



BALANCE OF PAYMENTS  
1999

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## A. SUMMARY

### The main trends

The overall balance of payments of the Czech Republic showed a surplus of CZK 57.1 billion (EUR 1.5 billion) for 1999, with the financial account surplus of CZK 85.99 billion (EUR 2.3 billion) outweighing the current account deficit of CZK 36.6 billion (EUR 1.0 billion). On the current account, the reduction in external imbalance compared with previous years reflected the overall contraction in domestic demand and the increasing export capacity of the Czech economy, driven by expanding external demand, especially in Germany. These two factors more than offset the unfavourable effects of the deterioration in the terms of trade due to increasing prices, particularly of energy raw materials. The rise in raw materials prices on world markets led to a gradual worsening of the terms of trade. The annual terms of trade stood at 97.3 points. Foreign direct investment (FDI) had a dominant position on the financial account. Within portfolio investment, there were increased holdings of both debt and non-debt foreign securities in the assets of banks and non-banks, particularly in Q4, which resulted in an outflow of capital. The rise in the short-term and long-term koruna deposits of the banking sector with foreign banks was associated *inter alia* with indirect financing of the FDI inflow into the Czech Republic. These operations led to an outflow of other short-term and long-term capital. The CNB's interventions (foreign currency purchases) on the interbank foreign exchange market in H2 and interest income from foreign currency assets gave a CZK 57.1 billion (EUR 1.5 billion) rise in international reserves.

in CZK billions	1993	1994	1995	1996	1997	1998	1999
<b>A. Current account</b>	13,3	-22,6	-36,3	-116,5	-101,9	-43,1	-36,6
Balance of trade	-15,3	-39,7	-97,6	-159,5	-144,0	-82,4	-71,3
	.	.	.	.	.	-128,8	-156,8
	.	.	.	.	.	46,4	85,5
Services	29,5	14,1	48,9	52,2	55,9	57,9	42,6
Income	-3,4	-0,6	-2,8	-19,6	-25,1	-31,7	-25,6
Current transfers	2,5	3,6	15,2	10,4	11,3	13,1	17,7
<b>B. Capital account</b>	-16,2	0,0	0,2	0,0	0,3	0,1	-0,1
<b>C. Financial account</b>	88,2	97,0	218,3	113,6	34,3	94,3	85,9
Direct investment	16,4	21,5	67,0	34,6	40,5	85,2	169,9
Portfolio investment	46,7	24,6	36,2	19,7	34,4	34,5	-48,3
Other investment	25,1	50,9	115,1	59,3	-40,6	-25,4	-35,7
long-term	23,5	31,9	89,3	84,4	12,9	-29,3	-11,0
short-term	1,6	19,0	25,8	-25,1	-53,5	3,9	-24,7
<b>D. Net errors and omissions</b>	3,0	-6,1	15,7	-19,6	11,3	11,3	7,9
<b>E. Change in reserves</b>	-88,3	-68,3	-197,9	22,5	56,0	-62,6	-57,1
- = increase							

Note: 1) Data before 1998 not published

### ***The current account***

The favourable outturn on the current account was largely attributable to a CZK 11.1 billion year-on-year reduction in the trade deficit to CZK 71.3 billion. Exports and imports for processing recorded above-average increases, showing a surplus almost twice as large as in 1998 and contributing significantly to the narrowing of the overall deficit. The rise in the volume of such trade (to 32% of total exports and 21% of imports) testifies to the closer involvement of Czech businesses in international collaborations.

Exports in current prices were 9.2% higher than a year earlier, with the physical volume of exports increasing by 10.2% and export prices falling (index: 99.1). This export expansion was mostly attributable to foreign-owned businesses producing engineering and other manufacturing products; products with lower value-added saw a lower growth rate. By territory, the orientation of Czech foreign trade towards EU countries (Germany in particular) strengthened, while exports to transition economies dropped in year-on-year comparison.

Imports in current prices rose by 7.5%, with their physical volume increasing by 5.6% and prices rising by 1.8%. The signs of recovery in domestic demand were thus accompanied by rising imports. The largest growth was registered for imports for personal consumption (index: 111.7), due to the pick-up in consumer demand, and for investment, notably in infrastructure (index: 109.1). The lowest growth rate was seen in imports for intermediate consumption (index: 104.3), which, given the low economic activity in industry, chiefly reflected the rising prices of oil and oil products.

The terms of trade worsened by 2.7 percentage points compared with 1998, largely because of the rising prices of oil and oil products in H2. World prices as measured by the HWWA index were up by 30.1% for energy raw materials and 2.2% for industrial raw materials. Food prices were 18.7% lower than a year earlier, despite rising in H2. The maintaining of a modest terms of trade surplus for exports and imports of machinery is a positive phenomenon.

The accumulated surplus on other current account items was lower than in 1998, mainly because of a smaller surplus on the services account.

The surplus on transport services widened in year-on-year comparison. Higher credits than in 1998 were achieved in railway, air, automobile and river transport. Receipts from transit of gas through Czech territory decreased. On the debit side, payments to Slovakia for transit of oil and gas increased.

In the area of travel, the number of foreigners visiting the Czech Republic fell somewhat (according to data on the number of days spent in accommodation facilities and the average duration of stay of foreigners in the Czech Republic) as did the number of Czech citizens travelling abroad. The decline in turnover in the international movement of persons was also generated by a drop in border trading, which is becoming less attractive owing to gradual price convergence. The number of Czech citizens travelling abroad fell as a result of the changing consumption preferences of part of the population.

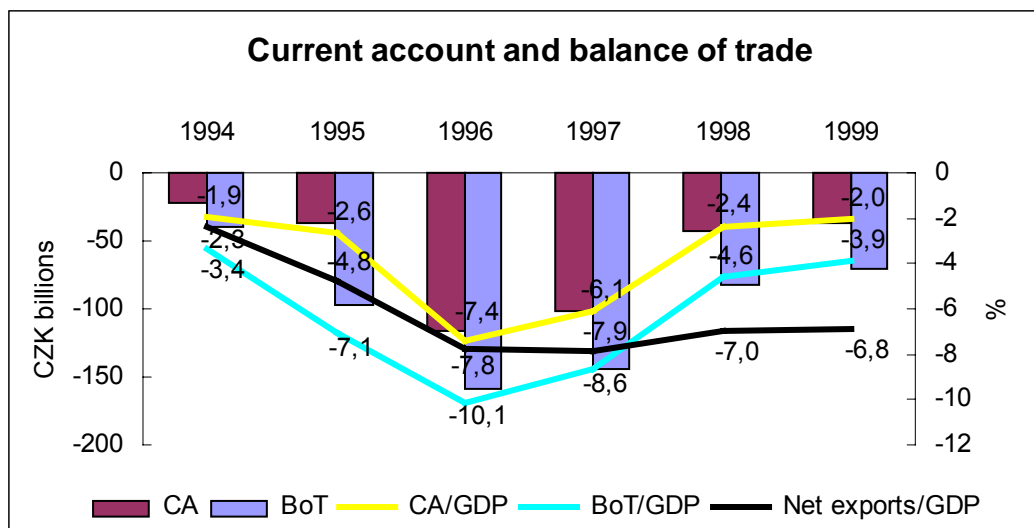
The narrowing of the surplus on business services was chiefly attributable to purchases of other business services connected with marketing, advertising, participation in fairs, etc. Increases were also recorded in purchases of financial services and non-life insurance, rents, licence fees and computer services provided by foreign companies. This development primarily reflects the business policies of foreign-owned companies.

The year-on-year narrowing of the income deficit reflected a higher volume of interest on assets, especially in the banking sector. According to preliminary estimates, earnings from direct investment reinvested in the Czech Republic were higher than a year earlier. The volume of dividends paid to shareholders abroad saw only a modest increase. The falling number of foreigners employed in the Czech Republic was reflected in their wage incomes. Incomes of Czech citizens working abroad increased.

An improvement was recorded on the current transfers account for private transfers to the population (gifts, assistance, pensions). Within official transfers, which are received and provided by the state, there was a year-on-year rise in payments abroad for pensions and contributions to international

organisations. On the credit side, an increase was recorded for EU financial assistance provided under Phare.

The current account deficit in current prices narrowed to about 2% of GDP, which signals a substantial reduction in external imbalance compared with 1996 and 1997 and a further improvement against 1998. In constant prices, however, the ratio is showing only a moderate decline and is still significant. The pick-up in the domestic economy and the price growth on world markets may therefore lead to a widening of the external imbalance.



Note: Indicators CA, BoT, CA/GDP and BoT/GDP are in current prices  
Indicator Net exports/GDP is in constant 1995 prices

### **The capital account**

Unlike in previous years, the capital account showed a modest deficit, with the volume of operations rising mainly on the debit side. The higher debits were associated with purchases of copyrights and licences. Another significant item in volume terms – transfers of migrants' property – ended as balanced. In the context of the total balance of payments turnover, transactions on the capital account are insignificant.

### **The financial account**

The financial account saw a net inflow of foreign funds of CZK 85.9 billion, largely owing to FDI inflow.

The main reasons for the strongest FDI inflow to date (CZK 176.7 billion) were the strengthening of the capital of foreign-owned retail chains and foreign investment in the electricity, gas and water distribution networks and in the banking sector.

Czech direct investment abroad remains less significant than other forms of capital outflow and is connected with securing outlets for Czech goods through trading companies and, to a lesser extent, with establishing or expanding manufacturing capacities.

The rise in share prices, particularly in the United States, and the convergence of domestic and foreign interest rates stimulated the interest of banks and non-banks in holding foreign debt and non-debt securities. Portfolio investment saw an outflow of capital compared with a year earlier.

Other capital flows increased the net outflow of funds compared with 1998. This was chiefly due to the behaviour of commercial banks, which raised their volume of both short-term and long-term deposits at foreign banks. The koruna funds were used in part for refinancing direct and portfolio investment in

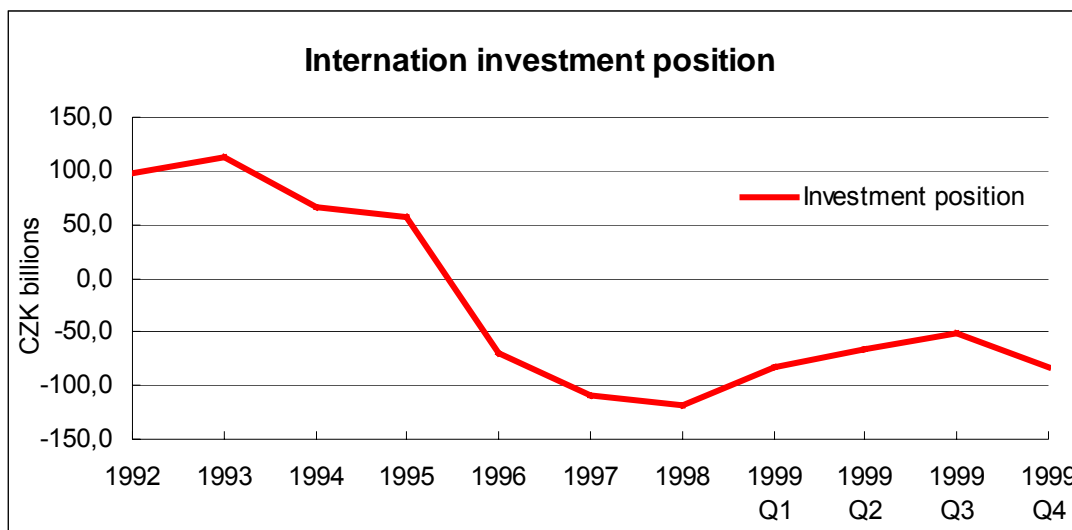
the Czech Republic. Commercial banks minimised their drawing on new financial credits and special-purpose lines with maturities of over one year and repaid earlier commitments.

As regards businesses' drawing on financial loans directly from abroad, as in previous years foreign funds continued to flow into the Czech Republic.

Debt service on medium-term and long-term liabilities fell to CZK 146.6 billion. Bank commitments were paid off intensively. The ratio of debt service to the annual volume of goods and services exports was 12.4%.

The CNB intervened on the interbank foreign exchange market to correct the exchange rate appreciation. In 1999, intervention purchases amounted to CZK 52.6 billion. The CNB also carried out operations associated with government debt servicing. International reserves increased during the year by CZK 57.1 billion to CZK 461.4 billion (EUR 12.8 billion) and covered 4.6 months' worth of imports of goods and services.

The Czech Republic's foreign debt rose to 44.8% of GDP as of the end of the year (compared with 40.4% at the start of the year) owing to the low GDP growth, higher short-term liabilities of commercial banks and exchange rate movements. Foreign debt is still at the sensitive limit as monitored by foreign investors. With respect to structure, the proportion of short-term debt increased to 38.4%. Almost 50% of the total foreign debt is in the corporate sector.



The deficit on the international investment position (the difference between financial assets and liabilities) narrowed by CZK 35.3 billion in 1999 to CZK 83.6 billion as of the year-end. This improvement is attributable to the reduced imbalance on the current account and to favourable exchange rate developments. The above deficit includes the transfer of the CNB's receivable from the National Bank of Slovakia from the non-resident position to the resident position in connection with the settlement between the two countries.

The developments in external economic relations in 1999 confirmed the elimination of the unbalanced tendencies of previous years, especially in the current account area. At the same time, the pick-up in domestic demand combined with the gradual rise in world prices led to a widening of the trade deficit, particularly in Q4. The present trend of FDI inflow outweighing the deficits on other balance of payments items should continue into future years thanks to the expected privatisation of state interests and to investment incentives.

## B. DETAILED PART

### 1. THE CURRENT ACCOUNT

#### 1.1 The trade balance

The trade balance ended 1999 with a deficit of CZK 71.3 billion (EUR 1.9 billion), or 3.9% of GDP (compared with a deficit of 4.6% in 1998). The year-on-year narrowing of the deficit resulted from exports growing faster than imports in current prices.

Overall trade balance in CZK billions

	1993	1994	1995	1996	1997	1998	1999
Trade balance	-15,3	-39,8	-97,6	-159,5	-144,0	-82,4	-71,3
Exports	414,8	458,4	569,5	588,8	722,5	850,3	928,9
Imports	430,1	498,2	667,1	748,3	866,5	932,7	1 000,1
Turnover	844,9	956,6	1 236,6	1 337,1	1 589,0	1 783,0	1 929,0

Note: In line with IMF methodology, interest on supplier credits has been deducted from the data to 1996 on both the import and export side and the market value of natural gas supplied from the Russian Federation has been added to imports, including for 1998.

The year-on-year improvement in the trade balance was attributable chiefly to a surplus of CZK 85.5 billion for inward and outward processing, up CZK 39.1 billion on a year earlier. Inward processing (processing in the Czech Republic) was the most important, showing a surplus of CZK 92 billion, compared with a deficit of CZK 6.5 billion for outward processing (processing abroad).

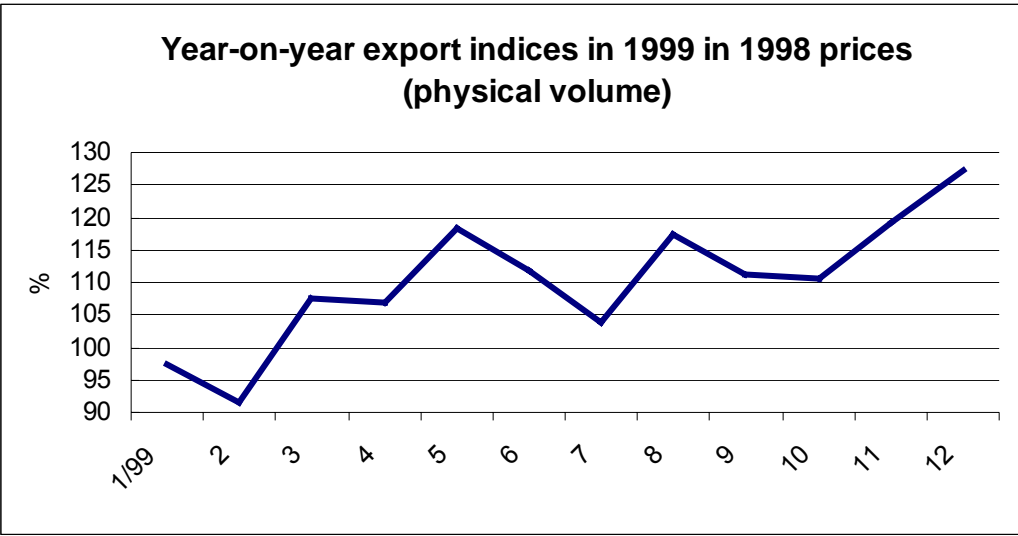
Goods structure according to IMF methodology for balance of payments compilation, in CZK billions

		1998	1999
Exports	total	<b>850,3</b>	<b>928,9</b>
	general merchandise	613,2	631,1
	goods for processing	236,4	297,0
	non-monetary gold	0,7	0,8
Imports	total	<b>932,7</b>	<b>1 000,1</b>
	general merchandise	742,3	788,4
	goods for processing	190,0	211,5
	non-monetary gold	0,4	0,3
Balance	total	<b>-82,4</b>	<b>-71,3</b>
	general merchandise	-129,1	-157,3
	goods for processing	46,4	85,5
	non-monetary gold	0,3	0,5

Note: Repairs on goods and goods procured in ports not included

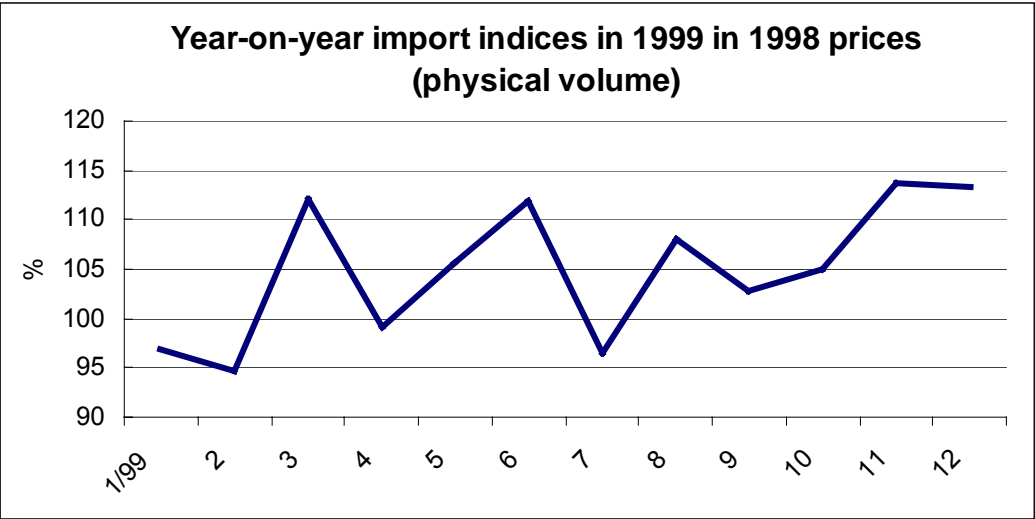
Exports in current prices in 1999 were 9.2% higher than a year earlier. Exports in physical terms rose by 10.2% (in 1998 prices) while export prices dropped by 0.9%. There were particularly strong increases in exports of machinery and transport equipment, raw materials and miscellaneous manufactured articles.

A trend towards a pick-up in the year-on-year growth rate of exports was visible, particularly in the final months of Q4.



Note: CNB calculation (monthly export index adjusted for the CSO monthly sample index of nominal export prices)

Imports in current prices in 1999 were 7.5% higher than a year earlier. Imports in physical terms increased by 5.6% and import prices by 1.8%. The increase in imports was concentrated in miscellaneous manufactured articles, machinery and transport equipment and fuels. During the year, the import volume saw cyclical development, with a tendency towards higher growth at the end of the year.



Note: CNB calculation (monthly import index adjusted for the CSO monthly sample index of nominal import prices)



### **1.1.1 Factors influencing the trade deficit**

The export growth was fostered by the following factors in particular:

- a dynamic rise in goods exported after inward processing, in particular for foreign-owned firms (index of goods exported after inward processing: 126.1; their share of exports showed a year-on-year rise from 26.4% to 30.4%);
- growing demand, especially in Germany (year-on-year economic growth: 2.4%); this exceeded the decline in demand in transition economies.

State support for exports provided by Česká exportní banka (ČEB) and Exportní a garanční pojišťovna (EGAP) also had a pro-export effect (by improving the non-price competitiveness of exporters). ČEB concluded credit agreements totalling CZK 12.6 billion, which is almost 50% higher than a year earlier. Of the agreements concluded last year, exports of machinery and transport equipment, including complete plant equipment, account for almost 90%. The credits provided represent around 3% of machinery exports. EGAP insured credits worth CZK 47 billion (almost 12% of total machinery exports), an increase of 35% on 1998. Exports totalling approximately CZK 21 billion were insured against commercial risks and CZK 26 billion against territorial risks. Nearly 40% of the commercially insured exports went to Germany.

The import growth was due in particular to:

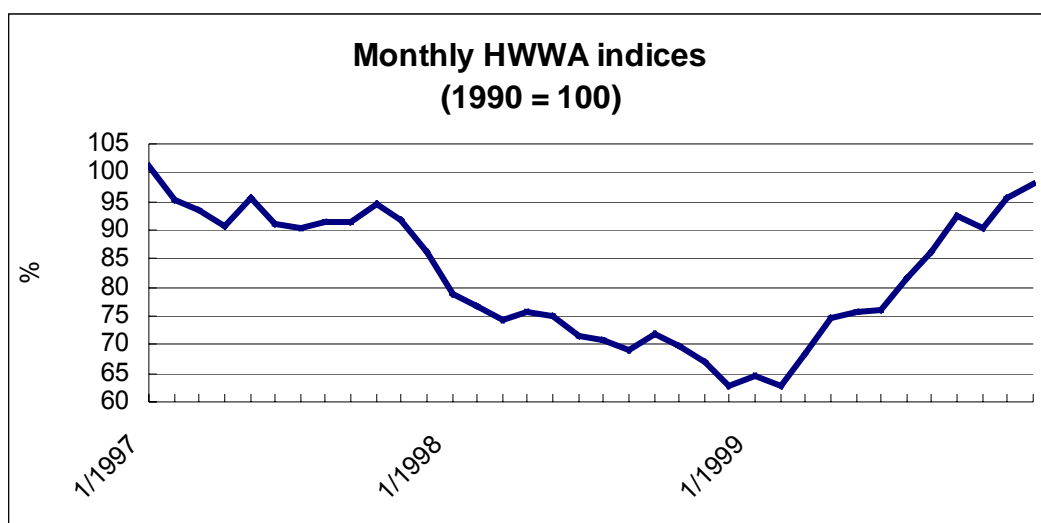
- rising prices of energy raw materials, notably oil, on world markets
- the moderate increase in domestic demand in H2, accompanied by an upturn in imports for intermediate consumption and household consumption.

### **1.1.2 Terms of trade**

The terms of trade were affected by prices on world markets and by the year-on-year weakening of the koruna's nominal exchange rate against the dollar and the euro. The decline in prices on world markets halted in 1999 Q1 and was followed by a rapid pick-up, especially in oil prices. Import prices grew faster than export prices, and from April onwards the terms of trade started to worsen. Despite increasing at the end of the year, export prices declined by 0.9% in year-on-year comparison, while import prices rose by 1.8%. In 1999, the terms of trade worsened (index: 97.3).

The prices of the main commodity groups on world markets saw mixed development during the year, although in general they showed a rising trend. After hitting a low of 62.8% in February (the 1990 level) the HWWA aggregate index of raw materials prices grew steadily to reach 98.1% at the year-end. Raw materials prices as measured by the HWWA index were almost 12% higher than a year earlier. Food prices fell by 18.7% (thanks to last year's bumper harvest of agriculture commodities) and industrial raw materials prices dropped by 2.2%. Energy raw materials, particularly crude oil, saw an enormous rise in prices. The reduction in oil extraction caused a steady rise in its price from the fourteen-year low reached in February, with the price of Ural crude oil rising from USD 9.36 per barrel to reach USD 25.29 in December. The HWWA index of energy raw materials prices showed a year-on-year increase of 30.1%, owing to the growth in oil prices.

Source: Czech Trade and Handelsblatt



The trend in prices on foreign markets coupled with the depreciation of the koruna against the dollar had the biggest effect on import prices of fuel (year-on-year index: 125.6). There was an improvement in the average annual terms of trade in the groups of food, raw materials, chemicals, and machinery and transport equipment.

The terms of trade according to CSO sample indices (previous year = 100)

SITC groups	Export price index				Import price index				Terms of trade			
	99 Q1	Q2	Q3	Q4	99 Q1	Q2	Q3	Q4	99 Q1	Q2	Q3	Q4
0 Food	93,4	94,5	94,5	101,2	88,9	91,5	96,4	100,8	105,1	103,3	98,0	100,4
1 Beverages, tobacco	94,5	99,2	93,9	98,8	97,8	97,8	102,6	102,9	96,6	101,4	91,5	96,0
2 Raw materials	93,7	96,4	101,4	108,7	90,0	96,4	98,5	103,7	104,1	100,0	102,9	104,8
3 Fuels	85,5	98,3	107,9	119,9	74,8	106,1	143,3	198,6	114,3	92,6	75,3	60,4
4 Fats, oils	99,4	94,5	90,0	92,9	112,7	108,3	91,4	86,2	88,2	87,3	98,5	107,8
5 Chemicals	86,6	95,4	102,1	114,8	89,6	95,3	101,1	108,3	96,7	100,1	101,0	106,0
6 Manufactured goods class. by material	94,8	94,3	95,8	100,8	96,0	98,5	100,5	103,1	98,8	95,7	95,3	97,8
7 Machinery and transport equipment	99,9	101,0	100,3	103,2	97,4	100,2	102,6	103,5	102,6	100,8	97,8	99,7
8 Misc. manufactured articles	100,1	102,0	102,3	102,4	101,2	102,5	102,5	102,6	98,9	99,5	99,8	99,8
9 Not classified elsewhere	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Total	95,4	97,6	99,2	104,3	93,2	99,1	104,7	111,1	102,4	98,5	94,7	93,9

### 1.1.3 Foreign trade by territory

By export territory, there was greater orientation towards advanced market economies, which accounted for 74.7% of total exports. Exports to EU countries showed the strongest growth. Lower sales of Czech goods were recorded in Russia (down 37%) and Ukraine (down 40%) owing to the downturn in economic activity there. Also, exports to Slovakia decreased by 15.5% owing to restrictive measures (on 1 June 1999 Slovakia introduced an import surcharge of 7.5% on around 75% of imported goods). Exports to China were up by 39.4%, thanks chiefly to expanding car sales. These changes led to a decline in the share of transition economies to 22% of the total exports volume.

By import territory, 1999 saw year-on-year growth in imports from EU countries (up 8.4%) and from other advanced market economies (up 16.8%), which led to a rise in the share of these groups of countries in total imports to 73.6%. The share of imports from transition economies and developing nations fell moderately.

## Territorial structure of foreign trade

Country group	Share in exports in %		Share in imports in %		Trade balance in CZK billions	
	1998	1999	1998	1999	1998	1999
Countries with transition or state economies	26,6	22,0	22,9	21,8	13,8	-13,5
- CEFTA countries	20,3	17,5	14,0	13,5	41,9	28,0
Advanced market economies	69,5	74,7	72,4	73,6	-81,4	-41,8
- EU states	64,2	69,2	63,5	64,0	-44,1	2,8
- EFTA states	1,7	1,9	2,3	2,4	-6,3	-6,5
- other states with adv. market economies	3,6	3,6	6,6	7,2	-31,0	-38,1
Developing nations	3,8	3,3	4,6	4,4	-10,2	-13,1
Not specified	0,1	0,0	0,1	0,2	-0,8	-1,5
Total	100,0	100,0	100,0	100,0	-78,6	-69,9

A fundamental change in trade occurred with respect to EU countries, where for the first time since 1993 there was a surplus (of CZK 2.8 billion, compared with a deficit of CZK 44.1 billion in 1998). The improved year-on-year result was largely attributable to a trade surplus with Germany (which increased to CZK 52.2 billion from CZK 6.8 billion in 1998). The trade balance also improved thanks to improvements in the year-on-year trade balances with Austria and the Netherlands. The overall lead of exports over imports with most EU countries indicates shift in orientation towards industrialised nations.

## Territorial structure of foreign trade with selected EU countries

EU countries	Share in exports in %		Share in imports in %		Trade balance in CZK billions	
	1998	1999	1998	1999	1998	1999
Germany	38,5	42,1	34,5	33,9	6,8	52,2
Austria	6,3	6,4	5,9	5,6	-0,9	3,7
Italy	3,8	3,6	5,2	5,3	-17,0	-19,5
France	3,4	3,9	4,5	5,4	-12,9	-17,3
United Kingdom	3,4	3,4	3,8	3,8	-6,5	-6,5
Netherlands	2,3	2,4	2,4	2,4	-3,0	-0,9
Belgium	2,0	2,0	2,0	2,1	-1,9	-2,0
Other EU countries	4,5	5,4	5,2	5,5	-8,7	-6,9
Total	64,2	69,2	63,5	64,0	-44,1	2,8

The trade deficit widened vis-à-vis both other advanced market economies and developing nations. Another feature of the territorial structure is a gradual narrowing of the trade surplus with Slovakia (from CZK 23.7 billion in 1998 to CZK 15.5 billion). Coupled with the widening of the deficit with the Russian Federation (the increase in prices of imported oil), this gave a trade deficit with transition economies, compared with the previous surplus.

**1.1.4 Foreign trade by commodity**

On the export commodity side, there was a further increase in the share of products with higher value added. Machinery and transport equipment exports rose from 41.3% to 43.2% of total exports. Year-on-year declines in exports were recorded for tobacco, coal and metals (iron and steel exports alone dropped by CZK 8 billion; index: 83.3).

As regards the most significant group by weight – machinery and transport equipment – considerable growth was recorded for road vehicles (up CZK 21 billion; index: 120.1%), power generating machinery and equipment (up CZK 17.2 billion; index: 123.6) and machinery specialised for particular industries. For miscellaneous manufactured articles, the higher foreign demand showed up positively in an increase in exports of furniture and parts thereof, footwear, plastic products, printed matter and tyres. One specific feature of the export structure in 1999 was a sharp rise in products exported after inward processing (index 126.1), especially in the areas of electronics, electrical machinery, metal manufactures and furniture. Their share of exports rose from 24.1% to 30.4%.

Export commodity structure

SITC groups	Exports in CZK billions		Index in % 1999/1998	Share in total in %		Difference in CZK bn 1999/1998
	1998	1999		1998	1999	
0 Food	28,4	26,3	92,6	3,3	2,8	-2,1
1 Beverages, tobacco	9,3	7,8	84,1	1,1	0,8	-1,5
2 Raw materials	29,4	34,3	116,4	3,5	3,7	4,8
3 Fuels	27,1	26,5	97,7	3,2	2,8	-0,6
4 Fats, oils	1,3	1,0	72,0	0,2	0,1	-0,4
5 Chemicals	65,5	66,9	102,1	7,7	7,2	1,4
6 Manufactured goods class. by material	225,0	236,6	105,2	26,5	25,5	11,6
7 Machinery and transport equipment	350,9	401,3	114,4	41,3	43,2	50,5
8 Misc. manufactured articles	112,3	127,2	113,2	13,2	13,7	14,9
9 Not classified elsewhere	1,0	1,0	94,6	0,1	0,1	-0,1
Total	850,3	928,9	109,2	100,0	100,0	78,6

The import commodity structure saw an increase in machinery imports, including parts for assembly; a rise in imports of oil and oil products owing to the aforementioned price developments; and growing foreign supplies of manufactured articles. Particularly large increases were recorded for imports of power-generating machinery and equipment, including supplies for the Temelín nuclear power station, (up CZK 4.1 billion; index: 115.7), metal working machinery (up CZK 3.2 billion; index: 126.1), telecommunications equipment (up CZK 5 billion; index: 119.2), electric machinery, apparatus and appliances (up CZK 7.8 billion; index: 108), cars (up CZK 3.5 billion; index: 117.6), car parts and accessories (up CZK 5 billion; index: 116.9) and aircraft (up CZK 4 billion; index: 120.2). The large number of imports of second-hand cars compared with the previous period was due to stockpiling by importers ahead of the expiry of technical concessions for second hand cars as of 31 December 1999. Lower year-on-year imports were recorded for raw materials – in connection with a decline in domestic demand for iron ore, textile fibres, organic chemicals and iron and steel semi-manufactures. The value of fuel imports was around CZK 5.6 billion higher than a year earlier, largely owing to price movements, despite a material saving in oil imports of around 1 million tonnes. In contrast to the decline in oil imports, the volume of imports of finished oil products rose; this is linked with ownership changes in the fuel and oil distribution network.

The declining raw material imports indicate the subdued activity of domestic producers, particularly in the metallurgical and oil refining industries. Imports for inward processing accounted for 19.1% of total imports, while products imported after outward processing accounted for only 2.1%.

Import commodity structure

SITC groups	Imports in CZK		Index in % 1999/1998	Share in total in %		Difference in CZK bn 1999/1998
	1998	1999		1998	1999	
0 Food	45,9	46,0	100,4	4,9	4,6	0,2
1 Beverages, tobacco	8,0	7,9	98,5	0,9	0,8	-0,1
2 Raw materials	36,2	31,1	85,8	3,9	3,1	-5,1
3 Fuels	60,2	65,3	108,4	6,5	6,5	5,0
4 Fats, oils	2,8	2,5	88,2	0,3	0,3	-0,3
5 Chemicals	112,6	119,9	106,4	12,1	12,0	7,3
6 Manufactured goods class. by material	193,8	205,4	106,0	20,9	20,6	11,6
7 Machinery and transport equipment	366,3	403,3	110,1	39,4	40,4	37,0
8 Misc. manufactured articles	102,6	116,9	114,0	11,0	11,7	14,4
9 Not classified elsewhere	0,5	0,4	75,1	0,1	0,0	-0,1
Total	928,9	998,7	107,5	100,0	100,0	69,8

The year-on-year improvement in the trade balance was fostered by a significantly narrower trade deficit for machinery and transport equipment and by a switch from deficit to surplus for raw materials. The favourable trend in these groups helped to cover the year-on-year widening of the deficits for chemicals, fuels, food, and beverages and tobacco.

Trade balance commodity structure in CZK billions

SITC groups	Trade balance		Change + -
	1998	1999	
0 Food	-17,5	-19,8	-2,3
1 Beverages, tobacco	1,3	0,0	-1,4
2 Raw materials	-6,8	3,2	10,0
3 Fuels	-33,2	-38,8	-5,7
4 Fats, oils	-1,5	-1,5	0,0
5 Chemicals	-47,1	-53,0	-5,9
6 Manufactured goods class. by material	31,2	31,2	0,0
7 Machinery and transport equipment	-15,4	-2,0	13,4
8 Misc. manufactured articles	9,8	10,3	0,5
9 Not classified elsewhere	0,5	0,6	0,1
Total	-78,6	-69,9	8,8

By direction of use, imports for investment rose by 9.1%. These imports were channelled into infrastructure, some industries (e.g. manufacture of cars and electrical equipment, oil refining, and power generation) and into expanding and modernising the retail network.

Imports for intermediate consumption rose by 4.3%. Given the weak domestic economic activity, the growth was associated with the higher prices of oil and oil products.

Imports for personal consumption grew at the fastest rate (index 11.7), with the growing domestic demand being saturated by imports. More significant growth in imports was recorded for medicinal and pharmaceutical products, second-hand cars, glass and pottery, furniture, apparel, photographic apparatus, printed matter, baby carriages, toys, musical instruments and plastic products.

The representation of high technology products (HTPs) in foreign trade gained in significance, with HPT exports rising from 7.4% to 8% of total exports. Almost all items showed faster growth, especially electrical machinery (index: 133.7) and aircraft (index: 146.2).

Imports of items listed as HTPs rose from 12.3% to 13.9% in connection with imports of aircraft (index: 134.7), computers (index: 111.6), electronics and telecommunications equipment (index: 124.2), electrical machinery (index: 121.8) and non-electrical machinery (index: 176.1).

The HTP trade deficit widened by CZK 14 billion, with growth of HTP imports (index: 121.8) outpacing that of exports (index: 117.2). The deficit widened mainly in branches highly dependent on imports – computers, electronics and telecommunications equipment.

Exports and imports of high technology products (HTPs)

HTP category	Share in total exports in %		Export index in % 1999/1998	Share in total imports in %		Import index in % 1999/1998	Trade balance in CZK billions	
	1998	1999		1998	1999		1998	1999
Aircraft	1,4	1,9	146,2	1,8	2,2	134,7	-4,5	-4,6
Computers	1,0	0,9	93,2	2,7	2,8	111,6	-16,7	-20,2
Electronics and telecommunications	1,3	1,3	108,5	3,7	4,2	124,2	-23,2	-30,5
Pharmaceuticals	0,3	0,3	105,3	0,8	0,8	108,4	-5,4	-6,0
Scientific equipment	0,5	0,5	108,2	1,4	1,3	104,1	-8,2	-8,4
Electrical machinery	1,2	1,5	133,7	0,5	0,6	121,8	5,7	8,1
Chemicals	0,4	0,4	111,8	0,7	0,7	108,2	-3,1	-3,2
Non-electrical machinery	1,0	1,0	102,6	0,7	1,2	176,1	2,2	-2,7
Other HTPs	0,3	0,3	118,1	0,0	0,1	152,5	2,1	2,3
HTPs	7,4	8,0	117,2	12,3	13,9	121,8	-51,2	-65,2
Total	100,0	100,0	109,2	100,0	100,0	107,5	-78,6	-69,9

Source: CR Ministry of Industry and Trade

## 1.2 Services

In 1999, the services account showed a surplus of CZK 42.5 billion (EUR 1.2 billion). Compared with 1998, credits fell by CZK 2.2 billion while debits increased by CZK 13.1 billion. The surplus on services was thus CZK 15.3 billion smaller than in 1998. The surplus on foreign travel declined by CZK 5.7 billion, while the surplus on transport services rose by CZK 3.8 billion. The deficit on the other services account widened by CZK 13.4 billion.

in CZK millions

	1993	1994	1995	1996	1997	1998	1999
<b>Balance on services</b>	<b>29 465,2</b>	<b>14 052,8</b>	<b>48 881,2</b>	<b>52 198,9</b>	<b>55 935,0</b>	<b>57 854,7</b>	<b>42 544,3</b>
of which:							
<b>Credit</b>	<b>137 691,2</b>	<b>148 404,0</b>	<b>178 270,4</b>	<b>222 030,4</b>	<b>227 193,6</b>	<b>241 801,2</b>	<b>239 622,6</b>
Transport	36 186,6	35 757,9	38 757,4	36 209,6	41 661,6	44 829,3	53 433,9
Travel	45 437,4	64 170,3	76 301,3	110 620,0	115 700,0	120 000,0	105 000,0
Other services	56 067,2	48 475,8	63 211,7	75 200,8	69 832,0	76 971,9	81 188,7
<b>Debit</b>	<b>108 226,0</b>	<b>134 351,2</b>	<b>129 389,2</b>	<b>169 831,5</b>	<b>171 258,6</b>	<b>183 946,5</b>	<b>197 078,3</b>
Transport	21 402,1	24 542,4	21 208,9	18 983,3	19 973,6	22 794,0	27 560,0
Travel	15 368,3	45 605,6	43 330,3	80 170,0	75 500,0	60 300,0	51 000,0
Other services	71 455,6	64 203,2	64 850,0	70 678,2	75 785,0	100 852,5	118 518,3

Compared with 1998, total credits in the area of international freight and passenger transport rose by CZK 8.6 billion and debits increased by CZK 4.8 billion.

According to preliminary data from the banking statistics and information directly from transporters, services in railway, air, automobile and river transport showed a surplus of CZK 3.1 billion, whereas a year earlier credits and debits had been more or less balanced.

Net revenues from oil and gas pipeline transit were CZK 0.7 billion lower than a year earlier. Gas pipeline transit through the Czech Republic to Western Europe brought in CZK 8.9 billion, a decrease of CZK 0.2 billion. Germany paid CZK 3.5 billion in cash. The transit fee for gas supplies from Russia amounted to CZK 5.4 billion. The year-on-year decline of CZK 0.4 billion was due in particular to a change in the manner of setting the fee. A total of CZK 3.1 billion was paid for gas and oil transit through Slovakia (CZK 0.5 billion higher than a year earlier), and CZK 0.6 billion was paid for use of the Ingolstadt pipeline.

The value of services connected with transport of goods plus their insurance, storage, etc., and included in the price of the exported goods, was CZK 17.6 billion; the year-on-year increase in exports accounted for CZK 1.4 billion of these costs.

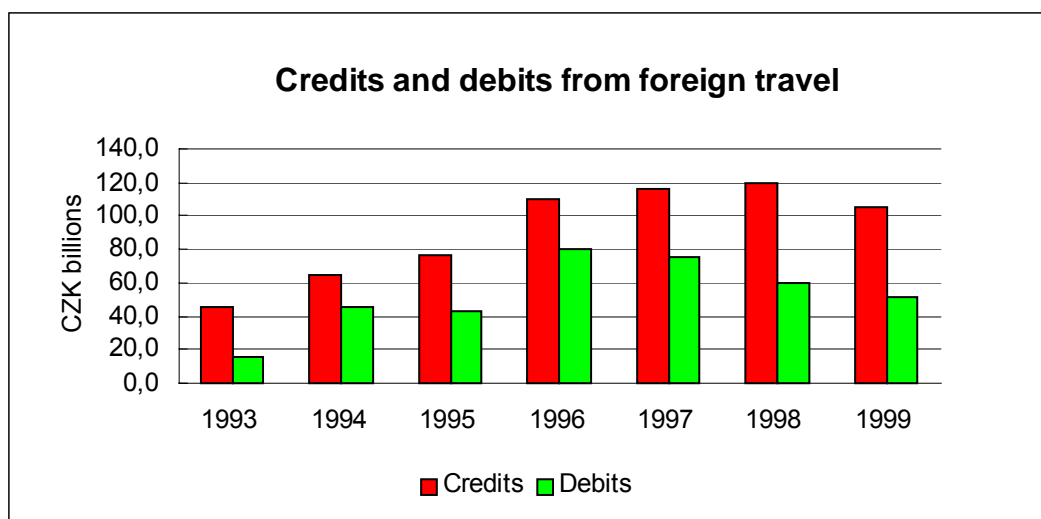
According to the Czech Statistical Office, 100.8 million foreigners visited the Czech Republic in 1999, 2 million fewer than a year earlier (index: 98.0). Foreigners and other visitors spent CZK 15 billion less during their stays, a decline of 12.5%. The fall in receipts from travel is associated with a decline in the use of accommodation facilities by foreigners (due *inter alia* to reduced travel to Central Europe in connection with the Kosovo events). The overall level of credits from tourism was also affected by domestic prices; restaurant and hotel prices rose by 2% and 8.9% respectively. In line with the worldwide trend, food prices fell by 3.4%. The decline in turnover in the international movement of persons was also generated by a decrease in border trade, which is becoming less attractive owing to gradual price convergence.

Almost 40.0 million Czech citizens travelled abroad (down 3.6 million from a year earlier). Their total spending was CZK 9.3 billion lower. The more than 15% decrease in spending compared with 1998 testifies to a change in the structure of household spending, with savings in family budgets mainly affecting foreign holidays and shopping trips abroad. Fewer families are travelling abroad than in previous years, although the time they spend abroad has been lengthening. This is also evidenced by

the steady growth in sales at the major travel agencies. Czech citizens travelled most to Croatia, Slovakia and Italy.

In 1999, the basis for determining both credits and debits from travel was the banking statistics data – purchases of foreign currencies from foreigners and sale to Czech citizens at banks and exchange offices, the use of payment cards, and foreign payments of travel agencies and hotels through domestic banks. The reported figures were supplemented with estimates of credits and debits not captured in the statistics (e.g. private accommodation).

The credits and debits on the balance of payments associated with foreign travel between 1993 and 1999 are illustrated in the following chart:



The balance on other services ended 1999 with a deficit of CZK 37.3 billion. According to the banking statistics, credits increased by CZK 4.2 billion and debits rose by CZK 17.7 billion, so the deficit on other services was CZK 13.5 billion wider than a year earlier.

On the credit side, the biggest increases were seen for services in the cultural, sports and recreational area, intermediation and postal services and for non-life insurance. In contrast, the biggest fall was recorded for rental and leasing of intangible assets (film rental, sound and picture recordings). Government revenues declined, as did funds credited to foreign firms' representations in the Czech Republic. Within payments, the "other business services" item, under which are recorded various business services not included in individual payment items, saw the highest growth. Non-life insurance, financial services, rents, computer and information services, royalties and licence fees also showed higher debits. In contrast, substantially lower debits were recorded for audiovisual services, construction and assembly work, telecommunications and communications services and life and pension insurance.

In 1999, the trade deficit narrowed by approximately 15% against 1998. However, receipts from services fell by more than a quarter. The resulting deficit on goods and services thus widened by CZK 4.2 billion.

	in CZK millions						
	1993	1994	1995	1996	1997	1998	1999
<b>Trade balance</b>	-15 313,0	-39 750,9	-97 598,6	-159 538,6	-144 025,9	-82 394,8	-71 281,8
<b>Balance on services</b>	29 465,2	14 052,8	48 881,2	52 198,9	55 935,0	57 854,7	42 544,3
<b>Balance on goods and services</b>	14 152,2	-25 698,1	-48 717,4	-107 339,7	-88 090,9	-24 540,1	-28 737,5

### 1.3 Income

The income account showed a deficit of CZK 25.6 billion (EUR 0.7 billion), around CZK 6.2 billion smaller than a year earlier. The credit side showed a year-on-year increase of CZK 8.1 billion, while the debit side (interest payments, dividends paid to foreign investors and wages of foreigners working in the Czech Republic) recorded an increase of CZK 1.9 billion.

	in CZK millions						
	1993	1994	1995	1996	1997	1998	1999
<b>Income balance</b>	-3 424,7	-580,8	-2 804,0	-19 611,0	-25 102,4	-31 708,0	-25 564,1
of which:							
<b>Credit</b>	15 952,0	22 713,2	31 696,1	31 765,9	44 696,0	49 056,6	57 135,6
<b>Debit</b>	19 376,7	23 294,0	34 500,1	51 376,9	69 798,4	80 764,6	82 699,7

Income from CNB assets (securities, deposits with foreign banks, credits extended and gold reserves) increased by CZK 2.0 billion against 1998 to CZK 18.6 billion. However, in contrast, interest paid abroad stood at CZK 1.8 billion, down CZK 0.2 billion from a year earlier.

Interest payments on loans from the World Bank and G24 governments and on financial credits drawn in the past by ČSOB amounted to CZK 0.9 billion, while payments of interest on earlier-provided government credits were only CZK 0.2 billion.

As the year-on-year increase in commercial bank assets (deposits abroad and credits extended) considerably exceeded the increase in liabilities ensuing from credits and deposits accepted, the net interest income of banks was CZK 5.0 billion higher than in 1998.

The corporate sector's interest payments abroad exceeded interest received by CZK 14.5 billion. Given the balanced interest account for supplier credits, this amount is attributable to interest on credits accepted from foreign banks and from the parent firms of foreign-owned businesses. The total volume of these credits was CZK 303.0 billion at end-1999.

Investment in the securities of Czech businesses and banks yielded foreign investors a total of CZK 27.4 billion, up CZK 5.2 billion from a year earlier. Of this, dividends within direct investment were CZK 6.7 billion and income from portfolio investment (dividends and interest on bonds) was CZK 12.7 billion. Reinvested earnings are estimated at CZK 8.0 billion, which for investment in the Czech Republic is CZK 2.2 billion higher than in 1998. Ownership interests in foreign businesses and holdings of foreign securities yielded domestic entities earnings of CZK 2.9 billion.

According to information from the Ministry of Labour and Social Affairs, the number of foreigners employed legally in the Czech Republic stood at 93,500 at end-1999. Against end-1998, this represents a decrease of 17,800. Nevertheless, it is estimated that the total number of foreigners working in the Czech Republic remains essentially unchanged. There has been an increase in illegally employed foreigners as well as in foreigners doing business in the Czech Republic, of which 58,400 were registered as of 31 December 1999 (13,400 more than a year earlier). In 1999, foreigners with short-term residency status (including the estimate for illegally employed persons) accounted for approximately 4% of the total average number of employed persons; in total they earned approximately CZK 12.0 billion. The incomes of Czech citizens working abroad are estimated at CZK 3.3 billion.



## 1.4 Current transfers

Current transfers showed a surplus of CZK 17.7 billion (EUR 0.5 billion), up CZK 4.5 billion from 1998.

With respect to private transfers, the majority of which involve household transfers, the surplus rose by CZK 5.4 billion to CZK 16.3 billion. In contrast, government transfers saw a year-on-year decline in surplus of approximately CZK 0.9 billion. This was chiefly due to higher payments of pensions abroad and contributions to international organisations and to lower tax incomes. The government transfers surplus was CZK 1.4 billion.

in CZK millions

	1993	1994	1995	1996	1997	1998	1999
<b>Current transfers (unrequited)</b>	<b>2 559,2</b>	<b>3 635,7</b>	<b>15 190,1</b>	<b>10 440,1</b>	<b>11 337,1</b>	<b>13 147,1</b>	<b>17 686,6</b>
of which:							
<b>Credit</b>	7 024,5	8 523,3	17 631,6	16 752,7	27 402,5	25 387,9	36 784,3
<b>Debit</b>	4 465,3	4 887,6	2 441,5	6 312,6	16 065,4	12 240,8	19 097,7

During 1999, around CZK 2.7 billion was released for the Czech Republic from the Phare fund (i.e. 50% more than in 1998). A total of CZK 2.3 billion was drawn for specific cross-border co-operation and regional development projects and for educational and environmental programmes.

Bilateral assistance from G24 governments amounted to CZK 52.2 million, only one fifth of the level a year earlier. The largest donors were Germany (financing of supplies of computers and equipment for pollution measurement totalling CZK 21.3 million) and Switzerland (equipment for gas furnaces totalling CZK 17.0 million).

## 2. THE CAPITAL ACCOUNT

The capital account, on which are recorded capital transfers connected with migration of citizens, with ownership rights and with transfers of non-financial tangible assets (patents, copyrights, etc.), ended 1999 with a moderate deficit of CZK 73 million. This outcome was affected in particular by a deficit on purchases and sales of licences.

in CZK millions

	1993	1994	1995	1996	1997	1998	1999
Capital account in H1	-16 175	0	179	16	316	66	-73

Note: The sum -CZK 16,175 for 1993 represents transfers of shares from the first wave of voucher privatisation between the CR and the SR

## 3. THE FINANCIAL ACCOUNT

The financial account ended 1999 with a surplus of CZK 85.9 billion (EUR 2.3 billion). The inflow structure of foreign capital was more favourable than in previous years. Foreign direct investment, which considerably exceeded the outflow of other investment, had the dominant share. In 1999, the activity of Czech entities trading in foreign securities increased significantly, leading to a net outflow of portfolio investment. Other short-term investment saw an outflow of short-term and long-term portfolio investment, particularly through increased bank deposits in both foreign currencies and Czech korunas. The koruna banking funds were used by foreign entities *inter alia* to finance direct and portfolio investment in the Czech Republic.

## Financial account in 1993-1999

in CZK billions

	1993	1994	1995	1996	1997	1998	1999
Financial account	88,2	97,0	218,3	113,6	34,3	94,3	85,9
Direct investment	16,4	21,5	67,0	34,6	40,5	85,2	169,9
- Czech abroad	-2,6	-3,5	-1,0	-4,2	-0,8	-2,5	-6,8
- foreign in the Czech Republic	19,0	25,0	68,0	38,8	41,3	87,7	176,7
Portfolio investment	46,7	24,6	36,2	19,7	34,4	34,5	-48,3
- Czech abroad	-6,7	-1,3	-8,6	-1,3	-6,0	-0,8	-65,6
- foreign in the Czech Republic	53,4	25,9	44,7	21,0	40,4	35,3	17,3
Other investment	25,1	50,9	115,1	59,3	-40,6	-25,4	-35,7
1. Long-term investment	23,5	31,9	89,3	84,4	12,9	-29,3	-11,0
- credits granted abroad	13,4	12,0	1,4	-10,8	-11,1	-24,8	-23,3
- credits accepted from abroad	10,1	19,9	87,9	95,2	24,0	-4,5	12,3
2. Short-term investment	1,6	19,0	25,8	-25,1	-53,5	3,9	-24,7

Note: Data on direct investment in 1996 corrected as of 2 May 1999

### 3.1 Direct investment

#### 3.1.1 Czech direct investment abroad

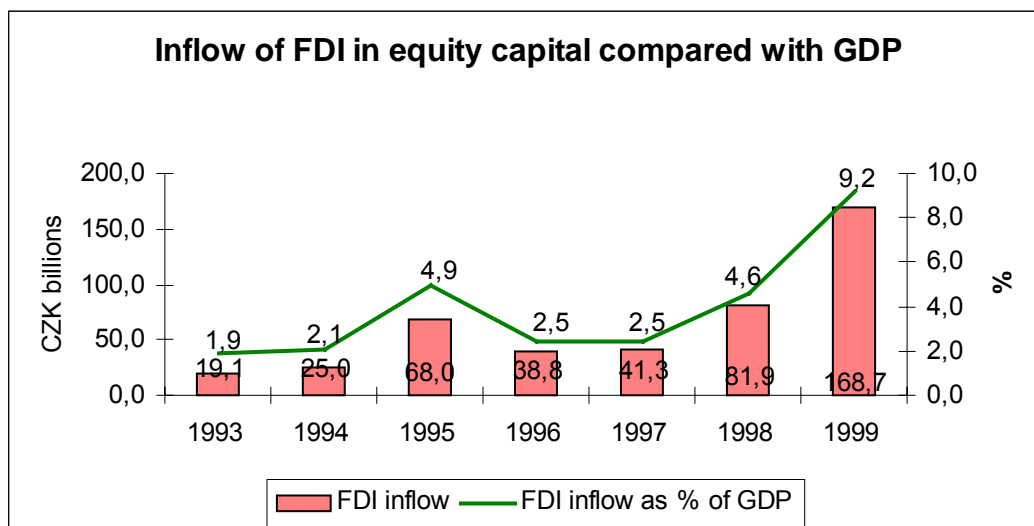
In 1999, the outflow of direct investment abroad amounted to CZK 6.8 billion (EUR 184.6 million). By sector, trade and trade services had the biggest share (65.6%). Next came manufacture of other transport equipment (12.4%), real estate activities (7.2%), financial intermediation (6.6%), publishing and printing (3.1%) and manufacture of food products (1.5%).

By territory, most domestic investment was channelled into Slovakia (41.6%). Second was the British Virgin Islands (25.0%), a territory attractive for investors because of its tax haven status. Next were Poland (11.8%), the United Kingdom (3.8%), Canada (3.3%), Hungary (3.2%), Germany (2.8%) and Latvia (1.9%).

The area of direct investment from the Czech Republic abroad is undergoing a period of stabilisation. Many companies are showing losses for their foreign investments or are being forced to close their subsidiaries. In contrast, the number of investors focusing on offshore centres – areas with low tax rates and flexible banking and commercial services – is growing. In general, the outflow of investment from the Czech Republic is showing a steady upward trend. This is linked with the inflow of foreign investment into our economy. Foreign investors are often expanding into other countries, particularly transition economies, through their subsidiaries in the Czech Republic. The main reason for the Czech direct investment abroad is to secure outlets for Czech goods abroad through trading organisations and, to a lesser extent, to expand production by establishing manufacturing capacities abroad.

#### 3.1.2 Foreign direct investment in the Czech Republic

In 1999, the inflow of FDI into the Czech Republic totalled CZK 176.7 billion (EUR 4.8 billion), of which CZK 168.7 billion (EUR 4.6 billion) was investment in equity capital. This is an all-time high since the establishment of the Czech Republic and more than double the 1998 level. It was the result of several factors combined: the privatisation of state-owned property, the expansion of foreign retail chains and capital increases in foreign-owned businesses. In 1999, the FDI inflow exceeded 9% of GDP.



Green-field investments were also implemented, some of them with the help of investment incentives. The system of investment incentives should become a major stimulus for foreign investors to enter the Czech economy. In the Czech Republic, this system had been regulated by several government decrees adopted during 1998 and 1999, when the Act on Investment Incentives was under preparation. This Act was passed by Parliament in January 2000.

The investment incentives encompass tax relief, subsidies for high technology equipment, transfer of land owned by the state, and material support for job creation and retraining of employees. To obtain such incentives, the investor must establish a new manufacturing plant or modernise an old one, invest at least CZK 350 million (of which at least CZK 145 million must be covered by owners' equity), repay the money used for acquiring fixed assets within three years, and ensure environmentally friendly production. If the investment is in a region where the unemployment rate exceeds the national average by 25%, the threshold for receiving the incentive is reduced to CZK 175 million, with half of this amount having to be covered by owners' equity. The Act further stipulates the manufacturing sectors into which the investment must be channelled, thereby ensuring the condition of a high technology gain.

In 1999, the inflow of FDI was most strongly affected by the sale of the state stake in Československá obchodní banka to KBC Bank of Belgium.

Half the total inflow comprised investment in two sectors – trade and trade services (25.2%) and financial intermediation (25.0%). The third-highest investment inflow was recorded for electricity, gas and water supply (9%), which reflected the ongoing privatisation of distribution companies. Next were manufacture of food products (4.4%), manufacture of non-metallic mineral products (3.5%), hotels and restaurants (3.3%), manufacturing of motor vehicles (2.9%) and real estate activities (2.6%). Of the other sectors, manufacture of fabricated metal products, manufacture of chemical products, communications, insurance and coal mining saw the highest volumes.

By territory, the largest investors were Belgium (25.3%), Germany (16.0%) and the Netherlands (15.0%). Next came Austria (12.9%), the USA (11.5%), Switzerland (6.3%), the United Kingdom (3.5%) and France (3.3%).

Between 1 January 1990 and 31 December 1999, the volume of FDI in the Czech Republic was CZK 517.7 billion (EUR 14.3 billion). With the ongoing privatisation, particularly in the banking sector and the telecommunications area, the inflow of FDI should remain robust into the next period. The Act on Investment Incentives should also start to have a stronger influence.

### 3.2 Portfolio investment

Compared with previous years, when there had been a net inflow of portfolio investment every year, there was a turnaround in 1999, with Czech investment abroad exceeding foreign investment in the Czech Republic by CZK 48.3 billion (EUR 1.3 billion).

Purchases of foreign securities by residents outstripped sales by CZK 65.6 billion (of which CZK 18.0 billion for equity securities and CZK 47.6 billion for debt securities). Most of the transactions were carried out by commercial banks. As of 31 December 1999, foreign securities held by residents amounted to CZK 104.3 billion (EUR 2.9 billion).

Net inflow of foreign portfolio investment was CZK 17.3 billion (EUR 0.5 billion). Trading in domestic securities was 25% higher than a year earlier. The most traded securities with respect to volume were the shares of SPT Telecom, ČEZ and Komerční banka. The net amount invested in equity securities was CZK 4.4 billion. The majority of the investment in shares was connected with purchases of blocks of shares of selected businesses exceeding 10%, on account of the preparations for the privatisation of distribution networks for example. Acquisition of stakes exceeding 10% is included under direct investment. For debt securities, the net investment inflow totalled CZK 12.9 billion (compared with CZK 0.4 billion in 1998).

Most of the CZK 118.0 billion (EUR 3.3 billion) invested in domestic koruna-denominated securities as of 31 December 1999 was channelled into transport and communications (34%), financial intermediation (23%), the power industry (18%) and services (11%). The biggest investors were the United Kingdom (25%), the USA (22%), and Germany (16%). The ranking both by sector and by country remained the same as in 1998.

As for foreign investment in foreign-currency Czech bonds issued on international capital markets, the previously issued bonds of the City of Prague were repaid in 1999 H1 (USD 250 million) and were replaced by a new issue of EUR 200 million. There was also a new issue of Prague Congress Centre bonds worth EUR 55 million. Foreign investment in Czech bonds denominated in foreign currency totalled CZK 47.6 billion (EUR 1.3 billion) as of 31 December 1999.

The declining interest income from koruna-denominated eurobonds issued by non-residents – brought about by falling domestic koruna interest rates – led to decreased interest in this form of investment. In 1999, previous issues totalling CZK 35 billion were repaid and new issues amounted to only CZK 16.9 billion. Outstanding koruna eurobonds amounted to CZK 51.1 billion as of 31 December 1999, with these falling due as late as 2013.

### 3.3 Other long-term investment

Other investment showed a deficit of CZK 35.7 billion for 1999, with long-term investment accounting for CZK 11.0 billion. This deficit was attributable to movement of long-term commercial bank funds, which have registered a net outflow of long-term capital during the last three years following a period of a massive inflow in previous years. In the period under review, the outflow was CZK 33.5 billion, largely owing to a CZK 25.9 billion rise in long-term assets of commercial banks, predominantly in the form of deposits and credits granted to foreign banks, mostly in foreign currency. The increasing weight of repayments of previously accepted credits, which exceeded drawing on new bank credits, showed up in a CZK 7.6 billion fall in the long-term liabilities of commercial banks. The most significant newly accepted loan with respect to volume is a syndicated loan of USD 200 million with five-year maturity and an interest rate 22.5 basis points above the LIBOR obtained by Česká exportní banka.

In contrast to commercial banks, the business sector saw a net capital inflow of CZK 30.0 billion. Financial credits drawn by businesses directly from abroad, which accounted for the lion's share of the long-term funds drawn, totalled CZK 22.8 billion and credits from direct investors CZK 4.6 billion. In the area of supplier credits, import liabilities increased and export receivables dropped; the overall balance was CZK 2.0 billion.

Repayments of earlier accepted loans from the G24 and the World Bank and of credits granted during the period of central planning totalled CZK 6.4 billion. A total of CZK 157 million was paid in contributions to the IDA and the EBRD. Collected repayments of and unblocked receivables from earlier-granted government credits amounted to CZK 1.1 billion.

**3.4 Other short-term investment**

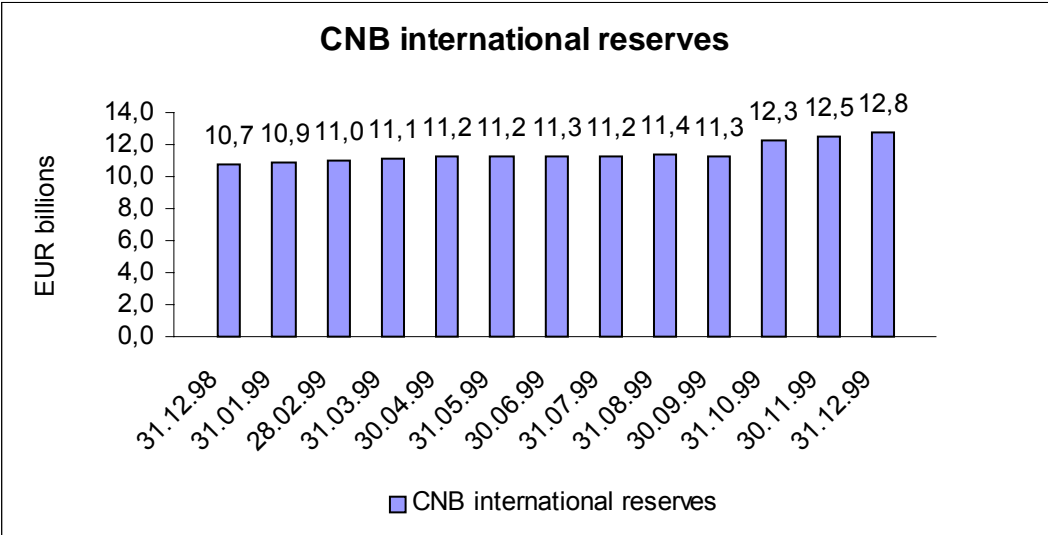
The lower level of koruna interest rates, the elimination of the interest rate differential against the major foreign currencies, the reduction of the minimum reserve requirement and the contraction in domestic lending together gave a massive CZK 27.2 billion outflow of short-term capital of commercial banks. During 1999, their short-term assets increased by CZK 63.8 billion, of which CZK 20.7 billion was in korunas. The funds were mostly invested in short-term deposits with foreign banks, which used them *inter alia* to fund direct portfolio investment in the Czech Republic.

Short-term commercial bank liabilities rose by CZK 36.6 billion, of which CZK 21.4 billion in korunas. The funds took the form of short-term credits and deposits.

The CZK 5.0 billion rise in short-term financial credits drawn directly from abroad and the CZK 2.1 billion increase in import liabilities exceeded the rise in export receivables, resulting in a net short-term capital inflow in the corporate sector of CZK 2.5 billion. The overall short-term capital outflow from the banking and corporate sectors totalled CZK 24.7 billion.

**4. CNB INTERNATIONAL RESERVES**

The overall surplus on the balance of payments, bolstered by the record FDI inflow, led to appreciation pressures on the koruna's exchange rate, particularly in the second half of the year. The CNB's foreign exchange purchases on the interbank foreign exchange market, together with interest income, gave a CZK 57.1 billion increase in its international reserves (excluding valuation changes) to CZK 461.4 billion (EUR 12.8 billion) as of end-1999.



The monthly data on the international reserves show an increase in Q4 following the CNB's intervention on the interbank foreign exchange market.

As of 31 December 1999, the international reserves covered 4.6 months' worth of imports of goods and services.

	1993	1994	1995	1996	1997	1998	1999
CNB international reserves (in CZK billions)	116,0	175,1	373,0	339,9	338,5	376,7	461,4
Coverage of goods and services imports (in months)	2,6	3,3	5,6	4,4	3,9	4,0	4,6

## 5. THE INVESTMENT POSITION, FOREIGN DEBT AND DEBT SERVICE

### 5.1 The investment position

The investment position was affected primarily by the capital inflow on the financial account (a rise in liabilities), by the growth in CNB international reserves (a rise in assets) and by exchange rate movements (particularly the koruna's depreciation against the dollar, which resulted in an increase in the nominal level of assets and liabilities). These factors led to a narrowing of the deficit on the investment position.

in CZK billions

	Position as of:		Change for 1999
	31 Dec.1998	31 Dec.1999	
Assets	1 086,1	1 354,7	268,6
Liabilities	1 205,0	1 438,3	-233,3
Overall net investment position	-118,9	-83,6	35,3

Note: Unlike external debt, liabilities include direct and portfolio investment in shares

As in previous years, the largest foreign capital inflow was in the corporate sector; businesses are now in a debtor's position. The largest creditors vis-à-vis foreign countries are the banking sector and the government. However, government assets are most heavily burdened by bad debts.

in CZK billions

	Position as of:		Change for 1999
	31 Dec.1998	31 Dec.1999	
Direct investment	-405,2	-551,9	-146,7
Portfolio investment	-130,2	-61,2	69,0
CNB	400,9	461,1	60,2
Commercial banks	18,6	77,7	59,1
Government	150,9	188,0	37,1
Businesses	-153,9	-197,3	-43,4
Overall net investment position	-118,9	-83,6	35,3

Note: The net investment position adjusted for illiquid receivables  
of the Government as of end-1999 would be approximately -CZK 268 billion

With respect to the structure of the investment position:

- the FDI inflow led to a substantial CZK 146.7 billion rise in the direct investment deficit to CZK 551.9 billion;
- the increased purchases of foreign securities, mostly by commercial banks, resulted in a major reduction in the portfolio investment deficit;
- the CNB surplus widened thanks to a CZK 60.2 billion rise in international reserves; at the end of Q4, the receivable from the National Bank of Slovakia was transferred from the resident to non-resident position;
- the surplus on the investment position of commercial banks increased by CZK 59.1 billion, owing to capital outflow;
- the government surplus widened by CZK 37.1 billion, owing to valuation changes;
- the inflow of capital into businesses further intensified, leading to a CZK 43.4 billion growth in corporate sector debt, mostly in the form of financial credits (of CZK 43.4 billion) drawn by businesses directly from foreign entities (-CZK 197.3 billion).

## 5.2 External debt

Overall foreign debt expressed in korunas increased from CZK 726.9 billion (EUR 20.8 billion) to CZK 822.6 billion (EUR 22.8 billion), i.e. by CZK 95.7 billion (EUR 2.0 billion).

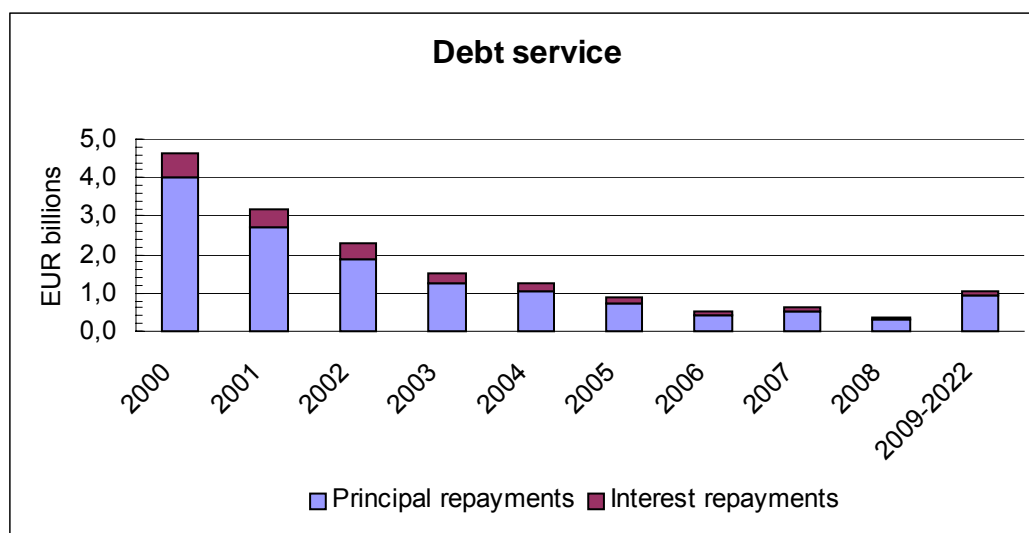
Gross indebtedness in 1993-1999

	in USD billions							
	1 Jan. 1993	31 Dec. 1993	31 Dec. 1994	31 Dec. 1995	31 Dec. 1996	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999
- short-term	61,1	69,7	100,5	140,8	164,9	244,8	271,5	315,8
- long-term	163,2	218,0	242,0	316,5	414,0	503,9	455,4	506,8
Total external debt	224,3	287,7	342,5	457,3	578,9	748,7	726,9	822,6
Share of short-term debt	27%	24%	30%	31%	28%	33%	37%	38%

The foreign debt time structure shows an increase of 10 percentage points in the share of short-term liabilities compared with end-1996. Banks and businesses accounted for the largest part as of end-1999: 73% and 27% respectively. With respect to long-term liabilities, the largest debt was recorded for businesses (64%) and commercial banks (25%). The share of foreign debt in GDP increased from 40.4% as of end-1998 to 44.8% and is thus moving around the internationally recognised limit of acceptability of 40%.

## 5.3 Debt service

Debt service arising from long-term debt in convertible currencies amounted to CZK 146.4 billion (EUR 4.1 billion). A total of CZK 110.7 billion (EUR 3.1 billion) was paid in principal and CZK 35.9 billion (EUR 1.0 billion) in interest. Most of the principal (CZK 49.5 billion) was repaid by commercial banks on financial credits received. Businesses followed with repayments of CZK 38.8 billion, particularly on direct financial credits received from foreign entities and on import liabilities. The remainder of the debt service involves domestic debt securities, special-purpose loans and deposits. Debt servicing represented 12.5% of exports of goods and services, compared with 15.2% in 1998. The fall in this ratio was due to a lower volume of repayments of direct financial credits and deposits and to the higher growth rate of exports.



**BALANCE OF PAYMENTS for January to December 1999**

(preliminary data - 21 March 2000)

	in CZK millions	in EUR millions	in USD millions
<b>A. Current account</b>		<b>-992,7</b>	<b>-1 050,2</b>
Trade balance	-71 281,8	-1 932,7	-2 060,2
Exports	928 865,0	25 184,8	26 845,8
Imports	1 000 146,8	27 117,5	28 906,0
Services	42 544,3	1 153,5	1 229,6
Credit	239 622,6	6 497,0	6 925,5
Transport	53 433,9	1 449,8	1 544,3
Travel	105 000,0	2 845,9	3 034,7
Other services	81 189,7	2 201,3	2 346,5
Debit	197 078,3	5 343,5	5 695,9
Transport	27 560,0	747,3	796,5
Travel	51 000,0	1 382,8	1 474,0
Other services	118 518,3	3 213,4	3 425,4
Income	-25 564,1	-693,1	-738,8
Credit	57 135,6	1 549,2	1 651,3
Debit	82 699,7	2 242,3	2 390,1
Current transfers	17 685,6	479,6	511,2
Credit	36 794,3	997,4	1 063,1
Debit	19 097,7	517,8	551,9
<b>B. Capital account</b>	<b>73,2</b>	<b>2,0</b>	<b>2,1</b>
Credit	637,3	17,3	18,4
Debit	710,5	19,3	20,5
Total A + B	-36 608,2	-994,7	-1 060,3
<b>C. Financial account</b>	<b>85 929,1</b>	<b>2 329,8</b>	<b>2 483,5</b>
Direct investment	169 936,5	4 607,5	4 911,5
Abroad	-6 807,4	-184,6	-196,7
In the Czech Republic	176 743,9	4 792,1	5 108,2
Portfolio investment	-48 268,9	-1 308,7	-1 395,1
Assets	-65 608,0	-1 778,8	-1 896,2
Equity securities	-18 047,8	-489,3	-521,6
Debt securities	-47 560,2	-1 289,5	-1 374,6
Liabilities	17 339,1	470,1	501,1
Equity securities	4 394,2	119,1	127,0
Debt securities	12 944,9	351,0	374,1
Other investments	-35 738,5	-969,0	-1 032,9
Assets	-91 796,2	-2 488,9	-2 653,1
Long-term	-23 339,5	-632,8	-674,6
CNB			
Commercial banks	-25 859,5	-701,1	-747,4
Government	977,5	26,5	28,2
Other sectors	1 541,5	41,8	44,6
Short-term	-68 456,7	-1 856,1	-1 978,5
Commercial banks	-63 804,7	-1 730,0	-1 844,1
Government			
Other sectors	-4 652,0	-126,1	-134,4
Liabilities	56 057,7	1 519,9	1 620,2
Long-term	12 369,3	335,4	367,5
CNB	-2 083,5	-56,5	-60,2
Commercial banks	-7 651,1	-207,4	-221,1
Government	-6 384,3	-173,1	-184,5
Other sectors	28 489,2	772,4	823,3
Short-term	43 688,4	1 184,5	1 262,7
CNB	84,9	2,3	2,5
Commercial banks	36 615,6	992,8	1 058,3
Government	-103,2	-2,8	-3,0
Other sectors	7 091,1	192,2	204,9
Total A + B + C	49 240,9	1 336,1	1 423,2
<b>D. Net errors and omissions, valuation changes</b>	<b>7 895,8</b>	<b>214,1</b>	<b>228,1</b>
Total A + B + C + D	57 136,7	1 549,2	1 651,3
<b>E. Change in reserves (- increase)</b>	<b>-57 136,7</b>	<b>-1 549,2</b>	<b>-1 651,3</b>

CZK/EUR 36,882

CZK/USD 34,600

Note: Definitive data will be published following the release of definitive CSO figures on the trade balance



**BALANCE OF PAYMENTS for January to December 1999**

(preliminary data - 21 March 2000)

	in CZK millions	in EUR millions	in USD millions
<b>A. CURRENT ACCOUNT</b>	<b>-36 615,0</b>	<b>-992,7</b>	<b>-1 050,2</b>
<b>Trade balance</b>	<b>-71 281,8</b>	<b>-1 932,7</b>	<b>-2 060,2</b>
Exports	908 865,0	25 184,8	26 645,8
Imports	1 000 146,8	27 117,5	28 906,0
<b>Services</b>	<b>42 544,3</b>	<b>1 153,5</b>	<b>1 229,6</b>
<b>Credit</b>	<b>239 622,6</b>	<b>6 497,0</b>	<b>6 925,5</b>
Transport	<b>53 433,9</b>	<b>1 448,8</b>	<b>1 544,3</b>
Pipeline transit	8 890,7	241,1	256,9
Other	44 543,2	1 207,7	1 287,4
Travel	<b>105 080,0</b>	<b>2 846,9</b>	<b>3 034,7</b>
Other business and non-business services	<b>81 988,7</b>	<b>2 281,3</b>	<b>2 346,5</b>
Postal services	1 779,3	48,2	51,4
Telecommunications and radiocommunications services	1 671,2	45,3	48,3
Construction and assembly work	8 067,7	218,8	233,2
Merchandising	1 774,8	48,1	51,3
Repairs	1 276,8	34,6	36,9
Non-life insurance	1 940,7	52,6	56,1
Life and pension insurance	318,6	8,6	9,2
Financial services	7 856,4	213,0	227,1
Advertising services	2 263,7	61,4	66,4
Legal, accounting and consulting services	5 934,4	160,9	171,5
Rent	2 302,3	62,4	66,5
Leasing of intangible assets	1 136,0	30,8	32,8
Leasing of machinery and equipment	576,9	15,6	16,7
Research and development	1 223,9	33,2	35,4
Royalties, licence fees, etc.	1 484,3	40,3	42,9
Computer and information services	2 243,2	60,8	64,8
Intermediation services	4 183,0	113,4	120,9
Technical services	3 312,4	89,8	96,7
Other business services	17 877,0	484,7	516,7
Mining and processing activities	920,7	25,0	26,6
Representations of Czech firms abroad	811,3	22,0	23,5
Representations of foreign firms in the Czech Republic	786,9	21,3	22,8
Audiovisual services	1 068,2	29,0	30,9
Cultural, recreational and sports services	5 018,3	136,1	145,0
Healthcare services	1 174,8	31,9	34,0
Government revenues	1 443,3	39,1	41,7
Diplomatic representations of the Czech Republic abroad	354,0	9,6	10,2
Foreign diplomatic representations in the Czech Republic	2 388,6	64,8	69,0
<b>Debit</b>	<b>197 078,3</b>	<b>5 343,5</b>	<b>5 695,9</b>
Transport	<b>27 568,0</b>	<b>747,3</b>	<b>796,5</b>
Pipeline transit	3 737,6	101,4	108,0
Other	23 822,4	645,9	688,5
Travel	<b>51 080,0</b>	<b>1 382,0</b>	<b>1 474,0</b>
Other business and non-business services	<b>118 518,3</b>	<b>3 213,4</b>	<b>3 425,4</b>
Postal services	1 696,8	43,3	46,2
Telecommunications and radiocommunications services	1 832,7	49,7	53,0
Construction and assembly work	7 498,0	203,3	216,7
Merchandising	2 055,4	56,7	59,4
Repairs	1 205,3	32,7	34,8
Non-life insurance	5 738,4	155,6	165,8
Life and pension insurance	375,5	10,2	10,9
Financial services	12 268,8	332,7	354,6
Advertising services	3 410,0	92,5	98,6
Legal, accounting and consulting services	9 294,2	262,0	288,6
Rent	4 125,5	111,9	119,2
Leasing of intangible assets	922,5	25,0	26,7
Leasing of machinery and equipment	1 087,7	29,5	31,4
Research and development	1 279,2	34,7	37,0
Royalties, licence fees, etc.	4 754,8	128,9	137,4
Computer and information services	4 461,9	121,0	129,0
Intermediation services	4 448,5	120,6	128,6
Technical services	7 619,9	203,9	217,3

	in CZK millions	in EUR millions	in USD millions
Other business services	34 700,5	940,8	1 002,9
Mining and processing activities	864,7	23,4	25,0
Representations of Czech firms abroad	1 532,5	41,5	44,3
Representations of foreign firms in the Czech Republic	513,8	13,9	14,8
Audiovisual services	849,6	23,0	24,6
Cultural, recreational and sports services	2 654,1	72,0	76,7
Healthcare services	844,6	22,9	24,4
Government revenues	227,8	6,2	6,6
Diplomatic representations of the Czech Republic abroad	1 751,1	47,5	50,6
Foreign diplomatic representations in the Czech Republic	702,5	19,0	20,3
<b>Income</b>	<b>25 564,1</b>	<b>693,1</b>	<b>738,8</b>
<b>Credit</b>	<b>57 135,6</b>	<b>1 549,2</b>	<b>1 651,3</b>
Interest accepted, income from CNB reserves	52 038,5	1 411,0	1 504,0
Income from work abroad	3 300,0	89,5	95,4
Other (dividends etc.)	1 797,1	48,7	51,9
<b>Debit</b>	<b>62 699,7</b>	<b>2 242,3</b>	<b>2 390,1</b>
Interest paid	54 970,9	1 490,4	1 588,7
Costs for foreigners' work in the Czech Republic	12 000,0	325,4	346,8
Other (dividends and other income from domestic securities)	15 728,8	426,5	454,6
<b>Current transfers</b>	<b>17 686,6</b>	<b>479,6</b>	<b>511,2</b>
Credit	36 784,3	997,4	1 063,1
Debit	19 097,7	517,8	551,9
<b>B. CAPITAL ACCOUNT</b>	<b>73,2</b>	<b>2,8</b>	<b>2,1</b>
Credit	637,3	17,3	18,4
Debit	710,5	19,3	20,5
<b>C. FINANCIAL ACCOUNT</b>	<b>85 929,1</b>	<b>2 329,8</b>	<b>2 403,5</b>
<b>Direct investment</b>	<b>169 936,5</b>	<b>4 607,5</b>	<b>4 911,5</b>
Czech abroad	-6 807,4	-184,6	-196,7
Foreign in the Czech Republic	176 743,9	4 792,1	5 108,2
<b>Portfolio investment</b>	<b>48 268,9</b>	<b>-1 308,7</b>	<b>-1 395,1</b>
<b>Assets</b>	<b>-65 608,0</b>	<b>-1 778,8</b>	<b>-1 896,2</b>
Equity securities	-18 047,8	-489,3	-521,6
Debt securities	-47 560,2	-1 289,5	-1 374,6
<b>Liabilities</b>	<b>17 339,1</b>	<b>470,1</b>	<b>501,1</b>
Equity securities	4 394,2	119,1	127,0
Debt securities	12 944,9	351,0	374,1
<b>Other investment</b>	<b>-35 738,5</b>	<b>969,8</b>	<b>-1 032,9</b>
<b>Assets</b>	<b>91 796,2</b>	<b>-2 488,9</b>	<b>-2 653,1</b>
<b>Long-term</b>	<b>-23 338,5</b>	<b>-632,8</b>	<b>-674,6</b>
CNB			
Commercial banks	-25 858,5	-701,1	-747,4
Government	977,5	26,5	28,2
Other sectors	1 541,5	41,8	44,6
<b>Short-term</b>	<b>-68 456,7</b>	<b>-1 895,1</b>	<b>-1 978,5</b>
Commercial banks	-63 804,7	-1 730,0	-1 844,1
Government			
Other sectors	-4 652,0	-125,1	-134,4
<b>Liabilities</b>	<b>56 057,7</b>	<b>1 519,9</b>	<b>1 620,2</b>
<b>Long-term</b>	<b>12 369,3</b>	<b>335,4</b>	<b>357,5</b>
CNB	-2 083,5	-95,5	-60,2
Commercial banks	-7 651,1	-207,4	-221,1
Government	-6 384,3	-173,1	-184,5
Other sectors	28 498,2	772,4	823,3
<b>Short-term</b>	<b>43 688,4</b>	<b>1 184,5</b>	<b>1 262,7</b>
CNB	84,9	2,3	2,5
Commercial banks	36 615,6	992,8	1 058,3
Government	-103,2	-2,8	-3,0
Other sectors	7 091,1	192,2	204,9
<b>NET ERRORS AND OMISSIONS, VALUATION CHANGES</b>	<b>7 895,8</b>	<b>214,1</b>	<b>228,1</b>
<b>CHANGE IN RESERVES (-: increase)</b>	<b>57 136,7</b>	<b>-1 549,2</b>	<b>-1 651,3</b>

CZK/EUR 36,882

CZK/USD 34,600

## INTERNATIONAL INVESTMENT POSITION

in CZK millions	1 Jan.1993	31 Dec.1993	31 Dec.1994	31 Dec.1995	31 Dec.1996	31 Dec.1997	31 Dec.1998 <sup>1)</sup>	31 Dec.1999 <sup>2)</sup>
<b>ASSETS</b>	<b>486 183,8</b>	<b>536 388,7</b>	<b>572 874,1</b>	<b>700 693,0</b>	<b>835 989,8</b>	<b>1 038 191,5</b>	<b>1 086 118,9</b>	<b>1 354 658,2</b>
<b>Direct investment abroad</b>	<b>2 634,8</b>	<b>5 432,9</b>	<b>8 426,9</b>	<b>9 190,1</b>	<b>13 609,2</b>	<b>18 989,4</b>	<b>24 003,5</b>	<b>32 678,9</b>
Equity capital 3)	2 634,0	5 432,9	8 426,9	9 190,1	13 609,2	18 395,1	21 901,2	30 600,6
Other capital 4)						604,3	2 102,3	2 162,3
<b>Portfolio investment</b>	<b>226,0</b>	<b>8 258,8</b>	<b>12 138,0</b>	<b>20 076,9</b>	<b>37 511,2</b>	<b>35 738,9</b>	<b>35 872,4</b>	<b>184 345,3</b>
Equity securities	226,0	7 911,1	9 370,5	18 422,0	30 490,3	14 442,0	13 415,5	33 824,8
Debt securities		346,9	2 767,5	1 654,9	17 060,9	21 296,9	22 456,9	70 520,5
<b>Other investment</b>	<b>378 895,6</b>	<b>486 717,6</b>	<b>377 187,3</b>	<b>378 388,3</b>	<b>444 985,4</b>	<b>636 938,5</b>	<b>649 568,0</b>	<b>756 213,8</b>
Long-term	292 829,7	249 198,8	229 026,4	214 430,3	234 849,6	293 037,3	285 940,4	321 246,6
CNB 5)	29 102,5	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
Government 7) 8)	167 429,3	196 968,0	174 784,1	157 950,4	160 949,7	203 922,8	174 825,0	208 832,9
Other sectors	41 926,0	35 806,0	27 906,0	25 191,0	22 595,8	25 903,3	20 951,4	22 513,6
Short-term	145 071,9	157 518,8	148 160,9	163 958,0	210 135,8	343 901,2	363 619,6	434 967,2
CNB	4,7	4,7	4,7	4,7	4,7	0,1	0,1	
Commercial banks 6)	82 496,2	83 133,2	80 820,2	87 176,3	128 481,1	290 670,9	272 219,5	336 117,2
of which: gold and foreign currency 9)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
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
<b>CNB reserves</b>	<b>24 347,4</b>	<b>115 980,2</b>	<b>175 121,9</b>	<b>373 037,7</b>	<b>339 884,0</b>	<b>338 524,7</b>	<b>376 683,0</b>	<b>461 429,2</b>
Gold 9)	2 488,2	2 466,4	2 309,3	2 234,6	2 290,3	1 621,9	369,1	677,0
Special drawing rights	852,5	247,3		4,7				
Foreign currency	21 006,7	113 266,5	172 812,6	370 798,4	337 593,7	337 002,8	376 313,9	460 752,2
<b>LIABILITIES</b>	<b>387 887,2</b>	<b>423 237,7</b>	<b>507 337,9</b>	<b>723 101,9</b>	<b>906 073,2</b>	<b>1 138 248,1</b>	<b>1 284 984,0</b>	<b>1 438 285,3</b>
<b>Direct investment in the Czech Republic</b>	<b>83 488,7</b>	<b>182 538,1</b>	<b>127 533,5</b>	<b>195 526,3</b>	<b>234 301,1</b>	<b>319 020,3</b>	<b>429 967,8</b>	<b>584 524,8</b>
Equity capital 3)11)	83 488,7	102 538,1	127 533,5	195 526,3	234 301,1	284 674,7	364 816,5	517 672,7
Other capital 4)						35 145,6	64 351,3	66 851,3
<b>Portfolio investment</b>	<b>4 812,9</b>	<b>58 583,9</b>	<b>81 617,5</b>	<b>124 933,6</b>	<b>144 807,4</b>	<b>169 032,7</b>	<b>166 128,1</b>	<b>165 579,2</b>
Equity securities	75,0	32 986,2	37 335,6	70 280,4	92 867,8	104 862,3	113 247,2	98 011,8
Debt securities	4 737,9	25 598,7	44 281,9	54 653,2	51 939,6	64 170,4	52 880,9	67 567,4
<b>Other investment</b>	<b>219 585,6</b>	<b>262 114,7</b>	<b>298 186,9</b>	<b>402 642,0</b>	<b>526 964,7</b>	<b>649 395,1</b>	<b>689 688,1</b>	<b>688 182,1</b>
Long-term	158 430,0	152 426,3	207 289,7	279 388,9	374 814,7	426 270,1	358 510,5	393 389,0
CNB	31 109,9	33 697,4	1 695,7	2 491,5	2 272,7	2 188,3	1 883,3	197,1
Commercial banks 6)	14 491,1	16 175,5	26 040,1	90 299,3	143 454,2	143 120,2	124 295,3	118 368,9
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
Other sectors	42 068,0	60 258,0	103 020,0	133 397,9	185 084,1	242 960,5	208 951,8	254 010,0
Short-term	61 155,6	69 688,4	90 897,2	123 253,1	152 150,0	223 125,0	251 177,6	294 793,1
CNB	8,2	4 581,0	37,9	115,0	65,3	45,5	39,5	124,4
Commercial banks 6)	19 527,4	22 249,3	41 339,9	69 502,9	101 549,5	168 927,1	193 373,0	229 988,7
Government			5 013,4	1 104,1	314,8	387,5	103,2	
Other sectors	41 620,0	42 858,1	44 506,0	52 531,1	50 236,4	53 854,9	57 661,9	64 680,0
<b>Net investment position</b>	<b>98 215,8</b>	<b>113 151,0</b>	<b>65 536,2</b>	<b>57 591,1</b>	<b>-70 083,4</b>	<b>-98 056,6</b>	<b>-118 865,1</b>	<b>-83 626,1</b>

1) Revised data

2) Preliminary data

3) Data on equity capital updated to include holdings in associated companies;

since 31 December 1997, equity capital has also included reinvested earnings

4) Starting with the position as of 31 December 1997, part of the credits arising from credit relations between direct investors and companies

have been transferred from other investment (other sectors) to direct investment (other capital)

5) At end-1999, the CNB's 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) Dating January 1993, part of the receivables and payables in convertible and non-convertible currencies were transferred from the CSOB position

to the Ministry of Finance; in column 1 January 1993 these amounts are included in the government position; the receivable vis-à-vis CIS in the

data as of 1 January 1993 is expressed as the balance of accounts in XTR and USD, while in later periods the accounts are held in terms of turnover

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

9) Gold valued at USD 42.22 per Troy ounce

10) Foreign exchange - convertible currencies

11) Since 1988, direct investment has included equity capital from the balance-sheets of companies with foreign ownership

## INTERNATIONAL INVESTMENT POSITION

in EUR millions	1 Jan.1993	31 Dec.1993	31 Dec.1994	31 Dec.1995	31 Dec.1996	31 Dec.1997	31 Dec.1998 a)	31 Dec.1999 a)
<b>ASSETS</b>	<b>11 632,2</b>	<b>15 973,9</b>	<b>16 765,4</b>	<b>22 922,4</b>	<b>24 654,6</b>	<b>26 952,8</b>	<b>31 013,4</b>	<b>37 494,8</b>
<b>Direct investment abroad</b>	<b>75,4</b>	<b>161,8</b>	<b>246,6</b>	<b>269,8</b>	<b>401,3</b>	<b>496,8</b>	<b>685,4</b>	<b>904,2</b>
Equity capital 3)	75,4	161,8	246,6	269,8	401,3	491,0	625,4	844,4
Other capital 4)						15,8	60,0	59,8
<b>Portfolio investment</b>	<b>6,5</b>	<b>245,9</b>	<b>355,2</b>	<b>589,5</b>	<b>1 106,3</b>	<b>935,0</b>	<b>1 024,3</b>	<b>2 888,1</b>
Equity securities	6,5	236,6	274,2	540,9	603,1	377,8	363,1	936,2
Debt securities		10,3	81,0	48,6	503,2	557,2	641,2	1 951,9
<b>Other investment</b>	<b>10 852,9</b>	<b>12 112,3</b>	<b>11 038,6</b>	<b>11 190,1</b>	<b>13 123,3</b>	<b>16 664,2</b>	<b>18 547,8</b>	<b>28 938,4</b>
Long-term	8 668,9	7 421,3	6 702,6	6 296,1	6 926,1	7 666,7	8 164,9	8 891,4
CNB 5)	661,7	731,8	719,2	768,5	770,4	683,4	745,9	
Commercial banks 6)	10,5	55,2	51,6	150,2	742,6	970,4	1 628,7	2 488,3
Government 7) 8)	4 796,8	5 568,0	5 115,1	4 637,7	4 746,7	5 335,2	4 992,0	5 780,0
Other sectors	1 200,9	1 066,3	816,7	739,7	666,4	677,7	598,3	623,1
Short-term	4 184,0	4 691,0	4 336,0	4 814,0	6 197,2	8 997,5	10 382,9	12 039,0
CNB	0,1	0,1	0,1	0,1	0,1	0,1		
Commercial banks 6)	2 361,8	2 475,8	2 385,3	2 659,6	3 789,1	6 668,3	7 773,0	9 300,0
of which: gold and foreign currency 9)10)	2 264,0	2 106,3	2 084,7	2 235,2	2 814,5	4 507,9	5 018,5	6 061,3
Government		163,8						
Other sectors	1 822,1	2 051,3	1 970,6	2 254,3	2 408,0	2 439,2	2 609,9	2 736,0
<b>CNB reserves</b>	<b>687,4</b>	<b>3 453,9</b>	<b>5 125,0</b>	<b>10 953,0</b>	<b>10 023,7</b>	<b>8 856,8</b>	<b>10 755,9</b>	<b>12 771,3</b>
Gold 9)	71,3	73,4	67,6	65,6	67,5	39,8	10,5	16,7
Special drawing rights	24,4	7,4		0,1				
Foreign currency	601,7	3 373,1	5 057,4	10 887,3	9 956,2	8 817,0	10 745,4	12 752,6
<b>LIABILITIES</b>	<b>8 819,0</b>	<b>12 604,2</b>	<b>14 847,4</b>	<b>21 231,5</b>	<b>26 721,5</b>	<b>29 779,9</b>	<b>34 487,5</b>	<b>39 888,6</b>
<b>Direct investment in the Czech Republic</b>	<b>2 391,4</b>	<b>3 053,7</b>	<b>3 732,3</b>	<b>5 741,0</b>	<b>6 909,9</b>	<b>8 367,4</b>	<b>12 254,6</b>	<b>16 178,4</b>
Equity capital 3)11)	2 391,4	3 053,7	3 732,3	5 741,0	6 909,9	7 447,9	10 417,1	14 328,1
Other capital 4)						919,5	1 837,5	1 850,3
<b>Portfolio investment</b>	<b>137,9</b>	<b>1 744,6</b>	<b>2 388,5</b>	<b>3 668,2</b>	<b>4 278,6</b>	<b>4 422,4</b>	<b>4 743,7</b>	<b>4 582,8</b>
Equity securities	2,2	982,3	1 092,6	2 063,5	2 738,8	2 743,5	3 233,7	2 712,7
Debt securities	135,7	762,3	1 295,9	1 604,7	1 531,8	1 678,9	1 510,0	1 870,1
<b>Other investment</b>	<b>6 289,7</b>	<b>7 805,9</b>	<b>8 726,6</b>	<b>11 822,3</b>	<b>15 541,0</b>	<b>16 990,1</b>	<b>17 489,2</b>	<b>19 847,4</b>
Long-term	4 538,0	5 730,5	6 066,4	8 203,3	11 053,9	11 152,4	10 237,0	10 888,2
CNB	891,1	1 003,6	49,6	73,2	67,0	57,3	53,8	5,5
Commercial banks 6)	415,1	481,7	762,1	2 651,4	4 230,7	3 744,4	3 548,9	3 275,2
Government 7)	2 027,1	2 450,8	2 239,8	1 582,0	1 297,8	994,2	679,3	576,0
Other sectors	1 204,7	1 794,5	3 014,9	3 916,7	6 489,4	6 396,5	5 955,0	7 030,5
Short-term	1 751,7	2 075,3	2 660,2	3 619,0	4 487,1	5 837,7	7 172,2	8 159,2
CNB	0,2	136,4	1,1	3,4	1,6	1,2	1,1	3,4
Commercial banks 6)	559,4	662,6	1 209,9	2 040,7	2 994,7	4 419,7	5 521,7	6 365,6
Government			146,7	32,4	9,3	7,6	2,9	
Other sectors	1 192,1	1 276,3	1 302,5	1 542,5	1 481,5	1 409,3	1 646,5	1 790,2
<b>Net investment position</b>	<b>2 813,2</b>	<b>3 369,7</b>	<b>1 918,0</b>	<b>1 690,9</b>	<b>-2 066,9</b>	<b>-2 827,1</b>	<b>-3 394,1</b>	<b>-2 314,6</b>

1) Revised data

2) Preliminary data

3) Data on equity capital updated to include holdings in associated companies; since 31 December 1997, equity capital has also included reinvested earnings

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

5) At end-1999, the CNB's 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 column 1 January 1993 these amounts are included in the government position; the receivable vis-à-vis CIS in the data as of 1 January 1993 is expressed as the balance of accounts in XTR and USD, while in later periods the accounts are held in terms of turnover

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

9) Gold valued at USD 42.22 per Troy ounce

10) Foreign exchange - convertible currencies

11) Since 1998, direct investment has included equity capital from the balance-sheets of companies with foreign ownership

## INTERNATIONAL INVESTMENT POSITION

in USD millions	1 Jan.1993	31 Dec.1993	31 Dec.1994	31 Dec.1995	31 Dec.1996	31 Dec.1997	31 Dec.1998 <sup>1)</sup>	31 Dec.1999 <sup>2)</sup>
<b>ASSETS</b>	<b>14 052,5</b>	<b>17 906,5</b>	<b>20 424,0</b>	<b>29 347,2</b>	<b>30 596,5</b>	<b>29 743,4</b>	<b>36 379,8</b>	<b>37 651,4</b>
<b>Direct investment abroad</b>	<b>91,2</b>	<b>181,4</b>	<b>300,4</b>	<b>345,5</b>	<b>497,9</b>	<b>548,2</b>	<b>804,0</b>	<b>988,1</b>
Equity capital 3)	91,2	181,4	300,4	345,5	497,9	530,0	733,6	840,0
Other capital 4)						17,4	70,4	80,1
<b>Portfolio investment</b>	<b>7,8</b>	<b>275,7</b>	<b>432,8</b>	<b>754,7</b>	<b>1 372,4</b>	<b>1 031,9</b>	<b>1 281,6</b>	<b>2 988,2</b>
Equity securities	7,8	264,1	334,1	692,5	749,2	417,0	449,4	940,1
Debt securities		11,6	98,7	62,2	624,2	614,9	752,2	1 950,1
<b>Other investment</b>	<b>13 111,0</b>	<b>13 577,6</b>	<b>13 447,4</b>	<b>14 224,1</b>	<b>16 298,8</b>	<b>18 389,5</b>	<b>21 757,1</b>	<b>21 818,2</b>
Long-term	8 056,5	8 319,1	8 165,2	8 090,7	8 592,5	8 460,5	9 577,6	8 926,7
CNB 5)	799,4	820,3	876,1	983,8	955,8	754,2	875,0	
Commercial banks 6)	12,7	61,8	62,8	192,3	921,3	1 070,8	2 145,1	2 498,7
Government 7) 8)	5 793,6	6 241,6	6 231,4	5 937,6	5 899,7	5 897,6	5 895,8	5 804,3
Other sectors	1 450,8	1 195,4	994,9	947,0	826,7	747,9	701,7	625,7
Short-term	5 054,5	5 258,5	5 282,2	6 163,4	7 699,3	9 929,0	12 179,5	12 089,5
CNB	0,2	0,2	0,2	0,2	0,2			
Commercial banks 6)	2 863,2	2 776,2	2 881,4	3 277,1	4 700,8	7 237,3	9 118,0	9 342,1
of which: gold and foreign currency 9)10)	2 735,0	2 361,1	2 539,6	2 861,7	3 491,6	4 974,6	5 886,9	6 086,8
Government		183,7						
Other sectors	2 201,1	2 299,4	2 400,6	2 886,1	2 987,3	2 691,7	3 061,5	2 747,4
<b>CNB reserves</b>	<b>842,5</b>	<b>3 871,0</b>	<b>6 243,4</b>	<b>14 022,9</b>	<b>12 435,4</b>	<b>9 773,8</b>	<b>12 617,1</b>	<b>12 824,9</b>
Gold 9)	86,1	82,3	82,3	84,0	83,8	43,9	12,4	16,8
Special drawing rights	29,5	8,3		0,2				
Foreign currency	726,9	3 781,2	6 161,1	13 938,7	12 351,6	9 729,9	12 604,7	12 806,1
<b>LIABILITIES</b>	<b>10 653,9</b>	<b>14 129,1</b>	<b>18 087,6</b>	<b>27 182,2</b>	<b>33 159,7</b>	<b>32 863,2</b>	<b>40 361,2</b>	<b>39 975,7</b>
<b>Direct investment in the Czech Republic</b>	<b>2 089,0</b>	<b>3 423,1</b>	<b>4 546,8</b>	<b>7 350,0</b>	<b>8 572,4</b>	<b>9 233,8</b>	<b>14 375,8</b>	<b>16 246,2</b>
Equity capital 3)11)	2 889,0	3 423,1	4 546,8	7 350,0	8 572,4	8 219,1	12 219,6	14 388,2
Other capital 4)						1 014,7	2 156,4	1 858,0
<b>Portfolio investment</b>	<b>166,5</b>	<b>1 955,7</b>	<b>2 989,0</b>	<b>4 696,4</b>	<b>5 298,1</b>	<b>4 888,3</b>	<b>5 564,5</b>	<b>4 682,1</b>
Equity securities	2,6	1 101,1	1 331,1	2 641,9	3 397,8	3 027,6	3 799,2	2 724,1
Debt securities	163,9	854,6	1 657,9	2 054,5	1 900,3	1 860,7	1 771,3	1 958,0
<b>Other investment</b>	<b>7 598,4</b>	<b>8 750,3</b>	<b>10 631,0</b>	<b>15 135,8</b>	<b>19 289,2</b>	<b>18 749,1</b>	<b>20 421,7</b>	<b>19 127,4</b>
Long-term	5 482,2	6 423,8	7 380,3	10 502,6	13 713,5	12 307,1	12 008,4	10 933,9
CNB	1 076,5	1 124,9	80,5	93,7	83,2	63,2	63,1	5,5
Commercial banks 6)	501,4	540,0	928,4	3 394,5	5 248,6	4 132,1	4 163,0	3 289,9
Government 7)	2 448,9	2 747,3	2 728,6	1 999,8	1 610,0	1 097,1	796,8	578,5
Other sectors	1 485,4	2 011,5	3 672,8	5 014,6	6 771,7	7 014,7	6 985,5	7 080,0
Short-term	2 116,2	2 326,5	3 240,7	4 633,2	5 995,7	6 442,0	8 413,3	8 193,5
CNB	0,3	152,9	1,4	4,3	2,0	1,3	1,3	3,5
Commercial banks 6)	675,7	742,8	1 473,9	2 612,7	3 715,2	4 877,2	6 477,1	6 382,3
Government			178,7	41,5	11,5	8,3	3,5	
Other sectors	1 440,2	1 430,8	1 586,7	1 974,7	1 838,0	1 555,2	1 931,4	1 797,7
<b>Net investment position</b>	<b>3 398,6</b>	<b>3 777,4</b>	<b>2 336,4</b>	<b>2 165,0</b>	<b>-2 564,2</b>	<b>-3 119,8</b>	<b>-3 981,4</b>	<b>-2 324,3</b>

1) Revised data

2) Preliminary data

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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 column 1 January 1993 these amounts are included in the government position; the receivable vis-à-vis CIS in the data as of 1 January 1993 is expressed as the balance of accounts in XTR and USD, while in later periods the accounts are held in terms of turnover

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

9) Gold valued at USD 42.22 per Troy ounce

10) Foreign exchange - convertible currencies

11) Since 1998, direct investment has included equity capital from the balance-sheets of companies with foreign ownership

## EXTERNAL DEBT

in CZK millions	1 Jan. 1993	31 Dec. 1993	31 Dec. 1994	31 Dec. 1995	31 Dec. 1996	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999 1)
<b>Debt in convertible currencies</b>	<b>204 674,7</b>	<b>254 488,1</b>	<b>299 960,7</b>	<b>440 229,3</b>	<b>569 723,6</b>	<b>739 563,0</b>	<b>717 923,6</b>	<b>813 675,1</b>
of which:								
<b>Long-term</b>	<b>152 695,1</b>	<b>194 525,0</b>	<b>218 944,5</b>	<b>306 034,4</b>	<b>405 143,6</b>	<b>495 058,5</b>	<b>446 484,3</b>	<b>497 872,1</b>
by debtor								
CNB	35 390,8	68 836,1	22 845,3	22 268,0	11 178,4	11 548,4	10 952,2	12 527,6
Commercial banks 2)	14 491,1	16 175,5	27 620,1	95 433,3	150 780,1	158 503,7	133 376,5	128 703,3
Government	61 147,2	69 477,1	61 763,4	62 101,7	46 738,6	42 877,1	32 927,8	32 263,6
Other sectors	41 657,0	60 036,3	106 715,7	136 231,4	196 446,5	262 129,3	269 227,8	324 377,6
by creditor 3)								
Foreign banks	62 121,2	82 849,8	124 224,8	218 310,9	300 910,4	360 725,6	290 525,9	322 076,3
Government institutions	6 685,9	7 346,8	7 482,1	7 039,1	6 631,8	7 269,4	4 409,6	4 239,2
Multilateral institutions	50 127,1	52 891,7	19 889,7	18 987,2	17 645,5	13 894,1	7 222,4	7 752,7
Suppliers and direct investors	29 023,0	25 838,0	32 601,0	24 567,0	27 116,0	46 465,5	72 624,6	79 614,6
Other investors	4 737,9	25 698,7	34 746,9	37 130,2	52 639,9	66 703,9	71 701,8	84 189,3
<b>Short-term</b>	<b>51 979,6</b>	<b>59 963,1</b>	<b>81 016,2</b>	<b>134 194,9</b>	<b>164 580,0</b>	<b>244 504,5</b>	<b>271 439,3</b>	<b>315 803,0</b>
by debtor								
CNB	7,9	4 681,0	37,9	115,0	55,3	45,5	39,5	124,4
Commercial banks 2)	17 819,7	21 117,0	32 810,3	71 911,8	106 862,6	170 147,0	193 373,0	230 000,5
Government			9 535,0	15 114,0	2 786,0	8 164,0	22,0	7,0
Other sectors	34 152,0	34 295,1	38 833,0	47 064,1	64 066,1	66 148,0	78 004,8	85 671,1
by creditor								
Foreign banks	11 402,7	22 296,0	28 467,5	58 674,2	85 424,0	142 463,2	175 604,1	213 965,3
Suppliers and direct investors	33 069,0	29 664,0	34 132,0	41 986,4	45 914,0	57 831,1	67 446,7	69 736,7
Other investors	7 507,9	8 043,1	18 416,7	33 334,3	33 242,0	44 210,2	28 388,5	32 101,0
<b>Debt in non-convertible currencies 3)</b>	<b>19 648,8</b>	<b>33 225,3</b>	<b>42 508,1</b>	<b>17 065,9</b>	<b>9 180,7</b>	<b>9 148,1</b>	<b>8 996,7</b>	<b>8 925,7</b>
of which:								
Long-term	10 472,8	23 600,0	23 082,1	10 484,7	8 865,9	8 860,6	8 880,5	8 925,7
Short-term 2)	9 176,0	9 725,3	19 416,0	6 581,2	314,8	287,5	109,2	
<b>Total external debt</b>	<b>224 323,5</b>	<b>287 713,4</b>	<b>342 468,8</b>	<b>457 295,2</b>	<b>578 904,3</b>	<b>748 711,1</b>	<b>726 920,3</b>	<b>822 600,8</b>
of which:								
Long-term	163 167,9	218 025,0	242 036,6	316 519,1	414 009,5	503 919,1	465 377,8	506 797,8
Short-term	61 155,6	69 688,4	100 432,2	140 776,1	164 894,8	244 792,0	271 542,5	315 803,0

1) Preliminary data

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

3) Debt vis-à-vis the Slovak Republic: in 1993-1995 in non-convertible currencies; from 1996 the unsettled balance of mutual accounts after termination of clearing is given in non-convertible currencies; other liabilities vis-à-vis the Slovak Republic are included in convertible currencies in compliance with Ministry of Finance Provision No. 280/70 480/96 of 22 December 1995

## EXTERNAL DEBT

in EUR millions	1 Jan. 1993	31 Dec. 1993	31 Dec. 1994	31 Dec. 1995	31 Dec. 1996	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999 1)
<b>Debt in convertible currencies</b>	<b>5 862,6</b>	<b>7 578,8</b>	<b>8 778,5</b>	<b>12 925,9</b>	<b>16 802,0</b>	<b>19 349,2</b>	<b>20 499,8</b>	<b>22 528,8</b>
of which:								
<b>Long-term</b>	<b>4 373,7</b>	<b>5 793,1</b>	<b>6 407,5</b>	<b>8 985,7</b>	<b>11 948,3</b>	<b>12 952,2</b>	<b>12 749,8</b>	<b>13 788,1</b>
by debtor								
CNB	1 014,0	1 752,2	668,6	653,8	329,7	302,2	312,7	346,8
Commercial banks 2)	415,1	481,7	808,3	2 802,1	4 446,7	4 146,9	3 808,5	3 562,2
Government	1 751,4	1 771,3	1 807,5	1 529,8	1 378,4	1 121,8	940,2	893,0
Other sectors	1 193,2	1 787,9	3 123,1	4 000,0	5 793,5	7 361,3	7 687,6	8 976,1
by creditor 3)								
Foreign banks	1 779,4	2 467,3	3 635,5	6 410,0	8 874,3	9 437,6	8 295,8	8 914,4
Government institutions	191,5	218,8	218,9	206,7	195,6	190,2	125,9	117,3
Multilateral institutions	1 435,8	1 575,2	582,1	557,5	520,4	363,5	206,2	214,6
Suppliers and direct investors	831,3	789,5	954,1	721,3	799,7	1 215,7	2 073,7	2 203,6
Other investors	135,7	762,3	1 016,9	1 090,2	1 588,3	1 745,2	2 047,4	2 330,2
<b>Short-term</b>	<b>1 488,9</b>	<b>1 785,7</b>	<b>2 371,0</b>	<b>3 940,2</b>	<b>4 853,7</b>	<b>6 397,0</b>	<b>7 750,0</b>	<b>8 740,7</b>
by debtor								
CNB	0,2	136,4	1,1	3,4	1,6	1,2	1,1	3,4
Commercial banks 2)	510,5	628,9	954,4	2 111,4	3 151,2	4 451,6	5 521,7	6 365,9
Government			279,0	443,8	82,2	213,6	0,6	0,2
Other sectors	978,2	1 020,4	1 136,5	1 381,6	1 618,7	1 730,6	2 227,4	2 371,2
by creditor								
Foreign banks	326,6	662,8	833,1	1 728,6	2 519,3	3 727,3	5 014,3	5 922,1
Suppliers and direct investors	947,2	883,4	988,9	1 232,8	1 354,1	1 513,0	1 925,9	1 930,1
Other investors	215,1	239,5	539,0	878,8	980,3	1 156,7	610,6	888,5
<b>Debt in non-convertible currencies 3)</b>	<b>562,8</b>	<b>989,4</b>	<b>1 244,0</b>	<b>501,1</b>	<b>270,8</b>	<b>239,3</b>	<b>256,9</b>	<b>247,0</b>
of which:								
Long-term	300,0	699,8	675,8	307,8	261,5	231,8	254,0	247,0
Short-term 2)	262,8	289,6	568,2	193,3	9,3	7,5	2,9	
<b>Total external debt</b>	<b>6 425,4</b>	<b>8 568,2</b>	<b>10 022,5</b>	<b>13 427,0</b>	<b>17 072,8</b>	<b>19 588,5</b>	<b>20 756,7</b>	<b>22 767,8</b>
of which:								
Long-term	4 673,7	6 492,9	7 083,3	9 293,5	12 209,8	13 184,0	13 003,0	14 027,1
Short-term	1 751,7	2 075,3	2 939,2	4 133,5	4 863,0	6 404,5	7 753,7	8 740,7

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

3) Debt vis-à-vis the Slovak Republic: in 1993-1995 in non-convertible currencies; from 1996 the unsettled balance of mutual accounts after termination of clearing is given in non-convertible currencies; other liabilities vis-à-vis the Slovak Republic are included in convertible currencies in compliance with Ministry of Finance Provision No. 282/70 480/96 of 22 December 1995

## EXTERNAL DEBT

in USD millions	1 Jan. 1993	31 Dec. 1993	31 Dec. 1994	31 Dec. 1995	31 Dec. 1996	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999 1)
<b>Debt in convertible currencies</b>	<b>7 082,4</b>	<b>8 495,7</b>	<b>10 694,2</b>	<b>16 548,8</b>	<b>20 844,6</b>	<b>21 352,4</b>	<b>24 047,8</b>	<b>22 615,3</b>
of which:								
<b>Long-term</b>	<b>5 283,7</b>	<b>6 493,9</b>	<b>7 805,8</b>	<b>11 504,2</b>	<b>14 823,1</b>	<b>14 293,2</b>	<b>14 955,1</b>	<b>13 837,9</b>
by debtor								
CNB	1 224,9	1 964,1	814,5	837,1	409,0	333,4	366,9	346,2
Commercial banks 2)	501,4	540,0	984,7	3 587,5	5 516,6	4 576,2	4 467,5	3 577,2
Government	2 115,9	1 995,6	2 202,0	1 968,5	1 710,1	1 237,9	1 102,9	896,7
Other sectors	1 441,5	2 004,2	3 804,6	5 121,1	7 187,4	8 145,7	9 017,8	9 015,8
by creditor 3)								
Foreign banks	2 149,6	2 765,8	4 428,9	8 205,6	11 009,5	10 414,7	9 731,2	8 951,8
Government institutions	231,4	245,3	266,7	264,6	242,6	209,9	147,7	117,8
Multilateral institutions	1 734,5	1 765,7	709,1	713,8	645,6	401,1	241,9	215,5
Suppliers and direct investors	1 004,3	862,6	1 162,3	923,5	892,1	1 341,6	2 432,6	2 212,8
Other investors	163,9	854,6	1 238,8	1 395,7	1 933,3	1 925,9	2 401,7	2 340,0
<b>Short-term</b>	<b>1 798,7</b>	<b>2 001,8</b>	<b>2 888,4</b>	<b>5 044,6</b>	<b>6 021,5</b>	<b>7 059,2</b>	<b>9 091,9</b>	<b>8 777,4</b>
by debtor								
CNB	0,3	152,9	1,4	4,3	2,0	1,3	1,3	3,5
Commercial banks 2)	616,6	705,0	1 162,8	2 703,3	3 909,5	4 912,4	6 477,1	6 392,6
Government			339,9	568,2	101,9	295,7	0,7	0,2
Other sectors	1 181,8	1 143,9	1 304,5	1 768,8	2 000,1	1 909,8	2 612,8	2 381,1
by creditor								
Foreign banks	394,6	745,0	1 014,9	2 213,2	3 125,4	4 113,1	5 881,9	5 947,0
Suppliers and direct investors	1 144,3	990,3	1 216,9	1 578,3	1 679,9	1 669,7	2 259,1	1 938,2
Other investors	259,8	266,5	656,6	1 253,1	1 216,2	1 276,4	950,9	892,2
<b>Debt in non-convertible currencies 3)</b>	<b>679,9</b>	<b>1 089,2</b>	<b>1 515,5</b>	<b>641,5</b>	<b>335,9</b>	<b>264,1</b>	<b>381,4</b>	<b>248,1</b>
of which:								
Long-term	362,4	704,5	823,3	394,1	324,4	255,8	297,9	248,1
Short-term 2)	317,5	324,7	692,2	247,4	11,5	8,3	3,5	
<b>Total external debt</b>	<b>7 762,3</b>	<b>9 604,9</b>	<b>12 209,7</b>	<b>17 190,3</b>	<b>21 180,5</b>	<b>21 616,5</b>	<b>24 348,4</b>	<b>22 863,4</b>
of which:								
Long-term	5 646,1	7 278,4	8 629,1	11 898,3	15 147,5	14 549,0	15 253,0	14 095,0
Short-term	2 116,2	2 326,5	3 580,6	5 292,0	6 033,0	7 067,5	9 095,4	8 777,4

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

3) Debt vis-à-vis the Slovak Republic: in 1993-1995 in non-convertible currencies; from 1996 the unsettled balance of mutual accounts after termination of clearing is given in non-convertible currencies; other liabilities vis-à-vis the Slovak Republic are included in convertible currencies in compliance with Ministry of Finance Provision No. 282/70 480/96 of 22 December 1995



**THE CZECH REPUBLIC'S DEBT SERVICE ON LONG-TERM DEBT IN CONVERTIBLE CURRENCIES**

broken down by creditors and debtors as of 31 Dec. 1999

in CZK millions

		Debt as of 31 Dec. 1998	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009-22
<b>CREDITORS</b>												
Foreign banks	principal	322 076	87 753	62 891	44 800	30 294	24 976	17 180	13 463	12 377	4 282	24 000
	interest		15 003	10 938	8 095	6 008	4 569	3 418	2 590	1 871	1 439	3 634
Government institutions	principal	4 239	612	612	612	612	612	612	612	599		
	interest		276	180	144	144	108	72	36			
Multilateral institutions	principal	7 753	1 115	1 115	1 115	1 115	1 115	1 097	1 079			
	interest		612	540	432	324	252	144	72			
Suppliers and direct investors	principal	79 615	31 014	18 529	11 981	10 398	7 693					
	interest*		2 267	1 655	1 115	612	396					
Other investors	principal	84 189	23 602	14 500	10 002	1 943	2 678	7 232	0	7 196	7 196	9 641
	interest		5 793	3 994	3 634	2 806	2 626	2 339	1 799	1 799	971	488
<b>DEBTORS</b>												
CNB	principal	12 528	12 384	36	36	36	36					
	interest		828									
Commercial banks	principal	128 703	33 784	26 337	28 028	5 973	7 448	1 691	2 375	2 123	8 419	12 527
	interest		6 280	4 677	3 742	2 411	2 123	1 835	1 727	1 619	1 223	3 238
Government	principal	32 264	7 664	4 461	2 483	3 526	3 562	1 691	1 695	0	0	7 223
	interest		2 195	1 691	1 367	1 115	899	540	432	324	324	324
Other sectors	principal	324 377	90 264	66 813	37 894	34 828	26 229	22 739	11 082	17 450	3 058	13 921
	interest		14 607	10 938	8 311	6 368	4 929	3 598	2 339	1 727	863	540
<b>TOTAL</b>	principal	497 872	144 096	97 647	68 540	44 362	37 274	26 121	15 111	19 573	11 477	33 671
	interest		23 890	17 306	13 420	9 894	7 961	5 973	4 497	3 670	2 411	4 102
<b>OVERALL DEBT SERVICE</b>			<b>167 986</b>	<b>114 953</b>	<b>81 960</b>	<b>54 256</b>	<b>45 225</b>	<b>32 094</b>	<b>19 608</b>	<b>23 243</b>	<b>13 888</b>	<b>37 773</b>

\* Interest on import credits is included in repayment of principal

**THE CZECH REPUBLIC'S DEBT SERVICE ON LONG-TERM DEBT IN CONVERTIBLE CURRENCIES**

broken down by creditors and debtors as of 31 Dec. 1999

in EUR millions

		Debt as of 31 Dec. 1998	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009-22
<b>CREDITORS</b>												
Foreign banks	principal	8 914	2 429	1 741	1 241	838	691	476	373	343	119	665
	interest		415	303	224	166	126	96	72	52	40	101
Government institutions	principal	117	17	17	17	17	17	17	16			
	interest		6	5	4	4	3	2	1			
Multilateral institutions	principal	215	31	31	31	31	31	30	30			
	interest		17	15	12	9	7	4	2			
Suppliers and direct investors	principal	2 204	868	513	332	288	213					
	interest*		63	46	31	17	11					
Other investors	principal	2 330	653	401	277	54	80	200	0	199	199	267
	interest		180	111	101	78	73	65	60	60	27	13
<b>DEBTORS</b>												
CNB	principal	347	343	1	1	1	1					
	interest		23									
Commercial banks	principal	3 562	935	729	776	165	206	47	66	59	233	347
	interest		173	129	104	67	59	51	48	45	34	90
Government	principal	683	212	123	69	98	95	47	46	0	0	200
	interest		61	47	38	31	25	15	12	9	9	9
Other sectors	principal	8 978	2 498	1 849	1 052	864	726	629	307	483	65	385
	interest		404	303	230	176	136	100	65	48	24	15
<b>TOTAL</b>	principal	13 780	3 988	2 703	1 897	1 228	1 032	723	418	542	318	932
	interest		661	479	371	274	220	165	124	102	67	114
<b>OVERALL DEBT SERVICE</b>			<b>4 649</b>	<b>3 182</b>	<b>2 268</b>	<b>1 502</b>	<b>1 252</b>	<b>888</b>	<b>542</b>	<b>644</b>	<b>385</b>	<b>1 046</b>

\* Interest on import credits is included in repayment of principal

**THE CZECH REPUBLIC'S DEBT SERVICE ON LONG-TERM DEBT IN CONVERTIBLE CURRENCIES**

broken down by creditors and debtors as of 31 Dec. 1999

in USD millions

		Debt as of 31 Dec. 1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009-22
<b>CREDITORS</b>												
Foreign banks	principal	8 952	2 439	1 748	1 246	842	694	478	374	344	119	688
	interest		417	304	225	167	127	95	72	52	40	101
Government institutions	principal	118	17	17	17	17	17	17	16			
	interest		6	5	4	4	3	2	1			
Multilateral institutions	principal	215	31	31	31	31	31	30	30			
	interest		17	15	12	9	7	4	2			
Suppliers and direct investors	principal	2 213	862	515	333	269	214					
	interest*		63	46	31	17	11					
Other investors	principal	2 340	696	403	278	54	80	201		200	200	268
	interest		161	111	101	78	73	65	60	50	27	13
<b>DEBTORS</b>												
ChNB	principal	348	344	1	1	1	1					
	interest		23									
Commercial banks	principal	3 577	939	732	779	166	207	47	66	59	234	348
	interest		174	130	104	67	59	51	48	45	34	90
Government	principal	897	213	124	69	98	95	47	46			201
	interest		61	47	38	31	25	15	12	9	9	9
Other sectors	principal	9 016	2 909	1 857	1 056	969	729	632	308	485	65	387
	interest		405	304	231	177	137	100	65	48	24	15
<b>TOTAL</b>	principal	13 838	4 005	2 714	1 905	1 233	1 036	726	420	544	319	936
	interest		654	481	373	275	221	165	125	102	67	114
<b>OVERALL DEBT SERVICE</b>			<b>4 669</b>	<b>3 195</b>	<b>2 278</b>	<b>1 508</b>	<b>1 257</b>	<b>892</b>	<b>545</b>	<b>646</b>	<b>386</b>	<b>1 050</b>

\* Interest on import credits is included in repayment of principal

**DIRECT INVESTMENT ABROAD FOR 1999**

Preliminary data

**SECTOR STRUCTURE**

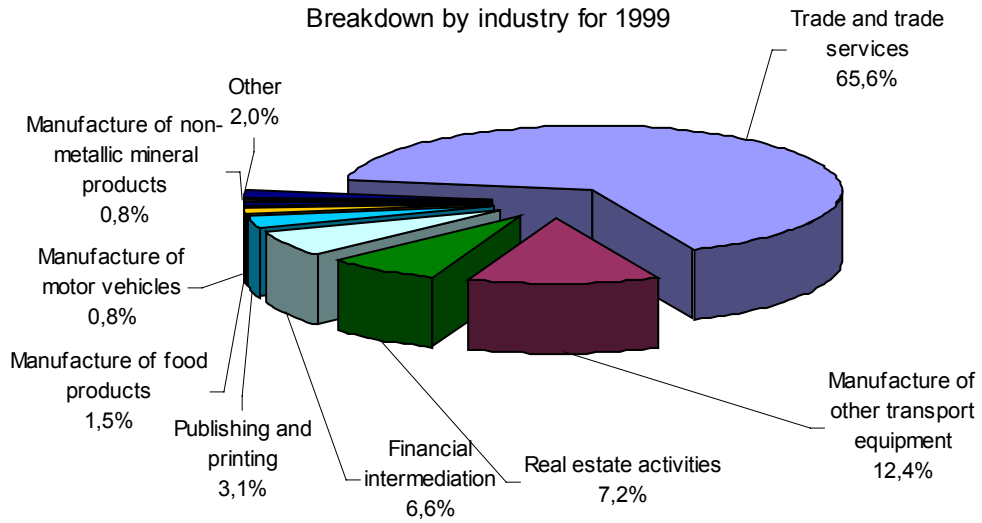
for 1999				
Sector	Total in CZK millions	Total in EUR millions	Total in USD millions	Contribution
Trade and trade services	4 464,3	121,0	129,0	65,6
Manufacture of other transport equipment	846,0	22,9	24,5	12,4
Real estate activities	492,2	13,3	14,2	7,2
Financial intermediation	447,1	12,1	12,9	6,6
Publishing and printing	214,0	5,8	6,2	3,1
Manufacture of food products	100,3	2,7	2,9	1,5
Manufacture of motor vehicles	54,5	1,5	1,6	0,8
Manufacture of non-metallic mineral products	53,4	1,4	1,5	0,8
Other	135,5	3,7	3,9	2,0
<b>Total</b>	<b>6 807,4</b>	<b>184,6</b>	<b>196,7</b>	<b>100,0</b>

**TERRITORIAL STRUCTURE**

for 1999				
Country	Total in CZK millions	Total in EUR millions	Total in USD millions	Contribution
Slovakia	2 834,8	76,9	81,9	41,6
British Virgin Islands	1 699,1	46,1	49,1	25,0
Poland	800,7	21,7	23,1	11,8
United Kingdom	260,9	7,1	7,5	3,8
Canada	223,6	6,1	6,5	3,3
Hungary	221,1	6,0	6,4	3,2
Germany	194,0	5,3	5,6	2,8
Latvia	128,0	3,5	3,7	1,9
Other	445,2	12,1	12,9	6,5
<b>Total</b>	<b>6 807,4</b>	<b>184,6</b>	<b>196,7</b>	<b>100,0</b>

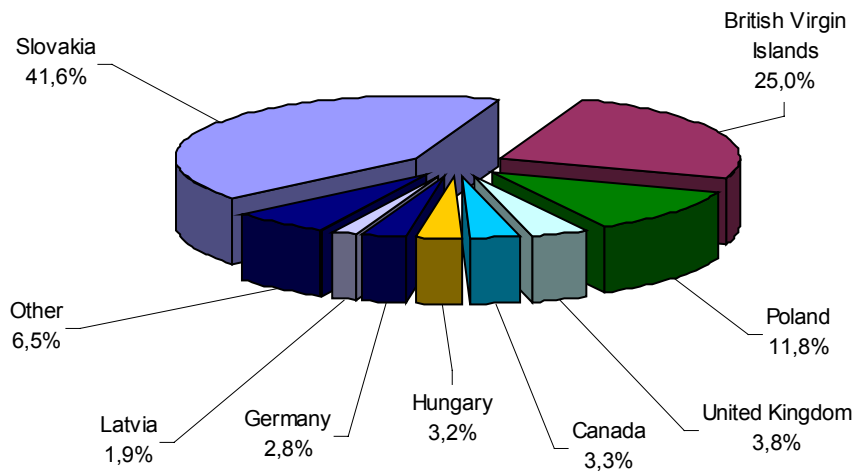
### Direct investment abroad

Breakdown by industry for 1999



### Direct investment abroad

Territorial breakdown for 1999



## DIRECT INVESTMENT IN THE CZECH REPUBLIC FOR 1999 (equity capital)

Preliminary data

### SECTOR STRUCTURE

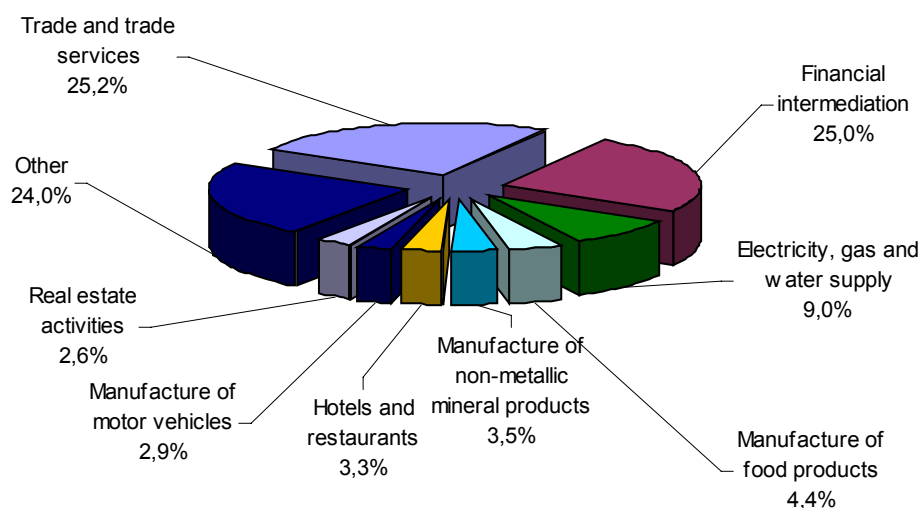
for 1999				
Sector	Total in CZK millions	Total in EUR millions	Total in USD millions	Contribution
Trade and trade services	42 567,4	1 154,2	1 230,3	25,2
Financial intermediation	42 115,7	1 141,9	1 217,2	25,0
Electricity, gas and water supply	15 186,5	411,8	438,9	9,0
Manufacture of food products	7 479,2	202,8	216,2	4,4
Manufacture of non-metallic mineral products	5 893,6	159,8	170,3	3,5
Hotels and restaurants	5 635,8	152,8	162,9	3,3
Manufacture of motor vehicles	4 976,0	134,9	143,8	2,9
Real estate activities	4 435,5	120,3	128,2	2,6
Other	40 454,1	1 096,9	1 169,2	24,0
<b>Total</b>	<b>168 743,9</b>	<b>4 575,2</b>	<b>4 877,0</b>	<b>100,0</b>

### TERRITORIAL STRUCTURE

for 1999				
Country	Total in CZK millions	Total in EUR millions	Total in USD millions	Contribution
Belgium	42 761,9	1 159,4	1 235,9	25,3
Germany	27 025,7	732,8	781,1	16,0
Netherlands	25 238,4	684,3	729,4	15,0
Austria	21 829,3	591,9	630,9	12,9
USA	19 427,9	526,8	561,5	11,5
Switzerland	10 565,6	286,5	305,4	6,3
United Kingdom	5 841,2	158,4	168,8	3,5
France	5 612,2	152,2	162,2	3,3
Other	10 441,7	283,1	301,8	6,2
<b>Total</b>	<b>168 743,9</b>	<b>4 575,2</b>	<b>4 877,0</b>	<b>100,0</b>

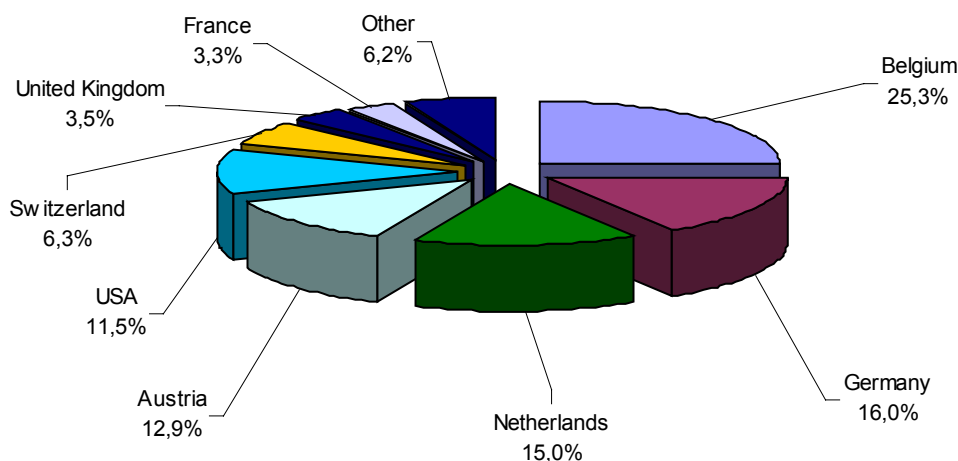
### Direct investment in the Czech Republic (equity capital)

Breakdown by industry for 1999



### Direct investment in the Czech Republic (equity capital)

Territorial breakdown for 1999



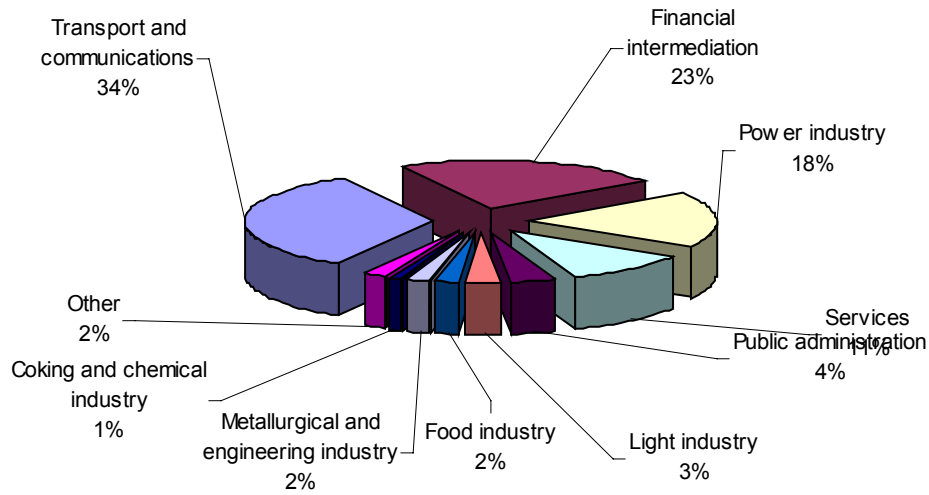
Annex 7

### PORTFOLIO INVESTMENT BY NON-RESIDENTS IN KORUNA INSTRUMENTS broken down by sector, territory and type of security as of 31 Dec. 1999

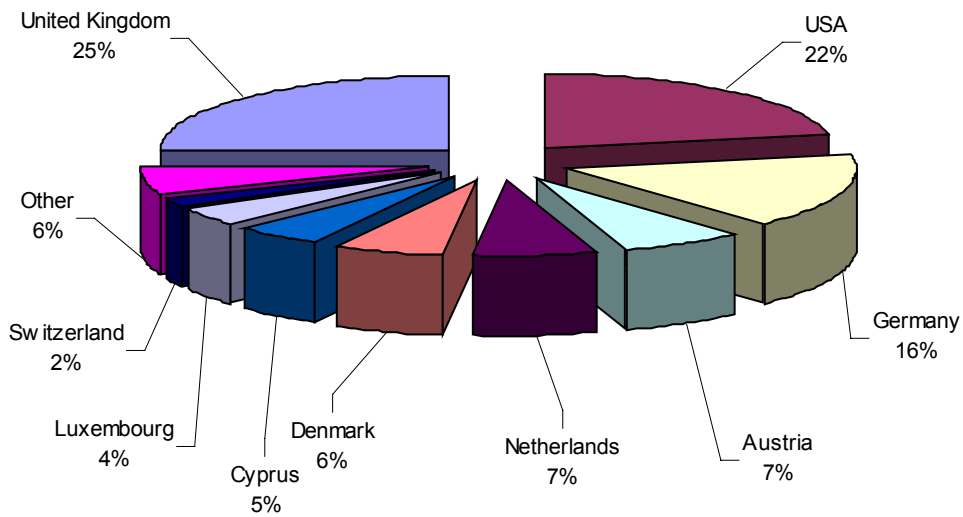
in CZK billions

BY SECTOR	Market value of security	BY TERRITORY	Market value of security	BY TYPE OF SECURITY	Market value of security
Transport, communications	40,1	United Kingdom	28,8	Shares	98,0
Financial intermediation	28,1	USA	25,4	Bonds	6,9
Power industry	20,7	Germany	18,3	Unremitted profits, incl. NDF, koruna	11,8
Services	12,7	Austria	8,6	Bills of exchange	1,3
Public administration	4,9	Netherlands	8,4		
Light industry	3,4	Denmark	7,1		
Food industry	2,9	Cyprus	6,2		
Metallurgical and engineering industry	2,2	Luxembourg	5,3		
Coking and chemical industry	1,0	Switzerland	2,9		
Other	2,0	Other	7,0		
<b>TOTAL</b>	<b>118,0</b>	<b>TOTAL</b>	<b>118,0</b>	<b>TOTAL</b>	<b>118,0</b>

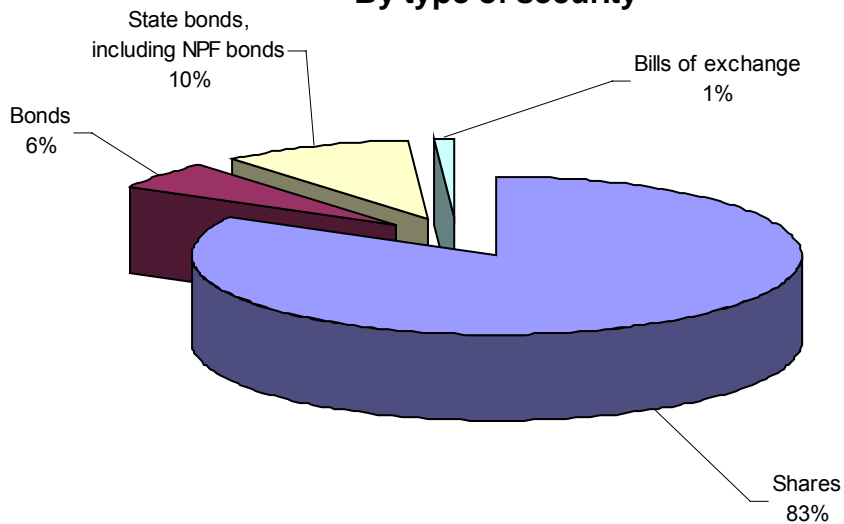
### By sector



### By country

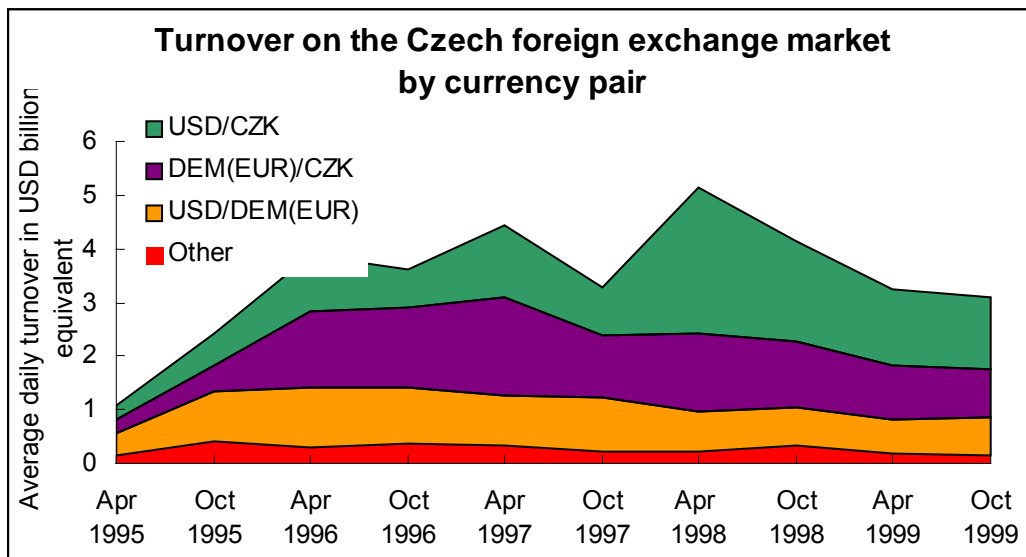


### By type of security

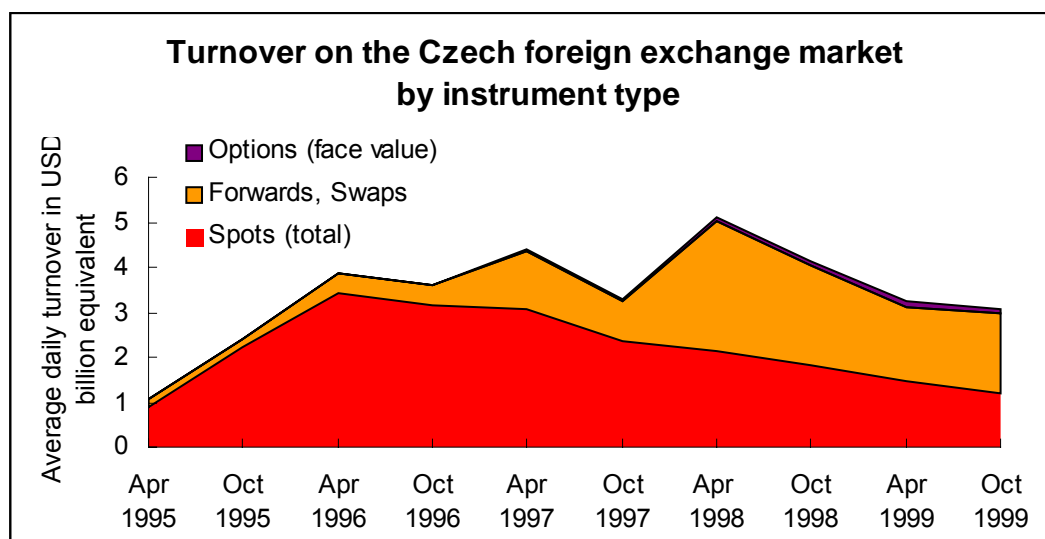


### The interbank foreign exchange market

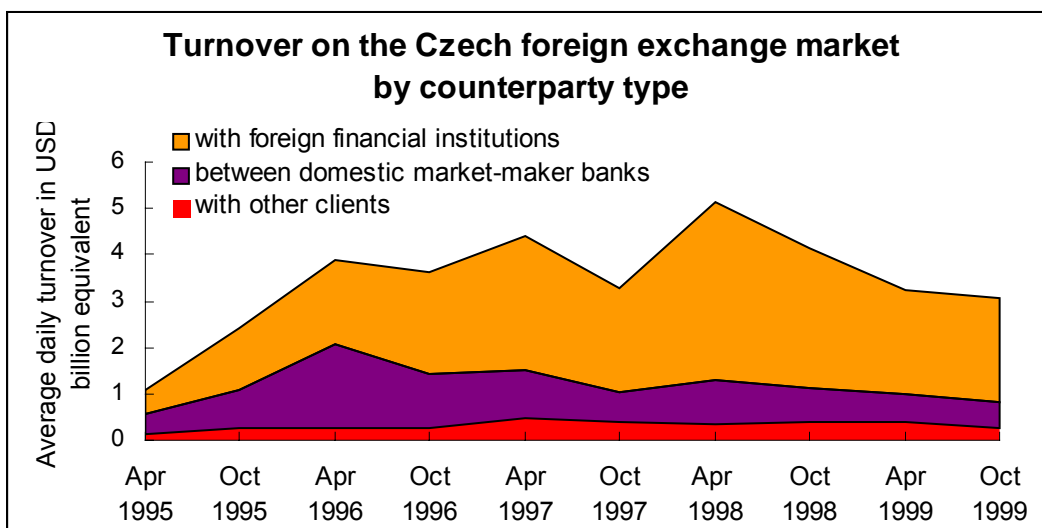
According to the October 1999 survey, the interbank foreign exchange market saw only a minimal drop in the volume of trading in the previous six months (down USD 0.1 billion). The cyclical rise in the average daily turnover visible in the initial years of trading peaked in 1998; since April 1998 it has shown a constant decline. However, the pace of decline has recently slowed sharply.



As regards the structure of operations by currency pair, the Deutsche Mark was replaced by the euro on 1 January 1999. The average daily turnover in USD/EUR trading increased compared with the previous survey by 3.5 percentage points to 22.9% of the total volume. A moderate drop occurred in the share of USD/CZK trading (to 43.7%), and the share of EUR/CZK trading was down by 2.3 points (to 28.3%).



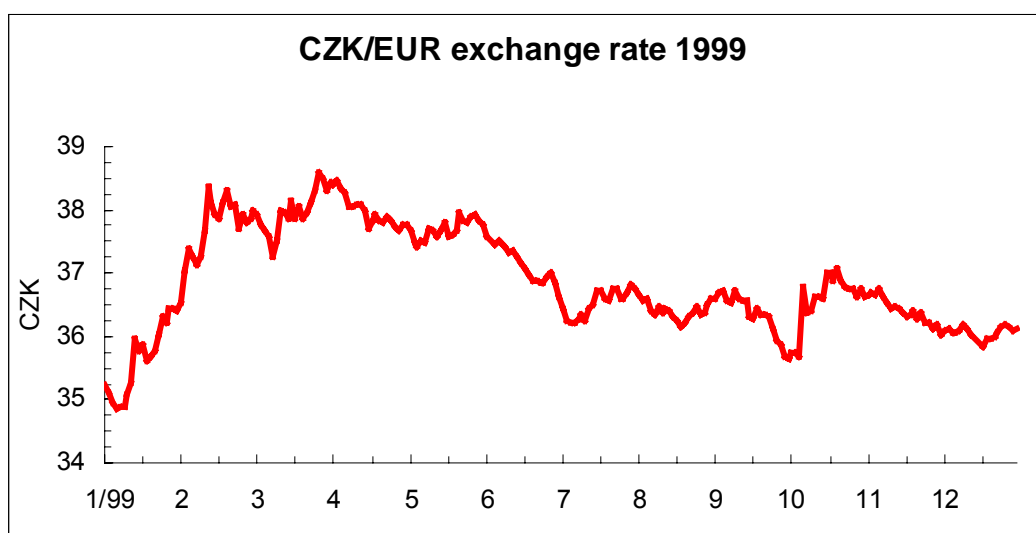
By instrument type, the share of spot operations continued to decrease (down by 6 percentage points against the previous survey to 39.3% of the average daily turnover). The volume of forwards and swaps increased to 56.7%, thereby further strengthening their dominant role in shaping the market.



Following the steep decline in trading with foreign financial institutions between April 1998 and April 1999, the influence of foreign entities on the Czech foreign exchange market stabilised. According to the latest survey in October 1999 they accounted for 74.1% of trading; operations between domestic market-maker banks fell to 17.8% of the overall trading volume.

#### ***The koruna's nominal exchange rate***

On 1 January 1999, the European Central Bank commenced operation and the single currency – the euro – was launched in 11 EU countries for non-cash operations. The euro opened at 1.1685 USD. As of the same date, the CNB set a koruna rate of CZK 35.226/EUR. The nominal exchange rate of the koruna against the euro has been monitored since the start of 1999.

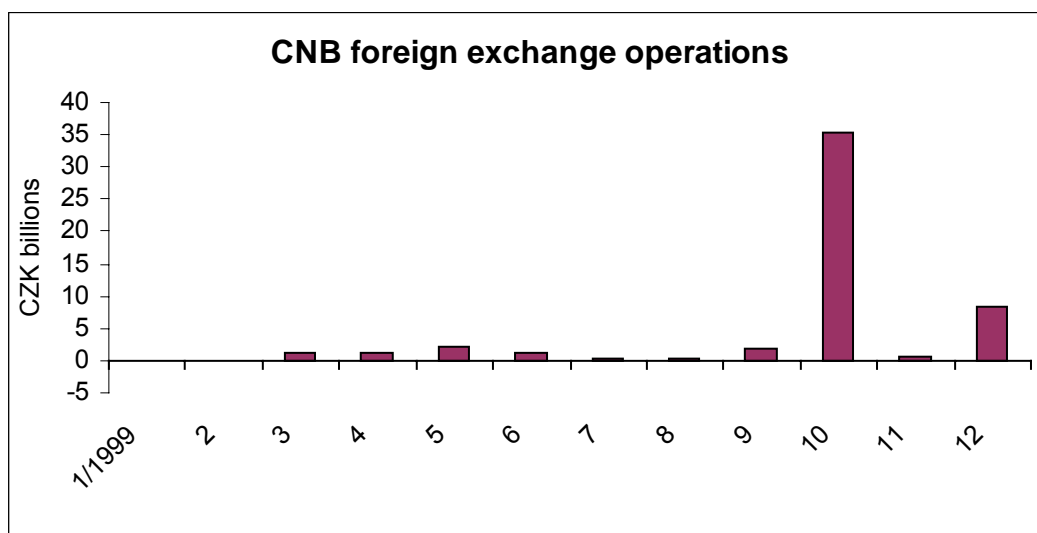


After a short-term appreciation in the first week of 1999, the nominal exchange rate of the koruna strongly depreciated against the euro until 10 February, largely because of an outflow of debt capital, for which the interest rate differential had become less attractive. The situation was also partially affected by the Brazilian crisis. The koruna repo rate was lowered by 0.75% to 8.75% on 18 January, to 8% at the end of January and to 7.5% on 12 March. Despite relatively calm developments, with the exchange rate not reacting to the release of the – mostly expected – results from the real economy and statements by public officials, the nominal rate depreciated further to 38.375 CZK/EUR. After the CNB stated that it would watch the exchange rate more closely, the market calmed down and saw a modest correction. Up to the end of Q1, the exchange rate moved between CZK 38.600 and CZK



37.705. The koruna's nominal rate was subsequently relatively calm and the fluctuations resulting from domestic and international developments were insignificant. From the beginning of April the exchange rate saw a modest strengthening in response to the lowering of ECB rates and the release of the inflation figures for Q1. A moderate weakening occurred at the start of May in reaction to the political situation in Russia (the recalling of Premier Primakov), the decline of the Slovak koruna (intervention by the National Bank of Slovakia) and to the fall in some Latin American currencies. From the end of May the koruna appreciated, strengthening further after the strategic partner was chosen for ČSOB. During H1, the repo rate was lowered to 6.5%.

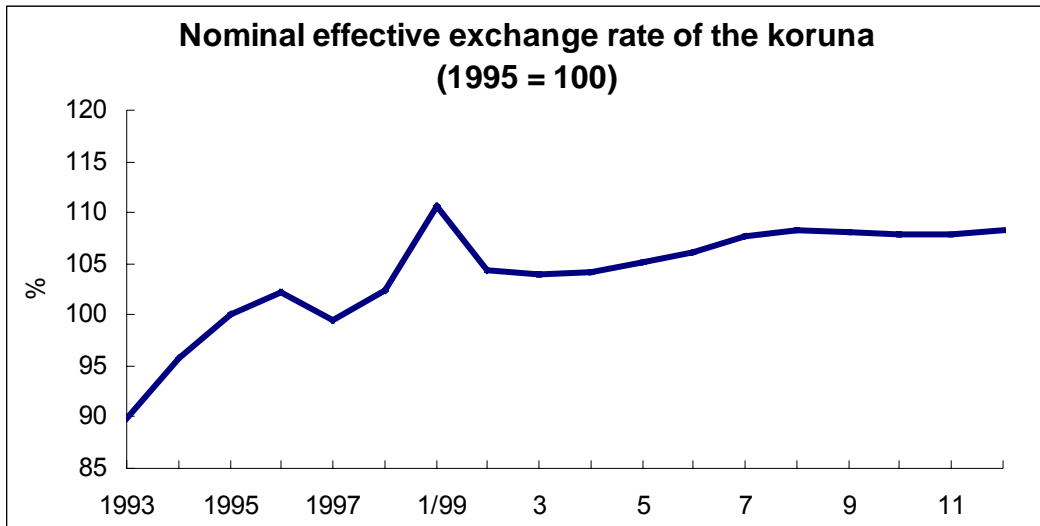
At the beginning of H2 the koruna further appreciated, especially after a statement was made about the market being affected by capital inflow and about the difficulty of central bank intervention against the strengthening of the currency. The koruna appreciated beyond CZK 36.200/EUR. In the following period, the appreciation was corrected and the calm trend up to the start of September was not disturbed even by the change of Minister of Finance. On 3 September, the repo rate was cut to 6%. From mid-September, the koruna quickly appreciated, with minor corrections. In this period, it was also affected by external factors, especially the increase in rates by the Polish Monetary Policy Committee and by the fall on the US stock exchange. A slight correction occurred after the CNB announced that it had prepared a programme to forestall the negative effects (in the form of koruna appreciation) accompanying the capital inflow. Owing to the repo rate cut and, in particular, to the CNB's interventions, the koruna weakened at the start of October. It then strengthened until mid-December. This trend was not affected even by the further repo rate reduction to 5.25%, effective 26 November. In the second half of December, the koruna's rate was above CZK 36.000/EUR.



### ***The koruna's nominal effective exchange rate***

The nominal effective exchange rate index shows the appreciation or depreciation of the currency against a basket of selected currencies (calculated by weighted geometric average) for a certain period against a base period. The nominal effective exchange rate indices below have been calculated by weighting the exchange rates with the shares in trading turnover of 22 countries covering about 90% of Czech foreign trade. A representative sample has been calculated for individual months of 1993–1999 with a trade weight base of 1995 = 100. Values above 100 signify appreciation of the nominal effective rate against the base period, whereas those below 100 signify depreciation.

The nominal effective exchange rate (NEER) tended towards further appreciation from February 1999 onwards, appreciating to 106.78% against 1995 (and by 4.2 percentage points against 1998). The NEER was most strongly affected by the strengthening of the koruna's nominal rate against the Slovak koruna (up 8.7% on a year earlier) and against the currencies of a number of other transition countries. In 1995, these countries accounted for about 26% of the foreign trade turnover. Vis-à-vis the eurozone currencies, the USD and the GBP, the nominal rate of the koruna depreciated in year-on-year comparison.



Nominal effective exchange rate of the koruna in % 1995 = 100	1993	1994	1995	1996	1997	1998	1999
		89,84	95,79	100,00	102,21	99,48	102,47

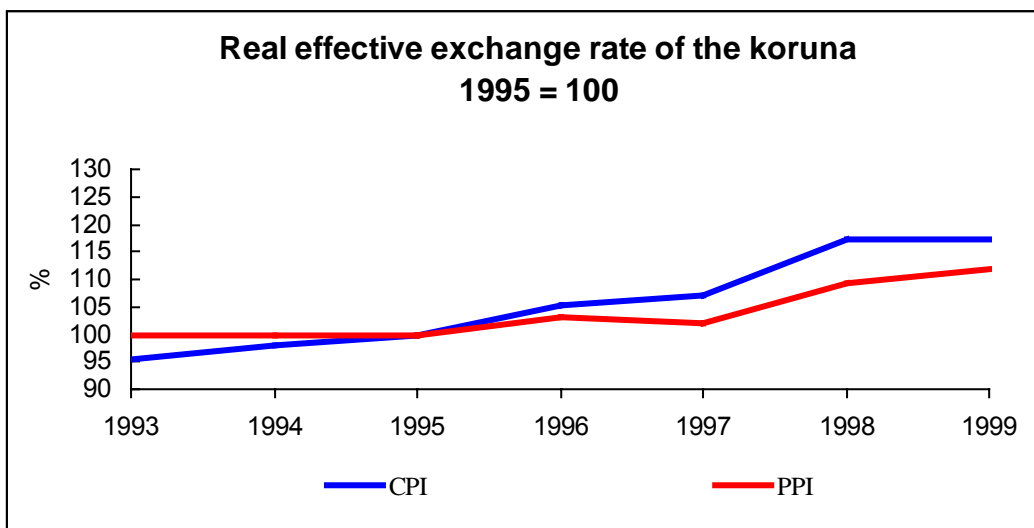
Nominal effective exchange rate of the koruna in % 1995 = 100	1999											
	1	2	3	4	5	6	7	8	9	10	11	12
	110,58	104,41	103,99	104,21	105,09	106,11	107,60	108,31	108,17	107,99	107,96	108,31

Source: IMF monthly publication - International Financial Statistics - and the CNB's own calculations.  
CSO monthly publication - Statistical information - Foreign trade.

### **The koruna's real effective exchange rate**

The koruna's real effective exchange rate (REER) measures the country's competitiveness. The REER has been calculated as the weighted geometric average of the quotient of the koruna's nominal effective exchange rate indices and the ratio of the price indices of partner countries to domestic price changes. Relative changes in consumer prices and industrial producer prices serve as the deflator.

The weights are the same as those used for calculating the nominal effective exchange rate, i.e. the share of 22 countries – the Czech Republic's largest trading partners – in the overall trading turnover of the Czech Republic in 1995. The same year is also used as the base for the price indices. The calculation has been performed separately for consumer prices and industrial producer prices both in individual years and at monthly intervals.

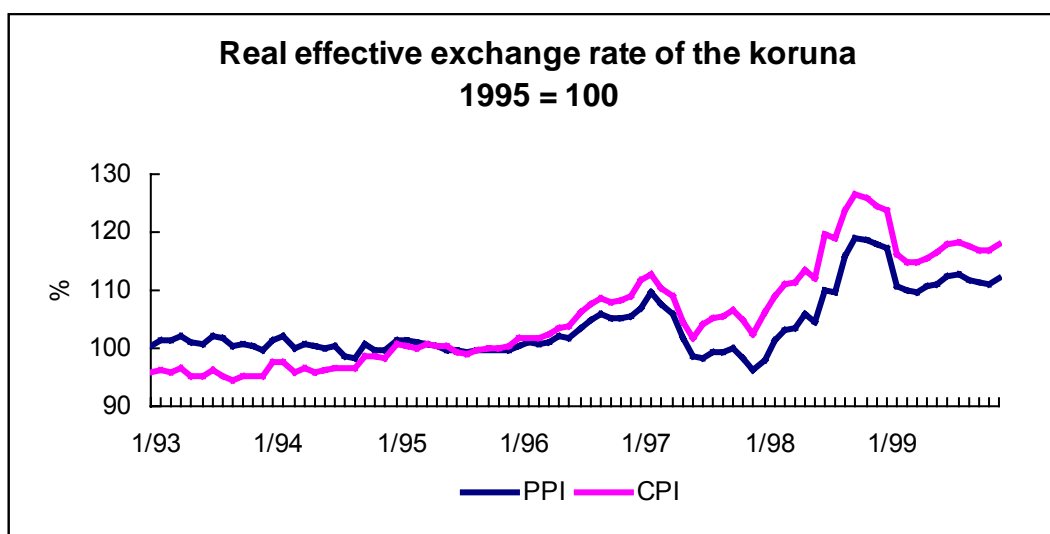


<i>Real effective exchange rate of the koruna in % 1995 = 100</i>	1993	1994	1995	1996	1997	1998	1999
in industrial producer prices	99,96	99,94	100,00	103,03	102,14	109,40	111,63*
in consumer prices	95,51	97,82	100,00	105,23	106,94	117,25	117,22*

\* Preliminary data

The REER in industrial producer prices appreciated by 2.2 percentage points in 1999 against 1998. The appreciation was, however, lower than that of the NEER owing to foreign price developments. The analysis shows that the REER was strongly affected by prices in transition countries, where inflation was higher than in the Czech Republic. The influence of foreign prices on the REER expressed in consumer prices was even stronger. The REER in consumer prices remained virtually the same as a year earlier.

The analysis of the monthly REER developments clearly shows the effects of individual factors during the year. It follows from the nature of the REER calculation that the real exchange rate depends above all on the nominal rate and is corrected by the price differential. Price developments in transition economies depressed the REER appreciation throughout 1999. The modest pick-up in inflation in eurozone countries connected with the euro's weakening against world currencies also counteracted the koruna's REER appreciation, particularly in H2.



<i>Real effective exchange rate of the koruna in %</i> 1995 = 100	1998											
	1	2	3	4	5	6	7	8	9	10	11	12
in industrial producer prices	97,90	101,29	103,18	103,61	105,90	104,57	109,87	109,72	115,74	119,02	118,60	117,94
in consumer prices	106,13	109,05	110,96	111,37	113,40	112,21	119,64	118,98	123,68	126,57	125,79	124,54
<i>Real effective exchange rate of the koruna in %</i> 1995 = 100	1999											
	1	2	3	4	5	6	7	8	9	10	11	12
in industrial producer prices	*	*	*	*	*	*	*	*	*	*	*	*
	117,38	110,59	109,90	109,77	110,56	111,20	112,38	112,86	111,83	111,45	110,91	112,02
in consumer prices	123,67	116,08	114,97	114,90	115,50	116,58	117,82	118,44	117,70	117,06	116,90	117,86

\* Preliminary data