

Czech Republic | Inflation in April 2025

EcoAlert

Inflation fell slightly below the 2% target in April



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Consumer price index – April 2025

	Actual	KB forecast	Consensus
CPI (% , mom)	-0.1%	0.1%	0.1%
CPI (% , yoy)	1.8%	2.1%	2.1%

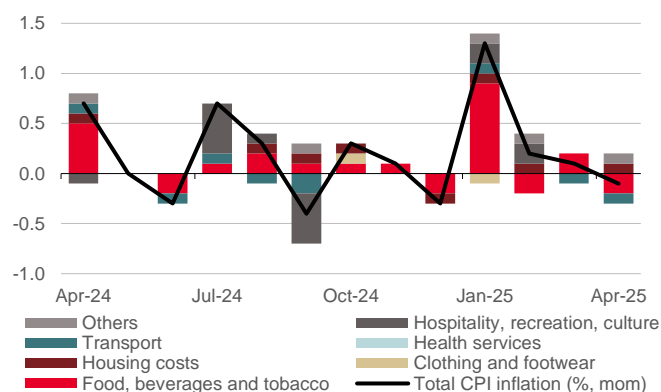
Source: CZSO, Bloomberg, Economic & Strategy Research, Komerční banka

Czech inflation slowed to 1.8% yoy in April, down from 2.7% yoy in March. The statistical office thus confirmed its preliminary estimate. April inflation was lower than expected, as the market consensus and our own forecast were for 2.1% yoy. The central bank assumed April inflation at 2.0% yoy in its recently published forecast.

The deviation from our forecast was mainly due to volatile food prices. The prices of food and non-alcoholic beverages fell by 0.3% mom in April, while those of alcohol and tobacco were down by 1.0% mom. Although prices were still higher than a year ago, their annual growth eased significantly. Growth in the prices of food and non-alcoholic beverages slowed from 6.1% to 4.1% yoy, while for alcohol and tobacco price growth slowed from 5.2% to 2.0% yoy. The higher comparative base of last year also had an impact. Food prices as a whole were the main driver of the decline in annual inflation in April.

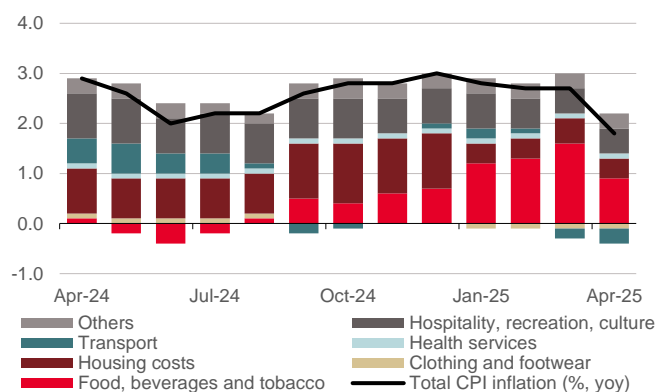
The continued decline in fuel prices also contributed to the slowdown in inflation. Fuel prices fell by 2.7% mom in April, following a sharp 3.3% drop in March. This was driven by significantly lower crude oil prices, reflecting a more pessimistic outlook for the global economy and higher oil production, as well as by the continued appreciation of the Czech koruna against the US dollar. As a result, the annual decline in fuel prices accelerated from 8.4% to 13.3%. As with food prices, the higher base from last year contributed to this.

The monthly decline in consumer prices of 0.1% was driven by food and fuel (% , pp, mom, NSA)



Source: CZSO, Economic & Strategy Research, Komerční banka

Food and fuel prices were also behind the decline in annual inflation (% , pp, yoy)



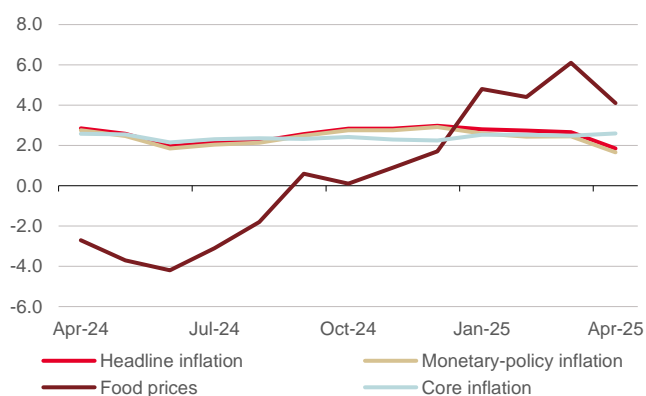
Source: CZSO, Economic & Strategy Research, Komerční banka

Regulated prices rose only slightly. They increased by 0.1% mom, with annual growth remaining well below the central bank's 2% target, at 0.4% yoy in April. This was influenced by lower energy prices, which fell by an average of 3.3% yoy. However, the mom decline (-0.2% in April) continued at a slow pace, likely due to the significant proportion of fixed-price contracts. The decline in the energy component of regulated prices was offset by growth in the non-energy component, which includes services such as healthcare, education and transport.

Core inflation remains high. It accelerated slightly from 2.5% to 2.6% yoy in April, in line with the CNB's forecast. According to our estimates, seasonally adjusted monthly growth also rose, from 0.2% to 0.3%. Core inflation remains elevated mainly due to stubborn growth in services prices, which increased from 4.5% to 4.7% yoy in April. This was influenced by a further acceleration in imputed rents, from 3.6% to 4.1% yoy, likely related to the strong recovery in the real estate market and the sharp increase in house prices. Meanwhile, growth in paid rents eased from 6.3% to 5.9% yoy. However, the abundant growth in services prices was offset by the subdued growth in goods prices, which slowed from 1.6% to 0.2% yoy.

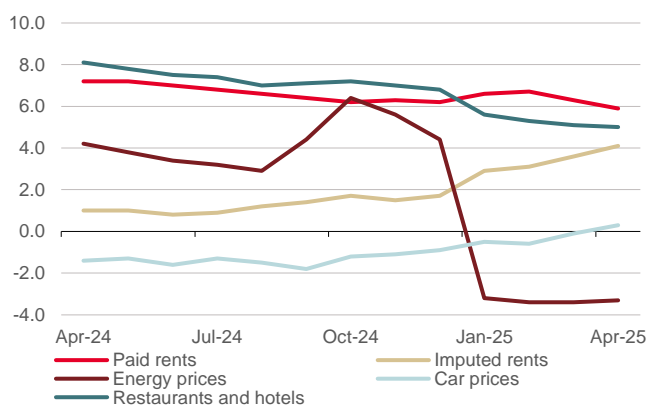
We expect annual inflation to increase again over the next two months as the impact of the higher base fades. Nevertheless, inflation should remain below 3% yoy, i.e. within the central bank's tolerance band. We expect annual inflation to gradually stabilise around the 2% target in 2H25. We estimate average inflation at 2.2% this year, declining to 1.8% next year. Restrictive monetary policy and a mild recession in the Czech economy, which we expect due to US tariffs, should gradually dampen inflation. We believe that favourable inflation developments and the deteriorating economic situation will lead to further interest rate cuts by the central bank. We therefore forecast the repo rate to fall to 3% by the end of the year. For more details, see our *Czech Economic Outlook*: https://bit.ly/CEO_2Q25_EN.

Core inflation increased from 2.5% to 2.6% in April, in line with the CNB forecast (% , yoy)



Source: CZSO, CNB, Economic & Strategy Research, Komerční banka
Note: Food prices do not include alcoholic beverages and tobacco.

While energy prices fell, growth in imputed and paid rents remained high (% , yoy)



Source: CZSO, Economic & Strategy Research, Komerční banka

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