

Monetary development

- **Most rapid growth of money stock within the economy since the end of 2001**

Money stock in the Czech economy increased by the end of June to CZK 2 305.3 billion and compared to the same period in 2006 it was 11.2% up - faster growth was last recorded for the volume of money in the economy by the end of 2001. Accelerated growth of money in the economy responding to the GDP growth is acceptable (nominal GDP rose by 10.2 %). Growth of money stock speeded up compared with June 2006 by 2.9 p.p., i.e. even more than in Q1 2007. This development on the assets side is attributed to a continuing credit expansion.
- **Credits grow three times faster than deposits**

Credits granted to companies and households increased, y-o-y, by more than a fifth while a very strong dynamics of loans granted to households (+31,5 %) was maintained, mainly due to growth of housing credits and increasing growth of company loans (+15.7 % against +13.9 % in Q1 and Q2 2006). Along with the not-own money use the recovery of deposits (quasi-money) which increased since August 2006 takes place. As of June 2007 their volume increased, y-o-y, by 6.6% to CZK 992.7 billion. An increase by almost CZK 62 billion was, however, three or four times lower compared with growth of credits granted to companies and households (CZK 259.4 billion). Expenditure on economic growth is massively funded also by debt.
- **Double growth of one-day deposits compared with the growth of deposits with maturity and deposits with notice terms**

Growth of deposits reflects good financial standing of companies and households affected by growth of nominal wages, rapid fall of unemployment and positive expectations. On time deposits companies saved compared to June 2006 twice as much (CZK +19.8 billion) as households (CZK +10 billion) which preferred deposits with notice terms (CZK +39.9 billion). However, the y-o-y increase of the volume of money in the economy (CZK +233.1 billion) was affected on the liabilities side namely by growth of one-,day deposits (CZK +137.3 billion) more markedly for the household sector (CZK +84 billion) than for companies (CZK +53.3 billion). Thanks to these developments money as M1 aggregate, grew compared with quasi money by more than twice as fast (+15 % against +6.6 %) and remained thus on the liabilities side as a drive for increasing money stock. Money in circulation was by CZK 34 billion more.
- **Bank's margins in new deals with non-financial corporations increased**

Q1 and Q2 2007 showed the growth of clients' interest rates which was, however, slower, compared with the latter half of 2006. In new deals of commercial banks with non-financial corporations interest rates increased, y-o-y, more markedly than in deals with households - this applies both to deposits and credits. These developments resulted into a very moderate drop of banks margins in deals with households (-0.05 p. p.) and their more notable increase in deals with non-financial corporations (+0,24 p. p.). In spite of the above statement banks in the segment of households more or less tripled their margins compared to the segment of non-financial corporations.
- **Net domestic assets rose by a fifth, foreign assets stagnated**

Huge acceleration of net domestic assets for Q1 (+27,9 % against Q1 2006) did not repeat but the year-on-year rate of growth remained in Q1 and Q2 2007 high (+19.9 %) mainly due to the above dynamics of loans granted to households. Total household loans were higher by more than a fifth also due to high dynamics of net government credits (+45.8 %). Volume of net foreign assets remained more or less unchanged.