

Notes on the change to the national monetary survey methodological sheet

In accordance with the harmonisation of the money and banking statistics with ECB standards a methodological change has been made to the monetary aggregates and their counterparts in the national monetary survey. For the purposes of the macroeconomic forecasting process the CNB defines two monetary aggregates – M1 and M2. These aggregates differ in degree of liquidity, with “narrow money” being part of M1 and money in the broader sense (M2) also including “quasi money”. In the CNB’s forecasting and analytical process, money primarily fulfils an indicative role, since it contains additional information on the decision-making of economic agents.

The methodological change to the monetary aggregates and their counterparts in the national monetary survey was made in April 2004. For analytical purposes the time series of the aforementioned indicators since 2002 have been recalculated. The national monetary survey is derived from the **balance sheets of monetary financial institutions**, which besides the CNB, commercial banks and branches of foreign banks operating in the Czech Republic now comprise money market funds and savings and loan associations.

M1 comprises currency in circulation and demand deposits. It newly also contains overnight deposits. Besides narrow money and financial assets that are easily converted into money, **M2** also includes other financial assets used for saving purposes by economic agents. Within M2, time deposits are now divided into deposits with agreed maturity and deposits redeemable at notice. For the time being no changes have been made as regards the maturities of these M2 financial products. In the M2 structure, a separate category of deposits associated with repurchase agreements (repos) has been created. Deposits with agreed maturity include deposit bills of exchange and other nonmarketable securities which by their nature satisfy the conditions of these deposits. In the new methodological definition of the M2 structure, the financial products in the national monetary survey are not broken down into domestic and foreign currency. The M2 sector structure distinguishes between households and corporations. A more detailed picture of the M2 structure can be obtained from the additional indicators given in the CNB’s Arad database.

In the national monetary survey, the **counterparts of the monetary aggregates** have also been revised to allow qualitatively better analytical use. Net external assets have been newly divided into net external assets of the CNB associated chiefly with movements of central bank forex reserves and net external assets of other monetary financial institutions associated with movements of their assets and liabilities vis-à-vis non-residents. Net credit to government is newly broken down into net credit extended to central government for the purposes of financing the state budget deficit and other net credit extended to other general government. Loans to corporations and households comprise loans in domestic and foreign currency. Owing to the harmonisation of the money and banking statistics and the European system of accounts (ESA 95) the household sector also contains non-profit institutions serving households. Under other net items the main items are capital and reserves of monetary financial institutions and securities purchased and issued from non-banks except general government. The methodological changes for the individual financial products are based on the harmonisation of the money and banking statistics with ECB standards.