

## Fundamentally weak crown

Gov. Jiří Rusnok told [Aktuálně.cz](http://Aktuálně.cz) that one reason he expects an interest-rate hike of at least 75 basis points at the monetary-policy meeting on June 22 is that the crown is weaker than the CNB's scenario projected. For four years, with a [one-year covid break](#), Rusnok has been [revaluing the crown](#) with the use of interest rates, yet the situation is now changing dramatically. The country's leading industrial sector, automobile production, is suffering due to covid and the war in Ukraine; high energy rates are hurting everyone; Czech industry is one of those most vulnerable to an eventual cut-off of Russian oil and natural-gas imports; government borrowing is growing at one of the fastest rates; the Fiala cabinet is promoting euro-accounting; Czech SMEs that do business in crowns are being priced out of the borrowing market; Industry Min. Jozef Síkela is playing political games instead of providing solutions. Rusnok is still concentrating on the interest-rate differential, but the fundamentals of a strong crown have collapsed. We don't know whether the equilibrium rate is Kč 27/euro or Kč 30, but it's not Kč 24.

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