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2025 Macroeconomic Outlook

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Deutsche Bank

Deloitte.

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**AmCham appreciates
Eric Heymann, Senior Economist,
Deutsche Bank, Germany**

and

**Ondrej Zabloudil, Director
Deloitte**

**for sharing their expertise during our
AmChamIntel Macroeconomics session
on September 10.**

**Their presentations can be obtained through
[Barbora Vitova](#)**

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AmCham President
Milan Šlapák
CEO
RSBC

Welcome back from the long, hot summer all you AmCham execs!

Every day we face decisions about investments, about people, and about operations. In perfect times, these are not easy decisions, In times like today, with a war in Ukraine, elections that could have dramatic consequences for Europe seemingly happening every day, with digital tools evolving rapidly, with the effects of climate change occurring more frequently, and, well, you get the picture...making decisions is much tougher.

AmCham is built to help you get more information and more insight. We have a large pool of intelligent, informed and seasoned executives and consultants to share their insights across a diverse schedule of events. I encourage to take advantage of these opportunities to sharpen your business decision-making as often as you can.

Our Macro session with CNB Vice Governor Eva Zamrazilova provoked a few thoughts:

- As a country, we really need to be chasing more Big Bets. It is clear that Europe missed a step in the automotive industry, and now we are going to have to work hard to gain a competitive advantage in that sector. What industries can step up? How can businesses and governments, in Czechia and across the EU, coordinate better to invest more into the technologies we will need to prosper in a much more competitive global environment.
- Our government needs to remain solvent. That means it can not go on accumulating debt. That is not the same thing as never using debt. Debt is way to invest now to generate greater revenue in the future. All successful businesses know this, and do this. Government needs to become better at using debt to create higher returns in the future.
- We have stop looking at the construction permit process simply as a way to build a house. It is way to increase the efficiency of government infrastructure projects by reducing the time between starting to spend and beginning revenue-generating operations. It is way to ensure higher levels of companies creating value-added exports sooner. And it is a way to improve government decision-making by collecting and analysing all the data on the internal migration of the population so that we have the schools, hospitals, and public transport to people the economy. Land use policy is a key strategic activity of the government.

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AmCham VP for Intel
Martin Skřehota
Senior Director,
Operations Finance Strategy

Dear fellow AmCham members-

The business environment is always changing. Sometimes that change is imperceptible. Sometimes it is tectonic (as Covid and the invasion of Ukraine proved). As executives who have to steer our companies through whatever happens now so we profit from today and are set for success in the future is enough good information to guess intelligently about what can happen when. AmCham has rededicated its resources to provide you both with staff research and member insight into what factors are shaping the development of the Czech economy. For those companies who want to contribute their perspective (and provide a glimpse of their services to other members), please contact Weston at wstacey@amcham.cz.

A few of my own thoughts from my vantage point in Florida:

- Hard to detect many tailwind factors that would drive Czech growth to pick up in 2025 / 2026. I feel more and more that the economy would need some form of investment “shock” support – e.g. governmental green or technology policy...
- Just spent a week in Monterrey, Mexico – and the trend of nearshoring is clearly visible there. That trend is not seen with any significance in Czechia, or from Euro / Czech perspective...
- Check out the graphs from CNB on euro lending... and remember that large corporate lending obtained outside the country is likely not included in this data. Those numbers suggest that one major effect of inflation is that increase Euroization of the Czech economy...
- The high inflation of labor in service sector will create pressure across other sectors of economy (a range around 8% combined with the current level of unemployment is not sustainable)...
- With the current level of investment and productivity, the Czech economy likely needs lower levels of labor inflation, particularly in the manufacturing sector– but the service sector (see above) is contradicting this.

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**AmCham Executive Director
Weston Stacey**

Dear AmCham members-

What did we learn about the Macro picture during the research for Brief and during the presentations and discussion at our session with CNB Vice Governor Zamrazilova?

That inflation is no longer the dominant concern. Competitiveness is.

That Czech competitiveness is a function of German competitiveness.

That German competitiveness is being deeply and hotly debated in Germany.

That the automotive sector in Germany may not drive the next wave of German competitiveness.

That Germany is actively looking for other sectors to replace it.

At the base of European competitiveness (and US competitiveness) is technological advance. We talk about supply chain shifts, about affordable wages, and cheap energy, but all of those advantages mean little if we do not have access to technology consumers want to buy. The Czech economic model has been based on being proximate to advanced commercial technology and being capable of manufacturing it more efficiently and affordably than our neighbors. That should remain the basis of our next economic approach.

The following statistics and graphics are meant to provide business planners with data unadorned by opinion so that they can decide for themselves what it means for their business.

We suggest you study:

- The graphic forecasting how the different component's of EU GDP will develop.
- The two graphics comparing Czechia's industrial good and housing inflation to benchmark countries.
- The graphs showing the shift into Euro-denominated loans, and those showing how the mortgage market is developing.

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2024 Assessment Macroeconomic Outlook

Euro Area Economic Developments

- “The euro area economy recovered at the start of 2024 by more than expected in the March 2024 ECB staff projections, with a boost from net trade and rising household spending. Incoming information suggests continued growth in the short run, at a higher pace than previously foreseen. Real disposable income should continue to increase, amid robust wage growth, gradually increasing confidence and improving terms of trade, giving rise to a consumption-driven recovery in the course of 2024” **ECB Staff Macroeconomic Projections, June 2024.**

- “Headline inflation is projected to move broadly sideways in the near term, before moderating further to levels close to target in the course of 2025. This reflects an easing of cost pressures, including from the labour side, and the lagged impact of past monetary policy tightening gradually feeding through to consumer prices.” **ECB Staff Macroeconomic Projections, June 2024.**

- “Financing conditions, especially high levels of interest rates, are expected to continue to have a strong negative impact on growth, but this will fade over the projection horizon.” **ECB Staff Macroeconomic Projections, June 2024.**

- “Real private consumption is expected to be the main driver of economic growth, supported by robust growth in real incomes on the back of rising wages and falling inflation, despite a relatively high saving ratio.” **ECB Staff Macroeconomic Projections, June 2024.**

- “Housing investment is projected to decline further during 2024, before slowly recovering in the course of 2025 as the negative effects of the tightening of financing conditions gradually ease and household incomes continue to rise robustly.” **ECB Staff Macroeconomic Projections, June 2024.**

- “Business investment is projected to recover in the coming quarters, amid improving demand, the fading drag from adverse financing conditions, crowding-in effects from the Next Generation EU (NGEU) programme funds and increasing green and digital investment.” **ECB Staff Macroeconomic Projections, June 2024.**

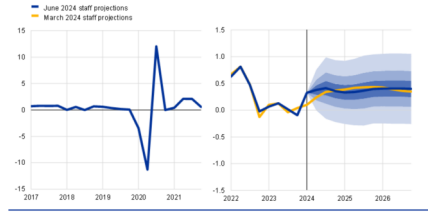
- “Labour productivity growth is expected to strengthen over the projection horizon, but productivity levels in 2026 are seen to remain significantly below the long-term linear trend.” **ECB Staff Macroeconomic Projections, June 2024.**

ECB GDP Forecast– June 2024

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Euro area real GDP growth

(quarter-on-quarter percentage changes, seasonally and working day-adjusted quarterly data)

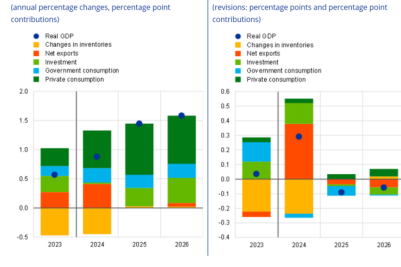


ECB GDP Component Forecast– June 2024

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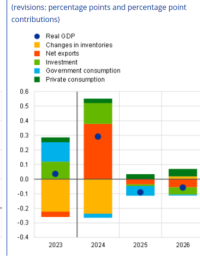
a) June 2024 staff projections

(annual percentage changes, percentage point contributions)



b) Revisions vs the March 2024 staff projections

(revisions: percentage points and percentage point contributions)



ECB Key Indicators Projections– June 2024

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(annual percentage changes, unless otherwise indicated; Revisions in percentage points)

	June 2024				Revisions vs March 2024			
	2023	2024	2025	2026	2023	2024	2025	2026
Real GDP	0.6	0.9	1.4	1.6	0.1	0.3	-0.1	0.0
Private consumption	0.6	1.2	1.7	1.6	0.1	0.0	0.1	0.1
Government consumption	0.8	1.2	1.1	1.1	0.6	-0.1	-0.3	-0.1
Investment	1.3	0.1	1.5	2.0	0.5	0.7	-0.1	-0.3
Exports ¹⁾	-0.9	1.3	2.9	3.1	-0.2	0.3	0.0	-0.1
Imports ¹⁾	-1.4	0.5	3.2	3.3	-0.1	-0.5	0.1	0.1
Contribution to GDP from:								
Domestic demand	0.8	0.9	1.4	1.5	0.3	0.1	-0.1	0.0
Net exports	0.3	0.4	0.0	0.1	0.0	0.4	0.0	0.0
Inventory changes	-0.5	-0.5	0.0	0.0	-0.3	-0.3	0.0	0.0
Real disposable income	1.2	1.9	1.1	1.2	0.3	0.3	0.0	0.1
Household saving ratio (% of disposable income)	14.5	15.0	14.5	14.2	0.1	0.2	0.1	0.1
Employment ²⁾	1.4	0.8	0.4	0.5	0.0	0.3	0.1	0.1
Unemployment rate	6.5	6.5	6.5	6.3	0.0	-0.2	-0.1	-0.3
Current account (% of GDP)	1.6	2.8	2.9	2.9	-0.2	-0.4	-0.3	-0.2

ECB Forecast Assumptions

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	June 2024				Revisions vs March 2024			
	2023	2024	2025	2026	2023	2024	2025	2026
Commodities:								
Oil price (USD/barrel)	83.7	83.8	79.0	74.5	0.0	5.1	4.1	3.1
Natural gas prices (EUR/MWh)	40.6	30.8	35.4	29.9	0.0	2.8	10.4	1.3
Wholesale electricity prices (EUR/MWh)	103.5	73.0	87.7	72.8	0.6	-1.9	12.0	2.1
EU Emissions Trading System allowances (EUR/tonne)	83.7	66.1	71.1	73.6	0.0	12.8	18.5	19.0
Non-energy commodity prices, in USD (annual percentage change)	-12.5	11.4	3.9	0.9	0.0	10.8	1.9	0.8
Exchange rates:								
USD/EUR exchange rate	1.08	1.08	1.08	1.08	0.0	-0.2	-0.3	-0.3
Euro nominal effective exchange rate (EER4) (Q1 1999 = 100)	121.8	124.0	124.2	124.2	0.0	0.7	0.9	0.9
Financial assumptions:								
Three-month EURIBOR (percentage per annum)	3.4	3.6	2.8	2.5	0.0	0.2	0.4	0.1
Ten-year government bond yields (percentage per annum)	3.1	2.9	3.0	3.0	0.0	0.0	-0.1	-0.1

Notes: The technical assumptions about euro area interest rates and commodity prices are based on