

Press Conference of the CNB Bank Board

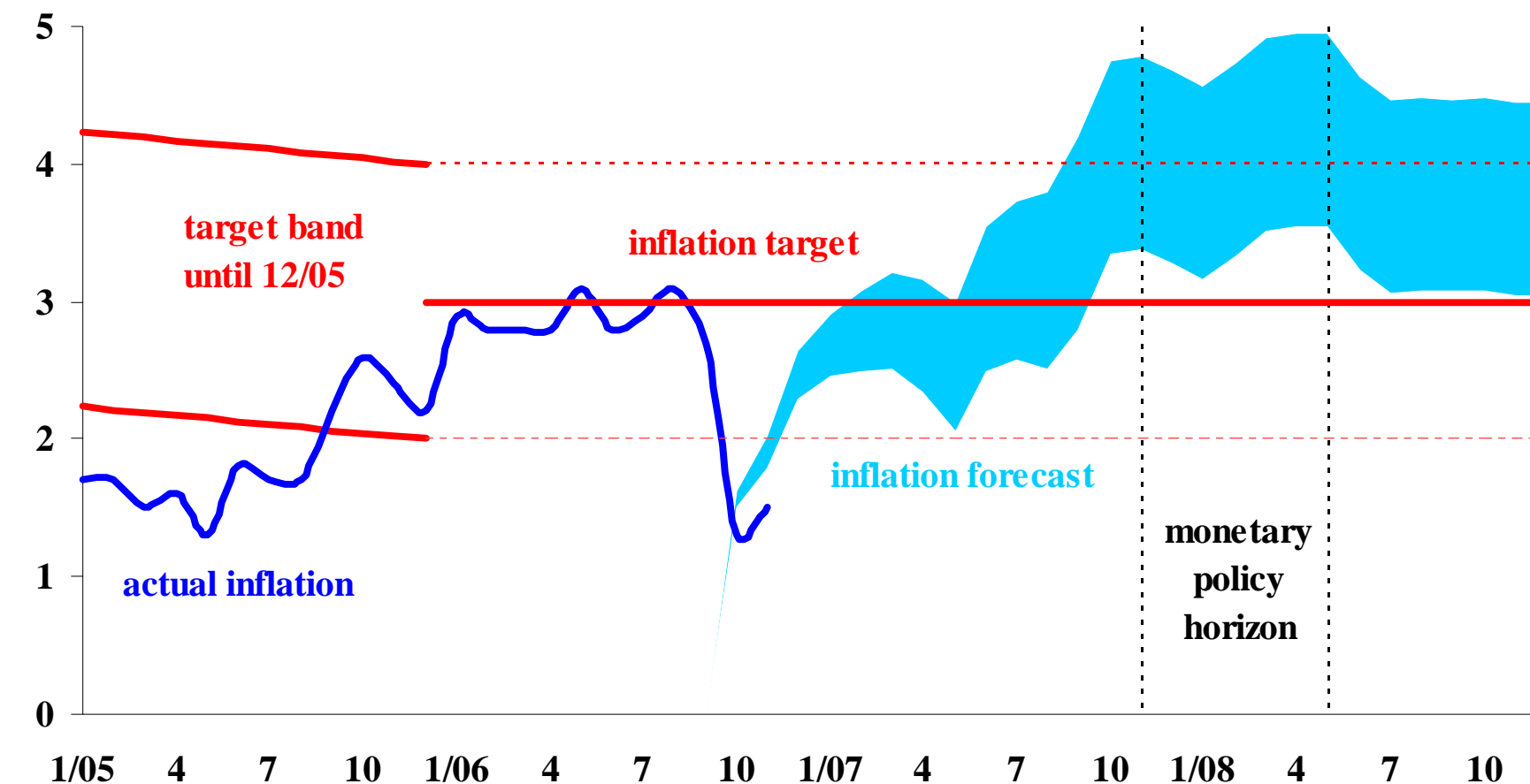
**12th Situation Report on Economic
and Monetary Developments**

20 December 2006

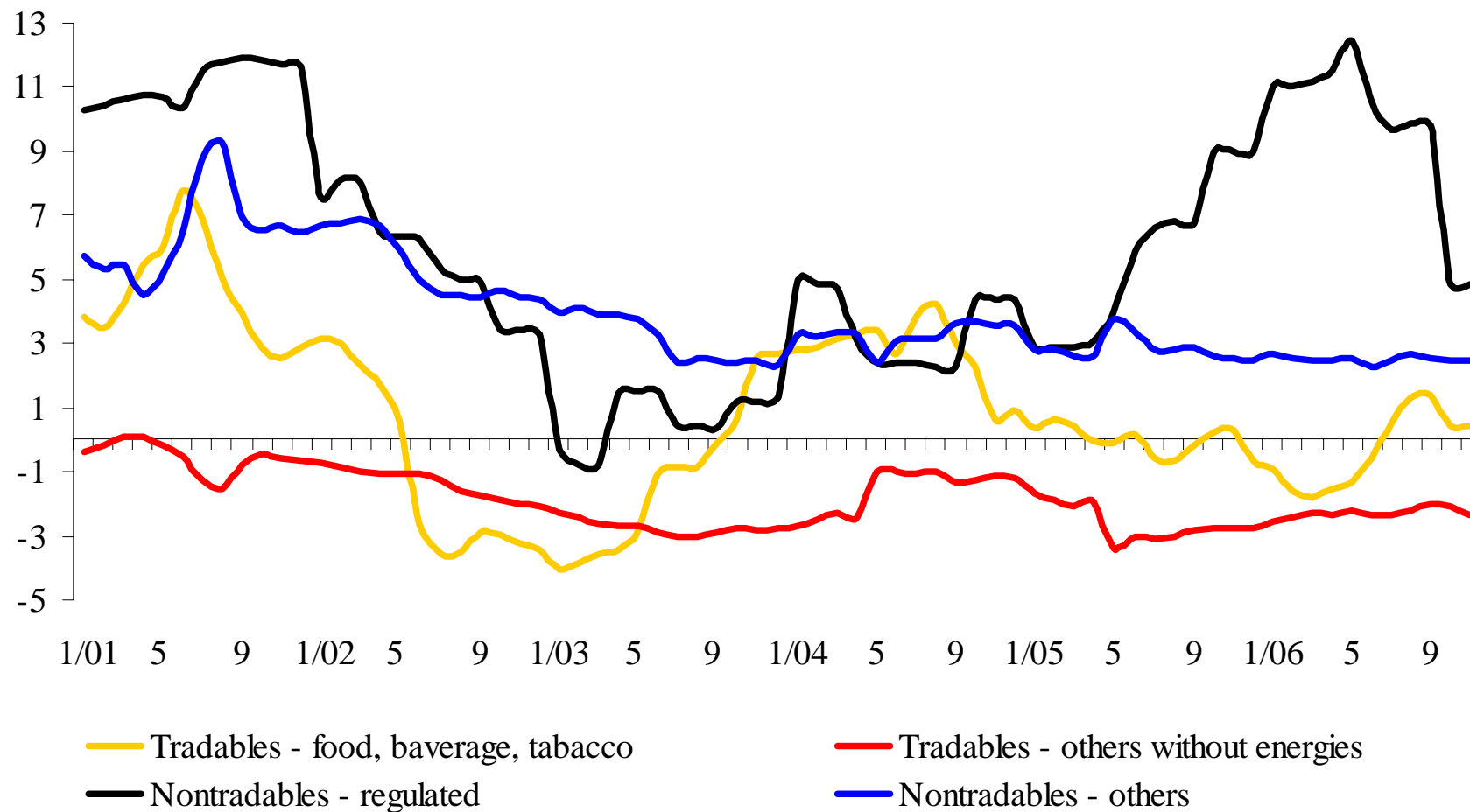
The monetary policy decision taken and the ratio of the votes cast

*After discussing the situation report, the Board decided
unanimously to leave the two-week repo rate unchanged at
2.50%.*

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



A closer look at inflation



The external environment

Comparison between the October forecast assumptions and outlook based on the December 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 - Dec	1,8	2,1	1,2
Effective indicator of producer prices in the euro area (percentages)	forecast	5,1	2,5	2,8
	CF - Dec	5,3	2,3	2,3
Effective indicator of GDP in the euro area (percentages)	forecast	2,4	1,6	1,8
	CF - Dec	2,6	1,8	1,7
Price of Brent crude oil (USD/barrel)	forecast	66,9	69,9	70,9
	market - Dec	65,3	64,7	67,5
Price of petrol (USD/t)	forecast	631,9	638,1	673,4
	market - Dec	620,5	594,1	648,7
USD/EUR exchange rate (level)	forecast	1,26	1,31	1,31
	CF - Dec	1,25	1,32	1,32
1Y EURIBOR (percentages)	forecast	3,4	3,9	3,8
	market - Dec	3,4	3,9	3,8

Other new data since the Board's previous monetary meeting

- Price indicators:
 - annual **industrial producer price inflation** in November (2.0 %)
 - annual **agricultural producer price inflation** in November (1.3 %)
- GDP:
 - annual **GDP** growth in 2006 Q3 (5.8 %)
- Leading indicators of growth:
 - annual growth in **retail sales** in October (8,6 %)
 - annual growth in **industrial production** in October (12.8 %)
 - annual growth in **construction production** in October (7.1 %)
- External balance:
 - **trade balance** in October (CZK 4.4 billion)

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 than expected CZK/EUR exchange rate
- risk of weaker than expected USD/EUR exchange rate
+ lower world prices of oil