

## MONETARY STATISTICS – OCTOBER

2016

## CONTENT

|                                                                                                                                                                       |    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Table 1: Key interest rates                                                                                                                                           | 4  |
| Table 2: Financial market interest rates                                                                                                                              | 4  |
| Notes to tables 1-2                                                                                                                                                   | 5  |
| <b>Monetary developments</b>                                                                                                                                          |    |
| 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 |
| <b>Monetary financial institutions interest rates</b>                                                                                                                 |    |
| 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 |
| <b>Investment funds except money market funds</b>                                                                                                                     |    |
| Table 12: Aggregated balance sheet of investment funds                                                                                                                | 19 |
| <b>Financial corporations engaged in lending<br/>(financial leasing, hire purchase and provision of personal or commercial finance,<br/>factoring and forfaiting)</b> |    |
| 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 |
| <b>Annex</b>                                                                                                                                                          |    |
| <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](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<br>(financial leasing, hire purchase and provision of personal or commercial<br>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

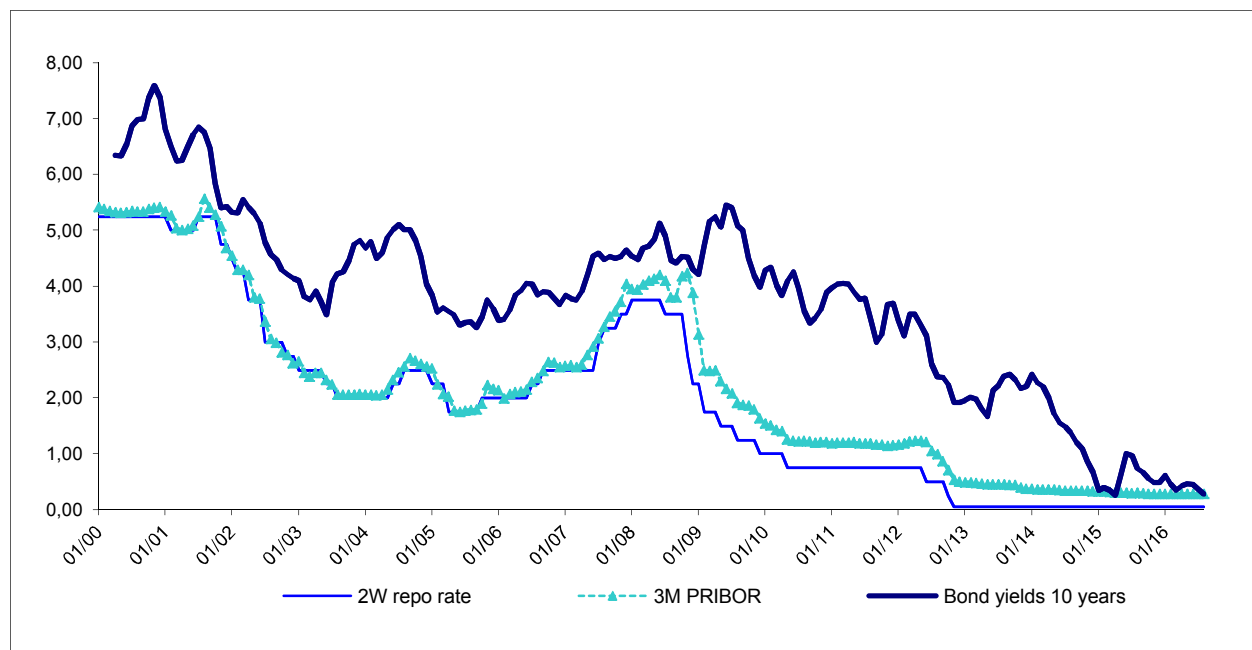
|                           | CNB                             |                                   |                                    | ECB<br>from<br>16 March 2016<br>onwards |
|---------------------------|---------------------------------|-----------------------------------|------------------------------------|-----------------------------------------|
|                           | from<br>29 June 2012<br>onwards | from<br>1 October 2012<br>onwards | from<br>2 November 2012<br>onwards |                                         |
| 2W repo rate              | 0.50                            | 0.25                              | 0.05                               | 0.00                                    |
| Deposit facility          | 0.25                            | 0.10                              | 0.05                               | -0.40                                   |
| Marginal lending facility | 1.50                            | 0.75                              | 0.25                               | 0.25                                    |

TABLE 2 – FINANCIAL MARKETS INTEREST RATES

| monthly average       | 2015<br>August |           | 2016  |           |       |           |        |           |
|-----------------------|----------------|-----------|-------|-----------|-------|-----------|--------|-----------|
|                       |                |           | June  |           | July  |           | August |           |
| Money market          |                |           |       |           |       |           |        |           |
| CZEONIA               |                |           |       |           |       |           |        |           |
| overnight             | 0.05           |           | 0.05  |           | 0.05  |           | 0.05   |           |
| PRIBOR                |                |           |       |           |       |           |        |           |
| 1 month               | 0.22           |           | 0.20  |           | 0.20  |           | 0.20   |           |
| 3 months              | 0.31           |           | 0.29  |           | 0.29  |           | 0.29   |           |
| 6 months              | 0.39           |           | 0.36  |           | 0.36  |           | 0.36   |           |
| 1 year                | 0.48           |           | 0.45  |           | 0.45  |           | 0.45   |           |
| Capital market        | CR             | Euro area | CR    | Euro area | CR    | Euro area | CR     | Euro area |
| Bond yields           |                |           |       |           |       |           |        |           |
| 2 years               | -0.07          | -0.05     | -0.05 | -0.30     | -0.13 | -0.36     | -0.22  | -0.38     |
| 5 years               | 0.20           | 0.45      | 0.05  | 0.07      | -0.02 | -0.06     | -0.09  | -0.11     |
| 10 years (Maastricht) | 0.74           | 1.39      | 0.45  | 0.88      | 0.37  | 0.62      | 0.29   | 0.61      |

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): AUGUST 2016

### 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 zero in March 2016. The ECB's Lombard rate fell by 0.05 percentage point (to 0.25%) as of the same date as the ECB's key rate. Thus, it is now the same as the CNB's Lombard rate. The ECB's discount rate decreased to a new historical low of -0.40% in March 2016, down by 0.10 percentage point from the level of -0.30% where it had stood since December 2015.

### Financial market interest rates

As in June and July, interest rates on the Czech interbank deposit market were unchanged in August 2016. The 1M PRIBOR was unchanged from September 2015 at 0.20%. At 0.29%, the 3M PRIBOR was the same as in March. The 6M PRIBOR has been flat at 0.36% since February and the 1Y PRIBOR at 0.45% since January.

The capital market saw larger changes in interest rates than the money market. All the monitored bond yields declined. The yield on the 2Y Czech bond decreased by 0.09 percentage point to -0.22%. The yield on the 5Y bond fell by 0.07 percentage point to -0.09%. The yield on the 10Y bond declined from 0.37% in July to 0.29% in August. The yield on the 2Y euro area bond decreased by 0.02 percentage point to -0.38%. The yield on the 5Y euro area bond fell by 0.05 percentage point. It stood at -0.11% in August. The yield on the 10Y bond decreased by 0.01 percentage point to 0.61%. 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 0.32 percentage point.

TABLE 3 – KEY MONETARY INDICATORS

CZK billions, unless otherwise indicated

|                                       | 2015<br>August |                     |                         | 2016    |                     |                         |         |                     |                         |         |                     |                         |
|---------------------------------------|----------------|---------------------|-------------------------|---------|---------------------|-------------------------|---------|---------------------|-------------------------|---------|---------------------|-------------------------|
|                                       |                |                     |                         | June    |                     |                         | July    |                     |                         | August  |                     |                         |
|                                       | Stocks         | Flows <sup>4)</sup> | Annual growth rates (%) | Stocks  | Flows <sup>4)</sup> | Annual growth rates (%) | Stocks  | Flows <sup>4)</sup> | Annual growth rates (%) | Stocks  | Flows <sup>4)</sup> | Annual growth rates (%) |
| M1                                    | 2 957.3        | 38.0                | 11.7                    | 3 272.7 | 10.4                | 13.4                    | 3 297.4 | 26.0                | 13.2                    | 3 331.7 | 34.4                | 12.9                    |
| M3 <sup>1)</sup>                      | 3 439.7        | 11.4                | 7.8                     | 3 708.5 | -11.7               | 9.7                     | 3 742.5 | 35.3                | 9.3                     | 3 759.9 | 17.6                | 9.5                     |
| Loans to private sector <sup>2)</sup> | 2 405.1        | 27.0                | 8.8                     | 2 544.9 | 26.3                | 9.4                     | 2 566.7 | 23.6                | 9.0                     | 2 581.9 | 15.9                | 8.4                     |
| Net foreign assets <sup>3)</sup>      | 1 392.0        | 13.5                | 4.1                     | 1 677.0 | -28.6               | 19.1                    | 1 692.4 | 15.0                | 20.6                    | 1 714.4 | 24.9                | 21.2                    |

<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 years.

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

<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 (%)

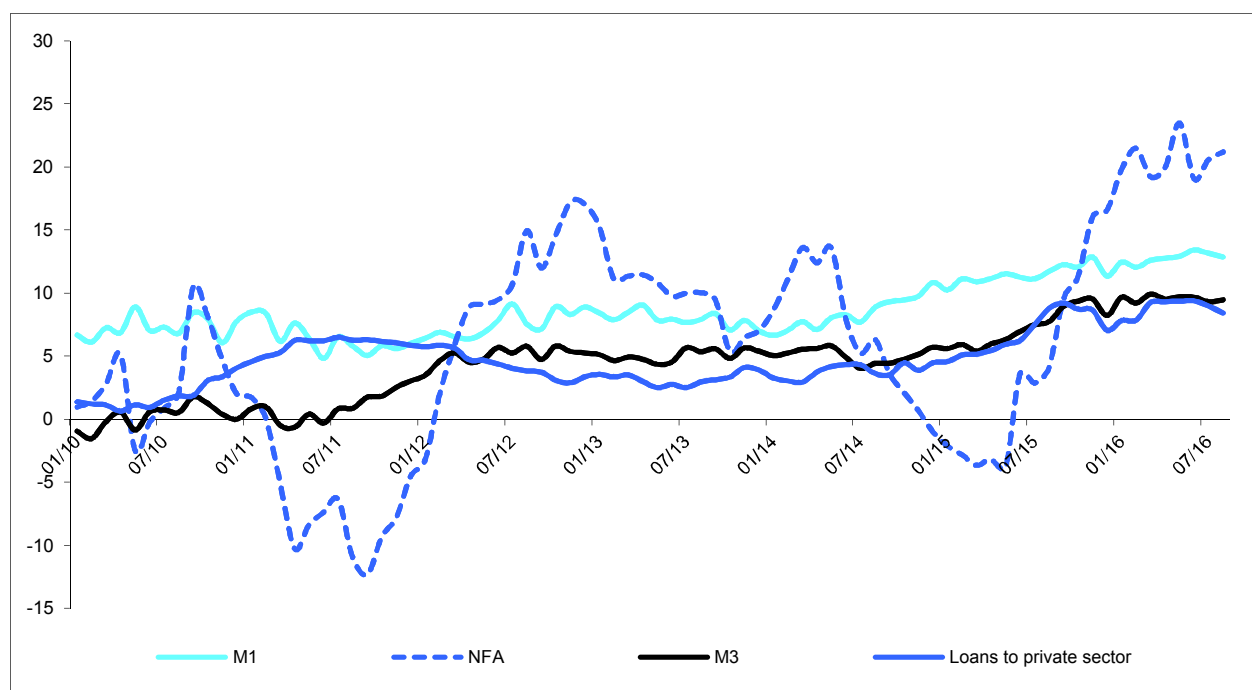


TABLE 4 – MONETARY AGGREGATES AND COUNTERPARTS

CZK billions, unless otherwise indicated

|                                                                                   | 2015    |                     |                         | 2016    |                     |                         |         |                     |                         |         |                     |                         |
|-----------------------------------------------------------------------------------|---------|---------------------|-------------------------|---------|---------------------|-------------------------|---------|---------------------|-------------------------|---------|---------------------|-------------------------|
|                                                                                   | August  |                     |                         | June    |                     |                         | July    |                     |                         | August  |                     |                         |
|                                                                                   | Stocks  | Flows <sup>1)</sup> | Annual growth rates (%) | Stocks  | Flows <sup>1)</sup> | Annual growth rates (%) | Stocks  | Flows <sup>1)</sup> | Annual growth rates (%) | Stocks  | Flows <sup>1)</sup> | Annual growth rates (%) |
| <b>COMPONENTS OF M3</b>                                                           |         |                     |                         |         |                     |                         |         |                     |                         |         |                     |                         |
| (1) <b>M3</b> (items 1.3, 1.6 and 1.11)                                           | 3 439.7 | 11.4                | 7.8                     | 3 708.5 | -11.7               | 9.7                     | 3 742.5 | 35.3                | 9.3                     | 3 759.9 | 17.6                | 9.5                     |
| (1.1) Currency in circulation                                                     | 452.8   | 2.5                 | 7.8                     | 489.0   | 7.2                 | 9.1                     | 490.8   | 1.8                 | 9.0                     | 490.0   | -0.8                | 8.2                     |
| (1.2) Overnight deposits                                                          | 2 504.5 | 35.5                | 12.5                    | 2 783.7 | 3.2                 | 14.2                    | 2 806.6 | 24.1                | 13.9                    | 2 841.6 | 35.1                | 13.7                    |
| (1.3) <b>M1</b> (items 1.1 and 1.2)                                               | 2 957.3 | 38.0                | 11.7                    | 3 272.7 | 10.4                | 13.4                    | 3 297.4 | 26.0                | 13.2                    | 3 331.7 | 34.4                | 12.9                    |
| (1.4) Deposits with agreed maturity up to 2Y                                      | 213.6   | -20.4               | -4.2                    | 180.6   | -16.2               | -16.4                   | 196.1   | 15.6                | -16.3                   | 185.4   | -10.7               | -13.3                   |
| (1.5) Deposits redeemable at notice up to 3M                                      | 259.3   | -5.0                | -13.4                   | 236.8   | -8.2                | -12.1                   | 232.2   | -4.6                | -12.1                   | 228.1   | -4.1                | -12.0                   |
| (1.6) Other short term deposits (1.4 and 1.5)                                     | 472.9   | -25.4               | -9.5                    | 417.4   | -24.4               | -14.0                   | 428.2   | 11.0                | -14.1                   | 413.4   | -14.8               | -12.6                   |
| (1.7) <b>M2</b> (items 1.3 and 1.6)                                               | 3 430.2 | 12.6                | 8.3                     | 3 690.1 | -14.1               | 9.5                     | 3 725.6 | 36.9                | 9.2                     | 3 745.1 | 19.6                | 9.4                     |
| (1.8) Repurchase agreements <sup>2)</sup>                                         | 8.8     | -1.1                | -                       | 17.1    | 2.4                 | -                       | 15.4    | -1.6                | -                       | 13.5    | -2.0                | -                       |
| (1.9) Money market fund shares/units <sup>2)</sup>                                | 0.7     | -0.1                | -                       | 0.7     | -0.1                | -                       | 0.7     | 0.0                 | -                       | 0.7     | 0.0                 | -                       |
| (1.10) Debt securities issued with maturity up to 2Y <sup>2)</sup>                | 0.0     | 0.0                 | -                       | 0.7     | 0.0                 | -                       | 0.7     | 0.0                 | -                       | 0.7     | 0.0                 | -                       |
| (1.11) Marketable instruments (items 1.8, 1.9 and 1.10)                           | 9.6     | -1.2                | -48.6                   | 18.4    | 2.3                 | 78.9                    | 16.8    | -1.6                | 56.3                    | 14.8    | -2.0                | 55.4                    |
| <b>COUNTERPARTS OF M3</b>                                                         |         |                     |                         |         |                     |                         |         |                     |                         |         |                     |                         |
| <b>MFI liabilities</b>                                                            |         |                     |                         |         |                     |                         |         |                     |                         |         |                     |                         |
| (2) Holdings deposits against central government                                  | 252.8   | 27.3                | -10.3                   | 244.5   | 8.3                 | 11.6                    | 249.3   | 4.9                 | 7.7                     | 257.1   | 7.8                 | -0.9                    |
| (3) Longer-term fin. deposits against other residents (items 3.1 to 3.4)          | 1 004.3 | -1.1                | 2.1                     | 1 030.4 | 4.5                 | 2.6                     | 1 037.2 | 6.6                 | 3.5                     | 1 044.9 | 10.0                | 4.6                     |
| (3.1) Deposits with agreed maturity over 2Y                                       | 236.6   | -1.4                | -2.2                    | 229.7   | -0.1                | -3.3                    | 230.8   | 1.1                 | -3.0                    | 230.7   | -0.1                | -2.5                    |
| (3.2) Deposits redeemable at notice over 3M                                       | 33.0    | -0.1                | -8.5                    | 28.9    | -0.1                | -13.0                   | 28.8    | -0.1                | -13.0                   | 28.6    | -0.2                | -13.2                   |
| (3.3) Debt securities issued with maturity over 2Y                                | 128.9   | 0.2                 | 21.2                    | 121.3   | -8.1                | -9.9                    | 124.7   | 3.5                 | -7.3                    | 123.5   | -1.3                | -8.4                    |
| (3.4) Capital and reserves                                                        | 605.9   | 0.2                 | 1.4                     | 650.6   | 12.9                | 8.4                     | 653.0   | 2.1                 | 9.3                     | 662.1   | 11.6                | 11.2                    |
| <b>MFI assets</b>                                                                 |         |                     |                         |         |                     |                         |         |                     |                         |         |                     |                         |
| (4) Credit to residents (items 4.1 and 4.2)                                       | 3 293.2 | 27.9                | 6.2                     | 3 307.9 | 11.5                | 2.9                     | 3 324.6 | 18.2                | 2.6                     | 3 326.7 | 1.8                 | 1.8                     |
| (4.1) Credit to general government                                                | 810.9   | 3.2                 | -1.3                    | 688.9   | -14.0               | -15.7                   | 684.1   | -5.1                | -15.9                   | 670.7   | -14.4               | -18.0                   |
| (4.2) Credit to private sector                                                    | 2 482.3 | 24.7                | 8.9                     | 2 619.0 | 25.5                | 9.2                     | 2 640.4 | 23.3                | 8.7                     | 2 656.0 | 16.1                | 8.3                     |
| (5) Net foreign assets                                                            | 1 392.0 | 13.5                | 4.1                     | 1 677.0 | -28.6               | 19.1                    | 1 692.4 | 15.0                | 20.6                    | 1 714.4 | 24.9                | 21.2                    |
| (6) Other counterparts of M3 (residual) (=M3+items 2,3 - items 4,5) <sup>2)</sup> | 11.6    | -3.8                | -                       | -1.5    | 18.2                | -                       | 12.1    | 13.7                | -                       | 20.9    | 8.8                 | -                       |

<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.

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

TABLE 5 – SECTOR BREAKDOWN OF COMPONENTS OF M3

CZK billions

|                                                      | 2015    |                     | 2016    |                     |         |                     |         |                     |
|------------------------------------------------------|---------|---------------------|---------|---------------------|---------|---------------------|---------|---------------------|
|                                                      | August  |                     | June    |                     | July    |                     | August  |                     |
|                                                      | Stocks  | Flows <sup>1)</sup> | Stocks  | Flows <sup>1)</sup> | Stocks  | Flows <sup>1)</sup> | Stocks  | Flows <sup>1)</sup> |
| (1) <b>Overnight deposits</b>                        | 2 504.5 | 35.5                | 2 783.7 | 3.2                 | 2 806.6 | 24.1                | 2 841.6 | 35.1                |
| (1.1) Other general government                       | 166.8   | 1.4                 | 204.0   | 8.8                 | 210.6   | 6.6                 | 206.4   | -4.2                |
| (1.2) Other financial intermediaries <sup>2)</sup>   | 62.0    | 7.1                 | 75.9    | -5.1                | 76.6    | 0.8                 | 75.4    | -1.3                |
| (1.3) Insurance corporations and pension funds       | 19.8    | 3.9                 | 36.6    | -6.2                | 35.7    | -0.9                | 38.5    | 2.8                 |
| (1.4) Non-financial corporations                     | 786.4   | 12.8                | 826.7   | -20.3               | 823.5   | -2.4                | 851.2   | 27.8                |
| (1.5) Households <sup>3)</sup>                       | 1 469.4 | 10.3                | 1 640.6 | 26.0                | 1 660.2 | 19.9                | 1 670.2 | 10.1                |
| (2) <b>M2 - M1 (other short-term deposits)</b>       | 472.9   | -25.4               | 417.4   | -24.4               | 428.2   | 11.0                | 413.4   | -14.8               |
| (2.1) Other general government                       | 28.7    | 1.2                 | 31.2    | 0.0                 | 32.5    | 1.3                 | 30.6    | -1.9                |
| (2.2) Other financial intermediaries <sup>2)</sup>   | 37.6    | -0.3                | 33.6    | 2.5                 | 35.1    | 1.5                 | 39.2    | 4.1                 |
| (2.3) Insurance corporations and pension funds       | 13.6    | -3.8                | 12.8    | 0.1                 | 14.8    | 2.0                 | 11.5    | -3.3                |
| (2.4) Non-financial corporations                     | 81.5    | -17.5               | 54.5    | -18.1               | 65.7    | 11.2                | 56.3    | -9.4                |
| (2.5) Households <sup>3)</sup>                       | 311.4   | -5.1                | 285.3   | -8.9                | 280.1   | -5.1                | 275.8   | -4.3                |
| (3) <b>Repurchase agreements (a part of M3 - M2)</b> | 8.8     | -1.1                | 17.1    | 2.4                 | 15.4    | -1.6                | 13.5    | -2.0                |

<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.

<sup>2)</sup> 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).

<sup>3)</sup> 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 (%)

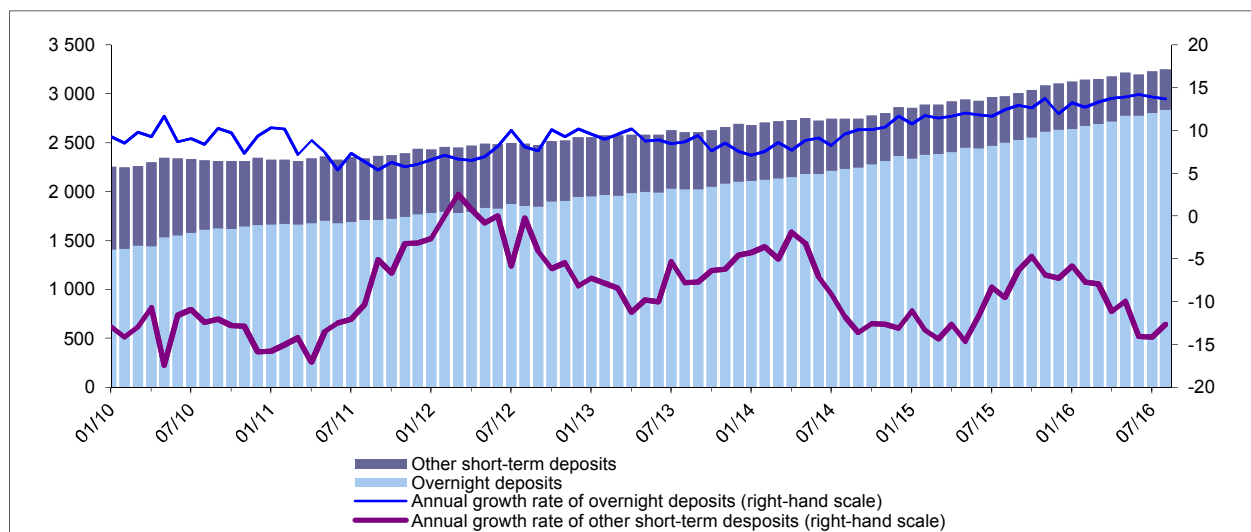


TABLE 6 – LOANS TO PRIVATE SECTOR

CZK billions

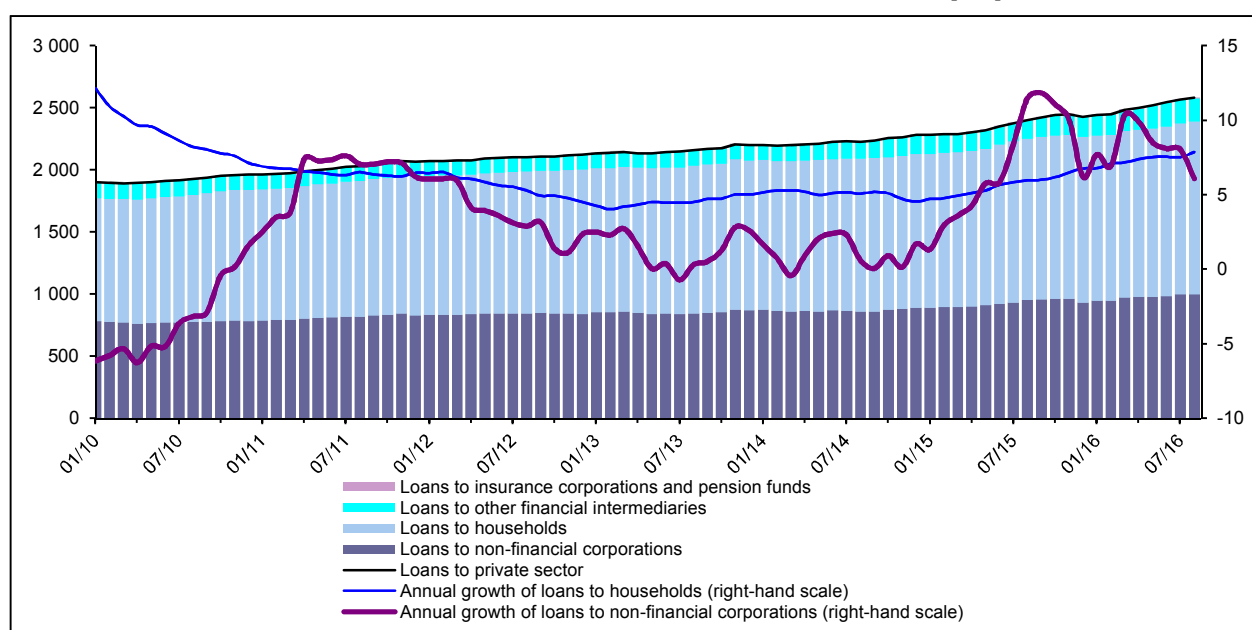
|                                                                 | 2015    |                     | 2016    |                     |         |                     |         |                     |
|-----------------------------------------------------------------|---------|---------------------|---------|---------------------|---------|---------------------|---------|---------------------|
|                                                                 | August  |                     | June    |                     | July    |                     | August  |                     |
|                                                                 | Stocks  | Flows <sup>1)</sup> | Stocks  | Flows <sup>1)</sup> | Stocks  | Flows <sup>1)</sup> | Stocks  | Flows <sup>1)</sup> |
| (1) <b>Loans to non-financial corporations</b>                  | 954.5   | 20.0                | 983.8   | 5.1                 | 999.3   | 16.8                | 1 002.1 | 2.9                 |
| (1.1) up to 1 year                                              | 271.6   | -1.4                | 253.8   | 2.4                 | 256.9   | 3.5                 | 258.2   | 1.4                 |
| (1.2) over 1 year and up to 5 years                             | 172.3   | 8.9                 | 186.5   | 0.9                 | 189.1   | 3.0                 | 188.1   | -0.9                |
| (1.3) over 5 years                                              | 510.6   | 12.5                | 543.6   | 1.8                 | 553.4   | 10.3                | 555.8   | 2.4                 |
| (2) <b>Loans to households<sup>2)</sup></b>                     | 1 300.8 | 6.2                 | 1 368.6 | 12.2                | 1 377.5 | 9.1                 | 1 388.0 | 11.0                |
| (2.1) Consumer credit                                           | 212.0   | 0.2                 | 215.5   | 1.9                 | 216.4   | 1.1                 | 217.4   | 1.4                 |
| (2.2) Lending for house purchase                                | 949.5   | 6.0                 | 1 011.0 | 9.2                 | 1 017.8 | 6.9                 | 1 026.6 | 9.0                 |
| (2.3) Other lending                                             | 139.3   | 0.0                 | 142.2   | 1.1                 | 143.3   | 1.1                 | 143.9   | 0.6                 |
| (3) <b>Loans to other financial intermediaries<sup>3)</sup></b> | 149.8   | 0.7                 | 190.2   | 8.9                 | 189.0   | -1.0                | 189.8   | 0.8                 |
| (4) <b>Loans to insurance corporations and pension funds</b>    | 0.0     | 0.0                 | 2.3     | 0.0                 | 1.0     | -1.3                | 2.1     | 1.1                 |

<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.

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

<sup>3)</sup> 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).

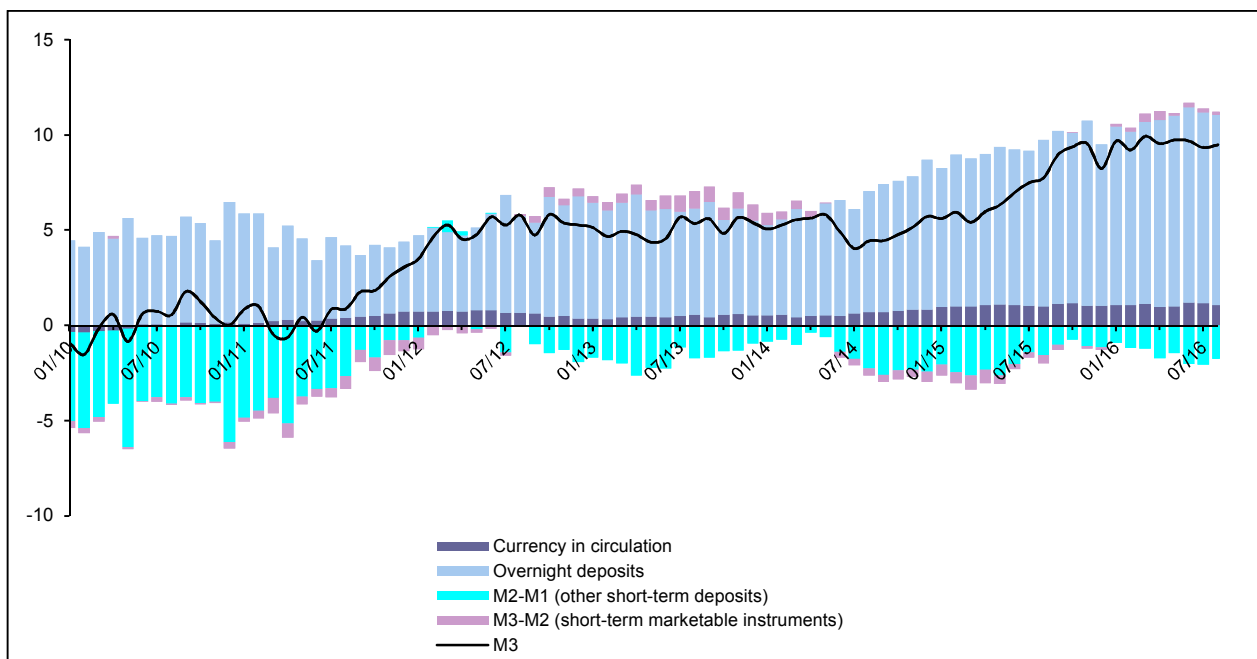
### Loans to private sector (CZK billions) and annual growth of loans to non-financial institutions and households (%)



**TABLE 7 - CONTRIBUTIONS TO ANNUAL GROWTH<sup>1)</sup> OF M3**

|                                               | 2015<br>August | 2016     |          |          |
|-----------------------------------------------|----------------|----------|----------|----------|
|                                               |                | June     | July     | August   |
|                                               | % points       | % points | % points | % points |
| M1                                            | 9.7            | 11.5     | 11.2     | 11.1     |
| of which: Currency                            | 1.0            | 1.2      | 1.2      | 1.1      |
| Overnight deposits                            | 8.7            | 10.3     | 10.0     | 10.0     |
| M2 - M1 (= other short-term deposits)         | -1.5           | -2.0     | -2.0     | -1.7     |
| M3 - M2 (= short-term marketable instruments) | -0.4           | 0.2      | 0.2      | 0.2      |
| M3                                            | 7.8            | 9.7      | 9.3      | 9.5      |

<sup>1)</sup> 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 <sup>1)</sup> OF LOANS TO PRIVATE SECTOR**

|                                              | 2015<br>August | 2016     |          |          |
|----------------------------------------------|----------------|----------|----------|----------|
|                                              |                | June     | July     | August   |
|                                              | % points       | % points | % points | % points |
| Non-financial corporations                   | 4.5            | 3.2      | 3.2      | 2.4      |
| Households <sup>2)</sup>                     | 3.3            | 4.1      | 4.1      | 4.3      |
| Other financial intermediaries <sup>3)</sup> | 1.1            | 2.0      | 1.7      | 1.7      |
| Insurance corporations and pension funds     | 0.0            | 0.1      | 0.0      | 0.1      |
| Loans to private sector <sup>4)</sup>        | 8.8            | 9.4      | 9.0      | 8.4      |

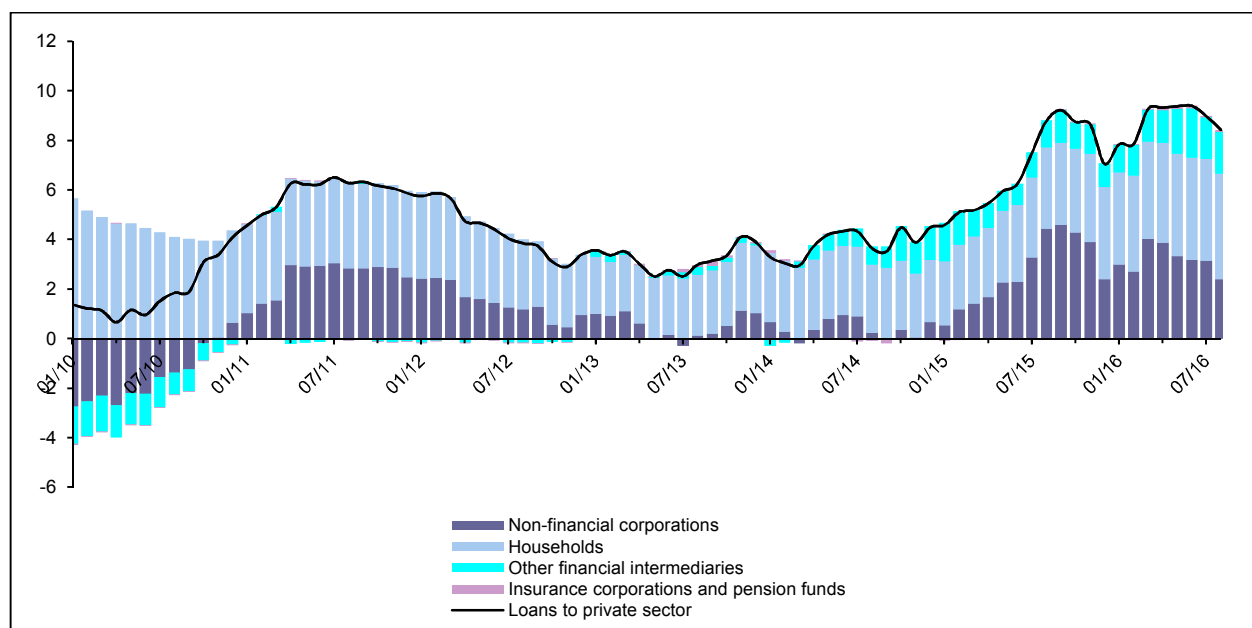
<sup>1)</sup> Contributions to growth are the growth rates of lending weighted by the share in total lending to private sector.

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

<sup>3)</sup> 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).

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

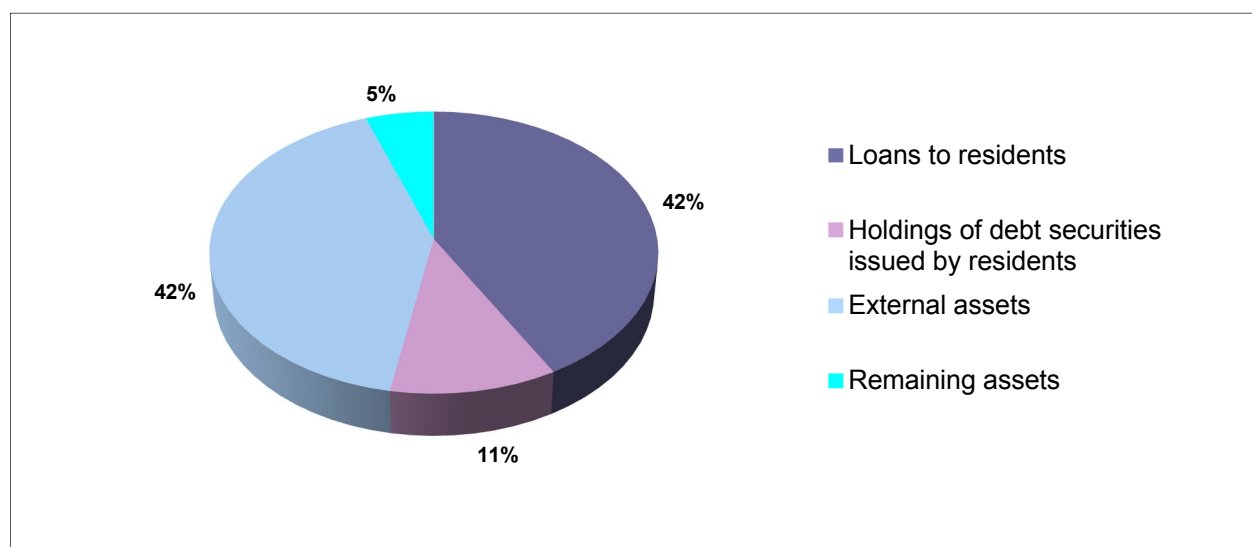
### Contributions to annual growth of loans to private sector (%)



**TABLE 9a - BALANCE SHEETS OF MONETARY FINANCIAL INSTITUTIONS BY REPORTING INSTITUTIONS (ASSETS): AUGUST 2016**

CZK billions

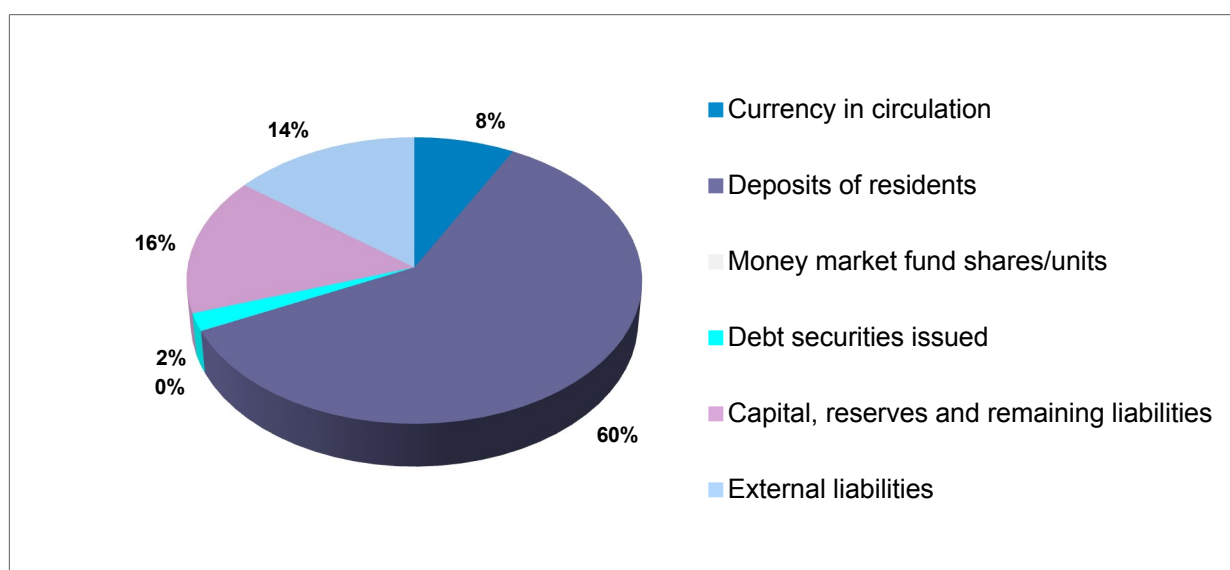
|                                                                    | Monetary financial institutions |                                       | Consolidated balance sheet of MFIs |
|--------------------------------------------------------------------|---------------------------------|---------------------------------------|------------------------------------|
|                                                                    | CNB                             | Other monetary financial institutions |                                    |
| (1) ASSETS TOTAL                                                   | 1 930.2                         | 5 983.0                               | 6 294.4                            |
| (1.1) Loans to residents                                           | 2.6                             | 3 861.8                               | 2 633.2                            |
| MFI                                                                | 0.2                             | 1 231.0                               | -                                  |
| General government                                                 | 0.0                             | 51.3                                  | 51.3                               |
| Other residents                                                    | 2.5                             | 2 579.4                               | 2 581.9                            |
| (1.2) Holdings of securities other than shares issued by residents | 0.0                             | 951.5                                 | 637.1                              |
| MFI                                                                | 0.0                             | 314.3                                 | -                                  |
| General government                                                 | 0.0                             | 619.4                                 | 619.4                              |
| Other residents                                                    | 0.0                             | 17.7                                  | 17.7                               |
| (1.3) Money market fund shares/units                               | 0.0                             | 0.0                                   | -                                  |
| Holdings of shares/other equity issued by residents                | 0.0                             | 96.0                                  | 56.3                               |
| MFI                                                                | 0.0                             | 39.7                                  | -                                  |
| Other residents                                                    | 0.0                             | 56.3                                  | 56.3                               |
| (1.5) External assets                                              | 1 915.5                         | 713.1                                 | 2 628.6                            |
| (1.6) Fixed assets                                                 | 10.9                            | 124.4                                 | 135.3                              |
| (1.7) Remaining assets                                             | 1.1                             | 236.2                                 | 203.8                              |

**Consolidated balance sheet of MFIs – assets**

**TABLE 9b - BALANCE SHEETS OF MONETARY FINANCIAL INSTITUTIONS BY REPORTING INSTITUTIONS (LIABILITIES): AUGUST 2016**

CZK billions

|                                          | Monetary financial institutions |                                       | Consolidated balance sheet of MFIs |
|------------------------------------------|---------------------------------|---------------------------------------|------------------------------------|
|                                          | CNB                             | Other monetary financial institutions |                                    |
| (2) LIABILITIES TOTAL                    | 1 930.2                         | 5 983.0                               | 6 294.4                            |
| (2.1) Currency in circulation            | 523.6                           | -                                     | 490.0                              |
| (2.2) Deposits of residents              | 1 265.7                         | 3 750.4                               | 3 784.9                            |
| MFI                                      | 1 138.3                         | 92.9                                  | -                                  |
| Central government                       | 126.2                           | 130.9                                 | 257.1                              |
| Other general government/other residents | 1.2                             | 3 526.5                               | 3 527.7                            |
| (2.3) Money market fund shares/units     | -                               | 0.7                                   | 0.7                                |
| (2.4) Debt securities issued             | 0.0                             | 438.6                                 | 124.2                              |
| (2.5) Capital and reserves               | 34.3                            | 667.6                                 | 662.1                              |
| (2.6) External liabilities               | 74.4                            | 839.8                                 | 914.2                              |
| (2.7) Remaining liabilities              | 32.2                            | 286.0                                 | 318.2                              |
| (2.8) Excess of inter MFI liabilities    | -                               | -                                     | 0.0                                |

**Consolidated balance sheet of MFIs - liabilities**

## COMMENTARY ON MONETARY DEVELOPMENTS STATISTICS<sup>1)</sup> (TABLES 3-9): AUGUST 2016

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. The upward trend observed since April 2015 halted in December and the annual growth rate declined to 8.2% (from 9.6% in November 2015). It stood again above 9% in all months of 2016 (9.5% in August).

As a result of financial transactions, M3 rose by CZK 17.6 billion month on month (and by CZK 326.4 billion year on year), reaching CZK 3,759.9 billion.

### Main components of M3

The increase in the annual growth rate of M3 from 9.3% in July to 9.5% in August was due to a higher contribution of other short-term deposits (up from -2.0 percentage points in July to -1.7 percentage points). The 0.1 percentage point decline in currency in circulation was affected by the contribution of M1, which dropped from 11.2 percentage points in July to 11.1 percentage points in August. (Table 7)

The decrease in the annual growth rate of currency in circulation from 9.0% in July to 8.2% in August and overnight deposits from 13.9% in July to 13.7% in August was reflected in a decline in the annual growth rate of M1 to 12.9% (from 13.2% in July). Overnight deposits rose by CZK 35.1 billion month on month, due to financial transactions. Within overnight deposits, increases were recorded for deposits of insurance corporations and pension funds (up by 7.9%, or CZK 2.8 billion), non-financial corporations (up by 3.4%, or CZK 27.8 billion), and households (up by 0.6%, or CZK 10.1 billion). By contrast, deposits of other government and other financial intermediaries increased (by 2.0%, or CZK 4.2 billion, and by 1.7%, or CZK 1.3 billion respectively).

Currency in circulation decreased by 0.2% month on month, amounting to CZK 490.0 billion (CZK 490.8 billion in July).

Other short-term deposits (excluding overnight deposits) fell by CZK 14.8 billion (or 3.5%) month on month, due to financial transactions. The annual rate of growth of these deposits rose to -12.6% (-14.1% in July). The annual rate of growth of deposits with agreed maturity of up to two years increased by 3.0 percentage points compared to the previous month, reaching -13.3%. The annual growth rate of deposits redeemable at notice of up to 3 months rose to -12.0% (-12.1% in July). As regards other short-term deposits, decreases were recorded for deposits of insurance corporations and pension funds (down by 22.5%, or CZK 3.3 billion), deposits of non-financial corporations (down by 14.3%, or CZK 9.4 billion), deposits of other government (down by 5.9%, or CZK 1.9 billion) and deposits of households (down by 1.5%, or CZK 4.3 billion). By contrast, deposits of other financial intermediaries saw an increase (up by 11.6%, or CZK 4.1 billion).

Marketable instruments, which consist of repos, money market fund shares/units and debt securities with maturities of up to two years, decreased by 11.7% month on month due to financial transactions, to CZK 14.8 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 8.4 % in August 2016. 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 11.8% in September 2015. Following a decline in 2015 Q4 and a subsequent rise in 2016 Q1, it has been decreasing again since April 2016, to 6.1% in August 2016. 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%). Later this growth rate fluctuated around 5%. An upward trend returned in January 2015, and the annual growth rate of loans to households reached 7.9% in August 2016.

The annual growth rate of loans provided to general government and purchased securities fell from -15.9% in July to -18.0% in August. The annual growth rate of net external assets rose to 21.2% at the end of August (from 20.6 % in July). The annual rate of growth of longer-term financial liabilities increased from 3.5% in July to 4.6% in August. The annual growth rate of deposits of central government declined to -0.9 % in August (from 7.7% in July).

<sup>1)</sup> 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 BUSINESS<sup>1)</sup>

|                                                                          | 2015                      |                          | 2016                      |                          |                           |                          |                           |                          |
|--------------------------------------------------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
|                                                                          | August                    |                          | June                      |                          | July                      |                          | August                    |                          |
|                                                                          | Interest rate<br>(% p.a.) | Volume<br>(CZK billions) | Interest rate<br>(% p.a.) | Volume<br>(CZK billions) | Interest rate<br>(% p.a.) | Volume<br>(CZK billions) | Interest rate<br>(% p.a.) | Volume<br>(CZK billions) |
| <b>(1) Deposits from households<sup>2)</sup></b>                         |                           |                          |                           |                          |                           |                          |                           |                          |
| (1.1) Overnight <sup>3)</sup>                                            | 0.24                      | 1 401.7                  | 0.15                      | 1 565.9                  | 0.14                      | 1 585.0                  | 0.14                      | 1 593.3                  |
| of which: current accounts                                               | 0.12                      | 846.3                    | 0.07                      | 965.9                    | 0.06                      | 978.3                    | 0.06                      | 985.6                    |
| (1.2) With agreed maturity                                               | 1.47                      | 4.3                      | 1.27                      | 5.0                      | 0.80                      | 3.7                      | 1.03                      | 4.4                      |
| of which: Up to 2 years                                                  | 1.40                      | 3.8                      | 1.26                      | 4.4                      | 0.76                      | 3.2                      | 1.04                      | 4.0                      |
| (1.3) Redeemable at notice <sup>3), 4)</sup>                             | 1.31                      | 285.9                    | 1.08                      | 259.6                    | 1.07                      | 254.9                    | 1.06                      | 251.4                    |
| (1.3.1) Up to 3 months' notice                                           | 1.44                      | 253.4                    | 1.19                      | 231.1                    | 1.18                      | 226.5                    | 1.18                      | 223.1                    |
| (1.3.2) Over 3 months' notice                                            | 0.27                      | 32.5                     | 0.18                      | 28.5                     | 0.18                      | 28.4                     | 0.18                      | 28.2                     |
| <b>(2) Deposits from non-financial corporat.</b>                         |                           |                          |                           |                          |                           |                          |                           |                          |
| (2.1) Overnight <sup>3)</sup>                                            | 0.11                      | 581.5                    | 0.06                      | 623.1                    | 0.06                      | 613.9                    | 0.05                      | 634.8                    |
| (2.2) With agreed maturity                                               | 0.23                      | 14.0                     | 0.08                      | 8.5                      | 0.04                      | 27.3                     | 0.11                      | 15.8                     |
| of which: Up to 1 year                                                   | 0.23                      | 13.4                     | 0.08                      | 8.5                      | 0.04                      | 27.0                     | 0.11                      | 15.6                     |
| <b>(3) Loans to households<sup>2)</sup></b>                              |                           |                          |                           |                          |                           |                          |                           |                          |
| (3.1) Consumer. house pur. and other loans                               | 4.36                      | 34.0                     | 3.94                      | 49.3                     | 4.40                      | 35.4                     | 4.20                      | 40.6                     |
| (3.1.1) Consumer credit                                                  | 12.61                     | 6.0                      | 10.68                     | 9.5                      | 11.06                     | 8.2                      | 10.62                     | 9.2                      |
| (3.1.2) Lending for house purchase                                       | 2.55                      | 24.9                     | 2.25                      | 35.1                     | 2.29                      | 24.0                     | 2.23                      | 28.1                     |
| of which: Mortgage lending <sup>5)</sup>                                 | 2.29                      | 18.6                     | 2.05                      | 27.9                     | 2.07                      | 21.1                     | 2.01                      | 24.4                     |
| Saving for building purposes                                             | 3.95                      | 3.2                      | 4.08                      | 2.7                      | 4.12                      | 1.9                      | 3.95                      | 2.4                      |
| (3.1.3) Other lending                                                    | 3.02                      | 3.2                      | 2.93                      | 4.6                      | 3.03                      | 3.2                      | 3.12                      | 3.4                      |
| (3.2) Overdraft <sup>6)</sup> and revolving loans <sup>3)</sup>          | 14.04                     | 22.7                     | 13.73                     | 23.1                     | 13.48                     | 23.9                     | 13.70                     | 23.9                     |
| (3.3) Credit cards <sup>3)</sup>                                         | 20.47                     | 29.9                     | 21.29                     | 25.9                     | 20.81                     | 25.9                     | 20.48                     | 25.7                     |
| <b>(4) Loans to non-financial corporations</b>                           |                           |                          |                           |                          |                           |                          |                           |                          |
| (4.1) Total loans (all size categories)                                  | 1.82                      | 44.2                     | 2.12                      | 47.8                     | 1.93                      | 43.6                     | 1.58                      | 38.1                     |
| (4.1.1) Up to CZK 7.5 million                                            | 3.30                      | 2.6                      | 3.26                      | 4.7                      | 3.02                      | 2.9                      | 3.20                      | 3.0                      |
| of which: Up to 3 months rate fixation <sup>7)</sup>                     | 3.05                      | 1.7                      | 2.77                      | 2.3                      | 2.86                      | 1.7                      | 2.99                      | 1.8                      |
| (4.1.2) CZK 7.5-30 million                                               | 2.13                      | 4.8                      | 2.04                      | 6.7                      | 1.98                      | 4.7                      | 1.97                      | 5.3                      |
| of which: Up to 3 months rate fixation <sup>7)</sup>                     | 2.05                      | 3.7                      | 1.82                      | 4.1                      | 1.79                      | 2.8                      | 1.85                      | 3.7                      |
| (4.1.3) Over to CZK 30 million                                           | 1.68                      | 36.8                     | 1.99                      | 36.4                     | 1.83                      | 36.0                     | 1.35                      | 29.8                     |
| of which: Up to 3 months rate fixation <sup>7)</sup>                     | 1.70                      | 27.2                     | 1.99                      | 25.4                     | 1.69                      | 24.8                     | 1.29                      | 24.4                     |
| (4.2) Overdraft <sup>6)</sup> , revolving and credit cards <sup>3)</sup> | 2.34                      | 230.9                    | 2.36                      | 212.7                    | 2.27                      | 216.4                    | 2.28                      | 215.9                    |
| <b>(5) APRC<sup>8)</sup> on loans to households<sup>2)</sup></b>         | 4.75                      | 30.8                     | 4.26                      | 44.7                     | 4.76                      | 32.3                     | 4.52                      | 37.2                     |
| (5.1) Consumer credit                                                    | 13.31                     | 6.0                      | 11.21                     | 9.5                      | 11.54                     | 8.2                      | 11.10                     | 9.2                      |
| (5.2) Lending for house purchase                                         | 2.70                      | 24.9                     | 2.38                      | 35.1                     | 2.44                      | 24.0                     | 2.38                      | 28.1                     |

<sup>1)</sup> 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.

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

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

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

<sup>5)</sup> 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)).

<sup>6)</sup> 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.

<sup>7)</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 3 months includes floating rates.

<sup>8)</sup> 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 AMOUNTS<sup>1)</sup>**

|                                                           | 2015                   |                       | 2016                   |                       |                        |                       |                        |                       |
|-----------------------------------------------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
|                                                           | August                 |                       | June                   |                       | July                   |                       | August                 |                       |
|                                                           | 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) |
| <b>(1) Deposits from households<sup>2)3)</sup></b>        | 0.62                   | 1 942.3               | 0.46                   | 2 072.4               | 0.44                   | 2 088.1               | 0.43                   | 2 092.1               |
| (1.1) With agreed maturity                                | 1.84                   | 269.0                 | 1.67                   | 258.6                 | 1.64                   | 259.5                 | 1.63                   | 258.4                 |
| (1.1.1) Up to 2 years                                     | 1.47                   | 49.0                  | 1.32                   | 46.6                  | 1.26                   | 46.2                  | 1.23                   | 45.2                  |
| (1.1.2) Over 2 years                                      | 1.92                   | 220.0                 | 1.74                   | 212.1                 | 1.73                   | 213.3                 | 1.72                   | 213.1                 |
| <b>(2) Deposits from non-financial corp.<sup>3)</sup></b> | 0.17                   | 663.4                 | 0.10                   | 677.6                 | 0.09                   | 680.6                 | 0.09                   | 693.3                 |
| (2.2) With agreed maturity                                | 0.62                   | 64.7                  | 0.57                   | 42.1                  | 0.44                   | 53.0                  | 0.50                   | 45.3                  |
| (2.2.1) Up to 2 years                                     | 0.47                   | 60.6                  | 0.36                   | 38.0                  | 0.25                   | 48.7                  | 0.29                   | 41.0                  |
| (2.2.2) Over 2 years                                      | 2.80                   | 4.1                   | 2.46                   | 4.1                   | 2.54                   | 4.3                   | 2.49                   | 4.3                   |
| <b>(3) Loans to households</b>                            | 5.11                   | 1 298.4               | 4.65                   | 1 365.9               | 4.59                   | 1 374.9               | 4.54                   | 1 385.5               |
| (3.1) Lending for house purchase                          | 3.43                   | 949.1                 | 3.10                   | 1 010.4               | 3.06                   | 1 017.3               | 3.03                   | 1 026.1               |
| of which: Mortgage lending <sup>4)</sup>                  | 3.22                   | 839.7                 | 2.88                   | 896.1                 | 2.84                   | 902.5                 | 2.81                   | 910.7                 |
| Saving for building purposes                              | 5.42                   | 76.8                  | 5.34                   | 79.8                  | 5.33                   | 79.8                  | 5.32                   | 79.9                  |
| (3.2) Consumer credit and other lending <sup>5)</sup>     | 9.94                   | 349.3                 | 9.25                   | 355.5                 | 9.14                   | 357.7                 | 9.05                   | 359.4                 |
| <b>(4) Loans to non-financial corporation</b>             | 2.72                   | 752.0                 | 2.60                   | 740.8                 | 2.57                   | 751.7                 | 2.59                   | 751.2                 |
| (4.1) Up to 1 year                                        | 2.34                   | 227.0                 | 2.41                   | 204.3                 | 2.30                   | 210.0                 | 2.39                   | 209.0                 |
| (4.2) Over 1 and up to 5 years                            | 2.78                   | 118.7                 | 2.56                   | 121.0                 | 2.58                   | 121.3                 | 2.59                   | 120.9                 |
| (4.3) Over 5 years                                        | 2.91                   | 406.3                 | 2.70                   | 415.6                 | 2.70                   | 420.3                 | 2.69                   | 421.2                 |

<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 ESA2010.

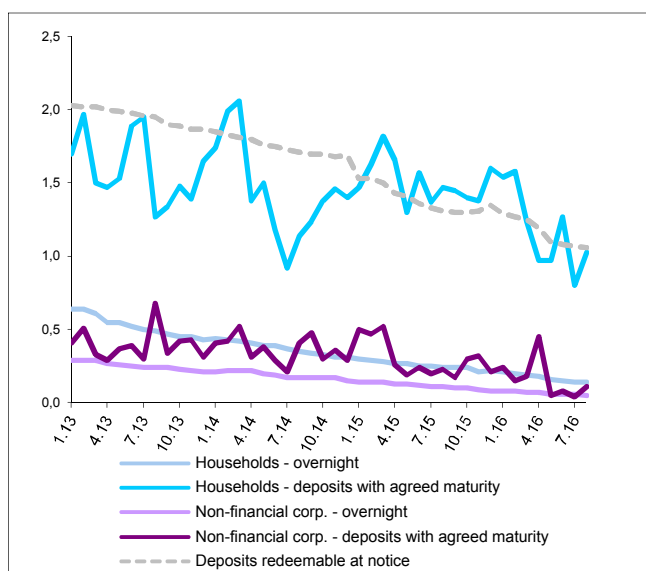
<sup>3)</sup> Including overnight deposits and deposits redeemable at notice presented in Table 10. For this instrument category new business and outstanding amounts coincide.

<sup>4)</sup> 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)).

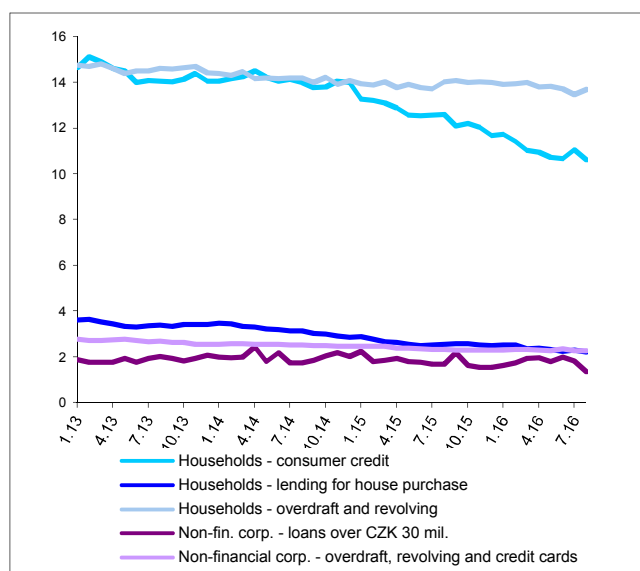
<sup>5)</sup> Consumer credit and other lending include bank overdrafts, revolving loans and credit cards presented in Table 10.

## INTEREST RATES OF MONETARY FINANCIAL INSTITUTIONS ON NEW BUSINESS

### New business, deposits

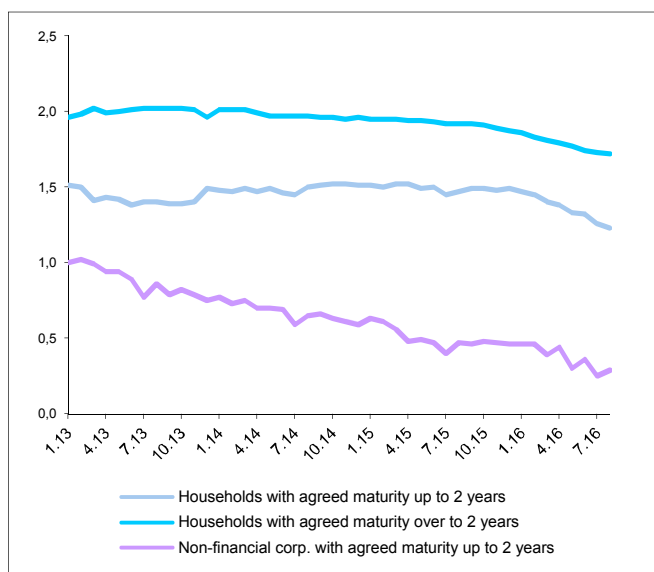


### New business, loans

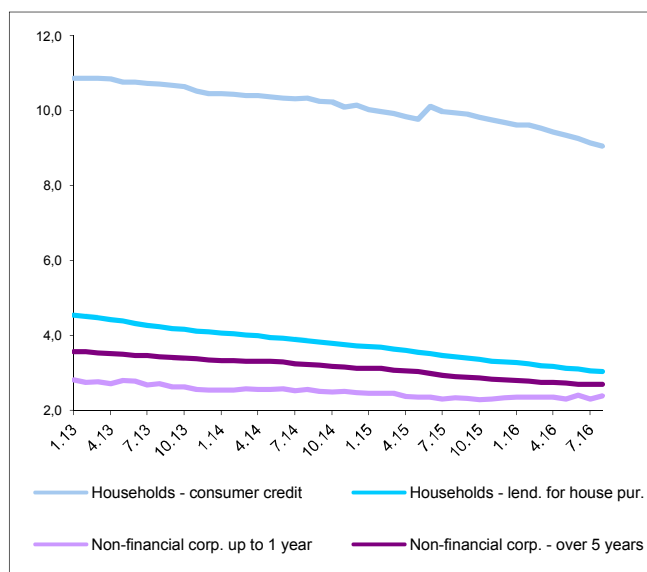


## INTEREST RATES OF MONETARY FINANCIAL INSTITUTIONS ON OUTSTANDING AMOUNTS

### Outstanding amounts, deposits



### Outstanding amounts, loans



**COMMENTARY ON MFI INTEREST RATES (TABLES 10 AND 11) – AUGUST 2016****Interest rates on new business**

In August, 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 an all-time low of 0.14%. The rate on current account deposits also remained at the lowest level since the start of the measurement (0.06%). The rate on deposits with agreed maturity rose by 0.23 percentage point to 1.03% and the rate on deposits redeemable at notice decreased marginally to 1.06% (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 dropped to a record-low 0.05%. The rate on deposits with agreed maturity of up to one year (which as a rule account for 100% of all deposits with agreed maturity in this sector) saw an increase of 0.07 percentage point to 0.11%.

Within interest rates on new loans to households, consumer credit recorded the most significant change in August. 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 declined by 0.20 percentage point to 4.20%. Consumer credit was remunerated at an all-time low of 10.62%, down by 0.44 percentage point. This indicator decreased by 1.99 percentage points year on year. The interest rate on loans for house purchase was down by 0.06 percentage point to 2.23%. The interest rate on mortgage loans stood at 2.01%, the lowest level in the available time series. The interest rate on other loans picked up to 3.12%.

The interest rate on new loans to non-financial corporations (excluding overdrafts, revolving loans and credit cards) decreased by 0.35 percentage point to 1.58%. The rate on loans of up to CZK 7.5 million picked up by 0.18 percentage point to 3.20%. Loans of over CZK 7.5 million and up to CZK 30 million were remunerated at 1.97%, i.e. 0.01 percentage point lower than in July. The interest rate on loans of over CZK 30 million declined by 0.48 percentage point, reaching 1.35%.

**Interest rates on outstanding amounts**

The average interest rates on outstanding amounts of deposits of households changed only slightly in August. Changes recorded for non-financial corporations were similar.

Total deposits of households were remunerated at 0.43%. The interest rate on overnight deposits was flat at 0.14%. The interest rate on deposits redeemable at notice dropped to 1.06% and the rate on deposits with agreed maturity declined to 1.63%.

As in July, total deposits of non-financial corporations were remunerated at 0.09%. The rate on overnight deposits fell to the lowest level in the available time series (0.05%). The interest rate on deposits with agreed maturity increased by 0.06 percentage point to 0.50%.

Interest rates on outstanding amounts of loans to households changed only slightly in August. Changes in the rates on outstanding amounts of loans to non-financial corporations were similar.

The overall interest rate on loans to households fell by 0.05 percentage point to 4.54%. The interest rate on loans for house purchase declined to 3.03%. Consumer credit and other loans were remunerated at 9.05%, down by 0.09 percentage point from July.

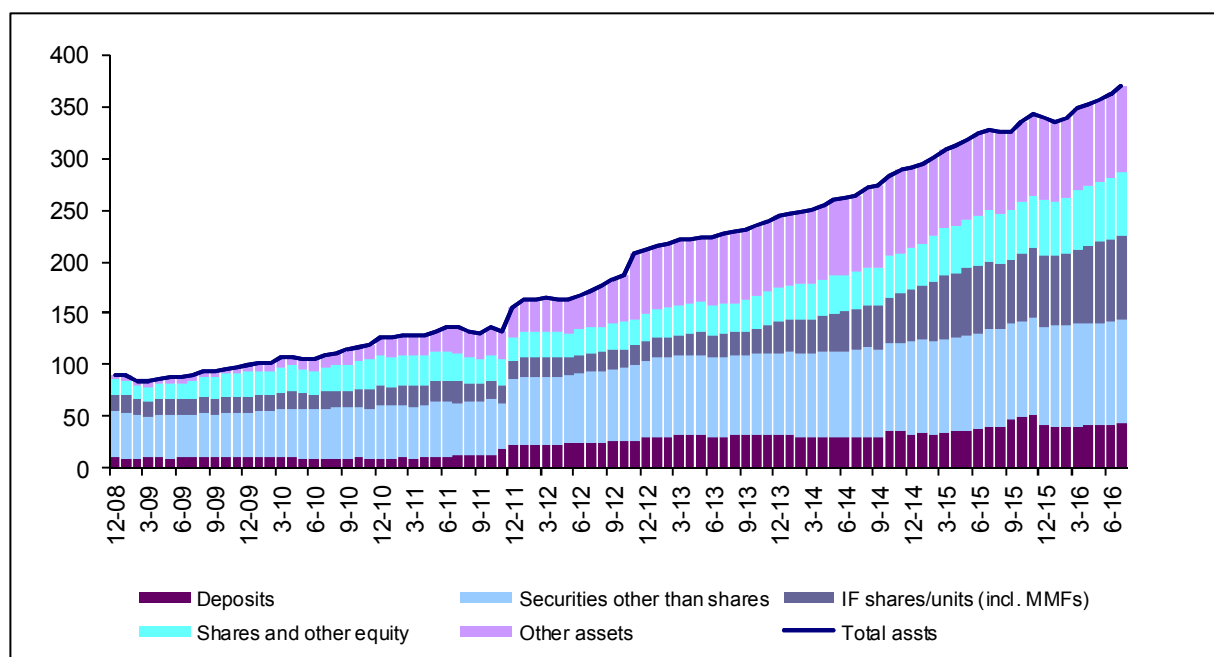
The average interest rate on outstanding amounts of loans to non-financial corporations rose to 2.59%. The rate on loans with maturity of up to one year increased by 0.09 percentage point to 2.39%. The rate on loans with maturity of over one year and up to five years was up by 0.01 percentage point to 2.59%. The rate on loans with maturity of over five years decreased by 0.01 percentage point to a record low of 2.69%.

**TABLE 12 – AGGREGATED BALANCE SHEET OF INVESTMENT FUNDS <sup>1)</sup>**

CZK billions

|                                               | 2015                 |               | 2016                 |               |                      |               |                      |               |
|-----------------------------------------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|----------------------|---------------|
|                                               | July                 |               | May                  |               | June                 |               | July                 |               |
|                                               | Out-standing amounts | Transa-ctions | Out-standing amounts | Transa-ctions | Out-standing amounts | Transa-ctions | Out-standing amounts | Transa-ctions |
| <b>Total Assets</b>                           | 327.3                | 3.7           | 355.8                | 2.7           | 362.0                | 6.0           | 368.7                | 3.2           |
| (1.1) Deposits                                | 40.4                 | 2.5           | 42.3                 | 0.5           | 42.7                 | 0.4           | 43.4                 | 0.7           |
| (1.2) Securities other than shares            | 93.6                 | 0.3           | 98.6                 | -0.3          | 99.5                 | 0.3           | 100.7                | 1.2           |
| Residents                                     | 45.4                 | 0.2           | 47.0                 | 0.8           | 46.8                 | -0.3          | 49.6                 | 2.7           |
| Non-residents                                 | 48.2                 | 0.2           | 51.6                 | -1.1          | 52.6                 | 0.6           | 51.1                 | -1.5          |
| (1.3) Shares and other equity                 | 49.6                 | 0.9           | 58.6                 | 0.9           | 59.9                 | 1.8           | 61.9                 | 0.3           |
| Residents                                     | 14.4                 | 0.5           | 19.5                 | 0.4           | 20.7                 | 1.2           | 21.3                 | 0.3           |
| Non-residents                                 | 35.1                 | 0.4           | 39.2                 | 0.6           | 39.2                 | 0.6           | 40.6                 | -0.1          |
| (1.4) Investment fund shares (including MMFs) | 66.0                 | 0.8           | 77.5                 | 1.2           | 79.6                 | 1.9           | 80.8                 | -0.3          |
| Residents                                     | 11.0                 | 0.1           | 14.4                 | 0.2           | 14.7                 | 0.4           | 15.6                 | 0.7           |
| Non-residents                                 | 55.0                 | 0.7           | 63.1                 | 1.0           | 64.8                 | 1.5           | 65.2                 | -1.0          |
| (1.5) Other assets                            | 77.7                 | -0.8          | 78.8                 | 0.4           | 80.3                 | 1.6           | 81.9                 | 1.4           |
| <b>Total Liabilities</b>                      | 327.3                | 3.7           | 355.8                | 2.7           | 362.0                | 6.0           | 368.7                | 3.2           |
| (2.1) Loans accepted                          | 14.0                 | -0.2          | 12.7                 | -0.1          | 14.4                 | 1.7           | 15.2                 | 0.8           |
| (2.2) Investment fund shares                  | 292.8                | 4.6           | 320.7                | 3.9           | 322.5                | 2.1           | 327.2                | 2.9           |
| (2.3) Other liabilities                       | 20.5                 | -0.8          | 22.5                 | -1.2          | 25.1                 | 2.2           | 26.3                 | -0.6          |

<sup>1)</sup> 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)**

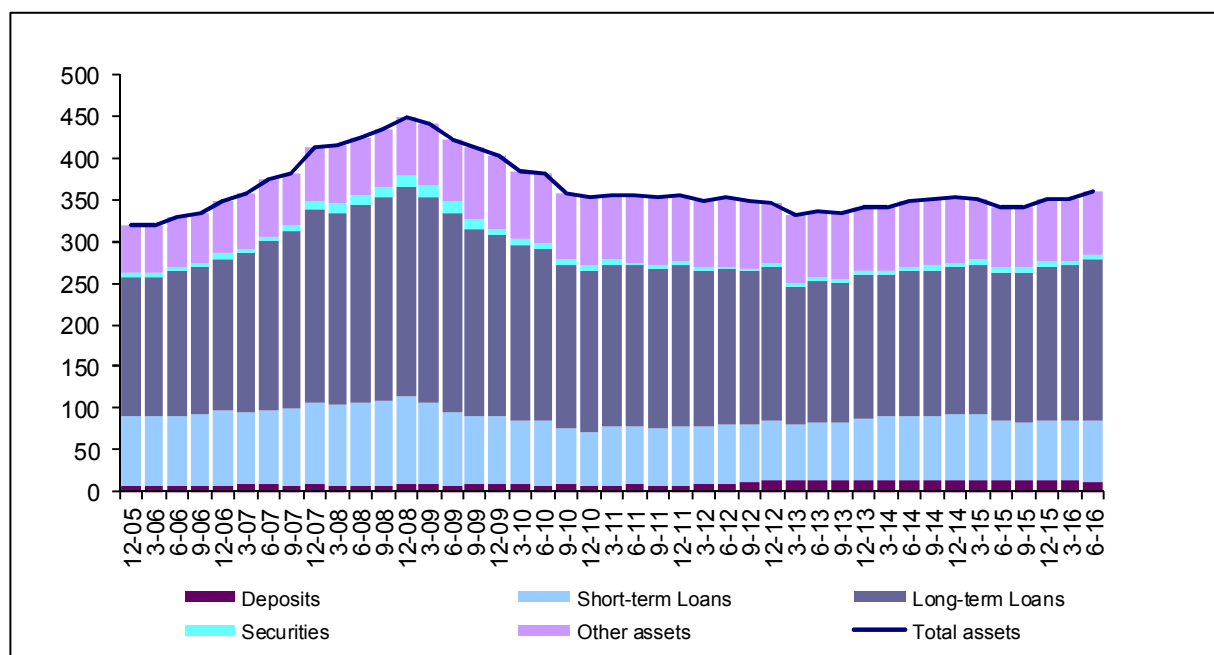
**TABLE 13 – AGGREGATED BALANCE SHEET OF FINANCIAL CORPORATIONS ENGAGED IN LENDING <sup>1)</sup>**

CZK billions, end of period

|                                           | 2015  |           |          | 2016  |       |
|-------------------------------------------|-------|-----------|----------|-------|-------|
|                                           | June  | September | December | March | June  |
| <b>Total Assets</b>                       | 341.1 | 341.7     | 350.0    | 350.8 | 360.2 |
| (1.1) Deposits                            | 14.3  | 13.3      | 12.3     | 12.3  | 10.7  |
| (1.2) Loans provided                      | 248.8 | 250.1     | 258.1    | 259.2 | 267.3 |
| Residents                                 | 241.1 | 242.6     | 250.4    | 248.0 | 256.6 |
| Non-residents                             | 7.7   | 7.5       | 7.7      | 11.2  | 10.7  |
| (1.3) Securities other than shares        | 1.4   | 1.3       | 1.0      | 0.9   | 1.0   |
| (1.4) Shares and equity                   | 5.5   | 5.5       | 5.2      | 5.2   | 5.2   |
| Mutual fund shares/units (including MMFs) | 0.0   | 0.0       | 0.0      | 0.0   | 0.0   |
| Other shares and equity                   | 5.5   | 5.5       | 5.2      | 5.2   | 5.2   |
| (1.5) Other assets                        | 71.1  | 71.6      | 73.3     | 73.2  | 76.0  |
| <b>Total Liabilities</b>                  | 341.1 | 341.7     | 350.0    | 350.8 | 360.2 |
| (2.1) Loans taken                         | 202.7 | 202.8     | 210.6    | 211.2 | 225.3 |
| Residents                                 | 148.8 | 153.1     | 162.0    | 160.8 | 173.5 |
| Non-residents                             | 54.0  | 49.7      | 48.7     | 50.3  | 51.8  |
| (2.2) Securities other than shares issued | 5.0   | 3.9       | 4.0      | 5.8   | 5.6   |
| (2.3) Own funds                           | 98.4  | 99.9      | 102.1    | 98.9  | 94.5  |
| (2.4) Other liabilities                   | 35.0  | 35.1      | 33.3     | 34.9  | 34.9  |

<sup>1)</sup> 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 LENDING<sup>1)</sup> TO RESIDENTS**

CZK billions, end of period

|                                | 2015  |           |          | 2016  |       |
|--------------------------------|-------|-----------|----------|-------|-------|
|                                | June  | September | December | March | June  |
| (1) Non-financial corporations | 182.5 | 183.6     | 190.0    | 190.8 | 199.0 |
| Up to 1 year                   | 47.3  | 46.9      | 48.5     | 48.3  | 51.4  |
| Over 1 year up to 5 years      | 106.5 | 106.3     | 110.8    | 112.1 | 116.0 |
| Over 5 years                   | 28.8  | 30.3      | 30.6     | 30.4  | 31.6  |
| (2) Financial corporations     | 0.6   | 0.6       | 0.6      | 0.6   | 1.2   |
| Up to 1 year                   | 0.0   | 0.0       | 0.0      | 0.0   | 0.0   |
| Over 1 year up to 5 years      | 0.6   | 0.6       | 0.6      | 0.5   | 1.2   |
| 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                 | 57.9  | 58.2      | 59.7     | 56.5  | 56.3  |
| Up to 1 year                   | 20.6  | 20.4      | 21.1     | 20.3  | 20.4  |
| Over 1 year up to 5 years      | 30.8  | 31.2      | 31.8     | 29.4  | 29.1  |
| Over 5 years                   | 6.4   | 6.7       | 6.8      | 6.8   | 6.8   |
| (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   |

<sup>1)</sup> 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 LENDING<sup>1)</sup> TO HOUSEHOLDS**

CZK billions, end of period

|                                  | 2015 |           |          | 2016  |      |
|----------------------------------|------|-----------|----------|-------|------|
|                                  | June | September | December | March | June |
| (1) Total                        | 57.9 | 58.2      | 59.7     | 56.5  | 56.3 |
| (1.1) Consumer credit            | 48.7 | 49.0      | 50.2     | 47.3  | 46.8 |
| Up to 1 year                     | 19.6 | 19.5      | 20.1     | 19.4  | 19.4 |
| Over 1 year up to 5 years        | 24.0 | 24.4      | 24.8     | 22.6  | 22.1 |
| Over 5 years                     | 5.0  | 5.2       | 5.3      | 5.2   | 5.3  |
| (1.2) Lending for house purchase | 0.0  | 0.0       | 0.2      | 0.0   | 0.0  |
| Up to 1 year                     | 0.0  | 0.0       | 0.1      | 0.0   | 0.0  |
| Over 1 year up to 5 years        | 0.0  | 0.0       | 0.1      | 0.0   | 0.0  |
| Over 5 years                     | 0.0  | 0.0       | 0.0      | 0.0   | 0.0  |
| (1.3) Other loans                | 9.2  | 9.2       | 9.2      | 9.2   | 9.5  |
| Up to 1 year                     | 1.0  | 0.9       | 0.9      | 1.0   | 1.0  |
| Over 1 year up to 5 years        | 6.8  | 6.8       | 6.8      | 6.7   | 6.9  |
| Over 5 years                     | 1.4  | 1.5       | 1.5      | 1.5   | 1.6  |

<sup>1)</sup> 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): JULY 2016

**Net assets value:** The net assets value of investment funds was CZK 327.2 billion at the end of July. This means an increase of CZK 4.7 billion compared to June (monthly transactions accounted for CZK +0.7 billion). Compared to the same period a year earlier, the net assets value of investment funds rose by 11.8%. The biggest month-on-month change in the net assets value was recorded for equity funds, up by CZK 2.4 billion.

**Investment in bonds:** The value of bond holdings was CZK 100.7 billion at the end of July. Compared to the previous month, the total volume of bonds rose by CZK 1.2 billion, due mainly to transactions. The proportion of debt securities in the funds' net assets value remained unchanged at 30.8% compared to the previous month.

**Investment in equity securities:** The volume of equity securities in the funds' portfolio increased in July. As of the end of the month, the value of holdings of equity securities amounted to CZK 143.0 billion, of which CZK 80.8 billion was investment in the shares and units of investment funds (including money market funds) and CZK 62.2 billion was investment in shares and other equity. The value of equity securities rose by CZK 3.5 billion compared to June (monthly transactions accounted for CZK +0.2 billion). The proportion of equity securities in the funds' net assets value increased to 43.7% compared to the previous month.

**Other investment:** The value of funds invested in other assets increased in the period under review, by CZK 2.5 billion (monthly transactions accounted for CZK +2.3 billion). The total volume of other investment was CZK 119.9 billion in July, of which CZK 49.7 billion was fixed investment and CZK 43.4 billion investment in deposits. Compared to the previous month, the proportion of other investment in the funds' net assets value showed an increase to 36.6%.

**Reporting population:** The number of resident investment funds active in the Czech Republic was unchanged at 327 at the end of July 2016. Out of this number, 39 were equity funds, 62 bond funds, 69 mixed funds, 79 real estate funds, 76 other funds and two funds without an investment policy. Four new investment funds were established during the period under review and the same number of funds ceased to exist.

## COMMENTARY ON THE AGGREGATED BALANCE SHEET OF FINANCIAL CORPORATIONS ENGAGED IN LENDING (TABLES 13 AND 14): JUNE 2016

Financial corporations engaged in lending had total assets of CZK 360.2 billion as of 30/06/2016, up by CZK 9.4 billion in quarter-on-quarter terms. Compared to the previous year, total assets increased by CZK 19.1 billion.

The largest asset item was loans provided, amounting to CZK 267.3 billion, of which CZK 256.6 billion was provided to residents. Compared to the previous quarter, total loans provided rose by 3.2% in 2016 Q2. In year-on-year terms, loans recorded an increase of 7.4% (CZK 18.5 billion).

The largest part of loans provided to residents consisted of loans to non-financial corporations amounting to CZK 199.0 billion, i.e. 77.6% of loans to residents. Loans provided to non-financial corporations were up by CZK 8.3 billion compared to the previous quarter. In year-on-year terms, they rose by CZK 16.5 billion.

The second largest category of loans to residents consisted of loans to households, totalling CZK 56.3 billion. They were moderately down (by CZK 0.2 billion) compared to the previous quarter. These loans accounted for 21.9% 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 than 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**

**October 2016:** 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, overdrafts<sup>1</sup> 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.

---

<sup>1</sup> Overdrafts are debit balances on current accounts, revolving loans and card credit.

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

|                                                              | 2015     |                  | 2016     |      |          |      |          |      |
|--------------------------------------------------------------|----------|------------------|----------|------|----------|------|----------|------|
|                                                              | July     |                  | May      |      | June     |      | July     |      |
|                                                              | Rate (%) |                  | Rate (%) |      | Rate (%) |      | Rate (%) |      |
|                                                              | CZ       | EE <sup>5)</sup> | CZ       | EE   | CZ       | EE   | CZ       | EE   |
| <b>(1) Households – total<sup>1).2)</sup></b>                | 2.55     | 2.29             | 2.34     | 2.28 | 2.25     | 2.38 | 2.29     | 2.44 |
| <b>(2) Non-financial corporations – total</b>                | 2.06     | 2.13             | 2.06     | 2.54 | 2.17     | 2.63 | 2.05     | 2.69 |
| <b>(3) Short-term cost of borrowing – total<sup>3)</sup></b> | 2.12     | 2.18             | 2.11     | 2.53 | 2.15     | 2.55 | 2.04     | 2.67 |
| <b>(4) Long-term cost of borrowing – total<sup>4)</sup></b>  | 2.33     | 2.01             | 2.19     | 2.08 | 2.27     | 2.77 | 2.27     | 2.35 |

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

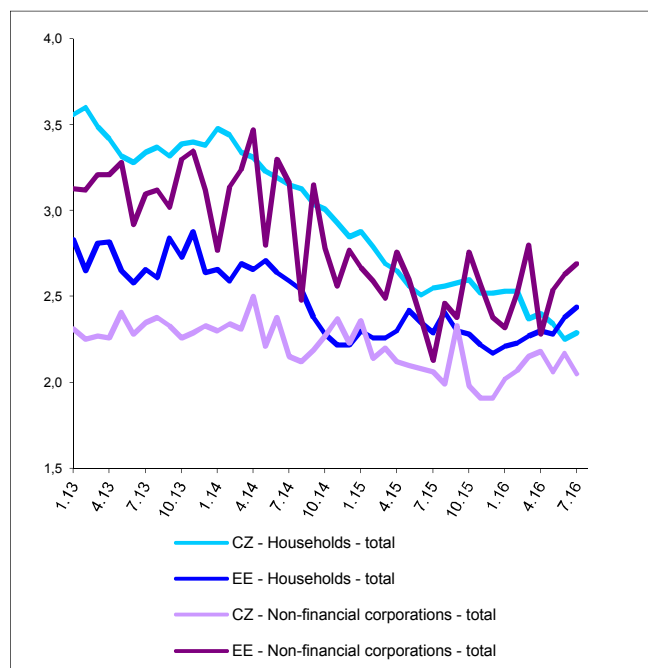
<sup>2)</sup> Households comprise the household sector (S.14) and non-profit institutions serving households (S.15) under ESA2010.

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

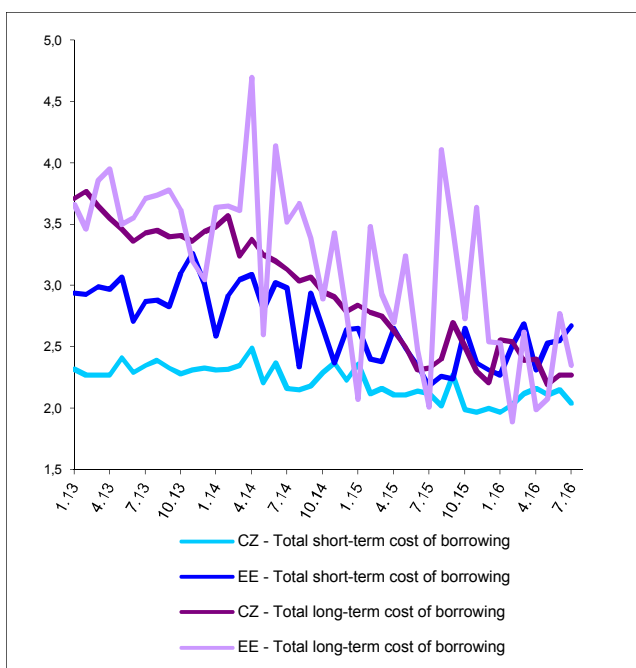
<sup>4)</sup> Long-term (LT) loans are loans with an initial rate fixation over one year.

<sup>5)</sup> EE = Estonia.

### 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 Estonia**

All four cost-of-borrowing indicators (CBIs) were lower for Czech loans than for Estonian loans in July 2016. All four Czech CBIs declined year on year in July. By contrast, Estonian CBIs saw a year-on-year increase. The Czech short-term CBI was the lowest in July. Conversely, the Estonian CBI for non-financial corporations was the highest.

Compared to June, the cost of borrowing of Czech households increased slightly, by 0.04 percentage point to 2.29%. In year-on-year terms, it fell by 0.26 percentage point. This CBI also picked up in Estonia, up by 0.06 percentage point to 2.44%. In year-on-year terms, this was an increase of 0.15 percentage point. This CBI was 0.15 percentage point lower in the Czech Republic than in Estonia.

The borrowing costs of non-financial corporations in the Czech Republic saw a month-on-month decrease of 0.12 percentage point to 2.05%. This CBI was 2.69% in Estonia, i.e. 0.64 percentage point higher than in the Czech Republic. This was the largest differential among the four derived CBIs in the Czech Republic and Estonia. The Estonian CBI recorded a month-on-month increase of 0.06 percentage point. Loans to non-financial corporations in Estonia are more costly than in the Czech Republic. The year-on-year change in this indicator was -0.01 percentage point in the Czech Republic and 0.56 percentage point in Estonia.

The total short-term cost of borrowing, which comprises both households and non-financial corporations, fell from 2.17% in June to 2.04% in July in the Czech Republic, reaching the lowest level among the four CBIs in the Czech Republic and Estonia. In Estonia, this indicator was 0.63 percentage point higher, the second largest differential among the four Czech and Estonian CBIs. This indicator thus stood at 2.67% in Estonia. In year-on-year terms, a decrease of 0.08 percentage point was recorded in the Czech Republic and an increase of 0.49 was recorded in Estonia.

The Czech long-term CBI stood at 2.27% in July, unchanged from June. By contrast, the Estonian long-term CBI was down by 0.42 percentage point to 2.35%. The Czech CBI decreased by 0.06 percentage point year on year, but the Estonian CBI rose by 0.34 percentage point year on year. This CBI was 0.08 percentage point higher in Estonia than in the Czech Republic in July.