

5th Situation Report on Economic and Monetary Developments

Press conference of the Bank Board



Monetary policy decision

2.50%

discount
rate

3.50%

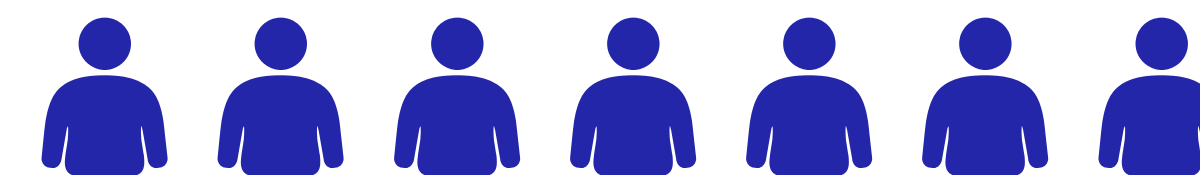
**2W repo
rate**

4.50%

Lombard
rate

VOTING ON 2W REPO RATE

LEAVE UNCHANGED at 3.50%



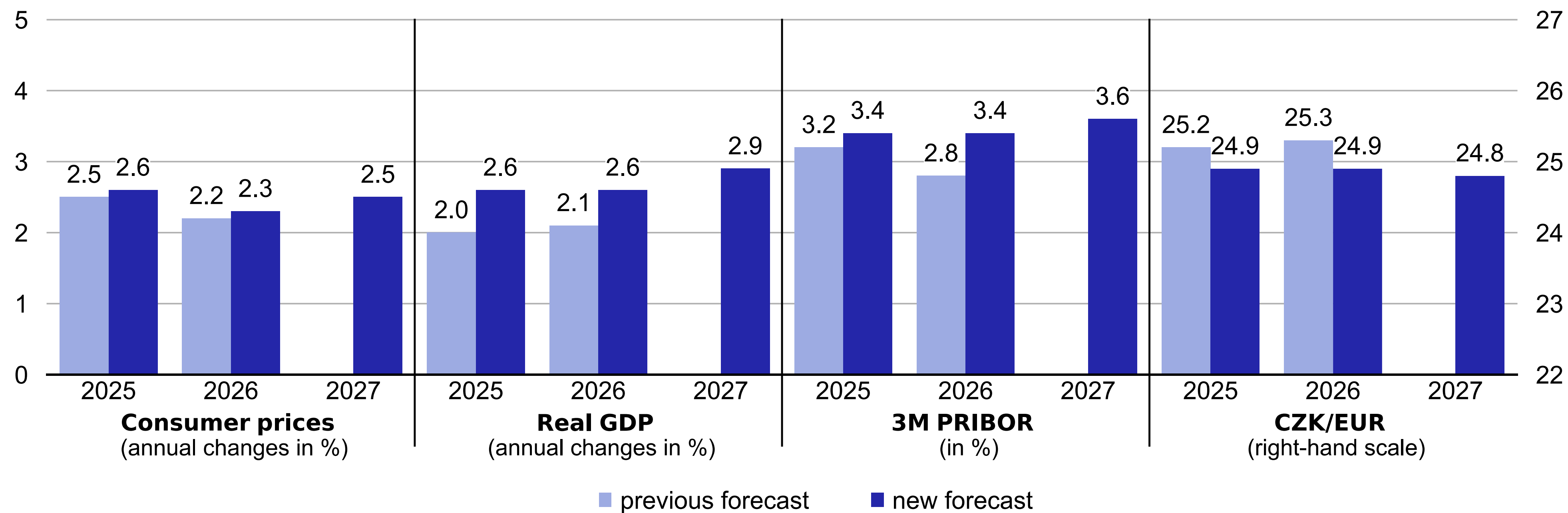
The decision adopted by the Bank Board is underpinned by **the ČNB's new macroeconomic forecast**. Its baseline scenario implies a modest decline in short-term market interest rates initially and a slight increase in 2026.

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.

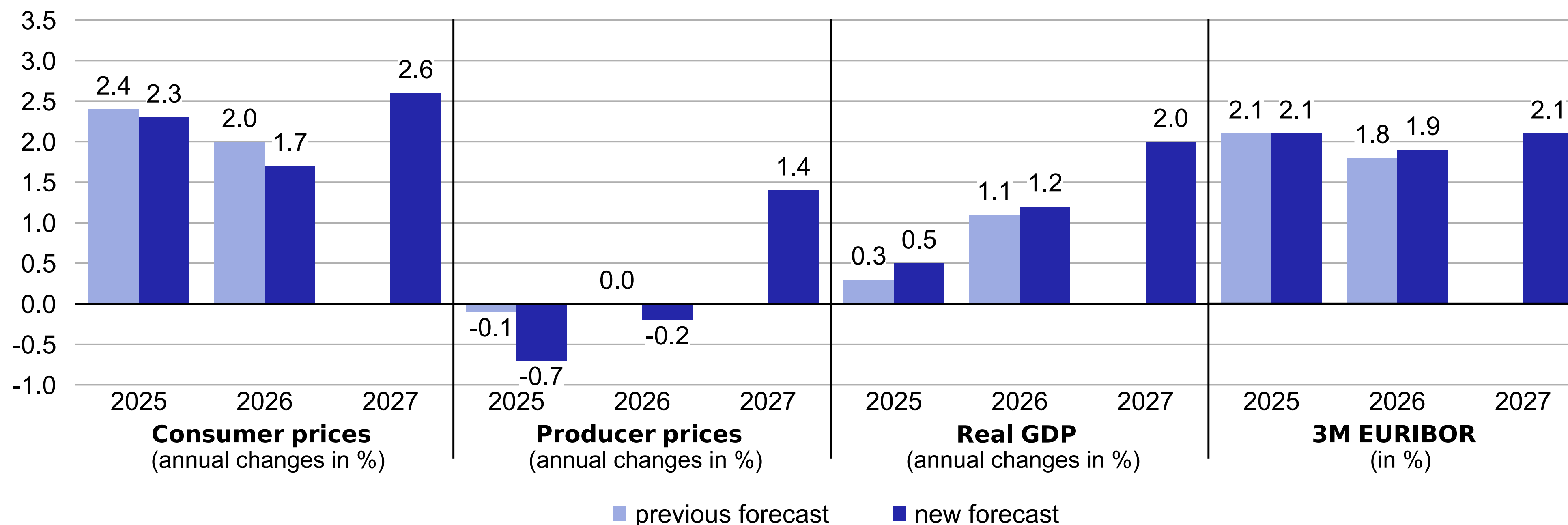
Economic developments

- The Czech economy is gradually recovering. According to the CZSO's flash estimate, GDP rose by 0.2% quarter on quarter and by 2.4% year on year in 2025 Q2.
- Growth is being driven mainly by household consumption. Unemployment remains low. Average wage growth stood at 6.7% year on year in 2025 Q1, 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

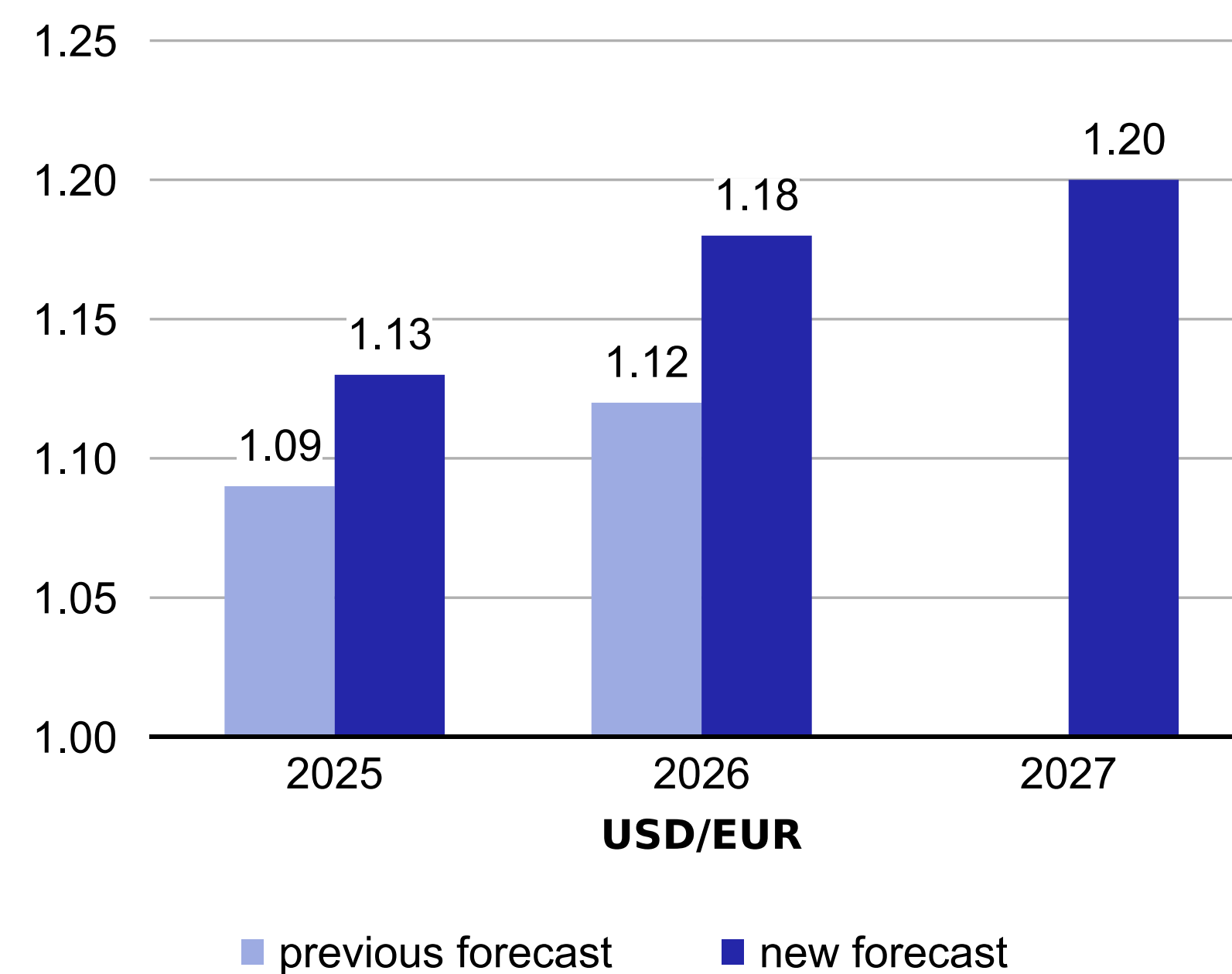
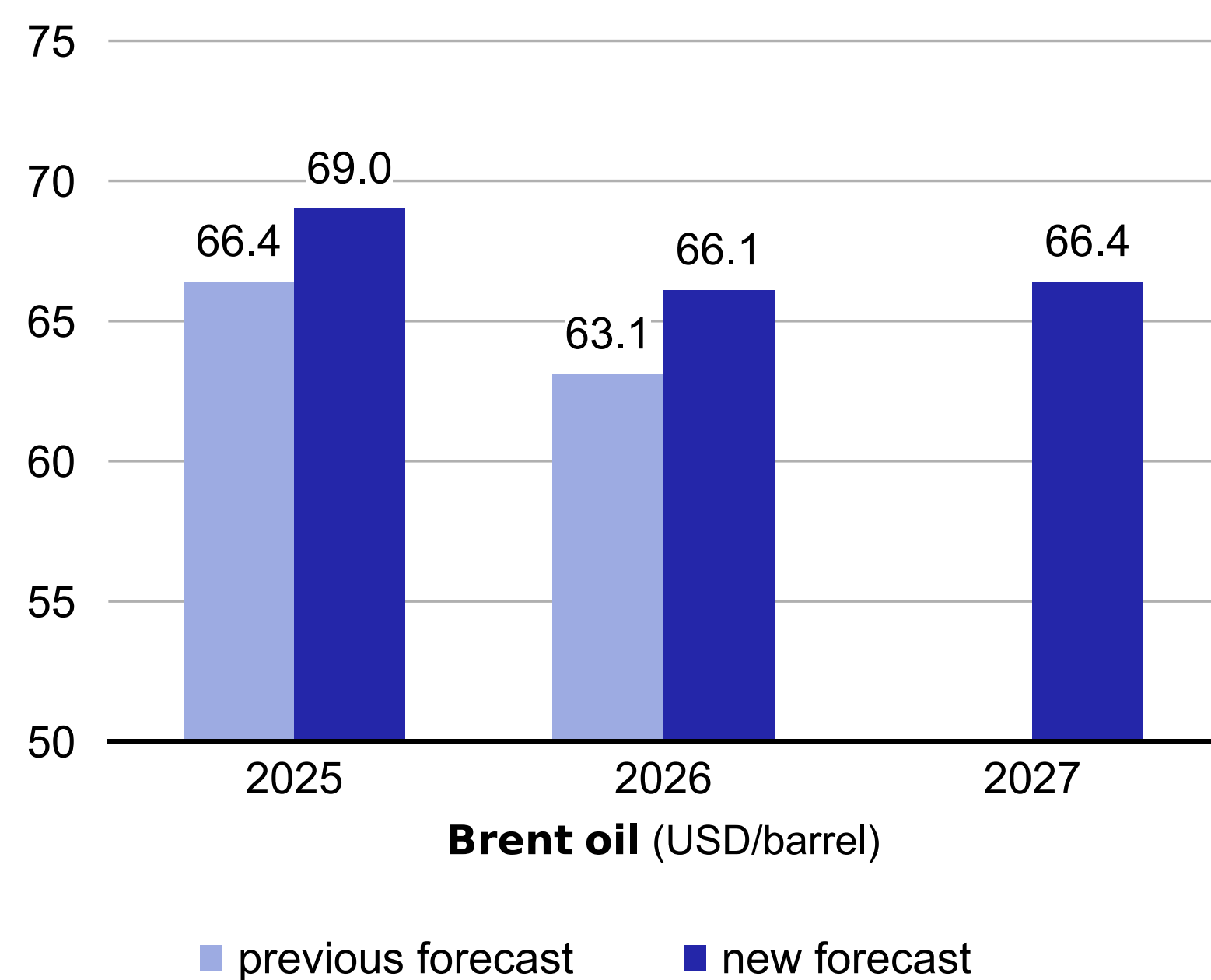


External environment: forecast and outlook for the euro area

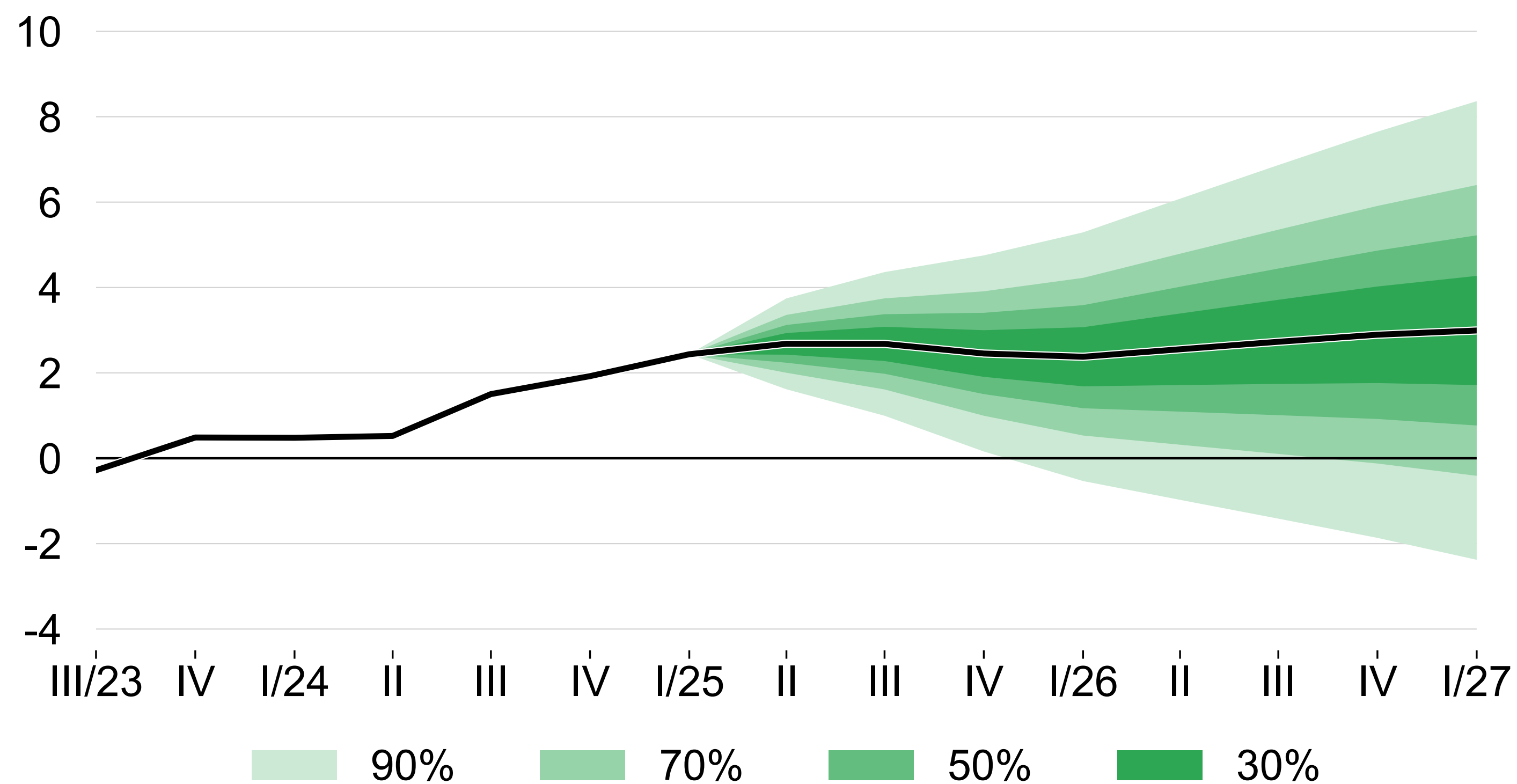


Note: Developments in the euro area are approximated by developments in the “effective euro area” – the six euro area countries with which the Czech economy has the strongest trade links.

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

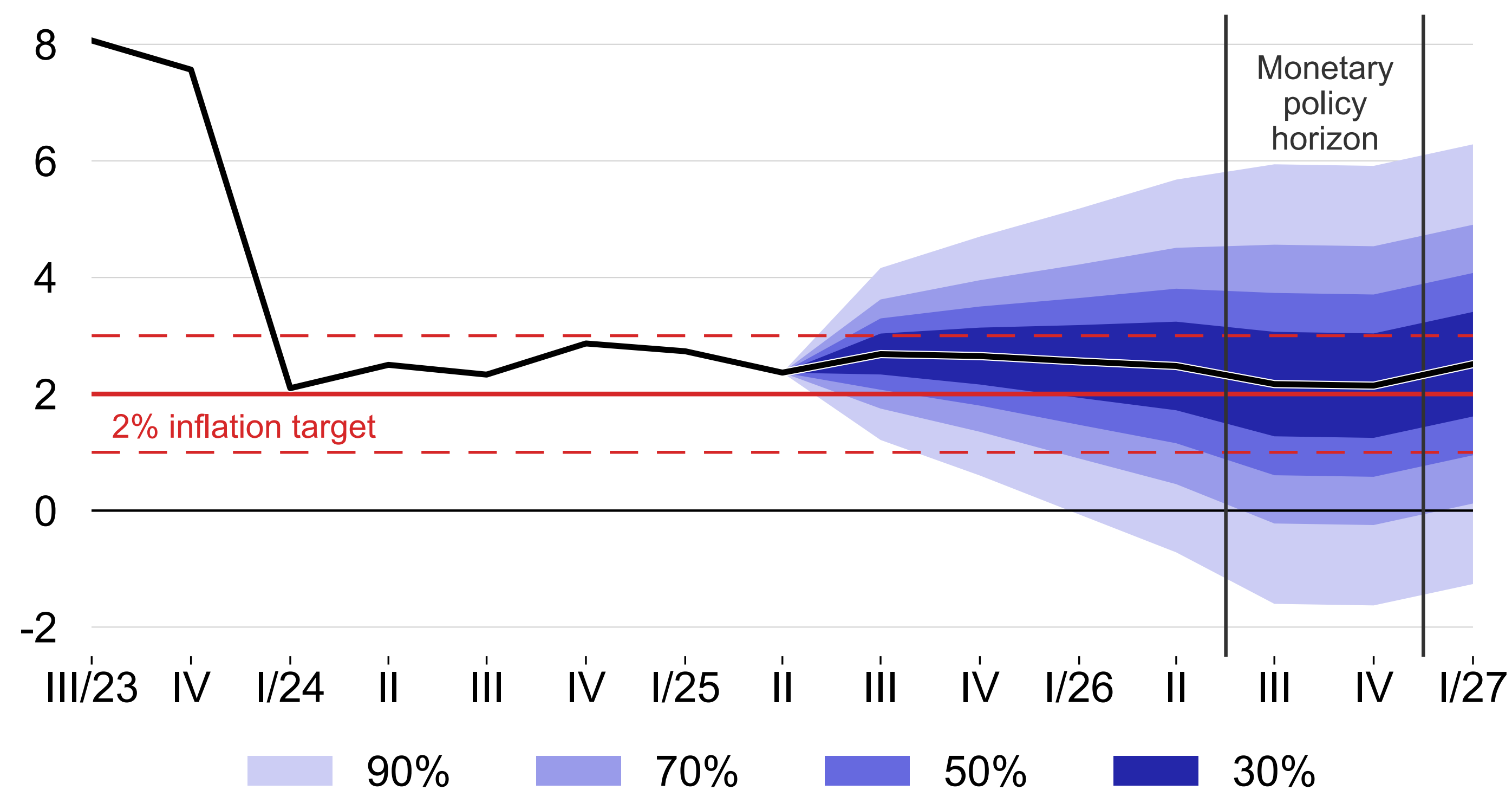


GDP forecast



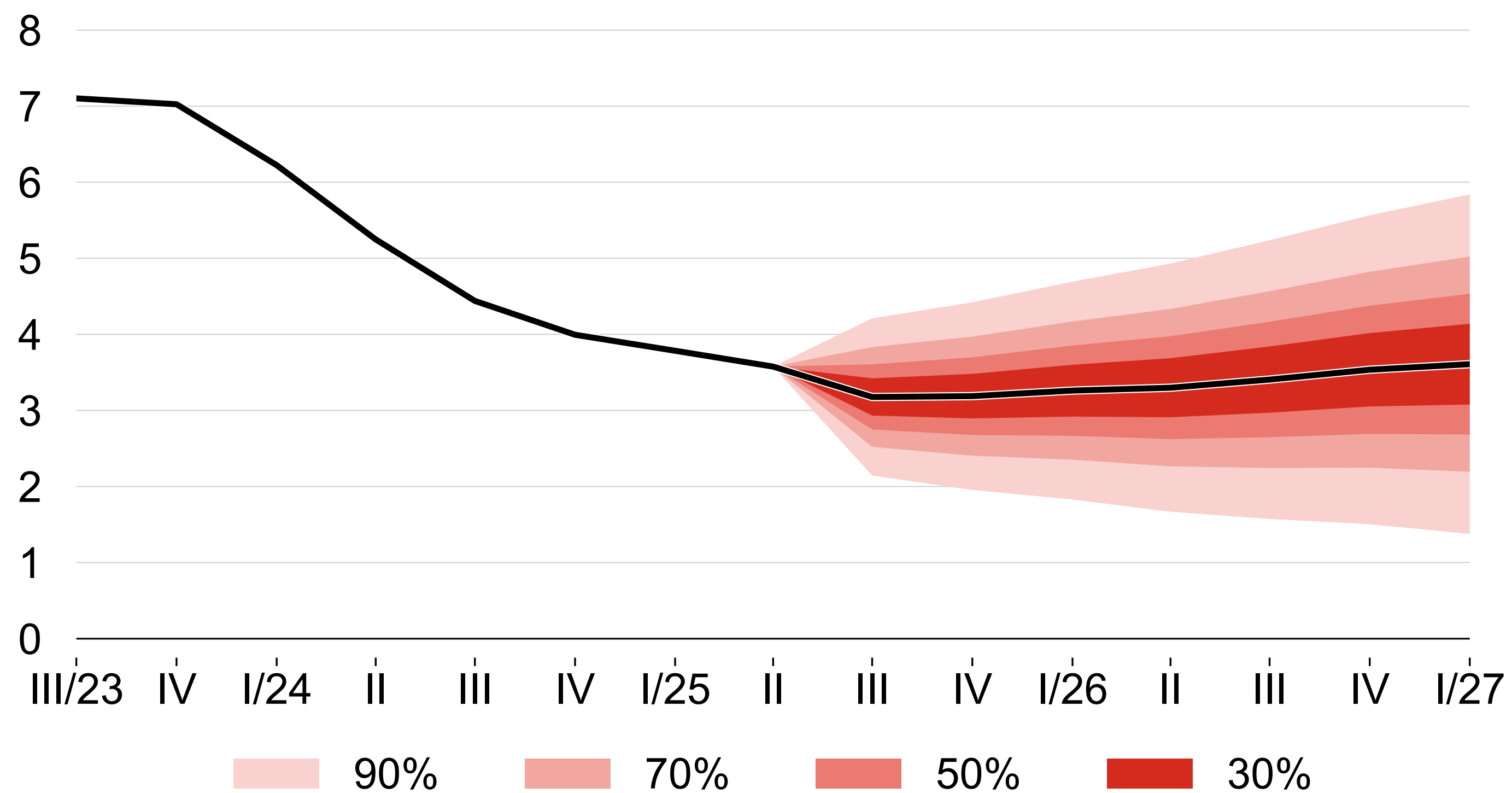
Note: y-o-y changes in %; prices of 2020 (chain-linked); seasonally adjusted.

Inflation forecast

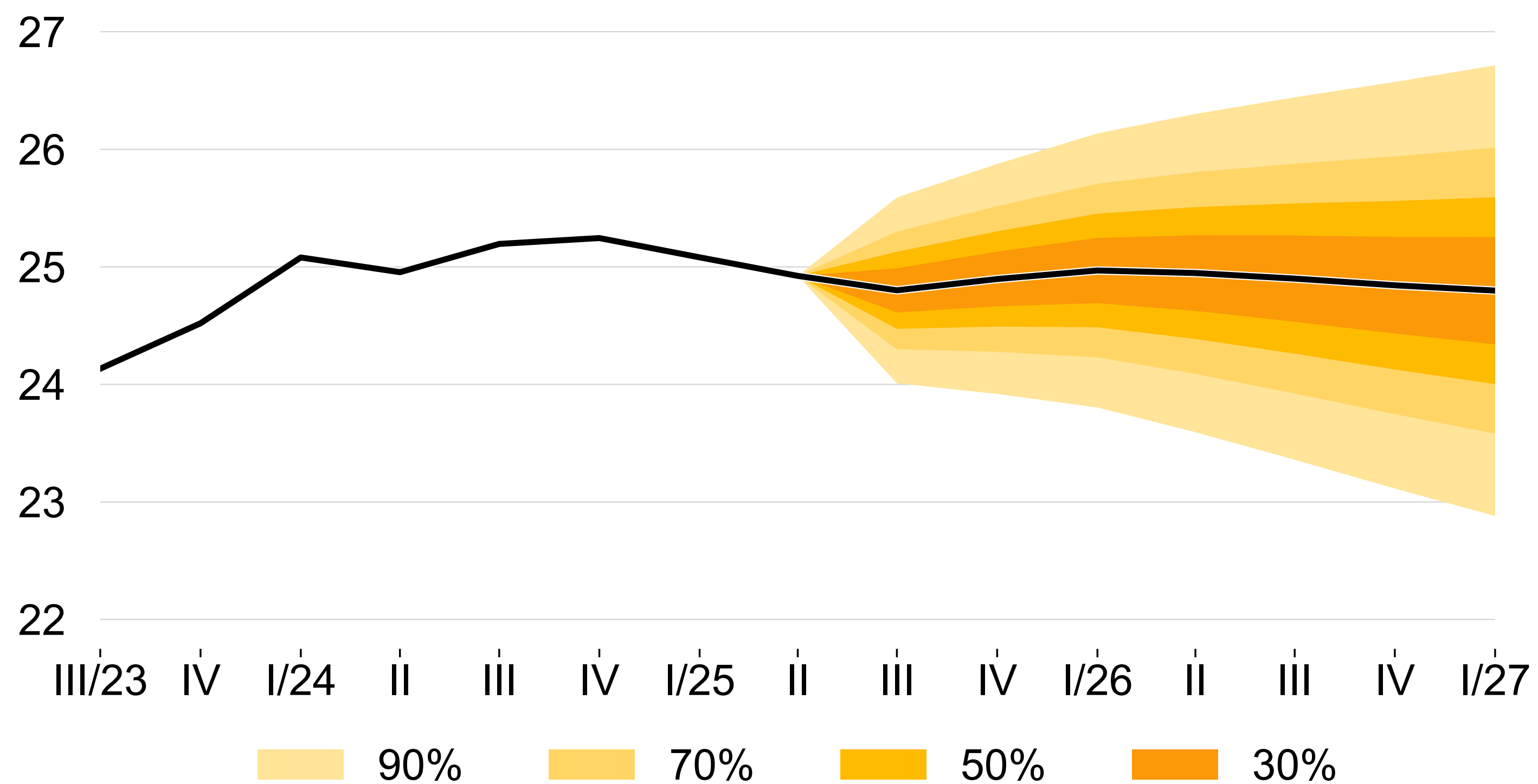


Note: y-o-y changes in %.

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 inflationary overall.

Inflationary risks:

- inertia in services inflation, including imputed rent, and in food inflation
- potential acceleration of money creation in the economy stemming from a further stronger recovery in lending activity, especially on the property market
- potential additional growth in total public sector spending
- continued rapid wage growth related to persistent tightness in the labour market
- the launch of the EU Emissions Trading System 2 (EU ETS 2) in 2027

Anti-inflationary risks:

- stronger koruna exchange rate
- downturn in global economic activity and weaker German – and hence Czech – economic output

Uncertainties:

- development of trade wars and the wars in Ukraine and the Middle East

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

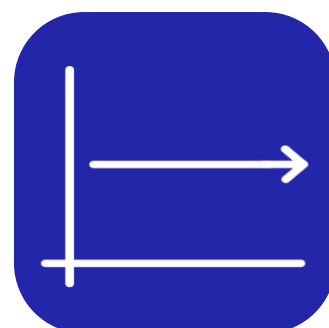
More information about the forecast can be found at <https://www.cnb.cz/en/monetary-policy/forecast/> and in Monetary Policy Report – Summer 2025.

The introductory part of the Report (together with the boxes, the appendix and the table of key macroeconomic indicators) will be published on 8 August 2025.

The whole Report will be published on 15 August 2025.



Decision in a nutshell



Consistent with the forecast is a modest decline in short-term market interest rates initially and a slight increase in 2026.



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



The Bank Board kept the key interest rate (2W repo) at 3.50%.



Seven members voted in favour of this decision.