

# Press Conference of the CNB Bank Board

---

## 12th Situation Report on Economic and Monetary Developments

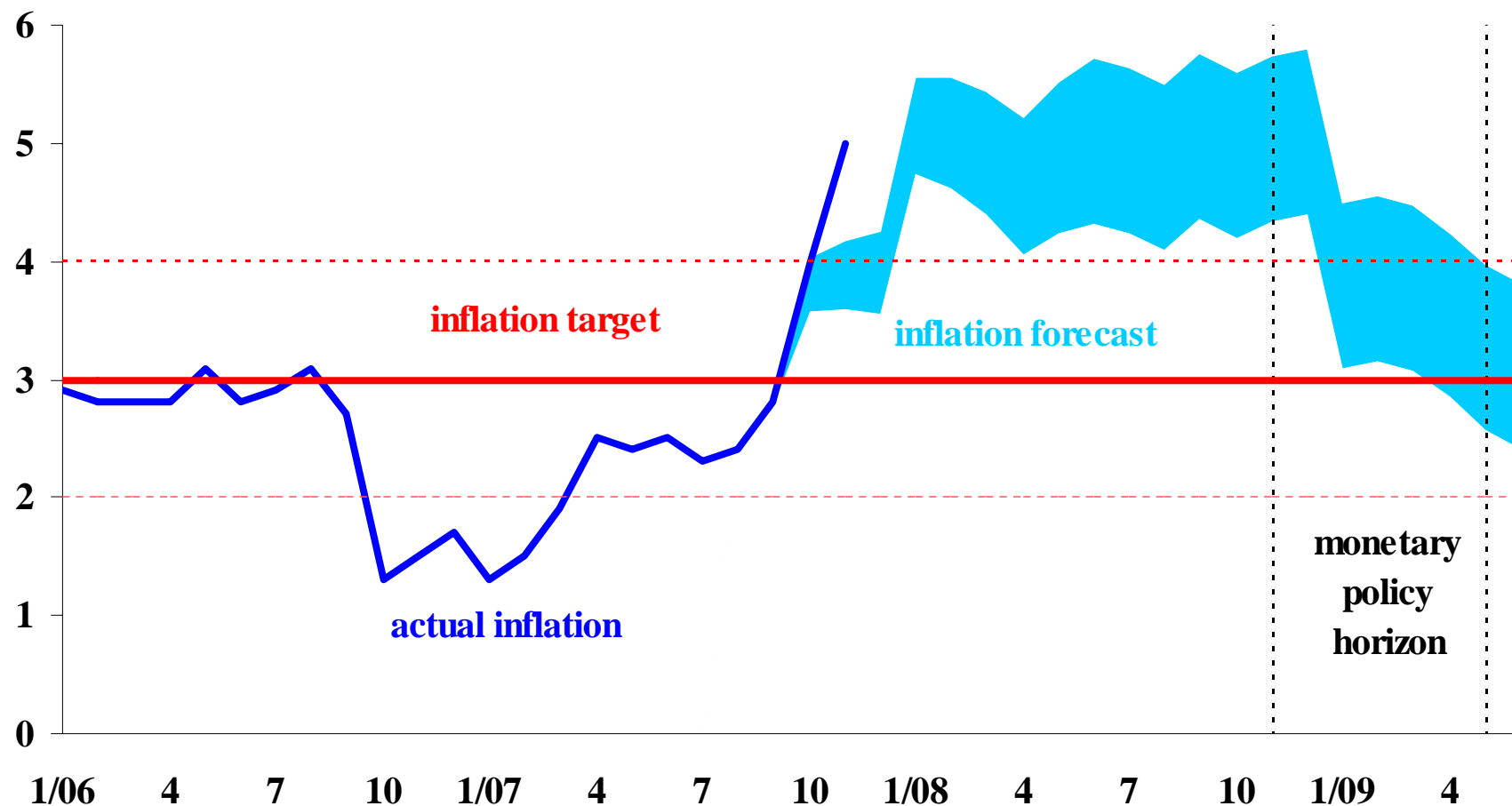
19 December 2007

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

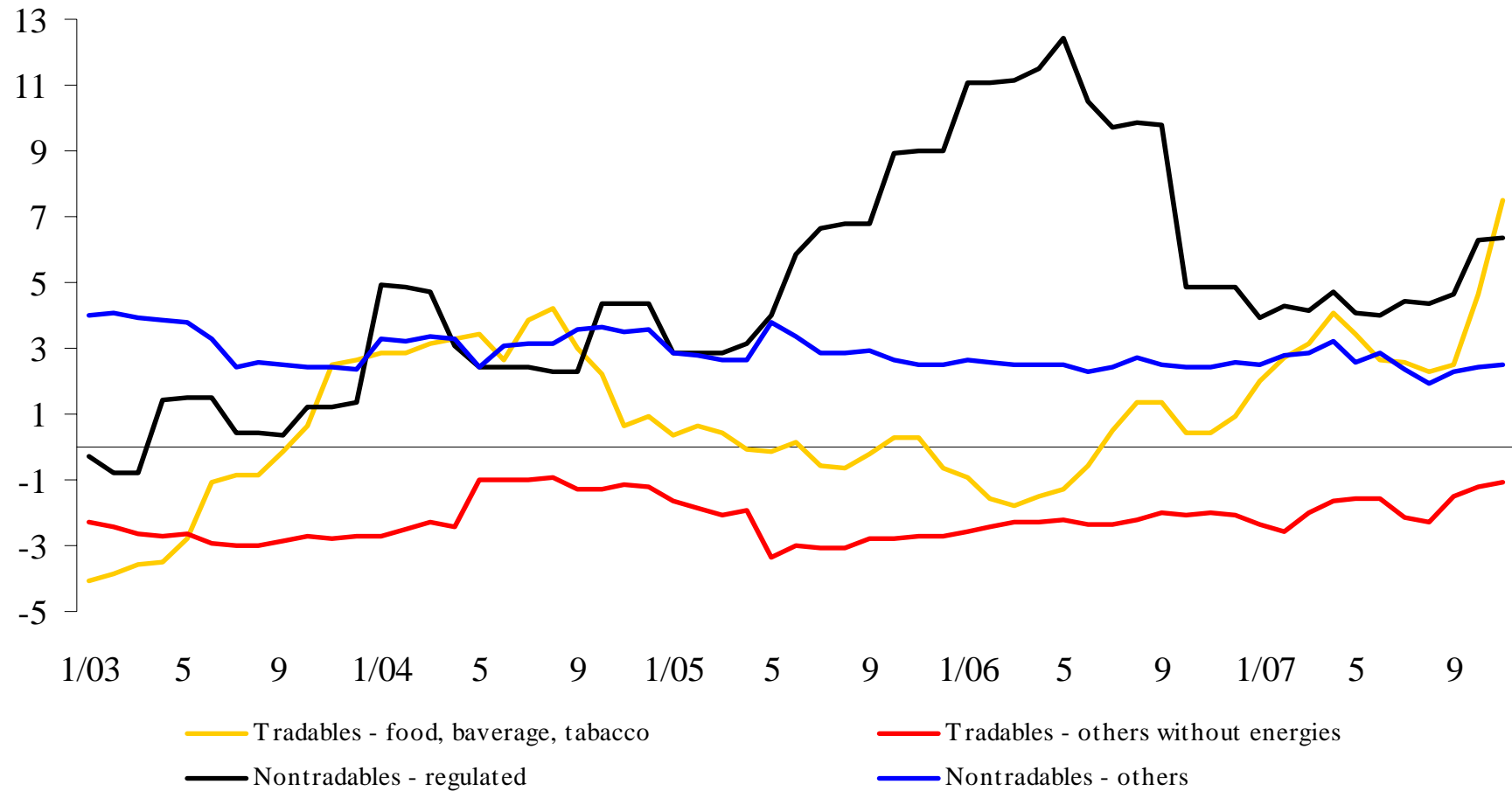
---

*After discussing the situation report, the Board decided by a majority vote to leave the CNB two-week repo rate unchanged at 3.50%. Five members voted in favour of this decision and two members voted for increasing rates by 0.25 of a percentage point.*

# *The October inflation forecast and actual inflation in November 2007*



## *A closer look at inflation*



## *The external environment*

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

		2007	2008	2009
Effective indicator of consumer prices in the euro area (percentages)	forecast	1.9	1.7	1.8
	CF - December	2.0	1.9	1.8
Effective indicator of producer prices in the euro area (percentages)	forecast	2.3	2.1	2.0
	CF - December	2.3	2.2	2.2
Effective indicator of GDP in the euro area (percentages)	forecast	2.6	2.3	2.0
	CF - December	2.6	2.0	2.0
Price of Brent crude oil (USD/barrel)	forecast	69.2	73.2	71.6
	market - December	72.4	87.4	85.8
Price of petrol (USD/t)	forecast	667.0	675.5	694.0
	market - December	697.7	793.0	815.5
USD/EUR exchange rate (level)	forecast	1.35	1.36	1.33
	CF - December	1.37	1.45	1.38
1Y EURIBOR (percentages)	forecast	4.3	4.1	4.4
	market - December	4.4	4.2	4.5

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

- Price indicators:
  - annual **industrial producer price inflation** in November (5.4 %)
  - annual **agricultural producer price inflation** in November (26.9 %)
  - annual **import price inflation** in October (-1.5 %)
- GDP:
  - annual **GDP** growth in 2007 Q3 (6.0 %)
- Leading indicators of growth:
  - annual growth in **retail sales** in October (7.6 %)
  - annual growth in **industrial production** in October (8.4 %)
  - annual growth in **construction production** in October (3.5 %)
- External balance:
  - **trade balance** in October (CZK 8.6 billion)

# *Major uncertainties of the forecast*

*The risks of forecast are substantial on both sides; overall risks are roughly balanced.*

## ***Major risks and uncertainties:***

- higher November inflation
- second-round impacts of cost shocks (changes in indirect taxes, growth of regulated prices and food prices)
- stronger koruna exchange rate
- lower expected economic growth in euro-area