



# Press conference of the CNB Bank Board

## **8th Situation Report on Economic and Monetary Developments**

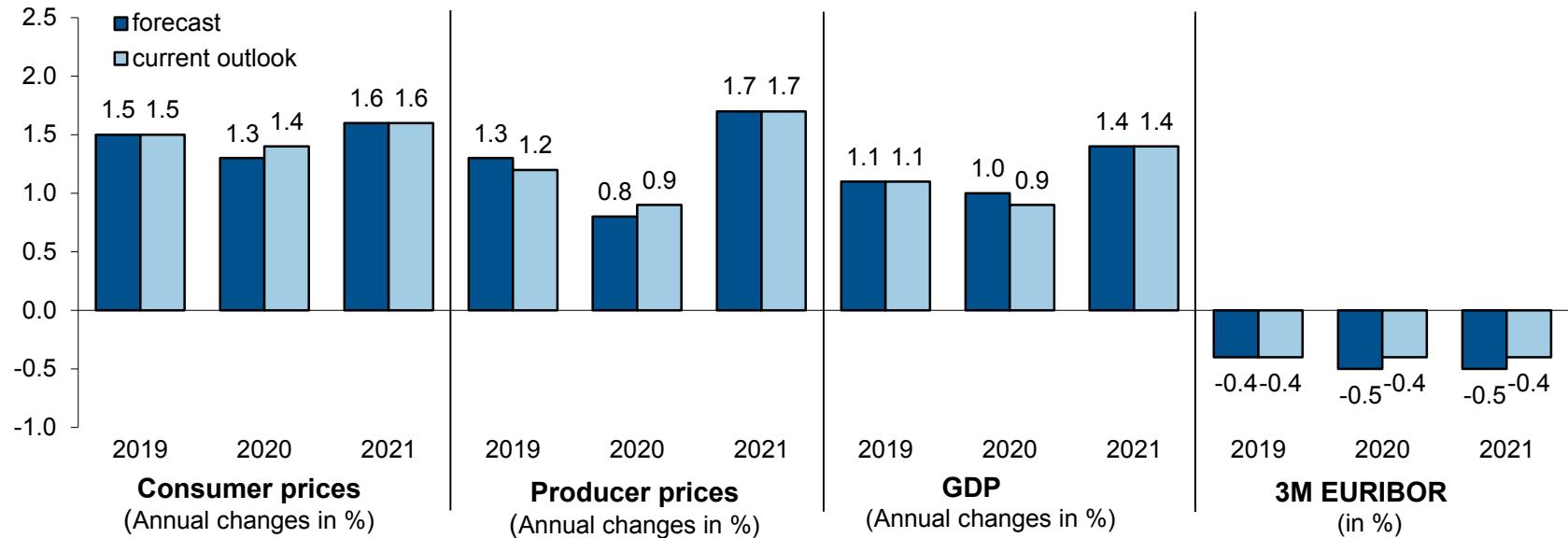
18 December 2019

# The monetary policy decision

- At its meeting today, the CNB Bank Board kept interest rates unchanged. The two-week repo rate thus remains at 2%, the discount rate at 1% and the Lombard rate at 3%.
- Five members voted in favour of this decision, and two members voted for increasing interest rates by 25 basis points.
- Inflation will be close to the upper boundary of the tolerance band around the inflation target in the quarters ahead and will converge towards the 2% target over the monetary policy horizon.
- Consistent with the current forecast is a rise in domestic market interest rates in this quarter and the next, followed by a decline from mid-2020.
- The Bank Board, however, assessed the risks to the current forecast as being tilted towards lower-than-forecasted interest rates in the coming quarters.

# The external environment (i)

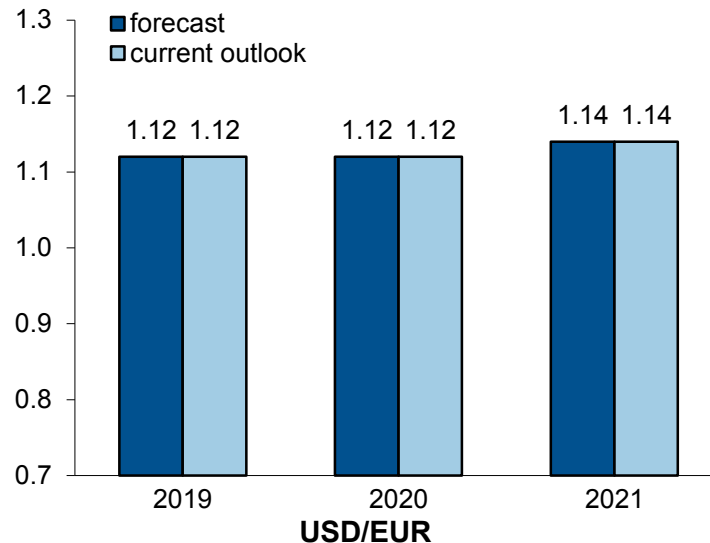
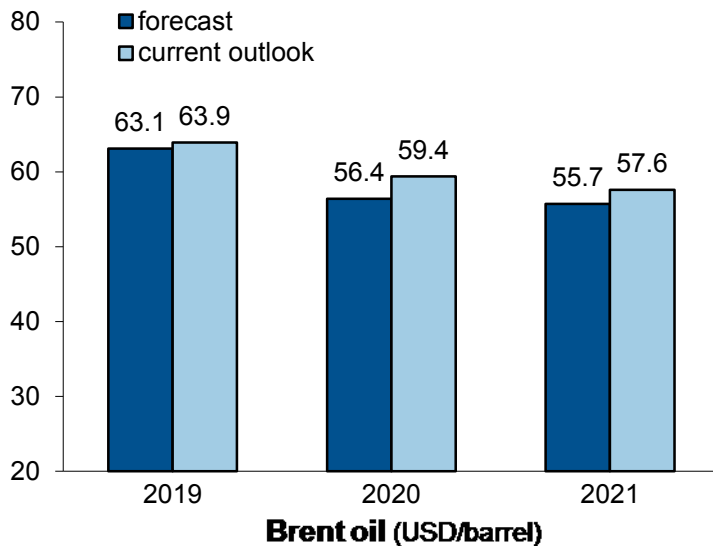
Comparison between the CNB forecast assumptions and the current outlook for the effective euro area\*



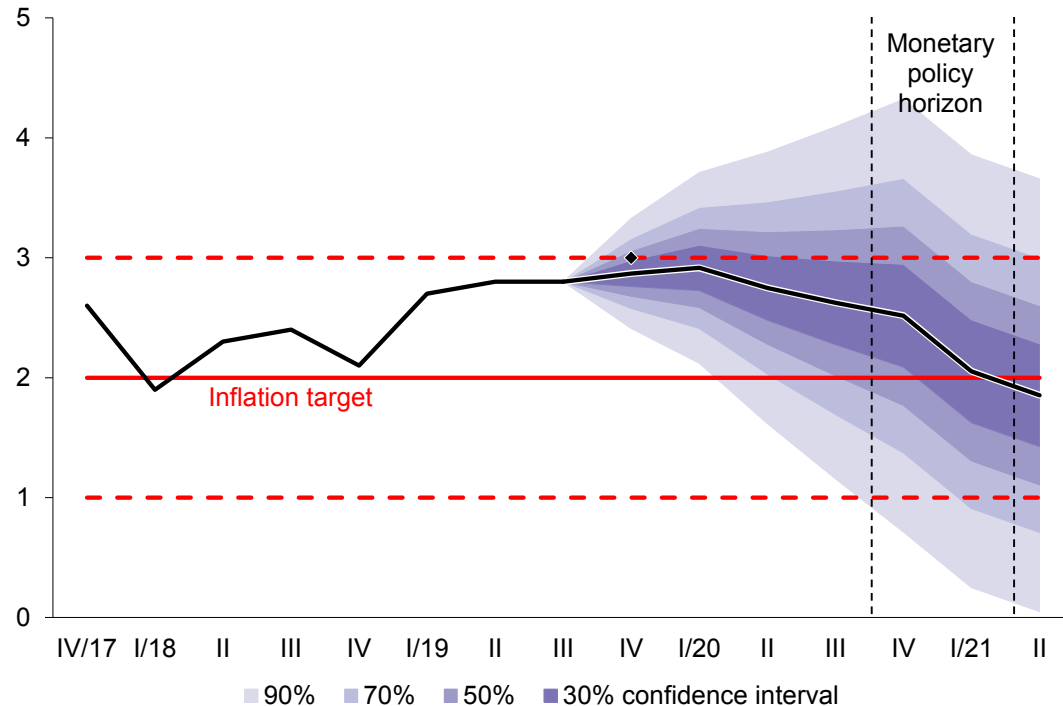
\* Effective euro area means that the weights used in the calculation are equal to the shares of the individual euro area countries in the total exports of the Czech Republic to the euro area

# The external environment (ii)

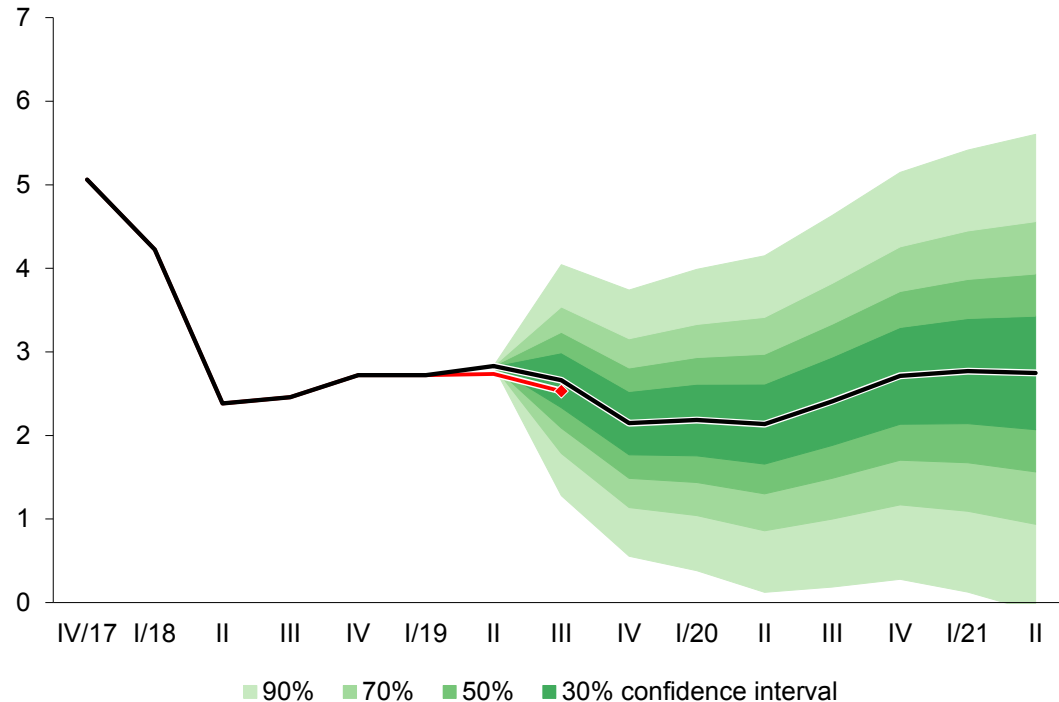
Comparison between the CNB forecast assumptions and the current outlook



# The inflation forecast and expected outcome in 2019 Q4

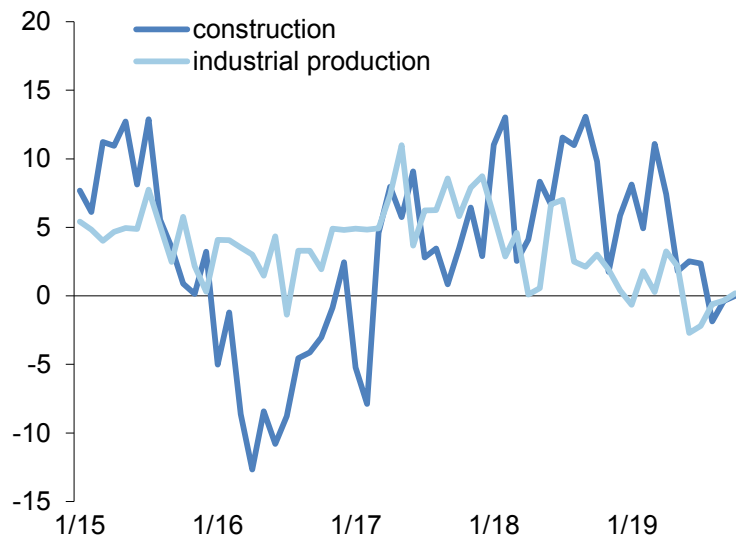


# The GDP forecast and outcome in 2019 Q3

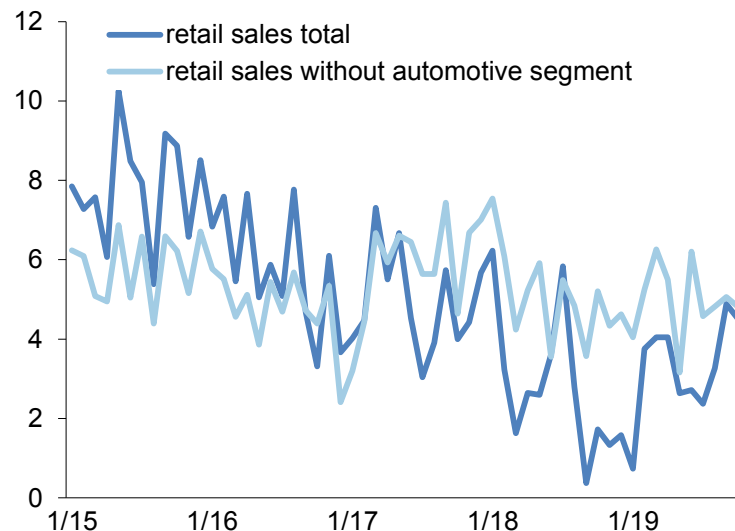


# Industry, construction and retail sales

(Annual changes in %, s.a.)

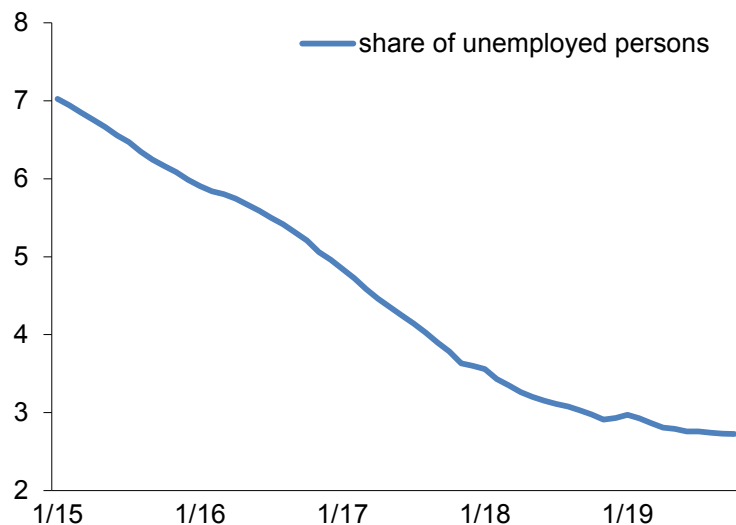


(Annual changes in %, s.a.)



# Labour market

(in %, seasonally adjusted)

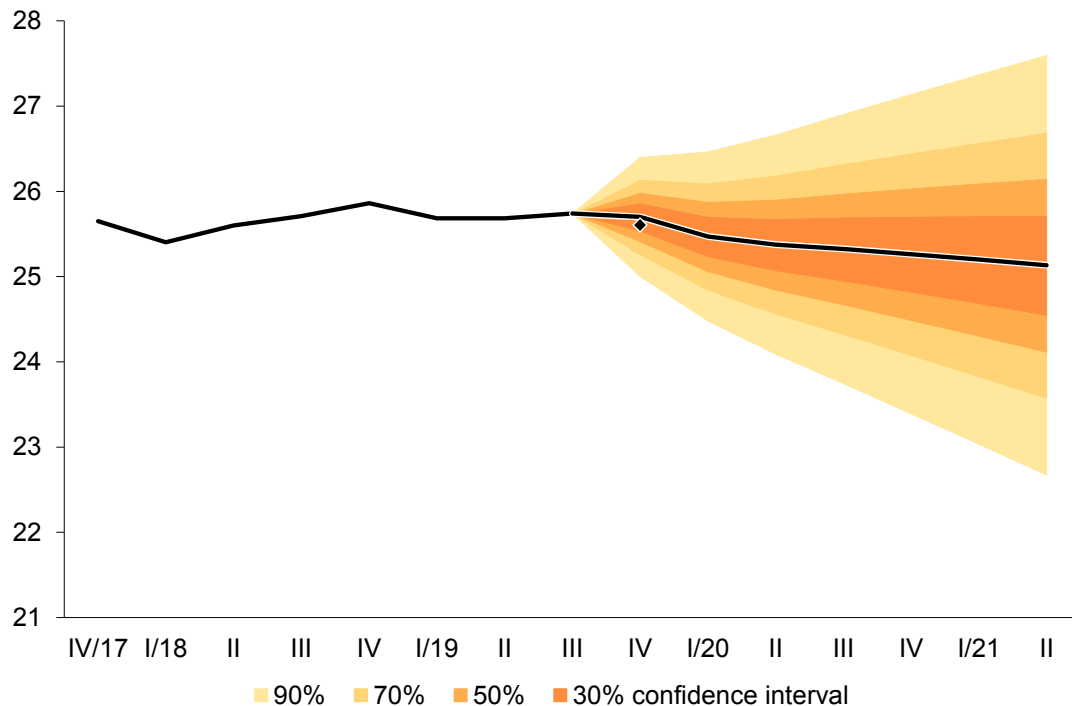


(Annual changes in %)

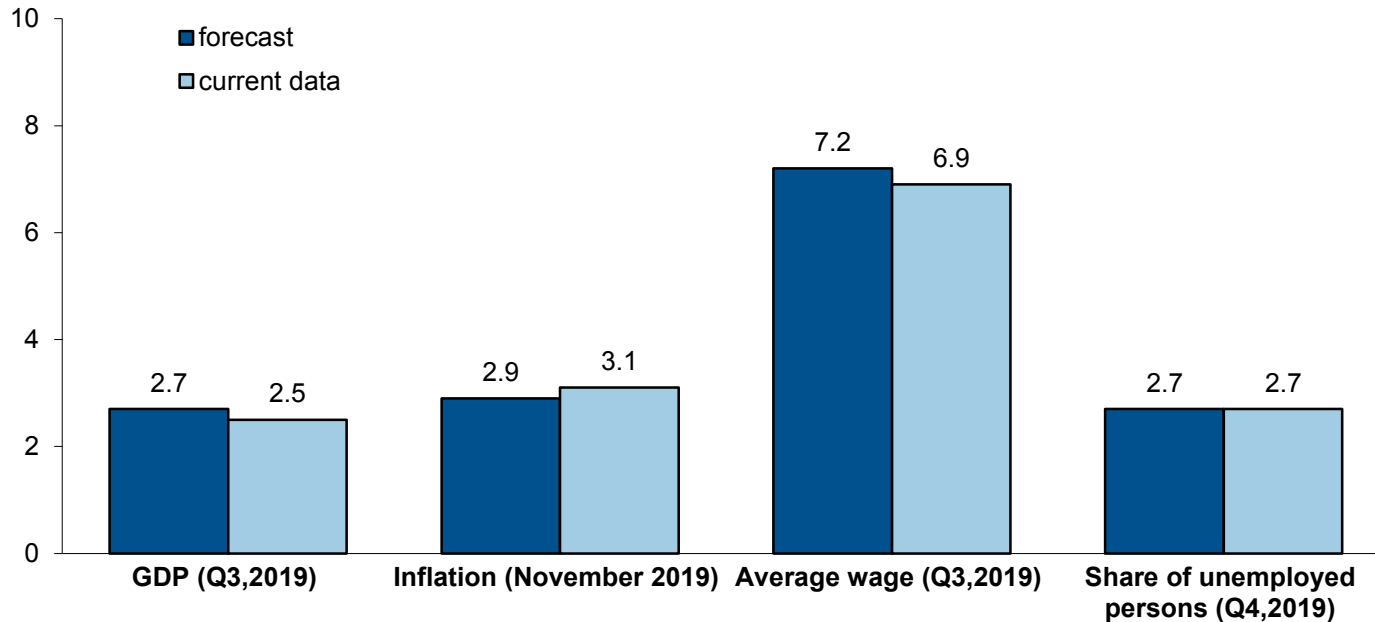




# The CZK/EUR exchange rate forecast and outcome in 2019 Q4



# Comparison of current domestic data with the CNB forecast



Notes: annual changes in %, the share of unemployed persons in % (comparison of s.a. outcomes in October and November with the forecast for 2019 Q4)



# Risks to the current forecast

The Bank Board assessed the risks to the current forecast as being tilted towards lower-than-forecasted interest rates in the coming quarters.

## **Major risks and uncertainties:**

- uncertainties regarding the situation abroad have decreased slightly
- more marked transmission of the previous external demand slowdown to the domestic economy is being observed



# 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 3 January 2020 at

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