

## 2.2. Macroeconomic balance

### Internal balance

- ***In 2008, positive tendencies in the indebtedness of the government sector of the Czech Republic were predominant ...***

The results of the public finances in 2008 can be considered – given the significant economic slowdown reflecting in particular the development of the last quarter – to be relatively good. According to the notification of the government deficit and debt, the preliminary public budget deficit<sup>1</sup> amounted to 1.5% of the nominal GDP, while the relative debt of the sector of government institutions increased to 29.8% of the nominal GDP.

Even after the elaboration of the data for 2006 and 2007 and the result for 2008 (-54 billion CZK), which halted the improving trend which had been apparent from 2005, it is possible to evaluate the situation in the deficit and debt for the stated period as being favourable.

- ***... as in the budget deficit, so too in the gross government sector debt***

The deficit of the government sector of the Czech Republic reached 54 billion CZK in 2008. Despite a significant worsening by 32.4 billion CZK, it was at approximately three quarters of the average of the previous years (74 billion CZK) and it was not even half the average for the period of 2000 to 2007 (105 billion CZK).

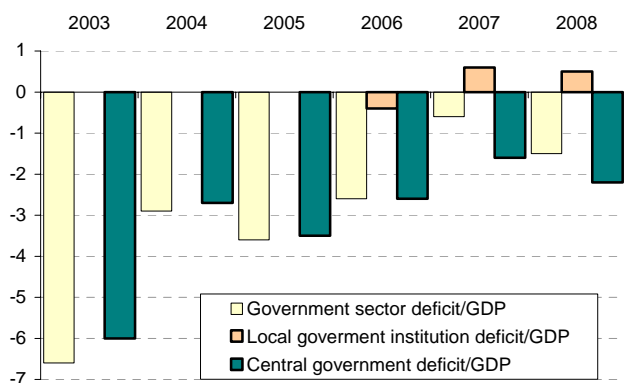
The gross consolidated government sector debt at the end of 2008 reached 1,105.8 billion CZK, when the trillion level was exceeded in 2007. Year-on-year, it increased more than in 2006 and 2007 (+8.3%). In relation to GDP, the government sector debt increased to the aforementioned 29.8% which was the same as in 2005 after the trend of reductions which was clear in the 2005-2007 period.

- ***The Czech Republic easily met the Maastricht convergence criteria in 2008***

In 2008, the Czech Republic met the Maastricht convergence criterion with a significant reserve in the fiscal area and did so both in the case of the deficit and the public budget debt.

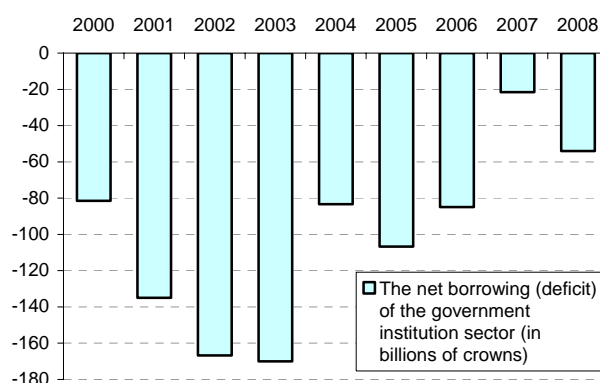
The reason why the Czech Republic also did not have any problems with the convergence rules in 2006 and 2007 from the point of view of the deficit and the debt was strong economic growth. That strengthened the tax income of the state budget and also the income from the non-state government sector institutions, such as the earnings of the health insurance company. Moreover, the losses of the Czech Consolidation Agency (whose portfolio containing the transferred bad assets of the banking and finance sector, which were predominantly of transformation origins, worsened the internal balance of the Czech economy) have no longer figured in the public budget since 2007.

**Graph no. 2.2.1 The total government deficit, the deficit of state finances and local government (in % of GDP)**



Source: the Czech Statistical Office, own calculations

**Graph no. 2.2.2 The net borrowing (deficit) of the government institution sector (in billions of CZK)**



Source: the Czech Statistical Office, own calculations

<sup>1</sup> The deficit/surfeit in the public finances is defined as the net borrowing of the sector of government institutions in the current year. It reflects the economic activities of all the institutional units classified in the government institution sector according to the national accounts system (the state's organisational units, the local government units, selected allowance organisations and state and other budgetary funds).

- **The public budgets worsened for the second year, the deficit of state finances particularly deepened ...**

The state finances are the most significant cause of the worsening of the deficit in the public budgets. Whereas the entire deficit in the public finances in 2005 and 2006 (in absolute and logically also in relative terms) was created by the deficit in the state budget, 2007 and 2008 were marked by the noticeably structured nature of the government sector. This occurred as a consequence of the fact that the budgets of the regions and the municipalities and the budgets of the other government sector institutions were in surplus.

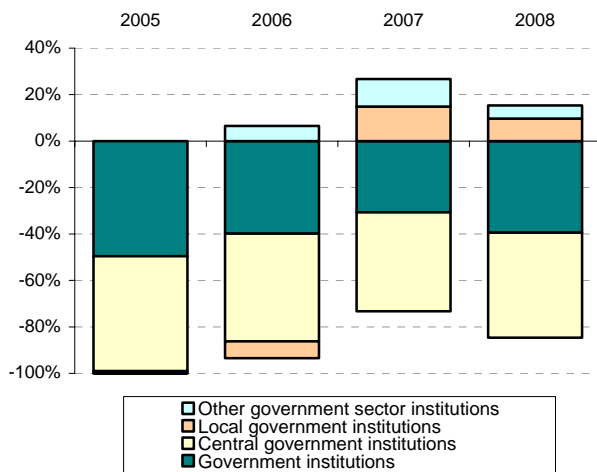
The deficit of the state budget, as the decisive cause of the deficit in the public finances as a consequence of the restriction of capital expenditure and some types of regular expenditure which occurred in the last quarter of 2008, was reduced to a mere third of its value from 2007 and it was only one quarter in relation to GDP. This was the most favourable result of the state finances for the last twelve years.

At the same time, the deficit in the state finances in 2007 was almost twice as deep as the deficit of the entire government sector. Despite the fact that its influence on the result of the public budgets was not so overwhelming in 2008, the negative balance of the state budget still exceeded the achieved overall deficit by more than 50%. This development occurred even despite the fact that the state budget deficit fell from 2005.

- **... on the other hand, the budgets of the municipalities and regions and other government sector institutions were in surplus**

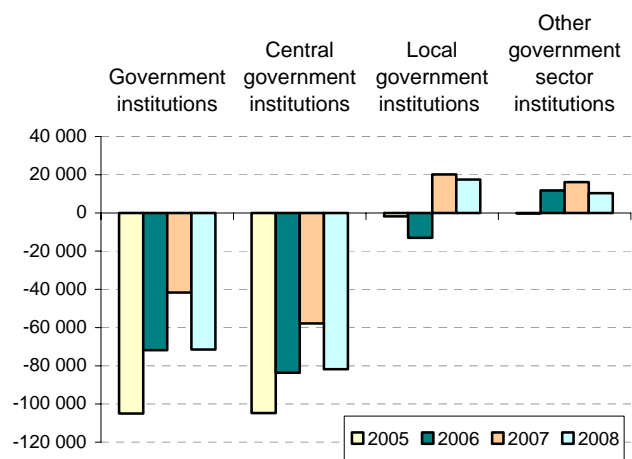
The local government institutions (municipalities and regions) extricated themselves from the deficits of 2005 and 2006. In 2007, after a change in the budgetary designation for taxes, they administered their activities with a significant surplus of 20 billion CZK (17.5 billion CZK in 2008) which improved the Czech public budgets. There was a similar situation in the case of the government sector "remainder" which even reported a positive balance in 2006. The surpluses from 2007 (+16.1 billion CZK) and 2008 (+10.3 billion CZK) thus contributed to an improvement of the government sector balance in 2008 by a third and a fifth respectively.

**Graph no. 2.2.3 The structure of the government deficit (in % from the absolute values in billions of CZK)**



Source: the Czech Statistical Office, own calculations

**Graph no. 2.2.4 The development of the deficits of the individual government institutions (in millions of CZK)**



Source: the Czech Statistical Office, own calculations

- **The gross consolidated debt of the government institutions reached 1,106 billion CZK and increased by 8.3% in comparison with 2007**

The gross consolidated debt of the government sector in relation to GDP remained at relatively favourable levels of economic growth in the Czech Republic in 2008, despite the significant fall in the growth rate in the 4<sup>th</sup> quarter which affected the yearly result.

Securities dominate the structure of the gross debt (at the amount of 951.3 billion CZK out of a total debt of 1,105.8 billion CZK) and this especially involves long-term bonds (884.7 billion CZK).

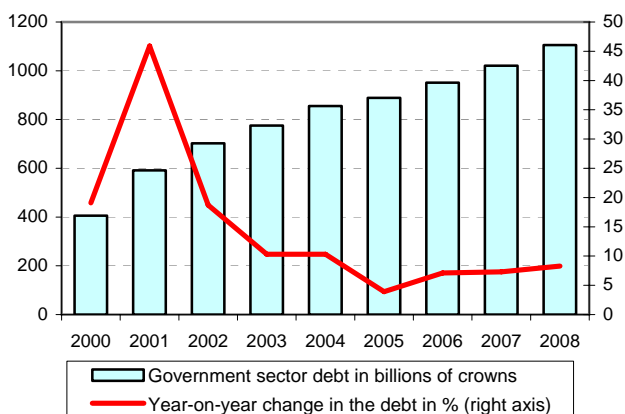
The high nominal value of the consolidated debt of the government sector of the Czech Republic, which increased by 43% in comparison with 2003, logically influenced the size of the yearly public budget deficits. They were able to be financed – and maintained within the corridor of the Maastricht convergence criteria – thanks to the rate of economical growth. Any fall in this growth will therefore be projected into

the dynamics of government sector indebtedness via the significantly higher state budget deficit which the remaining government institutions will be unable to eliminate, despite any eventual surpluses from their economic activities.

- **The costs for servicing the government sector debt fell in 2008 in relation to GDP**

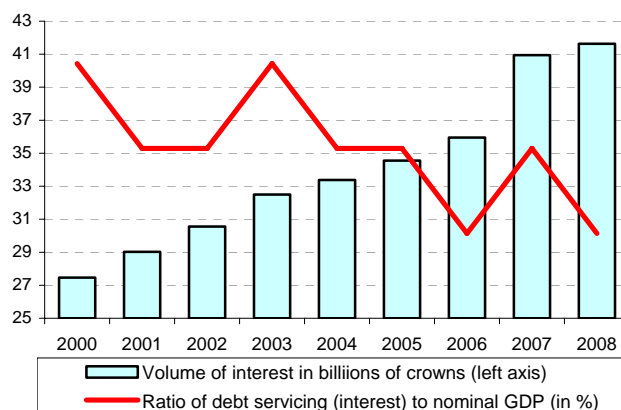
Despite the significant growth in the interest which the state is obliged to pay on the issued securities or loans, their volume remained – despite a significant absolute growth – roughly between 1.1% and 1.2% GDP from 2004 to 2007. In 2008, the servicing of the government sector debt fell to 1.1% GDP.

**Graph no. 2.2.5 The gross consolidated government sector debt (in billions of CZK, year-on-year changes in %)**



Source: the Czech Statistical Office, own calculations

**Graph no. 2.2.6 Interest paid on government debt (in billions of CZK, in % of the nominal GDP)**



Source: the Czech Statistical Office, own calculations

## External balance

The external position of the Czech economy did not weaken in 2008. The balance was strengthened by the result of the foreign trade in goods and services, while the revenue balance once again affected any deviations with greater intensity. The influx of direct international investments was sufficient to maintain the balance at the 2007 level.

- **The external imbalance did not change in 2008 in both of the measurement attributes**

The extent of the external imbalance of the Czech economy measured by means of the deficit of the current account of the balance of payments to the nominal GDP in 2008 did not change in comparison with 2007. In comparison with the average for this relation in the period from 2003 to 2007 (a deficit of 4.1% of GDP at current prices), however, the external state of imbalance in the Czech economy was more favourable in 2008 (3.1% of GDP at current prices).

The second attribute of the external imbalance, i.e. the coverage of the nominal current account balance of payments deficit with the surplus in the financial account also did not essentially change year-on-year from the point of view of its level – its surplus was 1.1x higher than the current account deficit. In nominal terms, the coverage (by 37.3 billion CZK) was at approximately the level of the average for the period from 2003 to 2007, i.e. 40.7 billion CZK.

- **The deficit in the current account for the balance of payments has been under the medium-term average since 2005 ...**

Graph no. 2.2.7 illustrates the fact that the external imbalance measured by the current account deficit to the nominal GDP has been under the average for this relation for the period from 2000 to 2007 since 2005 (this statement remains unchanged, if we include 2008 in the average). The position prior to the review of the balance of payments by the Central Bank (according to the monthly balance of payments data) admittedly indicated a worsening of the external imbalance in 2008, but a massive change in the previous data had already shown a worsening in 2007. The current account deficit already exceeded the level of one hundred million in 2007 (-111.3 billion CZK) and this remained essentially unchanged in 2008 (-113.9 billion CZK).

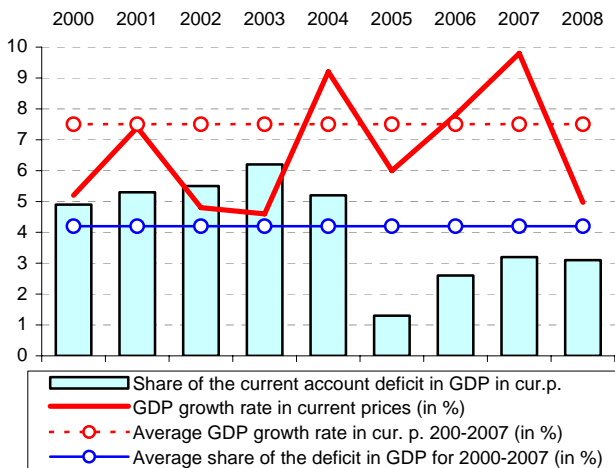
In the period from 2003, the current account had its best balance in 2005, when the deficit reached a mere 39.8 billion CZK after the extensive deficits of 2003 and 2004 (- 60.6 billion and 147.5 billion CZK respectively).

- ... the slight worsening of the external imbalance from 2005 has remained at an acceptable level

The improvements in the external imbalance, which occurred after the unfavourable period from 2000 to 2004, have been maintained at an acceptable level since 2005, despite the worsening trend. In 2008, the balance of payments deficit amounted to 3.1% of the nominal GDP, which was approximately the same as in 2007 (3.2%).

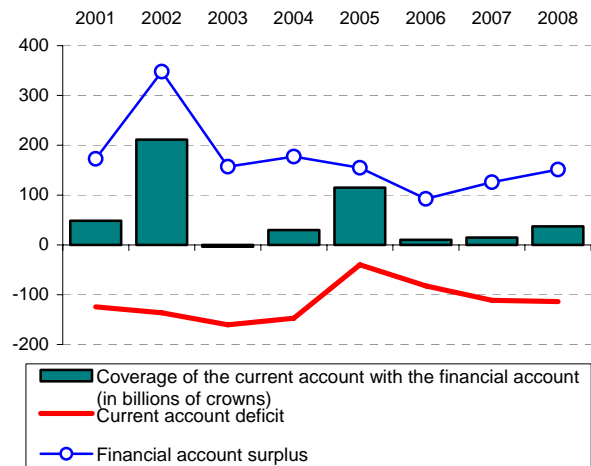
The balance of payments current account deficit achieved its best results in 2005. The foreign trade balance for goods first achieved a surplus in that year. On the other hand, the revenue balance at that time fell year-on-year to a deficit at the amount of 143.3 billion CZK – which was favourable from the point of view of the external balance – and it has not yet reached the level of the huge deficits in the period from 2006 to 2008. This has especially contributed to a very positive shift in the current account and to the best results for the Czech Republic's external imbalance in the monitored period. A second aspect was the performance of the economy, when the nominal GDP rose year-on-year by 6%, which admittedly was not as much as in 2004 (+9.2%), but it was still at approximately the level of the average from 2003 to 2007.

**Graph no. 2.2.7 The external imbalance and growth (GDP in current prices, year-on-year in %, the proportionate current account deficit as a % of GDP)**



Source: the Czech National Bank, the Czech Statistical Office, own calculations

**Graph no. 2.2.8 The coverage of the current account balance with the financial account balance (in billions of CZK)**



Source: the Czech National Bank, the Czech Statistical Office, own calculations

- The financial account surpluses have been stabilised since 2003, the current deficit has increased slightly

The level of coverage of the current account deficit “from inside” the balance of payments, as the second point of view of the level of the Czech economy's external imbalance, is depicted in Graph no. 2.2.8. It is apparent from the graph that the development curves of the current account deficit, on the one hand, and the financial account surplus, on the other hand, have been gradually converging in the period since 2000. The result of the trend which began in 2006 (although it has also essentially applied in the entire period from 2003 to 2008, with the exception of 2005) has been the significant reduction of the level of coverage of the annual balance of payments current account deficit with the financial account surplus – the differences between the surplus balance of the financial account and the negative balance of the current account are getting smaller.

The economic interpretation of this phenomenon is also based on the dual view.

- The positive supplementation of the deficit in the revenues of the performance balance surpluses

The current account balance has developed over the long term into a situation where the relatively long boom in the Czech economy – and the favourable situation in foreign demand – enabled the strengthening of the foreign trade results for goods and services. In total, the performance balance thus massively strengthened from 2005 to 2008.

On the other hand, however, this boom, which enabled the generation of high profits for the company sector, led to the repatriation of a significant amount of the company profits made by companies under foreign control being sent to the countries of the owners abroad in the form of dividends within the structure of the Czech economy (as assessed from an institutional point of view). This fact understandably worsened the result of the current account in the period starting in 2005.

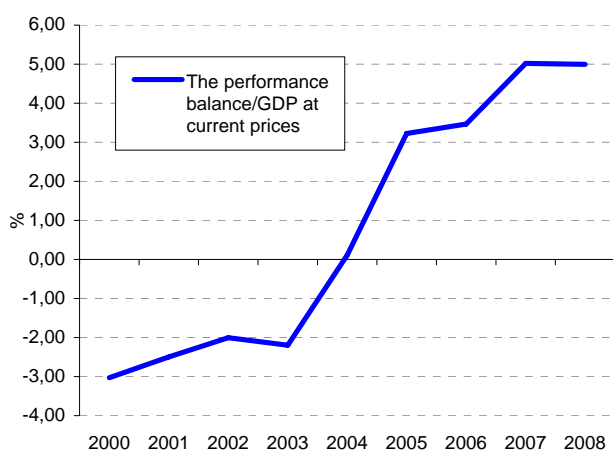
- **The financial account in the medium-term average was influenced almost one hundred percent by the balance of direct investments**

The second view which concentrates on the development of the financial account balance depends mainly on the influx of direct investments from abroad. In 2008, the positive balance in the Czech Republic's balance of payments financial account at the amount of 151.2 billion CZK almost corresponded to the balance of direct investments (150.4 billion CZK), whereby the influx of direct foreign investments to the Czech Republic reached 182.8 billion CZK.

The fact that the result in the financial account essentially corresponds to the volume of the net direct investments is also confirmed by the average share for the period from 2003 to 2007. According to that, the balance of the direct investments contributed to the financial account result at 102% (i.e. it was essentially equal to it on average for this period).

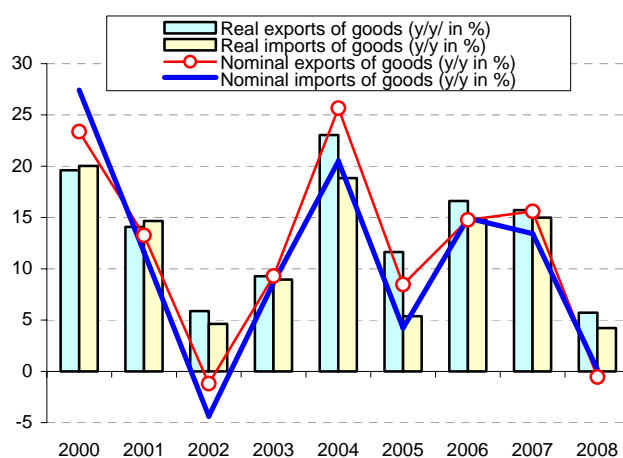
This kind of development also shows that the influence of the other financial account components on its balance has been totally eliminated in the average for the stated period.

**Graph no. 2.2.9 The performance balance and its share of the GDP (in %)**



Source: the Czech Statistical Office, the Czech National Bank, own calculations

**Graph no. 2.2.10 Foreign trade in goods (the rate of imports and exports)**



Source: the Czech Statistical Office, the Czech National Bank, own calculations

- **The structure of the balance of payments current account**

In the period from 2001 to 2004, the resulting deeply negative current account balance was created by the significant deficit balance of the foreign trade in goods and the gradually falling revenue balance (the remaining two components of the current account had admittedly moderate, but continuously positive results). However, the period from 2005 to 2008 brought structural changes to the current account.

Given the significant reduction of the external imbalance by means of the limitation of the current account deficit, the balance of trade first extricated itself from negative figures and recorded a surplus of 59.4 billion CZK in 2005. The results of the international trade in services also improved when the positive balance more than doubled (36.9 billion CZK). Regular transfers maintained an admittedly slight, but positive balance. The revenue balance even improved slightly in comparison with 2004 with a deficit of 143.4 billion CZK.

- **The strengthening performance balance during the slump in revenues**

It was, however, 2005 which started the structural pattern for the next three years, in which the performance balance strengthened during the deepest ever year-on-year slump in the revenue balance. The regular transfers reached negative values (expenditure was higher than income every year, whereby the obligation to make payments to the EU budget after the accession of the Czech Republic to the common European area in May 2004 played a significant role in this).

- **The balance of trade had a smaller surplus, but the balance of services strengthened significantly**

Despite the fact that foreign trade in goods was unable to improve its year-on-year results in 2008, (the balance of trade - with imports expressed in FOB prices - was 17.4 billion lower than in 2007 and it reached 103.2 billion CZK), the balance of services finished much more positively. Its surplus rose by 25.4 billion to 82 billion CZK.

In total, the foreign trade in goods and services therefore once again reached a

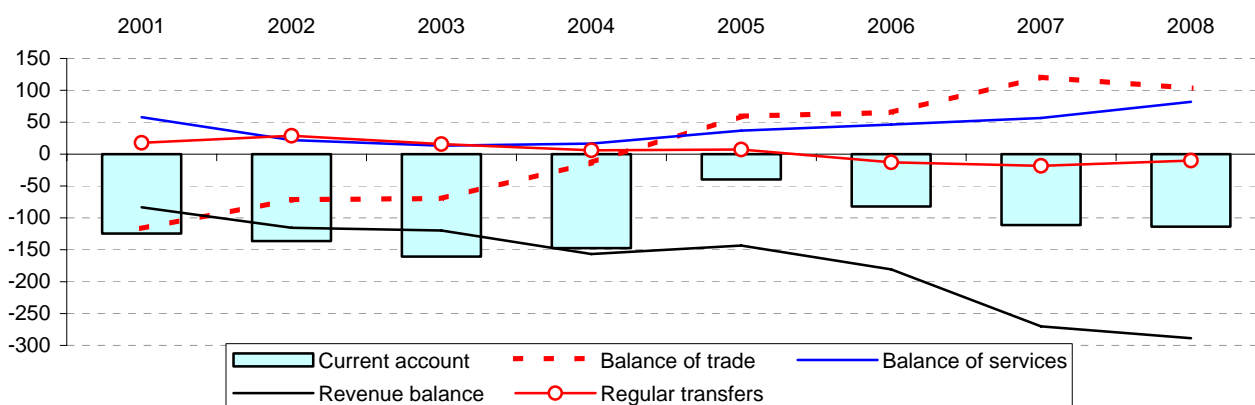
record result in 2008 (185.2 billion CZK). The performance balance in relation to the nominal GDP amounted to GDP 5%.

- **The revenue deficit worsened by 7%, but it was by 49% in 2007**

Given the slight improvement in the results of the regular transfers (the deficit of 18.3 billion CZK was reduced to 10.2 billion CZK) the revenue balance once again strengthened the external imbalance in the Czech Republic's balance of payments current account to a greater extent than in 2007. In 2008, the difference between costs and revenues reached 288.8 billion CZK in the case of the revenue balance, which was twice as much as in 2005.

In just three years, the slump in revenues in the final result worsened dramatically, despite the fact that the deficit in the revenue balance only increased by 7% in comparison with 2007 (the largest year-on-year increase in the deficit occurred in 2007 - by 49%).

**Graph no. 2.2.11 The changes in the structure of the Czech Republic's balance of payments current account (the balances of the main components, in billions of CZK)**



Source: the Czech National Bank

- **The paid out dividends were higher than the reinvested profits for the third year in a row**

The second phase when the dividends and reinvested profits were equal in volume lasted a relatively short while under Czech conditions (2004 and 2005). After the second phase of the investment cycle for direct foreign investments, the Czech Republic moved to phase three – since 2006, the volume of the profits repatriated by foreign investors to the parent country has exceeded the volume of the profits left in the Czech Republic in the form of reinvestment (Graph no. 2.2.12). In 2008, the owners of companies under foreign control transferred dividends abroad at the amount of 159.9 billion CZK. They thus exceeded the volume of the profits reinvested in the Czech economy (125 billion CZK).

- **In 2008, the wages of foreign employees had the greatest volume in history ...**

Apart from the outflow of money in the form of dividends, the balance of the payments made to employees also worsened the revenue balance. This is highly negative from the point of view of the Czech Republic's balance of payments, because the costs for the work of foreigners in the Czech Republic exceeded the earnings from the work of residents abroad. The growth in this difference has been on a steep incline since 2006 (Graph no. 2.2.13).

It can be explained by the attractiveness of the Czech Republic for foreign workers after the accession of the country into the European Union and especially by the period of economic prosperity which required additional work capacity (the workforce constituted a barrier to further growth, for example in the construction industry, especially at the turn of 2007 and 2008 and the situation was resolved by means of migrant employment).

As far as the value expression is concerned, the strengthening of the crown was one of the significant reasons for the widening of the "scissors" between the costs for the work of foreigners in the Czech Republic and the earnings from the work of residents abroad. The already relatively low interest of Czech citizens in working abroad (clearly a long-term phenomenon) was further suppressed as a result of the strong exchange rate for the Czech crown (with significant increases in value up to July 2008). On the other hand, the development of the exchange rate greatly increased

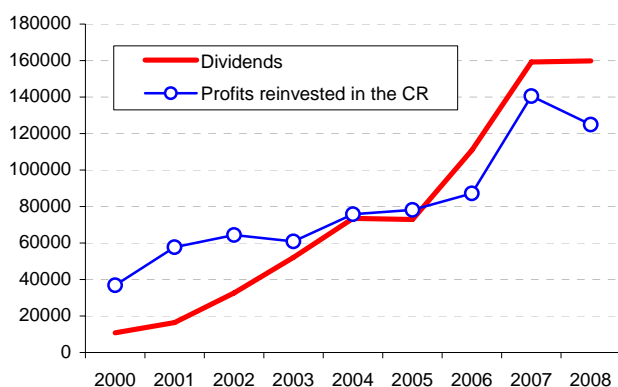
the attractiveness of working in the Czech Republic for non-residents – as well as the aforementioned reasons.

- **... the earnings of residents from working abroad fell significantly year-on-year**

In 2008, non-residents “removed”<sup>2</sup> 55.7 billion CZK from the Czech Republic in the form of their work earnings, while residents only gained 20.9 billion CZK from working abroad in the same year.

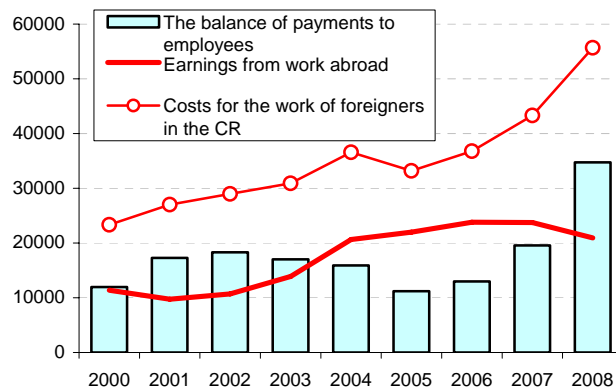
This is the largest ever difference between “incoming” and “outgoing” wage earnings. This balance has almost doubled year-on-year due to the nominally as yet largest volume of payments to non-residents, which increased by 12.4 billion CZK in comparison with 2007, while the earnings of residents from work abroad fell year-on-year by 2.8 billion CZK (they reached 23.8 billion CZK in 2007 which was the highest figure since 2000).

**Graph no. 2.2.12 Dividends and reinvested profits**  
(in billions of CZK)



Source: the Czech National Bank, own calculations

**Graph no. 2.2.13 The balance of payments to employees**  
(in billions of CZK)



Source: the Czech National Bank, own calculations

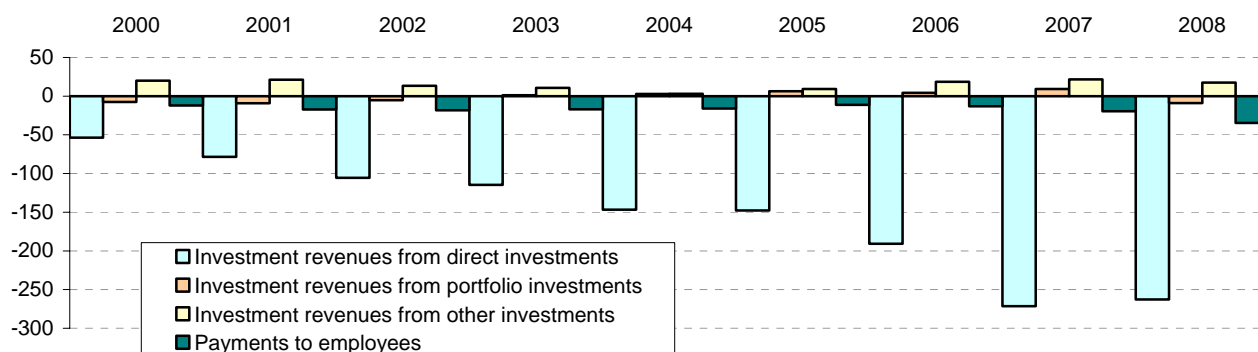
- **The volume of the payments to the citizens of the Ukraine working in the Czech Republic was the same as the total income from the work of residents in the EU 27 in 2008**

In 2008, the earnings from the work of residents in Germany amounted to 6.5 billion CZK and from Great Britain it was 2.7 billion CZK. The employers were mostly European countries (18.9 billion CZK). The employment earnings of residents in the old countries of the European Union amounted to 14.6 billion CZK.

The costs for the work of the citizens of the Ukraine in the Czech Republic in 2008 exceeded 18.4 billion CZK, which was almost exactly as much as the residents “brought” to the Czech Republic from the countries of the EU 27 (18.2 billion CZK). In comparison with 2007, the payments made to the citizens of the Ukraine increased by approximately 5 billion CZK. However, the outflow of money from the Czech Republic associated with the work of citizens of Slovakia was even higher (18.5 billion CZK). The Ukraine and Slovakia together thus contributed to two thirds of the overall costs for the work of foreigners in the Czech Republic with the volume of payments made to their citizens for work undertaken in the Czech Republic.

<sup>2</sup> This involves a simplified expression for the outflow of money from the Czech Republic in the form of payments to employees/non-residents. In reality, it also includes the payments to employees in the form of the social security insurance paid by employers (it is therefore higher than the gross wage). Moreover, the foreign workers in the Czech Republic dedicate part of their earnings to their own consumption. The actual volume of the money which leaves the Czech Republic can therefore not be objectively and precisely designated.

**Graph no. 2.2.14 The structure of the revenue balance (balances, in billions of CZK)**



Source: the Czech National Bank

- **Direct investments in the Czech Republic fell slightly year-on-year, but they remained above the average for 2003 to 2007**

The Czech Republic acquired direct investments at the amount of 182.8 billion CZK, which was 29 billion CZK less than in 2007. In both of these years, however, this involved volumes which were higher than the medium-term average for 2003 to 2007 (Graph no. 2.2.15). This is, however, influenced by the slump from 2003, when a large investment was sold by a foreign owner which reduced the opposite flow of investments and the volume of the net investments from abroad in net terms was only 53.5 billion CZK in the given year (i.e. approximately one third of the medium-term average).

When taking into account the longer time horizon, the net influx of direct investments from abroad to the Czech Republic in 2008 was roughly at the level of the average for the period from 2000 to 2007.

- **Czech investments abroad were one sixth of the direct investments in the Czech Republic by volume**

The investments of Czech companies abroad remained almost unchanged year-on-year, when they were only 0.5 billion less in 2008 (32.4 billion CZK) than in 2007. Of that volume, 3.7 billion CZK was accounted for by received dividends and 27.6 billion CZK by reinvested profits and unallocated profit. Almost the entire volume went to the countries of the EU 27 (3.7 billion CZK of dividends and 26.9 billion CZK of reinvested profits and unallocated profit).

The acquisition activities of Czech companies once again increased in the boom period – at the level of the revenues achieved in 2004, dividends from Czech investments abroad reached 1.2 billion CZK and reinvested profits and unallocated profit amounted to 8.6 billion CZK.

- **Portfolio investments reflected the reduction of the positions of Czech investors in foreign bonds ...**

The development of the balance of portfolio investments (Graph no. 2.2.16) clearly shows the net influx of capital into the country in 2004 which clearly arose from the general interest in assets of almost all types after the accession of the Czech Republic into the EU. In the other years, direct investments were marked by the outflow of money from the country.

In 2008, investors from the Czech Republic massively reduced their positions in debt securities abroad in an apparent reaction to the global financial crisis (in 2007, they still had 33 billion CZK invested in foreign bonds). On the other hand, the interest of non-residents in Czech bonds continued in 2008, even though the volume of their investments in 2008 (16.6 billion CZK) was only a third of the volume from 2007.

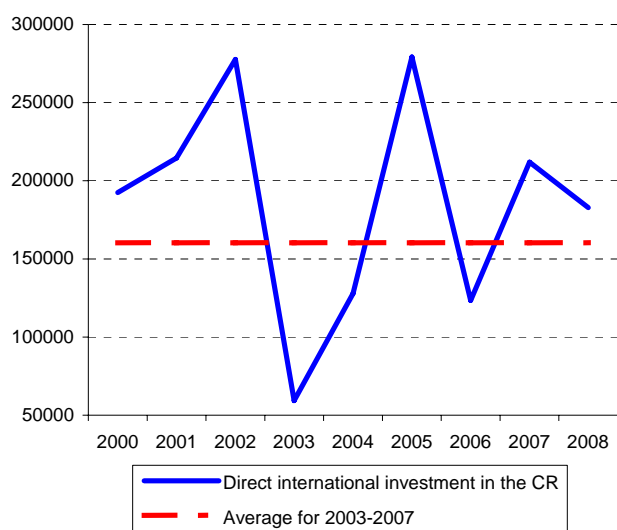
- **... and the general flight from joint stock companies**

Investments in shares were put up for sale in transactions by residents in the foreign markets and non-residents who withdrew their money from the Prague Stock Exchange. The cause was evidently an effort to place the money in other assets or the strengthening of cash reserves in reaction of global developments.

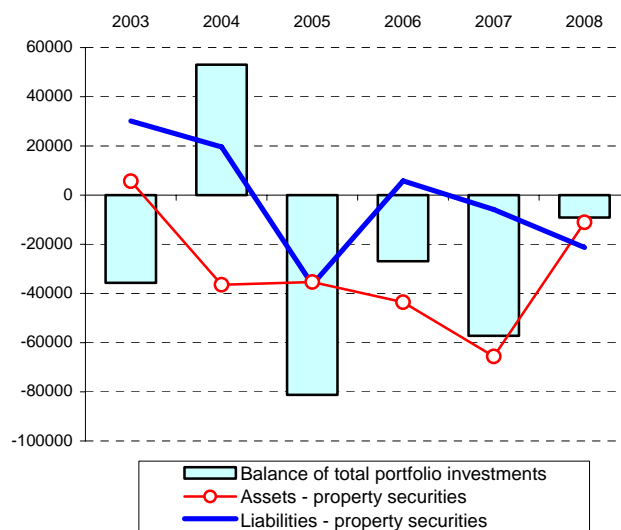
Residents noticeably reduced their purchases in international share markets (to more than one fifth of the volume of 2007) and the outflow of property securities from the Czech capital market abroad was significant (this involved a continuation of the developments from 2007).



**Graph no. 2.2.15 Direct investments in the Czech Republic**  
(annual influx, in billions of CZK)



**Graph no. 2.2.16 Portfolio investments in the balance of payments financial account**  
(in billions of CZK)



Source: the Czech National Bank

- **The limited nature of international capital flows caused by a loss of trust**

The high deficit revenue balance will continue to negatively influence the external imbalance of the Czech economy measured by the balance of payments current account in the years to come. This arises from the phase of the investment cycle for direct foreign investments, which the Czech Republic finds itself in. This is an objective cause and it involves a critical factor with regard to the weight which direct foreign investors have in the Czech economy.

It has, however, been further intensified by the situation, in which the world economy finds itself. The global financial crisis, the first signs of which were already apparent in the second half of 2007 with the clear difficulties in the US mortgage market and which affected the balances of a large number of banks through the entire world in unknown volumes as a consequence of the securitisation of these bad loans, logically affects countries with intensive external economic relations both directly and indirectly.

The loss of financial wealth as a result of the crisis was enormous – in 2008 alone, global financial assets, i.e. shares, bonds and currencies, lost 50 trillion dollars of their value, which is equal to approximately the annual volume of the world GDP.

- **The Czech banking system was not directly affected by the crisis**

Despite the fact that the financial system in the Czech Republic was not directly affected by the global financial crisis due to the tiny volume of high risk securities, such as CDO, the connection of the largest banks to parent companies abroad and the uncertainties concerning their position also brought distrust to the Czech market for interbank deposits. The “frozen” money market was encouraged by the repo operations of the Czech National Bank in the second half of 2008.

Later, the crisis of trust in the Czech Republic also moved to the provision of loans in the domestic corporate segment and loans to households, the price of which increased.

- **The resistant crown**

The indicated causes of the global financial crisis show that its occurrence and escalation initially mainly influenced the movements of portfolio investments (information about the American mortgage crisis first reached the public in the spring of 2007, but the stock markets reacted to it with a half year delay and the reaction of the banks came even later). The Czech capital markets were also affected by this when the PX index fell from a value of 1,400 points to 750 points at the end of 2008.

On the other hand, the Czech crown was seen as a safe harbour throughout the entire first half year due to the good condition of the Czech economy. It strengthening with regard to the Euro and (due to the Euro-dollar exchange rate) and especially with regard to the American dollar was the strongest year-on-year appreciation in comparison with all of the currencies traded in the world.

- ***The dependency of the Czech Republic's external balance on the influx of direct investments, the growth in the surplus of the balance of trade is uncertain***

Direct investments, whose connection to the global financial climate is less immediate than in the case of portfolio investments, are – as far as the intensity of their influx is concerned – critical for the Czech economy from the point of view of the external balance. The loss of speed in the economic performance was substantial in the Czech Republic in 2008, but it was not as drastic as, for example, in the Baltic states or some countries in the region. That was a favourable factor from the point of view of the investors.

The external ability to finance the imbalance in the Czech Republic's balance of payments current account is almost completely dependent upon the future influx of direct investments. After the loss of its pace and the uncertainty of maintaining the existing surpluses, Czech foreign trade in goods and services will only be able to play the role which it played in the period from 2005 to 2008 with great difficulty, while maintaining the resulting deficit at an acceptable level.

The tangible balance of the economy, the level of coverage of the capital formation using external funds and the situation in the labour market are covered in Chapters 2.3 and 4 as further significant aspects in the monitoring of the imbalance in the economy.