

---

# 1st Situation Report on Economic and Monetary Developments

Press conference of the Bank Board



## Monetary policy decision

At its meeting today, the CNB Bank Board increased the two-week repo rate (2W repo rate) by 25 basis points to 2.25%. At the same time, the Lombard rate was increased to 3.25% and the discount rate to 1.25%.

**2.25%**

2W repo  
rate

**1.25%**

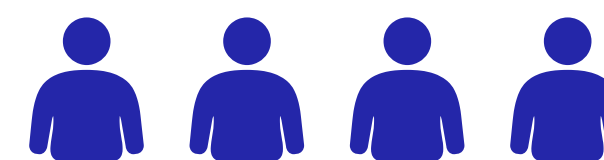
Discount  
rate

**3.25%**

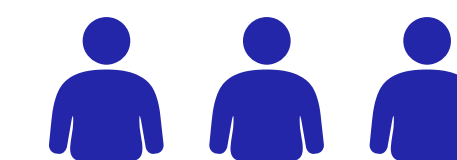
Lombard  
rate

Four members voted in favour of this decision, and three members voted for keeping interest rates unchanged.

**FOR INCREASE**



**FOR NO CHANGE**

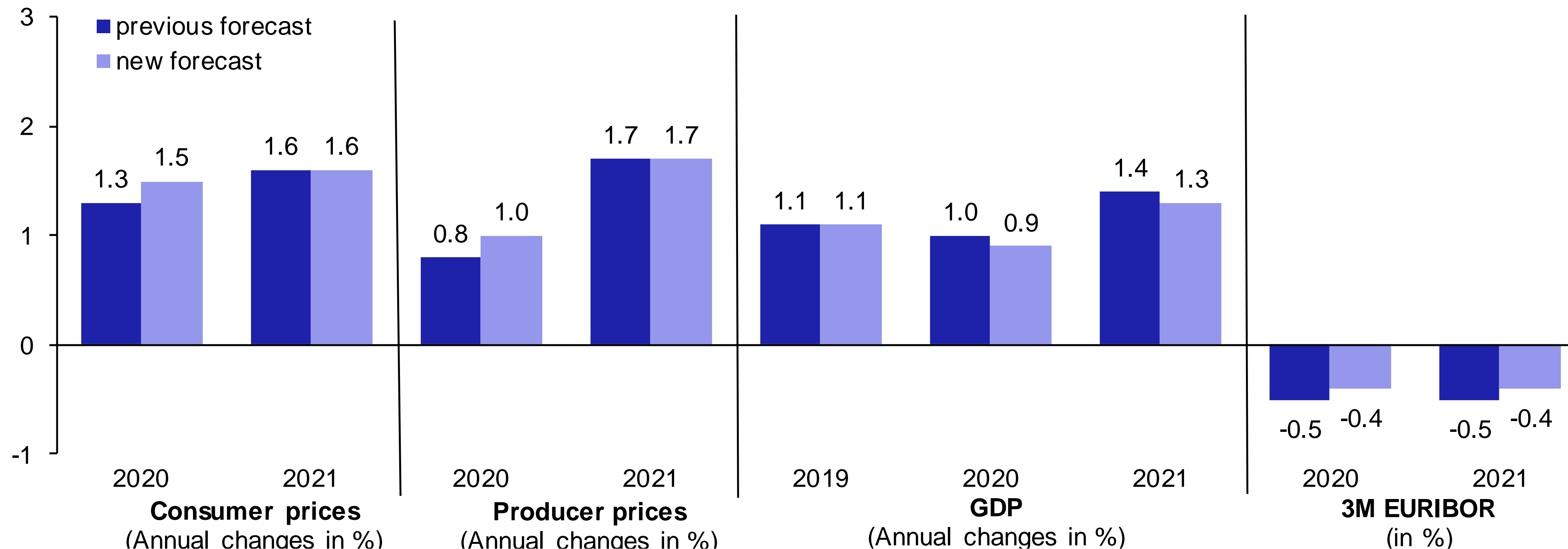


The decision adopted by the Bank Board is underpinned by **the CNB's new macroeconomic forecast**.

Consistent with the forecast is a rise in domestic market interest rates initially, followed by a decline in 2020 H2.

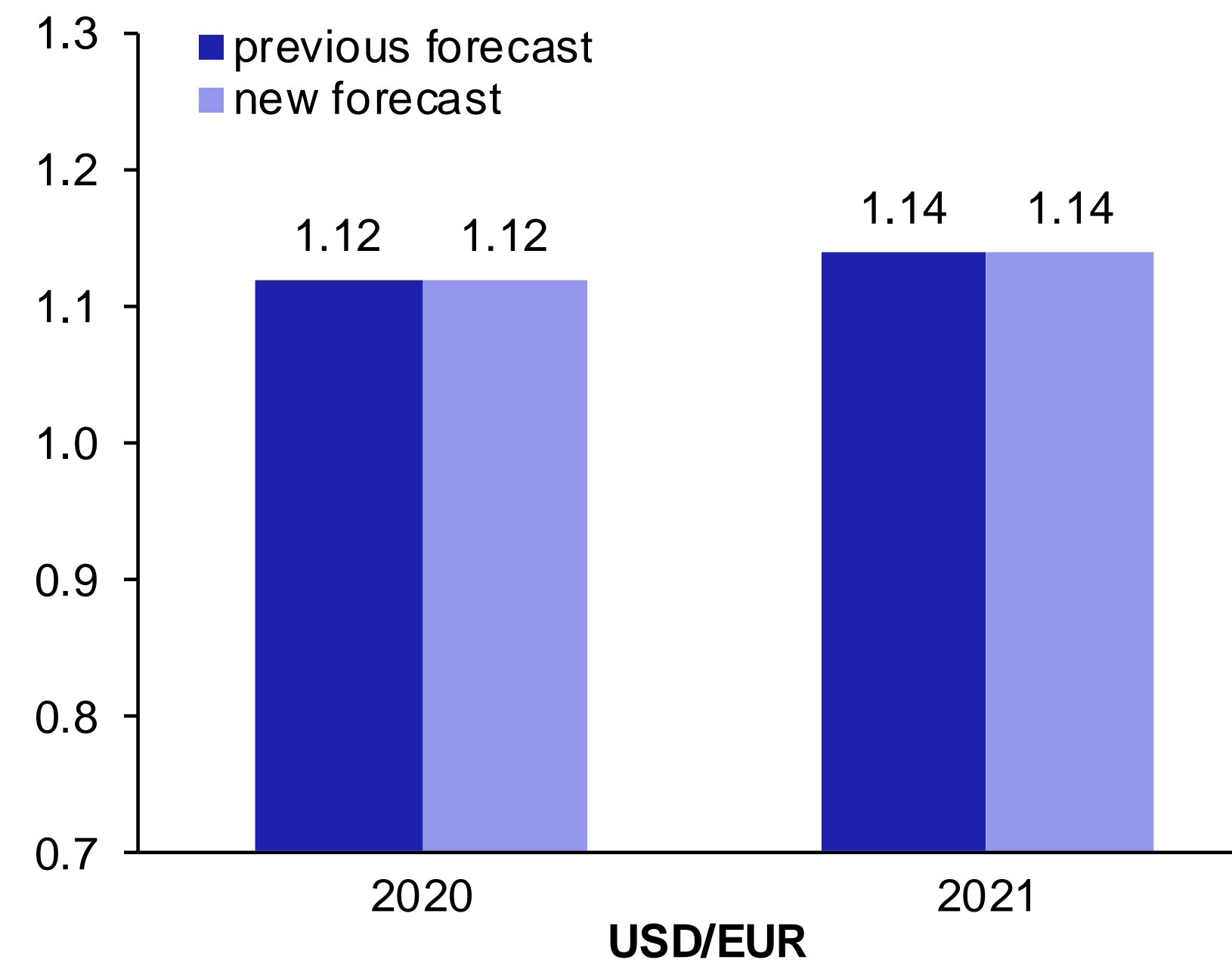
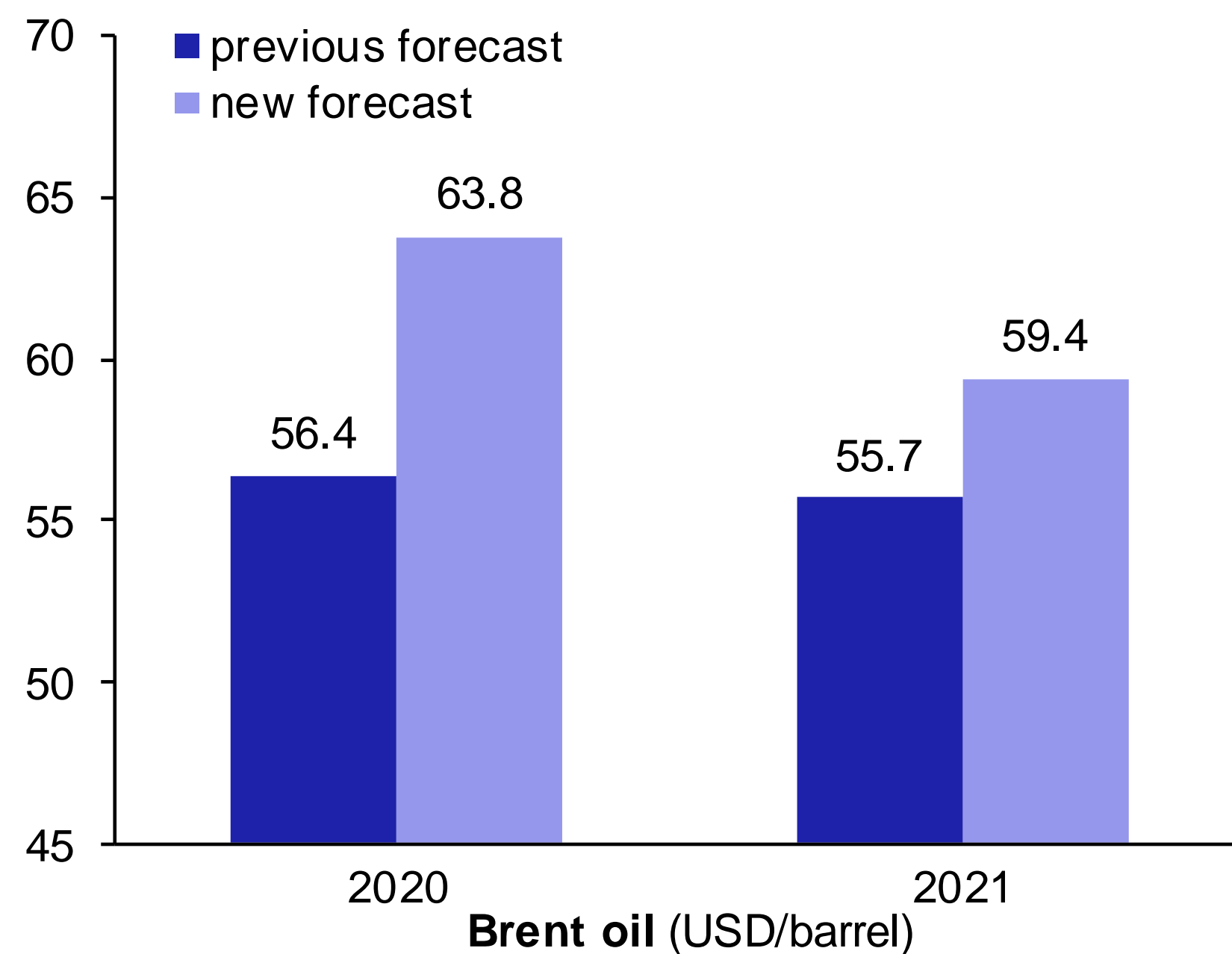
## External environment (i)

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

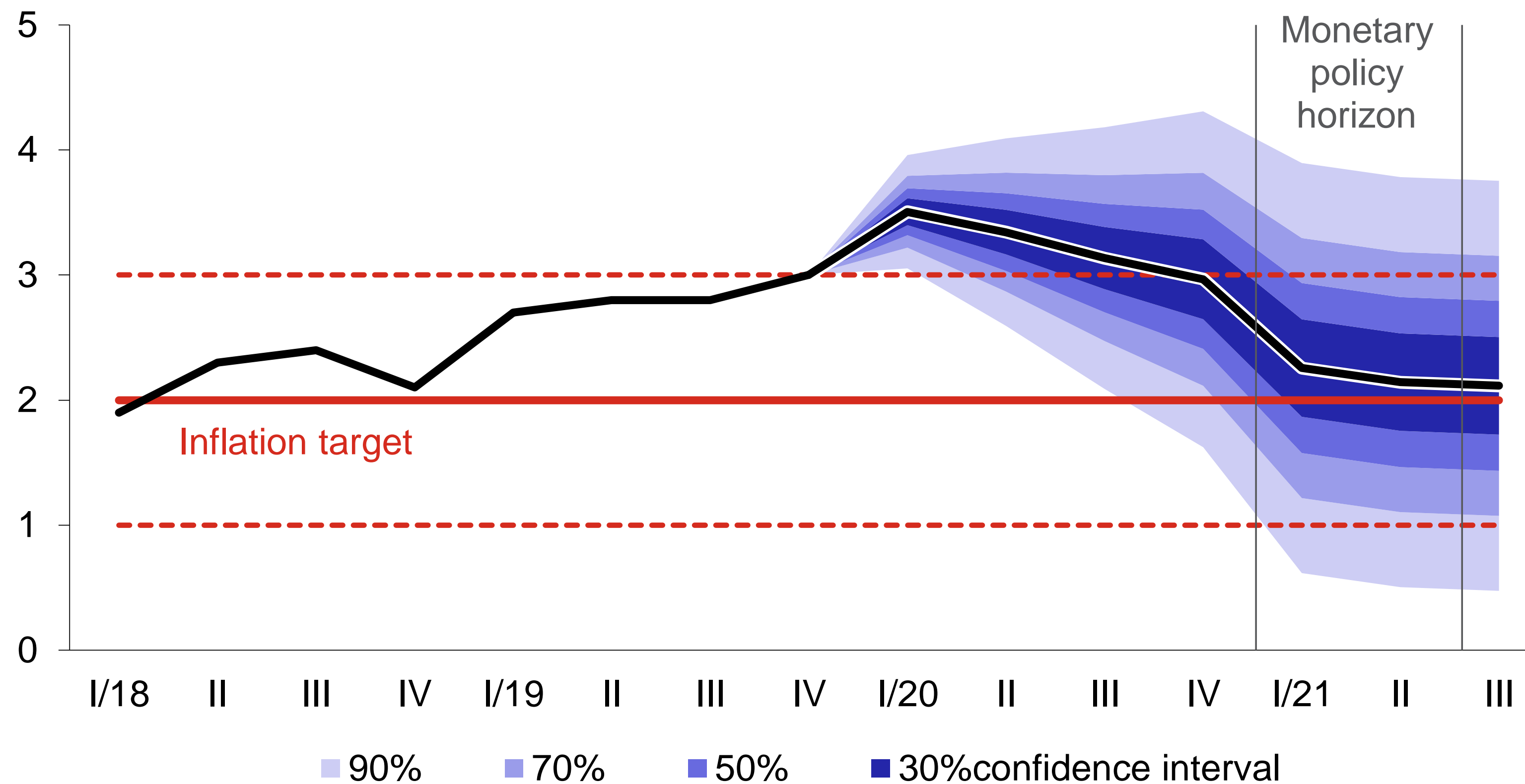


## External environment (ii)

Comparison between the assumptions of the new and previous forecasts

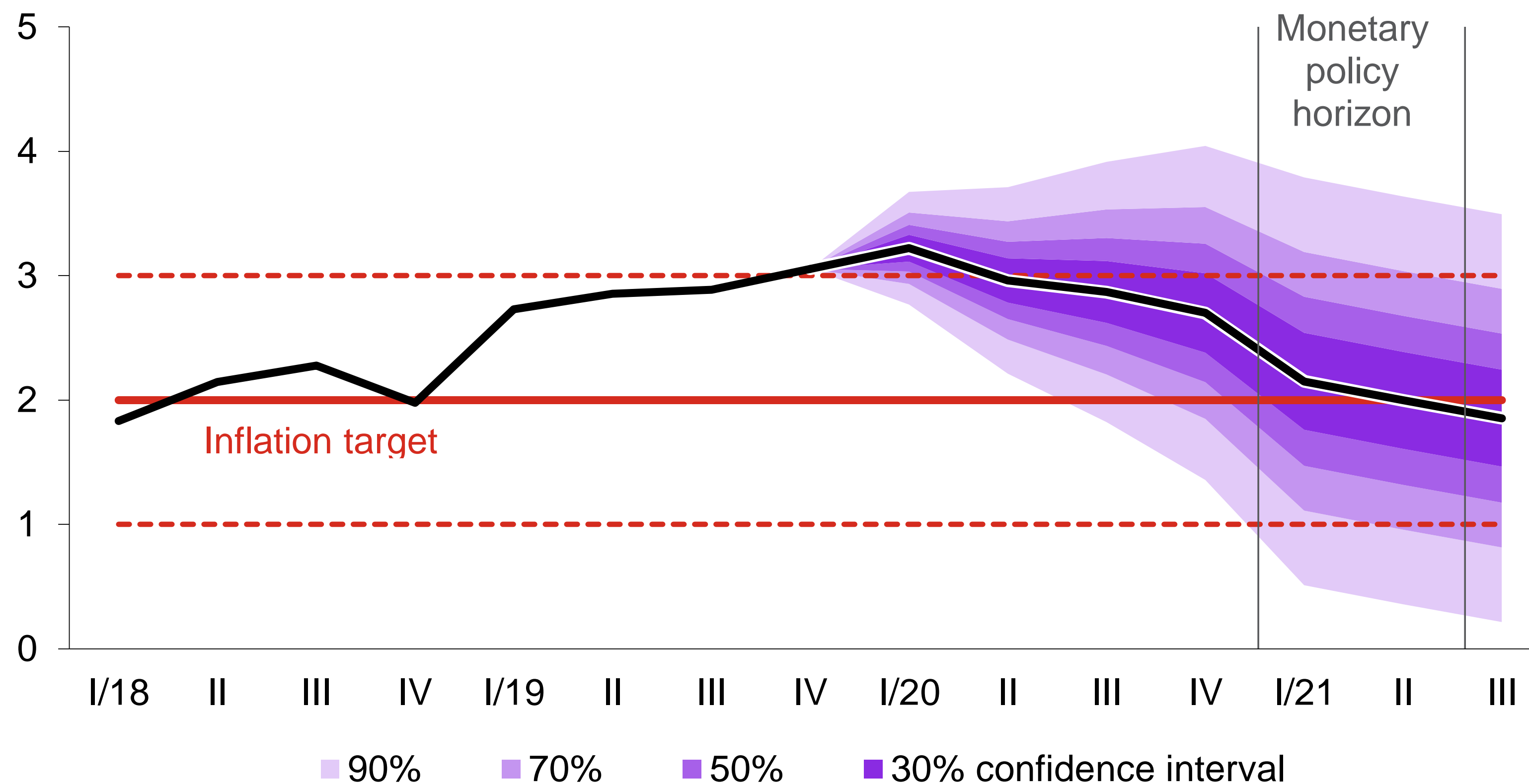


## Forecast for headline inflation



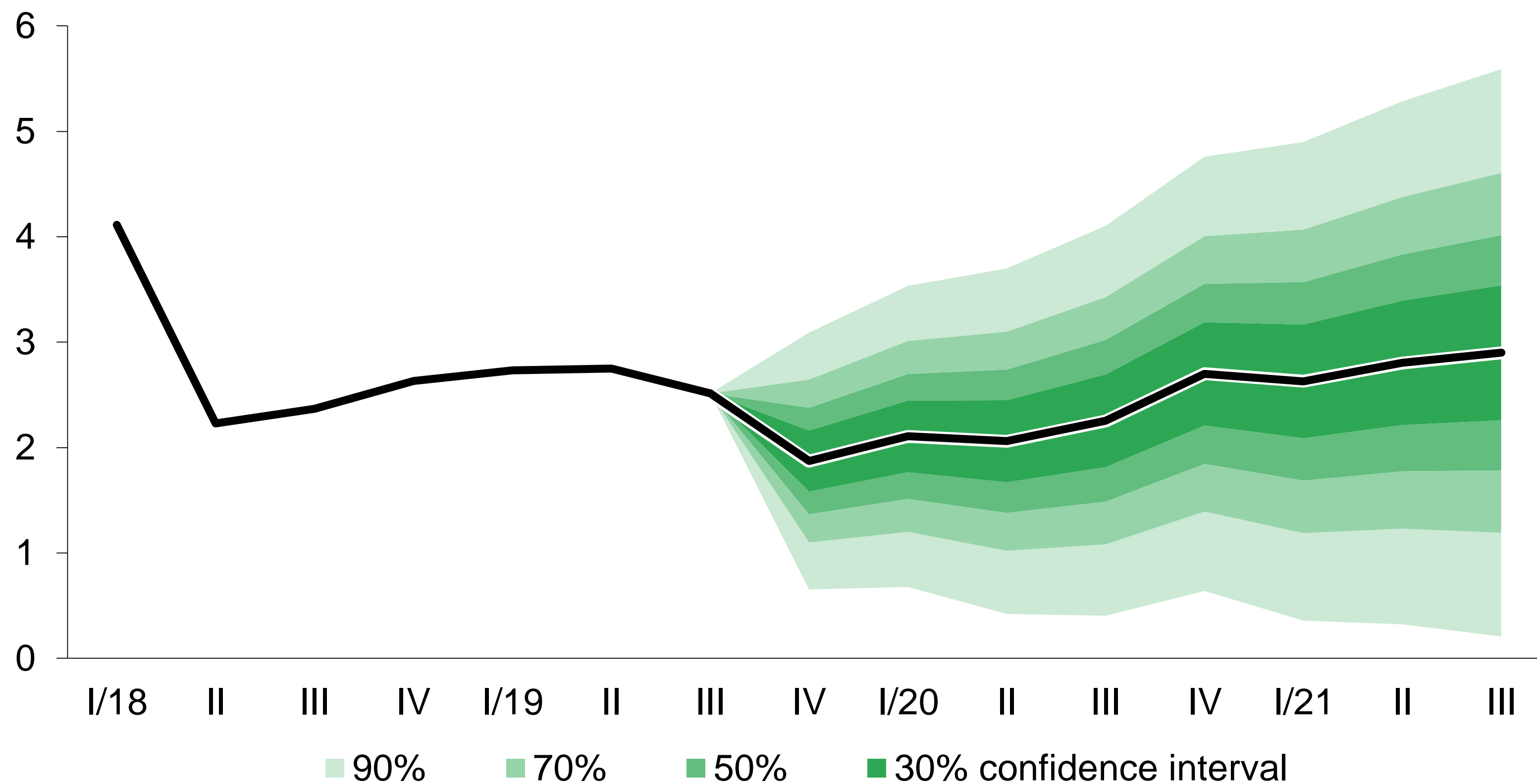
Headline inflation will remain above the upper boundary of the tolerance band for most of this year and will converge towards the CNB's 2% target over the monetary policy horizon.

## Forecast for monetary policy-relevant inflation



Monetary policy-relevant inflation will return to the CNB's 2% target over the monetary policy horizon.

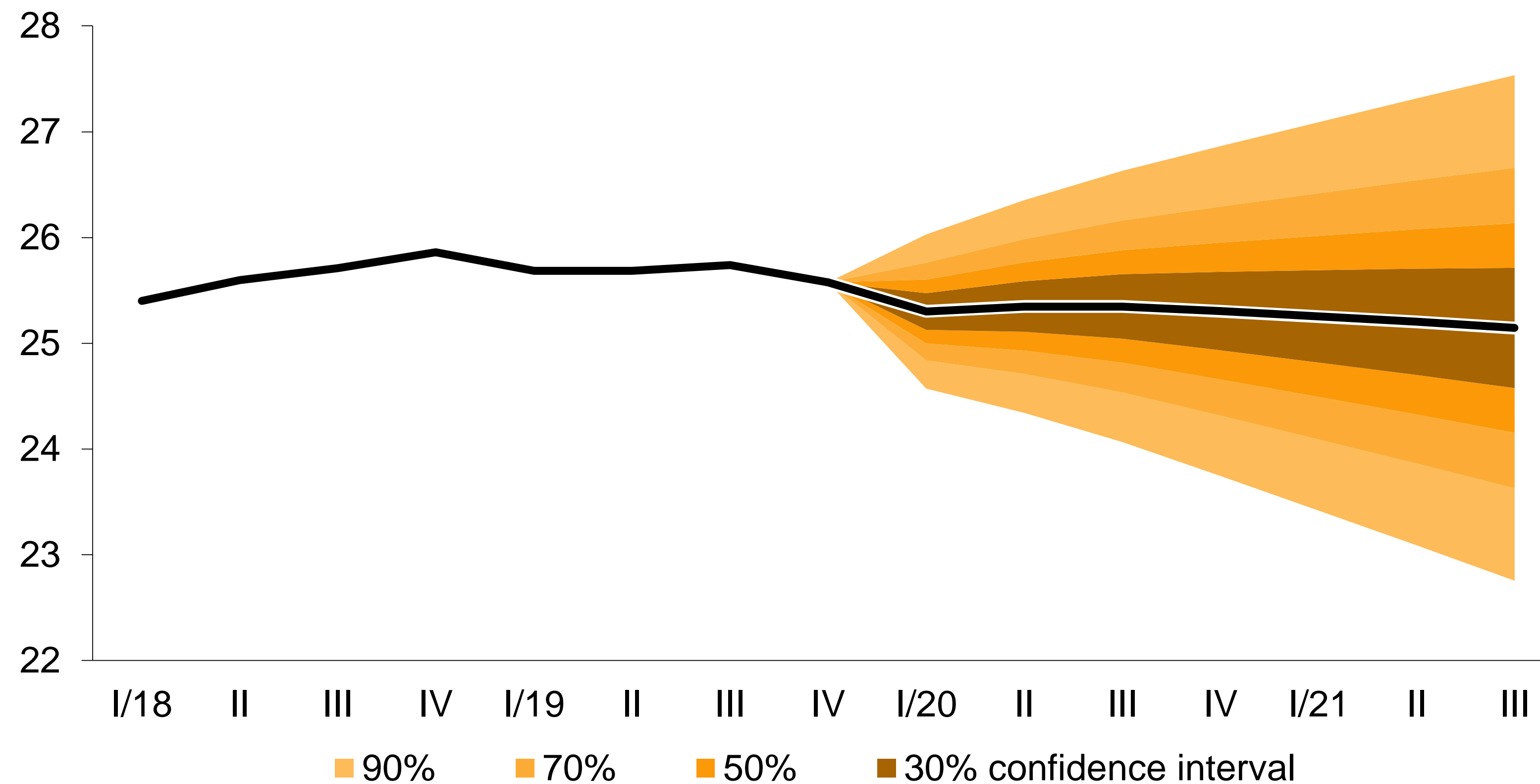
## Forecast for GDP



The growth of the Czech economy slowed but will gradually accelerate on the back of a steady recovery in external demand.



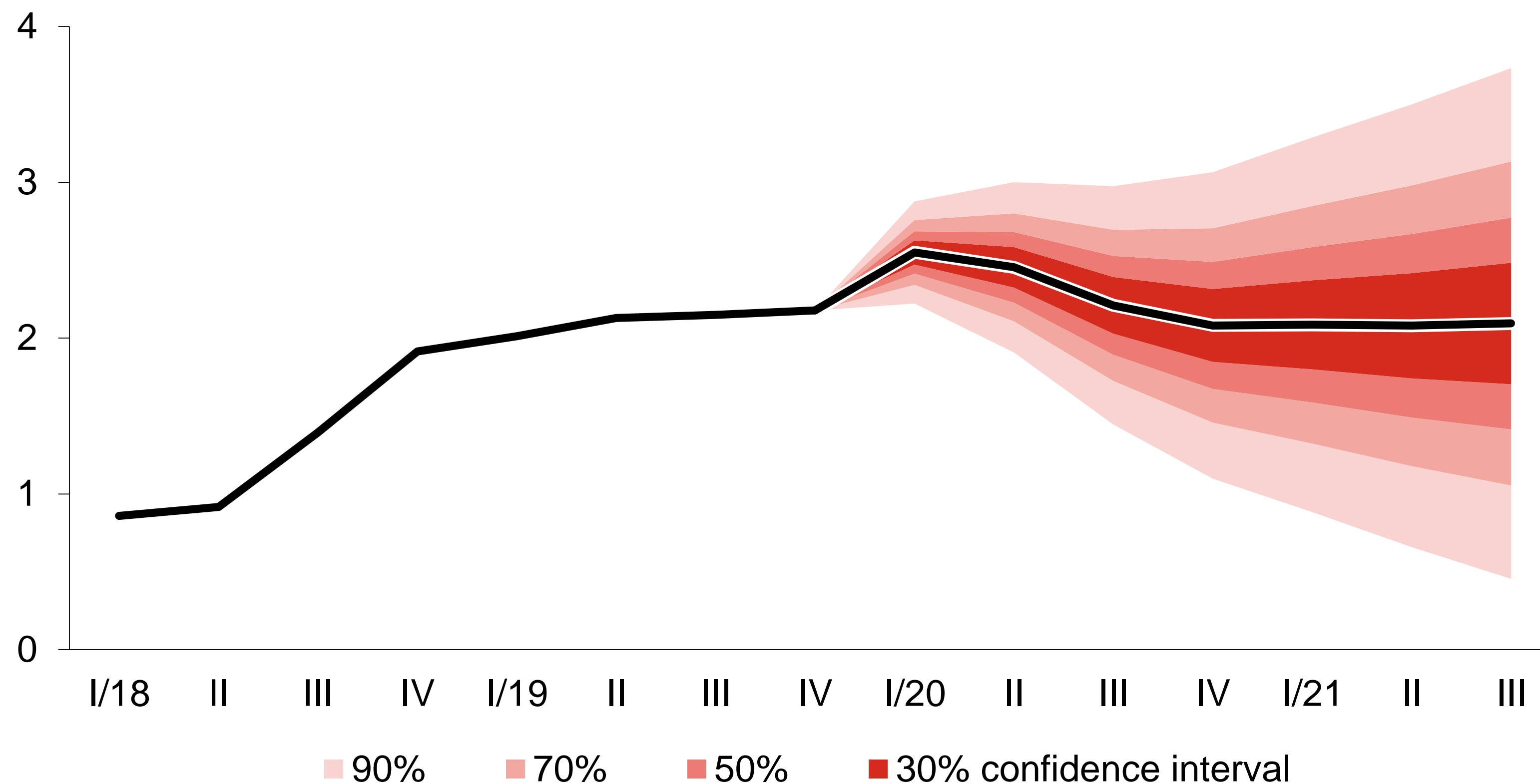
## Forecast for the exchange rate (CZK/EUR)



After appreciating at the start of 2020, the exchange rate of the koruna against the euro will remain stable for the rest of the year and appreciate slightly next year.

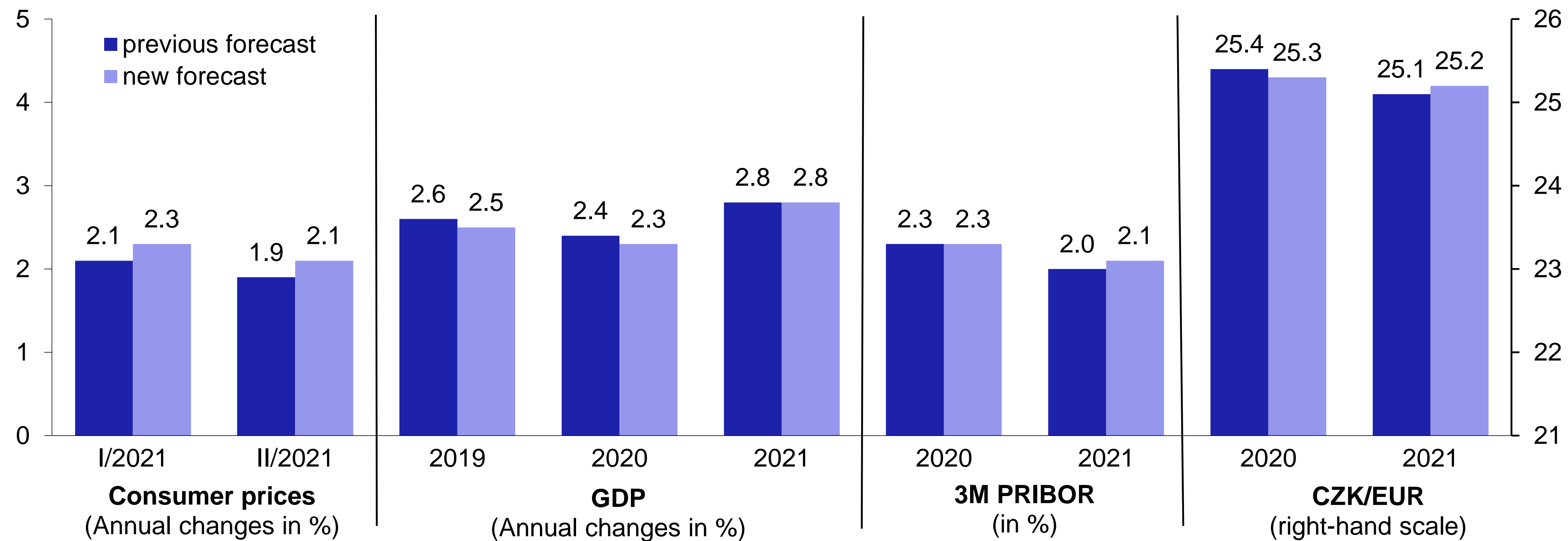


## Forecast for interest rates (3M PRIBOR)



Consistent with the forecast is a rise in domestic market interest rates initially, followed by a decline in 2020 H2.

## Comparison with the previous forecast



## Risks and uncertainties of the forecast

The Bank Board assessed the balance of risks as being **broadly balanced**.

### **Risks and uncertainties:**

- future path of the CZK/EUR exchange rate
- potential slower recovery of external demand growth
- potential higher inflation due to stronger domestic inflation pressures

---

## Thank you for your attention

More information about the forecast can be found at <https://www.cnb.cz/en/monetary-policy/forecast/> and in Inflation Report I/2020. The summary of the Report (together with a box and the table of key macroeconomic indicators) will be published on 7 February 2020. The whole Report will be published on 14 February 2020.