

## MNI Czech National Bank Preview: December 2025

### Details:

Monetary Policy Decision	December 18 <sup>th</sup>	13:30GMT/14:30CET
Press Conference	December 18 <sup>th</sup>	14:00GMT/15:00CET
Minutes	January 9 <sup>th</sup>	08:00GMT/09:00CET

### MNI Point of View: Repo Rate To End 2025 At 3.50%

The Czech National Bank (CNB) will almost certainly deliver a well-telegraphed unanimous decision to keep the two-week reference rate unchanged at 3.50% at the final meeting of this year as concerns about familiar inflationary risks continue to linger. Although headline inflation moderated to +2.1% Y/Y in November, the property market is running hot, wages are still growing at pace, and there is considerable uncertainty about the fiscal outlook under the new government. Meanwhile, the key interest rate already sits at the upper end of the range of neutral-rate estimates, keeping the room for further rate cuts limited.

The Bank Board will convene for its final monetary policy meeting of the year without one of its members, but the absence of Deputy Governor Eva Zamrazilová is unlikely to affect the outcome, with market participants widely expecting another unanimous on-hold decision. Although headline inflation unexpectedly dipped to +2.1% Y/Y last month from +2.5% prior, and core inflation cooled to +2.6% Y/Y from +2.8% before. Services inflation eased, even if only slightly, to +4.6% Y/Y, in a welcome development for the central bank. Meanwhile, real wage growth fell to +4.5% Y/Y, falling right in between Bloomberg consensus (+4.6%) and CNB forecast (+4.4%), in a continued normalisation of labour market conditions.

However, the key risks flagged by the central bank are yet to dissipate. Services inflation remains outside of the CNB's comfort zone, consumption is robust amid a still decent pace of wage growth, while the property market runs hot translating into stickiness in imputed rents. In addition, there is considerable uncertainty around the fiscal outlook after the Chamber of Deputies returned the 2026 budget to the outgoing government, effectively shifting the burden of drafting a new spending plan onto the new government. There are two-way risks stemming from fiscal policy, with the new administration expected to substantially raise the 2026 deficit target (on the back of the assessment that the original plan was missing almost CZK100bn for necessary spending), but also vowing to lower electricity prices, which could have an incremental negative impact on inflation.

Meanwhile, the external environment remains benign. The combination of cheaper Chinese imports, lower global oil prices, and a strong koruna exchange rate help contain price pressures. Against this backdrop, the CNB's focus is on the undying embers of inflation seen in the aforementioned corners of the domestic economy. Policymakers want to make sure that inflation is anchored sustainably at the +2% Y/Y target and not vulnerable to one-off swings in notoriously volatile food prices.

Recent communications from Czech central bankers reaffirmed the intention to keep interest rates on hold for some time. In the final round of comments before the start of the media blackout period, a couple of Bank Board members made it clear that they were in no rush to change the level of interest rates. Jakub Seidler explicitly said that 'there was a relatively broad consensus in the CNB, not only across the Bank Board but also among the expert apparatus, on leaving rates at 3.5% at the last monetary policy meetings' and signalled that he was in favour of continued interest-rate stability. Jan Kubíček sounded a tad more hawkish, noting that the next move in rates will probably be a hike rather than a cut, but he also suggested that market bets on a 25bp hike within one year might be premature.

The market continues to price a relatively lengthy period of interest-rate stability going forward. The latest edition of the CNB's Financial Market Inflation Expectations survey showed that the share of respondents expecting the repo rate to stay at 3.50% within 12 months grew to more than two-thirds in November, although there were some dissenters favouring a lower level in November 2026 (min. 2.75%). By contrast, 12x15 FRAs sit around 14bp above benchmark 3-month PRIBOR, reflecting bets on the next move in rates being a hike.

In our view, a stand-pat decision this week is virtually a done deal, but there is considerably more uncertainty ahead. The beginning of the year traditionally features adjustments to administered prices, which are difficult to estimate in advance. The formation of the new government and the fact that the revised 2026 budget is yet to crystallise adds to overall unpredictability. All options are open for the period after 1Q26, with the CNB likely to make decisions opportunistically, reacting to incoming data from the real economy, monitoring risks and residual sources of inflationary pressure.

## Sell-Side Views

### Česká spořitelna: CNB To Keep Rates Unchanged

- They expect the CNB to keep interest rates unchanged and reaffirm familiar communications emphasising the need to keep monetary policy settings slightly restrictive amid heightened domestic inflationary pressures.
- In their view, the CNB may also keep all options open for the future. Overall, the CNB will likely continue to wait and see for further macro developments.

### Commerzbank: Seeing CNB On Hold Through 2026

- In their view, before the November print, the CNB's communication indicated a long period of unchanged rates, but with the bias marginally skewed towards the hawkish side.
- The November data release centres the Board's views around a more neutral stance. The bar for a hike or a cut is relatively high, but in the context of potential upcoming cuts to energy prices, additional downside surprises to core inflation could re-ignite the conversation about downward adjustments in 2026.
- For now, that is only a scenario, Commerzbank see the CNB on hold throughout 2026 keeping the policy rate at 3.5%.

### ČSOB: On Hold This Week, Discussion Of Cuts Can't Be Ruled Out In 2026

- They expect the CNB to keep the policy rate stable at 3.5%, which is a slightly restrictive level – holding back growth and inflation.
- In light of somewhat lower inflation and GDP growth, they are not ruling out a scenario where central bankers would discuss cutting rates in 2026.

### Goldman Sachs: CNB May Recommence Monetary Easing In 2026

- Goldman and consensus expect the Bank Board to keep its key policy rate unchanged at +3.50% and note that the hurdle for further monetary easing remains elevated, as many CNB Board members consider 3.50% to be the neutral rate level for Czechia.
- They note that the CNB's guidance was hawkish at the four most recent MPC meetings (where it has kept rates on hold), reflecting the Board's assessment that inflationary risks are to the upside and that ongoing domestic pressures (rising demand, property prices and services inflation) preclude further cuts for the time being.
- They expect the Board to somewhat soften this hawkish guidance in the accompanying press release while not explicitly opening the door to a near-term rate cut. Inflation has mostly surprised to the downside during the past half year, including in November, where it declined to +2.1% Y/Y, close to the CNB's target, while core declined to +2.6% Y/Y (0.2pp lower than the CNB's forecast).
- They remain less concerned than the CNB and consensus on the Czech inflation outlook – given the openness of Czechia's economy, they believe external factors typically dominate domestic factors in driving inflation dynamics. Year to date, the koruna has appreciated by ~7% on a trade-weighted basis and the CNB's relatively hawkish stance is continuing to contribute to further appreciation pressure. Furthermore,

the external inflationary environment remains benign, in particular relatively weak global commodity prices, which should provide an additional disinflationary impulse.

- Goldman believe these factors will contribute to a decline in both headline and core inflation into 2026 and, reflecting this, they expect the CNB eventually to continue its cutting cycle, with the policy rate reaching a terminal rate of 2.75% next year.

#### **ING: No Change With Limited Liability**

- In their view, with headline inflation at +2.1% Y/Y in November, the economy expanding by 2.8% annually in the third quarter, and the labour market gradually relaxing, the Czech economy does not seem in need of any monetary policy adjustment at this point.
- The outlook is also decent, with ING's expected real growth of +2.7% Y/Y for each of the two years ahead and headline inflation below the target for most of next year. In such a setup, they don't expect the rate-setters to rush into change anytime soon, keeping the base rate on hold at 3.5% this week.
- They believe that two opposing forces will drive the core rate: lower energy prices will trickle down through the economy and will dampen core inflation via secondary effects, while household budgets will be relaxed via lower energy bills, potentially supporting discretionary spending and core inflation.
- If they had to take a side on which force will dominate, then they would appeal to the output gap turning positive in 2Q26, making the whole conditions more pro-inflationary. So, core inflation is set to hover around +2.5% Y/Y over the coming year in ING's base case scenario, supported by extra discretionary spending and keeping the CNB on hold despite headline inflation marginally below the target.
- Should core inflation ease decisively below +2.5% Y/Y over the coming year, insisting on an unchanged rate of 3.5% would become too restrictive, especially given that the real interest rate would crawl up to 2% when measured against headline inflation. So, ING's alternative scenario opens a window for monetary policy easing around mid-year, supported by headline inflation well below the target and decelerating core inflation.

#### **JP Morgan: CNB To Stay Put After Low CPI**

- The final release of the November CPI confirmed the broad contours of the preliminary release: a large, unexpected slowdown in CPI to +2.1% Y/Y, from +2.5%, driven not just by food, but also more importantly, by core CPI.
- Core CPI was down 0.1% M/M, leading to a decline to +2.6% Y/Y from +2.8%, much lower than expected (+2.9%). In momentum terms, the November print is equivalent to a pace of just +1.2% M/M SAAR, a sharp decline from recent data.
- They expect the Bank Board to vote unanimously to keep rates on hold at 3.5%. Before the November data, communication pointed to a prolonged period of unchanged rates, but with the bias marginally skewed towards the hawkish side.
- The soft CPI print centres the Board's view around a more neutral stance, in their view. The bar for a hike or a cut is relatively high, but in the context of potential upcoming cuts to energy prices, additional downside surprises to core CPI could re-ignite the conversation about cuts in 2026.

#### **J&T Banka: CNB To Remain Cautious**

- They note that services inflation, strong consumption, and robust wage growth will encourage the CNB to remain cautious about any further rate cuts.
- In their view, rate stability will likely last into next year.

#### **Komerční banka: Rates To Stay Unchanged For Longer**

- They expect the CNB to stand pat on rates this week, which is fully priced by the financial markets.
- Although inflation slowed significantly in November and will probably average below the central bank's target next year, there is substantial uncertainty around economic – and particularly fiscal – developments.
- The Bank Board remains concerned about services price inflation, the condition of the mortgage market, and relatively rapid wage growth.
- Komerční banka believe that interest rates will remain unchanged for longer. If there is a move in interest rates next year, it will probably be a cut rather than a hike.

**Raiffeisenbank: Expecting Longer-Term Rate Stability**

- They write that CNB members may signal that their base-case scenario is long-term stability of interest rates and any decision different than keeping rates on hold would be a big shock.