

## Commentary

**In the first quarter 2009** external trade turnover went down year-on-year. Compared to Q1 2008 it fell by 19.4% due to a year-on-year drop of exports (by 18.8%) and imports (by 20.0%). Slumping exports and imports took share in a year-on-year decrease of external trade turnover (CZK -243.3 bn) by 49.7% and 50.3% respectively. External trade balance reached a surplus of CZK 35.5 bn.

Exports and imports of manufacturing industries (items CPA 15 to CPA 36) had a decisive impact on the external trade by CPA results. Exports and imports of manufacturing industries fell in Q1 2009 compared to Q1 2008 by 20.1% (CZK 124.5 bn) and 20.8% (CZK 113.9 bn) respectively. At the same time, the share of manufacturing industries diminished in total exports and imports (a share of 96.2% and 89.7% in Q1 2008 against 94.7% and 88.9% in Q1 2009 respectively). Owing to depreciation of the CZK against EUR and even more against USD exports and imports of output of manufacturing industries decreased in euros (-26.0% and -26.7% respectively) and in US dollars (-35.8% and -36.3% respectively).

In exports of output of manufacturing industries, 'motor vehicles, trailers and semi-trailers' maintained the most important share of 16.6% (but -1.7 p.p. lower) and recorded a drop in exports by 26.5% (CZK -31.4 bn) compared to Q1 2008. Further items of CPA with significant share in exports were 'machinery and equipment n.e.c.' (11.5%), 'office machinery and computers' (7.8%) and 'radio, television and communication equipment and apparatus' (7.2%). These items also saw decreases in exports and in shares in the total exports in comparison to Q1 2008.

The main item in imports of output of manufacturing industries was (with a share of 10.8%; 0.8 p.p. higher year-on-year) 'chemicals, chemical products and man-made fibres' recording a 13.3% fall in imports year-on-year. Imports were also significantly represented by 'machinery and equipment n.e.c.', 'radio, television and communication equipment and apparatus' and 'motor vehicles, trailers and semi-trailers' with shares of 8.8%, 8.7% and 8.1% respectively. In addition to output of manufacturing industries, further item of CPA of important share in the total imports was (CPA 11) 'crude petroleum and natural gas' (a share of 7.3%).

Trade surplus in products of manufacturing industries amounted to CZK 61.8 bn, which was by CZK 10.6 bn less year-on-year. It had prevailing share in achieved external trade total balance. All items of great importance showed a year-on-year decreases in trade surplus: 'motor vehicles, trailers and semi-trailers' (by -8.9 bn), 'electrical machinery and apparatus' (by CZK -3.6 bn), 'office machinery and computers' (by CZK -2.4 bn) and 'machinery and equipment n.e.c.' (by CZK -2.0 bn). In output of manufacturing industries the largest trade gap was recorded in 'chemicals, chemical products and man-made fibres' (by CZK 4.4 bn lower compared to Q1 2008). In non-manufacturing industries high deficit was observed in 'crude petroleum and natural gas' (CZK -32.6 bn), which was by CZK 6.9 bn lower year-on-year.

In Q1 2009 the same as in Q1 2008 the largest part of products of manufacturing industries was traded with EU member states. In Q1 2009 manufacturing industries exports to EU and imports from EU made up 84.7% and 68.9% of total exports and imports respectively (85.7% and 73.6% in Q1 2008 respectively). Manufacturing industries exports to EU was down by 21.0% and manufacturing industries imports from EU fell by 25.8% year-on-year. The most important positions in exports to EU hold 'motor vehicles, trailers and semi-trailers' (17.5%), 'machinery and equipment n.e.c.' (10.6%), 'office machinery and computers' (7.8%) and 'radio, television and communication equipment and apparatus' (7.5%); in imports from EU prevailed 'chemicals, chemical products and man-made fibres' (12.9%), 'motor vehicles, trailers and semi-trailers' (11.1%), 'machinery and equipment n.e.c.' (10.6%) and 'basic metals and fabricated metal products' (9.0%). Products of manufacturing industries balance of trade with EU member states positively influenced the total external trade surplus. In Q1 2009 it yielded a surplus CZK 120.9 bn against CZK 128.5 bn in Q1 2008.

Shares of other groups of countries in external trade with products of manufacturing industries were considerably lower. For instance, the shares of developing economies, European transition economies and CIS in the total exports of manufacturing industries were 3.7% and 4.4% and in total imports of manufacturing industries stood at 7.3% and 1.5%. In imports from European transition economies and CIS 'crude petroleum and natural gas' had the most significant share (79.1%) in the total imports from this group of countries. In Q1 2009 external trade balance in products of manufacturing industries with the developing economies ended in a deficit of CZK 13.4 bn against CZK 15.8 bn in Q1 2008 and with European transition economies and CIS reached a surplus CZK 15.4 bn compared to CZK 17.7 bn in Q1 2008.