

4. External Relations

Total value of exported goods increased in 2019. Q4 however brought a slump.

Value of export of goods attained 3 687.5 CZK bn¹ in 2019. Export of goods has been growing continuously for the last ten years and even the economic slowdown of major business partners did not prevent this growth last year. Value of export expanded by 71.3 CZK bn (2.0%) last year, the least since year 2016. Yearly result deteriorated mainly by Q4, when the export amounted to value of 912.2 CZK bn and it sank by 34.8 bn (-3.7%) year-on-year. Year-on-year decrease manifested for the first time since Q1 2018, partially it was however the consequence of high comparative basis². Last year's Q4 also featured one working day less compared to year 2018.

Export into the EU grew slower than export outside the EU.

Structure of Czech export also slightly featured the slowdown of economic growth in the European Union last year. Value of exports directed to the EU³ as well as outside of the EU went up, the increase of exports to the EU was however smaller (1.4%, 41.8 CZK bn). Export outside the EU expanded by 5.1% (29.5 bn). Export to Germany (1.1%, 12.0 CZK bn), Netherlands (1.1%, 1.4 bn) and Poland (1.3%, 2.9 bn) recorded weak increase last year. While the two preceding years were exceptionally successful from the view of the Czech export in case of Netherlands (increases by 34.0 and 12.7 CZK bn in years 2017 and 2018), export to Germany experienced a weak increase already in year 2018. Value of export to Sweden (-5.9%, -3.7 CZK bn), Italy (-3.6%, -4.9 bn), Great Britain (-2.1%, -3.4 bn) or Austria (-1.2%, -1.9 bn) decreased last year. Export to Hungary experienced the opposite and increased considerably (10.4%, 11.5 CZK bn) and the rates of growth remained robust for Romania (6.3%, 3.5 bn), Spain (4.4%, 5.2 bn), Slovakia (3.9%, 12.6 bn) and France (3.3%, 5.9 bn). Value of export to Russia as well as the United States went up by 10.5% (over 8.0 CZK bn). Export to Switzerland recorded increase in the size of 8.7% (4.2 bn). Export growth was relatively significant in case of Japan (11.4%, 1.5 bn). In Q4 itself, export into the EU countries fell year-on-year by 5.0% (-39.8 CZK bn), while the growth of export into the countries outside the EU was kept at 3.2% (5.0 bn). Export into the majority of EU countries, that have a significant business relationship with the CR, sank year-on-year in this quarter. Hungary (+9.8%) and Romania (+7.0%) formed the exception. Strong growth of export into Russia was maintained in Q4 (9.3%).

Export of motor vehicles contributed the most to total increase. Export of other products grew slower.

Motor vehicles contributed the most to the growth of the value of export last year (+38.3 CZK bn, 3.9%, the value of their export overtook 1 CZK trillion for the first time). Increase of export of other transport equipment (+6.8 bn, 13.1%), food products (+6.6 bn, 6.1%, partially due to strong growth of prices) and basic pharmaceutical products (4.8 bn, 10.3%) was also strong. Calamitous bark beetle situation also led to sharp increase of export of products of forestry and wood logging (+4.4 bn, 32.0%). Increase of export of chemicals and chemical products was substantial (+5.2 bn, 3.1%). Among the smaller branches, for instance the export of wearing apparel (+2.9 CZK bn, 10.8%) or paper and paper products (+3.9 bn, 6.8%) fared well. Decline manifested for some significant export goods. Export of machinery and equipment rose by 8.6 CZK bn last year (2.1%) which is the least since decrease in year 2013. Export of electrical appliances rose only by 2.3 bn (0.7%) and the export of metal products by 2.1 bn (0.9%). Export of basic metals dived strongly (-11.3 CZK bn, -7.6%). Export of computers, electronic and optical products⁴ dropped by 2.5 bn (-0.6%) following an

¹ Statistical data of the foreign trade in 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 are valid as of 9.3.2020.

² From the view of export, Q4 2018 was the best quarter of the relevant year, but also of the whole preceding time series, only Q2 of this year, which is regularly the strongest time period of the year, exceeded it.

³ EU28 including Great Britain.

⁴ Apart from the high comparative basis, the transfer of some parts of production from the category of goods into the category of services was evident in the branch.

extraordinary spike in years 2017 and 2018. Value of export of electricity, gas, steam and air conditioning supply (-2.9 CZK bn, -8.7%), black and brown coal and lignite (-1.9 bn, -24.3%) and wood and wooden products (-1.6 bn, -3.9%, first decrease since year 2009) also markedly decreased. Computers, electronic and optical products (-9.2 CZK bn, -8.3%), further motor vehicles (-7.1 bn, -2.8%), basic metals (-5.6 bn, -16.0%), machinery and equipment (-3.1 bn, -3.0%) and electricity, gas, steam and air conditioning (-3.0 bn, -27.3%) contributed the most to the total year-on-year decline in Q4.

Import grew slower than export last year and its slump was also more evident towards the end of the year.

Total import reached value of 3 542.0 CZK bn in 2019. Regarding the tight relations of import to production in the domestic economy, the development attributes of both import and export are similar. Total year-on-year increase of the value of import attained 24.2 CZK bn (0.7%) last year, again the least since year 2016. Similarly to export, a year-on-year slump of the value of import occurred in Q4 (-34.3 CZK bn, -3.7%) and import thus reached value of 900.9 CZK bn. In 2019, value of import from the EU fell year-on-year (-0.8%, -18.3 CZK bn) and import from other destinations grew (3.4%, 38.5 bn), however at slower pace than in the previous year. Mainly Slovakia stood behind the decline of import from the EU (-9.0%, -17.3 CZK bn), decreases for Great Britain (-7.4%, -4.5 bn, import has been falling for third year) and Germany (-0.4%, -3.9 bn, first decrease since year 2009) were also appreciable. Import from Russia sank significantly (-10.5%, -13.4 CZK bn). However, value of import from China (5.2%, 19.0 bn), the United States (5.6%, 5.1 bn) or Japan (4.9%, 3.0 bn) increased markedly. Q4 itself brought a downfall of import from majority of significant business partner countries apart from the United States (+10.2%), Spain (+2.8%), Netherlands (+2.5%) and Japan (+1.8%).

Raised prices strengthened the value of import of food products.

Motor vehicles (+13.1 CZK bn, 2.4%), food products (+11.4 bn, 7.8%, partially because of the raised prices) and basic pharmaceutical products (+8.5 bn, 8.8%) contributed the most positively to the relatively low increase of value of import last year. Increase for wearing apparel was also quite high (5.9 CZK bn, 10.3%). Growth of import of some significant articles sharply reduced – machinery and equipment (5.6 bn, 1.6%), computers, electronic and optical products (4.1 bn, 1.0%) or chemicals and chemical products (0.2 bn, 0.1%). Basic metals (-16.5 CZK bn, -5.9%), electricity, gas, steam and air conditioning supply (-9.1 bn, -33.1%), coke and refined oil (-7.9 bn, -11.5%), oil and natural gas (-5.9 bn, -4.4%) or other transport equipment (-5.4 bn, -11.5%) recorded strong decreases. Basic metals (-8.4 CZK bn, -12.3%), oil and natural gas (-7.0 bn, -17.2%), machinery and equipment (-6.9 bn, -7.5%) and electricity, gas, steam and air conditioning supply (-4.1 bn, -49.8%) contributed the most to the strong year-on-year slump of the import value experienced in Q4. Import of food products (3.2 bn, 8.0%) and basic pharmaceutical products (1.9 bn, 7.6%) grew the most year-on-year in Q4.

Traditional surplus of trade with goods rose the most since year 2012 last year.

Foreign trade balance with goods reached a surplus of 145.6 CZK bn last year. At the same time, the positive balance increased by 47.1 CZK bn last year, the most since year 2012 (affected by the CNB forex intervention and depreciation of the foreign exchange). Result was mostly impacted by weakening of import. Described increase of surplus originated especially in Q2 and Q3. Surplus totalled 11.3 CZK bn in Q4 and fell by 0.5 CZK bn year-on-year. Last year's increase of surplus was exclusively caused by the positive balance of trade with the EU (+60.1 CZK bn), in contrast the existing deficit with rest of the world deepened by 9.0 bn. Especially the balance with Slovakia (+30.0 CZK bn), Germany (+15.9 bn) and Hungary (+13.0 bn) improved. Trade with Russia achieved marked moderation of the deficit (by 21.5 CZK bn). China mostly had the effect in the direction of deficit of trade with goods last year (-18.0 CZK bn). The situation was reversed compared to the cumulation for the whole year in Q4.

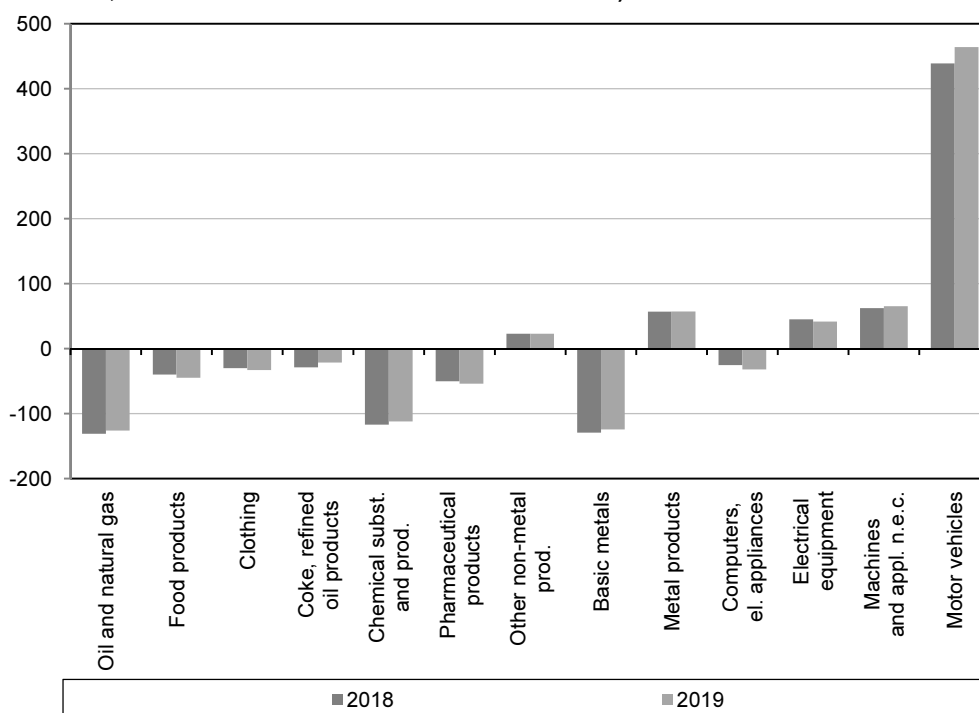


Surplus of the trade with the EU sank by 12.5 CZK bn year-on-year and on the contrary the deficit with countries outside the EU reduced by 12.3 bn. Trade balance with the EU was adversely affected mostly by the fall of surplus for Germany (-7.7 bn), Netherlands (-4.0 bn), Spain (-2.8 bn) and Austria (-2.9 bn) in the last quarter. Trade balance with Russia improved towards the end of the year (+7.2 bn).

Motor vehicles supported improvement of the balance the most.

Sale of motor vehicles (+25.2 CZK bn) and other transport equipment (+12.2bn) were the most instrumental in the last year's surplus in the year-on-year comparison. Improvement of balance for coke and refined oil products (+7.4 CZK bn), electricity, gas, steam and air conditioning supply (+6.1 bn), oil and natural gas (+5.0 bn) and chemicals and chemical products (+4.9 bn) was also significant. Surplus strongly expanded for trade with products of forestry and timber logging (+4.8 CZK bn) and the trade with paper and paper products shifted from deficit into the surplus thanks to improvement by 4.8 bn for the first time in the available time series. Trade balance with computers, electronic and optical products (-6.6 CZK bn) and basic pharmaceutical products (-3.7 bn) worsened more markedly last year. Specifically, in Q4, trade with oil and natural gas (+6.2 CZK bn), machinery and equipment (+3.8 bn), basic metals (+2.8 bn) and chemicals and chemical products (+2.6 bn) contributed the most in the direction of surplus. Mostly computers, electronic and optical products (-8.3 bn), motor vehicles (-7.1 CZK bn) and food products (-1.9 bn) had a deficit effect.

Chart 8 Balance of foreign trade in foreign trade statistics (cumulation of the whole year, in CZK bn, selected divisions of the CPA classification)



Source: CZSO

Surplus of foreign trade with services notably declined last year.

Based on the CNB data regarding the balance of payments, the surplus of trade with services decreased by 18.3 CZK bn year-on-year last year and attained 103.7 bn. More detailed data show a marked deepening of the deficit for other business services⁵ (by 16.7 CZK bn). Deficit deepened here due to sharp spike in import. Surplus slumped also for services in transportation (decrease by 12.5 CZK bn to 22.3 bn). Parallely, the value of export fell here last year and their import increased. Trade

⁵ It concerns heterogeneous grouping consisting of services of research and development, professional and administrative consultancy services, services associated with waste and pollution, agricultural and mining support service activities, operational leasing and services linked to the transportation of water, gas, steam, oil products and air condition supply.

with telecommunications services and services in the field of computers and information services (surplus growth of 10.5 CZK bn to 50.3 bn) exerted on the contrary favourable influence. The value of their export markedly increased last year and these services also constituted the largest part from the total surplus. Surplus of trade with production services at foreign physical inputs⁶ (42.0 CZK bn) and tourism (32.7 bn) remained practically unchanged.

Primary income deficit reduced by 37.6 CZK bn last year.

Balance of flows of primary incomes between residents and non-residents summed -254.0 CZK bn last year. Traditional deficit shrank by 37.6 bn last year. Negative balance of property income was the main source of deficit, it totalled -293.1 CZK bn. Its improvement by 50.1 bn arose mainly by the increase of property income of residents abroad by 40.7 CZK bn (practically the whole addition was passed to reinvested profits of residents from foreign direct investment, which rose to 91.7 bn). Property incomes of non-residents in the domestic economy arrived at 485.9 CZK bn last year, in that nearly 401 bn (7.1% of GDP) presented the profits from direct investment. From that, 82.0 CZK bn was reinvested (by 52.4 bn less than in year 2018) and 321.2 bn left abroad in the form of distributed incomes of corporations (by 15.7 bn more year-on-year). Counterweight to the property incomes deficit is the positive balance of employee compensation, which reached 17.4 CZK bn last year and lowered by 13.3 bn year-on-year. Only moderate increase of funds, which was credited to residents in the form of compensations from non-residents (68.1 CZK bn, +1.4 bn) was accompanied by increase of compensations paid out to non-residents by 14.7 bn to 50.8 bn.

Volume of investment subsidies from abroad reached 61.3 CZK bn last year.

Non-residents credited themselves 138.6 CZK bn via the other transfers⁷, it was 89.2 bn in the opposite direction. Resulting balance was thus reduced by 6.3 CZK bn to 49.4 bn. Together with the deficit of primary incomes it worked in the direction of the deficit of current transactions of residents with non-residents, still the foreign trade surplus was adequately high for the final balance to be positive in the amount of 40.8 CZK bn (improvement by 48.0 bn). Surplus of capital transfers balance was 53.9 CZK bn last year, especially thanks to notable inflow of funds from abroad (63.3 CZK bn, in that 61.3 bn in the form of investment subsidies). Net borrowing⁸ thus rose by 20.7 CZK bn last year and arrived at the amount of 62.1 bn.

⁶ It is the assembly of products from supplied components.

⁷ Taxes, social contributions and benefits and other current transfers.

⁸ Sum of balance of current and capital transfers adjusted for net non-financial assets.

