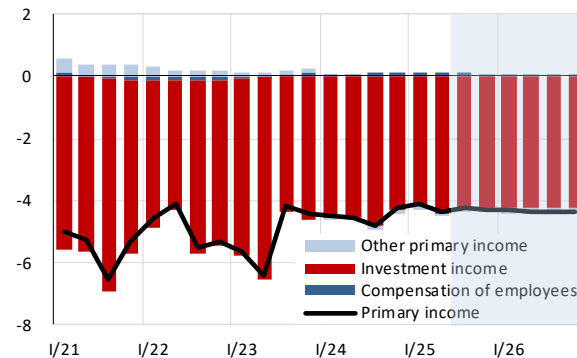
four-quarter moving totals, in % of GDP



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

Graph 3.4.6: Balance of Primary Income

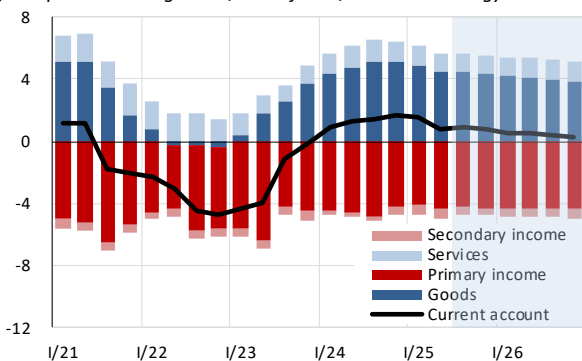
four-quarter moving totals, in % of GDP



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

Graph 3.4.7: Current Account

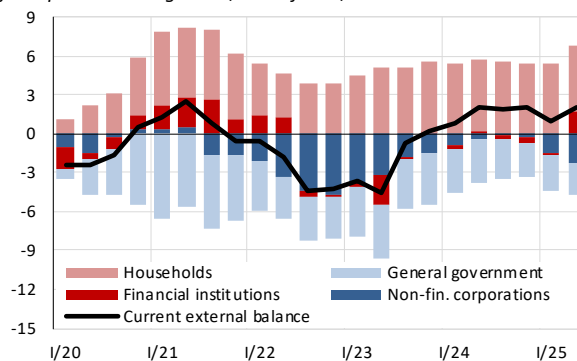
four-quarter moving totals, in % of GDP, BoP methodology



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

Graph 3.4.8: Current External Balance

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



Source: CZSO. Calculations of the MoF.

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

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
										Forecast	Forecast
GDP ¹⁾	<i>average of 2010=100</i>	115.0	117.6	119.8	113.9	120.2	123.6	123.8	124.5	126	128
	<i>growth in %</i>	3.1	2.3	1.8	-4.9	5.5	2.8	0.2	0.6	0.8	1.7
Import intensity ²⁾	<i>average of 2010=100</i>	111.8	114.9	115.6	114.5	119.3	121.2	117.1	115.4	119	121
	<i>growth in %</i>	1.9	2.8	0.6	-0.9	4.2	1.6	-3.4	-1.5	3.0	1.7
Export markets ³⁾	<i>average of 2010=100</i>	128.5	135.2	138.5	130.5	143.4	149.9	145.0	143.7	149	154
	<i>growth in %</i>	5.1	5.2	2.4	-5.8	9.9	4.5	-3.2	-0.9	3.8	3.4
Export performance	<i>average of 2010=100</i>	115.6	113.5	111.9	110.6	108.5	108.2	114.2	115.7	116	116
	<i>growth in %</i>	2.3	-1.8	-1.4	-1.2	-1.9	-0.3	5.6	1.3	0.5	-0.4
Real exports	<i>average of 2010=100</i>	148.6	153.5	154.9	144.3	155.7	162.1	165.7	166.2	173	179
	<i>growth in %</i>	7.5	3.3	0.9	-6.8	7.9	4.2	2.2	0.3	4.3	3.0
1 / NEER	<i>average of 2010=100</i>	103.9	100.2	100.5	102.4	99.1	95.7	92.4	96.6	95	93
	<i>growth in %</i>	-2.8	-3.6	0.3	1.9	-3.3	-3.3	-3.5	4.5	-1.9	-2.2
Prices on foreign markets	<i>average of 2010=100</i>	100.2	103.2	103.8	103.2	111.9	126.7	130.6	129.7	131	135
	<i>growth in %</i>	2.1	3.0	0.6	-0.6	8.5	13.2	3.1	-0.7	1.3	2.8
Exports deflator	<i>average of 2010=100</i>	104.2	103.4	104.4	105.7	110.8	121.3	120.6	125.3	124	125
	<i>growth in %</i>	-0.7	-0.7	1.0	1.2	4.9	9.4	-0.5	3.8	-0.7	0.5
Nominal exports	<i>average of 2010=100</i>	154.7	158.7	161.7	152.5	172.5	196.8	199.9	208.3	216	223
	<i>growth in %</i>	6.7	2.6	1.9	-5.7	13.1	14.1	1.6	4.2	3.6	3.6

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

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

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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
								Estimate	Forecast
GDP ¹⁾	<i>average of 2010=100</i>	124.2	124.4	124.5	124.9	125.3	125.4	126	126
	<i>growth in %</i>	0.5	0.6	0.3	0.7	0.8	0.8	0.9	0.8
Import intensity ²⁾	<i>average of 2010=100</i>	114.8	115.3	115.7	116.0	117.4	119.0	119	120
	<i>growth in %</i>	-3.3	-1.9	-0.8	0.2	2.3	3.2	3.1	3.3
Export markets ³⁾	<i>average of 2010=100</i>	142.6	143.4	144.0	144.8	147.1	149.1	150	151
	<i>growth in %</i>	-2.8	-1.2	-0.5	1.0	3.1	4.0	4.0	4.2
Export performance	<i>average of 2010=100</i>	116.0	115.1	116.4	115.2	116.8	115.8	117	116
	<i>growth in %</i>	2.6	-0.3	3.0	-0.1	0.6	0.6	0.1	0.4
Real exports	<i>average of 2010=100</i>	165.5	165.1	167.6	166.8	171.8	172.8	174	175
	<i>growth in %</i>	-0.3	-1.6	2.4	0.9	3.8	4.7	4.1	4.7
1 / NEER	<i>average of 2010=100</i>	96.5	96.0	96.9	97.0	96.9	95.5	94	93
	<i>growth in %</i>	4.9	5.5	4.9	2.9	0.4	-0.4	-3.5	-4.1
Prices on foreign markets	<i>average of 2010=100</i>	128.5	130.7	129.2	130.3	131.7	130.9	130	132
	<i>growth in %</i>	-2.9	-0.5	-0.2	0.9	2.5	0.2	0.8	1.6
Exports deflator	<i>average of 2010=100</i>	124.0	125.4	125.3	126.4	127.6	125.1	122	123
	<i>growth in %</i>	1.9	5.0	4.6	3.9	2.9	-0.2	-2.7	-2.5
Nominal exports	<i>average of 2010=100</i>	205.2	207.0	209.9	210.9	219.2	216.2	212	215
	<i>growth in %</i>	1.6	3.3	7.2	4.8	6.8	4.4	1.2	2.0

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

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

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

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
											Forecast Forecast
Goods and services	<i>bill.CZK</i>	394	333	358	389	232	76	378	523	472	464
	<i>% GDP</i>	7.6	6.1	6.1	6.7	3.7	1.1	4.9	6.5	5.5	5.2
Goods	<i>bill.CZK</i>	259	201	240	280	110	-23	290	418	373	348
	<i>% GDP</i>	5.0	3.7	4.1	4.8	1.7	-0.3	3.8	5.2	4.4	3.9
Services	<i>bill.CZK</i>	135	132	119	109	122	99	88	105	98	116
	<i>% GDP</i>	2.6	2.4	2.0	1.9	1.9	1.4	1.1	1.3	1.2	1.3
Primary income	<i>bill.CZK</i>	-281	-289	-319	-260	-337	-373	-336	-343	-363	-389
	<i>% GDP</i>	-5.4	-5.3	-5.4	-4.5	-5.3	-5.3	-4.4	-4.3	-4.3	-4.4
Secondary income	<i>bill.CZK</i>	-33	-22	-19	-26	-30	-33	-50	-39	-41	-49
	<i>% GDP</i>	-0.6	-0.4	-0.3	-0.5	-0.5	-0.5	-0.6	-0.5	-0.5	-0.6
Current account	<i>bill.CZK</i>	80	21	20	103	-130	-330	-8	141	67	26
	<i>% GDP</i>	1.5	0.4	0.3	1.8	-2.1	-4.7	-0.1	1.7	0.8	0.3
Capital account	<i>bill.CZK</i>	45	27	27	67	107	45	88	140	138	134
	<i>% GDP</i>	0.9	0.5	0.5	1.1	1.7	0.6	1.1	1.7	1.6	1.5
Net lending/borrowing	<i>bill.CZK</i>	125	49	46	169	-23	-286	79	281	206	160
	<i>% GDP</i>	2.4	0.9	0.8	2.9	-0.4	-4.1	1.0	3.5	2.4	1.8
Financial account	<i>bill.CZK</i>	116	61	8	162	-18	-292	91	206	.	.
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	.	.
International investment position	<i>bill.CZK</i>	-1 278	-1 323	-1 150	-932	-939	-1 424	-1 104	-575	.	.
	<i>% GDP</i>	-24.7	-24.2	-19.5	-16.0	-14.9	-20.2	-14.4	-7.1	.	.
Gross external debt	<i>bill.CZK</i>	4 370	4 413	4 384	4 321	4 594	4 662	4 811	5 271	.	.
	<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
								Estimate	Forecast
Goods and services	<i>bill.CZK</i>	434	482	519	523	509	472	474	472
	<i>% GDP</i>	5.6	6.2	6.5	6.5	6.2	5.7	5.6	5.5
Goods	<i>bill.CZK</i>	339	375	412	418	401	378	380	373
	<i>% GDP</i>	4.4	4.8	5.2	5.2	4.9	4.6	4.5	4.4
Services	<i>bill.CZK</i>	95	106	107	105	108	94	94	98
	<i>% GDP</i>	1.2	1.4	1.4	1.3	1.3	1.1	1.1	1.2
Primary income	<i>bill.CZK</i>	-345	-355	-381	-343	-336	-360	-355	-363
	<i>% GDP</i>	-4.5	-4.5	-4.8	-4.3	-4.1	-4.3	-4.2	-4.3
Secondary income	<i>bill.CZK</i>	-20	-25	-26	-39	-49	-48	-43	-41
	<i>% GDP</i>	-0.3	-0.3	-0.3	-0.5	-0.6	-0.6	-0.5	-0.5
Current account	<i>bill.CZK</i>	69	101	112	141	123	64	76	67
	<i>% GDP</i>	0.9	1.3	1.4	1.7	1.5	0.8	0.9	0.8
Capital account	<i>bill.CZK</i>	78	73	93	140	156	124	131	138
	<i>% GDP</i>	1.0	0.9	1.2	1.7	1.9	1.5	1.6	1.6
Net lending/borrowing	<i>bill.CZK</i>	147	175	204	281	280	189	207	206
	<i>% GDP</i>	1.9	2.2	2.6	3.5	3.4	2.3	2.5	2.4
Financial account	<i>bill.CZK</i>	137	181	167	206	199	112	.	.
Direct investments	<i>bill.CZK</i>	-74	-27	-71	-43	-56	-112	.	.
Portfolio investments	<i>bill.CZK</i>	104	143	97	-197	10	-110	.	.
Financial derivatives	<i>bill.CZK</i>	-26	-39	-23	-38	-31	-11	.	.
Other investments	<i>bill.CZK</i>	-32	-33	77	457	270	301	.	.
Reserve assets	<i>bill.CZK</i>	165	136	87	27	5	44	.	.
International investment position	<i>stock in bill.CZK</i>	-872	-857	-804	-575	-696	-836	.	.
	<i>% GDP</i>	-11.3	-10.9	-10.1	-7.1	-8.5	-10.1	.	.
Gross external debt	<i>stock in bill.CZK</i>	4 982	4 983	5 178	5 271	5 286	5 355	.	.
	<i>% GDP</i>	64.4	63.7	65.1	65.4	64.8	64.7	.	.

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

4 Survey of Other Institutions' Forecasts

The institutions monitored expect, on average, that GDP growth in 2025 will reach 2.2%, and in 2026 will slightly slow to 2.1%. Inflation is expected to be 2.5% this year and to decline to 2.2% next year. Average wage growth is projected to reach 6.8% in 2025 and to slow to 5.5% in 2026. The current account balance is expected to reach a surplus of 1.1% of GDP in 2025 and 1.0% of GDP in 2026.

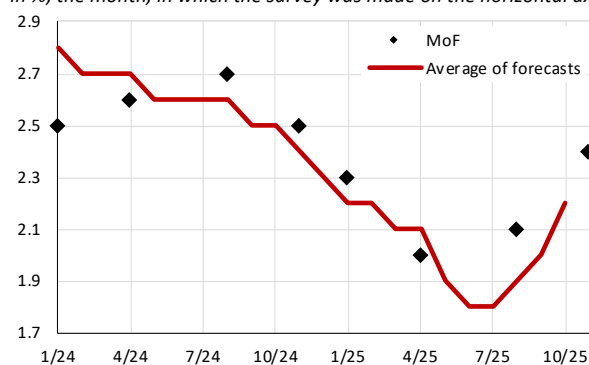
When assessing the differences between the current macroeconomic forecast of the Ministry of Finance and the average of estimates by individual institutions, it is necessary to take into account the date of preparation

of the forecasts and the information available to their authors.

For 2025 and 2026, the Ministry of Finance forecasts slightly stronger growth of the Czech economy compared to the average of the monitored institutions. The expected inflation rate differs only marginally in both years. The forecasted growth of the average wage in 2025 and 2026 is slightly above the mean of other institutions' forecasts. Compared to the average of other forecasts, the Ministry of Finance expects lower current account surpluses in both years.

Graph 4.1: Forecasts for Real GDP Growth in 2025

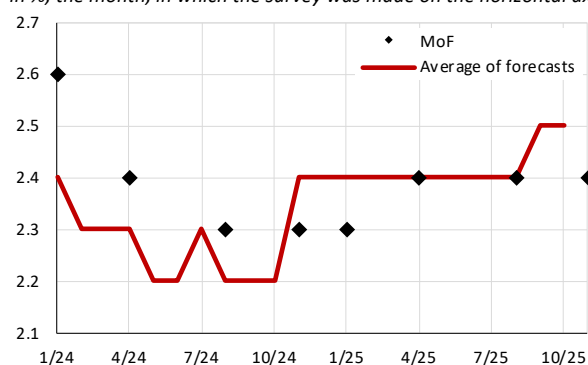
in %; the month, in which the survey was made on the horizontal axis



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

		October 2025			November 2025
		min.	max.	average	MoF forecast
Gross domestic product (2025)	growth in %, const.pr.	1.9	2.6	2.2	2.4
Gross domestic product (2026)	growth in %, const.pr.	1.6	2.6	2.1	2.2
Average inflation rate (2025)	%	2.2	2.6	2.5	2.4
Average inflation rate (2026)	%	1.5	2.5	2.2	2.3
Average monthly wage (2025)	growth in %	6.2	7.2	6.8	6.9
Average monthly wage (2026)	growth in %	4.9	6.1	5.5	5.8
Current account / GDP (2025)	%	0.1	2.0	1.1	0.8
Current account / GDP (2026)	%	0.3	2.4	1.0	0.3

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.

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