

7. Monetary Conditions

Monetary policy-relevant interest rates have not changed since May.

The stabilisation of inflation in 2025 also meant a pause in the process of lowering monetary policy-relevant interest rates. After the last cut, which took place last May, the two-week repo rate remained at 3.50%, the discount rate at 2.50% and the Lombard rate at 4.50% until the end of the year¹. For most of last year, the koruna also strengthened against the euro and the dollar, which had an anti-inflationary effect. The exchange rate against the euro strengthened from 25.175 CZK/EUR at the beginning of January to 24.245 CZK/EUR at the end of December. The exchange rate reached 24.273 CZK/EUR on average for Q4. It was stronger by 0.98 CZK (3.9%), year-on-year, and by 0.23 CZK (0.9%), quarter-on-quarter. The exchange rate of the koruna against the dollar reached 24.398 CZK/USD at the beginning of January and strengthened to 20.632 CZK/USD by the end of December. The exchange rate was 20.866 CZK/USD on average for Q4 and was stronger by 2.77 CZK (11.7%), year-on-year, and by 0.51 CZK (0.1%), quarter-on-quarter.

Government bond yields rose.

The interbank interest rates showed slight upward shifts in the final quarter of the year², breaking the previous trend of gradual decline. At the end of December, the three-month PRIBOR rate was 3.54% (+0.05 p.p.), the six-month rate was 3.57% (+0.09 p.p.) and the annual rate was 3.60% (+0.12 p.p.). An increase was also recorded in the area of interest rates on government bonds. Those with a maturity of up to two years bore an average interest rate of 3.60% (+0.05 p.p.) at the end of December 2025, the yield for medium-term bonds with a maturity of up to 5 years was 4.12% (+0.19 p.p.) and 4.46% for long-term bonds (+0.22 p.p.).

Households and general government contributed the most to the growth of deposits.

Upward changes in the order of hundredths of a percentage point were recorded for the average interest rate on overnight deposits (1.44% at the end of 2025), current accounts (0.14%) and deposits with agreed maturity of households (2.89%). Similarly, the average remuneration on deposits of non-financial businesses was unchanged, whether they were current accounts (0.57% at the end of December) or deposits with an agreed maturity (2.90%). The total volume of deposits deposited in Czech banks reached 7,663.8 trillion CZK at the end of 2025 and increased by 442.3 billion CZK (6.1%), year-on-year. After a six-quarter downturn, the growth rate of the term deposit volume recovered (+238.8 bn CZK, 10.1%). Non-term deposits increased by 203.5 bn CZK (4.2%), year-on-year. From the point of view of individual sectors, households³ (+182.9 bn CZK) and general government institutions (+182.9 bn CZK) contributed to the year-on-year increase of deposits by a similar amount. Increases were then more moderate in financial institutions (+34.3 bn CZK) and non-financial businesses (+29.0 bn CZK).

The volume of new mortgage contracts was significantly driven up by other new arrangements.

The average interest rate on consumer credit of households stood at 7.98% at the end of December and remained unchanged compared to the end of September. A slight downward shift in the order of hundredths was recorded for interest rates on mortgages (4.57%). There were differences between the individual lengths of fixation periods. While the average interest rate decreased noticeably for fixations up to 1 year and over 10 years, there was an increase in the category between 5 and 10 years and the interest rate for the most frequently used fixation between 1 and 5 years remained almost unchanged. The year-on-year growth rate of the volume of provided consumption credit strengthened again in Q4 and increased by 38.4 bn CZK (11.0%). The volume of mortgages was higher by 151.3 bn CZK (7.7%) at the end of December, and growth

¹ The ARAD database of the Czech National Bank (CNB) is the data source in this chapter. Values of exchange rates are also from the CNB.

² Unless otherwise stated, the difference between the value as of 31 December 2025 and 30 September 2025 is understood as the change of interest rates.

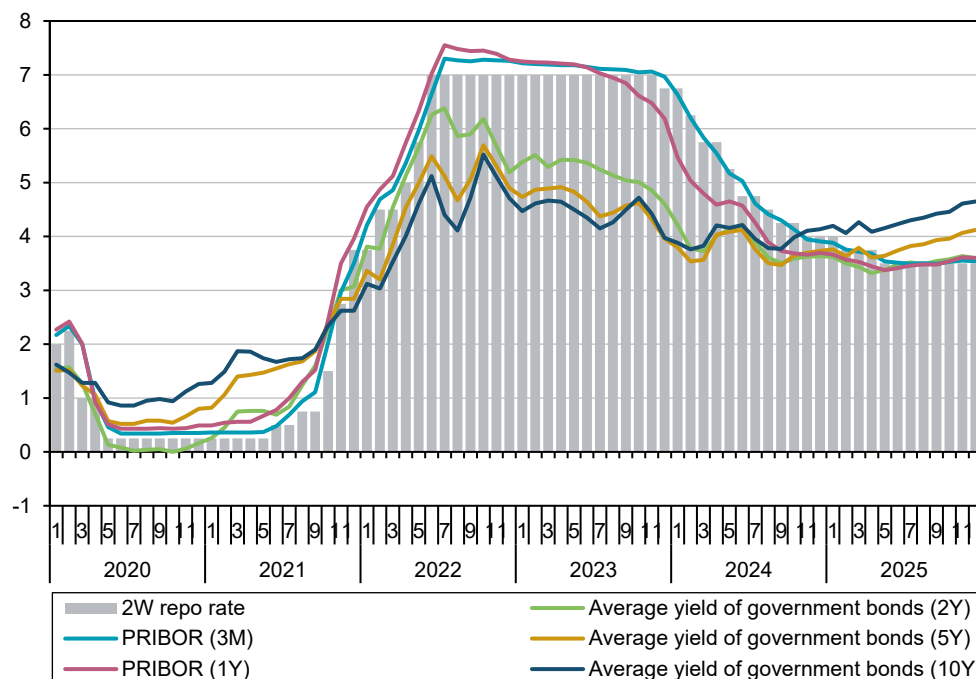
³ Population including self-employed persons.

also accelerated here, mainly under the influence of mortgages, but also bridging loans from building society accounts, which were higher by more than a fifth, year-on-year. The volume of new mortgage contracts⁴ amounted to 192.1 bn CZK in Q4 2025, of which net new loans accounted for 85.9 bn CZK, refinanced loans for 18.0 bn CZK and other new arrangements for 88.3 bn CZK. Other new arrangements also contributed the most to the total growth of the new contracts volume. For the whole of 2025, new mortgage contracts were concluded in the amount of 691.3 bn CZK (+218.0 bn, year-on-year), which nominally surpassed the record year 2021. Net new loans accounted for 320.1 bn CZK from new contracts and other arrangements for 315.0 bn CZK. Total household debt stood at 2,661.7 bn CZK at the end of December and was 10.3% higher, year-on-year.

The share of loans denominated in foreign currency to non-financial businesses was declining.

The average interest rate on loans up to 7.5 million CZK for non-financial businesses was 5.63% (+0.13 p.p.) at the end of December, between 7.5 and 30 million CZK 5.30% (-0.05 p.p.) and above 30 million CZK 5.13% (+0.06 p.p.). The total volume of credit and claims of non-financial businesses was 2.9% higher, year-on-year, at the end of December. Only koruna denominated credit contributed to the increase, whose volume was higher by 10.9%. Credit denominated in foreign currencies fell by 4.4%, and with it also the share of credit denominated in foreign currency on total credit, which reached 48.2% at the end of 2025⁵. The largest increase of the volume of credit provided at the end of December was in information and communication (58.9%⁶), public administration and defence, compulsory social security, education and human health and social work activities (26.3%). Double-digit year-on-year increases of credit continued in accommodation and food service (18.6%). By contrast, the volume of credit granted decreased year-on-year in mining and quarrying (-34.0%), in manufacturing and in professional, scientific, technical and administrative activities (similarly -4.2%) and in transportation and storage (-1.0%).

Chart 17 Market interest rates (in %)



Source: ARAD, CNB

⁴ New contracts also include the refinanced credit and other renegotiated loans. Refinanced credit includes current contracts concluded newly at other bank, while other renegotiated loans are current contracts concluded with new conditions at the same bank.

⁵ The share began to grow sharply at the turn of 2021 and 2022 and peaked at 52.5% at the end of December 2024.

⁶ The volume of credit here often fluctuates significantly. The current results were mainly driven by a sharp increase of credit in the branch of publishing activities, programming, broadcasting and information activities.

