

# The Czech economy after the inflation wave

**Eva Zamrazilová**

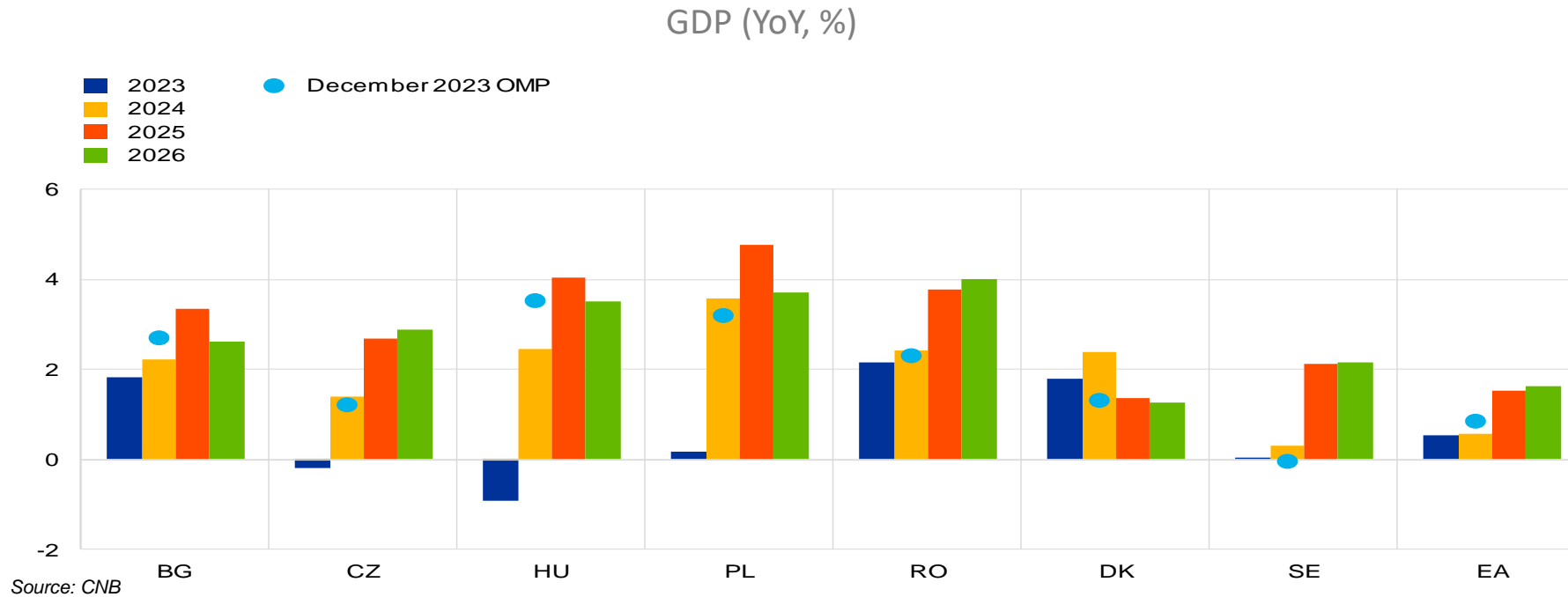
*Deputy Governor*

Citi FX Ladies RoundTable

15 July 2024

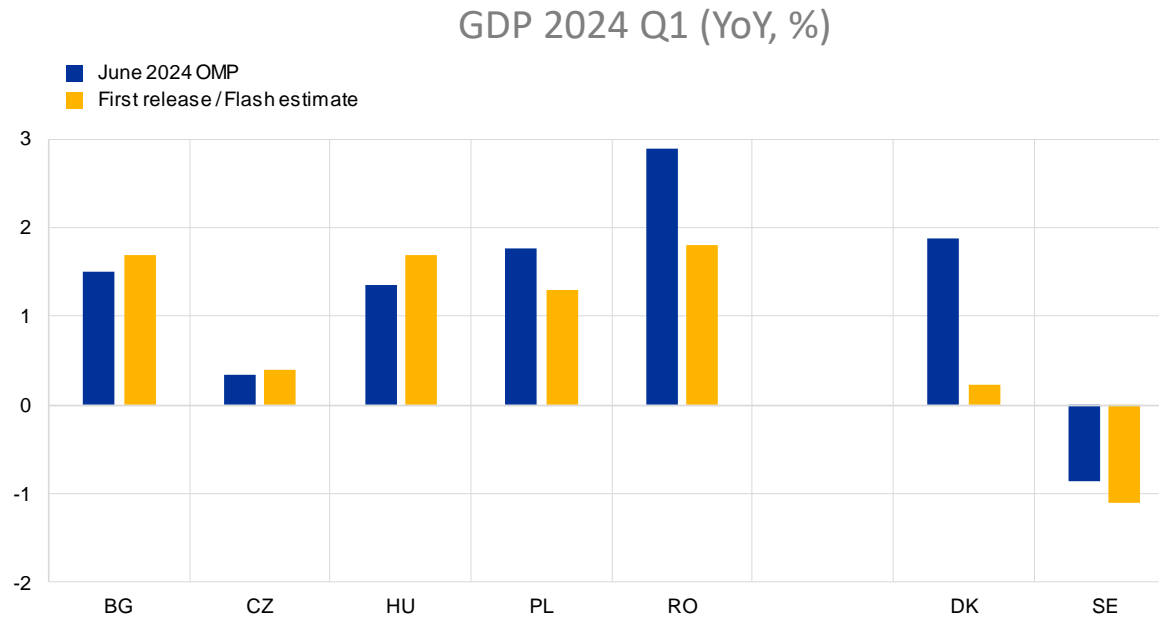


# CEEs: Economic recovery in 2024



- Czech GDP is expected to grow by approximately 1.5% in 2024
- Mild recovery compared to CEE counterparts

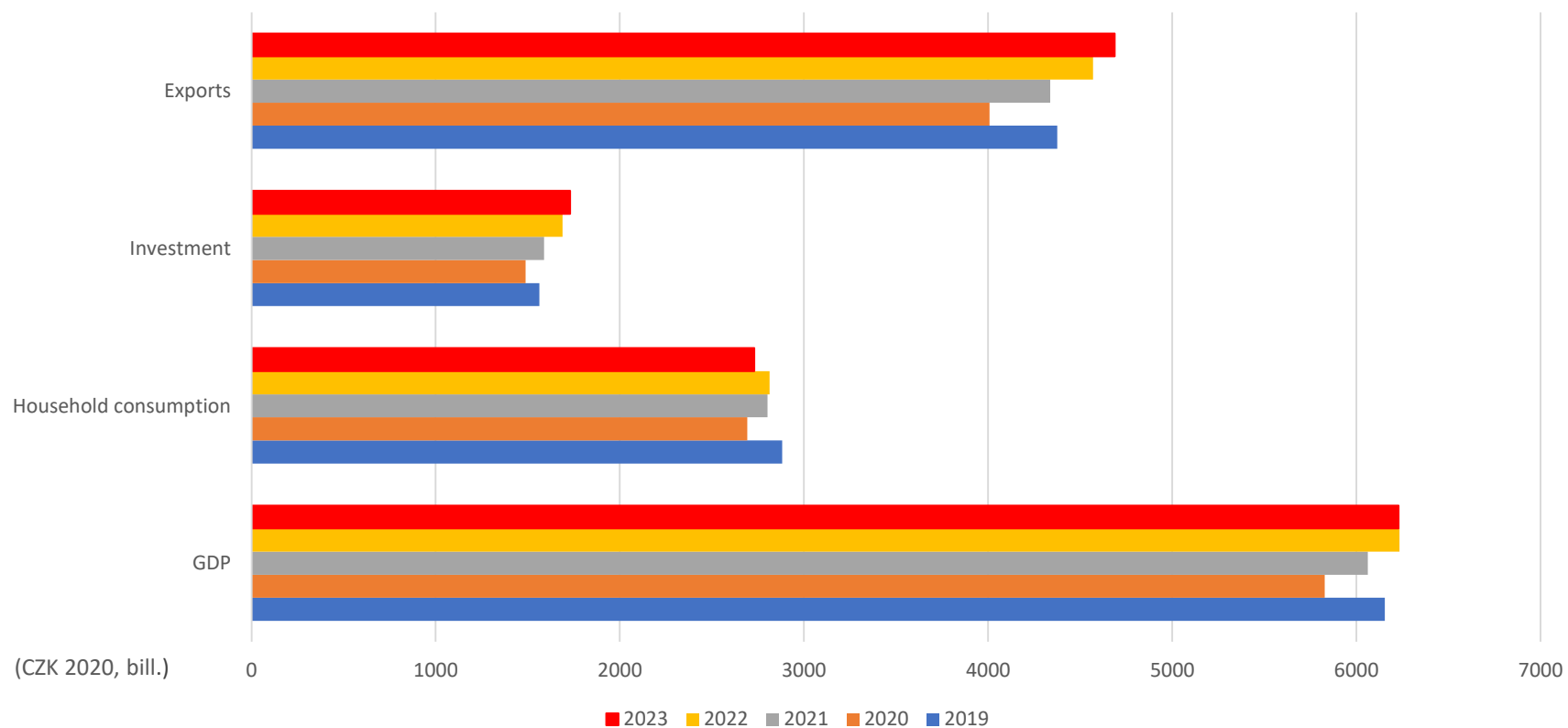
# CEEs: GDP in 2024 Q1



Source: ECB

- Czech GDP increased by 0.3% y/y (0.2% q/q)
- Household consumption recovered (2.1% y/y)
- Investment declined by 2.7% y/y
- 2024 estimates range from 1.0% to 1.7% (CNB: 1.4% y/y)

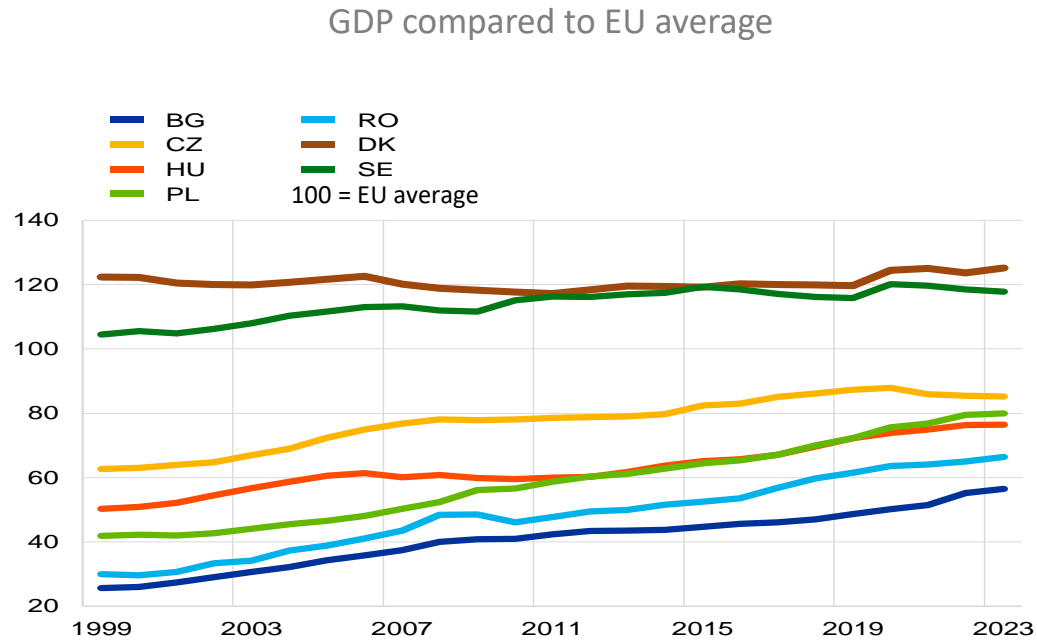
# CZ: Pre-pandemic level reached in 2022



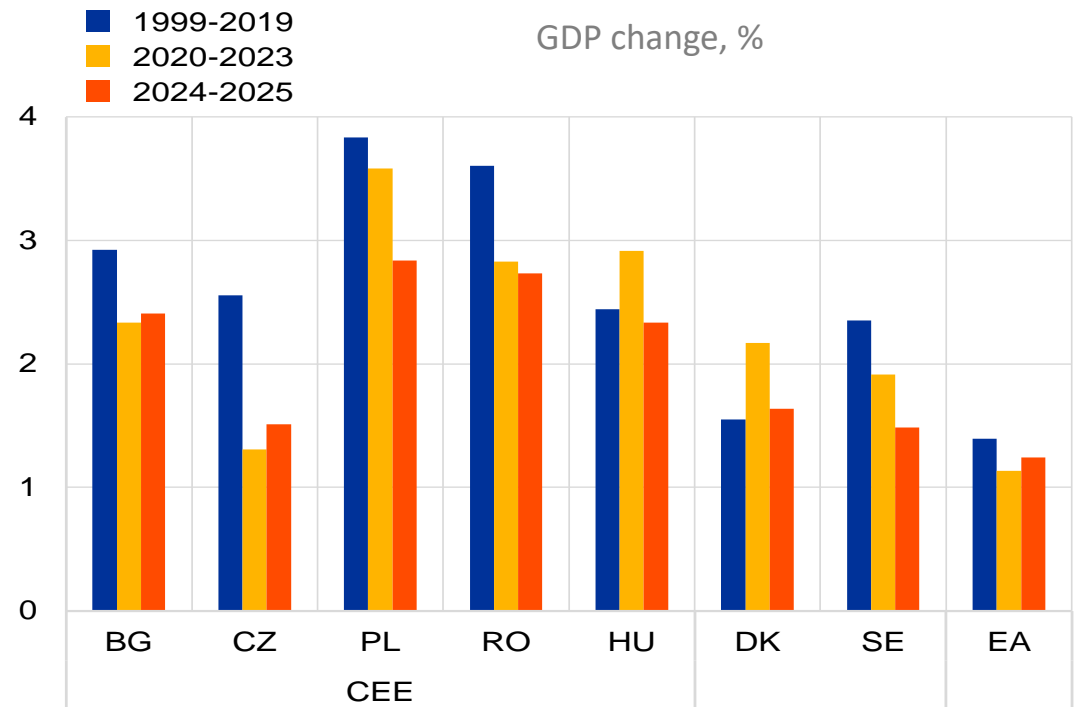
Source: CZSO

- GDP added 1.2% in 2023 in comparison to 2019
  - Household consumption was 5% lower
  - Investment was 10.7% higher
  - Exports were 7.1% higher

# CZ: Slowing convergence – declining potential

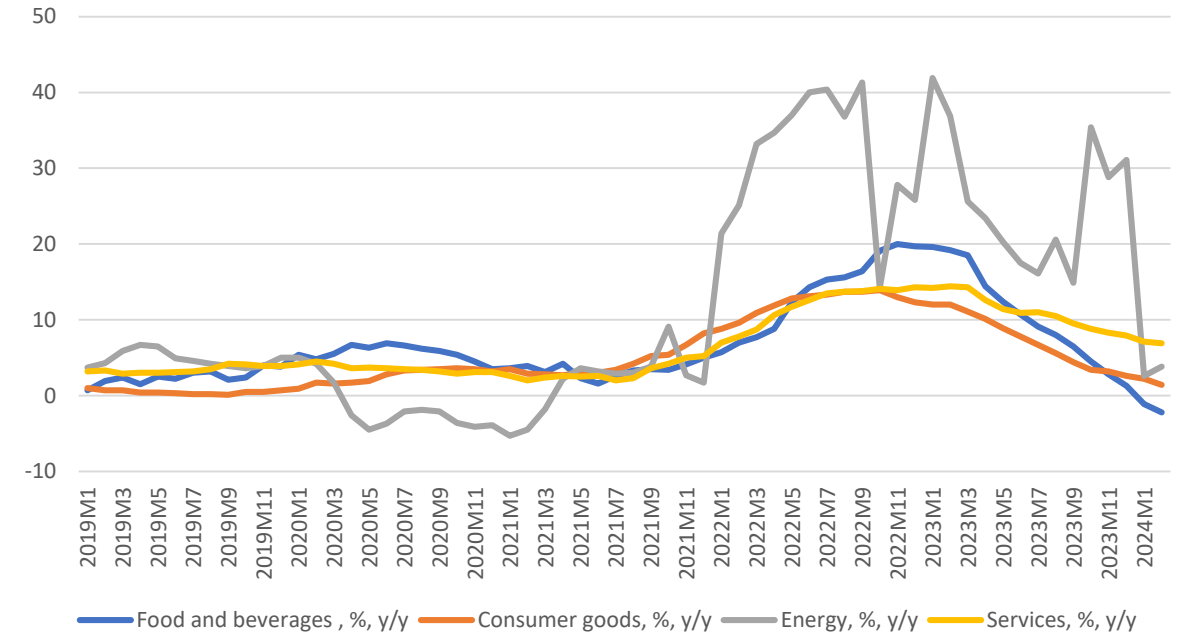
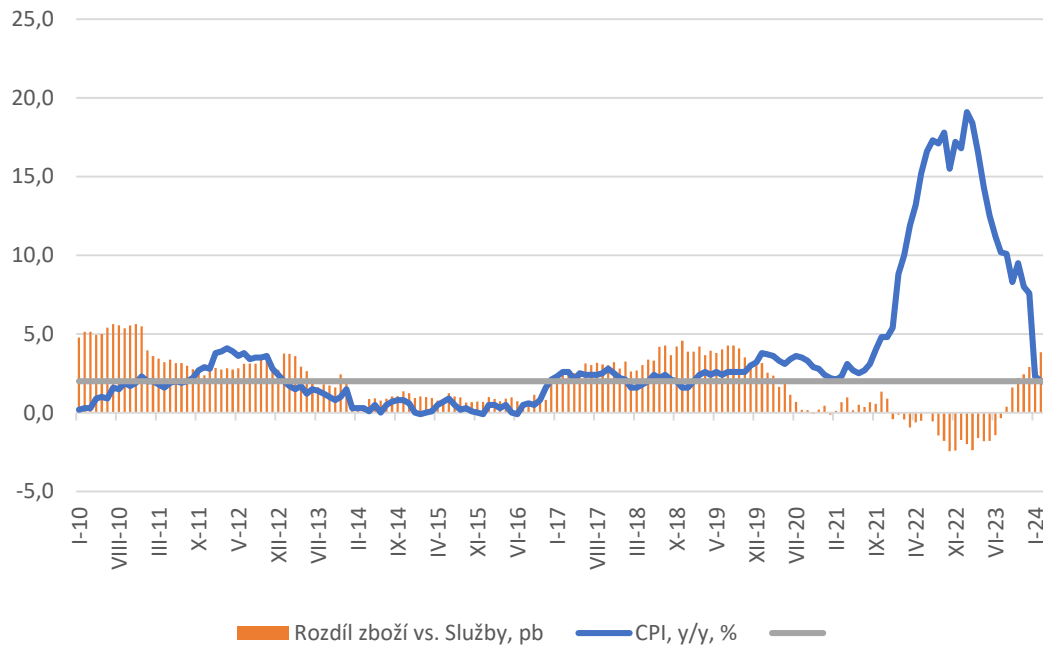


Source: Eurostat, ECB



- Czech convergence momentum lost in past couple of years
- Growth model based on automotive exports tied to Germany seems to be exhausted
- Looking for fresh stimulus...

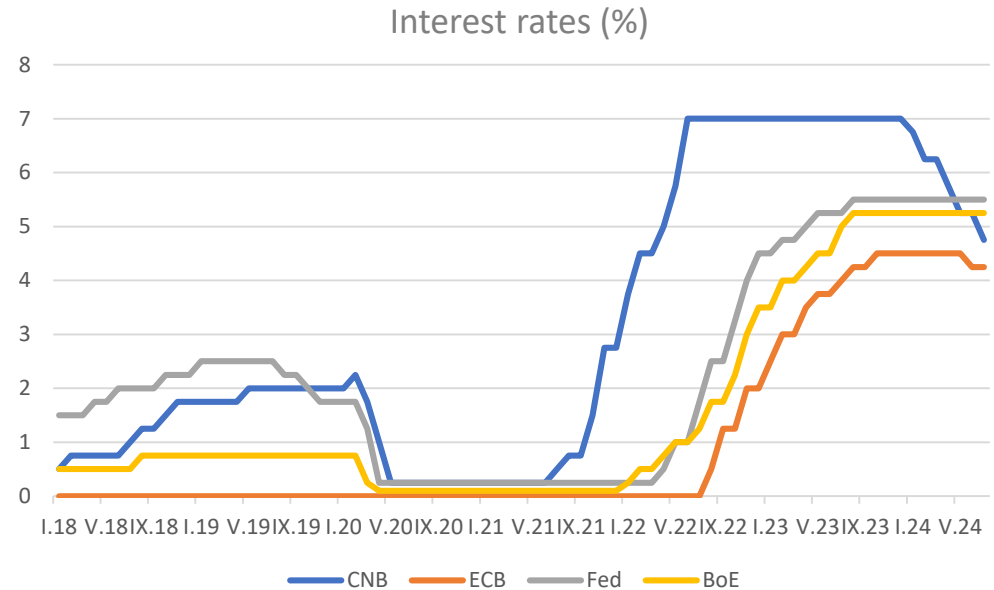
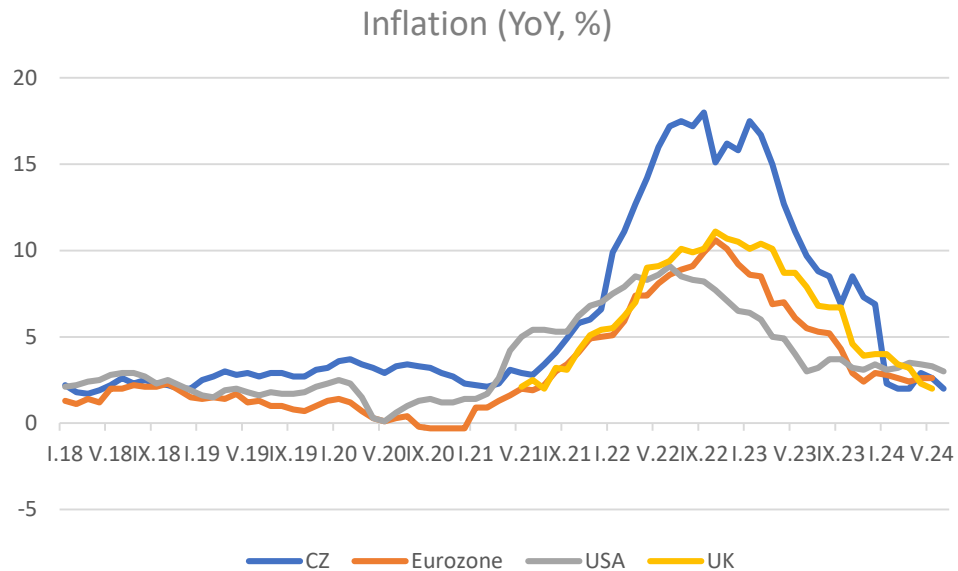
# Inflation: goods and services



Source: CZSO, CNB

- Inflation wave started as early as 2021 Q2 – inflation above targeted range
- Extremely high growth of energy prices
- Higher growth of prices in services – persistence?

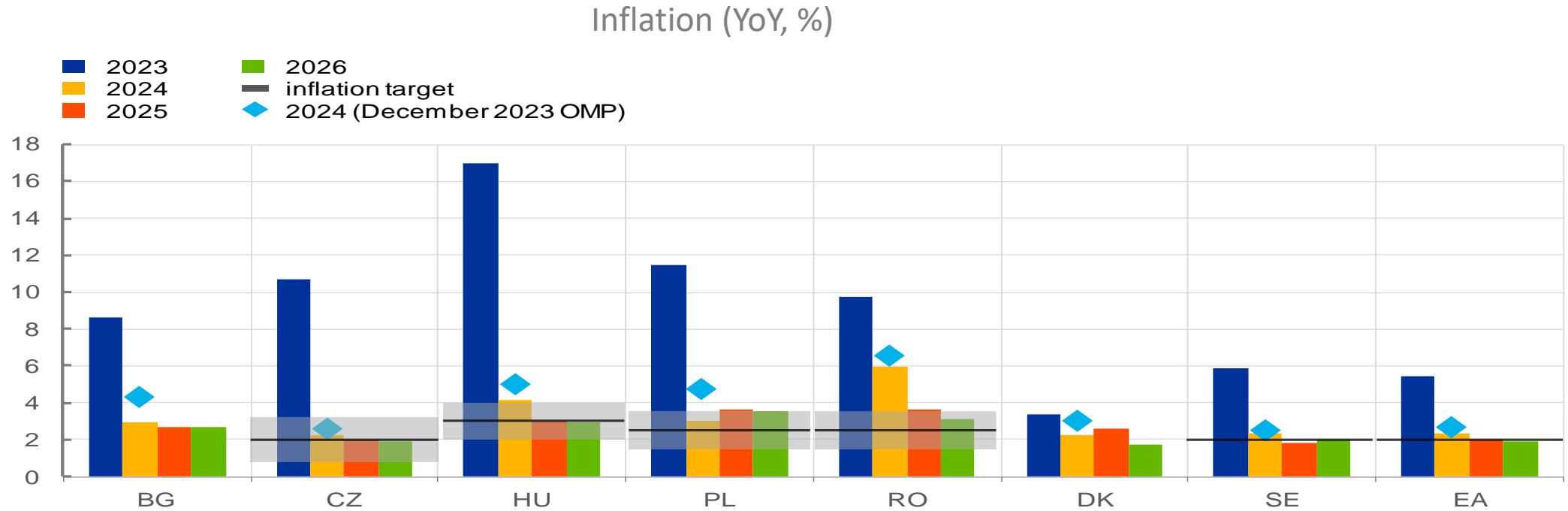
# Inflation and monetary policy



Source: CNB, Eurostat, CZSO

- Inflationary pressures were stronger in CZ than in EMU, UK, USA...
- CNB started tightening earlier
- Inflation target achieved in February 2024
- Easing started as early as December 2023
- Question is pace of easing in forthcoming months

# CEEs: Inflation and inflation target



Source: CNB

- CZ was among first countries to get inflation under control
- However, risks exist
- CNB will be very cautious and focus on not underestimating them



# Monetary policy review

- Monetary policy review seems to be useful (even necessary) globally after inflation wave
- Are there any caveats in modern central banking framework?
- UK is frontrunner
- CNB is currently undergoing evaluation process – three independent teams from different universities
  - University of Oxford
  - Queen Mary University of London
  - Prague University of Economics and Business

**Thank you for your attention**