

Money supply

- **Acceleration of M2** The money supply (M2) reached CZK 1 999.8 bn; it increased inter-annually by 8.4%, however, the growth was negligible on a quarterly base. The increase of net foreign assets (by 13.9%) influenced the inter-annual growth of M2 more than the increase of net domestic assets (3.2%). The increase of domestic credits by 4.5% (they influenced M2 by 2.8 p.p.) was accompanied by substantial structural changes as credits to government declined by three fifths and credits to households increased by more than one third. On the supply side, the increase of transaction money (M1 by 11.3% with the influence of 6.0 p.p.) influenced M2 more than quasi money (5.2 and 2.4 p.p. respectively). The bank deposit increase (by 8.8 p.p.) exhibited substantially greater influence on the acceleration of M2 than money in circulation (2.5 p.p.). The shift of non-transaction money to transaction money accelerated and the M1 excess over M2-M1 reached already 18.0% (in the 1.Q 2005 it was lower by 6.5 p.p.).
- **Active financial position of households continues to fall** The total cover of domestic bank credits by domestic bank deposits is high and increased inter-annually by 3.4%, the active financial position of households declined by more than a fifth. By the end of 1.Q 2005, household bank deposits exceeded household credits by CZK 750.4 bn, however, at the end of 1.Q 2006, this excess declined to CZK 692.6 bn. Passive position of firms improved slightly and their credit indebtedness declined.
- **High negative interest rate in real terms from deposits** CNB interest rates remained stable throughout the 1.Q 2006. Comparing to previous quarter, commercial banks moderately increased interest rate of deposits in crown (by 0.015 p.p. to 1.227%) and decreased interest rate of credits (by 0.146 p.p. to 7.046%). The high profit margin (5.849) was the main source of banks profit, which increased by 7.7%.