



Press conference of the CNB Bank Board

2nd Situation Report on Economic and Monetary Developments

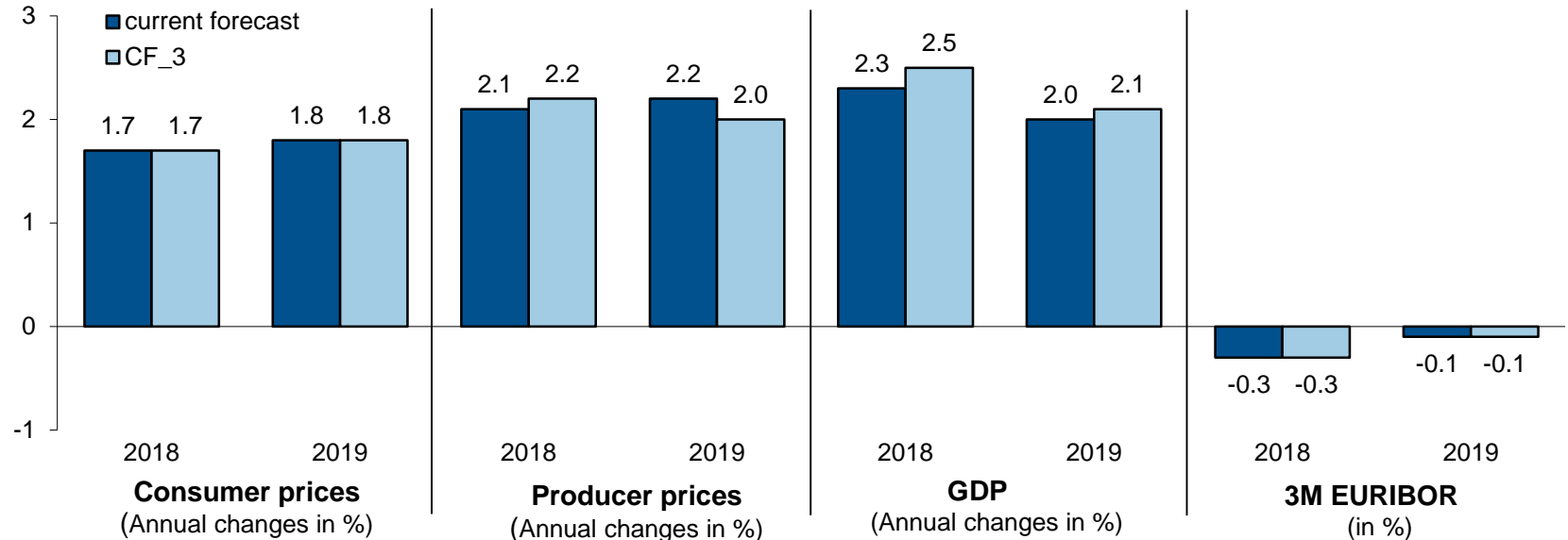
29 March 2018

The monetary policy decision

- At its meeting today, the CNB Bank Board unanimously left interest rates unchanged. The two-week repo rate thus remains at 0.75%, the discount rate at 0.05% and the Lombard rate at 1.5%.
- According to the current forecast, inflation will be above the CNB's 2% target for the rest of this year and return to it at the start of next year.
- Following the interest rate increase in February, a further rise in rates at the close of this year at the earliest and especially next year is consistent with the current forecast.
- The Bank Board assessed the risks to the current forecast as being slightly anti-inflationary.

The external environment (i)

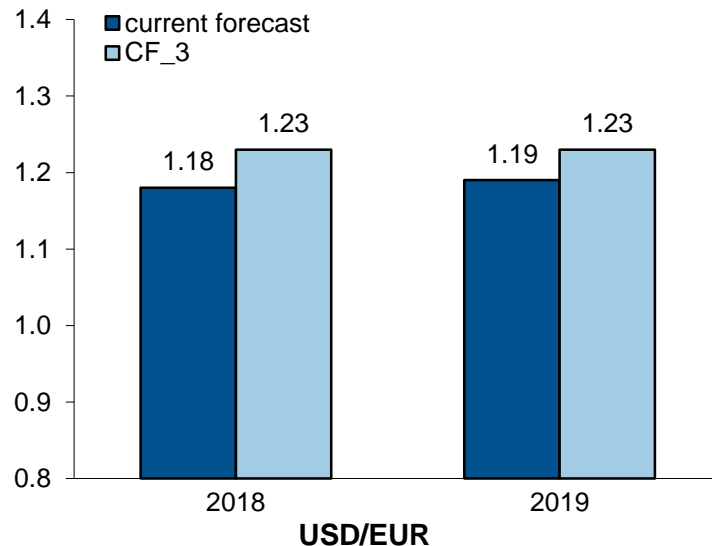
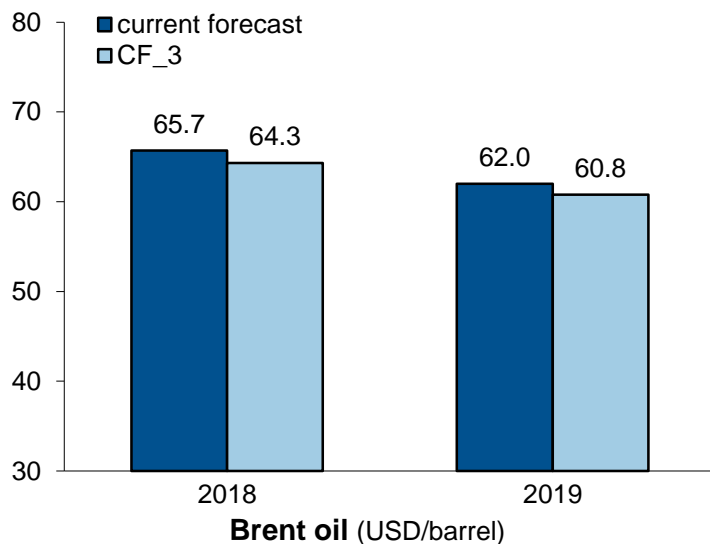
Comparison between the current forecast assumptions and the March outlook based on Consensus Forecasts survey and market expectations for the effective euro area*



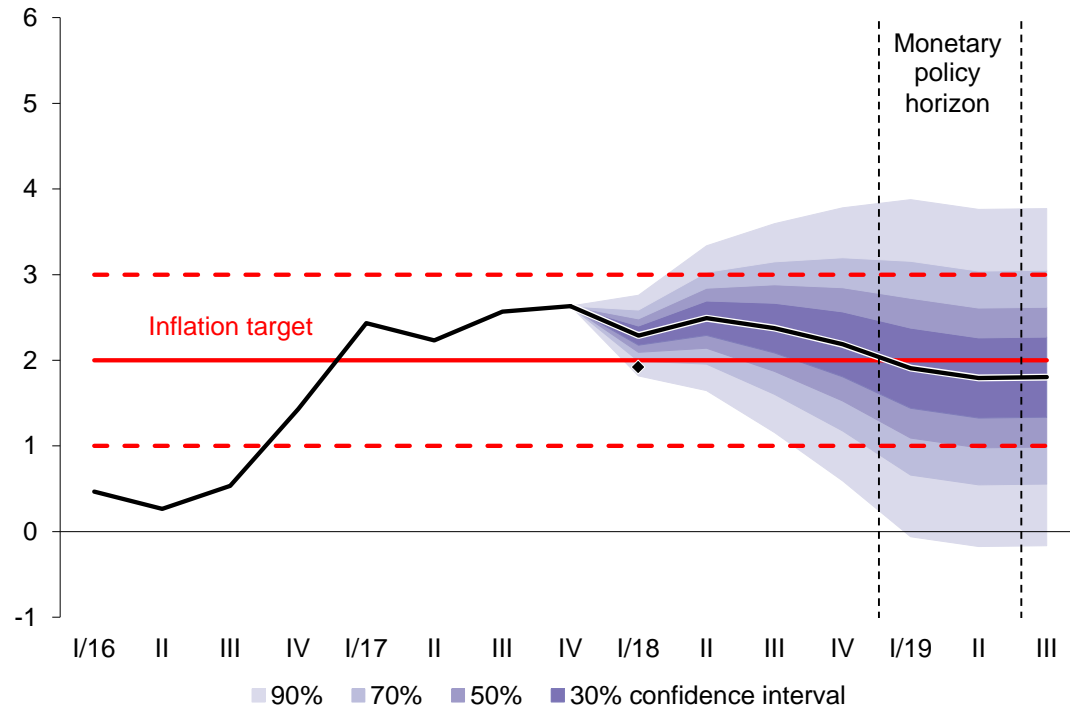
* Effective euro area means that the weights used in the calculations correspond to the share of individual euro area countries in total Czech exports into the euro area

The external environment (ii)

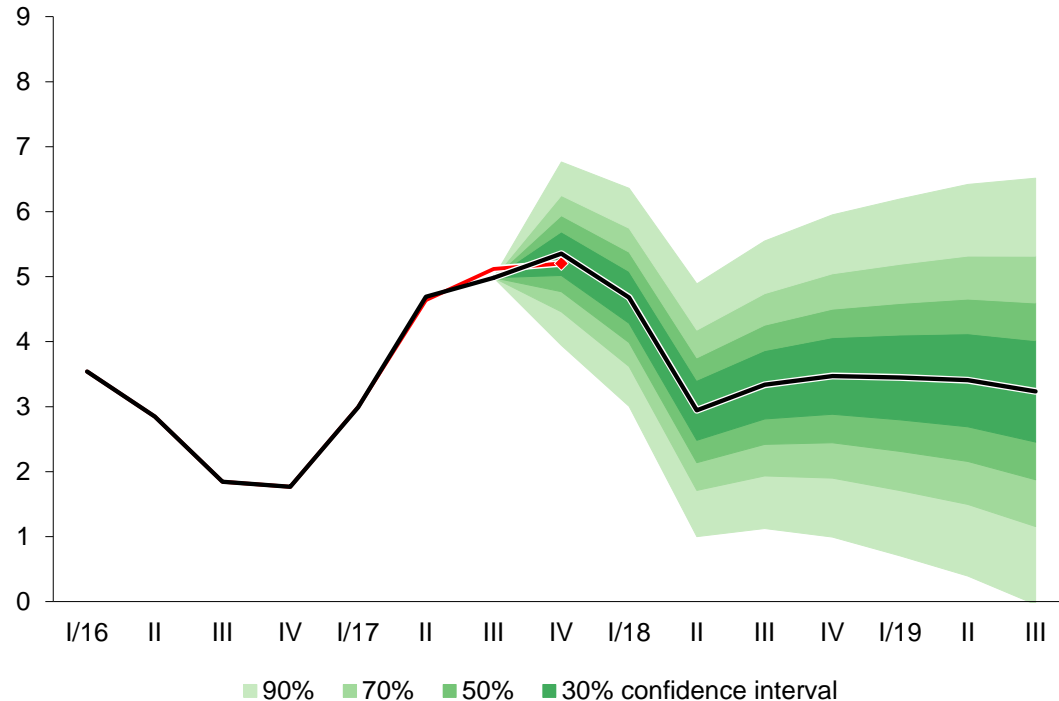
Comparison between the current forecast assumptions and the March outlook based Consensus on Consensus Forecasts survey and market expectations



The inflation forecast and expected outcome in 2018 Q1

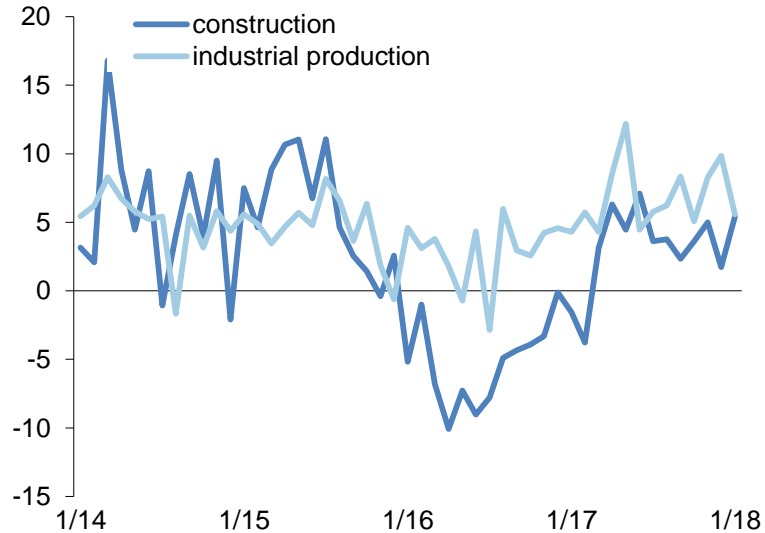


The GDP forecast and outcome in 2017 Q4

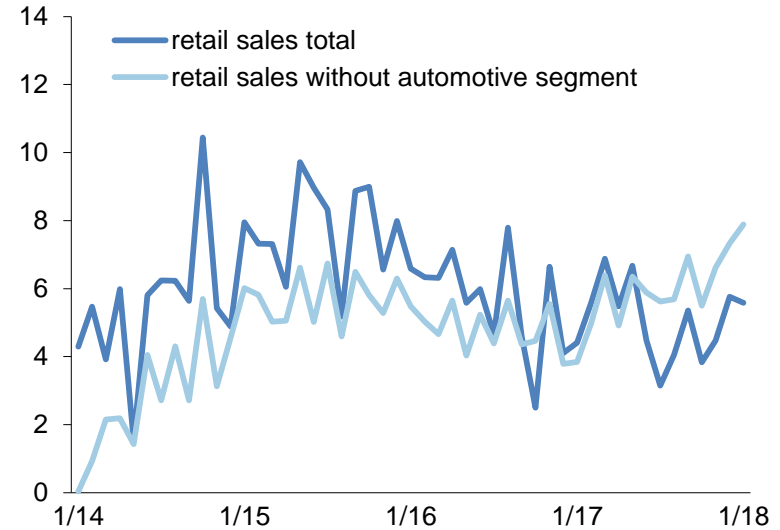


Industry, construction and retail sales

(Annual changes in %, s.a.)

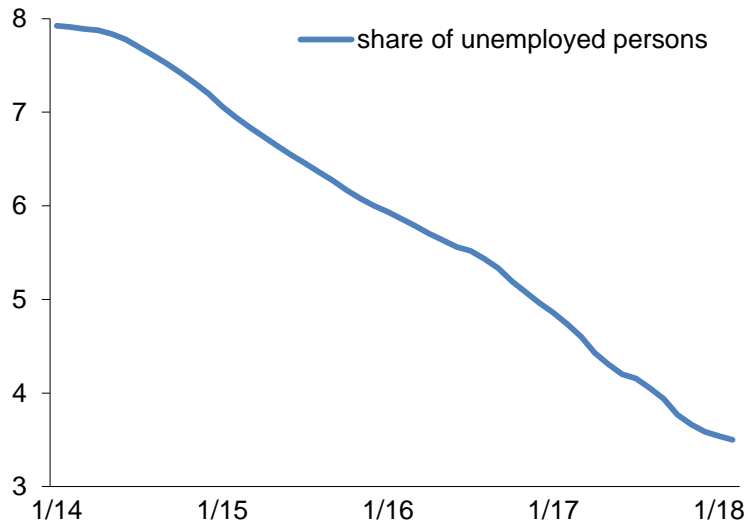


(Annual changes in %, s.a.)



Labour market

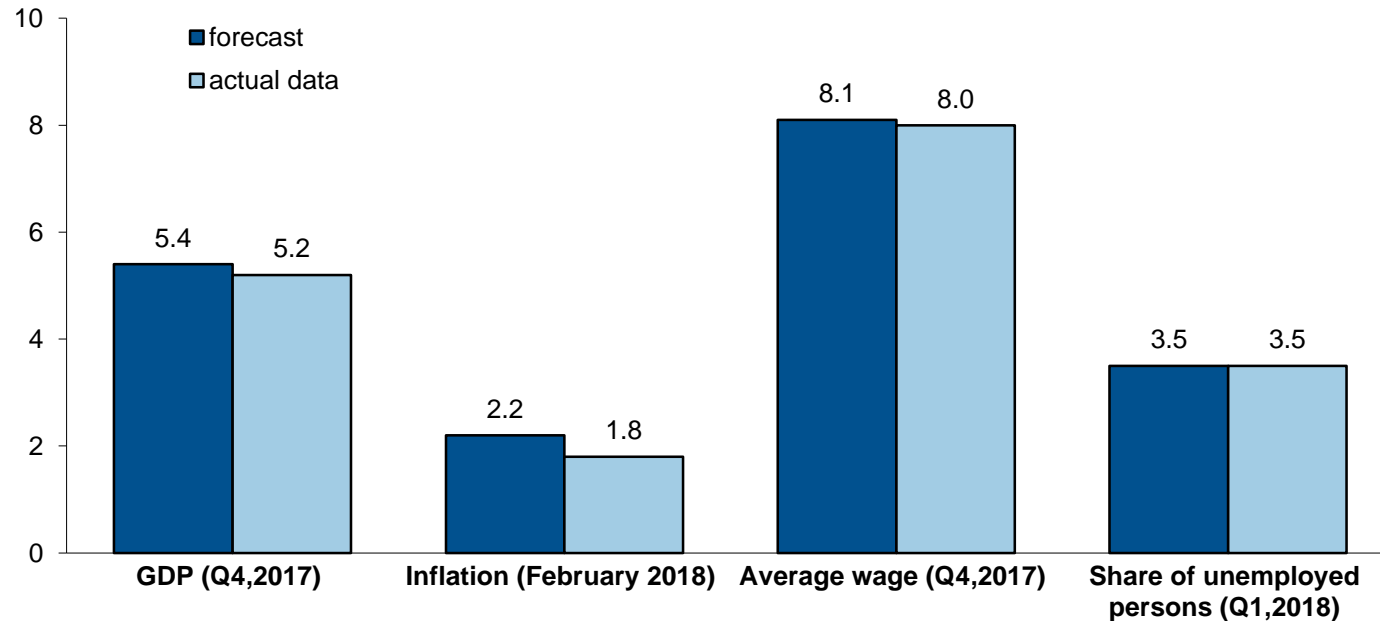
(in %, seasonally adjusted)



(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 January and February with the forecast for 2018 Q1)

Risks to the current forecast

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

Anti-inflationary risk:

- faster-than-expected decline in inflation at the start of this year

Inflationary risk:

- possible slower appreciation of the koruna against the euro in the quarters ahead compared to the forecast

Thank you for your attention

Minutes of the today's meeting and the Graph of Risks to the Inflation Projection (GRIP) will be released on 6 April 2018 at

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