



# Press conference of the CNB Bank Board

## **4th Situation Report on Economic and Monetary Developments**

23 June 2011

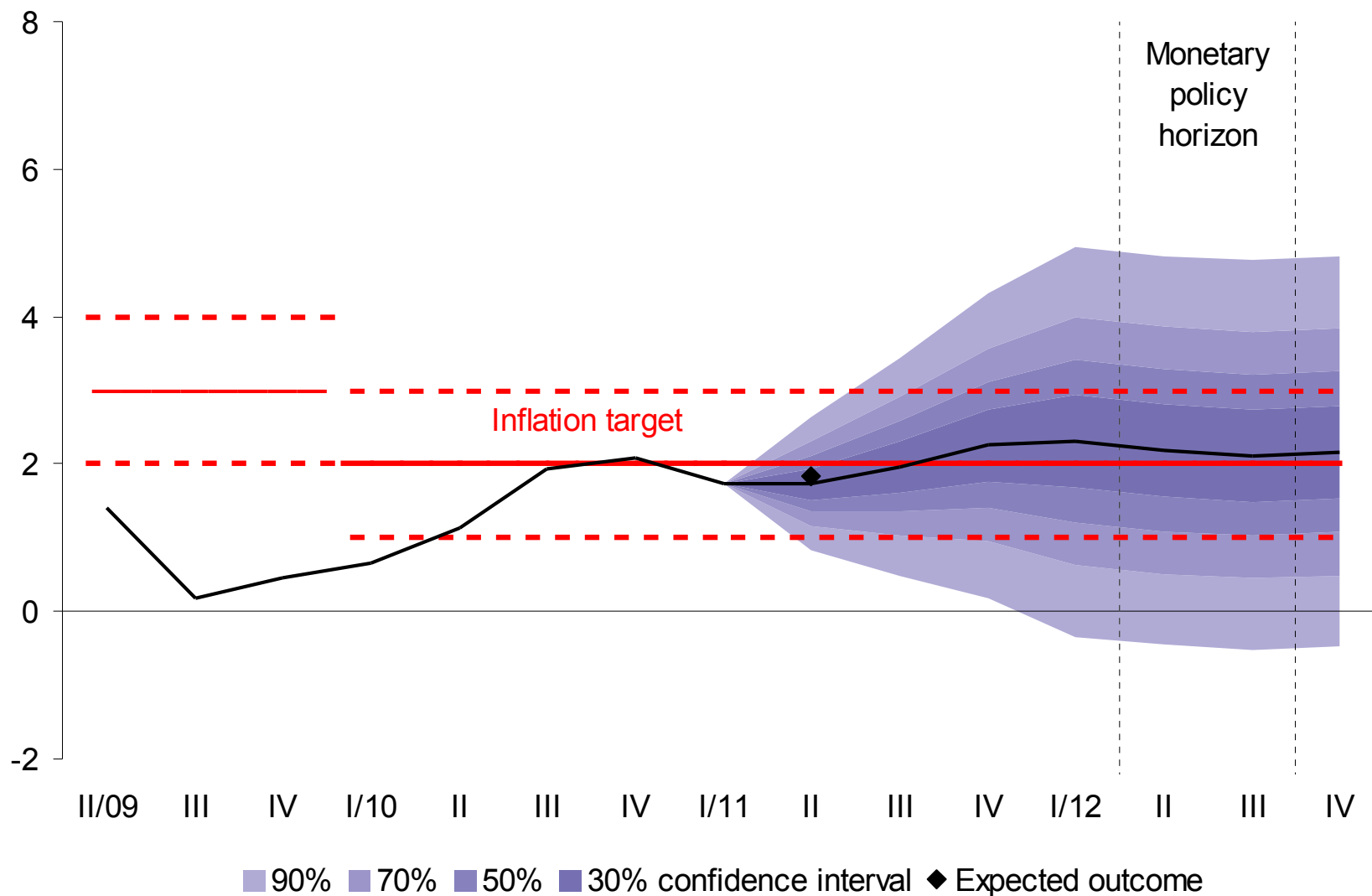
# The monetary policy decision taken and the ratio of the votes cast

- At the close of the meeting the Board decided by a majority vote to leave the two-week repo rate unchanged at 0.75%.
- Five members voted in favour of this decision, and two members voted for increasing rates by 0.25 percentage point.

# Reasons for the decision

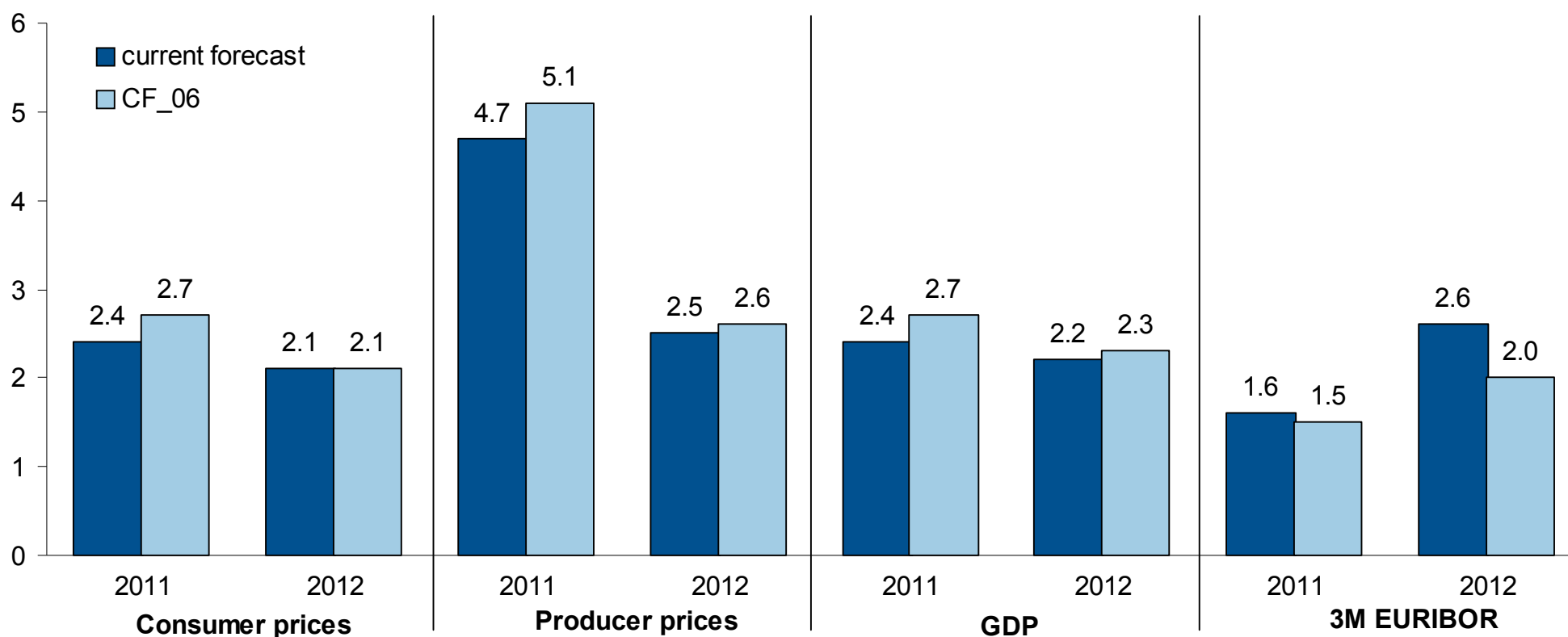
- Headline and monetary-policy relevant inflation will be close to the inflation target over the monetary policy horizon.
- Consistent with the forecast is broad stability of market interest rates in the near future and a gradual rise in rates starting in 2011 Q4.
- Risks to the forecast are balanced for monetary-policy relevant inflation.

# The inflation forecast and expected outcome in 2011 Q2



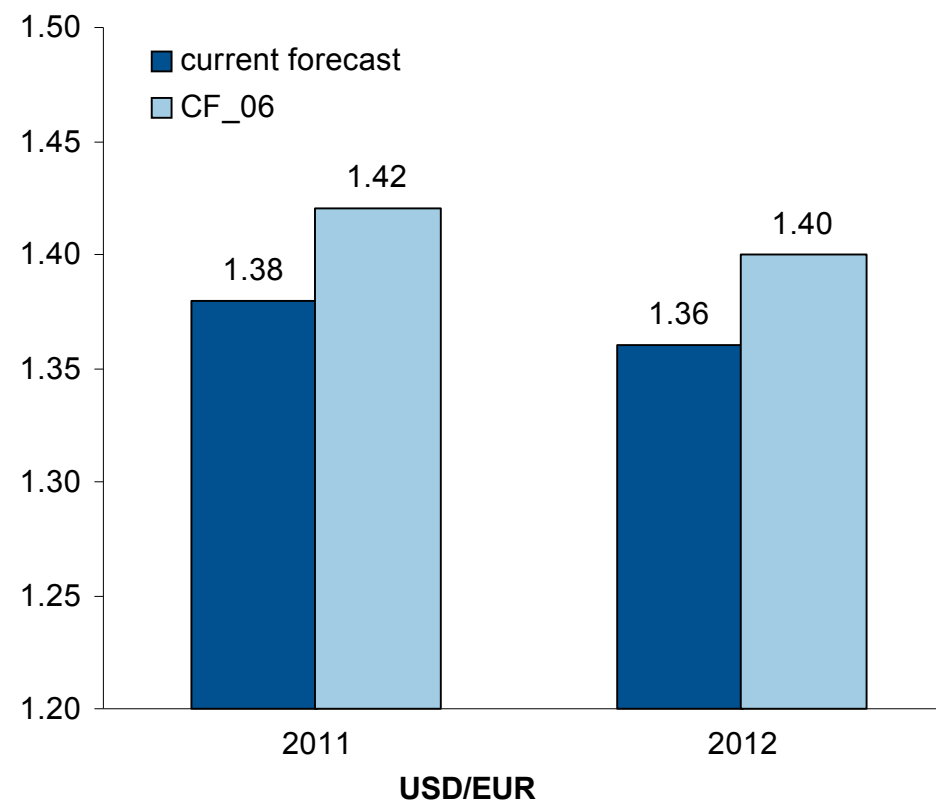
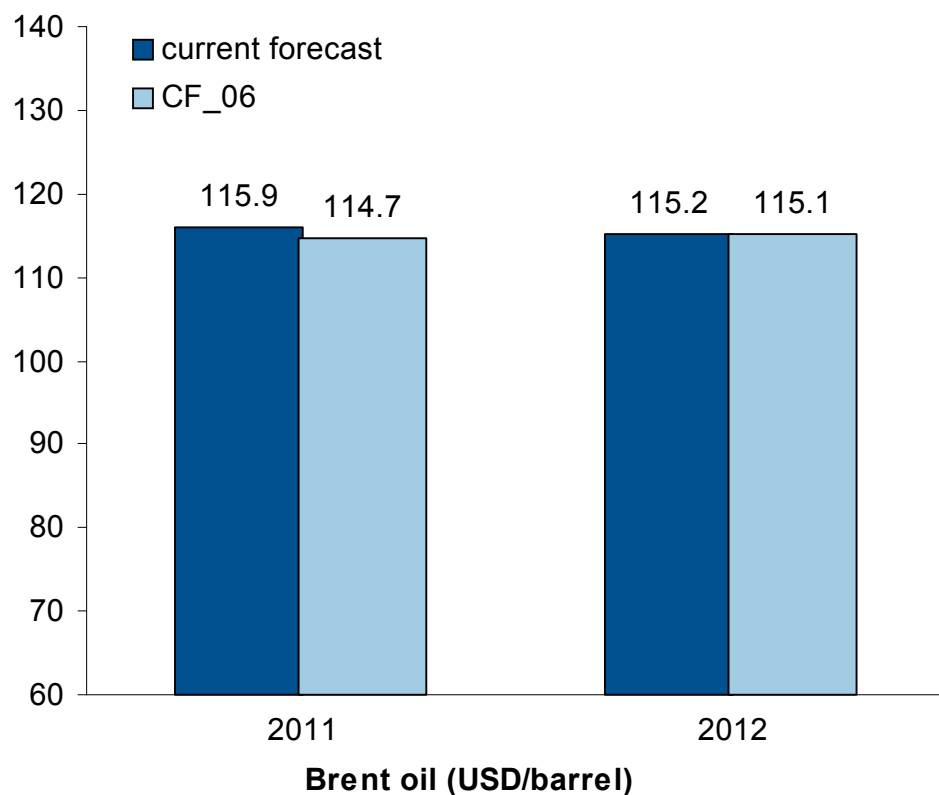
# The external environment (i)

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



# The external environment (ii)

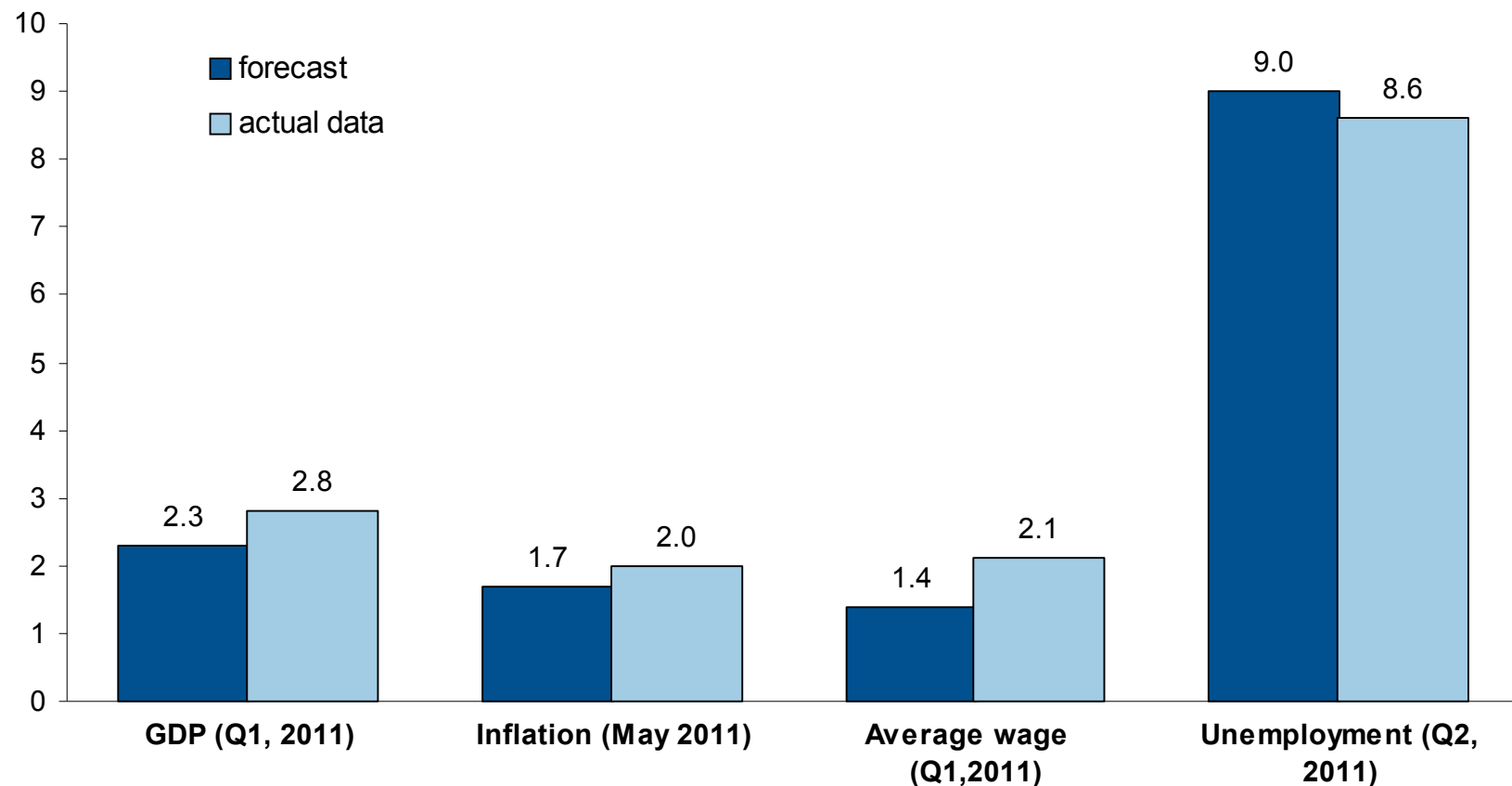
## Comparison between the current forecast assumptions and the June outlook based on Consensus Forecasts survey and market expectations



# Developments in the domestic economy since the Board's previous monetary meeting

- The Czech economy grew both in y-o-y and q-o-q terms in 2011 Q1 (2.8% and 0.9% respectively, s.a.). Its growth was driven mainly by net exports and to a lesser extent by gross capital formation;
- April industrial production indicates a continuing albeit slowing recovery (4.7% y-o-y; 0.3% in m-o-m s.a. terms);
- Total employment increased in 2011 Q1 in y-o-y terms (by 0.7%). The seasonally adjusted ILO unemployment rate decreased moderately quarter on quarter and the registered unemployment rate fell in April and May;
- Y-o-y nominal wage growth accelerated in 2011 Q1 (2.1%);
- High growth in industrial producer prices (6.2% in May) and agricultural producer prices (31.5% in May) reflects developments in global commodity prices.

# Comparison of actual data with the CNB forecast



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



# Major risks to the forecast

**Risks to the forecast are balanced for monetary-policy relevant inflation.**

## ***Major risks on the upside:***

- higher current inflation
- less anti-inflationary domestic economic environment
- *VAT increase in 2012 is a risk for headline inflation*

## ***Major risks on the downside:***

- lower foreign interest rate outlook
- debt crisis in some euro area countries



# Thank you for your attention

Minutes of the today's meeting and the Graph of Risks to the Inflation Projection (GRIP) will be released on 1 July 2011 at

[http://www.cnb.cz/en/monetary\\_policy/bank\\_board\\_minutes/](http://www.cnb.cz/en/monetary_policy/bank_board_minutes/)