



Press conference of the CNB Bank Board

6th Situation Report on Economic and Monetary Developments

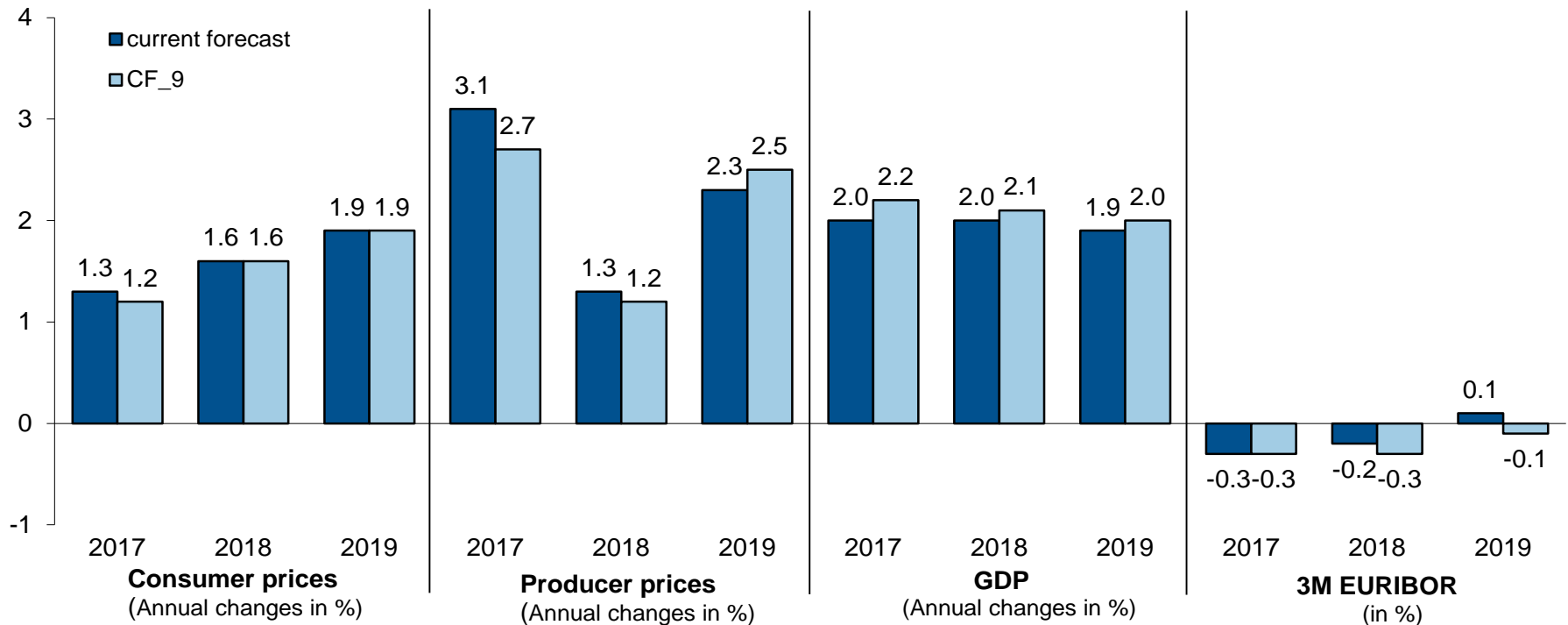
27 September 2017

The monetary policy decision

- At its meeting today, the CNB Bank Board decided to keep interest rates unchanged.
- The two-week repo rate thus remains at 0.25%, the discount rate at 0.05% and the Lombard rate at 0.50%.
- Four members voted in favour of this decision, and three members voted for raising the two-week repo rate to 0.50% and the Lombard rate to 1.00%.
- According to the current forecast, inflation will stay in the upper half of the tolerance band for the rest of this year and decline towards the 2% target at the start of next year.
- Following the August increase in interest rates, a further increase in rates over the next two years is consistent with the current forecast.
- The Bank Board assessed the risks to the current forecast as being slightly inflationary.

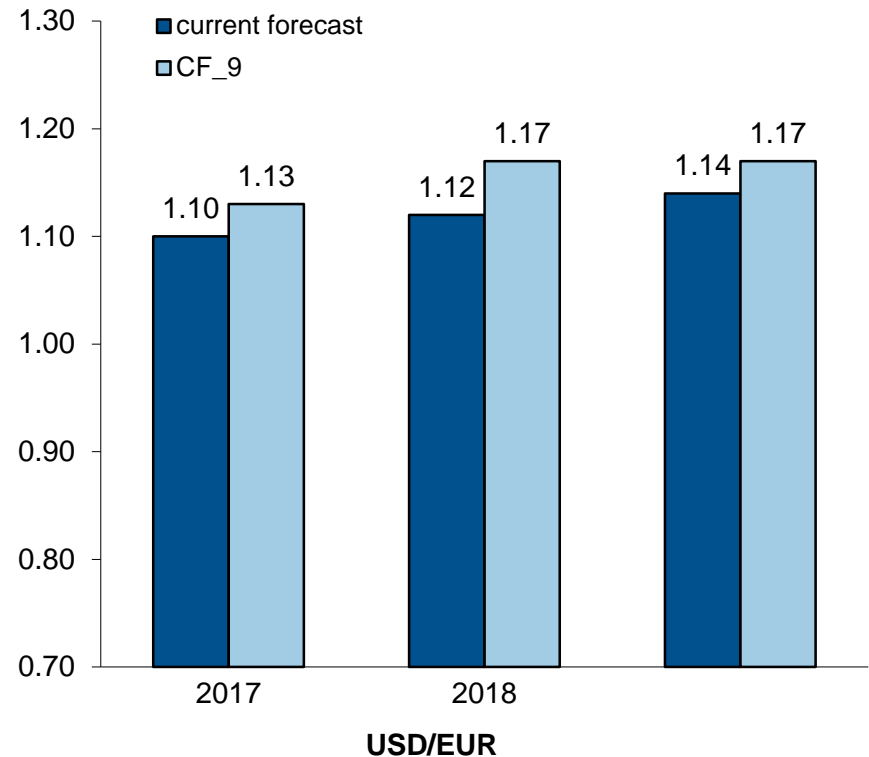
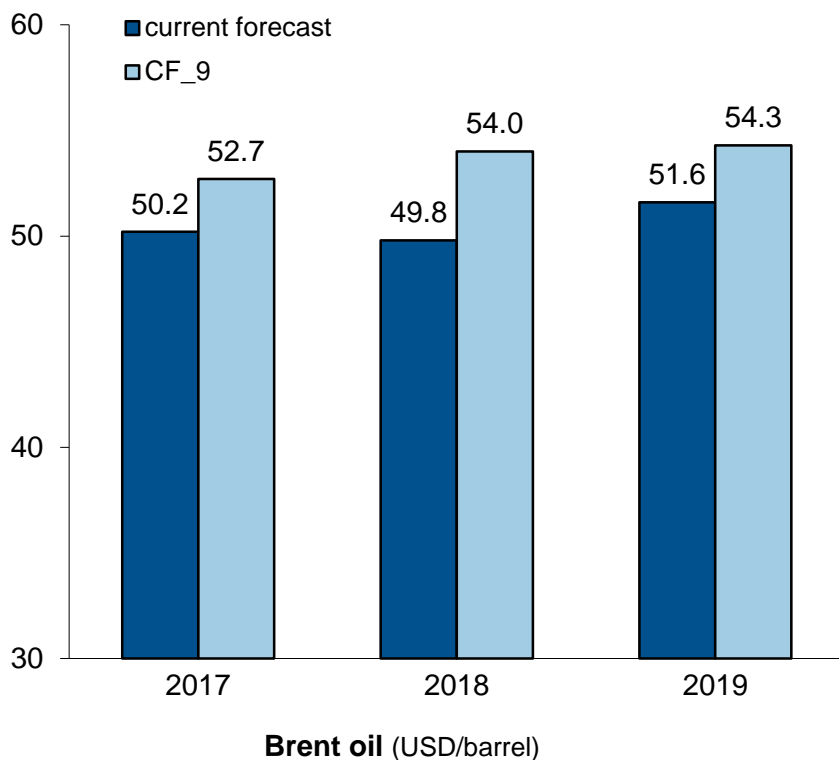
The external environment (i)

Comparison between the current forecast assumptions and the September outlook based on Consensus Forecasts survey and market expectations for the effective euro area*

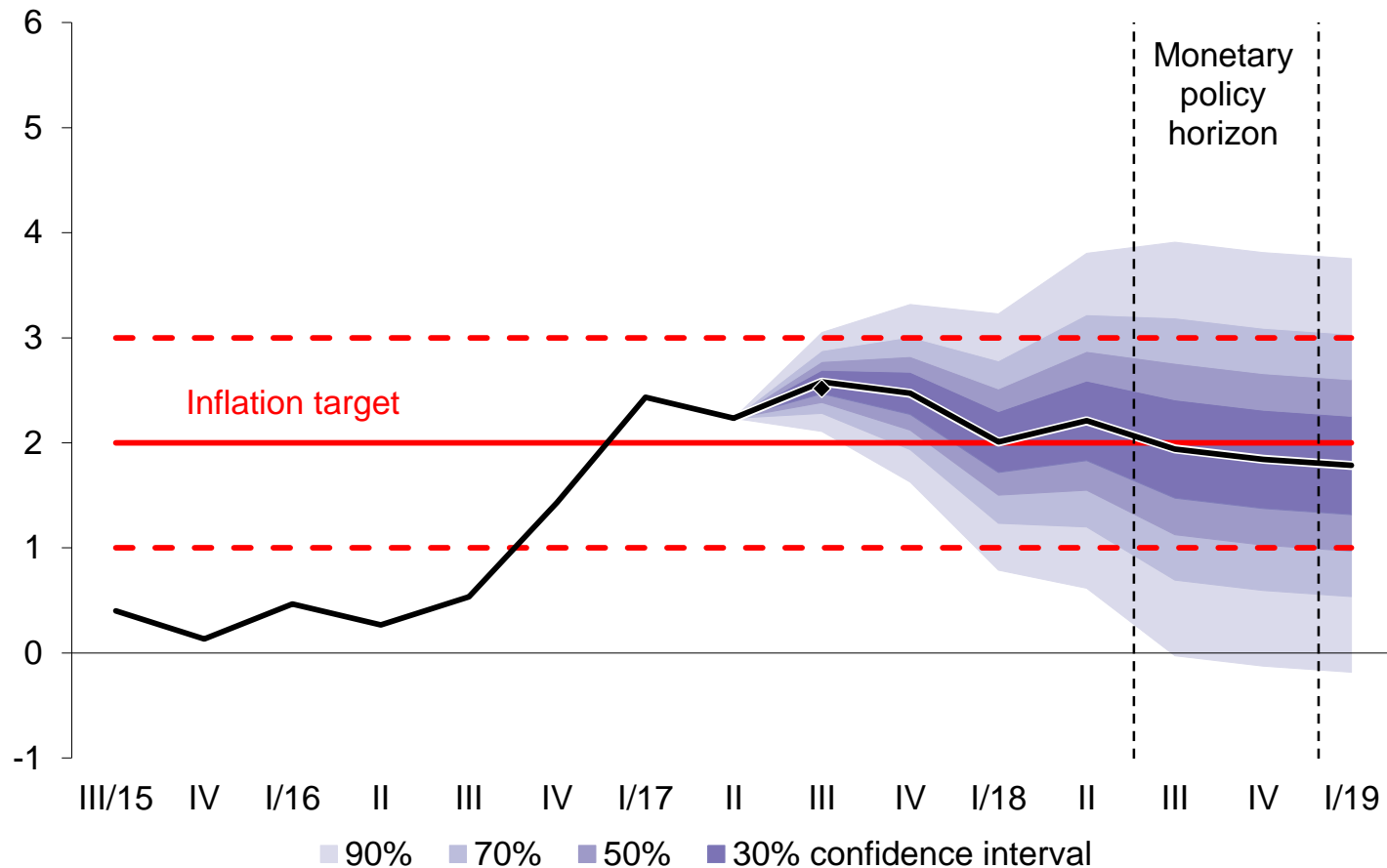


The external environment (ii)

Comparison between the current forecast assumptions and the September outlook based on Consensus Forecasts survey and market expectations

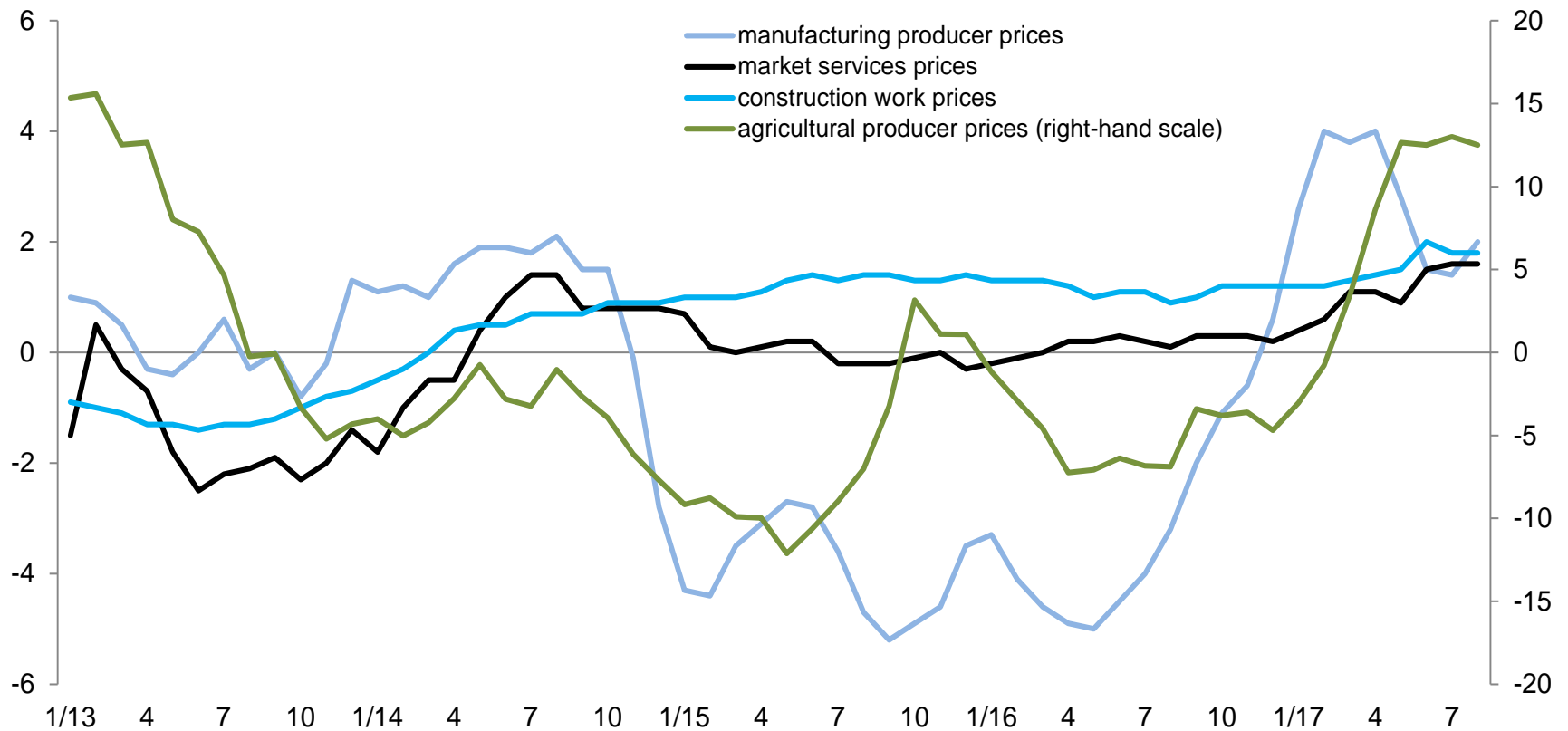


The inflation forecast and expected outcome in 2017 Q3

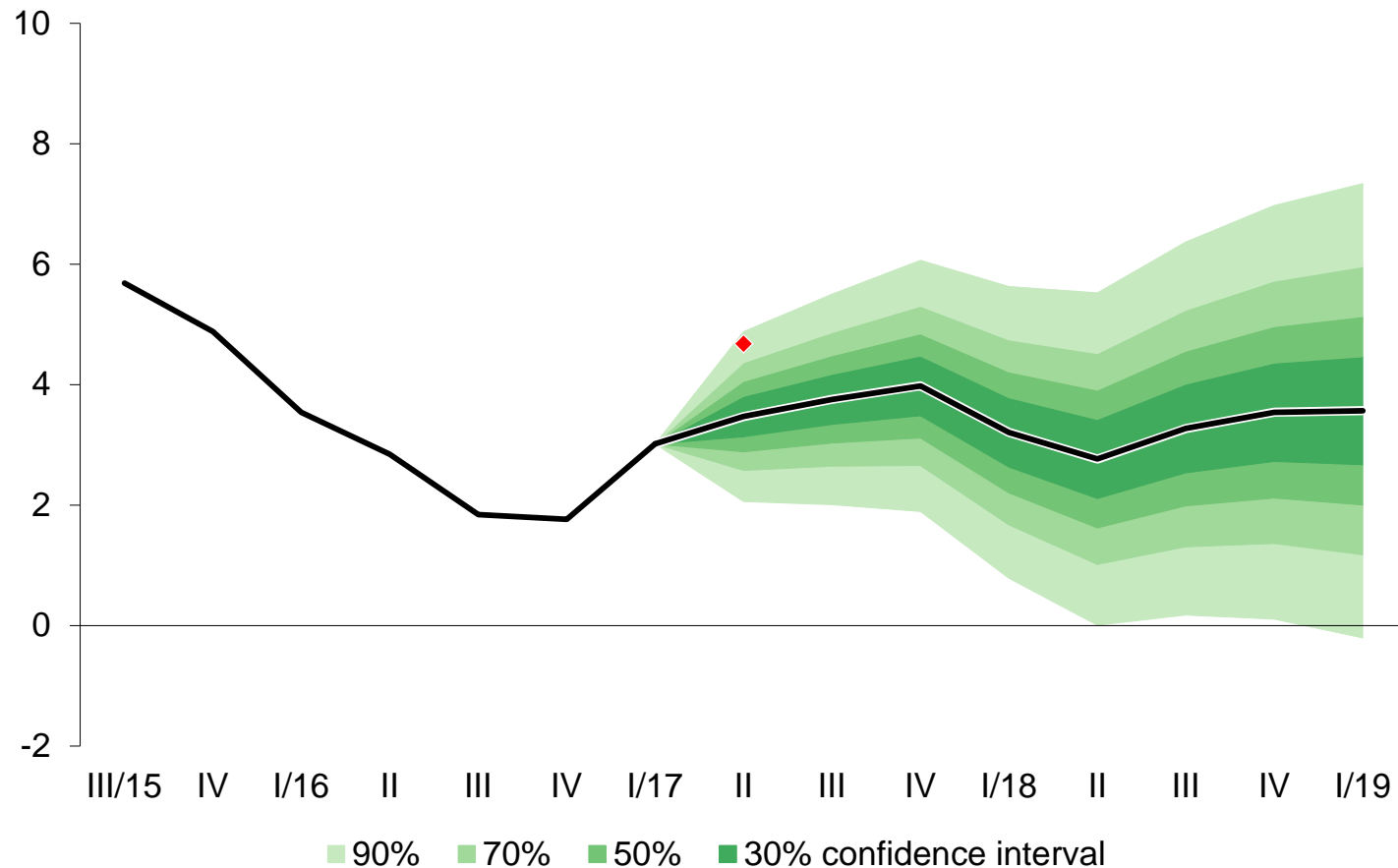


Producer prices

(Annual changes in %)

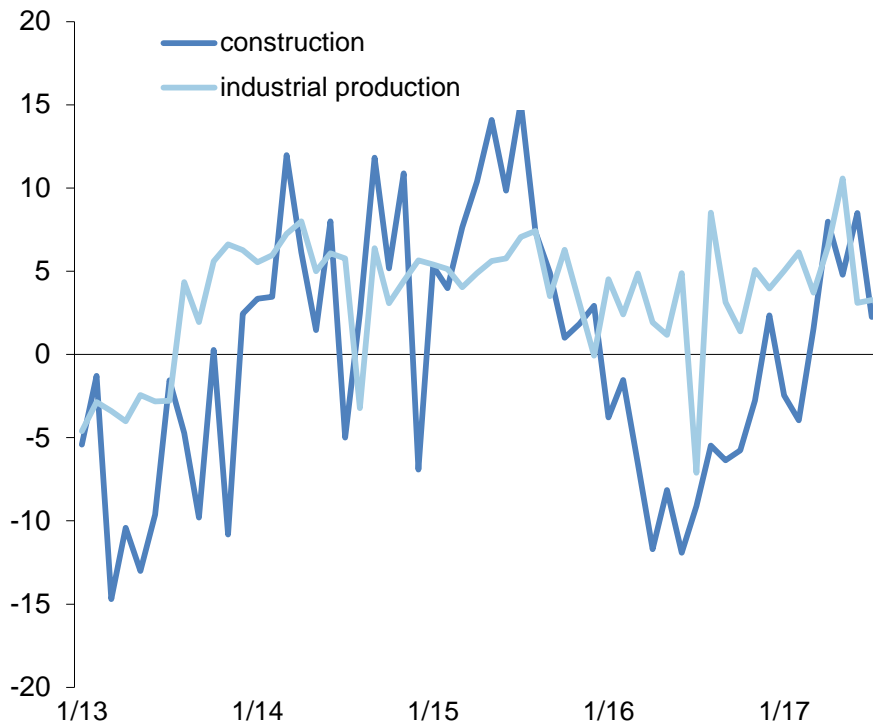


The GDP forecast and outcome in 2017 Q2

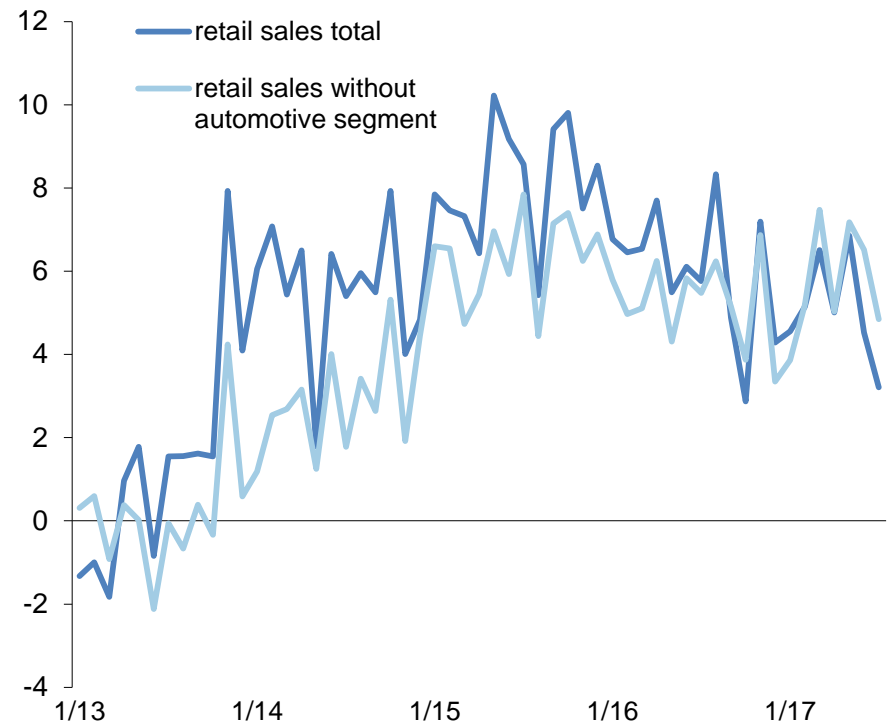


Industry, construction and retail sales

(Annual changes in %, s.a.)

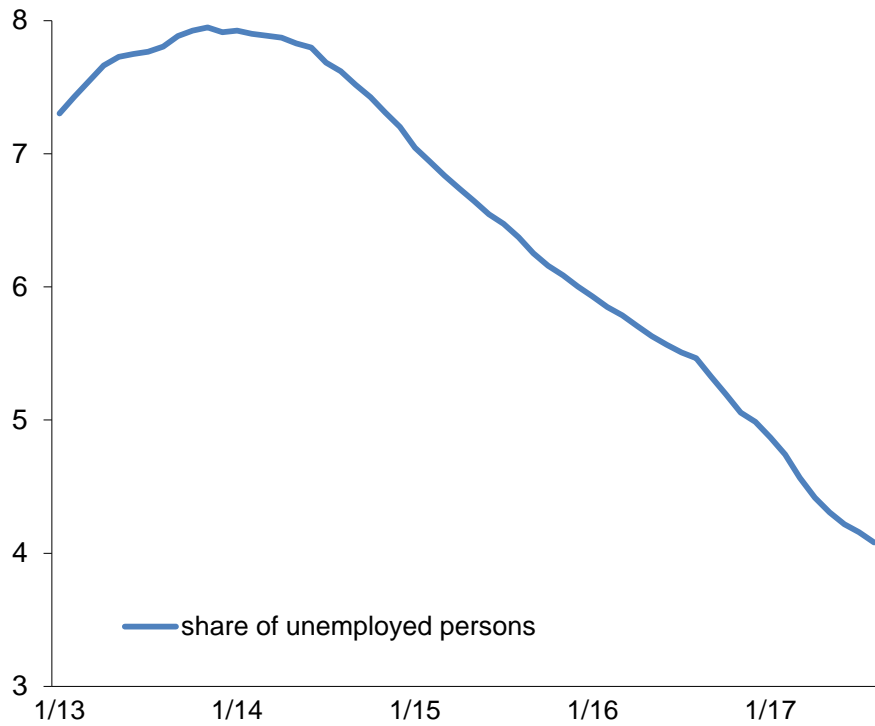


(Annual changes in %, s.a.)

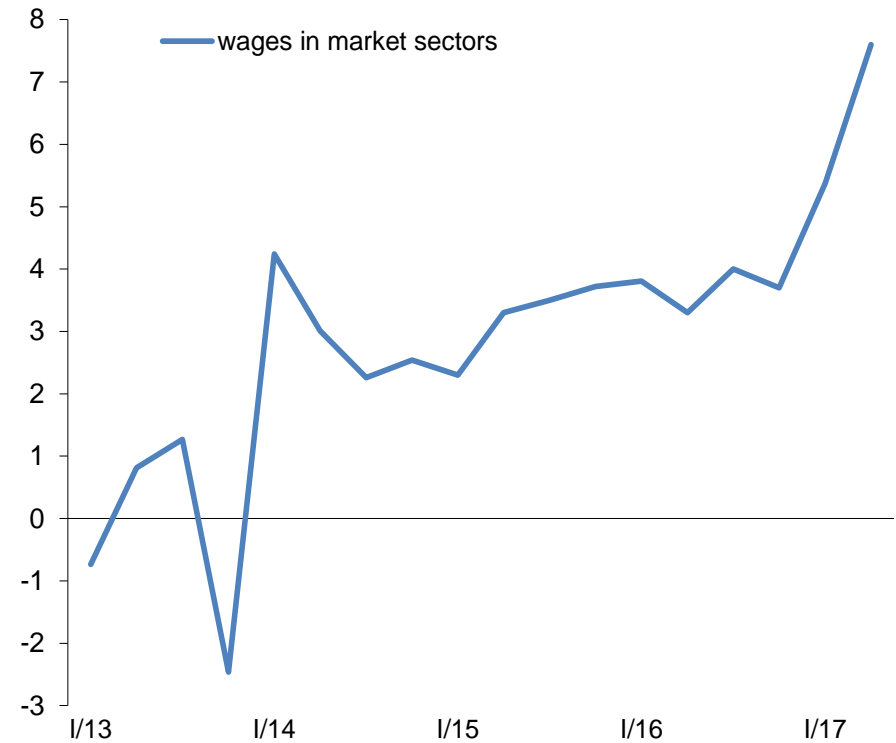


Labour market

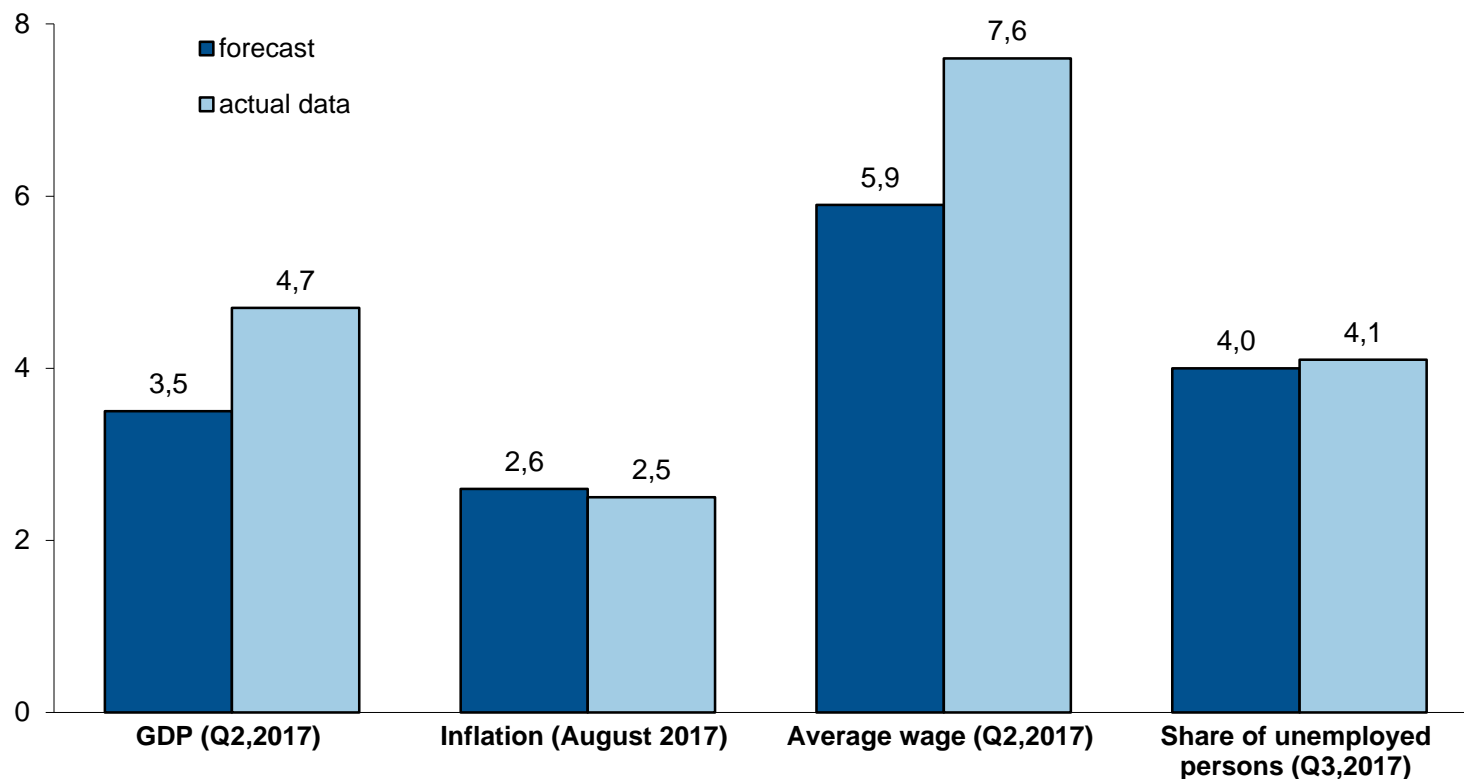
(in %, seasonally adjusted)



(Annual changes in %)



Comparison of actual domestic data with the CNB forecast



Notes: Annual changes in %, the share of unemployed persons in % (comparison of s.a. outcomes in July and August with the forecast for 2017 Q3)

Risks to the current forecast

The Bank Board assessed the risks to the current forecast at the monetary policy horizon as being **slightly inflationary**.

Risks on the upside:

- faster growth in domestic wages and economic activity
- weaker-than-forecasted koruna exchange rate in the quarters ahead

Risks on the downside:

- lowered outlook for industrial producer prices in the euro area
- lower food prices



Thank you for your attention

Minutes of the today's meeting will be released
on 6 October 2017 at

http://www.cnb.cz/en/monetary_policy/bank_board_minutes/