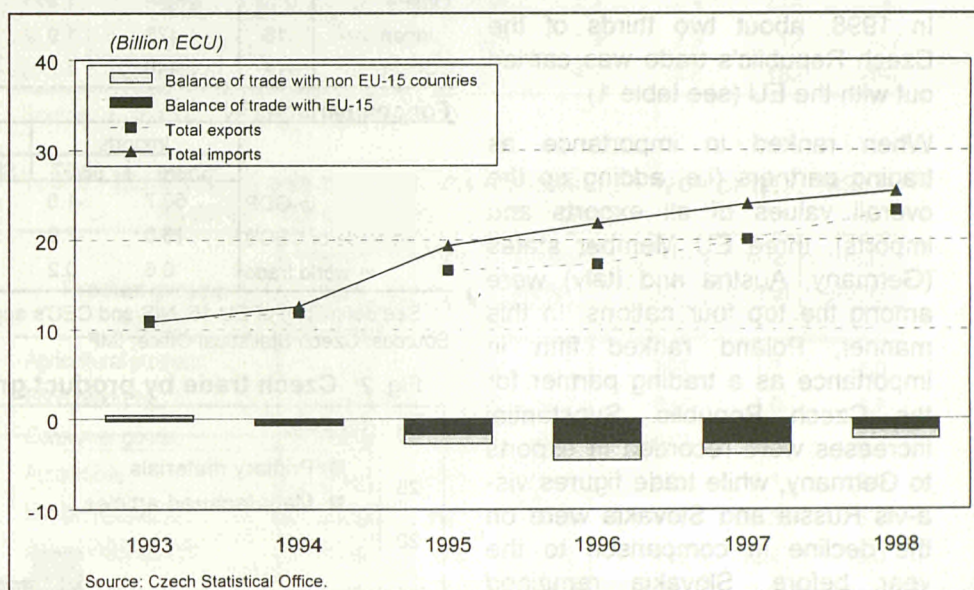


# Rising European Union - Czech trade

*Tim Allen*

The Czech Republic imported more than it exported over the past five years. However, its foreign trade balance has been improving since 1996. The latest available EU data for the period January-July 1999 seem to confirm this trend. With exports reaching 46% of GDP in 1998, the Czech Republic has established itself as one of the top exporting nations in Central Europe, with the value of exports surpassing those of Greece and Portugal.

Fig. 1: Czech Republic's foreign trade



## Improving foreign trade balance

The Czech economy slowed markedly in 1997 and in 1998 real GDP contracted by 2.3%, while its foreign trade figures improved.

Overall, the Czech Republic's imports increased more than twofold since 1993, but exports also more than doubled over the same period. However, this development masked the fact that a small foreign trade surplus in 1993 had turned into a deficit of ECU 4.6 bn (representing almost 12% of GDP) by 1996. The following years saw this trend reversed with more strongly increasing export figures. The latest EU data (EU trade with the Czech Republic Jan-July 1999, EU exports to the Czech Republic with 3 percent growth and EU imports from the Czech Republic up by 11%)<sup>1</sup> seem to confirm these developments. Less than one fifth of the Czech Republic's exports and imports in 1998 were in primary materials, while manufactured articles represented the bulk of the trade with more than four fifths of exports and imports (see figure 2). Also, imports of primary materials increased annually by around 10% since 1993, while import growth of manufactured articles was twice as high. An almost equally high growth rate was recorded for exports of manufactured articles, while primary materials exports increased by a marginal 3.5% per annum between 1993 and 1998.

<sup>1</sup> See Eurostat News Release 111/99, 29 October 1999.

## Statistics in focus

### EXTERNAL TRADE

THEME 6 – 1/2000

## Contents

|                                       |   |
|---------------------------------------|---|
| Improving foreign trade balance ..... | 1 |
| Trading nation .....                  | 2 |
| Not quite Portugal .....              | 2 |
| Balance with EU improving .....       | 3 |
| Automobiles on the rise .....         | 3 |



Overall, the Czech Republic imported goods worth ECU 25 bn while it exported roughly ECU 23 bn worth in 1998. This contributed to around 0.6% of world trade and to less than one fifth of overall CEC trade (see table 1). Exports have been an important engine of growth in Central Europe. In the Czech Republic, they reached 46% of GDP, which makes it one of the top exporters among emerging economies of the region - just behind Estonia (63%), Slovakia (52%) and Hungary (48%).

### Trading nation

In 1998, about two thirds of the Czech Republic's trade was carried out with the EU (see table 1).

When ranked in importance as trading partners (i.e. adding up the overall values of all exports and imports), three EU Member states (Germany, Austria and Italy) were among the top four nations. In this manner, Poland ranked fifth in importance as a trading partner for the Czech Republic. Substantial increases were recorded in exports to Germany, while trade figures vis-à-vis Russia and Slovakia were on the decline in comparison to the year before. Slovakia remained nevertheless the Czech's second most important trading partner, while the US was of lesser importance (ranked ninth).

### Not quite Portugal

How would the Czech Republic's external trade statistics feature amongst those of EU Member states? For example (see ratios in figure 3), the Czech Republic imported roughly as much as Greece (EU intra + extra imports) in 1998, but less than all other EU Member states. Its export figures were slightly above those of Portugal (again EU intra + extra exports) and substantially higher than those of Greece. Also, imports in relation to exports were similarly balanced as in Austria in 1998.

Tab. 1: Czech Rep.'s trade by main partners<sup>1</sup>, 1998

| Partners     | Rank as a trading partner | Imports       |              |            | Exports       |              |             | Balance       |
|--------------|---------------------------|---------------|--------------|------------|---------------|--------------|-------------|---------------|
|              |                           | Value         | Share        | 98/97      | Value         | Share        | 98/97       | Value         |
|              |                           | (Mio ECU)     | (%)          |            | (Mio ECU)     | (%)          |             | (Mio ECU)     |
| <b>Total</b> |                           | <b>25 415</b> | <b>100.0</b> | <b>6.0</b> | <b>23 240</b> | <b>100.0</b> | <b>15.9</b> | <b>-2 175</b> |
| EU-15        |                           | 16 084        | 63.3         | 9.1        | 14 919        | 64.2         | 24.1        | -1 166        |
| Germany      | 1                         | 8 737         | 34.4         | 14.3       | 8 955         | 38.5         | 24.9        | 218           |
| Austria      | 3                         | 1 489         | 5.9          | 2.5        | 1 462         | 6.3          | 13.5        | -27           |
| Italy        | 4                         | 1 331         | 5.2          | 0.9        | 875           | 3.8          | 19.1        | -455          |
| NIS          |                           | 1 687         | 6.6          | -12.0      | 930           | 4.0          | -9.7        | -757          |
| Russia       | 6                         | 1 400         | 5.5          | -13.9      | 579           | 2.5          | -14.9       | -821          |
| CEC          |                           | 3 327         | 13.1         | -0.2       | 5 138         | 22.1         | 5.9         | 1 811         |
| Slovakia     | 2                         | 1 832         | 7.2          | -8.6       | 2 475         | 10.6         | -4.5        | 643           |
| Poland       | 5                         | 856           | 3.4          | 11.5       | 1 314         | 5.7          | 14.2        | 458           |
| US           | 9                         | 957           | 3.8          | 5.3        | 517           | 2.2          | 0.4         | -440          |
| Switzerland  | 13                        | 464           | 1.8          | 14.6       | 295           | 1.3          | 20.0        | -169          |
| Others       |                           | 2 896         | 11.4         | 8.5        | 1 442         | 6.2          | 3.5         | -1 453        |
| Japan        | 16                        | 473           | 1.9          | 2.4        | 73            | 0.3          | -13.6       | -400          |
| China        | 17                        | 440           | 1.7          | 32.2       | 40            | 0.2          | -6.5        | -400          |

### For comparison (%)

|                   | Imports |       | Exports |       | Balance |
|-------------------|---------|-------|---------|-------|---------|
|                   | Share   | 98/97 | Share   | 98/97 | Share   |
| in GDP            | 50.7    | -1.0  | 46.4    | 8.2   | -4.3    |
| in trade of CEC's | 16.0    | -7.9  | 21.6    | 6.2   | -       |
| in world trade    | 0.6     | 0.2   | 0.6     | 11.2  | -       |

(<sup>1</sup>) See definitions of EU-15, NIS and CEC's aggregates on page 3.

Sources: Czech Statistical Office; IMF

Fig. 2: Czech trade by product group

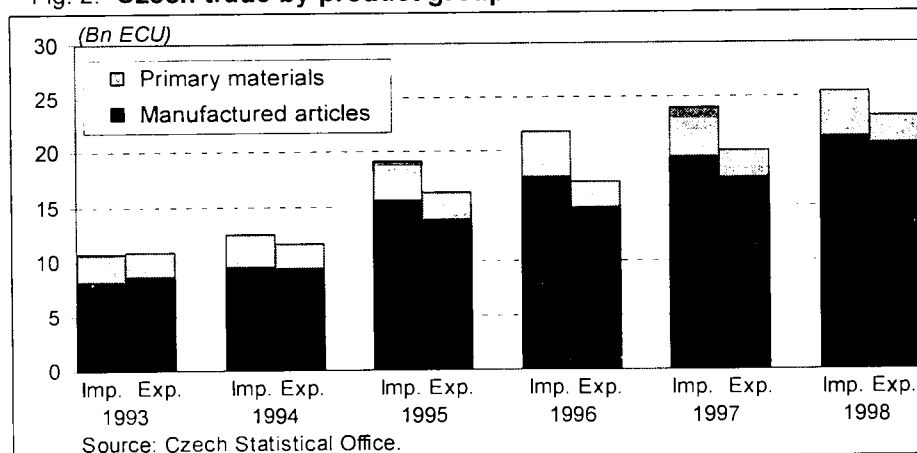
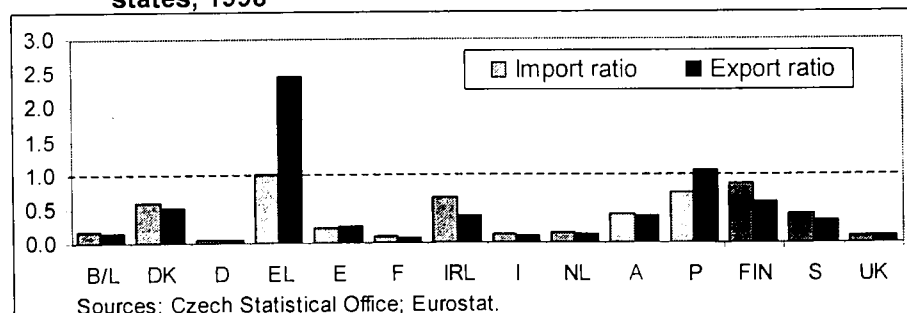


Fig. 3: The Czech Republic in comparison<sup>1</sup> to EU Member states, 1998



<sup>1</sup> The import ratios above are calculated by dividing the value of the Czech Republic's total imports by the value of total imports of each Member state - hence a ratio close to one implies that total import values are very similar. Export ratios are calculated accordingly.

## Balance with EU improving

As mentioned above, external trade relations with the EU were of considerable importance to both the Czech Republic and the EU Member states. In particular Germany was the single most important trading partner (absorbing roughly 60% of Czech imports into the EU and behind around 55% of EU exports), followed by Austria and Italy (see table 2). All EU Member states bar Greece and Portugal had a positive trade balance vis-à-vis the Czech Republic, but all of them (except Ireland) lost some ground in comparison to 1997.

## Automobiles on the rise

EU-Czech trade by products was characterised by a substantial increase in automobile imports into the EU between 1996 and 1998 (up by around 67%) – although intermediary and equipment goods represented a larger share in total imports (see table 3). Overall trade patterns show a relative balanced relationship – for example, roughly equal shares in total exports and imports were taken by consumer and intermediary goods, while equipment goods showed only a small dominance on the part of EU exports. Automobiles on the other hand have become one of the Czech's trading flagships: here, the EU was increasingly importing more than vice versa.

Tab. 2: **EU trade with Czech Rep. by Member States, 1998**

| Reporter     | Imports from Czech Rep. |              |                 | Exports to Czech Rep. |              |                 | Balance      |                 |
|--------------|-------------------------|--------------|-----------------|-----------------------|--------------|-----------------|--------------|-----------------|
|              | Value                   | Share        | Variation 98/97 | Value                 | Share        | Variation 98/97 | 1998         | Variation 98/97 |
|              | (Mio ECU)               | (%)          |                 | (Mio ECU)             | (%)          |                 | (Mio ECU)    |                 |
| <b>EU-15</b> | <b>14 658</b>           | <b>100.0</b> | <b>24.7</b>     | <b>17 170</b>         | <b>100.0</b> | <b>7.9</b>      | <b>2 512</b> | <b>-1 642</b>   |
| B/L          | 470                     | 3.2          | 23.8            | 598                   | 3.5          | 2.4             | 128          | -76             |
| DK           | 146                     | 1.0          | 18.6            | 173                   | 1.0          | 10.0            | 27           | -7              |
| D            | 8 679                   | 59.2         | 24.1            | 9 493                 | 55.3         | 13.1            | 814          | -590            |
| EL           | 102                     | 0.7          | 16.2            | 49                    | 0.3          | 12.9            | -53          | -9              |
| E            | 274                     | 1.9          | 71.0            | 338                   | 2.0          | -9.6            | 64           | -150            |
| F            | 736                     | 5.0          | 32.1            | 1 110                 | 6.5          | 4.2             | 374          | -135            |
| IRL          | 49                      | 0.3          | 22.7            | 136                   | 0.8          | 18.8            | 87           | 12              |
| I            | 888                     | 6.1          | 17.5            | 1 300                 | 7.6          | -2.5            | 412          | -165            |
| NL           | 509                     | 3.5          | 38.3            | 784                   | 4.6          | 16.9            | 275          | -27             |
| A            | 1 457                   | 9.9          | 13.3            | 1 581                 | 9.2          | -0.2            | 123          | -174            |
| P            | 66                      | 0.5          | 97.3            | 19                    | 0.1          | -4.1            | -47          | -34             |
| FIN          | 118                     | 0.8          | 30.2            | 234                   | 1.4          | -8.1            | 116          | -48             |
| S            | 313                     | 2.1          | 51.4            | 325                   | 1.9          | 2.9             | 12           | -97             |
| UK           | 851                     | 5.8          | 26.4            | 1 033                 | 6.0          | 3.6             | 182          | -142            |

Source: Eurostat.

Tab. 3: **EU-Czech trade by products classified by type of use, 1998**

Reporter: EU-15, partner: Czech Republic.

| Product groups (NES)   | Imports   | Share    | Variation | Exports   | Share    | Variation |
|------------------------|-----------|----------|-----------|-----------|----------|-----------|
|                        | 1998      | in total | 98/96     | 1998      | in total | 98/96     |
|                        | (Mio ECU) | (%)      |           | (Mio ECU) | (%)      |           |
| Agricultural products  | 224       | 1.5      | -0.7      | 284       | 1.7      | -4.0      |
| Food products          | 193       | 1.3      | 4.4       | 667       | 4.0      | 4.7       |
| Consumer goods         | 1 834     | 12.6     | 12.7      | 2 073     | 12.3     | 6.3       |
| Automobile             | 2 485     | 17.1     | 67.1      | 1 875     | 11.1     | 12.0      |
| Equipment goods        | 3 026     | 20.8     | 26.0      | 4 431     | 26.3     | 6.9       |
| Intermediary goods     | 6 294     | 43.2     | 17.5      | 7 141     | 42.4     | 16.0      |
| Energy                 | 351       | 2.4      | -5.7      | 227       | 1.3      | 11.8      |
| Miscellaneous products | 161       | 1.1      | 2.5       | 153       | 0.9      | -20.5     |

Source: Eurostat.

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The country aggregates: EU: EU-15.

NIS (Newly Independent States): Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Uzbekistan, Russia, Tajikistan, Turkmenistan, Ukraine.

CECs (Central European Countries): Albania, Bulgaria, Hungary, Poland, Romania, Estonia, Latvia, Lithuania, Bosnia-Herzegovina, Croatia and Slovenia; Czech Republic, Slovakia, Serbia, Montenegro and the Former Yugoslav Republic of Macedonia.

Data sources: Customs sources. Eurostat Comext database: Czech Statistical Office data are taken from the UN Comtrade data base; EEC special trade domain for bilateral trade between the EU and the Czech Republic. Divergences between the two sources on figures concerning bilateral trade can be partly

explained by the use of different methodologies and concepts.

System: Special trade.

Classification: Third revision of the Standard International Trade Classification (SITC). This was set up by the United Nations for the purposes of economic analysis. The nomenclature used in table 3 (NES or *Nomenclature Economique de Synthèse*) facilitates the analysis of macroeconomic issues (production, investment, consumption, employment, etc.) by offering indicators which are less geared to production analysis.

Statistical values: EU: CIF values for imports and FOB values for exports; Czech Republic: FOB/FOB.

In this report, 1 Bn ECU= 1000 million ECU

### Basic figures for 1998

|                     | Czech Republic | EU-15  |
|---------------------|----------------|--------|
| Population (Mio.)   | 10.3           | 374.6  |
| GDP/capita (in PPS) | 12 200         | 19 906 |
| Unemployment rate   | 6.5%           | 10.0%  |
| Inflation rate      | 10.7%          | 1.3%   |

See also "Eurostat Statistics in focus, External trade, no 6/97, The Czech Republic's foreign trade". Please consult <http://europa.eu.int/eurostat.html> for further information.

# Further information:

## ➤ Reference publications

Title External and intra-European Union trade – monthly statistics  
 Catalogue No CA-AR-99-011-EN-S Price EUR 20

## ➤ Data bases

Comext - date of extraction: 29/10/99  
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