# External Economic Relations

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Surplus of the goods and services balance led to the record positive balance on the current account of balance of payments. | |  | The surplus on the current account of balance of payments attained according to the CNB data 52.6 CZK bn in 2016 and exceeded the surplus from the preceding year by 41.4 CZK bn. Extraordinarily high positive balance of goods and services, which was by 85.6 bn higher than in the year 2015 is behind this result. Especially the deficit of secondary incomes worked in the opposite direction, deepening by 27.3 CZK bn compared to the year 2015. Primary income deficit reached 271.8 CZK bn, which is by 16.9 bn more than in 2015. Monetary transfers of funds from the EU and especially their marked decline between the years 2016 and 2015 were reflected in the capital account. Surplus of the capital account reached 53.5 CZK bn for the year 2016 and it lowered by 48.4 bn against the year 2015. For the comparison purposes, the positive balance of the capital account was 32.3 CZK bn in 2014. | | |
| Increase of the volume of reserve assets overtook other factors and the financial account ended in surplus despite a marked inflow of foreign investment. | |  | Financial account finished in surplus of 117.7 CZK bn, which is by 58.1 CZK bn less than in 2015. The reserve assets significantly heightened the positive balance, with their volume steadily growing during the year and in total enlarged by 563.5 CZK bn, which is by 212.2 CZK bn more than in the preceding year. The enlargement of foreign exchange reserves markedly influenced the final state of the financial account, since the inflow of direct investment from abroad pushed strongly against the positive balance. A notable outflow of domestic investment abroad manifested during Q2 and Q3 2016, which was concentrated especially into the debt instruments. By contrast, foreign direct investment in the size of 158.8 CZK bn (by 117,3 CZK bn more than in the year 2015) flew into the Czech Republic in the year 2016. | | |
| Flow of Czech portfolio investment abroad weakened in 2016. Interest in Czech debt securities on the part of foreign investors continued. | |  | The net inflow of portfolio investment into the CR amounted to 169.5 CZK bn in the year 2016, which is by 5.4 CZK bn more than in the preceding year. The flow of funds shrank on the receivables side (inflow in the size of 191.5 CZK bn, i.e. by 44.9 bn less than in the year 2015). The increase of net portfolio investment is thus the result of a weak flow of the domestic investment abroad. The asset side of the portfolio investment attained the result of 21.9 CZK bn, which is by 50.3 bn less than in the year 2015. Majority of this difference comprises the lowering of shares in the collective investment funds by 31.5 CZK bn. Interest in Czech debt securities persisted. Foreign investors bought in total these instruments in the amount of 181.7 CZK bn (in that bonds of the government institutions formed 121.7 CZK bn). | | |
| The value of exports reached record levels in 2016. Still, the export performance lagged behind the year 2015 in the second half of the year. | |  | From the view of the value of exports, the year 2016 was record breaking. Goods in the value of 3 312 CZK bn[[1]](#footnote-1) were exported from the Czech Republic, which is an increase of 1.5% against the year 2015. The year-on-year rate of growth of exports lowered compared to the preceding two years. The exports increased by 1.8% in the first quarter. The second quarter became the most successful quarter for exporters in the whole year, when the exports grew by 4.2%. However, the high comparative basis of the year 2015 in combination with a temporary limitation of the production capacities of some important exporters played a role in the second half of the year. The exports fell by 0.9% year-on-year in Q3 and its addition arrived only at 0.7% at the end of the year. | | |
| The exports to the EU decreased pace in the second half of the year. The exports into the rest of the world on the contrary grew. | |  | Exports into the European Union countries, which comprised 84.0% of the total value of Czech exports, increased by 2.7% year-on-year and by 5.4% in Q1 and Q2. The second half of the year 2016 was not so successful, when the exports into the EU decreased by 1.1% in Q3 and subsequently reached the value of Q4 of the previous year. The year-on-year drop of exports occurred for the first time since Q1 2013 and the marked fall of exports to Slovakia and Great Britain played a major role. Exports to Germany, which formed nearly one third of total exports grew by 0.6% and 4.4% in Q1 and Q2 and it subsequently fell by 0.6% in Q3. At the end of the year, it again rose (+2.2%). On the contrary, exports into the countries outside the EU decreased in the first two quarters and again gained pace in the second half of the year, when they grew by 0.5% and 4.5%. | | |
| Motor vehicles remained the most successful and the most significant article of the Czech export throughout the whole year, even though its performance markedly slowed down in the second half of the year. Exports of chemical products managed to revive at the end of the year. | |  | Among the most important goods divisions (based on CZ-CPA classification), the exports of motor vehicles, machinery and equipment fared the best. Exports of motor vehicles increased at first by 10.8% and subsequently by 16.7% in the first two quarters. The high comparative basis of the preceding year left its mark on the slowdown in the second half of the year (+3.0% and +3.8%). Growth of exports of chemical substances and products renewed after seven quarters of year-on-year fall, when the exports grew by 9.2% in Q4. The stagnation persisted in the division computers, electronic and optical appliances and equipment, lasting since Q2 2015. Export of food products dropped by -1.5% and -10.1% year-on-year in Q3 and Q4, it however represents a result of comparison with an above average successful second half of the year 2015. The end of the year 2016 was not very successful for exporters of metalworking products, who did not manage to sustain growth lasting more than three years. Exports fell by 11.4% in this division in Q4 year-on-year. | | |
| Imports stagnated. Renewal of the chemical production in the Czech Republic led to higher imports of oil as well as lowering of dependence on imports of foreign chemical products in Q4. | |  | Total imports into the Czech Republic attained the value of 3 145 CZK bn. Imports from the EU grew similarly by 2.7% year-on-year in the first two quarters and they subsequently slowed down and increased only by 0.2% and 0.6% in Q3 and Q4. Imports from Poland had a noticeable share on the growth, increasing by 13.6% and 5.9% year-on-year in the first half of the year. Imports from the Great Britain rose by 11.4% in 2016. Imports from Germany stagnated and grew only by 0.4%. Imports from Slovakia fell by 1.1% in total for the whole year and to Austria by -3.4%. The more than two years lasting slump of the value of imports of oil and natural gas halted with respect to the growing oil prices as well as the renewed production capacities in the chemical industry and associated revival in this branch in Q4 2016 and simultaneously, the imports of chemical substances and products lowered. The value of imports of motor vehicles rose by 12.4% and electrical appliances by 5.6% in 2016. Import of computers and electronic appliances decreased by 5.6% and machinery and equipment by 3.6%. | | |
| Foreign trade surplus reached record values, despite mild weakening of the export performances by the end of the year. | |  | Surplus of the foreign trade arrived at 167.0 CZK bn in 2016 and overtook the surplus from the year 2015 by 36.1 bn[[2]](#footnote-2). This difference was attained exclusively in the first three quarters. The balance surplus was lower compared to Q4 2015 at the end of the year. The Czech Republic has traditionally a positive surplus of the foreign trade with the EU. Surplus of trade with Germany reached 208.4 CZK bn for the whole year and it increased by 14.0 bn year-on-year. The positive balance with France increased (+3.4 CZK bn) and Austria (+6.0 bn). The Czech Republic attained surplus of trade with Slovakia in the amount of 147.8 CZK bn and 95.0 CZK bn with Great Britain, but these two surpluses shrank compared to the year 2015. Deficit of the trade with Poland deepened by 8.9 CZK bn and reached 73.0 bn. The negative balance of trade with the countries outside the EU prevails. | | |
| Chart 9 | **Current account of Balance of Payments** (cumulation for the year 2016 in CZK bn, FOB/FOB) | | | Chart 10 | **Balance of foreign trade with goods in national concept in 2016** (in CZK bn, CIF/FOB, CPA divisions) |
|  | | | |  | |
|  | | | | Source: CZSO, CNB | |

1. Data in the national conception in nominal expression include only trade with goods. The value of exports is captured in FOB prices, i.e. including the costs connected with the transport to the CR boundaries. Import is in CIF prices, i.e. including costs associated with the transpoation abroad, up all the way to the CR boundaries. Data are valid as of 9th March 2016. [↑](#footnote-ref-1)
2. If we included the amount of 16.2 CZK bn following the review of the methodology of capturing the trade with the natural gas, the difference in the balance of years 2015 and 2016 would deepen to 52.3 CZK bn. [↑](#footnote-ref-2)