

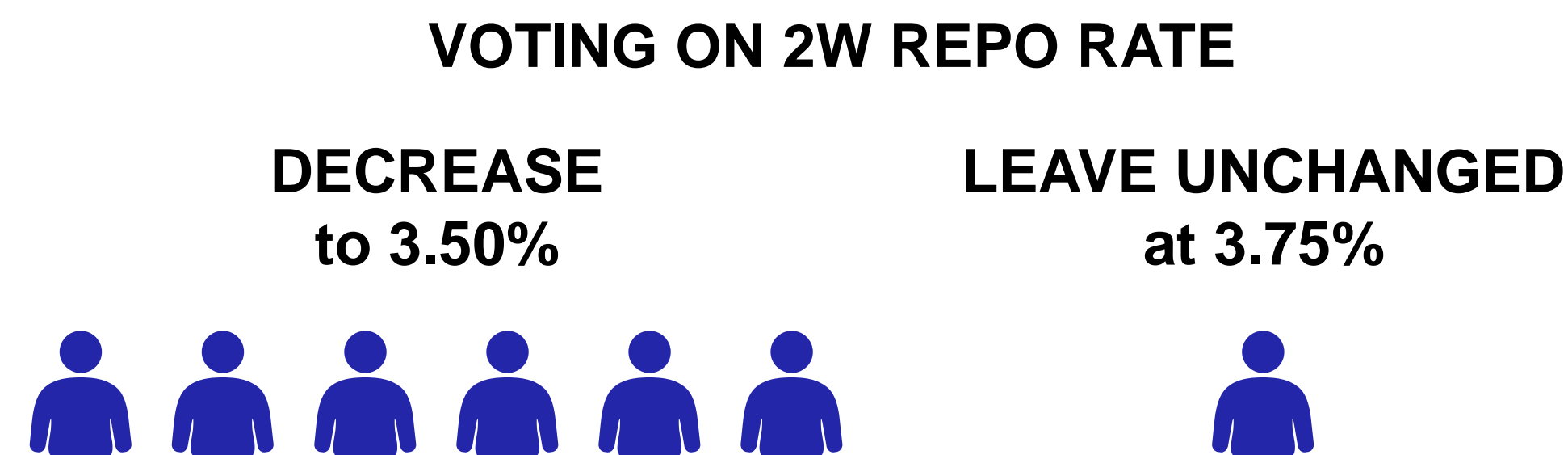
3rd Situation Report on Economic and Monetary Developments

Press conference of the Bank Board



Monetary policy decision

2.50%	3.50%	4.50%
discount rate	2W repo rate	Lombard rate



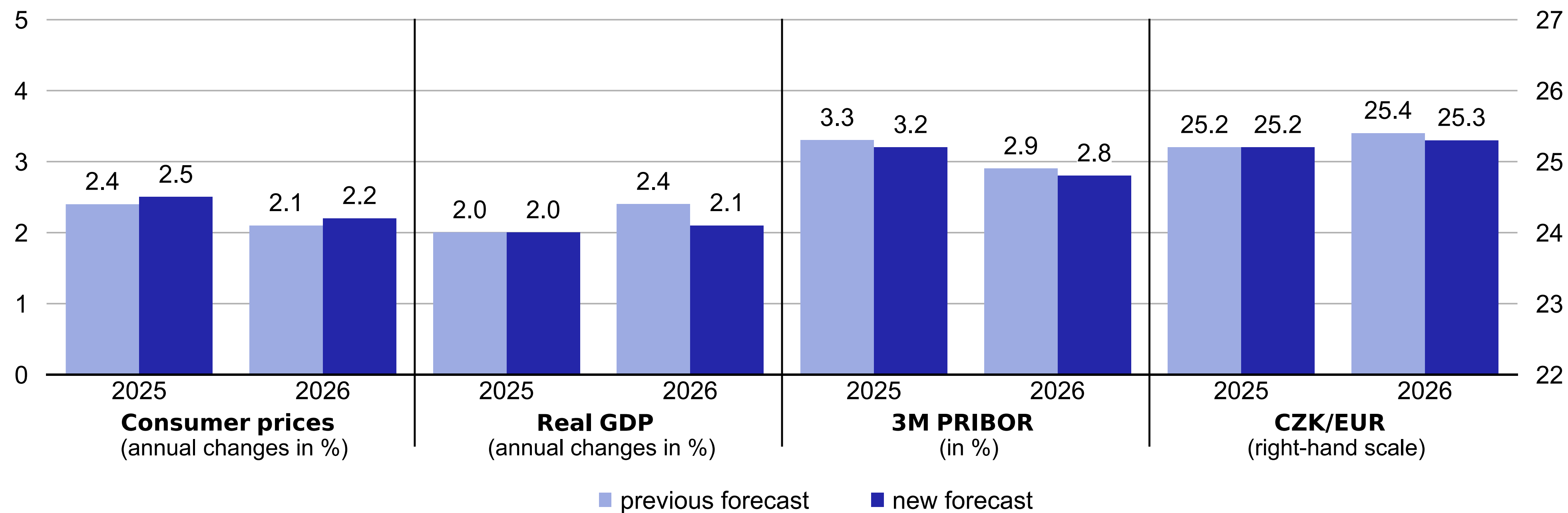
The decision adopted by the Bank Board is underpinned by **the ČNB's new macroeconomic forecast**. It also implies a decline in interest rates in 2025 Q2 followed by broadly stable rates.

At the same time, the Bank Board confirmed its determination to **continue its monetary policy in order to maintain inflation near the 2% target in the long term**. At present, this still requires relatively restrictive monetary policy.

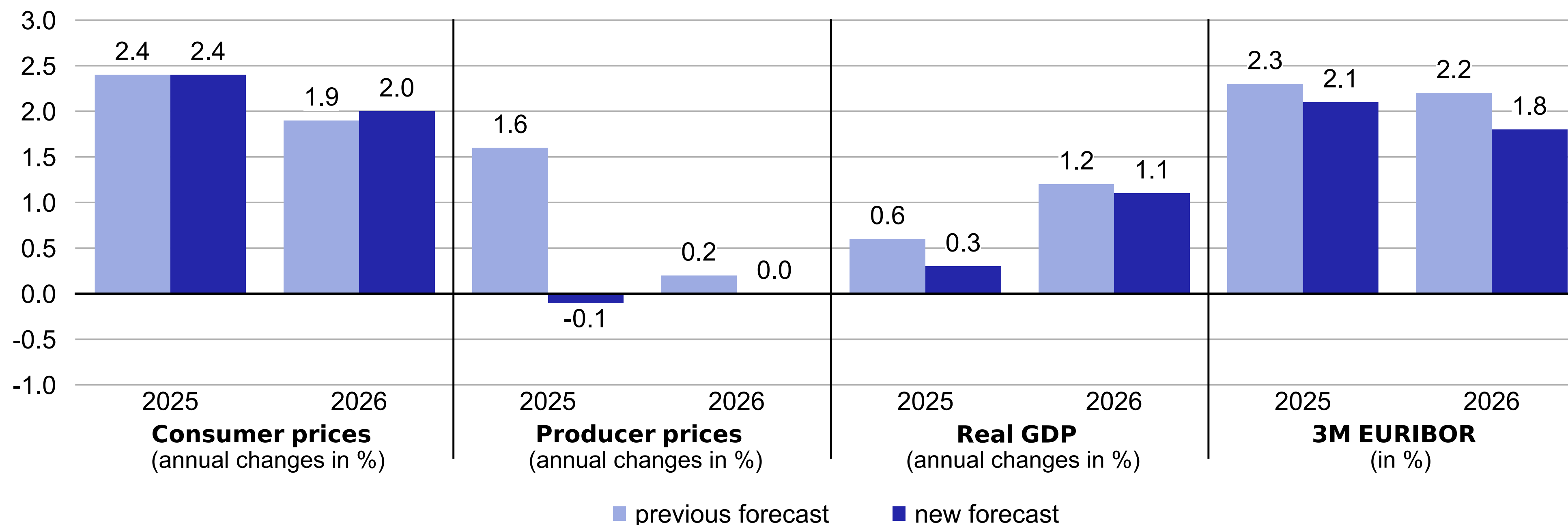
Economic developments

- The Czech economy is gradually recovering. According to the CZSO's flash estimate, GDP rose by 0.5% quarter on quarter and by 2% year on year in 2025 Q1.
- Growth is being driven mainly by household consumption, which is being supported by renewed real income growth and moderation of monetary policy restriction. On the other hand, external demand remains subdued, mainly due to the decline in European industry. The latter is facing high energy prices, structural problems and uncertainty relating to US trade policy.
- Unemployment remains low. Average wage growth in market sectors stood at 8.3% year on year in 2024 Q4, remaining elevated from a historical perspective. It is also one of the reasons for the inertia in services inflation.

Comparison with the previous CNB forecast

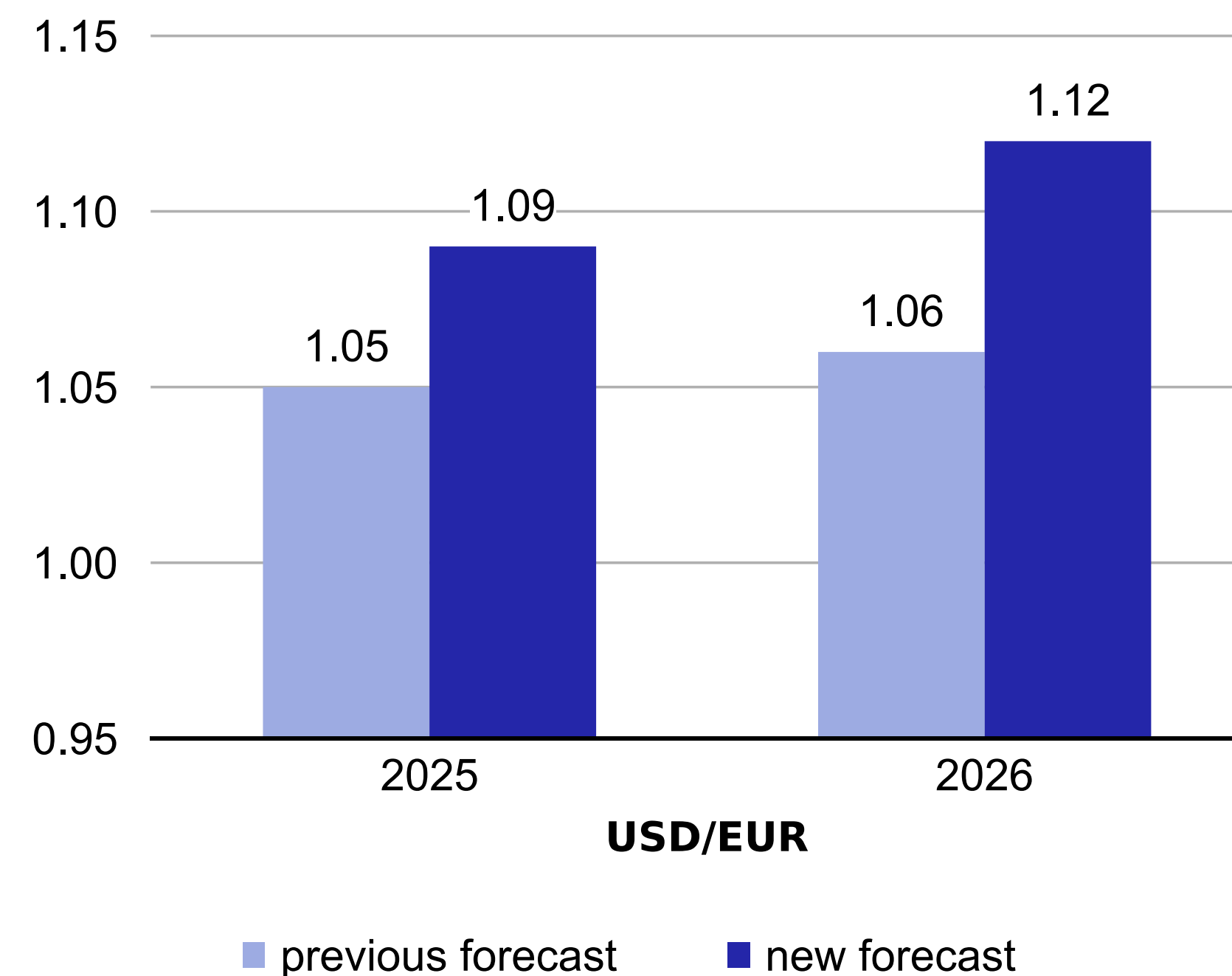
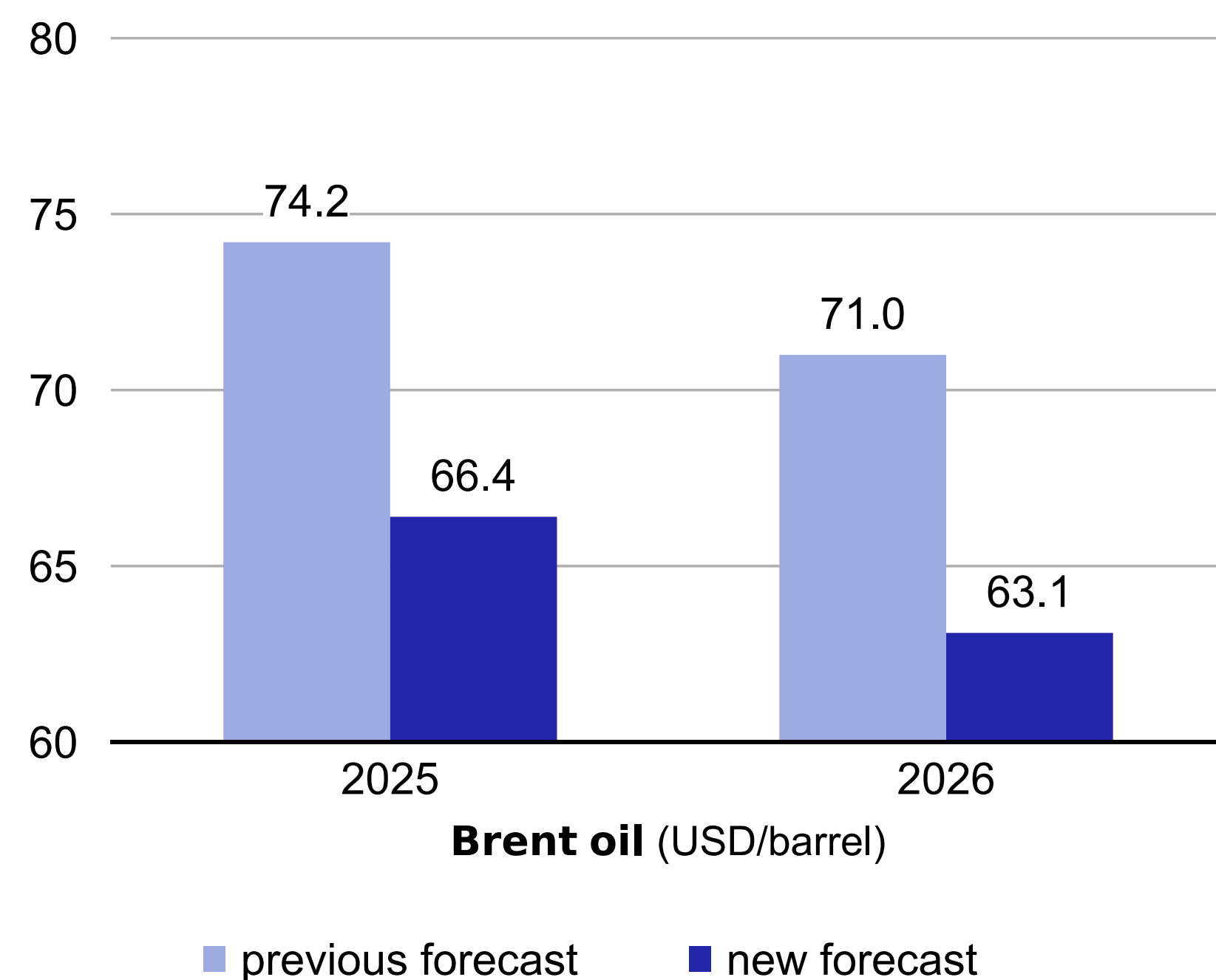


External environment: forecast and outlook for the euro area

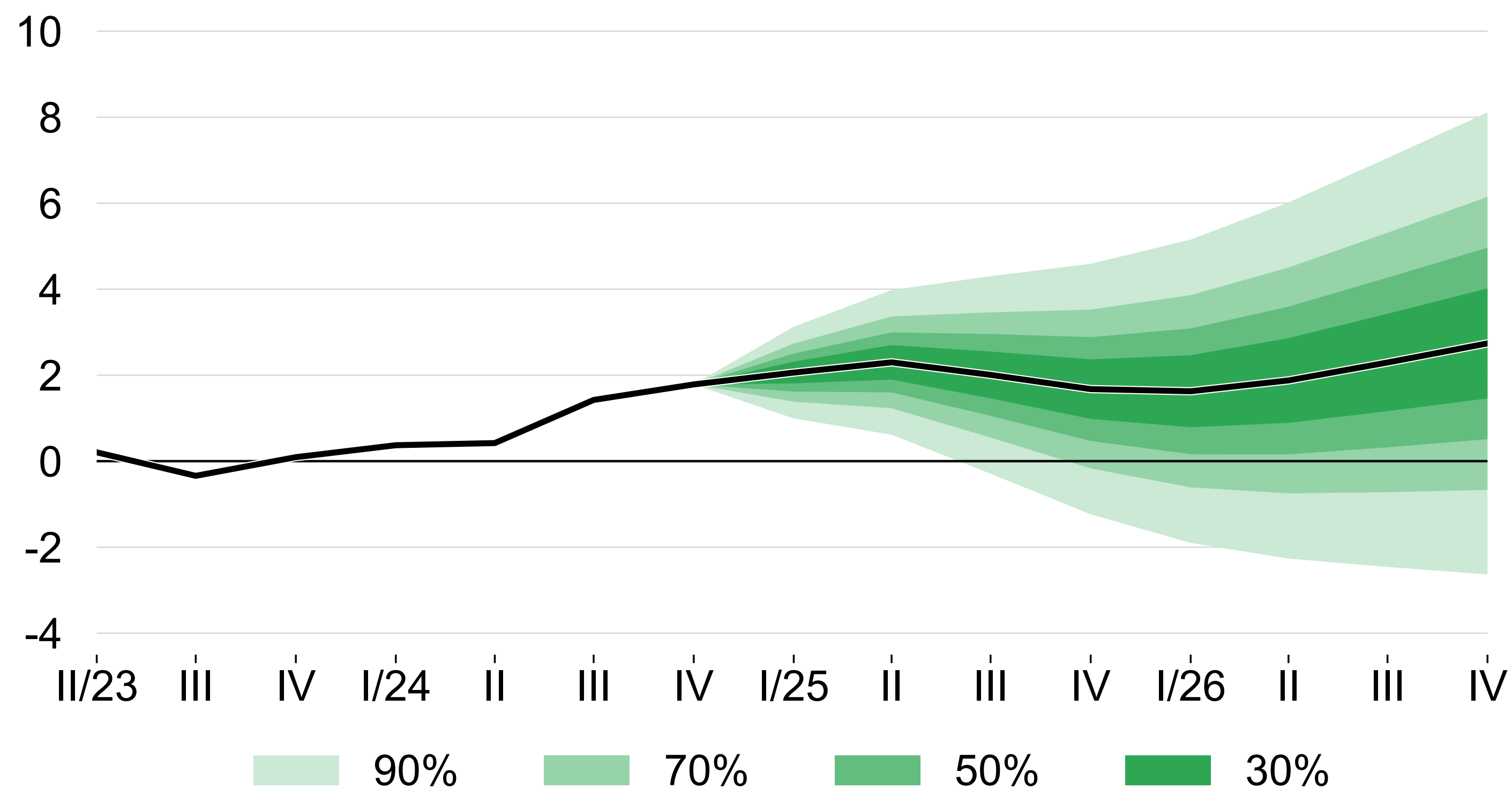


Note: Developments in the euro area are approximated by developments in the “effective euro area” – the six euro area countries with which the Czech economy has the strongest trade links.

External environment: oil price and the USD/EUR exchange rate

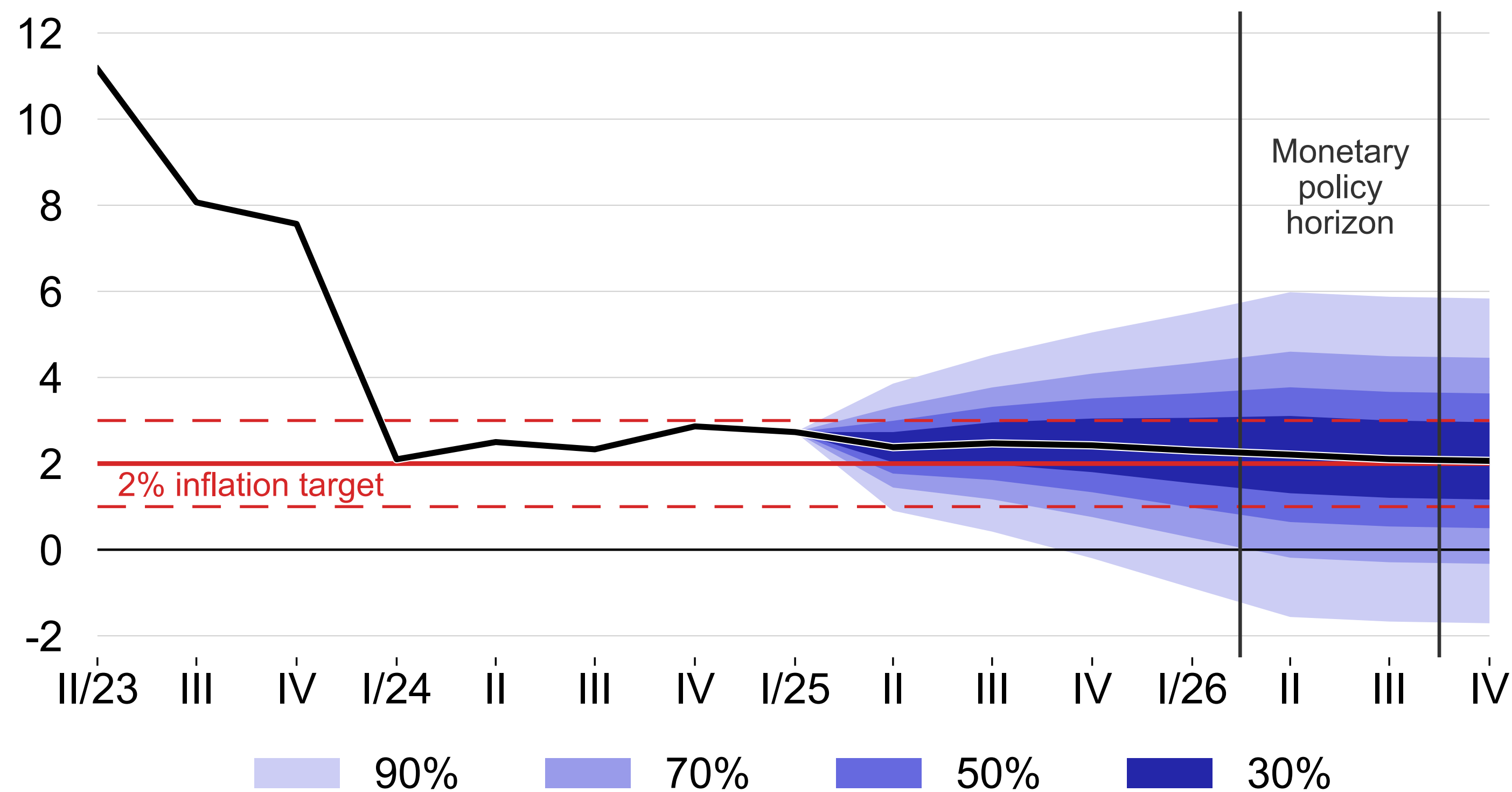


GDP forecast



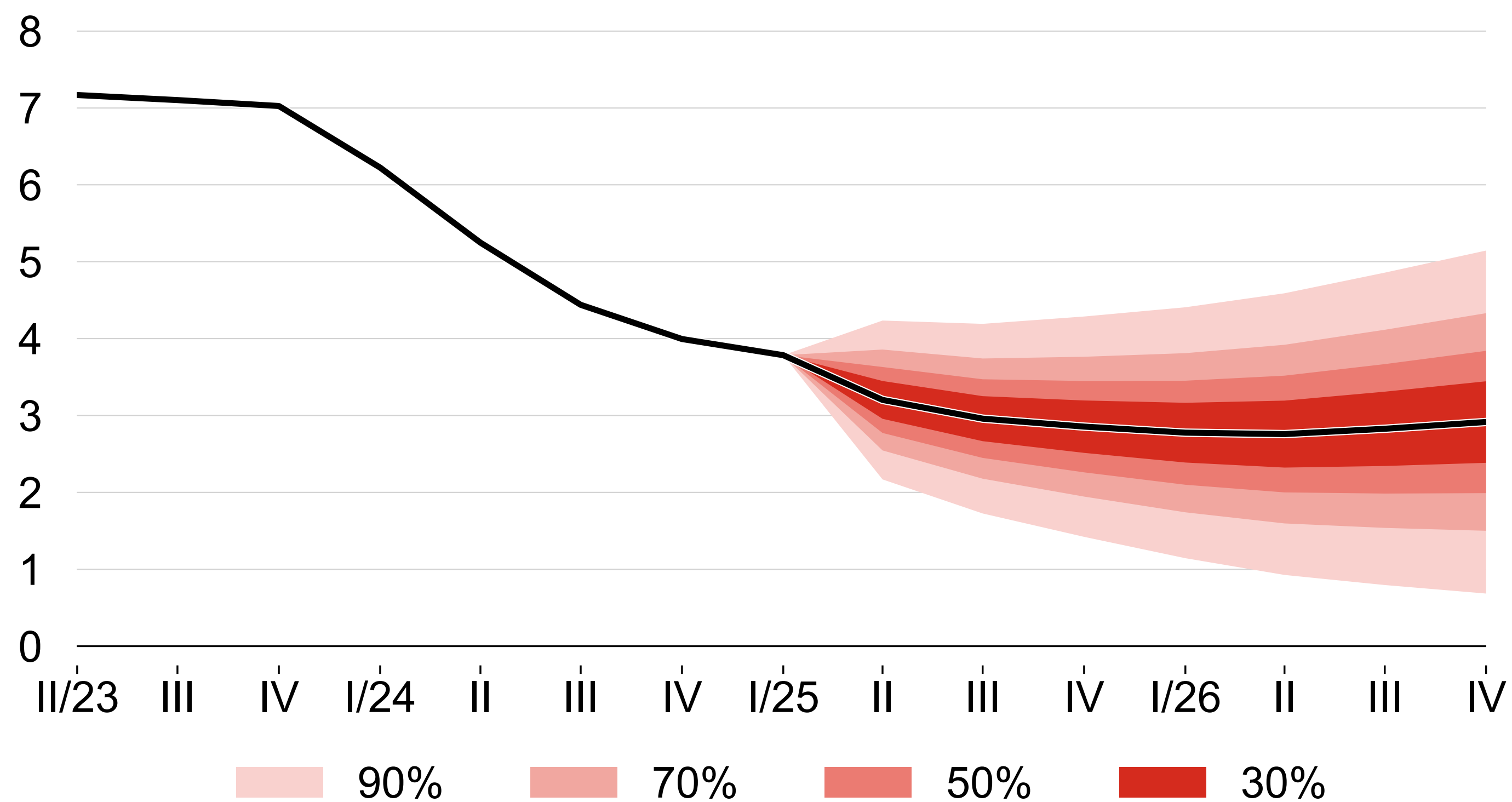
Note: y-o-y changes in %; prices of 2020 (chain-linked); seasonally adjusted.

Inflation forecast

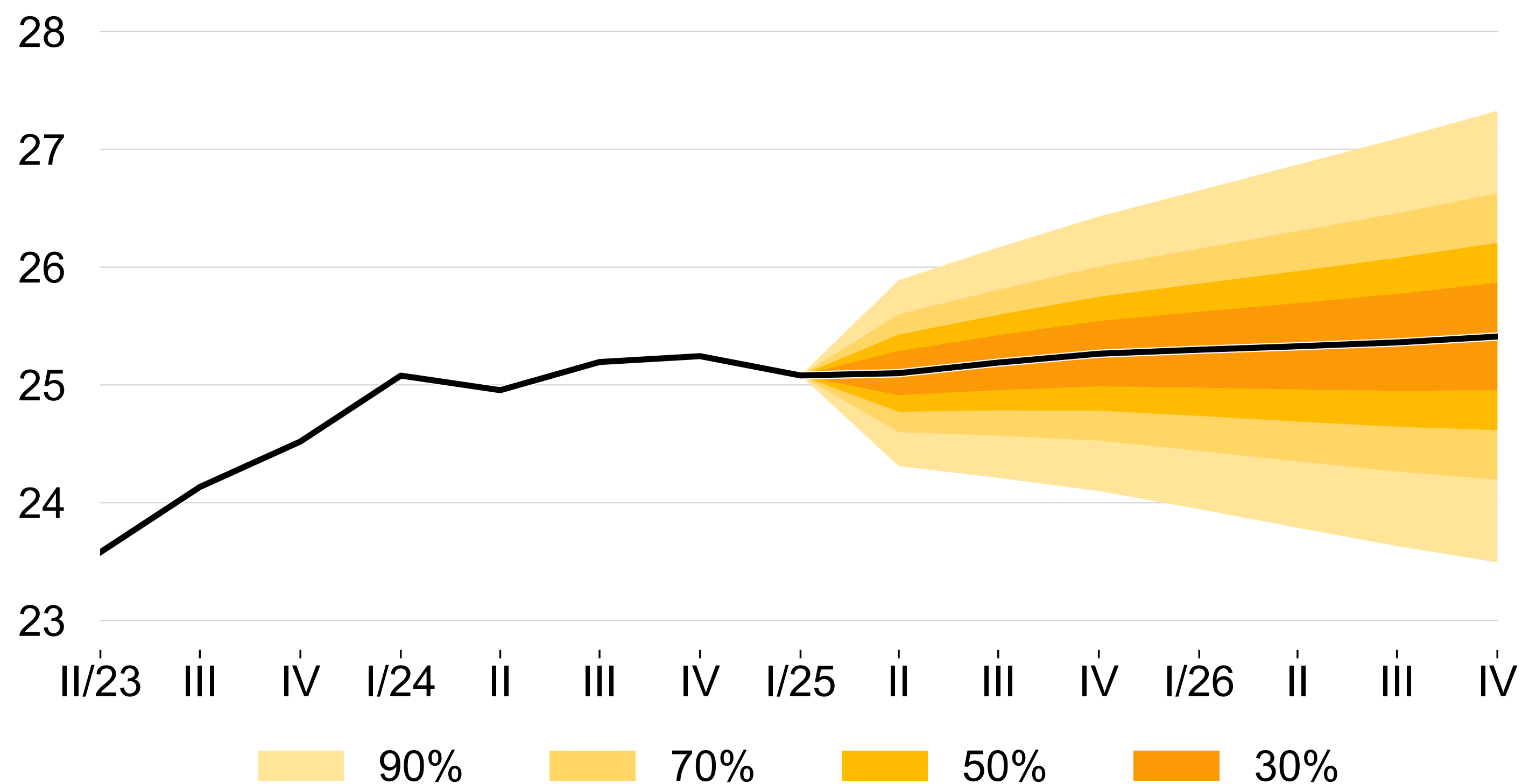


Note: y-o-y changes in %.

Interest rate forecast (3M PRIBOR)



Exchange rate forecast (CZK/EUR)



Risks and uncertainties

The Bank Board assessed the risks and uncertainties of the outlook for the fulfilment of the inflation target as modestly inflationary overall.

Inflationary risks:

- higher inertia in services and food inflation
- potential additional growth in total public sector spending
- increased wage demands in the private and public sector
- potential acceleration of money creation in the economy stemming from a further stronger recovery in lending activity, especially on the property market

Anti-inflationary risk:

- downturn in global economic activity and weaker German – and hence Czech – economic output

Uncertainty:

- escalating trade wars with uncertain impact on inflation

Statutory mandate

- The Bank Board assures the public that the CNB's actions will be sufficient to maintain price stability in accordance with its statutory mandate.
- In addition, the Bank Board is ready to react appropriately to any materialisation of the risks of the outlook for the fulfilment of the inflation target.

Thank you for your attention

More information about the forecast can be found at <https://www.cnb.cz/en/monetary-policy/forecast/> and in Monetary Policy Report – Spring 2025.

The introductory part of the Report (together with the box, the appendices and the table of key macroeconomic indicators) will be published on 9 May 2025.

The whole Report will be published on 16 May 2025.



Decision in a nutshell



Consistent with the baseline scenario of the spring forecast is a decline in interest rates in 2025 Q2.



The Bank Board assessed the risks and uncertainties of the outlook for the fulfilment of the inflation target as modestly inflationary overall.



The Bank Board lowered the key interest rate (2W repo) by 0.25 percentage point to 3.50%.



Six members voted in favour of this decision.