Press Conference of the CNB Bank Board

7th Situation Report on Economic and Monetary Developments

6 November 2008

CZECH CNB NATIONAL BANK

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

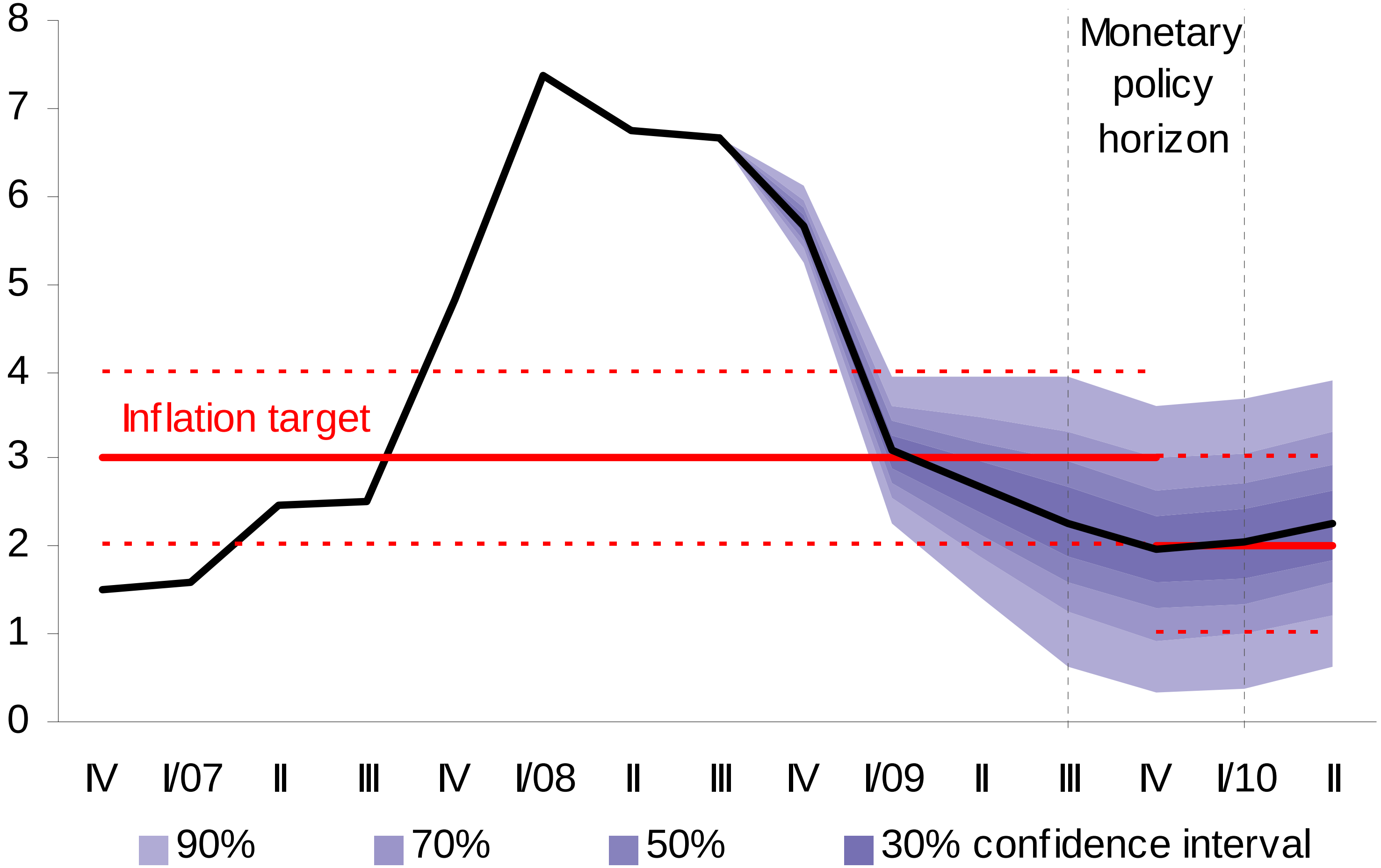
At the close of the meeting the Board decided by a majority vote to decrease the CNB two-week repo rate by 0.75 percentage point to 2.75%, effective 7 November 2008. Four members voted in favour of this decision, one member voted for decreasing rate by 0.50 percentage point. At the same time it decided to decrease the discount rate and Lombard rate by the same amount, to 1.75% and 3.75% respectively.

The external environment

Comparison between the actual and previous forecast assumptions

		2008	2009	2010
Effective indicator of consumer prices in the euro area (percentages)	5.SR2008	3.1	2.3	2.0
	7.SR2008	3.1	2.2	2.0
Effective indicator of producer prices in the euro area (percentages)	5.SR2008	5.5	3.0	3.0
	7.SR2008	6.2	3.1	3.1
Effective indicator of GDP in the euro area (percentages)	5.SR2008	2.0	1.3	1.8
	7.SR2008	1.5	0.5	1.4
Price of Brent crude oil (USD/barrel)	5.SR2008	126.8	148.1	146.8
	7.SR2008	104.7	85.7	90.8
USD/EUR exchange rate (level)	5.SR2008	1.54	1.47	1.40
	7.SR2008	1.48	1.35	1.31
EONIA 3M swap (percentages)	5.SR2008	4,2	4,3	4,0
	7.SR2008	4.1	2.9	3.3

The forecast for headline inflation



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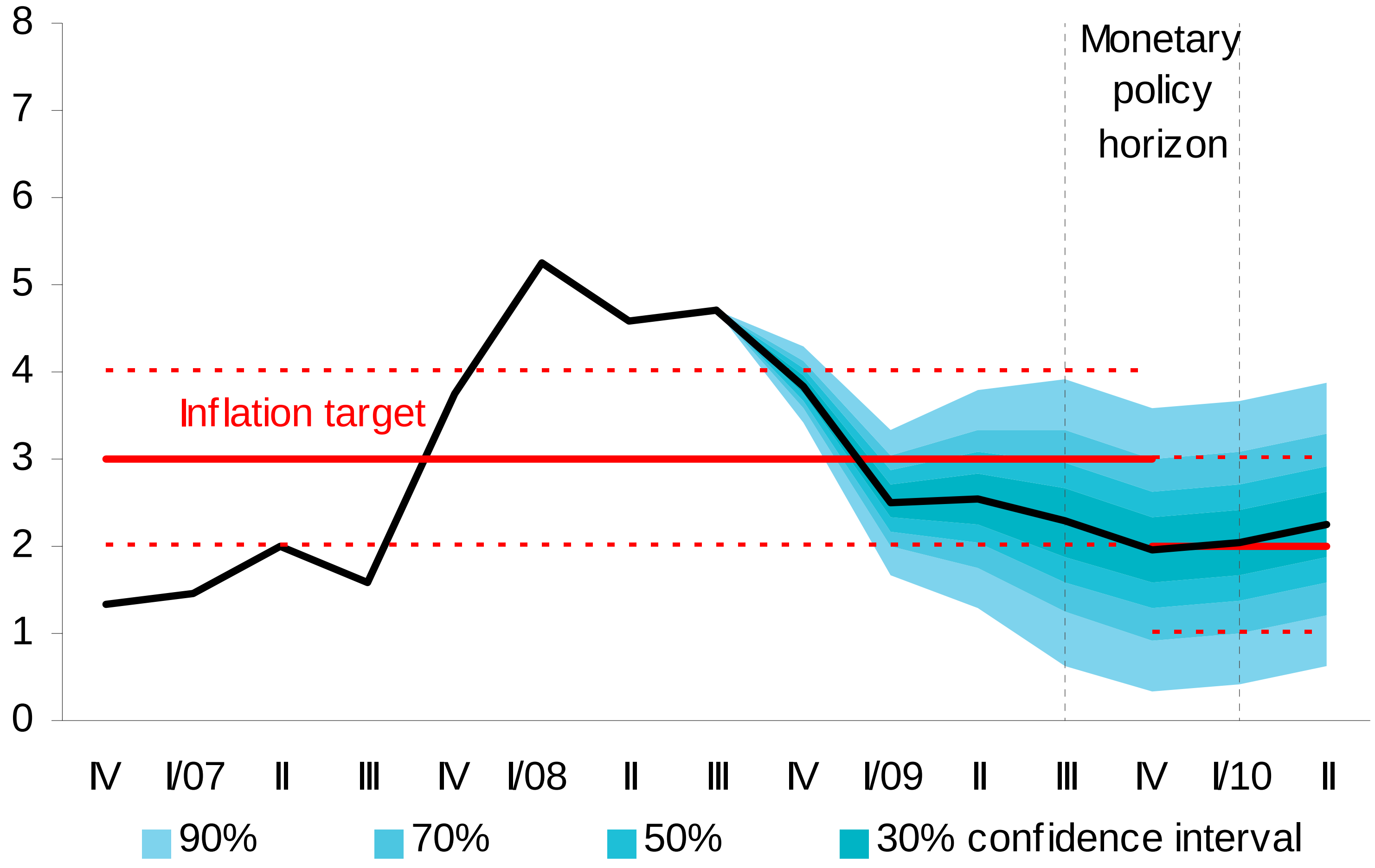
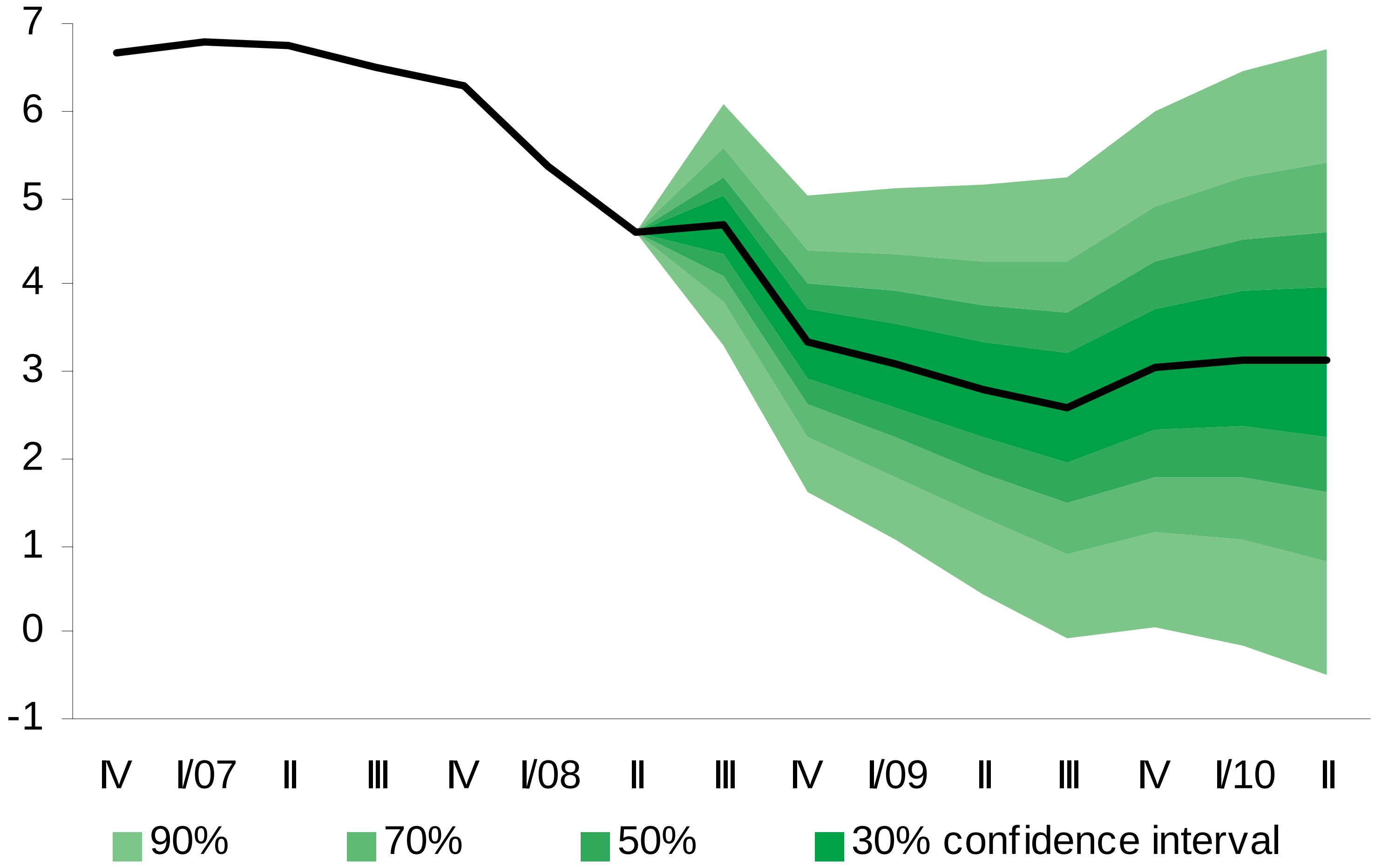
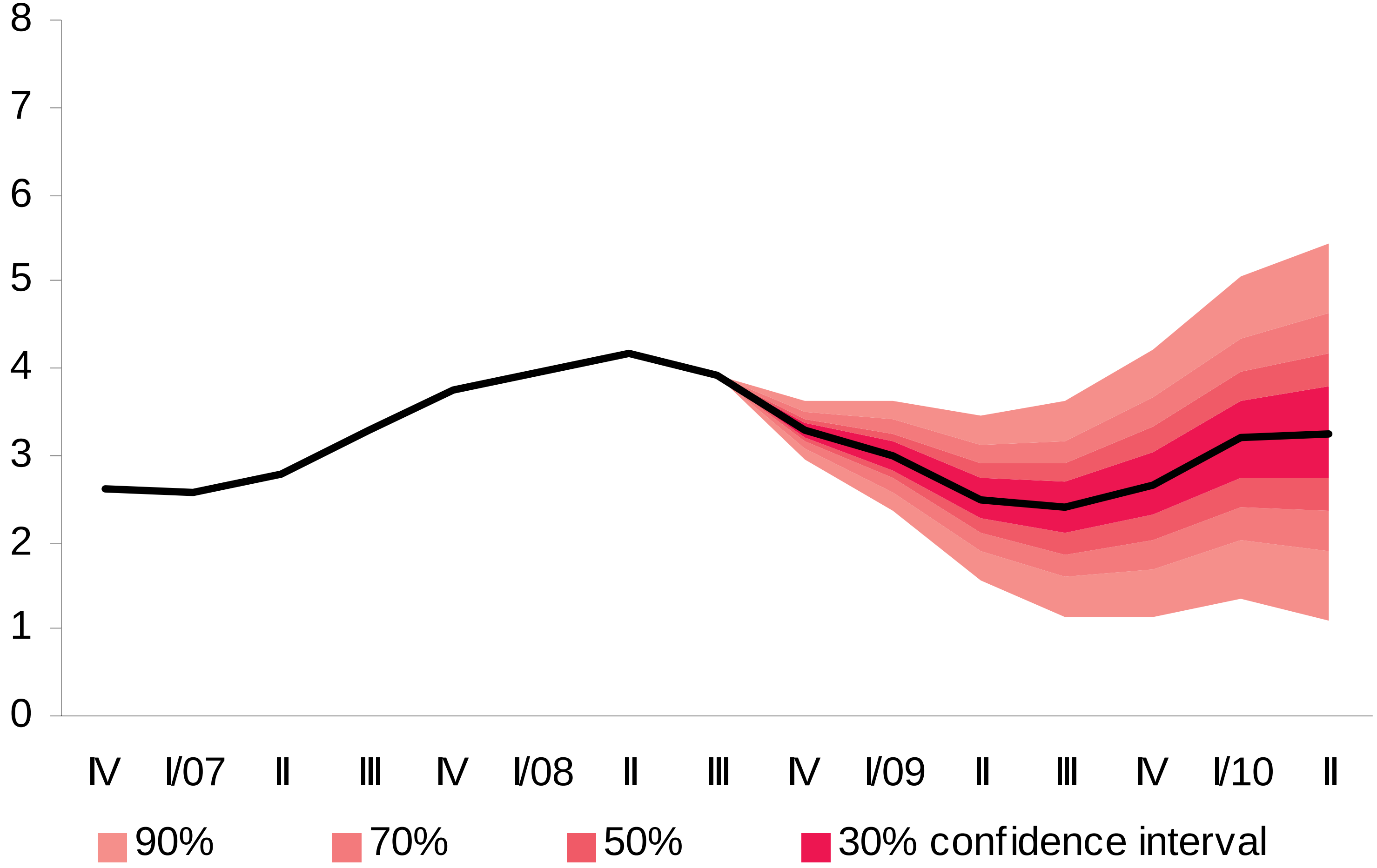
The forecast for monetary-policy relevant inflation



The forecast for GDP



The forecast for interest rates (3M PRIBOR)



Consistent with the macroeconomic forecast and its assumptions is a decline in interest rates followed by a modest rise in late 2009/early 2010.

Forecast in numbers

Forecast for headline inflation in:

2009, Q3 (+4 quarters)	2.3 %
2010, Q1 (+6 quarters)	2.0 %

Forecast for monetary-policy relevant inflation in:

2009, Q3 (+4 quarters)	2.3 %
2010, Q1 (+6 quarters)	2.0 %

Forecast for GDP growth in:

2008	4.5 %
2009	2.9 %
2010	3.1 %

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

2009, Q3 (+4 quarters)	2.4 %
2010, Q1 (+6 quarters)	3.2 %

Comparison with the previous forecast

- Compared to the previous forecast, the rate of economic growth is markedly lower due to lower exports, investment and household consumption.
- Compared to the previous forecast, the forecast for both headline and monetary-policy relevant inflation is lower. At the monetary policy horizon monetary-policy relevant inflation is the same as headline inflation.
- Compared to the previous forecast, the interest rate path lies lower.

Major uncertainties of the forecast

Risks are on downside.

Major risks and uncertainties:

- more pronounced slowdown of economic growth abroad
- further fall in world prices of commodities and energies
- lower than expected food prices
- exchange rate development

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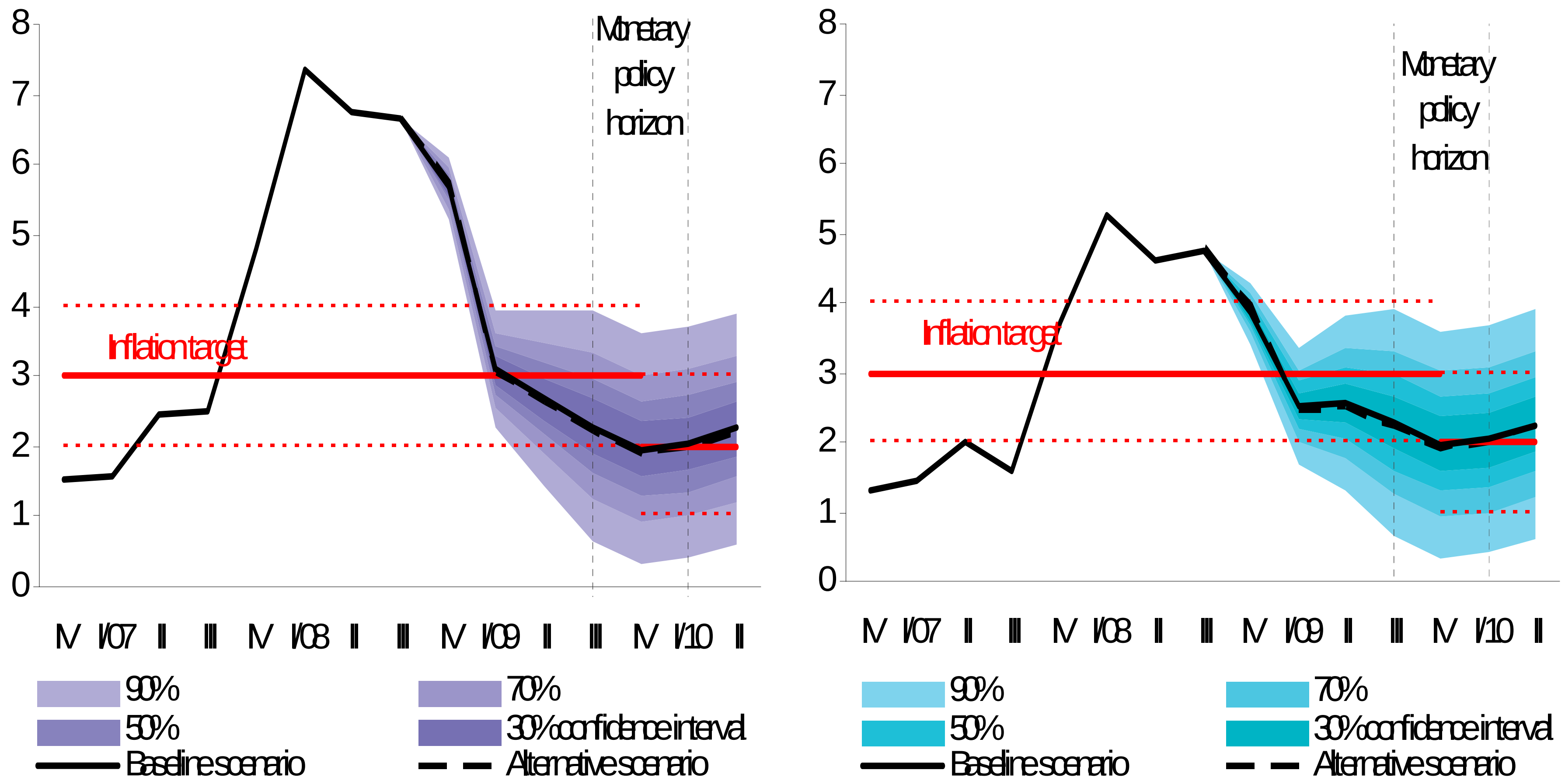
The alternative forecasts for headline and monetary policy-relevant inflation



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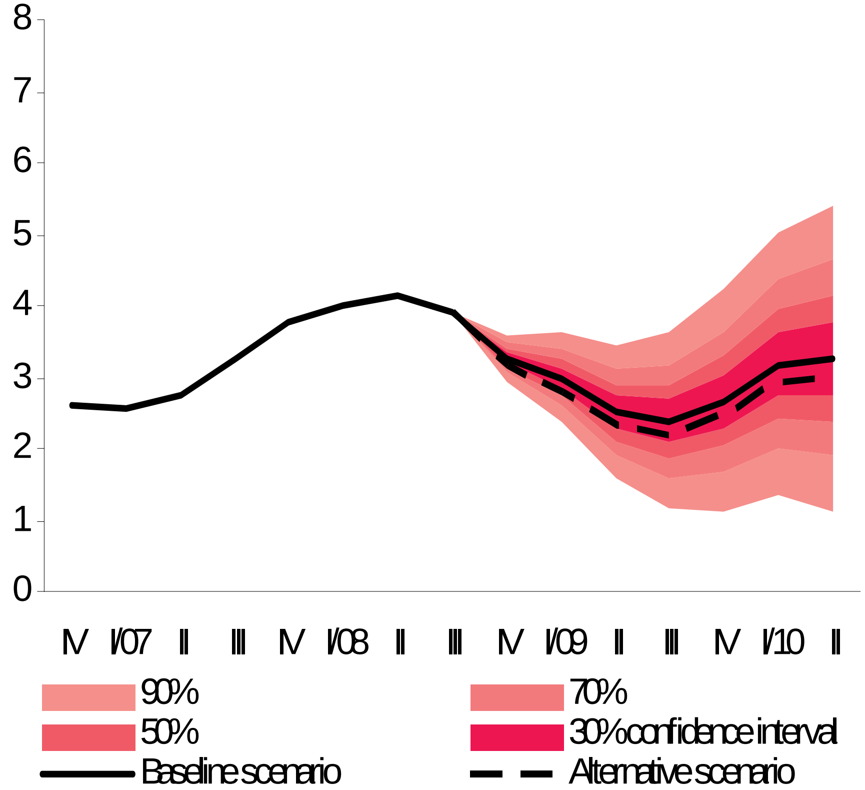
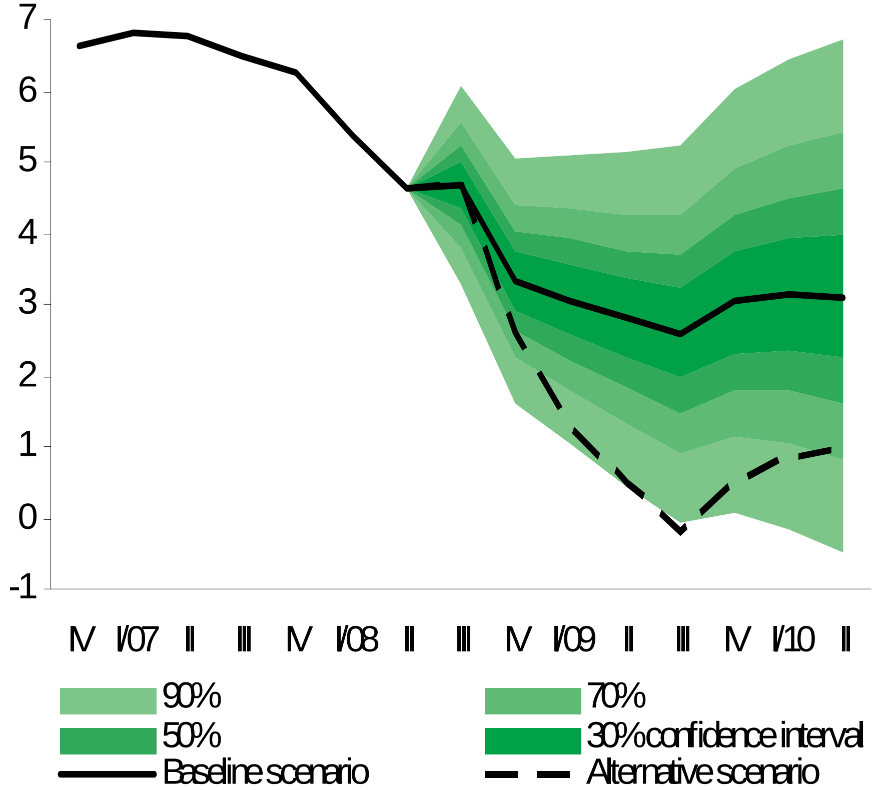
The alternative forecasts for interest rates (3M PRIBOR) and GDP growth





Consistent with the alternative scenario are only slightly lower interest rates than in the baseline scenario.

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Change in the communication of the CNB forecast

- Starting from the first forecast in 2009 the CNB will publish its forecast for nominal exchange rate CZK/EUR in numerical form, as a fan chart.
- The decision follows from the CNB positive experience of publishing the forecast-consistent interest rate path.
- The disclosure of the CZK/EUR exchange rate forecast in numerical form will mean that full transparency of the CNB forecast will be achieved. The CNB will become the only central bank in the world to publish a forecast for an exchange rate vis-à-vis a specific currency (EUR).
- Similarly to the forecast of other variables, the exchange rate outlook is conditional on forecast assumptions and information available at the time when the forecast is drawn up.