

The role of heterogeneity of companies in monetary policy in the Czech Republic

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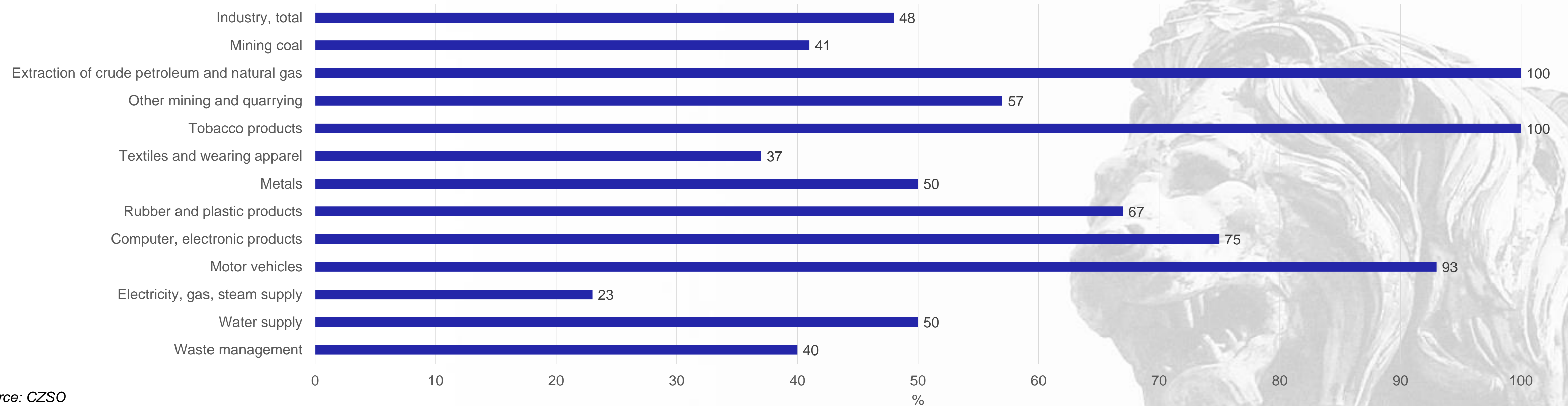
Czech companies – structure of financing

	2022		2023		2024	
	CZK bn	share	CZK bn	share	CZK bn	share
Domestic banks, total	1237	39.9%	1358	41.1%	1429	38.8%
Domestic banks, CZK	675	21.8%	664	20.1%	679	18.4%
Domestic banks, foreign currency	562	18.1%	694	21.0%	750	20.4%
Foreign loans, total	666	21.5%	637	19.3%	825	22.4%
Foreign loans, CZK	94	3.0%	110	3.3%	139	3.8%
Foreign loans, foreign currency	572	18.5%	527	16.0%	687	18.6%
Intercompany loans, FDI, total	1196	38.6%	1307	39.6%	1430	38.8%
Intercompany loans, FDI, CZK	633	20.4%	672	20.4%	710	19.3%
Intercompany loans, FDI, foreign currency	563	18.2%	636	19.3%	721	19.6%

Source: CNB

- Share of loans denominated in foreign currency (mostly EUR): 55% in 2022, increasing to 59% in 2024
- Main channels: domestic banks, foreign banks, intercompany loans
- Weaker transmission of monetary policy due to spontaneous euroization of loans in corporate sector
- SMEs more crucially dependent on loans in CZK (lack of income in EUR, expensive hedging, domestic owners)

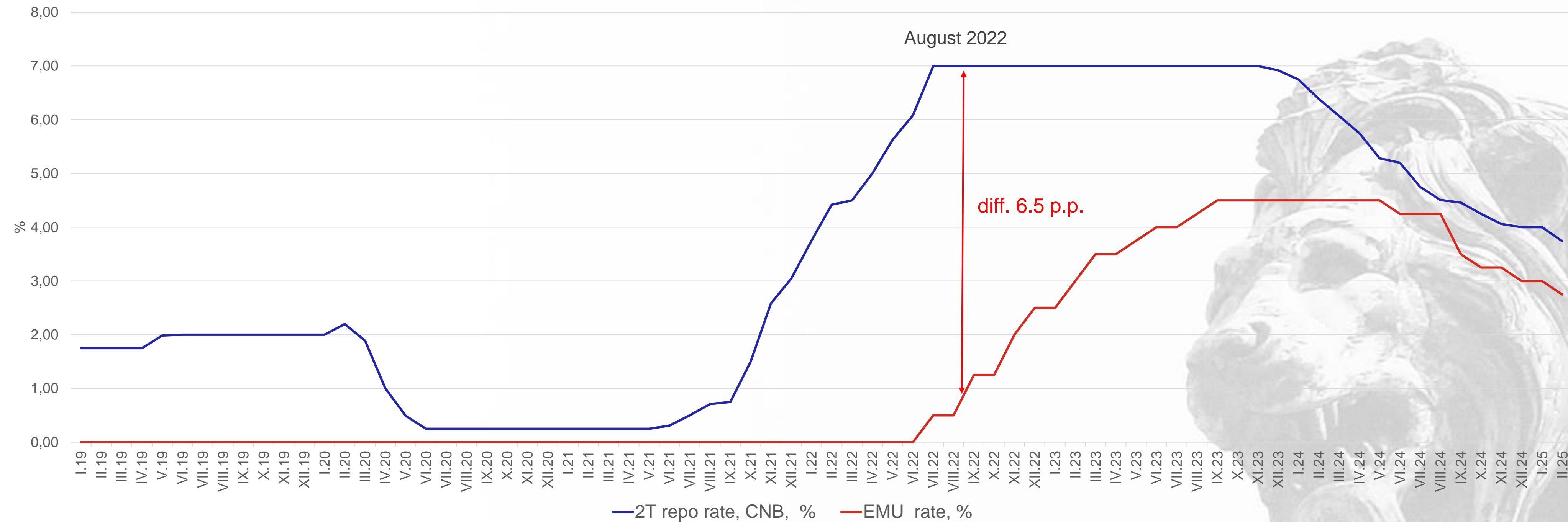
Czech companies – share of FCCs



Source: CZSO

- Approximately one half of industrial companies belong to foreign owners
- Foreign controlled companies account for approximately 75% of exports
- Key industry – automotive – is almost fully in hands of foreign owners

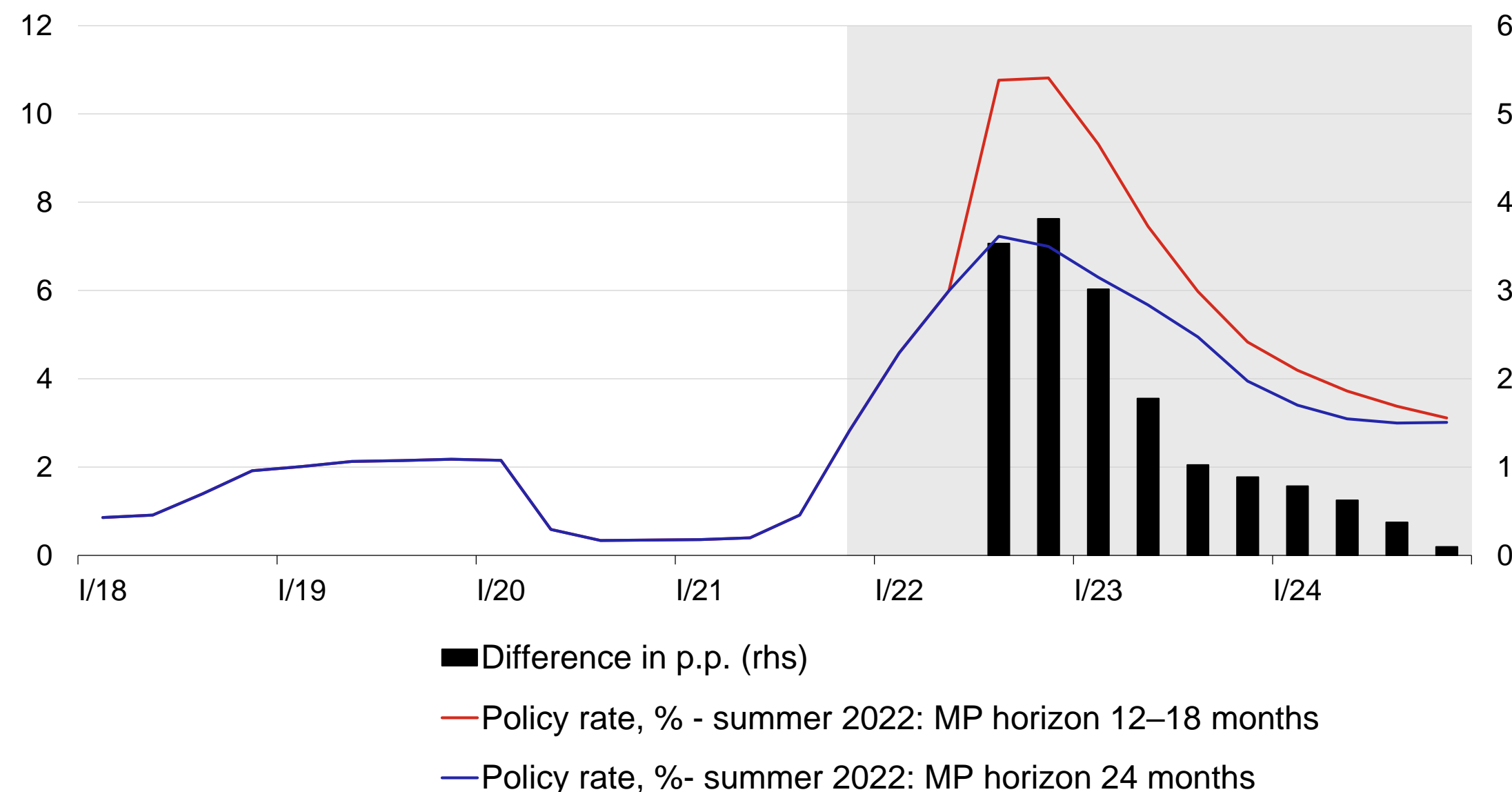
Monetary policy rates: CNB and ECB



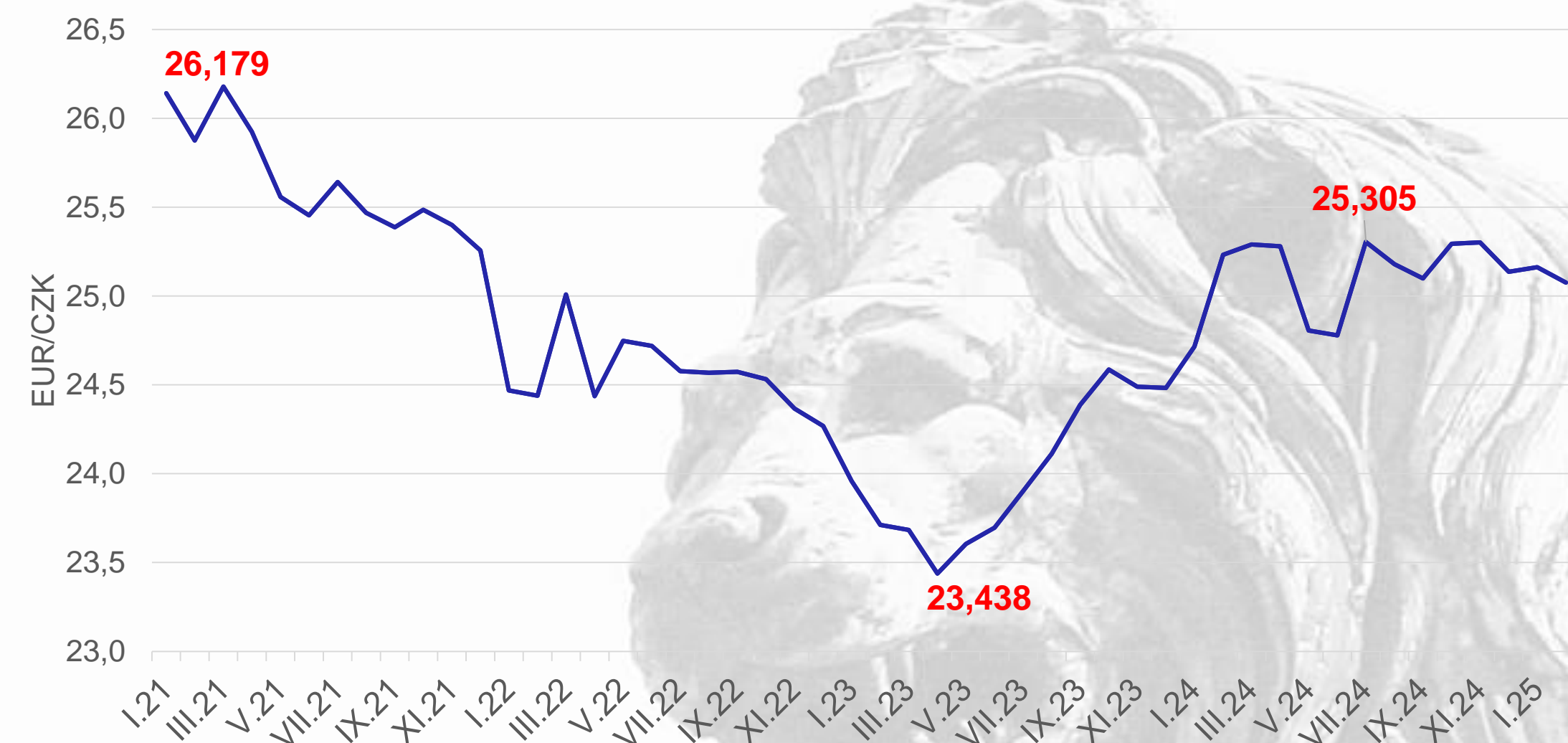
Source: CNB, ECB

- Loans denominated in EUR became much cheaper as Czech MP was tightened
- Big companies and FCCs benefited from cheap EUR loans
- SMEs were hit hard by tight monetary policy
- How to achieve “level playing field”?

Different monetary policy channels



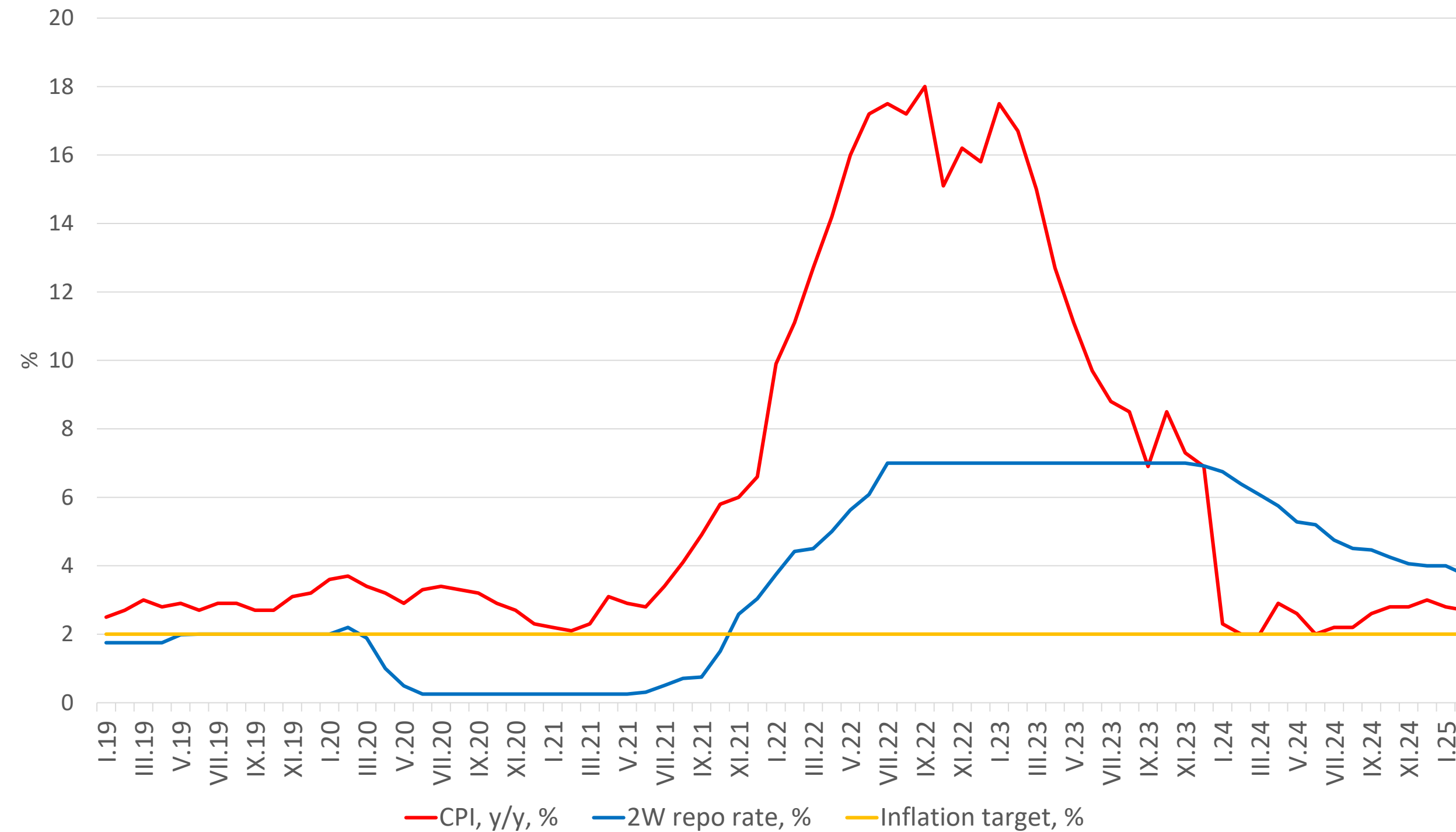
Source: CNB



Source: CNB

- CNB model indicated increase of 2W repo rate to 11% in July 2022
- Extension of MP horizon indicated looser alternative
- Instead of tightening further, Bank Board decided to use FX channel to tame inflation

Czech inflation and monetary policy – back to normal



Source: CNB, CZSO

- Inflation target achieved in February 2024
- The CNB began cutting interest rates in December 2023, lowering them from 7% to 3.75% by February 2025
- Pause in interest rate cuts in December 2024 due to risks and uncertainties
- Room for further CNB rate cuts is emerging, but prudence is still required

Thank you for your attention

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