

Press Conference of the CNB Bank Board

4th Situation Report on Economic and Monetary Developments

26 April 2007

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

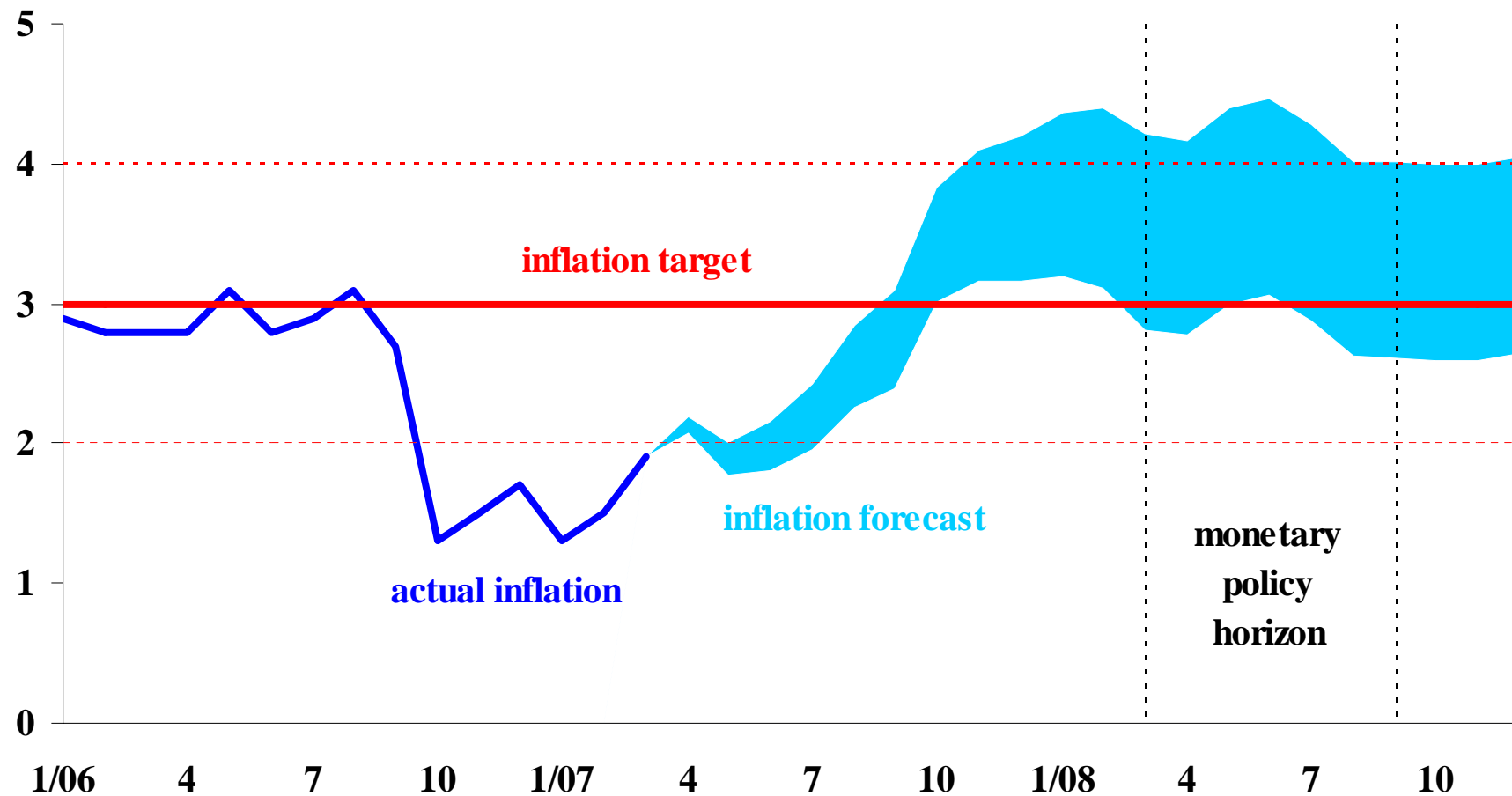
After discussing the situation report, the Board decided by a majority vote to leave the CNB two-week repo rate unchanged at 2.5%. Four members voted in favour of this decision, and two members voted for increasing rates by 0.25 of a percentage point.

The external environment

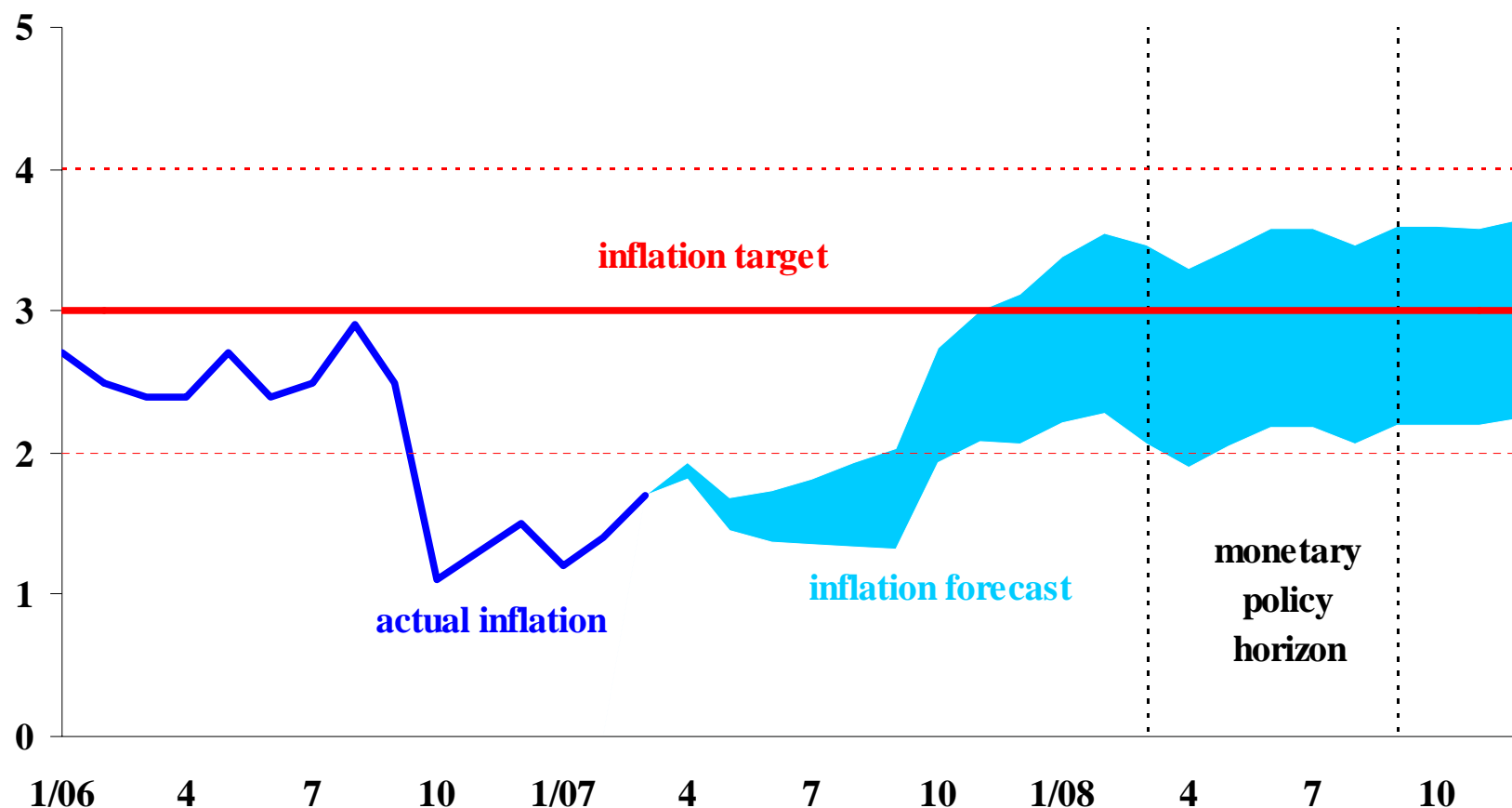
Comparison between the April and January forecast assumptions

		2007	2008
Effective indicator of consumer prices in the euro area	January	2.1	1.7
	April	1.8	1.7
Effective indicator of producer prices in the euro area (percentages)	January	2.3	2.3
	April	2.2	1.9
Effective indicator of GDP in the euro area (percentages)	January	1.8	1.9
	April	2.2	2.2
Price of Brent crude oil (USD/barrel)	January	64.7	67.7
	April	61.6	65.5
Price of petrol (USD/t)	January	594.1	645.7
	April	586.2	621.1
USD/EUR exchange rate (level)	January	1.32	1.30
	April	1.32	1.31
1Y EURIBOR (percentages)	January	3.9	3.8
	April	4.1	4.0

The April inflation forecast



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



Consistent with the macroeconomic forecast and its assumptions is a gradual rise in nominal interest rates over the entire forecast horizon.

Comparison with the January forecast

- Compared to the January forecast the rate of growth is higher in 2007 and 2008.
- The real economy will generate inflationary pressures in 2007 and 2008, whereas according to the January forecast it was only in 2007.
- Compared to the January forecast, inflation is initially higher, but starting from 3Q 2008 lower.
- At the monetary policy horizon (2Q-3Q 2008) inflation adjusted for the first-round effect of indirect taxes (which is relevant for monetary policy) is in the lower part of the tolerance band of the inflation target.

The April forecast

Forecast for headline inflation in:

December 2007	3.2 – 4.2 %
December 2008	2.7 – 4.1 %

Forecast for inflation excluding the first-round effects of changes in indirect taxes in:

March 2008 (+4 quarters)	2.1 – 3.5 %
September 2008 (+6 quarters)	2.2 – 3.6 %

Forecast for GDP growth in:

2007	4.9 - 6.5 %
2008	3.8 - 6.8 %

Major uncertainties of the forecast

The forecast risks are roughly balanced.

Major risks and uncertainties:

- new data from domestic economy since the forecast elaboration
- external developments
- the fiscal reform
- exchange rate of the koruna