

Press Conference of the CNB Bank Board

**10th Situation Report on Economic
and Monetary Developments**

26 October 2006

The monetary policy decision taken and the ratio of the votes cast

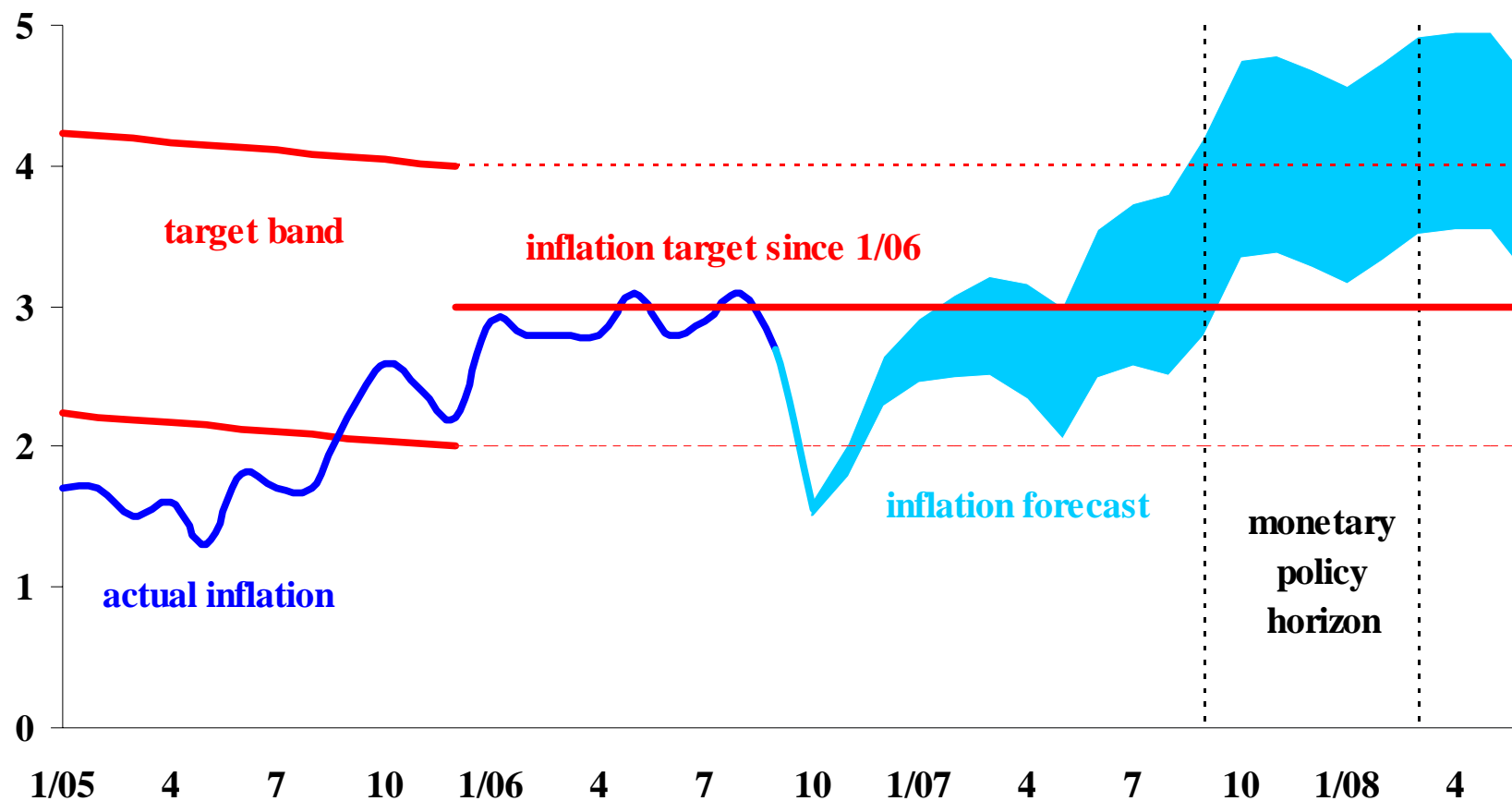
At the close of the meeting, the Board decided by a majority vote to leave the CNB two-week repo rate unchanged at 2.50 %. Five members voted in favour of this decision, and one member voted for increasing rates by 0.25 of a percentage point.

The external environment

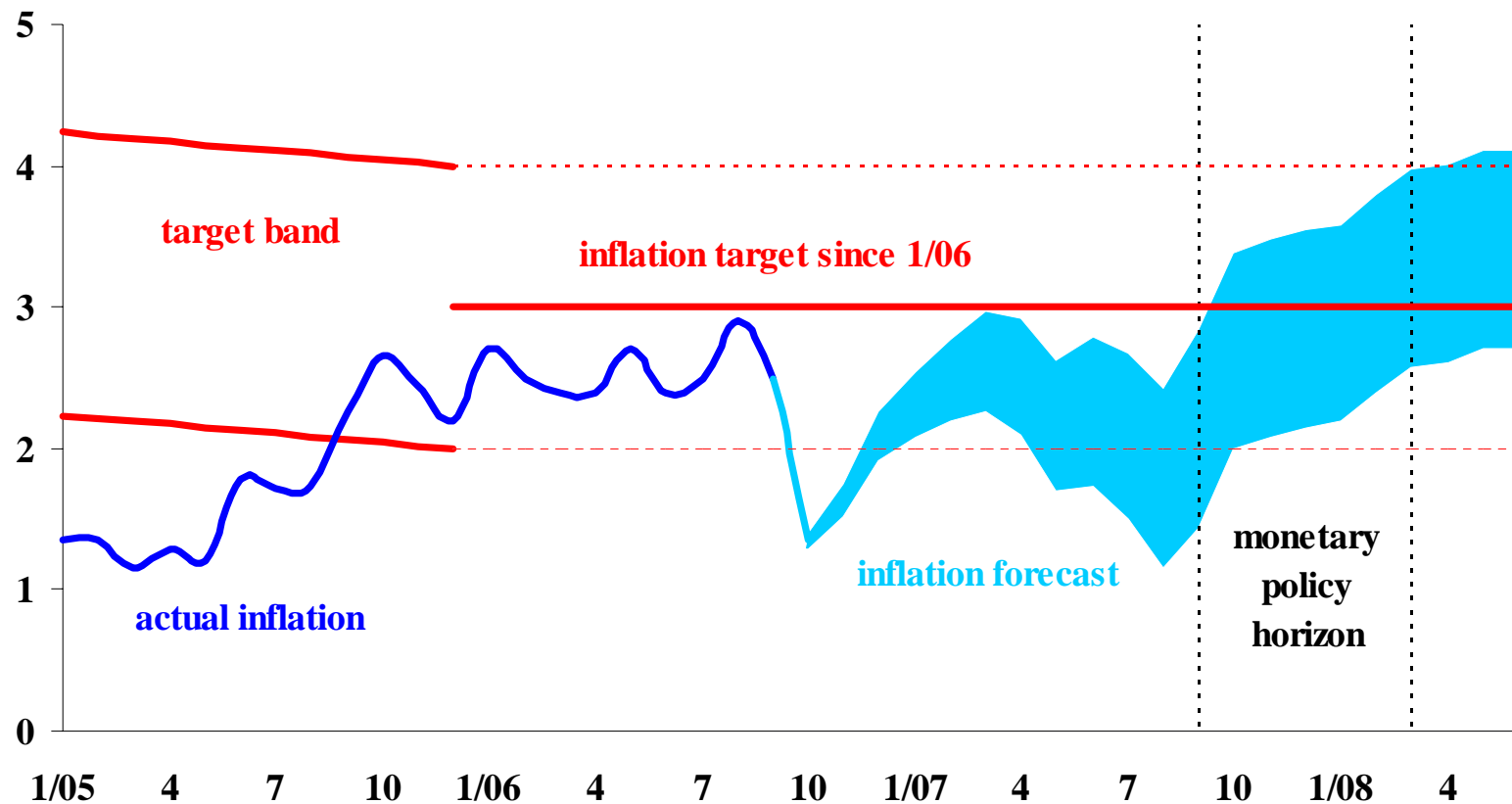
Comparison between the October and July forecast assumptions

		2006	2007
Effective indicator of consumer prices in the euro area (percentages)	July	1.8	2.2
	October	1.9	2.3
Effective indicator of producer prices in the euro area (percentages)	July	5.2	2.5
	October	5.1	2.5
Effective indicator of GDP in the euro area (percentages)	July	1.9	1.5
	October	2.4	1.6
Price of Brent crude oil (USD/barrel)	July	68.4	72.6
	October	66.9	69.9
Price of petrol (USD/t)	July	660.2	701.5
	October	631.9	638.1
USD/EUR exchange rate (level)	July	1.26	1.30
	October	1.26	1.31
1Y EURIBOR (percentages)	July	3.3	3.6
	October	3.4	3.9

The October inflation forecast



The inflation forecast excluding the first-round effects of indirect taxes



Comparison with the July forecast

- The economy remains in a phase of high growth. Compared to the July forecast the rate of growth is lower in 2006 but higher in 2007.
- Compared to the July forecast the positive output gap is at lower levels in 2006 but at higher levels in 2007 and will close during 2008.
- Compared to the July forecast inflation is lower since 2006 Q4 but remains very close to the upper boundary of the tolerance band of the inflation target at the monetary policy horizon.

The October forecast

Forecast for inflation (CPI) in:

September 2007 (+4 quarters)	2.8–4.2%
March 2008 (+6 quarters)	3.5–4.9%

Forecast for GDP growth in:

2006	5.8–6.6%
2007	4.4–6.6%
2008	3.4–6.4%

Major uncertainties of the forecast

- Future fiscal development
- Oil prices
- Rate of economic growth and interest rates development in the euro area