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PART 1

Theoretical bases

The Methods of privatisation

The question regarding the various methods of privatisation has attracted widespread discussion in the economic literature concerning the transition process of the former socialist countries to market-style economic systems. There exists a wide range of proposals on how to privatise state companies and assets.
These proposals and forms can basically be divided into **direct and indirect methods of privatisation of state-owned enterprises**.

The direct methods include forms such as public auctions, tenders, public invitations, capital privatisation and employee or management buy-outs (in Poland, so-called 'liquidation').

Indirect methods include different distribution schemes elaborated to privatise a large bundle of state-owned enterprises in one mass privatisation programme. Much more interesting, however, is an analysis of the restructuring and efficiency-enhancing progress following the ownership change.

Theoretical elements of privatisation

Privatisation should result in a new private and institutional ownership structure replacing the old sclerotic state-administered system with its low efficiency pressure and distorted market and price signals. There is little doubt that private ownership leads to an incentive system in which the costs of production are minimised according to the relative price structure and the output structure is oriented toward market signals given by the preference structure.

Privatisation-in connection with deregulation and demonopolisation-is expected to reform and overcome the inherited industrial structure characterised by, to some extent extreme, **horizontal and vertical concentration**. The new definition of the principal-agent relation serves as a reformed framework for cost-effective and profit-oriented market behaviour.

In the framework of a general hardening of budget constraints, privatisation of state-owned enterprises is conceived to be fundamental, accompanied by the enabling of market entry and the consequent enforcement of market exit. Nevertheless it has been emphasised that necessary financial, organisational and technological restructuring has to take place in the state-owned industrial sector before privatisation. Hence privatisation attempts to overcome the `no-entry, no-exit economy', which is characterised by soft credit constraints, laxity in tax collection, direct subsidies for industrial policy motives, protectionism and selective sectoral policies.

Widespread privatisation, necessarily including the banking sector, is thought to remove the inefficient capital and labour allocation that are well known defects of socialist economic systems. Capital wasting and labour hoarding as effects of distorted relative prices and market structures can only be eliminated in the framework of a microeconomically sound ownership structure.

A socioeconomic argument in favour of privatisation is strongly related to Hayek's conception of a pluralistic society of owners as the basis of a modern market economy and even of democracy. This has nothing to do with widespread and diffuse `people's capitalism', in which hardly anyone would be able to exert control rights, but more with the creation of a middle class and solid market-oriented management and entrepreneurship in companies.

Speed of privatisation and restructuring

In these discussions the term 'gradualism' has often been the subject of serious misinterpretation, as many authors favoured, more or less, a big-bang approach with rapid and simultaneous introduction of shock elements. A more gradual approach, however, is not considered to mean the maintenance of old, ossified structures or the prevention of necessary economic adjustments, but rather the search for an 'optimal' path of transformation, in which unnecessarily high social costs of transition are avoided.

The **negative attitude** towards the term 'gradualism' stems from the disastrous results of gradual macroeconomic programmes in developing countries. There are nevertheless key differences between the economic transformation of Central and Eastern Europe and the stabilisation and adjustment in middle-income or developing countries.

Theoretical contributions to the issue of the pace of the transformation and especially of the privatisation and restructuring processes attempt to deal with the various trade-offs between efficiency gains through radical adjustment and social costs of transformation. The decision between radical and gradual reforms has to be regarded as a consideration of the impact of full or partial reforms. It can be argued that a full reform provides faster and higher allocative efficiency gains, but also higher `transformation costs'. Transformation costs emerge as a consequence of structural adjustments to a real relative price system and consist of financial compensation to different kinds of 'losers' in the process (i.e. as a result of higher unemployment). Financial compensation has to be borne by the public financial system and is a threat to fiscal stabilisation especially in times of declining state revenue owing to an output collapse.

Partial reforms, however, would lead to moderate efficiency gains and lower transformation costs because financial compensation through the state budget would be lower. The choice of a more gradual approach is then justified if the difference between high efficiency gains (radical) and moderate efficiency gains (gradual) is smaller than the difference between higher financial compensation (radical) and lower financial compensation (gradual). Moreover, the fact that the financial room for manoeuvre through revenue policy (especially tax collection) is, at least in the beginning, rather limited must be taken into consideration.

To summarise, the achievement of an irreversibly privatised capital stock is an important condition for the stability of the process, whereas the level of transformation costs and its implications limit the possibilities of implementing a big-bang approach. Credibility and coherence of the reform packages play a decisive role in overcoming ossified property structures through a well-elaborated privatisation strategy.

Ownership change and restructuring progress

The restructuring process is conceived as a microeconomic adjustment process with organisational, financial and technological restructuring steps. It will be seen that mere ownership change is insufficient to ensure that the intended restructuring measures are taken. What is decisive for the reallocation of factors are learning processes initiated through raised efficiency pressure, a reformed incentive structure which leads to wide-ranging restructuring efforts and adjustments to changing relative price information. The identification of dynamic processes of factor reallocation plays an important role in this context, just as does the transfer of foreign capital and know-how to upgraded production structures. In addition to the importance of foreign capital, management concepts and new technologies, the role of banks in initiating adjustment measures deserves a thorough examination.

Restructuring efforts rely not only on ownership structure and its changes but to a large extent on the elimination of deficits in establishing a sound competitive environment and an institutional setting which accomplishes the actual ownership transfer.

Competitive markets are a necessary precondition for exerting pressure on restructuring in privatised companies. Imperfections on product and factor markets lead to maintenance of inherited dysfunctions in relative prices and lack of cost awareness and demand orientation. Despite widespread liberalisation and deregulation, market structures are characterised by a lack of pressure through competition and the enforcement of market exit. Hence, hardened budget constraints cannot bite efficiently into concentrated markets.

The creation of flexible labour markets has to face various rigidities which contributed to a drastic increase in long-term unemployment. Institutional imperfections exist owing to labour regulations and increasing resistance on the part of the losers in the transition process, who were laid off because of massive over-employment and labour hoarding. The absence of appropriate wage differentials, flexibility of the real wage and labour mobility impede the restructuring efforts, since the surplus factor labour cannot be allocated in an efficient way.

Weak financial and capital markets, due to infrastructural shortcomings and systematic financial underdevelopment in socialist systems, indicate that urgently necessary capital resources for the implementation of restructuring measures are not being provided. The scarcity of capital is aggravated by the fact that the demand for credits cannot be met because of an underdeveloped banking system. A restrictive and stability-oriented monetary policy and high real interest rates, which arise because of high interest spreads in the banking system, hamper access to credit especially for small and medium-sized enterprises. Moreover, fiscal deficits lead to the well-known `crowding out' effect, which reduces the share of enterprises in the overall credit volume in an economy.

Restructuring and the role of the state

Even if the privatisation and ownership reform in Visegrad countries has progressed widely in the past years of transformation to a market economy system, the influence of the state and its agencies remains strong and persistently interventionist. Equity holdings and industrial policy motives dominate especially in those sensitive and problematic sectors in which state influence is supposed to be retained because of dubious public good justifications. Although privatisation in industry had already achieved a level in 1995 which can be compared with fully fledged market economies and definitely goes beyond a threshold level which makes the reform process irreversible, many other areas are still exempted from the ownership reform.

The high figures for the industrial sector in the Czech Republic are the result of the application of non-standard methods of distribution through coupons. In fact, a less clear picture of the separation between state ownership and private forms of property appears because of institutional connections with investment companies and funds in which the state is either directly or indirectly present or exerts influence through state-owned banks. In both countries the state and its agencies still have a strong sway in aspects of industrial and structural policies, especially in sectors in distress. Hence it is no surprise that the importance of the market exit mechanism and competitive rules in problematic and sensitive areas is undermined by politically oriented motives which do not reduce state interventions.

The conclusion is that the ownership change exerts a significant influence on the adjustment process and performance of enterprises. The difference between privatised and remaining stateowned firms is evident in all countries considered. That can be attributed to the overall hardened budget constraints in which a tough market exit enforcement and significantly hardened credit constraints play a major role.

Although the privatisation progress has initiated a radical new definition of the state's role and activities in an economy, a number of dysfunctions and dilemmas can be identified because of continued state interventionism.

In addition to the existing state ownership shares in enterprises held in public holdings and the resulting direct influence on the allocation of factors and resources, the danger arises that interventionism will be perpetuated for industrial policy reasons. 'Conservation' of horizontal and vertical channels of negotiation and ossified organisational structures adversely affect the modernisation of old production technologies and structural change through far-reaching restructuring efforts.

In the course of the coupon privatisation, which started with the aim of reducing state influence drastically, indirect intervention through direct share holding or via financial institutions partially owned by state authorities is still prevalent. Sectors of strategic importance are especially the target of political interventions to secure the state's 'grip' on economic development. The defence industry, engineering, banking and insurance companies belong to the category of sectors of strategic interest. Despite the formal dissolution of the Czech Ministry of Privatisation, the role of the National Wealth Fund as a direct or indirect owner of shares in partially privatised companies remains strong.

The government's intention is often to maintain state influence and property forms because of the government's multiple target function. State property is hence characterised by the dominance of insiders and the exclusion of competition. The exertion of state control and corporate governance activities-partially also in respect of operational management-encounters similar restrictions to those in the former socialist system. Administrative shortcomings, the mutual overlapping of industrial and social policy objectives and particularly the vertical structure of negotiations for scarce factors and resources undermine efficiency orientation and cost awareness. A state portfolio consisting of company shares and government resistance to giving up its sphere of intervention in selected production areas lead to perverse incentives for restructuring and adjustment. Private (foreign) investors are then excluded from take-overs and share participation. The consequence of an absence of commitment to a market-based privatisation conception is that external sources of investment in the form of venture capital are retarded and the solution of the conflict between the principal and agents, elimination of which is an essential goal of the microeconomic adjustment process, is far from being resolved.

PART 2.

Transformation in Czech republic

In 1989 the private sector produced a small share of GDP in these three countries: less than 5% in Czechoslovakia, approximately 15% in Hungary and about 20% in Poland.
Thus the potential scope for privatisation-through divestiture of state activities as well as from private start-ups-was enormous.

It is important to distinguish **three concepts** of transformation of a state-owned enterprise (SOE).

1. **Corporatisation** creates a new separate legal entity for the firm by converting an SOE into a joint-stock company (JSC) all of whose shares are (initially) held by the State Treasury.
2. **Commercialisation** implies that the new JSC, unlike the former SOE, will be run as a profit-seeking business.
3. **Privatisation** entails divestiture of (some of) the JSC's shares by one or a combination of various methods, such as initial public offerings, public tenders, management and employee buy-outs, and auctions of shares for vouchers distributed free under a mass privatisation scheme.

Corporatisation by itself clarifies property rights, now to be exercised by the government agency representing the state as shareholder in the JSC. Corporatisation may regain for the state as shareholder some property rights previously ceded to, or usurped by, enterprise managers or workers. Also, by expressing ownership in numerous separate JSC shares, corporatisation facilitates privatisation-by disposal of blocks of shares-when an enterprise is too large to be sold in its entirety to a single buyer.

In the Czech republic commercialisation without privatisation was supported by some SOE managers and some government officials who wanted a very slow and thus selective privatisation process. However, the government adopted a broad privatisation programme that divested a large amount of state property within a few years.

Because the Ministry of privatisation (MOP) and the National property fund (NPF) did not have sufficient qualified staff for a broad and rapid privatisation programme, they delegated to enterprises some of the negotiations with buyers of state property. Also, the privatisation agencies hired foreign consulting firms for a wide range of assignments, including advice on basic privatisation strategy, review of specific privatisation projects, identification of potential foreign investors, and negotiations with them. However, the foreign consultants often lacked appropriate experience for their tasks, as well as familiarity with local conditions and the Czech language. There was a large turnover in foreign advisers, with a long and costly learning process. Foreign consultants' fees were considered high for the services furnished.

The Czech privatisation process was weak in many aspects of transparency. The MOP did not reveal the multiple criteria (and their relative weights) for its choice among competing privatisation projects. The NPF lacked standard procedures for public tenders and firm deadlines for decisions about them. Also, the NPF did not always enforce buyers' obligations to pay as scheduled for assets obtained in tenders or direct sales.

Czech privatisation was characterised by extensive corruption. There was excessive administrative discretion, because the legislative framework was too broad, stating only general principles and leaving key features to executive branch decrees and ad hoc bureaucratic decisions. In turn, conflict of interest laws and rules were vague and weak. A striking instance of misappropriation occurred in 1991 when a government official bought for a nominal price a wholesale book distributor with prime real estate in central Prague. Though not accused of personal impropriety, the head of the NPF resigned in 1994 after disclosure of irregularities in the privatisation of specific companies, such as the sale of shares to a buyer not included in the approved privatisation project. The director of the Centre for Voucher Privatisation was arrested in 1994 for taking a cash bribe to arrange the sale of shares in a dairy company.

Mass privatization refers to the transferring en masse of the ownership of SOEs to various combinations of workers, citizens, and other types of investors. Stated differently, privatization is a means to meet societal needs through greater reliance on private institutions while de-emphasizing the government's role. It is a means to attain economic benefits equivalent to creating long-term investor wealth. **Five conditions** have to be fulfilled, to attain privatization:

1. On a micro-scale, the enterprise has to be sold off and management control and ownership have to be firmly rooted in the private sector.
2. Privatization works best if it is carried out in a competitive environment so that the SOE has to cope with liberalized markets-in which barriers to entry are minimized-for its products.
3. State subsidies and policy loans should be eliminated.
4. The SOE monopoly prices have to be regulated with a pricing formula that keeps pressure on management to improve efficiency.
5. The markets that surround the SOEs on the output and input sides must be liberalized at the same time.

Furthermore, the motivation that drives the government-owned companies to privatize may provide evidence as to whether these conditions for success will be met. In the case of the Czech republic, as well as other former communist countries, privatization became the vehicle used to return the property that was taken from the people back to the people. Thus, the privatization process was accelerated in an effort to gain public support.

Privatization of the Czech SOEs came under the leadership of former Prime Minister Vaclav Klaus. Privatization took place in two waves of auctions and involved approximately 3,000 targeted firms. Completed in 1992, the first wave involved 1,490 companies with 93% of the offered shares taken up by investors. By the beginning of 1995, the second wave was completed, and approximately 80% of the economy had been privatized.

There are **many possible methods** to attain privatization, including **government contracts with private firms, government franchises with private organizations, entrepreneurial ventures, and vouchers**. Czech government officials selected **two basic methods** of privatizing the SOEs:

1. corporatization and the subsequent sale of formerly SOEs to private bodies
2. voucher privatization, a nontraditional privatization technique based on free distribution of the SOEs' shares to the general population.

Under the latter approach, every adult citizen ages 18 and older was given the opportunity to buy investment vouchers-i 1,000 points of investment money with limited maturity-for a registration fee of Kcs 1,000 (U.S. $34), representing approximately 25% of the average monthly wage. These vouchers, in turn, entitled Czech citizens to bid for ownership shares of any company privatized by the voucher method or to allocate their shares to an investment fund that would make investment decisions for them.

Although this approach eliminated any privatization sales proceeds that the government might have otherwise collected, it allowed for a quick transition to investor ownership and corporate restructuring. Furthermore, it guaranteed that a maximum number of Czech citizens could participate in the process despite their obvious lack of capital. The voucher system thus created a property-owning middle class that, in turn, was expected to increase the efficiency of corporate management and raise the productivity of the resulting economy.

The Czech voucher program was considered a unique approach because it was carried out from the bottom up. All state enterprises considered eligible for privatization were required to reorganize as corporations and select one of the methods of privatization. The process unleashed a sense of freedom in managers to reshape their companies. At the same time, it provided a positive momentum that steered the countrywide reformation.

Early critics of the voucher process suggested that only those firms not attractive to potential buyers (i.e., the weakest firms) would be privatized through vouchers. However, a study by the Czech Statistical Bureau found the opposite. On average, profitability of those enterprises involved in the voucher scheme was considerably higher than the average reported profitability of any and all Czech firms. Specifically, voucher firms comprise 31.6% of all profit-making firms but only 13.4% of loss-making firms. Contrary to expectations, individuals with majority holdings in investment privatization funds became intimately involved in the corporate decision-making of the enterprises. As a result, more structural changes were seen in these firms, including alterations of products and production.

Although voucher privatization was publicly applauded, did it result in economic benefit for the stakeholders of these newly liberated firms? After 40 years of communism, the financial markets and local participants were relatively inexperienced. The deregulation of the banking industry was fraught with problems, such that the majority is still government controlled. Similar problems erupted with the stock market, established shortly after the fall of the Communist government. These problems, coupled with the fact that the voucher process impeded the ability to have a concentrated ownership share, made it quite difficult to force significant management/employee change. Consequently, many of the early privatized firms have exited the market. Many others have aligned with foreign partners.

Mass privatization of state owned companies is a challenge given that domestic financial markets are under-developed or non-existent. Not only is there little private capital for investment in these companies, but the lack of financial markets also means the lack of useful asset pricing signals. Further, there is generally also a lack of appropriately trained analysts and other professionals necessary for valuing companies being privatized. The auction process used in the Czech voucher-based mass privatization process was designed to overcome these limitations. It was unique when it was implemented and it was widely considered to be a success in distributing Czech state owned companies.

PART 3

<u>Situation in the Industry of Czech republic after 1997</u>

In 1997 there was a crise in monetary area in the Czech republic, that causeed a decrease of czech economy. The czech government provisions led to a diversion this monetary crises (with help a monetary restriction), but on the other hand caused the economic fall and it negative influenced most of enterprises in Czech republic. The year 1997 was a break, that started a new stage of development of enterprises in Czech republic. What was the situation in enterprises of industry after the year 1997?

Output,employment and productivity in year 1998

Industrial production increased by 1.6% and receipts (in constant prices) by 0.6% (in 1997 by 4.5% and 6.1% respectively). After fast advance of the growth rate in the 1st quarter the rate of expansion slackened in the 2nd and particularly 3rd quarter, to plunge into decline in the 4th quarter in connection with depression of external and internal demand and with the deterioration of the financial situation of enterprises.

In the course of 1998 the financial situation of large enterprises substantially worsened. Though the order books among many of them showed satisfactory demand for their products, they had no possibility of receiving credits and to finance their production. In this connection the Ministry of Industry and Trade is taking measures to improve the situation.

Employment in industrial organisations with 20 and more employees **declined** by 3.0% (from individual branches most considerably in manufacture of coke and refined petroleum products, by 12.5%, and in manufacture of leather and leather products, by 10.2%). Growth of employment was registered only in manufacture of rubber and plastic products (by 3%) and in manufacture of electrical and optical equipment (by 2.9%). **The average nominal wage** increased by 10.5%, but with real wages dropping 0.2% (in 1997 the corresponding figures were growth of 13.5% and 4.6%).

Labour productivity (from the index of industrial production) in organisations with 20 and more employees increased by 4.7% (in manufacturing by 5.2%, in mining by 2.2% and in energy sections by 3%). **The real wage** (deflated by the index of industrial producers) grew 5.3%.

Output,employment and productivity in year 1999

Industrial production declined on year-on-year basis by 3.1%, **receipts from industrial activity** in constant prices by 0.5% (production in 1998 increased 1.6% and receipts 0.6%). After a marked decline in the 1st quarter and its gradual deceleration in the 2nd and 3rd quarters, production again resumed its growth in the 4th quarter, which in connection with expanding exports. As compared with the yearly average of 1990, industrial production was 14.3% lower.

Indicator		Unit	**1997**	**1998**	**1999**	**2000**
Industrial production index		%	104.5	101,6	96,9	105,1
Sales from industrial activities	curr. p.	bln CZK	1507.7	1620,7	1645,3	1849,0
		%	110.6	105,2	100,6	112,6
(constant prices - yearly average of 1994)	const. p.	bln CZK	1295.1	1324,3	1332,2	1432,2
		%	106.1	100,6	99,5	107,7
Monthly average 1990 = 100	const. p.	%	85.7	86,2	85,7	-
Share of non-state sphere (end of period)		%	78.3	84,1	-	-
Average number of employees		th. pers.	1295	1290	1217	1165
		%	95.7	97,0	94,8	97,3
Labour productivity*)		%	109.2	104,7	102,2	108,0
Average sales per employee	const. p.	tis. CZK	83.3	85,5	91,3	102,5
		%	110.9	103,7	104,9	110,7
Average monthly wage		CZK	10780	11876	12656	13566
		%	113.5	110,5	106,6	106,2

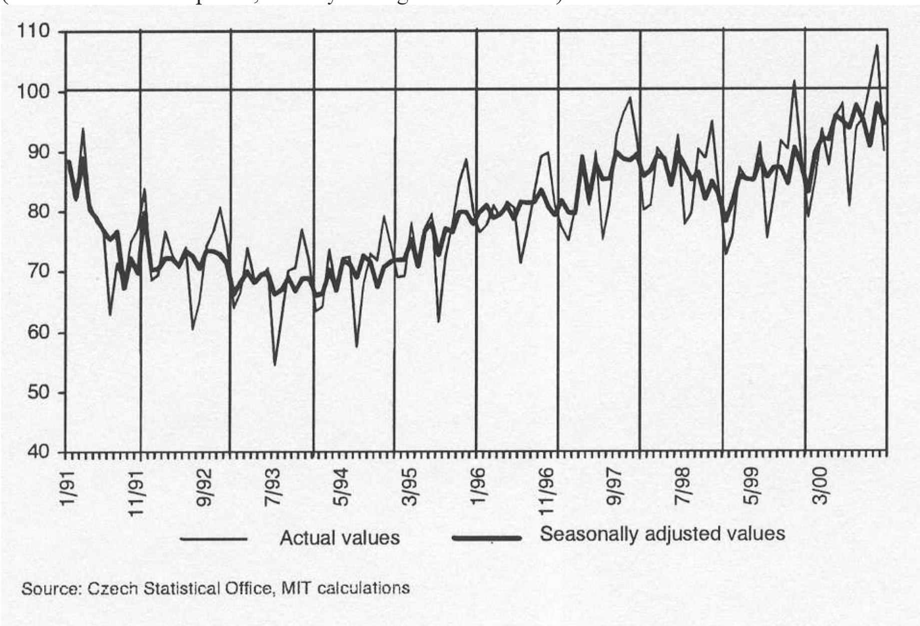
Employment was curbed by 5.2% (in individual quarters the rate of decline accelerated). In the framework of manufacturing the largest reduction was recorded in the chemical and pharmaceutical industry (by 11.3%) and the leather industry (by 10.5%). Employment failed to increase in any branch, but grew, however, in the sector under foreign control.

The average nominal wage increased by 6.6%, **real wages** by 5.5% (deflated by the price index of industrial producers) and by 4.4% (deflated the by index of consumer prices). **Labour productivity** from the index of industrial production picked up by 2.2% (in manufacturing by 2.2%, in the energy sector by 1.7%, but while in mining it shrank by 0.6%). **Advance of the growth rate of labour productivity over rate of growth of real wages** was not achieved in any of the three industrial aggregates and in the framework of manufacturing in only six branches (out of the total number 14 branches).

Output,employment and productivity in year 2000

Industrial production in year 2000 has reached the highest growth since the transformation of the economy and almost approached the whole year average of 1990 (see graph No. 1).There were only 7.6% missing and the interannual improvement was 6.7 points.From the point of view of individual months, the level of 1990 was overreached for the first time in 1999 by 1.6%, and then in October 2000 by 1.3%, significantly again in November by 7.4% (according to the MIT calculations).When compared with the whole year average of 1995, the total industrial production was higher by 12.4%. Industrial production increased in 2000 interannually by 5.1%, the receipts (in constant prices) increased by 7.7% (the production declined interannually in the previous year by 3.1% and the receipts decreased by 0.5%).

Graph No. 1 Long-term development in the industrial production
(Indices in constant prices,monthly average of 1990 =100)



The **number of employees** in December 2000 dropped by 0.8%, compared with December 1999. Total employment in industry in January to December 2000 fell by 2.7% year-on-year, the decrease decelerating gradually during the year. The **average monthly nominal wages** (including those accounted but not paid) went up by 3.7% y-o-y in December 2000 and reached CZK 14 689 per employee. The **average monthly real wages** (calculated using the consumer price index) decreased by 0.3% in December 2000 y-o-y, while the **productivity of labour** grew by 2.2%. The average nominal wages in January to December 2000 were up by 6.2% y-o-y and amounted to CZK 13 566 per employee. Real wages in the same period were higher by 2.2% and the productivity of labour rose by 8.0%. The rise in the productivity of labour was higher than growth in the average nominal wages.

Output,employment and productivity in year 2001

Compared with the average month of the base year 1995, industrial production in November 2001 was by 30.6% higher. Industrial production in November 2001 grew by 6.6% year-on-year. Against October 2001, industrial production in November 2001 rose by 3.8%. Compared with the some period of 2000, industrial production in January to November 2001 was by

6.8% higher. **Sales in industry** reached in November 2001 by enterprises (legal and natural persons employing 20 people or more) grew by 4.0% year-on-year at constant prices (2000 average prices).

The number of employees in November 2001 in the whole industry fell by about 13.4 thousand persons i.e. 1.1%, compared to November 2000. The decrease was recorded in the mainly industrial branches, except of manufacture of wood and wood products, manufacture of rubber and plastic products, manufacture of basic metals and fabricated metal products and manufacture of transport equipment. **The average monthly nominal wage** (incl. those accounted but not paid) amounted to CZK 16 906 per employee in November 2001 and grew by 4.3%. The highest average monthly nominal wages were reported in 'electricity, gas and water supply', the lowest were in manufacturing (in manufacture of leather and leather products amounted to CZK 9 811). **Labour productivity** in November 2001 grew 5.2%. The highest figures were observed in 'electricity, gas and water supply' (109.4%), in 'mining and quarrying' reached 104.8% and in 'manufacturing' 104.1%. Unit wage costs were 0.9 percentage point lower y-o-y.

Output, employment and productivity in year 2002

Compared with the average month of the base year 2000, **industrial production** in December 2002 was by 8.3% higher. Industrial production in December 2002 grew by 6.6% year-on-year. Compared with the some period of 2001, industrial production in January to December 2002 was by 4.8% higher.

Sales in industry reached in December 2002 by enterprises (legal and natural persons employing 20 people or more) increased 5.3% year-on-year at constant prices. The growth of industrial sales occurred in mining and quarrying and manufacturing. The highest industrial sales were measured in manufacture of electrical and optical equipment (22.0%). Industrial foreign-controlled enterprises raised their sales 5.1% at constant prices (2.5% at current prices), y-o-y.

INDUSTRY: SALES

	Index			
	October 2002	November 2002	December 2002	January to December 2002
Industry of the CR				
Sales				
Current prices	100.0	102.8	103.1	100.2
Constant prices of 2000	103.3	105.8	105.3	103.4
Direct exports sales				
Current prices	106.7	115.7	115.2	107.7
Constant prices of 2000	114.9	123.8	121.4	115.7

The number of employees in December 2002 in the whole industry fell by about 48.9 thousand persons i.e. 4.1%, y-o-y. Decreases were recorded in the mainly industrial branches, namely in manufacture of textiles and textile products and mining and quarrying. By contraries, increases occurred in manufacture of rubber and plastic products and transport equipment. **The average monthly nominal wage** in December 2002 amounted to CZK 16

794 per employee in December 2002 and grew by 7.0% y-o-y. **Labour productivity** (sales per employee) in December 2002 was 9.8% up. Unit wage costs were 2.6 percentage points down, y-o-y.

INDUSTRY: EMPLOYMENT AND WAGES

	Index			
	October 2002	November 2002	December 2002	January to December 2002
Industry of the CR				
Average registered employment	96.3	96.0	95.9	97.1
Average monthly wage, nominal	105.8	103.7	107.0	106.0
real	105.2	103.2	106.4	104.1
Average hourly wage	108.1	106.1	104.1	106.3
Labour productivity	107.3	110.3	109.8	106.4

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