

04/2023



## News of the Day

### **Property sales declined by half last year. Prices decreased on average by 4%, slower than expected.**

The freezing of the real estate market last year was reflected in all types of real estate. Sales fell by 51% for older flats, 49% for detached houses and even 57% for new flats. This is the lowest number of residential property sales in the last decade. The mortgage market has slowed noticeably since the second half of 2022. The volume of mortgages granted is the lowest in the last decade. This was revealed in an analysis by the Czech Banking Association and Dataligence Company.

Although in the second half of 2022, prices of houses and flats started to fall in most parts of the country, their decline was only moderate. Older flats in prefabricated and brick buildings reached their peak prices in mid-2022 and then declined on average by 4.3% by the end of the year. However, prices of older flats continued to rise by 3.4%, year-on-year. As for new buildings, the market saw offers of discounts and various marketing promotions but these did not affect the selling prices at all. On the contrary, the average prices of newly sold flats increased by 11%.

According to the analysis, the Czech Republic experienced one of the fastest property price increases in the European Union in the last decade with 54 per cent in the Czech Republic and 24 per cent in the EU over the last three years. Moreover, house price growth has outpaced the growth in household income. Wages have risen by less than 20 per cent in the Czech Republic since covid and prices of detached houses and of older buildings have risen by 60 per cent.

Stagnation in the property market is expected to continue this year. The gap between house prices will then be clear across the country. There is more scope for prices to fall for older properties. But it will depend on the willingness of sellers to agree to the discounts demanded by buyers.



| From the Market |

## **The number of issued payment cards has declined, modern payment methods set the trend**

The number of payment cards issued in the Czech Republic declined by 77,000, year-on-year, to 14.02 million in 2022. This has been shown by the [statistics](#) from the Bank Cards Association. Thanks to the increased use of modern payment methods (smart watches, mobile payments, etc.), the share of non-cash transactions versus cash withdrawals from ATMs has grown substantially. According to the association, the number of payment terminals increased by 15,000 to 307,000 last year. The number of e-shops accepting credit cards rose by 2,300 to 19,800. There were 5,555 ATMs in the Czech Republic at the end of the year, 17 fewer than a year ago.

## **The CBA Hypomonitor: The volume of mortgages granted declined again in January vs. December. The interest rate fell to 5.93%.**

In January this year, banks and building societies granted mortgage loans in a volume slightly exceeding CZK 6.5 billion. The volume of mortgages granted thus declined by more than 16 %, month-on-month. The interest rate on genuinely new mortgages without refinancing fell slightly for the first time in two years in December, from 5.98% to 5.93%. Market interest rates for longer maturities have started to rise again slightly in recent weeks, but still remain below the average level of the second half of last year.

## **Newly composed CNB Bank Board**

As of 13 February, the composition of the CNB Bank Board has changed. [Jan Kubíček](#) and [Jan Procházka](#) have become members of the CNB Bank Board for the next six-year term. Jan Frait, the current Bank Board member, will take up the role of a Deputy Governor. The new Bank Board members will replace Oldřich Dědek and Deputy Governor Marek Mora, whose six-year mandate ended on 12 February 2023. Since 13 February, the seven-member Bank Board, headed by Governor Aleš Michl, includes Deputy Governor Eva Zamrazilová, Deputy Governor Jan Frait and members Tomáš Holub, Karina Kubelková, Jan Kubíček and Jan Procházka.

## **ESMA published its risk monitor report**

The slowdown of economic activity, high inflation, the global tightening of financial conditions, the geopolitical environment and the materialization of peripheral risks linked to leverage and liquidity are currently the defining drivers of risk in EU

financial markets, according to a [report](#) by the European Securities and Market Authority (ESMA). Amid the volatile environment, financial markets remained remarkably stable in the second half of 2022. Economic sentiment became more positive in early 2023. But there is no reason to be complacent. High levels of uncertainty and fragile market liquidity limit the resilience of the financial system against further external shocks.

## Commentary

### **Real estate market almost froze**

The start of 2022 in the housing market was influenced by the peak of high demand from the previous year and the fact that the market was consequently sold out. The result was the lowest supply of older and newly built apartments in the last 10 years. However, the shock caused mainly by the war in Ukraine occurred at the end of Q1. The beginning of the energy crisis, higher energy prices, and a sharp rise in inflation all changed people's mood. This lasted throughout the second quarter and was intensified by rising interest rates on mortgage loans. The real estate market thus virtually froze in the second half of 2022.

**Milan Roček, CEO, Dataligence Company**



### **Confidence in the economy declined**

Economic confidence dropped slightly in February, especially in industry, while confidence among households improved for the second month in a row. However, it is still low from a historical perspective, at the level of the pandemic years. Confidence among entrepreneurs is at its weakest level in two years, and their expectations for the future are also less optimistic. February's confidence indicators thus continue to be relatively mixed, and despite the more optimistic outlook for households, they tend to confirm weakening economic activity and persistent fears of recession and rising prices.

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



## **From Legislature**



**State wants to register cross-border payments for online purchases**

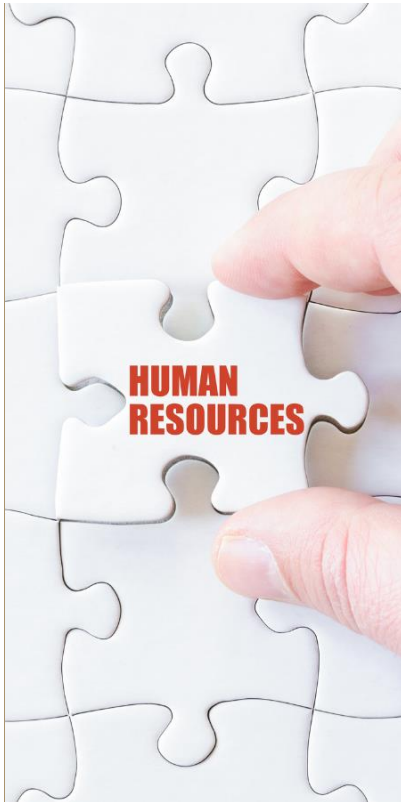
Payment service providers will have to provide the Financial Administration of the CR with information on payments for cross-border online purchases. This is foreseen in the amendment to the Act on the Value Added Tax (VAT), which was [approved by the government](#) on 1 February 2023. The amendment transforms a European directive into Czech law, which should contribute to a more effective fight against VAT payment fraud. According to the draft amendment, payment service providers will have to keep records of cross-border payments and their recipients. The obligation will start when the limit of 25 cross-border payments by one person per quarter is exceeded. The information on payments will be submitted by payment service providers to the Financial Administration of the Czech Republic by the end of each month after the end of the quarter. The proposed change to the law should now be considered by legislators and, if approved, would apply from January 2024.

## CBA EDUCA

### **The CBA received accreditation for proficiency tests of supplementary pension savings for another 5 years**

The Czech National Bank has extended the accreditation of the CBA to hold proficiency tests for the distribution of supplementary pension savings products for another period, i.e., for another 5 years. The CBA has been thus accredited to hold the proficiency tests until March 2028. Thanks to this, the CBA is able to provide all entities and users with comprehensive services in the field of certified education for the financial market.





## Another meeting of HR managers and directors

Another HR meeting for managers and directors of companies will be held on Thursday, 9 March 2023. The topic will be the labor market and its challenges. Petr Kouba, winner of the Ferdinand Peroutka Award and journalist at Deník N, together with AI expert Jan Romportl will discuss the challenges posed by the advent of artificial intelligence, Jakub Seidler, the Chief Economist of the CBA, will present the labor market from a macroeconomic perspective, and sociologist Martina Mácha will focus on the trends in HR that move Europe and the Czech Republic. Would you like to attend the seminar? Please contact us at [seminare@cbaonline.cz](mailto:seminare@cbaonline.cz). Admission is free.





ZAČÍNÁME  
V DUBNU  
2023

# Vzdělávací programy

Pro vrcholové manažery i členy volených orgánů

ČBA Strategické řízení pro vrcholové manažery

ČBA Corporate Governance

6 **výukových dnů** nabitých unikátním obsahem.

Aktuální témata, přesah a kontext. Špičkoví řečníci.



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