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Belated inflation fears



The question people should be asking is why it took so long for inflation to become an issue. Before the Czech National Bank devalued the crown on Nov. 7, 2013, the [M1 money supply](#) was Kč 2.45 trillion, and the broader M3 figure was Kč 3.07 trillion. As of [Dec. of last year](#) (the latest month available), the M1 money supply had risen to Kč 4.13 trillion, and M3 to Kč 4.78 trillion. These numbers represent increases over Oct. 2013 of 68.6% and 55.7%. It should come as no surprise that the printing of Kč 2 trillion in new money led to a sharp increase in the money supply. The rules of the game were such, though, that those with easiest access to the new money profited the most. They were the banks, oligarchs and multinationals. Only after some of the money trickled down to employees as higher wages did price inflation start becoming a day-to-day issue. But don't fool yourselves, inflation was always lurking in the shadows. When you devalue the currency, prices must rise.

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