

Monetary development

- ***Trend changes in dynamics of money stock in the economy***

Mainly a strong credit supply that led to a huge growth of net domestic assets resulted in the fact that the money stock in the economy of the CR increased as at the end of the Q3 2006 much faster than the GDP; for formation of valued added the Czech economy thus needed bigger amount of money. It means a turnover from a reserved to a more expansive monetary policy.
- ***Money stock M₂ grew faster than the GDP; credit expansion markedly accelerated the growth rate of net domestic assets***

Money stock (M₂) in the Czech economy in the end of Q3 in the amount of CZK 2,094.9 bn means in comparison to the corresponding period of last year an increase by 9.2%, which indicates both marked y-o-y acceleration (+4.2% in the Q3 2005) and an increase of growth rate of M₂ above the growth rate of the economy (nominal GDP increased by 7.6%).

Since November 2005, domestic credits started to grow y-o-y and the increments had their maximum in September 2006 at the growth by 20.3% (against -1.6% of the corresponding period of 2005). Mainly this influence caused an increase of net domestic assets by 28.3% y-o-y to CZK 1,075.9 bn. Credits to non-financial corporations accelerated only slightly (+13.4%), however, big growth rate of credits to households persists (+32.2%). Changes occurred also as for net credits to the government – after a longer period of decreasing (-72.9% in the end of September 2005) there has been again growth since August 2006 (in the end of Q3 2006 the y-o-y increment was 18.6%). It probably reflects the necessity to finance the state budget (net credits to the central government increased by 17.6% y-o-y against the decrease by 54.7% in the corresponding period of 2005).
- ***Money grew faster than quasi money; households and non-financial corporations more dynamically transfer money from term deposits to current accounts and time deposits***

Marked changes occurred also on the offer side. The growth of money stock in the economy was influenced in a decisive way by an increase of money (+8.7 p.p.). Of that, mostly by one-day deposits (+7 p.p.) the dynamics of which grew more than four times. An increase of the volume of quasi money (deposits) added to the growth of the aggregate M₂ 0.5 p.p. A low increase of deposits was caused mainly by a decrease of money at time deposits (deposits with agreed maturity) of non-financial corporations (-5.5%) and, on the other hand, an increase of money at current accounts (+21.1%). The same behaviour was observed also among households, at which the volume of time deposits dropped by 4.1%, while an increase of one-day deposits almost doubled in comparison to the dynamics of the previous period (+15.5%). Total deposit accounts at notice that increased by a fifth contributed in a decisive way to the positive increment of quasi money (1.1%); the increment decreased in comparison to the corresponding period of last year (3.3%) and in May and July 2006 the volume of quasi money even decreased y-o-y.