

Macroeconomic Forecast of the Czech Republic

April 2026

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The Macroeconomic Forecast is prepared by the Economic Policy Department of the Czech Ministry of Finance. It contains a forecast for years 2026 and 2027, and, for certain indicators, an outlook for the following two years (i.e., until 2029). It is published on a quarterly basis (in January, April, August and November) and is also available on the Ministry of Finance website at:

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Any comments or suggestions that would help us improve the quality of this publication and better meet the needs of its users are welcome. Please send them 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 |
| CSSA..... | Czech Social Security Administration |
| curr. pr..... | current prices |
| CZSO..... | Czech Statistical Office |
| EA20..... | euro area consisting of 20 countries |
| EC..... | European Commission |
| ECB..... | European Central Bank |
| EU27..... | European Union consisting of 27 countries |
| Fed..... | Federal Reserve System |
| GDP..... | gross domestic product |
| GFCF..... | gross fixed capital formation |
| GVA..... | gross value added |
| IMF..... | International Monetary Fund |
| LFS..... | Labour Force Survey |
| MMBtu..... | one million British thermal units |
| MoF..... | Ministry of Finance |
| MoLSA..... | Ministry of Labour and Social Affairs |
| NPISHs..... | non-profit institutions serving households |
| OECD..... | Organisation for Economic Co-operation and Development |
| p. a..... | per annum |
| PMI..... | Purchasing Managers' Index |
| p.p..... | percentage points |
| RRF..... | Recovery and Resilience Facility |
| 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 available as of 31 March 2026.

Notes

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

Data from the previous forecast (January 2026) are indicated in italics. Data relating to the years 2028 and 2029 represent an extrapolation scenario that indicates only the direction of possible developments and are therefore not commented on in the following text.

Summary of the Forecast

At the beginning of the year, the global economy was in an environment of stabilised inflation, which continued to support the growth of real incomes and household consumption. The earlier easing of monetary conditions contributed to a gradual recovery in investment activity. However, world economic activity is currently threatened by elevated prices of energy commodities and other raw materials due to the March escalation of the military conflict in the Middle East, which moreover weakens consumer and business confidence. A further intensification could again disrupt supply chains for a longer period. The baseline forecast scenario assumes an early de-escalation – the observed significant increase in commodity prices should thus be temporary and without significant macroeconomic impacts.

Tensions in international trade remain high, primarily as a result of the steps of the current US administration. Uncertainty regarding tariffs is newly deepened by the verdict of the US Supreme Court – the law used does not authorise the President to unilaterally and limitlessly introduce tariffs without the express authorisation of Congress. The United States government, however, responded by imposing temporary 10% blanket tariffs on the basis of another law and is preparing a transition to a more permanent tariff regime.

For the whole of 2025, GDP grew by 2.6%. Household consumption was supported by strong real wage growth and a year-on-year declining saving rate. Positive development was dampened by a slight increase in the unemployment rate, hindering consumption dynamics mainly for low-income households. Thanks to public investments, strongly supported by European Union funds, gross fixed capital formation increased. Renewed inventory accumulation and general government consumption also contributed positively to economic growth. The foreign trade balance had a negative effect on GDP growth, primarily in connection with higher imports due to growing consumer and investment demand and the increasing of inventories. **In 2026, economic growth could slow to 2.1%.** Dynamics will continue to be driven exclusively by domestic demand, which will, however, be hindered by increased uncertainty and the increase in energy prices due to the conflict in the Middle East. In addition to the continued growth of household consumption, a recovery in corporate investment activity will occur. All this will increase the volume of imports, while the export side will, conversely, be limited by increased trade barriers and the continued low volume of export orders. **In 2027, GDP could grow by 2.4%** thanks to the acceleration of economic growth of main trading partners and the continued growth of domestic economic activity.

Average **inflation** in 2025 reached 2.5%. At the beginning of this year, year-on-year price growth reached its lowest values in almost ten years. Service price growth remained elevated, primarily due to owner-occupied housing costs and rentals. Price development for goods was, conversely, subdued by the decrease in energy prices, amplified by the transfer of the financing of fees for supported energy sources to the state budget. Monetary policy and a strong koruna, which makes imports cheaper, continue to dampen inflationary pressures. The March military escalation in the Middle East and the blockade of the Strait of Hormuz caused a surge in energy prices. Assuming timely stabilisation on commodity markets and the absence of long-term restrictions on oil and natural gas production capacities, the average infla-

tion rate could remain at 2.5% this year and rise to 2.8% next year.

In the **labour market** last year, the average unemployment rate reached 2.8% and the volume of wages and salaries increased by 7.9%. Imbalances related to labour shortages continue to persist. While the downturn in industry continues, it is partially offset by strong labour demand in services and construction. The unemployment rate should thus increase slightly to 2.9% this year and fall to 2.7% next year. The persisting mismatch between supply and demand in the labour market will not allow for a more significant slowdown in the dynamics of the volume of wages and salaries. Real earnings should increase perceptibly in both this and next year.

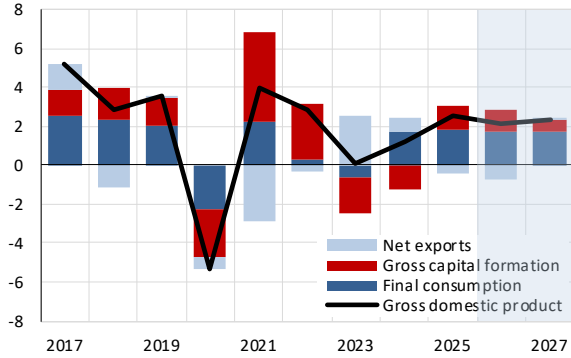
The **current account of the balance of payments** ended last year with a surplus of 0.7% of GDP. Behind the year-on-year deterioration of the external position indicator was, inter alia, a reduction in the goods balance surplus. For this year, we expect a deficit of 0.6% of GDP due to stronger investment activity, higher prices of imported energy commodities and persisting restrictions on the export side. In 2027, the negative balance will then ease to 0.4% of GDP, with the contribution of the expected improvement in the development of our trading partners and the easing of price pressures for energy commodities.

The **general government sector** ended in 2025 with a deficit of 2.1% of GDP. Despite the ongoing economic recovery, the general government balance slightly worsened year-on-year by 0.1 percentage points due to a significant acceleration of investments, growing compensation of employees, social benefits and subsidies. General government debt reached 44.3% of GDP. This year, we expect the general government deficit at the level of 2.6% of GDP and growth of debt to 45.6% of GDP.

We consider the **risks to the economic growth forecast**, in aggregate, to be significantly tilted to the downside. Key uncertainties include the conflict in the Middle East and the associated disruption of energy markets, and the trade policy of the United States.

The economy will be driven solely by domestic demand

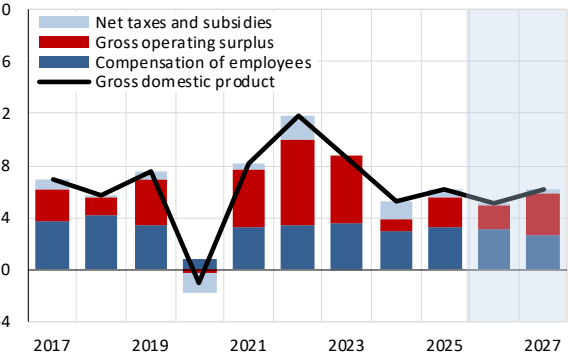
growth rate of real GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Profit growth will continue

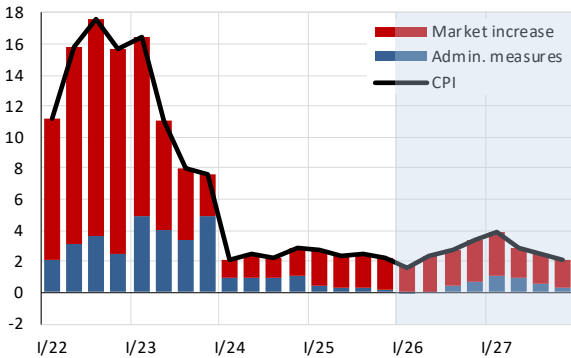
growth rate of nominal GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Inflation is expected to increase temporarily

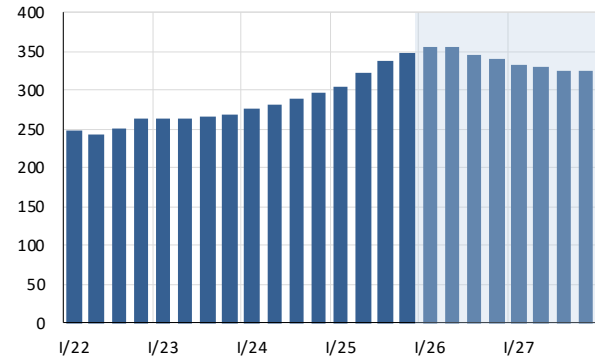
YoY growth rate of CPI in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Unemployment should start decreasing

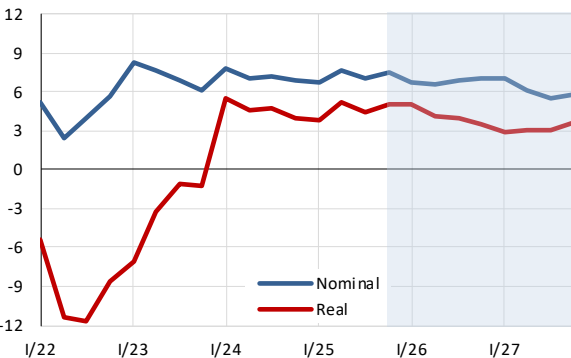
registered unemployment, in thous. of persons, seasonally adjusted



Source: MoLSA. Calculations and forecast of the MoF.

Real wages should maintain its strong growth

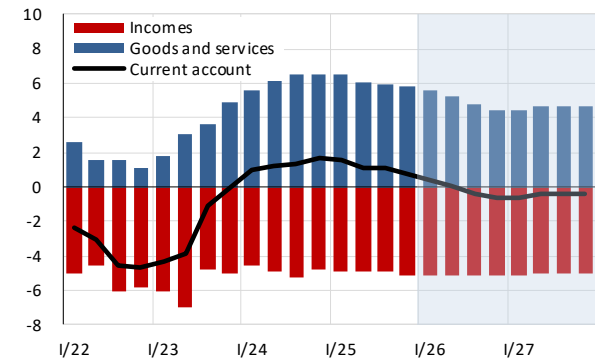
average gross monthly wage, YoY growth rate, in %



Source: CZSO. Calculations and forecast of the MoF.

Current account balance should be in deficit

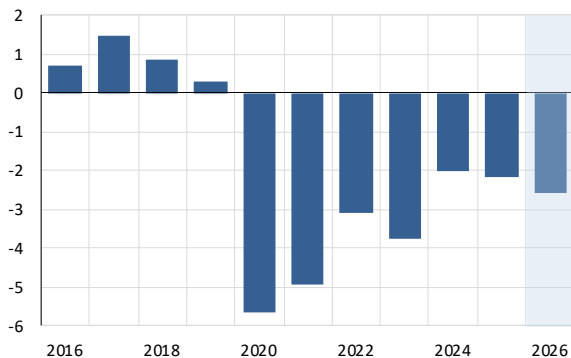
in % of GDP, annual moving sums



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

Public finance deficit will increase slightly

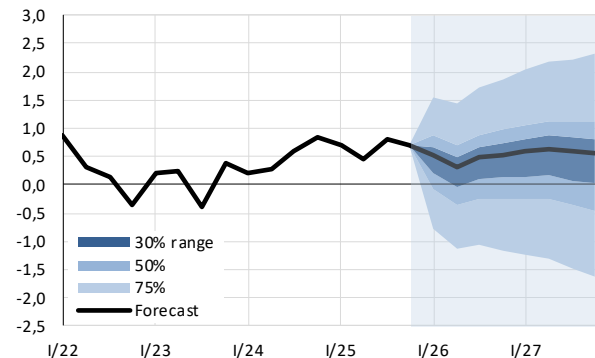
general government net lending/borrowing, in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

Risks to the GDP forecast are skewed to the downside

QoQ growth of real GDP in %



Source: CZSO. Calculations and forecast of the MoF.

Table: Main Macroeconomic Indicators

| | | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2025 | 2026 |
|---------------------------------------|----------------------------|------------------|--------------|-------------------|--------------|--------------|--------------|--------------|-------|-------|
| | | Current forecast | | Previous forecast | | | | | | |
| Nominal GDP | <i>bill. CZK</i> | 6 308 | 7 050 | 7 660 | 8 058 | 8 556 | 8 988 | 9 537 | 8 524 | 8 957 |
| | <i>nominal growth in %</i> | 8.2 | 11.8 | 8.6 | 5.2 | 6.2 | 5.0 | 6.1 | 5.8 | 5.1 |
| Gross domestic product | <i>real growth in %</i> | 4.0 | 2.8 | 0.0 | 1.3 | 2.6 | 2.1 | 2.4 | 2.5 | 2.4 |
| Consumption of households | <i>real growth in %</i> | 4.2 | 0.5 | -2.6 | 2.4 | 3.0 | 3.0 | 2.6 | 2.9 | 3.0 |
| Consumption of government | <i>real growth in %</i> | 1.5 | 0.4 | 3.2 | 3.1 | 2.1 | 1.7 | 2.3 | 2.1 | 1.9 |
| Gross fixed capital formation | <i>real growth in %</i> | 6.7 | 6.3 | 4.2 | -2.7 | 2.4 | 3.6 | 2.5 | 0.9 | 3.1 |
| Contribution of net exports | <i>pp</i> | -2.8 | -0.3 | 2.6 | 0.7 | -0.4 | -0.7 | 0.1 | -0.4 | -0.3 |
| Contrib. of change in inventories | <i>pp</i> | 2.8 | 1.2 | -3.0 | -0.5 | 0.6 | 0.2 | 0.0 | 0.9 | 0.1 |
| GDP deflator | <i>growth in %</i> | 4.0 | 8.7 | 8.6 | 3.9 | 3.5 | 2.9 | 3.7 | 3.2 | 2.6 |
| Average inflation rate | <i>%</i> | 3.8 | 15.1 | 10.7 | 2.4 | 2.5 | 2.5 | 2.8 | 2.5 | 2.1 |
| Employment (national accounts) | <i>growth in %</i> | 1.0 | 1.0 | 1.6 | 0.6 | 1.1 | 0.2 | -0.2 | 1.0 | 0.1 |
| Unemployment rate (LFS) | <i>average in %</i> | 2.8 | 2.2 | 2.6 | 2.6 | 2.8 | 2.9 | 2.7 | 2.8 | 2.8 |
| Wage bill (domestic concept) | <i>growth in %</i> | 7.2 | 9.1 | 8.8 | 6.8 | 7.9 | 6.8 | 6.0 | 7.3 | 6.3 |
| Current account balance | <i>% of GDP</i> | -2.1 | -4.7 | -0.1 | 1.7 | 0.7 | -0.6 | -0.4 | 0.6 | 0.3 |
| General government balance | <i>% of GDP</i> | -5.0 | -3.1 | -3.7 | -2.0 | -2.1 | -2.6 | . | -2.0 | -2.2 |
| General government debt | <i>% of GDP</i> | 40.7 | 42.5 | 42.2 | 43.3 | 44.3 | 45.6 | . | 44.6 | 46.2 |
| Assumptions: | | | | | | | | | | |
| Exchange rate CZK/EUR | | 25.6 | 24.6 | 24.0 | 25.1 | 24.7 | 24.3 | 24.1 | 24.7 | 24.1 |
| Long-term interest rates | <i>% p.a.</i> | 1.9 | 4.3 | 4.4 | 4.0 | 4.3 | 4.6 | 4.7 | 4.3 | 4.6 |
| Crude oil Brent | <i>USD/barrel</i> | 71 | 101 | 82 | 81 | 69 | 91 | 79 | 69 | 61 |
| GDP in the euro area | <i>real growth in %</i> | 6.4 | 3.7 | 0.6 | 0.9 | 1.5 | 1.0 | 1.5 | 1.5 | 1.5 |

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, in aggregate, we consider to be significantly tilted to the downside at the cutoff date.

The main risk to the forecast is a **more significant disruption of global supply chains** related to a prolonged **conflict between Iran, Israel, and the United States** or its escalation (see the thematic chapter dedicated to the risk scenario), including continued attacks on energy infrastructure in the region or the expansion of the conflict with the involvement of further actors. As a result of the conflict, maritime transport in the Persian Gulf region has been disrupted; the duration of current restrictions remains highly uncertain and will be decisive for the extent of the economic impacts.

Instability in the Middle East is reflected primarily in energy markets through the restriction of supplies of oil and liquefied natural gas in particular. Problems with the transport of other materials may also result in lower production of fertilisers, semiconductor chips, and batteries, which may lead not only to an increase in producer prices but also to a curtailment of production.

Should the risk of a prolonged conflict materialise, a further increase in prices, especially of oil and natural gas, can be expected, accompanied by higher volatility. The negative impacts of higher energy prices would manifest themselves particularly in energy-intensive sectors and in slower growth of real household consumption. At the same time, increased uncertainty would lead to a deterioration in business sentiment and the dampening of investment activity. The Czech economy would also be hit indirectly due to the weaker performance of main trading partners.

A relevant risk, however, is also represented by the possibility of a more favourable development of the conflict in the Middle East. A sudden de-escalation would likely initiate a sharp decline in energy commodity prices, but the export capacity of the region would continue to be limited by infrastructure damage, the time-consuming nature of restoring logistical throughput, and the likely persistence of an increased risk premium.

As a result of pro-inflationary pressures associated with the adverse development of energy prices, **a more substantial increase in monetary policy rates may occur globally**, including in the Czech Republic.

In the area of fiscal policies in the EU, there is uncertainty associated with the setting of budgetary policies, including potential measures in response to the Middle East conflict. The German fiscal expansion package may represent an impulse for Czech industry, particularly export-oriented sectors, but its impact remains uncertain in terms of timing, structure, and the involvement of domestic suppliers.

The trade policy of the United States remains a risk to the global economy, especially in the area of tariffs and other barriers to international trade. These factors may dampen the dynamics of world trade and further weaken foreign demand.

The risk of a **deterioration of the geopolitical situation in Europe** in connection with the ongoing Russian aggression against Ukraine also persists.

A risk to medium-term price stability continues to be represented by the **increased persistence of price growth in services**, which is related, inter alia, to strong wage growth and dynamic developments in real estate prices. These factors may contribute to the persistence of core inflation and increase susceptibility to external supply shocks.

Another risk is associated with **European green policy**. Within the European Union, a gradual change in the perspective on the future form and intensity of the green transition can be observed. Given the development of the macroeconomic and geopolitical situation in recent years and the problems of certain sectors of the economy, pressures to support or protect competitiveness are intensifying. Easing or postponing planned regulatory requirements could thus reduce the costs of particularly energy-intensive sectors over the forecast horizon, but the scope and timing of any changes remain uncertain.

1 Forecast Assumptions

1.1 External Environment

The United States economy grew by 2.1% in 2025. In the fourth quarter, growth momentum slowed considerably, and GDP grew by only 0.2% quarter-on-quarter. Quarter-on-quarter growth was supported primarily by household consumption, exclusively in services, and investment in IT and research and development. Federal government consumption made a negative contribution due to the restriction of its financing at the end of the year. According to leading indicators, confidence in industry remains high; conversely, confidence in services reached its lowest value in nearly a year in March. With regard to negative signals from the labour market during last year – a decline in job creation and an increase in unemployment – the Fed gradually reduced rates by 0.75 percentage points to the 3.50–3.75% range, despite persisting pro-inflationary risks. For 2026, we expect GDP growth of 2.1% (*previously 2.3%*). Economic growth should be dampened by negative developments in the labour market and the rising goods prices due to elevated import tariffs. Investment dynamics will continue to be driven by the technology sector. The base effect of limited federal financing from the previous year should also have a positive effect. In 2027, the growth rate should remain at 2.1%, with lower interest rates further supporting investment activity. Risks remain elevated due to inflation, the duration and potential escalation of the military conflict in the Middle East, or trade policy.

China's GDP grew by 5.0% last year. In the fourth quarter, the Chinese economy grew by 1.2% quarter-on-quarter driven by consumption and net exports. Growth was constrained by private investment activity due to the downturn in the real estate sector. According to leading indicators, industrial production and services are in the expansion zone. On the other hand, demand is dampened by low confidence and a weak social safety net, although further fiscal support has been announced. Structural problems – population ageing, the real estate crisis or overproduction squeezing margins – persist. Demand will be dampened by precautionary savings, while government investments in particular will stimulate growth. In 2026, economic growth could slow to 4.4% (*unchanged*) and further to 4.0% in 2027.

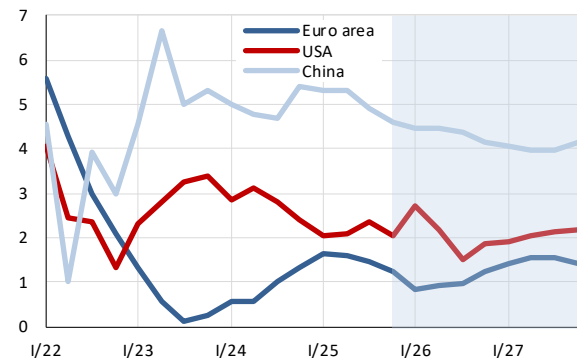
The **euro area** economy grew by 1.5% in 2025. Full-year growth was supported by the economic growth of Ireland (growth of 12.4%) and Spain (2.8%) and was dampened by the weaker performance of the three largest European economies – Germany (0.4%), Italy (0.7%) and France (0.9%). In the fourth quarter, euro area GDP increased by 0.2% quarter-on-quarter, with growth being driven by consumption, investment and foreign trade in services. Foreign trade in goods had a negative impact,

which was likely related to the impact of US tariffs, and the dynamics of inventory formation slowed. Industrial production fell at the turn of the year, but business sentiment improved according to leading indicators due to the volume of new orders – despite the first signs of problems related to the situation in the Middle East. Likely in connection with the war in Iran, consumer and business sentiment in services deteriorated significantly in March. Due to the potential impact on inflation, the European Central Bank has already signalled a potential rate hike. Fiscal policy is characterised by a clash between consolidation efforts and increasing expenditure on defence and infrastructure. In 2026, we estimate euro area GDP to grow by 1.0% (*previously 1.5%*). Growth should be supported by low inflation, a resilient labour market and real wages growth, supporting household consumption. Investment and government expenditure will also support growth. Net exports will be dampened by US tariffs and economic activity more broadly by the conflict in the Middle East. In 2027, economic growth should accelerate to 1.5% due to the recovery of foreign trade.

The **German** economy grew slightly last year, by 0.4%, after two years of recession. In the fourth quarter, GDP grew by 0.3% quarter-on-quarter. Consumption and investment made a positive contribution to quarter-on-quarter dynamics; the change in inventories and foreign trade had a negative impact. In the labour market, employment growth slowed and the unemployment rate stabilised near ten-year highs. In industry, subdued production remains subdued and business expectations are worsening. The increase in activity observed in March likely represents pre-stocking in response to geopolitical risks, rather than a fundamental recovery. According to preliminary estimates, more expensive energy due to the Middle East conflict has already begun to manifest itself in the price level. Consumer risk aversion is reflected in a high propensity to save and the downturn in retail sales. This year, GDP growth should accelerate to 0.7% (*previously 1.2%*) thanks to fiscal support and real wage growth. However, economic activity will be dampened by the conflict in the Middle East and US tariffs. For 2027, we expect an acceleration of economic growth to 1.6% thanks to continued fiscal expansion, further growth in real wages and the gradual recovery of industrial activity stimulated by rising foreign demand. Risks to the economic recovery lie in the potentially low effectiveness of fiscal measures aimed at investment and competitiveness, from rising public debt and in the possible renewal of proinflationary pressures, particularly in the context of the current Middle East conflict.

Graph 1.1.1: Real GDP of the Main World Economies

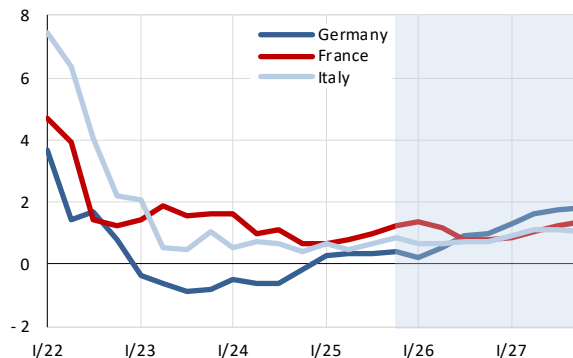
year-on-year growth in %, seasonally adjusted



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

Graph 1.1.2: Real GDP of the Main EA Economies

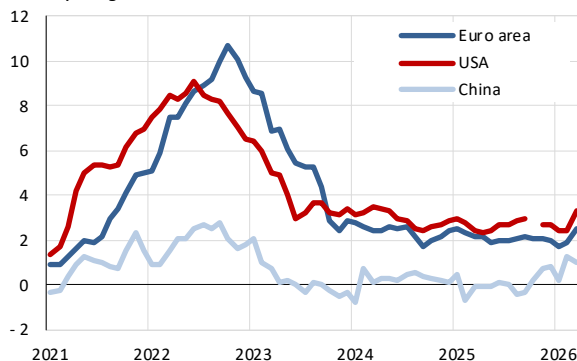
year-on-year growth in %, seasonally adjusted



Source: Eurostat. Calculations and forecast of the MoF.

Graph 1.1.3: Consumer Prices

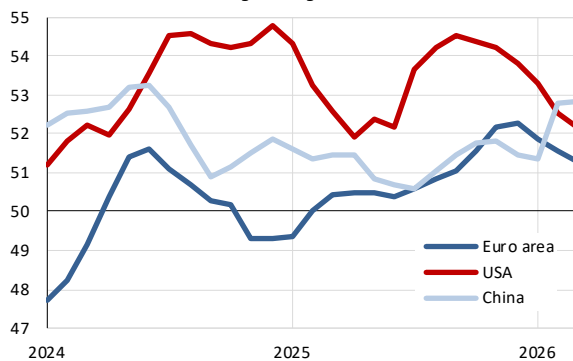
year-on-year growth in %



Note: Data for October 2025 for the USA unavailable due to a shutdown. Preliminary estimate for the euro area for March 2026.
Source: Eurostat, BLS, National Bureau of Statistics of China.

Graph 1.1.4: Composite Purchasing Managers' Index

balance, three-month moving average



Source: S&P Global.

Table 1.1.1: Gross Domestic Product – annual

seasonally and calendar adjusted

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
|----------------|-------------|------|------|-------|------|------|------|------|------|------|----------|----------|
| | | | | | | | | | | | Forecast | Forecast |
| USA | growth in % | 3.0 | 2.6 | -2.1 | 6.2 | 2.5 | 2.9 | 2.8 | 2.1 | 2.1 | 2.1 | |
| China | growth in % | 6.9 | 6.2 | 2.0 | 8.9 | 3.1 | 5.4 | 5.0 | 5.0 | 4.4 | 4.0 | |
| United Kingdom | growth in % | 1.6 | 1.3 | -10.0 | 8.5 | 5.1 | 0.3 | 1.1 | 1.4 | 0.9 | 1.4 | |
| European Union | growth in % | 2.0 | 1.9 | -5.7 | 6.3 | 3.6 | 0.5 | 1.0 | 1.6 | 1.1 | 1.6 | |
| Euro area | growth in % | 1.8 | 1.7 | -6.1 | 6.4 | 3.7 | 0.6 | 0.9 | 1.5 | 1.0 | 1.5 | |
| Germany | growth in % | 1.1 | 1.0 | -4.5 | 3.9 | 1.9 | -0.7 | -0.5 | 0.4 | 0.7 | 1.6 | |
| France | growth in % | 1.6 | 2.1 | -7.6 | 6.8 | 2.8 | 1.6 | 1.1 | 0.9 | 1.0 | 1.1 | |
| Italy | growth in % | 0.7 | 0.4 | -9.0 | 8.8 | 5.0 | 1.0 | 0.6 | 0.7 | 0.7 | 1.0 | |
| Austria | growth in % | 2.4 | 1.7 | -6.4 | 5.0 | 5.4 | -0.7 | -0.8 | 0.7 | 0.8 | 1.3 | |
| Hungary | growth in % | 5.6 | 5.1 | -4.5 | 7.2 | 4.2 | -0.7 | 0.7 | 0.4 | 1.6 | 2.8 | |
| Poland | growth in % | 6.2 | 4.5 | -2.0 | 6.8 | 5.5 | 0.1 | 3.0 | 3.6 | 3.3 | 2.9 | |
| Slovakia | growth in % | 4.1 | 2.3 | -2.6 | 5.7 | 0.5 | 2.1 | 1.9 | 0.8 | 1.1 | 2.0 | |

Source: CZSO, Destatis, 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*

| | | 2025 | | | | 2026 | | | |
|-----------------------|-----|-------------|-------------|------------|------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 <i>Estimate</i> | Q2 <i>Forecast</i> | Q3 <i>Forecast</i> | Q4 <i>Forecast</i> |
| USA | QoQ | -0.2 | 0.9 | 1.1 | 0.2 | 0.5 | 0.4 | 0.5 | 0.5 |
| | YoY | 2.0 | 2.1 | 2.3 | 2.0 | 2.7 | 2.2 | 1.5 | 1.9 |
| United Kingdom | QoQ | 0.7 | 0.2 | 0.1 | 0.1 | 0.3 | 0.2 | 0.4 | 0.4 |
| | YoY | 1.8 | 1.4 | 1.3 | 1.0 | 0.6 | 0.6 | 0.9 | 1.2 |
| European Union | QoQ | 0.5 | 0.3 | 0.4 | 0.2 | 0.2 | 0.2 | 0.4 | 0.5 |
| | YoY | 1.7 | 1.7 | 1.7 | 1.4 | 1.1 | 1.0 | 1.0 | 1.3 |
| Euro area | QoQ | 0.6 | 0.1 | 0.3 | 0.2 | 0.2 | 0.2 | 0.4 | 0.5 |
| | YoY | 1.6 | 1.6 | 1.4 | 1.2 | 0.9 | 0.9 | 1.0 | 1.3 |
| Germany | QoQ | 0.4 | -0.2 | 0.0 | 0.3 | 0.2 | 0.2 | 0.3 | 0.4 |
| | YoY | 0.3 | 0.4 | 0.3 | 0.4 | 0.2 | 0.6 | 0.9 | 1.0 |
| France | QoQ | 0.1 | 0.3 | 0.5 | 0.2 | 0.3 | 0.2 | 0.2 | 0.3 |
| | YoY | 0.7 | 0.8 | 1.0 | 1.2 | 1.4 | 1.2 | 0.8 | 0.8 |
| Italy | QoQ | 0.3 | 0.0 | 0.2 | 0.3 | 0.2 | 0.1 | 0.3 | 0.3 |
| | YoY | 0.7 | 0.5 | 0.7 | 0.8 | 0.6 | 0.7 | 0.7 | 0.8 |
| Austria | QoQ | 0.3 | 0.0 | 0.3 | 0.0 | 0.2 | 0.2 | 0.3 | 0.4 |
| | YoY | 0.4 | 0.7 | 1.1 | 0.7 | 0.6 | 0.8 | 0.8 | 1.1 |
| Hungary | QoQ | 0.0 | 0.5 | 0.1 | 0.1 | 0.5 | 0.4 | 0.7 | 0.9 |
| | YoY | -0.2 | 0.5 | 0.8 | 0.7 | 1.2 | 1.0 | 1.6 | 2.4 |
| Poland | QoQ | 0.7 | 0.9 | 0.9 | 1.0 | 0.7 | 0.7 | 0.8 | 0.9 |
| | YoY | 3.7 | 3.0 | 4.0 | 3.6 | 3.6 | 3.4 | 3.2 | 3.1 |
| Slovakia | QoQ | 0.1 | 0.2 | 0.3 | 0.3 | 0.2 | 0.2 | 0.4 | 0.6 |
| | YoY | 0.8 | 0.7 | 0.9 | 0.9 | 0.9 | 0.9 | 1.1 | 1.4 |

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

1.2 Commodity Prices

We estimate that the price of a barrel of **Brent crude oil** reached an average of USD 80 (*previously USD 61*) in the first quarter of 2026. In year-on-year comparison, the price rose by 4.8%, while in koruna terms it fell by 8.6% due to the significant strengthening of the koruna against the dollar.

The March military conflict in the Middle East and the partial blockade of the Strait of Hormuz caused a surge in the prices of oil, gas and other raw materials, which manifested itself immediately in automotive fuel prices. A key variable for future development is the duration of these shortfalls. Oil prices thus continue to be influenced by a high degree of uncertainty, with key factors including US foreign policy, both from a military perspective and in terms of the setting of tariff barriers. The influence of OPEC+ policy is now rather sidelined in the short and medium term, whereas in the long term, it is partially limited not only by growing oil production in non-OPEC+ countries, but also by the limited production capacities of most of its member countries.

The anticipated development of the Brent crude oil price over the forecast horizon reflects the price trajectory on the futures market. In this year, the average price per barrel could rise year-on-year by 31.3% (*previously*

12.2%) to USD 91 (*previously USD 61*), while in koruna terms it could increase by 24.7%. The oil price should reach its highest values during the second quarter and subsequently could begin to fall following the assumed de-escalation of the conflict. However, even over a longer horizon, prices should remain elevated compared to values prior to the commencement of the conflict, due to persisting logistical constraints and disrupted production infrastructure. In 2027, the average dollar price of oil per barrel could thus fall by 13.0% to USD 79.

In the current situation in the Persian Gulf region, electricity and natural gas prices are exposed to fundamental uncertainties, both directly through the restriction of oil and liquefied gas supplies, and indirectly through impacts on economic activity. From a long-term perspective, they remain influenced by the unclear development of the European energy transition. This concerns, among other things, the pace of the shift away from fossil fuels, the future of nuclear energy, or the development of prices and the setting of the emission allowance system. Main risks associated with more volatile weather and regulatory interventions in the form of restrictions on exports of certain commodities or imposed tariffs persist.

Graph 1.2.1: Dollar Price of Brent Crude Oil

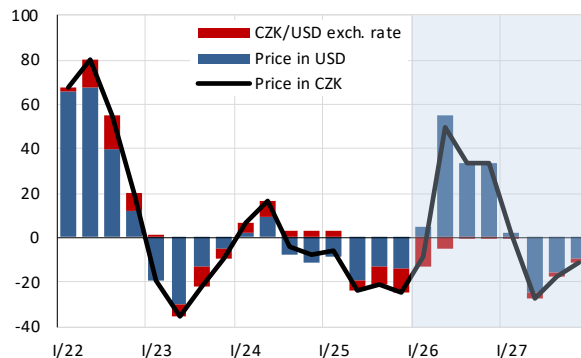
USD/barrel



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

Graph 1.2.2: Koruna Price of Brent Crude Oil

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



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

Table 1.2.1: Prices of Selected Commodities – annual

spot prices

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
|--|-------------|------|-------|-------|-------|-------|-------|-------|-------|------|----------|----------|
| | | | | | | | | | | | Forecast | Forecast |
| Crude oil Brent | USD/barrel | 71 | 64 | 42 | 71 | 101 | 82 | 81 | 69 | 91 | 79 | |
| | growth in % | 31.7 | -9.8 | -35.0 | 69.3 | 42.7 | -18.4 | -2.3 | -14.2 | 31.3 | -13.0 | |
| Crude oil Brent index (in CZK) | 2025=100 | 102 | 97 | 63 | 101 | 155 | 120 | 123 | 100 | 125 | 107 | |
| | growth in % | 22.9 | -4.9 | -34.6 | 59.1 | 53.5 | -22.3 | 2.1 | -18.7 | 24.7 | -14.6 | |
| Natural gas (Europe) | USD/MMBtu | 7.7 | 4.8 | 3.2 | 16.1 | 40.3 | 13.1 | 11.0 | 12.0 | . | . | |
| | growth in % | 34.4 | -37.5 | -32.5 | 397.1 | 150.3 | -67.5 | -16.4 | 9.1 | . | . | |
| Natural gas (Europe) index (in CZK) | 2025=100 | 63 | 42 | 28 | 133 | 360 | 110 | 97 | 100 | . | . | |
| | growth in % | 25.8 | -34.3 | -32.4 | 373.7 | 169.7 | -69.3 | -12.6 | 3.6 | . | . | |

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

| | | 2025 | | | | 2026 | | | |
|--|-------------|------|-------|-------|-------|----------|----------|----------|----------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | Estimate | Forecast | Forecast | Forecast |
| Crude oil Brent | USD/barrel | 76 | 68 | 69 | 64 | 80 | 106 | 92 | 85 |
| | growth in % | -8.5 | -19.6 | -13.7 | -14.7 | 4.8 | 55.8 | 33.8 | 33.8 |
| Crude oil Brent index (in CZK) | 2025=100 | 119 | 98 | 95 | 87 | 109 | 147 | 127 | 116 |
| | growth in % | -5.5 | -23.8 | -21.1 | -24.8 | -8.6 | 49.6 | 33.1 | 33.1 |
| Natural gas (Europe) | USD/MMBtu | 14.4 | 11.9 | 11.3 | 10.3 | . | . | . | . |
| | growth in % | 64.6 | 18.4 | -1.8 | -24.4 | . | . | . | . |
| Natural gas (Europe) index (in CZK) | 2025=100 | 130 | 99 | 90 | 81 | . | . | . | . |
| | growth in % | 70.0 | 12.3 | -10.2 | -33.2 | . | . | . | . |

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

1.3 Fiscal Policy

The **general government outturn in 2025** ended with a deficit of 2.1% of GDP (*vs. estimate of 2.0% of GDP*). The balance adjusted for the influence of the economic cycle and one-offs worsened to -2.2% of GDP (*vs. estimate of -2.0% of GDP*). The deficit was primarily attributable to the state budget, while health insurance companies also operated with a slight deficit. In contrast, local government institutions again showed a positive balance, albeit significantly lower than in previous years.

Total general government revenue grew by 5.9%, of which tax revenue, including social security contributions, grew by 6.0%. Household consumption growth, supported by higher earnings, largely determined the **value added tax** revenue. This increased by 7.1%, reflecting the increase in public investment, the abolition of the exemption in the area of financial services, and the additional effect of increased excise duty rates on tobacco products and spirits. Conversely, the influence of lower consumption of traditional tobacco products and the continuing trend of shifting towards less taxed alternatives, as well as declining alcohol consumption, acted in the opposite direction. This resulted in a decline in the accrual revenue of the excise duty on tobacco products and spirits, which was compensated for by a higher revenue from the taxation of mineral oils. **Excise duties** thus remained essentially unchanged year-on-year.

The growth in **personal income tax** of 7.5% and **social security contributions** of 6.3% was primarily derived from the increase in the volume of wages and salaries in the economy. In the case of personal income tax, however, dynamics was dampened by the development of the capital gains tax as a result of lower interest rates on deposit accounts. In the area of social security contributions, increased levies from the self-employed acted against the introduction of the pension insurance discount for working pensioners.

The **corporate income tax** revenue rose by 6.7% due to higher corporate profits. The resulting impact of discretionary measures on the tax dynamics was slightly negative, as the deepening negative effect of the tax exemption on state bonds yields outweighed the year-on-year slightly higher accrual revenue from the windfall tax.

Regarding other revenue, **current** and **capital transfers** showed a significant growth. These reflected the progress of the implementation of projects co-financed from the EU budget for the 2021–2027 programming period. Funds from the Recovery and Resilience Facility also played a substantial role.

Total general government expenditure grew faster than revenue. The pace of final consumption expenditure slowed year-on-year to 6.6% due to intermediate consumption and social transfers in kind. In contrast, **compensation of employees** in the general government sec-

tor reached a higher dynamics than in 2024 with its growth of 7.3%.

The pace of **social transfers in kind** slowed to 5.1%, which was primarily due to the high base of 2024. This increase was driven by higher expenditure by health insurance companies on healthcare and by a further increase in the volume of housing-related social benefits. The year-on-year 4.8% dynamics of **intermediate consumption** was significantly influenced by current expenditure on transport infrastructure. Among extraordinary factors, the ongoing repairs of property damaged by the floods in September 2024 were carried out.

Within the composition of **social benefits in cash**, pension benefits, adjusted from January 2025 on the basis of the statutory indexation formula, had a decisive share. From the perspective of dynamics, however, unemployment benefits, foster care benefits and care allowances grew in particular. An almost 10% increase in the volume of funds was also required for the payment of the humanitarian allowance for persons with temporary protection. The growth of the payment for state-insured persons is also reflected in the development of social security benefits within the national accounts methodology. All this in aggregate led to an increase in social benefits of 1.7%.

The growth of **investment in fixed assets** of 16.9% was driven particularly by the investment activity of local government; however, investment by central government institutions also grew at a double-digit rate. From the perspective of financing, there was a significant involvement of resources from the Recovery and Resilience Facility; the increase in the volume of funds within the 2021–2027 financial perspective in accordance with the given phase of the cycle for cohesion funds also had an influence. Investment from national sources showed 15.4% growth.

Behind the 10.5% dynamics of **subsidies** was significantly higher year-on-year support for renewable energy sources, expenditure on transport services and the increase in the maximum amount of the contribution to support the employment of persons with disabilities in the sheltered labour market. Conversely, the year-on-year decline in payments for the accommodation of Ukrainian refugees acted in the opposite direction.

The increase in **current** and **capital transfers** of 4.9% was driven by higher contributions to the EU budget; payments to Czech Post for the provision of the universal postal service and programmes in connection with the 2024 floods also contributed to growth. Conversely, the burden on the state budget fell due to the reduction in the maximum amount of the state contribution to building savings.

The deficit of government institutions was reflected in the level of **debt**, which rose in 2025 by 1.0 percentage points to 44.3% of GDP (vs. estimate of 44.6% of GDP). Last year's increase in the absolute level of debt by 8.5% led to a further increase in **interest expenditure** by 3.9%, although in relative terms it remained at the level of 1.3% of GDP.

In 2026, we expect the **general government deficit** to rise to 2.6% of GDP, and in structural terms to 2.4% of GDP. According to the forecast, **total general government revenue** should grow by 3.1%, of which tax revenue including social security contributions by 2.8%.

Rising real earnings should continue to encourage household consumption and positively influence the **value added tax** revenue. Conversely, dynamics will be dampened by an adjustment in the area of bad debts. The resulting increase in this tax revenue should amount to 4.8%. The forecast does not include revenue from measures being prepared in the tax area – for example, the electronic evidence of sales. The **excise duties** will be positively influenced by previously introduced measures within the consolidation package. A revenue shortfall will be associated with the transfer of the financing of support for renewable energy sources from households and firms fully to the state budget.

The growth in the volume of wages and salaries determines **personal income tax** (growth of 6.1%) and **social security contributions** (growth of 6.6%), in which the anticipated increase in the payment for state-insured persons is also reflected. In the case of personal income tax, the dynamics should be further dampened by the year-on-year development of the capital gains tax. Both revenue items should be strengthened as a result of the introduction of unified monthly reporting by the employer which, together with the amendment to the Employment Act introducing the institute of undeclared work, will allow for more effective monitoring and enforcement of tax obligations.

The **corporate income tax** revenue should show a decline of 8.4%, which will be primarily caused by the end of the effectiveness of the windfall tax. Other discretionary measures should in aggregate also act slightly negatively.

The development of revenue **transfers** largely reflects the progress of the implementation of projects co-financed from the EU budget for the 2021–2027 programming period. The disbursement of funds from the Recovery and Resilience Facility will be terminated this year.

The pace of **total general government expenditure** should slow year-on-year to 4.2%. We also expect a con-

tinued slowdown in final consumption expenditure, which will be driven by **compensation of employees** in the general government sector (growth of 8.2%). In addition to the growth of teachers' salaries from January 2026, salary scales in other segments of the public sector were increased from April of this year. The dynamics will also be intensified by the additional effect of increased soldiers' pay from July 2025.

Social transfers in kind should show only 2.0% growth. Behind their year-on-year slowdown is a methodological change where the existing housing-related social benefits (social transfers in kind) become part of the state social assistance benefit (social benefits in cash). However, expenditure of health insurance companies will increase due to higher contributions and state payments for state-insured persons. The predicted growth of **intermediate consumption** of 2.3% is significantly lower compared to 2025, both as a result of the high comparative base increased by expenditure on recovery after the floods of September 2024, and due to savings in the operating costs of public institutions.

Regarding **social benefits in cash**, we calculate an increase in pension benefits based on the statutory indexation formula from January. Expenditure will also be increased by adjustments in the area of unemployment benefits and retraining support, as well as the increase in the care allowances. Furthermore, we assume the continued payment of the humanitarian allowance paid to persons with temporary protection at a similar level to 2025. Last but not least, the methodological change described above associated with the transition to the state social assistance benefit is reflected here. The growth of total social benefits in cash, including the payment for state-insured persons, should reach 5.1%.

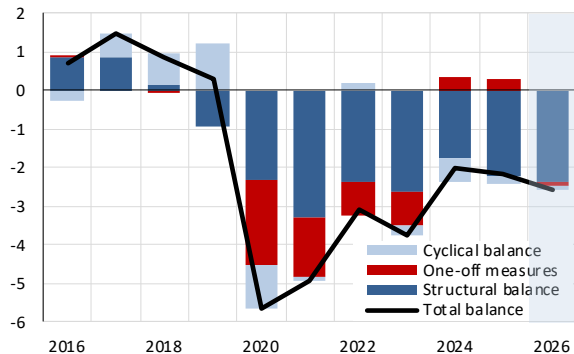
Investment in fixed assets will grow only slightly (by 2.2%) given the high comparative base of 2025 and subdued investment activity in the first months of this year as a result of the provisional budget. A further factor in the weak dynamics will be the expected year-on-year decline in investments co-financed from EU funds, including the influence of the expiring National Recovery Plan.

Subsidies should grow by 3.6% and thus remain at 2.0% of GDP. According to the forecast, **current transfers** will also show a similar level in relation to GDP, their dynamics will be increased by contributions to the EU budget.

General government debt should rise in relative terms by 1.4 percentage points to a value of 45.6% of GDP in 2026. In this regard, **interest expenditure** will also grow by an estimated 12.9%, reaching a level of 1.4% of GDP.

Graph 1.3.1: General Government Balance

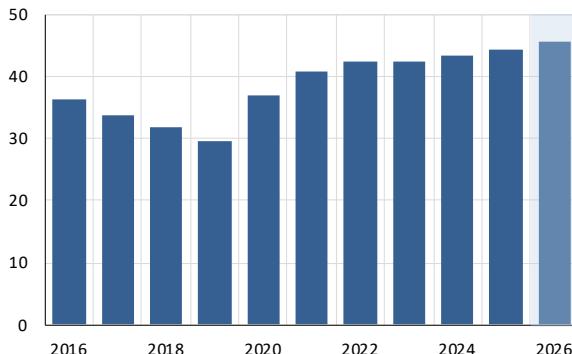
in % of GDP



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

| | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----------------|
| | | | | | | | | | | | <i>Forecast</i> |
| General government balance | % GDP | 1.5 | 0.9 | 0.3 | -5.6 | -5.0 | -3.1 | -3.7 | -2.0 | -2.1 | -2.6 |
| | bill. CZK | 76 | 48 | 17 | -329 | -312 | -216 | -286 | -163 | -184 | -232 |
| Cyclical balance | % GDP | 0.6 | 0.8 | 1.2 | -1.1 | -0.1 | 0.2 | -0.3 | -0.6 | -0.2 | -0.1 |
| Cyclically adjusted balance | % GDP | 0.8 | 0.1 | -0.9 | -4.5 | -4.8 | -3.3 | -3.5 | -1.4 | -1.9 | -2.5 |
| One-off measures ¹⁾ | % GDP | 0.0 | -0.1 | 0.0 | -2.2 | -1.5 | -0.9 | -0.9 | 0.3 | 0.3 | -0.1 |
| Structural balance | % GDP | 0.8 | 0.2 | -0.9 | -2.3 | -3.3 | -2.4 | -2.6 | -1.7 | -2.2 | -2.4 |
| Fiscal effort ²⁾ | pp | 0.0 | -0.7 | -1.1 | -1.4 | -1.0 | 0.9 | -0.2 | 0.9 | -0.5 | -0.2 |
| Interest expenditure | % GDP | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 1.1 | 1.3 | 1.3 | 1.3 | 1.4 |
| Primary balance | % GDP | 2.2 | 1.6 | 1.0 | -4.9 | -4.2 | -2.0 | -2.4 | -0.7 | -0.8 | -1.2 |
| Cyclically adjusted primary balance | % GDP | 1.6 | 0.8 | -0.2 | -3.8 | -4.1 | -2.1 | -2.2 | -0.1 | -0.6 | -1.1 |
| General government debt | % GDP | 33.8 | 31.7 | 29.6 | 36.9 | 40.7 | 42.5 | 42.2 | 43.3 | 44.3 | 45.6 |
| | bill. CZK | 1 750 | 1 735 | 1 740 | 2 150 | 2 567 | 2 998 | 3 234 | 3 489 | 3 786 | 4 100 |
| Change in debt-to-GDP ratio | pp | -2.5 | -2.1 | -2.1 | 7.3 | 3.8 | 1.8 | -0.3 | 1.1 | 1.0 | 1.4 |

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

In the first half of last year, the Czech National Bank reduced the **two-week repo rate** from 4.0% to 3.5% and subsequently left it unchanged. With regard to the predicted development of inflationary pressures (see Chapter 3.2), overall economic development, the CNB's communication to date and the expected level of the equilibrium interest rate, we expect that the monetary policy rate will remain at 3.5% this year and next. However, the probability of a re-tightening of monetary conditions has increased with regard to current dynamics in the Middle East and the associated expected impacts on consumer prices.

The **three-month PRIBOR rate** in the first quarter of 2026, primarily following the stability of the CNB's base interest rates, remained at 3.5% (*vs. estimate of 3.6%*). We expect that this year it will reach an average of 3.6% (*unchanged*) and 3.7% in 2027.

We estimate that the average **yield to maturity of ten-year government bonds** in the first quarter of 2026 did not change and amounted to 4.6% (*vs. estimate of 4.5%*). The worsened global economic environment generates pressure for growth in domestic and foreign government bond yields through higher inflation expectations, potentially more restrictive monetary policy settings and through potential additional government indebtedness. The assumed early de-escalation in the Middle East should more or less neutralise these influences, which should lead to a decline in yields and subsequent relative stability. For 2026, we therefore expect an average yield of ten-year government bonds of 4.6% (*unchanged*). Next year, yields should rise again, with the main factors being the acceleration of economic growth, an increased volume of bond issuances, higher risk premiums and the development of similar interest rates abroad. To these factors, a strengthening of domestic inflationary pressures and the expected growth trajectory of CNB rates in the longer term will apparently be added gradually. For these reasons, we expect a slight increase in ten-year government bond yields to 4.7% for 2027. A risk in the direction of lower yields is a potential further escalation of the Middle Eastern conflict, which would manifest itself in a more significant decline in economic activity and an increase in demand for bonds as relatively safer investment assets.

The total stock of **household loans** for January and February 2026 rose year-on-year by 8.7%. Growth continues to be influenced primarily by the volume of loans provided for housing. This reflects rising real estate prices and higher credit demand from households, inter alia as a result of the decline in interest rates, where for pure new mortgage loans to households, the average interest rate fell year-on-year by 0.3 pp to 4.5%.

The year-on-year growth in the stock of **loans to non-financial corporations** in the period from January to February 2026 was 5.7%. In the volume dynamics, the contribution of koruna loans increased more and more, while the volume of foreign currency loans decreased. This can be partly explained by the year-on-year stronger koruna, and therefore a lower volume after conversion into koruna. However, a reduction in the attractiveness of foreign currency financing due to the earlier convergence of koruna and euro loan rates is also manifesting itself. The average interest rate on the total volume of koruna loans to non-financial corporations in the same period fell year-on-year by 0.3 pp to 5.2%.

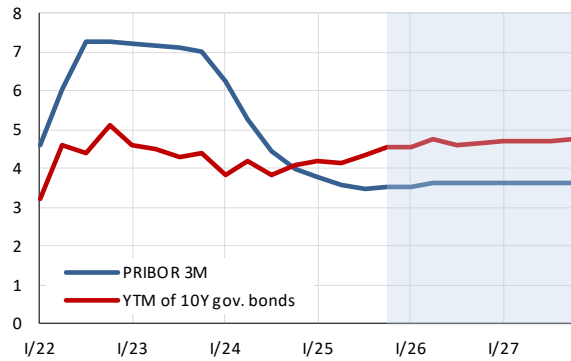
The **Czech koruna's exchange rate against the euro** in the first quarter of 2026 averaged 24.3 CZK/EUR (*vs. estimate of 24.2 CZK/EUR*); the koruna thus appreciated by 3.1% year-on-year. The koruna is supported by domestic fundamentals, which are, however, now significantly overshadowed by developments on the global foreign exchange market. The latter, assuming it is temporary, reflects the current situation in the Middle East, particularly developments on commodity markets, led by oil, worsened risk sentiment and the global strength of the US dollar. The anticipated de-escalation of the conflict should lead to the subsiding of these negative factors, to a more significant strengthening of the koruna and subsequent exchange rate stability. In the longer term, we expect persistent pressure for a gradual strengthening of the koruna as a result of economic convergence with the euro area countries.

In 2026, with regard to the factors mentioned above, the koruna could appreciate on average by 1.6% to 24.3 CZK/EUR (*previously 24.1 CZK/EUR*). The full-year dynamics are, however, considerably influenced by the appreciation of the koruna during the past year; for 2026 itself, we expect a slight weakening. In 2027, the koruna could then further appreciate on average by 1.0% to 24.1 CZK/EUR. Due to earlier, but also new risks, exchange rate development over the entire forecast horizon is nevertheless exposed to a high degree of uncertainty.

The expected development of the **Czech koruna's exchange rate against the U.S. dollar** is implied by the USD/EUR exchange rate prediction, which is based on the development of forward contracts, and the CZK/EUR exchange rate prediction. For this year, we expect the USD/EUR exchange rate to be at 1.16 (*previously 1.18*) and for 2027 a rate of 1.17. Due to the risk premium, however, the actual exchange rate development may deviate significantly from the futures-based forecast.

Graph 1.4.1: Interest Rates

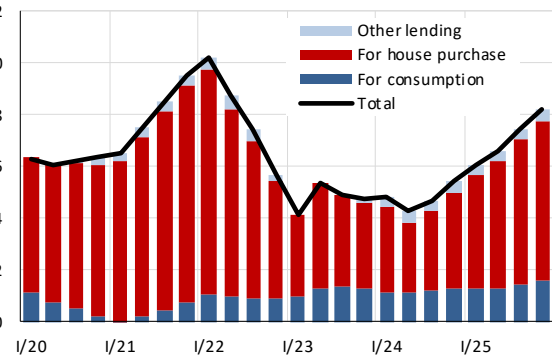
in % p.a.



Source: CNB. Calculations and forecast of the MoF.

Graph 1.4.2: Loans to Households

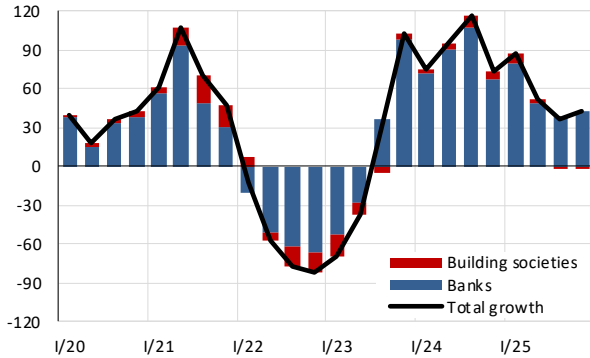
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.3: New Mortgage Loans

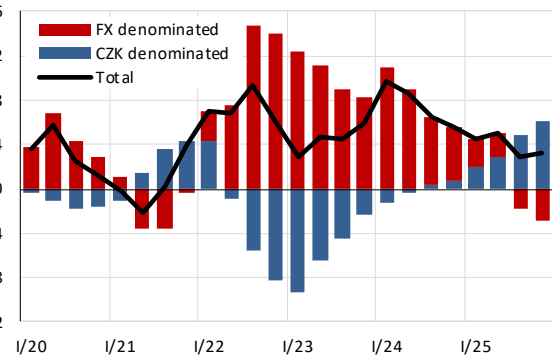
for purchase of residential property, YoY growth in %, contributions in pp



Source: CNB. Calculations of the MoF.

Graph 1.4.4: Loans to Non-financial Corporations

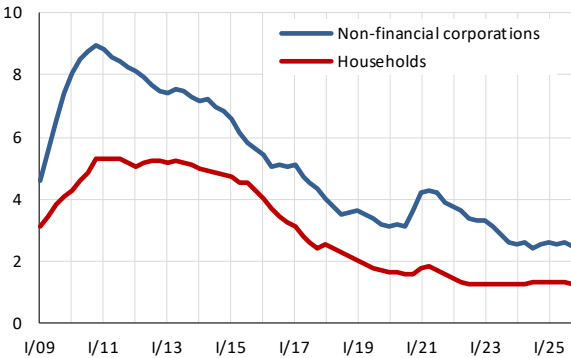
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.5: Non-performing Loans

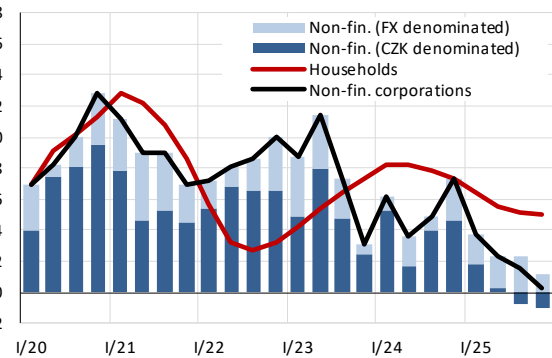
ratio of non-performing to total loans, in %



Source: CNB. Calculations of the MoF.

Graph 1.4.6: Deposits

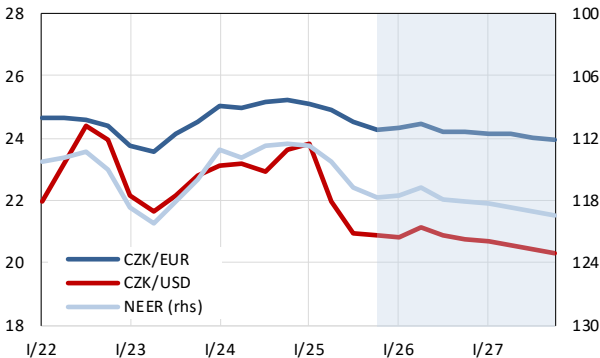
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.7: Nominal Exchange Rates

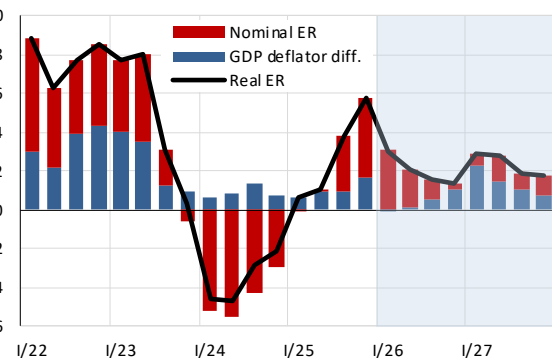
quarterly averages, NEER average for 2015=100 (rhs)



Source: CNB. Calculations and forecast of the MoF.

Graph 1.4.8: Real Exchange Rate to the Euro Area

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



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

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

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|------------------|-------|-------|-------|-------|------|------|------|------|-----------------|-----------------|
| | | | | | | | | | | <i>Forecast</i> | <i>Forecast</i> |
| Repo 2W rate CNB (<i>end of period</i>) | <i>in % p.a.</i> | 1.75 | 2.00 | 0.25 | 3.75 | 7.00 | 6.75 | 4.00 | 3.50 | . | . |
| Deposit facility ECB (<i>end of period</i>) | <i>in % p.a.</i> | -0.40 | -0.50 | -0.50 | -0.50 | 2.00 | 4.00 | 3.00 | 2.00 | . | . |
| Federal funds rate (<i>end of period</i>) | <i>in % p.a.</i> | 2.50 | 1.75 | 0.25 | 0.25 | 4.50 | 5.50 | 4.50 | 3.75 | . | . |
| PRIBOR 3M | <i>in % p.a.</i> | 1.27 | 2.12 | 0.86 | 1.13 | 6.29 | 7.12 | 4.98 | 3.60 | 3.6 | 3.7 |
| YTM of 10Y government bonds | <i>in % p.a.</i> | 1.98 | 1.55 | 1.13 | 1.90 | 4.33 | 4.44 | 3.98 | 4.31 | 4.6 | 4.7 |
| Client interest rates | | | | | | | | | | | |
| Loans to households | <i>in % p.a.</i> | 3.76 | 3.66 | 3.53 | 3.31 | 3.42 | 3.85 | 4.26 | 4.49 | . | . |
| Loans to non-financial corporations | <i>in % p.a.</i> | 3.05 | 3.75 | 2.96 | 2.86 | 6.42 | 7.39 | 6.31 | 5.26 | . | . |
| Deposits of households | <i>in % p.a.</i> | 0.33 | 0.39 | 0.35 | 0.26 | 1.13 | 2.10 | 1.94 | 1.60 | . | . |
| Deposits of non-financial corporations | <i>in % p.a.</i> | 0.11 | 0.37 | 0.20 | 0.11 | 1.96 | 3.29 | 2.47 | 1.61 | . | . |

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

| | | 2025 | | | | 2026 | | | |
|--|------------------|------|------|------|------|-----------------|-----------------|-----------------|-----------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | <i>Estimate</i> | <i>Forecast</i> | <i>Forecast</i> | <i>Forecast</i> |
| Repo 2W rate CNB (<i>end of period</i>) | <i>in % p.a.</i> | 3.75 | 3.50 | 3.50 | 3.50 | 3.50 | . | . | . |
| Deposit facility ECB (<i>end of period</i>) | <i>in % p.a.</i> | 2.50 | 2.00 | 2.00 | 2.00 | 2.00 | . | . | . |
| Federal funds rate (<i>end of period</i>) | <i>in % p.a.</i> | 4.50 | 4.50 | 4.25 | 3.75 | 3.75 | . | . | . |
| PRIBOR 3M | <i>in % p.a.</i> | 3.79 | 3.57 | 3.50 | 3.54 | 3.51 | 3.6 | 3.7 | 3.7 |
| YTM of 10Y government bonds | <i>in % p.a.</i> | 4.17 | 4.16 | 4.36 | 4.57 | 4.6 | 4.8 | 4.6 | 4.6 |
| Client interest rates | | | | | | | | | |
| Loans to households | <i>in % p.a.</i> | 4.43 | 4.47 | 4.51 | 4.56 | . | . | . | . |
| Loans to non-financial corporations | <i>in % p.a.</i> | 5.42 | 5.28 | 5.17 | 5.18 | . | . | . | . |
| Deposits of households | <i>in % p.a.</i> | 1.66 | 1.59 | 1.54 | 1.60 | . | . | . | . |
| Deposits of non-financial corporations | <i>in % p.a.</i> | 1.72 | 1.65 | 1.56 | 1.52 | . | . | . | . |

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

Table 1.4.3: Loans and Deposits – annual

| | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--|--------------------|------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|
| Households | | | | | | | | | | | |
| Loans | <i>growth in %</i> | 7.2 | 7.8 | 7.6 | 6.6 | 6.3 | 8.0 | 8.0 | 4.8 | 4.8 | 7.1 |
| For consumption | <i>growth in %</i> | 6.0 | 4.3 | 5.4 | 6.4 | 4.4 | 2.6 | 7.0 | 9.0 | 8.4 | 9.6 |
| For house purchase | <i>growth in %</i> | 8.1 | 9.0 | 8.5 | 7.4 | 7.3 | 9.5 | 8.5 | 4.5 | 4.1 | 6.8 |
| Other lending | <i>growth in %</i> | 3.0 | 4.2 | 4.3 | 1.1 | 0.9 | 4.2 | 4.5 | 0.3 | 5.3 | 4.9 |
| CZK denominated | <i>growth in %</i> | 7.2 | 7.7 | 7.6 | 6.6 | 6.3 | 8.0 | 7.9 | 4.7 | 4.8 | 7.1 |
| FX denominated | <i>growth in %</i> | 8.5 | 36.3 | 1.7 | 9.0 | 6.1 | 16.9 | 43.4 | 26.7 | 11.4 | -6.5 |
| Deposits | <i>growth in %</i> | 7.0 | 8.7 | 7.0 | 7.2 | 9.4 | 11.1 | 3.7 | 5.9 | 7.9 | 5.5 |
| CZK denominated | <i>growth in %</i> | 6.9 | 9.7 | 7.1 | 6.9 | 9.2 | 10.9 | 3.2 | 5.2 | 8.3 | 5.6 |
| FX denominated | <i>growth in %</i> | 7.3 | -13.9 | 3.5 | 15.2 | 14.5 | 16.6 | 16.6 | 20.4 | 0.6 | 3.9 |
| Non-performing loans (banking statistics) | <i>share, in %</i> | 3.6 | 2.7 | 2.4 | 1.9 | 1.6 | 1.7 | 1.3 | 1.3 | 1.3 | 1.3 |
| Loans to deposits ratio | <i>in %</i> | 63 | 63 | 63 | 63 | 61 | 59 | 62 | 61 | 59 | 60 |
| Non-financial corporations | | | | | | | | | | | |
| Loans | <i>growth in %</i> | 6.6 | 5.0 | 4.2 | 4.3 | 3.2 | 0.5 | 7.2 | 4.5 | 7.5 | 3.9 |
| CZK denominated | <i>growth in %</i> | 2.8 | -1.4 | 3.0 | 1.9 | -1.8 | 3.2 | -4.0 | -9.4 | -0.2 | 8.2 |
| FX denominated | <i>growth in %</i> | 20.5 | 24.4 | 6.9 | 10.0 | 14.0 | -4.6 | 29.6 | 25.1 | 15.9 | -0.1 |
| Deposits | <i>growth in %</i> | 4.6 | 7.8 | 3.0 | 4.2 | 9.5 | 9.0 | 8.5 | 7.5 | 5.5 | 1.9 |
| CZK denominated | <i>growth in %</i> | 4.5 | 13.9 | 2.1 | 1.9 | 9.4 | 7.1 | 8.3 | 6.6 | 5.1 | 0.1 |
| FX denominated | <i>growth in %</i> | 4.8 | -11.1 | 6.6 | 13.0 | 9.9 | 15.3 | 9.2 | 10.7 | 6.5 | 7.3 |
| Non-performing loans (banking statistics) | <i>share, in %</i> | 5.2 | 4.7 | 3.7 | 3.4 | 3.3 | 4.2 | 3.5 | 3.0 | 2.5 | 2.6 |
| Loans to deposits ratio | <i>in %</i> | 108 | 105 | 106 | 106 | 100 | 92 | 91 | 89 | 91 | 92 |

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

| | | 2024 | | | | 2025 | | | |
|--|--------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Households | | | | | | | | | |
| Loans | <i>growth in %</i> | 4.9 | 4.3 | 4.7 | 5.4 | 6.1 | 6.6 | 7.4 | 8.2 |
| For consumption | <i>growth in %</i> | 8.3 | 8.0 | 8.4 | 9.1 | 9.2 | 8.9 | 9.8 | 10.5 |
| For house purchase | <i>growth in %</i> | 4.2 | 3.5 | 3.9 | 4.8 | 5.6 | 6.3 | 7.3 | 8.0 |
| Other lending | <i>growth in %</i> | 5.2 | 5.3 | 5.5 | 5.3 | 4.9 | 4.7 | 4.5 | 5.6 |
| CZK denominated | <i>growth in %</i> | 4.8 | 4.3 | 4.7 | 5.4 | 6.1 | 6.7 | 7.5 | 8.3 |
| FX denominated | <i>growth in %</i> | 19.2 | 10.0 | 9.6 | 7.6 | 0.8 | -5.6 | -10.6 | -10.4 |
| Deposits | <i>growth in %</i> | 8.2 | 8.3 | 7.9 | 7.3 | 6.5 | 5.5 | 5.2 | 5.0 |
| CZK denominated | <i>growth in %</i> | 8.4 | 8.7 | 8.3 | 7.8 | 6.8 | 5.7 | 5.1 | 4.8 |
| FX denominated | <i>growth in %</i> | 5.6 | 0.2 | -1.2 | -2.1 | 0.2 | 1.9 | 5.9 | 7.8 |
| Non-performing loans (banking statistics) | <i>share, in %</i> | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| Loans to deposits ratio | <i>in %</i> | 60 | 59 | 59 | 60 | 59 | 60 | 61 | 62 |
| Non-financial corporations | | | | | | | | | |
| Loans | <i>growth in %</i> | 9.7 | 8.7 | 6.4 | 5.6 | 4.4 | 5.0 | 2.9 | 3.2 |
| CZK denominated | <i>growth in %</i> | -2.3 | -0.6 | 0.6 | 1.4 | 4.0 | 6.1 | 10.0 | 12.8 |
| FX denominated | <i>growth in %</i> | 23.8 | 19.1 | 12.4 | 9.8 | 4.9 | 4.0 | -3.6 | -5.5 |
| Deposits | <i>growth in %</i> | 6.2 | 3.6 | 4.8 | 7.3 | 3.7 | 2.3 | 1.6 | 0.3 |
| CZK denominated | <i>growth in %</i> | 7.0 | 2.2 | 5.2 | 6.2 | 2.5 | 0.4 | -1.0 | -1.3 |
| FX denominated | <i>growth in %</i> | 3.8 | 8.1 | 3.6 | 10.6 | 7.4 | 7.7 | 9.6 | 4.8 |
| Non-performing loans (banking statistics) | <i>share, in %</i> | 2.6 | 2.6 | 2.4 | 2.5 | 2.6 | 2.6 | 2.6 | 2.5 |
| Loans to deposits ratio | <i>in %</i> | 91 | 90 | 91 | 90 | 91 | 92 | 93 | 93 |

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

Source: CNB, ECB. Calculations of the MoF.

Table 1.4.5: Exchange Rates – annual

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| Nominal exchange rates | | | | | | | | | | | |
| CZK/EUR | <i>average</i> | 26.44 | 25.65 | 24.57 | 24.01 | 25.12 | 24.69 | 24.3 | 24.1 | 23.8 | 23.5 |
| | <i>appreciation in %</i> | -2.9 | 3.1 | 4.4 | 2.3 | -4.4 | 1.7 | 1.6 | 1.0 | 1.3 | 1.3 |
| CZK/USD | <i>average</i> | 23.20 | 21.68 | 23.36 | 22.21 | 23.21 | 21.91 | 20.9 | 20.5 | 20.0 | 19.6 |
| | <i>appreciation in %</i> | -1.1 | 7.0 | -7.2 | 5.2 | -4.3 | 5.9 | 5.0 | 1.8 | 2.3 | 2.3 |
| NEER | <i>average of 2015=100</i> | 106.7 | 110.4 | 114.8 | 118.3 | 113.2 | 115.5 | 118 | 119 | 120 | 122 |
| | <i>appreciation in %</i> | -1.9 | 3.4 | 4.0 | 3.0 | -4.3 | 2.0 | 1.8 | 1.1 | 1.4 | 1.4 |
| Real exchange rate to EA ¹⁾ | <i>average of 2015=100</i> | 110.7 | 116.3 | 125.4 | 131.4 | 126.7 | 130.3 | 133 | 136 | 138 | 141 |
| | <i>appreciation in %</i> | -0.4 | 5.1 | 7.8 | 4.7 | -3.5 | 2.8 | 2.0 | 2.3 | 1.8 | 1.7 |
| REER ²⁾ | <i>average of 2015=100</i> | 112.4 | 116.8 | 126.9 | 139.6 | 133.4 | 135.9 | . | . | . | . |
| | <i>appreciation in %</i> | 0.8 | 3.9 | 8.7 | 10.1 | -4.4 | 1.9 | . | . | . | . |

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

| | | 2025 | | | | 2026 | | | |
|---|----------------------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | Estimate | Forecast | Forecast | Forecast |
| Nominal exchange rates | | | | | | | | | |
| CZK/EUR | <i>average</i> | 25.08 | 24.92 | 24.50 | 24.27 | 24.33 | 24.5 | 24.2 | 24.2 |
| | <i>appreciation in %</i> | 0.0 | 0.1 | 2.8 | 4.0 | 3.1 | 1.9 | 1.1 | 0.3 |
| CZK/USD | <i>average</i> | 23.84 | 21.99 | 20.97 | 20.87 | 20.79 | 21.1 | 20.9 | 20.8 |
| | <i>appreciation in %</i> | -3.2 | 5.4 | 9.4 | 13.3 | 14.7 | 4.1 | 0.6 | 0.5 |
| NEER | <i>average of 2015=100</i> | 112.8 | 114.3 | 116.8 | 117.7 | 118 | 117 | 118 | 118 |
| | <i>appreciation in %</i> | -0.4 | 0.4 | 3.6 | 4.6 | 4.2 | 2.2 | 1.0 | 0.3 |
| Real exchange rate to EA ¹⁾ | <i>average of 2015=100</i> | 127.7 | 129.3 | 131.6 | 132.4 | 131 | 132 | 134 | 134 |
| | <i>appreciation in %</i> | 0.6 | 1.1 | 3.9 | 5.7 | 3.0 | 2.1 | 1.6 | 1.4 |
| REER ²⁾ | <i>average of 2015=100</i> | 133.2 | 134.8 | 137.8 | 137.9 | . | . | . | . |
| | <i>appreciation in %</i> | -0.7 | 0.3 | 3.5 | 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.

1.5 Demographic Trends

At the beginning of 2026, 10.916 million inhabitants lived in the Czech Republic, which was 6.3 thousand or 0.1% more year-on-year. Growth was driven by a positive foreign migration balance (42.0 thousand); conversely, a higher number of deaths than live births (by 35.7 thousand) had a negative effect.

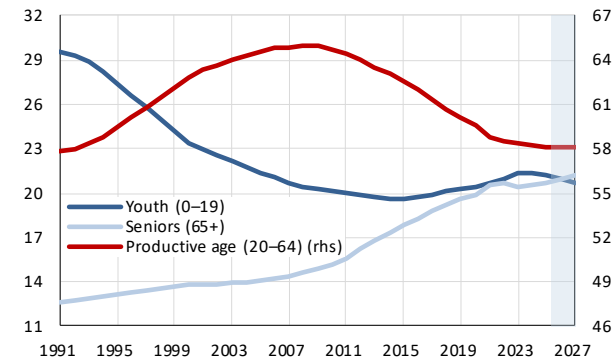
During 2025, 77.6 thousand children were **born** alive, 6.7 thousand or 7.9% fewer than in 2024. This is the lowest number of born children that has been observed so far. The birth rate has been decreasing year-on-year since 2022. Behind the decline in the birth rate are lower fertility, which fell to 1.28 children per woman, and partially also the age composition of current mothers, which includes women from weak birth cohorts born in the second half of the 1990s and at the beginning of the noughties. The number of **deaths** in 2025 was 113.3 thousand, representing a year-on-year increase of 1.1 thousand. Compared to the 2015–2019 average, the number of deaths was slightly higher by 2.2 thousand.

The positive foreign migration balance was due to a higher number of immigrants (110.6 thousand) than emigrants (68.6 thousand). The number of immigrants decreased year-on-year by 11.2 thousand or 9.2%, but their total number still exceeded the average from 2017–2021. The number of emigrants decreased by 16.4 thousand or 19.3% compared to 2024.

At the beginning of 2026, the Czech Social Security Administration (CSSA) recorded 2.346 million **old-age pensioners**, corresponding to 21.5% of the Czech population. The number of old-age pensioners decreased year-on-year by 20.8 thousand, or 0.9%. The decline continued to be driven by a lower number of recipients of full old-age pensions, down by 23.7 thousand, or 1.5%. The number of individuals receiving early retirement pensions increased year-on-year by 2.9 thousand, or 0.4%; however, the pace of growth continued to slow.

Graph 1.5.1: Age Groups

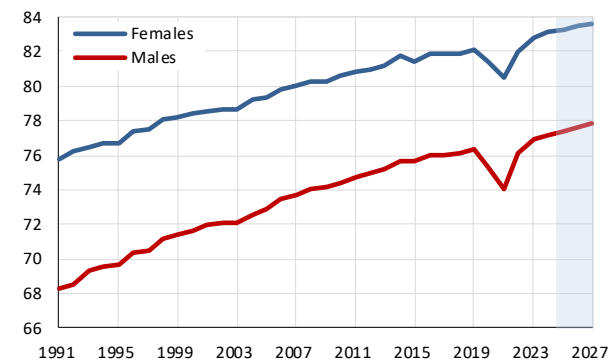
as of 1 January of the given year, shares in total population, in %



Source: CZSO. Calculations of the MoF.

Graph 1.5.2: Life Expectancy at Birth

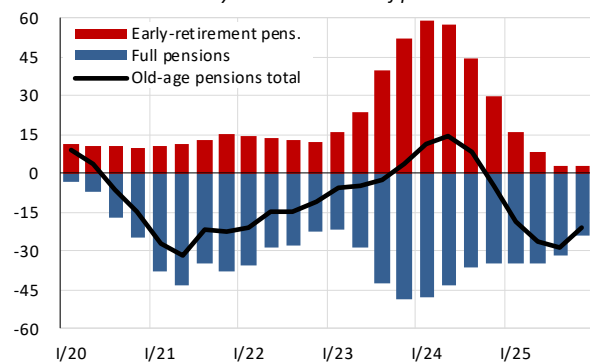
in years



Source: CZSO.

Graph 1.5.3: Old-Age Pensioners

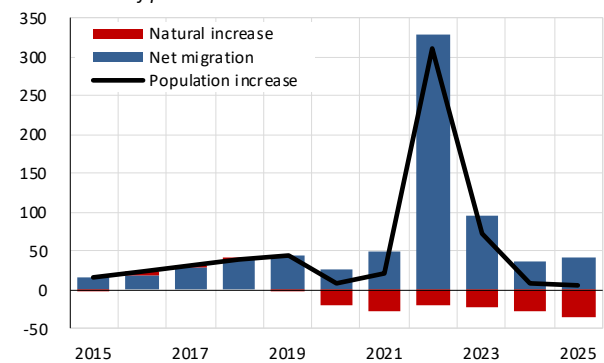
absolute increase over a year in thousands of persons



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

Graph 1.5.4: Population Change

in thousands of persons



Source: CZSO.

Table 1.5.1: Demographics

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| Population (as of 1 January) | <i>thous. persons</i> | 10 694 | 10 495 | 10 517 | 10 828 | 10 901 | 10 910 | 10 916 | 10 859 | 10 798 | 10 801 |
| | <i>growth in %</i> | 0.4 | -1.9 | 0.2 | 3.0 | 0.7 | 0.1 | 0.1 | -0.5 | -0.6 | 0.0 |
| 0–19 years | <i>thous. persons</i> | 2 188 | 2 171 | 2 197 | 2 307 | 2 321 | 2 309 | 2 286 | 2 245 | 2 198 | 2 162 |
| | <i>growth in %</i> | 1.3 | -0.8 | 1.2 | 5.0 | 0.6 | -0.5 | -1.0 | -1.8 | -2.1 | -1.6 |
| 20–64 years | <i>thous. persons</i> | 6 374 | 6 172 | 6 151 | 6 312 | 6 342 | 6 344 | 6 344 | 6 312 | 6 282 | 6 289 |
| | <i>growth in %</i> | -0.4 | -3.2 | -0.3 | 2.6 | 0.5 | 0.0 | 0.0 | -0.5 | -0.5 | 0.1 |
| 65 and more years | <i>thous. persons</i> | 2 132 | 2 152 | 2 169 | 2 208 | 2 237 | 2 256 | 2 286 | 2 302 | 2 318 | 2 350 |
| | <i>growth in %</i> | 2.2 | 0.9 | 0.8 | 1.8 | 1.3 | 0.8 | 1.3 | 0.7 | 0.7 | 1.4 |
| Old-age pensioners (as of 1 January) ¹⁾ | <i>thous. persons</i> | 2 415 | 2 400 | 2 378 | 2 367 | 2 371 | 2 367 | 2 346 | 2 342 | 2 342 | 2 349 |
| | <i>growth in %</i> | 0.2 | -0.6 | -0.9 | -0.4 | 0.2 | -0.2 | -0.9 | -0.2 | 0.0 | 0.3 |
| Old-age dependency ratios (as of 1 January) | | | | | | | | | | | |
| Demographic ²⁾ | % | 33.4 | 34.9 | 35.3 | 35.0 | 35.3 | 35.6 | 36.0 | 36.5 | 36.9 | 37.4 |
| Under current legislation ³⁾ | % | 40.5 | 41.2 | 40.6 | 39.3 | 38.8 | 38.5 | 38.5 | 38.5 | 38.6 | 38.5 |
| Effective ⁴⁾ | % | 45.0 | 45.9 | 44.7 | 44.2 | 43.6 | 43.3 | 42.4 | 42.3 | 42.5 | 42.6 |
| Fertility rate | <i>children</i> | 1.707 | 1.827 | 1.618 | 1.453 | 1.368 | 1.280 | 1.50 | 1.50 | 1.50 | 1.50 |
| Population increase | <i>thous. persons</i> | 8 | 22 | 311 | 73 | 9 | 6 | -57 | -61 | 3 | 1 |
| Natural increase | <i>thous. persons</i> | -19 | -28 | -19 | -22 | -28 | -36 | -26 | -29 | -32 | -34 |
| Live births | <i>thous. persons</i> | 110 | 112 | 101 | 91 | 84 | 78 | 88 | 86 | 85 | 85 |
| Deaths | <i>thous. persons</i> | 129 | 140 | 120 | 113 | 112 | 113 | 114 | 115 | 117 | 118 |
| Net migration | <i>thous. persons</i> | 27 | 50 | 330 | 95 | 37 | 42 | -31 | -32 | 35 | 35 |
| Immigration | <i>thous. persons</i> | 56 | 69 | 350 | 141 | 122 | 111 | . | . | . | . |
| Emigration | <i>thous. persons</i> | 29 | 19 | 20 | 47 | 85 | 69 | . | . | . | . |
| Census difference | <i>thous. persons</i> | x | -207 | x | x | x | x | x | x | x | x |

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

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

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

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

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

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

1.6 Other Assumptions

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

- compared to the current situation, there will be no significant escalation of the wars in Ukraine, the Middle East, or in other regions;
- over the forecast horizon, supply chains will function without significant problems;
- tariffs at a level of 15% will be in force on most commodities exported from EU countries to the USA;
- with the exception of already applicable legislative amendments, the rates and bases of taxes and mandatory contributions will remain unchanged;
- there will be a gradual increase in the minimum wage towards the level of 47% of the average nominal wage.

2 Economic Cycle

2.1 Position within the Economic Cycle

Real GDP growth in recent years significantly lagged behind the growth rate of potential product. The main reasons were the COVID-19 pandemic, supply chain disruptions, a sharpened geopolitical situation triggered primarily by Russian aggression and Middle Eastern conflicts, as well as the associated energy crisis. These factors led to high inflation, a weakening of household consumption and restrictive monetary policy. With the gradual recovery of economic growth, the negative output gap is slowly closing, a process expected to be completed in the first half of this year.

Growth of the potential product in the past year was at the level of 1.6% (*unchanged*). Due to the favourable development of total factor productivity and the recovery of investment activity, we expect a slight acceleration in the dynamics of potential product growth over the forecast horizon. In this year, it could thus grow by 1.8% (*previously 1.7%*) and in the following year by 1.9%.

The trend component of total factor productivity contributed to potential growth rather negatively until recently, unlike in the pre-pandemic period. In 2025, however, it began to act positively again. We expect that this positive contribution will continue in the following years. It could amount to 0.7 percentage points (*previously 1.0 percentage points*) in 2026 and to 1.2 percentage points in 2027.

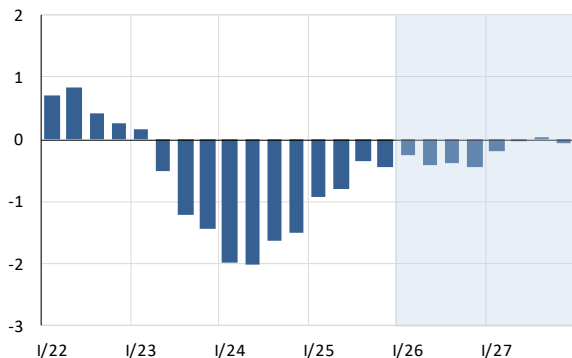
In past years, the capital stock was a significant source of potential growth thanks to the significant recovery of

investment activity. We estimate that after a slight slowdown in the contribution of capital last year, the contribution of capital could increase slightly to 0.6 percentage points (*previously 0.5 percentage points*) this year, given the predicted development of investments (see Chapter 3.1) and depreciation, and to 0.7 percentage points in 2027.

The population aged 15 and over became a significant factor contributing to potential growth during the period of the arrival of refugees from Ukraine. Its contribution has been decreasing in recent years and will be only negligible over the forecast horizon. The employment rate in the age group 15 and over should, given the growth in employment (see Chapter 3.3), continue to act positively in relation to potential growth. In the long term, the increase of the statutory retirement age and measures supporting the retention of older persons in employment also contribute positively. The previous long-term trend of declining average number of hours worked per employee reversed during the pandemic period. This is partly caused by the faster growth in the number of hours worked compared to employment in sectors with a labour shortage (construction, transport, food and accommodation services). Overall, the labour factor could support potential growth in 2026 by 0.5 percentage points (*previously 0.2 percentage points*), while the contribution should decrease to 0.1 percentage points in 2027.

Graph 2.1.1: Output Gap

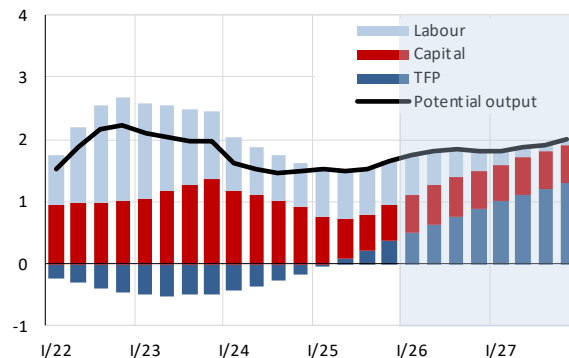
in % of potential product



Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.2: Potential Output

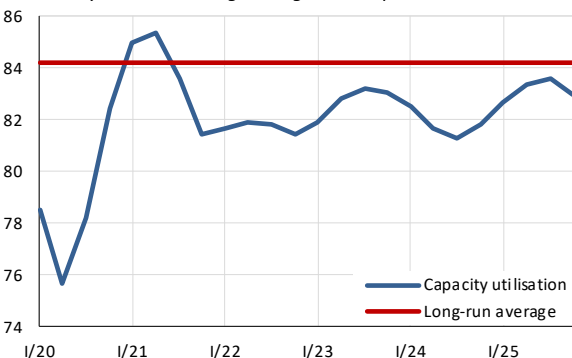
YoY growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.3: Capacity Utilisation in Industry

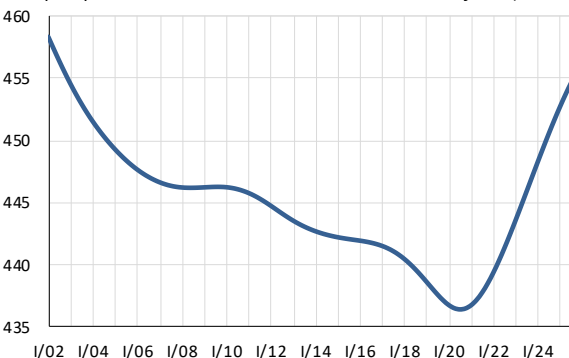
smoothed by centred moving average over 5 quarters, in %



Source: CZSO. Calculations of the MoF.

Graph 2.1.4: Average Number of Hours Worked

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



Source: CZSO. Calculations of the MoF.

Table 2.1.1: Output Gap and Potential Product

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---------------------------------|-------------|------|------|------|------|------|------|----------|----------|---------|---------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| Output gap | % | -3.1 | -0.4 | 0.6 | -0.8 | -1.8 | -0.6 | -0.4 | -0.1 | 0.4 | 0.4 |
| Potential product | growth in % | 1.4 | 1.1 | 2.0 | 2.0 | 1.5 | 1.6 | 1.8 | 1.9 | 2.2 | 2.4 |
| Contributions | | | | | | | | | | | |
| Trend total factor productivity | pp | 0.6 | 0.1 | -0.3 | -0.5 | -0.3 | 0.2 | 0.7 | 1.2 | 1.5 | 1.6 |
| Fixed assets | pp | 1.5 | 0.6 | 1.3 | 1.1 | 1.1 | 0.5 | 0.6 | 0.6 | 0.7 | 0.7 |
| Population 15+ | pp | 0.1 | -0.1 | 1.1 | 0.8 | 0.3 | 0.2 | 0.1 | -0.1 | 0.0 | 0.2 |
| Employment rate | pp | -0.8 | 0.5 | -0.7 | 0.2 | -0.1 | 0.3 | 0.1 | -0.1 | -0.1 | -0.1 |
| Average hours worked | pp | 0.0 | 0.0 | 0.5 | 0.5 | 0.5 | 0.4 | 0.4 | 0.2 | 0.1 | 0.1 |

Source: CZSO. Calculations and forecast of the MoF.

2.2 Business Cycle Indicators

The development of confidence indicators in the first quarter of 2026 suggests the continued growth of gross value added in the trade and services sectors; positive sentiment also persists in construction. In contrast, confidence in industry remains subdued, with the low volume of orders still being the main barrier to growth. According to the MoF composite indicator, exports of goods should grow year-on-year in the first quarter.

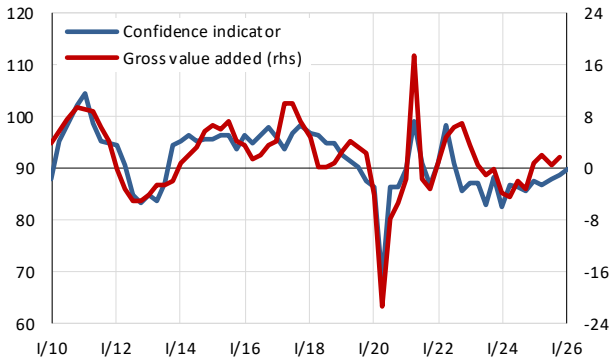
The CZSO consumer confidence indicator slightly deteriorated quarter-on-quarter in the first quarter of 2026; nevertheless, it continues to indicate that the growth of household final consumption expenditure will continue

at a brisk pace. This is also signalled by the MoF consumer confidence indicator. Optimism prevails among households, stemming from a favourable assessment of the current economic situation; they also perceive their current financial situation positively.

The composite confidence indicator suggests a quarter-on-quarter and year-on-year growth of total gross value added in the first quarter of 2026. According to the leading indicator, the negative output gap should close during the second quarter, which is in line with the estimate of the economy's position in the business cycle (see Chapter 2.1).

Graph 2.2.1: Confidence and GVA in Industry

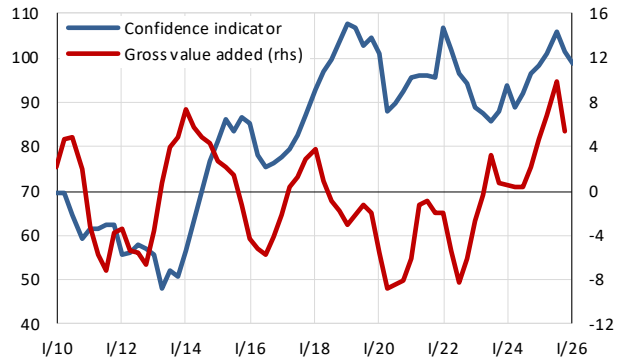
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.2: Confidence and GVA in Construction

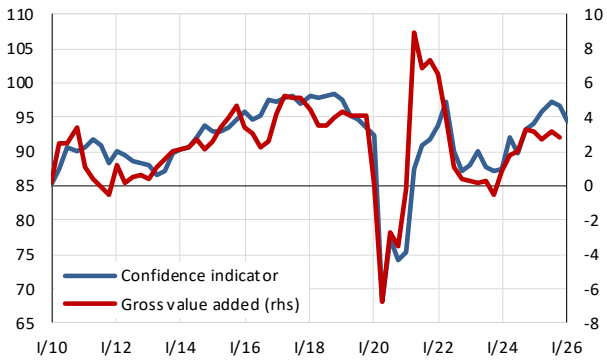
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.3: Confidence and GVA in Trade and Services

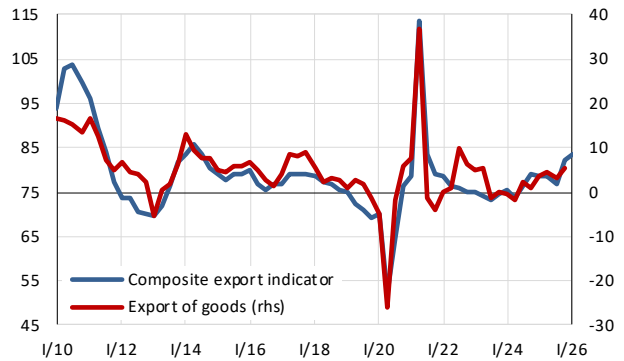
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO. Calculations of the MoF.

Graph 2.2.4: Composite Export Indicator

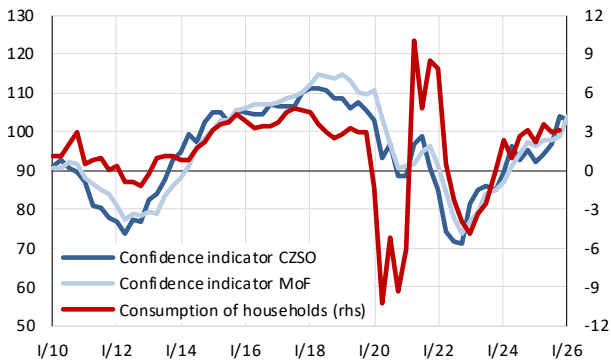
2010=100 (lhs), YoY growth in % (rhs)



Source: CESifo, CZSO. Calculations of the MoF.

Graph 2.2.5: Consumer Confidence and Consumption

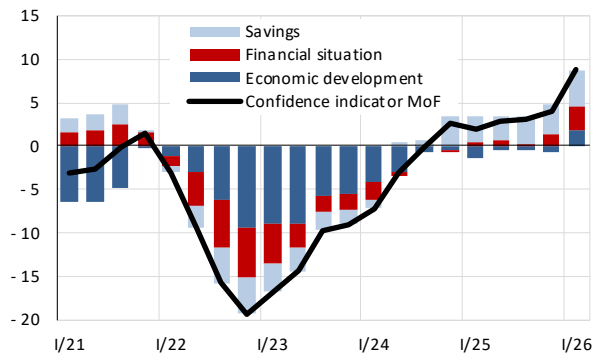
2005=100 (lhs), YoY growth in % (rhs)



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

Graph 2.2.6: Decomposition of Consumer Sentiment

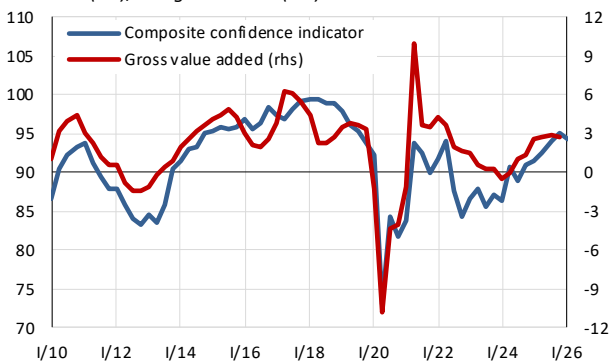
consumer confidence indicator of the MoF, adj. balance, contributions



Source: European Commission. Calculations of the MoF.

Graph 2.2.7: Composite Confidence Indicator and GVA

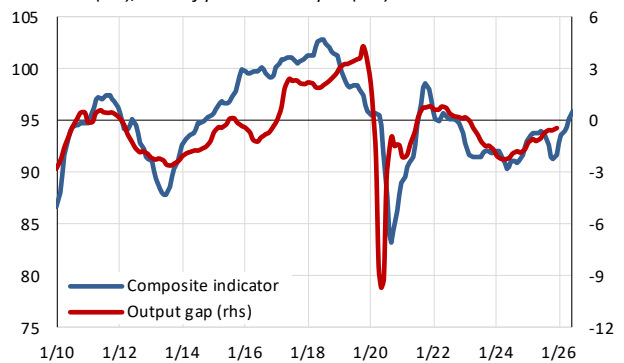
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.8: Composite Leading Indicator

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



Source: CZSO. Calculations of the MoF.

3 Forecast of Macroeconomic Developments in the CR

3.1 Economic Output

The Czech economy grew by 2.5% year-on-year in the **fourth quarter of 2025** (*vs. estimate of 2.3%*), exclusively due to domestic demand. Compared with the previous quarter, seasonally adjusted **GDP** increased by 0.7% (*vs. estimate of 0.6%*). All sectors supported economic activity. Gross value added increased the most year-on-year in the information and communication activities sector and in the trade, transport, accommodation and food service activities group. Positive development was also recorded in construction and manufacturing.

Household consumption was 3.1% higher year-on-year (*vs. estimate of 2.6%*), thanks to a decline in the saving rate and an increase in real disposable income. The dominant factor was household expenditure on services, which grew at the fastest rate in the last three years (by 4.4%). Within the consumption of goods (growth of 2.4%), expenditure on non-durable goods increased primarily, but the improvement in consumer sentiment was also reflected in higher expenditure on durable goods. Real consumption expenditure of residents abroad increased by 10.7% year-on-year.

General government consumption increased by 1.6% year-on-year (*vs. estimate of 2.0%*). The dynamics was driven by central government institutions, particularly budgetary organisations, public research institutions and public universities. For local government institutions, consumption grew mainly due to budgetary organisations and public hospitals.

Gross fixed capital formation increased by 4.9% year-on-year (*vs. estimate of 0.6%*). Investment activity was supported particularly by construction, namely the other buildings and structures sector, mainly due to public expenditure on infrastructure, but also investment in dwellings. Investment in intellectual property products also developed positively. Conversely, a deterioration occurred in the transport equipment category. From a sectoral perspective, corporate investment demand stagnated. Investment expenditure of the general government sector, supported among others by projects co-financed by EU funds, increased significantly year-on-year by 20.7%.

The **change in inventories** and valuables subtracted 0.6 pp from year-on-year growth (*vs. estimate of 0.8 pp*). There was a year-on-year decline in warehouse inventories, which could be related to increased industrial production at the end of the year and higher utilisation of production inputs. At the same time, the influence of stronger investment activity and the related consumption of stocked raw materials likely manifested here.

The **foreign trade** balance contributed slightly negatively to economic growth, in the amount of -0.1 pp (*vs. estimate of -0.3 pp*). While exports of goods and services increased by 4.1% year-on-year (*vs. estimate of 1.6%*), imports increased by 4.6% (*vs. estimate of 2.2%*). Export dynamics were supported particularly by foreign demand for investment goods. Imports increased primarily due to higher household consumption and a higher volume of import-intensive investments.

The Czech economy continued its recovery last year; for the whole of 2025, GDP grew by 2.6% (*vs. estimate of 2.5%*). The continued growth of household consumption was joined by recovering investment activity, driven by public investments which, in addition to the Recovery and Resilience Facility, were supported by the acceleration of the existing financial perspective of the European Structural and Investment Funds. Renewed inventory accumulation and general government consumption also contributed positively to economic growth. Conversely, the foreign trade balance acted negatively due to strong domestic demand.

This year, GDP should increase by 2.1% (*previously 2.4%*). The dynamics will continue to be driven exclusively by domestic demand, which will, however, be hindered by the increase in energy prices and elevated uncertainty due to the conflict in Iran. In addition to the continued growth of household consumption, a recovery in corporate investment activity will also occur, which will, however, simultaneously increase the volume of imports. The export side will then be limited by increased trade barriers and the continued low volume of export orders. The contribution of foreign trade to GDP growth should therefore remain negative. **In 2027, economic growth could reach 2.4%** following the continued growth of domestic demand and the expected better development of trading partners.

Household final consumption expenditure in 2025 grew by 3.0% (*vs. estimate of 2.9%*). Growth was supported particularly by a year-on-year decline in the saving rate, which was influenced by an improvement in consumer confidence. Over the forecast horizon, we expect a further increase in household consumption, which will be supported by strong dynamics in real earnings (see Chapter 3.3) and the still high level of accumulated savings from previous years. Increased volatility in energy commodity prices may, however, lead to greater caution and the postponement of some expenditures. The saving rate should decline slightly over the forecast horizon, yet it will likely remain significantly above its long-term average. Real household consumption could thus grow by 3.0% (*unchanged*) this year and by 2.6% in 2027.

General government consumption increased by 2.1% last year (*in line with the estimate*). In addition to fiscal consolidation, its growth was also dampened by slower dynamics of current expenditure of health insurance companies and growing production of general government sector. Expenditure on flood damage mitigation from the previous year and expenditure on the maintenance and repair of transport infrastructure had the opposite influence. This year, the changed structure of the expenditure side of the state budget and the moderation of the growth dynamics of employment in the general government sector should manifest themselves; real general government consumption expenditure could thus grow by 1.7% (*previously 1.9%*).

Gross fixed capital formation in 2025 grew by 2.4% (*vs. estimate of 0.9%*). Corporate investment activity was limited by the persisting negative sentiment of firms associated with uncertainties in the economic and foreign policy of the US administration. Firms also grappled with the delayed impacts of earlier restrictive monetary conditions. Conversely, the growth of government investment expenditure supported by Union financial resources from the Recovery and Resilience Facility or traditional EU funds had a positive effect last year. For this year, we anticipate an acceleration of investment activity to 3.6% (*previously 3.1%*) thanks to economic growth in the euro area and deferred investments from the period of high interest rates. Growth dynamics will, on the other hand, be hindered by increased uncertainty in connection with the conflict in the Middle East. For 2027, we expect a slowdown in growth to 2.5% in connection with the termination of the drawdown of financial resources from the Recovery and Resilience Facility and a decline in other income from the EU.

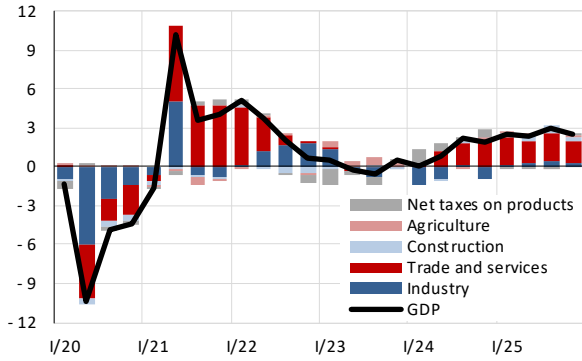
The contribution of the **change in inventories** to GDP growth in 2025 was positive in the amount of 0.6 pp (*vs. estimate of 0.9 pp*), reflecting the renewed accumulation of production inputs driven by increased economic

activity and global uncertainties. For this year, we assume that enterprises will—for precautionary reasons, with the aim of limiting the risks of shortfalls in the supply of components—accumulate inventories to a greater extent. The contribution of inventory growth should therefore reach 0.2 pp (*previously 0.1 pp*). For next year, we expect the stabilisation of inventory formation at values usual for the given phase of the economic cycle; the contribution to GDP growth should therefore be zero.

The **foreign trade** balance contributed negatively to GDP growth last year in the amount of -0.4 pp (*in line with the estimate*). Exports of goods and services increased by 3.9% last year. Export dynamics were supported by foreign demand for motor vehicles. The replenishment of warehouse inventories, which in the first quarters of last year were affected by increased exports to the United States of America prior to the validity of expected tariffs, also contributed to export growth. Growing domestic demand and renewed inventory accumulation then accounted for last year's high growth in imports of goods and services of 5.0%. We expect that foreign trade will contribute negatively to GDP growth this year in the amount of -0.7 pp (*previously -0.3 pp*). Exports could grow by 3.0%, while being indirectly limited by the customs measures of the US administration and the persisting lower volume of export orders. The expected dynamics of exports and domestic demand, particularly import-intensive investments, should then, together with higher inventory accumulation, be reflected in the rate of imports, which could grow by 4.5% this year. For 2027, we assume a positive contribution of foreign trade to GDP growth in the amount of 0.1 pp (*previously 0.2 pp*). The anticipated acceleration of export growth to 4.7% reflects the recovery in the growth of main trading partners. The increase in import growth to 5.0% then reflects the continued growth of both domestic and foreign demand.

Graph 3.1.1: Resources of Gross Domestic Product

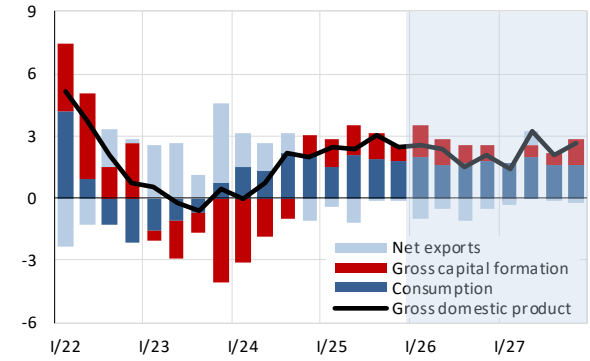
QoQ growth rate of real GDP in %, contrib. in pp, season. adjusted



Source: CZSO. Calculations of the MoF.

Graph 3.1.2: GDP by Type of Expenditure

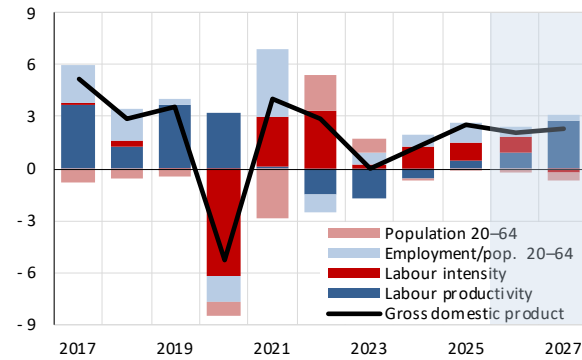
YoY growth rate of real GDP in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.3: Real Gross Domestic Product

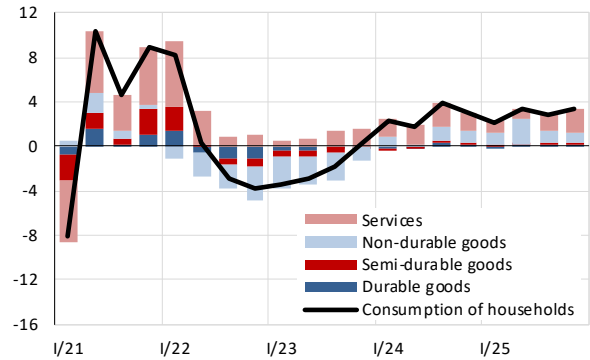
growth in %, contributions in percentage points



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

Graph 3.1.4: Real Consumption of Households

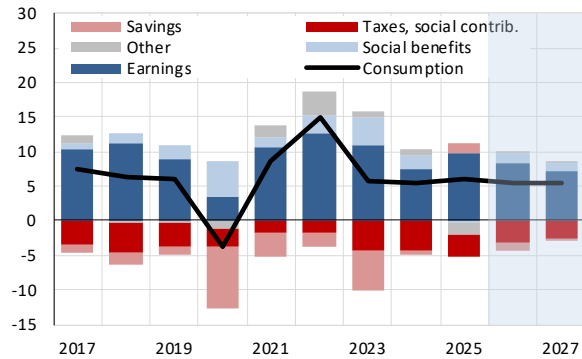
domestic concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.5: Nominal Consumption of Households

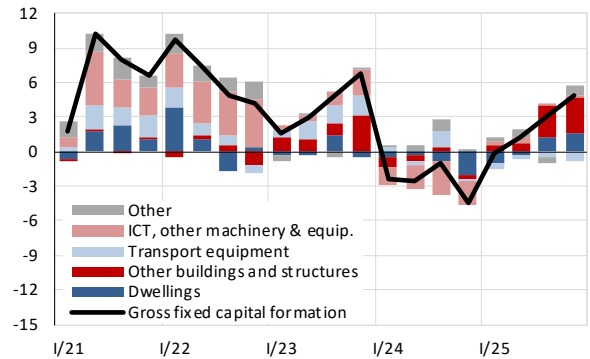
national concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.6: Investment by Type of Expenditure

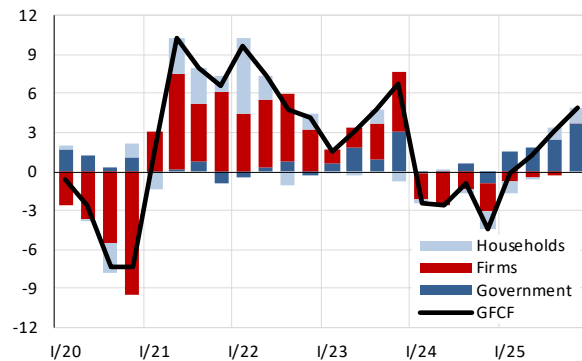
YoY growth rate of real GFCF in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.7: Investment by Sector

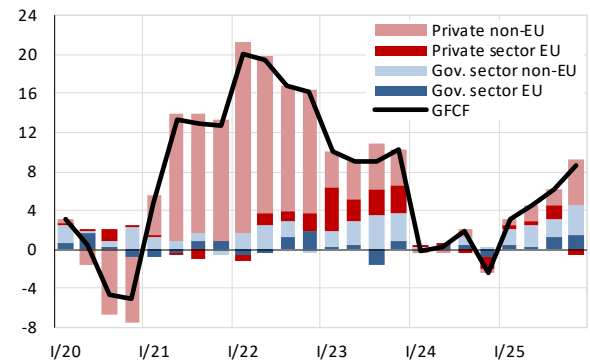
YoY growth rate of real GFCF in %, contributions in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.1.8: Sources of Investment Financing

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



Source: CZSO. Calculations of the MoF.

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

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|-----------------|----------------|----------------|
| | | | | | | | | <i>Forecast</i> | <i>Forecast</i> | <i>Outlook</i> | <i>Outlook</i> |
| Gross domestic product | <i>bill. CZK 2020</i> | 5 828 | 6 063 | 6 236 | 6 239 | 6 317 | 6 480 | 6 618 | 6 774 | 6 946 | 7 113 |
| | <i>growth in %</i> | -5.3 | 4.0 | 2.8 | 0.0 | 1.3 | 2.6 | 2.1 | 2.4 | 2.5 | 2.4 |
| | <i>growth in %¹⁾</i> | -5.3 | 4.0 | 2.9 | 0.2 | 1.1 | 2.6 | 2.2 | 2.2 | 2.7 | 2.4 |
| Private consumption expenditure²⁾ | <i>bill. CZK 2020</i> | 2 745 | 2 859 | 2 874 | 2 800 | 2 869 | 2 953 | 3 042 | 3 120 | 3 195 | 3 265 |
| | <i>growth in %</i> | -6.4 | 4.2 | 0.5 | -2.6 | 2.4 | 3.0 | 3.0 | 2.6 | 2.4 | 2.2 |
| Government consumption exp. | <i>bill. CZK 2020</i> | 1 250 | 1 268 | 1 273 | 1 313 | 1 355 | 1 384 | 1 407 | 1 440 | 1 470 | 1 500 |
| | <i>growth in %</i> | 4.1 | 1.5 | 0.4 | 3.2 | 3.1 | 2.1 | 1.7 | 2.3 | 2.1 | 2.0 |
| Gross capital formation | <i>bill. CZK 2020</i> | 1 441 | 1 708 | 1 881 | 1 767 | 1 691 | 1 768 | 1 841 | 1 882 | 1 938 | 2 009 |
| | <i>growth in %</i> | -9.3 | 18.5 | 10.2 | -6.1 | -4.3 | 4.5 | 4.1 | 2.2 | 3.0 | 3.6 |
| Gross fixed capital formation | <i>bill. CZK 2020</i> | 1 488 | 1 589 | 1 689 | 1 760 | 1 713 | 1 754 | 1 817 | 1 861 | 1 921 | 1 992 |
| | <i>growth in %</i> | -4.8 | 6.7 | 6.3 | 4.2 | -2.7 | 2.4 | 3.6 | 2.5 | 3.2 | 3.7 |
| Change in stocks and valuables | <i>bill. CZK 2020</i> | -47 | 119 | 192 | 7 | -22 | 13 | 24 | 20 | 18 | 17 |
| Exports of goods and services | <i>bill. CZK 2020</i> | 3 949 | 4 271 | 4 491 | 4 597 | 4 667 | 4 849 | 4 993 | 5 229 | 5 406 | 5 592 |
| | <i>growth in %</i> | -8.5 | 8.2 | 5.1 | 2.3 | 1.5 | 3.9 | 3.0 | 4.7 | 3.4 | 3.4 |
| Imports of goods and services | <i>bill. CZK 2020</i> | 3 556 | 4 043 | 4 284 | 4 232 | 4 255 | 4 468 | 4 668 | 4 901 | 5 067 | 5 259 |
| | <i>growth in %</i> | -8.4 | 13.7 | 5.9 | -1.2 | 0.5 | 5.0 | 4.5 | 5.0 | 3.4 | 3.8 |
| Gross domestic expenditure | <i>bill. CZK 2020</i> | 5 435 | 5 835 | 6 028 | 5 875 | 5 909 | 6 100 | 6 287 | 6 438 | 6 600 | 6 770 |
| | <i>growth in %</i> | -5.0 | 7.3 | 3.3 | -2.5 | 0.6 | 3.2 | 3.1 | 2.4 | 2.5 | 2.6 |
| Real gross domestic income | <i>bill. CZK 2020</i> | 5 828 | 6 060 | 6 077 | 6 203 | 6 326 | 6 519 | 6 625 | 6 805 | 6 988 | 7 113 |
| | <i>growth in %</i> | -4.2 | 4.0 | 0.3 | 2.1 | 2.0 | 3.1 | 1.6 | 2.7 | 2.7 | 1.8 |
| Contributions to GDP growth⁴⁾ | | | | | | | | | | | |
| Gross domestic expenditure | <i>pp</i> | -4.7 | 6.9 | 3.2 | -2.5 | 0.5 | 3.0 | 2.9 | 2.3 | 2.4 | 2.5 |
| Consumption | <i>pp</i> | -2.3 | 2.3 | 0.3 | -0.6 | 1.8 | 1.8 | 1.8 | 1.7 | 1.6 | 1.5 |
| Household expenditure | <i>pp</i> | -3.1 | 2.0 | 0.3 | -1.3 | 1.2 | 1.4 | 1.4 | 1.2 | 1.1 | 1.0 |
| Government expenditure | <i>pp</i> | 0.8 | 0.3 | 0.1 | 0.6 | 0.6 | 0.4 | 0.3 | 0.5 | 0.4 | 0.4 |
| Gross capital formation | <i>pp</i> | -2.4 | 4.6 | 2.9 | -1.9 | -1.2 | 1.2 | 1.1 | 0.6 | 0.8 | 1.0 |
| Gross fixed capital formation | <i>pp</i> | -1.2 | 1.7 | 1.7 | 1.2 | -0.8 | 0.6 | 0.9 | 0.7 | 0.9 | 1.0 |
| Change in stocks | <i>pp</i> | -1.2 | 2.8 | 1.2 | -3.0 | -0.5 | 0.6 | 0.2 | 0.0 | 0.0 | 0.0 |
| Foreign balance | <i>pp</i> | -0.6 | -2.8 | -0.3 | 2.6 | 0.7 | -0.4 | -0.7 | 0.1 | 0.2 | -0.1 |
| External balance of goods | <i>pp</i> | -0.4 | -3.0 | 0.5 | 2.5 | 0.6 | -0.6 | -0.7 | 0.0 | 0.0 | -0.1 |
| External balance of services | <i>pp</i> | -0.2 | 0.1 | -0.9 | 0.0 | 0.1 | 0.1 | -0.1 | 0.1 | 0.1 | 0.1 |
| Gross value added | <i>bill. CZK 2020</i> | 5 315 | 5 524 | 5 685 | 5 717 | 5 752 | 5 905 | . | . | . | . |
| | <i>growth in %</i> | -5.1 | 3.9 | 2.9 | 0.6 | 0.6 | 2.7 | . | . | . | . |
| Net taxes and subsidies on products | <i>bill. CZK 2020</i> | 513 | 539 | 551 | 523 | 567 | 576 | . | . | . | . |

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

| | | 2025 | | | | 2026 | | | |
|--|----------------------------------|--------------|--------------|--------------|--------------|-----------------|-----------------|-----------------|-----------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | <i>Estimate</i> | <i>Forecast</i> | <i>Forecast</i> | <i>Forecast</i> |
| Gross domestic product | <i>bill. CZK 2020</i> | 1 511 | 1 632 | 1 661 | 1 675 | 1 549 | 1 671 | 1 687 | 1 711 |
| | <i>growth in %</i> | 2.5 | 2.3 | 3.0 | 2.5 | 2.5 | 2.4 | 1.5 | 2.1 |
| | <i>growth in % ¹⁾</i> | 2.4 | 2.6 | 2.8 | 2.7 | 2.5 | 2.4 | 2.0 | 1.9 |
| | <i>QoQ in % ¹⁾</i> | 0.7 | 0.4 | 0.8 | 0.7 | 0.5 | 0.3 | 0.5 | 0.5 |
| Private consumption expenditure ²⁾ | <i>bill. CZK 2020</i> | 698 | 744 | 746 | 766 | 723 | 764 | 767 | 788 |
| | <i>growth in %</i> | 2.3 | 3.4 | 3.0 | 3.1 | 3.6 | 2.7 | 2.9 | 2.9 |
| Government consumption exp. | <i>bill. CZK 2020</i> | 324 | 338 | 338 | 383 | 329 | 344 | 344 | 390 |
| | <i>growth in %</i> | 2.1 | 2.5 | 2.4 | 1.7 | 1.5 | 1.6 | 1.8 | 1.9 |
| Gross capital formation | <i>bill. CZK 2020</i> | 361 | 455 | 506 | 445 | 384 | 476 | 522 | 459 |
| | <i>growth in %</i> | 5.5 | 5.5 | 4.6 | 2.8 | 6.3 | 4.7 | 3.1 | 3.0 |
| Gross fixed capital formation | <i>bill. CZK 2020</i> | 366 | 430 | 456 | 502 | 387 | 449 | 468 | 512 |
| | <i>growth in %</i> | -0.2 | 1.3 | 3.1 | 4.9 | 5.7 | 4.5 | 2.6 | 2.1 |
| Change in stocks and valuables | <i>bill. CZK 2020</i> | -5 | 25 | 50 | -56 | -3 | 27 | 54 | -53 |
| Exports of goods and services | <i>bill. CZK 2020</i> | 1 200 | 1 219 | 1 183 | 1 247 | 1 240 | 1 259 | 1 195 | 1 299 |
| | <i>growth in %</i> | 4.1 | 3.4 | 4.1 | 4.1 | 3.3 | 3.2 | 1.1 | 4.1 |
| Imports of goods and services | <i>bill. CZK 2020</i> | 1 068 | 1 124 | 1 112 | 1 164 | 1 123 | 1 173 | 1 145 | 1 226 |
| | <i>growth in %</i> | 5.3 | 5.7 | 4.5 | 4.6 | 5.2 | 4.3 | 3.0 | 5.3 |
| Gross domestic expenditure | <i>bill. CZK 2020</i> | 1 383 | 1 537 | 1 589 | 1 592 | 1 435 | 1 584 | 1 632 | 1 635 |
| | <i>growth in %</i> | 3.1 | 3.8 | 3.3 | 2.7 | 3.8 | 3.1 | 2.7 | 2.7 |
| Real gross domestic income | <i>bill. CZK 2020</i> | 1 514 | 1 645 | 1 675 | 1 684 | 1 555 | 1 670 | 1 690 | 1 710 |
| | <i>growth in %</i> | 2.9 | 2.7 | 3.6 | 3.0 | 2.7 | 1.5 | 0.9 | 1.5 |
| Gross value added | <i>bill. CZK 2020</i> | 1 389 | 1 487 | 1 514 | 1 514 | . | . | . | . |
| | <i>growth in %</i> | 2.6 | 2.5 | 3.1 | 2.4 | . | . | . | . |
| | <i>growth in % ¹⁾</i> | 2.6 | 2.8 | 2.8 | 2.7 | . | . | . | . |
| | <i>QoQ in % ¹⁾</i> | 0.8 | 0.5 | 0.9 | 0.5 | . | . | . | . |
| Net taxes and subsidies on products | <i>bill. CZK 2020</i> | 122 | 145 | 148 | 161 | . | . | . | . |

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

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.3: Nominal GDP by Type of Expenditure – annual

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|-----------------|----------------|----------------|
| | | | | | | | | <i>Forecast</i> | <i>Forecast</i> | <i>Outlook</i> | <i>Outlook</i> |
| Gross domestic product | <i>bill. CZK</i> | 5 828 | 6 308 | 7 050 | 7 660 | 8 058 | 8 556 | 8 988 | 9 537 | 10 044 | 10 548 |
| | <i>growth in %</i> | -1.0 | 8.2 | 11.8 | 8.6 | 5.2 | 6.2 | 5.0 | 6.1 | 5.3 | 5.0 |
| Private consumption expenditure ¹⁾ | <i>bill. CZK</i> | 2 745 | 2 980 | 3 424 | 3 621 | 3 824 | 4 054 | 4 293 | 4 531 | 4 747 | 4 969 |
| | <i>growth in %</i> | -3.6 | 8.6 | 14.9 | 5.8 | 5.6 | 6.0 | 5.9 | 5.5 | 4.8 | 4.7 |
| Government consumption exp. | <i>bill. CZK</i> | 1 250 | 1 319 | 1 381 | 1 501 | 1 610 | 1 713 | 1 807 | 1 929 | 2 037 | 2 143 |
| | <i>growth in %</i> | 9.5 | 5.5 | 4.8 | 8.6 | 7.2 | 6.4 | 5.5 | 6.7 | 5.6 | 5.2 |
| Gross capital formation | <i>bill. CZK</i> | 1 441 | 1 774 | 2 188 | 2 161 | 2 121 | 2 289 | 2 487 | 2 636 | 2 787 | 2 952 |
| | <i>growth in %</i> | -6.5 | 23.1 | 23.3 | -1.2 | -1.9 | 7.9 | 8.6 | 6.0 | 5.7 | 5.9 |
| Gross fixed capital formation | <i>bill. CZK</i> | 1 488 | 1 655 | 1 952 | 2 140 | 2 136 | 2 260 | 2 419 | 2 562 | 2 712 | 2 874 |
| | <i>growth in %</i> | -1.9 | 11.2 | 17.9 | 9.6 | -0.2 | 5.8 | 7.1 | 5.9 | 5.8 | 6.0 |
| Change in stocks and valuables | <i>bill. CZK</i> | -47 | 119 | 236 | 21 | -15 | 30 | 68 | 73 | 75 | 78 |
| External balance | <i>bill. CZK</i> | 393 | 235 | 57 | 376 | 504 | 501 | 400 | 442 | 474 | 484 |
| Exports of goods and services | <i>bill. CZK</i> | 3 949 | 4 450 | 5 105 | 5 239 | 5 549 | 5 728 | 5 996 | 6 371 | 6 678 | 7 000 |
| | <i>growth in %</i> | -7.0 | 12.7 | 14.7 | 2.6 | 5.9 | 3.2 | 4.7 | 6.2 | 4.8 | 4.8 |
| Imports of goods and services | <i>bill. CZK</i> | 3 556 | 4 215 | 5 048 | 4 863 | 5 045 | 5 228 | 5 596 | 5 929 | 6 205 | 6 516 |
| | <i>growth in %</i> | -8.5 | 18.5 | 19.7 | -3.7 | 3.7 | 3.6 | 7.0 | 6.0 | 4.7 | 5.0 |
| Gross national income | <i>bill. CZK</i> | 5 528 | 6 123 | 6 763 | 7 378 | 7 811 | 8 187 | 8 600 | 9 126 | 9 611 | 10 096 |
| | <i>growth in %</i> | 0.0 | 10.8 | 10.4 | 9.1 | 5.9 | 4.8 | 5.0 | 6.1 | 5.3 | 5.1 |
| Primary income balance | <i>bill. CZK</i> | -301 | -185 | -287 | -281 | -247 | -370 | -388 | -411 | -434 | -451 |

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

| | | 2025 | | | | 2026 | | | |
|--|--------------------|--------------|--------------|--------------|--------------|-----------------|-----------------|-----------------|-----------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | <i>Estimate</i> | <i>Forecast</i> | <i>Forecast</i> | <i>Forecast</i> |
| Gross domestic product | <i>bill. CZK</i> | 1 962 | 2 151 | 2 194 | 2 249 | 2 061 | 2 261 | 2 295 | 2 370 |
| | <i>growth in %</i> | 5.5 | 5.9 | 6.5 | 6.7 | 5.1 | 5.1 | 4.6 | 5.4 |
| Private consumption expenditure ¹⁾ | <i>bill. CZK</i> | 956 | 1 023 | 1 023 | 1 053 | 1 009 | 1 078 | 1 084 | 1 122 |
| | <i>growth in %</i> | 5.6 | 6.7 | 6.0 | 5.8 | 5.6 | 5.5 | 6.0 | 6.6 |
| Government consumption exp. | <i>bill. CZK</i> | 379 | 411 | 417 | 505 | 391 | 437 | 443 | 537 |
| | <i>growth in %</i> | 4.6 | 6.8 | 6.5 | 7.4 | 3.0 | 6.3 | 6.1 | 6.3 |
| Gross capital formation | <i>bill. CZK</i> | 464 | 587 | 654 | 584 | 515 | 642 | 704 | 626 |
| | <i>growth in %</i> | 7.2 | 8.7 | 7.3 | 8.4 | 10.8 | 9.3 | 7.7 | 7.2 |
| Gross fixed capital formation | <i>bill. CZK</i> | 468 | 552 | 588 | 651 | 509 | 596 | 626 | 688 |
| | <i>growth in %</i> | 3.1 | 4.5 | 6.2 | 8.6 | 8.8 | 8.0 | 6.4 | 5.6 |
| Change in stocks and valuables | <i>bill. CZK</i> | -4 | 35 | 65 | -67 | 5 | 46 | 78 | -62 |
| External balance | <i>bill. CZK</i> | 163 | 130 | 101 | 107 | 147 | 104 | 64 | 86 |
| Exports of goods and services | <i>bill. CZK</i> | 1 445 | 1 451 | 1 387 | 1 445 | 1 477 | 1 531 | 1 442 | 1 547 |
| | <i>growth in %</i> | 6.9 | 3.5 | 2.2 | 0.5 | 2.2 | 5.5 | 3.9 | 7.0 |
| Imports of goods and services | <i>bill. CZK</i> | 1 282 | 1 321 | 1 286 | 1 338 | 1 330 | 1 427 | 1 377 | 1 461 |
| | <i>growth in %</i> | 7.5 | 5.4 | 1.8 | 0.2 | 3.7 | 8.0 | 7.1 | 9.2 |

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

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.5: GDP by Type of Income – annual

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| GDP | <i>bill. CZK</i> | 5 828 | 6 308 | 7 050 | 7 660 | 8 058 | 8 556 | 8 988 | 9 537 | 10 044 | 10 548 |
| | <i>growth in %</i> | -1.0 | 8.2 | 11.8 | 8.6 | 5.2 | 6.2 | 5.0 | 6.1 | 5.3 | 5.0 |
| Balance of taxes and subsidies | <i>bill. CZK</i> | 449 | 478 | 592 | 579 | 678 | 733 | 740 | 756 | 781 | 814 |
| | <i>% of GDP</i> | 7.7 | 7.6 | 8.4 | 7.6 | 8.4 | 8.6 | 8.2 | 7.9 | 7.8 | 7.7 |
| | <i>growth in %</i> | -16.0 | 6.5 | 23.8 | -2.1 | 17.0 | 8.2 | 0.9 | 2.2 | 3.3 | 4.2 |
| Taxes on production and imports | <i>bill. CZK</i> | 660 | 716 | 780 | 817 | 869 | 936 | . | . | . | . |
| | <i>growth in %</i> | -5.3 | 8.5 | 9.0 | 4.7 | 6.4 | 7.8 | . | . | . | . |
| Subsidies on production | <i>bill. CZK</i> | 211 | 238 | 189 | 238 | 191 | 203 | . | . | . | . |
| | <i>growth in %</i> | 30.3 | 12.6 | -20.5 | 25.8 | -19.6 | 6.2 | . | . | . | . |
| Compensation of employees <i>(domestic concept)</i> | <i>bill. CZK</i> | 2 624 | 2 813 | 3 031 | 3 287 | 3 511 | 3 775 | 4 043 | 4 284 | 4 506 | 4 718 |
| | <i>% of GDP</i> | 45.0 | 44.6 | 43.0 | 42.9 | 43.6 | 44.1 | 45.0 | 44.9 | 44.9 | 44.7 |
| | <i>growth in %</i> | 1.7 | 7.2 | 7.7 | 8.4 | 6.8 | 7.5 | 7.1 | 6.0 | 5.2 | 4.7 |
| Wages and salaries | <i>bill. CZK</i> | 1 988 | 2 132 | 2 326 | 2 531 | 2 704 | 2 919 | 3 117 | 3 303 | 3 474 | 3 637 |
| | <i>growth in %</i> | 0.4 | 7.2 | 9.1 | 8.8 | 6.8 | 7.9 | 6.8 | 6.0 | 5.2 | 4.7 |
| Social security contributions | <i>bill. CZK</i> | 636 | 682 | 706 | 756 | 807 | 856 | 926 | 981 | 1 032 | 1 080 |
| | <i>growth in %</i> | 6.2 | 7.1 | 3.5 | 7.1 | 6.8 | 6.1 | 8.2 | 6.0 | 5.2 | 4.7 |
| Gross operating surplus and mixed income | <i>bill. CZK</i> | 2 756 | 3 016 | 3 427 | 3 794 | 3 870 | 4 048 | 4 206 | 4 498 | 4 757 | 5 016 |
| | <i>% of GDP</i> | 47.3 | 47.8 | 48.6 | 49.5 | 48.0 | 47.3 | 46.8 | 47.2 | 47.4 | 47.6 |
| | <i>growth in %</i> | -0.7 | 9.5 | 13.6 | 10.7 | 2.0 | 4.6 | 3.9 | 6.9 | 5.8 | 5.4 |
| Consumption of capital | <i>bill. CZK</i> | 1 294 | 1 413 | 1 577 | 1 684 | 1 786 | 1 901 | 2 039 | 2 160 | 2 273 | 2 415 |
| | <i>growth in %</i> | 7.7 | 9.2 | 11.6 | 6.8 | 6.1 | 6.4 | 7.3 | 5.9 | 5.2 | 6.2 |
| Net operating surplus | <i>bill. CZK</i> | 1 462 | 1 604 | 1 850 | 2 109 | 2 083 | 2 147 | 2 167 | 2 338 | 2 484 | 2 601 |
| | <i>growth in %</i> | -7.1 | 9.7 | 15.4 | 14.0 | -1.2 | 3.1 | 0.9 | 7.9 | 6.2 | 4.7 |

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.6: GDP by Type of Income – quarterly

| | | 2025 | | | | 2026 | | | |
|---|--------------------|------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | Estimate | Forecast | Forecast | Forecast |
| GDP | <i>bill. CZK</i> | 1 962 | 2 151 | 2 194 | 2 249 | 2 061 | 2 261 | 2 295 | 2 370 |
| | <i>growth in %</i> | 5.5 | 5.9 | 6.5 | 6.7 | 5.1 | 5.1 | 4.6 | 5.4 |
| Balance of taxes and subsidies | <i>bill. CZK</i> | 148 | 188 | 197 | 201 | 148 | 191 | 199 | 202 |
| | <i>growth in %</i> | 7.4 | 8.9 | 7.4 | 9.0 | 0.1 | 1.8 | 1.0 | 0.4 |
| Compensation of employees <i>(domestic concept)</i> | <i>bill. CZK</i> | 897 | 942 | 926 | 1010 | 962 | 1005 | 992 | 1084 |
| | <i>growth in %</i> | 6.7 | 7.8 | 7.1 | 8.4 | 7.2 | 6.6 | 7.2 | 7.3 |
| | Wages and salaries | <i>bill. CZK</i> | 691 | 727 | 717 | 785 | 742 | 775 | 765 |
| | <i>growth in %</i> | 6.9 | 8.0 | 7.7 | 9.1 | 7.3 | 6.6 | 6.8 | 6.5 |
| Social security contributions | <i>bill. CZK</i> | 206 | 216 | 209 | 225 | 220 | 230 | 227 | 248 |
| | <i>growth in %</i> | 5.8 | 7.2 | 5.2 | 6.2 | 6.8 | 6.8 | 8.7 | 10.3 |
| Gross operating surplus and mixed income | <i>bill. CZK</i> | 917 | 1022 | 1071 | 1038 | 951 | 1066 | 1104 | 1085 |
| | <i>growth in %</i> | 4.1 | 3.6 | 5.9 | 4.8 | 3.8 | 4.3 | 3.0 | 4.5 |

Source: CZSO. Calculations and forecast of the MoF.

3.2 Prices

Year-on-year **consumer price growth in January to February period** of this year reached an average of 1.5% (vs. *forecast of 1.9%*). Significantly elevated price dynamics persisted in services (growth of 4.6%), whereas the development of goods prices (−0.6%) was considerably favourable. The high growth in services prices was driven primarily by increasing household demand, rising labour costs and rapidly appreciating real estate. Goods prices were influenced in the first instance by falling consumer energy prices. Price pressures were also mitigated by lower global prices for food commodities. The significant strengthening of the koruna then had a general effect on the decline in import prices. Monetary policy continued to mitigate inflationary pressures due to delayed action.

In the direction of higher inflation, the costs of owner-occupied housing (growth of 5.1%) and rentals (6.2%) acted at the beginning of this year, into which dynamically growing real estate prices are being projected; furthermore, tobacco (6.0%), due to an increase in excise duty; and restaurants, cafes and similar establishments (4.0%) and recreational services (5.9%), where rising labour costs have a significant influence.

Overall inflationary dynamics were, conversely, dampened especially by the prices of electricity (−12.1%), gas (−6.9%) and automotive fuels (−8.7%), inter alia due to the transfer of the financing of the fee for supported energy sources (SES) to the state budget and thanks to significantly cheaper oil. Furthermore, price development was favourable for clothing and footwear (−2.4%), as well as for food (0.6%).

Industrial **producer prices** for January to February decreased year-on-year by 2.9%, primarily due to a decline in energy prices. This created disinflationary pressures on input costs across sectors, especially energy-intensive ones. Agricultural producer prices decreased by 1.6%, with crop products becoming cheaper by 0.3% and animal products by 4.3%. Prices of construction work were year-on-year higher by 2.7% and the prices of construction materials by 1.7%. The prices of construction work and materials, which are part of the estimated costs of owner-occupied housing, thus tended to moderate the growth of imputed rentals – unlike the prices of new flats.

Realised **real estate prices** in the fourth quarter of last year rose by 16.0%, as they did on average for the whole year. Quarter-on-quarter growth momentum has remained stable at high values for almost two years and there are still no obvious signals of a slowdown. Real estate prices thus create strong pressure on the growth of consumer prices through owner-occupied housing costs and indirectly through apartment rentals. Over the forecast horizon, we assume continued strong dynamics in real estate prices and, by extension, consumer housing costs. From a long-term perspective, the reason for the

high growth in their prices is structural factors, especially the insufficient rate of construction of new residential buildings (the number of building permits issued for residential buildings fell by 9.2% year-on-year last year). The number of dwellings started was 6.8% lower last year compared to the average of the previous five years, and the number of dwellings completed was 4.3% lower. The expected development of nominal wages, but also relatively more accessible mortgage financing compared to previous years, including relaxed macroprudential limits, should then stimulate the demand side for real estate. Conversely, the recommended limits on mortgages for the acquisition of investment flats from April this year could slightly dampen future demand. In the first quarter, however, the associated acceleration of planned investment loans should have the opposite effect.

Year-on-year inflation measured by the **Harmonised Index of Consumer Prices (HICP)** was, at 1.1% in January to February of this year, significantly lower than the weighted average of EU member states at 2.1%. In the CR, the growth of services prices was higher (4.6% vs. 3.5%)¹, whereas the development of goods prices was more favourable (−0.6% vs. 0.9%), particularly thanks to energy (−7.9% vs. −2.6%). In the direction of higher overall inflation, a higher increase in prices in the information and communication division (2.0% vs. −0.2%) acted in the CR, as did the Europe-wide strong increase in tobacco prices (6.0% vs. 5.9%) due to its higher weight in the domestic consumer basket. The dynamic growth of apartment rentals (6.2% vs. 3.0%) manifests itself only slightly in overall inflation due to the high rate of owner-occupied housing in the CR and the resulting relatively lower weight of rental housing in the consumer basket. The exclusion of owner-occupied housing costs from the HICP then accounts for the lower year-on-year inflation measured by the harmonised index compared to the national consumer price index. Price dynamics in the CR were lower than in the EU for food and non-alcoholic beverages (0.6% vs. 2.8%), clothing and footwear (−2.5% vs. 0.6%), electricity (−12.0% vs. −1.0%) and automotive fuels (−8.7% vs. −3.6%).

In 2026, the average inflation rate should remain at 2.5% (previously 2.1%). In the direction of lower inflation, in addition to the transfer of supported energy sources financing, a stronger koruna and last year's de-

¹ This is a common phenomenon associated with the price convergence of the economy through the increasing prices of non-tradable goods. In the Czech Republic, services have a lower share of total nominal household expenditure (in 2025, according to constant weights, 32% vs. 43% of the EU consumer basket), not only due to lower real volume but also due to lower prices. Consequently, the elevated dynamics of service prices across Europe translate into average EU inflation more significantly than in the Czech Republic.

cline in global prices of agricultural commodities should act. The earlier setting of monetary policy should also continue to have a restrictive effect. Conversely, expected pro-inflationary factors include, in particular, the increase in the price of oil, gas and electricity as a result of the war conflict in the Middle East, continued high price dynamics for residential real estate, strong growth in wages and salaries, and an increase in excise duties on tobacco and spirits.

The contribution of tax changes and the growth in prices of items with at least partially regulated prices should in aggregate reach 0.3 pp (*previously 0.0 pp*). Tax changes include a further increase in excise duties on spirits and tobacco products. The development of regulated prices will then be relatively heterogeneous. The commodity components of electricity and gas prices should increase year-on-year due to their price increase on wholesale markets in response to the war in the Middle East. The total price of electricity should decrease year-on-year due to the reduction in the price of the regulated part thanks to the transfer of SES financing fully to the state. Growth in other regulated prices will be elevated given the continued high price dynamics in services, but also the increase in the price of automotive fuels in public transport.

In 2027, average inflation should increase to 2.8%. The expected decline in oil and gas prices on world markets, following the anticipated calming of the situation in the Middle East during the previous year, should join the continued anti-inflationary effect of the strengthening koruna, although their previous price increase will continue to be reflected in consumer prices through the base effect. Rapid growth in nominal earnings, continued appreciation of real estate and a further increase in the excise duty on tobacco products will continue to have an influence in the direction of higher inflation.

The aggregate contribution of tax changes and the growth of regulated prices should increase to 0.8 pp. While within the framework of tax changes a further increase in the excise duty on tobacco products will have a moderate effect, electricity and gas prices should increase significantly on average for the whole year due to their expected growth in the second half of the previous year.

The **GDP deflator** increased by 3.5% last year (*vs. estimate of 3.2%*). The deflator of gross domestic expenditure increased by 3.3% (*vs. estimate of 2.9%*) with similar dynamics in the deflators of all its main components. The terms of trade improved by 0.7% (*in line with the estimate*) with a decline in export prices of 0.6% and import prices of 1.3%.

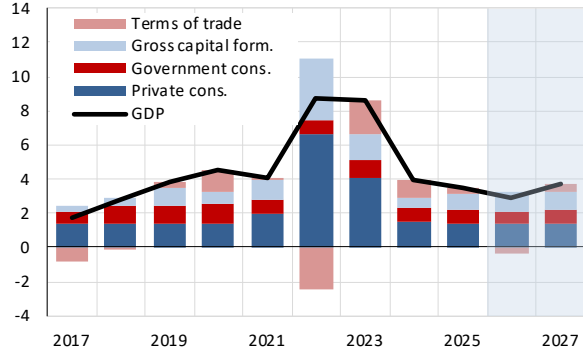
The strengthening of the koruna had a fundamental influence on prices in foreign trade. Export prices adjusted for the exchange rate effect rose by 0.5% last year, primarily thanks to higher export prices for electricity, cars and electronics. Conversely, export prices for petroleum products, chemicals and basic metals, in particular, decreased. On the import side, prices increased by 0.1%, especially for motor vehicles and food. Cheaper oil and natural gas, petroleum products or basic metals then acted in the direction of lower aggregate import prices.

For this year, we expect the GDP deflator to grow by 2.9% (*previously 2.6%*) with a growth in the gross domestic expenditure deflator of 3.4% (*previously 2.5%*) and a deterioration in the terms of trade by 0.8% (*previously an improvement of 0.4%*). Within the gross domestic expenditure deflator, the growth of consumer prices will be reflected through the household consumption deflator, and the growth in the salaries of public sector employees should be manifested primarily in the general government sector consumption deflator. Higher prices of energy and other commodities, in particular, will then be reflected in the continued strong dynamics of the fixed investment deflator. The expected increase in the price of mineral fuels will have a significantly negative effect on aggregate prices in foreign trade. The anticipated strengthening of the domestic currency will then act similarly on both the export and import side in the direction of lower koruna prices.

In 2027, GDP deflator growth should accelerate to 3.7% with the gross domestic expenditure deflator growing by 3.4%. Growth in the general government sector consumption deflator should accelerate thanks to the anticipated increase in salaries in the public sector. Price increases in foreign trade should be dampened by the continued strengthening of the koruna, and the terms of trade should improve by 0.5% following the year-on-year decline in oil and gas prices, with an increase in koruna export prices of 1.4% and import prices of 0.9%.

Graph 3.2.1: Gross Domestic Product Deflator

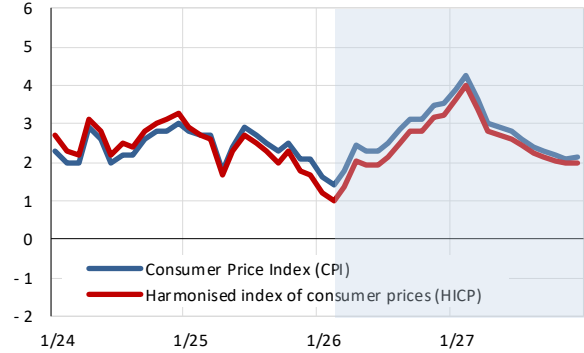
growth in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.2: Consumer Prices

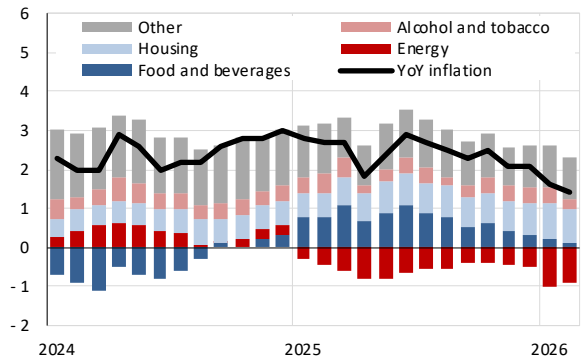
year-on-year growth in %



Source: CZSO. Calculations and forecasts of the MoF CR.

Graph 3.2.3: Main Divisions of the Consumer Basket

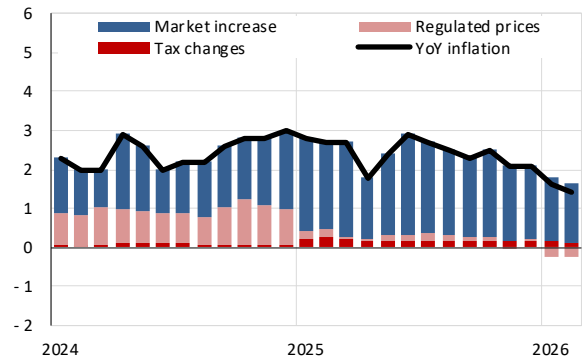
year-on-year growth in %, contributions to growth in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.2.4: Market and Administrative Influences

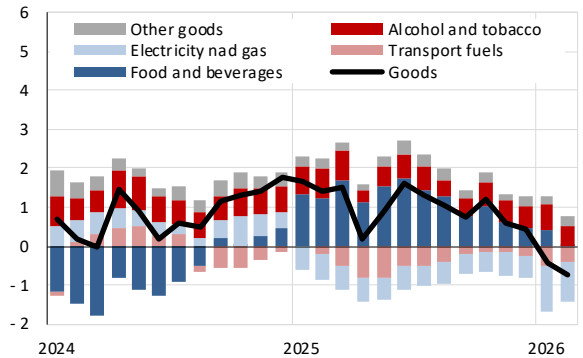
year-on-year growth in %, contributions to growth in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.2.5: Prices of Goods

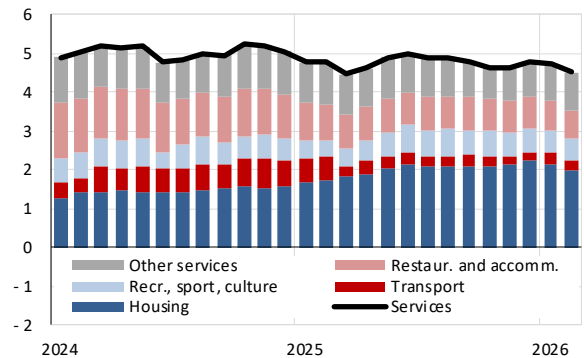
year-on-year growth in %, contributions to growth in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.2.6: Prices of Services

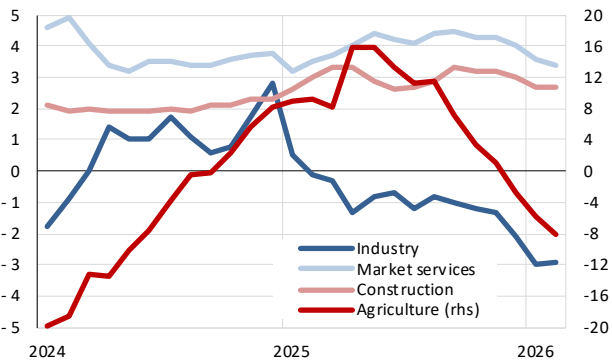
year-on-year growth in %, contributions to growth in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.2.7: Producer Prices

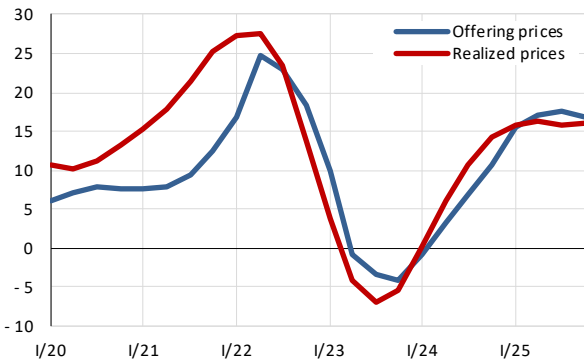
year-on-year growth in %



Source: CZSO.

Graph 3.2.8: Prices of Older Apartments

year-on-year growth in %



Source: CZSO. Calculations of the MoF.

Table 3.2.1: Prices – annual

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|--|--------------------|------------|-------------|-------------|-------------|------------|------------|-------------|------------|------------|------------|
| | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| Consumer Price Index | <i>growth in %</i> | 3.2 | 3.8 | 15.1 | 10.7 | 2.4 | 2.5 | 2.5 | 2.8 | 2.3 | 2.4 |
| Administrative measures | <i>pp</i> | 0.5 | 0.0 | 2.8 | 4.3 | 1.0 | 0.3 | 0.3 | 0.8 | -0.3 | 0.0 |
| Market increase | <i>pp</i> | 2.7 | 3.8 | 12.3 | 6.4 | 1.4 | 2.2 | 2.3 | 2.1 | 2.5 | 2.4 |
| Harmonised index of consumer prices | <i>growth in %</i> | 3.3 | 3.3 | 14.8 | 12.0 | 2.7 | 2.3 | 2.2 | 2.7 | 2.3 | 2.4 |
| Deflators | | | | | | | | | | | |
| GDP | <i>growth in %</i> | 4.5 | 4.0 | 8.7 | 8.6 | 3.9 | 3.5 | 2.9 | 3.7 | 2.7 | 2.5 |
| Gross domestic expenditure | <i>growth in %</i> | 3.5 | 4.1 | 11.5 | 6.9 | 3.1 | 3.3 | 3.4 | 3.4 | 2.6 | 2.5 |
| Consumption of households | <i>growth in %</i> | 3.0 | 4.2 | 14.3 | 8.6 | 3.1 | 3.0 | 2.8 | 2.9 | 2.3 | 2.4 |
| Consumption of government | <i>growth in %</i> | 5.2 | 4.0 | 4.4 | 5.3 | 4.0 | 4.2 | 3.7 | 4.3 | 3.4 | 3.1 |
| Fixed capital formation | <i>growth in %</i> | 3.0 | 4.2 | 10.9 | 5.2 | 2.6 | 3.3 | 3.4 | 3.4 | 2.6 | 2.2 |
| Terms of trade | <i>growth in %</i> | 1.7 | -0.1 | -3.5 | 2.8 | 1.1 | 0.7 | -0.8 | 0.5 | 0.2 | 0.1 |
| Exports of goods and services | <i>growth in %</i> | 1.6 | 4.2 | 9.1 | 0.3 | 4.3 | -0.6 | 1.7 | 1.4 | 1.4 | 1.3 |
| Imports of goods and services | <i>growth in %</i> | -0.1 | 4.3 | 13.0 | -2.5 | 3.2 | -1.3 | 2.5 | 0.9 | 1.2 | 1.2 |

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

Table 3.2.2: Prices – quarterly

| | | 2025 | | | | 2026 | | | |
|--|--------------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | Estimate | Forecast | Forecast | Forecast |
| Consumer Price Index | <i>growth in %</i> | 2.7 | 2.4 | 2.5 | 2.2 | 1.6 | 2.4 | 2.8 | 3.4 |
| Administrative measures | <i>pp</i> | 0.4 | 0.3 | 0.3 | 0.2 | -0.1 | 0.0 | 0.4 | 0.7 |
| Market increase | <i>pp</i> | 2.3 | 2.1 | 2.2 | 2.0 | 1.7 | 2.3 | 2.4 | 2.6 |
| Harmonised index of consumer prices | <i>growth in %</i> | 2.8 | 2.2 | 2.3 | 1.9 | 1.2 | 2.0 | 2.5 | 3.1 |
| Deflators | | | | | | | | | |
| GDP | <i>growth in %</i> | 3.0 | 3.4 | 3.4 | 4.2 | 2.5 | 2.7 | 3.0 | 3.2 |
| Gross domestic expenditure | <i>growth in %</i> | 2.6 | 3.3 | 3.1 | 4.1 | 2.5 | 3.6 | 3.7 | 3.8 |
| Consumption of households | <i>growth in %</i> | 3.2 | 3.2 | 3.0 | 2.6 | 2.0 | 2.7 | 3.0 | 3.5 |
| Consumption of government | <i>growth in %</i> | 2.4 | 4.2 | 4.0 | 5.6 | 1.5 | 4.6 | 4.2 | 4.3 |
| Fixed capital formation | <i>growth in %</i> | 3.3 | 3.1 | 3.1 | 3.6 | 2.9 | 3.4 | 3.7 | 3.5 |
| Terms of trade | <i>growth in %</i> | 0.6 | 0.4 | 0.8 | 0.8 | 0.3 | -1.3 | -1.0 | -0.9 |
| Exports of goods and services | <i>growth in %</i> | 2.8 | 0.1 | -1.9 | -3.5 | -1.1 | 2.2 | 2.8 | 2.8 |
| Imports of goods and services | <i>growth in %</i> | 2.2 | -0.3 | -2.6 | -4.2 | -1.4 | 3.5 | 3.9 | 3.7 |

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

3.3 Labour Market

Employment (national accounts) increased by 1.1% (*vs. estimate of 0.9%*) year-on-year in the fourth quarter of 2025. Growth was driven by sectors in both market and non-market services. Employment in manufacturing, after three years, again had a slightly positive effect. Last year, employment increased by an average of 1.1% (*vs. estimate of 1.0%*). We assume that strong demand for labour in certain sectors will continue this year, but employment growth will be limited by the development of the working-age population (see Chapter 1.5). Employment could thus grow by 0.2% (*previously 0.1%*) this year. In 2027, the decline in the working-age population will become more pronounced, and we therefore expect employment to decline by 0.2% on average year-on-year.

The number of registered unemployed increased both year-on-year and month-on-month in January and February 2026. In February, 382,000 unemployed persons were registered. Since this January, as part of the so-called flexi-amendment, the percentage of unemployment benefit has been increased with the aim of reducing barriers to job mobility, and the maximum amount of benefit has also been increased. These adjustments may contribute to a temporary growth in the number of unemployed. Conversely, the number of job vacancies has been almost unchanged, hovering around 90,000. Of the vacancies listed on the labour office's website, approximately 72% were active at the forecast cut-off date (those with a last change after 1 October 2025, and a start date of 1 January 2026 or later). According to the CZSO's business cycle survey, labour shortages in construction remain clearly the main barrier to output growth and their intensity exceeds the long-term average. In services, companies do not consider labour shortages to be the primary barrier, however, their significance remains elevated compared to the long-term average.

Demand for foreign workers remains strong. The number of employed foreigners increased year-on-year by 92,000 to 941,000 in February. Workers from Ukraine and Slovakia have dominated for a long time. 364,000 Ukrainian workers were registered, up by 56,000 year-on-year. The number of workers from Slovakia increased year-on-year by 13,000 to 228,000.

The **unemployment rate** according to the LFS (CZSO) increased year-on-year by 0.4 pp to 2.9% (*vs. estimate of 2.8%*) in the fourth quarter of 2025. For the whole of 2025, it increased on average by 0.2 pp to 2.8% (*in line with the estimate*). The monthly unemployment rate in the 15–64 age group continued to increase year-on-year and the growth rate accelerated, reaching 3.3% in February. The unemployment rate should gradually decline from the second quarter of this year due to the improving overall economic situation, although problems in industrial sectors may persist. This year it could reach an

average of 2.9% (*previously 2.8%*) and fall to 2.7% next year.

The **share of unemployed persons** (MoLSA) in the Labour Office registers increased in January and February. In February it rose year-on-year by 0.8 pp to 5.2%, but the growth rate slowed slightly. We assume that the share of unemployed persons will be temporarily influenced by higher unemployment benefits, and therefore it could peak as late as the second quarter of this year. Subsequently, it should gradually decrease; for the whole of 2026 it could reach 4.7% (*previously 4.6%*) and for next year we expect its decline to 4.5%.

The **participation rate** (20–64 years) increased year-on-year by 0.5 pp to 85.3% (*vs. estimate of 85.5%*) in the fourth quarter of last year. For 2025, it increased on average by 0.8 pp to 85.1% (*vs. estimate of 85.2%*). This year, the increasing statutory retirement age and the demographic effect will be positive factors for the growth of the participation rate. Next year, however, the demographic effect will act negatively, unlike the increasing statutory retirement age. For this year, we expect the participation rate to grow to 85.2% (*previously*) and to 85.3% for 2027.

Wages and salaries increased year-on-year by 9.1% (*vs. estimate of 6.8%*) in the fourth quarter of 2025 and for the full year 2025 it grew by 7.9% (*vs. estimate of 7.3%*). In the macroeconomically most significant sector, manufacturing, the wages volume increased by an average of 5.7% over the year (while the number of employees rose by 0.2%). The primary contributors to overall dynamics were public administration, defense, education, and health and social care (12% growth) and wholesale and trade, transport, accommodation, and food services (8.6% growth).

A noticeable labour shortage persists across many sectors and professions, contributing positively to nominal earnings dynamics. The lingering effects of the significant growth in consumer prices and corporate profitability in previous years are acting in the same direction, translating into higher wage demands. Conversely, pressures for increased earnings are dampened by the slight increase in the unemployment rate. Wage growth is supported by rising public sector salaries and an increase in the minimum wage, which was raised by 7.7% to CZK 22,400 as of 1 January 2026.

Over the entire forecast horizon, we expect some moderation in private sector wage growth, reflecting a slight easing of labour market tightness. By contrast, wages in the non-market sector are expected to grow faster (see Chapter 1.3), reflecting their lag behind wage growth in previous years. The wage bill will continue to be positively affected by the rising ratio of the minimum wage to the average wage (reaching 47% of the average wage by 2029). In aggregate, we predict that wages and sala-

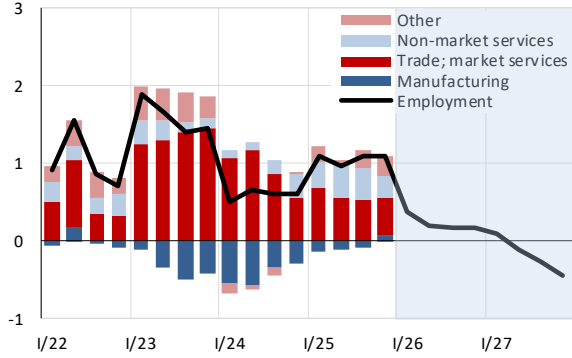
ries will increase by 6.8% (*previously 6.3%*) this year, and we expect growth to slow to 6.0% in 2027.

The average wage (business statistic, full-time equivalent) grew by 7.2% for year 2025 (*vs. estimate of 6.9%*). In the fourth quarter of 2025, it increased by 7.4% (*vs.*

estimate of 6.5%), driven mainly by a rise in average wages of 6.8% in manufacturing and 7.1% in wholesale and retail trade. For 2026, taking into account the above factors, we expect average wage growth of 6.8% (*previously 6.2%*) and 6.1% in the next year.

Graph 3.3.1: Employment

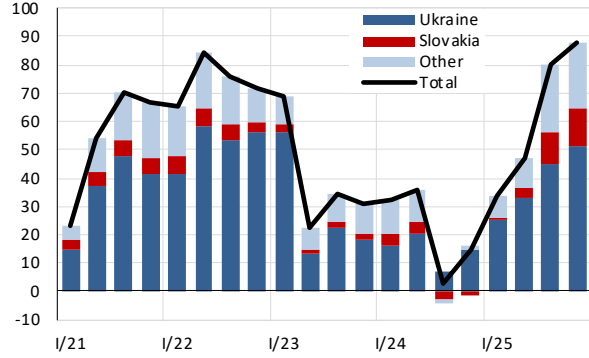
YoY growth rate in %, contributions in pp, national accounts



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.2: Number of Foreign Employees in the CR

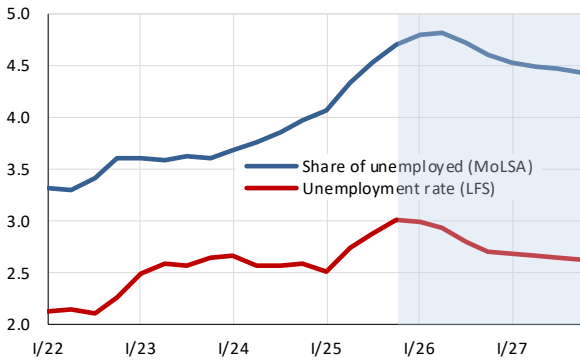
YoY change in thousands of persons



Source: MoLSA. Calculations of the MoF.

Graph 3.3.3: Indicators of Unemployment

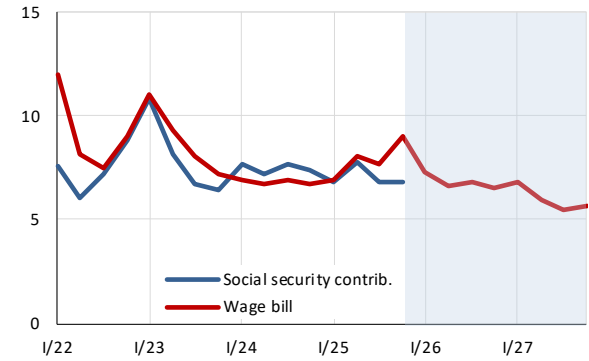
seasonally adjusted data, in %



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

Graph 3.3.4: Social Security Contributions and Earnings

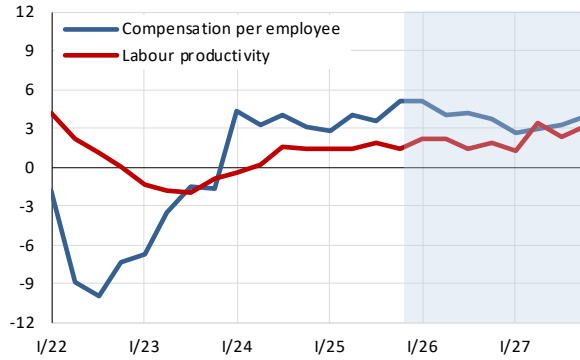
YoY growth rate in %



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

Graph 3.3.5: Compens. per Employee and Productivity

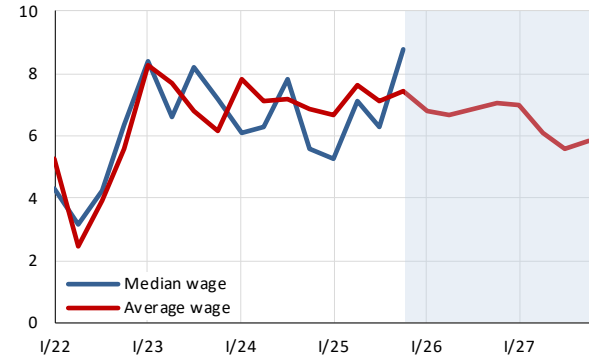
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.6: Nominal Monthly Wages

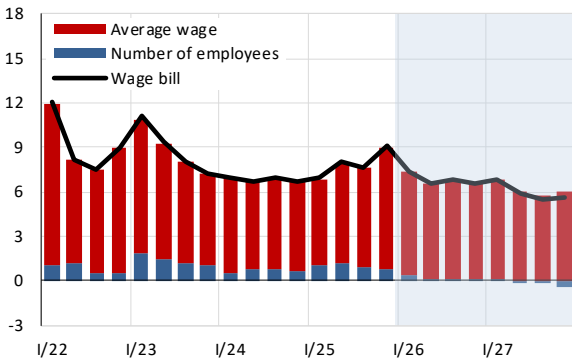
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.7: Nominal Wage Bill

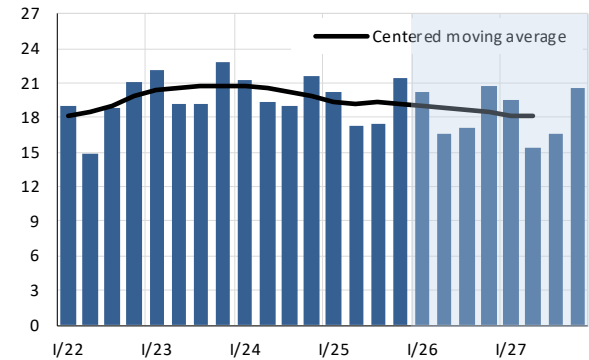
YoY growth rate in %, domestic concept of the wage bill



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 – annual

| | | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|------------------------------|--|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|
| | | | | | | | | | Forecast | Forecast | Outlook | Outlook |
| National accounts | | | | | | | | | | | | |
| Employment | <i>av. in thous. persons</i> | | 5 227 | 5 279 | 5 333 | 5 418 | 5 451 | 5 509 | 5 521 | 5 511 | 5 505 | 5 508 |
| | <i>growth in %</i> | | -2.3 | 1.0 | 1.0 | 1.6 | 0.6 | 1.1 | 0.2 | -0.2 | -0.1 | 0.1 |
| Employees | <i>av. in thous. persons</i> | | 4 496 | 4 541 | 4 578 | 4 640 | 4 669 | 4 715 | 4 723 | 4 716 | 4 711 | 4 714 |
| | <i>growth in %</i> | | -2.2 | 1.0 | 0.8 | 1.4 | 0.6 | 1.0 | 0.2 | -0.1 | -0.1 | 0.1 |
| Self-employed persons | <i>av. in thous. persons</i> | | 731 | 738 | 755 | 779 | 782 | 794 | 798 | 795 | 794 | 794 |
| | <i>growth in %</i> | | -3.0 | 1.0 | 2.3 | 3.1 | 0.4 | 1.5 | 0.5 | -0.3 | -0.1 | 0.0 |
| Wage bill | <i>growth in %</i> | | 0.4 | 7.2 | 9.1 | 8.8 | 6.8 | 7.9 | 6.8 | 6.0 | 5.2 | 4.7 |
| Labour productivity | <i>growth in %</i> | | -3.1 | 3.0 | 1.8 | -1.5 | 0.7 | 1.5 | 1.9 | 2.5 | 2.7 | 2.3 |
| Unit labour costs⁶⁾ | <i>growth in %</i> | | 7.3 | 3.1 | 5.0 | 8.6 | 5.5 | 4.9 | 4.9 | 3.5 | 2.6 | 2.2 |
| Compensation of employees | <i>% of GDP</i> | | 45.0 | 44.6 | 43.0 | 42.9 | 43.6 | 44.1 | 45.0 | 44.9 | 44.9 | 44.7 |
| Labour Force Survey | | | | | | | | | | | | |
| Unemployment rate | <i>average in %</i> | | 2.6 | 2.8 | 2.2 | 2.6 | 2.6 | 2.8 | 2.9 | 2.7 | 2.5 | 2.5 |
| Employment rate 20–64 | <i>average in %</i> | | 79.7 | 80.0 | 81.0 | 81.7 | 82.3 | 82.9 | 82.9 | 83.2 | 83.3 | 83.3 |
| Participation rate 20–64 | <i>average in %</i> | | 81.8 | 82.2 | 82.7 | 83.8 | 84.3 | 85.1 | 85.2 | 85.3 | 85.3 | 85.4 |
| Registered unemployment | | | | | | | | | | | | |
| Unemployment | <i>av. in thous. persons</i> | | 259 | 280 | 252 | 266 | 287 | 328 | 350 | 328 | 308 | 299 |
| Share of unemployed¹⁾ | <i>average in %</i> | | 3.5 | 3.8 | 3.4 | 3.6 | 3.8 | 4.4 | 4.7 | 4.5 | 4.2 | 4.1 |
| Job vacancies | <i>av. in thousands</i> | | 332 | 346 | 326 | 283 | 264 | 137 | . | . | . | . |
| Business statistics | | | | | | | | | | | | |
| Average monthly wage | | | | | | | | | | | | |
| Nominal | <i>CZK monthly</i> | | 36 176 | 38 277 | 39 932 | 42 801 | 45 899 | 49 215 | 52 576 | 55 795 | 58 711 | 61 445 |
| | <i>growth in %</i> | | 4.6 | 5.8 | 4.3 | 7.2 | 7.2 | 7.2 | 6.8 | 6.1 | 5.2 | 4.7 |
| Real | <i>CZK 2015</i> | | 50 244 | 51 172 | 46 379 | 44 912 | 47 028 | 49 215 | 51 276 | 52 908 | 54 430 | 56 628 |
| | <i>growth in %</i> | | 1.4 | 1.8 | -9.4 | -3.2 | 4.7 | 4.7 | 4.2 | 3.2 | 2.9 | 4.0 |
| Median monthly wage | <i>CZK monthly</i> | | 31 049 | 32 795 | 34 283 | 36 880 | 39 257 | 41 965 | . | . | . | . |
| | <i>growth in %</i> | | 5.5 | 5.6 | 4.5 | 7.6 | 6.4 | 6.9 | . | . | . | . |

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

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

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

Table 3.3.2: Labour Market – quarterly

| | 2025 | | | | 2026 | | | | |
|--|------------------------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | |
| | | | | | <i>Estimate</i> | <i>Forecast</i> | <i>Forecast</i> | <i>Forecast</i> | |
| National accounts | | | | | | | | | |
| Employment | <i>av. in thous. persons</i> | 5 468 | 5 496 | 5 542 | 5 529 | 5 489 | 5 507 | 5 551 | 5 538 |
| | <i>YoY growth in %</i> | 1.1 | 1.0 | 1.1 | 1.1 | 0.4 | 0.2 | 0.2 | 0.2 |
| | <i>QoQ growth in %</i> | 0.4 | 0.5 | 0.2 | 0.0 | -0.3 | 0.3 | 0.2 | 0.0 |
| Wages and salaries | <i>growth in %</i> | 6.9 | 8.0 | 7.7 | 9.1 | 7.3 | 6.6 | 6.8 | 6.5 |
| Labour Force Survey | | | | | | | | | |
| Unemployment rate | <i>average in %</i> | 2.6 | 2.7 | 2.9 | 2.9 | 3.1 | 2.9 | 2.8 | 2.6 |
| Employment rate 20–64 | <i>average in %</i> | 82.7 | 82.9 | 83.0 | 82.9 | 82.3 | 82.8 | 83.1 | 83.2 |
| | <i>increase over a year</i> | 0.9 | 0.7 | 0.6 | 0.2 | -0.4 | -0.1 | 0.1 | 0.4 |
| Participation rate 20–64 | <i>average in %</i> | 84.8 | 85.1 | 85.3 | 85.3 | 84.8 | 85.2 | 85.3 | 85.3 |
| | <i>increase over a year</i> | 0.7 | 0.9 | 0.9 | 0.5 | 0.0 | 0.1 | 0.0 | 0.1 |
| Registered unemployment | | | | | | | | | |
| Unemployment | <i>av. in thous. persons</i> | 320 | 318 | 330 | 343 | 374 | 351 | 339 | 334 |
| Share of unemployed ¹⁾ | <i>average in %</i> | 4.3 | 4.3 | 4.4 | 4.6 | 5.1 | 4.7 | 4.6 | 4.5 |
| Job vacancies | <i>av. in thousands</i> | 114 | 96 | 96 | 92 | . | . | . | . |
| Business statistics | | | | | | | | | |
| Average monthly wage | | | | | | | | | |
| Nominal | <i>CZK monthly</i> | 46 918 | 49 328 | 48 299 | 52 283 | 50 108 | 52 604 | 51 628 | 55 963 |
| | <i>growth in %</i> | 6.7 | 7.7 | 7.1 | 7.4 | 6.8 | 6.6 | 6.9 | 7.0 |
| Real | <i>CZK 2015</i> | 47 201 | 49 427 | 48 059 | 52 127 | 49 618 | 51 486 | 49 972 | 53 982 |
| | <i>growth in %</i> | 3.9 | 5.2 | 4.4 | 5.1 | 5.1 | 4.2 | 4.0 | 3.6 |
| Median monthly wage | <i>CZK monthly</i> | 38 380 | 41 054 | 42 904 | 45 523 | . | . | . | . |
| | <i>growth in %</i> | 5.3 | 7.1 | 6.3 | 8.8 | . | . | . | . |

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

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

Table 3.3.3: Income and Expenditures of Households – annual

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
|---|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------|
| | | | | | | | | | | | Forecast | Forecast |
| Current income | | | | | | | | | | | | |
| Compensation of employees | <i>bill.CZK</i> | 2 399 | 2 571 | 2 636 | 2 827 | 3 022 | 3 299 | 3 523 | 3 785 | 4 051 | 4 293 | |
| | <i>growth in %</i> | 9.2 | 7.2 | 2.5 | 7.2 | 6.9 | 9.2 | 6.8 | 7.5 | 7.0 | 6.0 | |
| Gross operating surplus and mixed income | <i>bill.CZK</i> | 904 | 965 | 996 | 1 088 | 1 261 | 1 353 | 1 397 | 1 498 | 1 560 | 1 624 | |
| | <i>growth in %</i> | 9.2 | 6.8 | 3.1 | 9.3 | 15.8 | 7.3 | 3.3 | 7.2 | 4.1 | 4.1 | |
| Property income received | <i>bill.CZK</i> | 166 | 167 | 137 | 183 | 304 | 374 | 410 | 361 | 375 | 388 | |
| | <i>growth in %</i> | 0.6 | 0.3 | -17.8 | 33.3 | 66.1 | 23.4 | 9.5 | -11.8 | 3.7 | 3.5 | |
| Social benefits not-in-kind | <i>bill.CZK</i> | 690 | 743 | 891 | 934 | 1 008 | 1 145 | 1 215 | 1 200 | 1 257 | 1 297 | |
| | <i>growth in %</i> | 5.4 | 7.7 | 20.0 | 4.8 | 7.9 | 13.6 | 6.1 | -1.2 | 4.8 | 3.2 | |
| Other current transfers received | <i>bill.CZK</i> | 281 | 339 | 363 | 487 | 675 | 752 | 855 | 893 | 936 | 980 | |
| | <i>growth in %</i> | 15.1 | 20.4 | 7.3 | 34.0 | 38.7 | 11.4 | 13.7 | 4.4 | 4.9 | 4.6 | |
| Current expenditure | | | | | | | | | | | | |
| Property income paid | <i>bill.CZK</i> | 26 | 34 | 32 | 30 | 60 | 84 | 88 | 97 | 101 | 105 | |
| | <i>growth in %</i> | 5.6 | 28.0 | -4.5 | -5.5 | 98.0 | 39.3 | 5.5 | 9.5 | 4.2 | 3.8 | |
| Curr. taxes on income and property | <i>bill.CZK</i> | 277 | 302 | 315 | 247 | 258 | 298 | 329 | 361 | 385 | 407 | |
| | <i>growth in %</i> | 12.3 | 9.1 | 4.2 | -21.6 | 4.6 | 15.4 | 10.4 | 9.9 | 6.4 | 5.9 | |
| Social contributions | <i>bill.CZK</i> | 908 | 971 | 1 029 | 1 143 | 1 186 | 1 291 | 1 417 | 1 498 | 1 597 | 1 685 | |
| | <i>growth in %</i> | 9.2 | 6.9 | 6.0 | 11.0 | 3.8 | 8.8 | 9.8 | 5.7 | 6.6 | 5.5 | |
| Other current transfers paid | <i>bill.CZK</i> | 283 | 341 | 371 | 499 | 673 | 769 | 878 | 924 | 972 | 1 020 | |
| | <i>growth in %</i> | 17.8 | 20.7 | 8.6 | 34.5 | 35.0 | 14.3 | 14.2 | 5.2 | 5.2 | 5.0 | |
| Gross disposable income | <i>bill.CZK</i> | 2 946 | 3 137 | 3 277 | 3 601 | 4 093 | 4 482 | 4 686 | 4 857 | 5 126 | 5 364 | |
| | <i>growth in %</i> | 7.4 | 6.5 | 4.5 | 9.9 | 13.7 | 9.5 | 4.6 | 3.6 | 5.5 | 4.6 | |
| Final consumption | <i>bill.CZK</i> | 2 640 | 2 799 | 2 692 | 2 921 | 3 358 | 3 548 | 3 739 | 3 962 | 4 182 | 4 414 | |
| | <i>growth in %</i> | 6.3 | 6.0 | -3.8 | 8.5 | 15.0 | 5.7 | 5.4 | 5.9 | 5.6 | 5.5 | |
| Change in share in pension funds | <i>bill.CZK</i> | 36 | 38 | 40 | 41 | 27 | 1 | 6 | 42 | 17 | 21 | |
| Gross savings | <i>bill.CZK</i> | 342 | 376 | 625 | 720 | 761 | 934 | 953 | 937 | 961 | 971 | |
| Capital transfers | | | | | | | | | | | | |
| <i>(income (-) / expenditure (+))</i> | <i>bill.CZK</i> | -17 | -20 | -44 | -43 | -31 | -47 | -56 | -42 | -34 | -32 | |
| Gross capital formation | <i>bill.CZK</i> | 317 | 358 | 364 | 404 | 484 | 505 | 502 | 528 | 545 | 560 | |
| | <i>growth in %</i> | 24.5 | 12.9 | 1.7 | 11.1 | 19.7 | 4.4 | -0.5 | 5.2 | 3.1 | 2.8 | |
| Change in financial assets and liab. | <i>bill.CZK</i> | 42 | 35 | 304 | 356 | 310 | 475 | 505 | 450 | 450 | 442 | |
| Real disposable income | <i>growth in %</i> | 4.4 | 3.5 | 1.5 | 5.4 | -0.8 | 0.8 | 1.5 | 0.7 | 3.0 | 1.7 | |
| Gross savings rate | <i>%</i> | 11.5 | 11.8 | 18.8 | 19.8 | 18.5 | 20.8 | 20.3 | 19.1 | 18.7 | 18.0 | |

Source: CZSO. Calculations of the MoF.

3.4 External Relations

Export markets in the fourth quarter of 2025 grew by 4.5% (vs. *estimate of 4.2%*) year-on-year, primarily due to the favourable development of the import intensity of our trading partners, which likely reflects the recovery of investment demand. For the whole of last year, export markets grew by 4.2% (vs. *estimate of 4.0%*). For 2026, we expect a slowdown in their growth to 2.7% (previously 2.5%) due to customs measures by the US administration and persisting negative sentiment in German industry. In 2027, due to the improvement of economic performance, they could grow by 3.3%.

Export performance² in the fourth quarter of 2025 increased by 0.9% (vs. *estimate of 2.2% decline*). The positive development likely reflects the growth of machinery exports at the end of the year. For the whole of last year, performance stagnated (vs. *estimate of 0.7% decline*). The expected growth in performance of 0.6% (previously a decline of 0.7%) this year reflects further growth in the production and sales of motor vehicles. However, higher growth will be hindered by the strengthening of the koruna against the euro, limiting export competitiveness. For next year, we expect performance growth of 0.9% due to the anticipated improvement in production conditions.

The current account of the balance of payments reached a surplus of 0.7% of GDP³ (vs. *estimate of 0.6% of GDP*) in the fourth quarter of 2025. All items contributed to the year-on-year decrease of 1.0 pp, with the balance of goods deteriorating the most.

The balance of goods in the fourth quarter of 2025 reached a surplus of 4.6% of GDP (*in line with the estimate*). The year-on-year reduction of the balance by 0.5 pp reflects a higher volume of imported material and goods intended for consumption. The export side, despite the growth in motor vehicle sales, was limited by a decline in foreign orders in other manufacturing industries. The overall balance was positively affected by an improvement in the terms of trade due to the fall in energy commodity prices, especially oil. We expect that the balance of goods will reach a surplus of 3.4% of GDP (previously 4.1% of GDP) this year. Domestic exports will be limited by trade barriers in international trade and the persisting low volume of foreign orders. Imports will

then grow due to recovering domestic investment demand. The overall balance will also be negatively affected by a deterioration in the terms of trade due to the increase in energy prices. For 2027, in connection with the easing of price pressures and the improvement of the terms of trade, we anticipate an increase in the surplus to 3.5% of GDP. The positive influence of recovering external demand will be partially compensated for by the import-intensive investment activity.

The balance of services showed a positive balance of 1.2% of GDP (vs. *estimate of 1.1% of GDP*) in the fourth quarter of 2025. The year-on-year deterioration of the balance by 0.2 pp reflects a decline in the tourism surplus, due to increased expenditure by Czech households on holidays abroad, and in research and development. Conversely, the reduction in expenditure on insurance services had a positive effect. This year, the services asset could fall to 1.0% of GDP (previously 1.2% of GDP) as a result of higher costs in transport triggered by the growth in automotive fuel prices. In 2027, the positive balance should increase to 1.1% of GDP, thanks to the expected reduction in the price of mineral fuels and the improvement of economic sentiment in the euro area.

The primary income deficit deepened year-on-year by 0.2 pp to 4.6% of GDP (vs. *estimate of 4.4% of GDP*) in the fourth quarter of 2025. On the expenditure side, there was an increase in direct investment income, suggesting the growing profitability of companies under foreign control. The volume of dividends paid abroad decreased; conversely, better business sentiment regarding future economic development was reflected in an increase in reinvestments in the country. With regard to the predicted development of economic performance and the gross operating surplus and the implications for the profits of companies under foreign control, we estimate that the primary income deficit this year will reach 4.5% of GDP (previously 4.4% of GDP). In relative terms, the same deficit is expected for next year as well.

The secondary income balance ended the fourth quarter of 2025 with a deficit of 0.5% of GDP (vs. *estimate of 0.6% of GDP*). This likely reflects a decline in net EU transfers, including in particular non-investment subsidies from EU structural funds. These should remain the main factor in the development of secondary income. We estimate that this year, with regard to lower non-investment income from the Recovery and Resilience Facility, there should be a slight increase in the deficit to 0.6% of GDP (previously 0.7% of GDP). The balance should remain at this value in 2027 as well.

We expect that the current account of the balance of payments will be in deficit over the forecast horizon. This year, the negative balance should reach 0.6% of GDP (previously a surplus of 0.3% of GDP) and in 2027 it could ease to 0.4% of GDP.

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

³ Quarterly data expressed as a ratio to GDP are rolling annual totals.

Graph 3.4.1: GDP and Goods Imports of Partner Countries

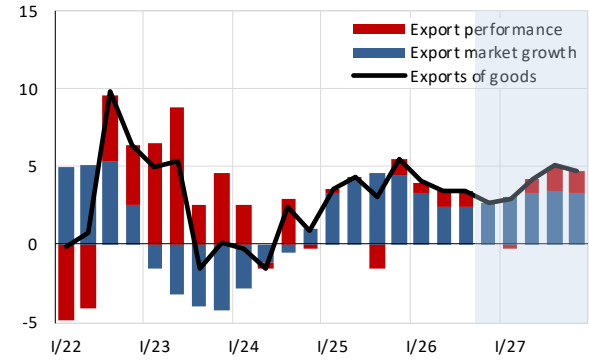
YoY growth rate in %, seasonally adjusted



Source: Eurostat. Calculations and forecast of the MoF.

Graph 3.4.2: Real Exports of Goods

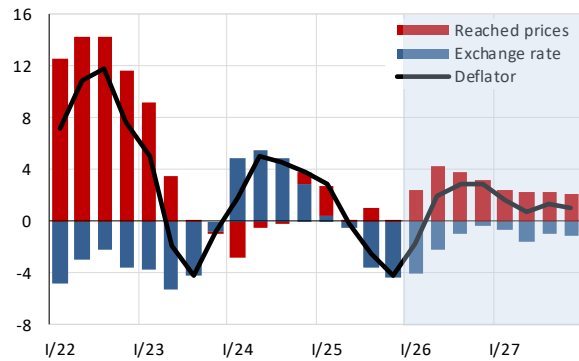
YoY growth in %, contributions in pp, seasonally adjusted



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

Graph 3.4.3: Deflator of Exports of Goods

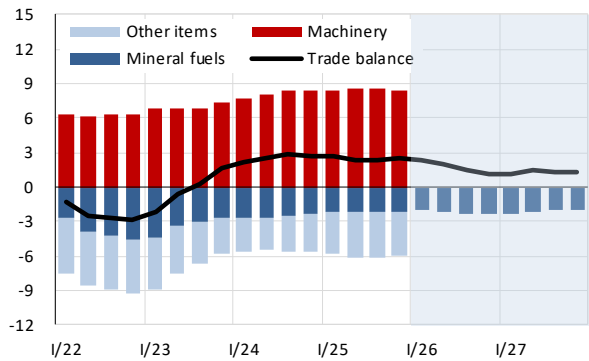
YoY growth in %, contributions in percentage points



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

Graph 3.4.4: Balance of Trade

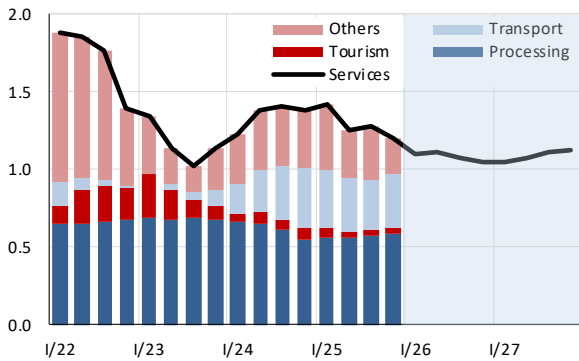
four-quarter moving totals, in % of GDP, change of ownership concept



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.4.5: Balance of Services

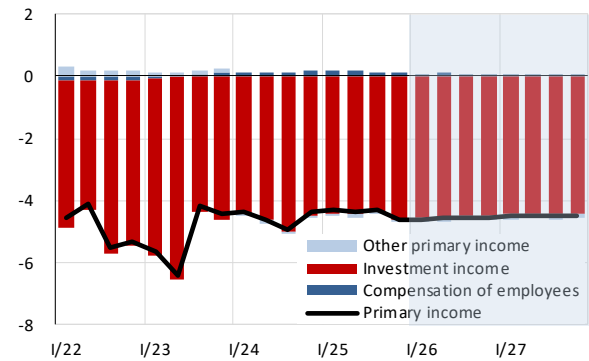
four-quarter moving totals, in % of GDP



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

Graph 3.4.6: Balance of Primary Income

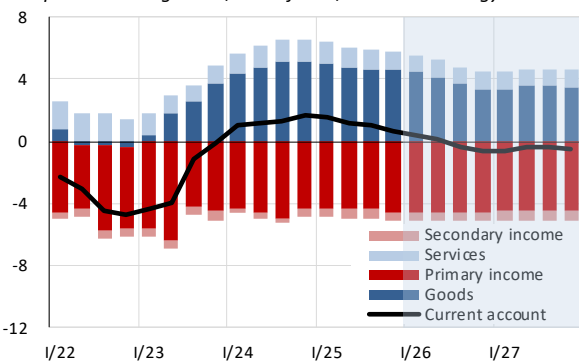
four-quarter moving totals, in % of GDP



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

Graph 3.4.7: Current Account

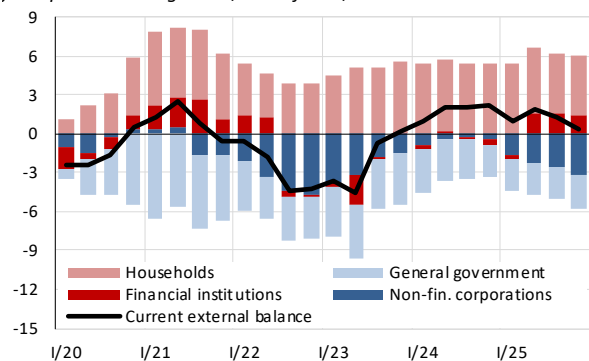
four-quarter moving totals, in % of GDP, BoP methodology



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

Graph 3.4.8: Current External Balance

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



Source: CZSO. Calculations of the MoF.

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

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
|---------------------------------------|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|----------|
| | | | | | | | | | | | Forecast | Forecast |
| GDP ¹⁾ | <i>average of 2010=100</i> | 117.7 | 119.8 | 114.0 | 120.2 | 123.7 | 123.8 | 124.5 | 125.7 | 127 | 129 | |
| | <i>growth in %</i> | 2.3 | 1.8 | -4.9 | 5.5 | 2.9 | 0.1 | 0.6 | 0.9 | 1.1 | 1.8 | |
| Import intensity ²⁾ | <i>average of 2010=100</i> | 114.9 | 115.6 | 114.5 | 119.3 | 121.2 | 117.1 | 115.4 | 119.1 | 121 | 123 | |
| | <i>growth in %</i> | 2.8 | 0.6 | -0.9 | 4.2 | 1.6 | -3.4 | -1.4 | 3.2 | 1.6 | 1.5 | |
| Export markets ³⁾ | <i>average of 2010=100</i> | 135.2 | 138.5 | 130.5 | 143.4 | 149.8 | 145.0 | 143.8 | 149.7 | 154 | 159 | |
| | <i>growth in %</i> | 5.2 | 2.4 | -5.8 | 9.9 | 4.5 | -3.2 | -0.9 | 4.2 | 2.7 | 3.3 | |
| Export performance | <i>average of 2010=100</i> | 113.5 | 111.9 | 110.6 | 108.5 | 108.2 | 114.2 | 115.6 | 115.6 | 116 | 117 | |
| | <i>growth in %</i> | -1.8 | -1.4 | -1.1 | -1.9 | -0.3 | 5.6 | 1.2 | 0.0 | 0.6 | 0.9 | |
| Real exports | <i>average of 2010=100</i> | 153.5 | 154.9 | 144.3 | 155.7 | 162.1 | 165.7 | 166.2 | 173.1 | 179 | 187 | |
| | <i>growth in %</i> | 3.3 | 0.9 | -6.8 | 7.9 | 4.2 | 2.2 | 0.3 | 4.1 | 3.4 | 4.2 | |
| 1 / NEER | <i>average of 2010=100</i> | 100.2 | 100.5 | 102.4 | 99.1 | 95.7 | 92.4 | 96.6 | 94.7 | 93 | 92 | |
| | <i>growth in %</i> | -3.6 | 0.3 | 1.9 | -3.3 | -3.3 | -3.5 | 4.5 | -2.0 | -1.9 | -1.0 | |
| Prices on foreign markets | <i>average of 2010=100</i> | 103.2 | 103.8 | 103.2 | 111.9 | 126.7 | 130.6 | 129.7 | 130.9 | 135 | 139 | |
| | <i>growth in %</i> | 3.0 | 0.6 | -0.6 | 8.5 | 13.2 | 3.1 | -0.7 | 1.0 | 3.4 | 2.3 | |
| Exports deflator | <i>average of 2010=100</i> | 103.4 | 104.4 | 105.7 | 110.8 | 121.3 | 120.6 | 125.3 | 124.0 | 126 | 127 | |
| | <i>growth in %</i> | -0.7 | 1.0 | 1.2 | 4.9 | 9.4 | -0.5 | 3.8 | -1.1 | 1.5 | 1.2 | |
| Nominal exports | <i>average of 2010=100</i> | 158.7 | 161.7 | 152.5 | 172.5 | 196.8 | 199.9 | 208.3 | 214.5 | 225 | 238 | |
| | <i>growth in %</i> | 2.6 | 1.9 | -5.7 | 13.1 | 14.1 | 1.6 | 4.2 | 3.0 | 4.9 | 5.5 | |

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*

| | | 2025 | | | | 2026 | | | |
|---------------------------------------|----------------------------|--------------|--------------|--------------|--------------|------------|------------|------------|------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| | | | | | | Estimate | Forecast | Forecast | Forecast |
| GDP ¹⁾ | <i>average of 2010=100</i> | 125.4 | 125.5 | 125.7 | 126.1 | 126 | 127 | 127 | 128 |
| | <i>growth in %</i> | 0.9 | 0.8 | 1.0 | 1.0 | 0.9 | 1.0 | 1.2 | 1.3 |
| Import intensity ²⁾ | <i>average of 2010=100</i> | 117.5 | 119.1 | 119.9 | 120.1 | 120 | 121 | 121 | 122 |
| | <i>growth in %</i> | 2.4 | 3.4 | 3.6 | 3.5 | 2.5 | 1.4 | 1.2 | 1.4 |
| Export markets ³⁾ | <i>average of 2010=100</i> | 147.3 | 149.5 | 150.8 | 151.5 | 152 | 153 | 154 | 156 |
| | <i>growth in %</i> | 3.3 | 4.2 | 4.7 | 4.5 | 3.4 | 2.5 | 2.4 | 2.7 |
| Export performance | <i>average of 2010=100</i> | 116.4 | 115.3 | 114.6 | 116.2 | 117 | 116 | 116 | 116 |
| | <i>growth in %</i> | 0.3 | 0.2 | -1.5 | 0.9 | 0.7 | 1.0 | 1.0 | 0.0 |
| Real exports | <i>average of 2010=100</i> | 171.4 | 172.3 | 172.8 | 176.0 | 178 | 178 | 179 | 181 |
| | <i>growth in %</i> | 3.6 | 4.4 | 3.1 | 5.5 | 4.0 | 3.4 | 3.4 | 2.7 |
| 1 / NEER | <i>average of 2010=100</i> | 96.9 | 95.5 | 93.5 | 92.8 | 93 | 93 | 93 | 92 |
| | <i>growth in %</i> | 0.4 | -0.4 | -3.5 | -4.4 | -4.1 | -2.2 | -1.0 | -0.3 |
| Prices on foreign markets | <i>average of 2010=100</i> | 131.7 | 130.9 | 130.5 | 130.5 | 135 | 137 | 136 | 135 |
| | <i>growth in %</i> | 2.4 | 0.2 | 1.0 | 0.2 | 2.5 | 4.3 | 3.9 | 3.2 |
| Exports deflator | <i>average of 2010=100</i> | 127.5 | 125.1 | 122.1 | 121.1 | 125 | 128 | 126 | 125 |
| | <i>growth in %</i> | 2.8 | -0.2 | -2.5 | -4.2 | -1.7 | 2.0 | 2.9 | 2.9 |
| Nominal exports | <i>average of 2010=100</i> | 218.6 | 215.6 | 210.9 | 213.1 | 224 | 227 | 224 | 225 |
| | <i>growth in %</i> | 6.5 | 4.2 | 0.5 | 1.1 | 2.3 | 5.5 | 6.4 | 5.6 |

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

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

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

| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | |
|--|-----------------|---------------|---------------|--------------|--------------|---------------|---------------|--------------|--------------|-------------|-------------|----------|
| | | | | | | | | | | | Forecast | Forecast |
| Goods and services | <i>bill.CZK</i> | 333 | 358 | 389 | 232 | 76 | 378 | 526 | 500 | 400 | 441 | |
| | <i>% GDP</i> | 6.1 | 6.1 | 6.7 | 3.7 | 1.1 | 4.9 | 6.5 | 5.8 | 4.4 | 4.6 | |
| Goods | <i>bill.CZK</i> | 201 | 240 | 280 | 110 | -23 | 290 | 415 | 397 | 306 | 333 | |
| | <i>% GDP</i> | 3.7 | 4.1 | 4.8 | 1.7 | -0.3 | 3.8 | 5.1 | 4.6 | 3.4 | 3.5 | |
| Services | <i>bill.CZK</i> | 132 | 119 | 109 | 122 | 99 | 88 | 111 | 103 | 94 | 108 | |
| | <i>% GDP</i> | 2.4 | 2.0 | 1.9 | 1.9 | 1.4 | 1.1 | 1.4 | 1.2 | 1.0 | 1.1 | |
| Primary income | <i>bill.CZK</i> | -289 | -319 | -260 | -337 | -373 | -336 | -350 | -392 | -407 | -428 | |
| | <i>% GDP</i> | -5.3 | -5.4 | -4.5 | -5.3 | -5.3 | -4.4 | -4.3 | -4.6 | -4.5 | -4.5 | |
| Secondary income | <i>bill.CZK</i> | -22 | -19 | -26 | -30 | -33 | -50 | -39 | -45 | -50 | -54 | |
| | <i>% GDP</i> | -0.4 | -0.3 | -0.5 | -0.5 | -0.5 | -0.6 | -0.5 | -0.5 | -0.6 | -0.6 | |
| Current account | <i>bill.CZK</i> | 21 | 20 | 103 | -130 | -330 | -8 | 137 | 63 | -57 | -42 | |
| | <i>% GDP</i> | 0.4 | 0.3 | 1.8 | -2.1 | -4.7 | -0.1 | 1.7 | 0.7 | -0.6 | -0.4 | |
| Capital account | <i>bill.CZK</i> | 27 | 27 | 67 | 107 | 45 | 88 | 131 | 127 | 116 | 108 | |
| | <i>% GDP</i> | 0.5 | 0.5 | 1.1 | 1.7 | 0.6 | 1.1 | 1.6 | 1.5 | 1.3 | 1.1 | |
| Net lending/borrowing | <i>bill.CZK</i> | 49 | 46 | 169 | -23 | -286 | 79 | 268 | 190 | 59 | 67 | |
| | <i>% GDP</i> | 0.9 | 0.8 | 2.9 | -0.4 | -4.1 | 1.0 | 3.3 | 2.2 | 0.7 | 0.7 | |
| Financial account | <i>bill.CZK</i> | 61 | 8 | 162 | -18 | -292 | 91 | 266 | 150 | . | . | |
| | | | | | | | | | | | | |
| Direct investments | <i>bill.CZK</i> | -51 | -137 | -149 | -29 | -83 | -76 | -15 | -49 | . | . | |
| Portfolio investments | <i>bill.CZK</i> | 30 | -105 | -136 | 75 | 331 | 90 | -197 | 30 | . | . | |
| Financial derivatives | <i>bill.CZK</i> | -15 | 1 | 11 | -58 | -45 | 1 | -36 | -7 | . | . | |
| Other investments | <i>bill.CZK</i> | 47 | 139 | 388 | -302 | -188 | 40 | 474 | -87 | . | . | |
| Reserve assets | <i>bill.CZK</i> | 50 | 110 | 48 | 296 | -307 | 36 | 40 | 263 | . | . | |
| International investment position | <i>bill.CZK</i> | -1 323 | -1 150 | -932 | -939 | -1 424 | -1 104 | -595 | -837 | . | . | |
| | <i>% GDP</i> | -24.2 | -19.5 | -16.0 | -14.9 | -20.2 | -14.4 | -7.4 | -9.8 | . | . | |
| Gross external debt | <i>bill.CZK</i> | 4 413 | 4 384 | 4 321 | 4 594 | 4 662 | 4 811 | 5 260 | 5 683 | . | . | |
| | <i>% GDP</i> | 80.6 | 74.4 | 74.1 | 72.8 | 66.1 | 62.8 | 65.3 | 66.4 | . | . | |

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

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

| | | 2025 | | | | 2026 | | | |
|--|--------------------------|--------------|--------------|--------------|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | Q1 | Q2 | Q3 | Q4 | Q1 <i>Estimate</i> | Q2 <i>Forecast</i> | Q3 <i>Forecast</i> | Q4 <i>Forecast</i> |
| Goods and services | <i>bill.CZK</i> | 527 | 501 | 502 | 500 | 484 | 458 | 421 | 400 |
| | <i>% GDP</i> | 6.5 | 6.1 | 6.0 | 5.8 | 5.6 | 5.2 | 4.8 | 4.4 |
| Goods | <i>bill.CZK</i> | 411 | 397 | 395 | 397 | 388 | 360 | 327 | 306 |
| | <i>% GDP</i> | 5.0 | 4.8 | 4.7 | 4.6 | 4.5 | 4.1 | 3.7 | 3.4 |
| Services | <i>bill.CZK</i> | 116 | 104 | 107 | 103 | 96 | 98 | 95 | 94 |
| | <i>% GDP</i> | 1.4 | 1.3 | 1.3 | 1.2 | 1.1 | 1.1 | 1.1 | 1.0 |
| Primary income | <i>bill.CZK</i> | -350 | -360 | -361 | -392 | -396 | -399 | -403 | -407 |
| | <i>% GDP</i> | -4.3 | -4.3 | -4.3 | -4.6 | -4.6 | -4.6 | -4.5 | -4.5 |
| Secondary income | <i>bill.CZK</i> | -49 | -47 | -52 | -45 | -47 | -48 | -49 | -50 |
| | <i>% GDP</i> | -0.6 | -0.6 | -0.6 | -0.5 | -0.5 | -0.6 | -0.6 | -0.6 |
| Current account | <i>bill.CZK</i> | 128 | 94 | 90 | 63 | 40 | 10 | -31 | -57 |
| | <i>% GDP</i> | 1.6 | 1.1 | 1.1 | 0.7 | 0.5 | 0.1 | -0.3 | -0.6 |
| Capital account | <i>bill.CZK</i> | 150 | 119 | 178 | 127 | 122 | 120 | 118 | 116 |
| | <i>% GDP</i> | 1.8 | 1.4 | 2.1 | 1.5 | 1.4 | 1.4 | 1.3 | 1.3 |
| Net lending/borrowing | <i>bill.CZK</i> | 278 | 214 | 268 | 190 | 162 | 131 | 88 | 59 |
| | <i>% GDP</i> | 3.4 | 2.6 | 3.2 | 2.2 | 1.9 | 1.5 | 1.0 | 0.7 |
| Financial account | <i>bill.CZK</i> | 265 | 187 | 222 | 150 | . | . | . | . |
| Direct investments | <i>bill.CZK</i> | -39 | -109 | -105 | -49 | . | . | . | . |
| Portfolio investments | <i>bill.CZK</i> | 10 | -110 | -25 | 30 | . | . | . | . |
| Financial derivatives | <i>bill.CZK</i> | -30 | -11 | -14 | -7 | . | . | . | . |
| Other investments | <i>bill.CZK</i> | 312 | 365 | 174 | -87 | . | . | . | . |
| Reserve assets | <i>bill.CZK</i> | 12 | 51 | 193 | 263 | . | . | . | . |
| International investment position | <i>stock in bill.CZK</i> | -698 | -844 | -828 | -837 | . | . | . | . |
| | <i>% GDP</i> | -8.6 | -10.2 | -9.8 | -9.8 | . | . | . | . |
| Gross external debt | <i>stock in bill.CZK</i> | 5 289 | 5 361 | 5 556 | 5 683 | . | . | . | . |
| | <i>% GDP</i> | 64.8 | 64.8 | 66.0 | 66.4 | . | . | . | . |

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

4 Survey of Other Institutions' Forecasts

Current forecasts of the monitored institutions expect, on average, that GDP growth in 2026 and 2027 will reach 2.7%. According to them, the inflation rate should be 1.8% this year and rise to 2.3% next year. According to the average of the forecasts, average wage growth should reach 5.9% this year and slow down to 5.3% next year. The current account balance of the balance of payments should be in surplus in both years, specifically in the amount of 0.9% of GDP in 2026 and 0.8% of GDP in 2027.

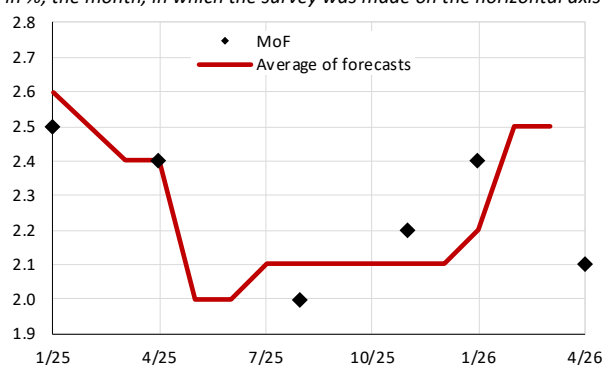
When evaluating the differences between the current macroeconomic forecast of the MoF CR and the average of the estimates of individual institutions, it is necessary to take into account the date the forecasts were pre-

pared and the information that was available to their authors. In the current comparison, the primary role is played by the fact that **a large portion of the forecasts of other institutions were prepared before the military escalation in the Middle East.**

For 2026 and 2027, the MoF CR expects similar GDP growth. For inflation, the MoF CR anticipates a higher rate for this year with regard to the price development of energy commodities in particular as a result of the war in Iran. The predicted average wage growth for 2026 and 2027 is above the average of the forecasts of other institutions. For the current account, the MoF CR anticipates lower balance of payments surpluses for both years.

Graph 4.1: Forecasts for Real GDP Growth in 2026

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

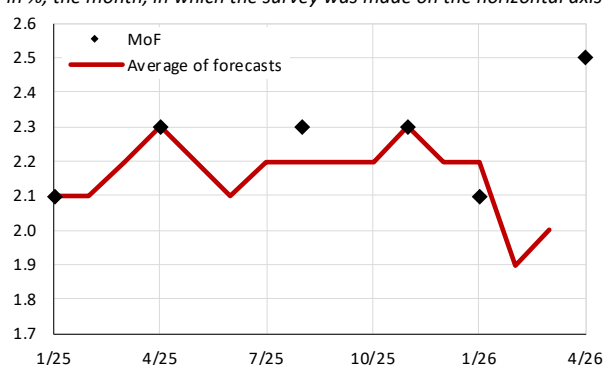


Note.: Averages of forecasts at the time not older than 3 months.

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

Graph 4.2: Forecasts for Average Inflation Rate in 2026

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



Note.: Averages of forecasts at the time not older than 3 months.

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

Table 4.1: Summary of the Surveyed Forecasts

| | | March 2026 | | | April 2026 |
|-------------------------------|------------------------|------------|------|---------|--------------|
| | | min. | max. | average | MoF forecast |
| Gross domestic product (2026) | growth in %, const.pr. | 1.6 | 2.9 | 2.5 | 2.1 |
| Gross domestic product (2027) | growth in %, const.pr. | 1.7 | 2.9 | 2.5 | 2.4 |
| Average inflation rate (2026) | % | 1.6 | 2.8 | 2.0 | 2.5 |
| Average inflation rate (2027) | % | 2.1 | 3.6 | 2.7 | 2.8 |
| Average monthly wage (2026) | growth in % | 5.6 | 6.8 | 6.0 | 6.8 |
| Average monthly wage (2027) | growth in % | 5.0 | 6.1 | 5.5 | 6.1 |
| Current account / GDP (2026) | % | -0.1 | 1.1 | 0.7 | -0.6 |
| Current account / GDP (2027) | % | -0.1 | 1.0 | 0.6 | -0.4 |

Note: The survey is based on publicly available forecasts less than 3 months old. Up to 11 institutions enter the comparison, 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). Forecasts from eight institutions entered the March survey, namely all seven domestic and one foreign (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 Budgetary Forecast for 2025

The macroeconomic framework of the State Budget for 2025 was prepared on the basis of the Macroeconomic Forecast of August 2024. Table 5.1 presents a comparison of the main indicators of the framework with the data available as of 31 March 2026. For most indicators, however, these data cannot be considered final, as they will be subject to further refinement. The results are significantly affected by data revisions leading to the adjustment of time series going back to 1990.

According to the assumptions of the macroeconomic framework, there was to be no recurrence of problems in the supply chains nor a deterioration of ongoing military conflicts situation. These assumptions materialised, and economic growth in the countries of the main trading partners of the CR was even marginally stronger than expected. On the other hand, uncertainties in the economic and foreign policy of the US administration significantly dampened private investment activity and, given its import intensity, also the dynamics of imports. In aggregate, the foreign trade balance thus dragged on economic growth to a substantially lesser extent.

Household consumption expenditure was negatively impacted by worsened sentiment due to economic developments uncertainty. Given the rising unemployment rate, low-income households also likely demonstrated an effort to rebuild their financial reserves. Despite a decline in the saving rate and an increase in real disposable income, household consumption grew by only 3.0% (vs. the expected 3.9% growth). The renewed accumulation of production inputs, driven by higher economic activity and global uncertainties, resulted in a positive con-

tribution of the change in inventories to GDP growth in the amount of 0.6 pp (vs. -0.8 pp). The investments growth lagged the budgetary forecast, and the growth of general government sector consumption was predicted almost exactly. In summary, the growth of 2.6% in 2025 lagged behind expectations (2.7%) only slightly.

Industrial sectors problems related to a lack of orders led to a gradual increase in the unemployment rate, which rose to 2.8% and was 0.1 pp higher compared to the expectations. Persisting high demand for labour in construction and services was reflected in an employment increase of 1.1% whereas the budgetary forecast had anticipated an increase of only 0.2%. The workers shortage resulted in strong nominal growth of wages and salaries volume, which increased by 7.9% while the framework had expected a growth of 6.4%.

When evaluating the budgetary forecast for 2025, it is necessary to consider the high degree of uncertainty that persisted at the time the budgetary forecast was compiled. In hindsight, it can be stated that the aggregate development of real GDP met expectations. Domestic demand developed worse in real terms, except for general government consumption, and net exports, conversely, dragged on economic growth more mildly. As a result of the higher dynamics of the price level, nominal GDP grew more significantly. Within the indicators most significant for the general government sector's financial management, the development of the volume of wages and salaries exceeded expectations. Conversely, household consumption in both real and nominal terms lagged behind the forecasted values.

Table 5.2: Comparison of the 2025 State Budget Macroeconomic Framework with Actual Outcome

| | | Outcome (April 2026) | | | | State Budget 2025 (August 2024) | | | | Difference (outcome - forecast) | | | |
|---------------------------------------|-------------------------------|-------------------------|--------------|--------------|--------------|------------------------------------|--------------|--------------|--------------|------------------------------------|-------------|-------------|-------------|
| | | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 | 2022 | 2023 | 2024 | 2025 |
| Gross domestic product | <i>bill. CZK</i> | 7 050 | 7 660 | 8 058 | 8 556 | 7 050 | 7 619 | 7 960 | 8 393 | 0 | 41 | 98 | 163 |
| Gross domestic product | <i>growth in %, curr.pr.</i> | 11.8 | 8.6 | 5.2 | 6.2 | 11.8 | 8.1 | 4.5 | 5.4 | 0.0 | 0.6 | 0.7 | 0.7 |
| Gross domestic product | <i>growth in %, const.pr.</i> | 2.8 | 0.0 | 1.3 | 2.6 | 2.8 | -0.1 | 1.1 | 2.7 | 0.0 | 0.1 | 0.2 | -0.1 |
| Consumption of households | <i>growth in %, const.pr.</i> | 0.5 | -2.6 | 2.4 | 3.0 | 0.5 | -2.8 | 2.1 | 3.9 | 0.0 | 0.2 | 0.3 | -0.9 |
| Consumption of government | <i>growth in %, const.pr.</i> | 0.4 | 3.2 | 3.1 | 2.1 | 0.4 | 3.5 | 2.3 | 2.2 | 0.0 | -0.3 | 0.9 | 0.0 |
| Gross fixed capital formation | <i>growth in %, const.pr.</i> | 6.3 | 4.2 | -2.7 | 2.4 | 6.3 | 2.5 | -0.5 | 3.6 | 0.0 | 1.7 | -2.2 | -1.2 |
| Change in inventories | <i>contribution, pp</i> | 1.2 | -3.0 | -0.5 | 0.6 | 1.2 | -2.7 | -1.2 | 0.8 | 0.0 | -0.3 | 0.7 | -0.2 |
| Net exports | <i>contribution, pp</i> | -0.3 | 2.6 | 0.7 | -0.4 | -0.3 | 2.6 | 1.0 | -1.3 | 0.0 | -0.1 | -0.3 | 0.9 |
| GDP deflator | <i>growth in %</i> | 8.7 | 8.6 | 3.9 | 3.5 | 8.7 | 8.2 | 3.4 | 2.7 | 0.0 | 0.4 | 0.5 | 0.8 |
| Average inflation rate | <i>%</i> | 15.1 | 10.7 | 2.4 | 2.5 | 15.1 | 10.7 | 2.4 | 2.3 | 0.0 | 0.0 | 0.0 | 0.2 |
| Employment (national accounts) | <i>growth in %</i> | 1.0 | 1.6 | 0.6 | 1.1 | 1.0 | 1.0 | 0.3 | 0.2 | 0.0 | 0.6 | 0.3 | 0.9 |
| Unemployment rate (LFS) | <i>average in %</i> | 2.2 | 2.6 | 2.6 | 2.8 | 2.2 | 2.6 | 2.8 | 2.7 | 0.0 | 0.0 | -0.1 | 0.1 |
| Wage bill (domestic concept) | <i>growth in %, curr.pr.</i> | 9.1 | 8.8 | 6.8 | 7.9 | 9.1 | 7.7 | 7.1 | 6.4 | 0.0 | 1.2 | -0.3 | 1.6 |
| Current account balance | <i>% of GDP</i> | -4.7 | -0.1 | 1.7 | 0.7 | -4.7 | 0.4 | 1.6 | 0.1 | 0.0 | -0.5 | 0.1 | 0.7 |
| Assumptions: | | | | | | | | | | | | | |
| Exchange rate CZK/EUR | | 24.6 | 24.0 | 25.1 | 24.7 | 24.6 | 24.0 | 25.1 | 24.9 | 0.0 | 0.0 | 0.0 | -0.2 |
| Long-term interest rates | <i>% p.a.</i> | 4.3 | 4.4 | 4.0 | 4.3 | 4.3 | 4.4 | 3.9 | 3.6 | 0.0 | 0.0 | 0.1 | 0.8 |
| Crude oil Brent | <i>USD/barrel</i> | 101 | 82 | 81 | 69 | 101 | 82 | 82 | 75 | 0 | 0 | -1 | -6 |
| GDP of the euro area | <i>growth in %, const.pr.</i> | 3.7 | 0.6 | 0.9 | 1.5 | 3.5 | 0.5 | 0.8 | 1.3 | 0.2 | 0.0 | 0.1 | 0.1 |

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

6 Impacts of Prolonged Elevated Energy Prices on the Czech Economy

In connection with the ongoing war in the Middle East, it cannot be ruled out that Iran, as part of retaliatory measures, will resort to a complete blockade of the Strait of Hormuz, thereby cutting off the Persian Gulf countries from international trade routes. This maritime artery is crucial for global stability, as a significant portion of the world's oil, liquefied natural gas, and a range of critical raw materials (sulphur, nitrates, noble gases) necessary for the production of other industrial and agricultural products (chips, fertilisers) routinely flows through it.

The scenario assumes a complete military blockade lasting two quarters and the necessity of a further 6 months of continuous mine clearance and other security operations. This technical-military parameter determines the horizon of the supply shock to a minimum of one year before safe commercial navigation could be fully restored.

6.1 Exposure of the Czech Economy: Transmission Channels

For the Czech Republic, the conflict does not represent an immediate risk of a shortage of energy raw materials from direct imports. Oil deliveries from this region constitute a tenth of all imports to the EU, natural gas deliveries constitute less than 4%. However, these are price-setting global players – the countries of the region export a third of total global oil production and account for more than 10% of natural gas exports. The absence of these volumes may thus cause a massive global price shock and a slowdown in economic activity.

The Czech Republic is, at the same time, more sensitive to energy fluctuations than the euro area average, due to high import and energy intensity. Energy dependence is almost double compared to the euro area average, *inter alia* due to the above-average share of industry in gross value added.

The interruption of supplies through Hormuz would fundamentally restrict the export of other key inputs – primarily for the production of certain types of fertilisers or chips. States in the vicinity of the strait provide half of the global export of sulphur (OEC, 2024), which is an indispensable input for the production of sulphuric acid necessary for cleaning silicon wafers in technological centres. Qatar also provides approximately 30% of global helium production, a critical coolant in the manufacture of state-of-the-art chips.

Although European industry does not import these raw materials from the region directly on a larger scale, it is fully dependent on final Asian semiconductor production. A restriction in the operation of chip production

lines would trigger a deep recession in the European automotive and digital sectors, with these sectors being closely interlinked with domestic production.

The most exposed sectors to the restriction of energy commodity supplies in Czechia are, according to international input-output tables (OECD, 2023), the electricity, gas, steam and air conditioning supply sector (46.7% of its output depends on the import of energy commodities), chemicals and chemical products (63.3%), coke and refined petroleum products (47.7%) and rubber and plastic products (56.9%). These sectors then form key components in other sectors of the economy; the initial shock would thus translate into other areas.

The interruption of supplies would not manifest itself immediately in the real economy due to the existence of inventories. However, according to Haramboure et al. (2023), European subcontractors in the examined period had a relatively low volume of inventories at their disposal, which would cover consumption, or rather production, only for a relatively short period, probably in the order of weeks. It is not clear, however, in what way European enterprises might have changed their supply strategies in response to the past crisis in supply chains in recent years. The fragmented structure and low possibility of substitution are then reflected in the relatively high vulnerability of European supply chains. We expect that in the case of the automotive industry, which is key for the Czech Republic, the supply shock would translate into final output with a slight delay, with its main impact concentrating in the second half of 2026.

6.2 Model Assumptions of the Alternative Scenario

The scenario assumes a longer-term persistence of **elevated energy prices over a period of one year**. Assumptions of the price shock:

- For the 12-month period from the beginning of Q2 2026 to the end of Q1 2027:
 - Oil price 30% higher compared to the baseline scenario.
 - Wholesale natural gas price 60% higher.
 - Wholesale electricity price 30% higher.
- For the remainder of 2027, prices subsequently fall at a pace such that they reach levels identical to the baseline scenario in Q4 2028.

For 2026, average oil prices in the alternative scenario would thus be higher by 23% and wholesale gas prices by 48% and electricity by 22%. For 2027, then, by 19% for oil, 48% for natural gas and 24% for electricity.

The asymmetrical price increase for natural gas compared to oil reflects the higher rigidity of the European gas infrastructure. While the shortfall in maritime oil deliveries can be partially replaced by deliveries from other suppliers, the global LNG market encounters capacity limits of liquefaction terminals and an absence of spare

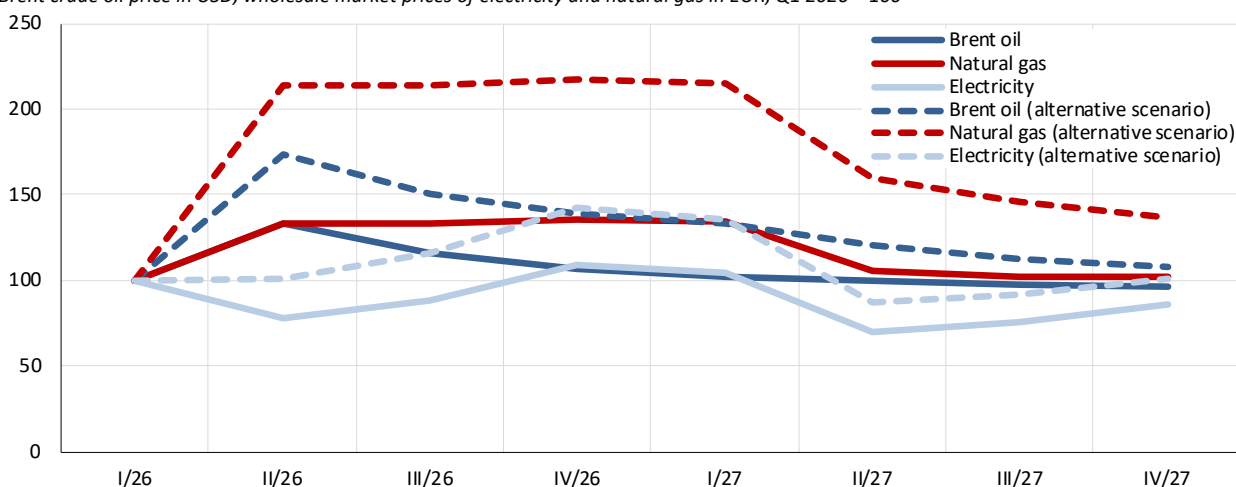
transport capacities. European gas prices would thus contain a substantially higher risk premium.

The price elasticity for energy commodities was set at – 0.2 according to Janský (2014), and for other goods and services according to updated calculations described in MoF CR (2022). The weakening of foreign demand is based on the OECD forecast (2026), the estimates of which were adjusted due to different initial assumptions of price growth. As a result, the growth of the euro area would, by assumption, slow down by 0.4 pp in 2026 and by 0.9 pp in 2027.

The shock in supply chains and risk aversion in global markets would lead to a capital outflow from emerging markets and to the strengthening of the US dollar as a safe haven. A depreciation of the koruna against the US dollar and against the euro is therefore expected in 2026. This exchange rate development would increase the import prices of energy commodities and other imported goods and services, which would represent additional inflationary pressures.

Graph 6.2.1: Alternative energy prices trajectories

Brent crude oil price in USD, wholesale market prices of electricity and natural gas in EUR, Q1 2026 = 100



Source: Calculations of the MoF.

Table 6.2.1: Alternative energy prices

Brent crude oil price, wholesale market prices of electricity and natural gas

| | Brent crude oil (USD/barel) | | | Natural gas (EUR/MWh) | | | Electricity (EUR/MWh) | | |
|--------|-----------------------------|-------------|-----------|-----------------------|-------------|-----------|-----------------------|-------------|-----------|
| | Baseline | Alternative | Diff. (%) | Baseline | Alternative | Diff. (%) | Baseline | Alternative | Diff. (%) |
| I/26 | 80 | 80 | | 42 | 42 | | 122 | 122 | |
| II/26 | 106 | 138 | 30 | 56 | 90 | 60 | 95 | 123 | 30 |
| III/26 | 92 | 120 | 30 | 56 | 90 | 60 | 108 | 141 | 30 |
| IV/26 | 85 | 111 | 30 | 57 | 91 | 60 | 133 | 174 | 30 |
| I/27 | 82 | 106 | 30 | 57 | 91 | 60 | 127 | 165 | 30 |
| II/27 | 79 | 96 | 21 | 44 | 67 | 51 | 85 | 107 | 26 |
| III/27 | 78 | 90 | 15 | 43 | 62 | 43 | 92 | 112 | 21 |
| IV/27 | 77 | 86 | 11 | 43 | 58 | 34 | 105 | 124 | 17 |

Source: Calculations of the MoF.

6.3 Quantification of Macroeconomic Impacts

The overall slowdown in the growth of the Czech economy due to prolonged high energy prices and weaker euro area growth could reach -0.7 pp in 2026, and GDP growth could thus hover around 1.4%. In 2027, the negative impact would amount to -0.9 pp, and growth would thus reach 1.5%.

From the perspective of the sectoral structure, the most significant decrease in value added next year would be in electricity supply (-1.8%), manufacture of coke and refined petroleum products (-1.5%), and the chemical industry (-1.0%). The weakening of the euro area would then impact most heavily the motor vehicles sector (-0.7%), rubber and plastic products (-0.6%) and electronic equipment (-0.6%).

Table 6.3.1: Impact on GDP growth

in percentage points

| | 2026 | 2027 |
|--|--------------|--------------|
| Effect of energy prices | -0.32 | -0.31 |
| Secondary effect (foreign trade balance) | -0.17 | -0.26 |
| Secondary effect (domestic demand) | -0.19 | -0.29 |
| Total | -0.68 | -0.86 |

Source: Calculations of the MoF.

The growth in oil prices will translate into final automotive fuel prices with a minimal delay. This increase represents a direct pressure on headline inflation, and will moreover trigger secondary indirect effects through a general increase in the cost of transport and logistics. The extreme growth in natural gas prices will translate into the non-regulated components of energy prices. Due to the mechanism of the European market, the key transmission channel will be the increase in wholesale electricity prices. These energy shocks will be further amplified by the depreciation of the koruna against the dollar, which will increase import prices. The supply shock in the form of not only more expensive energy prices for enterprises but also a shortage of certain production inputs will trigger cost pressures in industrial goods segments, where a significant pass-through of increased costs into final consumer prices will most likely occur. Impacts on core inflation will be partially dampened by the concurrent decline in aggregate demand and deteriorated household sentiment. In summary, we expect an additional pro-inflationary impulse in the amount of 1.5 pp in 2026 and, given the delayed pass-through of some inflationary pressures, a slightly higher impact of 1.8 pp in 2027.

Table 6.3.2: Impact on consumer prices inflation

in percentage points

| | 2026 | 2027 |
|---------------------|------------|------------|
| Direct effects | 0.9 | 1.1 |
| Fuels for transport | 0.3 | 0.2 |
| Electricity | 0.3 | 0.4 |
| Natural gas | 0.4 | 0.6 |
| Indirect effects | 0.6 | 0.7 |
| Total | 1.5 | 1.8 |

Source: Calculations of the MoF.

The impact on the labour market would be reflected in the unemployment rate. Lay-offs would predominantly affect industrial sectors with high energy intensity, conversely, in the services sector, significantly weaker impacts can be expected. Given the high demand for labour in services and construction, a considerable portion of workers leaving industry would probably find employment in other sectors. The unemployment rate this year would be higher by 0.4 pp and in 2027 by 0.5 pp. Conversely, the growth of the volume of wages and salaries would be slower this year by 0.4 pp and next year by 0.5 pp.

Table 6.3.3: Impact labour market, household cons.

in percentage points

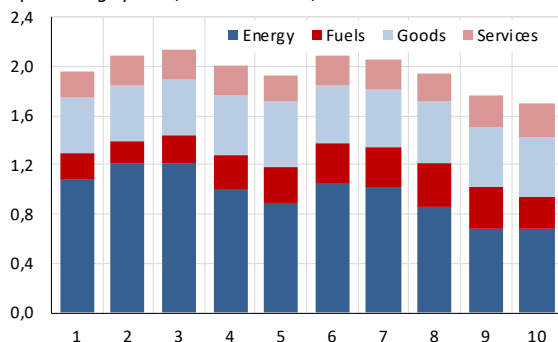
| | 2026 | 2027 |
|---------------------------------|-------------|-------------|
| Unemployment rate | 0.4 | 0.5 |
| Wage bill | -0.4 | -0.5 |
| Household consumption (real) | -0.3 | -0.5 |
| Household consumption (nominal) | 1.0 | 1.6 |

Source: Calculations of the MoF.

The higher growth of the price level and lower disposable incomes would be reflected in the dynamics of real household consumption, which would be lower this year by 0.3 pp and in 2027 by 0.5 pp. Higher prices would, conversely, lead to an acceleration of the growth of nominal household consumption, by 1.0 pp this year and 1.6 pp next year. From the perspective of the impact on households, low- and middle-income households would face a relatively higher inflation rate (we do not consider a reduction in demand here). For low-income households, energy accounts for a larger share of total expenditures, which is also related to the higher energy intensity of their dwellings. With rising income, conversely, the influence of the increase in automotive fuel prices rises.

Graph 6.3.1: Inflation rate increase by income group

in percentage points, income deciles, 2026

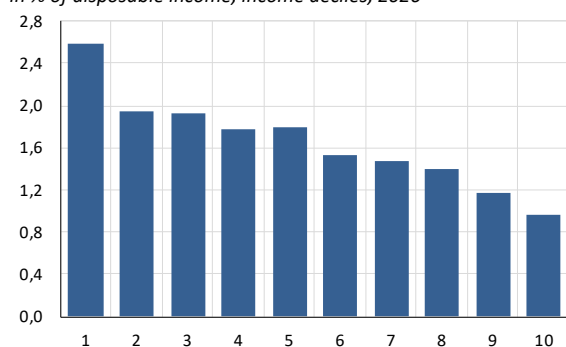


Note: Aggregate impact differs from the whole economy impact estimation in table 6.3.2 due to a different methodology.

Source: Calculations of the MoF.

Graph 6.3.2: Expenditure increase by income group

in % of disposable income, income deciles, 2026



Source: Calculations of the MoF.

In relation to disposable incomes, the poorest households would unambiguously lose the most on increased expenditures (about CZK 500 monthly). For other income decile bands, the relative impact decreases rather gradually, it is then significantly lower for the richest fifth of households (over CZK 1000 monthly).

Table 6.3.4: Alternative scenario results

| | Baseline | | Alternative | | |
|------------------------|--------------|------|-------------|------|-----|
| | 2026 | 2027 | 2026 | 2027 | |
| Average inflation rate | in % | 2.5 | 2.8 | 4.0 | 4.6 |
| Unemployment rate | average in % | 2.9 | 2.7 | 3.2 | 3.2 |
| Wage bill | growth in % | 6.8 | 6.0 | 6.4 | 5.4 |
| Real GDP | growth in % | 2.1 | 2.4 | 1.4 | 1.5 |

Source: Calculations of the MoF.

6.4 Conclusion

The alternative scenario demonstrates that the Czech economy remains, despite partial diversification in recent years, vulnerable to external supply shocks in the energy sector. A blockade of the Strait of Hormuz for a longer period and elevated energy prices would trigger a stagflationary impulse, the impacts of which would be amplified by the above-average energy and import intensity of domestic industry.

The initial price shock in oil and natural gas prices would be accelerated by the assumed depreciation of the koruna, which would lead to persistent pressure on the growth of the price level. This situation would mean a significantly lower growth of real disposable incomes, while households in the lowest income deciles would be hit the most due to higher shares of expenditure on energy.

The slump in real household consumption together with weakened foreign demand, especially from the euro area, would subsequently determine a slowdown in GDP growth. A specific and critical additional factor would be the secondary crippling of production chains due to the

shortage of sulphur, helium and subsequently Asian semiconductors, which, with a time lag of several months, would destabilise the automotive industry and electronics – this would thus represent a significantly more intensive risk scenario. Sectoral shocks would undoubtedly spill over into the labour market, where, despite structurally low unemployment, an increase in the unemployment rate would occur, probably primarily in energy-intensive sectors.

The resulting trajectory of the economy would be determined not only by the speed of restoring maritime routes, but also by the ability of industry to adapt to more permanently elevated risk premiums in supply chains. The impacts would also depend on the speed of strengthening the capacities of alternative energy suppliers, on potential fiscal measures by the governments of European countries and on the reactions of central banks. The overall impact of the scenario thus underscores the benefits of any further reduction in energy dependence and in strengthening the resilience of critical verticals.

6.5 References

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