INFLATION REPORT

OCTOBER 2000

CZECH NATIONAL BANK

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CONTENTS:

ABBREVIATIONS USED:

AEBP	average European border price
CNB	Czech National Bank
CPI	consumer price index
CSO	Czech Statistical Office
CZK	Czech koruna
ČSOB	Československá obchodní banka
ECB	European Central Bank
EU	European Union
EUR	euro
FRA	forward rate agreement
GDP	gross domestic product
HWWA	aggregate price index for raw materials and food
IPB	Investiční a Poštovní banka
IRS	interest rate swap
L	a monetary aggregate (see part 3.1.1)
LIBOR	London Interbank Offered Rate
m-o-m	month-on-month
M1	a monetary aggregate (see part 3.1.1)
M2	a monetary aggregate (see part 3.1.1)
PPI	producer price index
PRIBID	Prague Interbank Bid Rate
(1W, 1M, 1Y)	(one-week, one-month, one-year)
PRIBOR	Prague Interbank Offered Rate
SITC	Standard International Trade Classification
USA	United States of America
USD	US dollar
VAT	value added tax

I. INTRODUCTION

In 2000 Q3, the economy experienced continuing recovery, a modest pick-up in net inflation and a widening of the trade deficit in nominal terms, generated chiefly by external price factors. Growth in energy raw materials prices, bolstered by the koruna's depreciation against the US dollar, led to rising cost-push inflationary pressures. Food prices also increased, affected by rising agricultural producer prices. Wage-cost and demand-pull pressures, acting in the longer run, remained subdued.

Overall year-on-year inflation was flat in Q3. However, the two main components of the CPI showed contrary trends, with net inflation rising and regulated price inflation slowing. Within the net inflation index, food price inflation picked up while adjusted inflation declined. The slightly higher-than-expected rise in food prices was caused by weakened import arbitrage (owing to the exhausting of meat import quotas) and by rapidly rising agricultural producer prices. The external cost shock led to an increase in industrial producer prices. However, its pass-through into consumer prices continued to be offset by low consumer demand and the strongly competitive environment on the retail market.

The figures on the real economy in Q2 confirmed the continuing economic recovery. The growth in GDP was slowed by net exports, unlike in Q1, when net exports had contributed positively to GDP growth. The growth rate of household demand remained relatively low, in keeping with the trend in household disposable income, as did the growth rate of government consumption. In Q2, the GDP growth was accelerated chiefly by investment demand. With gross fixed capital formation picking up, investment in machinery and equipment showed robust growth. Owing to the continuing positive structural changes on the supply side, the expected moderate pick-up in domestic demand growth should lead neither to a widening external imbalance in real terms nor to a rise in inflationary pressures.

In Q3, the labour market experienced a slowing rate of decline in employment, growth in the number of vacancies per job applicant and stabilisation of the unemployment rate. As in Q2, the unemployment rate was affected positively by the continuing economic recovery, the inflow of foreign investment and the active employment policy. Unit wage costs again did not signal any growth in wage-cost inflationary pressures.

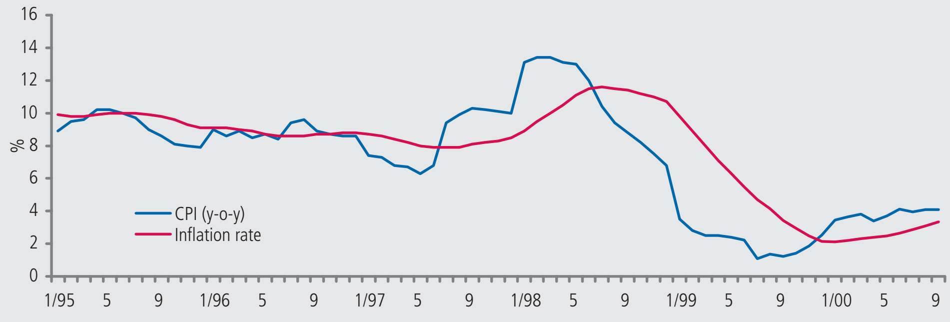
In Q3, monetary policy was based on the medium-term outlook for demand and cost factors published in the July Inflation Report. However, it took into account the possible future inflationary risks stemming from cost pressures, which strengthened relative to the Q2 expectations, although a short-lived effect and gradual easing continued to be expected. The developments on the food market led to a change in the forecast food price profile and in the conditional forecast for both net and overall inflation up to mid-2001. The cost pressures ensuing from high oil prices fed through into the economy chiefly via their direct effects on fuel prices. The indirect effects, which were at the forefront of monetary policy considerations, remained subdued by the competitive environment in the economy and by the slow growth in consumer demand. Following an assessment of the expected economic developments and the associated risks, the inflation forecast for end-2001 was left unchanged. In the course of Q3, the CNB's monetary policy interest rates were assessed as consistent with the inflation target for 2001 and remained unchanged.

The conditional inflation forecast for 2001 assumes a gradual easing of the inflationary effect of the external cost factors, continuing insignificant demand pressures and a moderate rise in food prices. At the end of 2001, year-on-year net inflation should be within the target range.

II. INFLATION DEVELOPMENT

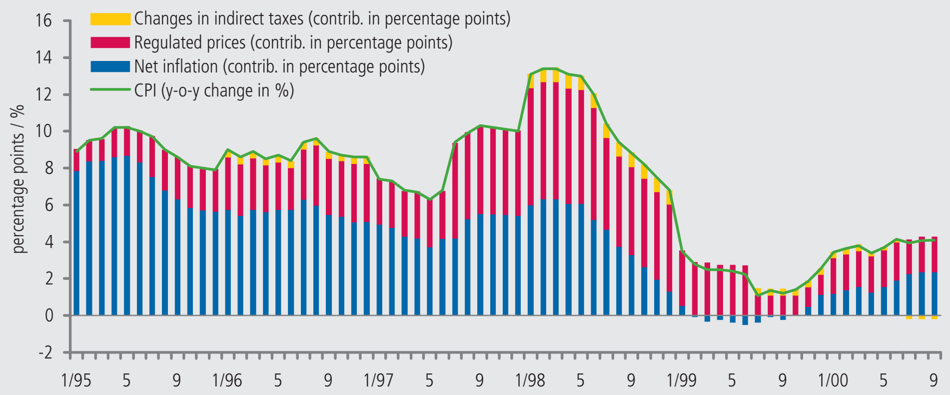
Year-on-year consumer price inflation was flat in 2000 Q3. Following a slight decrease in July, it moved in August and September at the level achieved at the close of the previous quarter (4.1%). The inflation rate[1] rose to 3.3% in September.

CHART II.1 CPI and inflation rate from 1995 to September 2000



The year-on-year consumer price inflation, which moved around 4% in Q3, was primarily due to cost impulses, which passed through into net inflation. The continuing modest recovery in domestic demand did not give rise to inflationary pressures in the economy. Despite slowing, regulated price inflation continued to contribute significantly (almost 50%) to consumer price inflation. Changes in indirect taxes had a negative effect on consumer price inflation (see Chart II.2).

CHART II.2 Structure of CPI inflation (y-o-y)

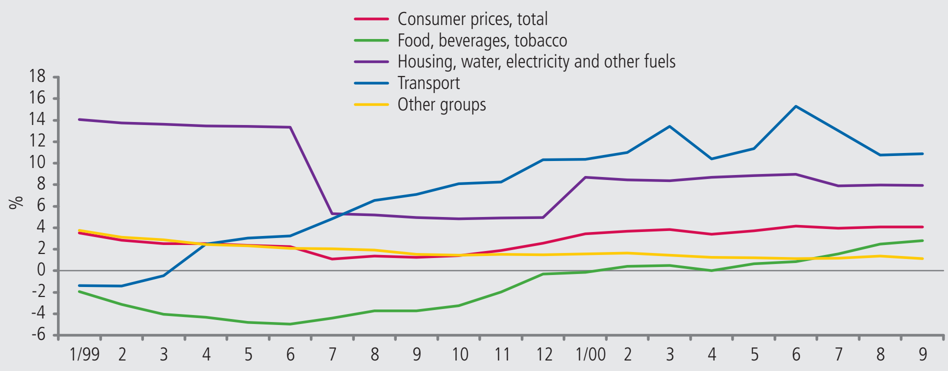


While overall consumer price inflation was stable, the price developments in the individual commodity groups included in the consumer basket[2] differed sharply in Q3 (see Chart II.3). Prices of commodities affected by cost factors either showed faster year-on-year growth or maintained their high rate of increase, whereas prices in other groups either rose more slowly or fell.

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.

2 The consumer basket used by the CSO for measuring the consumer price index.

CHART II.3 CPI and prices of consumer basket groups
(y-o-y change in %)



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

The slowdown in regulated price inflation during 2000 Q3 was due to the less extensive changes made to prices of centrally regulated items in July compared with a year earlier. The change in regulated prices in Q3 was attributable largely to a 4.6% increase in regulated rents in July.

Other administrative influences excluded from net inflation (outside the framework of regulated prices)

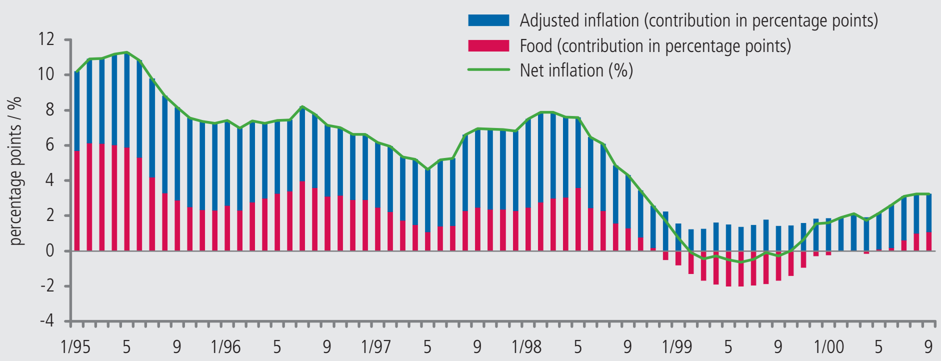
During the course of 2000 Q3 no changes were made to excise tax nor were any other administrative measures taken whose effects would have been excluded from net inflation. However, the year-on-year price indices continued to be affected by the change in indirect taxes on services in restaurants and hotels in force since 1 April 2000, when VAT on these services had been shifted from the higher rate to the lower rate. As expected, though, there was no corresponding fall in the prices of these services, and this was reflected in net inflation (see Chart II.2).

Net inflation[3]

During the course of 2000 Q3, year-on-year net inflation rose by 0.6 percentage points to 3.2%. This rise was due to a pick-up in food price inflation. Year-on-year adjusted inflation was lower than at the end of the previous quarter. Nevertheless, it continued to account for roughly two thirds of the net inflation outturn.

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.

CHART II.4 Structure of net inflation (y-o-y)



Net inflation factors

The rise in net inflation was chiefly due to cost factors. Unlike in Q2, when external factors had dominated, in Q3 net inflation was influenced mainly by domestic factors. This resulted primarily from medium-term cost pressures from agricultural primary producers. These pressures were also fostered by temporary excess domestic demand for a number of important products resulting from the exhausting of duty-free quotas for imports.[4]

Energy raw materials prices on world markets had a smaller effect on the change in the year-on-year adjusted inflation outturn than in the previous quarter.[5] Fuel prices, which are a consumer basket item,[6] showed slower growth. There was no major pass-through of the high prices of fuels and other oil-related products into the other components of adjusted inflation. This was largely due to the weak growth in domestic demand and the strong competition on the retail market, which prevented any significant pass-through of the external cost pressures into prices. For tradables, price competition from products imported for the retail market also prevented the cost factors from passing through any more strongly into inflation. This is evidenced most clearly by the aforementioned structural developments in consumer prices, especially in the group of other consumer basket commodities, where a trend towards slower year-on-year inflation has been apparent during the course of 2000 (see Chart II.3).

Food prices[7]

Growth in food prices picked up markedly in 2000 Q3, from 0.4% at the end of June to 2.8% at the end of September. The main reason for this was the aforementioned pass-through of cost pressures from agricultural primary producers into food industry prices and subsequently into consumer prices of food. However, this process was evident in only some groups of food products, most notably meat and meat products, which accounted for roughly 80% of the increase in consumer prices of food. In addition, the cost effects were bolstered by the aforementioned temporary weakening of import arbitrage, so that prices rose notwithstanding the persisting

4 For details see "Costs and prices".

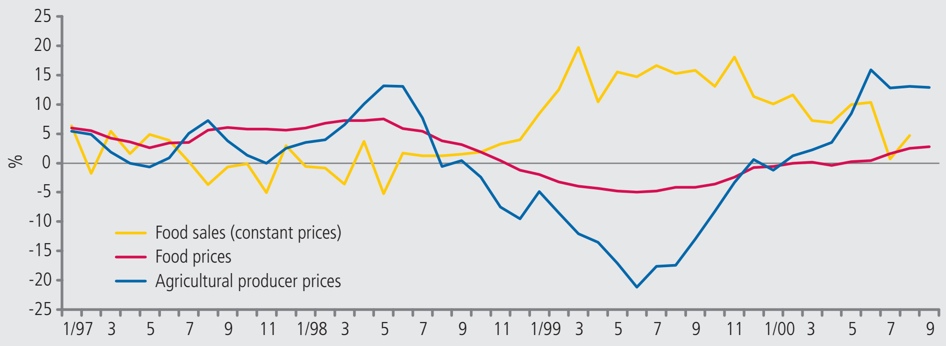
5 Although external cost factors had a smaller effect on the change in the year-on-year adjusted inflation outturn in Q3 compared with Q2, their share of the year-on-year adjusted inflation outturn at the close of Q3 continued to be substantial.

6 Although fuel prices (CZK/litre) increased again in September compared with June, the year-on-year growth in fuel prices slowed in the same period owing to base effects (strong growth in oil prices and subsequently fuels had already been apparent in the same period a year ago).

7 Adjusted for administrative influences.

strongly competitive environment on the food retail market and the ability of the retail market[8] to date to dampen effectively the growth in supplier prices. Prices in most other food groups continued declining in Q3 in year-on-year comparison.

CHART II.5 Prices and sales of food and agricultural producer prices
(y-o-y change in %)

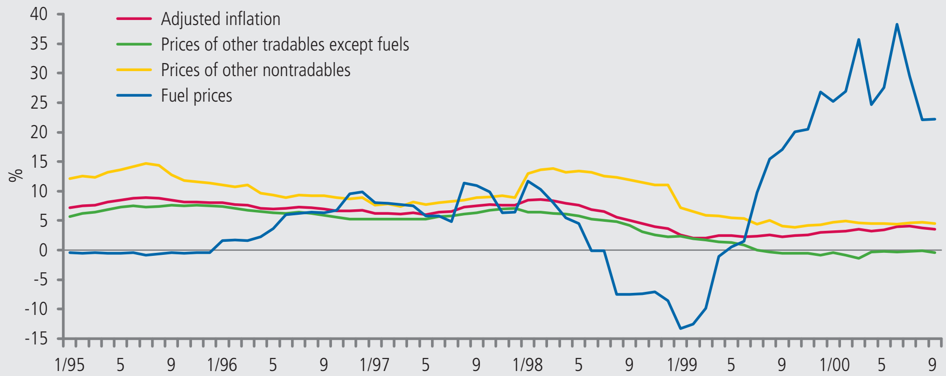


Note: Food prices adjusted for administrative influences

Adjusted inflation[9]

At the end of 2000 Q3, year-on-year adjusted inflation was 0.5 percentage points lower than at the end of Q2, at 3.5%. The decline was brought about by a slowdown in the year-on-year growth in fuel prices and a continuing decline in prices of other tradables (except fuels). Year-on-year other nontradables inflation was flat in Q3 (see Chart II.6). The prices of both other nontradables and tradables suggested that the slight upturn in demand for non-food goods and services had yet to generate any inflationary demand impulses. On the contrary, in the climate of strong competition on the market it was continuing to prevent pass-through of the cost pressures into prices.

CHART II.6 Components of adjusted inflation
(y-o-y change in %)



8 Particularly retail chains.

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

Prices of other tradables except fuels, which are strongly affected by foreign competition, continued to decline in year-on-year terms (by 0.24% in July, 0.06% in August and 0.37% in September). The continuing decline in prices in this group resulted not only from the competitive environment and weak domestic demand, but also, for imported goods, from the favourable CZK/EUR exchange rate, which to a significant extent offset the rise in prices abroad.

The year-on-year growth in other nontradables prices, which are affected predominantly by internal factors, moved around 4.5% in Q3. The relative stability of their year-on-year growth was due to the stable growth rate for prices of items in the categories of housing and restaurants and hotels.[10]

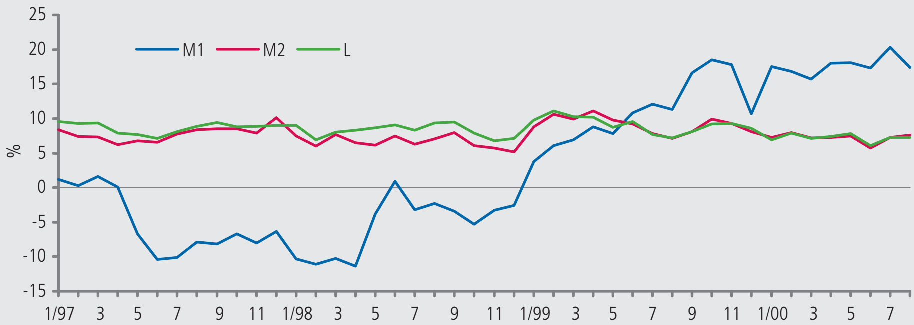
10 As a rule this concerns the services items in these groups.

III.1 Money, interest rates and exchange rates

III.1.1 Monetary aggregates

M1 continued to grow at a different rate than M2 and L between June and August 2000. The highly liquid money measured by M1 showed buoyant growth, reflecting in particular the current level of interest rates and higher demand for liquid money due to the economic recovery. The growth rate of the broader aggregates M2 and L eased slightly, although it continued to outpace nominal GDP growth. The monetary aggregate trend is in keeping with the current monetary policy settings; it reflects the economic recovery and does not indicate any inflationary pressures.

CHART III.1 Monetary aggregates M1, M2 and L
(y-o-y change in %)



Definition of monetary aggregates:
M1 = currency in circulation + CZK demand deposits   M2 = M1 + quasi money
L = M2 + T-bills + CNB-bills in portfolios of domestic non-banks

Monetary aggregate M2

Year-on-year money supply growth fell sharply from 7.5% in May to 5.7% in June. In August, however, it reached 7.6%. The annualised seasonally adjusted money supply increases for the last six months indicate that lower money supply growth can be expected in the near future.

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

Year 2000		Annualised for last		
	1 month	3 months	6 months	1 year
May	0.0	6.5	8.6	7.5
June	-0.5	1.4	7.1	5.7
July	0.3	-0.6	6.3	7.3
August	1.5	5.4	6.0	7.6

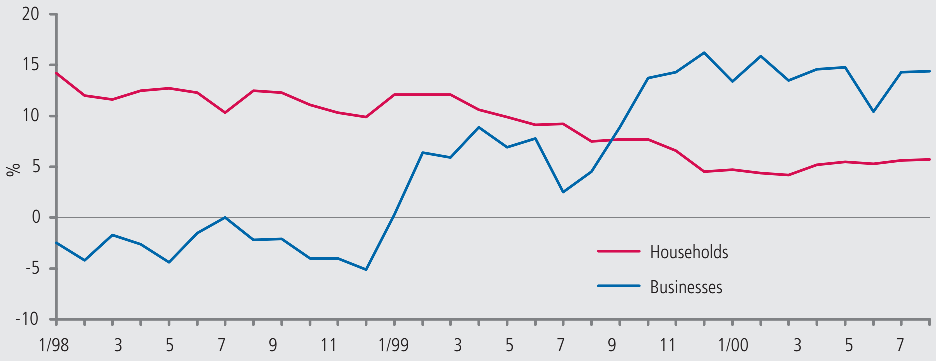
Note: Seasonally adjusted according to deviations from the series smoothed by the centred moving average method (length 13)

Sector structure of M2

The trend towards faster money supply growth in the corporate sector seen since the beginning of 1999 Q4 continued into June–August. Year-on-year money supply growth in households edged up from 5.3% to 5.7% between June and August, while in the corporate sector it increased from 10.4% to 14.4%. The buoyant money supply growth in the corporate sector chiefly reflected the continuing economic recovery and the rising demand for money. The high growth rates in the corporate sector in June and July were attributable mainly to a rise in the volume of demand deposits. In August, when several banks announced increased interest rates on time deposits, the volume of time deposits recorded larger growth. In the corporate sector, the volume of foreign currency deposits also increased in July and in August. However, this rise did not apply across the board and did not imply a mass flight from koruna deposits into foreign currency deposits.

For households, the volume of demand deposits rose in June–August while the volume of time deposits declined owing to the conversion of part of the latter into currency in circulation. Households' foreign currency deposits remained flat.

CHART III.2 M2 by sector
(y-o-y change in %)



Monetary aggregate L

The long-term trend similarity between the monetary aggregates M2 and L continued into mid-2000. Following a temporary fall in June, year-on-year L growth picked up to 7.3% in July and remained at this level in August. The matching trend for these two aggregates is due to the small share of short-term securities in the assets of the corporate sector and households. The volume of these in non-bank portfolios remained flat throughout the June–August period.

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

Year 2000		Annualised for last		
	1 month	3 months	6 months	1 year
May	0.3	6.7	8.4	7.8
June	-0.1	4.5	7.6	6.1
July	0.2	1.7	6.9	7.3
August	1.6	7.0	6.9	7.3

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 annualised seasonally adjusted L data for the last six months show a tendency towards lower year-on-year growth.

Monetary aggregate M1

Year-on-year growth in M1 remained buoyant in June–August 2000. This was due to the nominal level of interest rates, which was at a historical low, stimulating demand for highly liquid money. As a result, the M2 structure is changing significantly. Currency in circulation accounted for 12% of the total money stock at the end of August, the highest level to date. The growth in currency in circulation was temporarily affected in June by the situation around IPB.

In addition to nominal interest rates, the M1 trend reflects the economic recovery and the associated higher demand for highly liquid money. However, in view of the current growth for the last one and three months (see Table III.3), a gradual decline in the M1 growth rate can be expected. In the context of the overall money supply trend, which is showing a modest tendency towards reduced growth, the M1 trend does not pose any inflationary risk.

Table III.3 Increases in M1 (in %)

Year 2000	Increase for last			
	1 month	3 months	6 months	1 year
May	2.2	5.1	5.0	18.1
June	2.7	8.6	8.6	17.3
July	1.7	6.7	10.7	20.3
August	0.7	5.1	10.5	17.4

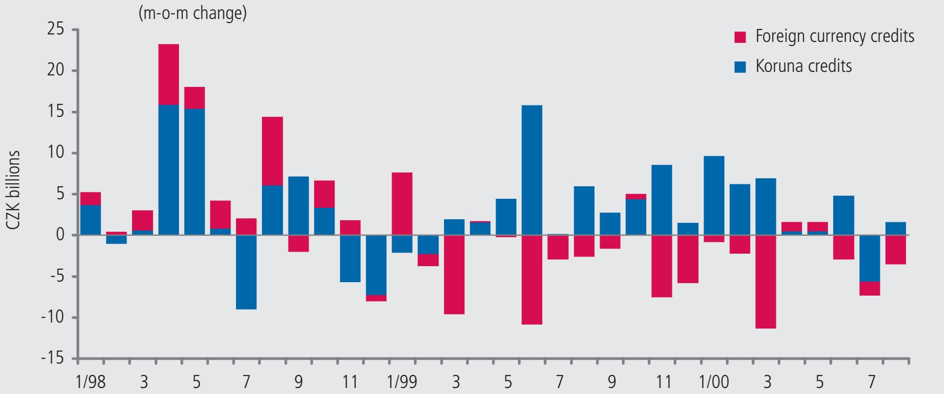
Note: Not seasonally adjusted because of the low significance of seasonal factors

III.1.2 Credits granted to businesses and households

Bank lending (adjusted for exchange rate influences, write-offs, interest capitalisation, banks with licences revoked and operations linked with credit portfolio restructuring) showed average year-on-year growth of 1.0% in June–August. The total volume of credits fell by CZK 7.4 billion in the same period. The decline in credits was attributable mainly to foreign currency credits, which dropped by CZK 8 billion, while koruna credits rose by CZK 0.6 billion. Growth in koruna credits was recorded in June and August, chiefly by foreign banks. Foreign currency credits declined throughout the period. The average year-on-year increase in koruna credits was 4.7%, whereas foreign currency credits fell by 17.8% on average.

The small increases in lending do not apply across the entire banking sector and the trend differs in the various bank categories. Large banks are experiencing a stagnation or even fall in lending, whereas foreign and other banks (Konsolidační banka excluded) are showing stable year-on-year increases. However, despite the economic recovery, lending did not contribute to the higher supply of money in June–August.

CHART III.3 Adjusted koruna and foreign currency credits
(m-o-m change)



Note: Adjusted for exchange rate influences, write-offs, interest capitalisation and banks without licences

The year-on-year increases in the volume of adjusted credits in June–August fell short of the year-on-year inflation outturns. In real terms they were -3.0% on average, their lowest level since the beginning of this year.

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

Year 2000	Increase for last			
	1 month	3 months	6 months	1 year
May	-0.3	-1.1	0.2	1.7
June	0.5	0.0	1.0	1.4
July	-0.5	-0.4	-0.8	1.1
August	0.1	0.0	-1.0	0.6

Note: Adjusted for exchange rate influences, write-offs, interest capitalisation, banks with licences revoked and seasonal effects

The stagnation in lending chiefly concerned credits granted to businesses, with credits granted to households continuing their modest rise. An increase in mortgage credits and an associated increase in household expenditure on housing was recorded in June–August. Credits for temporary shortage of funds also increased. However, the share of both categories in overall lending remained very low, standing at 3.7% for mortgage credits and 8.9% for credits for temporary shortage of funds at the end of August. A slight rise was also recorded for consumer credits. In August, consumer credits represented 2.4% of total credits. In June–August, the share of investment credits in total credits rose, while that of operating credits fell.

By time structure, medium- and long-term credits increased modestly in June–August, while short-term credits fell. Long-term credits accounted for the largest share (42.5%) of total credits at the end of August, followed by short-term credits with 36.1% and medium-term credits with 21.4%. The share of long-term credits showed the biggest growth in June–August, rising by 0.6 percentage points.

III.1.3 Interest rates

At the shorter end of the yield curve, the interest rate trend in 2000 Q3 can be characterised as flat. The longer end showed a very moderate decline. The stability of money market rates was associated with the CNB's unchanged interest rate settings. No factors that would significantly affect longer-term rates emerged. Yield curve slopes remained positive on all segments of the financial market. This indicates that financial market participants are expecting a modest rise in rates in the future. This is associated primarily with expectations of higher inflation relative to the current outturns. The decline in average client interest rates, on both credits and deposits, halted in Q3.

III.1.3.1 Short-term interest rates

As in previous quarters, interest rates were broadly stable in 2000 Q3. The CNB left its interest rate settings unchanged in this period. The 2W repo rate was left at 5.25%, the Lombard rate at 7.5% and the discount rate at 5.0%. At the turn of July, PRIBOR rates with 6M–1Y maturities edged up temporarily owing to heightened nervousness on the market connected with the situation around IPB. However, the increase did not exceed 0.2 percentage points. There were no further movements in the remaining period. The PRIBOR yield curve maintained its slightly upward profile throughout the period under review.

CHART III.4 Key rates

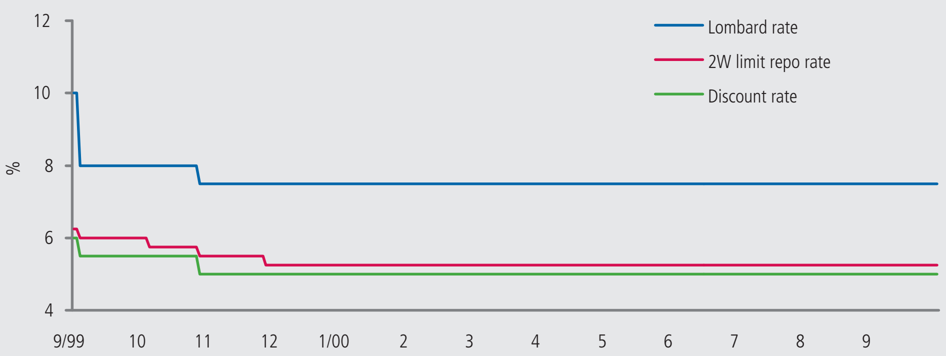
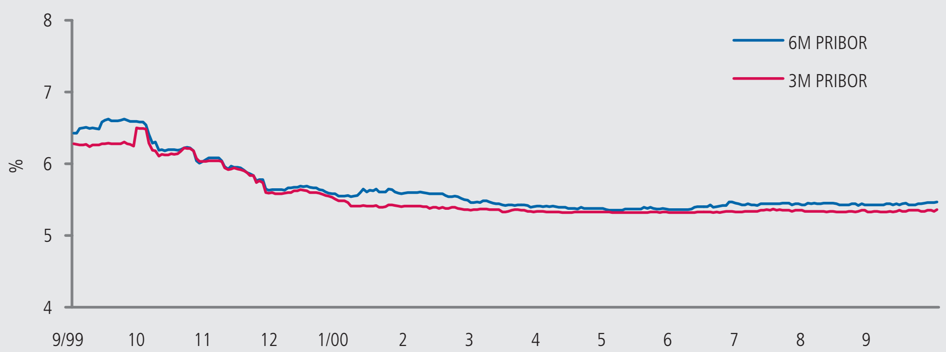
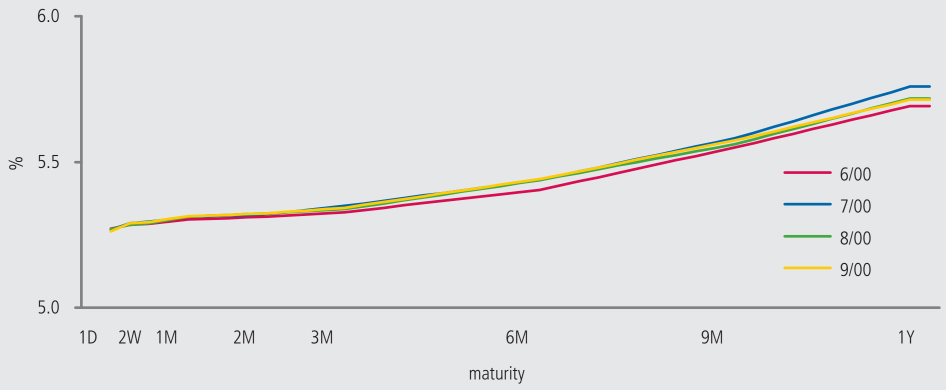


CHART III.5 3M and 6M PRIBOR rates



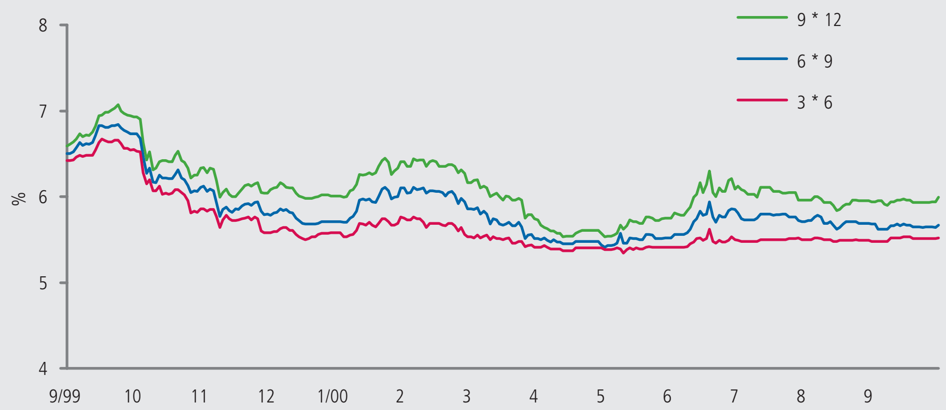
In the course of Q3, the PRIBOR yield curve remained essentially unchanged. The short end remained stable, while minimal changes in the order of hundredths of a point occurred from 3M maturities upwards. Overall, the average 1W PRIBOR rate was flat relative to June at 5.29% and the 1Y PRIBOR rate reached 5.71%. The spread between the two rates was +0.42 percentage points.

CHART III.6 Yield curve for PRIBOR rates



FRA rates are generally more volatile than PRIBOR rates. This was seen at the turn of June and July, when there was increased nervousness on the market associated with the situation around IPB. This situation soon calmed and no other fluctuations occurred in the period under review. The FRA quotations from the end of September indicated (like the slope of the PRIBOR yield curve) that market participants were expecting rates to rise modestly (in the case of the 3M PRIBOR rates by 0.15 percentage points at the close of the year and by 0.7 percentage points at the one-year horizon).

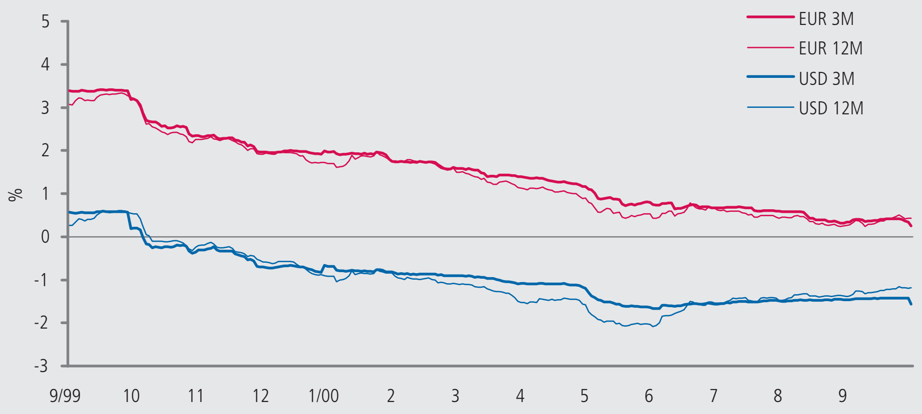
CHART III.7 3M FRA rates - offer



The short-term bond market comprises T-bills only. There were twelve issues on the primary market, with 3M, 6M, 9M and 1Y maturities. Investor demand in the auctions constantly exceeded supply, so the announced gross yields were always below the set limit, varying between 5.3% and 5.5% depending on maturity and the market situation. On the secondary market, T-bill yields followed the PRIBOR rates.

The interest rate differential (PRIBID/CZK-LIBOR/EUR,USD) was affected by the changes in eurozone rates. The most important repo rate was raised by 0.25 percentage points to 4.50% (on 31 August). In the USA the key overnight rate remained unchanged at 6.5%. The interest rate differential therefore narrowed only slightly during the period under review. At the end of September, the interest rate differential vis-à-vis the euro had narrowed to 0.3–0.4 percentage points depending on maturity. Against the dollar it showed negative values of -1.2 to -1.6 percentage points. Nevertheless, there were no implications for the structure of deposits, nor did any currency conversions take place.

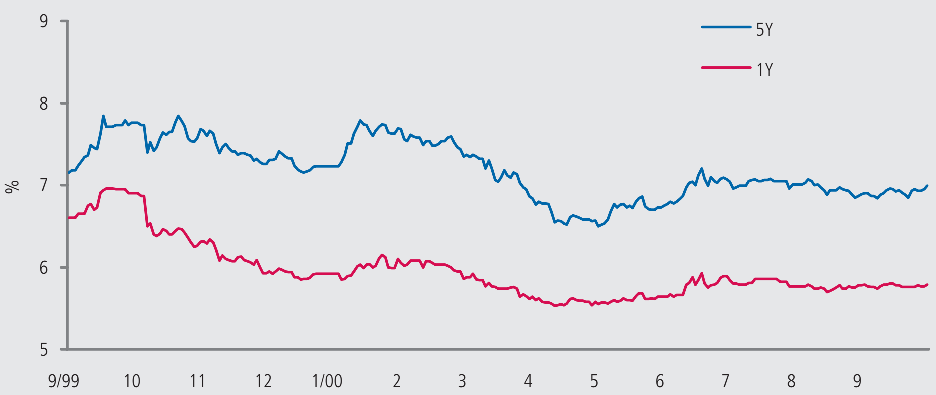
CHART III.8 Interest rate differential vis-à-vis rates in EUR and USD



III.1.3.2 Long-term interest rates

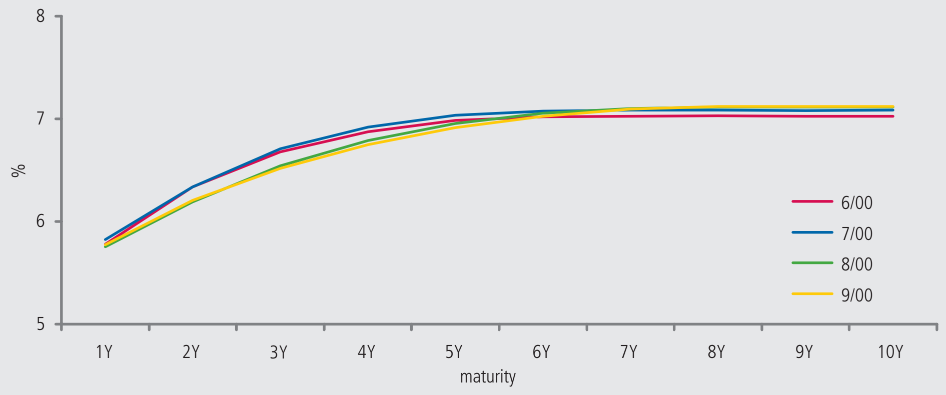
Long-term IRS rates declined very slightly over the period as a whole. There were several reasons for this. The IPB-related nervousness on the market soon unwound, and expectations of economic growth had already been incorporated into the quotations. Even certain external factors (the situation on the oil and dollar markets) did not seem so significant as to lead to a rise in rates. In comparison with June, rates at individual maturities were down by 0.1–0.2 percentage points.

CHART III.9 IRS rates



The IRS yield curve changed only negligibly, keeping its positive slope in the shorter part and remaining flat from 6Y maturities upwards. In September, the average 5Y–1Y spread was +1.14 percentage points and the 10Y–1Y spread +1.35 percentage points.

CHART III.10 Yield curve for IRS rates



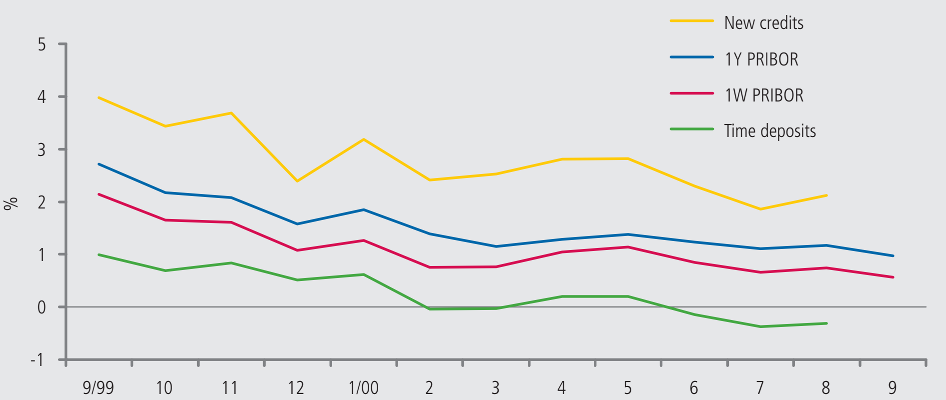
There were three auctions on the primary bond market, with 7Y, 10Y and 3Y maturities and totalling CZK 13 billion. The average gross yields were 6.97%, 7.04% and 5.93% respectively. On the non-state-bond market there were four issues, with a total volume of CZK 13.5 billion, and one mortgage bond issue totalling CZK 1.1 billion. Issuing activity continued on the primary koruna eurobonds market, with five bonds issued totalling CZK 7 billion. The outstanding volume of eurobonds was CZK 68.7 billion at the end of September.

III.1.3.3 Client interest rates

Client interest rates have been very modestly declining since the start of this year, reflecting the trend in money market rates, from which they mostly derive. In August, interest rates on newly granted credits stood at 6.7% and rates on time deposits at 4.2%. Since credit and deposit rates declined at roughly the same pace, the interest rate margin between them was almost unchanged at 3.8 percentage points in August.

Real interest rates[11] also showed a downward trend, with nominal interest rates declining and expected inflation outturns rising. Overall, however, the changes during Q3 were only in the order of tenths of a point. In August, real interest rates on newly granted credits stood at 2.1% and those on time deposits at -0.3%.

CHART III.11 Real interest rates - ex ante



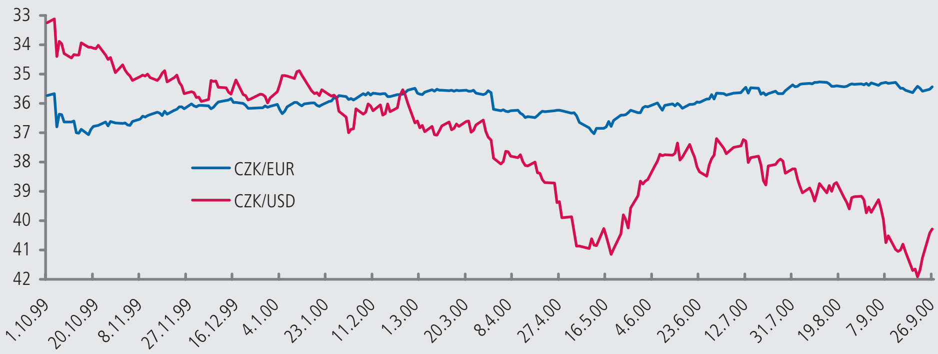
11 Ex ante real interest rates – nominal rates deflated by the CPI outturns expected by financial market participants in individual months. The CNB started measuring inflation expectations on the financial market in May 1999.

III.1.4 The exchange rate

The koruna's exchange rate vis-à-vis the euro was very stable by historical standards during the course of 2000 Q3. The most frequently recorded values were in the range of CZK 35.40–CZK 35.60 to the euro. The maximum was CZK 35.72 (reached on 4 July) and the minimum CZK 35.28 (on 11 August). Short-term depreciation pressures emerged during July–September, but only as a secondary response to similar but much more considerable pressures on the Polish zloty from foreign currency traders. Conversely, the impulses for a moderate strengthening can be attributed to information on the incipient recovery of the Czech economy and to market expectations of higher domestic interest rates.

The koruna's exchange rate against the dollar showed a sustained depreciation tendency throughout 2000 Q3, from CZK 37.50 at the turn of June and July to almost CZK 42 on 20 September. The koruna depreciation copied the appreciation of the dollar vis-à-vis the euro. The depreciation trend was interrupted by the co-ordinated intervention of central banks in favour of the euro on 22 September. Subsequently, the koruna's exchange rate vis-à-vis the dollar strengthened from just above CZK 42 to just below CZK 40. However, this intervention had no major effect on the koruna's exchange rate against the euro.

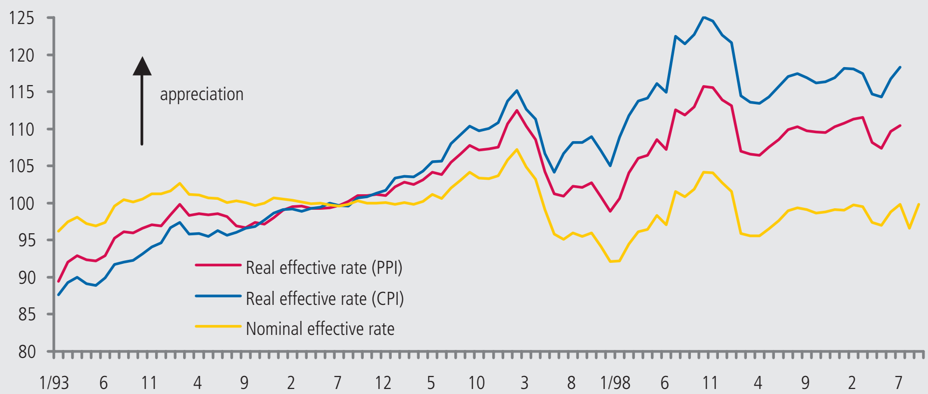
CHART III.12 CZK/EUR and CZK/USD nominal rates



Over recent months, the nominal effective exchange rate index[12] has recorded certain fluctuations (an appreciation in June and July, a depreciation in August and a renewed rise in September). These fluctuations have reflected the euro's exchange rate vis-à-vis the dollar. In Q3, the nominal effective exchange rate was 1 percentage point stronger on average than in the previous quarter. Since the start of 2000, the nominal effective exchange rate index has been moving at 98.5% of the 1995 level on average.

CHART III.13 Nominal and real effective exchange rates

(analytical rate, 1995 = 100)



12 A weighted geometric average of the average monthly 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. Russia is not included, making this analytical effective exchange rate different to the nominal effective exchange rate given in the "Exchange Rate" table in the Statistical Annex.

In Q2, both the real effective exchange rate indices monitored (based on the PPI and CPI) were around 3 percentage points weaker than in the previous quarter. This was due mainly to the fall in the nominal effective exchange rate in the same period. In year-on-year terms, both indices indicate a stronger real exchange rate.

III.1.5 Capital flows

In 2000 H1, the financial account showed a surplus of CZK 51.6 billion, which is around 3.5 times larger than the 1999 figure. The inflow of capital was again attributable almost exclusively to foreign direct investment.

Table III.5 Financial account in H1 (1994 - 2000) *(in CZK billions)*

	1994	1995	1996	1997	1998	1999	2000
Financial account	36.5	78.0	24.3	16.8	52.1	14.5	51.6
Direct investment	6.1	10.3	11.9	13.3	38.4	46.6	74.9
- Czech abroad	-2.9	-0.5	-0.6	-0.7	-1.1	-2.5	-2.0
- Foreign in Czech Republic	9.0	10.8	12.5	14.0	39.5	49.1	76.9
Portfolio investment	16.9	9.8	7.5	-4.3	27.2	8.5	-24.4
- Czech abroad	-0.3	-7.4	0.0	3.5	9.2	-8.0	-42.0
- Foreign in Czech Republic	17.2	17.2	7.5	-7.8	17.9	16.4	17.6
Other investment	13.5	57.9	4.9	7.8	-13.5	-40.5	3.5
1. Long-term investment	8.4	28.0	43.5	26.0	-3.2	4.8	33.1
- Credits granted abroad	5.7	1.8	-2.2	-5.4	-3.2	-6.5	19.3
- Credits accepted from abroad	2.7	26.2	45.7	31.4	0.0	11.3	13.8
2. Short-term investment	5.1	29.9	-38.6	-18.2	-10.3	-45.2	-29.6

The inflow of foreign direct investment reached CZK 76.9 billion in 2000 H1, the highest value since the establishment of the Czech Republic and around 65% higher than a year earlier. Foreign investors' interest was channelled primarily into the areas of services, trade and the car industry. By territory, the biggest investors were Germany, the Netherlands, Switzerland, the United Kingdom and the USA. Czech investment abroad stood at CZK 2.0 billion. The net inflow of foreign direct investment reached CZK 74.9 billion.

Portfolio investment has seen a significant change over the last year. The strong outflow of capital, which has lasted for three quarters, is chiefly due to sharp growth in domestic investors' interest in foreign equity securities. In 2000 H1, net capital outflow in the form of portfolio investment was CZK 24.4 billion. Residents' purchases of foreign securities reached CZK 42.0 billion. Of this, purchases of equity securities amounted to CZK 39.8 billion and purchases of debt securities CZK 2.2 billion. Foreign investment in Czech securities remained broadly flat at the level of the first half of the two previous years. Foreign portfolio investment in the Czech Republic stood at CZK 17.6 billion. However, owing to the decline in domestic interest rates, the structure of the inflow changed significantly in year-on-year terms, with interest in equity securities stronger (thanks to accelerated privatisation) and around twice as high as the interest in bonds.

In 2000 H1, other long-term investment recorded a net inflow of CZK 33.1 billion, an almost seven-fold increase in year-on-year terms. The changing behaviour of commercial banks accounted for most of this rise (the reduction in long-term liabilities continued, but last year's growth in long-term foreign assets was replaced by a decline this year). Drawings on long-term credits by the corporate sector recorded a relatively large increase of around CZK 6 billion.

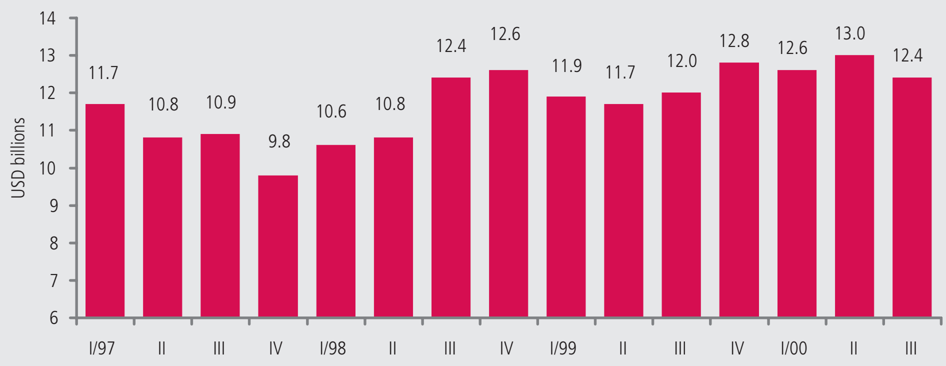
In the area of other short-term investment, the net outflow of capital continued for the fifth year in succession. However, the outflow was around one third smaller than a year earlier, amounting to CZK 29.6 billion. The banking and corporate sectors had a roughly equal share in this outflow.

In the course of 2000 H1, the corporate sector's net drawings on credits (both short-term and long-term) rose by CZK 9.7 billion. This, however, represented a year-on-year decline of more than 50%. In the banking sector in the same period, the net outflow of capital continued, although it decreased considerably to CZK 6.0 billion from CZK 58.6 billion in 1999 H1. The outflow was due largely to repayments of short-term liabilities. This different trend resulted from a significant year-on-year reduction in foreign currency surpluses on the market.

One point of interest is the continuing decline in short-term koruna assets and liabilities of commercial banks vis-à-vis non-residents, which probably reflects the changing structure of foreign direct investment and the associated reduced need for credit to finance such investment.

The CNB did not intervene on the foreign exchange market in 2000 Q3. The CNB's international reserves were affected by an August repayment of bonds (issued in 1993 to strengthen international reserves) in the amount of CZK 12.3 billion. The reserves were affected most strongly in Q3 by the strengthening of the dollar vis-à-vis the euro by around 7% and by the appreciation of the koruna vis-à-vis the euro by around 1%. In koruna terms, the reserves rose by CZK 5.2 billion to CZK 497.5 billion, whereas in dollar terms they declined by USD 0.6 billion to USD 12.4 billion.

CHART III.14 CNB international reserves



Implications for inflation

The money supply trend is fostering economic growth rather than giving rise to concerns about excessive inflationary pressures. Lending has been flat for some time and cannot be expected to rise considerably in the period up to the end of 2000.

Interest rates were flat at virtually all maturities in the course of Q3, so the yield curves remained upward sloping. Financial market participants are thus still expecting a modest rise in rates. This is linked chiefly with expectations of slightly higher inflation relative to the current outturns. However, these expectations are in keeping with the CNB's inflation target for 2001.

The continuing inflow of foreign direct investment again ensured a significant surplus on the financial account. Demand for koruna therefore outstripped supply on the foreign exchange market in 2000 H1, despite the widening current account deficit. This generated a tendency towards modest appreciation of the koruna against the euro, which helped to ease the inflationary pressures.

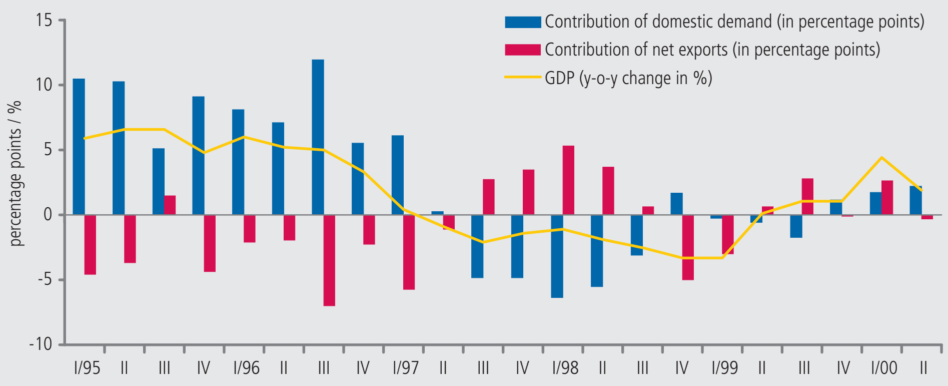
With regard to its effects on the price level, the nominal effective exchange rate can be described as neutral to slightly pro-inflationary. The stabilising effect of the koruna's exchange rate against the euro has lately been disturbed by the dollar's appreciation against the koruna. Assuming that the koruna's exchange rate against key currencies remains at the end-Q3 level, the current rate vis-à-vis the dollar can be expected to pass through gradually into domestic producer prices and subsequently into consumer prices. The extent and speed of this process will depend on the intensity of the recovery and on monetary conditions in the economy.

III.2 Demand and output

The GDP growth in 2000 Q2 (up by 1.9% on a year earlier) confirmed the continuing recovery in the Czech economy.[13] The five consecutive quarters of economic growth suggest a lasting change in trend in economic performance resulting from structural changes on the supply side and a gradual pick-up in all components on the demand side.

In contrast with the previous three quarters, however, the GDP growth was not attributable to the combined effect of rising domestic demand and net external demand,[14] but to higher domestic demand only. Particularly important with respect to future developments was the robust growth in investment demand. The continuing rise in consumer demand indicated positive expectations of future economic growth. The supply-side developments signalled the existence of positive structural trends. In particular, the rise in value added in industry – visible for two consecutive quarters and contributing most to the GDP growth – testified to increasing competitiveness resulting from the restructuring of the corporate sector. Investment imports, which were one of the factors underlying the modest negative contribution of net exports to GDP growth, also confirmed the continuing restructuring.

CHART III.15 Contribution of domestic demand and net exports to y-o-y change in GDP
(constant 1995 prices)



III.2.1 Domestic demand

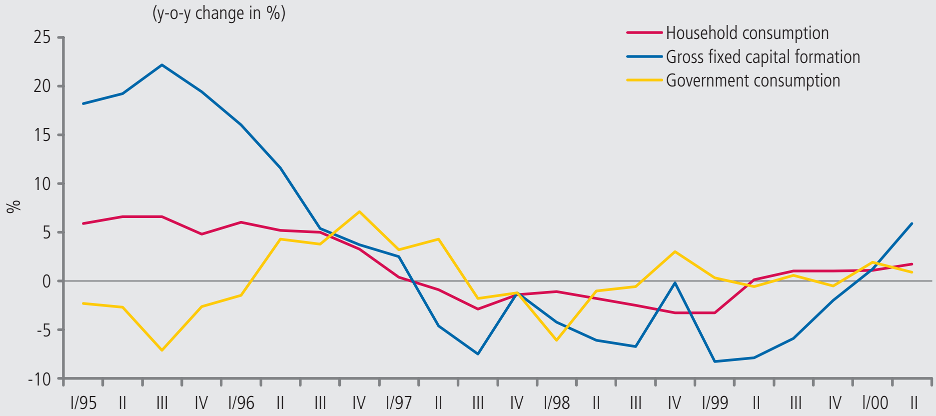
In 2000 Q2, domestic demand continued its upward trend observed in the previous quarter. Stronger growth was registered for both overall demand[15] and final demand (to 2.1% and 2.7% respectively). The marked pick-up in year-on-year growth of final demand compared with Q1 was largely due to a sizeable increase in growth in gross fixed capital formation. This important Q2 trend can be considered an indicator of investor confidence in the stability of the macroeconomic environment in the Czech economy and of expectations of favourable developments in domestic and external demand. The GDP growth in Q2 was largely attributable to consumer demand, which has been steadily increasing for more than a year. Compared with these two components of domestic demand, the rising government demand contributed negligibly to GDP growth (see Chart III.16).

13 The lower growth rate compared with 2000 Q1 was largely due to base effects.

14 Net external demand (= net exports) = exports of goods and services - imports of goods and services (in constant 1995 prices)

15 Including change in inventories

CHART III.16 Components of domestic demand
(y-o-y change in %)

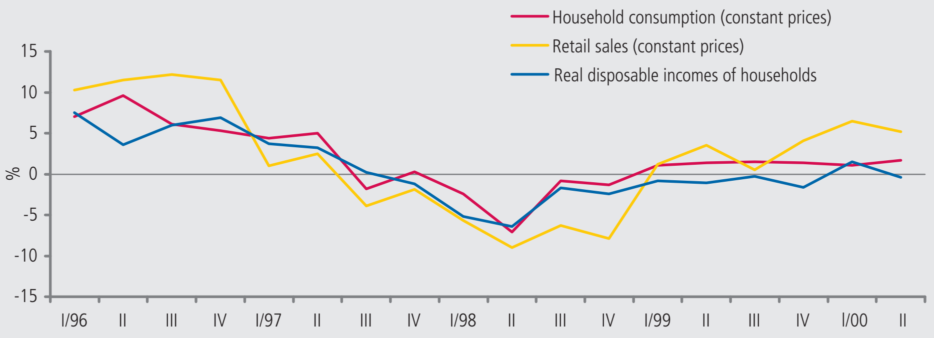


Consumer demand

The 2000 Q2 developments confirmed a continuing steady increase in private household consumption. This growth has been seen since 1999 Q1 and has fluctuated between 1.1% and 1.7%.

Unlike in 2000 Q1, households' consumer spending increased in Q2 amid flat real disposable household incomes (or a very moderate year-on-year decline of 0.4%), with the propensity to save lower than a year earlier and the use of debt forms of financing probably higher. The higher rate of debt financing – particularly since the start of this year – indicates a shift in the consumer behaviour of households compared with previous years, when households were much more circumspect in their approach to these forms of financing. At the same time, the trend indicates the confidence of households (and other entities) in continued economic growth and a subsequent improvement in their financial situation.

CHART III.17 Real disposable incomes, retail sales and consumption
(y-o-y change in %)



Note: To calculate real values, the CSO deflators of household consumption and retail sales are used.
Retail sales = total retail sales + sales in hotels and restaurants

Household consumption in Q2 did not signal any substantial structural changes. As in the previous period, its growth was strongly affected by increased spending on telecommunications. On the other hand, owing to the high fuel prices, expenditure on transport recorded a further decline. Growth of spending on clothing and household equipment were lower than in Q1 in year-on-year terms, while growth in expenditure on leisure picked up ahead of the holiday season.

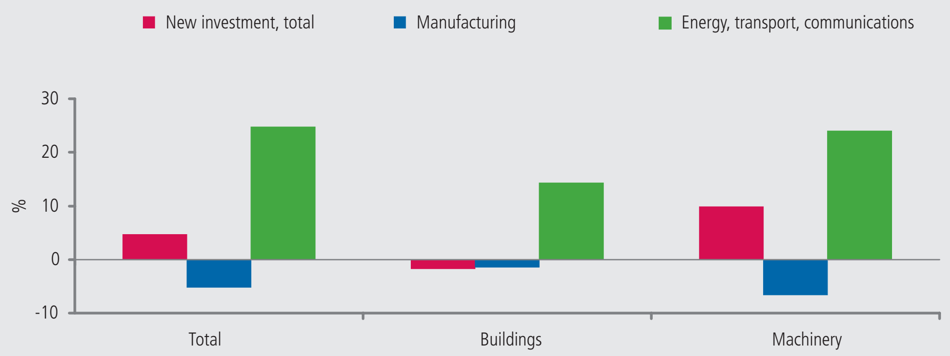
Investment demand

The increased investment demand in Q2 confirmed the change in the trend of long-term decline heralded by the Q1 figures. Unlike in the previous quarter, all economic sectors contributed to the much faster pace of investment growth in Q2 (up by 4.7 percentage points to 5.9%). The rate of investment remained high (at 27.9% in constant 1995 prices).

The strengthening investment activity chiefly reflected positive expectations of expansion in both domestic and external demand, the five-quarter-long period of growth in the Czech economy, and the phase of economic growth in Western European countries. Investment decisions were also affected by the improving financial condition of non-financial businesses.[16] Investment loans fell in year-on-year terms.

Investment demand picked up primarily in the sector of non-financial businesses,[17] which contributed most to the pick-up in investment growth in Q2. As in the previous quarter, the rise in investment was mostly attributable to large and medium-sized public businesses. An increase in investment was also registered in private non-financial firms. By contrast, the investment activity of large and medium-sized non-financial businesses under foreign control, which had previously shown constant growth, recorded a year-on-year decrease in Q2. However, given the strong foreign direct investment inflow into the Czech Republic, it is likely that this is only a temporary phenomenon.

CHART III.18 Capital investment in 2000 Q2
(y-o-y change in %)



Following its previous growth, investment demand in manufacturing fell back in Q2.[18] In parallel, some industries recorded rising investment, most notably in the new technologies associated with FDI inflows.[19] The pick-up in growth in infrastructure investment (energy, transport, communications) by the sector of non-financial businesses in Q2 was also very important for future economic growth.

16 In the case of large non-financial businesses, pre-tax profits in Q2 were 23.2% higher than a year earlier and write-offs 4% higher.

17 These accounted for 70% of overall capital investment in Q2.

18 The fall in investment in manufacturing was largely due to lower investment activity in the manufacture of metals, food and beverages and non-metallic mineral products.

19 The largest year-on-year increases were recorded in the manufacture of radio, TV and communications equipment (100%).

Following its buoyant growth in Q1, government investment demand saw only a moderate rise in Q2.[20] By contrast, household sector investment showed renewed growth resulting from a substantial rise in investment by natural persons – entrepreneurs – while individual housing construction remained stagnant.

As in Q1, the expanding investment demand was associated with relatively robust growth in investment in machinery and equipment.[21] Investment in buildings and constructions was roughly at the previous year's level following its big rise in Q1.

Government demand

Government demand, measured by spending on public consumption in constant prices, showed a year-on-year increase of 1.4% in 2000 H1, of which 0.9% in Q2. The total volume of spending on public consumption in the aggregate public budgets in the narrower sense (state and local budgets) was set at CZK 317.3 billion in nominal terms for 2000, 49.8% of which was realised by the end of June. This relatively favourable result was due largely to austerity measures with regard to drawings on the major state budget item – staff remuneration and other payments for work done (up by 0.3% in nominal terms on a year earlier), and also to savings with regard to purchases of materials, water, fuel and energy (down by 2.4% on a year earlier). At the same time, drawings on budget expenditures on staff remuneration and other payments of budgetary organisations are still subject to regulatory measures limiting them to 46% of the annual budgeted amount.

By contrast, the spending of government institutions on services was 4.5% higher than a year earlier. Owing to the growing government debt, interest and other financial expenditures were up as well (by 14.3%) despite the counteracting gradual fall in interest rates on the financial markets connected with the central bank's easing of monetary policy.

Expenditures on final government consumption saw moderate real growth in 2000 H1, following a two-year stagnation, but their contribution to the growth of the Czech economy was insignificant owing to their weight in GDP (around 20%).

III.2.2 Net external demand

Compared with the previous quarter, net external demand had no substantial effect on GDP in 2000 Q2. This was attributable to a substantial narrowing of the lead of export growth over import growth to only 0.2 percentage points, with export growth slowing faster than import growth. The worsening of this relationship led to a widening of the deficit on net exports (by CZK 1.2 billion to CZK 14.4 billion), which also meant that net exports made a slight negative contribution to GDP growth (see Chart III.15). The deterioration of the external imbalance compared with 1999 Q2 was also indicated by net exports as a percentage of GDP.

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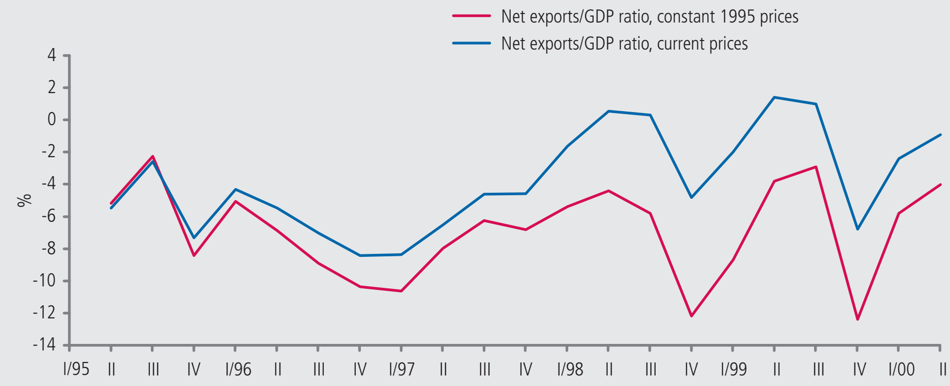
20 Adjusted for methodological changes.

21 Investment in machinery and equipment and other investment were 9.2% higher than a year earlier in 2000 Q2.

CHART III.19 Net exports / GDP ratio



Although export growth eased in 2000 Q2, it remained buoyant (14.3% in year-on-year comparison). As in previous quarters, this was fostered by very favourable sales opportunities for Czech products in advanced market economies, particularly Germany, accompanied by rising demand for Czech products in transition economies and by an expansion in export-oriented production.

Likewise, the export structure[22] confirmed a continuation of the previous period's trends. With respect to the commodity structure, the trend of year-on-year growth in the share of exports of higher-value-added products continued in 2000 Q2, reflecting the positive structural changes in the Czech economy. Particularly important was the continuing growth in exports of machinery and electrical engineering products. In 2000 H1,[23] these exports were 25.7% higher than a year earlier, accounting for more than half (51.2%)[24] of total exports. As a result of expanding demand for food commodities and industrial semi-manufactures, exports of food, raw materials and semi-manufactures also saw robust growth (up by 26%), generating a moderate rise in their share of total exports (to 15.8%).

By territory, exports continued to be oriented towards advanced market economies. The substantial growth in exports to these countries (19.3% up on a year earlier) was accompanied by a relatively moderate rise in exports to European transition economies, including the CIS (up by 13.6%), while exports to Slovakia saw only a minor increase (of 2.3%).

The increase in imports (14.1% up on a year earlier) was associated primarily with the pick-up in industrial production, higher investment imports and with expanding international production co-operation connected with the continuing integration of the Czech economy into international economic structures. As in the previous quarter, the largest year-on-year increase in Q2 was registered by imports for intermediate consumption, which thus maintained their more-than-50% share of total imports. Their growth in current prices was linked chiefly with the rising prices of energy raw materials (notably oil) on world markets and by the pick-up in domestic industrial production. The growth in imports for investment, and particularly for personal consumption, was more modest.

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22 The data on the structure of exports and imports are in current prices.

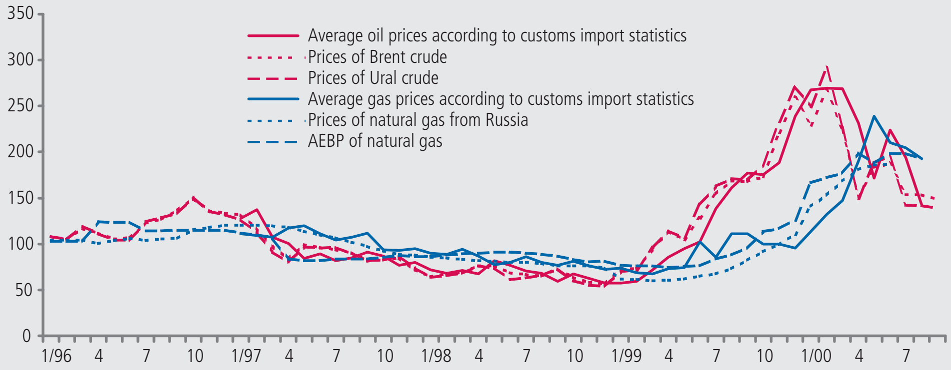
23 Corresponding year-on-year data for 2000 Q2 alone are not available owing to the revision of the foreign trade statistics.

24 1.1 percentage points higher than a year earlier.

Box: The effect of oil price changes on the balance of trade

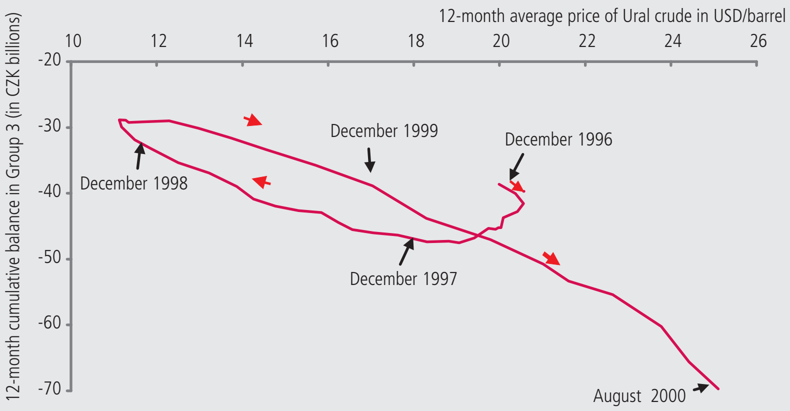
Prices of energy raw materials on world markets are strongly affecting not only changes in domestic price levels, but also external trade relations. For the Czech Republic, which is largely dependent on imports of energy raw materials, the price of oil and the price of natural gas, which is to a large extent derived from it, are an important factor of trade balance and current account developments. Prices of imported oil are very closely linked to world oil prices. The importance of this trend for the trade balance has strengthened in recent months owing to the oil price turbulence on global markets.

CHART 1 Prices of oil and natural gas
(same period of the previous year = 100)



In the SITC classification, which divides trade commodities into 10 groups, oil and natural gas are the main items in Group 3 (Mineral fuels, lubricants and related materials). Prices of Ural crude are a key medium-term factor for changes in the balance of trade in this group.

CHART 2 Price of Ural crude and trade balance in SITC Group 3 (1996 - 2000)



Prices in Group 3 accounted for 76% of the overall deterioration of the trade balance in the first eight months of 2000 (compared with the same period of 1999).

Table 1 Breakdown of deterioration in overall trade balance (Jan - Aug 2000)

	CZK millions	contribution in %
Year-on-year change in balance (Groups 0 - 8)	-43 868	100.0
of which:		
changes in material volume of exports and imports	-13 114	29.9
price effect in Group 3	-32 890	75.0
price effects in other groups	2 136	-4.9

CHART 3 Contribution of individual factors to change in trade balance
(Jan - Aug 2000)

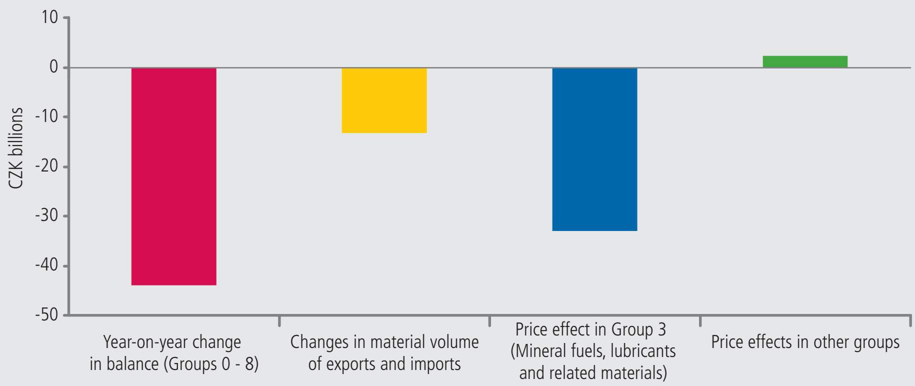
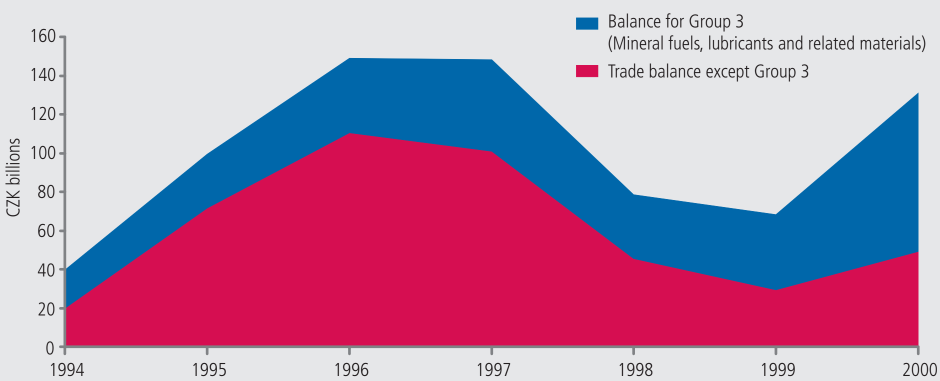


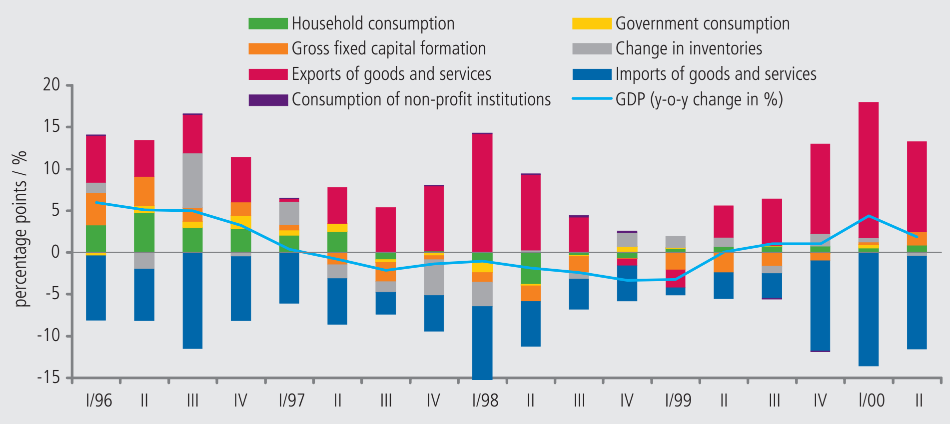
CHART 4 Trade balance in SITC Group 3 and in other groups combined
(2000: expected outturn)



III.2.3 Output

As to demand, the GDP growth in 2000 Q2 resulted chiefly from a stronger rise in domestic demand, and in investment demand in particular. By far the biggest contribution (1.6 percentage points) to the 1.9% GDP growth in Q2 came from gross fixed capital formation. The gradual strengthening of gross fixed capital formation and its increasing share in GDP growth is illustrated in Chart III.20. Household spending on final consumption also contributed significantly. Government consumption had a minor effect. Unlike in the previous two quarters, change in inventories made a negative contribution to GDP growth in Q2.

CHART III.20 Contribution of domestic demand components and net exports to GDP



The relatively large positive contribution of exports to GDP growth in Q2 confirmed the continuing strong export activities of the non-financial businesses sector. Their positive effects on GDP were, however, again offset to a large extent by the high level of imports (see Charts III.20 and III.15). The high elasticity of imports for exports was largely due to changes on the supply side, most notably the expanding production collaborations with other countries.[25]

Table III.6 Real output and demand
(y-o-y growth in %, constant 1995 prices)

	1995	1996	1997	1998	1999	I/1998	II/1998	III/1998	IV/1998	I/1999	II/1999	III/1999	IV/1999	I/2000	II/2000
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	4.4	1.9
AGGREGATE DEMAND	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	10.0	7.3
(domestic demand and exports)															
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	1.6	2.1
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	1.3	2.7
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	1.1	1.7
Government consumption	-4.2	3.5	0.8	-0.9	-0.1	-6.1	-1.0	-0.6	3.0	0.3	-0.6	0.6	-0.5	1.9	0.9
Consumption of non-profit institutions	12.9	6.3	4.9	18.7	-7.9	13.6	17.4	24.1	18.2	-4.0	0.0	-13.9	-10.3	0.0	0.0
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	-2.0	1.2	5.9
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	22.9	14.3
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	17.1	14.1
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	-19.8	-14.4

1) Domestic demand excluding change in inventories

By sector, the largest contribution to GDP growth in constant prices in Q2 came from industry. Value added in industry was 5.7% higher than a year earlier, and its absolute year-on-year increase fully covered the overall GDP growth in basic prices. The positive contribution of industry to GDP growth, which strengthened for the fourth consecutive quarter, was again associated with rising physical production volumes in most industrial branches and with improving efficiency. These overall and branch trends in industry[26] – above all the tendency towards an increased share of higher-value-added products in the total volume of industrial production – provide evidence of the ongoing structural changes in this sector.

25 i.e. the development of production collaborations with foreign companies, both through the expansion of activities of firms with foreign ownership and through inward and outward processing.

26 In recent years, industrial branches have been divided by their results into two specific groups. The first group comprises branches with flat production volumes: manufacture of food and food products, manufacture of textiles and textile products, manufacture of coke and refined petroleum products, manufacture of chemicals, chemical products and man-made fibres, and manufacture of metals and metal products. The second group is characterised by steady regular growth: manufacture of pulp, paper and paper products and publishing and printing, manufacture of other non-metallic products, manufacture of rubber and plastic products, manufacture of electrical and optical equipment, manufacture of wood and wood products, manufacture of machinery and equipment, and manufacture of transport equipment. Moreover, the last four branches have seen a sizeable pick-up in growth in 2000.

Trade and business services made another major contribution to GDP growth in Q2. The sustained upward trend in gross value added in this sector continued to be an important indicator of the improving market environment in the Czech economy. On the other hand, the renewed upward trend in gross value added in construction in 2000 Q1 was replaced by a steep decline (of 9.1%). Despite this, the structure of gross fixed capital (see "Investment") and the continuing rise in the physical volume of construction output in Q2 did not signal any return of this sector to recession.

Financial performance of non-financial organisations and corporations

In 2000 Q2, the continuing economic recovery coupled with the structural changes in the economy showed up in the financial performance of non-financial organisations. As in the previous quarter, their results suggested that the continuing economic growth was connected with higher efficiency in the corporate sector. Most quantitative and ratio indicators improved in Q2 in year-on-year comparison. The same trend was also registered for 2000 H1 as a whole. A year-on-year rise in gross profit was achieved in H1 amid higher cost, equity and output profitability. The fall in the wage cost-output ratio (1.58 percentage points lower than in 1999 H1) and the reduction in the number of loss-making firms (down by 23.2%) were significant. Only the material cost-output ratio increased again in year-on-year terms, owing to rising prices of inputs (oil and raw materials).

Table III.7 Selected financial indicators in 2000 (in current prices)
(for non-financial organisations and corporations of all industries with more than 100 employees)

	Year 2000				Q1		Q2		Q1-2		Change in perc. pts.		
	Q1	Q2	Q1-2		1999	2000	1999	2000	1999	2000	Q1	Q2	Q1-2
Total income	13.5	14.2	13.9	Cost profitability (profit/expenses)	4.37	5.58	4.03	4.37	4.19	4.94	1.21	0.34	0.75
Total output	12.0	11.9	11.9	Equity profitability (profit/equity)	1.98	2.73	2.01	2.40	3.97	5.12	0.75	0.39	1.15
Total expenses	12.2	13.9	13.1	Output profitability (profit/output)	5.99	7.66	5.66	6.25	5.82	6.93	1.67	0.59	1.11
of which:													
intermediate consumption	14.2	13.9	14.0	Material costs									
				(intermediate consumption/output)	64.94	66.26	67.18	68.38	66.11	67.36	1.32	1.20	1.25
personnel costs 1)	1.3	2.0	1.7	Wage costs									
				(personnel costs/output)	17.31	15.67	17.21	15.70	17.26	15.68	-1.64	-1.51	-1.58
Book value added	7.8	7.7	7.8										
Pre-tax profit	43.2	23.5	33.2										

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

The year-on-year rise in gross profit in Q2 (up by 23.5%)[27] was chiefly attributable to industry (68%). With respect to ownership structure, more than half of the gross profit was generated in private organisations, and the highest growth rates were achieved in businesses under foreign control (50% up on a year earlier).

The improving efficiency halted the unfavourable trend in corporate sector insolvency. This was reflected in a decline in past-due debts. Rising total assets, declining stock and turnover of inventories, and rising equity – as well as decreasing liabilities – all suggested a trend towards an improvement in the financial condition of the corporate sector.[28]

27 The 23.5% year-on-year increase in gross profit in 2000 Q2 meant an absolute rise of around CZK 7 billion (CZK 19.5 billion for H1 as a whole).

28 As of the end of H1, past-due debts were CZK 14.1 billion lower than a year earlier, the primary insolvency-equity ratio was approximately at the previous year's level, and total assets were up by CZK 44.5 billion, with inventories falling by 4.6% and the turnover period being nine days shorter. As of the same date, the liabilities structure recorded a rise in equity volume of CZK 48.9 billion and a fall in external funds and other liabilities of CZK 4.4 billion.

Implications of demand and output developments for inflation

Domestic demand was not a source of demand-pull inflationary pressure in 2000 Q2. The sustained rise in consumer demand, visible for more than a year, was not yet significant enough to exert mounting pressure for consumer price inflation. In addition, the potential inflationary pressures that might have been generated by the developments in some segments of consumer demand were again offset by the various factors mentioned in previous Inflation Reports. Their effects, however, were not associated exclusively with food prices, but also with prices of other commodities, primarily as a result of the strong competition on the retail market (for example in telecommunications).

Likewise, the financial performance of selected non-financial organisations and corporations in 2000 Q2 did not signal the generation of any cost-push inflationary pressures either. The continuing favourable trends for profitability and gross profit reflected the fact that in Q2 again the increase in the material cost-output ratio (brought about chiefly by the rising prices of energy raw materials on world markets) was partially offset by a drop in the wage cost-output ratio and by other factors.

III.3 The labour market

The labour market developments in 2000 Q2 confirmed the trend of a gradual moderation of the imbalance between the demand for, and the supply of, labour. This is linked with the inflow of foreign direct investment, the Government's active employment policy and the continuing economic recovery. The trend was evidenced in particular by a continuing slowdown in the decline in employment, a halt in the rise in the number of unemployed persons and an increasing number of vacancies. At the same time, however, labour supply and demand remained unbalanced as regards the regional, skills and professional structure of the unemployed, and the number of those seeking work for more than one year rose. The trend towards a slowdown in year-on-year growth in average nominal and real wages continued amid the restructuring of the corporate sector. The developments in industry again signalled a stronger tendency towards decreasing labour costs per unit product.

III.3.1 Employment and unemployment

The trend of gradual moderation of the decline in employment and of decreasing unemployment, apparent since 1999 H2, continued into 2000 Q3. This can be seen as the result of three main factors: the inflow of foreign capital, the Government's employment policy and the falling number of school leavers.[29] The foreign capital inflow helped increase the number of new jobs linked with investments by foreign investors. The contribution of the government measures consisted in placing graduates in public administration, granting investment incentives, providing support for the building of industrial zones and increasing the funding for the active employment policy to create new jobs. The negative trends on the labour market were also eased by the continuing economic recovery.

29 The decline in the number of school leavers was due to the introduction of compulsory nine-year school attendance four years ago.

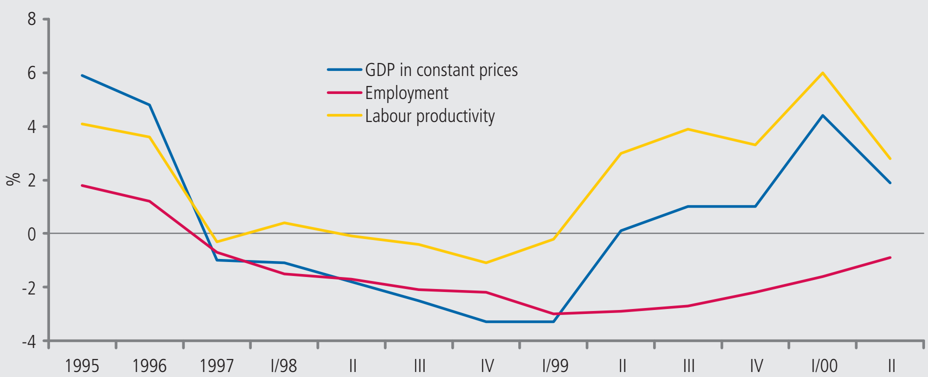
Table III.8 Basic data on employment and unemployment

	1995	1996	1997	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4	2000 Q1	2000 Q2	2000 Q3
Total no. of persons employed in national economy (average)[1)												
y-o-y change (in %)	0.7	0.2	-0.7	-1.4	-2.1	-2.3	-2.3	-2.0	-1.8	-1.3	-0.8	.
natural persons - number (in thousands)	4963	4972	4937	4866	4764	4770	4765	4756	4765	4707	4727	.
Number of unemployed persons (in thousands)[2)	153.0	186.3	268.9	386.9	487.6	433.3	435.0	469.8	487.6	493.4	451.4	458.3
Unemployment rate (in %)[2)	2.9	3.5	5.2	7.5	9.4	8.4	8.4	9.0	9.4	9.5	8.7	8.8
Economic activity rate[1,3) in %	.	61.2	61.1	61.0	61.0	61.0	60.9	61.0	61.1	60.7	60.3	.

.) Figures unavailable
1) According to Labour Force Sample Survey
2) End-of-period figures from the Ministry of Labour and Social Affairs
3) Ratio of economically active population to total population of productive and post-working age

According to the CSO's Labour Force Sample Survey, total employment in the national economy fell by 0.8% in 2000 Q2 compared with a year ago, or by 38,000 persons in absolute terms. By sector, trade and manufacturing experienced the largest declines in workforce during the course of one year. This was linked chiefly with the ongoing restructuring process in some industrial firms and the liquidation of smaller retail units by large trading companies. The data on the employment structure in Q2 also show that the biggest year-on-year decline was registered in the employee category (down by 1.3%). By contrast, the number of entrepreneurs with no employees increased by 4% in the same period.

CHART III.21 Employment, GDP and labour productivity
(y-o-y change in %)

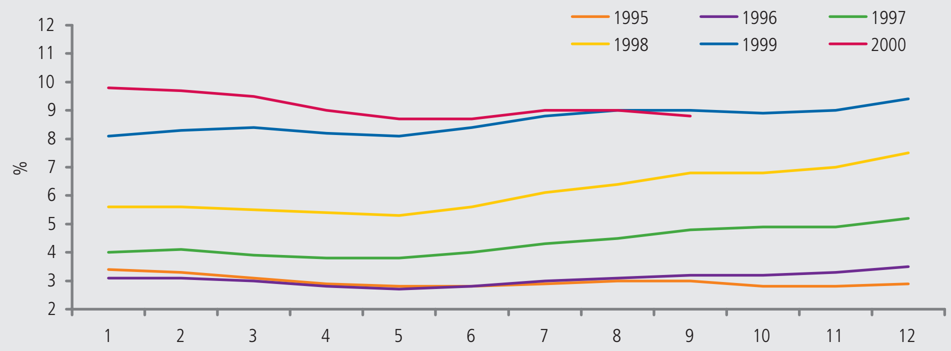


The changes on the labour market and the continuing economic recovery are evidenced by the employment, GDP and labour productivity figures. Chart III.21 shows that up to 1999 Q1 overall employment was falling more slowly than real GDP. Starting from 1999 Q2, with employment continuing to decline and GDP growth picking up, whole-economy labour productivity[30] started to rise again. In this period, employment had not yet reacted to the signs of economic recovery and continued to fall significantly. The main reason why the changes in employment in this period were not tied directly to the GDP developments was the continuing process of eliminating "overemployment" through rationalisation and corporate sector restructuring, leading to a sizeable decrease in the number of employees. Only since 1999 Q4 has there been a trend towards a slower fall in employment in connection with the economic recovery. The increasing demand for labour, which is feeding through into greater creation of new jobs, is particularly apparent in 2000 Q1 and Q2.

30 i.e. real GDP per employed person.

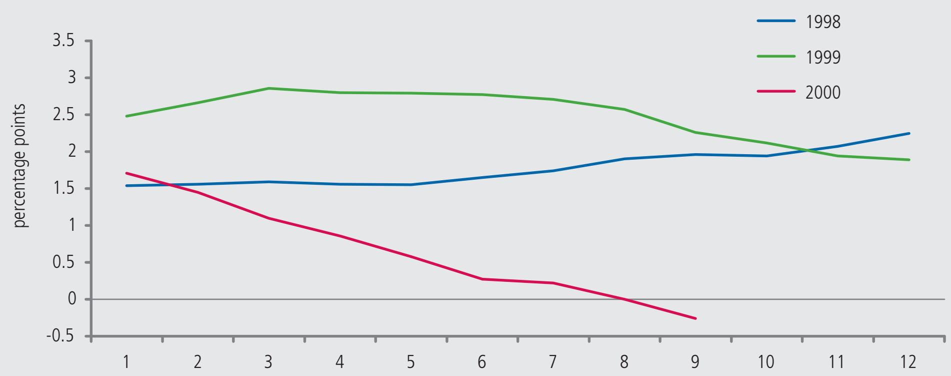
During 2000 Q3, as in previous quarters of 2000, the downward trend in unemployment continued, with seasonal fluctuations. At the end of September, the unemployment rate was 8.8%. Between the start of the year and the end of September the number of unemployed persons dropped by about 50,200, thanks mainly to the new jobs offered by foreign investors and small domestic firms as well as to the increasing number of jobs created within the active employment policy.

CHART III.22 Unemployment rate (1995 - 2000)



The narrowing imbalance on the labour market is also clear from Chart III.23, which illustrates the systematically decreasing year-on-year growth in the unemployment rate since 1999 Q2. In January 2000, the growth had been 1.7 percentage points, whereas in September 2000 it was negative.

CHART III.23 Unemployment rate in 1998 - 2000
(y-o-y change)



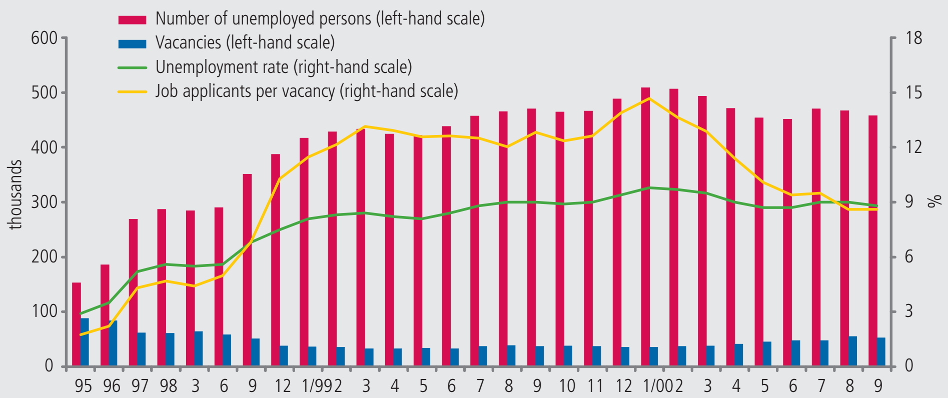
The narrowing of the gap between the supply of, and demand for, labour is also indicated by the rising number of vacancies since the start of this year. In September 2000, there were 8.6 applicants per vacancy on average, the lowest monthly figure since the beginning of 1999. The improving situation on the labour market is being signalled by other indicators, too, most notably the falling number of persons working part time and the year-on-year decrease in the number of people newly registered at labour offices.

Overall, however, employment in the economy decreased again – albeit to a lesser extent – and labour supply and demand remained unbalanced as to the regional, professional and skill structure of the economically active population. This imbalance is the main cause of the longer average duration of unemployment. According to CSO data,[31] long-term unemployment has increased substantially over the last two years. In 2000 Q2 alone, the

31 Labour Force Sample Survey

number of people seeking work for more than one year increased by 7,100. The change in the trends on the labour market is therefore not universal as yet.

CHART III.24 Labour supply and demand



III.3.2 Wages and financial incomes

During 2000 Q2, the growth rate of average nominal and real wages continued to ease, a trend witnessed since 1999 H2. This was attributable to both the business and non-business sectors. Overall, the year-on-year rise in average nominal wages in 2000 Q2 slowed by 1 percentage point (to 5.7%) compared with Q1, while for real wages it fell by 1.1 percentage points (to 1.9%). Real average wages went up in the business sector only; in the non-business sector they fell for the second quarter in succession.

Table III.9 Basic data on wages [32] *(y-o-y change in %)*

		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	00 Q1	00 Q2
AVERAGE WAGE																		
	nominal	14.0	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	6.7	5.7
	real	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	3.0	1.9
of which:																		
Non-business sector																		
	nominal	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	2.7	1.9
	real	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	-0.9	-1.8
Business sector	nominal	14.3	14.1	13.4	13.0	13.6	12.6	11.1	10.9	8.9	10.9	7.5	6.4	7.7	7.0	7.1	8.1	6.9
	real	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	4.3	3.0
of which:																		
private organisations																		
	nominal 1)	14.0	13.6	12.4	12.0	12.8	11.3	9.2	9.0	6.6	8.9	6.0	5.0	6.3	5.6	5.5	6.3	6.5
	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	2.6	2.6
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	4.9	6.6
	real	8.4	9.1	5.0	4.9	6.9	-1.4	-2.3	2.6	3.6	0.6	7.9	6.8	6.3	3.5	6.2	1.2	2.8
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	10.5	9.2
	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	6.7	5.3

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)

32 This survey gives data for officially monitored organisations, which represent around 70% of the organisations in the national economy. The consumer price index was used to calculate the real values.

Following their decline in Q1, nominal unit wage costs saw renewed moderate year-on-year growth in Q2. This change was mostly due to the slowdown in GDP growth, with the volume of nominal wage incomes showing a very slight rise.[33] Under these circumstances, whole-economy labour productivity grew much more sluggishly than in Q1.

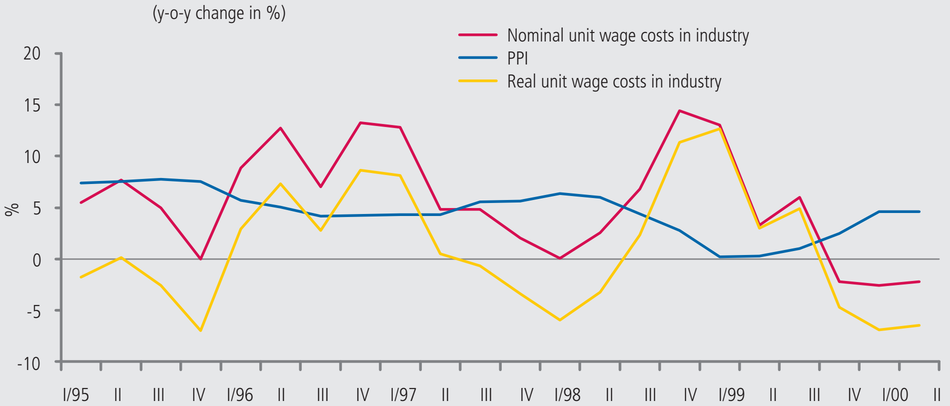
Table III.10 Wage, price and productivity indicators *(y-o-y change in %)*

	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	00 Q1	00 Q2
Unit wage costs																	
nominal	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	-1.8	1.0
real	0.3	2.9	3.0	-0.5	1.4	0.4	-3.5	-0.9	-0.4	-1.2	2.0	0.0	1.9	-0.7	0.8	-1.1	0.8
GDP deflator	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	-0.8	0.2
Whole-economy labour productivity	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	6.0	2.8

Source: CSO, CNB calculation

In industry, however, labour productivity growth continued to outpace growth in the real product wage, which for producers meant gradually decreasing labour costs. The relatively large year-on-year decline in real unit wage costs in both Q1 and Q2 (down by 6.9% and 6.5% respectively) confirmed industrial producers' endeavours to regulate their wage costs rationally. This conclusion is supported by comparing the growth trends for industrial producer prices and unit wage costs in industry (see Chart III.25), from which it is clear that the price growth in industry was the result of effects other than wage costs.

CHART III.25 PPI and nominal and real unit wage costs in industry
(y-o-y change in %)

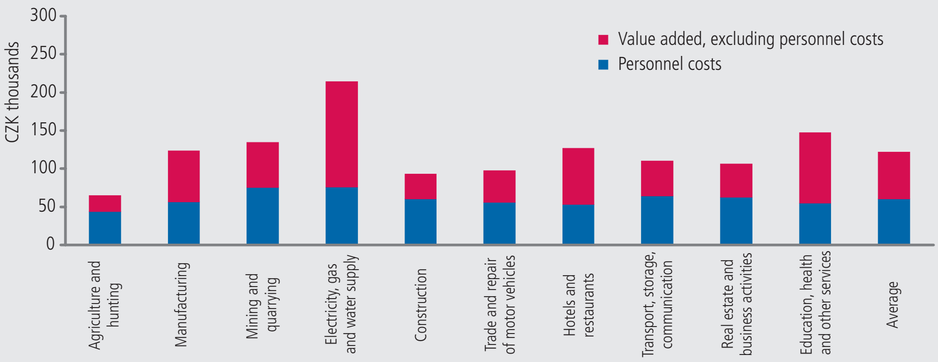


Evidence of the effective regulation of wages in the corporate sector is also provided by an analysis of the wage cost-output ratio based on a comparison of employment and the value added structure in the main industries for non-financial businesses and corporations with more than 100 employees (see Chart III.26). The analysis shows that the overall year-on-year decline in employment was accompanied again in 2000 Q2 by a drop in costs per unit of value added. In individual sectors, however, these variables showed differing trends.

33 As mentioned in "Demand and output", the lower GDP growth in Q2 relative to Q1 was also attributable to base effects.

CHART III.26 Structure of value added and change in employment
(for non-financial organisations and corporations with more than 100 employees)

a) Share of personnel costs in book value added (2000 Q2)



b) Change in employment by industry (y-o-y)

	Agriculture and hunting	Manu-facturing	Mining and quarrying	El., gas and water supply	Construction	Trade and rep. of mot. vehicles	Hotels and restaurants	Transp., stor., communication	Real est. and bus. activities	Educ., health and other serv.	Average
Change in share of personnel costs in value added (percentage pts)	-7.1	-5.2	-11.3	1.2	-0.1	-0.3	-5.3	5.6	-5.4	0.5	-1.8
Change in employment (%)	-13.7	-4.7	-12.8	-6.3	-13.5	6.4	-4.8	-3.4	-2.6	-0.2	-5.0

At the macroeconomic level, a change was also registered in 2000 Q2 in the "income position of households", which is an indicator of potential demand pressures in the economy. In Q1 household incomes had risen more slowly than nominal GDP, but in Q2 the correlation changed, with growth in nominal incomes outpacing nominal GDP growth by 1.6 percentage points. This was due to a marked slowdown in nominal GDP growth accompanied by a modest pick-up in the year-on-year growth rate of household incomes.[34]

Implications of labour market developments for inflation

With respect to inflation, the labour market developments in 2000 Q2 did not signal any major changes compared with the previous period. The growth in nominal unit wage costs in Q2, following the sizeable swing in Q1, signified a return to the level of year-on-year growth seen in previous periods. Their relatively sluggish growth rate compared with the rise in consumer prices indicated that the growth in prices resulted from pressures other than wage costs. The trend of stronger rational wage and employment policies in a number of industries signalled that the labour market should not be a source of inflationary impulses in the period ahead. The developments in industry, where a trend towards falling costs per unit product has been apparent for several consecutive months, provide evidence that no risks are being generated in the short-term horizon for a pick-up in producer price inflation. Nominal household incomes relative to nominal GDP (i.e. the income position of households) did not represent a significant demand-pull impulse in the economy in Q2.

III.4 Costs and prices

The 2000 Q3 price developments for most cost indicators confirmed the upward trend from 2000 H1. The strong growth in import prices continued. This was linked chiefly with the persistent high level of prices of energy raw materials, notably oil. Industrial PPI inflation picked up at the end of Q3, following its Q2 stagnation, as a result of mounting pressures from agricultural primary producers on manufacturers and pass-through of the aforementioned external impulses into costs in individual sectors. Agricultural producer prices continued to rise at

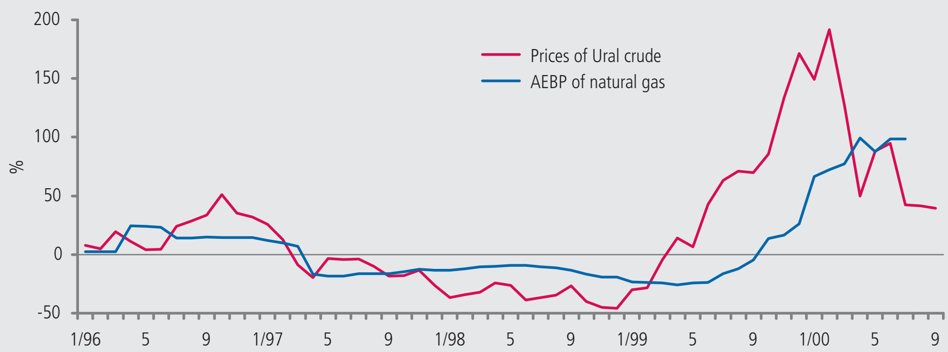
34 The very modest pick-up in the year-on-year growth rate of household incomes, from 3.5% in 2000 Q1 to 3.7% in Q2, was attributable to wage incomes and gross miscellaneous income (see "Statistical annex" – "Household current incomes and expenditures")

a brisk year-on-year pace, a trend which started at the close of the previous quarter. A further pick-up in construction work price growth confirmed the change in trend.

III.4.1 Import prices

In 2000 Q3, import prices were again affected by the volatile prices of energy raw materials (notably oil) on world markets. Although the price of oil[35] on world markets rose sharply again in September, following its temporary decline in July and August, there was no renewed pick-up in the year-on-year growth in oil prices on world markets or consequently in prices of raw materials and products imported into the Czech economy, according to the latest data for August. This apparent contradiction was caused by base effects, as oil prices have been rising on world markets since the start of last year. Prices of other commodities on world markets did not change significantly in Q3. Overall – except for the constantly rising gas prices[36] – they acted to slow the year-on-year rise in import prices. Under such circumstances, the rise in import prices in Q3 was slower than in Q2,[37] but still exceeded the 10% level.[38]

CHART III.27 Prices of Ural crude and natural gas
(y-o-y change in %)



The above trends in raw materials prices on world markets and their impact on prices of imported products are evidenced by both the HWWA index, which illustrates the import prices of advanced European market economies, and the CSO sample index of import prices, which uses the SITC classification.

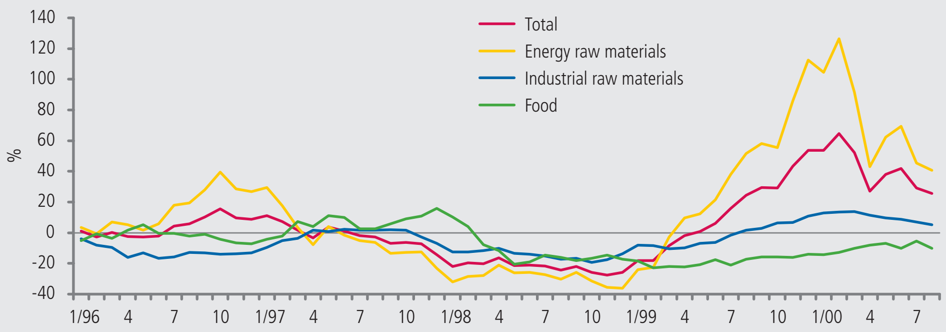
35 i.e. in USD/barrel.

36 Natural gas prices follow those of oil with a lag of around six months.

37 Measured by the CSO sample index of import prices, which uses the SITC classification.

38 According to the CSO figures for August 2000, year-on-year import price growth slowed modestly to 11.8%.

CHART III.28 HWWA index
(y-o-y change in %)



For domestic producers, the rise in oil prices on world markets above the level of previous quarters meant a further increase in prices of external inputs. The extent of these external cost impulses is indicated by the year-on-year growth rates of prices of imported oil products, which according to the CSO data for January–August 2000 were in the 41%–192% range. The growth rates of prices of other raw materials were much lower. Nevertheless, for these commodities too, the year-on-year growth in import prices cannot be considered insignificant as regards the costs of domestic industry, as it was moving in the 8%–11% range in the first eight months of 2000.[39] Only prices of imported agricultural and food products saw a continued year-on-year decline.

III.4.2 Producer prices

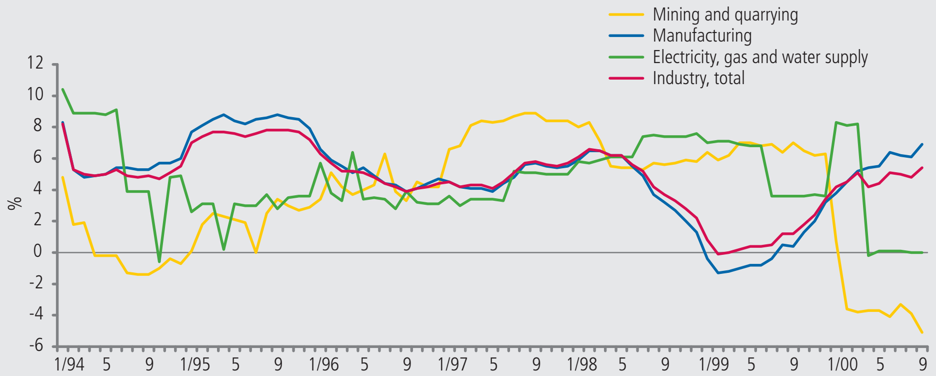
Industrial producer prices

Following its temporary stagnation in Q2, industrial producer price inflation picked up again in Q3. After slowing in July and August (to 5% and 4.8% respectively), the year-on-year growth of 5.4% in September was 0.3 percentage points higher than at the end of Q2.

The erratic industrial PPI inflation trend during Q3 was brought about not only by the growth in energy raw materials prices on world markets, but also by domestic factors. These were the main cause of the substantial pick-up in industrial producer price inflation at the close of Q3. The most important factor was a distinct rise in producer prices in the food industry due to increasing pressure from agricultural primary producers on manufacturers. Only prices in mining and quarrying continued to decline in year-on-year comparison throughout Q3, amid persistent excess supply for some commodities (brown coal, lignite).

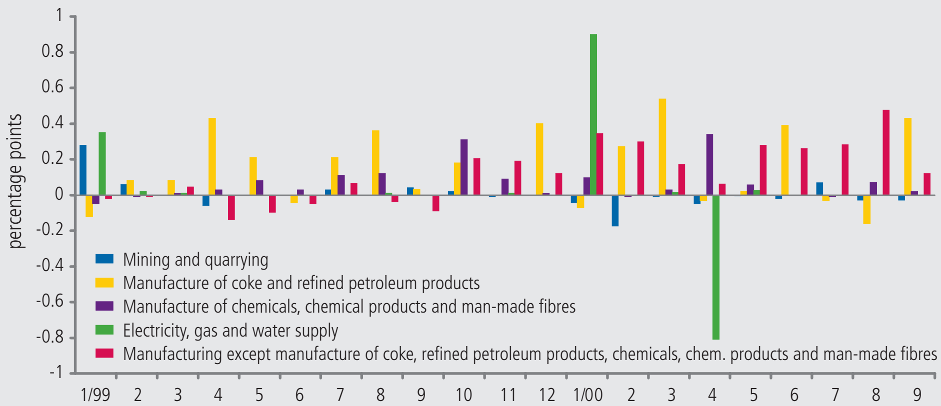
39 For example, prices of raw materials (except fuels) registered a year-on-year rise of 11.4% and chemicals and related products 9% in August 2000.

CHART III.29 PPI inflation by industrial category
(y-o-y change in %)



The energy raw materials prices passed through chiefly into prices in manufacturing, most notably in industries involved primarily in processing oil products and natural gas (manufacture of coke and refined petroleum products and manufacture of chemicals, chemical products and man-made fibres). In addition to these factors, the continuing transmission of the persisting robust growth in oil prices into prices in other industries[40] contributed to the strengthening of year-on-year price growth (to 6.9%)[41] in manufacturing in September 2000. This gradual process is indicated clearly by the structure of the month-on-month increases in industrial producer prices, from which a strengthening of the month-on-month growth in prices in other manufacturing industries (i.e. outside those involved in processing oil) is again apparent in the course of Q3. The July and August price increases in these branches were strongly affected by the aforementioned price developments in the food industry.

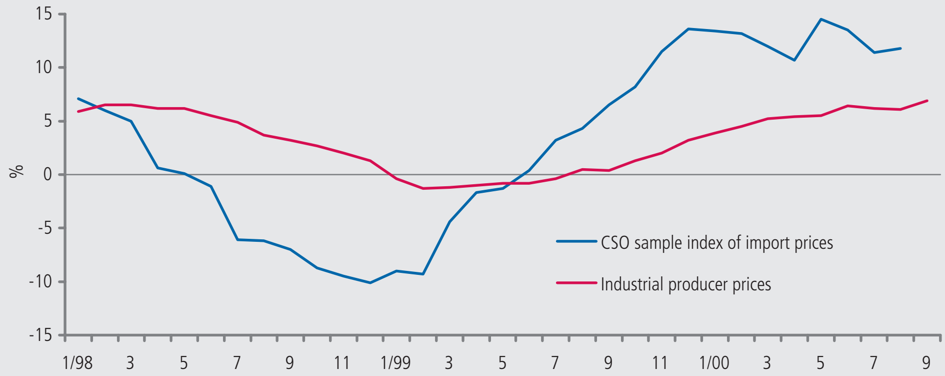
CHART III.30 Structure of m-o-m industrial PPI inflation



Under these circumstances, the inflation in manufacturing in 2000 Q3 – reaching almost 7% – resulted largely from the persistent robust growth in external cost factors and the gradually strengthening effect of domestic cost factors on food industry prices.

40 i.e. all branches of manufacturing except for manufacture of coke and refined petroleum products and manufacture of chemicals, chemical products and man-made fibres.
41 In July and August, year-on-year price growth in manufacturing slowed to 6.2% and 6.1% respectively. In September, it picked up again to 6.9%.

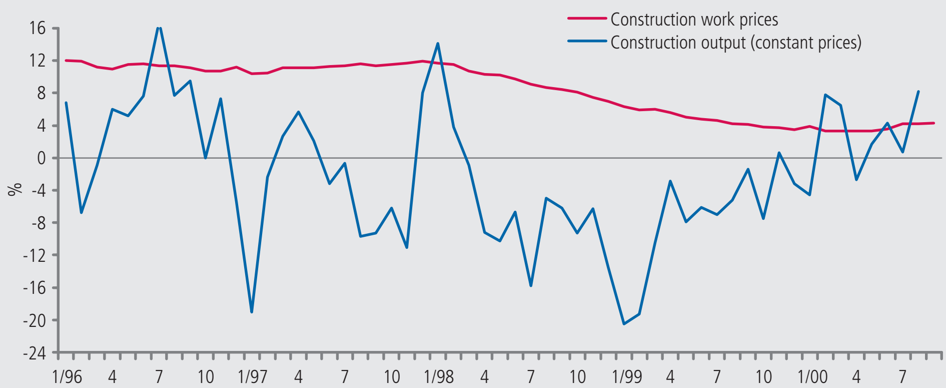
CHART III.31 CSO import price sample index and industrial producer prices in manufacturing
(y-o-y change in %)



Construction work prices

In the first two months of 2000 Q3, construction work prices confirmed the upturn signalled at the close of the previous quarter. The further pick-up in year-on-year construction work price inflation of 0.7 percentage points to 4.3% in September compared with June was probably due mainly to rising demand for construction work in connection with the overall economic recovery. At the same time, the effect of expectations of further growth in investment demand cannot be ruled out.

CHART III.32 Construction work prices and construction output
(y-o-y change in %)



Agricultural producer prices

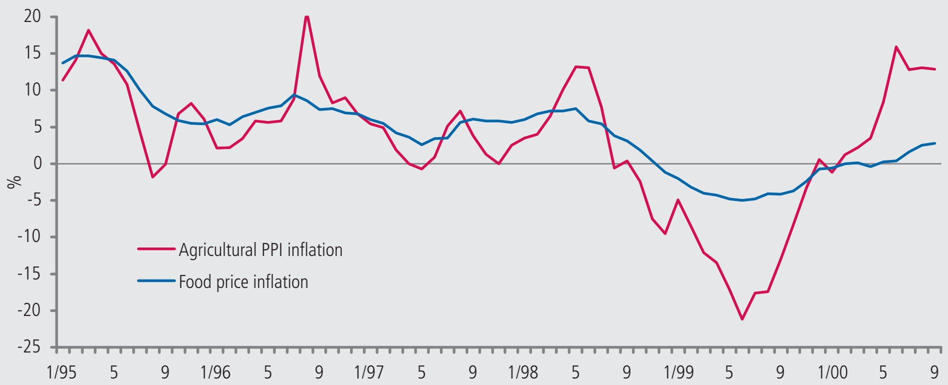
In 2000 Q3, agricultural producer prices showed a continuation of the high growth rate observed in the previous period. Although their year-on-year growth was somewhat weaker than in Q2, it remained high (12.9% in September against 15.9% in June). As in H1, it was also partially affected by the previous year's low base.

The reasons for the high level of agricultural producer price inflation in 2000 Q2 and Q3 relative to the previous period remain the same. As mentioned in previous Inflation Reports, the main cause is the gradual pass-through of cost pressures from agricultural primary producers to manufacturers, which is resulting in rising purchase prices, particularly for livestock products. This was fostered in Q3 by temporary excess demand for the most important products of livestock origin, resulting on the one hand from the exhausting of duty-free import quotas

– which led to reduced imports – and on the other hand from lower domestic supply (due to a previous large fall in the number of animals in domestic primary production).

The high agricultural producer price inflation in Q3 passed through into food prices, which showed greater year-on-year growth than in the previous period.

CHART III.33 Food price inflation and agricultural PPI inflation (y-o-y)



However, the continuing relatively brisk inflation in prices of agricultural products in 2000 Q3 did not signify any major change for agricultural producers, as the prices of many key commodities, especially in crop production, were still far below their pre-1999 levels. This was due to the long-term action of the various internal and external factors mentioned in previous Inflation Reports. However, unlike in previous periods these effects were partially offset by rising prices of some commodities in neighbouring countries and the aforementioned short-term weakening of import arbitrage.

Implications of other cost indicators for inflation

The persisting mixed inflation trends in the industries included in the industrial producer price calculation reflected the diversity of the factors affecting their growth. In the course of 2000 Q3, none of these industries experienced any fundamental change in price trend compared with the previous quarter.

With respect to inflation, the ongoing recovery in year-on-year agricultural producer price inflation was significant. This led to a further pick-up in growth of prices in the food industry and consequently of food prices on the retail market. Domestic producers' cost pressures in Q3 were bolstered by temporary excess demand for some food commodities. The contribution of external effects to the pick-up in inflation via producer prices was not significant in Q3. Owing to the slowdown in year-on-year oil price growth on world markets, the year-on-year rise in output prices in industries involved primarily in processing oil products, particularly fuels,[42] moderated in Q3. This trend largely offset the gradual transmission of the high fuel prices into the other segments of adjusted inflation. The weak growth in consumer demand prevented any sizeable pass-through of the indirect effects of the high prices of energy raw materials into inflation.

42 Fuels are part of the consumer basket used in the Czech Republic for calculating consumer price inflation.

IV. MONETARY POLICY MEASURES AND INFLATION OUTLOOK

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

In 2000 Q3, overall inflation was flat and net inflation edged up slightly. Year-on-year consumer price inflation was 4.1%, the same level as in June. At the end of Q3, year-on-year net inflation was 0.6 percentage points higher than at the end of Q2 and stood at 3.2%. The inflation rate increased from 2.6% in June to 3.3% in September.

Regulated prices grew at a slower pace in Q3 than in Q2. Adjusted inflation fell from 4% in June to 3.5% in September. The overhang of demand on the meat and meat product market and the gradual pass-through of price pressures from agricultural producers, together with the unfavourable trend in food prices on the European market, led to relatively fast food price inflation. At the close of Q3, food prices were 2.8% higher than a year earlier and their growth rate was thus 2.4 percentage points higher than in the previous quarter.

Economic activity, expressed as the year-on-year change in real GDP, rose by 1.9% in Q2. This figure confirmed the recovery of the Czech economy. In Q2, economic growth was driven by domestic demand, particularly investment demand, which rose by 5.9%. In keeping with the trend in household real disposable incomes, the growth rate of household demand remained relatively low (1.7%), as did the growth rate of government consumption (0.9%). The positive contribution of net exports to the growth observed in Q1 was not repeated in Q2; net exports made a negative contribution to growth (-0.3 percentage points).

The unemployment rate saw a very modest rise from 8.7% in June to 8.8% in September (in both July and August it stood at 9%). The seasonally adjusted unemployment rate showed a similar trend, edging up from 9.0% in June to 9.1% in September (in July and August it was 9.2%). In Q3, the labour market was affected by the same factors as in Q2, namely the economic recovery, the inflow of foreign direct investment and the active employment policy.

In Q2, the year-on-year growth rate of nominal and real wages continued to decline. Nominal wage growth fell from 6.7% in Q1 to 5.7% in Q2, while real wage growth eased from 3.0% to 1.9%. Whole-economy labour productivity growth was 2.8%, which is 3.2 percentage points lower than in Q1. There was modest growth in unit wage costs in both nominal and real terms (1.0% and 0.8% respectively). In Q3, real unit wage costs in industry continued to decline.

Between June and August 2000, year-on-year M2 growth was stable, except in June, when it fell back temporarily because of increased withdrawals of deposits from IPB. Following the June decline to 5.7%, it returned to the level of previous months in July (7.3%) and August (7.6%). The M1 growth was chiefly attributable to currency in circulation. A slight decrease in growth in June was replaced in July by the highest growth since 1993. The trend in August, on the contrary, indicated a return to the average Q2 value.

The koruna's exchange rate against the euro appreciated very modestly during the course of Q3, from CZK 35.80 at the end of June to around CZK 35.50 at the close of September. The narrowing of the interest rate differential against the euro, which occurred when the European Central Bank increased its key rate on 31 August, did not bring about any major reaction on the koruna market. In Q3, the koruna's exchange rate against the dollar weakened from CZK 38 at the end of June to almost CZK 42 on 20 September. Following the co-ordinated foreign exchange intervention by the central banks of several countries on 22 September, the koruna started to appreciate moderately against the dollar. At the end of September it was moving around CZK 40 to the dollar. In the course of Q3, the nominal effective exchange rate index first appreciated and then depreciated. Since April 2000, its average value has been moving at the level of 98% of the 1995 base.

In Q3, prices for most cost indicators confirmed the growth trend observed in 2000 H1. Throughout almost all of Q3, oil and gas prices continued to rise, which, together with the koruna's depreciation against the dollar, passed through into continuing year-on-year growth in import prices. Industrial producer price inflation picked up again to 5.4% in September (5% in July and 4.8% in August), reflecting the growth in energy raw materials prices. Agricultural producer prices maintained their high growth from the previous quarter, reaching 12.9% in year-on-year terms in September (following rises of 12.8% in July and 13.1% in August).

IV.2 Monetary policy

In 2000 Q3, the macroeconomic framework saw continuing economic recovery, low inflationary pressures on the demand side, persistent cost shocks, depreciation of the koruna against the dollar and a widening trade deficit. The low inflationary pressures on the demand side and the persisting exogenous pressures on the supply side had been predicted for Q3 in the July Inflation Report. However, the intensity of the cost impulses was greater than the CNB had expected at the end of Q2. Moreover, these impulses lasted longer than had been assumed in the reference scenario for oil prices entering the conditional inflation forecast. In Q3, therefore, monetary policy faced the question with what intensity and in what horizon would the growing prices of oil and food feed through into inflation. The transmission of cost-push inflationary factors into consumer prices is closely linked to numerous parameters of the overall macroeconomic framework. The setting of monetary conditions was therefore assessed not only on the basis of an analysis of oil and food prices, but also on the basis of the expected trends in domestic demand, external balance and public finances.

The rise in oil and gas prices has been a significant external cost pressure since the beginning of 2000. In view of the exogenous nature of this factor, its secondary effect on consumer prices was of primary relevance for monetary policy. In Q3, the primary effects of the inflationary impulses represented by the rising fuel prices showed up mainly in inflation in the transport category and were not interpreted as general price growth. The CNB's analyses showed that the secondary effects of the growth in oil prices on consumer prices remained only latent. The conditional forecast for adjusted inflation therefore remained unchanged. Looking forward, one potential risk identified at the end of Q3 was that market participants would start to view the growth in oil prices not as a temporary deviation, but as a permanent shock. Such a perception of an exogenous factor would have an unfavourable effect on inflation expectations as well as potentially on the sustainability of the desirable wage trend.

The factors affecting food prices in Q3 were analysed with regard to their differing time horizons. The CNB expected the short-term imbalance on the food market, which had led to rather higher-than-expected food price inflation in July, probably to unwind in the course of 2001. However, the gradual pass-through of cost pressures from agricultural primary producers was proving to be a longer-term process. The conditional inflation forecast was based on the assumption that the speed and intensity of these pressures' effect on consumer prices would be conditioned on the intensity of the competition on the retail market and on domestic demand developments. In Q3, the CNB expected that the highly competitive environment would allow only limited pass-through of the growth in agricultural producer prices into food prices in the medium run. The assessment of the aforementioned factors led to an upward revision of the food price forecast for 2000 H2 and 2001 H1. Owing to the situation on the food market in Q3 and the high price volatility, food prices remained one of the risk factors for future inflation.

As to the forecasts for aggregate demand and its individual components, there were no major changes compared with the predictions in the July Inflation Report. The Q2 GDP figures basically confirmed the expectations of a relatively slow recovery in domestic demand, the pick-up in investment growth and the slightly negative contribution of net exports to economic growth. According to the CNB's projections, the trend should not deviate considerably from this scenario within the 2001 horizon. However, the possible risks ensuing from any pick-up in the growth rate of aggregate domestic demand were considered. The analyses showed that the expected modest lead of domestic demand growth over GDP growth in the strongly competitive environment of the Czech economy should not pose a risk of significant price pressures within the 2001 horizon. Nor should it contribute substantially to increasing the external imbalance in real terms.

In Q3, the trade deficit widened. The CNB faced the question to what extent the widening of the goods and services deficit had been attributable to the rise in prices of imported energy raw materials and to what extent to domestic demand growth. The analyses showed that the worsening of the trade balance had been chiefly due to price effects. In January–July 2000, the high prices of energy raw materials had accounted for approximately 90% of the year-on-year growth in the trade deficit, with the growth in domestic demand accounting for the remainder. The analysis of the causes of this led to an upward revision of the forecasts for the trade deficit and current account deficit in 2000 and 2001. Several risk factors were identified regarding the sustainability of the trade balance trend in the medium term. Even though signals existed of positive developments on the supply side, some degree of uncertainty remained regarding the flexibility of its response in the event of a more marked pick-up in domestic demand growth and of a continuing appreciation trend in the koruna's real exchange rate against the euro. The effects of foreign direct investment on the trade balance were also considered. The high import propensity of the investment activity within the framework of foreign direct investment is leading to a short-term increase in imports of investment goods. However, in the longer term, capacities established with the aid of foreign direct investment should boost the export performance of the economy. The sustainability of the trade balance was also assessed in the context of future fiscal developments. The forecasts suggested widening public finance deficits in a period of accelerating economic growth. The CNB was concerned that the insufficient conformity of fiscal policy with the business cycle would stimulate further demand pressures with adverse effects on the external balance and prices. In the course of Q4, the CNB therefore repeatedly pointed out the demand and inflationary risks associated with the medium-term fiscal trend.

The expected trend in inflation factors and the assessment of the inflationary risks were incorporated into the conditional inflation forecasts. The August upward revision of the forecast for food prices led to an increase in the conditional net inflation forecast and the CPI projection for 2000 H2 and 2001 H1. However, owing to the expected temporary action of the cost-push pressures, they remained unchanged for 2001 H2. The relationship between the conditional net inflation forecast and the inflation target is a fundamental criterion for setting monetary conditions within the inflation targeting regime. The assessment of the expected trend in inflation factors and of the risks of future inflation conducted in Q3 showed that the setting of monetary conditions was consistent with the inflation target for end-2001 and with the medium-term monetary policy objectives. The CNB's interest rates therefore remained unchanged at the November 1999 level.

IV.3 Future inflation factors

2000 Q4

According to the CNB's forecast, in the course of Q4, year-on-year consumer price inflation should remain roughly at the level reached in the previous quarter. A similar trend can also be expected for year-on-year growth in regulated prices and year-on-year net inflation.

In Q4, according to the projections, year-on-year growth in prices will be affected by two factors in particular. The first is continuing pass-through of external cost effects into inflation. And the second is more pronounced pass-through of agricultural producers' cost pressures, which had a major effect on prices in the previous quarter.

As to imported inflation, raw materials prices remain the key factor. The CNB bases its forecast on the assumption that oil prices will remain at the end-Q3 level, which still means relatively strong year-on-year growth in Q4. Prices of other raw materials and of final production abroad are also expected to rise in year-on-year comparison. The expected further pick-up in year-on-year food price inflation results from the long-term cost pressures of agricultural producers, supported in the short term by the weak domestic supply of some agricultural commodities coupled with the exhausting of quotas on imports with preferential duty. In contrast, no inflationary pressures can be expected from the labour market. Nor are any major demand-pull inflationary pressures expected in 2000 Q4, except for a seasonal increase in demand during the Christmas shopping period.

2001

The forecast for 2001 is based primarily on the expected modest growth in domestic demand. The effect of the expected weak growth in real household incomes on household consumption should be offset by the stable unemployment rate. Only a very modest decrease in the savings ratio is expected. The forecast growth rates for aggregate domestic demand (around 3.0%) and household consumption (around 2.0%) should not be a source of higher inflation.

The inflation forecast for 2001 further assumes that the exchange rate will be stable as from 2000 Q4 and that oil prices will experience a modest decline in comparison with the final quarter of the previous year. In the course of the year, a gradual slowdown in year-on-year growth – or possibly a year-on-year decline – in prices of other raw materials is also expected. This, together with a slowdown in producer price inflation in the Czech Republic's most important trading partners (Germany in particular) and the expected exchange rate stability, should give a year-on-year decline in import prices in 2001. External effects, therefore, should not exert upward pressure on inflation during 2001.

As to domestic cost factors, the CNB forecast for 2001 reckons on food price inflation remaining at the 2000 level, with the continuing cost pressures from agricultural primary production being offset by the strongly competitive environment on the retail food market. The expected trend on the labour market can be viewed as favourable from the point of view of potential cost pressures. The current expectations of wage and productivity growth in 2001 lead to the conclusion that the risks of wage-cost inflation should not be very high.

The effect of the rise in fuel prices on corporate costs has passed through into producer prices, but has so far affected consumer prices only weakly. This pass-through into consumer price inflation will continue during the course of 2001. According to the CNB's forecast, inflation should also be negatively affected in 2001 by the expected changes in VAT rates, with a large part of services being moved to the higher VAT rate.

IV.4 Inflation outlook

The conditional CNB forecast is based on predictions of the factors influencing consumer prices. Given the current monetary policy settings, net inflation should be within the 3.3%–3.8% range at end-2000. The CPI should be lying within the 4.1%–4.5% range and the inflation rate within the 3.9%–4.0% range as of the same date.

At the close of 2001, year-on-year net inflation is expected to lie between 2.2% and 4.0%. The CPI will probably be 4.2%–5.4% higher than a year earlier and the inflation rate should stand at 4.6%–5.6% as of the same date.

Minutes of the Bank Board Meeting on 27 July 2000

Present at the meeting:
Zdeněk Tůma (Vice-Governor), Miroslav Hrnčíř (Chief Executive Director),
Luděk Niedermayer (Chief Executive Director), Pavel Štěpánek (Chief Executive Director)

The Board opened the meeting with a discussion on the July projection of economic variables for the following twelve months. Information presented during the discussion suggested that the pace of economic recovery in the Czech Republic had been accelerating, while keeping the low inflation environment intact. It was also mentioned that the inflation forecast corresponded to the target for 2001.

According to a number of indicators and new data on GDP, the economic growth estimate had risen to 1.7-2.7 per cent. The majority of signals - for example, in the areas of industrial production or the labour market - coincided with the conditions of faster recovery, which was approaching the upper boundary of the predicted interval. A few indicators - for example, construction production - corresponded to dynamics at the lower boundary of the interval.

It was expressed that inflation would most likely fluctuate around the attained level rather than accelerating further. The effects of oil and food price volatility should surface in the short run. This would, nevertheless, involve only corrections in relative prices and not general inflation movements. The Board also discussed the possible impact that faster growth might have on inflation and the current account.

For the medium-term outlook, it was agreed that two alternative scenarios on the sources of economic recovery should be analysed. According to the first scenario, the main catalyst for recovery was the sensitivity of the domestic economy to foreign demand. According to the second scenario, recovery's driving force was the growing capacity of the Czech economy whose performance and productivity would increase under the influence of foreign direct investment, among other things.

The importance of defining the scenarios and evaluating their relevance in the upcoming period was stressed during the meeting, because each of the scenarios would influence economic developments and monetary policy in a different way. If supply constraints prevail in the economy, along with the rigid functioning of some of markets, then faster recovery would generate unbalanced tendencies - on the current account in particular - and inflationary pressures. It was expressed that the consistency of projections should be monitored and that the newly available information should be examined and compared to both scenarios.

The Board focused a part of their discussion on the issue of coordinating economic policies. In context with the previous discussion, one view was expressed that the desired acceleration of economic recovery, and in particular maintaining this recovery, is possible only if the needed level of the external equilibrium is preserved. Some risks could be reduced by employing a common approach for monetary, foreign exchange and fiscal policy, whose principles were described in the material on coordination of economic policies in a period of capital inflow. The role of the privatisation account was mentioned. This account could help prevent any extreme appreciation of the koruna's exchange rate.

Also discussed during the meeting was the issue of whether the accumulation of obligations that are now being undertaken by the government sector could reduce the role of fiscal policy in the future as an automatic stabiliser of the economic cycle. One view was expressed that if acceleration in recovery were to occur and if fiscal policy deepened the economic cycle, then there would be a danger of repeating some of the same problems of the mid-1990s. It was also mentioned that the structure of public debt financing had an effect on the Czech financial market.

At the close of the meeting, board members were invited to vote on the settings of monetary policy 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 31 August 2000

Present at the meeting:

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

The Board opened the meeting with an assessment of the newly available macroeconomic information and its relevance for expected net inflation developments. An analysis of the determinants of CPI components was used for the assessment. It was stressed that net inflation dynamics this year and for 2001 would be determined in different degrees by cost and demand factors. Assumptions on the intensity of the factors' impact over time were considered to be of key importance not only for quantifying the inflation forecast but also for identifying certain risks.

As a result of higher-than-expected price growth in past months, especially in the fuel and food segments, the net inflation estimate for the end of the year had been increased. After making this correction, the inflation forecast's midpoint is now aimed at the lower part of the inflation target band. Since the inflation forecast assumes that the inflationary impact of these items above the framework of the previous inflation forecast would die out by year-end, there was no change made in the net inflation estimate for the end of 2001. Current or predicted demand inflation - determined by wage developments - had shown no signs of acceleration, which would interfere with reaching the inflation target for this year or 2001. It was emphasised that adjusted inflation had been stabilised since August of last year, while experiencing no effects from rising fuel prices. This indicated the absence of demand-led inflation pressures during this period. In this respect, a view was expressed that the inflationary effect of rising fuel and food prices might be underestimated for next year if the secondary effect of rising fuel prices and increasing inflation expectations was not sufficiently reflected in the inflation forecast.

The Board analysed in detail the main factors that had caused the worsening trade deficit in 2000 Q2, as expressed in current prices. The deepening deficit was significantly affected by prices in the group of oil products. In this context, it was stated that rising prices in this group account for about 75% of the trade deficit's total increase in current prices. While assessing the effect of fuel prices on the external balance, attention was drawn to the possible short-term impact of deteriorating terms of trade on the current account balance. It was stressed that the fundamentals of foreign trade would be a determining factor in the longer run, especially foreign demand. Considering that the positive trade balance in the group of machinery and transport equipment was reduced to about half of last year's balance, one hypothesis suggested that increased investment demand in the area of machinery and technology also contributed to deterioration of the trade deficit. If this positive trend is confirmed, higher yields in the segments of domestic demand - especially fixed investment - could be expected for creating added value.

In the labour market, the unemployment rate rose in July. This rise was partially caused by seasonal factors as new graduates entered the labour market. However, there was also a certain increase in the seasonally adjusted unemployment rate. In this respect, it was pointed out that employment is a more appropriate indicator for evaluating the macroeconomic impact of the labour market on economic activity, because the unemployment rate is influenced by a variety of factors (e.g. demographics). Employment in companies with more than 20 employees continued to record a sharp decline as well as a reduction in the number of job positions in the manufacturing industry. A sample study also involving smaller companies provided a slightly more optimistic outlook - even in view of the lower prediction capabilities of this indicator. Overall, it was expressed that a sufficient number of job positions had still not been generated in the present stage of the economic cycle to halt the decline in employment.

During evaluation of expected demand factors, the Board said that preparations for the 2001 budget indicate the risk of a sharper rise in the structural deficit for public budget performance and a considerable amount of drawing on privatisation revenues. For this reason, it was stressed once again that the demand impact of public budgets must be assessed on a consolidated basis, while carefully accounting for revenue collections from privatisation and subsidies for transformation institutions.

The anticipated increase in the European Central Bank's short-term interest rates led to a discussion on the exchange rate's sensitivity to the interest rate differential vis-à-vis the euro. An opinion was expressed that even if ECB monetary policy had certain relevance for CNB policy, it would not be possible to mechanically react to interest rate changes in the Eurozone, because full coordination of economic cycles and sufficient convergence of relative prices had so far not taken place in all areas.

A significant amount of time was devoted to evaluating the risks that could potentially influence the inflation forecast for this year and 2001. During a discussion on the prices of oil products, it was mentioned that there were two realistic scenarios for expected development, however they would have different macroeconomic implications. According to the first scenario, there would be a decline in the level of oil prices after its initial acceleration. According to the second scenario, the price level would simply stabilise. Both scenarios could significantly affect future net inflation from the standpoint of year-on-year import price growth. It was also pointed out that, in view of the high volatility of food prices, it was difficult to assess the legitimacy of the assumption concerning the temporary character of the higher-than-expected inflationary impact of this segment of the consumer basket.

After reviewing the situational report, the Board decided unanimously to leave the CNB two-week repo rate at its current level.

Minutes of the Bank Board Meeting on 5 October 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 Racocha (Chief Executive Director), Pavel Štěpánek (Chief Executive Director)

The Board opened the meeting with an assessment of current monetary and economic developments. Board members agreed that economic recovery thus far had been taking place in an environment of macroeconomic stability and low inflation. This year's economic growth estimates had shifted slightly upward, and acceleration of domestic demand was mainly concentrated in the area of gross capital formation. Wage developments remained moderate and were in line with some productivity indicators. The inflation forecasts for this year and 2001 had been fluctuating within the desired bands and, therefore, no change in the setting of monetary policy conditions was needed. In view of present exchange rate and monetary developments, there were also no grounds for intervening on the foreign exchange market. The Board considered the central banks' intervention in favour of the euro and the increase in the oil supply by the United States to be a positive development for the Czech economy.

The Board devoted a significant part of their discussion examining evidence for the shift in the level of the potential product. It was mentioned that the capacity-creation effect of foreign direct investment during a supply recovery had been confirmed by some signals - e.g. import structure, the improving product structure, and favourable developments in some indices or for the unemployment rate. However, indications of potential product growth had so far been mainly hypothetical in nature. Board members stressed that more detailed analyses and more concrete evidence for the supply side would be key for determining an economic growth rate acceptable from the standpoint of the external balance and inflation, as well as for evaluating the adequacy of monetary conditions. Members also discussed possible reasons for the improvement in the non-financial sector's economic situation, which had developed alongside the decline in lending.

Revisions in the forecast for the current account and trade balance were approved on the basis of the current foreign trade results and assumptions for future import-export prices. This meant the trade deficit for 2000 rising to about CZK 120 billion. Several views were expressed on the risk level of the present external balance. Its controversial development was related to the fact that it was generated almost exclusively by import price growth in the SITC 3 group, while import-export relations in real terms (from the viewpoint of their contribution to economic growth) remained virtually stable. As a reminder, it was mentioned that the level of risk depended on the markets' reaction to worsening data on the current account and the trade balance. In addition, members discussed the stability of financing internal and external deficits, which could be threatened by a large outflow of domestic capital abroad. On the other hand, it was emphasised that the most dominant form of capital inflow during the present period was foreign direct investment. The low-inflation environment and the minimal interest rate differential would guard against speculative capital, and in contrast to the situation in the mid-1990s, reduce the danger of exchange rate and monetary instability.

The Board appreciated the Ministry of Finance's efforts to reduce the general government deficits. By the beginning of next year, the extent of these deficits could seriously threaten internal macroeconomic stability. The Board discussed the need to differentiate as much as possible between deficits relating to the one-time income and expenses for completing the transition process and the tendency towards a deepening imbalance relating to the structural components of the public finance deficit (according to CNB estimates, it had increased from 2.2% of GDP in 1999 to 3.6% this year, and is estimated to rise to 4.7% for 2001). This development was said to be inconsistent with the economic cycle, because it implied fiscal expansion during a period in which the economy was recovering, potentially causing macroeconomic disequilibrium and inflation pressures. Furthermore, this could create a risk of undesirable strengthening of the government's role in the economy. A considerable increase in the burden of future budgets could, by way of debt service, hinder the Czech Republic's ability to comply with the Maastricht convergence criteria in the future.

Price growth dynamics had shown that accommodation to energy raw material prices on world markets occurred within the range of the CNB's inflation targets, even though consumer prices probably had not yet fully absorbed the secondary effects. Within the existing competitive environment, their effect should be minimal and should not interfere with the inflation target for 2001. It also should not negatively affect the markets' inflation expectations or upcoming wage negotiations.

After reviewing the situational report, the Board decided unanimously not to change the setting of monetary policy instruments and to leave the CNB two-week repo rate at its current level.

STATISTICAL ANNEX

INFLATION DEVELOPMENT

year-on-year change in %

		1	2	3	4	5	6	7	8	9	10	11	12
1996													
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	3.4	3.7	4.1	3.9	4.1	4.1			
Regulated prices	1)	7.3	7.3	7.3	7.4	7.5	7.8	6.9	7.0	7.0			
(contribution to CPI inflation)	1)	*1.94*	*1.95*	*1.96*	*1.98*	*1.99*	*2.09*	*1.87*	*1.90*	*1.91*			
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		*0.32*	*0.32*	*0.32*	*0.14*	*0.14*	*0.14*	*-0.18*	*-0.18*	*-0.18*			
Net inflation		1.6	1.9	2.1	1.7	2.1	2.6	3.1	3.2	3.2			
(contribution to CPI inflation)	1)	*1.19*	*1.38*	*1.55*	*1.27*	*1.57*	*1.90*	*2.25*	*2.36*	*2.35*			
of which: food	1)	-0.6	0.0	0.1	-0.4	0.2	0.4	1.6	2.5	2.8			
(contribution to CPI inflation)	1)	*-0.16*	*0.00*	*0.02*	*-0.12*	*0.07*	*0.13*	*0.45*	*0.73*	*0.79*			
adjusted inflation	1)	3.1	3.2	3.5	3.2	3.4	4.0	4.1	3.8	3.5			
(contribution to CPI inflation)	1)	*1.35*	*1.39*	*1.53*	*1.39*	*1.49*	*1.77*	*1.80*	*1.63*	*1.56*			
Inflation rate	2)	2.1	2.2	2.3	2.4	2.5	2.6	2.9	3.1	3.3			

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 %

		1	2	3	4	5	6	7	8	9	10	11	12
		1996											
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	1.0	0.6	0.5	0.5	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	-0.1	0.2	0.6	0.6	0.2	0.0			
Regulated prices	1)	4.8	0.1	0.1	0.2	0.1	0.4	1.0	0.1	0.1			
(contribution to CPI inflation)	1)	1.29	0.04	0.02	0.05	0.02	0.10	0.27	0.02	0.03			
Influence of indirect tax growth on unregulated prices													
(contribution to CPI inflation)		0.00	0.00	0.00	-0.18	0.00	0.00	0.00	0.00	0.00			
Net inflation		0.6	0.2	0.0	0.0	0.3	0.7	0.5	0.2	-0.1			
(contribution to CPI inflation)	1)	0.42	0.13	-0.01	-0.01	0.21	0.48	0.34	0.18	-0.08			
of which: food	1)	1.0	0.1	-0.6	-0.5	0.3	0.4	-0.1	0.7	0.3			
(contribution to CPI inflation)	1)	0.30	0.03	-0.17	-0.14	0.07	0.11	-0.02	0.20	0.08			
adjusted inflation	1)	0.3	0.2	0.3	0.3	0.3	0.8	0.8	0.0	-0.4			
(contribution to CPI inflation)	1)	0.12	0.10	0.15	0.13	0.14	0.37	0.36	-0.02	-0.15			

1) CNB calculation

Source: CSO

CONSUMER PRICES

change in %, December 1993 = 100

Group	Constant weights of 1993 in per mille	months 1	2	3	4	5	6	7	8	9	10	11	12	Average since start of year
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	32.7	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	57.6	57.9	58.9	59.8	60.1	60.1				58.6
Food, beverages, tobacco	327.1	35.1	35.3	34.5	33.8	34.2	34.7	34.7	35.6	36.0				34.9
Clothing	90.9	46.6	45.0	44.4	44.4	44.6	44.7	43.9	43.2	43.1				44.5
Housing	143.7	148.9	149.3	149.5	150.2	150.5	150.9	154.6	154.9	155.2				151.6
Household equipment	77.2	29.2	29.1	29.2	29.3	29.1	28.9	28.8	28.7	28.7				29.0
Health care	44.2	20.3	20.4	20.6	20.6	20.8	20.9	21.0	21.1	21.2				20.8
Transport	104.8	53.3	54.1	57.9	57.4	59.1	64.3	64.9	63.6	64.5				59.9
Leisure activities	97.5	41.6	43.2	42.0	41.0	40.9	42.2	46.9	48.2	43.9				43.3
Education	16.9	144.5	145.1	145.1	145.1	145.1	145.8	145.9	146.2	150.0				45.9
Catering and accommodation	47.2	52.8	53.4	53.4	53.7	54.0	54.1	54.2	54.5	54.8				53.9
Other goods and services	50.5	53.2	53.6	53.8	53.9	54.1	54.1	54.2	54.4	54.5				54.0

Source: CSO

NET INFLATION

change in %

	1	2	3	4	5	6	7	8	9	10	11	12
1995												
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	0.0	0.3	0.7	0.5	0.2	-0.1			
b) same period of previous year = 100	1.6	1.9	2.1	1.7	2.1	2.6	3.1	3.2	3.2			
c) December of previous year = 100	0.6	0.7	0.7	0.7	1.0	1.7	2.1	2.4	2.3			

Source: CSO

ITEMS EXCLUDED FROM THE CPI FOR "NET INFLATION" CALCULATION

	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

change in %

	Constant weight in consumer basket in %	1994	1995	1996	1997	1998	1999	2000	
		months							
		12	12	12	12	12	12	9	
		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	1.7	2.8
- tradables	32.7	12.0	5.4	7.9	5.6	-0.3	-0.3	1.7	2.8
- nontradables	.	.	.	.	.	.	.	.	.
2. Clothing	9.1	9.2	10.9	9.6	9.1	3.1	-1.4	-2.7	-2.3
- tradables	8.8	9.2	10.7	9.6	9.0	2.9	-1.6	-2.9	-2.6
- nontradables	0.3	9.0	16.6	9.7	12.3	7.5	3.3	4.1	4.9
3. Housing	14.4	14.1	13.0	13.5	22.9	25.6	4.9	7.6	7.9
- tradables	1.1	10.5	9.7	9.4	37.1	18.0	4.2	1.3	2.3
- nontradables	13.3	14.4	13.3	13.8	21.7	26.1	5.0	8.0	8.3
4. Household equipment	7.7	4.3	5.6	3.6	7.7	3.0	1.9	-0.3	0.0
- tradables	7.2	4.1	5.3	3.2	7.5	2.4	1.9	-0.7	-0.4
- nontradables	0.5	6.4	9.1	9.0	10.3	9.4	2.5	4.1	4.6
5. Health care	4.4	2.4	4.3	2.2	6.5	2.3	1.0	0.8	0.9
- tradables	.	.	.	.	.	2.6	1.3	0.9	1.4
- nontradables	4.4	2.4	4.3	2.2	6.5	2.3	1.0	0.8	0.9
6. Transport	10.5	5.5	6.4	8.3	9.2	3.6	10.3	8.5	10.8
- tradables	7.5	3.0	3.0	6.2	6.2	-4.4	14.9	9.2	13.1
- nontradables	3.0	11.5	14.5	13.4	16.6	17.2	3.9	7.3	7.5
7. Leisure activities	9.8	5.7	9.9	4.5	9.7	3.7	1.9	2.3	2.8
- tradables	6.4	3.5	5.9	2.3	4.5	1.2	-0.5	2.5	1.4
- nontradables	3.4	12.0	21.3	11.0	19.8	7.0	5.0	2.0	4.5
8. Education	1.7	23.7	10.2	37.9	9.5	14.7	2.7	3.1	3.1
- tradables	.	.	.	.	.	.	.	.	.
- nontradables	1.7	23.7	10.2	37.9	9.5	14.7	2.7	3.1	3.1
9. Catering, accommodation	4.7	12.9	7.3	6.5	7.3	6.5	2.3	2.6	2.8
- tradables	0.1	3.1	21.3	9.9	17.7	12.4	9.4	5.5	4.1
- nontradables	4.6	13.2	6.9	6.4	7.0	6.3	2.1	2.5	2.8
10. Other goods and services	5.1	5.5	10.1	7.5	9.7	5.1	4.5	2.6	3.0
- tradables	3.2	5.9	5.8	5.0	7.1	1.5	1.0	0.2	0.6
- nontradables	1.9	4.7	17.4	11.7	14.3	10.0	9.0	5.4	5.8
Total household consumer prices	100.0	9.7	7.9	8.6	10.0	6.8	2.5	3.3	4.1
- tradables	67.3	8.7	6.0	6.7	7.1	0.7	1.3	1.6	2.5
- nontradables	32.7	11.9	11.9	12.5	15.9	16.9	4.3	5.7	6.2
Tradables - food	32.7	12.0	5.4	7.9	5.6	-0.3	-0.3	1.7	2.8
Tradables - others	34.6	5.6	6.5	5.6	8.3	1.6	3.0	1.5	2.3
Nontradables - regulated	18.3	9.0	9.7	11.2	19.7	20.7	4.2	7.1	7.1
Nontradables - others	14.4	14.2	12.3	14.4	9.3	11.1	4.3	3.5	4.5

a) December of previous year = 100
b) Same period of previous year = 100

Table 5

INFLATION EXPECTATIONS OF SELECTED ECONOMIC SECTORS FOR 12 MONTHS AHEAD

year-on-year change in %

	CPI			Net inflation
	financial market	businesses	households	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	4.3	4.1	3.2
4/00	4.2			2.7
5/00	4.1			2.4
6/00	4.4	4.8	4.1	2.9
7/00	4.6			2.9
8/00	4.5			3.1
9/00	4.7			3.4

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	9
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	4.1
Slovakia	61.2	10.1	23.2	13.4	9.9	5.8	6.4	5.6	14.2	8.7
Hungary	35.0	23.0	22.5	18.8	28.2	23.6	18.4	10.3	11.2	10.3
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	18.7
2. European Union countries										
Belgium	3.2	2.4	2.8	2.4	2.0	2.5	1.1	0.6	1.9	3.4
United Kingdom	5.9	3.7	1.6	2.4	3.2	2.5	3.6	2.8	1.8	3.3
France	3.2	2.4	2.1	1.6	2.1	1.7	1.1	0.3	1.3	2.2
Italy	6.5	5.3	4.2	3.9	5.8	2.6	1.5	1.5	2.1	2.6
Germany	3.5	4.0	4.1	3.0	1.8	1.4	1.8	0.5	1.2	2.5
Netherlands	3.7	3.2	2.6	2.7	1.6	2.5	2.3	1.7	2.2	2.9
Spain	5.9	5.9	4.6	4.7	4.3	3.2	2.0	1.4	2.9	3.7
Austria	3.3	4.0	3.3	2.9	1.8	2.3	1.0	0.7	1.4	3.0
Sweden	9.3	2.3	4.6	3.2	2.5	-0.2	1.9	-0.6	1.2	1.3
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	
USA	4.2	3.0	3.0	2.6	2.5	3.3	1.7	1.6	2.7	3.5
Switzerland	5.8	4.0	3.3	1.0	1.9	0.8	0.4	-0.2	1.7	2.3

MONETARY SURVEY

position at month-end in CZK billions

		1993	1994	1995	1996	1997	1998	1999	2000
		12	12	12	12	12	12	12	8
Total assets		720.4	870.4	1039.6	1120.5	1217.6	1280.8	1384.9	1428.9
Net foreign assets		115.7	194.4	311.4	281.9	338.5	425.3	570.4	666.1
- assets		213.6	275.8	493.2	538.0	670.7	761.4	940.2	946.5
- liabilities		97.9	81.4	181.8	256.1	332.2	336.1	369.8	280.4
Net domestic assets		604.7	676.0	728.2	838.6	879.1	855.5	814.5	762.8
Domestic credits		713.9	817.5	929.5	1029.7	1137.7	1109.9	1095.8	1102.4
Net credit to the government sector		18.4	5.1	10.1	12.6	24.8	36.1	63.4	83.9
- net credit to government		35.1	23.1	25.4	28.5	37.9	45.4	73.6	95.8
- net credit to NPF		-16.7	-18.0	-15.3	-15.9	-13.1	-9.3	-10.2	-11.9
Client credits of commercial banks and CNB		695.5	812.4	919.4	1017.1	1112.9	1073.8	1032.4	1018.5
CZK credits		669.6	768.9	822.3	888.6	912.6	860.0	838.5	841.8
- businesses		576.8	661.1	720.5	785.1	808.2	756.3	729.6	727.9
- households		92.8	107.8	101.8	103.5	104.4	103.7	108.9	113.9
Foreign currency credits		25.9	43.5	97.1	128.5	200.3	213.8	193.9	176.7
- businesses		.	.	.	.	194.3	210.3	190.5	174.8
- households		.	.	.	.	6.0	3.5	3.4	1.9
Other net items		-109.2	-141.5	-201.3	-191.1	-258.6	-254.4	-281.3	-339.6
Liabilities									
M2	2)	720.4	870.4	1039.6	1120.5	1217.6	1280.8	1384.9	1428.9
M1	1)	359.9	421.8	453.3	475.3	445.1	433.4	479.8	533.3
Currency in circulation		59.8	84.0	104.3	118.9	119.3	127.2	157.9	171.1
CZK demand deposits		300.1	337.8	349.0	356.4	325.8	306.2	321.9	362.2
- households		109.3	131.5	148.8	155.7	153.2	144.0	162.6	196.5
- businesses		185.1	201.1	195.6	195.6	168.2	158.9	156.4	162.3
- insurance companies		5.7	5.2	4.6	5.1	4.4	3.3	2.9	3.4
Quasi money		360.5	448.6	586.3	645.2	772.5	847.4	905.1	895.6
CZK time deposits		303.1	387.8	498.8	559.5	634.0	674.7	657.1	702.8
- households		206.8	244.7	306.5	366.0	474.4	550.8	537.5	546.8
- businesses		60.0	102.9	150.2	172.7	133.9	91.8	83.0	136.4
- insurance companies		36.3	40.2	42.1	20.8	25.7	32.1	36.6	19.6
Certificates of deposit, deposit bills of exchange and other bonds	6)	.	.	.	.	.	30.2	100.1	36.9
Foreign currency deposits		57.4	60.8	87.5	85.7	138.5	142.5	147.9	155.9
- households		45.7	42.2	35.8	40.1	68.8	73.6	80.8	82.1
- businesses		11.7	18.6	51.7	45.6	69.7	68.9	67.1	73.8
Monetary aggregate L	3)	704.6	845.5	1019.0	1138.9	1241.8	1329.9	1443.9	1496.0
Year-on-year changes in %									
M1		17.5	17.2	7.5	4.9	-6.4	-2.6	10.7	17.4
M2	5)	19.8	19.9	19.8	9.2	10.1	5.2	8.1	7.6
L		19.8	20.0	20.5	11.8	9.0	7.1	8.6	7.3
Client credits of commercial banks and CNB		19.1	16.8	13.2	10.6	9.4	-3.5	-3.9	-5.9
Client deposits with banks	4)	21.8	19.1	21.8	7.1	9.7	2.3	0.3	4.7

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 12	1994 12	1995 12	1996 12	1997 12	1998 12	1999 12	2000 8
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	1018.5
year-on-year changes in %	19.1	16.8	13.2	10.6	9.4	-3.5	-3.9	-5.9
CZK credits								
absolute volumes in CZK billions	669.6	768.9	822.3	888.6	912.6	860.0	838.5	841.8
year-on-year changes in %	17.9	14.8	6.9	8.1	2.7	-5.8	-2.5	-3.6
Foreign currency credits								
absolute volumes in CZK billions	25.9	43.5	97.1	128.5	200.3	213.8	193.9	176.7
year-on-year changes in %	57.0	68.0	123.2	32.3	55.9	6.7	-9.3	-15.5
Adjusted credits 1)								
Total credits, CZK and foreign currency								
absolute volumes in CZK billions	696.2	807.6	906.1	1014.9	1102.6	1162.8	1171.1	1175.3
year-on-year changes in %	19.2	16.0	12.2	12.0	7.4	5.5	0.7	0.6
CZK credits								
absolute volumes in CZK billions	670.2	763.9	808.8	882.6	923.6	953.6	996.0	1020.3
year-on-year changes in %	18.1	14.0	5.9	9.1	3.3	3.2	4.4	4.2
Foreign currency credits								
absolute volumes in CZK billions	26.0	43.7	97.3	132.3	179.0	209.2	175.1	155.0
year-on-year changes in %	57.6	68.1	122.7	36.0	35.3	16.9	-16.3	-18.2

1) 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

share in total in %

	1993 12	1994 12	1995 12	1996 12	1997 12	1998 12	1999 12	2000 8
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	36.1
Medium-term	28.3	30.2	29.1	25.7	24.8	22.4	23.5	21.4
Long-term	29.9	29.3	29.0	30.8	33.2	36.5	38.6	42.5
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	88.6
Households	6.7	5.7	11.1	10.2	9.8	10.0	10.9	11.4
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	49.0
Investment (incl. general housing construction)	33.9	33.6	33.2	32.4	31.3	32.4	32.3	32.3
Mortgage	0.4	0.1	0.1	1.0	1.6	2.2	2.9	3.7
Consumer	0.6	0.7	0.8	0.7	0.6	1.7	2.8	2.4
For privatisation	5.4	5.0	3.8	3.0	2.0	1.3	2.2	2.1
For temporary fund shortage	9.1	12.5	9.6	9.2	10.5	8.1	7.1	8.9
For securities purchase	0.2	0.6	1.0	2.8	1.1	1.3	1.5	1.6

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	9
1. AVERAGE PRIBOR RATE 1)								
- 1 day	5.47	10.75	10.83	12.44	12.55	10.84	5.21	5.26
- 7 day	5.90	12.28	11.17	12.61	16.64	10.56	5.32	5.29
- 14 day	6.14	12.38	11.20	12.61	16.77	10.54	5.40	5.29
- 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	5.34
- 6 month	9.21	12.65	10.89	12.55	17.41	9.56	5.64	5.44
- 9 month	10.69	12.65	10.89	12.25	17.39	9.38	5.72	5.57
- 12 month	11.90	12.66	10.90	12.23	17.36	9.31	5.84	5.71
2. AVERAGE PRIBID RATE 1)								
- 1 day	4.51	10.01	10.52	12.19	10.75	10.48	5.05	5.14
- 7 day	4.92	11.48	10.82	12.35	15.37	10.30	5.16	5.18
- 14 day	5.16	11.55	10.84	12.36	15.45	10.27	5.23	5.18
- 1 month	5.68	11.72	10.63	12.35	16.26	10.18	5.42	5.20
- 2 month	6.34	11.76	10.59	12.34	16.33	9.99	5.40	5.22
- 3 month	7.00	11.80	10.53	12.39	16.35	9.79	5.41	5.23
- 6 month	8.21	11.81	10.48	12.26	16.31	9.26	5.46	5.32
- 9 month	9.56	11.82	10.47	11.96	16.27	9.08	5.54	5.46
- 12 month	10.89	11.83	10.48	11.94	16.23	9.02	5.67	5.60

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	6	9
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	5.48	5.51
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	5.64	5.65
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	5.73	5.72
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	5.92	5.87
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	6.02	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	0.55	0.43
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	0.28	0.22

IRS RATES

monthly averages in %

	1997				1998				1999				2000		
	3	6	9	12	3	6	9	12	3	6	9	12	3	6	9
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	5.78	5.77
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	6.34	6.21
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	6.68	6.52
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	6.88	6.75
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	6.99	6.91
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	7.02	7.03
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	7.03	7.09
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	7.03	7.12
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	7.03	7.12
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	7.03	7.12
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	1.21	1.14
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	1.24	1.35

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 credits
	1W	1Y	new credits	time deposits	1W	1Y	new credits	time deposits	1W	1Y	
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	7.1	4.5	1.4	1.8	3.2	0.6	0.2	0.6	1.9
4/00	5.3	5.5	7.1	4.4	1.8	2.1	3.6	1.0	1.0	1.3	2.8
5/00	5.3	5.5	7.0	4.3	1.5	1.8	3.2	0.6	0.9	1.1	2.5
6/00	5.3	5.7	6.8	4.2	1.1	1.5	2.6	0.1	0.2	0.6	1.6
7/00	5.3	5.8	6.5	4.2	1.3	1.8	2.5	0.3	0.3	0.7	1.5
8/00	5.3	5.7	6.7	4.2	1.1	1.6	2.5	0.1	0.5	0.9	1.8
9/00	5.3	5.7			1.1	1.5			-0.1	0.3	

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 financial 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	2.5	0.0	1.0	1.3	2.7	0.2	1.1	1.5	2.9	0.4
4/00	1.0	1.3	2.8	0.2								
5/00	1.1	1.4	2.8	0.2								
6/00	0.8	1.2	2.3	-0.1	0.5	0.9	1.9	-0.5	1.1	1.5	2.6	0.1
7/00	0.7	1.1	1.9	-0.4								
8/00	0.7	1.2	2.1	-0.3								
9/00	0.6	1.0										

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	8
Newly drawn credits								
in CZK	14.6	13.7	13.1	13.6	16.5	11.9	6.7	6.7
- short-term	14.0	13.3	12.9	13.6	16.5	11.7	6.7	6.5
- medium-term	16.7	14.8	14.2	14.3	17.0	13.4	5.1	8.5
- long-term	14.5	14.2	13.3	12.5	16.0	11.7	10.2	7.0
in foreign currency	-	-	-	-	5.9	5.4	6.1	6.0
- short-term	-	-	-	-	5.9	5.3	6.2	5.9
- medium-term	-	-	-	-	5.6	5.9	5.3	6.7
- long-term	-	-	-	-	6.1	5.6	6.0	6.6
Credits								
in CZK	14.0	12.8	12.7	12.5	13.9	10.5	7.7	7.1
- short-term	15.4	12.7	12.5	12.4	14.1	10.6	7.4	6.7
- medium-term	15.6	14.5	14.2	13.5	14.6	10.7	8.3	8.0
- long-term	10.6	11.2	11.5	11.8	13.0	10.3	7.6	7.0
in foreign currency	-	-	-	-	6.1	6.4	6.6	7.0
- short-term	-	-	-	-	5.6	6.9	7.7	7.8
- medium-term	-	-	-	-	5.9	5.6	5.4	6.0
- long-term	-	-	-	-	6.7	6.0	5.9	6.6
Deposits								
in CZK	6.8	6.9	6.9	6.7	8.0	6.7	3.7	3.3
- demand	2.4	2.6	2.8	2.5	2.1	1.9	1.6	1.6
- time	10.7	10.6	10.0	9.2	10.9	8.7	4.7	4.2
- short-term	9.6	9.6	9.7	9.3	11.6	9.2	4.8	4.3
- medium-term	11.4	11.5	10.7	9.8	12.2	10.9	5.6	4.4
- long-term	13.0	11.3	8.8	6.2	5.2	4.2	3.6	3.5
in foreign currency	-	-	-	-	2.7	2.3	2.7	3.2
- demand	-	-	-	-	1.1	1.1	0.9	1.0
- time	-	-	-	-	3.7	3.2	4.0	4.6
- short-term	-	-	-	-	3.4	3.1	3.9	4.5
- medium-term	-	-	-	-	5.0	3.3	4.2	4.9
- long-term	-	-	-	-	5.5	3.5	4.7	5.0

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)	2000 2) Q1 - 2
A. CURRENT ACCOUNT	13 286.7	-22 643.2	-36 331.3	-116 510.6	-101 856.2	-43 101.0	-35 591.2	-27 154.5
Balance of trade 3)	-15 313.0	-39 750.9	-97 598.6	-159 538.6	-144 025.9	-82 394.8	-65 830.8	-43 403.0
- exports	414 833.0	458 436.6	569 549.1	588 791.5	722 501.0	850 308.0	908 756.0	539 471.0
- imports	430 146.0	498 187.5	667 147.7	748 330.1	866 526.9	932 702.8	974 586.8	582 874.0
Services	29 465.2	14 052.8	48 881.2	52 198.9	55 935.0	57 854.7	38 119.3	19 517.6
Credit	137 691.2	148 404.0	178 270.4	222 030.4	227 193.6	241 801.2	239 709.0	114 622.6
- transport	36 186.6	35 757.9	38 757.4	36 209.6	41 661.6	44 829.3	53 520.3	25 285.7
- travel	45 437.4	64 170.3	76 301.3	110 620.0	115 700.0	120 000.0	105 000.0	47 900.0
- others	56 067.2	48 475.8	63 211.7	75 200.8	69 832.0	76 971.9	81 188.7	41 436.9
Debit	108 226.0	134 351.2	129 389.2	169 831.5	171 258.6	183 946.5	201 589.7	95 105.0
- transport	21 402.1	24 542.4	21 208.9	18 983.3	19 973.6	22 794.0	27 071.4	13 589.8
- travel	15 368.3	45 605.6	43 330.3	80 170.0	75 500.0	60 300.0	51 000.0	21 600.0
- others	71 455.6	64 203.2	64 850.0	70 678.2	75 785.0	100 852.5	123 518.3	59 915.2
Income	-3 424.7	-580.8	-2 804.0	-19 611.0	-25 102.4	-31 708.0	-25 557.4	-9 885.7
Credit	15 952.0	22 713.2	31 696.1	31 765.9	44 696.0	45 945.4	57 745.7	33 227.9
Debit	19 376.7	23 294.0	34 500.1	51 376.9	69 798.4	77 653.4	83 303.1	43 113.6
Current transfers	2 559.2	3 635.7	15 190.1	10 440.1	11 337.1	13 147.1	17 677.7	6 616.6
Credit	7 024.5	8 523.3	17 631.6	16 752.7	27 402.5	25 387.9	37 184.4	14 007.5
Debit	4 465.3	4 887.6	2 441.5	6 312.6	16 065.4	12 240.8	19 506.7	7 390.9
B. CAPITAL ACCOUNT	-16 175.0	-	179.1	15.6	315.9	65.8	-73.2	-56.6
Credit	5 976.0	-	307.8	28.1	493.0	454.6	637.3	73.7
Debit	22 151.0	-	128.7	12.5	177.1	388.8	710.5	130.3
Total A + B	-2 888.3	-22 643.2	-36 152.2	-116 495.0	-101 540.3	-43 035.2	-35 664.4	-27 211.1
C. FINANCIAL ACCOUNT	88 184.7	97 019.7	218 288.5	113 582.5	34 319.1	94 324.5	86 470.7	51 564.8
Direct investment	16 421.8	21 551.1	67 021.2	34 624.8	40 451.4	85 224.0	169 936.5	74 904.9
- abroad	-2 628.6	-3 443.3	-971.6	-4 150.0	-800.0	-2 538.8	-6 807.4	-2 023.5
- 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	76 928.4
Portfolio investment	46 658.5	24 595.9	36 144.4	19 692.5	34 438.9	34 508.2	-48 268.9	-24 386.1
Assets	-6 686.9	-1 327.1	-8 565.6	-1 291.1	-6 006.8	-755.1	-65 608.0	-42 029.8
- equity securities	-6 686.9	-1 327.1	-8 565.6	-1 291.1	19.9	3 855.7	-48 965.2	-39 777.0
- debt securities					-6 026.7	-4 610.8	-16 642.8	-2 252.8
Liabilities	53 345.4	25 923.0	44 710.0	20 983.6	40 445.7	35 263.3	17 339.1	17 643.7
- equity securities	32 569.8	14 369.8	32 761.7	16 340.9	13 783.7	34 846.2	4 394.2	11402.1
- debt securities	20 775.6	11 553.2	11 948.3	4 642.7	26 662.0	417.1	12 944.9	6241.6
Financial derivatives	.	.	.	.	.	.	.	-2 464.5
- assets	.	.	.	.	.	.	.	-5440.5
- liabilities	.	.	.	.	.	.	.	2976
Other investment	25 104.4	50 872.7	115 122.9	59 265.2	-40 571.2	-25 407.7	-35 196.9	3 510.5
Assets	-83 911.4	-69 582.4	-66 050.8	-64 646.8	-142 725.1	-48 192.1	-91 796.2	44 806.6
Long-term	13 340.8	12 046.4	1 384.4	-10 769.8	-11 117.6	-24 853.5	-23 339.5	19 264.0
- CNB								
- commercial banks	-1 431.5	-31.7	-3 353.6	-14 168.2	-11 907.4	-26 952.8	-25858.5	18054.2
- government	8 323.3	8 175.1	3 335.0	1 286.4	519.8	630.3	977.5	419.7
- other sectors	6 449.0	3 903.0	1 403.0	2 112.0	270.0	1 469.0	1541.5	790.1
Short-term	-97 252.2	-81 628.8	-67 435.2	-53 877.0	-131 607.5	-23 338.6	-68 456.7	25 542.6
- CNB								
- commercial banks	2 163.0	-4 289.4	-2 446.2	-48 976.0	-122 038.5	-21 641.6	-63 804.7	36736.6
- 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	-11194
Liabilities	109 015.8	120 455.1	181 173.7	123 912.0	102 153.9	22 784.4	56 599.3	-41 296.1
Long-term	10 131.9	19 865.1	87 965.8	95 193.1	24 047.6	-4 485.0	12 910.9	13 754.0
- CNB	1 297.3	-31 712.7	997.8		-368.0	-216.4	-2 083.5	-11.5
- commercial banks	-2 116.6	11 189.6	60 359.6	46 733.5	-14 875.5	-14 399.2	-7 109.5	-9851.6
- government	-3 421.5	-5 249.5	-12 047.3	-7 132.6	-11 581.9	-11 765.4	-6 384.3	-880.2
- other sectors	14 372.7	45 637.7	38 655.7	55 592.2	50 873.0	21 896.0	28 488.2	24497.3
Short-term	98 883.9	100 590.0	93 207.9	28 718.9	78 106.3	27 269.4	43 688.4	-55 050.1
- CNB	1 670.5	-1 634.7	77.1	-59.6	-9.9	-6.0	84.9	879.3
- commercial banks	2 481.8	14 016.0	27 636.1	30 574.9	67 383.7	24 445.9	36 615.6	-51510
- government	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	-4419.4
Total A + B + C	85 296.4	74 376.5	182 136.3	-2 912.5	-67 221.2	51 289.3	50 806.3	24 353.7
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	6 330.4	3006.3
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	27 360.0
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	-27 360.0

1) Balance of payments structure based on the Balance of Payments Manual (5th edition), IMF 1993
2) Preliminary data
3) 1993-1998 - in accordance with methodology for customs statistics in force since 1 January 1996
1999 and 2000 - in accordance with revised methodology for customs statistics in force since 1 July 2000

INTERNATIONAL INVESTMENT POSITION

in CZK millions

	1993 1 Jan.	1993 31 Dec.	1994 31 Dec.	1995 31 Dec.	1996 31 Dec.	1997 31 Dec.	1998 31 Dec.	1999 31 Dec. 1)	2000 30 Jun. 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	1 405 484.8
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	34 977.9
- 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	32 792.1
- other capital 3)	.	.	.	.	.	604.3	2 102.3	2 162.3	2 185.8
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	145 404.3
- equity securities	226.0	7 911.1	9 370.5	18 422.0	20 450.3	14 442.0	13 415.5	66 318.2	97 937.5
- debt securities	.	346.9	2 767.5	1 654.9	17 060.9	21 296.9	22 456.9	38 027.1	47 466.8
Financial derivatives 4)	.	.	.	.	.	.	.	.	7 286.1
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	725 549.2
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	311 245.9
- CNB 5)	23 102.5	24 572.5	24 573.3	26 172.3	26 122.8	26 122.4	26 122.4	.	
- commercial banks 6)	365.9	1 852.3	1 763.0	5 116.6	25 181.3	37 088.8	64 041.6	89 900.1	71 845.9
- government 7) 8)	167 429.3	186 968.0	174 784.1	157 950.4	160 949.7	203 922.8	174 825.0	208 832.9	217 541.0
- 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	21 859.0
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	414 303.3
- CNB 9)	4.7	4.7	4.7	4.7	4.7	0.1	0.1	.	3 202.7
- commercial banks 6)	82 456.2	83 133.2	80 820.2	87 176.3	128 481.1	250 670.9	272 219.5	336 117.2	299 380.6
of which: gold and foreign currency 10)	79 040.1	70 727.5	71 232.8	76 126.9	95 432.8	172 301.6	175 753.2	218 995.8	203 914.3
- 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	111 720.0
CNB reserves 12)	24 347.4	115 980.2	175 121.9	373 037.7	339 884.0	338 524.7	376 683.0	461 429.2	492 267.3
- gold 10)	2 488.2	2 466.4	2 309.3	2 234.6	2 290.3	1 521.9	369.1	677.0	1 757.5
- SDR	852.5	247.3	.	4.7	.	.	.	.	7.6
- reserve position in the IMF									
- 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	490 467.6
- other reserve assets									34.6
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	1 498 849.6
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	661 751.1
- equity capital 2) 13)	83 488.7	102 539.1	127 533.5	195 526.3	234 301.1	284 674.7	364 816.5	517 672.7	594 601.1
- other capital 3)	.	.	.	.	.	35 145.6	64 351.3	66 851.3	67 150.0
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	179 028.9
- 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	116 789.3
- 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	62 239.6
Financial derivatives 4)	.	.	.	.	.	.	.	.	5 185.1
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	652 884.5
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	409 232.1
- CNB	31 109.9	33 697.4	1 695.7	2 491.5	2 272.7	2 188.3	1 883.3	197.1	195.5
- commercial banks 6)	14 491.1	16 175.5	26 040.1	90 299.3	143 454.2	143 120.2	124 286.3	118 368.9	107 180.8
- government 7)	70 771.0	82 295.1	76 533.9	53 200.2	44 003.7	38 001.1	23 789.1	20 813.0	20 405.8
- 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	281 450.0
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	243 652.4
- CNB	8.2	4 581.0	37.9	115.0	55.3	45.5	39.5	124.4	1 003.7
- commercial banks 6)	19 527.4	22 249.3	41 339.9	69 502.9	101 543.5	168 927.1	193 373.0	229 988.7	178 478.7
- 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	64 170.0
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	-93 364.8

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) Financial derivatives have been recorded since 31 March 2000 (from banks' position)
5) As of end-1999 the receivable from the National Bank of Slovakia was transferred from the non-resident position to the resident position
6) 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)
7) 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 the table as of 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
8) Including foreign currency shares in international non-monetary organisations (The World Bank, EBRD, IBEC, IIB)
9) Since 31 March 2000, this item has included gold not recorded in CNB reserves
10) Gold valued at USD 42.22 per Troy ounce (up to 31 December 1999) and at market value (since 31 March 2000)
11) Foreign currency - convertible currencies

EXTERNAL DEBT

in CZK millions

	1993 1 Jan.	1993 31 Dec.	1994 31 Dec.	1995 31 Dec.	1996 31 Dec.	1997 31 Dec.	1998 31 Dec.	1999 31 Dec. 1)	2000 30 Jun. 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	778 516.0
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	509 111.0
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	12 824.2
- 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	118 142.1
- 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	25 937.0
- 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	352 207.7
By creditor									
- foreign banks	62 121.2	82 449.5	123 078.4	215 916.7	297 305.5	355 794.1	286 227.5	317 042.6	330 404.9
- 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	4 031.5
- multilateral institutions	50 127.1	53 292.0	21 036.1	21 381.4	21 250.4	18 825.6	11 520.8	12 786.4	12 478.2
- 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	82 160.0
- 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	80 036.4
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	269 405.0
By debtor									
- CNB	7.9	4 581.0	37.9	115.0	55.3	45.5	39.5	124.4	1 003.7
- 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	183 663.8
- 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	84 737.5
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	168 955.1
- 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	69 610.0
- 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	30 839.9
DEBT IN NON-CONVERTIBLE CURRENCIES 3)	19 648.8	33 225.3	42 508.1	17 065.9	9 180.7	9 148.1	8 996.7	8 925.7	8 943.2
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	8 943.2
- 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	787 459.2
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	518 054.2
- 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	269 405.0

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 on 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- 9
CZK EXCHANGE RATE AGAINST SELECTED CURRENCIES								
1 ECU	34.11	34.06	34.31	34.01	35.80	36.16	.	.
1 EUR	.	.	.	.	.	.	36.88	35.84
1 GBP	43.78	44.03	41.89	42.33	51.95	53.45	55.97	58.51
1 FRF	5.15	5.19	5.32	5.31	5.43	5.47	5.62	5.46
1000 ITL	18.56	17.85	16.30	17.59	18.61	18.57	19.05	18.51
100 JPY	26.32	28.15	28.34	24.99	26.29	24.71	30.53	35.57
1 CAD	22.61	21.09	19.34	19.90	22.91	21.83	23.29	25.87
1 NLG	15.70	15.82	16.53	16.11	16.24	16.26	16.74	16.26
1 ATS	2.51	2.52	2.63	2.57	2.60	2.61	2.68	2.61
1 DEM	17.64	17.75	18.52	18.06	18.28	18.33	18.86	18.32
1 CHF	19.74	21.06	22.45	22.02	21.85	22.26	23.05	22.79
1 USD	29.16	28.78	26.55	27.14	31.71	32.27	34.60	38.05
100 SKK	.	.	89.49	88.57	94.18	91.61	83.64	84.70
	12	**12**	**12**	**12**	**12**	**12**	**12**	**9**
1 ECU	33.59	34.20	34.01	34.09	38.69	35.34	.	.
1 EUR	.	.	.	.	.	.	36.05	35.43
1 GBP	44.37	43.99	41.00	45.48	57.72	50.20	57.46	58.21
1 FRF	5.09	5.21	5.37	5.21	5.84	5.38	5.50	5.40
1000 ITL	17.63	17.28	16.71	17.90	19.94	18.18	18.62	18.30
100 JPY	27.12	28.18	26.21	24.05	26.87	25.55	34.75	38.12
1 CAD	22.34	20.34	19.47	20.10	24.37	19.51	24.16	27.44
1 NLG	15.54	16.02	16.53	15.71	17.35	15.97	16.36	16.08
1 ATS	2.48	2.55	2.63	2.51	2.78	2.56	2.62	2.58
1 DEM	17.41	17.94	18.50	17.63	19.55	18.00	18.43	18.11
1 CHF	20.30	21.21	22.89	20.64	24.16	22.10	22.52	23.13
1 USD	29.76	28.22	26.66	27.34	34.73	30.06	35.63	40.66
100 SKK	.	.	89.76	86.42	100.58	83.04	84.70	82.43

B. NOMINAL EFFECTIVE RATE

	1993	1994	1995	1996	1997	1998	1999	2000
								9
Nominal CZK effective exchange rate index (1995 = 100)	89.84	95.79	100.00	102.21	99.48	102.47	106.81	108.56

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
								7
Real CZK effective exchange rate index (1995 = 100)								
a) consumer prices	95.51	97.82	100.00	105.23	106.94	117.25	117.21	118.65
b) industrial producer prices	99.96	99.94	100.00	103.04	102.15	109.41	111.65	111.07

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 1-12	1994 1-12	1995 1-12	1996 1-12	1997 1-12	1998 1-12	1999 1-12	2000 1- 8
STATE BUDGET								
TOTAL REVENUES	358.0	390.5	440.0	482.8	509.0	537.4	567.3	376.2
Tax revenues	330.2	360.1	409.7	457.4	478.4	509.6	540.1	359.6
Income tax	71.9	70.2	72.7	78.3	74.8	87.4	86.4	56.6
Social security insurance	106.0	130.0	154.3	174.3	191.0	203.9	210.9	143.4
Property tax	0.8	2.1	3.2	3.9	5.0	6.3	6.8	4.4
Domestic taxes on goods and services	111.8	136.4	155.4	174.8	186.3	191.5	216.7	141.4
- VAT	70.4	85.8	94.8	109.3	117.6	119.4	138.3	93.2
- excise taxes	37.1	46.4	56.7	61.2	64.2	67.8	73.1	44.7
Foreign trade taxes	15.2	17.4	17.4	19.7	14.9	13.6	12.1	8.8
Other tax revenues	24.4	4.1	6.7	6.4	6.4	6.9	7.3	4.9
Non-tax revenues	27.8	30.4	30.3	25.4	30.5	27.6	27.1	16.5
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	388.6
Current expenditures	324.6	346.7	388.6	427.3	474.1	516.2	537.9	360.9
Expenditures on goods and services	125.6	121.2	109.8	123.5	126.7	141.5	154.9	94.0
Debit interest	13.7	.	2.6	14.0	17.6	19.8	16.3	13.2
Subsidies and current transfers	180.3	218.3	268.7	285.7	326.2	349.8	363.5	252.1
Subsidies	42.8	49.3	77.1	84.5	92.5	104.5	96.9	61.3
- to businesses	29.3	27.0	27.8	27.3	33.2	44.9	29.9	19.6
- to subsidised organisations	13.5	22.3	49.3	57.3	59.3	59.6	67.0	41.7
Transfers	137.4	169.1	191.5	201.1	233.7	245.3	266.6	190.8
- to local budgets	17.0	29.3	33.3	16.8	24.7	17.9	20.9	20.0
- to households	116.6	136.9	155.6	181.0	206.0	222.8	239.9	169.1
- 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	27.7
Investment expenditures to budgetary organisations	19.0	19.7	21.5	24.9	16.4	16.5	20.0	9.5
Capital transfers	13.3	13.6	22.7	32.1	34.2	34.0	39.0	18.2
BALANCE								
Public budgets	23.3	5.5	2.9	-21.9	-27.8	-27.5	-10.7	
state budget	1.1	10.4	7.2	-1.6	-15.7	-29.3	-29.6	-12.4
local budget	0.9	-1.1	-3.2	-9.4	-4.8	1.5	18.5	8.8
state financial assets	1.5	1.0	-2.7	-2.3	-2.5	3.7	-5.2	
state funds	0.1	0.4	0.0	1.1	1.7	0.9	0.1	
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	0.7	2.9	

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	6	9
PX-50	495	505	467	360	394	388	484	503	490	644	525	502
PX-GLOB	599	615	568	460	478	472	574	596	588	740	620	595
PK-30	664	698	656	521	564	569	703	720	713	956	781	751

B. TRADE VOLUMES

in CZK millions

	1997	1998				1999				2000		
	12	3	6	9	12	3	6	9	12	3	6	9
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	144 868	43 954
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	16 569	10 890
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	128 299	33 064
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	4 664	3 392
of which:												
a) continuous auction	547	1 036	643	552	491	611	688	469	446	772	370	273
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	4 294	3 119
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	278 785	92 656

CNB MONETARY POLICY INSTRUMENTS

	Repo rate (%)		Discount rate (%)	Lombard rate (%)	Minimum reserve requirement for primary deposits (%)	
	1 week	2 week			banks	building societies and ČMZRB
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		
1 August					11.5	
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				
28 January					5.0	
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 %, constant 1995 prices

	1994 Q1 - 4	1995 Q1 - 4	1996 Q1 - 4	1997 Q1 - 4	1998 Q1 - 4	1999 Q1 - 4	2000 Q1 - 2
GROSS DOMESTIC PRODUCT							
- in CZK billions	1303.6	1381.1	1447.7	1432.8	1401.3	1397.9	697.9
- in %	2.2	5.9	4.8	-1.0	-2.2	-0.2	3.1
FINAL CONSUMPTION							
- in CZK billions	949.9	976.8	1035.1	1051.4	1028.5	1037.2	494.1
- in %	4.8	2.8	6.0	1.6	-2.2	0.8	1.4
of which:							
Households							
- in CZK billions	654.2	692.1	740.1	753.6	731.4	741.3	355.2
- in %	5.6	5.8	6.9	1.8	-2.9	1.4	1.4
Government							
- in CZK billions	287.2	275.1	284.8	287.1	284.4	284.2	133.8
- in %	3.1	-4.2	3.5	0.8	-0.9	-0.1	1.4
Non-profit institutions							
- in CZK billions	8.5	9.6	10.2	10.7	12.7	11.7	5.1
- in %	.	12.9	6.3	4.9	18.7	-7.9	0.0
GROSS CAPITAL FORMATION - TOTAL							
- in CZK billions	384.2	470.0	525.4	494.5	470.4	456.3	238.0
- in %	18.5	22.3	11.8	-5.9	-4.9	-3.0	2.9
of which:							
Fixed capital							
- in CZK billions	369.2	442.4	478.5	464.7	446.4	421.7	182.4
- in %	9.1	19.8	8.2	-2.9	-3.9	-5.5	3.8
Inventories and reserves							
- in CZK billions	15.0	27.6	46.9	29.8	24.0	34.6	55.6
TRADE BALANCE							
- in CZK billions	-30.5	-65.7	-112.8	-113.1	-97.6	-95.6	-34.2
of which:							
Exports of goods and services							
- in CZK billions	635.0	740.8	809.2	875.0	968.9	1032.7	585.6
- in %	1.7	16.7	9.2	8.1	10.7	6.6	18.3
Imports of goods and services							
- in CZK billions	665.5	806.5	922.0	988.1	1066.5	1128.3	619.8
- in %	14.7	21.2	14.3	7.2	7.9	5.8	15.5
DOMESTIC DEMAND (excl. change in inventories)							
- in CZK billions	1319.1	1419.2	1513.6	1516.1	1474.9	1458.9	676.5
- in %	5.9	7.6	6.7	0.2	-2.7	-1.1	2.0
AGGREGATE DEMAND (excl. change in inventories)							
- in CZK billions	1954.1	2160.0	2322.8	2391.1	2443.8	2491.6	1262.1
- in %	4.5	10.5	7.5	2.9	2.2	2.0	9.0
GROSS DOMESTIC PRODUCT IN CURRENT PRICES							
- in CZK billions	1182.8	1381.1	1572.3	1668.8	1798.3	1836.3	912.2
- in %	15.9	16.8	13.8	6.1	7.8	2.1	2.8
PRICE DEFLATOR							
- in %	13.4	10.2	8.6	7.2	10.2	2.4	-0.3

Source: CSO

LABOUR MARKET

A. HOUSEHOLD CURRENT INCOMES AND EXPENDITURES

y-o-y change in %

	1993 Q1 - 4	1994 Q1 - 4	1995 Q1 - 4	1996 Q1 - 4	1997 Q1 - 4	1998 Q1 - 4	1999 Q1 - 4	2000 Q1 - 2
Current incomes	.	.	.	15.2	8.8	5.7	1.6	3.6
of which:								
- compensation of employees	.	.	.	17.8	6.9	6.3	3.1	2.8
- miscellaneous income	.	.	.	5.6	0.8	5.4	-3.6	3.9
- property income	.	.	.	9.1	21.0	7.4	-17.7	-7.3
- social benefits	.	.	.	17.0	13.5	9.9	8.4	12.3
- other current transfers	.	.	.	24.0	28.2	-12.1	16.6	-3.8
Current expenditures	.	.	.	16.7	8.0	6.3	3.0	1.7
of which:								
- property income	.	.	.	0.2	0.5	-4.1	-19.6	-4.3
- current taxes on income and wealth	.	.	.	18.1	9.8	7.6	0.5	0.6
- social contributions	.	.	.	15.5	7.1	5.8	4.4	4.5
- other current transfers	.	.	.	32.4	13.6	11.2	9.6	-8.3
Disposable income	.	.	.	14.5	9.2	5.5	1.0	4.5
Changes in net share of households in pension fund reserves	.	.	.	60.6	-4.2	-17.6	28.6	-2.2
Expenditures on individual consumption	.	.	.	15.6	10.0	6.5	3.4	5.5
Savings	.	.	.	9.7	2.2	-4.5	-12.8	-3.0
Household savings ratio (savings/disposable income - ratio in %)	.	.	.	12.0	11.2	13.6	11.8	11.4

B. AVERAGE WAGES

y-o-y change in %

	1993 Q1 - 4	1994 Q1 - 4	1995 Q1 - 4	1996 Q1 - 4	1997 Q1 - 4	1998 Q1 - 4	1999 Q1 - 4	2000 Q1 - 2
Overall nominal wage	25.3	18.5	18.5	18.4	10.5	9.4	8.2	6.3
Business sector	.	18.2	19.2	17.7	11.7	11.0	7.1	7.6
Non-business sector	.	19.8	17.0	20.7	5.8	3.9	13.1	2.3
Overall real wage	3.7	7.7	8.7	8.8	1.9	-1.2	6.0	2.5
Business sector	.	7.4	9.2	8.2	2.9	0.3	4.9	3.8
Non-business sector	.	8.9	7.3	10.9	-2.5	-6.1	10.8	-1.4

C. UNEMPLOYMENT

as of end of period

	1993 12	1994 12	1995 12	1996 12	1997 12	1998 12	1999 12	2000 9
Registered job applicants (thousands)	185.2	166.5	153.0	186.3	268.9	386.9	487.6	458.3
Unemployment rate in %	3.5	3.2	2.9	3.5	5.2	7.5	9.4	8.8

Source: CSO

PRODUCTION

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

	1993 Q1 - 4	1994 Q1 - 4	1995 Q1 - 4	1996 Q1 - 4	1997 Q1 - 4	1998 Q1 - 4	1999 Q1 - 4	2000 1- 8
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	5.8
CONSTRUCTION								
TOTAL CONSTRUCTION OUTPUT 3) 4)	-7.5	7.5	8.5	5.3	-3.9	-7.0	-6.5	2.8
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) Constant 1989 prices

Source: CSO

PRODUCER PRICES

change in %

	1995		1996		1997		1998		1999		2000	
	12	average	12	average	12	average	12	average	12	average	9	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	0.6	0.4
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	5.4	4.7
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	32.4	30.5
d) December 1993 = 100	14.6	12.7	19.6	18.1	26.4	23.9	29.2	29.9	33.6	31.2	38.8	36.8
e) moving average	7.6	x	4.8	x	4.9	x	4.9	x	1.0	x	4.2	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	4.3	3.8
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	64.8	62.3
d) December 1993 = 100	24.6	19.6	38.5	33.1	55.0	48.1	65.9	62.0	71.7	69.8	78.3	75.6
e) moving average	10.6	x	11.3	x	11.3	x	9.4	x	4.8	x	3.8	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	12.9	8.4
e) moving average	7.6	x	8.3	x	2.9	x	2.3	x	-11.7	x	5.1	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	16.4	8.7
e) moving average	7.1	x	16.7	x	3.3	x	-5.4	x	-15.0	x	2.6	x
livestock products												
b) same period of last year = 100	2.8	8.1	4.4	5.1	5.6	2.7	-9.0	5.7	3.9	-10.5	11.0	8.3
e) moving average	8.1	x	5.1	x	2.7	x	5.7	x	-10.5	x	6.0	x
MARKET SERVICES PRICES (excluding interest rates)												
a) previous month = 100	0.8	1.6	-0.1	0.9	-0.1	0.9	-0.1	0.6	-0.1	0.3	3.3	0.5
b) same period of last year = 100	20.4	17.6	11.1	12.7	10.9	10.9	7.8	8.8	3.4	4.1	5.3	2.8
c) average of 1994 = 100	22.1	17.7	35.7	32.6	50.6	47.1	62.3	60.0	67.7	66.4	75.3	70.7
d) December 1993 = 100	27.5	22.9	41.7	38.4	57.2	53.5	69.4	67.0	75.1	73.8	83.0	78.2
e) moving average	17.6	x	12.7	x	10.9	x	8.8	x	4.1	x	3.0	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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