

CZECH REPUBLIC

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The economic policies of the Social-Democratic Government of the Czech Republic will probably remain unchanged until the next parliamentary elections, due to take place in 2002. Prime Minister Milos Zeman is the chief architect of the renewed activity now being experienced in the economy, though this has been at the price of a massive growth in State debt.

Considering the needs and long-term prospects of the Czech Republic, the half-yearly growth of GDP for 2000 of 3.1%, whilst not huge, does suggest an improved outlook. Another positive sign for 2000 was progress in the acceptance of European Union legislative norms, and of the 29 chapters of European legislation, two-thirds have now been accepted. Further positive news included the continuing low inflation rate of 3.3% and the relatively low level of unemployment (6.7%). Also, the inflow of direct foreign investment has continued, reaching Ko177 billion in 2000, among the highest in Europe.

Less satisfactory are the figures for the trade and fiscal deficits. The negative trade balance for 2000, though influenced significantly by adverse trends in exchange rates, reached Ko127 billion and thus approached critical proportions. Czech exports also expanded in 2000, but not enough to offset the imbalance, and the current-account deficit of 5% of GDP is considered critical. The enormous flood of foreign investment has offset these negative developments somewhat, helping to compensate for the unfavourable balance of payments.

Within the macroeconomic framework of an economy in transition, it may be said that from the viewpoint of the manufacturing industries the Czech economy possesses inadequate domestic sources of raw

materials, so that there is a relatively high reliance on imports. The more plentiful resources available in the Czech Republic include supplies of black and brown coal, non-ore and construction materials.

Historically, the exploitation of resources was relatively intense, so that what remains now are lower-quality sites where recovery is more costly. The Czech Republic also suffers from limited supplies of oil and natural gas, but geological surveys are continuing in the search for new sources. There are a few sources of iron, manganese, molybdenum, lead-zinc and copper ores, while chromium and platinum are non-existent. Several chemical resources are also imported, including sulphur, phosphates and potassium salts. Domestic sources of ferrous metals accounted for around 4% of the needs of the Czech industry in the 1980s and domestic sources of non-ferrous raw materials for about 6-14%.

Beginning in the early 1990s there has been a dramatic decrease in the mining of ferrous ores owing to the high levels of inefficiency, and at present there is practically no mining of ores with the exception of gold. Among those materials produced which fully satisfy local demand are ceramic raw materials, uranium ore, kaolin, and bentonite. Non-ferrous and construction raw materials represent a stabilising element, especially for the development of the glassmaking and ceramic industries. However, their utilisation is often demanding in terms of energy costs and is thus limited by environmental considerations.

The deficiencies of the Republic's raw materials base have meant a high dependence on imports, particularly of those materials, which require minimal processing. This dependence is increased by the higher

local cost for materials and energy. Statistics reveal that between 1990 and 2000 there was a steady decline in the output of most mineral raw materials, varying between 30% and 70%. The marked decline in output, caused by a decrease in domestic demand, was only partly offset by exports of mineral raw materials, which amounted to Ko20.6 billion in 2000, representing about 4.2% of total exports.

The structure of the Czech economy and the role of the mining industry in this structure is changing to the detriment of mining. The share of domestic mineral output currently amounts to 10.6% of GDP, and a steady decrease in this figure is to be expected in future.

Current exchange rates:

US\$1 = Ko38.476

€1 = Ko34.615

Mineral Production ('000 t except where stated)			
	1998	1999	2000
Ferrous ores	26	23	21
Polymetallic ores	65	62	58
Steel	6,253	6,107	6,216
Pig iron	4,982	4,427	4,621
Rolled iron	5,393	5,185	5,319
Sinter	6,150	5,989	5,852
Blanks	4,066	4,220	5,417
Tubes	746	802	631
Coke	2,648	2,458	2,084
Hard coal	24,900	25,150	25,320
Brown coal	50,500	48,352	46,280
Limestone	14,230	14,080	14,250
Kaolin	3,720	3,048	3,220
Clay	1,100	1,070	1,120
Bentonite	80	96	108
Feldspar	360	340	380
Glass sands	930	870	984
Decorative stone ('000 m ³)	120	190	240
Building materials ('000 m ³)	25,800	26,200	24,900