



Press conference of the CNB Bank Board

4th Situation Report on Economic and Monetary Developments

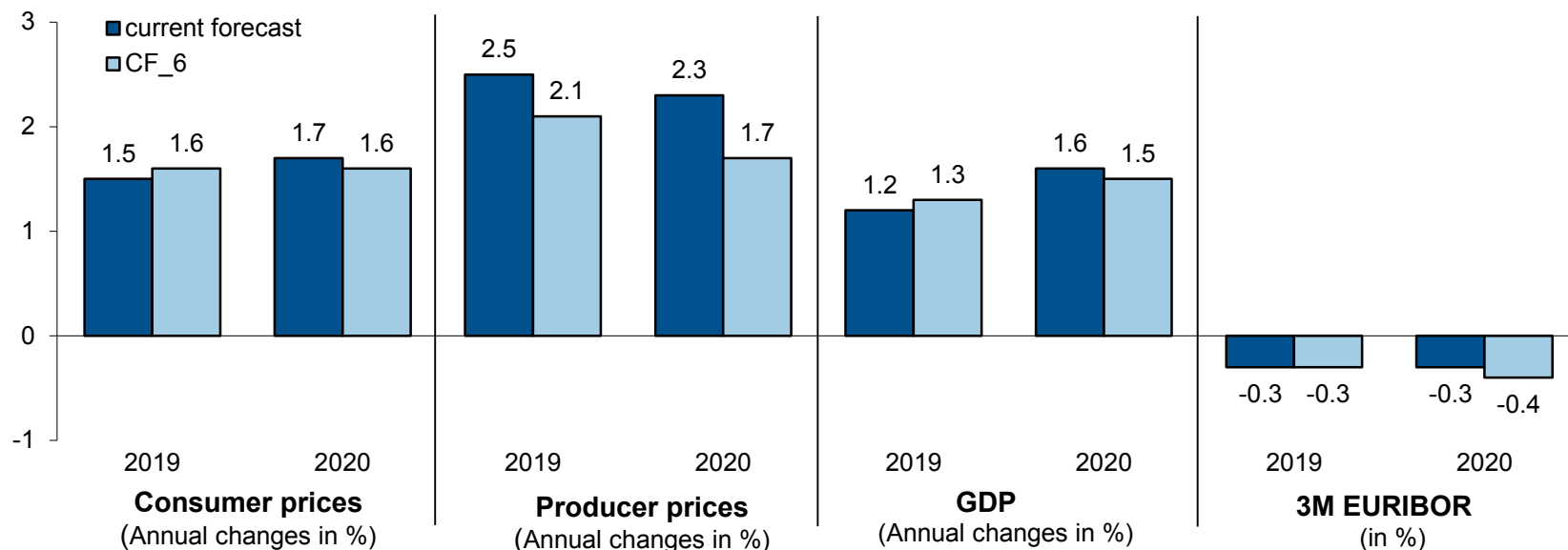
26 June 2019

The monetary policy decision

- At its meeting today, the CNB Bank Board left interest rates unchanged. The two-week repo rate thus remains at 2%, the discount rate at 1% and the Lombard rate at 3%.
- Six members voted in favour of this decision, and one member voted for raising interest rates by 25 basis points.
- The current forecast expects inflation to stay in the upper half of the tolerance band around the 2% inflation target this year and decrease to the target at the start of next year.
- Following the increase in May, broad interest rate stability until mid-2020 is consistent with the forecast.
- The Bank Board assessed the risks to the current forecast as being balanced.

The external environment (i)

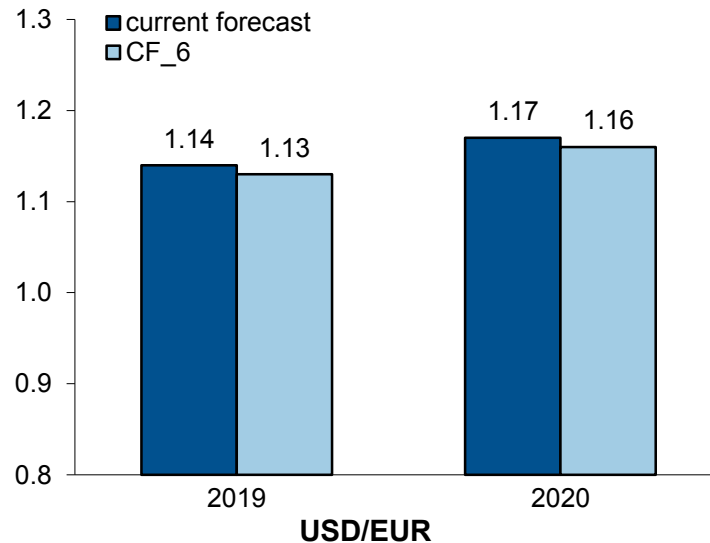
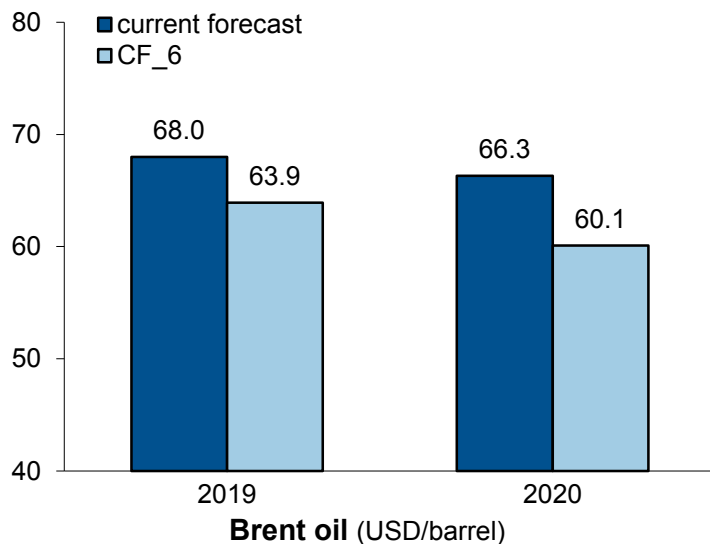
Comparison between the current forecast assumptions and the June outlook based on Consensus Forecasts survey and market expectations for the effective euro area*



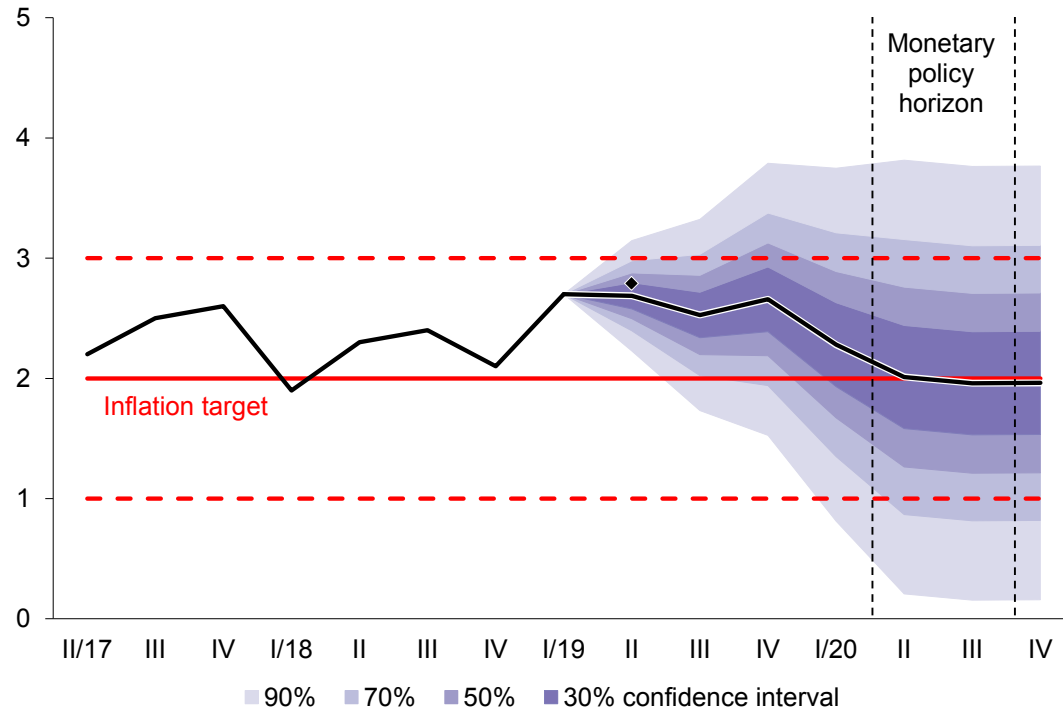
* Effective euro area means that the weights used in the calculation are equal to the shares of the individual euro area countries in the total exports of the Czech Republic to the euro area

The external environment (ii)

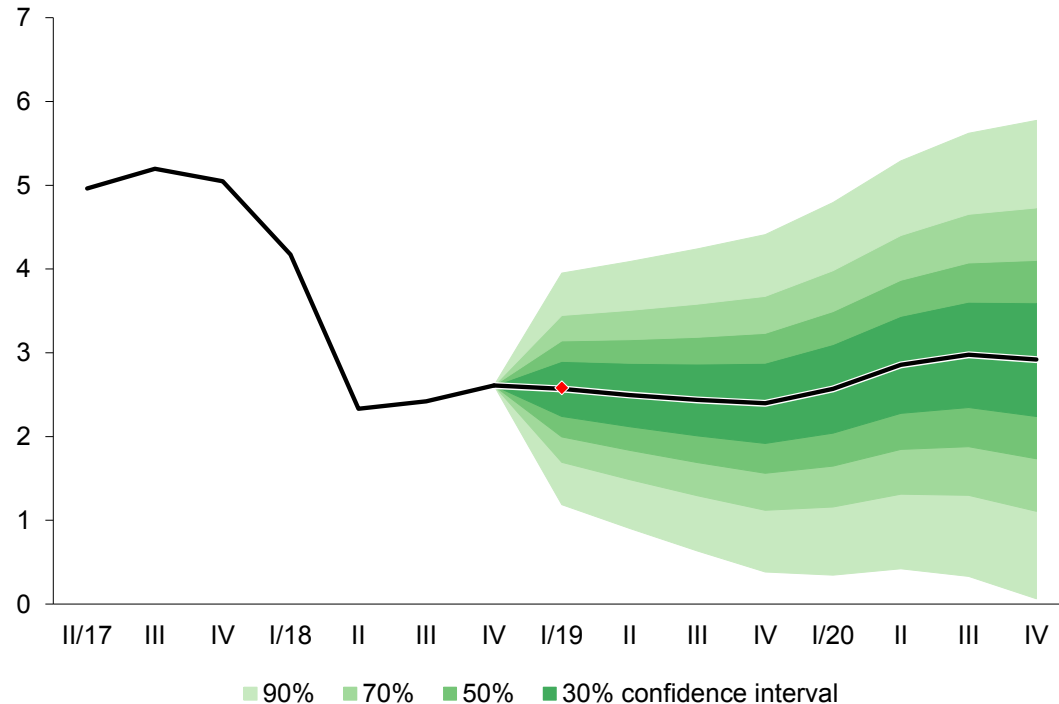
Comparison between the current forecast assumptions and the June outlook based on Consensus Forecasts survey and market expectations



The inflation forecast and expected outcome in 2019 Q2

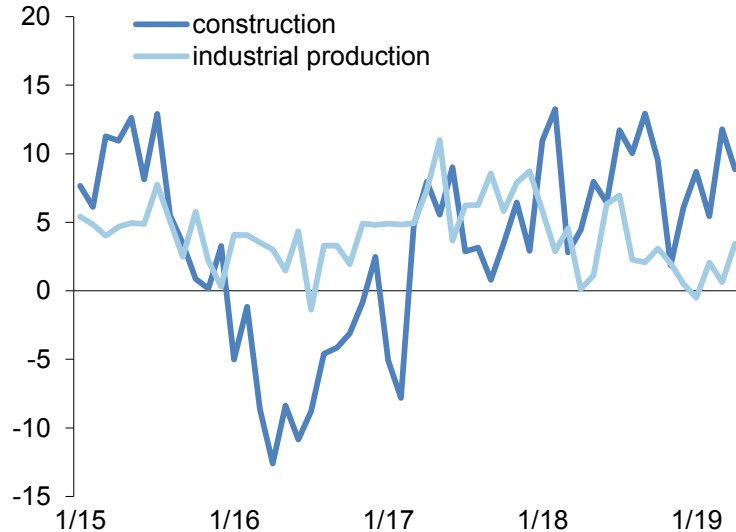


The GDP forecast and outcome in 2019 Q1

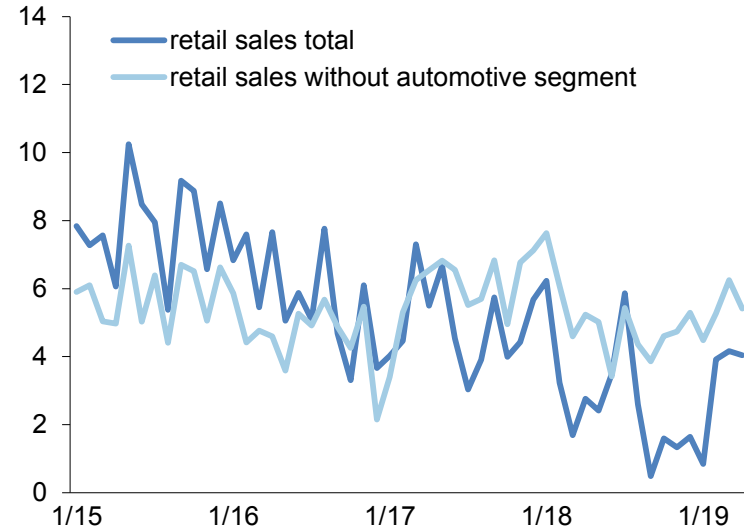


Industry, construction and retail sales

(Annual changes in %, s.a.)

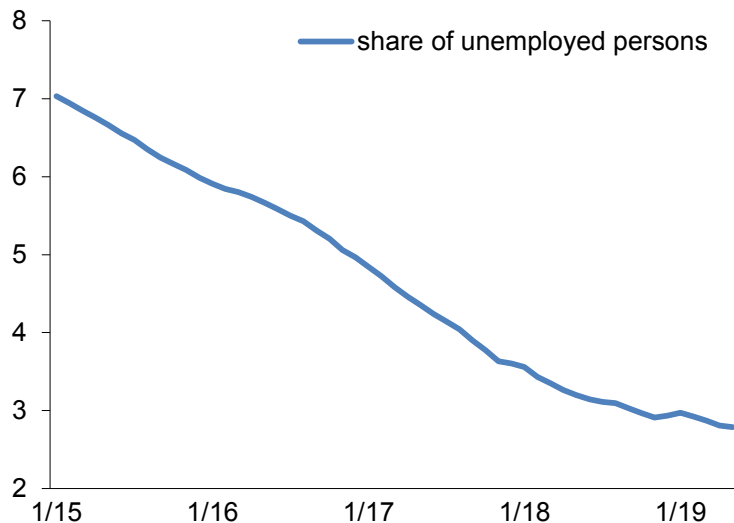


(Annual changes in %, s.a.)



Labour market

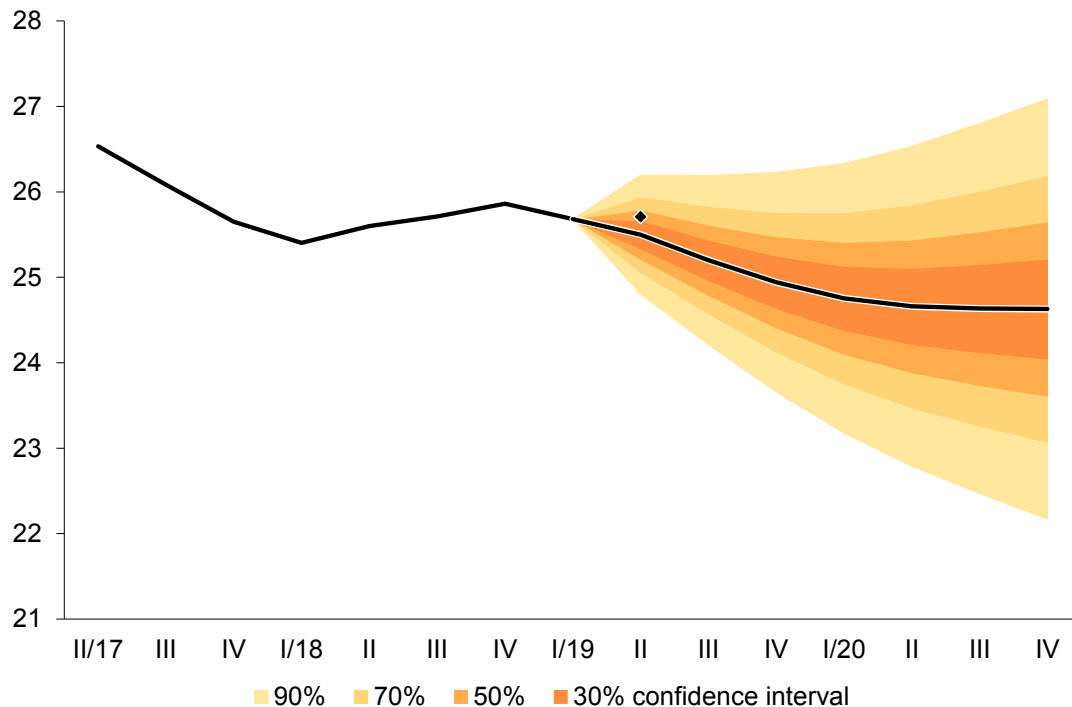
(In %, seasonally adjusted)



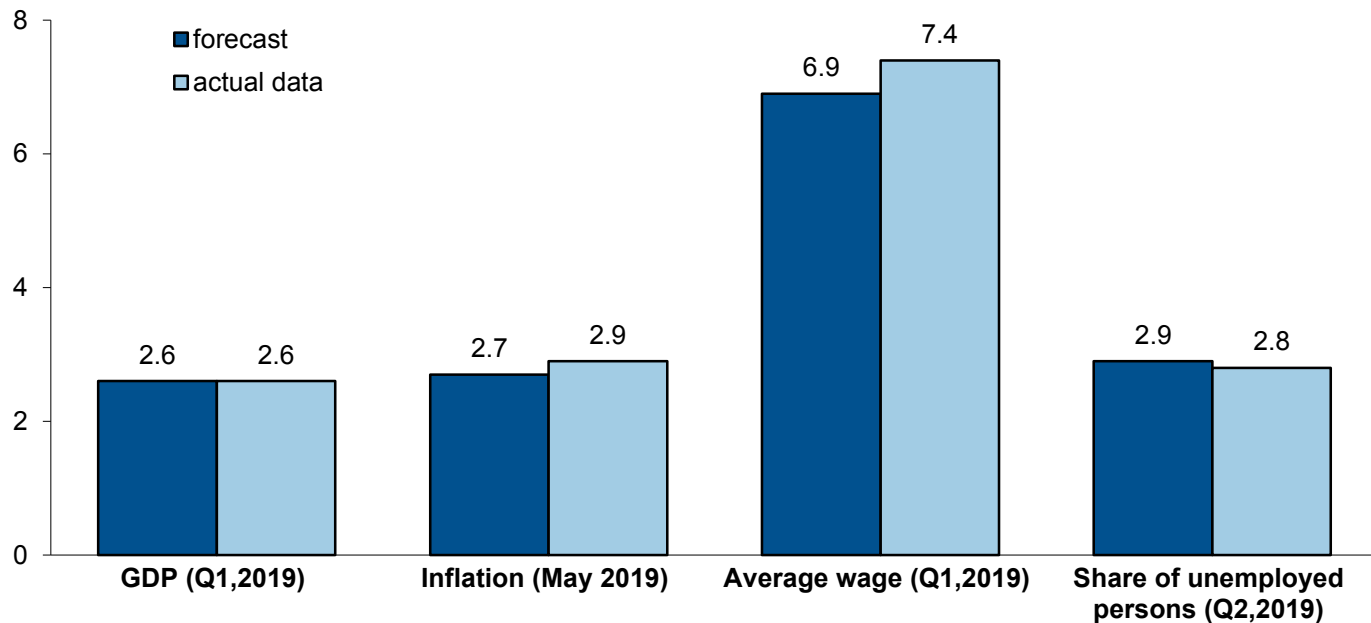
(Annual changes in %)



The CZK/EUR exchange rate forecast and outcome in 2019 Q2



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 April and May with the forecast for 2019 Q2)

Risks to the current forecast

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

Main risks and uncertainties:

- impacts of protectionist measures in global trade
- more pronounced and potentially more protracted slowdown in economic growth in the euro area
- koruna exchange rate developments



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 12 July 2019 at

<https://www.cnb.cz/en/monetary-policy/bank-board-decisions/>