

## MNI Czech National Bank Preview: February 2026

### Details:

<b>Monetary Policy Decision</b>	<b>February 5<sup>th</sup></b>	<b>13:30GMT/14:30CET</b>
<b>Press Conference</b>	<b>February 5<sup>th</sup></b>	<b>14:00GMT/15:00CET</b>
<b>Intro to Monetary Policy Report</b>	<b>February 6<sup>th</sup></b>	<b>08:00GMT/15:00CET</b>
<b>Minutes</b>	<b>February 13<sup>th</sup></b>	<b>08:00GMT/09:00CET</b>
<b>Full Monetary Policy Report</b>	<b>February 13<sup>th</sup></b>	<b>08:00GMT/09:00CET</b>

### MNI Point of View: Holding The Line

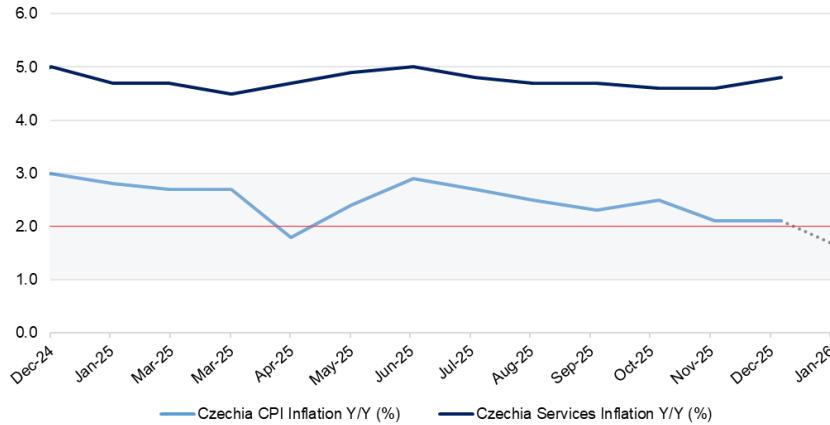
**Another unanimous vote in favour of a rate hold is baseline scenario for the upcoming Czech National Bank (CNB) monetary policy meeting. Although headline inflation is in the vicinity of the +2% Y/Y point-target and the external environment remains disinflationary, sticky services prices remain a source of concern and keep core inflation elevated. The awkward timing of the publication of flash January CPI data, due in the morning before the rate decision, puts the Bank Board in a somewhat uncomfortable position, but members will likely look through inflation figures unless there is a significant surprise to the downside. Looking further afield, bets on a resumption of monetary easing in the coming months are growing as the tone of CNB communications turns more dovish.**

The Bank Board is heading into its first monetary policy meeting of 2026 amid an improving growth and inflation outlook. The Finance Ministry recently upgraded its 2026 GDP growth forecast by 0.2pp to +2.4% Y/Y amid a continued contribution of strengthening household consumption and a revival in corporate investment. Inflation unexpectedly stayed at +2.1% Y/Y in December (versus +2.3% in the Autumn Forecast), within touching distance from the +2.0% point-target, owing to the benign development of the prices of volatile items. Meanwhile, core inflation remains sticky, accelerating to +2.8% Y/Y in December, as services prices remains elevated. CNB staff commented that stubborn core inflation 'provides strong arguments for a cautious monetary policy approach' and 'overall price developments in the domestic economy (...) require tight monetary conditions.'

The central bankers and market participants alike will receive fresh information on the inflation trajectory on the eleventh hour before the rate decision. Flash January CPI data will cross the wires on Thursday morning and is expected to show that headline inflation dropped below the +2.0% target for the first time since April 2025 (+1.8%). January data typically receives more scrutiny because the impact of annual repricing of various services is notoriously difficult to quantify in advance. In addition, the data will represent the first test for the CNB's new quarterly macroeconomic forecast, the release is certainly scheduled for after the cut-off point of the new projection. For the record, senior CNB staffers and a Bank Board member will discuss the details of the new forecast during a presentation for analysts on Friday, and comments on freshly released CPI data would be in order.

In any case, this time around, the anticipated drop in inflation will partially be driven by the new government's decision to cover the renewable energy surcharge (POZE) from the state budget effective this year. The net impact of the measure is ambiguous. On the one hand, it will mechanically lower inflation by reducing electricity bills paid by Czech households. On the other hand, the removal of POZE from retail bills will translate into a higher budget deficit this year and will free up some purchasing power that may be directed elsewhere. As a result, the Bank Board will likely play down regulatory-driven disinflation while staying alert to potential second-round effects.

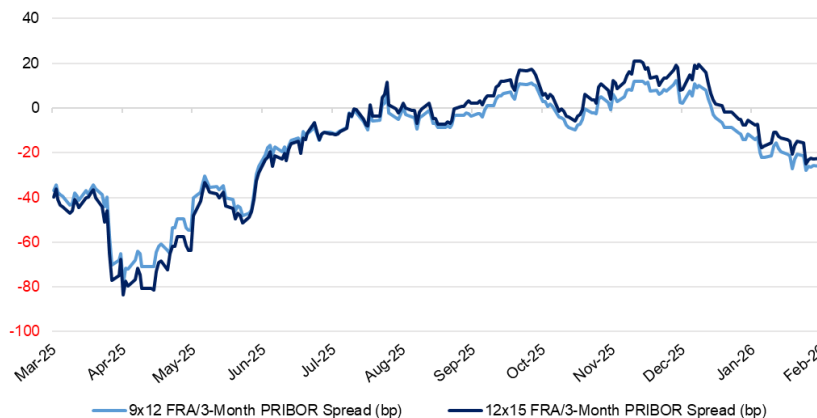
**Figure 1. Czechia CPI Inflation vs. Services Inflation (%).** The red line represents the CNB's +2% Y/Y inflation target. The shaded region represents the +/-1pp tolerance band around the target. The dotted line represents Bloomberg consensus forecast for the January CPI print.



Despite the CNB's cautious stance, the central bank's rhetoric has started to soften. Right ahead of the start of the media blackout period, Deputy Governor Jan Frait told Reuters that benign external conditions may push the Board to debate a rate cut as soon as this week, even if the room for monetary easing is limited to around 50bp this year, but he was personally yet to make up his mind on how to vote. Jan Prochazka told Bloomberg that he would likely vote for a hold this week, but there might be some room to loosen policy later this year, potentially by 25bp. At the same time, Prochazka signalled that that central bankers would not react to the impact of administrative measures (e.g. electricity price cuts) and said that there was nothing wrong with undershooting the target for some time.

Frait's and Prochazka's comments came amid repricing around the turn of the year, with participants adding bets on the next move in rates being a cut. For the better part of 2H25, the market appeared to be on board with the CNB's cautious rhetoric and insistence on the need to keep monetary policy settings slightly restrictive for the time being. Governor Aleš Michl repeatedly emphasised that the CNB must put constraints on money supply growth and facilitate the normalisation of domestic price pressures, even at the cost of a temporary target undershoot. However, this has now changed as the horns of the CNB's dilemma are again seen as a 25bp cut and a hold.

**Figure 2. Czechia 9x12 FRA/3-Month PRIBOR Spread vs. 12x15 FRA/3-Month PRIBOR Spread (bp).**



In our view, the Bank Board will prefer to 'measure twice, cut once' rather than rush into action. Barring a massive surprise in January inflation data (e.g. a sub-1.5% print, which would fall below the +/-1pp tolerance band around the target), a cut will not be a serious option quite yet. Domestic risks continue to linger, with sticky imputed rent and services prices keeping core inflation somewhat elevated. Meanwhile, the CNB may want to keep some ammunition in case external conditions were to change rapidly. Furthermore, while the main parameters of the 2026 state budget are known, the legislation will only be adopted around end-March, giving the Bank Board more clarity on the fiscal outlook and its implications for the trajectory of inflation.

We expect the Bank Board to unanimously endorse an on-hold decision this week but see a significant risk of a dissenting vote in favour of a 25bp cut. Any vote split other than 7-0 or 6-1 would be a significant dovish surprise, but cannot be ruled out, given that we have not heard from some of the members in a while. Looking further afield, the resumption of monetary easing in one or two 25bp 'fine-tuning' adjustments remains on the table, depending on the evolution of risks and inflationary pressures from the domestic economy. The new forecast, the subsequent presentation for analysts, and the Governor's press conference will be closely watched for any fresh hints on the monetary policy outlook.

## Sell-Side Views

All of the sell-side desks whose notes we have reviewed call for an on-hold rate decision from the CNB this week, although some see potential for a cut in March.

### **BNY Mellon: CNB To Stay On Hold**

- They note that the CNB remains an outlier in EMEA, with no immediate fiscal impulse complicating its policy outlook.
- Rates are likely to remain on hold at 3.5%, even as sequential inflation shows clear signs of contraction. Output is also starting to struggle due to global uncertainty, but the CZK is treated as a funding currency in the region and is the only currency that is not overhyped in EMEA and Latin America.
- However, if disinflationary trends are emerging in the Eurozone, then the CNB will also need to look into an offset.

### **Česká spořitelna: Standing Pat**

- They expect inflation to ease to +1.7% Y/Y in January due to a significant drop in fuel prices and the government's decision to cover the fees for renewable energy source (POZE) from the state budget, which together should reduce headline inflation by 0.5-0.6pp. Furthermore, food prices fell at the end of the year, while the earlier consumption-driven inflationary impulse is gradually fading.
- They note that the main question is how the CNB will respond to such a low inflation reading. In their view, the central bank will likely ignore it, as part of the disinflationary dynamic stems from supply-side and volatile factors. Meanwhile, the domestic component still has an inflationary impact.
- However, a sub-2% CPI reading could have a psychological impact on the Bank Board, while the koruna exchange rate remains strong. Česká spořitelna write that the press conference may provide some clarity on the potential triggers for a future rate cut.
- Their current suspicion is that if external risks to the Czech economy increase, the CNB could take pre-emptive action before the negative shock is confirmed in local macroeconomic data.

### **ČSOB: CNB To Keep Rates Unchanged**

- They note that the recent weeks have seen some dovish signals, which brought another slight reduction in interest rates back into play for 2026.
- In their view, the viability of this scenario will be tested by this week's January CPI data. The focus will be on the headline figure, and on the momentum of services inflation.
- They expect headline inflation to fall to +1.5% Y/Y but note that services inflation will remain elevated (close to +5% Y/Y).

- Against this backdrop, the CNB is expected to look through benign inflation data and remain cautious, unless headline inflation falls to +1.3% Y/Y or below, or services inflation loses some impetus.
- They think that the key takeaways from this week's CNB meeting will be any commentary on this year's very low inflation and the tone of the forecast.
- ČSOB suggest that one dissenter could vote for a 25bp cut already in February, but a serious discussion on monetary easing will more likely take place in May or August.

#### **Czech Banking Association: Prices Of Services To Result In Rate Stability**

- Their Chief Economist Jaromír Šindel writes that the CNB will leave the two-week repo rate unchanged at 3.50%. He argues that under the CNB's current paradigm (valid since summer 2022), a cut would require a slowdown in core services inflation to +3-4% Y/Y.
- According to his estimates, this would require a slowdown in the growth of unit labour costs in services from the current +5-6% Y/Y to around +3%, which in turn would require a wage growth of around +5% Y/Y coupled with a productivity growth of around +1.5-2.0% Y/Y. Meanwhile, current wage growth in the services sector exceeds +7% Y/Y.
- Meanwhile, if core services inflation was a tad higher, around +4.5% Y/Y, and the CNB wanted to commit to reducing interest rates with a core inflation of around +2.3% Y/Y, then imputed rent growth would have to fall to around +3.0% Y/Y from +4.5% currently.
- Šindel notes that it would be risky to rely on disinflation driven by volatile prices; services inflation remains a brake on a faster normalisation of core inflation. He notes that this is partially a result of a structural shift, with the Czech economy gradually diverting from the industrial export-oriented model since c.2018.

#### **Goldman Sachs: On Hold This Week, Policy Rate To Reach 2.75% This Year**

- Goldman align with consensus in expecting the CNB to keep its key policy rate unchanged at 3.50%.
- They note that the CNB sounded less hawkish than previously at the December MPC, characterising inflation risks as 'balanced' rather than inflationary.
- That said, a number of CNB Board members consider 3.50% to be the neutral rate level for Czechia and appear to still be concerned about elevated domestic inflationary pressures (in particular, services inflation), so Goldman expect them to remain on hold at the upcoming MPC.
- At the same time, they expect the Board's guidance to turn more dovish, especially given the prospect of significantly lower inflation through 2026 than it previously expected. The flash January inflation data will be released on the morning of the Board meeting; while Goldman expect the data to show a sharp fall in inflation, they consider it unlikely that the Board will respond immediately to the data, in the absence of a large downside surprise.
- They remain more dovish 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.
- Goldman believe these factors will contribute to a decline in both headline and core inflation throughout the rest of the year and, reflecting this, they expect the CNB to eventually continue its cutting cycle, with the policy rate reaching a terminal rate of 2.75% this year.

#### **ING: Rubicon Moment Will Come In March**

- They remind that flash January CPI data is due early in the morning before the CNB meeting. With headline inflation likely to come in well below target – and no detailed breakdown available – they believe the Bank Board will avoid an early, attention-grabbing rate cut unless inflation unexpectedly drops below +1% Y/Y. That said, January often brings tricky readings due to menu price changes, and this year's +1.1% Y/Y headline rate is no exception.
- In their view, the core inflation reading will likely remain elevated, driven by ample consumer spending, as households face significantly lower energy bills. Service price dynamics will be a crucial factor for the CNB. Still, they take the stance that the disinflationary forces will marginally dominate and push core inflation lower around the summer.
- The new Czech National Bank projection will likely show a punchier economic performance in the last year, and it may marginally boost this year's growth outlook. In contrast, this year's inflation forecast is likely to be

slashed, as the CNB will take on board reduced end-prices for electricity and natural gas by distributors, reflecting low global energy prices and a strong koruna, along with government subsidies for electricity.

- As a result, the forecast for regulated prices will switch from an expected increase to a decline, and the headline inflation outlook will move from above the target to below it. Moreover, the CNB is still factoring in the upward price impact of the new emissions allowances (ETS2) in 2027, even though the launch of the system has been postponed to 2028.
- ING are also interested to see how the CNB's workhorse model will react, as it treats interest rates as an endogenous variable, with great sensitivity to headline inflation and a propensity to bring it back to the target rather swiftly, whether from above or below. The question is whether there will be another period of a mismatch between the model path for interest rates and the Bank Board's view.
- They now expect the next rate reduction to come in March. It is the first serious opportunity to proceed with the rate cut, in their view, as the inflation outlook for the year has been broadly set and disclosed in full detail. This one cosmetic trimming – making 3.25% the terminal rate – would do the job and set the stage for 2027 when inflation is for now expected to return close to target.

#### **JP Morgan: CNB To Stay On Hold**

- The CNB will likely keep rates on hold at 3.5%, in JP Morgan's view.
- They note that the main interest will be to see the tone of the communication, in particular if the board reacts dovishly to the January CPI that will be released earlier that day.

#### **Komerční banka: Fiscal Policy Set To Prevent CNB From Cutting Rates**

- In their view, the CNB meeting will be mainly about whether the change in rhetoric from recent weeks will be reflected in the decision itself. After the December meeting, Governor Michl first hinted at the possibility of a rate cut this year, significantly softening his previously clearly hawkish tone. The Bank Board also reassessed its risk assessment - while it previously saw them as biased in one direction towards higher inflation, it now considers them balanced.
- However, this is not a change that would be communicated uniformly: for example, Vice Governor Zamrazilová continues to emphasize the inflationary threats in services and conditions any rate cut on a decrease in their annual dynamics below four percent.
- Despite the change in communication, Komerční banka expect the CNB not to cut rates this year. The main reason is the new government's fiscal policy easing, which in their opinion will lead to inflation accelerating above the +2% Y/Y target again in 2027, i.e. during the period of effectiveness of the monetary policy horizon.
- Moreover, they think that the current slowdown in inflation below +2% Y/Y this year will most likely only be temporary due to the administrative shift of payments for renewable sources. In addition, the economy is showing surprising strength, which, combined with the fiscal stimulus, may lead to an acceleration of wages and a general strengthening of inflationary pressures.
- However, if there was to be a rate cut, the most likely timing is spring (March or May) when members will have a more detailed picture of January and February inflation, especially the development of the core component and services prices, which are traditionally adjusted at the beginning of the year.

#### **Raiffeisenbank: CNB More Likely To Hold Rates**

- They expect January CPI inflation to come in at +1.6% Y/Y and think that a lower print could increase the risk of a surprise cut.
- For now, they expect the CNB to stand pat on rates, as any adjustment would only affect the economy after 12-18 months.
- In their view, after this period, inflation will return above the +2% Y/Y target, while medium-term inflationary risks remain.

#### **UniCredit: Rates Seen On Hold In Close Call**

- They expect the CNB to remain on hold, though it could be a close call.
- January inflation is likely to drop to around +1.5% Y/Y, which may open room for earlier easing.
- A cut is not their baseline for 2026, but the probability has increased, with March emerging as a more plausible window for a move.