Ministry of Finance
of the Czech Republic

Macroeconomic Forecast
of the Czech Republic

April 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:

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

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List of Abbreviations

BoP	balance of payments
const. pr.	constant prices
CNB	Czech National Bank
CPI	consumer price index
CR	Czech Republic
curr. pr.	current prices
CZSO	Czech Statistical Office
EA20	euro zone consisting of 20 countries
EC	European Commission
ECB	European Central Bank
EU27	European Union consisting of 27 countries
Fed	Federal Reserve System
GDP	gross domestic product
GFCF	gross fixed capital formation
GVA	gross value added
IMF	International Monetary Fund
LFS	Labour Force Survey
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
PMI	Purchasing Managers' Index
pp	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 1 April 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 (January 2025) are indicated by italics. Data relating to the years 2027 and 2028 are an extrapolation scenario that indicates only the direction of possible developments, and as such are not commented upon in the following text.

Summary of the Forecast

Global economic growth continues to benefit from easing inflationary pressures, which are supporting a recovery in household consumption. In contrast, investment activity in a number of countries remains subdued due to the impact of tight monetary policy and heightened geopolitical uncertainty. Although there have been some improvements, persistent challenges in China's real estate sector continue to weigh on global activity, albeit partly offset by fiscal and monetary support measures.

The global outlook is also being shaped by elevated uncertainty surrounding the trade and foreign policy agenda of the new US administration. This uncertainty has contributed to weaker consumer and business sentiment. The baseline macroeconomic forecast is based on the assumption of tariffs on automobiles and components, which were announced on 26 March 2025, as well as tariffs on steel and aluminium. The broad-based tariffs on all goods imports were announced by the US administration after the forecast's data cut-off date. However, their more permanent actual form, the questionable legal basis, the scope and structure of retaliatory measures by other countries, and their broader dynamic effects remain uncertain. Therefore, they are not included in the baseline scenario of the Macroeconomic Forecast, but are addressed in a dedicated thematic chapter.

In Q4 2024, **real gross domestic product** of the Czech Republic, adjusted for seasonal and calendar effects, increased by 0.7% quarter-on-quarter.

For the full year **2024**, GDP **grew by 1.1%**. Household consumption was supported by rising real disposable income, although this was partially offset by a restrictive monetary policy stance and, to some extent, the fiscal consolidation package. Investment activity declined due to persistent problems in euro area economies, a drop in housing construction, and low capacity utilisation in industry. The transition to the new EU financial perspective was also reflected, particularly in general government investment. A noticeable year-on-year decline in inventories further slowed economic performance. Export growth was dampened by weaker external demand, although export performance itself was positive. Weak domestic demand, especially import-intensive investment, reduced import growth, resulting in a positive contribution from net exports.

In 2025, economic activity could **increase by 2.0%**, mainly due to an acceleration in household consumption, supported by growth in real earnings. Gross capital formation and government consumption expenditure are also expected to contribute to growth, though to a lesser extent. **In 2026**, GDP could **expand by 2.4%**, driven by stronger investment and accelerating growth in major trading partner economies.

Annual **inflation** was slightly below 3% at the start of the year. Restrictive monetary policy will continue dampening inflationary pressures via interest rates this year. The expected decline in the dollar price of oil, a slight appreciation of the koruna, and lower energy prices will also have a disinflationary effect. Conversely, continued strong wage growth, increases in excise duties on tobacco products and on alcohol, and accelerating price dynamics in services, including renewed growth in imputed rentals, will act as inflationary factors. The average inflation rate could reach 2.4% this year and edge down slightly to 2.3% in 2026.

Labour market imbalances related to labour shortages persist. Despite difficulties in key industrial sectors, the unemployment rate is expected to remain low, averaging 2.6% this year and declining slightly to 2.5% next year, supported by continued economic recovery. Persistent labour market frictions will continue to exert upward pressure on wages and salaries. Real earnings are projected to rise significantly this year and next.

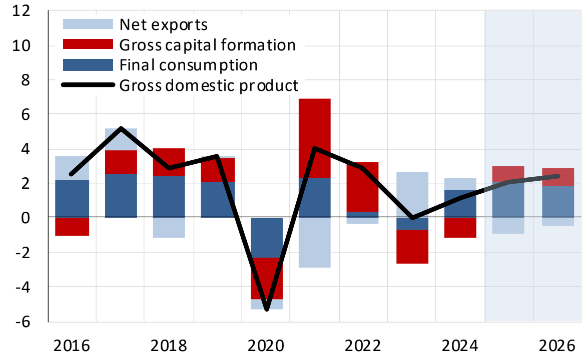
The **current account of the balance of payments posted** a surplus of 1.8% of GDP in Q4 2024. The marked year-on-year improvement was primarily driven by an increase in the goods surplus, supported by rising motor vehicle exports and a decline in domestic investment. Looking ahead, domestic demand is expected to remain the key driver of current account developments. For this year, the current account surplus is forecast to narrow to 0.7% of GDP, reflecting stronger household consumption. In 2026, the surplus is expected to ease further to 0.1% of GDP as investment activity picks up.

The **general government sector** ended 2024 with a deficit of 2.2% of GDP. This represents a 1.5 percentage point reduction, driven by the consolidation package, the phasing out of energy crisis-related measures, and partial economic recovery. The structural balance improved by 0.7 percentage points to −1.9% of GDP. With lower nominal GDP growth, general government debt reached 43.6% of GDP in 2024. This year, the government deficit is expected to remain unchanged, while debt is projected to increase slightly to 44.5% of GDP.

Overall, **risks** to the forecast are **skewed to the downside**. A possible renewed disruption in global supply chains could weigh on economic activity in certain sectors and raise inflationary pressures, as could the introduction or increase of tariffs or other trade barriers. Given the Czech Republic's strong trade links with Germany, structural weaknesses and subdued growth in German economy also represent a risk to the forecast. However, ongoing changes in German fiscal policy, which would allow for higher investment in defence and infrastructure, could have a positive spill-over effect.

The economy will be driven solely by domestic demand

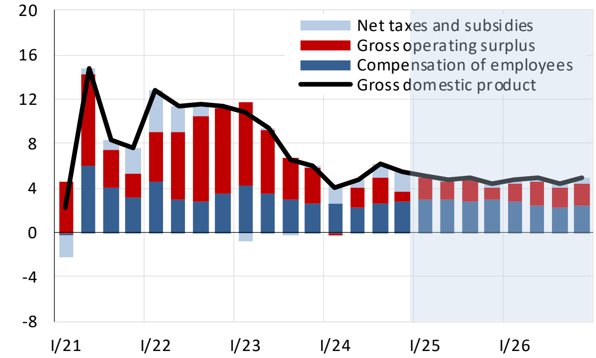
growth rate of real GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Profit growth will remain solid

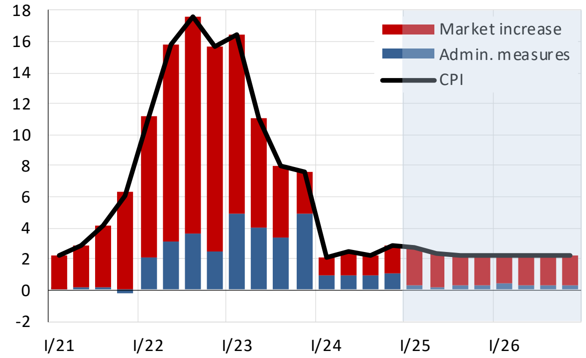
YoY growth of nominal GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Inflation should stay close to 2%

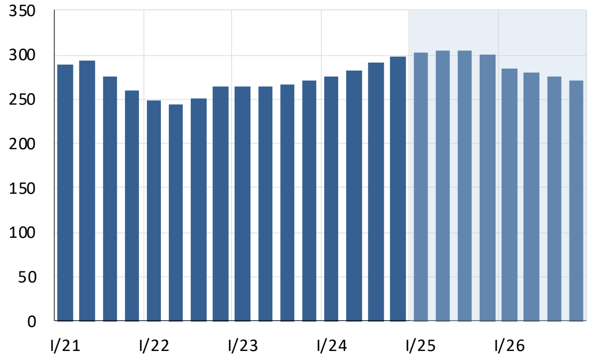
YoY growth rate of CPI in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Unemployment expected to remain stable this year

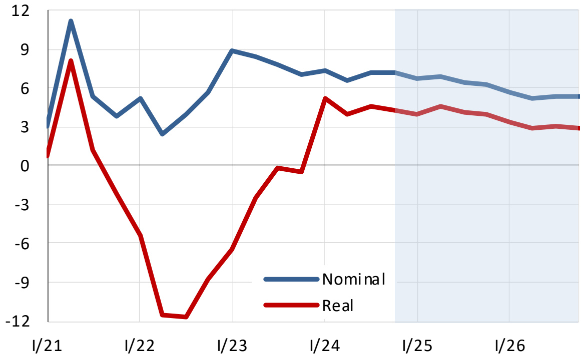
registered unemployment, in thous. of persons, seasonally adjusted



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

Real wages should maintain strong growth momentum

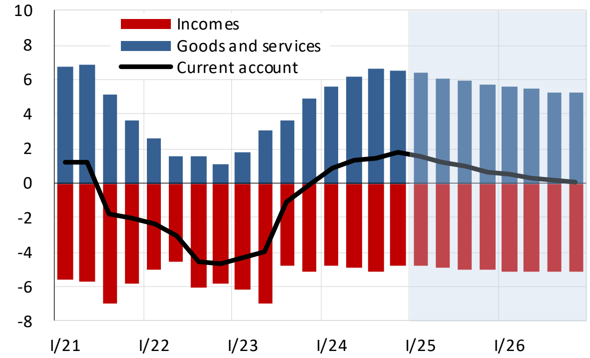
average gross monthly wage, YoY growth rate, in %



Source: CZSO. Calculations and forecast of the MoF.

Current account balance could gradually deteriorate

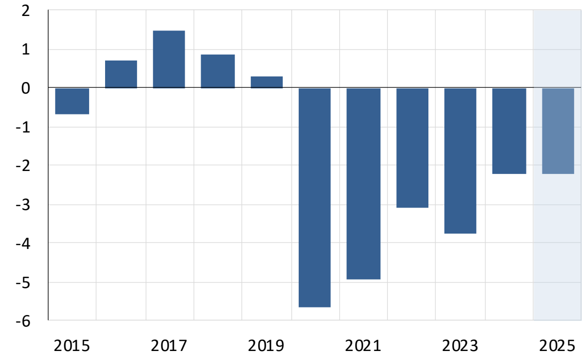
in % of GDP, yearly moving sums



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

Public finance deficit to remain close to 2% of GDP

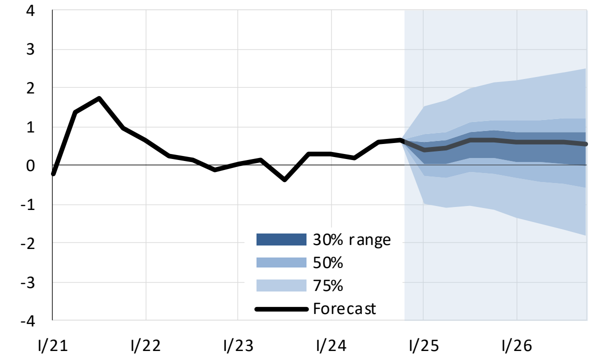
general government net lending/borrowing, in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

Forecast risks are skewed to the downside

QoQ growth of real GDP in %



Source: CZSO. Calculations and forecast of the MoF.

Table: Main Macroeconomic Indicators

		2020	2021	2022	2023	2024	2025	2026	2024	2025
							Current forecast		*Previous forecast*	
Nominal GDP	*bill. CZK*	**5 828**	**6 308**	**7 050**	**7 619**	**8 011**	**8 391**	**8 787**	8 007	8 431
	nominal growth in %	-1.0	8.2	11.8	8.1	5.1	4.7	4.7	5.1	5.3
Gross domestic product	*real growth in %*	**-5.3**	**4.0**	**2.8**	**-0.1**	**1.1**	**2.0**	**2.4**	1.1	2.3
Consumption of households	*real growth in %*	-6.4	4.2	0.5	-2.8	2.2	3.6	3.2	1.8	3.4
Consumption of government	*real growth in %*	4.1	1.5	0.4	3.4	3.3	2.0	1.4	3.8	1.8
Gross fixed capital formation	*real growth in %*	-4.8	6.7	6.3	2.5	-1.2	0.7	3.1	-0.1	2.8
Contribution of net exports	*pp*	-0.6	-2.8	-0.3	2.6	0.7	-1.0	-0.5	0.7	-1.3
Contrib. of change in inventories	*pp*	-1.2	2.8	1.2	-2.7	-0.9	0.7	0.2	-1.1	0.9
GDP deflator	*growth in %*	**4.5**	**4.0**	**8.7**	**8.1**	**4.0**	**2.7**	**2.3**	4.0	3.0
Average inflation rate	*%*	**3.2**	**3.8**	**15.1**	**10.7**	**2.4**	**2.4**	**2.3**	2.4	2.3
Employment *(national accounts)*	*growth in %*	**-2.3**	**1.0**	**1.0**	**1.0**	**0.3**	**0.2**	**0.1**	0.3	0.2
Unemployment rate *(LFS)*	*average in %*	**2.6**	**2.8**	**2.2**	**2.6**	**2.6**	**2.6**	**2.5**	2.6	2.5
Wage bill *(domestic concept)*	*growth in %*	**0.4**	**7.2**	**9.1**	**7.7**	**6.3**	**6.6**	**5.6**	6.4	6.3
Current account balance	*% of GDP*	**1.8**	**-2.1**	**-4.7**	**-0.1**	**1.8**	**0.7**	**0.1**	1.0	-0.2
General government balance	*% of GDP*	**-5.6**	**-5.0**	**-3.1**	**-3.8**	**-2.2**	**-2.2**	**-2.0**	-2.8	-2.3
General government debt	*% of GDP*	**36.9**	**40.7**	**42.5**	**42.5**	**43.6**	**44.5**	**45.1**	43.4	44.3
Assumptions:										
Exchange rate CZK/EUR		**26.4**	**25.6**	**24.6**	**24.0**	**25.1**	**24.9**	**24.5**	25.1	25.1
Long-term interest rates	*% p.a.*	**1.1**	**1.9**	**4.3**	**4.4**	**4.0**	**4.1**	**3.7**	4.0	3.7
Crude oil Brent	*USD/barrel*	**42**	**71**	**101**	**82**	**81**	**72**	**68**	81	73
GDP in the euro area	*real growth in %*	**-6.2**	**6.3**	**3.6**	**0.5**	**0.8**	**0.7**	**1.4**	0.7	1.0

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**, which we consider to be **downward-biased** overall.

The primary risk to the forecast is a potential **escalation of geopolitical tensions**. The introduction or increase in **tariffs** triggered by the new US administration, or imposition of other trade barriers, poses a risk of lower economic growth for the Czech republic's largely open economy. In contrast, an increase in tariffs on selected goods in trade between the European Union and China is expected to have only a minimal impact on Czech economic growth. The potential **re-emergence of supply chain disruptions** also presents a risk to certain sectors. In addition to negatively affecting economic performance, such supply-side problems would generate renewed inflationary pressures, which could also be triggered by a potential rise in energy commodity prices.

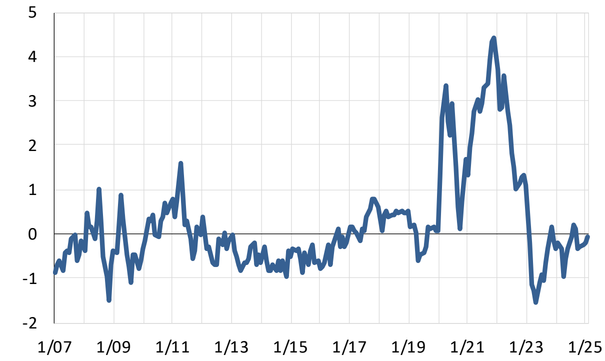
Given the strong trade ties between the Czech Republic and Germany, **structural problems and subdued economic growth in Germany** represents another risk to the forecast. However, ongoing changes in Germany's fiscal policy, which would allow for increased investment in defence and infrastructure, may contribute positively to growth.

The **persistence of high price growth in services** remains a risk. Different **fiscal policy** settings could influence the dynamics of economic growth and other variables.

Developments in interest rates combined with substantial price increases in recent years have increased the likelihood that some households and firms may encounter repayment difficulties. This, in turn, could affect the **quality of bank loan portfolios**. Nevertheless, the economic recovery, renewed real income growth, and the expected further decline in interest rates are helping to mitigate these risks. The share of non-performing loans in total loans to households and non-financial corporations remains low.

Global Supply Chain Pressure Index

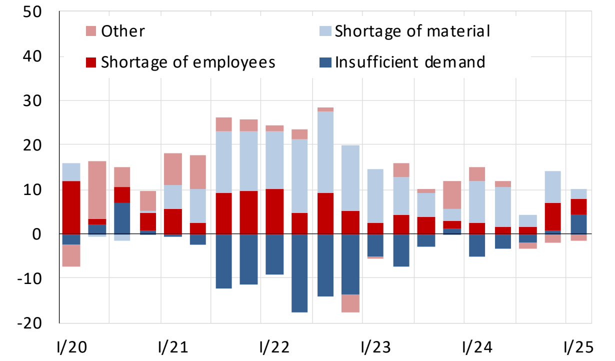
number of standard deviations from the average



Source: Federal Reserve Bank of New York.

Barriers to Production Growth

industry, construction and services; deviation from 2005–2019 average



Source: CZSO. Calculations of the MoF.

1 Forecast Assumptions

1.1 External Environment

Global economic growth remained constrained over the past year by restrictive monetary policies in a number of countries and heightened geopolitical and political instability. However, the normalisation of global supply chains contributed positively to growth. The ongoing disinflation process is expected to continue supporting global economic activity, albeit to a limited extent, as most major economies are already near their inflation targets. Consumption and private investment are likely to benefit from anticipated interest rate cuts by the central banks of major economies. Conversely, the policy measures of the new US administration are expected to exert a negative impact on global growth. Taking these factors and prevailing risks into account, global economic growth is projected to reach 3.1% (*vs. 3.4%*) in 2025 and to slightly accelerate to 3.2% in 2026.

In the **United States**, GDP grew by 0.6% quarter-on-quarter (*in line with the estimate*) in Q4 2024. The expansion was primarily driven by private consumption, with a more moderate contribution from government spending. In contrast, foreign trade and gross fixed capital formation stagnated, and changes in inventories weighed negatively on growth.

Consumer price inflation remained stable, although the overall policy stance of the new US administration is assessed to be inflationary. In light of these risks, the Federal Reserve has not implemented further monetary easing since December, opting instead to wait for greater clarity of tariff policy and its implications for US economy. Accordingly, the federal funds rate remains in the range of 4.25% to 4.50%. The Fed also adopted a more cautious approach to balance sheet reduction, with a slower pace of asset runoff planned from April 2025.

The unemployment rate remained low by historical standards. Purchasing Managers' Index (PMI) data indicate that both the manufacturing and services sectors continued to be in expansion territory, as did consumer sentiment. Nonetheless, the outlook has been deteriorating since the beginning of the year due to increased political and economic uncertainty, particularly concerning tariff policies.

US economy is expected to grow by 1.8% (*vs. 2.3%*) in 2025, supported by household consumer spending amid real income gains and a robust labour market. However, higher inflation expectations, linked to potential increase in import prices, may temper household consumption. Prolonged restrictive monetary policy conditions are also likely to constrain private investment. Additionally, the new administration's immigration policies may result in labour shortages in certain low-skilled sectors, further dampening growth. In 2026, a forecast reduction in interest rates is expected to bolster investment, lifting GDP growth modestly to 1.9%.

In **China**, quarter-on-quarter growth accelerated to 1.6% in Q4 2024, with all GDP components contributing, particularly household consumption, supported by fiscal measures, and net exports.

The Chinese economy continued to grapple with prolonged price stagnation, which transitioned into deflation at the start of the year, potentially reflecting deeper structural issues. Year-on-year industrial production increased by 5.9% in the first two months of the year. According to PMI data, services sector activity improved slightly in March, and manufacturing conditions also showed signs of recovery.

China's GDP is projected to grow by 4.8% (*vs. 4.3%*) in 2025 and by 4.4% in 2026. However, household consumption growth is expected to remain subdued due to low consumer confidence and a limited social safety net. Persistent challenges in the real estate sector are likely to negatively impact both private investment and, to certain extent, consumption. In addition, the high debt burden of local governments continues to pose a risk. Ongoing trade war with the United States and adverse demographic trends are also expected to weigh on the economy. On the other hand, continued fiscal and monetary policy support should help sustain domestic demand. Net exports are projected to make a positive contribution to growth, primarily due to a decline in imports, despite weaker external demand.

The economy of **the European Union** expanded by 0.4% (*vs. 0.1%*) quarter-on-quarter in Q4 2024, while GDP growth in the **euro area** stood at 0.2% (*vs. 0.1%*). Growth was mainly driven by private consumption, with smaller contributions from government consumption, gross fixed capital formation, and net exports. In contrast, inventory changes had a negative effect.

In March, the European Central Bank lowered its key interest rate by 25 basis points to 2.5% in response to favourable inflation dynamics. Gradual rate cuts are expected to continue, consistent with inflation projections. The European Central Bank is also reducing the size of its portfolio purchased under the Pandemic Emergency Purchase Programme, with reinvestments discontinued at the end of 2024. Additionally, it is gradually scaling back purchases under the Asset Purchase Programme. Fiscal policy is projected to be moderately restrictive this year, as fiscal consolidation efforts persist, although increased defence spending across most EU countries is expected to have a positive effect from 2026 onward.

The unemployment rate remained stable at the turn of the year. PMI data for March indicated that manufacturing in the euro area remained in a contraction territory, with firms continuing to report a lack of orders despite a slight increase in production. While confidence in the services sector declined at the start of the year, it remained in an expansionary territory. Consumer confidence deteriorated slightly in both the EU and euro area, reflecting more pessimistic expectations regarding the economic outlook; household sentiment remained below its long-term average.

Overall, GDP growth in the European Union is projected to slow to 0.9% (*vs. 1.1%*) in 2025, with the euro area expected to grow by 0.7% (*vs. 1.0%)*. Household consumption should continue to support growth underpinned by falling inflation, a strong labour market, and rising real wages. However, net trade may dampen momentum, particularly due to US tariff policies and continued weakness in industrial performance. In 2026, economic activity is projected to accelerate to 1.6% in the EU and 1.4% in the euro area, driven by a further recovery in household consumption and increased investment activity.

Germany's economy contracted by 0.2% (*vs. stagnation*) quarter-on-quarter in Q4 2024. While household consumption stagnated, government spending, gross fixed capital formation, and, most notably, inventory accumulation made positive contributions. However, a build-up of production inputs combined with declining exports led to a substantial negative contribution from net exports.

Exports are expected to continue limiting German economic activity, particularly given uncertainty related to US tariff policy. Although the manufacturing PMI remained in contraction territory, the index reached its highest level since August 2022 in March. Weak foreign trade prospects were counterbalanced by increased output, rising new orders, and expectations of stronger government infrastructure investment. Nonetheless, industrial production contracted by 1.6% year-on-year in January. In the services sector, the PMI remained in expansion territory, though the outlook for new orders deteriorated gradually. Consumer sentiment improved slightly, reflecting better expectations regarding future financial conditions. Consumer inflation has remained stable, as has the historically low unemployment rate.

The German economy is expected to remain largely stagnant in 2025, with GDP growth projected at 0.1% (*vs. 0.7%*). The growth should be dampened by persistently weak external demand and, due to uncertainty around US policy measures, also by low investment activity. On the other hand, household consumption spending should benefit from rising real wages. Next year, the economy should gain some momentum, supported by public investment and, partly owing to expected interest rate cuts, stronger corporate investment. Economic growth could thus reach 1,1% in 2026.

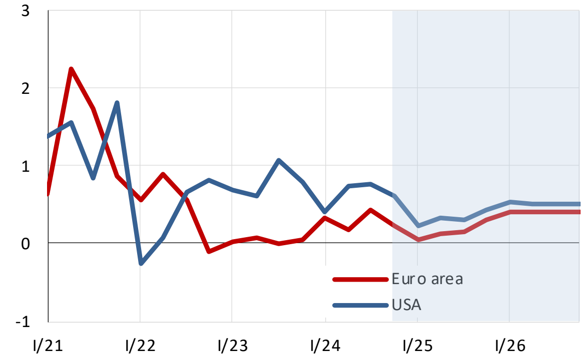
Slovakia's GDP increased by 0.5% quarter-on-quarter (*in line with the estimate*) in Q4 2024. Growth was mainly driven by household consumption and inventory accumulation, with smaller contributions from government consumption and net exports. In contrast, gross fixed capital formation declined.

The unemployment rate has continued its gradual downward trend. Inflation remained elevated at the beginning of the year, with a preliminary estimate for March showing annual inflation at 4.3%, and core inflation at 5.9%. Industrial production declined by 5.2% year-on-year in January, and leading indicators do not currently point to an improvement. Consumer confidence rose in March but remained slightly below its long-term average.

Slovakia's GDP is projected to grow by 1.6% (*vs. 2.1%*) in 2025, with growth primarily supported investment under the Recovery and Resilience Plan. Private investment should benefit from expected interest rate reductions. However, household consumption growth is likely to slow slightly due to elevated inflation and the pension effects of the fiscal consolidation package. Foreign trade is expected to weigh heavily on growth, primarily due to US tariff measures. In 2026, GDP growth is forecast to accelerate to 2.5%, supported by a recovery in external demand, falling inflation, and associated gains in real wages.

Graph 1.1.1: Real GDP in the Euro Area and USA

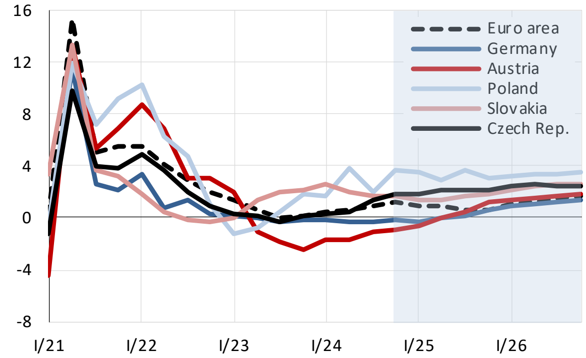
QoQ growth rate in%, seasonally adjusted



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

Graph 1.1.2: Real Gross Domestic Product

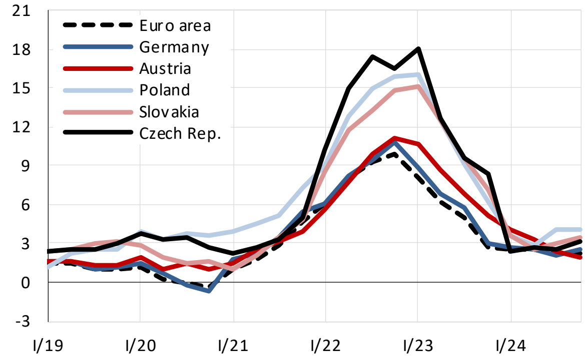
YoY growth in %, seasonally adjusted



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

Graph 1.1.3: HICP

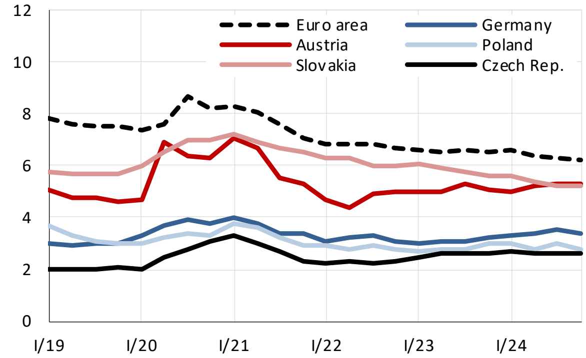
quarterly averages, YoY growth in %



Source: Eurostat. Calculations of the MoF.

Graph 1.1.4: Unemployment Rate

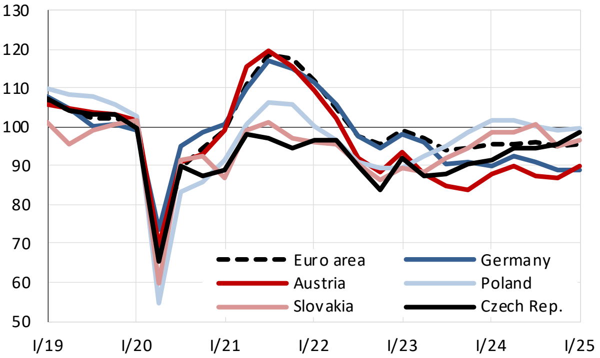
in %, LFS methodology, seasonally adjusted



Source: Eurostat.

Graph 1.1.5: Economic Sentiment Indicator

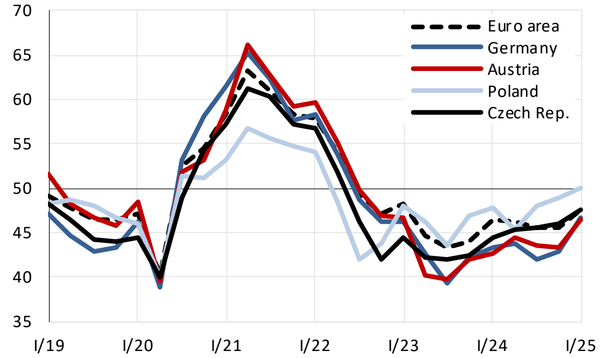
quarterly averages, long-run average = 100



Source: Eurostat. Calculations of the MoF.

Graph 1.1.6: Purchasing Managers' Index

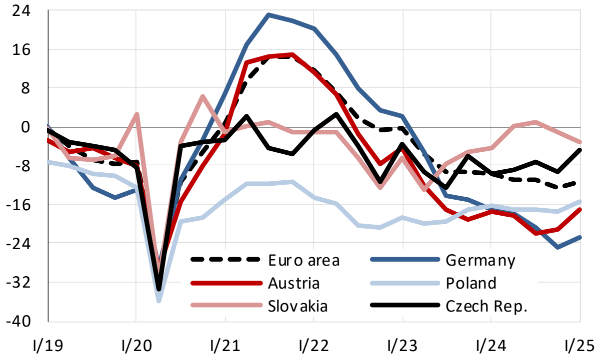
manufacturing, quarterly averages



Source: Markit. Calculations of the MoF.

Graph 1.1.7: Business Tendency

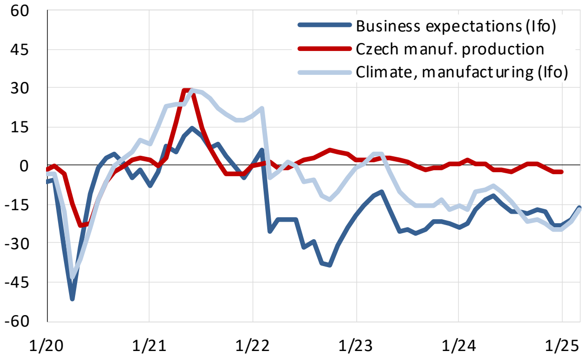
manufacturing, quarterly averages



Source: OECD. Calculations of the MoF.

Graph 1.1.8: Ifo and Czech Manufacturing Production

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



Source: CESifo, CZSO. Calculations of the MoF.

Table 1.1.1: Gross Domestic Product – yearly

growth rate of real GDP in %

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
									Estimate	*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**	**-2.2**	**6.1**	**2.5**	**2.9**	**2.8**	**1.8**	**1.9**
China	*seasonally adjusted*	**6.9**	**6.9**	**6.2**	**2.0**	**8.9**	**3.1**	**5.4**	**5.0**	**4.8**	**4.4**
United Kingdom	*seasonally adjusted*	**2.7**	**1.4**	**1.6**	**-10.3**	**8.6**	**4.8**	**0.4**	**1.1**	**1.0**	**1.7**
European Union	*seasonally adjusted*	**2.9**	**2.0**	**1.9**	**-5.7**	**6.3**	**3.5**	**0.6**	**1.0**	**0.9**	**1.6**
Euro area	*seasonally adjusted*	**2.7**	**1.7**	**1.6**	**-6.2**	**6.3**	**3.6**	**0.5**	**0.8**	**0.7**	**1.4**
Germany	*seasonally adjusted*	**3.0**	**1.1**	**1.0**	**-4.5**	**3.6**	**1.4**	**-0.1**	**-0.2**	**0.1**	**1.1**
	unadjusted	2.7	1.1	1.0	-4.1	3.7	1.4	-0.3	-0.2	0.5	1.4
France	*seasonally adjusted*	**2.3**	**1.6**	**2.1**	**-7.6**	**6.8**	**2.6**	**1.1**	**1.1**	**0.8**	**1.4**
	unadjusted	2.1	1.6	2.0	-7.4	6.9	2.6	0.9	1.2	0.7	1.4
Italy	*seasonally adjusted*	**1.7**	**0.7**	**0.4**	**-9.0**	**8.8**	**5.0**	**0.8**	**0.5**	**0.5**	**1.2**
	unadjusted	1.6	0.8	0.4	-8.9	8.9	4.8	0.7	0.7	0.4	1.3
Austria	*seasonally adjusted*	**2.4**	**2.4**	**1.8**	**-6.5**	**5.0**	**5.4**	**-0.9**	**-1.3**	**0.2**	**1.6**
	unadjusted	2.3	2.5	1.8	-6.3	4.8	5.3	-1.0	-1.2	0.3	1.6
Hungary	*seasonally adjusted*	**4.3**	**5.6**	**5.1**	**-4.5**	**7.1**	**4.3**	**-0.8**	**0.6**	**1.7**	**3.2**
	unadjusted	4.1	5.6	5.1	-4.3	7.1	4.3	-0.9	0.5	1.7	3.2
Poland	*seasonally adjusted*	**5.2**	**6.2**	**4.5**	**-2.0**	**6.8**	**5.5**	**0.0**	**2.8**	**3.3**	**3.4**
	unadjusted	5.2	6.2	4.6	-2.0	6.9	5.3	0.1	2.9	3.3	3.4
Slovakia	*seasonally adjusted*	**2.9**	**4.1**	**2.3**	**-2.6**	**5.7**	**0.4**	**1.4**	**2.0**	**1.6**	**2.5**
Czech Republic	*seasonally adjusted*	**5.3**	**2.8**	**3.5**	**-5.3**	**4.0**	**2.9**	**0.1**	**1.0**	**2.1**	**2.5**
	unadjusted	5.2	2.8	3.6	-5.3	4.0	2.8	-0.1	1.1	2.0	2.4

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

Table 1.1.2: Gross Domestic Product – quarterly

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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						Estimate	*Forecast*	*Forecast*	*Forecast*
USA	*QoQ*	**0.4**	**0.7**	**0.8**	**0.6**	**0.2**	**0.3**	**0.3**	**0.4**
	YoY	2.9	3.0	2.7	2.5	2.4	1.9	1.5	1.3
United Kingdom	*QoQ*	**0.9**	**0.5**	**0.0**	**0.1**	**0.3**	**0.3**	**0.4**	**0.4**
	YoY	0.7	1.1	1.2	1.5	0.8	0.7	1.1	1.4
European Union	*QoQ*	**0.3**	**0.3**	**0.4**	**0.4**	**0.2**	**0.1**	**0.2**	**0.4**
	YoY	0.6	0.8	1.1	1.4	1.2	1.0	0.8	0.8
Euro area	*QoQ*	**0.3**	**0.2**	**0.4**	**0.2**	**0.1**	**0.1**	**0.2**	**0.3**
	YoY	0.5	0.5	1.0	1.2	0.9	0.9	0.6	0.6
Germany	*QoQ*	**0.2**	**-0.3**	**0.1**	**-0.2**	**0.1**	**0.1**	**0.2**	**0.3**
	YoY	-0.1	-0.2	-0.3	-0.2	-0.3	0.1	0.1	0.6
France	*QoQ*	**0.1**	**0.3**	**0.4**	**-0.1**	**0.2**	**0.2**	**0.3**	**0.4**
	YoY	1.4	1.0	1.2	0.6	0.8	0.7	0.6	1.1
Italy	*QoQ*	**0.3**	**0.1**	**0.0**	**0.1**	**0.2**	**0.1**	**0.2**	**0.3**
	YoY	0.3	0.6	0.6	0.6	0.4	0.4	0.6	0.7
Austria	*QoQ*	**0.0**	**-0.4**	**-0.2**	**-0.4**	**0.3**	**0.2**	**0.3**	**0.4**
	YoY	-1.7	-1.7	-1.1	-0.9	-0.6	-0.1	0.4	1.2
Hungary	*QoQ*	**0.5**	**-0.2**	**-0.6**	**0.5**	**0.6**	**0.6**	**0.7**	**0.8**
	YoY	1.6	1.2	-0.7	0.1	0.3	1.1	2.5	2.8
Poland	*QoQ*	**0.8**	**1.4**	**0.1**	**1.3**	**0.7**	**0.8**	**0.8**	**0.8**
	YoY	1.7	3.8	2.0	3.7	3.5	2.9	3.7	3.1
Slovakia	*QoQ*	**0.7**	**0.3**	**0.3**	**0.5**	**0.3**	**0.3**	**0.6**	**0.6**
	YoY	2.7	2.0	1.7	1.7	1.4	1.4	1.8	1.9
Czech Republic	*QoQ*	**0.3**	**0.2**	**0.6**	**0.7**	**0.4**	**0.4**	**0.6**	**0.7**
	YoY	0.4	0.4	1.4	1.8	1.9	2.1	2.2	2.2

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

1.2 Commodity Prices

We estimate that price of **Brent crude oil** stood on average at USD 76 (*vs. USD 74*) per barrel in Q1 2025. In year-on-year terms, this represents a decline of 8.7%, or 5.6% in koruna terms.

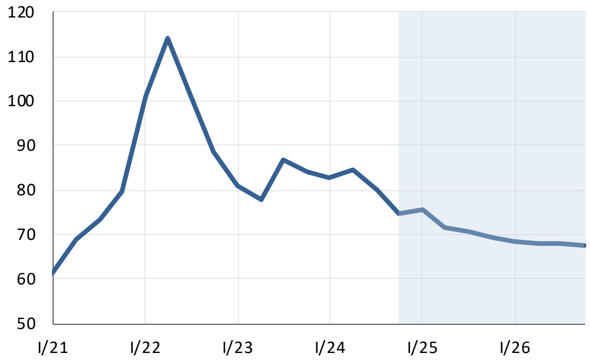
The outlook for global oil demand remains subdued, primarily due to heightened uncertainty surrounding US tariff policy and its potential impact on global economic growth. Oil supply remains constrained by production limits imposed by the Organisation of the Petroleum Exporting Countries and other coordinating countries (OPEC+), which aim to stabilise oil price. In addition to these coordinated limits, eight OPEC+ countries are also implementing voluntary production cuts. The group's strategy remains predominantly reactive at present. Further constraints on global supply have resulted from recent executive measures by the US administration, which have reduced oil exports from Iran and Venezuela. At the same time, production outside OPEC+, particularly on the American continent, is expected to increase. Geopolitical risks remain the dominant source of uncertainty. These include the ongoing war in Ukraine, the potential for further escalation in the Middle East, and possible changes in US tariff and other policies.

The futures curve for Brent crude oil remains downward-sloping, with later-dated contracts trading below near-term prices. The forecast reflects this configuration. The average price of a barrel of Brent crude oil is expected to decline by 10.9% year-on-year to USD 72 (*vs. USD 73*) in 2025. In koruna terms, the decline is expected to be at 11.6%. In 2026, the price of oil is expected to fall further, by 5.3% to USD 68 in dollar terms, and by 9.1% in koruna terms as the koruna appreciates.

Volatility in **commodity markets** remains elevated, largely due to the aforementioned geopolitical risks. In Europe, the ongoing energy transition – driven by efforts to reduce fossil and nuclear generation capacity – is contributing to upward pressure on electricity prices. At the same time, the EU emissions trading system is increasing energy price volatility and creating uncertainty about the economic viability of coal-fired generation in the years ahead. Gas prices, and consequently electricity prices, are also affected by the current design of European rules on gas storage requirements. However, the longer-term energy supply contracts and the frontloading of materials are contributing to a relative stabilisation of final commodity prices for consumers and firms.

Graph 1.2.1: Dollar Price of Brent Crude Oil

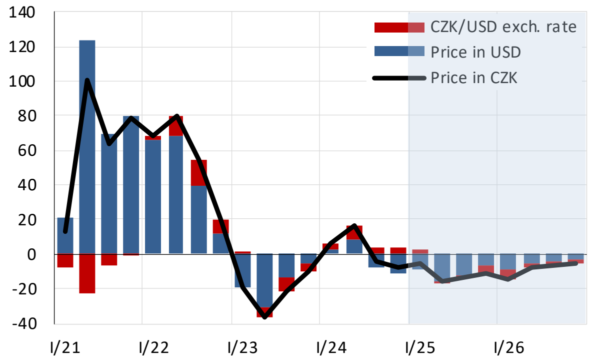
USD/barrel



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

Graph 1.2.2: Koruna Price of Brent Crude Oil

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



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

Table 1.2.1: Prices of Selected Commodities – yearly

spot prices

		2017	2018	2019	2020	2021	2022	2023	2024	2025 *Forecast*	2026 *Forecast*
Crude oil Brent	*USD/barrel*	**54.2**	**71.3**	**64.3**	**41.8**	**70.8**	**101.0**	**82.4**	**80.6**	**72**	**68**
	growth in %	24.3	31.7	-9.8	-35.0	69.3	42.7	-18.4	-2.3	-10.9	-5.3
Crude oil Brent index *(in CZK)*	*2020=100*	**130.7**	**160.7**	**152.8**	**100.0**	**159.1**	**244.3**	**189.7**	**193.7**	**171**	**156**
	growth in %	18.5	22.9	-4.9	-34.6	59.1	53.5	-22.3	2.1	-11.6	-9.1
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
						Estimate	*Forecast*	*Forecast*	*Forecast*
Crude oil Brent	*USD/barrel*	**82.9**	**84.7**	**80.0**	**74.7**	**76**	**72**	**70**	**69**
	growth in %	2.3	8.6	-7.7	-11.1	-8.7	-15.3	-12.0	-7.1
Crude oil Brent index *(in CZK)*	*2020=100*	**198.4**	**203.3**	**190.1**	**182.8**	**187**	**170**	**166**	**162**
	growth in %	6.5	16.1	-4.5	-7.9	-5.7	-16.3	-12.9	-11.5
Natural gas (Europe)	*USD/MMBtu*	**8.8**	**10.0**	**11.5**	**13.6**	**.**	**.**	**.**	**.**
	growth in %	-48.0	-11.5	6.9	0.3	.	.	.	.
Natural gas (Europe) index *(in CZK)*	*2020=100*	**271.7**	**312.4**	**354.7**	**431.2**	**.**	**.**	**.**	**.**
	growth in %	-45.9	-5.3	10.6	3.9	.	.	.	.

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

1.3 Fiscal Policy

According to CZSO data, the **general government sector** ended 2024 with a deficit of 2.2% of GDP (*vs. 2.8% of GDP*). The deficit was mainly attributable to the state budget, but health insurance companies also ran a deficit. In contrast, local governments retained a positive balance. The year-on-year improvement in the overall balance by 1,5 pp was driven by a 0,9 pp decrease in expenditure relative to GDP and a 0,6 pp increase in revenue. Adjusted for the impact of the business cycle, one-off and other temporary measures, the general government deficit improved by 0,7 pp to 1,9% of GDP (*vs. 2,1% of GDP*).

Total revenue grew by 6.8%, of which tax revenue including social security contributions increased by 7.9%. The growth in **value added tax** (2.5%) was moderated by the unification of reduced tax rates to 12% and the simultaneous shifting of some goods and services between rates. The additional value added tax revenue resulting from the increase in **excise duties** had the opposite effect. Their year-on-year evolution was positively affected by the base effect, with the reduced tax rate on diesel in force until the end of July 2023. In addition, the consolidation package increased taxation on existing tobacco products and introduced taxation on alternative tobacco products such as e-liquids. Tax revenues were dampened year-on-year by the end of the effectiveness of the extraordinary levies on excess revenues of electricity producers, which were introduced during the energy crisis. Their budgetary effect was offset by the end of the across-the-board waiver of the renewable energy levy for households and firms at the end of 2023. Last year, only energy-intensive businesses were affected. The **property tax** increase brought CZK 10 billion to public budgets.

Three groups of factors increased the taxation of labour earnings in the form of **personal income tax** (growth by 11.9%) and **social security contributions** (growth by 8.6%). In addition to the more than 6% growth in wages and salaries (see Chapter 3.3), the pace of health insurance contributions was accelerated by a CZK 12.7 billion (9.2%) increase in payments for the state insured persons. Last but not least, labour taxation revenues were affected by measures in the consolidation package, such as the reduction of the threshold for the higher statutory personal income tax rate from 48 to 36 times the average wage, the limitation of the tax credit for a spouse caring for a child up to 3 years of age and the abolition of the tax credit for placing a child in a preschool institution. The package then increased social security contributions by reintroducing sickness insurance for employees and increasing contributions for the self-employed. **Corporate income tax** revenue (6.1%) was boosted by a 2 pp increase in the tax rate, with an estimated impact of around CZK 21 billion.

The year-on-year evolution of other revenue was mainly determined by significantly lower **dividend income** from state-owned companies, as well as lower interest on loans granted under the Treasury liquidity management.

Total expenditure has been held back by the consolidation package. Growth in **final consumption expenditure** slowed to 7.3% year-on-year. Intermediate consumption maintained a high rate of 8.7%, boosted by spending on repairs to property damaged by the September 2024 floods. In contrast, **compensation of employees** slowed down, reaching a much lower pace compared to 2023. The almost 12% pace of **social transfers in kind** was driven by rising health insurance spending, enabled not only by increases in premiums and payments for state insured persons, but also by the deficit of the public health insurance system. In addition, there was an increase in the already high level of housing benefit payments.

The composition of **cash social benefits** was dominated by pension benefits, whose valorisation resulted in a 3.5% increase in pension expenditure. In terms of dynamics, however, unemployment benefits, sickness insurance benefits, care allowances and payments for the state insured persons grew in particular. Humanitarian benefits to refugees from Ukraine and emergency aid to citizens affected by the September floods also increased the volume of disbursements. All this led to an overall increase of 4.4% in social benefits.

The pace of **investment in fixed assets** slowed markedly year-on-year to 1.5%. The lower pace was driven by a 4% decline in spending by local budgets. At the central level, investment growth was driven by spending on transport infrastructure and defence. In the case of EU co-financed expenditure, the implementation of the National Recovery Plan projects and the unfolding 2021–2027 financial perspective played a role.

The measures of the consolidation package, together with the end of temporary titles approved in response to the energy crisis, represented annual savings in **subsidies** in tens of billions of CZK. **Current** (lower contributions to the EU budget) and **capital transfers** also declined.

The government's consolidation efforts and the ongoing economic recovery should be reflected in the general government outturn **in 2025** as well, when we expect the deficit to remain at last year's 2.2% of GDP (*vs. 2.3% of GDP*) despite higher spending on defence and flood recovery in September 2024. Similarly, the structural deficit is expected to remain at 1.9% of GDP (*vs. 2.0% of GDP*). **Total revenue** is expected to grow by 5%, with tax revenues, including social security contributions, growing only slightly slower.

Rising real earnings should boost household consumption and positively affect **value added tax** revenue, with an estimated growth of 5.7%. It will also reflect higher **excise taxes** on tobacco and alcohol as part of the consolidation package.

The forecast for **personal income tax** (4.5%) and **social security contributions** (6.0%) is based on expected wage and salary growth in the economy. However, for personal income tax, the dynamics is hampered by the year-on-year evolution of capital gains tax. In the area of social security contributions, the consolidation package further increases self-employment contributions with an additional impact in 2025. The automatically indexed payment for state insured persons will bring additional resources for health insurance companies.

The **corporate income tax** yield (3.6%) should be dampened by a slightly negative aggregate year-on-year impact of the recorded discretionary measures, as the declining tax yield on windfall profit tax and the deepening negative effect of the exemption on government bond yields will outweigh the additional positive effect of the 2 pp increase in the tax rate and the introduction of a top-up tax.

Among other revenues, **current** and **capital transfers** are forecast to grow significantly, reflecting the start-up of projects co-financed by the EU budget from the 2021–2027 programming period.

Total expenditure is expected to grow at a similar pace to revenue. We estimate that the pace 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 should be higher (6.3%) than last year, mainly due to salaries indexed to average wages.

The pace of **social transfers in kind** should slow to 5.5%, due to the high base year of 2024. For housing benefits, we expect the relatively higher level to be maintained, although spending could weaken slightly due to rising real earnings. The increase should thus be driven by health insurance companies´ spending, made possible by increases in social security contributions and payments for state insured persons. The year-on-year 3.7% growth rate of **intermediate consumption** is based on the 2024 level, slightly increased by spending on repairs of property damaged by the September 2024 floods, which we are considering for 2025 as well. On the other hand, the government's ongoing consolidation efforts in operating expenditure should be reflected positively.

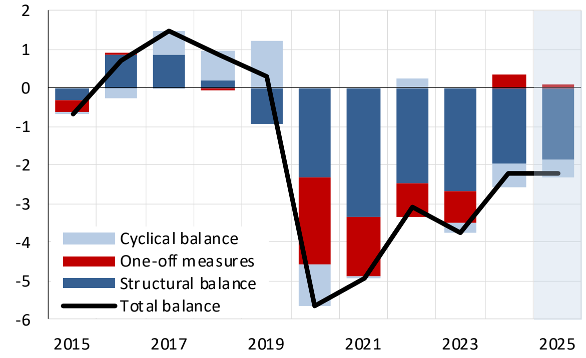
In the case of **cash social benefits,** a higher amount of funds will be allocated to the payment of pension benefits, adjusted from January 2025 on the basis of the statutory indexation formula. In addition to pensions, we expect to preserve the humanitarian benefit for persons with temporary protection, the continued payment will require a year-on-year increase of around CZK 1 billion. The additional expenditure in excess of CZK 5 billion is also linked to the adjustments to the care allowance or the increase in the parental allowance, which have been in force since last year. In the development of social security benefits, the national accounts methodology also reflects the increase in the payment for the state insured persons. As a result, cash social benefits are forecast to grow by 2.7%.

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

In terms of **subsidies**, the year-on-year increase in subsidies due to support for renewable energy sources is likely to outweigh the effect of additional savings resulting from the consolidation package. The subsidies should increase by almost 15%.

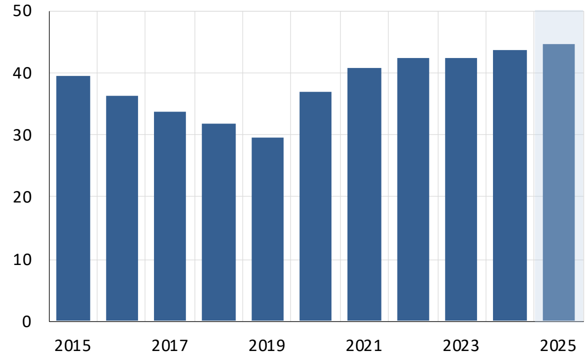
The government deficit is reflected in the level of **debt**, which has increased by more than 1 pp to 43.6% of GDP (*vs. 43.4% of GDP*) in 2024, and we expect it to rise further to 44.5% of GDP (*vs. 44.3% of GDP*) this year. This is likely to lead to a further increase in **interest expenditure** to 1.4% of GDP.

Graph 1.3.1: General Government Balance
in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

Graph 1.3.2: General Government Debt
in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

Table 1.3.1: Net Lending/Borrowing and Debt

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 *Forecast*
General government balance	*% GDP*	0.7	1.5	0.9	0.3	-5.6	-5.0	-3.1	-3.8	-2.2	-2.2
	bill. CZK	33	76	48	17	-329	-312	-216	-286	-177	-187
Cyclical balance	*% GDP*	-0.3	0.6	0.8	1.2	-1.1	-0.1	0.3	-0.3	-0.6	-0.4
Cyclically adjusted balance	*% GDP*	0.9	0.9	0.1	-0.9	-4.5	-4.9	-3.3	-3.5	-1.6	-1.8
One-off measures [1]	*% GDP*	0.1	0.0	-0.1	0.0	-2.2	-1.5	-0.8	-0.8	0.3	0.1
Structural balance	*% GDP*	0.9	0.9	0.2	-0.9	-2.3	-3.3	-2.5	-2.7	-1.9	-1.9
Fiscal effort [2]	*pp*	1.2	0.0	-0.7	-1.1	-1.4	-1.0	0.9	-0.2	0.7	0.1
Interest expenditure	*% GDP*	0.9	0.7	0.7	0.7	0.7	0.7	1.1	1.3	1.3	1.4
Primary balance	*% GDP*	1.6	2.2	1.6	1.0	-4.9	-4.2	-2.0	-2.5	-0.9	-0.9
Cyclically adjusted primary balance	*% GDP*	1.8	1.6	0.8	-0.2	-3.8	-4.1	-2.2	-2.2	-0.2	-0.4
General government debt	*% GDP*	36.2	33.8	31.7	29.6	36.9	40.7	42.5	42.5	43.6	44.5
	bill. CZK	1 755	1 750	1 735	1 740	2 150	2 567	2 998	3 234	3 492	3 738
Change in debt-to-GDP ratio	*pp*	-3.2	-2.5	-2.1	-2.1	7.3	3.8	1.8	-0.1	1.1	1.0

[1] One-off and temporary measures are such measures that have only a temporary impact on public budgets. Besides their temporary impact on overall balance, these measures are usually of non-recurring nature and very often result from the events that are beyond the direct power of the government.
[2] Change in structural balance.
Source: CZSO. Calculations and forecast of the MoF.

1.4 Monetary Policy, Financial Sector and Exchange Rates

The Czech National Bank started the monetary policy rate cut cycle in December 2023 and has since gradually reduced the **two-week repo rate** by 325 basis points in total to 3.75%. Given the outlook for inflationary pressures, we expect the two-week repo rate to continue its gradual decline for the rest of this year.

The **three-month PRIBOR rate** fell to 3.8% (*vs. 3.7%*) in Q1 2025, following a further reduction in the CNB's primary interest rates. In Q2 2025, it could fall further to 3.6% (*vs. 3.4%*), and average 3.5% (*unchanged*) for the whole of 2025. In 2026, it could reach 3.4%.

The **yield to maturity on 10-year government bonds** rose to an average of 4.2% (*vs. a decline to 3.9%*) in Q1 2025. Given the expected monetary policy settings of the CNB, the US and European central banks, as well as the inflation outlook, long-term interest rates could move along a slightly downward trajectory this year – in Q2 2025, we expect them to decrease to 4.1% (*vs. 3.8%*) and to reach this level (*vs. 3.7%*) on average for the whole of 2025. For 2026, we expect a decline to 3.7%.

The annual growth in total **loans to households** was 5.4% in Q4 2024, rising to 6.0% and 6.1% in January and February, respectively. The year-on-year growth mainly reflects the higher volume of housing loans granted against the backdrop of rising house prices and higher demand due to, among other things, falling interest rates – the average client interest rate on new mortgage loans to households stood at 5.0% in Q4 2024, falling further to 4.9% and 4.8% in January and February, respectively. The interest rate on new consumer loans reached 8.7% in the same period, and stood at 8.8% and 8.4% in January and February, respectively.

The average client interest rate on total koruna-denominated loans to households continues to rise slowly (from 3.3% in H2 2021) – in Q4 2024, as in January and February, it was 4.4%. As interest rates on new loans, particularly for housing, are still higher than the average rate on previously granted mortgage loans, despite their decline in recent quarters; and as new interest rates on mortgage refixing also remain higher than those prevailing at the time of the previous fixing.

The volume of total **household deposits** increased by 7.4% year-on-year in Q4 2024, and by 6.6% and 6.3% in January and February, respectively. Overnight deposits (savings and current accounts) are the primary source of overall growth in household deposits. By contrast, the volume of time deposits has been declining since December 2024, following relatively high growth in the previous years.

The average client interest rate on all household koruna-denominated deposits in Q4 2024 was 1.6%, having stood at 1.7% and 1.6% in January and February, respectively.

Loans to non-financial corporations rose by 5.6% year-on-year in Q4 2024, and by 4.7% and 4.0% in January and February, respectively. The year-on-year growth is increasingly reflected in higher volumes of koruna-denominated loans, while the contribution of foreign-currency-denominated loans is weakening. In February, the share of foreign-currency-denominated loans stood at 51.8% of total loans to non-financial corporations.

The average client interest rate on the total volume of koruna-denominated loans to non-financial corporations was 5.6% in Q4 2024 and 5.4% in January and February. For deposits of non-financial corporations, the rate declined from 1.9% to 1.8% and 1.7%, respectively, over the same period.

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

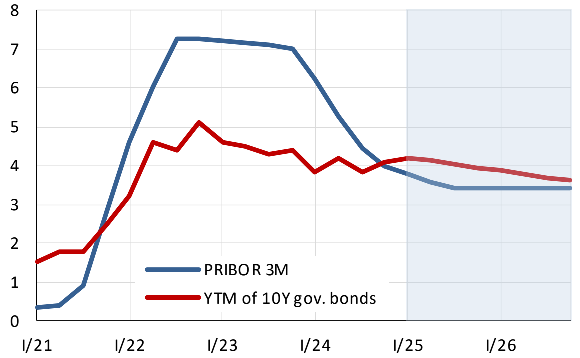
The **exchange rate of the Czech koruna against the euro** averaged CZK 25.1/EUR (*vs. CZK 25.2/EUR*) in Q1 2025, the same as it was a year ago (*vs. a 0.6% depreciation*). The stronger-than-expected koruna was helped by the fact that the current tariff-related developments in the world had not led to a more sustained depreciation of the koruna. Moreover, there was a relative improvement in European sentiment in the context of, in particular, deteriorating prospects for the US economy, news of a possible end to the war in Ukraine, and the planned large-scale fiscal expansion in Germany. All this is reflected to a greater extent in improved sentiment towards the koruna. Partially for these reasons, we are therefore forecasting an exchange rate of CZK 24.9/EUR (*vs. CZK 25.1/EUR*) for Q2 2025.

For 2025, we expect the koruna to appreciate by 0.9% (*vs. 0.2%*) on average to CZK 24.9/EUR (*vs. CZK 25.1/EUR*). The strengthening of the koruna could be driven by a recovery in the European and domestic economies combined with relatively higher domestic growth, but also by slower CNB rate cuts. On the other hand, the weakening of the koruna could be influenced by a longer-than-anticipated restrictive monetary policy of the Fed, risks associated with tariffs or the risk of a protracted economic downturn in Europe. In 2026, the koruna could strengthen further by 1.4% to CZK 24.5/EUR. We continue to expect a mild appreciation pressure on the koruna exchange rate against the euro due to economic convergence.

The expected exchange rate of the koruna against the US dollar is implied by the USD/EUR exchange rate forecast, which is based on the futures contracts prior to the input data cut-off date. For this year, we expect the USD/EUR exchange rate to be 1.08 (*vs. USD 1.05/EUR*) and for 2026 to be USD 1.11/EUR.

Graph 1.4.1: Interest Rates

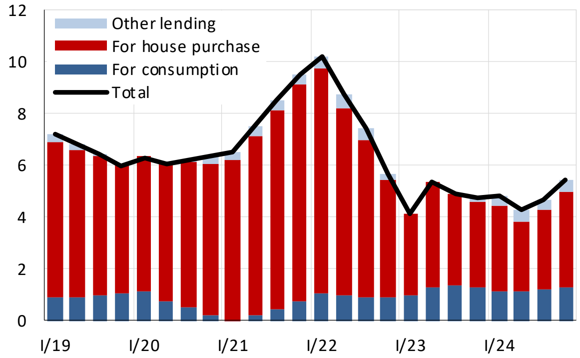
in % p.a.



Source: CNB. Calculations and forecast of the MoF.

Graph 1.4.2: Loans to Households

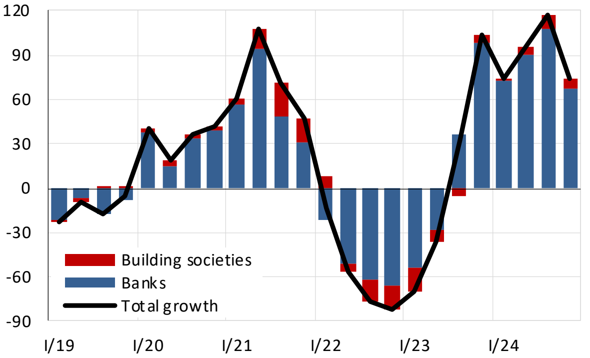
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.3: New Mortgage Loans

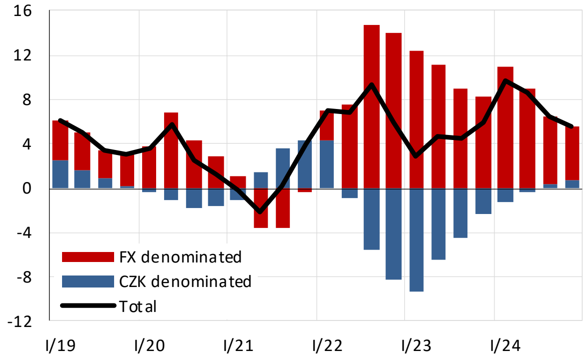
for purchase of residential property, YoY growth in %, contributions in pp



Source: CNB. Calculations of the MoF.

Graph 1.4.4: Loans to Non-financial Corporations

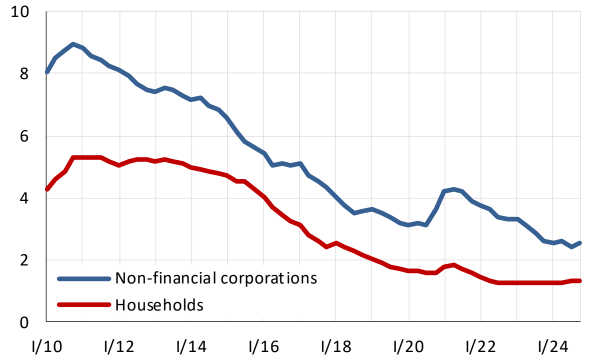
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.5: Non-performing Loans

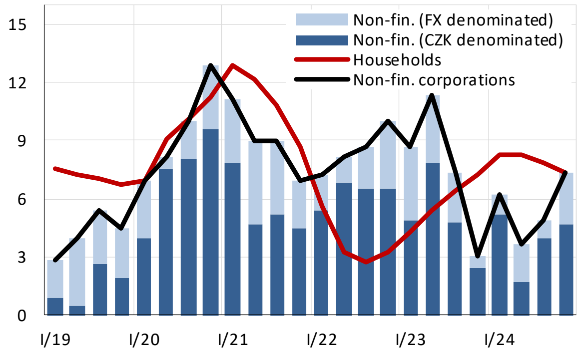
ratio of non-performing to total loans, in%



Source: CNB. Calculations of the MoF.

Graph 1.4.6: Deposits

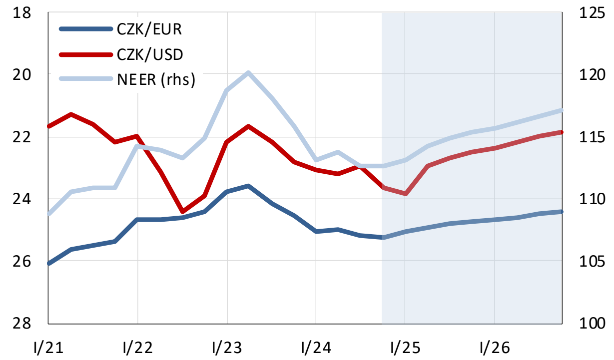
YoY growth rate in%, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.7: Nominal Exchange Rates

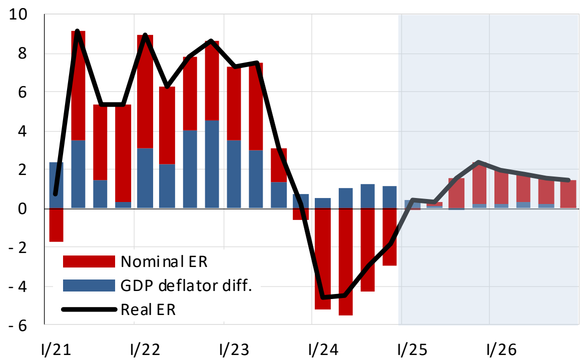
quarterly averages, average 2015=100 (rhs)



Source: CNB. Calculations and forecast of the MoF.

Graph 1.4.8: Real Exchange Rate to the Eurozone

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



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

Table 1.4.1: Interest Rates – yearly

average of period, unless stated otherwise

		2017	2018	2019	2020	2021	2022	2023	2024	2025 *Forecast*	2026 *Forecast*
Repo 2W rate CNB (*end of period*)	*in % p.a.*	0.50	1.75	2.00	0.25	3.75	7.00	6.75	4.00	.	.
Deposit facility ECB (*end of period*)	*in % p.a.*	-0.40	-0.40	-0.50	-0.50	-0.50	2.00	4.00	3.00	.	.
Federal funds rate (*end of period*)	*in % p.a.*	1.50	2.50	1.75	0.25	0.25	4.50	5.50	4.50	.	.
PRIBOR 3M	*in % p.a.*	0.41	1.27	2.12	0.86	1.13	6.29	7.12	4.98	3.5	3.4
YTM of 10Y government bonds	*in % p.a.*	0.98	1.98	1.55	1.13	1.90	4.33	4.44	3.98	4.1	3.7
Client interest rates											
Loans to households	*in % p.a.*	4.10	3.76	3.66	3.53	3.31	3.42	3.85	4.26	.	.
Loans to non-financial corporations	*in % p.a.*	2.57	3.05	3.75	2.96	2.86	6.42	7.39	6.31	.	.
Deposits of households	*in % p.a.*	0.36	0.33	0.39	0.35	0.26	1.13	2.10	1.94	.	.
Deposits of non-financial corporations	*in % p.a.*	0.05	0.11	0.37	0.20	0.11	1.96	3.29	2.48	.	.

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 *Forecast*	Q3 *Forecast*	Q4 *Forecast*
Repo 2W rate CNB (*end of period*)	*in % p.a.*	5.75	4.75	4.25	4.00	3.75	.	.	.
Deposit facility ECB (*end of period*)	*in % p.a.*	4.00	3.75	3.50	3.00	2.50	.	.	.
Federal funds rate (*end of period*)	*in % p.a.*	5.50	5.50	5.00	4.50	4.50	.	.	.
PRIBOR 3M	*in % p.a.*	6.23	5.25	4.44	4.00	3.79	3.6	3.4	3.4
YTM of 10Y government bonds	*in % p.a.*	3.82	4.19	3.83	4.07	4.17	4.1	4.1	4.0
Client interest rates									
Loans to households	*in % p.a.*	4.13	4.22	4.31	4.38	.	.	.	.
Loans to non-financial corporations	*in % p.a.*	7.13	6.52	5.98	5.60	.	.	.	.
Deposits of households	*in % p.a.*	2.29	2.10	1.78	1.59	.	.	.	.
Deposits of non-financial corporations	*in % p.a.*	3.07	2.71	2.22	1.90	.	.	.	.

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

Table 1.4.3: Loans and Deposits – yearly averages

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Households											
Loans	*growth in %*	**4.8**	**7.2**	**7.8**	**7.6**	**6.6**	**6.3**	**8.0**	**8.0**	**4.8**	**4.8**
For consumption	*growth in %*	3.4	6.0	4.3	5.4	6.4	4.4	2.6	7.0	9.0	8.5
For house purchase	*growth in %*	5.6	8.1	9.0	8.5	7.4	7.3	9.5	8.5	4.5	4.1
Other lending	*growth in %*	1.0	3.0	4.2	4.3	1.1	0.9	4.2	4.5	0.3	5.3
CZK denominated	*growth in %*	4.7	7.2	7.7	7.6	6.6	6.3	8.0	7.9	4.7	4.8
FX denominated	*growth in %*	12.7	8.5	36.3	1.7	9.0	6.1	16.9	43.4	26.7	11.4
Deposits	*growth in %*	**4.8**	**7.0**	**8.7**	**7.0**	**7.2**	**9.4**	**11.1**	**3.7**	**5.9**	**7.9**
CZK denominated	*growth in %*	4.1	6.9	9.7	7.1	6.9	9.2	10.9	3.2	5.2	8.3
FX denominated	*growth in %*	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)*	*share, in %*	**4.5**	**3.6**	**2.7**	**2.4**	**1.9**	**1.6**	**1.7**	**1.3**	**1.3**	**1.3**
Loans to deposits ratio	*in %*	**63**	**63**	**63**	**63**	**63**	**61**	**59**	**62**	**61**	**59**
Non-financial corporations											
Loans	*growth in %*	**6.5**	**6.6**	**5.0**	**4.2**	**4.3**	**3.2**	**0.5**	**7.2**	**4.5**	**7.5**
CZK denominated	*growth in %*	5.9	2.8	-1.4	3.0	1.9	-1.8	3.2	-4.0	-9.4	-0.2
FX denominated	*growth in %*	9.0	20.5	24.4	6.9	10.0	14.0	-4.6	29.6	25.1	15.9
Deposits	*growth in %*	**10.3**	**4.6**	**7.8**	**3.0**	**4.2**	**9.5**	**9.0**	**8.5**	**7.5**	**5.5**
CZK denominated	*growth in %*	6.7	4.5	13.9	2.1	1.9	9.4	7.1	8.3	6.6	5.2
FX denominated	*growth in %*	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)*	*share, in %*	**6.0**	**5.2**	**4.7**	**3.7**	**3.4**	**3.3**	**4.2**	**3.5**	**3.0**	**2.5**
Loans to deposits ratio	*in %*	**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 averages

		2023				2024			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Households									
Loans	*growth in %*	**4.1**	**5.3**	**4.9**	**4.8**	**4.9**	**4.3**	**4.7**	**5.4**
For consumption	*growth in %*	7.1	9.7	10.0	9.2	8.3	8.0	8.4	9.1
For house purchase	*growth in %*	4.1	5.2	4.5	4.3	4.2	3.5	3.9	4.8
Other lending	*growth in %*	-0.6	-0.3	0.0	2.0	5.2	5.3	5.5	5.3
CZK denominated	*growth in %*	4.0	5.3	4.9	4.7	4.8	4.3	4.7	5.4
FX denominated	*growth in %*	46.5	32.7	16.3	17.6	19.2	10.0	9.6	7.6
Deposits	*growth in %*	**4.3**	**5.4**	**6.5**	**7.3**	**8.2**	**8.3**	**7.9**	**7.4**
CZK denominated	*growth in %*	3.4	4.6	5.9	7.0	8.4	8.7	8.3	7.8
FX denominated	*growth in %*	26.7	23.4	18.8	13.9	5.6	0.2	-1.2	-2.1
Non-performing loans *(banking statistics)*	*share, in %*	**1.2**	**1.2**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**
Loans to deposits ratio	*in %*	**62**	**61**	**61**	**61**	**60**	**59**	**59**	**60**
Non-financial corporations									
Loans	*growth in %*	**2.9**	**4.6**	**4.5**	**6.0**	**9.7**	**8.7**	**6.4**	**5.6**
CZK denominated	*growth in %*	-14.4	-10.5	-7.7	-4.3	-2.3	-0.6	0.6	1.4
FX denominated	*growth in %*	35.2	29.0	20.9	18.5	23.8	19.1	12.4	9.8
Deposits	*growth in %*	**8.7**	**11.4**	**7.3**	**3.0**	**6.2**	**3.6**	**4.9**	**7.3**
CZK denominated	*growth in %*	6.5	10.3	6.3	3.2	7.0	2.2	5.3	6.2
FX denominated	*growth in %*	15.9	14.8	10.5	2.4	3.8	8.1	3.6	10.6
Non-performing loans *(banking statistics)*	*share, in %*	**3.3**	**3.1**	**2.8**	**2.6**	**2.6**	**2.6**	**2.4**	**2.5**
Loans to deposits ratio	*in %*	**88**	**86**	**90**	**92**	**91**	**90**	**91**	**90**

Note: All indicators, except for the share of non-performing loans, are from the monetary statistics.
Source: CNB, ECB. Calculations of the MoF.

Table 1.4.5: Exchange Rates – yearly

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	*Forecast*	*Outlook*	*Outlook*
Nominal exchange rates											
CZK/EUR	*average*	**25.67**	**26.44**	**25.65**	**24.57**	**24.01**	**25.12**	**24.9**	**24.5**	**24.2**	**23.8**
	appreciation in %	-0.1	-2.9	3.1	4.4	2.3	-4.4	0.9	1.4	1.6	1.6
CZK/USD	*average*	**22.94**	**23.20**	**21.68**	**23.36**	**22.21**	**23.21**	**23.0**	**22.1**	**21.4**	**20.8**
	appreciation in %	-5.2	-1.1	7.0	-7.2	5.2	-4.3	0.9	4.1	3.1	2.9
NEER	*average of 2015=100*	**108.8**	**106.7**	**110.4**	**114.8**	**118.3**	**113.2**	**114**	**116**	**118**	**120**
	appreciation in %	-0.3	-1.9	3.4	4.0	3.0	-4.3	1.1	1.7	1.7	1.7
Real exchange rate to EA19 [1]	*average of 2015=100*	**111.1**	**110.7**	**116.3**	**125.5**	**131.1**	**126.6**	**128**	**130**	**133**	**135**
	appreciation in %	2.0	-0.4	5.1	7.9	4.5	-3.4	1.2	1.7	1.8	1.6
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*	*Forecast*	*Forecast*
Nominal exchange rates									
CZK/EUR	*average*	**25.07**	**24.96**	**25.20**	**25.25**	**25.08**	**24.9**	**24.8**	**24.7**
	appreciation in %	-5.1	-5.5	-4.2	-2.9	0.0	0.2	1.6	2.1
CZK/USD	*average*	**23.09**	**23.18**	**22.94**	**23.64**	**23.84**	**22.9**	**22.7**	**22.5**
	appreciation in %	-4.0	-6.5	-3.3	-3.5	-3.2	1.1	1.1	5.0
NEER	*average of 2015=100*	**113.2**	**113.8**	**112.7**	**112.6**	**113**	**114**	**115**	**115**
	appreciation in %	-4.7	-5.2	-4.6	-2.8	0.0	0.4	2.0	2.4
Real exchange rate to EA19 [1]	*average of 2015=100*	**126.5**	**127.7**	**126.7**	**125.5**	**127**	**128**	**129**	**128**
	appreciation in %	-4.6	-4.4	-3.0	-1.8	0.4	0.3	1.6	2.4
REER [2]	*average of 2015=100*	**134.0**	**134.3**	**133.2**	**132.1**	**.**	**.**	**.**	**.**
	appreciation in %	-5.0	-5.4	-4.6	-2.6	.	.	.	.

[1] *Deflated by GDP deflators.*
[2] *Eurostat calculations, deflated by CPI, versus 42 countries.*
Source: CNB, Eurostat. Calculations and forecast of the MoF.

1.5 Demographic Trends

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

From January to September of the previous year, 64.2 thousand children were **born** alive, year-on-year decrease of 5.9 thousand, or 8.4%. The number of children born in the first to third quarters of 2024 was the lowest for that part of the year since 1992.

The number of **deaths** (111.9 thousand) in 2024 decreased by 0.9 thousand year-on-year, but was 0.8 thousand higher compared to the 2015–2019 average.

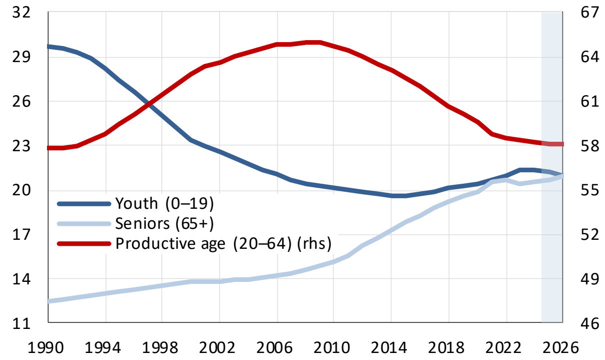
The **balance of foreign migration** in the first to third quarters of 2024 was overall positive, but it decreased by 59.3 thousand, or 79.8% year-on-year. A total of 98.5 thousand people immigrated to the Czech Republic, marking a year-on-year decrease of 14.2 thousand. Despite this decline, the number of immigrants was more than double the average for the first three quarters 2017–2021. Meanwhile, 83.5 thousand people emigrated from the Czech Republic, an increase of 45.2 thousand compared to the previous year.

The future intensity of migration flows related to the war in Ukraine remains uncertain. However, we expect some refugees to return to Ukraine, while immigration from that country will likely remain elevated. We therefore keep the migration balance according to the demographic projection of the CZSO.

At the end of 2024, the Czech Social Security Administration registered 2.367 million **old-age pensioners**, representing 21.7% of the Czech population. After more than a year, the number of old-age pensioners decreased year-on-year by 4.4 thousand, or 0.2%. This decline was partially offset by early retirements, which saw a year-on-year increase of 29.9 thousand, though the growth rate slowed following recent tightening of the rules.

Graph 1.5.1: Age Groups

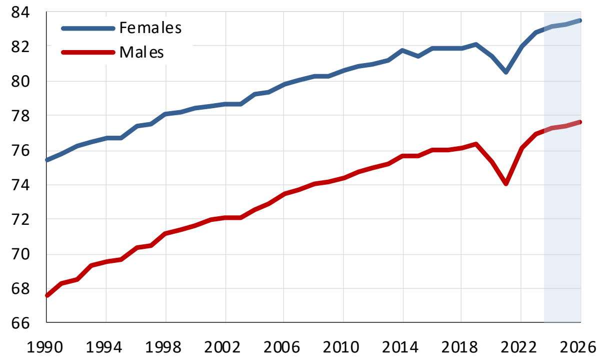
as of 1 January of the given year, shares in total population, in %



Source: CZSO. Calculations of the MoF.

Graph 1.5.2: Life Expectancy at Birth

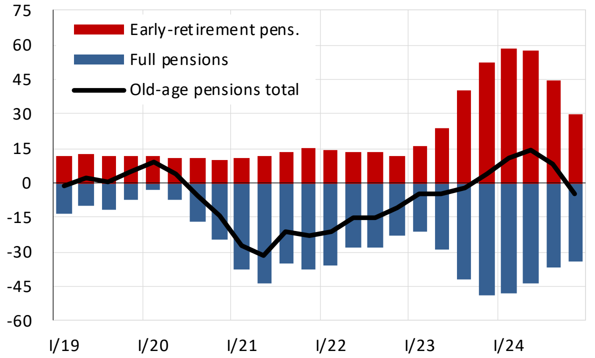
in years



Source: CZSO.

Graph 1.5.3: Old-Age Pensioners

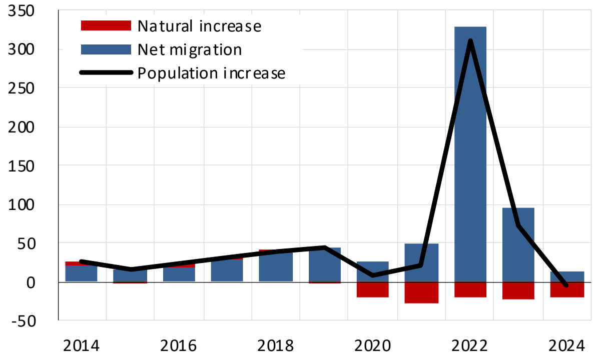
absolute increase over a year in thousands of persons



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

Graph 1.5.4: Population Change

in thousands of persons, 2024 only Q1–Q3



Source: CZSO.

Table 1.5.1: Demographics

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
							Estimate	*Forecast*	*Forecast*	*Outlook*	*Outlook*
Population (as of 1 January)	*thous. persons*	**10 650**	**10 694**	**10 495**	**10 517**	**10 828**	**10 901**	**10 906**	**10 853**	**10 796**	**10 735**
	growth in %	0.4	0.4	-1.9	0.2	3.0	0.7	0.0	-0.5	-0.5	-0.6
0–19 years	*thous. persons*	2 160	2 188	2 171	2 197	2 307	2 321	2 307	2 270	2 229	2 182
	growth in %	1.3	1.3	-0.8	1.2	5.0	0.6	-0.6	-1.6	-1.8	-2.1
20–64 years	*thous. persons*	6 403	6 374	6 172	6 151	6 312	6 342	6 342	6 311	6 279	6 249
	growth in %	-0.5	-0.4	-3.2	-0.3	2.6	0.5	0.0	-0.5	-0.5	-0.5
65 and more years	*thous. persons*	2 087	2 132	2 152	2 169	2 208	2 237	2 256	2 272	2 288	2 304
	growth in %	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]	*thous. persons*	**2 410**	**2 415**	**2 400**	**2 378**	**2 367**	**2 371**	**2 367**	**2 363**	**2 359**	**2 359**
	growth in %	0.3	0.2	-0.6	-0.9	-0.4	0.2	-0.2	-0.2	-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	38.5	38.5	38.5
Effective [4]	*%*	44.6	45.0	45.9	44.7	44.2	43.9	43.7	43.6	43.5	43.6
Fertility rate	*children*	**1.709**	**1.707**	**1.827**	**1.618**	**1.453**	**1.50**	**1.50**	**1.50**	**1.50**	**1.50**
Population increase	*thous. persons*	**44**	**8**	**22**	**311**	**73**	**5**	**-53**	**-57**	**-61**	**3**
Natural increase	*thous. persons*	**0**	**-19**	**-28**	**-19**	**-22**	**-19**	**-22**	**-26**	**-29**	**-32**
Live births	*thous. persons*	112	110	112	101	91	93	91	88	86	85
Deaths	*thous. persons*	112	129	140	120	113	112	113	114	115	117
Net migration	*thous. persons*	**44**	**27**	**50**	**330**	**95**	**24**	**-31**	**-31**	**-32**	**35**
Immigration	*thous. persons*	66	56	69	350	141	.	.	.	.	.
Emigration	*thous. persons*	21	29	19	20	47	.	.	.	.	.
Census difference	*thous. persons*	**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 chapters, the prediction is based on the following assumptions:

– the significant reduction of oil and gas imports from Russia to the EU will remain replaced by a combination of supplies from other countries (including liquefied natural gas), energy savings and alternative technologies;

– neither the ongoing war in Ukraine nor the tensions in the Middle East will lead to a sustained increase in commodity prices on world markets;

– over the forecast horizon, supply chains will operate without major problems and, as a result, there will be no renewed upward pressure on the price level;

– tariffs are imposed on automobiles and their components, announced on 26 March 2025, and on steel and aluminium, with reciprocal measures to be imposed by the EU;

– except for the changes included in the consolidation package and accompanying consolidation measures, the rates and bases of other major taxes and compulsory levies will remain unchanged;

– the minimum wage and the lowest levels of guaranteed pay in the public sector will rise faster than the average nominal wage, with the minimum wage gradually approaching 47% of the average wage.

2 Economic Cycle

2.1 Position within the Economic Cycle

The **output gap** was deep in negative territory during last year. It should gradually close over the forecast horizon (Graph 2.1.1), but the economy is likely to remain below its potential level until the end of next year.

Potential output growth slowed to 1.3% (*vs. 1.4%*) last year due to weaker factor contributions from both labour and capital. We expect similar dynamics over the forecast horizon, with growth of 1.2% (*vs. 1.4%*) this year and 1.5% in 2026.

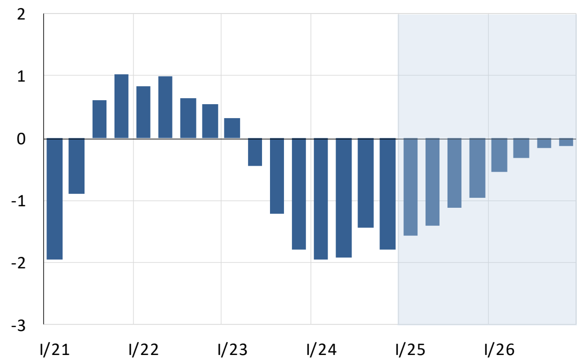
The trend component of **total factor productivity** was an important determinant of potential growth during the pre-pandemic boom, but has been virtually neutral in recent years. In 2025 and 2026, it could support potential output dynamics to the extent of 0.6 pp (*vs. 0.3 pp*) and 1.1 pp, respectively.

In previous years, the **capital stock** had been the driver of potential growth due to a recovery in investment activity. Given the forecast evolution of gross fixed capital formation and depreciation, the contribution of this factor could fall to 0.5 pp (*vs. 0.6 pp*) this year and further to 0.4 pp in 2026.

The **population aged 15 and over** has contributed positively to overall potential growth in recent years, with the arrival of refugees from Ukraine playing a significant role. However, over the forecast horizon, the contribution of the population 15+ will be negligible. The effect of **employment rate** in the 15+ age group was slightly negative last year, mainly due to a slight increase in the unemployment rate and weak employment growth in the national accounts methodology. The long-run increase in the statutory retirement age is working in the opposite direction. The **average number of hours worked** per worker has shown a downward trend over the long term (Graph 2.1.4), but continues to increase after a temporary dip during the pandemic. In aggregate, the **labour factor** could support potential growth of 0.2 pp (*vs. −0.1 pp*) in 2025, and should be neutral next year.

Graph 2.1.1: Output Gap

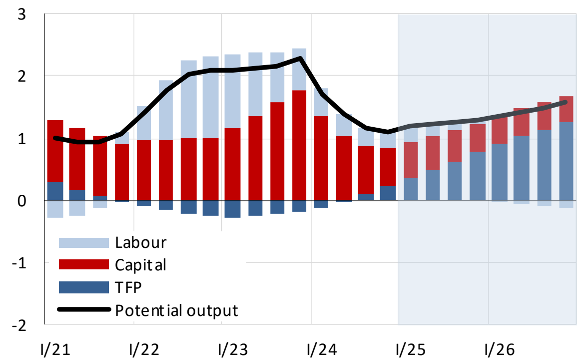
in % of potential product



Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.2: Potential Output

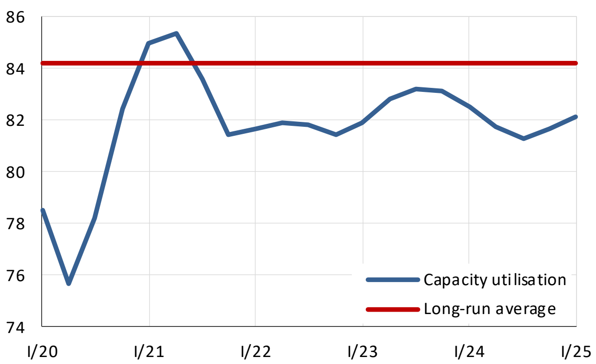
YoY growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.3: Capacity Utilisation in Industry

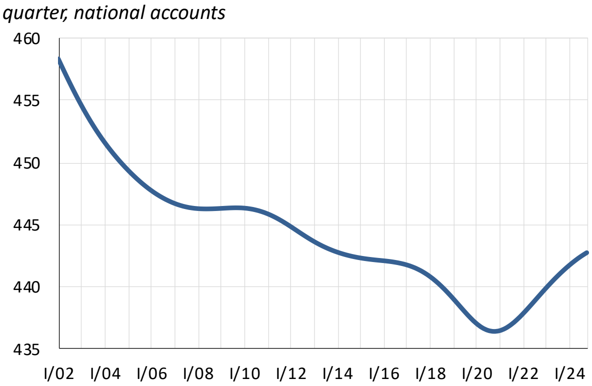
smoothed by centred moving average over 5 quarters, in %



Source: CZSO. Calculations of the MoF.

Graph 2.1.4: Average Number of Hours Worked

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



Source: CZSO. Calculations of the MoF.

Table 2.1.1: Output Gap and Potential Product

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	*Forecast*	*Outlook*	*Outlook*
Output gap	*%*	**3.5**	**-3.1**	**-0.3**	**0.8**	**-0.8**	**-1.8**	**-1.2**	**-0.3**	**0.4**	**1.0**
Potential product	*growth in %*	**2.3**	**1.4**	**1.0**	**1.8**	**2.2**	**1.3**	**1.2**	**1.5**	**1.8**	**2.1**
Contributions											
Trend total factor productivity	*pp*	1.2	0.6	0.1	-0.2	-0.2	0.1	0.6	1.1	1.5	1.6
Fixed assets	*pp*	1.2	1.5	0.5	1.3	1.4	1.0	0.5	0.4	0.4	0.5
Population 15+	*pp*	0.1	0.1	-0.1	1.1	0.8	0.3	0.1	-0.1	-0.1	0.0
Employment rate	*pp*	0.0	-0.8	0.5	-0.7	-0.1	-0.2	-0.1	0.1	0.0	-0.1
Average hours worked	*pp*	-0.2	-0.1	-0.1	0.3	0.2	0.2	0.1	0.0	0.0	0.0

Source: CZSO. Calculations and forecast of the MoF.

2.2 Business Cycle Indicators

The development of confidence indicators in Q1 2025 points to a persistent year-on-year decline in gross value added in industry. In the trade and services sectors, confidence increased on a year-on-year basis. The growth in gross value added is also signalled by positive sentiment developments in the construction sector. However, the correlation between the development of confidence and gross value added in the construction sector is very low.

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

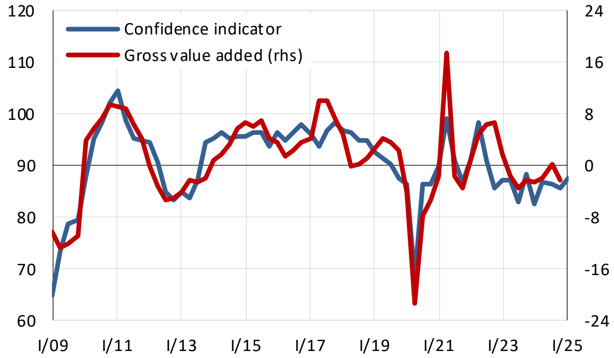
The CZSO's consumer confidence indicator weakened in Q1 2025 compared with the previous quarter. Its development for Q2 2025 (the confidence indicator is one quarter ahead) suggests that growth in household final consumption expenditure will continue, albeit at a slower pace. A similar development of household consumption is also indicated by the consumer confidence indicator compiled by the MoF from sub-questions of the European Commission's consumer survey. Pessimism has increased slightly among households, stemming from a significantly negative assessment of the expected economic situation, partly related to geopolitical tensions and uncertainties surrounding the US administration's measures.

As a result, the aggregate confidence indicator for Q1 2025 points to moderate quarter-on-quarter and year-on-year growth in total GVA.

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

Graph 2.2.1: Confidence and GVA in Industry

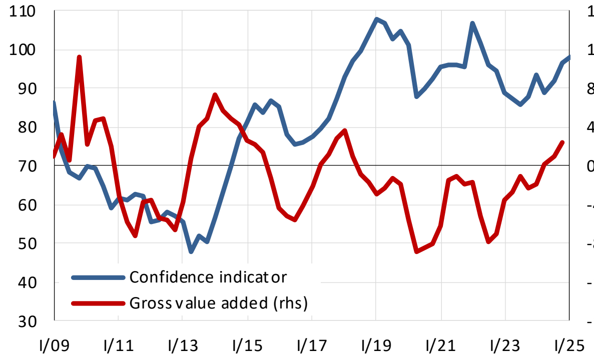
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.2: Confidence and GVA in Construction

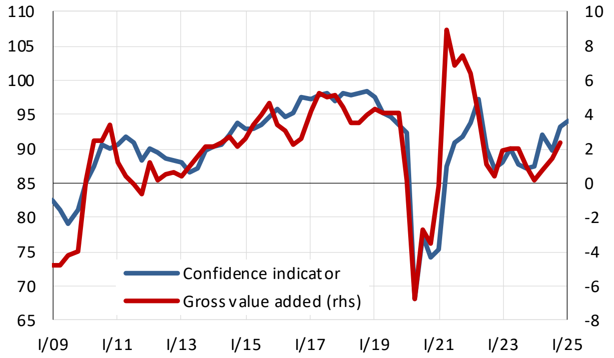
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.3: Confidence and GVA in Trade and Services

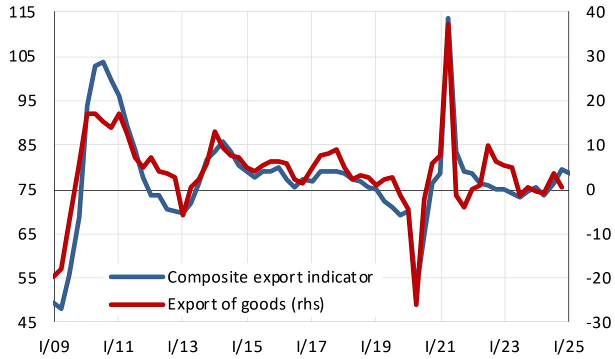
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO. Calculations of the MoF.

Graph 2.2.4: Composite Export Indicator

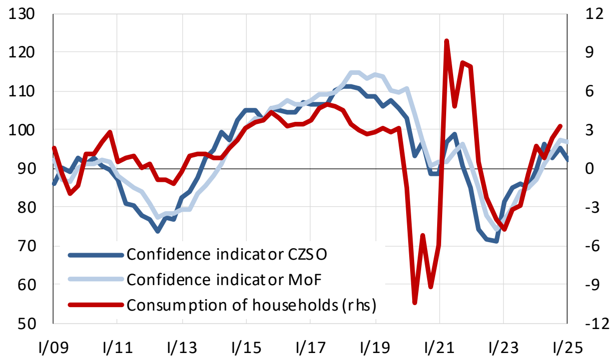
2010=100 (lhs), YoY growth in % (rhs)



Source: CESifo, CZSO. Calculations of the MoF.

Graph 2.2.5: Consumer Confidence and Consumption

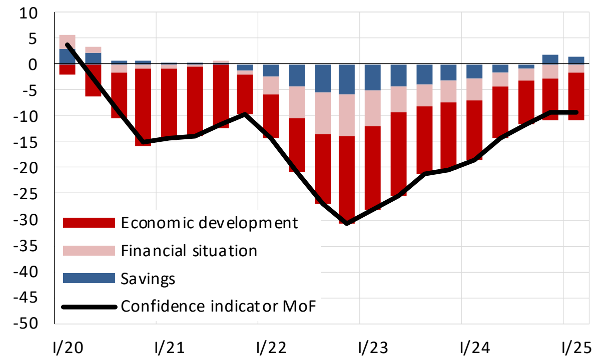
2005=100 (lhs), YoY growth in % (rhs)



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

Graph 2.2.6: Decomposition of Consumer Sentiment

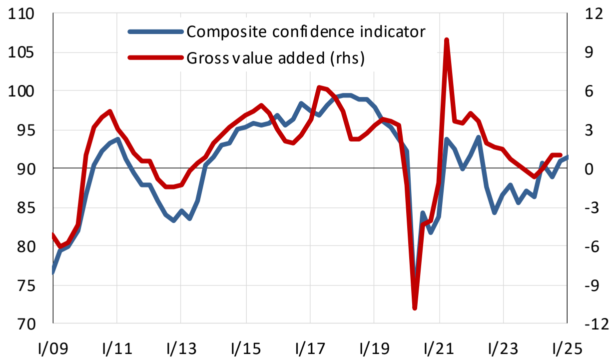
consumer confidence indicator of the MoF, balance, contributions



Source: European Commission. Calculations of the MoF.

Graph 2.2.7: Composite Confidence Indicator and GVA

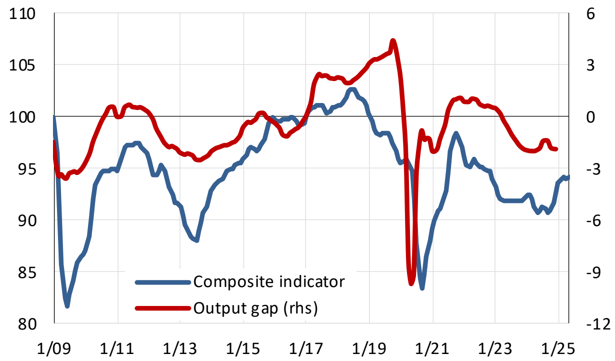
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.8: Composite Leading Indicator

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



Source: CZSO. Calculations of the MoF.

3 Forecast of Macroeconomic Developments in the CR

3.1 Economic Output

The Czech economy grew by 1.8% (*vs. 1.5%*) year-on-year in **Q4 2024**, with seasonally adjusted **GDP** increasing by 0.7% (*vs. 0.4%*) compared to the previous quarter. Economic activity was boosted most by the trade, transport, accommodation and hospitality sectors, while manufacturing activity was subdued. GDP growth in Q3 2024 has been revised up slightly as part of the data revision.

Household consumption was 3.2% (*vs. 2.0%*) higher year-on-year in Q4, thanks to a rise in real disposable income and a decline in the savings rate. Household spending on non-durable goods and services increased significantly, while purchases of medium- and long-term items were almost flat. Consumption expenditure by residents abroad increased by 9% year-on-year.

Government consumption was up 3.0% (*vs. 3.9%*) year-on-year, but revised the other quarters of last year. The momentum was driven by contributory organisations or the Railways Authority within central government, while for local government it was mainly public hospitals.

Gross fixed capital formation fell by 0.9% (*vs. growth of 3.2%*) year-on-year. Investment activity was boosted by investment in transport equipment and other buildings and structures, while the decline in investment in the category other machinery and equipment worked in the opposite direction. From a sectoral perspective, investment activity by firms and government weakened. Public investment from domestic sources increased slightly year-on-year, investment co-financed by EU funds declined.

The **change in inventories** and valuables added 1.2 pp (*vs. −0.1 pp*) to economic growth, with gross capital formation rising by 2.8% (*vs. 2.6%*) year-on-year. Although inventories were drawn down towards the end of the year, the year-on-year decline in inventories moderated, probably due to higher demand for manufacturing inputs on concerns about component supply shortages and uncertainties surrounding future measures by the new US administration.

The balance of **foreign trade** took 1.2 pp (*vs. 1.0 pp*) off economic growth. While exports of goods and services rose by 1.5% (*vs. 2.8%*) year-on-year, imports increased by 3.3% (*vs. 4.6%*). Exports to the euro area weakened, but exports to other regions rose. Imports increased mainly due to higher household consumption. In addition to weaker export dynamics, weak domestic investment demand also had an opposite effect.

The economy returned to growth last year, with GDP **growing by 1.1%** (*in line with the estimate*) for the full year **2024**. The recovery in economic activity is expected to continue this year due to stronger growth in household consumption. Investment activity will be driven by public investment, where we expect an acceleration of the current financial perspective of the EU Structural and Investment Funds, in addition to investments from the Recovery and Resilience Facility. Private investment activity should remain subdued. Renewed stock accumulation should also contribute positively to economic growth. At the same time, stronger domestic demand will support an increase in imports, and the external trade balance will thus have a negative impact on economic growth over the forecast horizon. Thus, real GDP could increase by **2.0%** (*vs. 2.3%*) **in 2025**, and accelerate to **2.4% in 2026** on the back of stronger investment momentum.

Household final consumption expenditure grew by 2.2% (*vs. 1.8%*), in 2024 supported by an increase in real disposable income, with the restrictive monetary policy and, to some extent, the consolidation package working in the opposite direction. We estimate a slight increase in household consumption in Q1, following the January development of sales in services and retail trade. Dynamic wage and salary growth (see Chapter 3.3) and low inflation (see Chapter 3.2) will have a positive impact on real disposable income growth. In addition to a slight decline in interest rates, we expect a gradual increase in households' willingness to spend, but the savings rate should still fall more noticeably next year and remain at historically high levels throughout the forecast horizon. Thus, real household consumption could rise by 3.6% (*vs. 3.4%*) this year and by 3.2% in 2026.

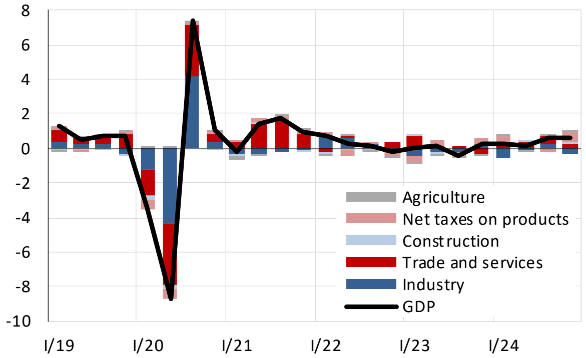
General government consumption increased by 3.3% (*vs. 3.8%*) in 2024. In addition to fiscal consolidation, its growth was also dampened by the transition to the new financial perspective 2021–2027, but was somewhat offset by a surge in current spending from other EU instruments, notably the Recovery and Resilience Facility. Government consumption in the final phase of last year also reflected spending on flood damage recovery. Continued consolidation should also be reflected this year, with real government consumption expenditure likely to increase by 2.0% (*vs. 1.8%*).

Gross fixed capital formation is set to fall by 1.2% (*vs. 0.1%*) in 2024 as a result of persistent problems in the euro area countries and lower capacity utilization in industry. These factors, compounded by uncertainties in the economic and foreign policy of the new US administration, should continue to guide private investment this year. On the other hand, the growth in government investment spending this year, supported by EU funding from the Recovery and Resilience Facility or conventional EU funds, should be positive. The planned multi-year investment by onsemi in chip production will also have a positive impact. Thus, gross fixed capital formation may increase by 0.7% (*vs. 2.8%*) in 2025. In 2026, its growth could accelerate to 3.1% thanks to the economic recovery in the euro area.

Over the forecast horizon, we assume that the extent of stock accumulation will be at the values usual for that phase of the business cycle. The **change in inventories** will thus have a positive effect on GDP growth. As a result, gross capital formation could increase by 3.4% (*vs. 6.2%*) this year and by 3.9% in 2026.

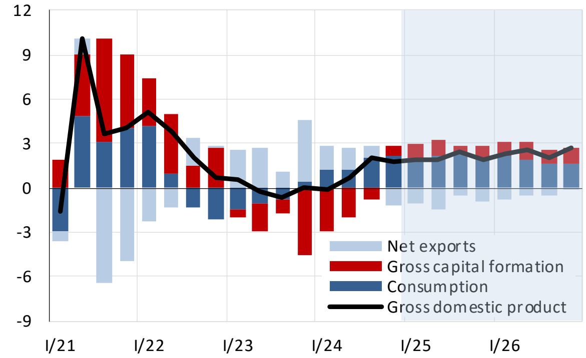
Exports of goods and services are expected to grow by 1.6% (*vs. 2.9%*) this year. The growth momentum will be limited by a decline in export performance due to deteriorating industrial conditions (see Chapter 3.4) and the US administration's planned tariff measures in the automotive sector. The projected acceleration of export growth to 3.5% in 2026 reflects a recovery in external demand. The dynamism of exports and domestic demand, especially import-intensive investment, is then reflected in the pace of **imports of goods and services**, which could rise by 3.4% (*vs. 5.3%*) in 2025. The acceleration to 4.6% in 2026 reflects the continued recovery in domestic and external demand. Imports will then increase in both years to support onsemi's above-mentioned investment.

Graph 3.1.1: Resources of Gross Domestic Product
QoQ growth rate of real GDP in %, contrib. in pp, season. adjusted



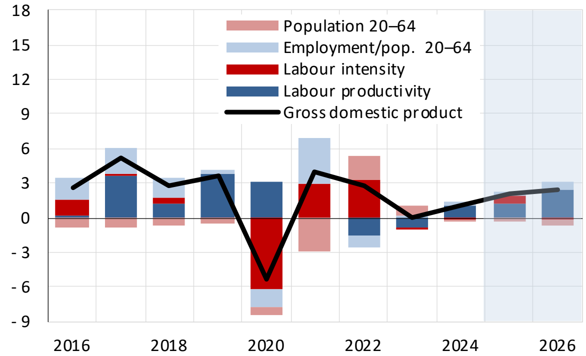
Source: CZSO. Calculations of the MoF.

Graph 3.1.2: GDP by Type of Expenditure
YoY growth rate of real GDP in %, contributions in pp



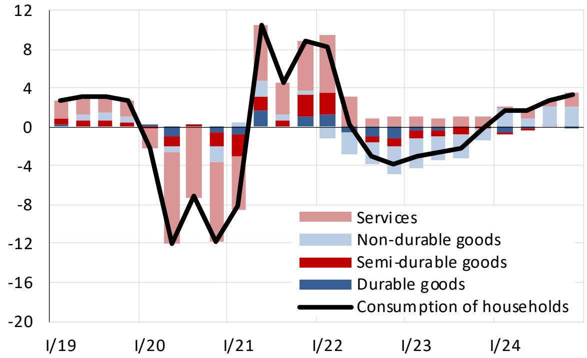
Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.3: Real Gross Domestic Product
growth in %, contributions in percentage points



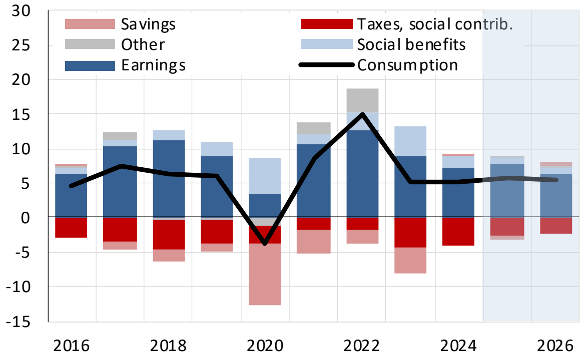
Note: Labour intensity gauges the number of hours worked per worker.
Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.4: Real Consumption of Households
domestic concept, YoY growth rate in %, contributions in pp



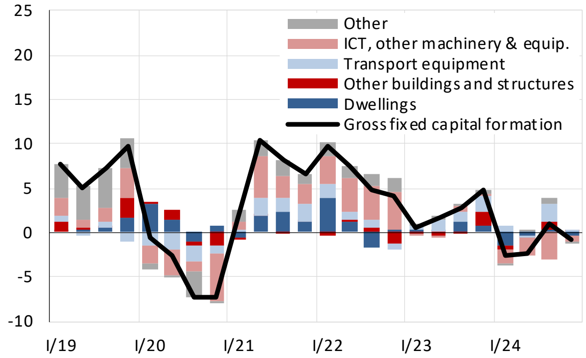
Source: CZSO. Calculations of the MoF.

Graph 3.1.5: Nominal Consumption of Households
national concept, YoY growth rate in %, contributions in pp



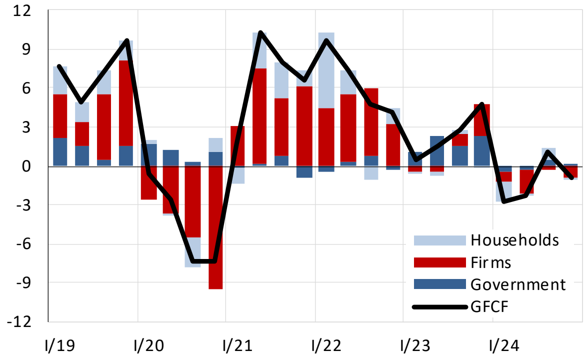
Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.6: Investment by Type of Expenditure
YoY growth rate of real GFCF in %, contributions in pp



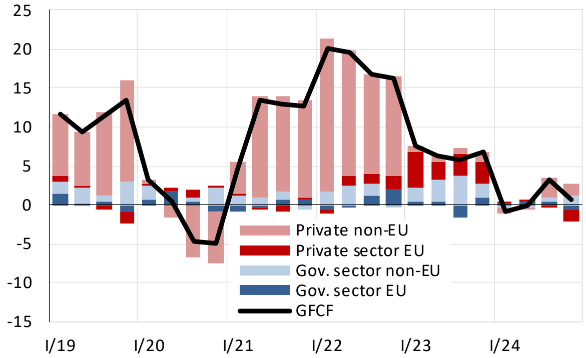
Source: CZSO. Calculations of the MoF.

Graph 3.1.7: Investment by Sector
YoY growth rate of real GFCF in %, contributions in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.1.8: Sources of Investment Financing
YoY growth rate of nominal GFCF in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Table 3.1.1: Real GDP by Type of Expenditure – yearly

chained volumes, reference year 2020

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	*Forecast*	*Outlook*	*Outlook*
Gross domestic product	*bill. CZK 2020*	**6 155**	**5 828**	**6 063**	**6 236**	**6 232**	**6 302**	**6 430**	**6 583**	**6 752**	**6 924**
	growth in %	3.6	-5.3	4.0	2.8	-0.1	1.1	2.0	2.4	2.6	2.5
	growth in % [1]	3.5	-5.3	4.0	2.9	0.1	1.0	2.1	2.5	2.4	2.7
Private consumption expenditure [2]	*bill. CZK 2020*	**2 933**	**2 745**	**2 859**	**2 874**	**2 795**	**2 855**	**2 959**	**3 055**	**3 131**	**3 202**
	growth in %	3.1	-6.4	4.2	0.5	-2.8	2.2	3.6	3.2	2.5	2.3
Government consumption exp.	*bill. CZK 2020*	**1 200**	**1 250**	**1 268**	**1 273**	**1 316**	**1 359**	**1 386**	**1 405**	**1 433**	**1 462**
	growth in %	2.6	4.1	1.5	0.4	3.4	3.3	2.0	1.4	2.0	2.0
Gross capital formation	*bill. CZK 2020*	**1 589**	**1 441**	**1 708**	**1 881**	**1 760**	**1 685**	**1 742**	**1 811**	**1 865**	**1 935**
	growth in %	5.7	-9.3	18.5	10.2	-6.4	-4.3	3.4	3.9	3.0	3.8
Gross fixed capital formation	*bill. CZK 2020*	1 563	1 488	1 589	1 689	1 732	1 711	1 723	1 777	1 822	1 886
	growth in %	7.5	-4.8	6.7	6.3	2.5	-1.2	0.7	3.1	2.5	3.6
Change in stocks and valuables	*bill. CZK 2020*	26	-47	119	192	29	-26	20	34	43	49
Exports of goods and services	*bill. CZK 2020*	**4 317**	**3 949**	**4 271**	**4 491**	**4 614**	**4 698**	**4 774**	**4 944**	**5 149**	**5 313**
	growth in %	1.3	-8.5	8.2	5.1	2.7	1.8	1.6	3.5	4.2	3.2
Imports of goods and services	*bill. CZK 2020*	**3 884**	**3 556**	**4 043**	**4 284**	**4 245**	**4 285**	**4 429**	**4 634**	**4 829**	**4 992**
	growth in %	1.3	-8.4	13.7	5.9	-0.9	0.9	3.4	4.6	4.2	3.4
Gross domestic expenditure	*bill. CZK 2020*	**5 724**	**5 435**	**5 835**	**6 028**	**5 866**	**5 894**	**6 084**	**6 269**	**6 426**	**6 595**
	growth in %	3.7	-5.0	7.3	3.3	-2.7	0.5	3.2	3.0	2.5	2.6
Real gross domestic income	*bill. CZK 2020*	**6 085**	**5 828**	**6 060**	**6 077**	**6 198**	**6 333**	**6 485**	**6 651**	**6 830**	**7 010**
	growth in %	3.9	-4.2	4.0	0.3	2.0	2.2	2.4	2.6	2.7	2.6
Contributions to GDP growth [4]											
Gross domestic expenditure	*pp*	**3.5**	**-4.7**	**6.9**	**3.2**	**-2.7**	**0.5**	**3.0**	**2.9**	**2.4**	**2.5**
Consumption	*pp*	**2.0**	**-2.3**	**2.3**	**0.3**	**-0.7**	**1.7**	**2.1**	**1.8**	**1.6**	**1.5**
Household expenditure	*pp*	1.5	-3.1	2.0	0.3	-1.3	1.0	1.7	1.6	1.2	1.1
Government expenditure	*pp*	0.5	0.8	0.3	0.1	0.7	0.6	0.4	0.3	0.4	0.4
Gross capital formation	*pp*	**1.5**	**-2.4**	**4.6**	**2.9**	**-2.0**	**-1.2**	**0.9**	**1.0**	**0.8**	**1.0**
Gross fixed capital formation	*pp*	1.9	-1.2	1.7	1.7	0.7	-0.3	0.2	0.8	0.6	0.9
Change in stocks	*pp*	-0.4	-1.2	2.8	1.2	-2.7	-0.9	0.7	0.2	0.1	0.1
Foreign balance	*pp*	**0.1**	**-0.6**	**-2.8**	**-0.3**	**2.6**	**0.7**	**-1.0**	**-0.5**	**0.2**	**0.1**
External balance of goods	*pp*	0.5	-0.4	-3.0	0.5	2.6	0.8	-0.9	-0.6	0.1	-0.1
External balance of services	*pp*	-0.4	-0.2	0.1	-0.9	0.0	-0.1	-0.1	0.1	0.1	0.1
Gross value added	*bill. CZK 2020*	**5 598**	**5 315**	**5 524**	**5 685**	**5 711**	**5 738**	**.**	**.**	**.**	**.**
	growth in %	3.6	-5.1	3.9	2.9	0.5	0.5	.	.	.	.
Net taxes and subsidies on products	*bill. CZK 2020*	**556**	**513**	**539**	**551**	**522**	**566**	**.**	**.**	**.**	**.**

[1] *From working day adjusted data.*

[2] *Including consumption of non-profit institutions serving households (NPISH).*

Source: CZSO. Calculations and forecast of the MoF.

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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						Estimate	*Forecast*	*Forecast*	*Forecast*
Gross domestic product	*bill. CZK 2020*	**1 474**	**1 594**	**1 610**	**1 625**	**1 502**	**1 624**	**1 649**	**1 656**
	growth in %	-0.1	0.7	2.1	1.8	1.9	1.9	2.4	1.9
	growth in % [1]	0.4	0.4	1.4	1.8	1.9	2.1	2.2	2.2
	QoQ in % [1]	0.3	0.2	0.6	0.7	0.4	0.4	0.6	0.7
Private consumption expenditure [2]	*bill. CZK 2020*	**679**	**718**	**719**	**738**	**699**	**746**	**750**	**764**
	growth in %	1.5	1.1	2.8	3.2	2.9	3.9	4.3	3.5
Government consumption exp.	*bill. CZK 2020*	**318**	**332**	**332**	**378**	**328**	**337**	**336**	**385**
	growth in %	2.4	3.9	3.6	3.1	3.2	1.7	1.2	1.9
Gross capital formation	*bill. CZK 2020*	**343**	**428**	**490**	**424**	**356**	**446**	**502**	**438**
	growth in %	-11.7	-6.9	-1.9	2.8	4.0	4.2	2.4	3.2
Gross fixed capital formation	*bill. CZK 2020*	362	419	443	487	358	417	446	503
	growth in %	-2.7	-2.4	1.0	-0.9	-1.2	-0.6	0.6	3.2
Change in stocks and valuables	*bill. CZK 2020*	-19	9	47	-63	-1	30	56	-64
Exports of goods and services	*bill. CZK 2020*	**1 161**	**1 193**	**1 134**	**1 209**	**1 183**	**1 208**	**1 146**	**1 238**
	growth in %	-1.1	1.2	6.1	1.5	1.8	1.2	1.1	2.4
Imports of goods and services	*bill. CZK 2020*	**1 023**	**1 075**	**1 065**	**1 123**	**1 062**	**1 113**	**1 085**	**1 169**
	growth in %	-3.6	-0.9	5.1	3.3	3.8	3.6	1.9	4.1
Gross domestic expenditure	*bill. CZK 2020*	**1 340**	**1 478**	**1 539**	**1 538**	**1 383**	**1 530**	**1 586**	**1 585**
	growth in %	-1.9	-0.8	1.3	3.1	3.3	3.5	3.1	3.1
Real gross domestic income	*bill. CZK 2020*	**1 475**	**1 606**	**1 620**	**1 631**	**1 511**	**1 644**	**1 664**	**1 665**
	growth in %	1.1	1.4	3.1	3.0	2.4	2.3	2.7	2.1
Gross value added	*bill. CZK 2020*	**1 353**	**1 450**	**1 466**	**1 468**	**.**	**.**	**.**	**.**
	growth in %	-1.1	0.1	1.7	1.1	.	.	.	.
	growth in % [1]	-0.6	-0.1	0.9	1.1	.	.	.	.
	QoQ in % [1]	-0.1	0.3	0.8	0.1	.	.	.	.
Net taxes and subsidies on products	*bill. CZK 2020*	**120**	**144**	**144**	**157**	**.**	**.**	**.**	**.**

[1] *From seasonally and working day adjusted data.*
[2] *Including consumption of non-profit institutions serving households (NPISH).*
Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.3: Nominal GDP by Type of Expenditure – yearly

		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**	**7 619**	**8 011**	**8 391**	**8 787**	**9 208**	**9 635**
	growth in %	7.5	-1.0	8.2	11.8	8.1	5.1	4.7	4.7	4.8	4.6
Private consumption expenditure [1)]	*bill. CZK*	**2 848**	**2 745**	**2 980**	**3 424**	**3 599**	**3 789**	**4 018**	**4 242**	**4 442**	**4 636**
	growth in %	6.1	-3.6	8.6	14.9	5.1	5.3	6.1	5.6	4.7	4.4
Government consumption exp.	*bill. CZK*	**1 141**	**1 250**	**1 319**	**1 381**	**1 504**	**1 610**	**1 702**	**1 772**	**1 856**	**1 943**
	growth in %	8.2	9.5	5.5	4.8	8.9	7.1	5.7	4.1	4.7	4.7
Gross capital formation	*bill. CZK*	**1 541**	**1 441**	**1 774**	**2 188**	**2 134**	**2 086**	**2 187**	**2 310**	**2 415**	**2 543**
	growth in %	9.8	-6.5	23.1	23.3	-2.4	-2.3	4.8	5.6	4.6	5.3
Gross fixed capital formation	*bill. CZK*	1 518	1 488	1 655	1 952	2 080	2 096	2 147	2 253	2 346	2 466
	growth in %	11.6	-1.9	11.2	17.9	6.6	0.8	2.5	4.9	4.1	5.1
Change in stocks and valuables	*bill. CZK*	24	-47	119	236	55	-10	40	57	69	77
External balance	*bill. CZK*	**359**	**393**	**235**	**57**	**381**	**526**	**484**	**464**	**496**	**512**
Exports of goods and services	*bill. CZK*	4 247	3 949	4 450	5 105	5 255	5 547	5 739	6 010	6 323	6 582
	growth in %	2.6	-7.0	12.7	14.7	2.9	5.5	3.5	4.7	5.2	4.1
Imports of goods and services	*bill. CZK*	3 888	3 556	4 215	5 048	4 874	5 021	5 255	5 547	5 827	6 069
	growth in %	2.1	-8.5	18.5	19.7	-3.4	3.0	4.7	5.5	5.1	4.1
Gross national income	*bill. CZK*	**5 525**	**5 528**	**6 123**	**6 763**	**7 509**	**7 663**	**8 027**	**8 389**	**8 791**	**9 198**
	growth in %	7.0	0.0	10.8	10.4	11.0	2.0	4.8	4.5	4.8	4.6
Primary income balance	*bill. CZK*	**-364**	**-301**	**-185**	**-287**	**-109**	**-348**	**-364**	**-398**	**-417**	**-437**

[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*	*Forecast*	*Forecast*
Gross domestic product	*bill. CZK*	**1 845**	**2 021**	**2 050**	**2 094**	**1 938**	**2 116**	**2 152**	**2 185**
	growth in %	4.1	4.8	6.1	5.5	5.0	4.7	5.0	4.3
Private consumption expenditure [1]	*bill. CZK*	**895**	**952**	**955**	**987**	**945**	**1 011**	**1 018**	**1 045**
	growth in %	4.7	4.4	5.9	6.0	5.6	6.2	6.6	5.8
Government consumption exp.	*bill. CZK*	**363**	**385**	**392**	**470**	**389**	**407**	**411**	**495**
	growth in %	6.4	7.4	7.7	6.8	7.3	5.5	4.9	5.3
Gross capital formation	*bill. CZK*	**424**	**529**	**608**	**525**	**447**	**559**	**631**	**550**
	growth in %	-9.8	-4.2	0.4	3.6	5.3	5.7	3.9	4.7
Gross fixed capital formation	*bill. CZK*	440	513	544	599	443	519	557	629
	growth in %	-0.9	0.0	3.2	0.7	0.6	1.2	2.4	5.0
Change in stocks and valuables	*bill. CZK*	-16	16	64	-74	4	40	74	-79
External balance	*bill. CZK*	**163**	**155**	**96**	**111**	**157**	**140**	**92**	**95**
Exports of goods and services	*bill. CZK*	1 352	1 408	1 346	1 440	1 418	1 461	1 375	1 485
	growth in %	0.8	5.9	10.5	5.4	4.8	3.8	2.2	3.1
Imports of goods and services	*bill. CZK*	1 189	1 252	1 250	1 329	1 260	1 322	1 283	1 390
	growth in %	-3.7	2.5	8.1	5.4	6.0	5.5	2.7	4.6

[1)] Including consumption of non-profit institutions serving households (NPISH).
Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.5: GDP by Type of Income – yearly

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	*Forecast*	*Outlook*	*Outlook*
GDP	*bill. CZK*	**5 889**	**5 828**	**6 308**	**7 050**	**7 619**	**8 011**	**8 391**	**8 787**	**9 208**	**9 635**
	growth in %	7.5	-1.0	8.2	11.8	8.1	5.1	4.7	4.7	4.8	4.6
Balance of taxes and subsidies	*bill. CZK*	**534**	**449**	**478**	**592**	**579**	**678**	**692**	**726**	**752**	**784**
	% of GDP	9.1	7.7	7.6	8.4	7.6	8.5	8.2	8.3	8.2	8.1
	growth in %	6.0	-16.0	6.5	23.8	-2.1	17.0	2.2	4.9	3.6	4.2
Taxes on production and imports	*bill. CZK*	696	660	716	780	818	868	.	.	.	.
	growth in %	6.2	-5.3	8.5	9.0	4.8	6.1	.	.	.	.
Subsidies on production	*bill. CZK*	162	211	238	189	239	190	.	.	.	.
	growth in %	6.7	30.3	12.6	-20.5	26.4	-20.4	.	.	.	.
Compensation of employees	*bill. CZK*	**2 580**	**2 624**	**2 813**	**3 031**	**3 266**	**3 465**	**3 698**	**3 906**	**4 097**	**4 286**
(domestic concept)	*% of GDP*	43.8	45.0	44.6	43.0	42.9	43.3	44.1	44.4	44.5	44.5
	growth in %	7.8	1.7	7.2	7.7	7.7	6.1	6.7	5.6	4.9	4.6
Wages and salaries	*bill. CZK*	1 980	1 988	2 132	2 326	2 505	2 663	2 840	2 999	3 146	3 291
	growth in %	7.9	0.4	7.2	9.1	7.7	6.3	6.6	5.6	4.9	4.6
Social security contributions	*bill. CZK*	599	636	682	706	761	801	859	907	951	995
	growth in %	7.6	6.2	7.1	3.5	7.8	5.3	7.2	5.6	4.9	4.6
Gross operating surplus	*bill. CZK*	**2 775**	**2 756**	**3 016**	**3 427**	**3 774**	**3 868**	**4 000**	**4 155**	**4 359**	**4 565**
and mixed income	*% of GDP*	47.1	47.3	47.8	48.6	49.5	48.3	47.7	47.3	47.3	47.4
	growth in %	7.6	-0.7	9.5	13.6	10.1	2.5	3.4	3.9	4.9	4.7
Consumption of capital	*bill. CZK*	1 201	1 294	1 413	1 577	1 675	1 754	1 880	2 003	2 084	2 157
	growth in %	7.5	7.7	9.2	11.6	6.2	4.7	7.2	6.5	4.0	3.5
Net operating surplus	*bill. CZK*	1 574	1 462	1 604	1 850	2 099	2 114	2 120	2 152	2 275	2 409
	growth in %	7.7	-7.1	9.7	15.4	13.4	0.7	0.3	1.5	5.7	5.9

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.6: GDP by Type of Income – quarterly

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						Estimate	*Forecast*	*Forecast*	*Forecast*
GDP	*bill. CZK*	**1 845**	**2 021**	**2 050**	**2 094**	**1 938**	**2 116**	**2 152**	**2 185**
	growth in %	4.1	4.8	6.1	5.5	5.0	4.7	5.0	4.3
Balance of taxes and subsidies	*bill. CZK*	**138**	**172**	**184**	**184**	**141**	**175**	**187**	**189**
	growth in %	23.9	9.2	13.6	23.8	2.5	1.4	2.0	2.8
Compensation of employees	*bill. CZK*	**828**	**860**	**854**	**923**	**881**	**920**	**911**	**987**
(domestic concept)	*growth in %*	6.1	5.4	6.4	6.4	6.4	7.0	6.7	6.9
Wages and salaries	*bill. CZK*	635	660	656	713	676	706	699	758
	growth in %	6.3	5.6	6.5	6.8	6.6	7.0	6.5	6.3
Social security contributions	*bill. CZK*	193	200	197	211	205	213	211	229
	growth in %	5.4	4.8	6.2	5.0	5.8	6.8	7.1	8.8
Gross operating surplus	*bill. CZK*	**879**	**990**	**1013**	**986**	**916**	**1022**	**1054**	**1009**
and mixed income	*growth in %*	-0.3	3.5	4.6	2.0	4.1	3.3	4.1	2.3

Source: CZSO. Calculations and forecast of the MoF.

3.2 Prices

Annual **consumer price** inflation in February 2025 stood at 2.7% (*vs. 2.4%*). In terms of consumer basket divisions, the main driver of February's annual inflation was the food and non-alcoholic beverages division (0.8 pp contribution), with prices increasing across almost all of its components. A significant contribution also came from the alcoholic beverages, tobacco division (0.4 pp), where excise duties rose year-on-year, and restaurants and hotels division (0.4 pp), although price dynamics in this category continued to moderate gradually. The contribution of the housing division (0.3 pp) was dampened mainly by the year-on-year decline in energy prices (electricity down 4.8% and natural gas down 7.9%). On the other hand, price dynamics in actual rentals for housing (up 6.7%) and imputed rentals (up 3.1%) accelerated further, primarily due to the rising prices of new dwellings. Overall annual growth was held back by price developments in the clothing and footwear division (−0.1 pp). Administrative measures added 0.5 pp to inflation, of which regulated prices contributed 0.2 pp and tax changes 0.3 pp. In terms of tax adjustments, excise duties on alcohol and on tobacco products increased year-on-year. In total, goods prices were 1.4% higher year-on-year, while services prices rose by 4.7%.

Annual inflation measured by the **HICP** reached 2.8% in February, broadly in line with the EU Member State average. In international comparison, the Czech Republic recorded higher year-on-year price increases particularly in food, rentals, education and restaurants and hotels. In contrast, the annual growth rates of electricity, gas, and fuel prices were significantly lower.

This year, inflation pressures will be shaped primarily by market factors. The increase in regulated prices will mainly reflect higher regulated components of energy prices, rising television and radio licence fees, and the increase in the vignette price. In the opposite direction, commodity components of electricity and gas are expected to become cheaper. Increases in excise duties on alcohol and on tobacco products should, in turn, result in a positive contribution from indirect taxes. Overall, administrative measures could thus add 0.3 pp (*vs. 0.2 pp*) to the average inflation rate in 2025, with regulated prices contributing 0.1 pp and tax changes 0.2 pp.

The decline in the dollar price of oil and the slight appreciation of the koruna should exert disinflationary effects this year. Inflationary pressures will continue to be dampened by past monetary policy settings, due to their lagged effects. Conversely, strong wage growth will act as an inflationary factor, as will service price growth, which is expected to remain elevated throughout the year. Imputed rentals growth will also contribute more, largely reflecting rising market prices for new apartments and houses, driven by recovering property demand. The main risks stem from the inertia in service price growth and major uncertainties related to trade policies.

In 2026, consumer price growth will again be driven mainly by market factors. Regulated prices will rise chiefly due to further increases in regulated components of energy prices, along with the statutory indexation of radio and television licence fees and vignette prices. The commodity components of electricity and gas prices are expected to remain broadly stable. Administrative prices will also rise due to additional increases in excise duties on alcohol and on tobacco products. As a result, the contribution of administrative measures could reach almost 0.4 pp in 2026, of which over 0.2 pp would come from regulated prices and over 0.1 pp from tax changes.

The continued decline in the dollar price of oil and further appreciation of the koruna against major world currencies should support disinflation. Inflation will remain moderated by monetary policy, reflecting the typical transmission lag. Conversely, strong wage growth is likely to support real household consumption, thereby exerting some upward pressure on consumer prices. The expected continued strong growth in in house prices and rentals will also contribute, reinforcing housing price dynamics. The recent abrupt changes in tariff policies pose the most significant risk to expected path of consumer prices also in the coming year.

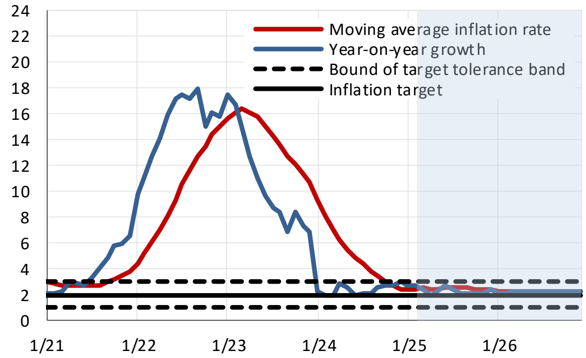
In line with the above, the **average inflation rate** is expected to remain at 2.4% (*vs. 2.3%*) in 2025, and to decline slightly to 2.3% in 2026. Annual inflation should remain close to the inflation target throughout the forecast horizon.

In Q4 2024, the **GDP deflator** rose by 3.7% (*in line with the estimate*), reflecting a 2.4% (*vs. 3.2%*) increase in the gross domestic expenditure deflator and a 1.8% (*vs. 0.6%*) improvement in the terms of trade. The increase in the gross domestic expenditure deflator was driven by the household consumption and general government deflators. The marked improvement in the terms of trade was due not only to lower prices of mineral fuels and chemicals, but also to rising prices of machinery and transport equipment. For the full year 2024, the GDP deflator rose by 4.0% (*in line with the estimate*).

This year, largely due to only a modest improvement in the terms of trade and slower growth in the household consumption deflator, the GDP deflator growth could slow down to 2.7% (*vs. 3.0%*). In 2026, its growth rate could slow further to 2.3%, mainly due to weaker dynamics in both the terms of trade and the government consumption deflator.

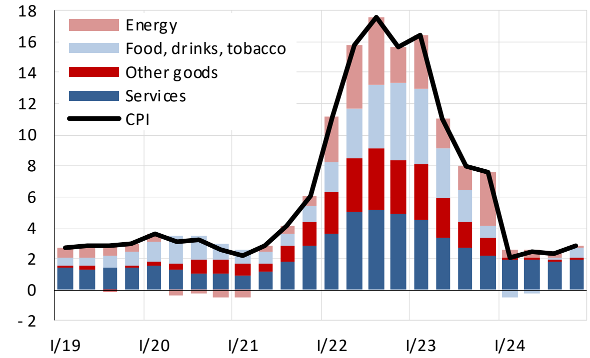
The decline in mineral fuel prices is expected to continue in both 2025 and 2026, providing a positive impulse for aggregate foreign trade price developments. As a result, the terms of trade could improve by 0.5% (*vs. 0.4%*) in 2025, and rise further by 0.3% in 2026.

Graph 3.2.1: Consumer Prices
YoY growth rate in %



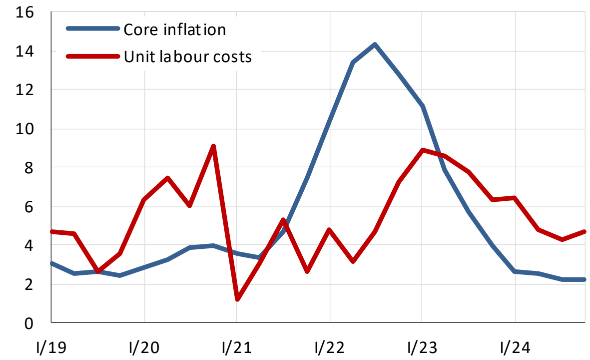
Source: CNB, CZSO. Calculations and forecast of the MoF.

Graph 3.2.2: Consumer Prices in Main Divisions
YoY growth of consumer price index in %, contributions in pp



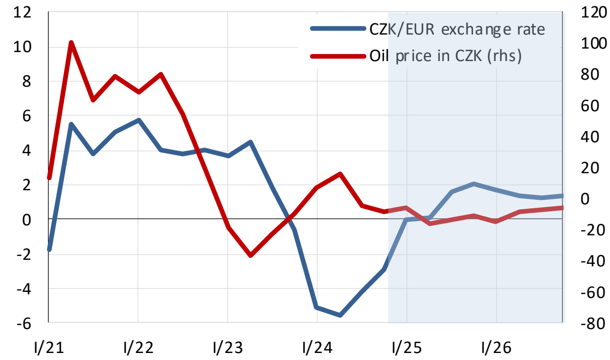
Source: CZSO. Calculations of the MoF.

Graph 3.2.3: Core Inflation and Unit Labour Costs
YoY growth rate in %



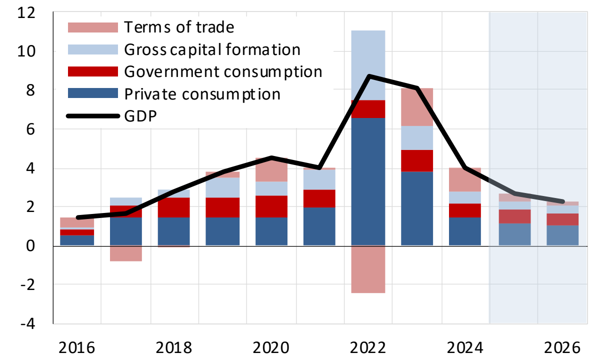
Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.4: CZK/EUR and Koruna Price of Oil
CZK/EUR appreciation, YoY change in CZK price of oil, in %



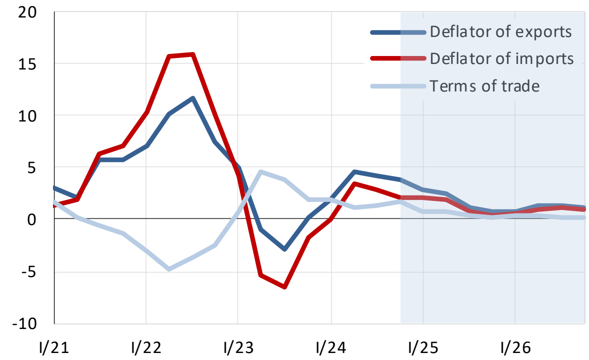
Source: CNB, U.S. EIA. Calculations and forecast of the MoF.

Graph 3.2.5: Gross Domestic Product Deflator
growth rate in %, contributions in percentage points



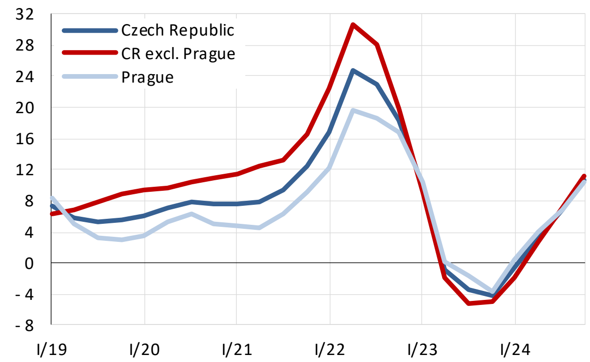
Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.6: Terms of Trade
YoY growth rate in %



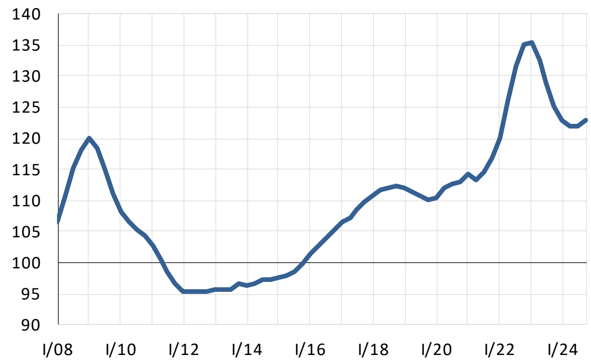
Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.7: Offering Prices of Flats
YoY growth rate in %



Source: CZSO.

Graph 3.2.8: Prices of Flats Relative to Average Wage
ratio of the flat offering price index to average wage index, annual moving totals, 2015=100



Source: CZSO. Calculations of the MoF.

Table 3.2.1: Prices – yearly

		2019	2020	2021	2022	2023	2024	2025 Forecast	2026 Forecast	2027 Outlook	2028 Outlook
Consumer Price Index											
Level	*average 2015=100*	**108.3**	**111.8**	**116.1**	**133.6**	**147.8**	**151.4**	**155.0**	**158.5**	**162.0**	**165.3**
Average inflation rate	*%*	**2.8**	**3.2**	**3.8**	**15.1**	**10.7**	**2.4**	**2.4**	**2.3**	**2.2**	**2.1**
Administrative measures [1)]	*percentage points*	0.6	0.5	0.0	2.8	4.3	1.0	0.3	0.4	0.3	0.2
Market increase	*percentage points*	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	*average 2015=100*	**107.8**	**111.4**	**115.1**	**132.1**	**147.9**	**151.9**	**155.5**	**158.8**	**162.3**	**165.6**
Average inflation rate	*growth in %*	**2.6**	**3.3**	**3.3**	**14.8**	**12.0**	**2.7**	**2.3**	**2.2**	**2.2**	**2.1**
Deflators											
GDP	*average 2015=100*	**95.7**	**100.0**	**104.0**	**113.1**	**122.2**	**127.1**	**130.5**	**133.5**	**136.4**	**139.2**
	growth in %	3.8	4.5	4.0	8.7	8.1	4.0	2.7	2.3	2.2	2.0
Gross domestic expenditure	*average 2015=100*	**96.6**	**100.0**	**104.1**	**116.0**	**123.4**	**127.0**	**130.0**	**132.8**	**135.6**	**138.3**
	growth in %	3.7	3.5	4.1	11.5	6.4	2.9	2.3	2.2	2.1	2.0
Consumption of households	*average 2015=100*	**97.1**	**100.0**	**104.2**	**119.1**	**128.8**	**132.7**	**135.8**	**138.8**	**141.9**	**144.8**
	growth in %	2.9	3.0	4.2	14.3	8.1	3.0	2.3	2.2	2.2	2.1
Consumption of government	*average 2015=100*	**95.1**	**100.0**	**104.0**	**108.5**	**114.3**	**118.5**	**122.8**	**126.1**	**129.5**	**133.0**
	growth in %	5.4	5.2	4.0	4.4	5.3	3.7	3.6	2.7	2.7	2.7
Fixed capital formation	*average 2015=100*	**97.1**	**100.0**	**104.2**	**115.6**	**120.1**	**122.5**	**124.6**	**126.8**	**128.8**	**130.7**
	growth in %	3.8	3.0	4.2	10.9	3.9	2.0	1.8	1.7	1.6	1.5
Exports of goods and services	*average 2015=100*	**98.4**	**100.0**	**104.2**	**113.7**	**113.9**	**118.1**	**120.2**	**121.6**	**122.8**	**123.9**
	growth in %	1.3	1.6	4.2	9.1	0.2	3.7	1.8	1.2	1.0	0.9
Imports of goods and services	*average 2015=100*	**100.1**	**100.0**	**104.3**	**117.8**	**114.8**	**117.2**	**118.6**	**119.7**	**120.7**	**121.6**
	growth in %	0.8	-0.1	4.3	13.0	-2.6	2.1	1.3	0.9	0.8	0.7
Terms of trade	*average 2015=100*	**98.3**	**100.0**	**99.9**	**96.5**	**99.2**	**100.8**	**101.3**	**101.6**	**101.8**	**101.9**
	growth in %	0.4	1.7	-0.1	-3.5	2.9	1.6	0.5	0.3	0.2	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	Q4
						Estimate	*Forecast*	*Forecast*	*Forecast*
Consumer Price Index	*average 2015=100*	**150.1**	**151.3**	**152.1**	**152.2**	**154.2**	**154.8**	**155.5**	**155.7**
	growth in %	2.1	2.5	2.3	2.9	2.7	2.3	2.2	2.3
Administrative measures [1)]	*percentage points*	0.9	0.9	0.9	1.1	0.4	0.2	0.3	0.3
Market increase	*percentage points*	1.2	1.6	1.4	1.8	2.3	2.1	1.9	2.0
Harmonized index of consumer prices	*average 2015=100*	**150.5**	**151.9**	**152.6**	**152.5**	**154.7**	**155.5**	**155.9**	**155.8**
	growth in %	2.4	2.7	2.6	3.1	2.8	2.3	2.2	2.1
Deflators									
GDP	*average 2015=100*	**125.2**	**126.8**	**127.3**	**128.9**	**129.1**	**130.3**	**130.5**	**131.9**
	growth in %	4.2	4.1	3.9	3.7	3.1	2.8	2.5	2.4
Gross domestic expenditure	*average 2015=100*	**125.5**	**126.3**	**127.0**	**128.9**	**128.7**	**129.2**	**129.9**	**131.8**
	growth in %	2.9	3.2	3.1	2.4	2.5	2.3	2.3	2.3
Consumption of households	*average 2015=100*	**131.7**	**132.5**	**132.8**	**133.7**	**135.2**	**135.5**	**135.7**	**136.7**
	growth in %	3.1	3.3	3.0	2.8	2.6	2.3	2.2	2.3
Consumption of government	*average 2015=100*	**114.3**	**116.3**	**118.1**	**124.3**	**118.8**	**120.6**	**122.5**	**128.5**
	growth in %	3.9	3.3	4.0	3.6	3.9	3.7	3.7	3.3
Fixed capital formation	*average 2015=100*	**121.6**	**122.3**	**122.8**	**123.0**	**123.9**	**124.4**	**124.9**	**125.1**
	growth in %	1.8	2.4	2.1	1.6	1.8	1.8	1.7	1.7
Exports of goods and services	*average 2015=100*	**116.5**	**118.0**	**118.7**	**119.1**	**119.9**	**121.0**	**120.0**	**119.9**
	growth in %	1.9	4.7	4.2	3.9	2.9	2.5	1.1	0.7
Imports of goods and services	*average 2015=100*	**116.3**	**116.5**	**117.4**	**118.4**	**118.7**	**118.7**	**118.3**	**118.9**
	growth in %	-0.1	3.4	2.8	2.0	2.1	1.9	0.7	0.4
Terms of trade	*average 2015=100*	**100.2**	**101.3**	**101.1**	**100.6**	**101.0**	**101.9**	**101.4**	**100.9**
	growth in %	1.9	1.2	1.4	1.8	0.8	0.7	0.3	0.3

[1)] *The contribution of change in regulated prices and indirect taxes.*
Source: CZSO, Eurostat. Calculations and forecast of the MoF.

3.3 Labour Market

The labour market is experiencing persistent problems, particularly in the industrial sectors, which are alleviating imbalances related to labour shortages.

Employment (national accounts) increased by 0.3% (*vs. 0,4%*) year-on-year in Q4 2024. Growth was driven by sectors in market and especially non-market services sectors. In contrast, the momentum was dampened by a continued year-on-year decline in manufacturing employment. For the entire past year, employment increased by 0.3% (*in line with the estimate*). Strong labour demand in some sectors is expected to lead to modest employment growth, averaging 0.2% (*unchanged*) this year and 0.1% in 2026.

The number of registered unemployed in February 2025 exceeded the number of job vacancies in almost all districts. Not all vacancies can be considered active, but since this year, the relevance of reported job vacancies has increased due to the newly introduced maximum period of six months during which a job vacancy is registered. Of the vacancies offered on the website of the labour offices, approx. 74% were active at the forecast cut-off date (those with the last change after 1 October 2024 and a start of 1 January 2025 or later). According to the CZSO's business cycle survey, the shortage of employees remains the main barrier to output growth in the construction sector.

Demand for foreign workers remains strong. According to the data of the MoLSA, the number of foreign employees increased by 37 thousand year-on-year to 849 thousand in February 2025. Workers from Ukraine and Slovakia have dominated in the long term. The number of Ukrainian workers increased by 27 thousand year-on-year to 307 thousand in February this year.

The **unemployment rate** (LFS) remained at an average of 2.6% (*in line with the estimate*) in 2024. The seasonally adjusted unemployment rate for the 15–64 age group rose slightly to 2.7% in February. We expect persistent problems in the industrial sectors to affect the labour market in the short term. However, due to the shortage of workers in construction and services, the increase in the unemployment rate throughout this year should be only slight. On average for the entire year, the unemployment rate could thus stagnate. This year, the unemployment rate could remain at 2.6% (*vs. 2.5%*) and decrease slightly to 2.5% in 2026.

The **share of unemployed persons** (MoLSA) in the registers of labour offices increased during January and February 2025, rising year-on-year by 0.4 p.p. to 4.4% in February. For this year, it could rise to 4.1% (*vs. 3.8%*) on average and fall to 3.9% next year.

The **participation rate** (20–64 years) reached an average of 84.3% (*in line with the estimate*) in 2024. Over the forecast horizon, the main driver of participation rate growth will be the extension of the statutory retirement age, while the demographic effect associated with the declining share of age groups with a naturally high participation rate will have a negative impact. For these reasons, we expect the participation rate to continue to rise to 84.6% (*vs. 83.3%*) this year and to 85.0% in 2026.

The **volume of wages and salaries** increased by 6.8% year-on-year (*in line with the estimate*) in Q4 2024 and by 6.3% (*vs. 6.4%*) for the full year 2024. However, in the most macroeconomically important sector, manufacturing, wages and salaries increased by 4.4% in Q4 2024 (with a 1.6% decrease in the number of employees). Trade, transport, accommodation and food services (7.6% growth) and public administration, defence, education and health and social care (6.3% growth) were the main contributors to the overall pace.

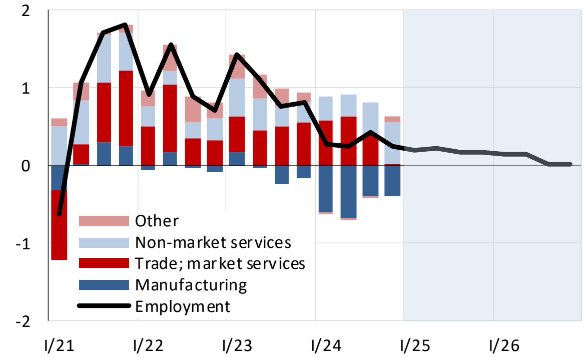
Although the labour market is experiencing a partial cooling, a noticeable shortage of workers continues to be evident in many sectors and occupations, contributing positively to nominal earnings growth. The strong increase in consumer prices and corporate profitability in previous years is reflected in higher wage demands from employees. The minimum wage has been set for the first time since the beginning of this year through a new indexation mechanism, with a gradual increase in the minimum wage expected to reach 47% of the average wage in 2029. As of 1 January 2025, the minimum wage thus increased by 10% to CZK 20 800. The simplified institution of guaranteed wages is now used only in the public sector.

As a result of the consolidation measures, the contribution of the public sector to overall earnings growth was significantly reduced last year. The main driver of the salary growth over the forecast horizon should continue to be the automatic indexation of teachers' salaries. The economic recovery associated with rising labour demand will be reflected throughout the forecast horizon, as will the increase in the minimum wage. In aggregate, wages and salaries could increase by 6.6% (*vs. 6.3%*) this year, while growth could slow to 5.6% in 2026.

Average wage (business statistics, full-time equivalent) increased by 7.2% (*vs. 7.4%*) in Q4 2024, with the largest contributions coming from a 7.0% increase in average wage in manufacturing (1.2 pp contribution) and 9.2% in health and social care (1.1 pp contribution). Taking into account the above factors, average wage could increase by 6.6% (*vs. 6.5%*) in 2025, and slow down to 5.4% next year.

Graph 3.3.1: Employment

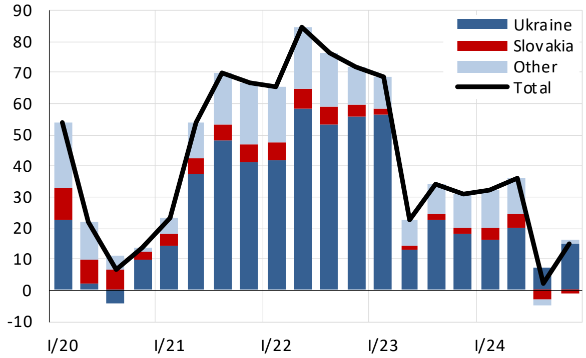
YoY growth rate in%, contributions in pp, national accounts



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.2: Number of Foreign Employees in the CR

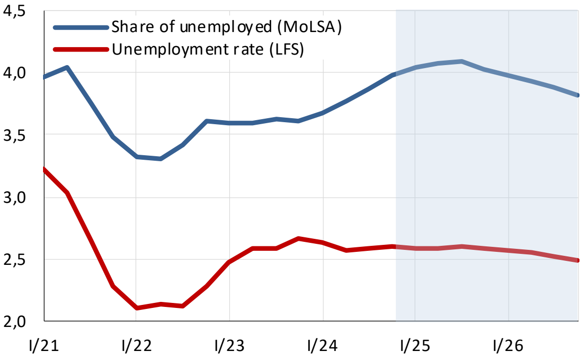
YoY change in thousands of persons



Source: MoLSA. Calculations of the MoF.

Graph 3.3.3: Indicators of Unemployment

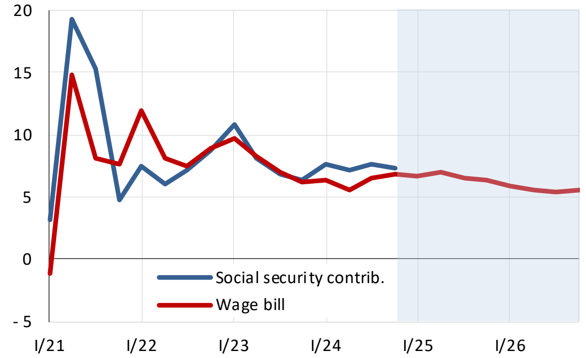
seasonally adjusted data, in%



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

Graph 3.3.4: Social Security Contributions and Earnings

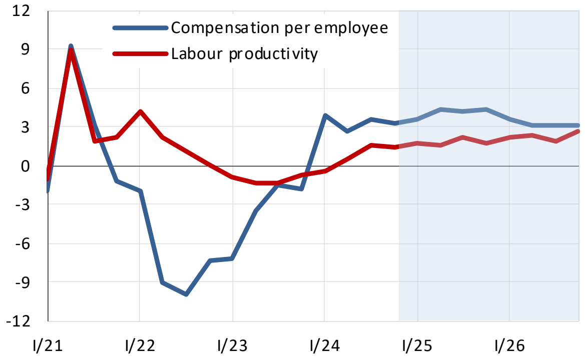
YoY growth rate in%



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

Graph 3.3.5: Compens. per Employee and Productivity

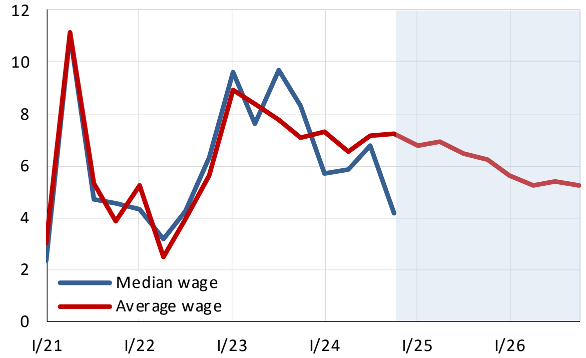
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.6: Nominal Monthly Wages

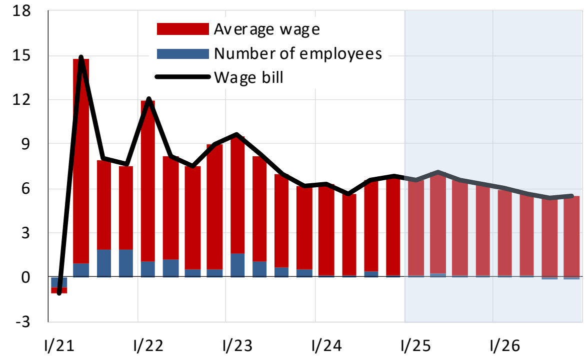
YoY growth rate in%



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.7: Nominal Wage Bill

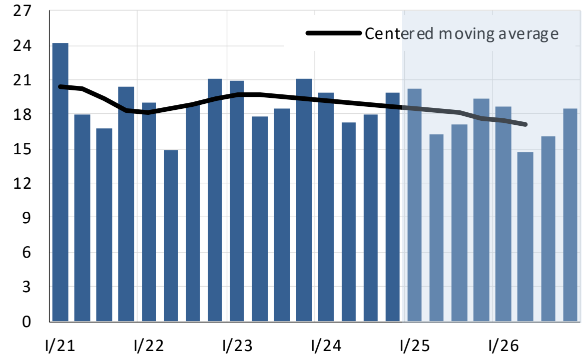
YoY growth rate in %, domestic concept of the wage bill



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.8: Gross Savings Rate of Households

in % of disposable income



Source: CZSO. Calculations and forecast of the MoF.

Table 3.3.1: Labour Market – yearly

		2019	2020	2021	2022	2023	2024	2025 Forecast	2026 Forecast	2027 Outlook	2028 Outlook
National accounts											
Employment	*av. in thous. persons*	**5 351**	**5 227**	**5 279**	**5 333**	**5 388**	**5 404**	**5 414**	**5 419**	**5 408**	**5 401**
	growth in %	-0.1	-2.3	1.0	1.0	1.0	0.3	0.2	0.1	-0.2	-0.1
Employees	*av. in thous. persons*	4 598	4 496	4 541	4 578	4 621	4 630	4 637	4 639	4 631	4 624
	growth in %	0.1	-2.2	1.0	0.8	0.9	0.2	0.1	0.1	-0.2	-0.2
Self-employed persons	*av. in thous. persons*	753	731	738	755	767	774	778	780	777	777
	growth in %	-1.5	-3.0	1.0	2.3	1.6	0.9	0.4	0.3	-0.3	-0.1
Wage bill	*growth in %*	**7.9**	**0.4**	**7.2**	**9.1**	**7.7**	**6.3**	**6.6**	**5.6**	**4.9**	**4.6**
Labour productivity	*growth in %*	**3.7**	**-3.1**	**3.0**	**1.8**	**-1.1**	**0.8**	**1.8**	**2.3**	**2.8**	**2.7**
Unit labour costs [6]	*growth in %*	**3.9**	**7.3**	**3.1**	**5.0**	**7.9**	**5.0**	**4.7**	**3.2**	**2.3**	**2.0**
Compensation of employees	*% of GDP*	**43.8**	**45.0**	**44.6**	**43.0**	**42.9**	**43.3**	**44.1**	**44.4**	**44.5**	**44.5**
Labour Force Survey											
Unemployment rate	*average in %*	**2.0**	**2.6**	**2.8**	**2.2**	**2.6**	**2.6**	**2.6**	**2.5**	**2.4**	**2.4**
Employment rate 20–64	*average in %*	**80.3**	**79.7**	**80.0**	**81.0**	**81.7**	**82.3**	**82.5**	**82.9**	**83.1**	**83.3**
Participation rate 20–64	*average in %*	**81.9**	**81.8**	**82.2**	**82.7**	**83.8**	**84.3**	**84.6**	**85.0**	**85.1**	**85.3**
Registered unemployment											
Unemployment	*av. in thous. persons*	**212**	**259**	**280**	**252**	**266**	**287**	**303**	**278**	**268**	**263**
Share of unemployed [1]	*average in %*	**2.8**	**3.5**	**3.8**	**3.4**	**3.6**	**3.8**	**4.1**	**3.9**	**3.8**	**3.7**
Job vacancies	*av. in thousands*	**340**	**332**	**346**	**326**	**283**	**264**	**.**	**.**	**.**	**.**
Business statistics											
Average monthly wage											
Nominal	*CZK monthly*	34 578	36 176	38 277	39 932	43 120	46 165	49 217	51 870	54 411	56 990
	growth in %	7.9	4.6	5.8	4.3	8.0	7.1	6.6	5.4	4.9	4.7
Real	*CZK 2015*	31 928	32 358	32 969	29 889	29 175	30 492	31 747	32 719	33 589	34 473
	growth in %	4.9	1.3	1.9	-9.3	-2.4	4.5	4.1	3.1	2.7	2.6
Median monthly wage	*CZK monthly*	**29 439**	**31 049**	**32 795**	**34 283**	**37 301**	**39 391**	**.**	**.**	**.**	**.**
	growth in %	6.8	5.5	5.6	4.5	8.8	5.6	.	.	.	.

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

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

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

Table 3.3.2: Labour Market – quarterly

		2024				2025			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
						Estimate	*Forecast*	*Forecast*	*Forecast*
National accounts									
Employment	*av. in thous. persons*	**5 373**	**5 394**	**5 436**	**5 415**	**5 383**	**5 406**	**5 445**	**5 424**
	YoY growth in %	0.3	0.2	0.4	0.3	0.2	0.2	0.2	0.2
	QoQ growth in %	-0.2	0.5	0.0	-0.1	0.0	0.1	0.1	0.0
Wages and salaries	*growth in %*	**6.3**	**5.6**	**6.5**	**6.8**	**6.6**	**7.0**	**6.5**	**6.3**
Labour Force Survey									
Unemployment rate	*average in %*	**2.8**	**2.5**	**2.6**	**2.5**	**2.7**	**2.5**	**2.6**	**2.5**
Employment rate 20–64	*average in %*	**81.8**	**82.1**	**82.4**	**82.7**	**82.3**	**82.5**	**82.6**	**82.7**
	increase over a year	0.6	0.3	0.5	0.7	0.6	0.3	0.2	0.0
Participation rate 20–64	*average in %*	**84.1**	**84.2**	**84.4**	**84.7**	**84.6**	**84.5**	**84.7**	**84.7**
	increase over a year	0.8	0.3	0.4	0.6	0.5	0.4	0.3	0.0
Registered unemployment									
Unemployment	*av. in thous. persons*	**292**	**278**	**284**	**293**	**320**	**300**	**297**	**295**
Share of unemployed [1]	*average in %*	**3.9**	**3.7**	**3.8**	**3.9**	**4.3**	**4.0**	**4.0**	**3.9**
Job vacancies	*av. in thousands*	**269**	**267**	**263**	**259**	**.**	**.**	**.**	**.**
Business statistics									
Average monthly wage									
Nominal	*CZK monthly*	44 047	45 889	45 464	49 229	47 044	49 084	48 420	52 318
	growth in %	7.3	6.6	7.1	7.2	6.8	7.0	6.5	6.3
Real	*CZK 2015*	29 345	30 330	29 891	32 345	30 517	31 706	31 143	33 608
	growth in %	5.1	4.0	4.7	4.3	4.0	4.5	4.2	3.9
Median monthly wage	*CZK monthly*	**36 739**	**38 559**	**40 528**	**41 739**	**.**	**.**	**.**	**.**
	growth in %	5.7	5.8	6.8	4.2	.	.	.	.

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 – yearly

		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
										Forecast	*Forecast*
Current income											
Compensation of employees	*bill.CZK*	**2 196**	**2 399**	**2 571**	**2 636**	**2 827**	**3 022**	**3 268**	**3 476**	**3 710**	**3 919**
	growth in %	8.8	9.2	7.2	2.5	7.2	6.9	8.2	6.4	6.7	5.6
Gross operating surplus	*bill.CZK*	**828**	**904**	**965**	**996**	**1 088**	**1 261**	**1 313**	**1 362**	**1 419**	**1 456**
and mixed income	*growth in %*	7.9	9.2	6.8	3.1	9.3	15.8	4.1	3.7	4.2	2.6
Property income received	*bill.CZK*	**165**	**166**	**167**	**137**	**183**	**304**	**346**	**353**	**367**	**381**
	growth in %	21.9	0.6	0.3	-17.8	33.3	66.1	13.9	2.0	4.2	3.7
Social benefits not-in-kind	*bill.CZK*	**654**	**690**	**743**	**891**	**934**	**1 008**	**1 154**	**1 209**	**1 241**	**1 276**
	growth in %	3.5	5.4	7.7	20.0	4.8	7.9	14.5	4.8	2.7	2.8
Other current transfers received	*bill.CZK*	**244**	**281**	**339**	**363**	**487**	**675**	**711**	**814**	**864**	**913**
	growth in %	12.7	15.1	20.4	7.3	34.0	38.7	5.3	14.5	6.2	5.7
Current expenditure											
Property income paid	*bill.CZK*	**25**	**26**	**34**	**32**	**30**	**60**	**84**	**82**	**86**	**89**
	growth in %	10.1	5.6	28.0	-4.5	-5.5	98.0	40.0	-2.6	4.7	4.2
Curr. taxes on income and property	*bill.CZK*	**247**	**277**	**302**	**315**	**247**	**258**	**296**	**320**	**334**	**346**
	growth in %	10.0	12.3	9.1	4.2	-21.6	4.6	14.6	8.0	4.5	3.6
Social contributions	*bill.CZK*	**832**	**908**	**971**	**1029**	**1143**	**1186**	**1292**	**1411**	**1 496**	**1 579**
	growth in %	7.8	9.2	6.9	6.0	11.0	3.8	9.0	9.2	6.0	5.5
Other current transfers paid	*bill.CZK*	**240**	**283**	**341**	**371**	**499**	**673**	**730**	**837**	**890**	**942**
	growth in %	16.0	17.8	20.7	8.6	34.5	35.0	8.4	14.7	6.4	5.8
Gross disposable income	*bill.CZK*	**2 744**	**2 946**	**3 137**	**3 277**	**3 601**	**4 093**	**4 390**	**4 564**	**4 795**	**4 989**
	growth in %	7.9	7.4	6.5	4.5	9.9	13.7	7.3	4.0	5.1	4.0
Final consumption	*bill.CZK*	**2 483**	**2 640**	**2 799**	**2 692**	**2 921**	**3 358**	**3 529**	**3 712**	**3 925**	**4 143**
	growth in %	7.5	6.3	6.0	-3.8	8.5	15.0	5.1	5.2	5.7	5.6
Change in share in pension funds	*bill.CZK*	**33**	**36**	**38**	**40**	**41**	**27**	**1**	**6**	**5**	**6**
Gross savings	*bill.CZK*	**294**	**342**	**376**	**625**	**720**	**761**	**862**	**857**	**875**	**851**
Capital transfers											
(income (-) / expenditure (+))	*bill.CZK*	**-12**	**-17**	**-20**	**-44**	**-43**	**-31**	**-47**	**-54**	**-38**	**-33**
Gross capital formation	*bill.CZK*	**254**	**317**	**358**	**364**	**404**	**484**	**497**	**500**	**514**	**528**
	growth in %	-4.9	24.5	12.9	1.7	11.1	19.7	2.9	0.5	2.9	2.6
Change in financial assets and liab.	*bill.CZK*	**52**	**42**	**35**	**304**	**356**	**310**	**414**	**414**	**402**	**359**
Real disposable income	*growth in %*	**4.7**	**4.4**	**3.5**	**1.5**	**5.4**	**-0.8**	**-0.9**	**0.9**	**3.0**	**1.8**
Gross savings rate	*%*	**10.6**	**11.5**	**11.8**	**18.8**	**19.8**	**18.5**	**19.6**	**18.8**	**18.2**	**17.0**

Source: CZSO. Calculations of the MoF.

3.4 External Relations

Export markets grew by 0.7% (*vs. 1.5%*) year-on-year in Q4 2024. The GDP of our main trading partners aligned with estimates, but import intensity stagnated. Weaker-than-expected import developments were due to a quarter-on-quarter decline in imports into Germany, Austria, and Poland, likely driven by reduced demand for manufacturing inputs. For the full year 2024, export markets contracted by 1.0% (*vs. 0.7%*). For this year, based on the outlook for economic activity abroad (see Chapter 1.1) and expected import intensity, we estimate export markets growth of 2.1% (*vs. 3.3%*). In 2026, growth could reach 3.6%, supported by a global economic recovery.

Export performance stagnated (*vs. growth of 0.5%*) in Q4 2024, reflecting[1] lower automotive production and exports. For the entire year 2024, export performance grew by 1.6% (*vs. 1.7%*). We anticipate a 0.4% (*vs. 0.5%*) decline in performance this year, reflecting ongoing weak industrial orders from abroad and a projected reduction in automotive production due to lower demand. For next year, despite expected improvements in manufacturing conditions, we foresee only a modest 0.2% increase in performance, primarily due to the negative impact of the koruna's appreciation against the euro (see Chapter 1.4).

The **current account of the balance of payments** recorded a surplus of 1.8% of GDP (*vs. 1.0% of GDP*) in Q4 2024[2]. All components of the current account contributed to the year-on-year improvement of 1.9% of GDP, with the balance of trade in goods making the largest contribution.

With the release of Q4 2024 data, the figures for 2023 and the first three quarters of 2024 were revised. The main adjustment for 2023 was an increase in the primary and secondary income deficit by 0.2% of GDP, resulting in a slight current account deficit of 0.1% of GDP for that year.

The **balance of goods** improved by 1.4% of GDP year-on-year, reaching a surplus of 5.2% of GDP (*vs. 5.1% of GDP*) in Q4 2024. This increase in the positive balance was driven by growth in motor vehicle production and exports. On the import side, lower energy commodity imports and weaker investment activity contributed to the improved balance.

[1] It is important to highlight the methodological bias of the decomposition used. Export performance is calculated as the ratio of total goods exports to export markets. This approach assumes that faster export growth compared to imports in trading partners results in a higher share of Czech goods in those markets at the expense of other countries, leading to a higher growth of this indicator. However, if there is a significant decline in imports from our trading partners, i.e. in export markets compared to Czech exports, the performance indicator improves without any real increase in Czech exports.

2 All quarterly data relative to GDP are presented as annual moving totals.

Mineral fuel prices continue to play a significant role in influencing foreign trade in goods. The deficit in the fuel balance for Q4 2024 was 2.4% of GDP (*vs. 2.5% of GDP*). Considering the developments in oil prices (see Chapter 1.2) and other energy commodities, particularly natural gas, we expect the negative balance in mineral fuels trade to ease to 2.1% of GDP (*vs. 2.3% of GDP*) in 2025. For 2026, we anticipate the deficit will narrow further to 1.8% of GDP.

We forecast the balance of goods to reach a surplus of 4.4% of GDP (*vs. 3.8% of GDP*) this year, though it is expected to decline to 3.7% of GDP next year. The trade balance will be positively impacted this year by improvements in the terms of trade, driven by developments in energy commodity prices, particularly oil. Conversely, rising trade barriers, such as higher tariffs on imports to the United States negatively affect Czech exports. Weaker investment activity will limit the import side. The reduction in the positive balance of foreign trade in goods in 2026 reflects higher import dynamics amid a recovery in domestic investment demand.

The **services balance** showed a surplus of 1.3% of GDP (*in line with the estimate*) in Q4 2024. The 0.2% of GDP year-on-year improvement in the balance reflects increased revenues in the transport sector and a decrease in expenditure on insurance services. For this year, we estimate a moderate increase in the surplus to 1.4% of GDP (*unchanged*), which could rise further to 1.5% of GDP in 2026 due to the projected economic recovery in the euro area (see Chapter 1.1).

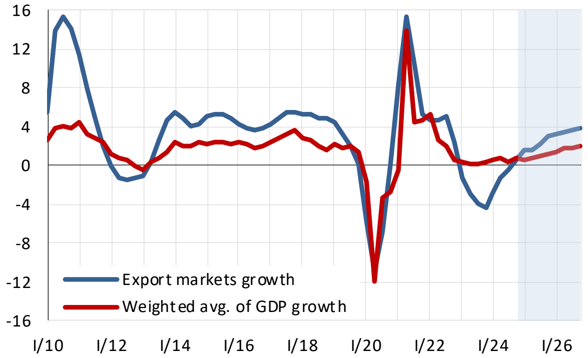
The **primary income** deficit narrowed by 0.1% of GDP year-on-year to 4.3% of GDP (*vs. 5.0% of GDP*) in Q4 2024, due to lower outflows of income from direct investment (mainly dividends). This likely reflects slower growth in the profitability of foreign-controlled firms. Given the projected economic performance and gross operating surplus, we expect the primary income deficit to remain the same in relative terms (*vs. 5.0% of GDP*) for this year. For 2026, we project a slight increase in the deficit to 4.4% of GDP.

In this context, we expect the **current account of the balance of payments** to remain slightly in surplus over the forecast horizon. The positive balance is projected to reach 0.7% of GDP (*vs. a deficit of 0.2% of GDP*) this year, and could decline to 0.1% of GDP in 2026.

The **current account balance** (in the national accounts methodology) reached a surplus of 1.2% of GDP in Q4 2024 (Graph 3.4.8). From a sectoral perspective, this was mainly driven by households, whose savings exceeded investment by 4.4% of GDP. In the non-financial corporations and general government sectors, the relationship between savings and investment was reversed, with gross capital formation exceeding gross savings by 0.8% and 2.7% of GDP, respectively.

Graph 3.4.1: GDP and Goods Imports of Partner Countries

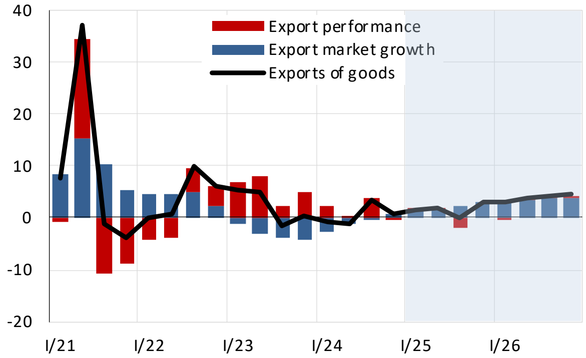
YoY growth rate in %, seasonally adjusted



Source: Eurostat. Calculations and forecast of the MoF.

Graph 3.4.2: Real Exports of Goods

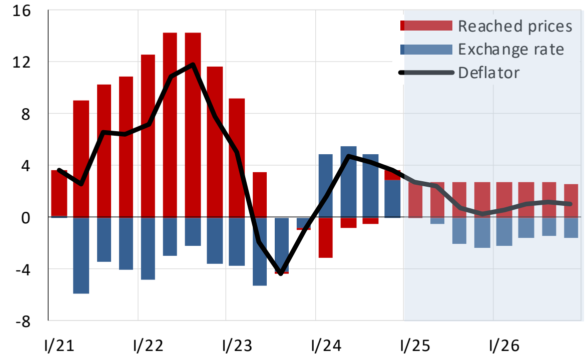
YoY growth in %, contributions in pp, seasonally adjusted



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

Graph 3.4.3: Deflator of Exports of Goods

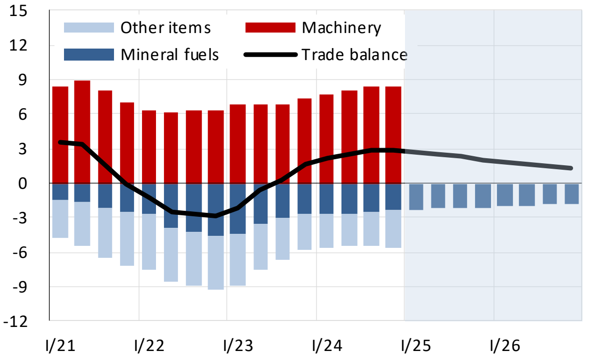
YoY growth in %, contributions in percentage points



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

Graph 3.4.4: Balance of Trade

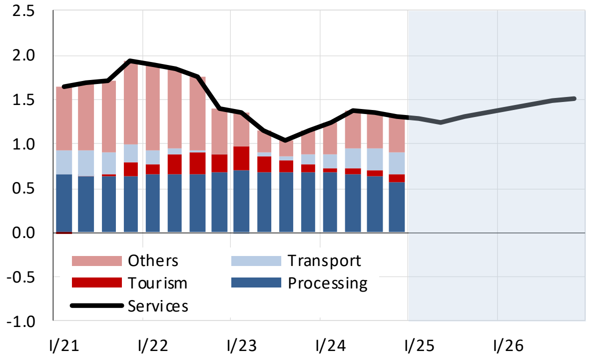
four-quarter moving totals, in % of GDP, change of ownership concept



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.4.5: Balance of Services

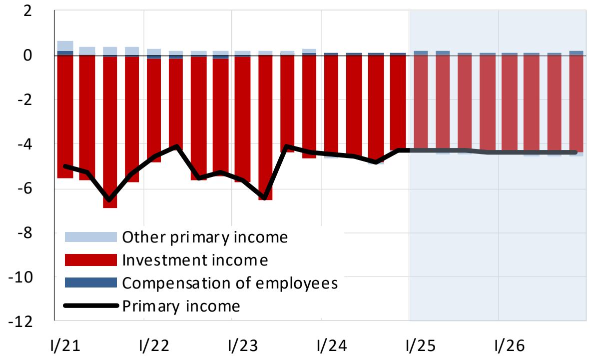
four-quarter moving totals, in % of GDP



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

Graph 3.4.6: Balance of Primary Income

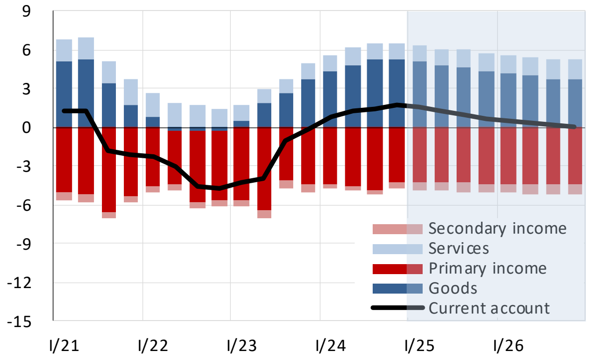
four-quarter moving totals, in % of GDP



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

Graph 3.4.7: Current Account

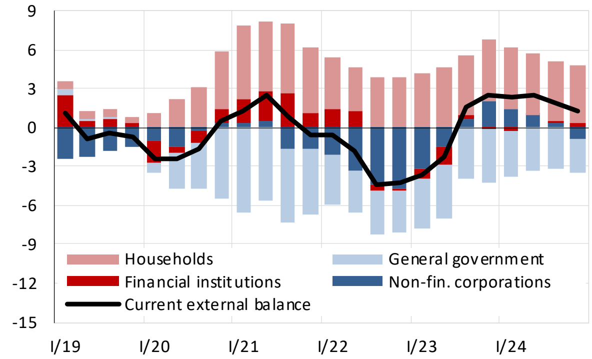
four-quarter moving totals, in % of GDP, BoP methodology



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

Graph 3.4.8: Current External Balance

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



Source: CZSO. Calculations of the MoF.

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

		2017	2018	2019	2020	2021	2022	2023	2024	2025 *Forecast*	2026 *Forecast*
GDP [1]	*average of 2010=100*	**115.0**	**117.6**	**119.8**	**113.9**	**120.1**	**123.2**	**123.5**	**124.3**	**125**	**128**
	growth in %	3.1	2.3	1.8	-4.9	5.4	2.6	0.3	0.6	0.9	1.8
Import intensity [2]	*average of 2010=100*	**111.7**	**114.9**	**115.5**	**114.5**	**119.2**	**121.0**	**116.9**	**115.0**	**116**	**119**
	growth in %	1.9	2.8	0.6	-0.9	4.1	1.6	-3.4	-1.6	1.2	1.8
Export markets [3]	*average of 2010=100*	**128.5**	**135.1**	**138.4**	**130.4**	**143.1**	**149.1**	**144.4**	**143.0**	**146**	**151**
	growth in %	5.0	5.1	2.4	-5.8	9.7	4.2	-3.1	-1.0	2.1	3.6
Export performance	*average of 2010=100*	**115.4**	**113.4**	**111.8**	**110.5**	**108.7**	**108.6**	**114.7**	**116.6**	**116**	**116**
	growth in %	2.2	-1.8	-1.4	-1.1	-1.7	-0.1	5.6	1.6	-0.4	0.2
Real exports	*average of 2010=100*	**148.3**	**153.2**	**154.7**	**144.1**	**155.6**	**162.0**	**165.7**	**166.7**	**170**	**176**
	growth in %	7.3	3.3	1.0	-6.8	7.9	4.2	2.3	0.6	1.7	3.9
1 / NEER	*average of 2010=100*	**103.9**	**100.2**	**100.5**	**102.4**	**99.1**	**95.7**	**92.4**	**96.6**	**95**	**94**
	growth in %	-2.8	-3.6	0.3	1.9	-3.3	-3.3	-3.5	4.5	-1.2	-1.7
Prices on foreign markets	*average of 2010=100*	**100.2**	**103.2**	**103.8**	**103.2**	**111.9**	**126.7**	**130.5**	**129.4**	**133**	**136**
	growth in %	2.1	3.0	0.6	-0.6	8.4	13.2	3.0	-0.9	2.7	2.7
Exports deflator	*average of 2010=100*	**104.2**	**103.4**	**104.4**	**105.7**	**110.8**	**121.3**	**120.6**	**124.9**	**127**	**128**
	growth in %	-0.7	-0.7	1.0	1.3	4.8	9.4	-0.6	3.6	1.5	0.9
Nominal exports	*average of 2010=100*	**154.4**	**158.4**	**161.5**	**152.3**	**172.4**	**196.6**	**199.8**	**208.3**	**215**	**225**
	growth in %	6.5	2.6	2.0	-5.7	13.2	14.1	1.7	4.2	3.3	4.8

[1] *Weighted average of GDP of eight most important partners – Germany, Slovakia, Austria, the United Kingdom, Poland, France, Italy and Hungary.*
[2] *Index of ratio of real imports of goods to real GDP.*
[3] *Weighted average of imports of goods of main partners.*
Source: CNB, CZSO, Eurostat. Calculations and forecast of the MoF.

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

		2024				2025			
		Q1	Q2	Q3	Q4	Q1 *Estimate*	Q2 *Forecast*	Q3 *Forecast*	Q4 *Forecast*
GDP [1]	*average of 2010=100*	**124.1**	**124.2**	**124.4**	**124.5**	**125**	**125**	**126**	**126**
	growth in %	0.7	0.7	0.4	0.7	0.5	0.7	1.0	1.3
Import intensity [2]	*average of 2010=100*	**114.4**	**115.1**	**115.4**	**115.1**	**116**	**116**	**117**	**117**
	growth in %	-3.5	-2.0	-0.8	0.0	1.0	0.9	1.1	1.8
Export markets [3]	*average of 2010=100*	**142.1**	**143.1**	**143.6**	**143.4**	**144**	**145**	**147**	**148**
	growth in %	-2.9	-1.3	-0.4	0.7	1.6	1.6	2.1	3.1
Export performance	*average of 2010=100*	**116.6**	**115.6**	**118.1**	**116.0**	**117**	**116**	**116**	**116**
	growth in %	2.3	0.2	3.9	0.0	0.1	0.4	-1.9	0.0
Real exports	*average of 2010=100*	**165.6**	**165.4**	**169.5**	**166.2**	**168**	**169**	**170**	**171**
	growth in %	-0.7	-1.0	3.5	0.6	1.6	2.0	0.1	3.1
1 / NEER	*average of 2010=100*	**96.5**	**96.0**	**96.9**	**97.0**	**97**	**96**	**95**	**95**
	growth in %	4.9	5.5	4.9	2.9	0.0	-0.4	-1.9	-2.3
Prices on foreign markets	*average of 2010=100*	**128.4**	**130.7**	**128.3**	**129.9**	**132**	**134**	**132**	**133**
	growth in %	-3.1	-0.7	-0.5	0.8	2.8	2.8	2.7	2.7
Exports deflator	*average of 2010=100*	**124.0**	**125.4**	**124.4**	**126.0**	**127**	**128**	**125**	**126**
	growth in %	1.7	4.8	4.3	3.7	2.8	2.4	0.7	0.3
Nominal exports	*average of 2010=100*	**205.2**	**207.5**	**210.8**	**209.5**	**214**	**217**	**213**	**217**
	growth in %	1.0	3.7	8.0	4.4	4.5	4.4	0.8	3.4

[1] *Weighted average of GDP of eight most important partners – Germany, Slovakia, Austria, the United Kingdom, Poland, France, Italy and Hungary.*
[2] *Index of ratio of real imports of goods to real GDP.*
[3] *Weighted average of imports of goods of main partners.*
Source: CNB, CZSO, Eurostat. Calculations and forecast of the MoF.

Table 3.4.3: Balance of Payments – yearly

international investment position and gross external debt – end of period

		2017	2018	2019	2020	2021	2022	2023	2024	2025 *Forecast*	2026 *Forecast*
Goods and services	*bill.CZK*	**394**	**333**	**358**	**389**	**232**	**76**	**378**	**523**	**481**	**461**
	% GDP	7.6	6.1	6.1	6.7	3.7	1.1	5.0	6.5	5.7	5.2
Goods	*bill.CZK*	259	201	240	280	110	-23	290	418	367	329
	% GDP	5.0	3.7	4.1	4.8	1.7	-0.3	3.8	5.2	4.4	3.7
Services	*bill.CZK*	135	132	119	109	122	99	88	105	114	132
	% GDP	2.6	2.4	2.0	1.9	1.9	1.4	1.1	1.3	1.4	1.5
Primary income	*bill.CZK*	**-281**	**-289**	**-319**	**-260**	**-337**	**-373**	**-336**	**-343**	**-365**	**-389**
	% GDP	-5.4	-5.3	-5.4	-4.5	-5.3	-5.3	-4.4	-4.3	-4.3	-4.4
Secondary income	*bill.CZK*	**-33**	**-22**	**-19**	**-26**	**-30**	**-33**	**-50**	**-39**	**-58**	**-62**
	% GDP	-0.6	-0.4	-0.3	-0.5	-0.5	-0.5	-0.7	-0.5	-0.7	-0.7
Current account	*bill.CZK*	**80**	**21**	**20**	**103**	**-130**	**-330**	**-8**	**141**	**58**	**9**
	% GDP	1.5	0.4	0.3	1.8	-2.1	-4.7	-0.1	1.8	0.7	0.1
Capital account	*bill.CZK*	**45**	**27**	**27**	**67**	**107**	**45**	**88**	**140**	**180**	**176**
	% GDP	0.9	0.5	0.5	1.1	1.7	0.6	1.2	1.8	2.1	2.0
Net lending/borrowing	*bill.CZK*	**125**	**49**	**46**	**169**	**-23**	**-286**	**79**	**281**	**238**	**185**
	% GDP	2.4	0.9	0.8	2.9	-0.4	-4.1	1.0	3.5	2.8	2.1
Financial account	*bill.CZK*	**116**	**61**	**8**	**162**	**-18**	**-292**	**91**	**206**	**.**	**.**
Direct investments	*bill.CZK*	-46	-51	-137	-149	-29	-83	-76	-43	.	.
Portfolio investments	*bill.CZK*	-268	30	-105	-136	75	331	90	-197	.	.
Financial derivatives	*bill.CZK*	-14	-15	1	11	-58	-45	1	-38	.	.
Other investments	*bill.CZK*	-802	47	139	388	-302	-188	40	457	.	.
Reserve assets	*bill.CZK*	1 246	50	110	48	296	-307	36	27	.	.
International investment position	*bill.CZK*	**-1 278**	**-1 323**	**-1 150**	**-932**	**-939**	**-1 424**	**-1 104**	**-575**	**.**	**.**
	% GDP	-24.7	-24.2	-19.5	-16.0	-14.9	-20.2	-14.5	-7.2	.	.
Gross external debt	*bill.CZK*	**4 370**	**4 413**	**4 384**	**4 321**	**4 594**	**4 662**	**4 811**	**5 271**	**.**	**.**
	% GDP	84.4	80.6	74.4	74.1	72.8	66.1	63.1	65.8	.	.

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*	*Forecast*	*Forecast*
Goods and services	*bill.CZK*	**434**	**482**	**519**	**523**	**516**	**501**	**497**	**481**
	% GDP	5.6	6.2	6.6	6.5	6.4	6.1	6.0	5.7
Goods	*bill.CZK*	339	375	412	418	413	399	387	367
	% GDP	4.4	4.8	5.2	5.2	5.1	4.9	4.7	4.4
Services	*bill.CZK*	95	106	107	105	103	101	109	114
	% GDP	1.2	1.4	1.4	1.3	1.3	1.2	1.3	1.4
Primary income	*bill.CZK*	**-345**	**-355**	**-381**	**-343**	**-347**	**-351**	**-359**	**-365**
	% GDP	-4.5	-4.6	-4.8	-4.3	-4.3	-4.3	-4.3	-4.3
Secondary income	*bill.CZK*	**-20**	**-25**	**-26**	**-39**	**-44**	**-49**	**-54**	**-58**
	% GDP	-0.3	-0.3	-0.3	-0.5	-0.5	-0.6	-0.7	-0.7
Current account	*bill.CZK*	**69**	**101**	**112**	**141**	**125**	**100**	**83**	**58**
	% GDP	0.9	1.3	1.4	1.8	1.5	1.2	1.0	0.7
Capital account	*bill.CZK*	**78**	**73**	**93**	**140**	**150**	**160**	**170**	**180**
	% GDP	1.0	0.9	1.2	1.8	1.9	2.0	2.1	2.1
Net lending/borrowing	*bill.CZK*	**147**	**175**	**204**	**281**	**275**	**260**	**254**	**238**
	% GDP	1.9	2.2	2.6	3.5	3.4	3.2	3.1	2.8
Financial account	*bill.CZK*	**137**	**181**	**167**	**206**	**.**	**.**	**.**	**.**
Direct investments	*bill.CZK*	-74	-27	-71	-43	.	.	.	.
Portfolio investments	*bill.CZK*	104	143	97	-197	.	.	.	.
Financial derivatives	*bill.CZK*	-26	-39	-23	-38	.	.	.	.
Other investments	*bill.CZK*	-32	-33	77	457	.	.	.	.
Reserve assets	*bill.CZK*	165	136	87	27	.	.	.	.
International investment position	*stock in bill.CZK*	**-872**	**-857**	**-804**	**-575**	**.**	**.**	**.**	**.**
	% GDP	-11.3	-11.0	-10.2	-7.2	.	.	.	.
Gross external debt	*stock in bill.CZK*	**4 982**	**4 983**	**5 178**	**5 271**	**.**	**.**	**.**	**.**
	% GDP	64.8	64.0	65.5	65.8	.	.	.	.

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

4 Survey of Other Institutions' Forecasts

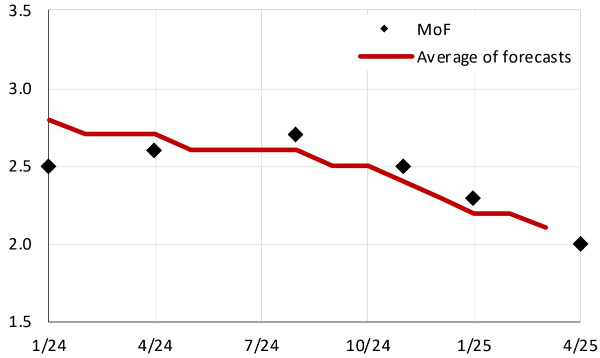
On average, the institutions surveyed expect the Czech economy to expand by 2.1% in 2025, with growth accelerating to 2.4% next year. The average inflation rate is projected at 2.4% this year, easing slightly to 2.2% in 2026. Average nominal wages are expected to increase by 5.9% this year, followed by a deceleration to 5.1% next year. The current account balance is projected to record a surplus of 0.8% of GDP in both years.

When comparing the MoF' current forecast with the consensus of institutional estimates, it is important to consider the timing of forecast preparation and the information available to each institution at the time.

The MoF's projections for real GDP growth and consumer price inflation in 2025 and 2026 are broadly in line with the institutional average. However, the MoF expects stronger growth in average wages over both years. While the forecast for the current account surplus in 2025 is consistent with the institutional average, the MoF anticipates a more moderate surplus in 2026.

Graph 4.1: Forecasts for Real GDP Growth in 2025

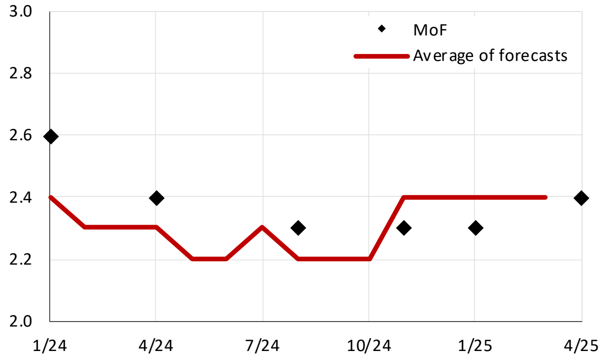
in %; the month, in which the survey was made on the horizontal axis



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

Graph 4.2: Forecasts for Average Inflation Rate in 2025

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



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

Table 4.1: Summary of the Surveyed Forecasts

		March 2025			April 2025
		min.	*max.*	*average*	*MoF forecast*
Gross domestic product (2025)	*growth in %, const.pr.*	**1.5**	**2.4**	**2.1**	**2.0**
Gross domestic product (2026)	*growth in %, const.pr.*	**2.0**	**2.7**	**2.4**	**2.4**
Average inflation rate (2025)	*%*	**2.0**	**2.7**	**2.4**	**2.4**
Average inflation rate (2026)	*%*	**2.0**	**2.4**	**2.2**	**2.3**
Average monthly wage (2025)	*growth in %*	**5.4**	**6.5**	**5.9**	**6.6**
Average monthly wage (2026)	*growth in %*	**4.6**	**5.4**	**5.1**	**5.4**
Current account / GDP (2025)	*%*	**0.3**	**2.1**	**0.8**	**0.7**
Current account / GDP (2026)	*%*	**0.3**	**1.9**	**0.8**	**0.1**

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

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

5 Evaluation of the 2024 State Budget Forecast

The macroeconomic framework of the 2024 State Budget was prepared on the basis of the August 2023 Macroeconomic Forecast. Table 5.1 shows a comparison of the main indicators of the framework with the data available as of 1 April 2025. For most indicators, however, these figures cannot be considered final, as they will be further refined. It should be stressed that the results are significantly affected by the extraordinary data revision of June 2024, in which the CZSO has adjusted the entire time series of national accounts since 1990.

According to the assumptions of the macroeconomic framework, the problems in supply chains were expected to fade away and the macroeconomic effects of high inflation, the war in Ukraine and restrictive monetary policy, which were unfavourable for growth, were expected to ease. Supply chains operated without significant problems in 2024, and the above negative factors eventually had a lower impact on the global economy. On the other hand, problems in the European automotive industry resulted in slower than expected economic growth in the euro area, so that the contribution of foreign trade to Czech GDP growth was noticeably lower in the end.

A slower than expected decline in the savings rate, weaker consumer sentiment and the efforts of low-income households to rebuild their financial buffers held back the growth in real household consumption, which rose by only 2.2% instead of 3.9%. The strong fall in inventories probably reflected a reduction in work in progress and the normalisation of inventories of production inputs – the change in inventories and valuables subtracted 0.9 pp from GDP growth, compared with 1.3 pp in the macroeconomic framework. Growth in fixed capital formation lagged well behind the budget forecast, while consumption by the general government sector was faster. As a result, the Czech economy grew by only 1.1% in 2024 instead of the predicted 2.3%.

Labour market developments had been estimated fairly accurately. The unemployment rate stagnated at 2.6% and was thus 0.1 pp lower than in the framework. Wages and salaries increased by 6.3%, while the macroeconomic framework expected growth of 6.1%. In the national accounts methodology, the budgetary forecast had assumed a 0.7% increase in employment, whereas the actual figure was 0.4 pp lower.

The assessment of the macroeconomic framework of the 2024 State Budget needs to take into account the high degree of uncertainty that persisted at the time of the budget forecast. Nevertheless, in hindsight, real GDP growth fell significantly short of expectations and its composition also differed. However, as a result of higher price dynamics, nominal GDP developed broadly in line with the macroeconomic framework. In terms of the most important indicators for the general government sector budget performance, wage and salary developments were only slightly ahead of expectations, while household consumption in real and nominal terms lagged behind the forecast values.

Table 5.1: Comparison of the 2024 State Budget Macroeconomic Framework with Actual Outcome

		Outcome (April 2025)				State Budget 2024 (August 2023)				Difference (outcome - forecast)			
		2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
Gross domestic product	*bill. CZK*	**6 308**	**7 050**	**7 619**	**8 011**	**6 109**	**6 786**	**7 384**	**7 751**	**199**	**264**	**235**	**260**
Gross domestic product	*growth in %, curr.pr.*	8.2	11.8	8.1	5.1	7.0	11.1	8.8	5.0	1.2	0.7	-0.7	0.2
Gross domestic product	*growth in %, const.pr.*	**4.0**	**2.8**	**-0.1**	**1.1**	**3.6**	**2.4**	**-0.2**	**2.3**	**0.5**	**0.5**	**0.1**	**-1.2**
Consumption of households	*growth in %, const.pr.*	4.2	0.5	-2.8	2.2	4.1	-0.7	-3.4	3.9	0.1	1.2	0.7	-1.7
Consumption of government	*growth in %, const.pr.*	1.5	0.4	3.4	3.3	1.4	0.6	2.4	1.8	0.1	-0.2	1.0	1.5
Gross fixed capital formation	*growth in %, const.pr.*	6.7	6.3	2.5	-1.2	0.8	3.0	0.8	0.7	5.9	3.3	1.7	-1.9
Net exports	*contribution, pp*	-2.8	-0.3	2.6	0.7	-3.6	0.9	2.4	1.3	0.8	-1.2	0.2	-0.7
GDP deflator	*growth in %*	**4.0**	**8.7**	**8.1**	**4.0**	**3.3**	**8.5**	**9.0**	**2.6**	**0.7**	**0.1**	**-0.9**	**1.4**
Average inflation rate	*%*	**3.8**	**15.1**	**10.7**	**2.4**	**3.8**	**15.1**	**10.9**	**2.8**	**0.0**	**0.0**	**-0.2**	**-0.4**
Employment (national accounts)	*growth in %*	**1.0**	**1.0**	**1.0**	**0.3**	**0.4**	**1.5**	**1.1**	**0.7**	**0.6**	**-0.5**	**0.0**	**-0.4**
Unemployment rate (LFS)	*average in %*	**2.8**	**2.2**	**2.6**	**2.6**	**2.8**	**2.3**	**2.8**	**2.7**	**0.0**	**-0.2**	**-0.2**	**-0.1**
Wage bill (domestic concept)	*growth in %, curr.pr.*	**7.2**	**9.1**	**7.7**	**6.3**	**5.9**	**9.3**	**8.4**	**6.1**	**1.4**	**-0.2**	**-0.7**	**0.3**
Current account balance	*% of GDP*	**-2.1**	**-4.7**	**-0.1**	**1.8**	**-2.8**	**-6.1**	**-1.7**	**-0.6**	**0.7**	**1.4**	**1.5**	**2.4**
Assumptions:													
Exchange rate CZK/EUR		**25.6**	**24.6**	**24.0**	**25.1**	**25.6**	**24.6**	**23.8**	**23.9**	**0.0**	**0.0**	**0.2**	**1.2**
Long-term interest rates	*% p.a.*	**1.9**	**4.3**	**4.4**	**4.0**	**1.9**	**4.3**	**4.3**	**3.9**	**0.0**	**0.0**	**0.1**	**0.1**
Crude oil Brent	*USD/barrel*	**71**	**101**	**82**	**81**	**71**	**101**	**80**	**77**	**0**	**0**	**3**	**4**
GDP of the euro area	*growth in %, const.pr.*	**6.3**	**3.6**	**0.5**	**0.8**	**5.4**	**3.4**	**0.7**	**1.2**	**0.9**	**0.2**	**-0.1**	**-0.4**

Note: Employment is reported using the national accounts methodology due to methodological changes in the Labour Force Survey (see, e.g., Macroeconomic Forecast, November 2023), which significantly affect the values across the entire time series.
Source: CNB, CZSO, Eurostat, U. S. Energy Information Administration. Calculations and forecast of the MoF.

6 Impact of US Tariffs on the Czech Economy

On April 2, the US administration published a comprehensive list of new tariff measures applying to all goods imported into the United States. These tariffs have the potential to fundamentally reshape global supply chains and significantly constrain the growth outlook of many major economies. Goods originating from EU countries are newly subject to a 20% tariff. Automotive products, including components, steel and aluminium, are subject to the previously announced 25% tariffs.

The baseline macroeconomic forecast is based on the assumption of tariffs on automobiles and components, which were announced on 26 March 2025, as well as tariffs on steel and aluminium. The broad-based tariffs on all goods imports were announced by the US administration after the forecast's data cut-off date. However, their more permanent actual form, the questionable legal basis, the scope and structure of retaliatory measures by other countries, and their broader dynamic effects remain uncertain. Therefore, they are not included in the baseline scenario of the Macroeconomic Forecast, but are addressed in this dedicated thematic chapter.

6.1 Automotive Tariffs

On 26 March 2025, the US administration announced the imposition of an additional 25% tariff on imports of all automobiles manufactured outside the United States, Mexico, and Canada, in accordance with the 2020 trade agreement among these countries. The tariff came into effect on 3 April 2025. No later than 3 May 2025, the same tariff rate will also apply to imports of automotive parts and accessories.

According to S&P Global (2025), imported vehicles accounted for 46% of total car sales in the United States in 2024, with European countries accounting for 5.5%. The United States remains an important export market for European carmakers – in 2024, one in every ten cars exported from the EU was destined for the US market. For Germany, the Czech Republic's main trading partner, the share of cars exported to the US reached 15.6% (Graph 6.1). Road vehicles accounted for 7.3% of total EU exports to the US, while automotive components also represented a significant share of exports. Specifically, 10.0% of Germany's exports of motor vehicle components were destined for the US market (Graph 6.2). In the opposite direction, 20.9% of total US road vehicle exports by value were destined for the EU, with nearly two-thirds of this amount directed to Germany. Overall, road vehicles made up 3.3% of total US exports to the EU.

Although the United States is not a major export destination for Czech automobile manufacturers and component suppliers, the principal risk to the Czech economy stems from a potential deterioration in economic activity within the euro area, the primary destination for Czech exports. Direct effects arise from reduced bilateral trade between the Czech Republic and the United States due to higher tariffs, while indirect effects are expected to stem from adverse impacts on both the euro area and US economies.

Estimates of the effects of the new tariffs on the euro area and the United States vary. Oxford Economics (2025) projects a slowdown in GDP growth in the euro area by 0.2 pp, and in Germany by 0.3 pp. The Kiel Institute (2025) estimates a negative impact on German output growth of 0.2 pp, while for the US economy it expects a deceleration in growth of 0.04 pp. According to The Budget Lab (2025), US economic growth would decrease by 0.1 pp.

Taking the above into account, we estimate a one-off reduction in euro area GDP growth of 0.2 pp. In the case of the United States, a more modest decline in economic activity growth of 0.1 pp, due in part to the lower openness of the US economy. Our estimates assume the EU and US tariff rates in force in 2024 as the baseline. Existing studies suggest a price elasticity of demand for motor vehicles ranging from −0.5 to −1.7 (Table 6.1). Taking into account these analyses, we adopt an elasticity of −1.2. Elasticities of domestic demand components are derived from model-based estimations using historical data, while import intensity estimates rely on the OECD's 2018 international symmetric input-output tables (OECD, 2023).

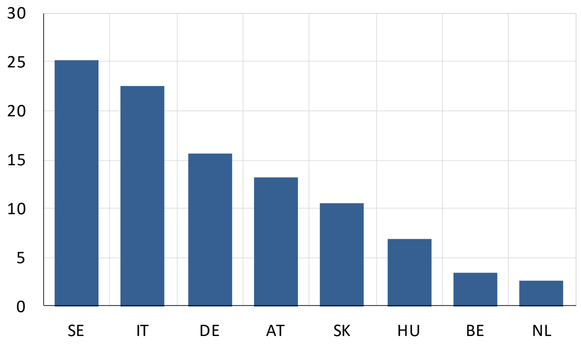
Table 6.1: Selected Estimates of Price Elasticities for Motor Vehicles

Study	Elasticity	Region
McCarthy (1996)	-0.9	USA
Anderson et al. (1997)	-1.2	USA
Train and Winston (2007)	-1.7	USA
Copeland (2009)	-1.7	USA
Vance and Mehlin (2009)	-1.5	Germany
Graham and Glaister (2002)	-1.1	OECD
Fridstrøm and Østli (2021)	-1.1	Norway
Leard and Wu (2023)	-0.5	USA

The overall one-off impact on Czech GDP growth could reach −0.3 pp, with −0.22 pp attributable to a deterioration in foreign trade and the remainder to a decline in domestic demand. Given that the tariffs are expected to effective from April or May this year, the impact should also influence year-on-year growth rate in 2026. As a result, **Czech GDP growth could be reduced by 0.2 pp this year and by 0.1 pp in 2026 due to the tariffs on automobiles and components.**

Graph 6.1: Car Exports to the United States

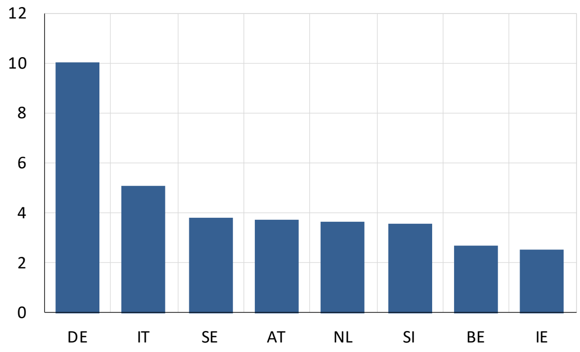
percentage share of total car exports, year 2024



Source: Eurostat. Calculations of the MoF.

Graph 6.2: Components Exports to the United States

percentage share of total car components exports, year 2024



Source: Eurostat. Calculations of the MoF.

6.2 The Impact of Broad-Based Tariffs

In early April (The White House, 2025), the US administration announced a new wave of tariff measures aimed at protecting domestic industry and reducing the trade deficit. The stated objective is to limit imports of cheaper foreign products, which the federal government believes distort fair competition and threaten American jobs. A further goal of the tariff policy is to restrict technology transfer from the United States to other countries and to strengthen national security.

The newly announced tariffs took effect immediately and effectively apply to all major economies. A 20% tariff has been imposed on goods from EU countries. Unlike the previously introduced tariffs on automobiles and automotive components, **these are not part of the baseline scenario of the MoF's Macroeconomic Forecast**.

Given their scope and scale, the new tariffs may have significant adverse macroeconomic effects. Last year, one fifth of EU goods exports were destined for the United States. Among Member States, Ireland had the largest share, followed by Italy and Germany (Graph 6.3). In terms of the commodity structure of EU exports to the United States, the main categories were machinery and transport equipment (including road vehicles and electrical equipment), followed by chemical (mainly pharmaceutical) products.

EU countries are also important partners for the United States. Overall, 18.4% of US exports went to EU countries, with the Netherlands and Germany accounting for the largest share (Graph 6.4). As a result, not only the price channel but also reduced demand in the EU and the potential reciprocal measures would negatively affect the US economy.

As with the automotive sector, the Czech Republic is less exposed in terms of direct exports to the United States. In 2024, Czech direct goods exports to the United States amounted to CZK 133 billion (i.e. 2.9% of total Czech exports). Including indirect exports, so-called re-exports[3], total exports reached approximately CZK 190 billion (i.e. 4.1% of total exports). Key export commodities include machinery and transport equipment, particularly industrial machinery, power-generating equipment, and electrical devices.

As in the case of tariffs on automotive goods, the primary risk to the Czech economy lies in the potential weakening of economic performance in the euro area, which is the Czech Republic's main trading partner. Higher prices of European exports to the United States are expected to reduce demand from US customers, and the resulting decline in exports would dampen economic growth in Europe. A deterioration in the economic outlook of EU trading partners would in turn adversely affect the Czech economy due to its high trade interconnectedness.

We again consider both the direct and indirect impacts of tariffs on the Czech economy and we assume the default EU and US tariff rates as they were in place in 2024. After incorporating the 25% tariff rate on cars and parts and the additional 20% tariff on other goods, the effective average tariff rate on Czech exports of goods to the United States would rise to 22.2% (from the current

[3] *In such cases, goods produced in the Czech Republic are first exported to a third country, where they undergo further processing or modification before being re-exported to the United States. In Czech foreign trade statistics, these shipments are recorded as exports to the intermediary country, even though the final destination is the United States. By contrast, US trade statistics, as reported by the Department of Commerce (US International Trade Administration), include these re-exports under bilateral trade with the Czech Republic.*

1.9%). For the euro area as a whole, the effective rate would be 23.7% (up from 2.9%). These rates are applied uniformly across commodities, the differences in effective rates result solely from differences in trade structures. If the EU were to implement fully reciprocal measures, US goods exported to the EU would face an effective average tariff of 24.1% (compared to the current 3.4%). Estimates of the impacts of higher tariffs are based on model-derived expenditure elasticities of Czech GDP. The price elasticities of US and EU exports are drawn from the IMF estimates (IMF, 2024). Import intensity data are taken from the OECD's international symmetric input-output tables (2023).

Table 6.2 presents the estimated effects of introducing across-the-board tariffs (including reciprocal EU measures), according to some leading institutions.

Table 6.2: Impacts of Broad-Based and Reciprocal Tariffs on GDP Growth in the Euro Area and the USA
in percentage points

	2025	2026
Euro Area		
Bank of Finland (2025)	-1.50	-0.86
IMF (2024)	-0.80	-1.40
PIIE (2025)	-0.07	-0.23
ECB (2025)	-0.50	
United States of America		
Bank of Finland (2025)	-0.96	-0.56
IMF (2024)	-0.60	-1.20
PIIE (2025)	-0.05	-0.18
Tax Foundation (2025)	-0.40	

Note: Some institutions base their impact assessments of tariffs on different assumptions regarding the tariff rates applied to imports from the EU. For the sake of comparability, these estimates have been adjusted proportionally to reflect the announced level of tariff rates.

The Ministry of Finance of the Czech Republic estimates that GDP growth in the euro area could slow by 0.6 pp this year and by 0.8 pp in 2026. For the United States, due to its relatively less open economy, the reduction in growth is expected to be milder – 0.5 pp this year and 0.6 pp in 2026. These effects are relative to a baseline scenario without the imposition of new tariffs.

The overall slowdown in Czech economic growth due to 25% tariffs on automobiles and 20% tariffs on other goods could reach –0.6 to –0.7 pp this year (Table 6.3). Consequently, Czech GDP growth could reach around 1.6% this year. After accounting for the impact of increased tariffs, growth in 2026 could reach 1.7%.

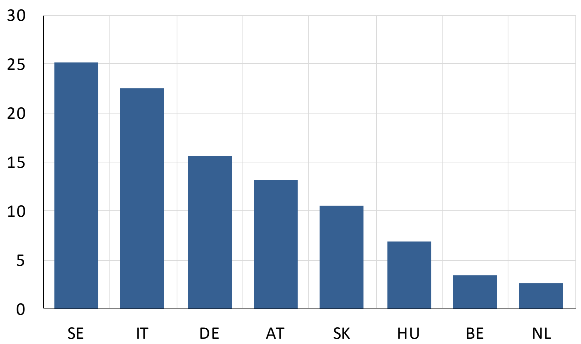
Table 6.3: Disaggregated Effects on Czech GDP Growth
in percentage points

	2025	2026
Total impact on GDP	**-0.64**	**-0.83**
household final consumption expenditure	-0.07	-0.08
gross fixed capital formation	-0.13	-0.14
foreign balance	-0.44	-0.62

Source: Calculations of the MoF.

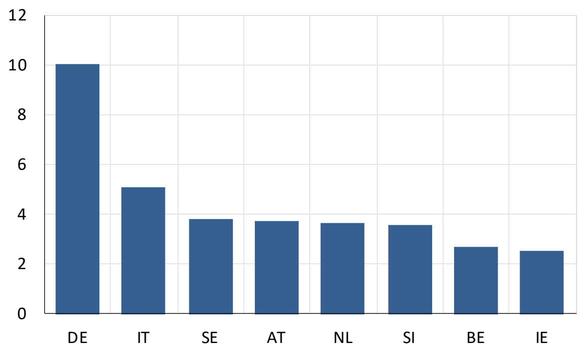
We assess the expected effect on **inflation** as broadly **neutral**. In the short term, direct price effect should be inflationary. However, the final consumer price increases will be lower than the full tariff surcharge, as importers are likely to compress their margins to remain competitive in the European market. The Czech economy does not import significant volumes of US goods either directly or indirectly, therefore only a limited pass-through to domestic inflation can be expected. Disinflationary pressures are expected from lower commodity prices, slower nominal wage growth, and possible appreciation of the koruna against the US dollar. Most importantly, the income effect of slower economic growth – leading to weaker household consumption – will moderate demand-driven inflation. Another disinflationary factor could be a partial redirection of goods from countries affected by US tariffs, especially from China, from the US market to Europe, which would increase supply and put downward pressure on prices in Europe. As a result, inflation in the Czech Republic is expected to remain in line with the baseline scenario at 2.4% this year. In 2026, the aforementioned disinflationary effects may dominate, resulting in average inflation declining to 2.1%.

Graph 6.3: Goods Exports from EU Countries to the USA
percentage share of total goods exports, year 2024



Source: Eurostat. Calculations of the MoF.

Graph 6.4: Goods Exports from the United States
percentage share of total goods exports, year 2024



Source: US International Trade Administration. Calculations of the MoF.

6.3 Sectoral Analysis and Structural Model

To estimate the effects on the domestic economy, including their distribution across sectors, we used symmetric input-output tables of domestic output (CZSO, 2025). The model was extended to include the household sector, thereby capturing not only sectoral intermediate consumption but also wages and salaries, and household consumption expenditure (Miller and Blair, 2009). The input to the model (the exogenous shock) is the sectoral change in demand for domestic output, derived from the preceding calculation using international input-output tables. This change subsequently leads to a further decline in both intermediate and household consumption.

The results are expressed in full-year terms based on the national accounts methodology (Table 6.4). Administrative and support services would be the most affected by the imposition of tariffs, with gross value added and employment both declining by nearly 1%. Among the major sectors, wholesale and retail trade would be significantly affected, due to a reduction in consumption. Non-market services would be least affected, while declines in construction and leisure-related services would be modest.

Table 6.4: Impact of Tariffs on Selected Macroeconomic Indicators

growth in percentage

	GVA	Employment	Wages and salaries
Agricalture activities	-0.8	-0.8	-0.8
Manufacturing industry	-0.6	-0.6	-0.6
Other industry	-0.8	-0.7	-0.8
Construction	-0.5	-0.5	-0.4
Market services	-0.7	-0.8	-0.7
Non-market services	-0.2	-0.2	-0.2

Source: CZSO. Calculations of the MoF.

Overall, total gross value added could fall by 0.6%, accompanied by an equivalent decline in total employment. This reduction in employment would imply an increase in the unemployment rate of up to 0.6 pp. However, given labour shortages in construction and many service sectors, it is reasonable to assume that a portion of displaced workers would be able to re-enter employment relatively quickly. As a result, the actual rise in unemployment would likely be less pronounced. Weaker demand for labour would also lead to a deceleration in wage and salary growth, amounting to 0.6 pp, and consequently, to slower growth in real household consumption by 0.3 pp. It is important to note that the analysis does not account for partial income substitution through unemployment and other social benefits, which may dampen the decline in household consumption but would impose additional pressure on public finances.

As an alternative approach to assessing the impact of broad-based tariffs on the Czech economy, the dynamic general equilibrium model developed by the European Commission (the QUEST model; see Roeger and Veld, 2008) can also be employed. This model offers a comprehensive structure, including interconnected blocks for the Czech economy, the euro area, and the rest of the world, reflecting the underlying economic relationships between them. Its complexity enables a consistent assessment of the effects of external shocks on key macroeconomic variables across regions.

The macroeconomic impacts obtained from the QUEST model are broadly consistent with the previous estimates (Table 6.5). The only notable difference lies in the lower expected wage growth in 2026 relative to the input-output results. This is attributable to the fact that, in the QUEST framework, trade restrictions primarily affect the high value-added and R&D-intensive sectors, which consequently experience the most pronounced wage declines. Given the high share of skilled labour in these sectors, the decline is reflected more strongly in aggregate wages and salaries. Employment levels in these sectors, however, are relatively less affected.

Table 6.5: Results of the Analysis of the Alternative Scenario with Tariffs

		MoF Forecast (April 25)		MoF Forecast (alt. scenario)		QUEST estimate	
		2025	2026	2025	2026	2025	2026
Real GDP	*growth in %*	2.0	2.4	1.6	1.7	1.7	1.9
Average inflation rate	*in %*	2.4	2.3	2.4	2.1	2.4	2.1
Unemployment rate	*average in %*	2.6	2.5	3.2	3.1	3.0	3.1
Wage bill	*growth in %*	6.6	5.6	6.0	5.0	5.8	4.2

Note: The baseline scenario of the April forecast includes 25% tariffs on automotive industry goods, while the alternative scenario also assumes an additional 20% tariff on other goods.

Source: CZSO. Calculations of the MoF.

6.4 Conclusion

The impact on GDP growth in both years would be negative, primarily through a decline in exports. The effect on inflation should be broadly neutral, potentially even slightly disinflationary next year. The deterioration in economic conditions would be reflected in a rising unemployment rate. However, this increase would be partly mitigated by persistent labour market tightness in certain sectors. Weaker labour demand would also translate into more subdued growth in wages and salaries.

A range of other factors will also shape the eventual impact. These include the speed at which firms are able to establish new trade relationships, the legal structure of existing importer-exporter contracts, the extent of pre-supply, the degree to which tariff costs are passed through along the production and distribution chain to final consumers, and the potential for further escalation of trade wars – particularly in the form of retaliatory measures by other countries. It also cannot be ruled out that the introduction of the tariffs in question will prove temporary and may be intended primarily as a negotiating instrument of the US administration in the context of negotiating new trade agreements.

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