

## Czech National Bank can wait it out; the right thing to do

Given the turmoil in the Middle East and its repercussions for energy prices, supply chains, confidence, and uncertainty, we reduce our Czech growth outlook to 2.5% for 2026 and 2027. Our forecast for price dynamics became punchier, yet inflation averages still remain within the tolerance band. Rates on hold is the right CNB answer for as long as it gets

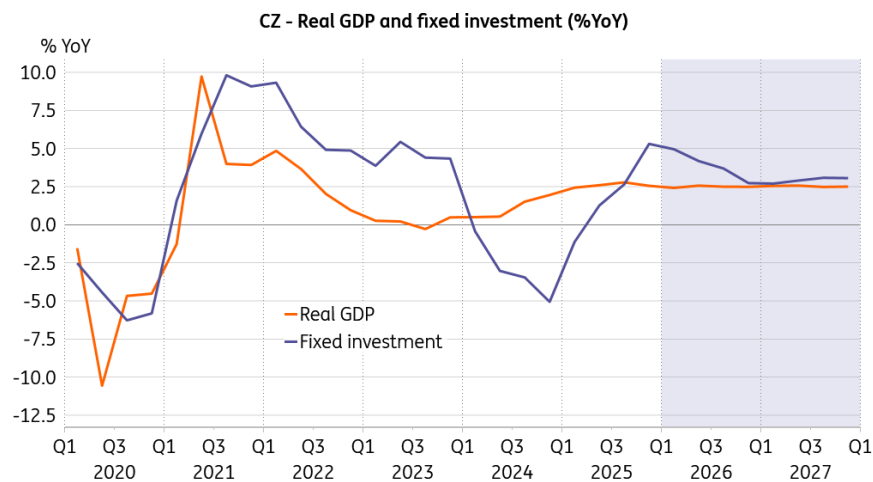


Given the Middle East turmoil and its affects on inflation, we lower our GDP forecasts for 2026 and 2027

### Oil price shock: punchier inflation amid weaker growth

The new Czech forecast assumes Brent Crude averaging around US\$100/bbl in March and April and then gradually receding to US\$80/bbl in September. On the back of this assumption and expecting the turmoil in the Middle East to imply difficulties for supply chains, basic materials, confidence, and Czech exporters, we reduce our Czech real GDP growth outlook to 2.5% for this year and the next, with quite some potential for further downward revision.

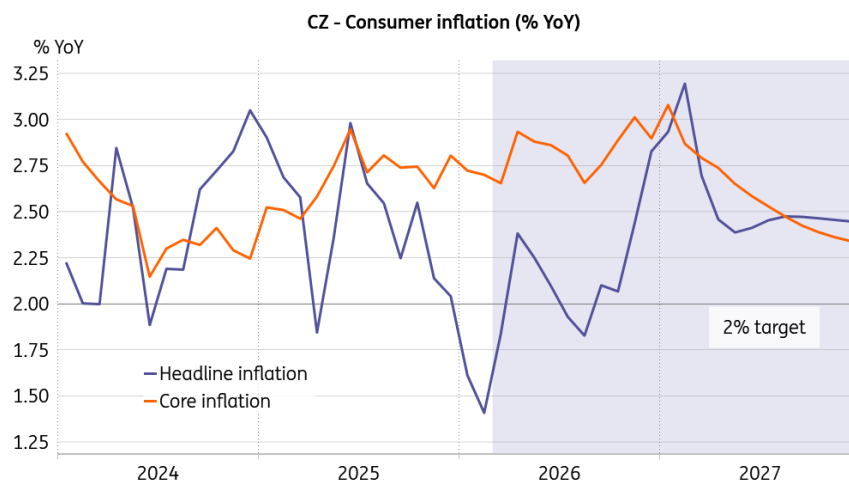
## Investment will back down to uncertainty



Source: CZSO, ING, Macrobond

Headline inflation is now seen to average 2.1% this year and 2.6% in the next, as some non-linearities, such as higher regulated prices in 2027 start to kick in. We expect core inflation to average 2.8% this year and 2.6% the next. For now, subdued annual growth in food prices, falling producer prices in agriculture, and declining regulated prices provide a good entry point to the energy price shock and some cushion to withstand it reasonably well. That said, food prices are the right candidate for upward surprises, should potential shortages of fertilisers and other chemicals result in disappointing crop yields across the globe.

## Inflation set to remain within the boundries



Source: CZSO, ING, Macrobond

With the still-decent economic performance and the inflation averages within the CNB tolerance band around the target, we still take the position that – in monetary terms – doing nothing for as long as it gets is the right answer. So, no change in policy rates remains our base case scenario for now, as the initial conditions allow it. Sure, with both headline and core inflation around the 3% threshold early next year, some board members may opt for challenging inflation with higher

rates, but the outlook for economic performance will matter. And yes, should we see oil at US\$150/bbl anytime soon and the conflict escalates or drags on for much longer, we would tackle another animal once again.

## Food price dynamics is an upward risk

Year average	2026	2027
Headline	2.1	2.6
Core	2.8	2.6
Food	1.3	2.2
Regulated	-0.9	3.2
Fuels	6.2	1.8

Source: ING estimates

### Author

#### David Havrlant

Chief Economist, Czech Republic

420 770 321 486

[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).