



15/2024

News of the Day

Czech economy will grow slower, inhibited mainly by adverse developments abroad

The growth of the domestic economy will be weaker this year. The CBA's Prognostic Panel expects the economy to grow by 0.9% year-on-year this year and expects GDP to accelerate by 2.7% next year. The slightly weaker growth estimate for this year is linked to the unfavorable outlook on the development of foreign demand. Average inflation will decrease to 2.3% this year and should remain at a similar level next year. Nominal wages will grow by less than 7% this year and by more than 4% in real terms, marking the first full-year increase in real wages after a two-year break.

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From the Market

CBA Hypomonitor: Mortgage activity picked up in July, average rate increased slightly to 5.07%

Banks and building societies granted mortgage loans worth CZK 23.8 billion in July, of which truly new loans amounted to CZK 19.6 billion. In annual terms, growth accelerated from 80% in June to almost 110%, which also illustrates the favorable development in July. The mortgage market is thus continuing to recover this year, with the volume of mortgages granted in recent months already having risen above 2020 levels. The average mortgage rate for new loans rose slightly from 5.05% to

5.07% for the first time this year. However, the development of market interest rates is probably opening up room for a future decline.

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Mortgages according to energy labels

During the second quarter of this year, the trend of documented Energy Performance Certificates (EPC) for new mortgages has improved as expected. Nevertheless, EPCs remain at a relatively low level, even compared to neighboring countries such as Poland and Slovakia. This ESG indicator is intended to help determine the energy performance of the property being financed.

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Contribution to the Crisis Resolution Fund will amount to up to CZK 1.2 billion in 2025

Considering the modelled evolution of covered deposits in the Czech economy and the expected rate of appreciation of the existing resources of the Crisis Resolution Fund (CRF), the Czech National Bank estimates that the total annual contribution will amount to CZK 1 to 1.2 billion next year. At the end of this year, the volume of funds should amount to just under CZK 37 billion.

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Inflation increased moderately in July

Annual inflation increased from 2% to 2.2% in July, ending slightly above both market and central bank estimates expecting stagnation at 2%. On a month-on-month basis, prices rose by 0.7% (+0.5 expected), which is a value above the long-term trend for July. The main cause was similar to the previous month - only with the opposite effect - attributable to volatile food prices and holiday prices. These were behind the more pronounced decline of inflation in June, however their effect reversed in July.

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Czech industry remains in recession

Industrial production decreased by 3.4% year-on-year in June. The year-on-year downturn was thus slightly exacerbated from 3.2% in May. The production of cars, other transport equipment and machinery again contributed most to the decline in industry. New orders increased by 6% month-on-month and by as much as 10% in the automotive sector, while new orders in German industry also surprised favorably. The June figures did finally provide some positive signals about future developments.

[More here >>>](#)

Jakub Seidler,
CBA Chief Economist





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