

Revaluation Rusnok and his nuclear briefcase

A few hours before [PM Petr Fiala's address to the nation](#) last night, the Czech National Bank raised its benchmark interest rate to 7.00%. Fiala normally praises the CNB, but this time he passed over the sharp rate increase. Outgoing Gov. Jiří Rusnok told [Czech TV](#) that, in the interest of everyone, he offered the doves on the board to raise rates much less if they would agree to continue with the same policy after he leaves. They refused. This means that Rusnok will likely go down in history as the governor who revalued the crown far beyond its [equilibrium level](#) using interest rates and targeted intervention. When he launched the [revaluation policy](#) on [June 27, 2018](#), he said that foreign reserves are something like a nuclear briefcase and are only used when the situation gets really bad. Now he's selling off foreign reserves to keep the crown [between Kč 24 and Kč 25/euro](#). The intervention creates a market for investors wanting to exit from the crown ... before the Czech situation gets really bad.

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