4. External Relations

Value of exports slightly increased last year, mainly due to the strong second half of the year.

Value of exports of goods amounted to 3 630.8 CZK bn[1] in 2018. It constitutes a year-on-year increase in value of 117.9 CZK bn (3.4%). Exports of goods thus grew for the ninth year in a row. Development of year-on-year dynamics was especially in H1 affected by high comparative basis of year 2017 as well as the worsened situation in the area of motor vehicle exports (-1.0%, +1.7% in Q1 and 2). Second half of the year was however more successful with respect to exports (+5.4% in Q3). The value of exports of goods reached 952.7 CZK bn in Q4 and it increased by 68.3 CZK bn year-on-year (7.7%). It constituted the highest increase since Q1 2017.

Growth of the value of exports to Germany notably weakened last year. On the contrary, the exports to Netherlands, Spain and Sweden grew fast.

The territorial structure of export with respect to the main features remained practically the same last year. 83.9% of the whole exports of goods was destined into the EU countries. Nearly one third of the Czech export kept being directed to Germany. Relative increase of exports into EU (3.5%) was slightly higher than outside the Union (2.6%). Growth of exports to Germany weakened markedly (1.6%) compared to year 2017. Only the Q4 pulled up the yearly dynamics (+16.3 CZK bn, 6.0%). The value of exports to Germany stagnated during Q1 to 3. Smaller export destinations thus played a more significant role last year. The value of exports to Netherlands experienced a spike (13.9 CZK bn, 12.2%) last year and continued in the more than 40% increase from the previous year. Export to Spain (16.7 CZK bn, 16.3%) and Sweden (8.4 CZK bn, 15.6%) also had a strong addition. Export to Romania also reached a relatively high increase (10.3%, 5.2 CZK bn). Export to our nearest neighbours grew slower (Poland +3.7%, Slovakia +2.6%, Austria +4.3%). Export to Slovakia escaped the two year period of slumps last year. The slide of the value of export to Great Britain continued last year (-4.0%, -6.7 CZK bn). Increase of export outside the EU was impacted the most by Russia (+7.7 CZK bn, 11.0%). Export to Japan experienced a strong addition (+2.2 CZK bn, 19.5%).

Value of export of motor vehicles dropped for the first time since year 2009 last year.

Compensation however arrived on the part of computers, optical and electronic products. They managed to reach the second most significant position of export articles last year.

Motor vehicles remained the key article of the Czech export (27.1% of total value of export). Nevertheless, the value of export of motor vehicles sank for the first time since year 2009 last year year-on-year (-5.7 CZK bn, 0.6%). Year-on-year fall manifested during Q1 to 3. In contrast, the final quarter brought an increase of 23.2 CZK bn (9.8%, the most since Q1 2017). Export of computers, electronic and optical products grew strongly throughout the whole year (value increased by 53.7 CZK bn for year 2018, 15.7%). Last year´s increase, which followed the year 2017, was so large, that this article in volume approached the second most significant export article – machinery and equipment. Their export also grew moderately last year (+13.1 CZK bn, 3.3%). Export of electrical equipment also maintained its growth (+11.9 CZK bn, 4.0%), dynamics of export of basic metals accelerated (+11.5 bn, 8.3%). Notable increase of the electricity prices also raised the increase of value of exported electricity, gas, steam and air conditioning supply by 7.9 CZK bn (31.4%). Products of agriculture and forestry faced slump of 4.3 CZK bn (10.8%) last year. The whole decrease was however created in the first half of the year, mainly due to the fall of prices of some products. A mild growth of the value of export in Q2 manifested despite the lower harvest. It was because the prices of related crops were raised significantly.

Import driven by strong domestic demand grew more than export during the year. Turn occurred only in Q4.

Continuing growth of the domestic demand was among other things saturated by import. The value of imported goods attained 3 508.5 CZK bn in 2018 and expanded by 159.1 bn (4.7%). Import dynamics exceeded export during Q1 till 3. The additions shrank slightly only in Q4 (63.2 CZK bn, 7.3%). In total, goods in the value of 930.9 CZK bn were

[1] 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 11.3.2019.

imported by the end of the year (900 bn boundary was overtook for the first time). Import grew both from the EU countries (+74.5 CZK bn, 3.3%) and countries outside the EU (+84.9 CZK bn, 8.1%). Especially China affected the improved dynamics of import from countries outside the EU last year (+39.2 CZK bn, 11.9%), experiencing marked acceleration of the year-on-year growth in the second half of the year (17.8% and 18.4%, resp. +13.9 CZK bn and +17.5 CZK bn in Q3 and 4). The value of import from the United States grew relatively fast (+7.4 CZK bn, 8.7%). Import form Russia increased (+6.9 CZK bn, 6.0%). Even in this case a considerable acceleration occurred in the second half of the year. Mostly Germany was behind the weaker last year´s dynamic of imports from the EU (+19.7 CZK bn, 2.2%). Import from Poland (4.5%) and Slovakia (4.3%) maintained a mild growth. Import from France markedly accelerated (+7.0 CZK bn, 6.4%).

Raised prices of some commodities significantly influenced the development of import last year.

Import development according to the individual divisions of the production classification shared many similar features with the export described above. Value of import of motor vehicles fell for the first time since year (-2.6 CZK bn, -0.5%). Raised prices sharply increased the value of import of electricity, gas, steam and air conditioning supply (+7.5 CZK bn, 37.7%). Massive acceleration led to the increase of value of imported computers, electronic and optical products by 34.7 CZK bn in the end in the second half of the year (9.3%, increase can be linked to the accelerated import from China). Raised oil prices were mirrored in the increased value of import of coke and refined oil products by 15.5 CZK bn (29.0%), oil and natural gas by 14.8 CZK bn (12.3%) and indirectly by acceleration of dynamics for chemical products to +15.5 CZK bn (5.7%). There were by 10.6 CZK bn more of other motor vehicles imported (30.5%) than in year 2017. Value of import of food products fell (-3.9 CZK bn, -2.6%).

Surplus of the foreign trade balance shrank by 42.2 CZK bn last year.

Balance of foreign trade with goods attained a surplus of 122.3 CZK bn last year. Surplus was 41.2 CZK bn lower compared to year 2017 and it was the lowest since year 2013. Year-on-year slump was recorded in Q1 till 3. Surplus comprised 21.7 CZK bn in Q4 and it grew by 5.0 bn year-on-year. Shrinking of the last year´s surplus was the consequence especially of the deepening of trade deficit of countries outside the EU by 70.2 CZK bn (the most since 2010). Worsening balance with China by 37.4 CZK bn had the largest effect, lower surplus with Turkey by 8.1 bn and deepening of the deficit with the United States by 5.3 bn was also significant. On the contrary, the trade with the European Union improved the balance by 28.5 CZK bn year-on-year. Balance surplus with the Netherlands grew by 9.7 bn, similarly with Spain it expanded by 16.9 bn and by 6.4 CZK bn with Sweden. Weaker results of the foreign trade with Germany were also visible on the balance – the surplus shrank by 2.2 CZK bn. Trade deficit with Poland deepened by 4.5 CZK bn.

For countries outside the EU, the deepening of the deficit was the strongest since year 2010.

Balance worsening originated among other things in raised oil prices.

Look at the balance development from the view of the classification of production suggests, that among other things the raised prices of oil stand behind the worsening – for oil and natural gas the deficit worsened by 13.3 CZK bn, for coke and refined oil products by 12.0 bn, chemical products also recorded a larger deepening (-9.0 bn). Notable increase of import of other transport equipment resulted in worsening of the balance surplus by 12.4 CZK bn. Computers, electronic and optical products had the largest positive influence on the balance (+18.9 CZK bn). Subsequent deficit of 13.8 CZK bn was the best result of this classification division in the whole available time series.

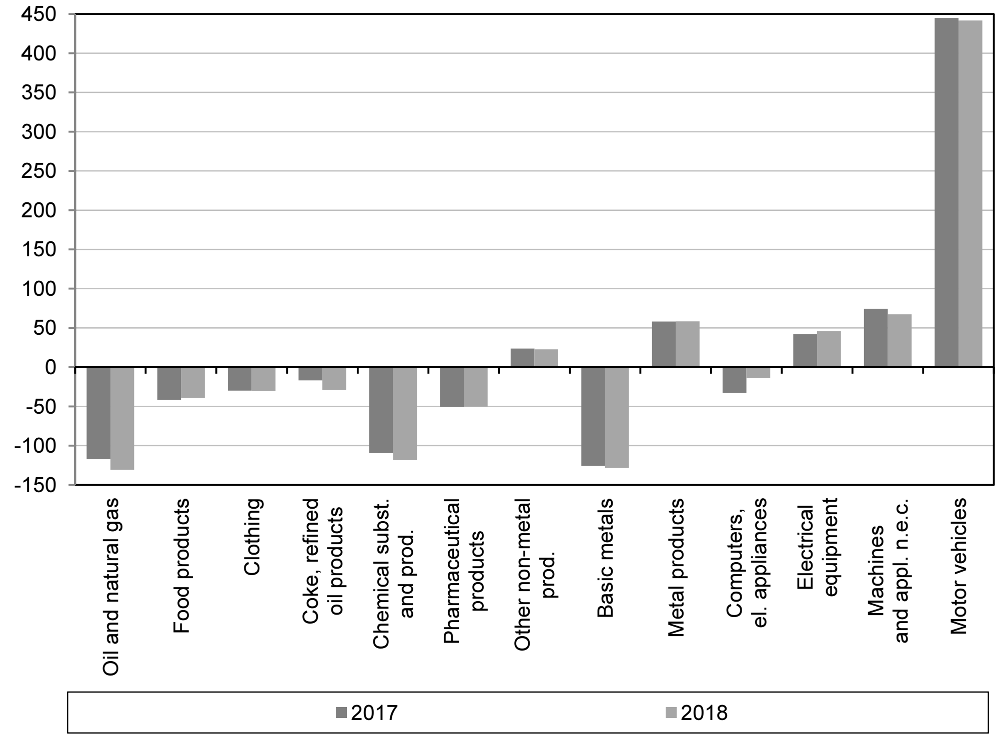
Deficit of primary income with non-residents moderated by 39.9 CZK bn year-on-year last year.

Total balance of primary income flows between residents and non-residents arrived at -270.8 CZK bn in 2017. The deficit shrank by 39.9 bn compared to year 2017. The negative balance of property income (-325.2 CZK bn) became the largest source of deficit. This balance improved by 46.5 bn year-on-year. Profits from foreign direct investment of foreign owners reached 414.6 CZK bn last year, which presented 7.8% of GDP and year-on-year decrease of 37.8 bn. In that 293.9 CZK bn flew out abroad in the form of dividends and 120.6 bn was reinvested. The volume of paid out funds increased by 18.0 bn compared to the preceding year specifically to the detriment of reinvestment, where the slump was 55.8 CZK bn. Profits of residents from foreign direct investment attained 65.0 CZK bn last year and 49.7 bn was reinvested. The volume of funds, which flew in the form of employee compensations in the direction from non-residents[2] to residents, increased only mildly (by 2.1 CZK bn to 66.5 bn) in 2018. On the contrary, non-residents added 36.0 CZK bn in the form of compensations (+9.3 bn). Resulting balance reached 30.5 CZK bn and decreased by 7.2 bn year-on-year.

Volume of investment subsidies from abroad markedly increased.

The non-residents added 131.4 CZK bn to their accounts via the other transfers (taxes, social contributions and benefits and other current transfers), 76.2 bn in the opposite direction. The resulting balance thus worked in the direction of deficit of current transfers of residents with non-residents. Due to the significant surplus of the trade with goods and services, the final balance of current transactions remained positive and amounted to 3.9 CZK bn. The capital transfers balance also ended positive and arrived at 60.8 CZK bn. Because 63.7 CZK bn poured in from abroad (mainly in the form of heightened volume of investment subsidies). Also due to the increased income of capital transfers, the net borrowings (sum of the current and capital transfers balance adjusted for net non-financial asset acquisition) increased by 13.3 CZK bn and reached 54.9 bn.

Chart 9 Balance of foreign trade* in foreign trade statistics (accumulation of the whole year, in CZK bn, selected divisions of the CZ-CPA classification)



Source: CZSO
*in national conception

[2] Non-residents represent a grouping of units regardless of the attributes of their roles and resources. These are for example representative bodies of foreign countries or international organizations, which were established and operate on the basis of the international agreements or detached parts of parent company (e.g. branches of manufacturing businesses, banks and insurance companies).