
4th 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 2W repo rate by 25 basis points to 0.50%**. At the same time, it decided to increase the Lombard rate to 1.25% and kept the discount rate unchanged at 0.05 %.

0.50%

2W repo
rate

0.05%

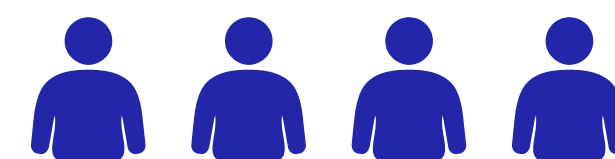
discount
rate

1.25%

Lombard
rate

Four members voted in favour of this decision, one member voted for increasing the 2W repo rate by 50 basis points, and two members voted for leaving rates unchanged.

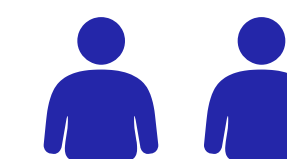
FOR INCREASE
OF 25 BP



FOR INCREASE
OF 50 BP



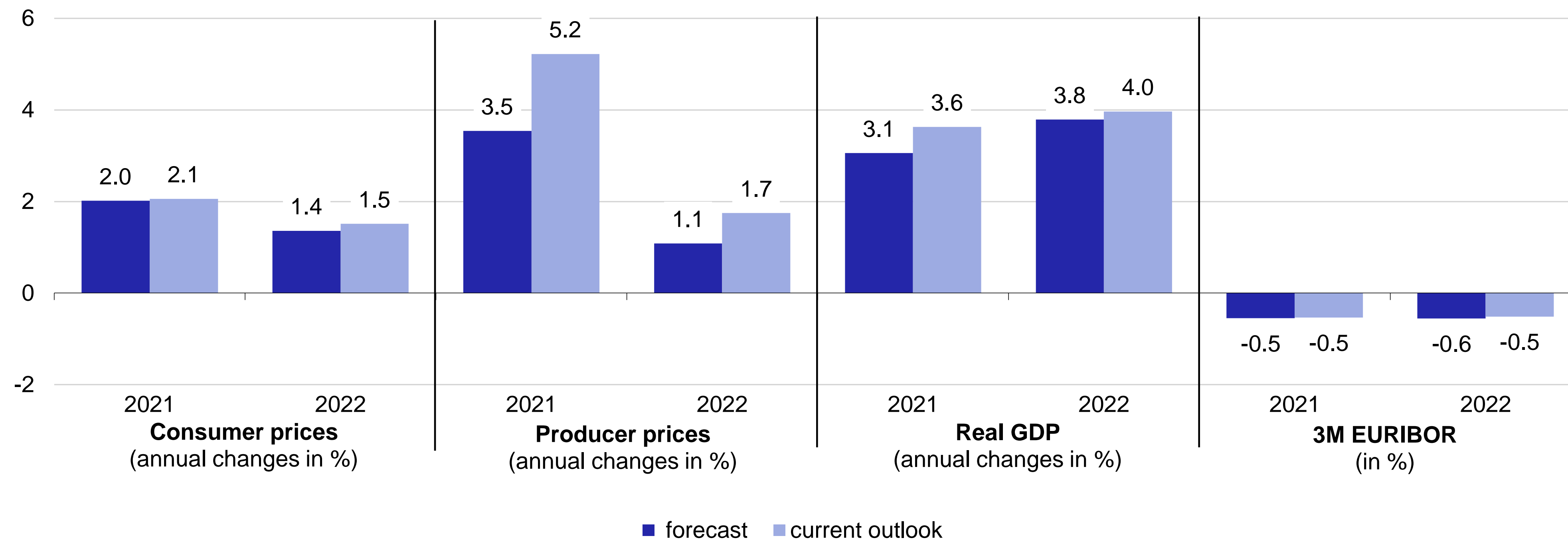
FOR NO CHANGE



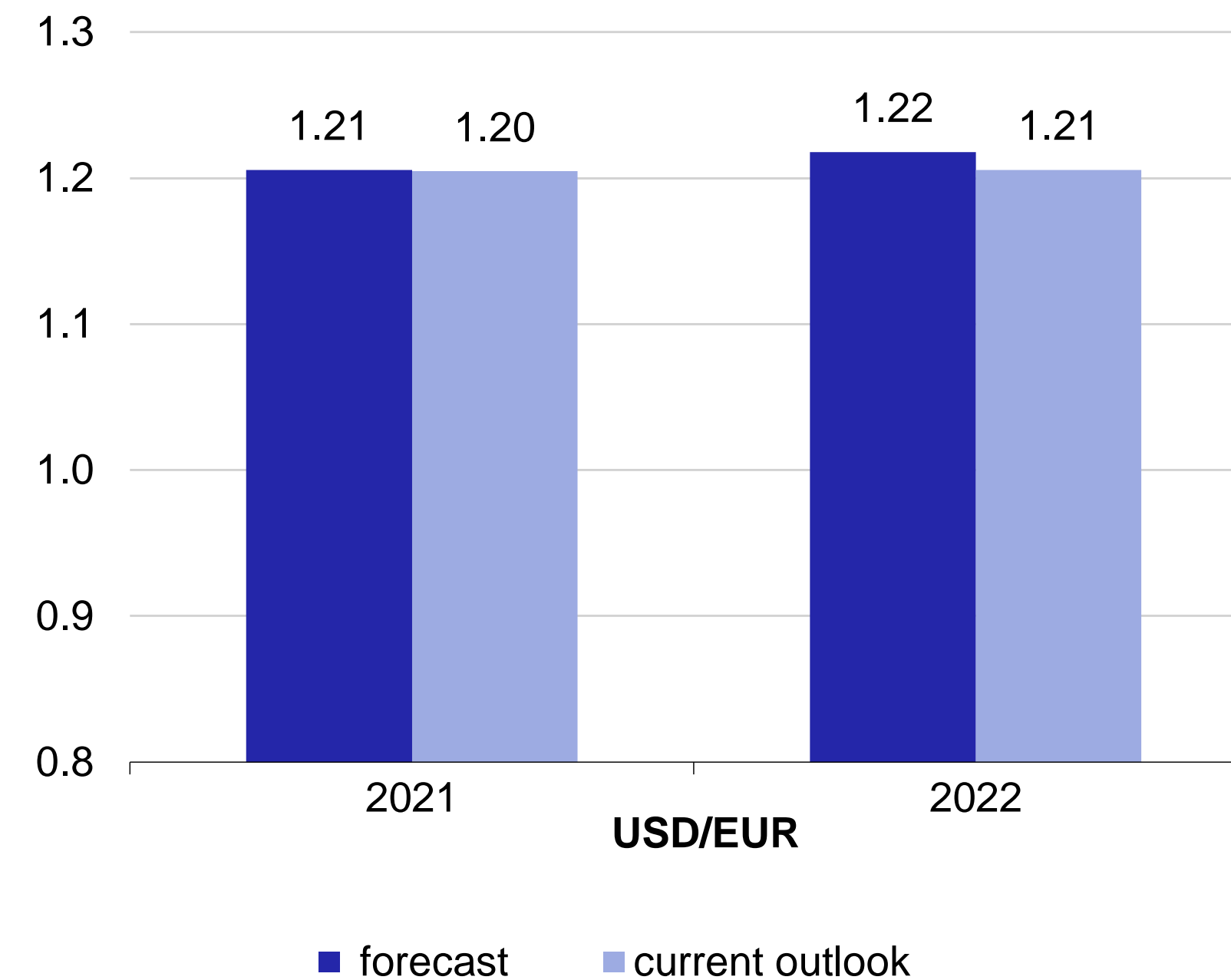
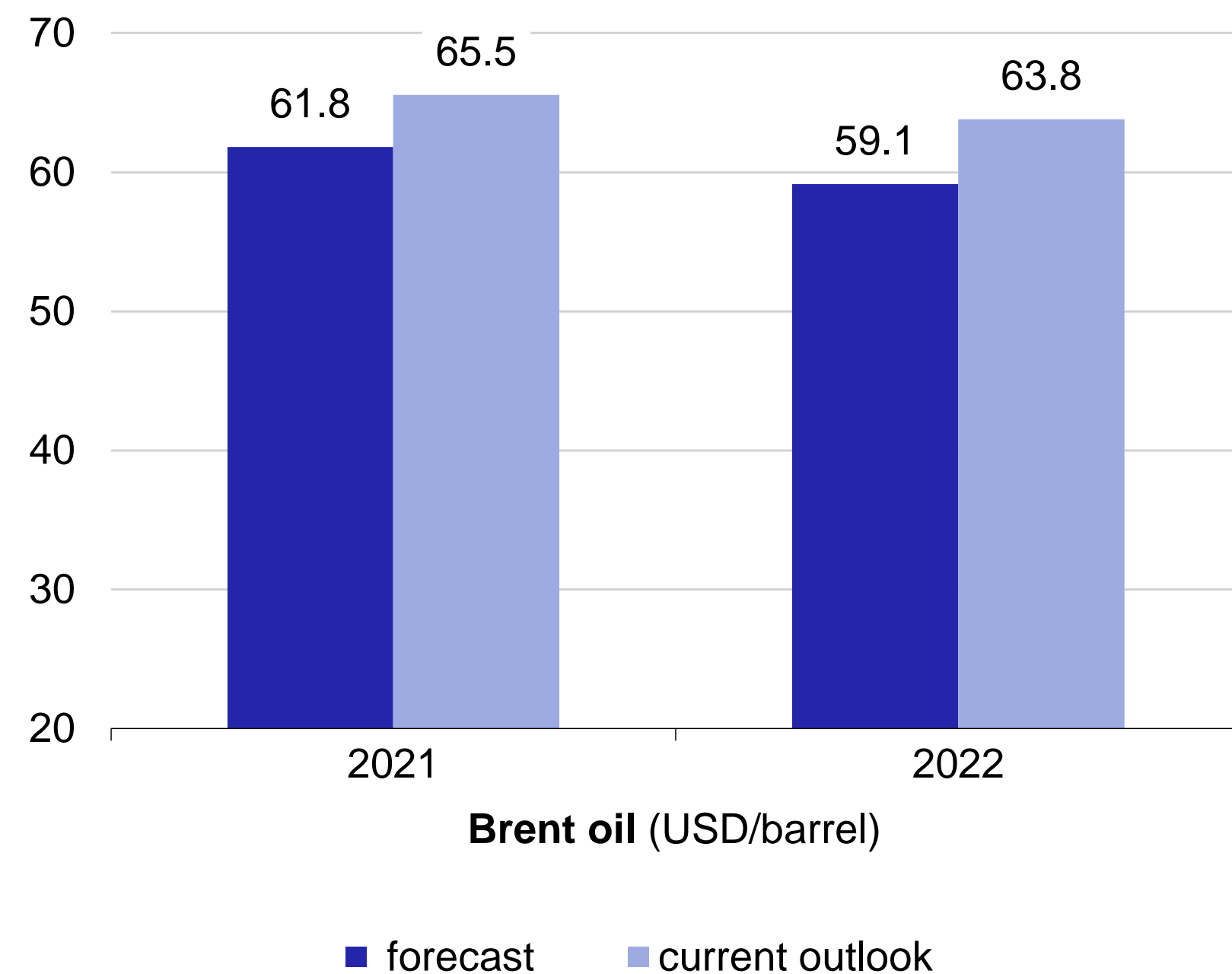
Consistent with the spring forecast is **a rise in market interest rates from roughly the middle of this year onwards.**

The Bank Board assessed **the risks and uncertainties of the spring forecast as being slightly inflationary overall.**

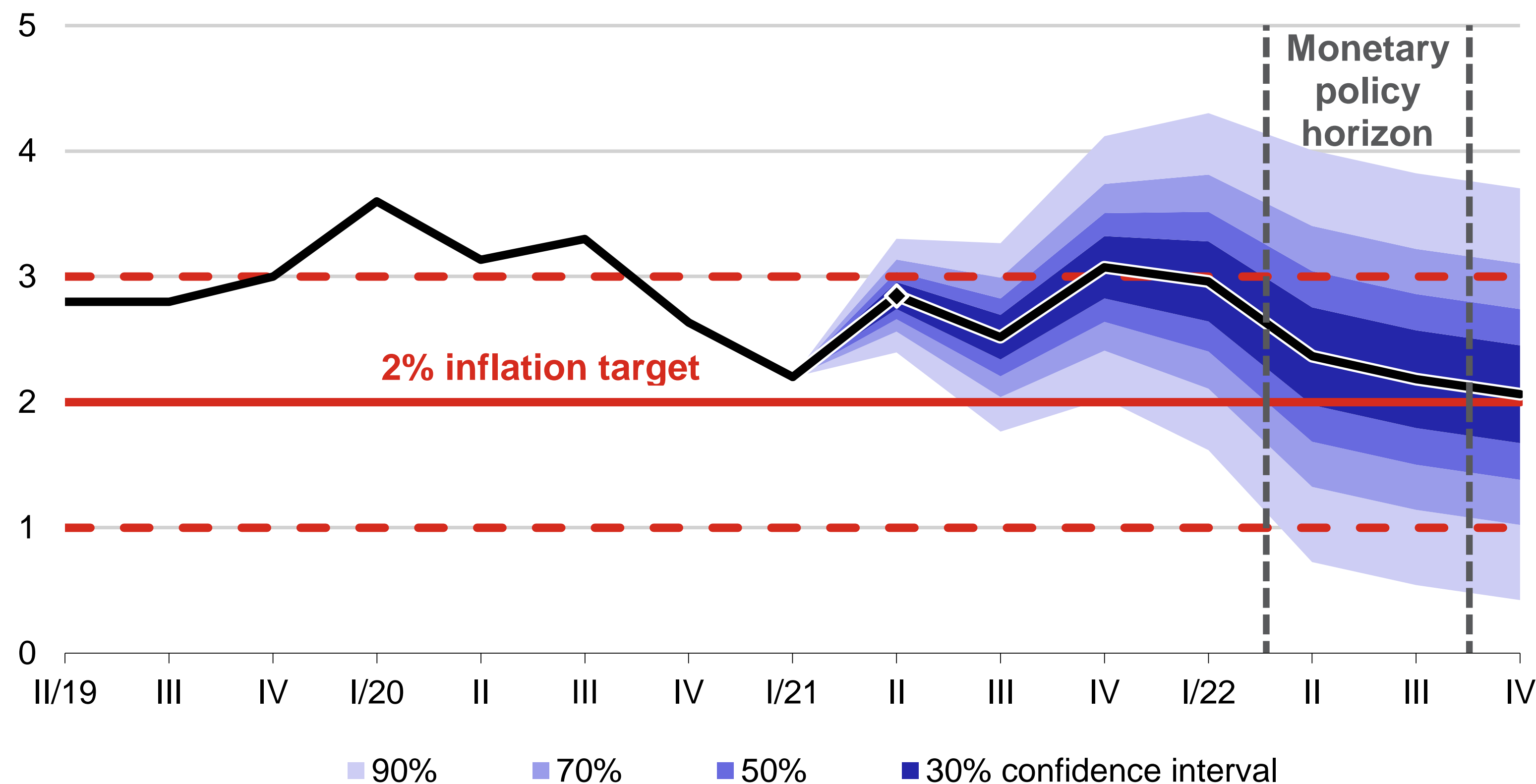
External environment: forecast and current outlook for the effective euro area



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



The inflation forecast and expected outcome in 2021 Q2

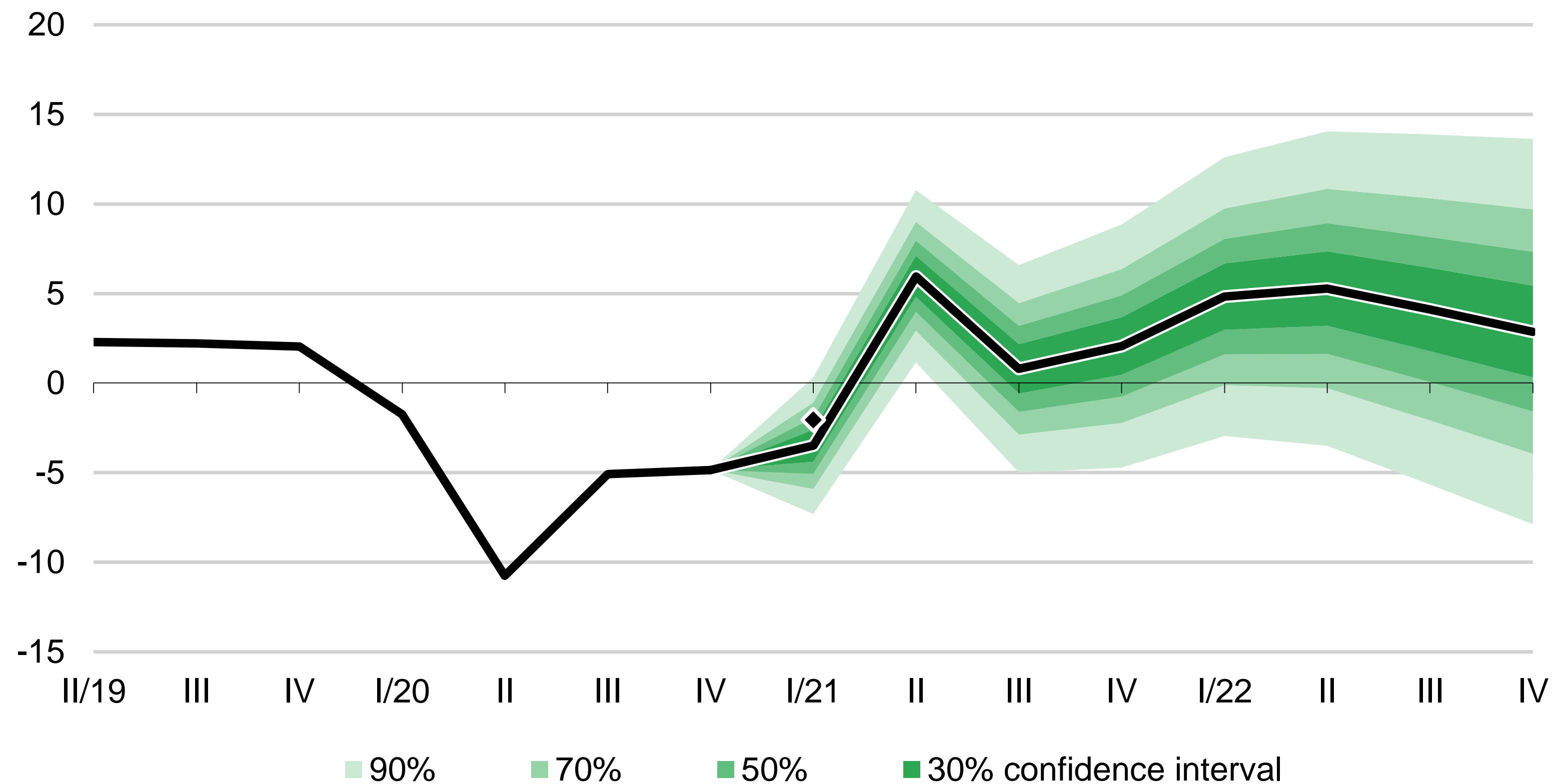


In line with the forecast, inflation has been close to the upper boundary of the tolerance band in Q2 so far.

According to the current forecast, inflation will fluctuate around this level in the quarters ahead and return close to the 2% target next year.

Note: y-o-y changes in %.

The GDP forecast and outcome in 2021 Q1



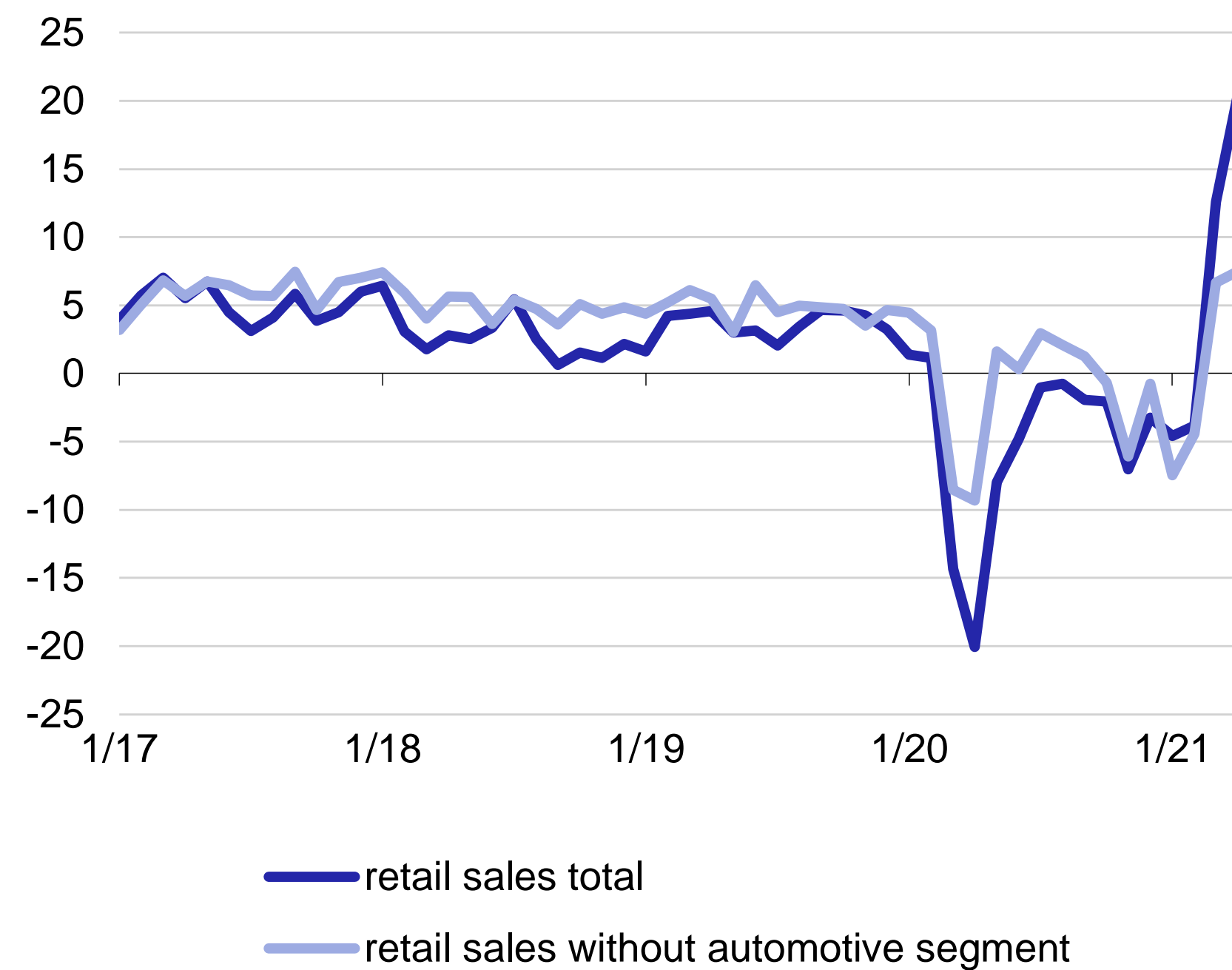
The year-on-year decline in GDP in 2021 Q1 was less pronounced than forecasted.

The Czech economy started to recover in 2021 Q2 and will return to growth overall this year.

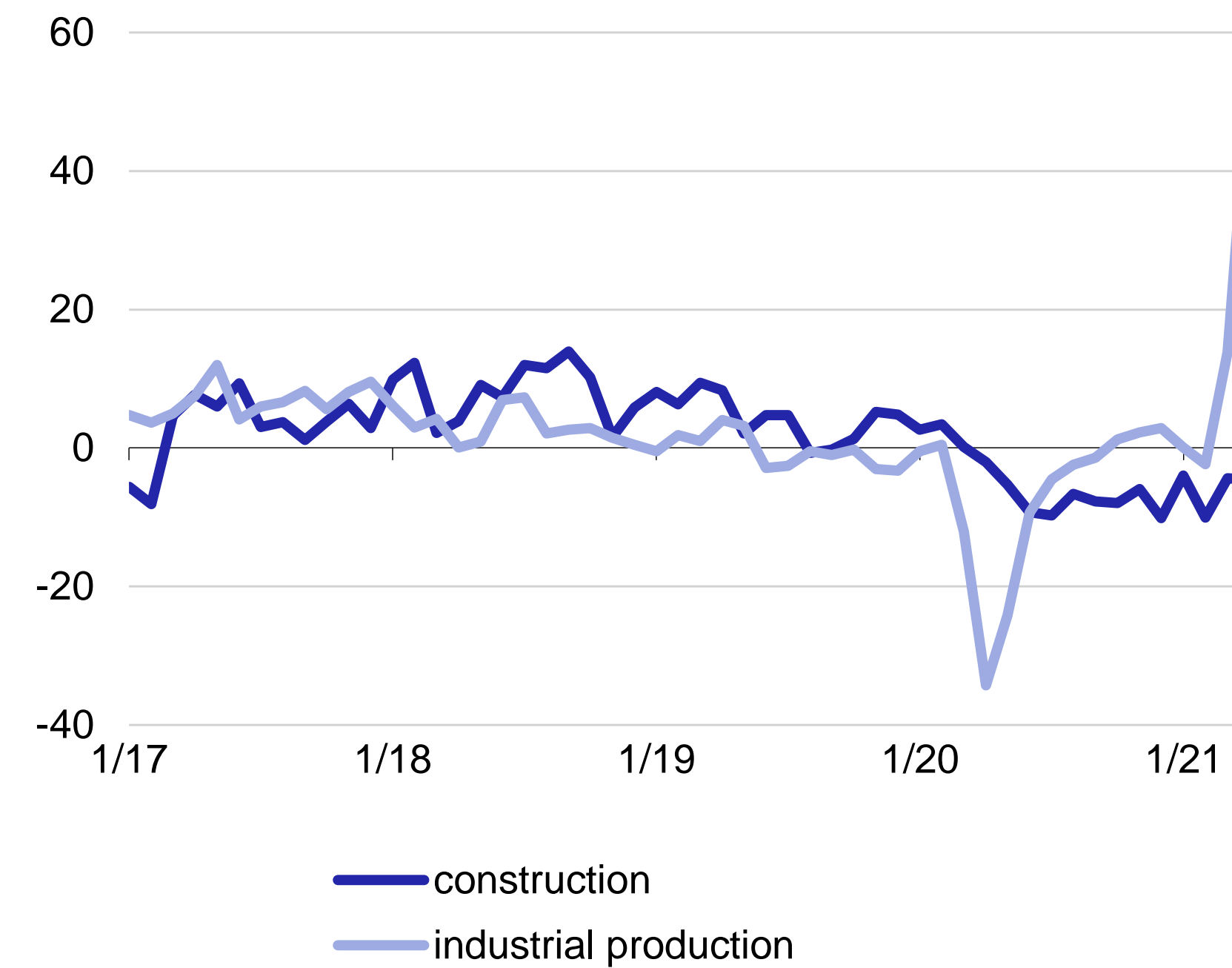
Growth will pick up appreciably next year.

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

Retail sales

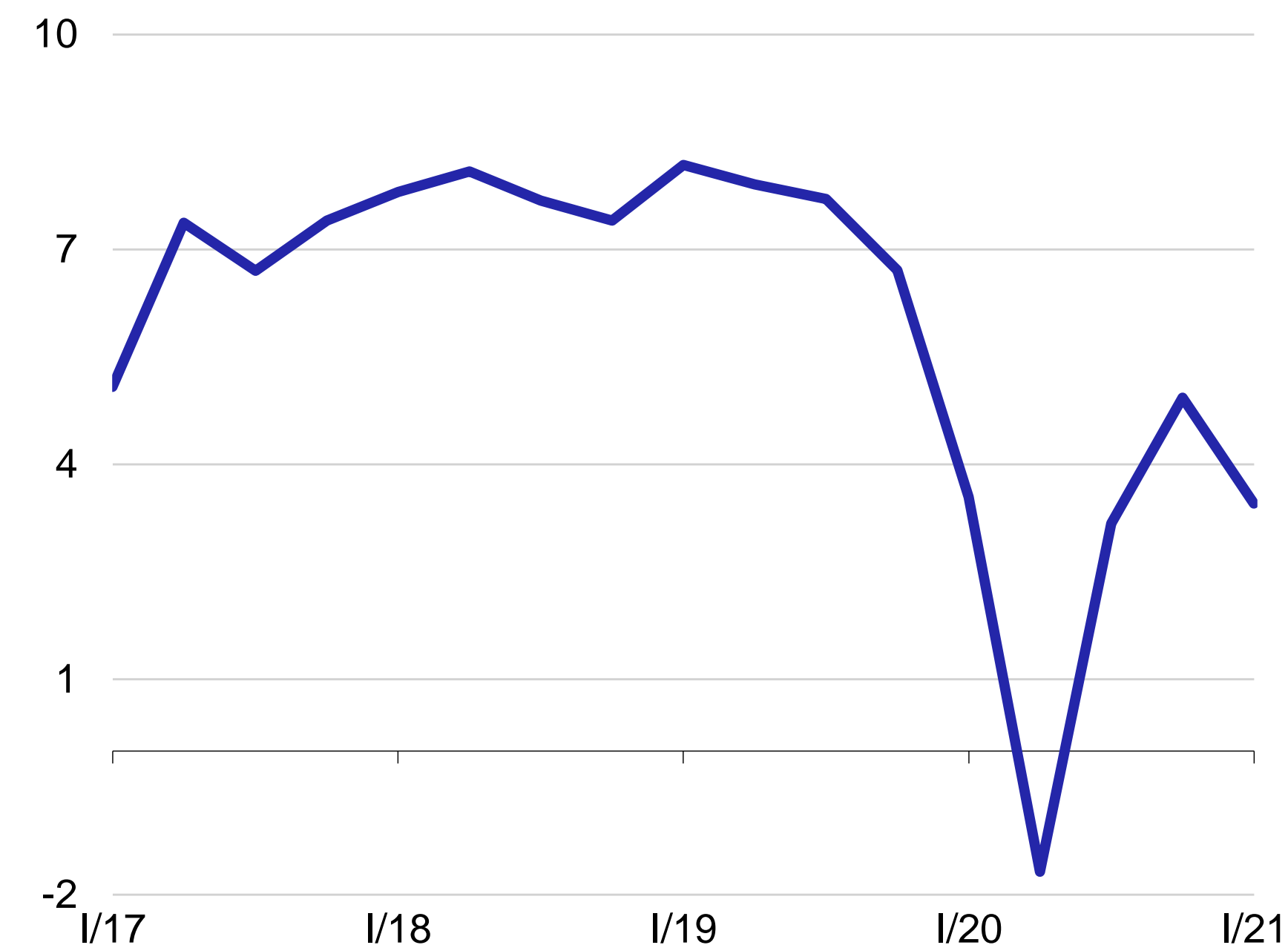
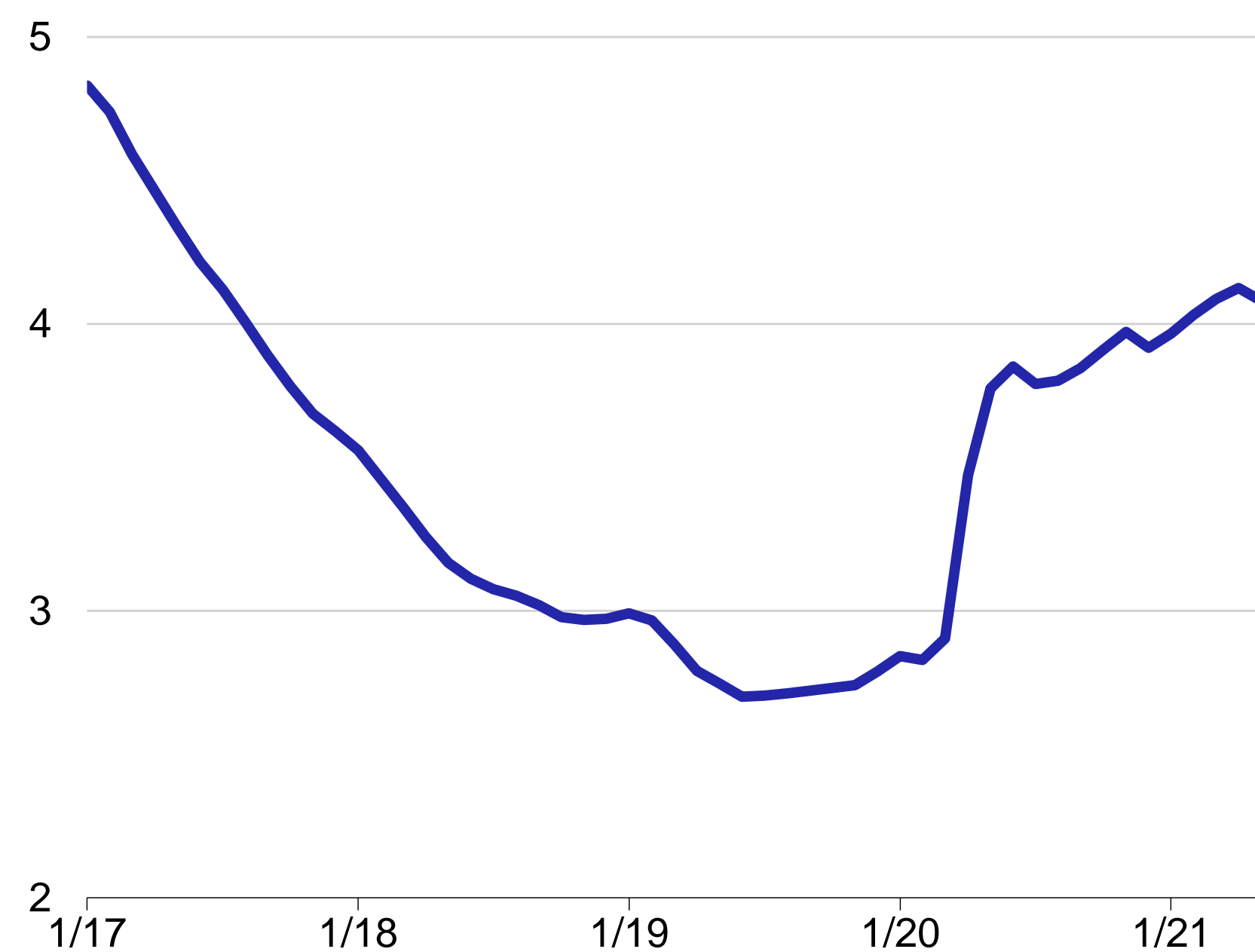


Industry and construction



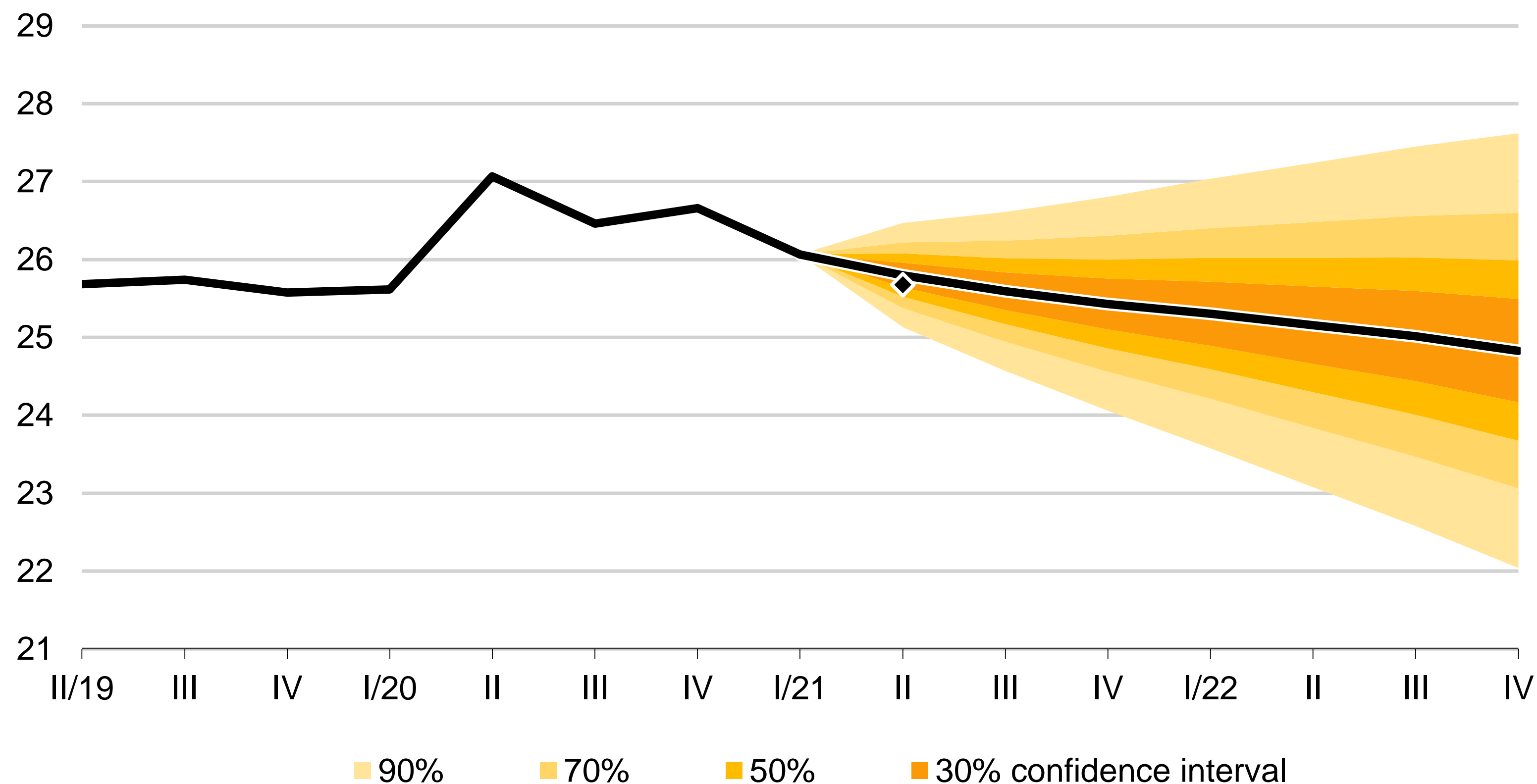
Note: y-o-y changes in %; constant prices; seasonally adjusted.

Share of unemployed persons Wages in market sectors



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

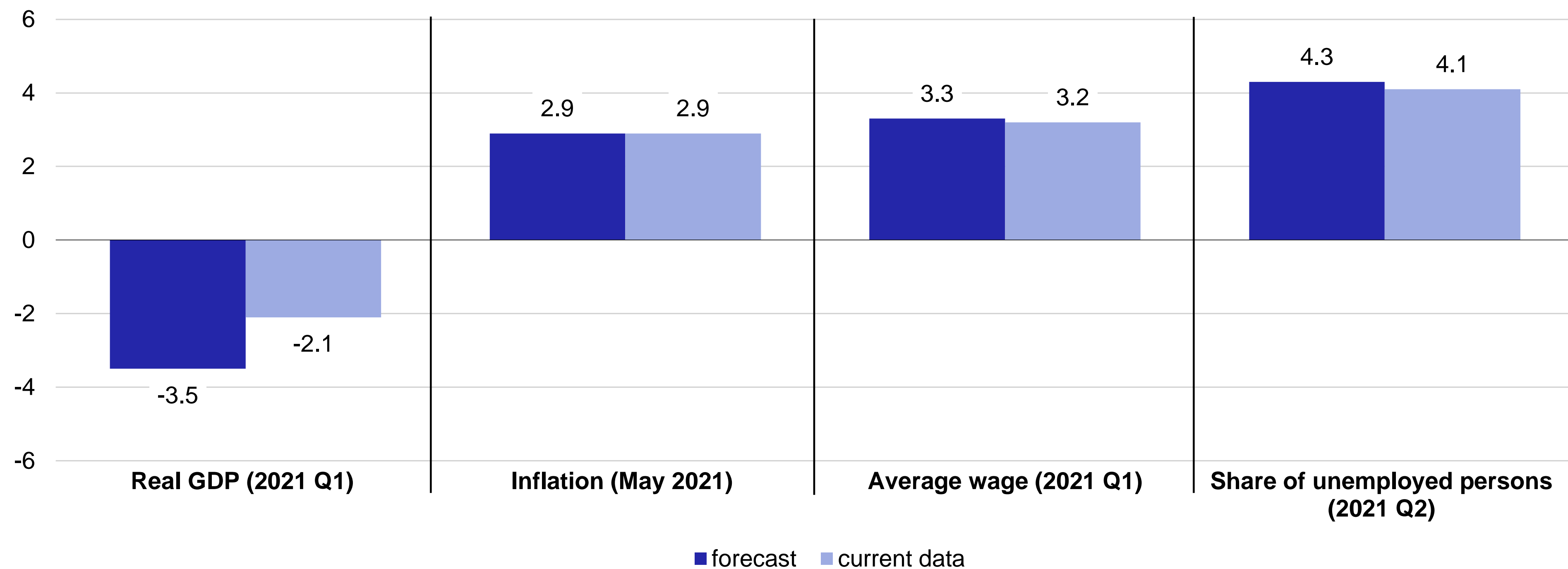
The CZK/EUR exchange rate forecast and outcome in 2021 Q2



The koruna exchange rate against the euro has so far been slightly stronger in Q2 compared with the forecast.

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

Comparison of current domestic data with the CNB forecast



Note: annual changes in %, share of unemployed persons in % (comparison of s.a. outcomes in April and May with the forecast for 2021 Q2).

Risks and uncertainties of the forecast

The Bank Board assessed the risks and uncertainties of the spring forecast as being slightly inflationary overall.

Inflationary risks:

- more inflationary foreign outlook, higher-than-expected growth in fundamental market wages at the start of the year, higher outlook for administered prices next year

Anti-inflationary risks:

- stronger koruna exchange rate

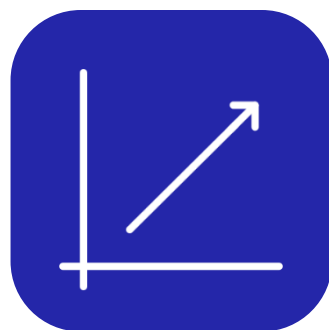
Thank you for your attention

Minutes of the today's meeting and the Graph of Risks to the Inflation Projection (GRIP) will be released on 2 July 2021 at

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



Summary



Consistent with the spring forecast is a gradual rise in market interest rates from roughly the middle of this year onwards.



The risks and uncertainties of the forecast are slightly inflationary overall.



The Bank Board increased interest rates by 25 basis points (four members voted in favour of this decision).



The key interest rate was increased to 0.50%.