

03/2023

# CBA | NEWS

Dear Colleagues,

last year we have, once again, proved how strong and compact the domestic banking sector is and how it can support Czech households and businesses in hard times. Despite the unexpected challenges in 2022, such as the war in Ukraine and the related energy crisis, inflation affecting customer deposits, and the closure of the local Sberbank branch, banks' performance remained strong. The first weeks of the new year are now over. I dare say that we have another interesting twelve months in a turbulent environment ahead of us. However, I have not the slightest doubt that Czech banks will live up to their reputation of a stable and reliable sector and that we will navigate through 2023 with our heads held high.

I wish all of us can build a better and sustainable future. The Czech Republic deserves only the best.

Jan Juchelka  
1<sup>st</sup> Vice-President of the CBA



# News of the Day

## Scammers never sleep!

Cyber crooks are always thinking of new ways to get into your wallets, and they also take advantage of various seasonal opportunities. For example, at this time of year when tax returns are due, they send out random text messages luring you to tax credit; but if you click on the link they sent, your life savings could be irretrievably gone.

Also new among the scams is the use of artificial intelligence, which the fraudsters use to faithfully imitate a live banker. In the video sent out by the attackers, a supposed bank employee tries to inform the client that he/she has not completed a transaction to purchase RWE securities in the amount of CZK 4,500.

*"Moving into the online world brings with it an increase in cyber fraud, which is becoming increasingly sophisticated. That's why it's always good to be vigilant and keep educating yourself. You can get acquainted with the most common scams, for example, at [www.kybertest.cz](http://www.kybertest.cz), where you can test whether you can spot a fraudster in a playful form,"* explains Pavel Kolář, the CBA expert on cyber security.

The CBA also regularly informs about all the recent fraud on its social networks: [Facebook](#), [Instagram](#), [LinkedIn](#) and [Twitter](#). Become their fans and you will be one step ahead of the scammers.



# From the Market

## **The domestic economy will stagnate, inflation will decrease more slowly and will exceed 10% for the whole year**

The chief economists of banks represented in the Prognostic Panel of the Czech Banking Association (CBA) expect the economy to stagnate this year. The estimate for this year has not changed from the previous forecast in November 2022. The domestic economy will remain in a mild recession at the beginning of this year, but should start growing slightly from H2. Inflation has been revised upwards for this year and will average slightly above the 10% threshold, and then near 8% at the end of the year. However, the forecast expects inflation to fall to 3% next year, although estimates of future inflationary pressures are very uncertain in the current extraordinary times.

## **Banks' profits grew**

Domestic banks generated a net profit of CZK 104.1 billion in 2022, up CZK 35.1 billion from the previous year, according to preliminary results. This follows from the [data](#) from the Czech National Bank. Domestic banks and savings banks made the highest profit so far in 2019, namely CZK 89.7 billion.

## **ECB keeps raising interest rates**

The European Central Bank (ECB) [raised its key interest rate](#) by 0.5 percentage point to 3% in early February, the fifth increase in a row. By tightening its monetary policy, the ECB is trying to bring inflation under control. The ECB also said it will continue to raise interest rates. The deposit rate was also raised, by 0.5 percentage points and is at 2.50%.

## **EBF study: the road to unblocking big bank funding and economic growth**

The European Banking Federation (EBF), together with Oliver Wyman, have [published a study](#) examining the EU banking regulatory and supervisory

framework and its impact on banks and the economy. The reference study concludes that a review of current capital requirements and supervisory practices could provide capacity for additional bank lending of about €4 trillion to finance green and digital transformation and enhance the competitiveness of the EU economy.

## Commentary

### **Economic uncertainty persists**

Economic sentiment improved at the start of the year thanks to a warmer winter. This caused slower gas withdrawal from storage and a fall in energy prices on European markets. Expectations of a recession have eased in many economies and the economic picture has improved compared to the end of last year. However, a number of risks to the global economy persist. The global economy continues to slow in light of the culminating inflationary pressures accompanied by the tightening of monetary conditions pursued by major central banks. Despite the aforementioned optimism, this year will thus be difficult for many businesses and households and will be incumbered by a number of risks.

**Jakub Seidler,**  
**Chief Economist of the CBA**



## **The economy will grow only moderately**

Despite the optimistic mood that had dominated the financial markets at the start of the year, analysts contributing to the CBA's macroeconomic forecast continued to forecast a weak performance of the Czech economy followed by cautious recovery. Full-year growth of the Czech economy is likely to be around zero and above 2% in 2024. The technical recession of the second half of last year will partly spill over into this year. Signs of improvement are coming mainly from abroad, while household consumption will continue to be burdened by rising living costs, including energy bills, despite still low unemployment.

**Helena Horská,  
Chief Economist  
at Raiffeisenbank**



## **CNB rates have already peaked**

The Czech National Bank left interest rates unchanged at its February monetary policy meeting. Banks' economists agree that the CNB will start easing monetary policy later this year. However, they expect that the core part of the expected rate cuts will come only next year. The new CBA forecast also assumes that rates will fall more slowly this year than estimated in the last forecast in November last year. They should be at 6% at the end of 2023 instead of 5.75%. For the end of 2024, the forecast expects interest rates at 3.5%.

Pavel Sobíšek, Chief Economist, UniCredit Bank

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UniCredit Bank**



## **The loan portfolio is fit as a fiddle**

The Czech Republic is not expecting a wave of rapid growth in the share of non-performing loans. The Czech banking sector is robust, with both firms and households, including trades, having more funds deposited in banks than they have borrowed and continuing to repay very well. By the end of 2022, the share of non-performing loans for households has fallen to 1.2%, and for mortgages it is even 0.57%. With 5.11%, the self-employed are still well below the historical average, while for businesses, the share has fallen to 3.43%. In all cases, these are very favorable figures in a Europe-wide comparison.

**Miroslav Zámečník,**  
**Chief Advisor of the CBA**



## **From Legislature**



### **The right to payment in cash does not have to be embodied in the Constitution of the Czech Republic**

The right to pay in cash should not be embodied in the Charter of Fundamental Rights and Freedoms, as some senators wish, according to the Standing Senate Commission on the Constitution of the Czech Republic and Parliamentary Procedures. According to the commission, the proposed addition to the constitutional order is neither necessary nor indispensable.

According to the commission, a legitimate demand would be to add appropriate sanctions to the law so that the right to cash payment is respected. A similar view is also held by the Czech National Bank, which has previously commented on a similar parliamentary initiative, stating that the current laws contain a right to cash payment and there is no need to raise it to a constitutional right. The Senate is due to consider the proposal in two weeks.



## The European Money Quiz 2023 competition for schools is now open!

The Czech Banking Association is again coordinating the national rounds of the European Money Quiz competition for students. A new [website](#) has been developed for students and their teachers with all the information about the competition and practice tests that students can use to get prepared. The EMQ is organized by the European Banking Federation and aims to improve the financial literacy of 13- to 15-year-old students. Teachers can enter their classes until the end of February. Class and national rounds of the competition will take place in March, the European final will again be held in Brussels at the EBF headquarters after a two-year covid break.

# ESG SEMINÁŘ

- Klimatická změna:  
jak si v ní stojíme?
- Evropská směrnice CSRD:  
jak se na ni ve firmě připravit?
- Dialog zástupců bank a firem

23. ÚNORA 2023  
od 9 do 17 hodin



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