

CZECH REPUBLIC

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Czech economic development in 2001 was influenced by a number of favourable trends established in the previous year. Prominent among these were the continuing economic growth in the West and stable prices for petroleum and other raw materials on world markets. Although the growth came to a halt in the course of 2001 and economic dynamism vanished, low labour costs were maintained and export levels continued to increase, as did direct foreign investment. The GDP rose during 2001 by 3.6% to Ko213,000 billion. Overall productivity increased by 3.8%, the nominal median wage by 9% and the real median wage by 4.1%.

Inflation as the chief indicator of balanced economic growth increased slightly over the previous year to 4.7%, while the negative trade balance grew to Ko130 billion, which in terms of balance of payments was compensated by the influx of foreign capital. A significant portion of this, approximately a quarter, resulted from the sale of state shares in companies and banks. The foreign debt of the Czech Republic declined slightly, but still amounted to Ko825 billion, which represented 39% of the GDP, just below the economically recommended limit. The unemployment rate fell to 8.6%, or 450,000 workers.

While 2001 ushered in more favourable economic conditions in comparison with earlier years, by no means all of the weaknesses were overcome. Despite improvement in the structure, the economy was unable to deal with the low level of productivity, which amounted to between 60% and 68% of levels prevailing in the countries of the European Union. Production methods in no way correspond to the high qualifications of the workforce. A number of positive developments continue to be merely tentative. Future economic dynamism appears to be overshadowed by uncertainty over the

influence of uncontrollable external factors governing short-term prospects, and by the uncertain effects of growing economic 'globalisation' on a small and open economy embracing a population of ten and a quarter million inhabitants. The private sector accounted for 76% of the GDP in 2001, and the exchange rate of the Czech koruna was maintained at floating levels of 37.48 to the US dollar and 33.32 to the Euro.

The geographical and geological character of the Czech Republic and its modest territorial extent (78,864 km²) have largely determined the availability of raw materials. Present indications suggest that the Czech Republic will never be able fully to meet the raw materials requirements of its industry. This does not mean, however, that the Czech Republic is poor in natural resources, even though it lacks such basic materials as petroleum, natural gas and metal ores. The past economic development of the country, its location and territorial structure all contribute to the following situation: important industries such as energy, mining, engineering and chemicals, are wholly or significantly dependent on raw materials imports. The country's inland location and the prevalence of rail transport contribute to increased costs.

Significant sources of raw materials are limited to hard and brown coal, non-mineral resources and construction materials, where the levels of exploitation are high in relation to the supplies. Petroleum and natural gas exist in limited quantities in the Czech Republic, though efforts are under way to locate new sources. There are very few sources of iron, manganese, molybdenum, lead, zinc or copper, and there is no chrome or platinum. Certain chemical raw materials are also imported, such as sulphur, phosphates, and potassium salts.

Raw materials may be classified according to availability as follows:

- Raw materials which cannot be recovered: chrome, platinum, sulphur, phosphates and potassium salts.
- Raw materials which may be recovered in limited quantities: iron, manganese, copper, lead, nickel, zinc, cobalt, asbestos, tin, wolfram, silver, gold, pure limestone, coal, lignite, bitumen and graphite.
- Raw materials which may satisfy domestic industrial needs in future: feldspar, quartz.
- Raw materials which currently satisfy domestic industrial needs: kaolin, fire-resistant ceramic clays, bentonite and antimony.
- Raw materials which are so plentiful as to raise questions regarding exploitation, consumption and environmental concerns: limestone, brickmaking clays, gravel and stone.
- Raw materials existing in limited quantities which have not been exploited: molybdenum, trace elements.
- Exploitation of most mineral resources continues to decline, and no change in this situation is foreseen.

Czech Mineral Production (‘000 t except where stated)

	1999	2000	2001
Fe ores	23	21	20
Polymetallic ores	62	58	63
Steel	6,107	6,216	6,316
Pig iron	4,427	4,621	4677
Rolled iron	5,185	5319	5,755
Sinter	5,989	5,852	6,022
Blanks	4,220	5,417	6,202
Tubes	802	631	688
Coke	2,458	2,084	2,195
Hard coal	25,150	25,320	25,970
Brown coal	48,352	46,280	50,407
Limestone	14,080	14,250	14600
Kaolin	3,048	3,220	3,800
Clay	1070	1,120	1,350
Bentonite	96	108	110
Feldspar	340	3801	410
Glass sands	870	984	960
Decorative stone (‘000 m ³)	190	240	280
Building materials (‘000 m ³)	26,200	24,900	25,200