



Press conference of the CNB Bank Board

1st Situation Report on Economic and Monetary Developments

February 4, 2010

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

- Six out of seven Bank Board members attended the meeting (one absent due to illness).
- At the close of the meeting the Bank Board decided unanimously to leave the two-week repo rate unchanged at 1%.



Reasons for the decision

- Headline and monetary-policy relevant inflation will be close to the 2% target at the monetary policy horizon.
- Consistent with the forecast is stability of short-term interest rates close to their current levels in the first half of this year and a gradual rise in rates thereafter.
- Risks to the forecast are overall balanced.

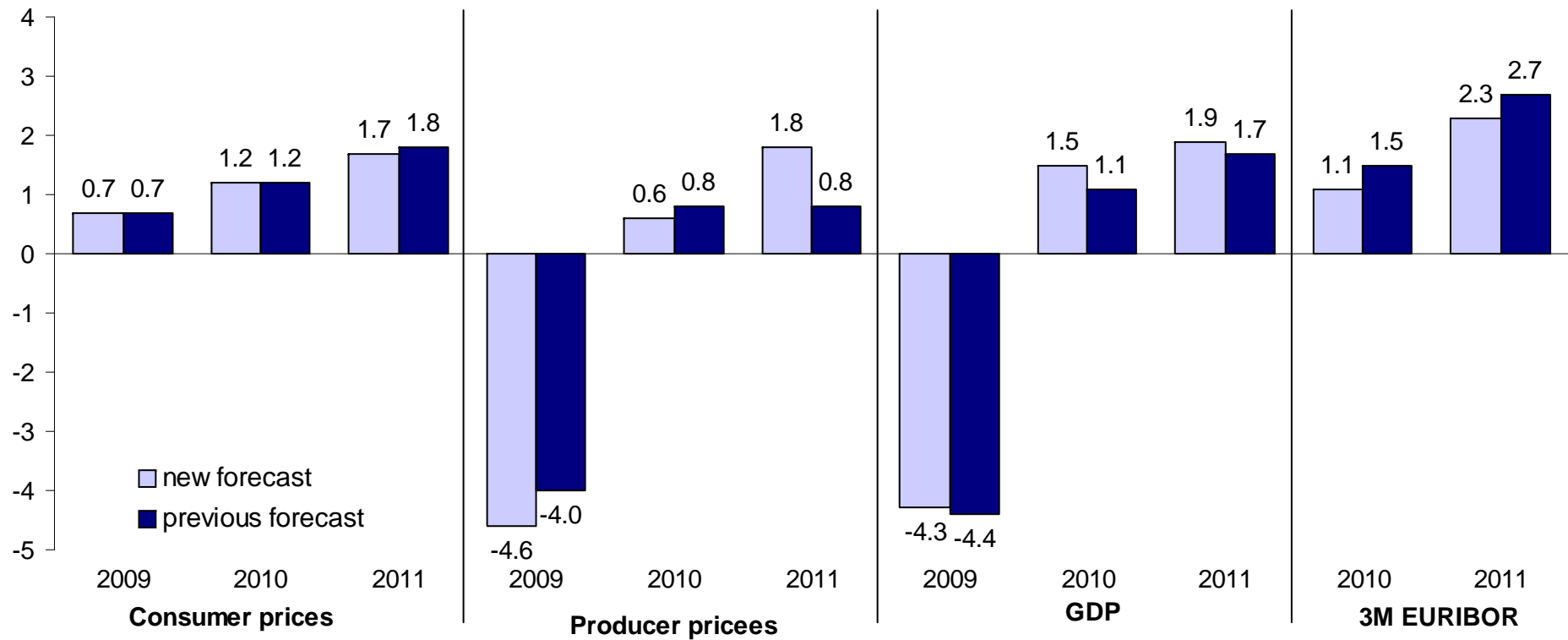


The tone of the forecast

- Headline inflation will rise during 2010, getting just above the CNB's target of 2% in the H2 as a result of tax changes. Monetary-policy relevant inflation will approach the target from below over the monetary policy horizon.
- Y-o-y GDP growth will switch to positive values in 2010, Q1, reaching roughly 2%. In the course of the year, however, it will slow again. More sustained upswing of domestic economy will appear only next year in conjunction with a more pronounced recovery in external demand.
- Nominal FX rate is gradually appreciating over the forecast horizon.
- Consistent with the forecast is stability of short-term interest rates close to their current levels in the 2010, H1 and a gradual rise in rates thereafter.

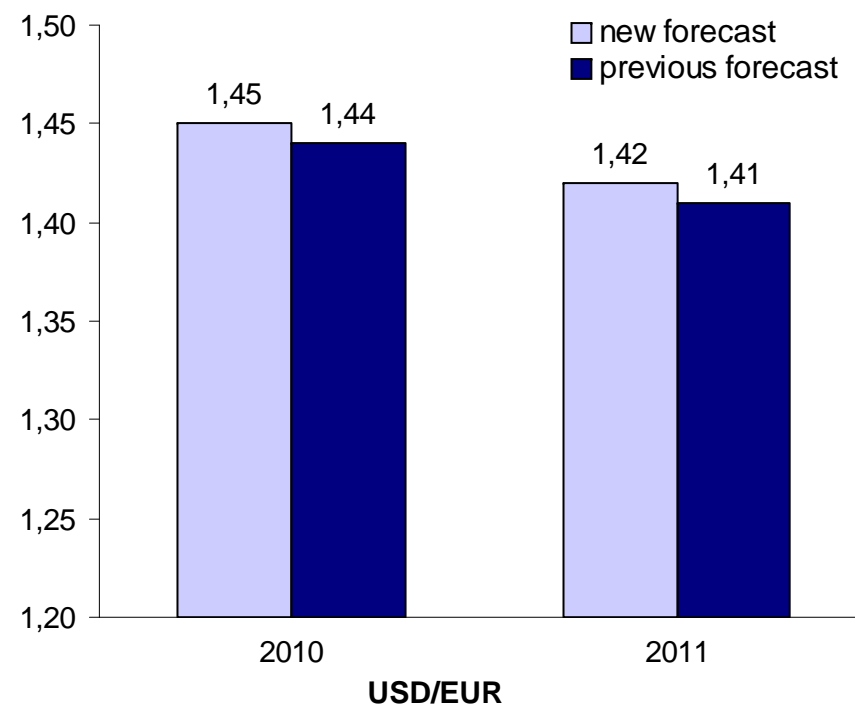
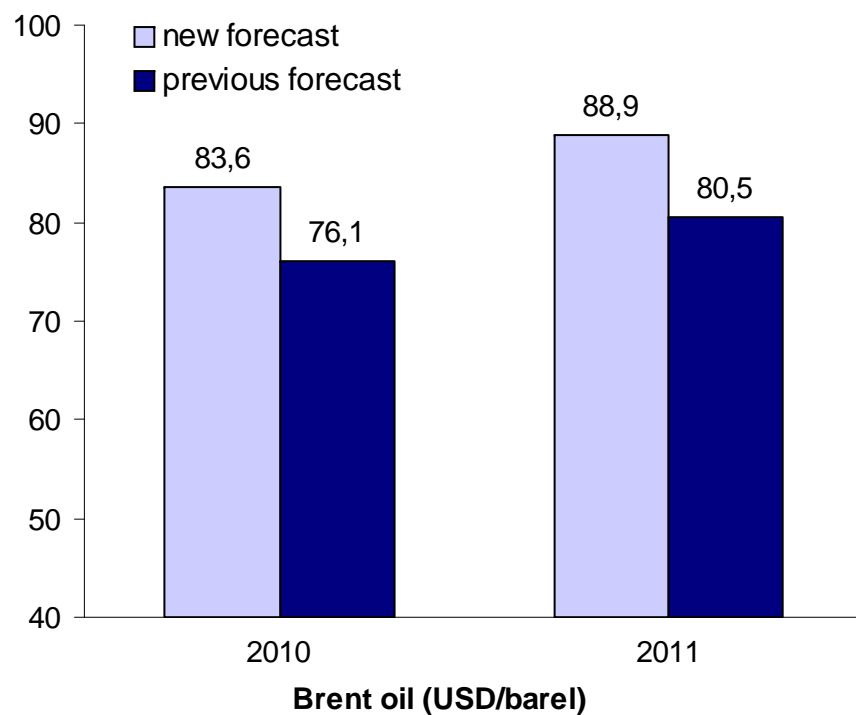
The external environment (i)

Comparison between the new and previous forecasts

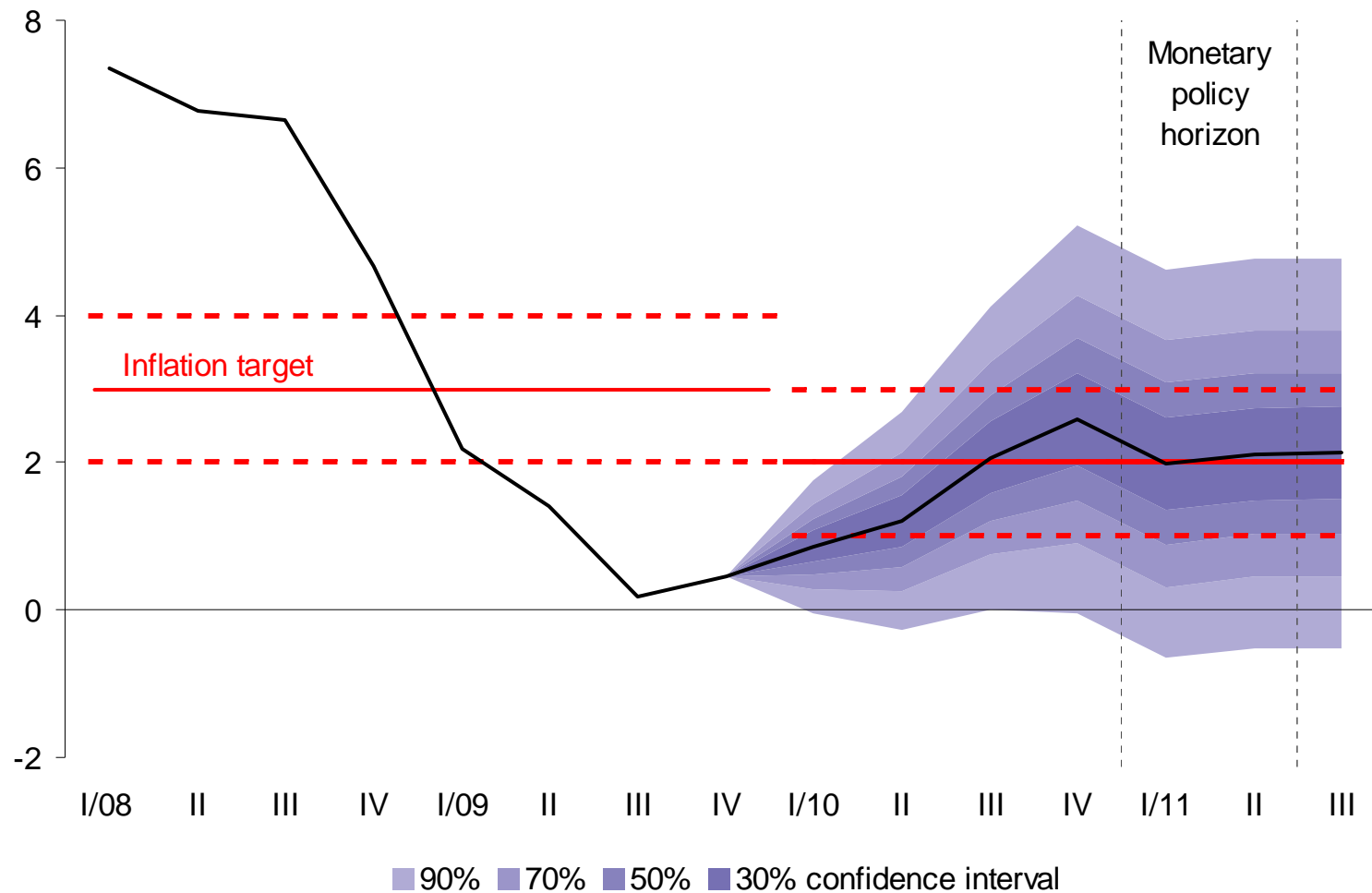


The external environment (ii)

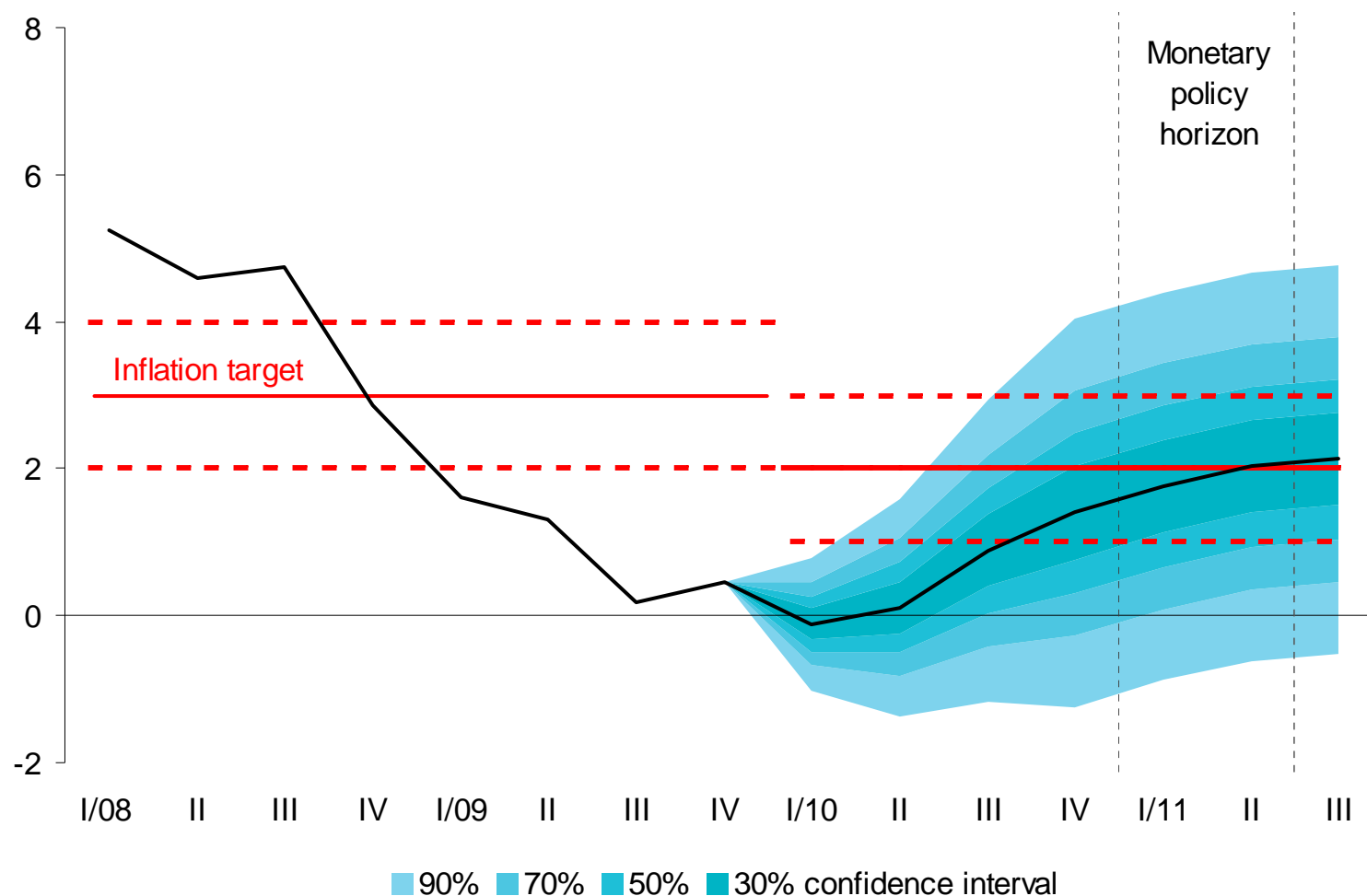
Comparison between the new and previous forecasts



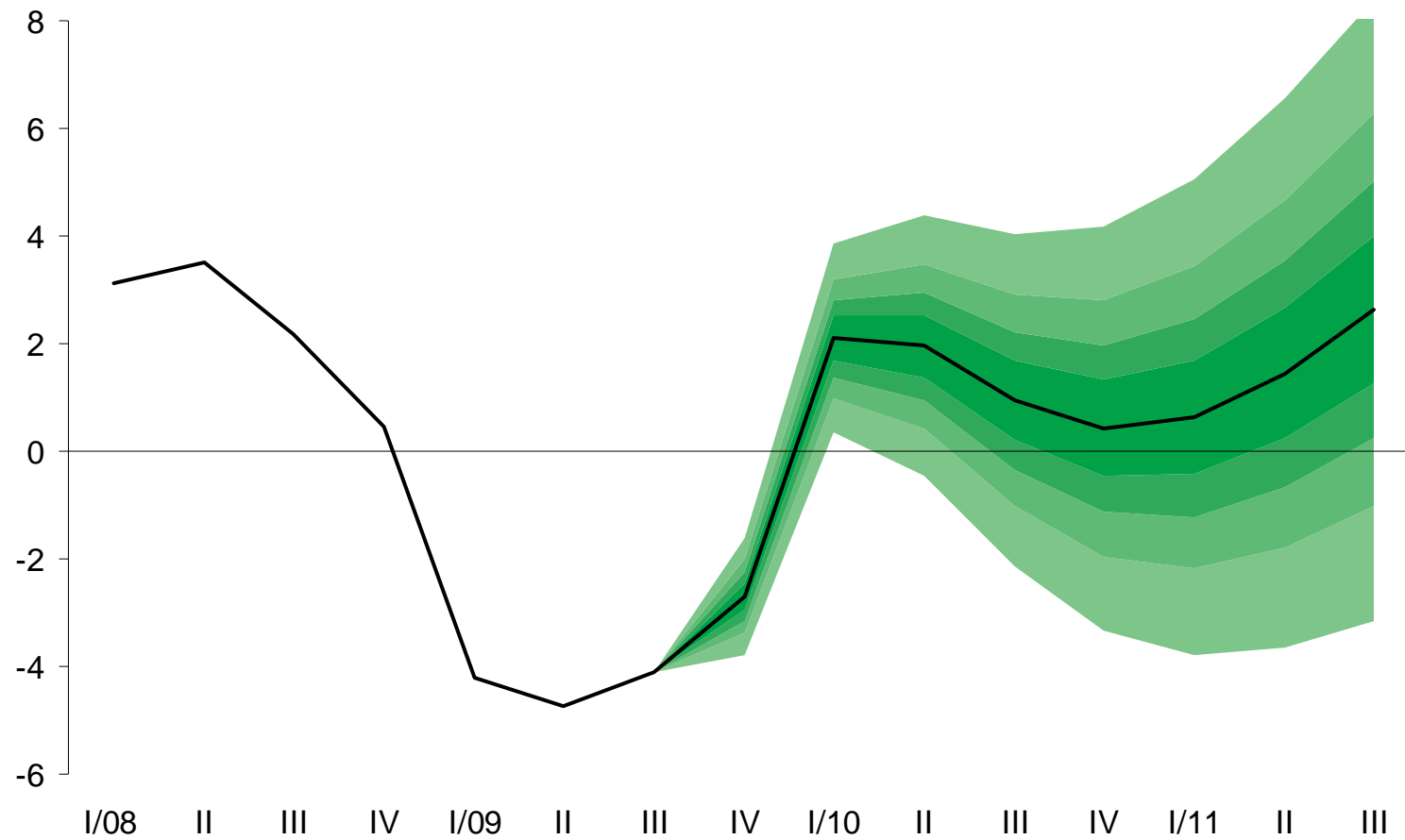
The forecast for headline inflation



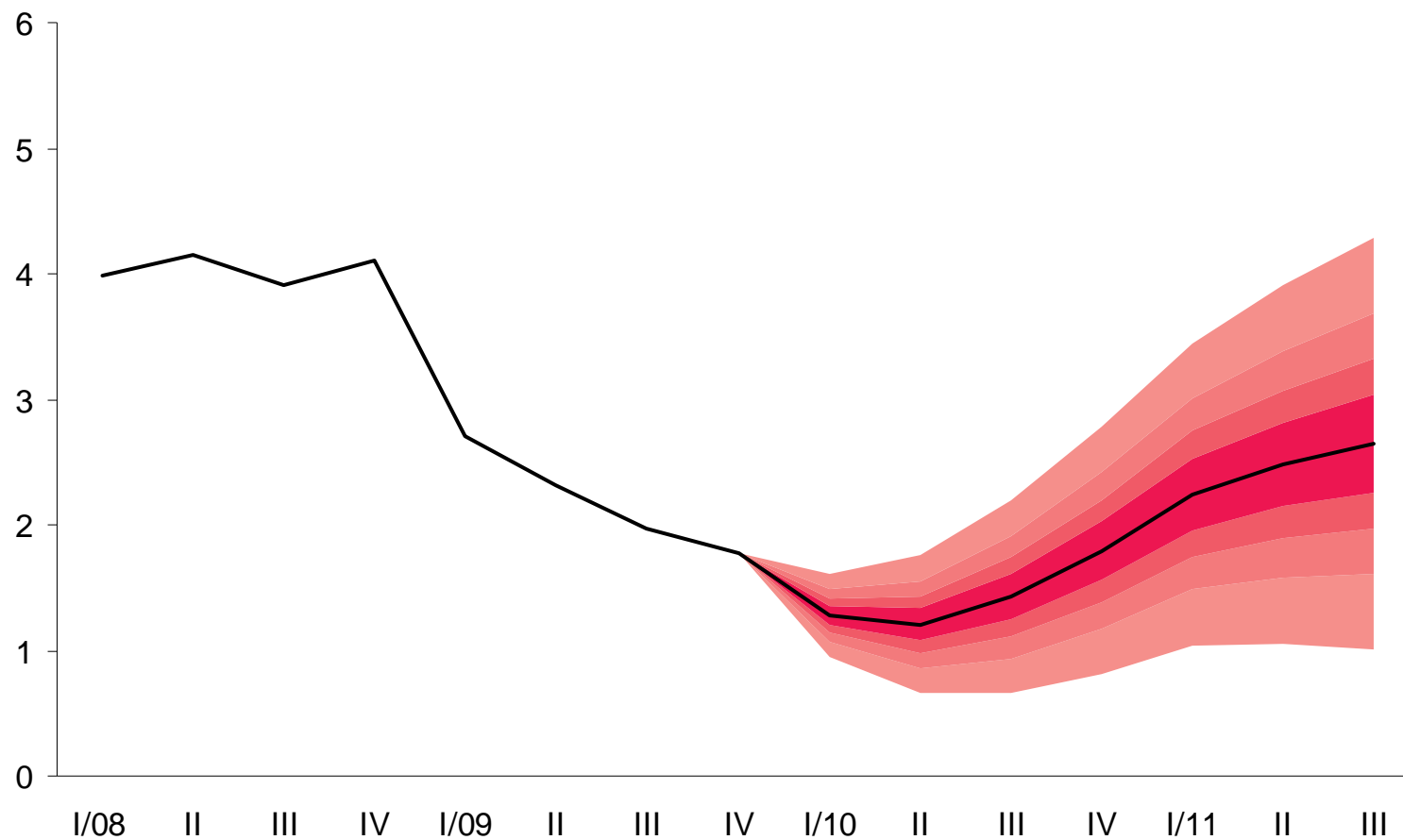
The forecast for monetary-policy relevant inflation



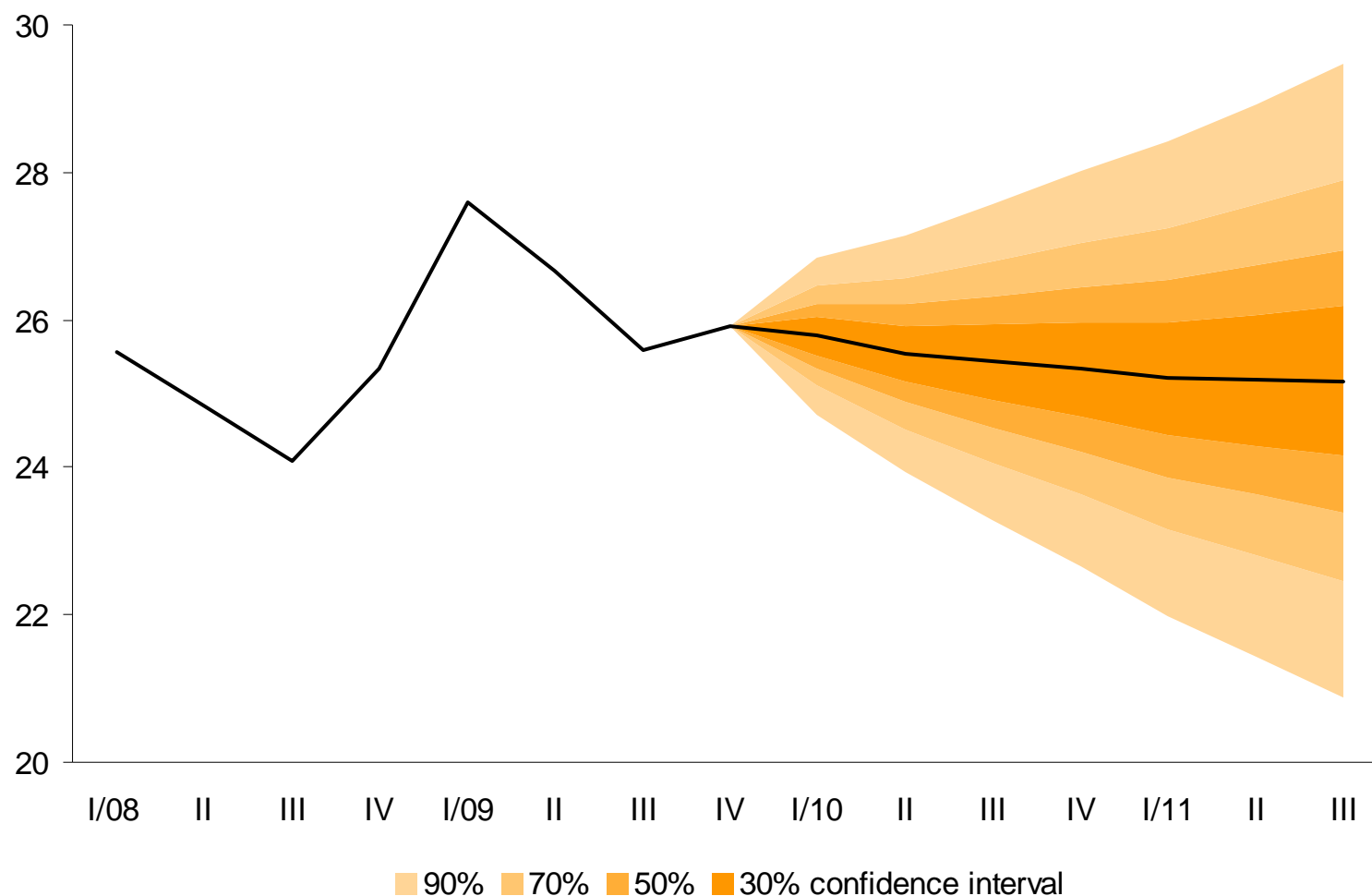
The forecast for GDP



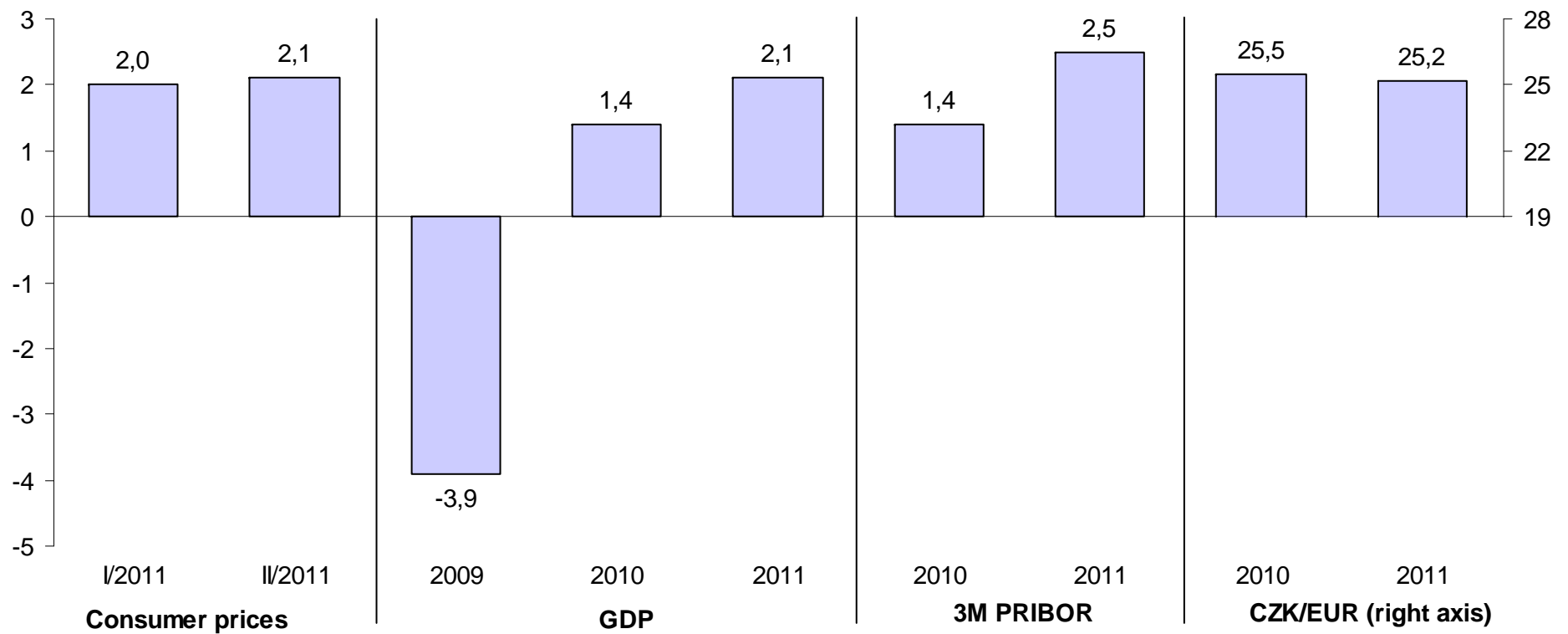
The forecast for interest rates (3M PRIBOR)



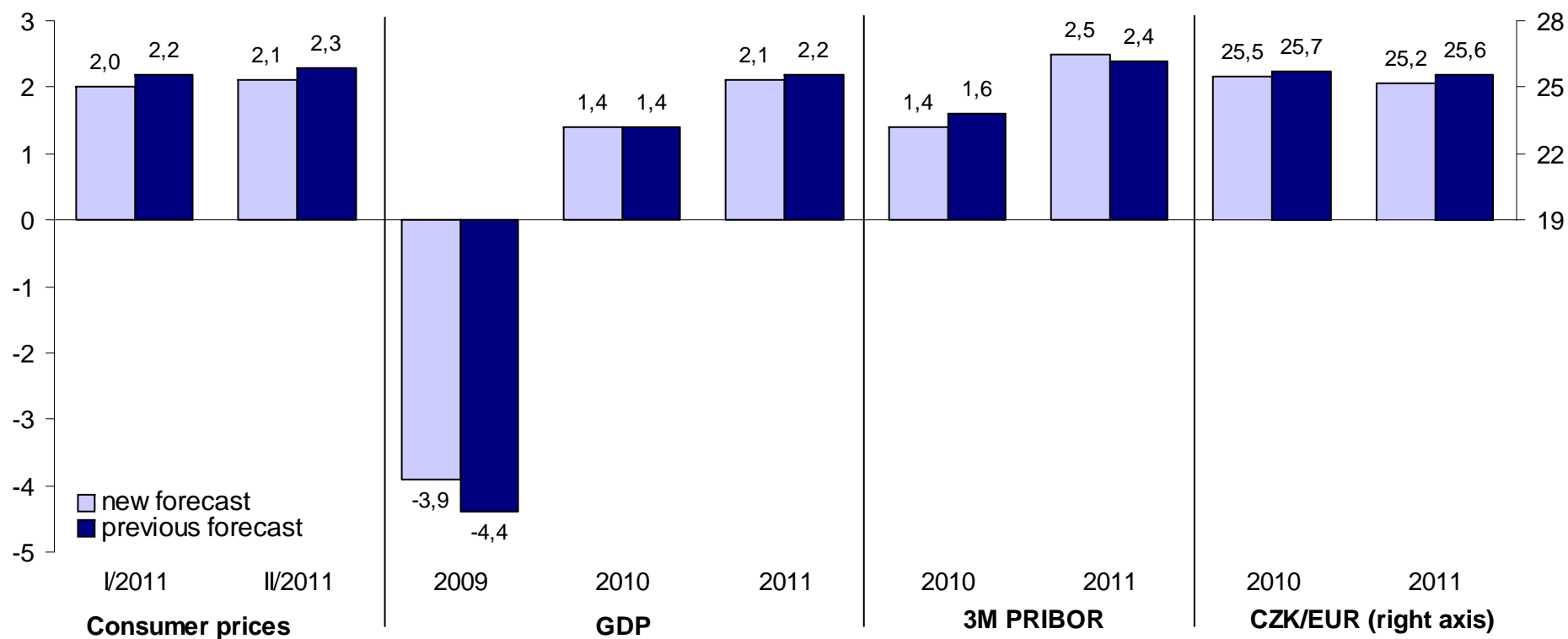
The forecast for exchange rate CZK/EUR (quarterly averages)



Forecast in figures



Comparison with the previous forecast





Major risks to the forecast

Forecast risks are seen as balanced overall

- No marked asymmetric risks have been identified
- Uncertainty going in both directions exists regarding nominal wages developments



Thank you for your attention

More information about the forecast can
be found at
http://www.cnb.cz/en/monetary_policy/forecast/

and in Inflation Report I/2010, to be
published 12th February, 2010.