

BALANCE OF PAYMENTS

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BALANCE OF PAYMENTS

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THE EXTERNAL ENVIRONMENT AND ITS EFFECT ON THE BALANCE OF PAYMENTS

On 1 May 2004, the process of the Czech Republic's integration into the European Union culminated in full EU membership¹. The integration process itself had started with the signing of the Association Agreement with the European Union in 1993, which established a framework for gradual liberalisation of trade with EU and CEFTA countries and made the Czech Republic more attractive to foreign investors. On the accession date, the Czech Republic liberalised its regulated trade in selected goods categories, e.g. agricultural products, and started applying EU Customs Tariff duties and import quotas vis-à-vis third countries. The above agreements created conditions for drawing on EU funds prior to accession and full connection to such funds after accession.

The Czech Republic's balance of payments in 2004 was favourably affected by the external environment. The world economic recovery fostered growth in Czech exports. Economic growth in EU countries was the key factor underlying the increase in sales of Czech products. Demand for Czech goods also rose year on year in advanced market economies outside the EU (the USA and Japan) and in newly industrialised Asian countries.

The economic recovery in advanced countries and the high demand for raw materials, energy and semi-manufactures in the fast growing Chinese (and Indian) economy pushed up prices on world markets. Dollar prices of oil reached record levels. This trend halted only in the final months of 2004. Prices of natural gas, steel, non-ferrous metals and cement rose as well. Starting from May, the USA's increasing external imbalance and rising state budget deficit began to manifest itself in a depreciation of the dollar-euro exchange rate on the world market. This was also reflected in the koruna-dollar exchange rate, which, in turn, softened the impact of the dollar prices of raw materials on the Czech economy.

The inflow of capital into the Czech Republic in 2004 was boosted by developments on the money and capital markets. For most of the year, yields on domestic interest-bearing instruments were more attractive than those on foreign instruments. Trading on foreign stock exchanges in 2004 saw an upward trend, and in the final quarter the growth of the major price indices (DJI, S&P's, DAX) increased further thanks to favourable stimuli (the implementation of major mergers and acquisitions, the results of the presidential elections in the USA, and the halt in oil price growth). Stock exchange indices recorded year-on-year increases of between 4% and 9%. The positive sentiment of foreign investors generated a rise in demand on the Prague Stock Exchange, resulting in record growth in both the volume of transactions and the price level (year-on-year PX-50 index: 155.3).

Table I.1.
Annual GDP growth rose in the main economic regions
(percentages)

	2001	2002	2003	2004
USA	0.8	1.9	3	4.4
Japan	0.4	0.4	2.5	2.9
Euro area	1.6	1.6	0.5	2
within which: Germany	0.8	0.8	-0.1	0.7

Source: Consensus Forecast

Chart I.1.
Dollar prices of oil rose to record highs
(monthly averages in USD)

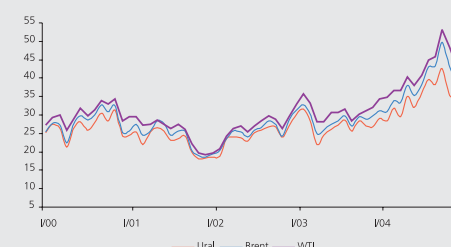
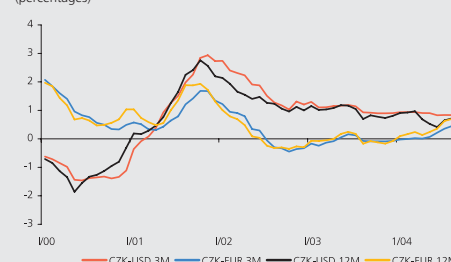


Chart I.2.
The interest rate differential was positive for most of the year
(percentages)



¹ The Czech Republic's preparations for EU accession in the area of balance of payments statistics involved a transition to the standards applied by Eurostat and the European Central Bank, which emphasise geographical breakdown of transactions. A fundamental change in the foreign trade data collection system occurred on 1 May 2004. In line with Council (EEC) Regulation No. 3330/1991 and related legal rules and implementing regulations, the Czech Statistical Office prepared and put into operation a statistical system for goods exports and imports between EU Member States (Intrastat) and vis-à-vis third countries (Extrastat).

Chart I.3.

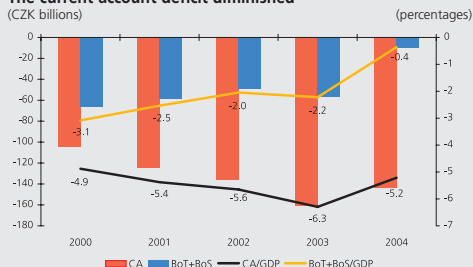
The current account deficit diminished

Chart I.4.

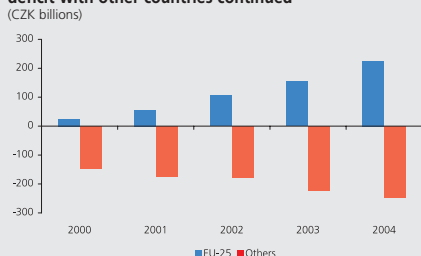
The rising trade surplus with the EU and the widening trade deficit with other countries continued

Chart I.5.

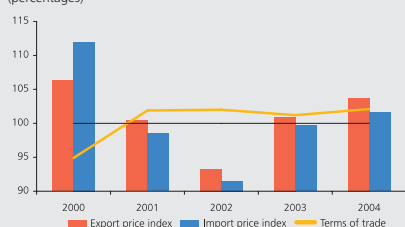
The terms of trade improved

Chart I.6.

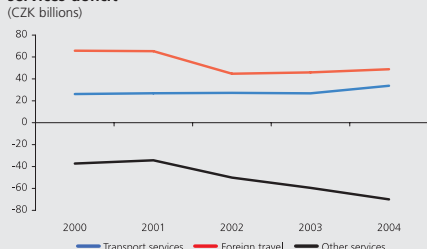
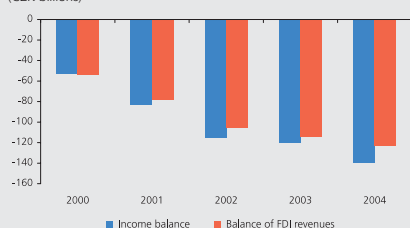
The services surplus decreased, owing to growth in the other services deficit

Chart I.7.

The income deficit was linked with growth in foreign investors' share in FDI earnings in the Czech Republic**THE CURRENT ACCOUNT**

The current account deficit amounted to CZK 143.3 billion, recording a year-on-year decline thanks to an improved trade balance. As a percentage of GDP the current account deficit was 5.2%. The positive external factors and rising export production, particularly in foreign-controlled corporations, in 2004 resulted in a narrowing of the Czech Republic's trade deficit. Goods and services trade ended almost in balance, with a deficit of only 0.4% of GDP. A rise in dividend transfers and reinvested earnings as a result of the positive economic consequences of direct investment in the Czech Republic (an income balance debit) acted in the opposite direction. Transfers between the Czech Republic and the EU budget had a slightly positive effect on current transfers, but the surplus on this item decreased overall.

The trade balance recorded its lowest deficit in ten years. Growth in exports of Czech products was concentrated primarily in the EU internal market. The Czech economy's demand for imports from other countries (chiefly China and some South-East Asian countries, Japan, the USA and Russia) remained high. The slower growth in the trade deficit with newly industrialised South-East Asian countries can be considered a positive phenomenon.

In terms of direction of use, the highest growth rates were recorded by imports for personal consumption, due *inter alia* to the koruna's appreciation making prices of some imported items more attractive. Imports for personal consumption account for about 21% of total imports. The high import intensity of GDP and the growth in industrial production generated a year-on-year rise in imports for intermediate consumption (50% of total imports). Investment imports increased as well (to about 29% of the total) owing to domestic investment demand.

Favourable terms of trade helped to reduce the trade imbalance. The growth in export and import prices (year-on-year indices of 103.7 and 101.6 respectively) was influenced by rising world prices of mineral fuels and semi-manufactures. The positive terms of trade confirmed the increasing price competitiveness of Czech exporters on foreign markets.

The surplus on services has been decreasing since 2001, affected by domestic demand side factors in the other services category. The Czech economy imports a wide range of services, owing *inter alia* to the economic ties between direct investors and their subsidiaries. The halt in the decline in services exports in recent years is a positive fact. Tourism revenues are showing moderate growth thanks to the development of "weekend" tourism, higher standards of accommodation and recreational services, and the rising number of low-cost flights to Prague. The rising standard of living and changing lifestyle of part of the population generated faster growth in expenditure on travel and stays abroad (wider use of air transport, more distant destinations, opportunities for short-term employment and studies abroad, and spa treatment). The increasing surplus on transport services was associated with higher receipts from both freight and passenger transport.

The income deficit widened year on year, owing to a moderate fall in credits and a rise in debits. The favourable financial results of foreign-controlled corporations meant a rise in the volume of dividends paid to foreign owners, amid flat reinvested earnings. The volume of dividends was also affected by a one-off payment of income from previous years. Under the interest balance, interest paid to foreign investors exceeded interest received by residents, particularly on deposits and loans held by the banking sector. By contrast, the interest income of domestic investors on portfolio investment was higher than the interest on bonds held by non-residents. The deterioration on the balance of employees' income was due to a rising number of foreigners working in the Czech Republic.

The year-on-year decrease in the current transfers surplus was linked with the termination of reinsurance payments related to the 2002 floods. The balance of corporate and household transfers switched to a deficit in 2004. The increase in the current transfers surplus in the government sector was linked with a decline in penalties paid (in 2003 payment of a penalty ensuing from the international arbitration decision in the CME case), higher collection of taxes and social insurance contributions from foreigners working in the Czech Republic, and by revenues and expenditures associated with EU membership.

THE CAPITAL AND FINANCIAL ACCOUNTS

Compared to previous years, the **capital account** recorded marked growth in turnover, due to government sector transactions. On the credit side the Czech Republic received subsidies from EU structural funds. The pronounced increase on the debit side was due to transactions arising under an intergovernmental agreement on the repayment of government loans dating from the period of central planning. Current transactions on the capital account (transfers of migrants' assets and trading in intangible assets – licences, patents, etc.) were less significant.

The net capital inflow on the **financial account** amounted to 6.6% of GDP. The weight of foreign direct investment in the inflow decreased, whereas that of portfolio investment increased owing to government and corporate bond issues abroad. The falling net inflow of other forms of foreign capital was due primarily to a lower need for short-term financing and a rise in deposits and loans extended abroad by Czech entities.

The sectoral breakdown shows that the government sector's share in drawings on foreign resources increased, whereas the share of the corporate sector decreased. Monetary financial institutions increased their assets abroad in 2004, which means an outflow of capital.

In 2004, the *government sector* recorded a net capital inflow of CZK 106 billion amid a rising turnover of asset and liability transactions. The increase in government liabilities was associated with a government bond issue on foreign markets to cover the state budget deficit. At the same time, government loans were drawn from the European Investment Bank for anti-flood measures and transport infrastructure development, and loans were also drawn at regional level. Revenues from the privatisation of state property have been insignificant in the last two years compared with the preceding period. On the government asset side, there was a fall in the stock of government loans provided, due to de-blocking operations and the settlement of bad debt under intergovernmental agreements (debt forgiveness). The Czech Republic's shares in the capital of the ECB and EIB were increased.

Capital inflows for financing the *corporate sector* had been decreasing in previous years, mainly because of lower FDI inflows. In 2004, the inflow increased year on year thanks to rising investment in equity and drawings on foreign loans. The inflow of direct investment was channelled mainly into manufacturing, real estate purchases and the development of retail networks. Czech direct investment abroad increased in 2004, owing to the involvement of Czech corporations in energy sector privatisations in other countries.

In 2004, the sector of *monetary financial institutions* was a net investor abroad, primarily thanks to higher deposits at foreign banks (loans extended abroad decreased), investment in foreign securities and partial repayment of liabilities.

Chart I.8.

Termination of reinsurance payments and a fall in private transfer income reduced the current transfers surplus

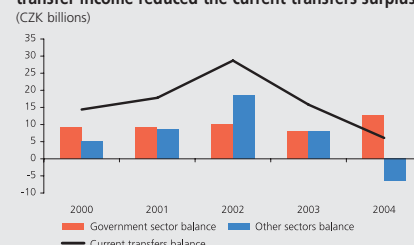


Chart I.9.

The share of FDI in the financial account is falling and that of portfolio investment is rising

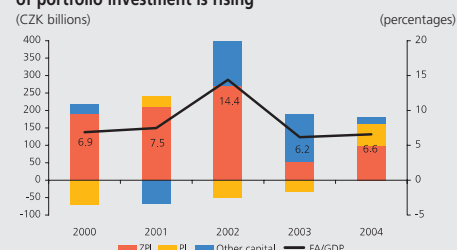


Chart I.10.

The share of the government sector in FDI inflow is rising

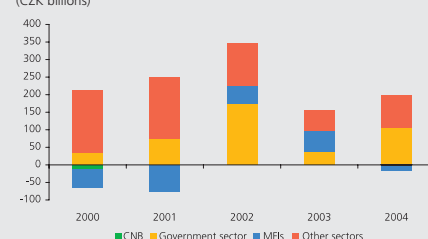


Chart I.11.

The government sector was the main recipient of funds from abroad

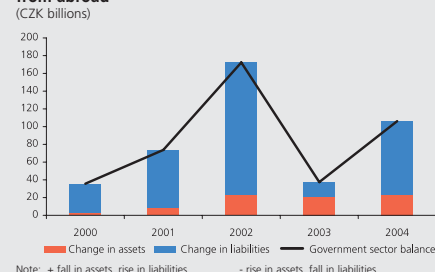


Chart I.12.

The inflow of foreign capital into the corporate sector has slowed in recent years

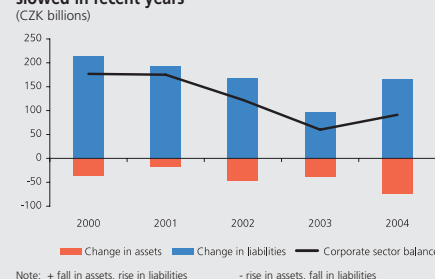
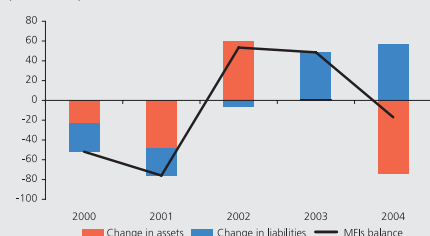


Chart I.13.

The banking sector was a net investor abroad
(CZK billions)

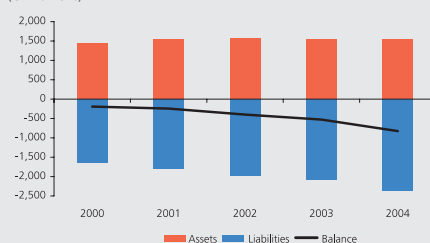


Note: + fall in assets, rise in liabilities

- rise in assets, fall in liabilities

Chart I.14.

The Czech Republic's investment position deficit is increasing
(CZK billions)



Assets Liabilities Balance

INTERNATIONAL RESERVES

Growth in the CNB's international reserves was chiefly related to the crediting of income on investment of the reserves abroad adjusted for sales of part of this income on the interbank foreign exchange market. The reserves were also affected by foreign-currency transactions executed for CNB customers.

THE INTERNATIONAL INVESTMENT POSITION AND EXTERNAL DEBT

The widening of the investment position deficit vis-à-vis non-residents increased in 2004. The main factors behind this include a decline in nominal assets resulting from government sector transactions (debt forgiveness), a stronger impact of the exchange rate on the liability side (asset holdings in USD) than on the asset side, and rising government and corporate debt due to drawings on new loans from abroad. The international investment position deficit amounted to CZK 825 billion, i.e. 30% of GDP. The Czech Republic's external debt exceeded CZK 1 trillion (37% of GDP) at the end of 2004.

1. THE CURRENT ACCOUNT

1.1. GOODS

The world economic recovery continued into 2004, creating a favourable macroeconomic environment for growth of exports of Czech products. The Czech Republic's accession to the EU was associated with the lifting of the remaining customs and administrative barriers, including import quotas. On 1 May 2004, the Czech Republic started applying EU customs duties and quotas vis-à-vis third countries. Czech export growth was higher than world import growth, testifying to the improving competitiveness of Czech exports. The Czech Republic's share in meeting world import demand gradually increased from 0.5% in 2000 to 0.75% in 2004. The Czech Republic's export growth was mostly due to increasing exports to the EU-25, which grew faster than imports from the EU. As a result, the trade surplus with the EU increased.

As regards trade with countries outside the EU, Czech export growth was outpaced by growth in imports from this region. The rapid growth of imports from these markets resulted in a widening trade deficit with these countries. As many foreign-controlled corporations located in the Czech Republic import components from countries outside the EU and export their products to the EU, this trend can be expected to continue in the years ahead. Also, many final products for personal consumption are imported from countries outside the EU, and, following changes in the customs regulations (for example with respect to textile products), imports from non-EU member states will rise, resulting in tougher competition for domestic producers of consumer goods.

In 2004, the trade deficit was CZK 22.3 billion, a year-on-year improvement of CZK 47.5 billion. This was due to a surplus of CZK 63.0 billion on trade in machinery and transport equipment and an improvement in the terms of trade. The increase in the surplus in the machinery category helped to cover the increased deficits in other commodity groups. The rise in prices of raw materials on world markets was partly offset by the koruna's appreciation against the dollar.

The comparison of the trade deficits at current prices and at constant 2000 prices reveals that the difference between them has been increasing from year to year as a result of higher growth in the physical volume of imports than that of exports. At current prices the trade deficit has narrowed, thanks to positive price developments.

1.1.1. Terms of trade

The trade balance was favourably affected by a year-on-year improvement in the terms of trade, which reached 102.1 percentage points. Export prices rose by 3.7% and import prices by 1.6%.

Prices in the key export categories, i.e. machinery (index 100.3) and miscellaneous manufactured articles (index 100.2), were flat. Given the strengthening exchange rate of the koruna, this means that prices achieved on foreign markets were increasing. The largest annual export price increases were recorded for mineral fuels (up by 20.1%), in particular oil, oil products and coal. However, these commodities were not the most significant items with respect to weight. The 8.2% rise in prices of manufactured goods was due in part to increasing prices of iron and steel. Prices of exported chemical products rose by 7.3%. Favourable price trends were recorded for food and agricultural products.

Chart II.1.1.

The annual rate of growth of Czech exports was constantly higher than that of world imports
(annual percentage changes)

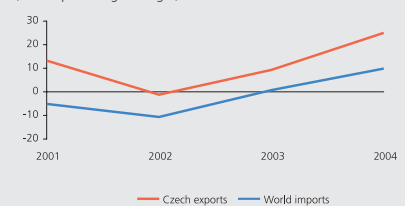


Chart II.1.2.

The machinery trade surplus is improving the balance of trade figures
(CZK billions)

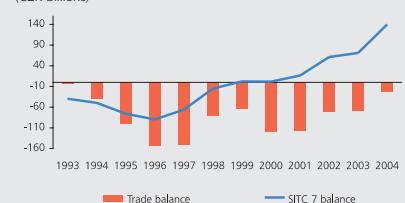


Chart II.1.3.

The difference between the trade deficit at current and constant 2000 prices increased
(CZK billions)

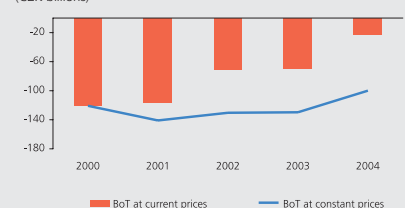


Chart II.1.4.

Growth in export prices is favourably affecting the terms of trade
(percentages; year 2000 = 100)

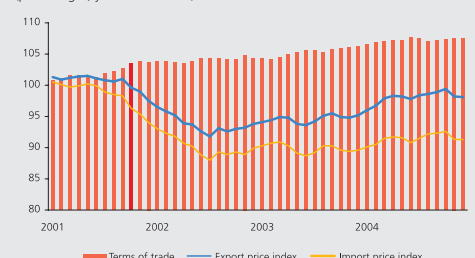


Table II.1.1.

The terms of trade developed positively in almost all the commodity categories

(percentages; year 2003 = 100)

SITC groups	Price indices		Terms of trade
	Export	Import	
0 Food	103.5	102.5	101.0
1 Beverages and tobacco	90.1	105.1	85.7
2 Crude materials	102.1	109.1	93.6
3 Fuels	120.1	106.5	112.8
4 Fats and oils	101.4	102.8	98.6
5 Chemicals	107.3	101.7	105.5
6 Manufactured goods class. by material	108.2	104.3	103.7
7 Machinery and transport equipment	100.3	98.6	101.7
8 Miscellaneous manufactured articles	100.2	99.4	100.8
Total	103.7	101.6	102.1

Import prices of machinery products fell by 1.4%. It is clear that the growth in prices of steel and steel products on world commodity markets had yet to affect the import prices of machinery products to any great extent. Prices of raw materials rose by 9.1% due to higher prices of steel waste and scrap. The oil price growth on world markets was offset by the koruna-dollar nominal exchange rate and accounted for only 6.5% of the growth in fuel prices. Annual price increases were recorded for manufactured goods (up by 4.3%) and chemical products. Prices of miscellaneous manufactured articles were below their 2003 level.

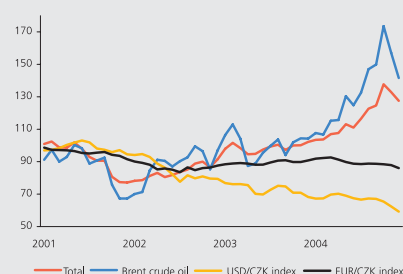
All the major goods trade categories recorded favourable terms of trade. Positive figures were recorded for machinery products, miscellaneous manufactured articles, chemicals and manufactured goods.

World prices of industrial raw materials and food increased, owing to the global economic recovery in 2004. The demand of the rapidly growing Chinese economy for raw materials was a noteworthy demand-side factor. Some constraints arose on the supply side during the year, generated chiefly by capacity limits on oil extraction growth in the OPEC countries, instability in the Middle East, strikes in Nigeria and Venezuela, the situation around the Russian oil concern Yukos, and fluctuations in oil extraction caused by hurricanes in the Gulf of Mexico.

Chart II.1.5.

The rise in commodities prices was offset by the exchange rate

(percentages; year 2000 = 100)



The CZSO's aggregate commodity index rose by 18.9% year on year, owing to higher prices of fuels, most notably oil. The price of Brent crude oil started rising at the end of Q1, peaking in October. Average dollar prices on the European market rose by 33% year on year to USD 38 per barrel for North Sea Brent crude and by 25% to USD 34 for Ural crude. Average natural gas prices were 9.5% higher than a year earlier, although gas prices started growing only in Q3. Increases were also recorded for prices of wood (up by 34%) and metals (31.2%), with lead, copper, tin and aluminium prices showing the most growth. Food prices rose by 5%, mainly because of higher prices of soya and rice. The price growth on world markets was not fully reflected in import prices, since it was offset in particular by the koruna-dollar nominal exchange rate, which recorded a year-on-year appreciation of 9.8%.

Table II.1.2.

The trade surplus with the EU-25 increased

(CZK billions; percentages)

	Exports			Imports			Balance	
	2003	2004	Index	2003	2004	Index	2003	2004
Europe	1,272	1,592	125.2	1,159	1,395	120.4	113	197
EU-25	1,183	1,472	124.4	1,029	1,247	121.2	154	225
EU-15	957	1,168	122.0	854	1,020	119.4	103	148
Russian Federation	16	24	146.3	66	71	107.9	-49	-47
America	41	50	122.0	64	75	117.2	-23	-25
USA	34	39	116.1	45	54	120.3	-11	-15
Asia	46	59	128.3	207	250	120.8	-161	-191
China	7	7	102.9	75	90	119.7	-68	-83
Taiwan	1	1	90.0	17	16	97.0	-16	-15
Japan	5	6	128.9	33	59	179.9	-28	-53
Rest of world	12	13	107.6	11	16	147.7	1	-3
Total	1,371	1,714	125.0	1,441	1,736	120.5	-70	-22

1.1.2. Foreign trade by territory

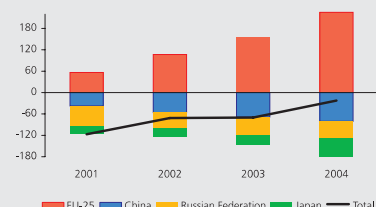
Geographically, the most important area for the Czech Republic is foreign trade turnover with European countries, which account for 86.6% of total trade. Countries in Asia (9.0%) and America account for most of the remainder. Other territories are insignificant from the point of view of trade turnovers.

The trade surplus with the EU-25 increased by CZK 71 billion year on year, to CZK 225 billion. As regards other European countries, the trade deficit with Russia, which narrowed by CZK 1.9 billion thanks to growth in exports, is significant. Among the overseas territories, the largest trade volumes are traditionally recorded with the USA, where the deficit increased by CZK 3.5 billion year on year.

Chart II.1.6.

The biggest trade deficits were with China, Japan and Russia

(CZK billions)



Trade with Asian countries has long been in deficit. The deficit – amounting to CZK 191 billion – is mostly due to trade with China (CZK 83 billion) and Japan (CZK 53 billion). The main reason for the deficit is growth in imports for intermediate consumption and investment, which is, in turn, associated with the activities of foreign-controlled corporations in the Czech Republic. In addition, a wide range of products for personal consumption are imported from Asia.

1.1.3. Foreign trade by commodity

The share of exports of high-tech products increased, with machinery and transport equipment accounting for the largest proportion of exports (50.6%). The annual increase of CZK 180 billion in this category was mostly attributable to production of road vehicles, electrical machinery (including equipment for distributing electricity), electronic equipment (telecommunications equipment, particularly TV receivers, and office machines, including computer equipment). Besides final machinery products, growth was also recorded for supplies of components for foreign subsidiaries.

Turning to other commodities, manufactured goods (particularly steel, metal and rubber products) contributed to the export growth. As for miscellaneous manufactured articles, export growth was registered primarily in the subcategories of professional instruments, clothing accessories and furniture. Exports also rose in connection with demand and prices on world markets (exports of raw materials, metal waste, coal and electricity and some kinds of food).

The share of machinery in the import commodity structure decreased to 42.2%. The increase of almost CZK 117 billion in this category was attributable to imports of machinery for various industries, electrical and electronic equipment, and transport equipment including accessories. As for imported components and parts for the assembly of final products, the highest imports were registered for computers, motor vehicles and broadcasting technology, including TV receivers.

The shares of manufactured goods and miscellaneous manufactured articles in total imports increased. In the fuels category, there was a rise in imports of oil, oil products and natural gas, due to both higher world prices and a larger physical volume. In the case of food imports (up by 23.8%), unlike exports, products with a high degree of processing prevailed over semi-manufactures.

The trade deficit narrowed year on year. The increase in the surplus on trade in machinery more than offset the annual growth in the deficit in the other trade categories.

1.1.4. Imports by purpose

There were no significant changes in the structure of imports by purpose. Imports for intermediate consumption and investment remained dominant. Imports for investment accounted for almost one-third of total imports of goods (in category SITC 7 – machinery and transport equipment, this includes above all production associated with investment purposes, including machinery parts and assembly parts). The growth in imports for investment purposes was connected with gross capital formation due to continuing investment in transport infrastructure, production and non-production facilities belonging to foreign investors, and housing construction. The investment went mainly into manufacturing (production of parts and accessories for motor vehicles and metal products). The largest investments included, for example, the completion and fitting-out of the Toyota-Peugeot-Citroen car factory in Kolín and DHL's logistics centre.

Imports for personal consumption accounted for roughly 22%. The share of food in total imports was around 3%, whereas other items covered almost 19%. Other items included medicinal and pharmaceutical products, electrical appliances, cars and miscellaneous manufactured articles (clothing, furniture, articles made of plastics, toys, baby carriages and printed matter). Import prices of miscellaneous manufactured articles decreased year on year, whereas food import prices recorded moderate growth.

Table II.1.3.

Machinery production accounted for more than 50% of exports

(CZK billions, percentages)

SITC groups	Exports		Index 2004/2003	Share in total		Y-o-y difference
	2003	2004		2003	2004	
0 Food	36.4	47.2	129.7	2.7	2.8	10.8
1 Beverages and tobacco	8.2	8.9	108.5	0.6	0.5	0.7
2 Crude materials	38.4	49.2	128.1	2.8	2.9	10.8
3 Fuels	39.4	53.1	134.8	2.9	3.1	13.7
4 Fats and oils	1.0	1.1	110.0	0.1	0.1	0.1
5 Chemicals	80.6	105.4	130.8	5.9	6.2	24.8
6 Manufactured goods class. by material	316.4	386.0	122.0	23.1	22.5	69.6
7 Machinery and transport equipment	687.2	867.2	126.2	50.1	50.6	180.0
8 Miscellaneous manufactured articles	161.5	194.7	120.6	11.8	11.4	33.2
9 Commodities not elsewhere classified	1.8	0.9	50.0	0.1	0.1	-0.9
Total	1,370.9	1,713.7	125.0	100.0	100.0	342.8

Table II.1.4.

The share of imports of machinery production decreased

(CZK billions, percentages)

SITC groups	Imports		Index 2002/2001	Share in total		Y-o-y difference
	2003	2004		2003	2004	
0 Food	57.1	70.7	123.8	4.0	4.1	13.6
1 Beverages and tobacco	7.5	10.7	142.7	0.5	0.6	3.2
2 Crude materials	40.9	52.9	129.3	2.8	3.0	12.0
3 Fuels	107.8	121.9	113.1	7.5	7.0	14.1
4 Fats and oils	3.8	4.1	107.9	0.3	0.2	0.3
5 Chemicals	164.4	193.1	117.5	11.4	11.1	28.7
6 Manufactured goods class. by material	289.8	360.4	124.4	20.1	20.8	70.6
7 Machinery and transport equipment	616.3	733.2	119.0	42.8	42.2	116.9
8 Miscellaneous manufactured articles	152.7	188.2	123.2	10.6	10.8	35.5
9 Commodities not elsewhere classified	0.4	0.8	200.0	0.0	0.0	0.4
Total	1,440.7	1,736.0	120.5	100.0	100.0	295.3

Table II.1.5.

The machinery production surplus reduced the overall trade deficit

(CZK billions)

SITC groups	Balance of trade		Y-o-y difference
	2003	2004	
0 Food	-20.7	-23.5	-2.8
1 Beverages and tobacco	0.7	-1.8	-2.5
2 Crude materials	-2.5	-3.7	-1.2
3 Fuels	-68.4	-68.7	-0.3
4 Fats and oils	-2.8	-3.1	-0.3
5 Chemicals	-83.8	-87.7	-3.9
6 Manufactured goods class. by material	26.6	25.7	-0.9
7 Machinery and transport equipment	70.9	133.9	63.0
8 Miscellaneous manufactured articles	8.8	6.5	-2.3
9 Commodities not elsewhere classified	1.4	0.1	-1.3
Total	-69.8	-22.3	47.5

Table II.1.6.

Imports for intermediate consumption account for half of total imports

(CZK billions, percentages)

Import breakdown by direction of use	Imports				Shares in total imports			
	2001	2002	2003	2004	2001	2002	2003	2004
Investment use	402	377	421	503	29.0	28.6	29.2	29.0
machinery and transport equipment	218	211	238	273	15.7	16.0	16.5	15.7
parts, accessories, assembly	184	166	183	230	13.3	12.6	12.7	13.2
Consumer goods	272	275	304	377	19.6	20.8	21.1	21.7
food	42	43	45	54	3.1	3.2	3.2	3.1
others	230	232	259	323	16.6	17.6	18.0	18.6
Production consumption	713	668	716	856	51.4	50.6	49.7	49.3
energy production	114	91	98	113	8.2	6.9	6.8	6.5
non-energy production	599	578	618	743	43.2	43.7	42.9	42.8
Imports, total	1,386	1,320	1,441	1,736	100.0	100.0	100.0	100.0

Chart II.1.7.

The rate of growth of imports for intermediate consumption rose (CZK billions)

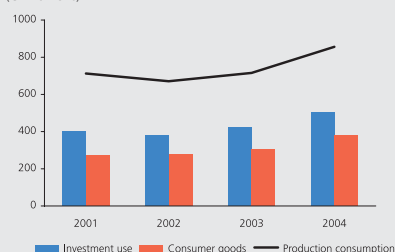


Table II.1.7.

High-technology and medium-high-technology products account for the bulk of exports (percentages)

	Shares in exports			Y-o-y changes	
	2002	2003	2004	2003	2004
High-technology industries	12.3	12.4	11.9	10.5	19.3
Aerospace	0.3	0.3	0.3	27.0	19.1
Pharmaceuticals	0.2	0.1	0.2	-9.1	30.0
Computers	6.0	6.3	5.8	13.6	16.5
Electronics and telecommunications	3.2	3.3	3.1	13.9	14.6
Scientific instruments	0.7	0.7	0.8	21.4	40.2
Electrical machinery	0.8	0.6	0.8	-15.5	61.0
Non-electrical machinery	0.7	0.6	0.5	-6.6	10.6
Chemicals	0.2	0.2	0.2	0.0	13.3
Others	0.2	0.2	0.1	-8.3	4.5
Medium-high technology industries	39.3	39.0	40.1	8.2	28.6
Electrical apparatus and appliances	9.2	9.5	10.7	12.3	41.4
Road vehicles	15.8	15.3	14.9	5.3	22.2
Railway and transport equipment	0.6	0.7	0.6	25.2	10.0
Machinery and equipment	13.7	13.5	13.8	8.1	27.9
Medium-low-technology industries	33.0	32.8	33.9	8.6	29.2
Petroleum refining and other chemical products	4.3	4.5	6.0	12.4	68.4
Rubber and plastic products	3.5	3.3	3.3	2.8	26.4
Non-metallic mineral products	3.9	3.8	3.3	5.7	10.6
Shipbuilding	0.0	0.0	0.0	23.5	31.2
Metals	3.9	3.9	4.6	10.8	46.0
Basic metals and fabricated metal products	6.7	6.9	6.9	12.9	24.5
Miscellaneous manufactured articles	10.7	10.4	9.7	6.4	16.7
Low-technology industries	15.4	15.8	14.2	12.5	11.9
Products not elsewhere classified, including fuels	3.6	4.3	3.7	31.2	5.5
Wood, cork, paper, hides, skins, rubber	4.3	4.2	3.7	7.5	10.6
Food, beverages and tobacco	3.6	3.6	3.6	8.4	25.4
Textile fibres and fabrics	3.8	3.7	3.2	4.4	8.0
Total	100.0	100.0	100.0	9.3	25.0

Table II.1.8.

High-technology and medium-high-technology products account for almost 50% of imports (percentages)

	Shares in imports			Y-o-y changes	
	2002	2003	2004	2003	2004
High-technology industries	15.9	15.9	15.0	8.6	13.7
Aerospace	0.5	0.7	0.3	57.4	-43.9
Pharmaceuticals	0.7	0.8	0.7	11.1	10.0
Computers	5.0	4.7	4.7	0.6	21.9
Electronics and telecommunications	6.3	6.4	5.8	10.6	8.9
Scientific instruments	1.4	1.5	1.4	10.5	13.3
Electrical machinery	0.5	0.4	0.6	-13.2	84.7
Non-electrical machinery	0.6	0.7	0.7	17.4	16.8
Chemicals	0.7	0.7	0.7	8.9	27.6
Others	0.0	0.1	0.1	100.0	-8.3
Medium-high technology industries	33.7	34.0	33.4	9.8	18.3
Electrical apparatus and appliances	11.9	11.8	11.4	7.5	16.7
Road vehicles	8.7	8.7	8.9	8.7	23.7
Railway and transport equipment	0.2	0.3	0.3	77.8	26.1
Machinery and equipment	12.8	13.2	12.7	11.8	15.9
Medium-low-technology industries	30.2	30.3	32.6	9.2	29.5
Petroleum refining and other chemical products	6.2	6.4	7.1	11.1	34.2
Rubber and plastic products	3.2	3.3	3.3	10.7	21.3
Non-metallic mineral products	1.9	1.9	1.8	5.6	16.5
Shipbuilding	0.0	0.0	0.0	-10.2	-3.5
Metals	3.8	3.8	4.8	9.5	51.3
Basic metals and fabricated metal products	6.8	6.7	6.9	7.9	24.0
Miscellaneous manufactured articles	8.3	8.3	8.7	9.1	26.4
Low-technology industries	20.3	19.8	19.0	5.9	16.0
Products not elsewhere classified, including fuels	6.8	6.8	6.6	9.1	16.4
Wood, cork, paper, hides, skins, rubber	4.1	4.0	3.6	5.9	10.7
Food, beverages and tobacco	5.2	5.1	5.3	7.6	24.3
Textile fibres and fabrics	4.2	3.8	3.5	-1.3	9.6
Total	100.0	100.0	100.0	8.7	20.5

Imports for use in production covered around 50% of total imports. Their rate of growth increased year on year. The higher physical volume in this category reflected demand in manufacturing and growth in import prices of raw materials and products with a low degree of processing (energy and non-energy-producing materials and semi-manufactures, particularly metals). Within intermediate consumption, non-energy-producing items accounted for around 43% of total imports, and energy-producing items for almost 7%. Import growth accelerated particularly in the case of non-energy-producing items (raw materials except fuels – iron ore and concentrates, chemicals, plastics, products made from rubber, steel, iron, etc.).

1.1.5. Trade in products by technological intensity

As for the breakdown of trade by technological intensity, high-technology and medium-high-technology products accounted for more than half of all exports and less than half of all imports.

Exports of goods with high technological intensity, and hence also the highest value added (called *high-technology products* under the OECD's classification), consisted mainly of computers, electronics and telecommunications equipment. The share of high-technology products in total exports was almost 12%. The structure of exports has shifted towards computers since 2002. The largest export volumes for computers were recorded for digital processing units and digital data processing systems. Another part of the exports comprised electronics and telecommunications. These included above all transmission apparatus for radio-telephony, parts for telecommunications, electronic integrated circuits and recorded media. The remainder consisted mainly of carbon electrodes, electrical signalling and safety equipment, and scientific instruments.

Exports of *medium-high-technology products*, which consisted mainly of car production and machinery production, recorded the largest share in total exports (40.1%). Within this group, electrical apparatus and appliances grew the fastest. Exports of *medium-low-technology products*, which accounted for 33.9% of total exports, included refinery products, metals, fabricated metal products and plastic and rubber products. The weight of exports of *low-technology products*, which comprise chiefly raw materials and food products, was 14.2%.

The share of *high-technology products* in total imports of goods was 15%. The biggest import items were electronics, telecommunications and computers. Electronics and telecommunications include particularly electronic integrated circuits, transmission apparatus for radio-telephony, and televisions. Of the other import items, scientific instruments (medical instruments, liquid crystal devices, analytical measuring devices and alarm devices) and specialised chemicals and pharmaceuticals are important.

Machinery products and electrical apparatus and appliances had the largest share within the category of *medium-high-technology products* (around 33% of imports). As for *medium-low-technology products*, the highest shares were recorded by fabricated metal products, miscellaneous manufactured articles and metal products. Fuels, raw materials and food were the most significant imports in the category of *low-technology products*.

The overall trade balance reflected the following:

- a deficit of CZK 56.7 billion on trade in high-technology products (electronics and telecommunications equipment);
- a surplus of CZK 107.2 billion on trade in medium-high-technology products (cars and electrical apparatus and appliances);

- a surplus of CZK 14.7 billion on trade in medium-low-technology products (building materials, glass, ceramic products and miscellaneous manufactured articles);
- a deficit of CZK 87.5 billion on trade in low-technology products (fuels, food and raw materials).

1.2. SERVICES

In 2004, the surplus on the services account amounted to CZK 12.5 billion (EUR 0.4 billion), down by CZK 0.7 billion from the previous year. Credits increased by CZK 29.3 billion year on year and payments for services rose by CZK 30 billion.

Net receipts from foreign travel grew by CZK 2.9 billion, up by CZK 48.8 billion on 2003. Credits from transport services exceeded debits by CZK 33.7 billion, an improvement of CZK 6.9 billion on a year earlier. Conversely, the deficit on other business and non-business services increased by CZK 10.5 billion to CZK 70 billion.

The accelerating growth of Czech exports and imports, and to a large extent also the boom in air transport, had a significant impact on international freight and passenger transport. Total credits rose by CZK 11.8 billion compared with the previous year and exceeded CZK 72.3 billion. Debits related to transport services recorded in the services balance increased by CZK 4.9 billion to CZK 38.6 billion.

The surplus on transport services was due partly to net receipts from oil and gas transport of CZK 3.4 billion, down by CZK 0.3 billion from the previous year. Although the annual transit fee covered by oil supplies from Russia to the Czech Republic increased, the value of these supplies declined by CZK 0.3 billion year on year due to the koruna's appreciation against the dollar. Payments by German customers remained the same. Conversely, payments for gas transport through Slovakia and oil transport through Italy and Germany rose slightly.

Costs for transport organised by domestic exporters and included in the price of the exported goods increased by almost CZK 5.9 billion and exceeded CZK 32 billion.

The deficit on other transport services (including related services) fell by CZK 1.3 billion in comparison with 2003. Credits rose by CZK 6.1 billion and debits by CZK 4.8 billion. Air transport recorded the best results, with credits exceeding debits by CZK 9.4 billion. A further expansion in transport of goods by truck – boosted particularly by EU accession – was reflected in rising receipts from road transport.

Foreign exchange receipts from travel increased by 6.8% year on year to CZK 107.1 billion. In the first half of the year they rose by 8.5% thanks to an influx of foreigners to the mountains at the beginning of the year, Easter tourism, the hosting of the Ice Hockey World Championship and the interest in our country following EU accession. In the second half of the year, receipts grew by 5.5%. According to information from travel agencies, foreign tourists showed increased interest in the European continent, including the Czech Republic, at the end of the year, owing to the terrorist attacks in some non-European countries.

According to data published by the CZSO, the number of foreign visitors to the Czech Republic was almost flat in 2004 (an increase of 1%). Declines were registered at the borders with Austria (of 5.3%), Poland (of 8.2%) and Slovakia (of 5.8%). There was a rise in visitors crossing the border with Germany (of 6.5%). The number of foreign visitors who travelled by air to the Czech Republic was 31.7%

Table II.1.9.

The travel and transport surplus covers the other services deficit

(CZK billions)

	2003	2004	Change
SERVICES BALANCE	13.2	12.5	-0.7
of which:			
Credit	219.1	248.4	29.3
Transport	60.5	72.3	11.8
Travel	100.3	107.1	6.8
Other services	58.3	69.0	10.7
Debit	205.9	235.9	30.0
Transport	33.7	38.6	4.9
Travel	54.4	58.3	3.9
Other services	117.8	139.0	21.2

Chart II.1.8.

The services surplus is decreasing

(CZK billions)

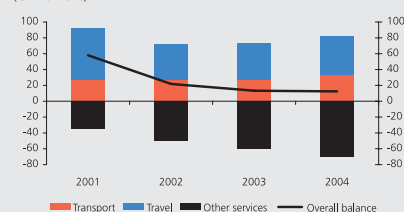


Chart II.1.9.

The best results were recorded for air transport

(CZK billions)

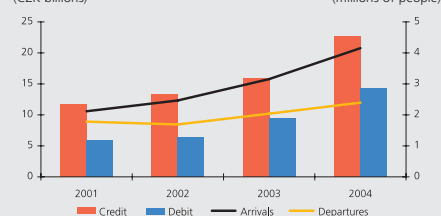


Table II.1.10.
The number of guests using accommodation facilities rose sharply
(millions of people; days)

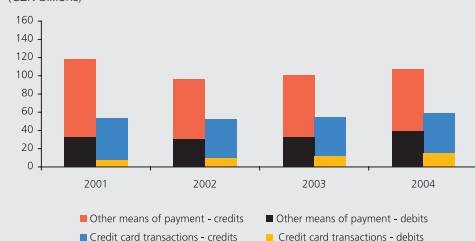
	2001	2002	2003	2004
Number of people	5.4	4.6	5.1	6.1
Average stay duration	4.2	4.2	4.3	4.1

higher than a year earlier. Demand for air transport was boosted by cheap tickets sold by low-cost airlines, which attracted many weekend tourists, above all from the United Kingdom, Ireland and Italy.

All categories of accommodation facilities recorded increased interest from foreigners (a rise of 19.4% overall). For example, foreign visitor numbers in multi-star hotels rose on average by 39.1% year on year. Accommodation facilities received fewer visitors from Israel and Poland than in the previous year. Conversely, guests from the United Kingdom, Ireland, Italy, France, Germany, Austria, Slovakia, Russia, Japan and other countries showed greater interest in accommodation in the Czech Republic.

The expenditure of Czech nationals on foreign travel rose by 7.2% on a year earlier, to CZK 58.4 billion. The number of Czechs travelling abroad increased by 1.6% year on year. Growth was recorded at the border with Poland (7.4%) and particularly at Prague-Ruzyně airport (17.5%). Declines were apparent at the other borders. Expenditure on foreign travel was influenced by year-round demand for inexpensive package holidays (above all to Africa and Asia) and cross-border shopping (particularly in Poland). Czech tourists are discovering new holiday destinations; they are demanding quality services and are increasingly opting for tailor-made holidays. With the supply of cheap flights all over the world growing, the demand for journeys abroad, weekend stays, sports and cultural events (the Olympic Games in Greece, the football World Cup, concerts, etc.) increased. The koruna's favourable exchange rates against the euro and the dollar made purchases of goods and services abroad cheaper.

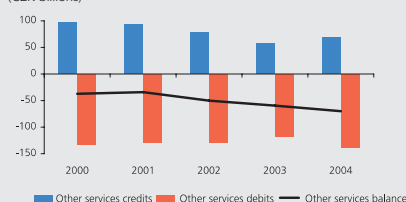
Chart II.1.10.
Cash payment dominates the structure of foreign travel credits and debits
(CZK billions)



Payments in cash still dominate the structure of the means of payment used in foreign travel. However, the share of payment cards is gradually rising, particularly on the debit side. In 2004, the share of card transactions in travel receipts reached 36.6% (CZK 39.2 billion). Transactions worth CZK 15.3 billion were executed abroad using payment cards issued for accounts with Czech banks, representing 26.2% of total foreign travel expenditure.

Receipts from other business and non-business services provided to non-residents rose to CZK 69 billion, up by CZK 10.7 billion on a year earlier. At the same time, expenditure on services provided by non-residents increased by CZK 21.2 billion to CZK 139 billion. The deficit thus reached CZK 70 billion, widening by CZK 10.5 billion compared to 2003.

Chart II.1.11.
The other services deficit is rising owing to a fall in credits
(CZK billions)



Compared to 2003, the largest growth in turnover was recorded in financial services, where the deficit widened by CZK 3 billion. Similarly, faster growth in expenditure than receipts meant that the deficits widened in legal, accounting and consultancy services (by CZK 1.8 billion), telecommunication services (by CZK 0.5 billion), and advertising and computer services (by CZK 0.4 billion each). Compared to the previous year, there was a large increase in rent paid to non-residents and a smaller rise in rent received by domestic real estate owners; the deficit on rents widened by CZK 0.8 billion. As for operational leasing of machinery and equipment, receipts were flat and expenditure grew by CZK 1.3 billion. The item "other business services" had the largest negative impact on the other services balance, with a fall in receipts and a rise in expenditure leading to an increase in the deficit of almost CZK 5.5 billion. On the other hand, the loss from merchanting fell sharply (by CZK 1.4 billion) and the deficit on construction work decreased (by CZK 1.2 billion) thanks to a rise in receipts and a decline in expenditure. Significant rises in credits were recorded for waste treatment and depollution services (of CZK 0.7 billion) and cultural, health, educational and similar services (of CZK 0.6 billion). In the area of insurance services, the amount transferred to foreign reinsurers increased by CZK 0.8 billion year on year, but the receipts of Czech insurance companies from reinsurance services provided also went up (by CZK 0.1 billion).

1.3. INCOME

The income deficit in 2004 was CZK 139.5 billion (EUR 4.4 billion), a deterioration of CZK 19.6 billion relative to 2003. Credits fell by CZK 5.3 billion and debits increased by CZK 14.3 billion.

According to information from the CZSO, approximately 145,000 foreigners worked in the Czech Republic in 2004. Their compensation totalled CZK 34.1 billion, up by 10% on a year earlier. Over the same period, Czech nationals working abroad earned CZK 11.4 billion (their number is estimated by the CZSO at 18,700).

The Czech National Bank received interest on deposits with foreign banks and returns on foreign securities totalling CZK 13.2 billion, a decline of CZK 5.5 billion compared to 2003. EIB loan interest and repo-related interest remained unchanged (CZK 0.2 billion).

Interest income of commercial banks on loans provided and deposits with foreign banks fell by CZK 1.4 billion year on year, but interest on loans and deposits paid to foreign banks also declined (by CZK 0.1 billion). The interest balance of commercial banks thus deteriorated by around CZK 1.3 billion, owing mainly to interest rate movements at home and on foreign financial markets.

Growth in government external debt is generating an ever-increasing interest burden. A total of CZK 0.5 billion was paid in relation to EIB loans for the construction of the motorway network, the repair of flood damage, flood prevention and for the city of Prague, whereas interest on inter-governmental loans provided in the past was only CZK 0.1 billion.

Interest paid abroad by the corporate sector in relation to loans received from foreign banks or parent companies exceeded such interest received by CZK 14.9 billion. This, however, represents an improvement in the corporate interest balance of CZK 0.3 billion.

Czech equity investments abroad generated receipts in the form of dividends of CZK 1.8 billion. Income of foreign investors from equity investments in the Czech Republic increased by CZK 8.5 billion to CZK 64.7 billion, of which CZK 58.8 billion constituted dividends paid to foreign owners of Czech businesses and banks, and CZK 5.9 billion was received by portfolio investors.

Based on an updated estimate derived from the results of a periodical survey in foreign-owned businesses for 2003, foreign investors are expected to use over CZK 61.5 billion of the earnings generated in 2004 for the development of the businesses they own.

Earnings of Czech investors from foreign bonds amounted to CZK 12.4 billion, a figure broadly unchanged from 2003. Czech bonds generated earnings of CZK 5.6 billion for foreign investors, which is a decrease of 25% despite the fact that such bond holdings had almost doubled by the end of the year.

1.4. CURRENT TRANSFERS

In 2004, current transfers ended in a surplus of CZK 6.1 billion (EUR 0.2 billion), down by CZK 9.7 billion from the previous year. Credits were CZK 46 billion and debits increased by CZK 8.7 billion to CZK 39.9 billion.

Under government current transfers, receipts from the EU were CZK 19.5 billion, whereas in 2003 the Czech Republic had received CZK 9 billion less from EU funds.

Table II.1.11.
The income balance deficit is rising
(CZK billions)

	2003	2004	Change
INCOME BALANCE	-119.9	-139.5	-19.6
of which:			
Credit	75.5	70.2	-5.3
Compensation of employees	13.9	11.4	-2.5
Investment income	61.6	58.8	-2.8
dividends	0.7	1.8	1.1
reinvested earnings	3.5	1.9	-1.6
interest	57.4	55.1	-2.3
Debit	195.4	209.7	14.3
Compensation of employees	30.9	34.1	3.2
Investment income	164.5	175.6	11.1
dividends	56.2	64.7	8.5
reinvested earnings	60.9	61.5	0.6
interest	47.4	49.4	2.0

Note: Reinvested earnings for 2004 are estimated and will be updated

Chart II.1.12.
Income from direct investment in the Czech Republic is the largest component of the income balance
(CZK billions)

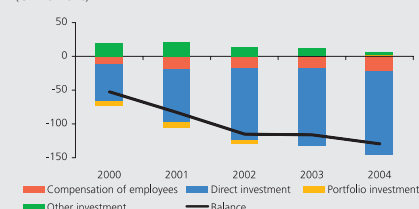


Table II.1.12.
The current transfers surplus decreased year on year
(CZK billions)

	2003	2004	Change
CURRENT TRANSFERS BALANCE	15.8	6.1	-9.7
of which:			
Credit	47.0	46.0	-1.0
government	24.1	33.5	9.4
private	22.9	12.5	-10.4
Debit	31.2	39.9	8.7
government	16.2	20.9	4.7
private	15.0	19.0	4.0

CZK 18 billion was transferred to the EU, resulting in a surplus of CZK 1.5 billion. Details on the financial flows between the Czech Republic and the EU can be found in Annex 2.

As for other general government receipts, a significant year-on-year increase was recorded for taxes and social security transfers from foreigners working in the Czech Republic (of CZK 1.3 billion). Expenditure declined by CZK 13.2 billion. However, over CZK 11.3 billion of this consisted of payments related to a lost arbitration case and the withdrawal from a contract for motorway construction in 2003. Pension payments abroad and contributions to international organisations were lower than a year earlier.

Receipts from private transfers fell by CZK 10.4 billion, of which reinsurance declined by CZK 8 billion, as claims on foreign reinsurers related to the 2002 floods had essentially been settled in the two previous years. Transfers of private funds abroad increased by CZK 4 billion year on year, with transfers from non-profit institutions, fines and various fees accounting for most of this amount.

2. THE CAPITAL ACCOUNT

In 2004, the capital account ended in a deficit of CZK 14 billion (EUR 0.4 billion). This figure chiefly reflects transactions realised in Q4 associated with the forgiveness of part of the government sector's claims in connection with intergovernmental agreements on the settlement of part of the assets dating from the period of central planning. Receipts consisted mainly of transfers of funds from the EU Cohesion Fund and part of the advance payments from the structural funds. Credits and debits for other transactions were less important in terms of volume and related primarily to trading in intangible assets (patents, licences and trademarks) and transfers of migrants' assets.

3. THE FINANCIAL ACCOUNT

The net inflow of foreign capital onto the financial account rose to CZK 181 billion (EUR 5.7 billion), up by roughly CZK 23.9 billion compared to 2003. Foreign direct investment and portfolio investment accounted for most of these funds. Other investment also recorded an inflow of capital, albeit lower than in 2003. Only financial derivatives transactions ended in a deficit. The inflow of foreign funds as a percentage of GDP reached around 6.6%.

3.1. FOREIGN DIRECT INVESTMENT

2004 saw an upturn in investment in countries where investors were expecting higher returns, particularly Asian markets (especially China) and larger economies that are gradually winning investors' trust (e.g. Turkey and Brazil). The countries entering the EU also had a central position here. Thus, there was a substantial recovery in capital flows into new markets compared to the advanced economies, which are in a phase of investment decline.

In 2004, the Czech Republic was one of the countries to record an annual increase both in new projects (the number of new domestic and foreign projects intermediated by the business and investment support agency CzechInvest was twice as high as in 2003) and in the total amount invested by foreign companies. In addition, new projects were launched in the area of strategic services and technological centres, which generated demand for highly qualified employees.

Table II.2.1.
The capital account was affected by government transactions
(CZK billions)

	2003	2004	Change
Capital account	-0.1	-14.0	-13.9
within which: EU funds	0	5.2	5.2

Table II.3.1.
On the financial account the flow of portfolio investment
changed direction
(CZK billions)

	2003	2004	Change
Financial account	157.1	181.0	23.9
Direct investment	53.5	100.7	47.2
Czech abroad	-5.8	-14.0	-8.2
foreign in Czech Rep.	59.3	114.7	55.4
Portfolio investment	-35.7	62.2	97.9
Czech abroad	-83.9	-61.1	22.8
foreign in Czech Rep.	48.2	123.3	75.1
Financial derivatives	3.9	-1.5	-5.4
assets	7.1	-13.9	-21.0
liabilities	-3.2	12.4	15.6
Other investment	135.4	19.6	-115.8
1. Long-term investment	27.5	50.3	22.8
loans granted abroad	1.1	20.5	19.4
loans received from abroad	26.4	29.8	3.4
2. Short-term investment	107.9	-30.7	-138.6
loans granted abroad	65.9	-56.5	-122.4
loans received from abroad	42.0	25.8	-16.2

Table II.3.2.
The number of projects intermediated by the CzechInvest
agency increased year on year

	2001	2002	2003	2004
Number of projects	57	54	56	146
Forecasted investment in CZK bn	50.7	69.6	34.3	50
Forecasted number of newly created jobs	13,308	14,238	10,997	20,387

Source: CzechInvest, March 2005

An amendment to the Investment Incentives Act (No. 19/2004 Coll.) took effect upon the Czech Republic's accession to the EU. This contains some changes related to the transfer of powers in the area of public support from the Office for the Protection of Competition to the European Commission, and significantly reduces the minimum investment amount from CZK 350 million to CZK 200 million, thus making investment incentives accessible to a larger group of investors.

The balance of foreign direct investment in the Czech Republic showed a year-on-year increase (due to a lower base), reaching CZK 100.7 billion. No major receipts were realised in 2004 from the privatisation of state property into the hands of foreign investors. On the contrary, a greater outflow of direct investment was recorded due to the successful participation of Czech entities in privatisations abroad.

3.1.1. Czech direct investment abroad

The overall volume of Czech investment abroad was CZK 14 billion (EUR 0.4 billion) in 2004. Investment in equity capital amounted to CZK 10.8 billion, mainly as a result of the purchase of three distribution companies in Bulgaria by the power company ČEZ. This is the largest foreign investment in the Czech Republic's history. There was an annual decline in reinvested earnings to CZK 1.9 billion. Loans also fell year on year, to CZK 1.3 billion. The largest volumes of funds invested abroad went into electricity, gas and water supply (66.9%), trade and repairs (10.7%) and real estate and business services (7.9%). By territory, most investment was channelled into Bulgaria (67.1%), Slovenia (17.2%), Poland (4.6%) and Ukraine (4.0%).

3.1.2. Foreign direct investment in the Czech Republic

The inflow of foreign direct investment (FDI) into the Czech Republic was CZK 114.7 billion (EUR 3.6 billion). This high year-on-year increase resulted from the low base in 2003, connected with the departure of the strategic foreign investor from Telecom and Eurotel. Privatisation receipts were negligible in 2004 (CZK 0.5 billion). A transaction related to the privatisation of a large share in Unipetrol was postponed until 2005.

The inflow of FDI in equity capital of CZK 42.9 billion (EUR 1.3 billion) was associated mainly with increases in equity shares held by foreign companies, and to a lesser extent with the establishment of new foreign-owned businesses. Estimated reinvested earnings amounted to CZK 61.5 billion (EUR 1.9 billion), and other capital reached CZK 10.3 billion (EUR 0.3 billion). The ratio of FDI to GDP was 4.1%.

By sector, 50.4% of the total investment went into services, 48.0% into manufacturing and 1.6% into primary production. By industry, more investment was channelled into traditional areas such as trade and repairs, real estate and business services, and financial intermediation. In the production sector, the main recipients were manufacture of metals and metal products, and manufacture of motor vehicles, trailers and semi-trailers. More than 80% of the investment came from EU countries. The largest investors were the Netherlands, Germany and Austria, followed by Slovakia, the USA and Japan.

3.1.3. Returns on foreign direct investment in the Czech Republic

The rate of return on capital invested in the form of FDI was around 10%. According to preliminary data, total returns on FDI in the Czech Republic rose to around CZK 125.6 billion. With regard to the investment life cycle, increases in returns and a change in the profit distribution structure towards higher dividend payments and lower reinvested earnings have become apparent. The growth in

Chart II.3.1.

The direct investment surplus increased year on year
(CZK billions)

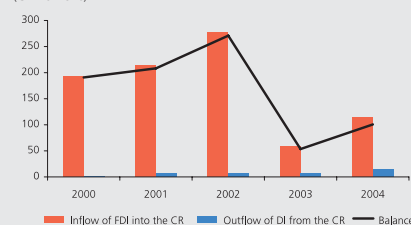


Chart II.3.2.

Privatisation income from foreign investors was negligible in 2004
(CZK billions)

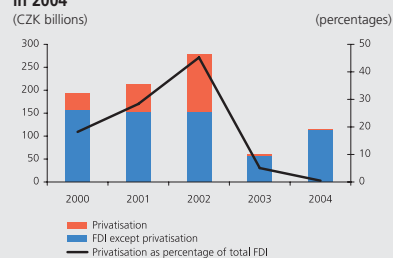


Table II.3.3.

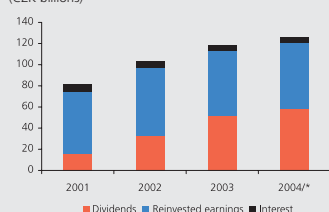
The rate of return on FDI in the Czech Republic is rising
(CZK billions)

	2001	2002	2003	2004/*
Return	81.0	103.3	118.3	125.6
Stock	982.3	1,165.5	1,161.8	1,261.7
Rate of return (%)	8.2	8.9	10.2	10.0

* preliminary figures

Chart II.3.3.

Within the structure of FDI income, the volume of dividends paid is rising
(CZK billions)



* preliminary figures

dividend payments in 2003 and 2004 was caused by a rising number of entities paying dividends not only from their current year profits, but also from profits accumulated in previous years.

The high dividend payments are reflected in lower FDI, as a company's own funds include funds created from profits. Despite a higher volume of credit drawn from foreign direct investors, interest payments were flat owing to low interest rates and the fact that interest is not charged on some credit from direct investors. Dividend payments on FDI grew from CZK 16.4 billion in 2001 to CZK 58.8 billion in 2004. Reinvested earnings in 2004 are estimated at CZK 61.5 billion. Interest on FDI was about CZK 5.2 billion.

3.2. PORTFOLIO INVESTMENT

3.2.1. Money and capital markets

The Czech money and capital markets were affected by an array of domestic and global economic and geopolitical factors. One of the most significant events was the accession of the Czech Republic to the European Union on 1 May 2004. World markets were primarily influenced by the economic situation in the USA and the related depreciation of the dollar, the rising oil prices and the developing Asian economies. In 2004, the Czech koruna appreciated against the dollar, owing to the strengthening euro-dollar rate. At the end of the year, the koruna was at CZK 30.4 to the euro and at a historical low of CZK 22.3 to the dollar.

Money market

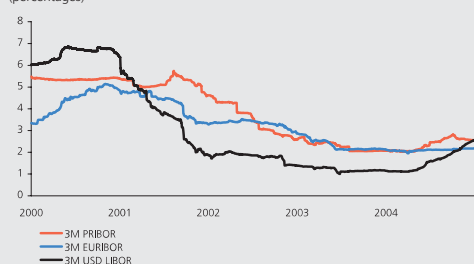
Short-term interest rates had gradually fallen between 2001 and 2003, whereas in 2004 they started to rise in connection with official interest rate increases. The key official interest rate of the ECB has been at 2% since June 2004. The USA increased its official interest rates in June 2004 for the first time in four years – by one quarter of a percentage point to 1.25%. Two more increases followed in 2004, to a final rate of 2.25%. A comparison of the three-month reference rates on the interbank market shows that the PRIBOR rose annually (2003–2004) by about one half of a percentage point and the USD LIBOR rose by about 1.5 percentage points, while the euro area short-term interest rate (EURIBOR) remained broadly unchanged. The interest rate differential between koruna and dollar rates gradually decreased to zero. The differential vis-à-vis euro rates was slightly negative in the first half of the year and gradually increased in the course of the year.

Capital market

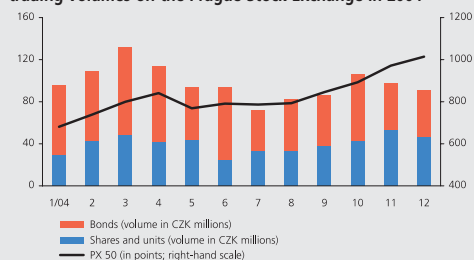
The Prague Stock Exchange (PSE) recorded the most successful year in its history, continuing in its three-year-long upward trend. The main PX 50 index appreciated by 56.6% year on year, while the narrower PX-D rose by 55.3%. For the first time in more than nine years, the PX 50 exceeded its original level of 1,000 points (5 April 1994) in November. It continued rising and closed the year at a historical high of 1,032 points. The positive development of the PSE indices was due in large part to increased interest of foreign investors in Czech shares. The credibility of the Czech capital market was boosted by accession to the EU and the PSE's related full membership of the Federation of European Stock Exchanges (FESE). New capital market laws aimed at harmonising the Czech legislation with EU law, i.e. the Collective Investment Act, the Capital Market Undertakings Act and the Bonds Act, took effect upon accession. Although most shares weakened slightly immediately after accession, prices stabilised in the second half of the year and the domestic stock markets ended the year with further growth.

Chart II.3.4.

The three-month CZK/EUR interest rate differential increased in 2004 H2
(percentages)

**Chart II.3.5.**

Foreign demand for shares and bonds favourably affected trading volumes on the Prague Stock Exchange in 2004



The best performer among the individual stocks was ČEZ, which went up by 133.8% year on year. Considerable annual growth was also recorded by Unipetrol (47.8%), Komerční banka (35.3%), Český Telecom (26.7%) and other stocks. The first initial public offering (IPO) of shares was held on the Czech capital market in June, when pharmaceutical company Zentiva made a successful entry onto the domestic market. By the end of the year, its shares had gone up by 52.4%.

In terms of volumes of trading in shares and units, the most successful month in the history of the PSE was November 2004, with a total trading volume of almost CZK 54 billion. Shares and units amounting to a record high of CZK 479.7 billion were traded in 2004 as a whole, up by 86.4% on a year earlier. The previous annual record of CZK 264.1 billion in 2000 was exceeded by 81.6%. Trading in bonds has been declining since 2001. The total volume of bond transactions amounted to CZK 692.5 billion in 2004, down by 37.6% from a year earlier. Shares accounted for 40.9% of the total volume of transactions, and the bond market for the remainder.

Key foreign stock markets also maintained their upward trend for the second consecutive year, although the growth slackened. The main American and European share indices fluctuated moderately in 2004, staying within -10% to +10% of their levels at the beginning of the year. The results of the presidential elections in the USA, the decline in oil prices at the end of the year and some significant mergers and acquisitions (for example, the merger between software companies Oracle and PeopleSoft) fostered a recovery on foreign stock exchanges in 2004 Q4. The annual strengthening of foreign stock exchanges moved within the 3%–9% range. The Europe-wide DJ Stoxx 50 index grew by 4.30%, the DAX index on the German stock exchange in Frankfurt rose by 7.3%, the American Dow Jones Industrial strengthened by 3.2% and the Standard and Poor's 500 increased by 9.0%. Positive developments were also recorded by capital markets in other countries of the Central European region. Like the Prague Stock Exchange, the Hungarian stock exchange performed well, its main share index strengthening by 57.2% year on year. The main Polish index, the WIG, went up by 27.9% in 2004. US investors' enthusiasm for the Czech market may have been enhanced by the fact that the Prague Stock Exchange was granted the status of "designated offshore exchange" by the US Securities and Exchange Commission on 28 May 2004. This meant that it was included on the list of offshore exchanges deemed safe for US investors.

Activity on the domestic bond market was thin. The annual volume of trading in government bonds on the PSE dropped to CZK 588.5 billion, down by 40% from 2003. In 2004, Czech long-term government bond yields were slightly higher than yields on similar bonds in the euro area countries and the USA. Bond yields on world markets declined in response to macroeconomic data, high oil prices and increased geopolitical risks. The spread between Czech government bonds with maturity of 10 years and comparable euro area instruments widened to around 0.75 percentage point in the second half of 2004 and decreased to 0.36 percentage point at the end of the year. Yields on Czech ten-year government bonds declined by around 0.12 percentage point in year-on-year comparison. The yield on the ten-year benchmark for the euro area declined by 0.15 percentage point year on year, while yields on US government bonds remained roughly at the same level. A significant event for investors in Czech government bonds was the first-ever issue of euro-denominated government bonds in June 2004, totalling EUR 1.5 billion (about CZK 48 billion). Foreign investors' demand exceeded the original supply and the issue was expanded by EUR 0.5 billion.

3.2.2. Portfolio investment

Portfolio investment recorded a net inflow of funds of CZK 62.2 billion (EUR 1.9 billion) in 2004. In 2003 this item had recorded an outflow. The annual

Chart II.3.6.

Non-residents' demand for domestic shares pushed up prices and trading volumes

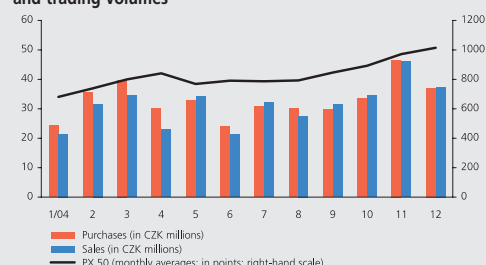


Chart II.3.7.

The Prague Stock Exchange index recorded exceptionally strong growth in 2004
(5 January 2004 = 100; in points)

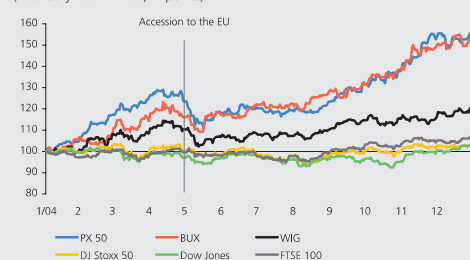


Chart II.3.8.

Ten-year government bond yields fell
(percentages)

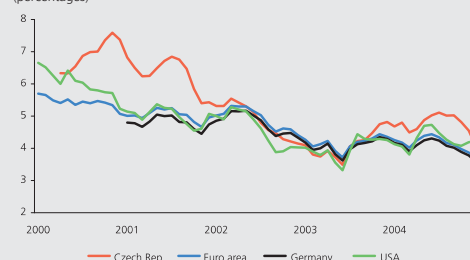


Chart II.3.9.

The final balance of portfolio investment flows was affected chiefly by growth in liabilities

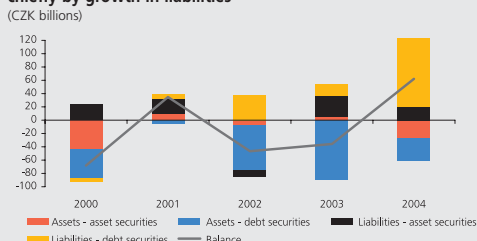
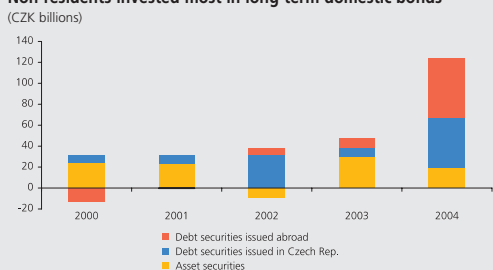


Chart II.3.10.

Non-residents invested most in long-term domestic bonds



change (of around CZK 98 billion) was fostered on the assets side by a decline in Czech investors' interest in foreign instruments, most probably due to the higher attractiveness of domestic investments and an expected rise in the prices of Czech equities. On the liabilities side, there was an increase in non-residents' interest in domestic bonds issued abroad in foreign currency, as well as in koruna bonds.

Assets recorded a net outflow abroad of CZK 61.1 billion (EUR 1.9 billion) in 2004. Investment by Czech entities in foreign equity securities reached CZK 27.3 billion, which represents an increase in the outflow of funds abroad of around CZK 32.9 billion by comparison with 2003. However, residents' interest in foreign bonds fell significantly (by CZK 55.7 billion year on year) compared to the previous year. Net investment in bonds was CZK 33.8 billion.

The net inflow of foreign portfolio investment (on the liabilities side) of CZK 123.3 billion (EUR 3.9 billion) grew by CZK 75.1 billion year on year in 2004. This inflow was mainly associated with purchases of domestic bonds (CZK 103.7 billion, i.e. up by CZK 85.7 billion compared to 2003) issued both at home and abroad. Four major issues by the government and corporate sectors were implemented abroad in 2004, totalling around CZK 60 billion. Purchases of domestic shares exceeded sales by CZK 19.6 billion, which represents a year-on-year decline in the inflow of funds of around CZK 10.6 billion. The volume of share transactions by non-residents, however, exceeded the previous year's level by around CZK 170 billion. The almost 30% rise in transactions suggests that the Czech Republic became a more attractive market for foreign investors upon its accession to the European Union.

3.3. FINANCIAL DERIVATIVES

A net outflow of capital of CZK 1.5 billion was recorded for financial derivatives. In contrast, such transactions had shown a surplus of around CZK 3.9 billion in 2003. This item, however, does not have any major impact on the overall financial account balance.

3.4. OTHER INVESTMENT

Other investment recorded a net inflow of funds of CZK 19.6 billion (EUR 0.6 billion) in 2004. However, this represents a year-on-year decline in the inflow of funds of around CZK 115.9 billion.

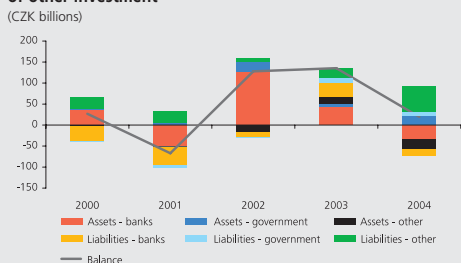
The largest recipient of foreign funds (amounting to CZK 37.2 billion) was the corporate sector. The inflow into the corporate sector was associated above all with drawings on long-term loans (including a loan drawn by ČEZ to finance foreign acquisitions) and also with an increase in short-term import liabilities.

The government sector also recorded a surplus of CZK 32.1 billion. On the assets side, this result was due to operations carried out in 2004 Q4 relating to the settlement of debts dating from the period of central planning. On the liabilities side, the government sector continued to draw on loans from the EIB at both central and local level for the clean-up of flood damage and the construction of anti-flood measures, as well as for transport infrastructure development.

In contrast, an outflow of funds abroad of CZK 50.4 billion was recorded by commercial banks. On the assets side, there was an increase in their short-term deposits abroad (of around CZK 34.8 billion). As regards the structure of banks' activities, there was a year-on-year decline in their investments in foreign securities. A fall in deposits from foreign banks and clients was recorded on the liabilities side.

Chart II.3.11.

All sectors except commercial banks recorded a net inflow of other investment



4. CNB INTERNATIONAL RESERVES

CNB international reserves adjusted for valuation changes rose by CZK 6.8 billion in 2004 (EUR 0.2 billion). This rise resulted from the CNB's transactions with clients and the sale of part of the returns on the reserves.

The international reserves amounted to CZK 636.2 billion (EUR 20.9 billion) at the end of 2004, which represents a year-on-year decline of CZK 55.3 billion. The decline in the reserves in koruna terms resulted from the koruna's appreciation against the euro and the dollar. On the other hand, in dollar terms the reserves rose by around USD 1.5 billion to USD 28.4 billion owing to movements of the euro and dollar exchange rates on the world market. The reserves would be sufficient to cover around four months' worth of imports of goods and services.

5. THE INTERNATIONAL INVESTMENT POSITION, EXTERNAL DEBT AND DEBT SERVICE

5.1. THE INVESTMENT POSITION

At the end of 2004, the international investment position of the Czech Republic showed a deficit of CZK 825 billion (EUR 27.1 billion), which represents 30% of GDP. There was an increase in the net debtor position of the state of CZK 297.5 billion on a year earlier. Underlying this figure was a rise in liabilities of CZK 295.2 billion, linked mainly with capital inflow in the form of portfolio investment and direct investment. Assets fell by CZK 2.3 billion compared to a year earlier. The asset structure recorded a decrease in the CNB's international reserves and a decline in government assets. Other items on the assets side showed an increase of around CZK 53 billion. The investment position was affected, *inter alia*, by the appreciation of the koruna's exchange rate against the euro and the dollar.

As regards structure, the negative international investment position was generated by all components of the investment position except commercial banks.

The debtor position under direct investment rose by CZK 90.1 billion compared to 2003. According to preliminary figures, this rise mainly reflected reinvested earnings and capital increases in existing investments.

The sharpest year-on-year rise in the debtor position (of CZK 131.9 billion) was recorded for portfolio investment (excluding the CNB), due to non-residents' investment in securities issued by Czech entities and denominated in both koruna and foreign currencies. Growth in prices of koruna non-debt securities held by non-residents also contributed to the rise in liabilities. Investment by domestic investors abroad increased, albeit to a lesser extent. For details on the portfolio investment structure, see Annex 12.

The CNB has the largest international creditor position, owing to its international reserves. Assets saw a year-on-year decrease of CZK 56 billion due to valuation changes stemming from the koruna's appreciation against the euro and the dollar.

The net international creditor position of commercial banks (excluding portfolio investment) recorded a net surplus of CZK 5.6 billion at the end of the year. The net position of commercial banks was affected by total assets growing by around CZK 16 billion. Liabilities of banks recorded a net decline of around CZK 29 billion. This decline in liabilities (non-residents' deposits) was probably linked with optimisation of fund allocation, particularly by parent banks.

Table II.4.1.
CNB international reserves decreased owing to exchange rate movements

	2003	2004	Change
CNB international reserves (in CZK billions)	691.5	636.2	-55.3
Coverage of goods and services imports (in months)	5.0	4.0	-1.0

Table II.5.1.
The negative net investment position increased year on year, owing to growth in liabilities (CZK billions)

	2003	2004	Change
Assets	1,537.3	1,535.0	-2.3
Liabilities	2,064.8	2,360.0	295.2
Net investment position	-527.5	-825.0	-297.5

Note:
Under liabilities, unlike for gross debt, direct investment includes ownership interests as well as credit transactions and portfolio investment includes equity securities as well as debt securities.

Table II.5.2.
Commercial banks did not contribute to the increase in the investment position deficit (CZK billions)

	2003	2004	Change
Direct investment	-1,103.2	-1,193.3	-90.1
Portfolio investment	120.3	-11.6	-131.9
Financial derivatives	4.7	6.2	1.5
CNB	692.0	636.0	-56.0
Commercial banks	-39.3	5.6	44.9
Government	57.1	16.9	-40.3
Corporations	-259.1	-284.8	-25.7
Net investment position	-527.5	-825.0	-297.5

Note:
Under liabilities, unlike for gross debt, direct investment includes ownership interests as well as credit transactions and portfolio investment includes equity securities as well as debt securities.

Table II.5.3.
External debt exceeded CZK 1 billion, with long-term liabilities predominating
(CZK billions)

	2003	2004	Change
External debt, total	895.1	1,013.2	118.1
short-term	359.1	381.5	22.4
long-term	536.0	631.7	95.7
Share of short-term debt	40.1%	37.7%	-2.4%

Chart II.5.1.
The government sector accounted for most of the rise in total debt
(CZK billions)

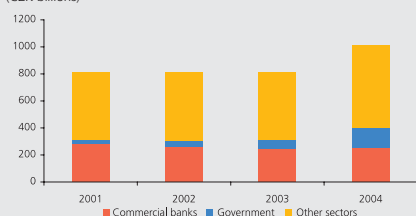
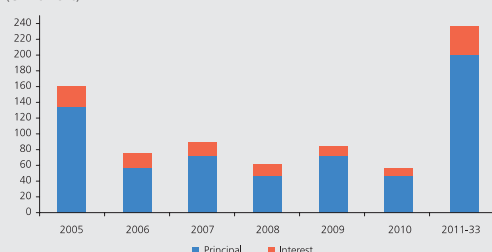


Table II.5.4.
Loans and deposits dominate the debt breakdown by instrument
(CZK billions)

	2003	2004	Change
Money market instruments	2.2	8.7	6.5
Bonds and notes	80.6	163.5	82.8
Loans	375.4	408.8	33.4
Deposits	203.4	172.7	-30.7
Trade credits	62.5	83.2	20.7
Other liabilities	18.7	20.9	2.2
Intercompany FDI loans	152.4	155.6	3.2
Total debt	895.1	1,013.2	118.1

Chart II.5.2.
Debt service will rise after 2011 owing to repayments of government liabilities
(CZK billions)



The government's position contributed a surplus of CZK 16.9 billion to the overall balance. Compared to the previous year, the government's creditor position fell by CZK 40.3 billion, mainly due to the settlement of bad debt dating from the period of central planning. On the liabilities side, there was an increase in long-term loans drawn by the government sector from international institutions for anti-flood measures and transport infrastructure development. This item does not include funds drawn by the government under portfolio investment.

The debtor position of the corporate sector rose by a further CZK 26 billion as a result of funds drawn from abroad (loans and supplier credits).

5.2. EXTERNAL DEBT

The total external debt of the Czech Republic stood at CZK 1,013.2 billion (EUR 33.3 billion) at the end of the year, which is around 37% of GDP. Koruna-denominated debt accounted for around 30% of this figure, rising by CZK 59 billion to CZK 304.4 billion. Compared to the previous year, the total debt was up by CZK 118.1 billion, mainly due to growth in long-term liabilities.

As regards debtors, the government sector (central government and municipalities) accounted for most of the rise in long-term debt. Its liabilities increased by around CZK 79 billion to CZK 147.7 billion, amounting to 23.4% of the Czech Republic's total long-term debt. In addition to long-term bonds issued abroad in the first half of 2004, the government sector continued to draw on long-term loans from the European Investment Bank. Other sectors recorded an aggregate increase in long-term liabilities and their long-term debt represented around 66.4% of the total long-term debt at the end of the year. The banking sector accounted for just 10% of the long-term liabilities.

The largest annual growth in, and stock of, short-term liabilities was recorded by the corporate sector and the banking sector. The short-term debtor position of the government and the central bank is negligible in terms of the total volume of short-term liabilities.

As in 2003, loans from banks and corporations had the biggest share in the external debt structure with regard to the instruments used (around 40%). Bank deposits saw a year-on-year decline of around 6 percentage points. In contrast, the rising interest of foreign investors in domestic long-term securities led this form of debt to account for 16% of the debt structure. Direct investment loans accounted for around 15%. The share of corporate sector trade credits rose to 8% year on year. Other instruments had only a small share in the overall debt structure.

5.3. DEBT SERVICE

Debt service on long-term foreign liabilities amounted to CZK 169.8 billion (around EUR 5.3 billion) in 2004. Repayments of principal were CZK 143.1 billion, and a total of CZK 26.7 billion was repaid in interest. Debt service costs increased by around CZK 41 billion on a year earlier.

The largest amount of debt was repaid by the corporate sector in 2004 (CZK 152.8 billion). Corporations were primarily paying off loans from foreign banks and direct investors, as well as import liabilities. Commercial banks repaid a total of CZK 14 billion of their long-term foreign liabilities. Repayments by the government sector, including municipalities and cities, amounted to around CZK 3 billion. The central bank made an annual repayment of CZK 26.3 billion on a loan drawn from the EIB.

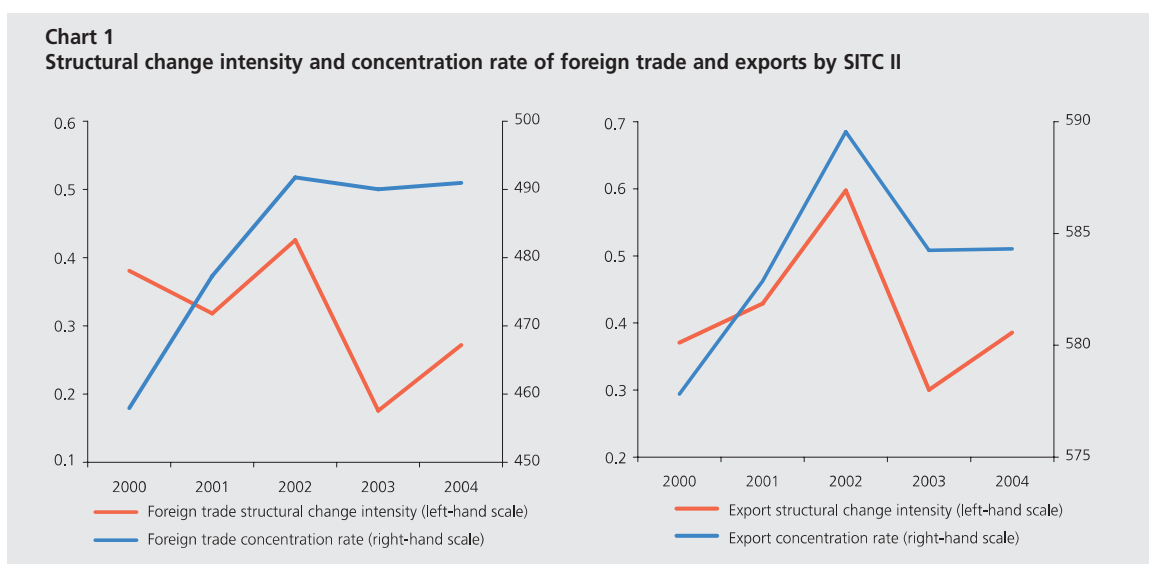
Debt-service financing represented 8.7% of exports of goods and services for 2004. This ratio was up by 0.6% on a year earlier.

ANALYSIS OF FOREIGN TRADE

1. The trade balance and structural changes in foreign trade

The trade balance of the Czech Republic has been continuously improving since 2000. Many commentators refer in this respect to positive structural changes brought about by the past inflow of foreign direct investment (FDI), which has increased the competitiveness of the Czech economy and *inter alia* its resilience to the koruna's appreciation. The year 2004, when the trade deficit totalled CZK 22.3 billion, has received a particularly positive assessment in relation to growth in the performance of the Czech economy. The aim of this section is to analyse in detail the substance of the improved trade balance and key tendencies for the long-term sustainability of this improvement using a simple structural analysis of Czech foreign trade in terms of goods and the institutional framework.

The structural changes in Czech foreign trade have indeed picked up pace since 2000, being more intensive on the export side and peaking in 2002. The most important information in Chart 1 is the rising concentration of Czech foreign trade and exports in some commodity groups. A slowdown in the pace of structural change can be seen since 2002, with the higher concentration achieved in foreign trade simultaneously being maintained. In the case of exports, there was a fall in the concentration rate, which, however, still exceeded the starting year of 2000².



2. Concentration in selected commodity groups

The improvement in the overall trade balance was due in particular to a sharply growing surplus in one commodity category (SITC 7 – machinery and transport equipment), which, however, traditionally represents a key export segment. The trade balance in SITC 7, which had been roughly zero in 2000, saw a surplus of CZK 140.3 billion

² The structural change index is expressed by the Landesmann index

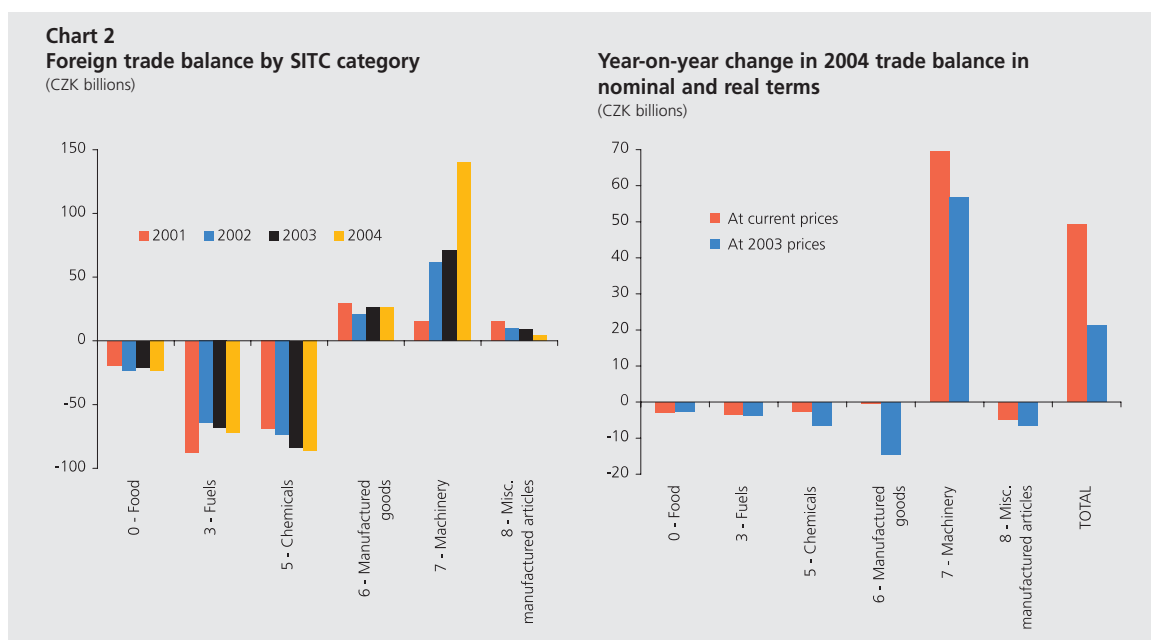
$$S = \sqrt{\sum_{i=1}^n (s_i^y - s_i^x) (s_i^y / 100)}$$

and the concentration rate is expressed by the Herfindahl index

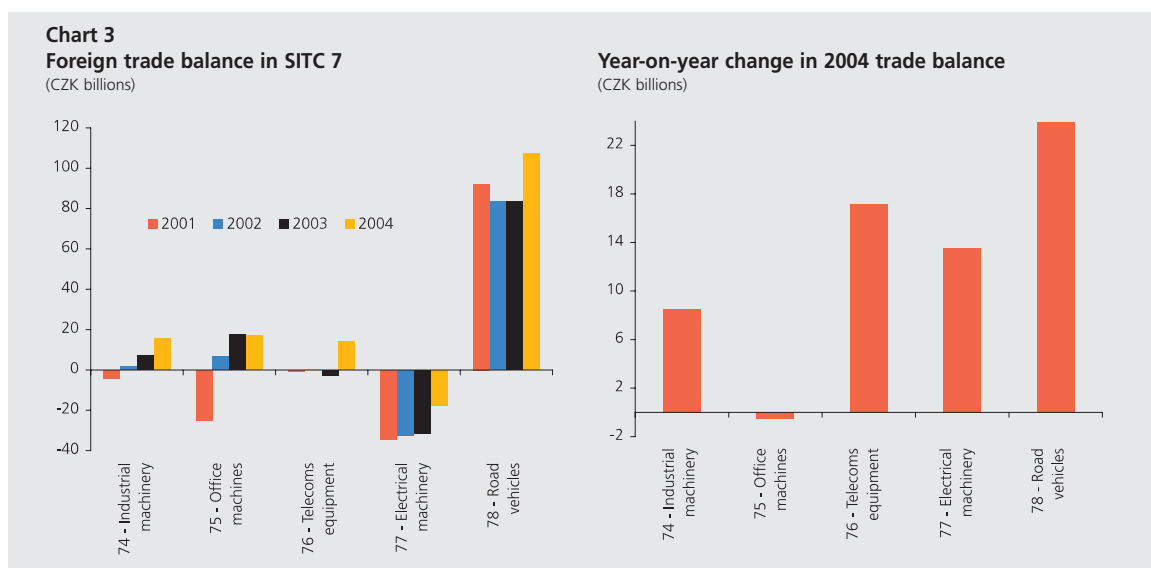
$$HI = \sum_{i=1}^n (s_i)^2$$

where s_i represents the share of commodity group i ($i = 1 \dots n$) in total foreign trade or exports, and x is the base period and y is the current period.

in 2004. The annual change in the SITC 7 balance was particularly large in 2004, when the surplus in this category rose by CZK 69.4 billion in nominal terms and by CZK 56.6 billion in real terms. As shown in Chart 2, it was SITC 7 that generated the considerable annual improvement in foreign trade in 2004. Moreover, the improvement was seen in both nominal and real terms. The share of SITC 7 in total exports has gradually been increasing, amounting to around 50% in 2004.



This would theoretically mean for SITC 7 overall that producers were not only able to increase the physical volume of exported goods in 2004, but were also able to sell them at the same or higher prices. Nevertheless, the explanation in conditions of stagnating foreign demand and increasing competitiveness could be, *inter alia*, that part of production was moved from EU-15 countries to the Czech Republic during the period under review and that the resulting products were exported to markets with guaranteed sales and relatively higher prices. The improvement in the trade balance generated by this factor probably cannot be assessed as an across-the-board improvement in competitiveness in foreign trade, but rather as a positive structural change in selected products.



The considerable trade surplus in SITC 7 was achieved thanks to a surplus in subcategory 78 "Road vehicles". The balance in this subcategory also recorded its strongest growth in 2004 and will further improve in 2005 due to the launch of car production at TPCA Kolín. Nevertheless, the balance in the road vehicles subcategory has been more or less flat over the past four years, with foreign trade improving mainly in the subcategories of industrial and office machinery, telecommunications equipment and, in 2004, also electrical machinery. Although road vehicles and electrical machinery exports have the highest shares in SITC 7 (30% and 20% respectively), these shares have declined in recent years, mainly in favour of office machinery (12%) and telecommunications equipment (8%). Subcategories with considerably improved exports accounted for around 30% of total exports.

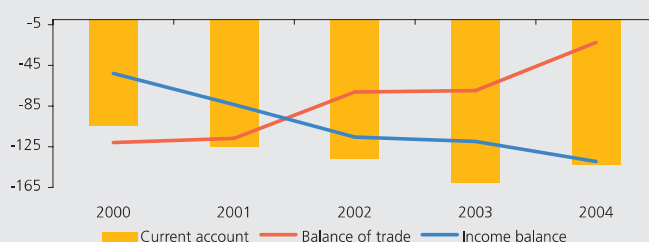
SITC 7 production is directly or indirectly linked with foreign direct investment, which totalled roughly CZK 1.2 trillion in the Czech economy at the end of 2002, with investment in manufacturing accounting for 35.5%.

3. Influence of ownership

Although private domestic and foreign-controlled corporations had roughly the same shares of total manufacturing output in 2000, the share of foreign-controlled corporations gradually rose, exceeding 62% in 2004. Foreign-controlled corporations accounted for almost 90% of the total output of transport equipment (DM) and electrical and optical equipment (DL). At the same time, the high export performance of these industries was reflected in an increased outflow of income (profits) back to foreign countries.

Therefore, the total current account cannot be expected to improve to the same extent as the trade balance. The current account deficit is likely to remain large in the coming few years (at around 5% of GDP). The current account is likely to experience an opening of the imaginary scissors between the trade balance and the income balance, with only a slightly positive effect on the total current account.³

Chart 4
The current account balance and its components
(CZK billions)



³ The situation is complicated by foreign-controlled services (in particular financial services and network industries), which offer mostly nontradable products intended primarily for the domestic economy. Such industries do not directly improve export performance, but manifest themselves only in a rising income deficit.

Table 1
Percentage shares of foreign-controlled non-financial corporations (FCCs) and private corporations (PCs) owned by residents in total sales of production, including sales margins

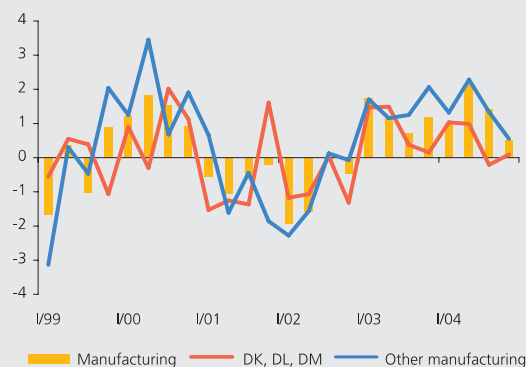
NACE	Title	2000		2001		2002		2003		2004	
		FCCs	PCs	FCCs	PCs	FCCs	PCs	FCCs	PCs	FCCs	PCs
A	Agriculture, hunting and forestry	0.2	85.4	0.2	86.7	0.2	85.7	0.2	85.4	0.3	84.5
B	Fishing	0.0	72.5	0.0	73.7	0.0	75.2	0.0	73.8	0.0	71.2
C	Mining and quarrying	4.9	67.4	15.5	58.5	13.9	59.2	13.4	61.3	16.1	57.2
D	Manufacturing	46.8	46.0	54.5	42.2	57.1	40.1	61.0	36.0	62.4	34.5
DA	Manufacture of food products, beverages and tobacco	34.1	63.1	39.3	58.4	42.6	55.8	40.6	57.5	44.2	54.2
DB	Manufacture of textiles and textile products	25.4	73.8	32.0	71.6	34.4	66.6	36.7	63.3	36.7	63.3
DC	Manufacture of leather and leather products	11.1	87.1	15.7	84.1	24.9	75.1	37.2	62.8	37.6	62.4
DD	Manufacture of wood and wood products	48.2	49.9	55.3	46.3	53.8	46.7	55.6	44.4	54.4	45.6
DE	Manufacture of pulp, paper and paper products; publishing and printing	49.8	46.3	53.9	44.0	64.5	33.9	69.0	29.3	69.7	29.1
DF	Manufacture of coke, refined petroleum products and nuclear fuel	0.0	64.3	0.0	89.7	0.0	90.7	0.0	86.9	0.0	87.5
DG	Manufacture of chemicals, chemical products and man-made fibres	22.6	43.8	31.6	41.6	32.8	40.9	30.6	38.7	29.1	36.4
DH	Manufacture of rubber and plastic products	62.4	35.6	69.5	34.5	72.1	29.1	71.9	28.1	72.9	27.1
DI	Manufacture of other non-metallic mineral products (glass, ceramics)	48.1	47.8	56.2	42.3	57.7	41.1	60.3	39.0	59.7	39.8
DJ	Manufacture of basic metals and fabricated metal products	22.7	65.5	26.3	70.6	26.3	71.9	42.1	56.6	46.2	53.3
DK	Manufacture of machinery and equipment n.e.c.	26.1	68.3	36.2	58.2	41.8	55.5	45.9	50.5	45.2	52.2
DL	Manufacture of electrical and optical equipment	74.4	24.6	82.9	17.2	86.2	14.2	88.6	11.4	89.7	10.3
DM	Manufacture of transport equipment	83.9	15.0	85.9	12.2	86.6	12.4	87.8	11.8	89.0	10.6
DN	Manufacturing n.e.c.	44.7	53.7	50.5	49.1	48.4	49.2	50.3	49.7	53.2	46.8
E	Electricity, gas and water supply	6.3	38.0	8.5	59.7	17.3	59.2	25.5	50.6	26.3	51.2
F	Construction	16.2	80.5	21.5	74.9	23.9	73.6	23.6	73.9	24.2	73.6
G	Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	53.2	44.9	56.4	41.6	58.3	40.8	64.1	35.4	64.7	35.0
H	Hotels and restaurants	51.7	46.4	59.8	36.9	60.0	36.8	67.1	32.0	69.2	30.3
I	Transport, storage and communication	4.8	46.6	15.0	57.4	24.2	50.8	27.0	48.3	27.8	46.7
K	Real estate, renting and business activities	44.1	50.2	47.0	48.8	45.3	51.4	49.0	47.6	51.1	45.0
L–Q	Public, social and personal services (education, health, etc.)	9.2	84.8	12.5	83.2	14.0	82.1	13.8	77.7	18.6	72.1
C+D+E	Industry, total	39.9	45.5	46.6	45.2	50.2	43.4	55.0	38.6	56.1	37.5

4. Financial indicators

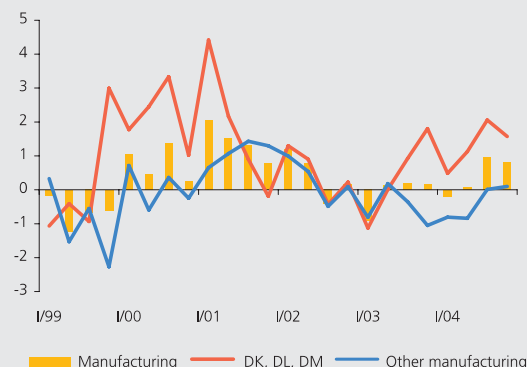
As regards the main financial indicators over the past five years (see Chart 5), the trends in manufacturing can be assessed positively.

A look at the financial indicators separately for *machinery* and the identical financial indicators for *other industries* of manufacturing and for manufacturing as a whole reveals that both the operating profit-expenses ratio and the consumption expenses-output ratio evolved better for *other industries* of manufacturing in the previous period. In the past two years, the operating profit-expenses ratio has been improving year on year for manufacturing as a whole, with *other industries* showing better improvements despite a higher absolute level of this indicator, since the quarterly operating profit-expenses ratio for *machinery* has long been fluctuating at a lower level around an average of 4.8%, while the operating profit-expenses ratio in *other industries* has amounted to 6.9% on average

Chart 5
Operating profit-expenses ratio, y-o-y changes in p.p.



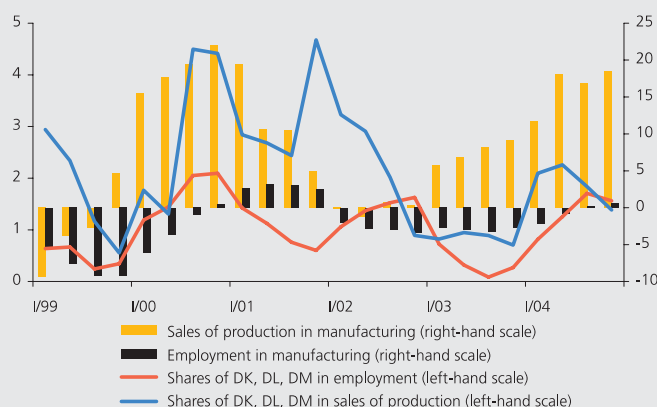
Ratio of cost of sales to sales of production, y-o-y changes in p.p.



since 1999, albeit with larger fluctuations. On the other hand, *other industries* have seen an annual drop in their ratio of cost of sales to sales of production, while *machinery* recorded a rise in this ratio. A similar trend can also be observed for the ratio of personnel costs to value added, which has been declining more in *other industries* than in *machinery* in the past two years⁴. A likely major factor here is pressure for restructuring in other manufacturing industries, which in large part (with a couple of exceptions – DE and DH) are still privately owned by residents.

Throughout the period under review, the weight of *machinery* increased in terms of both total sales of production and overall employment, amid an absolute decline in employment in manufacturing. Since 2000, the shares of *machinery* in manufacturing sales and employment have increased from around 35% and 36% respectively to the current 43% and 40%.

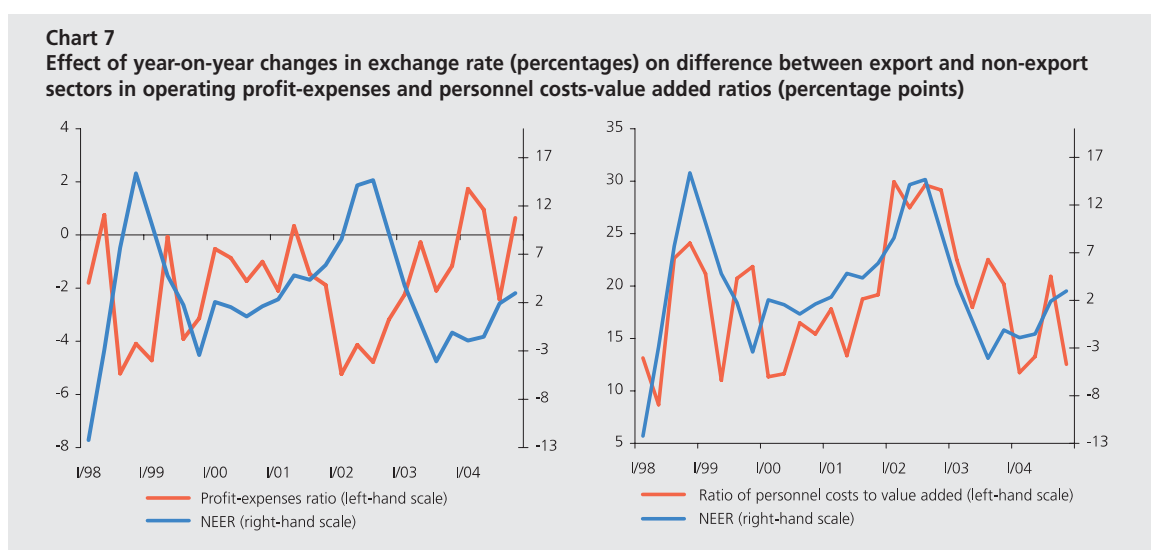
Chart 6
Year-on-year changes in share of machinery category in employment and sales of production in manufacturing (percentage points) and year-on-year changes in sales of production and employment in manufacturing (percentages)



⁴ The economic results of some branches that are members of supranational companies are affected by the internal policies of such companies. For example, tax optimisation is based on cost manipulation by means of transfer prices applied within the supranational company. The taxation policy of supranational companies in the case of territorial income taxation (the case of the Czech Republic) is usually implemented in such a way that operating units in countries with higher taxes seldom make a profit, and vice versa. In addition to goods and material flows, the parent company can withdraw profits made by a subsidiary by selling fictitious services ("expertise and consultations") or by charging high interest rates on credit granted to the subsidiary (other capital under direct investment).

From the point of view of the effect of the exchange rate component of the monetary conditions on financial indicators, we can conclude that exchange rate movements are reflected most intensively in the performance of private corporations owned by residents. In order to express the relationship between the exchange rate and the performance of private non-financial corporations owned by residents, indicators were selected to reflect the differences in the operating profit-expenses ratios between exporters (more than 60% of production intended for export) and non-exporters (less than 60% intended for export). The ratio of personnel costs to value added was calculated in a similar way.

As shown in Chart 7, the appreciation of the nominal effective exchange rate in 1998 and at the turn of 2001/2002 was reflected in a deteriorating operating profit-expenses ratio for exporting industries by comparison with non-exporting industries. Likewise, in periods of appreciation of the koruna, value added fell in exporting industries, leading to growth in the ratio of personnel costs to value added. The developments in the final year under review do not clearly exclude a continuation of this relationship.



5. Conclusions

The structural analysis of Czech foreign trade reveals that the improvement in the total trade balance was mainly due to fast growth in surplus in the machinery and transport equipment category (SITC 7). A detailed look at SITC 7 shows that this improvement was generated in particular subcategories accounting for almost one-third of total exports. Production of such products is directly linked institutionally with past inflow of foreign direct investment and is associated with a growing outflow of earnings (dividends and reinvestment) in the income balance. In the past three years, we have thus witnessed an imaginary opening of the scissors between the trade balance and the income balance, with a persisting relatively high total current account deficit. A comparison of the surplus in nominal and real terms shows that the growth in the trade surplus for selected groups occurred in both nominal and real terms, despite prevailing lower growth in external demand. This was probably achieved through the relocation of part of production from the old EU-15 countries to the Czech Republic for reasons of cost optimisation. The analysis of selected financial indicators suggests that the exchange rate remains a major factor affecting the performance of export industries. An apparent relationship has been identified in the case of private corporations owned by residents, whose exchange rate risk management and refinancing options are more limited than those of corporations that are members of supranational companies.

FINANCIAL FLOWS BETWEEN THE CZECH REPUBLIC AND THE EUROPEAN UNION IN 2004

2004	Reality		Ministry of Finance forecasts	
	EUR millions	CZK millions	EUR millions	CZK millions
Pre-accession aid	156.9	4,877.9	200.9	6,427.4
PHARE	82.5	2,576.7	113.4	3,628.3
ISPA	35.8	1,086.8	61.9	1,980.7
SAPARD	38.6	1,214.4	25.6	818.5
Agriculture	90.8	2,813.7	110.5	3,534.9
Market measures	4.7	147.3	49.7	1,591.5
Direct payments	0.0	0.0	0.0	0.0
Rural development	86.0	2,666.4	60.7	1,943.4
Structural operations	193.4	6,082.9	186.1	5,954.7
Structural Funds	161.6	5,118.5	179.7	5,751.9
Cohesion Fund	31.8	964.3	6.3	202.8
Internal policies	12.2	387.4	56.5	1,808.8
Transitional measures	0.0	0.0	7.8	250.0
Community programmes	12.2	387.4	48.7	1,558.8
Compensation	331.3	10,466.5	332.3	10,466.5
<i>Total income from EU Budget</i>	784.6	24,628.4	886.2	28,192.3
EEA Financial Instrument	0.0	0.0	0.0	0.0
Bilateral aid from Norway	0.0	0.0	0.0	0.0
Total income	784.6	24,628.4	886.2	28,192.3
Traditional own resources (customs duties etc.)	61.2	1,910.1	73.2	2,371.1
VAT-based resource	80.5	2,548.8	82.2	2,662.5
GNI-based resource	374.7	11,865.3	472.1	15,299.8
UK rebate	51.8	1,639.0	62.5	2,025.6
<i>Total payments of own resources to EU</i>	568.1	17,963.2	689.9	22,359.0
<i>Net position in respect of EU budget</i>	216.5	6,665.2	196.3	5,833.3
Payments to European Investment Bank	27.7	879.8		
Contribution to capital	7.9	249.4		
Contribution to reserves	19.9	630.3		
Payment to European Central Bank	5.7	184.9		
Contribution to capital	5.7	184.9		
Total payments to EU institutions	601.6	19,027.9		
Net position in respect of EU institutions	183.1	5,600.5		

Source: Ministry of Finance; CNB calculation

The Czech Republic's accession to the EU in May 2004 had a substantial effect on the volume and structure of financial flows in respect of EU institutions. The actual financial flows included in the balance of payments for 2004 are compared with the position forecasted for 2004⁵. Movements on accounts connected with transfers

⁵ The Ministry of Finance's forecasts for revenues from the EU budget and transfers of own resources are derived from the Copenhagen summit conclusions. Revenues were converted at an exchange rate of 32 CZK/EUR and transfers of own resources at 32.41 CZK/EUR. Realised revenues from the EU are converted for the balance of payments at the midpoint koruna-euro exchange rate on the date of the transaction. Transfers of own resources are realised in koruna and included in the balance of payments also in koruna. Their conversion into euro is for information only and is effected at the midpoint exchange rate on the date of transaction.

between the EU budget and corresponding Czech institutions, most notably the Czech Ministry of Finance's National Fund in the area of structural operations, the Ministry of Finance in the area of transfers of own resources, and the Ministry of Agriculture in the area of Common Agricultural Policy implementation, are monitored for balance of payments purposes.

1. Revenues from the EU budget

In the shortened fiscal period 2004–2006 the Czech Republic is a recipient of funds from the *Phare*⁶, *Sapard*⁷ and *ISPA*⁸ instruments of **pre-accession aid**. The funds have been set for the whole programme period and drawings thereon can be shifted from one period to another, but the total limit for the budgetary period cannot be exceeded. In 2004, a total of CZK 2.6 billion was received for Phare projects, compared to the planned CZK 3.6 billion. CZK 1.2 billion was drawn from the Sapard programme, i.e. CZK 0.4 billion more than the allocation for 2004. The ISPA instrument was terminated for new applicants on 30 April 2004 and replaced by drawings from the Cohesion Fund within the structural operations chapter. The Czech Republic obtained a total of CZK 1.1 billion for projects financed from the ISPA programme in 2004.

Under **Agriculture**, the Czech Republic received only CZK 147.3 million in payments from the *Common Organisation of the Market* programme, compared to the planned CZK 1.6 billion. For approved projects from the *Horizontal Rural Development Plan* within the Common Agricultural Policy, the Czech Republic obtained advance payments amounting to CZK 2.7 billion from the EU in 2004. No drawing on funds for *direct payments* to farmers was planned for 2004.

Under **Internal policies**, the Czech Republic, as an EU Member State, is a recipient of aid from a new Community programme called the *Transitional Instrument*. No funds were drawn in 2004 and the drawings were deferred to subsequent years. *Community programmes* within the framework of EU internal policies are focused on supporting activities in the areas of education, science and research, business and research capacities, culture, the information society, consumer protection and many others. Unlike funds for direct payments within the Common Agricultural Policy and for structural policy, which are allocated to the individual Member States in advance, funds for Community programmes are allocated in most cases on the basis of the quality of the submitted projects regardless of their nationality. Community programmes are not centrally monitored in the Czech Republic; the funds go via national agencies or directly to the main partners of the specific projects in individual Member States, and so payment thereof cannot be recorded. The survey includes payments totalling CZK 0.4 billion. The larger part of the funds comprises payments for Community programmes via national agencies whose accounts are held with commercial banks, and they were included in the survey on the basis of a direct statistical survey of these agencies. The smaller portion of the funds included under Community programmes was realised via accounts at the Czech National Bank.

Under **Structural operations**, the Czech Republic obtained advanced payments totalling CZK 5.1 billion on the basis of the National Development Plan for 2004–2006. The actual transfer of advance payments thus roughly corresponds to the expected allocation for 2004. Between accession in May 2004 and the end of the year, the Czech Republic obtained approximately CZK 1 billion for prepared infrastructure projects financed from the Cohesion Fund.

Under **Compensation** for non-worsening of the net position following accession to the EU (an outcome of the Copenhagen summit), the Czech Republic obtained CZK 10.5 billion. Compensation is a direct resource of the state budget and is not tied to the implementation of particular projects. It enables funds to be used for the co-financing of structural operations.

6 The Phare programme (Pologne-Hongrie Actions pour la Reconversion Economique) was established in 1989 with the aim of helping post-communist countries to reconstruct their economies. Its significance has gradually changed and at present the Phare programme is the main financial instrument of pre-accession strategy. A modified Phare programme was prepared for 2000–2006, with priority given to institution building and investment financing.

7 The Sapard programme (Special Accession Programme for Agriculture and Rural Development) is a pre-accession programme of assistance in preparing for participation in the EU's Common Agricultural Policy and for drawing on the Structural Funds.

8 The ISPA programme (Instrument for Structural Policies for Pre-Accession) is focused on supporting investment projects which enhance the environmental and transport infrastructure.

No assistance funds were drawn from the off-budgetary sources **EEA Financial Instrument**⁹ and **Bilateral aid from Norway** in 2004. Agreements on the Czech Republic's participation in the aforementioned programmes were not signed until the end of 2004, and funds will be drawn from these programmes in future years.

2. Payments to the EU budget

The Czech Republic's payments to the EU budget are effected in Czech korunas in regular monthly instalments and totalled CZK 17.9 billion for the first eight months of the Czech Republic's membership of the EU. These are advance payments and the final settlement will always be performed retrospectively after the end of the period according to the relevant definitive statistical data (i.e. the gross national product of the Czech Republic for 2004 and collection of VAT and customs duties in 2004) and taking into consideration the koruna-euro exchange rate in the given period.

3. Payments of capital to the EIB and the ECB

The first payment of capital and reserves of the European Investment Bank (EIB), totalling CZK 0.9 billion, was made in September 2004. **The CNB's contribution to the capital of the European central bank** (ECB), amounting to CZK 0.2 billion, was paid shortly after the Czech Republic joined the EU in May 2004.

4. Summary

The realised **net position**¹⁰ of the Czech Republic in respect of the EU budget for 2004 was CZK 6.7 billion, exceeding the estimate for 2004 in the Copenhagen summit conclusions (CZK 5.8 billion) by CZK 0.8 billion. Payments of capital and contributions to the reserves of the EIB and payment of capital of the ECB totalled CZK 1.1 billion. **Including payments to the EIB and ECB, the net position vis-à-vis EU institutions fell to CZK 5.6 billion.** In the balance of payments, mutual transfers are recorded on the current account under government transfers. The surplus on transfers from the EU stood at CZK 1.5 billion in 2004. Under the valid methodology, transfers from the Cohesion Fund and the transfer of part of the advance payments under structural operations are recorded on the capital account. The capital transfers surplus associated with EU structural operations amounted to CZK 5.2 billion. Payments of capital and reserves of the EIB and payment of capital of the ECB are included in the financial account and show a deficit of CZK 1.1 billion.

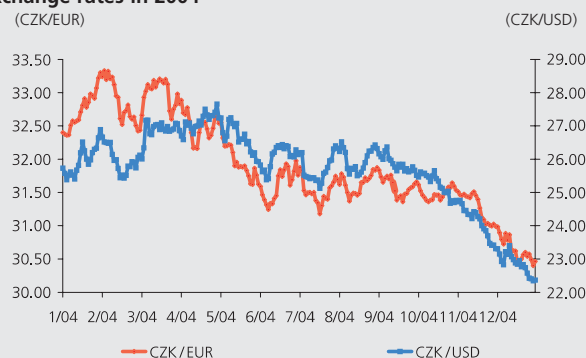
9 EEA – European Economic Area = programme of assistance from the European Economic Area

10 Net position – balance of total revenues from EU budget and payments to EU

THE NOMINAL AND REAL EXCHANGE RATE OF THE KORUNA

1. Nominal exchange rate of the koruna

Chart 1
CZK/EUR and CZK/USD exchange rates in 2004



The foreign exchange market did not respond to the positive macroeconomic figures at the beginning of the year, and the domestic currency depreciated against the euro by roughly 1 koruna during January 2004. The depreciation was associated with the use of the Czech koruna to finance investments in other Central European currencies, motivated by the interest rate differential. At the start of the year investors were selling Czech korunas and buying other Central European currencies, where they were achieving higher interest yields with the prospect of a fall in these rates. The depreciation pressure was also linked with repatriation of profits. Closing of long positions in dollars against the Czech koruna started at the beginning of April, and the CNB simultaneously declared its intention to sell off part of the income on its international reserves on the market. Further appreciation of the koruna was fostered by depreciation of the dollar against the euro, which led to purchases of korunas chiefly against the dollar.

Political turbulence connected with the failure of the government coalition parties in elections to the European Parliament and the subsequent resignation of the prime minister, coupled with technical factors, led the koruna to depreciate towards 32.00 against the euro in the second half of June.

Speculation on the sale of Český Telecom, which without the CNB's involvement might have led to robust purchases of korunas against foreign currencies, is cited as the cause of the koruna's appreciation at the end of 2004. Other factors supporting the strengthening of the domestic currency included the evolution of the euro-dollar exchange rate and the announced sale of TV Nova by Czech company PPF to US firm CME. The improving Czech macroeconomic figures also probably played a role. With Christmas approaching, low liquidity prevailed on the market, and by the end of the month the koruna – thanks to client transactions – had firmed to 30.330, where it ended the year.

In 2004, the koruna appreciated by almost CZK 2 (6.6%) against the euro and by more than CZK 3 (12.8%) against the dollar.

2. Nominal effective exchange rate of the koruna

The nominal effective exchange rate (NEER), expressed as an index, shows the appreciation (index > 100) or depreciation (index < 100) of the national currency against a basket of selected currencies for a certain time period relative to a base period (2000). The NEER index was calculated in two alternatives as the weighted geometrical average of nominal exchange rates taking into account 23 countries covering approximately 90% of Czech foreign trade. Alternative I uses the weights of the total exports and imports of these countries, whereas Alternative II uses the weights of the exports and imports of these countries in SITC commodity groups 5–8. The NEER is calculated in a time series as the monthly average and yearly average on the 2000 base for 12 currency areas. The euro area countries' exports and imports are recorded as a single weight using the koruna-euro rate.

Chart 2
The koruna's nominal effective exchange rate rose year on year in 2004 H2
 (monthly figures in %; year 2000 = 100)

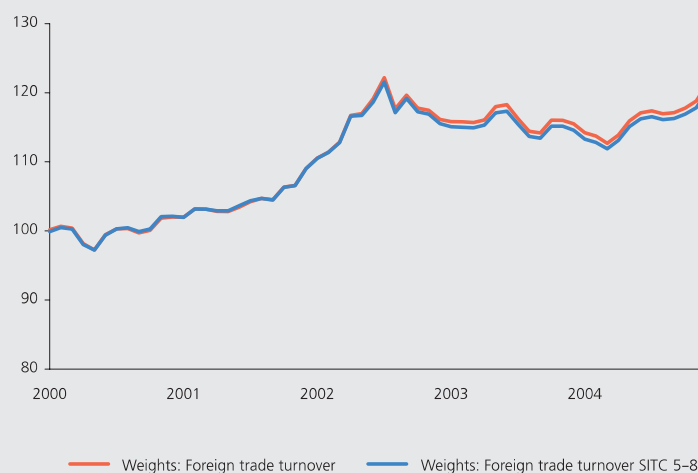


Table 1
Nominal effective exchange rate of the koruna in %

	2004											
(year 2000 = 100)	1	2	3	4	5	6	7	8	9	10	11	12
Weights: Foreign trade turnover	114.2	113.7	112.7	113.9	115.9	117.1	117.4	117.0	117.1	117.8	118.8	121.3
Weights: Foreign trade turnover SITC 5-8	113.3	112.8	111.9	113.1	115.1	116.2	116.5	116.1	116.3	116.9	117.8	120.3
appreciation > 100; depreciation < 100												

The koruna's monthly NEER index firmed steadily from the start of Q2. The largest appreciation was recorded in Q4, peaking in December at 121.3% (Alternative I) and 120.3% (Alternative II) relative to the 2000 base. The assessment of the monthly NEER indices during Q4 showed a sizeable appreciation of the koruna against the dollar and the euro. This appreciation was moderated by the koruna's depreciation against the Slovak koruna, the Polish zloty and the Hungarian forint.

The average annual NEER index strengthened in year-on-year comparison by a negligible 0.3% (in Alternatives I and II). Its modest year-on-year appreciation chiefly reflected the koruna's appreciation against the dollar and the Polish zloty, which was offset by a year-long weakening of the koruna's exchange rate against the Slovak koruna and the pound and a stagnation of the koruna-euro exchange rate.

3. Real effective exchange rate of the koruna deflated by price indices

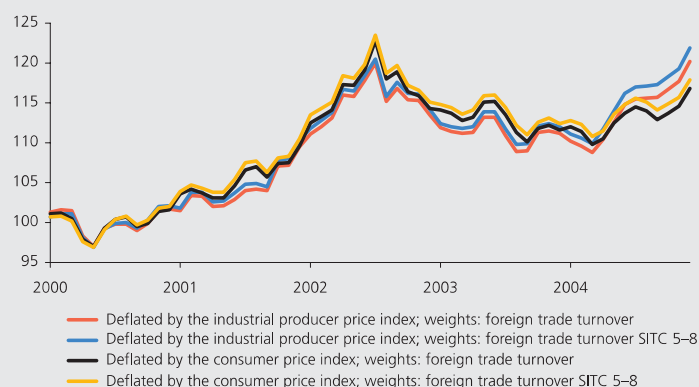
The real effective exchange rate (REER) is one of the indicators of a country's international competitiveness and in general represents various levels of relative prices or costs expressed in a particular currency.

The REER was calculated as the weighted geometric average of the nominal exchange rate index and the price differential (the ratio of foreign price indices to domestic price indices). The weights applied are the shares of the Czech Republic's major trading partners in overall trade turnover. It follows from the nature of the REER calculation that the REER trend depends on the nominal exchange rate of the koruna against the selected currencies and is corrected by the price differential.

To construct the REER, the consumer and industrial producer prices of 23 countries were used. For calculation purposes the euro area countries are given as one area. The structure of the countries and their weights are

identical to the methodology used for calculating the NEER. In Alternative I, the weights relate to the entire foreign trade turnover, whereas in Alternative II they only relate to SITC commodity groups 5–8.

Chart 3
Real effective exchange rate of the koruna – price index deflator
(monthly figures in %; year 2000 = 100)



The monthly REER index of the koruna developed similarly to the NEER, i.e. it steadily strengthened from the start of Q2. In December 2004 it appreciated by 9% year on year on the basis of industrial producer prices and by 5.2% on the basis of consumer prices (both figures according to Alternative I).

According to average annual data (for 2004 preliminary figures calculated from monthly data) in Alternative I (weights in foreign trade turnover in the base year) the koruna's REER rose by 2.7% in industrial producer prices and by only 0.1% in consumer prices. In Alternative II (weights in foreign trade turnover of SITC 5–8) it increased by 3.4% in industrial producer prices and by 0.4% in consumer prices. The REER was affected both by the appreciation of the koruna by comparison with the previous year and by faster growth of domestic industrial producer prices compared to prices in the euro area, which has the largest weight in the foreign trade structure.

Table 2
Real effective exchange rate of the koruna – price index deflator
(year 2000 = 100)

	2004											
Weights: Foreign trade turnover	1	2	3	4	5	6	7	8	9	10	11	12
In industrial producer prices	110.2	109.6	108.8	110.4	112.6	114.7	115.5	115.6	115.7	116.7	117.7	120.2
In consumer prices	111.9	111.3	109.7	110.4	112.5	113.6	114.5	113.9	112.9	113.7	114.6	116.8

4. Real exchange rate of the koruna deflated by labour cost index (LCI)

Chart 4
Real effective exchange rate of the koruna – Labour Cost Index deflator
(quarterly figures in %; year 2000 = 100)

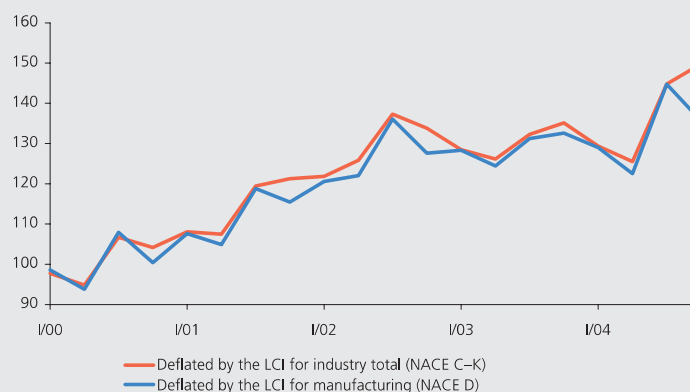


Table 3
Real effective exchange rate of the koruna – Labour Cost Index deflator
(year 2000 = 100)

	2003				2004			
	Q2	Q2	Q3	Q4	Q2	Q2	Q3	Q4
Weights: Foreign trade turnover								
Deflated by the LCI for manufacturing (NACE D)	128.3	124.4	131.2	132.6	129.0	122.5	144.7	135.7
Deflated by the LCI for industry total (NACE C-K)	128.5	126.2	132.3	135.1	129.4	125.5	144.8	149.8

The LCI is monitored in compliance with EC Regulations No. 450/2003 and No. 1216/2003 and is derived from hourly, not monthly, labour costs.

The LCI is compiled in the A–O categories of economic activity as defined by NACE Rev. 1. Labour costs comprise wages and salaries, including compensation for time not worked, mandatory social contributions and other costs independent of wages and salaries. They do not include contributions for transport, retraining, clothing, etc.

The REER of the koruna deflated by labour costs is calculated as the weighted geometrical average of the nominal exchange rate index ratio and the labour cost differential. The weights applied are the shares of the 19 largest trading partners in foreign trade turnover. The REER of the koruna deflated by the labour cost index was constructed from the basic labour cost indices in industry as a whole (NACE C–K) and manufacturing (NACE D), where the year 2004 = 100.

The koruna's REER deflated by the labour cost index in industry and services as a whole (NACE C–K) rose by 6.8% compared to 2003. The equivalent figure for manufacturing was 3.9%. The appreciation was affected by the strong appreciation of the koruna's nominal exchange rate and by faster growth in the labour cost index in the Czech Republic than abroad, in particular in the euro area. The labour cost index in industry and services as a whole in the EU countries rose by 0.3% compared to the previous year, whereas in the Czech Republic it increased by 7.9%.

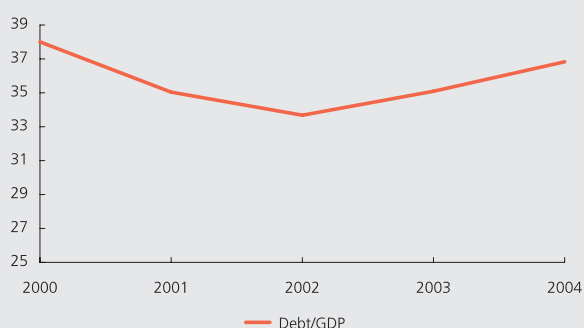
DEBT INDICATORS OF THE EXTERNAL STABILITY OF THE CZECH REPUBLIC

This assessment of selected indicators of the Czech Republic's external stability in the context of its external debt level and debt service commitments is based on the recommendations contained in the IMF's 2003 "External Debt Statistics" publication. The publication was produced in co-operation with other international organisations.

1. External debt/GDP

Growth in the external debt of the government and corporate sectors generated a rise in the ratio of external debt to GDP (36.8%) in 2004. Despite the GDP growth achieved, growth in liabilities with fixed maturity – and thus also a worsening of the ratio to GDP – has been visible since 2002. By international standards, the Czech Republic's external debt is considered to be at a safe level.

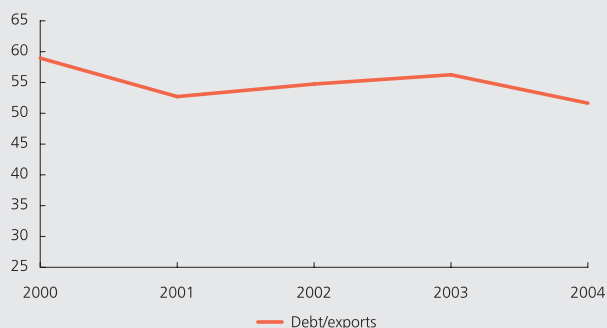
Chart 1
External debt/GDP
(percentages)



2. External debt/exports

As in previous years, the ability of the Czech economy to repay its external debt through exports of goods and services was favourable in 2004. In all, 51% of annual goods and services exports were necessary to repay the annual volume of principal and interest. Given the stability of this indicator it is clear that the rate of growth of goods and services exports is higher than that of liabilities with fixed maturity.

Chart 2
External debt/exports
(percentages)



3. CNB international reserves/short-term debt

In 2004, the CNB's international reserves were 15.4% higher than the volume of rapidly mobilisable external debt (short-term liabilities, including due debt service on long-term debt in the corresponding year). This indicator mainly reflected wider use of short-term forms of external financing and an increase in repayments of long-term liabilities. Despite the falling trend, the coverage of rapidly mobilisable debt by CNB international reserves is sufficient with regard to liquidity.

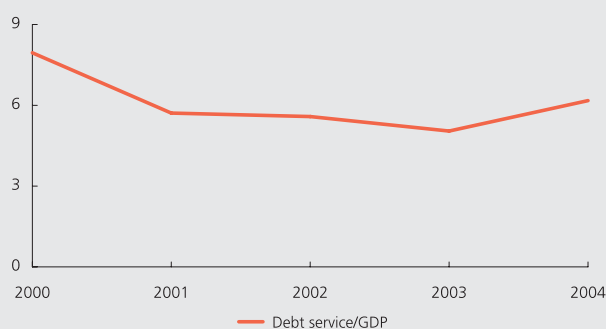
Chart 3
CNB international reserves/short-term debt
(percentages)



4. Debt service/GDP

The volume of debt service increased and exceeded 5% of GDP. Despite the GDP growth achieved in 2004, this indicator was affected most by more intensive amortisation of long-term external debt. However, the volume of loans repaid was fully renewed by newly drawn loans. Debt service consumed a larger proportion of newly created resources than in previous years.

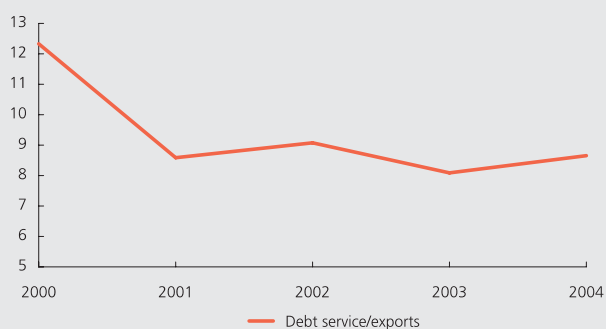
Chart 4
Debt service/GDP
(percentages)



5. Debt service/exports

A total of 8.6% of annual exports of goods and services were necessary to cover debt service payments on medium-term and long-term liabilities in 2004. An increase in payments of principal and interest was partly offset by higher export performance of the Czech economy. By international standards, this indicator is a sufficient distance from the threshold viewed as sensitive (25%).

Chart 5
Debt service/exports
(percentages)



Conclusion

The indicators were affected by a faster rise in debt service than in previous years and growth in the total indebtedness of the Czech Republic. The ability of the economy to repay the assumed liabilities can still be regarded as trouble-free. Despite an increase in liabilities with fixed maturity, the external debt of the country is below the level viewed as sensitive on the basis of empirical knowledge.

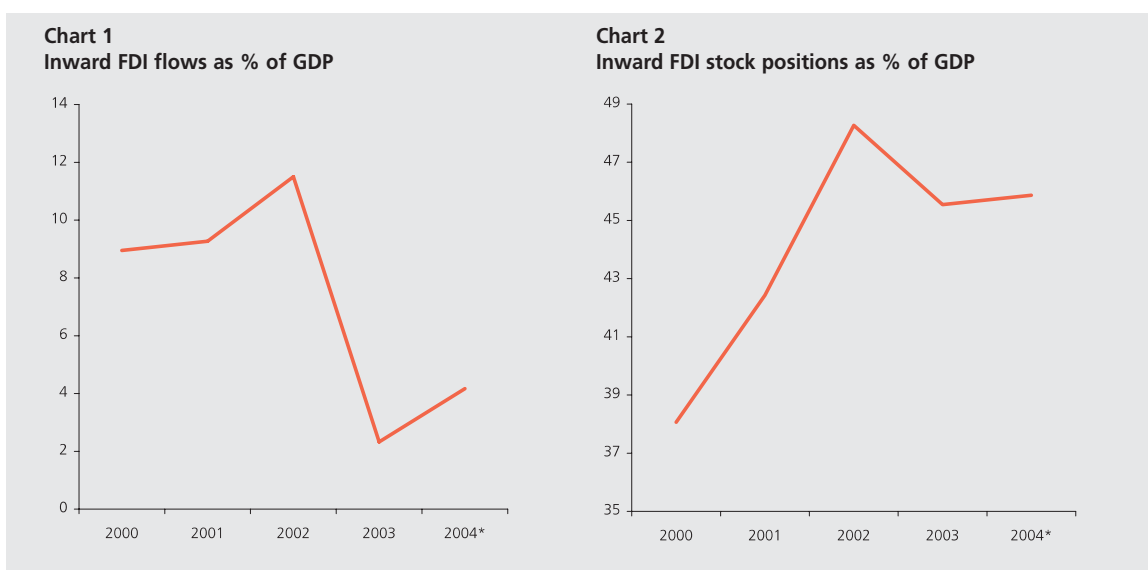
ECONOMIC GLOBALISATION INDICATORS FOR FOREIGN DIRECT INVESTMENT

The following economic globalisation indicators, which are intended to foster uniform evaluation and analysis of selected economic globalisation processes in OECD countries, are monitored according to the approved OECD handbook.

1. Basic indicators¹¹

1.1. Flows and stocks as a percentage of gross domestic product

According to preliminary data, foreign direct investment (FDI) inflow amounted to 4.2% of GDP in 2004. Although this represents an increase of 1.9 percentage points on 2003, it was less than half the level in previous years. The stock of FDI amounted to 45.5% of GDP in 2003, and another slight increase is expected in 2004. The return on direct investment amounts to 4.6% of GDP and reduces the final use of national income generated. The corresponding indicators for the outflow of direct investment are insignificant from a macroeconomic perspective.



1.2. Globalisation benefits of FDI for the host country (by territory and economic activity)

The dominant share of EU countries in the total FDI inflow into the Czech Republic increased again in 2004, reaching almost 80%. Over 50% of this came from the Netherlands, Germany and Austria. Other major investors included the USA and Japan. According to the latest stock data for 2003, the EU countries accounted for 88% of total FDI in the Czech Republic. By economic activity, the inflow of funds into manufacturing and services in 2004 was roughly balanced. Investment in primary production was negligible. Over 40% of the investment headed into the traditional branches of trade and repairs, real estate and business activities, and financial intermediation. According to the stock data, at the end of 2003 more than 40% of the investment was allocated in manufacturing, and the share of financial intermediation, trade and repairs and real estate put together was 38%.

11 * indicates preliminary data; a minus sign represents a loss or disinvestment

Chart 3
Shares of inward FDI flows by investing country/economic zone as % of total

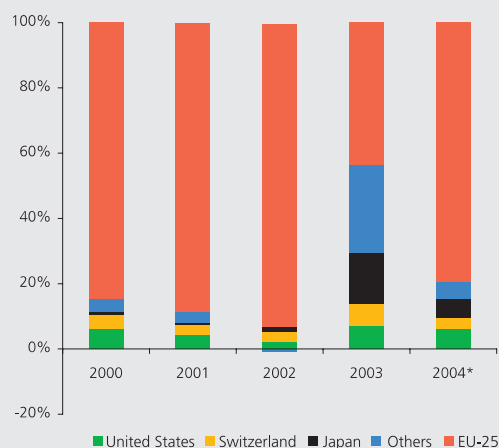


Chart 4
Shares of inward FDI flows by economic activity as % of total

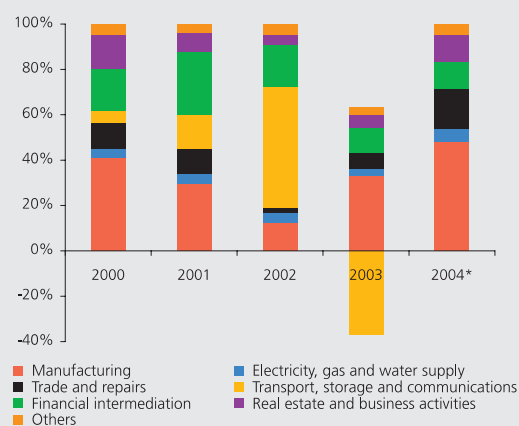


Chart 5
Shares of inward FDI stock positions by investing country/economic zone as % of total

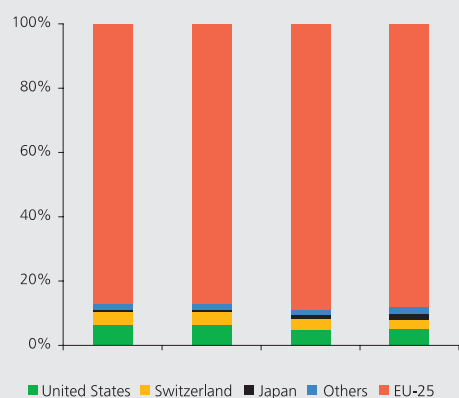
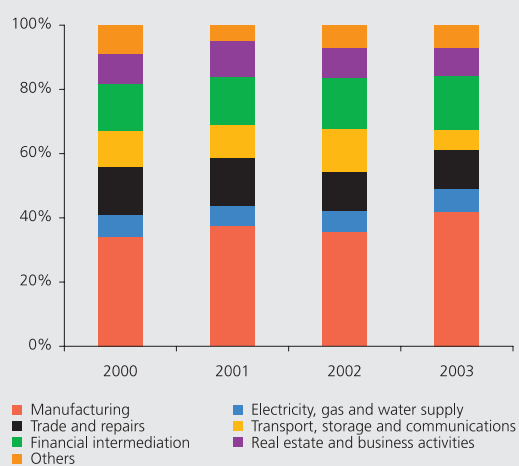


Chart 6
Shares of inward FDI stock positions by economic sector as % of total



1.3. Return on foreign direct investment

The total return on FDI is increasing and amounts to roughly 10%. The return on investment varies according to country and economic activity. For example, investments from the USA and EU countries are achieving returns of over 10%. By economic activity, the return on investment is highest in financial intermediation, exceeding 15% in 2002 and 2003. Manufacturing is showing a consistently above-average rate of return of around 10%. In 2003, the rate of return on FDI in manufacturing stood at 10.9%.

Table 1
Returns on FDI as % of inward FDI stock positions by investing country/economic zone

Country or economic zone	Return CZK bn	Stock CZK bn	Rate of return in %	Return CZK bn	Stock CZK bn	Rate of return in %	Return CZK bn	Stock CZK bn	Rate of return in %
	2001			2002			2003		
EU-25	70.7	854.6	8.3	94.1	1,036.5	9.1	110.2	1,022.2	10.8
United States	7.5	62.9	11.9	5.7	56.8	10.1	6.7	59.9	11.2
Switzerland	2.2	38.5	5.6	4.0	40.8	9.7	2.2	32.4	6.8
Japan	-0.1	7.5	-0.7	0.05	13.0	0.3	-0.4	20.7	-1.9
Others	0.7	18.8	3.8	-0.6	18.3	-3.2	-0.4	26.7	-1.6
Total	81.0	982.3	8.2	103.3	1,165.5	8.9	118.3	1,161.8	10.2

Table 2
Returns on FDI as % of inward FDI stock positions by economic activity

Aggregated sector	Return CZK bn	Stock CZK bn	Rate of return in %	Return CZK bn	Stock CZK bn	Rate of return in %	Return CZK bn	Stock CZK bn	Rate of return in %
	2001			2002			2003		
Manufacturing	40.6	369.0	11.0	39.9	413.5	9.6	52.9	486.7	10.9
Electricity, gas and water supply	4.3	60.0	7.2	6.9	79.9	8.6	9.0	83.9	10.7
Trade and repairs	9.5	148.0	6.4	9.0	138.5	6.5	7.1	142.8	5.0
Transport, storage and communications	2.3	101.8	2.2	9.7	158.0	6.1	9.2	69.1	13.3
Financial intermediation	18.8	145.4	12.9	28.4	185.2	15.3	29.5	195.0	15.1
Real estate and business activities	2.3	112.0	2.1	5.0	108.1	4.6	4.0	104.1	3.9
Others	3.2	46.1	7.0	4.6	82.4	5.5	6.5	80.2	8.1
Total	81.0	982.3	8.2	103.3	1,165.5	8.9	118.3	1,161.8	10.2

The ratio of reinvested earnings to return on equity in 2001–2004 (preliminary data) is falling. The volume of funds from total earnings allocated for strengthening current investment is decreasing in favour of dividend payments. In total, reinvested earnings as a ratio of return on equity declined from 78% in 2001 to 51% in 2004 (according to preliminary data). By territory, the largest fall was recorded by the EU countries and the USA, which means that more than half of the return on equity is paid out in dividends. By economic activity, the sharpest decline was in transport and telecommunications due to extraordinary dividend payments and the winding-up of some foreign-controlled corporations in 2003. The ratio of reinvested earnings to return on equity has also long been falling in financial intermediation, where it declined from 85% in 2001 to 34% in 2004. A very large fall was recorded in the electricity, gas and water supply sector, where the ratio went down from 82% in 2001 to 22.6% in 2004.

Table 3
Reinvested FDI earnings as % of return on equity by investing country/economic zone

Country or economic zone	Reinvested earnings CZK bn	Return on equity CZK bn	in %	Reinvested earnings CZK bn	Return on equity CZK bn	in %	Reinvested earnings CZK bn	Return on equity CZK bn	in %	Reinvested earnings CZK bn	Return on equity CZK bn	in %
	2001			2002			2003			2004*		
EU-25	50.2	65.0	77.3	58.6	88.7	66.1	56.1	105.6	53.1	56.5	114.2	49.5
United States	6.1	6.8	90.2	3.8	5.3	72.9	4.6	6.4	72.3	3.9	4.0	96.1
Switzerland	1.1	1.9	57.2	3.1	3.7	83.7	1.6	1.9	80.6	2.0	2.5	80.6
Japan	-0.1	-0.1	x	0.009	0.012	69.0	-0.4	-0.4	x	-0.02	0.4	x
Others	0.3	0.4	80.6	-1.1	-0.6	x	-1.0	-0.5	x	-0.8	-0.7	x
Total	57.8	74.1	77.9	64.3	97.0	66.3	60.9	113.0	53.9	61.5	120.4	51.1

Note: Return on equity consists of reinvested earnings and dividends
Note: x - indicator not quantified; has no information value at this level of aggregation

Table 4
Reinvested FDI earnings as % of return on equity by economic activity

Aggregated sector	Reinvested earnings			Return on equity			Reinvested earnings			Return on equity			Reinvested earnings			Return on equity		
	CZK bn	CZK bn	in %	CZK bn	CZK bn	in %	CZK bn	CZK bn	in %	CZK bn	CZK bn	in %	CZK bn	CZK bn	in %	CZK bn	CZK bn	in %
	2001			2002			2003			2004*								
Manufacturing	28.7	37.4	76.8	25.0	36.8	68.0	33.0	50.2	65.8	32.7	52.4	62.4						
Electricity, gas and water supply	3.5	4.3	82.0	4.2	6.7	63.4	5.5	8.9	61.8	2.4	10.5	22.6						
Trade and repairs	6.3	8.1	77.8	4.1	8.3	49.3	3.2	6.3	50.7	6.9	9.0	76.4						
Transport, storage and communications	1.0	2.0	50.1	4.0	9.0	44.2	-7.8	9.3	x	3.5	10.2	34.7						
Financial intermediation	15.8	18.6	84.7	21.1	28.3	74.8	19.6	29.1	67.3	10.7	31.7	33.6						
Real estate and business activities	0.2	0.8	30.0	2.4	3.9	62.4	2.0	3.1	65.0	-0.2	0.6	x						
Others	2.2	2.9	75.9	3.4	4.1	84.9	5.4	6.2	87.9	5.6	6.0	93.6						
Total	57.8	74.1	77.9	64.3	97.0	66.3	60.9	113.0	53.9	61.5	120.4	51.1						

Note: Return on equity consists of reinvested earnings and dividends

Note: x - indicator not quantified; has no information value at this level of aggregation

The ratio of dividends to return on equity increased from 22% in 2001 to 49% in 2004. The highest volume of dividends was paid to investors from EU countries, particularly the Netherlands, to where companies from various parts of the world are moving their registered offices for tax reasons. By economic activity, 2003 saw extraordinary dividend payments in telecommunications and transport. The ratio of dividends to return on equity in manufacturing was high. The growth in dividends as a percentage of return on equity continued in 2004, particularly in electricity, gas and water supply, where it reached 77.4%, and in financial intermediation, where 66.4% of the return on equity was paid out as dividends on average. The dividends were paid from funds created from retained profits.

Table 5
Dividends paid abroad as % of return on equity by investing country/economic zone

Country or economic zone	Dividends			Return on equity			Dividends			Return on equity			Dividends			Return on equity		
	CZK bn	CZK bn	in %	CZK bn	CZK bn	in %	CZK bn	CZK bn	in %	CZK bn	CZK bn	in %	CZK bn	CZK bn	in %	CZK bn	CZK bn	in %
	2001			2002			2003			2004*								
EU-25	14.8	65.0	22.7	30.1	88.7	33.9	49.5	105.6	46.9	57.6	114.2	50.5						
United States	0.7	6.8	9.8	1.4	5.3	27.1	1.8	6.4	27.7	0.15	4.0	3.9						
Switzerland	0.8	1.9	42.8	0.6	3.7	16.3	0.38	1.9	19.4	0.49	2.5	19.4						
Japan	0.005	-0.07	x	0.004	0.012	31.0	0.0	-0.4	x	0.4	0.4	x						
Others	0.1	0.4	19.4	0.5	-0.6	x	0.5	-0.5	x	0.14	-0.7	x						
Total	16.4	74.1	22.1	32.7	97.0	33.7	52.1	113.0	46.1	58.8	120.4	48.9						

Note: Return on equity consists of reinvested earnings and dividends

Note: x - indicator not quantified; has no information value at this level of aggregation

Table 6
Dividends paid abroad as % of income on equity abroad by economic sector

Aggregated sector	Income on equity			Income on equity			Income on equity			Income on equity		
	Dividends	CZK bn	in %	Dividends	CZK bn	in %	Dividends	CZK bn	in %	Dividends	CZK bn	in %
		2001			2002			2003			2004*	
Manufacturing	8.7	37.4	23.2	11.8	36.8	32.0	17.2	50.2	34.2	19.7	52.4	37.6
Electricity, gas and water supply	0.8	4.3	18.0	2.5	6.7	36.6	3.4	8.9	38.2	8.1	10.5	77.4
Trade and repairs	1.8	8.1	22.2	4.2	8.3	50.7	3.1	6.3	49.3	2.1	9.0	23.6
Transport, storage and communications	1.0	2.0	49.9	5.0	9.0	55.8	17.1	9.3	x	6.7	10.2	65.3
Financial intermediation	2.9	18.6	15.3	7.1	28.3	25.2	9.5	29.1	32.7	21.1	31.7	66.4
Real estate and business activities	0.6	0.8	70.0	1.5	3.9	37.6	1.1	3.1	35.0	0.8	0.6	x
Others	0.7	2.9	24.1	0.6	4.1	15.1	0.7	6.2	12.1	0.4	6.0	6.4
Total	16.4	74.1	22.1	32.7	97.0	33.7	52.1	113.0	46.1	58.8	120.4	48.9

Note: Return on equity consists of reinvested earnings and dividends
Note: x - indicator not quantified; has no information value at this level of aggregation

2. Supplementary indicators

Supplementary indicators record the share of FDI items (equity capital, reinvested earnings and other capital) in a particular country/economic zone or economic activity in the total inflow of FDI in that country/economic zone or economic activity.

The ratio of direct investment flows to equity capital in 2004 declined compared to previous years, to just below 40% of the total inflow. In previous years the figure had been around 60%–80%, except in 2003, when it fell to 6% as a result of transactions in the telecommunications sector (adjusted for these transactions it stood at 83%). Reinvested earnings are gradually rising, and made up more than 50% of the total inflow in 2004. Other capital accounted for 9%. The FDI stock position structure is similar. The deviations from the average of the economy are negligible as regards classification by territory and economic activity. By territory, investment from Japan continues to show a high share of direct investment in equity capital. In terms of economic activity, a high negative share was recorded by transport and telecommunications due to a capital reduction at Transgas.

Table 7
Inward equity capital flows as % of inward FDI flows by investing country/economic zone

Country or economic zone	shares in %				
	2000	2001	2002	2003	2004*
EU-25	69.3	60.5	73.0	-83.9	29.1
United States	50.7	27.5	93.7	-35.7	40.4
Switzerland	87.8	62.9	36.6	58.5	34.5
Japan	x	78.7	86.4	75.4	104.5
Others	86.9	75.0	x	77.6	86.2
Total	70.1	59.8	74.1	-2.6	37.4

Note: x - indicator not quantified; has no information value at this level of aggregation

Table 8
Inward equity capital flows as % of inward FDI flows by economic activity

Group of sectors	shares in %				
	2000	2001	2002	2003	2004*
Manufacturing	58.2	34.5	46.0	23.9	31.2
Electricity, gas and water supply	62.9	59.9	59.9	32.4	62.5
Trade and repairs	92.6	77.9	x	63.3	57.4
Transport, storage and communications	59.2	94.3	91.2	57.4	-512.9
Financial intermediation	83.1	69.8	53.8	11.2	7.9
Real estate and business activities	69.5	41.9	69.0	93.8	77.5
Others	88.4	32.8	42.8	19.0	13.2
Total	70.1	59.8	74.1	-2.6	37.4

Note: x - indicator not quantified; has no information value at this level of aggregation

Table 9
Inward reinvested earnings flows as % of inward FDI flows by investing country/economic zone

Country or economic zone	shares in %				
	2000	2001	2002	2003	2004*
EU-25	21.7	26.5	22.5	216.8	62.0
United States	7.2	66.1	61.8	106.7	53.3
Switzerland	8.5	16.6	34.6	40.8	55.1
Japan	-10.4	-7.1	0.2	-4.6	-0.4
Others	1.0	4.3	62.0	-5.6	-14.5
Total	19.2	26.9	23.2	102.7	53.6

Note: x - indicator not quantified; has no information value at this level of aggregation

Table 10
Inward reinvested earnings flows as % of inward FDI flows by economic activity

Group of sectors	shares in %				
	2000	2001	2002	2003	2004*
Manufacturing	31.9	45.3	76.4	44.7	59.3
Electricity, gas and water supply	40.8	34.2	33.8	77.9	34.5
Trade and repairs	-8.9	26.4	73.7	20.6	34.8
Transport, storage and communications	12.0	3.2	2.8	9.5	695.3
Financial intermediation	19.9	26.2	43.6	77.7	80.7
Real estate and business activities	2.0	1.4	20.0	16.1	-1.3
Others	15.0	28.2	15.5	72.1	108.8
Total	19.2	26.9	23.2	102.7	53.6

Table 11
Inward other capital flows as % of inward FDI flows by investing country/economic zone

Country or economic zone	shares in %				
	2000	2001	2002	2003	2004*
EU-25	8.1	13.0	4.6	-32.9	8.8
United States	42.1	6.5	-55.5	28.9	6.4
Switzerland	3.8	20.4	28.7	0.7	10.4
Japan	-3.7	28.3	13.4	29.2	-4.2
Others	31.3	20.7	x	28.6	28.3
Total	10.7	13.3	2.7	-0.1	9.0

Note: x - indicator not quantified; has no information value at this level of aggregation

Table 12
Inward other capital flows as % of inward FDI flows by economic activity

Group of sectors	shares in %				
	2000	2001	2002	2003	2004*
Manufacturing	9.8	20.0	-22.4	31.4	9.5
Electricity, gas and water supply	-3.7	5.9	6.4	-10.3	3.0
Trade and repairs	16.2	-4.3	x	16.1	7.8
Transport, storage and communications	28.8	2.5	6.1	33.1	-82.5
Financial intermediation	-3.0	4.1	2.6	11.0	11.4
Real estate and business activities	28.4	56.7	11.0	-9.9	23.8
Others	-3.4	39.9	41.7	8.9	-22.0
Total	10.7	13.3	2.7	-0.1	9.0

Note: x - indicator not quantified; has no information value at this level of aggregation

Table 13
Inward equity capital and reinvested earnings stock positions as % of FDI stock positions by investing country/economic zone

Country or economic zone	shares in %			
	2000	2001	2002	2003
EU-25	86.7	86.0	87.3	87.9
United States	75.6	78.5	82.2	81.0
Switzerland	89.9	87.8	82.3	77.5
Japan	98.2	94.8	93.1	82.6
Others	70.0	66.5	87.1	74.1
Total	85.8	85.3	86.9	86.9

Table 14
Inward equity capital and reinvested earnings stock positions as % of FDI stock positions by economic activity

Group of sectors	shares in %			
	2000	2001	2002	2003
Manufacturing	90.3	81.1	86.0	83.3
Electricity, gas and water supply	99.6	98.7	98.0	99.0
Trade and repairs	75.2	80.1	81.5	80.3
Transport, storage and communications	94.8	94.6	91.0	118.7
Financial intermediation	99.7	98.0	97.0	95.8
Real estate and business activities	69.7	70.8	69.1	69.1
Others	58.6	92.0	82.9	81.6
Total	85.8	85.3	86.9	86.9

Table 15
Inward other capital stock positions as % of FDI stock positions by investing country/economic zone

Country or economic zone	shares in %			
	2000	2001	2002	2003
EU-25	13.3	14.0	12.7	12.1
United States	24.4	21.5	17.8	19.0
Switzerland	10.1	12.2	17.7	22.5
Japan	1.8	5.2	6.9	17.4
Others	30.0	33.5	12.9	25.9
Total	14.2	14.7	13.1	13.1

Table 16
Inward other capital stock positions as % of FDI stock positions by economic activity

Group of sectors	shares in %			
	2000	2001	2002	2003
Manufacturing	19.0	17.9	14.0	16.7
Electricity, gas and water supply	0.4	1.3	1.6	1.0
Trade and repairs	24.8	19.9	18.5	19.7
Transport, storage and communications	5.2	5.4	9.0	-18.7
Financial intermediation	0.3	2.0	3.0	4.2
Real estate and business activities	30.3	29.2	30.9	30.9
Others	5.5	16.1	17.5	18.4
Total	14.2	14.7	13.1	13.1

BALANCE OF PAYMENTS for January to December 2004

(preliminary data - 9 March 2005)

	in CZK millions	in EUR millions	in USD millions
A. CURRENT ACCOUNT	-143,259.0	-4,490.3	-5,574.0
Trade balance	-22,325.0	-699.7	-868.6
Exports	1,713,694.0	53,714.1	66,678.1
Imports	1,736,019.0	54,413.8	67,546.7
Services	12,472.5	390.9	485.3
Credit	248,433.1	7,786.9	9,666.3
Transport	72,308.9	2,266.4	2,813.5
Travel	107,129.8	3,357.9	4,168.3
Other services	68,994.4	2,162.6	2,684.5
Debit	235,960.6	7,396.0	9,181.0
Transport	38,603.0	1,210.0	1,502.0
Travel	58,362.8	1,829.3	2,270.8
Other services	138,994.8	4,356.7	5,408.2
Income	-139,535.9	-4,373.6	-5,429.2
Credit	70,209.1	2,200.6	2,731.8
Debit	209,745.0	6,574.2	8,161.0
Current transfers	6,129.4	192.1	238.5
Credit	46,045.3	1,443.2	1,791.6
Debit	39,915.9	1,251.1	1,553.1
B. CAPITAL ACCOUNT	-14 017.0	-439.3	-545.4
Credit	5,608.2	175.8	218.2
Debit	19,625.2	615.1	763.6
<i>Total A + B</i>	<i>-157,276.0</i>	<i>-4,929.6</i>	<i>-6,119.4</i>
C. FINANCIAL ACCOUNT	180,923.0	5,670.8	7,039.5
Direct investment	100,673.6	3,155.5	3,917.1
Abroad	-14,038.9	-440.0	-546.2
Equity capital and reinvested earnings	-12,732.3	-399.1	-495.4
Other capital	-1,306.6	-40.9	-50.8
In the Czech Republic	114,712.5	3,595.5	4,463.3
Equity capital and reinvested earnings	104,432.3	3,273.3	4,063.3
Other capital	10,280.2	322.2	400.0
Portfolio investment	62,209.2	1,949.9	2,420.5
Assets	-61,068.5	-1,914.1	-2,376.1
Equity securities	-27,280.4	-855.1	-1,061.4
Debt securities	-33,788.1	-1,059.0	-1,314.7
Liabilities	123,277.7	3,864.0	4,796.6
Equity securities	19,558.6	613.0	761.0
Debt securities	103,719.1	3,251.0	4,035.6
Financial derivatives	-1,539.7	-48.3	-59.9
Assets	-13,902.7	-435.8	-540.9
Liabilities	12,363.0	387.5	481.0

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

BALANCE OF PAYMENTS for January to December 2004 - continued
(preliminary data - 9 March 2005)

	in CZK millions	in EUR millions	in USD millions
Other investment	19,579.9	613.7	761.8
Assets	-35,983.8	-1,127.9	-1,400.1
Long-term	20,516.9	643.1	798.3
CNB	-184.9	-5.8	-7.2
Commercial banks	587.7	18.4	22.9
Government	22,790.7	714.4	886.8
Other sectors	-2,676.6	-83.9	-104.2
Short-term	-56,500.7	-1,771.0	-2,198.4
Commercial banks	-34,807.6	-1,091.0	-1,354.3
Government	92.9	2.9	3.6
Other sectors	-21,786.0	-682.9	-847.7
Liabilities	55,563.7	1,741.6	2,161.9
Long-term	29,813.4	934.5	1,160.0
CNB	-20.5	-0.6	-0.8
Commercial banks	-1,410.8	-44.2	-54.9
Government	9,264.7	290.4	360.5
Other sectors	21,980.0	688.9	855.2
Short-term	25,750.3	807.1	1,001.9
CNB	843.7	26.4	32.8
Commercial banks	-14,766.2	-462.8	-574.5
Government			
Other sectors	39,672.8	1,243.5	1,543.6
<i>Total A + B + C</i>	<i>23,647.0</i>	<i>741.2</i>	<i>920.1</i>
D. NET ERRORS AND OMISSIONS, VALUATION CHANGES	-16,864.8	-528.6	-656.2
<i>Total A + B + C + D</i>	<i>6,782.2</i>	<i>212.6</i>	<i>263.9</i>
E. CHANGE IN RESERVES (- increase)	-6,782.2	-212.6	-263.9

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

BALANCE OF PAYMENTS for January to December 2004

(preliminary data - 9 March 2005)

	in CZK millions	in EUR millions	in USD millions
A. CURRENT ACCOUNT	-143,259.0	-4,490.3	-5,574.0
Trade balance	-22,325.0	-699.7	-868.6
Exports	1,713,694.0	53,714.1	66,678.1
Imports	1,736,019.0	54,413.8	67,546.7
Services	12,472.5	390.9	485.3
Credit	248,433.1	7,786.9	9,666.3
Transport	72,308.9	2,266.4	2,813.5
Pipeline transport	7,514.2	235.5	292.4
Other	64,794.7	2,030.9	2,521.1
Travel	107,129.8	3,357.9	4,168.3
Other business and non-business services	68,994.4	2,162.6	2,684.5
Communications services	3,840.8	120.4	149.4
Postal services	373.6	11.7	14.5
Telecommunication and radiocommunication services	3,467.2	108.7	134.9
Construction and assembly work	3,499.1	109.7	136.1
Insurance services	190.8	6.0	7.4
Life insurance and pension funding	10.1	0.3	0.4
Freight insurance	3.6	0.1	0.1
Other direct insurance	74.4	2.4	2.9
Reinsurance	102.7	3.2	4.0
Auxiliary insurance services			
Financial services	10,690.7	335.1	416.0
Computer and information services	2,818.5	88.3	109.7
Computer services	2,603.9	81.6	101.3
Information services	214.6	6.7	8.4
Royalties, licence fees, etc.	1,457.9	45.7	56.7
Other business services	41,881.7	1,312.7	1,629.6
Merchanting and other trade-related services	2,944.1	92.2	114.6
Merchanting	-349.6	-11.0	-13.6
Intermediation services	3,293.7	103.2	128.2
Rental and leasing of machinery and equipment	1,403.1	44.0	54.6
Miscellaneous business, professional and technical services	37,534.5	1,176.5	1,460.4
Legal, accounting and consulting services	4,874.2	152.8	189.7
Legal services	3,835.8	120.2	149.3
Accounting and auditing services	250.5	7.9	9.7
Business and management consultancy, public relations	787.9	24.7	30.7
Advertising services	1,525.1	47.8	59.3
Research and development	332.4	10.4	12.9
Technical services	1,184.7	37.1	46.1
Mining services	290.7	9.1	11.3
Agricultural services	149.3	4.7	5.8
Waste treatment and depollution services	988.7	31.0	38.5
Other business services	24,198.2	758.5	941.5
Direct investment business-to-business services	3,991.2	125.1	155.3
Cultural, recreational, sporting, health and educational services	3,622.9	113.6	141.0
Audio-visual services	873.3	27.4	34.0
Health and veterinary services	771.4	24.2	30.0
Educational services	682.7	21.4	26.6
Others	1,295.5	40.6	50.4
Government services	992.0	31.1	38.6
Czech diplomatic and consular missions abroad	76.8	2.4	3.0
Foreign diplomatic and consular missions in the Czech Republic	805.0	25.2	31.3
Government revenues (UN peacekeeping forces, NATO, etc.)	64.4	2.0	2.5
Other government revenues	45.8	1.5	1.8
Debit	235,960.6	7,396.0	9,181.0
Transport	38,603.0	1,210.0	1,502.0
Pipeline transport	4,100.0	128.5	159.5
Other	34,503.0	1,081.5	1,342.5
Travel	58,362.8	1,829.3	2,270.8
Other business and non-business services	138,994.8	4,356.7	5,408.2
Communications services	9,975.5	312.7	388.1
Postal services	771.8	24.2	30.0
Telecommunication and radiocommunication services	9,203.7	288.5	358.1
Construction and assembly work	6,878.3	215.6	267.6
Insurance services	5,018.8	157.3	195.3
Life insurance and pension funding			
Freight insurance			
Other direct insurance			
Reinsurance	5,018.8	157.3	195.3
Auxiliary insurance services			

(continued)

	in CZK millions	in EUR millions	in USD millions
Financial services	24,343.7	763.0	947.2
Computer and information services	5,222.9	163.7	203.2
Computer services	4,861.6	152.4	189.2
Information services	361.3	11.3	14.0
Royalties, licence fees, etc.	4,412.2	138.3	171.7
Other business services	76,651.2	2,402.6	2,982.4
Merchanting and other trade-related services	5,309.8	166.4	206.6
Merchanting			
Intermediation services	5,309.8	166.4	206.6
Rental and leasing of machinery and equipment	2,254.3	70.7	87.7
Miscellaneous business, professional and technical services	69,087.1	2,165.5	2,688.1
Legal, accounting and consulting services	12,730.6	399.0	495.4
Legal services	8,426.4	264.1	327.9
Accounting and auditing services	1,179.3	37.0	45.9
Business and management consultancy, public relations	3,124.9	97.9	121.6
Advertising services	3,238.1	101.5	126.0
Research and development	951.7	29.8	37.0
Technical services	6,028.1	189.0	234.5
Mining services	80.7	2.5	3.1
Agricultural services	133.3	4.2	5.2
Waste treatment and depollution services	153.4	4.8	6.0
Other business services	44,385.3	1,391.2	1,727.0
Direct investment business-to-business services	1,385.9	43.5	53.9
Cultural, recreational, sporting, health and educational services	4,259.6	133.5	165.8
Audio-visual services	529.7	16.6	20.6
Health and veterinary services	567.6	17.8	22.1
Educational services	543.9	17.0	21.2
Others	2,618.4	82.1	101.9
Government services	2,232.6	70.0	86.9
Czech diplomatic and consular missions abroad	1,824.9	57.2	71.0
Foreign diplomatic and consular missions in the Czech Republic	304.6	9.6	11.9
Government expenditures (UN peacekeeping forces, NATO, etc.)	55.0	1.7	2.1
Other government expenditures	48.1	1.5	1.9
Income	-139,535.9	-4,373.6	-5,429.2
Credit	70,209.1	2,200.6	2,731.8
Compensation of employees	11,386.0	356.9	443.0
Investment income	58,823.1	1,843.7	2,288.8
Direct investment	2,222.6	69.6	86.5
Dividends	175.8	5.5	6.9
Earnings reinvested abroad	1,940.7	60.8	75.5
Interest	106.1	3.3	4.1
Portfolio investment	14,032.1	439.8	546.0
Dividends	1,662.4	52.1	64.7
Interest	12,369.7	387.7	481.3
Other investment - interest, income on CNB reserve assets	42,568.4	1,334.3	1,656.3
Debit	209,745.0	6,574.2	8,161.0
Compensation of employees	34,105.0	1,069.0	1,327.0
Investment income	175,640.0	5,505.2	6,834.0
Direct investment	125,580.8	3,936.2	4,886.2
Dividends	58,843.7	1,844.4	2,289.6
Earnings reinvested in the Czech Republic	61,542.4	1,929.0	2,394.5
Interest	5,194.7	162.8	202.1
Portfolio investment	11,516.6	360.9	448.1
Dividends	5,904.1	185.0	229.7
Interest	5,612.5	175.9	218.4
Other investment - interest	38,542.6	1,208.1	1,499.7
Current transfers	6,129.4	192.1	238.5
Credit	46,045.3	1,443.2	1,791.6
General government	33,534.1	1,051.1	1,304.8
Private	12,511.2	392.1	486.8
Debit	39,915.9	1,251.1	1,553.1
General government	20,961.0	657.0	815.6
Private	18,954.9	594.1	737.5
B. CAPITAL ACCOUNT	-14,017.0	-439.3	-545.4
Credit	5,608.2	175.8	218.2
Debit	19,625.2	615.1	763.6
Total A + B	-157,276.0	-4,929.6	-6,119.4

(continued)

	in CZK millions	in EUR millions	in USD millions
C. FINANCIAL ACCOUNT	180,923.0	5,670.8	7,039.5
Direct investment	100,673.6	3,155.5	3,917.1
Czech abroad	-14,038.9	-440.0	-546.2
Equity capital	-10,791.6	-338.3	-419.9
Reinvested earnings	-1,940.7	-60.8	-75.5
Other capital	-1,306.6	-40.9	-50.8
Foreign in the Czech Republic	114,712.5	3,595.5	4,463.3
Equity capital	42,889.9	1,344.3	1,668.8
Reinvested earnings	61,542.4	1,929.0	2,394.5
Other capital	10,280.2	322.2	400.0
Portfolio investment	62,209.2	1,949.9	2,420.5
Assets	-61,068.5	-1,914.1	-2,376.1
Equity securities	-27,280.4	-855.1	-1,061.4
CNB			
Commercial banks	-1,415.0	-44.3	-55.0
Government	-200.0	-6.3	-7.8
Other sectors	-25,665.4	-804.5	-998.6
Debt securities	-33,788.1	-1,059.0	-1,314.7
CNB			
Commercial banks	-21,328.2	-668.5	-829.9
Government	353.6	11.1	13.8
Other sectors	-12,813.5	-401.6	-498.6
Liabilities	123,277.7	3,864.0	4,796.6
Equity securities	19,558.6	613.0	761.0
Commercial banks	175.9	5.5	6.8
Other sectors	19,382.7	607.5	754.2
Debt securities	103,719.1	3,251.0	4,035.6
CNB			
Commercial banks	6,725.0	210.8	261.7
Government	73,386.4	2,300.2	2,855.4
Other sectors	23,607.7	740.0	918.5
Financial derivatives	-1,539.7	-48.3	-59.9
Assets	-13,902.7	-435.8	-540.9
Liabilities	12,363.0	387.5	481.0
Other investment	19,579.9	613.7	761.8
Assets	-35,983.8	-1,127.9	-1,400.1
Long-term	20,516.9	643.1	798.3
CNB	-184.9	-5.8	-7.2
Commercial banks	587.7	18.4	22.9
Government	22,790.7	714.4	886.8
Other sectors	-2,676.6	-83.9	-104.2
Short-term	-56,500.7	-1,771.0	-2,198.4
Commercial banks	-34,807.6	-1,091.0	-1,354.3
Government	92.9	2.9	3.6
Other sectors	-21,786.0	-682.9	-847.7
Liabilities	55,563.7	1,741.6	2,161.9
Long-term	29,813.4	934.5	1,160.0
CNB	-20.5	-0.6	-0.8
Commercial banks	-1,410.8	-44.2	-54.9
Government	9,264.7	290.4	360.5
Other sectors	21,980.0	688.9	855.2
Short-term	25,750.3	807.1	1,001.9
CNB	843.7	26.4	32.8
Commercial banks	-14,766.2	-462.8	-574.5
Government			
Other sectors	39,672.8	1,243.5	1,543.6
<i>Total A + B + C</i>	<i>23,647.0</i>	<i>741.2</i>	<i>920.1</i>
D. NET ERRORS AND OMISSIONS, VALUATION CHANGES	-16,864.8	-528.6	-656.2
<i>Total A + B + C + D</i>	<i>6,782.2</i>	<i>212.6</i>	<i>263.9</i>
E. CHANGE IN RESERVES (- increase)	-6,782.2	-212.6	-263.9

INTERNATIONAL INVESTMENT POSITION

in CZK millions	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002	31 Dec. 2003 1)	31 Dec. 2004 2)
ASSETS	1,031,410.7	1,087,507.3	1,347,954.9	1,448,400.7	1,544,963.0	1,579,922.9	1,537,284.6	1,535,040.8
Direct investment abroad	18,989.4	24,003.5	25,114.9	27,899.3	41,176.1	44,397.1	58,581.5	68,450.0
Equity capital	18,385.1	21,901.2	22,415.9	24,797.5	37,633.6	39,472.1	50,965.5	60,050.0
Other capital	604.3	2,102.3	2,699.0	3,101.8	3,542.5	4,925.0	7,616.0	8,400.0
Portfolio investment	35,738.9	35,872.4	104,345.3	180,431.3	185,138.6	274,344.7	343,968.7	369,425.6
Equity securities	14,442.0	13,415.5	66,318.2	92,222.9	68,675.5	86,464.7	47,337.7	73,309.3
Debt securities	21,296.9	22,456.9	38,027.1	88,208.4	116,463.1	187,880.0	296,631.0	296,116.3
Financial derivatives				6,347.2	15,754.8	31,213.2	24,129.5	38,032.2
Other investment	638,157.7	650,948.4	757,065.5	736,903.7	778,435.7	515,356.2	419,090.0	422,891.5
Long-term	294,256.5	287,328.8	323,131.1	315,625.5	310,133.9	179,639.6	157,598.6	118,694.3
CNB	26,122.4	26,122.4		329.1	307.3	280.9	468.4	600.0
Commercial banks	37,088.8	64,041.6	89,900.1	75,537.9	79,663.7	67,966.9	66,121.3	58,055.5
Government	205,142.0	176,213.4	210,221.3	220,777.8	210,694.9	97,156.8	79,483.9	48,918.8
Other sectors	25,903.3	20,951.4	23,009.7	18,980.7	19,468.0	14,235.0	11,525.0	11,120.0
Short-term	343,901.2	363,619.6	433,934.4	421,278.2	468,301.8	335,716.6	261,491.4	304,197.2
CNB	0.1	0.1		52.9	51.2	376.7	98.8	71.7
Commercial banks	250,670.9	272,219.5	336,117.2	314,115.3	359,638.5	213,815.4	161,150.2	185,146.0
of which gold and foreign exchange	172,301.6	175,753.2	218,995.8	228,961.7	257,138.6	163,032.9	115,884.8	128,118.7
Government				87.1	2,324.5		102.4	9.5
Other sectors	93,230.2	91,400.0	97,817.2	107,110.0	108,525.0	119,200.0	100,140.0	118,970.0
CNB reserve assets	338,524.7	376,683.0	461,429.2	496,819.2	524,457.8	714,611.7	691,514.9	636,241.5
Gold	1,521.9	369.1	677.0	4,640.4	4,469.9	4,653.8	4,784.3	4,253.9
SDR				7.7	31.0	137.1	238.7	118.0
Reserve position in the Fund				116.0	5,478.3	7,081.5	11,949.9	9,137.5
Foreign exchange	337,002.8	376,313.9	460,752.2	491,001.2	514,188.0	686,516.1	674,451.8	622,606.4
Other reserve assets				1,053.9	290.6	16,223.2	90.2	125.7
LIABILITIES	1,138,248.1	1,204,984.0	1,458,893.3	1,640,270.0	1,789,030.7	1,977,177.7	2,064,768.3	2,360,031.1
Direct investment in the Czech Republic	319,820.3	429,167.8	631,505.3	818,411.6	982,335.0	1,165,529.1	1,161,783.6	1,261,710.9
Equity capital	284,674.7	364,816.5	538,379.3	702,217.8	837,537.3	1,013,102.9	1,009,391.8	1,106,150.9
Other capital	35,145.6	64,351.3	93,126.0	116,193.8	144,797.7	152,426.2	152,391.8	155,560.0
Portfolio investment	169,032.7	166,128.1	165,579.2	164,592.0	180,346.2	201,120.0	223,620.4	381,019.4
Equity securities	104,862.3	113,247.2	98,011.8	115,670.6	128,740.1	128,097.7	140,788.6	208,872.1
Debt securities	64,170.4	52,880.9	67,567.4	48,921.4	51,606.1	73,022.3	82,831.8	172,147.3
Financial derivatives				5,307.9	11,495.2	22,671.9	19,448.3	31,811.3
Other investment	649,395.1	609,688.1	661,808.8	651,958.5	614,854.3	587,856.7	659,916.0	685,489.5
Long-term	426,270.1	358,510.5	379,172.2	352,323.4	332,593.2	326,321.3	360,279.2	372,377.2
CNB	2,188.3	1,883.3	197.1	180.4	133.4	114.5	96.1	70.2
Commercial banks	143,120.2	124,286.3	118,368.9	84,607.4	73,688.6	63,541.0	58,056.3	52,020.9
Government	37,754.7	23,814.8	20,852.9	19,699.2	9,476.2	9,475.8	22,456.0	32,065.4
Other sectors	243,206.9	208,526.1	239,753.3	247,836.4	249,295.0	253,190.0	279,670.8	288,220.7
Short-term	223,125.0	251,177.6	282,636.6	299,635.1	282,261.1	261,535.4	299,636.8	313,112.3
CNB	45.5	39.5	25.8	8.8	68.5	44.2	22.8	866.5
Commercial banks	168,927.1	193,373.0	229,988.7	226,176.2	190,487.6	176,196.2	208,534.0	185,565.8
Government	287.5	103.2						
Other sectors	53,864.9	57,661.9	52,622.1	73,450.1	91,705.0	85,295.0	91,080.0	126,680.0
NET INVESTMENT POSITION	-106,837.4	-117,476.7	-110,938.4	-191,869.3	-244,067.7	-397,254.8	-527,483.7	-824,990.3

1) revised data
2) preliminary data

INTERNATIONAL INVESTMENT POSITION

in EUR millions	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002	31 Dec. 2003 1)	31 Dec. 2004 2)
ASSETS	26,984.7	31,053.0	37,308.5	41,276.8	48,310.3	49,997.6	47,439.8	50,387.0
Direct investment abroad	496.8	685.4	695.1	795.1	1,287.6	1,405.0	1,807.8	2,246.8
Equity capital	481.0	625.4	620.4	706.7	1,176.8	1,249.1	1,572.8	1,971.1
Other capital	15.8	60.0	74.7	88.4	110.8	155.9	235.0	275.7
Portfolio investment	935.0	1,024.3	2,888.1	5,142.0	5,789.2	8,681.8	10,614.7	12,126.3
Equity securities	377.8	383.1	1,835.6	2,628.2	2,147.5	2,736.2	1,460.8	2,406.4
Debt securities	557.2	641.2	1,052.5	2,513.8	3,641.7	5,945.6	9,153.9	9,719.9
Financial derivatives				180.9	492.6	987.8	744.6	1,248.4
Other investment	16,696.1	18,587.4	20,954.0	21,000.4	24,341.3	16,308.7	12,932.9	13,881.2
Long-term	7,698.6	8,204.5	8,943.6	8,994.8	9,697.8	5,684.8	4,863.4	3,896.1
CNB	683.4	745.9		9.4	9.6	8.9	14.4	19.7
Commercial banks	970.4	1,828.7	2,488.3	2,152.7	2,491.1	2,150.8	2,040.5	1,905.7
Government	5,367.1	5,031.6	5,818.5	6,291.8	6,588.3	3,074.6	2,452.8	1,605.7
Other sectors	677.7	598.3	636.8	540.9	608.8	450.5	355.7	365.0
Short-term	8,997.5	10,382.9	12,010.4	12,005.6	14,643.5	10,623.9	8,069.5	9,985.1
CNB				1.5	1.6	11.9	3.0	2.4
Commercial banks	6,558.3	7,773.0	9,303.0	8,951.7	11,245.7	6,766.3	4,973.0	6,077.3
of which gold and foreign exchange	4,507.9	5,018.5	6,061.3	6,525.0	8,040.6	5,159.3	3,576.1	4,205.4
Government					2.7	73.6	3.2	0.3
Other sectors	2,439.2	2,609.9	2,707.4	3,052.4	3,393.5	3,772.1	3,090.3	3,905.1
CNB reserve assets	8,856.8	10,755.9	12,771.3	14,158.4	16,399.6	22,614.3	21,339.8	20,884.3
Gold	39.8	10.5	18.7	132.3	139.8	147.3	147.6	139.6
SDR				0.2	1.0	4.3	7.4	3.9
Reserve position in the Fund				3.3	171.3	224.1	368.8	299.9
Foreign exchange	8,817.0	10,745.4	12,752.6	13,992.6	16,078.4	21,725.2	20,813.2	20,436.8
Other reserve assets				30.0	9.1	513.4	2.8	4.1
LIABILITIES	29,779.9	34,407.5	40,379.0	46,744.7	55,942.2	62,568.9	63,717.6	77,467.0
Direct investment in the Czech Republic	8,367.4	12,254.6	17,478.7	23,323.2	30,717.2	36,883.8	35,852.0	41,415.1
Equity capital	7,447.9	10,417.1	14,901.2	20,011.9	26,189.4	32,060.2	31,149.3	36,308.9
Other capital	919.5	1,837.5	2,577.5	3,311.3	4,527.8	4,823.6	4,702.7	5,106.2
Portfolio investment	4,422.4	4,743.7	4,582.8	4,690.6	5,639.3	6,364.6	6,900.8	12,506.8
Equity securities	2,743.5	3,233.7	2,712.7	3,296.4	4,025.6	4,053.7	4,344.7	6,856.2
Debt securities	1,678.9	1,510.0	1,870.1	1,394.2	1,613.7	2,310.9	2,556.1	5,650.6
Financial derivatives				151.3	359.5	717.5	600.1	1,044.2
Other investment	16,990.1	17,409.2	18,317.5	18,579.6	19,226.2	18,603.0	20,364.7	22,500.9
Long-term	11,152.4	10,237.0	10,494.7	10,040.5	10,400.0	10,326.6	11,118.1	12,223.1
CNB	57.3	53.8	5.5	5.1	4.2	3.6	3.0	2.3
Commercial banks	3,744.4	3,548.9	3,276.2	2,411.1	2,304.2	2,010.8	1,791.6	1,707.6
Government	987.7	680.0	577.2	561.4	296.3	299.9	693.0	1,052.5
Other sectors	6,363.0	5,954.3	6,635.8	7,062.9	7,795.3	8,012.3	8,630.5	9,460.7
Short-term	5,837.7	7,172.2	7,822.8	8,539.1	8,826.2	8,276.4	9,246.6	10,277.8
CNB	1.2	1.1	0.7	0.3	2.1	1.4	0.7	28.4
Commercial banks	4,419.7	5,521.7	6,365.6	6,445.6	5,956.5	5,575.8	6,435.2	6,091.1
Government	7.5	2.9						
Other sectors	1,409.3	1,646.5	1,456.5	2,093.2	2,867.6	2,699.2	2,810.7	4,158.3
NET INVESTMENT POSITION	-2,795.2	-3,354.5	-3,070.5	-5,467.9	-7,631.9	-12,571.3	-16,277.8	-27,080.0

1) revised data
2) preliminary data

INTERNATIONAL INVESTMENT POSITION

in USD millions	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002	31 Dec. 2003 1)	31 Dec. 2004 2)
ASSETS	29,778.6	36,426.3	37,465.0	38,304.3	42,609.1	52,417.7	59,923.8	68,635.8
Direct investment abroad	548.2	804.0	698.0	737.8	1,135.6	1,473.0	2,283.5	3,060.6
Equity capital	530.8	733.6	623.0	655.8	1,037.9	1,309.6	1,986.6	2,685.0
Other capital	17.4	70.4	75.0	82.0	97.7	163.4	296.9	375.6
Portfolio investment	1,031.9	1,201.6	2,900.2	4,771.7	5,106.0	9,102.0	13,408.0	16,518.0
Equity securities	417.0	449.4	1,843.3	2,438.9	1,894.0	2,868.7	1,845.2	3,277.8
Debt securities	614.9	752.2	1,056.9	2,332.8	3,212.0	6,233.3	11,562.8	13,240.2
Financial derivatives				167.8	434.5	1,035.6	940.6	1,700.5
Other investment	18,424.7	21,803.6	21,041.9	19,488.1	21,468.8	17,098.2	16,336.3	18,908.6
Long-term	8,495.7	9,624.1	8,981.1	8,347.0	8,553.3	5,960.0	6,143.3	5,307.1
CNB	754.2	875.0		8.7	8.5	9.3	18.3	26.8
Commercial banks	1,070.8	2,145.1	2,498.7	1,997.7	2,197.1	2,255.0	2,577.4	2,595.8
Government	5,922.8	5,902.3	5,842.9	5,838.7	5,810.8	3,223.4	3,098.3	2,187.3
Other sectors	747.9	701.7	639.5	501.9	536.9	472.3	449.3	497.2
Short-term	9,929.0	12,179.5	12,060.8	11,141.1	12,915.5	11,138.2	10,193.0	13,601.5
CNB				1.4	1.4	12.5	3.8	3.2
Commercial banks	7,237.3	9,118.0	9,342.1	8,307.1	9,918.6	7,093.8	6,281.7	8,278.4
of which gold and foreign exchange	4,974.6	5,886.9	6,086.8	6,055.1	7,091.7	5,409.0	4,517.2	5,728.5
Government					2.4	77.1	4.0	0.4
Other sectors	2,691.7	3,061.5	2,718.7	2,832.6	2,993.1	3,954.8	3,903.5	5,319.5
CNB reserve assets	9,773.8	12,617.1	12,824.9	13,138.9	14,464.2	23,708.9	26,955.4	28,448.1
Gold	43.9	12.4	18.8	122.7	123.3	154.4	186.5	190.2
SDR				0.2	0.8	4.6	9.3	5.3
Reserve position in the Fund				3.1	151.1	234.9	465.8	408.6
Foreign exchange	9,729.9	12,604.7	12,806.1	12,985.0	14,181.0	22,776.8	26,290.3	27,838.4
Other reserve assets				27.9	8.0	538.2	3.5	5.6
LIABILITIES	32,863.2	40,361.2	40,548.4	43,378.5	49,340.3	65,597.6	80,485.3	105,523.4
Direct investment in the Czech Republic	9,233.8	14,375.0	17,552.0	21,643.7	27,092.2	38,669.2	45,286.7	56,414.5
Equity capital	8,219.1	12,219.6	14,963.7	18,570.8	23,098.8	33,612.1	39,346.4	49,459.0
Other capital	1,014.7	2,155.4	2,588.3	3,072.9	3,993.4	5,057.1	5,940.3	6,955.5
Portfolio investment	4,880.3	5,564.5	4,602.1	4,352.8	4,973.8	6,672.6	8,716.8	17,036.4
Equity securities	3,027.6	3,793.2	2,724.1	3,059.0	3,550.6	4,249.9	5,488.0	9,339.2
Debt securities	1,852.7	1,771.3	1,878.0	1,293.8	1,423.2	2,422.7	3,228.8	7,697.2
Financial derivatives				140.4	317.0	752.2	758.1	1,422.4
Other investment	18,749.1	20,421.7	18,394.3	17,241.6	16,957.3	19,503.6	25,723.7	30,650.1
Long-term	12,307.1	12,008.4	10,538.7	9,317.5	9,172.7	10,826.5	14,043.8	16,650.0
CNB	63.2	63.1	5.5	4.8	3.7	3.8	3.7	3.1
Commercial banks	4,132.1	4,163.0	3,289.9	2,237.5	2,032.3	2,108.1	2,263.1	2,326.0
Government	1,090.0	797.7	579.6	521.0	261.3	314.4	875.4	1,433.7
Other sectors	7,021.8	6,984.6	6,663.7	6,554.2	6,875.4	8,400.2	10,901.6	12,887.2
Short-term	6,442.0	8,413.3	7,855.6	7,924.1	7,784.6	8,677.1	11,679.9	14,000.1
CNB	1.3	1.3	0.7	0.2	1.9	1.5	0.9	38.7
Commercial banks	4,877.2	6,477.1	6,392.3	5,981.4	5,253.5	5,845.7	8,128.7	8,297.2
Government	8.3	3.5						
Other sectors	1,555.2	1,931.4	1,462.6	1,942.5	2,529.2	2,829.9	3,550.3	5,664.2
NET INVESTMENT POSITION	-3,084.6	-3,934.9	-3,083.4	-5,074.2	-6,731.2	-13,179.9	-20,561.5	-36,887.6

1) revised data
2) preliminary data

EXTERNAL DEBT

by debtor and creditor

in CZK millions	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002	31 Dec. 2003 1)	31 Dec. 2004 2)
DEBT IN CONVERTIBLE CURRENCIES	739,563.0	717,923.6	813,576.5	808,122.8	811,258.1	813,305.2	895,139.6	1,013,196.8
of which:								
Long-term	495,058.5	446,484.3	497,872.1	464,323.8	465,687.8	498,833.8	535,995.9	631,667.2
<i>by debtor</i>								
CNB	11,548.4	10,952.2	12,527.6	180.4	133.4	114.5	96.1	70.2
Commercial banks	158,503.7	133,376.5	128,703.3	95,737.1	88,401.4	80,063.7	73,276.4	64,346.6
Government	42,630.7	32,953.5	32,303.5	29,753.5	30,839.2	47,701.3	69,029.9	147,729.1
Other sectors	282,375.7	269,202.1	324,337.7	338,652.8	346,313.8	370,954.3	393,593.5	419,521.3
<i>by creditor</i>								
Foreign banks	335,055.5	248,712.0	257,410.0	228,709.6	229,305.5	230,589.8	251,535.3	263,931.4
Government institutions	7,269.4	4,409.6	4,239.2	3,405.7	2,373.6	1,747.2		
Multilateral institutions	39,564.2	49,036.3	58,202.2	67,521.2	70,879.0	69,894.7	83,779.6	84,862.4
Suppliers and direct investors	46,465.5	72,624.6	93,831.4	99,560.2	105,944.3	118,829.4	109,287.9	108,720.0
Other investors	66,703.9	71,701.8	84,189.3	65,127.1	57,185.4	77,772.7	91,393.1	174,153.4
Short-term	244,504.5	271,439.3	315,704.4	343,799.0	345,570.3	314,471.4	359,143.7	381,529.6
<i>by debtor</i>								
CNB	45.5	39.5	25.8	8.8	68.5	44.2	22.8	866.5
Commercial banks	170,147.0	193,373.0	230,000.5	226,246.1	192,438.4	177,474.4	210,017.0	189,036.5
Government	8,164.0	22.0	7.0	2,115.0	465.0	761.0	710.0	3,334.6
Other sectors	66,148.0	78,004.8	85,671.1	115,429.1	152,598.4	136,191.8	148,393.9	188,292.0
<i>by creditor</i>								
Foreign banks	142,463.2	175,604.1	201,808.8	203,333.8	192,126.4	168,200.7	218,436.1	208,032.3
Multilateral institutions								861.3
Suppliers and direct investors	57,831.1	67,446.7	81,794.6	106,988.6	116,278.4	112,256.8	105,563.9	130,000.0
Other investors	44,210.2	28,388.5	32,101.0	33,476.6	37,165.5	34,013.9	35,143.7	42,636.0
DEBT IN NON-CONVERTIBLE CURRENCIES	9,148.1	8,996.7	8,925.7	8,950.9	0.0	0.0	0.0	0.0
of which:								
Long-term	8,860.6	8,893.5	8,925.7	8,950.9				
Short-term	287.5	103.2						
TOTAL EXTERNAL DEBT	748,711.1	726,920.3	822,502.2	817,073.7	811,258.1	813,305.2	895,139.6	1,013,196.8
of which:								
Long-term	503,919.1	455,377.8	506,797.8	473,274.7	465,687.8	498,833.8	535,995.9	631,667.2
Short-term	244,792.0	271,542.5	315,704.4	343,799.0	345,570.3	314,471.4	359,143.7	381,529.6
Total long-term debt	503,919.1	455,377.8	506,797.8	473,274.7	465,687.8	498,833.8	535,995.9	631,667.2
of which:								
- IMF loans								
- Liabilities of government sector and guaranteed by government, and of entities majority-owned by state	231,624.2	241,734.0	254,398.0	245,389.0	203,102.3	207,325.2	222,120.9	275,002.1
- Liabilities of entities with majority private ownership	272,294.9	213,643.8	252,399.8	227,885.7	262,585.5	291,508.6	313,875.0	356,665.1

1) revised data
2) preliminary data

EXTERNAL DEBT

by debtor and creditor

in EUR millions	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002	31 Dec. 2003 1)	31 Dec. 2004 2)
DEBT IN CONVERTIBLE CURRENCIES	19,349.2	20,499.8	22,518.1	23,030.0	25,367.7	25,737.5	27,623.5	33,257.7
of which:								
Long-term	12,952.2	12,749.0	13,780.1	13,232.3	14,561.9	15,785.9	16,540.5	20,734.2
<i>by debtor</i>								
CNB	302.2	312.7	346.8	5.1	4.2	3.6	3.0	2.3
Commercial banks	4,146.9	3,808.5	3,562.2	2,728.3	2,764.3	2,533.7	2,261.3	2,112.2
Government	1,115.3	940.9	894.1	847.9	964.3	1,509.5	2,130.2	4,849.1
Other sectors	7,387.8	7,686.9	8,977.0	9,651.0	10,829.1	11,739.1	12,146.0	13,770.6
<i>by creditor</i>								
Foreign banks	8,766.0	7,101.8	7,124.6	6,517.8	7,170.3	7,297.2	7,762.2	8,663.4
Government institutions	190.2	125.9	117.3	97.0	74.2	55.3		
Multilateral institutions	1,035.1	1,400.2	1,610.9	1,924.2	2,216.4	2,211.9	2,585.4	2,785.6
Suppliers and direct investors	1,215.7	2,073.7	2,597.1	2,837.3	3,312.8	3,760.4	3,372.6	3,568.7
Other investors	1,745.2	2,047.4	2,330.2	1,856.0	1,788.2	2,461.1	2,820.3	5,716.5
Short-term	6,397.0	7,750.8	8,738.0	9,797.7	10,805.8	9,951.6	11,083.0	12,523.5
<i>by debtor</i>								
CNB	1.2	1.1	0.7	0.3	2.1	1.4	0.7	28.4
Commercial banks	4,451.6	5,521.7	6,365.9	6,447.6	6,017.5	5,616.3	6,481.0	6,205.0
Government	213.6	0.6	0.2	60.3	14.5	24.1	21.9	109.5
Other sectors	1,730.6	2,227.4	2,371.2	3,289.5	4,771.7	4,309.8	4,579.4	6,180.6
<i>by creditor</i>								
Foreign banks	3,727.3	5,014.3	5,585.6	5,794.7	6,007.7	5,322.8	6,740.8	6,828.5
Multilateral institutions								28.3
Suppliers and direct investors	1,513.0	1,925.9	2,263.9	3,049.0	3,636.0	3,552.4	3,257.7	4,267.2
Other investors	1,156.7	810.6	888.5	954.0	1,162.1	1,076.4	1,084.5	1,399.5
DEBT IN NON-CONVERTIBLE CURRENCIES	239.3	256.9	247.0	255.1	0.0	0.0	0.0	0.0
of which:								
Long-term	231.8	254.0	247.0	255.1				
Short-term	7.5	2.9						
TOTAL EXTERNAL DEBT	19,588.5	20,756.7	22,765.1	23,285.1	25,367.7	25,737.5	27,623.5	33,257.7
of which:								
Long-term	13,184.0	13,003.0	14,027.1	13,487.4	14,561.9	15,785.9	16,540.5	20,734.2
Short-term	6,404.5	7,753.7	8,738.0	9,797.7	10,805.8	9,951.6	11,083.0	12,523.5
Total long-term debt	13,184.0	13,003.0	14,027.1	13,487.4	14,561.9	15,785.9	16,540.5	20,734.2
of which:								
- IMF loans								
- Liabilities of government sector and guaranteed by government, and of entities majority-owned by state	6,060.0	6,902.5	7,041.2	6,993.1	6,350.9	6,560.9	6,854.5	9,026.8
- Liabilities of entities with majority private ownership	7,124.0	6,100.5	6,985.9	6,494.3	8,211.0	9,225.0	9,686.0	11,707.4

1) revised data
2) preliminary data

EXTERNAL DEBT

by debtor and creditor

in USD millions	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002	31 Dec. 2003 1)	31 Dec. 2004 2)
DEBT IN CONVERTIBLE CURRENCIES	21,352.4	24,047.0	22,612.5	21,371.6	22,374.0	26,983.4	34,892.8	45,302.8
of which:								
Long-term	14,293.2	14,955.1	13,837.9	12,279.5	12,843.4	16,550.0	20,893.3	28,243.6
<i>by debtor</i>								
CNB	333.4	366.9	348.2	4.8	3.7	3.8	3.7	3.1
Commercial banks	4,576.2	4,467.5	3,577.2	2,531.8	2,438.1	2,656.3	2,856.4	2,877.1
Government	1,230.9	1,103.7	897.9	786.9	850.5	1,582.6	2,690.8	6,605.4
Other sectors	8,152.7	9,017.0	9,014.6	8,956.0	9,551.1	12,307.3	15,342.4	18,758.0
<i>by creditor</i>								
Foreign banks	9,673.6	8,330.6	7,154.4	6,048.4	6,324.1	7,650.4	9,804.9	11,801.1
Government institutions	209.9	147.7	117.8	90.1	65.5	58.0		
Multilateral institutions	1,142.2	1,642.5	1,617.7	1,785.7	1,954.8	2,318.9	3,265.8	3,794.4
Suppliers and direct investors	1,341.6	2,432.6	2,608.0	2,633.0	2,921.9	3,942.4	4,260.1	4,861.2
Other investors	1,925.9	2,401.7	2,340.0	1,722.3	1,577.1	2,580.3	3,562.5	7,786.9
Short-term	7,059.2	9,091.9	8,774.6	9,092.1	9,530.6	10,433.4	13,999.5	17,059.2
<i>by debtor</i>								
CNB	1.3	1.3	0.7	0.2	1.9	1.5	0.9	38.7
Commercial banks	4,912.4	6,477.1	6,392.6	5,983.3	5,307.3	5,888.1	8,186.5	8,452.4
Government	235.7	0.7	0.2	55.9	12.8	25.3	27.7	149.1
Other sectors	1,909.8	2,612.8	2,381.1	3,052.7	4,208.6	4,518.5	5,784.4	8,419.0
<i>by creditor</i>								
Foreign banks	4,113.1	5,881.9	5,609.1	5,377.4	5,298.7	5,580.5	8,514.7	9,301.7
Multilateral institutions								38.5
Suppliers and direct investors	1,669.7	2,259.1	2,273.3	2,829.4	3,206.9	3,724.4	4,114.9	5,812.6
Other investors	1,276.4	950.9	892.2	885.3	1,025.0	1,128.5	1,369.9	1,906.4
DEBT IN NON-CONVERTIBLE CURRENCIES	264.1	301.4	248.1	236.7	0.0	0.0	0.0	0.0
of which:								
Long-term	255.8	297.9	248.1	236.7				
Short-term	8.3	3.5						
TOTAL EXTERNAL DEBT	21,616.5	24,348.4	22,860.6	21,608.3	22,374.0	26,983.4	34,892.8	45,302.8
of which:								
Long-term	14,549.0	15,253.0	14,086.0	12,516.2	12,843.4	16,550.0	20,893.3	28,243.6
Short-term	7,067.5	9,095.4	8,774.6	9,092.1	9,530.6	10,433.4	13,999.5	17,059.2
Total long-term debt	14,549.0	15,253.0	14,086.0	12,516.2	12,843.4	16,550.0	20,893.3	28,243.6
of which:								
- IMF loans								
- Liabilities of government sector and guaranteed by government, and of entities majority-owned by state	6,687.4	8,096.9	7,070.8	6,489.5	5,601.4	6,878.5	8,658.3	12,296.1
- Liabilities of entities with majority private ownership	7,861.6	7,156.1	7,015.2	6,026.7	7,242.0	9,671.5	12,235.0	15,947.5

1) revised data
2) preliminary data

EXTERNAL DEBT
by instrument

in CZK millions	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002	31 Dec. 2003 1)	31 Dec. 2004 2)
I. Government	59,942.8	41,972.2	41,236.2	40,819.4	31,304.2	48,462.3	69,739.9	151,063.7
<i>Short-term</i>	8,451.5	125.2	7.0	2,115.0	465.0	761.0	710.0	3,334.6
Money market instruments	8,164.0	22.0	7.0	2,115.0	465.0	761.0	710.0	3,334.6
Loans								
Trade credits								
Other debt liabilities	287.5	103.2						
<i>Long-term</i>	51,491.3	41,847.0	41,229.2	38,704.4	30,839.2	47,701.3	69,029.9	147,729.1
Bonds and notes	13,736.6	18,032.2	20,376.3	19,005.2	21,363.0	38,225.5	46,573.9	115,663.7
Loans	28,894.1	14,921.3	11,927.2	10,748.3	9,476.2	9,475.8	22,456.0	32,065.4
Trade credits								
Other debt liabilities	8,860.6	8,893.5	8,925.7	8,950.9				
II. CNB	11,593.9	10,991.7	12,553.4	189.2	201.9	158.7	118.9	936.7
<i>Short-term</i>	45.5	39.5	25.8	8.8	68.5	44.2	22.8	866.5
Money market instruments								
Loans								
Currency and deposits	45.5	39.5	25.8	8.8	68.5	44.2	22.8	866.5
Other debt liabilities								
<i>Long-term</i>	11,548.4	10,952.2	12,527.6	180.4	133.4	114.5	96.1	70.2
Bonds and notes	9,360.1	9,068.9	12,330.5					
Loans	2,188.3	1,883.3	197.1	168.9	133.4	114.5	96.1	70.2
Currency and deposits								
Other debt liabilities				11.5				
III. Commercial banks	328,650.7	326,749.5	358,703.8	321,983.2	280,839.8	257,538.1	283,293.4	253,383.1
<i>Short-term</i>	170,147.0	193,373.0	230,000.5	226,246.1	192,438.4	177,474.4	210,017.0	189,036.5
Money market instruments	1,219.9		11.8	69.9	1,950.8	1,278.2	1,483.0	3,470.7
Loans	8,030.5	25,209.7	39,666.7	25,262.6	10,702.3	5,854.0	5,194.2	10,600.3
Currency and deposits	151,141.0	156,076.2	172,845.7	187,663.7	167,189.3	160,882.7	195,009.1	164,500.6
Other debt liabilities	9,755.6	12,087.1	17,476.3	13,249.9	12,596.0	9,459.5	8,330.7	10,464.9
<i>Long-term</i>	158,503.7	133,376.5	128,703.3	95,737.1	88,401.4	80,063.7	73,276.4	64,346.6
Bonds and notes	15,383.5	9,090.2	10,334.4	11,129.7	14,712.8	16,522.7	15,220.1	12,325.7
Loans	85,843.3	95,800.4	91,050.7	66,994.3	51,636.7	52,752.0	49,314.3	44,290.7
Currency and deposits	57,276.9	28,485.9	27,318.2	17,613.1	21,828.1	10,789.0	8,319.4	7,321.3
Other debt liabilities					223.8		422.6	408.9
IV. Other sectors	313,378.1	282,855.6	316,882.8	337,888.1	354,114.5	354,719.9	389,595.6	452,253.3
<i>Short-term</i>	57,729.9	58,768.1	53,776.5	73,580.5	91,705.0	85,295.0	91,080.0	128,552.0
Money market instruments	3,865.0	1,106.2	1,154.4	130.4				1,872.0
Loans	4,451.9	9,451.9	2,722.1	8,310.1	36,320.0	23,935.0	42,830.0	56,420.0
Currency and deposits								
Trade credits	49,413.0	48,210.0	49,900.0	65,140.0	55,385.0	61,360.0	48,250.0	70,260.0
Other debt liabilities								
<i>Long-term</i>	255,648.2	224,087.5	263,106.3	264,307.6	262,409.5	269,424.9	298,515.6	323,701.3
Bonds and notes	12,441.3	15,561.4	23,353.0	16,471.2	13,114.5	16,234.9	18,844.8	35,480.6
Loans	223,468.9	181,016.1	207,153.3	222,621.4	227,255.0	235,890.0	255,520.0	265,340.0
Currency and deposits								
Trade credits	19,738.0	27,510.0	32,600.0	25,215.0	22,040.0	17,300.0	14,210.0	12,900.0
Other debt liabilities							9,940.8	9,980.7
V. Direct investment: Intercompany lending	35,145.6	64,351.3	93,126.0	116,193.8	144,797.7	152,426.2	152,391.8	155,560.0
Debt liabilities to affiliated enterprises								
Debt liabilities to direct investors	35,145.6	64,351.3	93,126.0	116,193.8	144,797.7	152,426.2	152,391.8	155,560.0
TOTAL EXTERNAL DEBT	748,711.1	726,920.3	822,502.2	817,073.7	811,258.1	813,305.2	895,139.6	1,013,196.8

1) revised data
2) preliminary data

EXTERNAL DEBT

by instrument

in EUR millions	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002	31 Dec. 2003 1)	31 Dec. 2004 2)
I. Government	1,568.2	1,198.4	1,141.4	1,163.3	978.8	1,533.6	2,152.1	4,958.6
<i>Short-term</i>	221.1	3.5	0.2	60.3	14.5	24.1	21.9	109.5
Money market instruments	213.6	0.6	0.2	60.3	14.5	24.1	21.9	109.5
Loans								
Trade credits								
Other debt liabilities	7.5	2.9						
<i>Long-term</i>	1,347.1	1,194.9	1,141.2	1,103.0	964.3	1,509.5	2,130.2	4,849.1
Bonds and notes	359.4	514.9	564.0	541.6	668.0	1,209.6	1,437.2	3,796.6
Loans	755.9	426.0	330.1	306.3	296.3	299.9	693.0	1,052.5
Trade credits								
Other debt liabilities	231.8	254.0	247.1	255.1				
II. CNB	303.4	313.8	347.5	5.4	6.3	5.0	3.7	30.7
<i>Short-term</i>	1.2	1.1	0.7	0.3	2.1	1.4	0.7	28.4
Money market instruments								
Loans								
Currency and deposits	1.2	1.1	0.7	0.3	2.1	1.4	0.7	28.4
Other debt liabilities								
<i>Long-term</i>	302.2	312.7	346.8	5.1	4.2	3.6	3.0	2.3
Bonds and notes	244.9	258.9	341.3					
Loans	57.3	53.8	5.5	4.8	4.2	3.6	3.0	2.3
Currency and deposits								
Other debt liabilities				0.3				
III. Commercial banks	8,598.5	9,330.2	9,928.1	9,175.9	8,781.8	8,150.0	8,742.3	8,317.2
<i>Short-term</i>	4,451.6	5,521.7	6,365.9	6,447.6	6,017.5	5,616.3	6,481.0	6,205.0
Money market instruments	31.9		0.3	2.0	61.0	40.5	45.8	113.9
Loans	210.1	719.9	1,097.9	719.9	334.7	185.2	160.3	347.9
Currency and deposits	3,954.3	4,456.6	4,784.0	5,348.1	5,227.9	5,091.2	6,017.8	5,399.7
Other debt liabilities	255.3	345.2	483.7	377.6	393.9	299.4	257.1	343.5
<i>Long-term</i>	4,146.9	3,808.5	3,562.2	2,728.3	2,764.3	2,533.7	2,261.3	2,112.2
Bonds and notes	402.5	259.6	286.0	317.2	460.1	522.9	469.7	404.6
Loans	2,245.9	2,735.5	2,520.1	1,909.2	1,614.7	1,669.4	1,521.8	1,453.9
Currency and deposits	1,498.5	813.4	756.1	501.9	682.5	341.4	256.7	240.3
Other debt liabilities					7.0		13.1	13.4
IV. Other sectors	8,198.9	8,076.8	8,770.6	9,629.2	11,073.0	11,225.3	12,022.7	14,845.0
<i>Short-term</i>	1,510.4	1,678.1	1,488.4	2,096.9	2,867.6	2,699.2	2,810.7	4,219.7
Money market instruments	101.1	31.6	31.9	3.7				61.4
Loans	116.5	269.9	75.4	236.8	1,135.7	757.4	1,321.7	1,852.0
Currency and deposits								
Trade credits	1,292.8	1,376.6	1,381.1	1,856.4	1,731.9	1,941.8	1,489.0	2,306.3
Other debt liabilities								
<i>Long-term</i>	6,688.5	6,398.7	7,282.2	7,532.3	8,205.4	8,526.1	9,212.0	10,625.3
Bonds and notes	325.5	444.4	646.4	469.4	410.1	513.8	581.5	1,164.6
Loans	5,846.6	5,168.8	5,733.5	6,344.3	7,106.1	7,464.8	7,885.2	8,709.7
Currency and deposits								
Trade credits	516.4	785.5	902.3	718.6	689.2	547.5	438.5	423.4
Other debt liabilities							306.8	327.6
V. Direct investment: Intercompany lending	919.5	1,837.5	2,577.5	3,311.3	4,527.8	4,823.6	4,702.7	5,106.2
Debt liabilities to affiliated enterprises								
Debt liabilities to direct investors	919.5	1,837.5	2,577.5	3,311.3	4,527.8	4,823.6	4,702.7	5,106.2
TOTAL EXTERNAL DEBT	19,588.5	20,756.7	22,765.1	23,285.1	25,367.7	25,737.5	27,623.5	33,257.7

1) revised data
2) preliminary data

EXTERNAL DEBT
by instrument

in USD millions	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999	31 Dec. 2000	31 Dec. 2001	31 Dec. 2002	31 Dec. 2003 1)	31 Dec. 2004 2)
I. Government	1,730.7	1,405.9	1,146.2	1,079.5	863.3	1,607.9	2,718.5	6,754.5
<i>Short-term</i>	244.0	4.2	0.2	55.9	12.8	25.3	27.7	149.1
Money market instruments	235.7	0.7	0.2	55.9	12.8	25.3	27.7	149.1
Loans								
Trade credits								
Other debt liabilities	8.3	3.5						
<i>Long-term</i>	1,486.7	1,401.7	1,146.0	1,023.6	850.5	1,582.6	2,690.8	6,605.4
Bonds and notes	396.7	604.0	566.4	502.6	589.2	1,268.2	1,815.4	5,171.7
Loans	834.2	499.8	331.5	284.3	261.3	314.4	875.4	1,433.7
Trade credits								
Other debt liabilities	255.8	297.9	248.1	236.7				
II. CNB	334.7	368.2	348.9	5.0	5.6	5.3	4.6	41.8
<i>Short-term</i>	1.3	1.3	0.7	0.2	1.9	1.5	0.9	38.7
Money market instruments								
Loans								
Currency and deposits	1.3	1.3	0.7	0.2	1.9	1.5	0.9	38.7
Other debt liabilities								
<i>Long-term</i>	333.4	366.9	348.2	4.8	3.7	3.8	3.7	3.1
Bonds and notes	270.2	303.8	342.7					
Loans	63.2	63.1	5.5	4.5	3.7	3.8	3.7	3.1
Currency and deposits								
Other debt liabilities				0.3				
III. Commercial banks	9,488.6	10,944.6	9,969.8	8,515.1	7,745.4	8,544.4	11,042.9	11,329.5
<i>Short-term</i>	4,912.4	6,477.1	6,392.6	5,983.3	5,307.3	5,888.1	8,186.5	8,452.4
Money market instruments	35.2		0.3	1.9	53.8	42.4	57.8	155.2
Loans	231.8	844.4	1,102.5	668.1	295.1	194.2	202.5	474.0
Currency and deposits	4,363.7	5,227.8	4,804.1	4,962.9	4,611.0	5,337.7	7,601.5	7,355.3
Other debt liabilities	281.7	404.9	485.7	350.4	347.4	313.8	324.7	467.9
<i>Long-term</i>	4,576.2	4,467.5	3,577.2	2,531.8	2,438.1	2,656.3	2,856.4	2,877.1
Bonds and notes	444.1	304.5	287.3	294.3	405.8	548.2	593.3	551.1
Loans	2,478.4	3,208.9	2,530.6	1,771.7	1,424.1	1,750.2	1,922.3	1,980.4
Currency and deposits	1,653.7	954.1	759.3	465.8	602.0	357.9	324.3	327.3
Other debt liabilities					6.2		16.5	18.3
IV. Other sectors	9,047.8	9,474.3	8,807.4	8,935.8	9,766.3	11,768.7	15,186.5	20,221.5
<i>Short-term</i>	1,666.8	1,968.5	1,494.7	1,946.0	2,529.2	2,829.9	3,550.3	5,747.9
Money market instruments	111.6	37.1	32.1	3.5				83.7
Loans	128.5	316.6	75.7	219.8	1,001.7	794.1	1,669.5	2,522.7
Currency and deposits								
Trade credits	1,426.7	1,614.8	1,386.9	1,722.7	1,527.5	2,035.8	1,880.8	3,141.5
Other debt liabilities								
<i>Long-term</i>	7,381.0	7,505.8	7,312.7	6,989.8	7,237.1	8,938.8	11,636.2	14,473.6
Bonds and notes	359.2	521.2	649.0	435.6	361.7	538.6	734.6	1,586.4
Loans	6,451.9	6,063.2	5,757.6	5,887.4	6,267.5	7,826.2	9,960.2	11,864.1
Currency and deposits								
Trade credits	569.9	921.4	906.1	666.8	607.9	574.0	553.9	576.8
Other debt liabilities							387.5	446.3
V. Direct investment: Intercompany lending	1,014.7	2,155.4	2,588.3	3,072.9	3,993.4	5,057.1	5,940.3	6,955.5
Debt liabilities to affiliated enterprises								
Debt liabilities to direct investors	1,014.7	2,155.4	2,588.3	3,072.9	3,993.4	5,057.1	5,940.3	6,955.5
TOTAL EXTERNAL DEBT	21,616.5	24,348.4	22,860.6	21,608.3	22,374.0	26,983.4	34,892.8	45,302.8

1) revised data
2) preliminary data

**AMORTISATION SCHEDULE FOR LONG-TERM DEBT IN CONVERTIBLE CURRENCIES,
BY CREDITOR AND DEBTOR, OUTSTANDING AT 31 DEC. 2004**

		(in CZK millions)							
		Debt at 31 Dec. 2004	2005	2006	2007	2008	2009	2010	2011–33
BY CREDITOR	principal	631,667.2	134,493.4	56,308.8	72,809.6	47,275.3	72,339.5	47,537.3	200,903.3
	interest		25,489.8	19,041.2	16,834.7	14,477.1	12,198.1	9,269.8	35,754.8
Foreign banks	principal	263,931.4	76,545.4	29,521.2	40,584.5	25,291.4	34,243.6	27,615.6	30,129.8
	interest		10,985.8	7,208.9	5,778.8	4,322.7	3,125.0	1,951.8	6,638.6
Government institutions	principal								
	interest								
Multilateral institutions	principal	84,862.4	10,009.1	4,578.6	6,148.2	3,527.7	9,470.2	3,813.4	47,315.1
	interest		2,824.1	2,448.8	2,173.8	1,916.6	1,585.7	1,286.3	10,309.7
Suppliers and direct investors	principal	108,720.0	25,300.0	14,843.0	18,745.7	3,999.3	8,980.0	7,160.0	29,692.0
	interest*		4,278.5	3,255.3	2,923.0	2,441.1	2,067.1	1,663.6	4,453.8
Other investors	principal	174,153.4	22,638.9	7,366.0	7,331.2	14,456.9	19,645.7	8,948.3	93,766.4
	interest		7,401.4	6,128.2	5,959.1	5,796.7	5,420.2	4,368.1	14,352.7
BY DEBTOR	principal	631,667.2	134,493.4	56,308.8	72,809.6	47,275.3	72,339.5	47,537.3	200,903.3
	interest		25,489.9	19,041.2	16,834.7	14,477.1	12,198.1	9,269.8	35,754.8
CNB	principal	70.2	17.4	17.4	17.4	18.0			
	interest		3.9	2.7	1.5	0.5			
Commercial banks	principal	64,346.6	6,795.8	5,956.7	7,106.9	7,163.1	15,228.1	10,175.0	11,921.0
	interest		2,635.3	1,188.0	1,173.5	1,098.3	965.3	421.2	3,227.8
Government	principal	147,729.1	10,627.2	2,211.3	2,284.5	4,893.1	11,112.6	9,076.1	107,524.3
	interest		4,930.2	4,472.5	4,380.7	4,264.6	4,126.8	3,638.7	20,417.8
Other sectors	principal	419,521.3	117,053.0	48,123.4	63,400.8	35,201.1	45,998.8	28,286.2	81,458.0
	interest		17,920.4	13,378.0	11,279.0	9,113.6	7,106.0	5,210.0	12,109.2
TOTAL	principal	631,667.2	134,493.4	56,308.8	72,809.6	47,275.3	72,339.5	47,537.3	200,903.3
	interest		25,489.9	19,041.2	16,834.7	14,477.1	12,198.1	9,269.8	35,754.8
TOTAL DEBT SERVICE			159,983.3	75,350.0	89,644.3	61,752.4	84,537.6	56,807.1	236,658.1

* Loan interest included in repayments of principal.

**AMORTISATION SCHEDULE FOR LONG-TERM DEBT IN CONVERTIBLE CURRENCIES,
BY CREDITOR AND DEBTOR, OUTSTANDING AT 31 DEC. 2004**

		(in USD millions)							
		Debt at 31 Dec. 2004	2005	2006	2007	2008	2009	2010	2011–33
BY CREDITOR	principal	28,244	6,014	2,518	3,256	2,114	3,234	2,126	8,983
	interest		1,140	851	753	647	545	414	1,599
Foreign banks	principal	11,801	3,423	1,320	1,815	1,131	1,531	1,235	1,347
	interest		491	322	258	193	140	87	297
Government institutions	principal								
	interest								
Multilateral institutions	principal	3,794	448	205	275	158	423	171	2,116
	interest		126	109	97	86	71	58	461
Suppliers and direct investors	principal	4,861	1,131	664	838	179	402	320	1,328
	interest*		191	146	131	109	92	74	199
Other investors	principal	7,787	1,012	329	328	646	878	400	4,193
	interest		331	274	266	259	242	195	642
BY DEBTOR	principal	28,244	6,014	2,518	3,256	2,114	3,234	2,126	8,983
	interest		1,140	851	753	647	545	414	1,599
CNB	principal	3	1	1	1	1			
	interest								
Commercial banks	principal	2,877	304	266	318	320	681	455	533
	interest		118	53	52	49	43	19	144
Government	principal	6,605	475	99	102	219	497	406	4,808
	interest		220	200	196	191	185	163	913
Other sectors	principal	18,758	5,234	2,152	2,835	1,574	2,057	1,265	3,642
	interest		801	598	504	407	318	233	541
TOTAL	principal	28,244	6,014	2,518	3,256	2,114	3,234	2,126	8,983
	interest		1,140	851	753	647	545	414	1,599
TOTAL DEBT SERVICE			7,153	3,369	4,008	2,761	3,780	2,540	10,582

* Loan interest included in repayments of principal.

**AMORTISATION SCHEDULE FOR LONG-TERM DEBT IN CONVERTIBLE CURRENCIES,
BY CREDITOR AND DEBTOR, OUTSTANDING AT 31 DEC. 2004**

		(in EUR millions)							
		Debt at 31 Dec. 2004	2005	2006	2007	2008	2009	2010	2011–33
BY CREDITOR	principal	20,734	4,415	1,848	2,390	1,552	2,375	1,560	6,595
	interest		837	625	553	475	400	304	1,174
Foreign banks	principal	8,663	2,513	969	1,332	830	1,124	906	989
	interest		361	237	190	142	103	64	218
Government institutions	principal								
	interest								
Multilateral institutions	principal	2,786	329	150	202	116	311	125	1,553
	interest		93	80	71	63	52	42	338
Suppliers and direct investors	principal	3,569	830	487	615	131	295	235	975
	interest*		140	107	96	80	68	55	146
Other investors	principal	5,717	743	242	241	475	645	294	3,078
	interest		243	201	196	190	178	143	471
BY DEBTOR	principal	20,734	4,415	1,848	2,390	1,552	2,375	1,560	6,595
	interest		837	625	553	475	400	304	1,174
CNB	principal	2	1	1	1	1			
	interest								
Commercial banks	principal	2,112	223	196	233	235	500	334	391
	interest		87	39	39	36	32	14	106
Government	principal	4,849	349	73	75	161	365	298	3,529
	interest		162	147	144	140	135	119	670
Other sectors	principal	13,771	3,842	1,580	2,081	1,155	1 510	928	2,674
	interest		588	439	370	299	233	171	397
TOTAL	principal	20,734	4,415	1,848	2,390	1,552	2,375	1,560	6,595
	interest		837	625	553	475	400	304	1,174
TOTAL DEBT SERVICE			5,251	2,473	2,943	2,027	2,775	1,865	7,768

* Loan interest included in repayments of principal.

AMORTISATION OF LONG-TERM DEBT IN CONVERTIBLE CURRENCIES FOR 2004

(in CZK thousands)						
	Debt at 31 Dec. 2003	Drawings	Principal	Repayments Interest	Difference	Debt at 31 Dec. 2004
1. FINANCIAL LOANS	322,978,853	148,112,700	116,393,000	15,999,623	-15,921,024	338,777,529
Commercial banks	44,906,760	9,315,400	9,999,900	2,155,217	-2,920,331	41,301,929
CNB	96,100		20,500	5,770	-5,400	70,200
Government	22,455,993	9,475,000	210,300	556,706	344,707	32,065,400
Corporations	255,520,000	129,322,300	106,162,300	13,281,930	-13,340,000	265,340,000
2. BONDS	80,638,800	96,243,000	0	5,531,100	-13,411,800	163,470,000
Commercial banks	15,220,100	4,736,200		854,800	-7,630,600	12,325,700
Government+municipalities	46,573,900	70,590,600		2,174,300	-1,500,800	115,663,700
Corporations	18,844,800	20,916,200		2,502,000	-4,280,400	35,480,600
3. SPECIAL-PURPOSE LOANS	4,407,540	0	0	160,870	-1,418,769	2,988,771
Commercial banks	4,407,540			160,870	-1,418,769	2,988,771
4. DEPOSITS	8,742,000	5,800	732,100	140,014	-285,500	7,730,200
Commercial banks	8,742,000	5,800	732,100	140,014	-285,500	7,730,200
5. TRADE CREDITS	119,228,707	35,087,109	25,986,900	4,867,897	-9,628,216	118,700,700
Corporations (import liabilities)	24,150,800	1,760,000	2,940,000		-90,100	22,880,700
Corporations (other capital)	95,077,907	33,327,109	23,046,900	4,867,897	-9,538,116	95,820,000
6. TOTAL	535,995,900	279,448,609	143,112,000	26,699,504	-40,665,309	631,667,200
Amort./Exports of goods and services			8.7%			

(in USD millions)						
	Debt at 31 Dec. 2003	Drawings	Principal	Repayments Interest	Difference	Debt at 31 Dec. 2004
1. FINANCIAL LOANS	12,590	5,763	4,529	686	1,323	15,147
Commercial banks	1,751	362	389	84	122	1,846
CNB	4	0	1	0	0	3
Government	875	369	8	85	198	1,434
Corporations	9,960	5,032	4,131	517	1,003	11,864
2. BONDS	3,143	3,745	0	215	421	7,309
Commercial banks	593	184	0	33	-226	551
Government	1,815	2,747	0	85	610	5,172
Corporations	735	814	0	97	37	1,586
3. SPECIAL-PURPOSE LOANS	172	0	0	6	-38	134
Commercial banks	172	0	0	6	-38	134
4. DEPOSITS	341	0	28	5	33	346
Commercial banks	341	0	28	5	33	346
5. TRADE CREDITS	4,647	1,365	1,011	189	307	5,308
Corporations (import liabilities)	941	68	114	0	128	1,023
Corporations (other capital)	3,706	1,297	897	189	-333	4,285
6. TOTAL	20,893	10,873	5,568	1,101	2,046	28,244
Amort./Exports of goods and services			8.7%			

(in EUR millions)						
	Debt at 31 Dec. 2003	Drawings	Principal	Repayments Interest	Difference	Debt at 31 Dec. 2004
1. FINANCIAL LOANS	9,967	4,642	3,649	501	159	11,119
Commercial banks	1,386	292	313	68	-10	1,355
CNB	3	0	1	0	0	2
Government	693	297	7	17	69	1,052
Corporations	7,885	4,053	3,328	416	100	8,710
2. BONDS	2,489	3,017	0	173	-139	5,367
Commercial banks	470	148	0	27	-213	405
Government	1,437	2,213	0	68	147	3,797
Corporations	582	656	0	78	-73	1,165
3. SPECIAL-PURPOSE LOANS	136	0	0	5	-38	98
Commercial banks	136	0	0	5	-38	98
4. DEPOSITS	270	0	23	4	7	254
Commercial banks	270	0	23	4	7	254
5. TRADE CREDITS	3,679	1,100	814	153	-69	3,896
Corporations (import liabilities)	745	55	92	0	43	751
Corporations (other capital)	2,934	1,045	722	153	-112	3,145
6. TOTAL	16,541	8,759	4,486	836	-80	20,734
Amort./Exports of goods and services			8.7%			

FOREIGN DIRECT INVESTMENT OUTWARD FLOWS
broken down by economic activity

Outward flows in 2004

Code	NACE	Sectors and industries	Total in CZK millions	Total in USD thousands	Total in EUR thousands
0595	01-05	AGRICULTURE, FORESTRY AND FISHING	0.0	0.0	0.0
1495	10-14	MINING AND QUARRYING	113.9	4,431.8	3,570.1
3995	15-37	MANUFACTURING	1,516.7	59,013.8	47,539.9
		of which			
1605	15-16	Manufacture of food products, beverages and tobacco	460.6	17,921.7	14,437.2
1805	17-18	Manufacture of textiles and wearing apparel	20.4	792.1	638.1
1900	19	Tanning and dressing of leather; manufacture of luggage, handbags and footwear	3.0	116.0	93.4
2205	20-22	Manufacture of wood and wood products, paper and paper products, publishing and printing	57.5	2,238.6	1,803.4
2300	23	Manufacture of coke, refined petroleum products and nuclear fuel	0.0	0.0	0.0
2400	24	Manufacture of chemicals and chemical products	119.7	4,658.5	3,752.8
2500	25	Manufacture of rubber and plastic products	259.6	10,099.3	8,135.7
2600	26	Manufacture of other non-metallic mineral products	117.8	4,582.7	3,691.7
2805	27-28	Manufacture of basic metals and fabricated metal products	13.0	504.8	406.7
2900	29	Manufacture of machinery and equipment n.e.c.	-45.8	-1,783.9	-1,437.1
3000	30	Manufacture of office machinery and computers	82.6	3,213.3	2,588.6
3100	31	Manufacture of electrical machinery and apparatus n.e.c.	11.6	451.4	363.6
3200	32	Manufacture of radio, television and communication equipment and apparatus	17.6	686.5	553.0
3300	33	Manufacture of medical, precision and optical instruments, watches and clocks	83.1	3,234.1	2,605.3
3400	34	Manufacture of motor vehicles, trailers and semi-trailers	321.6	12,514.3	10,081.2
3500	35	Manufacture of other transport equipment	0.5	21.1	17.0
3600	36	Manufacture of furniture; manufacturing n.e.c.	-6.2	-242.5	-195.3
3700	37	Recycling	0.1	5.8	4.6
4195	40-41	ELECTRICITY, GAS AND WATER SUPPLY	9,391.8	365,424.6	294,376.2
4500	45	CONSTRUCTION	77.2	3,004.3	2,420.2
5295	50-52	WHOLESALE AND RETAIL TRADE; REPAIRS	1,506.4	58,613.9	47,217.8
5500	55	HOTELS AND RESTAURANTS	41.2	1,602.9	1,291.2
6495	60-64	TRANSPORT AND COMMUNICATION	-192.8	-7,500.7	-6,042.4
6895	65-67	FINANCIAL INTERMEDIATION	393.6	15,314.1	12,336.6
7395	70-74	REAL ESTATE AND BUSINESS ACTIVITIES	1,112.7	43,295.9	34,878.0
9995	75-99	OTHER SERVICES	78.1	3,038.8	2,448.0
9999	01-99	TOTAL	14,038.9	546,239.4	440,035.7

* - preliminary data

FOREIGN DIRECT INVESTMENT OUTWARD FLOWS
broken down by country

Outward flows in 2004

<i>Eurostat/OECD</i>	<i>Geographical and economic zones</i>	<i>Total in CZK millions</i>	<i>Total in USD thousands</i>	<i>Total in EUR thousands</i>
E1	EUROPE	13,914.5	541,398.8	436,136.2
	of which			
BE	Belgium	-1.0	-40.3	-32.5
DK	Denmark	1.9	72.5	58.4
FI	Finland	-4.4	-173.0	-139.4
FR	France	-2.0	-78.7	-63.4
IE	Ireland	-26.4	-1,025.6	-826.2
IT	Italy	1.0	39.4	31.7
LU	Luxembourg	-78.6	-3,056.3	-2,462.1
DE	Germany	-282.5	-10,992.7	-8,855.4
NL	Netherlands	179.4	6,981.2	5,623.9
PT	Portugal	458.0	17,819.0	14,354.5
AT	Austria	-26.5	-1,032.1	-831.5
ES	Spain	32.4	1,261.8	1,016.5
SE	Sweden	3.2	125.2	100.8
GB	United Kingdom	448.5	17,451.4	14,058.4
LI	Liechtenstein	192.4	7,486.8	6,031.2
NO	Norway	-3.2	-126.3	-101.7
CH	Switzerland	37.8	1,472.6	1,186.3
E2	OTHER EUROPEAN COUNTRIES	12,984.5	505,213.9	406,986.7
	of which			
BY	Belarus	1.4	55.3	44.6
BA	Bosnia and Herzegovina	-2.1	-83.6	-67.3
BG	Bulgaria	9,415.7	366,354.6	295,125.4
GG	Guernsey	0.2	6.2	5.0
HR	Croatia	2.0	77.8	62.7
CY	Cyprus	-22.2	-865.5	-697.3
LT	Lithuania	0.6	24.5	19.7
LV	Latvia	0.9	34.1	27.5
HU	Hungary	121.3	4,719.9	3,802.3
PL	Poland	639.5	24,881.3	20,043.7
RO	Romania	95.2	3,702.5	2,982.7
RU	Russia	-118.4	-4,607.1	-3,711.3
SK	Slovakia	2,411.3	93,821.9	75,580.4
SI	Slovenia	-128.1	-4,983.4	-4,014.5
TR	Turkey	1.1	41.7	33.6
UA	Ukraine	566.2	22,029.7	17,746.5
E4	AFRICA	5.2	202.7	163.3
E5	NORTH AFRICA	-0.4	-16.5	-13.3
	of which			
DZ	Algeria	-0.4	-16.5	-13.3
E6	OTHER AFRICAN COUNTRIES	5.6	219.2	176.6
	of which			
SL	Sierra Leone	5.6	219.2	176.6
E7	AMERICA	9.0	350.4	282.3
E8	NORTH AMERICA	162.6	6,326.4	5,096.4
	of which			
CA	Canada	-40.9	-1,592.2	-1,282.6
US	USA	203.5	7,918.6	6,379.0

FOREIGN DIRECT INVESTMENT OUTWARD FLOWS - continued
broken down by country

Outward flows in 2004

<i>Eurostat/OECD</i>	<i>Geographical and economic zones</i>	<i>Total in CZK millions</i>	<i>Total in USD thousands</i>	<i>Total in EUR thousands</i>
E9	CENTRAL AMERICA	-157.9	-6,142.7	-4,948.4
	of which			
AW	Aruba	5.3	204.8	164.9
VG	British Virgin Islands	-38.0	-1,478.6	-1,191.1
KY	Cayman Islands	-121.4	-4,723.1	-3,804.8
CR	Costa Rica	4.4	169.5	136.5
MX	Mexico	-8.1	-315.2	-253.9
F1	SOUTH AMERICA	4.3	166.8	134.3
	of which			
BR	Brazil	9.5	368.5	296.8
PE	Peru	-5.2	-202.4	-163.0
VE	Venezuela	-0.1	-3.6	-2.9
F2	ASIA	66.3	2,580.9	2,079.1
F3	NEAR AND MIDDLE EAST	6.9	266.9	215.0
	of which			
IR	Iran	-1.3	-49.2	-39.7
F4	Arabian Gulf countries	85.2	3,316.0	2,671.3
BH	Bahrain	4.8	186.7	150.4
AE	United Arab Emirates	80.4	3,129.3	2,520.9
F5	Other Near and Middle East countries	-77.1	-2,999.9	-2,416.6
GE	Georgia	-76.9	-2,990.3	-2,408.9
LB	Lebanon	-0.2	-9.6	-7.7
F6	OTHER ASIAN COUNTRIES	59.5	2,314.0	1,864.1
	of which			
CN	China	-39.0	-1,516.9	-1,222.0
IN	India	79.5	3,093.4	2,492.0
KZ	Kazakhstan	-68.8	-2,678.9	-2,158.0
MM	Myanmar	-0.4	-15.3	-12.3
SG	Singapore	82.6	3,213.3	2,588.6
UZ	Uzbekistan	5.6	217.4	175.1
F7	OCEANIA AND POLAR REGIONS	43.9	1,706.6	1,374.8
	of which			
AU	Australia	43.9	1,706.6	1,374.8
A1	TOTAL WORLDWIDE	14,038.9	546,239.4	440,035.7
U2	Euro area	249.4	9,702.7	7,816.2
D2	EU-15	703.0	27,351.8	22,033.8
D3	EU-25	3,726.2	144,984.6	116,795.7
D8	Accession countries	3,023.3	117,632.8	94,761.8
A5	EFTA	227.0	8,833.1	7,115.7
A8	OECD	4,109.1	159,880.6	128,795.5
A9	CEE	12,556.3	488,552.7	393,564.9
B1	NAFTA	154.5	6,011.2	4,842.4
D6	CCs	12,535.2	487,731.7	392,903.4

* - preliminary data

FOREIGN DIRECT INVESTMENT INWARD FLOWS broken down by economic activity

Inward flows in 2004

Code	NACE	Sectors and industries	Total in CZK millions	Total in USD thousands	Total in EUR thousands
0595	01-05	AGRICULTURE, FORESTRY AND FISHING	647.8	25,205.4	20,304.8
1495	10-14	MINING AND QUARRYING	1,215.7	47,301.2	38,104.6
3995	15-37	MANUFACTURING	55,105.5	2,144,099.3	1,727,228.5
		of which			
1605	15-16	Manufacture of food products, beverages and tobacco	1,480.5	57,605.7	46,405.6
1805	17-18	Manufacture of textiles and wearing apparel	24.4	951.1	766.2
1900	19	Tanning and dressing of leather; manufacture of luggage, handbags and footwear	-25.7	-1,001.6	-806.9
2205	20-22	Manufacture of wood and wood products, paper and paper products, publishing and printing	3,665.5	142,620.1	114,890.9
2300	23	Manufacture of coke, refined petroleum products and nuclear fuel	162.3	6,313.4	5,085.9
2400	24	Manufacture of chemicals and chemical products	6,460.7	251,379.3	202,504.3
2500	25	Manufacture of rubber and plastic products	6,119.7	238,112.2	191,816.8
2600	26	Manufacture of other non-metallic mineral products	4,009.4	156,002.6	125,671.5
2805	27-28	Manufacture of basic metals and fabricated metal products	12,045.1	468,660.8	377,540.5
2900	29	Manufacture of machinery and equipment n.e.c.	4,258.4	165,689.4	133,474.9
3000	30	Manufacture of office machinery and computers	233.5	9,085.3	7,318.9
3100	31	Manufacture of electrical machinery and apparatus n.e.c.	6,408.3	249,342.2	200,863.4
3200	32	Manufacture of radio, television and communication equipment and apparatus	82.6	3,215.3	2,590.1
3300	33	Manufacture of medical, precision and optical instruments, watches and clocks	1,284.9	49,994.8	40,274.4
3400	34	Manufacture of motor vehicles, trailers and semi-trailers	6,897.1	268,357.7	216,181.7
3500	35	Manufacture of other transport equipment	1,383.7	53,838.9	43,371.2
3600	36	Manufacture of furniture; manufacturing n.e.c.	546.9	21,278.5	17,141.4
3700	37	Recycling	68.2	2,653.6	2,137.6
4195	40-41	ELECTRICITY, GAS AND WATER SUPPLY	6,873.8	267,452.6	215,452.6
4500	45	CONSTRUCTION	2,662.8	103,608.6	83,464.3
5295	50-52	WHOLESALE AND RETAIL TRADE; REPAIRS	19,754.1	768,611.1	619,172.3
5500	55	HOTELS AND RESTAURANTS	-706.3	-27,480.7	-22,137.7
6495	60-64	TRANSPORT AND COMMUNICATION	509.6	19,829.2	15,973.9
6895	65-67	FINANCIAL INTERMEDIATION	13,223.1	514,497.2	414,465.0
7395	70-74	REAL ESTATE AND BUSINESS ACTIVITIES	14,112.2	549,091.5	442,333.2
9995	75-99	OTHER SERVICES	1,314.2	51,133.4	41,191.7
9999	01-99	TOTAL	114,712.5	4,463,348.8	3,595,553.2

* - preliminary data

FOREIGN DIRECT INVESTMENT INWARD FLOWS
broken down by country

Inward flows in 2004

<i>Eurostat/OECD</i>	<i>Geographical and economic zones</i>	<i>Total in CZK millions</i>	<i>Total in USD thousands</i>	<i>Total in EUR thousands</i>
E1	EUROPE	96,689.6	3,762,096.0	3,030,642.9
	of which			
BE	Belgium	941.0	36,615.1	29,496.1
DK	Denmark	284.8	11,082.4	8,927.7
FI	Finland	153.8	5,983.0	4,819.7
FR	France	4,426.9	172,245.6	138,756.4
IE	Ireland	1,495.6	58,193.1	46,878.8
IT	Italy	2,229.1	86,733.8	69,870.4
LU	Luxembourg	1,395.6	54,299.6	43,742.3
DE	Germany	22,325.6	868,668.0	699,775.4
NL	Netherlands	27,104.8	1,054,619.9	849,573.3
PT	Portugal	1,242.6	48,350.1	38,949.5
AT	Austria	11,503.3	447,581.8	360,559.8
GR	Greece	484.1	18,836.2	15,174.0
ES	Spain	770.7	29,986.4	24,156.3
SE	Sweden	3,872.6	150,680.7	121,384.3
GB	United Kingdom	2,747.8	106,914.7	86,127.6
IS	Iceland	24.3	946.2	762.2
LI	Liechtenstein	188.3	7,325.6	5,901.3
NO	Norway	246.3	9,581.5	7,718.6
CH	Switzerland	3,676.7	143,058.4	115,244.0
E2	OTHER EUROPEAN COUNTRIES	11,575.6	450,394.0	362,825.2
	of which			
AD	Andorra	0.4	16.0	12.9
BY	Belarus	4.8	186.3	150.1
BA	Bosnia and Herzegovina	0.1	4.8	3.8
BG	Bulgaria	1.5	59.6	48.0
EE	Estonia	0.5	18.4	14.9
GI	Gibraltar	0.8	31.0	25.0
GG	Guernsey	68.1	2,650.3	2,135.0
HR	Croatia	2.5	96.7	77.9
JE	Jersey	-1,441.4	-56,081.9	-45,178.1
CS	Serbia and Montenegro	28.3	1,102.0	887.7
CY	Cyprus	-222.1	-8,642.2	-6,962.0
LT	Lithuania	4.8	185.6	149.5
LV	Latvia	2.0	84.0	67.7
HU	Hungary	193.8	7,541.2	6,075.0
MT	Malta	118.6	4,616.4	3,718.8
MD	Moldova	2.4	93.5	75.3
IM	Isle of Man	-15.5	-603.7	-486.4
PL	Poland	11.4	444.4	358.0
RU	Russia	2,769.8	107,768.4	86,815.3
SM	San Marino	-92.5	-3,597.8	-2,898.3
SK	Slovakia	10,020.3	389,878.5	314,075.5
SI	Slovenia	32.0	1,245.2	1,003.1
TR	Turkey	3.3	129.4	104.2
UA	Ukraine	81.4	3,168.1	2,552.2
E4	AFRICA	1,337.9	52,055.0	41,934.1
E5	NORTH AFRICA	0.2	6.7	5.4
	of which			
MA	Morocco	0.2	7.8	6.2
E6	OTHER AFRICAN COUNTRIES	1,337.7	52,048.3	41,928.7
	of which			
ZA	South Africa	0.4	14.7	11.8
LR	Liberia	10.1	389.7	314.0
NG	Nigeria	0.2	8.4	6.6
SC	Seychelles	1,327.1	51,635.5	41,596.1
E7	AMERICA	9,727.3	378,478.6	304,892.2
E8	NORTH AMERICA	8,171.3	317,938.0	256,122.3
	of which			
CA	Canada	921.6	35,857.6	28,885.9
US	USA	7,249.7	282,080.4	227,236.4
E9	CENTRAL AMERICA	1,540.0	59,921.3	48,271.0
	of which			
AW	Aruba	0.4	15.1	12.2
BZ	Belize	19.1	744.9	600.1
VG	British Virgin Islands	179.0	6,964.3	5,610.3

FOREIGN DIRECT INVESTMENT INWARD FLOWS - continued
broken down by country

Inward flows in 2004

<i>Eurostat/OECD</i>	<i>Geographical and economic zones</i>	<i>Total in CZK millions</i>	<i>Total in USD thousands</i>	<i>Total in EUR thousands</i>
E9	CENTRAL AMERICA	1,540.0	59,921.3	48,271.0
	of which			
GD	Grenada	0.4	15.0	12.1
KY	Cayman Islands	44.3	1,722.7	1,387.8
MX	Mexico	1,242.1	48,327.8	38,931.6
AN	Netherlands Antilles	2.7	106.0	85.4
PA	Panama	34.7	1,349.3	1,087.0
VC	St Vincent and the Grenadines	2.1	83.6	67.3
TC	Turks and Caicos	15.2	592.5	477.3
F1	SOUTH AMERICA	15.9	619.3	498.9
	of which			
AR	Argentina	0.2	7.8	6.3
VE	Venezuela	15.7	609.8	491.2
F2	ASIA	6,883.8	267,841.4	215,765.8
F3	NEAR AND MIDDLE EAST	35.8	1,392.8	1,122.0
	of which			
IR	Iran	0.4	16.7	13.5
IL	Israel	27.2	1,056.7	851.2
F4	Arabian Gulf countries	5.5	212.9	171.5
IQ	Iraq	0.5	19.4	15.6
QA	Qatar	0.2	8.4	6.8
SA	Saudi Arabia	0.2	8.9	7.2
AE	United Arab Emirates	4.5	176.2	142.0
F5	Other Near and Middle East countries	2.7	106.6	85.9
AM	Armenia	0.4	16.1	13.0
AZ	Azerbaijan	-0.7	-25.9	-20.8
GE	Georgia	2.2	85.7	69.0
JO	Jordan	0.6	23.9	19.3
LB	Lebanon	0.2	6.7	5.4
F6	OTHER ASIAN COUNTRIES	6,848.0	266,448.5	214,643.7
	of which			
BN	Brunei	0.7	31.7	25.5
CN	China	4.0	154.8	124.7
HK	Hong Kong	39.6	1,539.2	1,240.0
IN	India	23.6	918.2	739.6
ID	Indonesia	8.7	337.5	271.9
JP	Japan	6,767.0	263,296.2	212,104.3
KZ	Kazakhstan	-41.7	-1,622.1	-1,306.7
KR	Republic of Korea	-1.4	-55.2	-44.5
KG	Kyrgyzstan	1.1	44.0	35.5
MY	Malaysia	1.7	66.6	53.6
MN	Mongolia	0.2	7.0	5.6
NP	Nepal	0.5	20.4	16.4
PK	Pakistan	0.3	11.7	9.4
SG	Singapore	27.0	1,049.5	845.5
TH	Thailand	0.4	15.6	12.6
TW	Taiwan	12.5	487.4	392.6
TM	Turkmenistan	1.1	41.4	33.3
UZ	Uzbekistan	1.2	45.0	36.2
VN	Vietnam	1.5	59.6	48.0
F7	OCEANIA AND POLAR REGIONS	74.0	2,877.8	2,318.3
	of which			
AU	Australia	61.2	2,380.4	1,917.6
NZ	New Zealand	1.4	53.0	42.7
WS	Samoa	10.0	389.1	313.4
NU	Niue	1.4	55.3	44.5
A1	TOTAL WORLDWIDE	114,712.5	4,463,348.8	3,595,553.2
U2	Euro area	74,073.2	2,882,112.5	2,321,752.0
D2	EU-15	80,978.5	3,150,790.4	2,538,191.5
D3	EU-25	91,139.9	3,546,161.7	2,856,692.0
D8	Accession countries	10,161.4	395,371.4	318,500.5
A5	EFTA	4,135.6	160,911.7	129,626.1
A8	OECD	111,396.1	4,334,310.1	3,491,603.1
A9	CEE	10,297.4	400,660.4	322,761.1
B1	NAFTA	9,413.4	366,265.8	295,053.9
D6	CCs	10,166.3	395,560.4	318,652.8

* - preliminary data

RESIDENTS' PORTFOLIO INVESTMENT ABROAD AS AT 31 DECEMBER 2004

broken down by territory and type of security

Eurostat/OECD Code	Geographical and economic zones	Equity securities	in CZK millions		Total
			Long-term bonds	Short-term bonds	
E1	EUROPE	66,245.2	263,768.6	2,978.4	332,992.2
D2	EU-15	60,073.9	229,941.0	1,817.6	291,832.5
	of which	0.0	0.0	0.0	0.0
AT	Austria	15,124.9	15,199.1	0.1	30,324.1
BE	Belgium	862.8	262.0	0.0	1,124.8
DE	Germany	3,897.5	41,741.0	145.9	45,784.4
DK	Denmark	4.4	420.4	0.0	424.7
ES	Spain	409.8	1,887.6	0.0	2,297.4
FI	Finland	123.2	39.3	0.0	162.5
FR	France	5,375.8	18,596.5	0.0	23,972.3
GB	United Kingdom	2,752.4	15,514.3	301.0	18,567.6
GR	Greece	16.4	13,440.3	0.0	13,456.7
IE	Ireland	12,780.1	7,262.8	608.2	20,651.1
IT	Italy	262.0	16,033.3	0.0	16,295.4
LU	Luxembourg	15,826.9	22,230.6	32.5	38,090.0
NL	Netherlands	2,564.4	41,263.6	717.7	44,545.6
PT	Portugal	10.2	3,780.1	0.0	3,790.3
SE	Sweden	62.2	2,613.2	12.1	2,687.5
4A	International organisations	1.0	29,657.0	0.0	29,658.0
A5	EFTA	706.0	5,600.2	0.0	6,306.1
	of which	0.0	0.0	0.0	0.0
IS	Iceland	0.4	3,521.0	0.0	3,521.4
CH	Switzerland	695.4	38.1	0.0	733.6
LI	Liechtenstein	2.7	0.0	0.0	2.7
NO	Norway	7.5	2,041.0	0.0	2,048.5
E2	OTHER EUROPEAN COUNTRIES	5,465.3	28,227.4	1,160.9	34,853.7
	of which	0.0	0.0	0.0	0.0
AL	Albania	0.0	0.0	0.0	0.0
BG	Bulgaria	0.0	72.8	0.0	72.8
CY	Cyprus	1.0	99.9	0.0	100.9
HR	Croatia	50.1	325.3	0.0	375.3
HU	Hungary	1,493.9	4,199.5	0.8	5,694.2
JE	Jersey	0.0	2,296.4	0.0	2,296.4
PL	Poland	770.1	9,343.1	83.5	10,196.7
RO	Romania	0.0	118.0	0.0	118.0
RU	Russia	56.2	486.0	41.9	584.1
EE	Estonia	0.8	230.0	0.0	230.8
LT	Lithuania	0.0	0.0	0.0	0.0
SI	Slovenia	0.0	959.7	0.0	959.7
SK	Slovakia	3,089.2	10,045.4	1,033.8	14,168.4
TR	Turkey	4.0	17.4	1.0	22.4
UA	Ukraine	0.0	33.9	0.0	33.9
E7	AMERICA	6,761.4	27,779.1	174.3	34,714.9
E8	NORTH AMERICA	4,940.6	16,020.8	171.9	21,133.4
	of which	0.0	0.0	0.0	0.0
CA	Canada	68.9	1,946.7	30.2	2,045.7
US	USA	4,871.7	14,074.1	141.8	19,087.6

RESIDENTS' PORTFOLIO INVESTMENT ABROAD AS AT 31 DECEMBER 2004

broken down by territory and type of security

Eurostat/OECD Code	Geographical and economic zones	Equity securities	in CZK millions Long-term bonds	Short-term bonds	Total
E9	CENTRAL AMERICA	1,797.0	11,754.6	2.4	13,554.0
	of which	0.0	0.0	0.0	0.0
AN	Netherlands Antilles	1.9	254.7	0.0	256.6
BM	Bermuda	803.8	0.0	0.0	803.8
CU	Cuba	0.0	204.1	0.0	204.1
KY	Cayman Islands	968.7	11,291.6	2.4	12,262.8
VG	British Virgin Islands	17.0	0.0	0.0	17.0
TC	Turks and Caicos	5.5	0.0	0.0	5.5
MX	Mexico	0.0	4.2	0.0	4.2
F1	SOUTH AMERICA	23.8	3.7	0.0	27.5
	of which	0.0	0.0	0.0	0.0
AR	Argentina	0.0	2.3	0.0	2.3
BR	Brazil	19.1	0.6	0.0	19.7
UY	Uruguay	0.6	0.0	0.0	0.6
VE	Venezuela	0.0	0.4	0.0	0.4
CO	Colombia	4.1	0.4	0.0	4.5
F2	ASIA	250.7	93.2	0.0	343.9
	of which	0.0	0.0	0.0	0.0
CN	China	71.3	0.0	0.0	71.3
HK	Hong Kong	6.1	0.0	0.0	6.1
IL	Israel	7.6	0.0	0.0	7.6
IN	India	18.6	0.0	0.0	18.6
IR	Iran	0.0	60.6	0.0	60.6
JP	Japan	120.6	6.0	0.0	126.7
KR	Korea	9.9	0.0	0.0	9.9
KZ	Kazakhstan	0.0	26.5	0.0	26.5
MG	Madagascar	0.0	0.0	0.0	0.0
SG	Singapore	13.1	0.0	0.0	13.1
TW	Taiwan	0.4	0.0	0.0	0.4
TH	Thailand	3.2	0.0	0.0	3.2
F7	AUSTRALIA AND OCEANIA	41.9	1,293.8	28.2	1,363.8
	of which	0.0	0.0	0.0	0.0
MH	Republic of the Marshall Islands	0.2	0.0	0.0	0.2
AU	Australia	41.7	1,293.8	28.2	1,363.7
E4	AFRICA	10.2	0.6	0.0	10.8
	of which	0.0	0.0	0.0	0.0
CI	Republic of Côte d'Ivoire	0.0	0.6	0.0	0.6
EG	Egypt	3.5	0.0	0.0	3.5
NA	Namibia	0.0	0.0	0.0	0.0
NE	Niger	6.3	0.0	0.0	6.3
ZA	South Africa	0.5	0.0	0.0	0.5
A1	Total	73,309.3	292,935.3	3,181.0	369,425.6

* * - preliminary data

PORTFOLIO INVESTMENT IN KORUNA INSTRUMENTS
broken down by economic activity, territory and type of instrument as at 31 December 2004

ECONOMIC ACTIVITY	Market value	TERRITORY	Market value	(in CZK billions)	
				INSTRUMENT TYPE	Market value
Financial intermediation and insurance	81.4	USA	50.0	Equity securities	208.9
Electricity, gas and water supply	63.4	United Kingdom	49.4	Debt securities over 1 year	72.8
Transport and communication	57.6	Luxembourg	45.3	Debt securities up to 1 year	8.7
Public administration	56.7	Germany	41.2		
Manufacture of food products, beverages and tobacco	11.4	Austria	25.2		
Real estate and business activities	6.6	Finland	17.0		
Manufacture of refined petroleum products, chemical products and rubber products	3.6	Belgium	9.7		
Manufacture of other non-metallic mineral products	2.7	Netherlands	8.3		
Construction	2.4	Italy	8.1		
Others	4.5	Others	36.1		
TOTAL	290.4	TOTAL	290.4	TOTAL	290.4

