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# 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 unanimously kept interest rates unchanged.**

The two-week repo rate thus remains at 0.25%, the discount rate at 0.05% and the Lombard rate at 1%.

**0.25%**

2W repo  
rate

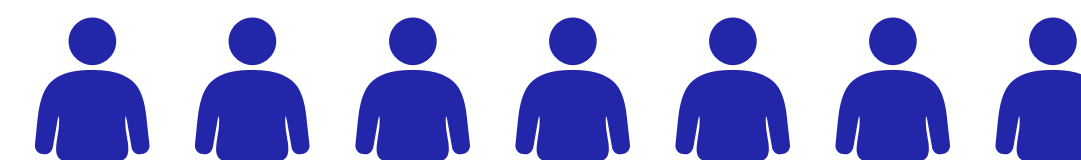
**0.05%**

discount  
rate

**1.00%**

Lombard  
rate

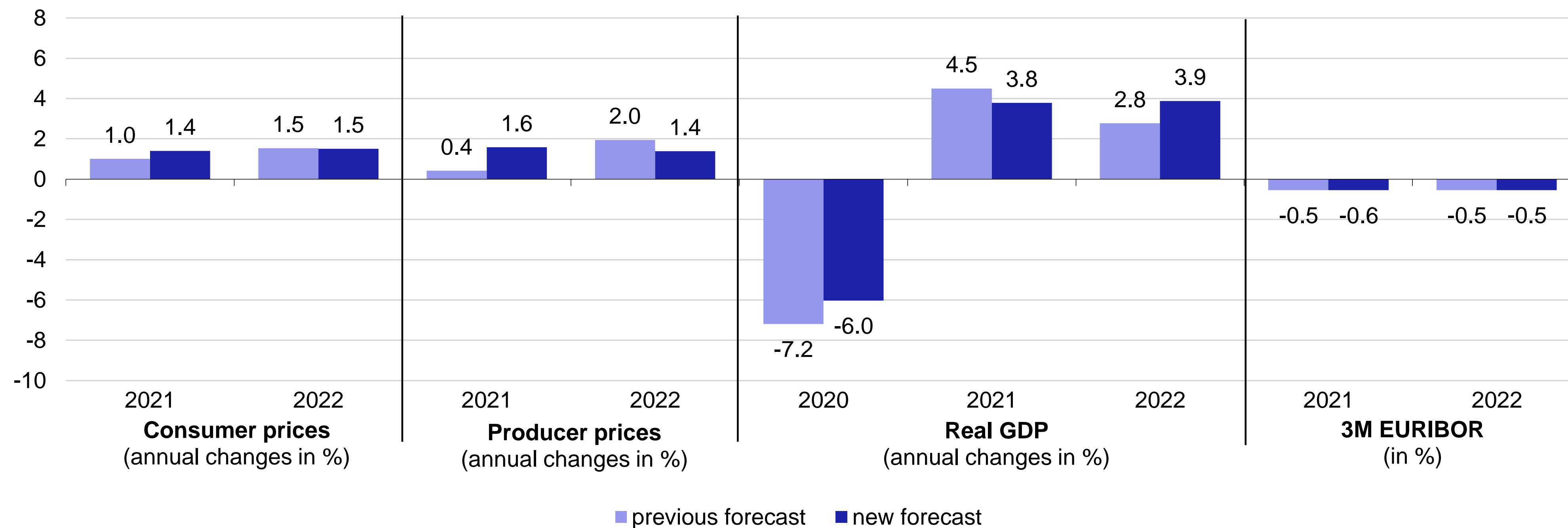
**FOR NO CHANGE**



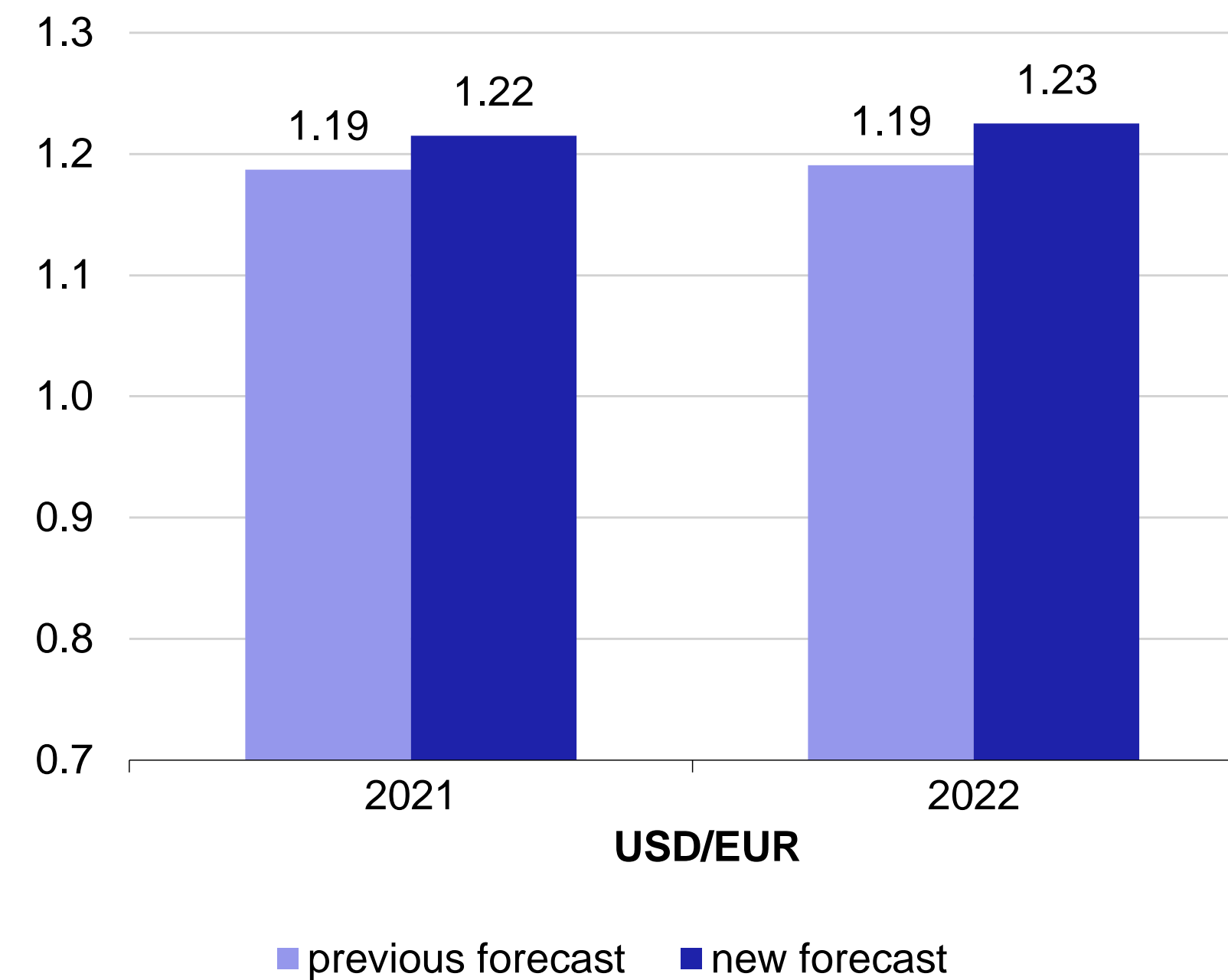
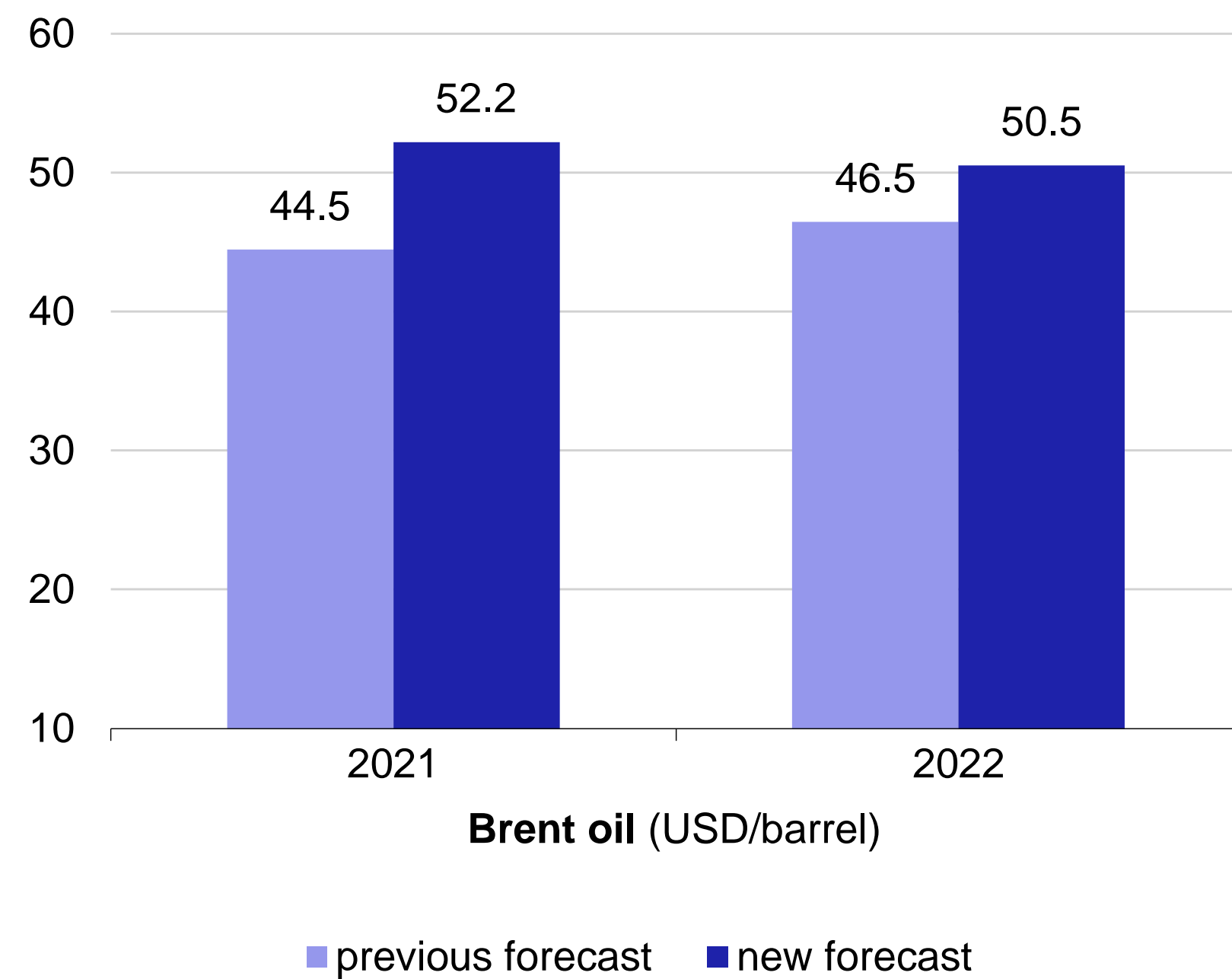
The decision adopted by the Bank Board is underpinned by **the CNB's new macroeconomic forecast.**

Consistent with the forecast is **stability of market interest rates initially, followed by a gradual rise in rates from roughly the middle of this year onwards.**

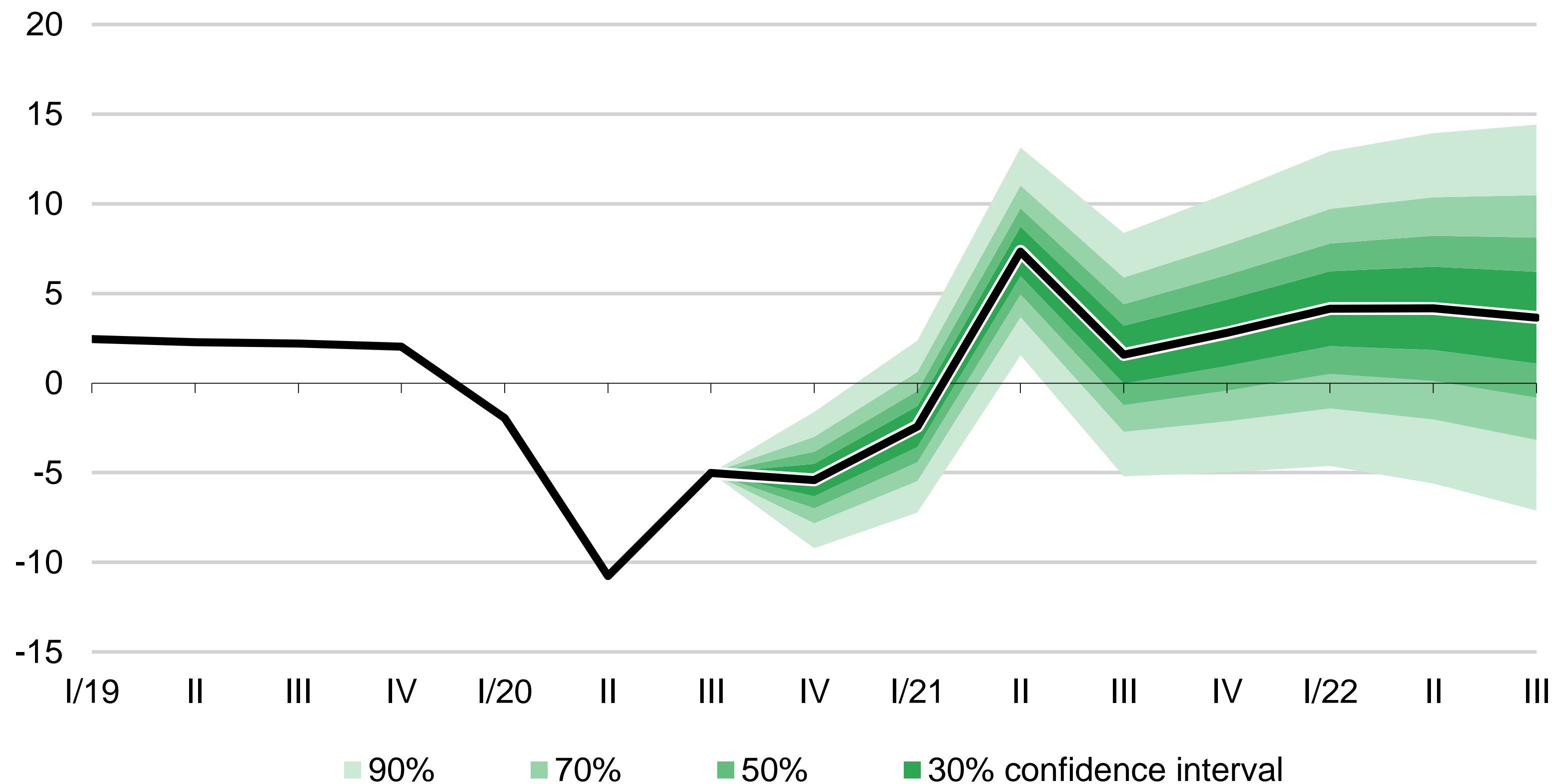
## External environment: forecast and outlook for the effective euro area



## External environment: oil price and the USD/EUR exchange rate



## Forecast for GDP

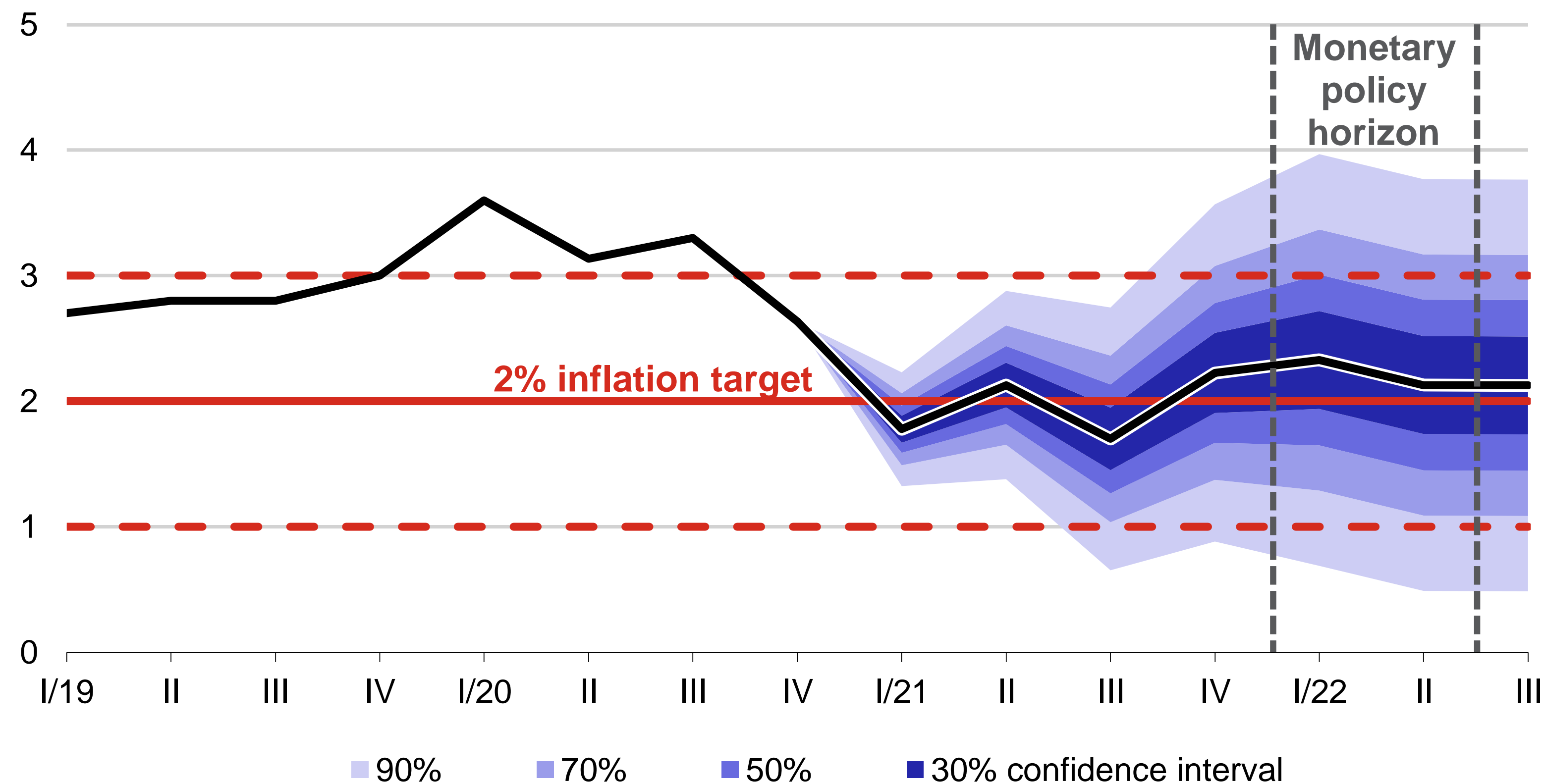


Economic growth will resume in the second quarter of this year. The economy will grow by more than 2% this year.

The economy will pick up further next year, fostering a return of domestic economic activity to the pre-pandemic level.

Note: y-o-y changes in %; contributions in pp; constant prices; seasonally adjusted.

## Forecast for headline inflation

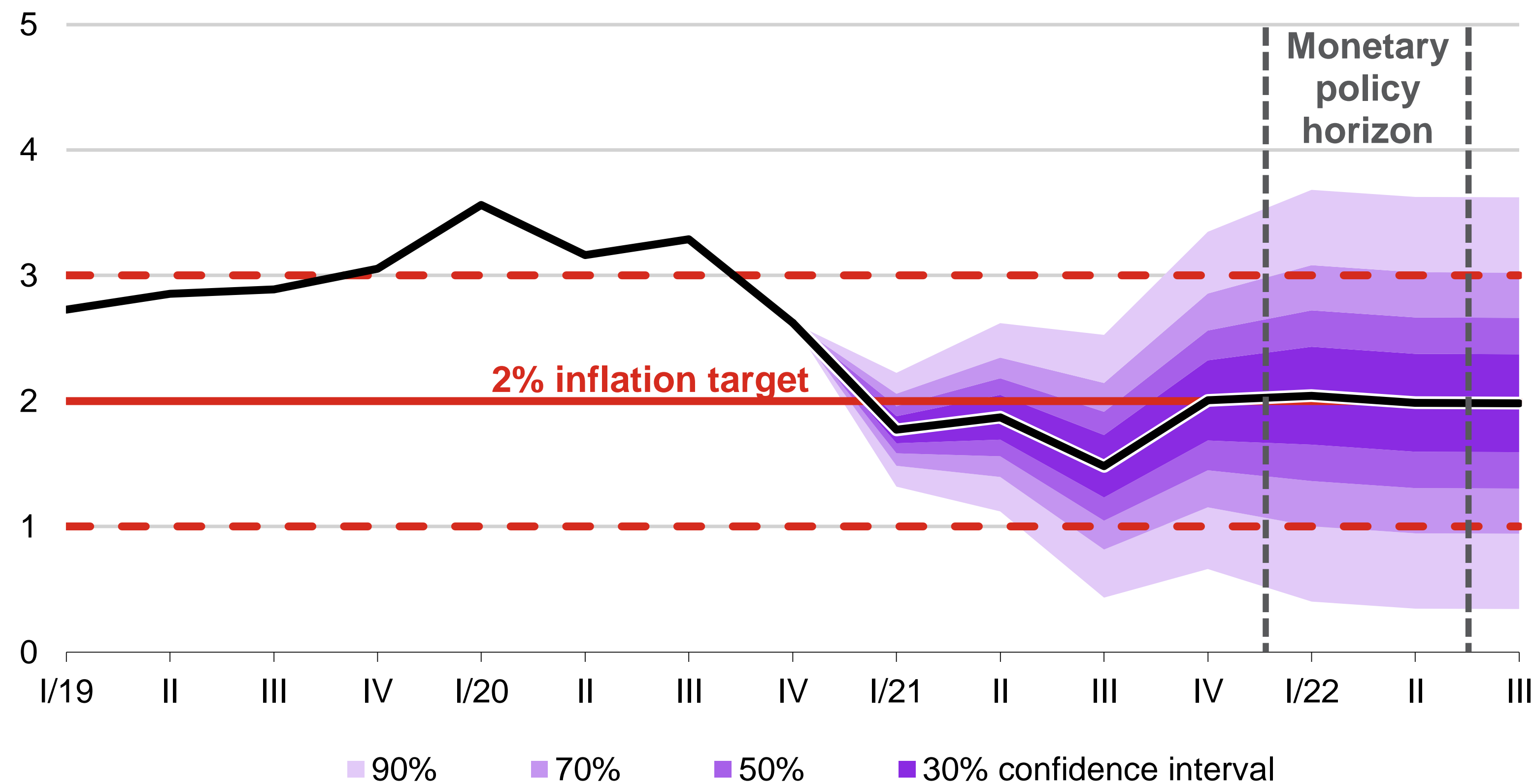


Headline inflation will fall further close to the 2% target in the first quarter of this year.

It will be slightly above the inflation target next year, owing mainly to an increase in excise duties.

Note: y-o-y changes in %.

## Forecast for monetary policy-relevant inflation

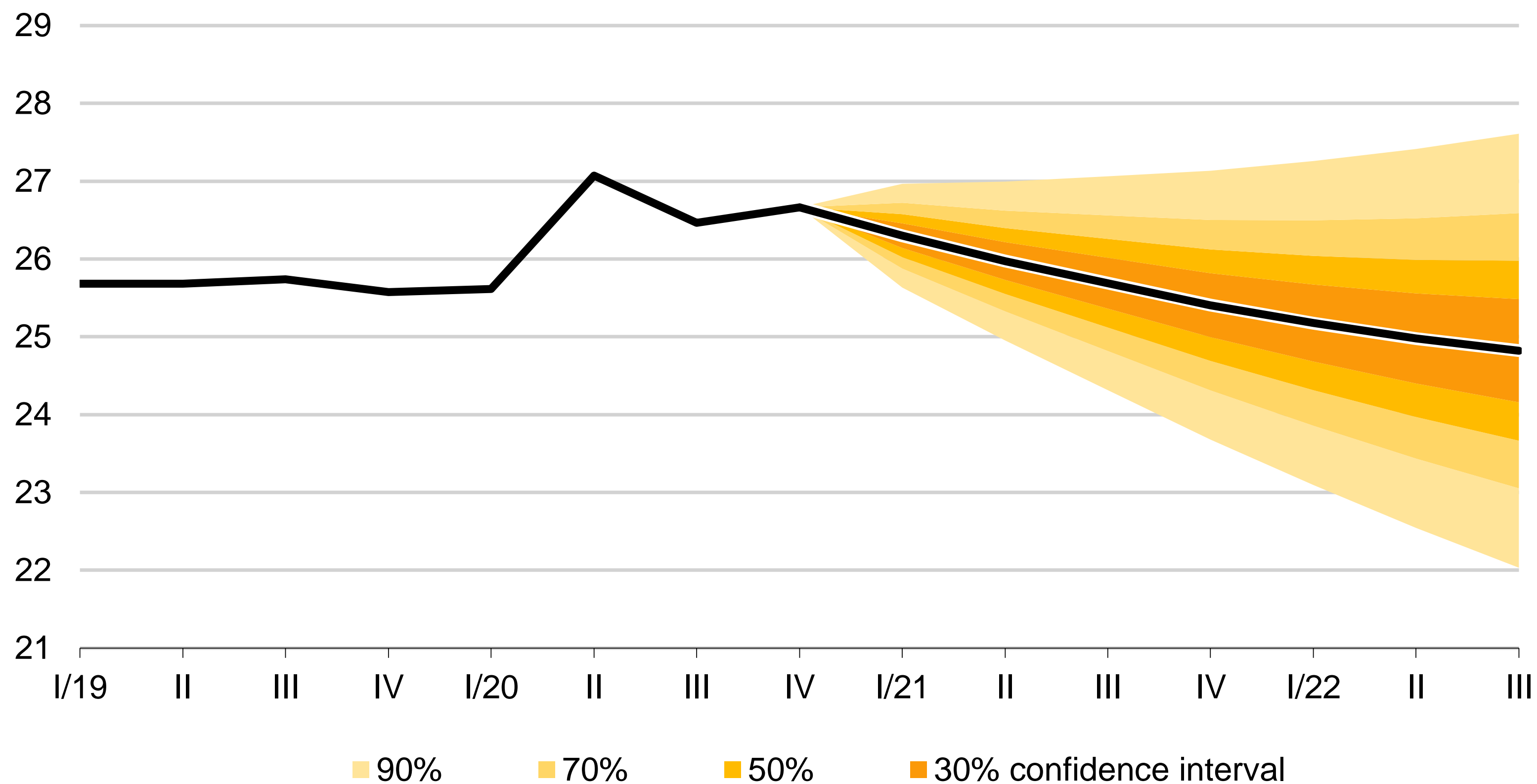


Monetary policy-relevant inflation will stabilise at the inflation target over the monetary policy horizon.

Note: y-o-y changes in %.



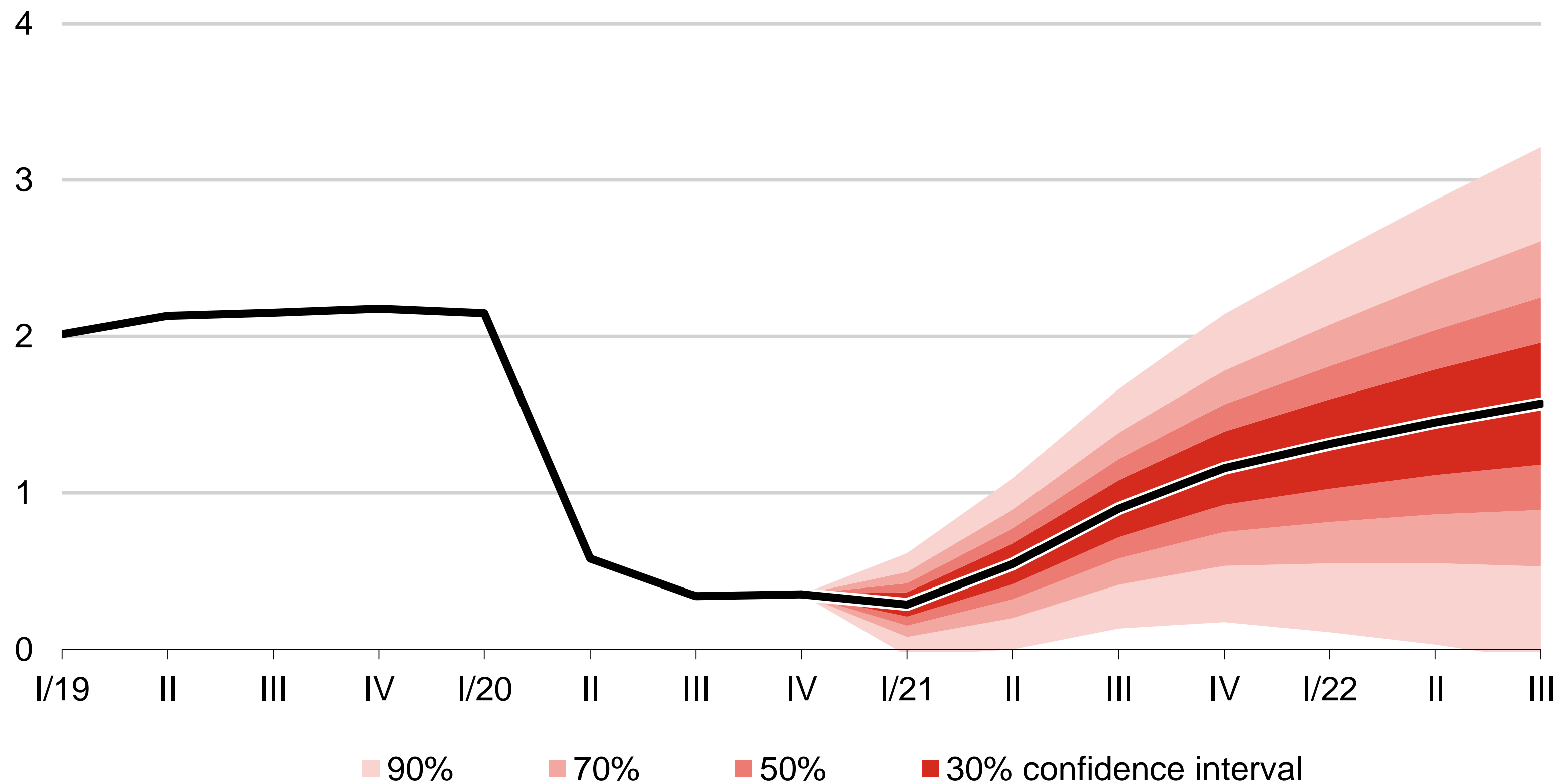
## Forecast for the exchange rate (CZK/EUR)



According to the forecast, the koruna will gradually appreciate, strengthening beyond CZK 25 to the euro by the end of next year.

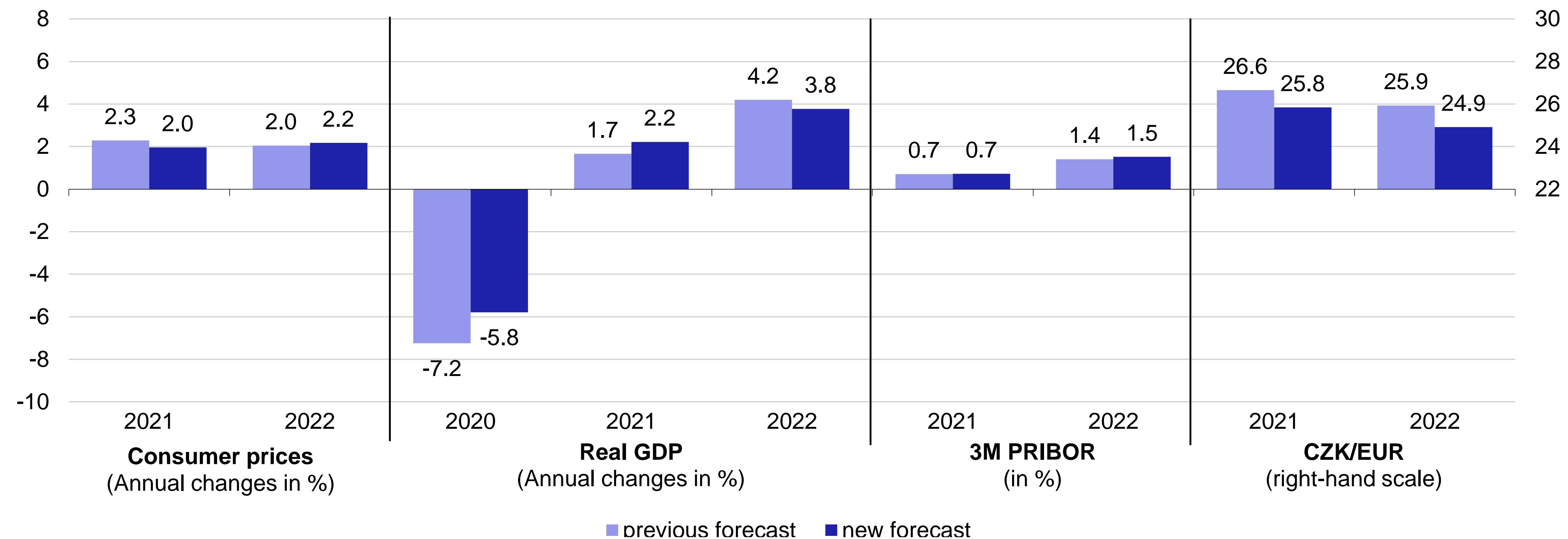


## Forecast for interest rates (3M PRIBOR, in %)



Consistent with the forecast is stability of market interest rates initially, followed by a gradual rise in rates from roughly the middle of this year onwards.

## Comparison with the previous forecast



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## Risks and uncertainties of the forecast

**The Bank Board assessed the uncertainties and risks of the forecast as being substantial and tilted to a longer-lasting pandemic than assumed by the forecast.**

### **Main risk:**

- longer lockdowns at home and abroad and an ensuing deterioration in the financial situation and sentiment of businesses and households leading to a lengthier cyclical downturn of the economy

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## Thank you for your attention

More information about the forecast can be found at <https://www.cnb.cz/en/monetary-policy/forecast/> and in Monetary Policy Report – Winter 2021. The introductory part of the Report (together with the boxes and the table of key macroeconomic indicators) will be published on 5 February 2021. The whole Report will be published on 12 February 2021.

## Summary



Consistent with the forecast is stability of market interest rates initially, followed by a gradual rise in rates from roughly the middle of this year onwards.



The uncertainties and risks of the forecast are substantial and tilted to a longer-lasting pandemic than assumed by the forecast.



The Bank Board unanimously kept interest rates unchanged (voting 7:0).



The key interest rate remains at 0.25%.