



Press conference of the CNB Bank Board

4th Situation Report on Economic and Monetary Developments

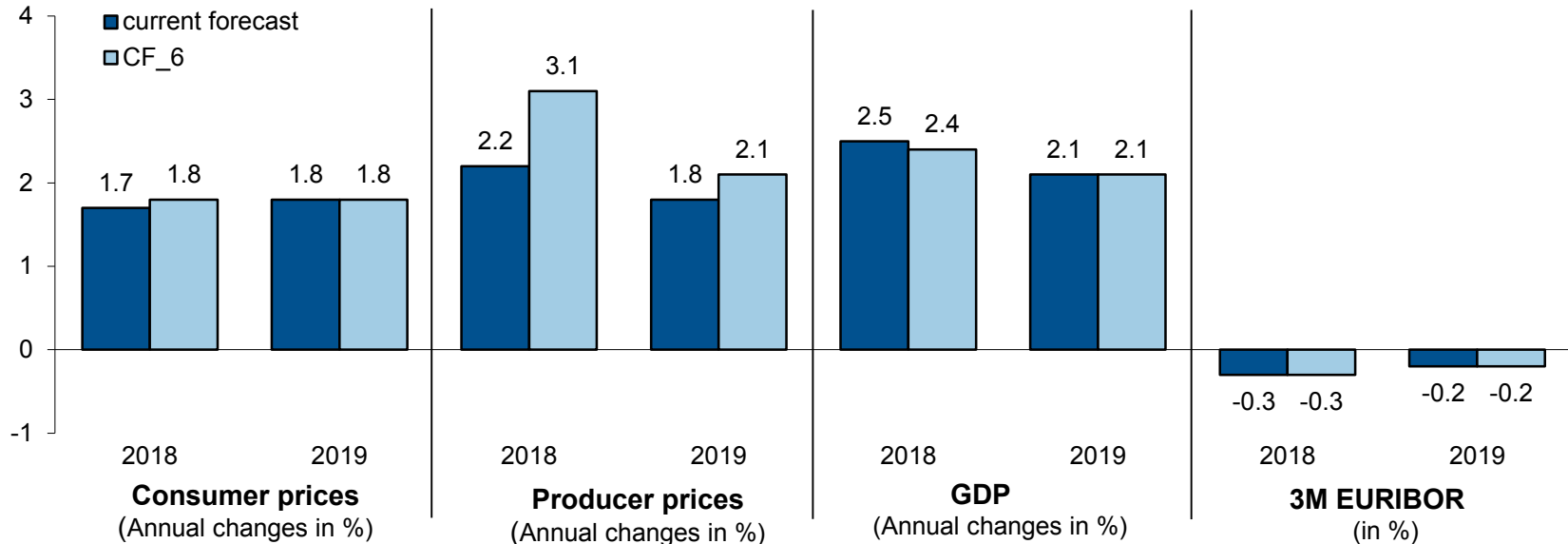
27 June 2018

The monetary policy decision

- At its meeting today, the CNB Bank Board unanimously increased the two-week repo rate by 25 basis points to 1%.
- At the same time, it increased the Lombard rate by 50 basis points to 2% and kept the discount rate unchanged at 0.05%.
- The forecast published in May expected inflation to be slightly below the 2% target this year and return very close to it during next year.
- Consistent with the current forecast was broad stability of market interest rates initially, followed by further growth in rates from late 2018/early 2019.
- The Bank Board, however, assessed the risks to the current forecast as being inflationary.

The external environment (i)

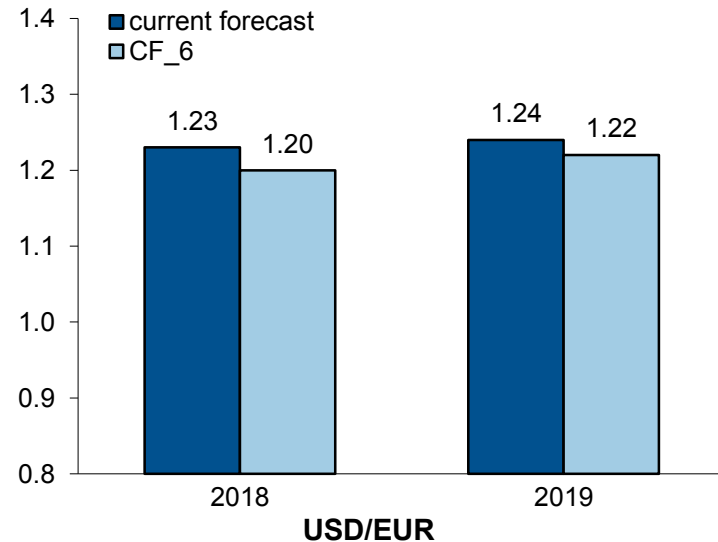
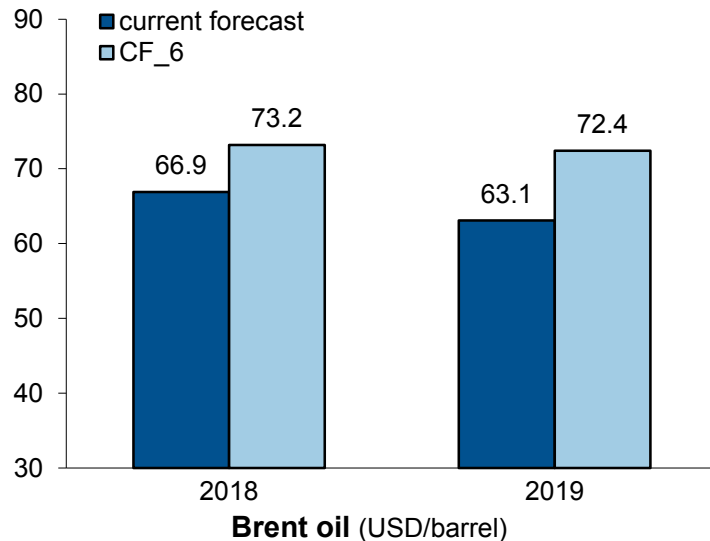
Comparison between the current forecast assumptions and the June outlook based on Consensus Forecasts survey and market expectations for the effective euro area*



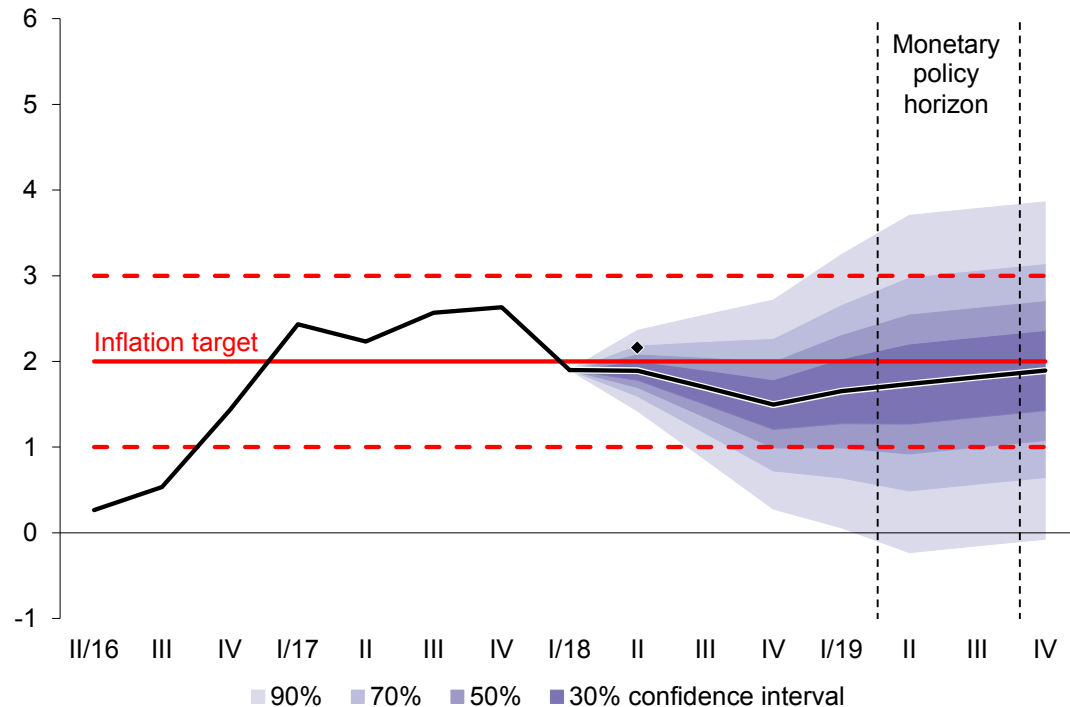
* Effective euro area means that the weights used in the calculations correspond to the share of individual euro area countries in total Czech exports into the euro area

The external environment (ii)

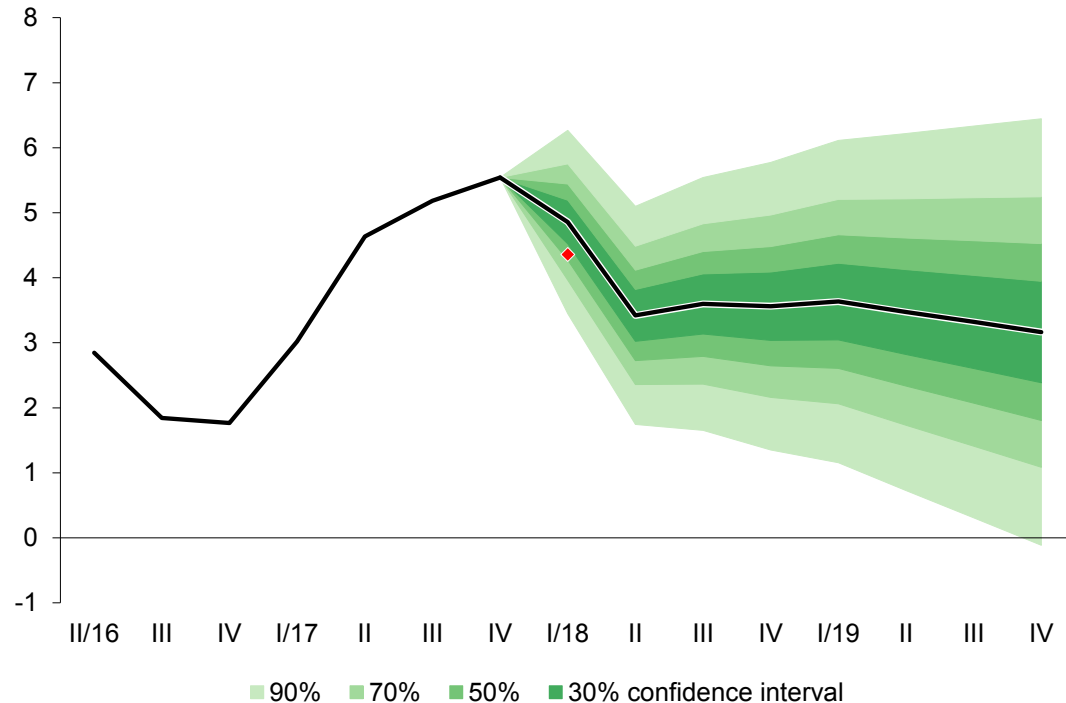
Comparison between the current forecast assumptions and the June outlook based on Consensus Forecasts survey and market expectations



The inflation forecast and expected outcome in 2018 Q2

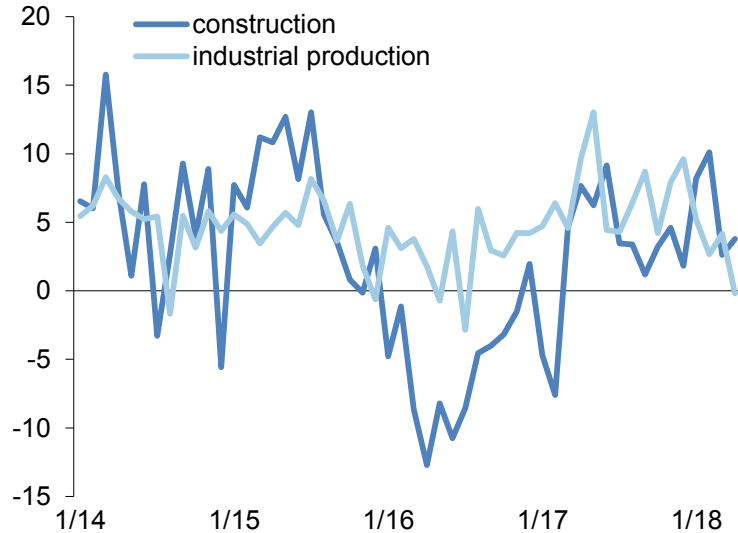


The GDP forecast and outcome in 2018 Q1

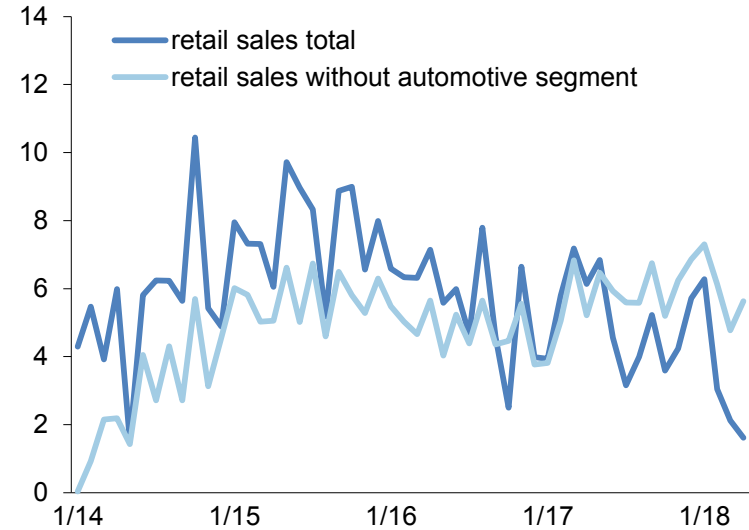


Industry, construction and retail sales

(Annual changes in %, s.a.)

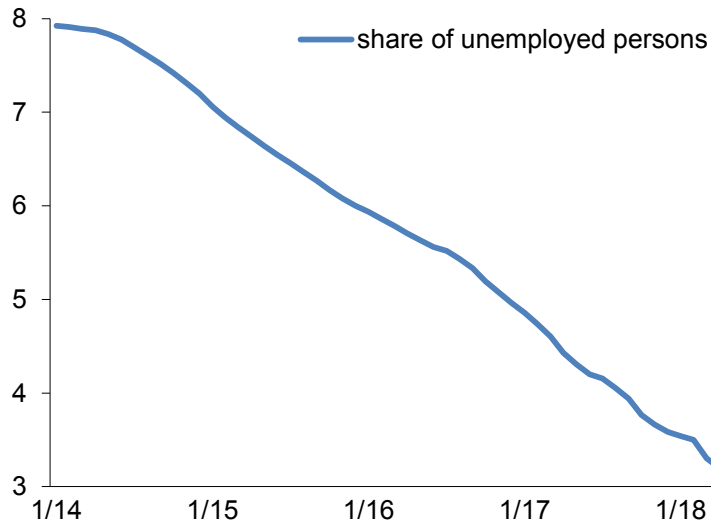


(Annual changes in %, s.a.)



Labour market

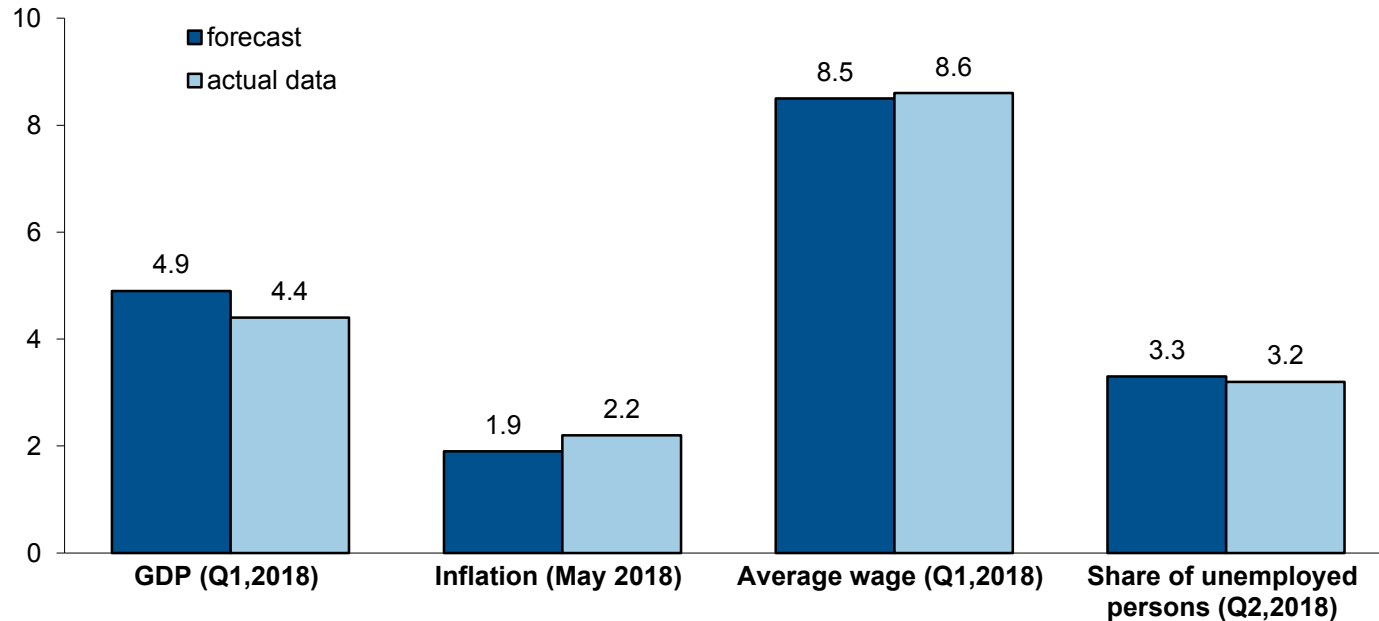
(in %, seasonally adjusted)



(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 April and May with the forecast for 2018 Q2)

Risks to the current forecast

The Bank Board assessed the risks to the current inflation forecast at the monetary policy horizon as being inflationary and speaking in favour of an earlier interest rate increase.

Inflationary risks:

- weaker-than-expected koruna exchange rate
- higher-than-expected domestic inflation
- stronger inflationary pressures from abroad

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 13 July 2018 at

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