

CNB's New Forecast Monetary Policy Report Winter 2026

Meeting with Analysts

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6 FEBRUARY 2026



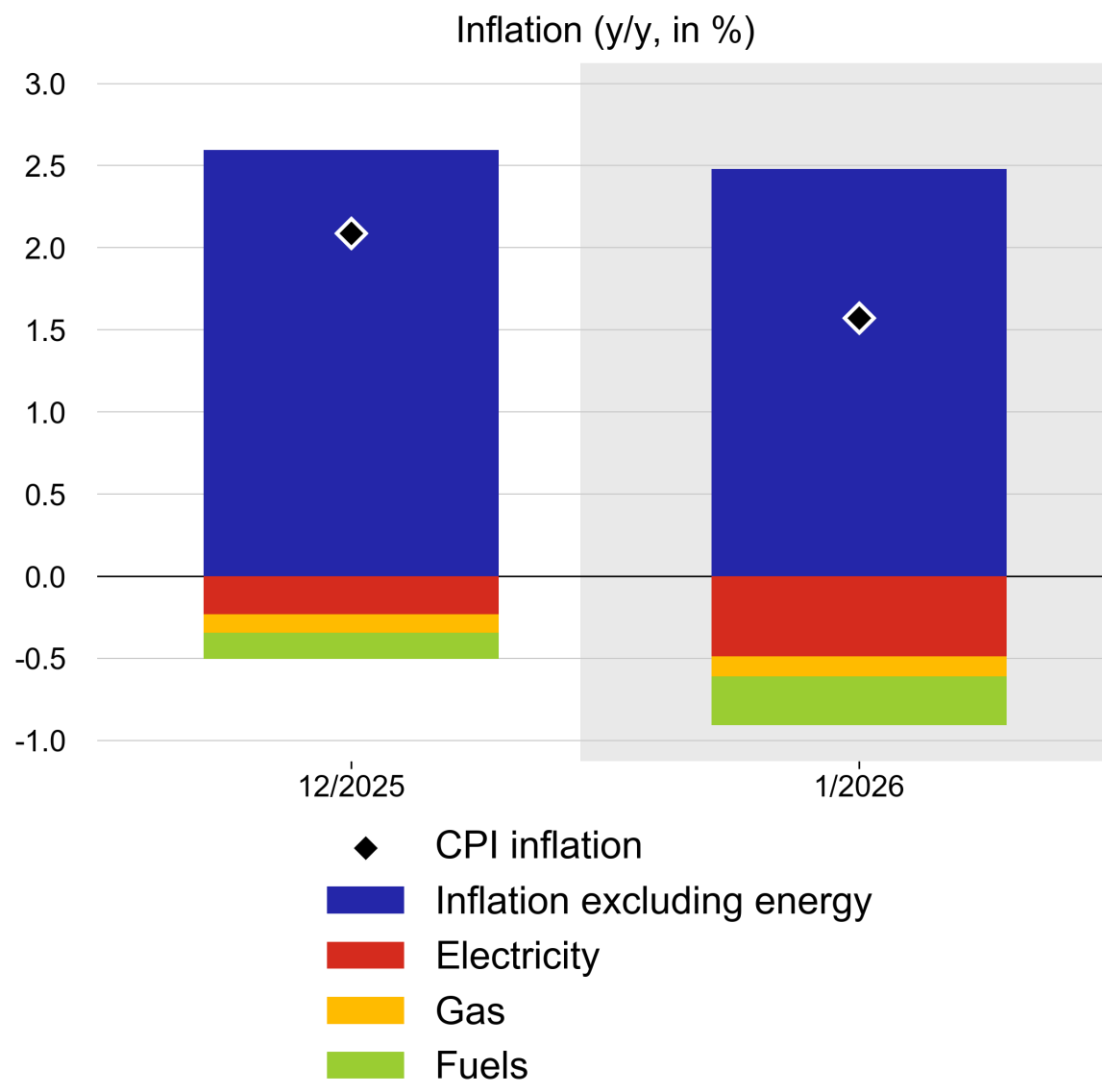


Presentation Outline

- 1** The New Macroeconomic Forecast
- 2** Scenarios

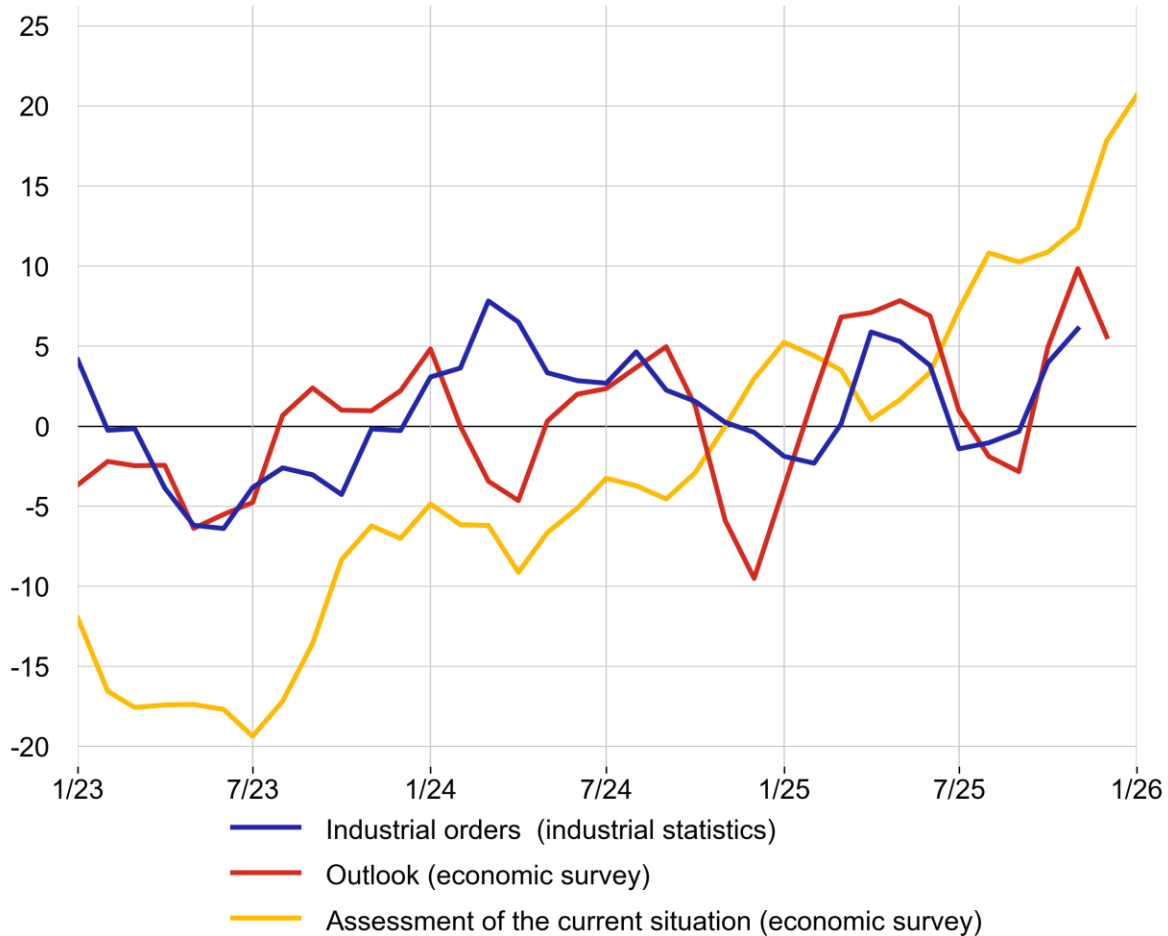


Inflation in 2026: downward shift helped by one-offs

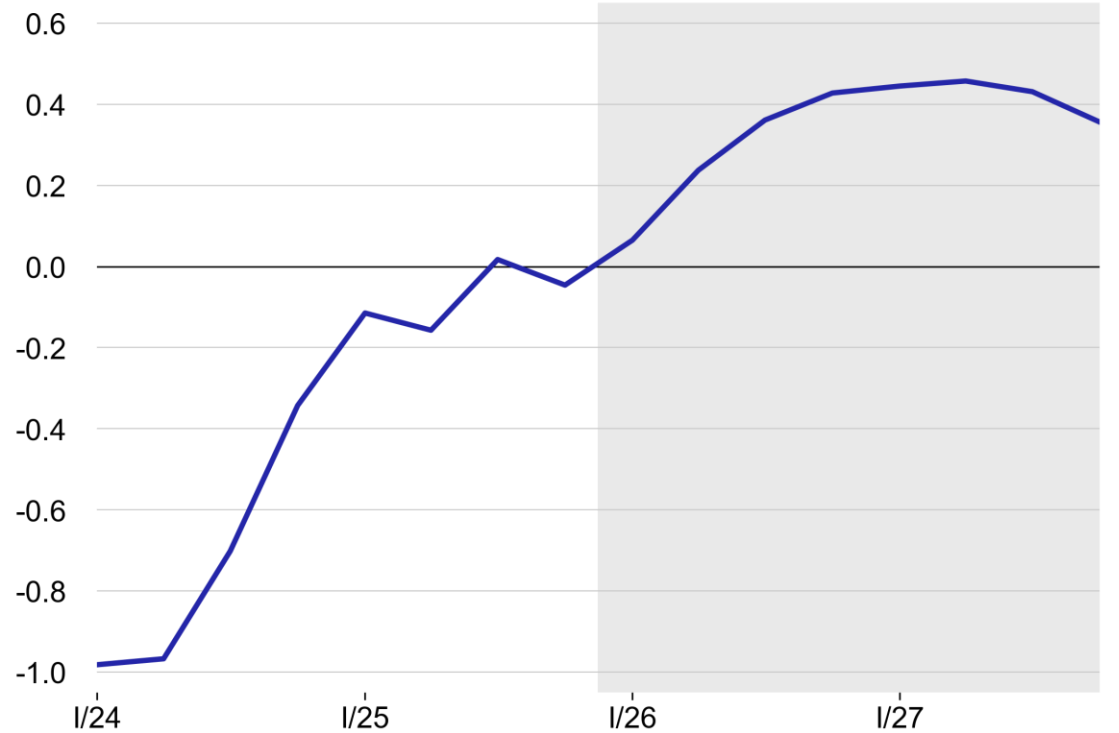


At the same time, the economy enters expansionary phase

Industrial orders, expectations, and assessments of the situation abroad
(y/y in %, from the 3-month moving average of individual indices)



Cyclical position of the economy (output gap in % of potential output)



1

The New Macroeconomic Forecast



Forecast and Model Assumptions

The forecast includes:

- The impact of fees for renewable energy sources being covered by the state budget, with the central bank responding only to secondary effects of this change.
- Systematic expert adjustment to exports, reflecting the GDP growth outlook for Poland and other major trading partners beyond EA6.

The forecast also takes into account:

- The postponement of the introduction of ETS 2 to 2028.
- Expert adjustment reflecting the new outlook for real estate price growth.

The forecast does not include:

- Announced government measures that have not yet entered the legislative process.
- The flash estimates of 4Q2025 GDP and Jan 2026 CPI. These came in line with the forecast done earlier.

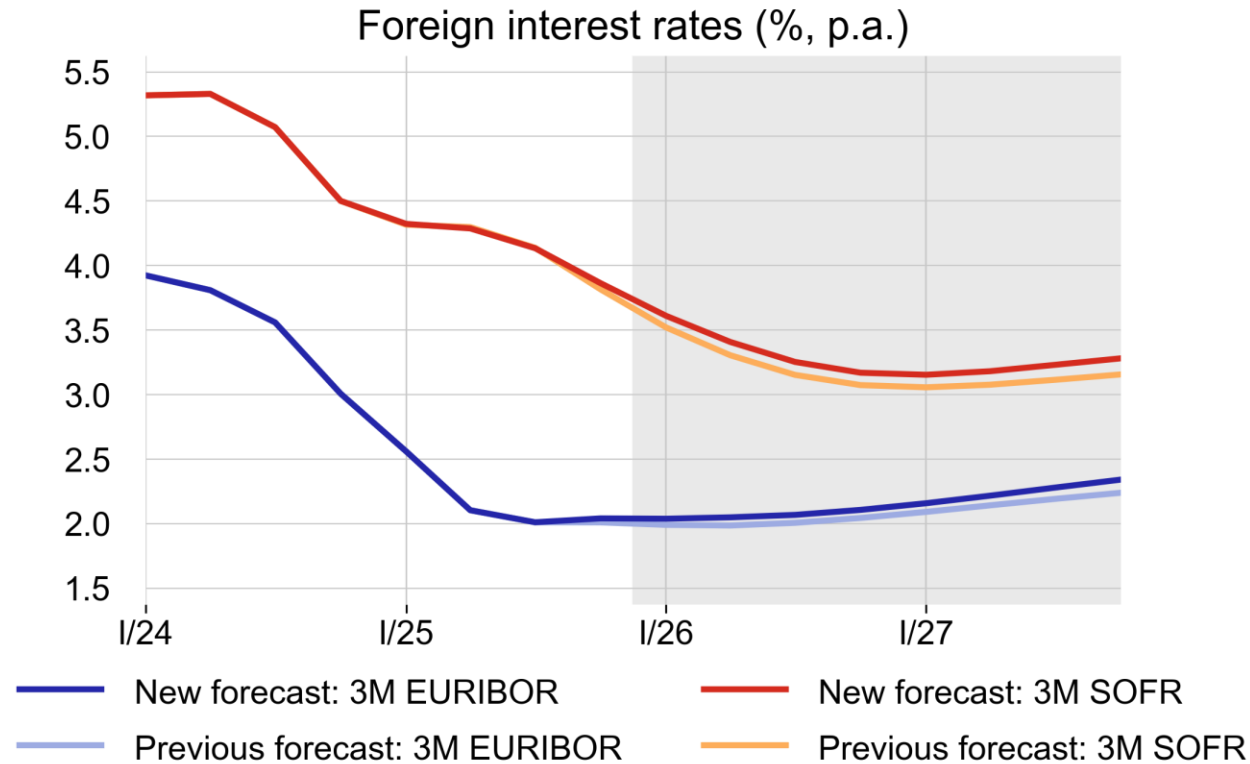
Forecast Summary



	2025	2026	2027
Headline inflation (%)	2.5	1.6	2.1
	(0.0)	(-0.6)	(-0.4)
GDP (%)	2.6	2.9	2.9
	(0.2)	(0.5)	(0.1)
Average nominal wage (%)	7.1	6.1	5.0
	(0.1)	(0.4)	(0.1)
3M PRIBOR (%)	3.6	3.6	4.0
	(0.1)	(0.1)	(0.2)
Exchange rate (CZK/EUR)	24.7	24.4	24.5
	(0.0)	(-0.2)	(-0.1)

- **Inflation** at 1.6 % this year, close to the 2% target next year.
- The **economy** will **grow** by close to 3% this year and the next.
- **Nominal wage growth** stays elevated at 6.1 % this year and 5.0 % the next.
- Broad stability of **short-term market interest rates** in 1H 2026, followed by a slight increase in rates.
- **EURCZK** first weakens and then remains broadly stable around 24.50.

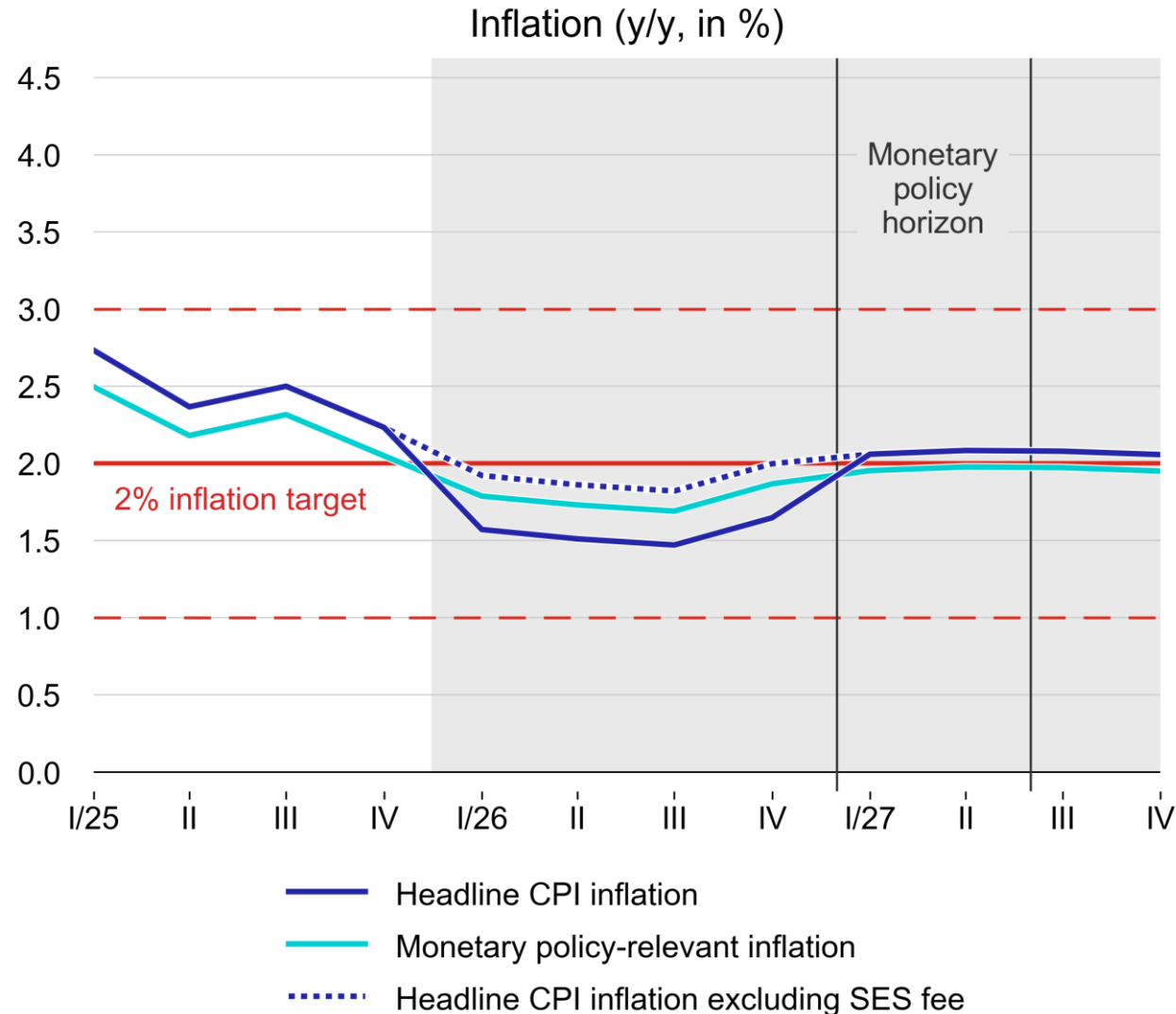
Foreign Environment Outlook



	GDP (y/y, in %)			
	2024	2025	2026	2027
Germany	-0.5 (0.0)	0.3 (0.1)	0.9 (0.1)	1.5 (-0.1)
Slovakia	1.9 (-0.1)	0.8 (0.0)	0.8 (-0.2)	2.1 (-0.1)
France	1.1 (0.0)	0.9 (0.2)	1.1 (0.2)	1.2 (0.0)
Italy	0.5 (0.0)	0.6 (0.0)	0.6 (-0.1)	0.8 (0.0)
Austria	-0.8 (0.0)	0.6 (0.1)	0.9 (0.0)	1.4 (0.0)
Spain	3.5 (0.0)	2.9 (-0.1)	2.3 (0.1)	1.7 (0.0)
Poland	3.0 -	3.5 -	3.8 -	2.8 -

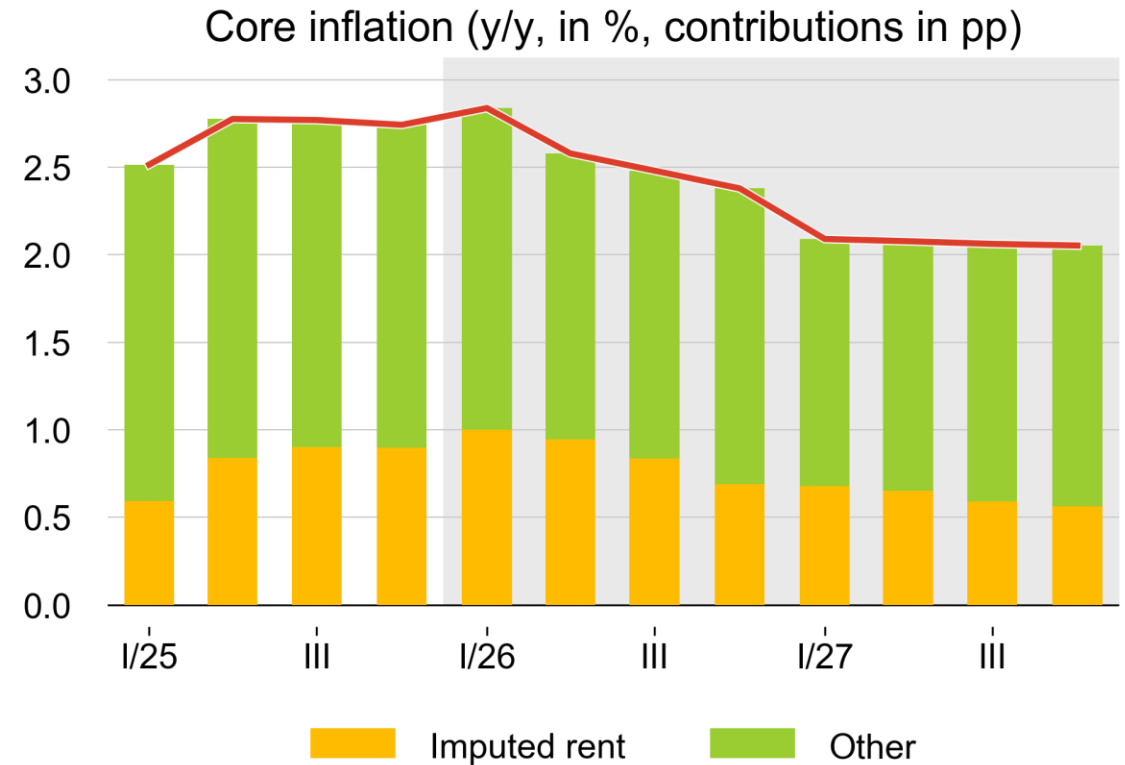
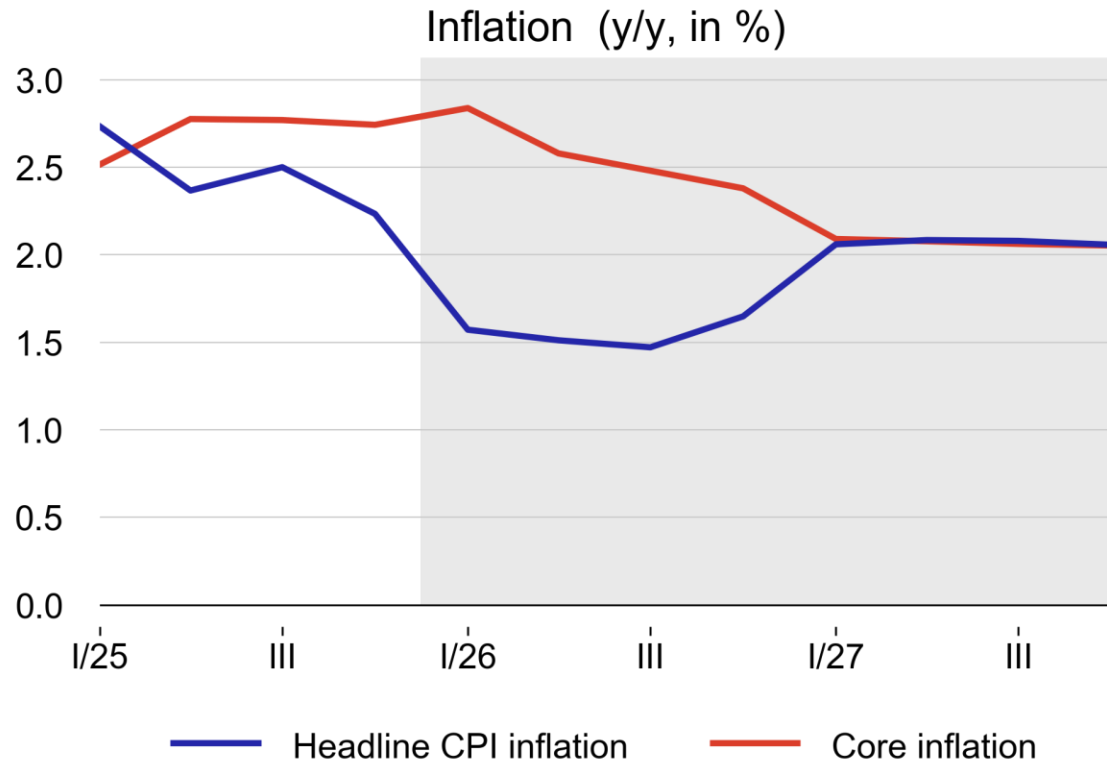
- The **market outlook** for the **3M EURIBOR** is marginally increasing in 2027.
- The **market outlook** for the **3M USD SOFR** is declining, reflecting the expected easing steps of the Fed.
- **GDP growth** in the Czech Republic's major export partners will accelerate visibly in the years ahead.

Inflation Outlook



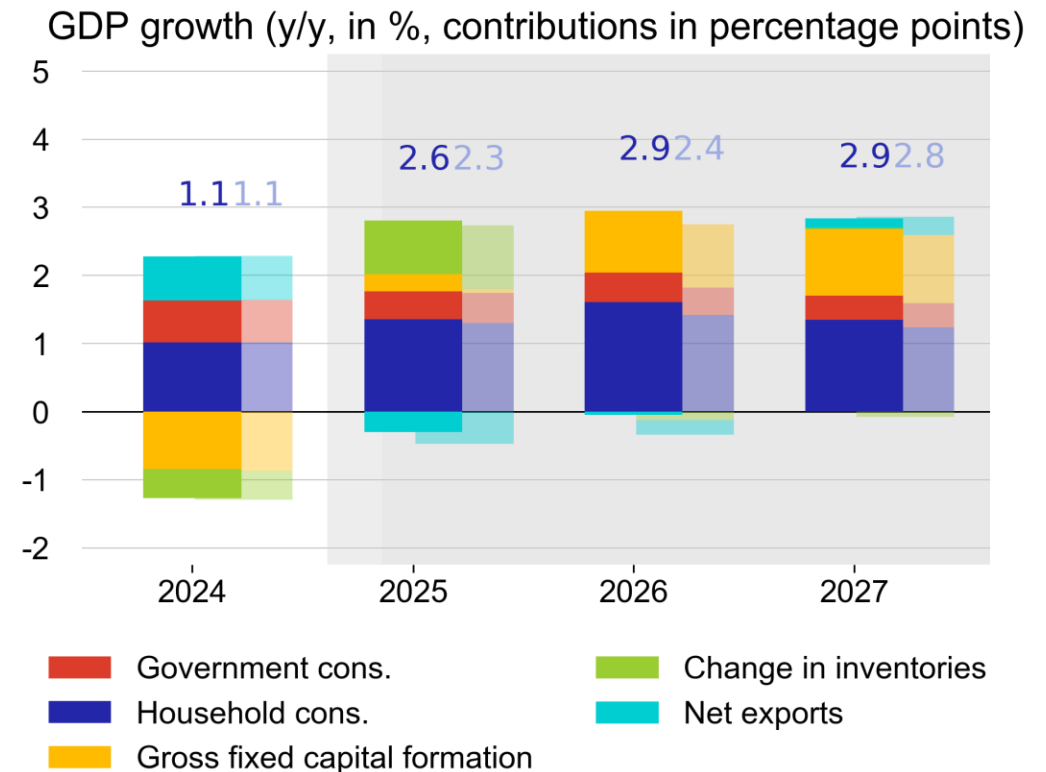
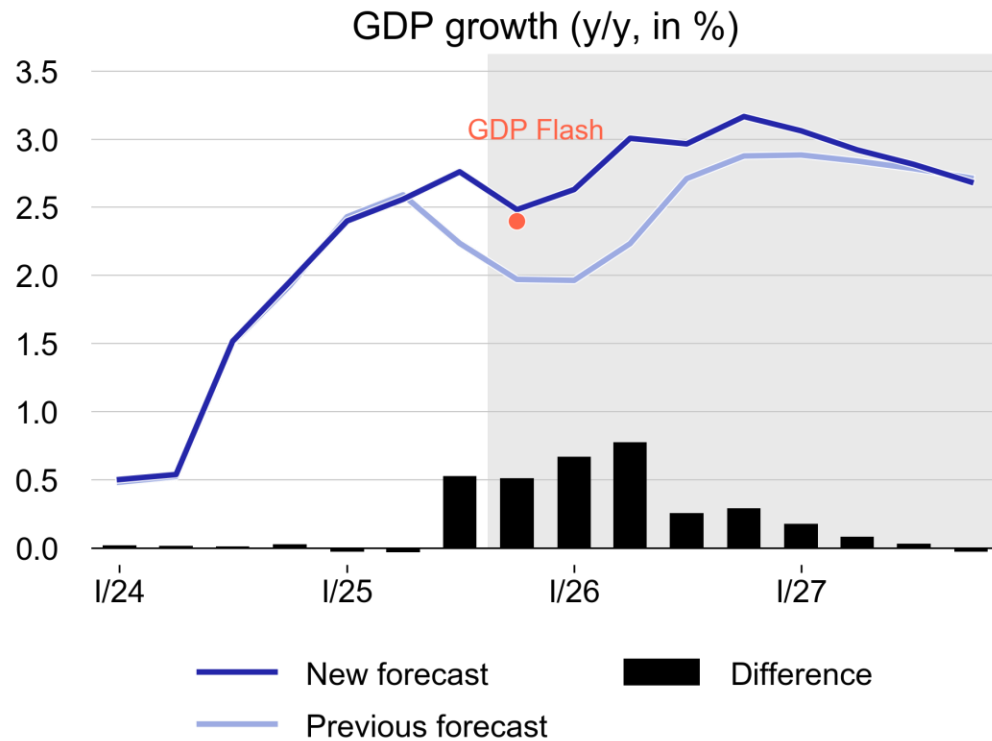
- **Headline inflation** will decrease in 2026 as a result of the the fees related to the **supported energy sources** being covered by budget.
 - administrative nature,
 - monetary policy does not respond to the change.
- Headline inflation in 2026 below **monetary policy-relevant inflation**, which stays at 1.8 % this year.
- At the monetary policy horizon (1H 2027) both inflation measures close to the 2% target.
- **Flash estimate** for Jan 2026 (1,6 %) was in line with the forecast.

Decomposition of Inflation



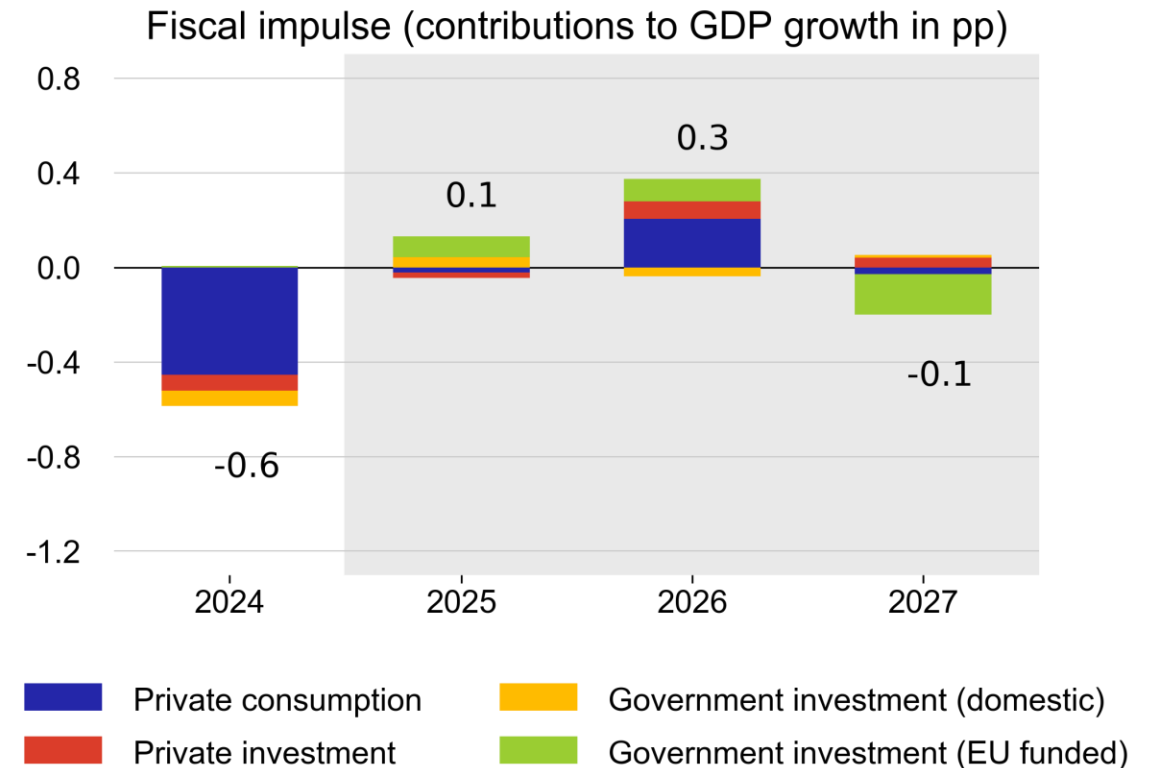
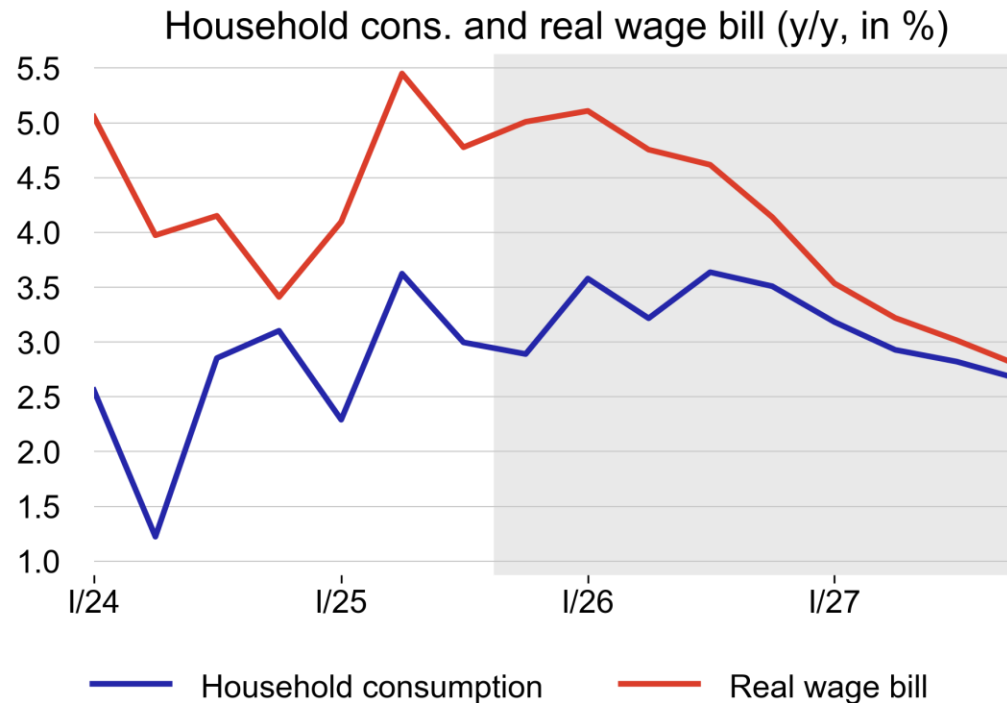
- **Core inflation** will this year remain at elevated levels (2,6 %).
 - In addition to imputed rent, this will reflect pressures from the domestic economy (including solid wage growth).
- **Imputed rent** alone accelerated to 5% at the end of last year.
 - Owing dominantly to continued rapid growth in house prices.
 - Price growth of new dwellings (HPI) in 2026 expected at 10 %, next year at 6 %.

GDP Growth



- The **growth of the Czech economy** will pick up towards 3% this year. Domestic demand, supported by the fiscal impulse, will gradually be joined by a recovery abroad.
- According to the **CZSO's flash estimate**, Czech GDP rose by 0.5% QoQ and by 2.4% YoY in 2025 Q4. These are consistent with the CNB forecast, which expected 0.6% QoQ .

Households Consumption and Fiscal Impulse

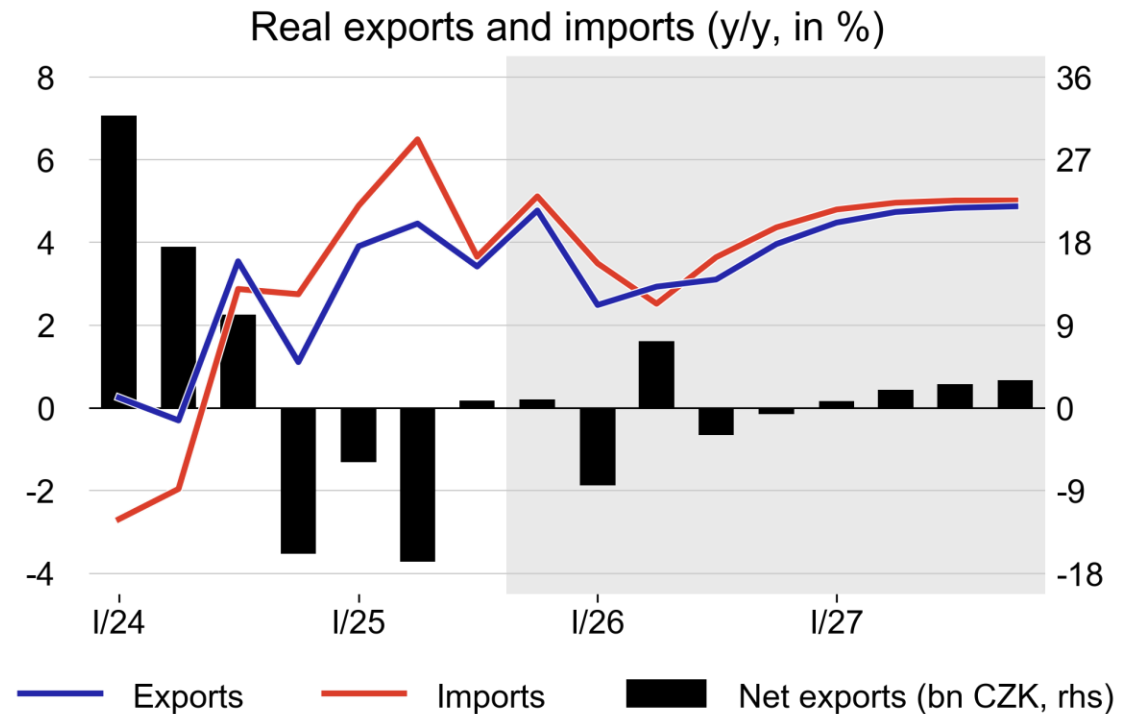
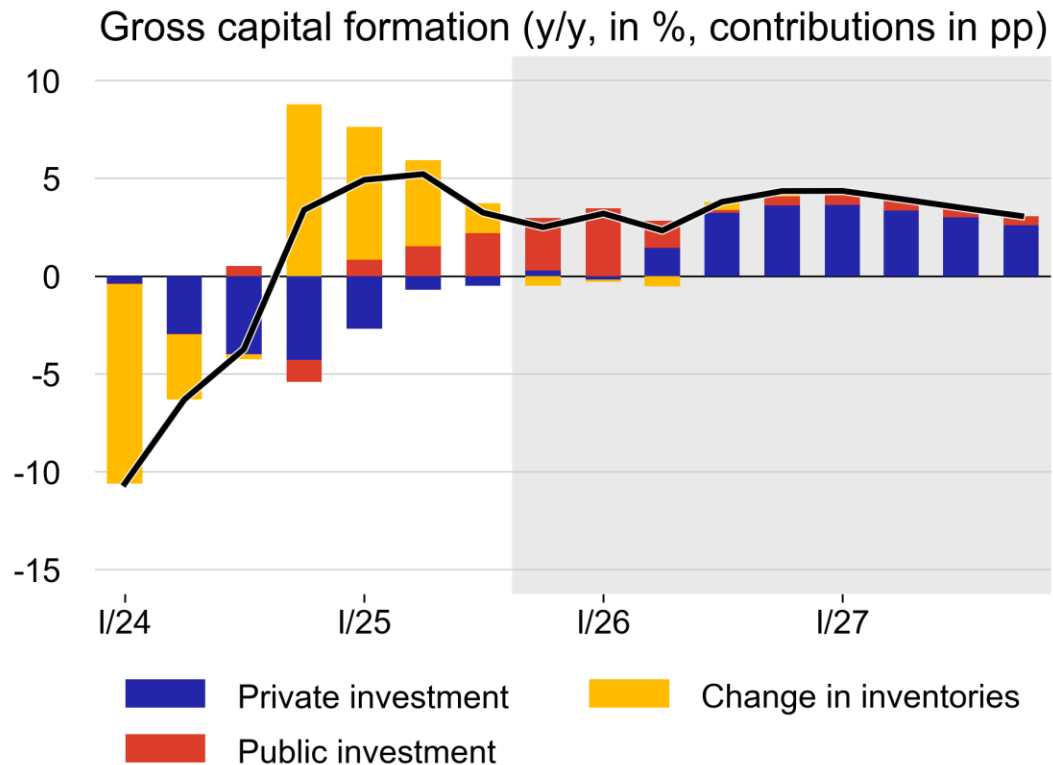


The **fiscal impulse** will be **expansionary** this year. This reflects:

- growth in public sector pay, ongoing faster absorption of EU funds,
- higher planned defense spending, higher subsidies for renewable energy sources
- start of preparatory work on the construction of two new units at the Dukovany nuclear power plant, and now also
- freezing of social security contributions paid by the self-employed at the 2025 level.

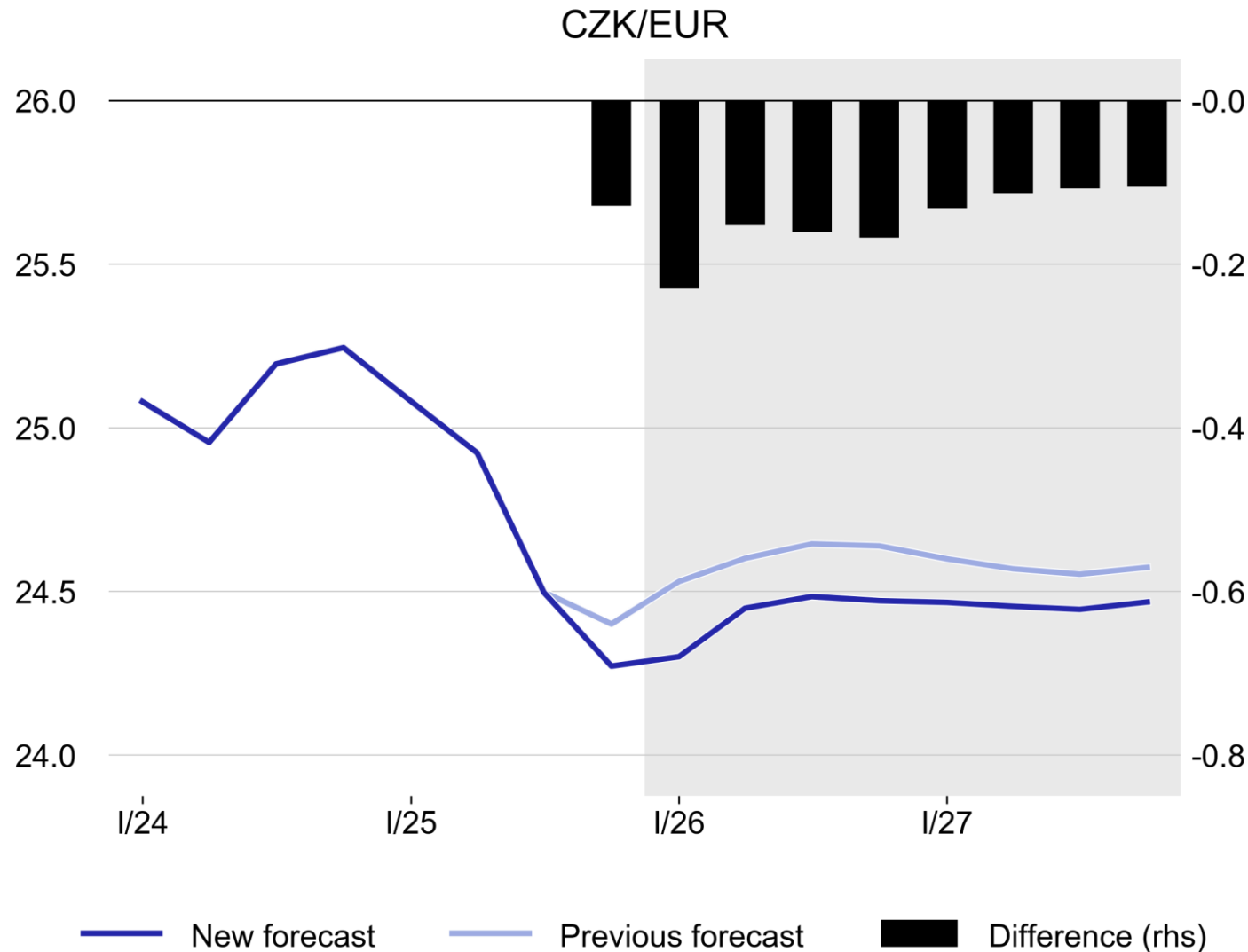
Next year, fiscal policy is expected to have a marginally **restrictive effect**.

Investment and Net Exports of Goods and Services



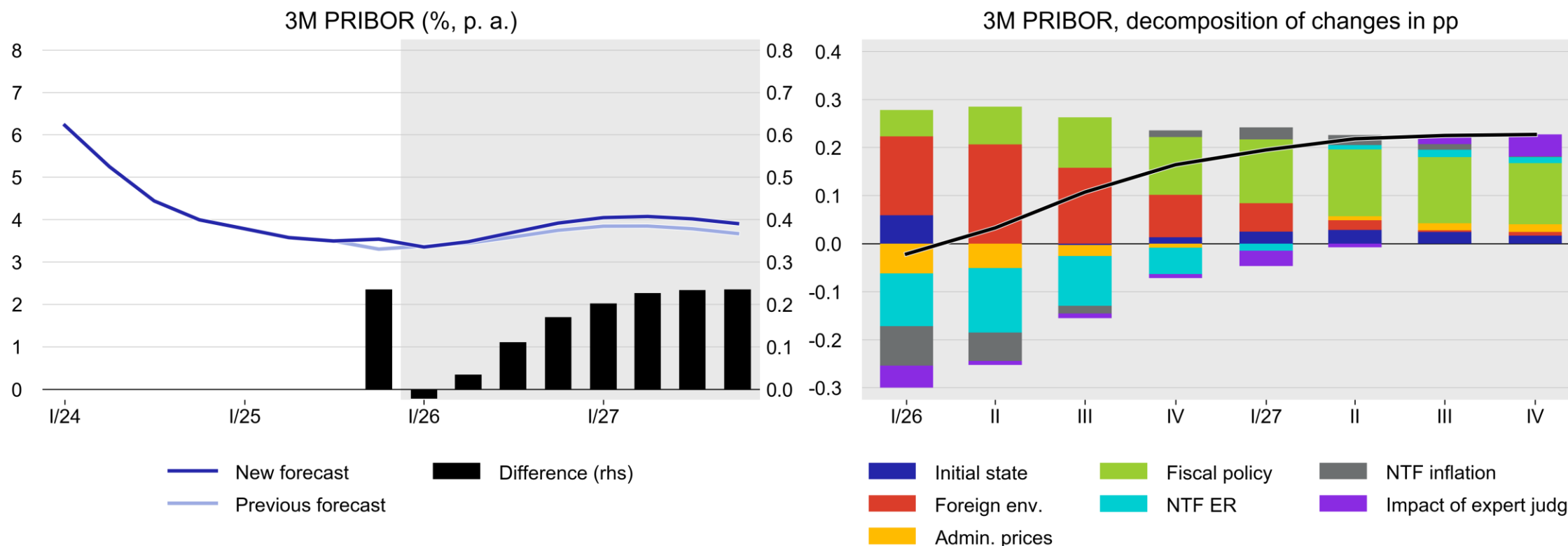
- **General government investment** will drive gross capital formation at the start of this year, joined by **private investment** in mid-2026 on the back of reviving external demand.
- **Import growth** will exceed **export growth** due to rapidly growing domestic demand.
- We look at a broader set of export partners beyond traditional EA6 and include a systematic **export adjustment** to export dynamics (cca +0.3 p.p. to annualized export growth).

Exchange Rate EURCZK



- The baseline scenario expects the **EURCZK at 24.3** in **2026 Q1**.
- Owing to higher growth in domestic costs relative to abroad, the exchange rate **weakens slightly and remains close to 24.5 EURCZK** over the rest of the forecast horizon.
- The EURCZK outlook is stronger than in the autumn forecast, due mainly to the data in 2025 Q4.

3M PRIBOR Outlook is Revised Slightly Upwards



The **foreign environment** fosters higher rates (higher outlook for the 3M EURIBOR, core producer prices and also HICP).

The **NTF inflation forecast** reflects slightly lower expected inflation in 2026 Q1 and the **NTF ER forecast** points to lower rates due to stronger FX data observed in late 2025 and early 2026.

The **administered prices** include reductions of electricity and gas prices by some suppliers (the administrative fees for renewables do not play a role here, as they are exempted from monetary policy reaction).

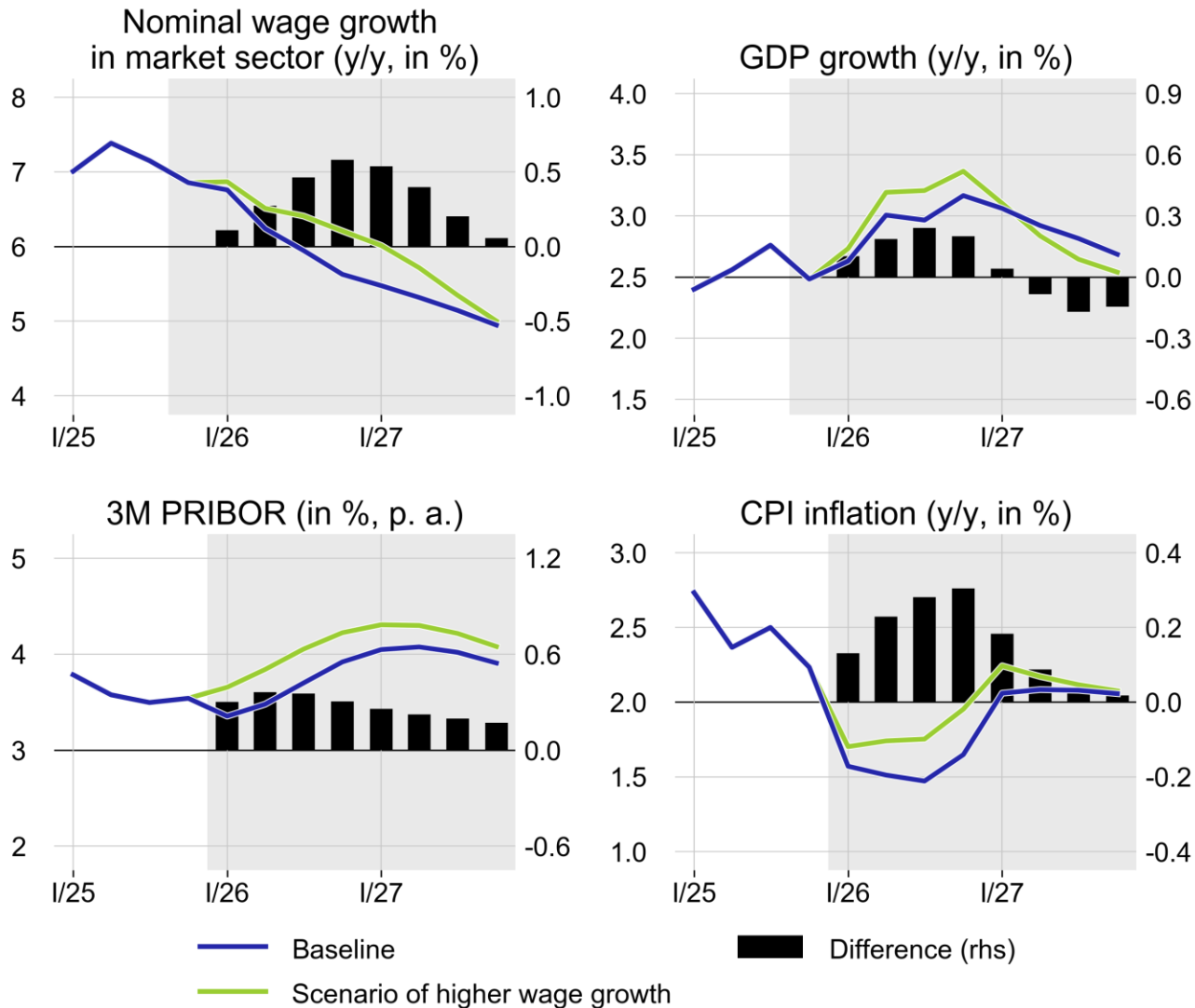
The **fiscal policy** contribution reflects a higher fiscal impulse, which provides greater support to household consumption.

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Scenarios

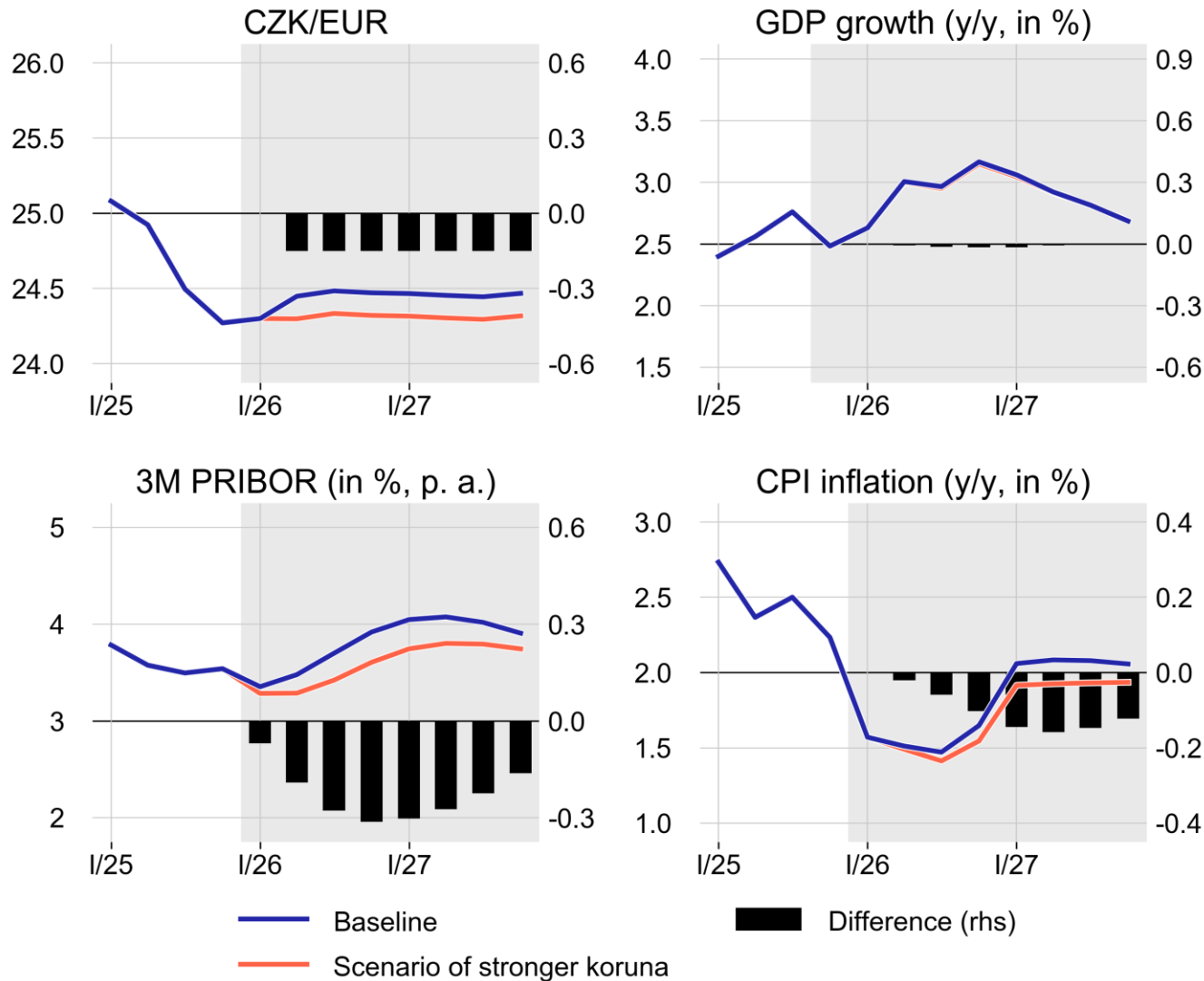


Scenario of Higher Wage Growth



- The scenario assumes:
 - **higher market wage growth**
 - **increased demand for services**
 - growth in profit margins.
- The **higher consumer demand** leads to:
 - faster **growth in the domestic economy** this year,
 - stronger demand for labour implies further tightness in the labour market.
- The central bank responds with **higher interest rates** over the entire forecast horizon.
- **Inflation** is only slightly higher than in the baseline due to tighter policy.

Scenario of Stronger Exchange Rate



- Scenario assumes that EURCZK will stay at **level** close to CZK 24.3 to the euro.
- The stronger koruna **reduces import prices** and generates **disinflationary pressures**.
- The central bank responds by **interest rates** lower than in the baseline scenario to keep **inflation** close to the 2% target at the monetary policy horizon.
 - As a result, inflation is only marginally lower than in the baseline scenario.

Winter 2026 Forecast - Summary

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Thank you for your attention



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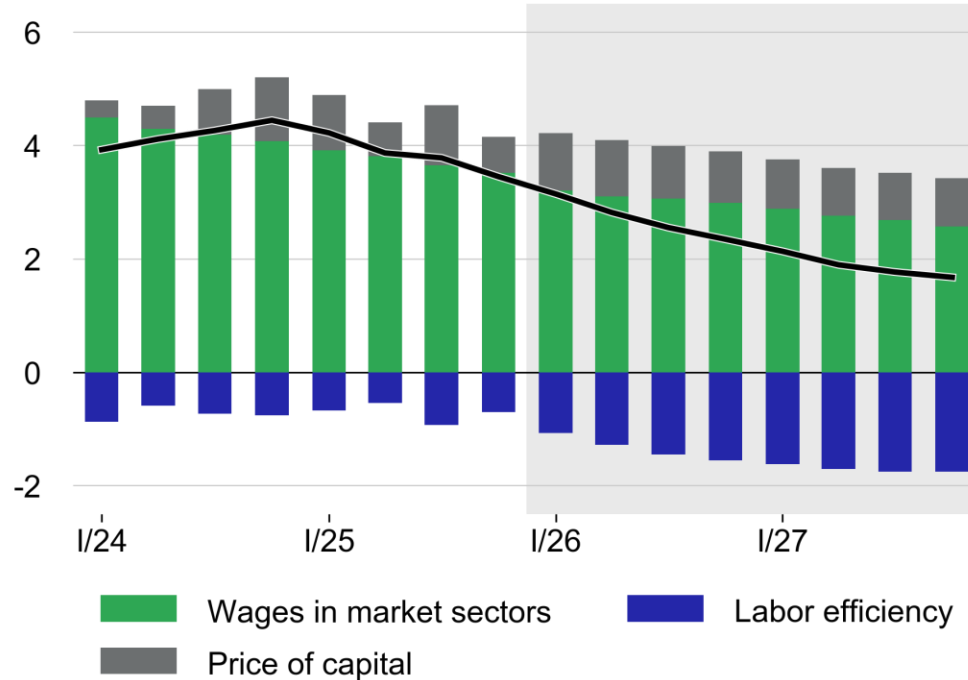
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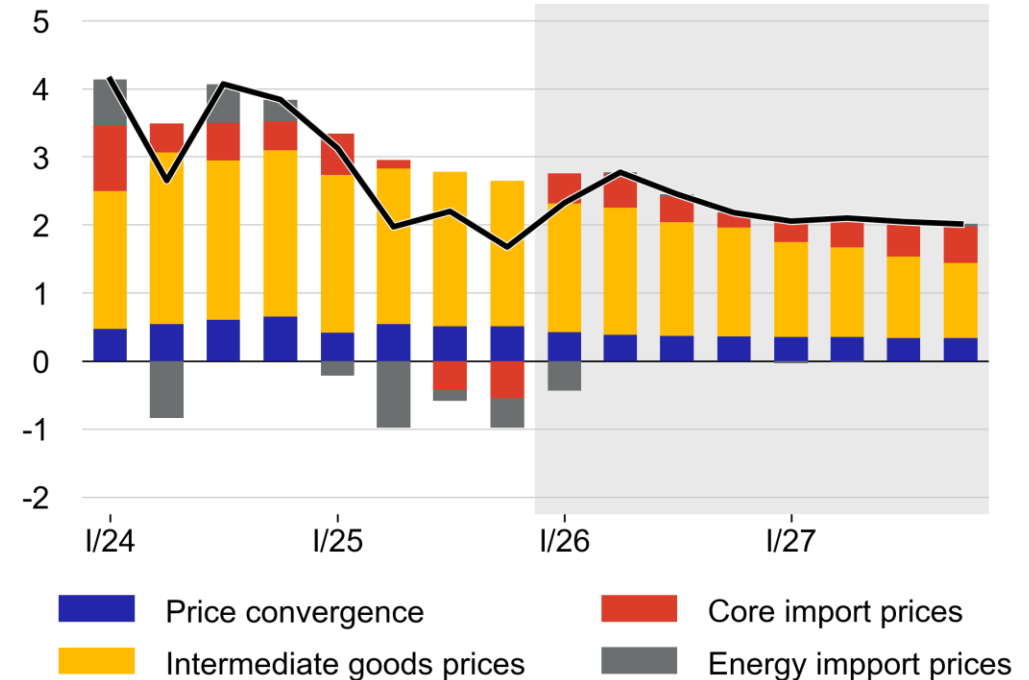


Cost Pressures

Nominal marginal costs in intermediate goods sector
(q/q, in %, ann., contributions in pp)



Nominal marginal costs in consumer sector
(q/q, in %, ann., contributions in pp)



- Slowing **wage growth** and improving growth in **labor efficiency** will ease **domestic cost pressures**.
- Growth in **total costs** will be slightly elevated this year.
 - Next year, overall cost pressures will gradually return to normal levels as the contribution of the **domestic economy** gradually decreases, reflecting slowing growth in **domestic costs**.

Risk Matrix



Risks to the baseline forecast	Probability of risk realization	Impact on CPI inflation	Horizon of impact	Monetary policy response
Persisting elevated growth in wages	low	medium	short-medium	tighter MP
Exchange rate remaining at stronger levels	medium	low	short-medium	looser MP
Slower growth of German economy	low	low	medium	looser MP

Uncertainties	Intensity
Effects of fiscal policy	high
Property price growth	medium
Development of war in Ukraine	low

Foreign Environment Outlook

