



Press conference of the CNB Bank Board

7th Situation Report on Economic and Monetary Developments

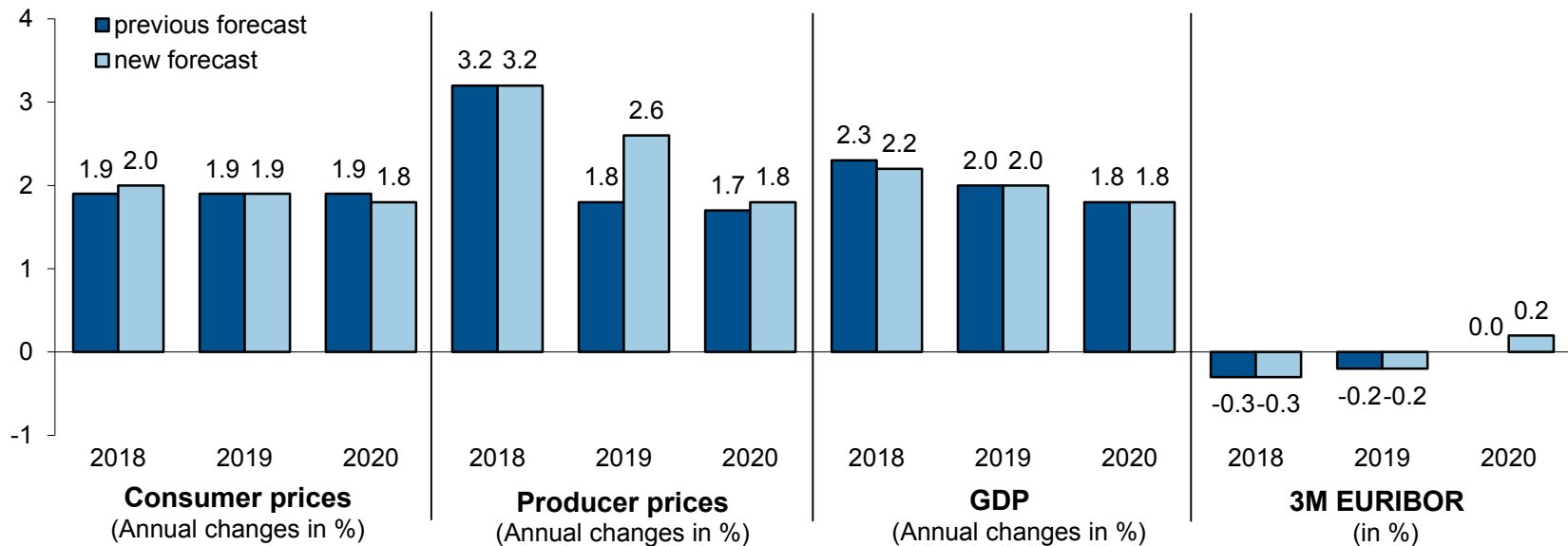
1 November 2018

The monetary policy decision

- At its meeting today, the CNB Bank Board increased the two-week repo rate by 25 basis points to 1.75%.
- At the same time, it increased the Lombard rate to 2.75% and the discount rate to 0.75%.
- Five members voted in favour of this decision. One member voted for leaving interest rates unchanged, and one member voted for raising them by 50 basis points.
- The decision adopted by the Bank Board is underpinned by the CNB's new macroeconomic forecast. Consistent with the forecast is a continued rise in interest rates towards their long-run neutral level.

The external environment (i)

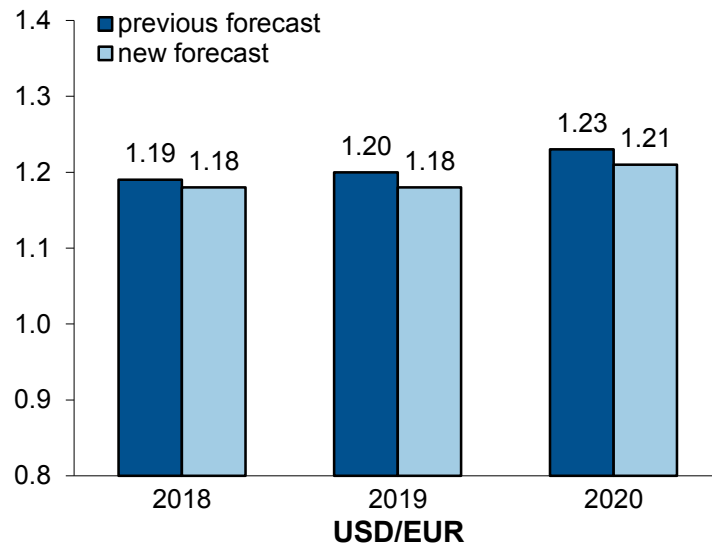
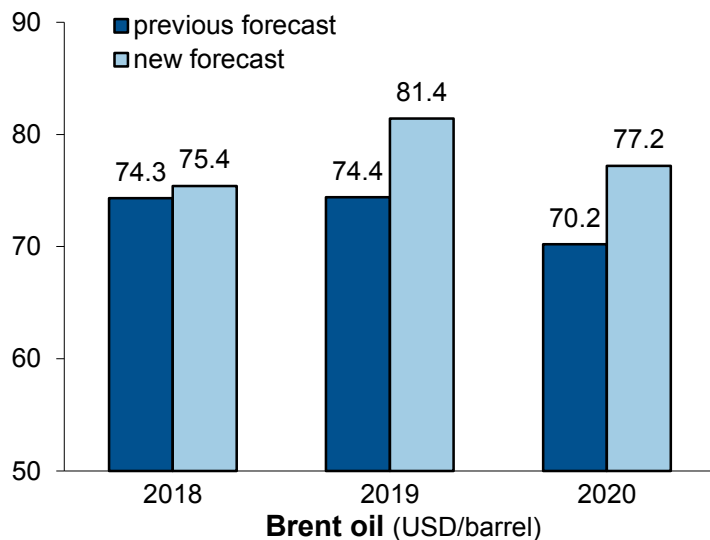
Comparison between the assumptions of the new and previous forecasts for the effective euro area*



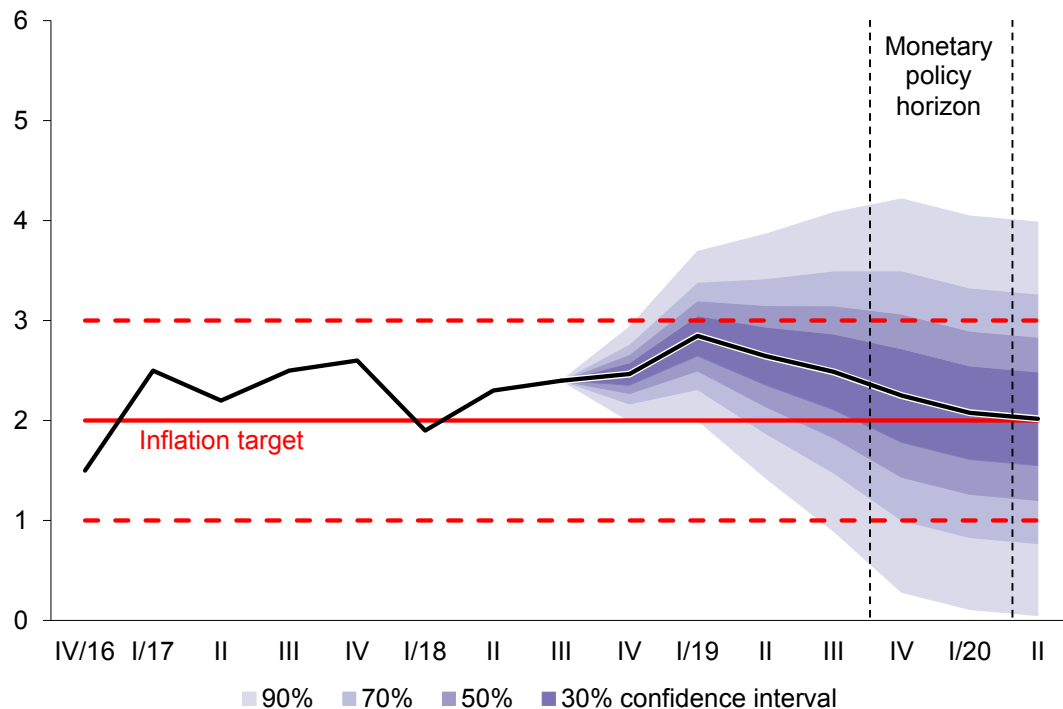
* Effective euro area means that the weights used in the calculations correspond to the share of individual euro area countries in total Czech exports into the euro area

The external environment (ii)

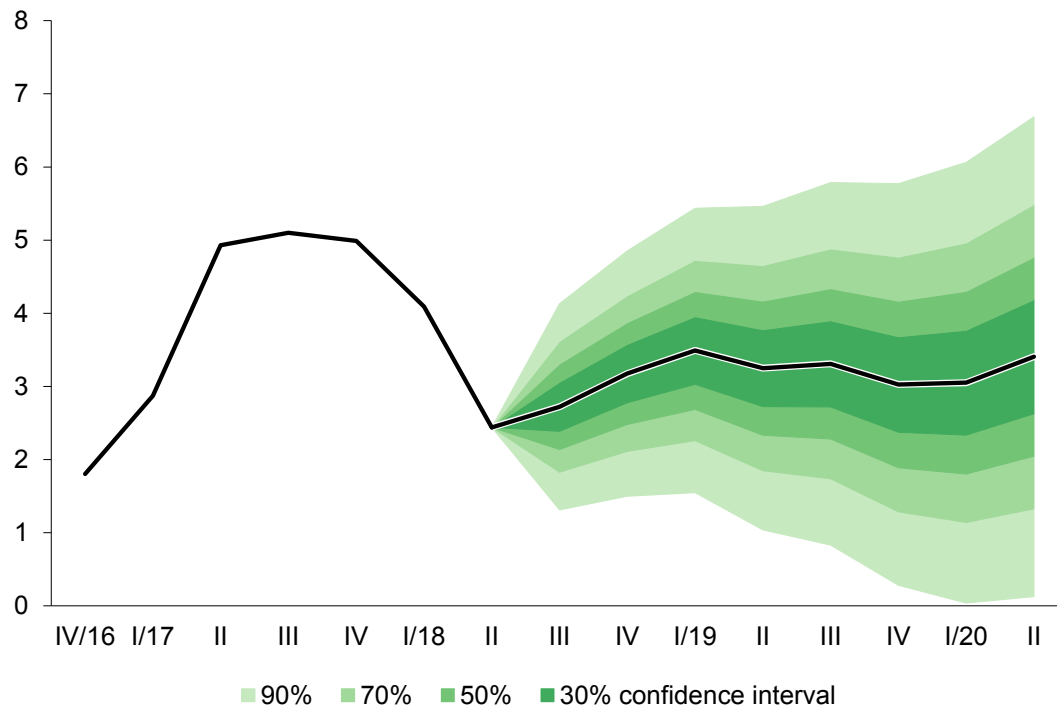
Comparison between the assumptions of the new and previous forecasts



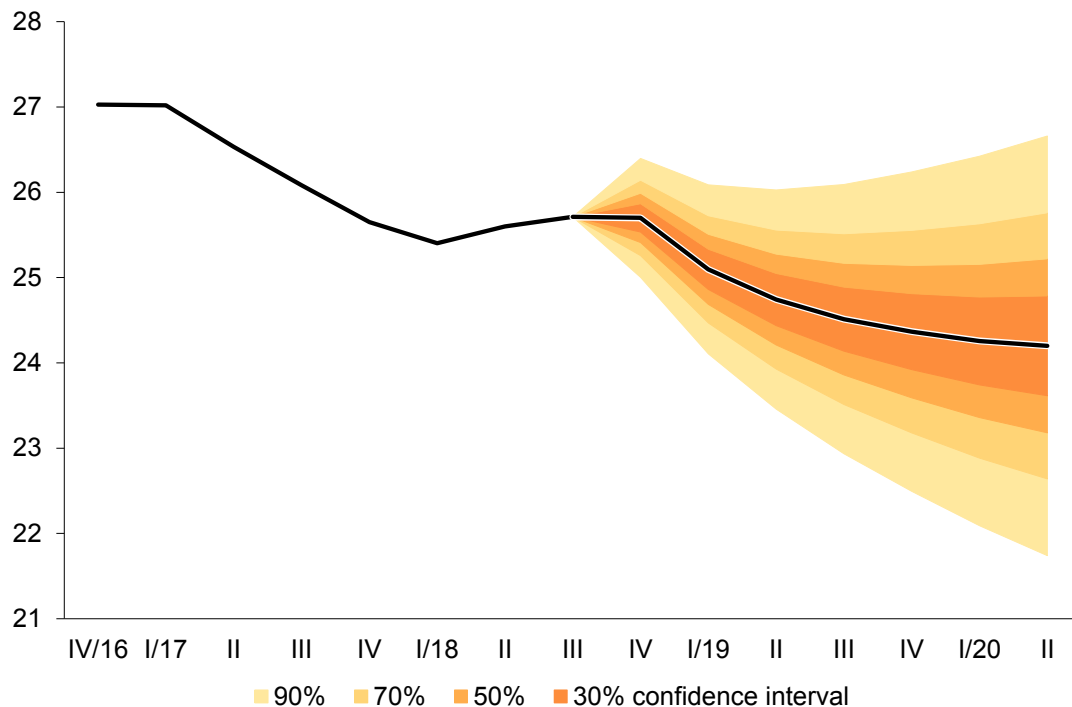
The forecast for headline inflation



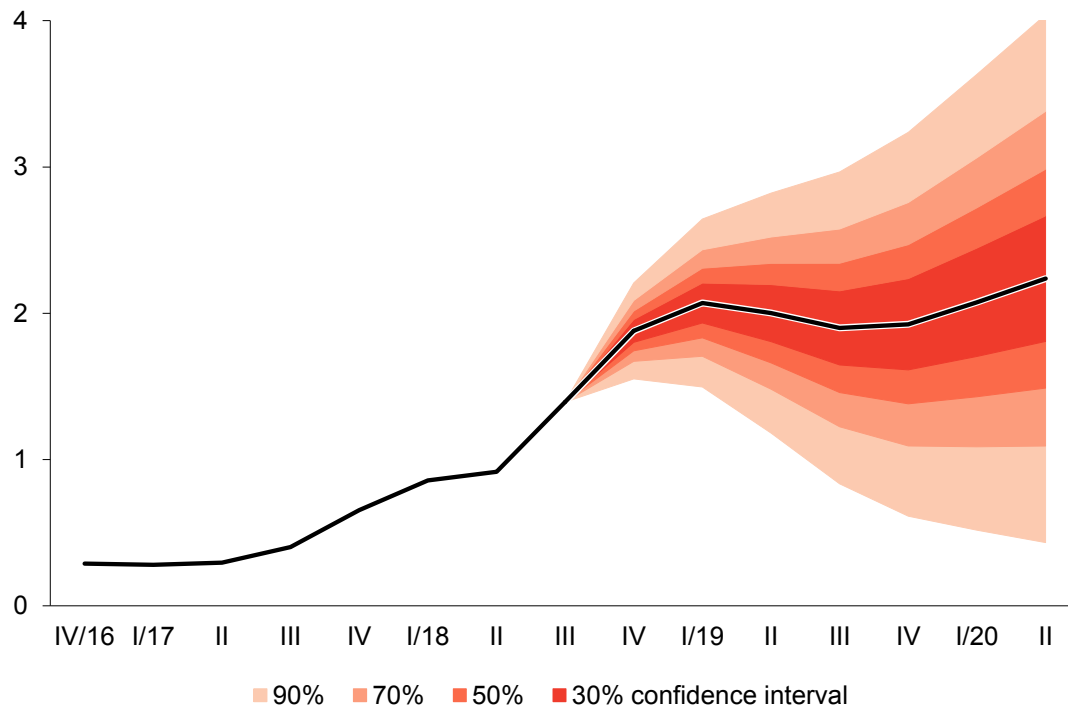
The forecast for GDP



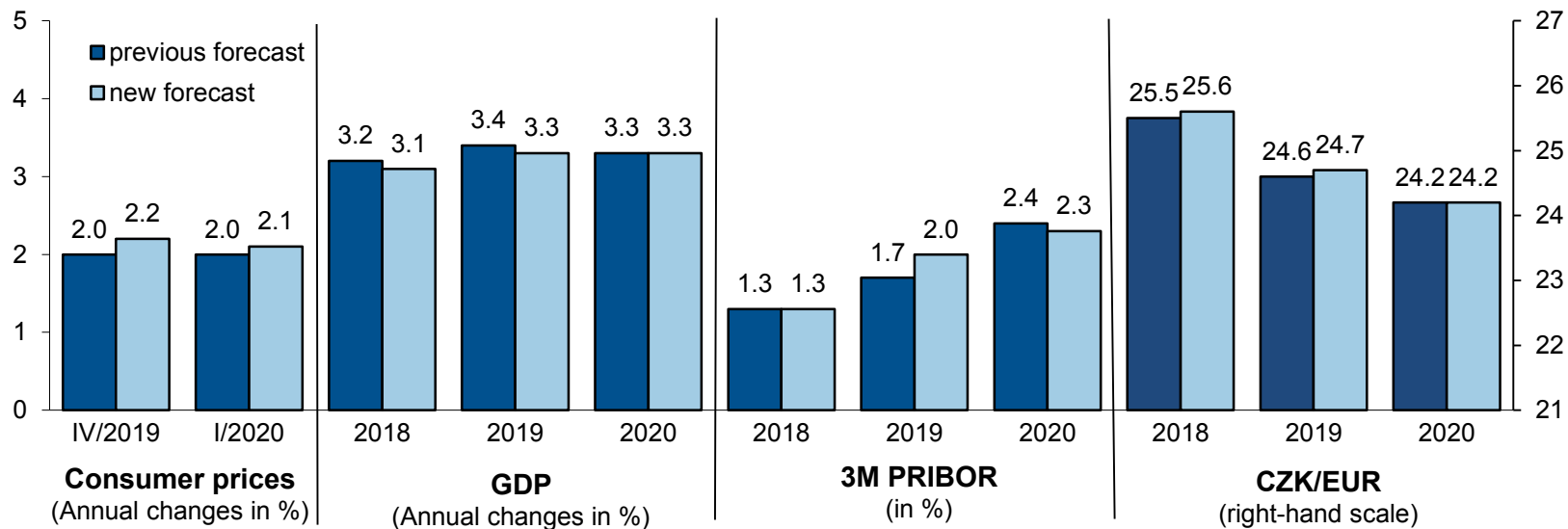
The forecast for the exchange rate (CZK/EUR)



The forecast for interest rates (3M PRIBOR)



Comparison with the previous forecast



Risks to the forecast

The Bank Board assessed the risks to the forecast at the monetary policy horizon as being slightly inflationary.

Inflationary risk:

- longer duration of global factors weakening koruna exchange rate

Uncertainties:

- growth in protectionist measures in global trade
- manner of Brexit
- budgetary situation in Italy
- fluctuating crude oil prices



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 IV/2018. The summary of the Report (together with boxes and the table of key macroeconomic indicators) will be published on 2 November 2018.

The whole Report will be published on 9 November 2018.