



Press conference of the CNB Bank Board

7th Situation Report on Economic and Monetary Developments

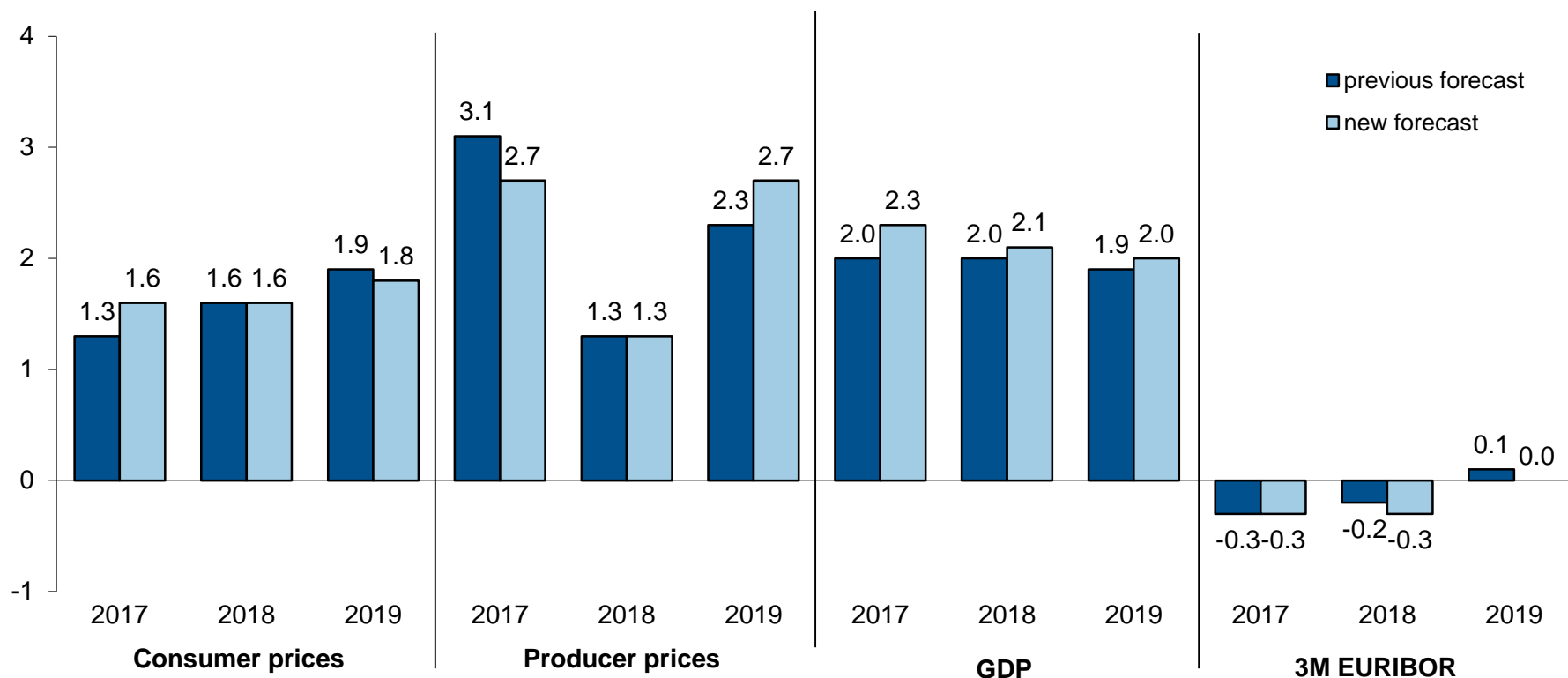
2 November 2017

The monetary policy decision

- At its meeting today, the CNB Bank Board unanimously increased the two-week repo rate by 25 basis points to 0.50%.
- At the same time, the CNB Bank Board increased the Lombard rate by 50 basis points to 1%. 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. Consistent with the forecast is a continuing rise in domestic market interest rates.
- According to the forecast, inflation will stay above the 2% target for most of 2018 and return to it at the monetary policy horizon.

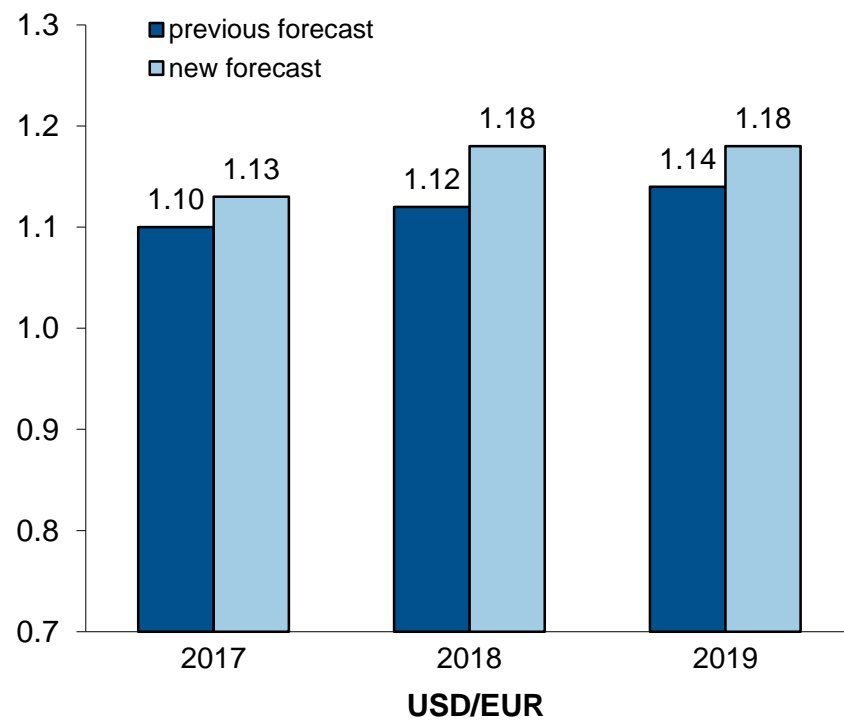
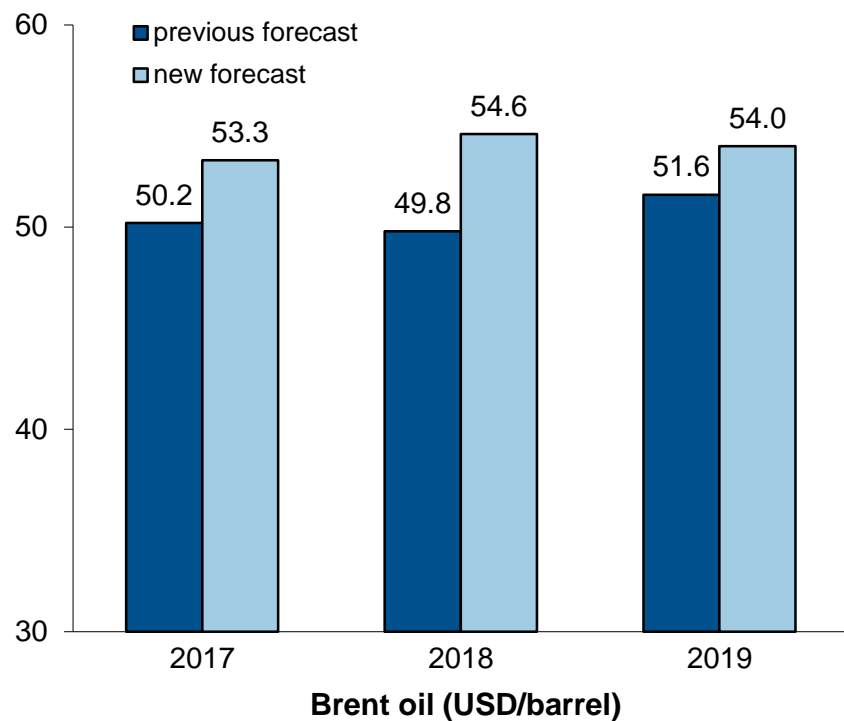
The external environment (i)

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

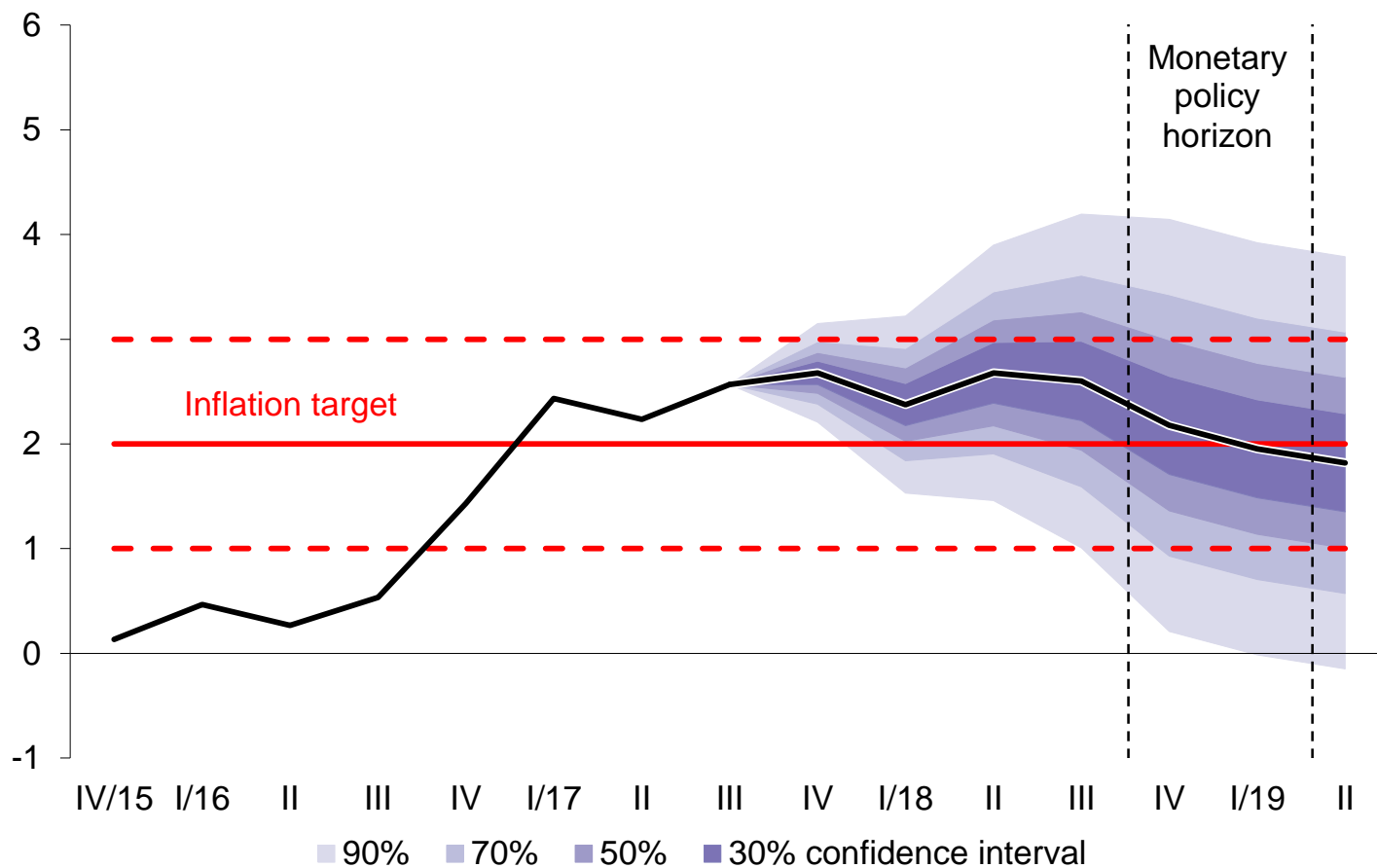


The external environment (ii)

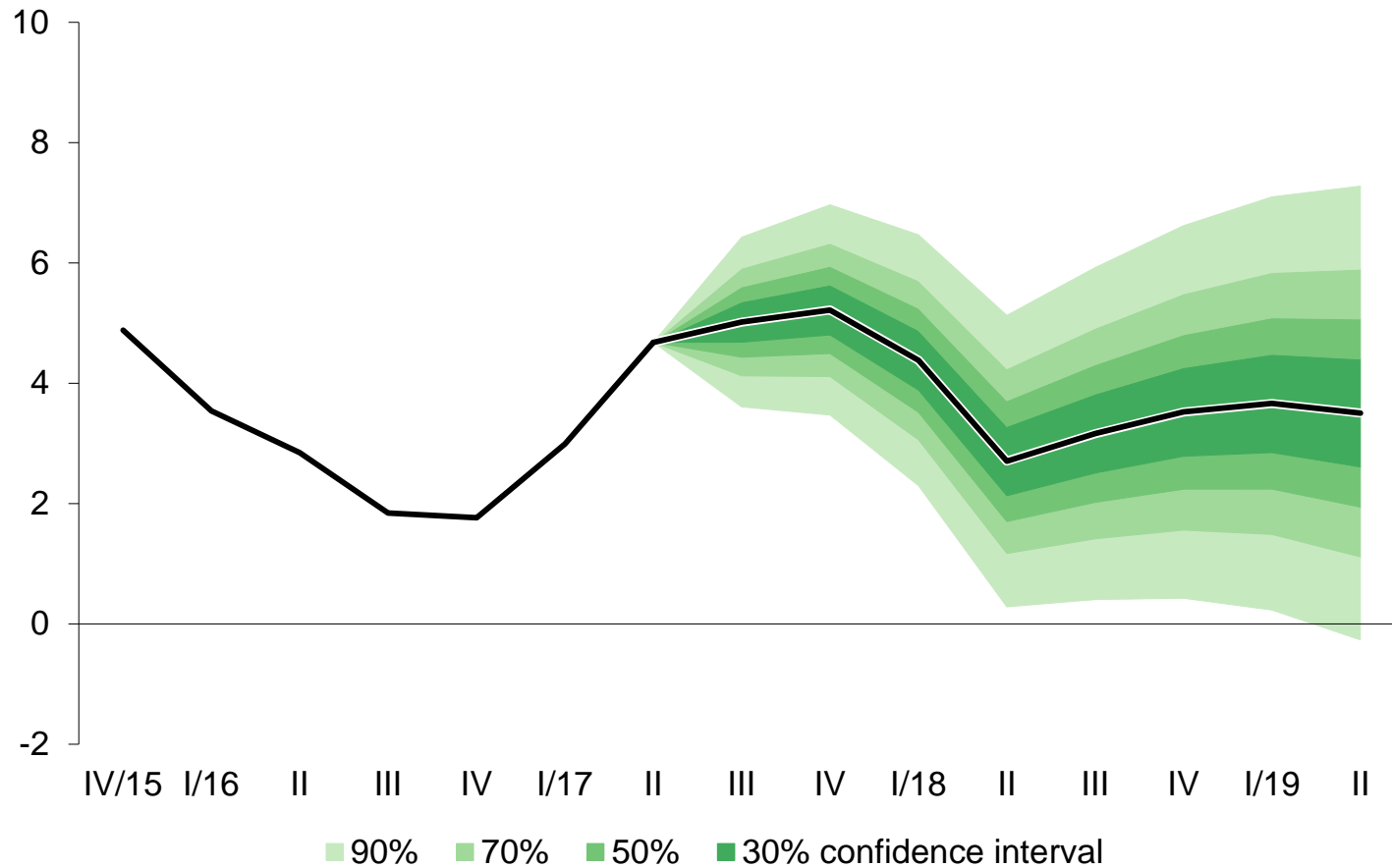
Comparison between the assumptions of the new and previous forecasts



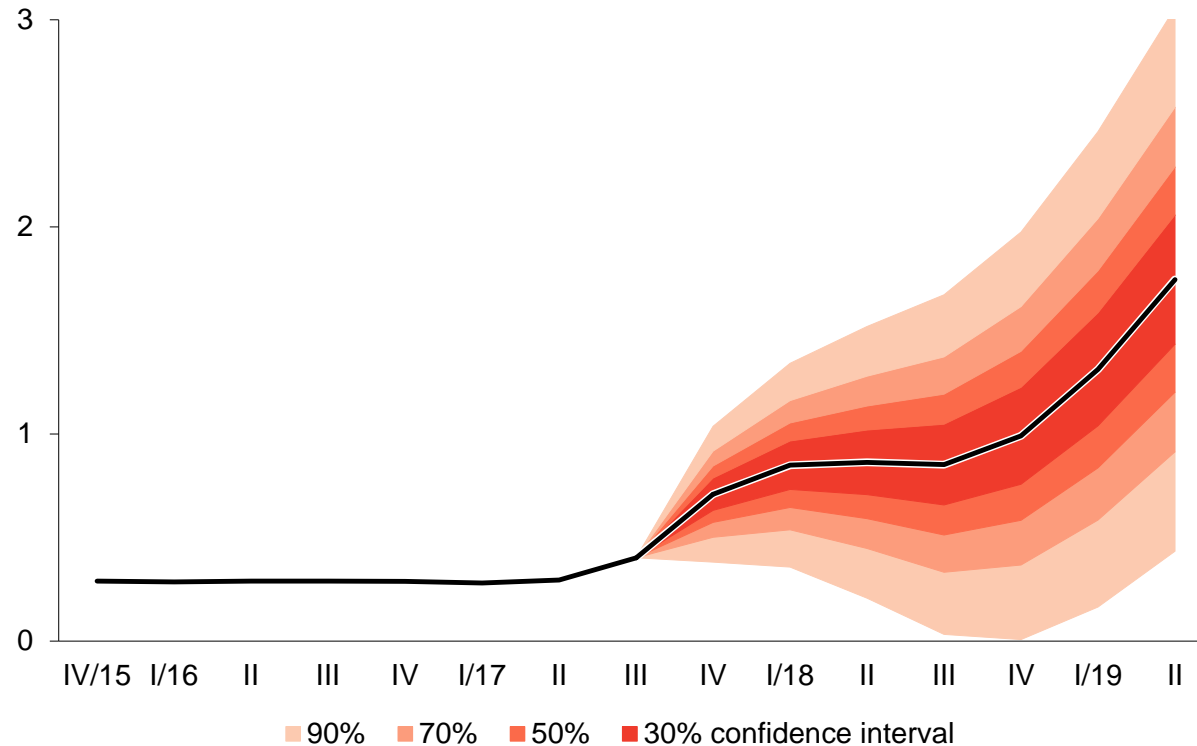
The forecast for headline inflation



The forecast for GDP

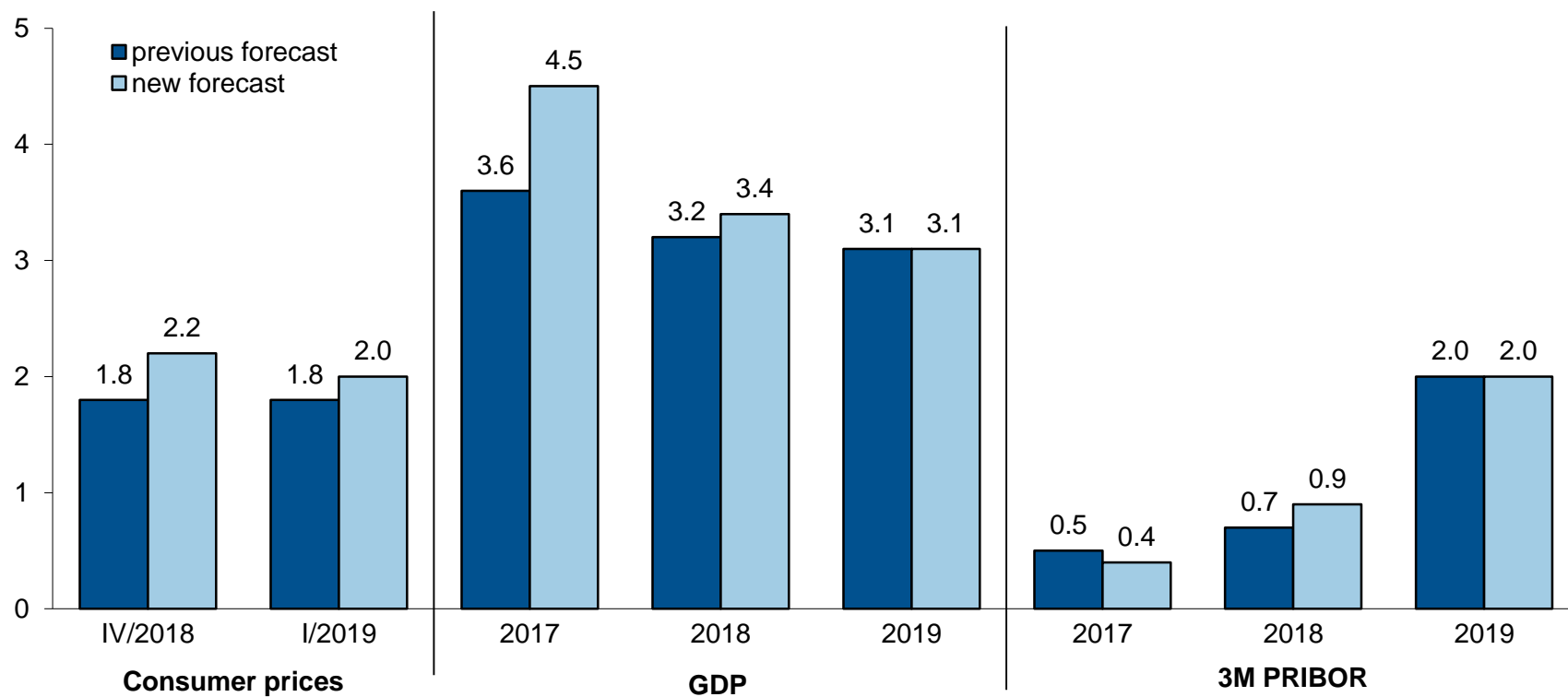


The forecast for interest rates (3M PRIBOR)



- Starting with Inflation Report I/2018, the CNB will renew publication of the forecast-consistent path of the koruna-euro exchange rate, which was suspended temporarily in November 2013.

Comparison with the previous forecast



Risks to the forecast

A majority of the Bank Board assessed the risks to the forecast at the monetary policy horizon as being **slightly inflationary**.

Risks on the upside:

- possibly slower-than-forecasted exchange rate appreciation in the quarters ahead owing to the closing of koruna positions by financial investors
- the strength, composition and inertia of fundamental inflation pressures stemming from the domestic economy

Thank you for your attention

More information about the forecast can be found at

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

and in Inflation Report IV/2017. The summary of the Report (together with the table of key macroeconomic indicators and a special box dedicated to the labour market situation) will be published on 3 November 2017.

The whole Report will be published on 10 November 2017.