

BALANCE OF PAYMENTS

2010

# CONTENTS

<b>I. EXECUTIVE SUMMARY</b>	<b>1</b>	
<b>II. FULL REPORT</b>	<b>3</b>	
<b>1. THE CURRENT ACCOUNT</b>	<b>3</b>	
1.1 GOODS	3	
1.2 SERVICES	4	
1.3 INCOME	5	
1.4 CURRENT TRANSFERS	6	
<b>2. THE CAPITAL ACCOUNT</b>	<b>7</b>	
<b>3. THE FINANCIAL ACCOUNT</b>	<b>8</b>	
3.1 FOREIGN DIRECT INVESTMENT	8	
3.1.1 <i>Czech direct investment abroad</i>	8	
3.1.2 <i>FDI in the Czech Republic</i>	8	
3.1.3 <i>Returns on FDI in the Czech Republic</i>	9	
3.2 PORTFOLIO INVESTMENT	9	
3.2.1 <i>Money and capital markets</i>	9	
3.2.2 <i>Portfolio investment</i>	10	
3.3 FINANCIAL DERIVATIVES	11	
3.4 OTHER INVESTMENT	11	
<b>4. CNB INTERNATIONAL RESERVES</b>	<b>12</b>	
<b>5. THE INVESTMENT POSITION, EXTERNAL DEBT AND DEBT SERVICE</b>	<b>13</b>	
5.1 THE INVESTMENT POSITION	13	
5.2 EXTERNAL DEBT	14	
5.3 DEBT SERVICE	14	
<b>ABBREVIATIONS USED</b>	<b>16</b>	
<b>III. ANNEXES</b>	<b>17</b>	
ANNEX 1	FINANCIAL FLOWS BETWEEN THE CZECH REPUBLIC AND THE EUROPEAN UNION IN 2010	18
ANNEX 2	EFFECTIVE EXCHANGE RATE OF THE KORUNA	20
ANNEX 3	DEBT INDICATORS OF EXTERNAL STABILITY	21
ANNEX 4	BALANCE OF PAYMENTS	23
ANNEX 5	BALANCE OF PAYMENTS (IN DETAIL)	25
ANNEX 6	DIRECT INVESTMENT	29
ANNEX 7	PORTFOLIO INVESTMENT	35
ANNEX 8	INTERNATIONAL INVESTMENT POSITION	39
ANNEX 9	EXTERNAL DEBT	40
ANNEX 10	DEBT SERVICE OF THE CZECH REPUBLIC	42
ANNEX 11	NATIONAL DATA AND CROSS-BORDER EXTERNAL TRADE STATISTICS AND IMPACTS ON BALANCE OF PAYMENTS STATISTICS	43

**The current account** ended 2010 with a deficit of CZK 139.2 billion, or 3.8% of GDP. The final result was affected in particular by an income deficit. The income balance was influenced by a year-on-year fall in interest income from foreign assets in the banking and corporate sectors. There was an output surplus of CZK 120 billion, which equates to 3.3% of GDP.

The year-on-year fall in the output surplus was caused by developments in goods trade, which was most affected by price influences (significantly negative terms of trade). The year-on-year fall in the balance of trade surplus (national approach) was also caused by higher domestic demand for imported goods. Turning to the geographical breakdown (cross-border statistics) there was a perceptible rise in the deficit with countries outside the European Union, in particular with China (imports of machinery and equipment) and Russia (the influence of rising oil prices), which exceeded the growth in the surplus with EU countries. EU countries remain the decisive partners for the Czech Republic in terms of external trade, accounting for over 80% of Czech exports and 60% of imports. With a year-on-year rise in turnover the services balance achieved approximately the same surplus as in 2009.

The income deficit increased year on year in particular through the influence of a fall in interest income from external assets of the banking sector (including the CNB) and the corporate sector. The overall volume of expenditure was retained but there were perceptible changes in the structure. Savings on foreign workers' wage costs as a consequence of the fall in domestic demand were offset by higher income for foreign owners from direct investment in the Czech Republic; in particular the volume of reinvested earnings rose.

The current transfers deficit fell in 2010, mainly because of higher net income from the EU budget.

The fall in the surplus on the **capital account** compared to 2009 was a consequence of lower income from EU structural funds. Trade in emissions permits accounted for a significant proportion of capital account transactions.

There was a net inflow of foreign capital on the **financial account** of CZK 182.1 billion. The majority of this result was due to purchases of bonds in the corporate and government sectors by foreign investors.

Turning to the sectoral breakdown, the main recipient of foreign capital was the *government sector*. Foreign investors purchased government koruna- and foreign-currency-denominated bonds. In addition, loans provided by the European Investment Bank for the financing of infrastructure projects and other regional-level projects were drawn down. The *monetary financial institutions* and *corporate* sectors drew less in foreign funds. Investment in the banking sector was in the form of purchases of domestic bank bonds by foreign investors and the reinvestment of part of the profit generated in domestic banks under foreign control. Within the framework of other financial

**The current account deficit reached 3.8% of GDP**

**The goods and services surplus fell year on year**

**The income deficit was influenced by a fall in income and expenditure stagnation**

**The net income surplus from the EU budget rose year on year**

**The inflow of funds on the financial account was mainly due to purchases of corporate and government bonds by foreign investors**

**There was a recovery in the inflow of direct investment**

assets and liabilities, a net outflow of funds predominated, with the volume of loans and deposits provided abroad being partially covered by an increase in the stock of deposits received from non-residents. *The corporate sector* was a recipient of foreign funds in particular through foreign direct investment. Foreign owners retained part of the profit generated for reinvestment in subsidiaries and to increase their equity capital. Foreign investors purchased corporate koruna- and foreign-currency-denominated bonds, while demand for the shares of domestic companies fell significantly. The corporate sector increased its stock of financial assets abroad.

**The international reserves of the CNB increased because of transactions performed for clients**

The **international reserves of the** CNB, excluding exchange rate movements, reflected in particular an increase in funds temporarily deposited by clients with the CNB and the balance of other transactions performed for clients of the bank.

**Both the international investment position deficit and the external debt of the Czech Republic increased year on year**

In 2010 the Czech Republic's **international investment position** deficit rose as a result of inflows of foreign portfolio and direct investment. At the end of 2010 the international investment position deficit was 50.3% of GDP<sup>1</sup>. There was also an increase in the **external debt** of the Czech Republic, which corresponded to 48.7% of GDP at the end of 2010<sup>2</sup>.

1 The overall investment position deficit is hereinafter connected exclusively with the direct investment balance.

2 This debt is 45% covered by the CNB's international reserves.

## 1. THE CURRENT ACCOUNT

### 1.1 GOODS

The balance of trade under the balance of payments methodology according to the change in ownership principle<sup>3</sup> achieved a surplus of CZK 53.9 billion in 2010, a year-on-year fall of CZK 27.3 billion. The balance of trade turnover increased year on year (exports by 18% and imports by 21%). Under the balance of payments methodology (unlike the external trade statistics) imports are expressed at FOB values, i.e. excluding direct transportation costs to the border of the importing country. Imports also include purchases of goods abroad that are not included in the external trade statistics (for example purchases of fuels at airports abroad and the value of so-called under-limit postal consignments not subject to customs declaration from countries outside the eurozone). Their total value was CZK 4 billion. Data for external trade using both methodologies is given in the table (see Table II.1.1).

Exports of goods were influenced by a rise in industrial output, in particular in branches of manufacturing, thanks to rising demand caused by the recovery of the global and EU economy. The main category of exports of manufacturing industry products was machinery and transport equipment, most importantly road vehicles. The increased rate of growth of imports was caused in particular by price effects. Against this, weaker domestic consumer demand also corresponded to significantly below-average growth in imports of consumer goods and also some food products.

The evolution of the external trade structure can only indirectly be derived from cross-border external trade statistics (the structure according to the national methodology is not yet available). The positive balance with EU Member States increased year on year, with over 80% of exports heading to EU countries and around two-thirds of imports coming from them. The trade surplus with EU Member States has long exceeded the trade deficit with other countries, while the Czech Republic's largest trade deficit is with China.

In terms of the structure of goods, the surplus in trade in machinery and transport equipment was decisive, while the largest deficit was recorded in the mineral fuels group.

TABLE II.1.1

**COMPARISON OF THE TRADE BALANCE ACCORDING TO FTS AND BOP**

(CZK billions)

	2009	2010
<b>Balance of foreign trade statistics (the principle of border statistics)</b>		
Exports of goods (at FOB values)	2,138.6	2,530.2
Imports of goods (at FOB values)	1,924.8	2,320.9
Balance	213.8	209.3
<b>Balance of payments trade balance (the principle of change in ownership)</b>		
Exports of goods (at FOB values)	2,034.3	2,410.6
Imports of goods (at FOB values)	1,948.8	2,352.7
Imports of goods not included in FTS	4.3	4.0
Balance	81.2	53.9
<b>Difference (branding)</b>		
Exports of goods (at FOB values)	-104.3	-119.6
Imports of goods (at FOB values)	-24.0	-31.8
Balance	-128.3	-151.4

<sup>3</sup> The balance of trade under the balance of payments methodology, according to the change in ownership principle (national external trade data) and the cross-border external trade statistics are methodologically described in Annex 11 National data and cross-border external trade statistics and impacts on the balance of payments statistics.

TABLE II.1.2

## THE SERVICES SURPLUS SLIGHTLY GREW IN 2010

(CZK billions)

	2009	2010	Change
Services balance	65.2	66.1	0.9
of which			
Exports	385.5	413.0	27.5
Transport	88.5	97.2	8.7
Travel	122.5	127.5	5.0
Other services	174.5	188.3	13.8
Imports	320.3	346.9	26.6
Transport	62.7	78.6	15.9
Travel	77.2	77.6	0.4
Other services	180.4	190.7	10.3

TABLE II.1.3

## THE INCREASE IN NUMBER OF GUESTS USING ACCOMMODATION FACILITIES

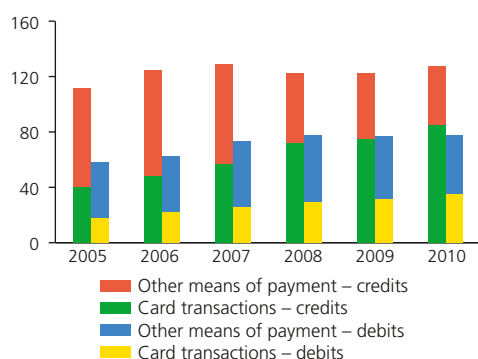
(millions of people; nights)

	2006	2007	2008	2009	2010
Number of persons	6.5	6.7	6.6	6.1	6.3
Average stay duration	3.1	3.1	3.0	2.9	2.9

CHART II.1.1

## NON-CASH PAYMENTS DOMINATE THE STRUCTURE OF FOREIGN TRAVEL CREDITS AND DEBITS

(CZK billions)



## 1.2 SERVICES

In 2010 the balance of services ended in a surplus of CZK 66.1 billion, which represents year-on-year growth of CZK 0.9 billion. This result was achieved amid a rising volume of credits and debits compared to 2009 (see Table II.1.2).

The resulting services surplus was positively affected by tourism. A rise in the number of foreign tourists coming to the Czech Republic resulted in a rise in net income in the foreign tourism item. The balance of other business and non-business services also improved. On the other hand, net exports of transport services fell by CZK 7.2 billion to CZK 18.6 billion. This fall was connected mainly with a rise in expenditure for pipeline transport and electricity transmission. For other types of transport, too, the rise in debits exceeded that of credits and so there was a fall in net exports from the transport of passengers and freight, including auxiliary services in particular for air, sea and rail transport.

In a year-on-year comparison, income from foreign tourism grew by 4.1%. According to the CZSO, although the average length of stay was unchanged, the numbers of foreign tourists at accommodation facilities rose by 3.3% (see Table II.1.3). Almost 18% of foreign tourists in the Czech Republic preferred to stay outside accommodation facilities. The number of single-day foreign visitors who came to the country in particular to purchase goods grew year on year by 4%. Expenditure by Czech nationals on travel and stays abroad rose by 0.6% year on year.

Regarding the structure of payments within the framework of tourism, non-cash payments dominated. The share of payments made using payment cards issued by banks in the Czech Republic was 45.4% of total foreign travel debits. The share of payment card transactions in total foreign travel credits reached 66.4% (see Chart II.1.1).

The balance of other services ended with a deficit of CZK 2.4 billion, with year-on-year rises in exports of 7.9% and imports of 5.7%. The resulting deficit in other business and non-business services fell by CZK 3.5 billion year on year. A relatively wide spectrum of services contributed to the overall improvement in the evolution of other services. A fall in imports of financial services in particular contributed to the improvement in the balance, but on the other hand income from their export stagnated. Further significant improvement in the balance could be seen with services for coverage of operating costs between affiliated domestic and foreign companies.

For other services, there was a perceptible improvement in the balance of research and development services and auditing services as a consequence of a fall in imports.

Foreign trade in construction work recorded a rise in turnover in particular for construction and assembly work performed abroad.

Services that contributed to a worsening of the resulting balance

included computer services, information services, advertising services, postal and messenger services, technical services and merchanting.

Other types of services recorded less significant year-on-year changes in their balances of trade.

### 1.3 INCOME

The income deficit rose to CZK 257.7 billion in 2010 as a consequence of a fall in credits combined with unchanged debits. The decisive factor influencing the interest balance of banks was interest rates on financial markets both abroad and at home. On the credit side, the interest income of the banking sector fell and, within its framework, there was a fall in income on the international reserves of the CNB and of the corporate sector from loans, trade credits and deposits abroad (see Table II.1.4). On the other hand, the volume of interest payments from loans and credit received was at the same level as in 2009.

Domestic entities investing in foreign portfolio investments saw their income fall. This fall was spread equally between dividends from shares and interest on bonds. The drop in income compared to 2009 was CZK 3.5 billion. On the other hand, domestic direct investors obtained higher dividends paid by foreign subsidiaries and at the same time increased their reinvested earnings. In all they received CZK 7 billion more than in 2009.

While the income balance credit level remained the same, there were perceptible changes in its structure. As a consequence of a fall in demand from domestic industry, costs connected with the employment of foreign nationals significantly fell to CZK 22.2 billion. The average number of foreigners employed in the Czech Republic according to a revised estimate by the CZSO fell compared to 2009 by 36,300 to 71,500 at the end of 2010. Compared to the fall in salaries of foreign nationals working in the Czech Republic, the reduction in income from the export of labour abroad was less marked. The total income of Czech citizens working abroad fell by CZK 2.1 billion in spite of an estimated year-on-year rise in the number of Czech citizens working abroad to 27,500 (of which 88% in EU Member States).

Approximately 77% of total income balance expenditure is due to income from direct domestic investment. The year-on-year growth of CZK 7.3 billion was concentrated in reinvested earnings (CZK 82.6 billion), while dividends paid abroad fell to CZK 170.3 billion. Foreign portfolio investors saw their income from shares and bonds issued by domestic companies rise by CZK 5.9 billion to CZK 27 billion.

Interest payments abroad from government sector loans of CZK 1.9 billion depended in particular on loans received from the EIB. The sum paid out represents a year-on-year saving of CZK 0.3 billion. Interest payments on previously provided government loans abroad were insignificant.

**TABLE II.1.4**

**THE DECREASE OF INVESTMENT INCOME COST AN INCREASE OF INCOME BALANCE DEFICIT IN 2010**

(CZK billions)

	2009	2010	Change
Income balance	-251.7	-257.7	-6.0
of which			
Credit	93.7	86.7	-7.0
Compensation of employees	20.7	18.6	-2.1
Investment income	73.0	68.1	-4.9
dividends	9.3	9.6	0.3
reinvested earnings	8.9	14.0	5.1
interest	54.8	44.5	-10.3
Debit	345.4	344.4	-1.0
Compensation of employees	34.3	22.2	-12.1
Investment income	311.1	322.2	11.1
dividends	184.1	178.6	-5.5
reinvested earnings	67.7	82.6	14.9
interest	59.3	61.0	1.7

Note: 2010 dividends and reinvested earnings are estimated and will be revised

TABLE II.1.5

**THE RISE OF REVENUES FROM EU BUDGET DECREASED  
CURRENT TRANSFERS DEFICIT**

(CZK billions)

	2009	2010	Change
Current transfers balance	-9.4	-1.6	7.8
of which			
Credit	65.6	74.6	9.0
government	57.1	68.4	11.3
revenues from EU budget	42.6	59.3	16.7
other	14.5	9.1	-5.4
private	8.5	6.2	-2.3
Debit	75.0	76.2	1.2
government	42.3	42.5	0.2
payments to EU budget	36.3	37.1	0.8
other	6.0	5.4	-0.6
private	32.7	33.7	1.0

#### 1.4 CURRENT TRANSFERS

Current transfers ended 2010 in a deficit of CZK 1.6 billion, a year-on-year reduction. Government transfers dominated private transfers on both the credit and debit sides, but their domination, especially in the case of expenditure, was not as strong as in previous years (see Table II.1.5).

The most important government transfer item remained transfers with the EU budget. In 2010 there was a net inflow of such funds totalling CZK 22,2 billion.

Other government transfers continued to be influenced mainly by the number of foreign nationals employed in the Czech Republic. According to CZSO estimates they paid lower income tax and social security contributions in total (a year-on-year fall in income of CZK 5.7 billion) due to the fall in the number of employed foreigners. Among other government expenditure items, the slight rise in pensions paid abroad continued, but there was a proportionately larger fall in contributions to international organisations and other government expenditure.

The private transfers deficit worsened from CZK 24.2 billion in 2009 to CZK 27.5 billion in 2010. Other domestic transfers had the largest share in the fall in credits and rise in debits.



## 2. THE CAPITAL ACCOUNT

In 2010 the capital account surplus fell by CZK 7.7 billion to CZK 34.1 billion. The capital account was significantly affected by income from EU structural funds. Compared to the year before this fell to CZK 24.5 billion (see Table II.2.1).

Another, now constantly, significant factor for the capital account is the item "acquisition and disposal of non-produced non-financial assets", which saw a year-on-year fall in the volume of transactions. The surplus of this item improved by CZK 3.7 billion between 2009 and 2010. This was related in particular to the sale and purchase of emissions permits by non-financial corporations and only the sale thereof by the governmental sector.

**TABLE II.2.1**

**EU STRUCTURAL FUNDS AND EMISSION PERMITS AFFECTED  
THE CAPITAL ACCOUNT**

(CZK billions)

	2009	2010	Change
Capital account balance	41.8	34.1	-7.7
of which			
Credit	74.3	39.8	-34.5
revenues from EU budget	35.8	24.5	-11.3
acquisition/disposal of nonproduced, nonfinancial ass.	37.4	14.4	-23.0
other	1.1	0.9	-0.2
Debit	32.5	5.7	-26.8
payments to EU budget	0.0	0.0	0.0
acquisition/disposal of nonproduced, nonfinancial ass.	31.6	4.9	-26.7
other	0.9	0.8	-0.1

TABLE II.3.1

**DECISIVE INFLUENCE ON THE DEVELOPMENT OF FINANCIAL FLOWS REPORTED INFLOWS OF PORTFOLIO INVESTMENT**

(CZK billions)

	2009	2010	Change
Financial account	154.2	182.1	27.9
Direct investment	37.7	97.0	59.3
Czech abroad	-18.1	-32.5	-14.4
foreign in Czech Rep.	55.8	129.5	73.7
Portfolio investment	158.7	157.4	-1.3
Czech abroad	64.6	13.8	-50.8
foreign in Czech Rep.	94.1	143.6	49.5
Financial derivatives	-7.7	-4.1	3.6
assets	48.6	65.7	17.1
liabilities	-56.3	-69.8	-13.5
Other investment	-34.5	-68.2	-33.7
1. Long-term investment	28.9	-47.9	-76.8
provided abroad	27.6	-47.5	-75.1
received from abroad	1.3	-0.4	-1.7
2. Short-term investment	-63.4	-20.3	43.1
provided abroad	-8.3	-42.1	-33.8
received from abroad	-55.1	21.8	76.9

CHART II.3.1

**THE DIRECT INVESTMENT SURPLUS SLIGHTLY INCREASED YEAR ON YEAR**

(CZK billions)

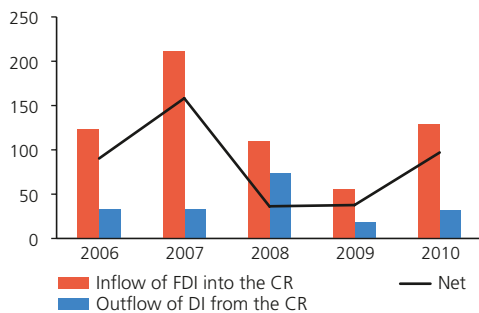
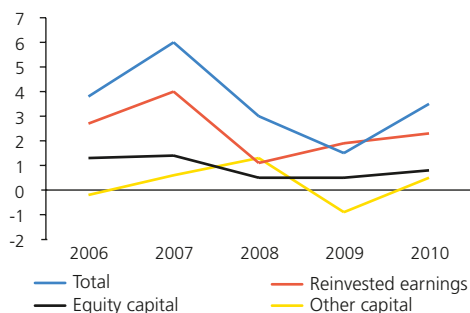


CHART II.3.2

**SHARE OF FDI TO GDP INCREASED AGAIN IN 2010**

(in %)

**3. THE FINANCIAL ACCOUNT**

The financial account balance in 2010 ended with a net inflow of foreign investment of CZK 182.1 billion, which in comparison with 2009 represents an increase of CZK 27.9 billion. This result was influenced in particular by an inflow of portfolio and direct investment. Other financial account items recorded outflows of funds abroad (see Table II.3.1).

**3.1 FOREIGN DIRECT INVESTMENT**

The inflow of capital in the form of foreign direct investment grew year on year. The net inflow of direct investment reached CZK 97 billion and grew by CZK 59.3 billion year on year. The outflow of direct investment abroad was influenced by several acquisitions (see Chart II.3.1).

**3.1.1 Czech direct investment abroad**

Domestic investment abroad in 2010 grew year on year to CZK 32.5 billion. According to preliminary data, this growth was due both to an increase in reinvested earnings, which reached CZK 14 billion compared to CZK 8.9 billion in 2009, and to a rise in other capital from CZK 2.1 billion in 2009 to CZK 12.6 billion in 2010. Investment in equity capital rose only slightly year on year, to CZK 5.9 billion.

The largest investment volumes (67%) were directed to the electricity, gas and heat supply industry and the services sector, in particular to professional, scientific and technical services. A negative trend continued in manufacturing, which reported negative values just as in 2009, mainly due to a fall in investment in other manufacturing. Geographically speaking, the largest investment beneficiaries were the Netherlands (87.3%), followed by Slovakia and Poland.

**3.1.2 FDI in the Czech Republic**

According to preliminary data, the FDI inflow into the Czech Republic rose by 132.1% year on year to CZK 129.5 billion, in mainly as a consequence of a change in the direction of flow of other capital from an outflow of CZK 31 billion in 2009 to an inflow of CZK 19.2 billion in 2010. The year-on-year increase in direct investment loans was caused in particular by higher repayments of loans by subsidiaries to their parent companies. The increased inflow was also partly due to investment in equity capital, which grew by 31.2% year on year to CZK 27.8 billion, and reinvested earnings, which rose by 22% year on year to CZK 82.6 billion. Similarly to the year before, the volume of direct investment was not affected by any sale of state property. After falling over the past three years the ratio of foreign direct investment to GDP increased to 3.5% in 2010 (see Chart II.3.2).

From the perspective of sector breakdown, investment in services dominated (92.6%) at the expense of manufacturing, which recorded negative values again in 2010. As for industries, most investment went into wholesale and retail trade and repairs of motor vehicles, financial intermediation and the manufacture of metals and fabricated metal products. The largest falls were recorded in the production of motor vehicles, trailers and semi-trailers (with the exception of motorcycles). From a geographical perspective, the most important foreign investors were Austria, Poland, the Netherlands and Cyprus.

### 3.1.3 Returns on FDI in the Czech Republic

Preliminary figures indicate that return on direct investment rose from CZK 257.6 billion in 2009 to CZK 264.9 billion in 2010. This was due mainly to a higher expected volume of reinvested earnings in year-on-year terms. The volume of dividends paid, on the other hand, fell slightly and the volume of interest on loans paid abroad remained at approximately the same level as in 2009. Since 2006 the volume of dividends paid has exceeded the volume of reinvested earnings and accounted for 64.3% of total returns (see Chart II.3.3).

According to preliminary figures, the volume of dividends paid out to foreign investors was CZK 170.3 billion. Of this, 61% was paid by the 15 largest companies in the money and financial sector. According to shareholder structure a significant part of these dividends were paid to EU Member States. Almost three-quarters of the total volume of dividends was paid out to the four largest investor countries (the Netherlands, Belgium, Austria and Germany). According to preliminary figures, reinvested earnings reached CZK 82.6 billion and were concentrated in services.

The rate of return on investment, as measured by the ratio of the return to the stock of FDI, fell from 11.1% in 2009 to 10.9% in 2010 (see Table II.3.2). The interest income of foreign parent companies on loans provided to their subsidiaries in the Czech Republic totalled CZK 12 billion and made up around 4.5% of total income.

## 3.2 PORTFOLIO INVESTMENT

### 3.2.1 Money and capital markets

The Czech money and capital markets were influenced in 2010 by a slight economic recovery. The CNB reduced the two-week repo rate to a historical low of 0.75% on 7 May 2010. The Lombard rate was lowered to 1.75% and the discount rate was left at 0.25%. Money market interest rates were flat or fell slightly after the reduction in the repo rate. The koruna interest rate differentials against the euro and the dollar remained positive. The differential vis-à-vis euro rates initially fell and was then flat, while that vis-à-vis dollar rates was flat throughout the year.

CHART II.3.3

#### THE VOLUME OF DIVIDENDS EXCEEDS THE VOLUME OF REINVESTED EARNINGS IN FOUR LAST YEARS

(CZK billions)

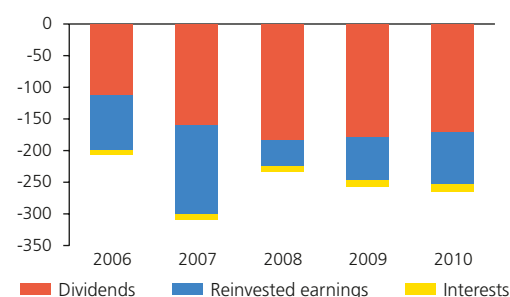


TABLE II.3.2

#### THE RATE OF RETURN ON FDI IN THE CZECH REPUBLIC HAVE DECREASED YEAR-TO-YEAR

(CZK billions)

	2006	2007	2008	2009	2010
Income	206.1	309.1	234.0	257.6	264.9
Stock of FDI	1,666.8	2,032.1	2,189.5	2,311.2	2,435.6
Rate of return (%)	12.4	15.2	10.7	11.1	10.9

In the majority of countries a slow economic recovery supported by government demand stimuli and actions to stabilise the financial sector began to appear. The ECB kept rates at a record low of 1% and the Fed maintained its rates in the 0–0.25% band. One significant event was the decision by the US central bank to support the economy in the form of quantitative easing, i.e. by purchasing long-term government bonds. The ECB decided to supply one-month unlimited liquidity and also conducted three-month refinancing tenders. During the year, the prices of gold, precious metals and also many commodities rose significantly.

The leading world stock markets and indexes of leading exchanges mostly strengthened in 2010 (see Chart II.3.4). On the Prague Stock Exchange, trading in the stock of the American software company KITD commenced in January and the betting company Fortuna was added in October. Trading volumes overall were at their lowest for the past seven years. Government bonds dominated trading. The Prague Stock Exchange indexes copied the price movements on exchanges abroad. The main PX index closed 2010 at 1,224.8 points, giving year-on-year growth of 9.62%.

In July the Securities Centre ceased activities and the recording of securities was taken over by the Central Securities Depository.

### 3.2.2 Portfolio investment

The positive portfolio investment balance remained practically unchanged year on year and a net inflow of investment from abroad of CZK 157.4 billion was achieved.

As a consequence of the continuing capital market crisis, investment by domestic entities in foreign securities fell compared to 2009 by CZK 50.8 billion. In total on the assets side net sales of foreign securities of CZK 13.8 billion were reported.

On the liabilities side there was a net inflow of foreign capital of CZK 143.6 billion. Foreign investors were most interested in bonds issued by residents on foreign markets, in which they invested CZK 103.4 billion. Non-residents newly invested CZK 35.1 billion in koruna bonds and only CZK 5.2 billion in equity securities (see Chart II.3.5).

CHART II.3.4

#### STOCK EXCHANGE INDEXES STRENGTHENED

(%; 4 January 2010 = 100)

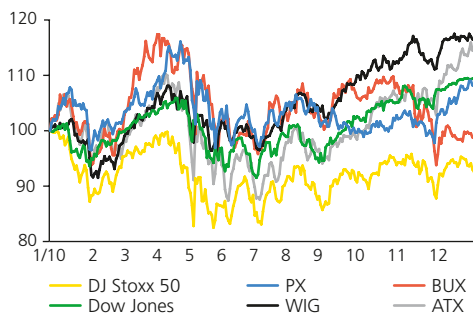
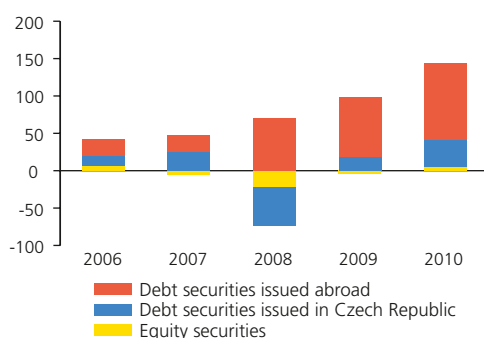


CHART II.3.5

#### CZECH BONDS ISSUED ABROAD ATTRACTED NON-RESIDENT INVESTMENTS IN 2010

(CZK billions)



### 3.3 FINANCIAL DERIVATIVES

There was no significant year-on-year change in the net fair value of banks' derivatives vis-à-vis non-residents. The stock of financial derivatives rose slightly in the first half of the year, but there was a correction in the second half of the year (see Chart II.3.6).

### 3.4 OTHER INVESTMENT

A net outflow of capital of CZK 68.2 billion was recorded under other investment in 2010.

The largest outflow of funds abroad – of CZK 69.8 billion – was posted by the corporate sector (excluding portfolio investment). On the liabilities side there was repayment of long-term liabilities (CZK 21.3 billion) as well as short-term commercial loans (CZK 9.4 billion). An outflow of capital totalling CZK 39.1 billion was also reported on the assets side. This result was partly due to an increase in short-term export receivables and deposits at foreign banks (see Chart II.3.7).

The net outflow of capital from the banking sector (including the CNB) reached CZK 14.1 billion. The main reason for this was a rise in assets of CZK 50.7 billion, in particular in the form of long-term deposits at foreign banks and long-term loans provided to non-residents. The outflow of capital on the assets side was partially offset by an increase in liabilities of around CZK 36.6 billion. Short-term liabilities of banks to non-residents rose significantly (by CZK 31.2 billion).

The government sector was a net recipient of foreign capital (CZK 15.7 billion). The government (at central as well as regional level) drew down long-term loans from the European Investment Bank for infrastructure development. The outflow of capital at the CNB of around CZK 0.3 billion was influenced by a fall in short-term deposits of foreign banks.

CHART II.3.6

NET FAIR VALUE OF BANKS' DERIVATIVES TO NON-RESIDENTS INCREASED SLIGHTLY IN 2010 EXCHANGE RATE

(CZK billions)

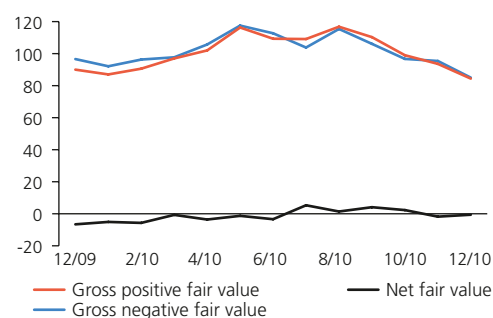


CHART II.3.7

THE BALANCE OF OTHER INVESTMENTS PARTICULARLY AFFECTED THE OTHER SECTOR

(CZK billions)

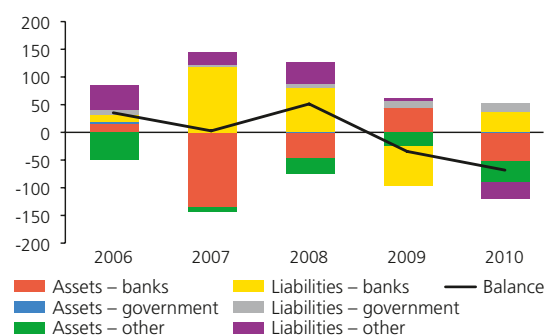


TABLE II.4.1

**THE CNB'S INTERNATIONAL RESERVES COVER 3,5 MONTHS' WORTH OF GOODS AND SERVICES IMPORTS**

(CZK billions; months)

	2009	2010	Change
CNB international reserves	764.3	796.8	32.5
Coverage of goods and services imports	4.0	3.5	-0.5

**4. CNB INTERNATIONAL RESERVES**

Transactions (adjusted for valuation changes) led to a rise in reserves of CZK 41.4 billion. This increase was the result of investment returns, inflows of funds from the EU budget and transactions carried out for CNB clients (e.g. income from the sale of government emissions permits and temporary foreign exchange deposits by clients with the CNB).

CNB international reserves expressed in koruna reached CZK 796.8 billion at the end of 2010. This is the equivalent of 3.5 months' worth of goods and services imports (see Table II.4.1).

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

### 5.1 INTERNATIONAL INVESTMENT POSITION

The international investment position of the Czech Republic showed a deficit of CZK 1,847.7 billion at the end of 2010, a year-on-year increase in its net debtor position of CZK 120.7 billion. The resulting balance was affected mainly by a year-on-year increase in liabilities (see Table II.5.1).

The debtor position under direct investment rose by CZK 105.2 billion year on year to CZK 2,144.5 billion. Direct investment by foreign investors in domestic companies (including reinvested earnings) rose by CZK 124.4 billion year on year. Direct investments of residents abroad (assets) rose by CZK 19.1 billion year on year (see Table II.5.2).

The deficit under the portfolio investment item (excluding the CNB) of CZK 331.6 billion worsened by CZK 134.6 billion year on year. Investments by Czech residents in foreign securities (assets) fell by CZK 3.2 billion year on year to CZK 453.2 billion at the year-end. On the other hand, on the liabilities side investments by non-residents in domestic securities rose by CZK 131.3 billion year on year to CZK 784.8 billion. Non-residents invested mainly in Czech bonds issued on foreign markets, which at the end of 2010 reached CZK 397.5 billion.

The fair value of financial derivatives increased by CZK 8.8 billion year on year and showed a surplus of CZK 14.8 billion at the end of 2010.

The external creditor position of the CNB recorded a year-on-year rise of CZK 32.8 billion.

The net external creditor position of commercial banks (excluding portfolio investment) also rose by CZK 13.1 billion year on year, to CZK 88.7 billion.

The debtor position of the government sector (excluding portfolio investment) increased by CZK 15.3 billion in comparison with the previous year. The net debtor position of the government of CZK 73.9 billion is made up mainly of drawdowns of long-term loans from the European Investment Bank.

The net debtor position of the corporate sector recorded a year-on-year decrease of CZK 79.7 billion to CZK 197.9 billion.

**TABLE II.5.1**

#### THE CZECH REPUBLIC'S DEBTOR POSITION INCREASED YEAR ON YEAR

(CZK billions)

	2009	2010	Change
Assets	2,319.4	2,437.8	118.4
Liabilities	4,046.4	4,285.5	239.1
Net investment position	-1,727.0	-1,847.7	-120.7

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**

#### THE INVESTMENT POSITION WAS MOST AFFECTED BY PORTFOLIO INVESTMENT

(CZK billions)

	2009	2010	Change
Direct investment	-2,039.3	-2,144.5	-105.2
Portfolio investment	-197.0	-331.6	-134.6
Financial derivatives	6.0	14.8	8.8
CNB	763.9	796.7	32.8
Commercial banks	75.6	88.7	13.1
Government	-58.6	-73.9	-15.3
Corporations	-277.6	-197.9	79.7
Net investment position	-1,727.0	-1,847.7	-120.7

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

**THE SHARE OF SHORT-TERM DEBT DECREASED SLIGHTLY**

(CZK billions)

	2009	2010	Change
External debt, total	1,639.2	1,788.8	149.6
short-term	438.4	466.0	27.6
long-term	1,200.8	1,322.8	122.0
Share of short-term debt	26.7%	26.1%	-0.7%

TABLE II.5.4

**BROKEN DOWN BY INSTRUMENTS, THE BIGGEST INCREASE IN DEBT WAS RECORDED FOR BONDS**

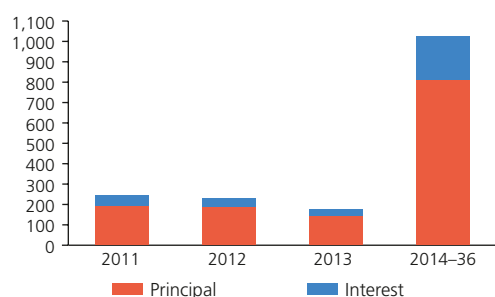
(CZK billions)

	2009	2010	Change
Money market instruments	5.6	14.3	8.7
Bonds and notes	438.1	567.2	129.1
Loans	578.4	565.7	-12.7
Deposits	250.6	275.2	24.6
Trade credits	119.4	102.5	-16.9
Other liabilities	20.0	22.7	2.7
Intercompany FDI loans	227.1	241.2	14.1
Total debt	1,639.2	1,788.8	149.6

CHART II.5.1

**DEBT SERVICE IS EVENLY DISTRIBUTED ACROSS THE YEARS**

(CZK billions)

**5.2 EXTERNAL DEBT**

The total external debt of the Czech Republic stood at CZK 1,788.8 billion at the end of 2010. According to estimates, koruna-denominated debt accounted for around 41.7% of this figure. The external debt of the Czech Republic rose by CZK 149.6 billion year on year. This result was due in particular to growth in long-term liabilities of CZK 122 billion, while short-term liabilities rose by only CZK 27.6 billion. The share of short-term debt in the total external debt was 26.1%, i.e. a year-on-year fall of 0.7 percentage points (see Table II.5.3).

The corporate sector accounted for the largest share (35.3%) of the total debt (excluding FDI). The government sector (central government and municipalities) contributed 26% to the total debt, while the debt of the banking sector represents 25.2%. Intercompany direct investment loans reached 13.5%.

As regards instruments, bonds (31.7%) and loans (31.6%) had the biggest shares in the total external debt. Deposits from non-residents at domestic banks made up 15.4% of the total debt. Direct investment loans contributed 13.5% and commercial loans 5.7% (see Table II.5.4).

**5.3 DEBT SERVICE**

Debt service on long-term external liabilities amounted to CZK 147.6 billion in 2010. Repayments of principal totalled CZK 102.6 billion, while CZK 45 billion was paid in interest.

The corporate sector paid the largest share of the debt service (79.4%). Commercial banks accounted for 9.2%. Repayments by the government sector, including municipalities and towns, represented 11.4% of the debt service.

Debt-service financing represented around 5.2% of exports of goods and services in 2010.

The future costs of debt service on current long-term liabilities to non-residents are spread over a period of more than 20 years (see Chart II.5.1).





ATX	Vienna Stock Exchange index
BUX	Budapest SE Index
CA	current account
ČEZ	České energetické závody (the largest electricity producer in the Czech Republic)
CIF	designation of prices in foreign trade according to delivery conditions; expresses the actual value of the goods and the direct transaction costs connected with their transportation (Cost, Insurance, Freight)
CNB	Czech National Bank
CPI	consumer price index
CZ	Czech Republic
CZK	Czech koruna
CZSO	Czech Statistical Office
Dow Jones	Dow Jones Industrial Average
DTCf	foreign direct transaction costs
ECB	European Central Bank
EEA	European Economic Area
EIB	European Investment Bank
EU	European Union
EUR	euro
EURO STOXX 50	European stock index
EUROSTAT	European statistical office
FDI	foreign direct investment
Fed	Federal Reserve System
FOB	designation of prices in foreign trade according to delivery conditions; expresses the value of the goods themselves not including the direct transaction costs connected with their transportation (Free On Board)
GDP	gross domestic product
GNP	gross national product
IMF	International Monetary Fund
ISPA	European Union aid programme (Instrument for Structural Policies for Pre-Accession)
MEYS	Ministry of Education, Youth and Sports
NEER	nominal effective exchange rate
PHARE	European Union aid programme (Pologne-Hongrie Actions pour la Reconversion Economique)
PPI	producer price index
PX	Prague Stock Exchange index
REER	real effective exchange rate
S&P	Standard & Poor's rating agency
SAPARD	European Union aid programme (Special Accession Programme for Agriculture & Rural Development)
SDR	Special Drawing Rights
SITC	Standard International Trade Classification
ULCT	unit labour costs
USD	US dollar
VAT	value added tax
WIG	Warsaw Stock Exchange index

# ANNEX

---

## FINANCIAL FLOWS BETWEEN THE CZECH REPUBLIC AND THE EUROPEAN UNION IN 2010

### 1. REVENUES FROM THE EU BUDGET

Total income from the EU budget and EEA financial instruments were CZK 84.6 billion (see Table 1). EU subsidies for farmers totalled CZK 26.7 billion in 2010. Agricultural subsidies represent revenue to the account of the Ministry of Agriculture chapter and will subsequently be credited to the State Agricultural Intervention Fund, which is the payment agency for the administration of subsidies and payments to farmers.

Under structural operations, the Czech Republic received a total of CZK 56.3 billion in 2010. CZK 54.2 billion in on-going and advance payments was received from the structural funds. This item also includes funds for the Transport and Environment operational programmes. The Czech Republic received a total of CZK 2.1 billion from the Cohesion Fund in 2010.

Under internal policies, the Czech Republic received a total of CZK 0.8 billion in 2010. Internal policies are still implemented with the use of Community programmes, which are focused on supporting "smaller" programmes in education, science and research, business and research capacities, culture, the information society, consumer protection and many others. The 2010 survey of financial flows includes payments for Community programmes totalling almost CZK 757 million. Payments for programmes organised by the largest national agencies (the Czech National Agency Mládež (Youth) and Eurodesk, the Centre for International Services of the Ministry of Education, Youth and Sports) were included in the survey on the basis of direct statistical determination.

Pre-accession aid programmes have been closed to new applications in the Czech Republic since 2007. Only final payments upon full completion of projects or returns of unused funds are being carried out. In 2010, returns from PHARE totalled CZK 14.7 million. The ISPA instrument was terminated for new applicants on 30 April 2004 and replaced by drawdowns from the Cohesion Fund in the Structural Operations chapter.

Revenues also include the off-budgetary assistance funds – the EEA Financial Instrument and bilateral aid from Norway and Switzerland. Under these financial mechanisms the EEA countries, Norway and Switzerland have undertaken to contribute to the economically weaker countries in the European Economic Area by providing grants for investment and development projects in priority areas, such as conservation and renewal of cultural heritage, environmental protection and others. In 2010, the Czech Republic received CZK 0.7 billion in aid from the EEA countries and Norway and almost CZK 0.1 billion from a bilateral programme with Switzerland.

TABLE 1

#### INCOME FROM EU BUDGET IN 2010

(CZK billions)

<b>Agriculture</b>	<b>26.7</b>
Market measures	1.1
Direct payments	14.2
Rural development	11.2
Veterinary measures	0.2
<b>Structural actions</b>	<b>56.3</b>
Structural Fund	54.2
Cohesion Fund	2.1
<b>Internal policies</b>	<b>0.8</b>
Internal policies	0.8
<b>Total income from EU budget</b>	<b>83.8</b>
EEA Financial Instrument/Norway	0.7
Bilateral aid from Switzerland	0.1
<b>Total income</b>	<b>84.6</b>

Source: Ministry of Finance, CNB calculation

## 2. PAYMENTS TO THE EU BUDGET

The Czech Republic's payments to the EU budget are made in Czech koruna in regular monthly instalments and totalled CZK 37.1 billion in 2010 (see Table 2). These are advance payments, and final settlement will always be performed retrospectively after the end of the period according to the relevant definitive statistical data and taking into consideration the euro/koruna exchange rate in the given period. The largest volume item is the GNI-based resource, followed by the VAT resource, while traditional EU resources, such as customs duties and sugar levies, account for the smallest share.

## 3. PAYMENTS OF EQUITY CAPITAL TO THE ECB

On the basis of an update of the capital key for the calculation of the capital of the ECB the Czech Republic incurred an obligation to make an additional capital contribution of CZK 0.1 million. This contribution was paid in December 2010.

## 4. SUMMARY

The net position of the Czech Republic in respect of the EU budget, calculated as the difference between total revenues from and payments to the EU budget, ended 2010 in a surplus of CZK 47.5 billion (see Table 3). In the balance of payments, mutual transfers are recorded on the current account under government transfers, where the surplus of current transfers from the EU in 2010 reached almost CZK 23 billion. Transfers from the EU Cohesion Fund and the transfer of part of the advance and on-going payments under structural operations are recorded on the capital account. The capital transfers surplus associated with EU structural operations amounted to CZK 24.5 billion.

**TABLE 2**

**PAYMENTS TO EU BUDGET IN 2010**

(CZK billions)

Traditional own resources	4.8
VAT resource	4.6
GNI-based resource	27.7
<b>Total own resources</b>	<b>37.1</b>

Source: Ministry of Finance, CNB calculation

**TABLE 3**

**NET POSITION IN RESPECT OF EU INSTITUTIONS IN 2010**

(CZK billions)

Total incomes	84.6
Total payments	-37.1
<b>Net position in respect of EU institutions</b>	<b>47.5</b>

Source: Ministry of Finance, CNB calculation

## EXCHANGE RATE OF THE KORUNA

### 1. NOMINAL EFFECTIVE EXCHANGE RATE OF THE KORUNA

The nominal effective exchange rate (NEER), expressed as a basic 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 (2005). The NEER index is calculated as the weighted geometrical average of the nominal exchange rates, taking into account the weighted shares of 26 countries covering approximately 90% of total Czech foreign trade. The NEER is computed in a time series as the monthly average and yearly average on the 2005 base for 11 currency areas. In the calculation, the euro area countries' exports and imports are taken into consideration as a single weight using the koruna/euro exchange rate.

The koruna's NEER index strengthened by 2.5% year-on-year on average in 2010.<sup>1</sup> The same trend was seen for the koruna NEER index that uses the foreign trade turnovers for SITC 5–8 as the weights (a strengthening of 2.7%) (see Chart 1).

### 2. REAL EFFECTIVE EXCHANGE RATE OF THE KORUNA

The real effective exchange rate (REER) is derived from the calculation of the nominal effective exchange rate, which is then adjusted for the relative changes in the price levels of the Czech Republic's individual trading partners vis-à-vis changes in the domestic price level. These changes are expressed in terms of the relevant price indices or deflators.

In 2010, the koruna's average REER index rose by 1.8% year on year when deflated by consumer prices (CPI) and by 0.6% when deflated by industrial producer prices (PPI) using foreign trade turnover weights. The REER was influenced in particular by the koruna's nominal exchange rate (see Chart 2).

The koruna's REER indexes deflated by unit labour costs (ULCT) or the GDP deflator essentially copied the trend of the indices described in the previous paragraph, i.e. slow growth which peaked in the third and fourth quarters of 2010 and which is a continuation of the growth from the previous year. The koruna's REER index deflated by unit labour costs rose by 2.9% on average compared to the previous year. With the use of the GDP deflator the average REER index rose by approximately 1% year on year. The main factor influencing the real effective exchange rate indices in 2010 was therefore the nominal exchange rate of the koruna.

<sup>1</sup> The NEER and REER time series are available on the internet in the ARAD time series system (<http://www.cnb.cz/docs/ARADY/HTML/index.htm>).

CHART 1

#### THE KORUNA'S NOMINAL EFFECTIVE EXCHANGE RATE AND THE REAL EFFECTIVE EXCHANGE RATE DEFLATED BY PRICE INDICES

(monthly figures in %; year 2005 = 100)

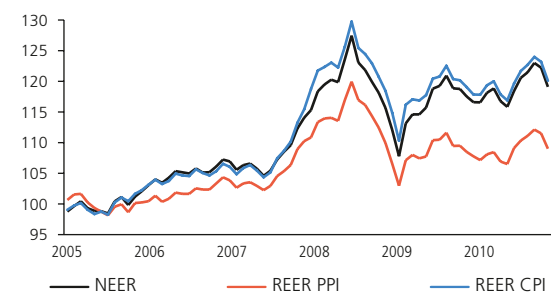
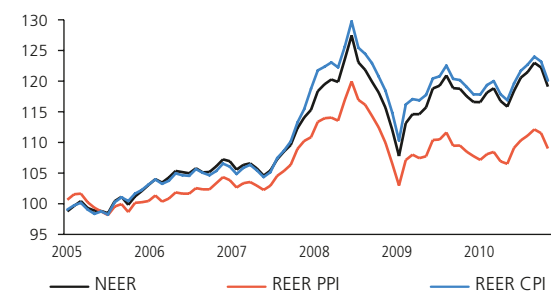


CHART 2

#### REER DEFLATED BY PRICE INDICES AND UNIT LABOUR COSTS AND GDP DEFLATOR

(quarterly figures in %; year 2005 = 100)



## DEBT INDICATORS OF EXTERNAL STABILITY

The debt indicators of the external stability of the Czech Republic, which focus on the amount and dynamics of external debt and debt service, comply with the recommendations contained in the International Monetary Fund and World Bank publication "External Debt Statistics" (2003).

Compared to the results for the indicators in 2009 the developments in 2010 were more favourable. The ability of the economy to repay external liabilities improved owing to export expansion and lower debt servicing costs. The overall level of foreign debt remains problematic. Owing to migration to the national methodology for the determination of exports and imports of goods and services and the revision of CZSO data for 2009 and 2010, the relevant indicators are only evaluated for this period. The longer-term comparability of the time series will be ensured as part of the revision of the foreign trade statistics and national accounts under preparation by the CZSO for September 2011.

### *External debt/GDP*

The external debt to GDP ratio rose to 48.7% in 2010 and is above the internationally recognised safety level. This indicator was influenced by growth in external liabilities amid an almost unchanged nominal economic activity level.

### *External debt/exports*

The ratio of external debt to exports of goods and services fell by five percentage points in 2010 due to an improvement in the export capability of the domestic economy. Around 63% of annual exports of goods and services is sufficient to repay the external debt.

### *International reserves/short-term debt*

The increase in international reserves in 2010 and the unchanged amount of rapidly mobilisable external debt (short-term liabilities including debt service on long-term debt in the respective year) were reflected in an improvement in the indicator by 4 percentage points. International reserves exceeded short-term debt by around 30%.

CHART 1

#### THE EXTERNAL DEBT/GDP RATIO HAS INCREASED IN 2010

(in %)

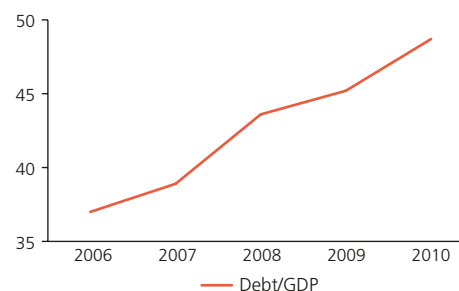


CHART 2

#### 63 PERCENT OF YEARLY EXPORTS OF GOODS AND SERVICES COVER THE EXTERNAL DEBT

(in %)

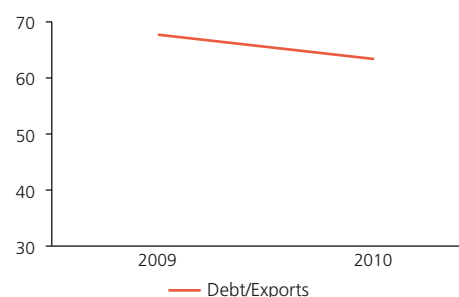


CHART 3

#### THE SHORT-TERM EXTERNAL DEBT/EXTERNAL RESERVES RATIO INCREASED IN 2010

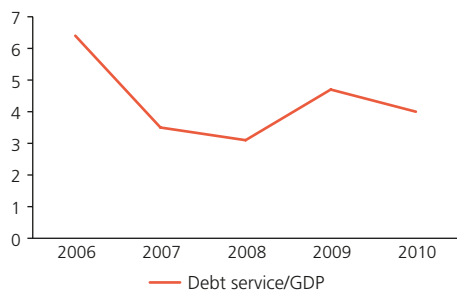
(in %)



CHART 4

**DEBT SERVICE/GDP RATIO DECREASED**

(in %)

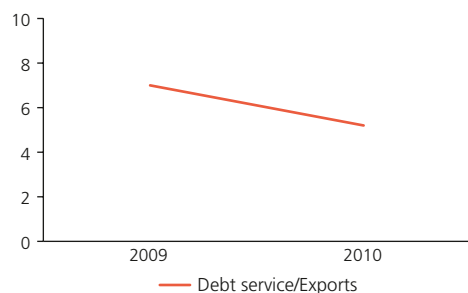
**Debt service/GDP**

Debt service expenditure fell to 4.0% of GDP in 2010. This indicator was favourably affected by the year-on-year fall in debt service expenditure amid an unchanged nominal GDP level.

CHART 5

**DEBT SERVICE/EXPORTS RATIO DECREASED**

(in %)

**Debt service/exports**

The income from exports of goods and services needed to cover expenditure on debt service fell to 5.2% in 2010. The year-on-year fall in this indicator is a consequence of the improved export capability of the economy and a year-on-year fall in expenditure on debt service.



## BALANCE OF PAYMENTS FOR JANUARY TO DECEMBER 2010

(preliminary data – 10 March 2011)

	in CZK millions
<b>A. CURRENT ACCOUNT</b>	<b>-139,192.1</b>
Trade balance	53,954.4
Exports	2,410,623.1
Imports	2,356,668.7
Services	66,069.0
Credit	412,950.2
Transport	97,213.9
Travel	127,433.0
Other services	188,303.3
Debit	346,881.2
Transport	78,630.2
Travel	77,585.4
Other services	190,665.6
Income	-257,704.4
Credit	86,731.1
Debit	344,435.5
Current transfers	-1,511.1
Credit	74,652.1
Debit	76,163.2
<b>B. CAPITAL ACCOUNT</b>	<b>34,024.9</b>
Credit	39,771.7
Debit	5,746.8
<b>Total A + B</b>	<b>-105,167.2</b>
<b>C. FINANCIAL ACCOUNT</b>	<b>182,129.3</b>
Direct investment	97,006.2
Abroad	-32,507.6
Equity capital and reinvested earnings	-19,883.9
Other capital	-12,623.7
In the Czech Republic	129,513.8
Equity capital and reinvested earnings	110,327.2
Other capital	19,186.6
Portfolio investment	157,402.1
Assets	13,776.6
Equity securities	-968.0
Debt securities	14,744.6
Liabilities	143,625.5
Equity securities	5,161.9
Debt securities	138,463.6
Financial derivatives	-4,104.4
Assets	65,748.4
Liabilities	-69,852.8

**BALANCE OF PAYMENTS FOR JANUARY TO DECEMBER 2010 – continued**

(preliminary data – 10 March 2011)

	in CZK millions
Other investment	-68,174.6
Assets	-89,678.2
Long-term	-47,549.4
CNB	-0.1
Commercial banks	-47,859.8
Government	163.5
Other sectors	147.0
Short-term	-42,128.8
Commercial banks	-2,851.1
Government	
Other sectors	-39,277.7
Liabilities	21,503.6
Long-term	-381.5
CNB	
Commercial banks	5,397.7
Government	15,522.1
Other sectors	-21,301.3
Short-term	21,885.1
CNB	-262.6
Commercial banks	31,488.8
Government	
Other sectors	-9,341.1
<b>Total A + B + C</b>	<b>76,962.1</b>
<b>D. NET ERRORS AND OMISSIONS, VALUATION CHANGES</b>	<b>-35,537.0</b>
<b>Total A + B + C + D</b>	<b>41,425.1</b>
<b>E. CHANGE IN RESERVES (- increase)</b>	<b>-41,425.1</b>

Note: Data for the year have been obtained by summing the data for individual quarters.  
Definitive data will be published following the release of definitive CZSO figures on the trade balance.

## BALANCE OF PAYMENTS FOR JANUARY TO DECEMBER 2010

(preliminary data – 10 March 2011)

	in CZK millions
<b>A. CURRENT ACCOUNT</b>	<b>-139,192.1</b>
<b>Trade balance</b>	<b>53,954.4</b>
Exports	2,410,623.1
Imports	2,356,668.7
<b>Services</b>	<b>66,069.0</b>
Credit	412,950.2
Transport	97,213.9
Pipeline transport	4,635.3
Other	92,578.6
Travel	127,433.0
Other business and non-business services	188,303.3
Communication services	10,238.2
Postal and courier services	1,069.1
Telecommunication services	9,169.1
Construction and assembly work	18,592.0
Insurance services	5,223.5
Life insurance and pension funding	0.0
Freight insurance	1,739.2
Other direct insurance	829.1
Reinsurance	2,485.3
Auxiliary insurance services	169.9
Financial services	1,246.1
Computer and information services	23,981.8
Computer services	23,246.6
Information services	735.2
Royalties, licence fees, etc.	2,017.4
Other business services	122,700.8
Merchanting and other trade-related services	8,181.2
Merchanting	3,269.8
Other trade-related services	4,911.4
Operational leasing services	2,239.1
Miscellaneous business, professional and technical services	112,280.5
Legal, accounting and consulting services	14,398.4
Legal services	1,757.6
Accounting and auditing services	5,106.8
Business and management consultancy, public relations	7,534.0
Advertising services	14,397.5
Research and development	3,193.6
Technical services	13,479.2
Agricultural and mining services	4,362.4
Waste treatment and depollution services	363.3
Other business services	45,348.9
Services between related enterprises	16,737.2
Cultural, recreational, sporting, health and educational services.	3,684.7
Audio-visual services	3,329.4
Health and veterinary services	60.7
Educational services	179.5
Others	115.1
Government services	605.1
Embassies and consulates	604.5
Government revenues (NATO, UN peacekeeping forces, etc.)	0.6
Other government revenues	0.0
Services not classified elsewhere	13.7

**BALANCE OF PAYMENTS FOR JANUARY TO DECEMBER 2010 – continued**

(preliminary data – 10 March 2011)

	in CZK millions
Debit	346,881.2
Transport	78,630.2
Pipeline transport	11,292.4
Other	67,337.8
Travel	77,585.4
Other business and non-business services	190,665.6
Communications services	15,964.7
Postal and courier services	5,508.5
Telecommunication services	10,456.2
Construction and assembly work	11,890.2
Insurance services	7,723.8
Life insurance and pension funding	8.4
Freight insurance	1,978.7
Other direct insurance	814.1
Reinsurance	4,348.1
Auxiliary insurance services	574.5
Financial services	1,146.8
Computer and information services	23,683.7
Computer services	21,558.2
Information services	2,125.5
Royalties, licence fees, etc.	14,779.3
Other business services	109,396.3
Merchanting and other trade-related services	5,478.0
Merchanting	0.0
Other trade-related services	5,478.0
Operational leasing services	6,457.0
Miscellaneous business, professional and technical services	97,461.3
Legal, accounting and consulting services	14,770.2
Legal services	1,199.1
Accounting and auditing services	2,646.4
Business and management consultancy, public relations	10,924.7
Advertising services	9,462.3
Research and development	7,991.5
Technical services	7,769.8
Agricultural and mining services	884.5
Waste treatment and depollution services	201.8
Other business services	42,221.0
Services between related enterprises	14,160.2
Cultural, recreational, sporting, health and educational services.	4,429.6
Audio-visual services	3,661.9
Health and veterinary services	35.7
Educational services	363.2
Others	368.8
Government services	1,650.2
Embassies and consulates	697.6
Government expenditures (NATO, UN peacekeeping forces, etc.)	6.3
Other government expenditures	946.3
Services not classified elsewhere	1.0
<b>Income</b>	<b>-257,704.4</b>
Credit	86,731.1
Compensation of employees	18,646.0
Investment income	68,085.1
Direct investment	22,685.5
Dividends	8,598.9
Earnings reinvested abroad	14,016.9
Interest	69.7
Portfolio investment	9,249.0
Dividends	974.1
Interest	8,274.9
Other investment – interest, income on CNB reserve assets	36,150.6

**BALANCE OF PAYMENTS FOR JANUARY TO DECEMBER 2010 – continued**

(preliminary data – 10 March 2011)

	in CZK millions
Debit	344,435.5
Compensation of employees	22,251.0
Investment income	322,184.5
Direct investment	264,937.7
Dividends	170,322.4
Earnings reinvested in the Czech Republic	82,572.1
Interest	12,043.2
Portfolio investment	26,983.1
Dividends	8,319.2
Interest	18,663.9
Other investment - interest	30,263.7
<b>Current transfers</b>	<b>-1,511.1</b>
Credit	74,652.1
General government	68,438.6
Private	6,213.5
Debit	76,163.2
General government	42,508.2
Private	33,655.0
<b>B. CAPITAL ACCOUNT</b>	<b>34,024.9</b>
Credit	39,771.7
Debit	5,746.8
<b>Total A + B</b>	<b>-105,167.2</b>
<b>C. FINANCIAL ACCOUNT</b>	<b>182,129.3</b>
<b>Direct investment</b>	<b>97,006.2</b>
Czech abroad	-32,507.6
Equity capital	-5,866.8
Reinvested earnings	-14,017.1
Other capital	-12,623.7
Foreign in the Czech Republic	129,513.8
Equity capital	27,755.8
Reinvested earnings	82,571.4
Other capital	19,186.6
<b>Portfolio investment</b>	<b>157,402.1</b>
Assets	13,776.6
Equity securities	-968.0
CNB	0.0
Commercial banks	-2,254.2
Government	-17.9
Other sectors	1,304.1
Debt securities	14,744.6
CNB	0.0
Commercial banks	20,273.1
Government	725.2
Other sectors	-6,253.7
Liabilities	143,625.5
Equity securities	5,161.9
Commercial banks	4.7
Other sectors	5,157.2
Debt securities	138,463.6
CNB	0.0
Commercial banks	5,946.1
Government	78,495.0
Other sectors	54,022.5

**BALANCE OF PAYMENTS FOR JANUARY TO DECEMBER 2010 – continued**

(preliminary data – 10 March 2011)

	in CZK millions
<b>Financial derivatives</b>	<b>-4,104.4</b>
Assets	65,748.4
Liabilities	-69,852.8
<b>Other investments</b>	<b>-68,174.6</b>
Assets	-89,678.2
Long-term	-47,549.4
CNB	-0.1
Commercial banks	-47,859.8
Government	163.5
Other sectors	147.0
Short-term	-42,128.8
Commercial banks	-2,851.1
Government	0.0
Other sectors	-39,277.7
Liabilities	21,503.6
Long-term	-381.5
CNB	0.0
Commercial banks	5,397.7
Government	15,522.1
Other sectors	-21,301.3
Short-term	21,885.1
CNB	-262.6
Commercial banks	31,488.8
Government	0.0
Other sectors	-9,341.1
<b>Total A + B + C</b>	<b>76,962.1</b>
<b>D. NET ERRORS AND OMISSIONS, VALUATION CHANGES</b>	<b>-35,537.0</b>
<b>Total A + B + C + D</b>	<b>41,425.1</b>
<b>E. CHANGE IN RESERVES (- increase)</b>	<b>-41,425.1</b>

**FOREIGN DIRECT INVESTMENT OUTWARD FLOWS /\***  
broken down by country

2010		
Eurostat/ OECD	Geographical and economic zones	Total CZK mil.
<b>A1</b>	<b>TOTAL WORLD</b>	<b>32,507.8</b>
<b>E1</b>	<b>EUROPE</b>	<b>31,210.8</b>
	of which	
BE	Belgium	312.6
DK	Denmark	-62.5
FI	Finland	1.2
FR	France	-203.6
IE	Ireland	-15.8
IT	Italy	292.0
LU	Luxembourg	457.7
DE	Germany	1,702.4
NL	Netherlands	28,386.8
PT	Portugal	-7.0
AT	Austria	65.0
GR	Greece	-7.5
ES	Spain	2.2
SE	Sweden	773.9
GB	United Kingdom	-3,555.2
CY	Cyprus	-3,064.7
EE	Estonia	-9.0
HU	Hungary	-397.8
MT	Malta	114.8
PL	Poland	2,750.2
SI	Slovenia	44.6
SK	Slovakia	3,934.1
BG	Bulgaria	1,465.6
RO	Romania	-3,170.4
LI	Liechtenstein	105.1
CH	Switzerland	-735.4
AL	Albania	236.3
BY	Belarus	63.1
BA	Bosnia and Herzegovina	-40.5
GI	Gibraltar	-1.8
RU	Russian Federation	1,388.9
TR	Turkey	407.8
UA	Ukraine	-136.1
<b>E4</b>	<b>AFRICA</b>	<b>388.6</b>
	of which	
EG	Egypt	-5.3
ET	Ethiopia	-0.4
ZA	South Africa	393.5
KE	Kenya	4.0
<b>E7</b>	<b>AMERICA</b>	<b>-806.1</b>
<b>E8</b>	<b>SOUTH AMERICA</b>	<b>25.3</b>
	of which	
CA	Canada	-35.2
US	United States	60.5
<b>E9</b>	<b>CENTRAL AMERICAN COUNTRIES</b>	<b>-759.0</b>
	of which	
VG	Virgin Islands, British	-260.1
MX	Mexico	-29.9
<b>F1</b>	<b>SOUTH AMERICAN COUNTRIES</b>	<b>-72.4</b>
	of which	
AR	Argentina	21.1
BR	Brazil	-92.8
CL	Chile	-1.7
PE	Peru	-3.7
<b>F2</b>	<b>ASIA</b>	<b>1,714.3</b>
<b>F3</b>	<b>NEAR AND MIDDLE EAST COUNTRIES</b>	<b>197.0</b>
	of which	
AE	United Arab Emirates	5.7
AM	Armenia	4.9
GE	Georgia	189.5

**FOREIGN DIRECT INVESTMENT OUTWARD FLOWS / \* – continued**  
broken down by country

2010		
Eurostat/ OECD	Geographical and economic zones	Total CZK mil.
<b>F6</b>	<b>OTHER ASIAN COUNTRIES</b>	<b>1,517.3</b>
	of which	
CN	China	46.5
HK	Hong Kong	74.2
IN	India	1,348.3
JP	Japan	5.9
KZ	Kazakhstan	8.4
KR	Korea, Republic of (South Korea)	19.0
MY	Malaysia	14.5
MN	Mongolia	-4.0
MM	Myanmar (Burma)	-0.6
PK	Pakistan	-0.1
TH	Thailand	-4.7
<b>I5</b>	<b>Euro Area (EUR-16)</b>	<b>32,014.9</b>
<b>J5</b>	<b>Extra Euro Area (EUR-16)</b>	<b>493.0</b>
<b>I4</b>	<b>EUR-15</b>	<b>28,080.8</b>
<b>J4</b>	<b>Extra EUR-15</b>	<b>4,427.1</b>
<b>I3</b>	<b>EUR-13</b>	<b>31,030.7</b>
<b>J3</b>	<b>Extra EUR-13</b>	<b>1,477.1</b>
<b>V1</b>	<b>EU-27</b>	<b>29,848.4</b>
<b>V2</b>	<b>Extra EU-27</b>	<b>2,659.5</b>
<b>D3</b>	<b>EU-25</b>	<b>31,553.2</b>
<b>D5</b>	<b>Extra EU-25</b>	<b>954.6</b>
<b>D8</b>	<b>New EU Member States 2004</b>	<b>3,410.9</b>
<b>D2</b>	<b>EU-15</b>	<b>28,142.3</b>
<b>D4</b>	<b>Extra EU-15</b>	<b>4,365.5</b>
<b>A8</b>	<b>OECD</b>	<b>34,158.2</b>
<b>B1</b>	<b>NAFTA</b>	<b>-4.6</b>
<b>C4</b>	<b>Offshore financial centers</b>	<b>-543.7</b>

/\* – preliminary data



**FOREIGN DIRECT INVESTMENT OUTWARD FLOWS**  
broken down by economic activity (NACE Rev. 2)

2010			
Eurostat/ OECD	NACE Rev.2	Sectors and economic activities	Total CZK mil.
A0395	01-03	<b>AGRICULTURE, FORESTRY AND FISHING</b>	-49.0
B0995	05-09	<b>MINING AND QUARRYING</b>	257.9
-			
C3395	10-33	<b>MANUFACTURING</b>	-494.3
-		of which	
C1205	10-12	Food products, beverages and tobacco products	729.8
C1405	13-14	Textiles and wearing apparel	-40.1
C1805	16-18	Wood, paper, printing and reproduction	-139.1
C1995	19-22	Petroleum, chemicals, pharmaceutical, rubber and plastic products	-822.0
C2505	24-25	Basic metals and fabricated metal products	273.6
C2600	26	Computer, electronic and optical products	-417.6
C2800	28	Manufacture of machinery and equipment n.e.c.	159.8
C2900	29	Manufacture of motor vehicles, trailers and semi-trailers	2,123.8
C3000	30	Manufacture of other transport equipment	242.9
C3390	15, 23, 27, 31-33	Other manufacturing (leather, furniture, electrical equipment, repair and installation)	-2,605.5
-			
D3500	35	<b>ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY</b>	21,770.4
E3995	36-39	<b>WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES</b>	7.3
F4395	41-43	<b>CONSTRUCTION</b>	480.4
-			
X9995	45-99	<b>TOTAL SERVICES</b>	10,534.2
-		of which	
G4795	45-47	<b>WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES</b>	-115.1
H5395	49-53	<b>TRANSPORTATION AND STORAGE</b>	-46.9
I5695	55-56	<b>ACCOMMODATION AND FOOD SERVICE ACTIVITIES</b>	8.0
J6395	58-63	<b>INFORMATION AND COMMUNICATION</b>	1,518.4
K6695	64-66	<b>FINANCIAL AND INSURANCE ACTIVITIES</b>	1,460.5
L6800	68	<b>REAL ESTATE ACTIVITIES</b>	2,221.5
M7595	69-75	<b>PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES</b>	5,478.6
N8295	77-82	<b>ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES</b>	-3.4
P8500	85	<b>EDUCATION</b>	0.0
R9395	90-93	<b>ARTS, ENTERTAINMENT AND RECREATION</b>	3.0
S9695	94-96	<b>OTHER SERVICE ACTIVITIES</b>	0.0
X9999	00-99, X9998	<b>TOTAL</b>	32,507.8

/\* – preliminary data

The transfer of the industrial classification of economic activities from NACE Rev. 1.1. to NACE Rev. 2 is based on the CZSO Register.

**FOREIGN DIRECT INVESTMENT INWARD FLOWS**  
(broken down by country)

2010		
Eurostat/ OECD	Geographical and economic zones	Total CZK mil.
<b>A1</b>	<b>TOTAL WORLD</b>	<b>129,514.2</b>
<b>E1</b>	<b>EUROPE</b>	<b>133,020.7</b>
	of which	
BE	Belgium	-17,029.0
DK	Denmark	1,668.3
FI	Finland	-58.7
FR	France	11,560.7
IE	Ireland	-496.2
IT	Italy	629.7
LU	Luxembourg	15,202.8
DE	Germany	-713.0
NL	Netherlands	21,726.9
PT	Portugal	100.5
AT	Austria	28,252.4
GR	Greece	373.1
ES	Spain	215.4
SE	Sweden	1,887.1
GB	United Kingdom	9,622.3
CY	Cyprus	17,463.5
EE	Estonia	-24.4
LT	Lithuania	127.5
LV	Latvia	0.8
HU	Hungary	-130.5
MT	Malta	1,297.4
PL	Poland	26,535.9
SI	Slovenia	133.4
SK	Slovakia	5,246.7
BG	Bulgaria	-13.6
RO	Romania	651.9
IS	Iceland	37.9
LI	Liechtenstein	80.1
NO	Norway	-39.7
CH	Switzerland	6,924.7
<b>E2</b>	<b>OTHER EUROPEAN COUNTRIES</b>	<b>1,786.7</b>
	of which	
AD	Andorra	1.0
BY	Belarus	-5.3
BA	Bosnia and Herzegovina	0.6
GI	Gibraltar	-94.8
GG	Guernsey	33.3
HR	Croatia	53.7
JE	Jersey	35.2
MK	Macedonia, the Former Yugoslav Republic of	-0.2
MD	Moldova, Republic of	-1.3
IM	Isle of Man	-0.7
RU	Russian Federation	1,688.6
TR	Turkey	-71.9
UA	Ukraine	117.2
<b>E4</b>	<b>AFRICA</b>	<b>530.4</b>
	of which	
EG	Egypt	7.6
MA	Morocco	1.4
GN	Guinea	-0.1
ZA	South Africa	260.7
MU	Mauritius	-1.0
SN	Senegal	5.2
SC	Seychelles	199.5
<b>E7</b>	<b>AMERICA</b>	<b>-750.9</b>
<b>E8</b>	<b>NORTH AMERICAN COUNTRIES</b>	<b>-607.1</b>
	of which	
CA	Canada	135.0
US	United States	-742.2

/ \* – preliminary data

**FOREIGN DIRECT INVESTMENT INWARD FLOWS – continued**  
(broken down by country)

2010		
Eurostat/ OECD	Geographical and economic zones	Total CZK mil.
<b>E9</b>	<b>CENTRAL AMERICAN COUNTRIES</b>	<b>-84.2</b>
	of which	
BS	Bahamas	194.8
BZ	Belize	126.1
BM	Bermuda	58.1
VG	Virgin Islands, British	-101.4
KY	Cayman Islands	-9.6
MX	Mexico	-122.0
PA	Panama	18.7
VC	St Vincent and the Grenadines	-260.1
<b>F1</b>	<b>SOUTH AMERICAN COUNTRIES</b>	<b>-59.6</b>
	of which	
AR	Argentina	-26.5
BR	Brazil	-28.5
GY	Guyana	-4.6
CL	Chile	3.4
CO	Colombia	0.7
VE	Venezuela	3.0
<b>F2</b>	<b>ASIA</b>	<b>-2,199.4</b>
<b>F3</b>	<b>NEAR AND MIDDLE EAST COUNTRIES</b>	<b>-48.1</b>
	of which	
IR	Iran, Islamic Republic of	0.5
IL	Israel	-83.3
SA	Saudi Arabia	0.6
AE	United Arab Emirates	27.9
AZ	Azerbaijan	1.1
GE	Georgia	0.5
SY	Syrian Arab Republic	-6.5
<b>F6</b>	<b>OTHER ASIAN COUNTRIES</b>	<b>-2,151.3</b>
	of which	
CN	China	39.9
HK	Hong Kong	31.0
IN	India	-355.4
ID	Indonesia	23.7
JP	Japan	-740.4
KH	Cambodia (Kampuchea)	0.6
KZ	Kazakhstan	-65.6
KR	Korea, Republic of (South Korea)	3,881.0
KG	Kyrgyzstan	2.0
MY	Malaysia	-1,089.5
TH	Thailand	343.5
VN	Viet Nam	6.8
<b>F7</b>	<b>OCEANIA AND POLAR REGIONS</b>	<b>18.2</b>
	of which	
AU	Australia	-12.4
MH	Marshall Islands	-1.2
NZ	New Zealand	4.9
G2	Polar regions	6.4
WS	Samoa	25.3
<b>I5</b>	<b>Euro Area (EUR-16)</b>	<b>83,905.6</b>
<b>J5</b>	<b>Extra Euro Area (EUR-16)</b>	<b>45,608.6</b>
<b>I4</b>	<b>EUR-15</b>	<b>78,658.9</b>
<b>J4</b>	<b>Extra EUR-15</b>	<b>50,855.3</b>
<b>I3</b>	<b>EUR-13</b>	<b>59,898.0</b>
<b>J3</b>	<b>Extra EUR-13</b>	<b>69,616.2</b>

/ \* – preliminary data

**FOREIGN DIRECT INVESTMENT INWARD FLOWS – continued**  
(broken down by country)

2010		
Eurostat/ OECD	Geographical and economic zones	Total CZK mil.
V1	EU-27	124,230.9
V2	Extra EU-27	5,283.3
D3	EU-25	123,592.6
D5	Extra EU-25	5,921.7
D8	New EU Member States 2004	50,650.3
D2	EU-15	72,942.3
D4	Extra EU-15	56,572.0
A8	OECD	113,902.9
A5	EFTA	7,003.0
B1	NAFTA	-729.1
C4	Offshore financial centers	300.1

/ \* – preliminary data

**FOREIGN DIRECT INVESTMENT INWARD FLOWS**  
broken down by economic activity (NACE Rev. 2)

2010			
Code	NACE Rev.2	Sectors and economic activities	Total CZK mil.
A0395	01–03	<b>AGRICULTURE, FORESTRY AND FISHING</b>	335.2
B0995	05–09	<b>MINING AND QUARRYING</b>	4,962.2
-			
C3395	10–33	<b>MANUFACTURING</b>	-13,756.5
-		of which	
C1205	10–12	Food products, beverages and tobacco products	-6,218.8
C1405	13–14	Textiles and wearing apparel	1,290.9
C1805	16–18	Wood, paper, printing and reproduction	-160.0
C1995	19–22	Petroleum, chemicals, pharmaceutical, rubber and plastic products	3,042.0
C2505	24–25	Basic metals and fabricated metal products	17,225.7
C2600	26	Computer, electronic and optical products	-10,150.0
C2800	28	Manufacture of machinery and equipment n.e.c.	-609.7
C2900	29	Manufacture of motor vehicles, trailers and semi-trailers	-14,205.5
C3000	30	Manufacture of other transport equipment	-645.5
C3390	15, 23, 27, 31–33	Other manufacturing (leather, furniture, electrical equipment, repair and installation)	-3,325.8
-			
D3500	35	<b>ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY</b>	5,834.7
E3995	36–39	<b>WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES</b>	1,836.0
F4395	41–43	<b>CONSTRUCTION</b>	7,458.7
-			
X9995	45–99	<b>TOTAL SERVICES</b>	119,908.6
-		of which	
G4795	45–47	<b>WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES</b>	43,402.3
H5395	49–53	<b>TRANSPORTATION AND STORAGE</b>	15,919.5
I5695	55–56	<b>ACCOMMODATION AND FOOD SERVICE ACTIVITIES</b>	-1,968.1
J6395	58–63	<b>INFORMATION AND COMMUNICATION</b>	13,171.3
K6695	64–66	<b>FINANCIAL AND INSURANCE ACTIVITIES</b>	40,378.2
L6800	68	<b>REAL ESTATE ACTIVITIES</b>	432.5
M7595	69–75	<b>PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES</b>	7,750.9
N8295	77–82	<b>ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES</b>	1,332.2
P8500	85	<b>EDUCATION</b>	49.1
Q8895	86–88	<b>HUMAN HEALTH AND SOCIAL WORK ACTIVITIES</b>	-242.8
R9395	90–93	<b>ARTS, ENTERTAINMENT AND RECREATION</b>	-491.1
S9695	94–96	<b>OTHER SERVICE ACTIVITIES</b>	174.6
X9990	84, 97–99	Other services (for personal consumption)	0.0
X9999	00–99, X9998	<b>TOTAL</b>	129,514.2

/ \* – preliminary data

The transfer of the industrial classification of economic activities from NACE Rev. 1.1. to NACE Rev. 2 is based on the CZSO Register.

**RESIDENTS' PORTFOLIO INVESTMENT ABROAD /\***  
(as at 31 December 2010)

Eurostat/OECD Code	Geographical and economic zones	in CZK millions			Total
		Equity securities	Long-term bonds	Short-term bonds	
<b>A1</b>	<b>TOTAL WORLD</b>	<b>207,191.0</b>	<b>244,361.7</b>	<b>1,685.4</b>	<b>453,238.1</b>
<b>E1</b>	<b>EUROPE</b>	<b>170,067.5</b>	<b>207,341.1</b>	<b>908.9</b>	<b>378,317.5</b>
	of which				
AT	Austria	30,314.0	11,700.5	5.0	42,019.5
BE	Belgium	1,487.1	6,133.1		7,620.2
BG	Bulgaria				0.0
CY	Cyprus	1,601.6	83.7	241.9	1,927.2
DE	Germany	7,755.8	18,617.9	31.3	26,405.0
DK	Denmark	20.5	946.5		967.0
ES	Spain	301.2	8,407.1		8,708.3
FI	Finland	163.3	499.4		662.7
FR	France	9,381.1	14,971.5	1.0	24,353.6
GB	United Kingdom	2,292.7	11,130.1	2.3	13,425.1
GR	Greece	336.2	12,094.6		12,430.8
HU	Hungary	1,889.6	4,154.2	1.7	6,045.5
CH	Switzerland	1,237.3	155.5		1,392.8
IE	Ireland	7,642.7	7,663.9	44.8	15,351.4
IS	Iceland	4.1	222.3		226.4
IT	Italy	223.7	14,649.5		14,873.2
LI	Liechtenstein	6.2			6.2
LU	Luxembourg	90,008.4	10,816.7	137.0	100,962.1
MT	Malta	279.5			279.5
NL	Netherlands	8,024.1	23,156.7	4.7	31,185.5
NO	Norway	45.7	814.6		860.3
PL	Poland	3,077.8	25,822.1	31.7	28,931.6
PT	Portugal	14.0	579.2		593.2
RO	Romania	93.6	267.7		361.3
SE	Sweden	79.0	1,822.0		1,901.0
SI	Slovenia	12.3	342.2		354.5
SK	Slovakia	3,735.0	15,643.5	278.3	19,656.8
1E	IBRD		7.6	129.2	136.8
4A	International organisations	41.0	16,639.0		16,680.0
<b>E2</b>	<b>OTHER EUROPEAN COUNTRIES</b>	<b>6,988.3</b>	<b>4,070.9</b>	<b>0.0</b>	<b>11,059.2</b>
	of which				
AD	Andorra		400.0		400.0
GG	Guernsey	23.7	603.0		626.7
GI	Gibraltar	2.0			2.0
HR	Croatia	17.2	762.7		779.9
IM	Isle of Man	5.9			5.9
JE	Jersey	835.4	850.7		1,686.1
RU	Russian Federation	5,528.1	1,250.5		6,778.6
TR	Turkey	575.9	165.6		741.5
UA	Ukraine	0.1	38.4		38.5
<b>E4</b>	<b>AFRICA</b>	<b>1,627.1</b>	<b>6.6</b>	<b>0.0</b>	<b>1,633.7</b>
	of which				
BI	Burundi	0.1			0.1
LR	Liberia	8.8			8.8
MU	Mauritius	1,589.5			1,589.5
EG	Egypt	4.9			4.9
ZA	South Africa	23.8	6.6		30.4
<b>E7</b>	<b>AMERICA</b>	<b>26,423.7</b>	<b>31,412.3</b>	<b>25.2</b>	<b>57,861.2</b>
<b>E8</b>	<b>NORTH AMERICAN COUNTRIES</b>	<b>21,592.2</b>	<b>24,432.1</b>	<b>25.2</b>	<b>46,049.5</b>
	of which				
CA	Canada	1,158.7	45.3		1,204.0
US	United States	20,433.5	24,386.8	25.2	44,845.5
<b>E9</b>	<b>CENTRAL AMERICAN COUNTRIES</b>	<b>4,627.4</b>	<b>6,921.4</b>	<b>0.0</b>	<b>11,548.8</b>
	of which				
AG	Antigua and Barbuda	2.9			2.9
AN	Netherlands Antilles	703.3	4,638.2		5,341.5
BB	Barbados	2.0			2.0
BS	Bahamas	2.4			2.4
BM	Bermuda	3,320.3	135.0		3,455.3
JM	Jamaica		0.1		0.1
VG	Virgin Islands, British	17.7			17.7

**RESIDENTS' PORTFOLIO INVESTMENT ABROAD / \***  
(as at 31 December 2010)

Eurostat/OECD Code	Geographical and economic zones	in CZK millions			Total
		Equity securities	Long-term bonds	Short-term bonds	
KY	Cayman Islands	572.4	2,121.9		2,694.3
MX	Mexico	6.2	26.2		32.4
PA	Panama	0.2			0.2
<b>F1</b>	<b>SOUTH AMERICAN COUNTRIES</b>	<b>204.1</b>	<b>58.8</b>	<b>0.0</b>	<b>262.9</b>
	of which				
AR	Argentina	0.7	8.1		8.8
BR	Brazil	192.8	49.6		242.4
PE	Peru	10.0			10.0
UY	Uruguay	0.6			0.6
VE	Venezuela		1.1		1.1
<b>F2</b>	<b>ASIA</b>	<b>940.1</b>	<b>1,145.4</b>	<b>0.0</b>	<b>2,085.5</b>
<b>F3</b>	<b>NEAR AND MIDDLE EAST COUNTRIES</b>	<b>108.4</b>	<b>374.4</b>	<b>0.0</b>	<b>482.8</b>
	of which				
AE	United Arab Emirates		87.5		87.5
IL	Israel	78.2	1.3		79.5
IR	Iran	30.2			30.2
IQ	Iraq		285.6		285.6
<b>F5</b>	<b>OTHER NEAR AND MIDDLE EAST COUNTRY</b>	<b>0.0</b>	<b>10.5</b>	<b>0.0</b>	<b>10.5</b>
	of which				
GE	Georgia		10.5		10.5
<b>F6</b>	<b>OTHER ASIAN COUNTRIES</b>	<b>831.7</b>	<b>760.5</b>	<b>0.0</b>	<b>1,592.2</b>
	of which				
CN	China	174.2			174.2
HK	Hong Kong	86.5	281.0		367.5
ID	Indonesia	4.9			4.9
IN	India	33.1			33.1
JP	Japan	238.3	1.7		240.0
KR	Korea, Republic of (South Korea)	62.1	0.8		62.9
KZ	Kazakhstan	192.6	477.0		669.6
SG	Singapore	10.7			10.7
VN	Viet Nam	1.2			1.2
TH	Thailand	0.1			0.1
TW	Taiwan, Province of China	28.0			28.0
<b>F7</b>	<b>OCEANIA AND POLAR REGIONS</b>	<b>1,144.3</b>	<b>385.4</b>	<b>751.3</b>	<b>2,281.0</b>
	of which				
MH	Marshall Islands	40.6			40.6
PG	Papua New Guinea				0.0
AU	Australia	1,103.7	385.4	751.3	2,240.4
<b>I5</b>	<b>Euro Area (EUR-16)</b>	<b>161,280.0</b>	<b>145,359.5</b>	<b>744.0</b>	<b>307,383.5</b>
<b>J5</b>	<b>Extra Euro Area (EUR-16)</b>	<b>45,911.0</b>	<b>99,002.2</b>	<b>941.4</b>	<b>145,854.6</b>
<b>V1</b>	<b>EU-27</b>	<b>166,605.1</b>	<b>201,986.9</b>	<b>778.0</b>	<b>369,370.0</b>
<b>V2</b>	<b>Extra EU-27</b>	<b>40,585.9</b>	<b>42,374.8</b>	<b>907.4</b>	<b>83,868.1</b>

/ \* – preliminary data

**THE STOCK OF NON-RESIDENTS' INVESTMENT IN SECURITIES ISSUED BY CZECH ENTITIES / \***  
(as at 31 December 2010)

Eurostat/ OECD Code	Geographical and economic zones	in CZK millions			
		Equity securities	Long-term bonds	Short-term bonds	Total
<b>A1</b>	<b>TOTAL WORLD</b>	<b>203,207.5</b>	<b>567,237.8</b>	<b>14,311.7</b>	<b>784,757.0</b>
<b>E1</b>	<b>EUROPE</b>	<b>140,016.6</b>	<b>158,084.4</b>	<b>14,104.0</b>	<b>312,204.9</b>
	of which				
AT	Austria	7,696.2	25,022.0		32,718.2
BE	Belgium	2,026.2	3,418.7	7,731.1	13,176.0
BG	Bulgaria	0.0	6,128.0	1,276.0	7,404.0
CY	Cyprus	8,368.0	109.5	991.5	9,469.0
DE	Germany	1,132.6	3,229.8		4,362.4
DK	Denmark	371.7	1.0		372.7
EE	Estonia	44.8	173.2		218.0
ES	Spain	11.9			11.9
FR	France	3,760.4	2,733.5		6,493.9
GB	United Kingdom	70,788.0	54,610.3	14.0	125,412.2
GR	Greece	0.7	3.0		3.7
HU	Hungary	5,182.9	10.9		5,193.9
CH	Switzerland	5,364.3	646.8		6,011.2
IE	Ireland	166.7	1,040.1	13.9	1,220.7
IT	Italy	105.6	25.0		130.6
LI	Liechtenstein	89.4	226.8		316.2
LT	Lithuania	0.2	0.5		0.7
LU	Luxembourg	21,595.6	52,531.8	616.2	74,743.7
LV	Latvia	57.2			57.2
MT	Malta	3.8	108.6		112.4
NL	Netherlands	8,904.7	3,644.2	3,436.0	15,984.9
NO	Norway	1.0	1.9		2.9
PL	Poland	404.3	13.8		418.1
RO	Romania	0.8			0.8
SE	Sweden	1,749.3	2.5		1,751.7
SI	Slovenia	0.1			0.1
SK	Slovakia	2,190.2	4,402.6	25.3	6,618.0
<b>E2</b>	<b>OTHER EUROPEAN COUNTRIES</b>	<b>770.1</b>	<b>46.3</b>		<b>816.4</b>
	of which				
AL	Albania	0.3			0.3
BY	Belarus	0.2			0.2
GG	Guernsey	0.9			0.9
HR	Croatia	717.9	0.0		718.0
RS	Serbia	13.2			13.2
RU	Russian Federation	31.3	44.5		75.8
TR	Turkey	0.2			0.2
UA	Ukraine	6.0	1.8		7.8
<b>E4</b>	<b>AFRICA</b>	<b>19.7</b>	<b>32.4</b>		<b>52.1</b>
<b>E6</b>	<b>OTHER AFRICAN COUNTRIES</b>	<b>19.7</b>	<b>32.4</b>		<b>52.1</b>
	of which				
IO	British Indian Ocean Territory		32.4		32.4
MU	Mauricius	8.1			8.1
SC	Seychely	11.6			11.6
<b>E7</b>	<b>AMERICA</b>	<b>61,207.9</b>	<b>4,212.4</b>		<b>65,420.3</b>
<b>E8</b>	<b>NORTH AMERICAN COUNTRIES</b>	<b>60,967.7</b>	<b>4,172.3</b>		<b>65,140.0</b>
	of which				
CA	Canada	13.0	7.3		20.3
US	United States	60,954.7	4,165.0		65,119.7
<b>E9</b>	<b>CENTRAL AMERICAN COUNTRIES</b>	<b>228.2</b>	<b>27.6</b>		<b>255.8</b>
	of which				
AW	Aruba	0.2			0.2
CR	Costa Rica	0.1			0.1
KY	Cayman Islands	0.2			0.2
PA	Panama	12.0			12.0
VG	Virgin Island, British	215.6	27.6		243.2
<b>F1</b>	<b>SOUTH AMERICAN COUNTRIES</b>	<b>12.0</b>	<b>12.5</b>		<b>24.5</b>
	of which				
AR	Argentina	11.0			11.0
BR	Brazil	0.0	12.5		12.5
CL	Chile	0.6			0.6
PE	Peru	0.3			0.3

**THE STOCK OF NON-RESIDENTS' INVESTMENT IN SECURITIES ISSUED BY CZECH ENTITIES / \***  
(as at 31 December 2010)

Eurostat/ OECD Code	Geographical and economic zones	in CZK millions			Total
		Equity securities	Long-term bonds	Short-term bonds	
<b>F2</b>	<b>ASIA</b>	<b>973.7</b>	<b>53.1</b>		<b>1,026.8</b>
<b>F3</b>	<b>NEAR AND MIDDLE EAST COUNTRIES</b>	<b>4.7</b>	<b>1.9</b>		<b>6.6</b>
	of which				
IL	Israel	4.7	0.2		4.9
IR	Iran		1.7		1.7
<b>F6</b>	<b>OTHER ASIAN COUNTRIES</b>	<b>969.0</b>	<b>51.2</b>		<b>1,020.1</b>
	of which				
CN	China	38.5			38.5
HK	Hong Kong	865.8	50.1		915.9
IN	India	0.3	0.4		0.7
JP	Japan	0.2	0.5		0.7
KR	Korea, Republic of (South Korea)	56.3			56.3
KZ	Kazakhstan	0.5	0.2		0.7
SG	Singapore	5.4			5.4
VN	Viet Nam	1.8			1.8
TW	Taiwan, Province of China	0.2			0.2
<b>F7</b>	<b>OCEANIA AND POLAR REGIONS</b>	<b>219.6</b>	<b>1.7</b>		<b>221.3</b>
	of which				
AU	Australia	199.0	1.7		200.7
NZ	New Zealand	20.6			20.6
Z8	Extra EU not allocated (changing composition)		404,807.5	207.7	405,015.2
<b>I5</b>	<b>Euro Area (EUR-16)</b>	<b>55,962.7</b>	<b>96,268.7</b>	<b>12,814.0</b>	<b>165,045.4</b>
<b>J5</b>	<b>Extra Euro Area (EUR-16)</b>	<b>147,244.8</b>	<b>470,969.1</b>	<b>1,497.7</b>	<b>619,711.6</b>
<b>V1</b>	<b>EU-27</b>	<b>134,561.9</b>	<b>157,208.9</b>	<b>14,104.0</b>	<b>305,874.7</b>
<b>V2</b>	<b>Extra EU-27</b>	<b>68,645.7</b>	<b>410,028.9</b>	<b>207.7</b>	<b>478,882.3</b>

/ \* – preliminary data

Notes: – territorial breakdown is provided for securities issued by Czech entities  
– Z8 includes bonds issued abroad



## INTERNATIONAL INVESTMENT POSITION

in CZK millions	31 Dec. 2006	31 Dec. 2007	31 Dec. 2008	31 Dec. 2009 1)	31 Dec. 2010 2)
<b>ASSETS</b>	<b>1,888,248.1</b>	<b>2,118,640.9</b>	<b>2,374,739.0</b>	<b>2,319,391.0</b>	<b>2,437,822.2</b>
Direct investment abroad	104,743.3	154,700.9	242,428.4	271,929.5	291,067.2
Equity capital	96,748.8	140,239.0	229,271.5	256,699.8	263,619.3
Other capital	7,994.5	14,461.9	13,156.9	15,229.7	27,447.9
Portfolio investment	532,163.4	618,625.4	505,136.7	456,390.4	453,238.1
Equity securities	202,322.0	256,779.1	189,701.2	186,393.2	207,191.0
Debt securities	329,841.4	361,846.3	315,435.5	269,997.2	246,047.1
Financial derivatives	53,406.7	69,525.0	158,377.7	119,405.2	113,927.8
Other investment	541,297.0	644,773.4	752,751.9	707,353.8	782,810.3
Long-term	128,334.6	162,633.3	239,462.3	208,524.7	252,004.8
CNB	2,993.8	2,848.9	3,174.8	3,206.2	3,641.5
Commercial banks	87,666.2	126,415.4	200,675.9	170,658.5	213,650.4
Government	29,894.6	27,359.0	31,471.6	30,760.0	31,037.9
Other sectors	7,780.0	6,010.0	4,140.0	3,900.0	3,675.0
Short-term	412,962.4	482,140.1	513,289.6	498,829.1	530,805.5
CNB	131.3	102.1	84.1	103.1	138.3
Commercial banks	233,831.1	310,538.0	295,545.5	275,956.0	275,287.2
of which gold and foreign exchange	166,588.9	200,780.8	203,665.7	185,849.7	184,256.8
Government					
Other sectors	179,000.0	171,500.0	217,660.0	222,770.0	255,380.0
CNB reserve assets	656,637.7	631,016.2	716,044.3	764,312.1	796,778.8
Gold	5,690.9	6,431.6	6,933.8	8,347.1	10,947.3
SDR	346.0	363.3	402.4	22,876.7	22,954.1
Reserve position in the IMF	2,324.6	1,521.6	3,128.0	4,433.8	6,550.0
Foreign exchange	648,192.1	618,048.0	695,935.6	693,136.9	712,509.0
Other reserve assets	84.1	4,651.7	9,644.5	35,517.6	43,818.4
<b>LIABILITIES</b>	<b>2,969,225.5</b>	<b>3,533,858.3</b>	<b>3,897,645.9</b>	<b>4,046,350.7</b>	<b>4,285,525.1</b>
Direct investment in the Czech Republic	1,666,760.7	2,032,111.2	2,189,454.9	2,311,197.4	2,435,617.5
Equity capital	1,497,465.8	1,842,404.2	1,950,488.2	2,084,104.6	2,194,431.8
Other capital	169,294.9	189,707.0	238,966.7	227,092.8	241,185.7
Portfolio investment	487,994.5	556,342.4	508,094.6	653,436.0	784,757.0
Equity securities	241,594.8	262,518.8	179,775.0	209,590.7	203,207.5
Debt securities	246,399.7	293,823.6	328,319.6	443,845.3	581,549.5
Financial derivatives	36,482.0	54,222.9	159,956.7	113,412.6	99,121.4
Other investments	777,988.3	891,181.8	1,040,139.7	968,304.7	966,029.2
Long-term	464,073.2	478,698.3	536,049.9	528,159.3	513,225.9
CNB	27.2	8.8			
Commercial banks	62,263.6	87,448.9	120,767.8	103,883.5	105,829.4
Government	61,686.4	65,875.1	73,886.6	89,425.3	104,911.0
Other sectors	340,096.0	325,365.5	341,395.5	334,850.5	302,485.5
Short-term	313,915.1	412,483.5	504,089.8	440,145.4	452,803.3
CNB	1,779.0	1,226.2	1,786.3	3,749.7	3,769.0
Commercial banks	193,816.1	272,187.3	332,833.5	266,975.7	294,494.3
Government					
Other sectors	118,320.0	139,070.0	169,470.0	169,420.0	154,540.0
<b>NET INVESTMENT POSITION</b>	<b>-1,080,977.4</b>	<b>-1,415,217.4</b>	<b>-1,522,906.9</b>	<b>-1,726,959.7</b>	<b>-1,847,702.9</b>

1) revised data

2) preliminary data

**EXTERNAL DEBT**  
(by debtor and creditor)

in CZK millions	31 Dec. 2006	31 Dec. 2007	31 Dec. 2008	31 Dec. 2009 1)	31 Dec. 2010 2)
<b>EXTERNAL DEBT</b>					
of which:					
Long-term	872,113.2	966,893.1	1,102,771.6	1,200,804.1	1,322,772.0
by debtor					
CNB	27.2	8.8			
Commercial banks	76,426.6	107,852.8	147,006.1	142,857.9	153,653.8
Government	247,019.8	268,669.9	292,667.4	363,952.0	450,392.1
Other sectors	548,639.6	590,361.6	663,098.1	693,994.2	718,726.1
by creditor					
Foreign banks	324,908.9	340,251.2	378,703.5	366,136.0	321,488.9
Government institutions	9,555.5	8,686.0	7,249.6	5,748.1	4,179.0
Multilateral institutions	107,043.6	100,897.3	122,068.2	139,760.8	174,210.4
Suppliers and direct investors	179,903.7	220,419.0	259,428.3	246,122.3	251,328.3
Other investors	250,701.5	296,639.6	335,322.0	443,036.9	571,565.4
Short-term	321,569.7	407,819.3	504,654.4	438,438.7	465,992.4
by debtor					
CNB	1,779.0	1,226.2	1,786.3	3,749.7	3,769.0
Commercial banks	196,529.5	274,189.3	335,395.4	267,473.6	294,694.5
Government	350.0	5,722.8	2,763.4	4,789.2	14,090.0
Other sectors	122,911.2	126,681.0	164,709.3	162,426.2	153,438.9
by creditor					
Foreign banks	187,186.7	243,132.5	323,764.5	263,491.9	275,062.2
Multilateral institutions	1,768.2	1,220.3	1,540.8	2,875.5	3,238.4
Suppliers and direct investors	78,391.2	72,188.0	86,928.4	94,630.5	88,137.4
Other investors	54,223.6	91,278.5	92,420.7	77,440.8	99,554.4
<b>TOTAL EXTERNAL DEBT</b>	<b>1,193,682.9</b>	<b>1,374,712.4</b>	<b>1,607,426.0</b>	<b>1,639,242.8</b>	<b>1,788,764.4</b>
of which:					
Long-term	872,113.2	966,893.1	1,102,771.6	1,200,804.1	1,322,772.0
Short-term	321,569.7	407,819.3	504,654.4	438,438.7	465,992.4
<b>Total long-term debt</b>	<b>872,113.2</b>	<b>966,893.1</b>	<b>1,102,771.6</b>	<b>1,200,804.1</b>	<b>1,322,772.0</b>
of which:					
– IMF loans					
– Liabilities of government sector and guaranteed by government, and of entities majority-owned by state					
	342,241.9	376,867.5	429,070.9	538,727.8	670,144.1
– Liabilities of entities with majority private ownership					
	529,871.3	590,025.6	673,700.7	662,076.3	652,627.9

1) revised data

2) preliminary data

**EXTERNAL DEBT**  
(by instrument)

in CZK millions	31 Dec. 2006	31 Dec. 2007	31 Dec. 2008	31 Dec. 2009	31 Dec. 2010
				1)	2)
<b>I. Government</b>	<b>247,369.8</b>	<b>274,392.7</b>	<b>295,430.8</b>	<b>368,741.2</b>	<b>464,482.1</b>
Short-term	350.0	5,722.8	2,763.4	4,789.2	14,090.0
Money market instruments	350.0	5,722.8	2,763.4	4,789.2	14,090.0
Loans					
Trade credits					
Other debt liabilities					
Long-term	247,019.8	268,669.9	292,667.4	363,952.0	450,392.1
Bonds and notes	185,333.4	202,794.8	218,780.8	274,526.7	345,481.1
Loans	52,130.9	57,189.1	66,637.0	83,677.2	100,732.0
Trade credits	9,555.5	8,686.0	7,249.6	5,748.1	4,179.0
Other debt liabilities					
<b>II. CNB</b>	<b>1,806.2</b>	<b>1,235.0</b>	<b>1,786.3</b>	<b>3,749.7</b>	<b>3,769.0</b>
Short-term	1,779.0	1,226.2	1,786.3	3,749.7	3,769.0
Money market instruments					
Loans					
Deposits	1,779.0	1,226.2	1,786.3	3,749.7	3,769.0
Other liabilities					
Long-term	27.2	8.8	0.0	0.0	0.0
Bonds and notes					
Loans	27.2	8.8			
Deposits					
Other liabilities					
<b>III. Commercial banks</b>	<b>272,956.1</b>	<b>382,042.1</b>	<b>482,401.5</b>	<b>410,331.5</b>	<b>448,348.3</b>
Short-term	196,529.5	274,189.3	335,395.4	267,473.6	294,694.5
Money market instruments	2,713.4	2,002.0	2,561.9	497.9	200.2
Loans	20,656.7	32,415.6	48,646.2	20,472.5	19,649.6
Deposits	160,336.4	226,274.6	268,277.7	229,866.6	253,322.9
Other debt liabilities	12,823.0	13,497.1	15,909.6	16,636.6	21,521.8
Long-term	76,426.6	107,852.8	147,006.1	142,857.9	153,653.8
Bonds and notes	14,163.0	20,403.9	26,238.3	38,974.4	47,824.4
Loans	50,987.6	65,260.5	94,626.1	86,021.3	87,038.6
Deposits	10,866.1	21,720.6	25,735.3	17,045.2	18,133.9
Other debt liabilities	409.9	467.8	406.4	817.0	656.9
<b>IV. Other sectors</b>	<b>502,255.9</b>	<b>527,335.6</b>	<b>588,840.7</b>	<b>629,327.6</b>	<b>630,979.3</b>
Short-term	118,320.0	141,193.0	169,580.9	169,765.7	154,561.5
Money market instruments		2,123.0	110.9	345.7	21.5
Loans	44,520.0	52,370.0	77,670.0	67,450.0	65,280.0
Deposits					
Trade credits	73,800.0	86,700.0	91,800.0	101,970.0	89,260.0
Other debt liabilities					
Long-term	383,935.9	386,142.6	419,259.8	459,561.9	476,417.8
Bonds and notes	43,839.9	60,777.1	77,864.3	124,711.4	173,932.3
Loans	318,100.0	302,200.0	319,340.0	320,695.0	293,000.0
Deposits					
Trade credits	15,200.0	16,200.0	15,590.0	11,690.0	9,020.0
Other debt liabilities	6,796.0	6,965.5	6,465.5	2,465.5	465.5
<b>V. Direct investment: Intercompany lending</b>	<b>169,294.9</b>	<b>189,707.0</b>	<b>238,966.7</b>	<b>227,092.8</b>	<b>241,185.7</b>
Liabilities to affiliated enterprises					
Liabilities to direct investors	169,294.9	189,707.0	238,966.7	227,092.8	241,185.7
<b>TOTAL EXTERNAL DEBT</b>	<b>1,193,682.9</b>	<b>1,374,712.4</b>	<b>1,607,426.0</b>	<b>1,639,242.8</b>	<b>1,788,764.4</b>

1) revised data

2) preliminary data

### AMORTISATION SCHEDULE FOR LONG-TERM DEBT (as at 31 December 2010)

in CZK millions						
	Debt as at 31 Dec. 2009	Drawings	Repayments		Difference	Debt as at 31 Dec. 2010
			Principal	Interest		
<b>1. FINANCIAL LOANS</b>	<b>492,859.0</b>	<b>60,303.2</b>	<b>58,471.1</b>	<b>13,782.8</b>	<b>-13,455.0</b>	<b>481,236.1</b>
Commercial banks	86,021.3	11,850.0	7,948.0	4,326.0	-2,884.7	87,038.6
CNB	0.0	0.0	0.0	0.0	0.0	0.0
Government	83,677.2	19,603.4	2,512.2	1,594.8	-36.4	100,732.0
Corporations	323,160.5	28,849.8	48,010.9	7,862.0	-10,533.9	293,465.5
<b>2. BONDS</b>	<b>438,212.5</b>	<b>134,855.3</b>	<b>0.0</b>	<b>18,663.9</b>	<b>-5,830.0</b>	<b>567,237.8</b>
Commercial banks	38,974.4	6,242.5		955.5	2,607.5	47,824.4
Government	274,526.7	74,265.0		10,943.4	-3,310.6	345,481.1
Corporations	124,711.4	54,347.8		6,765.0	-5,126.9	173,932.3
<b>3. DEPOSITS</b>	<b>17,862.2</b>	<b>1,653.4</b>	<b>157.7</b>	<b>220.0</b>	<b>-567.1</b>	<b>18,790.8</b>
Commercial banks	17,862.2	1,653.4	157.7	220.0	-567.1	18,790.8
<b>4. TRADE CREDITS</b>	<b>251,870.4</b>	<b>60,194.1</b>	<b>43,921.2</b>	<b>12,416.1</b>	<b>-12,636.0</b>	<b>255,507.3</b>
Government (import liabilities)	5,748.1		1,569.1	259.1	0.0	4,179.0
Corporations (import liabilities)	11,690.0	112.1	2,252.3		-529.8	9,020.0
Corporations (other capital)	234,432.3	60,082.0	40,099.8	12,157.0	-12,106.2	242,308.3
<b>5. TOTAL</b>	<b>1,200,804.1</b>	<b>257,006.0</b>	<b>102,550.0</b>	<b>45,082.8</b>	<b>-32,488.1</b>	<b>1,322,772.0</b>
Amort./Exports of goods and services			5.2%			

### AMORTISATION SCHEDULE FOR LONG-TERM DEBT BY CREDITOR AND DEBTOR (as at 31 December 2010)

in CZK millions							
	in CZK millions	Debt as at 31 December 2010	Debt				
			1half 2011	2 half 2011	2012	2013	2014–36
<b>CREDITORS</b>	<b>principal</b>	<b>1,322,772.0</b>	<b>77,591.9</b>	<b>111,067.0</b>	<b>184,634.7</b>	<b>140,461.4</b>	<b>809,017.0</b>
	interest		27,511.2	26,547.3	44,645.6	37,396.9	218,846.3
Foreign banks	principal	321,488.9	26,161.3	64,202.9	65,787.1	50,042.7	115,294.9
	interest		4,279.8	3,546.8	7,840.0	5,488.2	59,833.9
Government institutions	principal	4,179.0	1,520.0	0.0	1,085.0	534.0	1,040.0
	interest		188.0	0.0	120.0	71.0	69.0
Multilateral institutions	principal	174,210.4	3,979.8	4,935.0	8,874.6	10,383.3	146,037.7
	interest		4,796.1	4,650.8	5,226.6	4,902.0	27,046.8
Suppliers and direct investors	principal	251,328.3	26,542.2	21,036.8	67,040.4	34,194.8	102,514.1
	interest*		5,854.4	4,998.7	8,298.2	5,740.7	36,609.8
Other investors	principal	571,565.4	19,388.6	20,892.3	41,847.6	45,306.6	444,130.3
	interest		12,392.9	13,351.0	23,160.8	21,195.0	95,286.8
<b>DEBTORS</b>	<b>principal</b>	<b>1,322,772.0</b>	<b>77,591.9</b>	<b>111,067.0</b>	<b>184,634.7</b>	<b>140,461.4</b>	<b>809,017.0</b>
	interest		27,511.2	26,547.3	44,645.6	37,396.9	218,846.3
CNB	principal	0.0					
	interest						
Commercial banks	principal	153,653.8	14,577.4	17,472.5	20,258.1	25,264.5	76,081.3
	interest		1,236.1	1,547.6	2,342.9	1,956.8	7,207.7
Government institutions	principal	450,392.1	12,234.5	12,040.7	18,107.5	29,567.5	378,441.9
	interest		8,228.3	8,198.1	14,668.8	14,136.2	75,127.6
Other sectors	principal	718,726.1	50,780.0	81,553.8	146,269.1	85,629.4	354,493.8
	interest		18,046.8	16,801.6	27,633.9	21,303.9	136,511.0
<b>TOTAL</b>	<b>principal</b>	<b>1,322,772.0</b>	<b>77,591.9</b>	<b>111,067.0</b>	<b>184,634.7</b>	<b>140,461.4</b>	<b>809,017.0</b>
	interest		27,511.2	26,547.3	44,645.6	37,396.9	218,846.3
<b>TOTAL DEBT SERVICE</b>			<b>105,103.1</b>	<b>137,614.3</b>	<b>229,280.3</b>	<b>177,858.3</b>	<b>1,027,863.3</b>

## NATIONAL DATA AND CROSS-BORDER EXTERNAL TRADE STATISTICS AND IMPACTS ON BALANCE OF PAYMENTS STATISTICS

### 1. BRANDING (QUASI TRANSIT TRADE) IN THE EXTERNAL TRADE STATISTICS

The Czech Republic's accession to the EU among other things enabled non-residents of the Czech Republic (residents of the EU or the European Economic Area) to register as VAT payers in the Czech Republic. This applies in particular to multinational companies that have economic ties to businesses in the Czech Republic. These companies purchase or sell goods and their counterparties are residents of the Czech Republic and foreign companies. Some multinational companies use logistics services (warehouses) located on Czech territory. Foreign companies registered as VAT payers in the Czech Republic do not have their registered offices in the Czech Republic and pay income tax in the country where they have their registered offices. They are registered in the Czech Republic only under their tax ID number. In the external goods trade statistics, the cross-border activity of these companies (in both cases mentioned above) is recorded as the export and import of goods according to EU regulations. EU external trade statistics regulations monitor the movement of goods across borders between EU Member States (Intrastat) and outside the borders of the EU (Extrastat). The regulations are evolving over time and are aimed, among other things, at minimising administrative barriers to the free movement of goods within the EU and the EEA.

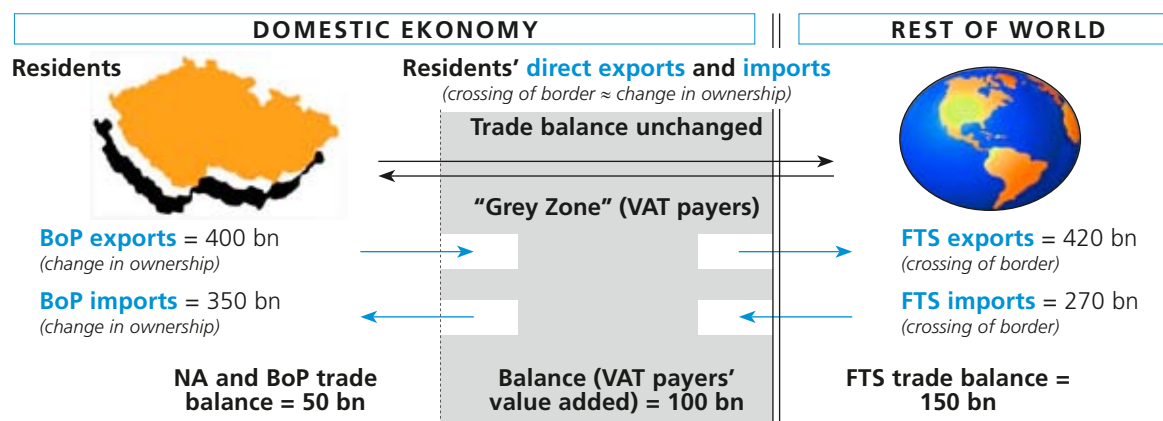
After 2004 there was significant growth in external trade turnover and the trade surplus. The trade surplus also increased during the financial and economic crisis. This increase was not consistent with the financial flows recorded in the international positions of banks (receipts) or in the positions of companies (growth in assets abroad and payment of liabilities). Since accession to the EU, the balance of payments of the Czech Republic has shown a permanent deficit and over time a growing "errors and omissions" item. This item generally indicates statistically uncovered transactions. The balance of payments of the Czech Republic was therefore cumulatively reporting the creation of resources without their use.

During the preparation of the annual national accounts, discrepancies were discovered between the creation and use of resources in individual years. Initially these were minor areas; for example, total exports of toys significantly exceeded toy production in the Czech Republic, including toy imports. Other, far more significant discrepancies gradually appeared during the balancing of supply and use, in particular in the electrical engineering industry (e.g. in the manufacture of computers and mobile telephones) and in the automobile industry.

After further investigation by the CZSO it was found that a global manufacturer of computers was importing cheap components into the Czech Republic from Asia (reported in the cross-border external trade statistics) and selling them at a higher price to domestic "assembly shops" (this results in a change of ownership of the goods between a non-resident and a resident, but this operation is no longer recorded in external trade statistics). This global manufacturer was then

CHART 1

#### ILLUSTRATION OF DIFFERENCES IN TWO FOREIGN TRADE APPROACHES (model data)



Source: CZSO

purchasing the assembled computers and other electronics at an agreed price and, when exporting them, declaring them in the external trade statistics at higher prices than are usual on the external market (including the brand name). The global manufacturer was then collecting the price difference on both imports and exports of the goods, while only the smaller portion of the value added associated with the assembled product was accruing to the domestic economy. Figure 1 illustrates cross-border movements of goods and changes in ownership involved in the above operation.

At conferences of international institutions focusing on economic globalisation this phenomenon is referred to as branding (or "quasi transit trade"). Branding<sup>1</sup> is described as the gap between the value of goods at import (usually from a non-EU country) and their value when they are exported out of the country (under the brand of a multinational company). When crossing a border the goods are declared by the multinational company in the external trade statistics according to EU rules. The multinational company is registered in the country in question only as a VAT payer and has very few or even no employees there. The multinational company pays income tax in the country in which it has its registered office. Branding is an "adjustment item" in the area of services in relation to the declared trade balance (it is the "import" of the name of an internationally registered brand). Branding is not described in the balance of payments manual, but was introduced into the Eurostat services code list in 2008 after having been identified in a series of EU Member States (Belgium, Hungary, Luxembourg, the Netherlands and Slovenia). According to a theory described in a WTO guide on economic globalisation under preparation,<sup>2</sup> the gap between declared exports and imports is connected with the inclusion of the multinational company's general costs, e.g. research and development costs and overhead costs.

In the case of the Czech Republic the solution using the branding item seemed unsustainable, as it significantly distorted the structure of the goods and services balance towards a higher goods surplus and worse balance of (other) services. According to available information, the branding item rose in size during the financial and economic crisis compared to the previous period. The traditional annual services surplus of around CZK 50 billion turned into a deficit in some quarters of 2010. Therefore it was seen as essential to transfer to reporting of national external trade data for the needs of the national accounts and the balance of payments alongside the cross-border external trade statistics data.

## 2. IDENTIFICATION AND QUANTIFICATION OF BRANDING

Macroeconomic discrepancies in the external sector were identified on the basis of discussions held since 2008 between the CNB and the CZSO. Apart from a few minor cases, however, the CZSO could not calculate the total amount of branding without comparing the export and import data with individual items of the data from the tax returns of non-residents paying VAT in the Czech Republic. The refunding of VAT to non-residents is performed centrally by the Prague 1 tax office and the individual data were not provided to the CZSO by the Ministry of Finance of the Czech Republic until 2009. The refunding of VAT to non-residents is only possible for VAT paid for the value of the contract with the domestic supplier. The volume of national exports and how the data declared in the external goods trade statistics must be adjusted according to the EU Eurostat rules can be derived from this (albeit with a time shift between the performance of the external transaction and the refunding of the VAT). On the import side, national imports are calculated as imports declared by non-residents increased according to the actual payments made by residents when purchasing the goods from the non-resident.

The scale of this phenomenon, i.e. the gap between the cross-border statistics and the national approach to external trade, totalled around CZK 100 billion a year in 2009 and 2010.<sup>3</sup>

In March 2011 national goods and services data were published on the current account of the balance of payments for 2009 and 2010.

- 1 See Balance of Payments VADEMECUM 2010, Eurostat  
[http://www.cnb.cz/miranda2/export/sites/www.cnb.cz/en/statistics/bop\\_stat/bop\\_publications/current\\_account\\_bop\\_tb/bop\\_vademecum\\_november\\_2010.pdf](http://www.cnb.cz/miranda2/export/sites/www.cnb.cz/en/statistics/bop_stat/bop_publications/current_account_bop_tb/bop_vademecum_november_2010.pdf)
- 2 See Impact of globalization on national accounts, Guide UNECE/Eurostat/OECD, 18 March 2011  
[http://www.unec.org/stats/groups/wggna/GuideNA\\_April.pdf](http://www.unec.org/stats/groups/wggna/GuideNA_April.pdf)
- 3 Under the revision, the changes to the trade balance were partially reduced by another methodological change relating to the calculation of the direct trade costs of companies included in the services balance and by a new method for the calculation of other services.

### 3. COMMUNICATION BY THE CNB AND THE CZSO WITH THE PUBLIC ON THE ISSUE OF BRANDING

When publishing the quarterly national accounts for 2009 Q4 in March 2010 the CZSO mentioned the methodological change in the external sector in an accompanying commentary and partially reflected it in the published data with the proviso that the most precise possible quantification of branding and its retroactive incorporation into the time series of the annual (quarterly) national accounts indicators would follow.

In July 2010 the management of the CZSO decided to publish the GDP time series and the time series of (national) external trade in September 2011 in connection with the implementation of the NACE 2 classification of economic activities.

The revision schedule was discussed between the CZSO and the CNB in several steps and at various levels. The CNB preferred the quickest and most open possible communication of the planned revisions and the incorporation of the new external trade rules into the balance of payments as soon as possible, even at the price of temporary inconsistency between the balance of payments and the national accounts.

At the end of September 2010, when publishing the annual national accounts data, the CZSO thus communicated the steps that would be taken to adjust the cross-border external trade data according to EU regulations and to publish national external trade data.

Subsequently, on 18 October 2010 at the CZSO, the CZSO and the CNB held a joint seminar at which invited representatives of the press, analysts and ministries were familiarised with the fundamental characteristics of branding as well as the change to the method of calculating direct trade costs and the schedule of the changes to the balance of payments and national accounts data. The presentations given by the CZSO and the CNB at this seminar were published on the CZSO and the CNB websites. The impacts of the revision of the time series were declared as a change to the structure of the goods and services balances with an impact of several tens of billions of koruna a year and with a subsequent reduction in the external goods and services balance of the Czech Republic also measured in tens of billions of koruna (with reference to the errors and omissions balance in the balance of payments).

On 22 November 2010 the CNB held a seminar for journalists at which information was presented on the main aspects of the changes under preparation. The data revision was also communicated by the CNB at the regular Analysts Meeting on 12 November 2010, and the presentation from this meeting was as usual placed on the CNB website. The CNB has regularly drawn attention to branding in explanatory notes in its Inflation Reports and its press releases on the publication of balance of payments data.

The transition to the publication of national balance of payments data was agreed in two phases. On 9 March 2011, when publishing the external trade data for January 2011, the CZSO published revised external goods trade data for 2009 and 2010.<sup>4</sup> On 10 March 2011, when publishing the balance of payments data for 2010 Q4, the CNB published a revision of balance of payments data for 2009 and 2010. The national adjusted external goods trade data for 2005 to 2008 for individual quarters will be published by the CZSO in the summer of 2011. Details will be prepared and handed over to the CNB to ensure that the revision of the whole time series since 2005 is published in September 2011 in the annual national accounts as well as in the balance of payments.

As from January 2011 the balance of payments will be prepared in two versions, namely the national and Community versions, in accordance with Eurostat and ECB statistical rules. On its website the CNB publishes only the national version of the balance of payments (at monthly and quarterly frequency). The CNB sends both versions of the data to Eurostat and the ECB. These international institutions will also only publish data using the national principle in their publications. The data in the Community version of the balance of payments will be used by them exclusively as the (non-public) contribution of the Czech Republic to the aggregated balance of payments for EU Member States.

<sup>4</sup> See External trade in the national approach, CZSO press release, 8 March 2011. [http://www.czso.cz/eng/tz.nsf/i/external\\_trade\\_in\\_the\\_national\\_approach20110310](http://www.czso.cz/eng/tz.nsf/i/external_trade_in_the_national_approach20110310).







