

## Highlights and Key Issues

- GDP fell by a larger than expected 1% on the quarter in 2012Q1 according to initial data released in mid-May. As a result, we now expect GDP will fall 1.1% in 2012.
- On the political side, the government has avoided a snap election by surviving a confidence vote on 27 April. However, it will find it harder to stick to its austerity plans as its majority was weakened by the vote. Under current policies, we now expect the fiscal deficit to rise to 3.6% of GDP in 2012 from 3.1% in 2011 due to the weakness of the economy.
- On a positive note, 10-year bond yields remained relatively stable at 3.3% in May, some 20bp lower than in April. But the spread over German bunds has risen steadily since February and the Czech koruna lost around 4% of its value against the euro in the two months to 15 May as investors moved towards safer assets.
- Looking ahead, the export-oriented Czech economy will face several challenges in the coming quarters, even if a further escalation of the Eurozone crisis can be avoided, as austerity and high unemployment in the region weigh on demand. New car registrations in the Eurozone fell 11.4% on the year in 2012Q1. In addition, Czech domestic demand will shrink for the second successive year in 2012, by about 1.5%, which will lift the trade surplus to around 3% of GDP in 2012 from 2.5% in 2011.

<b>Forecast for Czech Republic</b>						
<b>(Annual percentage changes unless specified)</b>						
	2010	2011	2012	2013	2014	2015
<b>Domestic Demand</b>	1.5	-1.6	-1.5	1.8	3.8	4.0
Private Consumption	0.5	-0.5	-1.4	0.9	3.2	4.2
Fixed Investment	0.0	-1.2	-1.4	3.0	3.9	4.2
Stockbuilding (% of GDP)	0.1	-0.6	-0.8	-0.5	0.1	0.3
Government Consumption	0.6	-1.4	-1.4	1.1	2.2	2.1
<b>Exports of Goods and Services</b>	16.0	11.0	0.4	4.2	6.2	6.2
<b>Imports of Goods and Services</b>	15.7	7.5	0.0	5.0	7.2	7.1
<b>GDP</b>	2.6	1.7	-1.1	1.5	3.3	3.5
<b>Industrial Production</b>	10.3	6.9	0.8	3.4	5.4	5.7
<b>Consumer Prices</b>	1.5	1.9	3.5	2.5	2.3	2.5
<b>Government Budget (% of GDP)</b>	-4.8	-3.1	-3.6	-3.4	-3.1	-2.6
<b>Trade Balance (\$bn)</b>	2.80	5.31	6.19	4.82	3.96	3.88
<b>Current Account (\$bn)</b>	-7.60	-6.35	-5.73	-5.72	-6.28	-6.25
<b>Current Balance (% of GDP)</b>	-3.8	-2.9	-2.9	-2.9	-3.1	-3.0
<b>Short-Term Interest Rates (%)</b>	1.31	1.19	1.21	1.36	3.05	4.36
<b>Exchange Rate (Per US\$)</b>	19.10	17.70	19.45	20.27	21.25	21.86

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## Overview

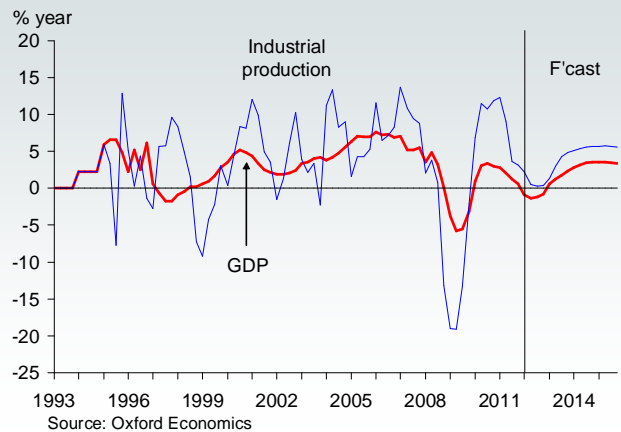
### GDP fell sharply by 1% in Q1

- GDP fell more than expected in 2012Q1, by 1.0% on the quarter, according to preliminary data released in mid-May. The Statistical Office stressed that the significant decline of GDP in Q1 was due to a sharp deterioration in two usually stable components of gross value added – that of the pension fund and insurance sector and the sale of tobacco products (which were brought forward into 2011Q4 due to an increase in the tax rate in January). Meanwhile, gross value added in the construction sector continued to decline.
- We have lowered our forecast for GDP growth in 2012 following the Q1 release. We now expect GDP to decline 1.1% in 2012 – compared with our previous forecast of a 0.3% fall – after growth of 1.7% in 2011. Although it is likely that the estimate for Q1 GDP will be revised up in June as the quarterly drop was larger than suggested by other short-term indicators, the recent developments in the Eurozone point to increased downside risks – mainly the higher risk of a Greek exit, given the strength of the vote for anti-bailout parties in the May elections – which are now partly reflected in the forecasts.

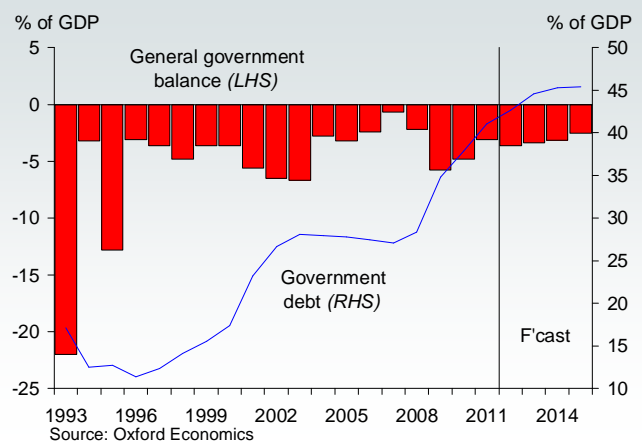
### Cabinet survives confidence vote

- The domestic political outlook has also worsened in the last few months. In particular, the centre-right government survived a confidence vote on 27 April, after Public Affairs, the smallest of the three coalition parties, lost some of its members due to an internal split. Of the 200 deputies in the lower house, 105 voted for the government, a drop of 13 for the majority compared with immediately after the 2010 election.
- As a result, although the government was able to avoid a snap election, it will find it harder to stick to its austerity plans, which may be a cause of concern for investors as the economy remains in recession. Nevertheless, the budget deficit in 2011 was 3.1% of GDP, down from 4.8% of GDP in 2010, thanks to significant savings on the expenditure side. Under current policies, we expect the deficit to rise to 3.6% of GDP in 2012 – slightly above the target of 3.5% – because of the weakness of the economy.

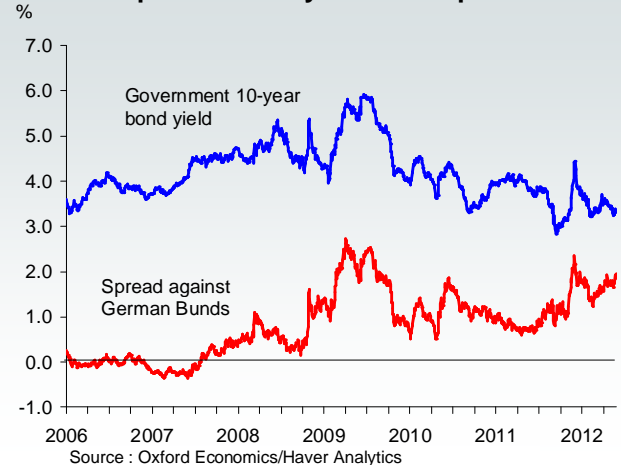
Czech Republic: GDP and industrial production



Czech Republic: Government budget and debt



Czech Republic: bond yields and spreads



- The government's effectiveness in reining in the deficit and the low level of public debt (41% of GDP in 2011) has enabled the Czech Republic to avoid a rise in government bond yields during the latest bout of market turbulence. In particular, 10-year bond yields remained relatively stable at 3.3% in May, some 20bp down from their level in April. Nevertheless, the spread over German bunds has risen steadily since February and the Czech koruna lost about 4% of its value against the euro in the two months to 15 May as investors moved toward safer assets.
- Under the current deficit projections, we expect government debt to remain on an upward trend until 2015, when it should top out at 46% of GDP, and long-term interest rates are forecast to rise gradually to above 4% by end-2013.

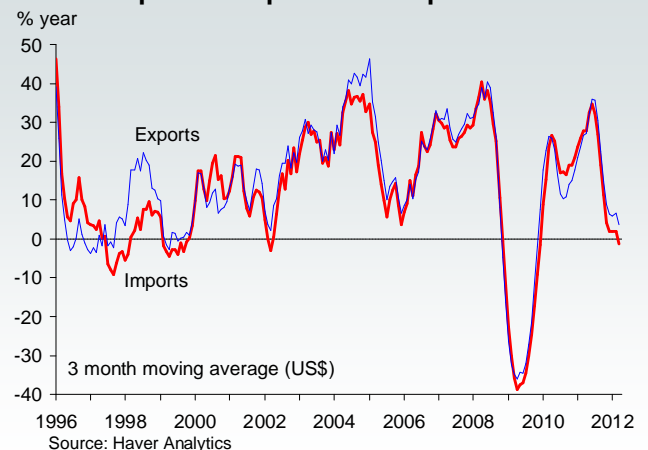
## Czech Republic: Exchange rate



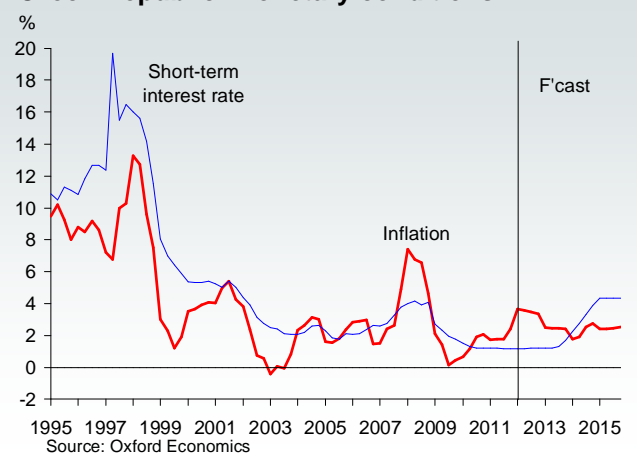
## Exports curbed by EU weakness

- The export-oriented Czech economy faces several challenges in the coming quarters, even if the situation in the Eurozone does not deteriorate any further. New car registrations in the Eurozone fell 11.4% on the year in 2012Q1, according to ECB data. As a result, the growth of Czech exports of machinery and transport equipment – which account for more than 50% of total exports – has slowed to its lowest level since 2009Q3.
- Moreover, the share of total exports going to the EU fell to 80.8% in March 2012 from 83.7% a year earlier. And as long as austerity in the region continues to weigh on demand, Czech industry will suffer. Although industrial production was up 2% on the year in March, the average output level in Q1 was below that of 2011Q4, while the manufacturing PMI pointed to stagnation of output in April.
- On the domestic side, heightened risks and shrinking capacity utilisation will constrain investment growth in 2012, while fiscal austerity will stifle consumer spending. Moreover, both investment and consumption will be affected by tighter credit conditions and lending growth has been declining steadily since end-2011. As a result, we expect domestic demand to shrink for the second successive year in 2012, by 1.5%. This in turn will help push up the trade surplus to around 3% of GDP in 2012 from 2.5% in 2011.

## Czech Republic: Exports and imports



## Czech Republic: Monetary conditions



<b>Key Indicators: Czech Republic</b>								
Percentage changes on a year earlier unless otherwise stated								
	Industrial production	PPI	CPI	Unemployment %	Industry confidence balance	Consumer confidence balance	Trade balance \$ mn	Retail sales vol.
<b>Apr</b>	7.8	6.3	1.6	8.6	7.5	-18.0	784	3.9
<b>May</b>	11.2	6.1	2.0	8.2	3.7	-20.1	798	2.2
<b>Jun</b>	7.9	5.4	1.8	8.1	3.2	-20.2	1043	-3.1
<b>Jul</b>	6.7	5.3	1.7	8.2	3.5	-19.4	734	1.0
<b>Aug</b>	3.7	5.6	1.7	8.2	2.9	-20.4	47	1.2
<b>Sep</b>	2.2	5.5	1.8	8.0	1.1	-23.8	1296	0.2
<b>Oct</b>	2.1	5.5	2.3	7.9	4.2	-22.3	1450	2.0
<b>Nov</b>	4.6	5.5	2.5	8.0	1.9	-30.0	1069	0.9
<b>Dec</b>	4.4	4.5	2.4	8.6	-0.1	-31.2	447	3.4
<b>2012</b>								
<b>Jan</b>	0.5	4.1	3.5	9.1	-0.1	-27.5	1499	-0.1
<b>Feb</b>	0.4	3.6	3.7	9.2	1.3	-26.3	1486	-0.6
<b>Mar</b>	2.0	3.0	3.8	8.9	1.6	-29.6	2006	1.0
<b>Apr</b>	-	2.2	3.5	8.4	-1.9	-28.1	-	-

<b>Financial Indicators: Czech Republic</b>								
Percentage changes on a year earlier unless otherwise stated								
	Discount rate %	Key policy rate %	Money Supply	Exchange rate CK/\$ avg.	Exchange rate CK/€ avg.	Share price PX 50	Reserves \$ bn	Reserves imp. cover months
<b>Apr</b>	0.25	0.75	1.2	16.8	24.2	1253.7	43.9	3.4
<b>May</b>	0.25	0.75	2.6	17.0	24.4	1255.4	43.1	3.1
<b>Jun</b>	0.25	0.75	2.3	16.8	24.3	1219.3	43.2	3.2
<b>Jul</b>	0.25	0.75	3.1	17.0	24.2	1201.2	43.1	3.5
<b>Aug</b>	0.25	0.75	3.1	16.9	24.2	1038.7	42.9	3.3
<b>Sep</b>	0.25	0.75	4.5	17.8	24.5	950.8	40.7	3.1
<b>Oct</b>	0.25	0.75	4.4	18.1	24.8	931.5	42.2	3.4
<b>Nov</b>	0.25	0.75	5.2	18.8	25.5	883.4	41.3	3.1
<b>Dec</b>	0.25	0.75	5.3	19.4	25.5	880.6	40.3	3.6
<b>2012</b>								
<b>Jan</b>	0.25	0.75	6.0	19.8	25.5	922.7	40.7	3.6
<b>Feb</b>	0.25	0.75	6.8	18.9	25.0	1006.3	43.1	3.6
<b>Mar</b>	0.25	0.75	6.5	18.6	24.6	993.1	43.0	3.3
<b>Apr</b>	0.25	0.75	-	18.8	24.7	932.9	43.6	-

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TABLE 1 SUMMARY ITEMS

Annual Percentage Changes, Unless Otherwise Specified

	CONSUMERS EXPENDITURE (C)	TOTAL FINAL EXPENDITURE (TFE)	TOTAL FIXED INVESTMENT (IF)	REAL GDP (GDP)	INDUSTRIAL PRODUCTION (IP)	UNEMPLOYMENT RATE (%) (UIP)	AVERAGE EARNINGS (ER)	WHOLE ECONOMY PRODUCTIVITY (GDP/ET)	COMPETITIVENESS (2008=100) (WCR)	PRODUCER PRICES (PPI)	CONSUMER PRICES (CPI)
<b>YEARS BEGINNING Q1</b>											
2010	0.54	7.65	-0.01	2.58	10.29	9.03	1.95	3.61	99.13	1.25	1.46
2011	-0.47	4.09	-1.17	1.66	6.90	8.53	2.23	1.27	102.16	5.51	1.93
2012	-1.38	-0.60	-1.36	-1.06	0.84	8.64	2.47	-0.93	98.37	2.86	3.53
2013	0.93	3.00	3.01	1.49	3.37	8.49	3.14	1.65	93.35	2.87	2.47
2014	3.21	5.01	3.89	3.26	5.42	7.99	4.42	3.40	89.84	3.23	2.26
2015	4.19	5.12	4.21	3.48	5.66	7.57	5.18	3.68	88.00	3.12	2.46
2016	3.87	4.74	3.58	3.16	5.00	7.37	5.19	3.58	87.11	3.01	2.51
<b>2010</b>											
I	0.33	4.37	-6.92	0.93	6.88	9.80	2.81	3.39	97.24	-1.45	0.68
II	0.42	8.39	-1.08	3.04	11.52	8.80	2.92	4.32	97.28	1.28	1.20
III	0.77	10.04	4.06	3.33	10.71	8.60	1.66	3.54	100.67	2.19	1.92
IV	0.66	7.77	4.07	3.01	11.87	8.90	0.46	3.19	101.34	3.01	2.07
<b>2011</b>											
I	-0.33	8.07	-2.37	2.75	12.30	9.50	2.37	2.00	102.00	5.43	1.75
II	-0.31	5.23	1.52	2.08	9.06	8.30	2.43	1.50	104.05	5.94	1.80
III	-0.58	2.23	-2.16	1.28	3.67	8.13	2.20	0.93	103.73	5.49	1.77
IV	-0.65	1.10	-1.65	0.57	3.12	8.17	1.93	0.64	98.86	5.18	2.41
<b>2012</b>											
I	-1.72	-0.77	4.14	-0.93	2.23	9.07	1.89	-1.01	98.97	3.58	3.67
II	-1.66	-0.70	-3.25	-1.39	0.45	8.47	1.96	-1.42	99.58	2.60	3.60
III	-1.09	-2.07	-3.29	-1.15	0.33	8.49	2.39	-0.73	98.30	2.58	3.48
IV	-1.04	1.18	-2.56	-0.78	0.37	8.52	3.62	-0.55	96.61	2.68	3.37
<b>2013</b>											
I	0.13	1.49	3.39	0.59	1.36	8.55	2.95	-0.02	95.10	2.56	2.53
II	0.62	2.72	2.75	1.28	2.96	8.55	3.04	1.66	93.70	2.49	2.46
III	1.16	3.54	2.78	1.78	4.31	8.50	3.13	2.25	92.78	3.15	2.47
IV	1.80	4.22	3.13	2.30	4.85	8.37	3.42	2.73	91.83	3.30	2.41
<b>2014</b>											
I	2.42	4.70	3.43	2.80	5.10	8.20	3.83	3.10	90.91	3.27	1.78
II	3.00	4.98	3.75	3.18	5.35	8.05	4.27	3.35	90.18	3.24	1.91
III	3.52	5.15	4.09	3.46	5.60	7.91	4.66	3.52	89.45	3.22	2.55
IV	3.89	5.21	4.28	3.57	5.64	7.80	4.90	3.65	88.82	3.19	2.77
<b>2015</b>											
I	4.13	5.22	4.35	3.59	5.69	7.69	5.06	3.72	88.42	3.16	2.42
II	4.23	5.17	4.29	3.53	5.73	7.59	5.17	3.69	88.16	3.13	2.41
III	4.22	5.09	4.17	3.45	5.67	7.52	5.23	3.69	87.87	3.11	2.45
IV	4.16	5.01	4.02	3.36	5.54	7.46	5.25	3.64	87.54	3.08	2.55
<b>2016</b>											
I	4.06	4.90	3.84	3.27	5.37	7.42	5.23	3.61	87.29	3.05	2.55
II	3.94	4.80	3.67	3.19	5.11	7.38	5.20	3.60	87.20	3.02	2.55
III	3.81	4.69	3.49	3.12	4.86	7.36	5.17	3.56	87.08	2.99	2.49
IV	3.68	4.59	3.32	3.06	4.67	7.33	5.14	3.54	86.87	2.97	2.44

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TABLE 2 SUMMARY ITEMS

	TRADE BALANCE (\$BN)	CURRENT ACCOUNT (\$ BN)	CURRENT ACCOUNT (% OF GDP)	GOVERNMENT FINANCIAL BALANCE (CK BN)	GOVERNMENT FINANCIAL BALANCE (% OF GDP)	SHORT-TERM INTEREST RATE (RSH)	SPREAD OVER US SHORT-TERM RATE (RSH - RSH US)	REAL SHORT-TERM INTEREST RATE (Note 1)	EQUILIBRIUM EXCHANGE RATE PER EURO (RXEQULE)	EXCHANGE RATE PER US DOLLAR (RXD)
	(BVS/1000)	(BCUS/1000)	(BCUR%)	(GBM)	(GBM *100 / GDP)	(RSH)	(RSH - RSH US)	(Note 1)	(RXEQULE)	(RXD)
<b>YEARS BEGINNING Q1</b>										
2010	2.8	-7.6	-3.9	-181.1	-4.8	1.3	1.0	-0.2	27.4	19.1
2011	5.3	-6.3	-2.9	-118.0	-3.1	1.2	0.9	-0.7	27.5	17.7
2012	6.2	-5.7	-2.9	-139.3	-3.6	1.2	0.8	-2.3	27.9	19.5
2013	4.8	-5.7	-2.9	-135.8	-3.4	1.4	1.0	-1.1	28.1	20.3
2014	4.0	-6.3	-3.1	-133.6	-3.1	3.0	2.7	0.8	27.9	21.2
2015	3.9	-6.3	-3.0	-115.9	-2.6	4.4	2.7	1.9	27.6	21.9
2016	4.0	-5.8	-2.7	-102.4	-2.1	4.4	0.7	1.9	27.4	21.9
<b>2010</b>										
I	1.7	1.2	2.4	-44.9	-4.8	1.5	1.2	0.8	27.4	18.7
II	1.1	-1.4	-3.0	-45.3	-4.8	1.3	0.9	0.1	27.4	20.1
III	-0.2	-5.5	-11.2	-45.5	-4.8	1.2	0.8	-0.7	27.4	19.3
IV	0.2	-1.9	-3.6	-45.4	-4.8	1.2	0.9	-0.9	27.4	18.2
<b>2011</b>										
I	1.9	1.3	2.4	-29.3	-3.1	1.2	0.9	-0.5	27.5	17.8
II	1.7	-3.4	-6.0	-29.4	-3.1	1.2	0.9	-0.6	27.5	16.9
III	0.5	-3.3	-6.0	-29.6	-3.1	1.2	0.9	-0.6	27.5	17.3
IV	1.2	-0.9	-1.8	-29.8	-3.1	1.2	0.7	-1.2	27.6	18.8
<b>2012</b>										
I	1.5	0.2	0.3	-22.7	-2.4	1.2	0.7	-2.5	27.7	19.1
II	1.6	-1.4	-2.8	-41.0	-4.3	1.2	0.7	-2.4	27.9	19.2
III	1.6	-3.0	-6.1	-39.1	-4.0	1.2	0.8	-2.3	28.0	19.6
IV	1.5	-1.5	-3.0	-36.5	-3.7	1.2	0.8	-2.2	28.1	19.9
<b>2013</b>										
I	1.3	-1.4	-2.9	-34.0	-3.4	1.2	0.8	-1.3	28.1	20.1
II	1.1	-1.5	-3.0	-33.2	-3.3	1.2	0.9	-1.2	28.1	20.3
III	1.2	-1.4	-2.8	-34.2	-3.4	1.3	0.9	-1.2	28.1	20.3
IV	1.2	-1.4	-2.9	-34.4	-3.4	1.7	1.3	-0.7	28.0	20.4
<b>2014</b>										
I	1.1	-1.5	-3.0	-34.7	-3.3	2.2	1.9	0.5	28.0	20.8
II	1.0	-1.6	-3.2	-31.6	-3.0	2.8	2.4	0.9	27.9	21.1
III	0.9	-1.6	-3.2	-34.0	-3.2	3.3	2.9	0.8	27.8	21.4
IV	1.0	-1.6	-3.2	-33.2	-3.1	3.9	3.4	1.1	27.7	21.6
<b>2015</b>										
I	1.0	-1.6	-3.2	-28.9	-2.6	4.4	3.4	1.9	27.7	21.7
II	1.0	-1.6	-3.0	-26.8	-2.4	4.4	2.9	1.9	27.6	21.8
III	1.0	-1.6	-3.0	-30.5	-2.7	4.4	2.4	1.9	27.5	21.9
IV	1.0	-1.5	-2.9	-29.7	-2.6	4.4	1.9	1.8	27.5	22.0
<b>2016</b>										
I	1.0	-1.5	-2.8	-25.2	-2.2	4.4	1.4	1.8	27.5	22.0
II	1.1	-1.4	-2.6	-23.2	-2.0	4.4	0.9	1.8	27.4	22.0
III	0.9	-1.5	-2.8	-27.3	-2.3	4.4	0.4	1.9	27.4	21.9
IV	1.0	-1.4	-2.6	-26.7	-2.2	4.4	-0.1	1.9	27.4	21.9

Note 1 : REAL INTEREST RATE = Nominal interest rate (RSH) - % change in CPI

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## Background

- In May 2004, the Czech Republic became a full member of the EU. In terms of the country's modern history, this marked the end of a journey started in late 1989 when the "Velvet Revolution" signalled the end of communist rule, which then took in the amicable split with Slovakia in 1993, creating two new countries out of the old Czechoslovakia. Now the Czech Republic has an open, market economy (a prerequisite for joining the EU) and has fully embraced democracy, although the electoral system has delivered a series of unstable governments. Although still in transition, convergence towards EU standards of living in recent years has been marked. In 2010, GDP per head measured on a purchasing power parity basis stood at 80% of the EU27 average, the same as Portugal and well above Slovakia (74%), Hungary (65%) and Poland (63%).
- After the election in June 2006, the Civic Democrats (ODS) guided by Mirek Topolánek formed a coalition government with Christian Democrats and the Green Party. However, increasing pressure and heavy ODS losses in regional and senate elections in October 2008, led to the collapse of the coalition in March 2009. An interim cabinet was appointed under the guidance of Jan Fischer, head of the National Statistical Office. As expected, none of the major parties won the majority of the votes in the elections held on 28-29 May 2010. However, the conservative parties obtained the opportunity to form a coalition government as they gained the majority of the seats. Although the centre-left Social Democrats obtained 22.1% of the votes, confirming itself as the main party in Parliament, the Civic Democratic Party, TOP 09 and Public Affairs gained 20.2%, 16.7% and 10.9% of the vote respectively. Civic Democrat leader, Petr Nečas, became the new Prime Minister.
- The fact that the country muddled along fairly well in 2009 and early 2010 mirrors the broad agreement of the main political parties over the big issues. There is no contention over EU membership, the previous administration led the country into NATO and US plans to establish a missile defence base in the country, although now dropped, had been favoured despite Russia angst.
- There is much to do on medium-term fiscal sustainability. The fiscal measures introduced at the beginning of 2008 were encouraging. Changes included a simplified flat tax on income at 15% (replacing a range of tax rates from 12% to 32%). Meanwhile the tax rate on corporate profits was cut from 24% to 21% in 2009 and 19% in 2010. The 2008 changes were accompanied by a number of spending reforms in areas such as unemployment, sickness and child benefit, although the key issue of pensions was left out of the reform. In 2009 the government approved some measures to support the economy during the crisis but, as the budget deficit worsened considerably, policy started to be tightened in 2010. The centre-right parties won the election on the pledge of improving the country's fiscal position and the new government has been setting priorities in this direction. In particular, it aims to bring the budget deficit below 3% in 2013 and to balance it by 2016 through a significant reform of the healthcare and pension systems, including a rise in the retirement age.
- Until end-July 2008, the CZK had been on a strong appreciating trend; although the global crisis caused it to weaken between August 2008 and February 2009, the trend resumed in mid-2009 and 2010. FDI has been one of the key drivers of Czech economic success and has played a major role in generating a trade surplus. Much of the investment has been in the automotive sector. However, FDI dropped sharply in 2009 and has been relatively modest thereafter, apart from a rebound in mid-2010. And as the main source of FDI inflows remains the Europe, the further escalation of the Eurozone debt crisis could result in subdued inflows in 2012.
- The cloudy political and policy picture has pushed euro entry back – at one time the official aim was to join the Eurozone in 2010 but a lack of apparent appetite from the ODS saw this target slip, first to 2012 and now to no fixed date at all. The ODS stressed the need to undertake radical changes to the public finances, healthcare, pensions and the labour market before EMU entry could be considered. The Czech National Bank (CNB) has also advised against a hasty entry, wishing to see greater price convergence first. Since the beginning of 2010, the CNB has been targeting inflation at 2% and it publishes its forecasts and minutes of policy meetings in much the same way as the Bank of England does.

## Key Facts

### Politics

Head of state: President Vaclav KLAUS  
 Head of government: Prime Minister Petr NECAS  
 Political system: Parliamentary democracy  
 Date of next presidential election: February 2013  
 Date of next legislative election: 2014  
 Currency: Czech koruna (CZK)

### Long-term economic & social development

	1980	1990	2000	2010*
GDP per capita (US\$)	-	3366	5521	18799
Inflation (%)	-	-	3.8	1.5
Population (mn)	10.3	10.3	10.3	10.5
Urban population (% of total)	75.2	75.2	74.0	73.7
Life expectancy (years)	70.3	71.4	75.0	77.2

Source : Oxford Economics & World Bank

### Structure of GDP by output

	2009
Agriculture	2.3%
Industry	37.2%
Services	60.5%

Source : World Bank

\* 2010 or latest available year

### Long-term sovereign credit ratings & outlook

	Foreign currency	Local currency
Fitch	A+ (Stable)	AA- (Stable)
Moody's	A1 (Stable)	A1 (Stable)
S&P	AA- (Stable)	AA (Stable)

### Structural economic indicators

	1990	1995	2000	2010*
Current account (US\$ million)	-	-1374	-2688	-7602
Trade balance (US\$ million)	-	-3686	-3093	2802
FDI (US\$ million)	-	2531	4942	4917
Debt service (US\$ million)	-	-	-	-
Debt service (% of exports)	-	-	-	-
External debt (% of GDP)	-	-	-	45.1
Oil production (000 bpd)	-	3	4	4
Oil consumption (000 bpd)	--	168	170	196

Source : Oxford Economics / World Bank / EIA

### Destination of goods' exports (2010)

European Union (27)	83.9%
Russian Federation	2.7%
United States	1.8%
Switzerland	1.7%
China	0.9%

Source : WTO



Source : CIA Factbook

Location : Central Europe, southeast of Germany (CIA Factbook)

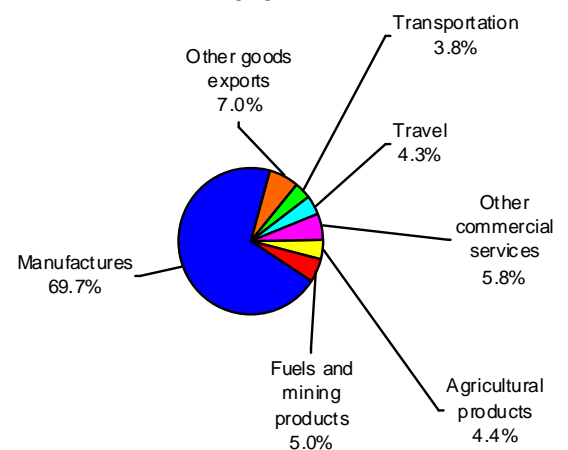
### Corruption perceptions index 2011

	Score
Developed economies (average)	7.70
Emerging economies (average)	3.44
<b>Czech Republic</b>	<b>4.37</b>
Emerging Europe	3.97

Source: Transparency International

Scoring system 10 = highly clean, 0 = highly corrupt

### Composition of goods & services exports, 2010



Source : WTO