

Why I.T., Why Success?

**Pavel Kysilka, Deputy CEO and Board Member,
Česká spořitelna, a.s.**

Conference to 15th Anniversary of the Czech National Bank and the 10th Anniversary of Inflation Targeting, 8 April 2008, ČNB, Senovážné nám. 30, Prague

1998 Switch To Inflation Targeting: Why

Dissapointment with „monetary targeting“ 1991 – 97

really MT?

in fact „monetary schizophrenia“

Fixed ER abandoned in 1997

➤ Real opportunity to have a textbook pure monetary targeting

Ignored Opportunity

➤ Lack of confidence in „expectation power“ of MT

➤ IT – new challenge: communication

credibility



expectations

? real transmission

Communications & Credibility

inflation	vs	net inflation
short term	vs	longer term
public	vs	analysts, experts

public: net inflation

short term

analysts: net inflation

longer term

Enemies & Allies & Neutrals

E

- double digit and increasing inflation
- expectations
- we

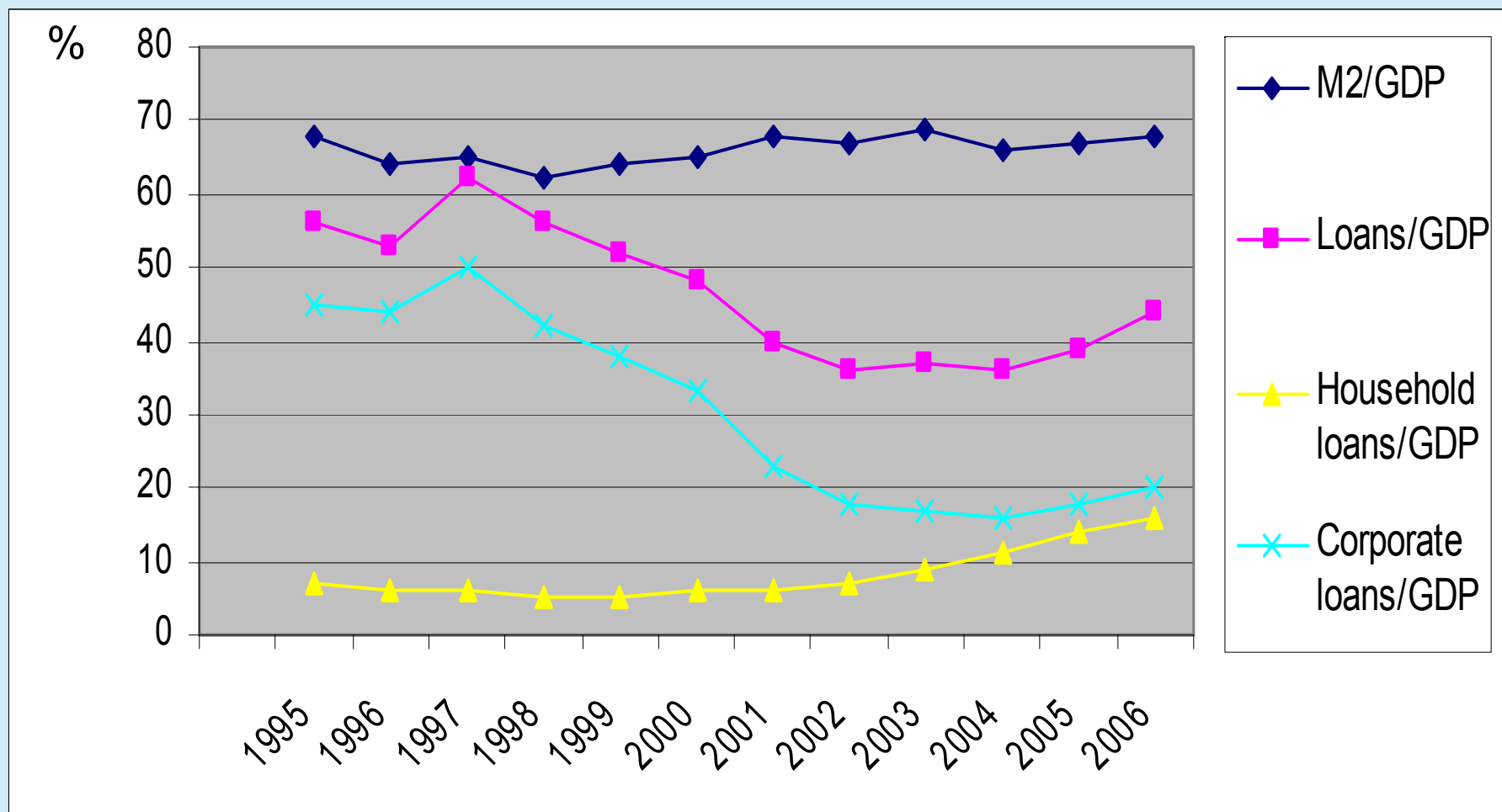
A

- global inflation; commodities
- business cycle
- retail market (internal competition)
- external competition (openness)
- IR relevance
- we

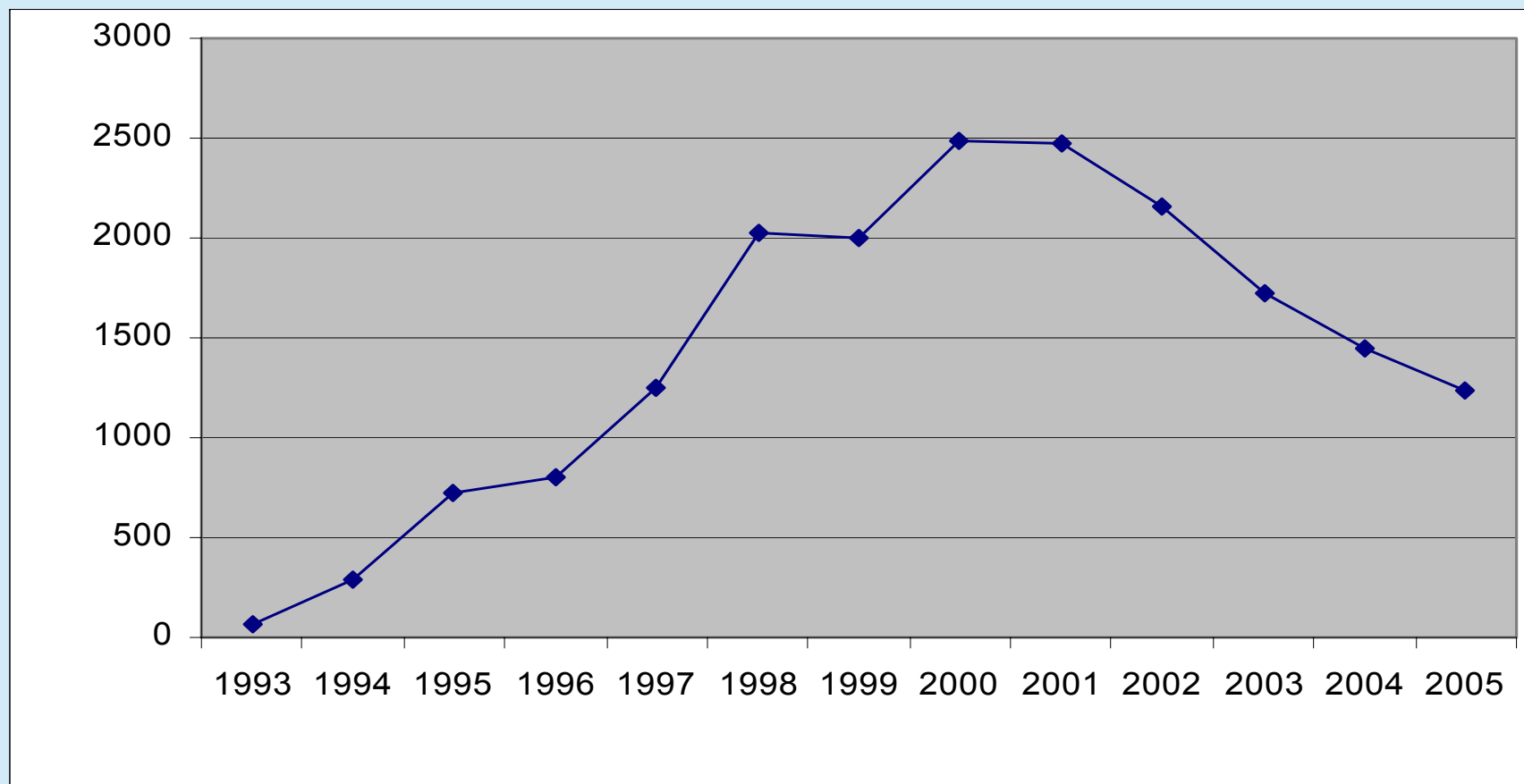
N

- exchange rate
- monetization

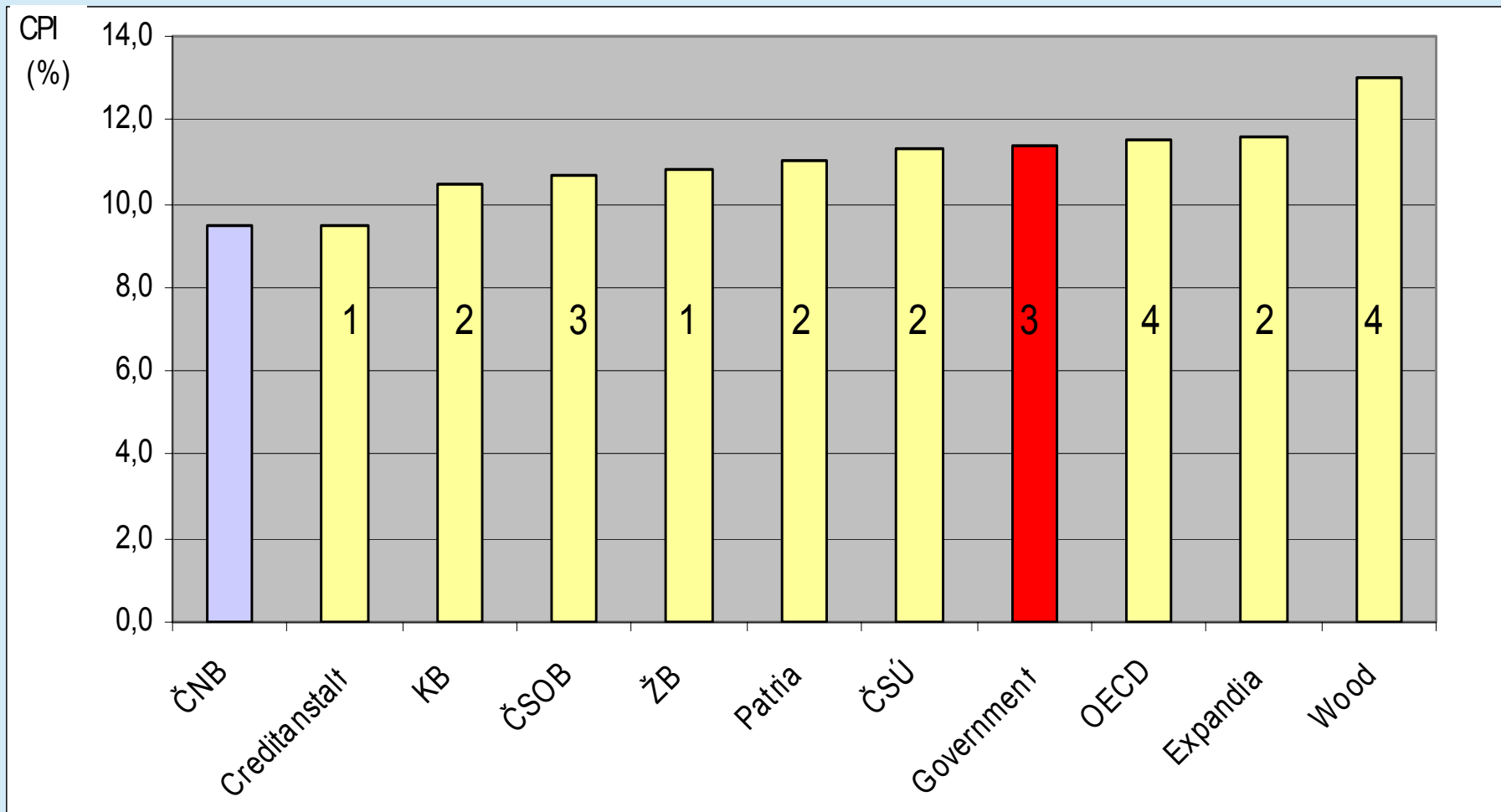
Money supply/Loans/GDP ratio



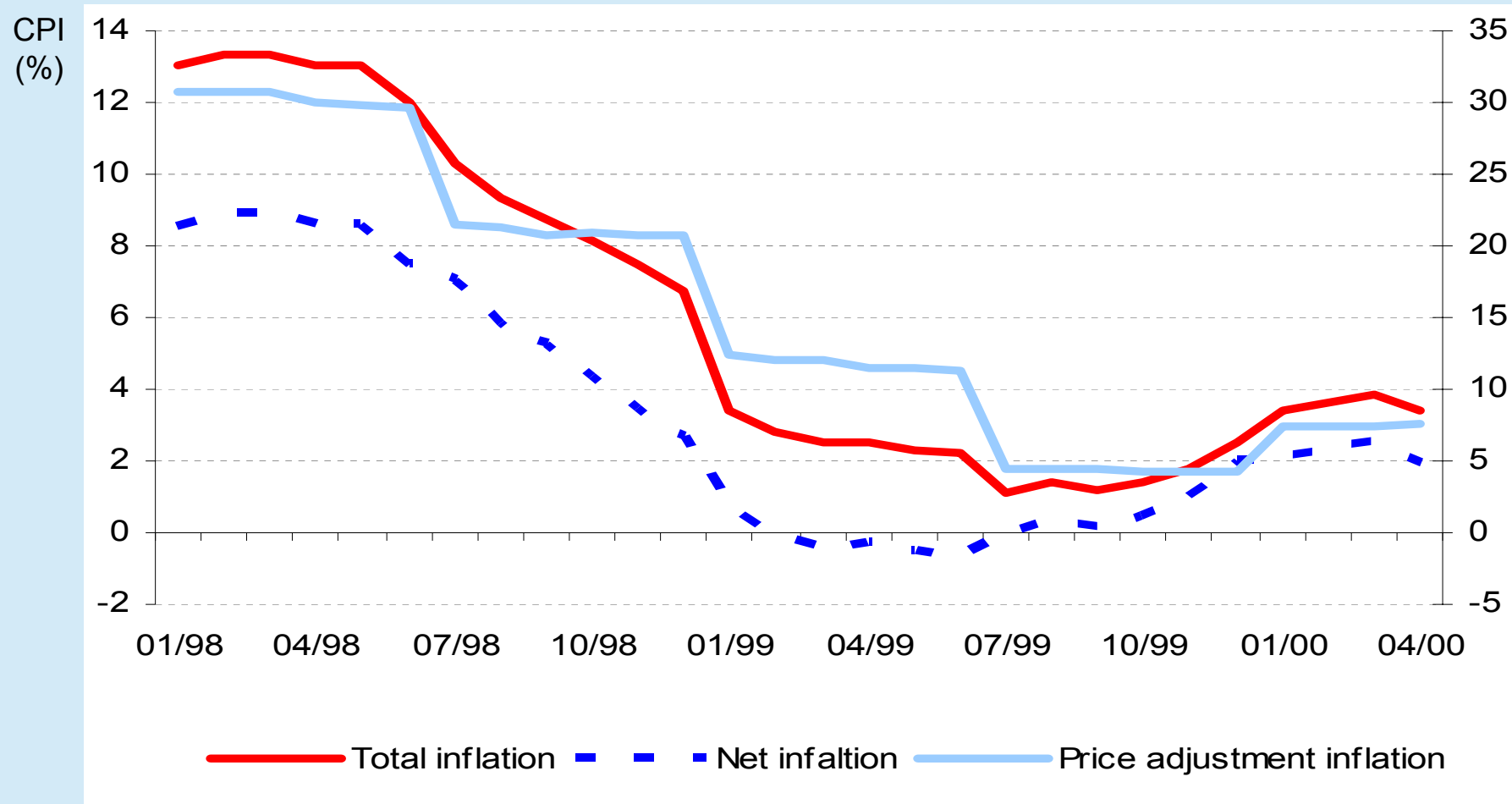
New bankruptcies



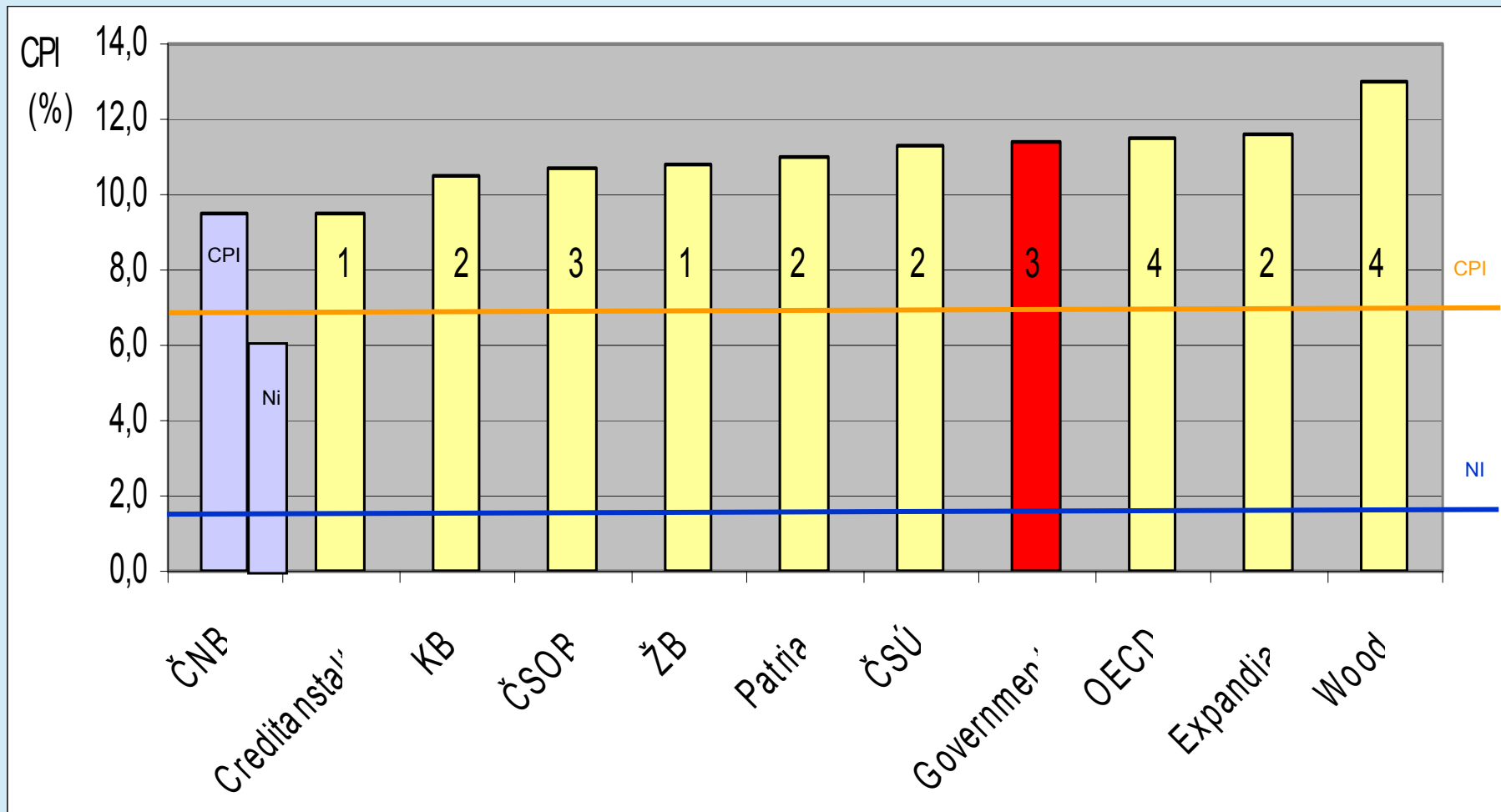
Inflation expectations in 1998



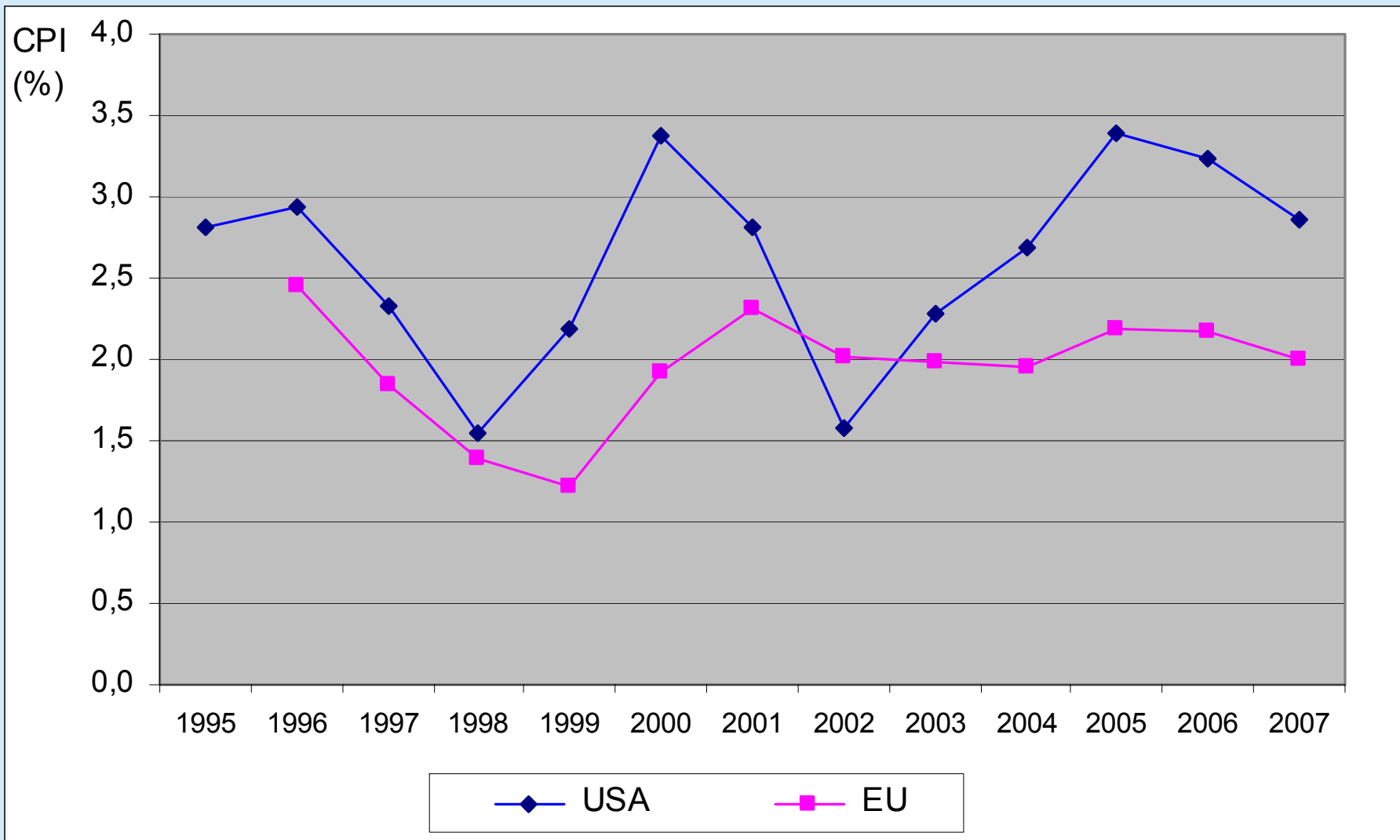
Inflation



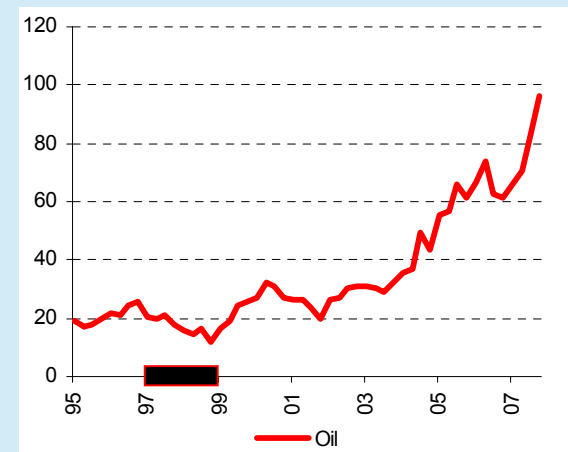
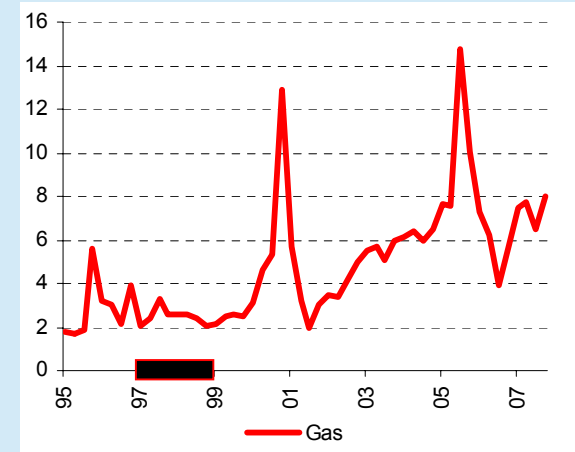
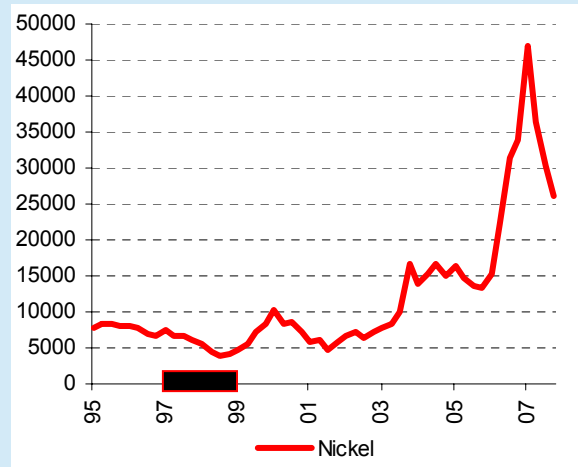
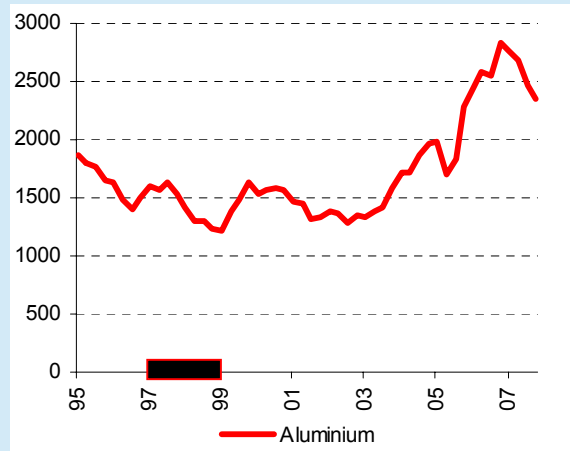
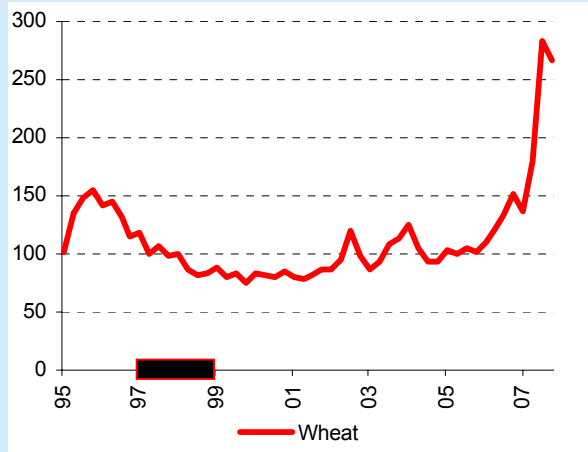
Inflation expectations in 1998



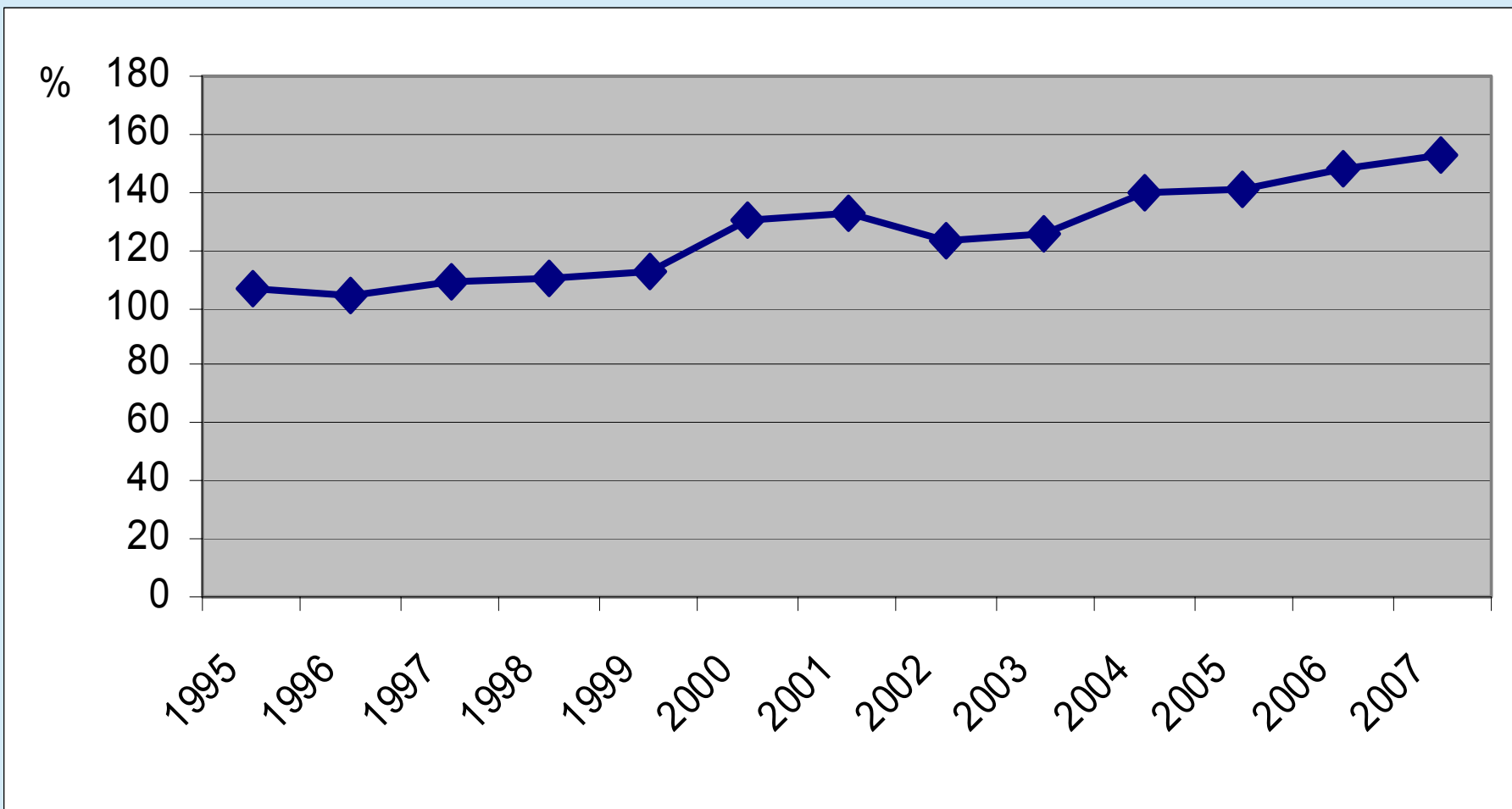
Global inflation



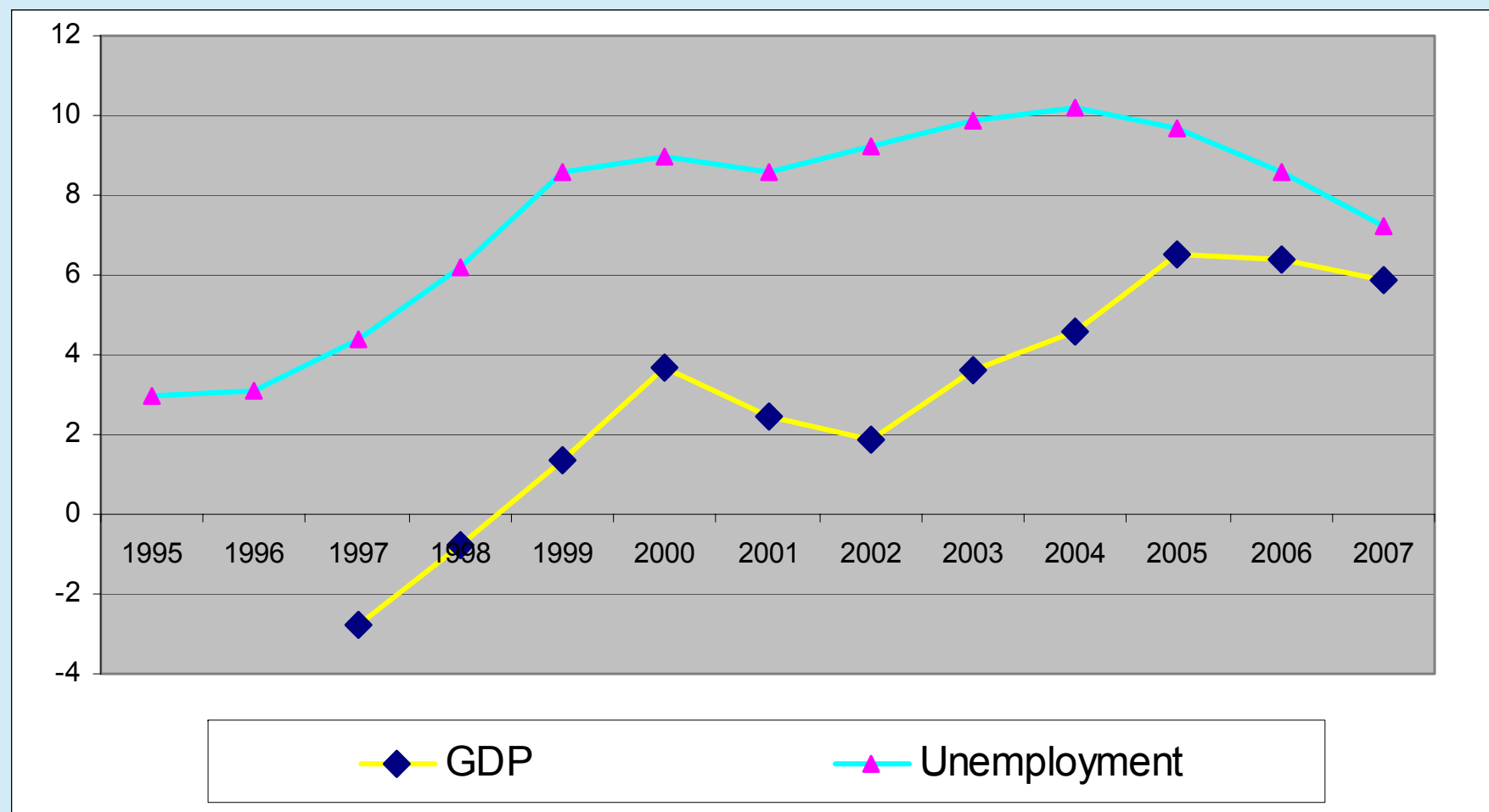
Commodities helped



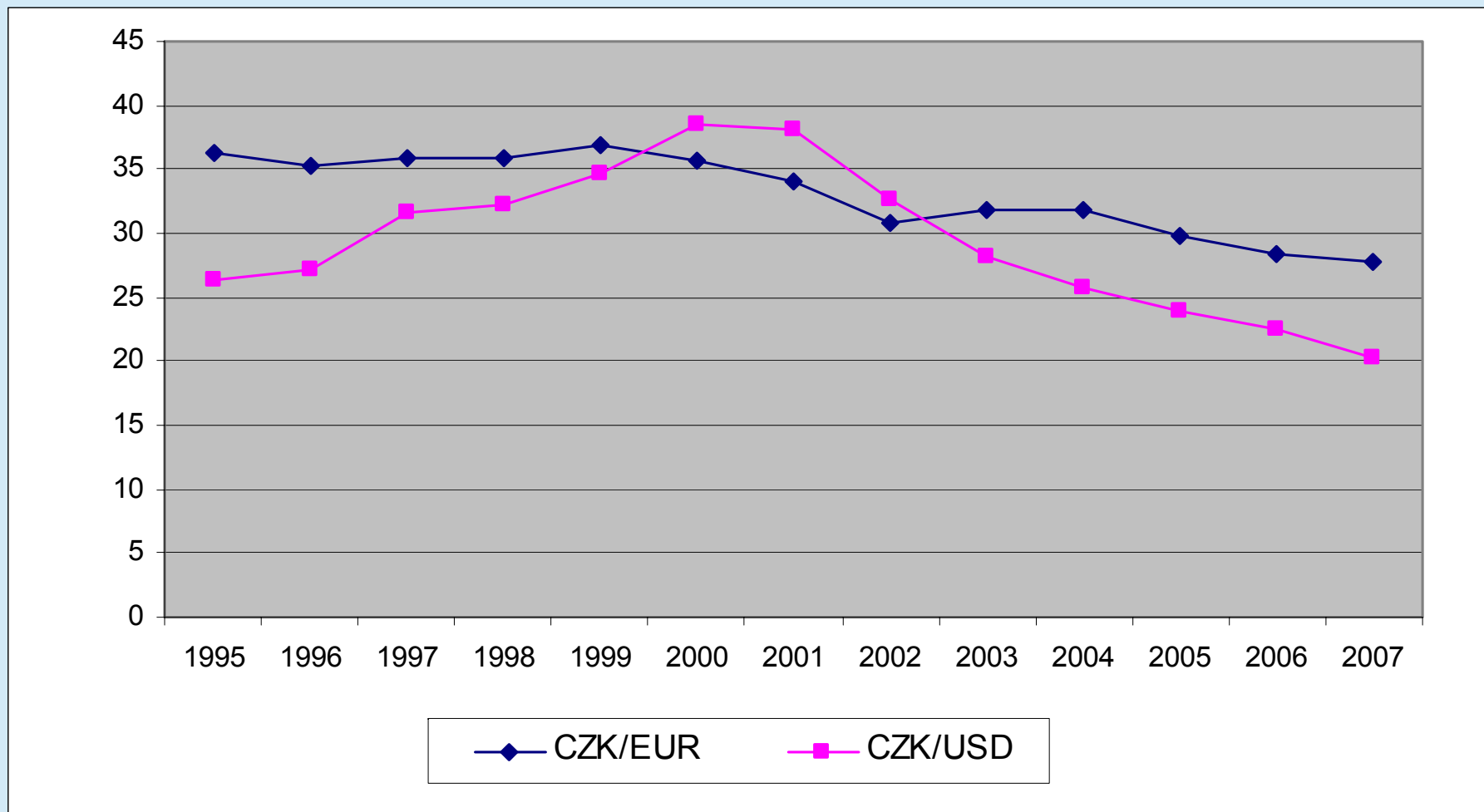
Openness of the economy: $(X+M)/GDP$



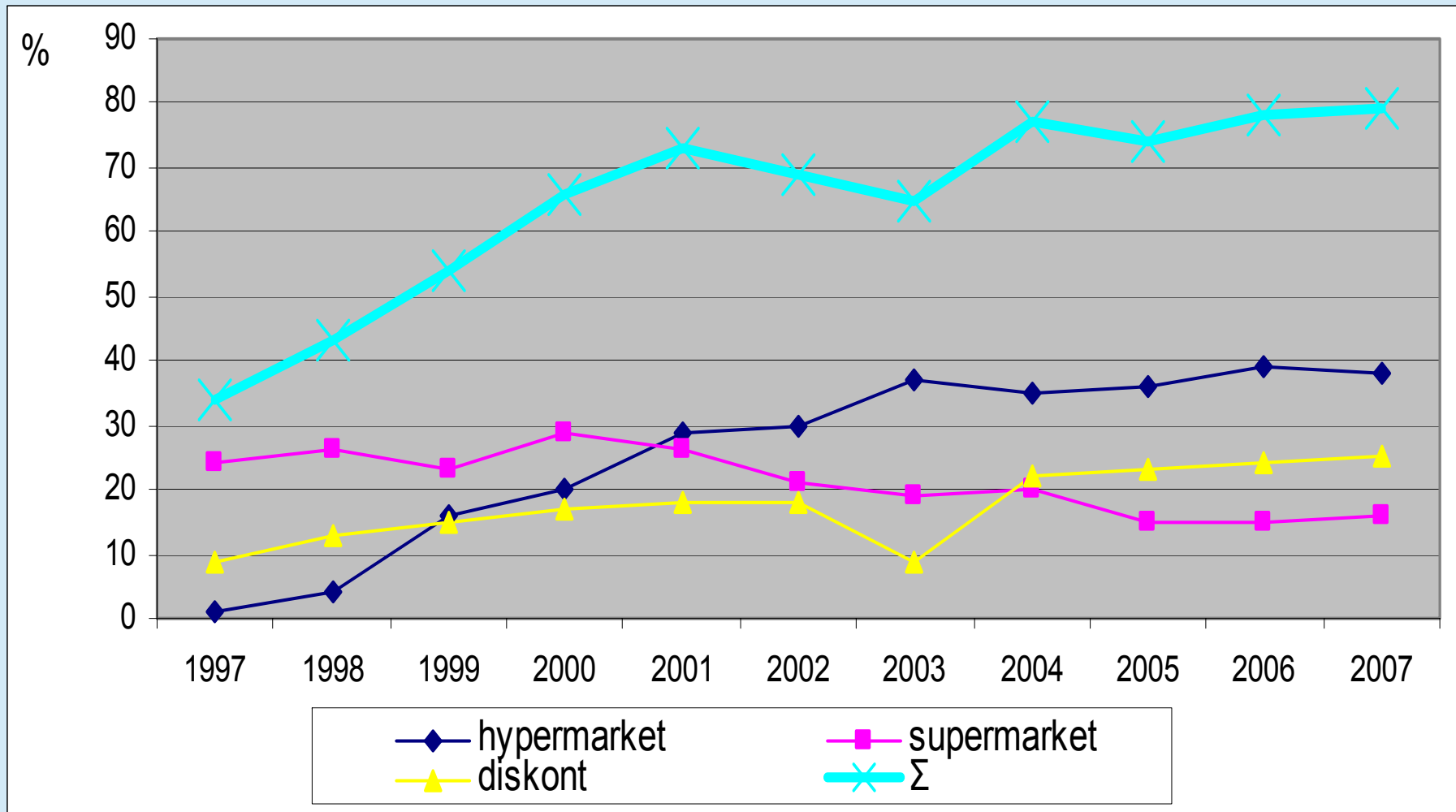
GDP and unemployment



Exchange rate



Market share war



Why I.T., Why Success?

Why IT?

I don't know

Why success?

I don't know

Thank you.