

## 4. External Economic Relations

The current account of the balance of payments again attained a surplus.

The balance of the current account of the balance of payments reached 90.0 CZK bn in H1 2017 and lowered by 8.3 CZK bn year-on-year. The surplus of trade with goods remained practically unchanged and reached 165.5 bn, surplus of the trade with services increased by 7.6 CZK bn. The balance of primary incomes worked in the direction of the deficit (reached 102.1 CZK bn, year-on-year it lowered by 9.5 bn), the outflow of income from investment participated the most on this result. This outflow amounted to 143.7 CZK bn in H1. The deficit of the secondary incomes deepened by 25.7 bn. The financial account balance ended in surplus of 123.6 CZK bn in H1 (96.3 bn in Q1 and 27.3 bn in Q2). The April end of the regime of intervention however created a break between Q1 and Q2. The flows on the financial account, whose size several times increased the long-term average in Q1, halted in Q2. The increase of the reserve assets still worked in the direction of surplus, however it was one tenth compared to Q1. The net inflow of portfolio investment decreased and amounted to 353.8 bn in Q1. The net inflow in the amount of 45.9 CZK bn manifested in Q2. The net inflow of other investment also reduced to less than one thirtieth quarter-on-quarter.

Exports from the CR increased year-on-year.

There were goods exported from the CR in the value of 1 796.9 CZK bn<sup>1</sup> during first half of the year 2017 and the same period of the preceding year was exceeded by 111.0 CZK bn (6.6%). A large part of the relatively strong year-on-year increase was achieved mainly thanks to the extraordinary Q1 (75.4 CZK bn). The second quarter overtook the same period of the last year by 35.6 CZK bn, at the same time however it had four working days less.

Exports grew into the majority of the main export destinations.

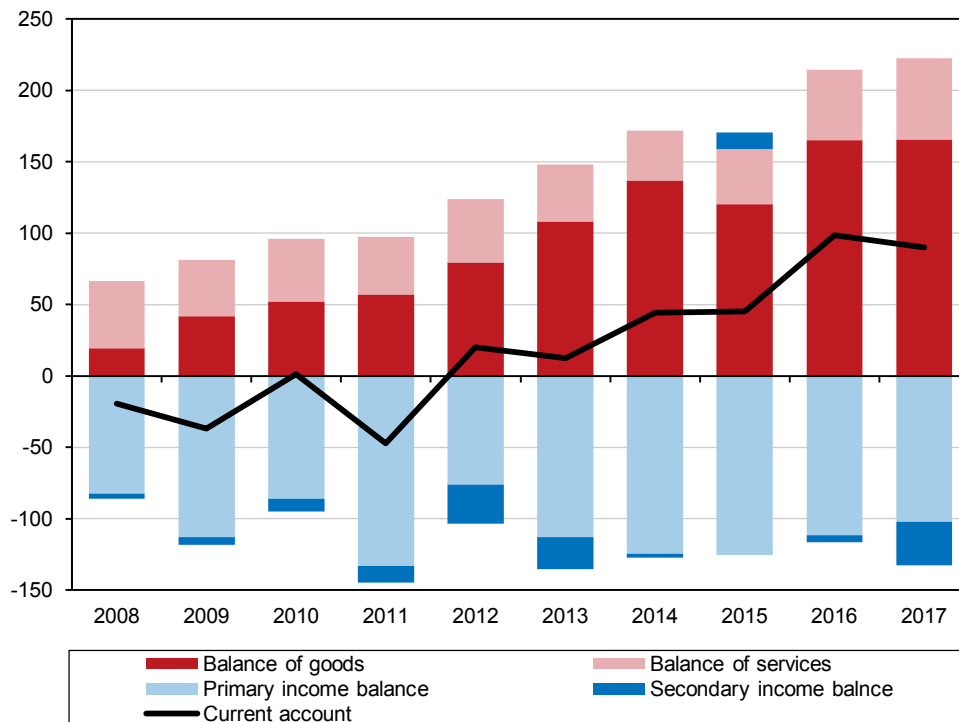
The territorial structure of the Czech export did not practically differ in Q1 and Q2 2017 from the same period of the preceding year. 83.9% of exports headed to the EU and its value increased by 82.3 bn (5.8%) year-on-year. Apart from Slovakia, where it was exported by 6.7% less in H1 compared to the last year, the exports grew into the all main export destinations. The exports to Germany increased by 7.7% year-on-year, to Poland by 8.7% and to France by 9.2%. The smaller export destinations did not stay behind either. The exports grew strongly to Austria (12.1%) as well as the Netherlands (14.2%). The exports also strengthened into countries outside the EU. It reached 287.2 CZK bn in H1 and increased by 10.9% year-on-year. The export into the United States arrived at 39.7 bn and went up by 6.1%. Exports into the Russian Federation reached twenty percent year-on-year addition, 20.6% more was exported to China. For Russia, it meant an increase of 5.8 CZK bn, 3.5 bn for China.

The foreign trade with both motor vehicles and machinery thrived.

Motor vehicles, which comprised 29.4% of exports in H1, again reinforced their position a bit more. The value of their exports increased by 8.6% in comparison to the same period of the last year and reached 528.5 CZK bn. Other divisions significant for the Czech exports also recorded strong increase of exports. Export of machinery and equipment increased by 8.9%, computers, electronic and optical appliances by 5.5%. Electrical appliances were exported more by 7.7%. Positive trends of the exports of the chemicals and chemical products also continued and increased by 15.2% year-on-year. At the same time, it reached the level, which it held in 2014, that is before the crash of the production capacities, which were renewed at the end of 2016. The manufacture of metal products (-6.3%) and food products (-3.7%) were the only two divisions, which recorded a year-on-year decline in H1.

<sup>1</sup> Statistical data of the foreign trade in the national conception in the nominal terms including only the trade with goods. The value of exports is captured in the FOB prices, i.e. including the costs connected with the transport to the CR boundaries. Import depicted lower in this chapter is in CIF prices, i.e. including costs associated with the transportation abroad, up all the way to the CR boundaries. Data valid as of 6. 9. 2017.

Chart 9 **Current account of balance of payments**  
(cumulation of Q1 and Q2 in CZK bn)



Source: CNB

The value of imports also grew, among other things due to the increase of the prices of oil.

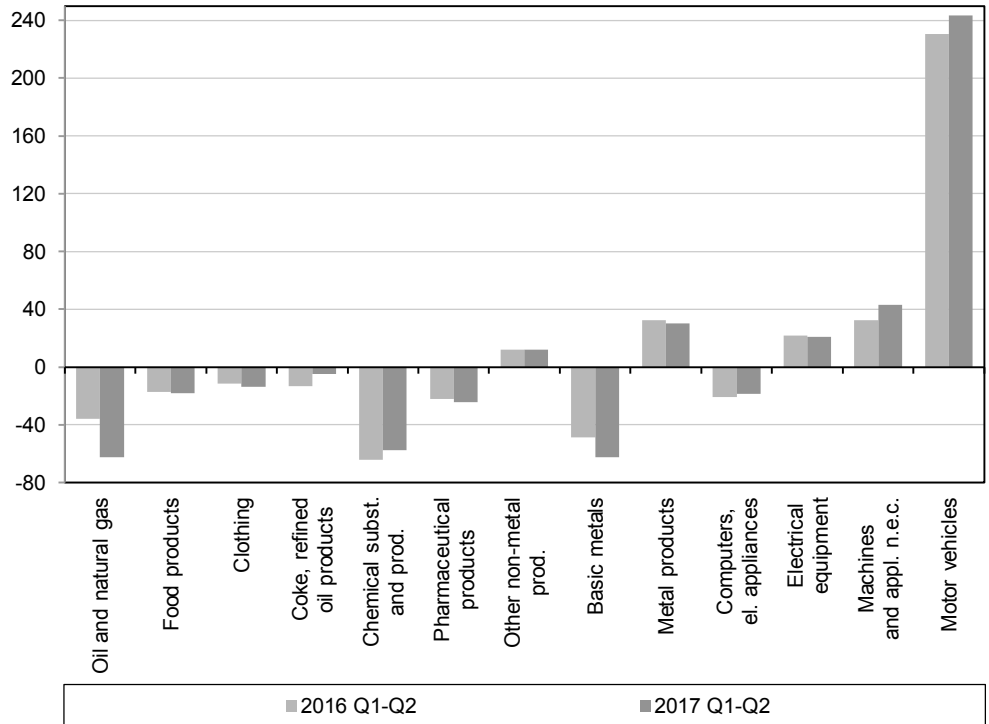
The goods worth 1 681.6 CZK bn were imported into the CR in H1, which is by 7.6% more in relation to the same period of the last year. Mostly the imports from countries outside the EU grew, where the oil and gas dominates, and whose growing prices also affected the nominal value of imports. The value of the imported oil and natural gas itself rose by 20.1 CZK bn (45.7%) year-on-year. The import from Russia, which is the majority source of this commodity, went up by 22.0 CZK bn (55.3%). The imports of basic metals markedly grew (19.5%, 22.2 CZK bn), motor vehicles experienced strong growth (11.2%, 28.7 bn) as well as the electrical equipment (10.0%, 11.6 bn). The value of imports of the metalworking products decreased by 6.2% (5.5 bn), for coke and refined oil products by 10.3% (2.7 bn) and slightly for the food products (-1.6%, 1.2 bn).

Foreign trade balance remains positive, even though slightly lower compared to the last year.

The foreign trade balance ended in surplus of 115.3 CZK bn in H1. This corresponds to the year-on-year decline of 7.2 bn. The deepening of the deficit of trade with countries outside the EU by 36.6 CZK bn stands behind this development, specifically mostly with Russia (deficit 27.0 bn, deepened by 16.2 CZK bn). The deficit with China also mildly deepened. The raising of oil prices is one of the reasons. The deficit of trade with oil and natural gas widened by 26.5 CZK bn, with basic metals by 13.8 bn. The long-term surplus of the trade with the motor vehicles or machinery on the contrary increased (by 13.1 bn and 10.6 CZK bn).



Chart 10 **Balance of foreign trade\* in foreign trade statistics** (accumulation Q1 and Q2, in CZK bn, selected divisions of the CZ-CPA classification)



\*in the national conception

Source: CZSO