

# Monetary Statistics

January  
2007

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1) The information in Tables 3-14 are based on monetary statistics of CNB harmonized with monetary statistics of European System of Central Banks. The data are not seasonally adjusted and the last period data are always preliminary.

2) All the data quoted in this Publication are included in the ARAD database (Time series database - ARAD >> Money and banking statistics >> Monetary statistics >> Monetary Statistics Publication).

TABLE 1

## Key interest rates

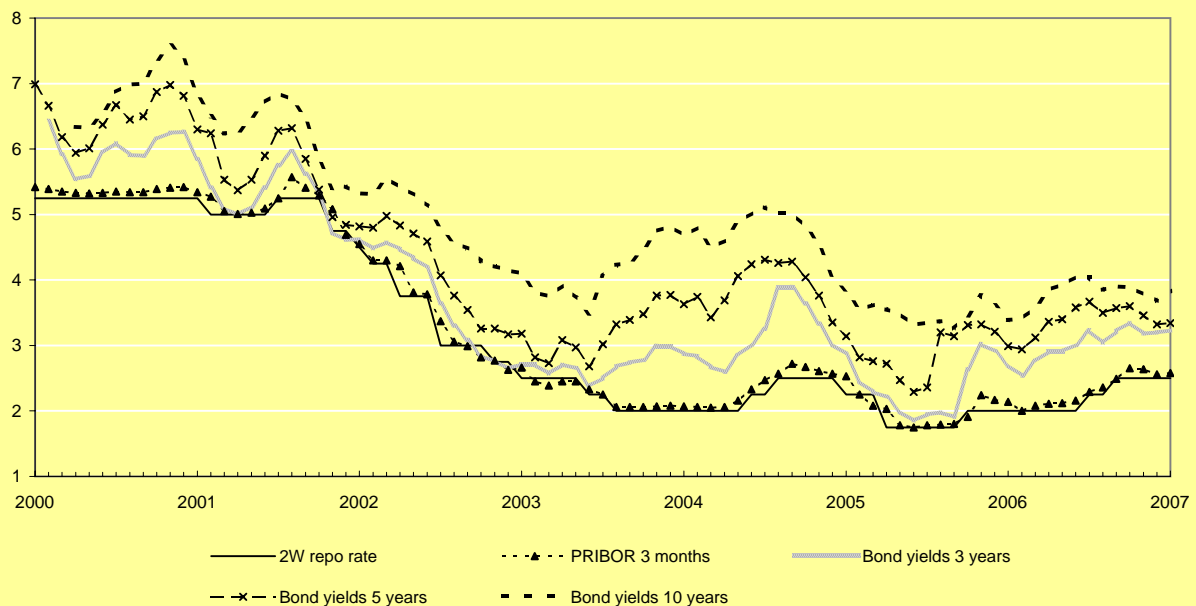
	CNB			ECB
	from 31 October 2005 onwards	from 28 July 2006 onwards	from 29 September 2006 onwards	from 13 December 2006 onwards
2W repo rate	2,00	2,25	2,50	3,50
Deposit facility	1,00	1,25	1,50	2,50
Marginal lending facility	3,00	3,25	3,50	4,50

TABLE 2

## Financial markets interest rates

monthly average	2006						2007	
	leden		listopad		prosinec		leden	
	CR	Euro area	CR	Euro area	CR	Euro area	CR	Euro area
<b>Money market</b>								
CZEONIA/ EONIA								
overnight	1,96	2,33	2,40	3,33	2,46	3,51	2,46	3,56
PRIBOR/ EURIBOR								
1 month	2,05	2,39	2,52	3,42	2,52	3,64	2,53	3,62
3 months	2,14	2,51	2,64	3,60	2,56	3,68	2,58	3,75
6 months	2,23	2,65	2,78	3,73	2,67	3,79	2,67	3,89
1 year	2,40	2,83	3,02	3,86	2,89	3,92	2,86	4,06
<b>Capital market</b>								
Bond yields								
3 years	2,70	2,94	3,18	3,70	3,20	3,79	3,23	3,96
5 years	2,99	3,10	3,46	3,73	3,32	3,83	3,34	4,02
10 years (Maastricht)	3,39	3,39	3,78	3,80	3,68	3,90	3,84	4,10

## Interest rates



## **Commentary on key interest rates (Table 1) and financial market interest rates (Table 2): January 2007**

### **Key interest rates**

The CNB's 2W repo rate has been 2.5% since the end of September 2006. The ECB's key interest rate was raised to 3.5% in December 2006; the difference between the ECB's and CNB's key rates thus continues to be one percentage point.

### **Financial market interest rates**

Interest rates on the interbank deposit market saw only slight movements (up to about 0.03 percentage point), while interest rates in the euro area recorded an increase (up to the one-month EURIBOR, which declined by 0.02 percentage point). The difference between money market interest rates in the euro area and the Czech Republic thus continued to widen further in January 2007 and the largest difference in rates in the two regions under review was reached for the 6-month maturity (1.22 percentage points in favour of the euro area). The three-month PRIBOR increased slightly to 2.58%, while the three-month EURIBOR rose to 3.75%.

The capital market in the Czech Republic saw only a slight rise in bond yields for the 3-year and 5-year maturities (up to 0.03 percentage point). The bond yield for the 10-year maturity was more pronounced, 0.16 percentage point to 3.84%. In the euro area, bond yields recorded the same growth rate across all maturities (0.17 - 0.20 percentage point). The 10-year bond yield in the euro area was 4.10%.

TABLE 3

## Key monetary indicators

CZK billions, unless otherwise indicated	2006									2007		
	January			November			December			January		
	Outstanding amounts	Transactions <sup>4)</sup>	Annual growth rates [%]	Outstanding amounts	Transactions <sup>4)</sup>	Annual growth rates [%]	Outstanding amounts	Transactions <sup>4)</sup>	Annual growth rates [%]	Outstanding amounts	Transactions <sup>4)</sup>	Annual growth rates [%]
M1	1 189,0	28,9	15,5	1 335,1	15,9	15,4	1 325,6	-7,7	14,7	1 355,5	27,1	14,2
M3 <sup>1)</sup>	1 838,6	28,7	13,6	2 014,5	11,8	12,6	2 049,6	38,4	13,8	2 057,3	1,9	12,1
Loans to private sector <sup>2)</sup>	1 076,6	11,7	21,1	1 281,4	29,8	22,2	1 286,2	7,8	21,6	1 296,8	7,4	20,9
Net foreign assets <sup>3)</sup>	1 061,1	9,8	24,8	977,7	-15,0	-1,9	972,7	9,0	-1,8	1 009,7	10,9	-1,6

<sup>1)</sup> 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

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

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

<sup>4)</sup> 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

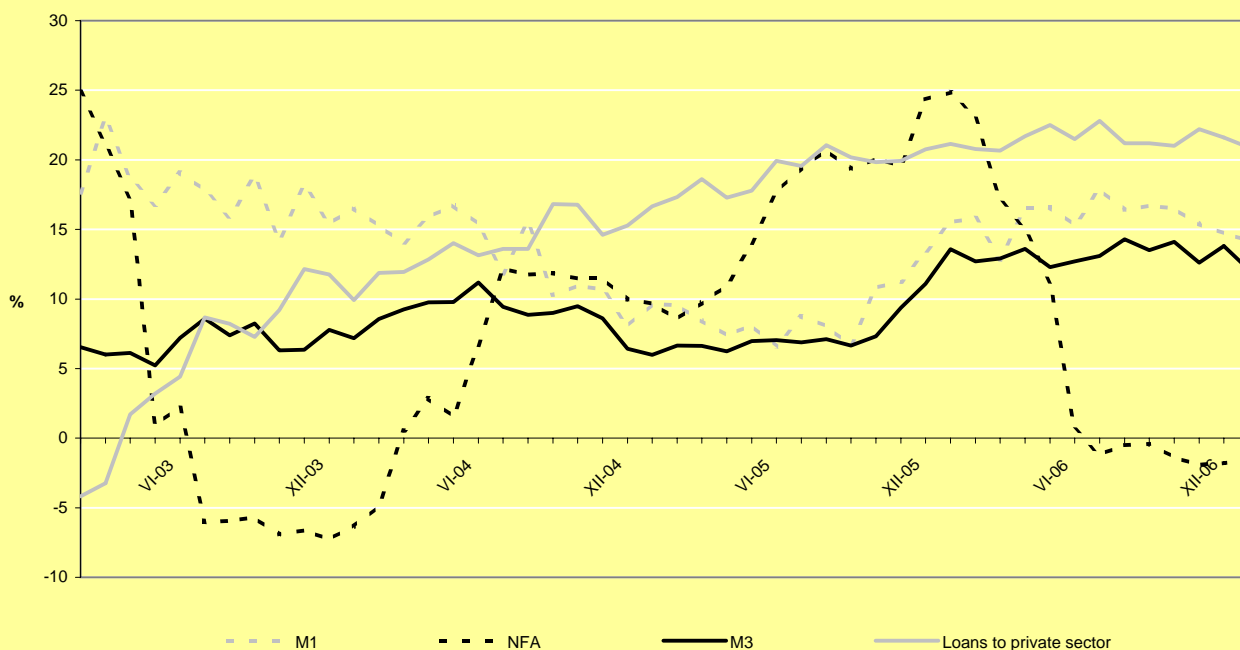


TABLE 4

## Monetary aggregates and counterparts

CZK billions, unless otherwise indicated

	2006									2007		
	January			November			December			January		
	Out-standing amounts	Transac-tions <sup>1)</sup>	Annual growth rates [%]	Out-standing amounts	Transac-tions <sup>1)</sup>	Annual growth rates [%]	Out-standing amounts	Transac-tions <sup>1)</sup>	Annual growth rates [%]	Out-standing amounts	Transac-tions <sup>1)</sup>	Annual growth rates [%]
<b>COMPONENTS OF M3</b>												
(1) <b>M3</b> (= items 1.3, 1.6 and 1.11)	1 838,6	28,7	13,6	2 014,5	11,8	12,6	2 049,6	38,4	13,8	2 057,3	1,9	12,1
(1.1) Currency in circulation	261,8	-2,0	10,1	292,0	4,9	11,2	295,3	3,2	11,9	292,2	-3,0	11,6
(1.2) Overnight deposits	927,2	30,8	17,1	1 043,1	11,0	16,7	1 030,3	-11,0	15,5	1 063,3	30,1	14,9
(1.3) <b>M1</b> (items 1.1 and 1.2)	1 189,0	28,9	15,5	1 335,1	15,9	15,4	1 325,6	-7,7	14,7	1 355,5	27,1	14,2
(1.4) Deposits with agreed maturity up to 2 years	425,9	-15,1	-0,8	435,3	-9,0	-1,6	465,4	31,5	6,7	458,9	-9,1	8,3
(1.5) Deposits redeemable at notice up to 3 months	151,1	11,0	41,8	176,2	5,6	43,2	193,6	17,5	38,3	179,5	-14,1	18,9
(1.6) Other short term deposits (items 1.4 and 1.5)	576,9	-4,1	7,6	611,5	-3,4	8,1	659,0	49,0	14,3	638,4	-23,2	11,1
(1.7) <b>M2</b> (items 1.3 and 1.6)	1 765,9	24,8	12,8	1 946,6	12,5	13,0	1 984,6	41,2	14,6	1 993,9	3,8	13,2
(1.8) Repurchase agreements	14,2	4,9	129,1	11,1	-0,8	14,3	8,4	-2,7	-10,0	8,3	-0,1	-41,6
(1.9) Money market fund shares/units	58,4	-0,9	24,8	55,6	0,0	-2,0	55,3	-0,2	-6,3	55,1	-0,5	-5,7
(1.10) Debt securities issued with maturity up to 2 years	0,1	0,0	-	1,3	0,2	-	1,4	0,1	-	0,0	-1,4	-
(1.11) Marketable instruments (items 1.8,1.9 and 1.10)	72,7	3,9	36,4	67,9	-0,7	2,0	65,0	-2,9	-4,9	63,4	-2,0	-12,8
<b>COUNTERPARTS OF M3</b>												
<b>MFI liabilities</b>												
(2) Holdings deposits against central government	223,8	-19,5	74,4	203,6	3,7	-16,2	213,5	10,4	-11,9	218,9	4,8	-2,1
(3) Longer-term financial deposits against other residents (items 3.1 to 3.4)	594,7	-6,4	11,1	556,2	4,6	1,1	549,6	6,8	1,8	602,7	30,3	8,6
(3.1) Deposits with agreed maturity over 2 years	246,5	-1,0	1,5	227,8	-2,6	-7,7	228,3	0,6	-7,7	228,1	-0,3	-7,4
(3.2) Deposits redeemable at notice over 3 months	75,3	-9,8	-20,0	73,6	-0,5	-13,5	73,7	0,1	-13,4	88,5	14,8	17,6
(3.3) Debt securities issued with maturity over 2 years	60,4	1,0	85,3	68,0	0,3	21,1	65,1	-2,8	7,8	79,2	13,6	28,3
(3.4) Capital and reserves	212,5	3,5	25,4	186,9	7,5	13,1	182,5	9,0	19,6	206,9	2,1	19,2
<b>MFI assets</b>												
(4) Credit to residents (items 4.1 and 4.2)	1 543,5	3,3	10,4	1 753,4	44,9	14,6	1 778,0	27,8	16,3	1 799,1	18,1	17,2
(4.1) Credit to general government	431,5	-8,5	-10,0	438,3	14,8	-1,0	456,7	18,6	4,7	467,2	10,8	9,3
of which: Loans	89,0	-0,7	-32,1	66,8	-2,2	-32,7	67,6	0,9	-24,4	66,4	-1,4	-25,4
Securities other than shares	342,5	-7,8	-1,6	371,4	17,0	8,2	389,0	17,7	12,2	400,9	12,2	18,4
(4.2) Credit to private sector	1 112,0	11,8	21,0	1 315,1	30,1	21,0	1 321,3	9,2	20,9	1 331,9	7,4	20,3
of which: Loans	1 076,6	11,7	21,1	1 281,4	29,8	22,2	1 286,2	7,8	21,6	1 296,8	7,4	20,9
Securities other than shares	14,6	0,1	-35,1	12,1	-0,6	-31,4	13,6	1,5	-5,0	13,5	-0,2	-6,9
Shares and other equities	20,8	0,0	117,2	21,5	0,9	4,6	21,5	-0,1	3,4	21,6	0,1	4,1
(5) Net foreign assets	1 061,1	9,8	24,8	977,7	-15,0	-1,9	972,7	9,0	-1,8	1 009,7	10,9	-1,6
(6) Other counterparts of M3 (residual) (=M3+items 2,3 - items 4,5)	52,5	-10,3	40,1	43,2	-9,8	-23,7	62,1	18,9	-1,0	70,1	8,0	33,5

<sup>1)</sup> 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 M3<sup>1)</sup>

CZK billions	2006						2007	
	January		November		December		January	
	Out-standing amounts	Transa-ctions <sup>2)</sup>	Out-standing amounts	Transa-ctions <sup>2)</sup>	Out-standing amounts	Transa-ctions <sup>2)</sup>	Out-standing amounts	Transa-ctions <sup>2)</sup>
<b>(1) Overnight deposits</b>	927,2	30,8	1 043,1	11,0	1 030,3	-11,0	1 063,3	30,1
(1.1) Other general government	89,1	13,7	93,2	-7,5	85,8	-7,3	99,5	13,7
(1.2) Other financial intermediaries <sup>3)</sup>	19,7	4,1	20,1	0,3	18,9	-1,2	22,6	3,6
(1.3) Insurance corporations and pension funds	14,9	6,5	17,4	0,6	7,8	-9,6	19,2	11,4
(1.4) Non-financial corporations	332,9	-8,3	379,2	12,5	388,5	10,6	379,5	-11,2
(1.5) Households <sup>4)</sup>	470,6	14,8	533,1	5,1	529,3	-3,5	542,5	12,6
<b>(2) M2 - M1 (other short-term deposits)</b>	576,9	-4,1	611,5	-3,4	659,0	49,0	638,4	-23,2
(2.1) Other general government	22,7	2,6	23,0	-5,6	20,0	-2,9	25,2	5,1
(2.2) Other financial intermediaries <sup>3)</sup>	15,0	-0,6	15,0	-0,5	16,0	1,0	14,7	-1,3
(2.3) Insurance corporations and pension funds	23,6	-5,4	20,7	-2,4	28,2	7,6	19,0	-9,3
(2.4) Non-financial corporations	166,9	-11,3	176,5	-0,7	198,3	22,5	191,3	-8,2
(2.5) Households <sup>4)</sup>	348,7	10,6	376,4	5,8	396,5	20,8	388,2	-9,5
<b>(3) Repurchase agreements (a part of M3 - M2)</b>	14,2	4,9	11,1	-0,8	8,4	-2,7	8,3	-0,1
(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 <sup>3)</sup>	1,6	1,1	0,7	-0,7	1,0	0,2	2,3	1,3
(3.3) Insurance corporations and pension funds	12,1	3,7	7,3	-0,4	4,6	-2,7	3,8	-0,7
(3.4) Non-financial corporations	0,5	0,2	3,0	0,3	2,8	-0,2	0,2	-2,7
(3.5) Households <sup>4)</sup>	0,0	0,0	0,0	0,0	0,0	0,0	2,0	2,0

TABLE 6

## Loans to private sector

CZK billions	2006						2007	
	January		November		December		January	
	Out-standing amounts	Transa-ctions <sup>2)</sup>	Out-standing amounts	Transa-ctions <sup>2)</sup>	Out-standing amounts	Transa-ctions <sup>2)</sup>	Out-standing amounts	Transa-ctions <sup>2)</sup>
<b>(1) Loans to non-financial corporations</b>	535,0	10,4	639,9	23,5	636,9	-0,8	639,3	-0,5
(1.1) up to 1 year	215,0	6,4	244,6	4,8	236,8	-7,3	236,9	-0,6
(1.2) over 1 year and up to 5 years	130,5	-1,2	156,8	5,9	153,6	-2,6	155,8	1,5
(1.3) over 5 years	189,5	5,2	238,5	12,8	246,5	9,1	246,6	-1,5
<b>(2) Loans to households<sup>4)</sup></b>	422,6	5,0	524,8	12,1	540,6	16,4	548,3	7,7
(2.1) Consumer credit	89,4	0,0	106,7	2,7	110,1	3,8	110,2	0,2
(2.2) Lending for house purchase	287,0	4,9	363,7	8,3	374,3	10,6	379,5	5,2
(2.3) Other lending	46,2	0,1	54,3	1,1	56,2	2,0	58,5	2,2
<b>(3) Loans to other financial intermediaries<sup>3)</sup></b>	115,7	-5,1	115,8	-3,9	107,5	-8,1	108,0	0,2
<b>(4) Loans to insurance corporations and pension funds</b>	3,3	1,4	1,0	-1,9	1,2	0,2	1,3	0,1

<sup>1)</sup> 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.

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

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

<sup>4)</sup> Including households (S.14) and non-profit institutions serving households (S.15).

TABLE 7

Contributions to annual growth<sup>1)</sup> of M3

	2006			2007
	January	November	December	January
	% points	% points	% points	% points
M1	9,9	10,0	9,4	9,2
of which: Currency	1,5	1,6	1,7	1,7
Overnight deposits	8,4	8,3	7,7	7,5
M2 - M1 (= other short- term deposits)	2,5	2,6	4,6	3,5
M3 - M2 (= short-term marketable instruments)	1,2	0,1	-0,2	-0,5
M3	13,6	12,6	13,8	12,1

TABLE 8

Contributions to annual growth<sup>1)</sup> of loans to private sector

	2006			2007
	January	November	December	January
	% points	% points	% points	% points
Non-financial corporations	8,5	10,9	11,1	9,9
Households <sup>2)</sup>	11,9	11,8	11,8	11,9
Other financial intermediaries <sup>3)</sup>	0,6	-0,3	-1,2	-0,7
Insurance corporations and pension funds	0,1	-0,2	-0,1	-0,2
Loans to private sector <sup>4)</sup>	21,1	22,2	21,6	20,9

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

<sup>2)</sup> Including households (S.14) and non-profit institutions serving households (S.15).

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

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

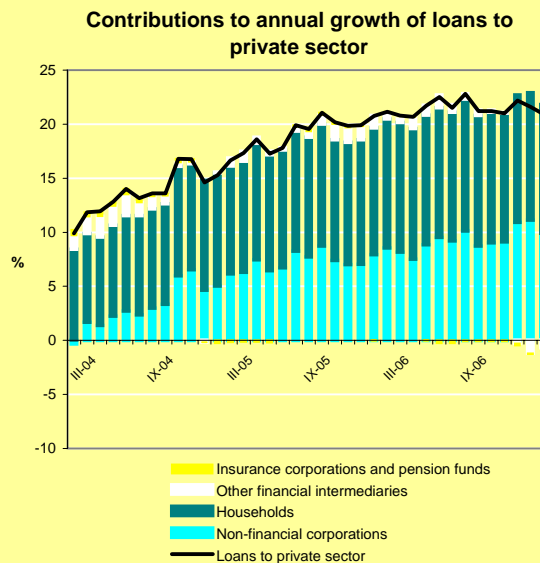
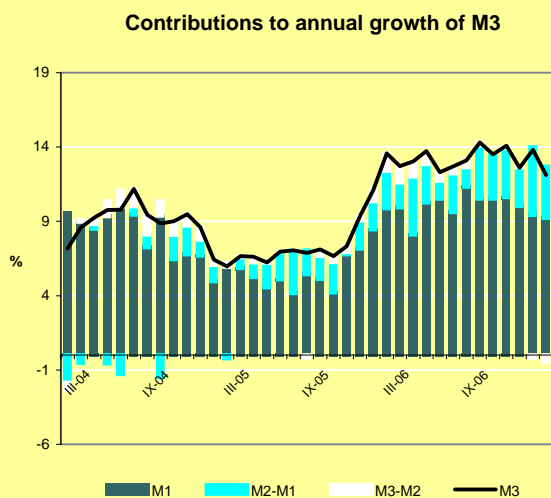
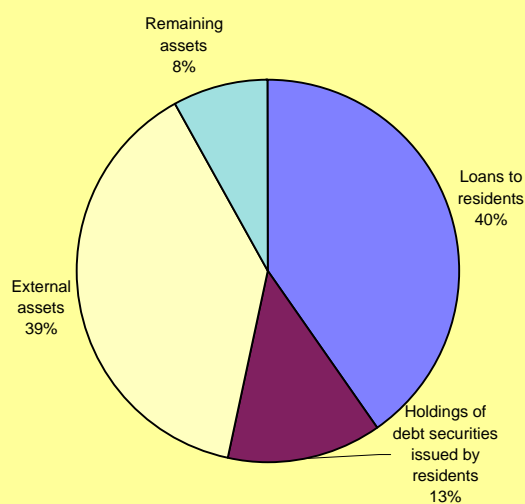


TABLE 9

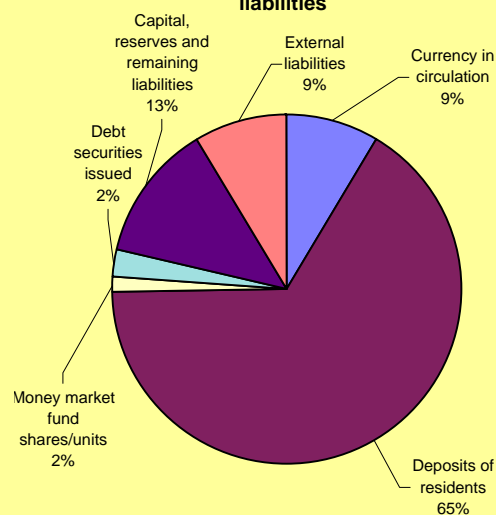
## Balance sheets of MFIs by reporting institutions: January 2007

CZK billions	MFI			Consolidated balance sheet of MFIs
	CNB	Credit institutions	Money market funds	
(1) ASSETS TOTAL	764,7	3 278,7	77,9	3 379,0
(1.1) Loans to residents	9,0	1 947,7	14,2	1 363,2
MFI	0,3	593,2	14,2	-
General government	0,0	66,4	0,0	66,4
Other residents	8,7	1 288,2	0,0	1 296,8
(1.2) Holdings of securities other than shares issued by residents	0,0	480,6	23,6	414,3
MFI	0,0	88,4	1,5	-
General government	0,0	382,6	18,3	400,9
Other residents	0,0	9,6	3,9	13,5
(1.3) Money market fund shares/units	0,0	5,9	0,0	-
(1.4) Holdings of shares/other equity issued by residents	0,0	38,8	0,2	21,6
MFI	0,0	17,4	0,0	-
Other residents	0,0	21,4	0,2	21,6
(1.5) External assets	738,1	526,1	39,5	1 303,7
(1.6) Fixed assets	11,7	103,4	0,0	115,1
(1.7) Remaining assets	5,9	176,2	0,3	161,1
(2) LIABILITIES TOTAL	764,7	3 278,7	77,9	3 379,0
(2.1) Currency in circulation	313,6	-	-	292,2
(2.2) Deposits of residents	499,7	2 331,7	0,0	2 245,4
MFI	461,0	124,9	0,0	-
Central government	36,0	182,9	0,0	218,9
Other general government/other residents	2,6	2 023,9	0,0	2 026,5
(2.3) Money market fund shares/units	-	-	61,0	55,1
(2.4) Debt securities issued	0,0	169,0	0,0	79,2
(2.5) Capital and reserves	-116,4	325,8	14,9	206,9
(2.6) External liabilities	53,4	240,4	0,1	294,0
(2.7) Remaining liabilities	14,4	211,6	1,8	227,9
(2.8) Excess of inter MFI liabilities	-	-	-	-21,8

Consolidated balance sheet of MFIs - assets



Consolidated balance sheet of MFIs - liabilities



## Commentary on the monetary statistics<sup>1)</sup> (Tables 3–9): January 2007

The annual rate of growth of M3 fell from 13.8 % in December to 12.1 % in January. The month-on-month growth rate decreased from 1.9 % to 0.1 %. As a result of financial transactions, the monetary aggregate M3 grew by CZK 223.0 billion year on year (by CZK 1.9 billion month on month) to CZK 2,057.3 billion.

### Main components of M3

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

The annual rate of growth of M1 declined from 14.7 % in December 2006 to 14.2 % in January 2007. The annual rate of growth of overnight deposits declined from 15.5% in December to 14.9 % in January. In month-on-month terms, overnight deposits grew by 2.9 %. Within overnight deposits, deposits of insurance corporations and pension funds recorded the largest month-on-month increase, of 146.1 % (CZK 11.4 billion). Deposits of other financial intermediaries rose by 19.2 % (CZK 3.6 billion), deposits of other government grew by 15.9 % (CZK 13.7 billion) and deposits of households were up by 2.4 % (CZK 12.6 billion). Only overnight deposits by non-financial corporations recorded a month-on-month decline of 2.9 % (CZK 11.2 billion).

The annual rate of growth of currency in circulation decreased by 0.3 percentage point, from 11.9 % in December to 11.6 % in January. In month-on-month terms, currency in circulation was down by 1.0 % (a decline of CZK 3.0 billion due to financial transactions).

Other short-term deposits (excluding overnight deposits) fell by CZK 23.2 billion (i.e. 3.5 %) month on month, owing to financial transactions. The annual rate of growth of these deposits decreased by 3.2 percentage points, from 14.3 % in December to 11.1 % in January. Deposits redeemable at notice of up to 3 months (the smaller component) have long been recording strong annual growth. Their annual growth rate in January 2007 was 18.9 %. 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 1.6 percentage points compared to the previous month, reaching 8.3 %.

Within other short-term deposits, a month-on-month increase was recorded solely for deposits by other government, by 25.5 % (CZK 5.1 billion). Other sectors saw a decline in such deposits. The most visible decline was recorded for insurance corporations and pension funds (down by 32.9 %, or CZK 9.3 billion), followed by other financial intermediaries (down by 8.3 %, or CZK 1.3 billion), non-financial corporations (down by 4.1%, or CZK 8.2 billion) and households (down by 2.4 %, or CZK 9.5 billion).

Marketable instruments, which consist of repos, money market fund shares/units and debt securities with maturities of up to two years, fell to CZK 63.4 billion in January 2007 from CZK 65.0 in December 2006. Their annual rate of growth dropped by 7.9 percentage points year on year to -12.8 % (compared to -4.9 % in December).

### Main counterparts of M3

The annual rate of growth of loans to general government has long been negative and was -25.4 % in January (-24.4 % in December). The annual rate of growth of purchased government bonds increased to 18.4 % in January from 12.2 % in December.

The annual rate of growth of credit to the private sector fell to 20.9 % in January 2007 from 21.6 % in December 2006. 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 January 2007, the growth rate was 30.3 %. Non-financial corporations are another sector accounting for a large proportion of the annual rate of growth of loans to the private sector. However, their annual rate of growth declined to 20 % from 22.5 % in December.

The annual rate of growth of net external assets increased slightly to -1.6 % in January from -1.8 % in December. The annual rate of growth of long-term financial liabilities increased from 1.8 % to 8.6 %. The annual rate of growth of deposits from central government grew from -11.9 % to -2.1 %.

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 business<sup>1)</sup>

monthly average rates and sum	2006						2007	
	January		November		December		January	
	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)
<b>(1) Deposits from households<sup>2)</sup></b>	0,87	711,0	0,95	799,7	0,99	816,0	0,99	835,6
(1.1) Overnight	0,40	446,4	0,40	510,2	0,41	506,5	0,41	520,0
(1.2) With agreed maturity	1,37	46,8	1,81	49,6	1,83	52,5	1,85	56,9
of which: Up to 2 years	1,37	46,5	1,82	49,0	1,84	51,4	1,86	56,5
(1.3) Redeemable at notice <sup>3)</sup>	1,70	220,6	1,92	242,6	1,97	259,7	1,97	261,4
(1.3.1) Up to 3 months' notice	2,16	145,8	2,31	170,9	2,33	187,9	2,48	174,8
(1.3.2) Over 3 months' notice	0,81	74,8	1,01	71,8	1,01	71,8	0,95	86,6
<b>(2) Deposits from non-financial corporation<sup>4)</sup></b>	1,13	461,0	1,35	490,9	1,32	520,1	1,40	521,0
(2.1) Overnight	0,63	253,5	0,79	294,0	0,72	307,0	0,81	299,2
(2.2) With agreed maturity	1,74	204,6	2,18	193,7	2,20	210,3	2,21	218,9
of which: Up to 2 years	1,74	204,6	2,18	193,7	2,20	210,2	2,21	218,8
<b>(3) Loans to households<sup>2)</sup></b>	11,36	35,1	11,12	47,2	10,77	52,1	11,65	42,9
(3.1) Bank overdraft <sup>5)</sup>	15,20	20,0	16,05	21,9	16,04	23,4	16,12	23,0
(3.2) Consumer credit	12,92	2,7	12,81	6,0	12,86	5,1	13,05	3,8
(3.3) Lending for house purchase	4,51	8,6	4,57	13,4	4,58	14,7	4,58	11,4
of which: Mortgage lending	4,28	4,6	4,48	9,3	4,49	10,7	4,48	7,7
Saving for building purposes	4,91	2,8	4,79	3,2	4,76	3,2	4,74	2,9
(3.4) Other lending	5,75	3,9	5,93	5,9	5,97	8,9	5,86	4,7
<b>(4) Loans to non-financial corporation</b>	3,93	127,2	4,34	145,7	4,20	153,9	4,44	138,8
(4.1) Bank overdraft <sup>5)</sup>	4,47	62,7	4,75	79,0	4,58	74,6	4,99	75,5
(4.2) Other loans up to CZK 30 million	4,77	14,4	4,59	16,4	4,63	17,7	4,62	13,5
of which: Up to 1 year initial rate fixation <sup>6)</sup>	4,75	10,5	4,56	14,9	4,56	15,5	4,58	12,4
(4.3) Other loans over to CZK 30 million	3,00	50,1	3,61	50,3	3,62	61,6	3,57	49,8
of which: Up to 1 year initial rate fixation <sup>6)</sup>	2,92	46,7	3,62	48,1	3,59	59,8	3,56	48,9
<b>(5) APRC<sup>7)</sup> on loans to households</b>	7,05	11,3	7,45	19,3	7,02	19,8	7,02	15,2
(5.1) Consumer credit	14,50	2,7	13,43	6,0	13,52	5,1	13,65	3,8
(5.2) Lending for house purchase	4,72	8,6	4,77	13,4	4,78	14,7	4,80	11,4

<sup>1)</sup> The interest rates that are applied by MFIs 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.

<sup>2)</sup> Including households (S.14) and non-profit institutions serving households (S.15) according to the classification of the economic sectors ESA95.

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

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

<sup>5)</sup> Overdrafts include provided bank overdrafts, debit balance on bank accounts and credit card credits.

<sup>6)</sup> 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.

<sup>7)</sup> Annual percentage rate of charge (APRC) covers total costs of the credit to the client including charges etc.

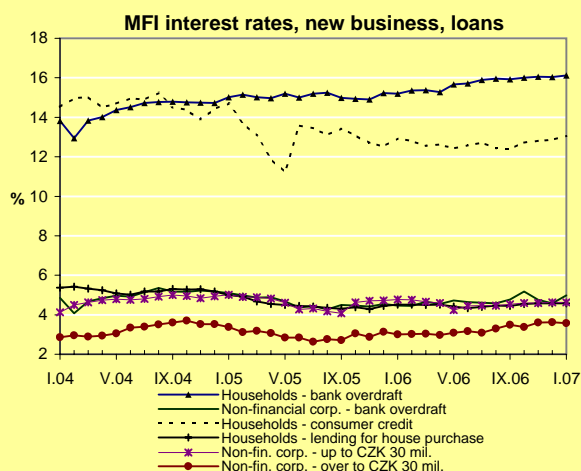
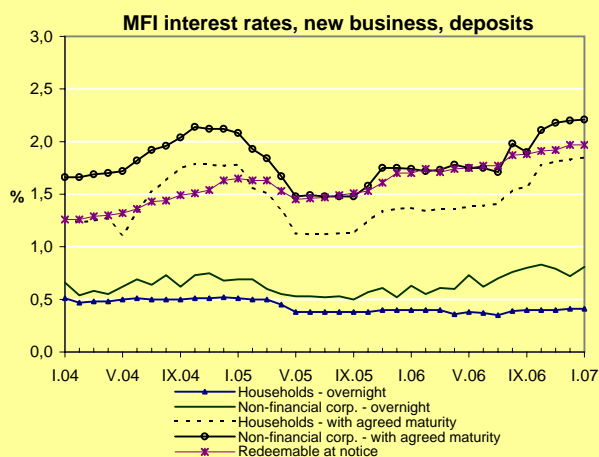


TABLE 11

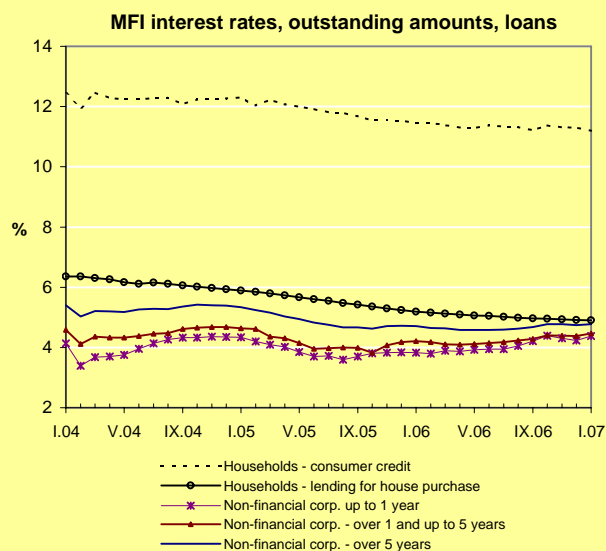
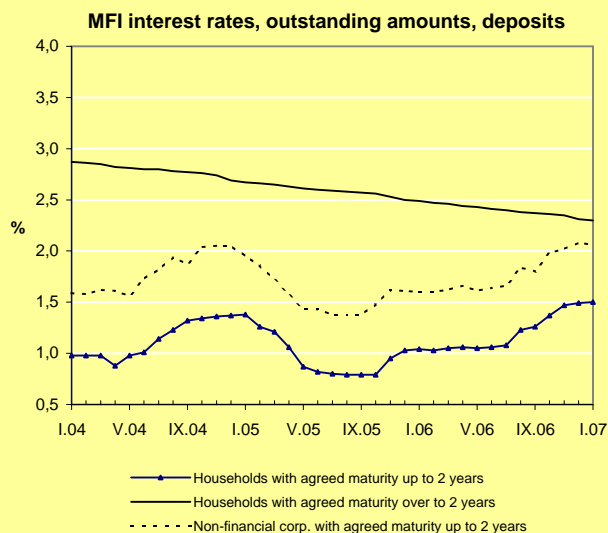
MFI interest rates on outstanding amounts<sup>1)</sup>

outstanding amounts as end-of-month	2006						2007	
	January		November		December		January	
	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)
<b>(1) Deposits from households<sup>2)3)</sup></b>	1,23	1061,3	1,26	1140,8	1,28	1158,1	1,27	1175,2
(1.1) With agreed maturity	1,92	395,0	1,98	387,6	1,96	391,4	1,95	393,4
(1.1.1) Up to 2 years	1,04	156,0	1,47	164,7	1,49	167,6	1,50	171,6
(1.1.2) Over 2 years	2,49	239,0	2,35	223,0	2,31	223,8	2,30	221,9
<b>(2) Deposits from non-financial corp.<sup>3)</sup></b>	0,98	393,5	1,19	433,3	1,18	459,7	1,23	447,0
(2.2) With agreed maturity	1,63	139,7	2,02	137,0	2,09	150,5	2,08	148,9
(2.2.1) Up to 2 years	1,60	135,4	2,02	135,3	2,08	148,8	2,06	145,8
(2.2.2) Over 2 years	2,46	4,3	2,39	1,7	2,28	1,8	2,94	3,1
<b>(3) Loans to households</b>	7,12	421,4	6,79	523,5	6,80	539,4	6,75	546,9
(3.1) Lending for house purchase	5,19	286,7	4,93	363,4	4,91	374,0	4,90	379,2
of which: Mortgage lending	4,97	174,8	4,72	235,2	4,70	242,2	4,69	246,2
Saving for building purposes	5,77	95,8	5,47	111,4	5,45	114,5	5,43	115,8
(3.2) Consumer credit and other lending	11,46	134,7	11,31	160,1	11,30	165,4	11,19	167,7
<b>(4) Loans to non-financial corporation</b>	4,20	439,7	4,49	522,1	4,45	518,1	4,54	516,8
(4.1) Up to 1 year	3,83	192,5	4,31	217,1	4,23	210,8	4,38	208,4
(4.2) Over 1 and up to 5 years	4,21	106,1	4,39	127,4	4,38	123,9	4,47	125,0
(4.3) Over 5 years	4,71	141,2	4,77	177,6	4,74	183,4	4,77	183,4

<sup>1)</sup> The interest rates that are applied by MFIs 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.

<sup>2)</sup> Including households (S.14) and non-profit institutions serving households (S.15) according to the classification of the economic sectors ESA95.

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



## Commentary on MFI interest rates (Tables 10 and 11): January 2007

### Interest rates on new business

The overall average interest rate on **new deposits** of households remained at its end-2006 level, whereas that on deposits of non-financial corporations was slightly higher in January 2007.

The average interest rate on new deposits of **households** remained unchanged at 0.99%. Interest rates on overnight deposits (0.41%) and on deposits redeemable at notice (1.97%) recorded no change compared to the previous month, while the interest rate on deposit redeemable at notice of up to 3 months saw an increase to 2.48% (up by 0.15 percentage point). This was, however, offset by a decline in the interest rate on deposits redeemable at notice of over 3 months (to 0.95%). Although the average interest rate on deposits with agreed maturity rose again slightly this month (by 0.02 percentage point to 1.85%), it had no effect on the total average rate on all deposits of households.

The modest increase in the total average interest rate on deposits of **non-financial corporations** to 1.40% was mainly due to the rise in the rate on overnight deposits of 0.09 percentage point to 0.81%. Deposits with agreed maturity of up to two years (which as a rule account for 100% of all deposits with agreed maturity in the case of this sector) were remunerated at a rate that was roughly the same as in December 2006 (2.21%).

The price of **new loans** provided by banks to households and non-financial corporations increased at the start of 2007 and overall average interest rates on loans for the two sectors recorded a rise.

The overall average interest rate on new loans to **households** agreed in January 2007 saw a strong increase of 0.88 percentage point to 11.65%. This change was due to a marked increase in average interest rates on bank overdrafts (to 16.12%) and consumer credit (to 13.05%) – that is, loans with relatively high interest rates, which account in total for more than 60% of total loans to households. The rate on housing loans was the same as in the previous month (4.58%) and the interest rate on other loans even decreased by 0.11 percentage point, to 5.86%.

The increase in the interest rate on new loans to **non-financial corporations** (to 4.44%) was due exclusively to the marked increase in rates on bank overdrafts of 0.41 percentage point, to 4.99%. The rate on other loans of up to CZK 30 million was roughly the same as in the previous month (4.62%), while other loans of over CZK 30 million saw a slight decline in the average interest rate, to 3.57%.

The APRC on consumer credit rose to 13.65% and that on housing loans increased as well (albeit minimally), to 4.80%. Nonetheless, the overall APRC on loans to households remained unchanged, at 7.02% for the second consecutive month. This is due to a change in the loan structure, with a slight increase in the share of housing loans (with low rates) in the total volume of loans.

### Interest rates on outstanding amounts

Compared with several previous periods, the overall average interest rate on **outstanding amounts of deposits** of households recorded a slight decrease, while that on outstanding amounts of deposits of non-financial corporations was slightly higher than at the end of the last year.

Deposits of **households** were remunerated at an overall average rate of 1.27%. The interest rate on deposits with agreed maturity declined by 0.01 percentage point to 1.95% and the rates on outstanding amounts of overnight deposits and deposits redeemable at notice were the same as in December 2006 (0.41% and 1.97% respectively).

The interest rate on outstanding amounts of **non-financial corporations** rose slightly to 1.23%, owing to an increase in the rate on overnight deposits of 0.09 percentage point, to 0.81%. The interest rate on deposits with agreed maturity remained broadly unchanged compared to the previous month (2.08%). Although the rate on deposits with agreed maturity of over 2 years recorded a marked increase of 0.66 percentage point to 2.94%, their share in deposits with agreed maturity is almost negligible (2%).

The overall average interest rate on **outstanding amounts of loans** to households charged by banks in this month was slightly lower, while that on loans to non-financial corporations was slightly higher.

Outstanding amounts of loans to **households** bore an average rate of 6.75%. This decline in the overall rate was due to a decline in the rate on consumer credit and other loans of 0.11 percentage point, to 11.19%. Housing loans were remunerated at 4.90%, which is roughly the same as in the periods at the end of the last year.

The interest rate on outstanding amounts of loans to **non-financial corporations** saw a slight increase in January 2007, to 4.54%. The rise in the overall rate was due to loans with all maturities, but most visibly to loans with maturities of up to one year (up by 0.15 percentage point to 4.38%).

TABLE 12

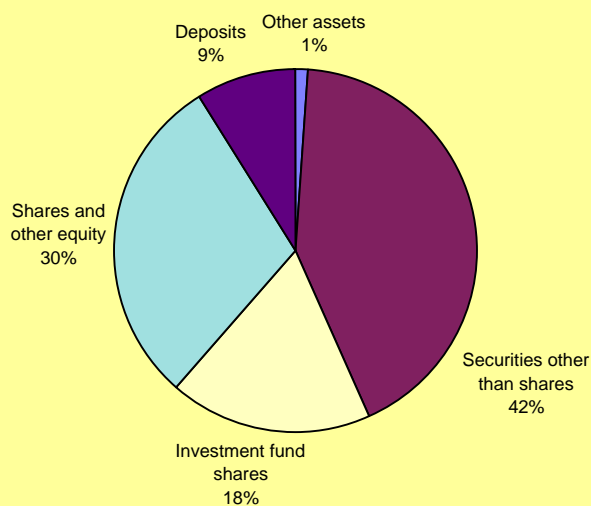
Quarterly aggregated balance sheet of investment funds <sup>1)</sup>

CZK billions; end of period	2005	2006			
	December	March	June	September	December
<b>ASSETS</b>					
Total	65,4	73,4	73,9	76,5	80,1
(1.1) Deposits	6,0	7,4	6,8	5,4	7,1
(1.2) Securities other than shares	34,6	35,5	33,9	35,0	33,7
MFI	0,5	0,6	0,6	0,6	0,7
General government	20,1	19,7	18,8	20,5	20,7
Other residents	2,1	2,2	2,0	1,9	1,8
Non-residents	11,8	12,9	12,4	12,0	10,6
Up to 1 year	0,6	0,5	0,4	0,3	0,5
Over 1 year	33,9	34,9	33,5	34,6	33,3
(1.3) Shares and other equity	17,4	19,3	20,7	22,2	23,7
MFI	0,6	0,6	0,6	0,6	0,5
Other residents	3,0	3,6	3,8	3,7	3,4
Non-residents	13,9	15,2	16,3	18,0	19,8
(1.4) Investment fund shares	6,9	10,2	11,7	12,8	14,5
Residents	0,5	1,6	2,1	2,2	2,7
Non-residents	6,4	8,7	9,6	10,6	11,9
(1.5) Other assets	0,6	1,0	0,8	1,1	1,0
<b>LIABILITIES</b>					
Total	65,4	73,4	73,9	76,5	80,1
(2.1) Loans accepted	60,6	0,0	4,2	0,0	0,0
(2.2) Investment fund shares	52,5	58,5	77,6	64,9	64,4
Residents	52,2	58,2	77,3	64,5	64,0
Non-residents	0,2	0,3	0,3	0,4	0,4
(2.3) Capital and reserves	11,5	12,8	-5,5	9,4	14,0
(2.4) Other liabilities	1,4	2,1	1,8	2,1	1,8
<b>BALANCE SHEET TOTAL - BREAKDOWN BY INVESTMENT POLICY</b>					
TOTAL	65,4	73,4	73,9	76,5	80,1
Equity funds	7,9	9,6	10,0	10,8	11,8
Bond Funds	26,9	27,4	25,5	25,5	24,9
Mixed Funds	24,1	26,5	26,5	27,6	29,5
Funds of funds	6,5	9,9	11,9	12,7	14,0

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

- data are published by the last working day of the second month following the reference period

Balance sheet total - breakdown by asset items



Balance sheet total - breakdown by investment policy

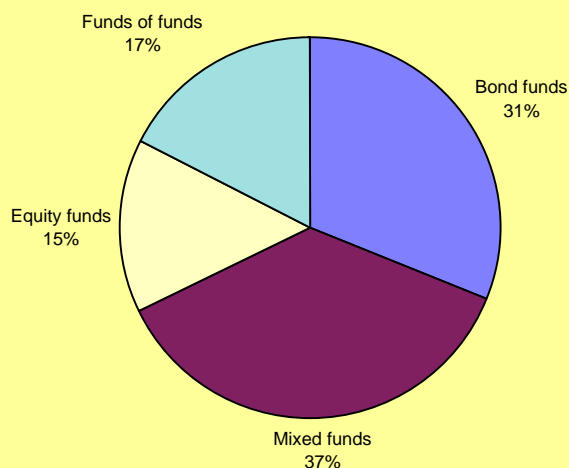


TABLE 13

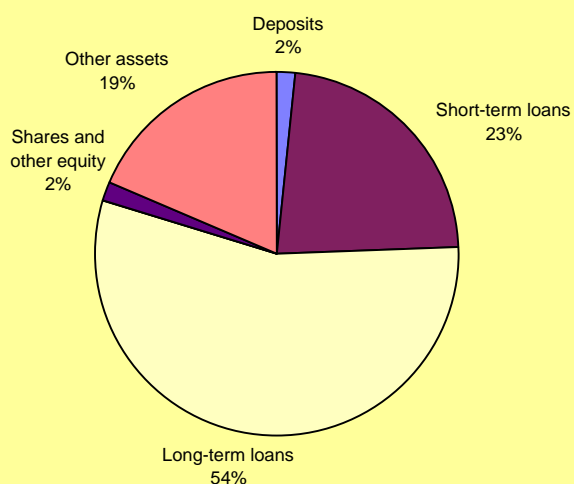
Quarterly aggregated balance sheet of FCLs <sup>1)</sup>

CZK billions; end of period	2005		2006		
	September	December	March	June	September
<b>Assets</b>					
Total		283,7	283,8	293,1	296,6
(1.1) Deposits		6,1	4,8	4,8	4,9
(1.2) Loans provided		221,2	222,5	228,0	231,1
Residents		221,1	221,1	226,3	228,7
Up to 1 year		65,5	67,1	66,1	65,8
Over 1 year		155,6	154,0	160,3	162,9
Non-residents		0,2	1,4	1,7	2,4
(1.3) Securities other than shares		0,3	0,2	0,3	1,6
Up to 1 year		0,2	0,1	0,2	0,1
Over 1 year		0,1	0,1	0,1	1,5
(1.4) Shares and equity		3,7	4,1	4,4	4,2
Mutual fund shares/units (including MMFs)		0,0	0,0	0,0	0,0
Other shares and equity		3,7	4,1	4,4	4,2
(1.5) Other assets		52,3	52,2	55,6	54,7
<b>LIABILITIES</b>					
Total		283,7	283,8	293,1	296,6
(2.1) Loans taken		170,9	170,4	179,8	183,8
Residents		113,7	107,2	114,1	121,7
Non-residents		57,1	63,1	65,7	62,1
(2.2) Securities other than shares issued		18,6	20,7	21,3	20,3
Up to 1 year		7,7	10,1	11,5	10,5
Over 1 year		10,9	10,7	9,8	9,8
(2.3) Own funds		53,7	55,2	55,5	58,9
(2.5) Other liabilities		40,5	37,5	36,6	33,7
<b>BALANCE SHEET TOTAL BREAKDOWN BY TYPE OF INTERMEDIARIES</b>					
TOTAL		283,7	283,8	293,1	296,6
Financial leasing company		207,7	207,4	212,0	214,8
Other lending company		76,0	76,4	81,1	81,8

<sup>1)</sup> Financial corporations engaged in lending

- data are published by the 75<sup>th</sup> calendar day following the reference period
- data for factoring companies has not been published yet.

Balance sheet total - breakdown by asset items



Balance sheet total - breakdown by type of intermediaries

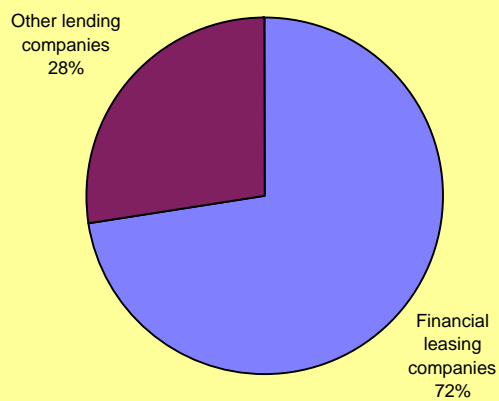


TABLE 14

Summary of loans provided by FCLs <sup>1)</sup> to residents

CZK billions; end of period	2005		2006		
	September	December	March	June	September
<b>LOANS</b>					
(1) Non-financial corporations		119,3	119,5	120,6	122,3
Up to 1 year		28,6	29,6	29,2	29,6
Over 1 year up to 5 years		76,4	75,7	76,5	77,5
Over 5 years		14,2	14,2	14,9	15,2
(2) Financial corporations		1,2	2,7	2,3	2,2
Up to 1 year		0,4	1,9	1,5	1,5
Over 1 year up to 5 years		0,6	0,5	0,5	0,5
Over 5 years		0,2	0,3	0,3	0,3
(3) Government		1,2	1,1	1,1	1,1
Up to 1 year		0,5	0,3	0,4	0,4
Over 1 year up to 5 years		0,5	0,4	0,4	0,4
Over 5 years		0,2	0,3	0,4	0,3
(4) Households		99,1	97,7	102,1	103,0
Up to 1 year		35,9	35,2	34,8	34,3
Over 1 year up to 5 years		59,0	58,0	61,7	62,8
Over 5 years		4,3	4,5	5,5	5,9
(5) NPISHs		0,2	0,2	0,2	0,2
Up to 1 year		0,1	0,1	0,1	0,1
Over 1 year up to 5 years		0,1	0,1	0,1	0,1
Over 5 years		0,0	0,0	0,0	0,0

**BREAKDOWN OF LOANS PROVIDED TO HOUSEHOLDS**

(1) Total		99,1	97,7	102,1	103,0
(1.1) Consumer credit		87,5	86,2	90,7	89,7
Up to 1 year		34,9	34,0	34,0	33,4
Over 1 year up to 5 years		48,7	48,0	51,6	50,7
Over 5 years		4,0	4,2	5,2	5,5
(1.2) Lending for house purchase		0,5	0,5	0,6	0,7
Up to 1 year		0,0	0,0	0,0	0,0
Over 1 year up to 5 years		0,4	0,4	0,4	0,5
Over 5 years		0,1	0,1	0,2	0,2
(1.3) Other loans		11,2	10,9	10,8	12,6
Up to 1 year		1,1	1,2	0,8	0,8
Over 1 year up to 5 years		9,9	9,6	9,7	11,6
Over 5 years		0,1	0,1	0,2	0,2

**BREAKDOWN OF SELECTED LOANS BY TYPE OF INTERMEDIARIES**

TOTAL		221,1	221,1	226,3	228,7
Financial leasing companies		168,9	167,6	170,1	171,0
Other lending companies		52,2	53,5	56,2	57,7
of which Non-financial corporations		119,3	119,5	120,6	122,3
Financial leasing companies		117,2	116,3	117,3	118,7
Other lending companies		2,2	3,2	3,4	3,5
of which Households		99,1	97,7	102,1	103,0
Financial leasing companies		49,7	49,6	51,1	50,6
Other lending companies		49,4	48,1	50,9	52,4

<sup>1)</sup> Financial corporations engaged in lending

- data are published by the 75<sup>th</sup> calendar day following the reference period;
- data for factoring companies has not been published yet.

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

As of the end of Q4, collective investment funds (CIFs) administered assets worth CZK 78.4 billion. This means that the value of assets administered by these funds rose by CZK 4.1 billion in Q4, which represents a quarter-on-quarter increase of 5.46%. Compared to the same period of 2005, the increase was 22.45%, or CZK 14.4 billion.

In Q4, the largest growth was recorded by mixed funds, whose assets grew from CZK 27.6 billion to CZK 29.5 billion, which represents a quarter-on-quarter increase of 6.93%. Growth was also recorded by funds of funds (from CZK 12.7 billion to CZK 14 billion) and equity funds (from CZK 10.8 billion to CZK 11.8 billion). By contrast, bond funds recorded a fall in assets of CZK 0.6 billion to CZK 24.9 billion, i.e. a decline of 2.32%.

The funds most frequently invested in debt securities, particularly those issued by the general government of the Czech Republic. The total volume of purchased debt securities was CZK 33.7 billion, accounting for 43.05% of CIF equity capital. Compared to the previous quarter, the share of debt securities in equity capital decreased by 4.03 percentage points and dropped by 10.98 percentage points in year-on-year comparison. The largest increase in the volume compared to the previous quarter was recorded by purchased fund units/shares. Investment in fund units/shares grew by CZK 1.8 billion to CZK 14.5 billion, which represents a quarter-on-quarter increase of 14.02%. The investment in fund units/shares also recorded the largest increase in year-on-year terms. The volume of funds invested in fund units/shares grew by CZK 7.7 billion, up by 111.51%.

At the end of Q4, 68 resident collective investment funds were active in the Czech Republic, of which 11 were equity funds, 18 funds of funds, 27 mixed funds, 11 bond funds and 1 fund of qualified investors.

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

As of 30 September 2006, financial corporations engaged in lending had total assets of CZK 296.6 billion. Total assets rose by CZK 3.5 billion compared to the previous quarter. This represents a quarterly increase of 1.2 %. Financial leasing companies, whose total assets amounted to CZK 214.8 billion, accounted for the largest share of total assets. Other lending companies contributed CZK 81.8 billion to the overall total assets.

The largest asset item was loans, which amounted to CZK 231.1 billion, up by CZK 3.1 billion compared to the second quarter. Short-term loans stood at CZK 66.6 billion at the end of Q3, accounting for 22.5% of total assets. Long-term loans amounted to CZK 164.5 billion, i.e. 55.5 % 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 122.3 billion, i.e. 53.4% of loans to residents. Loans provided to non-financial corporations rose by CZK 1.7 billion compared to Q2, i.e. a quarterly increase of 1.4%. CZK 118.7 billion was provided by financial leasing companies and CZK 3.5 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 77.5 billion.

The second largest category of loans provided was loans to households, which totalled CZK 103 billion, up by CZK 0.9 billion. This represents a quarterly increase of 0.9%. These loans account for 45% of loans granted to residents. CZK 50.6 billion was provided by financial leasing companies and CZK 52.4 billion by other lending companies. Loans with a maturity of one to five years amounted to CZK 62.8 billion, giving them the largest share in loans to households.

<sup>1)</sup> 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.

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**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, factoring, 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:

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

## List of Annexes

### ***December 2005***

Long-term interest rates (LTIR) in the context of the assessment of convergence

### ***January 2006***

Incomplete data collection in the balance-sheet statistics of the monetary financial institutions sector

### ***April 2006***

Interest rate statistics (MIR)

### ***October 2006***

Debt securities market in 2005