

Financial Market Inflation Expectations

— 3/2025



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I. SUMMARY

Fourteen domestic and one foreign analyst contributed to the March survey of financial market inflation expectations. The data indicate that, given the unchanged view of GDP growth this year and the next, there was a slight increase in expected inflation at both the one-year and three-year horizons. At the same time, the analysts have slightly revised the expected reduction in key interest rates and are now anticipating a slower pace. The monthly and annual forecasts for the koruna exchange rate have slightly strengthened, while nominal wage growth estimates have remained the same as in the February survey.

DOMESTIC ANALYSTS	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Jiří Polanský, Česká spořitelna	+	+	+									
Jan Vejrněk, Komerční banka	+	+	+									
Patrik Rožumberský, Unicredit Global Research	+	+	+									
Helena Horská, Martin Kron, Raiffeisenbank	+	+	+									
Petr Dufek, Banka CREDITAS	+	+	+									
Petr Sklenář, J&T Banka	+	+	+									
Radomír Jáč, Generali Investments CEE	+	+	+									
David Havrlant, ING	+	+	+									
Kamil Kovář, Moody's Analytics	+	+										
Jan Kudláček, Tomáš Lébl, Patrick Vyroubal, UNIQA	+	+	+									
Jaromír Šindel, ČBA				+								
Lukáš Kovanda, Trinity Bank	+	+	+									
Michal Šoltés, RoklenFin	+	+	+									
Martin Janičko, MND	+	+	+									
Jan Bureš, ČSOB											+	
FOREIGN ANALYSTS												
Piotr Kalisz, Citi	+	+										
Basak Edizgil, Goldman Sachs	+	+										
Sili Tian, The Economist Intelligence Unit												
Jose A. Cerveira, JP Morgan	+	+	+									

We would like to thank everyone who contributed to this survey of financial market inflation expectations.

Prague, 24 March 2025

II. INFLATION

FORECAST FOR Y/Y CPI GROWTH

(%)

March 2025	CPI	
	1Y	3Y
minimum	2.0	2.0
average	2.3	2.2
maximum	2.6	2.5

1Y AND 3Y FORECAST FOR CPI GROWTH

(%)

Date of Prediction	ANALYSTS		CNB (%)
	1Y	3Y	1Y
III.24	2.1	2.2	1Q: 1.7
IV.24	2.2	2.2	2Q: 1.9
VII.24	2.1	2.1	
IX.24	2.2	2.1	3Q: 1.9
X.24	2.2	2.2	
XII.24	2.3	2.2	4Q: 2.4
II.25	2.2	2.1	
III.25	2.3	2.2	1Q: 2.2

In February, the consumer price index rose by 2.7% year on year, which is 0.1 percentage points down on January. The slowdown was largely thanks to a deepening decline in fuel prices. By contrast, food, i.e. the increase in the price of eggs, dairy and chocolate products, contributed most to price level growth. Prices of goods rose overall by 1.4% year on year, and prices of services by 4.7%. In month-on-month terms, the consumer price index rose by 0.2%, mainly due to more expensive package holidays. The prices of goods also fell by 0.2% month on month, while those of services rose by 0.7%.

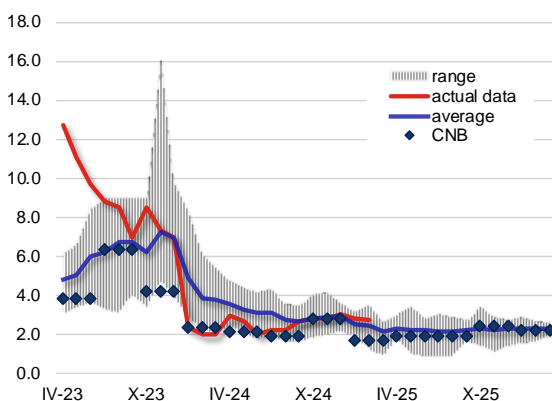
The analysts' opinion on inflation has shifted towards slightly higher levels. The one-year and three-year forecasts have both risen by 0.1 percentage points. On average, the analysts expect inflation to reach 2.3% over the one-year horizon. The range of individual estimates narrowed, mainly due to an increase in the minimum value; however, the maximum estimate also moved slightly downwards. Inflation is expected at 2.2% at the three-year horizon. The maximum and minimum values and therefore the range did not change.

The analysts expect price level growth to be roughly stable in the coming months. Food prices are likely to have a major impact. Cheaper fuels could contribute to a slowdown in inflation thanks to lower oil prices, which are responding to the deterioration in economic growth prospects in the USA and China, and potential trade wars. The appreciation of the koruna against the US dollar will also make oil cheaper in koruna terms. The base effect should also foster lower inflation in the spring. In the summer, however, the base effect is likely to reverse and act in the other direction, i.e. in favour of faster price level growth. This year's whole-year inflation will be strongly affected by growth in services prices, fostered by a favourable labour market situation. The CNB's restrictive policy and the weak German economy are acting in the opposite direction. For next year, the analysts expect both core and headline inflation to be close to the 2% target.

The CNB's winter forecast expects consumer prices to rise by 2.2% year on year in 2026 Q1.

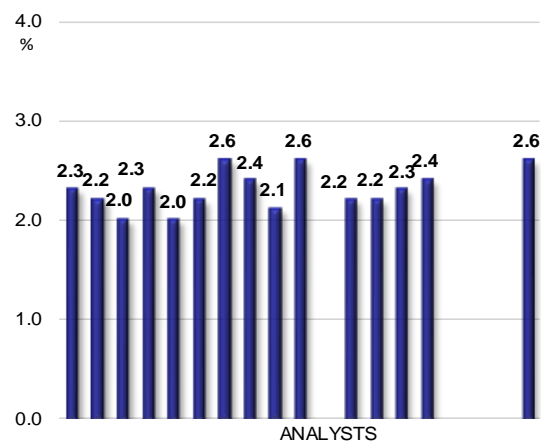
CONSUMER PRICE INDEX

ACTUAL DATA AND 1Y PREDICTIONS OF ANALYSTS (AVERAGE) AND OF CNB (%)



CONSUMER PRICE INDEX AT 1Y

PREDICTIONS OF INDIVIDUAL ANALYSTS (%)



III. GROSS DOMESTIC PRODUCT

FORECAST FOR GDP GROWTH

(%)

March 2025	current year	current+ 1Y
minimum	1.5	1.8
average	2.0	2.3
maximum	2.4	2.7

FORECAST FOR GDP GROWTH

(%)

Date of Prediction	current year	current+1Y
III.24	1.1	2.6
IV.24	1.2	2.6
VII.24	1.3	2.6
IX.24	1.0	2.5
X.24	1.0	2.4
XII.24	1.0	2.0
II.25	2.0	2.3
III.25	2.0	2.3

According to a revised estimate by the CZSO, gross domestic product grew by 1.8% year on year in 2025 Q4 (compared to 1.6% in the original estimate). This was due mostly to household final consumption expenditures and changes in inventories. Conversely, investment and the foreign trade balance had a negative impact. In terms of sectoral contribution to value added growth, trade, transport, accommodation with catering and real estate activities are at the top of the list. By contrast, industry lagged. Quarter-on-quarter growth was also revised upwards, to 0.7% (compared to 0.5% in the original estimate). The whole-year figure remained unchanged at 1.0%.

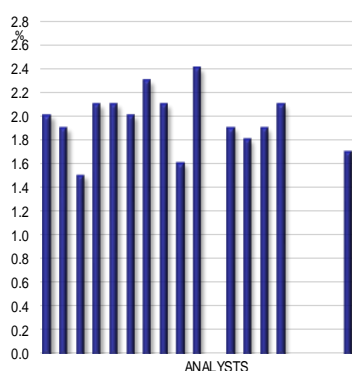
The analysts' opinions on the domestic economy this year and next year have remained unchanged on average since the last survey (despite a favourable revision). Czech GDP is thus still expected to grow by 2.0% in 2025 and domestic economic growth should accelerate slightly to 2.3% next year. The maximum and minimum values of the forecasts for this year remain unchanged, while the range of the set of individual forecasts for next year has narrowed due to a decline in the highest expected value.

Domestic economic recovery should continue to be driven by rising household consumption. This could gradually be supported by an economic improvement in Germany, which will be positively reflected in the Czech foreign trade balance and in private investment. Government consumption and changes in inventories should continue to be pro-growth factors. The recovery of the German economy, stimulating growth in exports and investment, is expected to contribute to accelerating domestic economic growth in the years to come. In addition, investment activity will be supported by a possible further decline in the CNB's key interest rates. However, downside risks prevail. A trade war between the USA and the EU would have a negative impact on the German and, by extension, the Czech economy. A potential increase in Chinese imports will act in the same direction.

According to the CNB's winter forecast, GDP will grow by 2.0% in 2025 and accelerate to 2.4% in 2026.

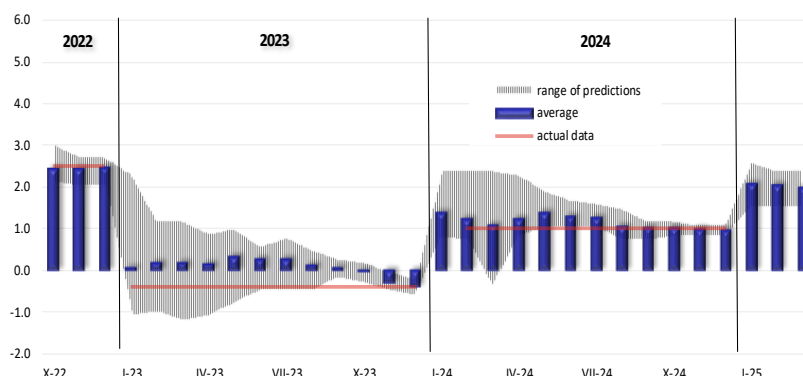
INDIVIDUAL 1Y PREDICTIONS

OUTLOOK FOR THIS YEAR



GDP GROWTH AT END OF YEAR

AVERAGE AND RANGE OF PREDICTIONS



IV. INTEREST RATES – 2W REPO, PRIBOR, IRS

FORECAST FOR 2W REPO, 12M PRIBOR AND 5Y AND 10Y IRS

(%)

Date of Prediction	2W repo rate		12M PRIBOR		5Y IRS		10Y IRS	
	1M	1Y	1M	1Y	1M	1Y	1M	1Y
III.24	5.71	3.54	4.61	3.45	3.37	3.21	3.47	3.32
IV.24	5.29	3.49	4.31	3.47	3.71	3.33	3.81	3.45
VII.24	4.51	3.35	4.21	3.42	3.58	3.45	3.66	3.55
IX.24	4.25	3.36	3.73	3.34	3.29	3.39	3.43	3.50
X.24	4.01	3.25	3.67	3.28	3.38	3.35	3.53	3.50
XII.24	3.95	3.27	3.65	3.29	3.59	3.47	3.70	3.61
II.25	3.70	3.16	3.54	3.31	3.60	3.46	3.75	3.64
III.25	3.70	3.25	3.51	3.33	3.60	3.49	3.80	3.69

FORECASTS: MINIMUM, AVERAGE AND MAXIMUM 2W REPO, 12M PRIBOR, 5Y AND 10Y IRS

(%)

March 2025	2W repo rate		12M PRIBOR		5Y IRS		10Y IRS	
	1M	1Y	1M	1Y	1M	1Y	1M	1Y
minimum	3.50	2.75	3.35	2.75	3.50	2.70	3.70	2.90
average	3.70	3.25	3.51	3.33	3.60	3.49	3.80	3.69
maximum	3.75	3.50	3.75	3.60	3.70	3.80	3.90	3.95

ACTUAL INDICATOR VALUES AS OF FORECAST DEADLINE

(%)

	2W repo rate	12M PRIBOR	5Y IRS	10Y IRS
15.3.	3.75	3.52	3.62	3.86

The majority of the respondents in the current survey (12 out of 15) expected key interest rates to remain at the current level and the 2W repo rate to remain at 3.75%. By contrast, three respondents saw room for change in the setting of key interest rates and estimated that they could be lowered by a further 25 basis points.

On average, the analysts expect monetary policy easing to continue in the Czech Republic against the backdrop of the current subdued economic development in Germany. At the one-year horizon, they expect the 2W repo rate to fall to 3.25%, which is slightly higher than they expected in February. This may be due to the fact that the CNB could end the cycle of lowering key interest rates at higher levels (3.25% or 3.50%), as indicated by members of the CNB Bank Board. Some are of the opinion that the importance the CNB attaches to inflation at the monetary policy horizon, currently the first half of 2026, will also be significant for the future development of interest rates. Trade disputes between the USA and the EU pose risks in both directions, with higher tariffs posing an inflation risk but a possible deterioration of the German economy acting in the opposite direction.

ANALYSTS' FORECAST – 2W REPO RATE LEVEL IN 1Y

(%)

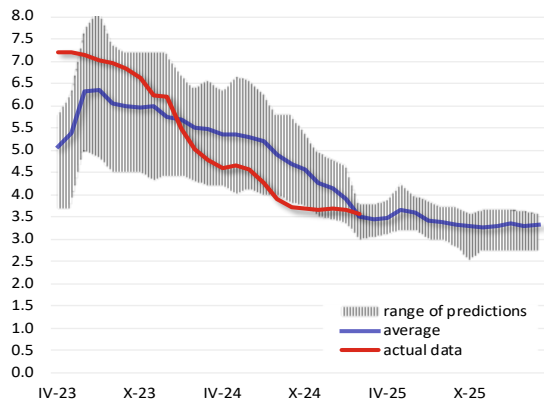
2W repo rate level in 1Y (%)	2.50	2.75	3.00	3.25	3.50	3.75	4.00
number of analysts - current survey	0	1	3	6	5	0	0
-previous survey	0	2	6	4	4	0	0

The forecasts for the PRIBOR interbank reference rates and the IRS rates have not changed significantly since the last survey, with their mixed development limited to a decrease of 2 basis points to an increase of 5 basis points. The scenario of an expected decline in money market and swap rates also remains unchanged, with expected monthly values still above the corresponding annual rates.

The CNB's winter forecast implies a 2W repo rate of 3.0% in 2026 Q1.

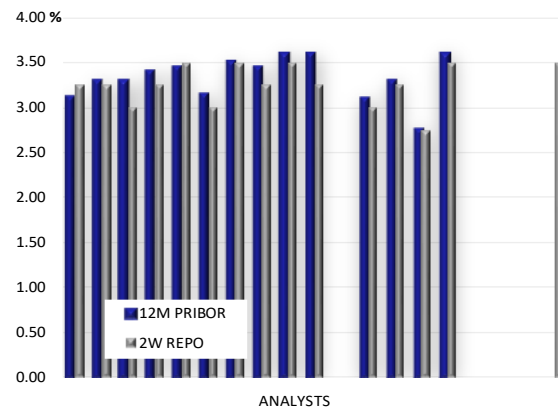
12M PRIBOR AT 1Y

ACTUAL DATA, AVERAGE AND RANGE OF PREDICTIONS



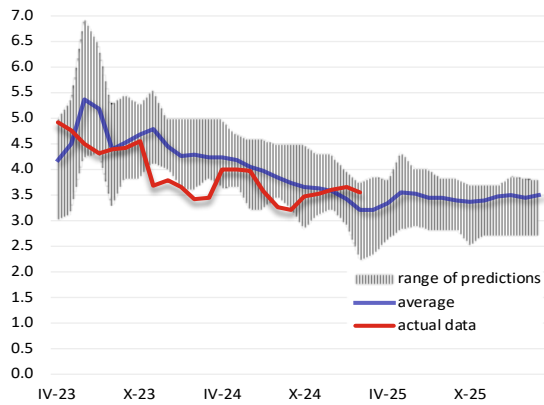
2W REPO AND 12M PRIBOR AT 1Y

PREDICTIONS OF INDIVIDUAL ANALYSTS



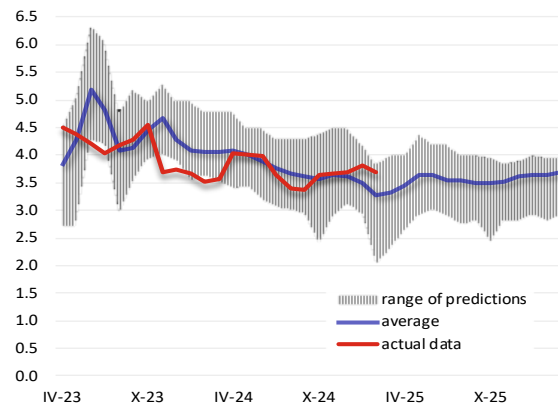
5Y IRS AT 1Y

AVERAGE AND RANGE OF PREDICTIONS



10Y IRS AT 1Y

AVERAGE AND RANGE OF PREDICTIONS



V. EXCHANGE RATE

1M AND 1Y EXCHANGE RATE FORECAST

	1M	1Y
III.24	25.26	24.67
IV.24	25.28	24.74
VII.24	25.21	24.70
IX.24	25.07	24.75
X.24	25.16	24.62
XII.24	25.08	24.83
II.25	25.13	24.93
III.25	25.04	24.74

EXCHANGE RATE FORECAST

March 2025	EUR/CZK	
	1M	1Y
minimum	25.00	24.30
average	25.04	24.74
maximum	25.15	25.20

ACTUAL EUR/CZK AS OF FORECAST DEADLINE

15.3.	25.02
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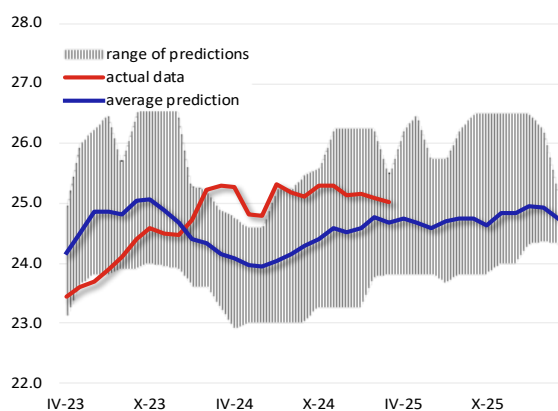
At the closing date of this survey, the koruna exchange rate was at a similar level as in mid-February at only 3 hellers stronger, i.e. CZK 25.02 to the euro. The koruna exchange rate was affected by considerable uncertainty related to the communication by Donald Trump and the unpredictable steps taken by his new administration. The German elections may have helped strengthen the koruna by raising hopes of an earlier economic recovery in Germany, which would also support the Czech economy. The analysts now believe that the koruna will stay closer to CZK 25 to the euro and have adjusted their monthly estimate to CZK 25.04 to the euro on average, which is 9 hellers stronger than a month ago. The average forecast also recorded a move to a stronger level at the one-year horizon, by 19 hellers to CZK 24.74 to the euro.

The koruna is likely to remain very sensitive to global developments. The analysts continue to expect a scenario of the very gradual appreciation of the koruna. This should be aided not only by the recovery of the Czech and European economies, but also by the cautious approach of the CNB Bank Board, which could end the process of lowering key interest rates at higher levels than originally expected. The US Fed's very slow reduction in its key interest rates and market sentiment, marked by concerns about the economic situation in the EU due to trade wars, could act in the opposite direction.

The CNB's winter forecast assumes a koruna exchange rate of CZK 25.4 to the euro in 2026 Q1.

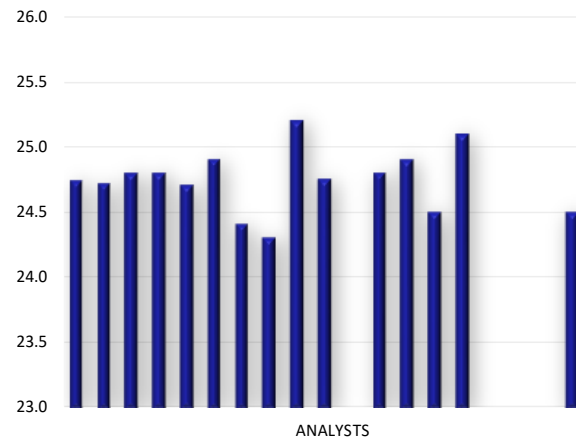
EUR/CZK

ACTUAL DATA, 1Y PREDICTIONS AND THEIR RANGE



EUR/CZK AT 1Y

PREDICTIONS OF INDIVIDUAL ANALYSTS



VI. NOMINAL WAGES

FORECAST FOR NOMINAL WAGE GROWTH

(%)

March 2025	current year	current+1Y
minimum	4.9	4.0
average	5.8	5.1
maximum	6.8	6.4

FORECAST FOR NOMINAL WAGE GROWTH

(%)

Date of Prediction	current year	current+1Y
III.24	6.2	5.1
IV.24	6.1	5.1
VII.24	6.8	5.4
IX.24	6.7	5.5
X.24	6.7	5.5
XII.24	6.8	5.7
II.25	5.8	5.1
III.25	5.8	5.1

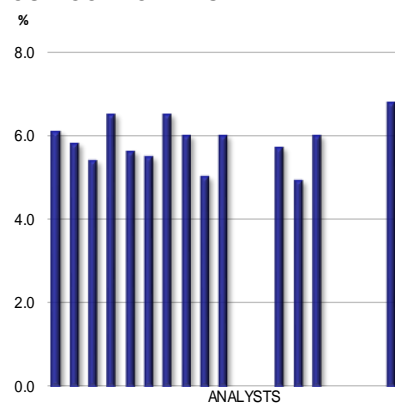
At the end of February this year, 326,000 jobseekers were registered with the Labour Office of the Czech Republic, which is 5,707 more than in January. The registered unemployment rate rose by 0.1 percentage point month on month to 4.4%. This is 0.4 percentage point higher than a year ago. At the same time, vacancies increased by 4,739 to 88,000. According to the Czech Statistical Office, the average gross monthly nominal wage in 2025 Q4 increased by 7.2% year on year to CZK 49,229. This corresponds to a real increase of 4.2%. The number of employees increased by 0.1%. In 2024 as a whole, wages increased by 7.1% and 4.6% in real terms.

This relatively high wage growth is due to low unemployment and the recent fall in real wages, for which employees are now demanding compensation. The recovery of the domestic economy may also be playing a role. Although wage growth in Q4 exceeded consensus estimates, the analysts' views on nominal wage growth in 2025 and 2026 have not changed since the last survey. They still expect wages to rise by 5.8% on average this year and to slow slightly to 5.1% in the next. The gradual economic recovery is expected to remain the driving force, while uncertainty related to US tariff policy and increased CNB rates will continue to act in the opposite direction in this area.

The CNB's winter forecast expects nominal wages to increase by 6.1% in 2025, slowing to 5.0% in 2026.

INDIVIDUAL 1Y PREDICTIONS

OUTLOOK FOR THIS YEAR



NOMINAL WAGE GROWTH

END OF CURRENT YEAR: AVERAGE AND RANGE OF PREDICTIONS (%)

