



# Press conference of the CNB Bank Board

## **8th Situation Report on Economic and Monetary Developments**

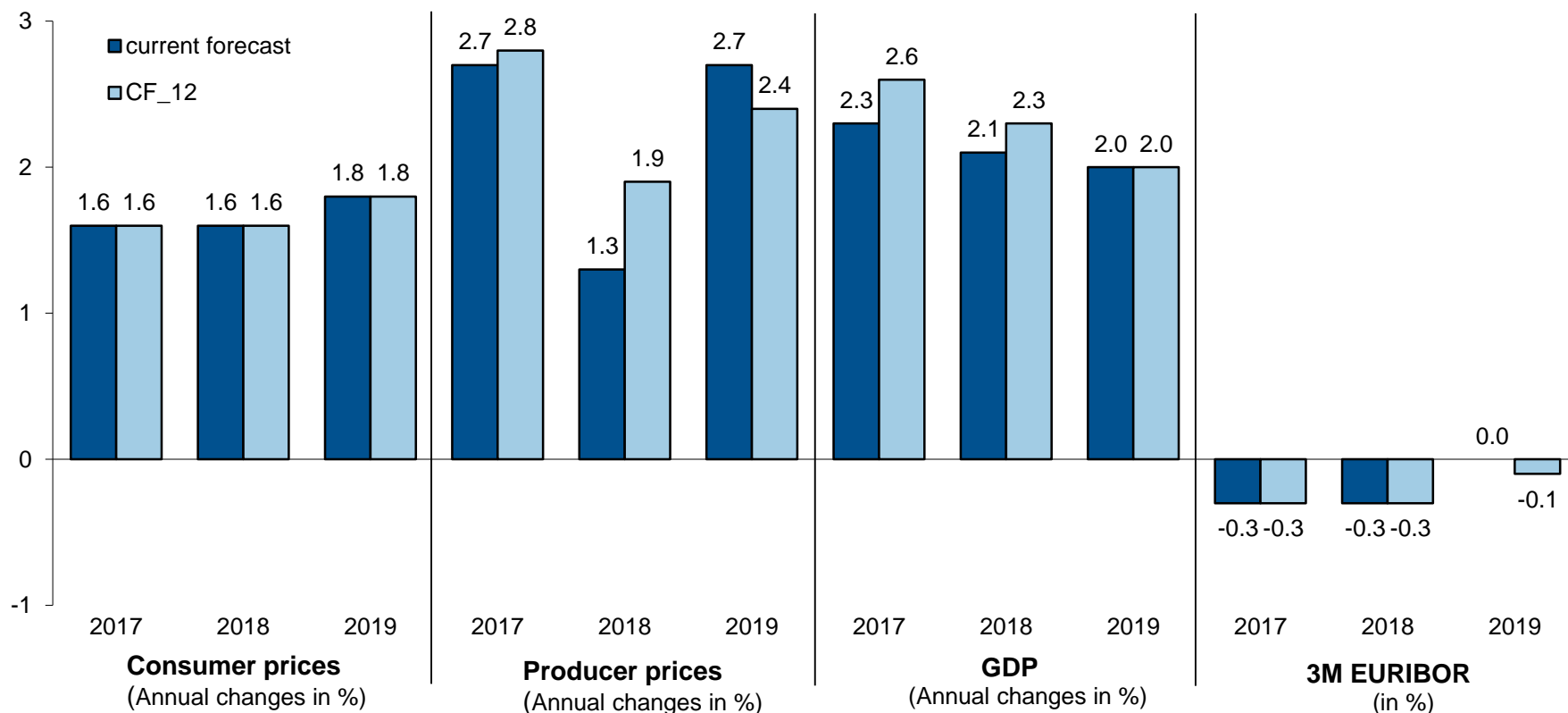
21 December 2017

# The monetary policy decision

- At its meeting today, the CNB Bank Board left interest rates unchanged. Thus, the two week repo rate remains at 0.50%, the discount rate at 0.05% and the Lombard rate at 1%.
- Five members voted in favour of this decision, and two members voted for raising the two-week repo rate to 0.75%.
- According to the current forecast, inflation will stay above the 2% target for most of 2018. It will then return to the target at the monetary policy horizon, i.e. in late 2018 and early 2019.
- Following the November rise in interest rates, a continued increase in domestic market interest rates towards their assumed long-run level of 3% is consistent with the forecast. The rates are expected to approach this level at the end of 2019.
- The Bank Board assessed the risks to the current forecast as being balanced and insignificant.

# The external environment (i)

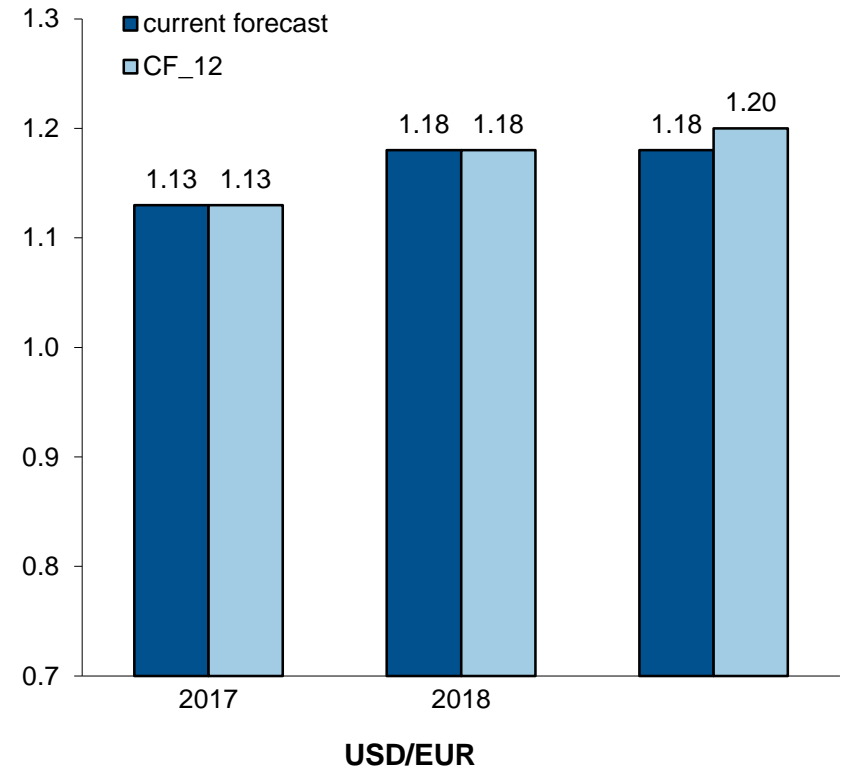
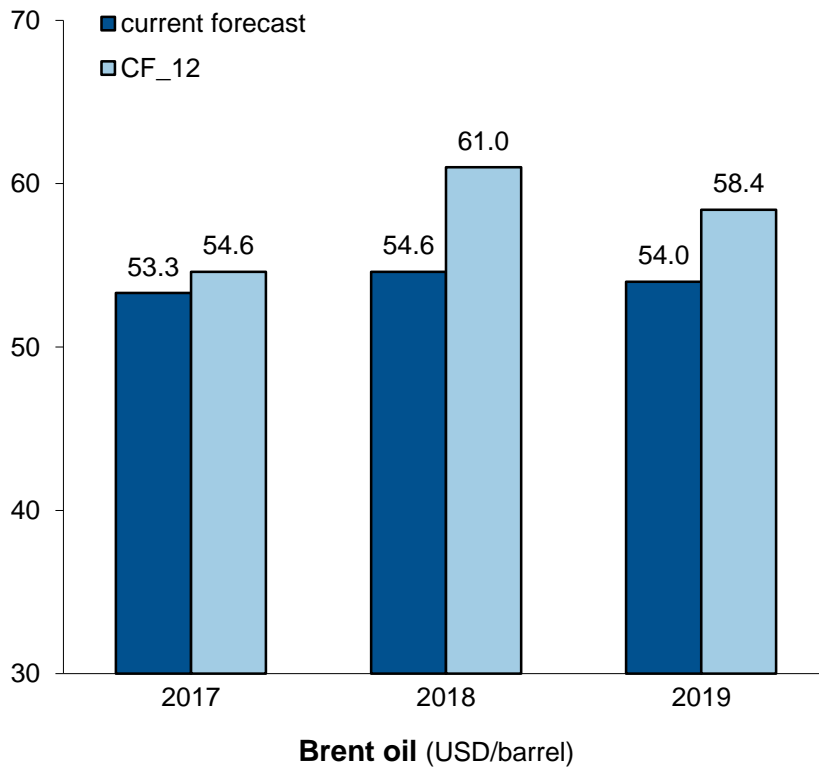
Comparison between the current forecast assumptions and the December outlook based on Consensus Forecasts survey and market expectations for the effective euro area\*



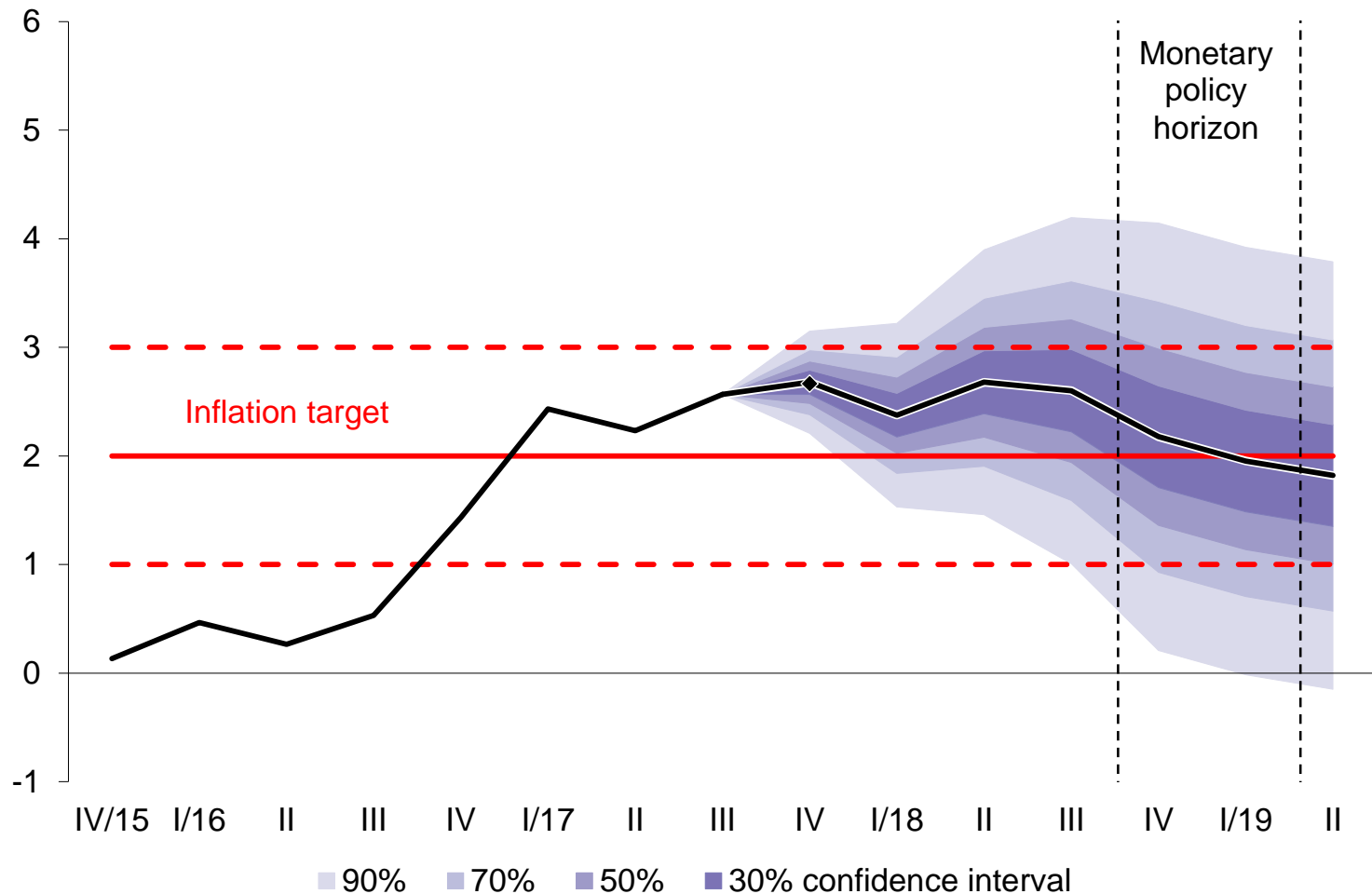
\* Effective euro area means that the weights used in the calculations correspond to the share of individual euro area countries in total Czech exports into the euro area.

# The external environment (ii)

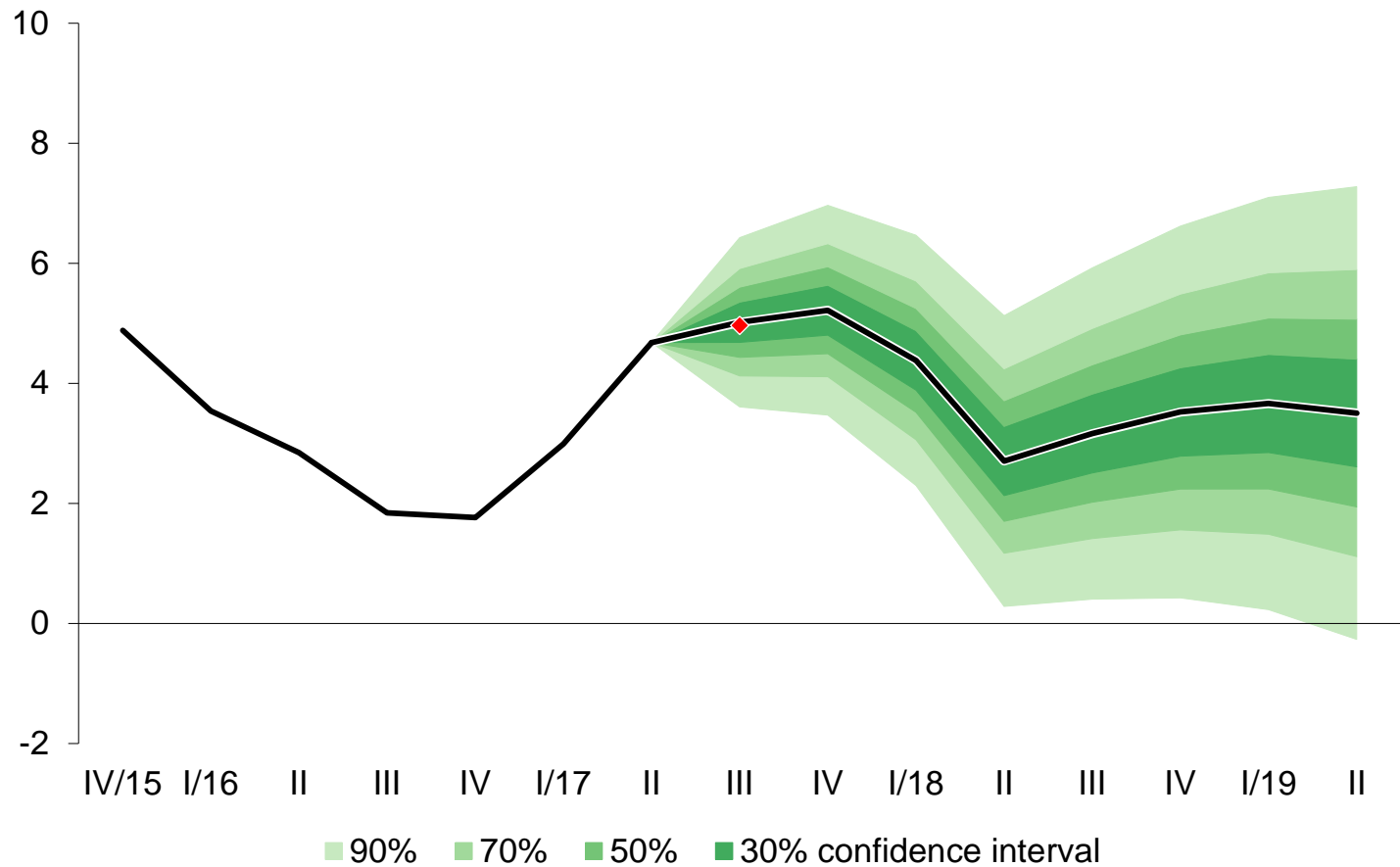
Comparison between the current forecast assumptions and the December outlook based on Consensus Forecasts survey and market expectations



# The inflation forecast and expected outcome in 2017 Q4

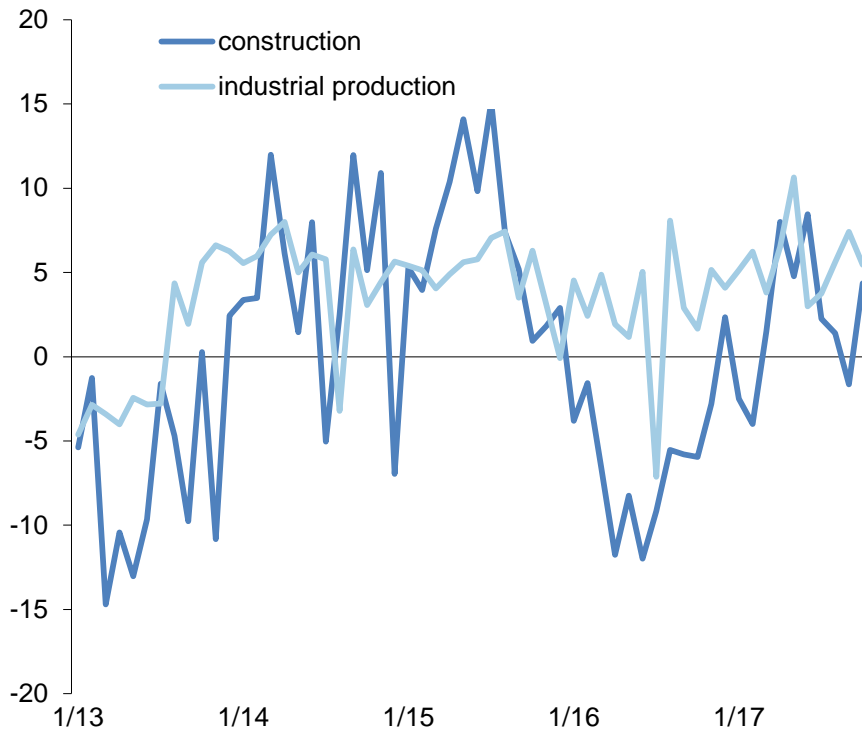


# The GDP forecast and outcome in 2017 Q3

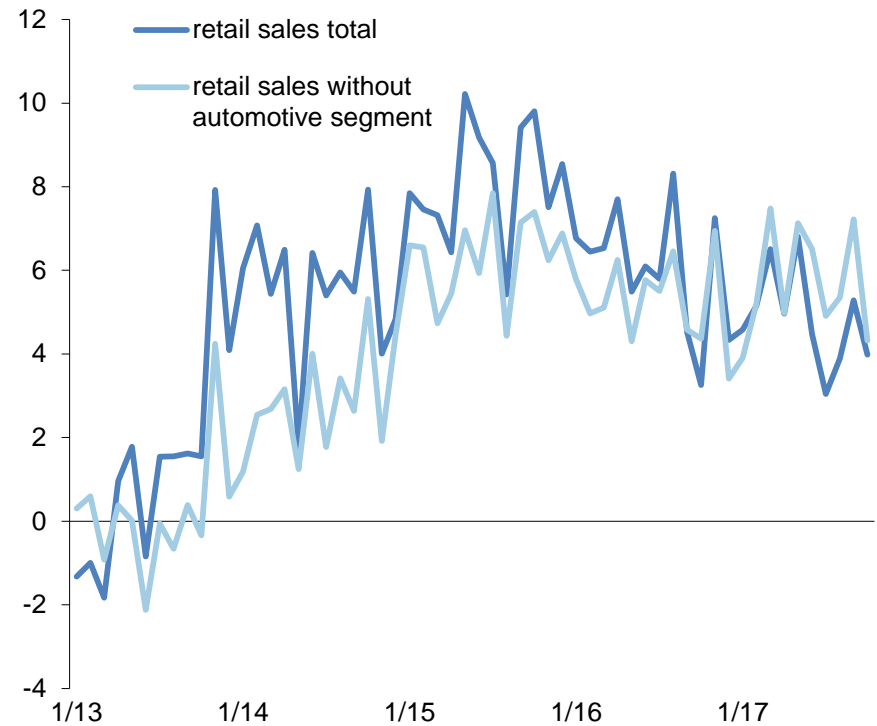


# Industry, construction and retail sales

(Annual changes in %, s.a.)

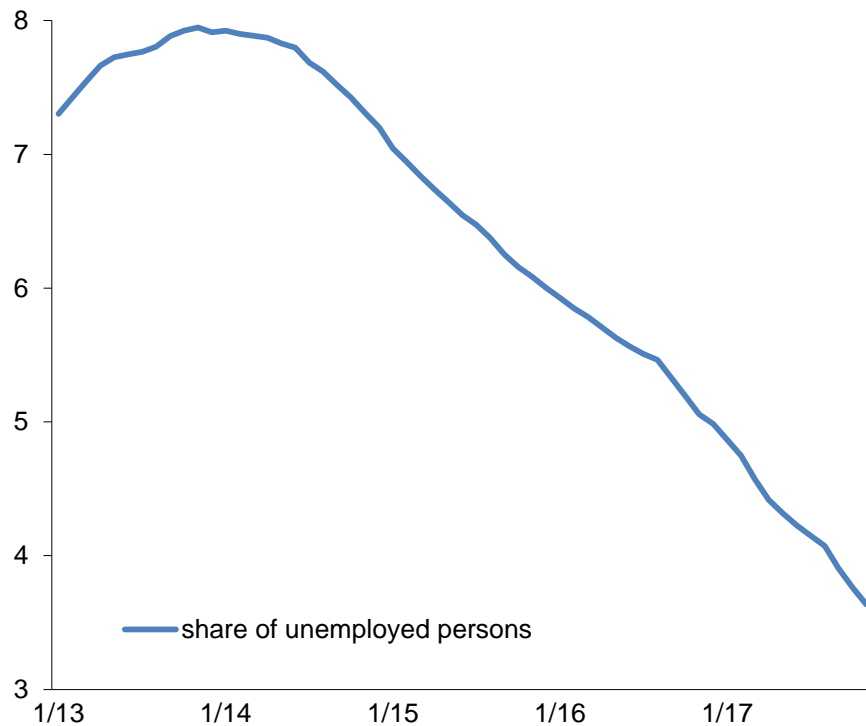


(Annual changes in %, s.a.)

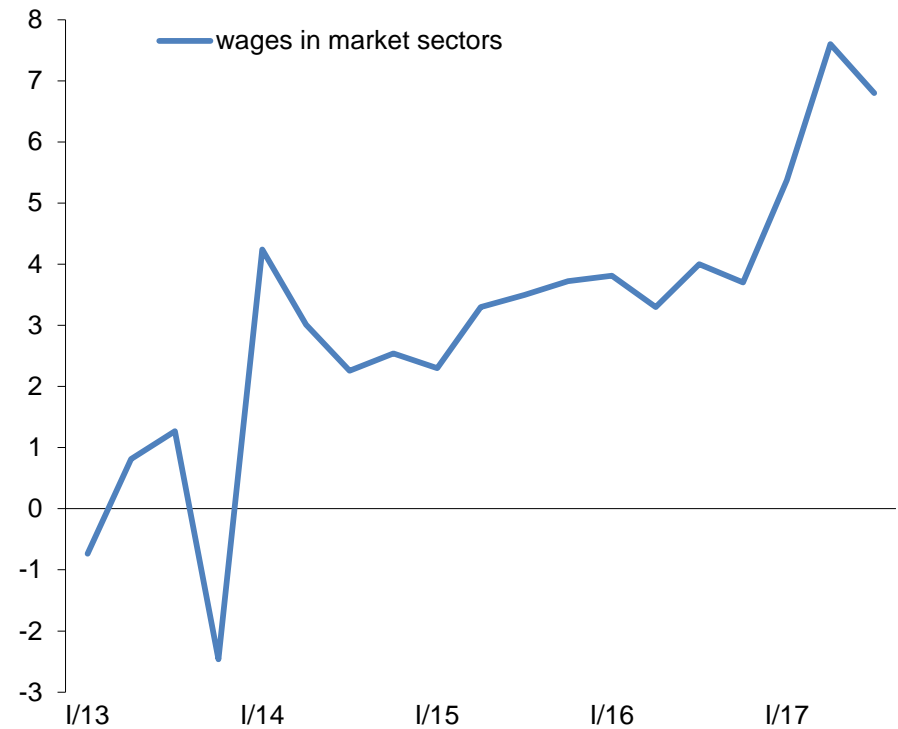


# Labour market

(in %, seasonally adjusted)

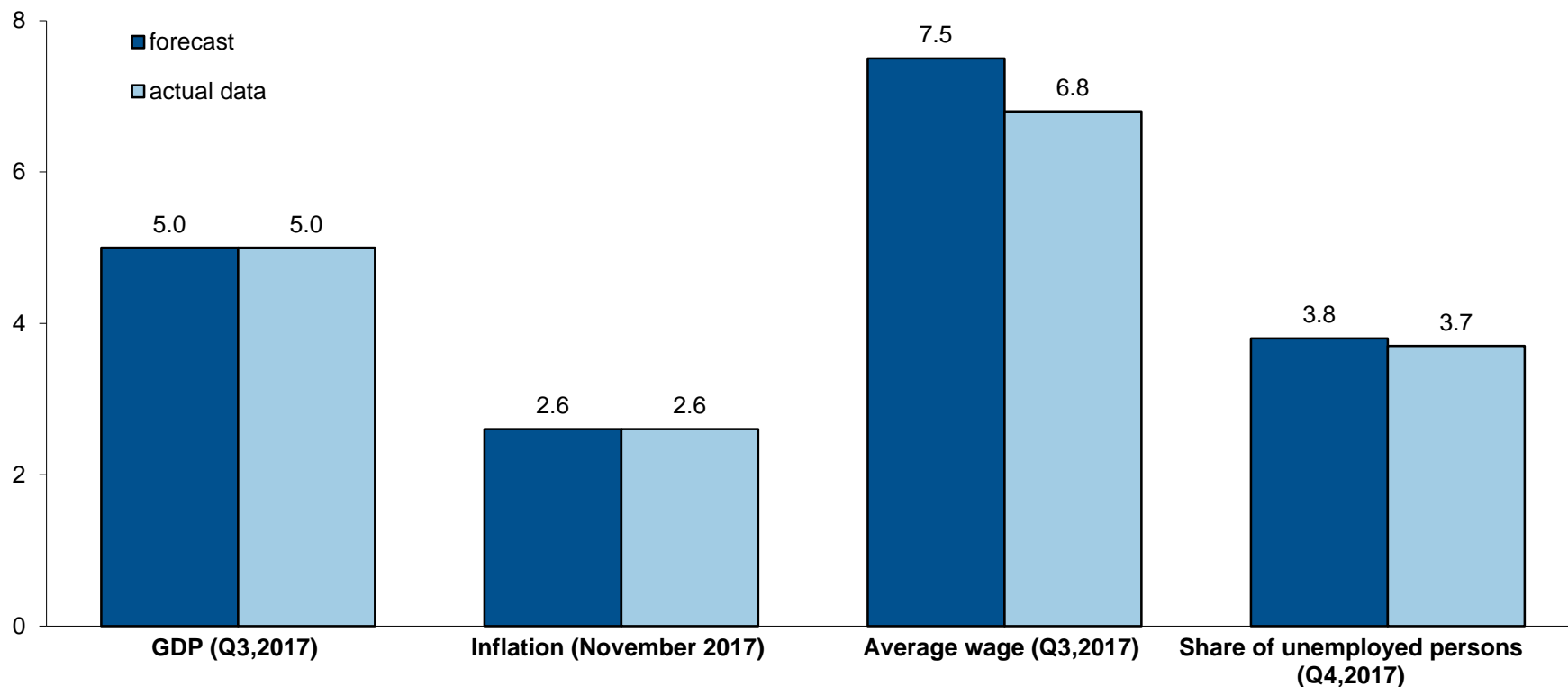


(Annual changes in %)





# 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 October and November with the forecast for 2017 Q4)

# Risks to the current forecast

The Bank Board assessed the risks to the current inflation forecast at the monetary policy horizon as being **balanced and insignificant.**



# Thank you for your attention

Minutes of the today's meeting will be released on 3 January 2018 at

[http://www.cnb.cz/en/monetary\\_policy/bank\\_board\\_minutes/](http://www.cnb.cz/en/monetary_policy/bank_board_minutes/)