

8th Situation Report on Economic and Monetary Developments

Press conference of the Bank Board

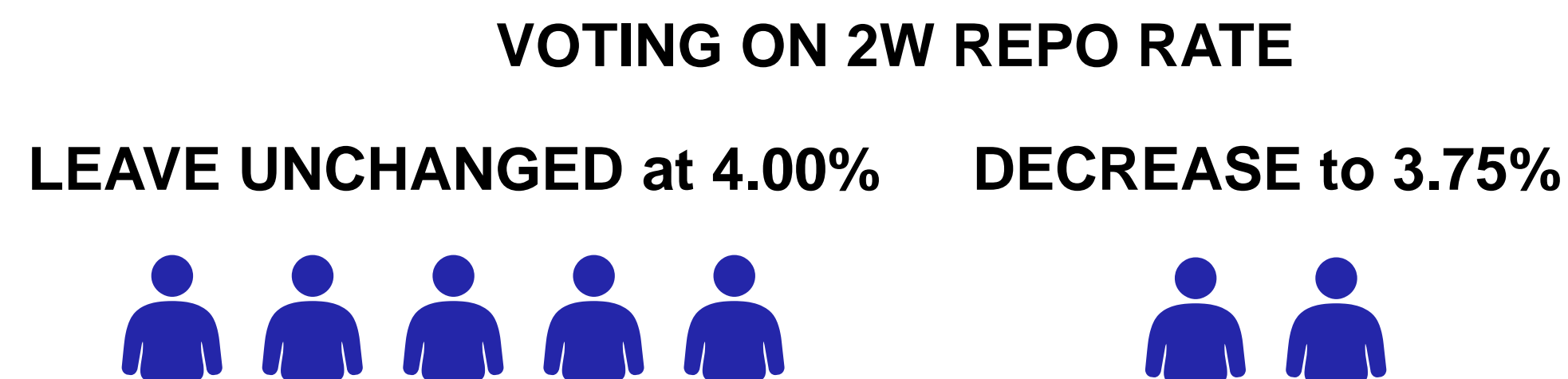


Monetary policy decision

3.00%
discount
rate

4.00%
2W repo
rate

5.00%
Lombard
rate



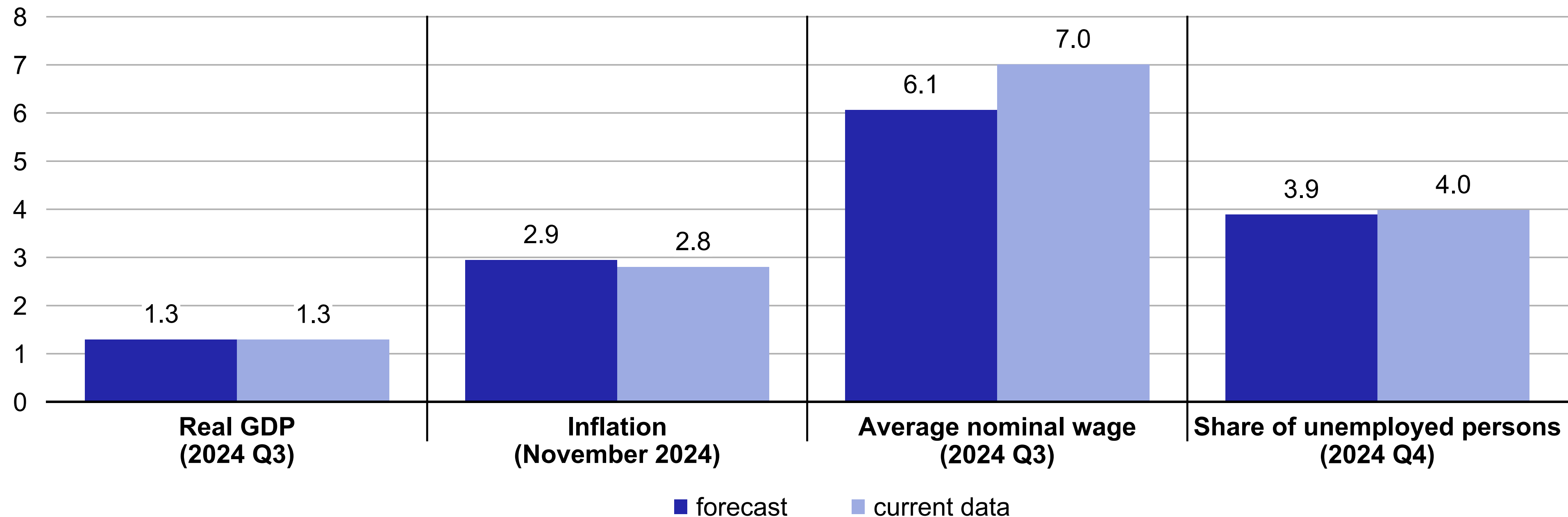
The decision adopted by the Bank Board is underpinned by **the autumn (November) macroeconomic forecast** and **by an assessment of information obtained since it was prepared.**

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

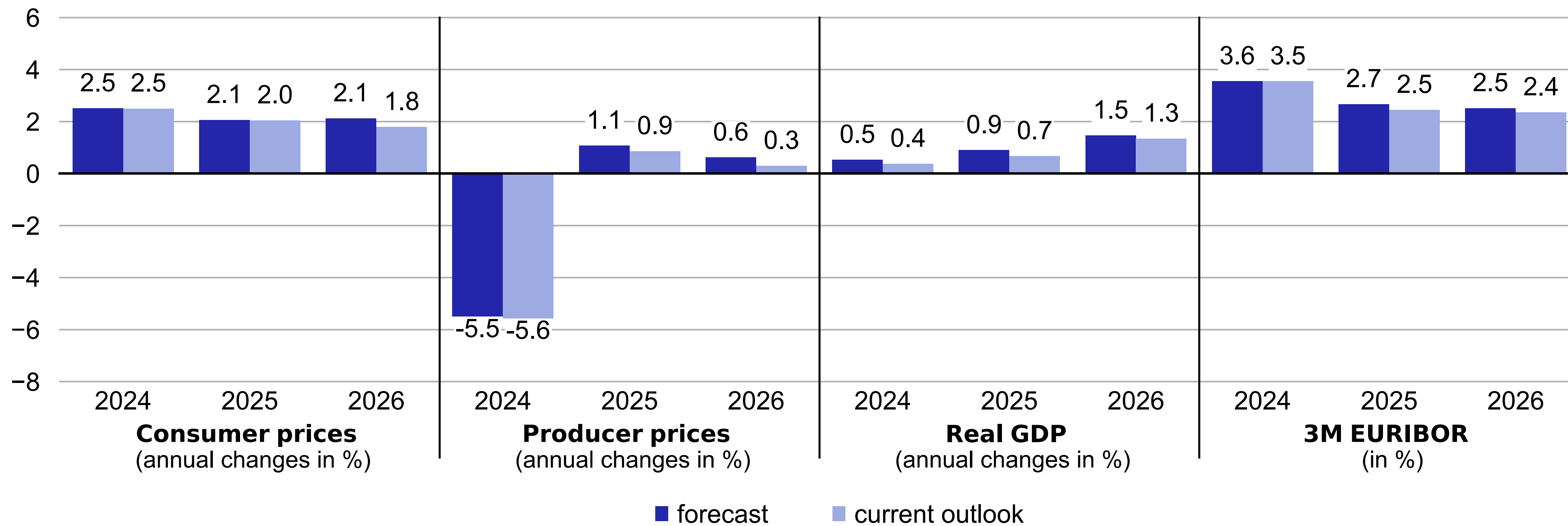
- GDP rose by 1.3% year on year in 2024 Q3, in line with the forecast. The growth was driven by domestic demand, in particular household consumption. External demand remains weak. This, together with subdued sentiment, is leading to low investment activity of companies.
- The labour market tightness is easing slightly, but the unemployment rate remains low. Average wage growth stood at 7% in 2024 Q3, almost one percentage point higher than expected.
- Inflation has been close to the CNB's target since the beginning of this year. Headline inflation has developed broadly in line with the forecast in recent months. In particular, growth in services prices remains elevated, reflecting rapid wage growth. Renewed growth in food prices, which is still moderate from a historical perspective, has contributed to a rise in inflation towards the upper boundary of the tolerance band around the target since September.

Comparison of current domestic data with the CNB forecast

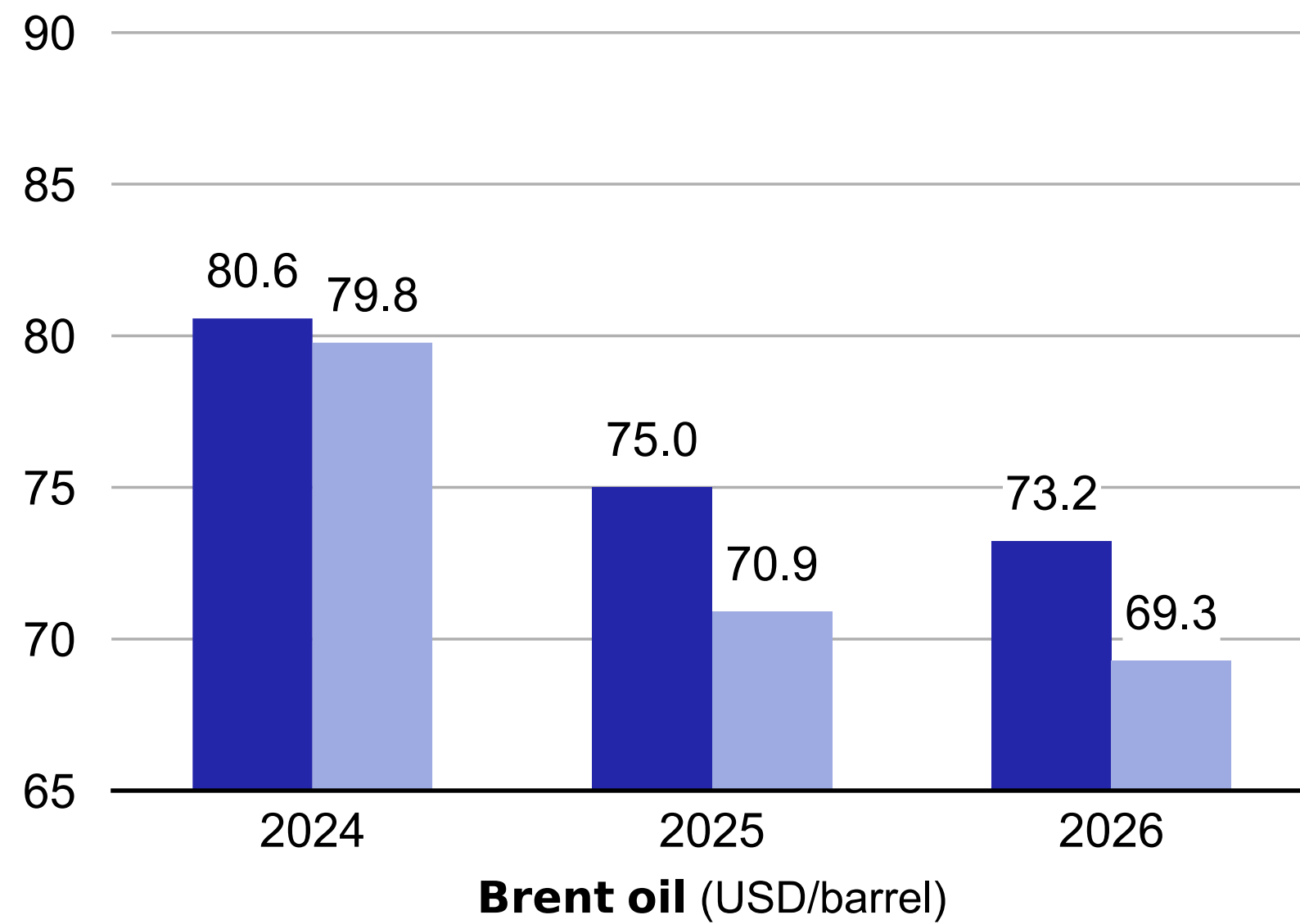


Note: annual changes in %, share of unemployed persons in % (comparison of s.a. outcomes in October and November with the forecast for 2024 Q4).

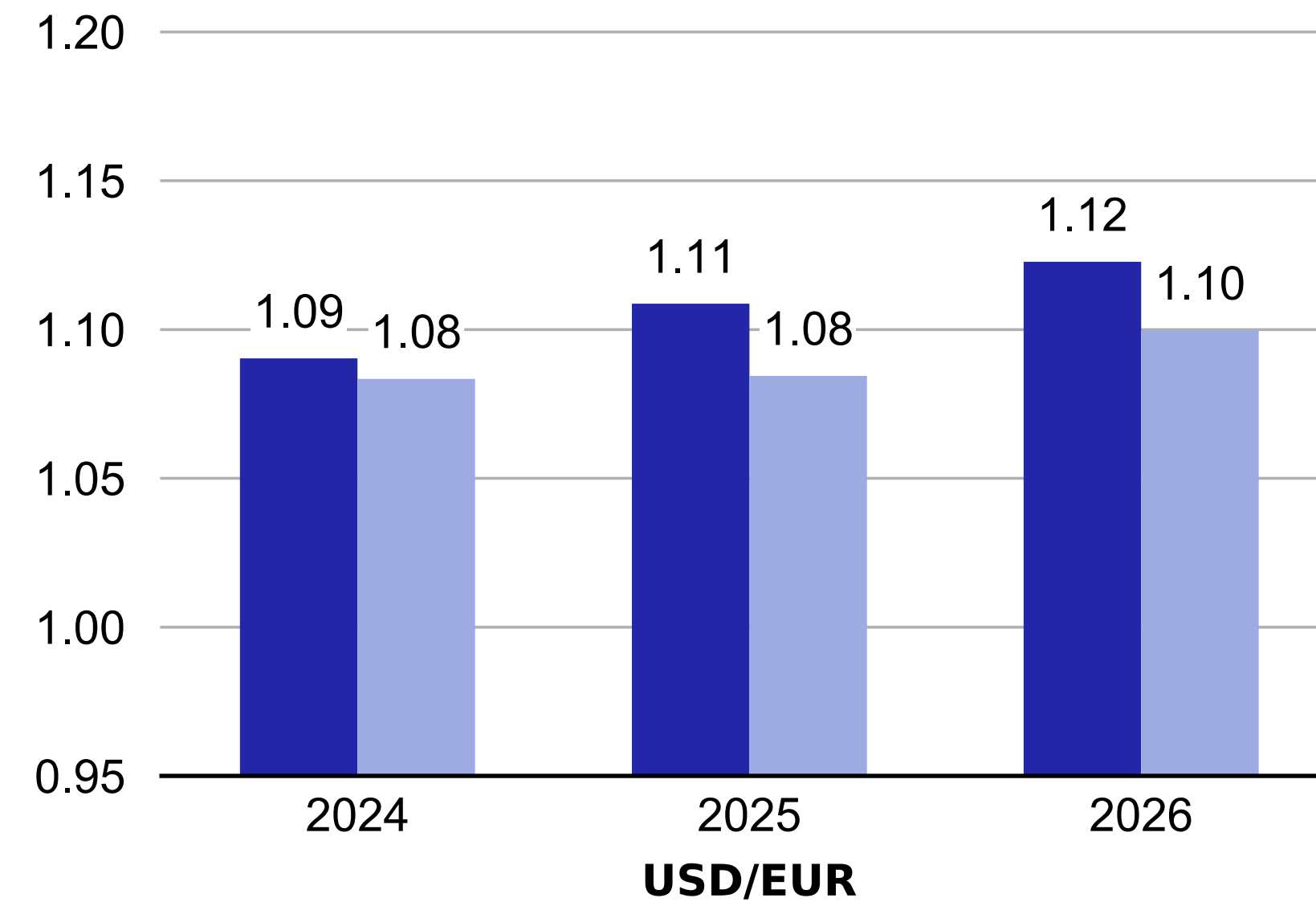
External environment: forecast and outlook for the effective euro area



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

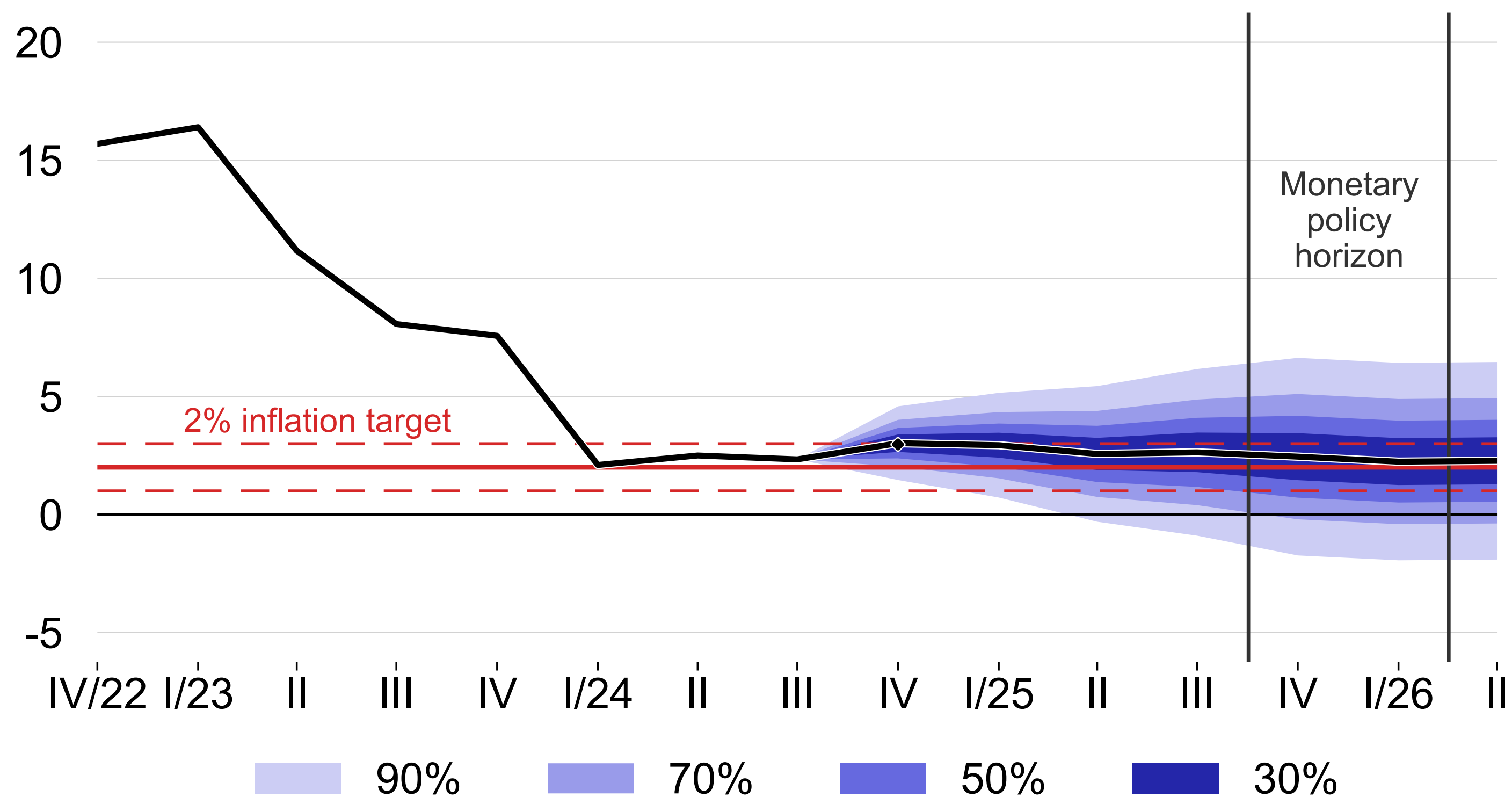


■ forecast ■ current outlook



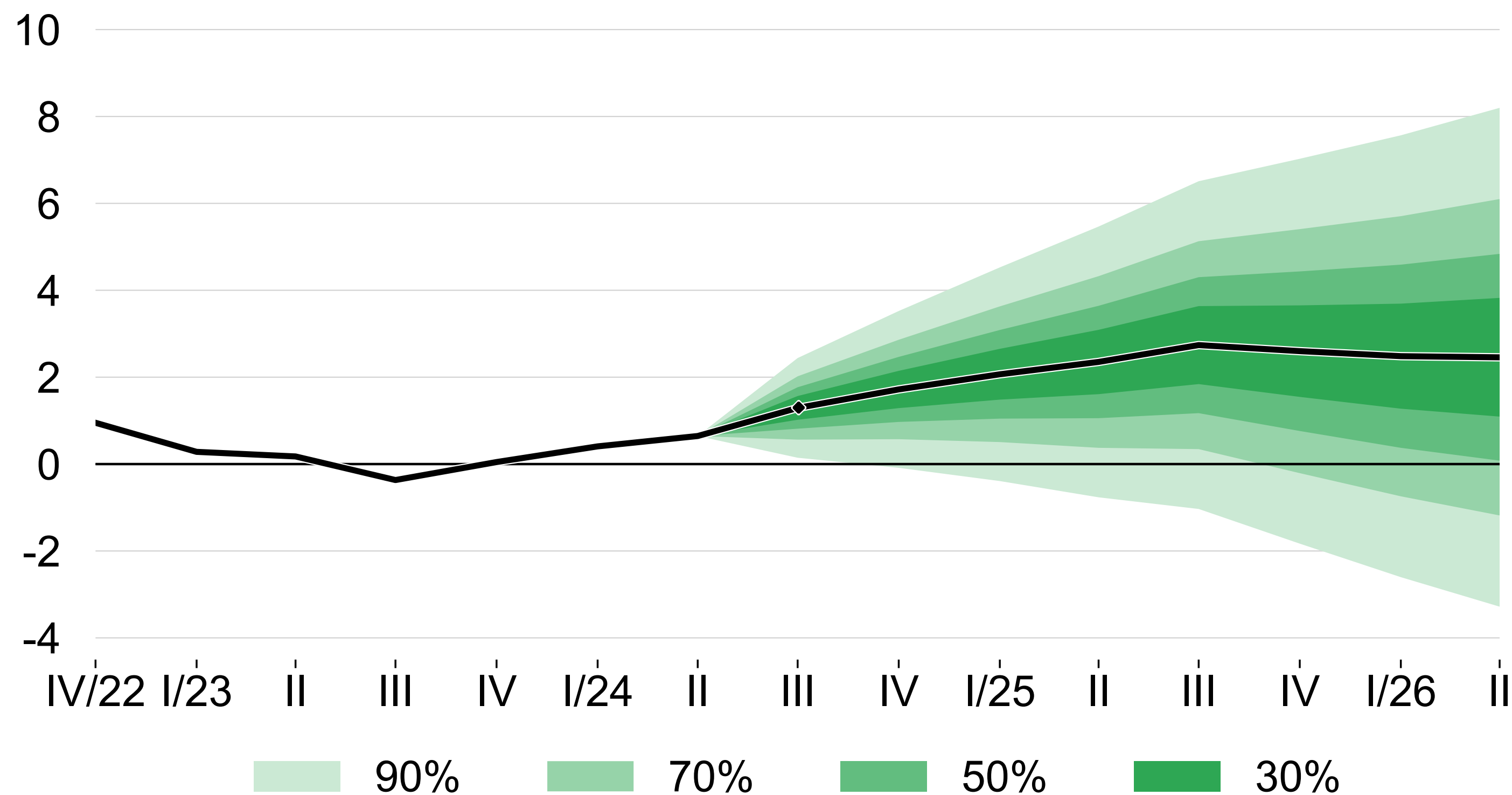
■ forecast ■ current outlook

Inflation forecast and expected outcome in 2024 Q4



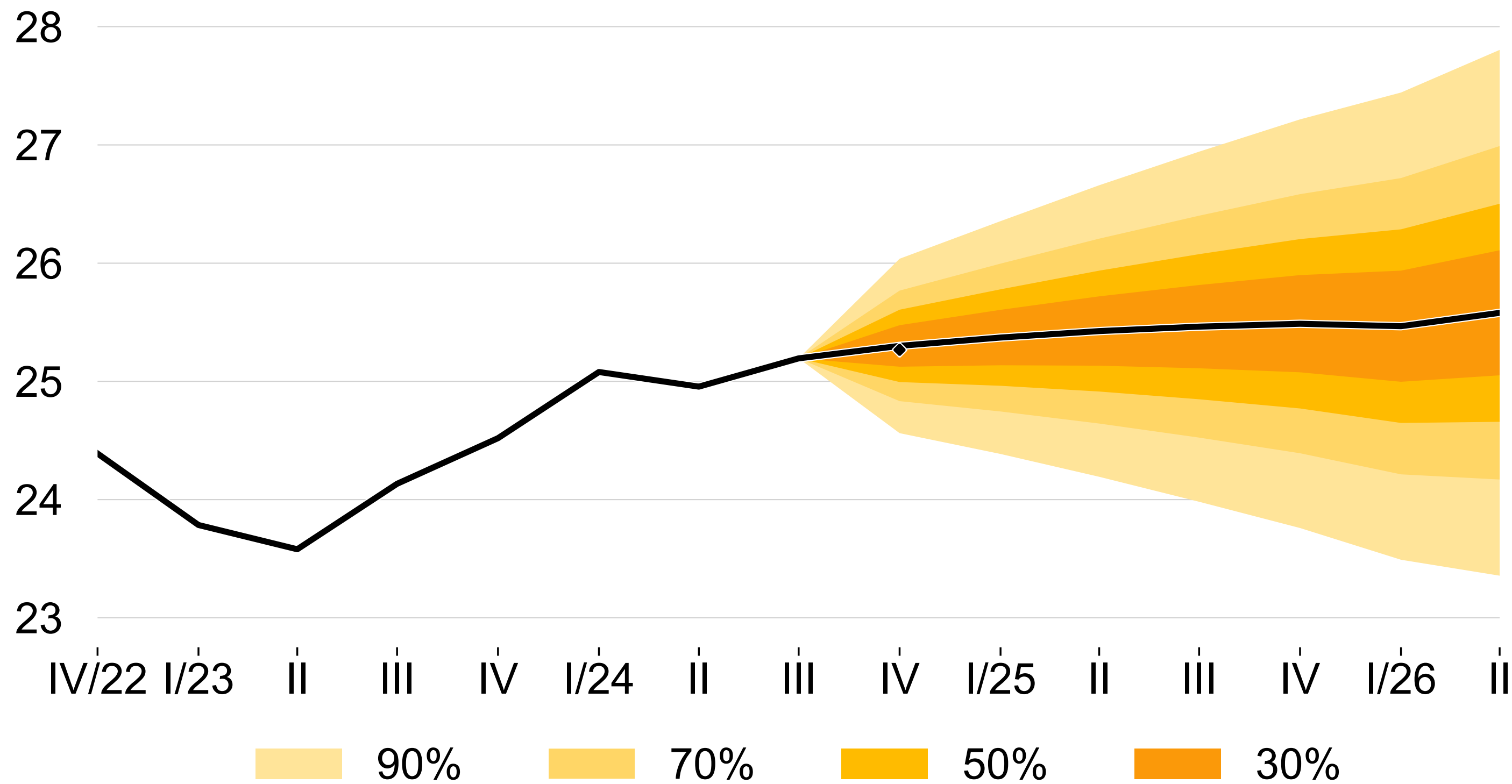
Note: y-o-y changes in %.

GDP forecast and outcome in 2024 Q3



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

Exchange rate forecast (CZK/EUR) and outcome in 2024 Q4



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
- global commodity prices
- 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

Uncertainty:

- impact of possible actions by the newly elected US administration

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

The minutes of today's meeting and a description of the risks of the inflation forecast will be released on 3 January 2025 at

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



Decision in a nutshell



Consistent with the autumn 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 kept the key interest rate (2W repo) at 4.00%.



Five members voted in favour of this decision.