

MNI POLITICAL RISK ANALYSIS – Czechia Election Preview

by Krzysztof Kruk and Tom Lake

Czechia holds legislative elections on 3-4 October, with Prime Minister Petr Fiala's centre-right governing coalition facing a major challenge amid a rise in support for nationalist and populist parties. In this preview, we offer a background briefing on the state of play in Czech politics, explanations on the electoral system for the Chamber of Deputies and the main parties and coalitions contesting the vote, election scenario analysis with assigned probabilities, analyst views, and a chart pack of opinion polling and betting market odds.

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Background Briefing

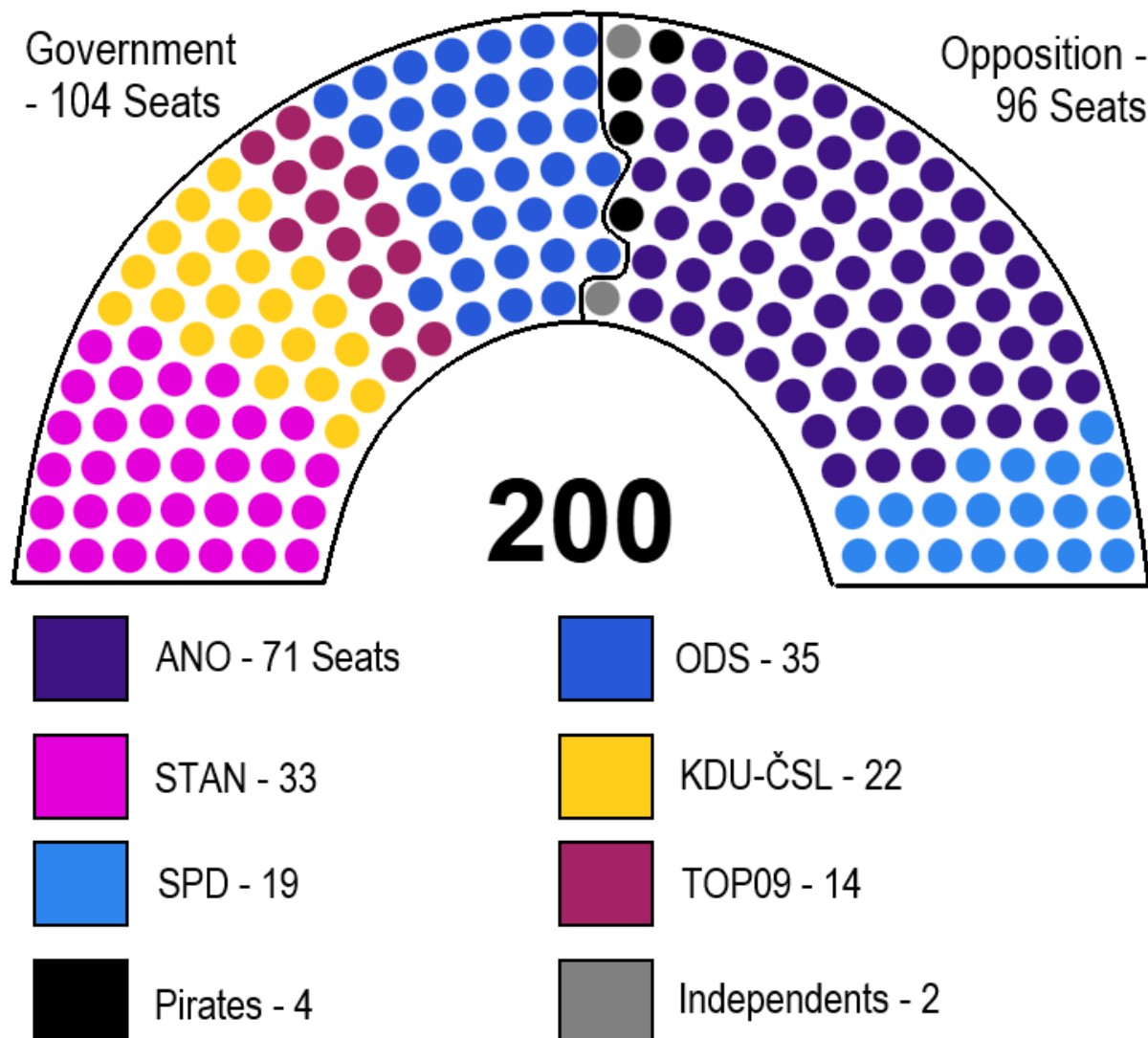
Czechia's governing coalition is fighting an uphill battle to fend off the opposition ANO (Yes) party threat, with voters set to elect all 200 members of the Chamber of Deputies, the lower house of the bicameral Parliament, over two voting days between October 3-4. The incumbent coalition led by Prime Minister Petr Fiala (Civic Democratic Party, ODS) was formed in the wake of the 2021 elections to replace the administration of business mogul Andrej Babiš's populist ANO party.

The diverse, fragmented coalition consists of the tripartite Spolu (*Together*) alliance (ODS, KDU-ČSL and TOP 09) and Mayors and Independents (STAN). STAN contested the 2021 elections under the banner of Pirates and Mayors, an ad hoc alliance with the progressive Czech Pirate Party, but the pact was not extended, and the Pirates eventually pulled out of the coalition. Meanwhile, ANO, despite being unseated in 2021, has controlled a solid plurality of seats in the lower house, becoming an active and vocal opposition force.

Under the centre-right Fiala government, Czechia emerged as a leading international supporter of Ukraine, upheld an assertive position toward China, and provided significant diplomatic backing to Israel amid the war in Gaza. Domestically, the Fiala Cabinet has stuck with a dogmatic approach to the management of public finances, enacting an array of controversial fiscal consolidation measures intended to compensate for pandemic-era emergency spending. As part of these measures, the Fiala Cabinet reneged on its pre-election promise not to raise taxes, repeatedly rejected wage-hike demands from various groups of essential workers, and approved legislation gradually increasing the retirement age.

The government's meagre response to the cost-of-living crisis, some of its foreign policy choices, and the unpopular austerity measures have depleted its political capital and defined the main battle lines for the upcoming elections. Throughout the current parliamentary term, ANO and other opposition parties have argued that the government's austerity policies are unfit for their purpose. Critics have noted that Czechia's fiscal statistics have been better than elsewhere in the region, while the pace of post-COVID economic recovery has been subpar. They have also accused the Fiala Cabinet of an insufficient focus on domestic issues and of diverting vital resources toward aid for Ukraine at the expense of Czech citizens, vowing to reverse course.

Chart 1. Chamber of Deputies at Dissolution



Source: psp.cz, MNI

Parliamentary arithmetic suggests that neither ANO, nor the anti-Babiš coalition of 2021 will be able to secure a majority of seats in the Chamber of Deputies, which raises the risk of political instability. If polling data putting ANO in pole position proves correct, the party will be

forced to look for junior coalition partners or seek confidence-and-supply deals. This may prove challenging after constituent parties of the governing coalition and the Pirate Party declared a de facto cordon sanitaire on ANO, the eurosceptic Motorists for Themselves (AUTO) and post-communist Stačilo! (*Enough!*) are balancing on the electoral threshold, while the alliance led by the previously fringe far-right Freedom and Direct Democracy (SPD) may prove difficult to work with amid well-documented animosity between its leader, Tomio Okamura and Andrej Babiš. It is also worth noting that toward the end of the election campaign, Babiš declared that he would not form a government with communists.

In recent interviews, senior ANO officials drew a red line against even debating withdrawal from the EU (called for by the SPD) or NATO (postulated by Stačilo!). However, both parties have tried to make a potential coalition more palatable for ANO by softening their demands and admitting that they may not be possible to implement in the current political environment. It is worth noting that a stable Spolu/STAN supermajority in the Senate and a pro-EU/pro-NATO President effectively preclude revolutionary systemic reforms or attempts at a major international realignment. Nonetheless, the replacement of the incumbent coalition would have major consequences and result in a significant course correction in Czech politics.

Election Scenarios

- **ANO wins but falls short of a majority - 90% Probability**

Our baseline scenario assumes that ANO wins a plurality but falls short of a majority of 100+1 seats needed to control the lower house of parliament. This reflects betting market pricing, which points to a >90% probability of ANO taking the helm of the next governing coalition. At the same time, even upper-range estimates of ANO's predicted share of seats fall short of the absolute-majority threshold, suggesting that a coalition government is the most likely outcome, while the latest opinion polls showed a downtick in support for ANO, pouring cold water on the party's hopes for a last-minute breakaway run for a landslide victory.

Still, from a structural perspective, ANO remains in a favourable position. The past few years have seen Andrej Babiš's party consolidate control over domestic political discourse, forcing Fiala's coalition onto the defensive. The Centre for Eastern Studies note that after its 2021 defeat, ANO replaced its PR team and spearheaded a pivot to novel attention-grabbing tactics, strengthening its appeal among younger voters while reinforcing support in its core base. Leveraging its role as the main opposition and new communication channels (most notably TikTok), the party has capitalised on wider public discontent fuelled by the recent global polycrisis, which toppled numerous incumbents across the world in the 'super election year' of 2024, while keeping the governing coalition under scrutiny for all its errors and scandals.

We decided not to disaggregate this scenario into sub-scenarios involving potential coalition arrangements for four principal reasons.

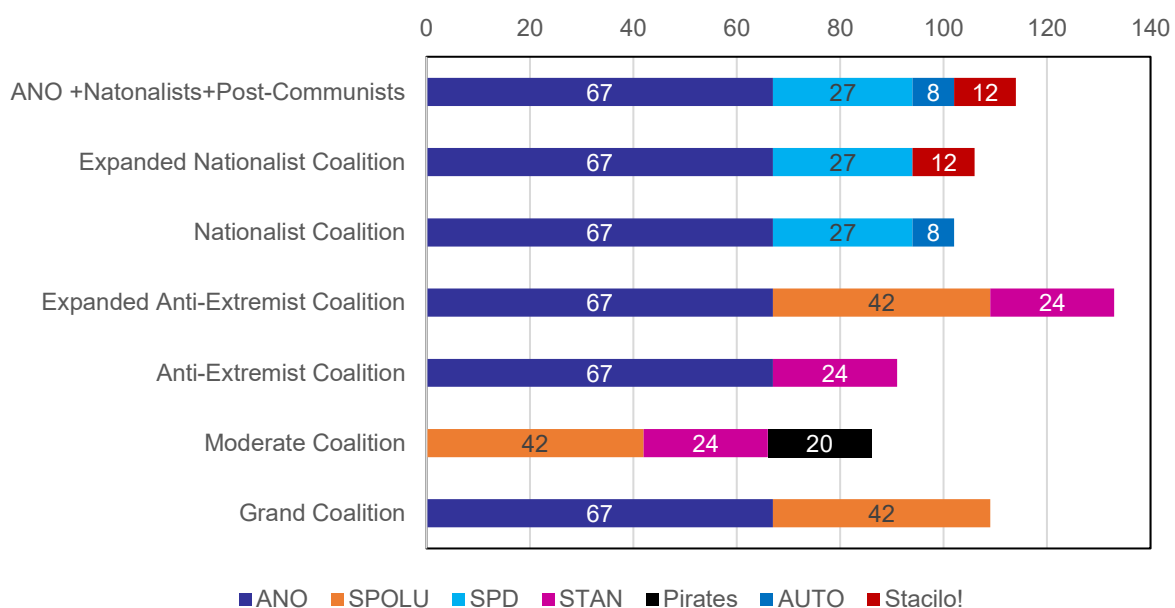
1. First, if this scenario materialises, ANO will play a dominant role in any governing coalition regardless of its composition, while its junior coalition partner(s) will have

- little incentive to leave, with Spolu, STAN and the Pirates ruling out any cooperation with radical parties.
- Second, the performance of minor parties is difficult to predict, while AUTO and Stačilo! cannot be sure of making it past the electoral threshold.
 - Third, whether ANO will need one or two coalition partners is virtually impossible to forecast.
 - Fourth, ANO may try to poach individual MPs from various parties, including current ruling coalition backbenchers wary of a government involving the radicals.

Against this uncertain backdrop, disaggregating the baseline scenario into all possible sub-scenarios and guesstimating the probability distribution would bring little analytical gain.

For the record, however, as the largest party in parliament, ANO will have room for manoeuvre in negotiations with partners. Most seem to believe that an alliance with minor fringe parties is more probable, but a threat of partnering with the SPD or Stačilo! could be leveraged to force one or more of the current ruling coalition parties into breaking the *cordon sanitaire* and joining an 'anti-extremist' coalition led by ANO. The latter would represent a more market-friendly outcome, with centrist parties keeping ANO in check and reducing political risk premium.

Chart 2. Potential Coalition Scenarios, Seat Projections



Source: mandaty.cz, MNI. N.b. 101 seats required for majority.

Convention dictates that if ANO's front-runner position is confirmed, President Petr Pavel should ask the party's representative, presumably its leader Andrej Babiš, to try and form a government. However, some have suggested that Pavel could refuse to appoint Babiš as head of government due to his [pending legal cases](#) over conflict of interest. The debate among local constitutional law experts on whether the President has the power to do this has not been settled, but the risk of such scenario is probably priced in, with betting markets implying a ~10% chance of Karel Havlíček (nominally ANO's Shadow Prime Minister and

Babiš's occasional stand-in for electoral debates) becoming head of government, despite communications suggesting that Babiš will be the party's PM candidate.

Recent press reports shed some light on the possible composition of a hypothetical Babiš Cabinet. Deník N suggested that Karel Havlíček would take the helm of an empowered and enlarged Ministry of Trade and Industry, while economic czar Alena Schillerová could return as Minister of Finance, depending on her showing in the election. Ultimately, however, the composition of the Cabinet will heavily depend on the structure and balance of power within a potential coalition.

On that note, the SPD suggested that it would nominate 'experts' rather than MPs for ministerial positions but would prefer being part of a governing coalition rather than part of a confidence-and-supply agreement. The previously fringe far-right party is polling in double digits and is expected to be the strongest performer out of ANO's potential coalition partners, but if it proves tenable, ANO may prefer to work with weaker partners.

Fiscal Policy: If elected to government, ANO would likely seek to row back on the Fiala Cabinet's austerity policies, reversing at least some of these measures. The party has campaigned on a platform of fiscal loosening, promising to increase pensions and cap the retirement age at 65, pursue the strategy of growing out of debt instead of cutting expenditures, and work towards lowering housing, food, and energy prices. Despite vowing to boost social spending and buy back the shares of state-owned energy utility CEZ, ANO has also pledged to restore the corporate-tax rate back to 19% from 21%, reversing the Fiala-era hike.

Monetary Policy: The hawkish orientation of the incumbent Czech National Bank leadership (N.B. appointed by the President rather than the government) suggests that if these reforms were implemented, Czech central bankers might try to compensate for their impact by pursuing more restrictive monetary policy, at least in the short run. However, ultimate implications will only be known after ANO finalises potential coalition talks and outlines its policy priorities. In addition, ANO's victory may raise concerns about potential institutional degradation, boosting Czechia's political risk premium.

Foreign Policy: In foreign affairs, ANO advocates a 'Czechia First' approach and remains critical of the proposed 5% defence spending target for NATO member states and the current form and extent of support for war-torn Ukraine, arguing that the alliance's firepower is already unmatched by Russia. During pre-election interviews, Babiš pledged to cancel the Czech-led ammunition initiative, vowed to pause military aid for Kyiv, and endorsed efforts toward a negotiated end to the war - despite admitting Russia's responsibility.

Furthermore, Babiš's election would pave the way for the restart of the Visegrad Group (V4), which also includes Poland, Hungary and Slovakia. The regional bloc has been divided over divergent views on Ukraine, with Budapest and Bratislava dissenting from the European consensus, but the election of Karol Nawrocki in Poland and Babiš's potential return to power may change this dynamic. Finally, an ANO-led government would probably pivot towards a more pragmatic relationship with Beijing - albeit not to the extent that could alienate the Trump administration.

The impact of ANO's coalition partners on policy is difficult to forecast, but there is a considerable probability that it will be modest. The relative strength of potential coalition partners will underpin respective bargaining positions and condition the ensuing power-sharing agreement. It can be expected that ANO will try to use its position as coalition leader instrumentally, blaming coalition partners for controversial initiatives and, if possible, threatening them with replacement.

- **ANO wins outright majority - 5%**

Modelling based on opinion polls indicates that ANO should not be able to govern alone, and a landslide victory (more than 100 seats in the Chamber of Deputies) would be a major surprise. While at some point a single-party government seemed like a possibility, smaller parties have managed to gradually improve their standing, which implies the division of parliamentary seats between a larger number of contenders.

The party would likely propose Andrej Babiš to become Prime Minister, and it would be more problematic for President Petr Pavel to argue against his candidacy. Much of the previous analysis still applies. However, in some ways, a single-party ANO administration could be a more market-friendly outcome than our baseline scenario. It would remove initial political uncertainty around coalition talks and sideline parties from the extremes of the local political spectrum.

- **Spolu, STAN and Pirates win majority - 5%**

There is still a marginal risk of the post-2021 coalition returning to power, depending on its ability to mobilise its previous supporters. However, the coalition's mixed record on a range of policy issues and its flagging approval ratings suggest that this is a low-probability scenario, with incumbency putting it at a disadvantage when it comes to mobilising protest votes.

If the anti-Babiš coalition returns to power, Czechia will see the continuation of current fiscal consolidation efforts, alongside a sustained commitment to rearmament and support for Ukraine's war effort. However, any such coalition could prove unstable over the longer term, owing to the tensions around the Pirate Party, which led to the ouster of their then-leader Ivan Bartoš and their exit from the coalition.

Electoral System

The 200 members of the Chamber of Deputies, the lower house of the Czech parliament, are elected in 14 multi-member constituencies via open list proportional representation. These constituencies are based on the 13 Czech regions and the capital, Prague. For the first time in a legislative election, postal ballots can be sent by Czech citizens living abroad. Some media [reports](#) suggest the number of registrations for postal ballots by the Czech diaspora is lower than the government initially anticipated. Voters can pick only one party/coalition list but may indicate a preference for up to four candidates from their list of choice, which affects the final ranking of candidates on a given list.

In an unusual system for a European election, voting takes place across two days. On Friday, 3 October, polling stations will be open from 14:00CET (08:00ET, 13:00BST) to 22:00CET (16:00ET, 21:00BST). They will open again from 08:00CET (02:00ET, 07:00BST)

to 14:00CET (08:00ET, 13:00BST) on Saturday, 4 October. Exit polls will be published once polls close on Saturday, with partial results then coming through in the early afternoon, and a near-complete picture likely by the late afternoon/evening of 4 October.

Seat Allocation

Seats are distributed using the 'republic mandate number'. All votes nationwide are tallied and divided by 200. This is the number required to elect one deputy on average nationwide. The votes in each constituency are then divided by the republic mandate number. This provides the number of seats each constituency is allocated. If there are seats left over, they are allocated to the region with the largest remainder.

Ahead of the first round of counting, a 5% nationwide vote threshold for parties is applied to gain representation, rising to 7% for two-party alliances, and 11% for alliances formed of three or more parties. For the record, it is common practice for multi-party coalitions to bypass regulations and register single-party lists, in order to be subject to a lower threshold. The only formally declared coalition running this year is the ruling Spolu alliance. Regional courts have tended to tolerate covert coalitions, refusing to deregister them amid concerns about judicial overreach, and this approach was confirmed in a fast-tracked Constitutional Court verdict delivered less than two weeks before the elections.

Should two coalitions/one coalition and one party in a region fail to make the threshold, the threshold is cut to 5%/7%/10%. In the first round of counting, carried out under the 'Imperiali quota' or 'pseudoquota', the number of valid votes cast (V) in the constituency is divided by the number of seats (S) to be allocated in the constituency, increased by 2:

$$Q = V / (S + 2)$$

The value 'Q' is the quota, and the number of seats a party wins equals the number of times the total Q is contained within that party's number of votes in the constituency. In the event there are unallocated seats left after this process, a second-round count takes place using the 'Droop quota' system. The remaining votes for each party/coalition are combined and divided by the unallocated seat total, plus one. This becomes the 'republic electoral number'. The seats are then distributed between parties based on the number of times the republic electoral number is contained in their remaining vote total. If more than one seat is allocated, the party with the smaller remainder of votes has its seat deducted. Unallocated seats go to those constituencies with the largest remainder from the first round of voting.

Political Parties/Alliances

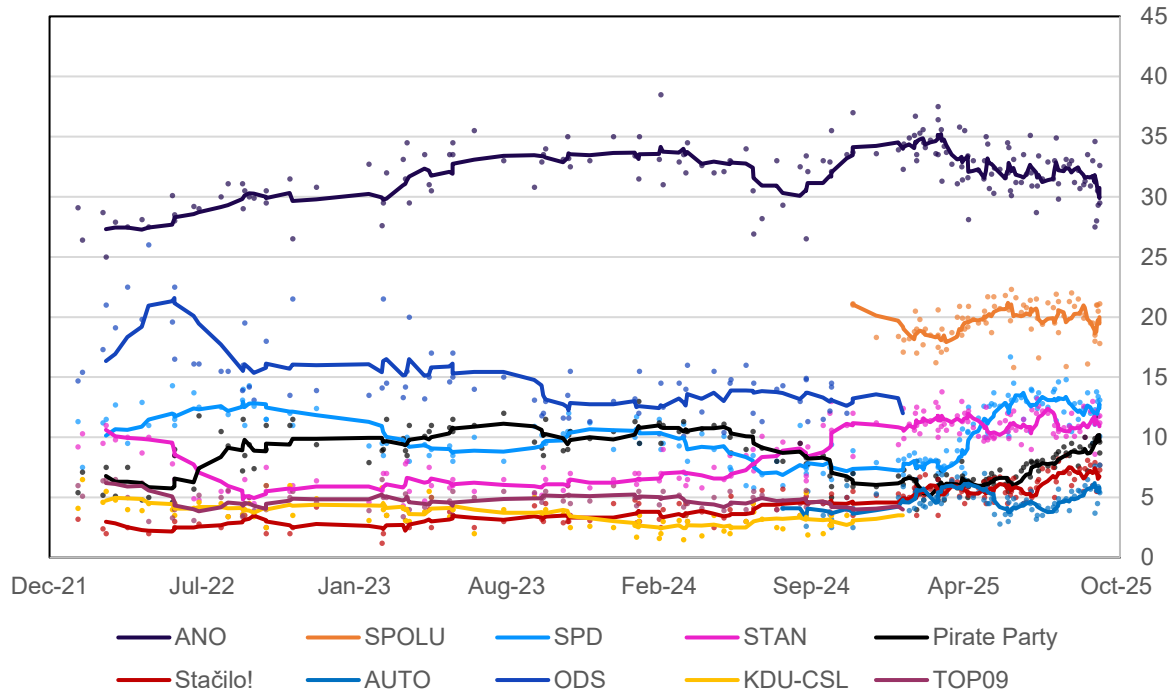
Listed by seats won in 2021 Chamber of Deputies election

- **ANO** – 'Yes' – Founded: 2012 – Leader: Andrej Babiš, 71 (*PM 2017-21, Leader of ANO 2012-, First Deputy PM 2014-17, Minister of Finance 2014-17, Member of the Chamber of Deputies 2013-, Founder: Agrofert, 1993*) – Populist, right-wing, conservative, Czech nationalism – Deputies: 72/200 – Senators: 12/81
- **SPOLU** – 'Together' – Founded 2020 – Deputies: 71/200 – Senators: 38/81:
 - **Civic Democratic Party (ODS)** – Founded: 1991 – Leader: Petr Fiala, 61 (PM 2021-, ODS leader 2014-, Minister of Education, Youth and Sports 2012-

- 13, Member of Chamber of Deputies 2013-) – Conservative, centre-right – Deputies: 35/200 – Senators: 23/81
- **Christian and Democratic Union – Czechoslovak People's Party** (KDU-ČSL) – Founded: 1919 – Chairman: Marek Výborný, 49 (Minister of Agriculture: 2023-, KDU-CSL leader 2019-20, 2024-, Member of Chamber of Deputies 2017-) – Christian democracy, social conservative, centrist/centre-right – Deputies: 22/200 – Senators: 12/81
 - **TOP 09** (*Tradice Odpovědnost Prosperita*, 'Tradition Responsibility Prosperity') – Founded: 2009 – Leader: Markéta Pekarová Adamová, 40 (President of the Chamber of Deputies 2021-, TOP 09 leader 2019-, Member of Chamber of Deputies 2013-) – Centre-right, liberal conservative, Christian democrat – Deputies: 14/200 – Senators: 7/81
 - **STAN** – *Starostové a nezávislí*, 'Mayors and Independents' – Founded: 2004 – Leader: Vít Rakušan, 47 (*First Deputy PM 2021, Minister of the Interior 2021-, STAN leader 2019, Member of Chamber of Deputies 2017-*) – Centrist, liberal, localism, regionalism, pro-EU – Deputies: 33/200 – Senators: 19/81
 - **Freedom and Direct Democracy** – *Svoboda a přímá demokracie* (SPD) – Founded: 2015 – Leader: Tomio Okamura, 53 (*Deputy President of the Chamber of Deputies 2017-21, SPD leader 2015-, Member of Chamber of Deputies 2013-, Senator from Zlín 2012-13*) – Far-right, hard Eurosceptic, anti-immigration, nationalist – Deputies: 19/200 – Senators: 0/81 – Contesting election with minor parties: Tricolour, *Svobodini* and PRO
 - **Czech Pirate Party** – *Česká pirátská strana* – Pirates – Founded: 2009 – Leader: Zdeněk Hřib, 44 (*Mayor of Prague 2018-23, Leader of Pirate Party 2024-, Member of Prague City Assembly 2018-*) – 'Pirate politics', social liberalism, progressivism, pro-EU, centre-left – Deputies: 4/200 – Senators: 0/81 – Contesting election with Green Party
 - **Stačilo!** – *Enough!* – Founded: 2024 – Leader: Kateřina Konečná, 44 (*Leader of Communist Party of Bohemia and Moravia 2021-, MEP 2004, 2014-10, Member of the Chamber of Deputies 2002-13, 2013-14*) – Far-left, left-wing nationalism, populism, Eurosceptic, social conservatism – Deputies: 0/200 – Senators: 0/81
 - **Motorists for Themselves** – *Motoristé sobě* – AUTO – Founded: 2022 – Leader: Petr Macinka, 47 (*AUTO Leader 2022-*) – Right-wing/far-right, Eurosceptic, motorists' rights, national conservatism – Deputies: 0/200 – Senators: 0/81
 - **Přísaha** – *Oath* – Founded: 2021 – Leader: Robert Šlachta, 54 (*Leader of Přísaha 2021-, Senator from Břeclav 2024-, Chair of the Unit for Combating Organised Crime 2008-16*) – Right-wing, populist, eurosceptic – Deputies: 0/200 – Senators: 1/81

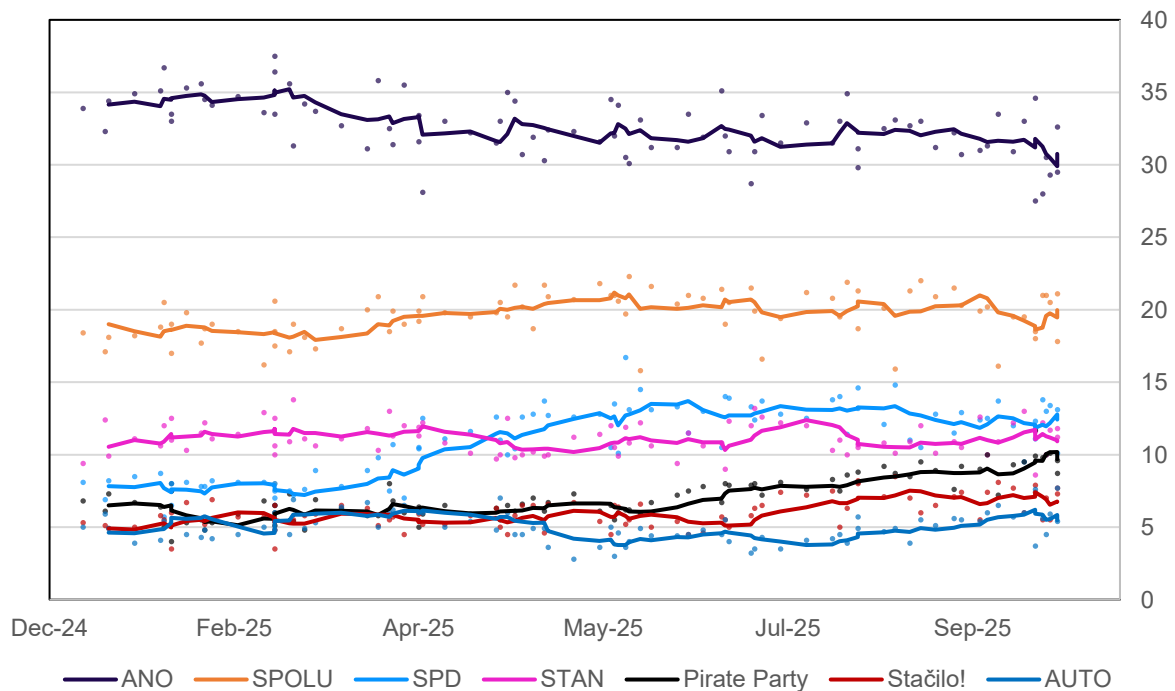
Opinion Polling and Betting Market Chart Pack

Chart 3. Legislative Election Opinion Polling (Long-Term), % & 6-Poll Moving Average



Source: Ipsos, NMS, STEM, Median, Lord Ashcroft Polling, Kantar CZ, Sanep, MNI. N.b. From November 2024, ODS, KDU-CSL and TOP09 polled as SPOLU,

Chart 4. Legislative Election Opinion Polling (Short-Term), % & 6-Poll Moving Average



Source: Ipsos, NMS, STEM, Median, Lord Ashcroft Polling, Kantar CZ, Sanep, MNI

Chart 5. Legislative Election Opinion Polling, Seat Projection & 5-Poll Moving Average

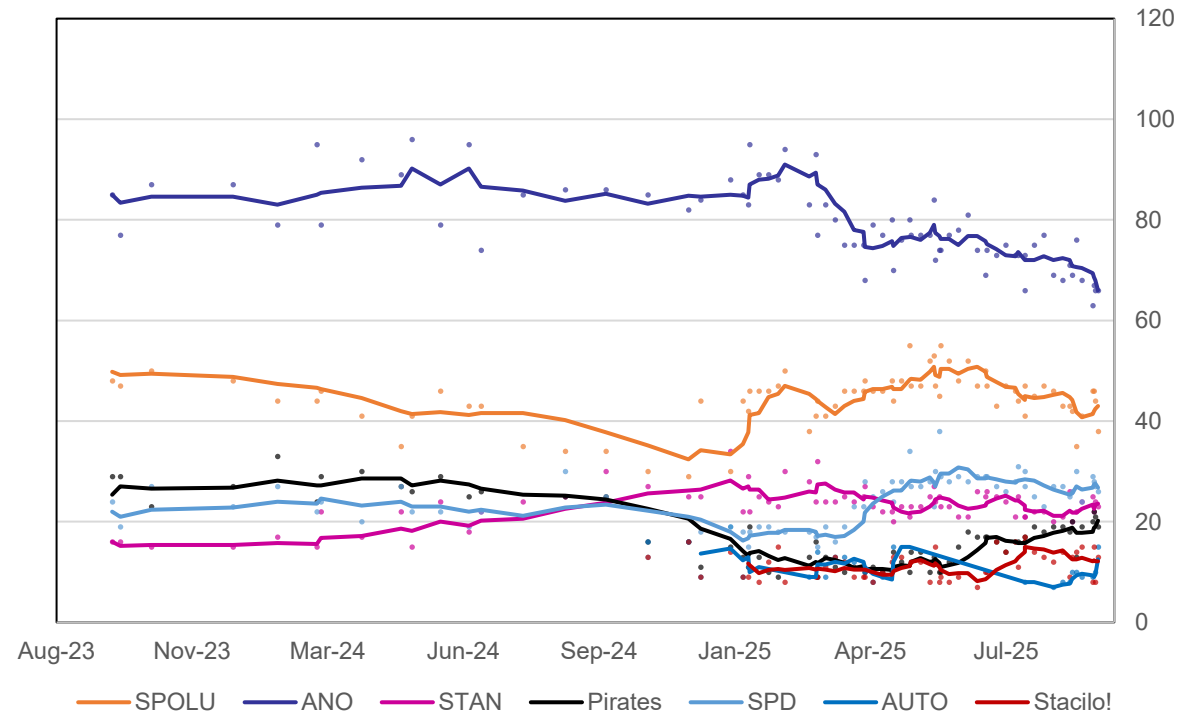


Chart 6. Legislative Election Opinion Polling, Seat Projection, Monthly Average

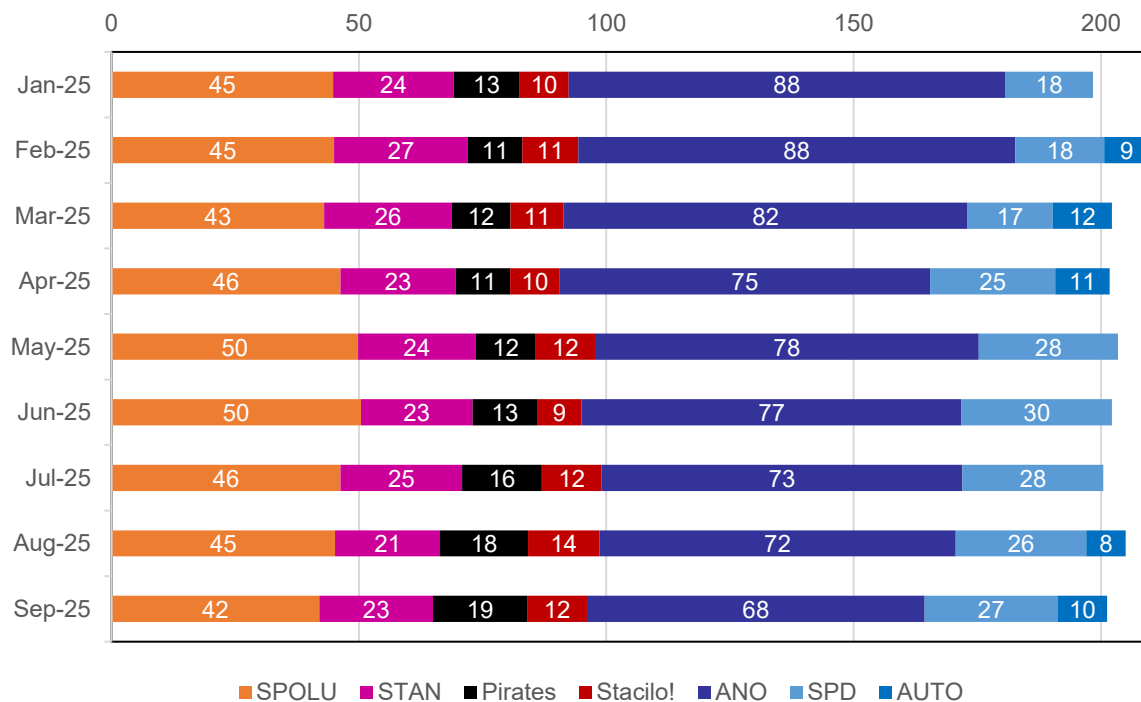
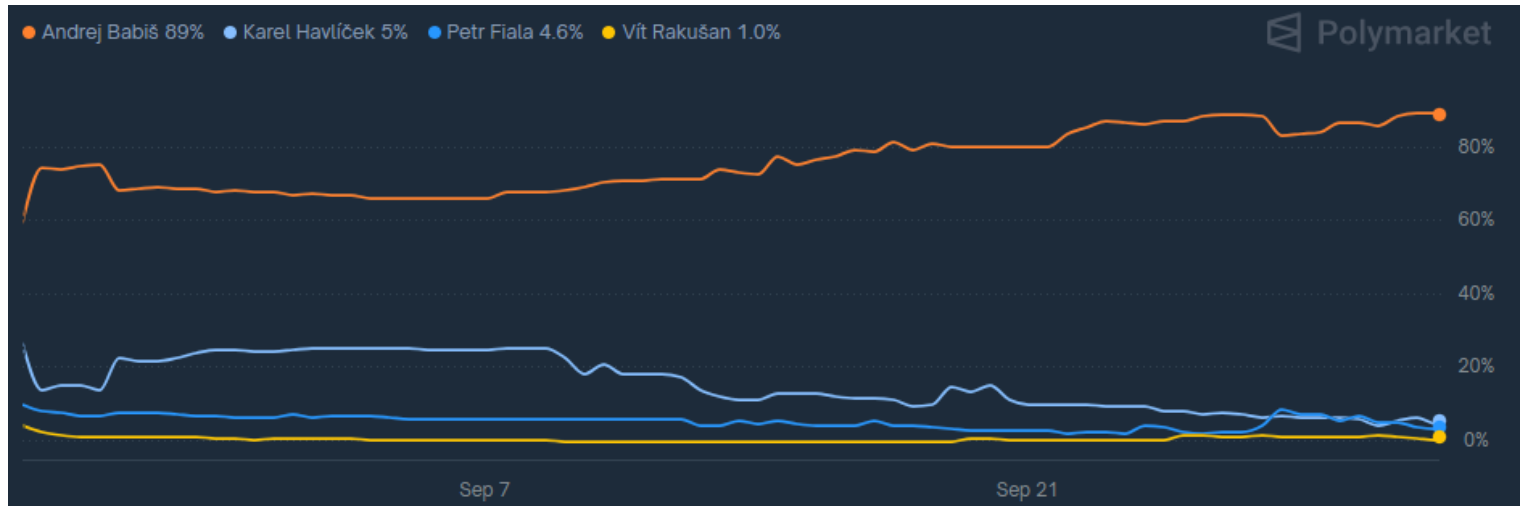


Chart 7. Political Betting Market: Next Prime Minister of Czechia?, %



Source: Polymarket

Analyst Views

Commerzbank: Main Uncertainty Surrounds 2026 Budget

- ...polling data suggest that ANO will secure only 70-75 seats (101 required for absolute majority). This reality forces Babiš to seek allies on the periphery, virtually guaranteeing a partnership with the far-right SPD nationalist coalition, which has consolidated support around 12-13% [...] an ANO-SPD coalition at the centre is a widely held base-case.
- The predictability and lawful attitude of past Czech governments is ultimately reflected in its high sovereign rating.
- The Czech Republic stands out with its fiscal deficit still within the Maastricht limit at this time. This is why most investors do not view the Czech Republic [as belonging] in the emerging market universe.
- ANO promise large public spending projects, subsidies on power price etc. – which at first glance might suggest fiscal indiscipline, but we anticipate that Babiš would closely abide by EU guidance and strike compromises. There could be some uncertainty -- even a rating outlook downgrade -- when the budget for 2026 is re-written in February, but we anticipate that the furious debates will ultimately amount to not much actual chaos. Hence, we do not anticipate any major negative impact on the koruna exchange rate.

Goldman Sachs: Fiscal Easing May Be Limited To Around 1pp

- They note that ‘the populist-right ANO party, led by former Prime Minister Andrej Babiš, is running significantly ahead of other parties and betting markets price a 97% chance of an ANO-led government after the elections.’
- In their view, ANO’s campaign pledges and its likely inability to govern alone ‘point to less constrained fiscal policy than during the past year,’ although ‘most local analysts

expect the budget deficit to remain within the EU's 3% of GDP threshold, suggesting that any fiscal easing would be limited to about 1 percentage point.'

- Goldman admit that there is 'lack of clarity on the likely composition of the next government' and 'it is difficult to predict which of the various party proposals are likely to be implemented after the election,' but ANO has campaigned on a platform of fiscal easing.

Oxford Economics: Coalition Talks To Determine Outlook

- Their baseline scenario is for 'ANO to form a coalition with one of the centre-right parties in the current government, which will temper its fiscal profligacy.'
- They note that a downside scenario is 'an ANO government with fringe parties', which would 'trigger an adverse market reaction on fears of fiscal profligacy, higher inflation, and an erosion of institutional quality.' Their estimate is that in this scenario, GDP could be 1.5% lower, debt-to-GDP ratio would be 3pp higher and 10-year yield would rise to 5.2% by the end of the coalition's term.
- Oxford Economics note that in an upside scenario, ANO and its centre-right coalition partners would 'implement a limited labour market reform and increasing infrastructure investment', resulting in a 0.5pp GDP boost by 2029 - but they consider it unlikely.

UniCredit: ANO-Led Gov't Would Raise Risk Of Looser Fiscal Stance

- UniCredit note that ANO is likely to win the elections but 'may need to rely on a junior coalition partner to secure a majority in the country's Chamber of Deputies'.
- They admit that 'a potential coalition partner remains uncertain, with the risk of growing influence by radical parties.'
- In their view, ANO's populist agenda raises the risk of a looser fiscal stance. In foreign policy, its government could strengthen Eurosceptic and anti-immigrant voices, 'further complicating the decision-making processes within the EU that require unanimous support.'

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