

# Press Conference of the CNB Bank Board

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## 5th Situation Report on Economic and Monetary Developments

7 August 2008

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

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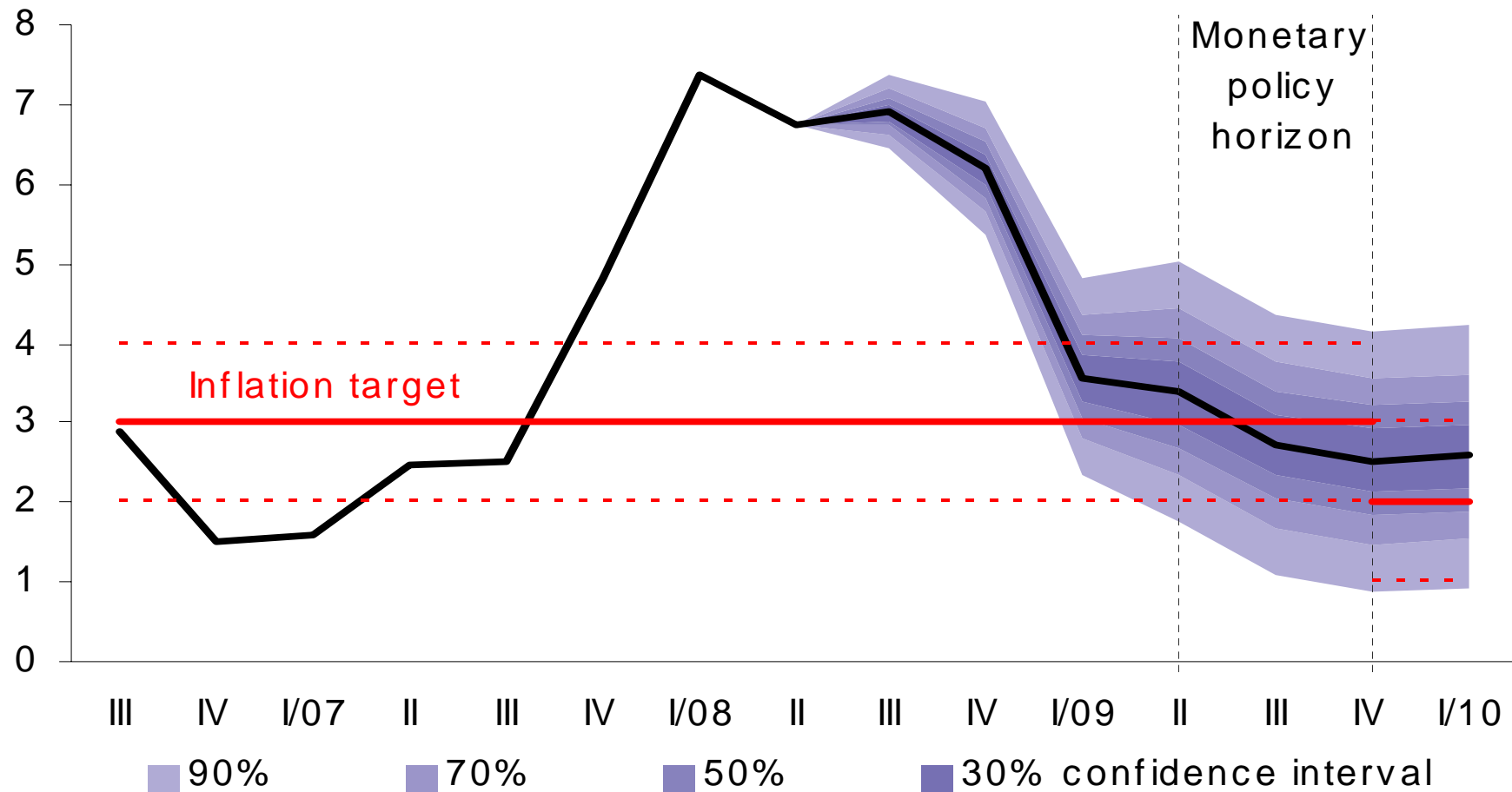
*At the close of the meeting the Board decided unanimously to decrease the CNB two-week repo rate by 0.25 percentage point to 3.50%, effective 8 August 2008. At the same time it decided to decrease the discount rate and Lombard rate by the same amount, to 2.50% and 4.50% respectively.*

## *The external environment*

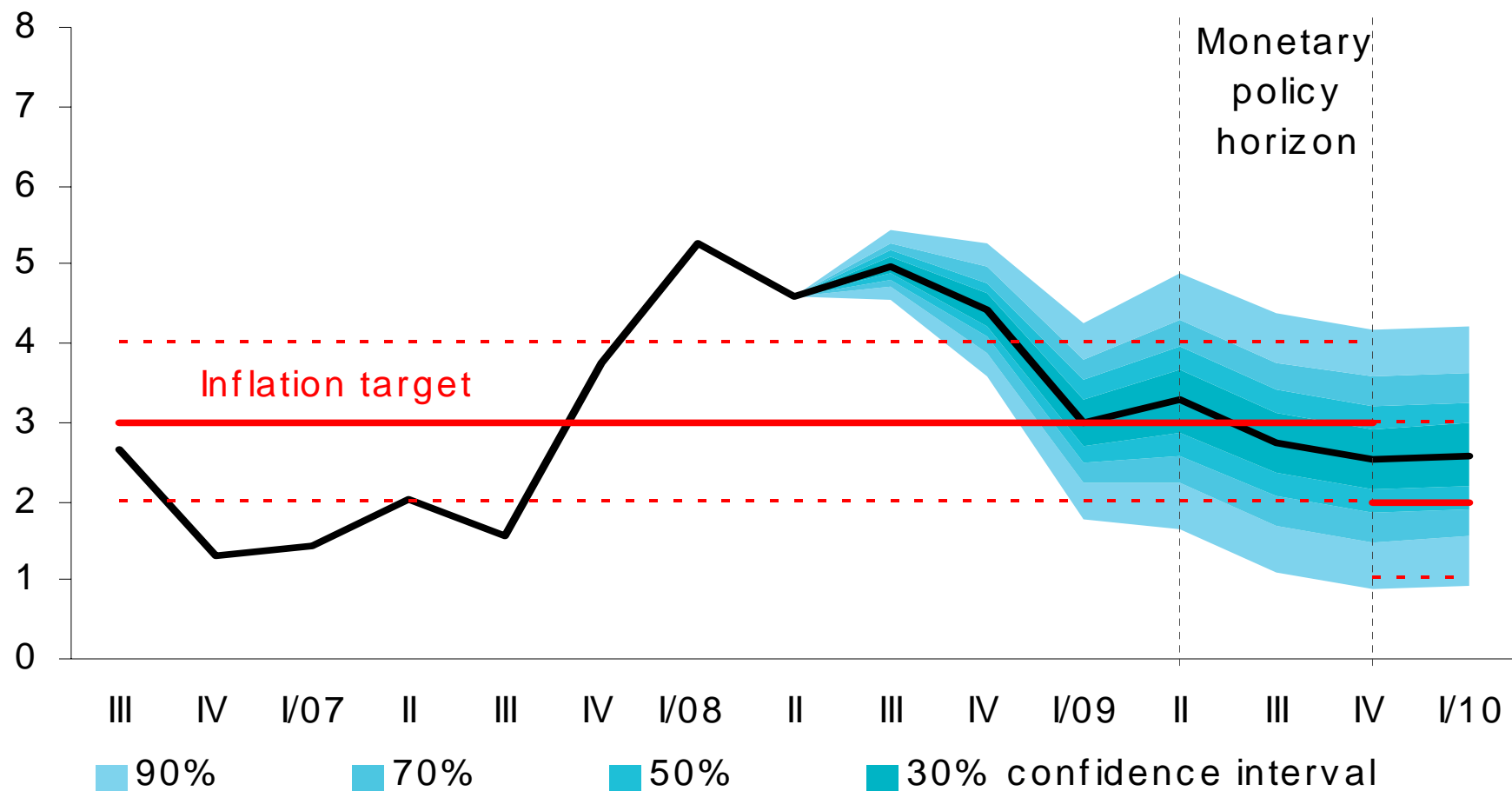
### **Comparison between the actual and previous forecast assumptions**

		2008	2009
Effective indicator of consumer prices in the euro area (percentages)	3.SR 2008	2.6	2.0
	5.SR 2008	3.1	2.3
Effective indicator of producer prices in the euro area (percentages)	3.SR 2008	3.5	2.2
	5.SR 2008	5.5	3.0
Effective indicator of GDP in the euro area (percentages)	3.SR 2008	1.8	1.7
	5.SR 2008	2.0	1.3
Price of Brent crude oil (USD/barrel)	3.SR 2008	104.8	105.4
	5.SR 2008	126.8	148.1
USD/EUR exchange rate (level)	3.SR 2008	1.53	1.44
	5.SR 2008	1.54	1.47
EONIA 3M swap (percentages)	3.SR 2008	---	---
	5.SR 2008	4.2	4.3

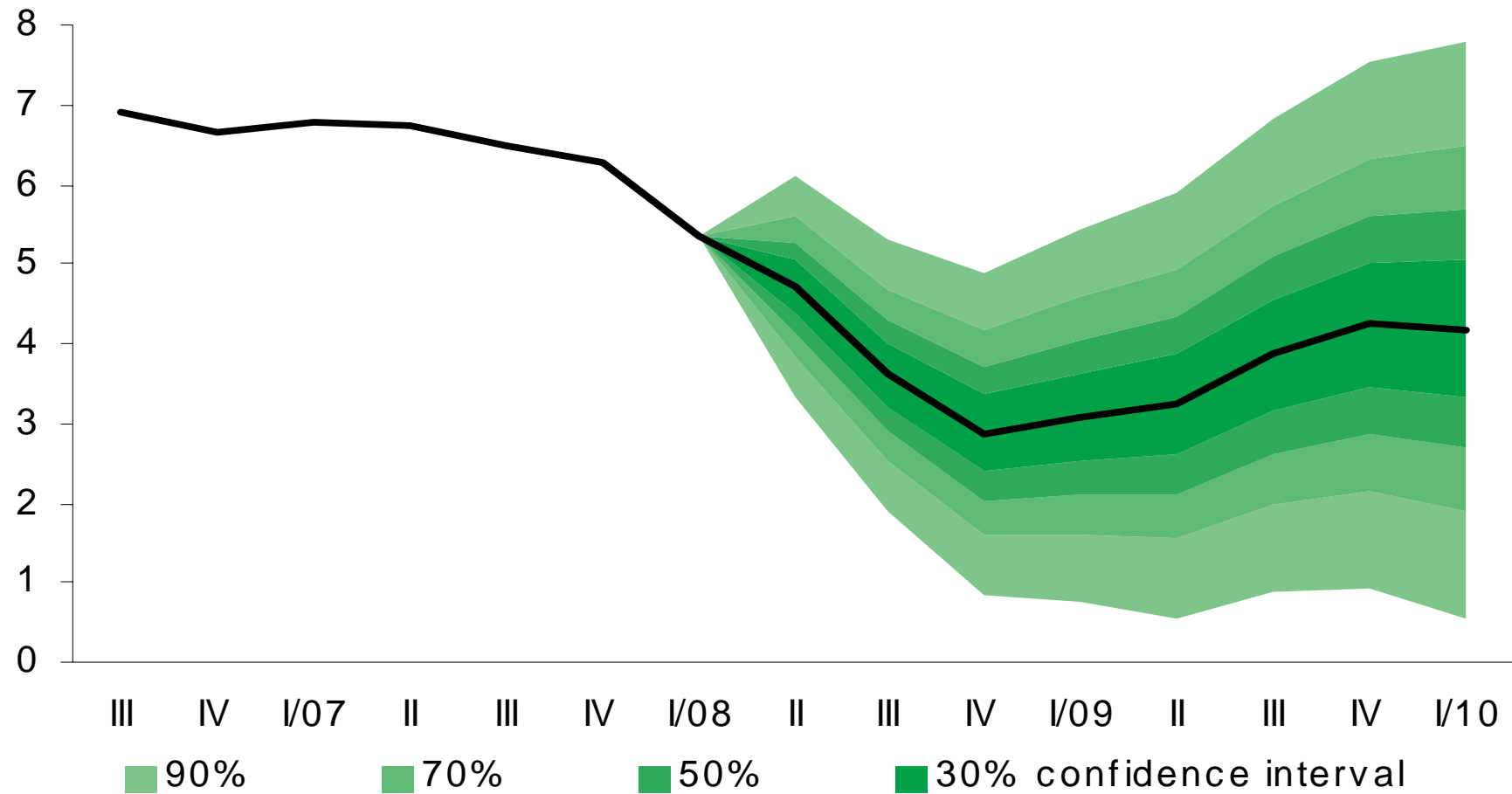
## *The forecast for headline inflation*



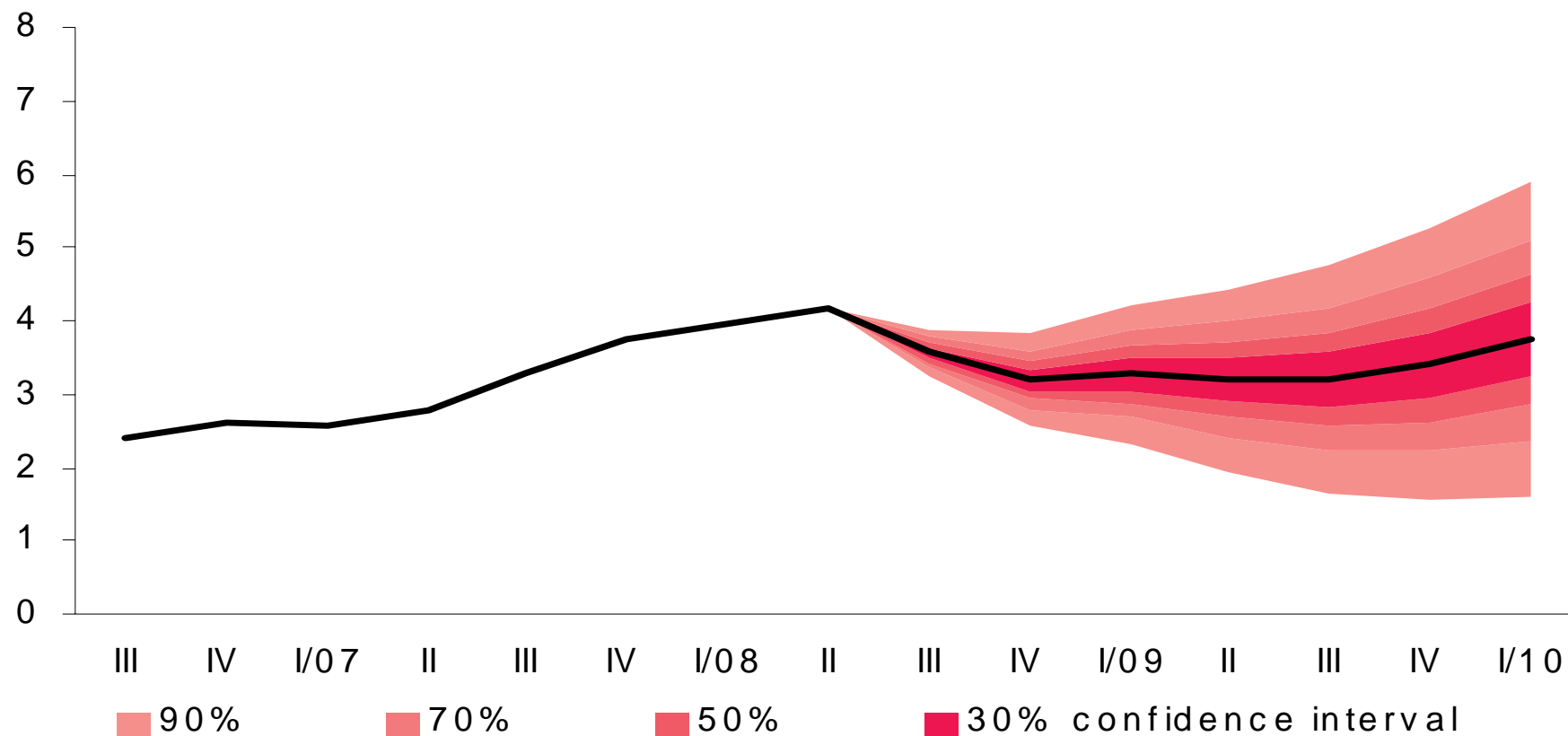
# *The forecast for monetary-policy relevant inflation*



## *The forecast for GDP*



## *The forecast for interest rates (3M PRIBOR)*



Consistent with the forecast is a declining interest rate path for the rest of 2008 and broad interest rate stability for most of 2009.

## *Forecast in numbers*

### **Forecast for headline inflation in:**

2009, Q2 (+4 quarters)	3.4 %
2009, Q4 (+6 quarters)	2.5 %

### **Forecast for monetary-policy relevant inflation in:**

2009, Q2 (+4 quarters)	3.3 %
2009, Q4 (+6 quarters)	2.5 %

### **Forecast for GDP growth in:**

2008	4.1 %
2009	3.6 %
2010	4.1 %

### **Forecast for nominal interest rates (3M PRIBOR) in:**

2009, Q2 (+4 quarters)	3.2 %
2009, Q4 (+6 quarters)	3.4 %



## *Comparison with the previous forecast*

- Basic scenario of the forecast is for the first time based on the new g3 core model.
- Compared to the previous forecast, the rate of economic growth is lower in both 2008 and 2009.
- Compared to the previous forecast, the forecast for both headline and monetary-policy relevant inflation is higher.
- Compared to the previous forecast, the interest rate path is falling less significantly.

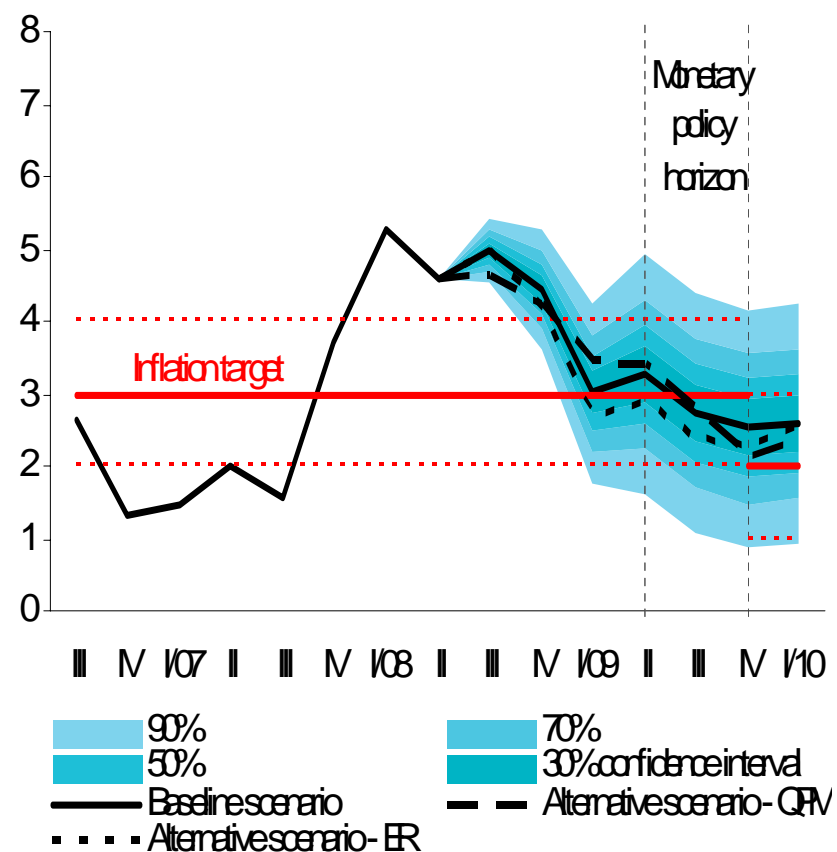
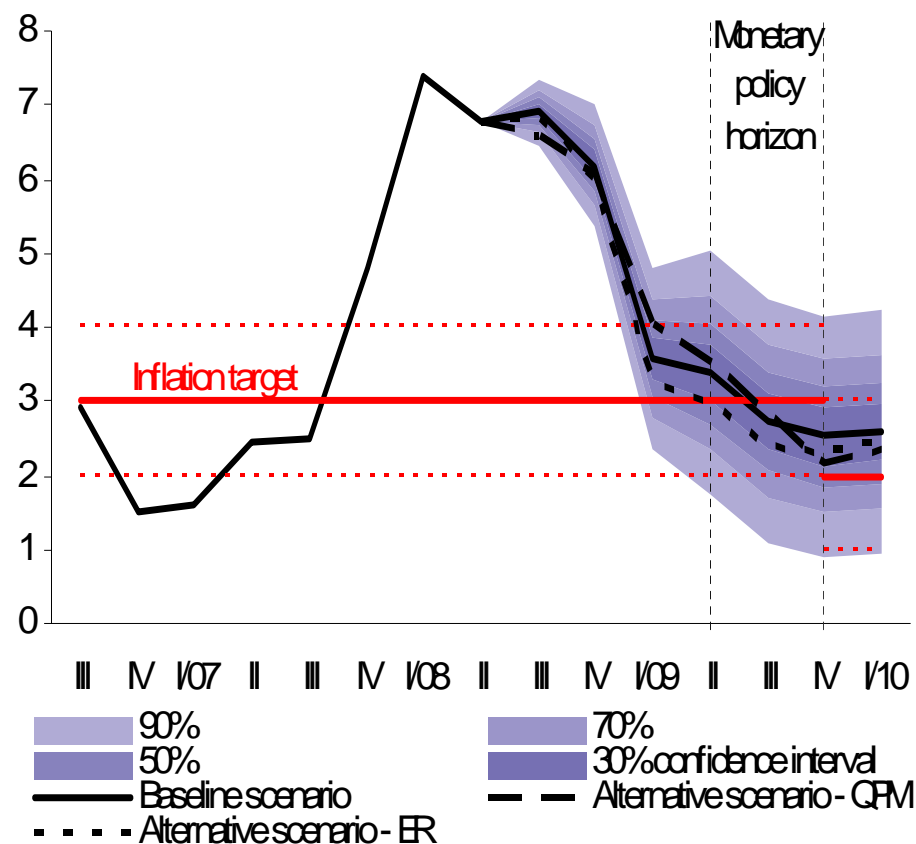
## *Major uncertainties of the forecast*

*Risks are roughly balanced.*

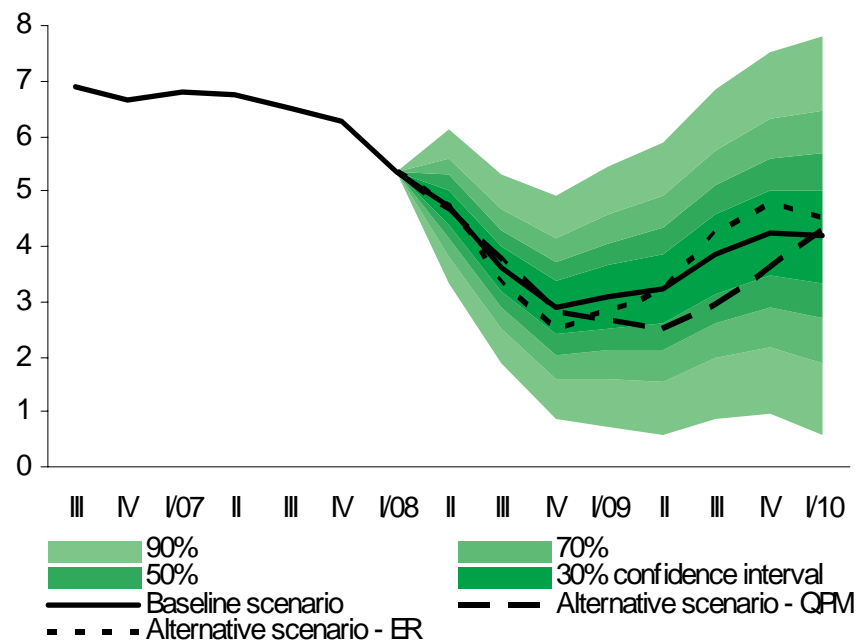
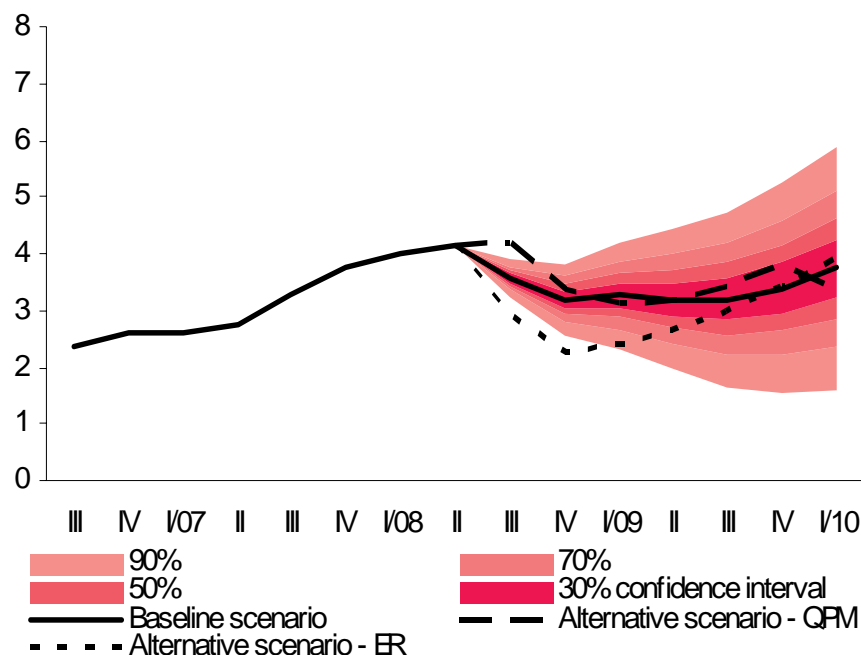
### **Major risks and uncertainties:**

- higher than expected wage growth
- exchange rate development
- evolution of food and commodity prices

# The alternative forecasts for headline and monetary policy-relevant inflation



# *The alternative forecasts for interest rates (3M PRIBOR) and GDP growth*



The interest rate path consistent with the alternative scenario - QPM is slightly higher than in the baseline scenario, that of exchange rate alternative scenario is lower.