



Press conference of the CNB Bank Board

6th Situation Report on Economic and Monetary Developments

September 23, 2010



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

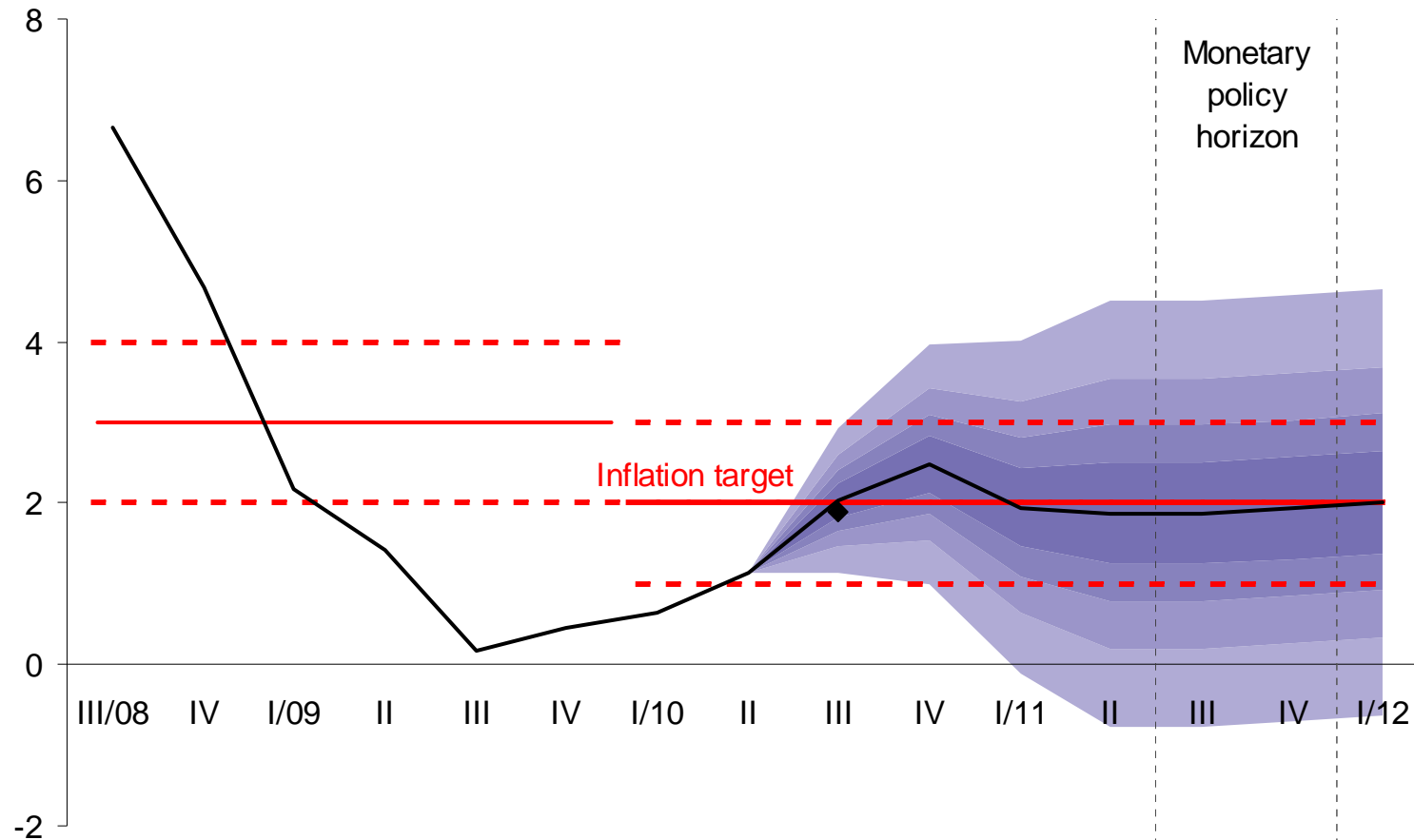
- At the close of the meeting the Bank Board decided by a majority of the votes cast to leave the two-week repo rate unchanged at 0.75%.
- Six board members voted in favour of this decision and one member voted for increasing rates by 0.25 percentage point.



Reasons for the decision

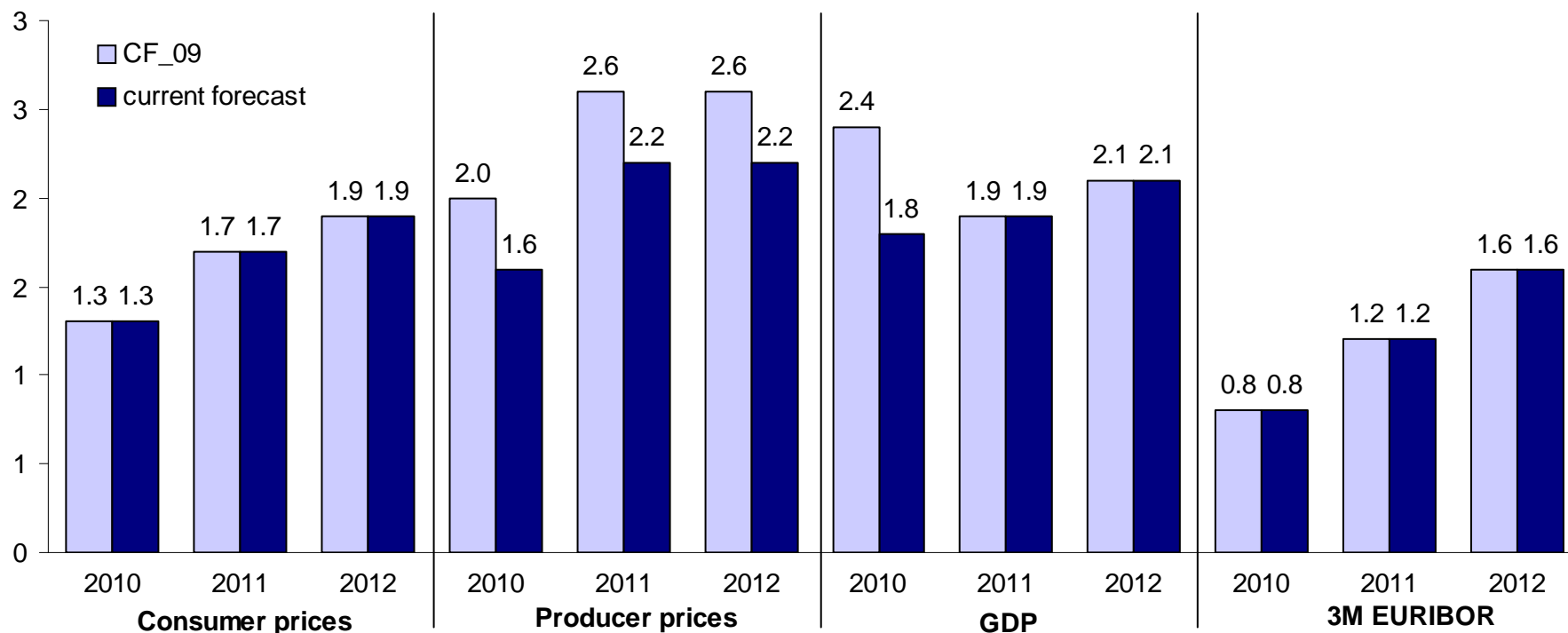
- According to the forecast, headline and monetary-policy relevant inflation will be close to the 2% target at the monetary policy horizon.
- Consistent with the forecast is stability of market interest rates close to their current levels initially, followed by a gradual rise in rates as from 2011 H2.
- Risks to the forecast are balanced.

The inflation forecast and expected outcome in 2010 Q3



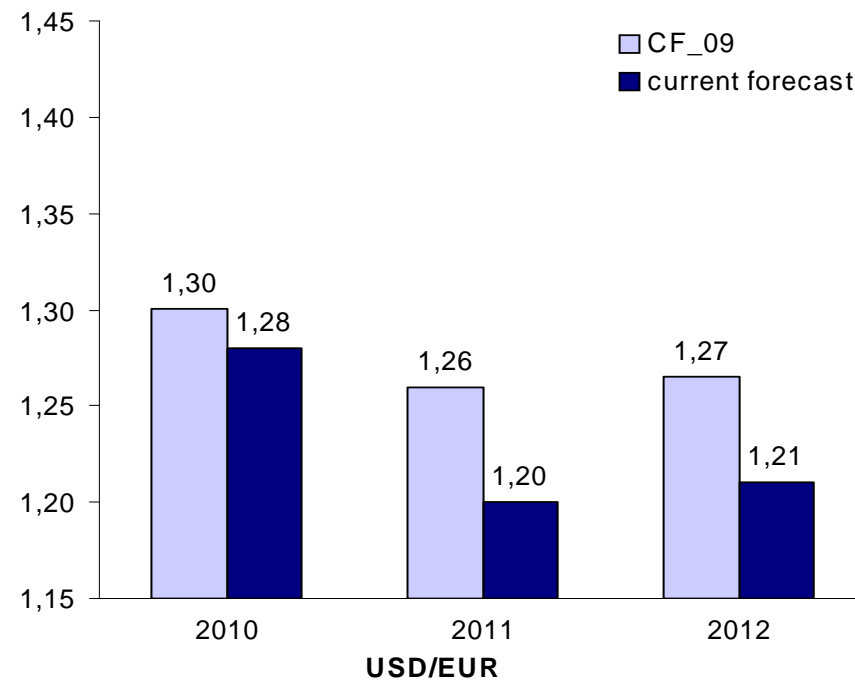
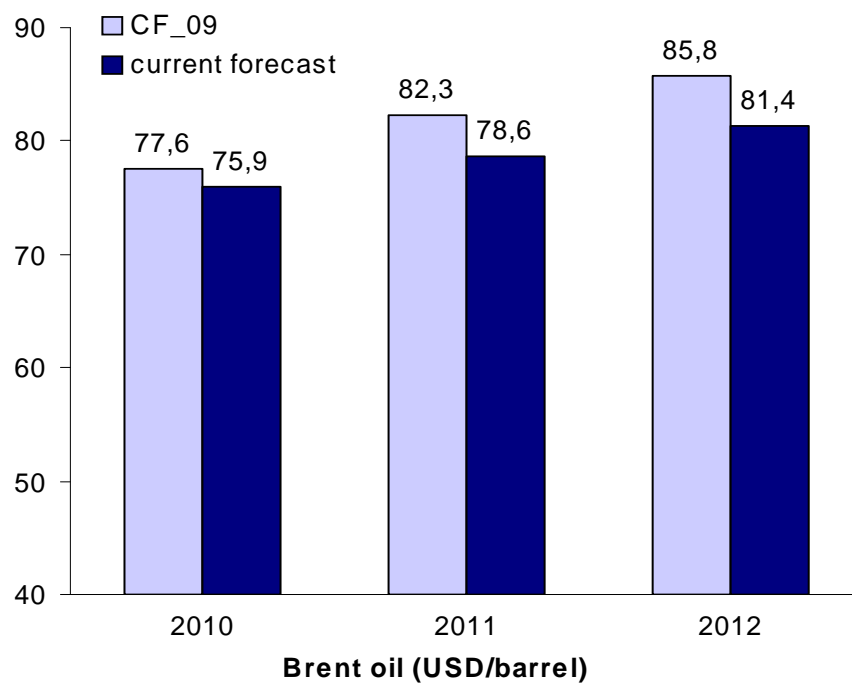
The external environment (i)

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



The external environment (ii)

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

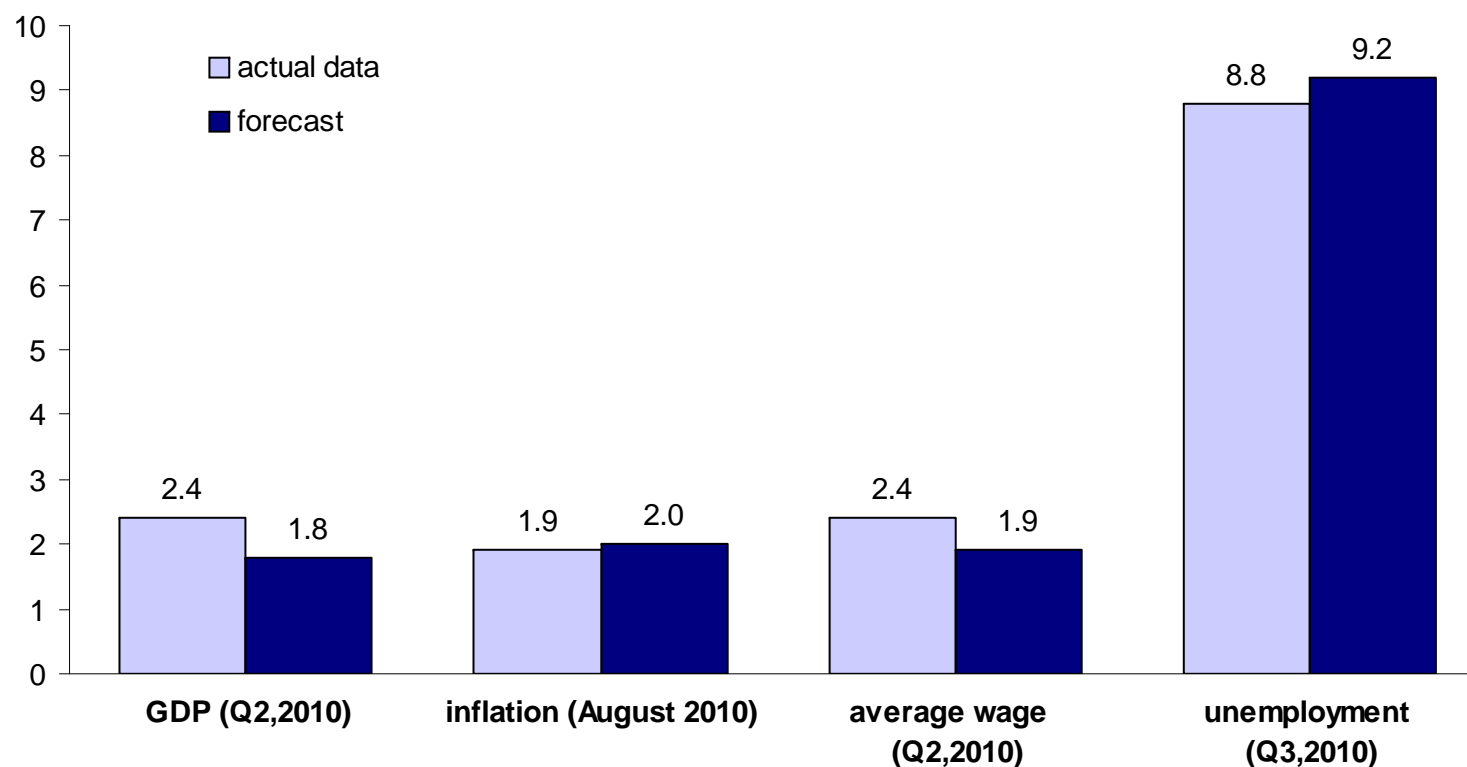




Other new data since the Board's previous monetary meeting

- The Czech economy grew both y-o-y and q-o-q in 2010 Q2 (2.4% and 0.9% respectively, s.a.). Its growth was faster compared to the forecast (1.8% and 0.3% respectively);
- July annual growth of industrial production (5.3 %) indicates continuing recovery in economic activity;
- Signs of reversal are visible on the labour market. Nominal wages growth was modestly faster in Q2 (2.4%), the drop in employment halved (to -1.2%), ILO unemployment fell to 7.2%, and seasonally adjusted registered unemployment has been falling slightly in Q3;
- The August growth in industrial producer prices (1.8%) and a reversal of the decline in agricultural producer prices to growth (8.8%) are in line with growing commodity and food prices and gradual recovery in global economic growth.

Comparison of actual data with the CNB forecast



Note: for unemployment, a comparison of August data with the forecast for the whole quarter



Major risks to the forecast

Forecast risks are balanced.

Major risks on the downside:

- Fiscal consolidation
- Koruna exchange rate

Major risk on the upside:

- Future inflation developments
- New information from real economy and labour market



Thank you for your attention

Minutes of the today's
meeting will be released on
October 1, 2010 at

http://www.cnb.cz/en/monetary_policy/bank_board_minutes/