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# 5th 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 0.75%**. At the same time it decided to increase the Lombard rate to 1.75% and kept the discount rate unchanged at 0.05%.

**0.75%**

2W repo  
rate

**0.05%**

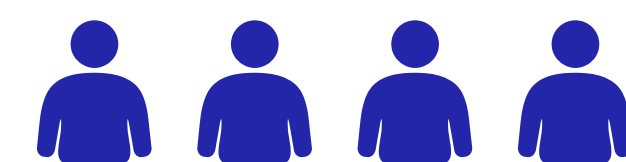
discount  
rate

**1.75%**

Lombard  
rate

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

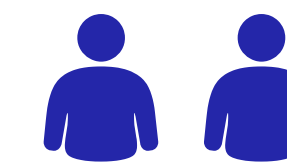
FOR INCREASE  
OF 25 BP



FOR INCREASE  
OF 50 BP



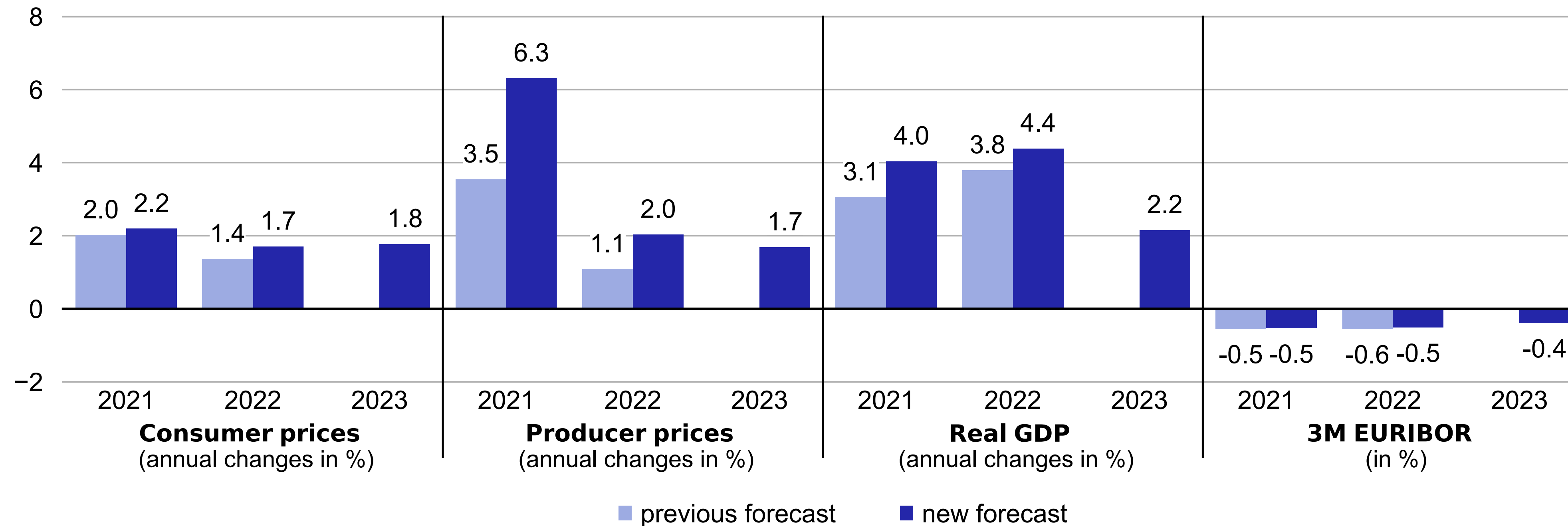
FOR NO CHANGE



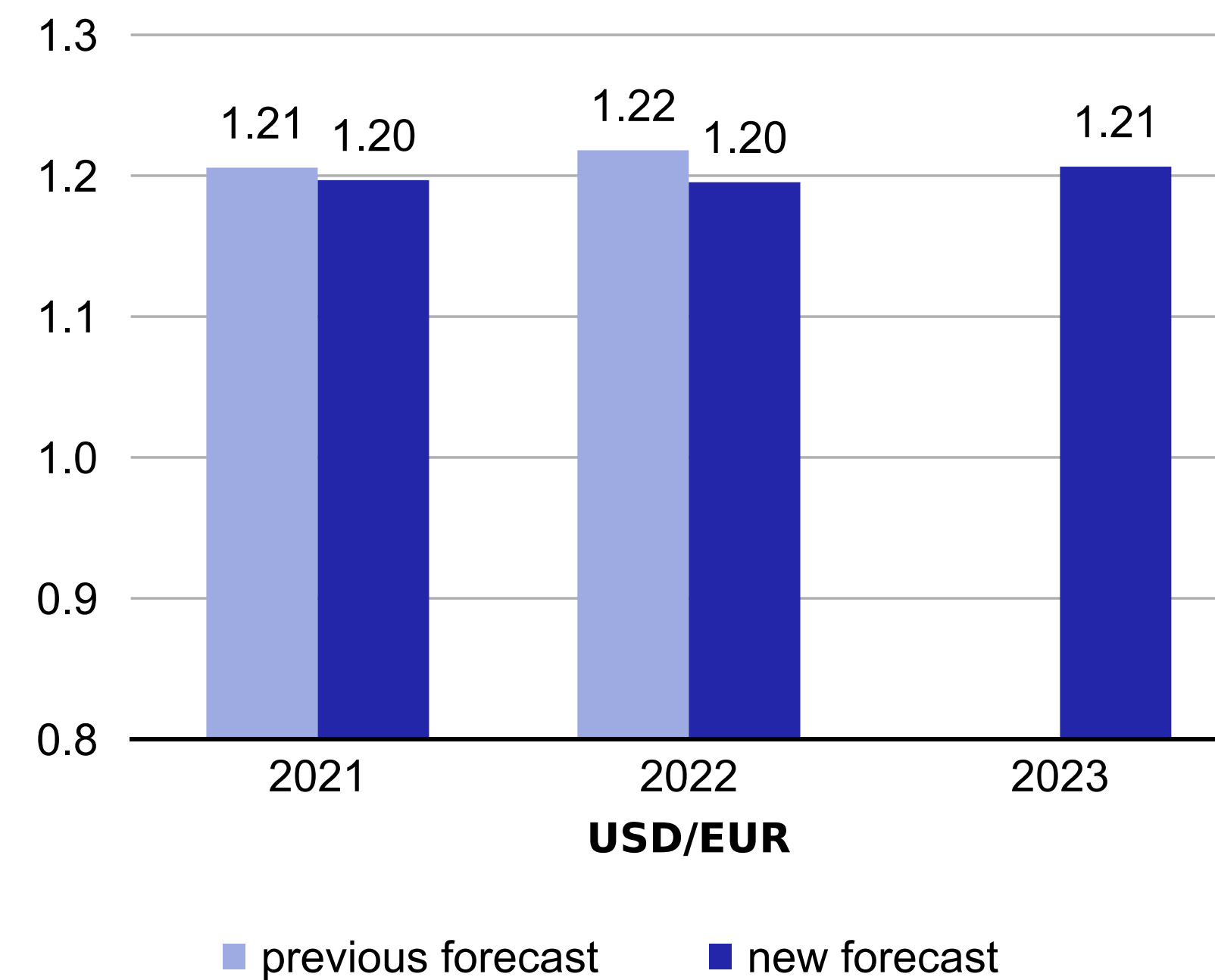
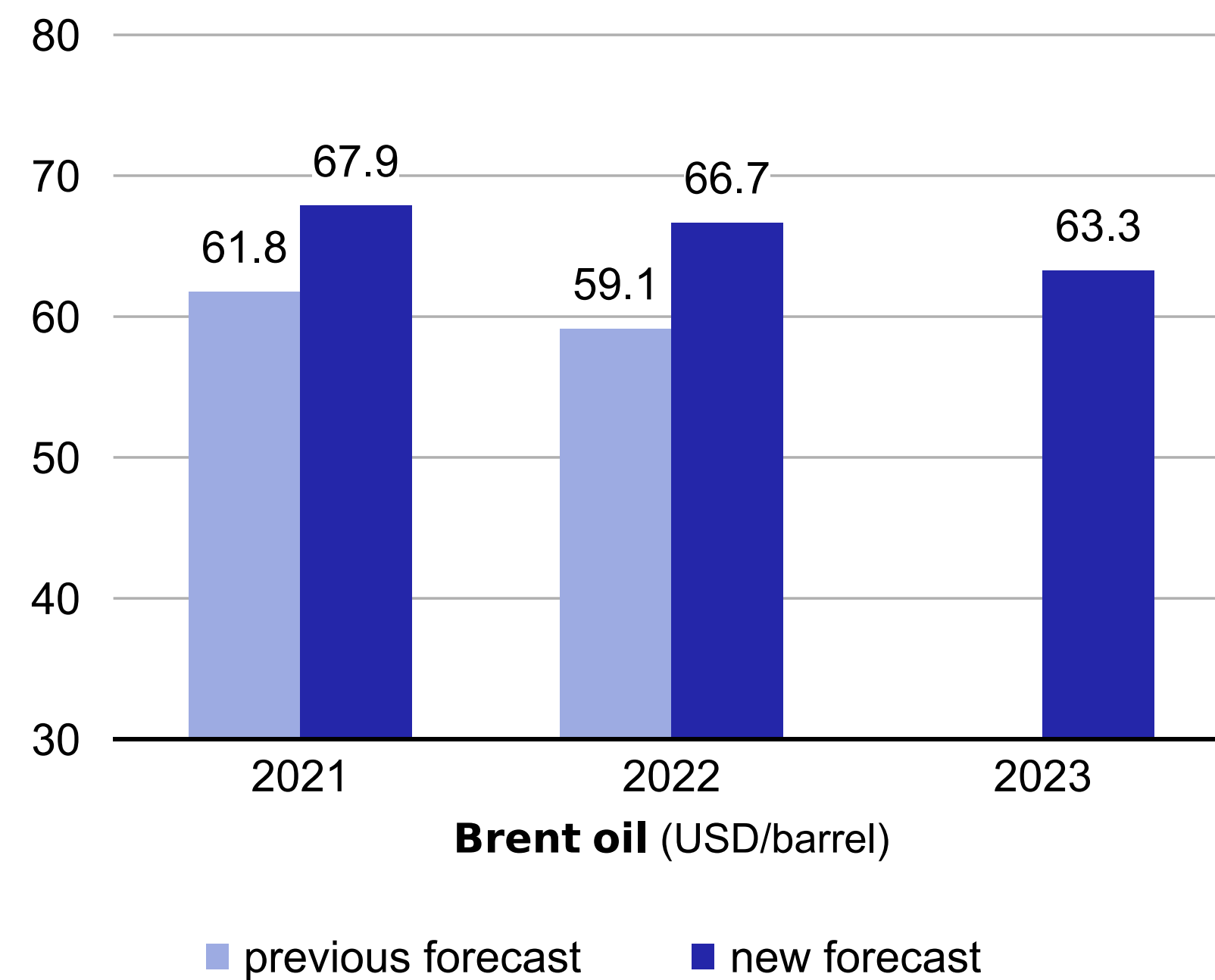
Consistent with the summer forecast is **a rise in market interest rates from the middle of this year onwards.**

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

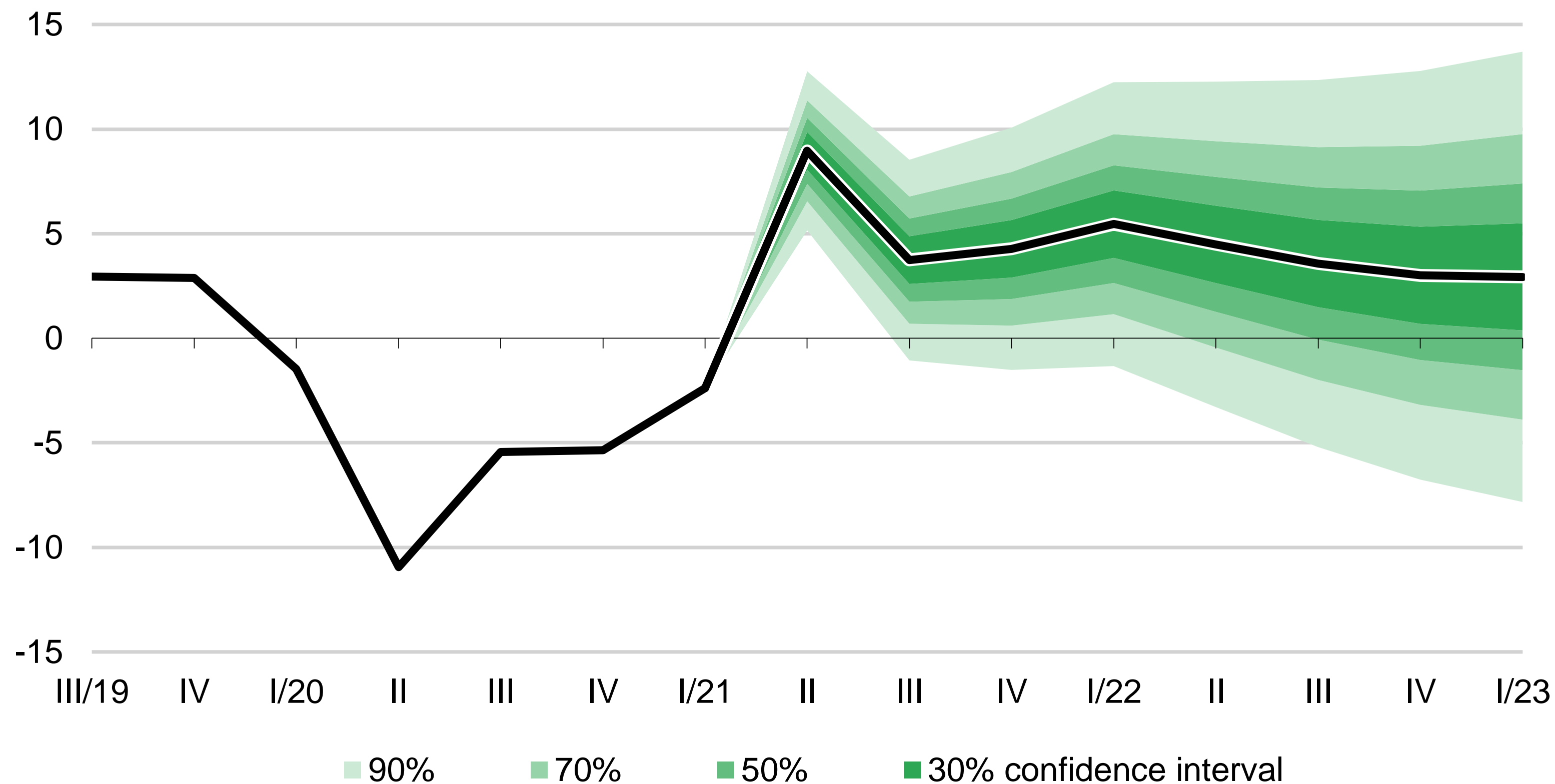
## External environment: forecast and outlook for the effective euro area



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



## Forecast for GDP



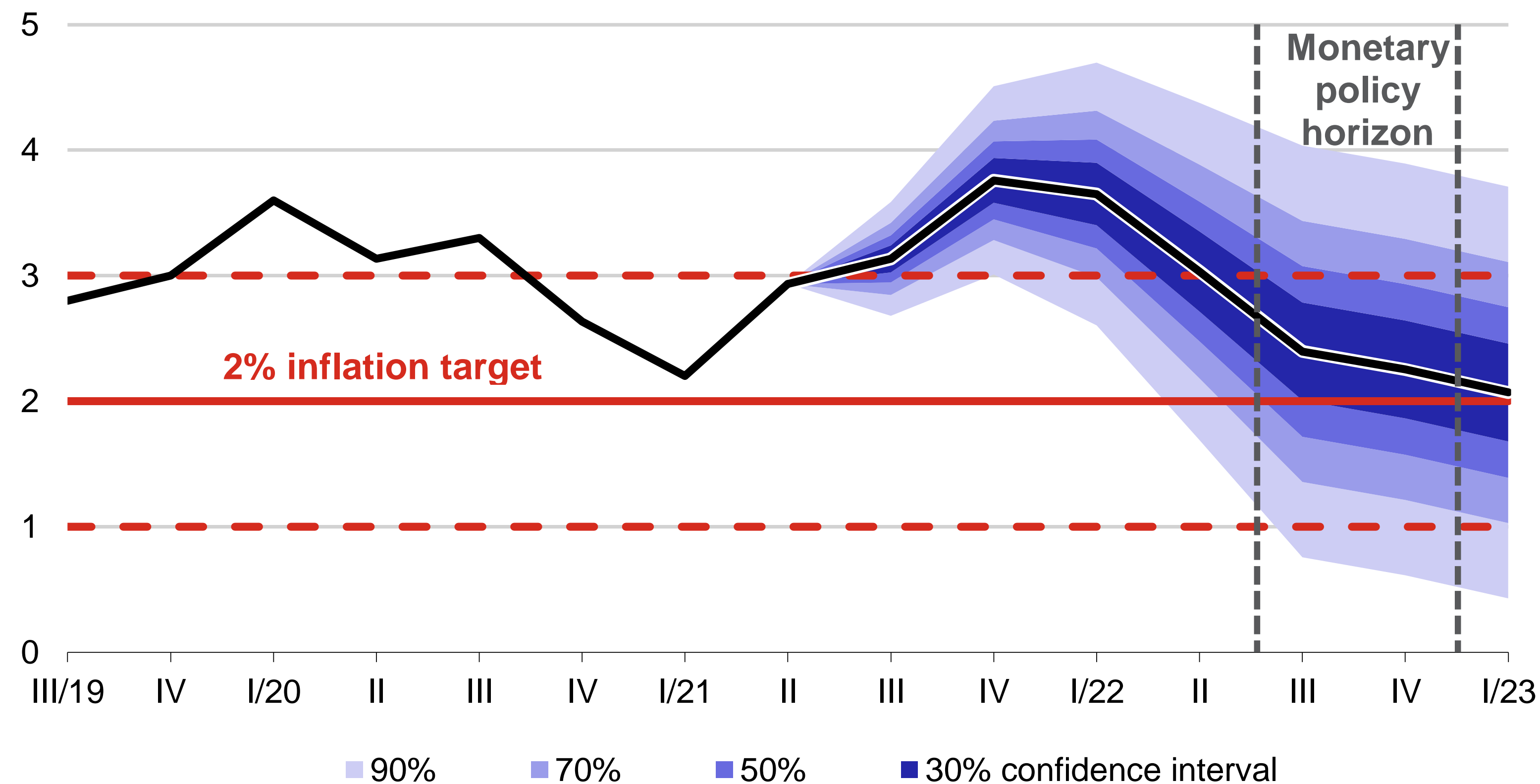
The Czech economy will grow by 3.5% overall this year.

Its growth will pick up even further next year and the output of the economy will return to the pre-pandemic level.

The economy will grow at its steady-state pace in 2023.

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

## Forecast for headline inflation



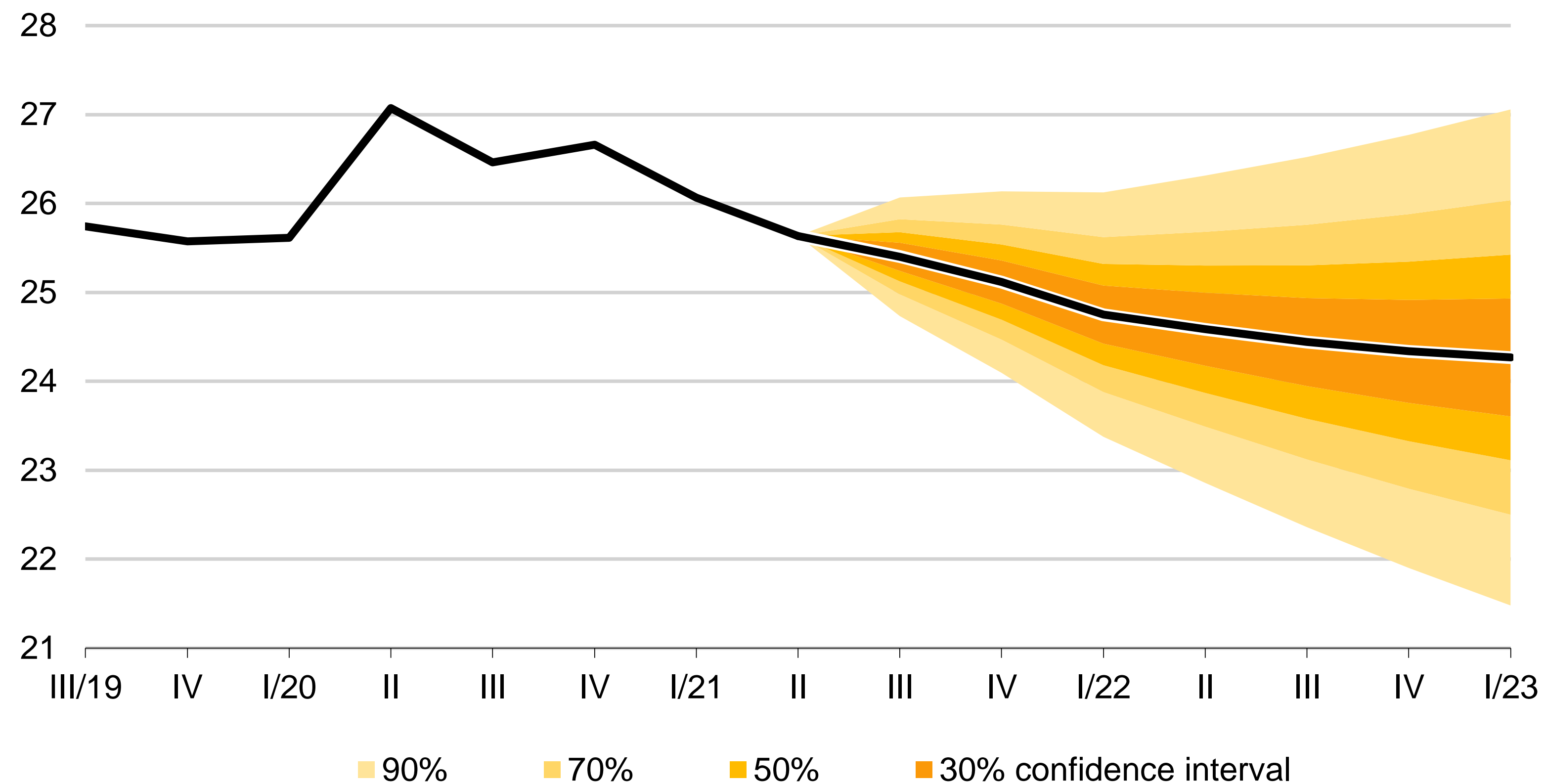
Consumer price inflation will rise well above the upper boundary of the tolerance band around the target in the quarters ahead.

Next year, it will be returning towards the target, aided by this year's tightening of monetary conditions.

Note: y-o-y changes in %.

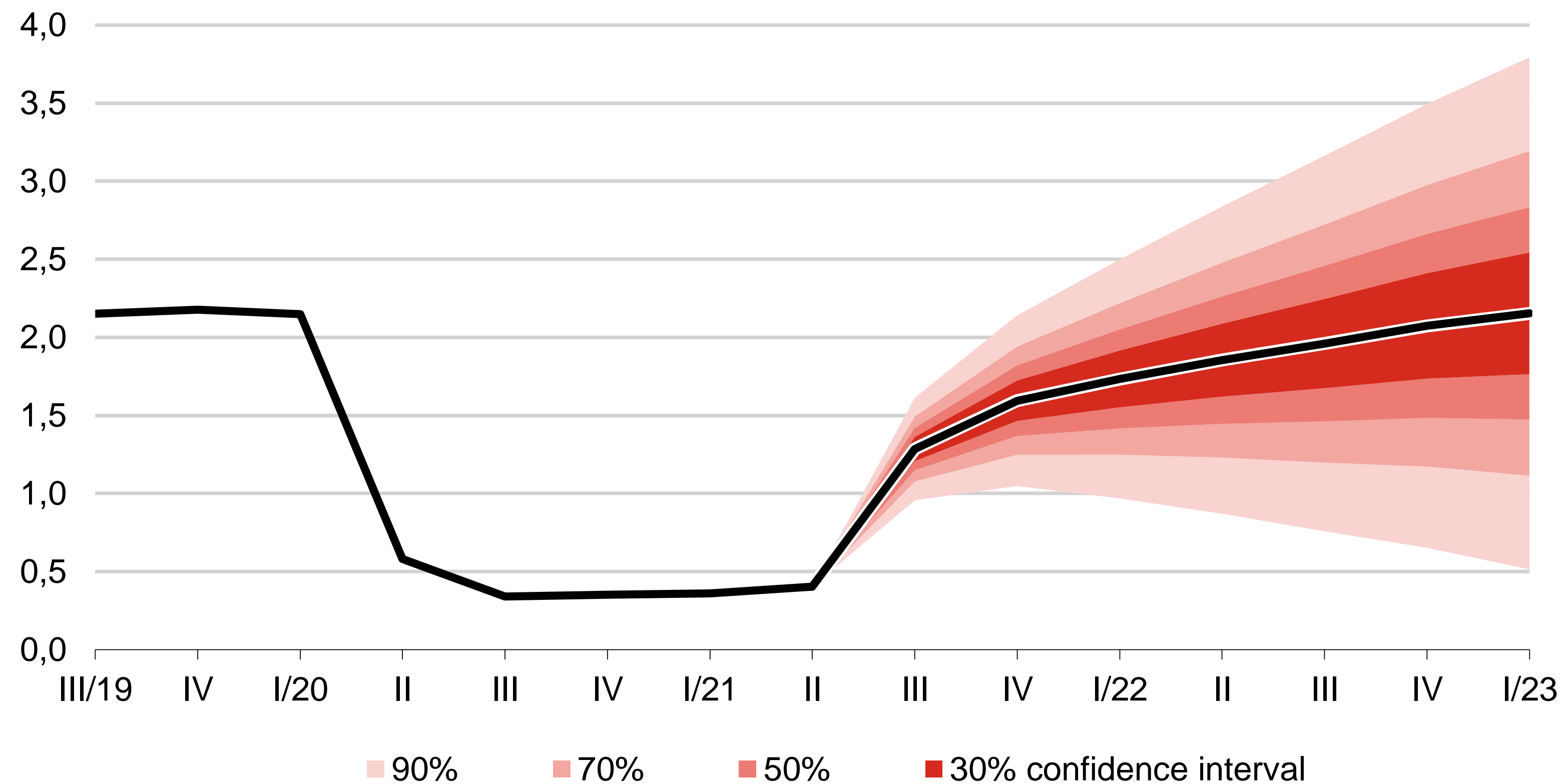


## Forecast for the exchange rate (CZK/EUR)



The koruna will appreciate further, strengthening beyond CZK 25 to the euro in late 2021 and early 2022.

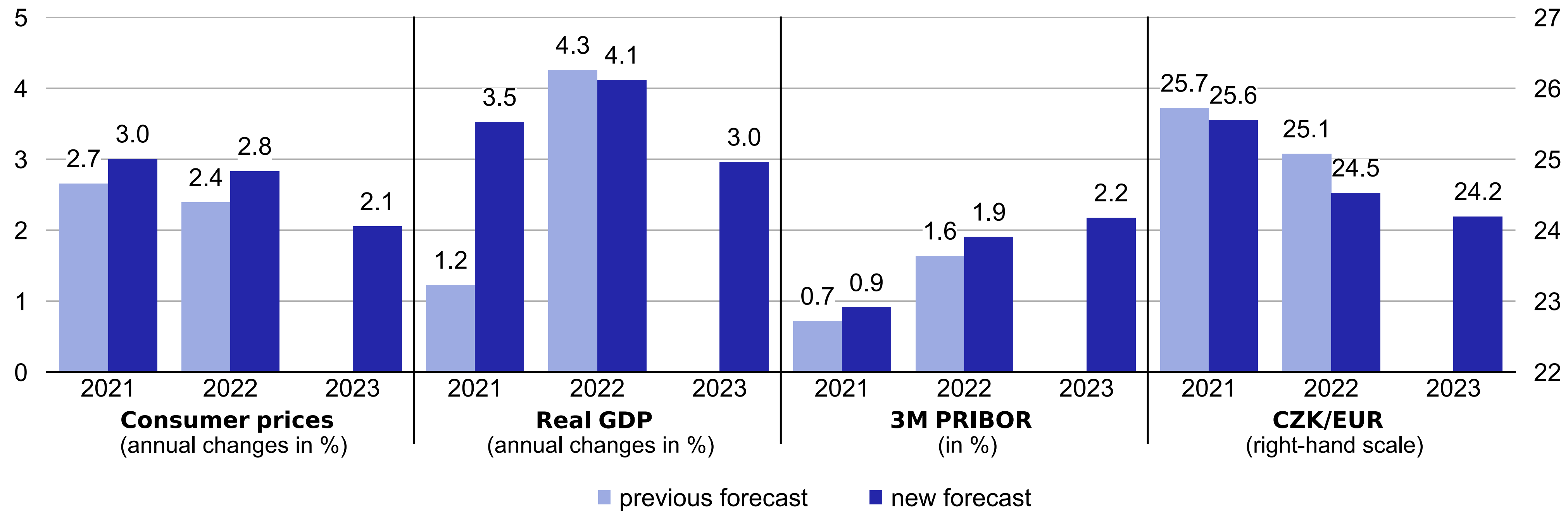
## Forecast for interest rates (3M PRIBOR, in %)



Consistent with the forecast is a rise in market interest rates from 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 slightly anti-inflationary overall.**

### **Inflationary risk:**

- potential greater or lengthier overloading of global supply chains, which could result in even stronger growth in producer prices

### **Anti-inflationary risk:**

- possible faster-than-forecasted appreciation of the koruna due to larger capital inflows
- uncertainties related to the evolution of domestic economic activity

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## Thank you for your attention

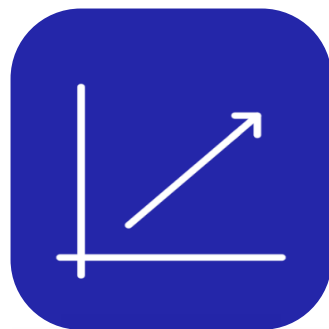
More information about the forecast can be found at <https://www.cnb.cz/en/monetary-policy/forecast/> and in Monetary Policy Report – Summer 2021.

The introductory part of the Report (together with the boxes and the table of key macroeconomic indicators) will be published on 6 August 2021.

The whole Report will be published on 13 August 2021.



## Summary



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



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



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



The key interest rate – the 2W repo rate – is 0.75%.