

3rd Situation Report

on Economic and Monetary Developments

Press conference of the Bank Board

7 May 2026



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 CNB's new macroeconomic forecast**. Its baseline scenario implies a rise in short-term market interest rates in 2026 Q2.

The Bank Board made its decision **amid exceptional uncertainty stemming from the conflict in the Middle East**. It discussed various scenarios outlining the impacts on both inflation and real economic activity.

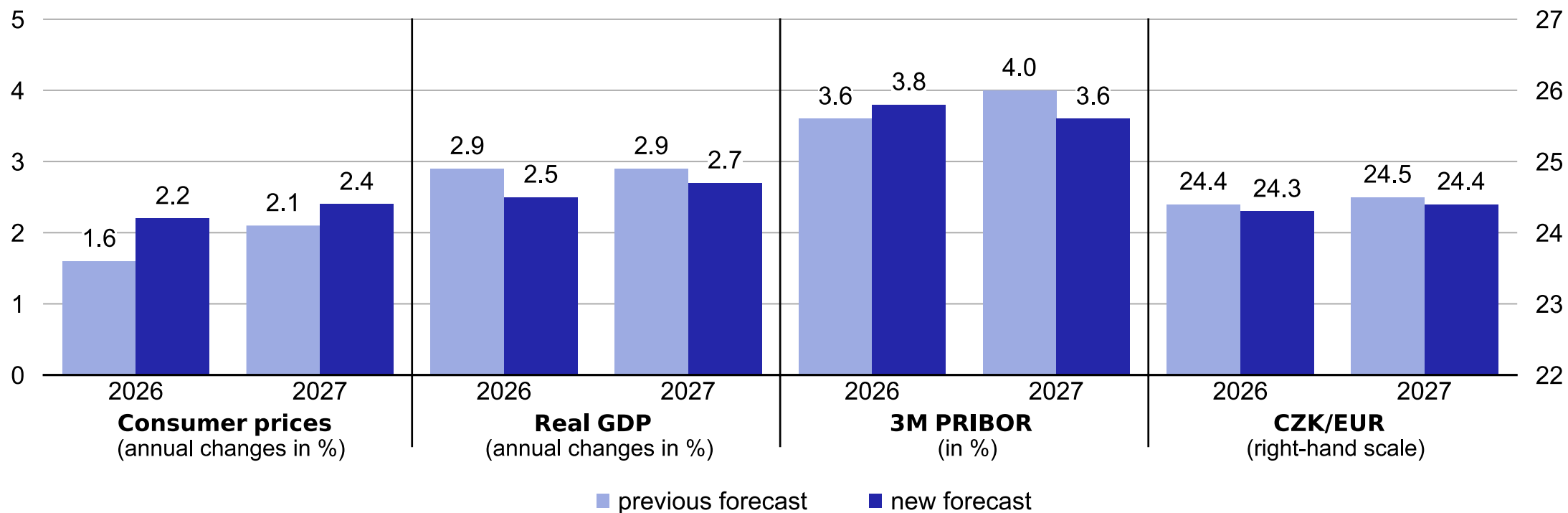
At the same time, the Bank Board confirmed its determination to **continue its monetary policy in order to maintain inflation near the 2% target in the long term**. At present, this still requires relatively restrictive monetary policy.

Economic developments

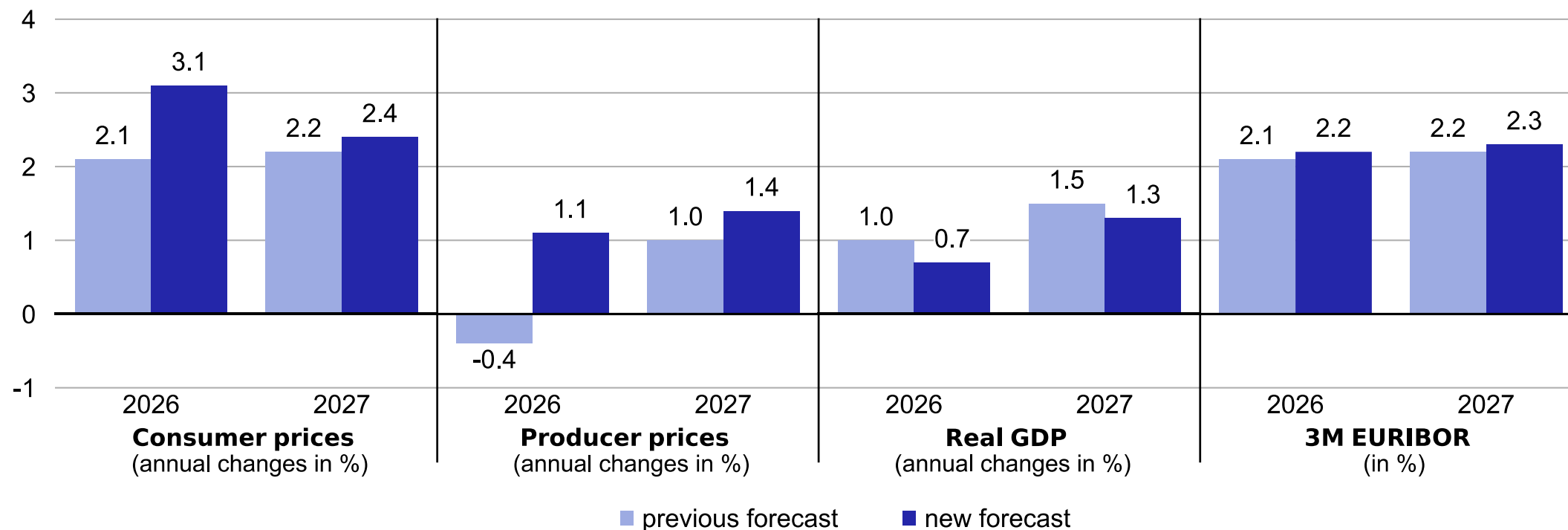


- According to the CZSO's preliminary estimate, year-on-year GDP growth slowed from 2.5% to 2.1% in 2026 Q1. Domestic demand was still the main source of economic growth, while foreign trade acted against growth.
- Unemployment remains low. Wages rose by 7.4% year on year in 2025 Q4. Long-term above-average wage growth is contributing to inflationary pressures from the domestic economy. These are reflected mainly in persistently elevated services inflation and significant growth in property prices. This is amplified by the fact that, over the long term, wages are growing fastest in the service sector.

Comparison with the previous CNB forecast

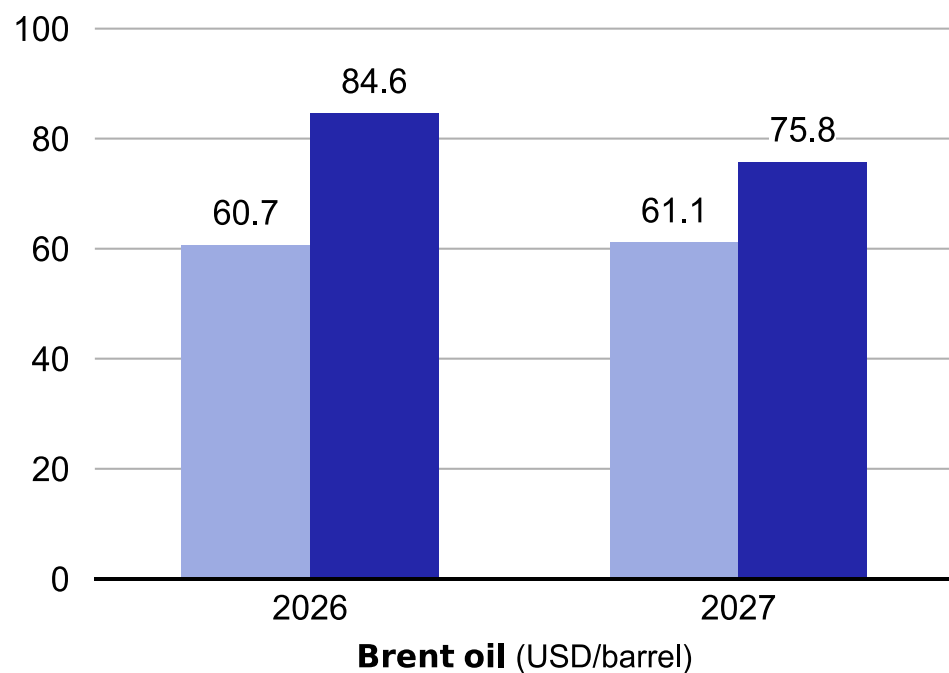


External environment: forecast and outlook for the euro area

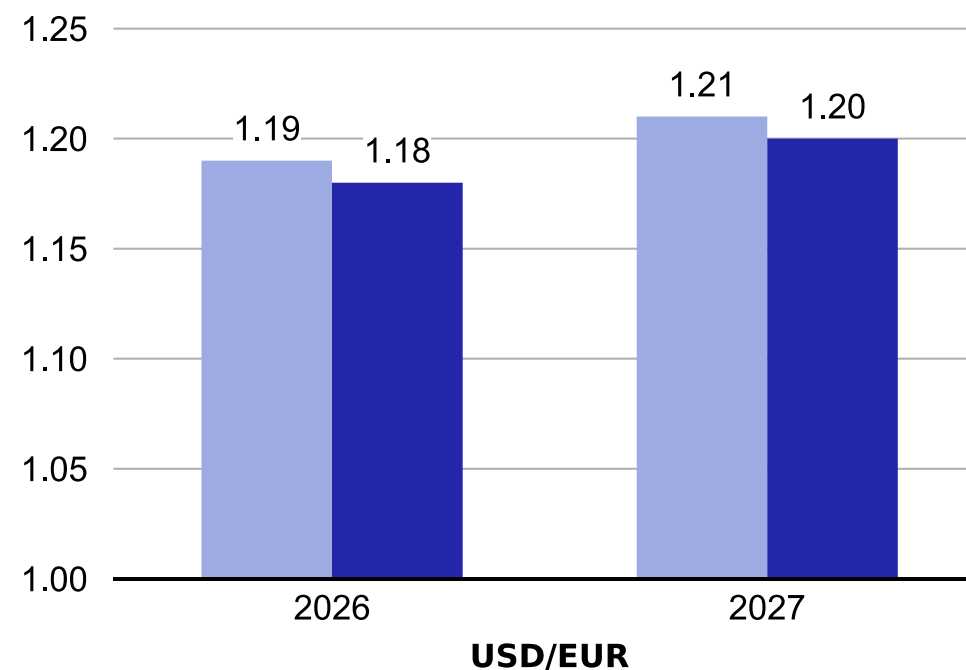


Note: Developments in the euro area are approximated by developments in the “effective euro area” – the six euro area countries with which the Czech economy has the strongest trade links.

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

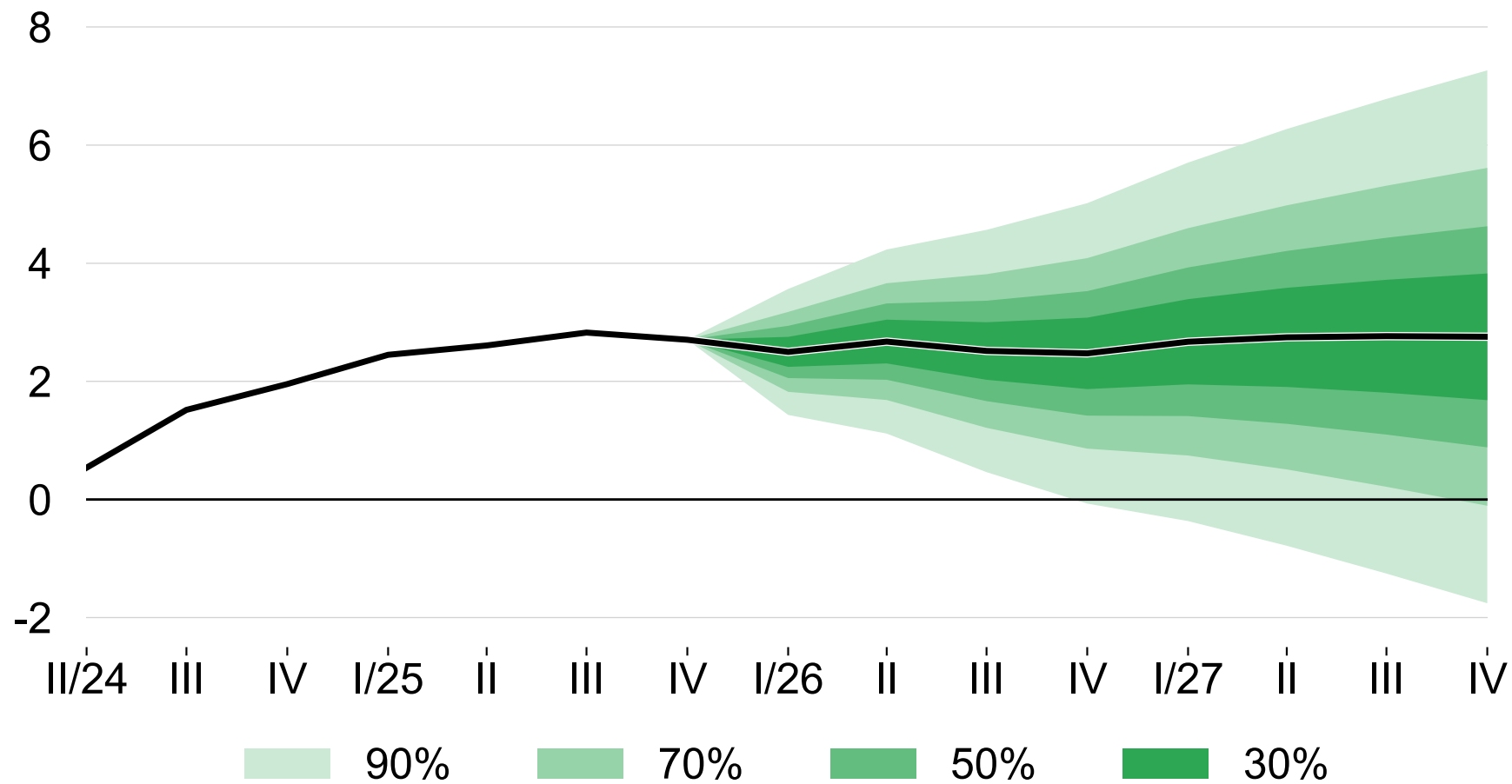


■ previous forecast ■ new forecast



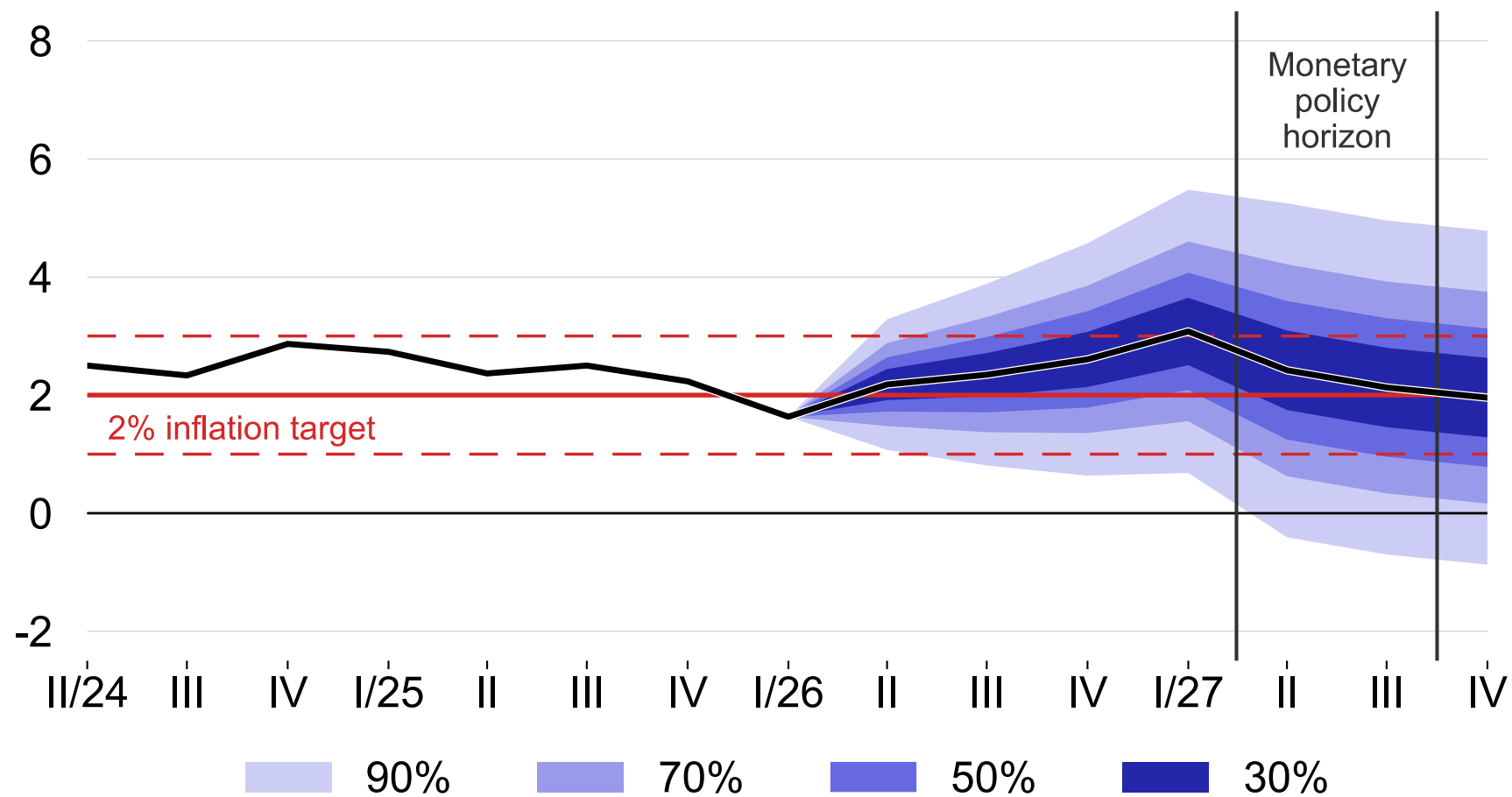
■ previous forecast ■ new forecast

GDP forecast



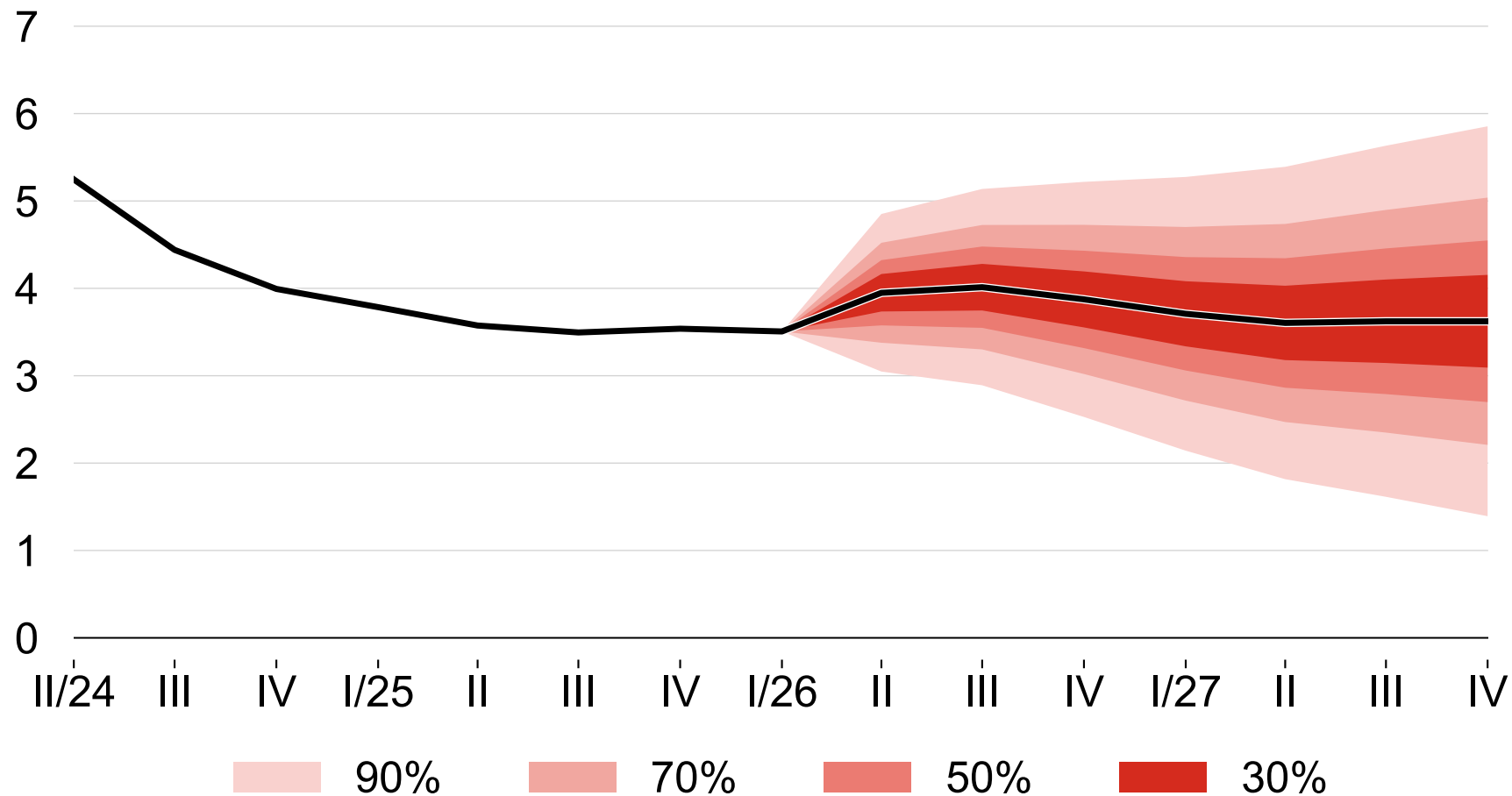
Note: y-o-y changes in %; prices of 2020 (chain-linked); seasonally adjusted.

Inflation forecast

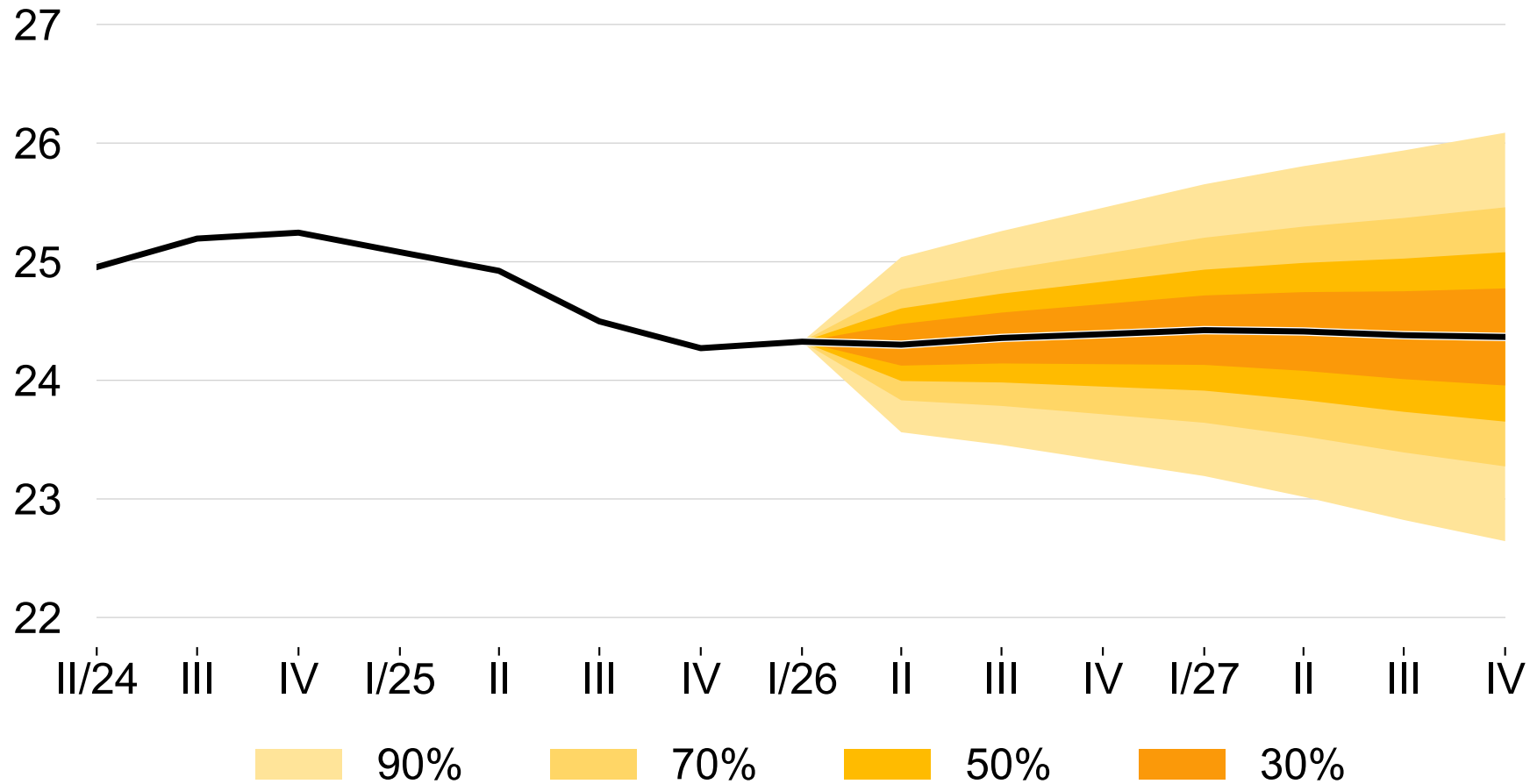


Note: year on year in %.

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.

Macroeconomic impacts of a prolonged conflict in the Middle East:

- direct and indirect effects of the increase in energy commodity prices on inflation
- potential negative effects on economic activity and financial conditions

Inflationary risks:

- possible acceleration in the growth of the money supply in the economy caused by lending to households and general government
- potential additional growth in total public sector spending
- continued rapid wage growth related to persistent tightness in the labour market
- inertia in elevated services inflation, including imputed rent

Anti-inflationary risks:

- weak performance of some euro area economies
- possible global correction of asset prices in an environment of increased geopolitical uncertainty and high levels of debt in some developed countries

Uncertainty:

- development of the war in Ukraine

Statutory mandate



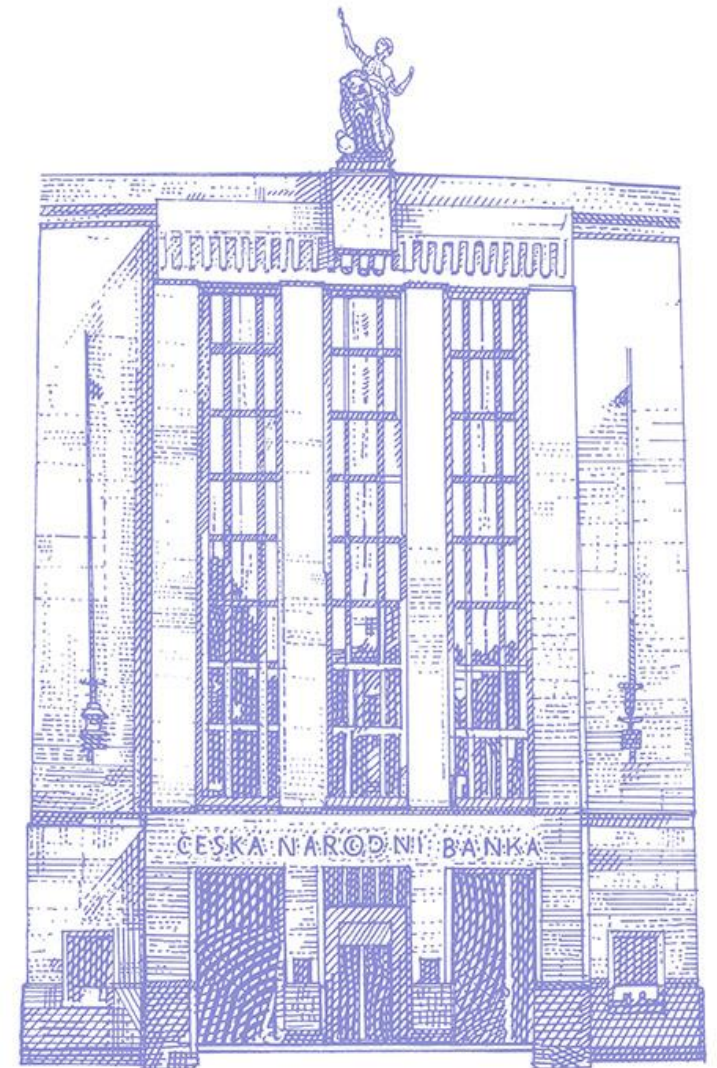
- The Bank Board assures the public that the CNB's actions will be sufficient to maintain price stability in accordance with its statutory mandate.
- In addition, the Bank Board is ready to react appropriately to any materialisation of the risks of the outlook for the fulfilment of the inflation target.

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More information about the forecast can be found at <https://www.cnb.cz/en/monetary-policy/forecast/> and in Monetary Policy Report – Spring 2026.

The introductory part of the Report (together with the boxes and the table of key macroeconomic indicators) will be published on 11 May 2026.

The whole Report will be published on 15 May 2026.



Decision in a nutshell



Consistent with the forecast is a rise in short-term market interest rates in 2026 Q2.



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

3.50%

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



Seven members voted in favour of this decision.