



# Press conference of the CNB Bank Board

## **2nd Situation Report on Economic and Monetary Developments**

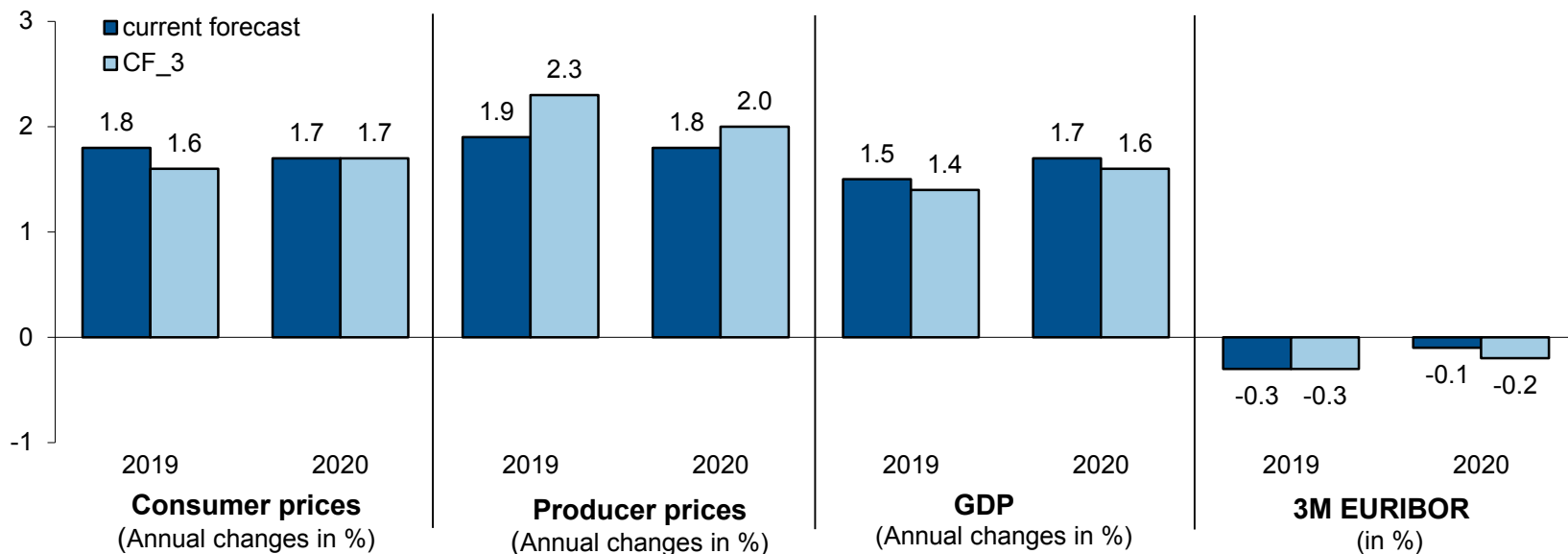
28 March 2019

# The monetary policy decision

- At its meeting today, the CNB Bank Board left 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.
- Following a temporary increase in inflation in the first half of this year, the current forecast expects inflation to return to the 2% target and to remain very close to it at the monetary policy horizon.
- Consistent with the forecast is broad interest rate stability.
- The Bank Board assessed the risks to the current forecast as being broadly balanced.

# The external environment (i)

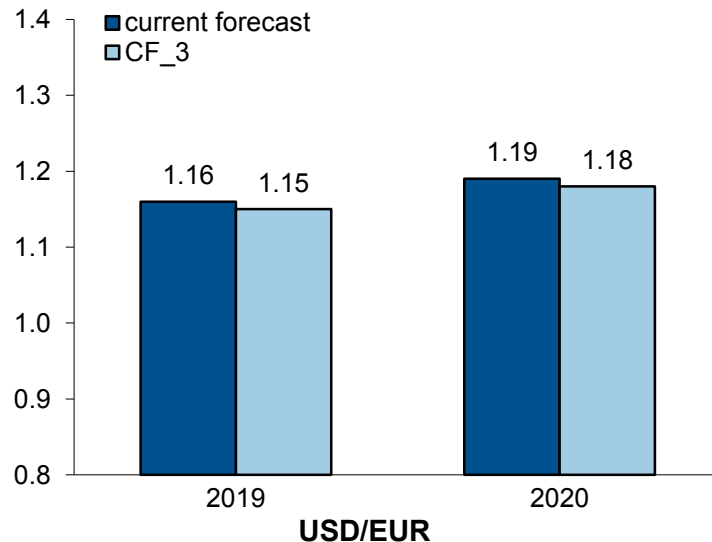
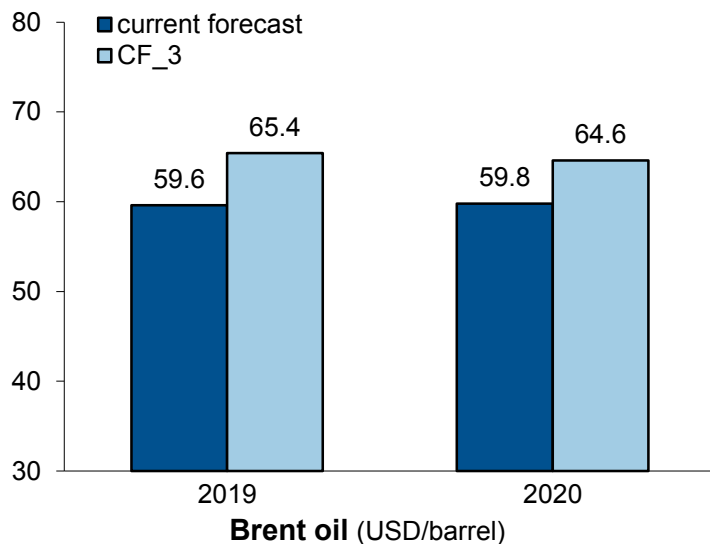
Comparison between the current forecast assumptions and the March outlook based on Consensus Forecasts survey and market expectations for the effective euro area\*



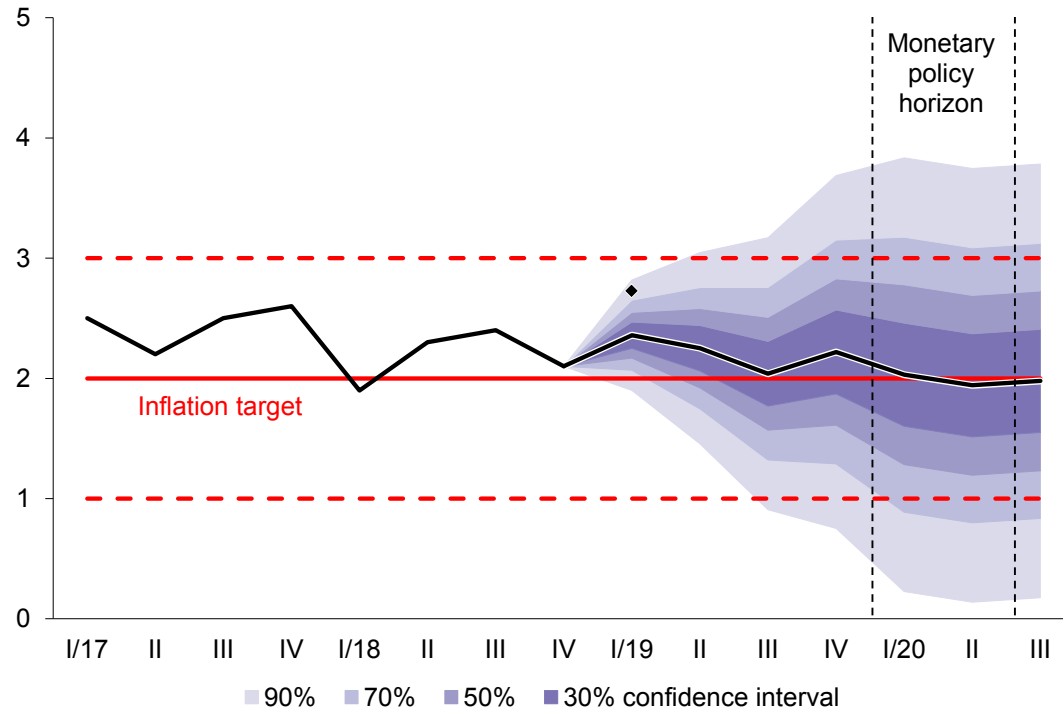
\* Effective euro area means that the weights used in the calculation are equal to the shares of the individual euro area countries in the total exports of the Czech Republic to the euro area

# The external environment (ii)

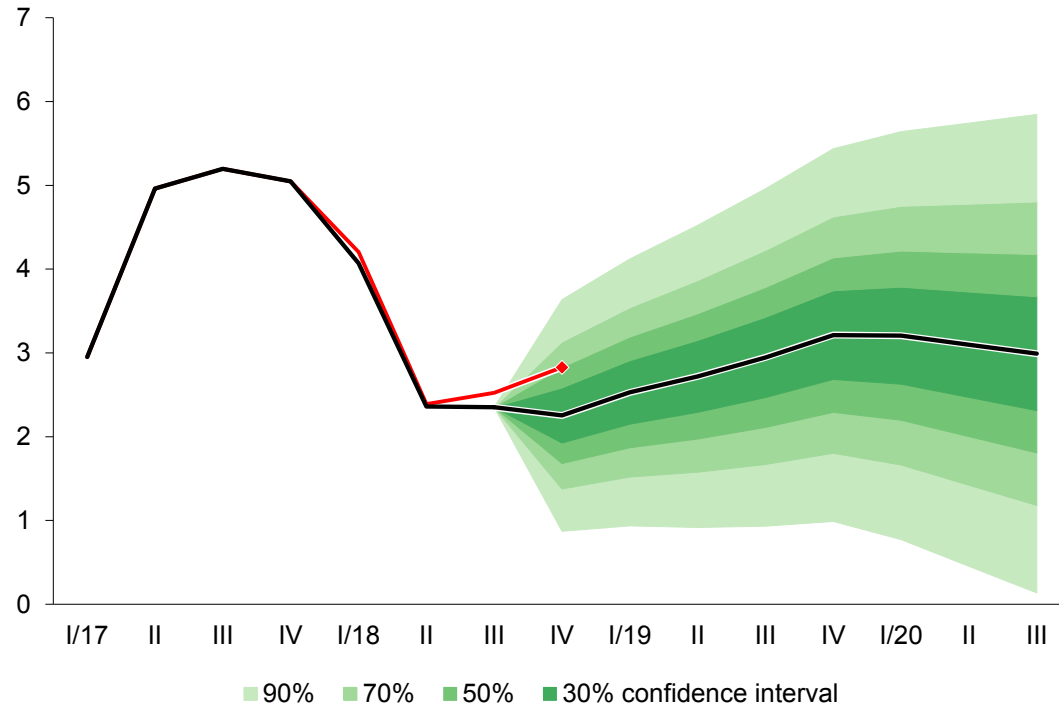
Comparison between the current forecast assumptions and the March outlook based on Consensus Forecasts survey and market expectations



# The inflation forecast and expected outcome in 2019 Q1

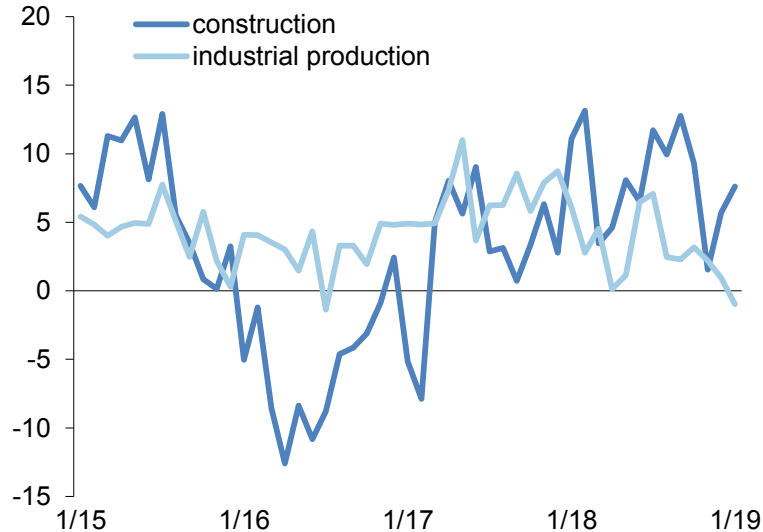


# The GDP forecast and outcome in 2018 Q4

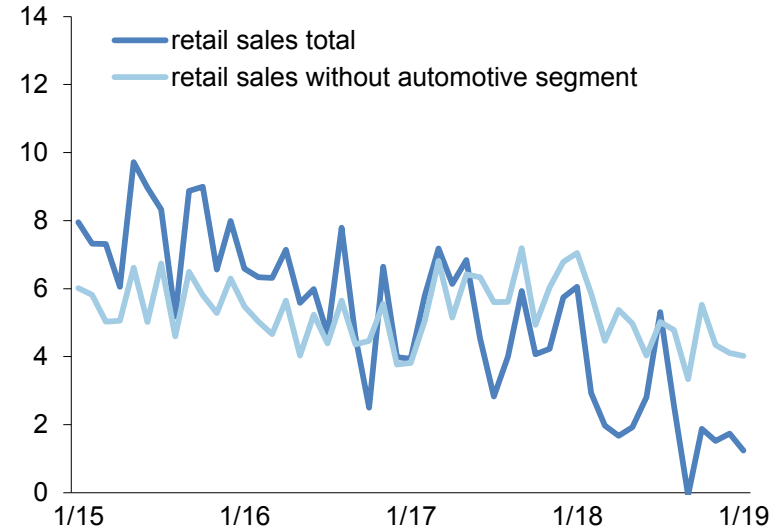


# Industry, construction and retail sales

(Annual changes in %, s.a.)

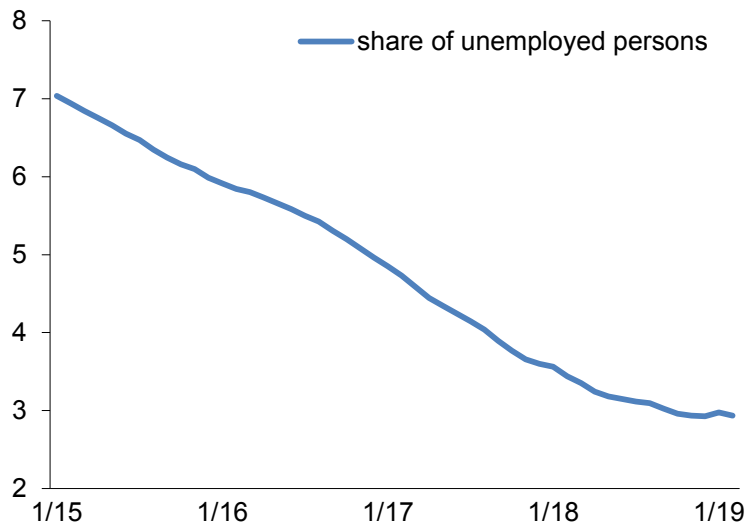


(Annual changes in %, s.a.)

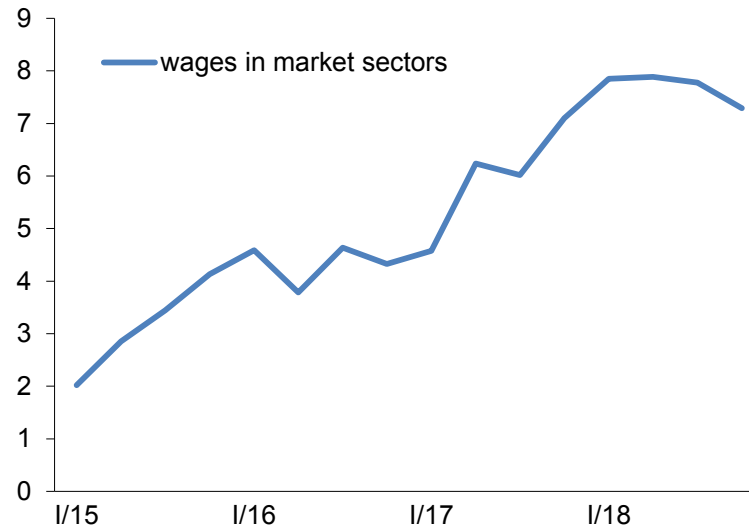


# Labour market

(in %, seasonally adjusted)

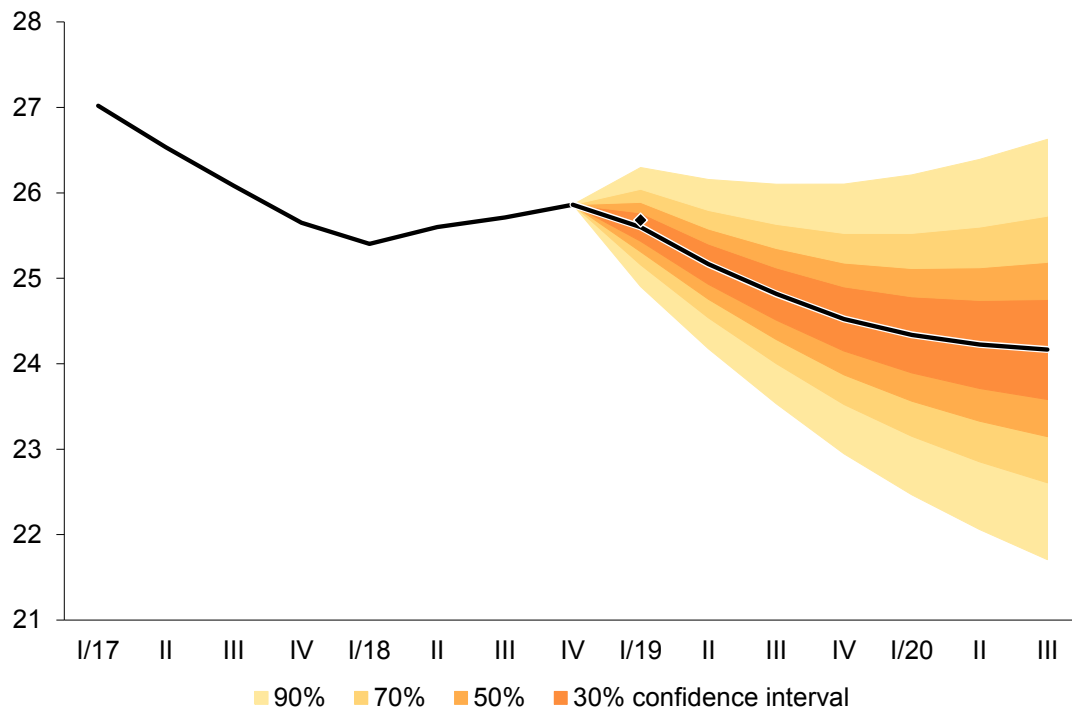


(Annual changes in %)

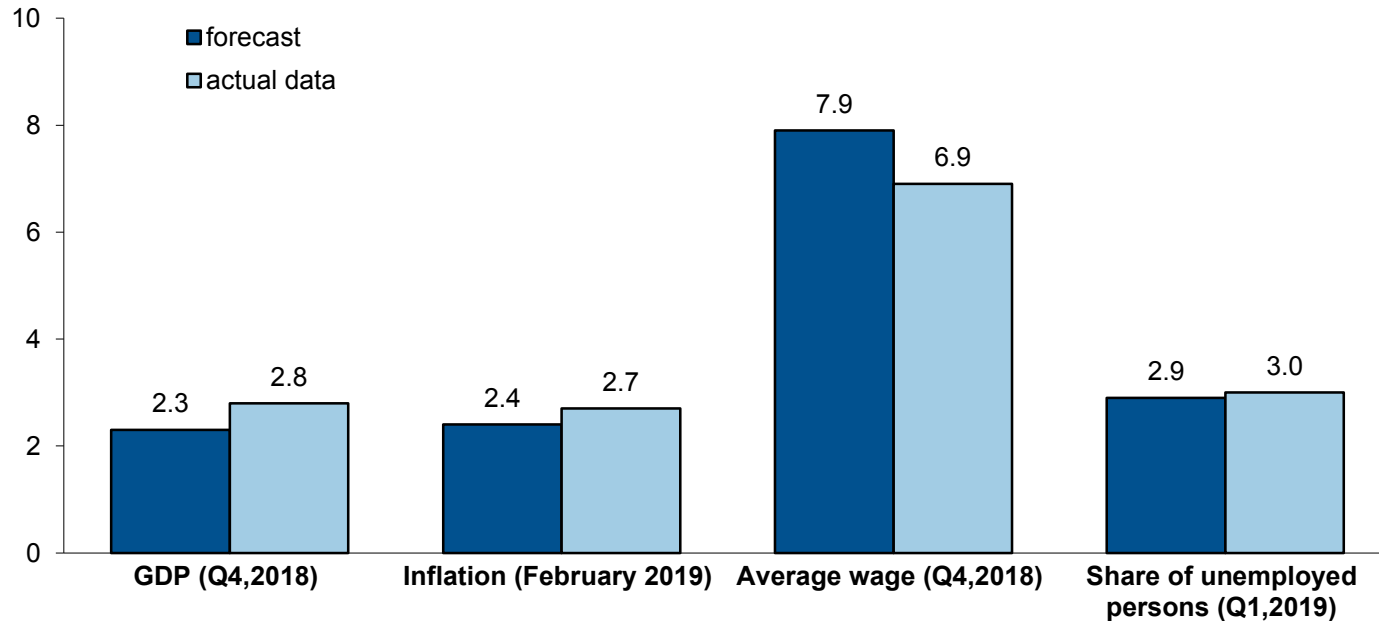




# The CZK/EUR exchange rate forecast and outcome in 2019 Q1



# Comparison of actual domestic data with the CNB forecast



Notes: annual changes in %, the share of unemployed persons in % (comparison of s.a. outcomes in January and February with the forecast for 2019 Q1)

# Risks to the current forecast

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

## ***Inflationary risk:***

- slower-than-forecasted future appreciation of the koruna

## ***Anti-inflationary risks:***

- stronger cyclical slowdown of the global economy
- faster unwinding of domestic inflation pressures

## ***Uncertainties:***

- disorderly Brexit
- growth in protectionist measures in global trade



# 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 5 April 2019 at

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