



Press conference of the CNB Bank Board

8th Situation Report on Economic and Monetary Developments

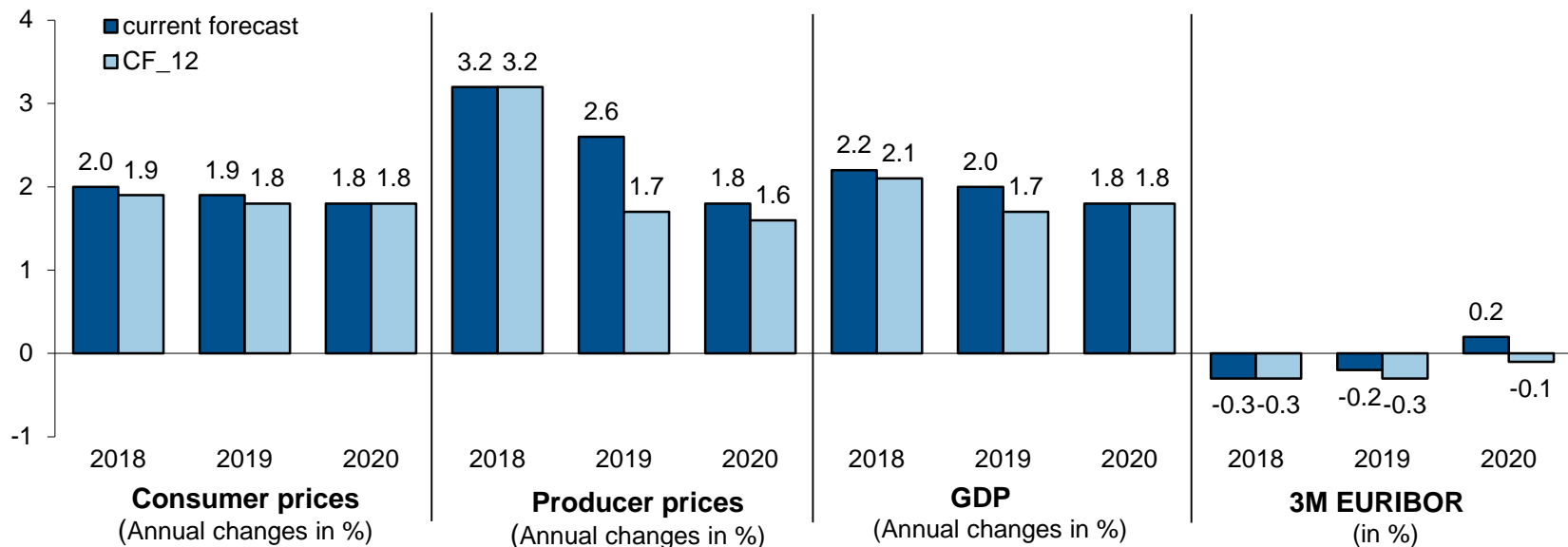
20 December 2018

The monetary policy decision

- At its meeting today, the CNB Bank Board kept interest rates unchanged. The two-week repo rate thus remains at 1.75%, the discount rate at 0.75% and the Lombard rate at 2.75%.
- Five members voted in favour of this decision, and two members voted for raising interest rates by 25 basis points.
- According to the current forecast, inflation will be above the 2% target in 2019 and return close to it at the monetary policy horizon, i.e. in late 2019 and early 2020.
- Consistent with this forecast is broad interest rate stability next year and then a continued rise in interest rates towards their long-run neutral level.
- The Bank Board assessed the risks to the current inflation forecast at the monetary policy horizon as being broadly balanced.

The external environment (i)

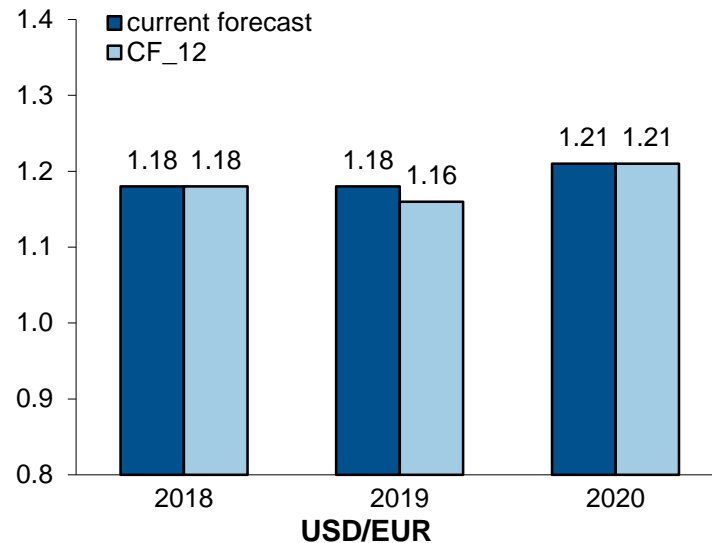
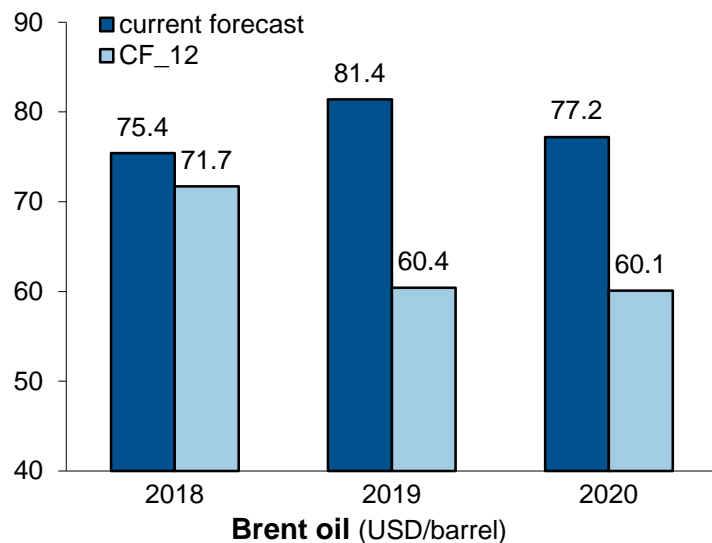
Comparison between the current forecast assumptions and the December outlook based on Consensus Forecasts survey and market expectations for the effective euro area*



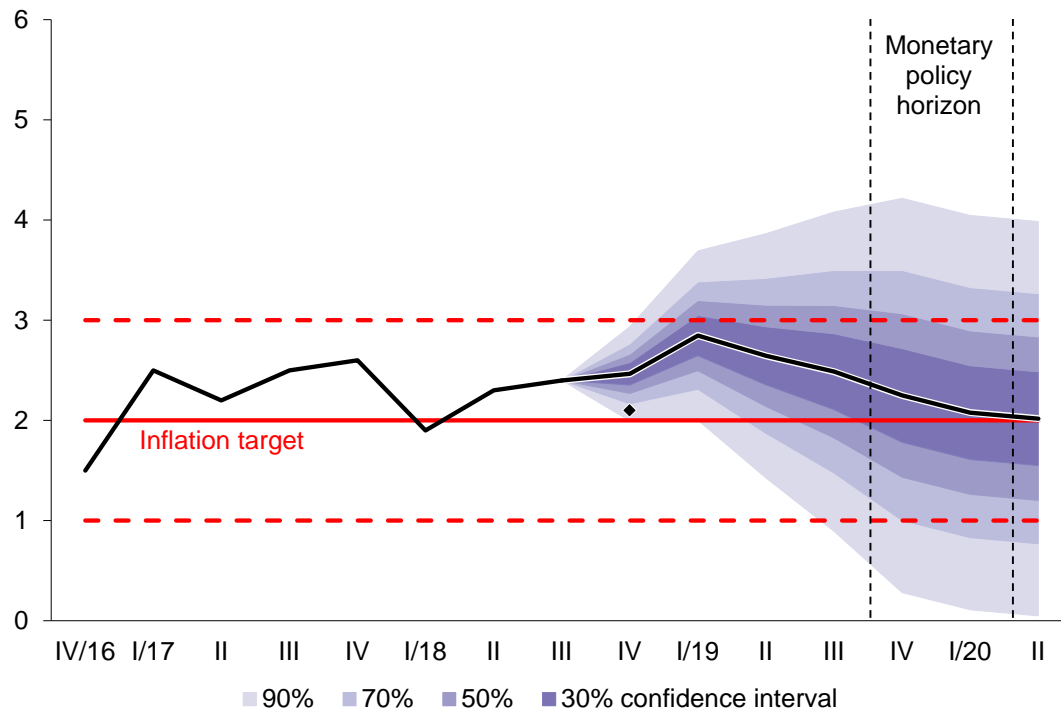
* Effective euro area means that the weights used in the calculations correspond to the share of individual euro area countries in total Czech exports into the euro area

The external environment (ii)

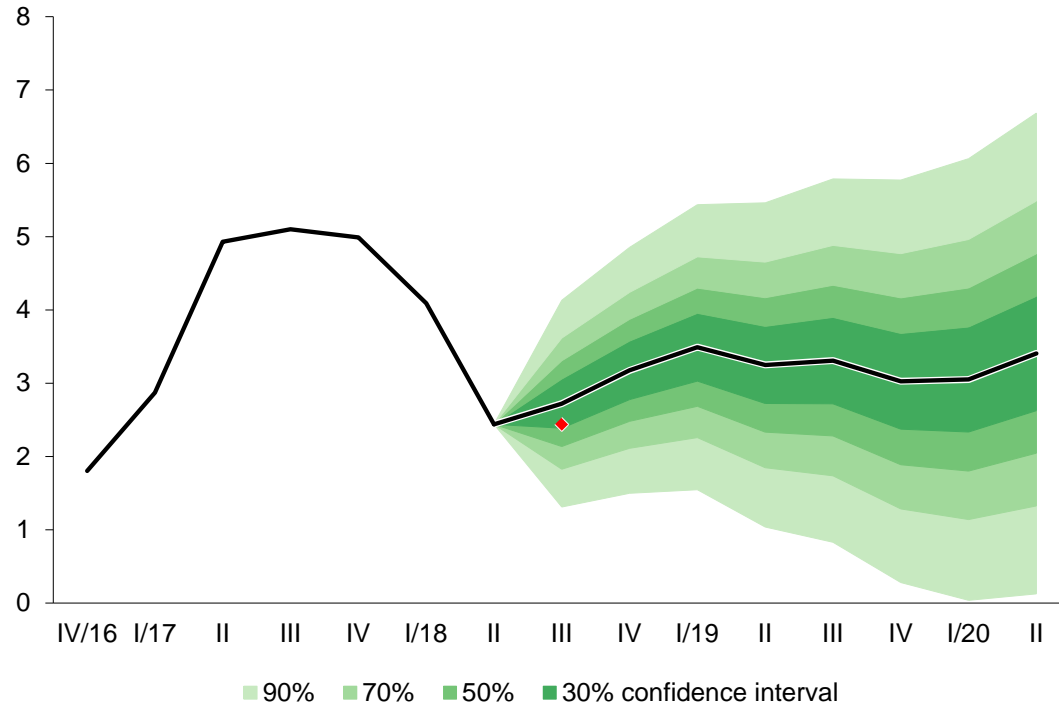
Comparison between the current forecast assumptions and the December outlook based on Consensus Forecasts survey and market expectations



The inflation forecast and expected outcome in 2018 Q4

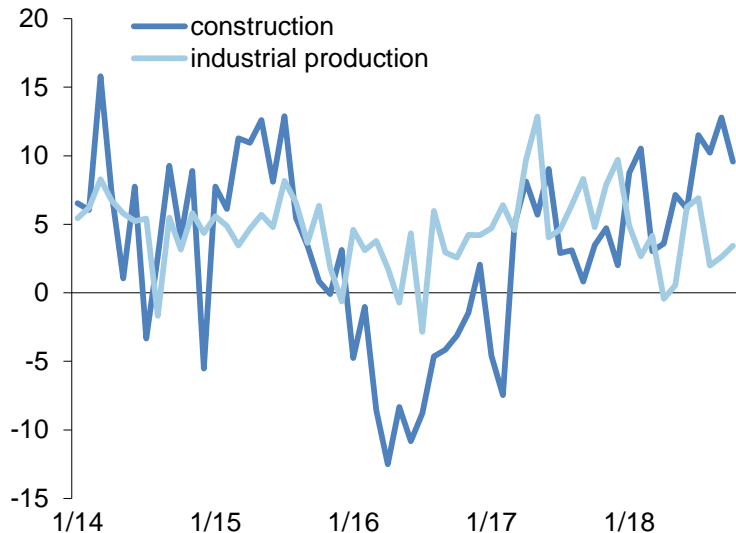


The GDP forecast and outcome in 2018 Q3

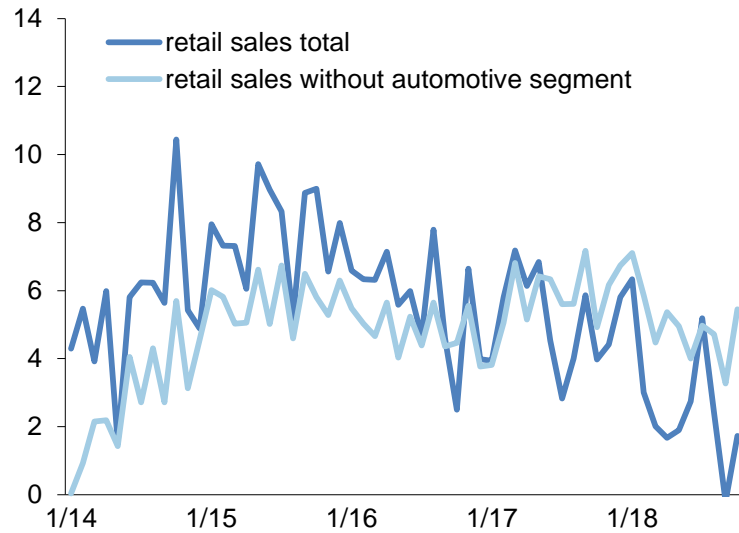


Industry, construction and retail sales

(Annual changes in %, s.a.)

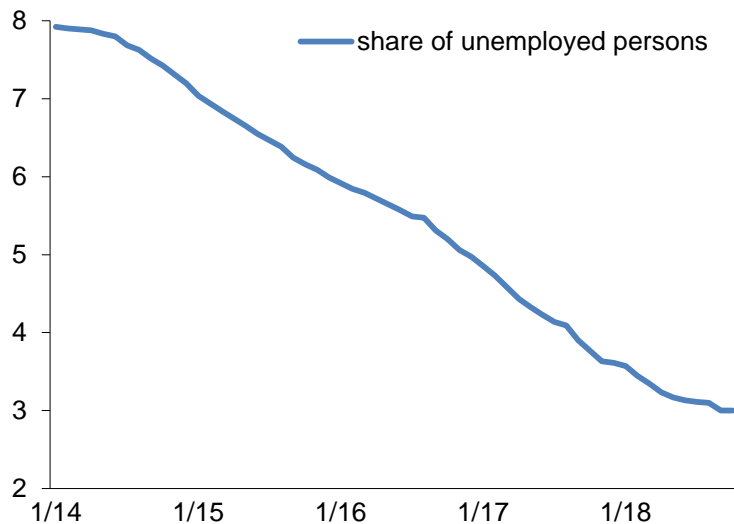


(Annual changes in %, s.a.)

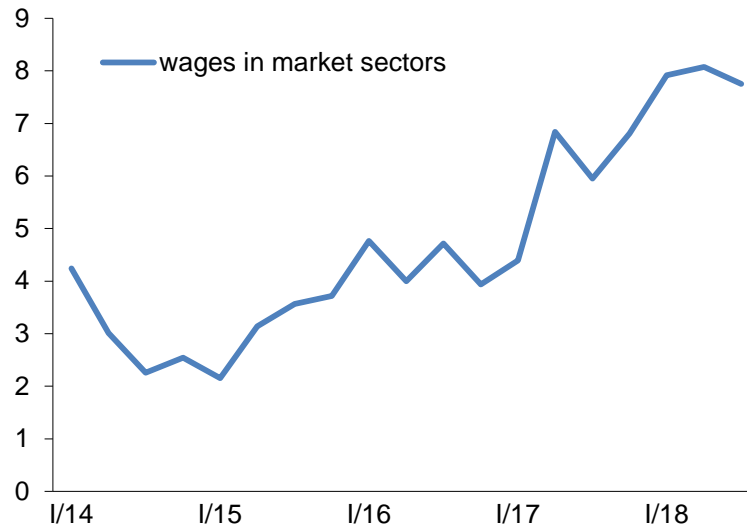


Labour market

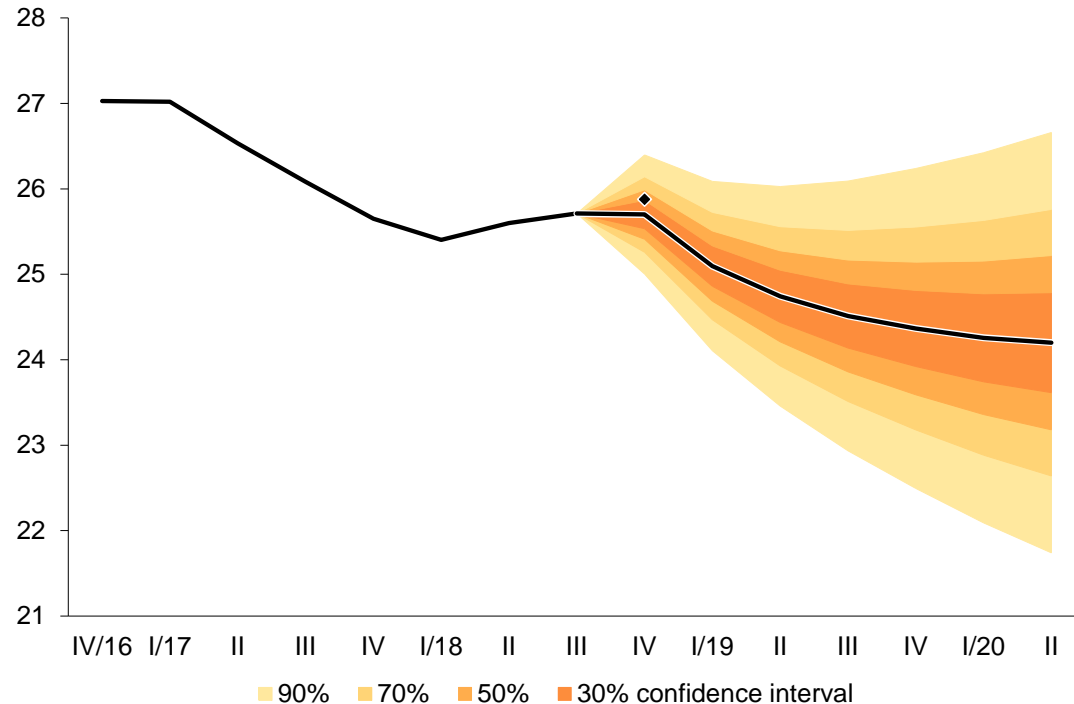
(in %, seasonally adjusted)



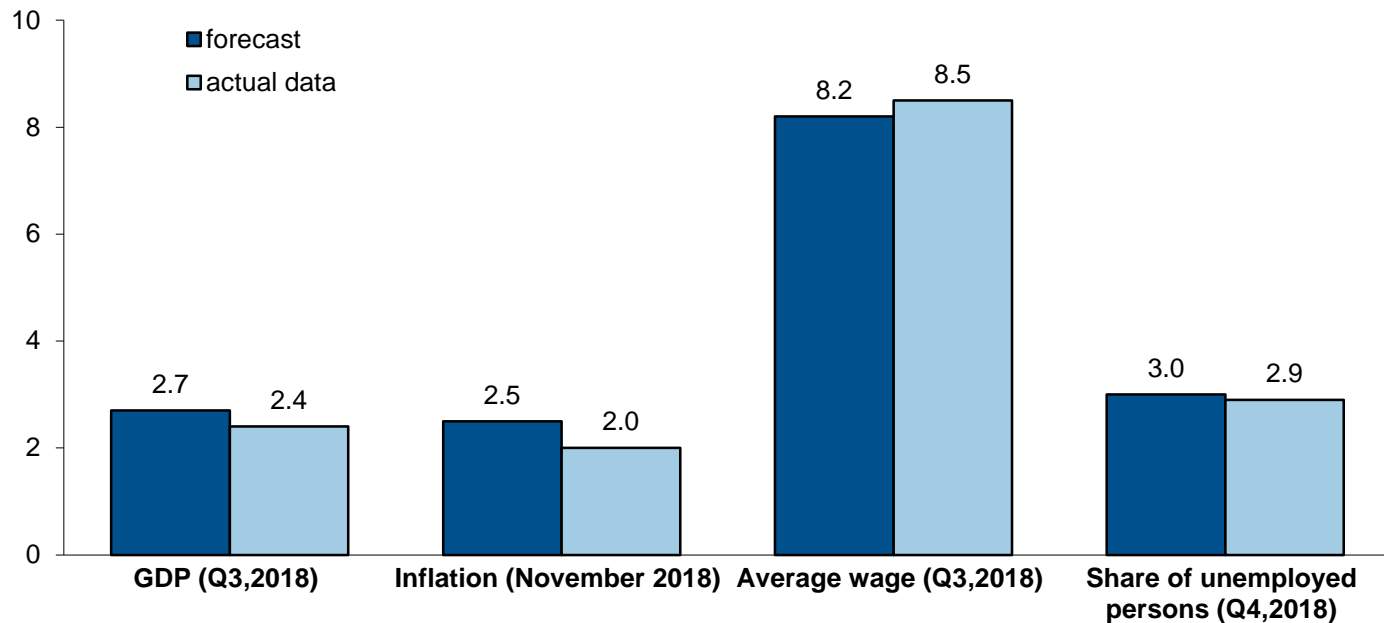
(Annual changes in %)



The CZK/EUR exchange rate forecast and outcome in 2018 Q4



Comparison of actual domestic data with the CNB forecast



Notes: annual changes in %, share of unemployed persons in % (comparison of s.a. outcomes in October and November with the forecast for 2018 Q4)

Risks to the current forecast

The Bank Board assessed the risks to the forecast at the monetary policy horizon as being broadly balanced.

Anti-inflationary risks:

- lower-than-forecasted inflation
- developments abroad, including a marked decline in oil prices

Inflationary risk:

- weaker koruna exchange rate



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 4 January 2019 at

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