

INFLATION REPORT

APRIL 2000

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ABBREVIATIONS USED:

CIS	Commonwealth of Independent States
CNB	Czech National Bank
CPI	consumer price index
CSO	Czech Statistical Office
ČSOB	Československá obchodní banka
CZK	Czech koruna
EMU	Economic and Monetary Union
EU	European Union
EUR	euro
FRA	forward rate agreement
GDP	gross domestic product
HWWA	aggregate price index for raw materials and food
IRS	interest rate swap
L	a monetary aggregate (see part 3.1.1)
LIBOR	London Interbank Offered Rate (an interbank lending rate)
M1	a monetary aggregate (see part 3.1.1)
M2	a monetary aggregate (see part 3.1.1)
m-o-m	month-on-month
NPF	National Property Fund
PPI	producer price index
PRIBID	Prague Interbank Bid Rate
(1W, 1M, 1Y)	(one-week, one-month, one-year)
PRIBOR	Prague Interbank Offered Rate
repo rate	repurchase agreement rate
T-bills	treasury bills
USD	US dollar
VAT	value added tax
Y2K	Year 2000
y-o-y	year-on-year

I. INTRODUCTION

2000 Q1 saw moderate inflation, signals of economic recovery, a worsening of the trade balance and a continuing appreciation of the koruna's exchange rate against the euro. Inflation factors acted markedly differently than in 1998 and 1999 H1, when the price trend had been affected by a combination of low cost and demand price pressures. From 1999 H2 onwards, the cost pressures gradually mounted, largely as a result of rising prices of energy raw materials on world markets. However, the demand pressures remained subdued, despite the gradual economic recovery. This altered macroeconomic framework will persist throughout the remaining part of 2000 H1.

In 2000 Q1, as in 1999 Q4, both overall and net inflation rose moderately. However, the price movement structure in Q1 was different than in the previous period. In 1999 Q4, the pick-up in consumer prices had been caused by higher growth for the items included in net inflation, whereas in 2000 Q1 the consumer price increase was predominantly due to a one-off rise in regulated prices. Net inflation increased only moderately in Q1. Within net inflation, adjusted inflation showed a gradual rise amid an unwinding of the decline in food prices.

The upturn in the real economy continued into 1999 Q4. The slow recovery from the recession chiefly reflects its institutional and structural causes. The growth in GDP in Q4 was stimulated by domestic demand. Unlike in the previous two quarters of 1999, net exports did not contribute to the GDP growth. As in Q3, the growth rate of government consumption was negative in Q4. Gross fixed capital formation also showed a decline, although this was smaller than in previous quarters. For 1999 as a whole GDP fell, although by considerably less than in 1998. This confirmed the CNB's expectations that while the Czech economy had passed through the low-point of the economic decline in 1999, the recovery would be slow. Up to end-2000, the macroeconomic framework will not generate any strong inflationary stimuli.

At the end of 2000 Q1, the unemployment rate was slightly higher than in December 1999. However, from February onwards, the unemployment trend was accompanied by a rising number of vacancies. This signals an easing of the negative tendencies on the labour market linked with the economic recovery. The continuing regional differences in unemployment are an unfavourable trend that could hamper the sustainable and sound growth of the economy in the future.

The decline in year-on-year M2 growth, which had started in November 1999, continued into December and January 2000. Not until February 2000 did this trend halt and the money supply growth rate pick up in year-on-year comparison. Between December 1999 and February 2000, the year-on-year increases in adjusted lending to businesses and households moved at a low level. The outlook does not indicate any change in this trend in the near future.

In 2000 Q1, monetary policy decisions were based on the inflation forecast and on the latest macroeconomic and monetary indicators. The conditional inflation forecast from the beginning of 2000 Q1 did not differ from that at the start of the previous quarter. The mid-point of the net inflation forecast continued to be slightly below the lower limit of the inflation target for the year 2000. The basis for monetary policy decision-making was an estimate of the intensity of the economic recovery and its effect on prices. In the conditions of a return towards economic growth, there existed the risk of faster pass-through of the growth in energy raw materials prices into producer prices and subsequently into other price areas. A faster pick-up in economic growth would have increased the likelihood of inflationary pressures emerging. One risk factor in monetary policy decision-making was the effect of changes in regulated prices on overall inflation. However, these risks turned out to be low following the release of the inflation data for January, February and particularly March and the GDP figures for 1999. Macroeconomic and monetary forecasts confirmed that interest rates were set at a level corresponding to the given phase of the business cycle.

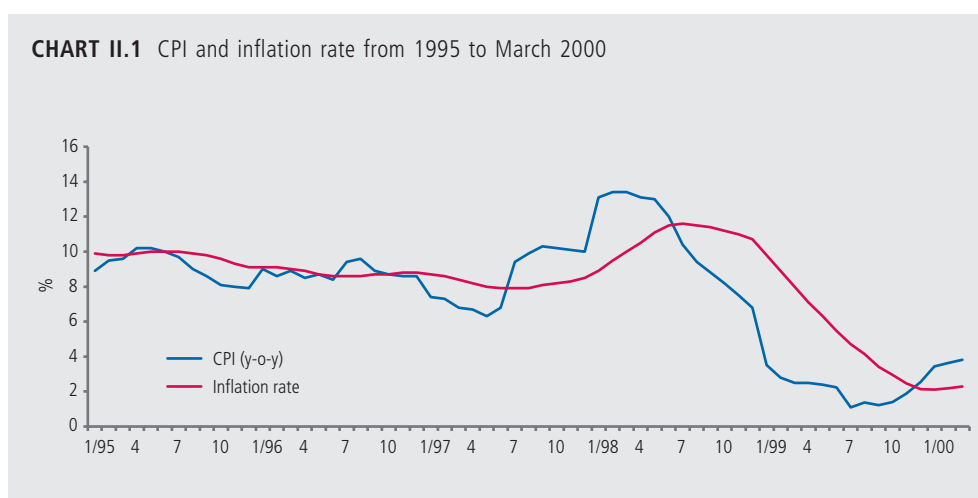
The koruna's exchange rate was a major indicator for monetary policy decision-making in 2000 Q1. As in the final three quarters of 1999, the koruna tended to appreciate against the euro. The strengthening of the koruna's exchange rate was again due to foreign capital inflow into the Czech economy, particularly in the form of foreign direct investment. The FDI inflow in 1999 was the highest since the establishment of the Czech Republic. A continuing strengthening of the koruna could not only unfavourably affect exports and hamper the nascent recovery, but also widen the divergence of actual inflation from the inflation target. Therefore, at its meeting on 30 March the CNB Board decided to carry out foreign exchange operations aimed at curtailing the appreciation trend and its potential unfavourable macroeconomic effects. At the same time, systemic steps were taken to limit the effects on the exchange rate of the one-off inflow of foreign investment. The CNB agreed with the Czech Government to establish a special account for the proceeds from the sale of state property to foreign investors. This account was opened in March 2000.

The outlook for inflation up to end-2000 indicates that inflationary pressures will be low on the demand side. In the second half of the year, the external cost pressures will also ease. Food prices, following their previous decline, will continue to rise only slowly and are expected to show lower growth than indicated by previous forecasts. The result is a downward reassessment of the current inflation projection in comparison with the forecast contained in the January Inflation Report. Growth in the consumer price index will slow and will stabilise in the second half of the year.

II. INFLATION DEVELOPMENT

During the course of 2000 Q1, the gradually rising trend in year-on-year consumer price inflation visible in the previous two quarters continued. Against 1999 Q4, CPI inflation accelerated by 1.3 percentage points to 3.8%. The continuing resurgence of CPI inflation fed through into the inflation rate,¹⁾ which, after a previous long-term downward year-on-year trend, showed a slight upturn in Q4.

However, the causes of the pick-up in inflation differed in the two quarters. In 1999 Q4, the acceleration in CPI inflation had been due solely to changes in net inflation items. Regulated prices had been flat in this period. In contrast, the further increase in consumer prices in 2000 Q1 was largely due to a pick-up in year-on-year regulated price inflation. The effect of changes in net inflation items was less significant (Table II.1).



The stronger influence of regulated prices on consumer prices was particularly visible in January, when the customary adjustments were made to regulated items. The further acceleration in CPI inflation in February and March was associated with net inflation.

Table II.1 Basic data on consumer prices (in %)

	12/98	3/99	6/99	9/99	10/99	11/99	12/99	1/00	2/00	3/00										
CPI INFLATION (y-o-y)	6.8	2.5	2.2	1.2	1.4	1.9	2.5	3.4	3.7	3.8										
of which:	contrib.	contrib.	contrib.	contrib.	contrib.	contrib.	contrib.	contrib.	contrib.	contrib.										
Regulated prices	20.4	4.73	11.7	2.87	11.0	2.72	4.3	1.12	4.2	1.08	4.2	1.08	4.2	1.09	7.3	1.94	7.3	1.95	7.3	1.95
Influence of indirect taxes on unregulated prices	0.73	0.00	0.00	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32	0.32
Net inflation	1.7	1.32	-0.4	-0.33	-0.6	-0.49	-0.3	-0.21	0.0	0.02	0.6	0.47	1.5	1.14	1.6	1.19	1.9	1.38	2.1	1.55
of which:																				
- food prices	-1.2	-0.38	-4.0	-1.25	-5.0	-1.53	-4.1	-1.24	-3.6	-1.09	-2.4	-0.71	-0.7	-0.22	-0.6	-0.16	0.0	0.00	0.1	0.02
- adjusted inflation	3.7	1.70	2.1	0.92	2.3	1.04	2.3	1.04	2.5	1.11	2.6	1.17	3.0	1.35	3.1	1.35	3.2	1.39	3.5	1.53
INFLATION RATE	10.7	8.0	5.5	3.4	2.9	2.5	2.1	2.1	2.2	2.3										

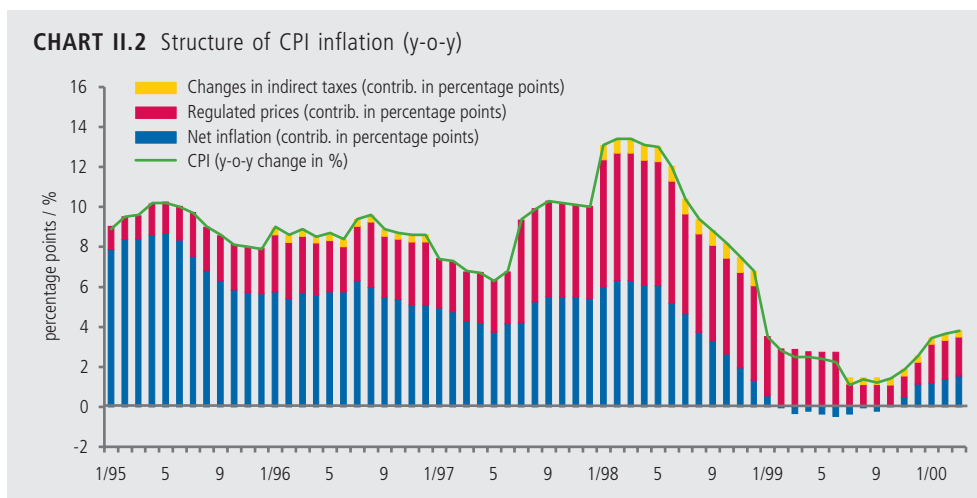
Note: "contrib." means contribution to CPI inflation in percentage points

1) The inflation rate expressed as the increase in the average consumer price index for the last twelve months against the average for the previous twelve months.

Regulated prices (excluding the effect of increases in indirect taxes on non-regulated prices)

The usual January adjustment in regulated items contributed in 2000 Q1 to a 3.1 percentage point pick-up in year-on-year regulated price inflation (to 7.3%) against the previous quarter. This increase was the result of more extensive adjustments to the prices of regulated items at the beginning of 2000²⁾ than a year earlier, which was reflected in a 3 percentage point increase in month-on-month regulated price inflation (to 4.8%) in January 2000 compared with January 1999.

The larger rise in regulated prices in 2000 Q1 was the main factor behind the pick-up in CPI inflation in this period. Unlike in the previous quarter, the effect of the change in net inflation was weaker, accounting for roughly one third of the increase in year-on-year CPI inflation against 1999 Q4. During Q1, no changes were made to indirect taxes nor were any other administrative interventions undertaken, so these did not contribute to the change in year-on-year CPI inflation in this period. Under these circumstances, the share of regulated prices in the overall year-on-year change in consumer prices again rose (Chart II.2).

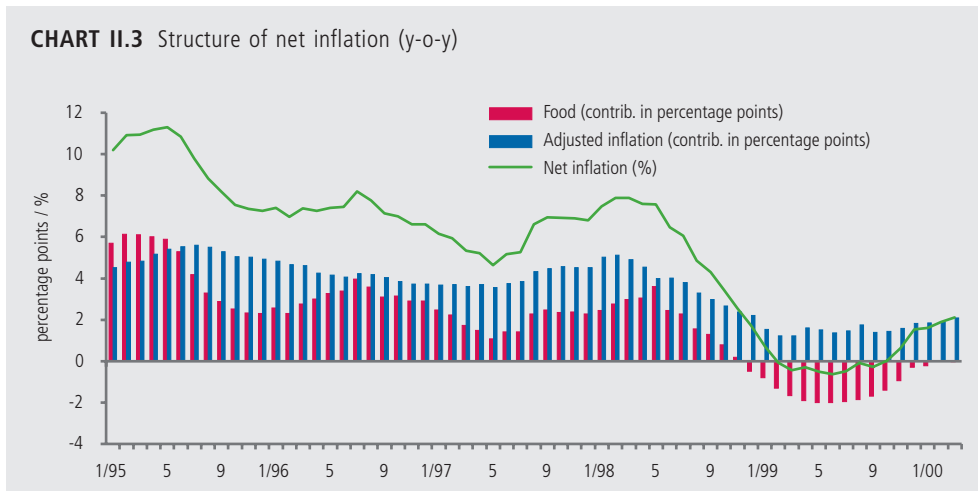


Net inflation

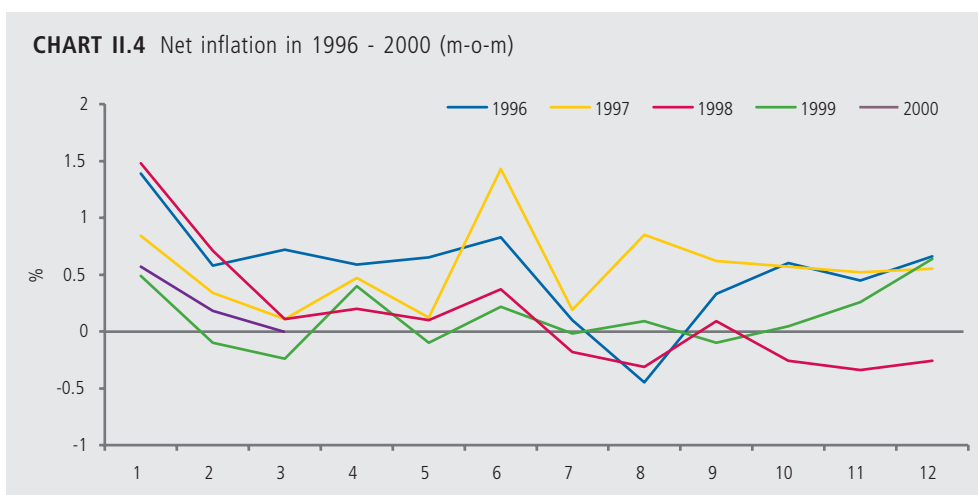
During the course of 2000 Q1, net inflation showed a continuation of the year-on-year growth trend seen since 1999 H2. Compared with end-1999, year-on-year net inflation³⁾ rose by 0.6 percentage points in Q1 to 2.1%. This was due to increases in both components of net inflation – food prices and adjusted inflation (Chart II.3).

2) The largest increases recorded for January were in prices of postal services (18%), electricity (15%), gas (14%), water and sewerage (9%), bus transport and municipal public transport (5%), and mandatory insurance of motor vehicles (9%).

3) Net inflation is defined as the CPI adjusted for regulated prices and for the effect of other administrative measures, (e.g. increases in indirect taxes and abolition of subsidies). Within net inflation, food prices and adjusted inflation are separately monitored and analysed.



In January 2000, the month-on-month net inflation outturn of 0.6% only modestly exceeded that in January of the previous year (by 0.08 percentage points). However, in the following months, the differences widened significantly and, in contrast to the same period a year earlier, month-on-month inflation showed non-negative values (0.2% in February and 0.0% in March 2000 against -0.1% and -0.2% respectively in February and March 1999).



Net inflation factors

The continuing gradual rise in year-on-year net inflation in 2000 Q1 was, as in previous quarters, due to a strengthening of cost factors. However, these again did not apply across the board, although the circle of consumer basket items affected was wider than in the previous quarter.

As in previous quarters, the pick-up in net inflation was linked with continuing strong year-on-year growth in imported inflation, which primarily affected adjusted inflation. Unlike in the previous period, the direct impact of external cost stimuli – stemming primarily from the rise in energy raw materials prices on world markets – was accompanied by an indirect effect, indicating the process of transmission of this external cost effect into prices in other industries.⁴⁾ The low level of domestic demand continued to prevent significant pass-through of the external cost stimuli into net inflation. The modest rise in food prices resulted, conversely, from cost factors of domestic origin.

4) i.e. industries which do not directly involve processing of oil products.

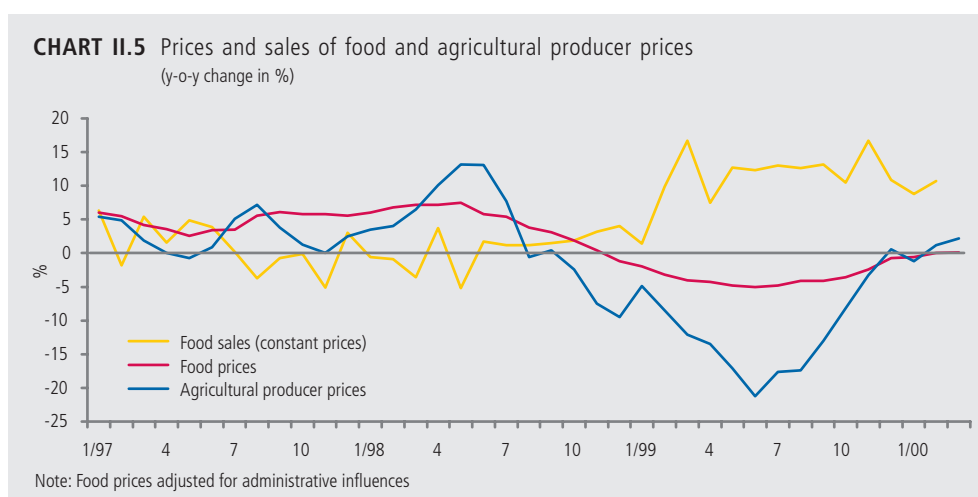
Despite showing a rising trend throughout Q1, consumer demand did not become a source of inflationary stimuli.

Food prices⁵⁾

Food prices followed their previous trend of a slowdown in year-on-year decline. At the close of the quarter, this trend culminated in weak year-on-year growth. The January data on food prices confirmed a further moderation of the year-on-year decline (to -0.6%). But following stagnation in February, food prices rose moderately in March (by 0.1%).

As in the previous period, the main cause of this food price trend was the gradual pass-through of cost pressures from domestic primary producers to manufacturers. The gradual rise in purchasing prices of agricultural products (particularly of livestock origin) allowed primary producers increased coverage of their production costs. This rise passed through into food prices via agricultural producer prices.

Faster across-the-board food price inflation continued to be prevented by the various factors affecting demand and supply on the agricultural market (particularly overproduction of most key commodities in crop production) in combination with the persisting strongly competitive environment on the domestic retail market. Also significant here was low pricing by retail chains, which used this method to strengthen their positions on the retail market.⁶⁾ These factors were also the main reason why food prices did not rise more considerably in a situation where food sales (in constant prices)⁷⁾ were indicating a year-on-year increase in food purchases.



Adjusted inflation⁸⁾

The gradual rise in year-on-year adjusted inflation (from 3% in December 1999 to 3.5% in March 2000) was primarily due to the direct effect of the rise in fuel prices.⁹⁾ The increase in fuel prices during 1999 and at the beginning of 2000 was of a "jump" nature owing to the irregular changes in world oil prices; in Q1, this strongly affected adjusted inflation. The 6.8% fuel price increase in March was reflected in a 0.5 percentage point rise in

5) Adjusted for administrative influences.

6) In 1999 their share of the retail food market reached roughly 40%.

7) Food sales are statistically determined for general stores selling predominantly food and for specialised food retailers. Although in January and February specialised food retailers showed a modest year-on-year decline in constant prices, a further shift in household interest towards purchasing food in general stores (primarily supermarkets) can be expected.

8) Adjusted inflation comprises the prices of the non-food items of the consumer basket excluding regulated price items and is adjusted for administrative influences.

9) Fuels form part of the consumer basket in the Czech Republic used for calculating net inflation.

month-on-month adjusted inflation and fed through into the year-on-year outturns. Month-on-month adjusted inflation stood at 0.3% in March, whereas in the same month a year earlier it was flat.

The demand seen for non-food goods and services created no room for significant growth in the components of adjusted inflation not directly connected with oil prices. The upturn in demand for non-food goods at the end of 1999 was associated mainly with Christmas shopping. At the beginning of 2000, the growth resulted from increased demand for some commodities.



Prices of tradables and nontradables¹⁰⁾

Both tradables and nontradables contributed to the pick-up in year-on-year CPI inflation during 2000 Q1. For tradables prices, the trend towards a gradual acceleration in year-on-year growth witnessed since November 1999 continued into Q1. Nontradables also saw increased year-on-year growth in Q1 in comparison with 1999 Q4 (Table II.2).

In addition to external factors, internal factors contributed in 2000 Q1 to the growth in tradables prices, for which a stronger effect from the external environment is to be expected. The further increase in nontradables prices was in line with general expectations and was due in particular to effects of domestic origin, for the reasons given below.

Table II.2 Tradables and nontradables prices (in %)

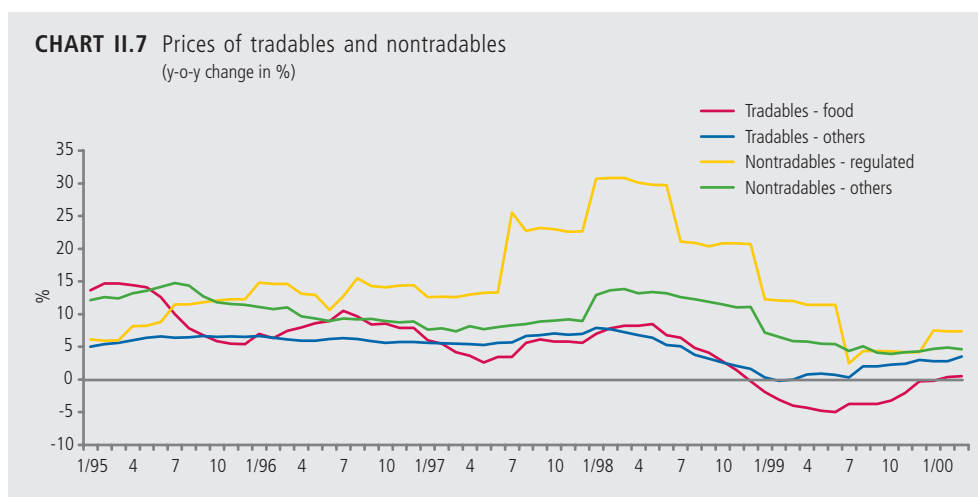
	12/98		3/99		6/99		9/99		10/99		11/99		12/99		1/00		2/00		3/00	
MONTH-ON-MONTH CHANGE	contrib.																			
Tradables	-0.5	-0.26	-0.3	-0.19	0.2	0.10	-0.1	-0.09	0.0	0.00	0.2	0.13	0.7	0.38	0.40	0.20	0.00	0.00	0.00	0.00
Nontradables	0.2	0.08	0.1	0.03	0.2	0.07	0.1	0.04	0.0	0.00	0.2	0.07	0.2	0.10	3.50	1.50	0.40	0.18	0.00	0.00
YEAR-ON-YEAR CHANGE	contrib.																			
Tradables	0.7	0.40	-2.0	-1.20	-2.1	-1.30	-0.9	-0.52	-0.5	-0.29	0.2	0.12	1.3	0.78	1.30	0.77	1.60	0.94	2.00	1.17
Nontradables	16.9	6.40	9.6	3.80	9.0	3.50	4.3	1.75	4.2	1.71	4.2	1.75	4.3	1.77	6.40	2.67	6.50	2.71	4.60	2.66

Note: "contrib." means contribution to CPI inflation in percentage points

10) CPI = food prices + other tradables prices + regulated prices + other nontradables prices

Prices of tradables¹¹⁾

The pick-up in year-on-year tradables price inflation during 2000 Q1 (of 0.7 percentage points to 2% against December 1999) was due to changes both in food prices and in other tradables prices. The growth in other tradables prices (of 0.5 percentage points to 3.5% at end-March against end-1999) was mainly due to the rise in fuel prices. Also important was the contribution from changes in food prices, where the previous year-on-year decline switched to growth at end-Q1. Unlike for other tradables prices, the causes of the renewed price growth here were predominantly of domestic origin (see "Food prices"). As in the previous period, the very low level of demand for non-food commodities depressed the prices of the other items in this group.



Prices of nontradables¹²⁾

The renewed increase in year-on-year nontradables inflation in Q1 was driven primarily by internal factors. The main cause of the considerable pick-up was the aforementioned changes to prices of regulated items, which were more extensive than in the previous year. Other nontradables prices also contributed. The surge of 0.3 percentage points to 4.6% at end-March against end-1999 was due in particular to rising prices of services items in the groups of housing, clothing and catering and accommodation.

11) Tradables prices are divided into food prices and other tradables prices (i.e. prices of non-food commodities). Prices here are not adjusted for administrative influences (indirect tax changes).

12) Nontradables prices are divided into prices of regulated nontradables (= regulated prices) and prices of other nontradables (not adjusted for administrative influences).

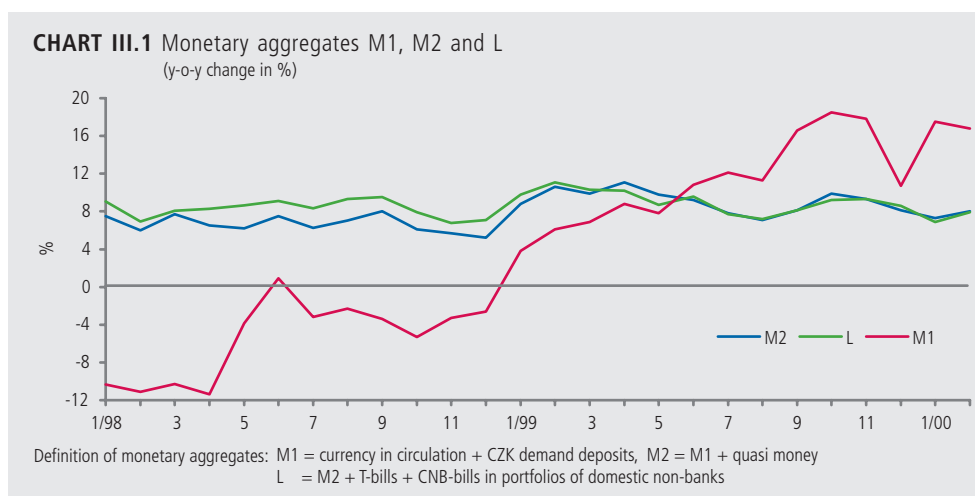
III. INFLATION FACTORS

III.1 Money, interest rates and exchange rates

III.1.1 Monetary aggregates

The decline in year-on-year money growth which had started in November 1999 continued into December and, with the exception of M1, into January. The trend did not halt until February, when year-on-year growth in the broader monetary aggregates resumed following four months of decline. M1 growth remained high in February, despite a slight fall.

The monetary aggregate trend between December and February thus reconfirmed that the broader monetary aggregates M2 and L are maintaining their common long-term trend. M1 is showing different long-term development, mainly because of changes in the growth rate of currency in circulation. However, in the months at the turn of the year, the trend in the koruna demand deposits of households also significantly affected M1 growth. In the long-term, the faster growth rate of the highly liquid money included in M1 is also being reflected in the mutual relationships between the growth rates of the individual monetary aggregates. Year-on-year M1 growth between December and February was several times higher than in the same period a year earlier, whereas growth in M2 and L was (with the exception of December 1999) lower than a year earlier.



The supply of money into the economy in December–February was affected by inflow of foreign capital, extension of koruna credits to non-residents, the state budget performance and extension of koruna credits to residents. However, the effect of these factors on the money supply differed between December and the first two months of 2000. In December, the seasonal worsening of the state budget deficit had a pro-growth effect, whereas the temporary interruption in foreign capital inflow, the extension of koruna credits to non-residents and the decline in the volume of credits provided to residents acted against money supply growth. The net effect was a rise in the volume of the money stock in absolute terms in December, although from the point of view of year-on-year growth there was a decline compared with November.

In the first two months of 2000, the aforementioned factors had the opposite effect on the money supply. The state budget surplus curbed money supply growth, whereas the upturn in foreign capital inflow and increased koruna lending to non-residents, and to a smaller extent also to residents, had a pro-growth effect. The determining factor from the point of view of year-on-year money supply growth became the state budget, where

the relatively large surplus in January led to reduced M2 growth and the narrowing of the surplus in February conversely led to increased M2 growth.

Monetary aggregate M2

Year-on-year M2 money supply growth gradually declined from 9.3% in November to 8.1% in December and 7.3% in January. Not until February did it rise (to 8.0%). The February increase thus marked a return towards the December figure, as did the absolute volume of the money supply. The annualised seasonally adjusted figures indicate that the decline in year-on-year money supply growth may have already halted. M2 growth continues to outpace the growth rate of nominal GDP.

Table III.1 Increases in seasonally adjusted M2 (in %)

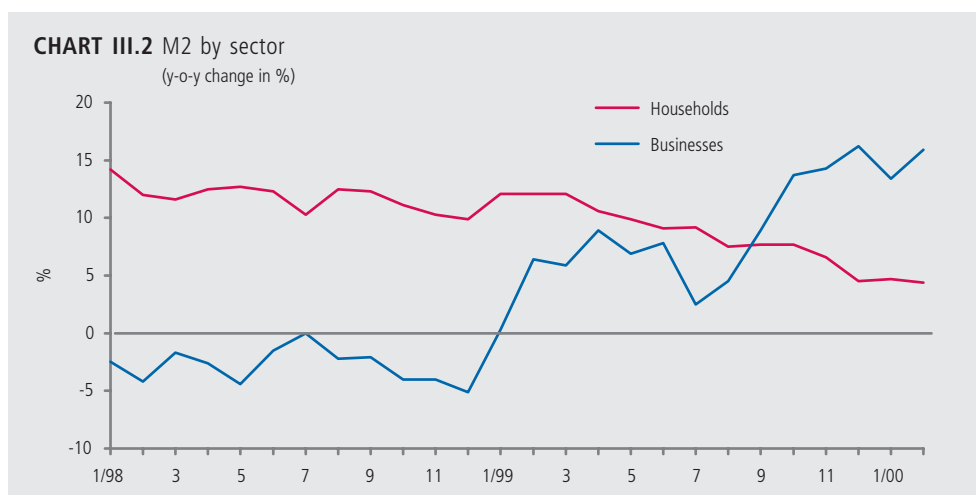
	Annualised for last			
	1 month	3 months	6 months	1 year
November 99	-0.4	7.6	6.3	9.3
December 99	0.3	0.2	4.3	8.1
January 00	0.7	2.0	8.2	7.3
February 00	1.6	10.8	9.2	8.0

Note: Seasonally adjusted according to deviations from the series smoothed by the centred moving average method (length 13)

Sector structure of M2

The trend towards faster money supply growth in the corporate sector seen since the beginning of 1999 Q4 continued into February 2000. For households, the money supply showed year-on-year growth of 4.5% in December, 4.7% in January and 4.4% in February, whereas in the corporate sector the respective figures for the same months were 16.2% (the highest-ever increase achieved in a single month), 13.4% and 15.9%. The high money supply increases for businesses in January and February 2000 reflected the economic recovery and the associated increase in demand for money.

The high money supply growth rate for businesses is attributable chiefly to growth in the volume of time deposits, which rose by CZK 11.1 billion in this sector during November–February. During this period, businesses also saw a significant rise (of CZK 13.3 billion) in the volume of certificates of deposit, deposit bills and other bonds. This was due mainly to a shift of part of corporate demand deposits (of approximately CZK 12 billion) to these products. The volume of koruna deposits of households rose by CZK 18 billion in the same period. Foreign currency deposits remained flat.



Monetary aggregate L

The long-term trend similarity between M2 and L continued at end-1999 and into the first two months of 2000.

Year-on-year growth in L fell from 9.3% in November to 8.6% in December and to 6.9% in January. In February, the growth rate of L increased to 7.9%, which was almost the same as the money supply growth rate. The matching trend for these monetary aggregates is due to the low share of short-term securities in the assets of the corporate sector and households.

Table III.2 Increases in seasonally adjusted L (in %)

	Annualised for last			
	1 month	3 months	6 months	1 year
November 99	-0.3	5.4	7.1	9.3
December 99	0.3	1.3	4.5	8.6
January 00	0.5	2.2	7.8	6.9
February 00	1.6	10.2	7.8	7.9

Note: Seasonally adjusted according to deviations from the series smoothed by the centred moving average method (length 13)

As in the case of M2, the seasonally adjusted month-on-month data indicate a change in the previous declining trend.

Monetary aggregate M1

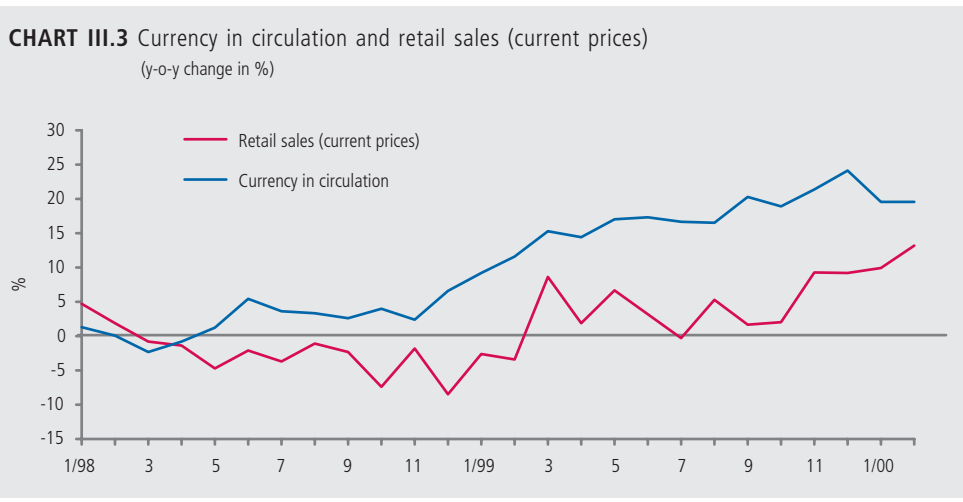
Year-on-year M1 growth fell from 17.8% in November 1999 to 10.7% in December. In January and February, it regained high values of 17.5% and 16.8% respectively. The rate of growth thus remains high.

Table III.3 Increases in M1 (in %)

	Increase for last			
	1 month	3 months	6 months	1 year
November 99	2.4	6.4	12.5	17.8
December 99	-0.7	3.4	8.0	10.7
January 00	-0.3	1.4	8.7	17.5
February 00	0.8	-0.1	6.2	16.8

Note: Seasonally unadjusted because of the low significance of seasonal factors

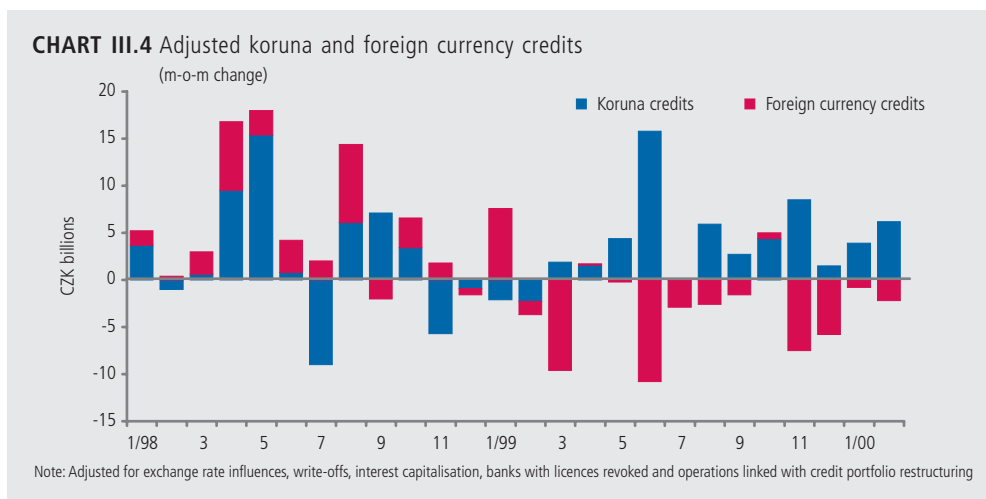
Up to the end of 1999, currency in circulation was the fastest-growing item in year-on-year M1 growth. This tendency peaked in December 1999 in connection with Y2K, when the volume of currency in circulation showed a month-on-month increase of CZK 6.2 billion. Following the unwinding of the Y2K effect, demand deposits grew more quickly. The M1 trend has been showing a sustained relatively high level of growth in the long term. However, the year-on-year growth for the three months indicates a downward trend, which is likely to feed through into long-term growth.



III.1.2 Credits granted to businesses and households

The downward trend in year-on-year growth in lending seen in the preceding months of last year continued into December–February. At the same time, the total volume of credits fell by CZK 16.5 billion. The decline in credits occurred in December and was due to repayments of credits and write-offs. The credit volume then picked up, by CZK 4.7 billion in January and by CZK 3.1 billion in February, with koruna credits increasing and foreign currency credits falling. The increase in lending was largely attributable to the foreign banks group.

The rise in the volume of credits in January and February 2000 was seen mainly for short-term credits, while medium-term credits declined and long-term credits were flat. With regard to structure of use, the increase chiefly concerned operational and investment credits.



The increase in the volume of credits in January and February showed up also in the monthly increases in credits adjusted for seasonal influences, exchange rate influences, write-offs, interest capitalisation, banks with licences revoked and operations connected with credit portfolio restructuring. The growth in adjusted credits was positive again in January (at 0.8%) after showing negative figures in the two months at end-1999; the February increase maintained the positive values, but fell to 0.3% against January. In contrast to unadjusted credits, the year-on-year increases in adjusted credits were positive, but low.

The fluctuating trend in credits in December–February documents the overall nature of the credit trend over the last three years. However, in the longer term, lending has been showing a persisting downward trend.

Table III.4 Increases in seasonally adjusted total credits (in %)

	Increase for last			
	1 month	3 months	6 months	1 year
November 99	-0.1	0.4	1.5	0.9
December 99	-0.4	-0.2	0.4	0.7
January 00	0.8	0.4	1.4	0.5
February 00	0.3	0.8	1.2	1.2

Note: Adjusted for exchange rate influences, write-offs, interest capitalisation, banks with licences revoked and operations linked with credit portfolio restructuring

In 1999, debt financing of consumer demand of households, by both banking and non-banking institutions, started to gain in importance. This was a new feature and was a response to the higher supply of credit financial products (consumer credit, consumer leasing, instalment sales, etc.). Within the banking sector, the share of credits provided to households in total credits thus increased, reaching 10.7% at the end of February. The share of households' consumer credits in total credits stood at approximately 3% in 1999, indicating that despite the rise they are still of marginal importance for most banks. Credit financing of consumption can be expected gradually to fulfil the role of ensuring smooth household consumption, as in advanced market economies. In 1999, the share of consumer credits provided by banks in household consumption reached 2.9%. Consumer credits provided by the four biggest non-banks operating in this area accounted for 0.8% of household consumption.

Banks are continuing to be very prudent in their lending to businesses (except for some fluctuations), as evidenced by the long-term downward trend in lending. This is mainly due to the persisting unfavourable financial situation in businesses and, from the point of view of the banking system as a creditor, the unsatisfactory legislative environment. According to a financial analysis of businesses for 1999 Q1–Q3, the share of banking funds in the structure of corporate financial liabilities decreased amid a rise in short- and long-term commitments (i.e. intercompany debt, foreign commitments, etc). At the same time, the inflow of corporate funding through the capital market stagnated.

Domestic lending was accompanied by domestic bank activity in the form of providing koruna assets abroad. These assets rose by around CZK 15 billion in January 2000, but declined in subsequent months. The trend between December and February showed significant volatility. The ongoing privatisation of state assets was also reflected to some extent in this trend. Koruna assets are returning to the Czech economy through the involvement of foreign investors in Czech businesses and through the drawing down of koruna credits by businesses abroad in relation to foreign partners. On the basis of the 1999 balance of payments, these inflows can be identified in the form of foreign direct investment and credits drawn by businesses abroad.

This inflow of capital from abroad and the increased share of long-term commitments within the financial liabilities of businesses are associated primarily with developments in the segment of businesses under foreign control. This involves commitments towards parent firms that in this way are investing funds in domestic businesses.

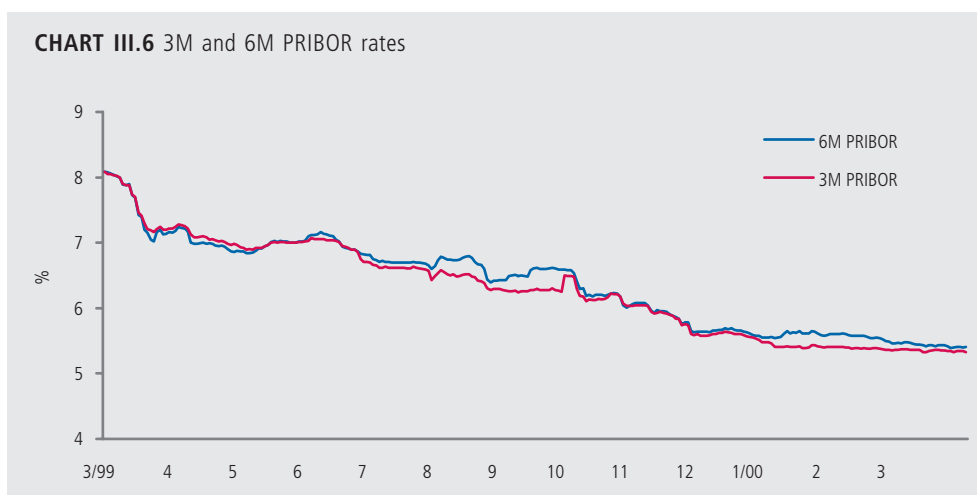
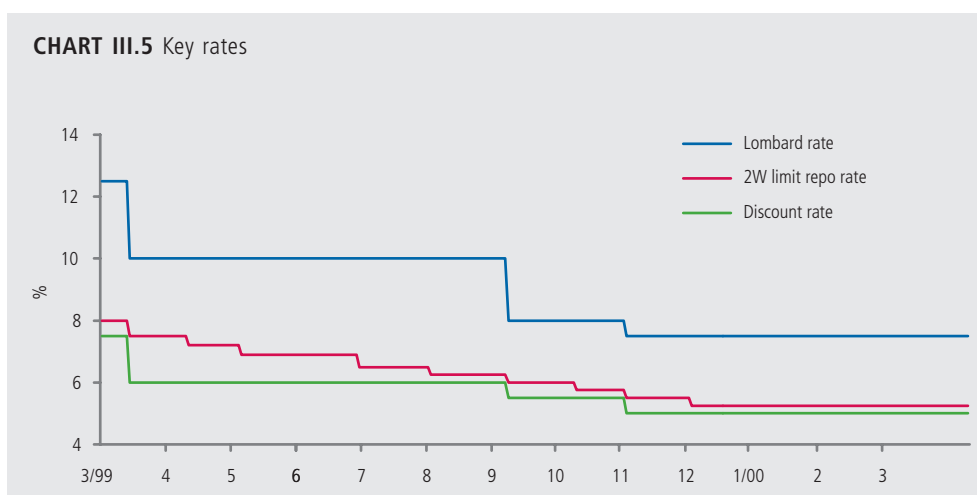
III.1.3 Interest rates

The interest rate trend in 2000 Q1 can be characterised as relatively stable with no major movements. At the start of the year, interest rates rose slightly owing to the higher inflation expectations for H2. However, the conviction subsequently prevailed that, owing to the weak economic recovery, inflation would not increase too much.

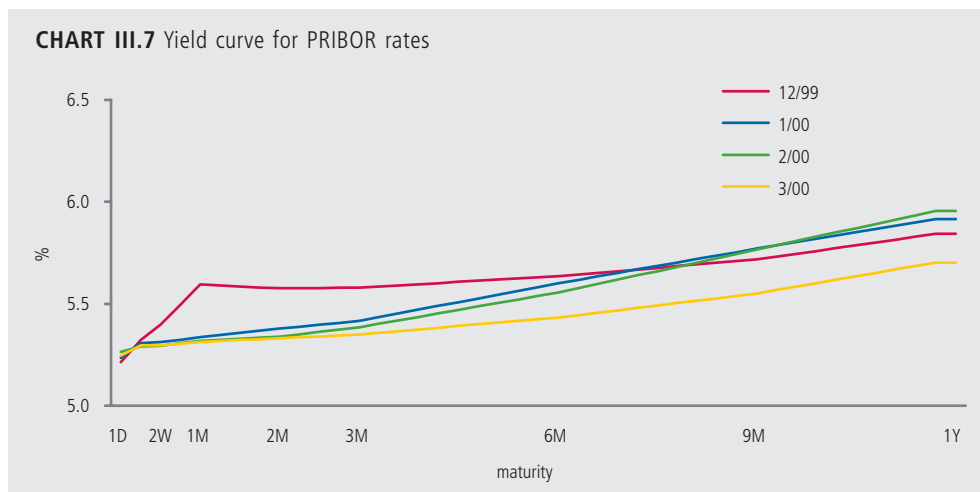
Interest rates therefore started to decline slightly along the entire length of the yield curve, with the exception of the shortest maturities. The CNB made no changes to its basic rates. However, the slope of the yield curves remained positive on all segments of the financial market. This suggests that financial market participants are still expecting rates to rise modestly in the future, although to a lesser extent than in the previous period. This is primarily associated with expectations of higher inflation in the future in comparison with the current outturns. Also, the interest rate differential narrowed; in addition to the decline in interbank deposit market rates, this was due to an increase in rates abroad. Client interest rates, both credit and deposit, saw a further decline.

III.1.3.1 Short-term interest rates

At the beginning of the year, the long-term decline in short-term interest rates halted, while rates at the longer end of the yield curve actually picked up slightly. This trend was associated with the fact that the CNB did not continue lowering its basic rates and with the expectations of financial market participants regarding the future interest rate level. The 2W repo rate was left at 5.25%, the Lombard rate at 7.5% and the discount rate at 5.0%. Rates at the short end of the yield curve were thus flat. The moderate temporary increase in rates with longer maturities resulted from a certain change in the perceptions of the market, which within the framework of the economic recovery started to expect a rise in future short-term rates. However, data gradually released on the real economy indicated a slower economic recovery, so the opinion prevailed that the future inflation trend would not be overly dramatic. Rates with longer maturities thus started to decline during March. The February PRIBOR curve maintained its slightly upward trend throughout the period under review.



Following the unwinding of the Y2K effect, the PRIBOR yield curve smoothed out, with only a slight change in its positive slope seen during Q1. The short end of the curve remained stable, while the longer end reflected the March fall in interest rates. Overall, in comparison with December, the average 1W PRIBOR rate declined by 0.02 percentage points to 5.30% and the 1Y PRIBOR rate by 0.15 percentage points to 5.70%. This, too, clearly indicates only modest changes in the slope of the yield curve; in March, the spread between the two rates stood at +0.40 percentage points.



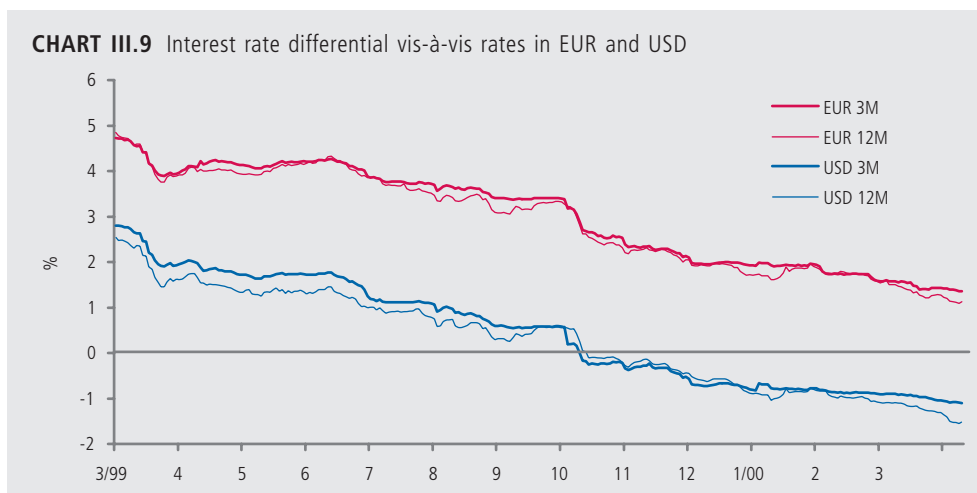
FRA rates developed in line with PRIBOR rates, although they showed a greater temporary rise. Average FRA rates declined by 0.1 percentage points at all maturities in March compared with December. The FRA quotations from the end of March indicated (like the slope of the PRIBOR yield curve) that market participants were expecting only a modest rise in rates in the future (in the case of the 3M PRIBOR by 0.1 percentage points at the three-month horizon and by 0.3 percentage points at the close of the year).



At present, the short-term bond market is composed of T-bills only. There were eleven issues on the primary market, with 3M, 6M, 9M and 1Y maturities. Investor demand in the auctions constantly exceeded supply. The declared gross yields were therefore always below the set limit, moving between 5.2% and 5.6% depending on maturity and the situation on the market. On the secondary market, T-bill yields more or less copied the PRIBOR rates.

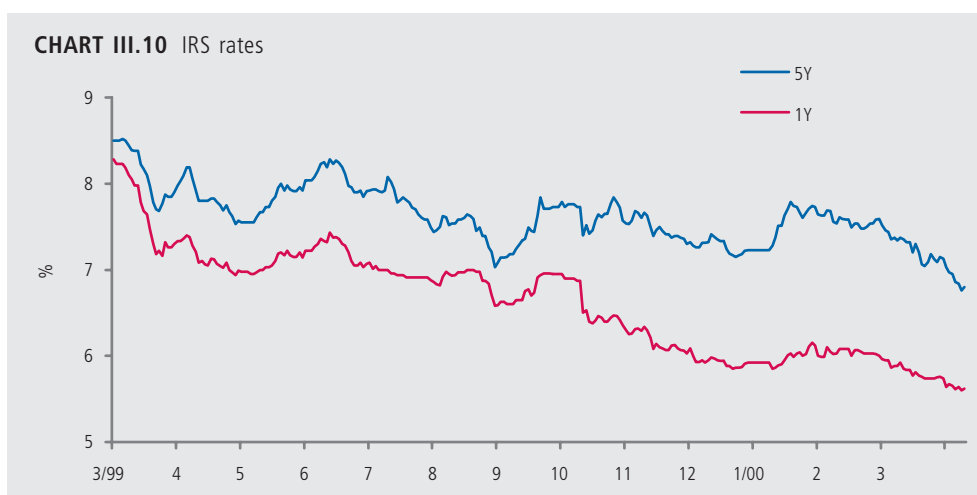
The interest rate differential (PRIBID/CZK-LIBOR/EUR, USD) was affected both by the movements on the domestic deposit market and by changes in foreign rates. Key rates were raised in the USA and in the UK by 0.5 percentage points to 6.0%, and in the eurozone the most important repo rate was also raised by 0.5 percentage points to

3.5%. During the period under review, the interest rate differential narrowed at individual maturities by 0.4–0.6 percentage points, the larger part of which being due to the increase in foreign rates. At the end of March, the interest rate differential vis-à-vis the euro had narrowed to 1.1–1.4 percentage points depending on individual maturities. Vis-à-vis the dollar it reached negative values of -1.1 to -1.5 percentage points. Despite these low values, the inflow of capital continued, although not in the form of short-term investment motivated by interest rate arbitrage.

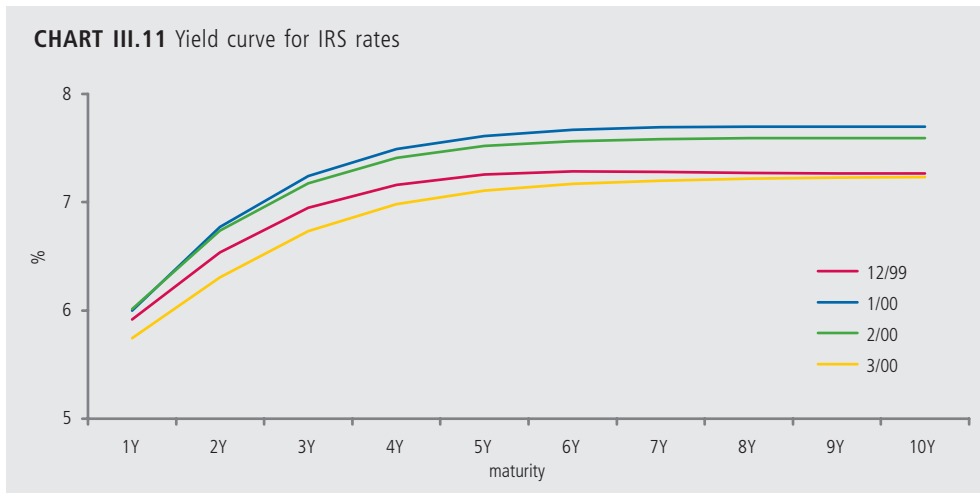


III.1.3.2 Long-term interest rates

At the turn of February, the temporary increase in long-term IRS rates was felt more strongly than on the money market. In addition to expectations of higher inflation, investors included in their quotations the state's financing needs (the state budget deficit, payment of compensation provided to the banking sector as part of its privatisation, compensation of the CNB's loss due to the settlement agreed with Slovakia). However, in this part of the market, too, the rise in rates was short-lived. At end-February, IRS rates started to decline. In March, the 1Y rate was down by 0.30 percentage points, the 5Y rate by 0.43 percentage points and the 10Y rate by 0.31 percentage points compared with December 1999.



The shape of the IRS yield curve was practically unchanged. The curve kept its positive slope in the shorter part and was flat from 6Y maturities upwards, shifting only at various yield levels. In March, the average 5Y–1Y spread was +1.36 percentage points and the 10Y–1Y spread +1.49 percentage points.

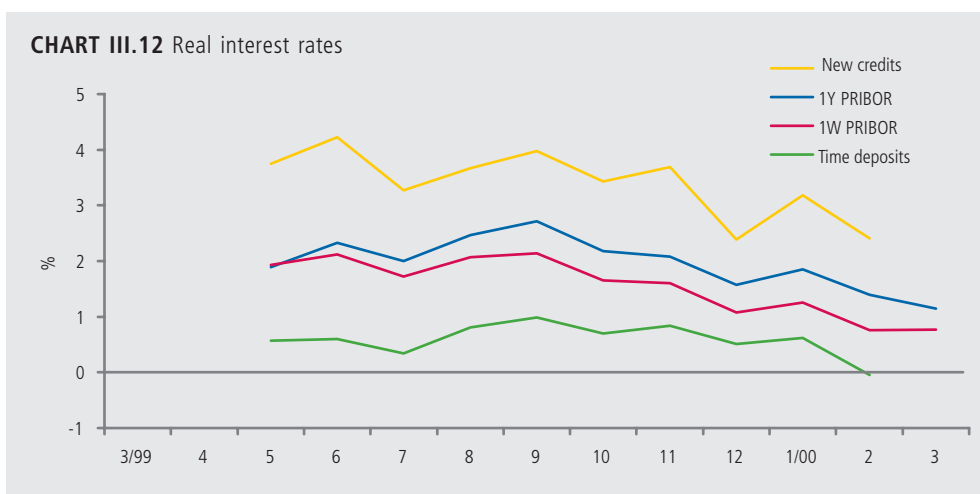


The bond market showed a similar trend to that for IRS rates. From February onwards, the positive state bond yield curve shifted to a lower yield level, while the 4Y–1Y spread narrowed, reaching +0.63 percentage points in March. During Q1, there were three primary issues of state bonds, with 3Y, 5Y and 7Y maturities and totalling CZK 12 billion. In all the auctions there was significant demand overhang, indicating a shortage of safe liquid bonds on the market. On the corporate bond market there were two issues, with a volume of CZK 3.5 billion. Issuance of koruna eurobonds was renewed. At end-March, their outstanding volume was CZK 61.5 billion (up CZK 8.4 billion on December 1999).

III.1.3.3 Client interest rates

Client interest rates continued in their downward trend despite the temporary rise in money market rates, from which they are mostly derived. Interest rates on newly granted credits reached 7.0% in February. Deposit interest rates also fell, in the case of time deposit rates to 4.5%. The interest margin between credit and deposit rates fluctuated slightly above the 4 percentage point level in 1999 and stood at 3.7 percentage points in January and February 2000.

In addition to the decline in nominal rates, real interest rates¹³⁾ were affected by the higher inflation expected in the future period. They consequently fell considerably in this period. In February, real rates on newly granted credits stood at 2.4% and real rates on time deposits at 0%.



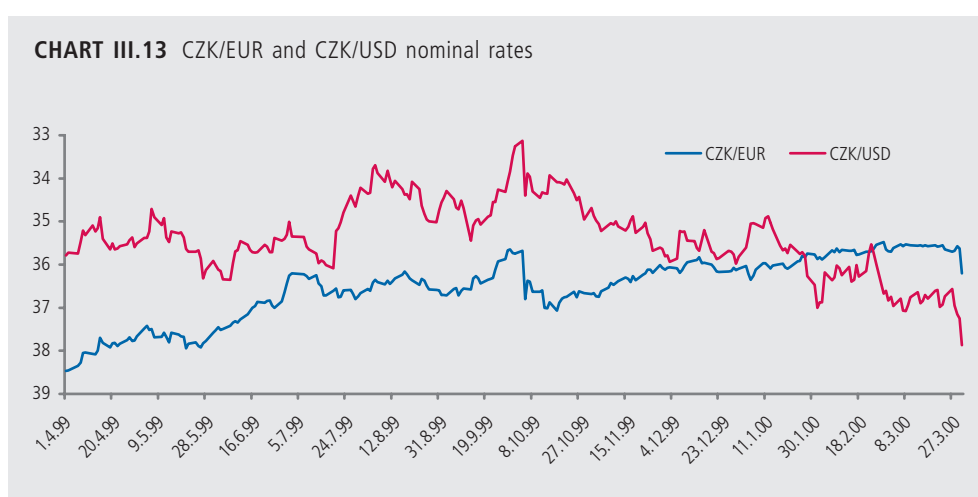
¹³⁾ Ex ante real interest rates; nominal rates are deflated by the CPI outturns expected by financial market participants in individual months. As the CNB did not start measuring inflation expectations on the financial market until May 1999, the first data on the level of ex ante real interest rates are available only from that time.

III.1.4 The exchange rate

The first three months of 2000 saw a continuation of the appreciation tendency of the koruna's exchange rate vis-à-vis the euro which had prevailed on the market during the previous three quarters. The koruna strengthened from CZK 36.20 to the euro at the beginning of the year to below CZK 35.60 as of 30 March this year, i.e. by approximately 1.7%. The CNB's foreign exchange intervention based on a Bank Board decision of 30 March 2000 weakened the koruna to approximately CZK 36.20.

The koruna's exchange rate against the dollar copied that of the euro against the dollar, which in the period under review weakened and saw increased variability. The koruna recorded greater fluctuations against the dollar than against the euro and on average weakened to values of around CZK 36.80–37.00 to the dollar before the CNB's intervention.

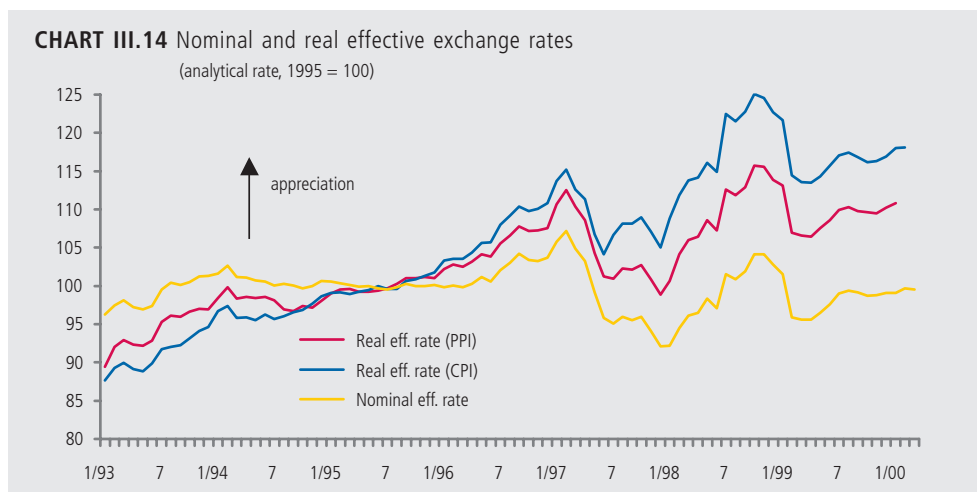
The strengthening of the koruna against the euro is associated primarily with the inflow of capital into the Czech Republic, especially in the form of foreign direct investment. Foreign investment related to privatisation is being combined with investment both in enlarging existing production capacities and in establishing new ones.



The CNB used foreign exchange intervention to prevent a continuing strengthening of the exchange rate, which could have an adverse effect on the real economy. In keeping with both the current and the expected price trend, the foreign exchange interventions were perceived as being consistent with the CNB's inflation target.

The monthly nominal effective exchange rate index¹⁴ strengthened slightly in 2000 Q1, chiefly because of the koruna's appreciation against the euro, which has the highest weight in this index. In March, the index was 4% stronger than a year earlier. With regard to inflation, the exchange rate trend during Q1 can be viewed as moderately anti-inflationary. On the one hand, the koruna showed a persistent moderate strengthening against the euro, thus creating room for disinflationary effects. On the other hand, though, the rise in raw materials prices resulting from the koruna's weaker rate against the dollar had an inflationary effect. Since finished goods are traded chiefly in euros and raw materials are traded mostly in dollars, these contrary tendencies can be expected to show up differently over time. The strengthening of the koruna against the euro is having more direct effects, whereas the strong dollar will feed through into domestic prices (the CPI) gradually.

14) A weighted geometric average of the average monthly nominal exchange rate indices vis-à-vis the Czech Republic's major trading partners. The calculation includes 21 countries, the constant weights of which correspond to their share in trading turnover in 1995.



III.1.5 Capital flows

The financial account showed a surplus of CZK 85.9 billion in 1999. This was due to the massive inflow of foreign direct investment, outflow of capital in the form of portfolio investment and to other investment (credit flows). In comparison with 1998, the surplus dropped slightly by CZK 8.4 billion, mainly because of a considerable year-on-year change in portfolio investment flows.

Table III.5 Financial account in 1993 - 1999

(in CZK billions)

	1993	1994	1995	1996	1997	1998	1999
Financial account	88.2	97.0	218.3	116.6	34.3	94.3	85.9
Direct investment	16.4	21.5	67.0	37.7	40.5	85.2	169.9
- Czech abroad	-2.6	-3.5	-1.0	-1.1	-0.8	-2.5	-6.8
- Foreign in Czech Republic	19.0	25.0	68.0	38.8	41.3	87.7	176.7
Portfolio investment	46.7	24.6	36.1	19.7	34.4	34.5	-48.3
- Czech abroad	-6.7	-1.3	-8.6	-1.3	-6.0	-0.8	-65.6
- Foreign in Czech Republic	53.4	25.9	44.7	21.0	40.4	35.3	17.3
Other investment	25.1	50.9	115.1	59.2	-40.6	-25.4	-35.7
1. Long-term investment	23.5	31.9	89.3	84.4	12.9	-29.4	-10.9
- Credits granted abroad	13.4	12.0	1.4	-10.8	-11.1	-24.9	-23.3
- Credits accepted from abroad	10.1	19.9	87.9	95.2	24.0	-4.5	12.4
2. Short-term investment	1.6	19.0	25.8	-25.2	-53.5	4.0	-24.8

The net inflow of foreign direct investment reached CZK 169.9 billion. This was roughly twice the 1998 figure and the highest in the Czech Republic's history. Foreign investment in the Czech Republic totalled CZK 176.7 billion. The most important factor of the inflow was the sale of property (private and state) abroad. The biggest investment was the purchase by the Belgian bank KBC of the state share in ČSOB for approximately CZK 40 billion. Approximately half the inflow of foreign capital was channelled into trade and finance. Although Czech investment abroad picked up significantly in year-on-year terms, it still represented only CZK 6.8 billion.

Portfolio investment saw an outflow of CZK 48.3 billion, the first outflow of capital in this form since the foundation of the Czech Republic. The turnaround in the flows of portfolio capital was attributable to several factors, the most significant of which was commercial bank operations at end-1999 resulting in a sharp rise in the holdings of foreign securities by residents. The outflow of capital in this form reached CZK 47.6 billion (against only CZK 4.6 billion in 1998). The second factor was a sizeable fall in non-resident interest in domestic equity

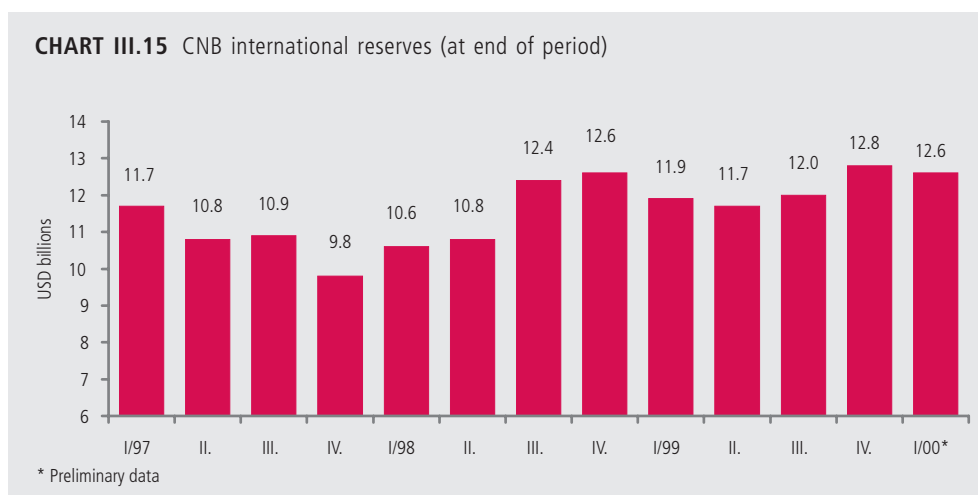
securities. The net inflow here reached CZK 4.4 billion, against CZK 34.8 billion in 1998. The last factor was increased resident interest in foreign equity securities.

Other investment showed an outflow of capital of CZK 35.7 billion in 1999. This was due mainly to growth in the short- and long-term assets of commercial banks. The business sector, conversely, increased its drawdown of credits from abroad in year-on-year terms. Net drawdown of credits by the business sector reached CZK 32.4 billion in 1999 (against CZK 24.7 billion in 1998).

In the case of other long-term investment, the outflow of capital stood at CZK 10.9 billion. Credits provided abroad amounted to CZK 23.3 billion and those accepted from abroad to CZK 12.4 billion. Underlying the resulting outflow of long-term funds were entirely different trends in the two sectors. The business sector experienced an inflow of long-term funds of CZK 30 billion. However, this inflow was more than offset by an outflow of long-term banking sector funds, related mainly to the financing of privatisation.

Short-term investment saw an outflow of short-term capital in 1999 in the amount of CZK 24.8 billion, concentrated in the banking sector. The business sector experienced a modest inflow.

Foreign exchange interventions (foreign exchange purchases) totalled CZK 15.6 billion in 2000 Q1. International reserves stood at USD 12.6 billion as of 31 March 2000. The decline in the CNB's international reserves against end-1999 was caused by valuation changes (the weakening of the koruna and euro against the dollar).



Implications for inflation

The level of year-on-year money supply growth between December 1999 and February 2000 was considerably lower than in October and November 1999. The increase in the volume of credits was also limited and lower than a year earlier. This trend does not rule out a rise in prices going forward, but any such rise should not be significant.

Interest rates continued to decline during Q1 (in comparison with end-1999). However, the positive slopes of the yield curves in all segments of the financial market indicate market expectations of a rather modest rise in future rates related to the higher expected inflation. However, this rise should not be significant.

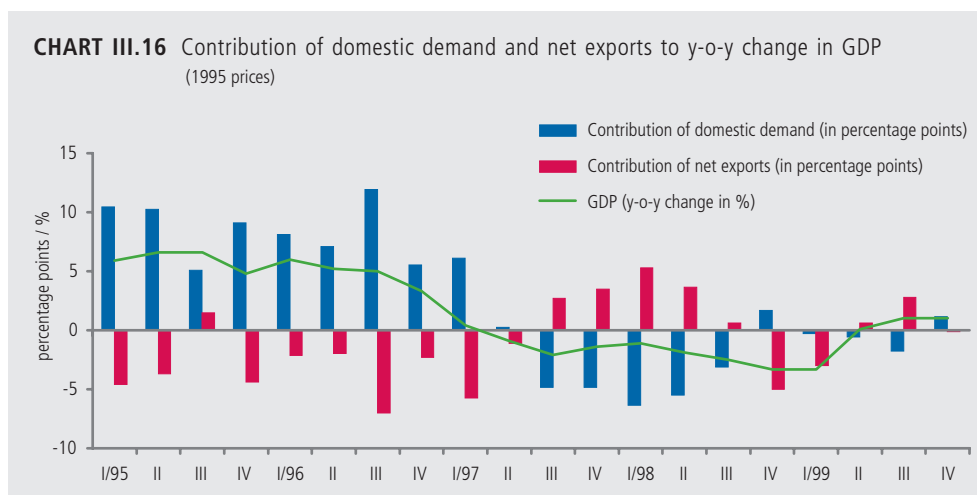
The exchange rate developments in 2000 Q1 can be regarded as moderately anti-inflationary. The strengthening of the koruna against the euro created certain room for disinflationary effects for goods imported in that currency. Conversely, the weakening of the koruna's exchange rate against the dollar had an inflationary effect. As finished

goods are imported primarily in euros and imports of raw materials are conversely settled in dollars, this segmentation can be expected to lead to a more direct and rapid pass-through of the koruna's appreciation against the euro and a more gradual and indirect pass-through of the koruna's depreciation against the dollar into the CPI.

Capital inflow contributed indirectly to the moderation of inflationary pressures through its effect on the koruna's exchange rate.

III.2 Demand and output

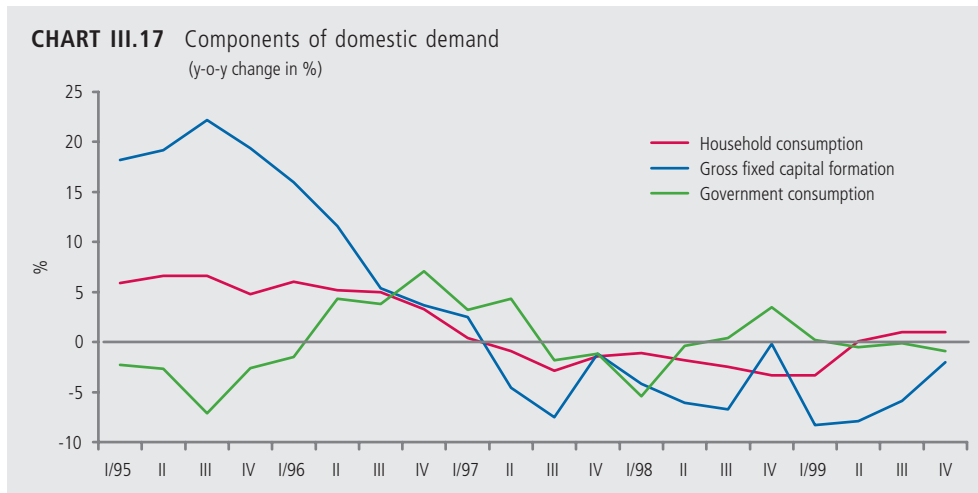
GDP growth in 1999 Q4 confirmed the ongoing weak economic recovery which had started in 1999 Q2 following the previous economic decline. In Q4, GDP grew by 1% year-on-year in constant prices, but over the year as a whole it fell short of the 1998 level (by 0.2%). The GDP growth in Q4 was generated by domestic demand; in contrast to the previous two quarters, no contribution came from the external sector (Chart III.16). This was due to import growth outpacing export growth in Q4, which in year-on-year comparison meant a moderate worsening of negative net exports in absolute terms.¹⁵⁾



III.2.1 Domestic demand

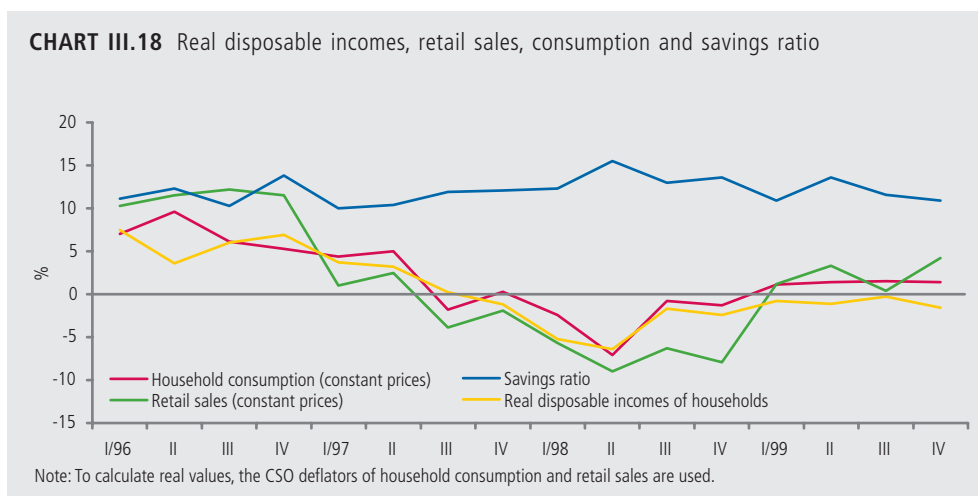
In 1999 Q4, for the first time following the decline, domestic demand showed a year-on-year rise (1%). This renewed growth was attributable not only to an upturn in consumer demand (1.4% in Q4), but also to changes in inventories, where there was a moderation of the year-on-year decline (i.e. lower year-on-year drawing). Investment demand continued to fall, but at a lower rate. Government demand was also lower than a year earlier, but the decline was insignificant as regards its influence on GDP.

¹⁵⁾ Nonetheless, export growth again outpaced import growth in Q4, only in year-on-year comparison the lead of export growth over import growth narrowed.



Consumer demand

The ongoing rise in consumer demand in 1999 Q4 (year-on-year growth of 1.4%) confirmed the shift in the consumer behaviour of households. This is also clearly evidenced by a full-year comparison of household consumption in 1998 and 1999: in 1998 household consumption was 2.9% lower than a year earlier, while in 1999 it was 1.4% higher. As in Q3, the increased consumer spending of households in Q4 was associated with higher demand for consumer loans from banks, and probably also from non-bank institutions, and with a lower propensity to save, as real disposable household incomes fell again in this quarter. Household incomes were negatively affected by declines in nominal gross miscellaneous income and property income.



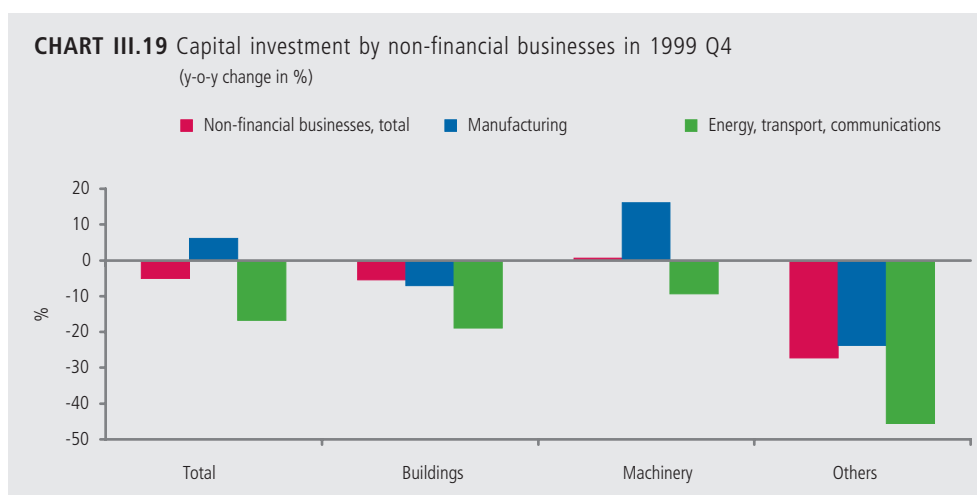
The expanding consumer demand was still met predominantly (more than 60%) from domestic sources, though the share of imports in household consumption increased slightly. The increased household spending was directed mainly towards transport expenditure, particularly purchases of fuel and cars. Demand for other durables also rose. The increased consumer demand for certain kinds of consumer goods indicated the usual tendency of households to renew such goods amid a long-lasting recession. This tendency was moreover facilitated by the low inflation. The overall demand for durable goods, however, remained relatively subdued in Q4 owing to a real decline in disposable household incomes and, to a large extent, to expectations regarding future labour market developments. The trend for food sales indicated a rise in spending on food (see "Inflation"). Higher spending on holidays also contributed to the year-on-year growth in household consumption. Sales of services of a personal character and telecommunication services indicated expanding household demand for services.

Investment demand

The year-on-year decline in gross fixed capital formation visible in the Czech economy since 1997 Q2 continued into 1999 Q4 (-2%). However, thanks to more favourable investment activity in the sector of non-financial businesses and financial institutions, this decline moderated further (by 3.9 percentage points). Nonetheless, the rate of investment was still relatively high.

In the sector of non-financial businesses, whose investment accounted for 65.5% of total investment¹⁶⁾ in Q4, the year-on-year decline slowed to -5%. This was mostly due to increasing investment activity by large and medium-sized firms under foreign control. In private and especially public non-financial businesses, investment continued to fall, although the decline was much slower. The decrease in investment by domestic businesses reflected their ongoing problems with acquiring the necessary funds to implement investment projects, for the reasons described in more detail in previous Inflation Reports. Although CNB interest rates continued to fall during 1999, the value of koruna investment credits remained basically unchanged in Q4 (-0.9%). Investment loans remained unavailable to most businesses owing to the high degree of commercial bank prudence.

The ongoing rise in investment in manufacturing, which in Q4 remained roughly at the previous quarter's level (6.2%), was a positive phenomenon. The share of manufacturing investment in total investment showed a year-on-year rise of 2.4 percentage points to 22.4%.¹⁷⁾ A marked pick-up was registered for investment in machinery and equipment (from 7.1% in Q3 to 16.1% in Q4 in constant prices). By contrast, investment in buildings and other investment fell.



Government sector investment demand dropped again in Q4 compared with the previous quarter. Here, investment activity was negatively affected primarily by the fact that the regional plans which would have served as the basis for the development of investment in infrastructure had not been completed. Household sector investment also showed an unfavourable trend – a year-on-year fall of 15%. The financial institutions sector was the only one to record a large expansion in investment; however, this was due largely to a low comparison base.

16) In constant prices

17) The following four branches accounted for almost half of manufacturing investment: manufacture of metals, manufacture of motor vehicles, manufacture of food products and beverages and manufacture of plastic and rubber products. Compared with 1999 Q3, the year-on-year decline in investment in infrastructure increased again.

Government demand

In 1999 Q4, final government consumption in constant 1995 prices dropped by 0.5% compared with the same period of 1998, although the quarterly nominal increase in public (state and local) budgets expenditure on public consumption was about CZK 14 billion higher than a year earlier. Expenditure on government consumption showed a real full-year decline of 0.1% to CZK 284.2 billion in constant prices as of 31 December 1999. State budget expenditures, which make up the core of overall spending on public consumption, grew by 17.3% in nominal terms in 1999 Q4. For the year as a whole, they showed a nominal increase of 12.9%. Contributions to subsidised organisations and increasing transfers to social and health insurance funds accounted for the lion's share of this spending. Positive from the point of view of government spending was the reduction in budget expenditure on debt servicing thanks to the lower interest rates on the domestic financial markets.

The state budget was running a surplus of CZK 8.3 billion at the end of March (compared with CZK 2.1 billion a year earlier). This outturn should not be overvalued, since state budget revenues were substantially increased in March by a CZK 6.4 billion transfer of off-budget funds from the state financial assets (the funds not spent last year on restitutions, repair of flood damage and financial aid to Kosovo), which will be gradually released during this year. Thanks to these extraordinary revenues, the nominal growth rate of total revenues (107.4%) is outpacing that of overall expenditures (102.5%).

VAT collection has been dominant to date in the state budget performance. Its buoyant growth (a year-on-year increase of 18.3% in nominal terms) indicates the gradual recovery in domestic demand. Other tax revenues are proceeding relatively favourably as well. Excise tax collection and insurance and social security contributions were up by 2.9% and 4.6% respectively as of the end of March in year-on-year terms. However, the balance of revenues from social security contributions and state budget expenditures in this area showed a deficit of CZK 13.1 billion in January–March, of which the deficit on the "pension account" was CZK 6.7 billion at the end of March. Legal entity and natural person income taxes showed a 10% year-on-year decline, reflecting changes in the tax regulations and the fall in deposit interest rates. The high rate of non-tax revenue collection (up 33% year-on-year in nominal terms) is connected with the aforementioned transfer of special purpose funds from the state financial assets.

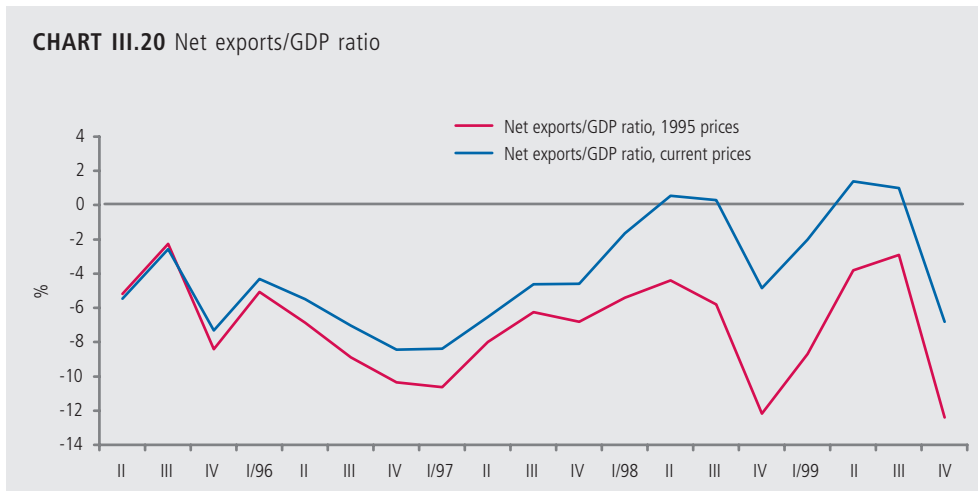
In addition to the customary seasonal downturn, state budget spending is being affected by regulation ensuing from the provisional budget. Total expenditures showed year-on-year growth of 2.5% during the first three months of 2000, with current expenditures flat (up just 0.4% in nominal terms) and capital expenditures seeing a sizeable rise of 63% (with investment purchases rising nominally by 123%). Among the most important monitored items, the biggest year-on-year nominal increases were registered for social benefits (up 9.8%), non-investment transfers by the fund for market regulation of agriculture (up 35.1%), spending on the active employment policy (up 82.5%) and interest payments (up 15.7%). Among current expenditures, relatively low drawing was recorded for wages and other payments for work done, including mandatory insurance contributions (up 0.4%).

III.2.2 Net external demand

The favourable trend in the balance of goods and services¹⁸⁾ recorded in 1999 Q3 halted in Q4. Although the year-on-year pace of export growth rose considerably, its lead over import growth narrowed by around half against the previous quarter (to 2.2 percentage points). As a result, the deficit of net exports of goods and services widened slightly to -CZK 43.2 billion. Owing to the simultaneous economic recovery, net exports as a share of GDP were roughly at the same level as in Q4 1998 (12.4%).¹⁹⁾ These trends reflect to a large extent the rising propensity to import, which further increased in 1999 Q4.

18) In 1995 constant prices according to GDP methodology

19) As in the previous year, the level was affected by seasonal fluctuation.



The rise in exports was generated mainly by favourable sales opportunities for Czech products in advanced market economies (Germany in particular) and by an expansion in export-oriented production. The ongoing year-on-year koruna depreciation was another positive factor. The import growth was attributable mainly to an expansion in production collaborations with foreign companies,²⁰⁾ the overcoming of the recession in industrial production, and to the moderate pick-up in household demand.

With respect to use, imports for intermediate consumption were the fastest growing item in 1999 Q4, accounting for more than half of total imports. Imports for personal consumption and in particular for investment rose more slowly.

The export structure indicated continuing buoyant growth in exports of high-value added products, particularly in engineering and electrical engineering. With exports rising by 23.2%,²¹⁾ these commodities again accounted for about half of total exports (52.1%). Exports of food, raw materials and semi-manufactures also rose in real terms in 1999 Q4 thanks to rising prices on world markets.

The territorial structure of exports in Q4 confirmed that the exports went mostly to advanced economies (year-on-year growth of 27.7% overall and of 30.9% to Germany). At the same time, imports to European emerging market economies, including the CIS, showed renewed growth (of 11.9%), largely because of a stronger rise in exports to Russia (of 25.4%).²²⁾ Exports to Slovakia fell again in year-on-year terms (by 7%).

III.2.3 Output

From the point of view of demand, the 1% GDP growth in 1999 Q4 reflected the recovery in domestic demand and the change in inventories. Other domestic demand components and net external demand detracted from GDP growth for reasons specified in detail in "Demand and output".

20) The development of production collaborations with other countries was associated not only with the activities of businesses with foreign ownership, but also with rapidly expanding co-operation in the area of "inward processing".

21) The data below on the export and import structure are based on current prices.

22) This rise was to a certain extent due to a low comparison base from the previous year.

Table III.6 Real output and demand

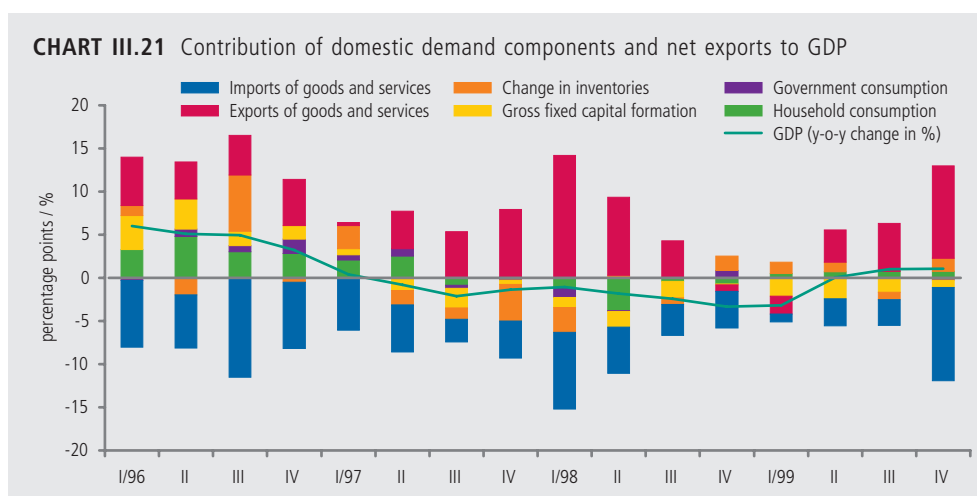
(y-o-y growth in %, 1995 prices)

	1995	1996	1997	1998	1999	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1999 Q1	1999 Q2	1999 Q3	1999 Q4
GROSS DOMESTIC PRODUCT	5.9	4.8	-1.0	-2.2	-0.2	-1.1	-1.8	-2.5	-3.3	-3.3	0.1	1.0	1.0
AGGREGATE DEMAND (domestic demand and exports)	11.1	8.3	2.2	1.9	2.4	4.7	2.1	0.7	0.5	-1.4	1.8	2.2	6.5
DOMESTIC DEMAND	8.4	7.9	-0.9	-3.0	-0.4	-5.7	-5.1	-2.9	-1.6	-0.3	-0.5	-1.7	1.0
FINAL DOMESTIC DEMAND ¹⁾	7.6	6.7	0.2	-2.7	-1.1	-3.5	-5.5	-2.3	0.0	-1.7	-1.7	-0.9	-0.3
of which:													
Household consumption	5.8	6.9	1.8	-2.9	1.4	-2.4	-7.1	-0.8	-1.3	1.1	1.4	1.5	1.4
Government consumption ²⁾	-3.7	3.6	0.9	-0.2	-0.4	-5.4	-0.4	0.4	3.5	0.2	-0.5	-0.1	-0.9
Gross fixed capital formation	19.8	8.2	-2.9	-3.9	-5.5	-4.2	-6.1	-6.7	-0.2	-8.3	-7.9	-5.9	-2
EXPORTS OF GOODS AND SERVICES	16.7	9.2	8.1	10.7	6.6	25.6	14.7	7.1	-1.2	-3.0	5.2	8.6	15.5
IMPORTS OF GOODS AND SERVICES	21.2	14.3	7.2	7.9	5.8	13.5	7.7	5.5	5.6	1.2	4.1	3.9	13.3
NET EXPORTS (CZK billions)	-65.7	-112.8	-113.1	-97.6	-95.6	-18.3	-15.4	-21.2	-42.8	-28.4	-13.2	-10.8	-43.2

1) Domestic demand excluding change in inventories

2) Including non-profit institutions

Chart III.21 provides a clearer idea of the influence of the individual components of domestic and external demand on GDP in 1999 Q4. Particularly important from the point of view of current and future GDP is the illustration of the contributions of exports and imports to GDP in 1999 Q2–Q4. Specifically, the Q4 developments clearly show that sizeable growth in foreign trade combined with a high growth rate of exports does not always mean a positive contribution to GDP (Chart III.16, Chart III.21). To a large extent, this fact reflects the development of production collaborations with foreign companies, both through the expansion of activities of firms with foreign ownership and through inward processing.



With respect to sectors, the Q4 pick-up in GDP in constant prices was largely due to recovery in the sectors of financial and commercial services, transport and trade. This testified to the ongoing structural changes in the economy, which are showing up among other things in a greater share of the tertiary sector in GDP.

In industry, which represents a major component of GDP, the previous long-term drop in value added was replaced by stagnation. Nonetheless, the branch structure of industry and other indicators (mainly in the areas of financial performance and the labour market) suggest that the restructuring process is far from complete. The concurrent processes of modernisation, winding down and introduction of new production in individual branches are heavily dependent on a number of factors which will take longer to solve (completion of the privatisation of

the corporate and banking sectors, effective corporate governance and the related problem of access to credits, more effective law enforcement, etc.). On the other hand, the rising sales of some businesses on both domestic and foreign markets, underpinned by restructuring in the period of recession and by new investment (mostly at firms with foreign ownership), is indicating that the restructuring process is gradually moving forward.

The continuing steep year-on-year decline in gross value added in construction, albeit smaller than in Q3, was again closely linked with the low domestic demand and with changes in the investment demand structure (greater demand for investment in machinery than in construction). The causes of the weak domestic demand – as represented by a lack of construction orders – are still the same: lack of funds in the private sector, unfinished privatisation and restructuring of businesses and banks, inadequate law enforcement and, for the time being, uncertainties about the rate of future economic growth.

Financial performance of non-financial organisations and corporations

The financial performance of the selected set of non-financial organisations and corporations saw no improvement in 1999. This was largely attributable to the development of the main financial performance indicators in Q4 alone. Material costs were the only indicator to show a more favourable trend both in Q4 and in 1999 as a whole than a year earlier. Wage costs also showed an improvement in Q4, but the figures for 1999 as a whole were higher than in 1998.

*Table III.7 Selected financial indicators in 1999 (in current prices)
(for non-financial organisations and corporations of all industries with more than 100 employees)*

y-o-y change in %	1999				Q3		Q4		Q1 - 4		Change in perc. pts.		
	Q3	Q4	Q1 - 4		1998	1999	1998	1999	1998	1999	Q3	Q4	Q1 - 4
Total revenues	3.6	7.0	3.8	Cost profitability (profit/costs)	2.52	1.69	-0.11	-0.57	2.51	2.16	-0.83	-0.46	-0.35
Total output	-1.0	3.8	-0.8	Equity profitability (profit/equity)	1.20	0.83	-0.06	-0.34	4.97	4.32	-0.37	-0.28	-0.65
Total costs	4.5	7.5	4.2	Output profitability (profit/output)	3.47	2.45	-0.17	-0.90	3.49	3.15	-1.02	-0.73	-0.34
<i>of which:</i>													
intermediate consumption	-0.6	3.0	-1.9	Material costs (int.cons./output)	67.68	67.99	72.20	71.61	68.84	68.07	0.31	-0.59	-0.77
personnel costs ²⁾	3.8	3.2	2.3	Wage costs (personnel costs/output)	17.52	18.37	17.54	17.44	17.06	17.59	0.85	-0.10	0.53
Pre-tax profit	-30.0	x ¹⁾	-10.3										

1) A profit was recorded in 1999 and a loss in 2000.

2) Comprises wage and other personnel costs, remunerations to members of companies and co-operatives, social security costs and social costs.

Another factor substantially detracting from gross profit formation in 1999 was a large rise in other costs (up 13% on a year earlier), which account for about 36% of the total costs of non-financial corporations and primarily include financial and extraordinary costs and provisioning costs. The 10.3% year-on-year decline in gross profit in 1999 was largely the result of the developments in Q4, during which a loss of CZK 5.2 billion was recorded. With respect to sector, this decline in gross profit was generated mostly by manufacture of metals and metal products, where the loss exceeded CZK 10 billion as of the end of 1999. As for ownership structure, above-average profit results and ratio indicators were achieved in organisations under foreign control. These account for about 35% of the gross profit generated in 1999.

The unfavourable trend for insolvency halted. As of end-1999, past-due liabilities were CZK 2.9 billion lower than a year earlier and the ratio of primary insolvency to equity capital had fallen by 0.09 percentage points.

Implications of demand and output developments for inflation

In 1999 Q4, as in the previous three quarters, domestic demand did not create any room for demand-pull inflationary pressures. The potential demand-pull inflationary impulses arising from the rising household consumer spending on food continued to be subdued by a number of internal and external factors acting on the agricultural market and the food market, including retail chain pricing. The pick-up in demand for durable goods, which was patchy in 1999 Q4, was also not a source of demand-pull pressures in the economy.

From the viewpoint of corporate sector financial performance in the selected set of organisations, the cost and profitability indicators have yet to indicate any overall reduction in potential cost pressures in this sector. Only material costs indicated a downward trend both in Q4 and in 1999 as a whole. A partial improvement was also registered in Q4 for wage costs. As regards future developments, it cannot be ruled out that amid the ongoing economic recovery producers will try to reflect their increasing costs in prices. Such attempts, however, may be offset to a certain extent by favourably priced imports. These efforts may also be eliminated by the ongoing corporate sector restructuring thanks to financial streamlining.

III.3 The labour market

The labour market developments in 1999 Q4 indicated a moderation of some unbalanced trends. Both nominal and real wage growth slowed at the macroeconomic level. Combined with a concurrent pick-up in whole-economy labour productivity this led to substantial convergence of the year-on-year increases in average wages and labour productivity, although wage growth was still faster. However, the trends in individual sectors were different. An improvement was particularly visible in industry, where the renewed lead of labour productivity growth over average wage growth resulted in a year-on-year real decline in the price of labour and consequently in a halt to the generation of wage-inflationary potential. The labour market developments brought about a further rise in the unemployment rate, albeit smaller than in the same period a year earlier.

III.3.1 Wages and financial incomes

Average nominal wages in 1999 Q4 confirmed the trend of a gradual slowdown in year-on-year growth visible (with a temporary interruption in 1999 Q3) since the start of 1999. Given the slowdown in year-on-year average nominal wage growth and the acceleration in inflation, average real wage growth also moderated compared with the previous quarter. This trend for both nominal and real average wages was registered in all the basic types of monitored organisations with the exception of international organisations, where the growth rate of average wages in both nominal and real terms accelerated further (Table III.8).

Table III.8 Basic data on wages

(y-o-y change in %)

	96 Q1	96 Q2	96 Q3	96 Q4	1996	97 Q1	97 Q2	97 Q3	97 Q4	1997	98 Q1	98 Q2	98 Q3	98 Q4	1998	99 Q1	99 Q2	99 Q3	99 Q4	1999
AVERAGE WAGE																				
(nominal)	17.4	21.0	16.5	17.1	18.0	14	13.3	12.8	8.4	11.9	10.9	7.0	9.2	10.1	9.4	8.6	8.0	8.7	7.9	8.2
(real)	7.9	11.5	6.6	7.8	8.4	6.3	6.3	2.6	-1.5	3.1	-2.1	-5.0	-0.3	2.4	-1.4	5.4	5.5	7.4	5.8	6.0
of which:																				
Non-business sector																				
(nominal)	15.0	33.0	15.3	18.5	20.6	12.4	11.0	10.2	-6.6	5.8	5.0	-6.2	3.0	15.1	3.9	13.9	14.3	13.3	11.2	13.1
(real)	5.6	22.5	5.5	9.1	10.8	4.9	4.2	0.3	-15.2	-2.5	-7.4	-16.7	-5.9	7.1	-6.2	10.6	11.7	11.9	9.1	10.7
Business sector																				
(nominal)	18.2	17.1	17.0	16.6	17.1	14.3	14.1	13.4	13	13.6	12.6	11.1	10.9	8.9	10.9	7.5	6.4	7.7	7.0	7.1
(real)	8.6	7.9	7.0	7.3	7.6	6.7	7.0	3.2	2.7	4.7	-0.6	-1.4	1.2	1.3	0.0	4.3	3.9	6.4	5.0	4.8
of which:																				
private organisations																				
(nominal) ¹⁾	14	13.6	12.4	12	12.8	11.3	9.2	9.0	6.6	8.9	6.0	5.0	6.3	5.6	5.5
(real)	.	.	.	.	.	6.3	6.5	2.3	1.7	4.0	-1.8	-3.1	-0.5	-0.8	-1.7	2.9	2.6	5.0	3.6	3.3
state organisations																				
(nominal) ²⁾	16.2	16.3	15.4	15.5	15.9	11.8	10.2	12.4	11.3	11.4	11.1	9.3	7.6	5.5	8.4
(real)	.	.	.	.	.	8.4	9.1	5	4.9	6.9	-1.4	-2.3	2.6	3.6	0.6	7.9	6.8	6.3	3.5	6.2
international organisations																				
(nominal) ³⁾	13.3	15.9	14.7	13.3	14.3	14.1	17.3	12.1	12.1	14.1	10.5	7.4	10.3	12.2	9.7
(real)	.	.	.	.	.	5.7	8.7	4.4	2.9	5.4	0.7	4.1	2.4	4.3	3.0	7.3	4.9	9.0	10.1	7.5

1) Including domestic (legal and natural) entities without state ownership

2) Including domestic (legal and natural) entities with 100% state ownership

3) Including entities with domestic and foreign capital

Source: CSO statistics (Registered number of employees and their wages in the Czech Republic)

Although average nominal and real wage growth slowed in Q4 and labour productivity continued to rise (albeit at a lower pace than in Q3) in all officially monitored organisations (which constitute around 70% of organisations in the national economy), a reversal in the relationship between these two variables did not occur at the macroeconomic level. Average real wages still outpaced labour productivity, though to a lesser extent than in Q3.

Table III.9 Wage, price and productivity indicators

(y-o-y change in %)

	96 Q1	96 Q2	96 Q3	96 Q4	1996	97 Q1	97 Q2	97 Q3	97 Q4	1997	98 Q1	98 Q2	98 Q3	98 Q4	1998	99 Q1	99 Q2	99 Q3	99 Q4	1999
Whole-economy labour productivity	4.0	4.0	3.1	3.2	3.6	0.6	-0.6	-1.0	0.0	-0.3	0.4	-0.1	-0.4	-1.1	-0.3	-0.2	3.0	3.9	3.3	2.5
Real unit wage costs	4.0	5.4	1.6	3.5	3.6	0.3	2.9	3.0	-0.5	1.4	0.4	-3.5	-0.9	-0.4	-1.2	2	0.0	1.9	-0.7	0.8
Nominal unit wage costs	11.7	15.6	10.3	12.5	12.5	9.7	9.4	10.8	5.6	8.7	8.8	7.1	9.2	10.8	8.9	7.4	2.9	2.0	0.7	3.1
GDP deflator	7.4	9.7	8.6	8.8	8.6	9.3	6.3	7.5	6.1	7.2	8.4	10.9	10.2	11.2	10.2	5.3	2.8	0.1	1.5	2.4

Source: CSO, CNB calculation

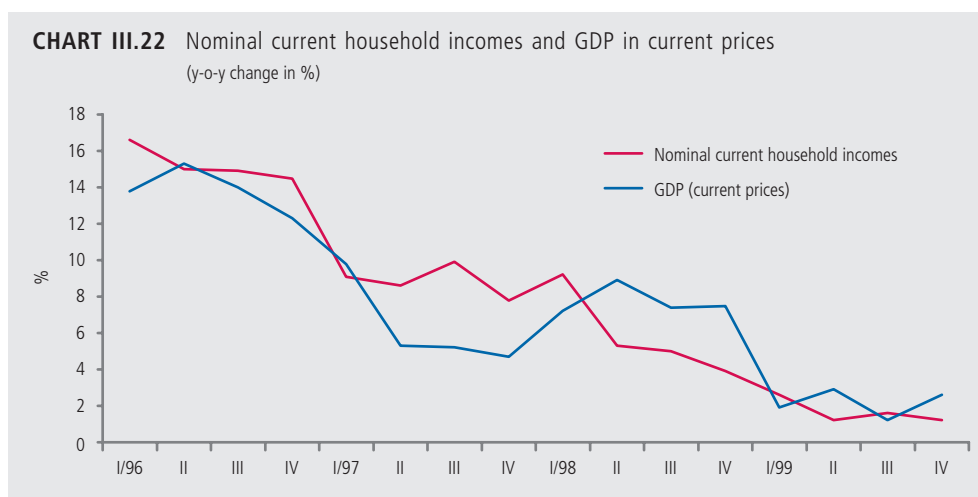
More pronounced changes in the relationship between labour productivity and average wages occurred in industry in Q4. A 9.9% year-on-year productivity rise was accompanied by an increase of just 4.8% in the real product wage, compared with the opposite trend in Q3 (when average real wages grew 2.6 percentage points faster than labour productivity). This trend, reflecting a further substantial reduction in the number of employees in industry, meant, from the viewpoint of industrial producers, a 4.7% drop in the price of labour per unit product.²³⁾ This favourable trend is evidenced from a different perspective by the share of personnel costs in book value added mentioned in part III.3.2 (Chart III.23).

In this situation, wage costs in industry no longer generated conditions for wage inflationary potential. The reasons for the pick-up in year-on-year growth in industrial producer prices in Q4 were mostly external in

23) Real unit wage costs in industry rose by 13.1% in 1999 Q1, 4.4% in Q2 and 2.5% in Q3. In Q4, they showed a year-on-year fall (of 4.7%).

origin.²⁴⁾ Similar conclusions can also be drawn from the relationship between nominal unit wage costs and the GDP deflator at the macroeconomic level. Here, with the GDP deflator growing faster than nominal unit wage costs, the prevailing effects of external factors on inflation are visible.²⁵⁾

Another more sizeable slowdown in the growth of nominal wage incomes of households, accompanied by a year-on-year drop in property income and gross miscellaneous income, led in Q4 to a moderate decline in nominal household incomes as a share of nominal GDP. This weakening of the relative income position of households (Chart III.22) signified a halt to the build-up of potential demand-pull inflationary pressures in the economy in 1999 Q4, following the rise in Q3.



III.3.2 Employment and unemployment

In employment, the trends of the previous quarters of 1999 continued into Q4. For the year as a whole, the labour market saw the largest decline in employment in both absolute and relative terms since the establishment of the Czech Republic. In Q4 alone, the number of employees was 4% lower than a year earlier, according to preliminary CSO data.²⁶⁾ In absolute terms, employment decreased by 190,000 persons. This decline affected all skill groups and all sectors of the national economy – primary, secondary and tertiary.

Table III.10 Basic data on employment and unemployment

	1995	1996	1997	1998	1999	1998				1999				
						Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Total no. of persons employed in national economy (average):*														
y-o-y change in %	2.6	0.6	-1.9	-1.7	-3.5	-1.3	-1.4	-1.3	-1.1	-3.5	-3.7	-4.1	-4	
natural persons - number (in thousands)	5012	5044	4947	4865	4695	4894	4904	4845	4847	4723	4723	4649	4653	
Economic activity rate ^{1,2)} in %	.	61.2	61.1	61	61	61	60.8	61	61.3	61	60.9	61	61.1	

* from 1997 onwards preliminary data

1) Ratio of economically active population to total population of productive and post-working age

2) According to Labour Force Sample Survey

24) For details see "Other cost indicators".

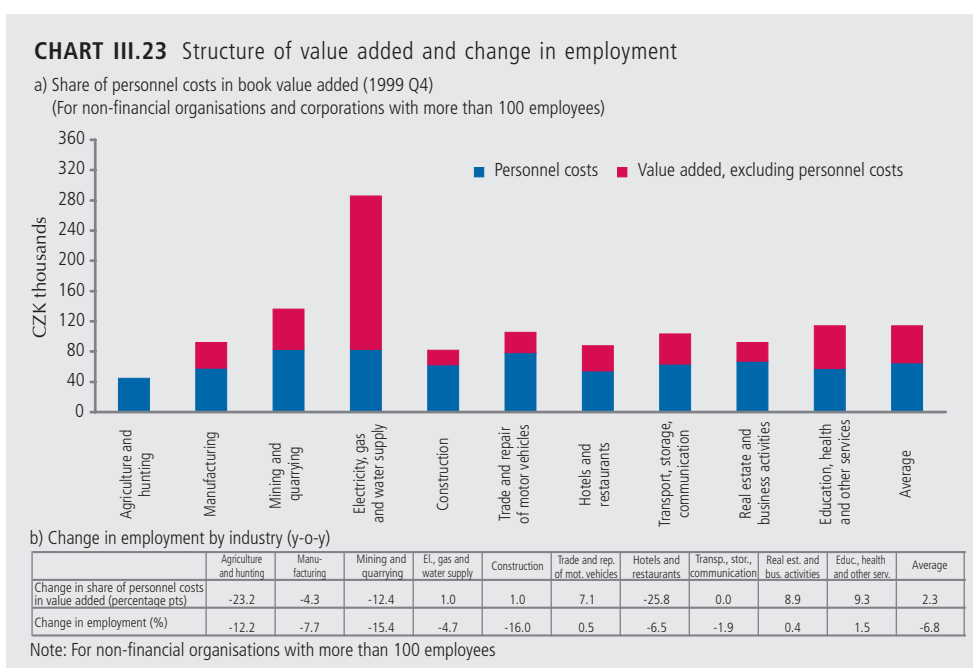
25) For details see "Inflation development".

26) For 1999 cumulatively, employment showed a year-on-year fall of 3.5%

The greatest year-on-year decline in the number of employees in 1999 (7.3%) was in the primary sector. All industries of this sector saw a continuation of the long-running downward trend in employment. In the secondary sector, the number of employees fell by 4.6%, with all industries hit. The largest decline was registered in construction. The number of employees in the tertiary sector in 1999 was 2.2% lower than in 1998.

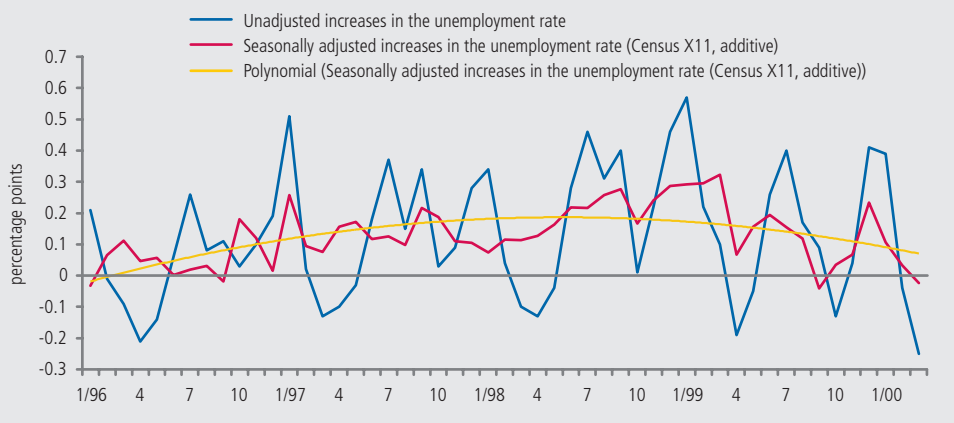
The fall in employment in some sectors again failed to be accompanied by a corresponding drop in the volume of wages, as shown by Chart III.23. Although the share of personnel costs in book value added was to a certain extent modified by lower profit creation owing to some unfavourable effects (the decline in the terms of trade etc.), these data provide basic information about corporate sector behaviour in this area.

Compared with 1999 Q3, the relationship between changes in the share of personnel costs in book value added and changes in employment improved in several industries. This was reflected also in the outturns for the whole monitored sector of non-financial businesses. The relatively positive effects of the control of wage costs were most visible in manufacturing and in mining, where the fall in employment was accompanied by a reduction in the share of personnel costs in value added.



Despite the aforementioned relatively large fall in employment, the overall developments on the labour market are signalling a reversal of some unfavourable trends. First and foremost, the rise in unemployment has slowed and demand for labour has picked up moderately – in February 2000, year-on-year growth in vacancies increased for the first time. The seasonally adjusted month-on-month movements in the unemployment rate were declining (Chart III.24).

CHART III.24 Seasonally adjusted m-o-m increases in the unemployment rate



As of the end of March 2000, the unemployment rate stood at 9.5%, which represented a month-on-month fall of 12,700 in the number of unemployed persons. In contrast with the same period a year earlier, both February and March 2000 saw a month-on-month reduction in the number of unemployed persons (Chart III.25).

CHART III.25 Unemployment rate (1995 - 2000)

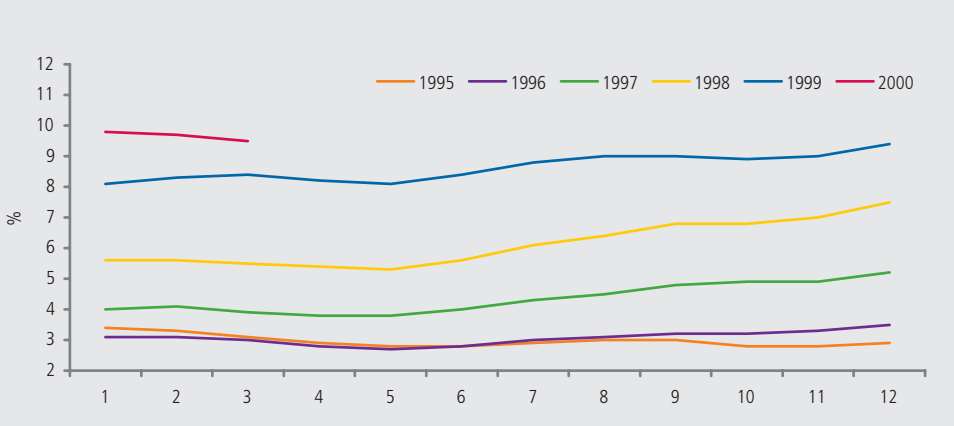
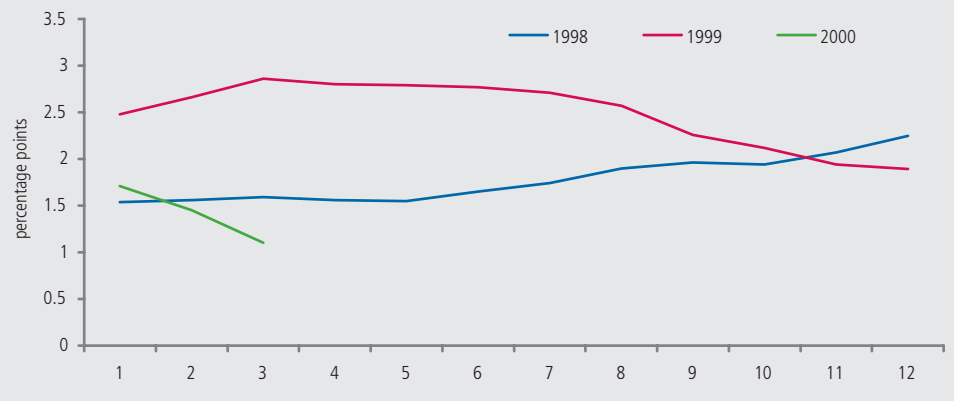
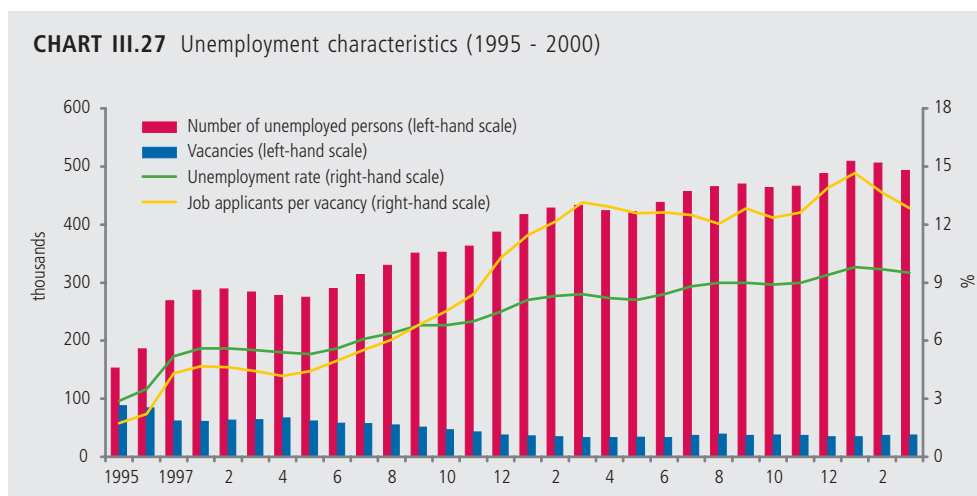


Chart III.26 illustrates the gradual slowdown in year-on-year growth in the unemployment rate visible since March 1999. In March 1999 the unemployment rate had increased by 2.9 percentage points, whereas in March 2000 it rose by only 1.1 percentage points.

CHART III.26 Unemployment rate in 1998 - 2000 (y-o-y change)



Since the start of 1999, there has been seasonal, albeit modest, year-on-year absolute growth in the number of job applicants finding work. This may indicate a partial increase in demand for labour connected with the nascent recovery of the Czech economy and its main trading partners. At the same time, it cannot be ruled out that this is a reflection of the situation in large businesses waiting for help from the state or for privatisation.



Although the overall developments on the labour market are signalling a narrowing of the gap between supply and demand for labour, in some regions the gap is continuing to widen. The average duration of registered unemployment is increasing (and stands at about 417 days at present). Persons unemployed for more than six months account for 26% of the unemployment total. About 38% of the unemployed were receiving unemployment benefit in March 2000, down by roughly 4 percentage points from the previous month. This points to an increase in unemployment lasting for more than six months.

Implications of labour market developments for inflation

The labour market developments in 1999 Q4 indicated that the strengthening of the imbalance in the previous quarter was probably of a temporary nature. The evolution of wage and production variables at the macroeconomic level in Q4 signalled a trend turnaround towards a gradual weakening of wage-inflationary potential. However, the situation differs considerably in individual industries and reflects the intensity of the restructuring processes. A more pronounced improvement was seen in industry, signifying a halt to the build-up of wage-inflationary potential.

The weakening of the relative income position of households in 1999 Q4, resulting from slower growth in nominal wage incomes and from a stronger slowdown or decline in some other household income components, also indicated an end to the generation of demand-pull inflationary pressures in the economy.

From the viewpoint of future development, it is clear that the continuation of the positive trends from 1999 Q4 will to a large extent depend on further progress with restructuring and privatisation in the corporate sector, which should lead to greater efficiency and thus to regulation of wage growth.

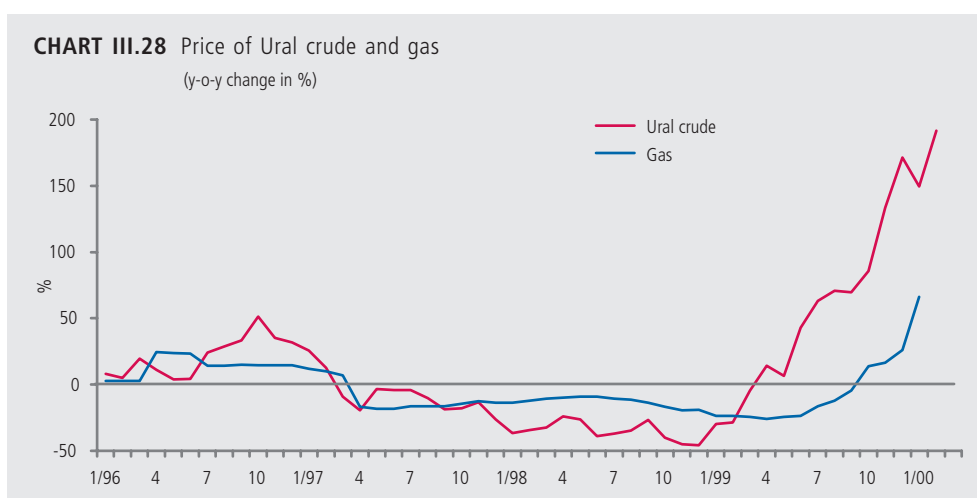
III.4 Costs and prices

The majority of the monitored cost indicator groups in 2000 Q1 showed a continuation of their trends from the previous quarter. Import prices saw a further acceleration in year-on-year growth owing to the rising prices of

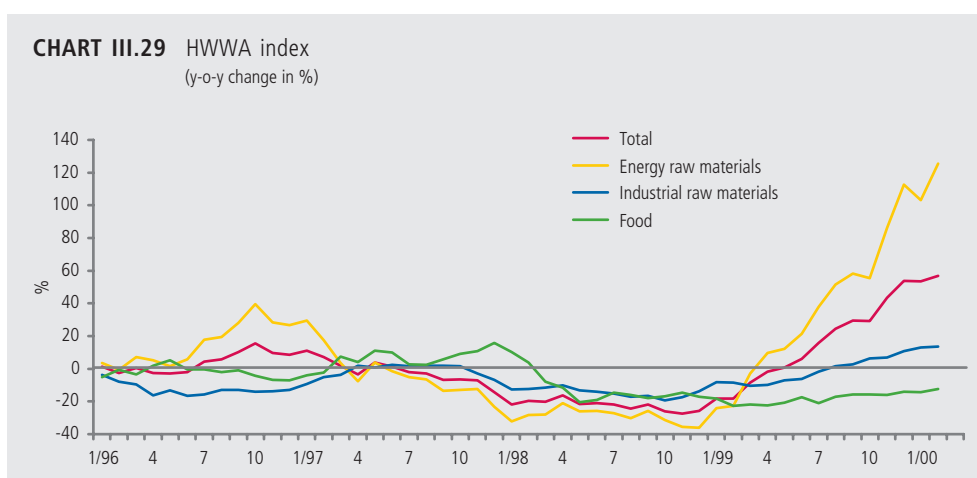
energy and raw materials on world markets. The higher prices of imported raw materials fed through into costs and in turn into industrial producer prices. Agricultural producer prices in 2000 Q1 confirmed the ongoing pick-up signalled by the weak year-on-year growth in 1999 Q4 after a previous decline. Only in construction was there a further slowdown in the rise in prices, owing to low domestic demand.

III.4.1 Import prices

The rise in prices of imported raw materials and other materials further accelerated in 2000 Q1. According to the most recent data for February 2000, import prices²⁷⁾ were 13.2% higher than a year earlier. The strengthening growth of import prices was again attributable to rising prices of energy raw materials, notably oil, on world markets. In February 2000, oil prices reached extraordinary levels,²⁸⁾ as Chart III.28 shows. The acceleration in import price inflation in 2000 Q1 was also due to increasing prices of natural gas and partly also to rising industrial raw materials prices.



The aforementioned trends in raw materials prices on world markets were confirmed by both the overall and structural developments in the HWWA index. The figures for 2000 Q1 clearly show that the increase in raw materials prices was again largely due to rapidly growing oil prices. At the same time, the effect of rising prices of industrial raw materials was also stronger compared with the previous period.²⁹⁾ Only food commodity prices saw a continuing downward trend on world markets in 2000 Q1, although, as in the previous quarter, their year-on-year decline slowed further.



27) Measured by the CSO sample index of import prices.

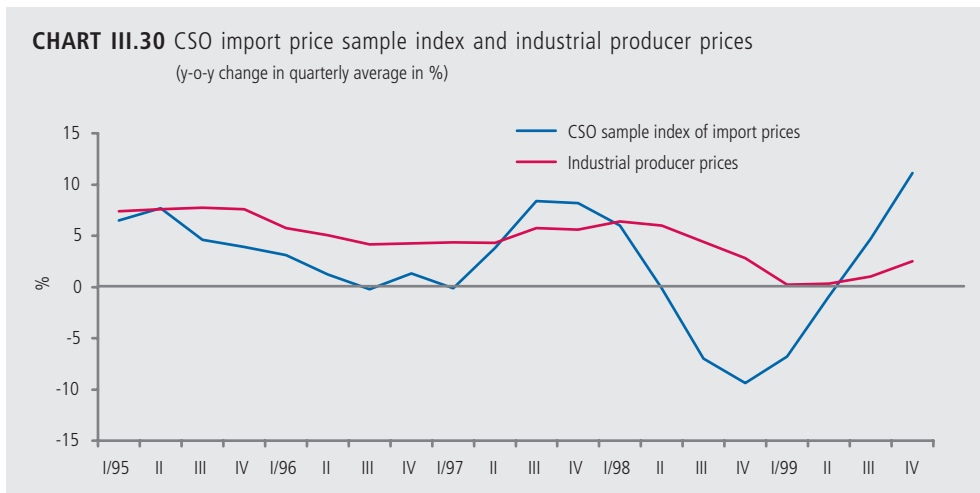
28) The price of Ural crude, which accounts for a substantial proportion of oil imports into the Czech Republic, jumped in January 2000 by 149.4% year-on-year to USD 25.09 per barrel and by another 42.3 percentage points to 191.7% (USD 27.39 per barrel) in February.

29) Industrial raw materials prices started rising again in August 1999 following a previous long-term year-on-year decline.

III.4.2 Producer prices

Industrial producer prices

The accelerating growth in prices of energy raw materials (notably oil) and industrial raw materials in 2000 Q1 was, along with ongoing low level of domestic demand, the main factor behind the further rise in PPI inflation. The rising prices of energy raw materials continued to feed through immediately into costs and subsequently into output prices in industries with a large share of oil-product processing (manufacture of coke and refined petroleum products and manufacture of chemicals, chemical products and man-made fibres). Moreover, the year-on-year and, in particular, month-on-month price changes in 2000 Q1 confirmed an ongoing pick-up in other manufacturers' prices. This signalled continuing transmission of the gradually rising prices of energy raw materials into other industrial branches. In addition, an influence on domestic producers' prices from the growing upward trend in industrial producer prices on world markets cannot be ruled out.



The aforementioned external cost factors primarily affected prices in manufacturing, both directly and indirectly. The pick-up in industrial PPI inflation in 2000 Q1 was also fostered by the customary January price changes in electricity, gas and water supply. Unlike in previous years, this influence was not felt in mining and quarrying, where in 2000 prices saw a substantial year-on-year decline at the start of the year rather than the usual sizeable increase (Chart III.31). This was due to a marked year-on-year drop in prices of brown coal and lignite, with supply of these commodities exceeding demand for them.

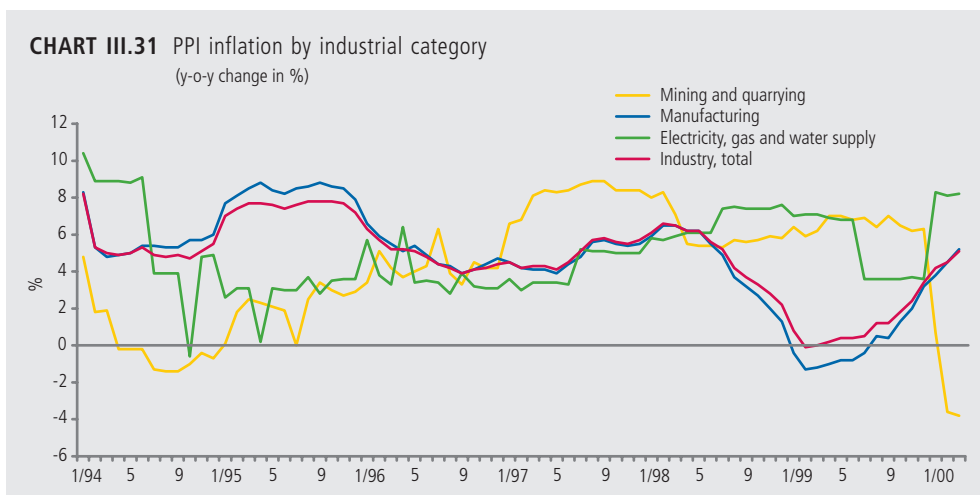
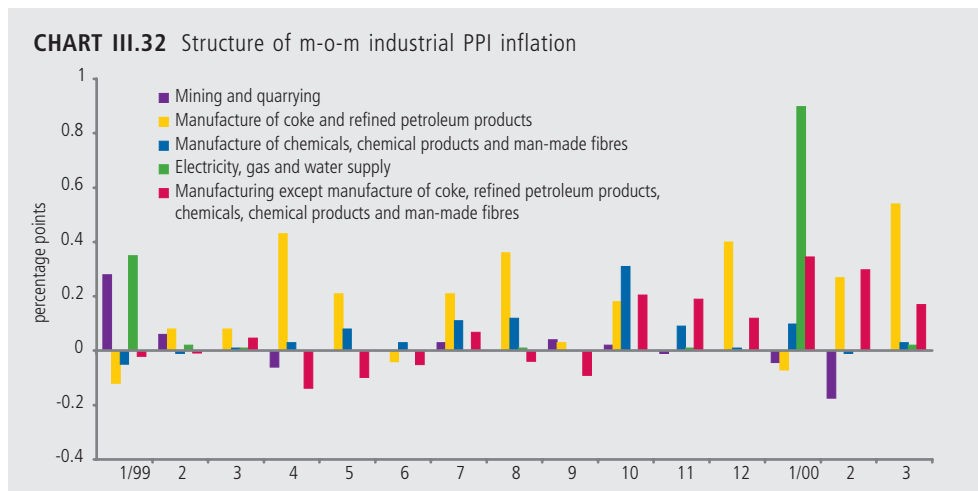
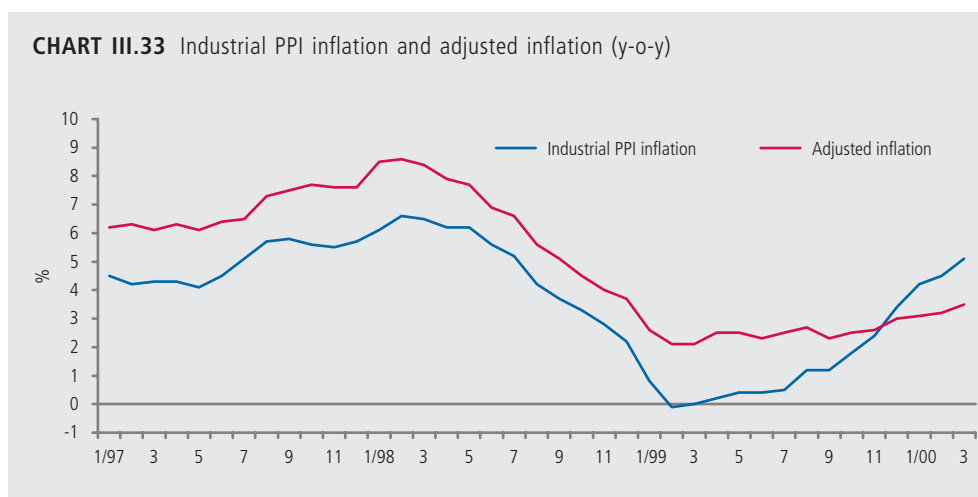


Chart III.32 documents these developments from another perspective. In particular, the larger changes in manufacturers' prices³⁰⁾ compared with the previous period indicated more clearly the gradual pass-through of the higher raw materials prices on world markets into the prices of industries not directly connected with oil product processing. The strengthening month-on-month price growth in manufacturing was probably also attributable to the rise in industrial raw materials prices on world markets.



As in the previous quarter, the pick-up in industrial PPI inflation (of 1.7 percentage points from December to 5.1% in March) contributed to the rise in adjusted inflation. However, its influence was again tempered by demand-side factors.



Construction work prices

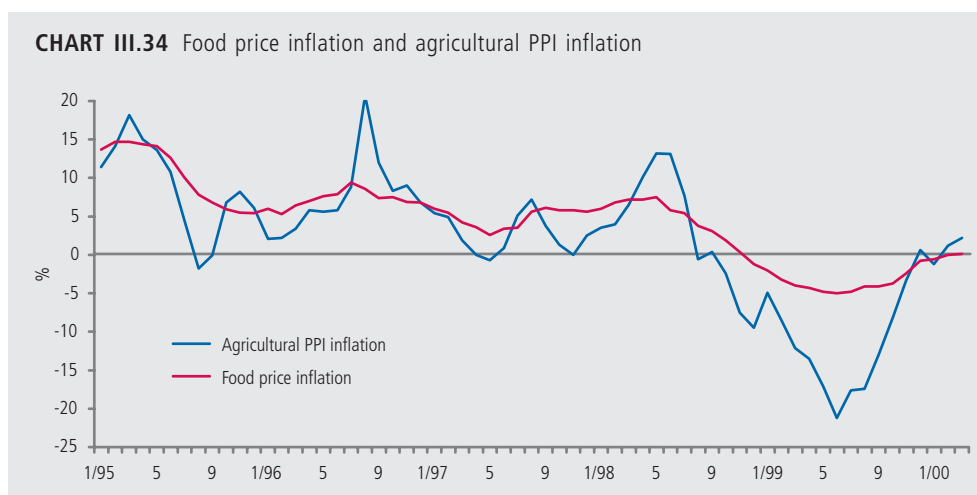
In the first months of 2000, construction work prices were again affected by weak domestic demand. As a result, the long-term trend towards a gradual weakening of the year-on-year rise in construction work prices³¹⁾ continued into 2000 Q1. In this quarter, the year-on-year inflation outturns were again about half those in the same period a year earlier.

30) i.e. prices in branches of manufacturing excluding manufacture of coke and refined petroleum products and manufacture of chemicals, chemical products and man-made fibres.

31) This trend was interrupted only in 1999 Q4 by year-on-year stagnation.

Agricultural producer prices

Agricultural producer prices in 2000 Q1 indicated a continuation of the moderate pick-up following the previous long-term decline: after a modest year-on-year rise of 0.6% in 1999 Q4, agricultural producer price inflation accelerated further in 2000 Q1 to 2.2%. This pick-up was largely associated with the aforementioned gradual strengthening of agricultural primary producers' cost pressures on manufacturers since 1999 H2, which passed through into higher purchase prices, particularly for livestock products. The faster pace of growth for agricultural producer prices was also partly due to the low comparison base of the previous year. As in the previous quarter, the higher agricultural PPI inflation showed up in food prices (Chart III.34).



Despite the moderate year-on-year rise in 2000 Q1, agricultural producer prices were still very low compared with the period before 1999. The maintaining of the overall low level of agricultural producer prices was fostered by a number of long-term internal and, particularly, external factors, notably:

- excess supply on the agricultural market (particularly excess production of some key crop commodities);
- the ongoing limited export opportunities for domestic agricultural products and substantially lower subsidies compared with EU countries (including export subsidies);
- the relatively low level of protection of the domestic market against subsidised imports;
- the long-term fall in prices of some food commodities on world markets; and last but not least:
- the monopolisation of some branches of the food industry, coupled with pricing pressure from retail chains on the food market.

Implications of other cost indicators for inflation

The further pick-up in industrial producer price inflation in 2000 Q1 confirmed a continuation of the upward trend visible since 1999 Q2 after a previous long-term decline. The sectoral analyses at the same time suggest that industrial producer prices in 2000 Q1 rose not only because of the direct effects of rising prices of energy raw materials on world markets on the costs and prices of industries having a large share of oil product processing, but also because of indirect effects on the costs and prices of other industries. The influence of these factors on

industrial PPI inflation in 2000 Q1 was bolstered by the rising prices of industrial raw materials³²⁾ on world markets. This is evidenced in particular by the rising month-on-month increases in prices of other manufacturing branches³³⁾ during 2000 Q1.

These external cost stimuli leading to a rise in industrial producer prices were the main factors underlying the rise in adjusted inflation in 2000 Q1. Their immediate impact on adjusted inflation was via increased prices of fuels, which are a consumer basket item. The continued weak domestic demand prevented the rising raw materials prices from having a more pronounced indirect influence.

Despite a moderate pick-up, agricultural producer prices for a number of major commodities were still very low in 2000 Q1. Given the trend for and level of costs in agriculture, however, maintaining these prices at the current low level is not sustainable in the long term. The outcomes of negotiations between agricultural primary producers and manufacturers in 1999, leading to an increase in the purchase prices of some commodities, indicated that a repeat of this situation in 2000 – with effects on inflation – cannot be ruled out.

32) Industrial raw materials excluding energy raw materials

33) i.e. excluding manufacture of coke and refined petroleum products and manufacture of chemicals, chemical products and man-made fibres.

IV. MONETARY POLICY MEASURES AND INFLATION OUTLOOK

IV.1 Inflation and its determinants – an overview of the main trends

Inflation in 2000 Q1 confirmed the change in trend visible since 1999 Q4. A slightly upward trend was seen for both overall and net inflation. Overall inflation, expressed as year-on-year CPI growth, increased in 2000 Q1 by 1.3 percentage points (from 2.5% in December to 3.8% in March). This increase was the same as that between 1999 Q3 and Q4 (from 1.2% in September to 2.5% in December). Year-on-year net inflation in 2000 Q1 rose by 0.6 percentage points against 1999 Q4 (from 1.5% in December to 2.1% in March), whereas in Q4 it rose by 1.8 percentage points compared with Q3 (from -0.3% in September to 1.5% in December). The inflation rate saw only a moderate rise during 2000 Q1, from 2.1% in December to 2.3% in March.

Overall inflation reflected differences in the price movement structure between 2000 Q1 and 1999 Q4. In Q4 the pick-up in overall inflation had been due exclusively to changes in net inflation, whereas in Q1 it was largely due to faster year-on-year growth in regulated prices; the contribution of net inflation was much smaller. In 1999 Q4, the year-on-year rise in regulated prices had remained constant at 4.2% and had contributed one percentage point to the rise in overall inflation. The increase of some regulated prices in January 2000 led to a year-on-year increase of 7.3% for Q1 as a whole, so that regulated prices contributed nearly 2 percentage points to overall inflation. Within net inflation, adjusted inflation saw a continued rise (from 3.0% in December to 3.5% in March), which was mostly due to increasing prices of energy raw materials on world markets. Food prices saw a shift from year-on-year declines to modest year-on-year increases (from -0.7% in December to 0.1% in March).

Economic activity, expressed as year-on-year GDP growth, rose by 1% in 1999 Q4. For 1999 as a whole, however, GDP failed to reach the 1998 level and decreased by 0.2%. These figures testify to a continuing, albeit very weak, recovery. The economic growth in 1999 Q4 was largely the result of a pick-up in household consumption (1.4%). The growth rate of government consumption showed a year-on-year fall (-0.9%). Investment demand was again lower than in the same period a year earlier (-2.0%). In contrast to the previous quarter, the external sector made no contribution to GDP growth.

Industrial production in 2000 Q1 confirmed the tendency towards economic recovery. It grew by 5.1% in February, rising for the fourth consecutive month.

The unemployment rate fell slightly during 2000 Q1, from 9.8% in January to 9.7% in February and 9.5% in March. Compared with the end of 1999 Q4 (9.4% in December), the unemployment rate was moderately higher at end-2000 Q1. The seasonally adjusted unemployment rate rose from 9.4% in December to 9.6% in February, according to preliminary data.

In 1999 Q4, the year-on-year growth rates of average nominal wages (7.9%) and real wages (5.8%) both dropped. This period thus saw a substantial convergence between growth in real wages and whole-economy labour productivity (3.3%). This convergence was felt most strongly in industry, where, following a longish period of growth, there was a drop in real unit wage costs in 1999 Q4 (-4.7%).

Between December 1999 and February 2000, year-on-year M2 growth initially fell, then showed a modest rise. The money stock grew by 8.1% in December, 7.3% in January and 8.0% in February. The moderate money supply growth in the first two months of 2000 was the result of contrary processes. While the state budget surplus hampered this growth, the continuing rise in foreign capital inflow in the form of foreign direct investment and increased koruna lending to non-residents acted towards an acceleration. This period saw a continuing upward trend in the share of highly liquid assets in the overall money supply, as expressed by M1

growth. In year-on-year comparison, M1 growth was 10.7% in December, accelerated to 17.5% in January and fell back slightly to 16.8% in February.

In 2000 Q1, the koruna's rate against the euro was characterised by a continuing appreciation tendency, thanks to the inflow of capital. From CZK 36.2 to the euro at the start of the year, it strengthened to CZK 35.6 at the end of March, i.e. by 1.7%. The CNB's foreign exchange intervention on 30 March 2000 sent the koruna back to CZK 36.2. The nominal effective exchange rate of the koruna was stable during Q1. As regards the comparability of the domestic CPI and PPI with the equivalent indices of the Czech Republic's major trading partners, the real effective rate developed analogously to the nominal effective rate.

Cost indicators were on the increase during 2000 Q1. Import prices showed year-on-year growth of 13.4%, largely as a result of the rising prices of energy raw materials, notably oil, on world markets. Compared with a year earlier, the price of Ural crude was 149.4% higher in January and 191.7% higher in February. The rising prices of energy raw materials passed through into ongoing growth in industrial producer prices (4.2% in January, 4.5% in February and 5.1% in March). The cost-push inflationary pressures ensuing from the rising prices of raw materials were reinforced by the koruna's depreciation against the US dollar, which is most frequently used for making payments for these commodities. After many months of decline, agricultural producer prices saw an increase. The moderate rise in these prices at the end of 1999 Q4 (0.6% in December), which was followed by an extraordinary decline in January (1.2%), increased further (by 1.2% in February and 2.2% in March).

IV.2 Monetary policy

Within the inflation targeting regime, decisions on changes to the settings of monetary policy instruments are derived from conditional inflation forecasts, the outlook for the effects of inflation factors and from evaluations of the risks and uncertainties relating to their future evolution.

IV.2.1 The basis for monetary policy decision-making

The evaluation of the macroeconomic framework at the start of 2000 Q1 signalled a gradual change in the influence of cost and demand factors on inflation. Contrary to the previous period, cost-push inflationary factors had begun to strengthen from mid-1999 onwards, largely because of the rising prices of energy raw materials on world markets. At the same time, there had been a turnaround in the economy, with a recovery commencing in 1999 Q2. The demand pressures remained very weak, however, as the pick-up in the economy was only slow.

The inflation forecast at the start of 2000 Q1 did not differ from that of 1999 Q4. During Q1, however, there occurred a shift in the evaluation of the inflation risks. Uncertainties about the speed of the economic recovery were dominant at first. The end-1999 data on industrial production and on increased VAT revenues signalled that the upturn might be quicker than the CNB expected. In this case, cost pressures would show up more strongly in producer prices and consequently in other price groups. Another uncertainty was linked with the secondary effects of the January increase in regulated prices, which was more extensive at the start of 2000 than in 1999. Although the forecast was not changed, some risks were identified that could lead towards an acceleration in inflation.

The February and in particular March data on macroeconomic and monetary developments, however, did not confirm the tendency towards a significant acceleration in price indices. The actual inflation outturn was at the lower boundary of the forecast, signalling a suppression of inflationary pressures and prospects for favourable price developments. At end-Q1, it seemed more likely that net inflation as of end-2000 would be in the lower

half of the forecast interval. The macroeconomic developments during 2000 Q1 thus led to a reassessment of the risks within the framework of an unchanged inflation forecast interval.

In addition to these developments, which were the main argument in favour of keeping monetary policy interest rates at the existing level, some other factors were also taken into account. These included in particular the level of real interest rates and the interest rate differential of the Czech koruna vis-à-vis major foreign currencies. Real interest rates showed a downward trend throughout Q1, reaching low values. For example, real rates on newly granted credits (when deflated by the PPI using the ex post approach) fell to their lowest levels for five years. Real rates on client time deposits (when deflated by the CPI using the ex ante approach) were negative at the start of Q1. The interest rate differential was affected by rising monetary policy rates in other countries, especially in the EMU and the USA. With respect to the euro this meant a narrowing of the positive differential and with respect to the dollar a widening of the negative differential. One argument in favour of keeping the rates unchanged was the slightly positive slope of the yield curve, indicating that the setting of monetary conditions was essentially correct. At the end of Q1, the yield curve flattened further.

External factors also played an important role in monetary policy decision-making. In addition to the rising prices of energy raw materials on world markets, these included the inflation pick-up in advanced economies, which fed through into both consumer and producer prices. Monetary policy had to take account of the possible implications for domestic inflation of the price trends in advanced countries.

The monetary policy decisions in 2000 Q1 were affected by the exchange rate. The long-term appreciation trend of the koruna's rate against the euro, which had been temporarily interrupted by the foreign exchange interventions in 1999 Q4, continued into 2000 Q1. The appreciation was attributable to the continuing foreign capital inflow in the form of foreign direct investment and to expectations of a further acceleration of this inflow within the 2002 horizon. Monetary policy took account of the implications of the exchange rate trend for inflation and for external balance in the situation of a gradual recovery of the domestic economy.

IV.2.2 Monetary policy measures

During 2000 Q1, CNB interest rates remained unchanged. At the end of the quarter, the central bank intervened on the foreign exchange market with the aim of correcting the exchange rate trend.

The main question in the assessment of macroeconomic and monetary developments in January 2000 was to what extent the estimate of the intensity of the economic recovery was correct. The inflation indicators pointed to a continuing rise in raw materials prices; the January increase in regulated prices had resulted in a rise in overall inflation; and the pace of decline of food prices had slowed. Meanwhile, the upturn in demand and the inflation pick-up abroad were continuing. An acceleration in economic growth in this situation would have increased the risk of inflationary pressures emerging on the demand side. The concurrent effect of supply and demand inflation factors would have led to a shift to a higher inflation level. A stronger economic recovery would probably have affected the elasticity of the pass-through of demand and supply factors into inflation. The assessment of macroeconomic and monetary developments at the start of Q1 did not lead to a change in the inflation forecast. The macroeconomic situation, however, indicated the possibility that net inflation at end-2000 would probably be towards the lower boundary of the inflation target interval. For this reason, the Bank Board decided at its session on 27 January to leave interest rates unchanged. The rate settings were evaluated as consistent with the expected price trends and with the expected macroeconomic developments up to end-2000.

In conditions of nascent economic recovery and rising cost price pressures, the evaluation of macroeconomic and monetary developments in February 2000 indicated a reduced likelihood of an acceleration in inflation. The impact of the changes in regulated prices had been consistent with CNB expectations and had not triggered a pick-up in inflation. Both net inflation and overall inflation were towards the lower boundary of the CNB's forecast, confirming the subduing of inflationary pressures. Data on industrial production and retail sales pointed to continuing economic recovery, but did not depart from the CNB's assumption of an only modest pick-up.

Compared with the January evaluation, however, a correction was made to the assumption regarding the exchange rate trend. The US dollar had appreciated against the euro, generating an appreciation of the koruna against the euro. This trend implied that lower inflation would be achieved during 2000 and that net inflation would be within the lower half of the forecast interval. On the other hand, the prices of oil and other commodities had increased on world markets, leading to a faster rise in industrial PPI inflation. The uncertainties regarding the short-term and medium-term inflation prospects in this price group were still present. The Bank Board session on 24 February decided not to change the settings of the CNB's monetary policy instruments and to wait for confirmation of the appreciation trend.

The risk of an acceleration in inflation proved to be very low after the assessment of macroeconomic and monetary developments in March. At the same time, the CNB's prediction of an only slow economic pick-up was confirmed with the release of the 1999 GDP data. The ongoing appreciation of the koruna vis-à-vis the euro was presenting a risk for future monetary and economic development. A strong rate could unfavourably affect the export capacity of the economy, hamper the nascent economic upturn and jeopardise the hitting of the inflation target. A long-term overvaluation of the real effective rate, bolstered by further appreciation, would have negative effects on the external balance, which has started to worsen slightly since 1999 Q4. Given the low interest rate level, the exchange rate trend was identified as a factor leading towards a gradual tightening of monetary conditions. For this reason, the Bank Board decided at its session on 30 March to carry out foreign exchange interventions aimed at curtailing the appreciation trend of the koruna. Also in March, a special account was established for the proceeds from the sale of state property to foreign investors. This joint measure of the CNB and the Czech Government represents a systemic step towards mitigating the effects of foreign investment inflow on the exchange rate.

IV.3 Future inflation factors

In 2000 Q1 CPI and net inflation both accelerated, largely because of the relatively strong rise in import prices. This in turn was the result of the rising prices of oil and other raw materials and the comparatively rapid growth in producer prices in other countries, reflecting besides the rise in oil prices the accelerating boom in EU countries. The pick-up in import prices in 1999 Q4 had been mostly attributable to year-on-year depreciation of the effective exchange rate. Overall inflation at the start of 2000 was also affected by changes in regulated prices, which were more extensive than in 1999.

A rise in price indices, albeit more modest, can also be expected in Q2. The price changes will again be mainly due to imported inflation. A further rise in oil prices is not likely, but if they remain at the Q1 level this still represents quite strong year-on-year growth. In year-on-year comparison, prices of other raw materials and final products will increase abroad. The assumed exchange rate stability at about CZK 36.0 to the euro and the expected appreciation of the euro against the dollar imply a fall in the pace of year-on-year depreciation of the effective exchange rate during 2000 H1, which will feed through into lower year-on-year growth in import prices.

With respect to domestic factors, a weak rise is expected for food prices, owing to gradual pass-through of the steady increase in agricultural producer prices into consumer prices. In contrast, the outlook does not indicate any substantial risk of wage-cost inflation in the short term. Compared with 1999, the first half of 2000 will see a slowdown in year-on-year growth of average wages and unit wage costs. No significant demand-pull pressures on inflation are expected in 2000 H1: given the assumed fall in the growth rate of real current household incomes to zero and the expected stability of the savings ratio, any pronounced acceleration in consumer demand is unlikely.

The inflation forecast for 2000 H2 and 2001 Q1 assumes exchange rate stability, an only modest rise in imported inflation, a non-inflationary rise in domestic – especially wage – cost factors, and a gradual pick-up in domestic

demand. During H2 we expect a modest drop in oil prices and a stable exchange rate. Year-on-year PPI inflation in Germany will slow as well. This will show up in a gradual fall in year-on-year import price inflation.

With regard to internal cost factors, the expected labour market developments can be viewed as favourable. We expect the wage-cost pressures in the above period to be very weak, owing to a further fall in the year-on-year growth rate of nominal wages on the one hand and a rise in productivity dependent on the expected recovery on the other. Given the current financial situation in businesses, there exists a certain danger that they will use the recovery to boost their profitability by raising prices. During 2000 H2 the pick-up in food price inflation is expected to be only weak, largely because of the ongoing pressure from cost factors. These pressures will continue to be suppressed by the strongly competitive environment on the retail food market.

Given the halt in oil price growth, we expect fuel prices to stabilise in 2000 H2 and at the beginning of 2001. The rise in costs has been partially reflected in producer prices and has yet to pass through significantly into consumer prices. With a certain time lag, and probably only to a small extent, this pass-through can be expected to occur during 2000 H2.

The current modest pick-up in domestic demand clearly does not provide a sufficient demand stimulus for growth in prices, and domestic demand is still having no pro-inflationary effect. Within the one-year horizon, this situation will not change much. In 2000 H2 the recovery in domestic demand, particularly consumer demand (measured by household consumption), will proceed very slowly. The influence of the assumed weak rise in real household incomes will be offset by the growing unemployment rate. The estimated growth rate of overall domestic demand and of household consumption in 2000 of around 1.5% will not be sufficient to trigger a more marked pick-up in inflation.

Regulated prices, which will rise faster in 2000 than in 1999, will contribute to higher year-on-year growth in overall inflation during 2000. In 2000, the maximum prices for electricity, gas and postal services will be raised. In addition, the transfer of hotel and restaurant services from the higher VAT tariff to the lower one (starting from 1 April 2000) will affect consumer prices. This will have a positive effect on overall inflation, but a negative effect on net inflation (restaurants are expected to reduce their prices by less than would correspond to the tax reduction).

The expectations of the CNB and financial market participants as regards year-on-year CPI and net inflation gradually converged during 1999 H2. For next year, these are signalling low expected inflation.

IV.4 Inflation outlook

The forecast is based on predictions of the factors influencing consumer prices. Given the current monetary policy settings, net inflation should lie within the interval of 2.2%–3.5% at end-2000. The CPI as of the same date should be within the 2.9%–3.9% range and the inflation rate within 3.2%–3.6%.

As of the end of 2001 Q1, year-on-year net inflation is expected to lie between 2.7% and 4.5%. The CPI will probably increase by 4.1%–5.4% and the inflation rate should stand at 3.3%–4.0% as of the same date.

MINUTES OF THE BANK BOARD MEETING

Minutes of the Bank Board Meeting on 27 January 2000

Present at the meeting:

Josef Tošovský (Governor), Oldřich Dědek (Vice-Governor), Zdeněk Tůma (Vice-Governor), Miroslav Hrnčíř (Chief Executive Director), Luděk Niedermayer (Chief Executive Director), Pavel Rácocha (Chief Executive Director)

The Board opened the meeting with a discussion of the specific features distinguishing price development in the year 2000 from developments in the past two years. The Czech economy in 1998 and the first half of 1999 was characterised by a combination of low cost and demand pressures that were reflected in a falling rate of inflation. By the second half of 1999, cost pressures had started to build up, particularly as a result of transmission from abroad. Demand pressures, on the other hand, were kept under control. GDP growth had begun to coincide with domestic demand growth. As cost pressures gradually lessen in the second half of 2000, demand pressures would again slowly emerge.

The Board assessed the inflation forecast and the risks involved. Despite the risk of the baseline scenario converging more on the inflation side, the current setting of monetary policy parameters corresponded to the medium-term monetary strategy. The midpoint of the net inflation projection was aimed towards the inflation target's lower boundary for the year 2000. The latest data on growth in retail sales, industrial production and in other areas revealed that economic recovery should be stronger than the previous data on GDP had indicated. The beginning of 2000 would also be a period of heightened uncertainty on global oil markets. It was further stated that the international environment would be characterised by a slightly rising inflation rate as well as possible increases in the interest rates of key central banks.

Discussion during the board meeting also focused on factors that require a more systematic approach of analysis. The process of introducing financial innovations to the Czech market would continue in the year 2000. The new financial instruments had indicated dynamic growth. Privatisation of the banking sector would also continue. In view of these events, it was mentioned that the economic links monitored up to this point could change in character in the medium term.

The Board also discussed the hypothesis that, in the real economy, two sectors existed with divergent rates of development. Therefore, as the one segment linked to effective foreign direct investment grew very quickly, the impact of the slow segment caused the aggregate data to show up only as very modest growth. In this regard, it was mentioned that the balanced share of investment in relation to GDP was very difficult to characterise in a clear manner. Although investment to fixed capital declined in the last period, by international comparison, the Czech economy still registered a relatively high share of investment in GDP. A substantial portion of investment was directed to infrastructure and ecology projects, which interfered with results when comparing the investment values of other countries.

At the close of the meeting, members were invited to vote on the setting of monetary instruments. The Board decided unanimously to leave the CNB two-week repo rate at its current level (5.25%).

Minutes of the Bank Board Meeting on 24 February 2000

Present at the meeting:

Josef Tošovský (Governor), Oldřich Dědek (Vice-Governor), Zdeněk Tůma (Vice-Governor),
Miroslav Hrnčíř (Chief Executive Director), Pavel Racoča (Chief Executive Director),
Pavel Štěpánek (Chief Executive Director)

The Board opened the meeting with an assessment of the macroeconomic outlook. It was confirmed that most of the newly available economic information corresponded to the inflation forecast. A sharp rise in the value of the dollar was the only real factor causing any technical changes in the expected forecast. Inflation data continued to correspond to CNB projections and the inflation target for the year 2000. Anticipated wage development and inflation expectations were also consistent with the target.

GDP growth would be supported by a moderate increase in domestic demand, possibly causing the trade deficit to slightly worsen as well. Dynamic foreign demand could also contribute to GDP growth. Keeping rates at their present level was indicated as an appropriate response to the macroeconomic outlook.

The Board then turned to other problematic areas. In addition to the standard fiscal policy approaches, using the public budget deficit indicator (based on the Maastricht method) was also proposed. This method makes it possible to assess public budget deficits in the same manner as the EU. It was expressed that while larger companies trading with foreign countries do not, as a rule, have problems securing loans, some companies operating on the domestic market, including prosperous companies, have difficulties obtaining capital. This problem is structural in nature and cannot be solved with monetary policy instruments.

The Board also discussed matters related to the balance of payments, the exchange rate and monetary policy response. Three types of potential capital inflow were identified. Inflow connected to completing privatisation has only a temporary effect. Provided macroeconomic conditions require it, monetary policy could respond with foreign exchange intervention and by setting up a special account that would help distribute the impact of the depleted privatisation funds over a longer period of time. Inflow of foreign direct investment is often connected to green-field projects. If contributing to productivity growth, this type of investment inflow would not necessarily have a negative effect on the external imbalance, even in the presence of exchange rate appreciation. In this context, it was mentioned that exchange rate flexibility is an important feature used by monetary strategy during EU convergence. The third type involves the potential inflow of speculative capital, which could be renewed if key investors direct their interests more to emerging markets. Czech assets will also become more attractive now that the Czech Republic is closer to being included in the first wave of EU candidate countries.

At the close of the meeting, the Board decided unanimously to leave the CNB two-week repo rate at its current level (5.25%).

Minutes of the Bank Board Meeting on 30 March 2000

Present at the meeting:

Josef Tošovský (Governor), Oldřich Dědek (Vice-Governor), Zdeněk Tůma (Vice-Governor), Miroslav Hrnčíř (Chief Executive Director), Luděk Niedermayer (Chief Executive Director), Pavel Štěpánek (Chief Executive Director), Pavel Mertlík (Czech Minister of Finance)

The Board opened the meeting with an evaluation of the newly available information on GDP and the implications it could have for assessing future inflation pressures. It was expressed that while the overall results for 1999 corresponded to CNB expectations, quarterly seasonally adjusted data had fallen short of the Bank's expectations, particularly in 1999 Q4. There was significant quarterly recovery in investment demand, though net export dynamics were lower than anticipated. A continuing decline in the balance of services had contributed to this development.

In the area of fixed capital formation, the volume of investment had substantially declined in recent years. To a large extent, this development was conditioned by structural factors, especially the unique and unrepeatable infrastructure investment witnessed in past years. In the presence of moderate economic expansion, the CNB expected the gradual upswing in the year-on-year dynamics of fixed capital formation to continue. Investment, including foreign direct investment, was expected to be a factor significantly contributing to the acceleration of economic recovery. A substantial part of foreign direct investment was connected to green-field projects. In the first phase of the investment cycle, import of foreign technology would in all probability rise, and as a result, negative pressures on the current account balance would surface as well. Considerably higher output followed by a rise in export potential could be expected during the second phase.

During the discussion, the current stage of Czech economic development had been characterised as being "two-speed". Part of the economy was accelerating, and from the viewpoint of financing and growth, this segment was considered to be healthy. However, there was another sector of the economy where the restructuring processes had only just begun. These processes would bring about substantial regional implications not only in the social sphere, but on the supply side as well.

Despite a certain month-on-month decline in industrial production dynamics, the continuation of strong labour productivity growth in industry was one positive feature. Year-on-year retail sales had risen for the third month in a row, which was also confirmed by VAT revenues.

Future inflation pressures were assessed in relation to demand, cost and structural factors. During 2000, demand factors would have very limited impact on inflation. An anticipated rise in inflation was connected to cost factors, especially import prices and regulated prices. An analysis of available information had suggested that the results of a recent OPEC meeting could cause oil prices to fall. Nevertheless, this price decline was expected to occur at a slow pace. Information from the wage area confirmed that substantial changes would occur this year in comparison to 1999. Wage developments in 2000 would therefore not be a source of excessive inflation pressure. Even the performance of public budgets had not given any indication of adverse demand pressures in the short run.

The Board discussed at length the issue of foreign capital inflow and its impact on expected exchange rate developments. It was mentioned that there should be a distinction made between the character, maturity and mobility of capital flow, especially during the current period. While capital inflows are often very mobile, domestic savings had exhibited less mobility in respect to the higher transaction costs of small investors, which, in fact, exceeded costs in the corporate and financial sector. The latest information on the balance of payments confirmed that a decrease in the interest rate differential was reflected in capital outflow, including domestic savings. Lowering short-term interest rates has a role in this process. Despite certain risks involved, existing appreciation pressures has been reduced through this channel. The Board agreed that koruna appreciation in

recent months and the continuation of this trend could lead to unwanted tightening of monetary conditions, which would not correspond to current macroeconomic developments nor to the inflation target at the end of the year.

During the discussion on the CNB's response to the macroeconomic situation, use of available monetary instruments was considered in view of their impact and the time lags involved. Concerning appreciation pressures on the koruna, it was mentioned that the CNB and the National Property Fund had agreed on the manner in which the privatisation account would be opened and operated. The central bank would act as an agent of the state, and if needed, the bank would convert privatisation receipts denominated in foreign currency to koruna. On the basis of the assessment of the current or expected situation on the foreign exchange market, the CNB would either increase its foreign exchange reserves by the converted amount, or the foreign currency would be sold on the market. It was also mentioned that only a portion of the current capital inflow had been generated by the privatisation of state-owned assets. Therefore, only this part would fall under the privatisation account regime.

Uncertainty concerning the intensity of future economic recovery, slower food price growth in relation to the underlying assumption of the inflation forecast, future exchange rate developments and structural concerns were indicated as potential risk areas for reaching the inflation target at the end of this year. Current structural changes had affected the supply side of the economy and may, in particular, cause higher unemployment and social uncertainty in the short run.

The Board unanimously decided to leave the two-week repo rate at its current level and to weaken the koruna by intervening on the foreign exchange market.

STATISTICAL ANNEX

INFLATION DEVELOPMENT

		year-on-year change in %											
		1996											
		1	2	3	4	5	6	7	8	9	10	11	12
Consumer prices		9.0	8.6	8.9	8.5	8.7	8.4	9.4	9.6	8.9	8.7	8.6	8.6
Regulated prices	1)	12.6	12.5	12.5	11.3	11.4	9.9	11.8	14.1	13.0	13.0	13.6	13.8
(contribution to CPI inflation)	1)	2.85	2.82	2.81	2.57	2.59	2.27	2.74	3.28	3.05	3.02	3.16	3.17
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34
Net inflation		7.4	7.0	7.4	7.3	7.4	7.4	8.2	7.8	7.1	7.0	6.6	6.6
(contribution to CPI inflation)	1)	5.73	5.40	5.72	5.61	5.74	5.75	6.29	5.96	5.47	5.37	5.09	5.09
of which: food	1)	6.6	5.9	7.0	7.5	8.1	8.4	9.9	9.1	7.9	8.0	7.4	7.4
(contribution to CPI inflation)	1)	2.20	2.00	2.34	2.50	2.71	2.79	3.21	2.93	2.56	2.60	2.41	2.41
adjusted inflation	1)	8.0	7.7	7.7	7.1	6.9	6.7	6.9	6.8	6.6	6.3	6.0	6.1
(contribution to CPI inflation)	1)	3.53	3.40	3.38	3.10	3.03	2.96	3.07	3.03	2.91	2.78	2.68	2.68
Inflation rate	2)	9.1	9.1	9.0	8.9	8.7	8.6	8.6	8.6	8.7	8.7	8.8	8.8
		1997											
Consumer prices		7.4	7.3	6.8	6.7	6.3	6.8	9.4	9.9	10.3	10.2	10.1	10.0
Regulated prices	1)	12.6	12.7	12.6	13.0	13.3	13.3	25.6	22.7	23.2	23.0	22.6	22.7
(contribution to CPI inflation)	1)	2.49	2.49	2.47	2.55	2.59	2.58	5.15	4.68	4.78	4.72	4.63	4.62
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net inflation		6.1	5.9	5.3	5.2	4.6	5.2	5.3	6.6	6.9	6.9	6.9	6.8
(contribution to CPI inflation)	1)	4.93	4.76	4.29	4.18	3.72	4.17	4.20	5.25	5.51	5.50	5.48	5.42
of which: food	1)	6.0	5.5	4.2	3.6	2.6	3.4	3.5	5.6	6.1	5.8	5.8	5.6
(contribution to CPI inflation)	1)	1.98	1.79	1.39	1.20	0.86	1.14	1.13	1.80	1.97	1.87	1.88	1.82
adjusted inflation	1)	6.2	6.3	6.1	6.3	6.1	6.4	6.5	7.3	7.5	7.7	7.6	7.6
(contribution to CPI inflation)	1)	2.96	2.97	2.90	2.98	2.87	3.03	3.07	3.44	3.54	3.63	3.60	3.60
Inflation rate	2)	8.7	8.6	8.4	8.2	8.0	7.9	7.9	7.9	8.1	8.2	8.3	8.5
		1998											
Consumer prices		13.1	13.4	13.4	13.1	13.0	12.0	10.4	9.4	8.8	8.2	7.5	6.8
Regulated prices	1)	30.7	30.8	30.8	30.1	29.8	29.7	21.1	20.9	20.4	20.6	20.5	20.4
(contribution to CPI inflation)	1)	6.36	6.38	6.38	6.26	6.20	6.11	5.00	4.91	4.79	4.81	4.78	4.73
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73
Net inflation		7.5	7.9	7.9	7.6	7.6	6.5	6.1	4.9	4.3	3.4	2.6	1.7
(contribution to CPI inflation)	1)	6.00	6.31	6.32	6.08	6.07	5.19	4.66	3.73	3.31	2.64	1.96	1.32
of which: food	1)	6.0	6.8	7.2	7.2	7.5	5.8	5.4	3.8	3.1	1.9	0.4	-1.2
(contribution to CPI inflation)	1)	1.97	2.22	2.40	2.44	2.88	1.96	1.75	1.21	1.00	0.60	0.14	-0.38
adjusted inflation	1)	8.5	8.6	8.4	7.9	7.7	6.9	6.6	5.6	5.1	4.5	4.0	3.7
(contribution to CPI inflation)	1)	4.03	4.09	3.92	3.64	3.19	3.22	2.91	2.53	2.30	2.04	1.82	1.70
Inflation rate	2)	8.9	9.5	10.0	10.5	11.1	11.5	11.6	11.5	11.4	11.2	11.0	10.7
		1999											
Consumer prices		3.5	2.8	2.5	2.5	2.4	2.2	1.1	1.4	1.2	1.4	1.9	2.5
Regulated prices	1)	12.1	11.9	11.7	11.1	11.1	11.0	4.4	4.3	4.3	4.2	4.2	4.2
(contribution to CPI inflation)	1)	2.97	2.90	2.87	2.75	2.74	2.72	1.13	1.12	1.12	1.08	1.08	1.09
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		0.00	0.00	0.00	0.00	0.00	0.00	0.32	0.32	0.32	0.32	0.32	0.32
Net inflation		0.7	-0.1	-0.4	-0.3	-0.5	-0.6	-0.5	-0.1	-0.3	0.0	0.6	1.5
(contribution to CPI inflation)	1)	0.54	-0.06	-0.33	-0.21	-0.37	-0.49	-0.36	-0.06	-0.21	0.02	0.47	1.14
of which: food	1)	-2.0	-3.1	-4.0	-4.3	-4.8	-5.0	-4.8	-4.1	-4.1	-3.6	-2.4	-0.7
(contribution to CPI inflation)	1)	-0.61	-0.98	-1.25	-1.34	-1.48	-1.53	-1.44	-1.24	-1.24	-1.09	-0.71	-0.22
adjusted inflation	1)	2.6	2.1	2.1	2.5	2.5	2.3	2.5	2.7	2.3	2.5	2.6	3.0
(contribution to CPI inflation)	1)	1.15	0.91	0.92	1.13	1.11	1.04	1.08	1.17	1.04	1.11	1.17	1.35
Inflation rate	2)	9.8	8.9	8.0	7.1	6.3	5.5	4.7	4.1	3.4	2.9	2.5	2.1
		2000											
Consumer prices		3.4	3.7	3.8									
Regulated prices	1)	7.3	7.3	7.3									
(contribution to CPI inflation)	1)	1.94	1.95	1.96									
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		0.32	0.32	0.32									
Net inflation		1.6	1.9	2.1									
(contribution to CPI inflation)	1)	1.19	1.38	1.55									
of which: food	1)	-0.6	0.0	0.1									
(contribution to CPI inflation)	1)	-0.16	0.00	0.02									
adjusted inflation	1)	3.1	3.2	3.5									
(contribution to CPI inflation)	1)	1.35	1.39	1.53									
Inflation rate	2)	2.1	2.2	2.3									

1) CNB calculation

2) Moving average of CPI for last 12 months against previous 12 months

Source: CSO

INFLATION DEVELOPMENT

month-on-month change in %

		1996											
		1	2	3	4	5	6	7	8	9	10	11	12
Consumer prices		2.3	0.5	0.6	0.6	0.6	0.8	1.0	0.2	0.3	0.5	0.5	0.5
Regulated prices	1)	3.9	0.2	0.1	0.8	0.2	0.5	3.9	2.2	0.1	0.2	0.8	0.1
(contribution to CPI inflation)	1)	0.89	0.05	0.03	0.18	0.05	0.12	0.91	0.52	0.02	0.05	0.18	0.03
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		0.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net inflation		1.4	0.6	0.7	0.6	0.6	0.8	0.1	-0.4	0.3	0.6	0.5	0.7
(contribution to CPI inflation)	1)	1.07	0.44	0.55	0.45	0.49	0.63	0.08	-0.34	0.25	0.45	0.34	0.50
of which: food	1)	2.3	0.6	1.1	0.9	0.8	1.1	-1.0	-1.4	0.2	1.0	0.5	0.9
(contribution to CPI inflation)	1)	0.76	0.19	0.35	0.30	0.28	0.37	-0.33	-0.46	0.06	0.31	0.15	0.30
adjusted inflation	1)	0.7	0.6	0.5	0.4	0.5	0.6	0.9	0.3	0.4	0.3	0.4	0.4
(contribution to CPI inflation)	1)	0.31	0.25	0.20	0.16	0.21	0.26	0.41	0.12	0.19	0.14	0.19	0.20
		1997											
Consumer prices		1.2	0.3	0.1	0.6	0.1	1.2	3.5	0.7	0.6	0.4	0.4	0.5
Regulated prices	1)	2.6	0.3	0.1	1.1	0.3	0.2	16.0	0.2	0.5	0.0	0.1	0.1
(contribution to CPI inflation)	1)	0.53	0.06	0.02	0.23	0.06	0.04	3.30	0.04	0.13	0.00	0.02	0.03
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net inflation		0.8	0.3	0.1	0.5	0.1	1.4	0.2	0.8	0.6	0.6	0.5	0.6
(contribution to CPI inflation)	1)	0.67	0.27	0.09	0.38	0.09	1.13	0.15	0.65	0.48	0.44	0.40	0.43
of which: food	1)	1.3	0.0	-0.1	0.3	-0.2	2.0	-0.9	0.6	0.7	0.7	0.5	0.7
(contribution to CPI inflation)	1)	0.42	0.01	-0.04	0.11	-0.06	0.63	-0.31	0.19	0.20	0.21	0.15	0.23
adjusted inflation	1)	0.5	0.6	0.3	0.6	0.3	1.1	1.0	0.6	0.5	0.5	0.4	0.4
(contribution to CPI inflation)	1)	0.25	0.26	0.13	0.27	0.15	0.50	0.46	0.46	0.27	0.23	0.25	0.20
		1998											
Consumer prices		4.0	0.6	0.1	0.3	0.1	0.3	1.9	-0.2	0.1	-0.2	-0.2	-0.2
Regulated prices	1)	9.3	0.4	0.2	0.6	0.0	0.1	8.4	0.0	0.1	0.2	0.0	0.0
(contribution to CPI inflation)	1)	2.13	0.09	0.03	0.13	0.01	0.03	2.07	0.01	0.03	0.04	0.00	0.01
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		0.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net inflation		1.5	0.7	0.1	0.2	0.1	0.4	-0.2	-0.3	0.1	-0.3	-0.3	-0.3
(contribution to CPI inflation)	1)	1.14	0.54	0.10	0.16	0.07	0.28	-0.13	-0.23	0.07	-0.19	-0.25	-0.19
of which: food	1)	1.7	0.8	0.2	0.3	0.1	0.4	-1.4	-0.9	0.0	-0.6	-1.0	-0.9
(contribution to CPI inflation)	1)	0.52	0.24	0.08	0.10	0.03	0.12	-0.42	-0.26	0.00	-0.16	-0.28	-0.26
adjusted inflation	1)	1.4	0.7	0.0	0.1	0.1	0.4	0.6	0.1	0.2	-0.1	0.1	0.2
(contribution to CPI inflation)	1)	0.62	0.30	0.02	0.06	0.04	0.16	0.28	0.03	0.07	-0.03	0.03	0.07
		1999											
Consumer prices		0.8	0.0	-0.2	0.3	-0.1	0.2	0.8	0.1	-0.1	0.0	0.2	0.5
Regulated prices	1)	1.8	0.2	0.0	0.1	0.0	0.0	1.9	0.0	0.1	0.0	0.0	0.0
(contribution to CPI inflation)	1)	0.46	0.04	0.01	0.02	0.01	0.01	0.49	0.00	0.02	0.00	0.01	0.01
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		0.00	0.00	0.00	0.00	0.00	0.00	0.32	0.00	0.00	0.00	0.00	0.00
Net inflation		0.5	-0.1	-0.2	0.4	-0.1	0.2	0.0	0.1	-0.1	0.0	0.3	0.6
(contribution to CPI inflation)	1)	0.36	-0.07	-0.17	0.27	-0.08	0.16	-0.01	0.06	-0.08	0.03	0.20	0.47
of which: food	1)	0.9	-0.5	-0.7	0.0	-0.4	0.2	-1.2	-0.2	0.0	0.0	0.3	0.8
(contribution to CPI inflation)	1)	0.25	-0.13	-0.19	0.00	-0.11	0.06	-0.35	-0.05	0.00	-0.01	0.09	0.22
adjusted inflation	1)	0.2	0.1	0.0	0.6	0.1	0.2	0.7	0.3	-0.1	0.1	0.2	0.6
(contribution to CPI inflation)	1)	0.11	0.06	0.02	0.27	0.03	0.10	0.33	0.12	-0.07	0.04	0.10	0.25
		2000											
Consumer prices		1.7	0.2	0.0									
Regulated prices	1)	4.8	0.1	0.1									
(contribution to CPI inflation)	1)	1.29	0.04	0.02									
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		0.00	0.00	0.00									
Net inflation		0.6	0.2	0.0									
(contribution to CPI inflation)	1)	0.42	0.13	-0.01									
of which: food	1)	1.0	0.1	-0.6									
(contribution to CPI inflation)	1)	0.30	0.03	-0.17									
adjusted inflation	1)	0.3	0.2	0.3									
(contribution to CPI inflation)	1)	0.12	0.10	0.15									

1) CNB calculation

Source: CSO

CONSUMER PRICES

change in %, December 1993 = 100

Group	Constant weights of 1993 in per mille	months												Average from start of year
		1	2	3	4	5	6	7	8	9	10	11	12	
Total - 1991	1000.0	-37.5	-33.6	-30.9	-29.2	-27.8	-26.2	-26.8	-27.1	-27.2	-27.3	-26.1	-25.2	-28.7
Total - 1992	1000.0	-24.1	-23.5	-23.0	-22.6	-22.3	-21.6	-21.0	-21.0	-19.9	-18.5	-16.5	-15.8	-20.8
Total - 1993	1000.0	-8.1	-6.7	-6.2	-5.7	-5.4	-4.5	-4.2	-4.1	-3.1	-2.2	-1.5	0.0	-4.3
Total - 1994	1000.0	2.0	2.4	2.6	3.0	3.4	4.7	5.0	5.7	7.1	8.2	9.0	9.7	5.2
Total - 1995	1000.0	11.2	12.1	12.4	13.5	14.0	15.2	15.2	15.2	16.3	17.0	17.8	18.4	14.8
Total - 1996	1000.0	21.1	21.7	22.4	23.2	23.9	24.8	26.0	26.2	26.6	27.2	27.9	28.6	25.0
Total - 1997	1000.0	30.1	30.5	30.7	31.5	31.7	33.2	37.8	38.8	39.6	40.2	40.8	41.5	35.5
Food, beverages, tobacco	327.1	29.0	29.0	28.9	29.3	29.1	31.6	30.4	31.2	32.0	32.9	33.6	34.5	31.0
Clothing	90.9	33.1	33.6	34.3	35.7	37.0	38.2	38.5	38.8	39.9	42.3	43.7	44.7	38.3
Housing	143.7	48.3	48.9	49.1	49.7	49.7	49.8	78.1	78.6	79.1	79.4	79.7	79.9	64.2
Household equipment	77.2	14.4	15.3	16.1	16.5	16.9	18.3	18.9	19.5	20.7	21.5	22.2	22.9	18.6
Health care	44.2	9.6	9.8	9.8	11.4	12.9	13.9	14.8	15.0	15.3	15.4	15.8	16.3	13.3
Transport	104.8	26.0	26.3	26.3	26.6	26.6	28.1	28.0	31.8	33.0	31.7	32.5	32.8	29.2
Leisure activities	97.5	22.2	23.1	22.9	23.5	23.7	25.7	33.1	33.7	32.2	31.7	32.4	33.2	28.1
Education	16.9	91.9	92.8	93.1	93.3	93.4	94.0	94.1	94.1	104.5	105.4	105.8	105.9	97.3
Catering and accommodation	47.2	29.5	30.3	30.7	31.3	31.5	32.8	34.2	35.1	36.6	37.5	38.1	38.4	33.8
Other goods and services	50.5	25.5	26.4	27.0	31.5	31.9	32.5	33.3	34.0	35.0	35.9	36.8	37.1	32.2
Total - 1998	1000.0	47.1	48.0	48.2	48.7	48.8	49.2	52.1	51.8	51.9	51.7	51.3	51.0	50.0
Food, beverages, tobacco	327.1	38.0	39.1	39.4	39.9	40.0	40.6	38.7	37.5	37.4	36.7	35.4	34.2	38.1
Clothing	90.9	44.5	44.6	45.1	46.3	46.7	47.2	47.3	47.1	47.6	48.4	49.0	49.2	46.9
Housing	143.7	100.7	102.1	102.6	102.9	103.0	103.1	124.1	124.5	125.3	125.9	125.9	126.0	113.8
Household equipment	77.2	23.5	24.6	24.9	25.5	25.7	26.0	26.3	26.5	26.7	26.5	26.3	26.6	25.8
Health care	44.2	17.0	17.4	17.6	17.7	17.9	18.2	18.5	18.7	18.8	18.9	18.9	18.9	18.2
Transport	104.8	40.9	40.9	39.8	39.2	38.7	38.0	39.2	38.7	38.6	38.3	38.0	37.5	39.0
Leisure activities	97.5	34.8	35.8	35.2	34.7	35.0	36.9	40.0	40.0	37.7	36.6	36.8	38.1	36.8
Education	16.9	120.4	122.6	123.9	125.4	125.5	126.2	126.6	126.6	135.3	136.0	136.1	136.2	128.4
Catering and accommodation	47.2	41.4	43.7	44.8	45.2	45.6	46.0	46.5	46.9	47.2	47.4	47.3	47.4	45.8
Other goods and services	50.5	38.0	38.9	38.9	41.9	42.2	42.7	42.9	43.2	43.8	43.9	44.0	44.1	42.0
Total - 1999	1000.0	52.3	52.2	52.0	52.4	52.3	52.6	53.8	53.9	53.8	53.8	54.2	54.9	53.2
Food, beverages, tobacco	327.1	35.3	34.7	33.8	33.8	33.3	33.6	32.6	32.3	32.3	32.3	32.7	33.7	33.4
Clothing	90.9	48.4	47.1	46.9	47.3	47.4	47.3	47.0	46.5	46.5	46.7	46.8	47.0	47.1
Housing	143.7	129.0	129.9	130.2	130.2	130.2	130.3	136.0	136.1	136.5	136.8	137.0	137.2	133.3
Household equipment	77.2	27.0	27.6	27.6	27.9	28.0	28.0	28.1	28.3	28.7	28.9	29.0	29.0	28.2
Health care	44.2	19.0	19.1	19.2	19.3	19.7	20.0	20.2	20.1	20.1	20.2	20.1	20.2	19.8
Transport	104.8	38.9	38.9	39.2	42.6	42.9	42.5	45.9	47.7	48.4	49.5	49.4	51.7	44.8
Leisure activities	97.5	38.5	39.1	38.4	38.1	38.2	39.7	43.1	43.2	40.0	38.5	39.7	40.7	39.8
Education	16.9	137.3	138.0	138.2	138.2	138.1	138.5	138.5	138.5	142.4	142.5	142.6	142.6	139.6
Catering and accommodation	47.2	48.0	48.2	48.5	49.1	49.2	50.1	50.7	50.6	50.5	50.6	50.6	50.8	49.7
Other goods and services	50.5	48.3	48.9	49.2	49.3	49.2	49.3	49.5	49.7	50.0	50.1	50.5	50.6	49.6
Total - 2000	1000.0	57.5	57.8	57.8										57.7
Food, beverages, tobacco	327.1	35.1	35.3	34.5										35.0
Clothing	90.9	46.6	45.0	44.4										45.3
Housing	143.7	148.9	149.3	149.5										149.2
Household equipment	77.2	29.2	29.1	29.2										29.2
Health care	44.2	20.3	20.4	20.6										20.4
Transport	104.8	53.3	54.1	57.9										55.1
Leisure activities	97.5	41.6	43.2	42.0										42.3
Education	16.9	144.5	145.1	145.1										144.9
Catering and accommodation	47.2	52.8	53.4	53.4										53.2
Other goods and services	50.5	53.2	53.6	53.8										53.5

Source: CSO

NET INFLATION

change in %

	1995											
	1	2	3	4	5	6	7	8	9	10	11	12
a) previous month = 100	1.2	1.0	0.3	0.7	0.5	0.8	-0.6	-0.1	0.9	0.7	0.8	0.7
b) same period of previous year = 100	10.2	10.9	10.9	11.2	11.3	10.8	9.8	8.8	8.2	7.5	7.3	7.3
c) December of previous year = 100	1.2	2.3	2.6	3.3	3.8	4.7	4.0	4.0	4.9	5.7	6.6	7.3
	1996											
a) previous month = 100	1.4	0.6	0.7	0.6	0.6	0.8	0.1	-0.4	0.3	0.6	0.5	0.7
b) same period of previous year = 100	7.4	7.0	7.4	7.3	7.4	7.4	8.2	7.8	7.1	7.0	6.6	6.6
c) December of previous year = 100	1.4	2.0	2.7	3.3	4.0	4.8	4.9	4.5	4.8	5.4	5.9	6.6
	1997											
a) previous month = 100	0.8	0.3	0.1	0.5	0.1	1.4	0.2	0.8	0.6	0.6	0.5	0.6
b) same period of previous year = 100	6.1	5.9	5.3	5.2	4.6	5.2	5.3	6.6	6.9	6.9	6.9	6.8
c) December of previous year = 100	0.8	1.2	1.3	1.8	1.9	3.3	3.5	4.4	5.1	5.7	6.2	6.8
	1998											
a) previous month = 100	1.5	0.7	0.1	0.2	0.1	0.4	-0.2	-0.3	0.1	-0.3	-0.3	-0.3
b) same period of previous year = 100	7.5	7.9	7.9	7.6	7.6	6.5	6.1	4.9	4.3	3.4	2.6	1.7
c) December of previous year = 100	1.5	2.2	2.3	2.5	2.6	3.0	2.8	2.5	2.6	2.4	2.0	1.7
	1999											
a) previous month = 100	0.5	-0.1	-0.2	0.4	-0.1	0.2	0.0	0.1	-0.1	0.0	0.3	0.6
b) same period of previous year = 100	0.7	-0.1	-0.4	-0.3	-0.5	-0.6	-0.5	-0.1	-0.3	0.0	0.6	1.5
c) December of previous year = 100	0.5	0.4	0.2	0.5	0.4	0.6	0.6	0.7	0.6	0.6	0.9	1.5
	2000											
a) previous month = 100	0.6	0.2	0.0									
b) same period of previous year = 100	1.6	1.9	2.1									
c) December of previous year = 100	0.6	0.7	0.7									

Source: CSO

ITEMS EXCLUDED FROM THE CPI FOR "NET INFLATION" CALCULATION
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	Constant weight in %
A. Items with maximum prices	
a) set by the Ministry of Finance of the Czech Republic	
net rent for rental flats	1.6531
electricity	2.5249
gas	0.9589
medicine and health care output	0.6734
passenger railway transport	0.2081
telecommunication services - telephone	0.7605
b) set by local authorities	
municipal public transport	0.7716
parking services	0.0171
taxi services	0.0295
B. Items with prices regulated on a cost-plus basis	
water and sewerage	0.9867
heating for households	3.0174
bus transport	0.6899
postal services	0.1163
telegraph	0.0121
propane-butane gas	0.1464
household waste disposal	0.2744
housing-related services for rental flats	0.2495
housing-related services for co-operative flats	0.1131
supplementary educational services (student fares)	0.1785
C. Fees	
health insurance	3.4783
mandatory insurance of motor vehicles	0.4099
motor vehicle owner registration	0.0196
radio and TV fees	0.8155
signature authentication	0.0629
divorce application fee	0.0154
dog ownership fee	0.0247
postal order C	0.0354
building permit issuance	0.0808
	18.3239

CONSUMER PRICES - TRADABLES AND NONTRADABLES

	Constant weight in consumer basket in %	change in %							
		1994	1995	1996	1997	1998	1999	2000	
		months							
		12	12	12	12	12	12	3	
	a=b	a=b	a=b	a=b	a=b	a=b	a	b	
1. Food, beverages, tobacco	32.7	12.0	5.4	7.9	5.6	-0.3	-0.3	0.6	0.5
- tradables	32.7	12.0	5.4	7.9	5.6	-0.3	-0.3	0.6	0.5
- nontradables	.	.	.	.	.	.	.	.	.
2. Clothing	9.1	9.2	10.9	9.6	9.1	3.1	-1.4	-1.8	-1.7
- tradables	8.8	9.2	10.7	9.6	9.0	2.9	-1.6	-2.0	-2.0
- nontradables	0.3	9.0	16.6	9.7	12.3	7.5	3.3	2.6	4.8
3. Housing	14.4	14.1	13.0	13.5	22.9	25.6	4.9	5.2	8.4
- tradables	1.1	10.5	9.7	9.4	37.1	18.0	4.2	0.1	0.6
- nontradables	13.3	14.4	13.3	13.8	21.7	26.1	5.0	5.5	8.9
4. Household equipment	7.7	4.3	5.6	3.6	7.7	3.0	1.9	0.1	1.2
- tradables	7.2	4.1	5.3	3.2	7.5	2.4	1.9	-0.1	0.9
- nontradables	0.5	6.4	9.1	9.0	10.3	9.4	2.5	2.8	0.6
5. Health care	4.4	2.4	4.3	2.2	6.5	2.3	1.0	0.3	1.2
- tradables	.	.	.	.	.	2.6	1.3	0.9	9.4
- nontradables	4.4	2.4	4.3	2.2	6.5	2.3	1.0	0.3	0.6
6. Transport	10.5	5.5	6.4	8.3	9.2	3.6	10.3	4.1	13.4
- tradables	7.5	3.0	3.0	6.2	6.2	-4.4	14.9	3.7	19.1
- nontradables	3.0	11.5	14.5	13.4	16.6	17.2	3.9	4.9	5.7
7. Leisure activities	9.8	5.7	9.9	4.5	9.7	3.7	1.9	1.0	2.6
- tradables	6.4	3.5	5.9	2.3	4.5	1.2	-0.5	0.2	0.5
- nontradables	3.4	12.0	21.3	11.0	19.8	7.0	5.0	1.9	5.3
8. Education	1.7	23.7	10.2	37.9	9.5	14.7	2.7	1.1	2.9
- tradables	.	.	.	.	.	.	.	.	.
- nontradables	1.7	23.7	10.2	37.9	9.5	14.7	2.7	1.1	2.9
9. Catering, accommodation	4.7	12.9	7.3	6.5	7.3	6.5	2.3	1.7	3.3
- tradables	0.1	3.1	21.3	9.9	17.7	12.4	9.4	0.4	8.8
- nontradables	4.6	13.2	6.9	6.4	7.0	6.3	2.1	1.7	3.1
10. Other goods and services	5.1	5.5	10.1	7.5	9.7	5.1	4.5	2.1	3.1
- tradables	3.2	5.9	5.8	5.0	7.1	1.5	1.0	0.2	0.5
- nontradables	1.9	4.7	17.4	11.7	14.3	10.0	9.0	4.3	6.1
Total household consumer prices	100.0	9.7	7.9	8.6	10.0	6.8	2.5	1.9	3.8
- tradables	67.3	8.7	6.0	6.7	7.1	0.7	1.3	0.4	2.0
- nontradables	32.7	11.9	11.9	12.5	15.9	16.9	4.3	3.9	6.4
Tradables - food	32.7	12.0	5.4	7.9	5.6	-0.3	-0.3	0.6	0.5
Tradables - others	34.6	5.6	6.5	5.6	8.3	1.6	3.0	0.3	3.5
Nontradables - regulated	18.3	9.0	9.7	11.2	19.7	20.7	4.2	5.2	7.4
Nontradables - others	14.4	14.2	12.3	14.4	9.3	11.1	4.3	1.9	4.6

a) December of last year = 100

b) Same period of last year = 100

INFLATION EXPECTATIONS OF SELECTED ECONOMIC SECTORS FOR 12 MONTHS AHEAD

	CPI			year-on-year change in %
	financial market	businesses	households	net inflation
				financial market
12/98				
1/99				
2/99				
3/99				
4/99				
5/99	5.0			3.5
6/99	4.7	4.3	3.6	3.2
7/99	4.8			3.1
8/99	4.2			2.6
9/99	3.9	3.9	2.1	2.6
10/99	4.1			2.6
11/99	3.9			2.7
12/99	4.2	3.9	3.1	2.8
1/00	4.0			2.8
2/00	4.5			3.0
3/00	4.5			3.2

Source: CNB statistical survey

Table 6

INTERNATIONAL SURVEY - CONSUMER PRICES

	year-on-year change in %									
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
	12	12	12	12	12	12	12	12	12	3
1. Central and Eastern Europe										
Czech Republic	56.6	12.7	18.2	9.7	7.9	8.6	10.0	6.8	2.5	3.8
Slovakia	61.2	10.1	23.2	13.4	9.9	5.8	6.4	5.6	14.2	16.6
Hungary	35.0	23.0	22.5	18.8	28.2	23.6	18.4	10.3	11.2	9.6
Poland	70.3	43.0	35.3	29.5	27.8	19.9	13.0	8.6	9.8	10.3
Russia	193.0	1090.0	940.0	307.0	197.7	47.7	11.0	84.4	36.7	22.4
2. European Union countries										
Belgium	3.2	2.4	2.8	2.4	2.0	2.5	1.1	0.6	1.9	2.3
United Kingdom	5.9	3.7	1.6	2.4	3.2	2.5	3.6	2.8	1.8	2.6
France	3.2	2.4	2.1	1.6	2.1	1.7	1.1	0.3	1.3	1.4
Italy	6.5	5.3	4.2	3.9	5.8	2.6	1.5	1.5	2.1	2.5
Germany	3.5	4.0	4.1	3.0	1.8	1.4	1.8	0.5	1.2	1.9
Netherlands	3.7	3.2	2.6	2.7	1.6	2.5	2.3	1.7	2.2	1.9
Spain	5.9	5.9	4.6	4.7	4.3	3.2	2.0	1.4	2.9	2.9
Austria	3.3	4.0	3.3	2.9	1.8	2.3	1.0	0.7	1.4	2.0
Sweden	9.3	2.3	4.6	3.2	2.5	-0.2	1.9	-0.6	1.2	1.4
3. Other countries										
Japan	3.3	1.7	1.3	0.7	-0.3	0.6	1.7	0.6	-1.1	
Canada	5.6	1.5	1.8	-0.2	1.7	2.2	0.7	1.0	2.6	3.0
USA	4.2	3.0	3.0	2.6	2.5	3.3	1.7	1.6	2.7	3.7
Switzerland	5.8	4.0	3.3	1.0	1.9	0.8	0.4	-0.2	1.7	1.5

Source: The Economist

MONETARY SURVEY

position at month-end in CZK billions

	1993	1994	1995	1996	1997	1998	1999	2000
	12	12	12	12	12	12	12	2
Total assets	720.4	870.4	1039.6	1120.5	1217.6	1280.8	1384.9	1386.6
Net foreign assets	115.7	194.4	311.4	281.9	338.5	425.3	570.4	579.5
- assets	213.6	275.8	493.2	538.0	670.7	761.4	940.2	922.5
- liabilities	97.9	81.4	181.8	256.1	332.2	336.1	369.8	343.0
Net domestic assets	604.7	676.0	728.2	838.6	879.1	855.5	814.5	807.1
Domestic credits	713.9	817.5	929.5	1029.7	1137.7	1109.9	1095.8	1104.8
Net credit to the government sector	18.4	5.1	10.1	12.6	24.8	36.1	63.4	64.6
- net credit to government	35.1	23.1	25.4	28.5	37.9	45.4	73.6	74.2
- net credit to NPF	-16.7	-18.0	-15.3	-15.9	-13.1	-9.3	-10.2	-9.6
Client credits of commercial banks and CNB	695.5	812.4	919.4	1017.1	1112.9	1073.8	1032.4	1040.2
CZK credits	669.6	768.9	822.3	888.6	912.6	860.0	838.5	849.4
- businesses	576.8	661.1	720.5	785.1	808.2	756.3	729.6	740.9
- households	92.8	107.8	101.8	103.5	104.4	103.7	108.9	108.5
Foreign currency credits	25.9	43.5	97.1	128.5	200.3	213.8	193.9	190.8
- businesses	.	.	.	.	194.3	210.3	190.5	187.9
- households	.	.	.	.	6.0	3.5	3.4	2.9
Other net items	-109.2	-141.5	-201.3	-191.1	-258.6	-254.4	-281.3	-297.7
Liabilities								
M2	720.4	870.4	1039.6	1120.5	1217.6	1280.8	1384.9	1386.6
M1	359.9	421.8	453.3	475.3	445.1	433.4	479.8	482.6
Currency in circulation	59.8	84.0	104.3	118.9	119.3	127.2	157.9	156.1
CZK demand deposits	300.1	337.8	349.0	356.4	325.8	306.2	321.9	326.5
- households	109.3	131.5	148.8	155.7	153.2	144.0	162.6	179.0
- businesses	185.1	201.1	195.6	195.6	168.2	158.9	156.4	144.6
- insurance companies	5.7	5.2	4.6	5.1	4.4	3.3	2.9	2.9
Quasi money	360.5	448.6	586.3	645.2	772.5	847.4	905.1	904.0
CZK time deposits	303.1	387.8	498.8	559.5	634.0	674.7	657.1	718.4
- households	206.8	244.7	306.5	366.0	474.4	550.8	537.5	549.1
- businesses	60.0	102.9	150.2	172.7	133.9	91.8	83.0	140.5
- insurance companies	36.3	40.2	42.1	20.8	25.7	32.1	36.6	28.8
Certificates of deposit, deposit bills of exchange and other bonds	.	.	.	.	.	30.2	100.1	42.1
Foreign currency deposits	57.4	60.8	87.5	85.7	138.5	142.5	147.9	143.5
- households	45.7	42.2	35.8	40.1	68.8	73.6	80.8	81.1
- businesses	11.7	18.6	51.7	45.6	69.7	68.9	67.1	62.4
Monetary aggregate L	704.6	845.5	1019.0	1138.9	1241.8	1329.9	1443.9	1451.5
Year-on-year changes in %								
M1	17.5	17.2	7.5	4.9	-6.4	-2.6	10.7	16.8
M2	19.8	19.9	19.8	9.2	10.1	5.2	8.1	8.0
L	19.8	20.0	20.5	11.8	9.0	7.1	8.6	7.9
Client credits of commercial banks and CNB	19.1	16.8	13.2	10.6	9.4	-3.5	-3.9	-5.3
Client deposits with banks	21.8	19.1	21.8	7.1	9.7	2.3	0.3	4.3

1) M1 = Currency in circulation + CZK demand deposits

2) M2 = M1 + quasi money

3) L = M2 + T-bills and CNB bills in the portfolios of domestic non-bank entities

4) CZK deposits + foreign currency deposits

5) Adjusted for float in 1993 and 1994, short-term operations of several banks in 1994 and for SPT Telecom deposit with CNB in 1995 and 1996

6) Because of changes in statistical reporting, deposit bills of exchange, CDs and other bonds are excluded from CZK deposits from January 1998 onwards

CREDIT SUPPLY

	1993	1994	1995	1996	1997	1998	1999	2000
	12	12	12	12	12	12	12	2
Non-adjusted credits								
Total credits, CZK and foreign currency								
absolute volumes in CZK billions	695.5	812.4	919.4	1017.1	1112.9	1073.8	1032.4	1040.2
year-on-year changes in %	19.1	16.8	13.2	10.6	9.4	-3.5	-3.9	-5.3
CZK credits								
absolute volumes in CZK billions	669.6	768.9	822.3	888.6	912.6	860.0	838.5	849.4
year-on-year changes in %	17.9	14.8	6.9	8.1	2.7	-5.8	-2.5	-0.9
Foreign currency credits								
absolute volumes in CZK billions	25.9	43.5	97.1	128.5	200.3	213.8	193.9	190.8
year-on-year changes in %	57.0	68.0	123.2	32.3	55.9	6.7	-9.3	-21.2
Adjusted credits ¹⁾								
Total credits, CZK and foreign currency								
absolute volumes in CZK billions	696.2	807.6	906.1	1014.9	1101.9	1162.1	1170.4	1177.5
year-on-year changes in %	19.2	16.0	12.2	12.0	7.5	5.5	0.7	1.2
CZK credits								
absolute volumes in CZK billions	670.2	763.9	808.8	882.6	922.9	952.9	995.3	1005.4
year-on-year changes in %	18.1	14.0	5.9	9.1	3.3	3.3	4.4	6.0
Foreign currency credits								
absolute volumes in CZK billions	26.0	43.7	97.3	132.3	179.0	209.2	175.1	172.1
year-on-year changes in %	57.6	68.1	122.7	36.0	35.3	16.9	-16.3	-20.1

1) Credit supply adjusted for exchange rate effects, write-offs, interest capitalisation, banks with licences revoked and operations linked with restructuring of loan portfolios

CREDIT BREAKDOWN BY TIME, SECTOR AND TYPE

	1993	1994	1995	1996	1997	1998	1999	2000
	12	12	12	12	12	12	12	2
share in total in %								
Time structure								
Total CZK and foreign currency credits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Short-term	41.8	40.5	41.9	43.5	42.0	41.1	37.9	39.0
Medium-term	28.3	30.2	29.1	25.7	24.8	22.4	23.5	22.7
Long-term	29.9	29.3	29.0	30.8	33.2	36.5	38.6	38.3
Sector structure								
Total CZK and foreign currency credits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Businesses	93.3	94.3	88.9	89.8	90.2	90.0	89.1	89.3
Households	6.7	5.7	11.1	10.2	9.8	10.0	10.9	10.7
Type structure								
Total CZK and foreign currency credits	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Operating	50.4	47.5	51.5	50.9	52.9	53.0	51.2	51.4
Investment (incl. general housing construction)	33.9	33.6	33.2	32.4	31.3	32.4	32.3	33.5
Mortgage	0.4	0.1	0.1	1.0	1.6	2.2	2.9	2.9
Consumer	0.6	0.7	0.8	0.7	0.6	1.7	2.8	2.0
For privatisation	5.4	5.0	3.8	3.0	2.0	1.3	2.2	2.2
For temporary fund shortage	9.1	12.5	9.6	9.2	10.5	8.1	7.1	6.3
For securities purchase	0.2	0.6	1.0	2.8	1.1	1.3	1.5	1.7

Note:

1) Until 1996, only CZK credits excluding classified credits, and since 1997 total credits (foreign currency credits broken down by sector not available until 1996)

INTEREST RATES ON INTERBANK DEPOSITS

		in %							
		1993	1994	1995	1996	1997	1998	1999	2000
		12	12	12	12	12	12	12	3
1. AVERAGE PRIBOR RATE	1)								
- 1 day		5.47	10.75	10.83	12.44	12.55	10.84	5.21	5.25
- 7 day		5.90	12.28	11.17	12.61	16.64	10.56	5.32	5.30
- 14 day		6.14	12.38	11.20	12.61	16.77	10.54	5.40	5.30
- 1 month		6.68	12.55	11.01	12.63	17.49	10.46	5.59	5.31
- 2 month		7.34	12.61	10.97	12.62	17.54	10.27	5.58	5.33
- 3 month		8.00	12.65	10.93	12.67	17.50	10.08	5.58	5.35
- 6 month		9.21	12.65	10.89	12.55	17.41	9.56	5.64	5.43
- 9 month		10.69	12.65	10.89	12.25	17.39	9.38	5.72	5.55
- 12 month		11.90	12.66	10.90	12.23	17.36	9.31	5.84	5.70
2. AVERAGE PRIBID RATE	1)								
- 1 day		4.51	10.01	10.52	12.19	10.75	10.48	5.05	5.08
- 7 day		4.92	11.48	10.82	12.35	15.37	10.30	5.16	5.14
- 14 day		5.16	11.55	10.84	12.36	15.45	10.27	5.23	5.14
- 1 month		5.68	11.72	10.63	12.35	16.26	10.18	5.42	5.17
- 2 month		6.34	11.76	10.59	12.34	16.33	9.99	5.40	5.18
- 3 month		7.00	11.80	10.53	12.39	16.35	9.79	5.41	5.20
- 6 month		8.21	11.81	10.48	12.26	16.31	9.26	5.46	5.28
- 9 month		9.56	11.82	10.47	11.96	16.27	9.08	5.54	5.39
- 12 month		10.89	11.83	10.48	11.94	16.23	9.02	5.67	5.54

1) Commercial banks quoting their rates daily on the interbank deposit market

FRA RATES

monthly averages in %

	1997				1998				1999				2000
	3	6	9	12	3	6	9	12	3	6	9	12	3
3 * 6	11.82	14.60	14.53	16.70	15.62	15.38	13.16	9.02	7.43	6.92	6.55	5.57	5.48
3 * 9	11.52	14.22	14.53	16.70	15.80	15.39	13.02	8.99	7.46	7.04	6.69	5.70	5.61
6 * 9	11.00	13.33	14.02	16.03	15.43	14.81	12.46	8.79	7.41	7.05	6.70	5.75	5.67
6 * 12	10.97	13.13	13.97	16.01	15.52	14.82	12.37	8.79	7.46	7.15	6.85	5.94	5.84
9 * 12	10.57	12.63	13.52	15.47	15.09	14.34	11.94	8.62	7.42	7.15	6.85	6.04	5.94
12 * 24	10.44	12.16	13.00	15.28	14.95	13.78	11.45	9.03	.	.	.	.	.
9*12 - 3*6 spread	-1.25	-1.97	-1.01	-1.23	-0.53	-1.04	-1.23	-0.40	-0.01	0.23	0.30	0.47	0.46
6*12 - 3*9 spread	-0.55	-1.09	-0.55	-0.69	-0.28	-0.57	-0.65	0.20	0.00	0.11	0.15	0.24	0.23

IRS RATES

monthly averages in %

	1997				1998				1999				2000
	3	6	9	12	3	6	9	12	3	6	9	12	3
1Y	11.89	18.07	14.92	17.54	16.32	15.97	13.44	9.52	7.67	7.21	6.82	5.92	5.74
2Y	11.17	15.34	13.94	16.58	15.69	15.00	12.53	9.13	7.72	7.49	7.20	6.54	6.31
3Y	11.05	14.34	13.26	15.93	15.20	14.17	12.07	9.06	7.87	7.77	7.40	6.95	6.73
4Y	11.01	13.79	12.84	15.54	14.78	13.49	11.76	8.99	8.02	7.95	7.51	7.16	6.98
5Y	10.98	13.28	12.50	15.25	14.49	12.98	11.51	8.93	8.13	8.07	7.54	7.26	7.11
6Y	10.97	12.81	12.28	15.19	14.28	12.43	11.26	8.73	8.21	8.13	7.56	7.29	7.17
7Y	10.91	12.64	12.09	14.88	14.11	12.08	11.09	8.71	8.27	8.18	7.57	7.28	7.20
8Y	10.94	12.47	12.03	14.90	14.01	11.85	10.90	8.67	8.32	8.20	7.57	7.27	7.22
9Y	10.90	12.31	11.92	14.29	13.93	11.65	10.72	8.63	8.35	8.21	7.57	7.27	7.23
10Y	10.88	12.20	11.81	14.24	13.83	11.60	10.61	8.61	8.37	8.22	7.58	7.27	7.23
5Y - 1Y spread	-0.91	-4.78	-2.42	-2.30	-1.83	-2.99	-1.94	-0.60	0.46	0.86	0.73	1.34	1.36
10Y - 1Y spread	-1.01	-5.87	-3.11	-3.30	-2.50	-4.37	-2.84	-0.92	0.70	1.01	0.76	1.35	1.49

NOMINAL AND REAL INTEREST RATES (ex post approach)

in %

	Nominal rates				Real rates based on CPI				Real rates based on PPI		
	PRIBOR		client rates		PRIBOR		client rates		PRIBOR		new client
	1W	1Y	new credits	time deposits	1W	1Y	new credits	time deposits	1W	1Y	credits
1/95	11.2	11.5	13.5	10.4	2.1	2.4	4.3	1.3	4.0	4.2	6.1
2/95	10.7	10.8	13.4	10.3	1.1	1.2	3.6	0.7	3.0	3.2	5.6
3/95	10.3	10.4	13.5	10.3	0.6	0.8	3.5	0.6	2.4	2.5	5.4
4/95	10.3	10.4	13.0	10.2	0.1	0.2	2.6	0.0	2.4	2.5	5.0
5/95	10.3	10.4	12.7	10.3	0.1	0.2	2.3	0.1	2.5	2.6	4.7
6/95	10.7	10.8	13.1	10.3	0.6	0.7	2.8	0.3	3.0	3.2	5.3
7/95	11.6	11.7	13.1	10.3	1.7	1.8	3.1	0.5	3.7	3.8	5.1
8/95	11.0	11.4	13.5	10.2	1.9	2.2	4.2	1.1	3.0	3.3	5.3
9/95	10.9	11.1	13.3	10.2	2.1	2.3	4.3	1.5	2.9	3.0	5.1
10/95	11.1	11.2	13.2	10.2	2.8	2.8	4.7	1.9	3.1	3.1	5.0
11/95	11.3	11.2	13.4	10.1	3.0	3.0	5.0	2.0	3.3	3.3	5.2
12/95	11.2	10.9	13.1	10.0	3.0	2.8	4.8	1.9	3.7	3.5	5.5
1/96	11.1	10.5	12.9	9.9	2.0	1.4	3.5	0.9	4.6	3.9	6.2
2/96	11.1	10.7	13.0	9.8	2.3	1.9	4.0	1.1	5.1	4.7	6.9
3/96	11.3	11.0	12.8	9.8	2.2	1.9	3.6	0.8	5.8	5.5	7.3
4/96	11.6	11.3	13.0	9.6	2.8	2.6	4.1	1.0	6.1	5.8	7.4
5/96	11.8	11.8	13.1	9.4	2.9	2.8	4.1	0.7	6.4	6.3	7.6
6/96	12.1	12.2	13.4	9.3	3.4	3.5	4.6	0.8	6.9	7.0	8.2
7/96	12.6	12.9	13.8	9.3	2.9	3.2	4.0	-0.1	7.8	8.1	9.0
8/96	12.6	12.8	13.9	9.3	2.7	2.9	3.9	-0.3	8.0	8.2	9.3
9/96	12.6	12.4	14.0	9.3	3.4	3.2	4.6	0.3	8.4	8.1	9.7
10/96	12.6	12.3	13.8	9.3	3.6	3.3	4.7	0.6	8.2	7.9	9.3
11/96	12.6	12.3	13.9	9.3	3.7	3.4	4.8	0.6	8.1	7.8	9.3
12/96	12.6	12.2	13.6	9.2	3.7	3.3	4.6	0.5	7.9	7.5	8.8
1/97	12.5	11.8	13.6	9.0	4.8	4.1	5.8	1.5	7.7	7.0	8.7
2/97	12.5	11.4	13.5	9.1	4.8	3.8	5.8	1.7	7.9	6.9	9.0
3/97	12.5	11.8	13.5	9.1	5.3	4.7	6.3	2.2	7.8	7.2	8.8
4/97	12.5	11.8	13.4	9.0	5.4	4.8	6.3	2.2	7.8	7.2	8.7
5/97	42.3	15.8	21.6	13.5	33.9	8.9	14.4	6.8	36.7	11.2	16.8
6/97	33.8	19.0	20.4	11.8	25.3	11.4	12.7	4.7	28.1	13.9	15.2
7/97	17.3	15.9	17.0	10.9	7.3	5.9	7.0	1.3	11.6	10.2	11.3
8/97	14.7	14.4	15.8	10.4	4.4	4.1	5.4	0.5	8.5	8.3	9.6
9/97	14.6	14.8	15.8	10.4	3.9	4.0	5.0	0.0	8.3	8.5	9.4
10/97	14.9	15.0	15.5	10.2	4.3	4.4	4.8	0.0	8.8	8.9	9.4
11/97	15.4	16.6	15.8	10.5	4.8	5.9	5.2	0.4	9.4	10.5	9.7
12/97	16.6	17.4	16.5	10.9	6.0	6.7	5.9	0.8	10.4	11.0	10.3
1/98	15.3	16.7	15.7	11.1	2.0	3.2	2.3	-1.8	8.7	10.0	9.0
2/98	14.9	16.4	15.7	11.1	1.3	2.6	2.1	-2.0	7.8	9.2	8.6
3/98	15.0	16.1	16.1	11.1	1.4	2.4	2.4	-2.1	7.9	9.0	9.0
4/98	15.1	15.9	16.2	11.0	1.7	2.5	2.7	-1.9	8.4	9.1	9.4
5/98	15.2	15.6	15.8	10.7	2.0	2.3	2.4	-2.0	8.5	8.9	9.0
6/98	15.3	15.8	16.0	11.0	2.9	3.4	3.5	-0.9	9.1	9.7	9.8
7/98	14.8	14.0	15.3	10.9	4.0	3.2	4.4	0.4	9.2	8.3	9.6
8/98	14.4	13.5	14.8	10.7	4.5	3.8	4.9	1.2	9.8	8.9	10.2
9/98	14.0	13.4	14.6	10.5	4.8	4.2	5.3	1.6	9.9	9.3	10.5
10/98	13.4	12.6	14.3	10.3	4.8	4.1	5.6	1.9	9.8	9.0	10.6
11/98	12.0	10.5	12.9	9.5	4.2	2.8	5.0	1.8	8.9	7.5	9.8
12/98	10.6	9.3	11.9	8.7	3.5	2.4	4.7	1.8	8.2	7.0	9.5
1/99	9.2	8.1	10.7	8.2	5.5	4.5	7.0	4.5	8.3	7.3	9.9
2/99	8.2	8.2	10.3	6.6	5.2	5.3	7.3	3.7	8.3	8.3	10.4
3/99	7.8	7.6	9.7	6.1	5.1	4.9	7.1	3.5	7.8	7.6	9.7
4/99	7.4	7.0	9.4	5.8	4.8	4.4	6.8	3.2	7.2	6.8	9.2
5/99	7.0	7.0	8.9	5.6	4.5	4.5	6.4	3.1	6.6	6.6	8.5
6/99	6.9	7.1	9.1	5.3	4.6	4.8	6.8	3.1	6.5	6.7	8.7
7/99	6.6	6.9	8.2	5.2	5.4	5.7	7.1	4.0	6.1	6.4	7.7
8/99	6.4	6.8	8.0	5.0	4.9	5.3	6.5	3.6	5.1	5.5	6.7
9/99	6.1	6.7	8.0	4.9	4.9	5.5	6.8	3.7	4.9	5.5	6.8
10/99	5.8	6.4	7.7	4.8	4.4	4.9	6.2	3.4	3.9	4.5	5.8
11/99	5.5	6.0	7.7	4.8	3.6	4.1	5.7	2.8	3.1	3.6	5.2
12/99	5.3	5.8	6.7	4.7	2.8	3.3	4.1	2.2	1.9	2.4	3.2
1/00	5.3	5.9	7.3	4.6	1.8	2.4	3.8	1.2	1.1	1.7	3.0
2/00	5.3	6.0	7.0	4.5	1.5	2.2	3.2	0.7	0.8	1.4	2.4
3/00	5.3	5.7			1.4	1.8			0.2	0.6	

Note: real rates = nominal rates deflated by y-o-y index (CPI/PPI) in given month

The average rates on credits in December 1999 were affected mainly by the settlement of medium-term loan receivables for which the interest rate was taken into account in the purchase price. These receivables are incorporated into the interest-rate statistics with a zero interest rate.

REAL INTEREST RATES (ex ante approach)

in %

	real rates expected by fin. markets				real rates expected by businesses				real rates expected by households			
	PRIBOR		client rates		PRIBOR		client rates		PRIBOR		client rates	
	1W	1Y	new credits	time deposits	1W	1Y	new credits	time deposits	1W	1Y	new credits	time deposits
12/98												
1/99												
2/99												
3/99												
4/99												
5/99	1.9	1.9	3.7	0.6								
6/99	2.1	2.3	4.2	0.6	2.5	2.7	4.6	1.0	3.2	3.4	5.3	1.7
7/99	1.7	2.0	3.3	0.3								
8/99	2.1	2.5	3.7	0.8								
9/99	2.1	2.7	4.0	1.0	2.1	2.7	4.0	1.0	3.9	4.5	5.8	2.8
10/99	1.7	2.2	3.4	0.7								
11/99	1.6	2.1	3.7	0.8								
12/99	1.1	1.6	2.4	0.5	1.4	1.9	2.7	0.8	2.2	2.7	3.5	1.6
1/00	1.3	1.8	3.2	0.6								
2/00	0.8	1.4	2.4	0.0								
3/00	0.8	1.2										

Note: real rates = nominal rates deflated by inflation expected by selected economic sectors according to the CNB statistical survey

The average rates on credits in December 1999 were affected mainly by the settlement of medium-term loan receivables for which the interest rate was taken into account in the purchase price. These receivables are incorporated into the interest-rate statistics with a zero interest rate.

COMMERCIAL BANK INTEREST RATES

in %

	1993	1994	1995	1996	1997	1998	1999	2000
	12	12	12	12	12	12	12	2
Newly drawn credits								
in CZK	14.6	13.7	13.1	13.6	16.5	11.9	6.7	7.0
- short-term	14.0	13.3	12.9	13.6	16.5	11.7	6.7	6.8
- medium-term	16.7	14.8	14.2	14.3	17.0	13.4	5.1	9.2
- long-term	14.5	14.2	13.3	12.5	16.0	11.7	10.2	9.0
in foreign currency	-	-	-	-	5.9	5.4	6.1	5.4
- short-term	-	-	-	-	5.9	5.3	6.2	5.3
- medium-term	-	-	-	-	5.6	5.9	5.3	4.8
- long-term	-	-	-	-	6.1	5.6	6.0	6.9
Credits								
in CZK	14.0	12.8	12.7	12.5	13.9	10.5	7.7	7.2
- short-term	15.4	12.7	12.5	12.4	14.1	10.6	7.4	6.8
- medium-term	15.6	14.5	14.2	13.5	14.6	10.7	8.3	7.9
- long-term	10.6	11.2	11.5	11.8	13.0	10.3	7.6	7.3
in foreign currency	-	-	-	-	6.1	6.4	6.6	6.5
- short-term	-	-	-	-	5.6	6.9	7.7	7.5
- medium-term	-	-	-	-	5.9	5.6	5.4	5.3
- long-term	-	-	-	-	6.7	6.0	5.9	6.0
Deposits								
in CZK	6.8	6.9	6.9	6.7	8.0	6.7	3.7	3.6
- demand	2.4	2.6	2.8	2.5	2.1	1.9	1.6	1.7
- time	10.7	10.6	10.0	9.2	10.9	8.7	4.7	4.5
- short-term	9.6	9.6	9.7	9.3	11.6	9.2	4.8	4.5
- medium-term	11.4	11.5	10.7	9.8	12.2	10.9	5.6	4.9
- long-term	13.0	11.3	8.8	6.2	5.2	4.2	3.6	3.6
in foreign currency	-	-	-	-	2.7	2.3	2.7	2.8
- demand	-	-	-	-	1.1	1.1	0.9	1.1
- time	-	-	-	-	3.7	3.2	4.0	4.0
- short-term	-	-	-	-	3.4	3.1	3.9	3.9
- medium-term	-	-	-	-	5.0	3.3	4.2	4.4
- long-term	-	-	-	-	5.5	3.5	4.7	4.8

The average rates on credits in December 1999 were affected mainly by the settlement of medium-term loan receivables for which the interest rate was taken into account in the purchase price. These receivables are incorporated into the interest-rate statistics with a zero interest rate.

BALANCE OF PAYMENTS 1)

in CZK millions

	1993	1994	1995	1996	1997	1998	1999 2)
A. CURRENT ACCOUNT	13 286.7	-22 643.2	-36 331.3	-116 510.6	-101 856.2	-43 101.0	-36 615.0
Balance of trade 3)	-15 313.0	-39 750.9	-97 598.6	-159 538.6	-144 025.9	-82 394.8	-71 281.8
- exports	414 833.0	458 436.6	569 549.1	588 791.5	722 501.0	850 308.0	928 865.0
- imports	430 146.0	498 187.5	667 147.7	748 330.1	866 526.9	932 702.8	1 000 146.8
Services	29 465.2	14 052.8	48 881.2	52 198.9	55 935.0	57 854.7	42 544.3
Credit	137 691.2	148 404.0	178 270.4	222 030.4	227 193.6	241 801.2	239 622.6
- transport	36 186.6	35 757.9	38 757.4	36 209.6	41 661.6	44 829.3	53 433.9
- travel	45 437.4	64 170.3	76 301.3	110 620.0	115 700.0	120 000.0	105 000.0
- others	56 067.2	48 475.8	63 211.7	75 200.8	69 832.0	76 971.9	81 188.7
Debit	108 226.0	134 351.2	129 389.2	169 831.5	171 258.6	183 946.5	197 078.3
- transport	21 402.1	24 542.4	21 208.9	18 983.3	19 973.6	22 794.0	27 560.0
- travel	15 368.3	45 605.6	43 330.3	80 170.0	75 500.0	60 300.0	51 000.0
- others	71 455.6	64 203.2	64 850.0	70 678.2	75 785.0	100 852.5	118 518.3
Income	-3 424.7	-580.8	-2 804.0	-19 611.0	-25 102.4	-31 708.0	-25 564.1
Credit	15 952.0	22 713.2	31 696.1	31 765.9	44 696.0	49 056.6	57 135.6
Debit	19 376.7	23 294.0	34 500.1	51 376.9	69 798.4	80 764.6	82 699.7
Current transfers	2 559.2	3 635.7	15 190.1	10 440.1	11 337.1	13 147.1	17 686.6
Credit	7 024.5	8 523.3	17 631.6	16 752.7	27 402.5	25 387.9	36 784.3
Debit	4 465.3	4 887.6	2 441.5	6 312.6	16 065.4	12 240.8	19 097.7
B. CAPITAL ACCOUNT	-16 175.0	-	179.1	15.6	315.9	65.8	-73.2
Credit	5 976.0	-	307.8	28.1	493.0	454.6	637.3
Debit	22 151.0	-	128.7	12.5	177.1	388.8	710.5
Total A + B	-2 888.3	-22 643.2	-36 152.2	-116 495.0	-101 540.3	-43 035.2	-36 688.2
C. FINANCIAL ACCOUNT	88 184.7	97 019.7	218 288.5	113 582.5	34 319.1	94 324.5	85 929.1
Direct investment	16 421.8	21 551.1	67 021.2	34 624.8	40 451.4	85 224.0	169 936.5
- abroad	-2 628.6	-3 443.3	-971.6	-4 150.0	-800.0	-2 538.8	-6 807.4
- in the Czech Republic	19 050.4	24 994.4	67 992.8	38 774.8	41 251.4	87 762.8	176 743.9
Portfolio investment	46 658.5	24 595.9	36 144.4	19 692.5	34 438.9	34 508.2	-48 268.9
Assets	-6 686.9	-1 327.1	-8 565.6	-1 291.1	-6 006.8	-755.1	-65 608.0
- equity securities	-6 686.9	-1 327.1	-8 565.6	-1 291.1	19.9	3 855.7	-18 047.8
- debt securities	-	-	-	-	-6 026.7	-4 610.8	-47 560.2
Liabilities	53 345.4	25 923.0	44 710.0	20 983.6	40 445.7	35 263.3	17 339.1
- equity securities	32 569.8	14 369.8	32 761.7	16 340.9	13 783.7	34 846.2	4 394.2
- debt securities	20 775.6	11 553.2	11 948.3	4 642.7	26 662.0	417.1	12 944.9
Other investment	25 104.4	50 872.7	115 122.9	59 265.2	-40 571.2	-25 407.7	-35 738.5
Assets	-83 911.4	-69 582.4	-66 050.8	-64 646.8	-142 725.1	-48 192.1	-91 796.2
Long-term	13 340.8	12 046.4	1 384.4	-10 769.8	-11 117.6	-24 853.5	-23 339.5
- CNB	-	-	-	-	-	-	-
- commercial banks	-1 431.5	-31.7	-3 353.6	-14 168.2	-11 907.4	-26 952.8	-25 858.5
- government	8 323.3	8 175.1	3 335.0	1 286.4	519.8	630.3	977.5
- other sectors	6 449.0	3 903.0	1 403.0	2 112.0	270.0	1 469.0	1541.5
Short-term	-97 252.2	-81 628.8	-67 435.2	-53 877.0	-131 607.5	-23 338.6	-68 456.7
- CNB	-	-	-	-	-	-	-
- commercial banks	2 163.0	-4 289.4	-2 446.2	-48 976.0	-122 038.5	-21 641.6	-63 804.7
- government	-97 397.2	-76 040.4	-60 179.4	-	-	-	-
- other sectors	-2 018.0	-1 299.0	-4 809.6	-4 901.0	-9 569.0	-1 697.0	-4 652.0
Liabilities	109 015.8	120 455.1	181 173.7	123 912.0	102 153.9	22 784.4	56 057.7
Long-term	10 131.9	19 865.1	87 965.8	95 193.1	24 047.6	-4 485.0	12 369.3
- CNB	1 297.3	-31 712.7	997.8	-	-368.0	-216.4	-2 083.5
- commercial banks	-2 116.6	11 189.6	60 359.6	46 733.5	-14 875.5	-14 399.2	-7 651.1
- government	-3 421.5	-5 249.5	-12 047.3	-7 132.6	-11 581.9	-11 765.4	-6 384.3
- other sectors	14 372.7	45 637.7	38 655.7	55 592.2	50 873.0	21 896.0	28 488.2
Short-term	98 883.9	100 590.0	93 207.9	28 718.9	78 106.3	27 269.4	43 688.4
- CNB	1 670.5	-1 634.7	77.1	-59.6	-9.9	-6.0	84.9
- commercial banks	2 481.8	14 016.0	27 636.1	30 574.9	67 383.7	24 445.9	36 615.6
- government (liability vis-à-vis Slovakia)	91 895.5	86 555.8	56 262.2	-899.6	-69.5	-216.5	-103.2
- other sectors	2 836.1	1 652.9	9 232.5	-896.8	10 802.0	3 046.0	7 091.1
Total A + B + C	85 296.4	74 376.5	182 136.3	-2 912.5	-67 221.2	51 289.3	49 240.9
D. NET ERRORS AND OMISSIONS, VALUATION CHANGES	3 019.8	-6 121.9	15 779.4	-19 562.6	11 181.2	11 325.7	7 895.8
Total A + B + C + D	88 316.2	68 254.6	197 915.7	-22 475.1	-56 040.0	62 615.0	57 136.7
E. CHANGE IN RESERVES (- increase)	-88 316.2	-68 254.6	-197 915.7	22 475.1	56 040.0	-62 615.0	-57 136.7

1) Balance of payments structure based on the Balance of Payments Manual (5th edition), IMF 1993

2) Preliminary data

3) Based on data published by the CSO - in accordance with customs statistics methodology effective 1 Jan. 1996; 1993 and 1994 data were taken from the CSO publication "Czech Foreign Trade 1993-1995", Dec. 1997

INTERNATIONAL INVESTMENT POSITION

in CZK millions

	1993	1993	1994	1995	1996	1997	1998	1999
	1 Jan.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec. 1)
ASSETS	406 103.0	536 388.7	572 874.1	780 693.0	835 989.8	1 030 191.5	1 086 118.9	1 354 659.2
Direct investment abroad	2 634.0	5 432.9	8 426.9	9 190.1	13 609.2	18 989.4	24 003.5	32 670.9
- equity capital 2)	2 634.0	5 432.9	8 426.9	9 190.1	13 609.2	18 385.1	21 901.2	30 508.6
- other capital 3)	.	.	.	.	.	604.3	2 102.3	2 162.3
Portfolio investment	226.0	8 258.0	12 138.0	20 076.9	37 511.2	35 738.9	35 872.4	104 345.3
- equity securities	226.0	7 911.1	9 370.5	18 422.0	20 450.3	14 442.0	13 415.5	33 824.8
- debt securities	.	346.9	2 767.5	1 654.9	17 060.9	21 296.9	22 456.9	70 520.5
Other investment	378 895.6	406 717.6	377 187.3	378 388.3	444 985.4	636 938.5	649 560.0	756 213.8
Long-term	232 823.7	249 198.8	229 026.4	214 430.3	234 849.6	293 037.3	285 940.4	321 246.6
- CNB 10)	23 102.5	24 572.5	24 573.3	26 172.3	26 122.8	26 122.4	26 122.4	.
- commercial banks 4)	365.9	1 852.3	1 763.0	5 116.6	25 181.3	37 088.8	64 041.6	89 900.1
- government 5) 6)	167 429.3	186 968.0	174 784.1	157 950.4	160 949.7	203 922.8	174 825.0	208 832.9
- other sectors	41 926.0	35 806.0	27 906.0	25 191.0	22 595.8	25 903.3	20 951.4	22 513.6
Short-term	146 071.9	157 518.8	148 160.9	163 958.0	210 135.8	343 901.2	363 619.6	434 967.2
- CNB	4.7	4.7	4.7	4.7	4.7	0.1	0.1	.
- commercial banks 4)	82 456.2	83 133.2	80 820.2	87 176.3	128 481.1	250 670.9	272 219.5	336 117.2
of which: gold and foreign currency 7) 8)	79 040.1	70 727.5	71 232.8	76 126.9	95 432.8	172 301.6	175 753.2	218 995.8
- government	.	5 501.9	.	.	.	.	.	.
- other sectors	63 611.0	68 879.0	67 336.0	76 777.0	81 650.0	93 230.2	91 400.0	98 850.0
CNB reserves	24 347.4	115 980.2	175 121.9	373 037.7	339 884.0	338 524.7	376 683.0	461 429.2
- gold 7)	2 488.2	2 466.4	2 309.3	2 234.6	2 290.3	1 521.9	369.1	677.0
- SDRs	852.5	247.3	.	4.7	.	.	.	.
- foreign currency	21 006.7	113 266.5	172 812.6	370 798.4	337 593.7	337 002.8	376 313.9	460 752.2
LIABILITIES	307 887.2	423 237.7	507 337.9	723 101.9	906 073.2	1 138 248.1	1 204 984.0	1 438 285.3
Direct investment in the Czech Republic	83 488.7	102 539.1	127 533.5	195 526.3	234 301.1	319 820.3	429 167.8	584 524.0
- equity capital 2) 9)	83 488.7	102 539.1	127 533.5	195 526.3	234 301.1	284 674.7	364 816.5	517 672.7
- other capital 3)	.	.	.	.	.	35 145.6	64 351.3	66 851.3
Portfolio investment	4 812.9	58 583.9	81 617.5	124 933.6	144 807.4	169 032.7	166 128.1	165 579.2
- equity securities	75.0	32 985.2	37 335.6	70 280.4	92 867.8	104 862.3	113 247.2	98 011.8
- debt securities	4 737.9	25 598.7	44 281.9	54 653.2	51 939.6	64 170.4	52 880.9	67 567.4
Other investment	219 585.6	262 114.7	298 186.9	402 642.0	526 964.7	649 395.1	609 688.1	688 182.1
Long-term	158 430.0	192 426.3	207 289.7	279 388.9	374 814.7	426 270.1	358 510.5	393 389.0
- CNB	31 109.9	33 697.4	1 695.7	2 491.5	2 272.7	2 188.3	1 883.3	197.1
- commercial banks 4)	14 491.1	16 175.5	26 040.1	90 299.3	143 454.2	143 120.2	124 286.3	118 368.9
- government 5)	70 771.0	82 295.1	76 533.9	53 200.2	44 003.7	38 001.1	23 789.1	20 813.0
- other sectors	42 058.0	60 258.3	103 020.0	133 397.9	185 084.1	242 960.5	208 551.8	254 010.0
Short-term	61 155.6	69 688.4	90 897.2	123 253.1	152 150.0	223 125.0	251 177.6	294 793.1
- CNB	8.2	4 581.0	37.9	115.0	55.3	45.5	39.5	124.4
- commercial banks 4)	19 527.4	22 249.3	41 339.9	69 502.9	101 543.5	168 927.1	193 373.0	229 988.7
- government	.	.	5 013.4	1 104.1	314.8	287.5	103.2	.
- other sectors	41 620.0	42 858.1	44 506.0	52 531.1	50 236.4	53 864.9	57 661.9	64 680.0
NET INVESTMENT POSITION	98 215.8	113 151.0	65 536.2	57 591.1	-70 083.4	-108 056.6	-118 865.1	-83 626.1

1) Preliminary data

2) Since 31 December 1997, equity capital has also included reinvested profits

3) Starting with the position on 31 December 1997, part of the credits stemming from credit relations between direct investors and companies have been transferred from other investment (other sectors) to direct investment (other capital)

4) In connection with the introduction of CZK convertibility (1 October 1995), koruna assets and liabilities vis-à-vis non-residents are included in the bank position. (Non-resident CZK deposits are included in commercial bank short-term liabilities as of 31 December 1994)

5) During January 1993, part of the receivables and payables in convertible and non-convertible currencies were transferred from the CSOB position to the Ministry of Finance; in column 1 January 1993 these amounts are included in the government position; the receivable vis-à-vis CIS in the data as of 1 January 1993 is expressed as the balance of accounts in XTR and USD, while in later periods the accounts are held in terms of turnover

6) Including foreign exchange shares in international non-monetary organisations (The World Bank, EBRD, IBEC, IIB)

7) Gold valued at USD 42.22 per Troy ounce

8) Foreign exchange - convertible currencies

9) Since 1998, direct investment has included data on equity capital from the balance sheets of companies with foreign ownership

10) At the end of 1999, the claim on the National Bank of Slovakia was transferred from the non-resident position to the resident position

EXTERNAL DEBT								
in CZK millions								
	1993	1993	1994	1995	1996	1997	1998	1999
	1 Jan.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec.	31 Dec. 1)
DEBT IN CONVERTIBLE CURRENCIES	204 674.7	254 488.1	299 960.7	440 229.3	569 723.6	739 563.0	717 923.6	813 675.1
of which:								
Long-term	152 695.1	194 525.0	218 944.5	306 034.4	405 143.6	495 058.5	446 484.3	497 872.1
By debtor								
- CNB	35 399.8	58 836.1	22 845.3	22 268.0	11 178.4	11 548.4	10 952.2	12 527.6
- commercial banks 2)	14 491.1	16 175.5	27 620.1	95 433.3	150 780.1	158 503.7	133 376.5	128 703.3
- government	61 147.2	59 477.1	61 763.4	52 101.7	46 738.6	42 877.1	32 927.8	32 263.6
- other sectors	41 657.0	60 036.3	106 715.7	136 231.4	196 446.5	282 129.3	269 227.8	324 377.6
By creditor								
- foreign banks	62 121.2	82 849.8	124 224.8	218 310.9	300 910.4	360 725.6	290 525.9	322 076.3
- government institutions	6 685.9	7 346.8	7 482.1	7 039.1	6 631.8	7 269.4	4 409.6	4 239.2
- multilateral institutions	50 127.1	52 891.7	19 889.7	18 987.2	17 645.5	13 894.1	7 222.4	7 752.7
- suppliers and direct investors	29 023.0	25 838.0	32 601.0	24 567.0	27 116.0	46 465.5	72 624.6	79 614.6
- other investors	4 737.9	25 598.7	34 746.9	37 130.2	52 839.9	66 703.9	71 701.8	84 189.3
Short-term	51 979.6	59 963.1	81 016.2	134 194.9	164 580.0	244 504.5	271 439.3	315 803.0
By debtor								
- CNB	7.9	4 581.0	37.9	115.0	55.3	45.5	39.5	124.4
- commercial banks 2)	17 819.7	21 117.0	32 610.3	71 911.8	106 852.6	170 147.0	193 373.0	230 000.5
- government	.	.	9 535.0	15 114.0	2 786.0	8 164.0	22.0	7.0
- other sectors	34 152.0	34 265.1	38 833.0	47 054.1	54 886.1	66 148.0	78 004.8	85 671.1
By creditor								
- foreign banks	11 402.7	22 256.0	28 467.5	58 874.2	85 424.0	142 463.2	175 604.1	213 965.3
- suppliers and direct investors	33 069.0	29 664.0	34 132.0	41 986.4	45 914.0	57 831.1	67 446.7	69 736.7
- other investors	7 507.9	8 043.1	18 416.7	33 334.3	33 242.0	44 210.2	28 388.5	32 101.0
DEBT IN NON-CONVERTIBLE CURRENCIES	19 648.8	33 225.3	42 508.1	17 065.9	9 180.7	9 148.1	8 996.7	8 925.7
of which:								
- long-term	10 472.8	23 500.0	23 092.1	10 484.7	8 865.9	8 860.6	8 893.5	8 925.7
- short-term	9 176.0	9 725.3	19 416.0	6 581.2	314.8	287.5	103.2	
TOTAL EXTERNAL DEBT	224 323.5	287 713.4	342 468.8	457 295.2	578 904.3	748 711.1	726 920.3	822 600.8
of which:								
- long-term	163 167.9	218 025.0	242 036.6	316 519.1	414 009.5	503 919.1	455 377.8	506 797.8
- short-term	61 155.6	69 688.4	100 432.2	140 776.1	164 894.8	244 792.0	271 542.5	315 803.0

1) Preliminary data

2) From 31 December 1995 short-term, and from 31 December 1996 also long-term, koruna liabilities vis-à-vis non-residents are included in commercial bank liabilities in convertible currencies, whereas in the data as of 31 December 1994 funds in non-resident koruna accounts are included in short-term liabilities in non-convertible currencies and vis-à-vis the Slovak Republic (methodological change connected with introduction of CZK convertibility from 1 October 1995)

3) Debt vis-à-vis the Slovak Republic: in 1993-1995 in non-convertible currencies; from 1996 the unsettled balance of mutual accounts after termination of clearing is given in non-convertible currencies; other liabilities vis-à-vis the Slovak Republic are included in convertible currencies in compliance with Ministry of Finance Provision No. 282/70 490/95 of 22 December 1995

EXCHANGE RATE

A. NOMINAL RATE

in CZK, foreign exchange market rates

	1993	1994	1995	1996	1997	1998	1999	2000
	1-12	1-12	1-12	1-12	1-12	1-12	1-12	1-3
CZK EXCHANGE RATE AGAINST SELECTED CURRENCIES								
1 ECU	34.11	34.06	34.31	34.01	35.80	36.16	.	.
1 EUR	.	.	.	.	.	.	36.88	35.78
1 GBP	43.78	44.03	41.89	42.33	51.95	53.45	55.97	58.16
1 FRF	5.15	5.19	5.32	5.31	5.43	5.47	5.62	5.45
1000 ITL	18.56	17.85	16.30	17.59	18.61	18.57	19.05	18.48
100 JPY	26.32	28.15	28.34	24.99	26.29	24.71	30.53	33.85
1 CAD	22.61	21.09	19.34	19.90	22.91	21.83	23.29	24.90
1 NLG	15.70	15.82	16.53	16.11	16.24	16.26	16.74	16.24
1 ATS	2.51	2.52	2.63	2.57	2.60	2.61	2.68	2.60
1 DEM	17.64	17.75	18.52	18.06	18.28	18.33	18.86	18.29
1 CHF	19.74	21.06	22.45	22.02	21.85	22.26	23.05	22.26
1 USD	29.16	28.78	26.55	27.14	31.71	32.27	34.60	36.18
100 SKK	.	.	89.49	88.57	94.18	91.61	83.64	85.01
	12	12	12	12	12	12	12	3
1 ECU	33.59	34.20	34.01	34.09	38.69	35.34	.	.
1 EUR	.	.	.	.	.	.	36.05	35.60
1 GBP	44.37	43.99	41.00	45.48	57.72	50.20	57.46	58.20
1 FRF	5.09	5.21	5.37	5.21	5.84	5.38	5.50	5.43
1000 ITL	17.63	17.28	16.71	17.90	19.94	18.18	18.62	18.38
100 JPY	27.12	28.18	26.21	24.05	26.87	25.55	34.75	34.53
1 CAD	22.34	20.34	19.47	20.10	24.37	19.51	24.16	25.24
1 NLG	15.54	16.02	16.53	15.71	17.35	15.97	16.36	16.15
1 ATS	2.48	2.55	2.63	2.51	2.78	2.56	2.62	2.59
1 DEM	17.41	17.94	18.50	17.63	19.55	18.00	18.43	18.20
1 CHF	20.30	21.21	22.89	20.64	24.16	22.10	22.52	22.17
1 USD	29.76	28.22	26.66	27.34	34.73	30.06	35.63	36.84
100 SKK	.	.	89.76	86.42	100.58	83.04	84.70	85.46

B. NOMINAL EFFECTIVE RATE

	1993	1994	1995	1996	1997	1998	1999	2000
								3
Nominal CZK effective exchange rate index (1995 = 100)	89.84	95.79	100.00	102.21	99.48	102.47	106.78	108.51

Nominal effective exchange rate indices have been calculated by weighting exchange rates with shares in trade turnover for 22 countries which cover around 90% of the Czech Republic's foreign trade. Resultant values above 100 represent appreciation of the nominal effective exchange rate vis-à-vis the base period and values below 100 represent depreciation.

C. REAL EFFECTIVE RATE

	1993	1994	1995	1996	1997	1998	1999	2000
								2
Real CZK effective exchange rate index (1995 = 100)								
a) consumer prices	95.51	97.82	100.00	105.23	106.94	117.25	117.22	118.75
b) industrial producer prices	99.96	99.94	100.00	103.03	102.14	109.40	111.63	

Source: CSO - consumer prices and industrial producer prices of the Czech Republic
Monthly IMF publication - International Financial Statistics - and the CNB's own calculations

PUBLIC FINANCES

in CZK billions

	1993	1994	1995	1996	1997	1998	1999	2000
	1-12	1-12	1-12	1-12	1-12	1-12	1-12	1-2
STATE BUDGET								
TOTAL REVENUES	358.0	390.5	440.0	482.8	509.0	537.4	567.3	82.5
Tax revenues	330.2	360.1	409.7	457.4	478.4	509.6	540.1	80.5
Income tax	71.9	70.2	72.7	78.3	74.8	87.4	86.4	11.1
Social security insurance	106.0	130.0	154.3	174.3	191.0	203.9	210.9	35.5
Property tax	0.8	2.1	3.2	3.9	5.0	6.3	6.8	0.9
Domestic taxes on goods and services	111.8	136.4	155.4	174.8	186.3	191.5	216.7	29.4
- VAT	70.4	85.8	94.8	109.3	117.6	119.4	138.3	17.9
- excise taxes	37.1	46.4	56.7	61.2	64.2	67.8	73.1	10.7
Foreign trade taxes	15.2	17.4	17.4	19.7	14.9	13.6	12.1	1.8
Other tax revenues	24.4	4.1	6.7	6.4	6.4	6.9	7.3	1.7
Non-tax revenues	27.8	30.4	30.3	25.4	30.5	27.6	27.1	2.0
Corporate and property revenues	14.7	12.8	7.3	8.5	8.5	7.4	7.7	.
Fees, fines and penalties and other non-tax revenues	4.0	8.2	16.7	10.4	13.6	14.5	15.4	.
Government credit repayments	9.0	9.4	6.3	6.5	8.4	5.7	4.0	.
TOTAL EXPENDITURES	356.9	380.1	432.7	484.4	524.7	566.7	596.9	79.3
Current expenditures	324.6	346.7	388.6	427.3	474.1	516.2	537.9	76.9
Expenditures on goods and services	125.6	121.2	109.8	123.5	126.7	141.5	154.9	12.6
Debit interest	13.7	.	2.6	14.0	17.6	19.8	16.3	3.7
Subsidies and current transfers	180.3	218.3	268.7	285.7	326.2	349.8	363.5	58.3
Subsidies	42.8	49.3	77.1	84.5	92.5	104.5	96.9	11.2
- to businesses	29.3	27.0	27.8	27.3	33.2	44.9	29.9	2.7
- to subsidised organisations	13.5	22.3	49.3	57.3	59.3	59.6	67.0	8.5
Transfers	137.4	169.1	191.5	201.1	233.7	245.3	266.6	47.1
- to local budgets	17.0	29.3	33.3	16.8	24.7	17.9	20.9	4.6
- to households	116.6	136.9	155.6	181.0	206.0	222.8	239.9	42.0
- abroad	.	.	.	.	.	1.7	1.2	.
Government credits	5.0	7.2	7.6	4.1	3.6	5.1	3.2	.
Capital expenditures	32.3	33.3	44.1	57.1	50.6	50.5	59.0	2.4
Investment expenditures to budgetary organisations	19.0	19.7	21.5	24.9	16.4	16.5	20.0	1.1
Capital transfers	13.3	13.6	22.7	32.1	34.2	34.0	39.0	1.3
BALANCE								
Public budgets	23.3	5.5	2.9	-21.9	-27.8	-28.7	-9.7	
state budget	1.1	10.4	7.2	-1.6	-15.7	-29.3	-29.6	3.2
local budget	0.9	-1.1	-3.2	-9.4	-4.8	1.5	18.5	1.6
state financial assets	1.5	1.0	-2.7	-2.3	-2.5	2.4	-6.1	
state funds	0.1	0.4	0.0	1.1	1.7	0.9	2.5	
Land Fund	1.3	1.1	1.2	0.6	-1.6	0.1	-0.3	
National Property Fund	13.4	-5.4	4.0	-5.9	-4.5	-5.1	2.9	
health insurance companies	5.0	-0.9	-3.6	-4.4	-0.4	0.8	2.4	

CAPITAL MARKET

A. SHARE MARKET INDICES

last day of the month in points

	1997	1998				1999				2000
	12	3	6	9	12	3	6	9	12	3
PX-50	495	505	467	360	394	388	484	503	490	644
PX-GLOB	599	615	568	460	478	472	574	596	588	740
PK-30	664	698	656	521	564	569	703	720	713	956

B. BOND MARKET

monthly averages in %

	1997	1998				1999				2000
	12	3	6	9	12	3	6	9	12	3
YIELDS ON TAXED GOVERNMENT BONDS										
Maturity in years										
1Y	.	.	14.51	12.81	8.88	7.52	6.77	6.44	5.65	5.52
2Y	16.23	14.95	14.39	12.55	8.77	7.58	7.01	6.02	5.28	5.74
3Y	15.67	14.64	13.58	11.98	8.57	7.72	7.08	6.19	5.96	6.05
4Y	15.10	14.38	13.13	11.59	8.52	7.82	7.64	7.31	6.89	6.15
5Y	14.85	14.41	13.03	11.51	8.64	8.29	.	.	.	6.14
6Y	14.84	14.43	.	.	.	.	.	.	.	6.25

C. TRADE VOLUMES

in CZK millions

	1997	1998				1999				2000
	12	3	6	9	12	3	6	9	12	3
PRAGUE STOCK EXCHANGE										
Total trade volume	63 249	52 525	88 271	87 771	92 553	103 009	89 889	105 297	99 604	163 230
of which:										
a) automated system	1 368	1 718	6 210	11 892	6 772	10 791	14 158	11 832	11 554	43 573
b) direct and block trades	61 881	50 807	82 061	75 879	85 781	92 218	75 731	93 465	88 050	119 657
RM-SYSTÉM										
Total trade and transfer volume	36 870	17 562	22 163	11 271	20 837	16 020	12 848	5 631	22 015	4 554
of which:										
a) continuous auction	547	1 036	643	552	491	611	688	469	446	772
b) direct and block trades	36 290	16 520	21 425	10 715	20 334	15 409	12 160	5 162	21 569	3 782
c) transfers with declared price	33	6	95	4	12	.	.	.	.	.
SECURITIES CENTRE										
Total volume of charged transfers	150 980	138 738	153 081	159 095	141 892	162 739	156 822	155 629	201 904	249 748

CNB MONETARY POLICY INSTRUMENTS
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	Repo rate (%)		Discount rate (%)	Lombard rate (%)	Minimum reserve requirement for primary deposits (%)	
	1 week	2 week			banks	building societies and CMZRB
1995						
As of 1 January	-	-	8.5	11.5	-	-
26 June	-	-	9.5	12.5	-	-
3 August	-	-			8.5	4.0
8 December	11.25	11.30				
1996						
29 March	11.50	11.50				
29 April	11.60	11.60				
9 May	11.80	11.80				
21 June	12.40	12.40	10.5	14.0	11.5	
1 August						
1997						
8 May					9.5	
16 May	12.90			50.0		
19 May	45.00					
23 May	75.00					
27 May			13.0			
2 June	45.00					
4 June		39.00				
6 June	39.00					
11 June	31.00	29.00				
13 June	29.00					
18 June	25.00	25.00				
20 June	22.00	22.00				
23 June	20.00	20.00				
24 June	18.50	18.50				
27 June				23.0		
30 June	18.20	18.20				
1 July	17.90	17.90				
7 July	17.00	17.00				
8 July	16.50	16.50				
9 July	16.20	16.20				
15 July	16.00					
16 July		16.00				
22 July	15.70	15.70				
23 July	15.20	15.40				
24 July		15.20				
28 July	14.90	14.90				
1 August		14.70				
4 August	14.50	14.50				
31 October		14.80				
1 December	19.00	18.50				
2 December	18.50	18.00				
3 December	17.75	17.50				
4 December	17.00	16.75				
9 December	15.50	15.50				
10 December		15.00				
11 December	15.00					
17 December		14.75				
1998						
23 January				19.0		
20 March		15.00				
17 July		14.50				
30 July					7.5	
14 August		14.00	11.5	16.0		
25 September		13.50				
27 October		12.50	10.0	15.0		
13 November		11.50				
4 December		10.50				
23 December		9.50	7.5	12.5		
1999						
18 January		8.75			5.0	
28 January						
29 January		8.00				
12 March		7.50	6.0	10.0		
9 April		7.20				
4 May		6.90				
25 June		6.50				
30 July		6.25				
3 September		6.00	5.5	8.0		
5 October		5.75				
7 October					2.0	2.0
27 October		5.50	5.0	7.5		
26 November		5.25				

MACROECONOMIC AGGREGATES

in CZK billions, year-on-year change in %, 1995 prices

	1994	1995	1996	1997	1998	1999
	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4
GROSS DOMESTIC PRODUCT						
- in CZK billions	1303.6	1381.1	1447.7	1432.8	1401.3	1397.9
- in %	2.2	5.9	4.8	-1.0	-2.2	-0.2
FINAL CONSUMPTION						
- in CZK billions	949.9	976.8	1035.1	1051.4	1028.5	1037.2
- in %	4.8	2.8	6.0	1.6	-2.2	0.8
of which:						
Households						
- in CZK billions	654.2	692.1	740.1	753.6	731.4	741.3
- in %	5.6	5.8	6.9	1.8	-2.9	1.4
Government						
- in CZK billions	287.2	275.1	284.8	287.1	284.4	284.2
- in %	3.1	-4.2	3.5	0.8	-0.9	-0.1
Non-profit institutions						
- in CZK billions	8.5	9.6	10.2	10.7	12.7	11.7
- in %	.	12.9	6.3	4.9	18.7	-7.9
GROSS CAPITAL FORMATION - TOTAL						
- in CZK billions	384.2	470.0	525.4	494.5	470.4	456.3
- in %	18.5	22.3	11.8	-5.9	-4.9	-3.0
of which:						
Fixed capital						
- in CZK billions	369.2	442.4	478.5	464.7	446.4	421.7
- in %	9.1	19.8	8.2	-2.9	-3.9	-5.5
Inventories and reserves						
- in CZK billions	15.0	27.6	46.9	29.8	24.0	34.6
TRADE BALANCE						
- in CZK billions	-30.5	-65.7	-112.8	-113.1	-97.6	-95.6
of which:						
Exports of goods and services						
- in CZK billions	635.0	740.8	809.2	875.0	968.9	1032.7
- in %	1.7	16.7	9.2	8.1	10.7	6.6
Imports of goods and services						
- in CZK billions	665.5	806.5	922.0	988.1	1066.5	1128.3
- in %	14.7	21.2	14.3	7.2	7.9	5.8
DOMESTIC DEMAND (excl. change in inventories)						
- in CZK billions	1319.1	1419.2	1513.6	1516.1	1474.9	1458.9
- in %	5.9	7.6	6.7	0.2	-2.7	-1.1
AGGREGATE DEMAND (excl. change in inventories)						
- in CZK billions	1954.1	2160.0	2322.8	2391.1	2443.8	2491.6
- in %	4.5	10.5	7.5	2.9	2.2	2.0
GROSS DOMESTIC PRODUCT IN CURRENT PRICES						
- in CZK billions	1182.8	1381.1	1572.3	1668.8	1798.3	1836.3
- in %	15.9	16.8	13.8	6.1	7.8	2.1
PRICE DEFLATOR						
- in %	13.4	10.2	8.6	7.2	10.2	2.4

Source: CSO

LABOUR MARKET

A. HOUSEHOLD CURRENT INCOMES AND EXPENDITURES

	y-o-y change in %						
	1993	1994	1995	1996	1997	1998	1999
	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4
Current incomes	.	.	.	15.2	8.8	5.7	1.6
of which:							
- compensation of employees	.	.	.	17.8	6.9	6.3	3.1
- miscellaneous income	.	.	.	5.6	0.8	5.4	-3.6
- property income	.	.	.	9.1	21.0	7.4	-17.7
- social benefits	.	.	.	17.0	13.5	9.9	8.4
- other current transfers	.	.	.	24.0	28.2	-12.1	16.4
Current expenditures	.	.	.	16.7	8.0	6.3	3.0
of which:							
- property income	.	.	.	0.2	0.5	-4.1	-19.3
- current taxes on income and wealth	.	.	.	18.1	9.8	7.6	0.5
- social contributions	.	.	.	15.5	7.1	5.8	4.4
- other current transfers	.	.	.	32.4	13.6	11.2	9.7
Disposable income	.	.	.	14.5	9.2	5.5	1.0
Changes in net share of households in pension fund reserves	.	.	.	60.6	-4.2	-17.6	29.7
Expenditures on individual consumption	.	.	.	15.6	10.0	6.5	3.4
Savings	.	.	.	9.7	2.2	-4.5	-12.8
Household savings ratio (savings/disposable income - ratio in %)	.	.	.	12.0	11.2	13.6	11.8

B. AVERAGE WAGES

	y-o-y change in %						
	1993	1994	1995	1996	1997	1998	1999
	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4
Overall nominal wage	25.3	18.5	18.5	18.4	10.5	9.4	8.2
Business sector	.	18.2	19.2	17.7	11.7	11.0	7.1
Non-business sector	.	19.8	17.0	20.7	5.8	3.9	13.1
Overall real wage	3.7	7.7	8.7	8.8	1.9	-1.2	6.0
Business sector	.	7.4	9.2	8.2	2.9	0.3	4.9
Non-business sector	.	8.9	7.3	10.9	-2.5	-6.1	10.8

C. UNEMPLOYMENT

	as of end of period						
	1993	1994	1995	1996	1997	1998	1999
	12	12	12	12	12	12	12
Registered job applicants (thousands)	185.2	166.5	153.0	186.3	268.9	386.9	487.6
Unemployment rate in %	3.5	3.2	2.9	3.5	5.2	7.5	9.4

Source: CSO

PRODUCTION

in CZK billions, y-o-y change in %

	1993	1994	1995	1996	1997	1998	1999	2000
	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	Q1 - 4	1 - 2
INDUSTRY								
TOTAL PRODUCTION OF GOODS 1)	-5.3	2.1	8.7	6.4	.	.	.	.
TOTAL INDUSTRIAL PRODUCTION 2)	.	.	.	2.0	4.5	1.6	-3.1	4.5
CONSTRUCTION								
TOTAL CONSTRUCTION OUTPUT 3) 4)	-7.5	7.5	8.5	5.3	-3.9	-7.0	-6.5	2.0
AGRICULTURE								
TOTAL GROSS PRODUCTION 5)								
- in CZK billions	83.1	78.1	82.0	80.9	76.8	77.3	.	.
- in %	-2.3	-6.0	5.0	-1.4	-5.1	0.7	.	.
of which								
Crop production								
- in CZK billions	37.4	34.7	35.7	36.4	35.1	34.5	.	.
- in %	4.6	-7.2	2.9	2.1	-3.6	-1.7	.	.
Livestock production								
- in CZK billions	45.7	43.4	46.3	44.5	41.7	42.8	.	.
- in %	-7.3	-4.9	6.7	-4.0	-6.3	2.8	.	.

1) Constant prices as of 1 January 1989; since 1997 not monitored

2) Since 1996 the Index of Industrial Production based on statistics for production of selected products

3) Natural entities both registered and not registered in the companies register included

4) Constant prices

5) 1989 prices

Source: CSO

PRODUCER PRICES

	change in %											
	1995		1996		1997		1998		1999		2000	
	12	average	12	average	12	average	12	average	12	average	12	average
INDUSTRIAL PRODUCER PRICES												
a) previous month = 100	-0.2	0.6	0.0	0.4	0.2	0.5	-0.4	0.2	0.6	0.3	0.7	0.7
b) same period of last year = 100	7.2	7.6	4.4	4.8	5.7	4.9	2.2	4.9	3.4	1.0	5.1	4.6
c) average of 1994 = 100	9.4	7.6	14.1	12.7	20.6	18.2	23.3	24.0	27.5	25.2	30.3	29.5
d) December 1993 = 100	14.6	12.7	19.6	18.1	26.4	23.9	29.2	29.9	33.6	31.2	36.6	35.8
e) moving average	7.6	x	4.8	x	4.9	x	4.9	x	1.0	x	2.1	x
CONSTRUCTION WORK PRICES												
a) previous month = 100	0.1	1.0	0.5	0.9	0.7	0.9	0.2	0.6	0.1	0.3	0.4	0.4
b) same period of last year = 100	12.3	10.6	11.2	11.3	11.9	11.3	7.0	9.4	3.5	4.8	3.3	3.3
c) average of 1994 = 100	15.2	10.6	28.0	23.1	43.3	36.8	53.3	49.7	58.7	56.9	60.8	60.2
d) December 1993 = 100	24.6	19.6	38.5	33.1	55.0	48.1	65.9	62.0	71.7	69.8	74.0	73.3
e) moving average	10.6	x	11.3	x	11.3	x	9.4	x	4.8	x	4.1	x
AGRICULTURAL PRODUCER PRICES												
b) same period of last year = 100	6.1	7.6	6.8	8.3	2.5	2.9	-9.5	2.3	0.6	-11.7	2.2	0.8
e) moving average	7.6	x	8.3	x	2.9	x	2.3	x	-11.7	x	-9.9	x
of which:												
crop products												
b) same period of last year = 100	15.6	7.1	12.8	16.7	-4.3	3.3	-10.9	-5.4	-7.6	-15.0	-8.9	-11.1
e) moving average	7.1	x	16.7	x	3.3	x	-5.4	x	-15.0	x	-14.8	x
livestock products												
b) same period of last year = 100	2.8	8.1	4.4	5.1	2.8	2.1	-8.1	5.9	5.0	-10.5	4.9	2.8
e) moving average	8.1	x	5.1	x	2.1	x	5.9	x	-10.5	x	-8.0	x
MARKET SERVICES PRICES												
a) previous month = 100	.	.	-0.3	0.4	1.8	0.8	-4.2	-0.4	-0.7	-0.9	-1.6	-0.6
b) same period of last year = 100	.	.	5.5	6.2	11.2	9.2	-4.9	6.0	-10.8	-14.3	-6.7	-7.9
c) average of 1994 = 100	.	.	17.9	16.3	31.2	26.8	24.8	34.5	11.3	15.3	9.3	10.3
d) December 1993 = 100	.	.	19.6	17.9	33.0	28.5	26.5	36.5	12.9	16.9	10.8	11.9
e) moving average	.	.	6.2	x	9.2	x	6.0	x	-14.3	x	-13.8	x

- a) average = average monthly growth rate in the year
 b,c,d) average = average since the start of the year
 e) average of indices for last 12 months against average for previous 12 months

Source: CSO

RATIOS OF KEY INDICATORS TO GDP
--

	ratio in %						
	1993	1994	1995	1996	1997	1998	1999
State budget balance	0.1	0.9	0.5	-0.1	-0.9	-1.6	-1.6
Public budgets balance	2.3	0.5	0.2	-1.4	-1.7	-1.6	-0.7
Public debt	18.9	17.9	15.9	13.8	13.5	14.1	16.2
Indebtedness in convertible currencies	24.9	25.4	31.9	36.2	44.3	39.9	44.3
Trade balance 1)	-0.4	-3.0	-6.9	-10.0	-8.3	-4.4	-3.8
Current account balance	1.3	-1.9	-2.6	-7.4	-6.1	-2.4	-2.0
M2	69.1	71.4	73.3	70.3	73.0	71.2	75.4

Note: ratio = indicator/GDP in current prices

1) Source: CSO

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NA PŘÍKOPĚ 28
115 03 PRAHA 1
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Contact:
PUBLIC RELATIONS DIVISION
tel.: 02/2441 3494
fax: 02/2441 2179
<http://www.cnb.cz>

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