



MONETARY STATISTICS – DECEMBER

2017

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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.

All the data quoted in this Publication are included in the ARAD time series system:

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

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

Source: CNB, unless otherwise stated

LIST OF ABBREVIATIONS AND CODES**Codes**

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

Institutional sectors and subsectors according to ESA2010

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

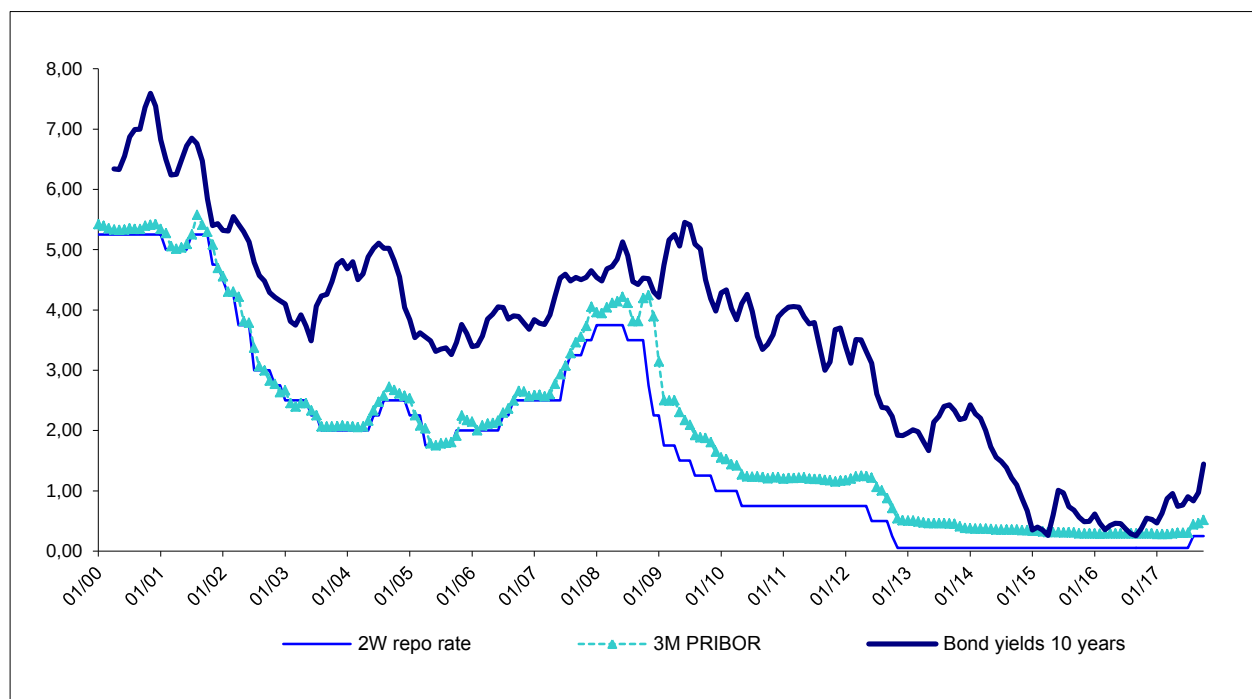
TABLE 1 – KEY INTEREST RATES

	CNB			ECB from 16 March 2016 onwards
	from 2 November 2012 onwards	from 4 August 2017 onwards	from 3 November 2017 onwards	
2W repo rate	0.05	0.25	0.50	0.00
Deposit facility	0.05	0.05	0.05	-0.40
Marginal lending facility	0.25	0.50	1.00	0.25

TABLE 2 – FINANCIAL MARKET INTEREST RATES

monthly average	2016 October		2017					
			August		September		October	
Money market								
CZEONIA								
overnight	0.05		0.05		0.05		0.06	
PRIBOR								
1 month	0.20		0.34		0.37		0.40	
3 months	0.29		0.43		0.46		0.51	
6 months	0.36		0.49		0.52		0.58	
1 year	0.45		0.60		0.64		0.69	
Capital market	CZ	Euro area	CZ	Euro area	CZ	Euro area	CZ	Euro area
Bond yields								
2 years	-0.74	-0.40	-0.33	-0.42	-0.29	-0.43	0.12	-0.42
5 years	-0.17	-0.04	0.09	0.18	0.10	0.13	0.63	0.15
10 years (Maastricht)	0.37	0.78	0.83	1.04	0.97	1.12	1.45	1.15

Source: Czech National Bank, European Central Bank

Financial market interest rates in CZ (%)**COMMENTARY ON KEY INTEREST RATES (TABLE 1) AND FINANCIAL MARKET INTEREST RATES (TABLE 2): OCTOBER 2017****Key interest rates**

The 2W repo rate of the Czech National Bank (CNB) changed in November (for the second time this year). It increased by 0.25 percentage point to 0.50% with effect from 3 November 2017. The key interest rate of the European Central Bank (ECB) has been zero since 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. The CNB's Lombard rate also changed in early November, up by 0.50 percentage point to 1.00%. The ECB's discount rate decreased to a 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

All interest rates on the Czech interbank deposit market rose slightly in October. The 1M PRIBOR recorded the smallest change, up by 0.03 percentage point to 0.40%. The 3M PRIBOR and the 1Y PRIBOR rose by 0.05 percentage point, to 0.51% and 0.69% respectively. The 6M PRIBOR recorded the largest increase, up by 0.06 percentage point. It stood at 0.58% in October.

All the monitored interest rates on the Czech capital market increased sharply. The yield on the 2Y Czech bond rose by 0.41 percentage point to 0.12%. The yield on the 5Y bond recorded the largest increase among all the monitored bonds, up by 0.53 percentage point to 0.63%. The yield on the 10Y bond rose from 0.97% in September to 1.45% in October. The yield on the 2Y euro area bond picked up by 0.01 percentage point to -0.42%. The yield on the 5Y euro area bond rose by 0.02 percentage point. It stood at 0.15% in October. The yield on the 10Y bond increased by 0.03 percentage point to 1.15%. The largest differential between Czech and euro area bonds was recorded for the 2Y bond yields, reaching 0.54 percentage point.

TABLE 3 – KEY MONETARY INDICATORS

CZK billions, unless otherwise indicated

	2016 October			2017								
				August			September			October		
	Stocks	Flows ⁴⁾	Annual growth rates (%)	Stocks	Flows ⁴⁾	Annual growth rates (%)	Stocks	Flows ⁴⁾	Annual growth rates (%)	Stocks	Flows ⁴⁾	Annual growth rates (%)
M1	3 379.4	32.2	12.2	3 719.4	15.3	12.1	3 734.9	16.7	12.1	3 710.3	-22.2	10.4
M3 ¹⁾	3 807.9	32.7	8.3	4 234.5	29.1	13.1	4 238.8	5.5	12.7	4 224.6	-11.6	11.5
Loans to private sector ²⁾	2 634.0	19.7	9.0	2 816.4	24.1	10.2	2 826.8	13.7	9.2	2 813.5	-8.1	8.1
Net foreign assets ³⁾	1 779.4	55.8	18.9	2 162.3	-3.3	33.9	1 978.2	-176.1	22.4	2 028.8	64.3	22.5

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

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

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

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

Annual growth rates (%)

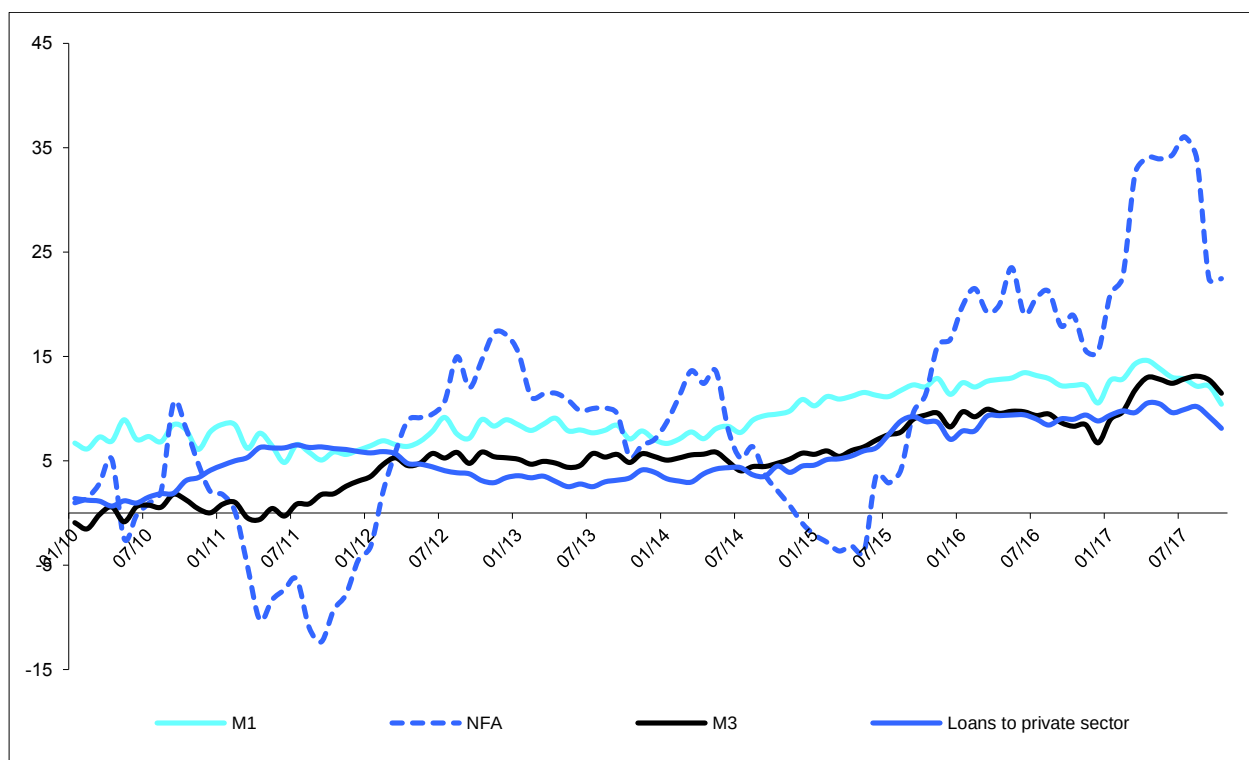


TABLE 4 – MONETARY AGGREGATES AND COUNTERPARTS

CZK billions, unless otherwise indicated

	2016			2017								
	October			August			September			October		
	Stocks	Flows ¹⁾	Annual growth rates (%)	Stocks	Flows ¹⁾	Annual growth rates (%)	Stocks	Flows ¹⁾	Annual growth rates (%)	Stocks	Flows ¹⁾	Annual growth rates (%)
COMPONENTS OF M3												
(1) M3 (items 1.3, 1.6 and 1.11)	3 807.9	32.7	8.3	4 234.5	29.1	13.1	4 238.8	5.5	12.7	4 224.6	-11.6	11.5
(1.1) Currency in circulation	501.6	5.9	8.5	529.8	0.8	8.1	535.0	5.1	7.9	533.1	-1.9	6.3
(1.2) Overnight deposits	2 877.8	26.3	12.9	3 189.5	14.6	12.8	3 199.9	11.5	12.9	3 177.1	-20.4	11.1
(1.3) M1 (items 1.1 and 1.2)	3 379.4	32.2	12.2	3 719.4	15.3	12.1	3 734.9	16.7	12.1	3 710.3	-22.2	10.4
(1.4) Deposits with agreed maturity up to 2Y	181.9	-3.4	-19.1	196.1	14.7	6.0	187.8	-8.2	0.4	196.3	8.6	7.0
(1.5) Deposits redeemable at notice up to 3M	222.7	-2.6	-13.3	206.5	-2.4	-9.3	205.2	-1.2	-8.7	202.8	-2.4	-8.8
(1.6) Other short term deposits (1.4 and 1.5)	404.6	-6.0	-16.0	402.6	12.4	-2.4	393.0	-9.4	-4.5	399.0	6.2	-1.6
(1.7) M2 (items 1.3 and 1.6)	3 784.0	26.2	8.3	4 121.9	27.7	10.5	4 127.9	7.2	10.3	4 109.3	-16.0	9.1
(1.8) Repurchase agreements ²⁾	21.5	6.4	-	110.9	1.5	-	109.2	-1.7	-	113.7	4.5	-
(1.9) Money market fund shares/units ²⁾	0.7	0.1	-	1.6	-0.1	-	1.6	0.0	-	1.5	-0.1	-
(1.10) Debt securities issued with maturity up to 2Y ²⁾	1.7	0.0	-	0.0	0.0	-	0.0	0.0	-	0.0	0.0	-
(1.11) Marketable instruments (items 1.8, 1.9 and 1.10) ²⁾	24.0	6.4	-	112.5	1.4	-	110.8	-1.7	-	115.3	4.5	-
COUNTERPARTS OF M3												
MFI liabilities												
(2) Holdings deposits against central government	257.9	6.0	8.6	440.9	-11.6	71.6	259.8	-181.1	3.2	355.5	95.8	38.0
(3) Longer-term fin. deposits against other residents (items 3.1 to 3.4)	1 054.5	7.6	5.0	925.0	-8.8	4.8	927.8	14.4	5.6	904.5	-4.4	4.4
(3.1) Deposits with agreed maturity over 2Y	227.3	-1.2	-1.9	233.9	0.2	-0.3	232.6	-1.2	-0.3	231.8	-0.8	-0.2
(3.2) Deposits redeemable at notice over 3M	27.3	0.0	-16.4	25.5	-0.1	-10.6	25.4	-0.1	-7.2	24.9	-0.5	-8.9
(3.3) Debt securities issued with maturity over 2Y	122.2	-5.6	-6.5	122.5	-4.5	0.7	123.4	0.9	-1.9	123.3	0.6	3.1
(3.4) Capital and reserves	677.7	14.3	11.0	543.1	-4.3	8.3	546.4	14.9	10.3	524.5	-3.8	7.3
MFI assets												
(4) Credit to residents (items 4.1 and 4.2)	3 340.5	3.6	2.8	3 396.2	20.2	3.1	3 408.0	16.6	3.2	3 404.5	4.1	3.2
(4.1) Credit to general government	636.9	-16.1	-16.2	502.6	-4.1	-24.1	503.9	3.0	-21.7	512.3	10.8	-18.0
(4.2) Credit to private sector	2 703.6	19.7	8.6	2 893.6	24.2	9.9	2 893.6	13.6	9.2	2 892.1	-6.7	8.1
(5) Net foreign assets	1 779.4	55.8	18.9	2 162.3	-3.3	33.9	1 978.2	-176.1	22.4	2 028.8	64.3	22.5
(6) Other counterparts of M3 (residual) (=M3-items 2,3 - items 4,5) ²⁾	0.4	-13.2	-	41.8	-8.2	-	40.1	-1.6	-	51.4	11.3	-

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

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

TABLE 5 – SECTOR BREAKDOWN OF COMPONENTS OF M3

CZK billions

	2016		2017					
	October		August		September		October	
	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾
(1) Overnight deposits	2 877.8	26.3	3 189.5	14.6	3 199.9	11.5	3 177.1	-20.4
(1.1) Other general government	211.4	-3.5	229.5	-4.9	239.4	9.8	224.0	-15.3
(1.2) Other financial intermediaries ²⁾	77.4	4.8	102.7	-6.0	103.5	0.8	99.0	-4.4
(1.3) Insurance corporations and pension funds	38.3	3.4	38.1	-7.7	37.6	-0.5	30.4	-7.2
(1.4) Non-financial corporations	859.9	11.8	931.9	22.9	919.4	-11.6	921.1	3.5
(1.5) Households ³⁾	1 690.8	9.8	1 887.2	10.3	1 900.0	13.0	1 902.6	3.1
(2) M2 - M1 (other short-term deposits)	404.6	-6.0	402.6	12.4	393.0	-9.4	399.0	6.2
(2.1) Other general government	23.9	-5.5	17.0	0.8	15.1	-1.9	16.2	1.1
(2.2) Other financial intermediaries ²⁾	43.7	3.7	48.4	8.9	45.6	-2.9	46.9	1.3
(2.3) Insurance corporations and pension funds	14.1	-4.3	33.8	9.6	34.6	0.8	30.4	-4.2
(2.4) Non-financial corporations	54.5	1.7	54.9	-8.8	52.0	-2.8	61.8	9.9
(2.5) Households ³⁾	268.4	-1.5	248.5	1.8	245.8	-2.6	243.8	-1.9
(3) Repurchase agreements (a part of M3 - M2)	21.5	6.4	110.9	1.5	109.2	-1.7	113.7	4.5

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

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

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

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

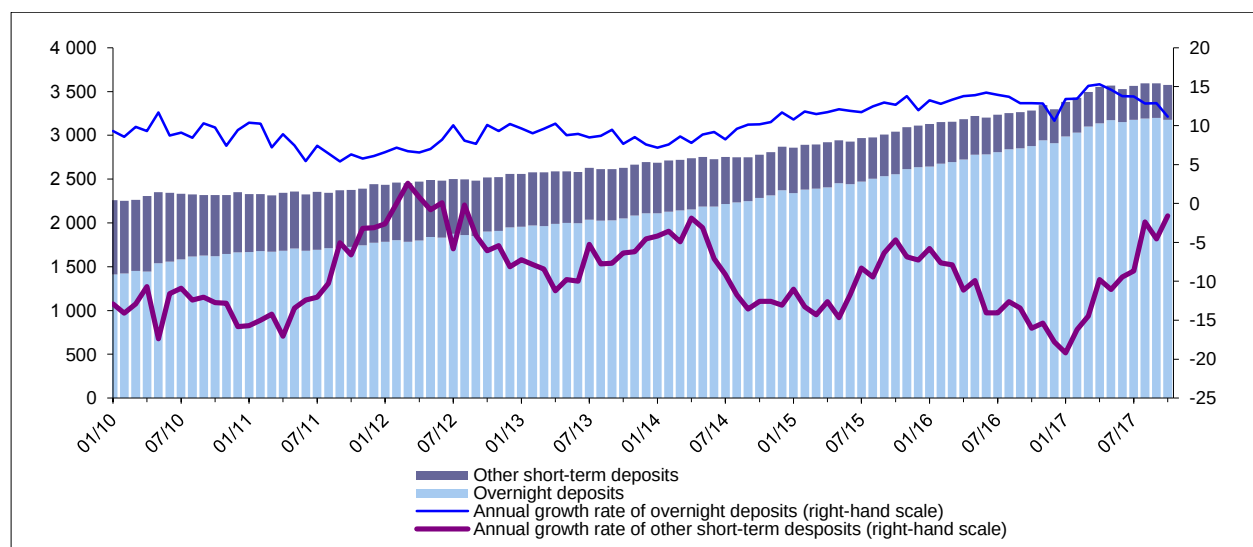


TABLE 6 – LOANS TO PRIVATE SECTOR

CZK billions

	2016		2017					
	October		August		September		October	
	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾	Stocks	Flows ¹⁾
(1) Loans to non-financial corporations	1 024.9	6.9	1 060.0	9.2	1 060.0	1.8	1 046.9	-9.2
(1.1) up to 1 year	270.4	3.3	273.1	2.9	274.1	1.7	275.2	2.2
(1.2) over 1 year and up to 5 years	189.9	2.1	211.6	1.1	211.7	0.5	202.3	-8.5
(1.3) over 5 years	564.6	1.5	575.3	5.2	574.1	-0.4	569.4	-2.9
(2) Loans to households²⁾	1 409.1	11.8	1 499.1	11.5	1 505.6	7.4	1 515.9	10.5
(2.1) Consumer credit	219.6	1.7	227.8	1.6	226.4	-0.7	228.1	1.8
(2.2) Lending for house purchase	1 044.5	9.6	1 121.3	9.6	1 128.7	7.5	1 136.7	8.1
(2.3) Other lending	145.0	0.5	150.0	0.3	150.6	0.6	151.2	0.6
(3) Loans to other financial intermediaries³⁾	199.3	2.3	221.5	3.2	224.9	3.7	223.8	-0.3
(4) Loans to insurance corporations and pension funds	0.6	-1.3	35.7	0.1	36.2	0.7	26.9	-9.2

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

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

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

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

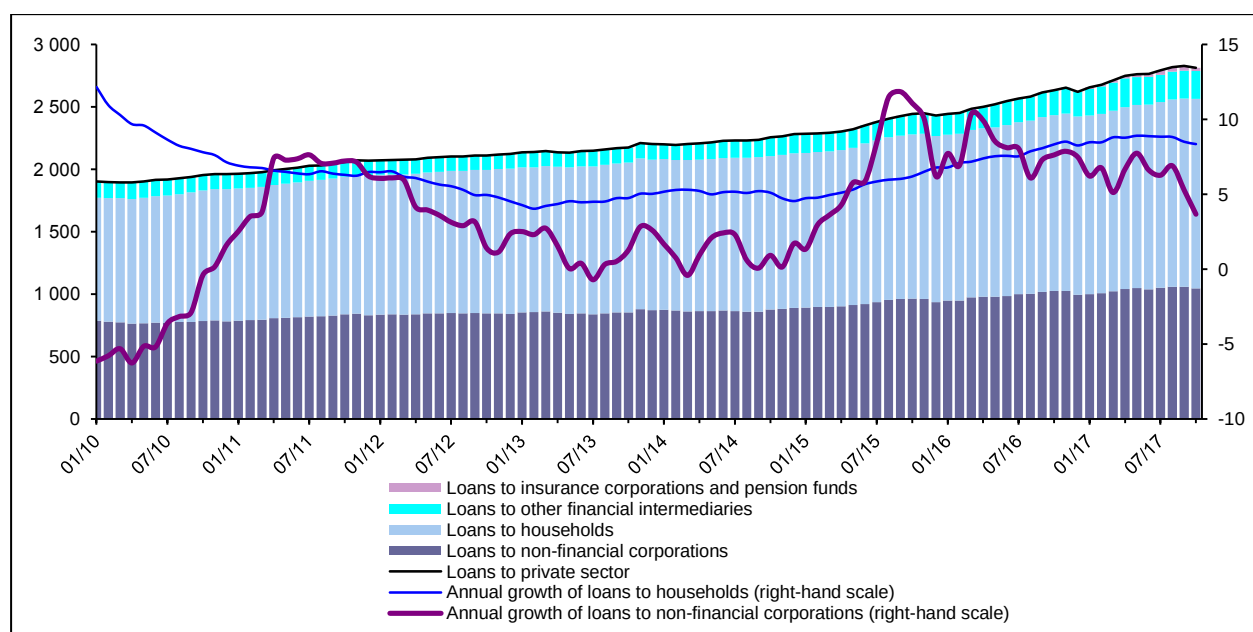


TABLE 7 - CONTRIBUTIONS TO ANNUAL GROWTH¹⁾ OF M3

	2016 October	2017		
	% points	August % points	September % points	October % points
M1	10.5	10.8	10.8	9.2
of which: Currency	1.1	1.1	1.0	0.8
Overnight deposits	9.3	9.7	9.7	8.4
M2 - M1 (= other short-term deposits)	-2.2	-0.3	-0.5	-0.2
M3 - M2 (= short-term marketable instruments)	0.1	2.6	2.5	2.4
M3	8.3	13.1	12.7	11.5

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

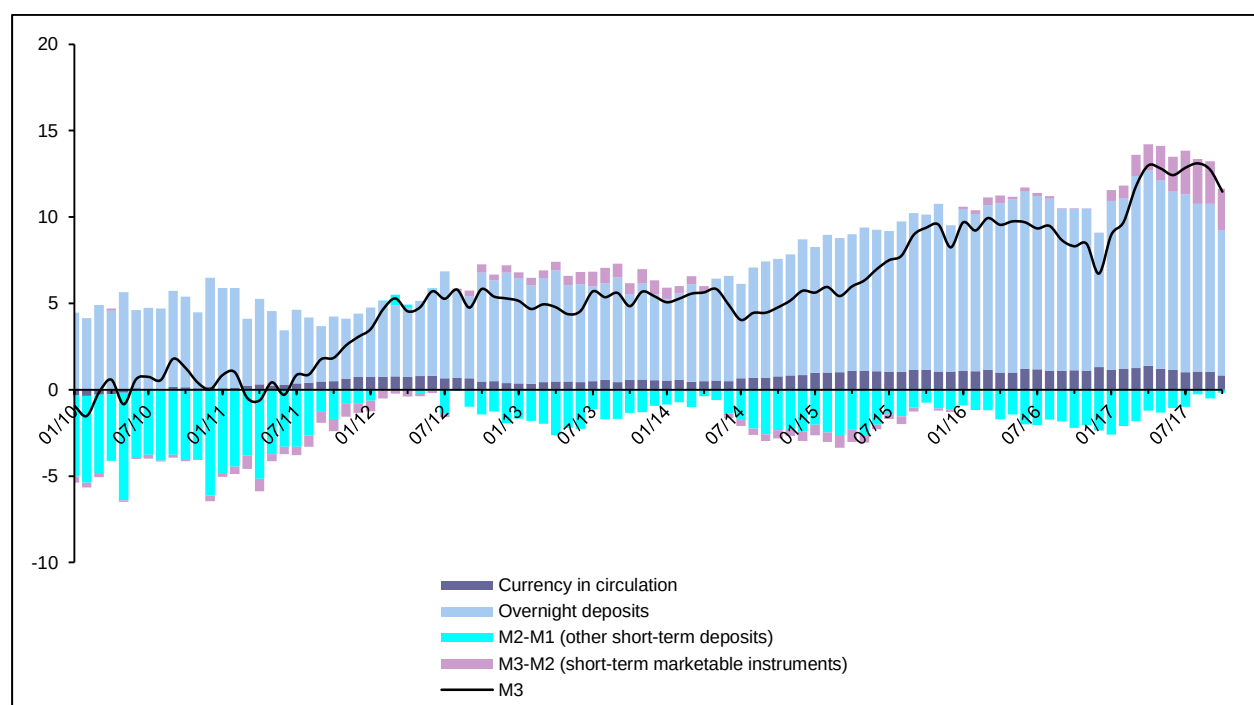
Contributions to annual growth of M3 (%)

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

	2016	2017		
	October	August	September	October
	% points	% points	% points	% points
Non-financial corporations	3.0	2.7	2.1	1.4
Households ²⁾	4.5	4.7	4.5	4.5
Other financial intermediaries ³⁾	1.5	1.4	1.2	1.1
Insurance corporations and pension funds	0.0	1.4	1.4	1.1
Loans to private sector ⁴⁾	9.0	10.2	9.2	8.1

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

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

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

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

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

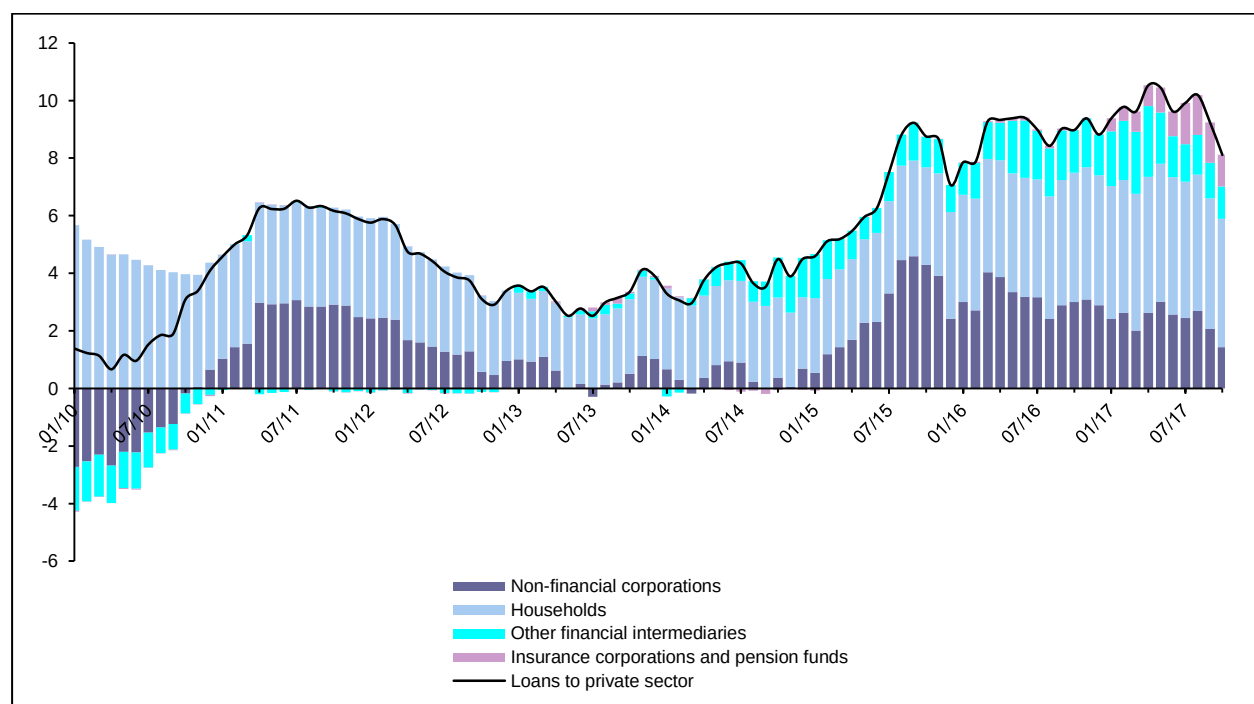


TABLE 9a - BALANCE SHEETS OF MONETARY FINANCIAL INSTITUTIONS BY REPORTING INSTITUTIONS (ASSETS): OCTOBER 2017

CZK billions

	Monetary financial institutions		Consolidated balance sheet of MFIs
	CNB	Other monetary financial institutions	
(1) ASSETS TOTAL	3 208.0	7 299.5	7 587.7
(1.1) Loans to residents	2.5	5 361.6	2 863.5
MFI	0.0	2 500.7	-
General government	0.0	49.9	49.9
Other residents	2.5	2 811.0	2 813.5
(1.2) Holdings of securities other than shares issued by residents	0.0	823.4	485.3
MFI	0.0	338.1	-
General government	0.0	462.4	462.4
Other residents	0.0	22.9	22.9
(1.3) Money market fund shares/units	0.0	0.0	-
(1.4) Holdings of shares/other equity issued by residents	0.0	99.6	55.7
MFI	0.0	43.9	-
Other residents	0.0	55.7	55.7
(1.5) External assets	3 190.5	671.5	3 862.0
(1.6) Fixed assets	10.7	126.1	136.8
(1.7) Remaining assets	4.3	217.3	184.5

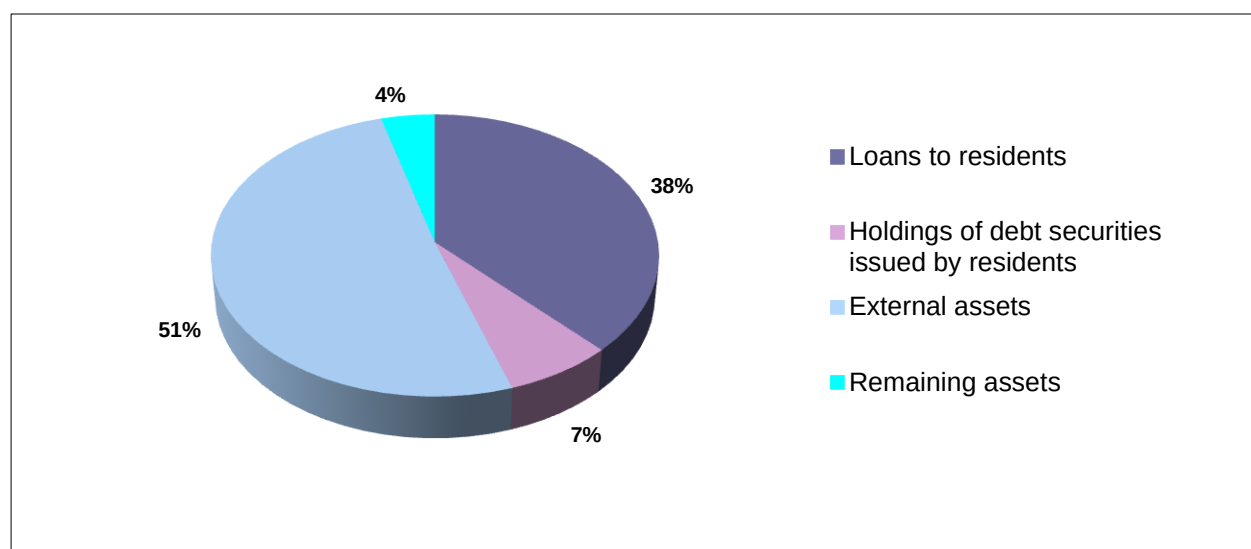
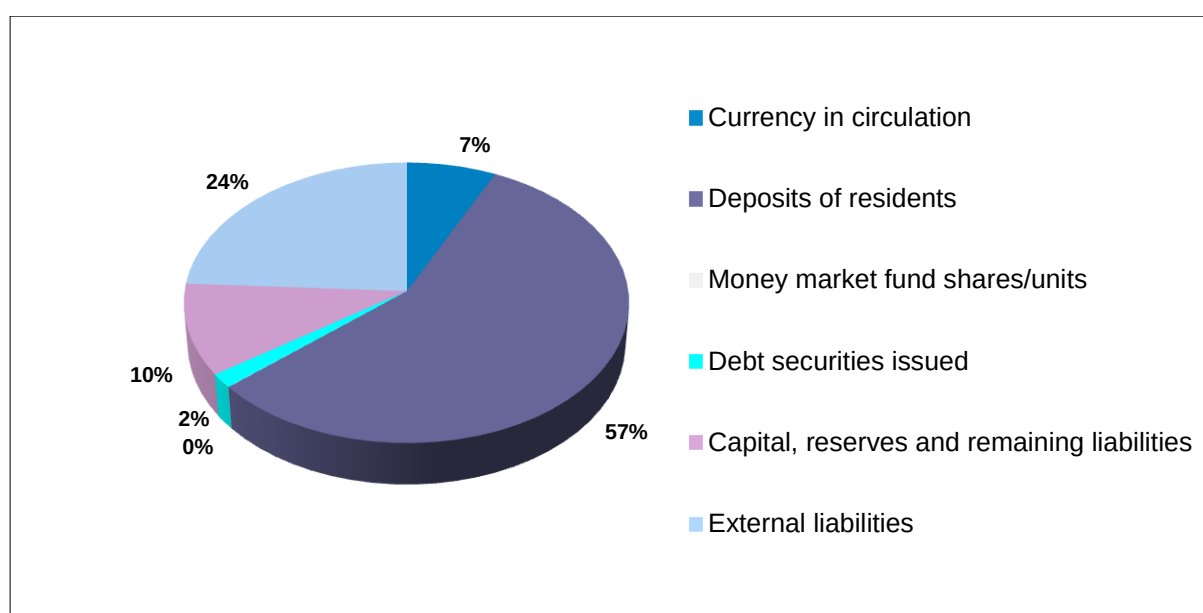
Consolidated balance sheet of MFIs – assets

TABLE 9b - BALANCE SHEETS OF MONETARY FINANCIAL INSTITUTIONS BY REPORTING INSTITUTIONS (LIABILITIES): OCTOBER 2017

CZK billions

	Monetary financial institutions		Consolidated balance sheet of MFIs
	CNB	Other monetary financial institutions	
(2) LIABILITIES TOTAL	3 208.0	7 299.5	7 587.7
(2.1) Currency in circulation	570.3	-	533.1
(2.2) Deposits of residents	2 632.6	4 168.0	4 302.1
MFI	2 358.9	139.6	-
Central government	272.2	83.3	355.5
Other general government/other residents	1.5	3 945.1	3 946.6
(2.3) Money market fund shares/units	-	1.5	1.5
(2.4) Debt securities issued	0.0	461.4	123.3
(2.5) Capital and reserves	-130.4	698.8	524.5
(2.6) External liabilities	119.2	1 713.9	1 833.2
(2.7) Remaining liabilities	16.2	255.9	272.1
(2.8) Excess of inter MFI liabilities	-	-	-2.2

Consolidated balance sheet of MFIs - liabilities

COMMENTARY ON MONETARY DEVELOPMENTS STATISTICS¹⁾ (TABLES 3-9): OCTOBER 2017

The evolution of the annual rate of growth of M3 was characterised by fluctuations around 5% in 2013 and 2014. The upward trend observed from the end of 2015 Q1 until November 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 the following eight months of 2016. The last four months of 2016 saw a decline from 8.7% in September to 6.7% in December. An upward trend returned in January 2017, and the annual rate of growth reached 11.5% in October 2017 (12.7% in September).

As a result of financial transactions, M3 declined by CZK 11.6 billion month on month (but rose by CZK 436.6 billion year on year), reaching CZK 4,224.6 billion.

Main components of M3

The decline in the annual growth rate of M3 from 12.7% in September to 11.5% in October was due to a lower contribution of overnight deposits (down from 9.7 percentage points in September to 8.4 percentage points). The 1.3 percentage point decline in overnight deposits was affected by the contribution of M1, which dropped from 10.8 percentage points in September to 9.2 percentage points in October. (Table 7)

The decrease in the annual growth rate of overnight deposits from 12.9% in September to 11.1% in October was reflected in a decline in the annual growth rate of M1 to 10.4%. Overnight deposits decreased by 0.6% (or CZK 20.4 billion) month on month, due to financial transactions. Within overnight deposits, the largest increase was recorded for deposits of non-financial corporations (up by 0.4%, or CZK 3.5 billion). Deposits of households also increased, by 0.2%, or CZK 3.1 billion. By contrast, decreases were recorded for deposits of insurance companies and pension funds (down by 19.2%, or CZK 7.2 billion), other government (down by 6.4%, or CZK 15.3 billion) and other financial intermediaries (down by 4.3%, or CZK 4.4 billion).

Currency in circulation decreased by 0.4% month on month, amounting to CZK 533.1 billion (CZK 535.0 billion in September).

Other short-term deposits (excluding overnight deposits) rose by 1.6% (CZK 6.2 billion) month on month, due to financial transactions. The annual rate of growth of these deposits rose to -1.6% (-4.5% in September). The annual rate of growth of deposits with agreed maturity of up to two years increased by 6.6 percentage point compared to the previous month, reaching 7.0%. The annual growth rate of deposits redeemable at notice of up to three months declined to -8.8% (-8.7% in September). As regards other short-term deposits, increases were recorded for deposits of non-financial corporations (up by 18.9%, or CZK 9.9 billion), other government (up by 7.4%, or CZK 1.1 billion) and other financial intermediaries (up by 2.9%, or CZK 1.3 billion). By contrast, deposits of insurance corporations and pension funds and deposits of households decreased (by 12.1%, or CZK 4.2 billion, and by 0.8%, or CZK 1.9 billion respectively).

Marketable instruments, which consist of repos, money market fund shares/units and debt securities with maturities of up to two years, increased by CZK 4.5 billion month on month due to financial transactions, to CZK 115.3 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 8.1% in October 2017 (9.2% in September 2017). The annual growth rate of loans to non-financial corporations, a major component of this indicator, saw a gradual increase from early 2015, from 1.3% in January 2015 to 11.8% in September 2015. Following a decline in 2015 Q4, to 6.2% in December, it was irregularly volatile, standing at 3.7% in October 2017 (5.3% in September 2017). The annual growth rate of loans to households, another major component, has been gradually growing since January 2015 (4.5% in December 2014), amounting to 8.3% in October 2017.

The annual growth rate of loans provided to general government and purchased securities rose from -21.7% in September to -18.0% in October. The annual growth rate of net external assets rose to 22.5% at the end of October (from 22.4% in September). The annual rate of growth of longer-term financial liabilities decreased from 5.6% in September to 4.4% in October. The annual growth rate of deposits of central government grew to 38.0% in October (from 3.2% in September).

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

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

	2016		2017					
	October		August		September		October	
	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)
(1) Deposits from households²⁾								
(1.1) Overnight ³⁾	0.13	1 615.4	0.10	1 823.8	0.10	1 835.9	0.10	1 836.5
of which: current accounts	0.06	1 003.2	0.04	1 166.2	0.04	1 174.7	0.04	1 174.1
(1.2) With agreed maturity	0.62	4.1	0.32	6.2	0.41	3.4	0.36	4.0
of which: Up to 2 years	0.58	3.7	0.25	5.7	0.32	3.1	0.29	3.7
(1.3) Redeemable at notice ^{3), 4)}	1.06	245.8	1.06	225.5	1.06	223.9	1.05	222.9
(1.3.1) Up to 3 months' notice	1.17	218.7	1.19	200.1	1.19	198.7	1.17	198.1
(1.3.2) Over 3 months' notice	0.17	27.0	0.10	25.4	0.10	25.2	0.10	24.7
(2) Deposits from non-financial corporat.								
(2.1) Overnight ³⁾	0.05	643.7	0.03	735.3	0.03	731.5	0.03	729.5
(2.2) With agreed maturity	0.06	19.7	0.08	11.9	0.06	17.8	0.12	21.0
of which: Up to 1 year	0.06	19.6	0.08	11.8	0.06	17.7	0.11	21.0
(3) Loans to households²⁾								
(3.1) Consumer. house pur. and other loans	4.02	41.8	4.14	41.8	4.07	39.2	4.13	42.3
(3.1.1) Consumer credit	10.40	8.8	9.42	10.2	9.29	9.4	9.01	10.5
(3.1.2) Lending for house purchase	2.23	29.4	2.32	27.8	2.32	26.5	2.37	28.1
of which: Mortgage lending ⁵⁾	2.00	25.3	2.10	23.4	2.12	22.4	2.17	23.5
Saving for building purposes	3.83	2.8	3.60	3.0	3.59	2.7	3.46	3.1
(3.1.3) Other lending	3.06	3.6	3.20	3.8	3.26	3.3	3.56	3.6
(3.2) Overdraft ⁶⁾ and revolving loans ³⁾	13.42	24.8	12.61	25.5	12.55	25.8	12.68	26.3
(3.3) Credit cards ³⁾	20.97	25.1	20.67	23.5	20.65	22.2	20.12	22.1
(4) Loans to non-financial corporations								
(4.1) Total loans (all size categories)	1.66	35.6	2.04	33.9	1.97	34.8	2.25	48.2
(4.1.1) Up to CZK 7.5 million	2.92	3.0	3.08	3.0	3.08	2.9	3.13	3.2
of which: Up to 3 months rate fixation ⁷⁾	2.84	1.8	2.89	1.8	2.95	1.5	2.98	1.8
(4.1.2) CZK 7.5-30 million	1.89	5.0	2.01	5.3	2.09	5.3	2.07	5.8
of which: Up to 3 months rate fixation ⁷⁾	1.79	3.5	2.00	3.8	1.93	3.4	1.96	4.1
(4.1.3) Over to CZK 30 million	1.47	27.5	1.92	25.7	1.83	26.6	2.20	39.2
of which: Up to 3 months rate fixation ⁷⁾	1.47	23.5	1.74	17.3	1.72	17.4	2.04	26.5
(4.2) Overdraft ⁶⁾ , revolving and credit cards ³⁾	2.24	219.5	2.34	203.7	2.34	208.4	2.39	213.7
(5) APRC⁸⁾ on loans to households²⁾	4.33	38.2	4.56	38.0	4.43	35.8	4.47	38.7
(5.1) Consumer credit	10.89	8.8	10.02	10.2	9.83	9.4	9.53	10.5
(5.2) Lending for house purchase	2.37	29.4	2.55	27.8	2.52	26.5	2.57	28.1

¹⁾ The interest rates applied by MFIs to CZK-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the Czech Republic. New business refers to any new agreement between the customer and the MFI within given period.

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

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

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

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

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

⁷⁾ The initial period of fixations is a predetermined period of time at the start of the contract during which the value of the interest rate cannot change. Period up to 3 months includes floating rates.

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

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

	2016		2017					
	October		August		September		October	
	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)	Interest rate (% p.a.)	Volume (CZK billions)
(1) Deposits from households²⁾³⁾	0.41	2 104.0	0.35	2 296.5	0.34	2 305.0	0.34	2 304.1
(1.1) With agreed maturity	1.59	252.9	1.45	255.6	1.44	253.6	1.43	253.0
(1.1.1) Up to 2 years	1.10	42.7	0.64	40.7	0.65	39.7	0.62	39.6
(1.1.2) Over 2 years	1.69	210.2	1.60	214.8	1.59	213.9	1.58	213.4
(2) Deposits from non-financial corp.³⁾	0.08	700.8	0.05	797.1	0.05	785.1	0.05	794.8
(2.2) With agreed maturity	0.43	44.8	0.34	42.7	0.34	41.3	0.29	51.0
(2.2.1) Up to 2 years	0.23	40.7	0.12	38.0	0.11	36.7	0.12	46.4
(2.2.2) Over 2 years	2.50	4.1	2.12	4.7	2.12	4.6	2.11	4.5
(3) Loans to households	4.46	1 406.8	4.02	1 495.3	3.99	1 501.8	3.96	1 512.6
(3.1) Lending for house purchase	2.96	1 043.9	2.68	1 120.3	2.66	1 127.8	2.64	1 135.8
of which: Mortgage lending ⁴⁾	2.74	927.3	2.46	1 004.2	2.44	1 013.2	2.42	1 020.7
Saving for building purposes	5.29	80.6	5.17	81.4	5.16	81.6	5.15	81.8
(3.2) Consumer credit and other lending ⁵⁾	8.96	362.9	8.19	375.0	8.14	374.1	8.06	376.8
(4) Loans to non-financial corporation	2.52	756.9	2.55	742.5	2.58	747.7	2.59	745.7
(4.1) Up to 1 year	2.17	213.2	2.32	196.3	2.32	201.1	2.35	205.8
(4.2) Over 1 and up to 5 years	2.58	121.5	2.70	128.4	2.78	129.1	2.78	122.3
(4.3) Over 5 years	2.66	422.2	2.61	417.9	2.64	417.4	2.65	417.6

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

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

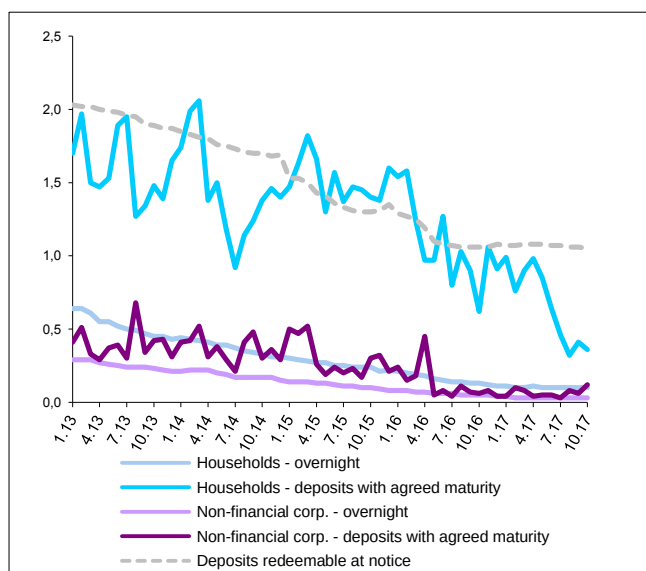
³⁾ Including overnight deposits and deposits redeemable at notice presented in Table 10. For this instrument category new business and outstanding amounts coincide.

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

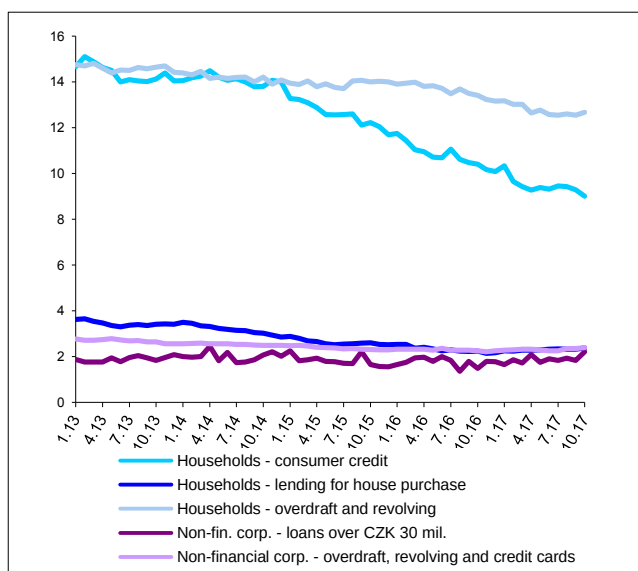
⁵⁾ Consumer credit and other lending include bank overdrafts, revolving loans and credit cards presented in Table 10.

INTEREST RATES OF MONETARY FINANCIAL INSTITUTIONS ON NEW BUSINESS

New business, deposits

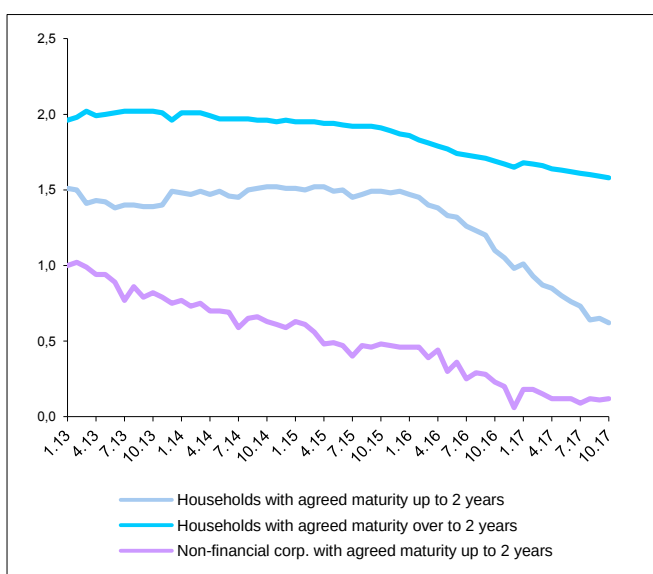


New business, loans

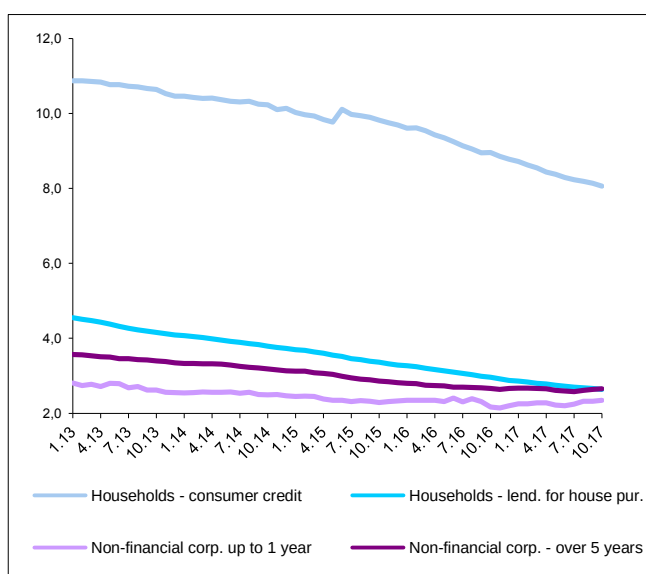


INTEREST RATES OF MONETARY FINANCIAL INSTITUTIONS ON OUTSTANDING AMOUNTS

Outstanding amounts, deposits



Outstanding amounts, loans



COMMENTARY ON MFI INTEREST RATES (TABLES 10 AND 11) – OCTOBER 2017**Interest rates on new business**

In October, interest rates on new deposits recorded the largest change for household deposits with agreed maturity. The interest rate on overnight deposits of households has been flat at 0.10% since May. The rate on current account deposits remained at the lowest level since the start of the measurement (0.04%) for the sixth consecutive month. The rate on deposits with agreed maturity dropped by 0.05 percentage point to 0.36% and the rate on deposits redeemable at notice decreased marginally to 1.05% (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 has been unchanged at an all-time low of 0.03% since February. Deposits with agreed maturity of up to one year (which as a rule account for 100% of all deposits with agreed maturity in the case of this sector) were remunerated at a slightly higher rate (0.11%).

Within interest rates on new loans to households, the biggest change was recorded for credit cards in October. Interest rates on loans to non-financial corporations saw the largest change for loans of over CZK 30 million. The overall interest rate on consumer credit, loans for house purchase and other loans increased by 0.06 percentage point to 4.13%. Consumer credit was remunerated at 9.01%, down by 0.28 percentage point. This indicator decreased by 1.39 percentage points year on year. The interest rate on loans for house purchase rose by 0.05 percentage point to 2.37%. Mortgage loans were remunerated at a higher rate than in September (2.17%). Building society loans were remunerated at 3.46%, down by 0.13 percentage point. The rate on other loans increased by 0.30 percentage point, to 3.56%. The rate on credit cards stood at 20.12%, down by 0.53 percentage point from September.

The interest rate on new loans to non-financial corporations (excluding overdrafts, revolving loans and credit cards) increased by 0.28 percentage point to 2.25%. The rate on loans of up to CZK 7.5 million was up to 3.13%. The interest rate on loans of over CZK 7.5 million and up to CZK 30 million fell by 0.02 percentage point to 2.07%. The interest rate on loans of over CZK 30 million increased by 0.37 percentage point to 2.20%.

Interest rates on outstanding amounts

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

As in September, total deposits of households were remunerated at 0.34%. The interest rate on overnight deposits was flat at 0.10%. The interest rate on deposits redeemable at notice fell to 1.05% and the rate on deposits with agreed maturity edged down to 1.43%.

Since February 2017, the interest rate on total deposits of non-financial corporations has been flat at the lowest level in the available time series (0.05%). The interest rate on overnight deposits stayed at an all-time low of 0.03%. The interest rate on deposits with agreed maturity edged down by 0.05 percentage point to 0.29%.

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

The overall interest rate on loans to households fell by 0.03 percentage point to 3.96%. The interest rate on loans for house purchase declined to 2.64%. Consumer credit and other loans were remunerated at 8.06%, down by 0.08 percentage point from September.

The average interest rate on outstanding amounts of loans to non-financial corporations rose marginally to 2.59%. The rate on loans with maturity of up to one year increased to 2.35%. The interest rate on loans with maturity of over one year and up to five years was flat at 2.78%. The rate on loans with maturity of over five years also rose marginally, reaching 2.65%. This was only its third increase since January this year.

TABLE 12 – AGGREGATED BALANCE SHEET OF INVESTMENT FUNDS ¹⁾

CZK billions

	2016		2017					
	September		July		August		September	
	Out-standing amounts	Transa-ctions	Out-standing amounts	Transa-ctions	Out-standing amounts	Transa-ctions	Out-standing amounts	Transa-ctions
Total Assets	383.5	8.1	445.1	6.3	450.4	6.7	462.0	11.8
(1.1) Deposits	43.6	-0.4	65.4	1.7	66.5	1.1	68.1	1.6
(1.2) Securities other than shares	102.6	0.2	108.5	1.8	105.8	-2.6	105.3	0.1
Residents	50.5	-0.3	54.9	0.6	52.0	-2.8	52.1	0.5
Non-residents	52.0	0.4	53.6	1.2	53.8	0.2	53.2	-0.4
(1.3) Shares and other equity	66.8	4.7	85.1	1.8	86.9	1.6	93.1	5.8
Residents	25.6	3.8	34.1	0.5	34.2	0.0	34.5	0.2
Non-residents	41.1	0.9	51.0	1.3	52.7	1.5	58.6	5.6
(1.4) Investment fund shares (including MMFs)	83.7	1.5	98.0	2.3	99.8	1.8	100.4	0.1
Residents	15.6	-0.2	18.7	-0.3	18.5	-0.2	18.0	-0.5
Non-residents	68.1	1.7	79.3	2.5	81.2	2.0	82.4	0.7
(1.5) Other assets	86.8	2.1	88.1	-1.2	91.5	4.7	95.1	4.2
Total Liabilities	383.5	8.1	445.1	6.3	450.4	6.7	462.0	11.8
(2.1) Loans accepted	16.7	0.8	25.6	1.6	25.2	-0.4	26.4	1.2
(2.2) Investment fund shares	341.1	6.4	396.0	5.8	400.8	6.2	410.7	10.2
(2.3) Other liabilities	25.7	0.9	23.5	-1.2	24.4	0.8	24.8	0.3

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

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

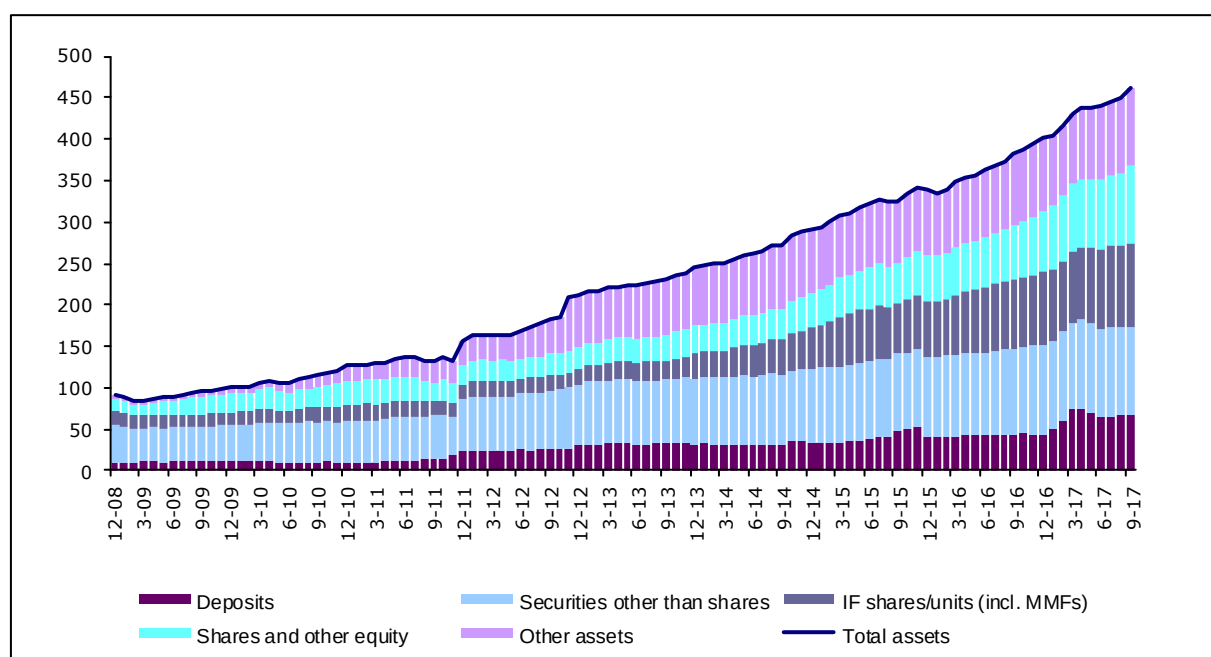


TABLE 13 – AGGREGATED BALANCE SHEET OF FINANCIAL CORPORATIONS ENGAGED IN LENDING ¹⁾

CZK billions, end of period

	2016		2017		
	September	December	March	June	September
Total Assets	370.5	383.4	384.7	396.7	398.4
(1.1) Deposits	9.3	8.0	6.6	7.4	7.0
(1.2) Loans provided	277.6	284.0	286.5	295.6	296.4
Residents	266.8	272.6	275.9	285.2	286.1
Non-residents	10.8	11.4	10.6	10.3	10.4
(1.3) Securities other than shares	1.0	0.8	1.1	1.1	0.9
(1.4) Shares and equity	6.3	6.3	6.1	6.1	6.2
Mutual fund shares/units (including MMFs)	0.0	0.0	0.0	0.0	0.0
Other shares and equity	6.3	6.3	6.1	6.1	6.2
(1.5) Other assets	76.3	84.3	84.5	86.5	87.9
Total Liabilities	370.5	383.4	384.7	396.7	398.4
(2.1) Loans taken	229.1	232.5	231.7	243.0	244.1
Residents	176.1	176.5	173.7	183.1	183.4
Non-residents	53.0	56.0	58.0	59.9	60.6
(2.2) Securities other than shares issued	5.4	13.2	13.8	11.7	9.2
(2.3) Own funds	99.2	98.3	99.5	100.5	102.6
(2.4) Other liabilities	36.8	39.4	39.8	41.6	42.5

¹⁾ Financial corporations engaged in lending - corporations classified within sector other financial intermediaries which are predominantly engaged in granting credit or loans or entering into agreements of similar nature, for example financial leasing, factoring, consumer credit, hire purchase, etc., (see Decree No. 314/2013 Coll.).

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

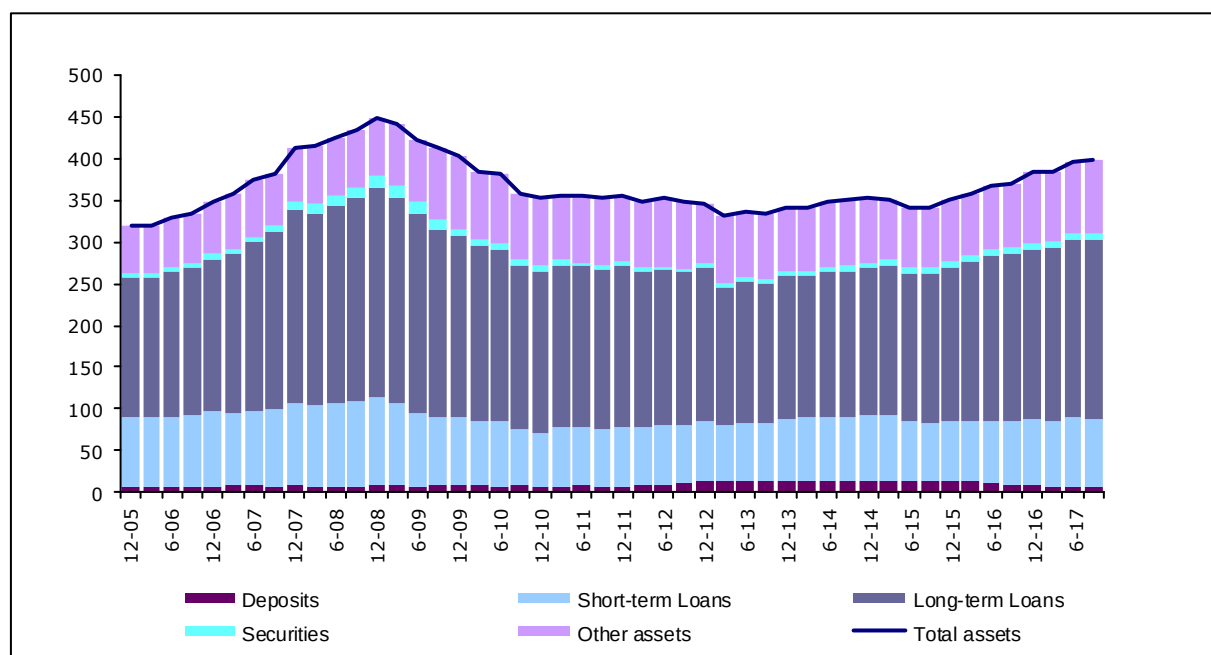
Balance sheet total – breakdown by assets items (CZK billions)

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

CZK billions, end of period

	2016		2017		
	September	December	March	June	September
(1) Non-financial corporations	203.2	209.2	215.4	223.8	223.9
Up to 1 year	51.2	54.4	55.1	58.3	57.3
Over 1 year up to 5 years	120.0	122.1	126.2	130.3	131.3
Over 5 years	32.0	32.7	34.1	35.2	35.3
(2) Financial corporations	0.5	0.5	0.6	1.0	1.1
Up to 1 year	0.0	0.0	0.0	0.0	0.1
Over 1 year up to 5 years	0.5	0.5	0.6	0.9	1.1
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	62.9	62.7	59.7	60.3	60.9
Up to 1 year	20.4	20.4	19.4	19.6	19.2
Over 1 year up to 5 years	35.4	35.0	32.7	31.9	32.4
Over 5 years	7.2	7.3	7.6	8.9	9.3
(5) NPISHs	0.0	0.0	0.0	0.0	0.0
Up to 1 year	0.0	0.0	0.0	0.0	0.0
Over 1 year up to 5 years	0.0	0.0	0.0	0.0	0.0
Over 5 years	0.0	0.0	0.0	0.0	0.0

¹⁾ Financial corporations engaged in lending - corporations classified within sector other financial intermediaries which are predominantly engaged in granting credit or loans or entering into agreements of similar nature, for example financial leasing, factoring, consumer credit, hire purchase, etc., (see Decree No. 314/2013 Coll.).

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

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

CZK billions, end of period

	2016		2017		
	September	December	March	June	September
(1) Total	62.9	62.7	59.7	60.3	60.9
(1.1) Consumer credit	53.6	53.7	50.6	51.0	51.7
Up to 1 year	19.4	19.6	18.5	18.4	18.1
Over 1 year up to 5 years	28.6	28.5	26.4	26.4	26.9
Over 5 years	5.6	5.7	5.7	6.2	6.8
(1.2) Lending for house purchase	0.0	0.0	0.4	0.4	0.4
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	0.4	0.3	0.3
(1.3) Other loans	9.3	9.0	8.7	8.9	8.8
Up to 1 year	0.9	0.9	0.9	1.1	1.1
Over 1 year up to 5 years	6.7	6.5	6.3	5.5	5.4
Over 5 years	1.6	1.6	1.6	2.3	2.2

¹⁾ Financial corporations engaged in lending - corporations classified within sector other financial intermediaries which are predominantly engaged in granting credit or loans or entering into agreements of similar nature, for example financial leasing, factoring, consumer credit, hire purchase, etc., (see Decree No. 314/2013 Coll.).

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

COMMENTARY ON THE AGGREGATED BALANCE SHEET OF INVESTMENT FUNDS (TABLE 12): SEPTEMBER 2017

Net assets value: The net assets value of investment funds was CZK 410.7 billion at the end of September. This means an increase of CZK 9.9 billion compared to August (monthly transactions accounted for CZK +10.2 billion). Compared to the same period a year earlier, the net assets value of investment funds rose by 20.4%. The biggest month-on-month change in the net assets value was recorded for other funds, up by CZK 5.0 billion to CZK 36.8 billion.

Investment in bonds: The value of bond holdings was CZK 105.3 billion at the end of September. Compared to the previous month, the total volume of bonds fell by CZK 0.5 billion, owing mainly to non-transaction effects. The proportion of debt securities in the funds' net assets value declined to 25.6% compared to the previous month.

Investment in equity securities: The volume of equity securities in the funds' portfolio increased in the month under review. As of the end of the month, the value of holdings of equity securities amounted to CZK 193.5 billion, of which CZK 100.4 billion was investment in the shares and units of investment funds (including money market funds) and CZK 93.1 billion was investment in shares and other equity. The value of equity securities grew by CZK 6.8 billion compared to August (monthly transactions accounted for CZK +6.0 billion). The proportion of equity securities in the funds' net assets value increased to 47.1% compared to the previous month.

Other investment: The value of funds invested in other assets increased in the period under review, by CZK 3.5 billion (monthly transactions accounted for CZK +4.1 billion). The total volume of other investment was CZK 153.5 billion in September, of which CZK 46.1 billion was fixed investment and CZK 68.1 billion investment in deposits. The proportion of other investment in the funds' net assets value was unchanged from the previous month at 37.4%.

Reporting population: At the end of September 2017, a total of 402 resident collective investment funds were active in the Czech Republic, of which 52 were equity funds, 58 bond funds, 77 mixed funds, 87 real estate funds, 126 other funds and two funds without an investment policy. Six new investment funds were established in September and no investment fund ceased to exist.

COMMENTARY ON THE AGGREGATED BALANCE SHEET OF FINANCIAL CORPORATIONS ENGAGED IN LENDING (TABLES 13 AND 14): SEPTEMBER 2017

Financial corporations engaged in lending had total assets of CZK 398.4 billion as of 30 September 2017, up by CZK 1.7 billion in quarter-on-quarter terms. Compared to 2016 Q3, total assets increased by CZK 27.9 billion (or 7.5%) year on year.

The largest asset item was loans provided, totalling CZK 296.4 billion, of which CZK 286.1 billion was provided to residents. Compared to the previous quarter, total loans provided rose by CZK 0.9 billion in 2017 Q3. Loans also increased in year-on-year terms, by 6.8% (CZK 18.8 billion).

The largest part of loans provided to residents consisted of loans to non-financial corporations amounting to CZK 223.9 billion, i.e. 78.3% of loans to residents. Loans provided to non-financial corporations were up by CZK 0.1 billion compared to the previous quarter. In year-on-year terms, they rose by CZK 20.8 billion.

The second largest category of loans to residents consisted of loans to households, totalling CZK 60.9 billion. They were up by CZK 0.5 billion compared to the previous quarter. These loans accounted for 21.3% of loans provided 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

December 2017: Cost-of-borrowing Indicators

ANNEX

COST-OF-BORROWING INDICATORS

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

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

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

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

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

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

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

	2016		2017					
	September		July		August		September	
	Rate (%)		Rate (%)		Rate (%)		Rate (%)	
	CZ	FR ⁵⁾	CZ	FR	CZ	FR	CZ	FR
(1) Households – total^{1).2)}	2.23	1.68	2.34	1.62	2.33	1.65	2.33	1.65
(2) Non-financial corporations – total	2.04	1.57	2.04	1.43	2.08	1.55	2.11	1.54
(3) Short-term cost of borrowing – total³⁾	1.99	1.53	2.02	1.35	2.05	1.49	2.05	1.51
(4) Long-term cost of borrowing – total⁴⁾	2.29	1.68	2.32	1.61	2.34	1.66	2.40	1.64

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

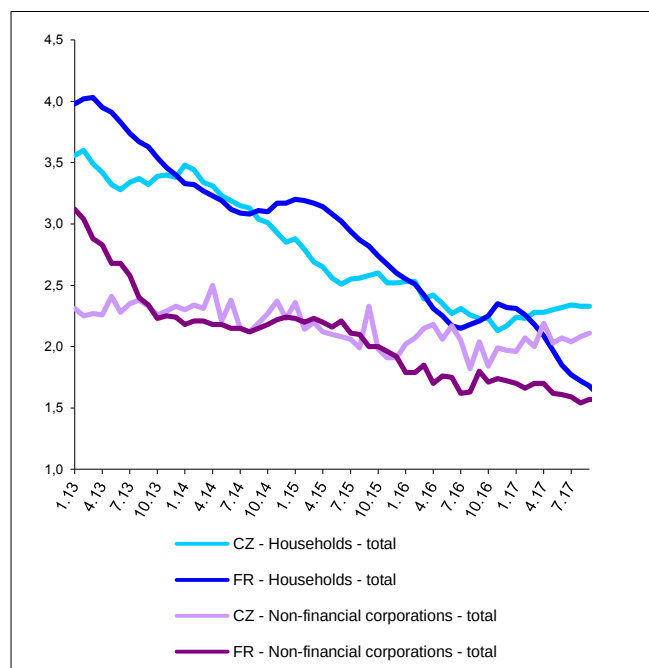
²⁾ Households comprise the household sector (S.14) and non-profit institutions serving households (S.15) under ESA2010.

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

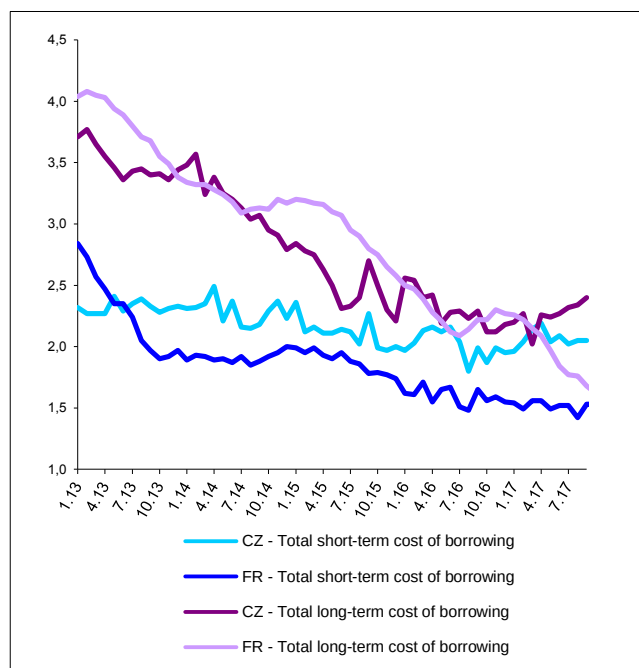
⁴⁾ Long-term (LT) loans are loans with an initial rate fixation over one year.

⁵⁾ FR = France.

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 France

All four derived cost-of-borrowing indicators (CBIs) were more than 0.5 percentage point higher on average for Czech loans than for French loans in September 2017. One Czech and two French CBIs fell month on month in September. In year-on-year terms, the Czech derived CBIs increased, whereas the French ones declined. The French short-term CBI was the lowest in September. By contrast, the long-term CBI in the Czech Republic was the highest.

The cost of borrowing of Czech households was unchanged from August. The same was true for France. This CBI reached 2.33% in the Czech Republic and 1.65% in France in September. The differential between this Czech and French CBI was 0.68 percentage point, the second largest differential among all the monitored CBIs in the Czech Republic and France. In year-on-year terms, an increase of 0.10 percentage point and a decrease of 0.03 percentage point respectively were recorded in the Czech Republic and France. This French CBI was the highest among the four derived CBIs in France.

The borrowing costs of non-financial corporations in the Czech Republic saw a month-on-month increase of 0.03 percentage point to 2.11%. This CBI was 1.54% in France, i.e. 0.57 percentage point lower than in the Czech Republic. This was the second smallest differential among the eight CBIs under comparison. Loans to non-financial corporations in France are thus less costly than in the Czech Republic. The French CBI recorded a month-on-month decline of 0.01 percentage point. The year-on-year change in this indicator was 0.07 percentage point in the Czech Republic and -0.03 percentage point in France.

At 2.05%, the total short-term cost of borrowing, which comprises both households and non-financial corporations, was unchanged from August in the Czech Republic. In France, this indicator was 0.54 percentage point lower. It stood at 1.51%, the lowest level among all the eight CBIs under comparison. The month-on-month change in this CBI was insignificant in France. In year-on-year terms, an increase of 0.06 percentage point and a decrease of 0.02 percentage point respectively were recorded in the Czech Republic and France.

The long-term cost of borrowing (comprising both households and non-financial corporations) rose slightly in the Czech Republic to 2.40% in September. In France, this CBI dropped by 0.02 percentage point to 1.64%. In year-on-year terms, this CBI rose by 0.11 percentage point in the Czech Republic but declined by 0.04 percentage point in France. In September, this CBI was 0.76 percentage point lower in France than in the Czech Republic, the biggest differential among the derived CBIs in the Czech Republic and France.