

## CZECH REPUBLIC

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**E**conomic results for 2002 were generally positive. The effects of the world recession acted only to reduce somewhat the relatively high economic growth of earlier years, but the economy did not decline to the point of stagnation as was the case in some EU countries. Some of the long-term negative trends became more evident, however, especially the disequilibrium in state finances and the continuing high negative balance of payments. The catastrophic floods in August also had a negative economic impact.

The chief indicators reveal a slowing of GDP growth, from 3.3% in 2001 to 2.0%, reaching a level of Ko2,255 billion. The inflation rate declined significantly over the previous year, from 4.7% to 2.0%. Among the reasons for this fall were the suspension of price deregulation and the continuing decline in import prices owing to the marked strengthening of the Czech currency, the koruna. The unemployment rate continued its rise, climbing to 9.8% (ie 500,000 people out of work), and continued to show marked regional differences.

Overall, productivity rose by only 2.1%, a figure significantly below the 4.5% growth in real wages. The koruna rose excessively, by 12% against the euro and by 18% against the US dollar. The koruna is maintained at a floating rate of Ko30.68 to the dollar and Ko31.16 to the euro. Czech foreign debt amounted to 35% of GDP, which remains below the 40% tolerated level. The budget deficit, which exceeded 25% of GDP, remains a problem.

A survey of the main economic indicators in 2002 shows that some of the developmental trends have not been sufficiently implemented. External conditions and economic globalisation demand that a small open economy should effect a quick transition to technical maturity. The gap in the balance of payments cannot be covered indefinitely by the entry of foreign capital. The growth in consumption cannot provide long-term compensation for the accelerated growth of real wages over productivity.

The Czech Republic does not play a significant role in the production of raw materials in a world or even a European context. The insufficiency of the Czech raw-materials base means a relatively high dependence on imports. Thus, Czech industry is now, and will continue to be, fully reliant on the import of mineral resources, which in a landlocked country must be accomplished chiefly using an obsolescent and overburdened railway system. Mines are being closed as they cease to be profitable, and at present there are no prospects for metal mining in the country.

Significant mineral resources include hard and brown coal, non-ore and construction materials. There is excess mining capacity for brown coal,

although its importance in the production of electricity is declining markedly. Termination of mining activity is now under way at about 20 sites and is expected to be complete in 2007; the tempo of de-activation has increased with the commercial launch of the Temelín nuclear power station.

Industrial minerals are not in short supply in the Czech Republic; on the contrary, they are an advantageous export commodity with good long-term prospects. They include construction stone, gravel, brickmaking materials, limestone and cement-making materials. At present rates of recovery, supplies of these materials will suffice for hundreds of years, although some of the reserves are located in environmentally-protected areas. Raw materials for ceramic and glass production, such as kaolin, fire-resistant ceramic clays, glassmaking sand, bentonite, and feldspar, are sufficient to meet domestic needs.

Petroleum and natural gas are present in limited quantities in the Czech Republic, although geological work is ongoing to locate new supplies. The need for ores and energy supplies is demonstrated by the Czech iron and steel industry, which has a long tradition and is a leading source of exports.

#### Mineral Production ('000 t)

	2000	2001	2002
Fe ores	21	20	16
Polymetallic ores	58	63	50
Steel	6,216	6,316	6,512
Pig iron	4,621	4,677	484
Rolled iron	5,319	5,755	6,019
Sinter	5,852	6,022	6,088
Blanks	5,417	6,202	5,800
Tubes	631	688	639
Coke	2,084	2,195	2,225
Hard coal	25,320	25,970	24,420
Brown coal	46,280	50,407	44,280
Limestone	14,250	14,600	14,850
Kaolin	3,220	3,800	4,320
Clay	1,120	1,350	1,500
Bentonite	108	110	160
Feldspar	3,801	410	420
Glass sands	984	960	860
Decorative stone ('000 m <sup>3</sup> )	240	280	220
Building materials ('000 m <sup>3</sup> )	24,900	25,200	24,600