

Monetary Development

The rate of growth of money stock M_2 slowed down

Money stock (M_2) CZK 1,992.0 bn was higher by 8.0% inter-annually by the end of 2005 and grew faster than GDP. The annual rate of increase as well as the inter-annual changes of money stock gradually decreased in the year course and the average stock of M_2 increased by 5.3% and GDP in current prices by 5.9%. The 2005 mutual relation between M_2 and GDP decreased by 0.4 p.p. to 65.0% in comparison to the previous year. To service production and gross value added was therefore needed less money and the speed of the money stock turnover increased. At the side of assets, the share of net foreign assets continued to grow (54.6% of the total) and at the side of liabilities, the share of transaction money on M_2 increased (54.6%); this confirms the tendency toward liquidity preferences.

• Growth of foreign assets and decline of domestic ones

Net foreign assets (11.5 p. p.) influenced in a positive way the inter-annual development of M_2 at the demand side; they increased markedly (by 24.7%) and their growth sped up by 19.6 p. p. Money stock M_2 was negatively influenced by net domestic assets (3.5 p. p.), which declined by 6.6 %. The total volume of domestic credits subtly increased (by 1.7%) and progressed substantially differently by particular sectors; credits to non-financial enterprises and households grew by 2.0% and net credit to government decreased by 61.5%. Household credits grow the second year already by an extraordinary speed (32.7% and 32.5%). Other net items (including CP and capital) were higher by 24.1% and negatively influenced the net asset development.

• Money grew faster than quasi-money

Transaction money (6.8 p. p.) that increased by 13.0% positively influenced the inter-annual M_2 development more than quasi-money (1.2 p. p.), which grew only by 2.6%. The annual growth rate of money in circulation decreased in the year course, however, inter-annual increase in volume in 2005 represented a substantial speedup of growth. The 2005 average volume of money in circulation increased almost the same pace as in the previous year (8.7% and 8.4%) and grew faster than GDP in current prices. Its ratio to GDP 8.6% was higher by 0.2 p. p. inter-annually, so that the speed of money in circulation in household hands or non-financial enterprises decreased. While deposits with agreed return subtly decreased, term deposits increased by 12.7% and the quasi-money development had the decisive influence.

• Household financial position worsened

By the end of 2005, the total household deposits were higher than the total household credits by CZK 704.4 bn, which was by CZK 44.4 bn less than a year before. The active financial position of households lowered by 5.9% as a consequence of the credit indebtedness increase.