FROM DEBTORS TO CREDITORS. THE STORY OF THE CEE-11 COUNTRIES

Paweł P. Śliwiński

Poznan University of Economics and Business, al. Niepodległości 10, 61-875 Poznań, Poland

Abstract

The aim of the article is to analyze the direction of capital flows into the 11 CEE-UE countries from the year 1995 to 2020. Until 2012 balances of payments of the CEE-11 region were characterized by current account deficits and consistently increasing inflow of net foreign capital. It was the result of excessive private and public consumption and domestic investment in relation to the generated income. Currently, when in most CEE-11 countries the current account balance has been characterized by surpluses for several years, the question arises whether such a situation is only temporary and results, for example, from a decrease in the level of foreign financing and the adjustment of the current account to this state, or it is permanent and results from increased efficiency and competitiveness in international markets. In the latter case, it would mean moving these economies to a period in which they begin to pay off their debts and have a chance to change their status from debtors to creditors.

Although the fact that the CEE-11 countries have become foreign creditors in recent years may seem very positive and indicate that they are quickly catching up with developed countries, closer analysis shows that the main entities investing abroad in these countries are central banks. If the foreign exchange reserves are omitted, it turns out that the remaining cumulative components of the financial account still have a negative balance. This increases the indebtedness of the private and public sectors in the region. Although central banks remain the main foreign investor of the CEE-11 region, it should be hoped that this stage will be only transitional (intertemporal) and that they will be supplemented soon by private investors.

Keywords: *CEE-11, current account, capital flows, intertemporal approach, balance of payments*

1. INTRODUCTION

The countries of Central and Eastern Europe which are now part of the European Union (later on: CEE-11 countries)[1] in the initial period of transformation from a centrally planned economy to a market economy experienced a significant decrease in production and, consequently, in national income. The opening of the external sector and integration with the world economy along with the collapse of interregional trade within the CMEA organization[2] resulted in high deficits in the current accounts of these countries (Najlepszy, Śliwiński, 2008).

However, with the return to the path of rapid growth in the 1990s and in the period preceding the accession to the European Union, current account deficits increased as a result of booming domestic demand, but also as a result of foreign capital inflows to these countries (Blejer, Skreb, 1999). The inflow of foreign capital to the CEE countries followed the liberalization of capital flows in these countries. The plans for the CEE-11 countries to join the European Union, in principle, required full liberalization of capital flows until the accession to the EU[3].

The balance-of-payments imbalance of the CEE countries increased in the first decade of the 20th century as a result of an acceleration in the inflow of foreign capital, which was undoubtedly influenced by the accession of these countries to the EU. Foreign investors were attracted by the expectations of a high rate of economic growth with reduced investment risk.

[1] The CEE-11 region comprises Bulgaria (2007), Croatia (2013), Czech Republic (2004), Estonia (2004), Hungary (2004), Latvia (2004), Lithuania (2004), Poland (2004), Romania (2007), Slovakia (2004), and Slovenia (2004). The dates of joining the EU are shown in brackets.

[2] CMEA (Comecon, Council of Mutual Economic Assistance), an economic organization from 1949 to 1991 formed by most of the Soviet bloc members centered in Moscow under the leadership of the Soviet Union.

[3] More on the pace of liberalization of the CEE countries: Arvai (2005)

Foreign capital was very important for the reconstruction of the CEE economies because, in the face of the shortage of domestic capital, it made it possible to increase domestic investment. Thanks to the openness of the CEE economies, they were financed not only with domestic but also foreign savings. This contributed to the accumulation of productive capital, increased employment, and accelerated GDP growth in this region (Śliwiński 2011, Vilutiene and Dumciuviene 2020, Bank for International Settlement 2021).

When analyzing the positive role of the inflow of foreign capital to CEE-11 countries, one cannot forget about the related threats. The ones frequently discussed in the literature include an increase in the amount of foreign debt, the occurrence of disturbances in the currency market, pressure on the real appreciation of the exchange rate, or the problem of crowding out domestic savings (Śliwiński 2011, Baum, Pundit and Ramayandi 2017, Bank for International Settlement 2021).

Many economists have recognized the imbalances in the CEE countries' balance of payments, consisting in financing current account deficits by capital flows, as a permanent phenomenon accompanying economic growth in these countries. The theoretical justification was related to, inter alia, the intertemporal balance of payments theory in conjunction with Harrod's economic growth model. The global crisis of 2008 showed, however, that economic growth, largely based on the inflow of foreign capital, slowed down as borrowing abroad became more expensive and investors had become more risk-conscious (Gurtner, 2010). In most CEE countries, the recession in 2009, which followed the outbreak of the global financial crisis, contributed to a gigantic decline in GDP. In Estonia and Latvia, it even reached 19.0% and 16.8%, respectively.

The deterioration of external financing, domestic consumption, and investment triggered adjustment processes in the CEE-11 balance of payments, resulting in an improvement in their current accounts. Although it was initially related to the deterioration of the region's attractiveness and the outflow of capital abroad, despite the return to the fast path of economic growth, the CEE countries managed to maintain the current account improvement trend, and in the last few years, these countries became surplus countries exporting capital abroad.

The aim of the article is to analyze the evolution of the current and financial accounts in the CEE-11 region. While current account deficits are of particular interest to economists, it is worth looking at the recent current account surpluses emerging in many countries in the region. They may not only testify to the improvement in the efficiency of CEE-11 economies but also may be a signal of insufficient domestic investments in relation to domestic savings.

Contrary to other studies which focus on the evolution of the balance of payments in individual countries, the article treats the Central European countries belonging to the European Union as one economic area. This approach enables a holistic analysis of the entire region remembering, however, that CEE-11 countries are not a homogenous group. Among 11 CEE economies, the region is dominated by the Polish economy with a 36% share in the region's GDP (Fig. 1). The share of individual national economies is also changing in time. When comparing the GDP of CEE 11 in 2020 to its GDP in 1995, it is especially worth noting the increase in Romania's share in the region's GDP from 9.5% to 15% and Lithuania from 2% to 3.4%. The impact on the GDP of the region of the Western Balkans is declining: Slovenia (decrease from 5.4% to 3.2%) and Croatia (decrease from 5.8% to 3.5%), as in Hungary (decrease from 11.8% to 9.4%).

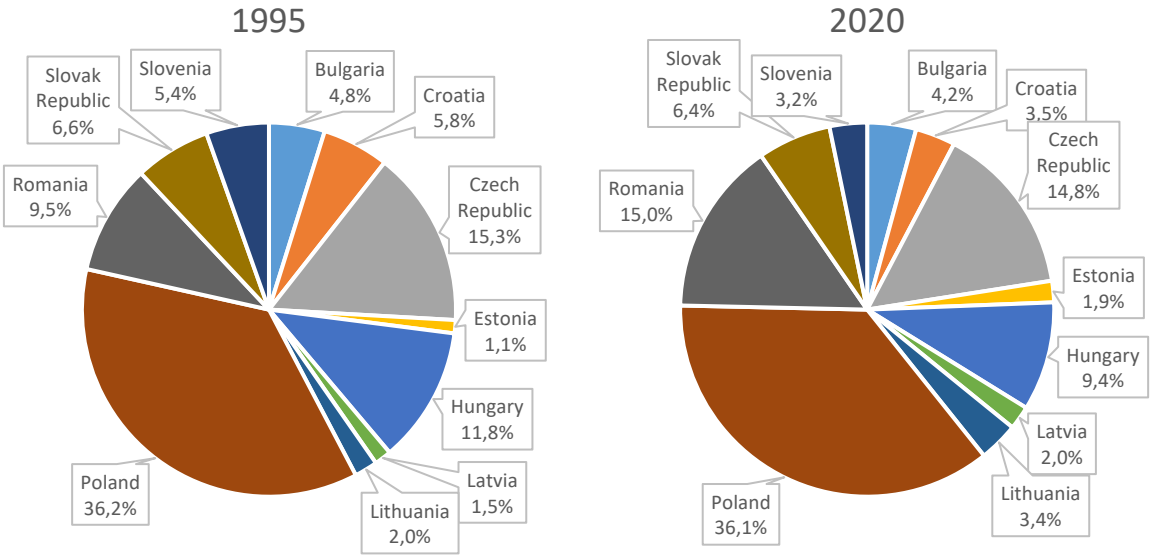


Fig. 1. Share of individual countries in the GDP of the CEE-11 region

Source: own elaboration, data retrieved from https://databank.worldbank.org/source/world-development-indicators, May 2022.

2. BALANCE OF PAYMENTS AS A RESULT OF CONSUMPTION AND INVESTMENT OPTIMIZATION OVER TIME

Balance of payments is a statistical compilation of all transactions between residents and non-residents of a given country over a specified period of time. Its important feature is that the concept of the balance of payments is based on accounting principles, according to which each credit entry has an opposite debit entry. Consequently, the balance of payments must always be balanced, which is presented in the following equation [1]:

$$CA + CPA + EO = FA \quad (1)$$

where CA is current account, CPA - capital account, EO - errors and omissions, FA - financial account.

In turn, the current account and the financial account are expressed as:

$$CA = TB + SB + PI + SI \quad (2)$$

$$FA = FDI + POI + OI + DER + RES \quad (3)$$

where TB denotes trade account, SB – service account, PI – primary income, SI – secondary income, FDI – foreign direct investment, POI – portfolio investment, OI – other investment, DER – derivatives, and R – foreign reserves[4].

Balancing the balance of payments does not mean, however, that there are no partial imbalances, mainly it concerns the imbalance in the current account. In literature, particular attention is usually paid to the presence of current account deficits (or more broadly to the negative left side of the equation [1] due to the necessity to finance them by foreign capital flowing into the country. This approach follows the traditional balance of payments theories (the elasticity approach, the absorption approach, and the monetary approach). They emphasized that imbalances in the balance of payments are an undesirable phenomenon that requires corrective actions. With the liberalization of international capital flows, this view has been revised and was reflected in the intertemporal approach to the balance of payments.

The idea of an intertemporal approach to the balance of payments is a development of an absorption approach and is based on the assumption that the current account deficit is the result of excessive

[4] Detailed definitions of the individual components of the balance of payments are included in IMF (2009).

expenditure in relation to the income generated in a given period. It is emphasized that the dynamics of the current account are related to the dynamics of savings and investments reflecting the future expectations of consumers, investors, and the government.

In the intertemporal choice model adopted for the macroeconomic analysis of an open economy, it is assumed that economic agents, government, and consumers make decisions about current and future consumption and investment based on their present income and expectations for their future[5]. In a situation where the current consumption and investments exceed the current income, these entities take advantage of the opportunities offered by the international capital market by enabling them to borrow. As a consequence, the inflow of foreign capital is accompanied by a deficit in the current account, in line with the identity [1]. The benefits for a country with a current account deficit stem from the ability to optimize consumption, investments, and government spending. The limiting conditions for such behavior are the ability to pay off debts. The debt is repaid in future periods thanks to the positive balance of the current account.

For the CEE-11 countries, during periods when their balances of payments were characterized by current account deficits, their economic strategies could be considered to be in line with the intertemporal theory as it was based on:

(i) increasing the current private and public consumption in relation to the generated income (at the expense of future consumption),

(ii) increasing domestic investments, which due to the inflow of foreign capital could be higher than domestic savings.

Currently, when in most CEE-11 countries the current account balance has been characterized by surpluses for several years, the question arises whether such a situation is only temporary and results, for example, from a decrease in the level of foreign financing and the adjustment of the current account to this state (and consequently on the reduced domestic investment), or it is a permanent state and results from increased efficiency and competitiveness on foreign markets. In the former one, one would expect a return to the current account deficits as the situation in the capital markets improves. In the latter case, it would mean moving these economies to a period in which they begin to pay off their debts permanently and with time to have a chance to change their status from debtors to lenders.

3. THE STRUCTURE AND THE DYNAMICS OF THE CURRENT ACCOUNT IN THE CEE-11 REGION

The dynamics of current accounts in the CEE-11 countries from 1995-to 2020 is shown in Figure [2]. It is characterized by three periods: (i) a period of high and growing deficits:1995-2008, (ii) a period of moderate deficits: 2009-2012, and (iii) a period of recovery from deficits to the surpluses in the current accounts: 2013-2020.

(i) 1995-2008; the CEE-11 countries were characterized by large current account deficits. The highest negative balances amounted to USD -110.5 million (8.7% of GDP) and USD -119.5 million (7.8% of GDP) in 2007 and 2008, respectively. The region's cumulative current account deficit for this period was $ -575.6 billion. It was mainly caused by the negative balance of trade in goods, which amounted to USD -677.5 billion. The balance of primary income also had a negative impact on the current account (USD -263.9 billion). It was the result of a successive increase in the non-residents 'income caused by growing foreign investments in the region. An important factor balancing the above-mentioned deficits was the positive balance of services (USD 271.4 billion) and secondary income (USD 94.5 billion).

(ii) 2009-2012; the region's current account accounts were between 2.3% and 3.7% of its GDP. They clearly decreased due to the significant improvement in the trade balance. As a result of

[5] The intertemporal balance of payments model is derived from microeconomic analysis and is an adaptation of the intertemporal choice model developed by Fisher (1930) to the analysis of a small open economy. More on the intertemporal approach to the current account: Obstfeld and Rogoff (1995, 1996) and Bussière, Fratzscher and Müller (2004).

the financial crisis of 2008, foreign trade turnover dropped abruptly, and the decline in imports was much greater than the decline in exports. Contrary to the previous period, it was the negative primary account balance (USD -175.9 billion) that had the greatest impact on the current account deficit, the cumulative value of which in this period amounted to USD -170.5 billion. It is worth emphasizing that in this period the negative balance of trade in goods (USD -157.7 billion) is more and more covered by the surplus in trade in services (PLN 137.9 billion), and in 2012, for the first time in the history of the region, the trade balance covering both trades in goods and services becomes positive (USD 8.3 billion), which is illustrated in Fig. [3]. A positive contribution to the current account was also made by secondary income, the account of which was characterized by a surplus of USD 25.2 billion.

(iii) 2013-2020; trends aimed at rebalancing the current account can be observed from 2013 onwards. The current account surplus was recorded for the first time in 2016 (which was repeated in 2017 and 2020). The cumulative current account balance for the period is $ 1.7 billion. As in the previous period, the main negative impact was exerted by primary income, which mainly included: dividends, interest, and retained earnings (USD -376.5 billion) and trade in goods (USD -140.6 billion). Services (USD 498 billion) and secondary income had a positive impact (USD 13,9 billion).

Detailed data on the composition of the current account, capital account as well as errors and omissions are presented in table [1].

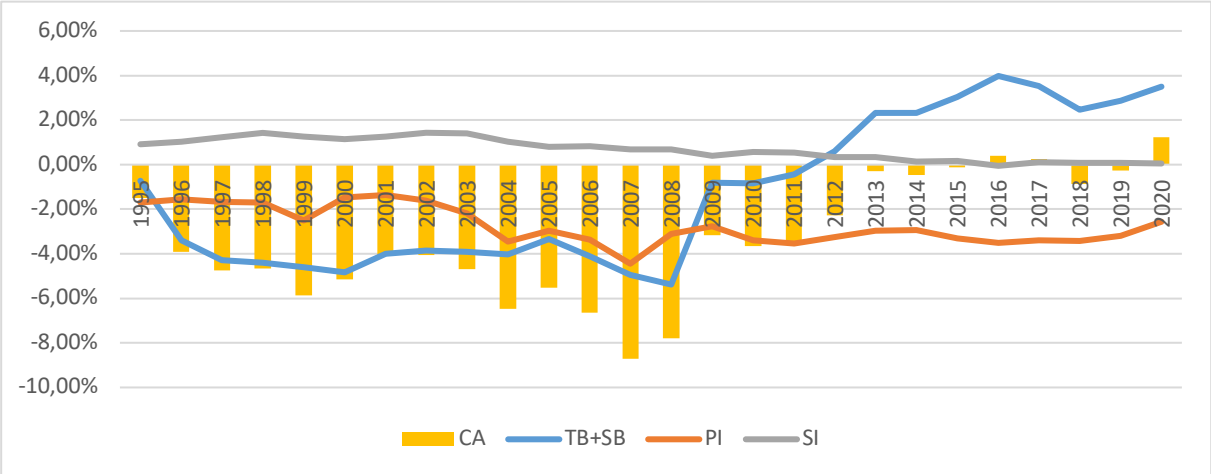


Fig. 2. Dynamics of the components of the current account balance in relation to GDP in the CEE-11 region in 1995-2020

Source: own elaboration, data retrieved from https://databank.worldbank.org/source/world-development-indicators, May 2022.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
CA	-5,9	-16,3	-19,5	-20,9	-25,5	-22,1	-19,2	-21,4	-29,7	-49,3	-49,0	-66,5	-110,5
TB	-17,3	-28,4	-31,7	-34,0	-35,3	-34,2	-32,8	-35,0	-43,3	-48,3	-50,7	-68,4	-97,8
SB	14,5	14,3	14,1	14,3	15,4	13,5	14,1	14,6	18,5	17,5	21,0	27,2	35,0
PI	-6,7	-6,5	-6,9	-7,6	-11,0	-6,3	-6,4	-8,5	-13,8	-26,3	-26,4	-33,6	-56,3
SI	3,5	4,3	5,0	6,4	5,4	4,9	6,0	7,5	8,9	7,8	7,0	8,3	8,7
CAP	0,6	0,5	0,2	0,4	0,3	0,5	0,7	0,8	0,4	2,0	4,2	4,2	9,5
EO	1,7	0,3	3,8	-0,2	1,8	-0,1	3,9	-2,4	-0,6	4,8	-3,1	-2,1	-4,1

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CA	-119,5	-41,0	-48,3	-50,1	-31,0	-4,3	-6,8	-1,4	**5,4**	**3,8**	-14,2	-4,3	**20,2**
TB	-120,1	-38,8	-41,7	-46,1	-31,1	-12,8	-16,2	-10,3	-5,1	-16,2	-39,7	-33,3	-6,9
SB	37,6	28,5	30,5	39,5	39,3	45,8	50,5	49,6	57,7	68,1	80,3	81,3	64,6
PI	-47,7	-35,7	-44,8	-51,5	-43,9	-42,0	-43,2	-42,9	-46,5	-49,9	-56,2	-53,6	-42,2
SI	10,7	5,0	7,6	7,9	4,7	4,8	2,2	2,2	-0,7	1,8	1,4	1,2	1,1
CAP	13,4	17,3	17,7	19,9	24,9	30,6	30,2	33,1	16,1	14,6	23,3	23,5	30,3
EO	-25,6	-11,9	-14,3	-10,6	-0,7	-14,7	-10,2	-4,3	-1,0	-11,7	-0,9	-8,3	-13,7

Table 1. The structure of the balance of payments (current transactions) of the CEE-11 region in 1995-2020 (USD billion)

Source: own elaboration, data retrieved from https://databank.worldbank.org/source/world-development-indicators, May 2022.

4. THE DYNAMICS AND STRUCTURE OF THE FINANCIAL ACCOUNT IN CEE-011 COUNTRIES

With reference to the balance of payments equation (equation [1]) and the data presented in table [1], the financial account largely reflected the current account balance. From an accounting point of view, capital flows should correspond to the sum of the current account, capital account, and the balance of errors and omissions. The analysis of balances on financial accounts shows that the countries of the CEE-11 region have been attracting international capital for many years. The cumulative balances of the financial accounts of the CEE-11 countries for the years 1995-2012 amounted to USD -678.8 billion. As mentioned earlier, on the one hand, the inflowing capital contributed to an increase in domestic investments and productivity growth, but on the other hand, they increased the region's foreign liabilities, which resulted in negative balances of the primary income account. In 2013, foreign financial assets start to exceed foreign liabilities in individual years. The surplus of USD 135.4 billion generated in the region's financial accounts was, to put it simply, allocated abroad.

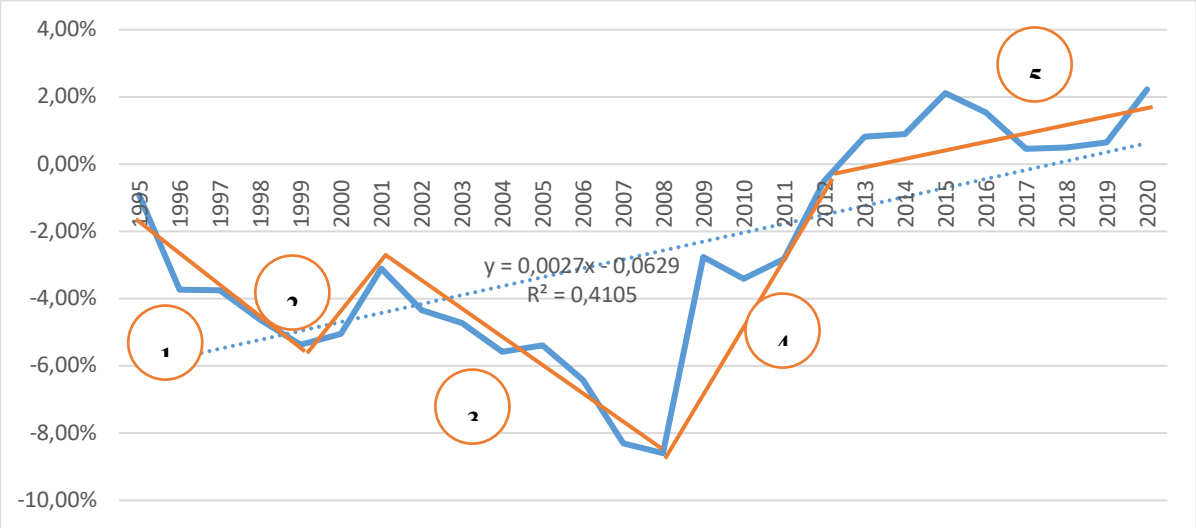


Fig. 3. Dynamics of the financial account balance in relation to GDP in the CEE-11 region in 1995-2020

Source: own elaboration, data retrieved from https://databank.worldbank.org/source/world-development-indicators, May 2022

Figure [3] shows the evolution of the financial accounts of the CEE-11 region in relation to its GDP. Despite the long-term upward trend indicating a tendency to improve financial account balances over time, there are 5 sub-periods differing in the dynamics of changes and the size of financial account balances.

(i) 1995 – 1999; after a period of deep transformation and restructuring of the economy, the inflow of foreign capital to the CEE-11 region, which wanted to participate in its economic growth, increased. The accumulated financial account deficits for this period amounted to -78.7 billion USD, with capital flowing in various forms. Mostly in the form of FDI (cumulative net balance of USD -76.4 billion), but also in the form of portfolio investments (USD -19.5 billion) and other investments (USD -30.7 billion). The inflow of capital also resulted in an increase in the foreign exchange reserves in the countries of the region, which in turn were invested in foreign assets (USD 47.8 billion)

(ii) 2000 – 2001; the currency crises that occurred in the late 1990s in Southeast Asia, Russia, and Argentina increased the financial risk on international markets. Along with the slower pace of economic growth in some CEE-11 countries, they contributed to the decline in the scale of capital inflow to the region. This can be seen, for example, in the decrease in the balance of the financial account in relation to GDP from 5.4% in 1999 to 3.1% in 2021. In this period, direct and portfolio investments continued to flow to the region, but for the first time in the analysis period, an outflow of capital could be noticed. This is the case for the other investment account, which in 2001 showed a positive balance of USD 4.1 billion.

(iii) 2002 – 2008; after a short-term correction (2000-2001), there was a renewed increase in international capital flows in the CEE-11 region, resulting in a deepening of the negative balance of the financial account, the cumulative value of which for this period amounted to USD -444.7 billion. Direct investments (USD -270.2 billion), however, were not dominant in the financial account. In the period 2007-2008 in particular, other investments (cumulative balance for the entire period: USD -279.9 billion) increased rapidly. Unlike FDI, along with portfolio investments, other investments (trade credits, financial loans, credits, and deposits) are classified as hot money, which can change the direction of flows quite quickly. It was already noticeable in the period 2007-2008 when USD 24.6 billion of portfolio investments flowed out of the region. As in previous periods, the surplus of foreign capital was absorbed by increasing foreign exchange reserves, which in the analyzed period increased by USD 112 billion, although in 2008 they were used by countries with a floating exchange rate to defend their currencies against sudden depreciation.

(iv) 2009 – 2012; as a result of the outbreak of the global crisis, a kind of sudden stop occurred in the capital market. It did not mean, however, the actual stop of the foreign capital inflows, but their significant reduction from the level of 8.6% of GDP in 2008 to about 3% in the next three years and only 0.5% in 2012. Although the balance of the financial account was still negative (-128.2 billion USD), this period was characterized by a qualitative change. Portfolio capital became dominant, with a surplus in portfolio investment account of USD 142.8 billion. This was mainly due to increased budget deficits and the need to finance them. This period is characterized by smaller FDI net flows (net FDI in 2007 amounted to USD -62.8 billion, while in 2009 it was only USD -18.8 billion). Interestingly, other investments had a positive balance (USD 43.1 billion). Together with growing reserves (USD 75.7 billion), they show the outflow of capital from the CEE-11 region.

(v) 2013 – 2020; during this period, the CEE-11 region became a net foreign investor. In all years, the financial account was positive, its accumulated value amounted to USD 135.4 billion. This happened despite the fact that the CEE-11 region still was attracting foreign direct investment. Their values grew in individual years, and a total inflow of USD 205.3 billion of net direct investments was made during this period. With a fairly balanced positive cumulative balance of portfolio investments ($ 1.1 billion), the other two accounts were responsible for the outflow of capital from the region: other investments (USD 108.1 billion) and foreign reserves, which increased over the years 2013-2020 by as much as USD 231.4 billion.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
FA	-3,6	-15,6	-15,4	-20,8	-23,4	-21,7	-14,6	-23,0	-29,9	-42,5	-47,9	-64,4	-105,1
FDI	-12,3	-11,0	-13,2	-18,5	-21,4	-22,5	-20,5	-23,7	-13,2	-34,9	-44,1	-44,8	-62,8
POI	-5,2	-2,7	-3,7	-5,4	-2,6	-2,9	-4,9	-2,4	-4,3	-18,0	-3,4	-3,0	17,9
OI+	-11,0	-4,7	-4,5	-5,3	-5,2	-1,8	4,1	-11,7	-20,3	-1,6	-29,0	-32,7	-90,2
RES	24,9	2,8	6,0	8,4	5,7	5,6	6,6	14,8	7,8	12,0	28,6	16,1	30,0
FA*	-28,5	-18,3	-21,4	-29,2	-29,1	-27,3	-21,2	-37,8	-37,8	-54,5	-76,5	-80,5	-135,1
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
FA	-131,8	-35,7	-44,9	-40,8	-6,8	11,7	13,2	27,4	20,5	6,7	8,2	10,9	36,8
FDI	-46,8	-18,8	-26,8	-32,0	-26,6	-11,6	-26,5	-19,3	-25,5	-26,3	-33,7	-35,2	-27,1
POI	6,7	-22,3	-43,1	-34,6	-42,8	-30,0	-2,4	10,6	12,3	1,5	11,7	7,2	-9,8
OI+	-94,4	-16,3	5,2	13,3	40,9	23,8	29,2	21,2	-12,1	-16,6	10,8	21,9	29,9
RES	2,7	21,7	19,8	12,5	21,7	29,5	12,9	14,9	45,8	48,1	19,4	17,1	43,8
FA*	-134,5	-57,4	-64,7	-53,3	-28,4	-17,8	0,3	12,5	-25,3	-41,4	-11,2	-6,2	-7,0

FA* - financial account excluding foreign reserves

Table 2. The structure of the balance of payments (financial transactions) of the CEE-11 region in 1995-2020 (USD billion)

Source: own elaboration, data retrieved from https://databank.worldbank.org/source/world-development-indicators, May 2022

5. CONCLUSIONS

As mentioned in the previous section, from 2013 foreign financial assets recorded on the balance of payments in the CEE-11 region started to exceed its foreign liabilities in individual years. The surplus generated in the financial accounts of the region was, in simple terms, allocated abroad. A change in the direction of capital flows could suggest a significant qualitative change in the CEE-11 region. It used to be earlier a region that was financing its development with foreign capital, but from 2013 it became, in fact, to be a net investor. If that were the case, the CEE-11 region could be considered an illustration of a transformation from a debtor to a creditor region according to the intertemporal theory.

However, the positive balances of the financial account, which could indicate such a significant transformation, provoke some reflection. In particular, attention should be paid to three important trends that spoil the perception of CEE-11 countries as creditors:

(i) The countries of the region are net foreign investors only thanks to the sustained growth of foreign exchange reserves (Figure [4]), which de facto must be invested abroad in liquid and safest financial low-interest assets. These will usually be treasury securities of the most developed countries in the world. If the foreign exchange reserves are omitted, it turns out that the remaining cumulative components of the financial account (FDI+POI+OI+DER) still have a negative balance (Figure [4]). This increases the indebtedness of the private and public sectors in the region.

(ii) The flows recorded in the capital account, which mainly consists of transfers of funds for investments under the common EU policy, are responsible for the surplus financial accounts (Figure [5]). The USD 201.9 billion inflow to the CEE-11 countries recorded on the capital accounts in the years 2013-2020 is largely a source of supply to the region's foreign exchange reserves, which increased by USD 231.6 billion during this period.

(iii) Positive financial account balances do not reflect stable positive current account balances, which have, in fact, been showing a trend to balance since 2013, but have not remained consistently positive. An important factor posing a threat to the current account balances in CEE-11 countries is the persistent deficits in the primary income account (Table [1]). They are a direct result of significant accumulated net investment by non-residents in the region.

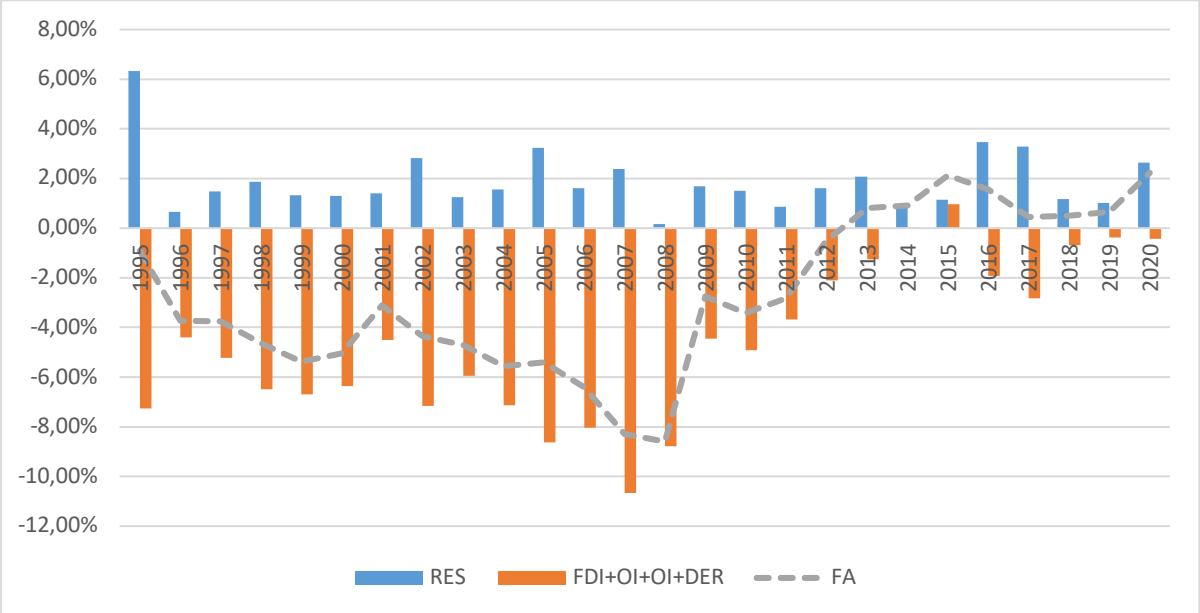


Fig. 4. Dynamics of the financial account and the foreign reserves in relation to GDP in the CEE-11 region in 1995-2020

Source: own elaboration, data retrieved from https://databank.worldbank.org/source/world-development-indicators, May 2022

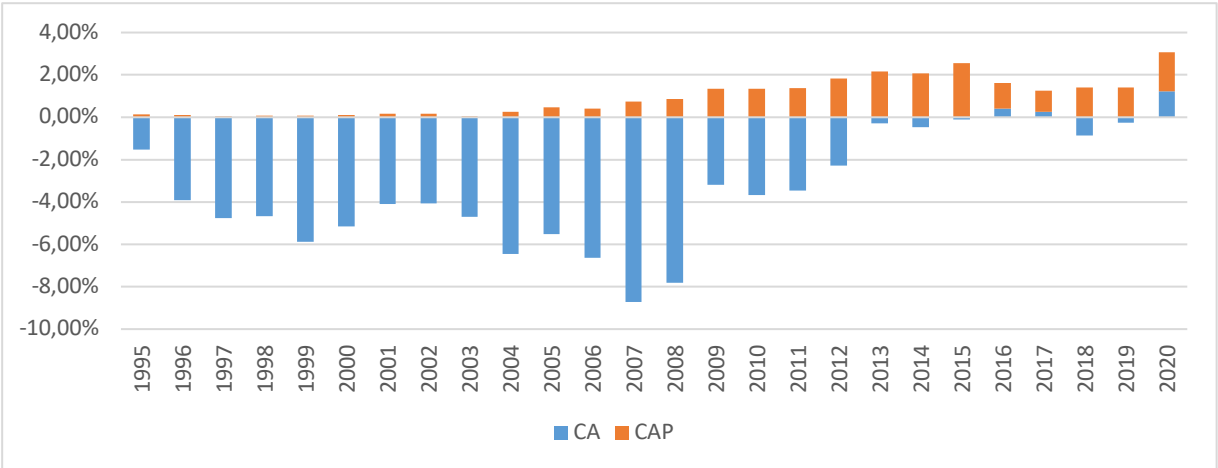


Fig. 5. Dynamics of the current account and the capital account in relation to GDP in the CEE-11 region in 1995-2020

Source: own elaboration, data retrieved from https://databank.worldbank.org/source/world-development-indicators, May 2022

Taking the above arguments into account, one should be careful before concluding that the CEE-11 region has become a surplus region in the capital seeking opportunities to invest abroad. This is confirmed by the first data on the development of the balance of payments in individual countries of the region in 2021. The situation on international markets, including significant increases in the prices of raw materials imported by the countries of the region, contributed to change in the direction of current account balances, from surpluses to deficits (Poland, Estonia, Latvia), or to a significant reduction of surpluses (Slovenia). Considering the fact that in 2021 in many countries of the region a cycle of interest rate increases began, the negative primary income balance should be expected to remain at a high level, which will also not be conducive to improving the current account in the nearest future.

In recent years, however, the CEE-11 countries have shown that they are ready to play a new role in the global economy. Although central banks remain the main foreign investor, it should be hoped that this stage will also be only transitional (intertemporal) and that central banks will be supplemented soon especially by private investors earning market rates on invested capital abroad.

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