

Ten years after the crisis began

Debt is one of the most powerful forces mankind has ever known, perhaps even more powerful than war itself. Tens years ago today, the financial crisis began when BNP Paribas refused to honor its debts. It prevented investors from gaining access to money in funds with exposure to subprime mortgages, citing a complete evaporation of liquidity. The CR wasn't affected by the ensuing crisis as much as many other countries, because its debt was relatively low. Since then, though, Czechs have been working double time to catch up. Household bank debt that was Kč 400bn in mid-2007 has risen by 270%, to Kč 1.48 trillion today. Czech government debt to GDP has risen over the period from 28% to 43% (and at one point was 45%), while the national debt itself has more than doubled to Kč 1.7 trillion. The Czech National Bank signaled a return to post-crisis normal last week by raising interest rates slightly, earning a write-up in the Financial Times and other financial media. Ten years ago the Czechs were in the background of the crisis. Today they are in the forefront of whatever comes next.

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