

Snap | 3 August 2017

Czech National Bank becomes first in Europe to raise rates

As expected, the Czech National Bank raises interest rates by 20 bp to 0.25% today.



Source: Shutterstock

With the first rate hike of 2017 here, the Czech National Bank has become the first to start monetary tightening in Europe, lifting rates from a record-low 0.05 percent.

Governor Jiří Rusnok's press conference will be held at 2:15 pm and we're looking for: the updated CNB Prague interbank offered rate (Pribor) forecast, the extent of future interest rate hikes along with the tone of the conference. We expect the new and updated interest rate forecast to be at least unchanged, pencilling in additional three hikes by end-2018, in addition to the 20bps hikes delivered today.

It is likely to be stressed that the interest rate forecast is conditional on orderly CZK strength and the macro situation.

Though this should not come as a surprise as such conditionality has always been present. EUR/CZK is through the 26.00 level, but the overcrowded long CZK positioning should limit the extent of EUR/CZK downside.

CZK interest rate swaps will push higher and the tone of the press conference and new CNB Pribor projections will determine the price action later today.

[Read CNB's press release here](#)

It's worth noting this is the first change in interest rates since November 2012, when the repo rate was cut to technical zero. Additionally, the decision taken today is the first increase in domestic interest rates since February 2008.