

# Press Conference of the CNB Bank Board

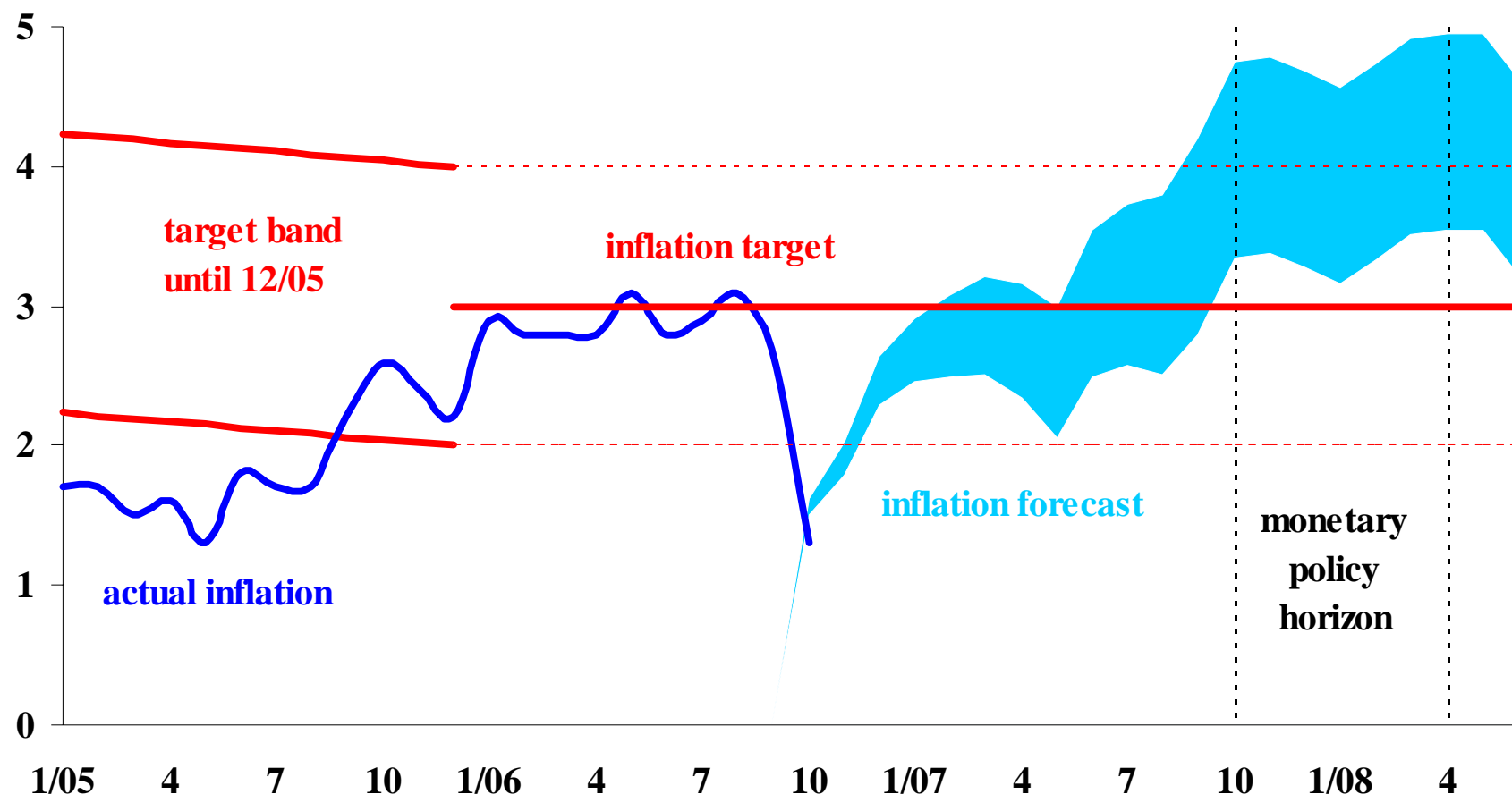
**11th Situation Report on Economic  
and Monetary Developments**

**30 November 2006**

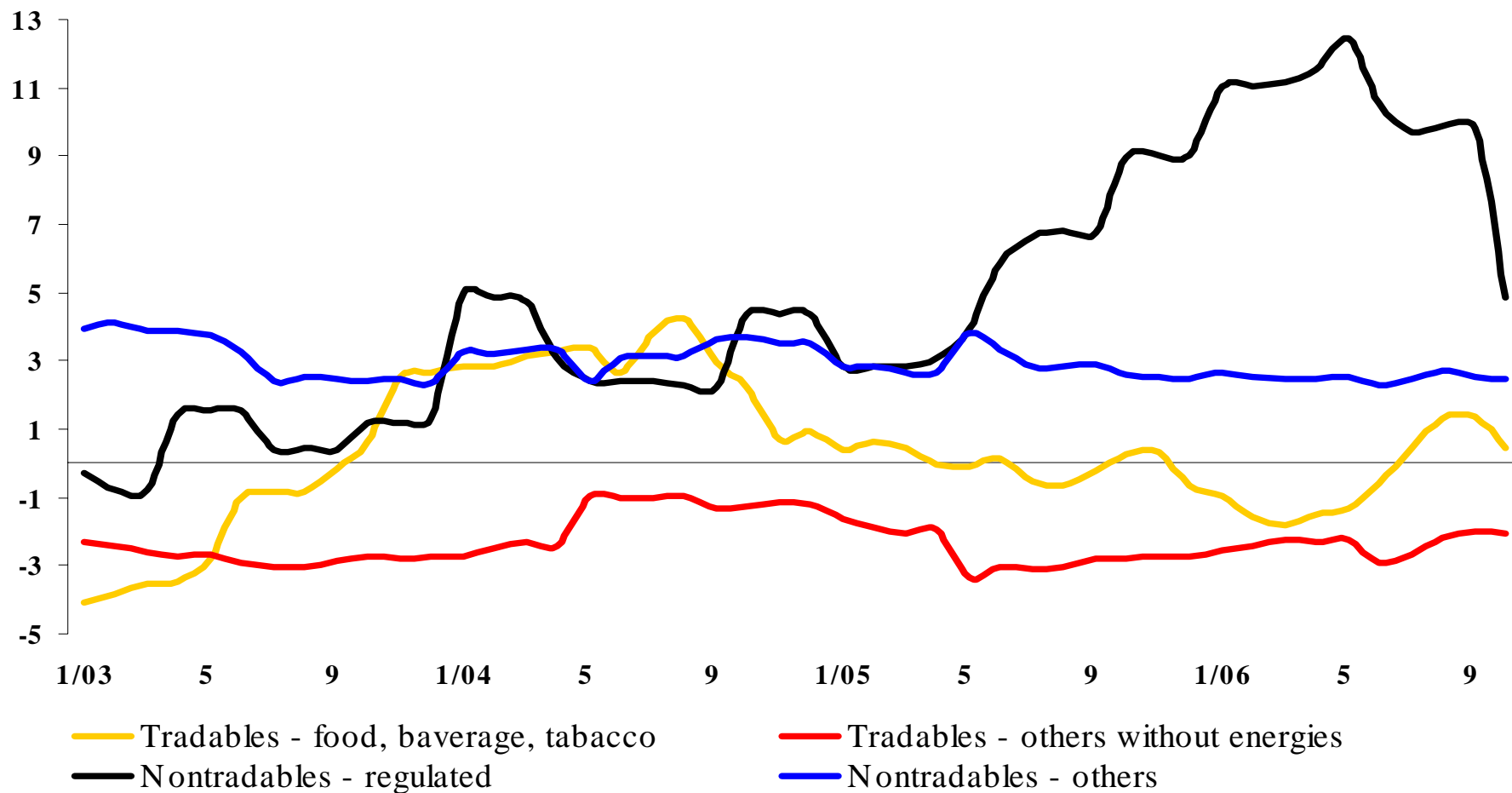
# The monetary policy decision taken and the ratio of the votes cast

At the close of the meeting, the Board decided to leave the CNB two-week repo rate unchanged at 2.50 %. All six board members present voted in favour of this decision.

# The inflation forecast in the 10th situation report and actual inflation in October 2006



# A closer look at inflation



# The external environment

**Comparison between the October forecast assumptions and November outlook based on the Consensus Forecasts survey and market expectations**

		2006	2007	2008
Effective indicator of consumer prices in the euro area (percentages)	forecast	1.9	2.3	1.5
	CF - Nov	1.9	2.1	1.5
Effective indicator of producer prices in the euro area (percentages)	forecast	5.1	2.5	2.8
	CF - Nov	5.3	2.2	2.3
Effective indicator of GDP in the euro area (percentages)	forecast	2.4	1.6	1.8
	CF - Nov	2.5	1.7	1.9
Price of Brent crude oil (USD/barrel)	forecast	66.9	69.9	70.9
	market - Nov	65.0	64.3	66.6
Price of petrol (USD/t)	forecast	631.9	638.1	673.4
	market - Nov	617.7	583.5	642.2
USD/EUR exchange rate (level)	forecast	1.26	1.31	1.31
	CF - Nov	1.25	1.29	1.30
1Y EURIBOR (percentages)	forecast	3.4	3.9	3.8
	market - Nov	3.4	3.9	3.8

# Other new data since the Board's previous monetary meeting

- Price indicators:
  - annual **industrial producer price inflation** in October (1.9 %)
  - annual **agricultural producer price inflation** in October (1.9 %)
- Leading indicators of growth:
  - annual growth in **retail sales** in September (5.2 %)
  - annual growth in **industrial production** in September (5.8 %)
  - annual growth in **construction production** in September (4.1 %)
- External balance:
  - **trade balance** in September (CZK 7.5 billion)
- Labour market:
  - annual growth in **employment** in 2006 Q3 (0.9 %)
  - annual growth in **average nominal wage** in 2006 Q3 (6.1 %)

# Major uncertainties of the forecast

**The forecast risks are on the downside.**

- recent inflation development + new outlook for changes in indirect taxes
- risk of stronger CZK/EUR exchange rate
- combined risk of further weakening of USD/EUR exchange rate and lower world oil prices