



Press conference of the CNB Bank Board

8th Situation Report on Economic and Monetary Developments

22 December 2010

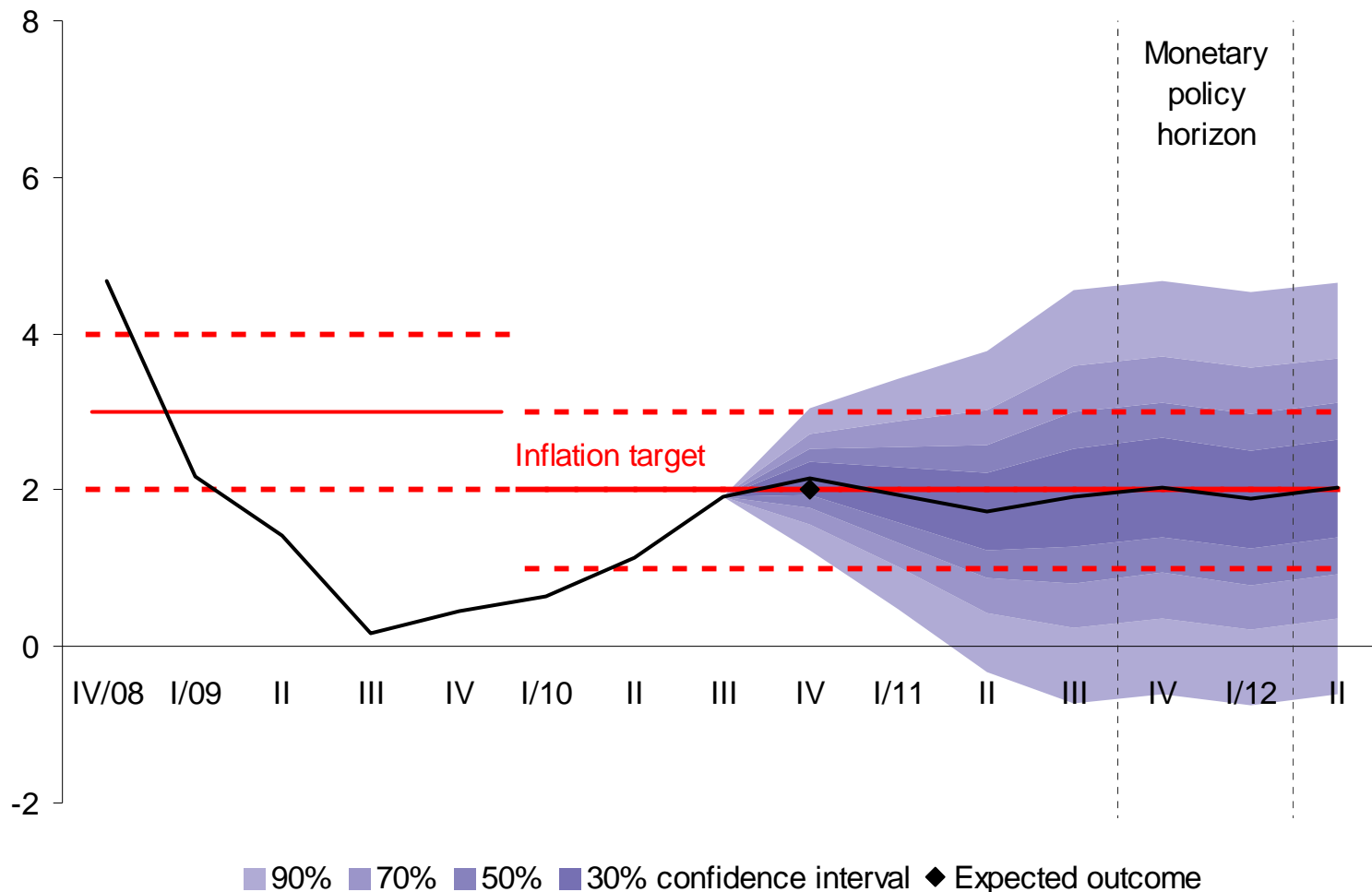
The monetary policy decision taken and the ratio of the votes cast

- At the close of the meeting the Bank Board decided by a majority vote 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

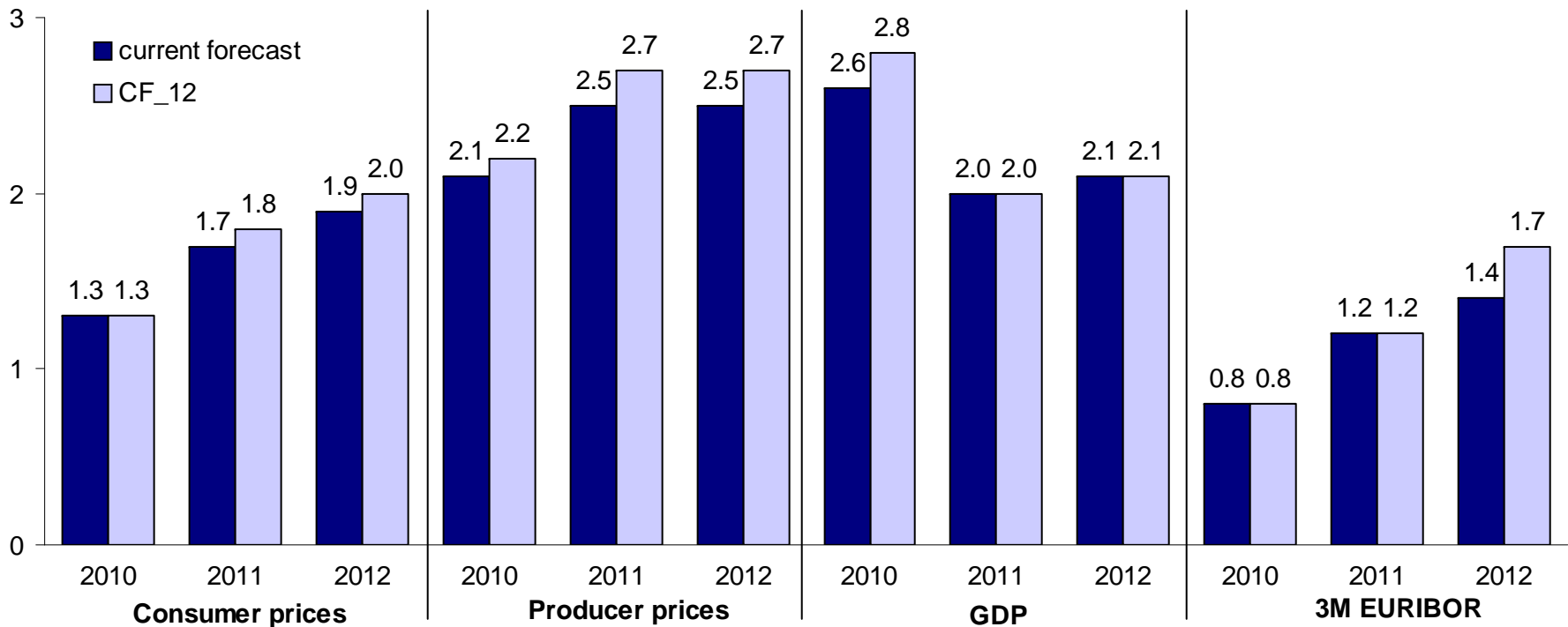
- According to the forecast, headline and monetary-policy relevant inflation will be close to the 2% target at the monetary policy horizon.
- Consistent with the forecast is stability of market interest rates close to their current levels initially, followed by a gradual rise in rates at the longer end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

The inflation forecast and expected outcome in 2010 Q4



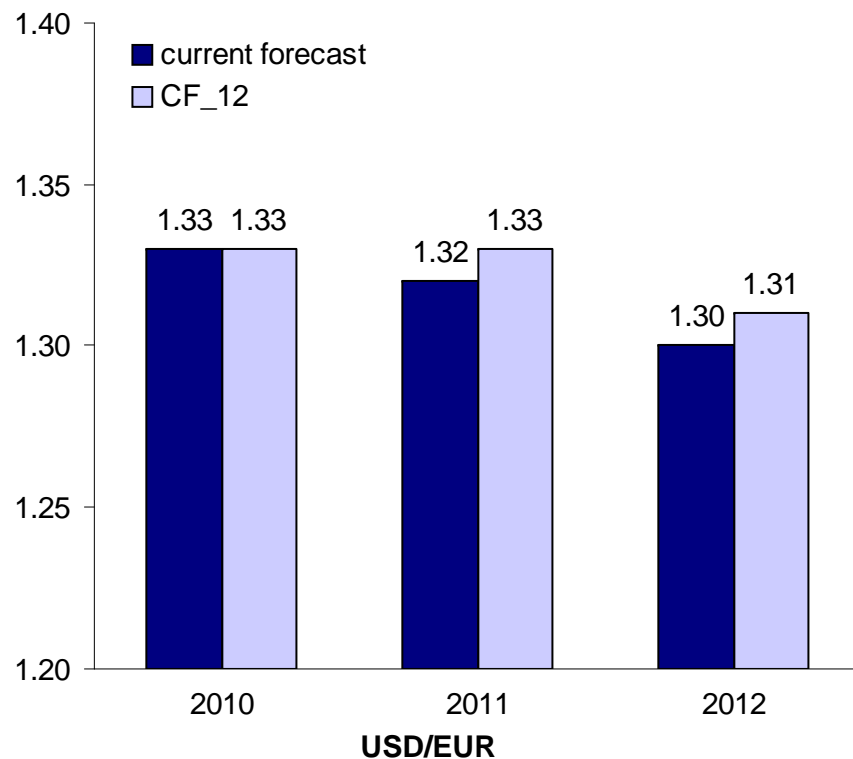
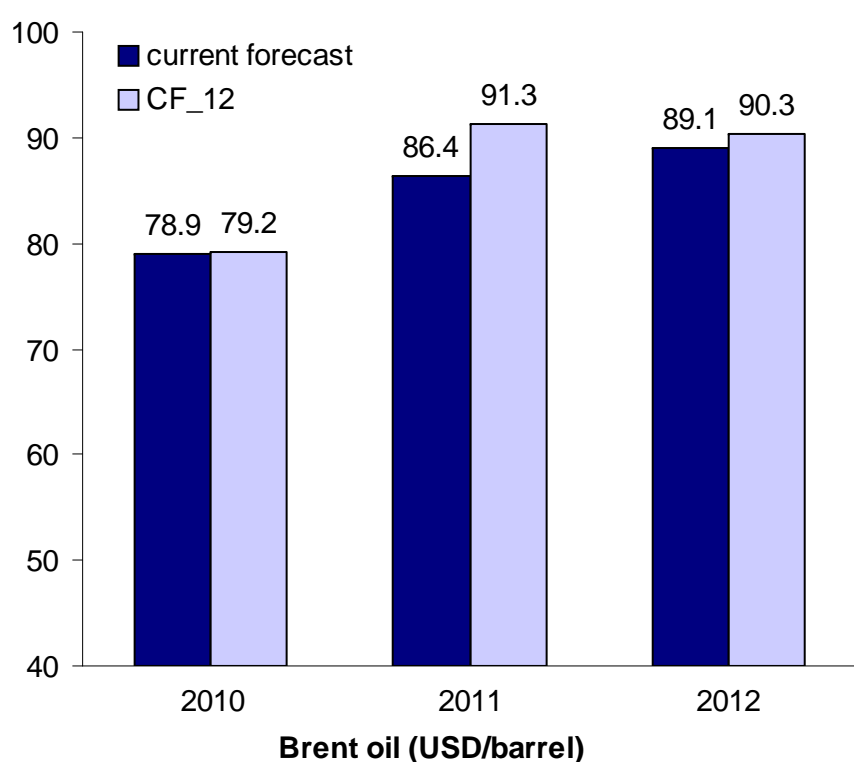
The external environment (i)

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



The external environment (ii)

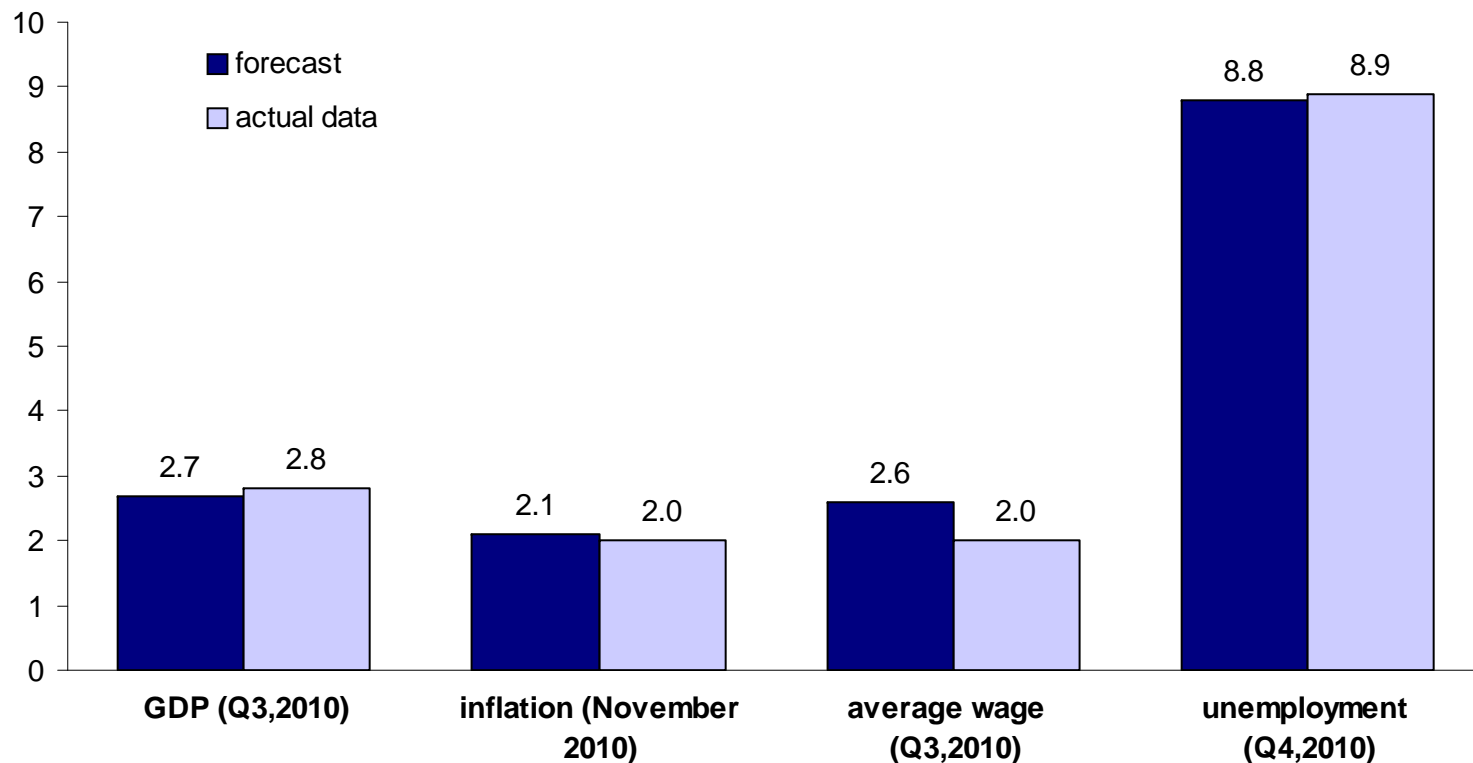
Comparison between the current forecast assumptions and the December outlook based on Consensus Forecasts survey and market expectations



Other new data since the Board's previous monetary meeting

- The Czech economy grew both in y-o-y and q-o-q terms in 2010 Q3 (2.8% and 1% respectively, s.a.). Its growth was driven mainly by investments in inventories and solar power stations;
- Annual growth in industrial production in October (6.9%) indicates a continuing recovery, but production fell slightly in m-o-m terms (-0.3%);
- The situation on the labour market has stabilised. The drop in total employment almost halted in Q3 (-0.2%), ILO unemployment stagnated (7.2%) and seasonally adjusted registered unemployment even slightly increased in the course of Q4.
- Nominal wage growth (2%) slowed in Q3.
- In November, growth in industrial producer prices (2.7%) and agricultural producer prices (23.4%) was in line with growing global commodity prices.

Comparison of actual data with the CNB forecast



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

Major risks to the forecast

Forecast risks are balanced

Major risks on the downside:

- Slower-than-expected nominal wage growth

Major risk on the upside:

- Growing world commodity prices
- Currently weaker koruna exchange rate



Thank you for your attention

Minutes of the today's
meeting will be released on
7 January 2011 at

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