

Press Conference of the CNB Bank Board

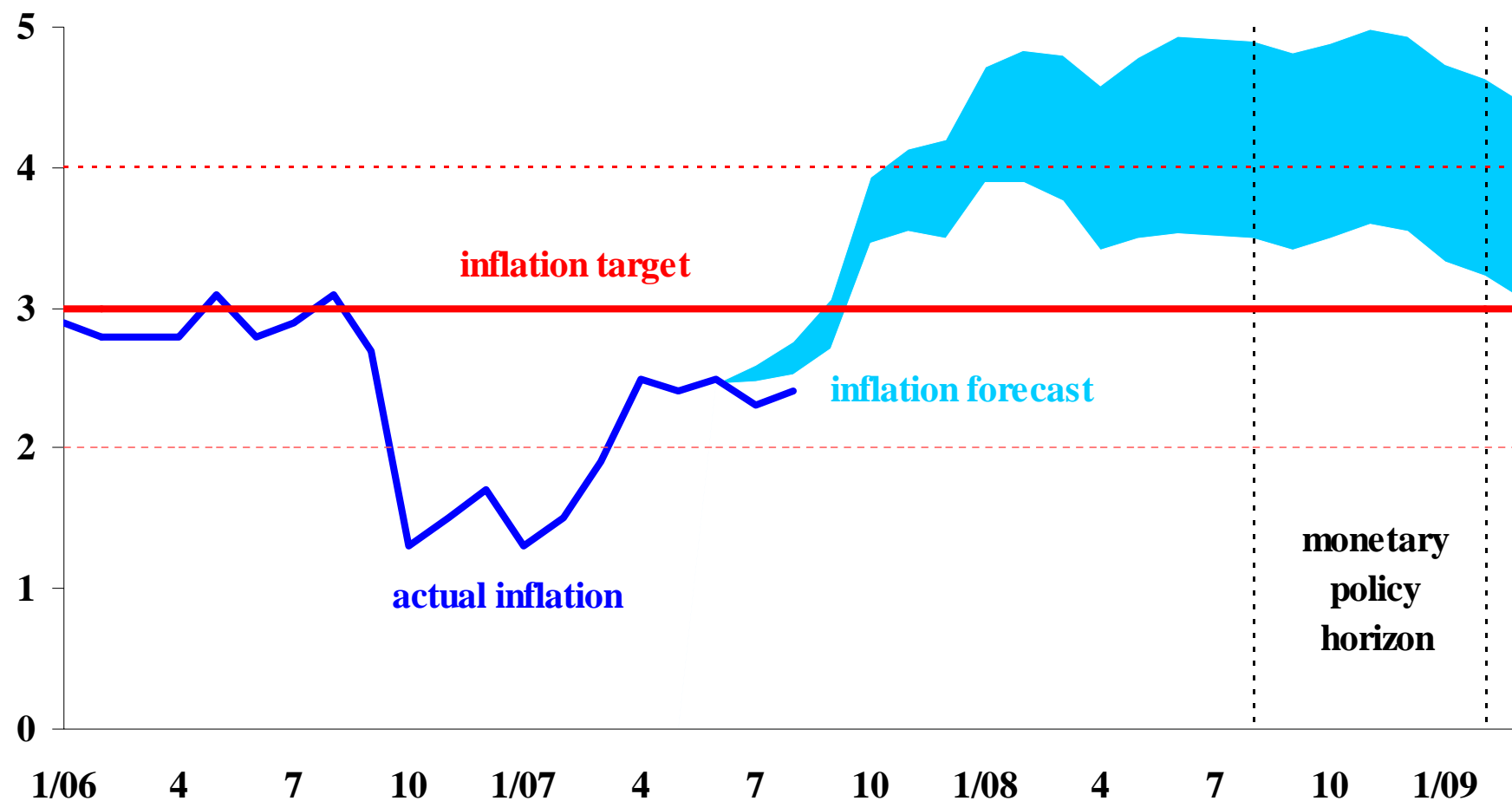
9th Situation Report on Economic and Monetary Developments

27 September 2007

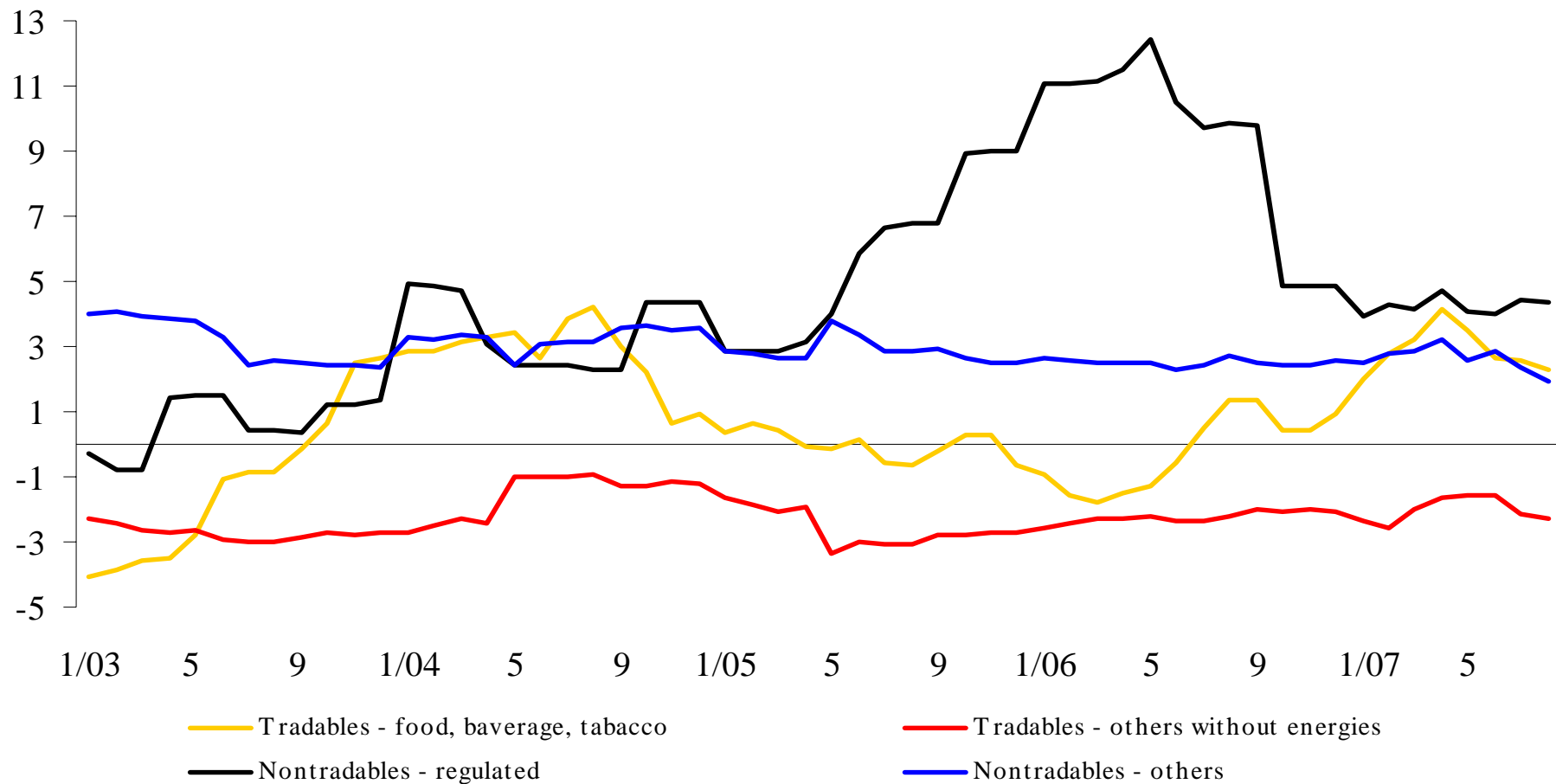
The monetary policy decision taken and the ratio of the votes cast

At the close of the meeting, the Board decided to leave the CNB two-week repo rate unchanged at 3.25 %. All six board members present voted in favour of this decision.

The July inflation forecast and actual inflation in August 2007



A closer look at inflation



The external environment

Comparison between the July forecast assumptions and September outlook based on Consensus Forecasts survey and market expectations

		2007	2008
Effective indicator of consumer prices in the euro area (percentages)	forecast	1.9	1.8
	CF - September	1.9	1.8
Effective indicator of producer prices in the euro area (percentages)	forecast	2.2	2.1
	CF - September	2.3	2.0
Effective indicator of GDP in the euro area (percentages)	forecast	2.7	2.3
	CF - September	2.6	2.3
Price of Brent crude oil (USD/barrel)	forecast	66.9	72.3
	market - September	69.0	73.2
Price of petrol (USD/t)	forecast	656.6	674.5
	market - September	666.4	676.4
USD/EUR exchange rate (level)	forecast	1.34	1.34
	CF - September	1.35	1.36
1Y EURIBOR (percentages)	forecast	4.4	4.7
	market - September	4.3	4.0

Other new data since the Board's previous monetary meeting

- Price indicators:
 - annual **industrial producer price inflation** in August (3.7 %)
 - annual **agricultural producer price inflation** in August (15.6 %)
- Leading indicators of growth:
 - annual growth in **retail sales** in July (8.9 %)
 - annual growth in **industrial production** in July (11.5 %)
 - annual growth in **construction production** in July (-1.7 %)
- External balance:
 - **trade balance** in July (CZK -0.7 billion)

Major uncertainties of the forecast

The risks of headline inflation forecast are on the upside, risks of monetary-policy relevant inflation forecast are on the contrary on the downside.

Major risks and uncertainties:

- tax changes and faster expected growth of regulated prices
- faster than expected growth of food prices
- drop in market expectations of 1Y Euribor rate
- stronger koruna exchange rate against the euro
- lower August inflation and in particular adjusted inflation excl. fuels
- extent of fiscal restriction in 2008