



# Press conference of the CNB Bank Board

5th Situation Report on  
Economic and Monetary  
Developments

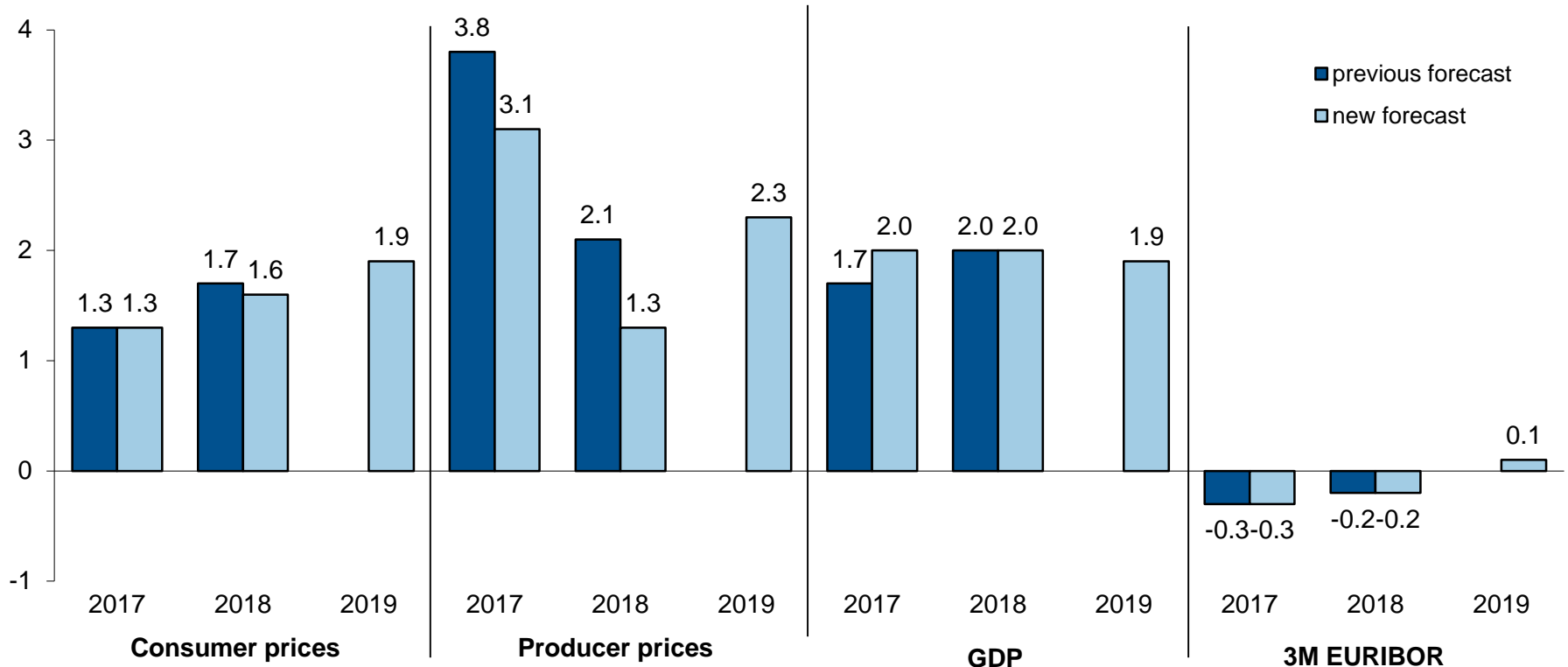
3 August 2017

# The monetary policy decision

- At its meeting today, the CNB Bank Board decided unanimously to increase the two-week repo rate by 20 basis points to 0.25%.
- At the same time, it decided to increase the Lombard rate by 25 basis points to 0.50%. The discount rate was left unchanged at 0.05%.
- The decision adopted by the Bank Board is underpinned by the CNB's new macroeconomic forecast, which is consistent with an increase in domestic market interest rates in 2017 Q3.
- According to the forecast, inflation will stay in the upper half of the tolerance band for the rest of this year and decrease towards the 2% target at the start of next year.

# The external environment (i)

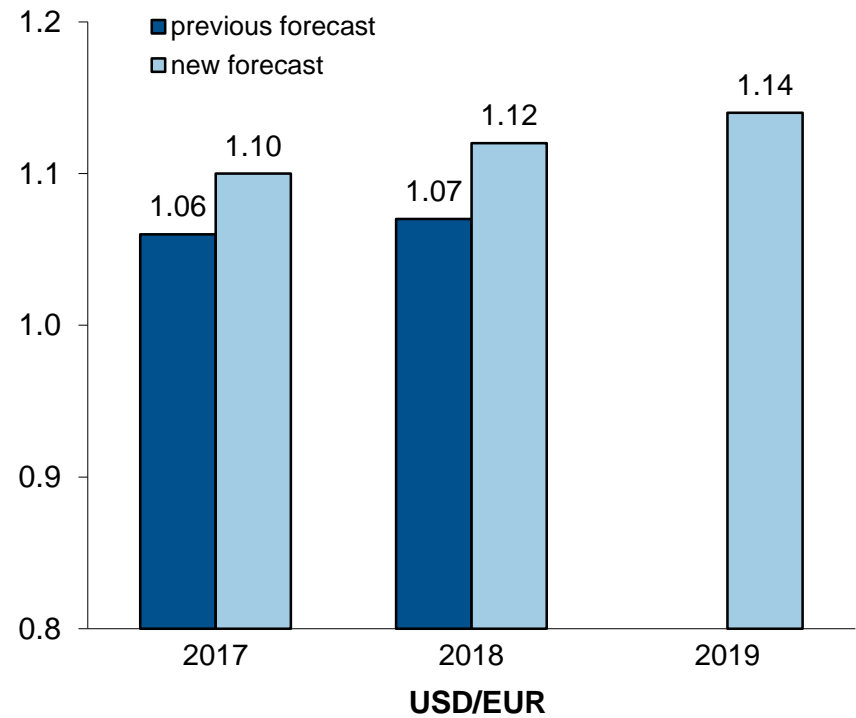
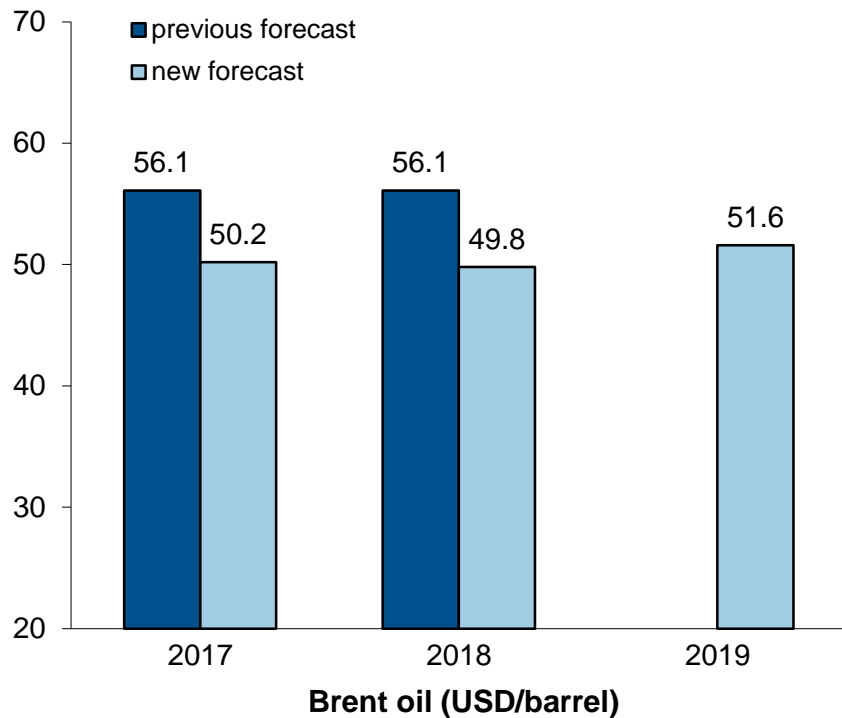
## Comparison between the assumptions of the new and previous forecasts for the effective euro area\*



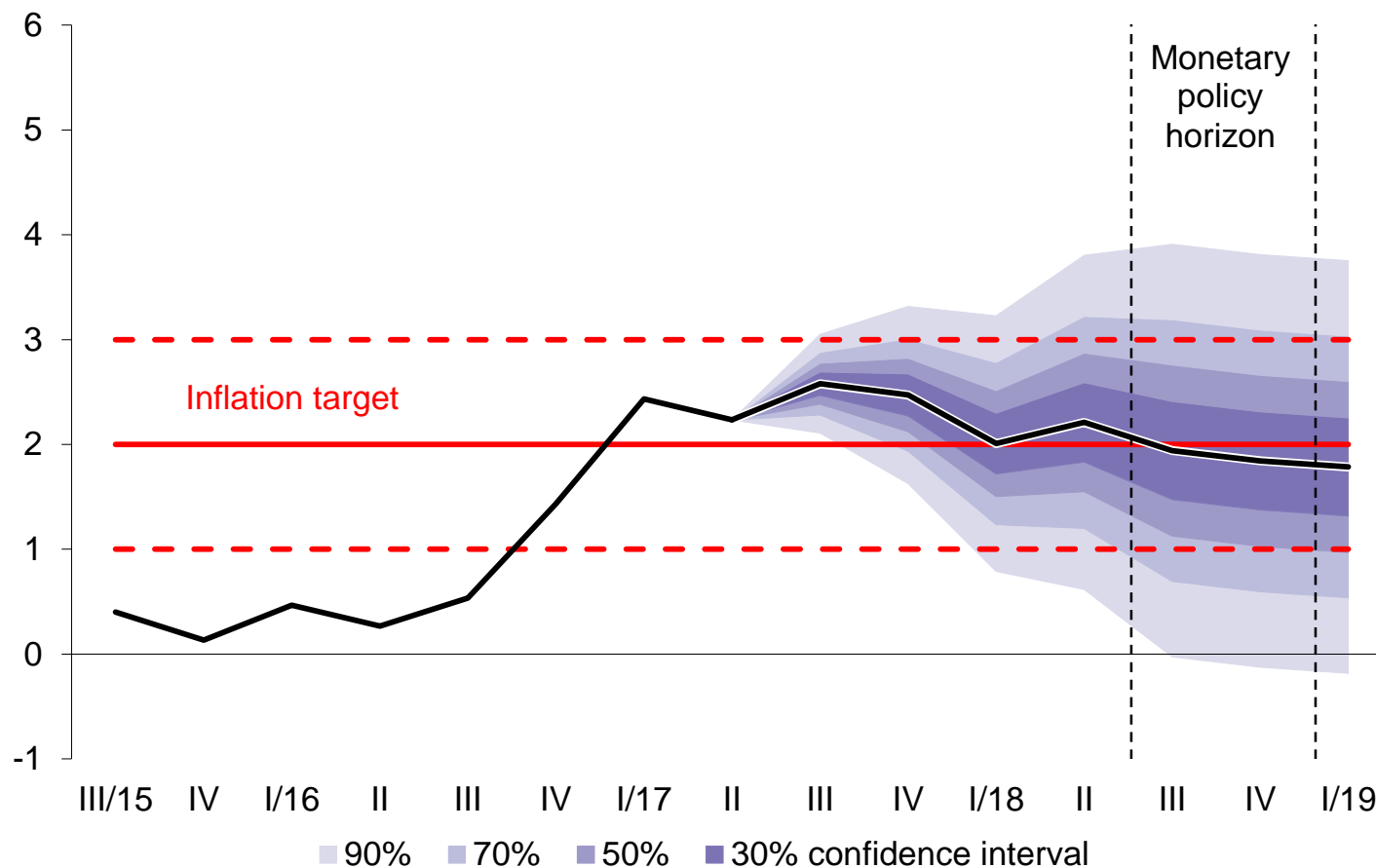
\* Effective euro area means that individual countries of the euro area are weighted by their share in Czech exports

# The external environment (ii)

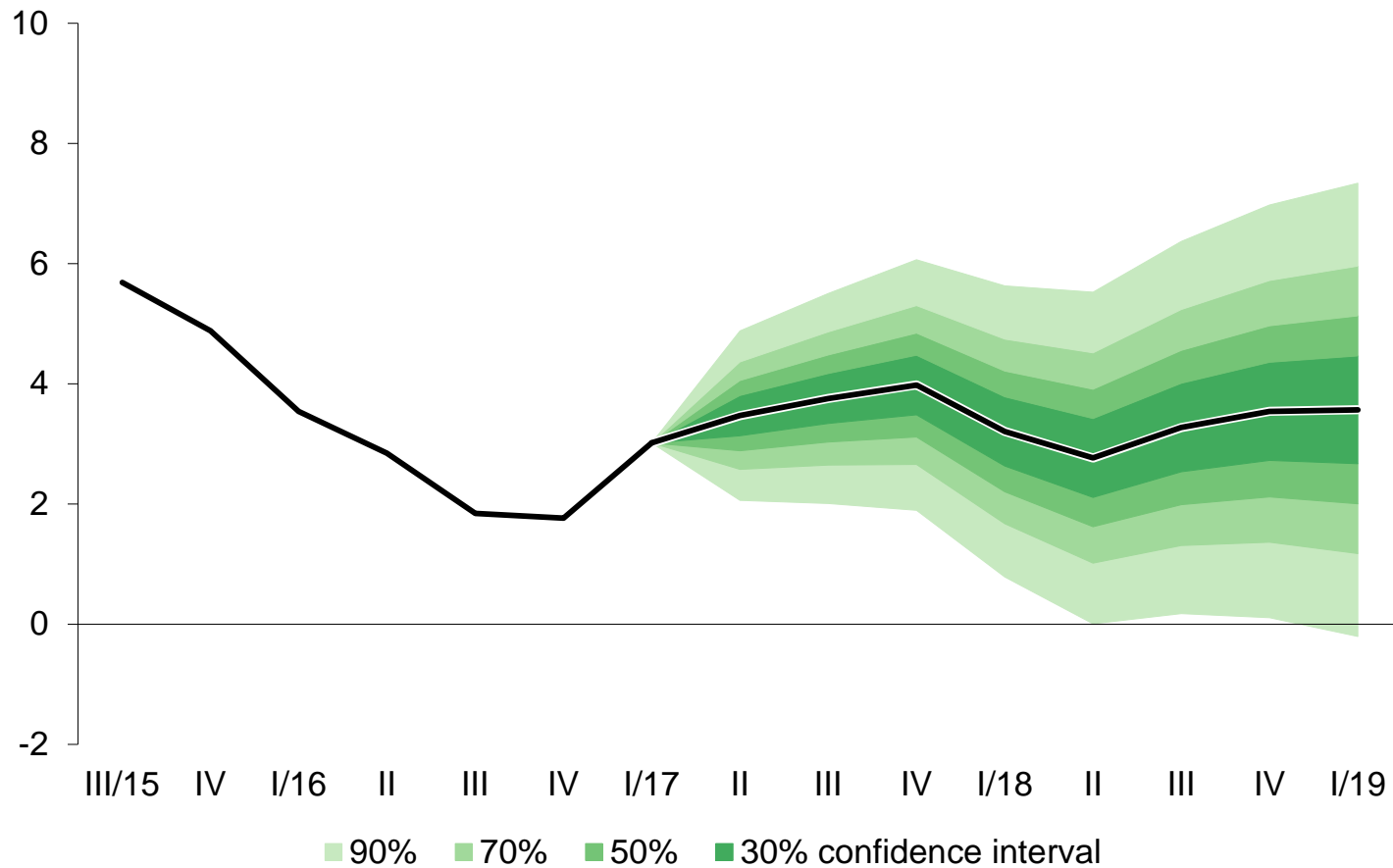
## Comparison between the assumptions of the new and previous forecasts



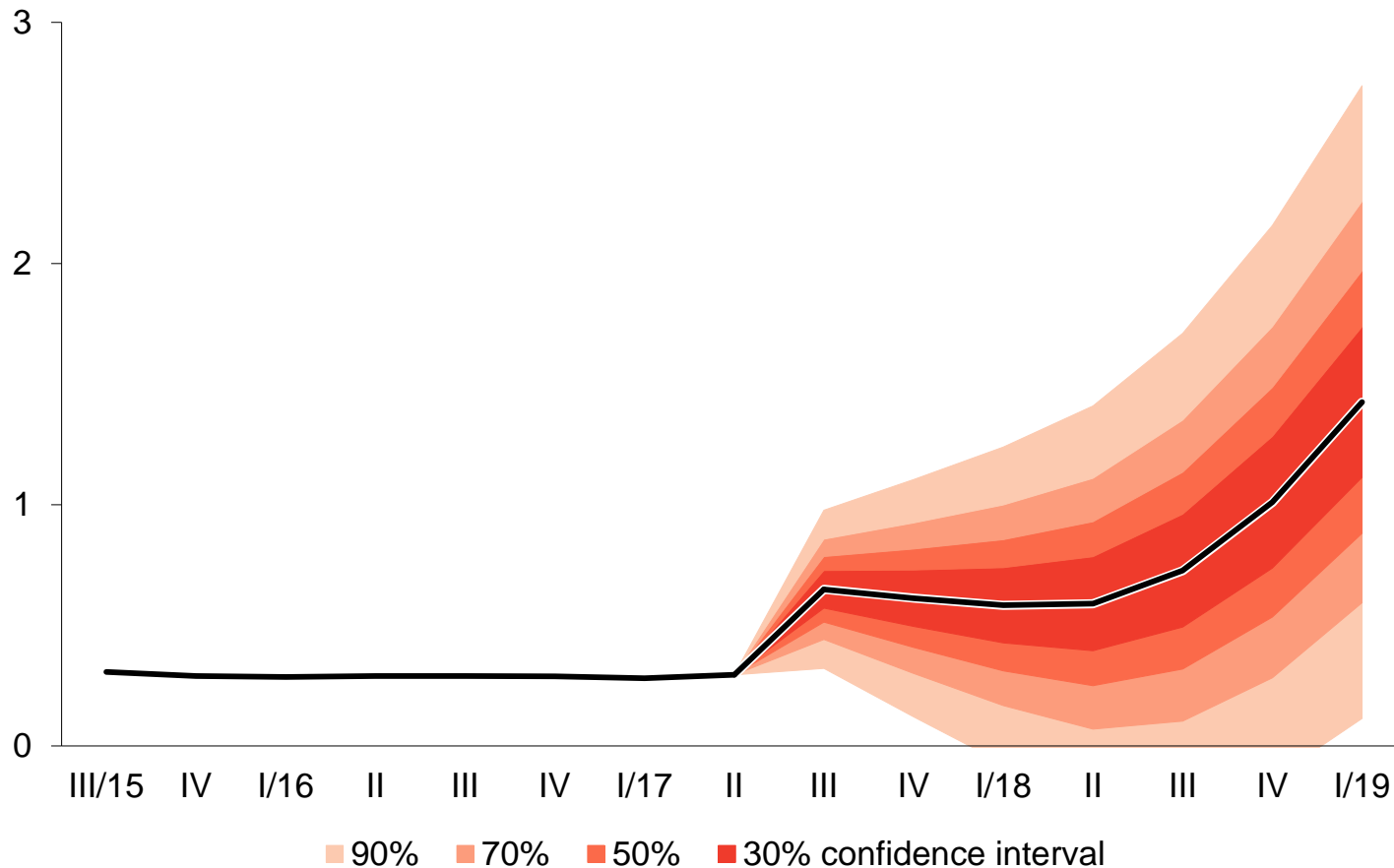
# The forecast for headline inflation



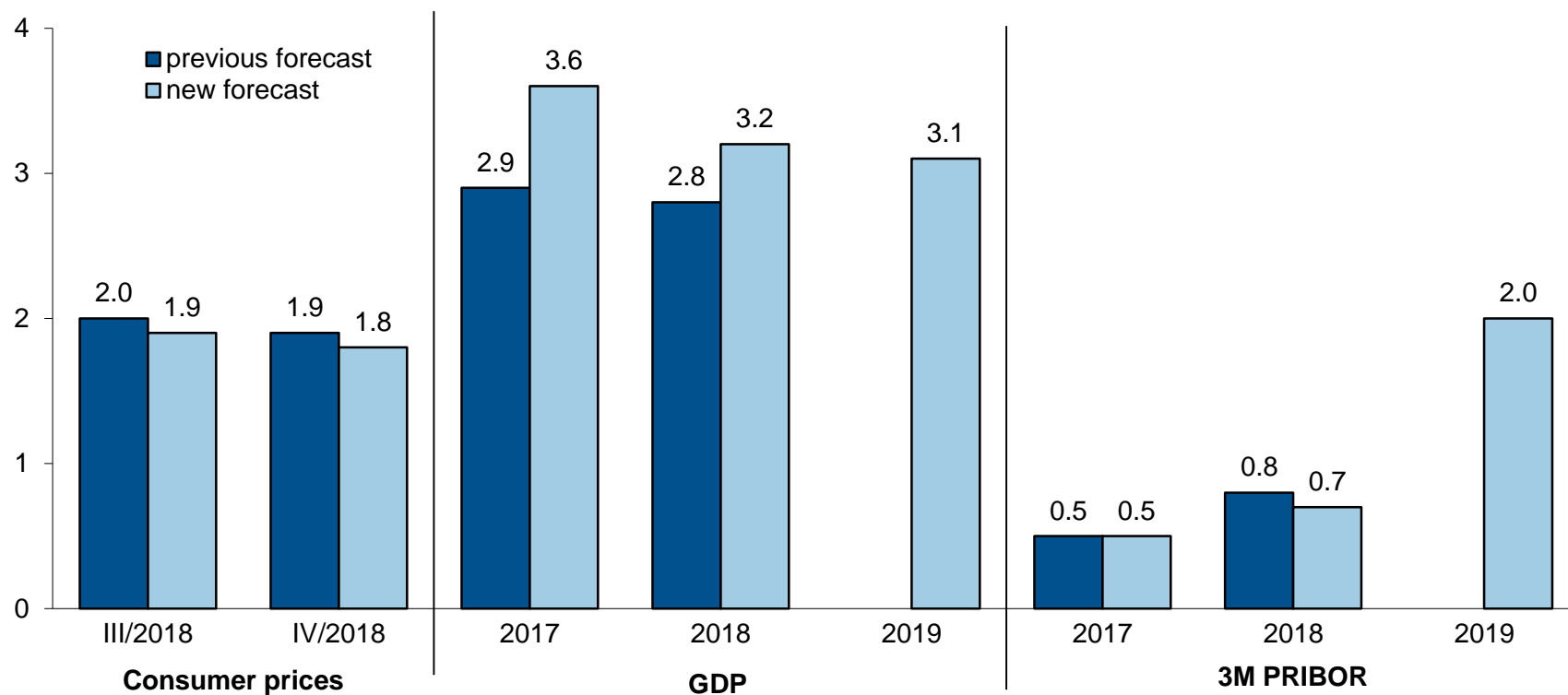
# The forecast for GDP



# The forecast for interest rates (3M PRIBOR)



# Comparison with the previous forecast





# Risks to the forecast

**The Bank Board assessed the risks to the inflation forecast as being slightly inflationary.**

***Risk on the upside:***

- weaker-than-forecasted exchange rate in the quarters ahead owing to the closing of koruna positions by financial investors

# Thank you for your attention

More information about the forecast can be found at

[http://www.cnb.cz/en/monetary\\_policy/forecast/](http://www.cnb.cz/en/monetary_policy/forecast/)

and in Inflation Report III/2017. The summary of the Report (together with the table of key macroeconomic indicators) will be published on 4 August 2017. The whole Report will be published on 11 August 2017.