

Financial Market Inflation Expectations

— 4/2025



Czech National Bank — Financial Market Inflation Expectations — 4/2025

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I. SUMMARY

Thirteen domestic and four foreign analysts took part in the April survey of financial market inflation expectations. The survey results reveal that, compared to March, the analysts expect slightly lower inflation at both the one-year and three-year horizons amid slightly weaker expected economic growth both this year and next. At the same time, the majority of the respondents believed that the CNB Bank Board would lower the 2W repo rate by 25 basis points to 3.50% at its May meeting. With regard to the slight change in the koruna's exchange rate on the foreign exchange market, the one-month forecast did not experience a major change. The analysts now expect a more gradual appreciation trend at the one-year horizon. The opinion on nominal wage growth was unchanged from the previous survey.

DOMESTIC ANALYSTS	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Jiří Polanský, Česká spořitelna	+	+	+	+								
Jan Vejrnělek, Komerční banka	+	+	+	+								
Patrik Rožumberský, Unicredit Global Research	+	+	+	+								
Helena Horská, Martin Kron, Raiffeisenbank	+	+	+	+								
Petr Dufek, Banka CREDITAS	+	+	+	+								
Petr Sklenář, J&T Banka	+	+	+									
Radomír Jác, 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, 7 May 2025

II. INFLATION

FORECAST FOR Y/Y CPI GROWTH

(%)

April 2025	CPI	
	1Y	3Y
minimum	1.9	2.0
average	2.2	2.1
maximum	2.7	2.5

1Y AND 3Y FORECAST FOR CPI GROWTH

(%)

Date of Prediction	ANALYSTS		CNB (%)
	1Y	3Y	1Y
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
IV.25	2.2	2.1	

In March, the consumer price index rose at the same rate as in February, i.e. 2.7%, with food price increases being almost fully offset by lower fuel prices. The prices of goods and services rose by 1.6% and 4.5% respectively. Inflation rose by 0.1% month on month, mainly reflecting more expensive eggs, as well as the prices of fruit, poultry, non-alcoholic beverages, tobacco products and accommodation services. In contrast, cheaper fuels and package holidays prevented higher growth in consumer prices. In month-on-month terms, goods increased by 0.1%, while services increased by 0.2%.

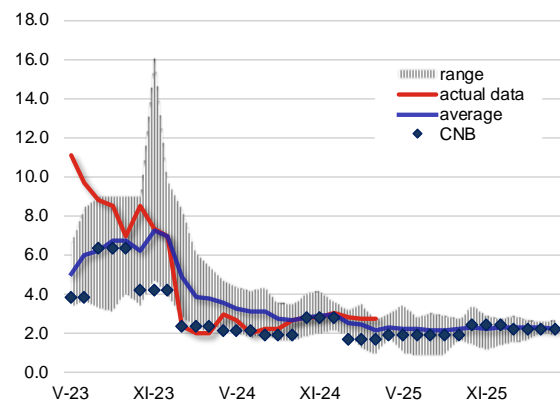
Owing to recent events, the analysts revised their estimates of future inflation downwards again, back to the levels they had expected this February. The one-year forecast decreased by 0.1 percentage point to 2.2% on average. The range of the individual estimates widened due to a slight decline in the minimum value and a slight rise in the maximum. The three-year outlook saw a decline in expected inflation of the same magnitude, to 2.1%. As the outer values remained at the previous level, the range of the forecasts remained unchanged.

Although annual core inflation stagnated and was at higher levels than some analytical workplaces had expected, the month-on-month rate of growth was estimated to have slowed. This could signal an unwinding of the revaluation effect, which usually occurs at the start of a calendar year. According to the analysts, annual headline inflation should stabilise just above the 2% target by the end of the year. Its slowdown will be fostered by lower fuel and energy prices. Weak consumer demand could also dampen inflation, but it will depend heavily on the rate of nominal wage growth. A downturn in industry is likely to act in the same direction.

The CNB's spring forecast expects consumer prices to rise by 2.2% year on year in 2026 Q2.

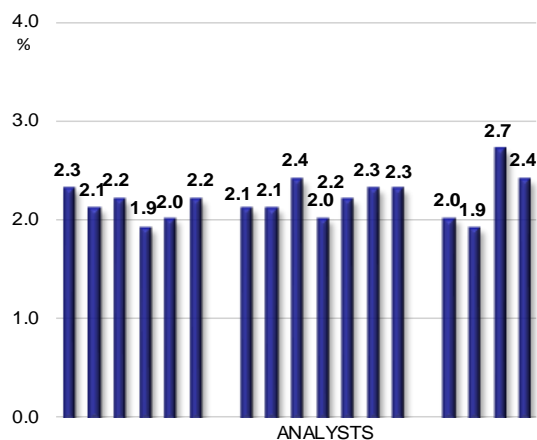
CONSUMER PRICE INDEX

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

(%)

April 2025	current year	current+ 1Y
minimum	1.2	1.2
average	1.8	2.1
maximum	2.5	2.9

FORECAST FOR GDP GROWTH

(%)

Date of Prediction	current year	current+1Y
IV.24	1.2	2.6
V.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
IV.25	1.8	2.1

Upon the publication of the sectoral accounts, the Czech Statistical Office (CZSO) confirmed annual GDP growth at 1.8% in the fourth quarter of last year and quarter-on-quarter growth at 0.7%. The full-year growth rate also remained at 1.0%. Information on households' real income was also published. Its year-on-year growth rate slowed to 1.8% in Q4, but real consumption picked up slightly to 3.4%. The saving rate fell to 18.3%. The profit rate for non-financial corporations fell to 44.3%, but remains above the EU average of around 40% according to the CZSO. The investment rate remained at the Q3 level of 26.9%.

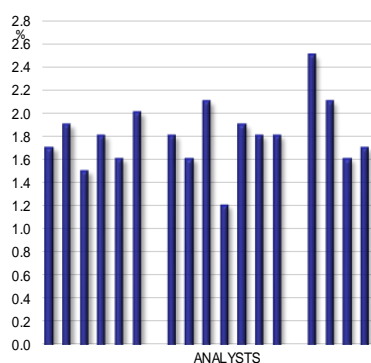
The analysts' views on domestic economic growth this year and next are probably less optimistic due to recent events abroad (especially with regard to the US tariff policy). The average estimate for this year and next decreased by 0.2 percentage point. The domestic economy should thus grow by 1.8% in 2025 and the estimate for economic growth in 2026 was revised upwards to 2.1%. The range of individual estimates widened at both horizons, due to a decline in the minimum values and an increase in the maximum values, which is evidenced by apparent increased uncertainty stemming from recent developments in global international relations.

The analysts still believe that household consumption, driven by higher purchasing power based on real wage growth, will be the main driver of growth this year (albeit less dynamic than in the previous survey). On the contrary, a deterioration in consumer sentiment could dampen household consumption. Investment and export trends have been clouded by a huge degree of uncertainty. The impact of the tariff wars will be crucial, as their negative effect on the German economy will thus adversely affect demand for Czech manufacturing output. Moreover, the uncertainty itself is complicating and delaying corporate investment activity. The planned fiscal expansion in Germany could have the opposite effect.

According to the CNB's spring forecast, GDP will grow by 2.0% in 2025 and accelerate to 2.1% in 2026.

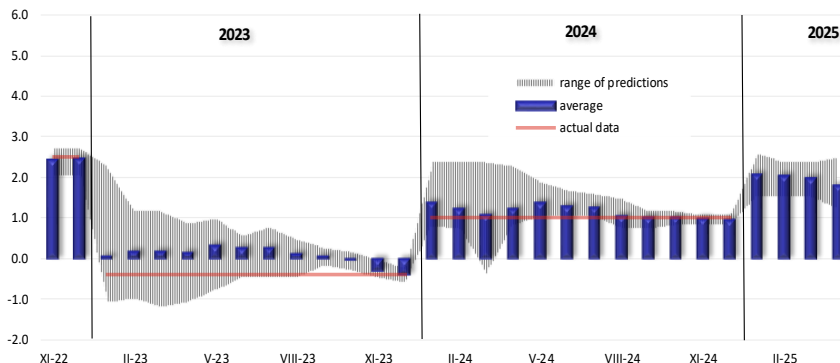
INDIVIDUAL 1Y PREDICTIONS

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
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
IV.25	3.59	3.13	3.42	3.26	3.38	3.40	3.65	3.64

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

(%)

April 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	3.25	2.70	3.46	2.80
average	3.59	3.13	3.42	3.26	3.38	3.40	3.65	3.64
maximum	3.75	3.50	3.50	3.60	3.55	3.70	4.00	4.00

ACTUAL INDICATOR VALUES AS OF FORECAST DEADLINE

(%)

	2W repo rate	12M PRIBOR	5Y IRS	10Y IRS
15.4.	3.75	3.42	3.30	3.63

This time, in contrast to the March survey, when rates were still expected to be flat, the majority of the analysts were expecting the CNB Bank Board to lower key interest rates by 25 basis points at its May meeting. Of the 17 respondents, 11 expected the 2W repo rate to fall to 3.5%. According to the analysts, the monetary policy easing was due to slowing inflation, which, according to some opinions, could fall to close to 2% thanks to comparison base effects and cheaper fuels. By contrast, six analysts continued to expect the 2W repo rate to be flat at 3.75%.

Despite some inflationary pressures from the economy, such as trends in wages and the prices of services, agricultural products and food, despite a cautious approach by CNB Bank Board members, the analysts mostly believe that key interest rates will decline further. They expect a slightly lower average level at the one-year horizon than in the previous survey. This may be due to the risk of a weakening of the US economy, which could spill over to the EU. On average, it is estimated that the 2W repo rate will be 3.13% next April. However, some of the respondents point to CNB communications according to which part of the Bank Board sees a 2W repo rate higher, at 3.25% or 3.50% at the one-year horizon.

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

(%)

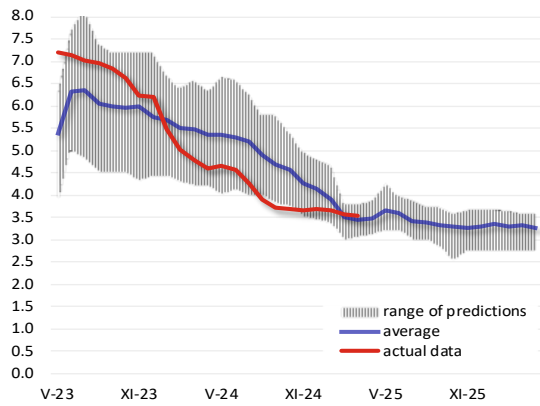
2W repo rate level in 1Y (%)	2.50	2.75	3.00	3.25	3.50	3.75
number of analysts - current survey	0	2	7	5	3	0
-previous survey	0	1	3	6	5	0

Concerns about the impacts of tariff wars on economic growth shifted money market rates and interest rate derivative rates downwards (12 PRIBOR -10 basis points, 5Y IRS -32 basis points and 10Y IRS -23 basis points). The analysts' average forecasts also shifted downwards (by 5–22 basis points), albeit to a lesser extent. The expected one-month forecast for 10Y IRS rates was close to the one-year forecast, and for 5Y contracts the one-month forecast even fell below the one-year forecast for the first time in a long time.

The CNB's spring forecast implies a 2W repo rate of 2.7% in 2026 Q2.

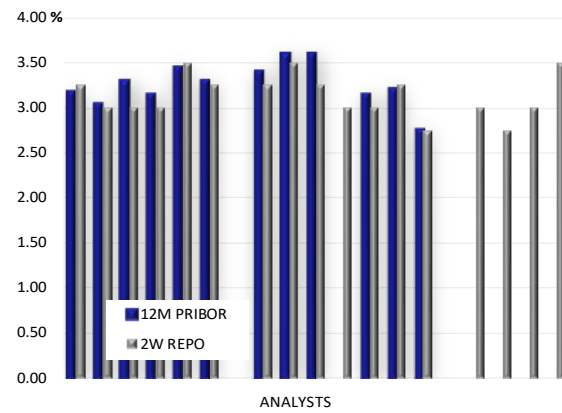
12M PRIBOR AT 1Y

ACTUAL DATA, AVERAGE AND RANGE OF PREDICTIONS



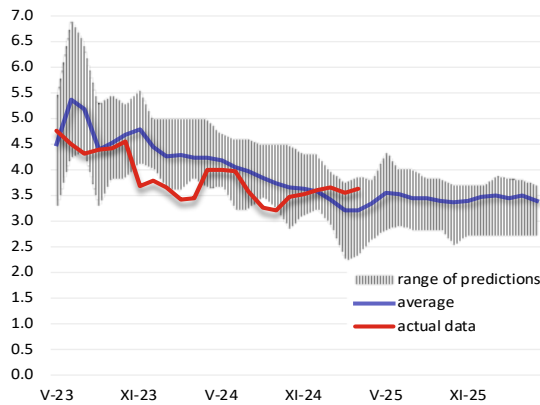
2W REPO AND 12M PRIBOR AT 1Y

PREDICTIONS OF INDIVIDUAL ANALYSTS



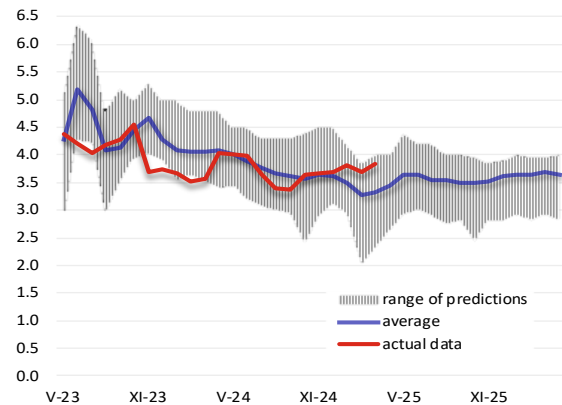
5Y IRS AT 1Y

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
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
IV.25	25.05	24.88

EXCHANGE RATE FORECAST

April 2025	EUR/CZK	
	1M	1Y
minimum	25.00	24.40
average	25.05	24.88
maximum	25.10	26.00

ACTUAL EUR/CZK AS OF FORECAST DEADLINE

15.4.	25.07
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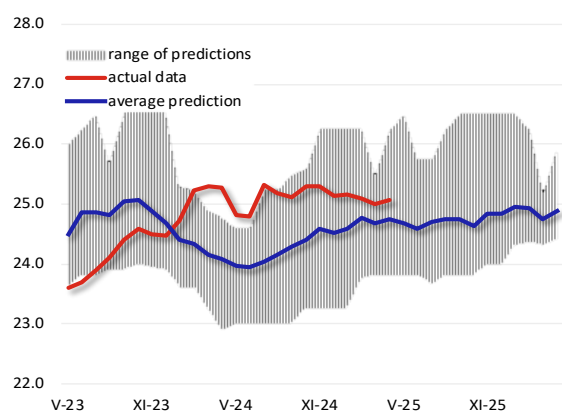
The koruna exchange rate was again at similar levels at the cut-off date for this survey as in March. In fact, it had depreciated by only 5 hellers to CZK 25.07 to the euro. The monthly average forecast in our survey was also little changed and moved only 1 heller towards weaker levels, i.e. to CZK 25.05 to the euro. In the case of the one-year forecast, the correction was more pronounced, by 14 hellers to CZK 24.88 to the euro. The analysts therefore now expect the koruna to appreciate more slowly than a month ago over the one-year horizon.

According to some of the analysts, the koruna's current exchange rate is in line with macroeconomic fundamentals. It is being affected by the continuing gradual recovery of the Czech economy, the CNB's hawkish communications and the global situation. In the period ahead, the koruna will seek direction in an environment of uncertain international trade, so increased volatility cannot be ruled out completely. The analysts continue to expect an appreciation scenario, although the path should be slightly more gradual. The koruna will be boosted by the expected recovery of the Czech and European economies, the positive interest rate differential and possibly also a ceasefire in the war in Ukraine. Trade wars may act in the opposite direction, especially if tariffs remain high for longer. Political developments in the USA themselves are assessed as a bilateral risk.

The CNB's spring forecast expects the koruna exchange rate to reach CZK 25.3 to the euro in 2026 Q2.

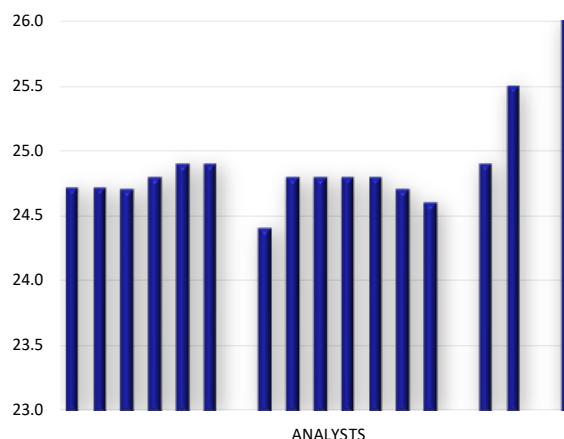
EUR/CZK

ACTUAL DATA, 1Y PREDICTIONS AND THEIR RANGE



EUR/CZK AT 1Y

PREDICTIONS OF INDIVIDUAL ANALYSTS



VI. NOMINAL WAGES

FORECAST FOR NOMINAL WAGE GROWTH

(%)

April 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
IV .24	6.1	5.1
V II.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
IV.25	5.8	5.1

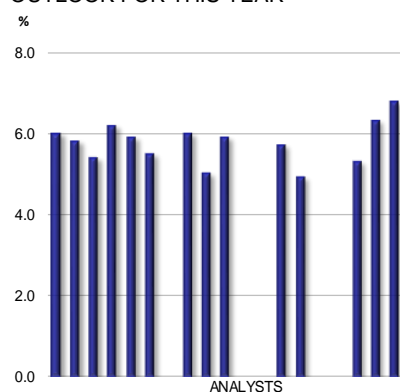
The labour office registered 322,000 jobseekers at the end of March. This is 4,000 fewer than at the end of February. The unemployment rate was 4.3% at the end of the first quarter this year, which is 0.1 percentage point lower than at the end of February and 0.4 percentage point more than a year earlier. The number of job vacancies rose by 3,700 month on month to almost 92,000.

The analysts' comments suggest that domestic firms might increase their orders in connection with the planned investment and higher budget expenditure in Germany, which will help keep unemployment low. In such an environment, nominal wage growth is expected to outpace inflation without any trouble this year and next, thereby also ensuring growth in real wages. The analysts' view of nominal wage growth was unchanged on average since March and continues to expect it to increase by 5.8% in 2025 and then slow to 5.1% in 2026.

According to the CNB's spring forecast, nominal wages are expected to increase by 6.1% in 2025 and slow to 4.9% in 2026.

INDIVIDUAL 1Y PREDICTIONS

OUTLOOK FOR THIS YEAR



NOMINAL WAGE GROWTH

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

