

# 7th Situation Report on Economic and Monetary Developments

Press conference of the Bank Board



## Monetary policy decision

**3.00%**  
discount  
rate

**4.00%**  
2W repo  
rate

**5.00%**  
Lombard  
rate



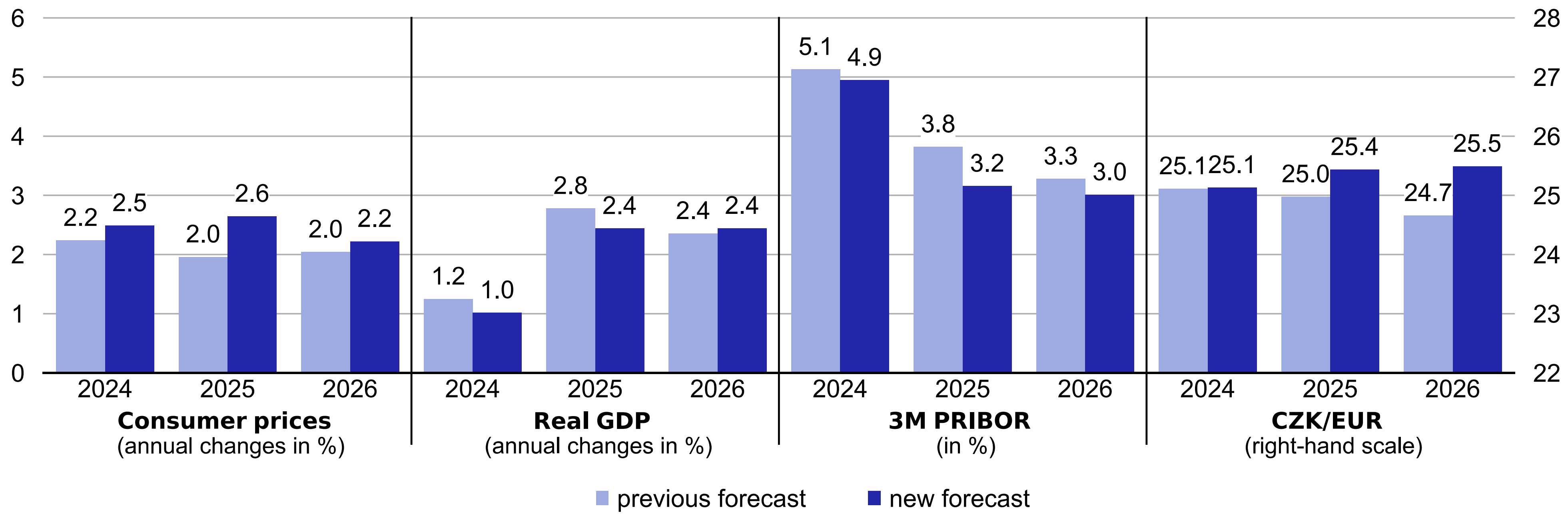
The decision adopted by the Bank Board is underpinned by **the CNB's new macroeconomic forecast**, which implies a modest decline in interest rates.

At the same time, the Bank Board confirmed its determination to **continue its tight monetary policy in order to maintain inflation near the 2% target in the long term.**

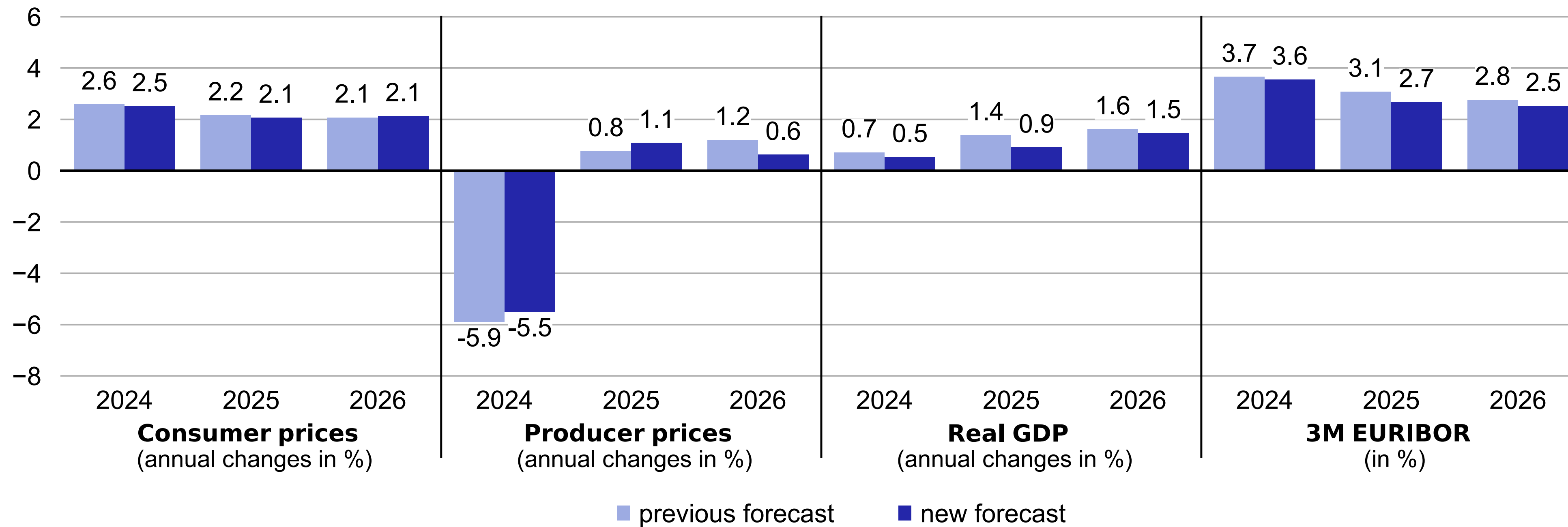
## Economic developments

- The Czech economy is recovering only slowly and is below its potential. According to the CZSO's flash estimate, GDP rose by 0.3% quarter on quarter and accelerated to 1.3% year on year in 2024 Q3. Domestic demand is being supported by real household income growth and moderation of monetary policy restriction. However, its recovery remains moderate and is being dampened by elevated saving. External demand also remains subdued.
- The labour market tightness is easing slowly, but unemployment remains low. Average wage growth stood at 6.5% in 2024 Q2 and slowed compared to 2024 Q1. Wage growth remains elevated from a historical perspective.

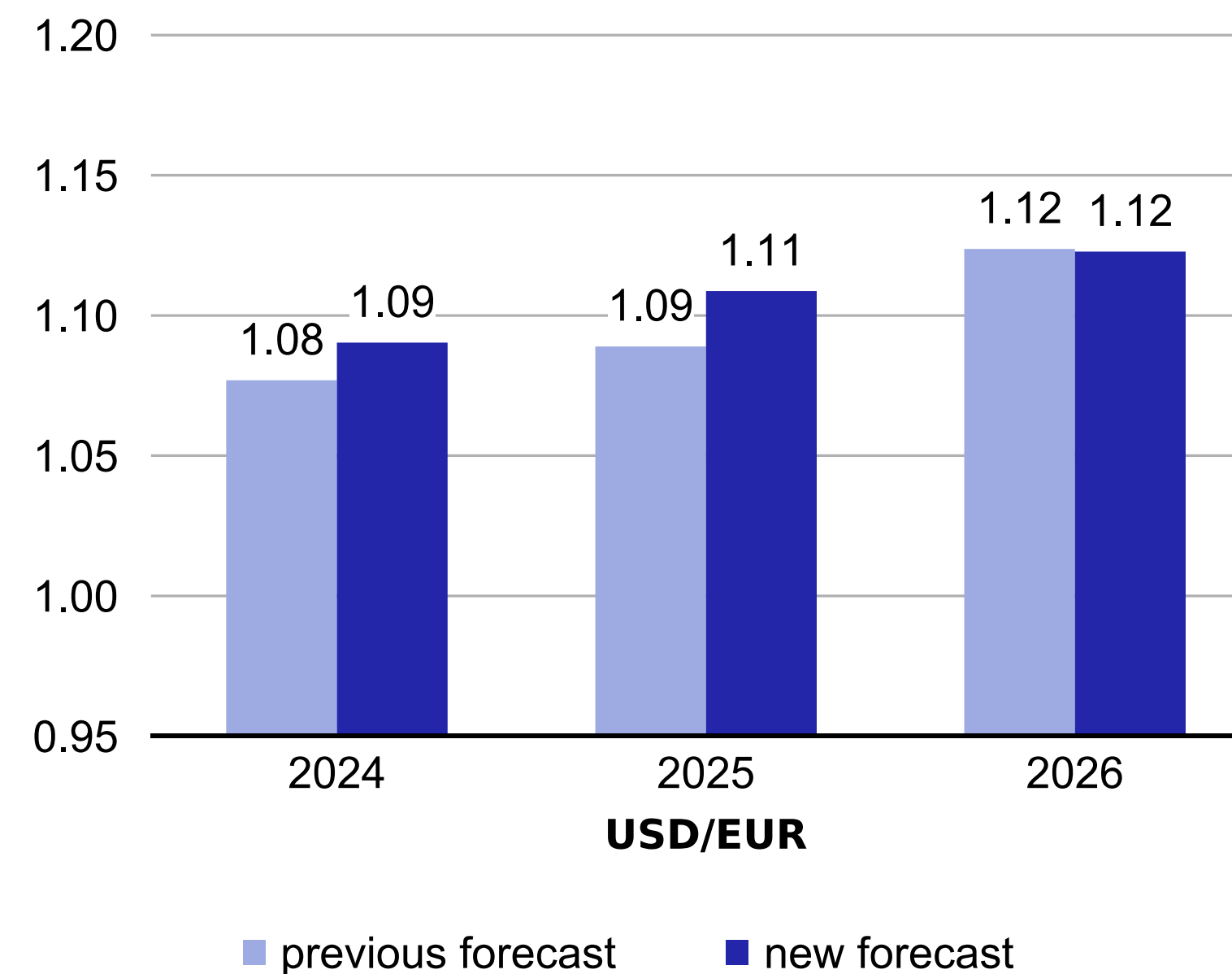
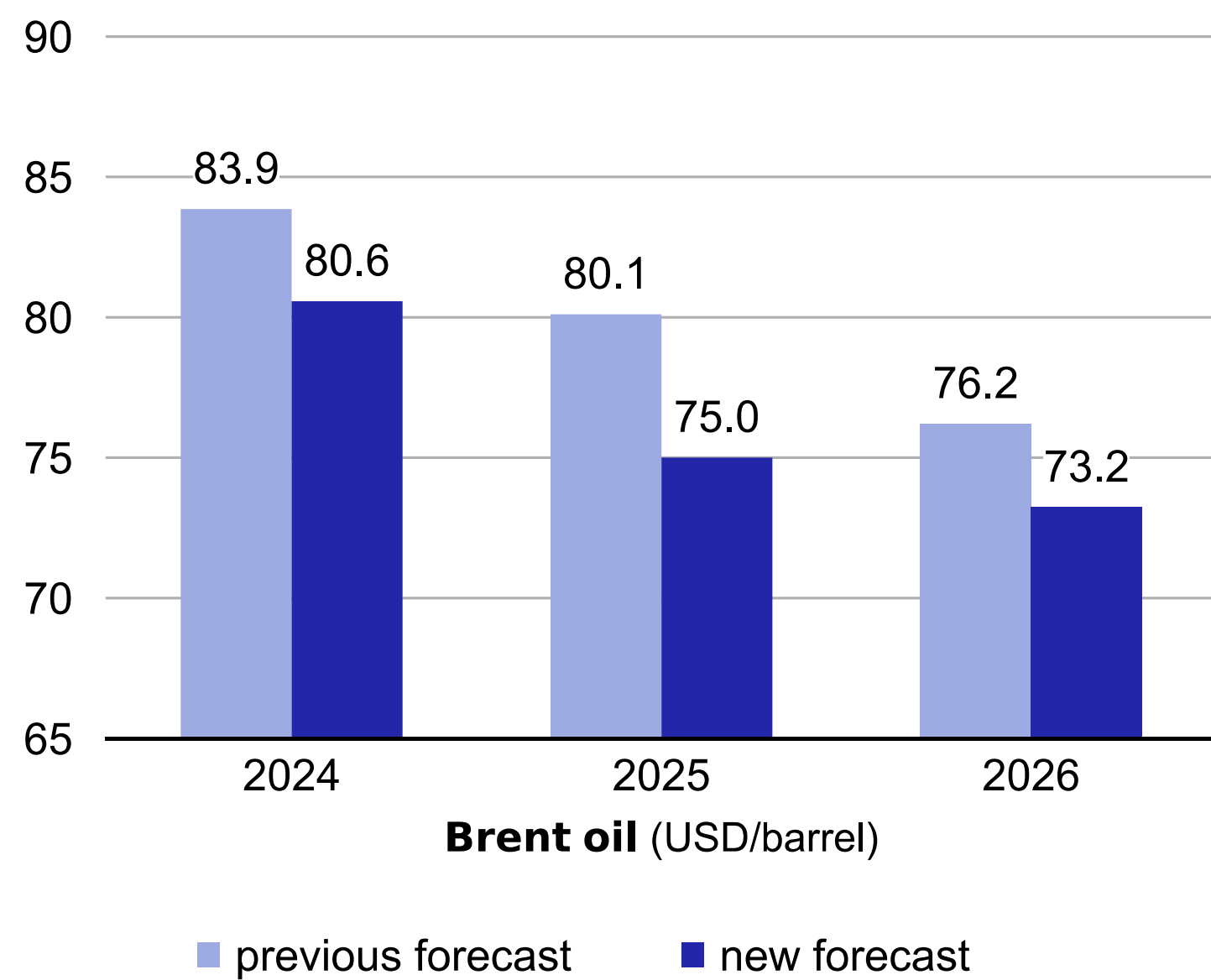
# Comparison with the previous CNB forecast



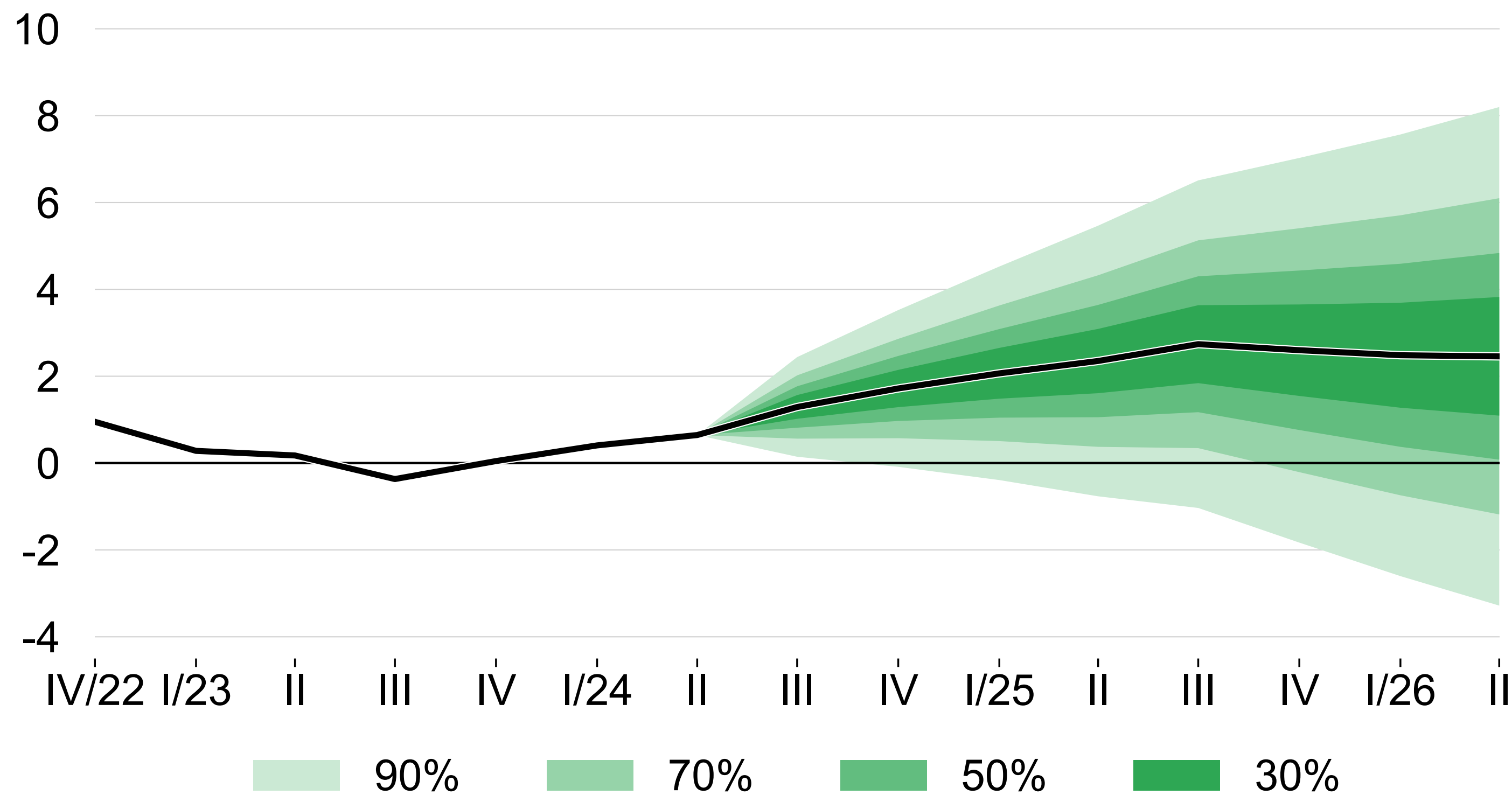
# External environment: forecast and outlook for the effective euro area



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

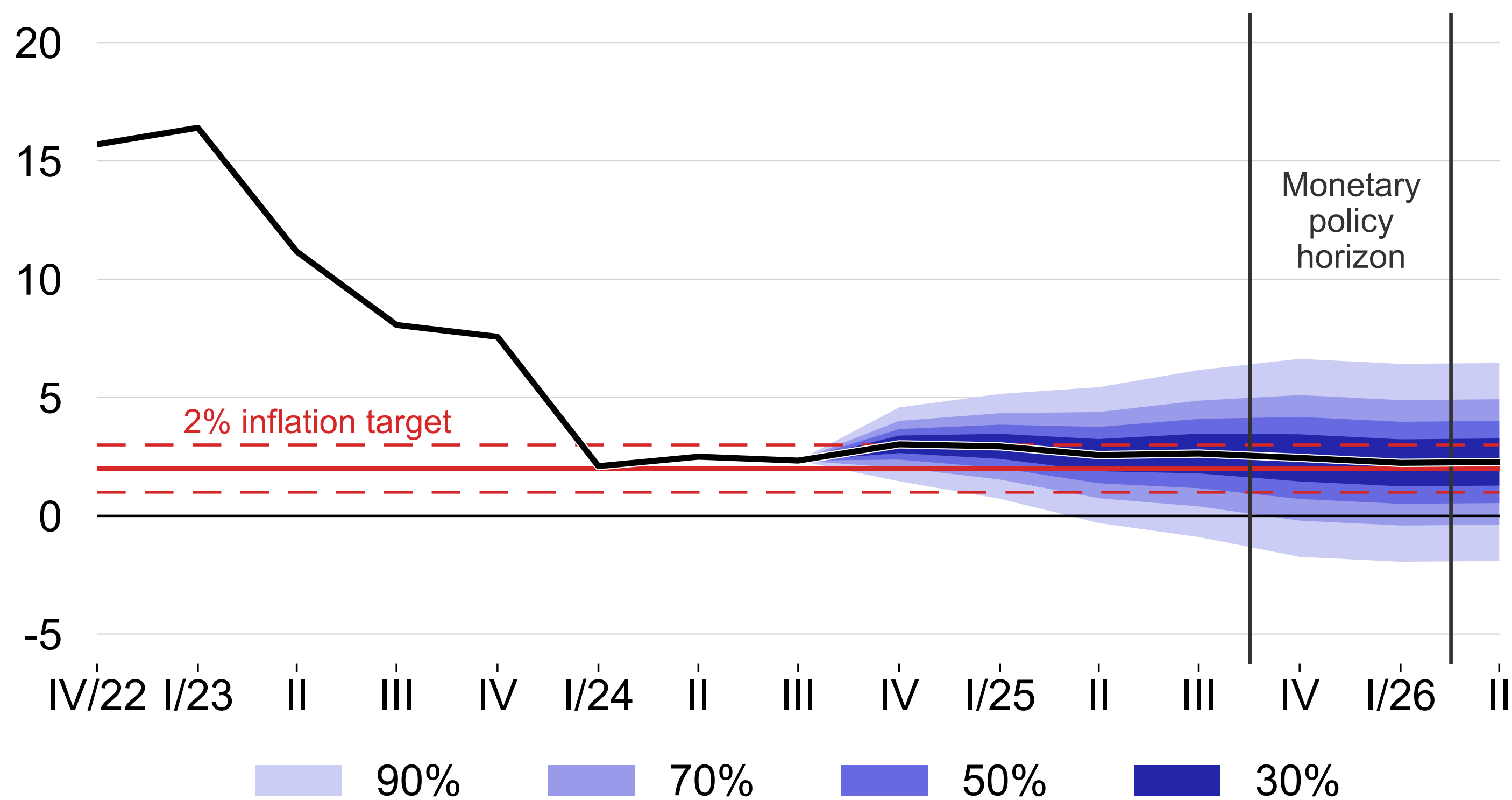


# GDP forecast



Note: y-o-y changes in %; prices of 2020 (chain-linked); seasonally adjusted.

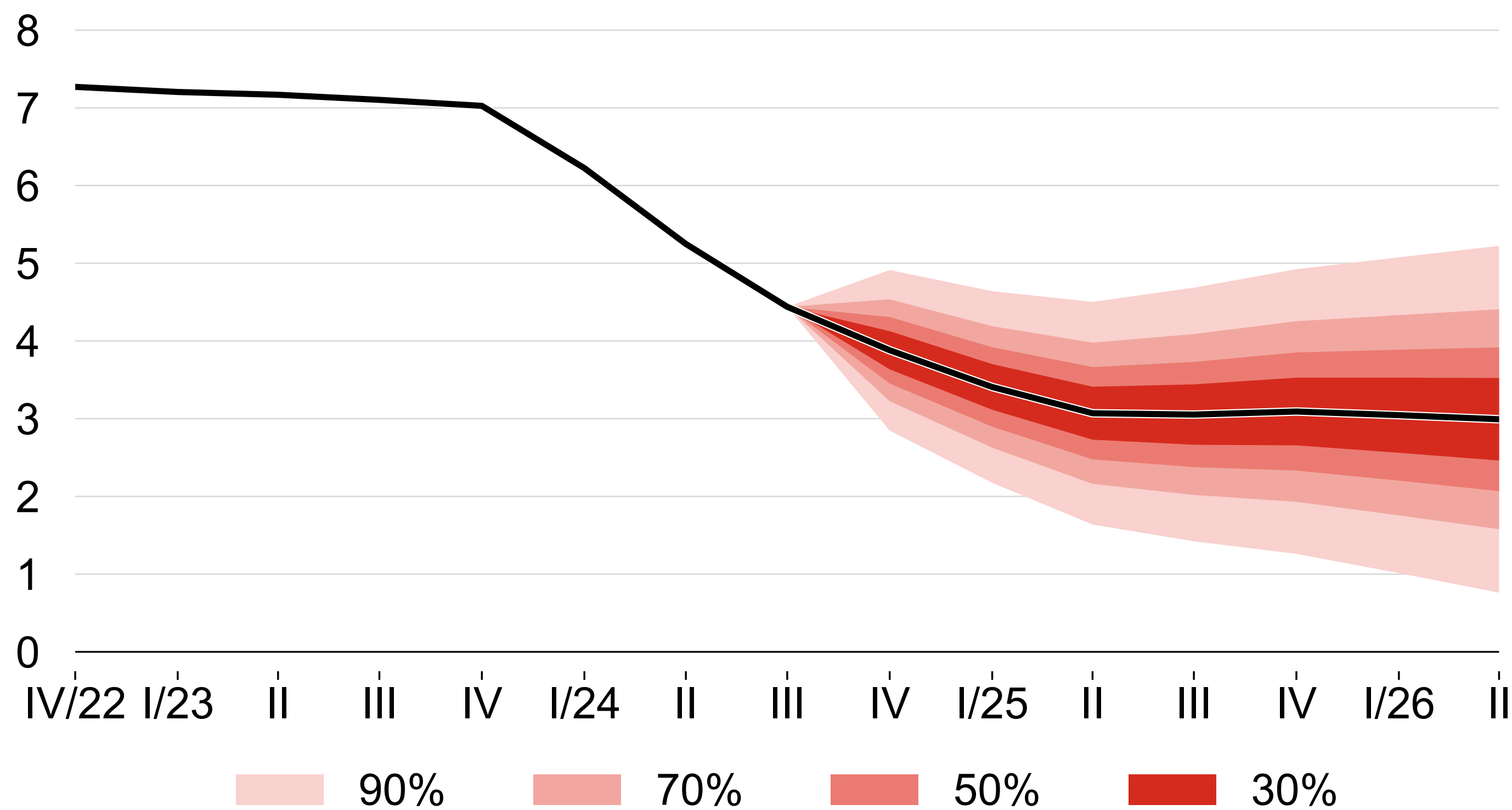
# Inflation forecast



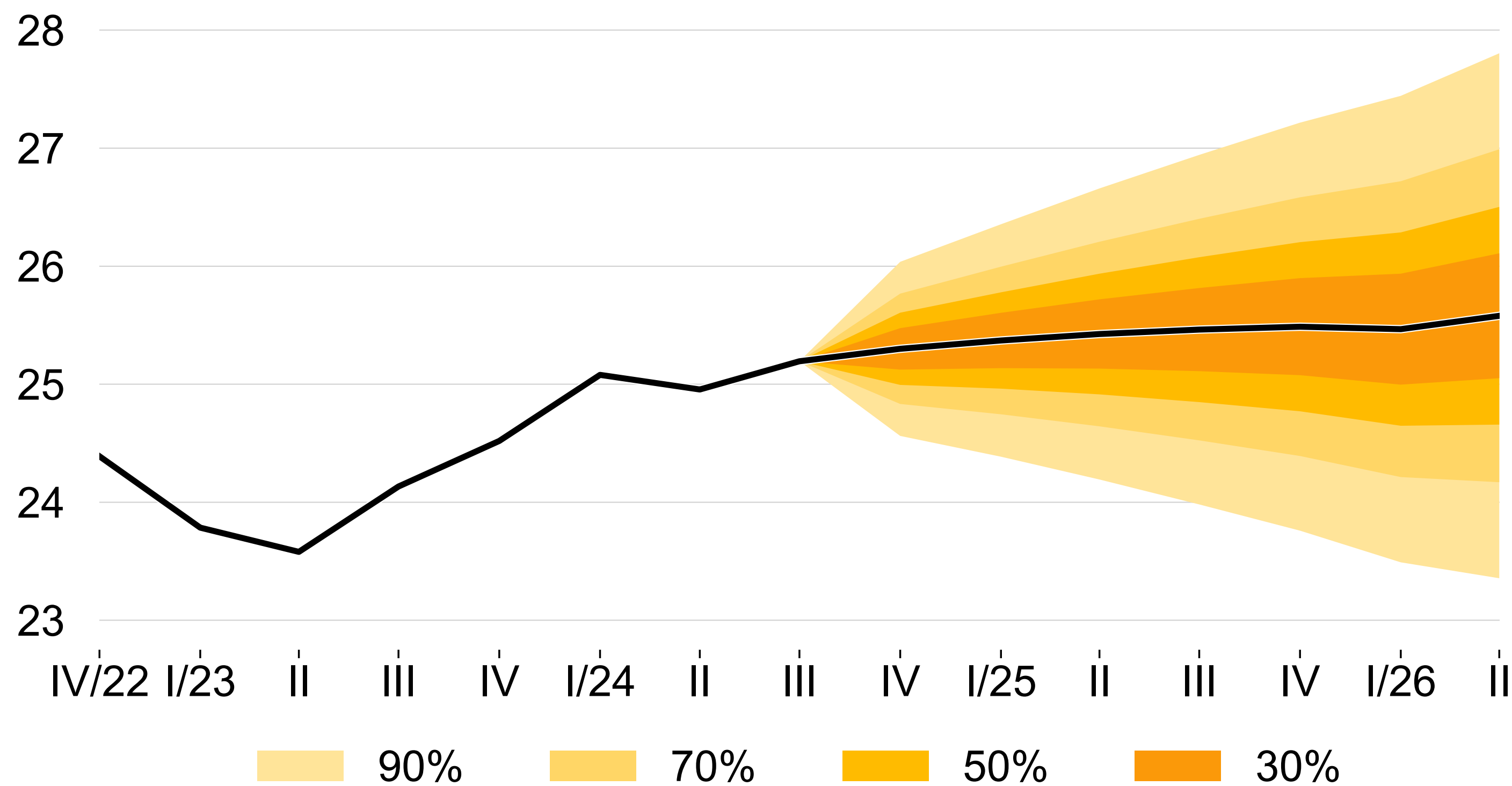
Note: y-o-y changes in %.



## Interest rate forecast (3M PRIBOR)



## Exchange rate forecast (CZK/EUR)



## Risks and uncertainties

**The Bank Board assessed the risks and uncertainties of the outlook for the fulfilment of the inflation target as modestly inflationary overall.**

### **Inflationary risks:**

- higher-than-expected inertia in services inflation
- potential excessive growth in total public sector spending
- increased wage demands in the private and public sector
- potential acceleration of money creation in the economy stemming from a significant recovery in lending activity, especially on the property market

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

- downturn in global economic activity and weaker German – and hence Czech – economic output

## Statutory mandate

- The Bank Board assures the public that the CNB's actions will be sufficient to maintain price stability in accordance with its statutory mandate.
- In addition, the Bank Board is ready to react appropriately to any materialisation of the risks of the outlook for the fulfilment of the inflation target.

# 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 – Autumn 2024.

The introductory part of the Report (together with the appendix and the table of key macroeconomic indicators) will be published on 8 November 2024.

The whole Report will be published on 15 November 2024.



## Decision in a nutshell



Consistent with the forecast is a modest decline in interest rates.



The Bank Board assessed the risks and uncertainties of the outlook for the fulfilment of the inflation target as modestly inflationary overall.



The Bank Board lowered the key interest rate (2W repo) by 0.25 percentage point to 4.00%.



Five members voted in favour of this decision.