4. External Relations

Value of export of goods dropped last year. Major part of this fall occurred in Q2.

Foreign trade underwent a considerably turbulent development in year 2020. Total value of export of goods reached 3 528.8 CZK bn and dropped by 163.0 bn year-on-year (–4.4%) last year. It was the smallest amount since year 2017. Main part of losses took place in Q2, when the both sides of the foreign trade were affected by suspension of production in large both domestic and foreign businesses as well as the closure of boundaries. Export was however also falling year-on-year in both Q1 and 3 (–4.1%, –22.4% and –0.9% in Q1 to 3). The exporters strived to compensate the losses at least partially in the second half of the year but reached year-on-year increase only in Q4. In the final quarter of 2020, the value of export of goods amounted to 1 013.6 CZK bn and rose by 96.5 bn year-on-year (10.5%), which is the most since Q3 2014 (it was due to extensive foreign exchange change at that time). The year-on-year comparison was partially aided by weaker basis of the end of year 2019, at the same time however the amount of export exceeded CZK one trillion in single quarter for the first time last year.

Especially the export of motor vehicles was sinking. Other important export branches also suffered losses.

Export downswing targeted the most key articles of the Czech export in Q2, that is motor vehicles and associated subcontractors. Simultaneously, these fields tried to catch up these losses very fast, so they on the contrary contributed the most to the export growth in the second half of the year. Spring situation affected the most export of motor vehicles, which went down by 100.2 CZK bn (–9.8%) to 920.0 bn for the whole year 2020, which is the least since year 2015. The export of machinery and equipment also strongly decreased (-30.9 CZK bn, –7.5%). The descend was gentler for metal products (–11.6 CZK bn, –5.1%), rubber and plastic products (–7.0 bn, –3.6%) and electrical equipment (–6.9 bn, –2.2%). Another factor, which affected both sides of the foreign trade, was the reduction of prices of materials. It became apparent in the export of basic metals (–12.2 CZK bn, –8.9%), but especially for coke and refined oil products (–14.2 bn, –35.6%). Export of computers, electronic and optical appliances (21.2 CZK bn, 5.5%) increased last year. This segment has been developing very dynamically in the last four years and only the year-on-year decrease in the period from Q3 2019 till Q2 2020 presented the exception. Export of food products grew by 7.5 CZK bn (6.6%), partially also due to price increases. Export of wearing apparel went up by 3.7 CZK bn (12.3%) and additions to other products of manufacturing (3.4 bn, 4.1%), furniture (2.8 bn, 10.0%) and basic pharmaceutical products (2.2 bn, 4.3%) were also robust.

Significant recovery, which should have at least partially compensated the spring losses, arose by the end of the year.

In Q4 2020 itself, export of motor vehicles grew the most year-on-year (39.6 CZK bn, 15.9%). Addition strengthened for computers, electrical and optical appliances (14.0 CZK bn, 13.2%) as well as electrical equipment (10.6 bn, 13.6%). Following a series of decreases, the export went up year-on-year for rubber and plastic products (5.9 CZK bn, 12.8%), chemicals and chemical products (5.9 bn, 14.4%), metal products (4.2 bn, 7.6%), machinery and equipment (3.5 bn, 3.4%) and basic metals (2.6 bn, 8.8%) in Q4. The export of paper and paper products (1.2 CZK bn, 8.2%) and basic pharmaceutical products (1.2 bn, 9.3%) significantly increased at the end of the year. Mainly the price decrease stood behind the continuing slump of export of coke and refined oil products (–3.7 CZK bn, –35.2%) and electricity, gas, steam and air conditioning (–2.0 bn, –24.6%).

Both export into the EU and outside the EU fell last year.

Export into the EU (–119.4 CZK bn, –4.1%) as well as outside of the EU (–41.7 bn, –5.5%) recorded a strong decline last year. The value of export to Germany (–31.6 CZK bn, –2.8%), Spain (–34.9 bn, –28.1%), Great Britain (–18.1 bn, –11.7%) and France (–18.8 bn, –10.0%) decreased the most. The export to other neighbours of the Czech Republic also fell notably – by 11.8 CZK bn to Austria (–7.6%), by 8.4 bn to Slovakia (–2.5%) and by 3.6 bn to Poland (–1.5%). On the contrary, the value of export to Turkey (9.8 CZK bn, 29.6%), the Netherlands (3.6 bn, 2.9%) and Republic of Korea (1.4 bn, 14.4%) expanded last year. The export into the EU grew strongly (91.3 CZK bn, 12.7%), export outside the EU slightly slower

(5.8 bn, 2.9%) in Q4. The largest addition was observed for export to Germany (43.3 CZK bn, 15.8%), Italy (8.4 bn, 27.4%), Slovakia (8.2 bn, 9.6%), France (7.2 bn, 15.6%) and to Poland (6.3 bn, 10.6%).

Import sank deeper than export. It was directly caused by the situation around the coronavirus, but also the lowered prices of some materials.

The import of goods also dived last year, by 201.8 CZK bn (–5.7%) to 3 344.3 bn. Import did not approach the pre-crisis level as fast as export in the second half of the year (year-on-year slumps reached –3.2%, –18.5% and –4.4% in Q1 to 3). In Q4, the import already rose by 29.0 CZK bn (3.2%) year-on-year to 933.2 bn. The slide of import was affected from two directions last year. For one thing, the domestic demand went down – partially the one from producers, who further process imported components. The uncertainty also disrupted the investment activity. It is apparent on the last year´s slump of import of motor vehicles (the division also includes parts and subcontractor works) by 74.7 CZK bn (–13.4%) and also machinery and equipment by 30.6 bn (–8.7%). Import of metal products (–13.4 CZK bn, –7.7%), other transport vehicles (–10.7 bn, –25.4%) and rubber and plastic products (-4.4 bn, –2.4%) also fell. And for another, the plunge of prices of some materials, mainly oil, was the second factor. The value of imported oil and natural gas dropped by 56.2 CZK bn (–43.2%), basic metals 35.1 bn (–13.4%), coke and refined oil products[1] by 15.2 bn (-24.8%) and the decrease of the amount of imported chemicals and chemical products (-8.8 bn, –3.1%) was also connected to the cut of oil prices. The largest import increase was recorded for computers, electronic and optical appliances (41.6 CZK bn, 10.0%), electrical equipment (12.8 bn, 4.7%), basic pharmaceutical products (8.1 bn, 7.7%) and textiles (5.6 bn, 10.8%) last year. In Q4, electrical equipment (14.7 CZK bn, 21.2%), computers, electrical and optical appliances (11.1 bn, 8.8%) and motor vehicles (8.6 bn, 6.1%) the most supported the year-on-year import addition. By contrast, the slump of import of oil and natural gas (–14.2 CZK bn, –42.5%), coke and refined oil products (–5.2 bn, –33.1%) and other transport equipment (–2.9 bn, –28.7%) further continued.

Export from Germany slumped considerably.

Import from the EU was declining more notably than the import from countries outside the EU last year. Import from Germany recorded a very deep slump (–96.2 CZK bn, –10.5%), plunge of prices of oil and natural gas stood behind the drop of import from Russia by 47.8 bn (–41.5%) and the import from Slovakia (–14.8 bn, –8.5%), France (–11.7 bn, –9.9%) and Italy (–10.5 bn, –6.6%) also significantly decreased. On the contrary, the addition to the value of import from China was the largest from year 2010 (46.2 CZK bn, 11.9%). In Q4 2020, the fastest growing import was from China (13.9 CZK bn, 12.4%), Hungary (7.0 bn, 31.6%) and Poland (5.1 bn, 6.8%) in Q4 2020. Import from Russia (–11.7 bn, –38.2%) kept falling and import from Germany (–3.0 bn, –1.3%) and Austria (–1.1 bn, –3.9%) also further diminished.

Surplus of foreign trade with goods enlarged last year.

The substantial lagging of import dynamics behind export dynamics aided the balance of foreign trade with goods last year. Total surplus climbed to 184.5 CZK bn, which is by 38.8 bn more year-on-year. The year-on-year improvement was in fact achieved strictly in H2. The surplus deteriorated against the same period of the last year (amounted to 37.9 bn) already in Q1 and the downturn of foreign trade in Q2 led to the decrease of surplus by 47.7 bn to 9.3 bn. However, the renewal of the foreign trade was relatively fast and the surplus was already more than double of the amount from the previous year in Q3 (56.9 bn). The foreign trade surplus attained 80.4 CZK bn in Q4 and improved by 67.5 bn year-on-year. The recorded balance as well as its improvement was the highest for the whole available time series.

Moderation of the deficit of trade with oil and natural gas and basic

Moderation of the trade with oil and natural gas deficit by 55.7 CZK bn and further of basic metals by 22.9 bn the most contributed to the improvement of the trade with goods balance last year. The already mentioned reduced prices of these materials played a role in both

[1] Especially for the fuels, apart from the cut price the lower imported volume also had a partial effect since the restrictions limited the movement of population.

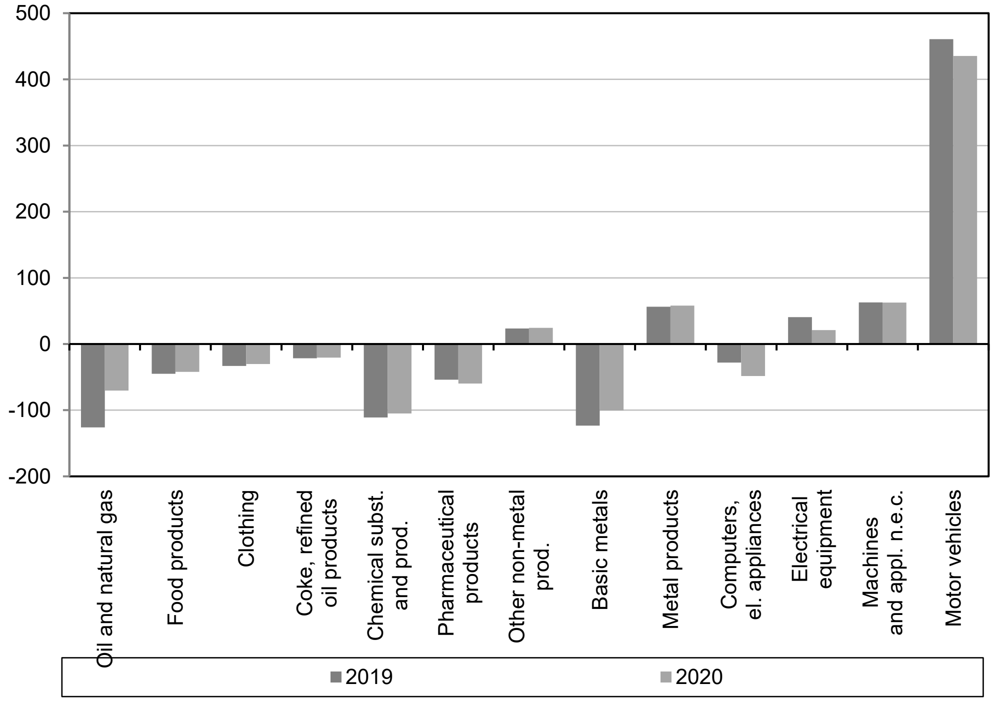
metals mainly caused the improvement.

cases. The balance for other transport equipment (+6.1 bn) and negative balance for chemicals and chemical products (+6.0 bn) also improved. Even though the export fields of activities tried their best to make up for the losses during the second half of the year, the resulting year-on-year downturn of motor vehicle surplus reached 25.4 CZK bn, 20.3 bn for computers, electronic and optical appliances and 19.7 bn in case of electrical equipment. Trade with textiles (–7.2 CZK bn) and with basic pharmaceutical products (–5.9 bn) also worsened the balance. The surplus of trade with motor vehicles (+31.0 CZK bn) experienced record improvement and the deficit of trade with oil and natural gas shrank by 13.9 bn in Q4 itself. The balance of trade with metal products (+4.6 CZK bn), with machinery and equipment (+3.2 bn), food products (+2.9 bn), computer, electric and optical appliances (+2.9 bn) and other transport vehicles (+2.9 bn) also slightly improved. More marked worsening was observed for electrical equipment (–4.2 CZK bn).

From the territorial view, the foreign trade balance with Germany and Russia improved the most.

Trade with Germany (+64.7 CZK bn), further with Russia (+47.0 bn, surplus with Russia was accomplished for the first time) and also with Turkey (+10.2 bn) the most contributed to the improved foreign trade balance last year. Deficit with Italy also diminished (+7.2 CZK bn), surplus with Slovakia (+6.4 bn) and also with Korea (+5.4 bn) improved. On the contrary, the trade with China (–46.0 CZK bn), Spain (–33.0 bn), Great Britain (–16.4 bn) and with Hungary (–9.5 bn) worked markedly in the direction of balance worsening. Massive increase of surplus with Germany (+46.2 CZK bn) and also further improvement of balance with Russia (+12.4 bn), Slovakia (+8.1 bn), Italy (+7.9 bn) and France (+7.0 bn.) occurred by the year´s conclusion. Balance of trade with China (–12.5 CZK bn), Hungary (–5.1 bn), Korea (–3.5 bn) and Japan (–3.1 bn) worsened the most in Q4.

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