

External Economic Relations

- ***Worsened development of balance payment account***

Total amount of three main account of balance of payments (current, capital and financial) recorded a negative shift from a surplus of CZK 85.3 milliard in H1 2005 to a deficit of CZK 27.7 milliard in H1 2006. The reason was a significant drop in a surplus of financial account (from CZK 93.1 milliard to CZK 21.2 milliard) and an enlargement of current account deficit (from CZK 10.5 milliard to CZK 47.8 milliard). The worsening occurred in all components of current account (nominally most in current transfers affected in Q2 2006 by one-off transfer resources to EU budget). Balance of yields whose deficit deepened to historically highest CZK 85.9 milliard (against CZK 76.9 milliard in H1 2005), owing to outlays connected with previous inflow of direct investments means a risk for external equilibrium. Inflow of direct investments to the CR (the y-o-y balance of direct investments dropped from CZK 166.6 milliard to CZK 42.5 milliard) and deepening of a negative balance of portfolio investments (from CZK -40.8 milliard to CZK -20.5 milliard) was given by a residents' demand on foreign stocks caused a fall of financial account. Whilst in H1 2005 the current account balance amounted to only one tenth of financial account surplus being easy financed, in the equal period of 2006 the financial account surplus amounted less than one half of current account deficit.
- ***Almost selfsame assets of foreign trade***

During H1 2006 goods amounted to CZK 1 037.6 milliard was exported which was more by 14.3% y-o-y under accelerated growth by 5.9 p. p. It was imported goods amounted to CZK 1 000.4 milliard which was by more than 15.0% y-o-y under accelerated growth (by 11.9 p. p.). The y-o-y coverage of imports by exports amounted to 104.3% in H1 2005 decreased by 0.7 p. p. and a faster speedup of imports growth presents in drop of foreign trade assets. The half-year assets amounted to CZK 37.2 milliard was only imperceptibly lower on a year before; it influenced a changes of current account balance negatively. In H1 2006 the y-o-y not too imported trade balance change consisted of two quite different quarterly changes (CZK 3.7 milliard in Q1 and CZK -3.8 milliard in Q2).
- ***Considerable structural changes in goods operations***

On one hand a surplus of exports of machinery and transport equipment to imports (by CZK 37.6 milliard) from point of view of structure of goods, on the other volume of imports outstripped exports of mineral fuels, oils and other materials (by CZK 26.8 milliard). A surplus in semi-finished goods and materials (by CZK 7.5 milliard) markedly decreased; a deficit in chemicals and chemical products (by CZK 2.3 milliard).
- ***Revaluating of the Czech koruna continued***

A nominal rate of exchange 28.49 CZK/EUR and 23.20 CZK/USD in average in H1 developed differentially. Whilst the Czech *koruna* against EUR constantly valued y-o-y, in Q1 against USD depreciated and in Q2 appreciated. In total in H1 the Czech *koruna* appreciated against EUR by 3.7% y-o-y and against USD by 1.0%. Index of nominal effective rate of the Czech *koruna* appreciated by 4.7% in H1 y-o-y. The real effective index expressed at prices of industrial producers depreciated by 0.3%. On the contrary the real effective rate deflated by consumer process appreciated by 4.8%.
- ***Drop in foreign currency reserve in CNB***

Drop in foreign currency reserve registered by balance of payments was in H1 only CZK 0.4 milliard (without rate differences). To the end of H1 the foreign currency reserve in CNB amounted to CZK 681.6 milliard was by CZK 64.9 lower (by 8.7%) on a year before and is sufficient to cover import of goods and services for 3.7 months.