

# Press Conference of the CNB Bank Board

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## 2nd Situation Report on Economic and Monetary Developments

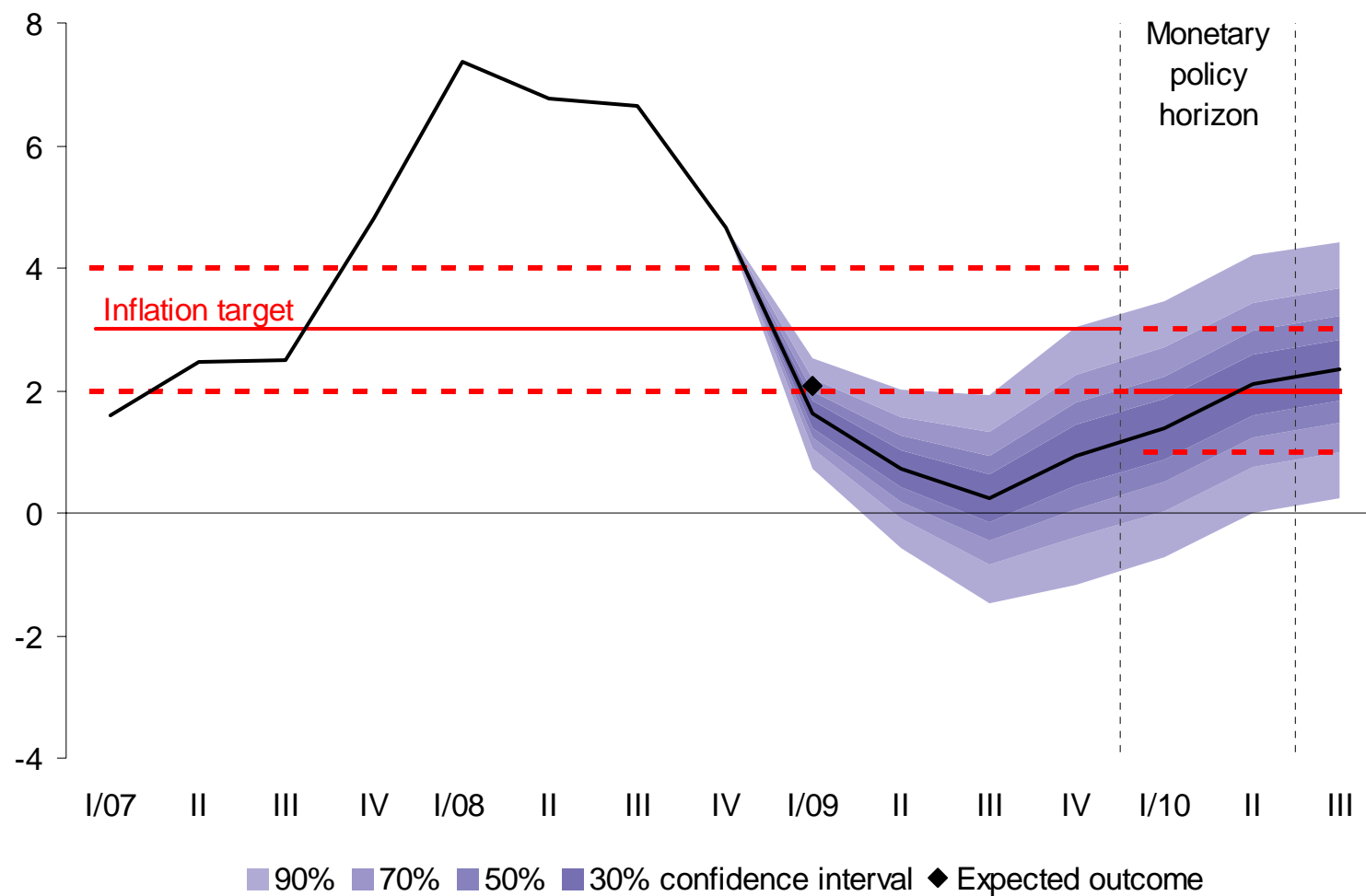
26 March 2009

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

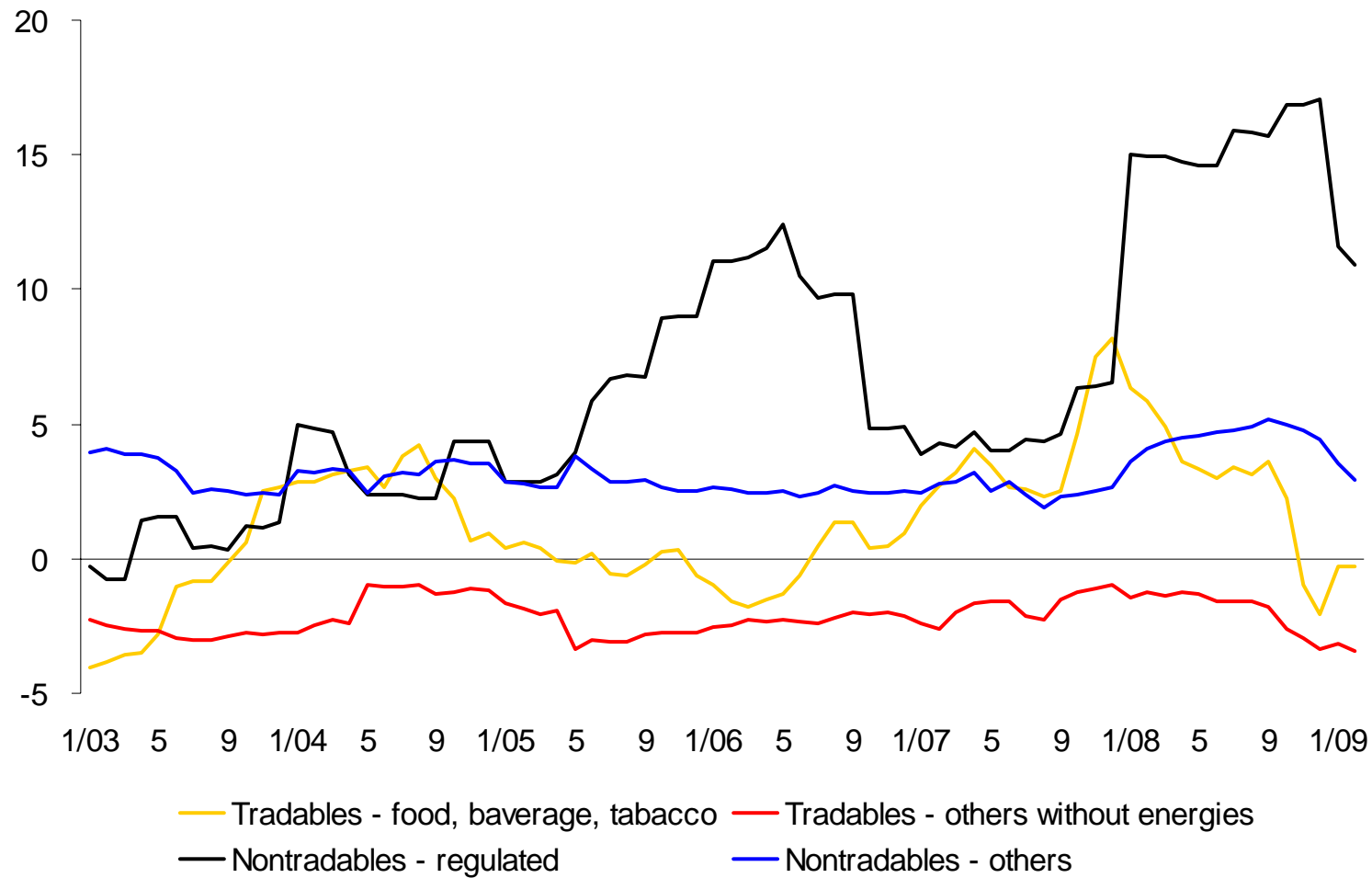
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*At the close of the meeting the Board decided unanimously to leave the two-week repo rate unchanged at 1.75%.*

# *The inflation forecast and expected outcome in 2009 Q1*



## *A closer look at inflation*



## *The external environment*

### **Comparison between the current forecast assumptions and March outlook based on Consensus Forecasts survey and market expectations**

		2009	2010
Effective indicator of consumer prices in the euro area (percentages)	CF- March forecast	0.6 1.0	1.3 1.6
Effective indicator of producer prices in the euro area (percentages)	CF- March forecast	-0.3 0.9	1.9 1.9
Effective indicator of GDP in the euro area (percentages)	CF- March forecast	-2.7 -1.5	0.6 0.8
Price of Brent crude oil (USD/barrel)	market - March forecast	46.8 51.4	53.2 61.8
USD/EUR exchange rate (level)	CF- March forecast	1.28 1.33	1.30 1.33
3M EURIBOR (percentages)	market - March forecast	1.3 1,8	1.7 2,5

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

- Price indicators:
  - annual **industrial producer price inflation** in February (-0.6 %)
  - annual **agricultural producer price inflation** in February (-28.1 %)
- GDP:
  - annual **GDP growth** in 2008 Q4 (0.7 %) and in 2008 (3.1 %)
- Leading indicators of growth:
  - annual change in **retail sales** in January (-3,3 %)
  - annual change in **industrial production** in January (-23.3 %)
  - annual change in **construction production** in January (-11.1 %)
- Labour market:
  - annual growth in **average nominal wage** in 2008 Q4 (8.3 %) and in 2008 (8.5 %)
  - registered **rate of unemployment** in February (7.4 %)
- External balance:
  - **trade balance** in January (CZK 3.5 billion)
- Import prices:
  - annual **import price inflation** in January (0.0 %)

## *Major uncertainties of the forecast*

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

- lower outlook for economic activity, inflation and interest rates in the eurozone
- more pronounced downturn in domestic economy and increase in unemployment
- exchange rate development
- higher observed inflation