

Press Conference of the CNB Bank Board

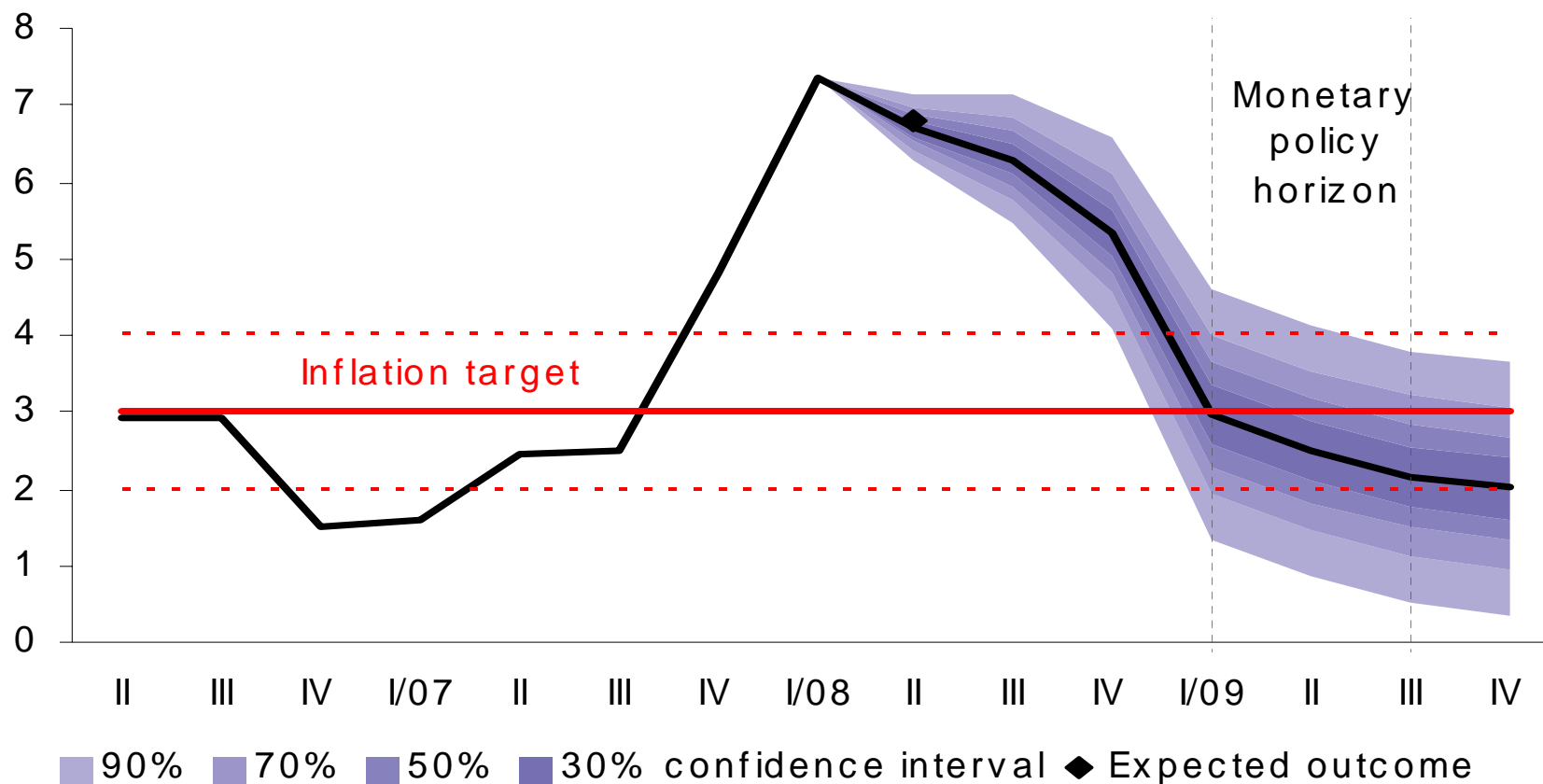
4th Situation Report on Economic and Monetary Developments

26 June 2008

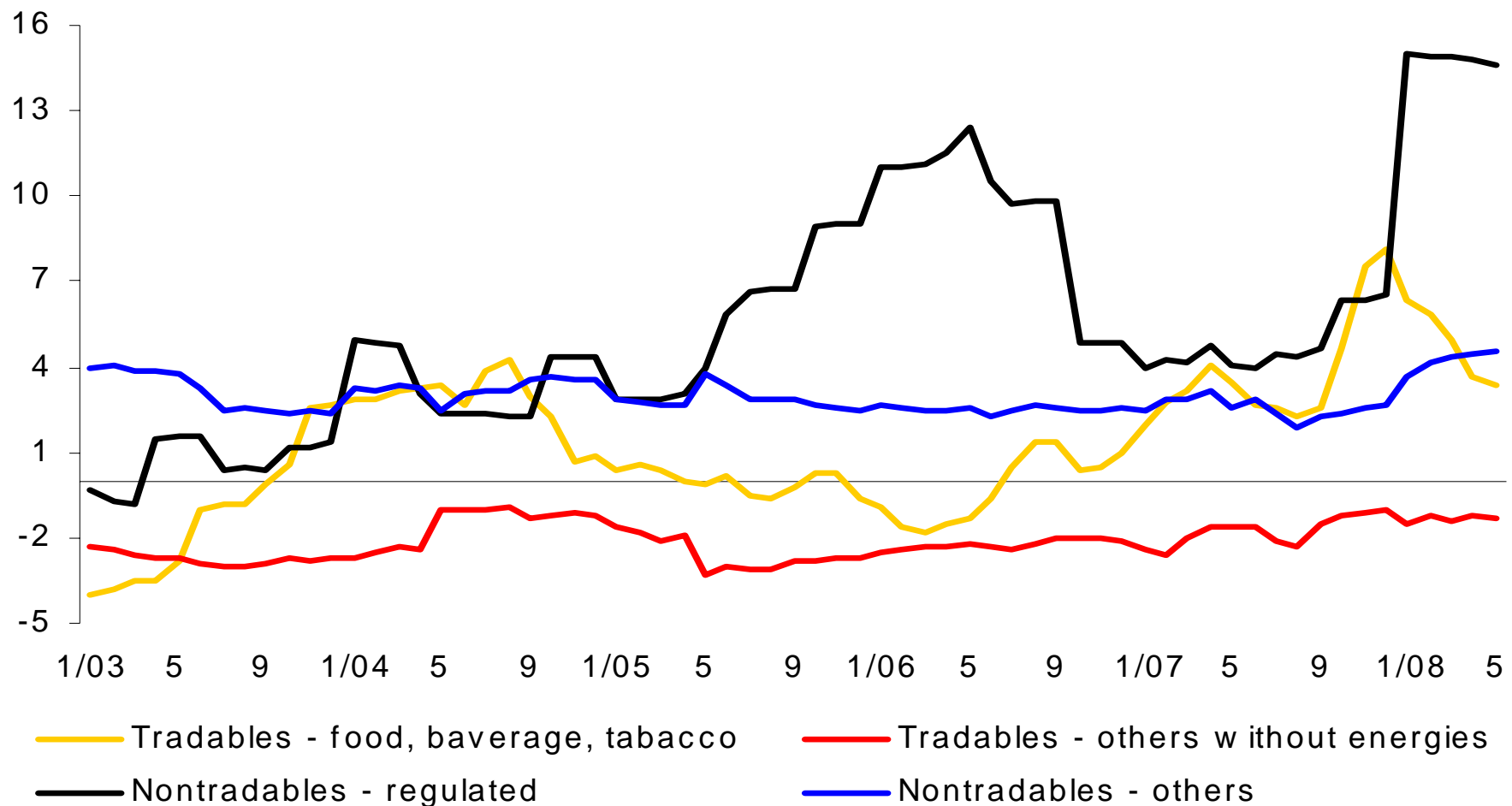
The monetary policy decision taken and the ratio of the votes cast

At the close of the meeting the Board decided by a majority vote to leave the two-week repo rate unchanged at 3.75%. Six members voted in favour of this decision, and one member voted for increasing rates by 0.25 percentage point.

The inflation forecast and expected outcome in 2008 Q2



A closer look at inflation



The external environment

Comparison between the current forecast assumptions and June outlook based on Consensus Forecasts survey and market expectations

		2008	2009
Effective indicator of consumer prices in the euro area (percentages)	forecast	2.6	2.0
	CF - June	3.0	2.1
Effective indicator of producer prices in the euro area (percentages)	forecast	3.5	2.2
	CF - June	4.5	2.3
Effective indicator of GDP in the euro area (percentages)	forecast	1.8	1.7
	CF - June	2.0	1.5
Price of Brent crude oil (USD/barrel)	forecast	104.8	105.4
	market - June	121.1	134.1
Price of petrol (USD/t)	forecast	895.2	934.8
	market - June	1018.5	1152.2
USD/EUR exchange rate (level)	forecast	1.53	1.44
	CF - June	1.53	1.45
1Y EURIBOR (percentages)	forecast	4.1	4.0
	market - June	5.0	5.3

Other new data since the Board's previous monetary meeting

- Price indicators:
 - annual **industrial producer price inflation** in May (5.2 %)
 - annual **agricultural producer price inflation** in May (28.2 %)
- GDP:
 - annual **GDP growth** in 2008 Q1 (5.2 %)
- Leading indicators of growth:
 - annual growth in **retail sales** in April (4.6 %)
 - annual growth in **industrial production** in April (12.2 %)
 - annual growth in **construction production** in April (2.0 %)
- Labour market:
 - annual growth in **average nominal wage** in 2008 Q1 (10,4 %)
- External balance:
 - **trade balance** in April (CZK 8.3 billion)
- Import prices:
 - annual **import price inflation** in April (-4.2 %)

Major uncertainties of the forecast

The risks of forecast continue to be on either side

Major risks and uncertainties:

- higher outlook for 1Y EURIBOR
- higher outlook for oil prices
- faster growth in wages in the business sphere
- stronger koruna exchange rate
- larger then expected slowdown of real economic activity