Abstract

In general discussion, the concept of country’s international competitiveness is frequently used for analysing its macroeconomic performance and is usually associated with price competitiveness, often measured by real effective exchange rate. In spite of its usefulness, this indicator has several drawbacks, stemming from its strong assumptions. Using highly disaggregated data from UN Comtrade trade database, a relative export price index which accounts for non-price factors such as changes in the market power and taste or quality is presented and utilized for examination of changes in Czech republic’s exports competitiveness between 1998 and 2015 in various product sections and geographical regions. The results show that the appreciation of Czech real effective exchange rate, which occurred between 1998 and 2008, was transferred into higher export prices in a very muted form and the improvements in quality of Czech exports were more than capable of compensating for this increase. Major differences in quality growth between individual product sections and exports into different locations are detected. The highest improvements are achieved in products of Machinery, Plastics and rubber, Chemical products, but also Metals.