

MONETARY STATISTICS – DECEMBER

2015

CONTENT

Table 1: Key interest rates	4
Table 2: Financial market interest rates	4
Notes to tables 1-2	5
Monetary developments	
Table 3: Key monetary indicators	6
Table 4: Monetary aggregates and counterparts	7
Table 5: Sector breakdown of components of M3	8
Table 6: Loans to private sector	9
Table 7: Contributions to annual growth of M3	10
Table 8: Contributions to annual growth of loans to private sector	11
Table 9a: Balance sheets of MFIs by reporting institutions (Assets)	12
Table 9b: Balance sheets of MFIs by reporting institutions (Liabilities)	13
Notes to tables 3-9	14
Monetary financial institutions interest rates	
Table 10: MFI interest rates on new business	15
Table 11: MFI interest rates on outstanding amounts	16
Charts: MFI interest rates	17
Notes to tables 10-11	18
Investment funds except money market funds	
Table 12: Aggregated balance sheet of investment funds	19
Financial corporations engaged in lending (financial leasing, hire purchase and provision of personal or commercial finance, factoring and forfaiting)	
Table 13: Quarterly aggregated balance sheet of FCLs	20
Table 14a: Summary of loans provided by FCLs to residents	21
Table 14b: Breakdown of loans provided to households	21
Notes to tables 12-14	22
Glossary	23
Technical notes	27
List of Annexes	29
Annex	
<i>Cost-of-borrowing Indicators</i>	

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 time series system:

http://www.cnb.cz/cnb/STAT.ARADY_PKG.STROM_SESTAVY?p_strid=AAF&p_sestuid=&p_lang=EN

(Time series database ARAD >> Money and financial statistics >> Monetary statistics >> Monetary Statistics Publication).

3) Source: CNB, unless otherwise stated

LIST OF ABBREVIATIONS AND CODES**Codes**

CNB	Czech National Bank
ECB	European Central Bank
ESA	European System of Accounts
Eurozone	The European Union member states that have adopted the EUR
IF	Investment funds excluding money market funds
MMF	money market funds
LTIR	yield of the 10-year bond
M1, M2, M3	monetary aggregates
MFI	monetary financial institutions
NFA	net foreign assets
NISH	non-profit institutions serving households
Non-MFI	all institutions excluding MFIs
OFI	other financial intermediaries
FCL	financial corporations engaged in lending (financial leasing, hire purchase and provision of personal or commercial finance, factoring and forfaiting)

Institutional sectors and subsectors according to ESA2010

S.11	non-financial corporations
S.121	central bank
S.122	deposit-taking corporations, except the central bank
S.123	money market funds
S.124	non-MMF investment funds
S.125	other financial intermediaries, except insurance corp. and pension funds
S.126	financial auxiliaries
S.127	captive financial institutions and money lenders
S.128	insurance corporations
S.129	pension funds
S.13	general government
S.1311	central government
S.14	households
S.15	non-profit institutions serving households

TABLE 1 – KEY INTEREST RATES

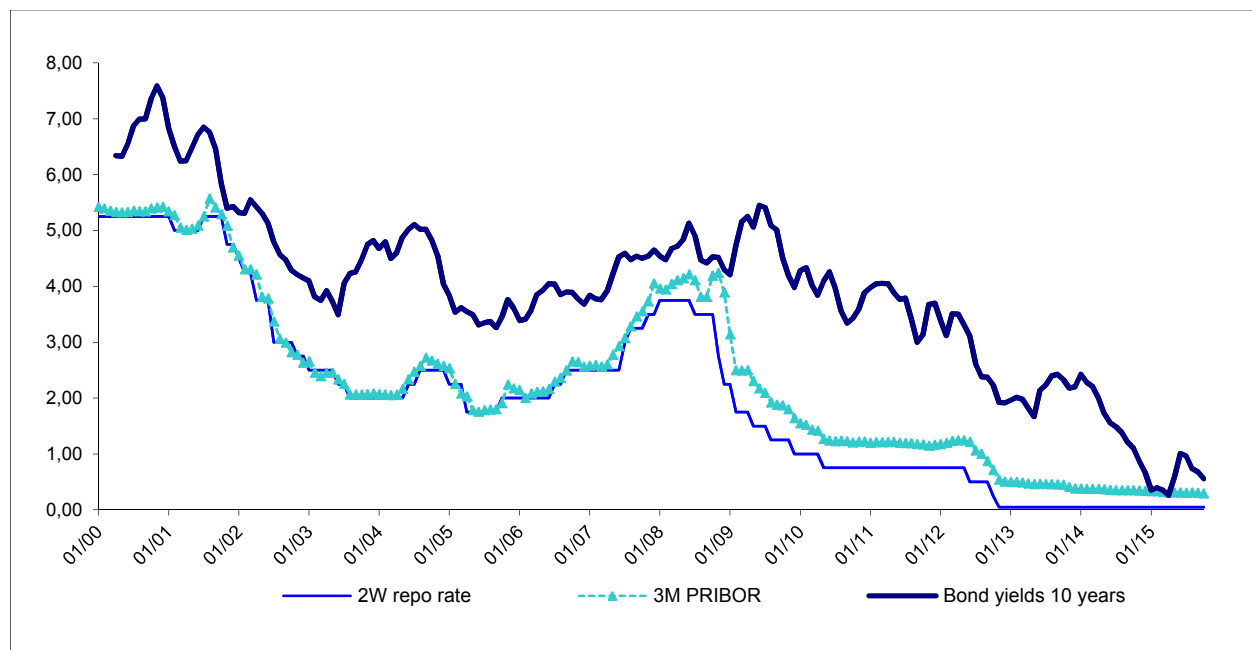
	CNB			ECB
	from 29 June 2012 onwards	from 1 October 2012 onwards	from 2 November 2012 onwards	from 10 September 2014 onwards
2W repo rate	0.50	0.25	0.05	0.05
Deposit facility	0.25	0.10	0.05	-0.20
Marginal lending facility	1.50	0.75	0.25	0.30

TABLE 2 – FINANCIAL MARKETS INTEREST RATES

monthly average	2014 October		2015					
			August		September		October	
Money market								
CZEONIA								
overnight	0.05		0.05		0.05		0.05	
PRIBOR								
1 month	0.27		0.22		0.20		0.20	
3 months	0.35		0.31		0.30		0.29	
6 months	0.41		0.39		0.38		0.37	
1 year	0.52		0.48		0.47		0.46	
Capital market	CR	Euro area	CR	Euro area	CR	Euro area	CR	Euro area
Bond yields								
2 years	0.10	0.22	-0.07	-0.05	-0.30	-0.04	-0.28	-0.10
5 years	0.37	0.67	0.20	0.45	0.06	0.40	-0.05	0.28
10 years (Maastricht)	1.10	1.69	0.74	1.39	0.68	1.48	0.56	1.20

Source: Czech National Bank, European Central Bank

Financial markets interest rates in CR (%)



COMMENTARY ON KEY INTEREST RATES (TABLE 1) AND FINANCIAL MARKET INTEREST RATES (TABLE 2): OCTOBER 2015

Key interest rates

The 2W repo rate of the Czech National Bank (CNB) has been flat at 0.05% since November 2012. The key interest rate of the European Central Bank (ECB) dropped to the same level in September 2014. The ECB's Lombard rate is flat at 0.30% and the CNB's Lombard rate at 0.25%. The ECB's discount rate remains at its all-time low (-0.20%).

Financial market interest rates

Interest rates on the Czech interbank deposit market changed only slightly. Three of the four monitored PRIBOR interest rates edged down to their new historical lows. The 1M PRIBOR was unchanged from September at 0.20%. All the other three interest rates fell by 0.01 percentage point, to 0.29% (3M PRIBOR), 0.37% (6M PRIBOR) and 0.46% (1Y PRIBOR) respectively.

The capital market saw larger changes in interest rates than the money market. The yield on the 2Y Czech bond rose by 0.02 percentage point to -0.28% and that on the 5Y bond declined by 0.11 percentage point to -0.05%. The yield on the 10Y bond recorded the largest change among Czech bonds, down by 0.12 percentage point to 0.56%. The yield on the 2Y euro area bond decreased by 0.06 percentage point, reaching -0.10%. The yield on the 5Y euro area bond fell by 0.12 percentage point to 0.28%. The yield on the 10Y euro area bond recorded the largest change (a decrease of 0.28 percentage point). It stood at 1.20% in October. The largest differential between Czech and euro area bonds was recorded for the 10Y bond yields, which represent one of the five Maastricht criteria. This differential reached 0.64 percentage point.

TABLE 3 – KEY MONETARY INDICATORS

CZK billions, unless otherwise indicated

	2014 October			2015								
				August			September			October		
	Stocks	Flows ⁴⁾	Annual growth rates (%)	Stocks	Flows ⁴⁾	Annual growth rates (%)	Stocks	Flows ⁴⁾	Annual growth rates (%)	Stocks	Flows ⁴⁾	Annual growth rates (%)
M1	2 709.7	29.4	9.5	2 957.3	38.0	11.7	2 990.0	31.2	12.3	3 018.4	28.3	12.1
M3 ¹⁾	3 230.4	26.2	4.8	3 439.7	11.4	7.8	3 483.2	41.8	9.0	3 525.1	41.8	9.4
Loans to private sector ²⁾	2 256.1	27.6	4.5	2 405.1	27.0	8.8	2 424.9	19.4	9.2	2 442.8	19.5	8.8
Net foreign assets ³⁾	1 351.1	8.5	2.1	1 392.0	13.5	4.1	1 443.5	50.6	9.6	1 488.0	33.9	11.4

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 years.

²⁾ Including all resident sectors without general government (S.13) and MFIs sector (S.121, S.122 and S.123 according to ESA2010).

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 (%)

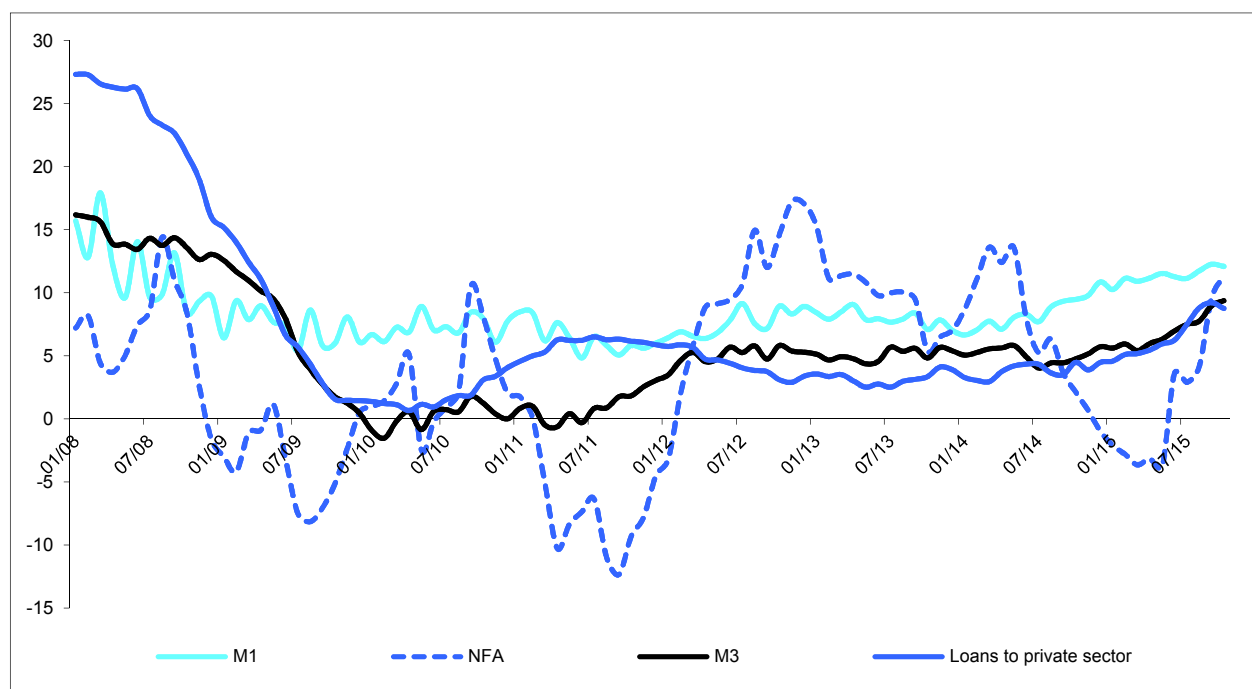


TABLE 4 – MONETARY AGGREGATES AND COUNTERPARTS

CZK billions, unless otherwise indicated

	2014			2015								
	October			August			September			October		
	Stocks	Flows ¹⁾	Annual growth rates (%)	Stocks	Flows ¹⁾	Annual growth rates (%)	Stocks	Flows ¹⁾	Annual growth rates (%)	Stocks	Flows ¹⁾	Annual growth rates (%)
COMPONENTS OF M3												
(1) M3 (items 1.3, 1.6 and 1.11)	3 230.4	26.2	4.8	3 439.7	11.4	7.8	3 483.2	41.8	9.0	3 525.1	41.8	9.4
(1.1) Currency in circulation	424.4	3.7	6.0	452.8	2.5	7.8	457.2	4.5	8.7	462.2	5.0	8.9
(1.2) Overnight deposits	2 285.3	25.7	10.2	2 504.5	35.5	12.5	2 532.8	26.8	12.9	2 556.2	23.3	12.7
(1.3) M1 (items 1.1 and 1.2)	2 709.7	29.4	9.5	2 957.3	38.0	11.7	2 990.0	31.2	12.3	3 018.4	28.3	12.1
(1.4) Deposits with agreed maturity up to 2Y	213.6	3.4	-20.0	213.6	-20.4	-4.2	219.9	6.1	4.5	227.6	7.7	6.4
(1.5) Deposits redeemable at notice up to 3M	278.6	-4.2	-6.1	259.3	-5.0	-13.4	257.0	-2.3	-14.0	256.9	0.0	-12.8
(1.6) Other short term deposits (1.4 and 1.5)	492.3	-0.8	-12.6	472.9	-25.4	-9.5	476.9	3.8	-6.4	484.6	7.6	-4.7
(1.7) M2 (items 1.3 and 1.6)	3 202.0	28.6	5.3	3 430.2	12.6	8.3	3 466.9	35.0	9.3	3 503.0	35.9	9.4
(1.8) Repurchase agreements ²⁾	26.8	-2.5	-	8.8	-1.1	-	15.6	6.7	-	21.4	5.9	-
(1.9) Money market fund shares/units ²⁾	1.4	0.1	-	0.7	-0.1	-	0.7	0.0	-	0.7	0.0	-
(1.10) Debt securities issued with maturity up to 2Y ²⁾	0.2	0.0	-	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
(1.11) Marketable instruments (items 1.8, 1.9 and 1.10)	28.4	-2.4	-34.3	9.6	-1.2	-48.6	16.3	6.7	-13.2	22.2	5.9	28.2
COUNTERPARTS OF M3												
MFI liabilities												
(2) Holdings deposits against central government	268.1	10.8	-21.8	252.8	27.3	-10.3	219.1	-34.0	-17.5	231.6	12.6	-16.3
(3) Longer-term fin. deposits against other residents (items 3.1 to 3.4)	998.4	2.5	4.8	1 004.3	-1.1	2.1	1 017.4	6.6	2.4	1 030.3	4.4	2.6
(3.1) Deposits with agreed maturity over 2Y	237.8	-1.9	-2.3	236.6	-1.4	-2.2	235.1	-1.4	-1.9	232.8	-2.4	-2.1
(3.2) Deposits redeemable at notice over 3M	33.5	-0.1	-10.4	33.0	-0.1	-8.5	32.8	-0.1	-2.3	32.7	-0.1	-2.3
(3.3) Debt securities issued with maturity over 2Y	101.2	-1.7	-10.7	128.9	0.2	21.2	139.4	6.3	27.9	128.4	-10.8	20.0
(3.4) Capital and reserves	625.9	6.2	12.4	605.9	0.2	1.4	610.0	1.8	0.1	636.4	17.7	2.0
MFI assets												
(4) Credit to residents (items 4.1 and 4.2)	3 153.2	29.9	3.6	3 293.2	27.9	6.2	3 264.6	-32.4	4.6	3 277.0	14.5	4.0
(4.1) Credit to general government	832.9	2.7	1.2	810.9	3.2	-1.3	762.6	-51.8	-8.6	757.3	-4.8	-9.5
(4.2) Credit to private sector	2 320.2	27.2	4.5	2 482.3	24.7	8.9	2 502.0	19.4	9.4	2 519.7	19.3	8.9
(5) Net foreign assets	1 351.1	8.5	2.1	1 392.0	13.5	4.1	1 443.5	50.6	9.6	1 488.0	33.9	11.4
(6) Other counterparts of M3 (residual) (=M3+items 2,3 - items 4,5) ²⁾	-7.4	1.0	-	11.6	-3.8	-	11.5	-3.9	-	21.9	10.5	-

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

²⁾ Given the significant variability of the underlying values, annual growth rates are not calculated.

TABLE 5 – SECTOR BREAKDOWN OF COMPONENTS OF M3

CZK billions

	2014 October		2015					
			August		September		October	
	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾
(1) Overnight deposits	2 285.3	25.7	2 504.5	35.5	2 532.8	26.8	2 556.2	23.3
(1.1) Other general government	152.7	-11.7	166.8	1.4	171.5	4.7	160.7	-10.8
(1.2) Other financial intermediaries ²⁾	52.9	4.4	62.0	7.1	69.7	7.5	72.7	3.0
(1.3) Insurance corporations and pension funds	21.4	-2.3	19.8	3.9	23.8	4.0	20.7	-3.1
(1.4) Non-financial corporations	713.0	23.4	786.4	12.8	785.8	-1.7	811.4	25.6
(1.5) Households ³⁾	1 345.2	11.9	1 469.4	10.3	1 482.0	12.3	1 490.7	8.5
(2) M2 - M1 (other short-term deposits)	492.3	-0.8	472.9	-25.4	476.9	3.8	484.6	7.6
(2.1) Other general government	20.7	-3.2	28.7	1.2	30.3	1.6	31.0	0.7
(2.2) Other financial intermediaries ²⁾	36.4	0.2	37.6	-0.3	40.7	3.0	42.7	2.0
(2.3) Insurance corporations and pension funds	16.3	3.6	13.6	-3.8	15.1	1.6	21.1	6.0
(2.4) Non-financial corporations	79.4	3.7	81.5	-17.5	81.5	-0.1	81.0	-0.5
(2.5) Households ³⁾	339.5	-5.1	311.4	-5.1	309.3	-2.3	308.7	-0.6
(3) Repurchase agreements (a part of M3 - M2)	26.8	-2.5	8.8	-1.1	15.6	6.7	21.4	5.9

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

²⁾ Including other financial intermediaries (without insurance corporations and pension funds) (S.124 and S.125 according to ESA2010), financial auxiliaries (S.126 according to ESA2010) and captive financial institutions (S.127 according to ESA2010).

³⁾ Including households (S.14) and non-profit institutions serving households (S.15) according to ESA2010.

Overnight deposits and other short-term deposits (CZK billions) and their annual growth rates (%)

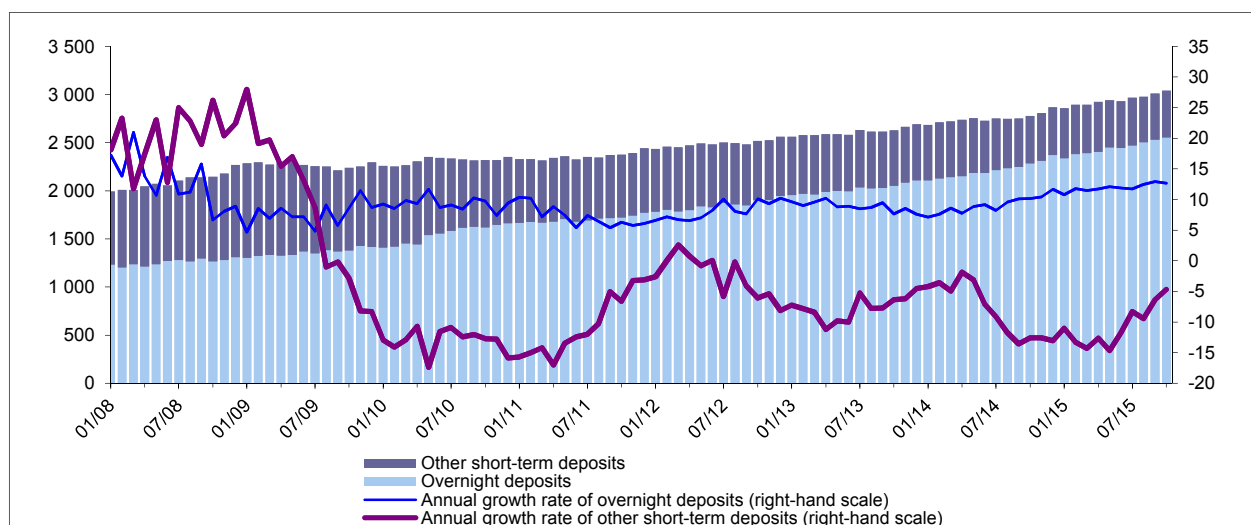


TABLE 6 – LOANS TO PRIVATE SECTOR

CZK billions

	2014		2015					
	October		August		September		October	
	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾
(1) Loans to non-financial corporations	876.5	9.2	954.5	20.0	960.6	5.4	963.5	3.6
(1.1) up to 1 year	268.8	-3.7	271.6	-1.4	272.8	1.2	269.8	-2.9
(1.2) over 1 year and up to 5 years	150.7	-0.7	172.3	8.9	173.1	0.6	170.7	-2.2
(1.3) over 5 years	457.0	13.5	510.6	12.5	514.7	3.6	523.1	8.8
(2) Loans to households²⁾	1 227.5	5.6	1 300.8	6.2	1 308.0	7.8	1 315.2	8.0
(2.1) Consumer credit	195.1	0.3	212.0	0.2	212.6	1.0	212.6	0.3
(2.2) Lending for house purchase	896.0	5.3	949.5	6.0	955.8	6.5	962.4	7.0
(2.3) Other lending	136.3	0.0	139.3	0.0	139.5	0.3	140.2	0.7
(3) Loans to other financial intermediaries³⁾	151.8	12.8	149.8	0.7	156.0	5.9	163.5	7.6
(4) Loans to insurance corporations and pension funds	0.3	0.0	0.0	0.0	0.3	0.3	0.5	0.2

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

²⁾ Including households (S.14) and non-profit institutions serving households (S.15) according to ESA2010.

³⁾ Including other financial intermediaries (without insurance corporations and pension funds) (S.124 and S.125 according to ESA2010), financial auxiliaries (S.126 according to ESA2010) and captive financial institutions (S.127 according to ESA2010).

Loans to private sector (CZK billions) and annual growth of loans to non-financial institutions and households (%)

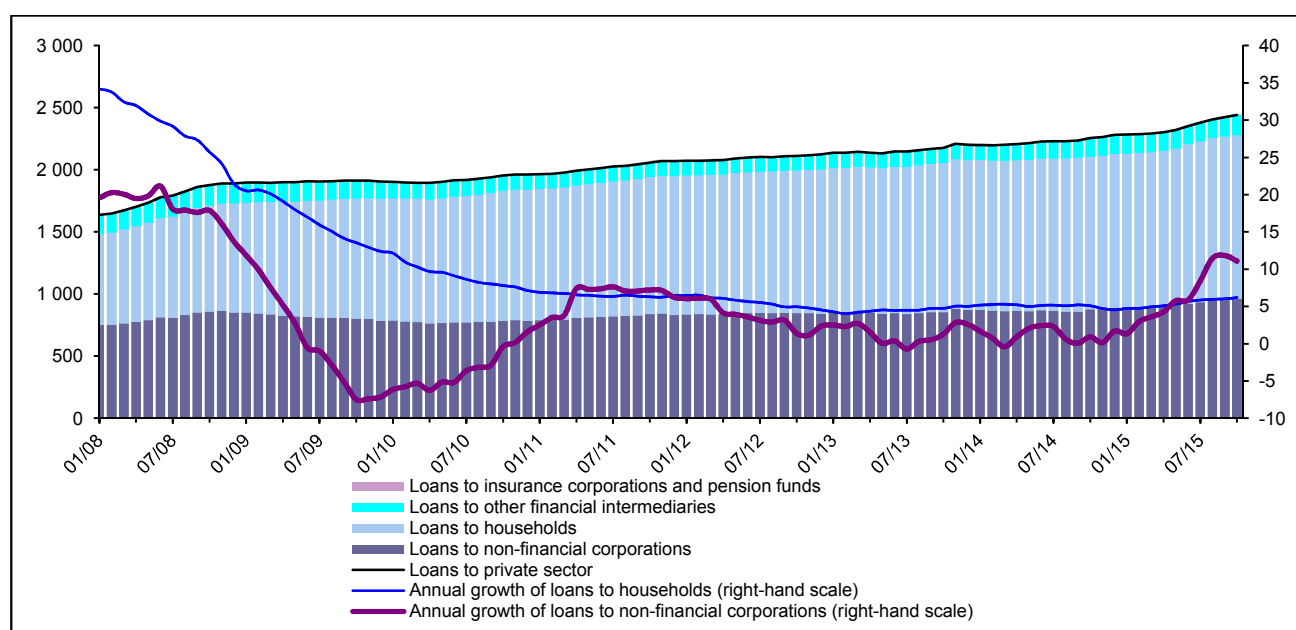


TABLE 7 - CONTRIBUTIONS TO ANNUAL GROWTH¹⁾ OF M3

	2014 October	2015		
	% points	August % points	September % points	October % points
M1	7.6	9.7	10.2	10.1
of which: Currency	0.8	1.0	1.1	1.2
Overnight deposits	6.8	8.7	9.1	8.9
M2 - M1 (= other short-term deposits)	-2.3	-1.5	-1.0	-0.7
M3 - M2 (= short-term marketable instruments)	-0.5	-0.4	-0.2	0.0
M3	4.8	7.8	9.0	9.4

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

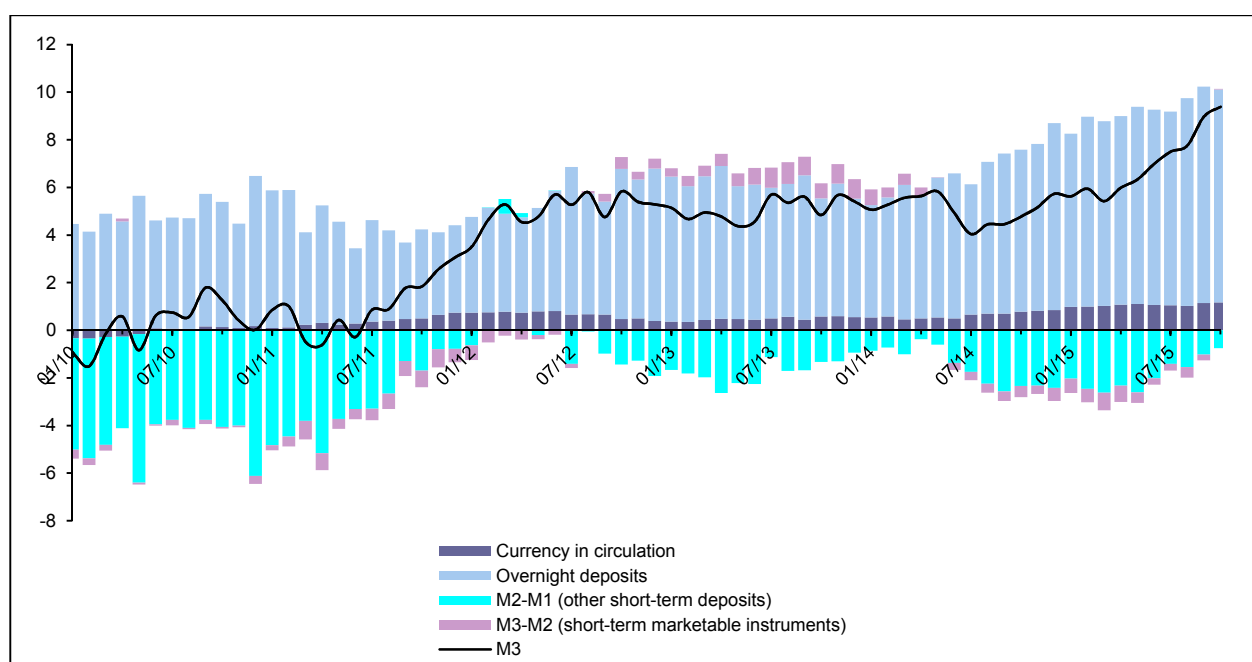
Contributions to annual growth of M3 (%)

TABLE 8 - CONTRIBUTIONS TO ANNUAL GROWTH ¹⁾ OF LOANS TO PRIVATE SECTOR

	2014	2015		
	October	August	September	October
	% points	% points	% points	% points
Non-financial corporations	0.4	4.5	4.6	4.3
Households ²⁾	2.8	3.3	3.3	3.4
Other financial intermediaries ³⁾	1.4	1.1	1.3	1.1
Insurance corporations and pension funds	-0.1	0.0	0.0	0.0
Loans to private sector ⁴⁾	4.5	8.8	9.2	8.8

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

²⁾ Including households (S.14) and non-profit institutions serving households (S.15) according to ESA2010.

³⁾ Including other financial intermediaries (without insurance corporations and pension funds) (S.124 and S.125 according to ESA2010), financial auxiliaries (S.126 according to ESA2010) and captive financial institutions (S.127 according to ESA2010).

⁴⁾ Including all sectors without general government (S.13) and MFIs sector (S.121, S.122 and S. 123) according to ESA2010.

Contributions to annual growth of loans to private sector (%)

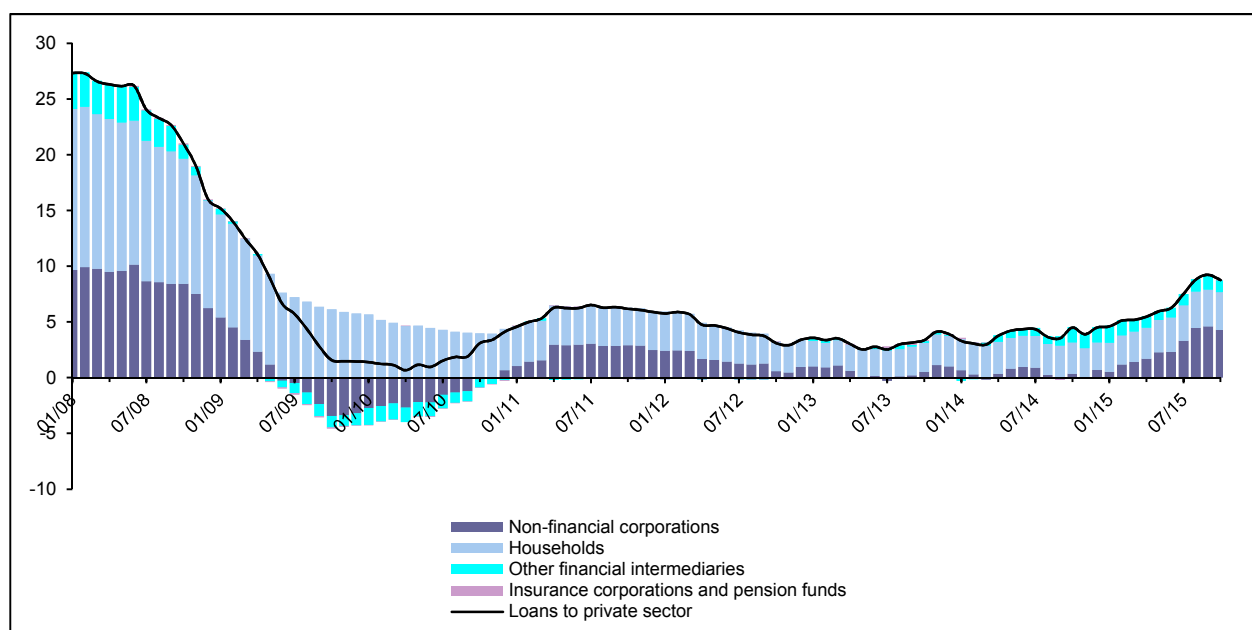


TABLE 9a - BALANCE SHEETS OF MONETARY FINANCIAL INSTITUTIONS BY REPORTING INSTITUTIONS (ASSETS): OCTOBER 2015

CZK billions

	Monetary financial institutions		Consolidated balance sheet of MFIs
	CNB	Other monetary financial institutions	
(1) ASSETS TOTAL	1 565.6	5 786.8	5 904.3
(1.1) Loans to residents	2.8	3 604.3	2 513.5
MFI	0.0	1 093.6	0.0
General government	0.0	70.6	70.6
Other residents	2.8	2 440.0	2 442.8
(1.2) Holdings of securities other than shares issued by residents	0.0	988.9	704.1
MFI	0.0	284.8	0.0
General government	0.0	686.6	686.6
Other residents	0.0	17.5	17.5
(1.3) Money market fund shares/units	0.0	0.0	0.0
Holdings of shares/other equity issued by residents	0.0	96.5	59.4
MFI	0.0	37.1	0.0
Other residents	0.0	59.4	59.4
(1.5) External assets	1 551.2	738.2	2 289.4
(1.6) Fixed assets	10.8	118.3	129.2
(1.7) Remaining assets	0.8	240.6	208.8

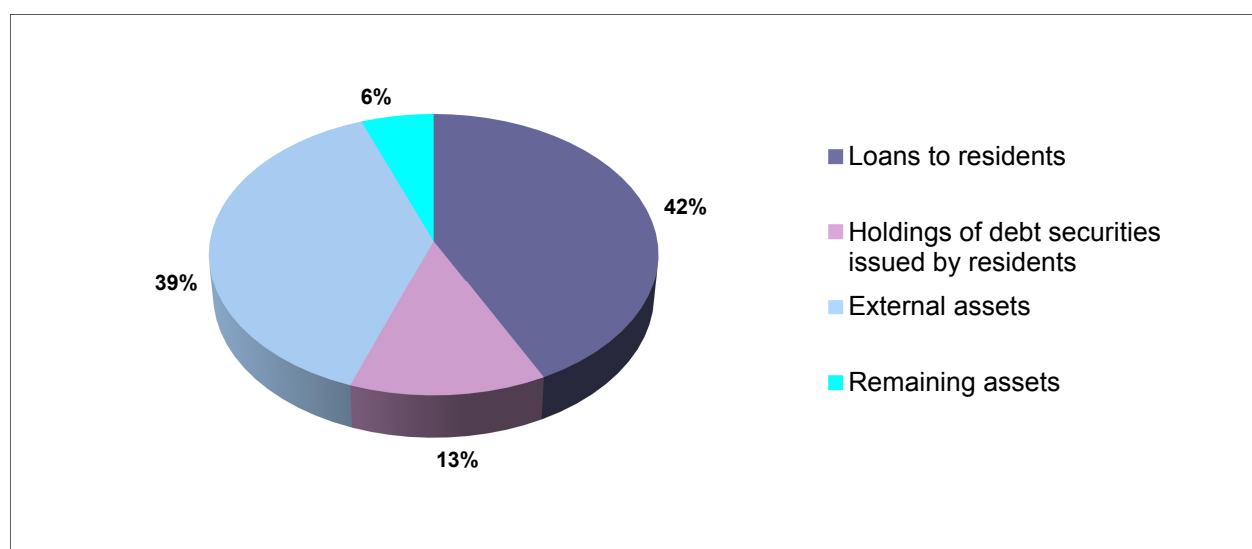
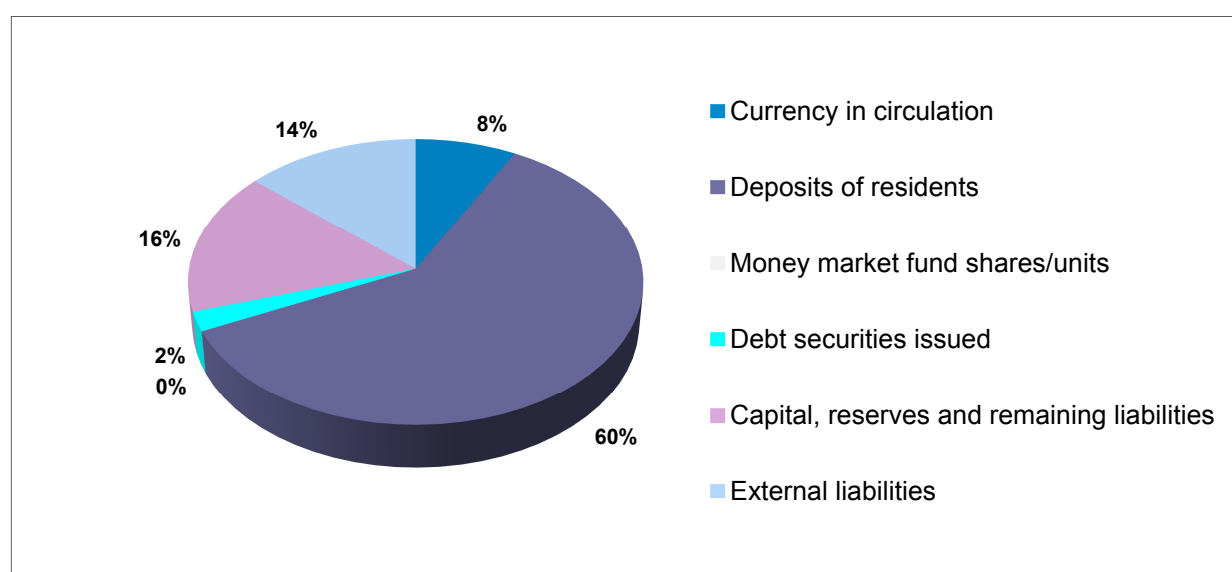
Consolidated balance sheet of MFIs – assets

TABLE 9b - BALANCE SHEETS OF MONETARY FINANCIAL INSTITUTIONS BY REPORTING INSTITUTIONS (LIABILITIES): OCTOBER 2015

CZK billions

	Monetary financial institutions		Consolidated balance sheet of MFIs
	CNB	Other monetary financial institutions	
(2) LIABILITIES TOTAL	1 565.6	5 786.8	5 904.3
(2.1) Currency in circulation	494.8	-	462.2
(2.2) Deposits of residents	957.2	3 691.7	3 559.3
MFI	954.2	135.4	-
Central government	1.8	229.8	231.6
Other general government/other residents	1.1	3 326.6	3 327.7
(2.3) Money market fund shares/units	-	0.7	0.7
(2.4) Debt securities issued	0.0	413.2	128.4
(2.5) Capital and reserves	30.7	642.8	636.4
(2.6) External liabilities	58.8	742.6	801.3
(2.7) Remaining liabilities	24.1	295.9	319.9
(2.8) Excess of inter MFI liabilities	-	-	-4.0

Consolidated balance sheet of MFIs - liabilities

COMMENTARY ON MONETARY DEVELOPMENTS STATISTICS¹⁾ (TABLES 3-9): OCTOBER 2015

The evolution of the annual growth rate of M3 had been characterised by fluctuations around zero from the start of 2010 to the first half of 2011. It started to grow gradually in July 2011 and stood at around 5% from March 2012. Recent months again saw an upward trend, and the annual growth rate of M3 reached 9.4% in October 2015.

As a result of financial transactions, M3 rose by CZK 41.8 billion month on month (and by CZK 302.8 billion year on year), reaching CZK 3,525.1 billion.

Main components of M3

The increase in the annual growth rate of M3 from 9.0% in September to 9.4% in October was due to a higher contribution of other short-term deposits to -0.7 percentage points from -1.0 percentage points in September, and a rise in the contribution of short-term marketable instruments, from -0.2 percentage points in September to 0.0 percentage points in October. The 0.2 percentage point decline in overnight deposits was affected by the contribution of M1, which dropped from 10.2 percentage points in September to 10.1 percentage points in October. (Table 7)

The decrease in the annual growth rate of overnight deposits from 12.9% in September to 12.7% in October was reflected in a decline in the annual growth rate of M1 to 12.1% (from 12.3% in September). Overnight deposits rose by CZK 23.3 billion month on month, due to financial transactions. As regards overnight deposits, increases were recorded for deposits of other financial intermediaries (up by 4.4%, or CZK 3.0 billion), non-financial corporations (up by 3.3%, or CZK 25.6 billion) and households (up by 0.6%, or CZK 8.5 billion). By contrast, deposits of insurance corporations and pension funds and deposits of other government decreased (by 13.1%, or CZK 3.1 billion, and by 6.3%, or CZK 10.8 billion respectively). Currency in circulation increased by 1.1% month on month, amounting to CZK 462.2 billion (CZK 457.2 billion in September).

Other short-term deposits (excluding overnight deposits) rose by 1.6% (CZK 7.6 billion) month on month, owing to financial transactions. The annual rate of growth of these deposits rose to -4.7% (-6.4% in September). The annual rate of growth of deposits with agreed maturity of up to two years increased by 1.9 percentage points compared to the previous month, reaching 6.4%. The annual rate of growth of deposits redeemable at notice of up to 3 months rose from -14.0% in September to -12.8% in October. Within short-term deposits, the largest increase was recorded for deposits of insurance corporations and pension funds (up by 39.9%, or CZK 6.0 billion). Increases in deposits were also recorded by other financial intermediaries (up by 4.9%, or CZK 2.0 billion) and other government (up by 2.3%, or CZK 0.7 billion). By contrast, deposits of non-financial corporations and households saw a decline (down by 0.6%, or CZK 0.5 billion and by 0.2%, or CZK 0.6 billion respectively).

Marketable instruments, which consist of repos, money market fund shares/units and debt securities with maturities of up to two years, rose by 36.1% month on month due to financial transactions, to CZK 22.2 billion.

Main counterparts of M3

The annual rate of growth of loans to the private sector, which are the most important counterpart of M3, stood at 8.8% in October 2015. The annual growth rate of loans to non-financial corporations, a major component of this indicator, was stagnant in the second half of 2011. It recorded a decline in 2012 (from 7.1% in November 2011 to 1.1% in November 2012), was irregularly volatile from December 2012 and started to gradually increase in January 2015, to 11.6% in September 2015. This annual growth rate decreased to 10.5% in October 2015. The annual growth rate of loans to households is another major component; it showed a downward trend from January 2008 (34.2%) to February 2013 (4.0%). This growth rate has fluctuated around 5% over the last two years, amounting to 5.6% in October 2015.

The annual growth rate of loans provided to general government and purchased securities reached -9.5% in October (-8.6% in September). The annual growth rate of net external assets rose to 11.4% at the end of October (from 9.6% in September). The annual growth rate of longer-term financial liabilities increased from 2.4% in September to 2.6% in October. The annual growth rate of deposits of central government grew to -16.3% in October (from -17.5% in September).

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

TABLE 10 - INTEREST RATES OF MONETARY FINANCIAL INSTITUTIONS - NEW BUSINESS¹⁾

	2014 October		2015					
			August		September		October	
	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)
(1) Deposits from households²⁾								
(1.1) Overnight ³⁾	0.33	1 293.0	0.24	1 401.7	0.24	1 413.5	0.24	1 421.4
of which: current accounts	0.15	753.7	0.12	846.3	0.12	855.7	0.12	861.6
(1.2) With agreed maturity	1.38	3.8	1.47	4.3	1.45	3.4	1.40	3.9
of which: Up to 2 years	1.25	3.2	1.40	3.8	1.36	3.0	1.30	3.4
(1.3) Redeemable at notice ^{3), 4)}	1.70	307.2	1.31	285.9	1.30	283.5	1.30	283.4
(1.3.1) Up to 3 months' notice	1.85	274.2	1.44	253.4	1.43	251.1	1.44	251.1
(1.3.2) Over 3 months' notice	0.40	33.1	0.27	32.5	0.26	32.4	0.25	32.3
(2) Deposits from non-financial corporat.								
(2.1) Overnight ³⁾	0.17	549.7	0.11	581.5	0.10	593.2	0.10	601.6
(2.2) With agreed maturity	0.30	14.3	0.23	14.0	0.17	14.4	0.30	16.0
of which: Up to 1 year	0.26	13.4	0.23	13.4	0.14	12.8	0.28	14.8
(3) Loans to households²⁾								
(3.1) Consumer. house pur. and other loans	5.41	30.5	4.35	34.3	4.42	35.2	4.43	35.4
(3.1.1) Consumer credit	13.81	6.6	12.61	6.0	11.82	6.7	11.89	6.7
(3.1.2) Lending for house purchase	3.01	21.1	2.55	25.1	2.58	25.4	2.59	25.2
of which: Mortgage lending ⁵⁾	2.75	15.9	2.30	18.8	2.31	19.0	2.32	18.2
Saving for building purposes	4.37	2.6	3.95	3.2	3.99	3.4	3.90	3.6
(3.1.3) Other lending	3.65	2.7	3.03	3.2	3.55	3.2	3.46	3.6
(3.2) Overdraft ⁶⁾ and revolving loans ³⁾	14.22	24.7	14.04	22.7	14.08	23.0	14.00	23.4
(3.3) Credit cards ³⁾	20.51	23.7	20.47	29.9	20.50	29.9	20.40	29.6
(4) Loans to non-financial corporations								
(4.1) Total loans (all size categories)	2.16	53.2	1.83	44.4	2.28	45.6	1.83	39.8
(4.1.1) Up to CZK 7.5 million	3.67	2.8	3.30	2.9	3.17	3.4	3.14	3.5
of which: Up to 3 months rate fixation ⁷⁾	3.40	1.9	3.10	2.1	2.96	2.3	2.99	2.4
(4.1.2) CZK 7.5-30 million	2.21	5.0	2.13	4.8	2.27	4.9	2.09	5.3
of which: Up to 3 months rate fixation ⁷⁾	2.12	4.2	2.07	3.7	2.02	3.6	2.02	4.4
(4.1.3) Over to CZK 30 million	2.06	45.4	1.68	36.7	2.20	37.3	1.64	30.9
of which: Up to 3 months rate fixation ⁷⁾	2.05	40.0	1.70	27.1	2.16	35.2	1.61	28.2
(4.2) Overdraft ⁶⁾ , revolving and credit cards ³⁾	2.49	221.0	2.34	230.9	2.31	229.8	2.30	231.2
(5) APRC⁸⁾ on loans to households²⁾	5.88	27.7	4.74	31.1	4.79	32.1	4.83	31.9
(5.1) Consumer credit	14.72	6.6	13.31	6.0	12.57	6.7	12.68	6.7
(5.2) Lending for house purchase	3.11	21.1	2.70	25.1	2.73	25.4	2.74	25.2

¹⁾ The interest rates 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.

²⁾ Including households (S.14) and non-profit institutions serving households (S.15) according to the classification ESA2010.

³⁾ For this instrument category the new business are equal to the outstanding amounts (end-of-period stocks).

⁴⁾ Households deposits redeemable at notice include similar deposits of non-financial corporations of which volumes are negligible in this category.

⁵⁾ Since 2009, the amendment to Act No. 190/2004 Coll., on Bonds, as amended, has been fully applied, under which a mortgage loan is a loan whose redemption, including appurtenances (i.e. interest etc.), is secured by lien (right of pledge) over real estate (property), including property under construction, where the claim arising from the loan does not exceed twice the pledge value of the mortgaged property (Article 28(3)).

⁶⁾ Debit balances on current accounts. The total amount owed by the borrower is included, irrespective of whether is within or beyond any limit agreed beforehand.

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 3 months includes floating rates.

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

TABLE 11 - INTEREST RATES OF MONETARY FINANCIAL INSTITUTIONS - OUTSTANDING AMOUNTS¹⁾

	2014		2015					
	October		August		September		October	
	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)
(1) Deposits from households²⁾³⁾	0.78	1 862.9	0.62	1 942.3	0.61	1 949.8	0.60	1 955.0
(1.1) With agreed maturity	1.87	275.7	1.84	269.0	1.84	267.3	1.83	264.8
(1.1.1) Up to 2 years	1.52	56.2	1.47	49.0	1.49	48.8	1.49	48.7
(1.1.2) Over 2 years	1.96	219.5	1.92	220.0	1.92	218.5	1.91	216.1
(2) Deposits from non-financial corp.³⁾	0.25	633.8	0.17	663.4	0.16	674.5	0.16	685.0
(2.2) With agreed maturity	0.80	66.9	0.62	64.7	0.61	65.1	0.62	66.1
(2.2.1) Up to 2 years	0.63	61.3	0.47	60.6	0.46	61.0	0.48	61.7
(2.2.2) Over 2 years	2.60	5.6	2.80	4.1	2.79	4.2	2.64	4.4
(3) Loans to households	5.45	1 225.4	5.11	1 298.4	5.07	1 305.6	5.02	1 312.8
(3.1) Lending for house purchase	3.79	895.7	3.43	949.1	3.39	955.4	3.36	961.9
of which: Mortgage lending ⁴⁾	3.61	787.4	3.22	839.7	3.18	845.8	3.15	852.3
Saving for building purposes	5.40	78.0	5.42	76.8	5.42	76.9	5.42	76.7
(3.2) Consumer credit and other lending ⁵⁾	10.23	329.7	9.94	349.3	9.90	350.2	9.82	350.9
(4) Loans to non-financial corporation	2.94	684.5	2.72	752.0	2.70	751.5	2.68	752.1
(4.1) Up to 1 year	2.49	219.7	2.34	227.0	2.32	226.1	2.29	226.1
(4.2) Over 1 and up to 5 years	3.04	107.2	2.78	118.7	2.76	119.1	2.75	115.2
(4.3) Over 5 years	3.18	357.6	2.91	406.3	2.89	406.3	2.86	410.8

¹⁾ 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.

²⁾ Including households (S.14) and non-profit institutions serving households (S.15) according to the classification ESA2010.

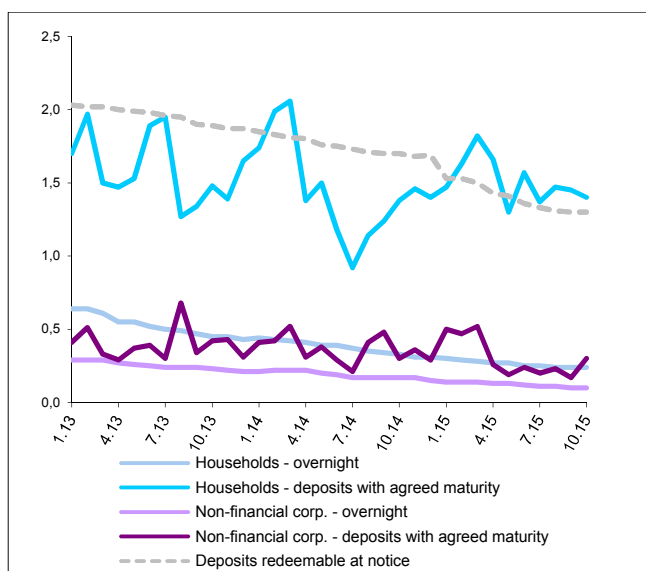
³⁾ Including overnight deposits and deposits redeemable at notice presented in Table 10. For this instrument category new business and outstanding amounts coincide.

⁴⁾ Since 2009, the amendment to Act No. 190/2004 Coll.. on Bonds, as amended, has been fully applied, under which a mortgage loan is a loan whose redemption, including appurtenances (i.e. interest etc.), is secured by lien (right of pledge) over real estate (property), including property under construction, where the claim arising from the loan does not exceed twice the pledge value of the mortgaged property (Article 28(3)).

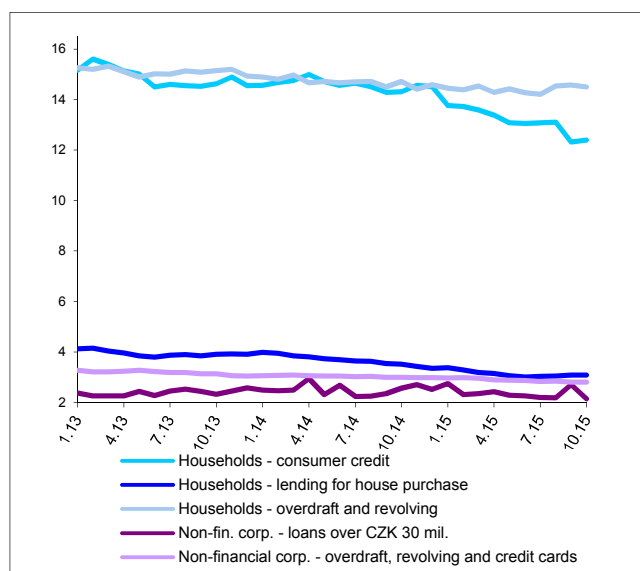
⁵⁾ Consumer credit and other lending include bank overdrafts, revolving loans and credit cards presented in Table 10.

INTEREST RATES OF MONETARY FINANCIAL INSTITUTIONS ON NEW BUSINESS

New business, deposits

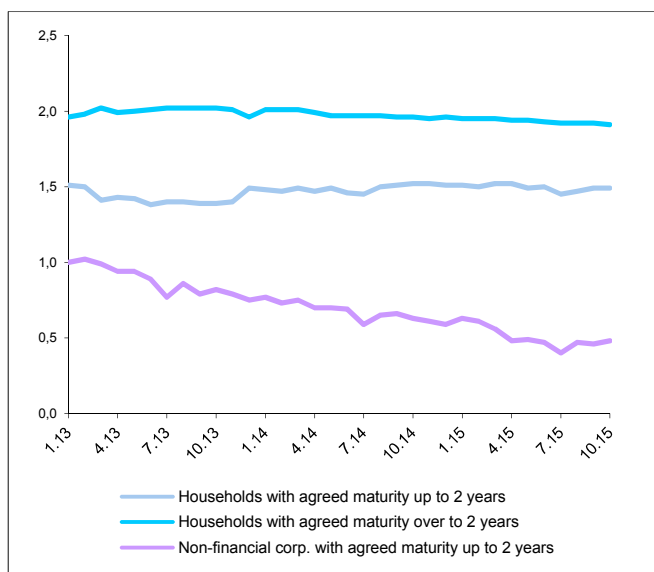


New business, loans

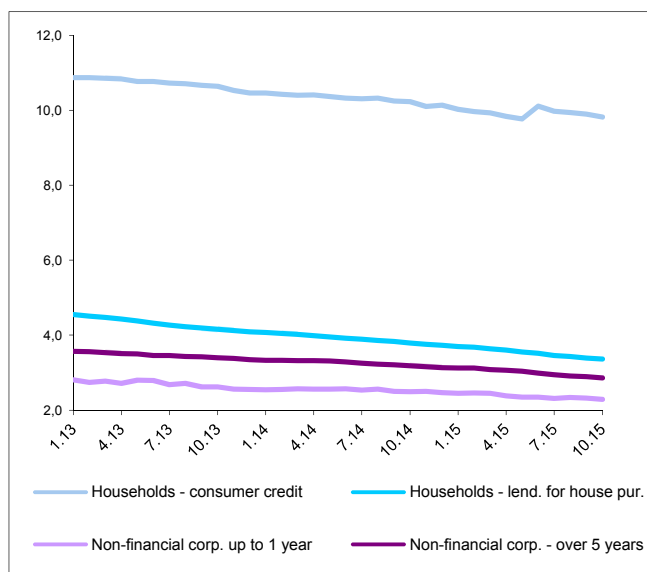


INTEREST RATES OF MONETARY FINANCIAL INSTITUTIONS ON OUTSTANDING AMOUNTS

Outstanding amounts, deposits



Outstanding amounts, loans



COMMENTARY ON MFI INTEREST RATES (TABLES 10 AND 11) – OCTOBER 2015**Interest rates on new business**

In October, interest rates on new deposits recorded the largest change for household deposits with agreed maturity. The interest rate on overnight deposits of households was flat at 0.24%. The rate on current account deposits remained at the lowest level since the start of the measurement (0.12%). Compared to the previous month, the rate on deposits with agreed maturity dropped to 1.40% and the rate on deposits redeemable at notice remained at its September level, i.e. 1.30% (this rate is the only one to include, in addition to the household sector, also similar deposits of non-financial corporations, whose volumes are negligible in this category).

The interest rate on overnight deposits of non-financial corporations was flat at 0.10%. Deposits with agreed maturity of up to one year (which as a rule account for 100% of all deposits with agreed maturity in the case of this sector) were remunerated at a higher rate (0.28%).

Within interest rates on new loans to households, credit card loans recorded the largest change in October. Interest rates on loans to non-financial corporations saw the largest change for loans of over CZK 30 million. The overall interest rate on consumer credit, loans for house purchase and other loans rose to 4.43%. The interest rate on loans for house purchase picked up to 2.59%. Consumer credit was remunerated at 11.89%, up by 0.07 percentage point. The rate on other loans dropped by 0.09 percentage point, to 3.46%. The interest rate on mortgage loans was 2.32% and the interest rate on credit card loans was 20.40%.

The interest rate on new loans to non-financial corporations (excluding overdrafts, revolving loans and credit cards) decreased by 0.45 percentage point to 1.83%. The rate on loans of up to CZK 7.5 million dropped by 0.03 percentage point to 3.14%. Loans of over CZK 7.5 million and up to CZK 30 million were remunerated at 2.09%, i.e. lower than in the previous month. The interest rate on loans of over CZK 30 million dropped by 0.56 percentage point, reaching 1.64%, which is the lowest level since the beginning of this time series.

Interest rates on outstanding amounts

The average interest rates on outstanding amounts of deposits of both households and non-financial corporations saw only marginal changes in October.

Total deposits of households were remunerated at 0.60%. The interest rate on overnight deposits remained unchanged at 0.24%. The interest rate on deposits redeemable at notice was flat at 1.30% and the rate on deposits with agreed maturity declined to 1.83%.

As in September, total deposits of non-financial corporations were remunerated at 0.16%. The rate on overnight deposits stayed at the lowest level since the start of the measurement (0.10%). The interest rate on deposits with agreed maturity increased to 0.62%.

Interest rates on outstanding amounts of loans to households changed only slightly in October. The changes in interest rates on outstanding amounts of loans to non-financial corporations were also marginal (just a few basis points).

The overall interest rate on loans to households fell by 0.02 percentage point to 5.05%. The interest rate on loans for house purchase declined to 3.36%. Consumer credit and other loans were remunerated at 9.82%.

The average interest rate on outstanding amounts of loans to non-financial corporations edged down by 0.02 percentage point in October, reaching 2.68%. The rate on loans with maturity of up to one year fell to 2.29%. The rate on loans with maturity of over one year and up to five years declined by 0.01 percentage point to 2.75%. The rate on loans with maturity of over five years declined to the lowest level since the start of the measurement (2.86%).

TABLE 12 – AGGREGATED BALANCE SHEET OF INVESTMENT FUNDS ¹⁾

CZK billions

	2014		2015					
	September		July		August		September	
	Out-standing amounts	Transa-ctions	Out-standing amounts	Transa-ctions	Out-standing amounts	Transa-ctions	Out-standing amounts	Transa-ctions
Total Assets	272.5	1.6	327.0	3.3	325.3	3.9	325.1	2.1
(1.1) Deposits	31.3	0.6	40.4	2.5	39.7	-0.7	47.3	7.5
(1.2) Securities other than shares	84.3	-1.7	93.5	0.3	95.2	2.5	93.6	-2.1
Residents	41.9	0.6	45.4	0.2	47.5	2.5	48.1	0.2
Non-residents	42.4	-2.3	48.2	0.1	47.8	0.1	45.4	-2.3
(1.3) Shares and other equity	36.2	-0.2	49.6	0.9	48.2	1.1	48.0	0.8
Residents	9.5	-0.1	14.4	0.5	14.6	0.3	14.4	-0.1
Non-residents	26.7	-0.1	35.1	0.4	33.6	0.8	33.5	0.9
(1.4) Investment fund shares (including MMFs)	42.2	0.7	66.0	0.8	62.9	-0.6	60.9	-0.9
Residents	8.5	0.5	11.0	0.1	11.2	0.4	11.9	0.8
Non-residents	33.7	0.2	55.0	0.7	51.7	-1.0	49.0	-1.7
(1.5) Other assets	78.4	2.2	77.5	-1.2	79.3	1.6	75.4	-3.3
Total Liabilities	272.5	1.6	327.0	3.3	325.3	3.9	325.1	2.1
(2.1) Loans accepted	14.1	-0.1	13.9	-0.3	14.5	0.6	13.9	-0.6
(2.2) Investment fund shares	242.6	2.6	292.7	4.5	291.3	4.1	292.8	4.3
(2.3) Other liabilities	15.7	-0.9	20.4	-1.0	19.5	-0.7	18.3	-1.6

¹⁾ Investment Funds (IFs) represent Mutual and Investment Funds other than Money Market Funds which are residents in the Czech Republic. Funds of funds and funds of qualified investors are classified under the category of assets or funds in which they primarily invest. Data are published by the 15th calendar day of the second month following the reference period.

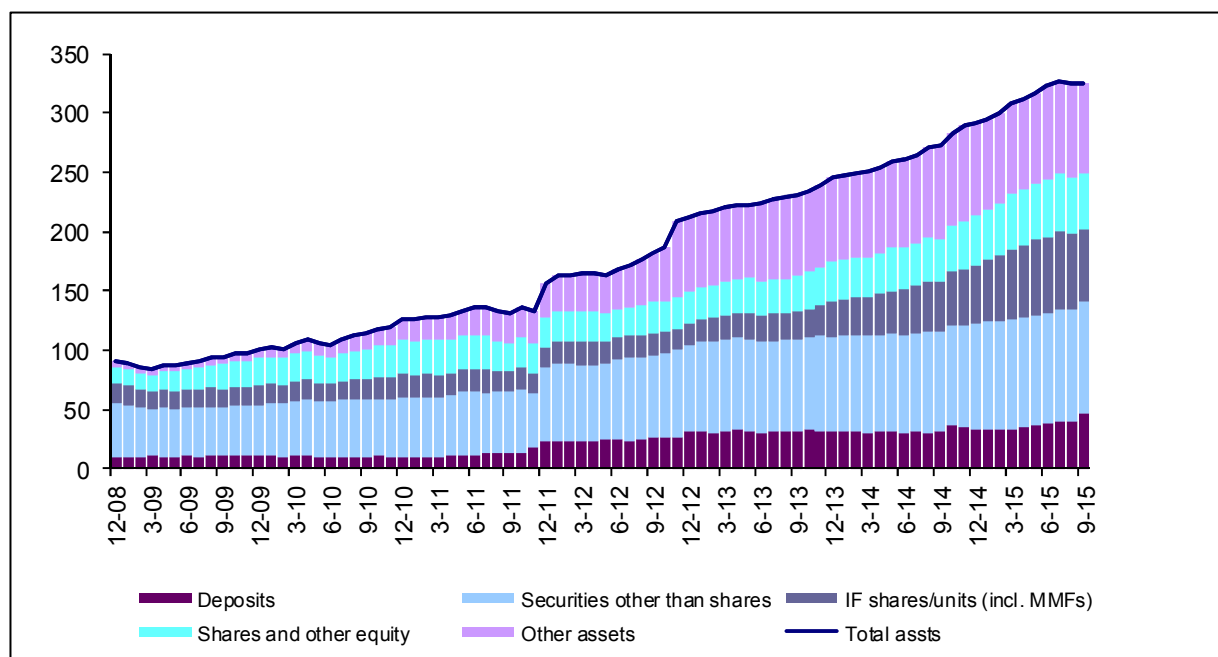
Balance sheet total – breakdown by asset items (CZK billions)

TABLE 13 – AGGREGATED BALANCE SHEET OF FINANCIAL CORPORATIONS ENGAGED IN LENDING ¹⁾

CZK billions, end of period

	2014		2015		
	September	December	March	June	September
Total Assets	350.9	354.5	348.8	339.0	339.8
(1.1) Deposits	13.4	13.4	13.9	14.2	13.2
(1.2) Loans provided	252.2	255.8	256.8	247.0	248.4
Residents	244.4	248.5	249.1	239.4	241.0
Non-residents	7.9	7.4	7.8	7.7	7.4
(1.3) Securities other than shares	1.4	1.2	1.2	1.3	1.3
(1.4) Shares and equity	4.4	4.4	4.4	5.4	5.4
Mutual fund shares/units (including MMFs)	0.0	0.0	0.0	0.0	0.0
Other shares and equity	4.4	4.4	4.4	5.4	5.4
(1.5) Other assets	79.5	79.6	72.4	71.0	71.6
Total Liabilities	350.9	354.5	348.8	339.0	339.8
(2.1) Loans taken	203.4	206.1	204.6	202.6	202.7
Residents	139.9	154.1	152.5	148.7	152.9
Non-residents	63.5	52.1	52.1	53.9	49.7
(2.2) Securities other than shares issued	4.3	7.2	8.0	4.7	3.6
(2.3) Own funds	105.7	107.2	103.0	97.4	98.7
(2.4) Other liabilities	37.6	33.9	33.4	34.3	34.9

¹⁾ Financial corporations engaged in lending - corporations classified within sector 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. 314/2013 Coll.).

Data are published by the last working day of the second month following the reference period.

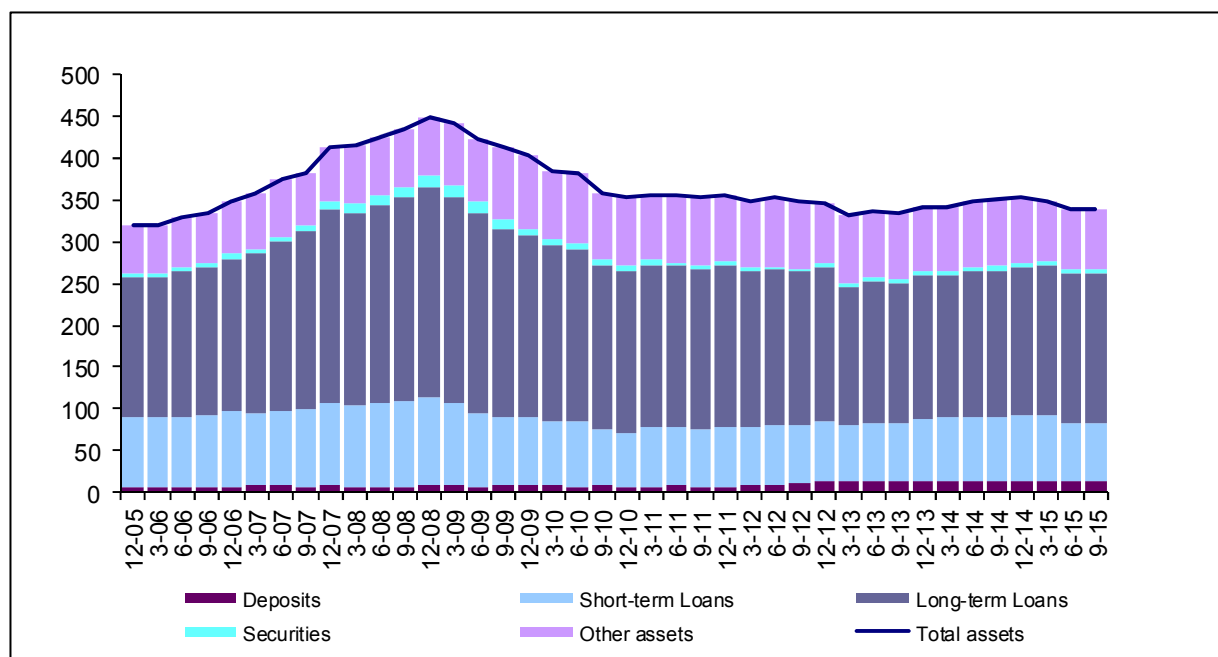
Balance sheet total – breakdown by assets items (CZK billions)

TABLE 14a – SUMMARY OF LOANS PROVIDED BY FINANCIAL CORPORATIONS ENGAGED IN LENDING¹⁾ TO RESIDENTS

CZK billions, end of period

	2014		2015		
	September	December	March	June	September
(1) Non-financial corporations	164.6	170.6	174.8	182.2	183.4
Up to 1 year	41.9	43.4	46.1	46.8	46.5
Over 1 year up to 5 years	97.9	100.6	101.0	106.5	106.5
Over 5 years	24.9	26.5	27.6	28.9	30.4
(2) Financial corporations	0.6	0.6	0.5	0.6	0.6
Up to 1 year	0.1	0.2	0.0	0.0	0.0
Over 1 year up to 5 years	0.5	0.4	0.5	0.5	0.6
Over 5 years	0.0	0.0	0.0	0.0	0.0
(3) Government	0.1	0.1	0.1	0.1	0.1
Up to 1 year	0.0	0.0	0.0	0.0	0.0
Over 1 year up to 5 years	0.1	0.1	0.1	0.1	0.1
Over 5 years	0.0	0.0	0.0	0.0	0.0
(4) Households	79.1	77.2	73.7	56.5	56.9
Up to 1 year	31.8	32.2	28.7	20.0	19.8
Over 1 year up to 5 years	33.6	32.2	31.9	30.3	30.6
Over 5 years	13.7	12.8	13.1	6.3	6.5
(5) NPISHs	0.0	0.0	0.0	0.0	0.0
Up to 1 year	0.0	0.0	0.0	0.0	0.0
Over 1 year up to 5 years	0.0	0.0	0.0	0.0	0.0
Over 5 years	0.0	0.0	0.0	0.0	0.0

¹⁾ Financial corporations engaged in lending - corporations classified within sector 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. 314/2013 Coll.).

Data are published by the last working day of the second month following the reference period.

TABLE 14b – BREAKDOWN OF LOANS PROVIDED BY FINANCIAL CORPORATIONS ENGAGED IN LENDING¹⁾ TO HOUSEHOLDS

CZK billions, end of period

	2014		2015		
	September	December	March	June	September
(1) Total	79.1	77.2	73.7	56.5	56.9
(1.1) Consumer credit	69.8	68.2	64.3	47.4	47.7
Up to 1 year	30.8	31.3	27.8	19.1	18.9
Over 1 year up to 5 years	26.6	25.3	25.1	23.5	23.8
Over 5 years	12.3	11.6	11.3	4.9	5.1
(1.2) Lending for house purchase	0.7	0.6	0.5	0.0	0.0
Up to 1 year	0.0	0.0	0.0	0.0	0.0
Over 1 year up to 5 years	0.1	0.1	0.1	0.0	0.0
Over 5 years	0.6	0.5	0.5	0.0	0.0
(1.3) Other loans	8.6	8.4	8.9	9.1	9.2
Up to 1 year	1.0	0.9	1.0	0.9	0.9
Over 1 year up to 5 years	6.9	6.8	6.7	6.8	6.8
Over 5 years	0.7	0.7	1.3	1.4	1.5

¹⁾ Financial corporations engaged in lending - corporations classified within sector 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. 314/2013 Coll.).

Data are published by the last working day of the second month following the reference period.

COMMENTARY ON THE AGGREGATED BALANCE SHEET OF INVESTMENT FUNDS (TABLE 12): SEPTEMBER 2015

Net assets value: The net assets value of investment funds was CZK 292.8 billion at the end of September. This means an increase of CZK 1.5 billion compared to August (monthly transactions accounted for CZK +4.3 billion). Compared to the same period a year earlier, the net assets value rose by CZK 50.2 billion. The biggest month-on-month change in the net assets value was recorded for bond funds, up by CZK 1.5 billion to CZK 126.2 billion.

Investment in bonds: The value of bond holdings was CZK 93.6 billion at the end of September. Compared to the previous month, the total volume of bonds dropped by CZK 1.7 billion (monthly transactions accounted for CZK -2.1 billion). The proportion of securities other than shares in the funds' net assets value decreased, to 32.0%.

Investment in equity securities: The volume of equity securities in the funds' portfolio dropped in September. As of the end of the month, the value of holdings of equity securities amounted to CZK 108.9 billion, of which CZK 60.9 billion was investment in the shares and units of investment funds (including money market funds) and CZK 48.0 billion was investment in shares and other equity. The value of equity securities decreased by CZK 2.2 billion compared to August, chiefly due to non-transaction changes.. The proportion of equity securities in the funds' net assets value fell to 37.2% compared to the previous month.

Other investment: The value of funds invested in other assets rose in the period under review. The volume of other investment was CZK 116.9 billion in September (monthly transactions accounted for CZK +7.2 billion), of which CZK 51.1 billion was fixed investment and CZK 47.3 billion investment in deposits. The proportion of other investment in the funds' net assets value showed a month-on-month increase to 39.9%.

Reporting population: At the end of September 2015, a total of 302 resident collective investment funds were active in the Czech Republic, of which 38 were equity funds, 63 bond funds, 61 mixed funds, 79 real estate funds, 59 other funds and two funds without an investment policy. Three new investment funds were established during the period under review and four investment funds ceased to exist.

COMMENTARY ON THE AGGREGATED BALANCE SHEET OF FINANCIAL CORPORATIONS ENGAGED IN LENDING (TABLES 13 AND 14): SEPTEMBER 2015

Financial corporations engaged in lending had total assets of CZK 339.8 billion as of 30/09/2015, up by CZK 0.8 billion in quarter-on-quarter terms. Compared to the same period a year earlier, total assets declined by CZK 11.0 billion.

The largest asset item was loans provided, amounting to CZK 248.4 billion, of which CZK 241.0 billion was provided to residents. Compared to the previous quarter, total loans provided rose by 0.5% in 2015 Q3. In year-on-year terms, loans decreased by 1.5% (CZK 3.8 billion).

The largest part of loans provided to residents consisted of loans to non-financial corporations, which amounted to CZK 183.4 billion, i.e. 76.1% of loans to residents. Loans provided to non-financial corporations were up by CZK 1.2 billion compared to the previous quarter. In year-on-year terms, they rose by CZK 18.7 billion (11.4%).

The second largest category of loans to residents consisted of loans to households, totalling CZK 56.9 billion. They were up by CZK 0.3 billion compared to the previous quarter. In year-on-year terms, loans provided to households fell by CZK 22.2 billion. These loans account for 23.6% of loans granted to residents.

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 constituent sub-sectors of the sector S.12 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.).

Investment funds: for the purposes of monetary and banking statistics, investment funds comprise 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 Management Companies and Investment Funds (No. 240/2013 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.

Financial corporations engaged in lending (FCLs):

Definition: FCLs mean corporations classified within sector S.125 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. 314/2013 Coll.)

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.

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 ESA2010.

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 residents institutional units except central government (S.1311) and monetary financial institutions (S.121, S.122 and S.123) under ESA2010.

Money-issuing sector: all institutional units included in the sectors of the central bank (S.121) and other monetary financial institutions (S.122 and S.123) under ESA2010.

Money-neutral sector: an institutional sector comprising the central government sector (S.1311) under ESA2010.

Money market funds: collective investment undertakings complying with all the following criteria shall be treated as MMFs, where they:

- (a) pursue the investment objective of maintaining a fund's principal and providing a return in line with the interest rates of money market instruments;
- (b) invest in money market instruments which comply with the criteria for money market instruments set out in Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (*), or deposits with credit institutions or,

alternatively, ensure that the liquidity and valuation of the portfolio in which they invest is assessed on an equivalent basis;

- (c) ensure that the money market instruments they invest in are of high quality, as determined by the management company. The quality of a money market instrument shall be considered, inter alia, on the basis of the following factors:
 - the credit quality of the money market instrument,
 - the nature of the asset class represented by the money market instrument,
 - for structured financial instruments, the operational and counterparty risk inherent within the structured financial transaction,
 - the liquidity profile;
- (d) ensure that their portfolio has a weighted average maturity (WAM) of no more than 6 months and a weighted average life (WAL) of no more than 12 months, when
 - 'weighted average maturity' (WAM) shall mean a measure of the average length of time to maturity of all of the underlying securities in the fund weighted to reflect the relative holdings in each instrument, assuming that the maturity of a floating rate instrument is the time remaining until the next interest rate reset to the money market rate, rather than the time remaining before the principal value of the security must be repaid. In practice, WAM is used to measure the sensitivity of a MMF to changing money market interest rates;
 - 'weighted average life' (WAL) shall mean the weighted average of the remaining maturity of each security held in a fund, meaning the time until the principal is repaid in full, disregarding interest and not discounting. Contrary to the calculation of the WAM, the calculation of the WAL for floating rate securities and structured financial instruments does not permit the use of interest rate reset dates and instead only uses a security's stated final maturity. WAL is used to measure the credit risk, as the longer the reimbursement of principal is postponed, the higher the credit risk. WAL is also used to limit the liquidity risk;
- (e) provide daily net asset value (NAV) and a price calculation of their shares/units, and daily subscription and redemption of shares/units;
- (f) limit investment in securities to those with a residual maturity until the legal redemption date of less than or equal to 2 years, provided that the time remaining until the next interest rate reset date is less than or equal to 397 days whereby floating rate securities should reset to a money market rate or index;
- (g) limit investment in other collective investment undertakings to those complying with the definition of MMFs;
- (h) do not take direct or indirect exposure to equity or commodities, including via derivatives and only use derivatives in line with the money market investment strategy of the fund. Derivatives which give exposure to foreign exchange may only be used for hedging purposes. Investment in non-base currency securities is allowed provided the currency exposure is fully hedged;
- (i) have either a constant or fluctuating NAV

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.124, S.125, S.126, S.127, S.128, and S.129) and households and non-profit institutions serving households (S.14 and S.15) under ESA2010.

Other financial intermediaries (OFIs): entities included in the sectors of other financial intermediaries except insurance corporations and pension funds (S. 125), financial auxiliaries (S.126), captive financial institutions and money lenders (S.127), insurance corporations (S.128), and pensions funds (S.129) under ESA2010.

Private sector: a sector comprising all institutional sectors except general government (S.13) and monetary financial institutions (S.121, S.122 and S.123) under ESA2010.

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 – funds investing mainly in shares and other equity.
2. Bond funds – funds investing mainly in securities other than shares.
3. Mixed funds – funds investing in equity and debt securities without a clear preference for either approach.
4. Real estate funds – funds investing mainly in real estate.
5. Hedge funds – funds applying more or less unlimited investment strategies in order to achieve positive absolute yields, whose managers are remunerated based on the fund's performance in addition to their salary.
6. Other funds – investment funds other than equity funds, bond funds, mixed funds, real estate funds or hedge funds.

Funds of funds and funds of qualified investors are classified under the aforementioned categories according to their investment strategies.

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:

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

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.

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

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 2015: Cost-of-borrowing Indicators

ANNEX

COST-OF-BORROWING INDICATORS

The Czech National Bank has been publishing fully harmonised MIR statistics in accordance with Regulation ECB/2013/14 since January 2004. These statistics are used in the CNB's economic and monetary analyses and are reported to the ECB on a monthly basis. Over time, it has been found that in order to estimate the effectiveness of monetary policy pass-through across euro area and EU countries, it is necessary to use an accurate and comparable measure of the borrowing costs for non-financial corporations and households in those countries, in addition to the standard MIR indicators. For this reason, the euro area countries started to publish cost-of-borrowing indicators (CBI) in 2013. The CBIs were created to assess the effectiveness of monetary policy pass-through and economic forecasts and to compare economic conditions across the euro area countries. The Czech Republic voluntarily signed up to the publication of CBIs in June 2014.

The motive for implementing the CBIs was that aggregate indicators cannot be easily compiled for MIR statistics in some cases due to inhomogeneity in the definitions of the underlying instruments. For example, overdrafts¹ are recorded in the monthly statistics on new loan contracts ("new business"), but they have a higher periodicity and different characteristics. They cannot be left out if this segment is to be fully covered. Because of the difference in definitions, however, interest rates could previously be monitored only separately for individual instruments, not in aggregate form. The CBI calculation algorithm eliminates this shortcoming for certain instruments.

Four basic categories of underlying instruments were used to calculate the CBIs: interest rates on loans provided by banks to non-financial corporations and interest rates on loans provided by banks to households for house purchase. The MIR source statistics were used in two ways to construct the CBIs. Interest rates on long-term loans provided by banks to non-financial corporations and interest rates on short-term and long-term loans provided by banks to households for house purchase were obtained directly from the MIR statistics. In the case of interest rates on long-term loans provided by banks to non-financial corporations, two additional calculations had to be performed to make this aggregate indicator applicable. This involved accounting for the importance of overdrafts an important source of financing for firms and computing an estimate of the share of long-term loans with original and residual maturity of over one year and interest rate reset in the next twelve months, as these long-term loans are akin to short-term loans.

There are eight indicators: four basic ones and four derived ones. The basic indicators provide an assessment of the costs of borrowing broken down into short-term and long-term loans to households and non-profit organisations serving household for house purchase and to non-financial corporations. These four basic CBIs are used to compile the derived CBIs – short-term CBIs, long-term CBIs, CBIs for non-financial corporations as a whole and CBIs for households and non-profit institutions serving households as a whole. The CBIs cover CZK-denominated loans.

The CBIs are compiled on the basis of the existing MFI interest rate (MIR) and balance sheet statistics. The CBIs for households and non-profit institutions serving households (HH) are calculated using loans for house purchase (new business). Consumer credit and other loans are not included as their interest rates are too volatile across countries and thus not relevant for macroeconomic projections.

¹ Overdrafts are debit balances on current accounts, revolving loans and card credit.

OVERVIEW OF DERIVED COST-OF-BORROWING INDICATORS IN THE CZECH REPUBLIC AND CYPRUS

	2014		2015					
	September		July		August		September	
	Rate (%)		Rate (%)		Rate (%)		Rate (%)	
	CZ	CY ⁵⁾	CZ	CY	CZ	CY	CZ	CY
(1) Households – total^{1).2)}	3.04	4.32	2.55	3.33	2.56	3.41	2.58	3.42
(2) Non-financial corporations – total	2.19	5.51	2.07	4.63	1.99	4.36	2.35	4.60
(3) Short-term cost of borrowing – total³⁾	2.18	3.05	2.13	3.34	2.03	3.61	2.27	3.36
(4) Long-term cost of borrowing – total⁴⁾	3.07	5.51	2.33	4.63	2.40	4.36	2.72	4.60

¹⁾ MFI interest rate statistics cover CZK-denominated loans only. The rates on outstanding amounts are the rates applied to end of period balances.

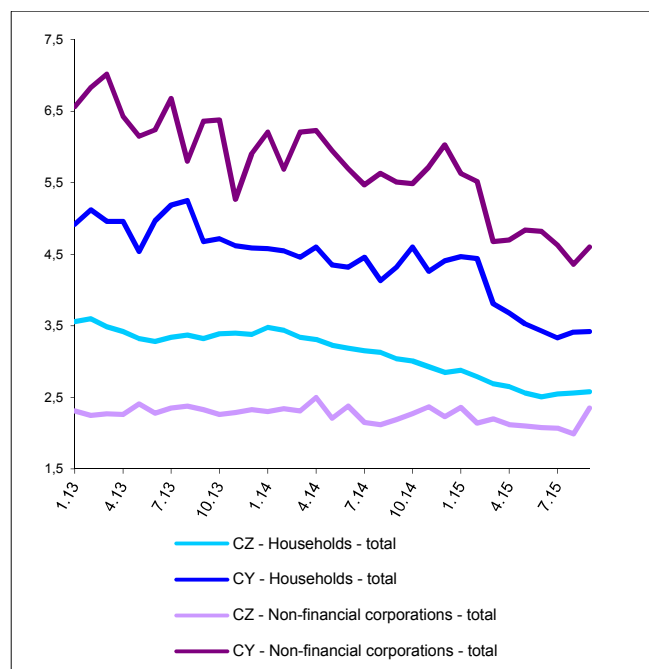
²⁾ Households comprise the household sector (S.14) and non-profit institutions serving households (S.15) under ESA2010.

³⁾ Short-term (ST) loans are loans with a floating rate or an initial rate fixation up to one year.

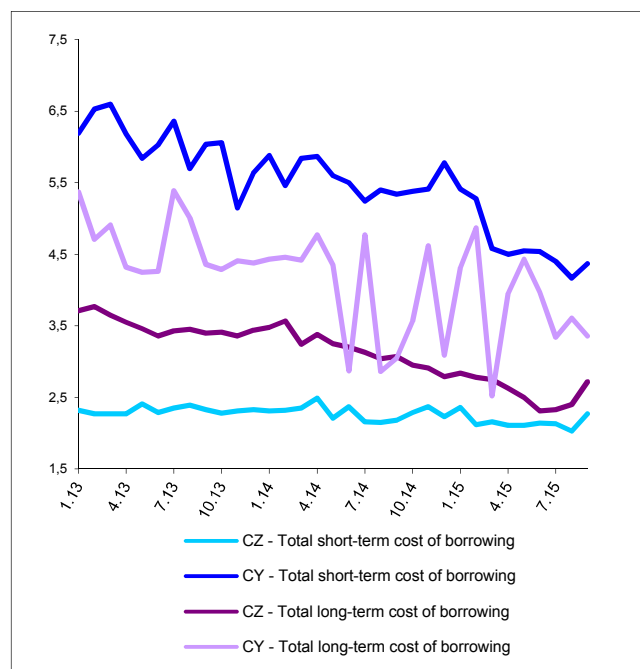
⁴⁾ Long-term (LT) loans are loans with an initial rate fixation over one year.

⁵⁾ CY = Cyprus.

Cost-of-borrowing indicators of households and non-financial corporations



Long-term and short-term cost-of-borrowing indicators



Recent developments in derived cost-of-borrowing indicators in the Czech Republic and Cyprus

The cost of borrowing changed in the order of tenths of a percentage point in both the Czech Republic and Cyprus in September. All four derived CBIs were markedly lower in the Czech Republic than in Cyprus and loans were thus less costly in the Czech Republic. The CBI for non-financial corporations recorded the largest month-on-month change in the Czech Republic, whereas in Cyprus the biggest change was seen for the short-term CBI. In year-on-year terms, all CBIs in Cyprus declined more than in the Czech Republic.

The difference between the cost of borrowing of Czech and Cypriot households was 0.84 percentage point in September. Compared to August, the total cost of borrowing of Czech households increased by 0.02 percentage point to 2.58%. In year-on-year terms, this represents a decline of 0.46 percentage point, the largest year-on-year change among all four derived CBIs in the Czech Republic in September. In Cyprus, the cost of loans to households is higher than in the Czech Republic (3.42%). This CBI in Cyprus thus increased by 0.01 percentage point month on month and declined by 0.90 percentage point year on year.

The CBI for non-financial corporations in the Czech Republic saw a month-on-month increase of 0.36 percentage point to 2.35%. The CBI for Cypriot non-financial corporations was 4.60%, i.e. 2.25 percentage point higher than in the Czech Republic. Loans to non-financial corporations in Cyprus are also more costly than in the Czech Republic. The year-on-year change in this indicator was -0.91 percentage point in Cyprus, which was, together with the change in the long-term CBI in Cyprus, the largest year-on-year change among all four derived CBIs in Cyprus. In the Czech Republic, the year-on-year change was smaller (0.16 percentage point).

The total short-term cost of borrowing, which comprises both households and non-financial corporations, rose from 2.03% in August to 2.27% in September in the Czech Republic. In contrast, in Cyprus it declined to 3.36%. In year-on-year terms, an increase was recorded in both the Czech Republic and Cyprus, with this CBI rising by 0.09 percentage point and 0.31 percentage point respectively. Again, the short-term cost of borrowing was lower in the Czech Republic than in Cyprus (the difference was 1.09 percentage points in September).

The long-term CBIs saw modest increases in the Czech Republic and Cyprus: up by 0.32 percentage point to 2.72% in the Czech Republic and up by 0.24 percentage point to 4.60% in Cyprus. The year-on-year decline in the Czech Republic was the second largest (0.35 percentage point). In September, this CBI was 1.88 percentage point higher in Cyprus than in the Czech Republic, the second largest differential among the four derived CBIs in the Czech Republic and Cyprus in September.