

---

# 3rd 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

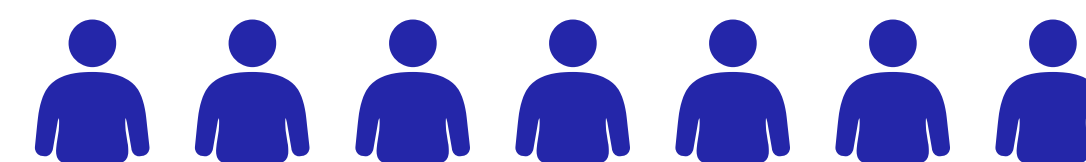
**0.05%**

discount  
rate

**1.00%**

Lombard  
rate

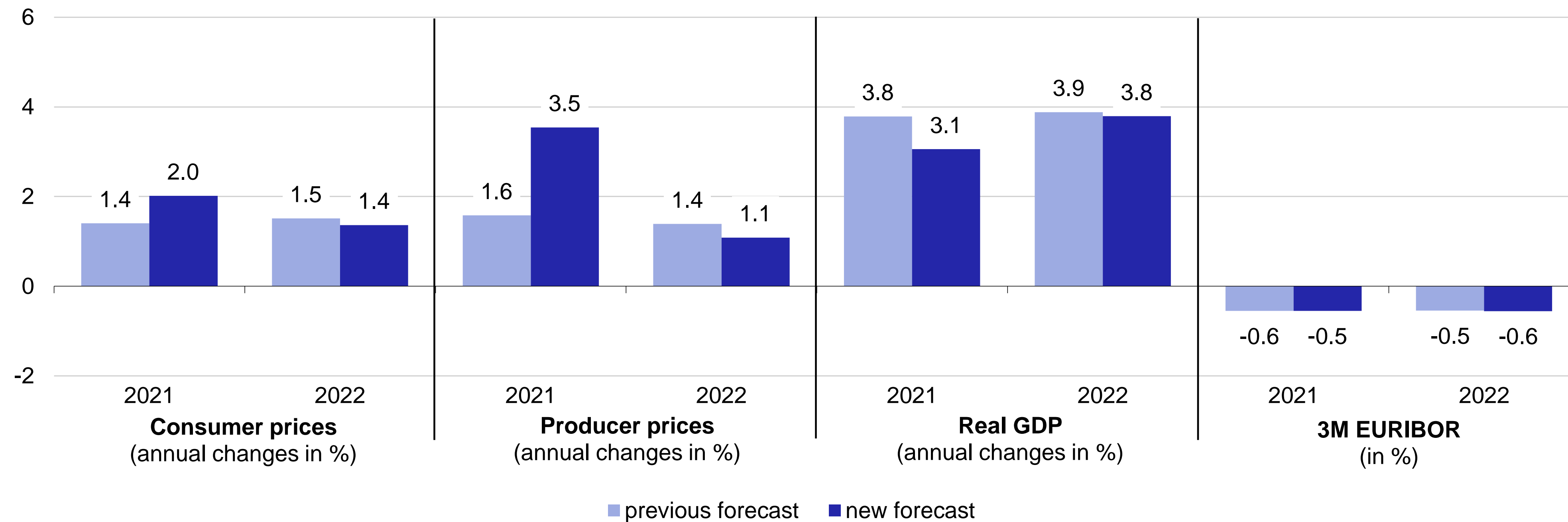
**FOR NO CHANGE**



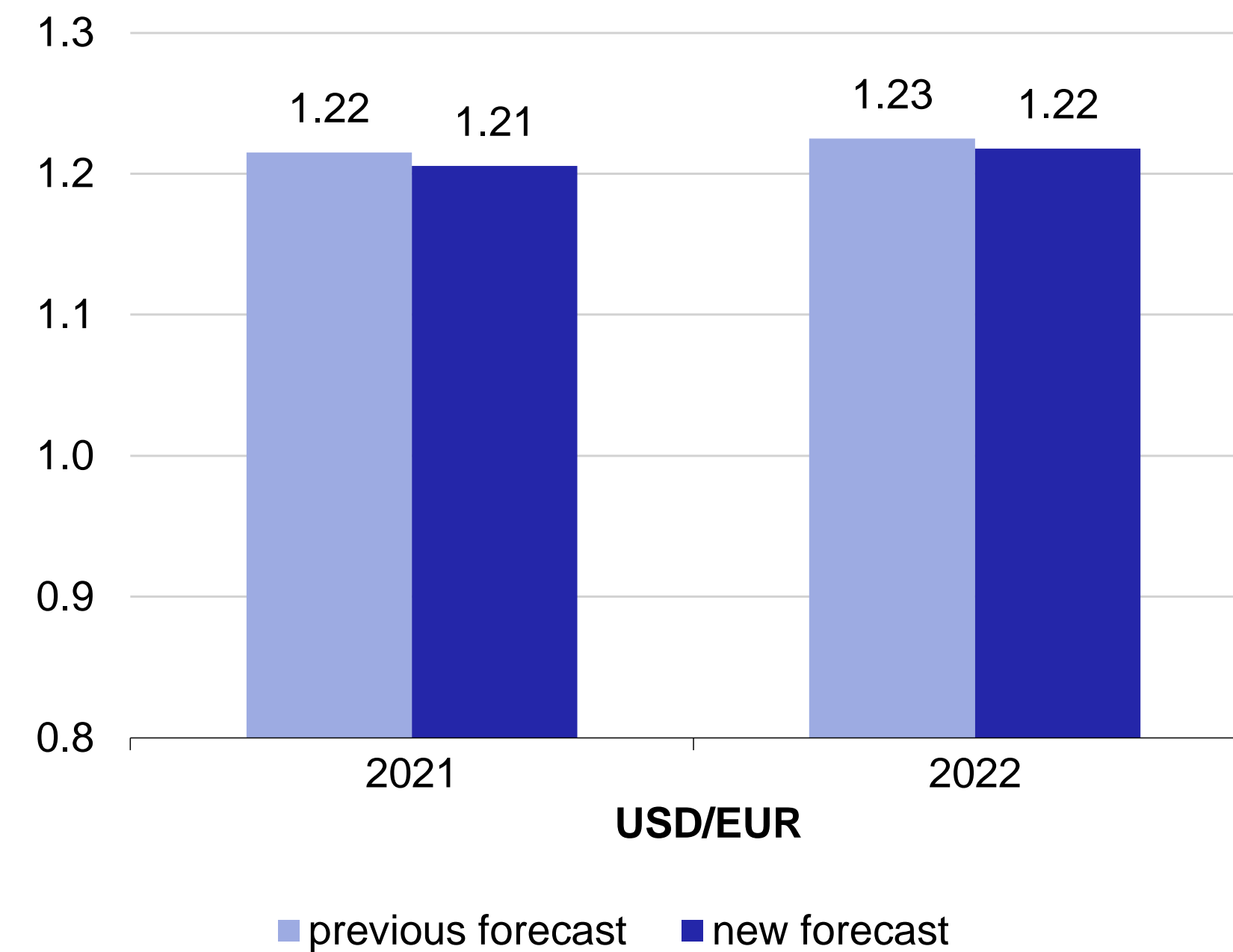
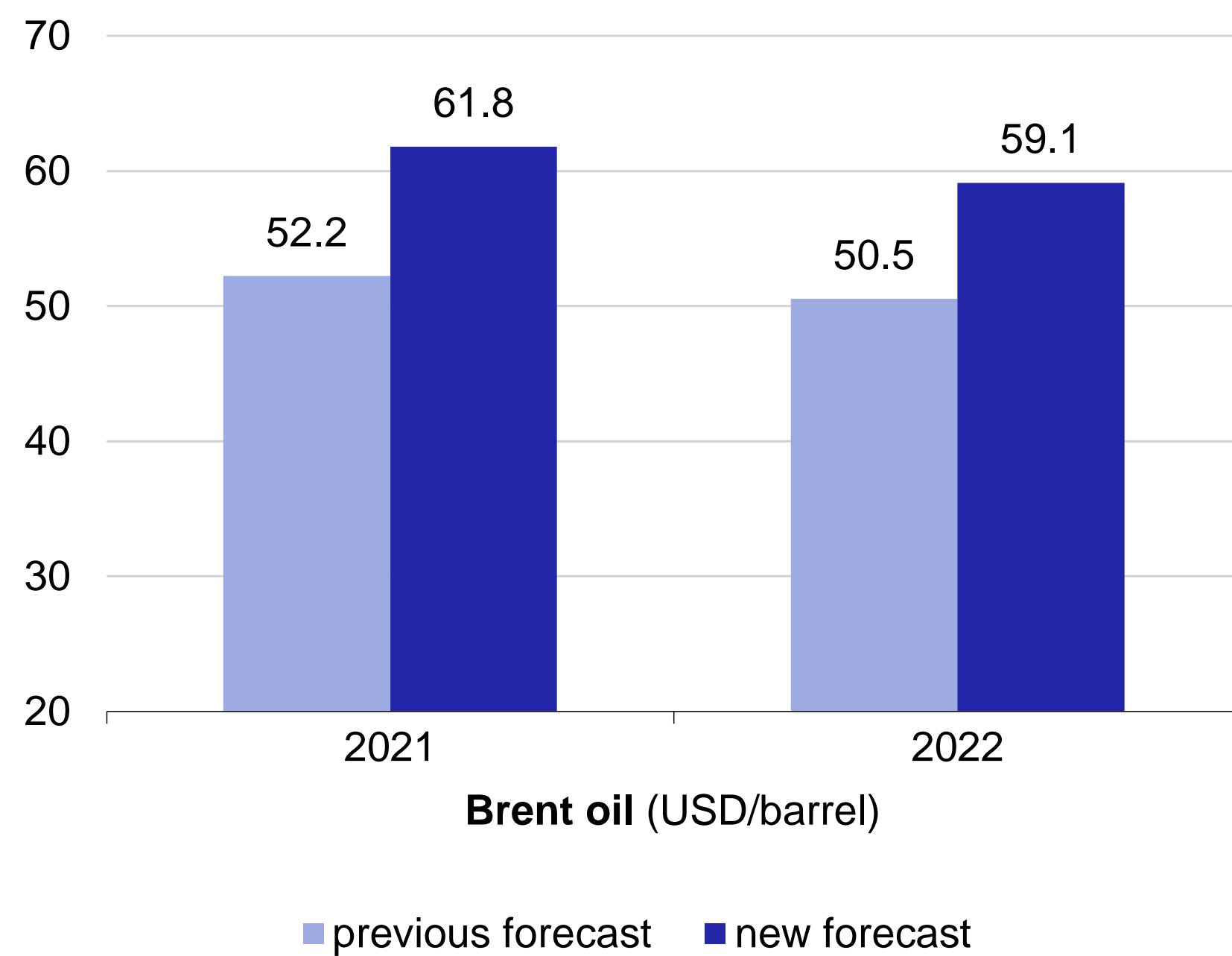
The decision adopted by the Bank Board is underpinned by **the CNB's new macroeconomic forecast.**

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

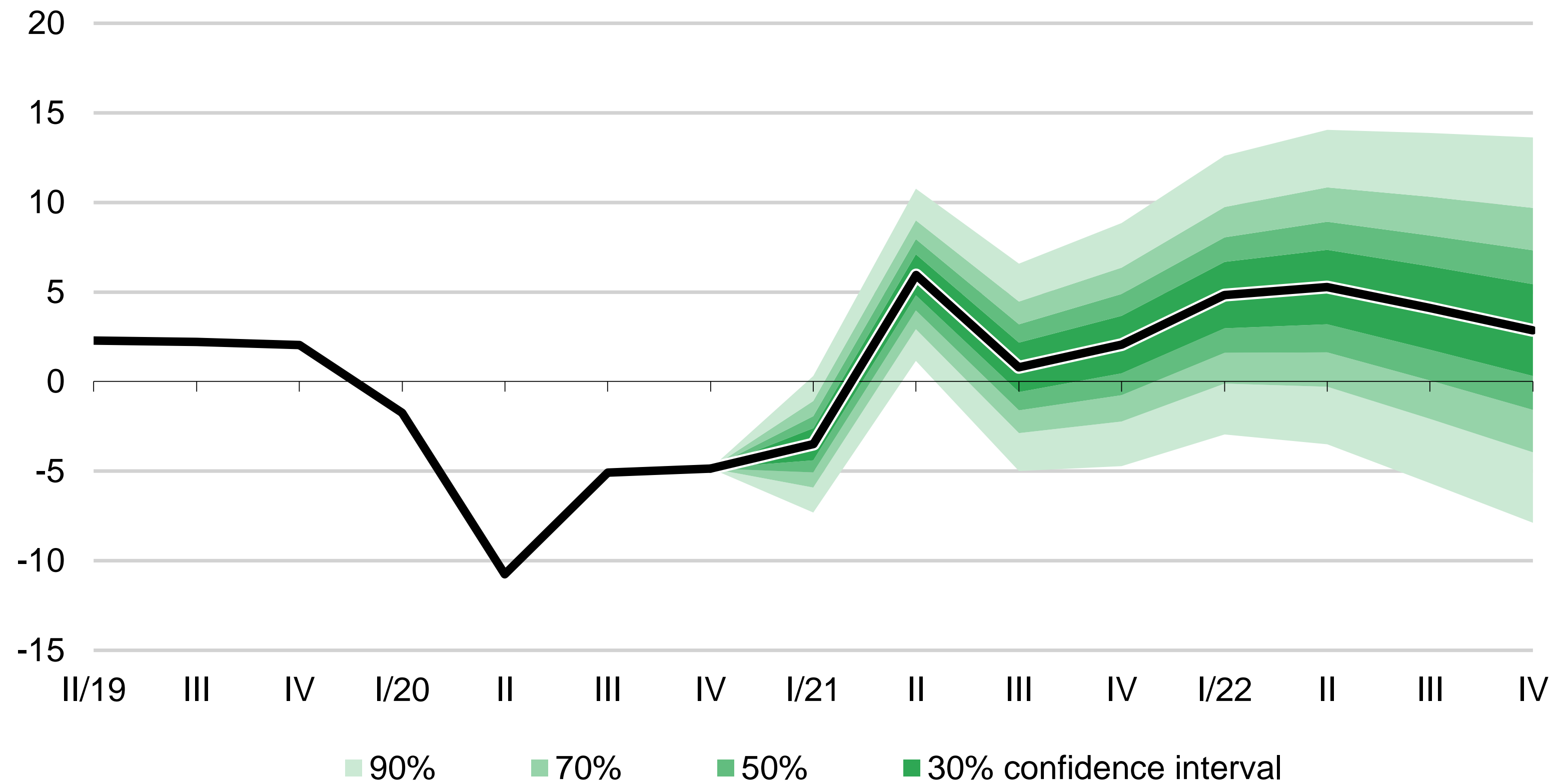
# External environment: forecast and outlook for the effective euro area



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



## Forecast for GDP

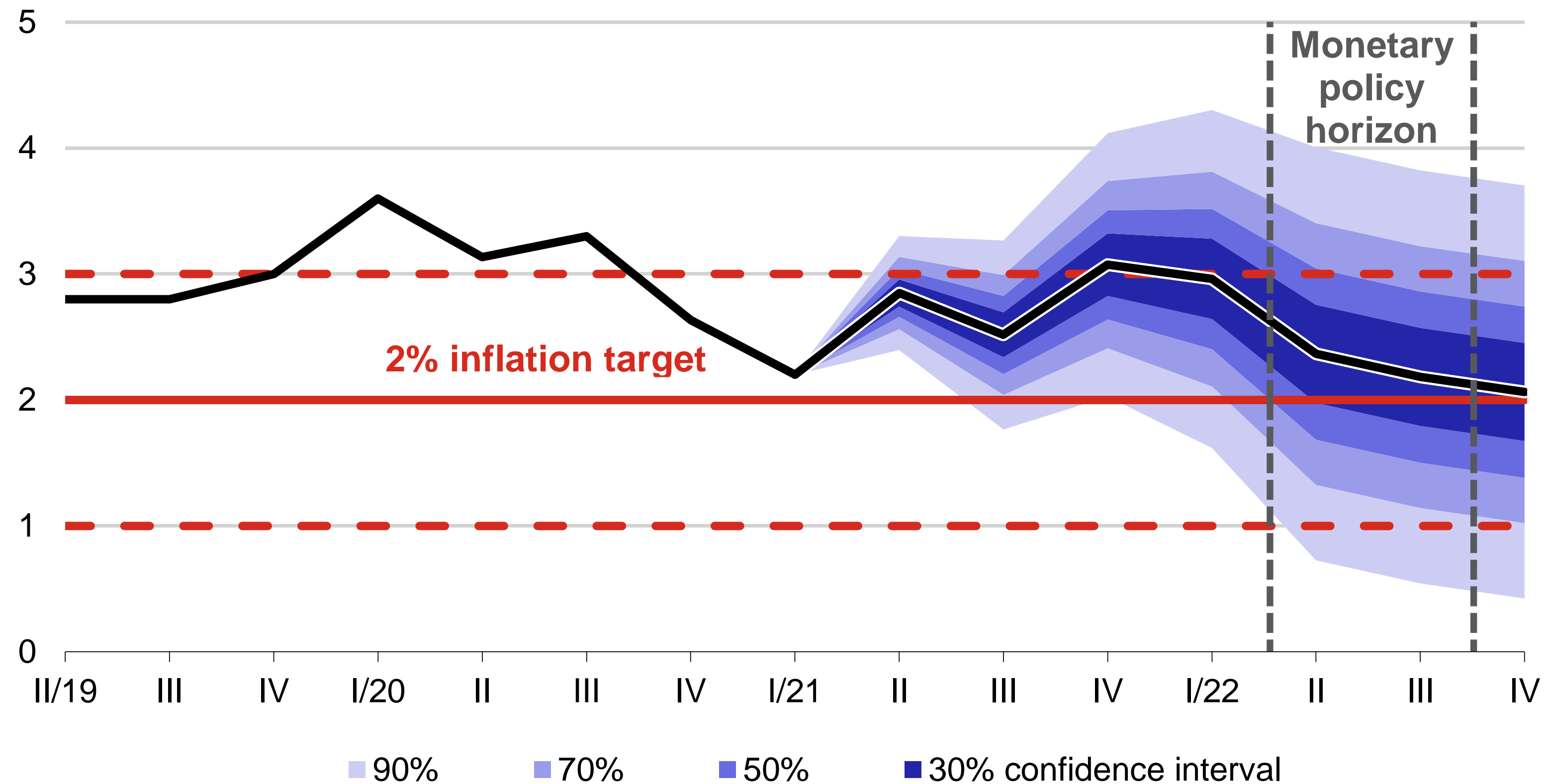


GDP will grow only slightly in 2021 as a whole and its annual growth will be highly volatile over the course of the year.

Economic growth will pick up appreciably next year.

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

# Forecast for headline inflation

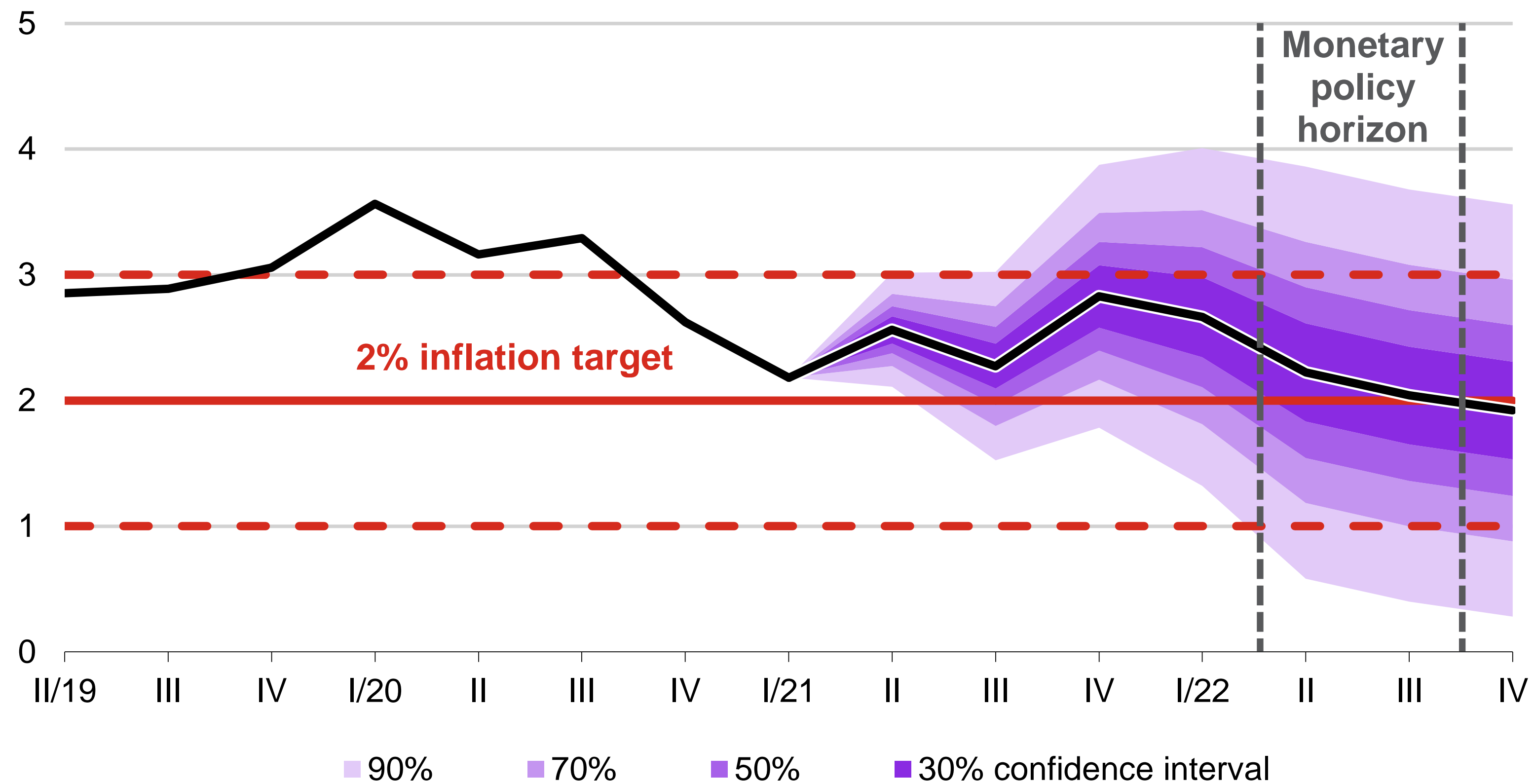


Headline inflation will rise towards the upper boundary of the tolerance band around the target in the quarters ahead.

It will return close to the target next year, aided by a gradual tightening of the monetary conditions from roughly the middle of this year onwards.

Note: y-o-y changes in %.

# Forecast for monetary policy-relevant inflation

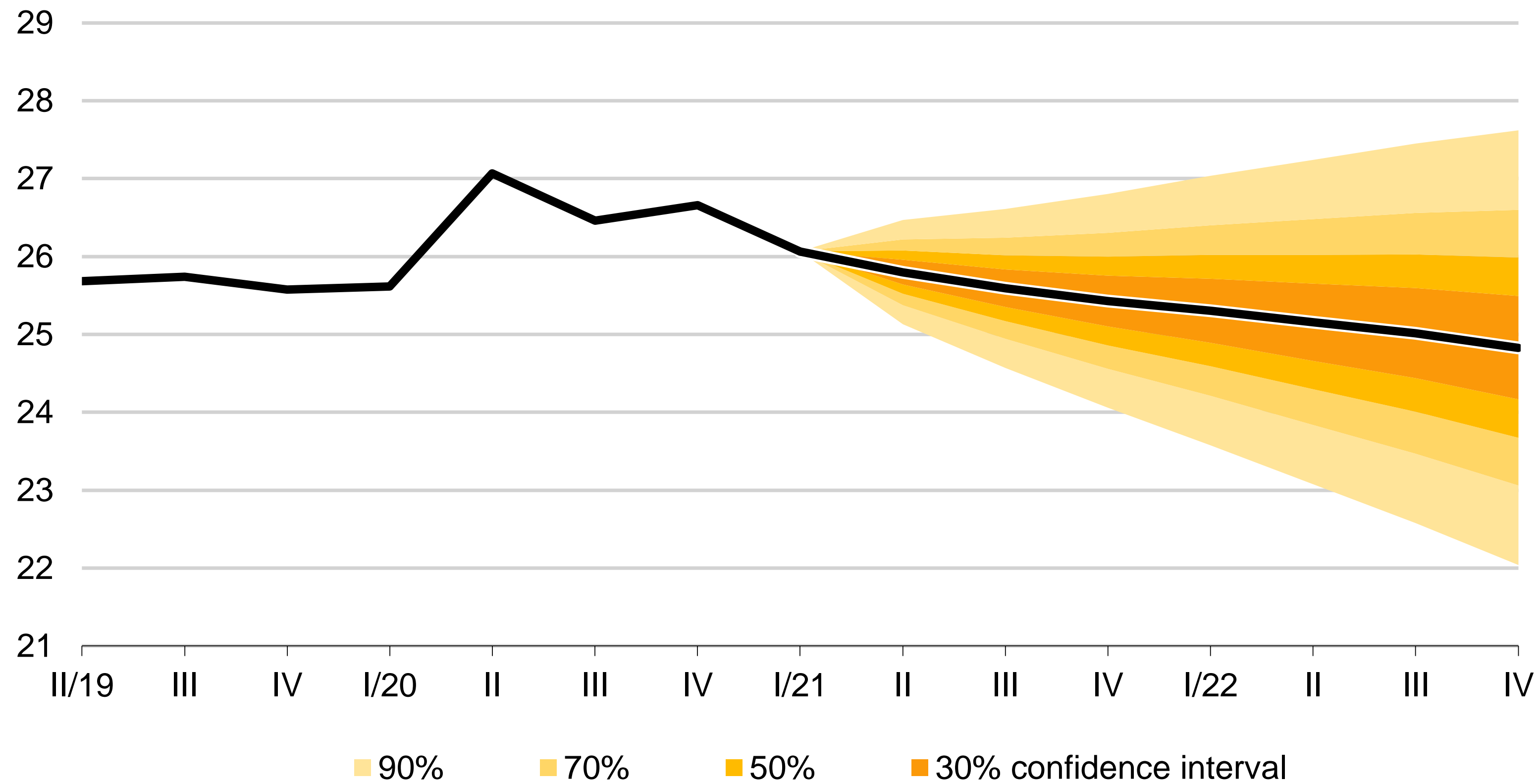


Monetary policy-relevant inflation will fall towards the inflation target over the monetary policy horizon.

Note: y-o-y changes in %.



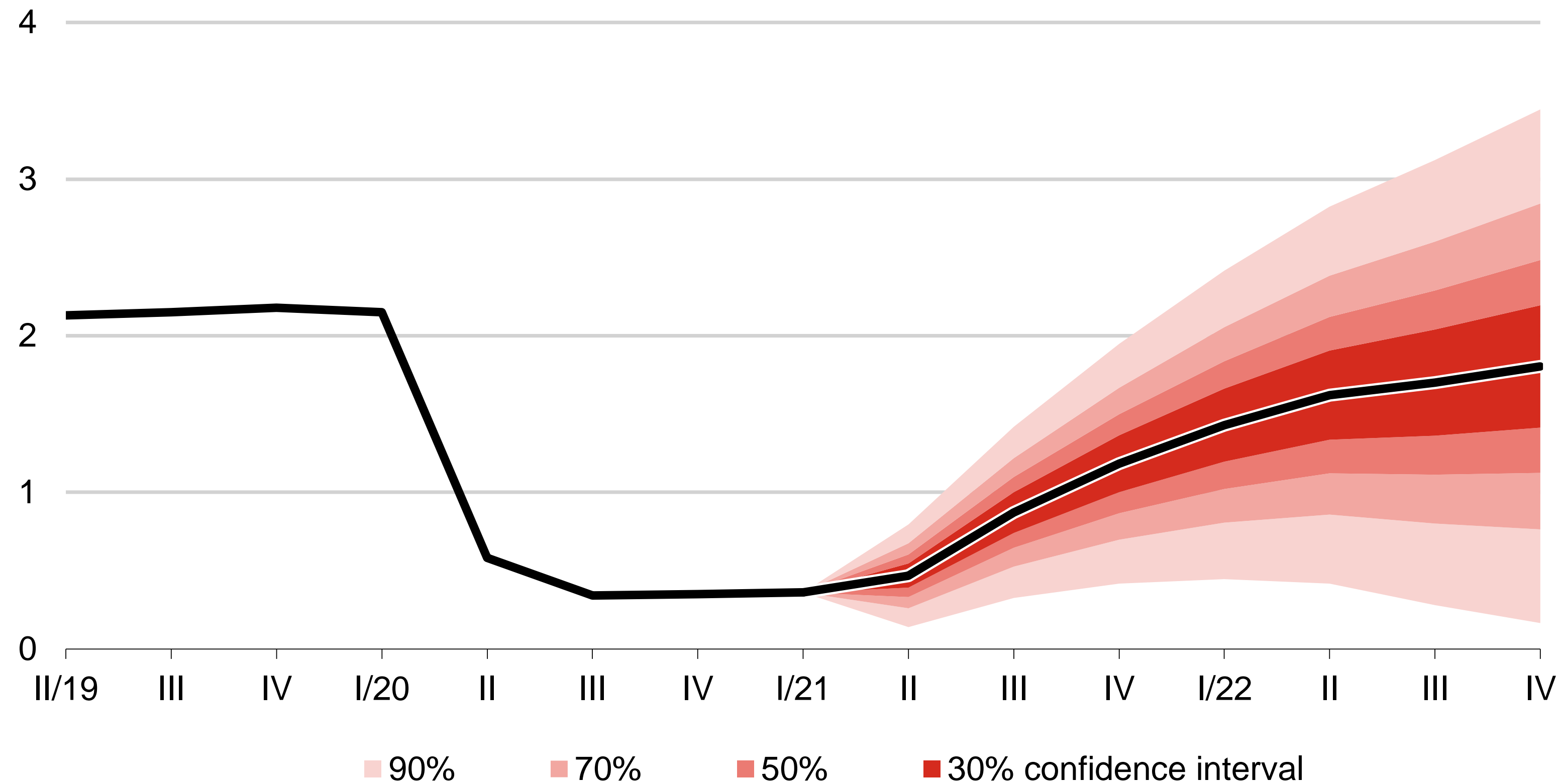
## Forecast for the exchange rate (CZK/EUR)



The koruna will appreciate, strengthening slightly beyond CZK 25 to the euro by the end of next year.

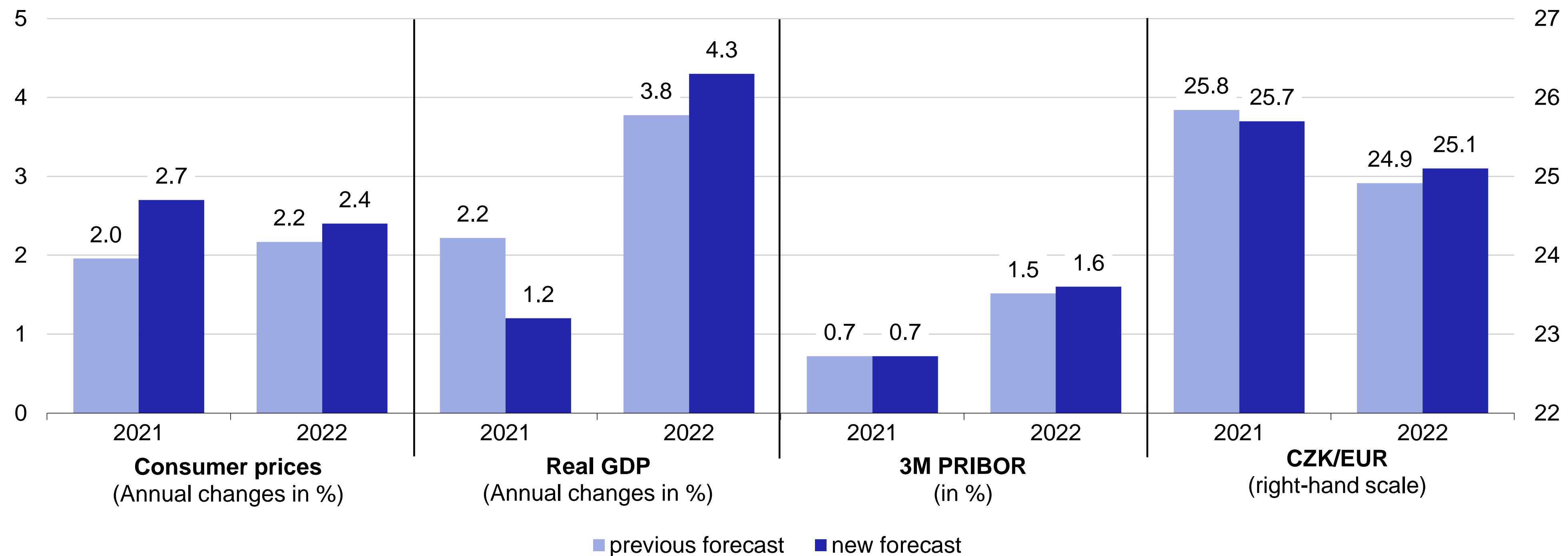


## Forecast for interest rates (3M PRIBOR, in %)



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

## Comparison with the previous forecast



---

## Risks and uncertainties of the forecast

**The Bank Board assessed the uncertainties and risks of the forecast as being less substantial than in the previous forecasts and as broadly balanced overall.**

### **Risks and uncertainties:**

- a more gradual fading of the pandemic, linked with lengthier lockdowns and a cyclical downturn at home and abroad
- the disruption to global production and supply chains and its pass-through to prices

---

## 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 – Spring 2021.

The introductory part of the Report (together with the boxes and the table of key macroeconomic indicators) will be published on 7 May 2021.

The whole Report will be published on 14 May 2021.



## Summary



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



The uncertainties and risks of the forecast are less substantial than in the previous forecasts and broadly balanced overall.



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



The key interest rate remains at 0.25%.

The Bank Board additionally decided to abolish the three-month repo operations for providing liquidity to credit institutions with immediate effect.