

## 4. External Relations

Value of export plunged in Q2.	Total value of export of goods attained 1 625.7 CZK bn in H1. Export sank by 253.8 CZK bn year-on-year (13.5%). It represents the largest decrease in this time period since year 2009 (–198.1 bn, 16.6%). In Q2 itself, the value of export was 733.0 CZK bn and it decreased by 215.1 bn year-on-year (22.7%). Comparison with Q2 2019 deepened the decrease even further – from the view of the value of export, it was the most successful recorded quarter. The development was definitely influenced by the restrictions on the social as well as economic operations in reactions to spreading of the coronavirus. Beginning of the measures can be dated to half of March (year-on-year slump of export by 11.5%), when also some large export companies restricted or temporarily closed their operations. Especially April and May were fully hit (year-on-year decreases by 38.1% and 29.0%), in June the export already mildly increased (0.3%).
The downturn involved nearly all important export destinations.	Export slump was all encompassing and touched nearly all main export destinations. Export into the EU sank by 210.5 CZK bn (14.0%) in H1 and it arrived at 42.6 bn (11.4%) outside the EU. Majority of stated decrease however belonged to Q2 (export into the EU –176.0 CZK bn, outside the EU –38.5 bn). In Q2, export to Germany (–65.1 CZK bn, –21.9%), France (–18.1 bn, –37.2%) and Slovakia (–15.8 bn, –18.7%) went down the most. Exporters to Spain (–14.8 bn, –43.9%), Poland (–13.4 bn, –22.8%) and Italy (–10.0 bn, –27.6%) also recorded strong decreases. In case of countries outside the Union, especially the slump of value of export to Great Britain (–11.8 CZK bn, –33.5%) is noticeable. Here, a series of decreases lasts with some exceptions already since Q3 2016 and the last decrease only deepened the existing trend <sup>1</sup> .
Sale of motor vehicles was hit the most.	In Q2 export fell the most for items, which are vital for the Czech economy, and manufacturing of motor vehicles was the most affected branch. Value of export of motor vehicles decreased by 117.0 CZK bn (43.6%) year-on-year in Q2. The second strongest decrease was related to machinery and equipment (–23.1 CZK bn, –21.9%). Export was also falling in branches tied to manufacturing of motor vehicles – electrical equipment (–14.8 CZK bn, –19.1%) and rubber and plastic products (–12.0 bn, –23.8%). Further strong decreases were recorded for metal products (–10.3 bn, –17.4%), basic metals (–8.1 bn, –21.8%), chemicals and chemical products (–7.1 bn, –16.1%).
Import also slumped. Apart from the restricted economic activity the effect of decreased prices of oil and natural gas was also apparent.	Value of import of goods also fell in H1, specifically by 200.4 CZK bn (–11.3%) to 1 574.0 bn. In that a slump of 169.5 CZK bn (–19.0%) occurred in Q2. The resulting value of import was 721.6 bn. The import from the EU was falling more significantly (–143.5 CZK bn – 24.6%) than from countries outside the EU (–24.2 bn, –8.0%) in Q2. Import from Germany (–64.7 bn, –28.1%), further Russia (–15.7 bn, –57.0%, value decrease was also strengthened by the year-on-year plunge of prices of oil and natural gas) and Poland (–16.7 bn, –21.8%) dropped the most. Substantial increase of import from China (20.9 CZK bn, 24.2%) contributed to more favourable results of import from countries outside the EU. It is the largest addition since year 2010.
The value of trade with motor vehicles was also falling the most on the import side.	Development of both import and export was with respect to its type structure similar in many features. Value of import of motor vehicles slumped the most in Q2 (–67.4 CZK bn, –45.4%). Very strong decreases were further observed for machinery and equipment (–20.7 CZK bn, –22.8%), oil and natural gas (–20.8 bn, –63.0%, mainly due to the plunge of prices) and basic metals (–19.5 bn, –28.0%). Already several quarters lasting fall of the value of import of chemical substances and products further deepened to 13.8 CZK bn (–19.2%). The largest increase of import value since Q3 2018 on the contrary occurred for computers, electronic and optical products (15.0 CZK bn, 16.5%). Only March interrupted here the

<sup>1</sup> Share of export to Great Britain on the total value of export was 5.2% in Q2 2016. It was 3.2% in Q2 2020. The share was 4.2% for year 2019.



series of strong increases lasting since December 2019. The import of textiles also had exceptionally high addition (3.7 CZK bn, 27.6%). The import grew here the most in April and May.

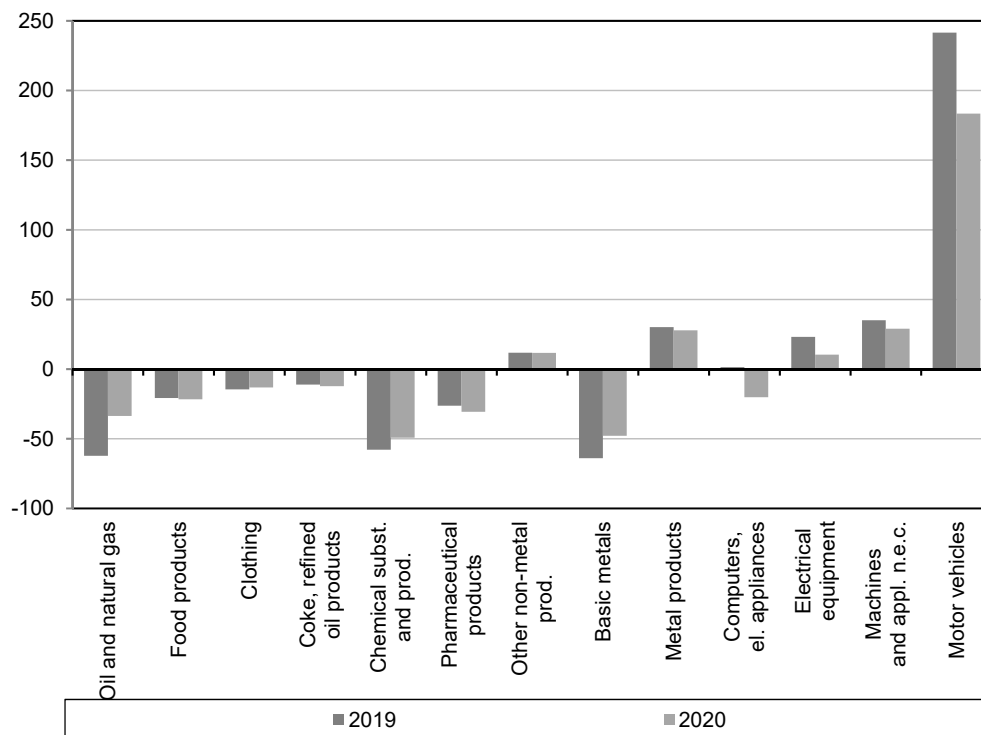
Foreign trade balance markedly worsened, especially for trade with the EU countries.

Large slump of export value over import also led to the worsening of balance of foreign trade with goods. It reached surplus of 51.7 CZK bn in H1. However, the positive balance reduced by more than one half in comparison to the same period of the previous year (53.5 CZK bn). Surplus arrived at 11.4 CZK bn in Q2 and decreased by 45.6 bn year-on-year. The trade with China (deficit deepening by 21.6 CZK bn), Spain (surplus decrease by 9.9 bn) and Great Britain (surplus worsening by 9.1 bn) affected the most worsening of balance in Q2. Lowering of positive trade balance with France (-8.7 CZK bn), Slovakia (-6.3 bn) and Hungary (-3.5 bn) was also significant. Year-on-year improvement of balance occurred for trade with Russia (+12.2 CZK bn, also thanks to the decrease of prices of oil and natural gas the balance ended uncharacteristically in surplus of 6.3 bn). Further trade with Poland (+3.3 CZK bn), Japan (+2.9 bn) and the Netherlands (+2.6 bn) worked in the direction of balance improvement.

Surplus of trade with motor vehicles recorded the largest slump.

Lowering of surplus of trade with motor vehicles contributed the most to the year-on-year worsening of balance in Q2 (-49.6 CZK bn), further deficit deepening for computers, electronic and optical products (-16.6 bn) and worsening of surplus for electrical equipment by 9.2 bn. Significant worsening of balance was also recorded for textiles (-4.8 bn), rubber and plastic products (-4.0 CZK bn), other transportation equipment (-2.5 CZK bn) and machinery and equipment (-2.4 bn). The influence of prices on the other hand stood behind the significant improvement of trade with oil and natural gas (+19.8 CZK bn) as well as basic metals (+11.4 bn). Deficit for chemical substances and products also moderated (+6.7 CZK bn).

**Chart 9 Balance of foreign trade with goods in foreign trade statistics** (accumulation first half year, in CZK bn, selected divisions of the CPA classification)



Source: CZSO