MNI Czech National Bank Preview: November 2025

Details:

Monetary Policy Decision	**November 6th**	**13:30GMT/14:30CET**
Press Conference	**November 6th**	**14:00GMT/15:00CET**
Intro to Monetary Policy Report	**November 7th**	**08:00GMT/09:00CET**
Minutes	**November 14th**	**08:00GMT/09:00CET**
Full Monetary Policy Report	**November 14th**	**08:00GMT/09:00CET**

MNI Point of View: Steady As She Goes

The Czech National Bank (CNB) remains in a holding pattern, with the current slightly restrictive monetary policy settings deemed appropriate to tackle lingering inflationary risks. With the two-week repo rate sitting at 3.50%, the upper end of the range of neutral-rate estimates, a resumption of monetary easing in this cycle hangs in the balance. We expect the Bank Board to stand pat on rates at least until the end of this year as it monitors the evolution of risks and price developments. Although the new projection may chart a slightly lower inflation path, Governor Michl is likely to reaffirm his hawkish rhetoric to signal continued resolve in the efforts to bring residual price pressures under control.

Flash October CPI published on the eve of the rate decision reaffirmed a familiar inflation story unfolding in Czechia. Although headline inflation surprised to the upside (+2.5% Y/Y versus +2.3% expected), the deviation from expectations was driven by the notoriously volatile food prices, and hence will likely be discounted by the CNB. Meanwhile, the closely watched services price inflation edged lower to +4.6% Y/Y from +4.7%, but only marginally, staying above the levels that in the CNB's view would be consistent with the inflation target. In an interview given just ahead of the central bank's media blackout, Jakub Seidler said that services inflation remains a key reason for concern and its 'natural' rate would be between +3.5-4.0% Y/Y.

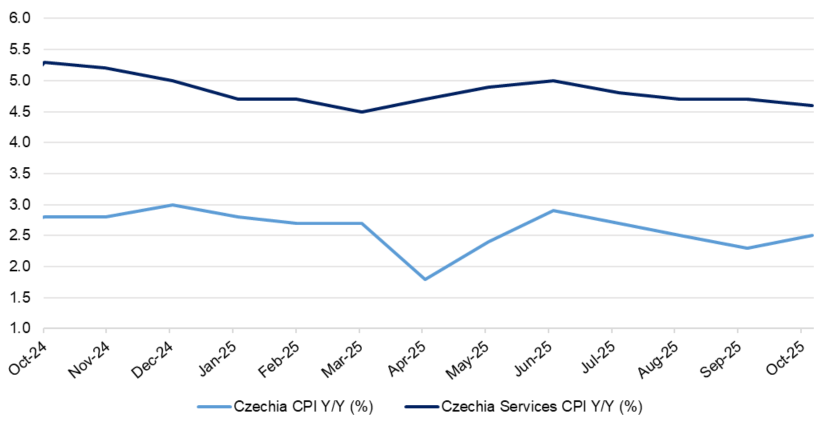

Figure 1. Czechia CPI vs. Services CPI Y/Y (%). Source: MNI - Market News/CZSO.

Fundamentally, Czech inflation is driven by recovering household demand, with wages still growing at pace, keeping policymakers alert to the risk of overheating. Advance Q3 GDP data reinforced this assessment, beating forecasts by a comfortable margin and prompting a repricing of the interest-rate outlook, with participants adding wagers on the next move being a hike – albeit not for a long time. While a detailed breakdown of the GDP data was not yet available, the CZSO noted that 'final consumption expenditure of households and gross capital formation' were behind the stronger-than-expected +2.7% Y/Y outturn. For the record, while the initial hawkish reception of the data

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was followed by a slight correction, market participants added hawkish CNB bets a few days later on the back of October CPI data, despite the aforementioned caveats.

The CNB's usually well-coordinated messaging further emphasised the intention to keep monetary policy settings stable for now. Jakub Seidler called for leaving interest rates at the current levels for an extended period, while Deputy Governor Eva Zamrazilová said that they should stay unchanged at least until the end of the year. Zamrazilová went on to warn of familiar risks to the fulfilment of the inflation target, including an overheating property market and the prospect of more expansionary fiscal policy. The latter gives the CNB yet another reason to be patient, as we await clarity on the details of the incoming government's spending plans. While ANO campaigned on a platform of looser fiscal policy, its leader Andrej Babiš indicated that he intends to keep the 2026 deficit target (CZK286bn) inherited from the outgoing administration and focus on closing the alleged funding gap, while keeping budget shortfalls within the confines of EU requirements in subsequent years.

In our view, the end of Czechia's easing cycle is not a foregone conclusion, but we are fairly confident that interest rates will remain unchanged at least until the end of this year. The CNB has brought the two-week repo rate very close to neutral and wants to see these modestly restrictive settings dampen residual inflationary pressures. Should progress on this front prove better than expected, we may see the CNB cut rates again at some point in 2026. For now, the central bank is set to stand pat on monetary policy settings, which – in combination with a strong koruna exchange rate – it deems optimal for anchoring inflation closer to its +2% Y/Y point-target. We expect a unanimous decision this week and will closely watch the press conference for further hints on the monetary policy outlook.

Sell-Side Views

BNY Mellon: No Change Expected, Tail Risk Of Cut

- They write that the CNB is expected to keep the repo rate at 3.5% but there will be a tail risk of a cut as September inflation numbers surprised to the downside and showed deep sequential contraction.
- Given the industrial sector in the broader European Union continues to face critical challenges, the Czech economy will suffer from the aftershocks – the sector is contracting materially based on the latest figures and the CNB will be on standby to offer relief if needed.
- However, there is no evident sign of output weakness translating into demand softeners yet, and even real wages remain remarkably high by EU standards (+5.3% Y/Y in Q2), so the CNB will need to continue to manage a balancing act.

Czech Banking Association: Between Koruna & Post-Election Reality

- In their view, the CNB Bank Board will probably not want to differ from the ECB's decision and will leave interest rates unchanged, i.e. the two-week repo rate at 3.50%.
- The CNB's communication is also likely to remain unchanged, i.e. the future trajectory of the interest rate could go in any direction, but most likely leaving the interest rate unchanged will be motivated by the need to maintain tight monetary conditions and thus insure a return of inflation to the target.
- The details of GDP and wage growth released at the end of November, together with clearer contours of the government's new policy, may lead the CNB to change its communication if necessary.
- The CNB is likely to make only cosmetic adjustments to the GDP growth outlook of around +2.5% Y/Y next year, with a gradual convergence towards the inflation target, although probably still above +2% Y/Y.

Česká spořitelna: Communication Should Remain Slightly Hawkish

- They align with consensus in expecting the CNB to keep interest rates on hold. They also expect the central bank to leave its messaging unchanged and deploy slightly hawkish rhetoric.
- Although inflation is now relatively close to the target and safely within the tolerance band, domestic inflationary pressures resulting from strong consumption are still elevated.

ČSOB: CNB To Stand Pat

- They expect the CNB to leave interest rates unchanged and remind that the central bank will release a new macroeconomic projection.

Goldman Sachs: CNB On Hold, Likely To Slightly Soften Its Hawkish Guidance

- They expect the CNB to keep the policy rate unchanged at 3.50%, noting that the hurdle for further monetary easing remains elevated, as many Bank Board members consider 3.50% to be the neutral rate level for Czechia.
- The CNB's guidance was hawkish at the three most recent MPC meetings. However, Goldman expect the Bank Board to somewhat soften this hawkish guidance in the accompanying press release while not explicitly opening the door to a near-term rate cut.
- Considering latest macroeconomic developments, Goldman believe that the CNB will lower its inflation projection, keep its growth projection broadly unchanged.
- 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.
- Goldman think that external 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 eventually to continue its cutting cycle, with the policy rate reaching a terminal rate of 2.75% next year.

ING: No Change In Rates For Foreseeable Future

- ING note that rates are widely expected to remain unchanged at 3.50% and the decision itself should be a non-event. The main focus will be on the governor's forward guidance and the new forecast. On the one hand, headline inflation surprised slightly lower, and the CNB can be calm. On the other, the economy is doing well and inflationary risks persist.
- They write that before the start of the blackout period, we heard from Deputy Governor Eva Zamrazilová and Board Member Jakub Seidler. Both basically painted a similar picture, that the CNB can remain on hold for a longer period, but service prices and faster wage growth are still a problem.
- ING note that the CNB's August forecast is more or less coming true, and there have not been any significant deviations except for wages. Wage growth surprised upwards in 2Q with a growth of +7.8% Y/Y, 1.1pp above the CNB's forecast. At the same time, the government approved a minimum wage increase of 7.7% next year, and an increase above the CNB's forecast can also be expected for civil servants, pushing the entire profile significantly upwards.
- EUR/CZK is down about 2.3% compared to the August forecast in Q3 for now, but this will be the least of the problems for the central bank, which welcomes a stronger CZK in the fight against inflation. Overall, the rates path should see only minor changes, probably upwards, also due to a higher Euribor, in their view.
- Overall, ING see this week's meeting as a pulse check on how the CNB reacts to the latest changes in the outlook rather than the latest data. This will be the first meeting after the general election, which gave us a new government promising lower energy prices and higher investment, but perhaps at the cost of a higher deficit (not ING's baseline for now).
- Overall, they think that the CNB is in no rush to do anything and can wait a while longer and continue to provide balanced forward guidance with hawkish detail. ING's forecast here also remains the same: no change in rates for the foreseeable future.

JP Morgan: Rates Likely To Stay Unchanged For Some Time

- In their view, the CNB will likely keep rates unchanged at 3.5%.
- Growth data remains good, with the flash Q3 GDP accelerating to +0.7% Q/Q, wage growth is elevated and core inflation is near +3% Y/Y.
- In this context the CNB Board's communication has been clear that rates are likely to be unchanged for a while.

Komerční banka: CNB Still On Alert Despite Ongoing Disinflation

- In their view, the CNB will keep interest rates unchanged and won't change its slightly hawkish rhetoric, pointing to inflationary risks.
- The room for reducing rates is limited by the increasing probability of an expansionary fiscal policy, which could support economic growth and push inflation higher next year.
- However, according to Komerční banka's updated forecast, inflation should fall below +2% Y/Y next year, thanks to cheaper energy prices for households. Core inflation should remain slightly above +2% Y/Y.

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- They believe that the two-week repo rate will remain at 3.50% for an extended period despite inflation running below the +2.0% Y/Y target.
- Still, they consider a rate cut to be more likely than a rate hike going forward, especially if the anticipated fiscal stimulus does not materialise.

Raiffeisenbank: CNB Expected To Keep Rates Unchanged

- They expect the CNB to leave interest rates unchanged and note that the focus will be on the press conference and new projection.
- In their view, the projection will feature a slight downward revision to GDP and inflation forecasts.

UniCredit: CNB Certain To Stay On Hold

- In their view, the CNB is almost certain to stay on hold at 3.50%.
- The updated macro forecasts may provide insight into the direction of risks to inflation and the rates outlook if the CNB's underlying growth and FX projections show a clear deviation from market expectations.

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