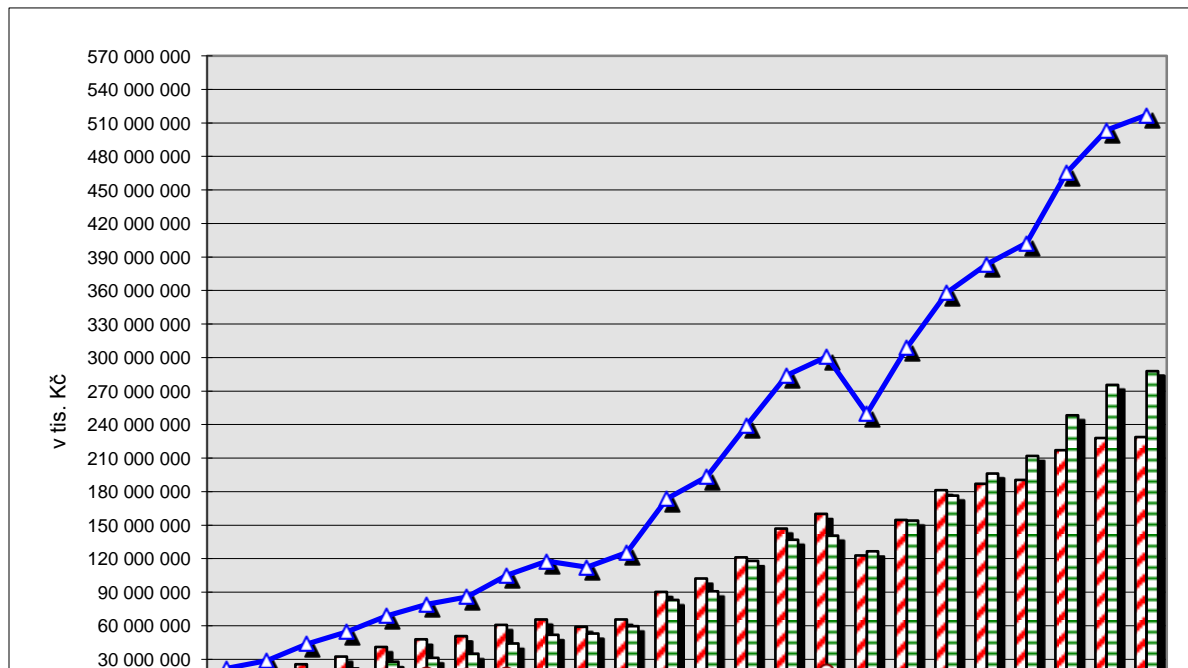


Basic character and actual trade progress between Czech republic and Poland

Mutual trade figures between Czech republic and Poland since 1993 (figures in thousands)

	export			import			sales			balance
	Kč	poř.	Index	Kč	poř.	Index	Kč	poř.	Index	Kč
1993	11 947 273	7.	-	10 006 994	10.	-	21 954 267	8.	-	1 940 279
1994	15 898 692	5.	133,1	12 887 810	10.	128,8	28 786 502	8.	131,1	3 010 882
1995	25 497 042	4.	160,4	18 079 130	9.	140,3	43 576 172	6.	151,4	7 417 912
1996	32 632 065	4.	128,0	22 014 509	9.	121,8	54 646 574	6.	125,4	10 617 556
1997	41 160 281	4.	126,1	27 830 410	9.	126,4	68 990 691	6.	126,2	13 329 871
1998	47 821 470	4.	116,2	31 276 521	9.	112,4	79 097 991	5.	114,7	16 544 949
1999	50 756 287	4.	106,1	35 015 588	9.	112,0	85 771 875	5.	108,4	15 740 699
2000	60 898 285	4.	120,0	44 332 172	9.	126,6	105 230 457	6.	122,7	16 566 113
2001	65 788 218	5.	108,0	52 014 688	9.	117,3	117 802 906	7.	111,9	13 773 530
2002	59 207 620	5.	90,0	53 176 446	8.	102,2	112 384 066	7.	95,4	6 031 174
2003	65 673 015	5.	110,9	59 809 231	8.	112,5	125 482 246	6.	111,7	5 863 784
2004	90 426 390	4.	137,7	83 113 388	5.	139,0	173 539 778	4.	138,3	7 313 002
2005	102 341 418	4.	113,2	90 999 588	5.	109,5	193 341 006	3.	111,4	11 341 830
2006	121 387 421	3.	118,6	118 043 336	4.	129,7	239 430 757	3.	123,8	3 344 085
2007	147 054 403	3.	121,1	137 150 246	3.	116,2	284 204 649	3.	118,7	9 904 157
2008	160 103 904	3.	108,9	140 796 176	4.	102,7	300 900 080	3.	105,9	19 307 728
2009	123 064 482	3.	76,9	126 644 134	3.	89,9	249 708 616	3.	83,0	-3 579 652
2010	154 643 502	3.	125,7	154 241 344	3.	121,8	308 884 846	4.	123,7	402 158
2011	181 474 996	3.	117,4	176 663 859	3.	114,5	358 138 855	4.	115,9	4 811 137
2012	187 114 681	3.	103,1	196 377 307	3.	111,2	383 491 988	3.	107,1	-9 262 626
2013	190 435 696	3.	101,8	212 005 127	3.	108,0	402 440 823	3.	104,9	-21 569 431
2014	217 113 711	3.	114,0	248 355 801	3.	117,1	465 469 512	3.	115,7	-31 242 090
2015	227 941 668	3.	105,0	275 619 938	3.	111,0	503 561 606	4.	108,2	-47 678 270
2016	229 138 114	3.	100,5	288 884 681	3.	104,8	518 022 795	2.	102,9	-59 746 567
1-9/2016	169 784 305	3.		215 038 129	3.		384 822 434	2.		-45 253 824
1-9/2017	186 270 793	3.	109,7	215 846 180	3.	100,4	402 116 973	2.	104,5	-29 575 387



Poland is our traditional trade and economic partner. Poland is a part of inner trade circle within the EU since 2004, also enclosed in Visegrad group. Above placed chart and graph shows continuously increasing trend (except the crises period in 2009), further shows the stabilizing position of Poland between the most significant trading partners.

Since 2006 Poland holds continuously 3rd position based on reached sales, export (in both cases after Germany and Slovakia) and import (after Germany and China).

An absolute decrease took place in 2009 as an outcome of economic crises – our export to Poland has decreased 23% and import 10%. During 2011 the before crises period, the level of value of our export has been overreached – according to the depth of downswing – in this case of such significant trading partner can not be classified other than very positive. Trading turnover has overreached in this year 358 mld., CZK with positive trading balance. I would like to mention that the term "trading balance" is used in international trading terminology and shows the difference between export and import.

During the 2012 the pace of growth of our export to Poland in year to year figures has considerably decreased. Polish export however grew in this year more than 11%. As consequence to this differences our trading progress reached passive trading balance. During 2013, 2014 and 2015 the increase of our trading continues with lower pace of export than import.

The figures during 2016 shows the difference grow trend of export than import where the Czech trade shows only small increase of export and index of import increase reaches 104,8. By this index the passive trading balance only went deeper. Mutual trade however kept in increase.

Thanks to this during 2016 Poland reached 2nd place according to reached trade after Germany. Reason to this is the fact that the trading pace with Slovakia has shown decreasing figures during the measured period and Poland has become significant partner in terms of mutual trading sales. 2nd position for Poland has been confirmed by the figures from the end of 2016 and midyear of 2017.

The figures from January – September 2017 showing increasing year to year situation in our import and stagnation in export, which is a consequence of decrease of year to year trading balance passive.

The most significant trading commodities

By the statistics we can apply to foreign trade more classifications. In the following comparison, measures are taken from the Standard international trade classification. It can vary and can be single-digit or five-digit classification.

For a reader, in 2016 according to this five-digit nomenclature, the evidence of Czech- Poland relation in export was 2511 and import 2469 commodities.

As an example of different system, we can show so-called Harmonized system (HS) of international trade classification. Its six-digit numeric code in the same year of 2016 showed in our export 3870 commodities and in import 3825 commodities. I would like to mention that none of these two classifications distinguish particular commodity. Those are distinguished according to the Harmonized system by customs statistics. It is so called Combined nomenclature trade classification, which is used in European Union and Czech republic, to be specific its eight-digit numeric code.

Lets get back to the single-digit SITC – nomenclature, which below shows basic data of single commodity classes in Czech-Poland trading in the past two years.

SITC	Name/title	Ratio %			
		Import 2015	Export 2016	Import 2015	Export 2016
0	Food and alive animals	6,7	6,8	11,9	10,9
1	Drinks and tobacco	0,8	0,9	1,6	1,7
2	Non eatable items, no fuel	3,7	4,1	2,5	2,0
3	Mineral fuels, lubricants and relative items	2,2	2,6	6,3	6,6
4	Animal or vegetable fat and oils	2,2	2,0	1,6	1,9
5	Chemicals	10,8	10,2	9,2	9,8
6	Trade items separated by the used material	25,1	23,0	26,9	25,5
7	Machines and transportation items	37,7	40,0	28,7	28,3
8	Various industry items	10,6	10,3	10,9	13,1
9	Non-specified	0,1	0,1	0,3	0,2
	Total	100,0	100,0	100,0	100,0

We are talking here about so called Commodity structure of mutual trading with Poland. The Commodity structure is obviously stabilized.

In case of monitoring the past two years according to two-digit SITC-codes and generate 10 TOP commodities in export and import, we would reach the following figures:

Export to Poland according to two-digit nomenclature SITC

SITC	Name/title	Year 2015		Year 2016	
		ratio %	place	ratio %	place
78	Cars and vehicles	14,36	1	16,29	1
77	Electric goods, appliances	6,57	2	6,76	2
67	Steel and iron	6,51	3	6,50	3
89	Various goods	5,17	4	5,20	4
69	Metallic goods	4,97	5	4,64	5
75	Office appliances, data processing equipment	4,32	6	4,21	8

76	Devices for phone communication, recording and sound reproduction	4,30	7	4,39	7
74	Machines and industry used machines	4,00	8	4,55	6
68	Non-iron elements	3,65	9	(1,41)	23
64	Paper, cardboards and their products	3,03	10	3,08	9
57	Plastic in primary form	(2,91)	11	2,73	10
	Total 10 commodities	56,89		58,35	

Dominant export commodities are vehicles. Ratio of non-iron elements has significantly decreased in 2016. Those 10 TOP SITC 2 commodities had created almost 59% of our total export, what states a very strong concentration of export to Poland. (it has been slightly growing since 2015). TOP 10 commodities in past two years is stabilized (only 1 movement has been noticed).

Import from Poland in two-digit nomenclature SITC

SITC	Name/title	Year 2015		Year 2016	
		ratio %	place	ratio %	place
78	Vehicles	9,92	1	10,21	1
68	Non-iron elements	7,96	2	5,96	2
67	Steel and iron	6,34	3	5,50	7
71	Machines and appliances for energy production	5,70	4	5,58	6
77	Electric goods, appliances	5,54	5	5,68	5
69	Metallic goods	4,79	6	5,83	3
82	Furniture and parts	4,74	7	5,79	4
89	Various goods	4,16	8	4,81	8
33	Oil, relative materials and goods made of oil	3,20	9	3,64	9
76	Devices for phone communication, recording and sound reproduction	2,97	10	(2,58)	11
01	Meat and its products	(2,69)	12	2,66	10
	Total TOP 10 commodities	55,31		55,66	

It is apparent that between TOP 10 commodities in Poland export to Czech republic aren't vehicles, even after taking the first position. We need to say, that those are mainly parts and not finished product. There is a clear concentration into single commodity class in the export coming from Poland. We need to mention the ratio decrease in export of steel and iron and non-iron elements. On the other hand the ratio of 1% has increased SITC 69 (Metallic goods) and SITC 82 (Furniture and parts). It shows other increase of sophisticated products (products with added value) in the mutual trade.

Before I move towards the final chapter of this article, I consider emphasize the following:

- Mutual trade with Poland in terms of our foreign trading is considered “Success story”. Since 1993 our trading balance hasn’t reached such sales figures with another trading neighboring country as it did with Poland.
- The trading sales balance is high, what is apparent from the position of Poland between our trading partners. Using a simple counting we come to following results: If in 2016 our export to Poland made 229 mld. CZK than each day has crossed our borders with Poland commodities in the total value higher than 600 mld. CZK and in the other direction in the value of approximately 800 mls. CZK, that includes Saturdays and Sundays.
- With no other neighboring country or country out of EU, which belonged in 2016 between 20 most significant trading partners didn’t have Czech republic passive trading balance.
- Poland except Germany is our neighbor with large economic capacity and large inner trade. To say this shows the potential of absorbing trading capacity of our northern neighbor. There is an existing presumption of successful use of our commodities further supported by our geographic location to polish territory. There is not much to do other than to make an appeal to our exporters to use this advantage and put in play the export politics experience.

Basic analyzes of the passive trading balance with Poland

As a closer of this article I would like to present basic analyzes of above mentioned passive trading balance in the Poland trade relationship during 2014-2016. The following table in single columns shows absolute value differences (in mld. CZK) between export and import reached in the mutual trading. Arrows are signaling increase or decrease in passive mutual trading in the single commodity classes according to single-digit nomenclature SITC in all cases where the passive is being generated (which are in fact all commodity classes except second and seventh).

Období/SITC		Celkem	0	1	2	3	4	5	6	7	8	9
2014		-31,2	-13,2	-1,6	-1,2	-8,6	1,6	1,8	-10,9	4	-4,1	-1,4
2015		-46,8	-17,5	-2,5	1,5	-12,3	0,4	-0,6	-16,5	7	-5,9	-0,4
2016		-59,0	-15,8	-2,7	3,5	-12,9	-1,1	-5,0	-20,8	10,1	-14,1	-0,2
Záporná salda	Změna 2015-2014	↑ 15,6	↑ 4,3	↑ 0,9	2,7	↑ 3,7	↑ 1,2	↑ 2,4	↑ 5,6	3,0	↑ 1,8	↓ 1,0
	Změna 2016-2015	↑ 12,2	↓ 1,7	↑ 0,2	2,0	↑ 0,6	↑ 1,5	↑ 4,4	↑ 4,3	3,1	↑ 8,2	↓ 0,2
	Změna 2016-2014	↑ 27,8	↑ 2,6	↑ 1,1	4,7	↑ 4,3	↑ 2,7	↑ 6,8	↑ 9,9	6,1	↑ 10,0	↓ 1,2

Caption:

↑ - increase of passive or crossover from active to passive trading balance

↓ - decrease of passive

From the above shown four leading sources of our passive trading balance are clear. These are the following trades:

- Food and life animal stock (SITC 0)
- Mineral fuel and lubricants (SITC 3)
- Chemicals (SITC 5)
- Trading goods according to material type (SITC 6a)
- Various industry products (SITC 8)

In the commodity classification (SITC 0) traditionally prevails import over export. Positive outcome is lowering the passive in 2016 in comparison with 2015. The traditional passive is class of SITC 3 (coal and coke, oil and products made of oil). During the past few years the class SITC 5 (chemicals) has become passive too. The largest increase of trade balance passive has been in classes SITC 6 and 8. If we take a closer look at class 6, we can see that major source of passive trading balance is import of copper rods, bars and profiles made of aluminum and its molded and unmolded alloys also lead including its unmolded alloys. Exceptionally high has been import razors and shaving blades in 2015 and repeatedly in 2016. Class SITC 8 presents mainly import of seats (including those capable of conversion into bed), including its parts and wooden furniture.

Conclusion

What conclusion can be specified from the above mentioned trading balance passive analyses for Poland? It is unnecessary to create any radical conclusion from the past 5 years. It is apparent that large part of trading balance passive is made by import of traditional commodities. Trade with vehicle components (to be precise increased import of these components from Poland) is probably responsible for the source of traditional trading balance active (class 7 SITC Machines and appliances – mostly vehicles) and didn't compensate enough passive trade in other commodity classification classes.

On the other hand the increased import of vehicle components has an impact in other territory with positive balance thanks to increased export of vehicles in time of car industry conjecture. In fact, it supports positive trading balance of our foreign trading.

From the above mentioned, it is not our intention to encourage our exporters to leave perspective Polish market and at the lower import pricing stabilize trading balance passive. It is exactly the other way – therefore I would like to encourage our exporters to find possible openings in the market of our northern neighbor and keep on exporting their products. In other word, lower trading balance passive by active way of increased export.

For a matter, the development of our trading in first half of the year signalizes the positive approach of such intention.

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