



Press conference of the CNB Bank Board

6th Situation Report on Economic and Monetary Developments

22 September 2011



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

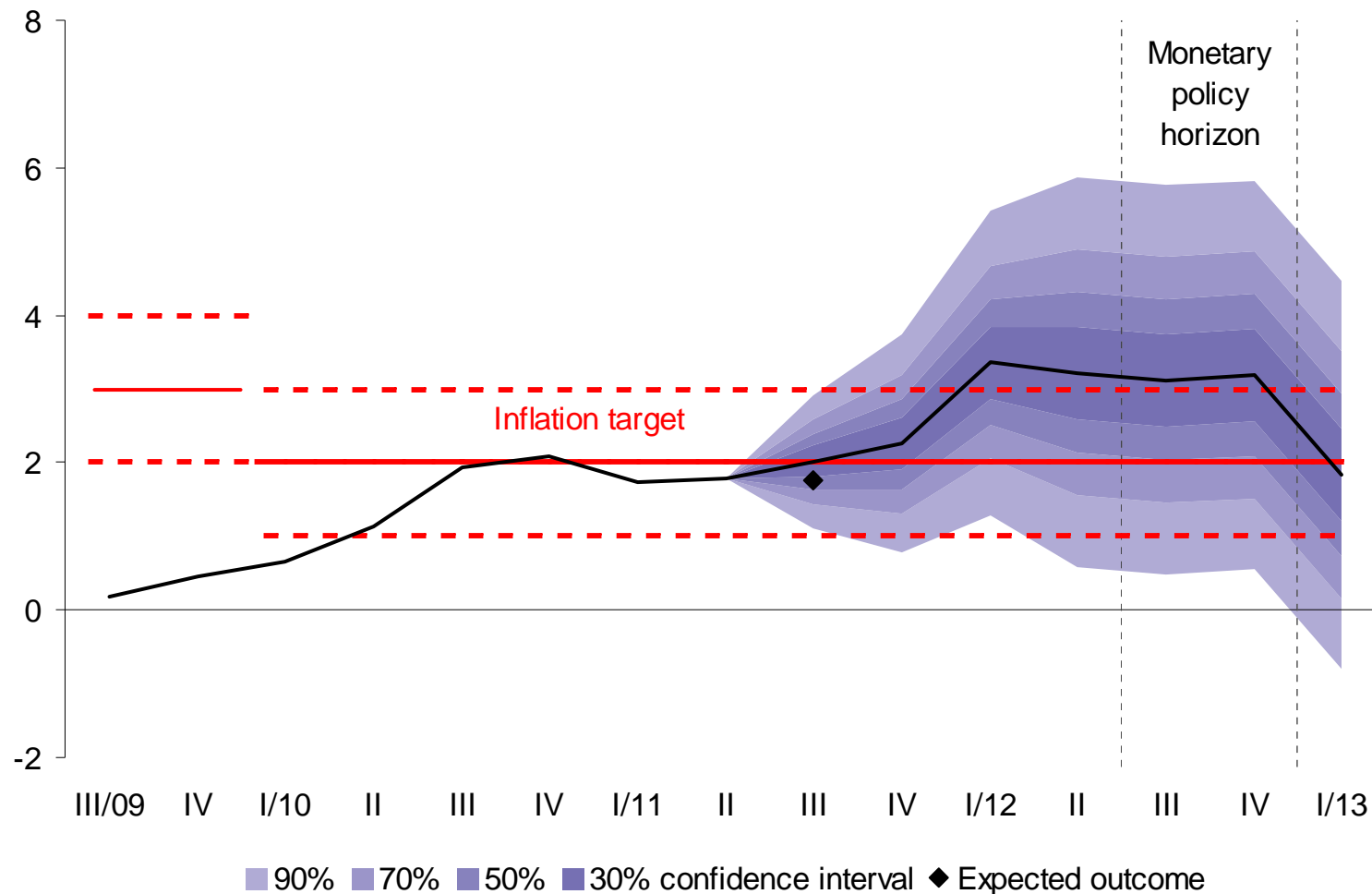
- At the close of the meeting the Board decided unanimously to leave the two-week repo rate unchanged at 0.75%.



Reasons for the decision

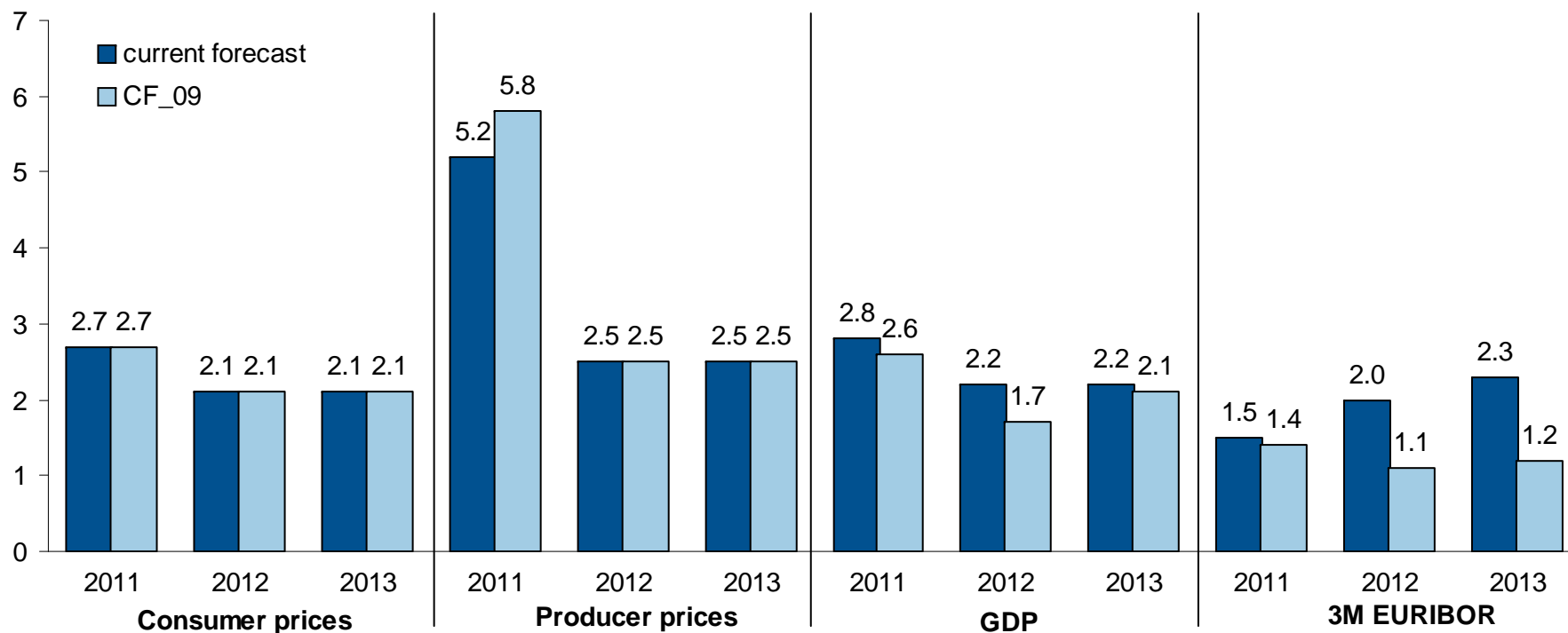
- Monetary-policy relevant inflation will be close to the inflation target over the entire forecast horizon. Headline inflation will be temporarily slightly above 3% due to a VAT increase.
- Consistent with the forecast is broad stability of market interest rates at the start of the forecast horizon and a gradual rise in rates starting in late 2011/early 2012.
- The risks to the forecast are slightly on the downside for inflation and substantially on the downside for interest rates.

The inflation forecast and expected outcome in 2011 Q3



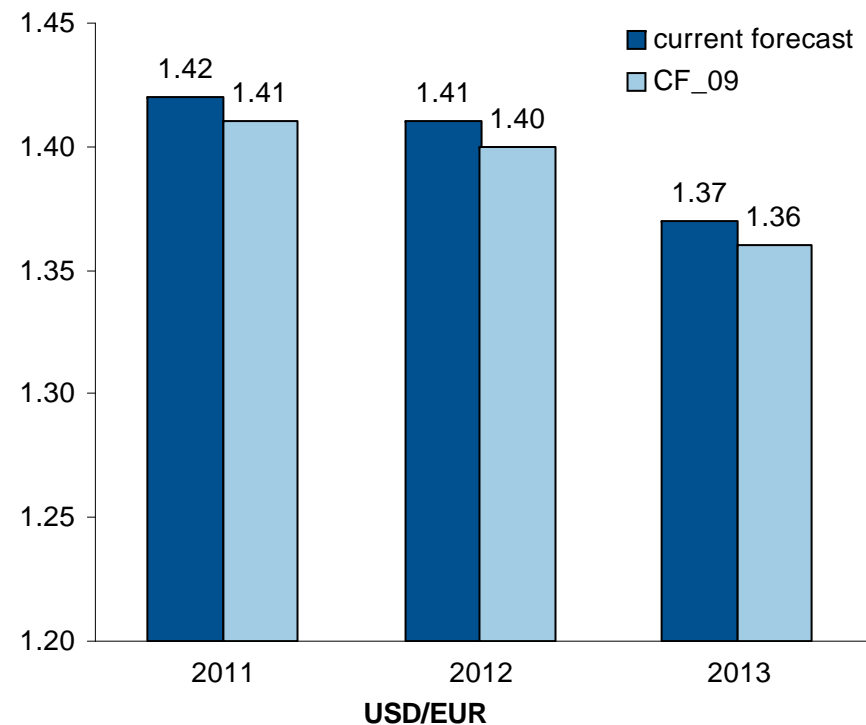
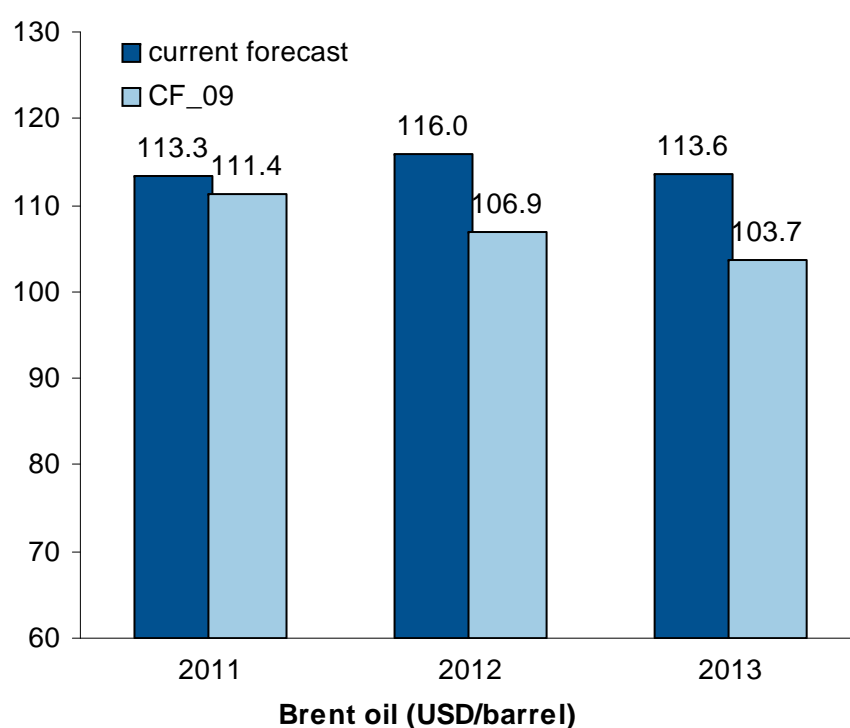
The external environment (i)

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

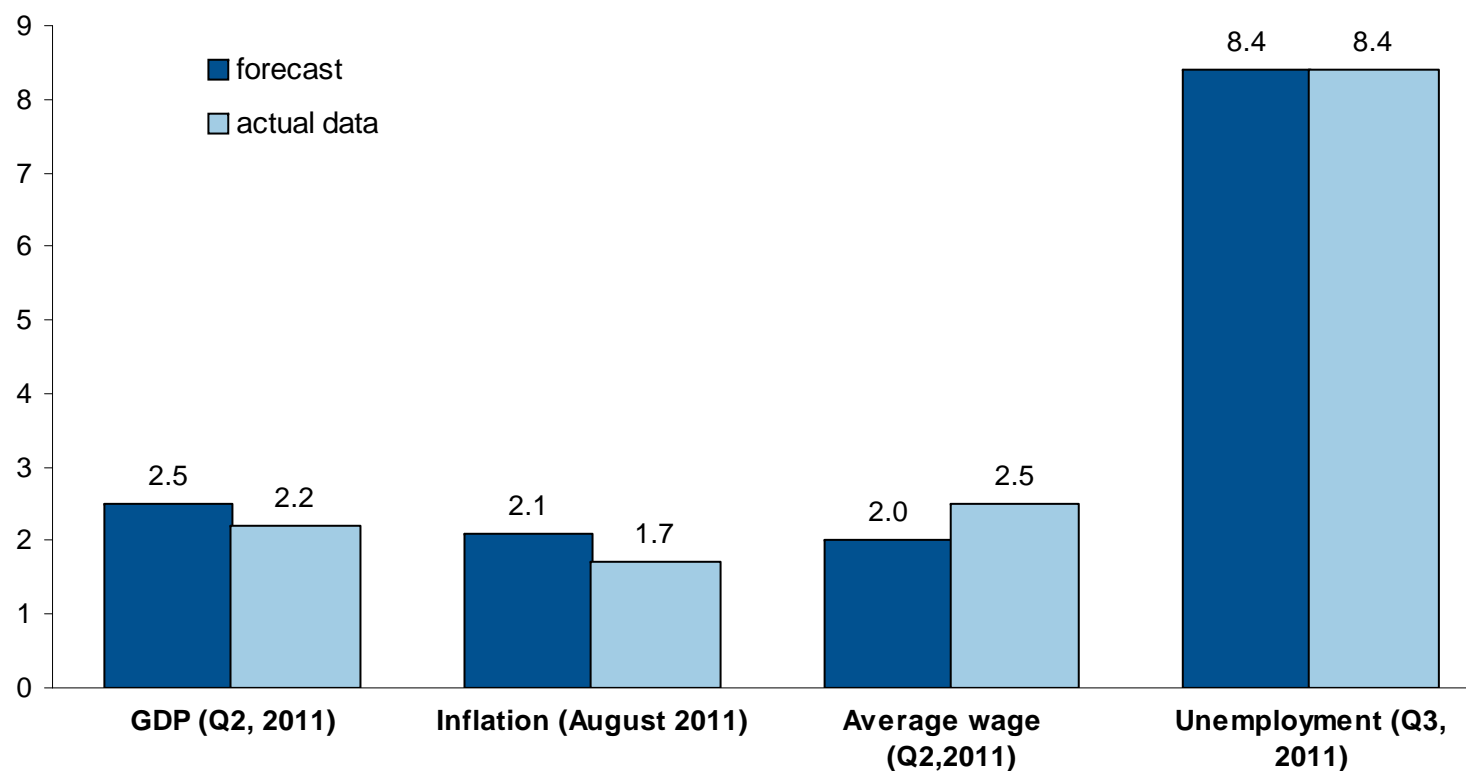




Developments in the domestic economy since the Board's previous monetary meeting

- Real growth of the Czech economy slowed in 2011 Q2 both in y-o-y and q-o-q terms (2.2% and 0.1% respectively, s.a.). The growth was driven by net exports and gross capital formation.
- July industrial production (4.4% y-o-y; 0.1% m-o-m) indicates slowing growth.
- Total employment increased in 2011 Q2 in y-o-y terms (by 0.6%). The seasonally adjusted ILO unemployment rate was flat at 7% in q-o-q terms. The seasonally adjusted registered unemployment rate slightly decreased in July and August.
- Y-o-y nominal wage growth accelerated in 2011 Q2 (to 2.5%).
- Decelerating, albeit still high, growth in industrial producer prices (5.7%) and agricultural producer prices (16.4%) in August mainly reflects the gradually fading effects of the recent surge in global commodity prices.

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

The risks to the forecast are slightly on the downside for inflation and substantially on the downside for interest rates.

Major risk on the upside:

- weaker koruna exchange rate

Major risk on the downside (for interest rates):

- lower foreign interest rates outlook
- condition of the financial sector and public finances in developed 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 30 September 2011 at

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