
2nd 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.

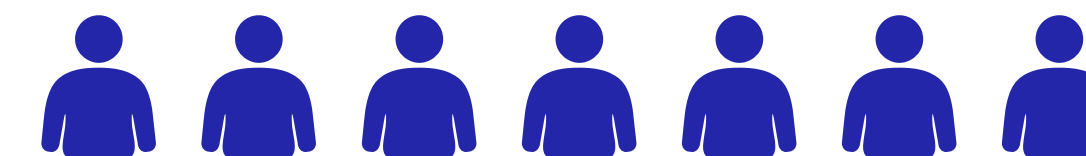
The two-week repo rate thus remains at 0.25%, the discount rate at 0.05% and the Lombard rate at 1%.

0.25%
2W repo
rate

0.05%
discount
rate

1.00%
Lombard
rate

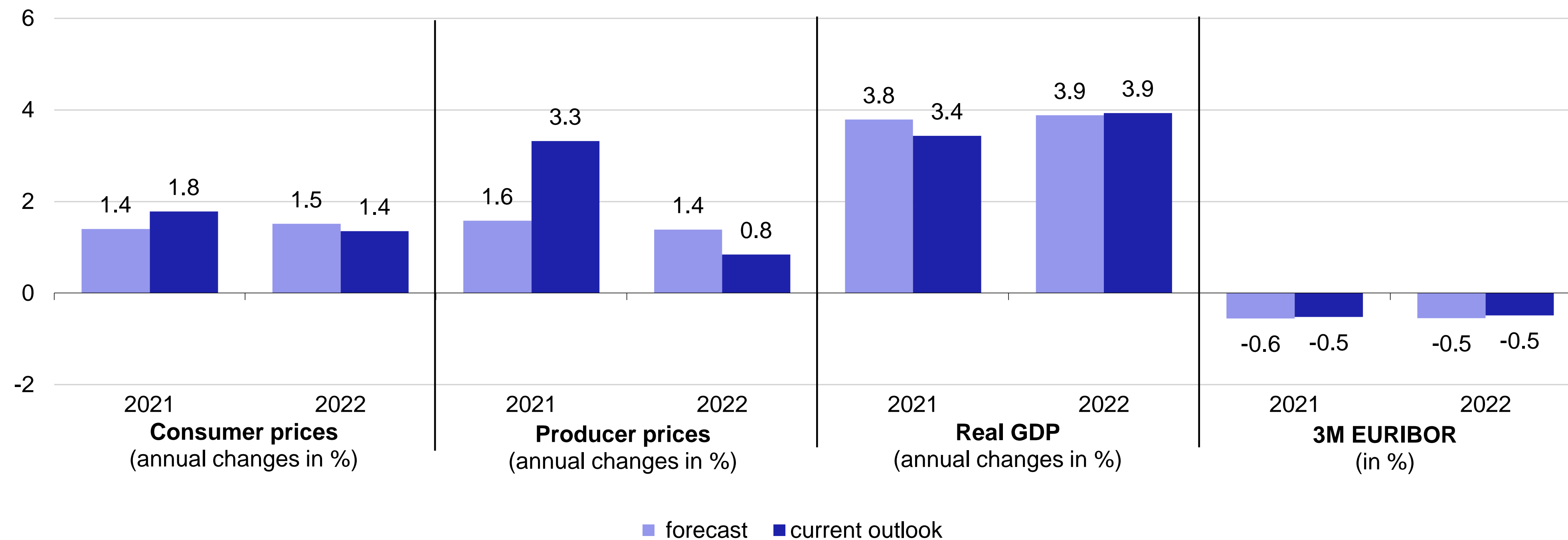
FOR NO CHANGE



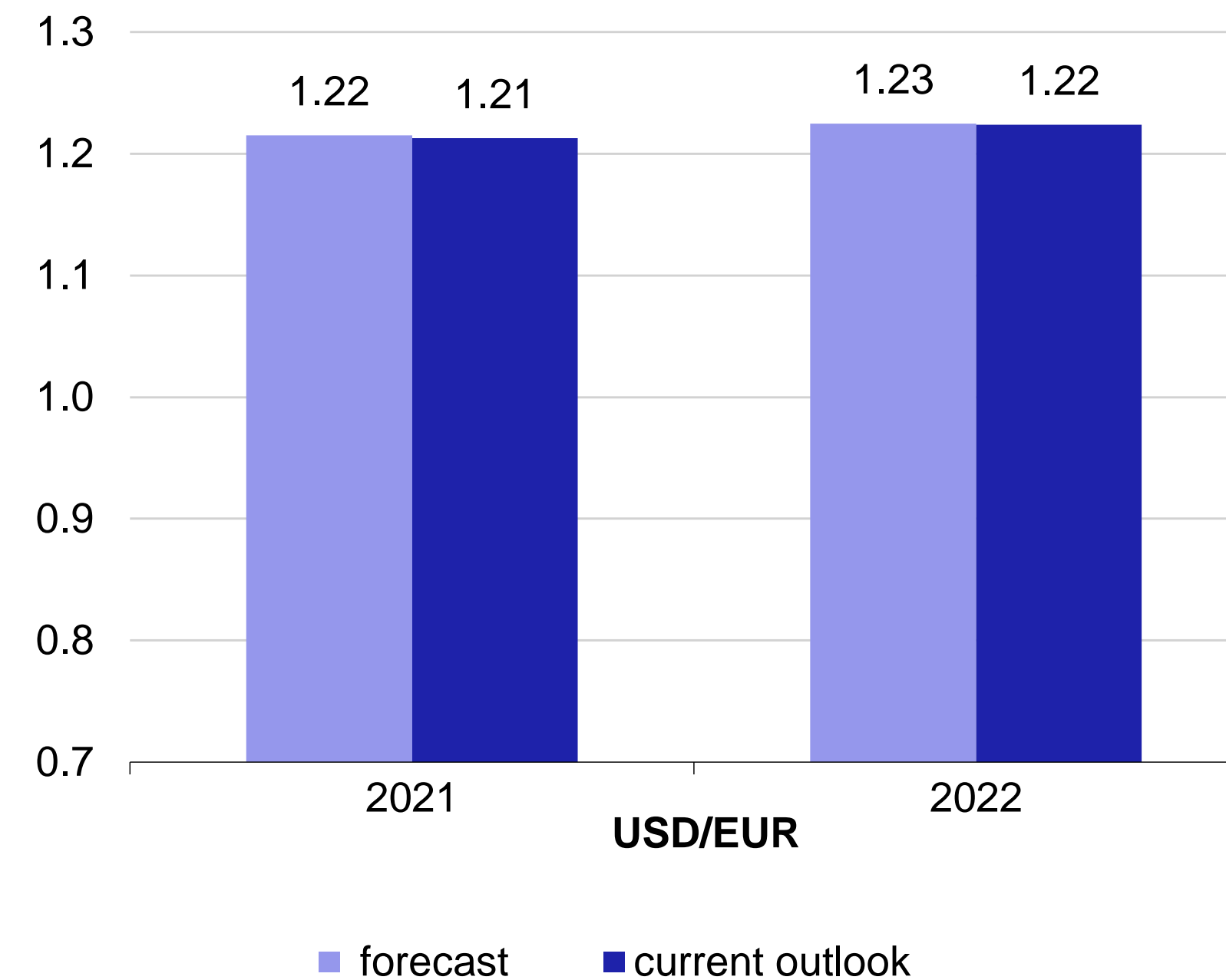
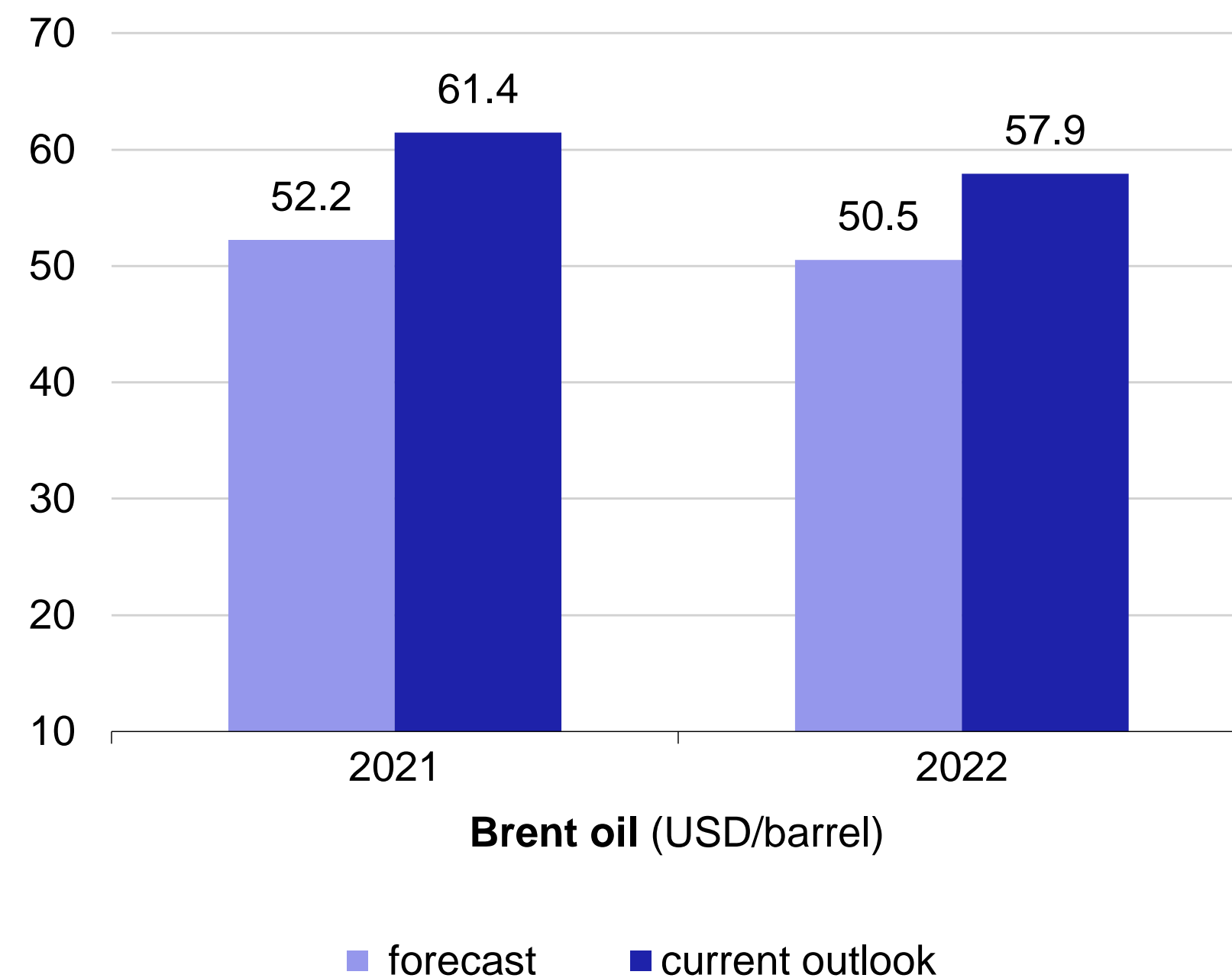
Consistent with the forecast is **stability of market interest rates initially, followed by a gradual rise in rates from roughly the middle of this year onwards.**

The Bank Board assessed **the uncertainties and risks of the forecast in the context of the ongoing pandemic as remaining very substantial. This could lead to a need to keep the monetary conditions accommodative for rather longer than in the forecast.**

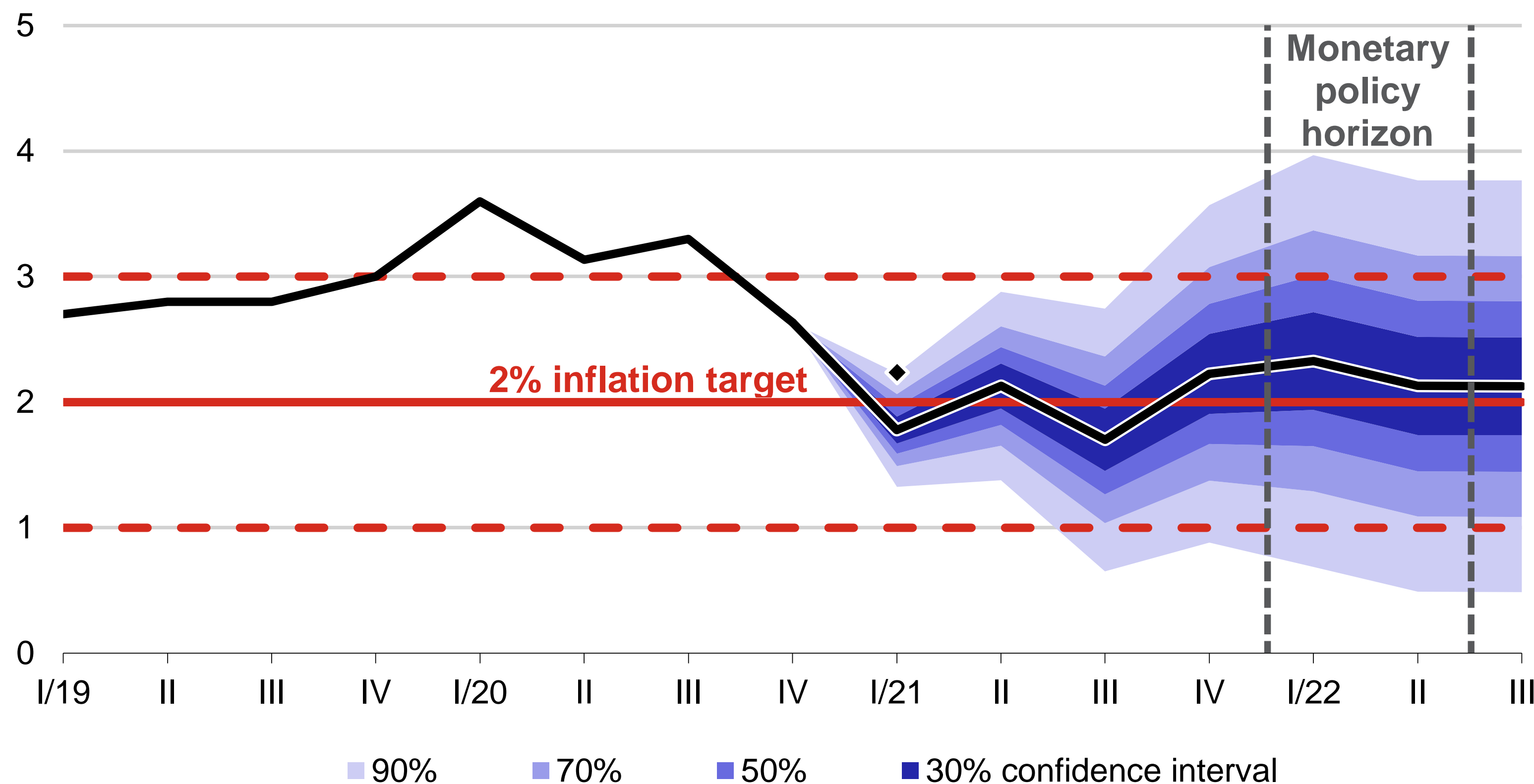
External environment: forecast and current outlook for the effective euro area



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



The inflation forecast and expected outcome in 2021 Q1

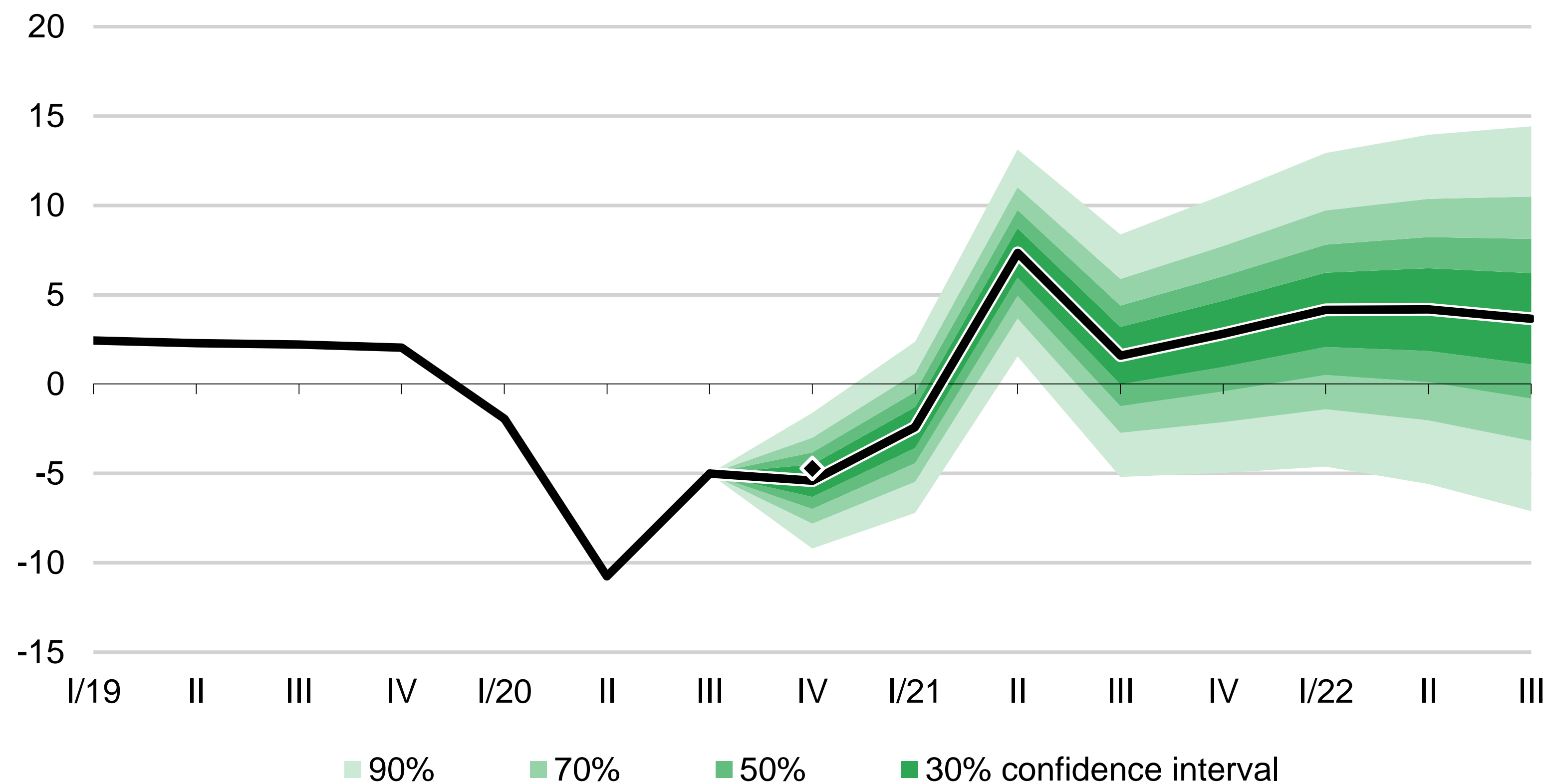


So far in Q1, inflation has returned towards the target and has been rather higher than expected in the forecast.

According to the winter forecast, inflation will fluctuate around the target this year and will be slightly above it next year, mainly as a result of an increase in excise duties.

Note: y-o-y changes in %.

The GDP forecast and outcome in 2020 Q4

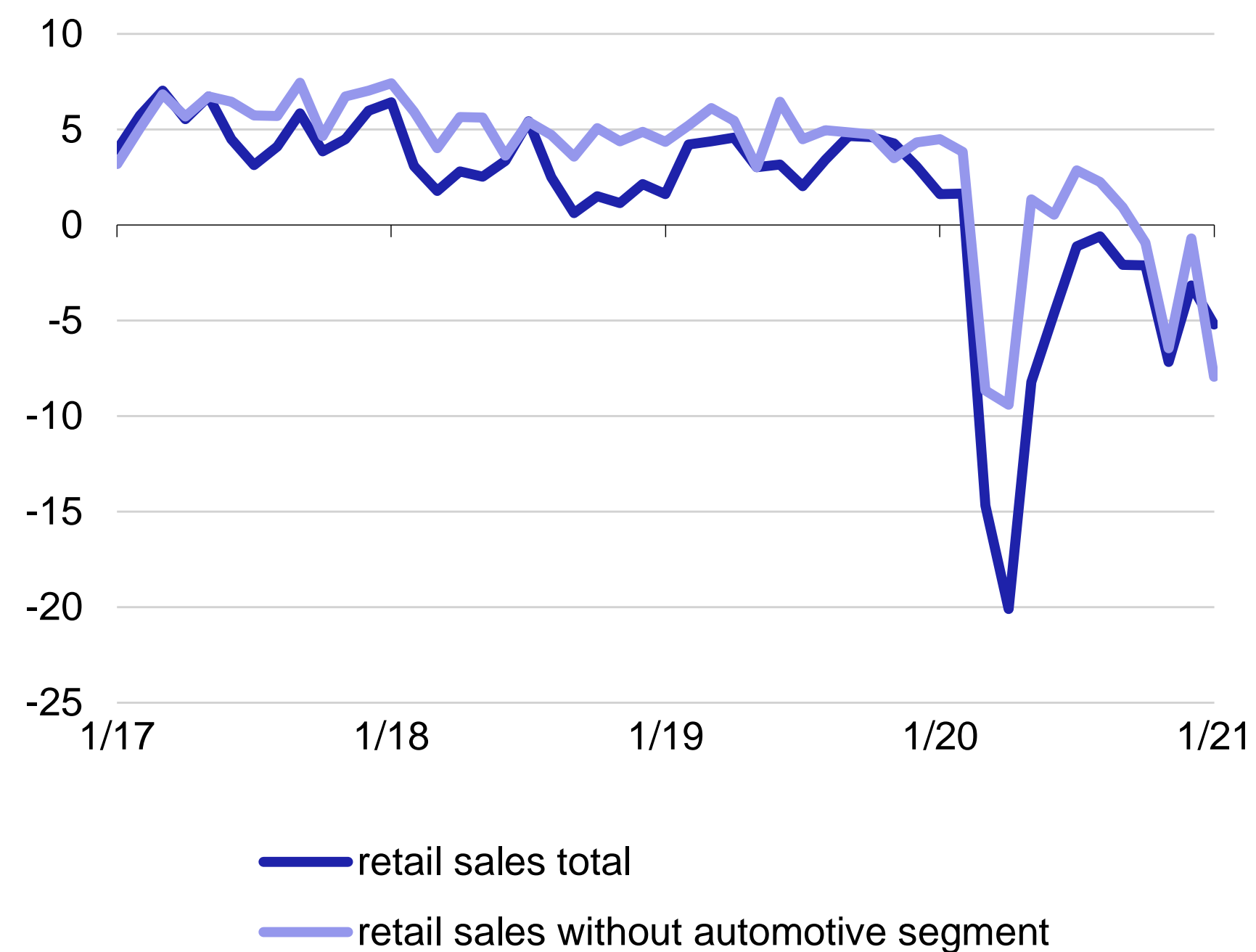


The year-on-year decline of the Czech economy in 2020 Q4 was smaller than forecasted.

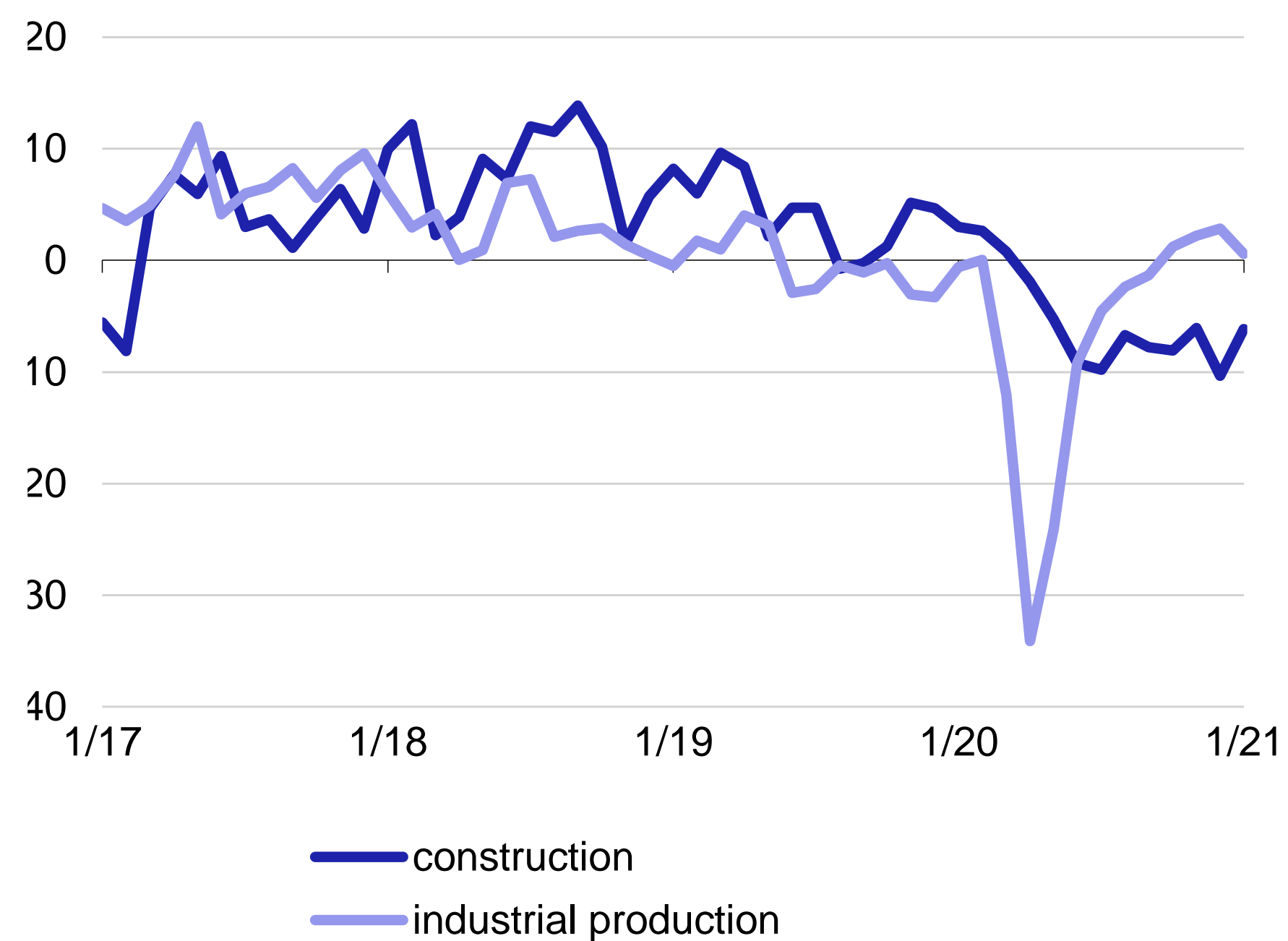
Economic growth will resume in the second quarter of this year. In 2021 as a whole, the economy will grow by more than 2%.

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

Retail sales

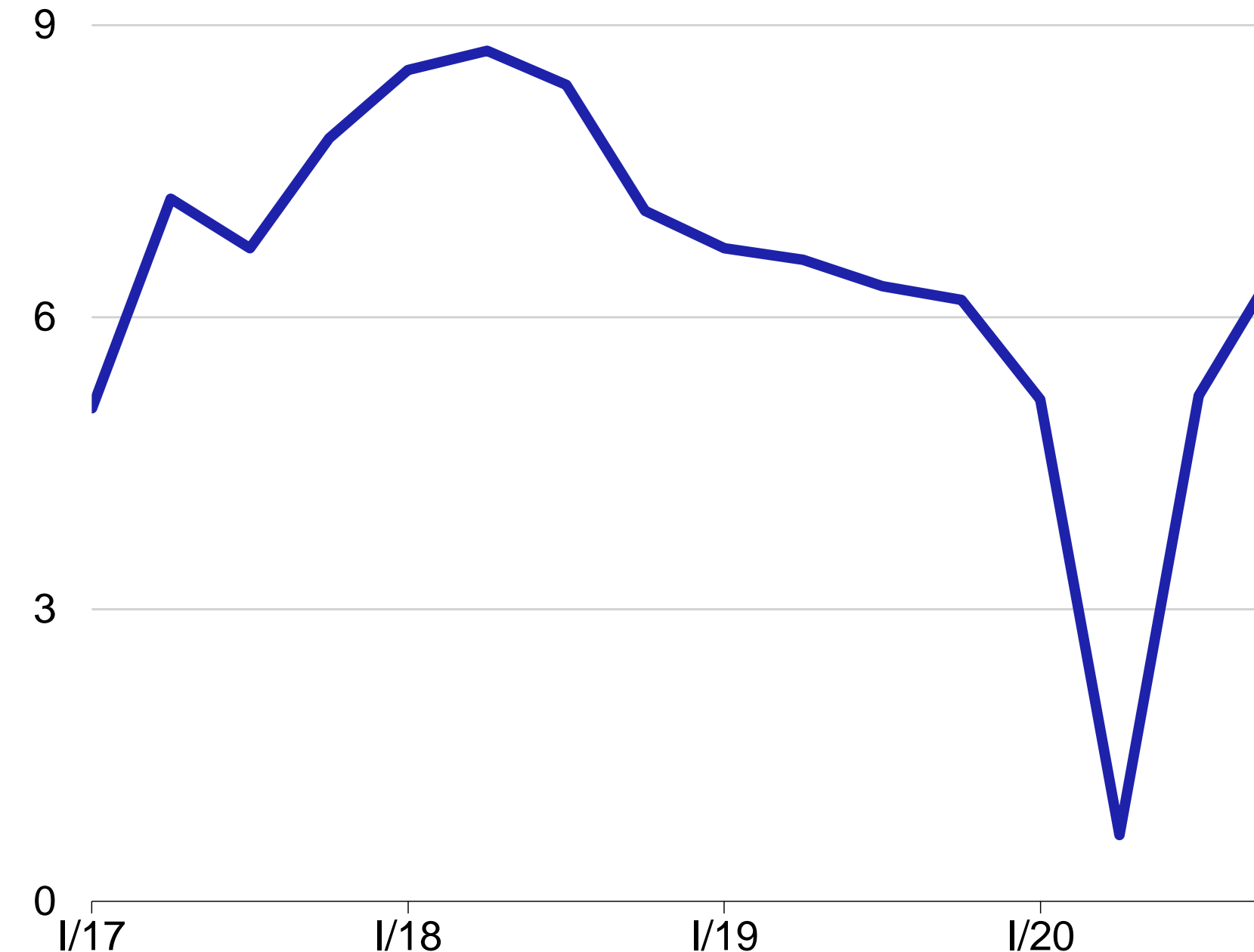
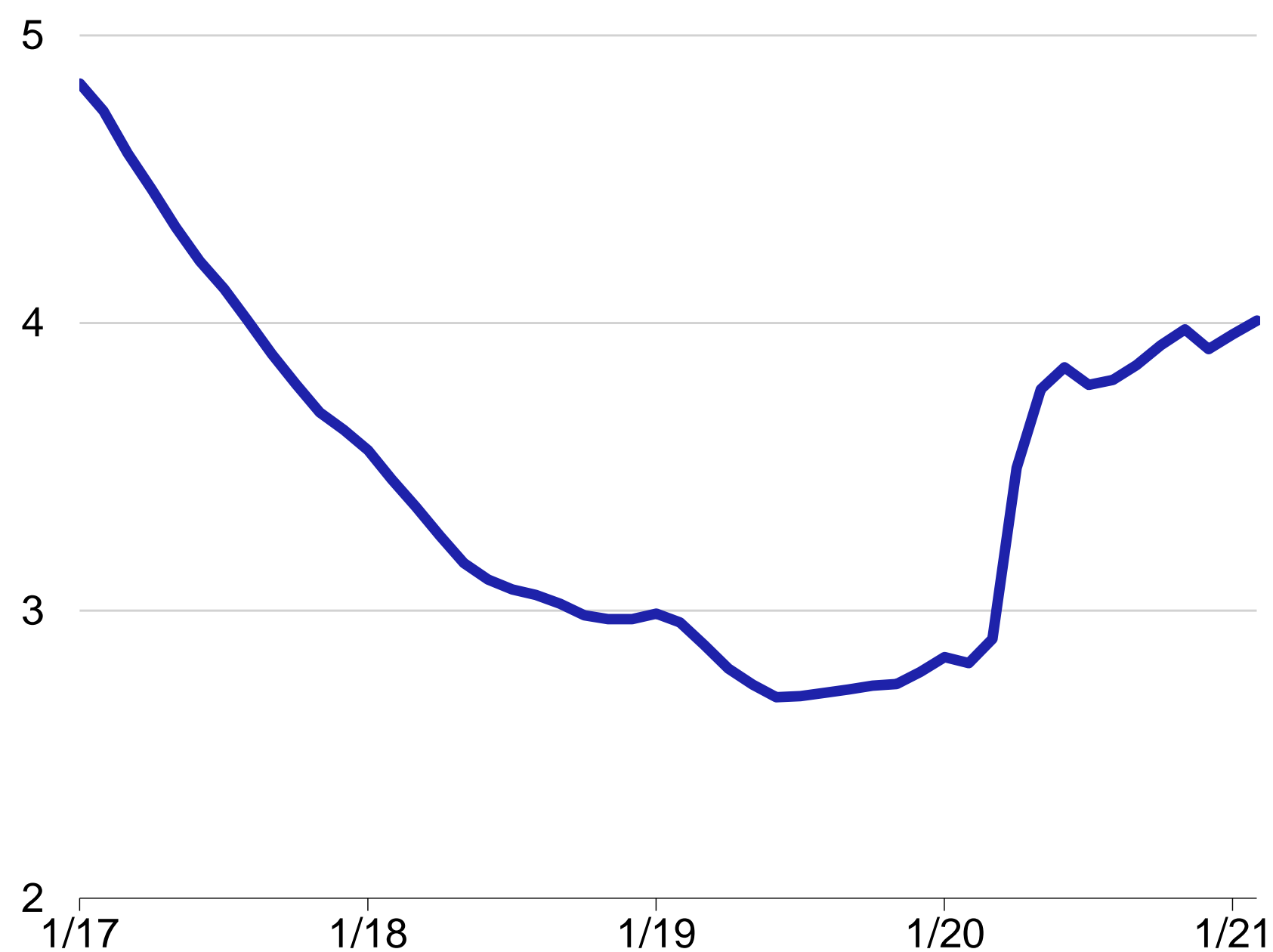


Industry and construction



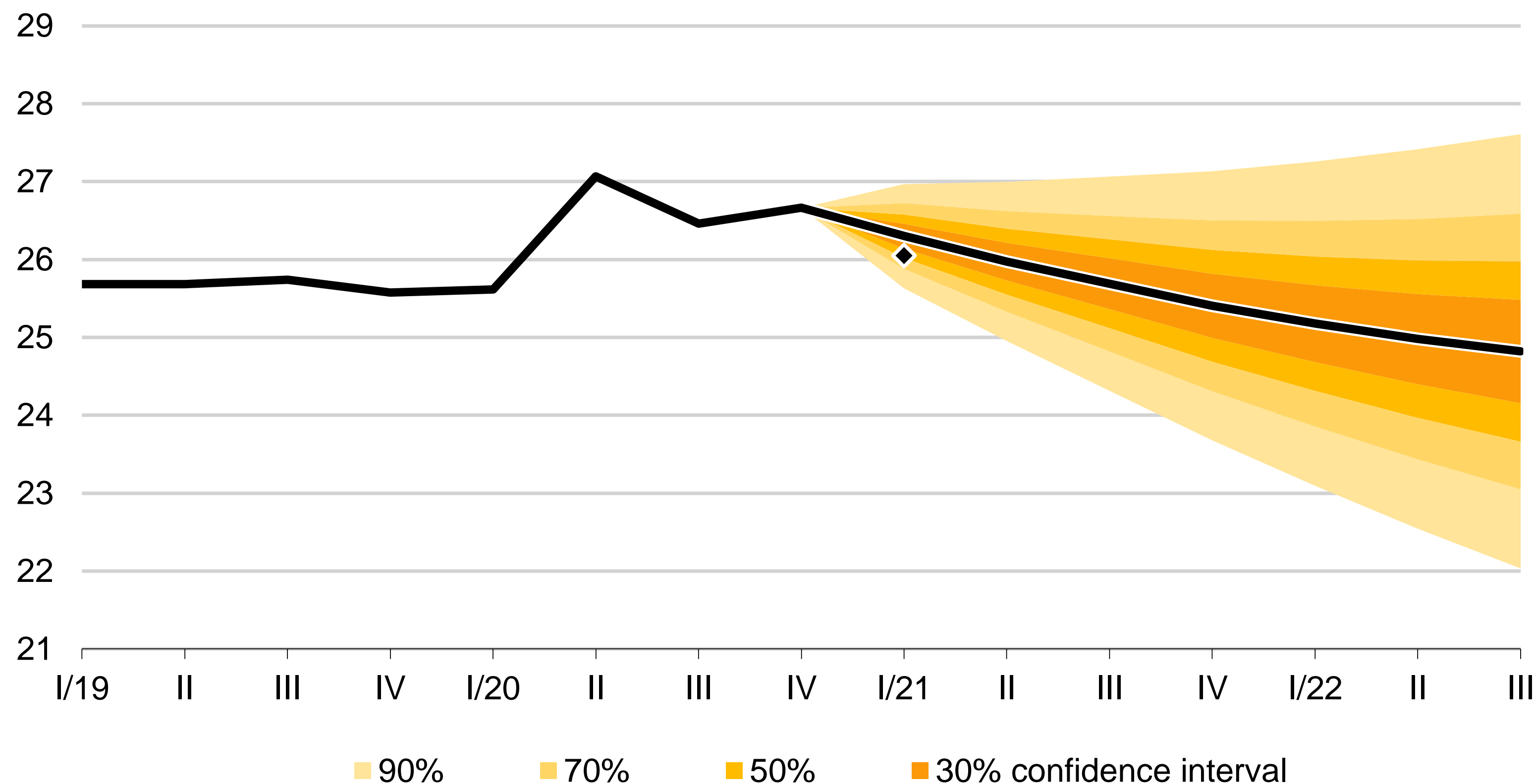
Note: y-o-y changes in %, constant prices, seasonally adjusted.

Share of unemployed persons Wages in market sectors



Note: share of unemployed persons in %, seasonally adjusted, y-o-y change in nominal wages in %.

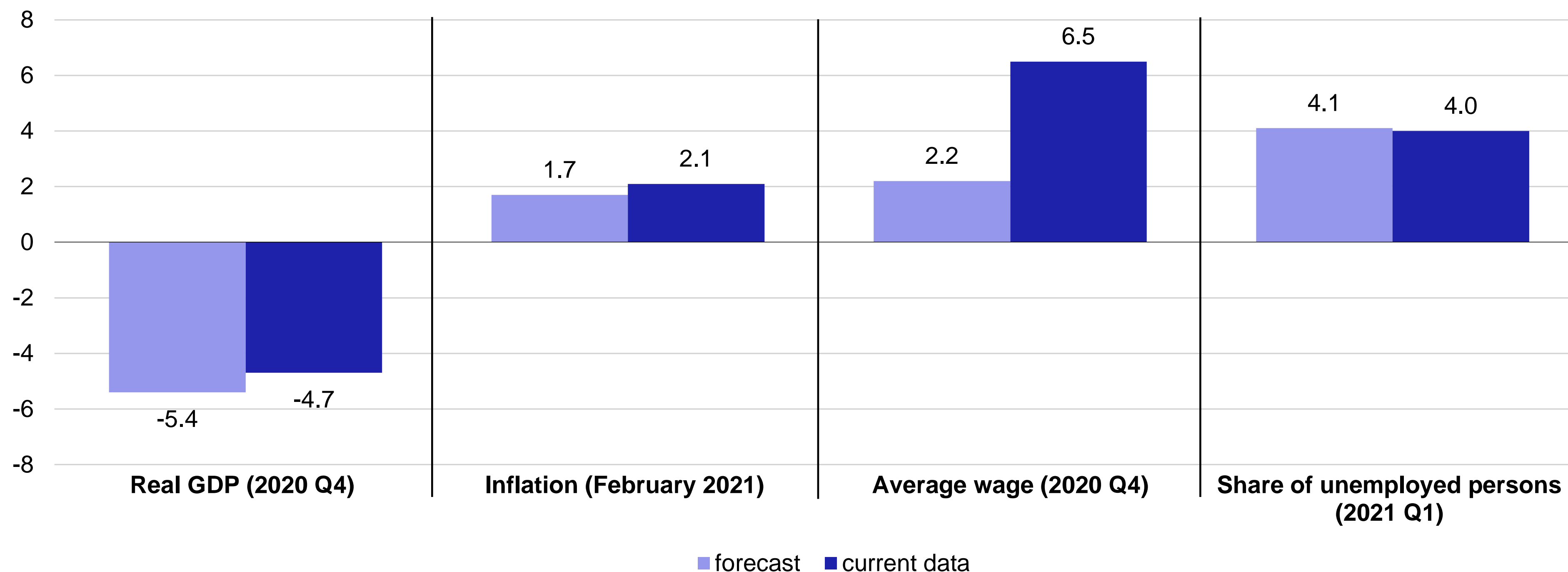
The CZK/EUR exchange rate forecast and outcome in 2021 Q1



So far in 2021 Q1, the koruna exchange rate against the euro has been 20 hellers stronger than forecasted.

According to the forecast, the koruna will continue to appreciate gradually.

Comparison of current domestic data with the CNB forecast



Note: Y-o-y changes in %, share of unemployed persons in % (comparison of s.a. outcomes in January and February with the forecast for 2021 Q1).

Risks and uncertainties of the forecast

The Bank Board assessed the uncertainties and risks of the forecast in the context of the ongoing pandemic as remaining very substantial.

A slower fading out of the unfavourable epidemic situation, and thus slower opening of the domestic and European economies, remains the most substantial risk. This could lead to a need to keep the monetary conditions accommodative for rather longer than in the forecast.

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 6 April 2021 at

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



Summary



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



The uncertainties and risks of the forecast remain very substantial.



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



The key interest rate remains at 0.25%.