

Press Conference of the CNB Bank Board

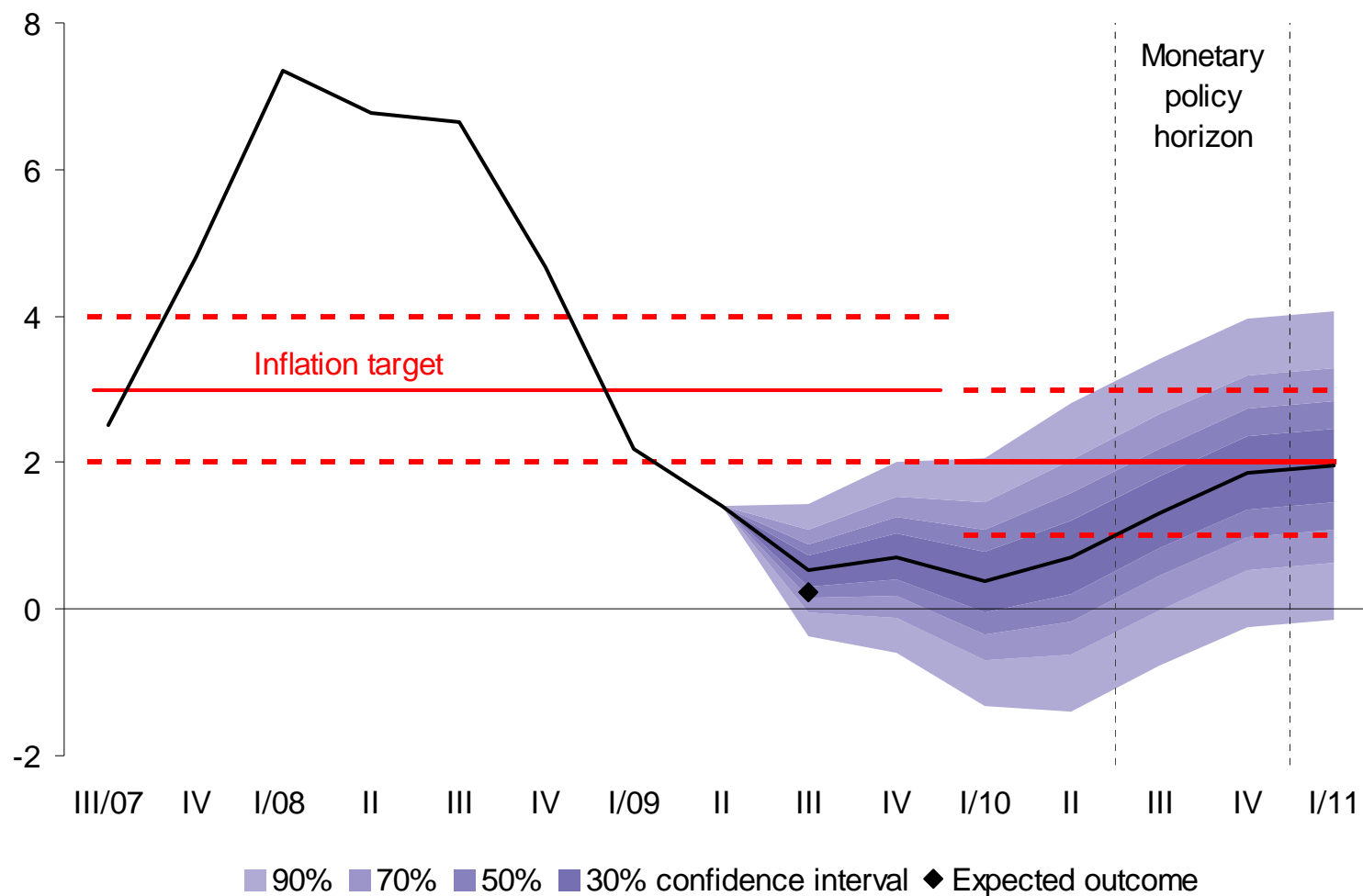
6th Situation Report on Economic and Monetary Developments

24th September 2009

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

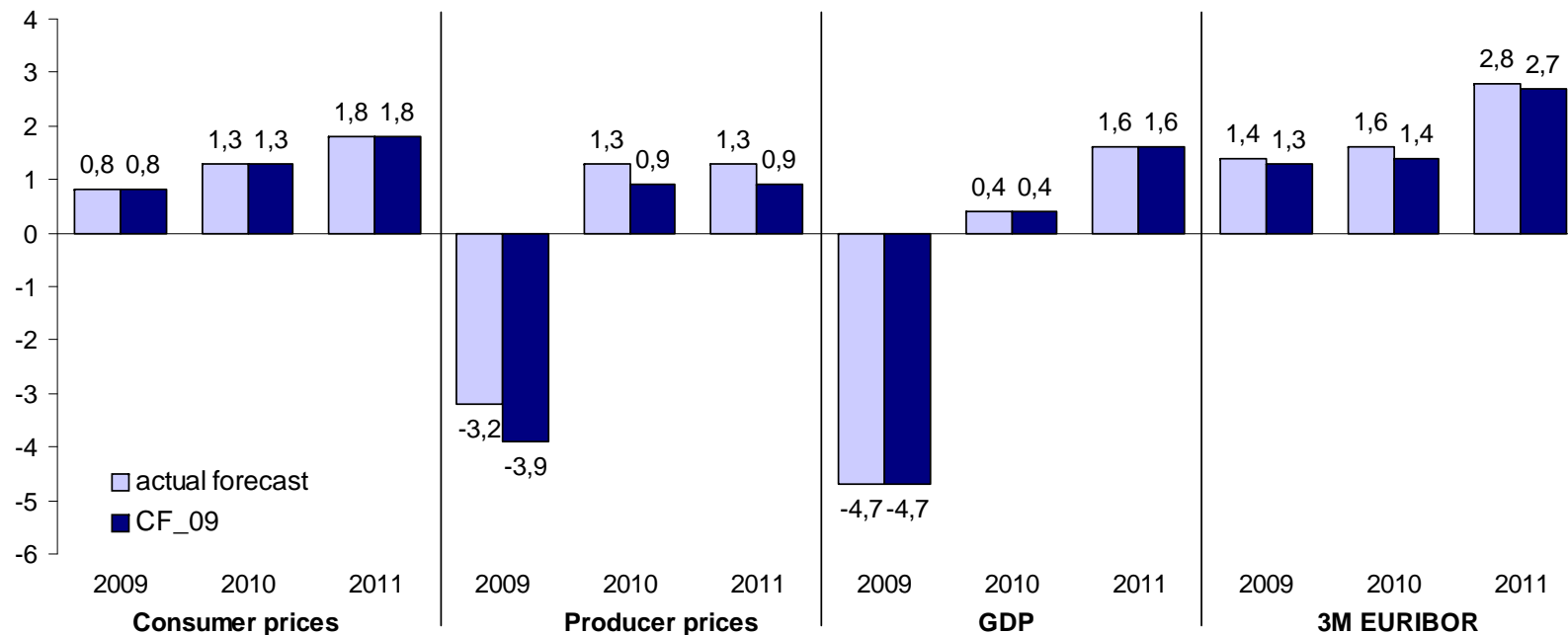
At the close of the meeting the Board decided by a majority vote to leave the two-week repo rate unchanged at 1.25 %. Five members voted in favour of this decision, and two members voted for decreasing rates by 0.25 percentage point.

The inflation forecast and expected outcome in 2009 Q3



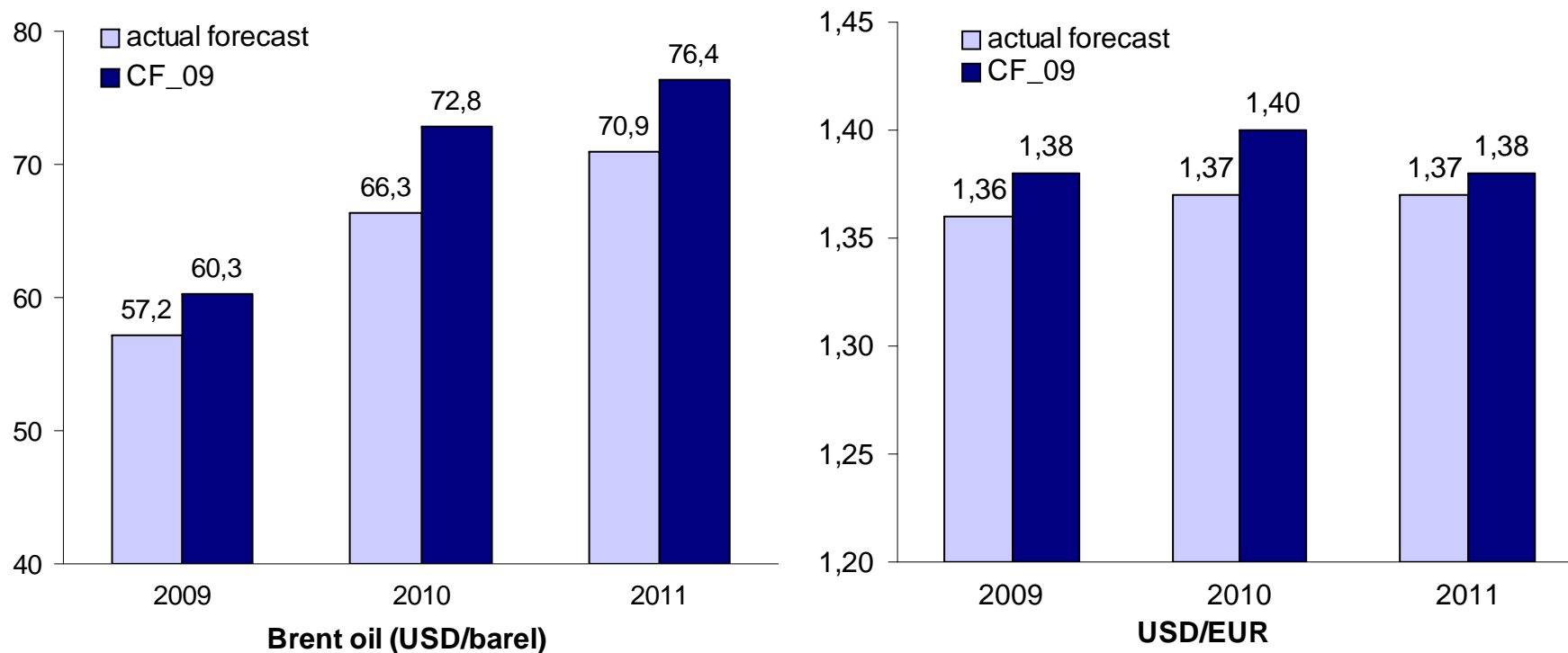
The external environment (i)

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



The external environment (ii)

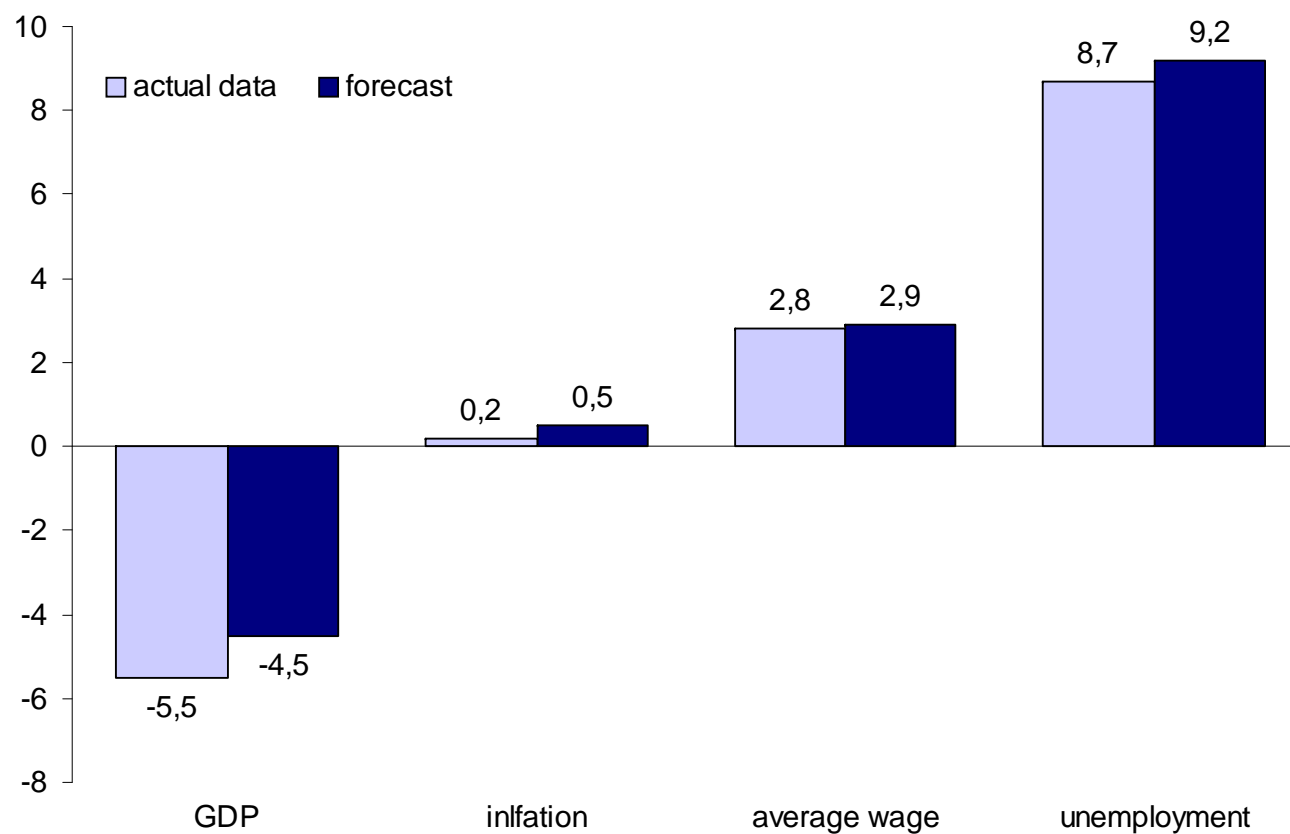
Comparison between the current forecast assumptions and September outlook based on Consensus Forecasts survey and market expectations



Other new data since the Board's previous monetary meeting

- GDP annual decline deepened in 2009, Q2 (-5.5 % y-o-y) but with a modest q-o-q growth (0.1 %);
- New information on July annual developments of industrial production (-18.2 %), construction (-4.4 %) and retail trade (-4,9 %) indicate a persisting y-o-y decline in economic activity in Q3;
- Trade balance in July (CZK +12.3 bil.) improved annually, partly due to accelerating drop in import prices (-4.4 % y-o-y). Both exports (-17.9 %) and imports (-21.3 %) are markedly declining;
- Developments on the labour market corresponds to falling economic activity. Annual growth in nominal wages increased only modestly in Q2 (2.8 %) after its sharp slowdown in Q1, 2009 (2.4 %), annual employment further declined (-1.2 %) and registered unemployment in August continued to grow (8.7 %), however it has been growing more slowly for the last 4 month after being seasonally adjusted;
- Annual drop in industrial producer prices (-5.1 %) and agricultural producer prices (-23.5 %) confirm persisting anti-inflationary effects of commodities' prices.

Comparison of actual data with the CNB forecast



Major uncertainties of the forecast

Risks are moderately on the downside.

Major risks on the down side:

- more rapid exchange rate appreciation than expected
- development of the overall inflation and its outlook for the near future

Major risks on the up side:

- more pro-inflationary structure of the economic growth
- development of oil prices and their outlook