

Quarterly report

Czech Economic Outlook

Engine running, fuel prices climbing



Generated by AI

■ **The economic outlook has deteriorated** We expect the Czech economy to grow by 1.7% this year, accelerating to 2.3% next year. This is lower than in our previous forecast due to a weaker first half of the year and the ongoing conflict in the Middle East. Nevertheless, economic growth should remain resilient, particularly thanks to domestic demand.

■ **Inflation is set to rise to 3% next year** Following the 2.1% we forecast for this year, we expect a significant acceleration in inflation in 2027. This is mainly due to higher energy, fuel and food prices resulting from the conflict in the Middle East and lower agricultural yields. Although core inflation should remain elevated, we forecast a slowdown, from 2.9% this year to 2.7% in 2027.

■ **The CNB is likely to raise interest rates once again** We expect the recent increase in core inflation and intensifying external price pressures to prompt the CNB to raise the key repo rate to 4% at its November meeting. It should then remain at that level until the end of next year. We do not anticipate a return to the policy-neutral level of 3% until 2028.

■ **Global factors to keep market interest rates high** As the energy shock gradually eases next year, we expect only a modest decline in longer-term koruna rates, given the continued strong demand for long-term financing. The short end of the yield curve should also be pushed lower by less pronounced tightening of domestic monetary policy than is priced in by the market.

■ **Sentiment and CNB to put the koruna on hold** The Czech koruna is likely to lack positive momentum for the rest of this year. We expect it to gradually appreciate against the euro next year, reaching EURCZK 24.0. This should be driven by stronger growth in the Czech economy compared to the eurozone, the stabilisation of the interest rate differential and the easing of geopolitical tensions.



Jan Vejmelek
+420 222 008 568
jan_vejmelek@kb.cz



Jana Steckerová
+420 222 008 524
jana_steckerova@kb.cz



Martin Gürtler
+420 222 008 509
martin_gurtler@kb.cz



Kevin Tran Nguyen
+420 222 008 569
kevin_tran@kb.cz



Jaromír Gec
+420 222 008 598
jaromir_gec@kb.cz

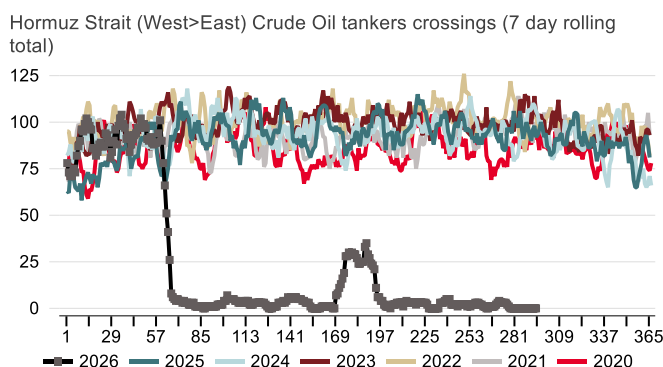
The energy shock just keeps going



Jan Vejmelek
+420 222 008 568
jan_vejmelek@kb.cz

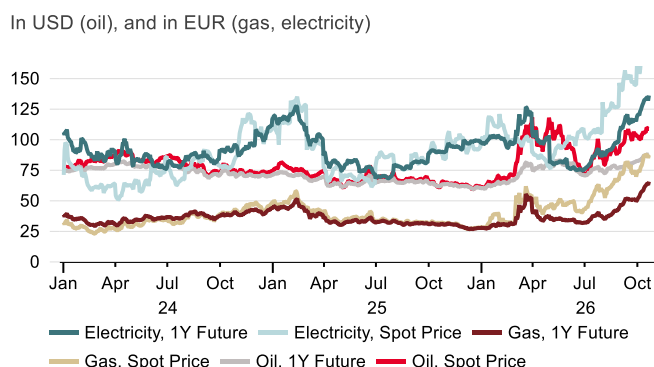
The Middle East conflict has now been under way for almost nine months, exposing the entire global economy to an energy supply shock. The end of June brought a glimmer of hope that the conflict could be resolved. However, these hopes were quickly dashed, as traffic through the Strait of Hormuz remains significantly restricted, particularly official shipping, while military operations are disrupting other alternative routes. As the conflict extends further, higher spot prices for energy commodities are increasingly being passed through to one-year contracts.

The Strait of Hormuz remains effectively closed to transit of key commodities



Source: Bloomberg, Macrobond, Economic and Strategy Research, Komerční banka

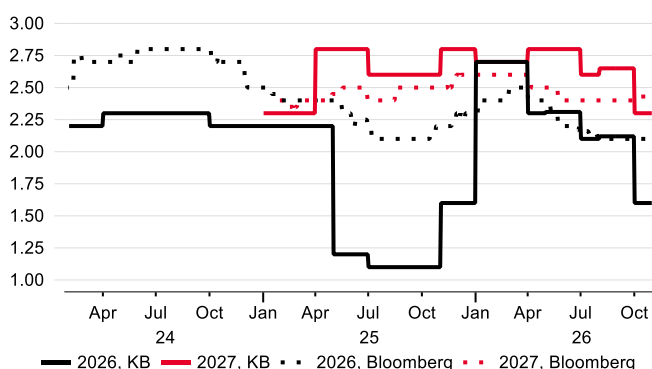
One-year contracts for energy commodities are already reflecting higher pricing



Source: Bloomberg, Macrobond, Economic and Strategy Research, Komerční banka

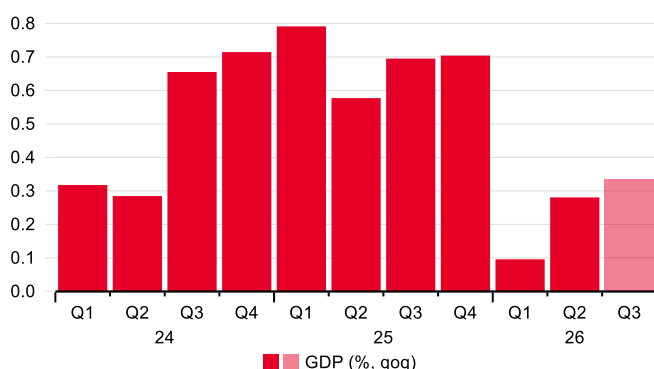
The energy supply shock has stagflationary effects. In the spring edition of our *Czech Economic Outlook* (Box 3) Jaromír Gec simulated the impact of temporary and permanent oil shocks on the Czech economy¹, defining the parameters for a number of plausible scenarios.

Czech economy's growth prospects deteriorating for this and next year (GDP, %, yoy)



Source: Bloomberg, Economic and Strategy Research, Komerční banka

This year's growth momentum is much lower in the Czech Republic (GDP, %, qoq, SA)



Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka

The prolongation of the energy shock is now causing the macroeconomic impacts to increasingly converge towards the scenario of a prolonged oil shock. That said, the downward revision to our growth forecast also reflects a number of other factors, such as a

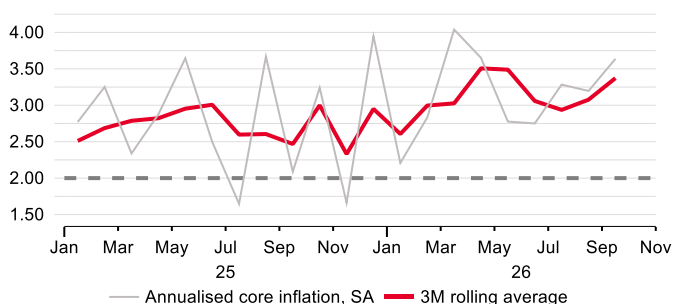
¹ The responses to simulated short-term and long-term shocks were based on an empirical BVAR model, described in more detail in a special report: https://bit.ly/Oil_shock_EN. Short-term shock is defined as a temporary increase in the average oil price for one quarter, with the price subsequently returning to its starting-point level. We consider the situation where oil prices rise and then stay at the higher level to be a long-term shock.

weaker performance in preceding quarters, slower growth in demand and wages, and problems in industry stemming from shutdowns and high temperatures.

The real economy's dynamics are suffering from the adverse impacts of persistently increased geopolitical risk, steep energy commodity prices and higher financing costs. Overall GDP growth was a disappointing +0.3% qoq in 2Q, whereas we had expected +0.5%, and the 1Q result was also revised down to +0.1% qoq. The summer months failed to deliver, particularly for Czech automotive manufacturers, partly due to interruptions in production related to capacity expansion measures. However, difficulties in supply chains also had an impact. We have therefore reduced our forecast for 2026 real GDP growth from July's 2.1% estimate to 1.7%. Next year, we see growth accelerating only slightly (to 2.3%), despite the significant fiscal stimulus.

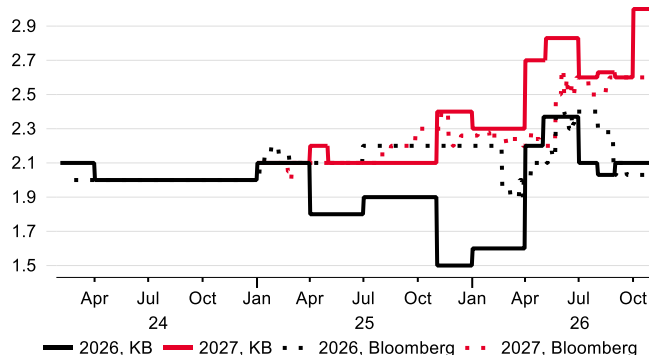
Core inflation momentum accelerated this year quite significantly above the 2% target

Month-on-month annualised change, SA (Census X-13), 3M rolling average



Source: CZSO, CNB, Macrobond, Economic and Strategy Research, Komerční banka

Inflation expectations for 2027 are visibly increasing over time



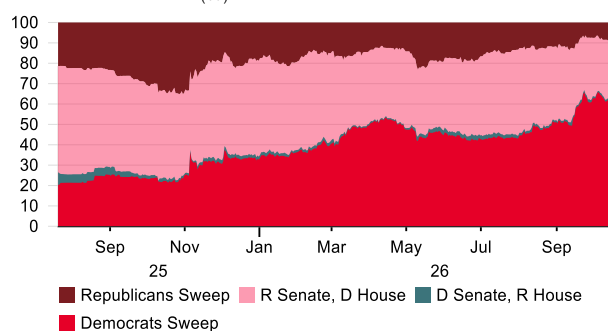
Source: Bloomberg, Economic and Strategy Research, Komerční banka

The Middle East conflict is clearly driving inflation through higher motor fuel prices. In addition, given sustained internal demand, there is a real risk of fuel prices leaking into other prices in the economy. The price dynamics in services remain strong. In September, core inflation even stepped outside the central bank's tolerance zone, rising by 3.1% yoy. Nevertheless, given the continuing decline in food prices we see no need to change our 2026 inflation forecast, and still expect 2.1% on average. We now look for inflation to rise to 3.0% next year (compared with our July forecast of 2.6%). In our opinion, a further tightening of the CNB's monetary policy will be required. Our forecast suggests that, following the monetary policy rate hikes in June, that move will come as early as the November CNB Board meeting.

The midterm elections to the House of Representatives and one-third of the Senate are unlikely to bring any fundamental change to the political situation in the US – even in the event of the Democrats winning a majority in one or both Congress chambers. Naturally, such an outcome would make it more difficult for President Trump to govern without opposition. The main result, however,

Prediction markets: Democrats are the favourites

Midterm election odds (%)



Source: Polymarket, Macrobond, Economic and Strategy Research, Komerční banka

would be greater uncertainty overall, including for financial markets, as Jana Steckerová details in *Box 1*. A major issue in the upcoming quarters will be the direction of AI investment, where SG economists expect the current strong dynamics to fade next year. This, combined with lower fiscal expenditure, underpins their expectation of a slowdown in growth for the US economy in 2027.

The Czech economy will continue to rely primarily on internal demand. Fiscal policy should provide further stimulus. Jaromír Gec analyses the government's proposal for the 2027 national budget in more detail in *Box 2*. However, an expansive fiscal policy working in favour of inflation is not limited to the Czech Republic. It is basically a global phenomenon that is pushing interest rates upwards, and can be felt in more expensive funding for governments, businesses, and households. The rather restrictive conditions are already reflected in lending dynamics and the first signs of a slowdown are also now visible in the real estate market. The issue in the banking sector, analysed by Kevin Tran Nguyen in *Box 3*, is quantifying the potential transfer of municipalities' and regions' deposits to saving accounts at the CNB.

We hope you enjoy reading the autumn edition of Komerční banka's *Czech Economic Outlook*!

Table of Contents

External environment and assumptions	6
<i>Box 1: The US elections in November could bring greater uncertainty.....</i>	<i>7</i>
Macroeconomic forecast	13
Monetary policy	22
Fiscal policy	24
Box 2: The 2027 Budget: Fiscal expansion intensifies despite solid economic growth	26
Summary forecast table.....	30
The Czech IRS market and government bonds	31
Czech FX market	36
Banking sector	39
Box 3: Potential local government deposit outflow exerts additional pressure on bank deposit rates	44
Key economic indicators	47

External environment and assumptions



Jana Steckerová
+420 222 008 524
jana_steckerova@kb.cz

The US and eurozone economies remain resilient

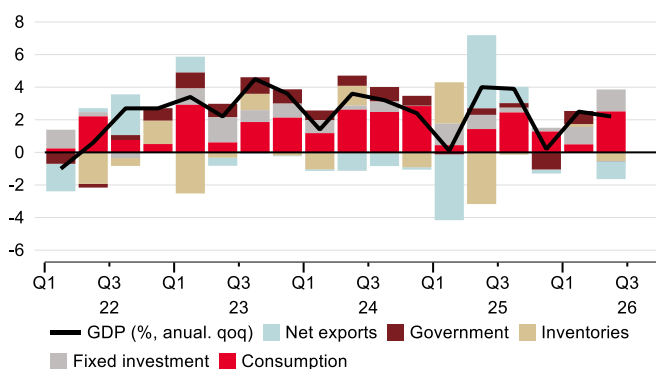
Despite persistently high oil prices and heightened geopolitical uncertainty, the outlook for the US and the eurozone remains favourable. The US is benefiting from fiscal stimulus, robust household spending and ongoing high levels of corporate investment, particularly in data centres. Meanwhile, the eurozone is being supported by the German fiscal package, EU funding, a draw down in households' excess savings, and increased investment in AI. Inflation remains a concern, as it is well above the target set by central banks. Both the US Federal Reserve and the European central bank have already begun to tighten monetary conditions. The ECB raised interest rates at its June and September meetings, and we anticipate a further increase in December. This would bring the deposit rate to a neutral level, which we think it will remain at for an extended period. However, the risks are skewed towards further tightening of monetary conditions. In the US, we expect a tightening at the December FOMC meeting, with another likely to follow in March.

US: solid GDP growth looks set to continue

The economy is being supported by fiscal spending, while investment remains strong.

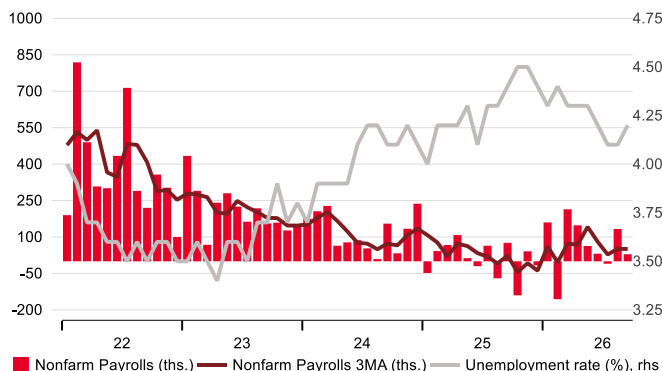
The US labour market is stable. Although the unemployment rate increased by 0.1pp in September (to 4.2%), this was primarily due to better labour supply rather than redundancies. The number of new jobs created (non-farm payrolls) was lower than the market expected, but the number of weekly unemployment benefit claims is falling and has reached its lowest level since July. Thanks to the favourable labour market situation, household consumption is still strong. This is further supported by fiscal spending. Business investment remains robust, particularly in data centres and AI. We therefore expect GDP growth to reach 2.2% this year and remain above the long-term trend. However, next year, the effect of fiscal stimulus and investment in AI should begin to wane, so we expect lower GDP growth of 1.7%.

The US economy is in good shape



Source: Macrobond, Economic and Strategy Research, Komerční banka

The US labour market has stabilised



Source: Macrobond, Economic and Strategy Research, Komerční banka

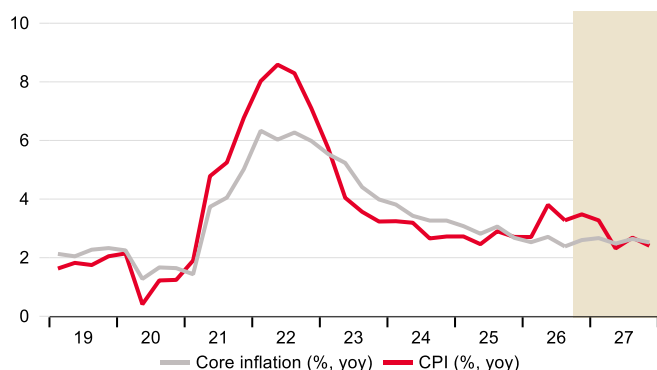
The median interest rate forecast suggests that monetary conditions will tighten further.

In line with expectations, the US Federal Reserve raised interest rates by 25 basis points to 3.75-4.00% at its September meeting. The unanimous vote came as a surprise. Furthermore, the decision was hawkish, as the Fed no longer considers the increase in inflation to be a temporary phenomenon related to the oil price surge. The dot plot has also shifted in this direction, anticipating further tightening of monetary conditions this year. The FOMC is more divided in its views for next year, with two of the nineteen members favouring a cut in interest rates, eight favouring a rise and the rest favouring leaving rates unchanged.

Next rate hike in December and March.

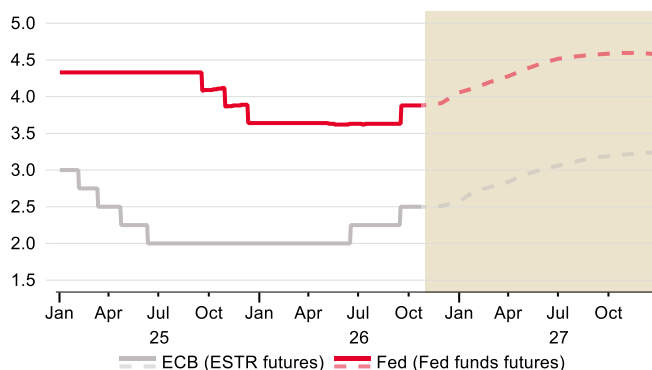
US inflation remains above the Fed's target. In September, it accelerated from 3.4% to 3.7%, while the pace of its core component also picked up (from 2.4% year-on-year in August to 2.6% in September). Conversely, the core PCE fell short of expectations in August, coming in at 3.0% yoy compared with the market consensus of 3.3%. This could provide ammunition for the more dovish faction of the FOMC, who argue that new data is needed before monetary conditions can be tightened. Another argument for keeping interest rates unchanged could be the upcoming Congressional elections, which we discuss in more detail in *Box 1*. Nevertheless, we do anticipate interest rate rises at the December and March meetings.

US: inflation remains high (% , yoy)



Source: Macrobond, SG Cross Asset Research/Economics

Market expectations for Fed and ECB rate moves (%)



Source: Bloomberg

Box 1: The US elections in November could bring greater uncertainty

One of the most important political events this autumn will be the US midterm congressional elections on 3 November. All 435 seats in the House of Representatives and 35 Senate seats are up for grabs. While the Democrats only need to win three additional seats to take control of the House of Representatives, they must secure a net gain of four seats to overcome the current Republican majority in the Senate. Since the Second World War, the president's party has lost seats in the House of Representatives in all but two midterm elections. The situation in the Senate is different, however, as only a third of the seats are up for election. This means that the result depends to a large extent on which states are holding elections. This year's electoral map favours states that voted Republican in the last presidential election, giving that party a certain advantage.

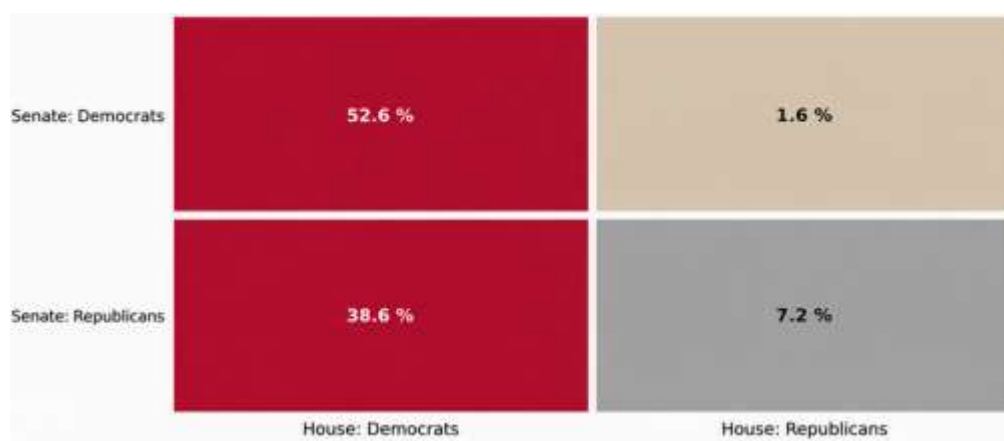
Donald Trump's Job Approval at its lowest level since his election (%)



Source: Real Clear Politics (23.10.2026), Economic and Strategy Research, Komerční banka

In any case, the election result is likely to be very close. According to the latest polls and the model developed by our colleagues at SG, the most likely scenario appears to be Democratic control of the House of Representatives. Given the exceptionally narrow Republican majority, gaining control of the lower house is relatively easy. Therefore, the main significance of the current elections lies in determining who will control the Senate. The Senate holds key powers in confirming top federal administration officials, judges, members of the Federal Reserve System, and Supreme Court nominees. From this perspective, the elections have direct implications not only for the political functioning of Washington, but also for the future shape of monetary policy, the regulatory environment, and institutional stability in the United States.

Probability of post-election scenarios (% , as at 23.10.2026)



Source: SG Cross Asset Research/Economics

If the Republicans were to lose their majority in the House of Representatives but retain it in the Senate, the impact of the election would likely be relatively limited. The Democrats could strengthen their oversight of the administration by conducting investigations and holding hearings, as well as exercising their right to check and balance the government's actions. This would make it more difficult for Donald Trump to push through new legislation. However, a Republican-controlled Senate would still enable Trump to secure approval for his key nominations. Thus, the functioning of US institutions could continue largely unchanged. In our view, this scenario would have a minimal impact on financial markets. We see this scenario as slightly less likely than the one outlined below.

If the Republicans were to lose control of both houses of Congress, this would likely result in a higher degree of political uncertainty. A Democratic majority could significantly strengthen oversight of the executive and expand Congress' supervisory powers. Negotiations on federal government funding would also become more complicated, carrying the risk of more frequent shutdowns. Such an outcome could also create greater uncertainty regarding confirmation of Supreme Court and Federal Reserve nominees, as a Democrat-led Senate would have the power to reject presidential nominees or prolong the confirmation process. Therefore, for financial markets, this scenario represents a significant source of uncertainty. Nevertheless, even if the Democrats were to control Congress in its entirety, the President would retain significant powers in areas such as tariffs, foreign policy and regulation. The main impact of the election on the financial markets would therefore likely be increased volatility.

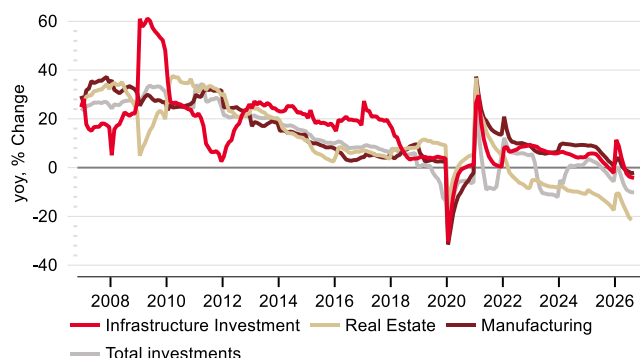
Jana Steckerová
+420 222 008 524
jana_steckerova@kb.cz

China: controlled slowdown in growth likely

Growth is being driven by exports, not domestic demand.

A defining feature of the Chinese economy is the persistent imbalance between robust export activity and weak domestic demand. Exports benefit from the competitiveness of China's manufacturing sector, particularly in the high-tech segments of electric mobility, battery technology and renewable energy. AI-related exports now account for over 20% of the total. By contrast, domestic demand remains weak. This is reflected in subdued inflationary pressures, which are further dampened by excess production capacity.

Chinese investments: the recovery is stalling



Source: Macrobond, Economic and Strategy Research, Komerční banka

The government is focusing on improving the quality of economic growth.

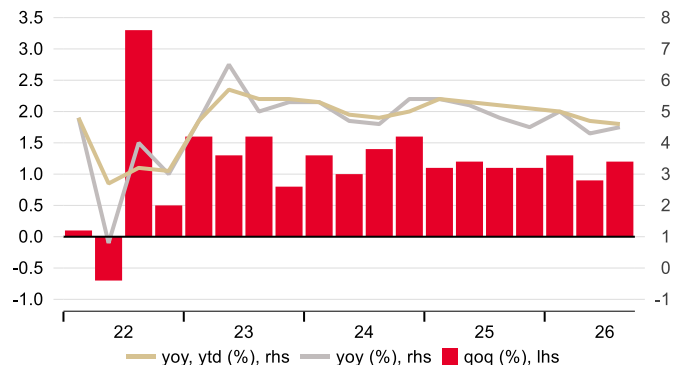
In our view, China is set to experience a controlled slowdown in growth over the next few years. We expect government support to be selective. Rather than seeking to boost aggregate demand, the focus is likely to be on stimulus measures targeting strategic sectors such as artificial intelligence (AI), green technologies, and high-value industries. While this may lead to a revival in infrastructure investment, the property market is likely to continue to hinder economic growth, and household consumption is set to remain subdued due to a weak labour market and low-income growth. The government is now focusing more on the quality of economic growth than its pace. Its objectives include raising GDP per capita to the level of moderately developed economies by 2035, implying an average GDP growth rate of around 4.2% over the 2026–35 period.

Eurozone: ECB likely to raise rates again in December

Concerns over rising core inflation, higher inflation expectations and the knock-on effects of the Middle East conflict are likely to prompt the ECB to raise rates again.

Inflation in the eurozone accelerated to 3.8% yoy in September, marking the highest level since late 2023. Energy prices rose in particular, whilst food and service prices also increased. The secondary effects of the energy shock, which are usually reflected in core inflation relatively quickly (for example, through airfares), have so far been moderate. However, we expect these effects to become more pronounced in the coming months. It is not just the energy shock that is likely to push inflation upwards, though. Supply chain issues, the impact of the summer heatwave on food prices and higher demand linked to investment in AI should also contribute to this increase. The extent to which these factors feed through to consumer prices will depend on the resilience of the euro area economy and firms' ability to pass on higher costs to customers. For the time being, this resilience remains strong, so our forecasts anticipate that inflation will continue to rise, peaking at 4.1% year-on-year in the early part of next year. At the same time, we expect core inflation to rise to around 2.7–2.8% year-on-year, remaining close to this level for most of next year. According to our forecasts, headline yoy inflation will fall to 2.3% by the end of 2027.

China's GDP growth (%)

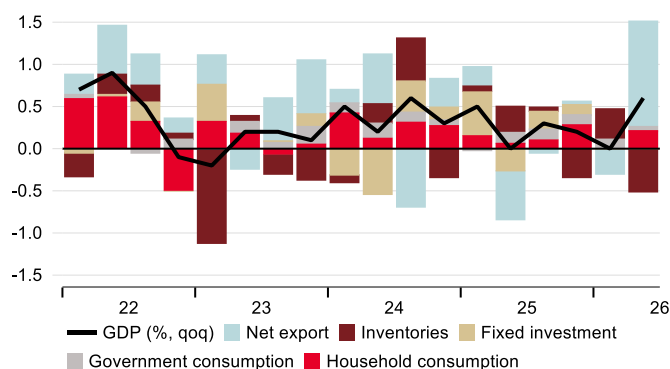


Source: Macrobond, Economic and Strategy Research, Komerční banka

ECB to hike rates in December.

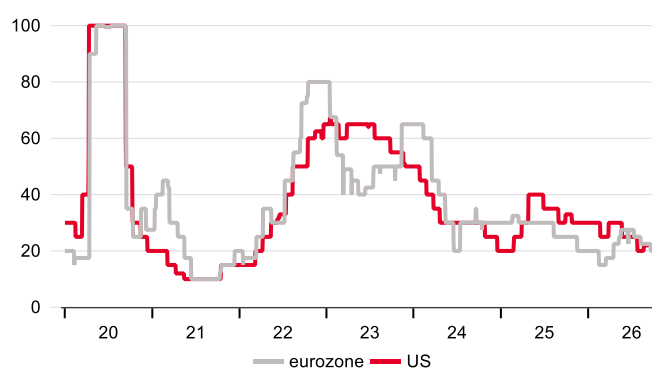
The ECB responded to inflation trends by raising interest rates in June and September. Given the trend in core inflation and the risk of it rising further as a result of the secondary effects of higher energy prices, we expect the ECB to take the same step again in December. This would bring the deposit rate to a level that we currently regard as neutral (2.75%), and which we forecast will remain so for an extended period. However, the risks are skewed towards tighter monetary policy.

Eurozone GDP growth rates (% , qoq)



Source: Macrobond, SG Cross Asset Research/Economics

Probability of recession over a one-year horizon

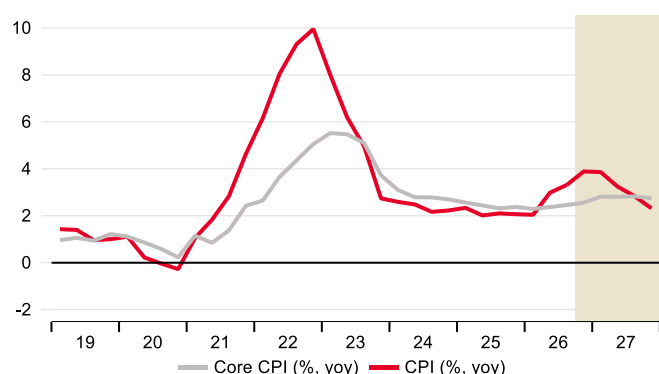


Source: Macrobond, Bloomberg consensus, Economic and Strategy Research, Komerční banka

Supported by strong consumption, investment in AI and the German fiscal package, the eurozone economy is likely to grow.

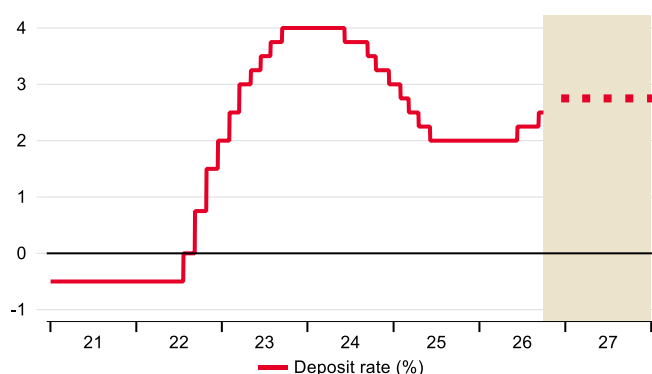
The eurozone economy has so far remained resilient to the oil shock. After adjusting for the volatile performance of the Irish economy, we estimate GDP growth of 1.2% this year and 1.1% next year. We expect this growth to be driven by robust private consumption, funds being drawn down from the NextGenerationEU (NGEU) programme, and investment in AI. Furthermore, households have high levels of savings, unemployment is at a historical low and wage growth remains robust. The German fiscal package is also set to play a significant role. We expect it to lead to an increase in Germany's public finance deficit, from 2.6% of GDP last year to 4.2% this year. Following three years of slowdown, we therefore anticipate a more pronounced recovery in the German economy. We estimate GDP growth at 1.2% (NSA) for this year and next.

Inflation in the eurozone above 3%



Source: Macrobond, SG Cross Asset Research/Economics

ECB likely to hike rates one more time this year (depo rate, %)



Source: Macrobond, SG Cross Asset Research/Economics

A significant risk is a loss of confidence in the prospect of high future returns from AI.

Risks associated with the external environment

Investments in AI pose a significant risk. In fact, the global growth cycle is becoming increasingly dependent on ambitious investment plans in AI, which are based on expectations of high future returns and significant productivity increases. At the same time, demand for capital driven by investment in AI is intensifying inflationary pressures and pushing

bond yields upwards. Furthermore, these factors are interconnected, making the global economy more vulnerable. The main risk is a loss of confidence in future returns on AI investments, which could trigger a sharp reduction in planned capital expenditure, a revaluation of assets, and a deterioration in financing conditions. This could potentially lead to a significant slowdown in global growth, even without a collapse in AI technology itself. In addition, tensions in the French government bond market could spill over to other eurozone government bonds.

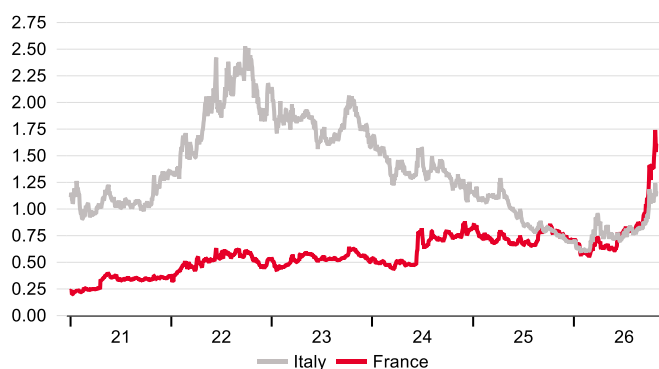
Tensions in the French government bond market could spill over to other eurozone government bonds.

Developments in France are also a cause for concern. French government bonds are under pressure due to political deadlock and concerns about public finances, as evidenced by an outflow of foreign investors. However, France relies heavily on these investors. In October, the spread between 10-year French government bonds (OATs) and the German Bund exceeded 150 basis points for the first time since the eurozone debt crisis of 2011–12. Furthermore, the French Ministry of Finance is planning a record-high volume of OAT bond issues for next year, with the net supply to private investors also set to reach an all-time high. The problem is that the tension in the French government bond market may not prove to be merely a local issue. It could spill over to other government bonds in the eurozone, particularly those of countries with high levels of debt. Unless serious market tensions arise, support from the ECB is unlikely at this stage. Should such support be provided, it would undoubtedly be conditional upon significant fiscal adjustments being made.

A more pronounced fall in oil prices does not look likely until stocks have been replenished and the infrastructure has been restored.

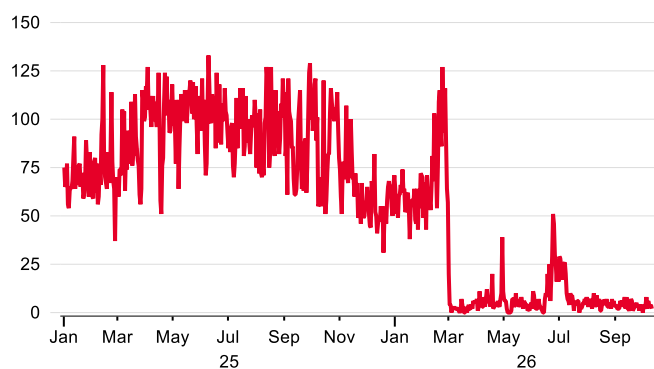
Another risk factor is the ongoing conflict between Iran and the US, which continues to prevent tankers from passing through the Strait of Hormuz. Consequently, the price of oil is currently hovering above \$100 per barrel. We forecast that it will fall towards \$78 per barrel over the course of next year, driven by higher oil supplies from non-OPEC countries, falling consumption due to electromobility growth, and a gradual de-escalation of the conflict. However, we expect the price of oil to remain above pre-war levels throughout the period covered by our forecast, as a more significant fall in prices is only likely to occur once the conflict has ended, the damaged infrastructure has been repaired, and the missing stocks replenished.

Spread between OAT and German Bund (pp)



Source: Macrobond, Economic and Strategy Research, Komerční banka

Number of tankers passing through the Strait of Hormuz



Source: Macrobond, Economic and Strategy Research, Komerční banka

CEE region: Hungary likely to cut rates, Poland to raise them

We expect the Polish central bank to raise interest rates in November.

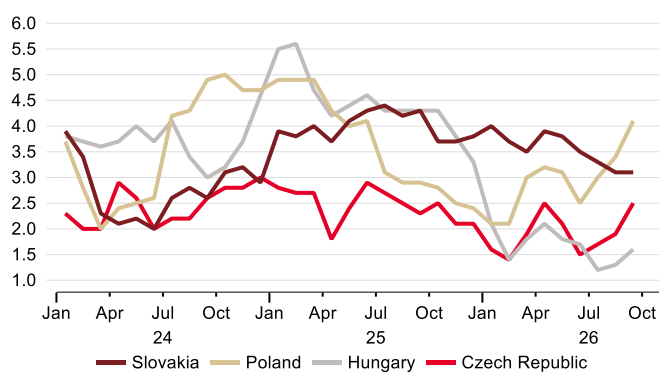
In September, the Polish central bank left interest rates unchanged at 3.75%. Although Governor Glapiński struck a dovish tone at the subsequent press conference, he left the door open for an interest rate rise. The Polish central bank's next moves will depend on its November forecast. We expect this to show that inflation will remain above the central bank's tolerance band until at least the second quarter of next year. We therefore expect monetary conditions to be tightened as early as the November meeting, with further tightening likely to follow in January. Despite higher interest rates and the inflow of EU funds, we expect the Polish zloty to remain

close to the EURPLN 4.4 level. This is because the currency is more sensitive to geopolitical developments than domestic factors, so a significant strengthening would require a fundamental shift in geopolitical circumstances.

The Hungarian central bank is set to continue cutting interest rates.

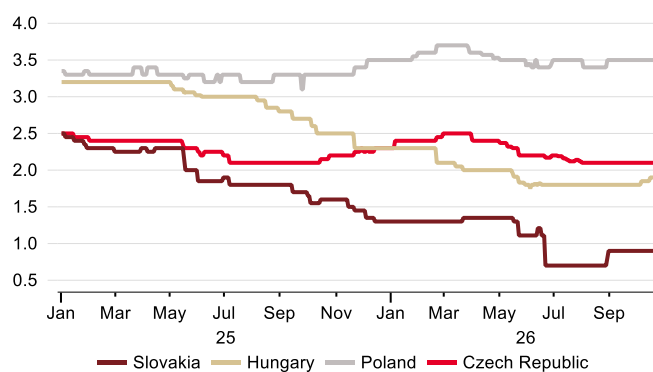
Despite the energy shock, inflation in Hungary remains at very low levels (1.6% in September). In response to this situation, the central bank cut rates in June, July and August, bringing the key interest rate down to 5.5%. Although it left rates unchanged in September, we believe it will continue to ease monetary conditions. According to our forecast, the three-month key deposit rate should fall to 4.5% by the end of next year. This is because the central bank no longer needs to be as concerned about the instability of the Hungarian forint. The exchange rate is currently being supported by a renewed inflow of funds from the EU, the prospect of fiscal consolidation, and solid GDP growth. We therefore expect the forint to strengthen gradually over the course of next year, reaching levels of around EURHUF 355 by the third quarter.

Inflation in the region (% , yoy)



Source: Macrobond, Economic and Strategy Research, Komerční banka

GDP growth for 2026, Bloomberg consensus (in %)



Source: Macrobond, Bloomberg consensus, Economic and Strategy Research, Komerční banka

Macroeconomic forecast



Martin Gürtler
+420 222 008 509
martin.gurtler@kb.cz

Main changes

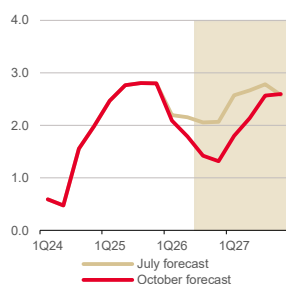
GDP

Compared with the July forecast, we have revised down our growth forecast for the Czech economy, from 2.1% to 1.7% for this year and from 2.6% to 2.3% for next year. This is due to weaker GDP growth in the first half of this year and the ongoing conflict in the Middle East. Nevertheless, we still expect the economy to remain resilient, mainly due to domestic demand.

Inflation

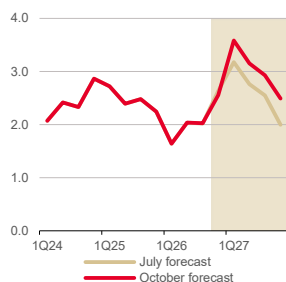
We still expect inflation to reach 2.1% this year. However, we have increased our forecast for next year from 2.6% to 3.0%. This significant revision is due to our expectation of a faster rise in food and household energy prices, as well as only a gradual return of fuel prices to lower levels. We are maintaining our outlook for core inflation, expecting a slight slowdown from 2.9% in 2026 to 2.7% in 2027.

Changes to our GDP forecast (% , yoy)



Source: CZSO, Economic and Strategy Research, Komerční banka

Changes to our CPI forecast (% , yoy)

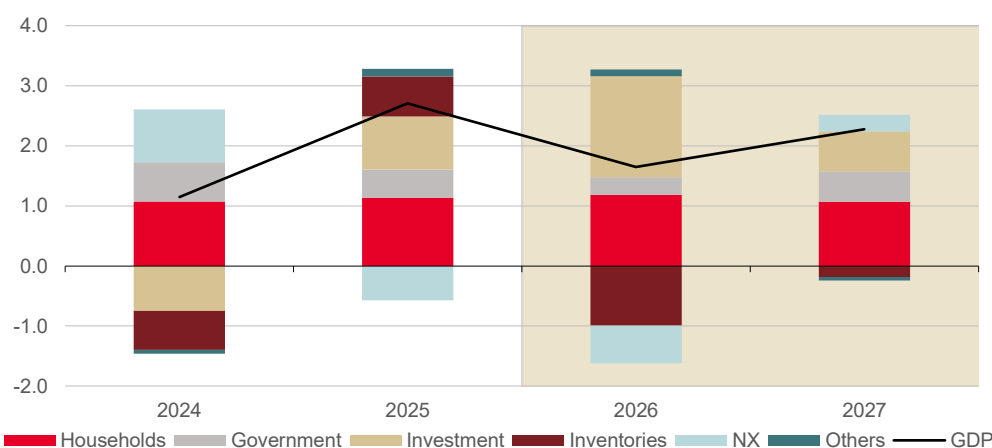


Source: CZSO, Economic and Strategy Research, Komerční banka

Czech economic growth to be weaker, while inflation higher

We forecast the Czech economy to grow by 1.7% this year, before accelerating to 2.3% in 2027. Domestic demand, supported by household consumption, investment and higher fiscal expenditure, should remain the main driver of economic growth. However, we have downgraded our outlook compared with the July forecast due to weaker GDP growth in the first half of the year and the protracted conflict in the Middle East, which is driving up energy prices and disrupting supply chains. These factors are set to constrain industrial output growth. The labour market is likely to remain tight, but we expect wage growth to gradually slow to 6.2% this year and 6.0% next year. Conversely, we predict that inflation will rise from 2.1% this year to 3.0% in 2027, mainly due to higher energy, fuel and food prices, while core inflation should fall slightly from 2.9% to 2.7%. The risks to the forecasts are skewed towards weaker GDP growth and higher inflation, mainly reflecting uncertainty over the duration and impact of the Middle East conflict.

Domestic demand is set to remain the main driver of economic growth (% , yoy)



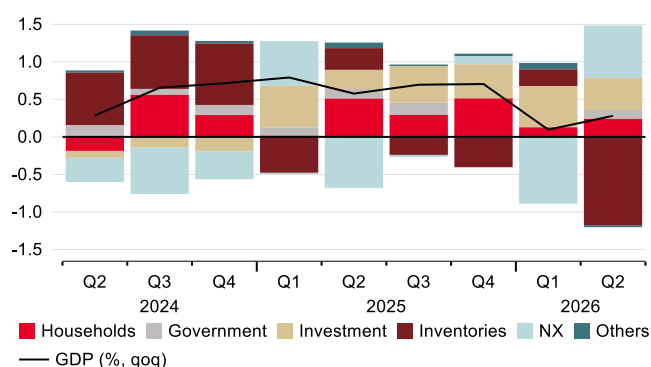
Source: CZSO, Economic and Strategy Research, Komerční banka

The economic outlook has deteriorated

Growth in the Czech economy slowed significantly in the first half of this year. Quarter-on-quarter GDP growth in 1Q26 was revised down from 0.2% to just 0.1%, whilst in 2Q26 it accelerated slightly to 0.3%. However, our July forecast had anticipated stronger growth of 0.5% qoq in 2Q26. Compared with the previous two years, the economy's performance in 1H26 was significantly weaker, as it had grown at an average rate of 0.7% qoq between 3Q24 and 4Q25. Household consumption continued to rise, albeit at a slower pace than in previous quarters and more slowly than we had expected. The quarter-on-quarter increase was 0.3% in 1Q26 and 0.5% in 2Q26, which resulted in lower contributions to GDP growth. Meanwhile, wage growth remained solid, both in nominal and real terms. As a result, the household saving rate remained close to 20%, almost double its pre-pandemic level. The slowdown in consumer demand may partly reflect the exhaustion of the catch-up effect, as, in 4Q25, household consumption eventually reached the pre-pandemic level seen at the end of 2019 after six years. The deterioration in consumer sentiment, driven by concerns over the impact of the conflict in the Middle East, may also have weighed on spending. By contrast, investment activity remained strong and was the main source of growth in domestic demand. The Middle East conflict is also likely to have affected net exports and inventories. The contribution of net exports to qoq GDP growth was significantly negative (-0.9pp) in 1Q26 due to high imports. In addition to persistently robust domestic demand, this may have reflected firms' efforts to build up stockpiles due to

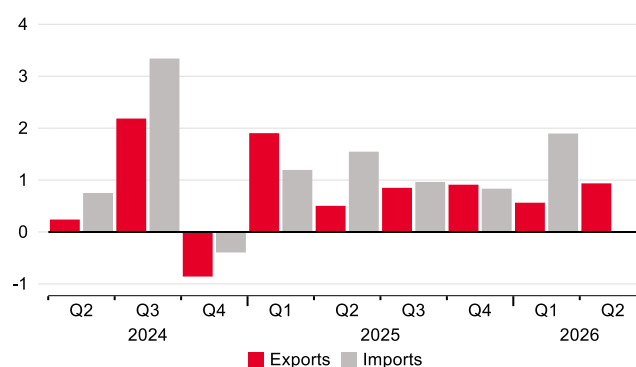
fears of rising prices. Subsequently, import activity subsided and firms likely reduced their stock levels, partly due to renewed supply chain disruption. While the contribution from net exports rose to +0.7pp in 2Q26, the contribution from inventories fell to -1.2pp. This may also have been due to cost optimisation driven by the deteriorating financial position in the non-financial corporate sector. The average operating margin in this sector continued to fall, down to 42.4% in 2Q26 – a level last seen during the first wave of the pandemic in 1Q20. This is also a historical low for the indicator. Consistent with this, manufacturing firms reported efforts to rationalise their stock levels in the PMI survey. Although year-on-year GDP growth stood at 2.8% at the end of last year, it has gradually slowed this year, dropping to 1.8% in 2Q26.

GDP growth slowed in the first half of this year, partly due to weaker household consumption growth (SA, %, qoq)



Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka
Note: NX denotes net exports.

Stockpiling may have contributed to the rise in imports in 1Q26, after which they stagnated in 2Q26 (SA, %, qoq)

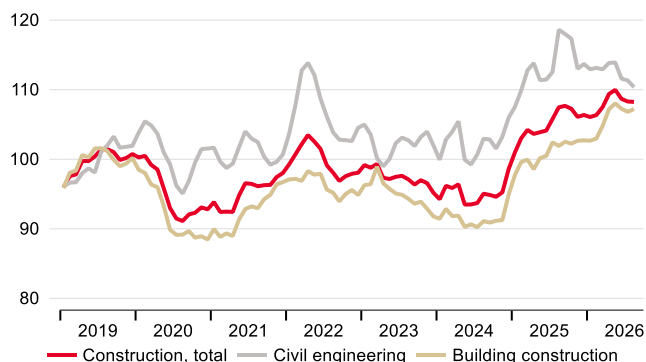


Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka
Note: Both exports and imports are in real terms and in the definition of national accounts.

Czech GDP growth has slowed since the start of this year, and the ongoing conflict in the Middle East is likely to prevent it from strengthening significantly.

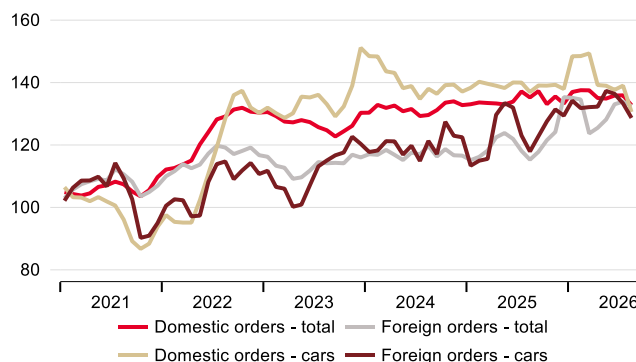
The third quarter is unlikely to have brought a significant strengthening of economic activity. According to our estimate, GDP growth remained at 0.3% qoq in 3Q26. We expect growth to have been driven by domestic demand, supported by rising household consumption and fixed investment. Although year-on-year growth in household consumption probably remained slightly below 3%, fixed investment likely slowed from 7.1% in 2Q26 to close to a still-strong 6%. This slowdown mainly reflects a base effect, as investment activity has been unusually high over the past year and a half. The absorption of funds from selected EU programmes may also have supported investment. However, the fall in civil engineering output in recent months suggests a decline in public investment. As in 2Q26, government consumption is likely to have grown at an elevated pace, reflecting the impact of higher fiscal expenditure. By contrast, we expect net exports to have negatively impacted qoq GDP growth in 3Q26. This reflects a deterioration in the industrial sector, which, according to the available indicators, weakened across Europe during the summer months. High temperatures reduced the navigability of key European rivers, exacerbating supply chain issues caused by the conflict in the Middle East. Significantly higher prices for energy and certain production materials also pose a challenge to manufacturing by potentially weakening demand for industrial goods. This is consistent with the latest trend in domestic industrial orders, the value of which has declined slightly. Furthermore, the domestic automotive industry has announced partial production stoppages for 3Q26. Consequently, we expect industrial production to have fallen quarter-on-quarter in 3Q26. External developments are also likely to have contributed to this, as the German economy – a key trading partner and an integral part of Czech supply chains – is assumed in our forecast to have stagnated quarter-on-quarter in 3Q26, after having grown by 0.3–0.4% qoq in the first half of the year.

A decline in civil engineering output may indicate a weakening in public investment (2019=100, SA, 3MA)



Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka

The value of industrial orders in Czechia has seen a slight decline in recent months (2019=100, SA, 3MA)



Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka

Although the outlook for the Czech economy has worsened, we believe that growth will remain robust due to strong domestic demand.

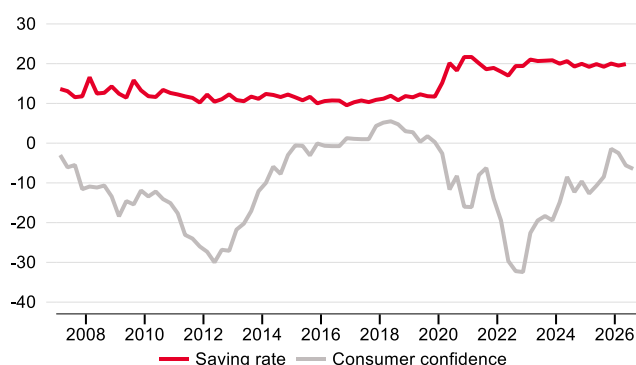
We have revised our growth forecast for the Czech economy down to 1.7% for this year and 2.3% for next year. In our July forecast, we anticipated stronger growth of 2.1% in 2026 and an acceleration to 2.6% in 2027. This downgrade reflects weaker-than-expected GDP growth in the first half of this year and the ongoing conflict in the Middle East. We forecast that this will lead to a significant rise in inflation next year and a subsequent slowdown in real wage growth. This is likely to result in weaker growth in household consumption than we had originally anticipated. The saving rate is likely to remain elevated over the forecast horizon, as we believe that at least part of its earlier increase was structural, for example due to the growing popularity of investment products. Private expenditure may also be constrained by ongoing concerns about the consequences of the Middle East conflict. This uncertainty, together with higher lending rates, may also dampen investment activity. Nevertheless, the current environment of high energy prices is encouraging investment in energy-efficient technologies. Ongoing structural changes in the economy should also continue to support investment. Despite the weaker outlook, we expect GDP growth to remain resilient, with domestic demand remaining the main driver. Higher fiscal expenditure by the new government should provide additional support. Conversely, we expect net exports to contribute negatively this year, just as they did last year. This is due to rising domestic demand, reflected in higher imports, combined with subdued growth in industrial production. The manufacturing sector continues to face challenges, including labour shortages, high energy prices, supply chain issues and increasing competition from abroad, particularly from China. However, the leading indicators of industrial sentiment have improved significantly in recent months, suggesting a cyclical recovery in the manufacturing sector. In line with this, we expect net exports to impact positively next year.

The situation in supply chains has worsened this year due to the conflict in the Middle East (z-score)



Source: New York Fed, Macrobond, Economic and Strategy Research, Komerční banka

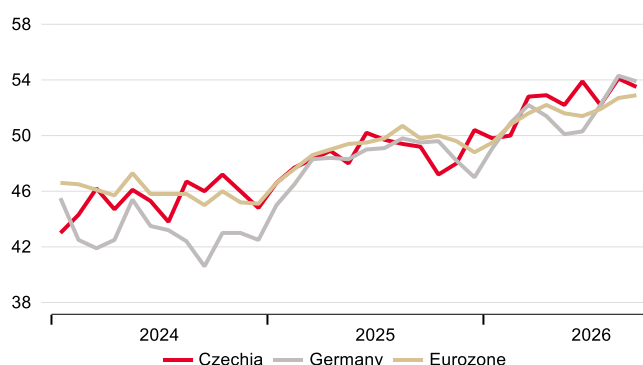
Households are continuing to save at a higher rate, while their confidence in the economy has fallen slightly (SA, %)



Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka

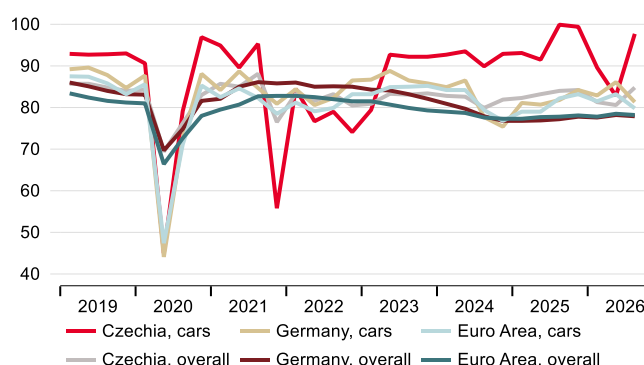
The risks remain tilted towards weaker economic growth, particularly due to the ongoing conflict in the Middle East. Despite recent positive signals from industry, high energy prices and supply chain issues are casting doubt over the future development of industrial sectors. This also applies to the economically important automotive industry, where domestic capacity utilisation reached 97.7% at the beginning of 3Q26. Against a backdrop of increased demand, some domestic car producers appear to have invested in expanding production capacity, which was one of the reasons for production stoppages over the summer. In our current forecast, we therefore consider the slowdown in industrial production to be temporary and expect a recovery in the coming quarters.

We have seen a marked improvement in European industry's economic conditions in the PMI indices this year (pts.)



Source: Macrobond, Economic and Strategy Research, Komerční banka

Capacity utilisation in the Czech automotive industry returned to close to 100% at the beginning of 3Q26 (SA, %)



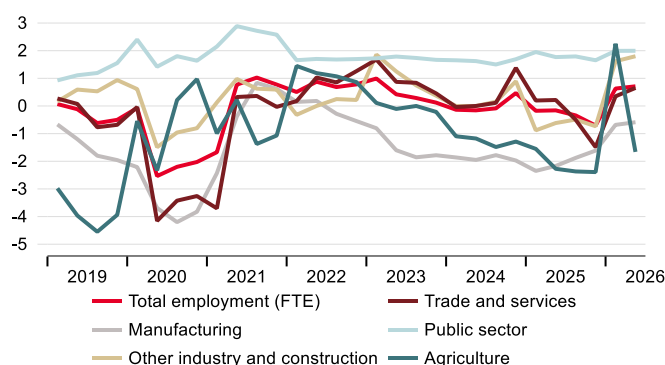
Source: DG ECFIN, Macrobond, Economic and Strategy Research, Komerční banka

The rise in unemployment has halted, so the labour market is set to remain tight. This may also be due to industry's renewed interest in increasing employment.

Unemployment is stabilising, but wage growth is set to gradually slow

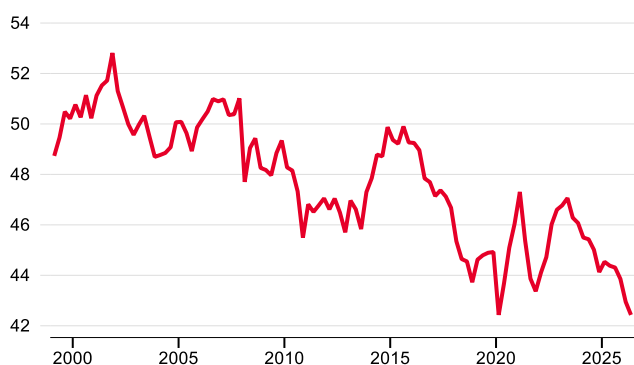
The slight rise in unemployment has likely come to a halt. The seasonally adjusted ILO unemployment rate was 3.0% in 2Q26, and the available data for July and August suggest that the average rate remained unchanged in 3Q26 as well. This would mean that it remained at 3% for the fourth consecutive quarter. By contrast, the rise in the share of unemployed persons was more prolonged and pronounced, although this was partly due to structural factors such as changes in social policy and the impact of Ukrainian refugees. However, this situation has also stabilised, with our estimate putting the seasonally adjusted share of unemployed persons at 5.0% in 3Q26, unchanged from 2Q26. Both unemployment indicators and reports from the corporate sector continue to point to a tight labour market characterised by labour shortages. Consequently, wage and consumer price pressures are likely to persist.

Although employment in manufacturing is falling steadily, it is rising in trade, services and the public sector (% , yoy)



Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka

Profitability in the non-financial corporate sector has fallen to a historical low, not seen since the start of the pandemic (SA, %)



Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka
Note: The chart shows the ratio of gross operating surplus to gross value added in the non-financial corporate sector, based on sector accounts data.

Employment is rising and there are signs that hiring in manufacturing may resume. Converted to full-time equivalents, employment in 2Q26 increased by 0.7% yoy, having fallen slightly the previous year. While the number of jobs in manufacturing has been declining steadily since 2022, employment in trade, services and the public sector has grown this year. However, PMI surveys have recently indicated a potential reversal of the adverse trend in the manufacturing sector. Manufacturing firms are reporting plans to increase staffing levels, primarily in response to rising demand for industrial goods and due to production capacity constraints. Until recently, the PMI survey comments on the employment outlook in the manufacturing sector had been rather pessimistic.

Unemployment has probably peaked and should start to fall gradually again (SA, %)



Source: CZSO, MLSA, Economic and Strategy Research, Komerční banka

Although wage growth should remain robust, we expect it to slow given the deteriorating financial situation in the corporate sector and subdued labour productivity growth.

We have lowered our wage growth forecast to 6.2% for 2026 and 6.0% for 2027, with the risks tilted towards a sharper slowdown. While this year's figure is a substantial downward revision from our previous forecast of 7.1%, next year's figure is only a slight adjustment from 6.1%. The lower forecast for this year largely reflects a data revision, as the Czech Statistical Office originally reported an 8.1% yoy increase in the average nominal wage in 1Q26, but subsequently revised this figure down to 6.1%. The Czech Statistical Office stated that the reason for this significant revision was the transition to a new data source. On a qoq basis, wage growth remains robust. In real terms, however, wage momentum is slowing due to rising inflation. In addition to accelerating price growth, the deteriorating financial position of the non-financial corporate sector should exert further downward pressure on wage growth in the coming quarters. This is compounded by the fact that labour productivity, as measured by employment in full-time equivalents, grew at an annual rate of around 1% in 2Q26, lagging real wage growth significantly, which exceeded 4% yoy. This increases the pressure on inflation, albeit partly offset by households' persistently high propensity to save. In our view, the mismatch between wage growth and productivity and profitability will contribute to a slowdown in wage growth in both nominal and real terms over the forecast horizon. As in the current year, we expect average wage growth to be driven by the public sector next year, where it could remain below 7%. By contrast, private-sector wage growth may be around 6%. A significant downside risk to our wage growth forecast is the prospect of a pay freeze for Volkswagen Group employees until 2030. Reports suggest that this could also affect Škoda Auto, the largest employer in Czechia with over 30,000 employees. If this risk materialises, it would most likely lead to slower growth in household consumption and the wider economy than we are currently anticipating.

Inflation set to rise to 3% next year

Annual consumer price growth in 3Q26 remained in line with the central bank's 2% target.

As in 2Q26, average inflation stood at 2.0% yoy, in line with our July forecast. Inflation remained subdued mainly because of the continuing year-on-year decline in food and regulated prices.

Labour productivity growth has slowed and is lagging wage growth significantly (% , yoy)

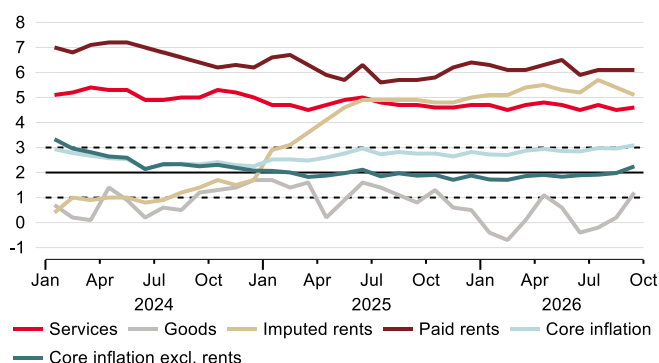


Source: CZSO, Economic and Strategy Research, Komerční banka

The low headline inflation has mainly been driven by falling food and energy prices so far, while services and core inflation have remained high.

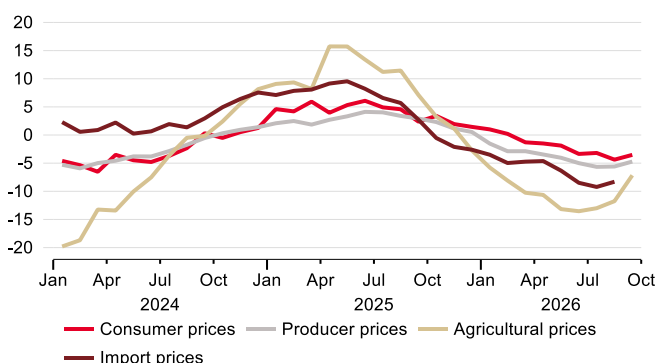
Despite higher fuel prices, food prices continued to fall, with their annual decline accelerating from 0.4% in 2Q26 to 1.4% in 3Q26 (including all beverages and tobacco). Household energy prices also remained insulated from upward pressure stemming from the conflict in the Middle East, with electricity and gas prices continuing to fall. Only heating prices recorded a slight increase. According to consumer price statistics, electricity was 10.6% cheaper yoy in September, largely reflecting the administrative transfer of renewable energy payments to the state that came into force in January. Gas was 4% cheaper yoy, while heating costs rose by 1.6% yoy. Falling energy prices were the main reason for the ongoing year-on-year decline in regulated prices, which continued at a rate of around 1% in 3Q26. By contrast, fuel costs for households and businesses increased as the conflict in the Middle East flared up again, with petrol station prices rising from 24.9% in 2Q to 27.3% yoy in 3Q (excluding excise duty adjustments). Core inflation also rose from 2.9% to 3.0% yoy, reaching 3.1% yoy in September alone and thereby exceeding the upper limit of the CNB's tolerance band. High annual growth in service prices (4.6% in September) kept core inflation at elevated levels, with imputed and paid rents experiencing particularly rapid growth (5.1% and 6.1% yoy, respectively). According to our estimates, however, core inflation excluding both rent components also rose above the central bank's target in September for the first time in a while, accelerating to 2.2% yoy. Core inflation and fuel price growth were higher in 3Q26 than in our July forecast, but this was offset by a steeper year-on-year fall in food prices than we had expected.

Core inflation accelerated to 3.1% in September, while excluding both rent components it rose to 2.2% (% , yoy)



Source: CZSO, CNB, Macrobond, Economic and Strategy Research, Komerční banka
Note: Core inflation excluding rents does not include either imputed or paid rents. The goods category also includes food, fuel and other energy sources. The chart also shows the central bank's tolerance band of +/- 1pp around its 2% inflation target.

Domestic agricultural and food producers are beginning to see a gradual reversal of the downward trend in prices (% , yoy)

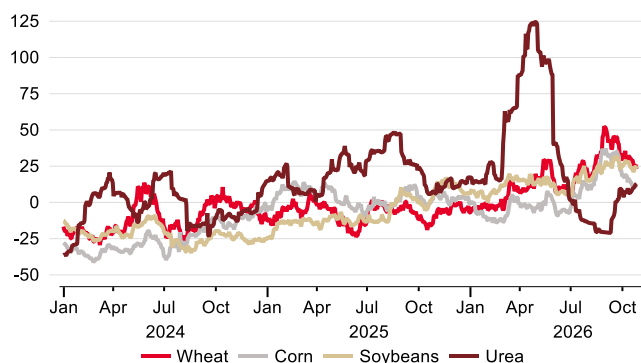


Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka
Note: The price categories shown only reflect the trend in food prices, excluding all beverages and tobacco.

The downward trend in food and household energy prices is likely to reverse gradually in the coming months. We expect food prices, including all beverages and tobacco, to rise by 3.6% next year, following an average fall of 0.4% this year. This trend reversal is indicated by rising agricultural commodity prices on wholesale markets, which are beginning to affect the prices charged by domestic agricultural and food producers. Their costs are also being pushed up by significantly more expensive fuel, to which the rising prices of other energy sources will gradually be added. High temperatures and severe drought during the summer have compounded these pressures. After last year's strong agricultural harvest, this year's was significantly weaker. According to the Czech Statistical Office, the domestic harvest of most agricultural commodities was 15–20% lower than last year. We therefore expect these cost pressures to feed through to retail food prices. We also expect a similar trend in energy prices for households. These prices should also reflect the unfavourable trend in wholesale prices with a lag. With the still-ongoing conflict in the Middle East and as we enter the start of the heating season, the price of electricity and gas has risen sharply in energy markets over the last 2-3 months. This has already affected not only spot contracts, but also those with longer delivery periods. Longer-dated contracts are more influential on household prices. However, the adverse impact on households is likely to be mitigated by the fact that many currently have

fixed energy prices. Suppliers are also likely to have purchased energy in advance at more favourable prices, at least for the current heating season. We forecast household electricity prices to rise by an average of around 3% next year, gas prices by around 4%, and heating prices by around 5%. The reversal in energy price trends underpins our expectation that regulated prices will rise by 3.5% in 2027, following a 1% fall this year.

The price of wheat has risen by 25%, while the prices of maize and fertilisers have increased by around 10% (% , yoy)

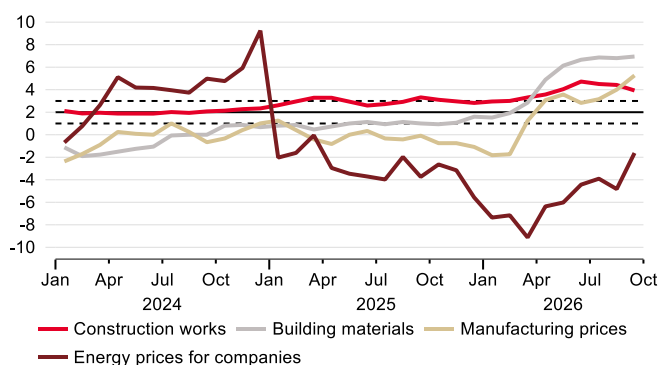


Source: Macrobond, Economic and Strategy Research, Komerční banka
Note: Spot prices of key agricultural commodities and fertilisers (urea) on global markets Prices as of 26 October 2026.

Due to the conflict in the Middle East and lower agricultural yields, energy and food prices are likely to rise gradually, becoming the main driver of accelerating inflation next year.

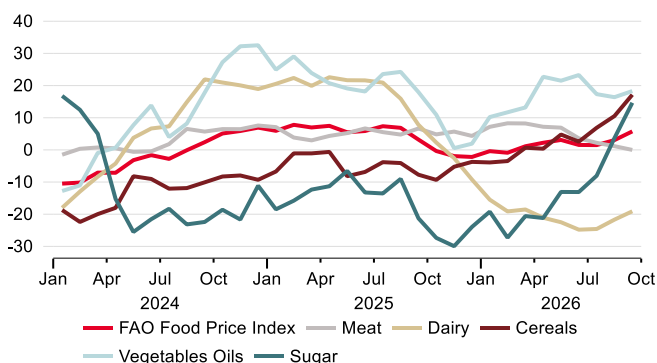
We have raised our forecast for headline inflation next year to 3.0%, in what would be a marked acceleration on **this year's 2.1%**. Compared with our July forecast, the estimate for 2026 has remained unchanged, but the estimate for 2027 has increased significantly from 2.6%. This reflects our expectation of higher growth in food and energy prices, coupled with only a gradual decline in fuel prices. Another factor contributing to higher headline inflation and regulated price growth in 2027 is that we have postponed the abolition of radio and television broadcasting fees until 2028 in our forecast, given the complexity of the political debate and the length of the legislative process. We estimate that this measure will reduce headline inflation by about 0.2pp. The gradual spillover of the effects of the Middle East conflict and lower agricultural harvests should keep inflation on an upward trajectory until the start of next year in our forecast. We currently estimate annual inflation at 3.5% in January before peaking at 3.8% in February. However, this elevated inflation outlook is partly due to a low comparative, particularly for fuel prices. The first two months of this year were unaffected by the conflict in the Middle East, as it only began in earnest in late February. Accordingly, from March 2027, we expect headline inflation to gradually return to around 3% yoy, before falling to 2.5% yoy by the end of the year.

Price pressures are mounting in the domestic manufacturing sector (% , yoy)



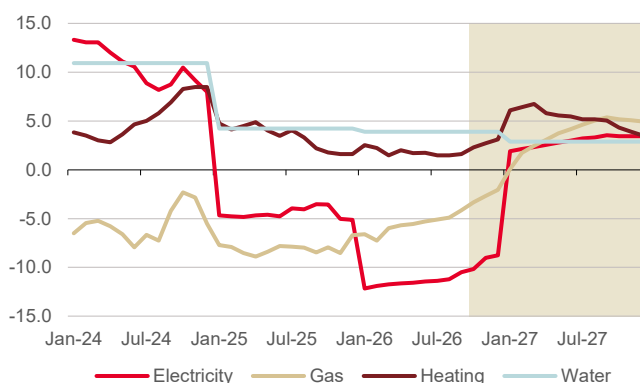
Source: CZSO, Macrobond, Economic and Strategy Research, Komerční banka
Note: The chart also shows the central bank's tolerance band of +/- 1pp around its 2% inflation target.

The FAO index shows wholesale food prices rising by 5.8% in September, although there were some exceptions (% , yoy)



Source: FAO, Macrobond, Economic and Strategy Research, Komerční banka

Household energy prices are set to rise next year (% , yoy)

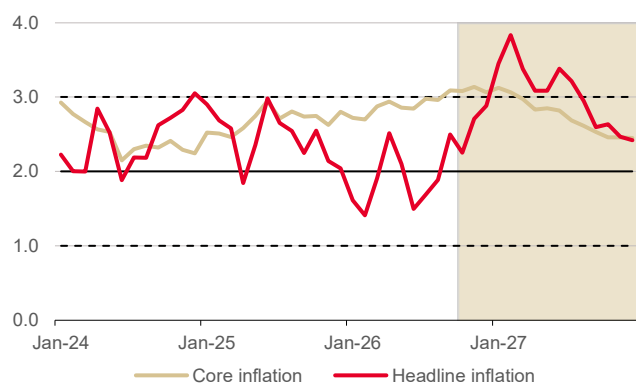


Source: CZSO, Economic and Strategy Research, Komerční banka
Note: These are the final energy prices for households, comprising both the market and regulated components.

Core inflation should gradually fall towards 2.5% next year, but is unlikely to return to the central bank's target anytime soon due to structural imbalances in the economy.

Core inflation is set to remain elevated for some time, but its projected path is unchanged from our previous forecast. For this year, we still expect core inflation to come in at 2.9%, with a slight decline to 2.7% next year. Although our expectation of higher growth in energy, fuel and food prices puts upward pressure on core inflation next year, this is offset by downward revisions to our growth forecasts for house prices, household consumption and real wages. The available data indicate an easing of price pressures in the property market, a trend we expect to continue, partly due to a substantial increase in mortgage rates. After last year's 10.4%, we expect house price growth to slow to 8.0% this year, and fall further to 4.4% next year. This is likely to be partly offset by rising construction work and material prices. Overall, however, growth in imputed rents, which account for 11.9% of headline inflation and 21.3% of core inflation, should gradually slow. The higher comparative will also play a role. Within core inflation, annual service price growth could therefore slow, while the rate of increase in goods prices may strengthen. This is due to higher production and transport costs, as indicated by the rapid rise in industrial producer prices. Prices in the domestic manufacturing sector rose by 5.3% yoy in September. Strong demand for electronic components, supported by investment in artificial intelligence, may also be putting upward pressure on goods prices. September's domestic consumer price data revealed price increases for mobile phones, computers, laptops and tablets. We expect year-on-year core inflation to remain close to 3% until 1Q27, after which it will begin to fall towards 2.5%, a level it should reach in the second half of next year. However, owing to structural imbalances in the economy, core inflation is likely to remain above the central bank's 2% target for some time. The key factors here include the tight labour and housing markets, as well as the impact of expansionary fiscal policy.

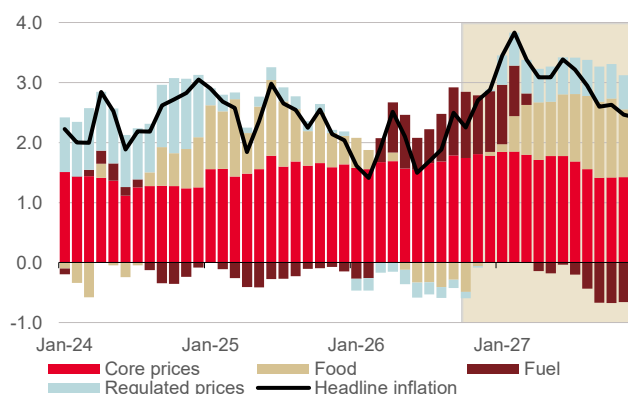
Headline inflation is likely to peak at just under 4% in February, while core inflation should not rise significantly further (% , yoy)



Source: CZSO, CNB, Economic and Strategy Research, Komerční banka

Note: Along with the expected development of headline and core inflation, we also show above the central bank's tolerance band of +/- 1pp around the 2% target.

Higher inflation next year is set to be driven mainly by higher prices for energy, fuel and food (% , yoy)

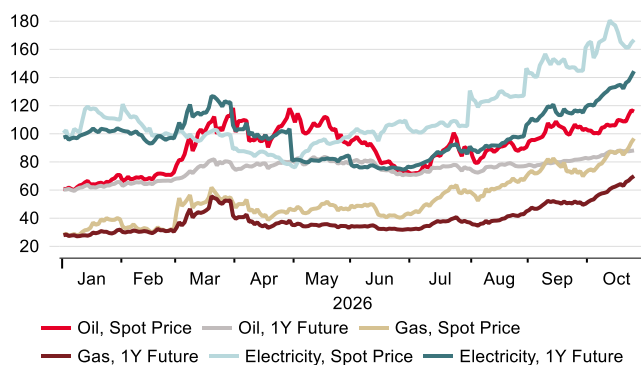


Source: CZSO, CNB, Economic and Strategy Research, Komerční banka

We continue to judge the balance of risks as tilted towards higher inflation, although the downside risks are not negligible. The main inflationary risk in our forecast remains the ongoing conflict in the Middle East, while the impact of the Super El Niño phenomenon on global food prices also represents a major source of uncertainty. If the Middle East conflict persists, energy prices may rise further, increasing the likelihood and magnitude of spillovers to other prices in the economy. The situation in supply chains may also continue to deteriorate. Our forecast assumes that the price of Brent crude will rise from an average of USD69.0 per barrel in 2025 to USD89.5 this year, before falling only slightly to USD82.3 next year. Repairing energy infrastructure damaged in the Middle East will take time, so any decline in oil product prices is likely to be gradual. At the same time, however, the current situation is accelerating the transition away from fossil fuels. For the more distant forecast horizon, we therefore see scope for a significant decline in oil prices. Conversely, factors such as increased uncertainty, high interest rates or a more pronounced slowdown in wage growth could cause inflation to fall below our

expectations next year, as these factors could weaken domestic demand. A downturn in the property market, if rapidly transmitted to imputed rents, could also contribute to a faster easing of core inflation.

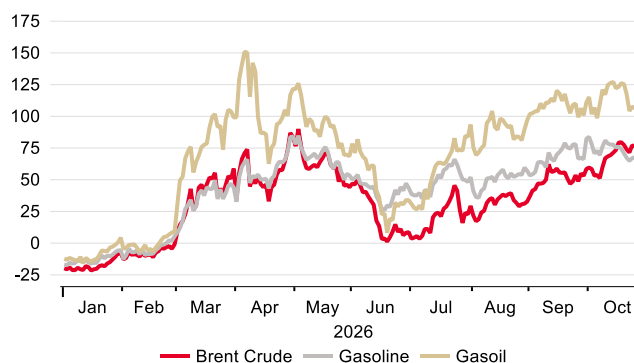
The conflict in the Middle East has resulted in a substantial increase in wholesale electricity and gas prices



Source: Macrobond, Economic and Strategy Research, Komerční banka

Note: The price of Brent crude is in US dollars per barrel, while wholesale electricity and gas prices for the European market are quoted in euros per MWh. Prices as of 26 October 2026.

Higher oil prices and limited refinery capacity are driving up the prices of refined petroleum products (% , yoy)



Source: Macrobond, Economic and Strategy Research, Komerční banka

Note: Prices of crude oil and refined petroleum products on global markets. Prices as of 26 October 2026.

Monetary policy



Martin Gürtler
+420 222 008 509
martin.gurtler@kb.cz

CNB likely to raise interest rates once again

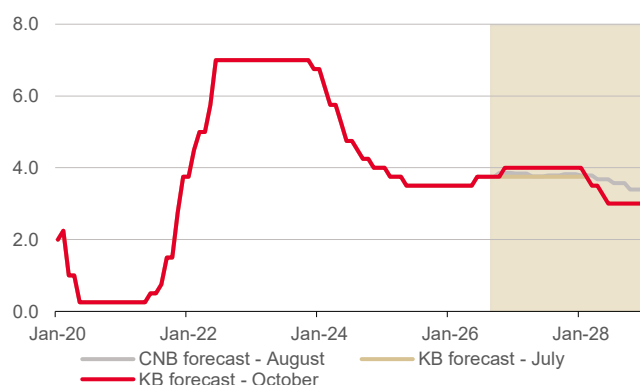
The Czech economy is growing more slowly than the CNB anticipated in its August forecast, while domestic price pressures are intensifying. Both headline and core inflation exceeded the central bank's expectations in September, and developments in food and energy prices pose additional upside risks to inflation. We therefore now expect the CNB to raise the repo rate by 25bp to 4.0% at its November meeting. However, we do not consider a further significant tightening of monetary policy as likely. In our view, the repo rate will remain at 4.0% for an extended period and return to its 3% policy-neutral level only in 2028.

As we have done, the CNB is likely to revise its economic outlook downwards and raise inflation estimates in its November forecast.

The Czech economy is growing more slowly than the CNB projected in its August forecast, while inflation is higher. The central bank had expected GDP growth of 0.6% qoq in 2Q26, compared with an actual outcome of only 0.3%. In its August forecast, the CNB projected an acceleration to 0.7% qoq in 3Q26, well above our estimate of 0.3%. We thus expect the CNB's November forecast to present a more subdued economic outlook, in line with our own assessment. In August, the central bank projected GDP growth of 2.2% this year, accelerating to 2.7% next year. Nominal wage growth for 2Q26 was also weaker than expected, with the CNB forecasting an annual increase of 7.3%, whereas the actual figure was 6.4%. However, this was probably driven mainly by a substantial downward revision to wage growth in 1Q26. Headline inflation in July and August was in line with the CNB's forecasts at 1.7% and 1.9% yoy, respectively. In September, however, it rose to 2.5% yoy, exceeding the central bank's projection of 2.2%. Average annual inflation of 2.0% in 3Q26 was only marginally above the CNB's forecast of 1.9%. Core inflation was also 0.1pp higher on average in 3Q26, at 3.0% vs the CNB's forecast of 2.9%. In September alone, however, core inflation exceeded the CNB's forecast by 0.2pp, reaching 3.1% yoy compared with the projected 2.9%. Given these deviations and the mounting upward pressure on food and energy prices, we expect the central bank to revise its inflation trajectory upwards in its new forecast. In August, the CNB projected inflation of 2.0% this year, rising to 2.5% next year.

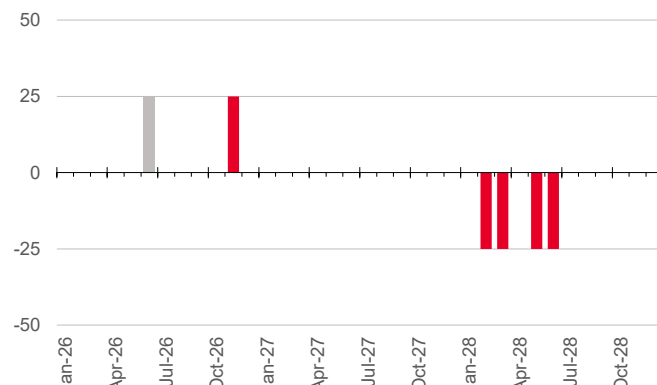
Monetary conditions developed in line with the CNB's forecast. Following the repo rate increase to 3.75% in June, after roughly a year of stability, the central bank did not make any further changes in 3Q26. The koruna exchange rate, which averaged EURCZK 24.2 in 3Q26, was also in line with the CNB's August forecast. The central bank's latest forecast has anticipated broadly stable interest rates for the remainder of this year and throughout 2027.

Compared with our previous forecast, we now expect another 25bp hike in the repo rate to 4% in November



Source: CNB, Economic and Strategy Research, Komerční banka

Following the November hike, we expect a stable repo rate until 2028, when it should start to fall to a neutral level of 3% (bp)



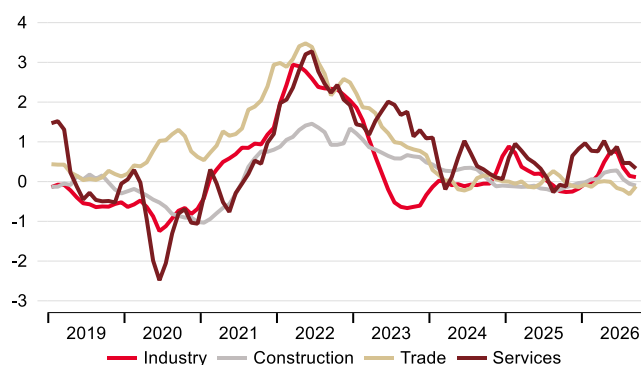
Source: Economic and Strategy Research, Komerční banka

Following the November increase to 4%, we expect the repo rate to remain at this level until the end of next year.

In view of mounting inflationary risks, we now expect the CNB to raise the repo rate to 4.0% at its November meeting and maintain it at this level for an extended period. Although CNB interest rates developed in line with our July forecast, inflation data pointed to intensifying domestic price pressures in 3Q26. Core inflation has risen gradually and, by September, had edged above the 3% upper limit of the CNB's tolerance band. Its month-on-month momentum also strengthened for the second consecutive month, with the annualised three-month moving average rising to 3.3% in September. Furthermore, according to our estimates, core inflation excluding both rent components has also moved above the central bank's 2% target. Members of the CNB board have cited these intensifying domestic price pressures as a potential reason for a further interest rate increase. These factors are now compounded by upside risks from energy and food price inflation. We therefore believe that a 25bp rate hike at the November meeting would put the central bank in a stronger position, particularly ahead of a likely further rate increase by the ECB in December. Against a backdrop of heightened risk aversion in global financial markets, a narrowing interest rate differential could weaken the koruna and thereby amplify imported inflationary pressures.

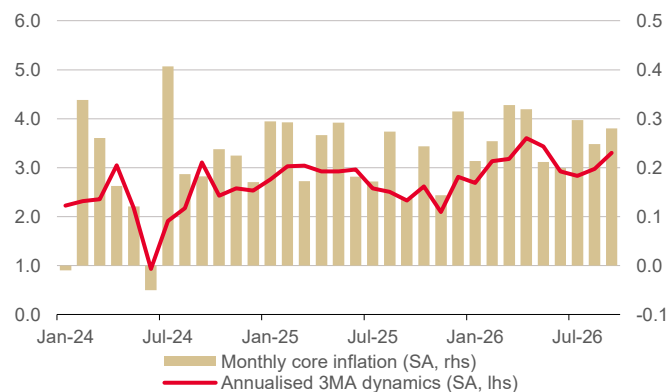
Although further CNB rate increases beyond November cannot be ruled out, we continue to regard the market-implied rise in the repo rate to almost 5% as excessive. So far, CNB board members have expressed broadly similar views. A repo rate of 4% should provide the CNB board with a sufficiently restrictive policy setting. Board members frequently emphasise that the policy rate should remain above the inflation rate. In this respect, the main risk lies in the first two months of next year, especially February, when annual inflation could reach 4%. However, this increase is likely to be largely driven by base effects, after which inflation should decline again. Nevertheless, neither headline nor core inflation is likely to fall materially below 2.5% yoy by the end of 2027. As in our July forecast, we therefore expect the repo rate to return to its 3% policy-neutral level only in 2028.

Despite the recent surge in price pressures, inflation expectations have dropped (z-score, SA, 3MA)



Source: DG ECFIN, Macrobond, Economic and Strategy Research, Komerční banka
Note: Price expectations across sectors according to a European Commission survey.

Core inflation has gained momentum and is well above the central bank's target (% mom)



Source: CNB, Economic and Strategy Research, Komerční banka

Fiscal policy



Jaromír Gec
+420 222 008 598
jaromir_gec@kb.cz

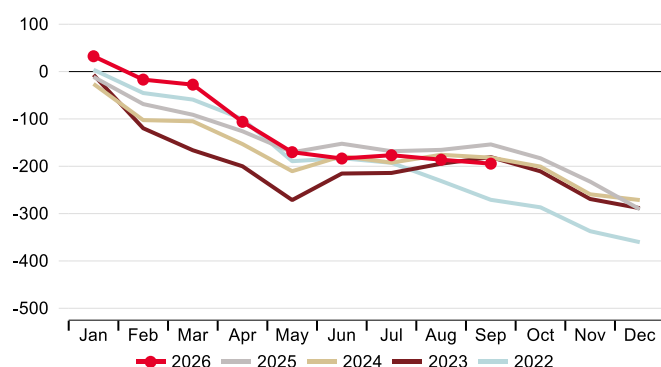
Fiscal expansion is gaining momentum

Based on preliminary data, the full-year state budget cash deficit target of CZK310bn for this year appears achievable. The public finance deficit is therefore likely to increase from 2.1% of GDP last year to 2.8% this year, in our view. Next year, we expect fiscal policy will be even more expansionary. We forecast an increase in the state budget deficit to CZK386bn and 3.5% of GDP at the level of total public finances. Given the stable share of capital expenditure in GDP and the relatively favourable cyclical position of the economy, we expect further fiscal easing next year to provide only temporary support to economic activity. However, the associated increased inflationary pressures may keep interest rates and government bond yields relatively high for longer. We do not anticipate any significant consolidation of the public finances in the coming years. We therefore expect public debt to rise gradually to above 50% of GDP by the end of the decade.

Interim data suggest that the projected deficit can be met

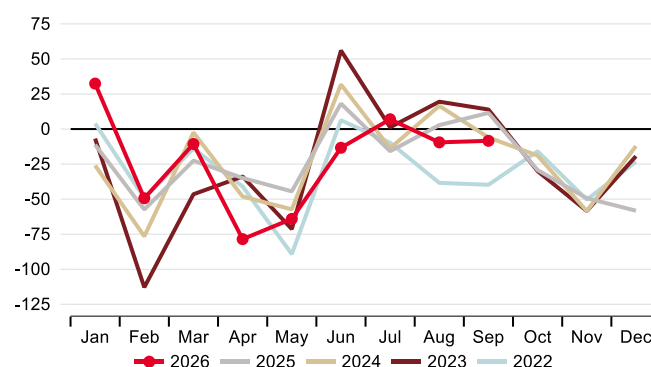
The budget deficit widened to CZK194.5bn by the end of September. Year-on-year, the deficit was CZK40.7bn deeper, or CZK55.8bn deeper after adjusting for the balance with the EU. Expenditures rose by CZK82.4bn (4.8%) yoy over the same period. The increase in spending so far this year has been driven mainly by social benefits. These account for the largest share of the budget and include pensions (+CZK25.7bn), capital expenditure (+CZK23.2bn), the advance payment for state-insured individuals, and higher yoy contributions to the EU budget (+CZK16.3bn).

State budget balance (CZKbn, ytd cumulative)



Source: Ministry of Finance, Macrobond, Economic & Strategy Research, Komerční banka

State budget balance (CZKbn, non-cumulative)



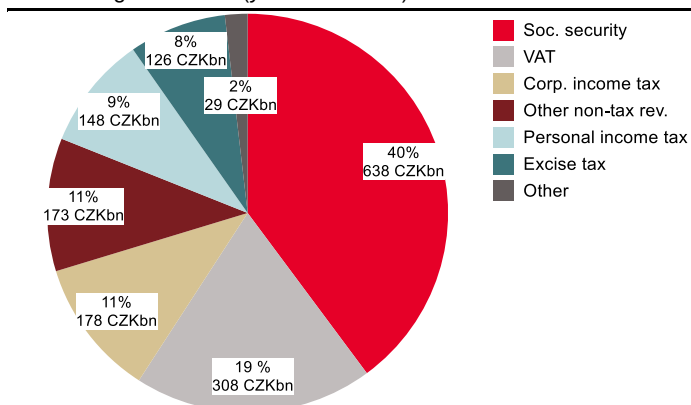
Source: Ministry of Finance, Macrobond, Economic & Strategy Research, Komerční banka

Year-to-date cumulative revenue has risen by CZK41.7bn (2.7% yoy). This was mainly driven by social security contributions, which rose by CZK38.8bn (6.5% yoy). This increase was primarily fuelled by continued robust growth in wages and salaries. Revenues from the EU were also significantly higher (CZK17.9bn, +18.2% yoy), possibly due to the drawdown of pre-financed projects from last year, as indicated by the positive CZK16.2bn balance with the EU. Year-on-year growth in VAT, corporate income tax and personal income tax remains positive, but is being dampened this year by a change in the allocation of tax revenues, which has reduced the state budget's share in favour of municipalities.

Overall, the deficit widening slowed significantly in the third quarter, in line with typical seasonal patterns. Over the past five years, the deficit has increased by a total of

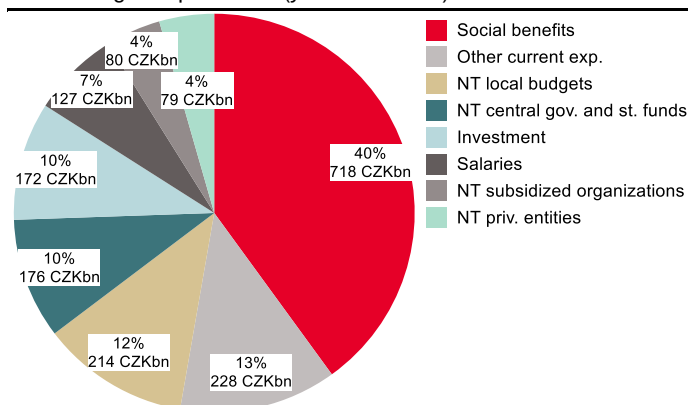
approximately CZK100bn in the final quarter of the year. For this reason, among others, we believe that the approved full-year deficit of CZK310bn is still achievable.

State budget revenue (ytd cumulative)



Source: Ministry of Finance, Macrobond, Economic & Strategy Research, Komerční banka

State budget expenditure (ytd cumulative)

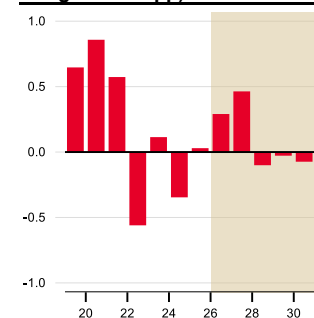


Source: Ministry of Finance, Macrobond, Economic & Strategy Research, Komerční banka
Note: NT – non-investment transfers

Fiscal policy is intensifying its expansionary impact

National budgetary rules are being relaxed. The amendment approved by Parliament regulates the so-called *escape clauses*, among other things. In addition to extending their validity for defence spending, these clauses have also been expanded to cover infrastructure investment projects. Last year, investment transfers from the state budget to the State Fund for Transport Infrastructure (SFDI) reached 1.1% of GDP (CZK94bn). It should now also be possible to increase total expenditure² by up to 10% in the event of a 'deteriorating security situation', as determined by the State Security Council (consisting of government members). Any future consolidation of public budgets will now be guided by a fiscal-structural plan, meaning the law no longer contains a specific trajectory for the maximum structural deficit of public finances. These and other changes generally relax budgetary rules beyond those at the EU level. However, even within the EU framework, it is possible to invoke the defence escape clause. Nevertheless, the budget could remain in compliance with European fiscal rules, in which case the *excessive deficit procedure* would not be triggered. Additionally, the cash and accrual methods for reporting government loans for the construction of new reactor units at the Dukovany nuclear power plant will be harmonised so that neither set of statistics will include them (thus far, the cash-based deficit has included them).

Fiscal impulse (contribution to GDP growth in pp)



Source: Economic & Strategy Research, Komerční banka.

Note: The fiscal impulse reflects the estimated impact of a change in the structural balance (fiscal discretion) on GDP growth. The calculation is based on a top-down approach using a uniform fiscal multiplier of 0.6.

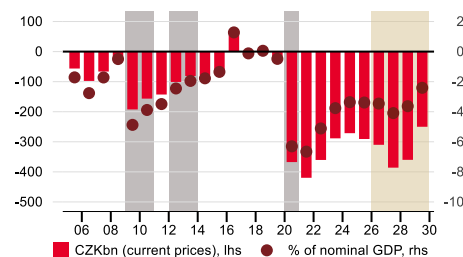
According to our baseline scenario, discretionary fiscal policy measures will clearly have an expansionary impact on the economy this year and next. Following the reduction in the structural deficit of public finances in 2024 – to which the previous government's consolidation package, among other factors, contributed – we estimate that fiscal restraint, as measured by the approximate aggregate fiscal impulse, subsided last year. This will be offset by a renewed increase in the structural balance this year. The proposed budget projects a deficit of CZK386bn and suggests that the structural balance will deteriorate further next year. The expansionary impact of fiscal policy is therefore set to intensify in 2027. The following box provides a more detailed description of the government-approved budget for next year.

² Total state budget expenditure reached CZK2,371.8bn in 2025 and it is planned to reach CZK2,428.0bn in 2026.

Box 2: The 2027 Budget: Fiscal expansion intensifies despite solid economic growth

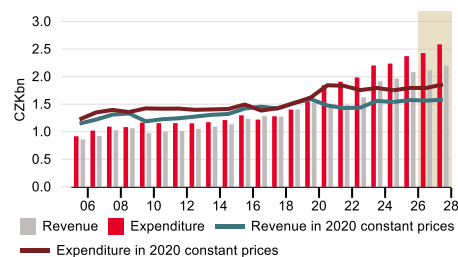
The government has approved a state budget deficit of CZK386bn for 2027. The budget assumes revenue will increase by CZK81bn (3.8%) yoy to CZK2,199bn and that expenditure will rise by CZK157bn (6.5%) to CZK2,585bn. Consequently, the deficit is projected to widen by CZK76bn compared to this year. Despite solid economic growth, the proposed deficit as a percentage of GDP would be the largest since 2022.

State budget balance – draft for 2027 and MinFin's medium-term outlook (cash methodology)



Source: MinFin, CZSO, Macrobond, Economic & Strategy Research, Komerční banka
Note: Grey shading indicates a recession, beige a forecast. The outlook for nominal balances corresponds to the approved budget for 2026, the draft budget proposal for 2027, and MinFin's medium-term outlook for 2028 and 2029. The outlook for nominal GDP is based on the KB forecast.

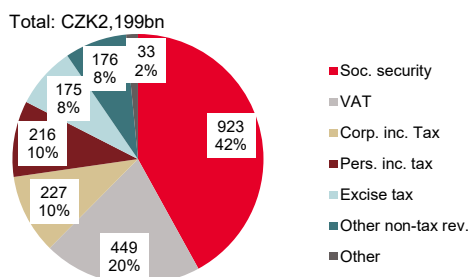
State budget revenue and expenditure (cash methodology)



Source: MinFin, CZSO, Macrobond, Economic & Strategy Research, Komerční banka
Note: Deflated by the GDP deflator, the growth outlook and the GDP deflator outlook are based on the KB forecast.

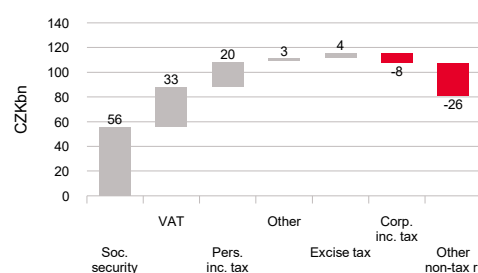
This projected CZK81bn yoy increase in revenue is primarily driven by social security contributions, which account for the largest share of total revenue. Solid wage growth and the resulting strong domestic demand should boost revenue not only from social security contributions, but also from VAT and personal income tax. However, this is partially offset by a projected yoy decline in corporate income tax revenue of CZK8bn (-3.5%) and, in particular, a decrease in other non-tax revenue. This decrease in other non-tax revenue is due to significantly lower investment and non-investment transfer receipts, including those from the EU, totalling CZK24bn and CZK8bn respectively.

State budget revenue in 2027 (CZKbn, % of total)



Source: MinFin, Economic & Strategy Research, Komerční banka

Yoy change in state budget revenue in 2027

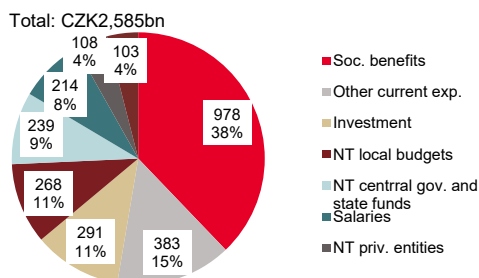


Source: MinFin, Economic & Strategy Research, Komerční banka

Current expenditure is assumed to be the main contributor to the yoy increase in total spending of CZK157bn next year. Indeed, current expenditure accounts for over 80% of the total projected increase. Of the individual items, 'other non-investment expenditure' is the main contributor, with most of its contribution relating to higher non-investment transfers abroad (primarily contributions to the EU budget) and the cost of servicing the national debt (interest payments). According to the proposal, CZK128bn (1.4% of GDP) will be spent on the latter next year. The budget also factors in an increase in capital expenditure (+CZK28bn; +10.5%) and

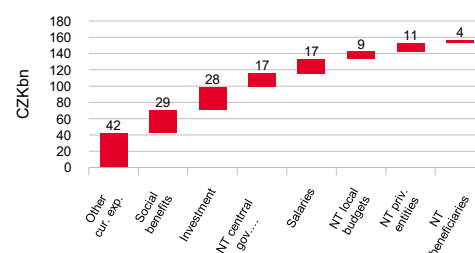
social benefits (+CZK29bn; +3%). The latter accounts for a 38% share of total expenditure and is by far the most significant item on the expenditure side.

State budget expenditure in 2027
(CZKbn, % of total)



Source: MinFin, Economic & Strategy Research, Komerční banka

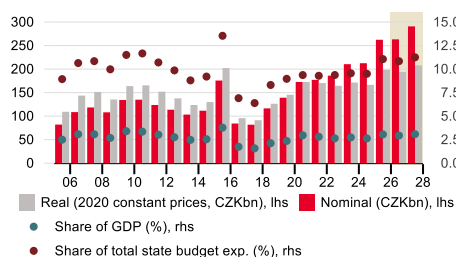
Yoy change in state budget expenditure in 2027



Source: MinFin, Economic & Strategy Research, Komerční banka
NT – non-investment transfers

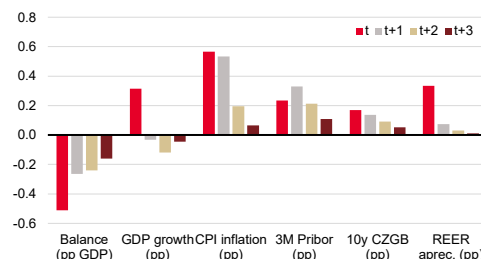
In terms of ratio indicators, the proposed budget does not differ significantly from those in previous years with regard to capital expenditure. Next year, the share of capital expenditure in total state budget expenditure is projected to rise only slightly, from 10.8% to 11.3%. In proportion to the size of the economy, investments from the state budget this year account for 2.9% of GDP and are projected to increase to almost 3.1% next year.

Capital expenditure in the state budget



Source: MinFin, CZSO, Macrobond, Economic & Strategy Research, Komerční banka

Model impacts of a 1pp increase in the public finance deficit relative to GDP over a single quarter (annual averages)



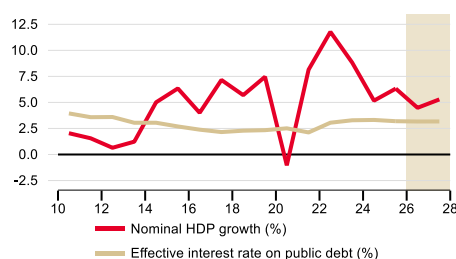
Source: Economic & Strategy Research, Komerční banka
The econometric model used is described in more detail in Box 1 of one of the previous issues of the *Czech Economic Outlook* (https://bit.ly/CEO_4Q25_EN). t, t+1, t+2 and t+3 denote years. REER = real effective exchange rate of the koruna; an increase represents real appreciation.

A widening public finance deficit³ generally increases inflationary pressures while only temporarily supporting economic activity. Our previous empirical analysis (available here: https://bit.ly/CEO_4Q25_EN), based on historical Czech data, shows that the positive stimulus to economic activity gradually fades as the central bank responds to increased inflationary pressures caused by looser fiscal policy with relatively tighter monetary policy. Tighter monetary conditions then contribute to a relative decline in private investment, consumption and net exports. This results in the so-called crowding-out effect. In general, the impact on the real economy should be weaker when fiscal stimulus consists predominantly of current expenditure rather than effective investment, and also when the economy is not suffering from unused production capacity. In our view, both of these characteristics are broadly met in the case of the Czech economy.

³ Public finances encompass not only the central government's budget, but also those of municipalities and regions, state funds, and the public health insurance system.

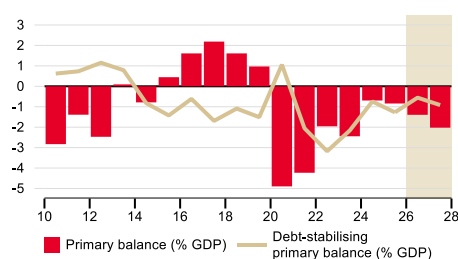
Economic growth can lead to stabilisation of the debt-to-GDP ratio, even when public finances are in deficit. The key factor here is the difference between the effective nominal interest rate (i) and the growth rate of nominal GDP (g). If nominal GDP growth exceeds the interest rate on existing debt, a primary balance (the balance net of interest payments) of approximately $(i - g) \cdot D$ can be incurred, where D is the debt-to-GDP ratio. If the interest on the debt exceeds the nominal GDP growth rate, however, debt can only be stabilised if there is a primary surplus. This is why a situation where $i > g$ is sometimes referred to as the 'snowball effect'. In the case of the Czech economy, nominal GDP growth has long exceeded the nominal interest rate. Nevertheless, the budget proposal for next year is heading towards a further increase in public debt, as we believe that the primary deficit will exceed the level consistent with stabilising the debt-to-GDP ratio by the widest margin since the start of the COVID-19 pandemic.

Nominal GDP growth and effective interest rate on public debt (%)



Source: MinFin, CZSO, Economic & Strategy Research, Komerční banka

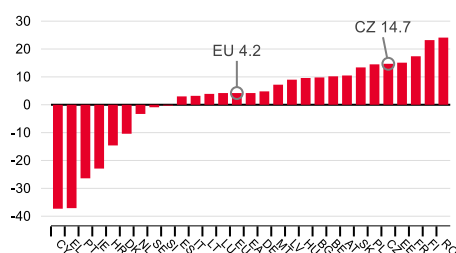
Debt-stabilising and actual primary balance of public finances



Source: MinFin, CZSO, Economic & Strategy Research, Komerční banka

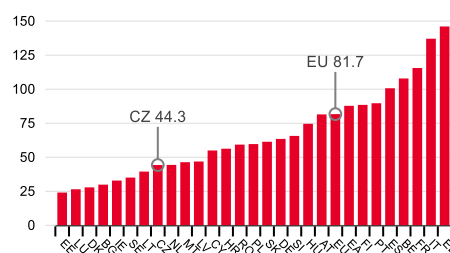
The Czech Republic ranks among the one-third of least-indebted EU countries; however, its debt increase over the past five years has been the fifth highest. Its strong starting position has enabled it to relax budget rules and intensify fiscal expansion without significantly impacting financial markets. Nevertheless, the rapid increase in the debt-to-GDP ratio since the onset of the pandemic suggests that debt-servicing costs will increasingly crowd out other expenditure. Without consolidation measures, the current trajectory is likely to be difficult to sustain in the medium term due to an ageing population and the general depletion of available fiscal space.

Public debt-to-GDP ratio: difference between 2025 and 2019 (pp)



Source: Eurostat, Macrobond, Economic & Strategy Research, Komerční banka

Public debt in 2025 (% of GDP)



Source: Eurostat, Macrobond, Economic & Strategy Research, Komerční banka

Jaromír Gec
+420 222 008 598
jaromir_gec@kb.cz

The public finances ended last year with a deficit of 2.1% of GDP. We expect this to increase to 2.8% of GDP this year and to reach 3.5% in 2027.

Next year, we expect the public finance deficit to exceed 3% of GDP

After last year's deficit of 2.1% of GDP, we expect the public finance deficit to widen to 2.8% this year and to 3.5% next year. While we expect the deficit to exceed 3% of GDP, it should still comply with EU budget rules. This is because the government has announced its intention to invoke the EU defence escape clause to the value of 0.7% of GDP. The Ministry of Finance's medium-term outlook anticipates the consolidation of public budgets in the coming years, particularly in 2029, when the next regular parliamentary elections will be held. However, given that the measures required to achieve this outcome are unclear, we are currently maintaining our assumption of a deficit of around 3% of GDP across the entire forecast horizon. According to our estimates, public-sector debt as a percentage of GDP will grow by an average of 1.6pp per year between 2026 and 2030, reaching 52.2% of GDP in 2030.

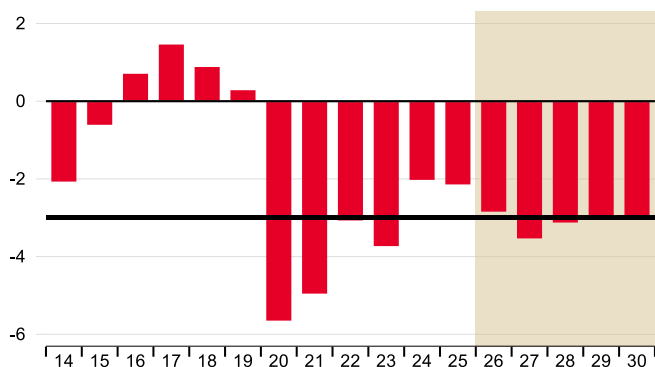
Public finance forecasts

	2025	2026f	2027f	2028f	2029f	2030f
Balance (% GDP)	-2.1	-2.8	-3.5	-3.1	-3.0	-3.0
Fiscal effort (pp GDP)	0.0	-0.5	-0.8	0.2	0.0	0.1
Public debt (CZKbn)	3786.3	4096.3	4507.3	4892.3	5277.3	5662.3
Debt ratio (% GDP)	44.1	45.7	47.8	49.4	50.8	52.2

Source: CZSO, Macrobond and Ministry of Finance for published data; Economic & Strategy Research, Komerční banka estimates

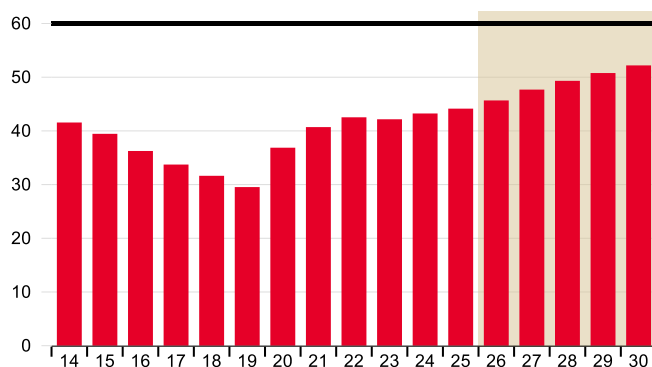
Note: fiscal effort is measured as the yoy change in the public finance balance, adjusted for the economic cycle and one-off operations, in pp of GDP.

Public finance balance (% of nominal GDP)



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

Public debt (% of nominal GDP)



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

Summary forecast table

	Q1 26	Q2 26	Q3 26	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27	2025	2026	2027	2028	2029	2030
GDP and its breakdown														
GDP (real, yoy, %)	2.1	1.8	1.4	1.3	1.8	2.1	2.6	2.6	2.7	1.7	2.3	2.6	2.4	2.3
Household consumption (real, yoy, %)	3.3	2.7	2.7	2.1	2.3	2.3	2.4	2.6	2.6	2.7	2.4	2.6	2.3	2.2
Government consumption (real, yoy, %)	1.4	1.3	1.1	1.7	2.3	2.3	2.4	2.4	2.2	1.4	2.4	2.5	2.0	1.5
Fixed investment (real, yoy, %)	6.5	7.1	6.2	4.7	3.3	2.2	1.7	2.1	3.3	6.1	2.3	2.4	2.4	2.5
Net exports (contribution to yoy)	-1.5	-0.1	-0.5	-0.4	0.4	0.0	0.4	0.4	-0.6	-0.6	0.3	0.3	0.1	0.2
Inventories (contribution to yoy)	-0.1	-1.6	-1.3	-0.9	-1.0	0.1	0.1	0.0	0.7	-1.0	-0.2	0.1	0.3	0.1
Monthly data from the real economy														
Foreign trade (CZKbn)	68.6	30.1	-9.6	7.2	61.4	51.2	10.4	38.3	200.2	96.3	161.3	204.2	243.3	264.3
Exports (nominal, yoy, %)	0.1	5.3	6.9	5.1	4.7	7.5	6.2	7.7	2.3	4.3	6.5	4.9	5.6	5.4
Imports (nominal, yoy, %)	0.7	7.7	10.0	8.7	5.6	6.0	4.5	5.2	2.9	6.8	5.3	4.2	5.1	5.2
Industrial production (real, yoy, %)	1.2	2.5	2.8	1.2	2.6	1.2	2.4	2.5	2.2	1.9	2.2	2.7	2.5	2.6
Construction output (real, yoy, %)	4.1	4.2	-1.0	2.8	1.1	4.1	2.2	3.6	10.7	2.5	2.7	2.7	2.4	2.5
Retail sales (real, yoy, %)	4.5	3.3	4.8	4.2	2.8	2.7	2.2	2.4	3.3	4.2	2.5	2.6	2.2	2.1
Labour market														
Wages (nominal, yoy, %)	6.1	6.4	6.4	6.1	6.2	5.8	6.2	6.0	6.6	6.2	6.0	5.6	4.6	4.5
Wages (real, yoy, %)	4.3	4.2	4.3	3.6	2.5	2.5	3.1	3.5	4.1	4.1	2.9	3.8	2.7	2.5
Unemployment rate (MLSA, %)	5.1	4.8	5.0	4.9	5.3	4.8	4.9	4.7	4.4	5.0	4.9	4.6	4.5	4.6
Unemployment rate (ILO 15+, %)	3.1	3.0	3.0	3.0	3.2	3.0	3.0	2.8	2.8	3.0	3.0	2.8	2.8	2.8
Employment (ILO 15+, yoy, %)	1.1	1.6	1.5	1.3	0.8	0.4	0.4	0.4	1.2	1.4	0.5	0.5	0.4	0.2
Consumer and producer prices														
CPI Inflation (yoy, %)	1.6	2.0	2.0	2.6	3.6	3.2	2.9	2.5	2.5	2.1	3.0	1.7	1.9	2.0
Taxes (contribution to yoy inflation)	-0.3	-0.4	-0.3	-0.4	0.1	0.2	0.1	0.2	0.2	-0.3	0.1	0.0	0.0	0.0
Core inflation (yoy, %) (*)	2.8	2.9	3.0	3.1	3.1	2.8	2.6	2.5	2.7	2.9	2.7	2.3	2.2	2.0
Food prices (yoy, %) (*)	1.0	-0.4	-1.4	-0.7	1.8	3.5	4.6	4.6	3.4	-0.4	3.6	2.3	1.9	1.9
Fuel prices (yoy, %) (*)	-1.6	24.9	27.3	35.4	25.9	-1.2	-10.5	-21.1	-6.7	21.5	-1.7	-15.5	-4.0	0.6
Regulated prices (yoy, %)	-1.3	-1.3	-1.1	-0.3	3.2	3.4	3.6	3.6	0.9	-1.0	3.5	2.1	2.1	2.0
Producer prices (yoy, %)	-2.3	1.3	2.5	4.0	7.0	4.5	3.2	1.7	-0.8	1.4	4.1	0.4	1.3	1.7
Financial variables														
2W Repo (% , average)	3.5	3.5	3.8	3.9	4.0	4.0	4.0	4.0	3.6	3.7	4.0	3.3	3.0	3.0
3M PRIBOR (% , average)	3.5	3.6	3.9	4.0	4.1	4.1	4.1	4.1	3.6	3.7	4.1	3.4	3.1	3.1
EUR/CZK (average)	24.3	24.3	24.2	24.4	24.3	24.2	24.1	24.1	24.7	24.3	24.2	23.9	23.7	23.6
External environment														
GDP in EMU (real, yoy, %)	1.2	1.2	1.2	1.1	1.1	1.1	1.2	1.2	1.0	1.2	1.1	1.2	1.2	1.1
GDP in Germany (real, yoy, %)	0.7	1.0	1.1	1.1	1.0	0.9	1.2	1.2	0.3	1.0	1.1	1.2	1.1	1.0
CPI in EMU (yoy, %)	2.1	3.0	3.3	3.9	3.9	3.3	2.8	2.3	2.1	3.1	3.1	2.0	2.4	2.0
Brent oil price (USD/bbl, average)	71.6	108.1	84.1	94.0	89.0	82.0	80.0	78.0	69.0	89.5	82.3	73.0	69.4	69.9
EUR/USD (quarter eop, year average)	1.17	1.16	1.15	1.10	1.12	1.14	1.16	1.17	1.13	1.15	1.15	1.19	1.20	1.20

Source: CZSO, CNB, MLSA, Bloomberg, Macrobond, Economic & Strategy Research, Komerční banka

Note: (*) these parts of inflation are adjusted for the primary effect of indirect tax changes

The Czech IRS market and government bonds



Jaromír Gec
+420 222 008 598
jaromir_gec@kb.cz

Global factors to keep market interest rates high

The steady rise in market interest rates is driven not only by the lingering effects of the energy shock, but also by concerns about the sustainability of fiscal policies and the boom in AI investments. In the short term, we expect the CNB to tighten monetary policy less aggressively than the koruna money market currently anticipates, which should push the short end of the CZK swap curve slightly lower. However, the longer end of the curve is likely to remain at elevated levels, mainly due to foreign developments, which have recently been its dominant driver. We expect a partial decline in longer-term koruna rates next year, primarily linked to the likely easing of the energy shock. The spread between government bond yields and market rates could widen again as the budget deficit worsens next year.

Financing costs continue to rise

The increase in market interest rates last quarter reflected not only the ongoing energy shock, but also strong demand for financing from large technology companies. Together, these companies have become the second-largest bond issuer this year, just behind the US federal government. In our view, the rise in dollar market interest rates also likely reflected relatively optimistic growth prospects for the US economy. Accommodative fiscal policy, increased government bond issuance specifically, also played a role, as central banks are absent from the demand side at present. This is particularly evident in Europe, where risk premiums have surged for highly indebted economies such as France and Italy.

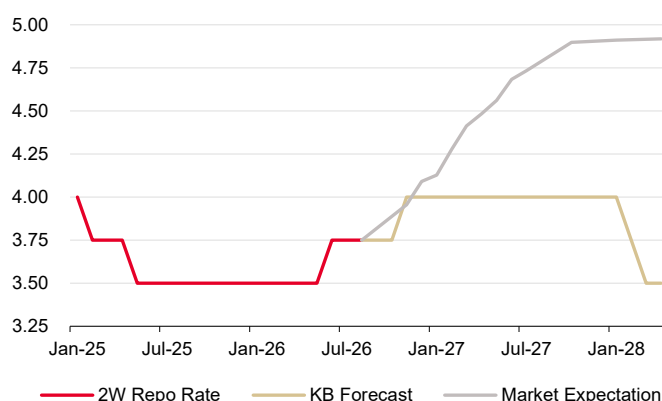
In our baseline scenario, we expect long-term market interest rates in both the US and the eurozone to peak around the turn of the year or in the early part of next year. According to our forecast, the investment boom and the expansionary effects of fiscal policy in the US are set to subside. Consequently, US economic growth is likely to slow. Furthermore, the anticipated easing of the energy shock should contribute to lower interest rates on both sides of the Atlantic.

IRS forecast (%)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Expected CNB key interest rate path (%)



Source: Bloomberg, CNB, Economic & Strategy Research, Komerční banka, as of 27 October 2026

Short-term koruna rates could decline slightly as expectations of further CNB tightening subside. As we explain in more detail in the *Monetary Policy* chapter, in our base scenario we anticipate one additional increase in monetary policy rates, followed by stability throughout the following year. However, the koruna money market is currently pricing in an increase in the key repo rate to almost 5% within the next year.

The longer end of the koruna yield curve is likely to remain elevated. However, a gradual downward trend may become apparent next year. This would be driven primarily by the external developments described above, which koruna rates have been tracking closely recently.

Nevertheless, the prospect of further domestic fiscal policy easing in 2027 is not yet fully factored in. While the analytical consensus expects a public finance deficit of 3.1% of GDP, we expect 3.5% (see the *Fiscal Policy* chapter for more details). Overall, this should lead to a steeper slope in the koruna market interest rate curve. Compared to our previous forecast, we have revised our outlook for koruna rates upwards, primarily due to higher foreign interest rates. However, we have also revised up our forecast for the CNB's repo rate, and we now expect the domestic public finance deficit to be slightly deeper in 2027.

In our baseline scenario, the risk continues to be skewed towards higher market interest rates on the koruna. As discussed in detail in the special box in the April issue of *Czech Economic Outlook*⁴, a prolonged oil shock could lead to significant upward pressure on interest rates across all maturities.

CZK IRS outlook (end of period, %)

	4Q26f	1Q27f	2Q27f	3Q27f
2y	4.60	4.55	4.45	4.40
5y	4.95	4.90	4.75	4.70
10y	5.10	5.05	4.95	4.85

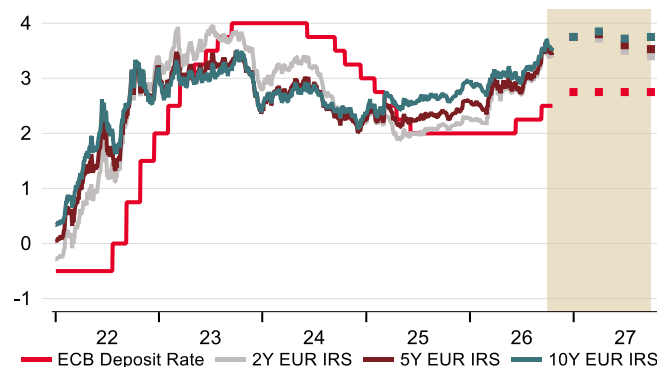
Source: Economic & Strategy Research, Komerční banka

Interest rate hedging conditions are deteriorating. In the short term, hedging opportunities could primarily arise from declines linked to any reports of a de-escalation in the Gulf conflict, as well as the CNB's reluctance to raise monetary policy rates as aggressively as is currently priced in by the koruna money market. Compared with spot IRSs, the forward market offers higher rates across the entire curve. Interest rates in the eurozone remain noticeably lower than in the koruna market, with the interest rate spread widening again in October.

CZK forward interest rate swaps (% p.a. vs 6M Pribor, 1Y vs 3M Pribor)

	Maturity				
	1Y	2Y	3Y	5Y	10Y
Spot	4.49	4.81	4.91	4.95	5.02
Forward					
3M	4.74	4.95	4.99	5.02	5.07
6M	4.98	5.08	5.07	5.07	5.11
9M	5.08	5.11	5.09	5.08	5.12
1Y	5.17	5.15	5.11	5.10	5.14
2Y	5.13	5.08	5.08	5.08	5.18
3Y	5.02	5.05	5.05	5.08	5.22

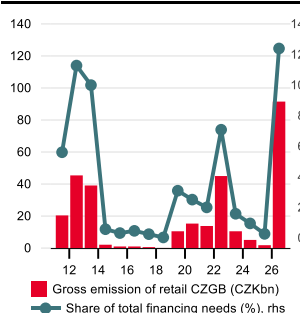
Euro area rates (%)



Source: Bloomberg, Economic & Strategy Research, Komerční banka, as of 27 October 2026

Source: Bloomberg, SG Cross Asset Research, Economic & Strategy Research, Komerční banka

Issuance of retail government bonds



Source: MinFin, Economic & Strategy Research, Komerční banka

CZGB issuance to rise next year

The supply of government bonds on financial markets will continue to be partially offset by the issuance of retail bonds. During the first two subscription periods this year, the Ministry of Finance issued Republic Bonds and treasury bills totalling CZK91.5bn. The retail bond programme is likely to continue next year as well. The additional pre-Christmas subscription period announced will affect next year's financing needs, as the bonds subscribed during that period will not be issued until the first quarter of 2027. So far this year, the Ministry of Finance has issued CZK309.3bn in bonds on the primary market (the Ministry projects CZK270–370bn

⁴ https://bit.ly/CEO_2Q26_EN

for the full year), as well as an additional CZK121.8bn on the secondary market through direct sales and swap transactions. At the same time, the Ministry of Finance has already covered all of this year's koruna debt repayments. Overall, we expect monthly primary market issuance activity to remain near the full-year average of CZK30.0bn in the remaining two months of the year, bringing full-year CZGB issuance to approximately CZK500bn.

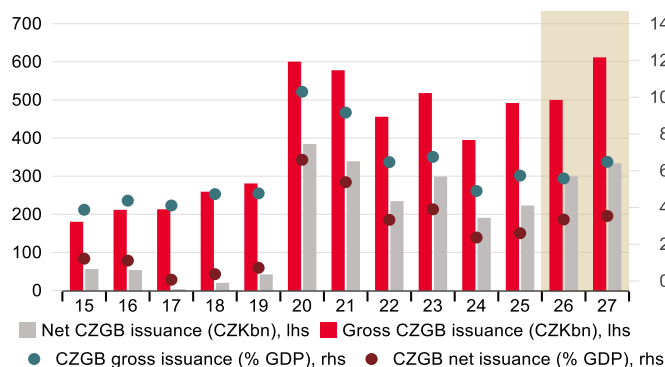
Next year, we expect CZGB gross issuance to increase compared to this year due to a larger volume of refinancing and a deeper government budget deficit. We expect this increase to be driven largely by the rise in the volume of maturing bonds; however, even in net terms, we estimate that the easing of fiscal policy will increase issuance by about CZK30.0bn. With the increase in supply, we expect the spread between government bond yields and market interest rates to widen next year.

Funding programme and issuance activity (CZKbn)

	2026		2027	
	MinFin	KB	MinFin	KB
State budget deficit	310.0	310.0	386.0	386.0
Transfers and other operations on state financial assets	3.6	3.6	0.0	0.0
T-bonds denominated in local currency redemptions	200.3	200.3	278.0	278.0
T-bonds denominated in foreign currency redemptions	0.0	0.0	36.2	36.3
Redemptions and early redemptions on savings bonds	20.4	20.4	12.6	12.6
Money market instrument redemptions	177.5	177.5	165.2	126.7
Redemption of T-bills	165.6	165.6	165.2	126.7
Redemption of other money market instruments	11.9	11.9	0.0	0.0
Repayments on credits and loans	26.4	26.4	0.9	0.9
Total financing needs	738.2	738.2	878.9	840.5
Money market instruments		126.7		126.7
T-bills (incl. EUR)		126.7		126.7
Other money market instruments		0.0		0.0
Gross issuance of CZK T-bonds on domestic market		500.0		611.7
Gross issuance of EUR T-bonds on domestic market/eurobond		0.0		12.1
Gross issuance of government savings (retail) bonds		91.5		80.0
Received credits and loans		15.0		10.0
Financial asset and liquidity management		5.0		0.0
Total financing sources		738.2		840.5
Gross borrowing requirement		733.2		840.5
Net CZGB issuance		299.7		333.7

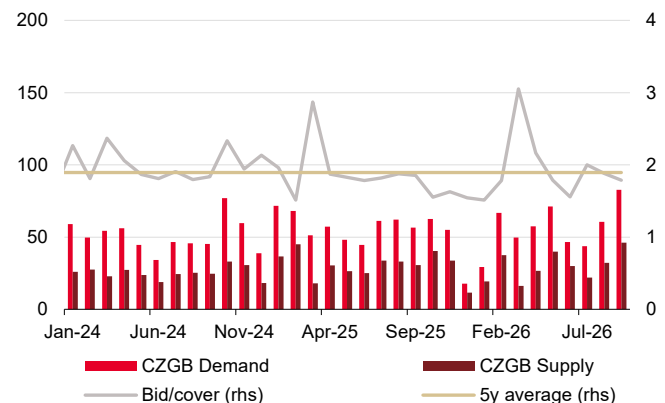
Source: MinFin, Economic & Strategy Research, Komerční banka

CZGB issuance



Source: MinFin, Economic & Strategy Research, Komerční banka

CZGB primary market (CZKbn)



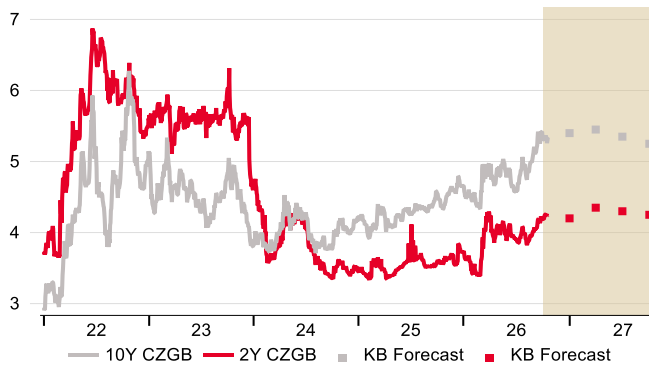
Source: MinFin, CNB, Economic & Strategy Research, Komerční banka

CZGB yield forecast (end of period)

	4Q26f	1Q27f	2Q27f	3Q27f
2y CZGB yield (%)	4.20	4.35	4.30	4.25
5y CZGB yield (%)	4.70	4.70	4.70	4.70
10y CZGB yield (%)	5.40	5.45	5.35	5.25
10y CZGB ASW (bp)	30	40	40	40

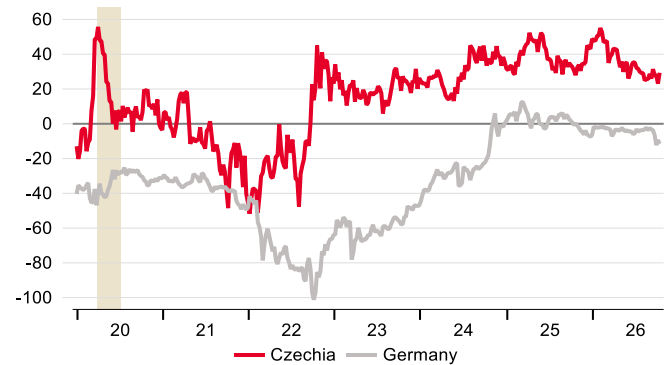
Source: Economic & Strategy Research, Komerční banka

CZGB yield forecast (%)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

10y bond ASW (bp)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Note: ASW= 10y CZGB yield - 10y CZK IRS; shading indicates recessionary period in Czechia

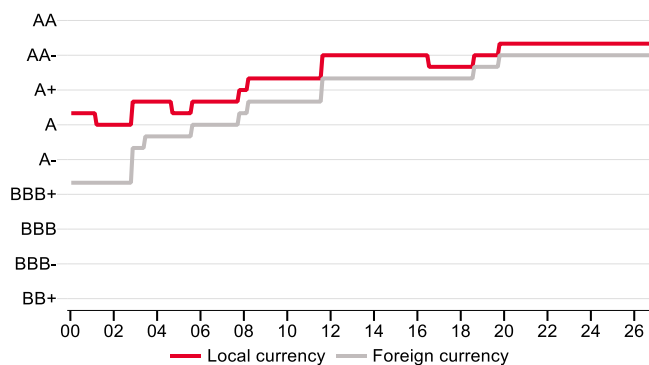
Although the Czech Republic's credit rating remains unchanged (Aa3/AA-), S&P upgraded the outlook to positive in September. The country continues to hold the highest rating in Central and Eastern Europe. Alongside the outlook upgrade, S&P confirmed the long-term foreign currency rating at AA- and the long-term local currency rating at AA. The latter is already one notch higher than the ratings assigned by Fitch and Moody's. S&P cites the Czech economy's resilient growth, its relatively low public debt, a favourable external balance, the CNB's effective monetary policy and a sound banking system as the key factors behind the outlook upgrade.

Czech Republic sovereign rating overview

	Local currency	Outlook	Foreign currency	Outlook
S&P	AA	POSITIVE	AA-	POSITIVE
Moody's	Aa3	STABLE	Aa3	STABLE
Fitch	AA-	STABLE	AA-	STABLE

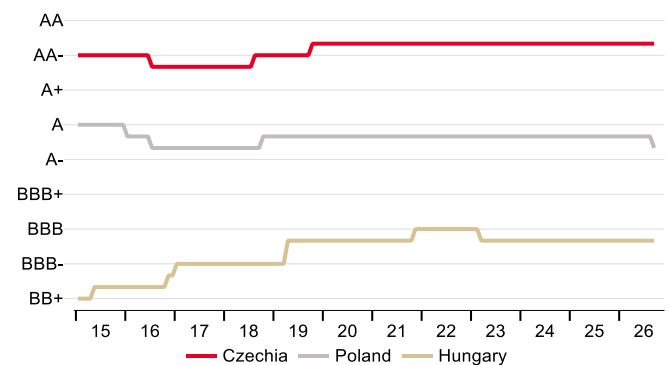
Source: Bloomberg, Economic & Strategy Research, Komerční banka

The Czech Republic's rating (average of Fitch, S&P and Moody's)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Rating in CE3 – local currency (avg. of Fitch, S&P and Moody's)



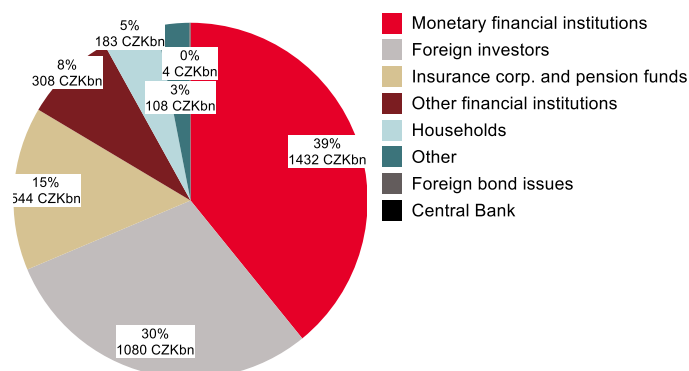
Source: Bloomberg, Economic & Strategy Research, Komerční banka

Government bond overview

Government bond overview							Rich-cheap analysis												
Bond	Dur.	Issued last 90D	Issuance limit	Yield	Δ1W	Δ1M	FX hedged	ASW	Δ1W	Δ1M	Min	90D	Max	Z-Score	Rank	Spline spread	Rank	Carry Roll 90D	Rank
0.25 Feb-27	0.3	0.0	110%	3.91	5	-1	3.19	-13	5	-3	-43		-7	1.2	17	-1.2	10	-63.3	26
2.50 Aug-28	1.7	0.0	94%	4.24	5	2	3.05	-59	2	9	-71		-43	0.0	26	4.5	23	8.2	11
5.50 Dec-28	1.9	0.0	90%	4.39	6	2	3.14	-51	2	8	-64		-45	0.5	21	-3.2	9	10.1	3
5.75 Mar-29	2.2	4.3	139%	4.49	8	9	3.23	-43	6	15	-61		-38	1.2	15	-7.2	3	10.7	1
2.75 Jul-29	2.5	0.0	100%	4.54	8	6	3.26	-41	5	15	-56		-34	0.9	18	-5.3	6	10.2	2
0.05 Nov-29	2.9	0.0	61%	4.55	7	5	3.24	-44	5	11	-55		-27	0.1	25	0.9	16	9.3	4
0.95 May-30	3.3	0.0	100%	4.64	7	5	3.31	-36	5	11	-48		-22	0.3	22	0.3	14	9.1	6
5.00 Sep-30	3.5	5.9	126%	4.70	7	7	3.39	-30	4	15	-44		-18	0.5	20	1.1	18	9.2	5
3.95 Oct-30	3.5	0.0	10%	4.51	10	4	3.19	-49	8	12	-67		-32	0.2	24	21.1	26	7.7	15
1.20 Mar-31	4.0	0.0	100%	4.76	10	11	3.39	-26	7	18	-45		-17	0.8	19	3.1	21	8.6	8
6.20 Jun-31	3.9	5.9	132%	4.79	8	11	3.46	-21	5	20	-41		-12	1.2	16	4.3	22	8.8	7
1.75 Jun-32	5.1	0.0	107%	5.00	7	3	3.56	-8	5	11	-21		-3	1.3	14	-1.0	12	8.1	12
4.50 Nov-32	5.2	0.0	130%	5.08	7	6	3.66	3	4	14	-11		6	1.8	12	-4.0	7	8.2	9
3.00 Mar-33	5.4	2.4	91%	5.16	6	5	3.70	8	3	13	-7		9	1.8	11	-8.1	2	8.2	10
2.00 Oct-33	6.2	0.0	100%	5.27	7	5	3.76	14	4	12	-1		15	2.1	2	-11.9	1	7.7	14
4.90 Apr-34	5.9	9.0	122%	5.28	6	5	3.83	21	3	13	4		23	2.2	1	-7.1	4	7.7	13
4.25 Oct-34	6.5	3.3	100%	5.32	5	3	3.84	22	3	11	8		24	2.0	7	-5.7	5	7.2	16
3.50 May-35	7.0	0.0	117%	5.31	7	3	3.80	18	4	11	3		19	2.0	8	1.0	17	6.6	18
5.30 Sep-35	6.9	20.7	98%	5.34	6	0	3.89	25	4	9	14		27	1.6	13	0.7	15	6.7	17
4.55 Oct-35	7.1	0.0	10%	5.24	6	3	3.77	14	4	11	-4		15	2.0	5	11.3	25	6.2	20
3.60 Jun-36	7.6	2.3	117%	5.38	8	-1	3.86	22	4	7	10		24	1.8	10	2.9	20	6.1	21
4.20 Dec-36	7.6	0.0	100%	5.37	6	1	3.87	23	4	9	7		25	2.0	3	6.8	24	5.7	22
4.95 Feb-37	7.6	8.6	42%	5.47	5	1	3.99	34	3	11	17		37	2.0	6	-1.2	11	6.2	19
1.95 Jul-37	9.0	0.0	71%	5.47	6	1	3.87	22	4	9	5		24	2.0	4	1.4	19	5.4	23
1.50 Apr-40	11.1	0.0	65%	5.68	6	4	3.93	25	2	9	4		27	1.9	9	-3.7	8	4.7	25
4.00 Apr-44	11.3	0.0	29%	5.82	5	6	4.08	39	-19	10	17		61	0.3	23	0.2	13	5.0	24

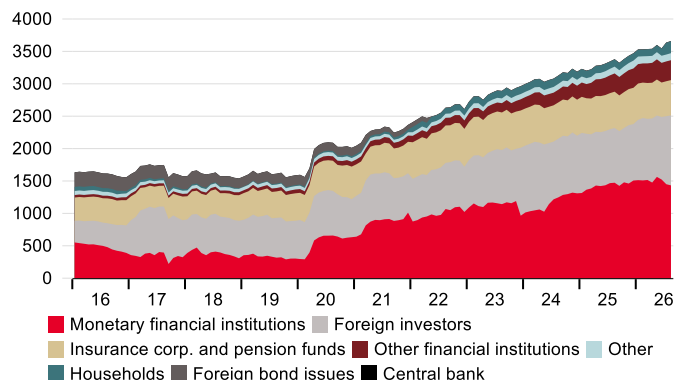
Source: Economic & Strategy Research, Komerční banka; Note: more details in CZGB Auction Alerts.

Holdings of CZK government debt (August 2026)



Source: MinFin, Macrobond, Economic & Strategy Research, Komerční banka

Holdings of CZK government debt (CZKbn)



Source: MinFin, Macrobond, Economic & Strategy Research, Komerční banka

Czech FX market



Jaromír Gec
+420 222 008 598
jaromir_gec@kb.cz

Negative sentiment and the CNB to put the koruna on hold

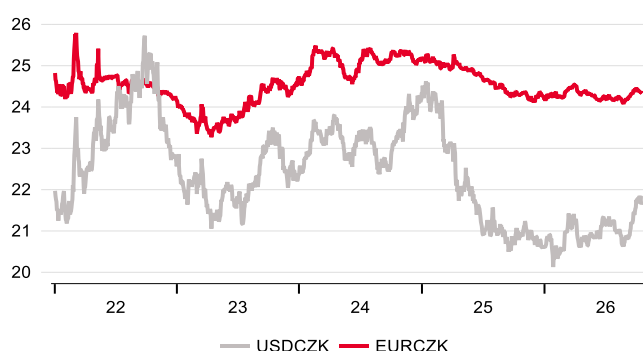
We expect the Czech koruna to lack positive momentum until end-2026, primarily due to a strengthening USD and a gradual narrowing in the interest rate differential between CZK and EUR market interest rates. However, next year the koruna should resume gradual appreciation. This uptick should be driven by stabilisation of the interest rate differential and the expected weakening of the greenback – partly due to the anticipated decline in energy commodity prices – as well as stronger growth in the Czech economy compared to the eurozone. Overall, we expect the exchange rate to be around EURCZK 24.40 by the end of this year and near EURCZK 24 in a year's time.

The USD dominates the foreign exchange market

In recent weeks, the USD has performed particularly well on the global foreign exchange market. This has been driven by high energy prices, a resilient economy, a hawkish Fed, rising US yields and increased demand for safe-haven assets in general. In contrast, the euro has not only been affected by higher energy prices, but also by renewed concerns about the fiscal sustainability of certain eurozone countries, especially France. Overall, we forecast a further modest strengthening of the dollar to EURUSD 1.10 by the end of the year. However, next year, we anticipate a gradual reversal of this trend. With the expected easing of geopolitical tensions and the normalisation of energy commodity prices, we forecast a weakening of the dollar to EURUSD 1.16 over the course of the year.

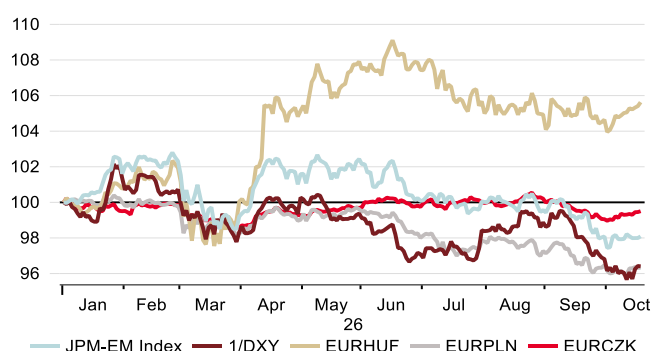
The strong US dollar is putting pressure on emerging market currencies. Energy importers remain especially vulnerable. At the same time, emerging market currencies have become even more sensitive to dollar movements, meaning that global factors now outweigh domestic fundamentals. Despite a slight decline, the koruna remains the most stable currency in the region. However, in recent weeks, the situation in which negative sentiment was fully offset by a widening interest rate differential in favour of the koruna – as had been the case for most of the year – has ceased to hold true. This was probably due to aggressive anticipation of further CNB moves, even before the recent growth in expectations of tighter ECB monetary policy.

CZK exchange rates



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Performance of CE currencies (1 January 2026 = 100)

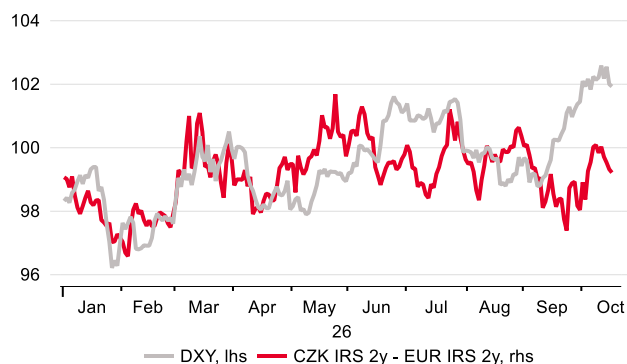


Source: Bloomberg, Economic & Strategy Research, Komerční banka

Note: a value above 100 indicates an appreciation of the CZK, PLN or HUF against the EUR or the Emerging Market Currency Index (JPM-EM), or a weakening of the Dollar Index (DXY) from 1 January 2026.

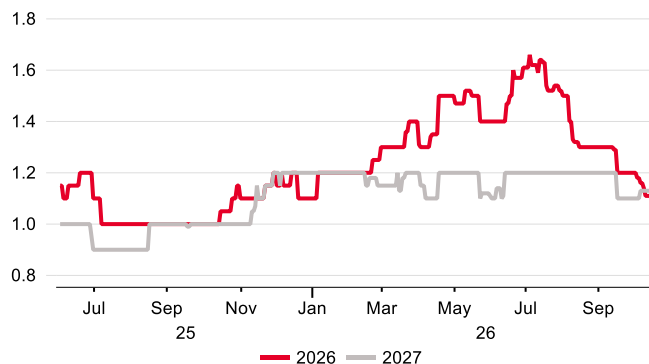
In our view, the unfavourable global environment will prevent significant koruna strengthening in the coming months. The narrowing interest rate differential is also likely to put pressure on the koruna, together offsetting the Czech economy's ongoing resilience. We therefore expect the koruna to weaken slightly to EURCZK 24.40 by the end of this year.

The interest rate differential and DXY



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Expected GDP growth differential between the Czech Republic and the eurozone – Bloomberg consensus (pp)



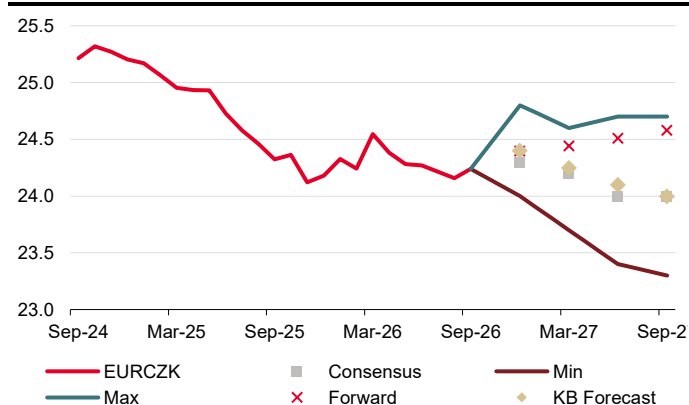
Source: Bloomberg, Economic & Strategy Research, Komerční banka

The koruna may return to gradual appreciation next year

The interest rate differential should stabilise next year. For some time now, the koruna money market has priced in tighter CNB monetary policy than our baseline scenario anticipates. This limits the potential for further increases in short-term koruna market interest rates. However, starting early next year, the interest rate spread should stabilise, accompanied by a decline in both short-term koruna and euro market interest rates. The koruna should also be supported by a weakening dollar and the associated reduction in risk aversion towards risky assets.

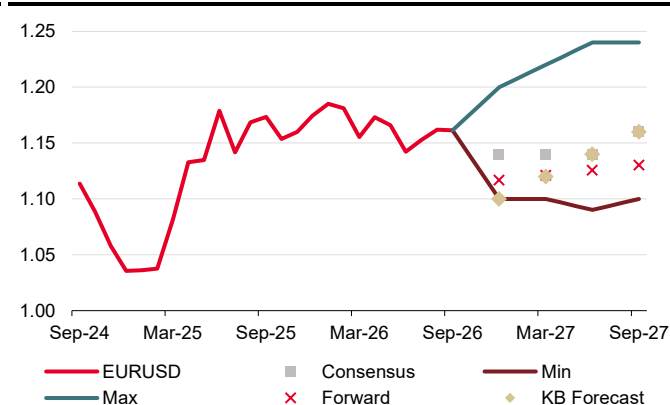
The koruna should continue to benefit from faster economic growth in the Czech Republic compared to the eurozone. However, we do not consider the structure of domestic economic growth to be particularly favourable in terms of the external balance. This is because domestic demand, aided by accommodative fiscal policy, is expected to be the main driver of growth. At the same time, rising energy prices are resulting in a deterioration of the trade and current account balances, which negatively affects the exchange rates of energy importers. Compared to our previous forecast, the growth differential between the Czech economy and the eurozone has narrowed due to a weaker outlook for the domestic economy. It is this smaller growth lead, combined with a narrower interest rate differential, that has led us to revise our koruna exchange rate forecast downwards. Nevertheless, we continue to anticipate a gradual appreciation towards EURCZK 24 over 2027.

Expected EURCZK path, Bloomberg consensus (as of 27 October 2026)



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Expected EURUSD path, Bloomberg consensus (as of 27 October 2026)



Source: Bloomberg, Economic & Strategy Research, Komerční banka, SG Cross Asset Research

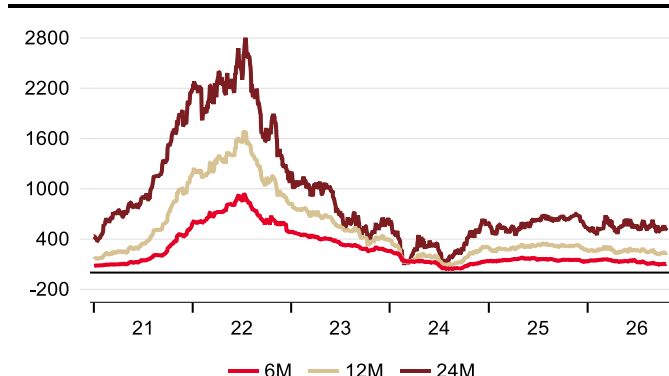
Koruna exchange rate forecast (end of period)

	4Q26f	1Q27f	2Q27f	3Q27f
EURCZK	24.40	24.25	24.10	24.00
USDCZK	22.20	21.65	21.15	20.70
EURUSD	1.10	1.12	1.14	1.16

Source: Economic & Strategy Research, Komerční banka, SG Cross Asset Research

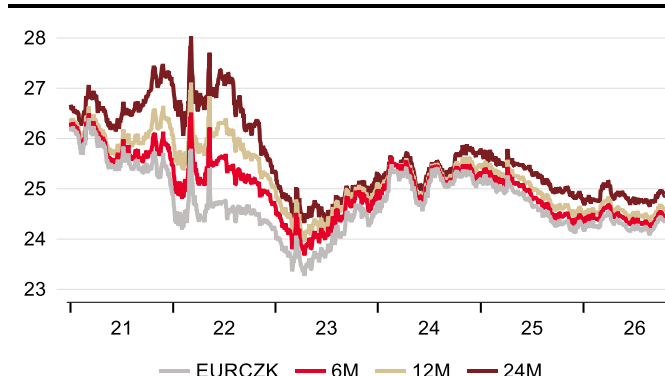
In the short term, developments in the Middle East pose the main risk. Uncertainty is primarily linked to the duration and impact of higher energy prices on the domestic economy. Given the relatively high energy intensity of the Czech economy and its status as a net importer, we believe that the risk associated with the conflict in the Middle East is skewed towards a weaker domestic currency. In the event of a prolonged oil shock, however, this could be partially offset by the interest rate differential. Spillover effects into other non-energy components of the consumer basket could lead the CNB to adopt a tighter monetary policy than anticipated. However, when domestic factors are also taken into account, we believe that the balance of risks to monetary policy points towards more interest rate hikes (see the *Monetary Policy* chapter for more detail).

Forward points



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Forward vs spot exchange rate: EURCZK



Source: Bloomberg, Economic & Strategy Research, Komerční banka

Markets are not signalling any significant fluctuations in the koruna exchange rate over the next few months. Implied volatility and the volatility index have returned to levels seen before the war in the Middle East began, following a temporary increase at the end of September and beginning of October. In our baseline scenario, exporters with euro exposure can expect to see a further slight deterioration in hedging conditions next year as the spot exchange rate gradually strengthens.

Banking sector



Kevin Tran Nguyen
+420 222 008 569
kevin_tran@kb.cz

Tightening financial conditions present headwinds to credit

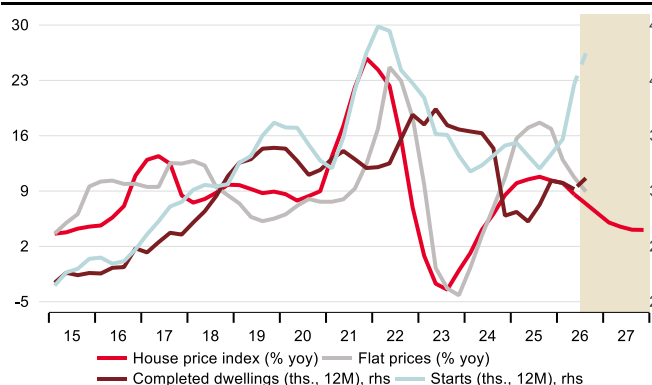
Credit activity in the Czech economy remains fairly solid, but the credit impulse weakened significantly in 3Q26 and should increasingly feel the impact of tighter financial conditions. Higher mortgage rates are already reducing housing lending and, together with low housing affordability, are contributing to a further moderation in house price growth, which we expect to slow markedly to 4.4% on average in 2027. On the corporate side, financial leveraging continued, supported by working-capital and investment financing, although higher interest rates are narrowing the scope for further strong expansion. Deposit growth should remain solid despite increasing competition from alternative savings products and a potential outflow of local government funds. This is putting upward pressure on deposit rates, putting pressure on the **banking sector's net interest income**. The share of non-performing loans remains close to historical lows, although we expect it to edge higher as the financial cycle matures.

Higher rates likely to further cool the housing and mortgage markets

Higher interest rates are further curbing activity in the mortgage market and contributing to a slowdown in house price growth.

We expect house price growth to continue to moderate, although an outright decline in house prices remains unlikely. House price growth (HPI) slowed to 8.6% yoy in 2Q26, while seasonally adjusted qoq growth reached its lowest level since 1Q24. A significant contribution came from a decline in new-builds in Prague, which may have reflected the composition of transactions. Asking prices for flats also confirm a slower pace of growth, which should eventually feed through to transaction prices. The cooling should continue as higher interest rates weigh on mortgage activity. Moreover, an ongoing recovery in residential construction could partly ease price pressures in 2027. Housing starts were 36% higher ytd as of August, although elevated interest rates may eventually constrain the recovery. Nevertheless, the structural shortage of housing is likely to prevent a long-lasting material improvement in affordability. We expect house price growth to slow from 8% in 2026 to 4.4% on average in 2027, offering a limited improvement in affordability. Slower house price growth could also help to reduce core inflation through imputed rents, which rose by 5.1% yoy in September. However, this effect could be partly offset by sustained increases in construction material and labour costs.

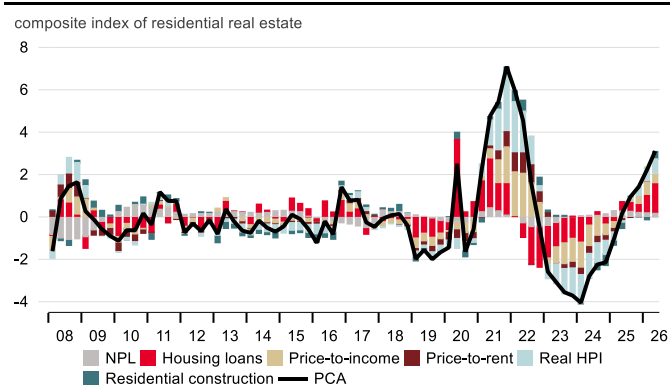
House price growth is set to moderate further next year



Source: CZSO, Macrobond, Economic & Strategy Research, Komerční banka

Note: data on dwelling completions and starts (as of August 2026) is extrapolated and only indicative for 3Q26. 12M denotes the 12-month trailing sum.

Housing market expansion is supported by several factors

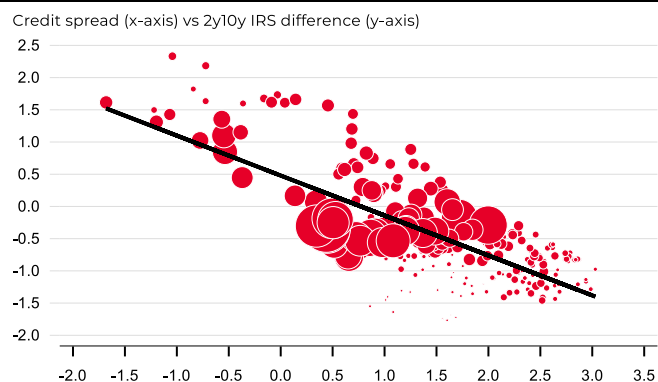


Source: Economic & Strategy Research, Komerční banka

Note: own calculations; PCA = principal component analysis vector. The composite housing index is the result of Principal Component Analysis (PCA). Construed as per Čár, M., & Vrbovský, R. (2019, March). *Composite index to assess housing price development in Slovakia*. https://www.nbs.sk/_img/documents/_publik_nbs_fsr/biatec/rok2019/03-2019/05_biatec19-3_car.pdf.

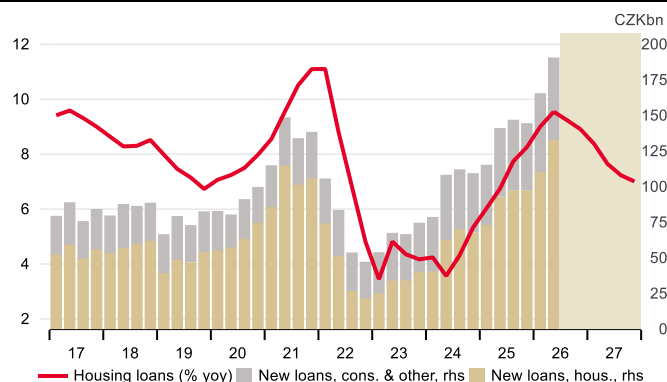
Mortgage activity should cool further in the second half of the year. The volume of pure new housing loans has declined significantly since April. It totalled CZK305bn ytd as of August, which was still 28% higher ytd, mainly owing to strong volumes at the start of the year. These reflected frontloading ahead of the CNB's recommendation on investment mortgages and efforts to avoid higher interest rates. Higher mortgage rates should continue to weigh on new lending. However, as the total stock of housing loans reflects new production with a lag, its slowdown should be more gradual. We expect the stock of housing loans to grow by 9% in 2026, before slowing to 6.8% in 2027.⁵

Mortgage credit spreads over IRS and IRS curve inversion (pp)



Source: CNB, Bloomberg, Macrobond, Economic & Strategy Research, Komerční banka
Note: The size of the bubbles represents the volume of new loans. Credit spread is computed as the difference between the realised interest rate on housing loans and the weighted average of corresponding market IRS (only an approximation).

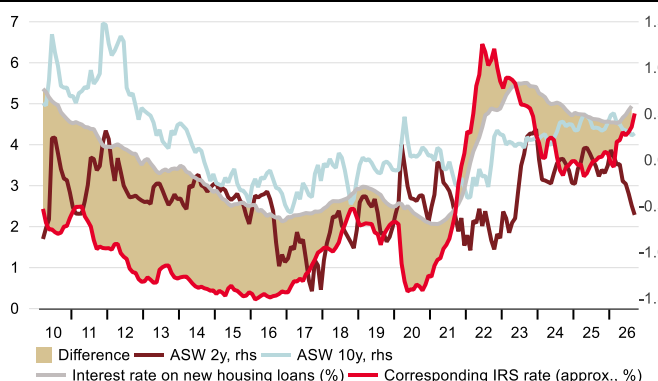
Growth in housing loans appears to have peaked



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

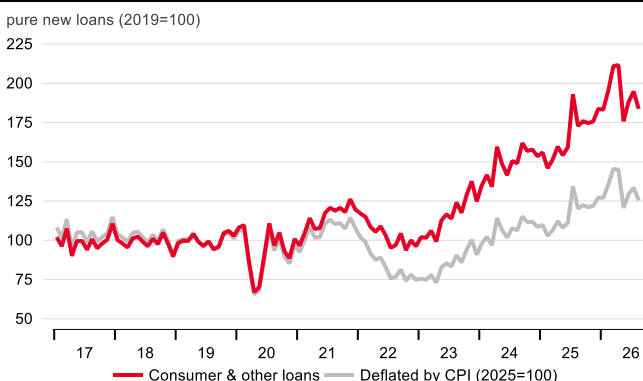
The current realised mortgage rate of 4.94% in August still does not fully reflect the sharp rise in market IRS. The five-year and three-year IRS have risen by more than 130bp and 140bp since March, respectively, whereas the realised mortgage rate has increased by about 40bp. If market interest rates remain around current levels and credit spreads widen again after their recent compression, realised mortgage rates should approach 5.5%. The decline we are expecting in market rates from their elevated levels should gradually reduce mortgage rates, particularly next year, but we do not expect a swift return below 4.5%.

Mortgage rate spreads over IRS (% , pp)



Source: CNB, Bloomberg, Macrobond, Economic & Strategy Research, Komerční banka
Note: ASW (CZGB-IRS) of corresponding CZGBs.

Strong growth in consumer-finance volumes has stalled



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka
Note: Pure new loans are loans or extensions to loans that enter the economy for the first time.

⁵ Unless stated otherwise, values refer to the end of period yoy growth.

Despite the slowdown, consumer lending remains solid and continues to raise household indebtedness.

Consumer finance is contributing to higher household indebtedness

The household credit impulse is weakening. Lower consumer loan volumes are contributing to this trend, although they remain high relative to GDP, averaging 0.16% of GDP over the past three months compared with a ten-year average of 0.13%. The latest CNB [Bank Lending Survey](#) (October 2026) points to further growth in consumer finance in 4Q26, expected by banks representing a market share of 12.2%. However, a larger share of banks expects lending standards to tighten. Together with higher interest rates and lower mortgage activity, this should bring a more pronounced moderation in consumer credit growth. The previous strong expansion in lending has already raised household indebtedness. The ratio of consumer loans to GDP increased by 0.4pp yoy in 3Q26, on our estimate, while household indebtedness rose to 55.5% of gross disposable income (GDI) in 2Q26. Nonetheless, it remains below the levels of around 58% of GDI recorded in 2021 and 2022. We expect consumer loans to grow by 13.5% in 2026 and by 9.1% in 2027.

Bank loans and deposits (% , yoy)

	1Q26	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	2025	2026	2027	2028	2029	2030
Bank loans														
Total	8.3	9.2	10.7	10.1	9.5	7.7	7.4	7.2	6.2	9.6	8.0	6.9	6.5	5.5
Households - real estate loans	9.0	9.6	9.4	9.0	8.2	7.3	6.8	6.8	7.2	9.2	7.3	6.7	6.1	5.2
Households - consumer loans	13.1	14.6	14.0	13.5	11.5	9.7	9.3	9.1	9.9	13.8	9.9	8.7	7.5	6.1
Corporate loans	7.2	9.6	13.7	12.2	11.3	8.6	7.7	7.5	4.5	10.7	8.8	7.0	6.5	5.4
Deposits														
Total	5.6	4.8	5.6	6.0	5.2	6.0	6.0	5.4	4.6	5.5	5.6	6.2	5.7	5.3
Households	5.6	5.5	4.6	4.5	3.9	4.2	5.0	5.3	5.0	5.1	4.6	6.1	5.3	4.6
Non-financial corporations	4.8	7.3	6.6	6.2	7.3	3.8	6.0	5.9	2.9	6.3	5.8	5.6	4.1	4.3
Others	6.0	2.1	6.6	8.6	5.8	10.5	7.5	5.2	5.5	5.8	7.2	6.8	7.5	6.9
Ratios														
Loans/GDP	57.9	59.3	59.9	60.4	60.7	60.9	61.2	61.5	57.1	59.4	61.1	62.1	63.1	63.7
Deposits/GDP	91.1	91.1	91.4	90.7	91.7	92.1	92.1	90.8	90.9	91.1	91.7	92.6	93.4	94.1
Loans/deposits	63.6	65.1	65.6	66.6	66.2	66.1	66.5	67.7	62.8	65.2	66.6	67.1	67.6	67.8
Interest rates														
Real estate loans	4.5	4.7	5.0	5.2	5.4	5.4	5.2	5.1	4.6	4.9	5.3	4.7	4.6	4.7
Consumer loans	7.1	7.9	8.1	8.3	8.4	8.4	8.5	8.6	8.0	7.8	8.5	8.4	8.2	8.5
Corporate loans	5.1	5.4	5.7	5.9	6.0	6.0	5.9	5.9	5.2	5.5	6.0	5.2	4.9	4.9
Share of NPL														
Real estate loans	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.8	1.0	1.3
Consumer loans	4.0	3.9	3.9	4.4	4.5	5.0	5.3	5.5	4.2	4.1	5.1	6.0	6.7	7.3
Corporate loans	2.3	2.1	2.0	2.0	2.1	2.3	2.5	2.8	2.5	2.1	2.4	3.3	4.1	4.8

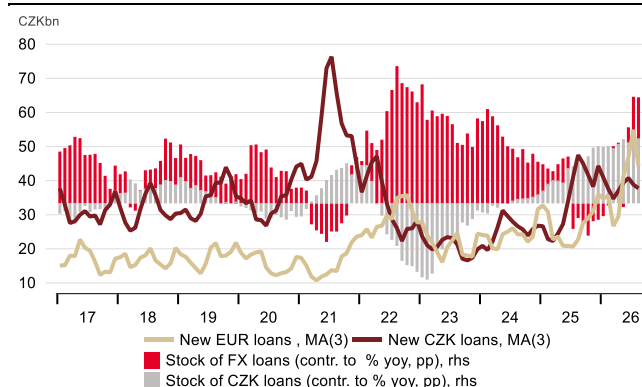
Source: CNB, CZSO, Macrobond, Economic & Strategy Research, Komerční banka
Note: quarterly values are end of period, full-year values are averages.

Firms are rebuilding their financial leverage through both working capital and investment financing. However, tighter conditions and low profitability will gradually slow down further credit expansion.

Financial conditions to gradually dampen firms' strong appetite for investment

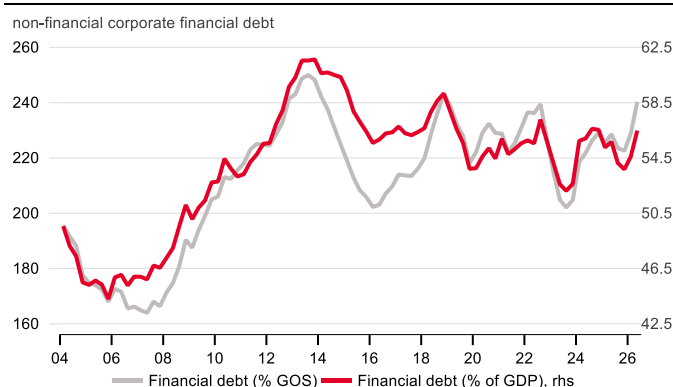
Lending to non-financial corporates (NFCs) has accelerated markedly, confirming a gradual releveraging of the corporate sector. The expansion reflects both higher drawing on credit lines for working-capital financing and strong investment demand. Euro-denominated lending has remained elevated in recent months, while the volume of pure new koruna loans has declined yoy, contributing to a weaker credit impulse. However, the credit impulse does not capture higher drawdowns of revolving loans and overdrafts, which rose by 11% yoy as of August. NFC indebtedness increased surprisingly strongly in 1H26. Domestic NFCs' financial debt had reached 56.5% of GDP as of 2Q26, up 2.8pp compared with 4Q25. Moreover, relative to gross operating surplus, debt rose to its highest level since 2018. The increase came amid declining profitability of NFCs, with the gross operating surplus margin falling to 42.4% in 2Q26, matching its 1Q20 all-time low. Still, relative to the size of the economy, domestic NFC debt remains comparatively low by international standards.

Euro loans making a significant contribution to credit growth



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

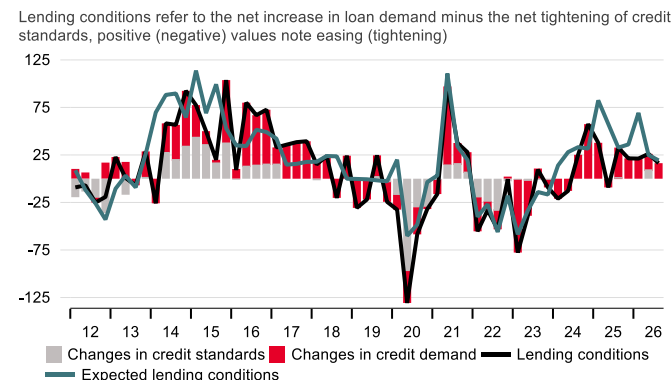
NFC leverage increased sharply in 1H26



Source: CZSO, CNB, Macrobond, Economic & Strategy Research, Komerční banka

Compressed profit margins, tighter financial conditions and previous debt cycles suggest limited scope for a further significant increase in indebtedness. Following 12.2% yoy growth in loans to NFCs, we estimate a slowdown to 7.5% yoy in 2027. Still, this should continue to increase the NFC loans to GDP ratio from its current level of around 19% of GDP. The CNB *Bank Lending Survey* points to further fairly solid growth in credit demand in 4Q26, albeit weaker than in 3Q26. Banks also reported that the level of interest rates continued to contribute to stronger credit demand in 3Q. This is consistent with our *Financial Conditions Index*, which indicated a relative easing (see Box 3 https://bit.ly/CEO_3Q26_EN). However, a small share of the banking market expects credit standards to tighten in 4Q26.

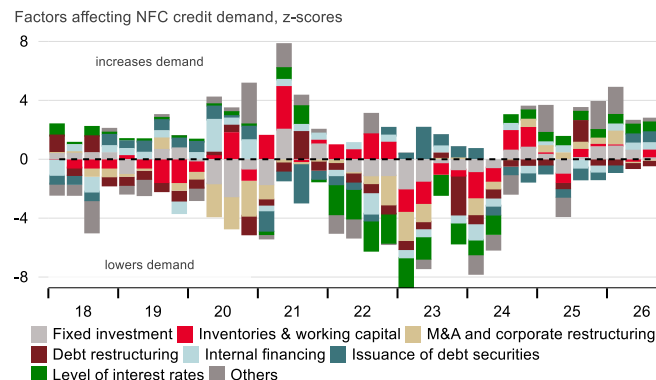
Lending conditions still signal higher credit demand



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka
Note: Bank Lending Survey (CNB, October 2026), loans to NFCs. Expected lending standards refer to questions regarding banks' expectations for the next three months.

Alternative savings products and a potential outflow of local government funds are increasing competition for deposits.

Factors affecting NFC credit demand, according to banks

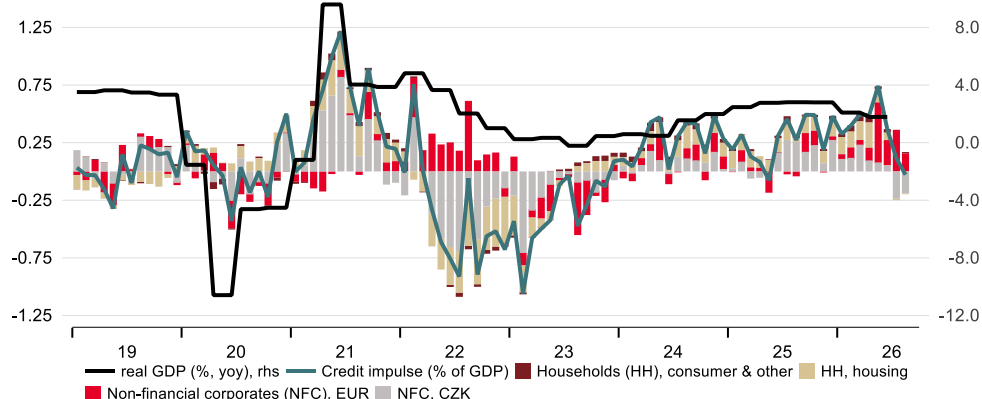


Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka
Note: Stacking the z-scores in the bar chart is for presentation purposes only. Others refers to loans from other banks and non-bank institutions, issuance of equity and other.

Bank deposits face growing competition from alternative instruments

Deposit growth remains solid, but its cost is rising amid stronger competition from alternative savings products. Robust lending activity and higher inflation should continue to support deposit growth. Still, the loan-to-deposit ratio is gradually rising, reaching 0.65x in August, almost three hundredths higher than at the start of the year. The issuance of retail bonds has weighed on household deposit growth, which slowed to 4.4% yoy in August. Furthermore, a potential outflow of local government deposits could also have a non-negligible negative impact. Local governments and social security funds held CZK555bn in bank deposits as of August 2026. We estimate that the annual shortfall tied to higher yield in State Treasury could amount to around CZK33bn at current prices (see Box 3 for a more in-depth view) The amount should not present a material liquidity risk, but it could weigh on banks' net interest income. We expect average total deposit growth of 5.5% in 2026 and 5.6% in 2027.

Credit impulse in the Czech economy weakened markedly in 3Q26



Source: CNB, CZSO, Macrobond, Economic & Strategy Research, Komerční banka

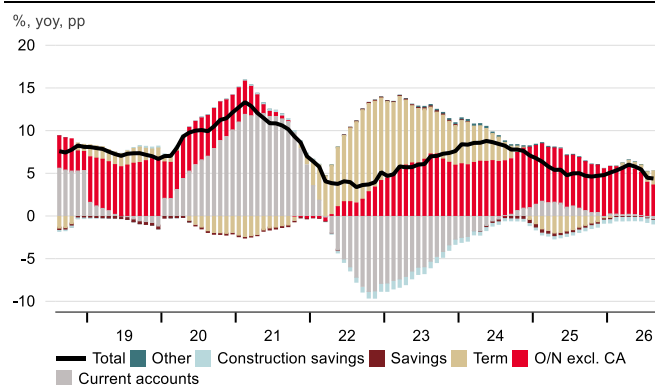
Note: Credit impulse is defined as the change in the volume of new borrowing, often given as a % of annual GDP. The presented credit impulse represents the yoy change in new borrowing of the non-financial private sector to trailing 12M nominal GDP. It is further broken down according to the use of the loan for households and the currency denomination for firms. As opposed to monthly credit indicators (as of August 2026), GDP (as of 2Q26) is a quarterly indicator.

The expanding financial cycle has yet to raise default rates

NPL ratios remain close to historical lows but should edge higher as the financial cycle matures. Still, credit quality should remain strong.

Against the backdrop of an expanding financial cycle, the share of non-performing loans (NPLs) remains close to historical lows. The total NPL ratio stood at 1.4% in August, with both household and corporate loans contributing to the decline. The lower ratio partly reflects rapid growth in the outstanding volume of loans but also continues to indicate a sound financial situation in the Czech economy. Default rates typically increase only at a later stage of the financial cycle. We therefore expect the NPL ratio to begin edging higher in 2027. The latest *Bank Lending Survey* points to a modest increase in expected credit losses in the next 12 months. While expectations remain stable for corporate and consumer loans, they have risen slightly for housing loans compared with 3Q26. Nevertheless, the credit quality of Czech banks' loan portfolios remains very strong.

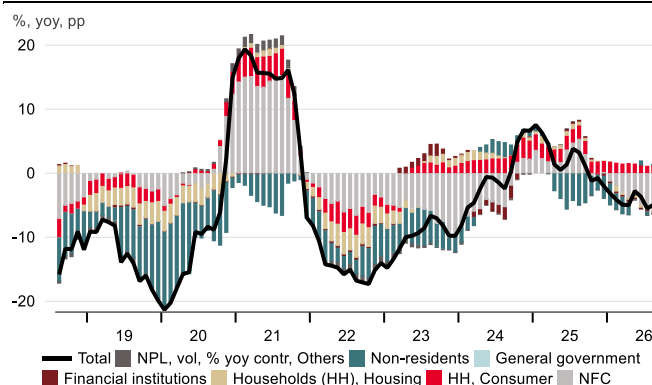
Growth in household deposits has eased considerably



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

Note: O/N = overnight; O/N excl. CA also includes non-term savings deposits

The volume of non-performing loans continued to decline yoy

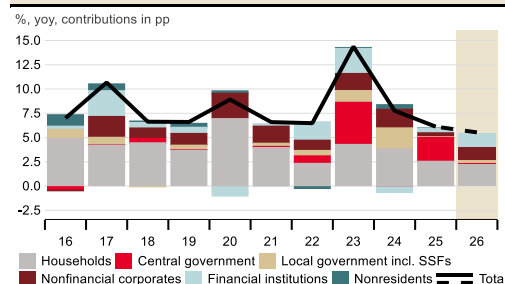


Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

Box 3: Potential local government deposit outflow exerts additional pressure on bank deposit rates

A newly introduced CNB Treasury savings account offering local governments an alternative to commercial-bank deposits presents a risk of outflows from the banking sector. However, given the historically low interest-rate sensitivity of these deposits, the potential outflow is highly uncertain. Rather than presenting a single point estimate, this box describes the size and structure of the market and provides a sensitivity analysis of the potential impact. We expect the main effect to be pressure on banks' net interest margins rather than a material risk to solvency or regulatory liquidity.

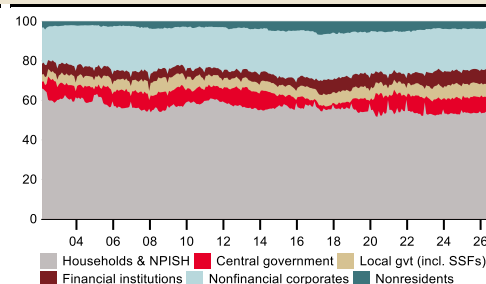
Growth in bank deposits (% , yoy, pp)



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

Note: SSFs = social security funds; data for 2026 as of August

Structure of bank deposits (%)



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

Note: NPISH = non-profit institutions serving households

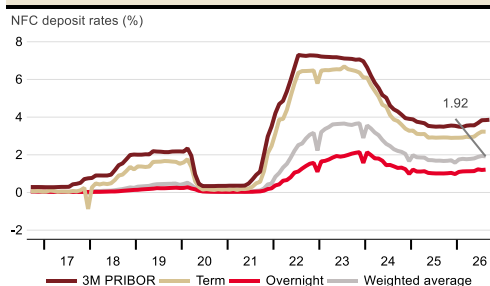
Local governments (excluding subsidised organisations) held CZK523.5bn, or 6% of GDP, in bank accounts as of June 2026, according to Ministry of Finance (MinFin) data.⁶ CNB banking statistics cover deposits of local government institutions, including social security funds (SSFs). These totalled CZK555.4bn in August 2026, equivalent to 6.9% of total bank deposits. However, the banking statistics do not provide separate information on the volume of local government deposits or their maturity structure. We therefore combine MinFin data with CNB banking statistics. Available August data from the State Treasury Monitor indicate that term deposits, both short- and long-term, account for around 28% of the total. Prague alone represents approximately 36% of total bank-account balances and almost 50% of term deposits. For simplicity, we assume that the maturity structure of deposits is the same in the CNB banking statistics. Using deposit rates of non-financial corporates (NFCs) as a proxy, we estimate the weighted-average interest rate on local government deposits at around 1.8%.⁷ This compares with a 3.7% return on the CNB Treasury savings account. The resulting spread creates a clear incentive to move part of these deposits. However, local government deposits have historically shown little sensitivity to interest rates, similarly to NFC deposits, partly reflecting the high share of current accounts. A report by the Czech Fiscal Council also highlighted the low effective remuneration of savings held by municipalities and regions.⁸

⁶ The analysis uses Ministry of Finance data on the bank-account balances of regions, municipalities and voluntary associations of municipalities, excluding subsidised organisations. The data include term deposits, bank accounts and cash, but exclude "other current accounts". Differences in granularity, entities and account coverage mean that these data may differ slightly from the detailed *State Treasury Monitor* data also used in this box. CNB banking statistics and Ministry of Finance data cannot be fully reconciled.

⁷ CNB banking statistics do not provide data on deposit rates for sectors other than households and non-financial corporates.

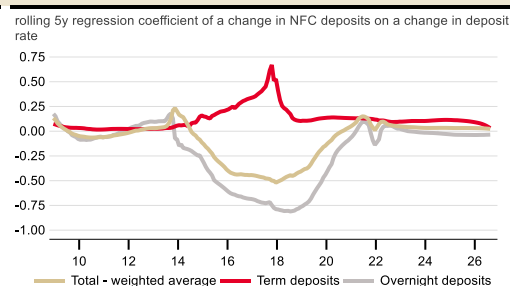
⁸ <https://www.rozpocetovarada.cz/studie-hospodareni-obci-a-kraju-a-uroceni-jejich-uspor/> (only in Czech)

Deposit rates of non-financial corporates



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

Deposit beta of NFC deposits

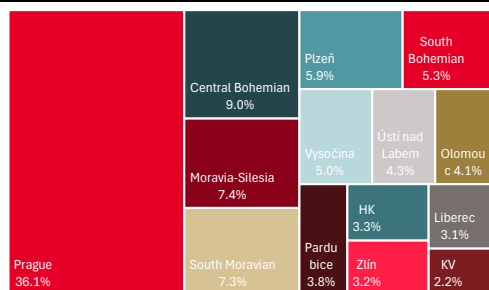


Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

Note: Deposit beta measures the response of NFC deposits to changes in deposit rates. We apply a 60-month moving window.

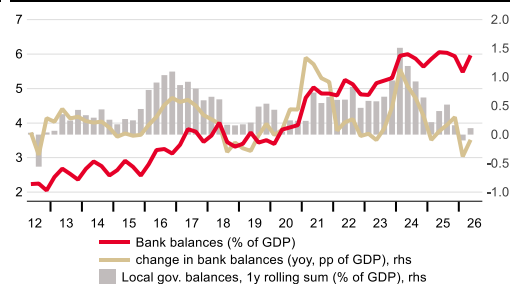
Changes in bank-account balances are dominated by the specific behaviour of local governments and their tendency to accumulate funds against a backdrop of generally surplus budgets, albeit with sizeable fluctuations. Hence, historical models often fail to identify a significant relationship between local government bank balances and interest rates. Moreover, the current CNB Treasury account offering remuneration of 3.7% and its form have no historical precedent. Given these limitations and other unobservable factors, including the range of banking services provided by the CNB and the banks' potential response, the presented estimates are subject to considerable uncertainty.

Share of bank balances by region (%)



Source: MinFin, Economic & Strategy Research, Komerční banka

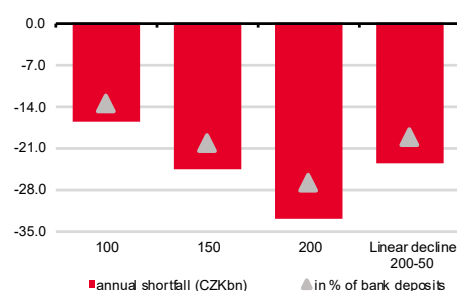
Local government bank balances



Source: MinFin, Macrobond, Economic & Strategy Research, Komerční banka

Using ARDL-type models, we identify a marginally significant long-run relationship between local government deposit growth and the spread between the interbank rate and the deposit rate (hereafter *spread*). However, we find no significant long-run relationship between the level of deposits and the spread, suggesting that interest-rate changes do not permanently affect the level of deposits but instead slow their accumulation. We use quarterly data on local government bank balances, NFC deposit rates as a proxy for local government rates, 3M PRIBOR, local government budget balances and GDP growth. Across specifications, the short-run relationship between interest rates and deposits is weak and often statistically insignificant. Nevertheless, the estimates confirm a negative long-run relationship between deposit growth and the spread, which can be interpreted as an opportunity cost. We estimate that a 1pp wider spread reduces the quarterly increase in the deposits-to-GDP ratio by 0.04pp in the long run. Over one year, this implies a deposit shortfall of just under 0.2% of GDP, or around CZK16bn in current prices. By way of comparison, local government bank balances increased annually by an average of CZK56bn over the past five years, or 0.4% in terms of GDP.

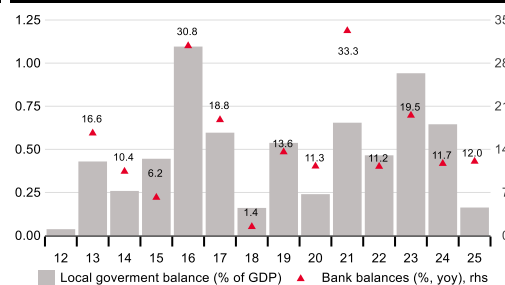
Estimated impact of an interest-rate shock



Source: Own calculations, Economic & Strategy Research, Komerční banka

Note: the x-axis represents the magnitude of the "interest rate shock" in bp; i.e. 100 indicates an increase in the spread of 100bp. A linear decline from 200 to 50 indicates a gradual narrowing of the spread over a one-year horizon from 200bp to 50bp, illustrating a scenario in which banks gradually raise deposit rates and compress the spread.

Budget balances and bank account balances



Source: MinFin, Macrobond, Economic & Strategy Research, Komerční banka

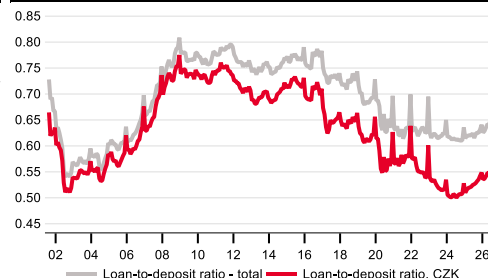
The difference between our estimated local government deposit rate and the 3.7% remuneration on CNB Treasury account is just under 200bp. Our model associates this spread with an annual deposit shortfall of CZK33bn, equivalent to 0.4% of total bank deposits and 6% of local government deposits. The spread could narrow over time if banks increase deposit rates, reducing the size of the *interest rate shock*. The adverse effect may therefore not be permanent. As the modelled spread represents an opportunity cost, the estimated coefficient may partly capture local government investment, which operates through the same channel, and may consequently overstate the potential shortfall.

Sensitivity analysis of the impact on NII

		Simulation of potential deposit outflow on net interest income (% of 2025 NII)													
		outflow in CZKbn / in % of bank deposits of local governments incl. SSFs													
		1.7	7.2	12.8	18.3	23.9	35.0	46.1	57.2	68.3	79.4	90.5			
		0.3%	1.3%	2.3%	3.3%	4.3%	6.3%	8.3%	10.3%	12.3%	14.3%	16.3%			
net interest margin (in pp)	1.48	0.01	0.06	0.11	0.15	0.20	0.29	0.39	0.48	0.57	0.67	0.76			
	1.58	0.01	0.06	0.11	0.16	0.21	0.31	0.41	0.51	0.61	0.71	0.81			
	1.68	0.02	0.07	0.12	0.17	0.23	0.33	0.44	0.54	0.65	0.76	0.86			
	1.78	0.02	0.07	0.13	0.18	0.24	0.35	0.46	0.58	0.69	0.80	0.91			
	1.88	0.02	0.08	0.14	0.19	0.25	0.37	0.49	0.61	0.73	0.84	0.96			
	1.98	0.02	0.08	0.14	0.21	0.27	0.39	0.52	0.64	0.77	0.89	1.01			
	2.08	0.02	0.08	0.15	0.22	0.28	0.41	0.54	0.67	0.80	0.93	1.07			
	2.18	0.02	0.09	0.16	0.23	0.29	0.43	0.57	0.71	0.84	0.98	1.12			
	2.28	0.02	0.09	0.16	0.24	0.31	0.45	0.59	0.74	0.88	1.02	1.17			
	2.38	0.02	0.10	0.17	0.25	0.32	0.47	0.62	0.77	0.92	1.07	1.22			
net interest margin (in pp)	2.48	0.02	0.10	0.18	0.26	0.34	0.49	0.65	0.80	0.96	1.11	1.27			
	2.58	0.02	0.11	0.19	0.27	0.35	0.51	0.67	0.84	1.00	1.16	1.32			

Source: Economic & Strategy Research, Komerční banka
Note: NII = net interest income

Loan-to-deposit ratio in the banking sector



Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka

Changes in the underlying assumptions can materially affect the estimated deposit outflow. A different mix of term and non-term deposits would significantly alter the interest rate spread and banks' interest margin, as a higher share of term deposits implies a narrower spread (lower impact). The budget balances of local governments and the commercial banks' response are also important. An outflow equivalent to 0.4% of bank deposits would not represent a material solvency or liquidity issue. Bank deposits have grown by an annual average of 8.4% over the past five years, while the loan-to-deposit ratio remained low at 0.65x in August. However, the outflow could have a non-negligible effect on net interest income. Similar pressure arises from household deposit outflows related to this year's issuance of retail bonds. A simplified sensitivity analysis presented above combines the outflow of local government deposits (including SSFs) with the applicable interest rate margin. A 6% deposit outflow combined with a 200bp margin could reduce NII by an estimated 0.4% of 2025 NII. We see local government and household deposit outflows primarily as a source of pressure on banks' net interest margins, rather than a material threat to solvency or regulatory liquidity. The impact could come through both lower returns on assets and a greater need for wholesale funding in a system heavily reliant on deposit financing.

Kevin Tran Nguyen
+420 222 008 569
kevin_tran@kb.cz

Key economic indicators

Macroeconomic indicators – long-term outlook

		2023	2024	2025	2026	2027	2028	2029	2030
GDP	real, %	0.2	1.1	2.7	1.7	2.3	2.6	2.4	2.3
Inflation	average, %	10.8	2.4	2.5	2.1	3.0	1.7	1.9	2.0
Current account	% of GDP	-0.1	1.7	0.7	-0.7	-0.2	0.3	0.6	0.8
3M PRIBOR	average, %	7.1	5.0	3.6	3.7	4.1	3.4	3.1	3.1
EUR/CZK	average	24.0	25.1	24.7	24.3	24.2	23.9	23.7	23.6
USD/CZK	average	22.2	23.2	21.9	21.2	21.1	20.1	19.8	19.6

Source: CZSO, CNB, Macrobond, Economic & Strategy Research, Komerční banka

Note: KB forecasts are in red

FX & interest-rate outlook

		27-10-2026	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
EUR/CZK	end of period	24.3	24.40	24.25	24.10	24.00	24.10
EUR/USD	end of period	1.11	1.10	1.12	1.14	1.16	1.17
USD/CZK	end of period	21.9	22.20	21.65	21.15	20.70	20.60
3M PRIBOR	end of period, %	3.95	4.10	4.10	4.10	4.10	4.15
10Y IRS	end of period, %	5.02	5.10	5.05	4.95	4.85	4.80

Source: CNB, Macrobond, Economic & Strategy Research, Komerční banka, SG Economic Research

Note: KB forecasts are in red

Monthly macroeconomic data

		I-26	II-26	III-26	IV-26	V-26	VI-26	VII-26	VIII-26	IX-26
Inflation (CPI)	%, yoy	1.6	1.4	1.9	2.5	2.1	1.5	1.7	1.9	2.5
Inflation (CPI)	%, mom	0.9	-0.1	0.6	0.5	0.1	-0.3	0.6	0.3	0.0
Producer prices (PPI)	%, yoy	-3.0	-2.9	-1.1	1.0	1.5	1.3	1.6	2.0	3.7
Producer prices (PPI)	%, mom	-0.7	0.1	1.5	1.4	-0.1	-0.4	0.3	0.4	1.2
Unemployment rate	% (MLSA)	5.1	5.2	5.0	4.9	4.8	4.8	5.0	5.1	5.0
Industrial production	%, yoy, c.p.	-0.5	1.0	3.9	1.6	-1.4	7.0	0.0	2.7	n.a.
Industrial sales	%, yoy, current.p.	-3.9	-0.5	2.3	1.3	-0.6	7.3	1.4	3.7	n.a.
Construction output	%, yoy	-1.5	2.8	8.5	8.6	2.1	2.5	-0.1	-1.4	n.a.
External trade	CZKbn (national met.)	18.9	20.8	28.8	7.6	9.9	12.7	-9.7	-5.3	n.a.
Current account	CZKbn	31.3	24.2	11.8	24.6	-26.8	-65.2	-34.2	-17.2	n.a.
Financial account	CZKbn	42.4	8.4	23.6	39.7	-9.6	-44.0	-6.9	-1.4	n.a.
M2 growth	%, yoy	4.5	4.8	4.8	6.0	5.1	6.1	5.0	5.5	n.a.
State budget	CZKbn (YTD cum.)	32.4	-16.9	-27.6	-106.1	-170.3	-183.6	-176.6	-186.1	-194.5
PRIBOR 3M	%, average	3.50	3.48	3.55	3.57	3.56	3.69	3.84	3.84	3.86
EUR/CZK	average	24.3	24.3	24.4	24.4	24.3	24.2	24.2	24.2	24.3
USD/CZK	average	20.7	20.5	21.1	20.9	20.8	21.0	21.2	20.9	21.1

Source: CZSO, CNB, MF, MLSA, Macrobond, Economic & Strategy Research, Komerční banka

Disclaimer

The information herein is not intended to be an offer to buy or sell, or a solicitation of an offer to buy or sell any securities. All information and opinions have been obtained from or are based on sources believed to be reliable, but their completeness and accuracy are not guaranteed by Komerční banka, a.s., even though Komerční banka, a.s. believes them to be fair and not misleading or deceptive. The views of Komerční banka, a.s. reflected in this document may change without notice.

Komerční banka, a.s. and its affiliated companies may from time to time deal in, profit from the trading of, hold or act as market makers of securities, or act as advisers, brokers or bankers in relation to securities or derivatives thereof emitted by persons, firms or entities mentioned in this document.

Employees of Komerční banka, a.s. and its affiliated companies, or individuals connected to them may from time to time have a position in or be holding any of the investments or related derivatives mentioned in this document. The authors of this document are not authorized to acquire the investment instruments mentioned in this document. This does not apply to cases when information mentioned in this document represents dissemination of an investment recommendation earlier produced by third parties according to Chapter III of regulation (EU) 2016/958. Komerční banka, a.s. and its affiliated companies are under no obligation to provide any services to their clients on the basis of this document.

Komerční banka, a.s. does not accept any liability whatsoever arising from the use of the material or information contained herein beyond what is required by law. This research document is primarily intended for professional and qualified investors. Should a private customer obtain a copy of this report, they should not base their investment decisions solely on the basis of this document and should seek independent financial advice. The investors must make their own informed decisions regarding the appropriateness of their investments because the securities discussed in this report may not be suitable for all investors.

The performance attained by investment instruments in the past may not under any circumstance serve as an guarantee of future performance. The estimates of future performance are based on assumptions that may not be realized. Investment instruments and investments are connected with different investment risks, the value of any investment can rise and fall and there is no guarantee for the return of the initial invested amount. Investment instruments denominated in foreign currencies are also subject to fluctuations caused by changes in exchange rates, which can have both positive and negative influences particularly on the prices of the investment instrument and consequently on the investment return.

This publication is issued by Komerční banka, a.s. which is a bank/stockbroker according to the applicable legislation and thus regulated by the Czech National Bank. Komerční banka, a.s. applies various measures to prevent conflict of interests in the process of creating this document and other investment recommendations, such as the implementation of an appropriate internal separation including information barriers between different departments of Komerční banka, a.s. in compliance with the requirements imposed by applicable regulation. The employees of Komerční banka, a.s. proceed in accordance with the internal regulations governing conflict of interest.

The evaluation of employees creating this document is never by any means tied with the volume or profit of the trades with instruments mentioned in this document done by Komerční banka, a.s., or the trades of Komerční banka, a.s. with the issuers of such instruments. However, the evaluation of the authors of this document is linked to the profits of Komerční banka, a.s. which also partially include the results of trading with investment instruments.

Information mentioned in this document are intended for the public and the document before its publication is not available to persons not involved in the creation of this document. As per our practice, the issuers do not receive a copy of research reports prior to their publication. Each author of this research report hereby states that (i) the views expressed in the research report accurately reflect his or her personal views about any and all of the securities or issuers at stake.

This document and its contents is not designed for persons with permanent residence or seat in the United States of America and to persons who are deemed as "U.S. persons", as defined in Regulation S under the US Securities Act of 1933, as amended.

This document is not an investment recommendation according to Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse and does not constitute investment advisory according to Act no 256/2004 Coll., on Capital market undertakings as amended.

Please refer to our website <http://www.trading.kb.cz> for more details.

KB ECONOMIC & STRATEGY RESEARCH

Chief Economist and Head of Research
Jan Vejmelek
 +420 222 008 568
 jan_vejmelek@kb.cz

Economists
Martin Gurtler
 +420 222 008 509
 martin_gurtler@kb.cz

Jana Steckerová
 +420 222 008 524
 jana_steckerova@kb.cz

Kevin Tran Nguyen
 +420 222 008 569
 kevin_tran@kb.cz

Strategist
Jaromir Gec
 +420 222 008 598
 jaromir_gec@kb.cz

Equity analyst
Bohumil Trampota
 +420 222 008 560
 bohumil_trampota@kb.cz

Global Head of Research
Kokou Agbo Bloua
 +44 20 7762 5433
 kokou.agbo-bloua@sgcib.com

SG CROSS ASSET RESEARCH – ECONOMICS

Global Chief Economist &
 Head of APAC Research
Wei Yao
 +852 2166 4983
 wei.yao@sgcib.com

Euro area / Italy
Michel Martinez
 +33 1 56 37 34 29
 michel.martinez@sgcib.com

ECB / Germany / Spain
Anatoli Annenkov
 +44 20 7676 7625
 anatoli.annenkov@sgcib.com

France
Fabien Bossy
 +33 1 58 98 28 73
 fabien.bossy@sgcib.com

United Kingdom / Inflation
Sam Cartwright
 +44 20 7762 4506
 sam.cartwright@sgcib.com

United States
Jan Groen
 +1 212 278 4228
 johannes.groen@sgcib.com

United States
Tanishka Kapoor
 +1 212 278 4844
 tanishka.kapoor@sgcib.com

Greater China
Michelle Lam
 +852 2166 5721
 michelle.lam@sgcib.com

India / Indonesia
Kunal Kumar Kundu
 +91 80673 18266
 kunal.kundu@sgcib.com

Japan
Jin Kenzaki
 +81 3-6777-8032
 jin.kenzaki@sgcib.com

Japan
Reo Sakida
 +81 3-6777-8711
 reo.sakida@sgcib.com

Latin America / Thematics
Dev Ashish
 +91 80673 14381
 dev.ashish@sgcib.com

Research Associates
Jafer Jang

Lucas Puttre

Nathan Delamare

SG CROSS ASSET RESEARCH – FIXED INCOME & FOREX GROUP

Head of FIC & Commodity Research
Dr Mike Haigh
 +44 20 7762 4694
 michael.haigh@sgcib.com

Rates
Head of Rates Strategy
Adam Kurpiel
 +33 1 42 13 63 42
 adam.kurpiel@sgcib.com

Ninon Bachet
 +33 1 58 98 30 26
 ninon.bachet@sgcib.com

Head of US Rates Strategy
Subadra Rajappa
 +1 212 278 5241
 subadra.rajappa@sgcib.com

Shakeeb Hulikatti
 +91 80673 14380
 shakeeb.hulikatti@sgcib.com

Jorge Garayo
 +44 20 7676 7404
 jorge.garayo@sgcib.com

Mathias Kpade
 +33 157294393
 mathias.kpade@socgen.com

Anamika Misra
 +91 80673 10385
 anamika.misra@sgcib.com

Stephen Spratt
 +852 2166 4108
 stephen.spratt@sgcib.com

Anastasiia Tregubova
 +44 20 7676 6901
 anastasiia.tregubova@sgcib.com

Reo Sakida
 +81 3-6777-8711
 reo.sakida@sgcib.com

Ali Khan
 +1 212 278 4515
 ali.khan@sgcib.com

Tanishka Kapoor
 +1 212 278 4844
 tanishka.kapoor@sgcib.com

Foreign Exchange
Chief Global FX Strategist
Kit Jukes
 +44 20 7676 7972
 kit.jukes@sgcib.com

FX Derivatives Strategy
Olivier Korber
 +33 1 42 13 32 88
 olivier.korber@sgcib.com

Emerging Markets
Head of EM Strategy
Phoenix Kalen
 +44 20 7676 7305
 phoenix.kalen@sgcib.com

Lead Asia Macro Strategist
Kiyong Seong
 +852 2166 4658
 kiyong.seong@sgcib.com

CEEMEA Macro Analyst
Juan Orts
 +44 20 7676 8210
 juan.orts@sgcib.com

LATAM Strategist
Brendan McKenna
 +1 212 278 4746
 brendan.mckenna@sgcib.com

Lead CEEMEA Strategist
Marek Drimal
 +44 20 7550 2395
 marek.drimal@sgcib.com

Senior EFM Strategist
Gergely Urmosy
 +44 20 7762 4815
 gergely.urmosy@sgcib.com

EM Asia Strategist
Galvin Chia
 +852 2166 4791
 galvin.chia@sgcib.com

EM Strategist
Hajar Boulfoul
 +212 5 20 46 11 57
 hajar.boulfoul@sgcib.com