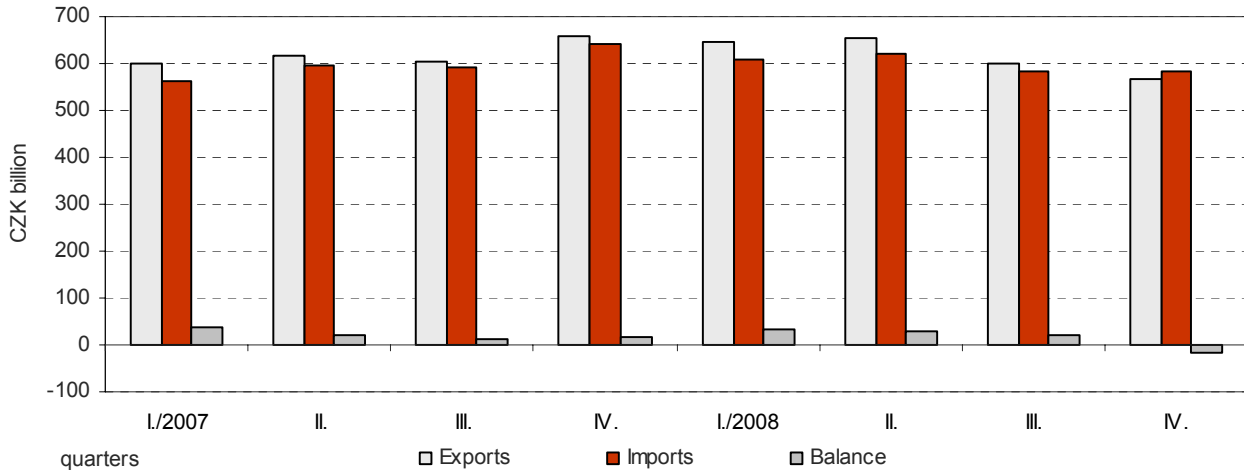


External trade of the Czech Republic in 2008

For the first time since the Czech Republic joined the European Union and for the second time in the history of the Czech Republic **external trade turnover** was down y-o-y. In comparison to 2007 external trade turnover dropped by 0.2%, i.e. by CZK 8.5 bn (as against a y-o-y increase of 14.6% in 2007), as a result of a fall in exports, for imports nearly stagnated at the 2007 level. The balance of external trade showed the second highest surplus (yet by CZK -19.1 bn lower in comparison to 2007) after the split of the Federation. External trade in all the year 2008 reflected various development trends in individual quarters.

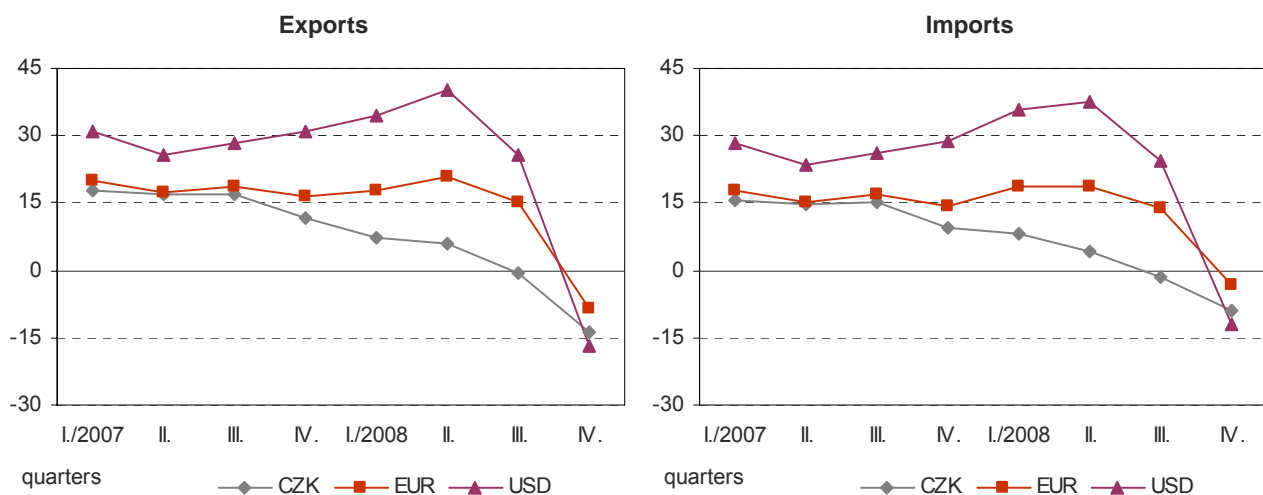
Graph 1 – External trade by quarters of 2007 and 2008



Exports were down by 0.6% (CZK -13.8 bn) y-o-y and reached CZK 2 465.4 bn. Behind these figures are different development trends in individual quarters. The y-o-y growth of exports by 7.1% in Q1 slowed down to 6.0% in Q2, a fall of 0.5% was recorded in Q3 and the fall grew to 13.7% in Q4. Due to appreciation of CZK against EUR and USD exports in EUR and USD increased by 10.6% and 18.9% respectively. Exports were down to all groups of countries except CIS countries where they grew by 15.1% (CZK +13.9 bn). Y-o-y percentage decrease was the lowest in exports to EU countries, the highest in exports to other states, followed by exports to other developed market economies, EFTA states, European transition economies and developing economies; the fall in trade volume was the highest in exports to EU countries (CZK -14.1 bn), followed by exports to other developed market economies (CZK -8.5 bn), EFTA states (CZK -3.5 bn), developing economies (CZK -2.1 bn), European transition economies (CZK -1.8 bn) and other states (CZK -1.6 bn).

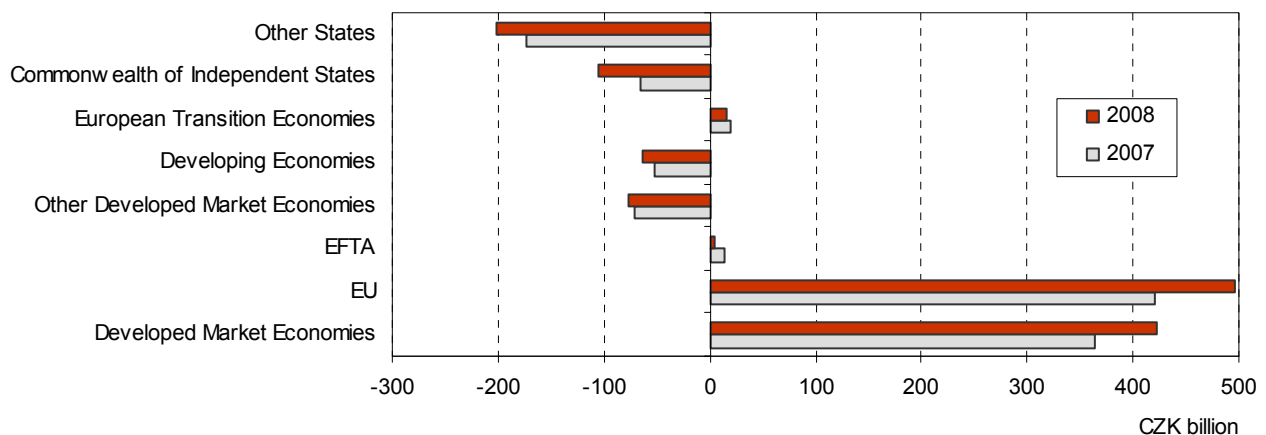
Imports were up by 0.2% (CZK +5.3 bn) y-o-y and stood at CZK 2 396.6 bn. Like in exports, the all-year development trend was affected by various growth rates in individual quarters. The growth of 8.3% in Q1 slowed down to 4.3% in Q2 and turned into decreases of 1.7% and 9.9% in Q3 and Q4 respectively. Due to appreciation of CZK against EUR and USD imports in EUR and USD rose by 11.5% and 19.5% respectively. With the exception of EU countries (-5.3%) and other developed market economies (-1.1%), imports from all groups of countries increased. The highest percentage rise was recorded in imports from CIS countries, European transition economies, other states, EFTA states and developing economies; the highest increase in trade volume was observed in imports from CIS countries (CZK +53.2 bn) and other states (CZK +27.2 bn), followed by imports from developing economies (CZK +7.7 bn), EFTA states (CZK +4.8 bn) and European transition economies (CZK +1.5 bn).

Graph 2 – Y-o-y changes in exports and imports (in %) by quarters of 2007 and 2008



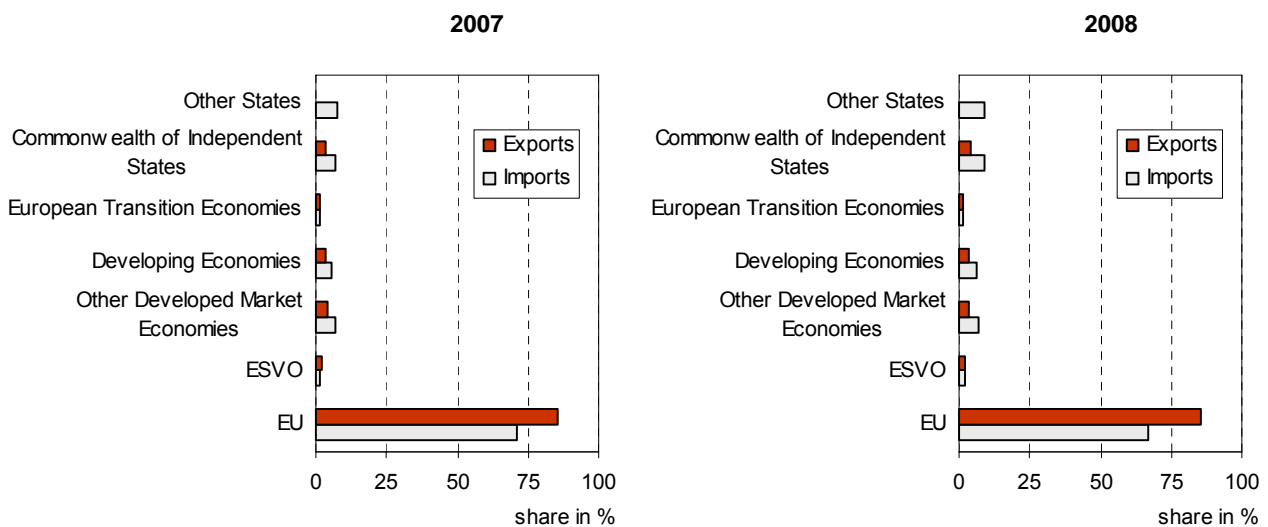
External trade surplus reaching CZK 68.8 bn (by CZK 19.1 bn lower y-o-y) resulted from positive (yet decreasing) trade balance figures in Q1, Q2 and Q3 (CZK 34.1, CZK 30.8 bn and CZK 19.3 bn respectively) and trade deficit in Q4 (CZK 15.4 bn). Trade balance with EU countries yielded a surplus of CZK 495.6 bn (CZK +75.0 bn y-o-y) and trade balance with non-EU countries reached a deficit of CZK 426.8 bn (increase CZK 94.0 bn on 2007). Trade deficit with non-EU countries was mainly affected by deficit with other states and CIS countries, also by deficit with other developed market economies and developing economies. Deficit deteriorated in trade with CIS countries (by CZK 39.3 bn), other states (by CZK 28.7 bn), developing economies (by CZK 9.8 bn) and other developed market economies (by CZK 6.6 bn). The total trade deficit of European transition economies and EFTA states with non-EU countries was cushioned by a surplus which dropped by CZK 3,3 bn and CZK 8.3 bn respectively y-o-y.

Graph 3 – Trade balance by group of countries in 2007 and 2008



In 2008, the **shares of exports** to all groups of countries in total CR exports decreased, except the shares of exports to CIS countries (+0.6 p.p.) and other states (which remained at the 2007 level); the **shares of imports** to EU countries (-3.9 p.p.) and other developed market economies (-0.1 p.p.) in total CR imports dropped; the shares of the remaining groups of countries rose or remained at the 2007 level.

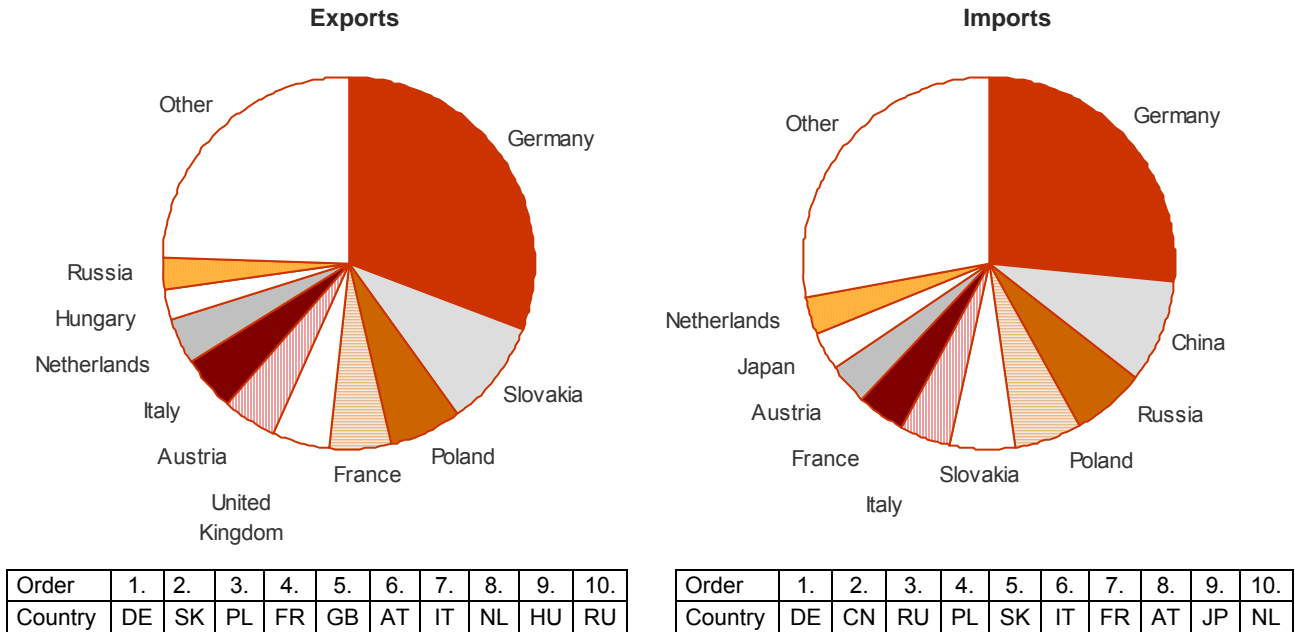
Graph 4 – Exports and imports by group of countries



A prevailing part of exports (over three quarters) in 2008 went to 10 countries, especially to Germany. Under a slight decrease of exports to Germany by 0.6% (CZK -4.3 bn) y-o-y, the share of CR exports to Germany in total CR exports remained at the 2007 level (30.7%). The share of CR exports to the remaining nine countries in total CR exports ranged from 2.7% (the Russian Federation) to 9.2% (Slovakia). Exports to Slovakia, like exports to Poland, recorded an above-the average growth y-o-y. The shares of CR exports to Slovakia and Poland in total CR exports (9.2% and 6.5% respectively) were the second and third highest among the shares of CR exports and grew by 0.5 p.p. and 0.6 p.p. respectively y-o-y. Also France, the United Kingdom, Austria, Italy, the Netherlands, Hungary (i.e. EU27 countries) and the Russian Federation belonged to major trading partners of the Czech Republic. Just the growth of exports to the Russian Federation by 17.2% (CZK +9.9 bn) y-o-y was among the highest ones and increased the share of CR exports to the Russian Federation in total CR exports by 0.4 p.p. in comparison to 2007.

A significant part of imports (over 72%) in 2008 **came from 10 countries**. The largest value of imports, albeit by CZK 30.3 bn lower y-o-y, came from Germany whose share in total CR imports shrank by 1.3 p.p., y-o-y. The share of CR imports from the remaining nine countries in total CR imports ranged from 3.1% (the Netherlands) to 8.9% (China). Among the 10 main countries in terms of imports seven were EU countries and three non-EU countries; among these, China and the Russian Federation took the second and third place in total CR imports. Imports from China and the Russian Federation, along with imports from Japan, which took place nine in total CR imports (share 3.3%) grew more than the average. Imports from the Russian Federation rose by over a third (CZK +39.3 bn), imports from China by 14.4% (CZK +26.7%) and from Japan by 2.5% (CZK +2.0 bn). Among EU countries, only imports from Slovakia and Poland grew; imports from Austria, Italy, the Netherlands and France were down y-o-y.

Graph 5 – Most important trading partners of the Czech Republic in 2008



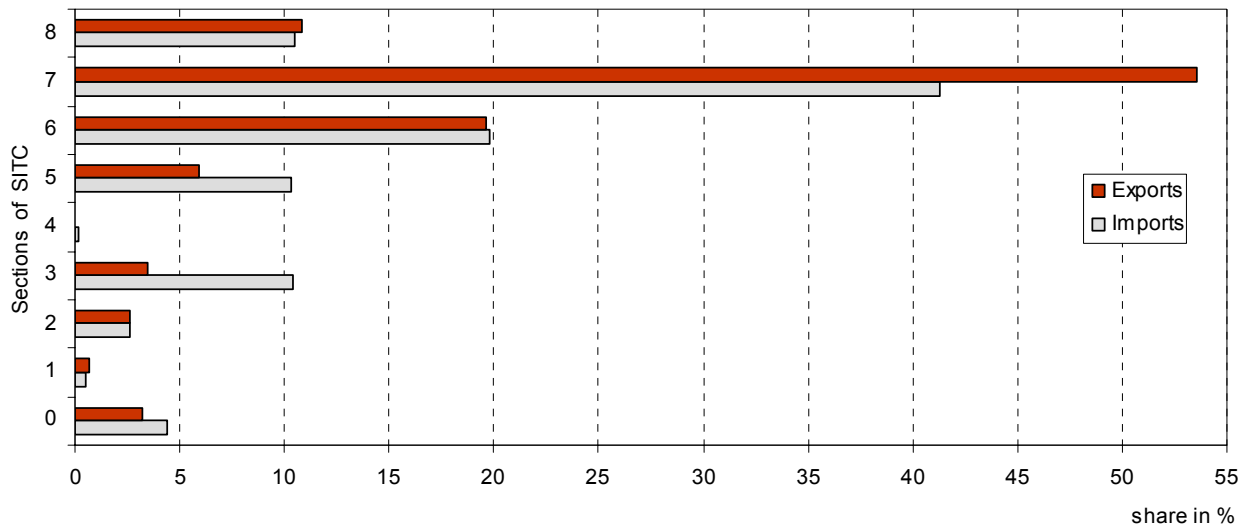
The balance of external trade and its y-o-y changes by **group of countries** reflected trade balance with the main trading partners. The total surplus of external trade with EU countries was favourably affected by trade surpluses with Germany, Slovakia, the United Kingdom, France, Austria, Romania and the Netherlands, which reached CZK 381.9 bn in total (improvement CZK 73.1 bn y-o-y). Among the negative effects was deficit in trade with non-EU countries, especially with China, the Russian Federation and Japan; trade deficit with these three countries stood at CZK 355.2 bn in total (deterioration CZK 59.7 bn y-o-y).

Commodity structure of external trade showed low growth rates of exports and imports in most SITC sections. Y-o-y decreases were registered in **exports** of 'crude materials, inedible, except fuels', 'miscellaneous manufactured articles', 'manufactured goods classified chiefly by material' and 'machinery and transport equipment' where the fall of CZK 23.0 bn was among the largest ones. Behind the lower exports of 'machinery and transport equipment' are mainly lower exports to EU countries (CZK -30.8 bn y-o-y) because, for example, exports to CIS countries grew by CZK 13.3 bn. The second highest fall (CZK -17.2 bn) occurred in exports of 'manufactured goods classified chiefly by material' (exports to EU countries CZK -11.8 bn). Decreases in **imports** were recorded for 'machinery and transport equipment' by CZK 37.1 bn (imports from EU countries by CZK 57.8 bn), 'manufactured goods classified chiefly by material' by CZK 26.9 bn (imports from EU countries by CZK 25.8 bn), 'beverages and tobacco' and 'chemicals and related products n.e.s.' The decrease in imports of 'machinery and transport equipment' from EU countries was partly compensated for by higher imports from other states by CZK 16.7 bn and from developing economies by CZK 8.8 bn. Imports of commodities in other SITC sections increased y-o-y, the most in 'mineral fuels, lubricants and related materials' (CZK +58.3 bn – mainly imports from CIS countries by CZK 48.2 bn and from EFTA states by CZK 5.8 bn) and 'miscellaneous manufactured articles' (CZK +9.8 bn – especially imports from other states by CZK 9.2 bn).

Y-o-y increases in **trade surplus** were apparent in 'machinery and transport equipment' (by CZK 14.1 bn) and 'manufactured goods classified chiefly by material' (by CZK 9.6 bn); y-o-y decreases were observed in 'miscellaneous manufactured articles' (by CZK 12.4 bn) and 'crude materials, inedible, except fuels' (by CZK 3.5 bn). **Trade deficit** widened in 'mineral fuels, lubricants and related materials' (by CZK 40.7 bn y-o-y) and decreased in 'chemicals and related products, n.e.s.' (by CZK 4.8 bn) and 'food and live animals' (by CZK 4.5 bn).

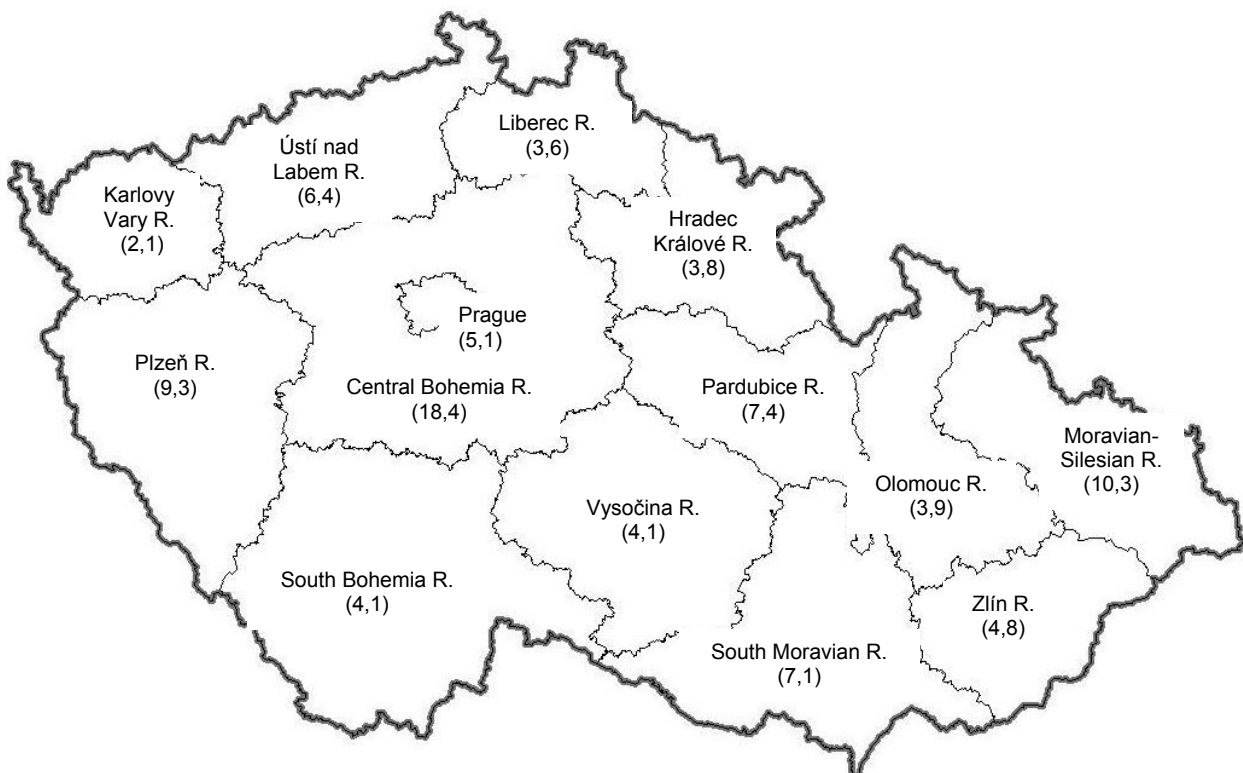
Total exports saw decreases in the **shares** of 'machinery and transport equipment' and 'manufactured goods classified chiefly by material' (both -0.6 p.p.), the shares of other SITC sections increased ('food and live animals', 'beverages and tobacco', 'mineral fuels, lubricants and related materials' and 'chemicals and related products, n.e.s.') or remained at the 2007 level ('crude materials, inedible, except fuels', 'animal and vegetable oils, fats and waxes' and 'miscellaneous manufactured articles'). **Total imports** saw decreases in the **shares** of 'machinery and transport equipment' (-1.7 p.p.) and 'manufactured goods classified chiefly by material' (-1.1 p.p.); also the shares of 'beverages and tobacco' and 'chemicals and related products, n.e.s.' were down. Moderate increases were recorded for the shares of 'food and live animals', 'animal and vegetable oils, fats and waxes', 'crude materials, inedible, except fuels' and 'miscellaneous manufactured articles', a more significant growth for the share of 'mineral fuels, lubricants and related materials' (+2.4 p.p.).

Graph 6 – Commodity structure of external trade in 2008 (shares in %)



The total value of exports reflected various development trends of **exports in individual regions**. Out of 14 regions, exports grew in only five – in Plzeň Region (CZK +11.1 bn) and in the Moravian-Silesian, Ústí nad Labem, Olomouc and the South Moravian Regions. The largest export decreases hit the Central Bohemian (CZK -42.8 bn), Prague (CZK -12.2 bn) and Liberec (CZK -10.8 bn) Regions. Five regions raised their shares of exports in total CR exports - Plzeň, the Moravian-Silesian, Olomouc, the South Moravian and Ústí nad Labem Regions; one region retained its 2007 share - the South Bohemian Region. The shares of exports decreased in the majority of regions – the most significantly in the Central Bohemian, Liberec, Prague and Hradec Králové Regions, decreases occurred also in Pardubice, Vysočina, Karlovy Vary and Zlín Regions. The Central Bohemian Region retained the largest share in total CR exports (18.4%); Karlovy Vary Region kept the lowest share (2.1%). Exports of 'machinery and transport equipment' dominated in an overwhelming majority (12) of regions – in Prague, the Central Bohemian, the South Bohemian, Plzeň, Ústí nad Labem, Liberec, Hradec Králové, Pardubice, Vysočina, the South Moravian, Olomouc and Zlín Regions; exports of 'manufactured goods classified chiefly by material' prevailed in the remaining two regions – in the Moravian-Silesian and Karlovy Vary Regions.

Map 1 - Shares of individual regions' exports (in %) in total CR exports in 2008



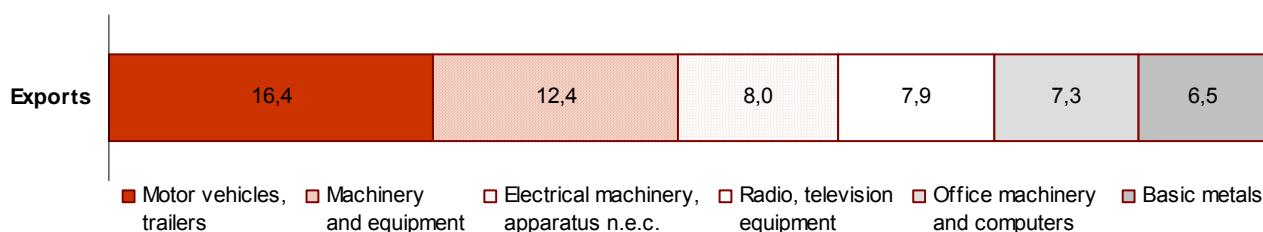
In the long term, **products of manufacturing** (CZ-CPA 15-36) represent the key part of external trade. In 2008, manufactured exports made up 96.1% of total CR exports (like in 2007), and manufactured imports 89.0% of total CR imports (as against 91.7% in 2007).

Manufactured exports decreased by 0.6% (CZK -14.3 bn) y-o-y and were decisive for the decrease in total exports, y-o-y. Manufactured exports were most represented by 'motor vehicles', 'machinery and equipment', 'electrical machinery and apparatus n.e.c.', 'radio, television and communication equipment and apparatus', 'office machinery and computers', and 'basic metals and fabricated metal products'. Except 'radio, television and communication equipment and apparatus' (a growth of 12.4%, i.e. CZK 21.5 bn), all the above manufactured exports dropped y-o-y and as well as their shares in total CR exports. The highest decrease was recorded in exports of motor vehicles (-6.9%, i.e. CZK 30.0 bn), and their share in total CR exports fell by 1.1 p.p., y-o-y.

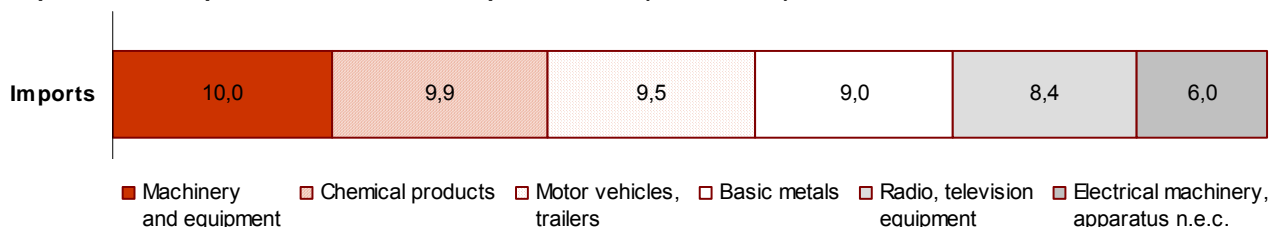
Manufactured imports fell by 2.7% (CZK -60.0 bn) y-o-y. Manufactured imports were most represented by 'machinery and equipment', followed by 'chemicals, chemical products and man-made fibres', 'motor vehicles', 'basic metals and fabricated metal products', 'radio, television and communication equipment and apparatus' (the only group with above-the average growth of imports) and 'electrical machinery and apparatus n.e.c.' The total fall in manufactured imports is mainly attributable to decreases in imports of 'motor vehicles' (CZK -13.3 bn) and 'basic metals and fabricated metal products' (CZK -12.2 bn).

The **balance of trade in manufactured products** showed a surplus of CZK 236.6 bn (CZK +45.7 bn y-o-y). The highest positive trade balance was observed in 'motor vehicles' (yet by CZK 16.7 bn lower y-o-y), then in 'machinery and equipment' (by CZK 4.3 bn higher y-o-y) and 'electrical machinery and apparatus n.e.c.' (by CZK 5.2 bn higher y-o-y). The biggest deficit was recorded in trade in 'chemicals, chemical products and man-made fibres' (by CZK 8.2 bn lower y-o-y) and 'basic metals and fabricated metal products' (by CZK 14.8 bn lower y-o-y).

Graph 7 – Most important manufactured exports in 2008 (shares in %)

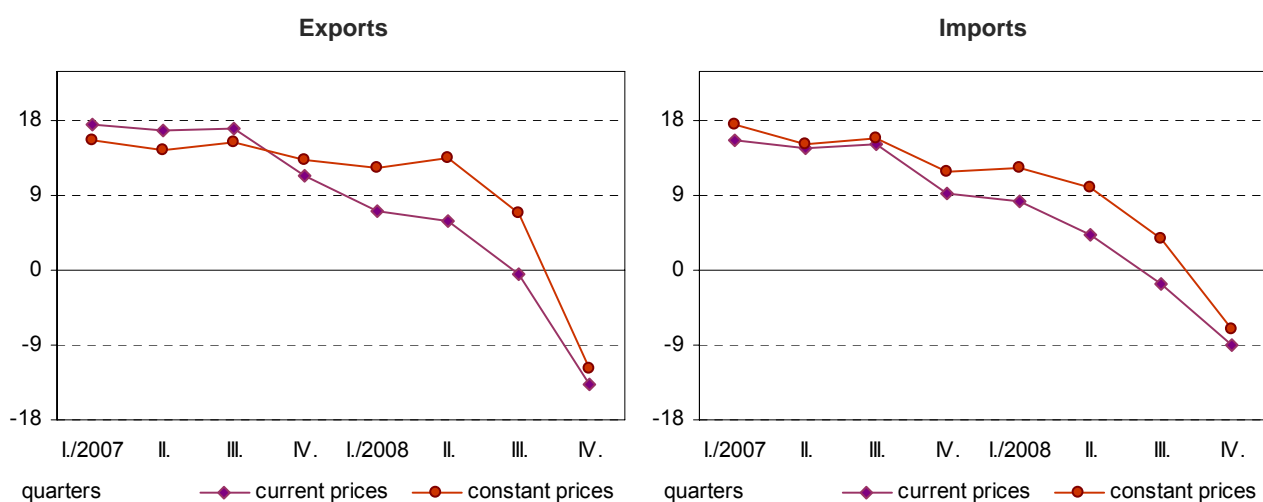


Graph 8 – Most important manufactured imports in 2008 (shares in %)



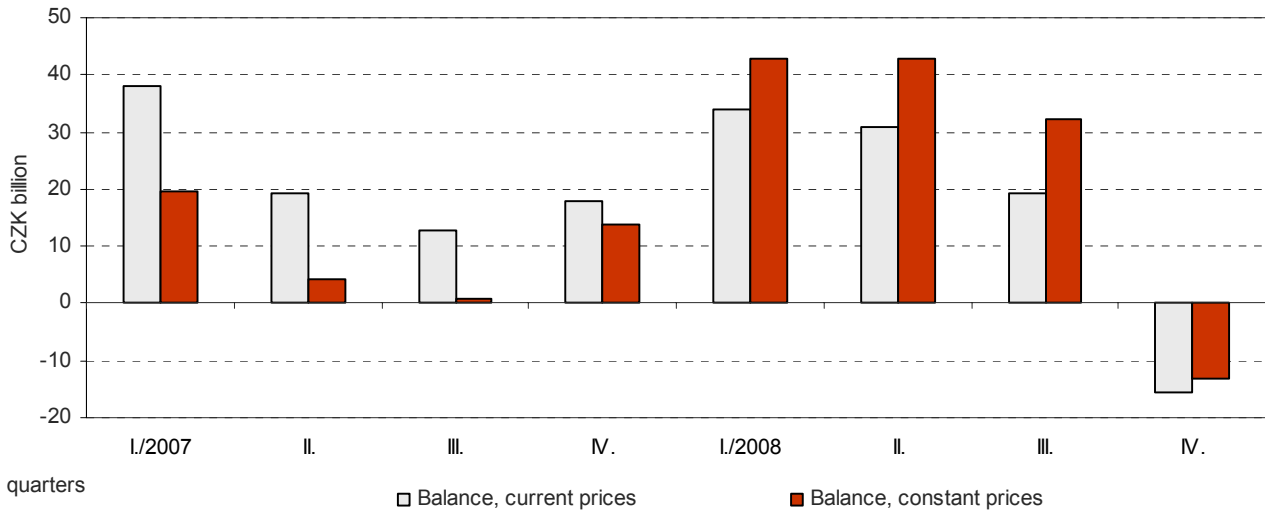
In 2008 external trade was negatively affected by price development. While current price exports fell by 0.6% and current price imports grew by 0.2%, **constant price exports** increased by 4.6% and **constant price imports** by 4.2%, all y-o-y. Prices in 2008 decreased current price exports by CZK 139.6 bn and current price imports by CZK 103.3 bn.

Graph 9 – Y-o-y changes in exports and imports (in %) by quarters of 2007 and 2008



Trade surplus at constant prices was by CZK 36.3 bn higher in comparison to trade surplus at current prices.

Graph 10 – Trade balance at current and constant prices by quarters of 2007 and 2008



Between 2007 and 2008 EU27 countries experienced a slowdown in the rates of growth of exports and imports. However, external trade figures for the Czech Republic were still better than for EU27 countries as a whole and for new member states alike. In 2008 EUR-based EU27 exports grew by 3.1% (EU15 exports by 2.2%) and EU27 imports by 4.0% (EU15 imports by 3.1%). On average, the 12 new member states' exports and imports were up by 10.8% and 10.9% respectively. The share of the 12 new member states' exports in total EU27 exports rose to 11.0% in 2008 from 10.2% in 2007 and the share of the 12 new member states' imports in total EU27 imports was 12.4% in 2008 and 11.6% in 2007. The EU27 trade balance reached a deficit of EUR 162.1 bn (EU15 trade deficit was EUR 85.7 bn and 12 new member states' deficit EUR 76.4 bn). As one of eight EU27 countries and the only one of the new member states, the Czech Republic reported a surplus of trade balance in 2008.

Graph 11 – EU27 external trade by country in 2008

