

CZECHIA | INSTANT COMMENT

CNB keeps interest rates unchanged

Target Rate

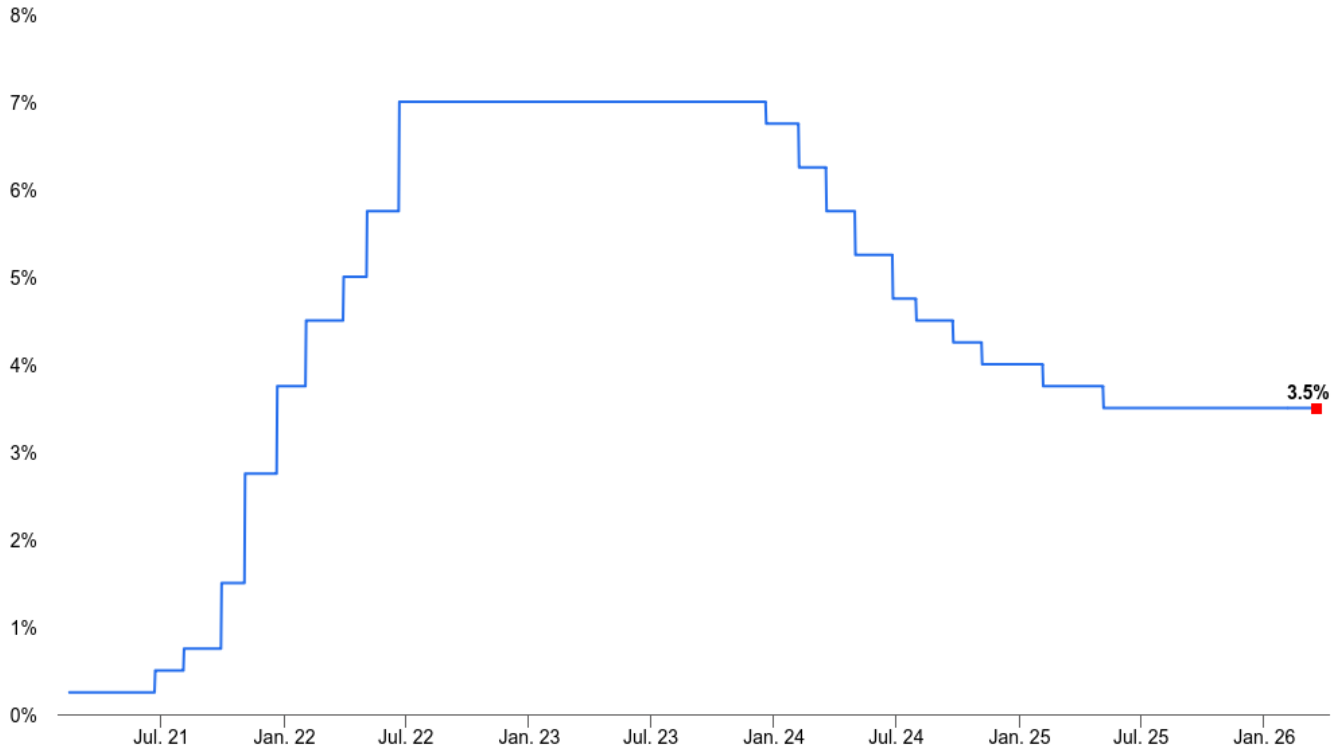
Actual, Mar:	3.50%	Previous:	3.50%	Erste:	3.50%	Consensus:	3.50%
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At today's meeting, the CNB left interest rates unchanged. The main rate remains at 3.50%. The decision matched both our expectations and those of the entire market. The Bank Board did not have a new macroeconomic forecast today – it will be presented at the May meeting. The press conference starts at 3 PM. We will issue a new commentary afterward.

Before the conflict in the Middle East began, the CNB unexpectedly started discussing the possibility of rate cuts. The Bank Board wanted to see a slowdown in domestic inflationary pressures, particularly core inflation. However, the conflict in the Middle East and the resulting inflationary risks may at least postpone discussions about rate cuts, and if the conflict lasts longer, debates about rate stability or cuts could easily shift to discussions about possible rate hikes.

Market expectations have shifted in this direction, anticipating up to two possible rate hikes in this year. Various previous comments from the CNB, however, view such a policy as premature, and we see it similarly. The CNB has a buffer in the form of low inflation, and additionally, the shock is exogenous with potentially negative impacts on real economic activity. In this regard, the situation is different compared to 2022, when very strong domestic demand-side inflationary pressures were present in the economy. Overall, we do not currently expect the CNB to react quickly to the current developments.

CZ Central Bank Rate
Daily



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