

External economic relations

- ***Robust economic growth improved external balance of the Czech economy***

External balance of the Czech economy improved in 2007. The current account balance of payment deficit reached 2.5% of nominal GDP compared to 3.1% in 2006. Expenditure items of current account exceeded its income items by CZK 89 billion given the deteriorating impact of the revenue balance and improving contribution of performance balance. Financial account showed a surplus of hundreds of billion covering abundantly the current account deficit. Also this parameter of balance improved.

- ***Result of external trade in goods reached record highs again, balance of services showed the best results since 2001***

External trade in goods and services ended up with a surplus in the amount of CZK 172.9 billion, i.e. 4.9 % of the GDP at current prices (in 2006 only 3.3 %). The trade balance surplus exceeded the level of hundred billion (+117.5 billion at FOB prices) i.e. by four fifths higher compared to 2006. The growth rate of imports and exports showed again two digit figures – Czech companies exported by CZK 328 billion more, y-o-y, imports increased by CZK 275 billion (+13,2 %). The surplus achieved was positively affected by terms of trade. The Czech Republic as the only one of new EU member countries showed positive trade balance. The trend of increasing the trade surplus with the EU countries and expanding the deficit with other territories continues.

An excess of the export of services over their import increased as well by almost one third up to CZK 55.4 billion. A record deficit of the balance of revenues accounting for CZK 250,000,000 was contributed to by dividends paid out to owners of foreign companies established in the CR (CZK 109 billion) and also by the outflow of money from the country in form of wages of foreign employees (CZK 76 billion). Profits reinvested in the CR exceeded CZK 130 billion.

- ***Surplus on the financial account is the same as in 2006 given significant outflow of portfolio investment***

Financial account ended with the same surplus (CZK 104.5 billion) as in 2006 due to the inflow of foreign investment (CZK 185.3 billion). Given the absence of important sale of state shares the CzechInvest in 2007 mediated foreign investment in the amount of CZK 71 billion; while new investors committed themselves to create over 30 thousand jobs in the CR. The outflow of money from the country in form of portfolio investment has doubled the deficit (CZK –53.2 billion) compared with 2006 due to the allocation of the Czech residents' assets in the foreign markets. While on liabilities side in total no change was recorded, residents through their deals mainly in securities (-62 billion) expanded the deficit of portfolio investment by CZK 26 billion.

- ***Decreased price competitiveness***

In 2007 a marked growth of real effective CZK exchange rate (deflated by GDP deflator) by 5.8 p.p. took place; in Q4 by 4.6 p.p. Price competitiveness of the Czech economy thereby decreased.