



**04/2024**

## News of the Day

### **The real-estate market in the Czech Republic has started picking up. Sales of flats increased by tens of percent in 2023**

Since last spring, the domestic real-estate market has experienced growth in terms of the number of transactions for all types of real estate. Sales of apartments in new buildings almost doubled year-on-year in the last quarter, while sales of older flats rose by 49% and sales of detached houses increased by 45%. This is a significant recovery, especially after the sharp decline in the whole market in the second half of 2022. There was also more interest in home loans. Prices of older apartments fell by an average of 7% last year. Almost 1,000 new apartment buildings and 22,500 family houses were built in the Czech Republic last year. Less than 12,500 flats in new buildings were built.

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## From the Market

### **The economic recovery will be moderate. Economy will grow by only 1.2 %**

The Czech economy will grow more slowly this year than originally expected. This is based on the estimates of the chief economists of the banks represented in the Prognostic Panel of the Czech Banking Association. It should grow by 1,2 %. The change in the economic development estimates towards weaker values for this year is due to a slower recovery in household consumption and weaker foreign demand. Average inflation will drop to 2.7% this year. Nominal wages will grow by approximately 6.5% this year, and by less than 4% in real terms, marking the first real wage growth after a two-year break.

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### **CBA Hypomonitor: Interest in mortgages in January almost doubled year-on-year**

Banks and building societies granted mortgage loans worth CZK 13 billion in January. The volume of mortgages granted fell by 14% month-on-month compared to December, but January is traditionally a weaker month in terms of activity on the mortgage market. So far this year, the mortgage market is expected to continue its recovery, which started slightly last year in the context of high interest rates. The average mortgage rate fell to 5.54% in January, which remains the lowest since mid-2022.

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## **Czech companies borrowed CZK 688 billion from banks last year**

The volume of bank loans to Czech companies fell to CZK 688 billion last year from CZK 880 billion in 2022, according to data from the Czech National Bank. The main reasons, according to experts, are high interest rates and weak demand. They also point to the growing share of loans in euros. Last year, banks granted CZK 342 billion worth of loans to companies, the lowest since 2004.



## **Inflation decelerated to 2.3 % in January**

Year-on-year inflation reached 2.3% in January, ending well below the consensus market estimate (2.9%) and the CNB's estimate (3%). This is the lowest level since March 2021. Prices rose by 1.5% month-on-month. Year-on-year inflation has thus fallen noticeably from December's 6.9% and 4.2%, respectively, after considering the lower comparative base from the end of 2022 due to the Savings Tariff. Energy prices were the main inflationary factor in terms of January's month-on-month developments. The other more noticeable inflationary factor was the prices of alcoholic beverages and tobacco, where the increase in excise duties was reflected. Prices of imputed rent, as well as food and clothing prices, were also anti-inflationary.

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## Confidence in the economy fell in February

Economic confidence continued to decline in February, driven mainly by continued pessimism in industry. Confidence also fell for the second month consecutively in retail trade, where the February decline was stronger, and a slight decline continued in services. In contrast, confidence in construction rose for the second month in a row. As in January, confidence among households increased again and reached its highest level since late 2021. Today's figures thus show a mixed picture, although household confidence is starting to recover to pre-Ukrainian war levels; there are obvious signs of a decline in foreign demand coming from industry.

**Jakub Seidler,**  
CBA Chief Economist



## From Legislature



### **Proposal to introduce an obligation for banks to set up accounts for crypto entrepreneurs**

A group of coalition and opposition MPs has presented a proposal for a draft amendment to the Act on Payments (Parliamentary Print No. 631) that would require banks to establish and maintain payment accounts for persons providing services related to virtual assets under certain conditions. The proposal would therefore have the effect of limiting the contractual freedom of banks and would also interfere with their autonomy to assess operational and other risks (in particular AML risks) when taking clients. According to the banks, accepting riskier clients may also have negative reputational effects, which may have international spillover effects, in particular in the area of functional relationships with correspondent banks.

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