

Big boom in Czech property prices

Real estate prices in the Czech Republic shot up by nearly 13% in the first quarter of the year.



Source: istock

The Czechs lead the way

The Czech Republic is leading the EU in property price growth, according to latest Eurostat figures. And that's another reason why the Czech National Bank will be looking to tighten monetary policy. At 12.8% in the first quarter of the year, this was the highest increase in the European Union according to the statistics, which give a methodically-unified comparison across all European Union member states. The country was top of the list in the previous quarter too. The index includes both land and family home prices, including flats. And the price of older apartments grew even more significantly, according to the Czech Statistical Office, rising 17% year-on-year in the first half of 2017.

Looking for a rate rise

Imbalances in the real estate market are becoming increasingly significant. Loose monetary policy, with interest rates at virtually zero, does not reflect the realities of the Czech economy. That's why we think the CNB will be looking to normalise the interest rate environment sooner rather than later. Given these soaring house prices, recent strong data from the real economy, accelerating wages and the ECB's gentle signals towards policy normalisation, conditions look ripe

for a 20 basis point hike at the next central bank meeting in August.