



Czech Republic: Market Profile

Major Economic Indicators

	2016	2017 (estimates)	2018 (forecast)
Population (million)	10.6	10.6	10.6
GDP (US\$ billion)	195	210	N.A.
GDP Per Capita (US\$)	18,510	19,820	N.A.
Real GDP Growth (%)	2.6	4.3	3.0
Inflation (%)	0.6	2.4	N.A.
Unemployment (%)	4.0	3.0	N.A.
Exports (goods, US\$ billion)	163	131 (Jan-Sep)	N.A.
Export Growth (%)	+3	+7 (Jan-Sep)	N.A.
Imports (goods, US\$ billion)	143	117 (Jan-Sep)	N.A.
Import Growth (%)	+1	+10 (Jan-Sep)	N.A.
Exchange Rate: US\$1 to 20.81 Czech korunas on 18 Jan 2018			

Source: IMF, Eurostat, Czech Statistical Office

Recent Developments

- The Czech Republic has been a member of the EU since May 2004, and it has adopted the EU's common external trade policy and measures.
- The EU's new scheme on generalised system of preferences ("GSP") entered into effect on 1 January 2014. Under the new scheme, tariff preferences are removed for imports into the EU from countries where per-capita income has exceeded US\$4,000 for four years in a row. As a result, the number of countries that enjoy preferential access to EU markets was reduced from 176 to less than 80. While the Chinese mainland remains a beneficiary, many of its exports such as toys, electrical equipment, footwear, textiles, wooden articles, and watches and clocks have already been "graduated" from the preferential treatment.
- A number of Chinese mainland-origin products are subject to EU's anti-dumping duties, including bicycles, bicycle parts, ceramic tiles, ceramic tableware and kitchenware, fasteners, ironing boards and solar glass, which are of interest to Hong Kong exporters.
- Hong Kong's total exports to the Czech Republic surged by 27% to US\$826 million in the first eleven months of 2017, while its imports from the Czech Republic grew by 14% to US\$180 million.
- The inflows of foreign direct investment (FDI) to the Czech Republic amounted to US\$6.8 billion in 2016, with China contributing US\$1.9 million. As of the end of



2016, China's total stock of FDI in the Czech Republic exceeded US\$227 million, up from US\$20 million in 2007. Hong Kong, holding an FDI stock of US\$24 million as of end-2015, ranked 7th (after South Korea, Japan, the Chinese mainland, Singapore, India and Thailand) on the list of Czech Republic's inbound Asian investors.

- In line with the Czech Republic's 2014 National Reform Programme (NRP), industries such as nanotechnology and advanced materials, automotive, aerospace, energy and environment, life sciences, high-tech mechanical engineering, ICT, business support services and green mobility are considered targeted sectors to stimulate the economic growth in the country and fulfill the Europe 2020 Strategy targets at the national level.
- In May 2015, the amendment on investment incentives came into effect, introducing new types of incentives such as aid for data centres and customer-support centres and expanded grants for job creation and asset purchases and removing several limitations such as the limits on job creation under current laws. More information on the investment environment and the relevant regulations can be found at the [Investment and Business Development Agency \(CzechInvest\)](#).
- As an important step in accommodating greater synergies, Hong Kong and the Czech Republic signed a [Comprehensive Agreement for the Avoidance of Double Taxation \(CDTA\)](#) on 6 June 2011, which came into force on 24 January 2012.

Current Economic Situation

On the back of a steady labour market and stronger consumer confidence, household consumption has been on the rise, while the increase in consumer spending has led to an upswing in business investment. These, coupled with an investment rebound, have led to a big jump from 2.6% in 2016 to an estimated 4.3% GDP growth last year.

On entering 2018, vibrant EU co-financed investment activities, together with the expansionary fiscal stance and rapidly rising wages, will continue to bolster consumer and business confidence. To some extent, a stronger koruna after the country's abolishment of its policy of pegging its value to the euro since April 2017 will curb exports and favour imports. In the face of supply-side constraints, the growth of the Czech economy is forecast to moderate to 3.0% in 2018.

Trade Policy

Czech Republic is a member of the EU that comprises 28 member states, and it follows EU's common external trade policy and measures.

All EU member states adopt common external trade policy and measures. Meanwhile, 19 EU members, including Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia and Spain, have adopted the euro as their legal tender.

Quotas

No quotas are imposed on textiles and clothing exports, as well as non-textile products exports from Hong Kong and the Chinese mainland at present.



Scheme of Generalised Tariff Preferences

The EU's new scheme on generalised system of preferences ("GSP") entered into effect on 1 January 2014. Under the new scheme, tariff preferences are removed for imports into the EU from countries where per-capita income has exceeded US\$4,000 for four years in a row. As a result, the number of the countries that enjoy preferential access to EU markets was reduced from 176 to less than 80. While the Chinese mainland remains a beneficiary, many of its exports such as toys, electrical equipment, footwear, textiles, wooden articles, and watches and clocks have already been "graduated" from the preferential treatment. Regarding Hong Kong, the territory has been fully excluded from the EU's GSP scheme since 1 May 1998.

Anti-dumping Measures

The EU has initiated anti-dumping (AD) proceedings against certain mainland-origin products. Currently, there are a number of Chinese mainland-origin products are subject to EU's anti-dumping duties, including bicycles, bicycle parts, ceramic tiles, ceramic tableware and kitchenware, fasteners, ironing boards and solar glass, which are of interest to Hong Kong exporters. As at end-December 2017, the EU did not apply any AD measures on imports from Hong Kong.

Other Measures

To combat the spread of the Asian longhorn beetle, the EU introduced in July 1999 emergency controls on wooden packaging material originating in the Chinese mainland. Wood covered by the measures must be stripped of its bark and free of insect bore holes greater than 3mm across, or have been kiln-dried to below 20% moisture content.

For health reasons, the EU has adopted a Directive on the control of the use of nickel in objects intended to be in contact with the skin, such as watches and jewellery. Following the emergency ban adopted in December 1999, the EU has adopted a Directive to ban the use of some phthalates in certain PVC toys and childcare articles on a permanent basis, which came into effect from 16 January 2007. In addition, the EU has adopted a Directive to prohibit from September 2003 the trading of clothing, footwear and other textile and leather articles which contain azo-dyes, from which aromatic amines may be derived.

On the other hand, the EU has adopted a number of Directives for environmental protection, which may have an impact on the sales of a wide range of consumer goods and consumer electronics. Notable examples include the Directive on Waste Electrical and Electronic Equipment (WEEE) implemented in August 2005, and the Directive on Restriction of Hazardous Substances (RoHS) implemented in July 2006. On 3 December 2008, the European Commission (EC) presented two proposals: one for a recast RoHS Directive and the other for a recast WEEE Directive.

The recast RoHS Directive was published on 1 July 2011 and entered into force on 2 January 2013. The new Directive continues to prohibit EEE that contains the same six dangerous substances as the old RoHS Directive. Nonetheless, the new Directive will widen, as from 22 July 2019, the current scope of the previous RoHS Directive, by including any EEE that will have fallen out of the old RoHS Directive's scope, with only limited exceptions.



Another important law for Hong Kong companies to grapple with concerns waste EEE, i.e., the WEEE Directive. With the formal approval on 7 June 2012, the recast WEEE Directive entered into force on 13 August 2012, while Member States have until 14 February 2014 to transpose the new directive into national law. In brief, the recast WEEE Directive will see Member States subject to higher collection/recycling targets (i.e. 45% collection rate as of 2016 and 65% as of 2019) and a wider scope of measure covering essentially all electric and electronic equipment, while establishing producer responsibility as a means of encouraging greener product designs.

On the heels of the recast RoHS and WEEE Directives, the EU's new framework Directive for setting eco-design requirements for energy-related product (ErP) is now in place. The ErP Directive is no longer limited to only EEE (as it was under its predecessor, the energy-using product, or EuP, Directive), but potentially covers any product that is related to the use of energy, including shower heads and other bathroom fittings, as well as insulation and construction materials.

Moreover, REACH, an EU Regulation which stands for Registration, Evaluation, Authorisation and Restriction of Chemicals, entered into force in June 2007. Among others, it requires EU manufacturers and importers of chemical substances (whether on their own, in preparations or in certain articles) to gather comprehensive information on properties of their substances produced or imported in volumes of 1 tonne or more per year, and to register such substances prior to manufacturing in or import into the EU.

Following the entry into force of the new Toy Safety Directive (Directive 2009/48/EC) on 20 July 2011, the Official Journal of the EU published on 11 August 2011 references to two important safety standards concerning electric toys (EN 62115:2005 and its amendment EN 62115:2005/A2:2011) and two previous standards on the mechanical and physical properties of toys and a standard on the flammability of toys.

Hong Kong's Trade with the Czech Republic [1]

Hong Kong's total exports to the Czech Republic surged by 27% to US\$826 million in the first eleven months of 2017, after sliding by 19% to US\$717 million in 2016. Major export items in January-November 2017 included telecommunications equipment & parts (shared 43% of the total), computers (17%), electric power machinery & parts (6%), electrical apparatus for electrical circuits (6%), parts & accessories of office machines/computers (5%), optical instruments & apparatus (3%) and semi-conductors, electronic valves & tubes (3%).

On the other hand, Hong Kong's imports from the Czech Republic grew by 14% to US\$180 million in the first eleven months of 2017, after a 15% decrease to US\$171 million in 2016. Leading import items in January-November 2017 included electrical machinery & apparatus (shared 32% of the total), telecommunications equipment & parts (11%), electrical apparatus for electrical circuits (11%), glassware (9%), semi-conductors, electronic valves & tubes (7%), parts & accessories of office machines/computers (3%), optical instruments & apparatus (3%), optical goods (3%) and toys, games & sporting goods (3%).



(US\$ million)	2016		Jan-Nov 2017	
	Value	% Growth	Value	% Growth
Total Exports	717	-19	826	+27
Domestic Exports	1	-21	*	-19
Re-exports	717	-19	826	+27
Imports	171	-15	180	+14
of which re-exported	147	-17	154	+15
Total Trade	889	-19	1,006	+25

* insignificant

Source: Hong Kong Trade Statistics, Census & Statistics Department

Related information: [Czech infographics](#)

[1] Since offshore trade has not been captured by ordinary trade figures, these numbers do not necessarily reflect the export business managed by Hong Kong companies.

Find this page at

<http://emerging-markets-research.hktdc.com/business-news/article/Emerging-Europe/Czech-Republic-Market-Profile/mp/en/1/1X000000/1X003I8A.htm>

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