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Year Five of the Great Devaluation



The CNB instituted a creeping devaluation on Nov. 7, 2013, by issuing new crowns that it used to buy euros and by capping the crown at Kč 27/euro. Before it halted the process on April 6, 2017, it had created Kč 2 trillion in new money and devalued the currency by 6% against the euro and 35% against the dollar. The CNB never reversed the devaluation. All the crowns it issued remain in circulation. The CNB nevertheless launched a [revaluation based on interest rates](#) a year after Jiří Rusnok took over as governor. It started paying an interest-rate premium against other currencies, hoping to cause a 9% appreciation vs. the Kč 27/euro cap. It isn't working. The crown is stuck in a "revaluation" mode. The CNB is trying to force it up, but the global market is pushing it down. The certainty of the 41-month devaluation period has been supplanted by uncertainty about when the CNB will unleash its [Kč 2 trillion nuclear arsenal](#). Only then will the [Great Devaluation](#) end.

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