

7. Monetary Conditions

Key monetary policy-relevant interest rates increased.

After more than a year of stable key monetary policy-relevant rates, monetary policy was tightened in June 2026. Persistent inflationary pressures in services prices together with the cost shock led to an increase of all key rates by 0.25 p. p. The two-week repo rate thus reached 3.75%¹, the discount rate 2.75% and the Lombard rate 4.75%. The koruna exchange rate against the euro had a slightly strengthening tendency during Q2 (from 24.50 at the beginning of April to below 24.20 in mid-June). In total, the exchange rate reached 24.30 CZK against euro on average for the whole quarter, rising by 0.03 CZK, quarter-on-quarter, and by 0.62 CZK, year-on-year. The koruna exchange rate against the dollar strengthened back close to the level of 20.50 CZK/USD in April, which it had before the escalation of the conflict in the Middle East. However, the exchange rate fluctuated during the quarter and then weakened again in mid-June to just below 21.50 CZK/USD. On average for the entire quarter, the dollar exchange rate reached 20.90 CZK/USD and weakened by 0.11 CZK, quarter-on-quarter, but was still stronger by 1.09 CZK, year-on-year.

The change in monetary policy settings had an impact on interbank interest rates.

The change of the monetary conditions affected interbank market rates. The impact of the changes increased with maturity, so the annual PRIBOR rate increased the most² (by 0.32 p. p. to 3.93% at the end of June), while the increase of interest rates with a one-month or three-month maturity was moderate (by 0.13 p. p. to 3.68% for the three-month PRIBOR rate). Government bond yields have shown an upward trend over the past two years. There was a partial downward correction in June. This had the greatest impact on medium-maturity bonds, which averaged 4.16% (−0.10 p. p.) at the end of the quarter. For long-term (4.70% at the end of June) and short-term bonds (3.92%), the June decline led only to a rematch to the value of the previous quarter.

Growth of the volume of deposits slowed down.

Interest rates on client deposits also increased slightly in Q2. The exception was current accounts, for which the interest rate was practically zero. Overnight deposits received an average interest rate of 1.52% (+0.06 p. p.) at the end of the quarter. For deposits with an agreed maturity, the increase of interest rates was more pronounced (+0.16 p. p. to 3.11%). The situation was very similar for non-financial businesses. Their current accounts received an average interest rate of 1.23% (+0.10 p. p.) at the end of the quarter and deposits with an agreed maturity of 3.12% (+0.16 p. p.). The volume of client deposits in Czech banks was higher by 367.7 billion CZK (4.8%), year-on-year, at the end of June. The pace moderated for the second quarter in a row, mainly under the influence of term deposits (+42.2 bn CZK, 1.5%). Non-term deposits were higher by 325.5 bn CZK (6.7%). As usual, household deposits³ increased the most, year-on-year (+214.6 bn CZK). Compared to the previous year and a half, the increase of deposits by non-financial businesses (+116.5 bn) and financial institutions (+66.3 bn, the highest since the end of 2023) accelerated significantly. Deposits of general government institutions were lower, year-on-year (−24.4 bn CZK).

Interest in consumer credit was growing.

The average interest rate on loans for household consumption fell to the lowest value in the last five years (7.11%) in Q1, however there was a noticeable increase back to 8% in Q2 (+0.80 p. p. to 7.91%). The volume of credit granted for consumption was 15.2% higher, year-on-year (+52.9 bn CZK) at the end of June. Despite the increase of the price of credit financing, the pace accelerated again and has remained above 10% for a year. Interest rates on mortgages were also higher (+0.22 p. p. to 4.73%). In particular, the interest rate on loans in the most used fixation category over 1 year and

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

² Unless stated otherwise, the difference between the value as of 31 March 2026 and 31 December 2025 is understood as the change of interest rates.

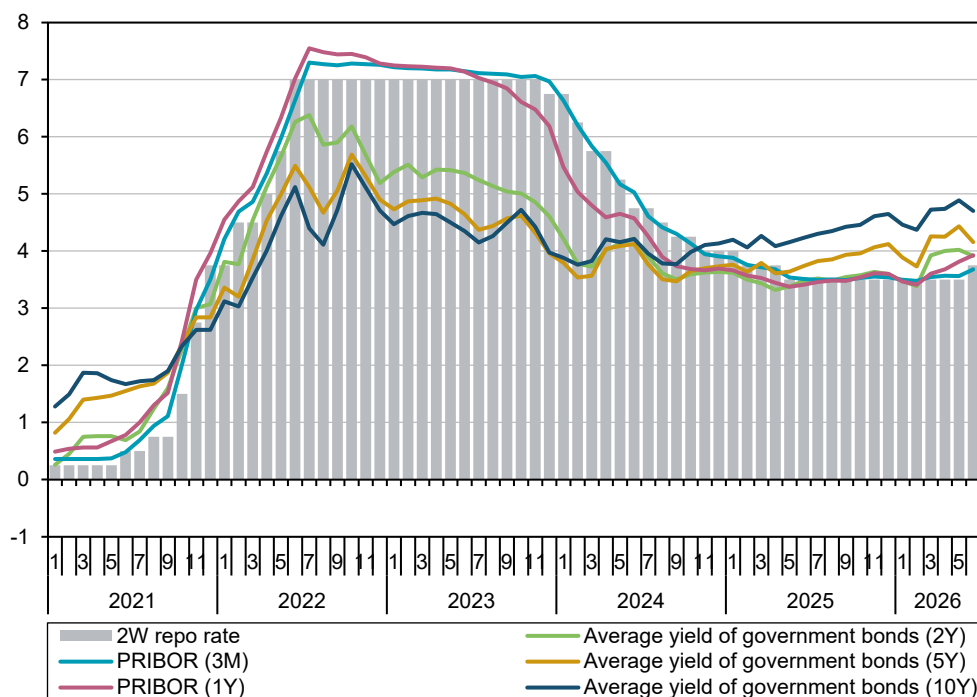
³ Population including self-employed persons.

up to and including 5 years increased significantly in Q2 (+0.22 p. p. to 4.73%), while in the range over 5 years up to and including 10 years the change was milder (+0.08 p. p. to 4.30%). The volume of housing loans provided was 9.6% higher, year-on-year, at the end of June, of which mortgages were 8.8% higher (+182.4 bn CZK). The sharp growth of bridging loans from the building society savings (26.4%, +17.8 bn) did not cease either. The volume of new mortgage contracts⁴ reached 270.5 bn CZK for Q2 (+93.3 bn, year-on-year). Despite the significant increase, net new loans again accounted for less than half of new contracts (118.1 bn CZK, +35.2 bn). Other new arrangements (124.3 bn, +43.4 bn) formed the largest part of the new contracts. Together with the increase of refinanced loans (+14.7 bn to 28.0 bn CZK), this was evidence of an intensification of the process of refixing loans concluded during the period of low rates in 2020–2021.

Companies mainly took loans in koruna.

Interest rates on loans to non-financial businesses rose again in Q2 after the previous six months of decline. The average interest rate on loans up to 7.5 mil CZK reached 6.25% (+0.20 p. p.) at the end of June, 5.71% (+0.28 p. p.) between 7.5 mil CZK and 30 mil CZK, and 5.36% (+0.20 p. p.) for the largest loans over 30 mil. The total volume of credit and claims of non-financial businesses was 9.6% higher, year-on-year, at the end of Q2 and the pace accelerated. Credit denominated both in CZK (15.4%) and foreign currencies (3.8%) grew stronger, but the share of loans denominated in foreign currencies on the total volume of credit and claims continued to decline and reached 47.5% at the end of the quarter. The year-on-year increase of the volume of loans granted strengthened in the production and distribution of electricity, gas, heat, air, water and waste (16.2%), accommodation and food service activities (15.5%), real estate activities (11.2%) and public administration and defence, mandatory social security, education and human health and social work activities (10.5%). In addition to the declining mining and quarrying, the volume of loans decreased only in construction (−7.8%).

Chart 15 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.