Ministry of Finance
of the Czech Republic

Macroeconomic Forecast

of the Czech Republic

November 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
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
HPI	house price index
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
NFC	non-financial corporations
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 30 October 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 (August 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

The Czech economy is projected to grow by 1.7% in 2026 and 2.5% in 2027. Domestic demand, chiefly household consumption and investment, will account for all growth in both years. A rundown in inventories and a negative contribution from foreign trade are holding back growth significantly this year. The contribution from changes in inventories is expected to turn positive next year. **Inflation is projected to average 2.1% this year and rise to 3.1% in 2027**, mainly reflecting higher household energy prices and renewed growth in food prices.

The conflict in the Middle East continues to weigh on the external environment. Disruptions to the production, transport and processing of energy commodities are raising production and transport costs, eroding households' purchasing power and increasing uncertainty for firms making investment decisions. The baseline forecast assumes a gradual de-escalation of the conflict and recovery in oil and natural gas supplies. Persistent security risks and damage to infrastructure will slow this process. Energy commodity prices are expected to decline gradually, although they will remain sensitive to developments in the conflict.

According to the preliminary estimate, **real gross domestic product**, adjusted for seasonal and calendar effects, rose by 0.5% quarter on quarter and 1.6% year on year in the third quarter of 2026. Continued growth in real household incomes will support economic growth by allowing households to spend more. Fixed investment will also contribute significantly to growth this year, although it will grow more slowly next year. GDP growth is thus expected to pick up mainly as the rundown in inventories eases. Exports should benefit from a recovery in external demand and a gradual easing of supply chain constraints. Continued growth in domestic demand will also support imports.

The transfer of funding for subsidised energy sources to the state budget, a stronger koruna and favourable developments in food prices are the main factors containing **inflation** this year. The restrictive monetary policy stance continues to dampen inflation. Higher motor fuel prices, brisk wage growth and rising housing costs are exerting upward pressure. Next year, we expect consumer electricity and gas prices to rise in response to earlier increases in wholesale prices. Growth in earnings and imputed rents will also sustain price pressures.

Labour shortages are keeping the **labour market** tight and supporting wage and salary growth. Employment continues to rise, supported by services and construction, while manufacturing is weighing slightly on overall employment growth. The unemployment rate is expected to average 3.0% this year and fall to 2.8% in 2027 as the economy continues to grow. Real earnings are expected to increase in both 2026 and 2027.

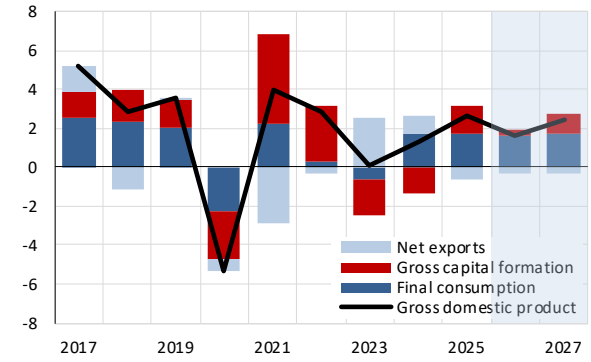
The **current account of the balance of payments** is expected to move into a deficit of 0.2% of GDP this year and widen to 0.5% of GDP in 2027. This year's deterioration will mainly reflect a narrowing surplus on trade in goods and services, odriven by stronger domestic demand, higher prices for imported energy commodities and export constraints. Next year, exports should benefit from more favourable economic developments in trading partners. However, higher imports will further narrow the goods surplus and improvements in the primary income and services balances will only partly offset this decline.

The **general government deficit** is expected to widen to 2.8% of GDP in 2026, mainly owing to slower revenue growth. Revenue is being held back by the expiry of the windfall tax, the waiver of the levy for supported energy sources paid by households and firms, and repeated reductions in excise duty on diesel. We expect the overall deficit to widen to 3.5% of GDP in 2027. General government debt is projected to reach 45.8% of GDP this year and rise further to 47.4% of GDP in 2027.

We judge the **risks to the forecast** to be tilted towards weaker economic growth and higher inflation. The main risk is a further escalation of the conflict in the Middle East, with attendant supply disruptions and upward pressure on energy prices, amplified by relatively low gas storage levels in Europe. Other significant risks relate to the security situation in Europe, international trade policy, developments in the European automotive industry and financial conditions. A faster easing of geopolitical tensions or a stronger recovery in German investment could improve the outlook.

Domestic demand will be the sole driver of growth

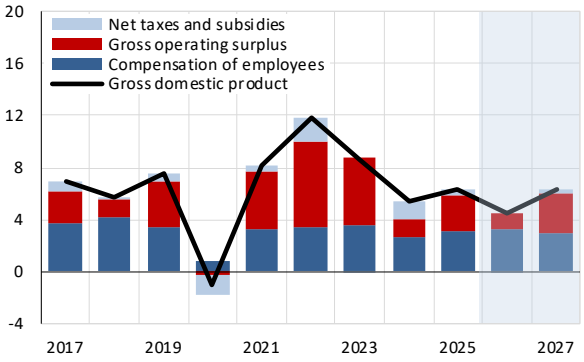
growth rate of real GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Employee earnings will support income growth

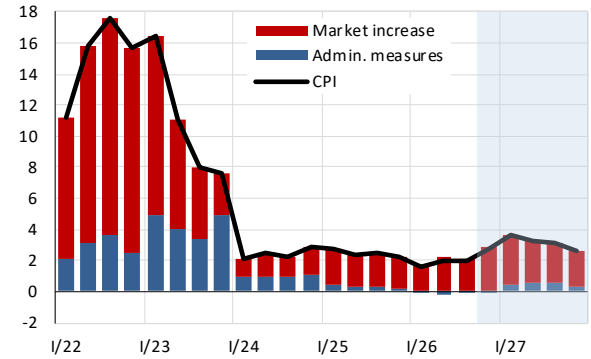
growth rate of nominal GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Inflation is expected to rise

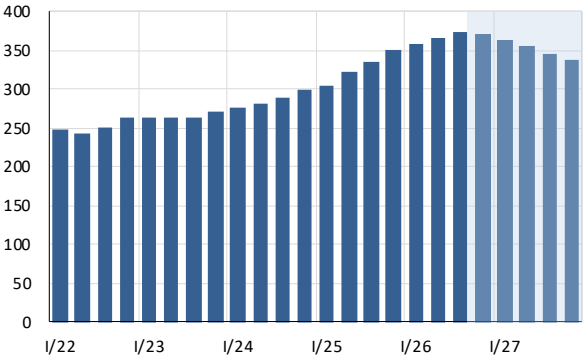
YoY growth rate of CPI in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Unemployment is expected to start declining

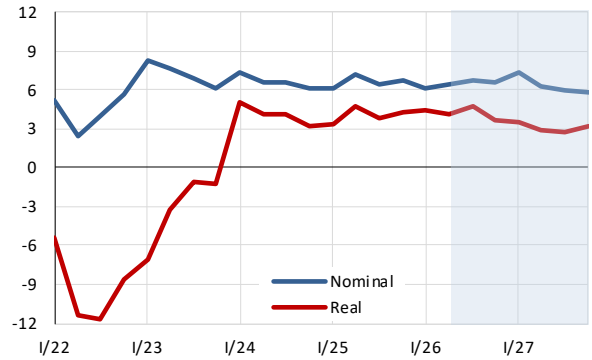
registered unemployment, in thous. of persons, seasonally adjusted



Source: MoLSA. Calculations and forecast of the MoF.

Real wages are expected to continue growing strongly

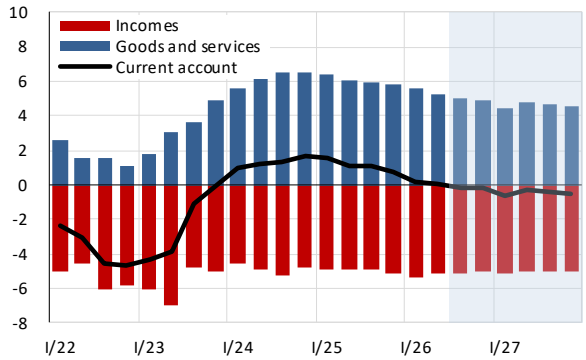
average gross monthly wage, YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

The current account is expected to be in deficit

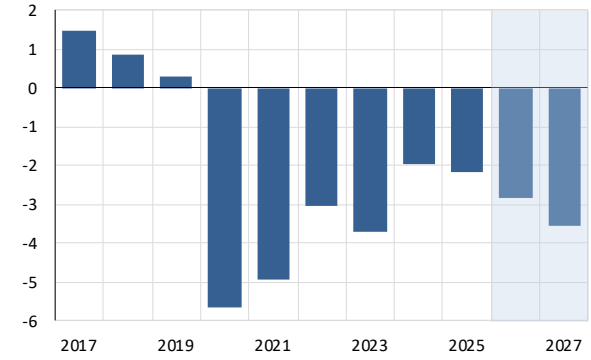
in % of GDP, annual moving sums



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

The general government deficit will widen

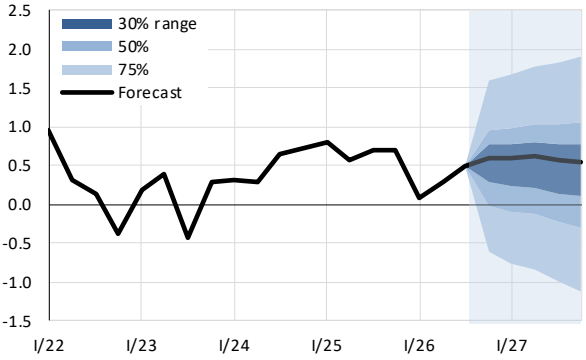
general government net lending/borrowing, in % of GDP



Source: CZSO. Calculations and forecast of the MoF.

GDP growth risks are tilted 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	2026	2027
							Current forecast		*Previous forecast*	
Nominal GDP	*bill. CZK*	**6 308**	**7 050**	**7 660**	**8 069**	**8 573**	**8 957**	**9 527**	8 969	9 531
	nominal growth in %	8.2	11.8	8.6	5.3	6.2	4.5	6.4	4.6	6.3
Gross domestic product	*real growth in %*	**4.0**	**2.8**	**0.0**	**1.3**	**2.6**	**1.7**	**2.5**	1.9	2.4
Consumption of households	*real growth in %*	4.2	0.5	-2.6	2.4	2.7	2.8	2.7	2.7	2.6
Consumption of government	*real growth in %*	1.5	0.4	3.2	3.1	2.2	1.6	2.3	1.7	2.3
Gross fixed capital formation	*real growth in %*	6.7	6.3	4.2	-2.3	3.1	5.4	2.5	4.7	2.7
Contribution of net exports	*pp*	-2.8	-0.3	2.6	0.9	-0.6	-0.3	-0.3	-0.3	-0.4
Contrib. of change in inventories	*pp*	2.8	1.2	-3.0	-0.7	0.7	-1.1	0.3	-0.7	0.3
GDP deflator	*growth in %*	**4.0**	**8.7**	**8.6**	**4.0**	**3.5**	**2.8**	**3.8**	2.7	3.7
Average inflation rate	*%*	**3.8**	**15.1**	**10.7**	**2.4**	**2.5**	**2.1**	**3.1**	2.2	2.7
Employment *(national accounts)*	*growth in %*	**1.0**	**1.0**	**1.6**	**0.6**	**1.3**	**1.4**	**0.3**	0.8	0.1
Unemployment rate *(LFS)*	*average in %*	**2.8**	**2.2**	**2.6**	**2.6**	**2.8**	**3.0**	**2.8**	3.0	2.8
Wage bill *(domestic concept)*	*growth in %*	**7.2**	**9.1**	**8.8**	**6.1**	**7.3**	**7.4**	**6.6**	7.8	6.2
Current account balance	*% of GDP*	**-2.1**	**-4.7**	**-0.1**	**1.7**	**0.7**	**-0.2**	**-0.5**	-0.4	-0.4
General government balance	*% of GDP*	**-5.0**	**-3.0**	**-3.7**	**-2.0**	**-2.2**	**-2.8**	**-3.5**	-2.7	.
General government debt	*% of GDP*	**40.7**	**42.5**	**42.2**	**43.2**	**44.2**	**45.8**	**47.4**	45.8	.
Assumptions:										
Exchange rate CZK/EUR		**25.6**	**24.6**	**24.0**	**25.1**	**24.7**	**24.3**	**24.2**	24.3	24.1
Long-term interest rates	*% p.a.*	**1.9**	**4.3**	**4.4**	**4.0**	**4.3**	**4.9**	**4.9**	4.7	4.7
Crude oil Brent	*USD/barrel*	**71**	**101**	**82**	**81**	**69**	**100**	**94**	86	73
GDP in the euro area	*real growth in %*	**6.4**	**3.7**	**0.5**	**1.2**	**1.3**	**1.1**	**1.3**	0.9	1.4

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

1 Forecast Assumptions

1.1 External Environment

High energy prices, supply chain disruptions and trade barriers are affecting the **global economy** in 2026. The conflict in the Middle East is raising production and transport costs and eroding households' purchasing power. Uncertainty over input availability and future tariffs is also complicating firms' investment decisions. We assume that energy and supply constraints will gradually ease in 2027. Persistent trade barriers and high financing costs will partly offset the benefits of this easing for economic activity. The performance of individual economies will depend on their production structure, the strength of domestic demand and their economic policy stance.

The recovery in the **euro area** remains uneven. According to the preliminary estimate, GDP rose by 0.4% quarter on quarter in the third quarter of 2026, after growing by 0.6% in the second quarter. Year-on-year growth picked up from 1.2% to 1.3%. Ireland recorded strong growth, and Spain and the Netherlands were among the fastest-growing economies in the rest of the euro area. Germany grew only slightly, Italy stagnated and France contracted marginally. The flash composite Purchasing Managers' Index fell from 53.1 to 51.9 in October but continued to signal an expansion in activity. Consumer confidence weakened further in October. We expect euro area GDP to grow by 1.1% *(previously 0.9%)* in 2026 and by 1.3% *(previously 1.4%)* in 2027. A resilient labour market and modest real wage growth will support household consumption. Higher spending on infrastructure and defence will support public demand, although fiscal consolidation in some countries and the winding down of support under the Recovery and Resilience Facility will partly offset this effect. Past and expected further ECB rate rises in response to the energy shock will push up financing costs. Easing energy and supply constraints should support production and trade in 2027, although US tariffs will continue to weigh on exports. The pace of the European industrial recovery and the composition of European investment demand will be particularly important for Czech suppliers.

According to the preliminary estimate, economic activity in **Germany** rose by 0.2% quarter on quarter and 1.2% year on year in the third quarter of 2026. Final consumption expenditure edged up, but preliminary data indicate that capital formation fell and export growth slowed markedly after a strong first half of the year. Employment continued to decline slightly in the third quarter. The October ifo survey showed an improvement in business expectations and a slight deterioration in firms' assessment of current conditions. We expect GDP to grow by 1.0% *(previously 0.9%)* in 2026 and by 1.2% *(previously 1.4%)* in 2027. Higher public spending on infrastructure and defence, real wage growth and a gradual recovery in external demand should support activity. High financing costs and structural problems in industry will continue to constrain private investment growth. For Czech suppliers, much will depend on the extent to which additional German public spending translates into industrial orders and imports.

The fiscal stance will be an important driver of growth in **other European trading partners**. In Poland, high public spending, rising incomes and the use of EU funds are supporting consumption and investment. The economy is growing relatively rapidly while general government continues to run a large deficit. We expect growth to slow in 2027, mainly because of lower spending financed by EU funds, even as the fiscal deficit remains substantial. In Austria, fiscal consolidation limits the scope to support domestic demand, whose recovery is also being held back by high energy prices and uncertainty. Preliminary estimates nevertheless indicate that the Austrian economy returned to growth in the third quarter after contracting in the second quarter. In Slovakia, the state of public finances puts continued support for domestic spending at risk. Measures beyond those in the approved budget would weigh on growth. For Czech suppliers, the composition and import content of public spending will matter alongside overall growth in trading partners. The use of large deficits to support demand also increases uncertainty about whether that support will persist beyond the forecast horizon.

In the **United States**, preliminary estimates show that GDP growth picked up to 0.8% quarter on quarter in the third quarter of 2026, with output rising by 2.1% year on year. Household consumption, fixed investment, changes in inventories and government spending all contributed to growth. Foreign trade was a significant drag on growth as exports fell and imports rose. Higher spending on equipment, particularly computing equipment, was the main driver of investment growth. High energy prices, slower job creation and high financing costs will dampen further growth in domestic demand. The household saving rate also fell as consumption rose despite a slight decline in real wages, leaving less room for spending to continue growing faster than incomes. We expect GDP to grow by 2.4% *(previously 2.1%)* in 2026 and by 2.6% *(previously 2.1%)* in 2027. Consumption and business investment should continue to support growth, although both will be sensitive to persistent inflation and interest rates. Higher financing costs, partly reflecting the Fed's September rate increase, will temper the benefits of the projected fall in energy prices in 2027.

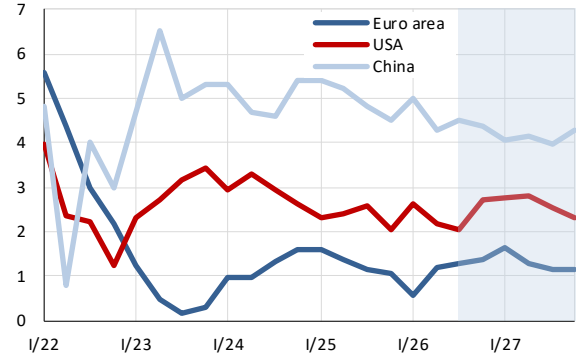
Alongside US demand, tariff policy and its effects on exports and investment will be especially important for European economies.

The **Chinese** economy grew by 1.2% quarter on quarter and 4.5% year on year in the third quarter of 2026. High-technology manufacturing and exports grew strongly, while domestic demand was weaker. Fixed asset investment declined over the course of the year, even outside the long-struggling property development sector. We expect GDP to grow by 4.5% *(previously 4.4%)* in 2026 and slow to 4.1% *(unchanged)* in 2027. Weak domestic demand makes the economy more reliant on exports to sustain growth and more sensitive to trade restrictions. Growing Chinese competition in technology-intensive industries remains a risk for European producers.

A prolonged or escalating conflict in the Middle East remains the principal **risk to the external outlook**. Persistent supply disruptions and high energy prices would weaken growth and prolong the period of elevated inflation, potentially prompting a monetary policy response. Higher trade barriers would constrain exports and disrupt production networks. In Europe, risks also include slower implementation of public investment and a weaker response from private consumption and investment. A faster recovery in energy supplies, lower trade barriers or stronger productivity growth from the adoption of new technologies could improve the outlook.

Graph 1.1.1: Real GDP of the Main World Economies

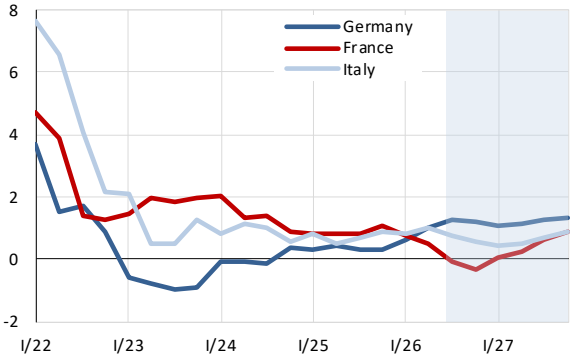
year-on-year growth in %, seasonally adjusted



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

Graph 1.1.2: Real GDP of the Main EA Economies

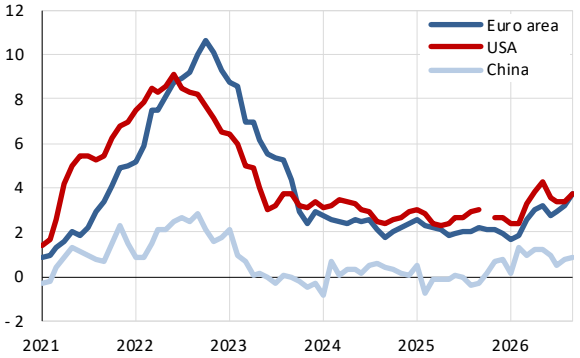
year-on-year growth in %, seasonally adjusted



Source: Eurostat. Calculations and forecast of the MoF.

Graph 1.1.3: Consumer Prices

year-on-year growth in %

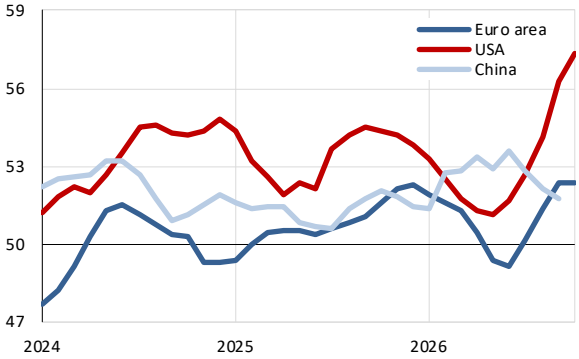


Note: Data for October 2025 for the USA unavailable due to a shut-down.

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

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

	2018	2019	2020	2021	2022	2023	2024	2025	2026 Forecast	2027 Forecast
USA	3.0	2.6	-2.1	6.3	2.4	2.9	3.0	2.3	2.4	2.6
China	6.8	6.1	2.3	8.6	3.1	5.4	5.0	5.0	4.5	4.1
United Kingdom	1.6	1.4	-10.0	8.5	5.0	0.4	1.1	1.2	1.6	1.6
European Union	2.1	1.9	-5.6	6.3	3.7	0.5	1.4	1.5	1.3	1.6
Euro area	1.8	1.7	-6.1	6.4	3.7	0.5	1.2	1.3	1.1	1.3
Germany	1.3	1.1	-4.4	3.9	2.0	-0.8	0.0	0.3	1.0	1.2
France	1.6	2.1	-7.6	6.8	2.8	1.8	1.4	0.9	0.2	0.5
Italy	0.9	0.6	-8.8	9.1	5.1	1.1	0.9	0.7	0.8	0.6
Austria	2.4	1.7	-6.4	5.0	5.6	-0.6	-0.5	0.8	0.8	1.0
Hungary	5.6	5.1	-4.5	7.2	4.1	-0.5	0.7	0.6	1.7	1.9
Poland	6.1	4.5	-2.1	6.9	5.6	0.2	3.1	3.8	3.6	2.8
Slovakia	3.9	2.3	-2.2	5.5	0.6	2.5	2.6	0.9	0.9	1.4

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	Q2	Q3	Q4
								Estimate	*Forecast*
USA	*QoQ*	**0.0**	**1.0**	**1.0**	**0.1**	**0.6**	**0.6**	**0.8**	**0.7**
	YoY	2.3	2.4	2.6	2.0	2.6	2.2	2.1	2.7
United Kingdom	*QoQ*	**0.6**	**0.0**	**0.2**	**0.0**	**0.6**	**0.5**	**0.6**	**0.4**
	YoY	1.8	1.1	1.2	0.8	0.8	1.4	1.8	2.2
European Union	*QoQ*	**0.4**	**0.1**	**0.4**	**0.3**	**0.1**	**0.7**	**0.5**	**0.4**
	YoY	1.7	1.5	1.4	1.3	0.9	1.4	1.5	1.6
Euro area	*QoQ*	**0.5**	**0.0**	**0.3**	**0.2**	**0.0**	**0.6**	**0.4**	**0.3**
	YoY	1.6	1.4	1.1	1.1	0.6	1.2	1.3	1.4
Germany	*QoQ*	**0.1**	**0.0**	**0.0**	**0.3**	**0.4**	**0.3**	**0.2**	**0.3**
	YoY	0.3	0.4	0.3	0.3	0.6	1.0	1.2	1.2
France	*QoQ*	**0.2**	**0.2**	**0.5**	**0.2**	**-0.2**	**0.0**	**-0.1**	**0.0**
	YoY	0.8	0.8	0.8	1.1	0.8	0.5	-0.1	-0.3
Italy	*QoQ*	**0.4**	**0.0**	**0.3**	**0.3**	**0.3**	**0.2**	**0.0**	**0.1**
	YoY	0.8	0.5	0.7	0.9	0.9	1.0	0.8	0.6
Austria	*QoQ*	**0.2**	**0.2**	**0.4**	**0.2**	**0.3**	**-0.1**	**0.2**	**0.3**
	YoY	0.4	0.7	1.0	1.1	1.2	0.8	0.6	0.6
Hungary	*QoQ*	**-0.2**	**0.8**	**0.3**	**0.1**	**0.6**	**0.6**	**0.1**	**0.4**
	YoY	-0.5	0.7	1.2	1.1	1.9	1.7	1.5	1.7
Poland	*QoQ*	**1.0**	**0.7**	**1.2**	**1.1**	**0.6**	**1.1**	**0.7**	**0.8**
	YoY	3.9	3.0	4.3	4.0	3.6	4.0	3.5	3.2
Slovakia	*QoQ*	**0.0**	**0.3**	**0.2**	**0.3**	**0.2**	**0.2**	**0.2**	**0.3**
	YoY	1.0	0.9	0.8	0.8	1.0	0.9	0.8	0.8

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

1.2 Commodity Prices

The conflict in the Middle East continues to have a marked effect on energy commodity prices. Disruptions to extraction, processing and transport are limiting supply and raising transport costs. Some exports are gradually resuming, but persistent security risks and declining inventories are keeping prices high and contributing to considerable volatility.

The price of **Brent crude oil** rose sharply in September following renewed attacks on energy infrastructure and transport restrictions in the Persian Gulf. The average spot price reached USD 114 per barrel, around USD 23 above the August level, and we estimate that it rose further to USD 125 in October. In the third quarter, Brent crude averaged USD 96 *(vs. forecast of USD 83)* per barrel, up 40% year on year.

The forecast assumes an average Brent crude price of USD 100 *(previously USD 86)* per barrel in 2026 and USD 94 *(previously USD 73)* in 2027. The main risks remain the course of the conflict in the Middle East and the pace of the expected gradual recovery in supplies.

The market for **refined petroleum products**, especially diesel, also remains tight. Supplies of refined products from the Middle East are recovering more slowly than crude oil exports, while lower shipments from Russia and some Asian countries are adding to the squeeze. Motor fuel prices therefore depend heavily on available refining capacity and supplies of individual products, as well as on crude oil prices. A fall in crude oil prices may consequently feed through only partially to diesel prices.

On the European **natural gas** market, reduced supplies of liquefied natural gas from Qatar and the United Arab Emirates and greater competition between Europe and Asia for alternative supplies are pushing up prices. The average euro-denominated natural gas price on the Czech intraday market operated by OTE was around 168% higher year on year in October. European storage facilities are therefore being replenished under less favourable conditions ahead of the heating season. Lower inventories make the market more sensitive to winter weather and further supply disruptions. The need to refill storage may keep prices under pressure in 2027.

Higher natural gas prices are raising **electricity** generation costs and wholesale electricity prices. The average euro-denominated baseload electricity price on the Czech day-ahead market operated by OTE was around 90% higher year on year in October. The pass-through of wholesale prices to end users will depend on suppliers' past purchases and the pace of contract renewals.

Global **food commodity** prices also increased. In September, world food prices rose by 5.8% year on year ac-

cording to the UN index and by 15.8% according to the World Bank index, which excludes dairy products, whose prices are currently falling sharply. The main risks to the outlook are weather conditions and harvest outcomes in major producing regions.

Metals and mineral prices rose by 30% year on year in September according to the World Bank index. High prices for some industrial metals reflect supply constraints and demand associated with investment in energy and digital infrastructure.

Box 1: Energy Asymmetry between the United States and Europe

The war that began with US and Israeli strikes on Iran in late February 2026 has underscored the different positions of the United States and Europe in energy markets. Disruption to Persian Gulf supplies has raised global prices and increased demand for alternatives. The United States is a major energy producer and exporter, while Europe remains heavily reliant on imports. To mitigate the effects of the conflict, Europe thus depends in part on supplies from a country whose military and diplomatic decisions also shape how the conflict unfolds.

This dependence is particularly apparent in natural gas. In 2025, the United States supplied 58% of EU LNG imports, equivalent to around a quarter of total EU gas consumption. Disruptions to Persian Gulf supplies have also increased competition from Asian buyers for the same alternatives. To attract flexible cargoes, European buyers must offer prices competitive with those available in other markets. The high share of US supplies leaves Europe exposed to any reduction in shipments, which would be difficult to replace quickly under current conditions.

The same price shock affects incomes differently in the two economies. In Europe, more expensive energy imports worsen the terms of trade and transfer part of real income to foreign producers. Households lose purchasing power and firms face higher costs. US consumers face similar pressures, but at the economy-wide level higher incomes for domestic producers and exporters offset some of the losses. Reduced supply from competitors also creates commercial opportunities for the US energy sector. The gap between US and European gas prices gives US firms using domestic gas a cost advantage.

The asymmetry also extends to refined products, particularly diesel and jet fuel. Europe needs imports of finished fuels as well as crude oil, and US refineries are helping cover shortfalls from other suppliers. Even ample supplies of crude oil may leave shortages of individual products when refining capacity limits production. According to the IEA's October outlook, the diesel market could remain tight in 2027. The decline in crude prices assumed in the forecast may therefore feed through more slowly to fuel prices. This would prolong cost pressures for European firms, while refineries with capacity to spare would continue to benefit from wide margins between refined product prices and crude oil costs.

The October discussions on emergency diesel stocks illustrated these differences in interests. According to Reuters, the US administration urged France and Germany to release stocks and linked its request to possible restrictions on US diesel exports. The French proposal to release 50 million barrels was equivalent to around 17% of EU emergency stocks of diesel and gas oil. On 2 October, the G7 reaffirmed its commitment to refrain from imposing export restrictions on one another and agreed to a coordinated release of around 100 million barrels of crude oil and petroleum products. The IEA subsequently clarified that the agreement would bring forward the remaining deliveries under the March action and that specific plans covered more than 20 million barrels of diesel. For Europe, drawing down reserves involves a trade-off. It eases the current shortage and lowers prices in the United States as well, while leaving Europe with smaller reserves to deal with further disruptions. Reliance on imports can thus also constrain Europe's decisions over its own strategic stocks.

The European and Czech outlooks therefore depend both on the availability of US supplies and on Washington's decisions about the conduct of the war. A faster de-escalation and resumption of shipping would lower European import costs and reduce the need for alternative supplies. A protracted conflict would keep that need high. Any US export restrictions aimed at protecting the domestic market would also shift more of the burden of shortages to foreign buyers. The baseline assumption of a gradual decline in energy prices thus depends in part on policy decisions by a major supplier over which Europe has very limited influence.

Graph 1.2.1: Dollar Price of Brent Crude Oil

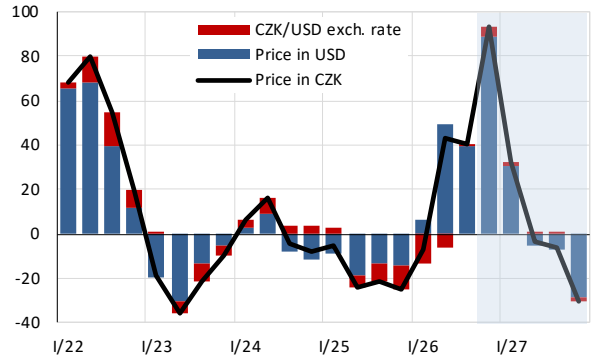
USD/barrel



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 Forecast	2027 Forecast
Crude oil Brent	*USD/barrel*	**71.3**	**64.3**	**41.8**	**70.8**	**101.0**	**82.4**	**80.6**	**69.2**	**99.7**	**94.3**
	growth in %	31.7	-9.8	-35.0	69.3	42.7	-18.4	-2.3	-14.2	44.2	-5.5
Crude oil Brent index *(in CZK)*	*2025=100*	**102.0**	**97.0**	**63.5**	**101.0**	**155.1**	**120.5**	**123.0**	**100.0**	**138.4**	**131.1**
	growth in %	22.9	-4.9	-34.6	59.1	53.5	-22.3	2.1	-18.7	38.4	-5.3
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*	**63.5**	**41.7**	**28.2**	**133.5**	**360.1**	**110.5**	**96.5**	**100.0**	**.**	**.**
	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 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	2026 Q4 Forecast
Crude oil Brent	*USD/barrel*	**75.9**	**68.1**	**69.0**	**63.7**	**80.7**	**102.6**	**96.3**	**119.3**
	growth in %	-8.5	-19.6	-13.7	-14.7	6.4	50.8	39.5	87.4
Crude oil Brent index *(in CZK)*	*2025=100*	**119.0**	**98.4**	**95.2**	**87.4**	**110.4**	**141.1**	**133.4**	**168.8**
	growth in %	-5.5	-23.8	-21.1	-24.8	-7.2	43.3	40.0	93.2
Natural gas (Europe)	*USD/MMBtu*	**14.4**	**11.9**	**11.3**	**10.3**	**13.6**	**15.6**	**21.5**	**.**
	growth in %	64.6	18.4	-1.8	-24.4	-5.4	31.2	90.6	.
Natural gas (Europe) index *(in CZK)*	*2025=100*	**130.2**	**98.9**	**89.8**	**81.1**	**107.4**	**123.4**	**171.7**	**.**
	growth in %	70.0	12.3	-10.2	-33.2	-17.5	24.8	91.3	.

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

1.3 Fiscal Policy

For **2026**, we expect the **general government deficit** to widen to 2.8% of GDP *(previously 2.7% of GDP)* and the structural deficit to widen to 2.6% of GDP *(previously 2.5% of GDP)*. We forecast **total general government revenue** to grow by 3.8%, of which tax revenue including social security contributions growing only slightly more slowly.

Household consumption growth, supported by higher real earnings, is expected to raise **value added tax** revenue by 6.8%. Measures previously introduced under the consolidation package are supporting **excise duty** revenue. Conversely, revenue is being reduced by the full transfer of funding of the levy for supported energy sources from households and firms to the state budget and by repeated reductions in excise duty on diesel.

Growth in the wage and salary bill is expected to raise **personal income tax** revenue by 9.2% this year. Earnings also drive **social security contributions**, whose projected growth of 6.6% includes an expected increase of around CZK 7 billion in the payment for state-insured persons. Both sources of revenue should benefit from the introduction of a unified monthly employer report. Together with an amendment to the Employment Act introducing a legal concept of undeclared work, the report will make it easier to monitor compliance and collect taxes and social security contributions.

Corporate income tax revenue is expected to fall by 6.6%, primarily because the windfall tax has expired. The top-up tax on large multinational and domestic groups and the temporary levy on excess profits of refining companies will partly offset the effect. Other discretionary measures are expected to reduce revenue overall.

Revenue from **transfers** largely reflects the progress of projects co-financed from the EU budget under the 2021–2027 programming period. Funding from the Recovery and Resilience Facility also plays a substantial role and will cease to be drawn down this year.

Growth in **total general government expenditure** is expected to slow to 5.5% year on year. We also expect final consumption expenditure growth to slow further, driven by **compensation of employees** in the general government sector, which is projected to grow by 8.6%. Teachers received a pay rise in January 2026, and salary scales in other parts of the public sector were raised in April this year. The carry-over effect of the pay rise for armed forces personnel in July 2025 is adding to growth.

Social transfers in kind are expected to grow by just 2.5%. The year-on-year slowdown reflects a methodological change under which housing benefits, classified as social transfers in kind, were incorporated into the state social assistance benefit, classified as a social benefit in cash. Healthcare expenditure remains the main driver of growth. **Intermediate consumption** is projected to grow by 3.0%, considerably less than in 2025, owing to a high base, savings in public institutions' operating costs and the provisional budget at the start of this year.

Regarding **social benefits in cash**, we expect pension benefits to rise following the statutory January indexation formula. Changes to unemployment benefits and retraining allowances and an increase in the care allowance are also raising expenditure. We expect expenditure on the humanitarian allowance paid to people under temporary protection to fall year on year. The methodological change associated with the transition to the state social assistance benefit also affects this category. Total social benefits in cash, including state payments for state-insured persons, are expected to rise by 5.4%.

Subsidies are expected to rise by 8.3% and account for around 2.0% of GDP. We forecast a similar share of GDP for **current transfers**, whose growth is driven by contributions to the EU budget.

Investment in fixed assets is expected to grow by 5.3%, more slowly given the high base in 2025. A projected fall in investment co-financed from EU funds, including the effect of the National Recovery Plan coming to an end, is also contributing to slower year-on-year growth.

The **general government debt** ratio is expected to rise by 1.7 percentage points to 45.8% of GDP *(unchanged)* in 2026. As debt rises, **interest expenditure** is expected to increase by 14.3% and reach 1.4% of GDP.

For **2027**, we expect both the overall and structural general government deficits to widen to 3.5% of GDP. **General government revenue** is expected to grow by 3.7%, while its share of GDP is projected to decline. The main driver will be tax revenue including social security contributions, which is expected to grow by 5.8%.

The projected 5.9% increase in **personal income tax** revenue will mainly reflect growth in the economy-wide wage and salary bill. The electronic registration of sales will boost revenue, partly offset by accompanying tax relief measures. These include the reinstatement of the tax credit for students and the so-called nursery fee tax credit, changes to the tax treatment of employee benefits and the one-off tax relief in connection with the introduction of the sales reporting system.

Economy-wide earnings will also drive **social security contributions**, whose growth is expected to accelerate to 7.1%. As with personal income tax, we expect the electronic registration of sales to boost revenue, partly offset by changes to employee benefits. Health insurance contributions also depend on state payments for state-insured persons. An exceptional increase in those payments is expected to bring CZK 15–16 billion into the public health insurance system.

We expect **corporate income tax** revenue to rise by 6.2% after falling in 2026 following the expiry of the windfall tax. The additional effect of the top-up tax and the introduction of electronic registration of sales will contribute to growth.

Value added tax revenue is expected to rise by 5.5%, reflecting continued growth in nominal household consumption and a substantial boost from electronic registration of sales. This effect will be partly offset by a reduction to 12% in the VAT rate on non-alcoholic drinks supplied as part of catering services and by the removal of the cap on input tax deductions for selected passenger cars.

We expect growth in **excise duty** revenue to accelerate to 4.9%, owing to a lower base for mineral oil duty in 2026 and the remaining effects of the four-year schedule of duty increases on tobacco and related products. A planned tax on kratom is expected to raise additional revenue. **Gambling tax** revenue is expected to fall year on year as more people become subject to gambling exclusions. The abolition of **TV and radio licence fees** will further reduce general government revenue.

Among other revenue items, we expect **transfers** to decline in 2027 as the Recovery and Resilience Facility comes to an end.

General government expenditure is expected to grow by 5.6%, while declining slightly as a share of GDP.

Final consumption expenditure is projected to grow by 7.4%, mainly owing to higher **compensation of employees** in the general government sector. Growth in compensation will be similar to that in 2026 and will reflect the government-approved reform of public sector pay from 1 January 2027. The forecast also incorporates automatic pay indexation and the carry-over effects of public sector pay changes in 2026. Purchases of goods and services deferred to 2027 owing to the provisional budget at the start of this year, together with an expected rise in current expenditure on transport infrastructure and healthcare, account for the faster 6% growth in **intermediate consumption**. **Social transfers in kind** are expected to grow by 3.8%, reflecting healthcare spending. The carry-over effect of the gradual transition to the state social assistance benefit, classified as a social benefit in cash, will hold back growth.

As in 2026, the above-mentioned change to the social assistance system and the associated reclassification will boost growth in **social benefits in cash**. Pension benefits and their indexation remain the main driver. For 2027, the government exercised its option to raise the earnings-related part of pensions by 0.2% above the statutory minimum and plans a one-off allowance of CZK 2,000 to pensioners. We also expect higher public spending under family policy as the parental allowance increases for children born from 1 January 2027. The forecast assumes continued payment of the humanitarian allowance to people under temporary protection. Proposed changes to the parameters of unemployment benefits and retraining allowances should yield savings for the state budget. Taken together, these factors, including the exceptional increase in state payments for state-insured persons, are expected to raise social benefits in cash by 4.6%.

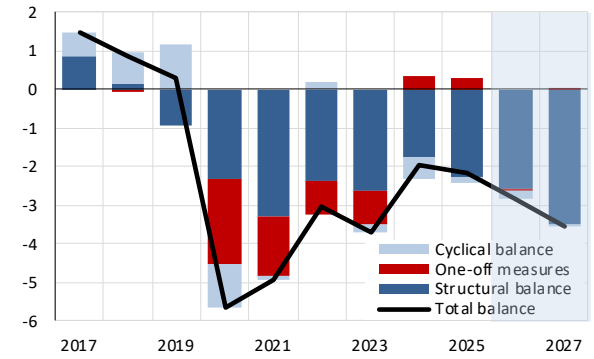
We expect **subsidies** to rise by 4.0%, leaving their share of GDP broadly stable at around 2.0%. Spending on regional public transport services and funding of the levy for supported energy sources are expected to account for two thirds of the total amount of subsidies.

Investment from national sources, primarily in transport infrastructure, defence and healthcare, is expected to partly offset a sharp fall in EU-funded investment following the end of the National Recovery Plan. Total **investment in fixed assets** is nevertheless expected to fall by 4.0%.

Persistent general government deficits will add to **debt**, which is expected to reach 47.4% of GDP in 2027. **Interest expenditure** will also increase and is likely to reach 1.5% of GDP.

Graph 1.3.1: General Government Balance

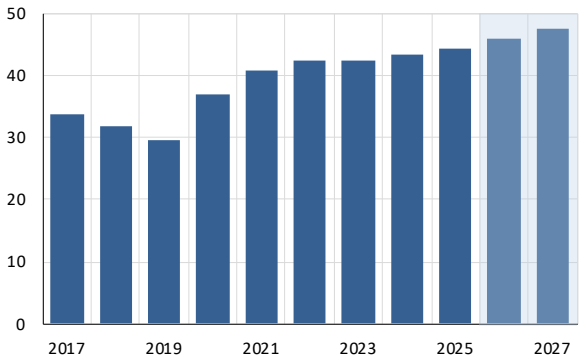
in % of GDP



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

		2020	2021	2022	2023	2024	2025	2026 Forecast	2027 Forecast	2028 Outlook	2029 Outlook
General government balance	*% GDP*	**-5.6**	**-5.0**	**-3.0**	**-3.7**	**-2.0**	**-2.2**	**-2.8**	**-3.5**	**-3.0**	**-2.9**
	bill. CZK	-329	-312	-214	-283	-159	-185	-255	-337	-300	-307
Cyclical balance	*% GDP*	**-1.1**	**-0.1**	**0.2**	**-0.2**	**-0.5**	**-0.2**	**-0.2**	**0.0**	**0.1**	**0.2**
Cyclically adjusted balance	*% GDP*	**-4.5**	**-4.8**	**-3.2**	**-3.5**	**-1.4**	**-2.0**	**-2.6**	**-3.5**	**-3.1**	**-3.1**
One-off measures [1)]	*% GDP*	**-2.2**	**-1.5**	**-0.9**	**-0.9**	**0.3**	**0.3**	**-0.1**	**0.0**	**0.0**	**0.0**
Structural balance	*% GDP*	**-2.3**	**-3.3**	**-2.3**	**-2.6**	**-1.8**	**-2.3**	**-2.6**	**-3.5**	**-3.1**	**-3.1**
Fiscal effort [2)]	*pp*	**-1.4**	**-1.0**	**1.0**	**-0.3**	**0.9**	**-0.5**	**-0.3**	**-0.9**	**0.4**	**0.1**
Interest expenditure	*% GDP*	**0.7**	**0.7**	**1.1**	**1.3**	**1.3**	**1.3**	**1.4**	**1.5**	**1.6**	**1.7**
Primary balance	*% GDP*	**-4.9**	**-4.2**	**-1.9**	**-2.4**	**-0.6**	**-0.9**	**-1.4**	**-2.0**	**-1.3**	**-1.2**
Cyclically adjusted primary balance	*% GDP*	**-3.8**	**-4.1**	**-2.1**	**-2.2**	**-0.1**	**-0.7**	**-1.2**	**-2.0**	**-1.5**	**-1.4**
General government debt	*% GDP*	**36.9**	**40.7**	**42.5**	**42.2**	**43.2**	**44.2**	**45.8**	**47.4**	**49.1**	**49.7**
	bill. CZK	2 150	2 567	2 998	3 234	3 489	3 787	4 105	4 519	4 925	5 243
Change in debt-to-GDP ratio	*pp*	**7.3**	**3.8**	**1.8**	**-0.3**	**1.0**	**0.9**	**1.7**	**1.6**	**1.7**	**0.6**

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

[2)] *Change in structural balance.*

Source: CZSO. Calculations and forecast of the MoF.

1.4 Monetary and Financial Conditions

The **CNB's two-week repo rate** averaged 3.75% in the third quarter of 2026, up 0.2 pp quarter on quarter and above the Czech National Bank's assumed long-run neutral rate of 3%. The restrictive policy stance reflects persistent domestic inflationary pressures, the external cost shock and the risk of second-round effects on consumer prices. The Bank Board assessed the risks and uncertainties to be inflationary, highlighting commodity price developments, and expects to discuss whether to hold or raise rates at its November meeting. The CNB's summer forecast was consistent with broadly stable short-term market rates over the following year, while markets expect several increases.

The **three-month PRIBOR**, a benchmark for lending rates to non-financial corporations, averaged 3.8% *(in line with the forecast)* in the third quarter of 2026, up 0.2 pp quarter on quarter. This reflected the CNB's rate increase and market expectations for the policy rate path. Three-month PRIBOR could average 3.7% *(unchanged)* this year and rise to 4.0% *(previously 3.8%)* in 2027.

The **yield to maturity on ten-year government bonds** averaged 5.0% *(vs. forecast of 4.8%)* in the third quarter of 2026, up 0.2 pp quarter on quarter. Global factors are contributing significantly to higher yields this year, particularly uncertainty over the economic and inflationary effects of rising energy and other commodity prices. This affects policy rate expectations and, above all, the premiums investors demand for holding long-term bonds. We expect these pressures to ease somewhat as tensions in the Middle East subside and oil and natural gas prices gradually fall (see Section 1.2). We therefore assume an average yield of 4.9% *(previously 4.7%)* in both 2026 and 2027.

In the third quarter, the average interest rate on new **mortgage loans to households** rose by 0.3 pp quarter on quarter to 5.1%, while the rate on consumer loans rose by 0.4 pp to 8.1%. Changes in mortgage rates feed through gradually to repayments as fixed-rate periods end or borrowers refinance. Pass-through is faster than in the past because most mortgages taken out in recent years have shorter fixed-rate periods, typically up to three years. The average rate on outstanding household loans rose by 0.1 pp quarter on quarter to 4.7%. Banks reported that rates were dampening demand for housing loans while still supporting demand for consumer and other loans. Credit standards were broadly unchanged after tightening in the second quarter. Housing loan demand fell, partly reflecting tighter criteria for investment mortgages, while demand for consumer loans continued to rise. New lending to households fell by 20% quarter on quarter (after rising by 16.3% in the second quarter).

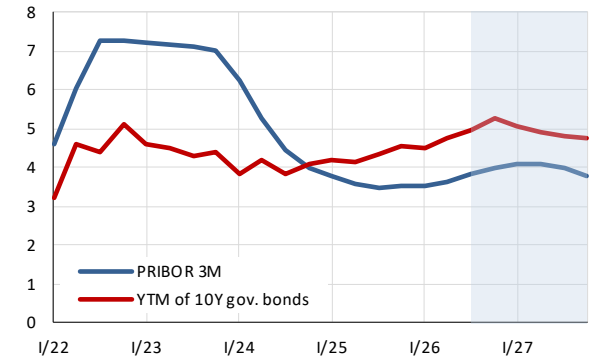
The average bank interest rate on new koruna-denominated **loans to non-financial corporations** rose by 0.2 pp quarter on quarter to 5.5% in the third quarter. The rate on euro-denominated loans rose by the same amount to 3.8%. Because a larger share of corporate loans carry variable rates, changes in market rates feed through relatively quickly to repayments on outstanding loans. The average rate on outstanding koruna-denominated loans to non-financial corporations rose by 0.2 pp quarter on quarter to 5.4%. Banks reported that interest rates continued to support corporate demand for loans. Credit standards were broadly unchanged after easing in the second quarter. Corporate demand was driven mainly by the need to finance working and fixed capital. The volume of new koruna-denominated loans rose by 0.3% quarter on quarter (after 6.6% in the second quarter), while new euro-denominated loans rose by 0.5% (after 15.9%). Foreign currency loans account for around half of outstanding loans to non-financial corporations on banks' balance sheets, which may weaken the direct pass-through of CNB rate changes to overall borrowing costs.

The **Czech koruna** averaged 24.2 CZK/EUR *(in line with the forecast)* in the third quarter of 2026, representing a 0.3% appreciation quarter on quarter. The koruna remained relatively resilient despite heightened geopolitical tensions. Prospects for stronger economic growth and a positive interest rate differential vis-à-vis the euro area should continue to support it. A de-escalation in the Middle East could also improve market sentiment. A narrowing interest rate differential, a sharper rise in global risk aversion or an associated appreciation of the US dollar against the euro could limit any appreciation of the koruna. Overall, we expect the koruna to remain stable over the forecast horizon, with a broadly neutral effect on the economy. The greatest risk to the koruna remains a more pronounced and prolonged deterioration in financial market sentiment, especially if strains emerge in global sovereign bond markets or armed conflicts escalate further. The koruna is expected to appreciate by 1.7% on average to 24.3 CZK/EUR *(unchanged)* in 2026 and by a further 0.2% to 24.2 CZK/EUR *(previously 24.1 CZK/EUR)* in 2027.

The projected **koruna exchange rate of the koruna against the US dollar** is based on the forecast CZK/EUR rate and the USD/EUR rate implied by futures contracts. We expect the USD/EUR rate to average 1.15 *(previously 1.16 and 1.17, respectively)* this year and next. The koruna could appreciate by 4.0% against the dollar to 21.1 CZK/USD this year and depreciate slightly by 0.3% in 2027.

Graph 1.4.1: Interest Rates

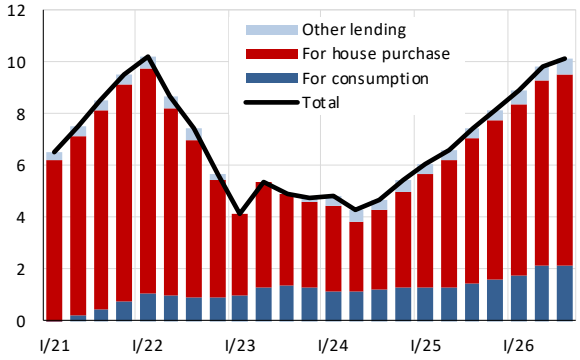
in % p.a.



Source: CNB. Calculations and forecast of the MoF.

Graph 1.4.2: Outstanding loans to Households

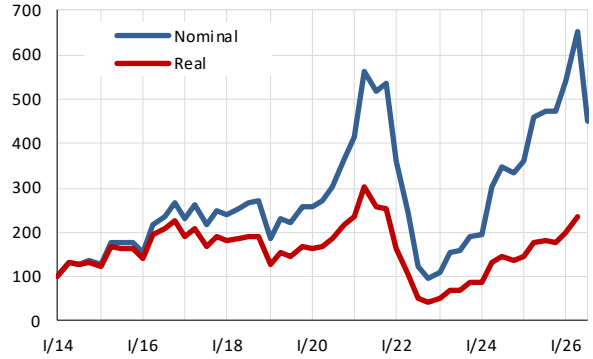
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.3: New Mortgage Loans to Households

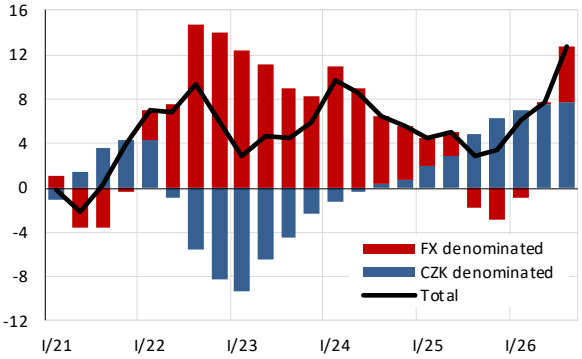
pure new lending, HPI deflated, Q1 2014 = 100



Source: CNB, CZSO. Calculations of the MoF.

Graph 1.4.4: Outstanding loans to NFC

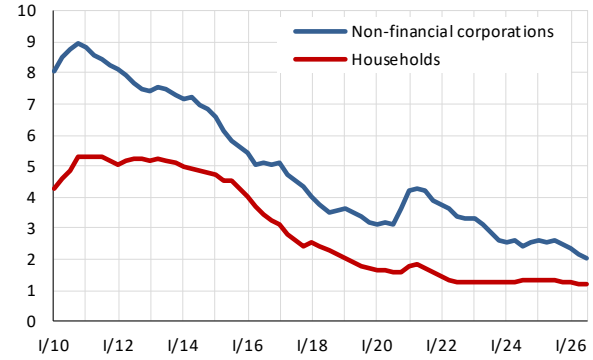
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.5: Non-performing Loans

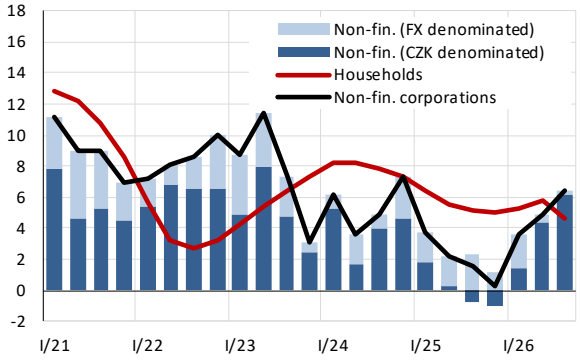
ratio of non-performing to total loans, in %



Source: CNB. Calculations of the MoF.

Graph 1.4.6: Outstanding deposits

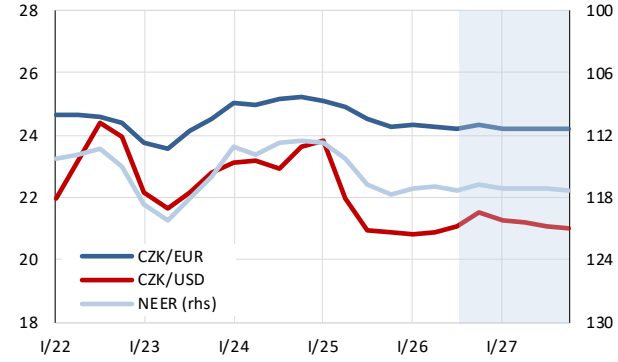
YoY growth rate in %, contributions in percentage points



Source: CNB. Calculations of the MoF.

Graph 1.4.7: Nominal Exchange Rates

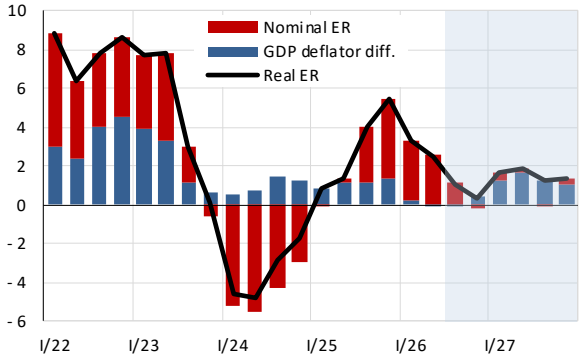
quarterly averages, NEER average for 2015=100 (rhs)



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 Forecast	2027 Forecast
Repo 2W rate CNB (*end of period*)	*in % p.a.*	1.75	2.00	0.25	3.75	7.00	6.75	4.00	3.50	.	.
Deposit facility ECB (*end of period*)	*in % p.a.*	-0.40	-0.50	-0.50	-0.50	2.00	4.00	3.00	2.00	.	.
Federal funds rate (*end of period*)	*in % p.a.*	2.50	1.75	0.25	0.25	4.50	5.50	4.50	3.75	.	.
PRIBOR 3M	*in % p.a.*	1.27	2.12	0.86	1.13	6.29	7.12	4.98	3.60	3.7	4.0
YTM of 10Y government bonds	*in % p.a.*	1.98	1.55	1.13	1.90	4.33	4.44	3.98	4.31	4.9	4.9
Client interest rates (outstanding volumes)											
Loans to households	*in % p.a.*	3.76	3.66	3.53	3.31	3.42	3.85	4.26	4.49	.	.
Loans to non-financial corporations	*in % p.a.*	3.05	3.75	2.96	2.86	6.42	7.39	6.31	5.26	.	.
Deposits of households	*in % p.a.*	0.33	0.39	0.35	0.26	1.13	2.10	1.94	1.60	.	.
Deposits of non-financial corporations	*in % p.a.*	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 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3	Q4 Forecast
Repo 2W rate CNB (*end of period*)	*in % p.a.*	3.75	3.50	3.50	3.50	3.50	3.75	3.75	.
Deposit facility ECB (*end of period*)	*in % p.a.*	2.50	2.00	2.00	2.00	2.00	2.25	2.50	.
Federal funds rate (*end of period*)	*in % p.a.*	4.50	4.50	4.25	3.75	3.75	3.75	4.00	.
PRIBOR 3M	*in % p.a.*	3.79	3.57	3.50	3.54	3.51	3.61	3.85	4.0
YTM of 10Y government bonds	*in % p.a.*	4.17	4.16	4.36	4.57	4.52	4.77	4.98	5.3
Client interest rates (outstanding volumes)									
Loans to households	*in % p.a.*	4.43	4.47	4.51	4.56	4.60	4.66	4.74	.
Loans to non-financial corporations	*in % p.a.*	5.42	5.28	5.17	5.17	5.16	5.20	5.38	.
Deposits of households	*in % p.a.*	1.66	1.59	1.54	1.60	1.63	1.68	1.75	.
Deposits of non-financial corporations	*in % p.a.*	1.72	1.65	1.56	1.52	1.56	1.68	1.81	.

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	*growth in %*	**7.2**	**7.8**	**7.6**	**6.6**	**6.3**	**8.0**	**8.0**	**4.8**	**4.8**	**7.1**
For consumption	*growth in %*	6.0	4.3	5.4	6.4	4.4	2.6	7.0	9.0	8.4	9.6
For house purchase	*growth in %*	8.1	9.0	8.5	7.4	7.3	9.5	8.5	4.5	4.1	6.8
Other lending	*growth in %*	3.0	4.2	4.3	1.1	0.9	4.2	4.5	0.3	5.3	4.9
CZK denominated	*growth in %*	7.2	7.7	7.6	6.6	6.3	8.0	7.9	4.7	4.8	7.1
FX denominated	*growth in %*	8.5	36.3	1.7	9.0	6.1	16.9	43.4	26.7	11.4	-6.5
Deposits	*growth in %*	**7.0**	**8.7**	**7.0**	**7.2**	**9.4**	**11.1**	**3.7**	**5.9**	**7.9**	**5.5**
CZK denominated	*growth in %*	6.9	9.7	7.1	6.9	9.2	10.9	3.2	5.2	8.3	5.6
FX denominated	*growth in %*	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)*	*share, in %*	**3.6**	**2.7**	**2.4**	**1.9**	**1.6**	**1.7**	**1.3**	**1.3**	**1.3**	**1.3**
Loans to deposits ratio	*in %*	**63**	**63**	**63**	**63**	**61**	**59**	**62**	**61**	**59**	**60**
Non-financial corporations											
Loans	*growth in %*	**6.6**	**5.0**	**4.2**	**4.3**	**3.2**	**0.5**	**7.2**	**4.5**	**7.5**	**4.0**
CZK denominated	*growth in %*	2.8	-1.4	3.0	1.9	-1.8	3.2	-4.0	-9.4	-0.2	8.3
FX denominated	*growth in %*	20.5	24.4	6.9	10.0	14.0	-4.6	29.6	25.1	15.9	-0.1
Deposits	*growth in %*	**4.6**	**7.8**	**3.0**	**4.2**	**9.5**	**9.0**	**8.5**	**7.5**	**5.5**	**1.9**
CZK denominated	*growth in %*	4.5	13.9	2.1	1.9	9.4	7.1	8.3	6.6	5.1	0.1
FX denominated	*growth in %*	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)*	*share, in %*	**5.2**	**4.7**	**3.7**	**3.4**	**3.3**	**4.2**	**3.5**	**3.0**	**2.5**	**2.6**
Loans to deposits ratio	*in %*	**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. Calculations of the MoF.

Table 1.4.4: Loans and Deposits – quarterly

		2024	2025				2026		
		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Households									
Loans	*growth in %*	**5.4**	**6.1**	**6.6**	**7.4**	**8.2**	**8.9**	**9.8**	**10.1**
For consumption	*growth in %*	9.1	9.2	8.9	9.8	10.5	11.7	14.0	14.3
For house purchase	*growth in %*	4.8	5.6	6.3	7.3	8.0	8.6	9.3	9.5
Other lending	*growth in %*	5.3	4.9	4.7	4.5	5.6	6.3	7.1	7.9
CZK denominated	*growth in %*	5.4	6.1	6.7	7.5	8.3	9.0	9.8	10.1
FX denominated	*growth in %*	7.6	0.8	-5.6	-10.6	-10.4	-8.5	8.5	28.6
Deposits	*growth in %*	**7.3**	**6.5**	**5.5**	**5.2**	**5.0**	**5.3**	**5.7**	**4.6**
CZK denominated	*growth in %*	7.8	6.8	5.7	5.1	4.8	5.2	5.7	4.7
FX denominated	*growth in %*	-2.1	0.2	1.9	5.9	7.8	6.9	6.6	2.9
Non-performing loans *(banking statistics)*	*share, in %*	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.2**	**1.2**	**1.2**
Loans to deposits ratio	*in %*	**60**	**59**	**60**	**61**	**62**	**61**	**62**	**64**
Non-financial corporations									
Loans	*growth in %*	**5.6**	**4.4**	**5.0**	**2.9**	**3.5**	**6.1**	**7.8**	**12.7**
CZK denominated	*growth in %*	1.4	4.0	6.1	10.0	13.2	14.7	15.5	15.1
FX denominated	*growth in %*	9.8	4.9	4.0	-3.6	-5.4	-1.8	0.5	10.1
Deposits	*growth in %*	**7.3**	**3.7**	**2.3**	**1.6**	**0.3**	**3.6**	**4.9**	**6.5**
CZK denominated	*growth in %*	6.2	2.5	0.4	-1.0	-1.3	1.9	5.9	8.5
FX denominated	*growth in %*	10.6	7.4	7.7	9.6	4.8	8.4	2.3	0.9
Non-performing loans *(banking statistics)*	*share, in %*	**2.5**	**2.6**	**2.6**	**2.6**	**2.5**	**2.4**	**2.2**	**2.0**
Loans to deposits ratio	*in %*	**90**	**91**	**92**	**93**	**93**	**93**	**95**	**98**

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

Table 1.4.5: Exchange Rates – annual

		2020	2021	2022	2023	2024	2025	2026 Forecast	2027 Forecast	2028 Outlook	2029 Outlook
Nominal exchange rates											
CZK/EUR	*average*	**26.44**	**25.65**	**24.57**	**24.01**	**25.12**	**24.69**	**24.3**	**24.2**	**24.1**	**23.8**
	appreciation in %	-2.9	3.1	4.4	2.3	-4.4	1.7	1.7	0.2	0.4	1.3
CZK/USD	*average*	**23.20**	**21.68**	**23.36**	**22.21**	**23.21**	**21.91**	**21.1**	**21.1**	**20.7**	**20.2**
	appreciation in %	-1.1	7.0	-7.2	5.2	-4.3	5.9	4.0	-0.3	2.0	2.8
NEER	*average of 2015=100*	**106.7**	**110.4**	**114.8**	**118.3**	**113.2**	**115.5**	**117**	**117**	**118**	**119**
	appreciation in %	-1.9	3.4	4.0	3.0	-4.3	2.0	1.3	0.1	0.6	1.4
Real exchange rate to EA [1)]	*average of 2015=100*	**110.8**	**116.5**	**125.7**	**131.5**	**127.0**	**130.6**	**133**	**135**	**136**	**138**
	appreciation in %	-0.4	5.1	7.9	4.6	-3.5	2.9	1.8	1.5	0.9	1.7
REER [2)]	*average of 2015=100*	**112.4**	**116.8**	**126.9**	**139.8**	**133.6**	**136.2**	**.**	**.**	**.**	**.**
	appreciation in %	0.8	3.9	8.7	10.2	-4.4	2.0	.	.	.	.

[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 Estimate	Q4 Forecast
Nominal exchange rates									
CZK/EUR	*average*	**25.08**	**24.92**	**24.50**	**24.27**	**24.33**	**24.30**	**24.23**	**24.3**
	appreciation in %	0.0	0.1	2.8	4.0	3.1	2.6	1.1	-0.2
CZK/USD	*average*	**23.84**	**21.99**	**20.97**	**20.87**	**20.79**	**20.90**	**21.05**	**21.5**
	appreciation in %	-3.2	5.4	9.4	13.3	14.7	5.2	-0.4	-3.0
NEER	*average of 2015=100*	**112.8**	**114.3**	**116.8**	**117.7**	**117.2**	**116.8**	**117.3**	**117**
	appreciation in %	-0.4	0.4	3.6	4.6	3.9	2.2	0.4	-0.9
Real exchange rate to EA [1)]	*average of 2015=100*	**128.2**	**129.7**	**131.9**	**132.8**	**132.5**	**132.8**	**133**	**133**
	appreciation in %	0.8	1.4	4.0	5.5	3.3	2.5	1.0	0.3
REER [2)]	*average of 2015=100*	**133.3**	**135.1**	**138.1**	**138.2**	**137.7**	**136.4**	**.**	**.**
	appreciation in %	-0.7	0.5	3.6	4.6	3.2	0.9	.	.

[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

The Czech population fell by 12,200 to 10.904 million in the first half of this year. The natural decrease of 21,100 outweighed net inward migration of 8,900.

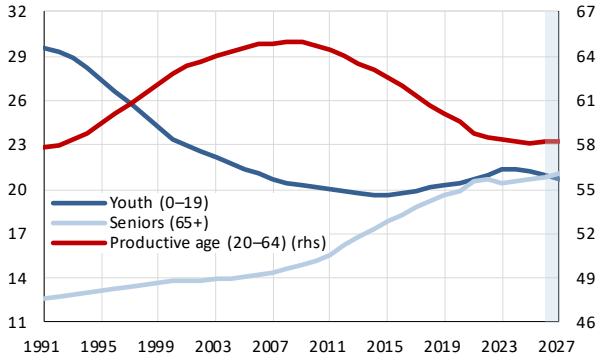
Births and deaths both fell year on year in the first half of 2026. There were 36,500 live **births**, down by 1,800, or 4.6%, compared with the same period in 2025. However, the year-on-year decline was smaller than in previous years, when births fell by 8–10%. There were 57,600 **deaths**, 0.6% fewer than a year earlier.

In the first half of 2026, **net international migration** was 8,900, with 53,900 people arriving and 45,000 leaving. Ukrainian nationals were the largest group among both arrivals and departures Filipino nationals recorded the largest net inflow (2,500), followed by Ukrainian (2,200) and Slovak nationals (1,800). Arrivals rose by 8,800 (19.5%) year on year, to nearly twice the average for the first-half of the year in 2017–2021. Departures rose by 1,200, or 2.8%, year on year.

At the end of June 2026, the Czech Social Security Administration recorded 2.334 million **old-age pensioners**, accounting for 21.4% of the Czech population. Their number fell by 12,300 (0.5%) year on year. The decline continued to reflect a fall of 18,100 (1.1%) in the number of people receiving full old-age pension. By contrast, the number of people receiving an early retirement pension rose by 5,800 (0.8%) year on year. Growth picked up slightly, possibly reflecting more new applications for early retirement pensions than a year earlier.

Graph 1.5.1: Age Groups

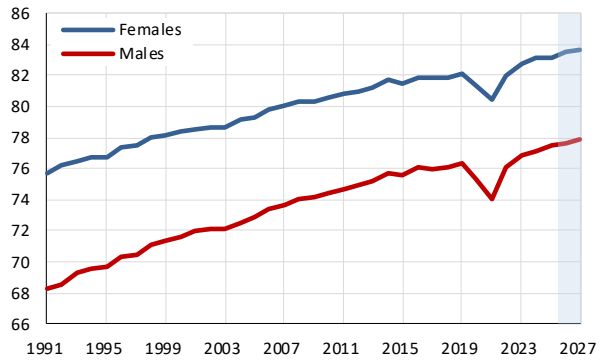
as of 1 January of the given year, shares in total population, in %



Source: CZSO. Calculations of the MoF.

Graph 1.5.2: Life Expectancy at Birth

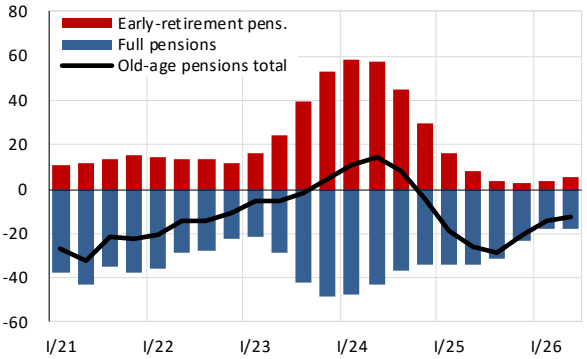
in years



Source: CZSO.

Graph 1.5.3: Old-Age Pensioners

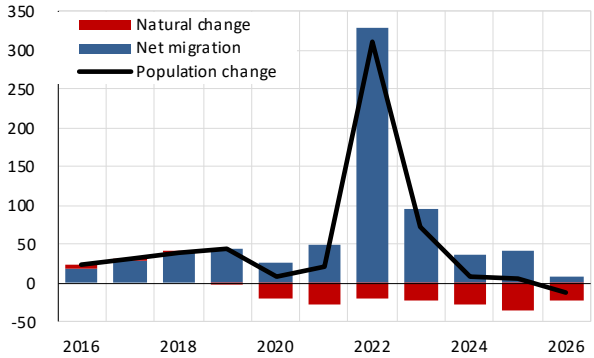
absolute increase over a year in thousands of persons



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

Graph 1.5.4: Population Change

in thousands of persons, for 2026 only first half



Source: CZSO.

Table 1.5.1: Demographics

		2020	2021	2022	2023	2024	2025	2026 Forecast	2027 Forecast	2028 Outlook	2029 Outlook
Population (as of 1 January)	*thous. persons*	**10 694**	**10 495**	**10 517**	**10 828**	**10 901**	**10 910**	**10 916**	**10 859**	**10 798**	**10 801**
	growth in %	0.4	-1.9	0.2	3.0	0.7	0.1	0.1	-0.5	-0.6	0.0
0–19 years	*thous. persons*	2 188	2 171	2 197	2 307	2 321	2 309	2 285	2 244	2 197	2 162
	growth in %	1.3	-0.8	1.2	5.0	0.6	-0.5	-1.1	-1.8	-2.1	-1.6
20–64 years	*thous. persons*	6 374	6 172	6 151	6 312	6 342	6 344	6 358	6 326	6 296	6 303
	growth in %	-0.4	-3.2	-0.3	2.6	0.5	0.0	0.2	-0.5	-0.5	0.1
65 and more years	*thous. persons*	2 132	2 152	2 169	2 208	2 237	2 256	2 273	2 289	2 305	2 337
	growth in %	2.2	0.9	0.8	1.8	1.3	0.8	0.7	0.7	0.7	1.4
Old-age pensioners (as of 1 January) [1]	*thous. persons*	**2 415**	**2 400**	**2 378**	**2 367**	**2 371**	**2 367**	**2 346**	**2 331**	**2 328**	**2 335**
	growth in %	0.2	-0.6	-0.9	-0.4	0.2	-0.2	-0.9	-0.6	-0.1	0.3
Old-age dependency ratios (as of 1 January)											
Demographic [2]	*%*	33.4	34.9	35.3	35.0	35.3	35.6	35.7	36.2	36.6	37.1
Under current legislation [3]	*%*	40.5	41.2	40.6	39.3	38.8	38.5	38.2	38.2	38.3	38.2
Effective [4]	*%*	45.0	45.9	44.7	44.2	43.6	43.3	42.3	41.5	41.4	41.5
Fertility rate	*children*	**1.707**	**1.827**	**1.618**	**1.453**	**1.368**	**1.282**	**1.50**	**1.50**	**1.50**	**1.50**
Population increase	*thous. persons*	**8**	**22**	**311**	**73**	**9**	**6**	**-57**	**-61**	**3**	**1**
Natural increase	*thous. persons*	**-19**	**-28**	**-19**	**-22**	**-28**	**-36**	**-26**	**-29**	**-32**	**-34**
Live births	*thous. persons*	110	112	101	91	84	78	88	86	85	85
Deaths	*thous. persons*	129	140	120	113	112	113	114	115	117	118
Net migration	*thous. persons*	**27**	**50**	**330**	**95**	**37**	**42**	**-31**	**-32**	**35**	**35**
Immigration	*thous. persons*	56	69	350	141	122	111	.	.	.	.
Emigration	*thous. persons*	29	19	20	47	85	69	.	.	.	.
Census difference	*thous. persons*	**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.

2 Economic Cycle

2.1 Position within the Economic Cycle

Following the decline in economic activity in previous years, Czech output remains below its estimated potential. The negative **output gap** narrowed considerably in 2025 and is expected to remain at the same level on average in 2026. We expect it to close in 2028 as economic growth picks up, with actual output almost reaching its potential level in the third quarter of 2027. The precise timing of the closure remains uncertain.

Potential output grew by 1.7% *(unchanged)* in 2025. Growth is expected to remain at 1.8% *(previously 1.7%)* in both 2026 and 2027. The composition of growth will change despite the stable headline rate. Labour will still make a sizeable contribution in 2026, but a stronger contribution from total factor productivity will largely take its place in 2027, while the capital stock will continue to contribute strongly. Sustaining potential growth will therefore rely more on productivity gains and investment.

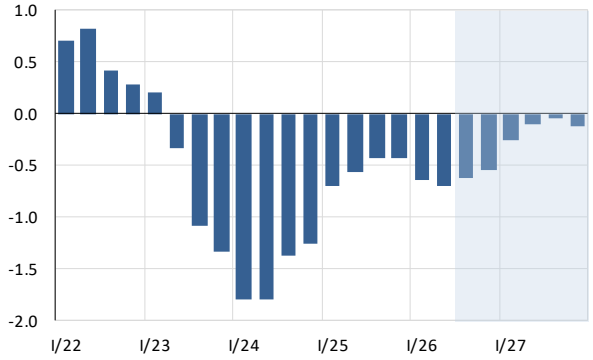
The trend component of **total factor productivity** has again contributed positively to potential growth since mid-2025. Its contribution could reach 0.4 pp *(previously 0.5 pp)* in 2026 and rise to 0.8 pp *(previously 0.9 pp)* in 2027. The forecast thus assumes a gradual recovery in trend productivity growth after the disruptions caused by the pandemic, supply disruptions and the energy crisis.

The **capital stock** will remain another significant source of potential growth. Its contribution could reach 0.6 pp *(unchanged)* in 2026 and is expected to rise to 0.8 pp *(previously 0.7 pp)* in 2027, reflecting a gradual increase in the capital stock as investment exceeds depreciation.

The contribution of **labour input** is expected to fall from 0.8 pp *(previously 0.6 pp)* in 2026 to 0.2 pp *(previously 0.1 pp)* in 2027. Growth in the population aged 15 and over, which in previous years largely reflected the arrival of refugees from Ukraine, will no longer support potential growth. The demographic component is expected to make a small negative contribution in 2027. The strongly positive contribution of the employment rate this year is expected to diminish in 2027, while the contribution of average hours worked will continue to be slightly positive. The ongoing rise in the statutory retirement age and longer participation by older people in the labour market will support labour supply.

Graph 2.1.1: Output Gap

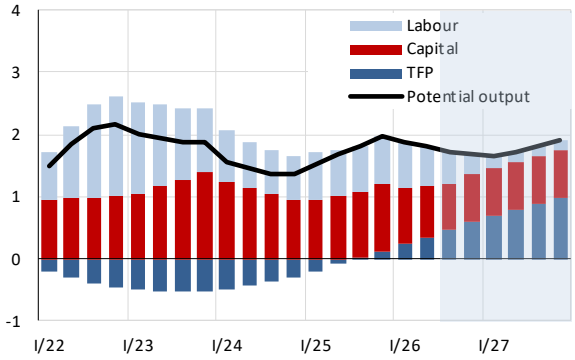
in % of potential product



Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.2: Potential Output

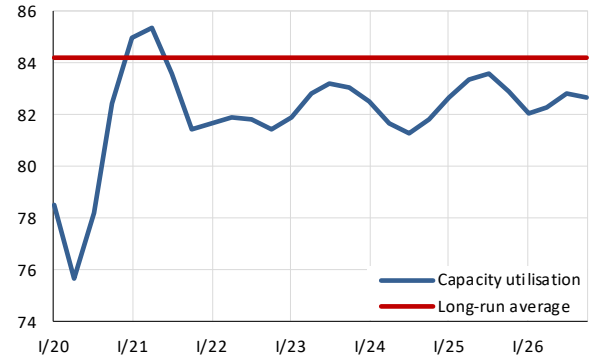
YoY growth rate in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 2.1.3: Capacity Utilisation in Industry

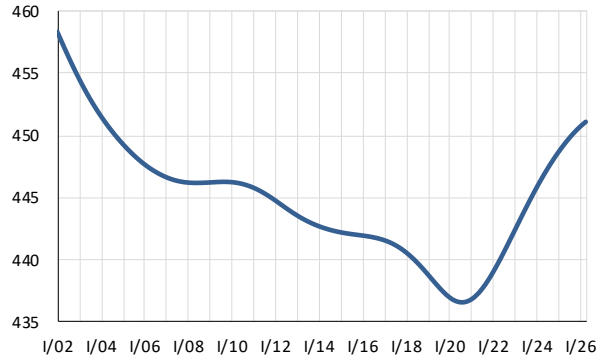
smoothed by centred moving average over 5 quarters, in %



Source: CZSO. Calculations of the MoF.

Graph 2.1.4: Average Number of Hours Worked

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



Source: CZSO. Calculations of the MoF.

Table 2.1.1: Output Gap and Potential Product

		2020	2021	2022	2023	2024	2025	2026 Forecast	2027 Forecast	2028 Outlook	2029 Outlook
Output gap	*%*	**-3.1**	**-0.4**	**0.6**	**-0.6**	**-1.5**	**-0.5**	**-0.6**	**-0.1**	**0.4**	**0.4**
Potential product	*growth in %*	**1.4**	**1.1**	**1.9**	**1.9**	**1.4**	**1.7**	**1.8**	**1.8**	**2.2**	**2.4**
Contributions											
Trend total factor productivity	*pp*	0.6	0.1	-0.3	-0.5	-0.4	0.0	0.4	0.8	1.2	1.3
Fixed assets	*pp*	1.5	0.6	1.3	1.1	1.2	0.9	0.6	0.8	0.9	0.9
Population 15+	*pp*	0.1	-0.1	1.1	0.8	0.3	0.2	0.0	-0.2	0.1	0.2
Employment rate	*pp*	-0.8	0.5	-0.6	0.2	-0.1	0.4	0.7	0.2	-0.1	0.0
Average hours worked	*pp*	0.0	0.0	0.5	0.4	0.4	0.2	0.1	0.1	0.1	0.0

Source: CZSO. Calculations and forecast of the MoF.

2.2 Business Cycle Indicators

Confidence indicators in the third quarter of 2026 pointed to continued year-on-year and quarter-on-quarter growth in gross value added in trade and services, construction and industry. They also signalled a slight slowdown in year-on-year growth in trade and services and in construction. The CZSO's preliminary estimate, however, showed a slight quarter-on-quarter decline in gross value added in both construction and manufacturing. The MoF composite indicator suggested that good exports rose year-on-year in the third quarter, supported by external demand. Higher prices and reduced availability of some production inputs held back export growth.

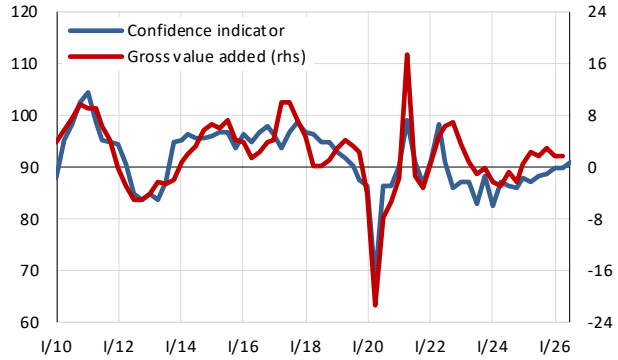
The CZSO **consumer confidence indicator** fell slightly for the third consecutive quarter. Together with the MoF consumer confidence indicator, it nevertheless pointed to continued year-on-year and quarter-on-quarter growth in household consumption. After improving in September, consumer confidence edged down again in October to 104.3 points. A larger share of households expected the overall economic situation to deteriorate over the next twelve months.

The **composite confidence indicator** for the third quarter was consistent with continued year-on-year and quarter-on-quarter growth in total gross value added. In October, however, it fell from 99.5 to 97.9 points, main-

ly owing to weaker industrial confidence. At the same time, the composite leading indicator suggests that the the output gap will narrow faster in the fourth quarter than projected in the baseline scenario. The baseline projects that the output gap will remain negative through the end of the forecast horizon in 2027 (see Section 2.1).

Graph 2.2.1: Confidence and GVA in Industry

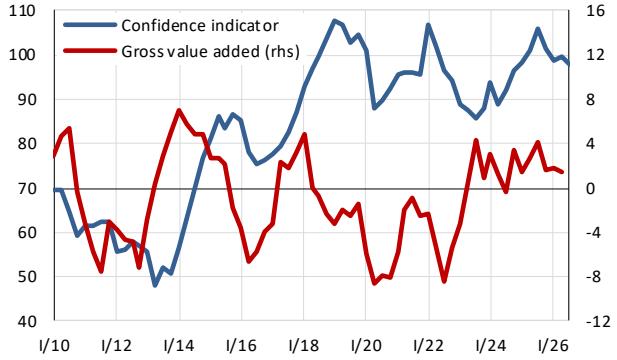
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.2: Confidence and GVA in Construction

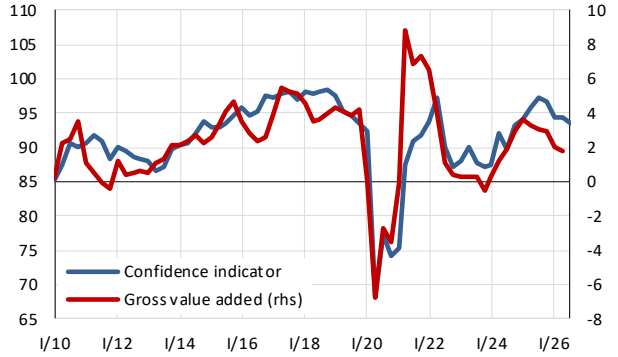
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO.

Graph 2.2.3: Confidence and GVA in Trade and Services

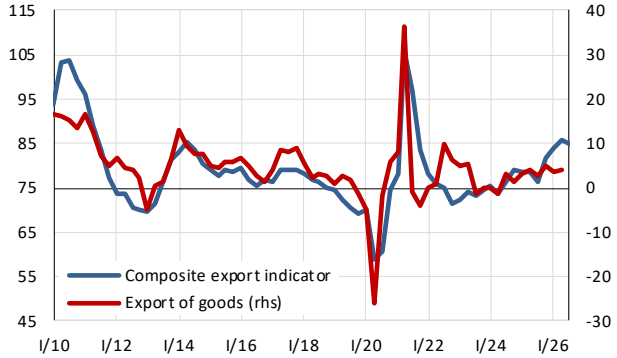
2005=100 (lhs), YoY growth in % (rhs)



Source: CZSO. Calculations of the MoF.

Graph 2.2.4: Composite Export Indicator

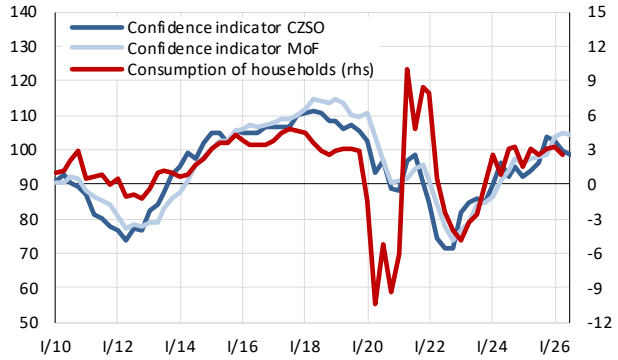
2010=100 (lhs), YoY growth in % (rhs)



Source: CESifo, CZSO. Calculations of the MoF.

Graph 2.2.5: Consumer Confidence and Consumption

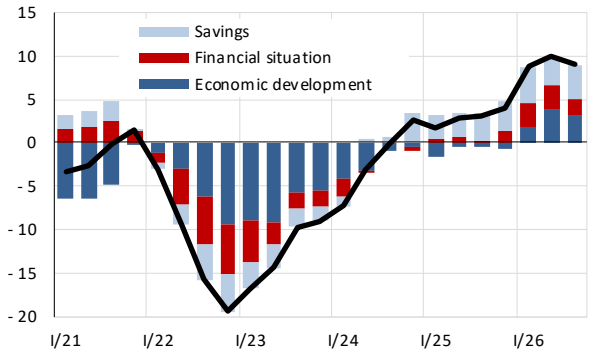
2005=100 (lhs), YoY growth in % (rhs)



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

Graph 2.2.6: Decomposition of Consumer Sentiment

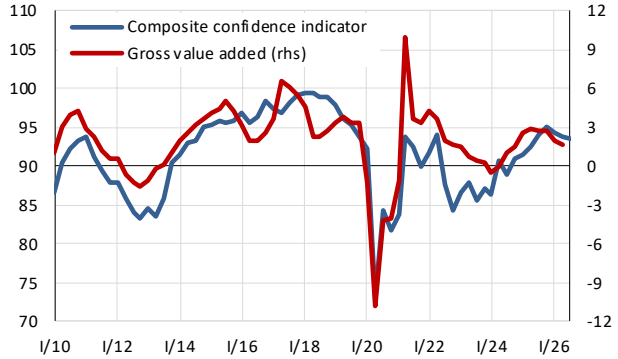
consumer confidence indicator of the MoF, adj. balance, contributions



Source: European Commission. Calculations of the MoF.

Graph 2.2.7: Composite Confidence Indicator and GVA

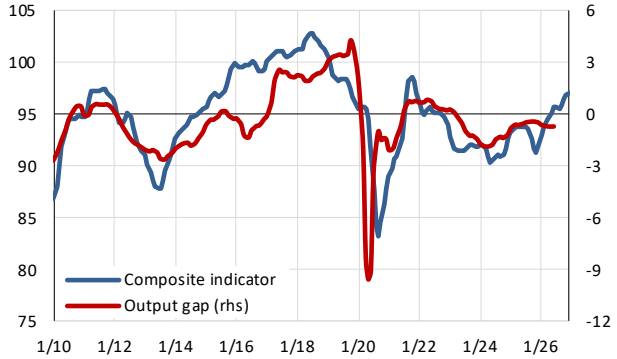
2005=100 (lhs), YoY growth in % (rhs)



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 continued to grow in the **second quarter of 2026**. **Real GDP**, adjusted for seasonal and calendar effects, rose by 0.3% quarter on quarter and by 1.8% year on year. Domestic demand accounted for all year-on-year growth, mainly through household consumption and gross fixed capital formation. Changes in inventories and the foreign trade balance made negative contributions. Industry and the group comprising trade, transport, accommodation and food service activities made the largest contributions to gross value added growth. Information and communication and financial and insurance activities also performed well.

Household consumption rose by 2.7% *(vs. estimate of 2.5%)* year on year, supported by a 3.1% increase in real disposable income. The saving rate rose by 0.2 pp year on year to 18.0%, a very high level by historical and international standards. Spending on goods increased by 3.2%, with growth in spending on durable goods picking up sharply to 6.8%. Spending on services rose by just 1.9%, which may reflect continued strong growth in services prices. Residents' real consumption expenditure abroad rose by 1.8% year on year.

General government consumption increased by 1.4% *(vs. estimate of 1.8%)* year on year. Local government institutions, particularly budgetary organisations and public hospitals, were the main drivers. In central government, the increase was most apparent in budgetary organisations and public universities, while the Railway Administration and the Road and Motorway Directorate weighed on consumption.

Gross fixed capital formation rose by 6.4% *(vs. estimate of 5.8%)* year on year. Investment in transport equipment grew fastest, rising by 15.9%. Investment in other buildings and structures and in dwellings also rose substantially, by 12.8% and 11.1%, respectively. Combined expenditure on ICT, other machinery and equipment, and weapons systems fell by 3.3%. Investment in intellectual property products rose by 1.3%. At current prices, investment increased in general government, households and non-financial corporations.

Changes in inventories and valuables subtracted 1.3 pp from year-on-year GDP growth. Inventories increased in the second quarter, but the build-up was considerably smaller than in the same period a year earlier. Slower stockbuilding may reflect supply chain disruptions and greater use of existing stocks of materials and raw inputs as production and investment continued to grow.

The **foreign trade** balance contributed −0.1 pp *(vs. estimate of 0.4 pp)* to year-on-year GDP growth. Exports of goods and services rose by 3.4% in real terms, while imports increased by 3.9%. Trade in goods accounted for most of the increase on both sides, with services exports rising only slightly and services imports flat. By product, machinery and transport equipment made the largest contribution to growth in goods exports at current prices, with export prices for these products little changed year on year. By destination, the increase came from sales to EU markets. The value of machinery and transport equipment imports rose markedly despite a slight fall in import prices, in line with strong domestic investment demand. The increase in the value of mineral fuel imports mainly reflected higher prices.

According to the preliminary estimate, seasonally adjusted GDP rose by 0.5% *(in line with the forecast)* quarter on quarter in the **third quarter of 2026**, mainly owing to household consumption and foreign trade. Economic activity is expected to continue growing towards the end of the year.

Real GDP could grow by 1.7% *(previously 1.9%)* **this year**. Domestic demand will continue to account for all growth, although higher energy prices and uncertainty surrounding the conflict in the Middle East will weigh on it. Continued growth in real incomes will support household consumption, and fixed investment will also rise significantly. Stronger domestic demand will push up imports. Exports will benefit from growing external demand, though trade barriers and supply chain disruptions will limit export growth. Foreign trade will therefore continue to subtract from GDP growth. The rundown in inventories will also weigh substantially on growth.

In **2027**, economic growth could pick up to **2.5%** *(previously 2.4%)*. Household consumption will grow at a similar pace to this year, and general government consumption growth will accelerate. Fixed investment growth will slow. The main driver of the pick-up in GDP growth will be the return to a positive contribution from inventories. Inventories will still fall, but at a slower pace.

Relatively strong growth in real incomes should support **household final consumption expenditure** throughout the forecast horizon. A change in the national accounts treatment of housing benefits will also raise measured growth in household consumption by shifting some expenditure from general government to households. Greater economic uncertainty and volatility in energy commodity prices are likely to make households more cautious about spending, as suggested by the slight decline in consumer confidence and broadly unchanged retail sales growth. The saving rate could consequently remain at last year's level this year and edge down only

in 2027, while remaining well above its long-run average. Real household consumption could grow by 2.8% *(previously 2.7%)* this year and by 2.7% *(previously 2.6%)* next year.

This year, **general government consumption** is affected by the provisional budget in the first quarter, changes in the composition of state budget expenditure, including the reclassification of some social benefits, slower growth in general government employment and the end of the National Recovery Plan. Real general government consumption expenditure could therefore rise by 1.6% *(previously 1.7%)*. We expect growth to accelerate to 2.3% *(unchanged)* next year, mainly owing to higher spending on infrastructure, healthcare and defence.

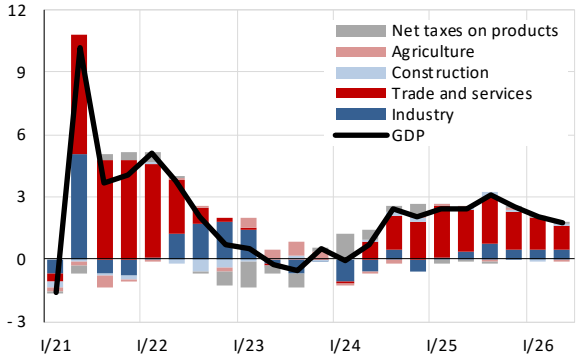
Gross fixed capital formation could rise by 5.4% *(previously 4.7%)* in 2026. Investment will benefit from the implementation of previously deferred projects, residential construction, spending on transport equipment and public infrastructure investment. The completion of projects financed by the Recovery and Resilience Facility will also make a substantial contribution. Greater uncertainty, higher energy costs and continued restrictive financial conditions will hold back investment. We expect fixed investment growth to slow to 2.5% *(previously 2.7%)* in 2027, mainly as funding from the Recovery and Resilience Facility ends. Growth in domestic and external demand and the need to replace and modernise production capacity will continue to support investment demand.

The contribution of **changes in inventories** to GDP growth is expected to be −1.1 pp *(previously −0.7 pp)* in 2026. Supply shortfalls and longer lead times associated with the conflict in the Middle East may prompt firms to draw down inventories. Higher production and investment may also lead firms to use more of their stocks of materials and raw inputs. Next year, we assume these constraints will gradually ease and inventories will decline more slowly. Their contribution to GDP growth is therefore expected to turn positive, at 0.3 pp *(unchanged)*.

The **foreign trade balance** is expected to subtract 0.3 pp *(unchanged)* from GDP growth this year. Exports of goods and services could rise by 3.0%. External demand, particularly for industrial goods, will support exports, though trade barriers and supply constraints for some production inputs will limit the effect. Imports are expected to rise by 3.8%, primarily reflecting higher consumption and import-intensive investment. In 2027, we expect export growth to pick up to 3.5% as conditions improve in major trading partners and constraints on international trade gradually ease. Continued growth in domestic demand and stronger export activity will also support imports, which could rise by 4.2%. The contribution of net exports to GDP growth is expected to remain negative at −0.3 pp *(previously −0.4 pp)*.

Graph 3.1.1: Resources of Gross Domestic Product

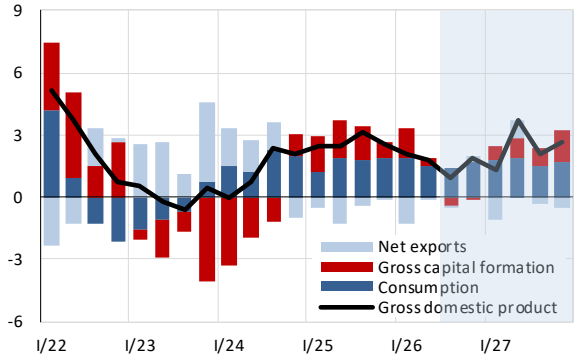
YoY growth rate of real GDP in %, contributions in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.1.2: GDP by Type of Expenditure

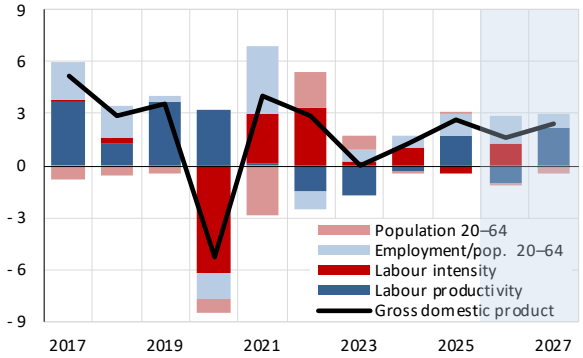
YoY growth rate of real GDP in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.3: Real Gross Domestic Product

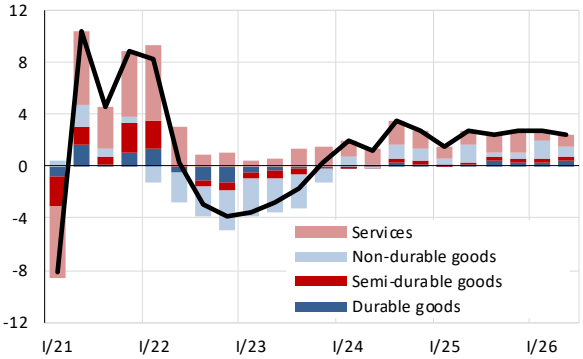
growth in %, contributions in percentage points



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

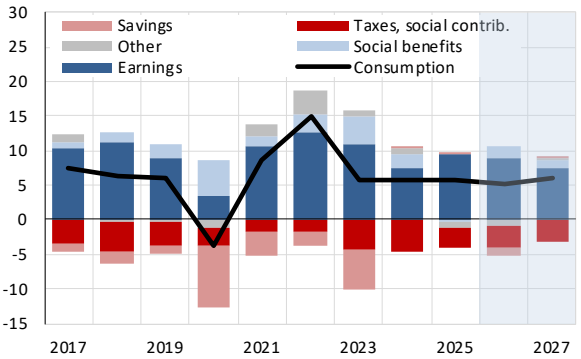
domestic concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.5: Nominal Consumption of Households

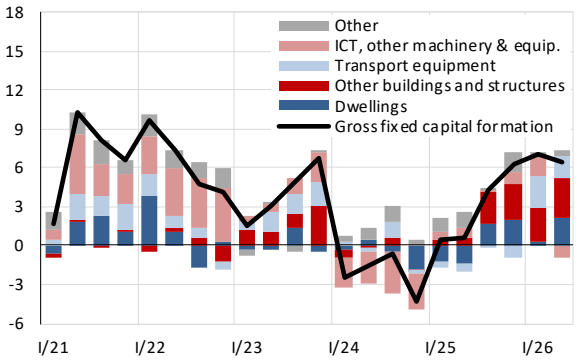
national concept, YoY growth rate in %, contributions in pp



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.1.6: Investment by Type of Expenditure

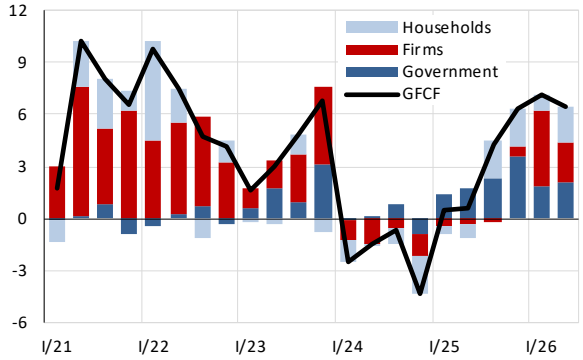
YoY growth rate of real GFCF in %, contributions in pp



Source: CZSO. Calculations of the MoF.

Graph 3.1.7: Investment by Sector

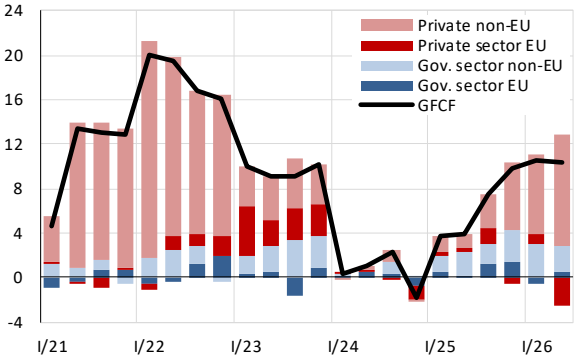
YoY growth rate of real GFCF in %, contributions in percentage points



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
								Forecast	*Forecast*	*Outlook*	*Outlook*
Gross domestic product	*bill. CZK 2020*	**5 828**	**6 063**	**6 236**	**6 239**	**6 321**	**6 487**	**6 594**	**6 756**	**6 924**	**7 091**
	growth in %	-5.3	4.0	2.8	0.0	1.3	2.6	1.7	2.5	2.5	2.4
	growth in % [1]	-5.3	4.0	2.9	0.2	1.1	2.7	1.7	2.3	2.7	2.4
Private consumption expenditure [2]	*bill. CZK 2020*	**2 745**	**2 859**	**2 874**	**2 800**	**2 867**	**2 944**	**3 027**	**3 107**	**3 182**	**3 252**
	growth in %	-6.4	4.2	0.5	-2.6	2.4	2.7	2.8	2.7	2.4	2.2
Government consumption exp.	*bill. CZK 2020*	**1 250**	**1 268**	**1 273**	**1 313**	**1 354**	**1 384**	**1 406**	**1 438**	**1 468**	**1 497**
	growth in %	4.1	1.5	0.4	3.2	3.1	2.2	1.6	2.3	2.1	2.0
Gross capital formation	*bill. CZK 2020*	**1 441**	**1 708**	**1 881**	**1 767**	**1 685**	**1 782**	**1 802**	**1 869**	**1 939**	**2 016**
	growth in %	-9.3	18.5	10.2	-6.1	-4.7	5.7	1.1	3.7	3.8	4.0
Gross fixed capital formation	*bill. CZK 2020*	1 488	1 589	1 689	1 760	1 719	1 773	1 868	1 914	1 971	2 049
	growth in %	-4.8	6.7	6.3	4.2	-2.3	3.1	5.4	2.5	3.0	4.0
Change in stocks and valuables	*bill. CZK 2020*	-47	119	192	7	-34	9	-66	-45	-32	-33
Exports of goods and services	*bill. CZK 2020*	**3 949**	**4 271**	**4 491**	**4 597**	**4 697**	**4 848**	**4 995**	**5 169**	**5 416**	**5 607**
	growth in %	-8.5	8.2	5.1	2.3	2.2	3.2	3.0	3.5	4.8	3.5
Imports of goods and services	*bill. CZK 2020*	**3 556**	**4 043**	**4 284**	**4 232**	**4 273**	**4 464**	**4 634**	**4 829**	**5 086**	**5 288**
	growth in %	-8.4	13.7	5.9	-1.2	1.0	4.5	3.8	4.2	5.3	4.0
Gross domestic expenditure	*bill. CZK 2020*	**5 435**	**5 835**	**6 028**	**5 875**	**5 902**	**6 105**	**6 231**	**6 410**	**6 585**	**6 761**
	growth in %	-5.0	7.3	3.3	-2.5	0.5	3.4	2.1	2.9	2.7	2.7
Real gross domestic income	*bill. CZK 2020*	**5 828**	**6 060**	**6 077**	**6 203**	**6 328**	**6 521**	**6 596**	**6 768**	**6 941**	**7 051**
	growth in %	-4.2	4.0	0.3	2.1	2.0	3.0	1.2	2.6	2.6	1.6
Contributions to GDP growth [4]											
Gross domestic expenditure	*pp*	**-4.7**	**6.9**	**3.2**	**-2.5**	**0.4**	**3.2**	**1.9**	**2.7**	**2.6**	**2.6**
Consumption	*pp*	**-2.3**	**2.3**	**0.3**	**-0.6**	**1.8**	**1.7**	**1.6**	**1.7**	**1.6**	**1.5**
Household expenditure	*pp*	-3.1	2.0	0.3	-1.3	1.1	1.3	1.3	1.3	1.2	1.0
Government expenditure	*pp*	0.8	0.3	0.1	0.6	0.6	0.4	0.3	0.5	0.4	0.4
Gross capital formation	*pp*	**-2.4**	**4.6**	**2.9**	**-1.9**	**-1.3**	**1.5**	**0.3**	**1.0**	**1.0**	**1.1**
Gross fixed capital formation	*pp*	-1.2	1.7	1.7	1.2	-0.6	0.8	1.4	0.7	0.8	1.1
Change in stocks	*pp*	-1.2	2.8	1.2	-3.0	-0.7	0.7	-1.1	0.3	0.2	0.0
Foreign balance	*pp*	**-0.6**	**-2.8**	**-0.3**	**2.6**	**0.9**	**-0.6**	**-0.3**	**-0.3**	**-0.1**	**-0.1**
External balance of goods	*pp*	-0.4	-3.0	0.5	2.5	0.6	-0.5	-0.2	-0.4	-0.2	-0.2
External balance of services	*pp*	-0.2	0.1	-0.9	0.0	0.3	0.0	-0.1	0.2	0.1	0.0
Gross value added	*bill. CZK 2020*	**5 315**	**5 524**	**5 685**	**5 717**	**5 755**	**5 912**	**.**	**.**	**.**	**.**
	growth in %	-5.1	3.9	2.9	0.6	0.7	2.7	.	.	.	.
Net taxes and subsidies on products	*bill. CZK 2020*	**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
								Estimate	*Forecast*
Gross domestic product	*bill. CZK 2020*	**1 511**	**1 633**	**1 666**	**1 678**	**1 542**	**1 662**	**1 682**	**1 709**
	growth in %	2.5	2.4	3.1	2.5	2.1	1.8	1.0	1.9
	growth in % [1]	2.5	2.8	2.8	2.8	2.1	1.8	1.6	1.5
	QoQ in % [1]	0.8	0.6	0.7	0.7	0.1	0.3	0.5	0.6
Private consumption expenditure [2]	*bill. CZK 2020*	**693**	**739**	**746**	**766**	**717**	**759**	**764**	**786**
	growth in %	1.8	3.1	2.6	3.1	3.4	2.7	2.5	2.7
Government consumption exp.	*bill. CZK 2020*	**324**	**338**	**339**	**383**	**328**	**343**	**344**	**390**
	growth in %	2.1	2.2	2.6	1.9	1.3	1.4	1.6	1.9
Gross capital formation	*bill. CZK 2020*	**364**	**460**	**510**	**448**	**386**	**467**	**503**	**446**
	growth in %	7.4	7.0	6.0	3.0	6.2	1.4	-1.3	-0.5
Gross fixed capital formation	*bill. CZK 2020*	368	432	463	509	395	459	483	532
	growth in %	0.5	0.6	4.3	6.3	7.1	6.4	4.1	4.4
Change in stocks and valuables	*bill. CZK 2020*	-5	28	46	-61	-8	7	20	-86
Exports of goods and services	*bill. CZK 2020*	**1 200**	**1 220**	**1 184**	**1 244**	**1 237**	**1 260**	**1 205**	**1 293**
	growth in %	3.7	2.8	3.3	3.1	3.1	3.4	1.8	3.9
Imports of goods and services	*bill. CZK 2020*	**1 067**	**1 123**	**1 113**	**1 161**	**1 125**	**1 167**	**1 136**	**1 205**
	growth in %	5.0	5.2	4.1	3.6	5.4	3.9	2.1	3.8
Gross domestic expenditure	*bill. CZK 2020*	**1 381**	**1 537**	**1 593**	**1 594**	**1 432**	**1 568**	**1 610**	**1 620**
	growth in %	3.2	4.0	3.6	2.8	3.7	2.1	1.1	1.6
Real gross domestic income	*bill. CZK 2020*	**1 512**	**1 644**	**1 679**	**1 686**	**1 552**	**1 659**	**1 682**	**1 703**
	growth in %	2.8	2.7	3.6	3.1	2.6	0.9	0.2	1.1
Gross value added	*bill. CZK 2020*	**1 389**	**1 488**	**1 518**	**1 517**	**1 416**	**1 512**	**.**	**.**
	growth in %	2.6	2.6	3.1	2.5	1.9	1.7	.	.
	growth in % [1]	2.7	2.9	2.8	2.8	2.0	1.7	.	.
	QoQ in % [1]	1.0	0.6	0.7	0.5	0.1	0.3	.	.
Net taxes and subsidies on products	*bill. CZK 2020*	**122**	**145**	**148**	**162**	**124**	**147**	**.**	**.**

[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 Forecast	2027 Forecast	2028 Outlook	2029 Outlook
Gross domestic product	*bill. CZK*	**5 828**	**6 308**	**7 050**	**7 660**	**8 069**	**8 573**	**8 957**	**9 527**	**10 029**	**10 541**
	growth in %	-1.0	8.2	11.8	8.6	5.3	6.2	4.5	6.4	5.3	5.1
Private consumption expenditure [1)]	*bill. CZK*	**2 745**	**2 980**	**3 424**	**3 621**	**3 829**	**4 050**	**4 271**	**4 532**	**4 756**	**4 975**
	growth in %	-3.6	8.6	14.9	5.8	5.8	5.8	5.5	6.1	4.9	4.6
Government consumption exp.	*bill. CZK*	**1 250**	**1 319**	**1 381**	**1 501**	**1 607**	**1 713**	**1 819**	**1 953**	**2 063**	**2 169**
	growth in %	9.5	5.5	4.8	8.6	7.1	6.6	6.2	7.4	5.6	5.2
Gross capital formation	*bill. CZK*	**1 441**	**1 774**	**2 188**	**2 161**	**2 118**	**2 313**	**2 430**	**2 611**	**2 778**	**2 955**
	growth in %	-6.5	23.1	23.3	-1.2	-2.0	9.2	5.1	7.4	6.4	6.4
Gross fixed capital formation	*bill. CZK*	1 488	1 655	1 952	2 140	2 148	2 287	2 497	2 645	2 791	2 969
	growth in %	-1.9	11.2	17.9	9.6	0.4	6.5	9.2	5.9	5.5	6.4
Change in stocks and valuables	*bill. CZK*	-47	119	236	21	-30	26	-67	-34	-14	-14
External balance	*bill. CZK*	**393**	**235**	**57**	**376**	**515**	**498**	**436**	**432**	**432**	**441**
Exports of goods and services	*bill. CZK*	3 949	4 450	5 105	5 239	5 580	5 729	5 998	6 364	6 777	7 086
	growth in %	-7.0	12.7	14.7	2.6	6.5	2.7	4.7	6.1	6.5	4.5
Imports of goods and services	*bill. CZK*	3 556	4 215	5 048	4 863	5 065	5 231	5 561	5 933	6 345	6 644
	growth in %	-8.5	18.5	19.7	-3.7	4.1	3.3	6.3	6.7	7.0	4.7
Gross national income	*bill. CZK*	**5 528**	**6 123**	**6 779**	**7 401**	**7 848**	**8 354**	**8 861**	**9 424**	**9 921**	**10 430**
	growth in %	0.0	10.8	10.7	9.2	6.0	6.4	6.1	6.4	5.3	5.1
Primary income balance	*bill. CZK*	**-301**	**-185**	**-270**	**-258**	**-221**	**-219**	**-96**	**-103**	**-108**	**-111**

[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 Estimate	Q4 Forecast
Gross domestic product	*bill. CZK*	**1 964**	**2 154**	**2 202**	**2 254**	**2 062**	**2 249**	**2 280**	**2 366**
	growth in %	5.6	6.1	6.7	6.5	5.0	4.4	3.6	5.0
Private consumption expenditure [1]	*bill. CZK*	**952**	**1 021**	**1 026**	**1 052**	**1 007**	**1 073**	**1 077**	**1 114**
	growth in %	5.2	6.4	5.8	5.6	5.8	5.2	5.0	5.9
Government consumption exp.	*bill. CZK*	**379**	**411**	**417**	**505**	**397**	**440**	**442**	**540**
	growth in %	4.5	6.9	6.7	7.8	4.7	7.0	6.0	6.9
Gross capital formation	*bill. CZK*	**471**	**592**	**659**	**591**	**514**	**626**	**678**	**612**
	growth in %	9.4	10.9	8.9	7.8	9.2	5.8	2.9	3.6
Gross fixed capital formation	*bill. CZK*	473	554	598	662	523	611	646	716
	growth in %	3.7	3.9	7.5	9.9	10.5	10.3	8.1	8.2
Change in stocks and valuables	*bill. CZK*	-3	39	61	-71	-9	16	31	-105
External balance	*bill. CZK*	**162**	**130**	**100**	**106**	**144**	**109**	**83**	**100**
Exports of goods and services	*bill. CZK*	1 445	1 451	1 389	1 443	1 449	1 513	1 462	1 574
	growth in %	6.6	3.0	1.5	-0.2	0.2	4.3	5.2	9.1
Imports of goods and services	*bill. CZK*	1 283	1 321	1 289	1 337	1 305	1 404	1 379	1 474
	growth in %	7.5	5.1	1.6	-0.5	1.7	6.3	6.9	10.3

[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 Forecast	2027 Forecast	2028 Outlook	2029 Outlook
GDP	*bill. CZK*	**5 828**	**6 308**	**7 050**	**7 660**	**8 069**	**8 573**	**8 957**	**9 527**	**10 029**	**10 541**
	growth in %	-1.0	8.2	11.8	8.6	5.3	6.2	4.5	6.4	5.3	5.1
Balance of taxes and subsidies	*bill. CZK*	**449**	**478**	**592**	**579**	**678**	**707**	**705**	**732**	**769**	**804**
	% of GDP	7.7	7.6	8.4	7.6	8.4	8.2	7.9	7.7	7.7	7.6
	growth in %	-16.0	6.5	23.8	-2.1	17.0	4.2	-0.3	3.8	5.1	4.6
Taxes on production and imports	*bill. CZK*	660	716	780	817	869	910	.	.	.	.
	growth in %	-5.3	8.5	9.0	4.7	6.4	4.7	.	.	.	.
Subsidies on production	*bill. CZK*	211	238	189	238	191	203	.	.	.	.
	growth in %	30.3	12.6	-20.5	25.8	-19.6	6.3	.	.	.	.
Compensation of employees	*bill. CZK*	**2 624**	**2 813**	**3 031**	**3 287**	**3 492**	**3 737**	**4 018**	**4 282**	**4 508**	**4 725**
(domestic concept)	*% of GDP*	45.0	44.6	43.0	42.9	43.3	43.6	44.9	44.9	45.0	44.8
	growth in %	1.7	7.2	7.7	8.4	6.2	7.0	7.5	6.6	5.3	4.8
Wages and salaries	*bill. CZK*	1 988	2 132	2 326	2 531	2 686	2 882	3 095	3 300	3 474	3 641
	growth in %	0.4	7.2	9.1	8.8	6.1	7.3	7.4	6.6	5.3	4.8
Social security contributions	*bill. CZK*	636	682	706	756	806	855	923	982	1 034	1 084
	growth in %	6.2	7.1	3.5	7.1	6.7	6.1	7.9	6.4	5.3	4.8
Gross operating surplus	*bill. CZK*	**2 756**	**3 016**	**3 427**	**3 794**	**3 900**	**4 130**	**4 234**	**4 514**	**4 752**	**5 012**
and mixed income	*% of GDP*	47.3	47.8	48.6	49.5	48.3	48.2	47.3	47.4	47.4	47.5
	growth in %	-0.7	9.5	13.6	10.7	2.8	5.9	2.5	6.6	5.3	5.5
Consumption of capital	*bill. CZK*	1 294	1 413	1 577	1 684	1 780	1 883	1 999	2 133	2 265	2 422
	growth in %	7.7	9.2	11.6	6.8	5.7	5.8	6.2	6.7	6.2	6.9
Net operating surplus	*bill. CZK*	1 462	1 604	1 850	2 109	2 120	2 246	2 235	2 382	2 487	2 589
	growth in %	-7.1	9.7	15.4	14.0	0.5	6.0	-0.5	6.6	4.4	4.1

Source: CZSO. Calculations and forecast of the MoF.

Table 3.1.6: GDP by Type of Income – quarterly

		2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2	2026 Q3 Estimate	2026 Q4 Forecast
GDP	*bill. CZK*	**1 964**	**2 154**	**2 202**	**2 254**	**2 062**	**2 249**	**2 280**	**2 366**
	growth in %	5.6	6.1	6.7	6.5	5.0	4.4	3.6	5.0
Balance of taxes and subsidies	*bill. CZK*	**141**	**181**	**190**	**194**	**151**	**183**	**185**	**186**
	growth in %	2.5	5.0	3.7	5.2	6.6	1.0	-2.7	-4.0
Compensation of employees	*bill. CZK*	**889**	**934**	**916**	**998**	**948**	**1002**	**990**	**1078**
(domestic concept)	*growth in %*	6.3	7.7	6.7	7.4	6.7	7.3	8.0	8.0
Wages and salaries	*bill. CZK*	683	719	707	773	729	773	763	831
	growth in %	6.4	7.8	7.1	7.7	6.8	7.5	7.8	7.5
Social security contributions	*bill. CZK*	206	215	209	225	219	229	227	247
	growth in %	5.8	7.2	5.2	6.2	6.4	6.4	8.7	9.8
Gross operating surplus	*bill. CZK*	**934**	**1039**	**1095**	**1062**	**963**	**1064**	**1106**	**1102**
and mixed income	*growth in %*	5.4	5.0	7.1	6.0	3.1	2.4	1.0	3.8

Source: CZSO. Calculations and forecast of the MoF.

3.2 Prices

Year-on-year **consumer price** inflation was 2.0% *(vs. forecast of 2.1%)* in the third quarter of 2026, the same as in the second quarter. The stable headline rate masked offsetting influences and a pick-up in year-on-year inflation over the course of the quarter. Core inflation rose from 2.9% in the second quarter to 3.1% in the third quarter and motor fuels made a larger contribution, while a steeper year-on-year decline in food prices dampened inflation. Goods prices rose by just 0.4% year on year in the third quarter, while services prices continued to grow considerably faster, at 4.6%. Labour costs, consumer demand and housing costs supported services price growth. Imputed rents rose by 5.4% year on year and rents for flats by 6.1%. Lower food and household energy prices helped keep inflation close to target, while domestic price pressures persisted.

Diverging **energy and food prices** had a marked effect on headline inflation. Motor fuel prices rose by 26.8% year on year in the third quarter, reflecting higher crude oil and refined product prices associated with the conflict in the Middle East. Electricity and gas prices fell by 11.0% and 4.7%, respectively. The fall in electricity prices mainly reflected the transfer of funding for subsidised energy sources (POZE) to the state budget. Contract terms and suppliers' price hedges delayed the pass-through of higher wholesale electricity and gas prices to household tariffs. Food prices fell by 3.7% year on year in the third quarter, offsetting much of the contribution from higher motor fuel prices. Excluding the effects of administrative measures, the contribution of motor fuels and heating oils to year-on-year inflation rose from 0.6 pp in July to 1.1 pp in September. This accounted for a substantial part of the rise in year-on-year inflation from 1.7% in July to 2.5% in September. The energy shock was already evident in fuel prices, while its impact on household energy prices was still delayed.

Year-on-year **harmonised inflation (HICP)** was 1.7% *(in line with the forecast)* in the third quarter, considerably below the EU average of 3.3%. Excluding energy, food, alcohol and tobacco, Czech inflation was 2.9%, slightly above the EU average of 2.6%. Czech services prices also rose faster than in the EU in the third quarter, by 4.3% year on year compared with 3.5%. Energy and food therefore largely accounted for lower Czech headline inflation relative to the EU, while inflation in other items remained comparatively high. Imputed rents, which the HICP excludes, also contributed to the difference between Czech harmonised and national inflation.

Industrial producer prices pointed to mounting price pressures beyond the energy sector. Year-on-year growth picked up from 1.3% in the second quarter to 2.4% in the third quarter and reached 3.7% in September. In mining and manufacturing excluding energy, food products, beverages and tobacco, year-on-year price growth accelerated from 2.0% in the second quarter to 3.1% in the third quarter. Prices of chemicals, wood and basic metals rose particularly sharply. Growth in final output prices varied across categories. Capital goods prices rose by just 0.6% year on year in the third quarter, while consumer goods prices excluding food products, beverages and tobacco increased by 4.6%. These developments point to a risk that higher input costs will feed through further to consumer prices. The extent of pass-through will also depend on demand and on firms' ability to absorb higher costs in their margins.

Agricultural and food prices continued to dampen consumer price inflation. Agricultural producer prices fell by 10.6% year on year in the third quarter (the decline had eased to 7.2% by September), with considerable variation across groups. Crop prices fell by 2.2% year on year in the third quarter, following a 12.1% decline in the second. For animal products, the year-on-year decline deepened from 12.9% in the second quarter to 19.4% in the third quarter, mainly owing to lower prices for milk and slaughter pigs. Prices of manufactured food products fell by 5.3% year on year in the third quarter, confirming that prices were also easing at the processing stage. Prices of inputs currently consumed in agriculture, however, were already 3.6% higher year on year in the second quarter. Fuel and fertiliser prices rose in particular, while cheaper animal feed offset part of the increase. Lower selling prices and higher prices for some inputs may squeeze farmers' margins and gradually limit the scope for further declines in farm-gate prices. Higher energy costs in processing and transport may also weaken the pass-through of cheaper agricultural inputs to consumer food prices.

Flat prices continued to rise rapidly, though year-on-year growth in asking prices slowed. Asking prices were 9.0% higher year on year in the third quarter, after rising by 10.7% in the second quarter. Transaction prices, available for the second quarter, rose by 13.8% year on year. A decline in both the number and value of mortgages nevertheless pointed to softer growth in mortgage-financed demand. Mortgage rates have been rising since spring, increasing the cost of borrowing to buy a home. Growth in nominal household incomes will support demand over the forecast horizon, although higher financing costs and earlier increases in flat prices will partly offset its effect.

On the supply side, housing starts rose by 36% year on year in the first eight months of 2026, mainly reflecting construction of blocks of flats, while completions were flat. The recovery in starts will mainly add to future supply. The gradual expansion in supply should dampen growth in flat prices, though the time required to complete projects will delay the effect. Rising construction prices continued to put pressure on the cost of owner-occupied housing. Construction work prices rose by 4.3% year on year in the third quarter and construction material input prices by 6.9%. The annual increase in materi-

als prices mainly reflected earlier rises, with prices broadly stabilising month on month during the third quarter. Materials prices thus exerted less additional upward pressure, while construction work prices continued to rise month on month. Together with continued increases in flat prices, this suggests that year-on-year growth in imputed rents will slow only gradually.

Average inflation is expected to reach **2.1%** *(previously 2.2%)* in **2026**. Alongside administrative measures, falling food prices, a stronger koruna and restrictive monetary policy are the main factors containing inflation. More expensive energy commodities, brisk nominal earnings growth and rising housing costs are exerting upward pressure. We expect year-on-year inflation to reach 3.0% by December. We assume that higher wholesale electricity and gas prices will feed through to household tariffs in 2027.

Administrative measures are expected to contribute −0.1 pp *(unchanged)* to average inflation in 2026. The transfer of funding for subsidised energy sources to the state budget is materially reducing inflation by lowering household electricity prices. Increases in other regulated prices partly offset this effect. Tax changes are adding slightly to inflation overall, as higher excise duties on tobacco products and spirits outweigh the disinflationary effect of temporary cuts in excise duty on diesel.

We expect average inflation to rise to **3.1%** *(previously 2.7%)* in **2027**. Year-on-year inflation is expected to peak at close to 4% in February and fall to 2.6% by December. Elevated readings at the start of the year will mainly reflect the pass-through of earlier increases in wholesale electricity and gas prices to household tariffs and the fading of some of this year's disinflationary effects. The assumed fall in oil prices and appreciation of the koruna will subsequently ease price pressures. Rising wages and housing costs will continue to sustain price growth, especially in services. The rise in average inflation from 2026 will therefore mainly reflect the increase around the turn of the year, after which we expect year-on-year price growth to slow gradually.

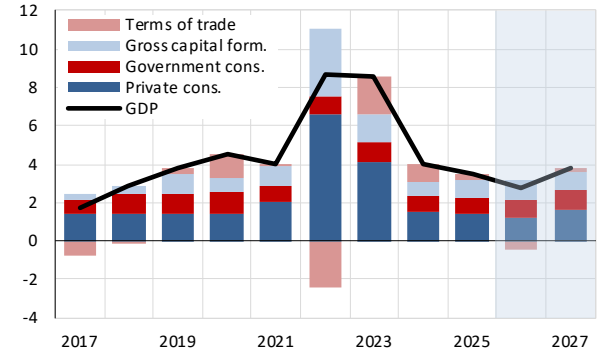
The contribution of **administrative measures** to average inflation is expected to rise to 0.5 pp *(previously 0.4 pp)* in 2027. This accounts for around half of the projected year-on-year increase in average inflation. Regulated prices will be the main factor as the year-on-year disinflationary effect of transferring funding for subsidised energy sources to the state fades and the commodity components of electricity and gas prices increase. Tax changes will still add slightly to inflation overall. The forecast includes a further increase in excise duty on tobacco products and the year-on-year effect of this year's temporary cuts in diesel duty. A reduction in VAT on non-alcoholic drinks supplied as part of catering services should partly offset these effects. The main uncertainties concern the timing and scale of changes to household energy tariffs and planned changes to public service broadcasting funding.

The **GDP deflator** rose by 2.6% *(vs. estimate of 1.9%)* year on year in the second quarter of 2026, while the gross domestic expenditure deflator rose by 3.6% *(vs. estimate of 3.2%)*. The difference reflected a deterioration in the terms of trade of 1.3% *(vs. estimate of 1.7%)*. Import prices rose by 2.3% year on year, faster than the 0.9% increase in export prices. Higher import prices raised the cost of domestic expenditure, and the rise in import prices relative to export prices eroded the purchasing power of income generated by domestic production. The household consumption deflator rose by 2.4% *(vs. estimate of 2.5%)* year on year in the second quarter, the general government consumption deflator by 5.5% *(vs. estimate of 4.4%)* and the fixed investment deflator by 3.7% *(vs. estimate of 3.6%)*.

In 2026, we expect the GDP deflator to rise by 2.8% *(previously 2.7%)* and the gross domestic expenditure deflator by 3.4% *(previously 3.2%)*. The terms of trade are expected to deteriorate by 0.8% *(previously 0.6%)* compared with 2025, mainly because of higher prices for imported energy commodities. In 2027, GDP deflator growth is expected to accelerate to 3.8% *(previously 3.7%)*, with the domestic expenditure deflator rising by 3.8% *(previously 3.4%)* and the terms of trade improving by 0.2% *(previously 0.6%)* year on year. The delayed pass-through of energy costs will still be raising consumer inflation, while more favourable import prices relative to export prices will ease pressure on the purchasing power of domestic incomes. The household consumption deflator will grow faster in 2027 than in 2026, in line with higher consumer price inflation. Compensation of employees will remain the main driver of general government consumption prices, while growth in the fixed investment deflator is expected to slow slightly from 2026 to 2027 as price pressures on investment inputs gradually ease.

Graph 3.2.1: Gross Domestic Product Deflator

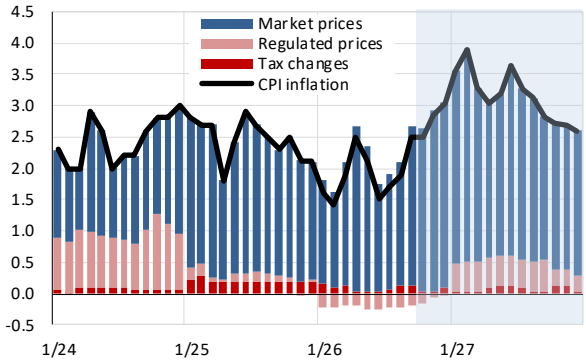
growth in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.2: Consumer Prices

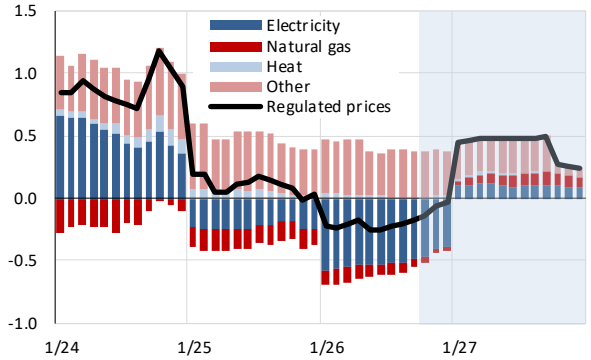
year-on-year growth in %, contributions in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.3: Administered Prices

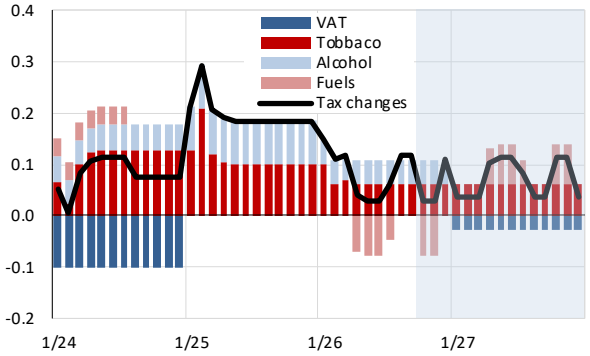
contributions to year-on-year CPI growth in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.4: Tax Changes

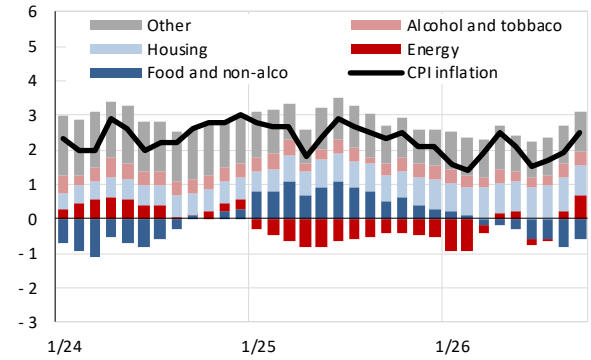
contributions to year-on-year CPI growth in percentage points



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.2.5: Main Categories of the Consumer Basket

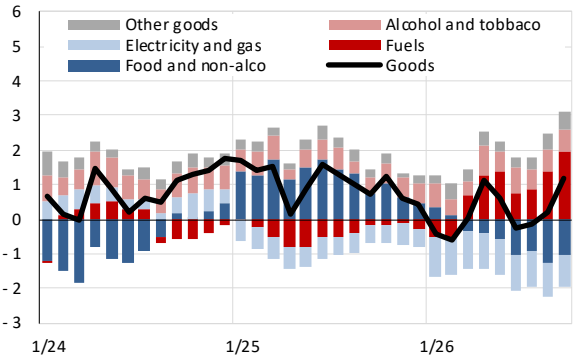
year-on-year growth in %, contributions to growth in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.2.6: Prices of Goods

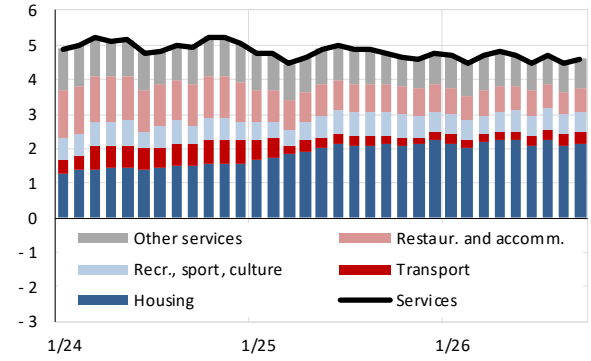
year-on-year growth in %, contributions to growth in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.2.7: Prices of Services

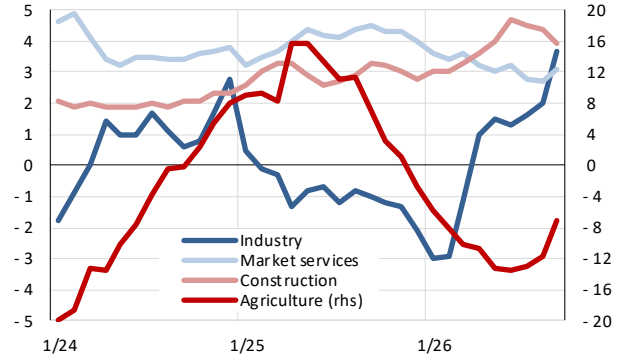
year-on-year growth in %, contributions to growth in percentage points



Source: CZSO. Calculations of the MoF.

Graph 3.2.8: Producer Prices

year-on-year growth in %



Source: CZSO. Calculations of the MoF.

Table 3.2.1: Prices – annual

		2020	2021	2022	2023	2024	2025	2026 Forecast	2027 Forecast	2028 Outlook	2029 Outlook
Consumer Price Index	*growth in %*	**3.2**	**3.8**	**15.1**	**10.7**	**2.4**	**2.5**	**2.1**	**3.1**	**2.4**	**2.3**
Administrative measures	*pp*	0.5	0.0	2.8	4.3	1.0	0.3	-0.1	0.5	0.2	0.4
Market increase	*pp*	2.7	3.8	12.3	6.4	1.4	2.2	2.2	2.7	2.2	1.9
Harmonised index of consumer prices	*growth in %*	**3.3**	**3.3**	**14.8**	**12.0**	**2.7**	**2.3**	**1.8**	**3.0**	**2.4**	**2.3**
Deflators											
GDP	*growth in %*	**4.5**	**4.0**	**8.7**	**8.6**	**4.0**	**3.5**	**2.8**	**3.8**	**2.7**	**2.6**
Gross domestic expenditure	*growth in %*	**3.5**	**4.1**	**11.5**	**6.9**	**3.2**	**3.4**	**3.4**	**3.8**	**2.7**	**2.5**
Consumption of households	*growth in %*	3.0	4.2	14.3	8.6	3.3	3.0	2.6	3.4	2.5	2.3
Consumption of government	*growth in %*	5.2	4.0	4.4	5.3	3.8	4.3	4.6	4.9	3.4	3.1
Fixed capital formation	*growth in %*	3.0	4.2	10.9	5.2	2.7	3.2	3.6	3.4	2.5	2.3
Terms of trade	*growth in %*	**1.7**	**-0.1**	**-3.5**	**2.8**	**1.0**	**0.6**	**-0.8**	**0.2**	**0.1**	**0.3**
Exports of goods and services	*growth in %*	1.6	4.2	9.1	0.3	4.2	-0.5	1.6	2.5	1.6	1.0
Imports of goods and services	*growth in %*	-0.1	4.3	13.0	-2.5	3.2	-1.1	2.4	2.4	1.6	0.7

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

Table 3.2.2: Prices – quarterly

		2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3 Estimate	Q4 Forecast
Consumer Price Index	*growth in %*	**2.7**	**2.4**	**2.5**	**2.2**	**1.6**	**2.0**	**2.0**	**2.8**
Administrative measures	*pp*	0.4	0.3	0.3	0.2	-0.1	-0.2	-0.1	0.0
Market increase	*pp*	2.3	2.1	2.2	2.0	1.7	2.2	2.1	2.8
Harmonised index of consumer prices	*growth in %*	**2.8**	**2.2**	**2.3**	**1.9**	**1.2**	**1.7**	**1.7**	**2.5**
Deflators									
GDP	*growth in %*	**3.1**	**3.6**	**3.5**	**3.9**	**2.8**	**2.6**	**2.6**	**3.1**
Gross domestic expenditure	*growth in %*	**2.8**	**3.6**	**3.2**	**3.8**	**2.6**	**3.6**	**3.4**	**3.8**
Consumption of households	*growth in %*	3.4	3.2	3.1	2.4	2.3	2.4	2.4	3.2
Consumption of government	*growth in %*	2.4	4.6	4.0	5.8	3.3	5.5	4.4	4.9
Fixed capital formation	*growth in %*	3.2	3.3	3.1	3.3	3.2	3.7	3.8	3.7
Terms of trade	*growth in %*	**0.5**	**0.3**	**0.7**	**0.7**	**0.8**	**-1.3**	**-1.2**	**-1.2**
Exports of goods and services	*growth in %*	2.8	0.2	-1.8	-3.2	-2.8	0.9	3.4	4.9
Imports of goods and services	*growth in %*	2.3	-0.1	-2.5	-3.9	-3.5	2.3	4.7	6.2

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

3.3 Labour Market

According to the national accounts, **employment** rose by 1.5% *(vs. estimate of 0.9%)* year on year in the second quarter of 2026. Growth was driven mainly by market and non-market services, while employment in manufacturing declined slightly. According to the preliminary estimate by the CZSO, year-on-year employment growth was also 1.5% *(vs. forecast of 0.7%)* in the third quarter. Transitions from economic inactivity into employment continue to support employment growth. Firms' hiring intentions also point to a favourable outlook for the rest of the year. For 2026 as a whole, we expect employment to rise by an average of 1.4% *(previously 0.8%)*. In 2027, employment growth is expected to slow to 0.3% *(previously 0.1%)*, partly reflecting a decline in the working-age population.

The number of people registered as **unemployed** rose both year on year and quarter on quarter in the third quarter of 2026, although growth continued to slow. Registered job vacancies also rose year on year. This combination points to a persistent mismatch between labour supply and employers' requirements. According to the CZSO's business cycle survey, labour shortages remain the main constraint on output in construction, with their importance exceeding the long-term average. In services, other constraints are cited more frequently, although firms also report labour shortages more often than usual. The rise in registered unemployment is therefore insufficient evidence of a broad-based cooling in the labour market. Changes to unemployment benefit rules effective from January 2026 may also affect the number of registered jobseekers by cushioning the loss of income on becoming unemployed.

According to the Labour Force Survey, the **unemployment rate** rose by 0.3 pp year on year to 3.0% *(in line with the estimate)* in the second quarter of 2026. Monthly unemployment rates for people aged 15–64 suggest that the rate remained unchanged quarter on quarter in the third quarter. We expect it to decline gradually as the economy continues to grow and the output gap narrows. Difficulties in some industrial sectors and a mismatch between jobseekers' qualifications and the requirements of available jobs will slow the decline. We expect the unemployment rate to average 3.0% *(unchanged)* in 2026 and 2.8% *(unchanged)* in 2027.

The **share of people registered as unemployed**, as recorded by the Ministry of Labour and Social Affairs, increased year on year in the third quarter. We expect the seasonally adjusted share to have peaked and to begin declining gradually. It is expected to average 4.9% *(unchanged)* in 2026 and fall to 4.7% *(unchanged)* in 2027.

The **participation rate** among people aged 20–64 rose by 0.5 pp year on year to 85.5% *(vs. estimate of 85.7%)* in the second quarter of this year. The ongoing rise in the statutory retirement age will support participation over the forecast horizon. We expect the participation rate to reach 85.9% *(previously 85.7%)* this year and 86.3% *(previously 86.0%)* in 2027. Higher participation will partly offset the adverse effect of a shrinking working-age population on labour supply.

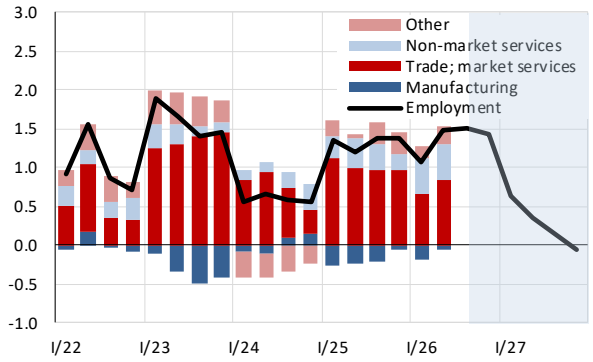
The **wage and salary bill** in the national accounts rose by 7.5% *(vs. estimate of 7.4%)* year on year in the second quarter of 2026. Growth was relatively strong in non-market services (10.0%), professional, scientific, technical, administrative and support service activities (13.6%), construction (11.2%) and real estate activities (17.9%). Growth was weaker in manufacturing (4.3%) and in trade, transport, accommodation and food service activities (4.8%).

Labour shortages in some industries and occupations continue to support nominal earnings growth. Weaker labour demand, especially in industry, is easing upward pressure on earnings. Public sector pay rises and the 7.7% increase in the minimum wage from January 2026 are also supporting earnings growth. Over the forecast horizon, we expect private sector wage growth to slow gradually, although persistent labour shortages will limit the slowdown. We expect faster pay growth in non-market sectors (see Section 1.3), following several years in which pay in those sectors grew more slowly than private sector wages. Overall, we forecast the wage and salary bill to rise by 7.4% *(previously 7.8%)* this year and expect growth to slow to 6.6% *(previously 6.2%)* in 2027. With average wage growth broadly unchanged, slower employment growth will account for most of the slowdown in the wage bill.

The **average gross monthly wage**, measured on a full-time equivalent basis in business statistics, rose by 6.4% *(vs. estimate of 7.2%)* year on year in the second quarter of 2026. Growth was above average particularly in administrative and support service activities (16.6%), public administration and defence, and education. In manufacturing, average wages rose by just 5.0%. Growth was also below average in transport and storage, and in human health and social work activities. We expect the average wage to rise by 6.4% *(previously 7.6%)* in 2026 and by 6.3% *(previously 6.2%)* in 2027. Given the inflation forecast, this corresponds to real wage growth of 4.2% this year and 3.1% next year. The forecast also takes into account a further increase in the ratio of the minimum wage to the average wage. Based on the average wage forecast in August and the prescribed coefficient, the minimum wage will rise by 11.2% from CZK 22,400 to CZK 24,900 in January 2027.

Graph 3.3.1: Employment

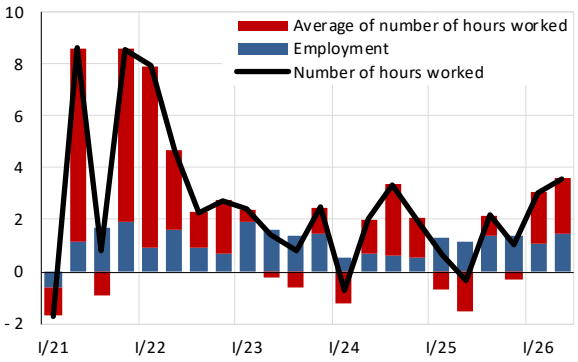
YoY growth rate in %, contributions in pp, national accounts



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.2: Hours worked

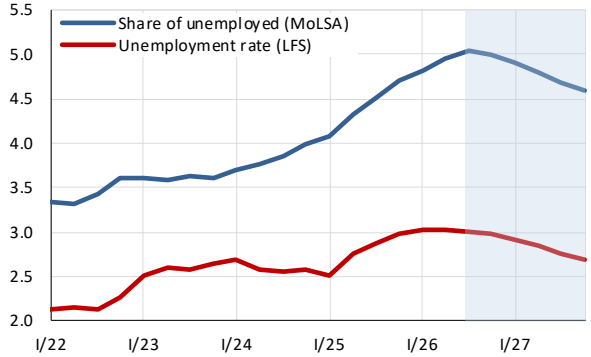
YoY growth rate in %, contributions in pp, national accounts



Source: CZSO. Calculations of the MoF.

Graph 3.3.3: Indicators of Unemployment

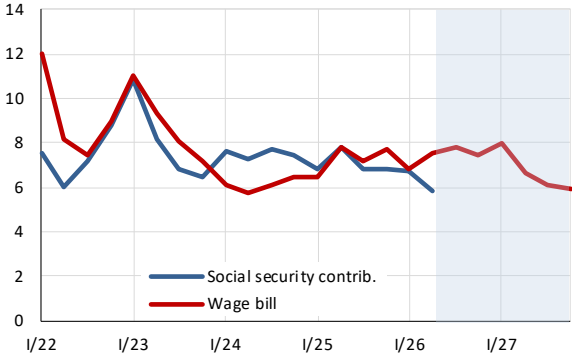
seasonally adjusted data, in %



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

Graph 3.3.4: Social Security Contributions and Earnings

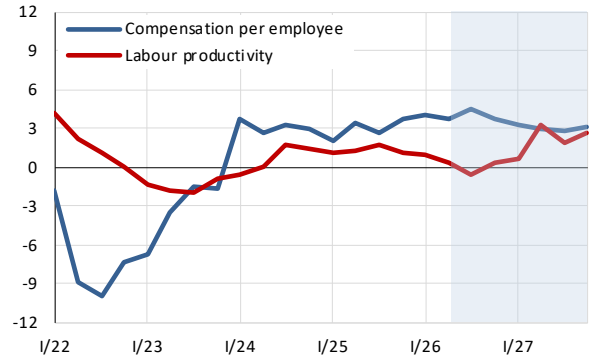
YoY growth rate in %



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

Graph 3.3.5: Compens. per Employee and Productivity

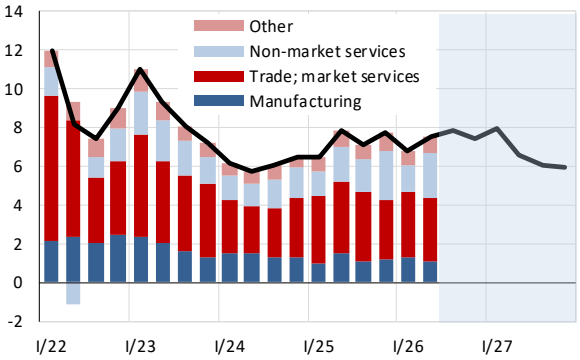
YoY growth rate in %



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.6: Nominal Wage Bill by Industry

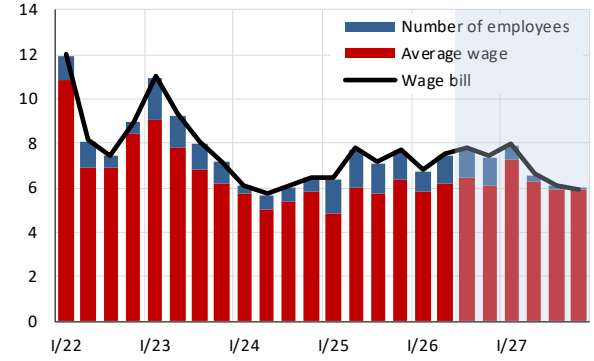
YoY growth rate in %, contr. in pp., national accounts



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.3.7: Nominal Wage Bill

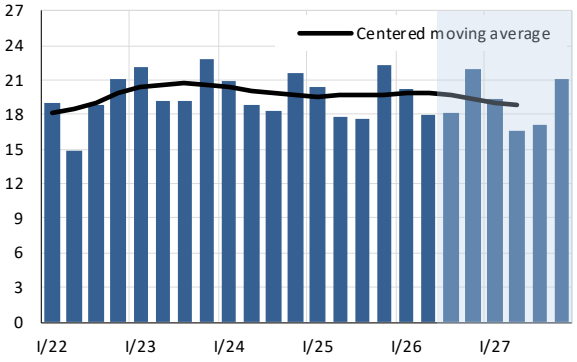
YoY growth rate in %, domestic concept of the wage bill



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 Forecast	2027 Forecast	2028 Outlook	2029 Outlook
National accounts											
Employment	*av. in thous. persons*	**5 227**	**5 279**	**5 333**	**5 418**	**5 451**	**5 523**	**5 599**	**5 614**	**5 610**	**5 617**
	growth in %	-2.3	1.0	1.0	1.6	0.6	1.3	1.4	0.3	-0.1	0.1
Employees	*av. in thous. persons*	4 496	4 541	4 578	4 640	4 666	4 733	4 788	4 802	4 799	4 806
	growth in %	-2.2	1.0	0.8	1.4	0.6	1.4	1.2	0.3	-0.1	0.1
Self-employed persons	*av. in thous. persons*	731	738	755	779	785	790	811	812	811	811
	growth in %	-3.0	1.0	2.3	3.1	0.8	0.7	2.6	0.2	-0.1	0.0
Wage bill	*growth in %*	**0.4**	**7.2**	**9.1**	**8.8**	**6.1**	**7.3**	**7.4**	**6.6**	**5.3**	**4.8**
Labour productivity	*growth in %*	**-3.1**	**3.0**	**1.8**	**-1.5**	**0.7**	**1.3**	**0.3**	**2.2**	**2.6**	**2.3**
Unit labour costs [6)]	*growth in %*	**7.3**	**3.1**	**5.0**	**8.6**	**4.9**	**4.2**	**6.0**	**4.0**	**2.7**	**2.3**
Compensation of employees	*% of GDP*	**45.0**	**44.6**	**43.0**	**42.9**	**43.3**	**43.6**	**44.9**	**44.9**	**45.0**	**44.8**
Labour Force Survey											
Unemployment rate	*average in %*	**2.6**	**2.8**	**2.2**	**2.6**	**2.6**	**2.8**	**3.0**	**2.8**	**2.5**	**2.5**
Employment rate 20–64	*average in %*	**79.7**	**80.0**	**81.0**	**81.7**	**82.3**	**82.9**	**83.4**	**84.1**	**84.2**	**84.3**
Participation rate 20–64	*average in %*	**81.8**	**82.2**	**82.7**	**83.8**	**84.3**	**85.1**	**85.9**	**86.3**	**86.3**	**86.3**
Registered unemployment											
Unemployment	*av. in thous. persons*	**259**	**280**	**252**	**266**	**287**	**328**	**367**	**351**	**324**	**313**
Share of unemployed [1)]	*average in %*	**3.5**	**3.8**	**3.4**	**3.6**	**3.8**	**4.4**	**4.9**	**4.7**	**4.4**	**4.3**
Job vacancies	*av. in thousands*	**332**	**346**	**326**	**283**	**264**	**137**	**.**	**.**	**.**	**.**
Business statistics											
Average monthly wage											
Nominal	*CZK monthly*	36 176	38 277	39 932	42 801	45 643	48 670	51 804	55 078	58 026	60 726
	growth in %	4.6	5.8	4.3	7.2	6.6	6.6	6.4	6.3	5.4	4.7
Real	*CZK 2025*	50 244	51 172	46 379	44 912	46 765	48 670	50 726	52 285	53 795	55 018
	growth in %	1.4	1.8	-9.4	-3.2	4.1	4.1	4.2	3.1	2.9	2.3

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.0

Table 3.3.2: Labour Market – quarterly

		2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
								Estimate	*Forecast*
National accounts									
Employment	*av. in thous. persons*	**5 484**	**5 509**	**5 555**	**5 543**	**5 544**	**5 591**	**5 639**	**5 622**
	YoY growth in %	1.3	1.2	1.4	1.4	1.1	1.5	1.5	1.4
	QoQ growth in %	0.4	0.4	0.3	0.3	0.1	0.9	0.3	0.2
Wages and salaries	*growth in %*	**6.4**	**7.8**	**7.1**	**7.7**	**6.8**	**7.5**	**7.8**	**7.5**
Labour Force Survey									
Unemployment rate	*average in %*	**2.6**	**2.7**	**2.9**	**2.9**	**3.1**	**3.0**	**3.0**	**2.9**
Employment rate 20–64	*average in %*	**82.7**	**82.9**	**83.0**	**82.9**	**82.8**	**83.2**	**83.7**	**84.0**
	increase over a year	0.9	0.7	0.6	0.1	0.1	0.3	0.7	1.2
Participation rate 20–64	*average in %*	**84.8**	**85.1**	**85.3**	**85.3**	**85.4**	**85.5**	**86.2**	**86.4**
	increase over a year	0.7	0.9	0.9	0.5	0.6	0.5	0.9	1.1
Registered unemployment									
Unemployment	*av. in thous. persons*	**320**	**318**	**330**	**343**	**375**	**363**	**368**	**364**
Share of unemployed [1)]	*average in %*	**4.3**	**4.3**	**4.4**	**4.6**	**5.1**	**4.9**	**5.0**	**4.9**
Job vacancies	*av. in thousands*	**114**	**96**	**96**	**92**	**89**	**95**	**101**	**.**
Business statistics									
Average monthly wage									
Nominal	*CZK monthly*	46 493	48 860	47 717	51 580	49 328	51 966	50 952	54 969
	growth in %	6.2	7.2	6.5	6.7	6.1	6.4	6.8	6.6
Real	*CZK 2025*	46 774	48 958	47 480	51 426	48 840	50 997	49 709	53 315
	growth in %	3.4	4.7	3.8	4.3	4.4	4.2	4.7	3.7

[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 Forecast	2027 Forecast
Current income											
Compensation of employees	*bill.CZK*	**2 399**	**2 571**	**2 636**	**2 827**	**3 022**	**3 299**	**3 510**	**3 746**	**4 019**	**4 284**
	growth in %	9.2	7.2	2.5	7.2	6.9	9.2	6.4	6.7	7.3	6.6
Gross operating surplus	*bill.CZK*	**904**	**965**	**996**	**1 088**	**1 261**	**1 353**	**1 405**	**1 523**	**1 600**	**1 642**
and mixed income	*growth in %*	9.2	6.8	3.1	9.3	15.8	7.3	3.9	8.4	5.1	2.6
Property income received	*bill.CZK*	**166**	**167**	**137**	**183**	**304**	**374**	**424**	**408**	**389**	**401**
	growth in %	0.6	0.3	-17.8	33.3	66.1	23.4	13.1	-3.6	-4.8	3.1
Social benefits not-in-kind	*bill.CZK*	**690**	**743**	**891**	**934**	**1 008**	**1 145**	**1 215**	**1 199**	**1 269**	**1 327**
	growth in %	5.4	7.7	20.0	4.8	7.9	13.6	6.1	-1.3	5.9	4.6
Other current transfers received	*bill.CZK*	**281**	**339**	**363**	**487**	**675**	**752**	**858**	**938**	**993**	**1041**
	growth in %	15.1	20.4	7.3	34.0	38.7	11.4	14.1	9.4	5.8	4.9
Current expenditure											
Property income paid	*bill.CZK*	**26**	**34**	**32**	**30**	**60**	**84**	**98**	**111**	**117**	**122**
	growth in %	5.6	28.0	-4.5	-5.5	98.0	39.3	17.5	12.9	5.3	4.1
Curr. taxes on income and property	*bill.CZK*	**277**	**302**	**315**	**247**	**258**	**298**	**331**	**353**	**373**	**394**
	growth in %	12.3	9.1	4.2	-21.6	4.6	15.4	11.0	6.8	5.6	5.7
Social contributions	*bill.CZK*	**908**	**971**	**1029**	**1143**	**1186**	**1291**	**1418**	**1496**	**1 606**	**1 716**
	growth in %	9.2	6.9	6.0	11.0	3.8	8.8	9.9	5.5	7.3	6.9
Other current transfers paid	*bill.CZK*	**283**	**341**	**371**	**499**	**673**	**769**	**878**	**962**	**1023**	**1075**
	growth in %	17.8	20.7	8.6	34.5	35.0	14.3	14.2	9.5	6.4	5.1
Gross disposable income	*bill.CZK*	**2 946**	**3 137**	**3 277**	**3 601**	**4 093**	**4 482**	**4 685**	**4 893**	**5 150**	**5 388**
	growth in %	7.4	6.5	4.5	9.9	13.7	9.5	4.5	4.4	5.3	4.6
Final consumption	*bill.CZK*	**2 640**	**2 799**	**2 692**	**2 921**	**3 358**	**3 548**	**3 755**	**3 967**	**4 177**	**4 424**
	growth in %	6.3	6.0	-3.8	8.5	15.0	5.7	5.8	5.6	5.3	5.9
Change in share in pension funds	*bill.CZK*	**36**	**38**	**40**	**41**	**27**	**1**	**7**	**42**	**44**	**47**
Gross savings	*bill.CZK*	**342**	**376**	**625**	**720**	**761**	**934**	**937**	**967**	**1018**	**1012**
Capital transfers											
(income (-) / expenditure (+))	*bill.CZK*	**-17**	**-20**	**-44**	**-43**	**-31**	**-47**	**-57**	**-42**	**-33**	**-31**
Gross capital formation	*bill.CZK*	**317**	**358**	**364**	**404**	**484**	**505**	**486**	**534**	**573**	**595**
	growth in %	24.5	12.9	1.7	11.1	19.7	4.4	-3.8	10.1	7.3	3.7
Change in financial assets and liab.	*bill.CZK*	**42**	**35**	**304**	**356**	**310**	**475**	**508**	**478**	**479**	**450**
Real disposable income	*growth in %*	**4.4**	**3.5**	**1.5**	**5.4**	**-0.8**	**0.8**	**1.3**	**1.4**	**2.8**	**1.4**
Gross savings rate	*%*	**11.5**	**11.8**	**18.8**	**19.8**	**18.5**	**20.8**	**20.0**	**19.6**	**19.6**	**18.6**

Source: CZSO. Calculations of the MoF.

3.4 External Relations

The **current account of the balance of payments** was broadly balanced on a rolling annual basis[1] *(in line with the estimate)* in the second quarter of 2026. As a share of GDP, the balance fell by 1.1 pp year on year. The narrowing goods surplus accounted for most of the deterioration, although the other components of the current account also weakened. We expect a deficit of 0.2% of GDP *(previously 0.4% of GDP)* this year, widening to 0.5% of GDP *(previously 0.4% of GDP)* in 2027. The trade surplus in goods and services will therefore cover only part of the deficit on the income balances over the forecast horizon. The capital account surplus will nevertheless allow the economy as a whole to remain a net lender to the rest of the world.

Export markets grew by 3.9% *(vs. estimate of 2.8%)* year on year in the second quarter. Czech goods exports grew at a similar pace in real terms, so **export performance**[2] improved by just 0.1% *(vs. estimate of 3.5%)*. We expect export markets to grow by 3.6% *(previously 2.8%)* this year and slow to 2.2% *(previously 3.3%)* next year. Export performance is expected to improve by 0.2% *(previously 2.1%)* this year and by 0.5% *(previously 0.1%)* next year. The outlook thus assumes only modest gains in Czech exporters' shares of foreign markets. Trade barriers, structural problems in German industry and an expected appreciation of the koruna, which could weaken price competitiveness, will limit further gains.

The **goods surplus** reached 4.1% of GDP *(vs. estimate of 4.2% of GDP)* in the second quarter, down by 0.7 pp year on year. Rising domestic demand and, during the second quarter itself, a deterioration in the terms of trade contributed to the decline. Exports were supported mainly by higher volumes of machinery and transport equipment, with export prices for these products little changed. Import volumes of machinery and transport equipment rose in line with strong domestic investment. A slight fall in their import prices dampened the increase in import values. The increase in the value of mineral fuel imports mainly reflected higher prices, which contributed to the narrowing of the trade surplus.

We expect the goods surplus to narrow to 3.9% of GDP *(unchanged)* this year. Trade barriers and geopolitical constraints will limit exports, while domestic consumption and investment will support imports. Higher energy commodity prices will also raise the value of goods imports. The surplus is expected to narrow further to 3.4% of GDP *(previously 3.7% of GDP)* in 2027. The anticipated fall in energy prices will support the balance, but its effect will be outweighed by continued growth in import demand, slower growth in export markets and only a modest improvement in export performance. A slower rundown of inventories will also support imports.

The **services surplus** narrowed by 0.2 pp year on year to 1.1% of GDP *(vs. estimate of 1.2% of GDP)* in the second quarter. The main reason was a shift into deficit on the travel balance. The balances on maintenance and repair, other business services, ICT services and financial services also weakened. Improvements in the balances on insurance and transport services partly offset the decline. We expect a surplus of 1.0% of GDP *(unchanged)* this year, rising to 1.1% of GDP *(unchanged)* next year, helped by a recovery in European activity and an expected easing of cost pressures in transport.

The **primary income deficit** reached 4.4% of GDP *(vs. estimate of 4.7% of GDP)* in the second quarter, up by 0.1 pp year on year. The widening mainly reflected higher reinvested earnings attributable to foreign direct investors, while dividends paid abroad fell on a rolling annual basis. The deterioration thus reflected mainly higher profits retained in domestic firms. A smaller surplus on compensation of employees and lower income from reserve assets also weighed on the balance. Improvements in other income items partly offset these effects. Over the forecast horizon, higher interest rates will gradually raise the cost of new and refinanced liabilities to non-residents. Interest expenditure may therefore remain under pressure even after market yields stabilise, as borrowers refinance cheaper debt at higher rates. On the income side, reinvesting foreign debt portfolios, including reserve assets, at higher yields may partly offset this effect. We expect a deficit of 4.4% of GDP *(previously 4.6% of GDP)* this year, narrowing slightly to 4.3% of GDP *(previously 4.5% of GDP)* in 2027.

The **secondary income deficit** widened by 0.2 pp year on year to 0.7% of GDP *(in line with the estimate)* in the second quarter. Current transfer receipts increased on a rolling annual basis, but by less than payments abroad. We expect a deficit of 0.7% of GDP *(unchanged in both years)* this year and next.

The **capital account surplus** reached 1.6% of GDP *(vs. estimate of 1.5% of GDP)* in the second quarter. We expect a surplus of 1.5% of GDP *(previously 1.4% of GDP)* this year, narrowing to 1.0% of GDP *(previously 0.9% of GDP)* next year as capital receipts from the EU are ex-

1 Balances and financial flows in the balance of payments are reported as rolling annual totals unless otherwise stated. Year-on-year growth rates for exports and export markets refer to the quarter in question. The international investment position and external debt are measured at the end of the period. Quarterly ratios use GDP for the four quarters ending in the quarter in question.

2 Export performance is calculated as the ratio of real goods exports to export markets, which measure import demand in trading partners, weighted by their shares in Czech exports. The indicator rises when Czech exports grow faster or fall more slowly than their export markets. An increase can therefore occur even when exports decline in absolute terms.

pected to fall. The combined current and capital account surplus is therefore expected to narrow to 1.3% of GDP *(previously 1.1% of GDP)* this year and to 0.5% of GDP *(unchanged)* in 2027. The baseline thus continues to project net lending to the rest of the world, although the weaker trade balance and lower capital receipts will reduce its scale.

In the **financial account**, net lending to the rest of the world has so far mainly reflected an increase in reserve assets. Other financial transactions recorded a net inflow overall, mainly through other investment. Residents also increased their holdings of foreign securities. A narrowing combined current and capital account surplus can therefore coexist with continued growth in residents' investment abroad, although such growth may be accompanied by higher inflows of foreign financing.

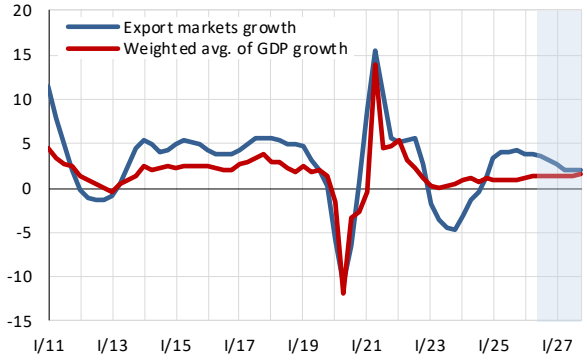
In **direct investment**, a small net inflow masked exceptionally large flows in both directions, which were concentrated in the first quarter of 2026. Excluding reinvested earnings, outward direct investment exceeded the corresponding inflows into the Czech Republic. Reinvested earnings thus both widened the primary income deficit and helped finance domestic firms. An expansion in residents' foreign equity holdings could boost primary income receipts in the coming years. The extent of that improvement will depend on returns on those investments and the cost of financing them.

The **net international investment position** improved from −10.2% to −5.9% of GDP year on year in the second quarter. Net financial transactions accounted for around two fifths of the improvement in koruna terms. The rest reflected valuation changes in existing foreign assets and liabilities due to exchange rate and price movements, as well as other non-transaction changes. The combined current and capital account surplus is expected to continue to support the net position, although the contribution from transactions will diminish as the surplus narrows. Any further sizeable improvement will therefore depend more on exchange rates and the valuation of foreign assets and liabilities. Higher bond yields may improve the net investment position by reducing the market value of Czech bonds held by non-residents, while also making new foreign financing more expensive.

External debt rose from 64.6% to 69.6% of GDP year on year in the second quarter. The rise may partly reflect Czech business groups' expansion abroad, as suggested by the large volume of outward direct investment. Acquisitions financed by loans from non-residents increase both foreign assets and debt liabilities. External debt may therefore rise when residents borrow from non-residents to acquire foreign equity or to finance domestic demand. The outlook for the income balance will depend in part on whether returns on those holdings exceed the associated interest costs paid abroad.

Graph 3.4.1: GDP and Goods Imports of Partner Countries

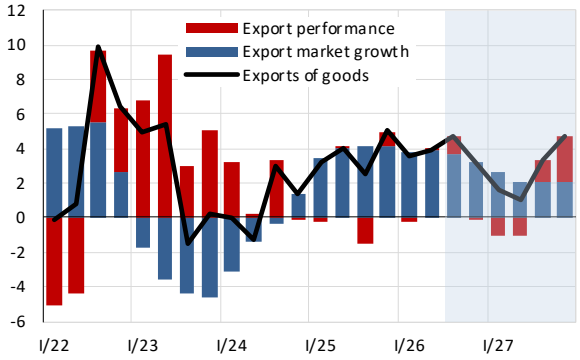
YoY growth rate in %, seasonally adjusted



Source: Eurostat. Calculations and forecast of the MoF.

Graph 3.4.2: Real Exports of Goods

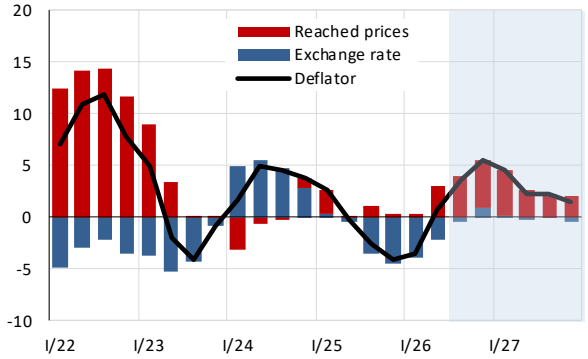
YoY growth in %, contributions in pp, seasonally adjusted



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

Graph 3.4.3: Deflator of Exports of Goods

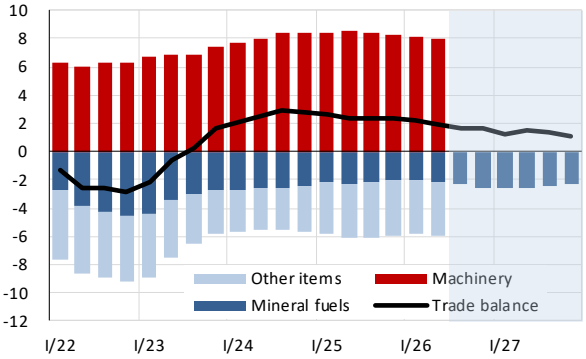
YoY growth in %, contributions in percentage points



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

Graph 3.4.4: Balance of Trade

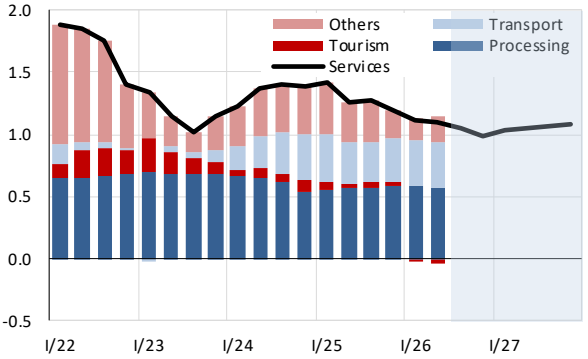
four-quarter moving totals, in % of GDP, change of ownership concept



Source: CZSO. Calculations and forecast of the MoF.

Graph 3.4.5: Balance of Services

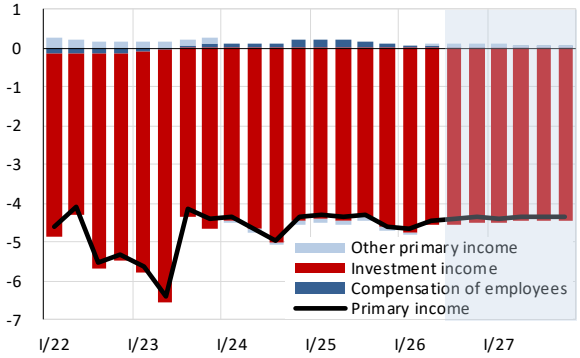
four-quarter moving totals, in % of GDP



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

Graph 3.4.6: Balance of Primary Income

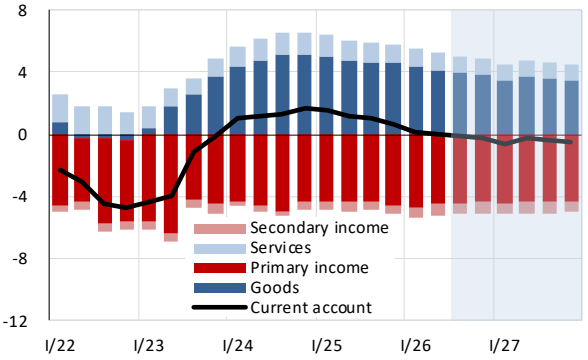
four-quarter moving totals, in % of GDP



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

Graph 3.4.7: Current Account

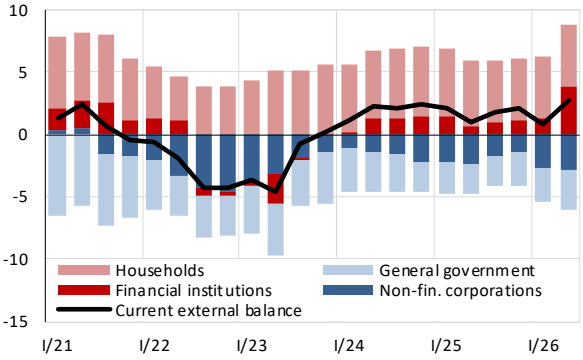
four-quarter moving totals, in % of GDP, BoP methodology



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]	*average of 2010=100*	**118.1**	**120.3**	**114.6**	**120.9**	**124.4**	**124.6**	**125.8**	**127.0**	**129**	**130**
	growth in %	2.4	1.9	-4.8	5.5	2.9	0.2	1.0	1.0	1.3	1.4
Import intensity [2]	*average of 2010=100*	**114.7**	**115.4**	**114.4**	**119.2**	**121.2**	**116.6**	**114.5**	**117.9**	**121**	**122**
	growth in %	2.8	0.6	-0.9	4.2	1.7	-3.8	-1.8	3.0	2.3	0.8
Export markets [3]	*average of 2010=100*	**135.5**	**138.8**	**131.0**	**144.0**	**150.7**	**145.3**	**144.0**	**149.7**	**155**	**158**
	growth in %	5.3	2.5	-5.6	9.9	4.6	-3.6	-0.9	3.9	3.6	2.2
Export performance	*average of 2010=100*	**113.3**	**111.6**	**110.2**	**108.1**	**107.6**	**114.0**	**115.9**	**115.7**	**116**	**117**
	growth in %	-1.9	-1.5	-1.3	-1.9	-0.5	6.0	1.7	-0.2	0.2	0.5
Real exports	*average of 2010=100*	**153.5**	**154.9**	**144.3**	**155.7**	**162.2**	**165.7**	**167.0**	**173.2**	**180**	**185**
	growth in %	3.3	0.9	-6.8	7.9	4.2	2.2	0.8	3.7	3.8	2.7
1 / NEER	*average of 2010=100*	**100.2**	**100.5**	**102.4**	**99.1**	**95.7**	**92.4**	**96.6**	**94.7**	**93**	**93**
	growth in %	-3.6	0.3	1.9	-3.3	-3.3	-3.5	4.5	-2.0	-1.4	-0.1
Prices on foreign markets	*average of 2010=100*	**103.2**	**103.8**	**103.2**	**111.9**	**126.7**	**130.6**	**129.6**	**130.9**	**135**	**139**
	growth in %	3.0	0.6	-0.6	8.4	13.2	3.1	-0.7	1.0	3.0	2.8
Exports deflator	*average of 2010=100*	**103.4**	**104.4**	**105.7**	**110.8**	**121.3**	**120.6**	**125.2**	**123.9**	**126**	**129**
	growth in %	-0.7	1.0	1.2	4.9	9.4	-0.5	3.8	-1.0	1.6	2.7
Nominal exports	*average of 2010=100*	**158.7**	**161.8**	**152.5**	**172.5**	**196.8**	**199.9**	**209.0**	**214.6**	**226**	**239**
	growth in %	2.6	1.9	-5.7	13.1	14.1	1.6	4.6	2.7	5.5	5.4

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

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

seasonally adjusted

		2025				2026			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
								Estimate	*Forecast*
GDP [1]	*average of 2010=100*	**126.6**	**126.8**	**127.1**	**127.5**	**128.0**	**128.5**	**129**	**129**
	growth in %	0.9	0.9	1.0	1.0	1.1	1.3	1.3	1.3
Import intensity [2]	*average of 2010=100*	**116.7**	**117.7**	**118.2**	**118.9**	**119.7**	**120.6**	**121**	**121**
	growth in %	2.5	3.1	3.1	3.2	2.6	2.5	2.3	1.9
Export markets [3]	*average of 2010=100*	**147.7**	**149.2**	**150.3**	**151.6**	**153.2**	**155.0**	**156**	**157**
	growth in %	3.5	4.0	4.1	4.2	3.8	3.9	3.7	3.2
Export performance	*average of 2010=100*	**115.9**	**115.5**	**115.2**	**116.2**	**115.6**	**115.6**	**116**	**116**
	growth in %	-0.2	0.0	-1.5	0.8	-0.2	0.1	1.0	-0.1
Real exports	*average of 2010=100*	**171.1**	**172.4**	**173.1**	**176.2**	**177.1**	**179.1**	**181**	**182**
	growth in %	3.3	4.1	2.6	5.0	3.5	3.9	4.7	3.1
1 / NEER	*average of 2010=100*	**96.9**	**95.5**	**93.5**	**92.8**	**93.2**	**93.5**	**93**	**94**
	growth in %	0.4	-0.4	-3.5	-4.4	-3.8	-2.2	-0.4	0.9
Prices on foreign markets	*average of 2010=100*	**131.2**	**130.8**	**130.7**	**130.8**	**131.7**	**134.7**	**136**	**137**
	growth in %	2.4	0.2	1.1	0.4	0.4	3.0	4.0	4.7
Exports deflator	*average of 2010=100*	**127.1**	**125.0**	**122.3**	**121.4**	**122.7**	**125.9**	**127**	**128**
	growth in %	2.8	-0.2	-2.5	-4.0	-3.4	0.8	3.6	5.6
Nominal exports	*average of 2010=100*	**217.4**	**215.4**	**211.7**	**213.8**	**217.4**	**225.6**	**230**	**233**
	growth in %	6.1	3.8	0.1	0.8	0.0	4.7	8.4	8.9

[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 Forecast	2027 Forecast
Goods and services	*bill.CZK*	**333**	**358**	**389**	**232**	**76**	**378**	**526**	**500**	**435**	**430**
	% GDP	6.1	6.1	6.7	3.7	1.1	4.9	6.5	5.8	4.9	4.5
Goods	*bill.CZK*	201	240	280	110	-23	290	415	397	346	326
	% GDP	3.7	4.1	4.8	1.7	-0.3	3.8	5.1	4.6	3.9	3.4
Services	*bill.CZK*	132	119	109	122	99	88	111	103	89	104
	% GDP	2.4	2.0	1.9	1.9	1.4	1.1	1.4	1.2	1.0	1.1
Primary income	*bill.CZK*	**-289**	**-319**	**-260**	**-337**	**-373**	**-336**	**-350**	**-392**	**-391**	**-413**
	% GDP	-5.3	-5.4	-4.5	-5.3	-5.3	-4.4	-4.3	-4.6	-4.4	-4.3
Secondary income	*bill.CZK*	**-22**	**-19**	**-26**	**-30**	**-33**	**-50**	**-39**	**-45**	**-61**	**-65**
	% GDP	-0.4	-0.3	-0.5	-0.5	-0.5	-0.6	-0.5	-0.5	-0.7	-0.7
Current account	*bill.CZK*	**21**	**20**	**103**	**-130**	**-330**	**-8**	**137**	**63**	**-17**	**-49**
	% GDP	0.4	0.3	1.8	-2.1	-4.7	-0.1	1.7	0.7	-0.2	-0.5
Capital account	*bill.CZK*	**27**	**27**	**67**	**107**	**45**	**88**	**131**	**127**	**138**	**98**
	% GDP	0.5	0.5	1.1	1.7	0.6	1.1	1.6	1.5	1.5	1.0
Net lending/borrowing	*bill.CZK*	**49**	**46**	**169**	**-23**	**-286**	**79**	**268**	**190**	**120**	**49**
	% GDP	0.9	0.8	2.9	-0.4	-4.1	1.0	3.3	2.2	1.3	0.5
Financial account	*bill.CZK*	**61**	**8**	**162**	**-18**	**-292**	**91**	**266**	**150**	**.**	**.**
Direct investments	*bill.CZK*	-51	-137	-149	-29	-83	-76	-15	-49	.	.
Portfolio investments	*bill.CZK*	30	-105	-136	75	331	90	-197	30	.	.
Financial derivatives	*bill.CZK*	-15	1	11	-58	-45	1	-36	-7	.	.
Other investments	*bill.CZK*	47	139	388	-302	-188	40	474	-87	.	.
Reserve assets	*bill.CZK*	50	110	48	296	-307	36	40	263	.	.
International investment position	*bill.CZK*	**-1 323**	**-1 150**	**-932**	**-939**	**-1 424**	**-1 104**	**-595**	**-837**	**.**	**.**
	% GDP	-24.2	-19.5	-16.0	-14.9	-20.2	-14.4	-7.4	-9.8	.	.
Gross external debt	*bill.CZK*	**4 413**	**4 384**	**4 321**	**4 594**	**4 662**	**4 811**	**5 260**	**5 683**	**.**	**.**
	% GDP	80.6	74.4	74.1	72.8	66.1	62.8	65.2	66.3	.	.

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	Q2	Q3	Q4
								Estimate	*Forecast*
Goods and services	*bill.CZK*	**527**	**501**	**502**	**500**	**481**	**457**	**441**	**435**
	% GDP	6.4	6.0	6.0	5.8	5.5	5.2	5.0	4.9
Goods	*bill.CZK*	411	397	395	397	384	361	348	346
	% GDP	5.0	4.8	4.7	4.6	4.4	4.1	3.9	3.9
Services	*bill.CZK*	116	104	107	103	97	96	93	89
	% GDP	1.4	1.3	1.3	1.2	1.1	1.1	1.1	1.0
Primary income	*bill.CZK*	**-350**	**-360**	**-361**	**-392**	**-404**	**-388**	**-390**	**-391**
	% GDP	-4.3	-4.3	-4.3	-4.6	-4.7	-4.4	-4.4	-4.4
Secondary income	*bill.CZK*	**-49**	**-47**	**-52**	**-45**	**-60**	**-65**	**-63**	**-61**
	% GDP	-0.6	-0.6	-0.6	-0.5	-0.7	-0.7	-0.7	-0.7
Current account	*bill.CZK*	**128**	**94**	**90**	**63**	**16**	**4**	**-12**	**-17**
	% GDP	1.6	1.1	1.1	0.7	0.2	0.0	-0.1	-0.2
Capital account	*bill.CZK*	**150**	**119**	**178**	**127**	**135**	**142**	**140**	**138**
	% GDP	1.8	1.4	2.1	1.5	1.6	1.6	1.6	1.5
Net lending/borrowing	*bill.CZK*	**278**	**214**	**268**	**190**	**152**	**146**	**128**	**120**
	% GDP	3.4	2.6	3.2	2.2	1.7	1.7	1.4	1.3
Financial account	*bill.CZK*	**265**	**187**	**222**	**150**	**113**	**134**	**.**	**.**
Direct investments	*bill.CZK*	-39	-109	-105	-49	-123	-28	.	.
Portfolio investments	*bill.CZK*	10	-110	-25	30	-36	101	.	.
Financial derivatives	*bill.CZK*	-30	-11	-14	-7	-12	-27	.	.
Other investments	*bill.CZK*	312	365	174	-87	-55	-292	.	.
Reserve assets	*bill.CZK*	12	51	193	263	340	380	.	.
International investment position	*stock in bill.CZK*	**-698**	**-844**	**-828**	**-837**	**-767**	**-520**	**.**	**.**
	% GDP	-8.5	-10.2	-9.8	-9.8	-8.8	-5.9	.	.
Gross external debt	*stock in bill.CZK*	**5 289**	**5 361**	**5 556**	**5 683**	**5 845**	**6 101**	**.**	**.**
	% GDP	64.7	64.6	65.9	66.3	67.4	69.6	.	.

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

4 Risks to the Forecast

We judge the risks to the macroeconomic forecast to be tilted towards weaker economic growth and higher inflation.

The main risk is a further escalation of the **conflict between Iran, Israel and the United States**. The baseline assumes only a gradual de-escalation amid continued instability. Larger attacks on the region's energy infrastructure, further disruptions to transport routes or the involvement of additional countries remain possible. Production and transport may also recover more slowly than assumed, even without further military escalation. Higher oil and natural gas prices, or a slower fall in those prices than assumed, would raise costs for firms, particularly in energy-intensive industries, and reduce real household incomes through higher inflation. Greater uncertainty would also weaken investment. A rapid de-escalation and restoration of supplies would support growth and lower inflation relative to the forecast. Damage to infrastructure and higher risk premiums reflecting security concerns could nevertheless delay a return to pre-conflict energy prices.

A related risk is low **gas storage levels** at the start of the heating season. At the forecast cut-off date, Czech storage facilities were 76.2% full, 16.2 pp below the average for the same date over the previous five years. European facilities were 74.6% full, 15.2 pp below their corresponding average. Low stocks make gas prices more sensitive to weather and supply disruptions. A colder winter could push gas prices above the levels assumed in the forecast, while a milder winter would ease price pressures. A substantial drawdown would also increase the need to refill storage in 2027, amid limited Qatari LNG supplies and competition from Asian buyers. Gas prices could therefore remain high even after the conflict in the Middle East eases.

The risk of a deterioration in **the security situation in Europe** persists owing to Russia's aggression against Ukraine and its hybrid activities targeting European countries. Cyberattacks or sabotage of critical infrastructure could disrupt energy supplies, transport or communications networks. A lasting ceasefire and the start of Ukraine's reconstruction could reduce uncertainty and support demand for Czech firms' output. Migration flows of Ukrainian nationals also remain uncertain, with implications for labour supply and household consumption.

The **trade policies of major economies** remain a risk to external demand. Higher tariffs and tighter non-tariff barriers than assumed in the forecast would restrict global trade and could disrupt Czech firms' supply chains. The effects would also be felt indirectly through European producers exporting to the affected markets. Trade diversion towards Europe could lower some import prices while increasing competitive pressure on domestic producers. An easing of trade barriers would support exports and investment.

Developments in the **European automotive industry** also pose a significant risk. Weaker demand, growing competition from foreign manufacturers and the costs of the transition to electric vehicles could lead to lower output and investment than forecast. The effects on the Czech economy would depend chiefly on where production and new investment are located and on domestic suppliers' ability to adapt to changes in the production mix. A downturn in the industry would also weaken other parts of the economy through supply chains, employment and wages. The successful introduction of new models and the allocation of new production programmes to Czech plants could lift Czech exports and investment above the forecast.

Financial conditions in the Czech Republic and abroad could tighten more than envisaged in the baseline. Higher inflation and upside risks to inflation could lead to higher policy rates than in the baseline forecast, while weaker activity would put downward pressure on rates. An increase in market interest rates and risk premiums, or their persistence at elevated levels, especially at longer maturities, would raise borrowing costs for the government, households and firms. This could curb business investment and depress global asset prices. In an adverse scenario, financial stress could spread across countries, particularly those with high deficits and debt, forcing governments to take fiscal measures.

Fiscal policy abroad remains uncertain, both in terms of final budgets and the implementation of planned spending. Faster implementation of German infrastructure and defence investment than assumed could support Czech exports and industrial output. Project delays or lower participation by Czech suppliers would reduce the expected benefit. In countries with large fiscal deficits, greater consolidation than assumed could weaken external demand. In the United States, the outcome of the November congressional elections may affect the size and timing of changes to federal taxes and spending in 2027, with implications for US domestic demand.

The future shape of **EU climate and energy policy** is also uncertain. A relaxation or postponement of regulatory requirements relative to the forecast assumptions could lower firms' costs over the forecast horizon, particularly in energy-intensive industries. Uncertainty about the final rules may also lead firms to defer investment. The impact will therefore depend on how predictable the changes are and when they take effect.

If large investments in **artificial intelligence** yield lower returns than expected, technology shares could fall sharply and related investment spending could be cut. The Czech economy would be affected mainly through

weaker external demand and a possible tightening of financial conditions. Faster adoption of AI with demonstrable productivity gains could support economic growth and ease cost pressures.

Extreme weather poses an upside risk to inflation. A strong El Niño could reduce output of some agricultural commodities and raise their prices through drought, high temperatures or excessive rainfall. The impact on Czech food prices will depend on the commodities affected, global inventories and the availability of alternative supplies. Extreme weather in the Czech Republic or its trading partners could also interrupt production in agriculture, industry and energy, disrupt transport and supply chains, and require spending to repair damaged assets.

5 Survey of Other Institutions' Forecasts

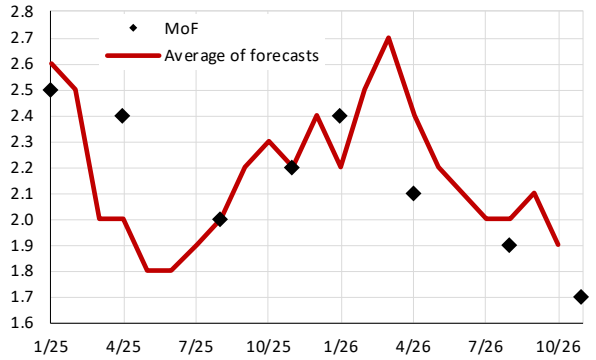
The Czech Ministry of Finance forecasts real GDP growth of 1.7% in **2026**, compared with an average of 1.9% across the institutions surveyed. At 2.1%, the Ministry's forecast for average inflation matches the survey average. It expects slightly slower average wage growth and a slightly smaller current account deficit.

For **2027**, the Ministry of Finance forecasts GDP growth of 2.5%, compared with an average of 2.3% across the forecasts surveyed. It also expects higher inflation, at 3.1% compared with an average of 2.9%. At 6.3%, the Ministry's forecast for average wage growth matches the highest forecast in the survey. The Ministry thus expects stronger economic growth and faster price and wage growth than the survey average. It also expects the current account deficit to widen to 0.5% of GDP, while the average of the forecasts points to a slight narrowing to 0.3% of GDP. All the indicators surveyed for 2027 nevertheless remain within the range of the other institutions' forecasts.

When interpreting these differences, it is important to consider when each forecast was prepared and what information was available at the time. The comparison covers forecasts published in the past three months, so they may reflect different data and assumptions about the economy. The Ministry's forecast incorporates the preliminary estimate of GDP for the third quarter of 2026, released on 30 October.

Graph 5.1: Forecasts for Real GDP Growth in 2026

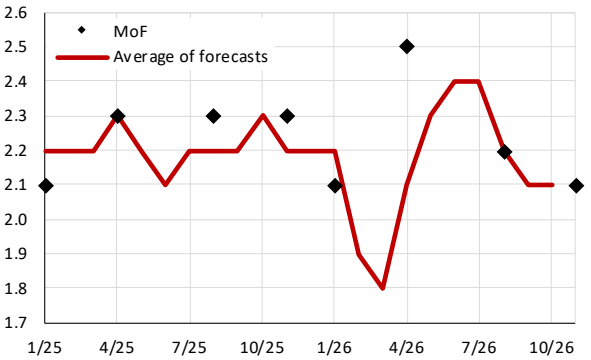
in %; the month, in which the survey was made on the horizontal axis



Note.: Averages of forecasts at the time not older than 3 months.
Source: Forecasts of individual institutions. Calculations of the MoF.

Graph 5.2: 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 5.1: Summary of the Surveyed Forecasts

		October 2026			November 2026
		min.	*max.*	*average*	*MoF forecast*
Gross domestic product (2026)	*growth in %, const.pr.*	**1.6**	**2.2**	**1.9**	**1.7**
Gross domestic product (2027)	*growth in %, const.pr.*	**1.9**	**2.7**	**2.3**	**2.5**
Average inflation rate (2026)	*%*	**2.0**	**2.2**	**2.1**	**2.1**
Average inflation rate (2027)	*%*	**2.5**	**3.2**	**2.9**	**3.1**
Average monthly wage (2026)	*growth in %*	**6.0**	**7.3**	**6.6**	**6.4**
Average monthly wage (2027)	*growth in %*	**5.6**	**6.3**	**5.9**	**6.3**
Current account / GDP (2026)	*%*	**-1.9**	**0.4**	**-0.4**	**-0.2**
Current account / GDP (2027)	*%*	**-1.6**	**0.8**	**-0.3**	**-0.5**

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 nine institutions entered the October survey, namely all seven domestic and two foreign (The Economist, IMF). In the case of GDP, no difference is being made between working-day adjusted and unadjusted forecasts.

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

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