

Monetary Statistics

October
2006

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Debt securities market in 2005

TABLE 1

Key interest rates

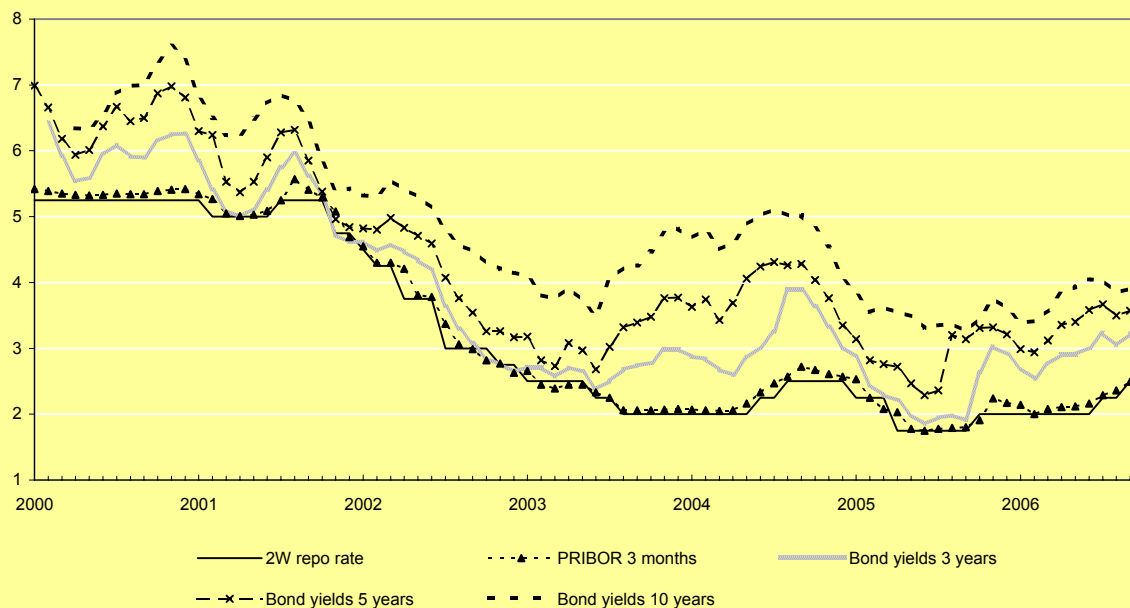
	CNB			ECB
	from 31 October 2005 onwards	from 28 July 2006 onwards	from 29 September 2006 onwards	from 11 October 2006 onwards
2W repo rate	2,00	2,25	2,50	3,25
Deposit facility	1,00	1,25	1,50	2,25
Marginal lending facility	3,00	3,25	3,50	4,25

TABLE 2

Financial markets interest rates

monthly average	2005				2006			
	October		August		September		October	
	CR	Euro	CR	Euro	CR	Euro	CR	Euro
Money market								
CZEONIA/ EONIA								
overnight	1,70	2,07	1,66	2,82	2,22	2,97	2,01	3,04
PRIBOR/ EURIBOR								
1 month	1,81	2,12	2,15	2,94	2,28	3,09	2,36	3,15
3 months	1,91	2,19	2,29	3,10	2,36	3,23	2,49	3,33
6 months	2,00	2,27	2,48	3,29	2,50	3,41	2,66	3,53
1 year	2,18	2,41	2,79	3,54	2,75	3,62	2,94	3,72
Capital market								
Bond yields								
3 years	2,64	2,61	3,23	3,65	3,04	3,64	3,22	3,70
5 years	3,31	2,85	3,67	3,75	3,50	3,70	3,57	3,77
10 years (Maastricht)	3,46	3,32	4,04	3,97	3,85	3,84	3,90	3,88

Interest rates



Commentary on key interest rates (Table 1) and financial market interest rates (Table 2): October 2006

Key interest rates

The CNB's 2W repo rate has been set at 2.5% since the end of September 2006 and the ECB's key interest rate has been at 3.25% since October. The difference between the CNB's and the ECB's key rates is thus 0.75 percentage point.

Financial market interest rates

In October, as in previous months, interest rates on the interbank deposit market continued to grow in both the Czech Republic and the euro area. The increase in interest rates in the Czech Republic was again slightly faster, particularly at the one-year maturity. The three-month PRIBOR rose to 2.65%, while the three-month EURIBOR recorded an increase to 3.50%.

The capital market also saw a modest rise in bond yields in both regions under review; the only exception was the Czech ten-year bond, whose yield was comparable with the previous month's level. Bond yields at the ten-year maturity were almost identical: 3.89% in the Czech Republic and 3.88% in the euro area.

TABLE 3

Key monetary indicators

CZK billions, unless otherwise indicated	2005			2006								
	October			August			September			October		
	Outstanding amounts	Transactions ⁴⁾	Annual growth rates [%]	Outstanding amounts	Transactions ⁴⁾	Annual growth rates [%]	Outstanding amounts	Transactions ⁴⁾	Annual growth rates [%]	Outstanding amounts	Transactions ⁴⁾	Annual growth rates [%]
M1	1 138,7	42,2	10,8	1 292,1	11,8	16,4	1 274,2	-18,6	16,7	1 321,0	47,2	16,5
M3 ¹⁾	1 768,7	26,5	7,3	1 980,4	33,7	14,3	1 966,1	-15,7	13,5	2 006,3	41,0	14,1
Loans to private sector ²⁾	1 044,1	17,2	19,8	1 212,4	14,8	21,2	1 236,0	23,1	21,2	1 253,5	18,3	21,0
Net foreign assets ³⁾	1 090,6	10,0	20,1	1 012,0	8,4	-0,5	1 019,0	-1,7	-0,4	1 013,6	-1,4	-1,4

¹⁾ Monetary aggregates comprise monetary liabilities of MFIs vis-à-vis non-MFI Czech residents excluding central government. M1 is the sum of currency in circulation and overnight deposits; M2 is the sum of M1, deposits with an agreed maturity of up to two years and deposits redeemable at notice of up to three months; and M3 is the sum of M2, repurchase agreements, money market fund shares/units and debt securities up to two

²⁾ Including all sectors without general government (S.13) and MFIs sector (S.121 and S.122).

³⁾ Net foreign assets (NFA) represent balance of financial claims and liabilities of the MFI sector vis-à-vis nonresidents

⁴⁾ Net value of flow data calculated by adjusting the difference between end-of-period levels for the effect of non-transactions-related factors.

Annual growth rates

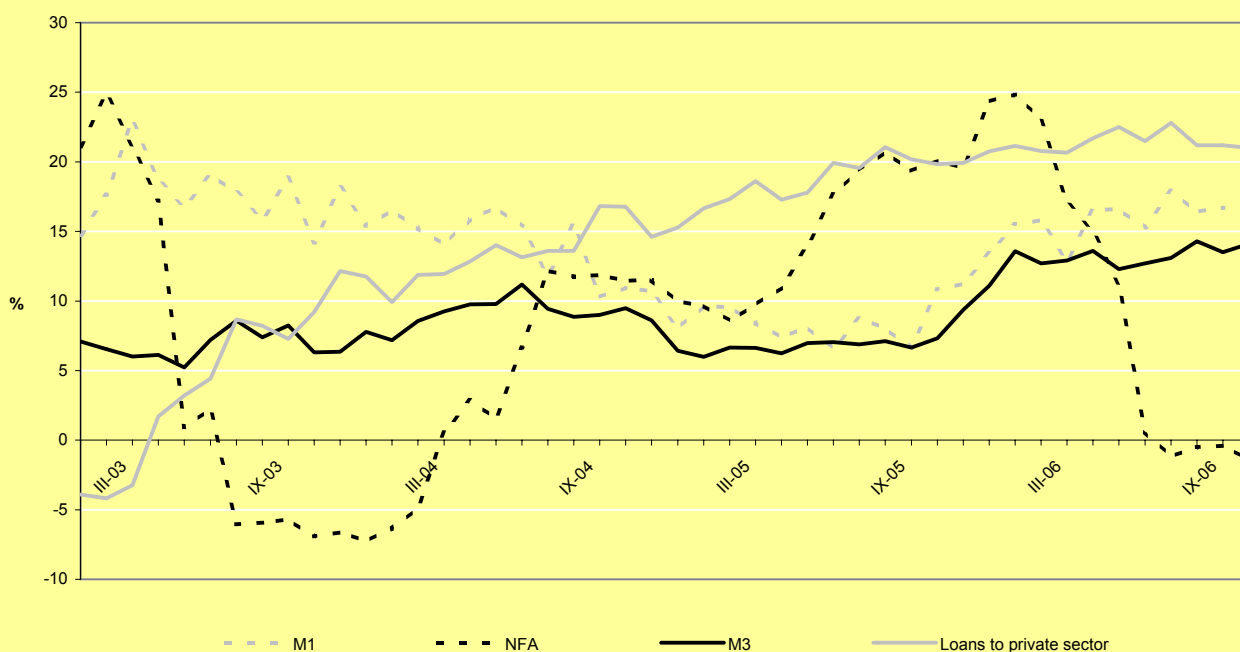


TABLE 4

Monetary aggregates and counterparts

CZK billions, unless otherwise indicated

	2005			2006								
	October			August			September			October		
	Out-standing amounts	Transac-tions ¹⁾	Annual growth rates [%]	Out-standing amounts	Transac-tions ¹⁾	Annual growth rates [%]	Out-standing amounts	Transac-tions ¹⁾	Annual growth rates [%]	Out-standing amounts	Transac-tions ¹⁾	Annual growth rates [%]
COMPONENTS OF M3												
(1) M3 (= items 1.3, 1.6 and 1.11)	1 768,7	26,5	7,3	1 980,4	33,7	14,3	1 966,1	-15,7	13,5	2 006,3	41,0	14,1
(1.1) Currency in circulation	258,5	2,3	9,2	282,4	3,3	11,7	287,5	5,1	12,2	287,2	-0,4	11,1
(1.2) Overnight deposits	880,1	39,9	11,3	1 009,7	8,5	17,8	986,7	-23,7	18,1	1 033,9	47,6	18,1
(1.3) M1 (items 1.1 and 1.2)	1 138,7	42,2	10,8	1 292,1	11,8	16,4	1 274,2	-18,6	16,7	1 321,0	47,2	16,5
(1.4) Deposits with agreed maturity up to 2 years	446,3	-16,7	-5,7	448,2	15,7	1,2	456,1	7,1	-0,4	446,0	-9,7	1,1
(1.5) Deposits redeemable at notice up to 3 months	116,8	3,1	34,4	169,3	6,9	50,9	167,2	-2,2	47,2	170,6	3,4	46,2
(1.6) Other short term deposits (items 1.4 and 1.5)	563,1	-13,6	0,5	617,5	22,7	11,2	623,2	5,0	9,0	616,6	-6,2	10,5
(1.7) M2 (items 1.3 and 1.6)	1 701,7	28,6	7,2	1 909,6	34,4	14,7	1 897,4	-13,6	14,0	1 937,6	41,0	14,5
(1.8) Repurchase agreements	10,0	-2,1	15,4	13,0	-0,9	-4,7	9,9	-3,2	-18,3	11,9	2,1	19,4
(1.9) Money market fund shares/units	56,6	0,0	10,6	57,1	0,1	6,3	55,9	-1,2	-1,2	55,6	-0,2	-1,6
(1.10) Debt securities issued with maturity up to 2 years	0,3	0,0	-	0,7	0,1	-	2,9	2,2	-	1,1	-1,8	-
(1.11) Marketable instruments (items 1.8, 1.9 and 1.10)	67,0	-2,1	11,7	70,8	-0,8	4,7	68,7	-2,1	-0,5	68,7	0,0	2,7
COUNTERPARTS OF M3												
MFI liabilities												
(2) Holdings deposits against central government	266,7	-9,7	65,8	211,6	-17,5	-16,6	232,0	20,3	-15,2	200,1	-31,8	-24,2
(3) Longer-term financial deposits against other residents (items 3.1 to 3.4)	619,6	14,3	13,0	555,8	-5,4	2,1	569,2	6,3	2,9	570,1	5,0	1,4
(3.1) Deposits with agreed maturity over 2 years	250,6	-0,9	3,5	233,1	-9,9	-7,5	232,5	-0,7	-7,5	230,5	-2,0	-8,0
(3.2) Deposits redeemable at notice over 3 months	85,8	-0,8	-10,8	71,7	-0,4	-18,0	74,7	3,1	-13,7	74,1	-0,6	-13,6
(3.3) Debt securities issued with maturity over 2 years	50,4	5,8	73,8	61,7	1,4	34,6	62,6	0,6	39,0	68,3	5,6	33,6
(3.4) Capital and reserves	232,8	10,1	27,9	189,4	3,5	16,1	199,4	3,3	15,6	197,2	2,0	11,8
MFI assets												
(4) Credit to residents (items 4.1 and 4.2)	1 523,5	18,7	8,1	1 679,5	14,6	13,8	1 700,1	20,7	13,5	1 709,9	10,9	12,8
(4.1) Credit to general government	447,6	2,7	-10,7	433,9	0,1	-2,2	431,4	-2,0	-2,5	423,1	-8,1	-4,9
of which: Loans	105,8	3,4	-25,3	69,7	0,3	-32,1	67,7	-2,0	-33,7	69,1	1,4	-34,5
Securities other than shares	341,9	-0,7	-5,0	364,2	-0,3	6,8	363,7	0,0	6,7	354,0	-9,4	4,2
(4.2) Credit to private sector	1 075,9	16,0	18,4	1 245,6	14,5	20,6	1 268,7	22,7	20,3	1 286,8	19,0	20,3
of which: Loans	1 044,1	17,2	19,8	1 212,4	14,8	21,2	1 236,0	23,1	21,2	1 253,5	18,3	21,0
Securities other than shares	16,7	-1,3	-34,5	12,3	-0,3	-45,8	11,9	-0,4	-44,8	12,7	0,7	-36,8
Shares and other equities	15,0	0,1	27,2	20,8	0,0	85,9	20,8	-0,1	39,5	20,7	-0,1	37,7
(5) Net foreign assets	1 090,6	10,0	20,1	1 012,0	8,4	-0,5	1 019,0	-1,7	-0,4	1 013,6	-1,4	-1,4
(6) Other counterparts of M3 (residual) (=M3+items 2,3 - items 4,5)	40,9	2,3	7,2	56,4	-12,2	55,7	48,2	-8,1	25,0	53,0	4,8	29,7

¹⁾ Net value of flow data calculated by adjusting the difference between end-of-period levels for the effect of non-transactions-related factors.

TABLE 5

Sector breakdown of components of M3¹⁾

CZK billions	2005		2006					
	October		August		September		October	
	Out-standing amounts	Transac-tions ²⁾	Out-standing amounts	Transac-tions ²⁾	Out-standing amounts	Transac-tions ²⁾	Out-standing amounts	Transac-tions ²⁾
(1) Overnight deposits	880,1	39,9	1 009,7	8,5	986,7	-23,7	1 033,9	47,6
(1.1) Other general government	90,2	9,1	99,1	-4,6	93,4	-5,7	100,6	7,3
(1.2) Other financial intermediaries ³⁾	15,2	0,3	17,0	-0,6	15,8	-1,2	19,9	4,1
(1.3) Insurance corporations and pension funds	12,9	8,0	13,4	0,4	5,4	-8,0	16,9	11,5
(1.4) Non-financial corporations	301,0	18,2	359,8	8,0	344,9	-15,4	367,9	23,3
(1.5) Households ⁴⁾	460,9	4,4	520,3	5,3	527,2	6,7	528,5	1,5
(2) M2 - M1 (other short- term deposits)	563,1	-13,6	617,5	22,7	623,2	5,0	616,6	-6,2
(2.1) Other general government	23,7	1,5	28,0	-0,9	25,7	-2,4	28,6	2,9
(2.2) Other financial intermediaries ³⁾	18,5	2,3	15,5	2,9	15,8	0,3	15,5	-0,3
(2.3) Insurance corporations and pension funds	23,5	-8,6	17,7	0,6	26,9	9,2	23,1	-3,8
(2.4) Non-financial corporations	185,1	-9,0	188,7	10,8	188,3	-0,7	177,9	-10,2
(2.5) Households ⁴⁾	312,2	0,3	367,5	9,3	366,5	-1,4	371,6	5,2
(3) Repurchase agreements (a part of M3 - M2)	10,0	-2,1	13,0	-0,9	9,9	-3,2	11,9	2,1
(3.1) Other general government	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
(3.2) Other financial intermediaries ³⁾	1,1	-0,7	2,0	0,0	1,7	-0,3	1,4	-0,3
(3.3) Insurance corporations and pension funds	8,7	-1,3	8,4	-1,7	5,5	-2,8	7,7	2,2
(3.4) Non-financial corporations	0,2	0,0	2,6	0,8	2,6	0,0	2,8	0,2
(3.5) Households ⁴⁾	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0

TABLE 6

Loans to private sector

CZK billions	2005		2006					
	October		August		September		October	
	Out-standing amounts	Transac-tions ²⁾	Out-standing amounts	Transac-tions ²⁾	Out-standing amounts	Transac-tions ²⁾	Out-standing amounts	Transac-tions ²⁾
(1) Loans to non-financial corporations	529,0	6,3	599,3	4,4	608,5	8,8	617,8	9,8
(1.1) up to 1 year	215,0	2,4	228,0	-1,6	240,6	12,4	240,4	0,0
(1.2) over 1 year and up to 5 years	135,3	3,8	151,8	2,4	146,4	-5,6	151,2	4,9
(1.3) over 5 years	178,7	0,1	219,4	3,7	221,5	1,9	226,2	4,9
(2) Loans to households⁴⁾	391,4	11,1	490,6	11,1	502,7	12,2	512,9	10,4
(2.1) Consumer credit	82,1	1,8	100,4	1,7	102,0	1,6	104,1	2,4
(2.2) Lending for house purchase	266,1	7,1	337,5	8,9	345,9	8,4	355,5	9,6
(2.3) Other lending	43,2	2,3	52,7	0,4	54,9	2,2	53,3	-1,6
(3) Loans to other financial intermediaries³⁾	119,5	0,1	118,8	-0,4	120,9	2,0	119,9	-0,9
(4) Loans to insurance corporations and pension funds	4,3	-0,4	3,7	-0,3	3,8	0,2	2,9	-0,9

¹⁾ Table 5 doesn't include those components of M3 which can't be broken down by the sector so far, i.e. currency in circulation, money market fund shares/units and debt securities issued with maturity up to 2 years.

²⁾ Net value of flow data calculated by adjusting the difference between end-of-period levels for the effect of non-transactions-related factors.

³⁾ Including other financial intermediaries (S.123) without insurance corporations and pension funds (S.125) and financial auxiliaries

⁴⁾ Including households (S.14) and non-profit institutions serving households (S.15).

TABLE 7

Contributions to annual growth¹⁾ of M3

	2005	2006		
	October	August	September	October
	% points	% points	% points	% points
M1	6,8	10,5	10,5	10,7
of which: Currency	1,3	1,7	1,8	1,6
Overnight deposits	5,4	8,8	8,7	9,0
M2 - M1 (= other short-term deposits)	0,2	3,6	3,0	3,3
M3 - M2 (= short-term marketable instruments)	0,4	0,2	0,0	0,1
M3	7,3	14,3	13,5	14,1

TABLE 8

Contributions to annual growth¹⁾ of loans to private sector

	2005	2006		
	October	August	September	October
	% points	% points	% points	% points
Non-financial corporations	7,0	8,7	9,0	9,1
Households ²⁾	11,3	12,1	12,1	11,9
Other financial intermediaries ³⁾	1,3	0,5	0,2	0,1
Insurance corporations and pension funds	0,2	-0,1	-0,1	-0,1
Loans to private sector ⁴⁾	19,8	21,2	21,2	21,0

¹⁾ Contributions to growth are the growth rates of M3 / lending weighted by the share in total M3 / lending to private sector.

²⁾ Including households (S.14) and non-profit institutions serving households (S.15).

³⁾ Including other financial intermediaries (S.123) without insurance corporations and pension funds (S.125) and financial auxiliaries (S.124).

⁴⁾ Including all sectors without general government (S.13) and MFIs sector (S.121 and S.122).

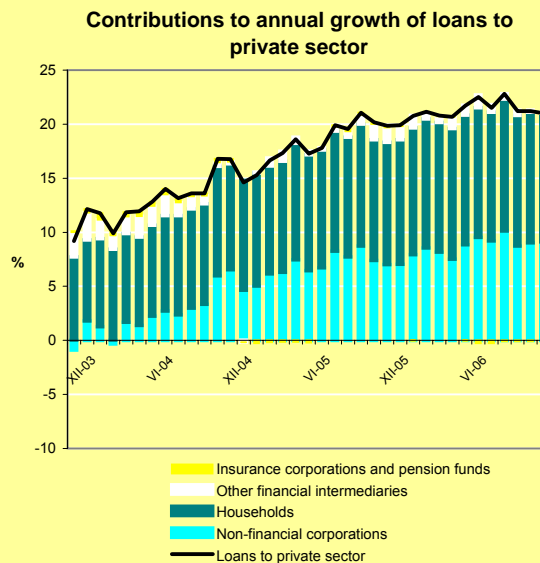
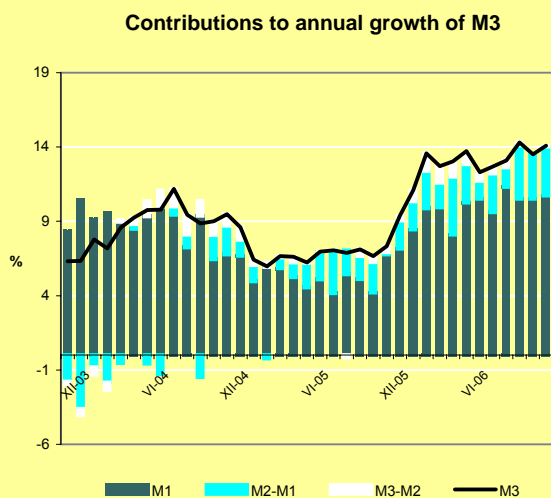
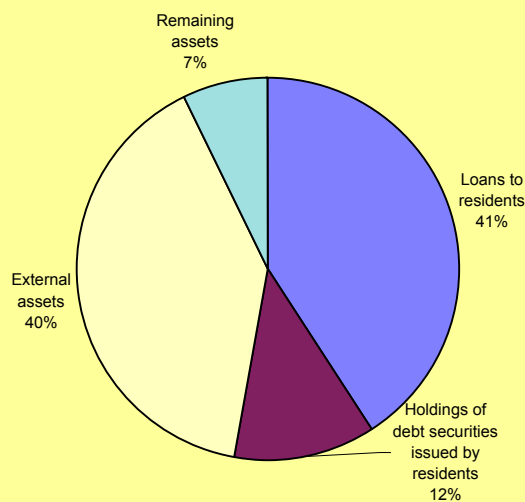


TABLE 9

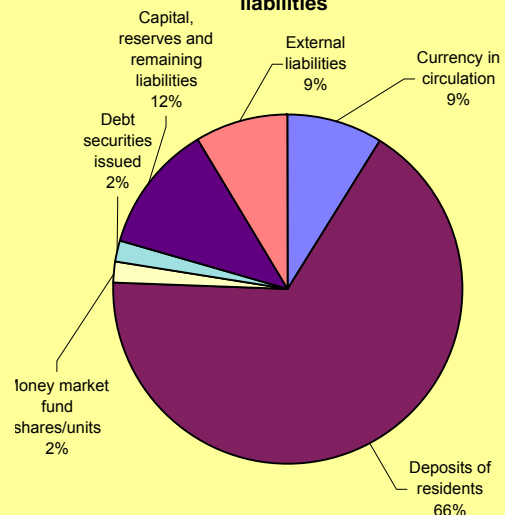
Balance sheets of MFIs by reporting institutions: October 2006

CZK billions	MFI			Consolidated balance sheet of MFIs
	CNB	Credit institutions	Money market fund	
(1) ASSETS TOTAL	768,0	3 164,5	76,9	3 235,4
(1.1) Loans to residents	25,8	1 915,1	14,3	1 322,6
MFI	0,0	618,3	14,3	-
General government	0,0	69,1	0,0	69,1
Other residents	25,7	1 227,8	0,0	1 253,5
(1.2) Holdings of securities other than shares issued by residents	0,0	444,5	21,2	366,6
MFI	0,0	97,7	1,4	-
General government	0,0	337,1	16,9	354,0
Other residents	0,0	9,7	2,9	12,7
(1.3) Money market fund shares/units	0,0	5,6	0,0	-
(1.4) Holdings of shares/other equity issued by residents	0,0	36,4	0,1	20,7
MFI	0,0	15,8	0,0	-
Other residents	0,0	20,6	0,1	20,7
(1.5) External assets	723,8	531,1	41,0	1 295,9
(1.6) Fixed assets	11,8	102,1	0,0	113,9
(1.7) Remaining assets	6,7	129,7	0,3	115,7
(2) LIABILITIES TOTAL	768,0	3 164,5	76,9	3 235,4
(2.1) Currency in circulation	308,1	-	-	287,2
(2.2) Deposits of residents	520,8	2 271,3	0,0	2 167,2
MFI	476,8	148,1	0,0	-
Central government	40,4	159,7	0,0	200,1
Other general government/other residents	3,6	1 963,5	0,0	1 967,0
(2.3) Money market fund shares/units	-	-	61,2	55,6
(2.4) Debt securities issued	0,0	168,5	0,0	69,4
(2.5) Capital and reserves	-113,5	312,8	13,7	197,2
(2.6) External liabilities	36,9	245,2	0,1	282,3
(2.7) Remaining liabilities	15,7	166,7	1,9	184,3
(2.8) Excess of inter MFI liabilities	-	-	-	-7,7

Consolidated balance sheet of MFIs - assets



Consolidated balance sheet of MFIs - liabilities



Commentary on the monetary statistics¹⁾ (Tables 3–9): October 2006

The annual rate of growth of M3 rose from 13.5% in September to 14.1 % in October. The month-on-month growth rate increased from -0.8% to 2.1%. As a result of financial transactions, the monetary aggregate M3 grew by CZK 248.3 billion year on year (by CZK 41 billion month on month) to CZK 2,006.3 billion.

Main components of M3

With the largest contribution to M3 growth, the monetary aggregate M1 remains the most important component of M3. M1 accounts for three-quarters of the annual M3 growth (Table 7).

The annual rate of growth of M1 fell slightly from 16.7% in September to 16.5% in October. The annual rate of growth of overnight deposits remained at the same level as in September, i.e. 18.1%. Their month-on-month growth was 4.8%. Within overnight deposits, deposits of insurance corporations and pension funds recorded the largest month-on-month increase of 210.3% (CZK 11.5 billion). Deposits of other financial intermediaries rose by 25.8% (CZK 4.1 billion), deposits of other government increased by 7.8% (CZK 7.3 billion), deposits of non-financial corporations jumped by 6.8% (CZK 23.3 billion) and household deposits were up by 0.3% (CZK 1.5 billion).

The annual rate of growth of currency in circulation fell from 12.2% in September to 11.1% in October. In month-on-month terms, currency in circulation declined by 0.1% (a decline of CZK 0.4 billion due to financial transactions).

Other short-term deposits (excluding overnight deposits) decreased slightly by CZK 6.2 billion (i.e. 1%) month on month, owing to financial transactions. In October, the annual rate of growth of these deposits increased by 1.5 percentage points to 10.5% (from 9% in September). Deposits redeemable at notice of up to three months (the smaller component) have long been recording strong annual growth. Their annual growth rate in October was 46.2%. The annual rate of growth of deposits with maturity of up to two years, which are the dominant component of short-term deposits, increased by 1.5 percentage points compared to the previous month, reaching 1.1%.

Within other short-term deposits, deposits of other government recorded the largest increase (of 11.4% , i.e. CZK 2.9 billion). Household deposits were up by 1.4% (CZK 5.2 billion). By contrast, deposits of insurance corporations and pension funds declined by 14.2% (CZK 3.8 billion), deposits of non-financial corporations were down by 5.4% (CZK 10.2 billion) and deposits of other financial intermediaries decreased by 2% (CZK 0.3 billion).

Marketable instruments, which consist of repos, money market fund shares/units and debt securities with maturities of up to two years, remained at the same level as in September, i.e. CZK 68.7 billion . Their annual rate of growth rose by 3.2 percentage points month on month to 2.7% (- 0.5% in September).

Main counterparts of M3

The annual rate of growth of loans extended to general government has long been negative and was -34.5% in October (-33.7% in September). The annual rate of purchased government bonds fell to 4.2% in October (to 6.7% in September).

The annual rate of growth of loans extended to the private sector remained almost at the same level as in September, i.e. 21.0% (21.2% in September). This growth was mostly attributable to households. They account for more than one-half of the annual rate of growth of loans granted to the private sector (Table 8). The annual growth rates of loans to households have been high for a long time; in October 2006, the growth rate was 31.6%. Non-financial corporations are another sector accounting for a large share of the annual rate of growth of loans to the private sector. The annual rate of growth of loans to non-financial corporations rose slightly from 17.6% to 18.1%.

The annual rate of net foreign assets fell to -1.4% in October (to -0.4% in September). The annual rate of growth of long-term financial liabilities fell from 2.9% to 1.4%. The annual rate of growth of deposits of central government declined from -15.2% to -24.2%.

1) All increases and decreases referred to in this commentary relate only to financial transactions adjusted for non-transaction effects.

TABLE 10

MFI interest rates on new business¹⁾

monthly average rates and sum	2005		August		September		October	
	Interest rate	Volume	Interest rate	Volume	Interest rate	Volume	Interest rate	Volume
	(% p.a.)	(mld. CZK)	(% p.a.)	(mld. CZK)	(% p.a.)	(mld. CZK)	(% p.a.)	(mld. CZK)
(1) Deposits from households²⁾	0,78	678,1	0,90	773,8	0,91	785,2	0,94	794,7
(1.1) Overnight	0,38	435,5	0,39	497,5	0,40	504,3	0,40	505,6
(1.2) With agreed maturity	1,25	48,0	1,54	44,3	1,57	48,2	1,77	53,7
of which: Up to 2 years	1,25	47,8	1,54	43,8	1,57	47,9	1,78	53,2
(1.3) Redeemable at notice ³⁾	1,53	197,5	1,87	234,9	1,88	235,3	1,91	238,1
(1.3.1) Up to 3 months' notice	2,11	112,2	2,24	164,8	2,28	162,5	2,30	165,8
(1.3.2) Over 3 months' notice	0,77	85,3	0,99	70,0	0,98	72,9	1,01	72,3
(2) Deposits from non-financial corp.⁴⁾	1,02	418,0	1,29	499,7	1,29	495,0	1,35	484,7
(2.1) Overnight	0,57	233,0	0,76	282,0	0,80	273,1	0,83	285,8
(2.2) With agreed maturity	1,58	181,4	1,98	213,9	1,90	218,8	2,11	195,9
of which: Up to 2 years	1,59	181,0	1,98	213,9	1,90	218,8	2,11	195,9
(3) Loans to households²⁾	11,09	35,7	10,86	43,5	10,80	44,9	11,00	47,0
(3.1) Bank overdraft ⁵⁾	14,94	19,2	15,96	20,9	15,93	21,3	16,01	21,8
(3.2) Consumer credit	13,09	3,8	12,42	3,9	12,40	4,1	12,71	5,5
(3.3) Lending for house purchase	4,39	9,3	4,47	13,7	4,45	13,7	4,54	13,6
of which: Mortgage lending ⁶⁾	-	-	4,34	8,7	4,35	9,6	4,47	8,4
Saving for building purposes	5,06	3,3	4,83	3,7	4,79	3,1	4,79	3,4
(3.4) Other lending	5,49	3,4	5,82	5,0	5,75	5,7	6,00	6,1
(4) Loans to non-financial corporation	3,96	119,1	4,14	129,0	4,27	148,7	4,52	138,8
(4.1) Bank overdraft ⁵⁾	4,47	59,3	4,58	71,0	4,77	77,4	5,18	76,6
(4.2) Other loans up to CZK 30 million	4,62	14,7	4,46	15,6	4,53	15,9	4,59	16,6
of which: Up to 1 year initial rate fixation ⁷⁾	4,58	10,9	4,41	14,1	4,48	14,4	4,58	14,9
(4.3) Other loans over to CZK 30 million	3,06	45,1	3,29	42,3	3,49	55,4	3,38	45,6
of which: Up to 1 year initial rate fixation ⁷⁾	3,03	41,7	3,28	41,3	3,47	53,8	3,38	44,4
(5) APRC⁸⁾ on loans to households	7,62	13,1	6,62	17,6	6,69	17,8	7,33	19,0
(5.1) Consumer credit	14,88	3,8	13,52	3,9	13,49	4,1	13,80	5,5
(5.2) Lending for house purchase	4,67	9,3	4,66	13,7	4,64	13,7	4,74	13,6

¹⁾ The interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to CZK-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the Czech Republic. New business refers to any new agreement between the customer and the MFI within given period.

²⁾ Including households (S.14) and non-profit institutions serving households (S.15).

³⁾ Households deposits liabilities redeemable at notice include similar deposits of non-financial corporations of which volumes are negligible in this category

⁴⁾ Including deposit liabilities redeemable at notice of non-financial corporations (which are also included in item 1.3).

⁵⁾ Overdrafts, i.e. permitted or unpermitted debits

⁶⁾ The data on interest rates of mortgage loans were not published by the CNB from 31 March 2005 to 31 December 2005 because of uncertainty in the interpretation of the definition of mortgage loans.

⁷⁾ The initial period of fixations is a predetermined period of time at the start of the contract during which the value of the interest rate cannot change. Period up to 1 year includes floating rates.

⁸⁾ Annual percentage rate of charge (APRC) covers total costs of the credit to the client including charges etc.

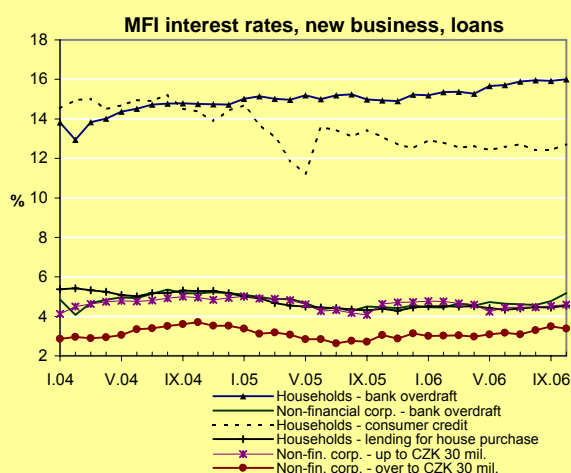
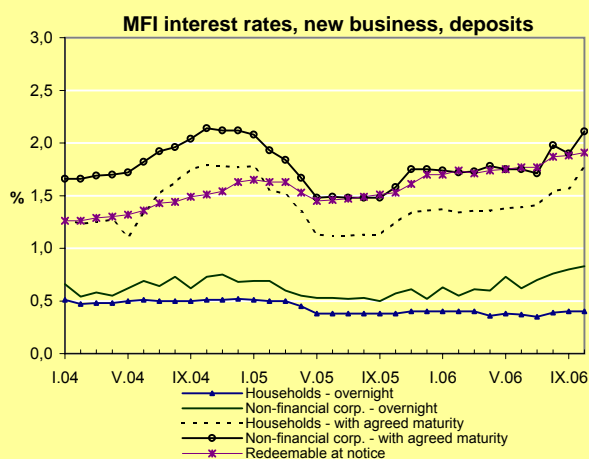


TABLE 11

MFI interest rates on outstanding amounts¹⁾

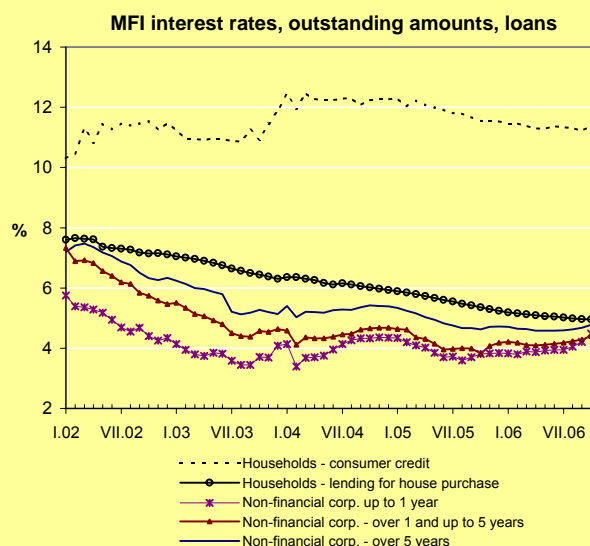
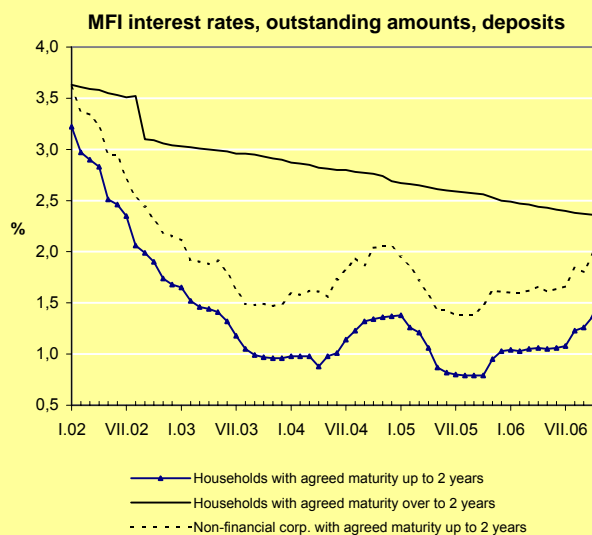
outstanding amounts as end-of-month	2005		2006					
	October		August		September		October	
	Interest rate (% p.a.)	Volume (mld. CZK)	Interest rate (% p.a.)	Volume (mld. CZK)	Interest rate (% p.a.)	Volume (mld. CZK)	Interest rate (% p.a.)	Volume (mld. CZK)
(1) Deposits from households²⁾³⁾	1,18	1031,7	1,22	1121,2	1,23	1130,2	1,25	1133,7
(1.1) With agreed maturity	1,87	400,1	1,90	389,2	1,91	390,6	1,94	390,1
(1.1.1) Up to 2 years	0,79	156,9	1,23	161,1	1,26	163,0	1,37	164,6
(1.1.2) Over 2 years	2,56	243,2	2,38	228,2	2,37	227,5	2,36	225,5
(2) Deposits from non-financial corp.³⁾	0,94	388,1	1,14	432,6	1,17	430,2	1,19	416,3
(2.2) With agreed maturity	1,50	155,0	1,84	148,4	1,81	154,9	1,98	128,3
(2.2.1) Up to 2 years	1,48	150,8	1,84	146,6	1,80	153,2	1,98	126,5
(2.2.2) Over 2 years	2,42	4,2	2,42	1,7	2,40	1,7	2,37	1,7
(3) Loans to households	7,25	390,0	6,87	489,4	6,83	501,5	6,82	511,6
(3.1) Lending for house purchase	5,36	265,7	4,99	337,2	4,97	345,5	4,95	355,2
of which: Mortgage lending ⁴⁾	-	-	4,77	215,4	4,75	222,1	4,75	224,0
Saving for building purposes	5,83	97,4	5,55	106,1	5,53	107,5	5,50	109,3
(3.2) Consumer credit and other lending	11,55	124,3	11,32	152,2	11,22	155,9	11,37	156,5
(4) Loans to non-financial corp.	4,07	433,2	4,29	490,4	4,38	497,9	4,57	506,5
(4.1) Up to 1 year	3,81	190,9	4,05	201,3	4,21	211,4	4,49	212,6
(4.2) Over 1 and up to 5 years	3,83	109,4	4,23	124,4	4,29	120,1	4,40	124,4
(4.3) Over 5 years	4,63	132,9	4,63	164,7	4,68	166,4	4,77	169,5

¹⁾ The interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to CZK-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the Czech Republic. Interest rates on outstanding amounts refer to the stock of all deposits and all loans at a specific moment.

²⁾ Including households (S.14) and non-profit institutions serving households (S.15).

³⁾ Including overnight deposits and deposits with agreed maturity presented in Table 10. For this instrument category, new business and outstanding amounts coincide.

⁴⁾ The data on interest rates of mortgage loans were not published by the CNB from 31 March 2005 to 31 December 2005 because of uncertainty in the interpretation of the definition of mortgage loans.



Commentary on MFI interest rates (Tables 10 and 11): October 2006

Interest rates on new business

Overall average interest rates on **new deposits** of households and non-financial corporations saw a moderate increase.

The average interest rate on new deposits of **households** grew by 0.03 percentage point to 0.94% owing to a sizeable increase in rates on deposits with agreed maturity of up to two years (of 0.21 percentage point) to 1.78%. The rate on deposits redeemable at notice (of both up to and over 3 months) rose by an insignificant 0.03 percentage point. By contrast, the rate on overnight deposits remained unchanged compared to the previous month, at 0.40%.

The average interest rate on deposits of **non-financial corporations** increased as well, to 1.35%. As in the household sector, this increase was due to a rise of 0.21 percentage point (to 2.11%) in the average rate on deposits with agreed maturity of up to two years. These deposits usually account for 100% of all deposits with agreed maturity of non-financial corporations, and October was no exception. The rate on overnight deposits was also higher, but its increase was only minimal, to 0.83%.

The overall average interest rate on **new loans** provided to households and non-financial corporations also recorded a modest rise during October.

In October, banks provided new loans to **households** at an average rate of 11.00% (up by 0.2 percentage point), which is comparable with the July 2006 level. Slight growth in rates (up to one-tenth of a percentage point) was recorded for housing loans and bank overdrafts, to 4.54% and 16.01% respectively. Consumer credit and other loans saw a more significant rise in rates (of more than a quarter of a percentage point), to 12.71% and 6.00% respectively.

The overall average interest rate on new loans to **non-financial corporations** was also higher than in the previous month, rising by a quarter of a percentage point to 4.52%. This increase was chiefly a result of a rise in rates on bank overdrafts to 5.18%, but rates on other loans of up to CZK 30 million with rate fixation of up to one year also saw an increase, albeit a more modest one (of 0.1 percentage point to 4.58%). By contrast, other loans of up to CZK 30 million with rate fixation of over one year recorded a decrease in rates, but their share in the total, and hence also their effect on any change in the overall rate, is insignificant. The average interest rate on other loans of over CZK 30 million also decreased somewhat, to 3.38%.

The overall annual percentage rate of charge on loans to households grew considerably in October, rising by 0.64 percentage point to 7.33%; the APRC on consumer credit rose to 13.80% and the APRC on housing loans to 4.74%.

Interest rates on outstanding amounts

As in the previous month, overall average interest rates on **outstanding amounts of deposits** of households and non-financial corporations recorded a slight rise in October.

In the case of **household** deposits, remunerated at an overall rate of 1.25%, this small increase was due to a rise in the interest rates on deposits redeemable at notice (to 1.91%) and deposits with agreed maturity of up to two years (to 1.37%). Average interest rates on outstanding amounts of overnight deposits (0.40%) and deposits with agreed maturity of over two years (2.36%) remained at the previous month's level.

The overall interest rate on outstanding amounts of deposits of **non-financial corporations** rose for the fourth consecutive month, reaching 1.19% in October. This increase was due mainly to deposits with agreed maturity of up to two years (up by 0.18 percentage point to 1.98%) and to a small extent also to overnight deposits (up by 0.03 percentage point to 0.83%). By contrast, outstanding amounts on deposits with agreed maturity of over two years saw a downward movement in the average interest rate (by 0.03 percentage point to 2.37%).

In October, the average interest rate on **outstanding amounts of loans** to households was the same as in September 2006 and that charged by banks on loans to non-financial corporations was higher.

The interest rate on outstanding amounts of loans to **households** was 6.82% on average. The rate on housing loans fell slightly (by 0.02 percentage point) to 4.95%, whereas the rates on outstanding amounts of consumer credit and other loans were higher (up by 0.15 percentage point to 11.37%).

The average interest rate on outstanding amounts of loans to **non-financial corporations** rose slightly for the sixth consecutive month, reaching 4.57% in October. Rates increased at all maturities, but the most considerable growth was again recorded for loans with short maturities (up by 0.28 percentage point to 4.49%).

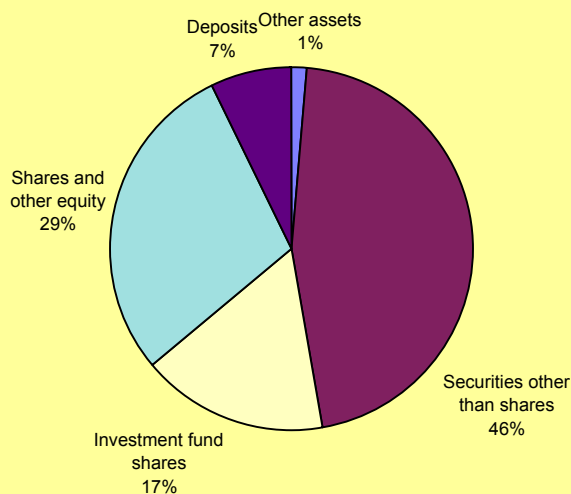
TABLE 12

Quarterly aggregated balance sheet of investment funds ¹⁾

CZK billions; end of period	2005			2006	
	September	December	March	June	September
ASSETS					
Total	62,7	65,4	73,4	73,9	76,5
(1.1) Deposits	6,6	6,0	7,4	6,8	5,4
(1.2) Securities other than shares	34,1	34,6	35,5	33,9	35,0
MFI	0,6	0,5	0,6	0,6	0,6
General government	19,7	20,1	19,7	18,8	20,5
Other residents	2,2	2,1	2,2	2,0	1,9
Non-residents	11,6	11,8	12,9	12,4	12,0
Up to 1 year	0,7	0,6	0,5	0,4	0,3
Over 1 year	33,4	33,9	34,9	33,5	34,6
(1.3) Shares and other equity	16,1	17,4	19,3	20,7	22,2
MFI	0,5	0,6	0,6	0,6	0,6
Other residents	3,0	3,0	3,6	3,8	3,7
Non-residents	12,6	13,9	15,2	16,3	18,0
(1.4) Investment fund shares	5,2	6,9	10,2	11,7	12,8
Residents	0,4	0,5	1,6	2,1	2,2
Non-residents	4,8	6,4	8,7	9,6	10,6
(1.5) Other assets	0,7	0,6	1,0	0,8	1,1
LIABILITIES					
Total	62,7	65,4	73,4	73,9	76,5
(2.1) Loans accepted	0,0	0,1	0,0	0,0	0,0
(2.2) Investment fund shares	48,8	52,5	58,5	77,6	64,9
Residents	48,5	52,2	58,2	77,3	64,5
Non-residents	0,2	0,2	0,3	0,3	0,4
(2.3) Capital and reserves	11,2	11,5	12,8	-5,5	9,4
(2.4) Other liabilities	2,8	1,4	2,1	1,8	2,1
BALANCE SHEET TOTAL - BREAKDOWN BY INVESTMENT POLICY					
TOTAL	62,7	65,4	73,4	73,9	76,5
Equity funds	7,5	7,9	9,6	10,0	10,8
Bond Funds	28,0	26,9	27,4	25,5	25,5
Mixed Funds	23,2	24,1	26,5	26,5	27,6
Funds of funds	3,9	6,5	9,9	11,9	12,7

¹⁾ Investment Funds (IFs) represent Mutual Funds other than Money Market Funds and Incorporated Investment Funds which are residents in the Czech Republic.

Balance sheet total - breakdown by asset items



Balance sheet total - breakdown by investment policy

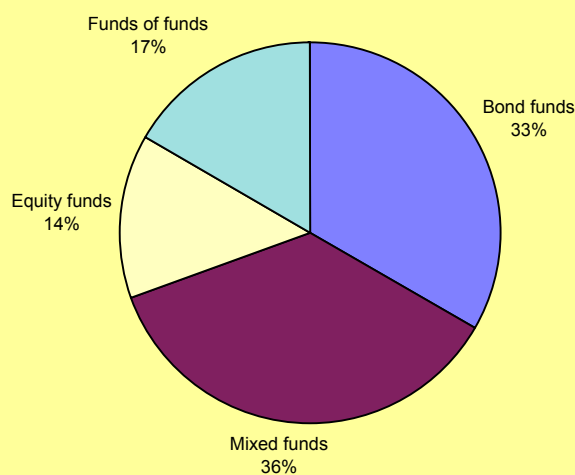


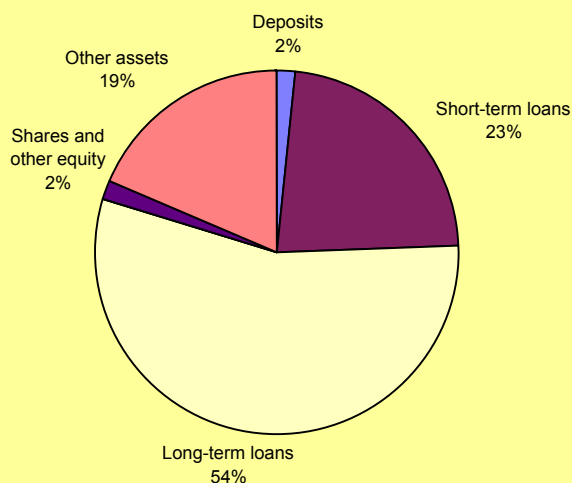
TABLE 13

Quarterly aggregated balance sheet of FCLs ¹⁾

CZK billions; end of period	2005			2006	
	June	September	December	March	June
Assets					
Total			283,7	283,8	293,1
(1.1) Deposits			6,1	4,8	4,8
(1.2) Loans provided			221,2	222,5	228,0
Residents			221,1	221,1	226,3
Up to 1 year			65,5	67,1	66,1
Over 1 year			155,6	154,0	160,3
Non-residents			0,2	1,4	1,7
(1.3) Securities other than shares			0,3	0,2	0,3
Up to 1 year			0,2	0,1	0,2
Over 1 year			0,1	0,1	0,1
(1.4) Shares and equity			3,7	4,1	4,4
Mutual fund shares/units (including MMFs)			0,0	0,0	0,0
Other shares and equity			3,7	4,1	4,4
(1.5) Other assets			52,3	52,2	55,6
LIABILITIES					
Total			283,7	283,8	293,1
(2.1) Loans taken			170,9	170,4	179,8
Residents			113,7	107,2	114,1
Non-residents			57,1	63,1	65,7
(2.2) Securities other than shares issued			18,6	20,7	21,3
Up to 1 year			7,7	10,1	11,5
Over 1 year			10,9	10,7	9,8
(2.3) Own funds			53,7	55,2	55,5
(2.5) Other liabilities			40,5	37,5	36,6
BALANCE SHEET TOTAL BREAKDOWN BY TYPE OF INTERMEDIARIES					
TOTAL			283,7	283,8	293,1
Financial leasing company			207,7	207,4	212,0
Other lending company			76,0	76,4	81,1

¹⁾ Financial corporations engaged in lending
Data for factoring companies has not yet been published.

Balance sheet total - breakdown by asset items



Balance sheet total - breakdown by type of intermediaries

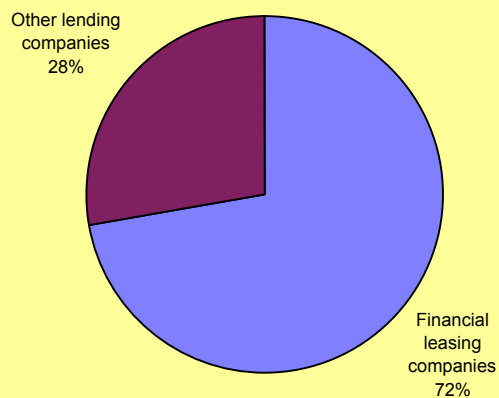


TABLE 14

Summary of loans provided by FCLs ¹⁾ to residents

CZK billions; end of period	2005			2006	
	June	September	December	March	June
LOANS					
(1) Non-financial corporations			119,3	119,5	120,6
Up to 1 year			28,6	29,6	29,2
Over 1 year up to 5 years			76,4	75,7	76,5
Over 5 years			14,2	14,2	14,9
(2) Financial corporations			1,2	2,7	2,3
Up to 1 year			0,4	1,9	1,5
Over 1 year up to 5 years			0,6	0,5	0,5
Over 5 years			0,2	0,3	0,3
(3) Government			1,2	1,1	1,1
Up to 1 year			0,5	0,3	0,4
Over 1 year up to 5 years			0,5	0,4	0,4
Over 5 years			0,2	0,3	0,4
(4) Households			99,1	97,7	102,1
Up to 1 year			35,9	35,2	34,8
Over 1 year up to 5 years			59,0	58,0	61,7
Over 5 years			4,3	4,5	5,5
(5) NPISHs			0,2	0,2	0,2
Up to 1 year			0,1	0,1	0,1
Over 1 year up to 5 years			0,1	0,1	0,1
Over 5 years			0,0	0,0	0,0

BREAKDOWN OF LOANS PROVIDED TO HOUSEHOLDS

(1) Total			99,1	97,7	102,1
(1.1) Consumer credit			87,5	86,2	90,7
Up to 1 year			34,9	34,0	34,0
Over 1 year up to 5 years			48,7	48,0	51,6
Over 5 years			4,0	4,2	5,2
(1.2) Lending for house purchase			0,5	0,5	0,6
Up to 1 year			0,0	0,0	0,0
Over 1 year up to 5 years			0,4	0,4	0,4
Over 5 years			0,1	0,1	0,2
(1.3) Other loans			11,2	10,9	10,8
Up to 1 year			1,1	1,2	0,8
Over 1 year up to 5 years			9,9	9,6	9,7
Over 5 years			0,1	0,1	0,2

BREAKDOWN OF SELECTED LOANS BY TYPE OF INTERMEDIARIES

TOTAL			221,1	221,1	226,3
Financial leasing companies			168,9	167,6	170,1
Other lending companies			52,2	53,5	56,2
of which Non-financial corporations			119,3	119,5	120,6
Financial leasing companies			117,2	116,3	117,3
Other lending companies			2,2	3,2	3,4
of which Households			99,1	97,7	102,1
Financial leasing companies			49,8	49,6	51,1
Other lending companies			49,4	48,1	50,9

¹⁾ Financial corporations engaged in lending
Data for factoring companies has not yet been published.

Commentary on the quarterly aggregated balance sheet of collective investment funds (Table 12): September 2006

As of the end of Q3, collective investment funds (CIFs) administered assets worth CZK 74.3 billion. This means that the value of assets administered by these funds increased by CZK 2.2 billion, which represents a quarter-on-quarter growth of 3.11%. Compared to the same period of 2005, the increase was 23.93%, or CZK 14.4 billion.

The biggest rise was recorded by mixed funds, whose assets grew from CZK 25.8 billion to CZK 26.7 billion, a quarter-on-quarter increase of 3.48%. Growth was also recorded by funds of funds (from CZK 11.7 billion to CZK 12.5 billion) and equity funds (from CZK 9.6 billion to CZK 10.4 billion). By contrast, bond funds experienced a fall in assets of CZK 0.2 billion to CZK 24.7 billion, i.e. a decline of 0.9%.

The funds most frequently invested in securities other than shares, particularly those issued by the general government of the Czech Republic. The total volume of purchased securities other than shares was CZK 35 billion, accounting for 47.07% of CIF equity capital. The share of such securities in equity capital remained virtually unchanged compared to the previous quarter and dropped by 9.91 percentage points in year-on-year comparison. The biggest rise in volume compared to the previous quarter was recorded by purchased shares and other equity. Investment in shares and other equity rose by CZK 1.3 billion to CZK 22.2 billion, i.e. up by 6.26% in quarter-on-quarter terms and by CZK 6.1 billion year on year. The highest annual growth was recorded for investments in investment fund shares. The value of fund shares in CIF ownership stood at CZK 12.8 billion as of the end of Q3 and was CZK 7.5 billion higher than in the same period of 2005, representing growth of 143.25%.

At the end of Q3, a total of 67 resident collective investment funds were operating in the territory of the Czech Republic, of which 11 were equity funds, 18 were funds of funds, 12 were bond funds and 26 were mixed funds.

Commentary on the quarterly aggregated balance sheet of financial corporations engaged in lending (Table 13, 14): June 2006

As of 30 June 2006, financial corporations engaged in lending had total assets of CZK 293.1 billion¹⁾. Total assets rose by CZK 9.3 billion compared to the previous quarter. This represents a quarterly increase of 3.3%. Financial leasing companies, whose total assets amounted to CZK 212 billion, accounted for the largest share of total assets. Other lending companies contributed CZK 81.1 billion to the overall total assets.

The largest asset item was loans, which amounted to CZK 228 billion, up by CZK 5.5 billion compared to the first quarter. Short-term loans stood at CZK 66.6 billion at the end of Q2, i.e. 22.7% of total assets. Long-term loans amounted to CZK 161.4 billion, i.e. 55.1% of total assets. The loans were provided almost entirely to residents.

The largest part of the loans provided to residents consisted of loans to non-financial corporations, which amounted to CZK 120.6 billion, i.e. 53.3% of loans to residents. Loans provided to non-financial corporations rose by CZK 1.1 billion compared to Q1, i.e. a quarterly increase of 1%. CZK 117.3 billion was provided by financial leasing companies and CZK 3.4 billion by other lending companies. These loans are made up predominantly of loans with a maturity of one to five years, which amounted to CZK 76.5 billion.

The second largest category of loans provided was loans to households, which totalled CZK 102.1 billion, up by CZK 4.4 billion. This represents a quarterly increase of 4.5%. These loans account for 45.1% of loans granted to residents. CZK 51.1 billion was provided by financial leasing companies and CZK 51 billion by other lending companies. Loans with a maturity of one to five years amounted to CZK 61.7 billion, giving them the largest share in loans to households.

¹⁾ Under Decree No. 307/2004 Coll. these are companies whose main or major business activity involves providing credit or loans or entering into agreement of similar nature, e.g. financial leasing, factoring, consumer credit, hire-purchase financing, etc. The figures mentioned only include financial leasing companies and other lending companies. Data for factoring have not yet been published.

Glossary

Harmonisation of statistics: the Treaty establishing the European Community tasked the European Central Bank (ECB) with ensuring harmonised statistics according to Article 5 of the Statute of the European System of Central Banks. The national central banks of EC Member States therefore collect statistical information according to a uniform definition, from which the ECB then compiles aggregate data for euro area monetary policy. Although Council Regulation No 2533/98, which specifies the requirements for statistical data collection, only concerns euro area countries, the ECB also receives full data sets from the non-participating countries (e.g. the Czech Republic) in order to monitor their economic and financial development.

Monetary statistics: financial macrostatistics of sectors S.121, S.122 and S.123 based exclusively on the "host country" principle. According to this principle, a resident reporting unit is an institution resident in a given economic territory. The reporting population includes 1) institutions incorporated and located in the territory, including subsidiaries of parent companies located outside that territory, and 2) branches of institutions that have their head office outside that territory.

APRC: annual percentage rate of charge, i.e. the rate including interest expenses and all related costs of the credit to the client (fees etc.).

Collective investment funds: for the purposes of monetary and banking statistics, collective investment funds comprise unit trusts and investment funds other than money market funds which are resident in the Czech Republic. These are undertakings the sole object of which is collective investment, i.e. pooling investor funds and investing them under conditions stipulated in the Act on Collective Investment (No. 189/2004 Coll.). Such undertakings may be constituted under the Act either as unit trust managed by an investment company or as investment funds.

Consolidated balance sheet of the MFI sector: the basic statistical tool of monetary statistics. It is based on the residency principle and is obtained by netting out inter-MFI positions on their aggregated balance sheet.

Consumer credit: loans granted to households for personal use in the consumption of goods and services.

Contribution to annual growth rate: the growth rate of a selected component weighted by its share in the total growth rate.

Deposits redeemable at notice: deposits that can be withdrawn by clients only after the expiry of a period of notice agreed in advance, which starts at the moment of notification of the intention to withdraw the deposit.

Deposits with agreed maturity: deposits that cannot be withdrawn by clients before a predefined maturity.

FCLs - Type of services:

1. *Financial leasing* - It is financial service, when lessee acquires the right to use good in exchange for rental payment over predetermined term. All risk and rewards of ownership are transferred from lessor to lessee. After lapse of predetermined term ownership of good is transferred from lessor to lessee.

2. *Factoring* - It is financial service consisting in purchase of short-term receivables (with maturity 30-90 days) before their maturity date. Receivables are transferred on factoring company – factor- by supplier of goods or services.

3. *Other lending* - This category encompasses granting credit or loans or agreements of similar nature different from financial leasing and factoring. It deals especially with consumer credit, hire purchase, consumption loans, etc.

Financial corporations engaged in lending (FCLs): FCLs mean corporations classified within sector S.123 other financial intermediaries which are predominantly engaged in granting credit or loans or entering into agreements of similar nature, for example financial leasing, faktoring, consumer credit, hire purchase, etc. (see Decree No. 307/2004 Coll.)

Growth rate: the percentage change in the monitored variable over the reference period, calculated from the volumes of monthly financial transactions and the outstanding amounts at the beginning of each month.

Household sector: institutional units included in the sectors of households (S.14) and non-profit institutions serving households (S.15) under ESA 95.

Glossary (cont'd)

Housing loans: Loans granted to households for the purpose of purchasing/investing in housing, including building and home improvements.

Interest rate fixation: a period of interest rate fixation, i.e. a period at the beginning of a contract for which the agreed interest rate cannot be changed. Period up to 1 year includes floating rates.

MFI longer-term financial liabilities: comprise deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued with an original maturity of more than two years and the capital and reserves of the Czech MFI sector.

Monetary aggregates: comprise the monetary liabilities of monetary financial institutions to non-MFI Czech residents except central government. The narrow monetary aggregate M1 includes currency in circulation (excluding cash at banks' cash desks) and overnight deposits. The intermediate monetary aggregate M2 comprises M1, deposits redeemable at a period of notice of up to and including three months and deposits with a maturity of up to and including two years. The broad monetary aggregate M3 comprises M2, money market fund shares/units, debt securities with a maturity of up to two years and repurchase agreements.

Monetary financial institutions (MFIs): financial institutions forming the money-issuing sector. Under Community law, these include the central bank, resident credit institutions, and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. In the Czech Republic, MFIs include the central bank, banks, money market funds and credit unions.

Money-holding sector: all institutional units except central government (S.1311) and monetary financial institutions (S.121 and S.122) under ESA 95.

Money-issuing sector: all institutional units included in the sectors of the central bank (S.121) and other monetary financial institutions (S.122) under ESA 95.

Money-neutral sector: an institutional sector comprising the central government sector (S.1311) under ESA 95.

Money market funds: MMFs are defined as those collective investment funds of which the units are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments and/or in MMF shares/units and/or in other transferable debt instruments with a residual maturity of up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments. The criteria applied in order to identify MMFs shall be derived from the public prospectus as well as fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effects, of the collective investment undertaking.

Net external assets: comprise external assets of Czech MFIs (such as monetary gold, non-koruna banknotes, securities issued by non-residents and loans granted to non-residents) minus external liabilities of the Czech MFI sector (such as non-residents' holdings of deposits, repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs and held by non-residents).

Non-MFIs: all resident sectors excluding MFIs, i.e. general government (S.13), non-financial corporations (S.11), financial institutions other than MFIs (S.123 and S.124) and households and non-profit institutions serving households (S.14 and S.15) under ESA 95.

Other financial intermediaries (OFIs): entities included in the sectors of other financial intermediaries except insurance corporations and pension funds (S. 123), financial auxiliaries (S.124) and insurance corporations and pensions funds (S.125) under ESA 95.

Private sector: a sector comprising all institutional sectors except general government (S.13) and monetary financial institutions (S.121 and S.122) under ESA 95.

Glossary (cont'd)

Rates on new business: interest rates agreed by the bank and the client for all agreements negotiated during the reference period.

Rates on outstanding amounts: interest rates applied to end-of-period balances.

Reclassifications: comprise any changes in the MFI balance sheet resulting from changes in the reporting population, corporate restructuring, reclassifications of assets and liabilities, and corrections of reported errors.

Residents: all domestic and foreign legal entities and natural persons, including branches of foreign banks and foreign owners of buildings and land, whose centre of economic interest is in the given territory. Foreign legal entities and natural persons are considered residents after at least one year of economic activity in the territory, with the exception of foreign bank branches and owners of buildings and land, who become residents at the moment they perform a valid legal act (in the case of foreign owners of buildings and land, this only applies in connection with transactions relating to the building or land in question).

Transaction (flow) data: values related to the whole period which are calculated as the difference between the balances at the end of the current and the previous period adjusted for non-transaction effects, i.e. effects connected with reclassifications, valuation changes and exchange rate variations over the period. These factors result in breaks in time series, thereby affecting the comparability of end-of-period balances. Transaction (flow) data only reflect those changes that arise from transactions, i.e. from accepting financial assets or providing financial liabilities.

Unit trusts other than money market funds:

1. *equity funds and funds of funds* – funds that constantly invest 66% or more of their assets on the equity market (i.e. in shares and instruments bearing equity risk) and/or funds that constantly invest 66% or more of their assets in the units and shares of other unit trusts/investment funds. Equity funds also include index funds and guaranteed funds linked to stock indices.

2. *bond funds* – funds that constantly invest on the bond market. Additional investment in equities is allowed, but the share of equities must not exceed 10% of the fund's assets. Bond funds also include index funds and guaranteed funds linked to bond indices.

3. *mixed funds* – funds that invest in various assets (equities and bonds) on various markets and do not have limits on the share of equities or bonds.

Technical Notes

A. Calculation of growth rates

The growth rate for the reference period is calculated from the volumes of monthly financial transactions and the outstanding amounts at the beginning of each month. Monthly transactions are calculated from differences in outstanding amounts adjusted for reclassifications, other revaluations, exchange rate variations and other changes which do not arise from transactions. This data thus reflects only those changes that arise from accepting financial assets or providing financial liabilities. Reclassifications and other non-transaction corrections are introduced into the transaction statistics to preserve the comparability of the gradual monitoring results, thereby enabling calculation of the indices of expected outstanding balances of the monitored variables and determination of their growth rates.

Method of calculation

1. The month-on-month percentage change a_t^M for month t is calculated as:

$$(a) \quad a_t^M = \left(\frac{F_t^M}{L_{t-1}} \right) \times 100$$

2. The annual growth rate for month t , i.e. the change for the last 12 months ending with month t , is calculated as the product of the twelve coefficients for each previous month. The calculation of the annual growth rate from the month-on-month growth rates thus enables transaction changes and non-transaction effects in the individual months to be taken into account.

$$(b) \quad a_t = \left[\prod_{i=0}^{11} \left(1 + \frac{F_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

where

F_t^M - transactions in month t

$F_t^M = (L_t - L_{t-1}) - C_t^M - E_t^M - V_t^M$

and

L_t - outstanding amount at the end of month t

C_t^M - reclassifications in month t

E_t^M - exchange rate variations in month t

V_t^M - valuation changes in month t

Growth rates for other reference periods are derived from formula (b).

B. Calculation of the contribution to the annual growth rate of a monitored variable (e.g. M3)

If $a_t(M3)$ represents the annual growth rate of M3 for the year ending with month t , and $F_{t-i}(M1)$, $F_{t-i}(M2-M1)$, $F_{t-i}(M3-M2)$ are the monthly transactions of the components M1, M2-M1 and M3-M2 in month $t-i$, the contribution of M1 to the annual growth rate of M3, for example, is calculated as:

$$\frac{\sum_{i=0}^{11} F_{t-i}(M1)}{\sum_{i=0}^{11} [F_{t-i}(M1) + F_{t-i}(M2-M1) + F_{t-i}(M3-M2)]} \times a_t(M3)$$

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Debt securities market in 2005

Debt securities market in 2005

The CNB's Money and Banking Statistics Division has already been working for several years with the European Central Bank on the compilation of monetary statistics, financial institution statistics and financial market statistics. The financial market statistics include long-term interest rate statistics, which serve as an indicator for one of the four convergence criteria¹ in the assessment of the progress achieved by the non-participating Member States² in meeting their obligations regarding the fulfilment of the conditions of economic and monetary union. The long-term interest rate statistics were published in collaboration with the ECB for the first time in April 2004, and since then they have been published on a monthly basis by the European Central Bank, the European Commission and, on behalf of the Czech Republic, by the Czech National Bank (in the ARAD time series system on the CNB website; see Financial Market Statistics >>> Capital Market >>> Government Bonds Yields).

When preparing the long-term interest rate statistics it was first necessary to interpret the original wording of the convergence criterion³ in statistical terms and to propose a harmonised method⁴ for the calculation of the indicator in national central banks. The aim of this harmonised method is to ensure comparability between the individual states' data. Simultaneously, The European Central Bank, in cooperation with the national central banks, decided to prepare a report on the different conditions and developments in national capital markets (focusing on the bond market and interest rates). This report – "Bond markets and long-term interest rates in non-euro area EU Member States and in accession countries" – is published annually on the ECB and CNB websites (under Statistics >>> Monetary and Banking Statistics). The data for 2005, prepared by the Money and Banking Statistics Division and provided as a source material for future issues of this report, form part of this Annex.

TABLE 1 - Debt securities - market size (outstanding amount)

December 2005, end-of-period stocks, nominal values, CZK billions

Sector of the issuer	Original maturity			
	T ≤ 1	1 < T < 5	5 ≤ T < 10	T ≥ 10
Central government (S.1311) and other general government (S.1312+S.1313+S.1314)	94,25	71,68	167,65	358,52
Monetary Financial Institutions (S.121+S.122)	348,61	15,53	81,95	48,73
Non-monetary financial corporations (S.123+S.124+S.125)	0,00	0,00	15,96	0,00
Non-financial corporations (S.11)	0,00	0,00	22,05	20,57
Total	442,86	87,21	287,61	427,82

Source: Česká národní banka

Notes: T - number of years; Short-term debt securities issued by Monetary Financial Institutions represent entirely CNB-bills used as collateral in its monetary market operations (repo operations).

TABLE 2 - Debt securities - primary market activity

yearly total amount of transactions, nominal value, CZK billions

	2003	2004	2005
Central government (S.1311) and other general government (S.1312+S.1313+S.1314)	584,41	562,08	457,62
<i>of which: Long-term debt securities</i>	134,41	172,72	142,28
Monetary Financial Institutions (S.121+S.122)	1 425,47	2 125,83	1 482,90
<i>of which: Long-term debt securities</i>	25,47	25,83	82,90
Non-monetary financial and non-financial corporations (S.123 + S.124 + S.125+ S.11)	12,80	12,73	3,40
<i>of which: Long-term debt securities</i>	12,80	12,73	3,40
Total	2 022,69	2 700,65	1 943,92
<i>of which: Long-term debt securities</i>	172,69	211,28	228,58

Source: Česká národní banka

Notes: Short-term debt securities issued by Monetary Financial Institutions represent entirely CNB-bills retained in CNB portfolio with the aim to be used as collateral in its monetary market operations (repo operations).

¹ Article 121 of the Treaty establishing the European Community: *the durability of convergence achieved by the Member State and of its participation in the exchange-rate mechanism of the European Monetary System being reflected in the long-term interest rate levels.*

² States which are members of the European Union but not participants in the monetary union.

³ Article 4 of Protocol 21 of the Treaty: *observed over a period of one year before the examination, a Member State has had an average nominal long-term interest rate that does not exceed by more than 2 percentage points that of, at most, the three best performing Member States in terms of price stability. Interest rates shall be measured on the basis of long-term government bonds or comparable securities, taking into account differences in national definitions.*

⁴ Guidance Notes: Long-term interest rate statistics for convergence assessment purposes in EU member states, Update I (ECB, 2006)

TABLE 3 - Debt securities - secondary market activity

daily average amounts of transactions, nominal value, CZK billions	2003	2004	2005
Central government (S.1311) and other general government (S.1312+S.1313+S.1314)	5,08	3,80	2,48
<i>of which: Long-term debt securities</i>	3,83	2,52	1,89
Monetary Financial Institutions (S.121+S.122)	8,03	8,90	9,55
<i>of which: Long-term debt securities</i>	0,11	0,11	0,16
Non-monetary financial and non-financial corporations (S.123 + S.124 + S.125+ S.11)	0,22	0,13	0,05
<i>of which: Long-term debt securities</i>	0,22	0,13	0,05
Total	13,33	12,84	12,08
<i>of which: Long-term debt securities</i>	4,16	2,76	2,11

Source: Česká národní banka

Notes: Transaction on the second short-term security market include repo operations (apart from repo operations of CNB-bills with CNB and T-bills with Ministry of Finance).