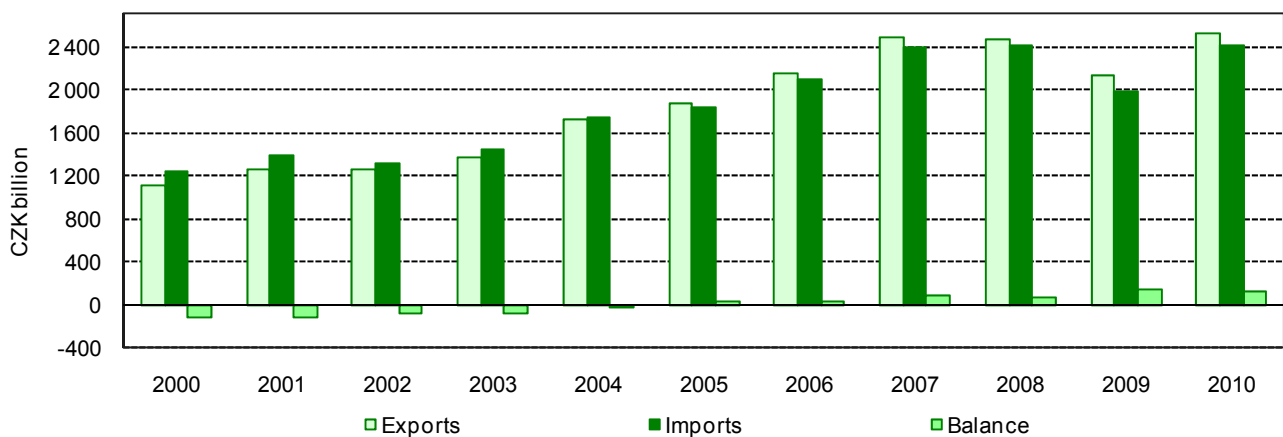


External trade in goods in 2010

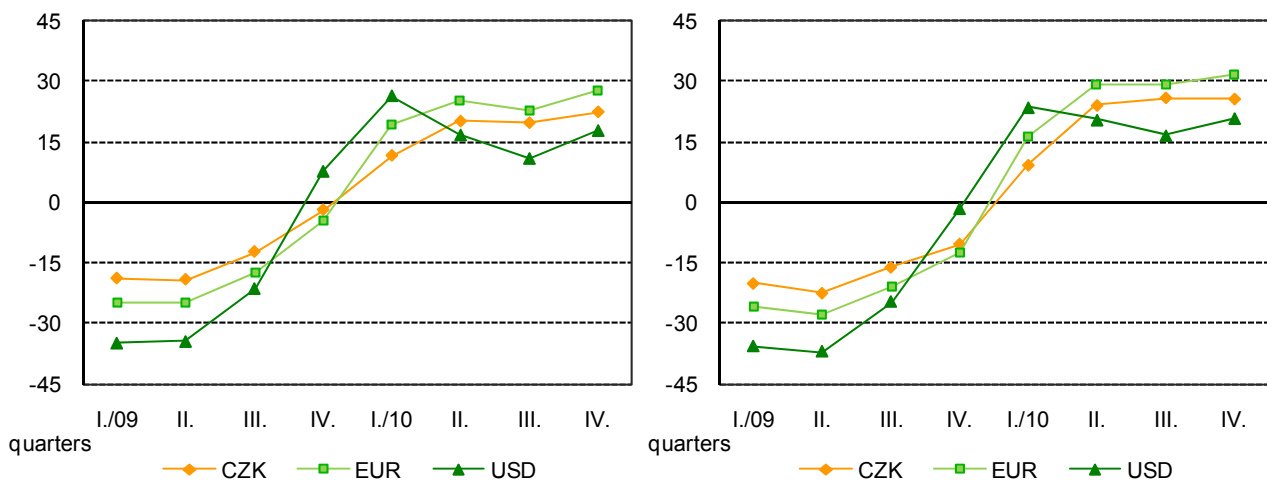
Following a substantial drop in 2009 external trade was growing again in 2010. Compared to 2009 the **turnover in external trade** increased by 19.8% and its absolute year-on-year increment in the amount of CZK 816.7 bn was the highest since the establishing of the independent Czech Republic (in 2009 the external trade turnover declined by 15.4%, i.e. by CZK 752.6 bn compared to 2008). The value of the external trade turnover doubled in the last decade (it rose by 109.2%, i.e. by CZK 2 581.3 bn compared to 2000) and in 2010 reached CZK 4 944.3 bn. The external trade surplus (CZK 121.2 bn) was the second largest since 2005 when the Czech Republic external trade recorded positive balance for the first time since the Republic establishing and this positive balance characterised all the following years. Compared to 2005 the positive balance of external trade in 2010 was over three times higher yet it decreased by CZK 28.3 bn compared to 2009.

Graph 1 - External trade from 2000 to 2010



Exports grew by 18.4%, year-on-year (y-o-y) and reached CZK 2 532.8 bn. The attained year-on-year increment (CZK 394.2 bn) in exports was the highest since 2000. In 2010 exports increased by 125.9% (CZK 1 411.7 bn) compared to that in 2000 and if compared to 2004, when the Czech Republic acceded to the European Union, grew by 47.0% (CZK 810.1 bn). The lowest y-o-y increase in exports was seen in Q1 2010 (11.5%); in other three quarters it was oscillating around 20%. Due to the strengthening of the Czech crown against Euro and weakening of CZK to USD¹ exports expressed in these currencies demonstrated y-o-y increases by 23.9% and 17.5%, respectively.

Graph 2 - Year-on-year changes in exports and imports as percentage in respective quarters of 2009 and 2010

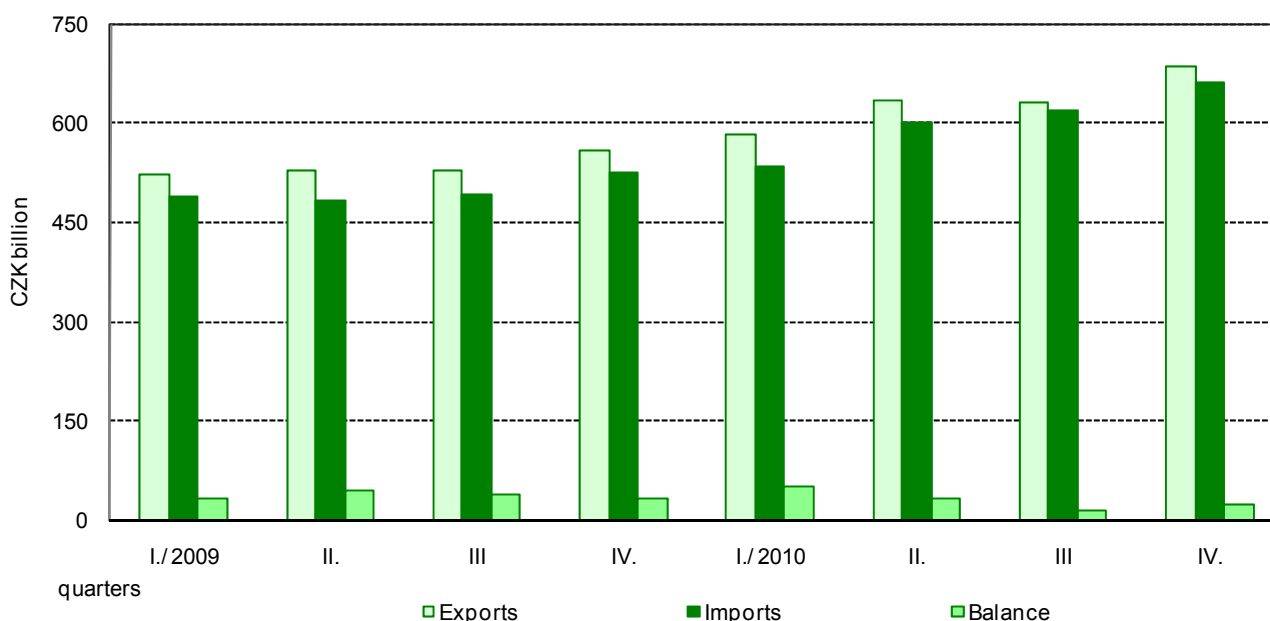


¹ In January to December 2010 compared to January to December 2009 the Czech crown grew against EUR by 4.6% and weakened against USD by 0.3%.

Imports were higher by 21.2% (CZK 422.5 bn), y-o-y, and accounted for CZK 2 411.5 bn. The same way as in the case of exports the achieved y-o-y increase (both the relative and absolute ones) was the highest since 2000. In 2010 imports grew by 94.2% (CZK 1 169.6 bn) against that in 2009 and compared to the year of the Czech Republic accession to the European Union it was higher by 37.9% (CZK 662.5 bn). The all-year trend in imports was affected by a relatively low y-o-y growth in Q1 (9.2%), which was replaced by high y-o- increments around 25% in the following three quarters. As a result of the CZK strengthening against EUR and weakening against USD imports expressed in these currencies were higher by 26.8% and 20.3%, respectively.

The external trade surplus reached CZK 121.2 bn and was by CZK 28.3 bn lower compared to 2009. Thus the coverage of imports by exports was reduced from 107.5% in 2009 to 105.0% in 2010. The attained active trade balance resulted from positive balances in all the quarters. The highest surplus in trade balance was obvious in Q1 (CZK 49.5 bn), in Q2 decreased to CZK 33.6 bn and in Q3 reached the lowest value (CZK 14.5 bn), which grew again in Q4 (CZK 23.6 bn). In Q1 there was a sole y-o-y increase in positive balance of external trade by CZK 15.6 bn, and the next three quarters were characteristic by y-o-y drops in the trade balance surplus by CZK 10.6 bn, CZK 23.2 bn, and CZK 10.0 bn, respectively.

Graph 3 - External trade in respective quarters of 2009 and 2010

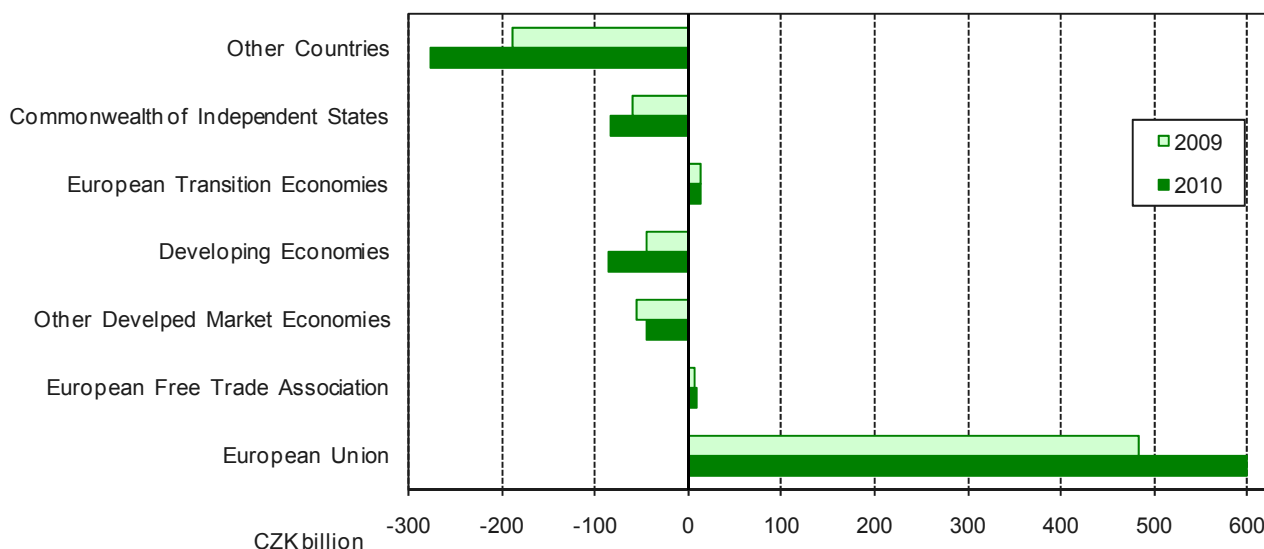


Exports were higher y-o-y to all territories. Exports to the EU Member States grew relatively by 17.4% y-o-y and to states outside the EU by 24.4%. A highly above average y-o-y growth (47.6%) was clear in exports to other states; furthermore to the CIS (34.0%), other developed market economies (32.5%), but also to the EFTA countries (22.1%). Significantly under average y-o-y increase was in exports to European transition economies (9.4%) and to developing economies (9.3%). The highest y-o-y increase was recorded in the value of exports to the EU Member States (CZK 314.4 bn), the value of exports to states outside the EU grew year-on-year by CZK 79.8 bn, of which an increase by CZK 25.5 bn was to the CIS, by CZK 25.2 bn were to other developed market economies, by CZK 10.1 bn went to the EFTA countries, by CZK 8.5 bn were to developing countries, by CZK 8.1 bn were to other states, and by mere CZK 1.7 bn were to European transition economies.

Imports increased y-o-y from all territories. Imports from the EU Member States were relatively y-o-y higher by 15.1% and from the countries outside the EU by 33.6%. Similarly as in the case of exports, a significantly above average y-o-y increase was detected in imports from other states (47.0%), then from the CIS (37.9%) and from developing economies (36.3%). A slightly above average y-o-y increase was found in imports from European transition economies (22.7%) and from EFTA countries (21.8%). The lowest y-o-y increment was clear in imports from other developed market economies (11.3%). The value of imports from the EU Member States grew by CZK 200.1 bn, the y-o-y growth in the value of imports from the states outside the EU was by CZK 222.4 bn higher, which was affected in over two fifth by imports from other states y-o-y higher by CZK 96.4 bn, and further by y-o-y increase in imports from the CIS by CZK 50.8 bn, from developing economies by CZK 49.8 bn, from other developed market economies by CZK 14.9 bn, from the EFTA countries by CZK 8.4 bn, and from European transitions economies by mere CZK 1.4 bn.

The **balance of external trade** with the EU Member States ended in a surplus of CZK 598.5 bn, which was by CZK 114.3 bn higher, y-o-y, and with states outside the EU in a deficit of CZK 477.2 bn, which got deeper by CZK 142.6 bn, y-o-y. The negative trade balance with states outside the EU was caused, first of all, by negative balance in external trade with other states (CZK 276.2 bn), which increased by CZK 88.3 bn, y-o-y (the coverage of imports by exports was mere 8.3%), furthermore with developing economies (CZK 86.5 bn), the CIS (CZK 84.1 bn), and with other developed market economies (CZK 44.4 bn). The passive trade balance with developing economies (by CZK 41.3 bn) and with the CIS (by CZK 25.2 bn) got significantly worse, conversely balance with other developed market economies improved (by CZK 10.2 bn). European transition economies and the EFTA countries reduced the overall deficit in external trade with states outside the EU by trade balance surpluses at the amount of CZK 12.8 bn and CZK 8.5 bn, respectively, which somewhat grew year-on-year (by CZK 0.4 bn and CZK 1.6 bn, respectively).

Graph 4 - Trade balance by territorial group in 2009 and 2010



Concerning **the exports structure by territory** the shares of the EU Member States, developing economies, and European transition economies got slightly lower, yet positions of the EFTA countries, other developed market economies, the CIS, and other states got stronger year-on-year. In **the imports structure by territory** the shares of the EU Member States and other developed market economies declined; positions of developing economies, the CIS, and other states got stronger y-o-y, positions of the EFTA countries and European transition economies remained at the level of 2009.

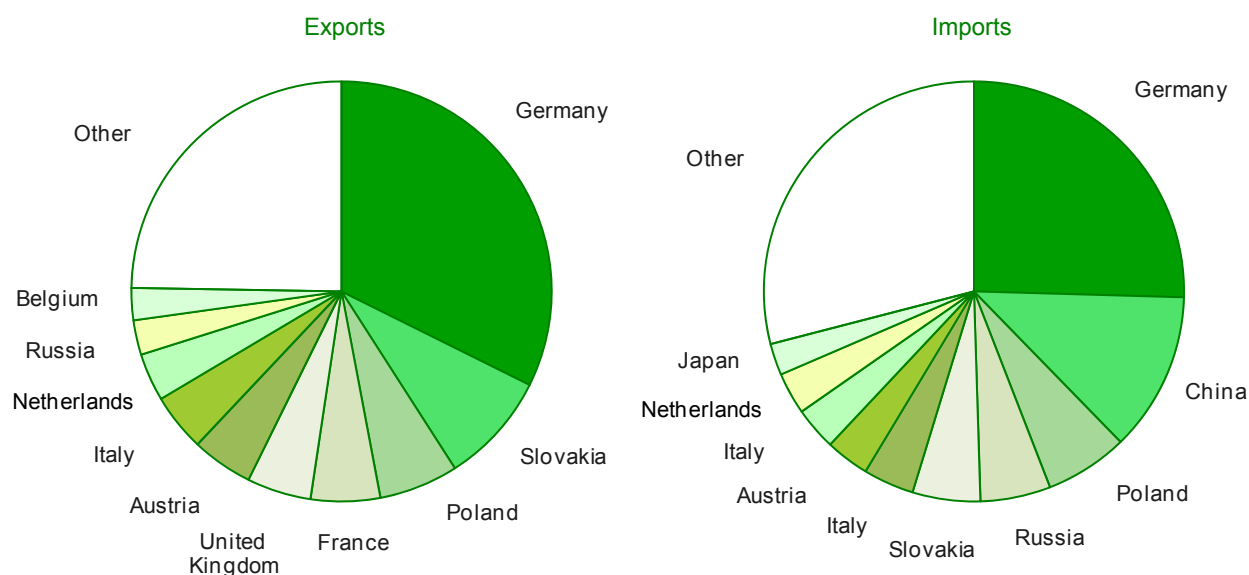
In 2010 as usual, the **dominant portion of exports** (over 75%) **went to ten states**, first of all, to Germany. Despite the y-o-y growth in exports by 18.0% (CZK 124.8 bn) the share of Germany in total exports got weaker y-o-y by 0.2 percentage points (p.p.). Shares of the next nine states fell within 2.5% of Belgium and 8.6% of Slovakia. The most significant relative y-o-y increase was recorded in exports to Russia (35.7%) and to Poland (25.7%). The value of exports to Poland also showed the highest y-o-y increase (CZK 31.6 bn); thus Poland reinforced its third place in ranking of total exports in year-on-year comparison from 5.8% to 6.1%. The favourable trend in exports to Russia led to an increased share of Russia in total exports by 0.4 p.p. The second ranking was occupied by Slovakia (although its position got slightly weaker), which demonstrated the third most marked growth in exports (CZK 30.3 bn). The next important partners in exports were six EU Member States as follows: France, United Kingdom, Austria, Italy, the Netherlands, and Belgium, and then Russia. The value of exports to all these states showed a y-o-y increase, which in total reached almost CZK 104 bn.

The **prevailing portion of imports** (over 71%) was, in 2010, also **implemented from ten states**. The strongest position (share 25.4%) in total imports (even though by 1.2 p.p. weaker against 2009) belonged to Germany with a value of imports y-o-y higher by CZK 85.0 bn. Positions of the rest of nine states in total imports were within 2.4% of Japan and 12.3% of China. There were seven EU Member States and three states outside the EU, of which China and Russia occupied by the extent of imports the second and fourth rankings, respectively, among the ten states. Both the states recorded a marked y-o-y growth in imports while imports from Japan, which share in total imports put it to the tenth place, dropped y-o-y by 6.1%. The y-o-y increase in imports from China was relatively (47.9%) as well as absolutely (CZK 95.9 bn) the highest and thus affected the y-o-y increase in the share of imports from China in total imports by 2.2 p.p. Poland was on the third place with the share of 6.4% in total imports. Further import partners from

the EU Member States were Slovakia, Italy, Austria, France, and the Netherlands. The value of imports from these five EU Member States was altogether higher by CZK 47.8 bn, y-o-y.

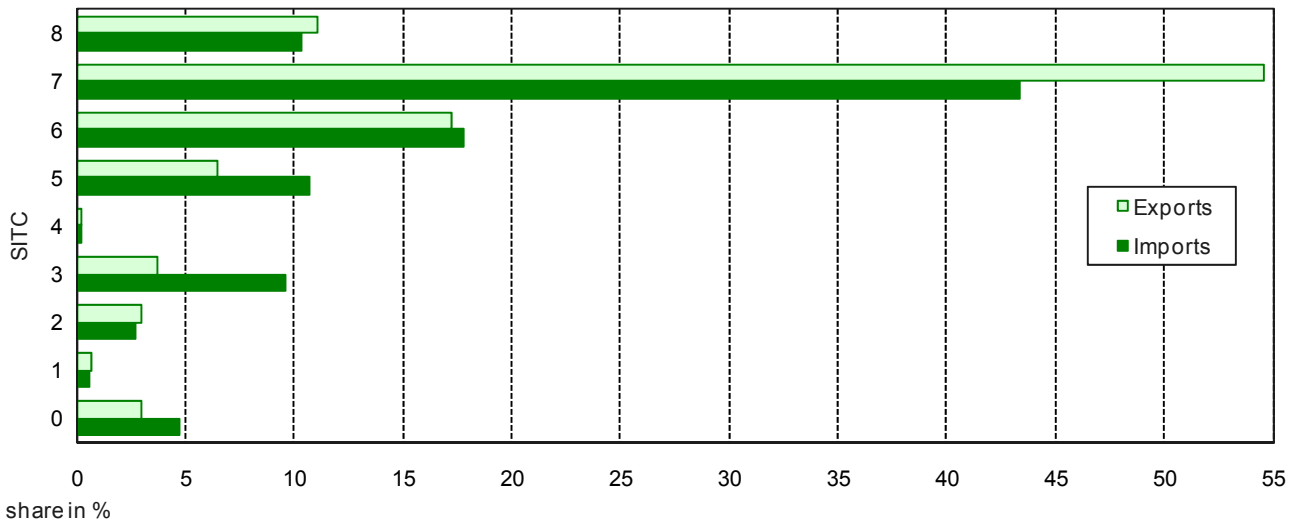
Trade balance and its year-on-year changes in respective territorial groups reflected external trade balance with major partner states. The overall positive balance of external trade with the EU Member States was affected in positive manner by a high surplus of external trade with Germany (imports were covered by exports at 133.5%), which grew by CZK 39.7 bn, y-o-y. External trade with Slovakia brought the second highest positive balance, which was by CZK 13.0 bn y-o-y higher. The third and fourth highest positive balances were seen in external trade with the United Kingdom and France. The surplus increased for both the states by CZK 12.8 bn and CZK 9.4 bn, y-o-y respectively. The fifth highest positive value (by CZK 10.9 bn higher y-o-y) was noticed in balance of trade with Austria. For the next six states (Romania, the Netherlands, Spain, Italy, Belgium, and Sweden) the positive trade balance fell within CZK 13.6 bn (Romania) and CZK 18.9 bn (Sweden). While Romania and the Netherlands slightly reduced the active trade balance y-o-y (by CZK 0.3 bn and CZK 0.6 bn, respectively), for the remaining four states the surplus in external trade altogether grew by CZK 22.2 bn. Insignificant yet positive balance (CZK 0.4 bn) was found in trade with Poland. The only trades, which ended up in a passive trade balance, were those with Ireland and Luxemburg. **The total positive trade balance of external trade was affected in adverse manner by a high deficit of external trade with states outside the EU.** The largest passive balance in trade went to China (imports were covered by exports by mere 7.8%), further then to Russia and Japan; external trade deficit with the these three states attained in total CZK 383.9 bn, which was the highest value by CZK 92.4 bn, y-o-y. High deficits were also found in external trade with Korea, Thailand, Taiwan, and Azerbaijan.

Graph 5 - The most important trade partners in 2010



The **external trade structure by commodity** was accompanied with a y-o-y growth in exports and imports in almost all classes of the SITC. The only lower exports were noticed in animal and vegetable oils, fats and waxes; but this class of the SITC belonged, due to its share (0.2%) in total imports, to insignificant ones. The highest y-o-y increment was recorded for exports of machinery and transport equipment (by CZK 236.8 bn, of which by CZK 184.2 bn those to the EU Member States), manufactured goods classified chiefly by material (by CZK 59.0 bn), miscellaneous manufactured articles (by CZK 30.3 bn), and chemicals and related products, n.e.s. (by CZK 27.8 bn), furthermore crude materials, inedible, except fuels (by CZK 18.4 bn) and mineral fuels, lubricants and related materials (by CZK 16.3 bn). A low y-o-y increase was indicated in exports of beverages and tobacco, animal and vegetable oils, fats and waxes, and in food and live animals. The highest y-o-y increase of **imports** was recorded for machinery and transport equipment (by CZK 224.8 bn) (the same as in exports), which was in a significant manner affected by their increased imports from other states by CZK 93.2 bn and from the EU Member States by CZK 85.5 bn. The second highest increase was noticed in imports of manufactured goods classified chiefly by material (by CZK 79.3 bn), further then of mineral fuels, lubricants and related materials (by CZK 47.5 bn, of which by CZK 30.8 bn from the CIS), chemicals and related products, n.e.s. (by CZK 34.7 bn), crude materials, inedible, except fuels (by CZK 19.9 bn), miscellaneous manufactured articles (by CZK 10.1 bn), food and live animals (by CZK 5.7 bn) and beverages and tobacco (by CZK 0.9 bn). Imports of animal and vegetable oils, fats and waxes declined by CZK 1.4 bn, y-o-y.

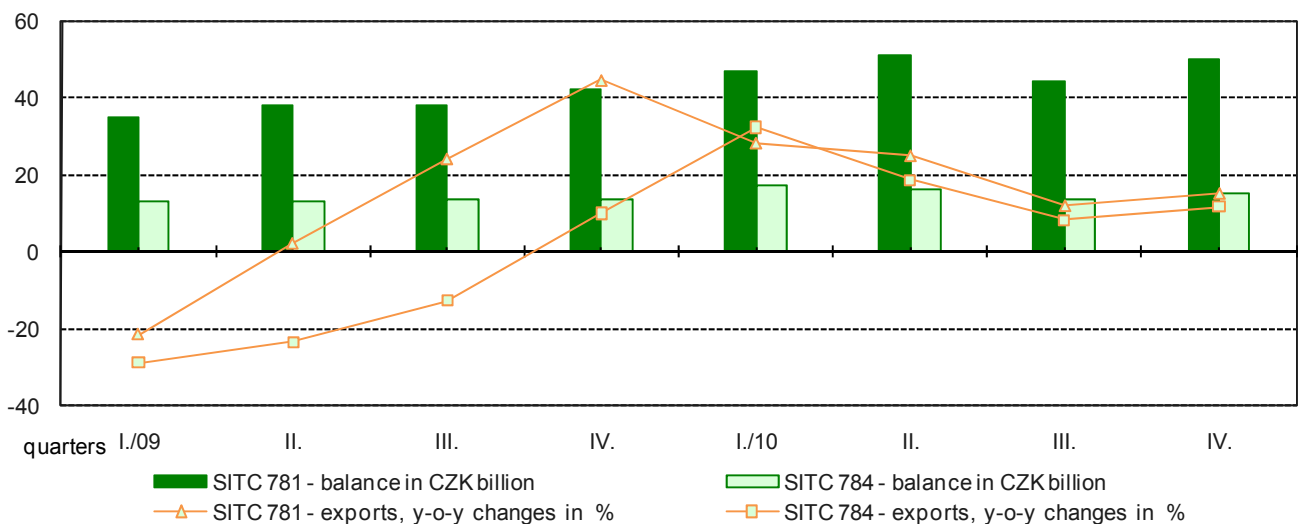
Graph 6 - Commodity structure of external trade in 2010



A high **surplus**, yet by mere CZK 12.0 bn higher y-o-y (due to a y-o-y increase surplus with the EU Member States by CZK 98.8 bn, on one hand, and the negative balance increased by CZK 87.8 bn with other states, on the other hand), was found in trade in machinery and transport equipment. The second highest active balance with y-o-y increase by CZK 20.2 bn was clear in trade in manufactured goods. The positive balance was also recorded in trade in crude materials, inedible, except fuels (by CZK 1.5 bn lower y-o-y), manufactured goods classified chiefly by material (by CZK 20.3 bn lower y-o-y), beverages and tobacco and animal and vegetable oils, fats and waxes. The highest **negative balance** was demonstrated again in trade in mineral fuels, lubricants and related materials (the passive balance increased by CZK 31.2 bn, y-o-y), and then in trade in chemicals and related products, n.e.s. (the balance got worse by CZK 6.9 bn, y-o-y).

The most important item of exports and the carrier of external trade balance surplus was still road vehicles (including air-cushion vehicles) (SITC 78) and of them it were motor cars (SITC 781) and parts and accessories of the motor vehicles (SITC 784). Road vehicles contributed to total exports by 17.1% (17.2% in 2009), of which **passenger cars** by 9.5% (9.3% in 2009) and parts and accessories of motor vehicles by 6.8%, the same way as in 2009. Exports of passenger cars grew y-o-y by 19.7%, exports of parts and accessories of motor vehicles increased by 17.2%, y-o-y. The positive balance of external trade in road vehicles was still the highest of all SITC classes (CZK 249.9 bn) and was by CZK 41.9 bn higher, y-o-y. Its decisive portion (CZK 221.3 bn), which grew y-o-y by CZK 26.5 bn, went to the EU Member States, of which by a bit more than one fourth went to trade with Germany. In passenger cars the positive balance grew by 38.3 CZK bn y-o-y and reached CZK 191.8 bn, of which CZK 169.3 bn were for the EU Member States, of which CZK 39.2 bn went to Germany (a y-o-y decrease by CZK 8.2 bn). The positive balance of external trade in parts and accessory of motor vehicles rose y-o-y by CZK 7.5 bn to CZK 61.3 bn, of which that with the EU Member States grew by CZK 4.6 bn to reach CZK 53.9 bn.

Graph 7 - Exports and trade balance in passenger cars and in parts and accessories of motor vehicles

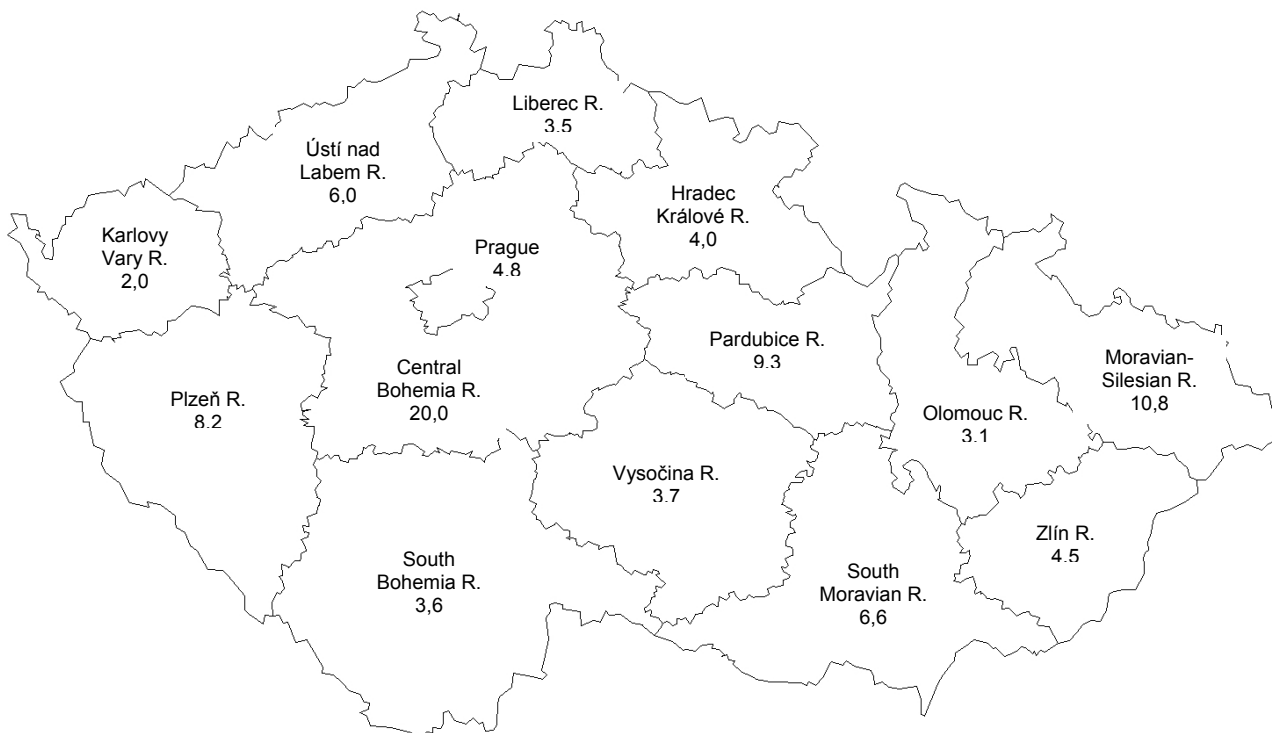


Dynamics of exports and the positive balance of external trade in passenger cars and in parts and accessories of motor vehicles were rather different in respective quarters of 2010. The highest y-o-y increase was recorded in exports of passenger cars (33.8%) and in exports of parts and accessory of motor vehicles (31.1%) in Q1. Passenger cars reached the highest external trade surplus in Q2 and parts and accessories of motor vehicles in Q1.

The overall positive balance of external trade was affected in adverse way by, first of all, negative balance in trade in **petroleum, petroleum products and related materials** (SITC 33), which attained CZK 96.8 bn (CZK 82.3 bn in 2009), and then by the deficit in external trade in **gas, natural and manufactured** (SITC 34) in the amount of CZK 63.9 bn (CZK 52.4 bn in 2009), in **non-ferrous metals** (SITC 68) in extent of CZK 40.1 bn (CZK 27.1 bn in 2009), and in **medicinal and pharmaceutical products** (SITC 54) having the value of CZK 40.3 bn (CZK 46.4 bn in 2009).

The y-o-y increase of total exports by CZK 394.2 bn reflected either the y-o-y increase in exports from all fourteen regions in the total value of CZK 322.3 bn and either the y-o-y increase in the value of non-specified exports by CZK 71.9 bn, i.e. more by over two fifths. The extent of the y-o-y increase in exports was, however, markedly different between respective regions. The highest y-o-y relative increment in exports was noticed for Pardubický Region, then for Karlovarský, Královéhradecký, Moravskoslezský, and Vysočina Regions. The lowest relative growth was detected in exports from Plzeňský Region. Expressed in absolute figures exports recording the most significant y-o-y increases were from Středočeský (by CZK 76.6 bn), Pardubický (by CZK 61.4 bn), and from Moravskoslezský Regions (by CZK 48.2 bn). Exports from Vysočina, Zlínský, Královéhradecký, and Ústecký Regions grew y-o-y within the interval of about CZK 16 bn and CZK 21 bn. A growth in exports from about CZK 10 bn to CZK 12 bn was clear for Liberecký, Karlovarský, Hlavní město Praha, and Jihomoravský Regions. Compared to exports from the aforementioned regions a low exports were indicated for Jihočeský, Olomoucký, and Plzeňský Regions. Dynamics of exports from respective regions got reflected in their positions in total exports. Solely five regions of all fourteen ones strengthen their positions in total exports as follows: Pardubický, Moravskoslezský, Karlovarský, Královéhradecký, and Vysočina Regions. Shares of all other regions in total exports got weaker, most in the cases of the Plzeňský Region (1.1 p.p.) and Jihomoravský Region (0.6 p.p.), further then of the Regions of Hlavní město Praha and Jihočeský (identically by 0.4 p.p.), Liberecký (by 0.2 p.p.), Středočeský, Ústecký, Zlínský, and Olomoucký (identically by 0.1 p.p.). Exports from the Středočeský Region (20.0%) retained the strongest representation in total exports while exports from the Karlovarský Region (2.0%) remained the lowest. Concerning exports commodity structure machinery and transport equipment dominated in the prevailing majority of regions (thirteen ones), solely in exports from the Zlínský Region it was manufactured goods classified chiefly by material holding the top ranking.

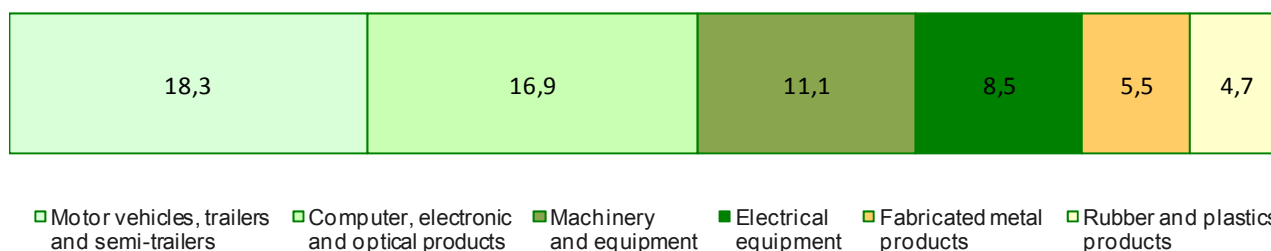
Map 1 - Shares of respective regions in total exports in 2010 as percentage



Exports and imports of products of manufacturing implemented the major portion of external trade as in the previous years. In 2010 products of manufacturing contributed to total exports by 93.3% (93.0% in 2009) and to total imports by 88.3% (88.9% in 2009).

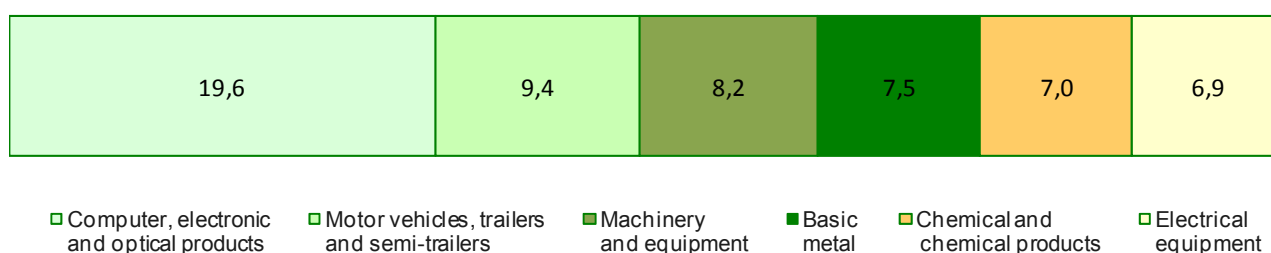
Exports of products of manufacturing grew by 18.8% (CZK 374.2 bn) y-o-y and therefore they substantially contributed (by almost 95%) to the y-o-y increase of total exports. The largest item of exports of products of manufacturing was motor vehicles (except for motorcycles), trailers and semi-trailers. The year-on-year growth of this item exports by 19.5% (CZK 75.6 bn) led to a moderate reinforcement of its representation in total exports of products of manufacturing to 19.6% from 19.5% in 2009. Other rather important items of exports of products of manufacturing were computers, electrical and optical instruments and equipment, which demonstrated the highest y-o-y increment in exports (CZK 85.7 bn) and thus also the biggest change in ranking in total exports of products of manufacturing (from 17.2% in 2009 to 18.1%), furthermore machinery and equipment n.e.c. (11.9%), electrical equipment and appliances (9.1%), manufactures of metals, n.e.s. (5.9%), rubber and plastics products (5.0%), chemicals and chemical preparations (5.0%), and basic metals (4.8%). All the aforementioned items recorded a y-o-y increase in exports.

Graph 8 - Most important manufactured industries exports in 2010 (share in %)



Imports of products of manufacturing grew by 20.5% (CZK 361.9 bn) y-o-y and therefore markedly affected (by approximately 86%) the y-o-y increase of total imports. The highest y-o-y increase (CZK 120.7 bn) was noticed in imports of computers, electrical and optical instruments and equipment, which this way further reinforced its position in imports of products of manufacturing to 22.3% from 20.0% in 2009. Further items of imports of products of manufacturing with more significant shares were motor vehicles (except for motorcycles), trailers and semi-trailers (10.7%), machinery and equipment n.e.c. (9.2%), basic metals (8.5%), chemicals and chemical preparations (7.9%), electrical equipment and appliances (7.8%), and rubber and plastics products (5.3%). These aforementioned items demonstrated a relatively high y-o-y increase in imports as well. Besides products of manufacturing it was petroleum and natural gas, which showed significant shares in total imports of other items of the CZ-CPA (6.7% compared to 6.1% in 2009). Imports of the latter increased by 34.0% (by CZK 41.0 bn).

Graph 9 - European Most important manufactured industries imports in 2010 (share in %)



The **external trade surplus in products of manufacturing** reached CZK 234.2 bn and was by CZK 12.3 bn, y-o-y higher. The positive balance of external trade increased in motor vehicles (except for motorcycles), trailers, and semi-trailers by CZK 40.1 bn and reached CZK 236.0 bn this way. It was, furthermore, increased in general industrial machinery and equipment, n.e.s., and machine parts, n.e.s. by CZK 11.5 bn, manufactures of metals, n.e.s. by CZK 3.7 bn, and electrical machinery, apparatus and appliances, n.e.s. by CZK 3.4 bn. The highest negative balance out of the products of manufacturing with the y-o-y worse result by CZK 24.2 bn was recorded for basic metals (CZK 67.7 bn), followed by chemicals and chemical preparations with CZK 50.5 bn (y-o-y increase by CZK 12.4 bn), computers, electrical and optical instruments and equipment with CZK 45.9 bn showing a deep y-o-y drop (by CZK 35.0 bn) and food products with CZK 30.7 bn, which, however, reduced their deficit by CZK 4.3 bn year-on-year. In among items off manufacturing a high deficit (CZK 148.9 bn) was noted in external trade in petroleum and natural gas, which got even deeper by CZK 36.2 bn, y-o-y.

External trade of the EU Member States in total increased (exports by 18.2% and imports by 20.8%) again following the drop in 2009. Exports of the EU Member States rose by 18.1% (EUR 594.6 bn) and imports by 19.0% (EUR 632.0 bn), y-o-y. In 2010 the Czech Republic contributed to the total EU exports and imports by 2.6% and 2.4%, respectively, compared to 2.5% and 2.3% in 2009. If compared to all EU Member States the year-on-year intensity of growth of exports and as well imports of the Czech Republic was higher. Compared to the average intensity of the growth of the total EU Member States the increment of exports of the Czech Republic was by 5.6 p.p. higher and the difference in imports was 7.4 p.p. Balance of the EU Member States ended in a deficit of EUR 78.2 bn compared to the deficit of EUR 37.4 bn in 2009.

In 2010 the new EU Member States contributed to total exports of the EU by 11.5% and to total imports by 12.0%. Their exports increased by 23.0% and imports by 22.6%, y-o-y, respectively. In 2010 the Czech Republic share in exports from the new EU Member States was 22.3% and it accounted for 20.0% in imports. Trade balance of the new EU Member States closed with a deficit of EUR 28.3 bn, which was by EUR 3.8 bn higher than in 2009. Solely the Czech Republic (EUR 5.0 bn) and Hungary (EUR 5.5 bn) demonstrated positive balance of the new EU Member States.

Graph 10 - European Union external trade by country in 2010

