

Press Conference of the CNB Bank Board

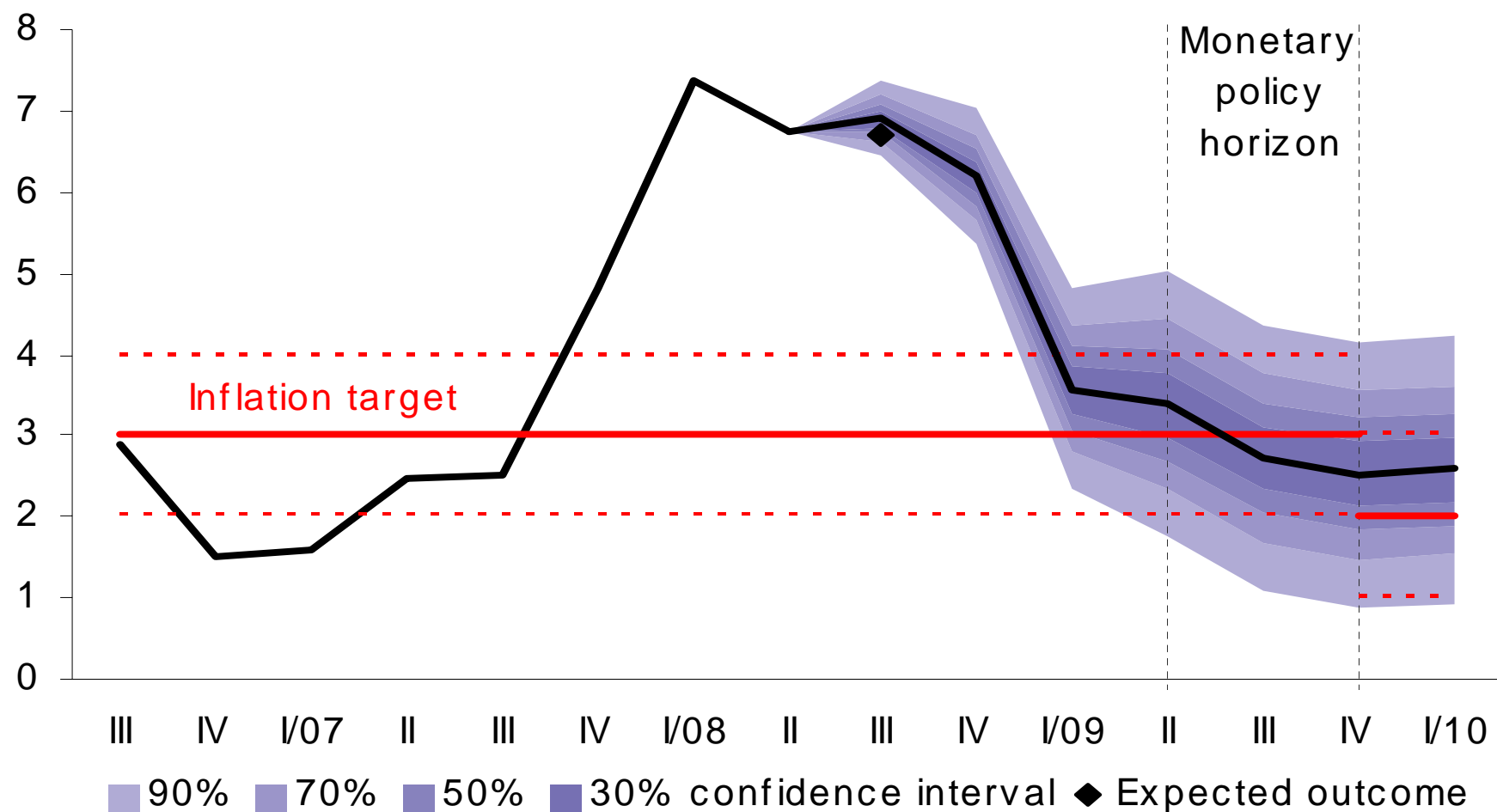
6th Situation Report on Economic and Monetary Developments

25 September 2008

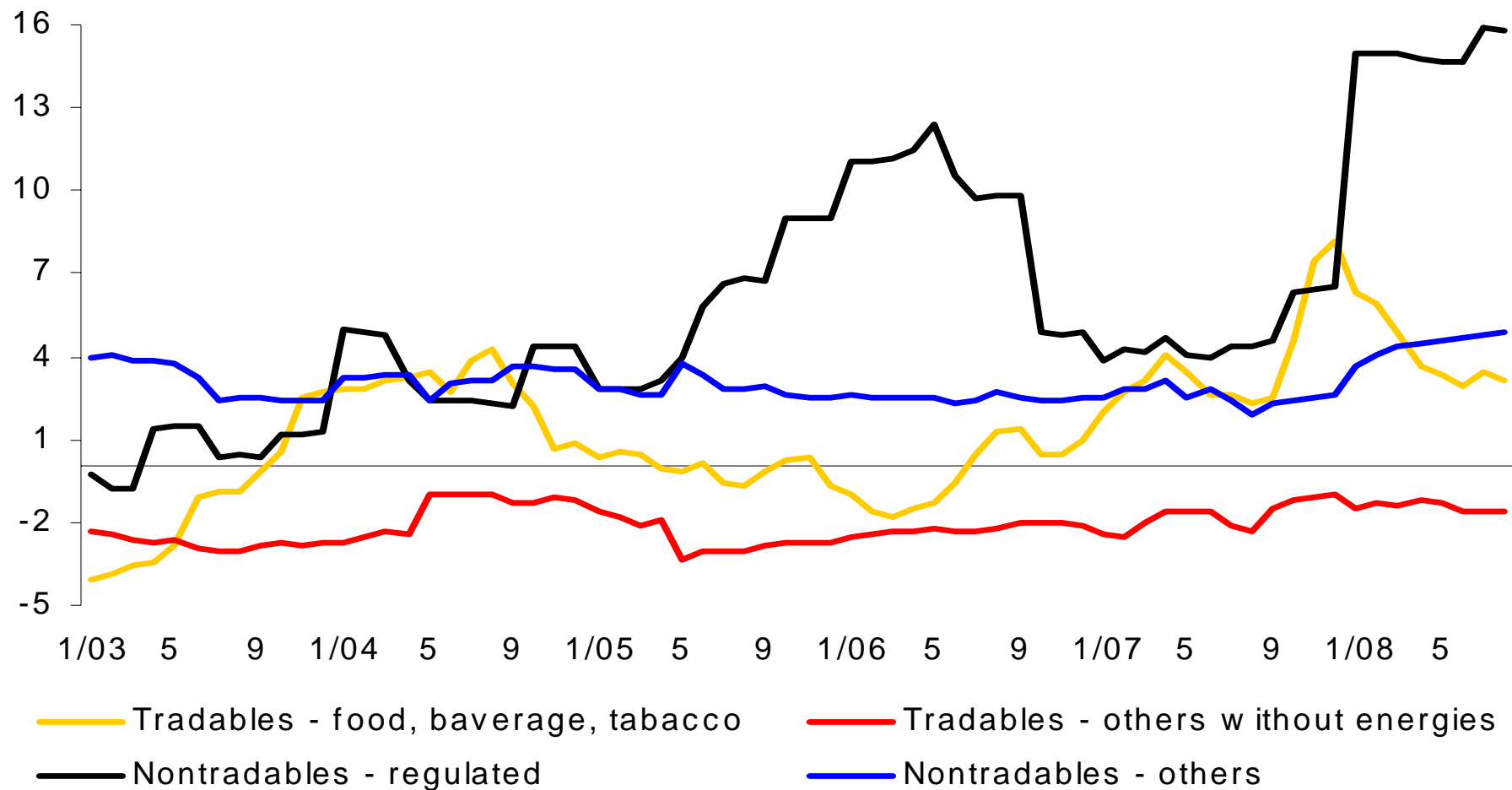
The monetary policy decision taken and the ratio of the votes cast

At the close of the meeting the Board decided by a majority vote to leave the two-week repo rate unchanged at 3.50%. Four members voted in favour of this decision, and two members voted for decreasing rates by 0.25 percentage point.

The inflation forecast and expected outcome in 2008 Q3



A closer look at inflation



The external environment

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

		2008	2009
Effective indicator of consumer prices in the euro area (percentages)	forecast	3.1	2.3
	CF - September	3.1	2.3
Effective indicator of producer prices in the euro area (percentages)	forecast	5.5	3.0
	CF - September	6.2	3.2
Effective indicator of GDP in the euro area (percentages)	forecast	2.0	1.3
	CF - September	1.7	1.0
Price of Brent crude oil (USD/barrel)	forecast	126.8	148.1
	market - September	111.4	110.1
USD/EUR exchange rate (level)	forecast	1.54	1.47
	CF - September	1.51	1.42
EONIA 3M swap (percentages)	forecast	4.2	4.3
	market - September	4.2	4.0

Other new data since the Board's previous monetary meeting

- Price indicators:
 - annual **industrial producer price inflation** in August (5.7 %)
 - annual **agricultural producer price inflation** in August (6.3 %)
- GDP:
 - annual **GDP growth** in 2008 Q2 (4.6 %)
- Leading indicators of growth:
 - annual growth in **retail sales** in July (3.6 %)
 - annual growth in **industrial production** in July (6,7 %)
 - annual growth in **construction production** in July (6,9 %)
- Labour market:
 - annual growth in **average nominal wage** in 2008 Q2 (8.0 %)
- External balance:
 - **trade balance** in July (CZK 7.2 billion)
- Import prices:
 - annual **import price inflation** in July (-6.8 %)

Major uncertainties of the forecast

Risk to the forecast are modestly on the downside

Major risks and uncertainties:

- uncertainty concerning the secondary effects of higher inflation, in particular wage bargaining
- weaker economic growth abroad
- exchange rate development
- lower outlook for food and fuel prices
- lower outlook for regulated prices