

V4VN Workshop

Kecskemét, Hungary

18th and 19th November 2019

Partner Country Economic Profile - Czech Republic

Item	Heading	Information	Date
1	What is the population of your country?	10,649,800 (Euroopa, 2019)	2019 Website accessed 30/10/19 https://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=en&ocode=tps00001
2	Is this growing, static or falling and what rate?	Growing with small rate 0.3 for 2018 (Worldbank, 2018)	2018 Website accessed 30/10/2019 https://data.worldbank.org/indicator/SP.POP.GROW
3	What is the employment rate between age 15-64	75.2% in July 2019 seasonally adjusted (Czech Statistical Office, 2019)	July 2019 Website accessed 30/10/2019

			https://www.czso.cz/csu/czso/ari/rates-of-employment-unemployment-and-economic-activity-july-2019
4	What is the Gross Domestic Product?	The GDP figure in the second quarter of 2019 was \$48,695 million In 2018 the annual GDP was 245,226M.\$ (3.0% growth) (Country Economy, 2019)	2019 Website accessed 30/10/2019 https://countryeconomy.com/gdp/czech-republic
5	What are the major industries?	Manufacturing industry, Service Industry, Agricultural Industry (worldatlas, 2019) Engineering and machine engineering, mining industry, chemical industry, food processing industry (czech.cz, 2011) “In terms of revenues, Production of Motor Vehicles (CZ-NACE 29) is definitely the most important division, whose share was more than a quarter of the MI, but it decreased year-on-year. It is well ahead of other important divisions: Manufacture of Metal Structures (CZ-NACE 25), Manufacture of Machinery (CZ-NACE 28), Manufacture of Computers (CZ-NACE 26), Manufacture of Electrical Equipment (CZ-NACE 27), Manufacture of Rubber and Plastic Products and Manufacture of Electrical Equipment (CZ-NACE 22) and Manufacture of Food Products (CZ-NACE 10)” (Panorama of the Manufacturing Industry of the Czech Republic, 2018 p.42)	21 May 2019 Website accessed 30/10/2019 https://www.worldatlas.com/articles/what-are-the-biggest-industries-in-the-czech-republic.html 10 October 2011 Website accessed 30/10/2019 http://www.czech.cz/en/Business/Economic-facts/Main-pillars-of-Czech-industry

				2018 Website accessed 30/10/2019 https://www.mpo.cz/assets/en/industry/manufacturing-industry/panorama-of-the-manufacturing-industry/2019/10/panorama_aj_web.pdf
6	What percentage of the GDP is for Manufacturing Industry?	The industrial sector has 37.8% GDP contribution to the economy of Czech Republic (wordatlas, 2019)		21 May 2019 Website accessed 30/10/2019 https://www.worldatlas.com/articles/what-are-the-biggest-industries-in-the-czech-republic.html
7	What percentage of the GDP is for the Service Industries?	Service industry tops in terms of GDP contribution to the economy of Czech Republic 59.7% (wordatlas, 2019)		21 May 2019 Website accessed 30/10/2019 https://www.worldatlas.com/articles/what-are-the-biggest-industries-in-the-czech-republic.html
8	How big is the Automotive Sector, in terms of contribution	The automotive industry accounts for almost one tenth of the Czech Republic's GDP, more than a fifth of exports and a quarter of industrial production (Panorama of the Manufacturing Industry of the Czech Republic, 2018 p.25)		Published 7.10.2019 for the year 2018 Website accessed 30/10/2019

to GDP,
 number of
 OEMs, key
 OEMs in the
 country
 Global Tier 1
 companies
 Supply Chain
 SMEs?

Both the production of passenger cars, which produced 1,437,396 (+1.7%), and the production of buses with 4,890 (+5.6%) plants, were successful. Manufacturers produced 829 trucks (-44%), 1,493 motorcycles (+12.2%) and 25,298 trailers (+0.4%) (Panorama of the Manufacturing Industry of the Czech Republic, 2018 p.25)

The Czech Republic is the global powerhouse in the production of passenger cars and buses per capita, while also being fifth in Europe and seventeenth in the world in the number of motor vehicles produced (Panorama of the Manufacturing Industry of the Czech Republic, 2017)

There are four major production sites of passenger vehicles in the Czech Republic: two plants of Škoda Auto, the joint-venture between Toyota and Groupe PSA and the only factory of Hyundai Motors in the European Union. In total these three car makers produce 1.3 mil. passenger cars every year (AIA, 2017). Iveco Bus has its largest plant in the Czech Republic as well. Other producers of commercial vehicles are Tatra Trucks, SOR Libchavy, and Avia. (CzechInvest, 2019)

Image by CzechInvest, 2019

Major OEMs in the Czech Republic



https://www.mpo.cz/assets/en/industry/manufacturing-industry/panorama-of-the-manufacturing-industry/2019/10/panorama_aj_web.pdf

Website accessed
 31/10/2019

<https://www.czechinvest.org/en/Key-sectors/Automotive>

55 of the global top 100 tier-one suppliers have at least one production facility in the Czech Republic. World-class automotive R&D centers of OEMs and tier-one suppliers (e.g. EATON, Škoda Auto, ZF, Robert Bosch, Varroc Lighting) (CzechInvest, 2019)

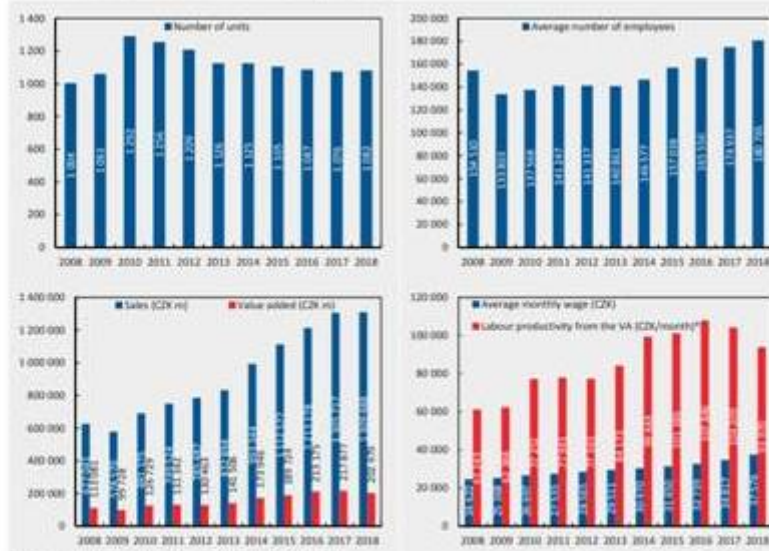
Foreign Investors and Key Players in the Czech Republic

Image by CzechInvest, 2019

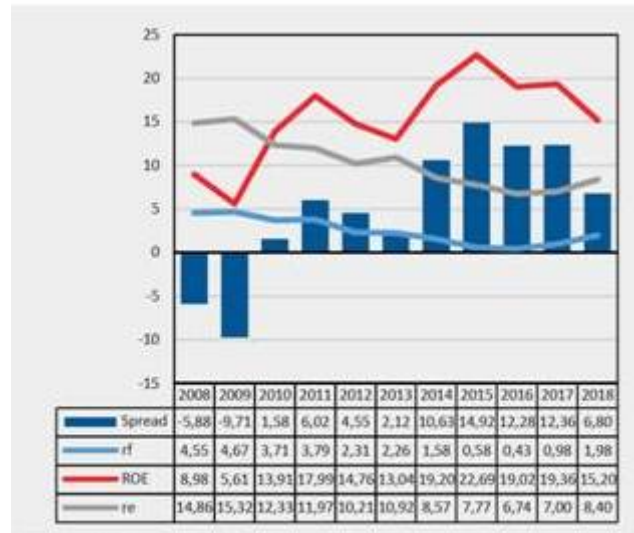


9	How many people are employed in the	It employs almost 170,000 people and indirectly almost 500,000 people (Panorama of the Manufacturing Industry of the Czech Republic, 2018 p.25)	Published 7.10.2019 for the year 2018 Website accessed 30/10/2019
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	Automotive Sector including directly in Supply Chains and others?		https://www.mpo.cz/assets/en/industry/manufacturing-industry/panorama-of-the-manufacturing-industry/2019/10/panorama_aj_web.pdf
10	What has been the trend in growth, no growth or reduction of economic performance of the Automotive Sector over the last 10 years and five years?	<p>The automotive industry (AI) significantly contributes to the overall economic performance of the Czech Republic. Its representation in the manufacturing industry is constantly increasing. In 2018, exports and added value saw a slight decrease. The “number of employees” indicator continued to grow, despite the shortage of workers in the market (Panorama of the Manufacturing Industry of the Czech Republic, 2018, p.173)</p> <p>Table (Panorama of the Manufacturing Industry of the Czech Republic, 2018, p.175)</p>	<p>Published 7.10.2019 for the year 2018 Website accessed 30/10/2019 https://www.mpo.cz/assets/en/industry/manufacturing-industry/panorama-of-the-manufacturing-industry/2019/10/panorama_aj_web.pdf</p>



Source: CZSO, MIT calculations, MIT estimate for 2018.
 Note: Other detailed data, including data for individual CZ-NACE classes are available on the MIT website in an interactive browser of economic indicators: www.mpa.cz/en/panorama-interactive-table.html.
 * This is an aliquot monthly share computed from annual data



Source: CZSO, MIT calculations

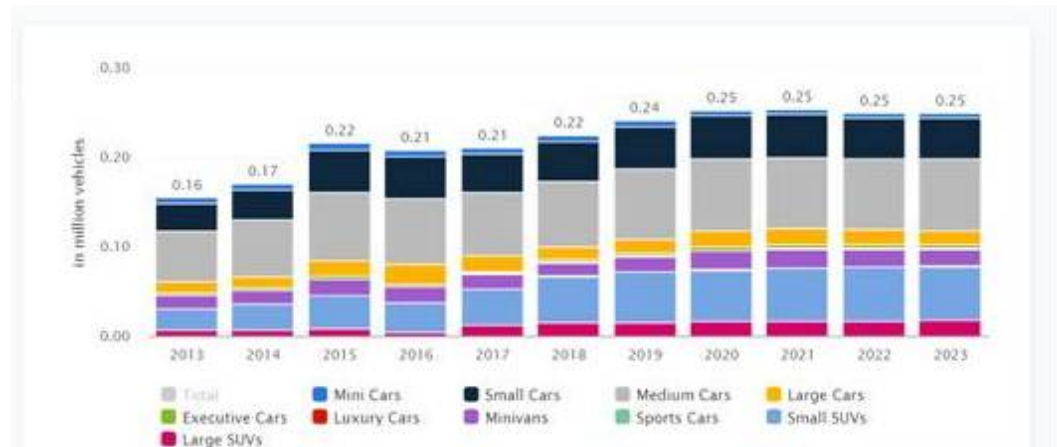
ii	<p>What is the prediction going forward for the next five and ten years?</p>	<p>In 2019, a reduction in vehicle production is expected, not only in the EU, and with it a reduction in employment in the automotive industry. At the same time, switching to electromobility will require fewer people in the manufacture and subsequent maintenance of these vehicles. It will be necessary to increasingly incorporate into the education curriculum of technical schools and vocational schools matters related to the operation of alternative-drive vehicles.</p> <p>In terms of further development, the conditions of Brexit have not been agreed; for European car makers, this represents a great uncertainty in terms of the regime under which they will export and import from the United Kingdom.</p> <p>(Panorama of the Manufacturing Industry of the Czech Republic, 2018, p.178)</p>	<p>Published 7.10.2019 for the year 2018 Website accessed 30/10/2019 https://www.mpo.cz/assets/en/industry/manufacturing-industry/panorama-of-the-manufacturing-industry/2019/10/panorama_aj_web.pdf</p>
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		<p>Most leaders of standalone automotive businesses believe that the automotive industry in Europe is currently at its peak, or will be in the next five years (Deloitte, 2017)</p> <p>The situation in the car industry has become complicated. Czech producers have had to deal with a drop in car imports into the UK, as the Brexit situation harmed demand. And now there are further challenges. The adoption of new environmental regulations could temporarily impede production, having an adverse effect on the whole supply chain. Moreover, the outlook for the automotive industry remains uncertain. Slowing European economies and a high degree of market saturation make further output growth difficult (Czech National Bank – Czech Economic Outlook, 2018)</p>	<p>Published 2017 Accessed 31/10/2019</p> <p>https://www2.deloitte.com/content/dam/Deloitte/cz/Documents/survey/cz-automotive-industry-outlook-2017-EN.pdf</p> <p>Published 30 October 2018</p> <p>Accessed 31/10/2019 https://www.kb.cz/getmedia/81afb542-2d56-493d-b34f-c96963cb7ddd/kb-economic-outlook-q4-2018.pdf.aspx</p>
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The United States and the United Kingdom are the second and third destinations respectively in terms of value added exports of the Czech Republic. Therefore, escalation in import tariff hikes would be damaging for growth. As well, a disorderly Brexit would hit the growth prospects. (OECD Economic Surveys, Czech Republic 2018, p.20)

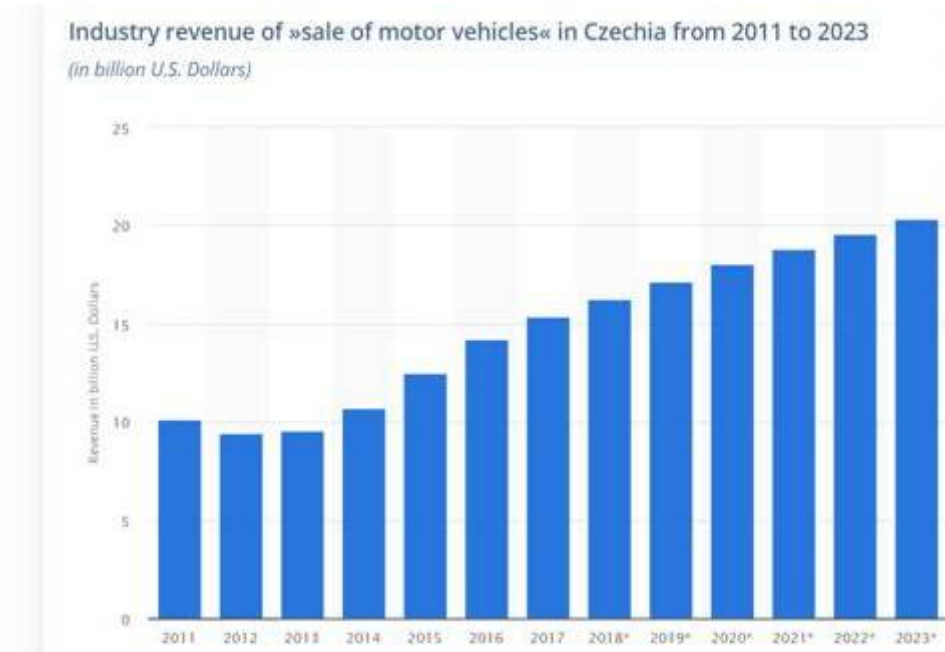
Published July 2018
 Accessed 31/10/2019
<http://www.oecd.org/economy/surveys/Czech-Republic-2018-OECD-economic-survey-overview.pdf>

Image source: Statista, October 2019



Published October 2019
 Accessed 31/10/2019

<https://www.statista.com/outlook/1000000/132/passenger-cars/czechia#market-volume>

		<p>Image source: Statista, October 2019</p>  <table border="1"> <caption>Industry revenue of «sale of motor vehicles» in Czechia from 2011 to 2023 (in billion U.S. Dollars)</caption> <thead> <tr> <th>Year</th> <th>Revenue (billion U.S. Dollars)</th> </tr> </thead> <tbody> <tr><td>2011</td><td>10.0</td></tr> <tr><td>2012</td><td>9.5</td></tr> <tr><td>2013</td><td>9.5</td></tr> <tr><td>2014</td><td>10.5</td></tr> <tr><td>2015</td><td>12.5</td></tr> <tr><td>2016</td><td>14.0</td></tr> <tr><td>2017</td><td>15.5</td></tr> <tr><td>2018*</td><td>16.5</td></tr> <tr><td>2019*</td><td>17.5</td></tr> <tr><td>2020*</td><td>18.5</td></tr> <tr><td>2021*</td><td>19.0</td></tr> <tr><td>2022*</td><td>19.5</td></tr> <tr><td>2023*</td><td>20.5</td></tr> </tbody> </table>	Year	Revenue (billion U.S. Dollars)	2011	10.0	2012	9.5	2013	9.5	2014	10.5	2015	12.5	2016	14.0	2017	15.5	2018*	16.5	2019*	17.5	2020*	18.5	2021*	19.0	2022*	19.5	2023*	20.5	<p>Published 29 March 2019 Accessed 31/10/2019</p> <p>https://www.statista.com/forecasts/397901/sale-of-motor-vehicles-revenue-in-czechia</p>
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12	<p>What is the Economic Development Strategy for the next ten years?</p>	<p>Business Environment: On 17 January 2018, the government returned to the legislative process a draft amendment to the Insolvency Act, which makes available the institution of debt relief to a wider group of debtors by softening the conditions of debt relief. Debtors will be able to enter the debt relief process regardless of the amount of their debts, and at the same time the condition under which the debtor must be able to pay at least 30% of their debts in five years will be cancelled. The debt relief process will take three, five or seven years. The amendment should</p>	<p>April 2018 Website accessed 31/10/2019</p> <p>https://www.mfcr.cz/assets/media/Macroeconomic-Forecast-April-2018</p>																												

		<p>become effective on the first day of the fourth calendar month after its promulgation (Ministry of Economics, 2018)</p> <p>“The Czech Republic has implemented several programmes supporting research and development in the form of both direct (cash) grants and tax relief (tax deductions and investment incentives). The EU structural funds, from which most projects are financed, are a considerable advantage. However, the setup of individual programmes for project implementation may be overtly strict and in this respect, it is advisable that the Czech Republic revise its approach in the future. It is no less important to unify the interpretation practice in providing this support and thus reduce tax uncertainty which is perceived distinctly by Czech businesses.” Luděk Hanáček Partner, Tax & Legal, Deloitte</p>	<p>Published 2017 Accessed 31/10/2019</p> <p>https://www2.deloitte.com/content/dam/Deloitte/cz/Documents/survey/cz-automotive-industry-outlook-2017-EN.pdf</p>
13	<p>What resources have been allocated to enable the strategy to be delivered?</p>	<p>In the area of autonomous driving, there were further purchases of automobile factories or joint ventures with companies specialising in the development of software and sensors, or automakers created independent divisions. Recharging infrastructure investment is projected to reach EUR 40 billion by 2020–2025 (Panorama of the Manufacturing Industry of the Czech Republic, 2018, p.178)</p> <p>People in the automotive industry in Czech Republic are convinced that the competitiveness of the Czech Republic could be principally increased by supporting</p>	<p>Published 7.10.2019 for the year 2018 Website accessed 30/10/2019 https://www.mpo.cz/assets/en/industry/manufacturing-industry/panorama-of-the-manufacturing-industry/2019/10/panorama_aj_web.pdf</p> <p>Published 2017 Accessed 31/10/2019</p>

		technical education, directing investment incentives at businesses with higher added value, such as technology or research and development centres. Owing to the current lack of workforce, opening the labour market for workers from nonEU countries (namely Ukraine) is also demanded (Deloitte, 2017).	https://www2.deloitte.com/content/dam/Deloitte/cz/Documents/survey/cz-automotive-industry-outlook-2017-EN.pdf
14	<p>What is the make-up of business support initiatives? Are they coordinated at national level, regional level or local level? How do you measure the success of these initiatives? Are there plans to expand these services?</p>	<p>The Czech Republic automotive market is slowly shifting towards a service oriented model with new players focusing extensively on customer experience and consumer data. Transitions in automotive markets are providing opportunities for some parts while other components face stiff decline over the forecasts.</p> <p>Companies across the value chain are forced to adapt to market changes to sustain revenue and profit. New Vehicles must be aligned with the current states of technology and consumer preferences.</p> <p>Geographical diversification model remains one of the main strategies of leading automobile manufacturers to ensure profitability in high investment and R&D expenditure scenario. Both large players and start-ups are aggressively focusing on connected and autonomous driving vehicles in the country.</p> <p>Strong government focus on encouraging automotive industry in the country is an important driving force for Czech Republic. However, stringent environmental regulations on pollution and carbon emissions are necessitating heavy investments (Research and Markets, 2019)</p>	<p>Published February 2019 Website accessed 31/10/2019</p> <p>https://www.researchhandmarkets.com/reports/4750473/2019-future-of-czech-republic-automobile-market#pos-5</p>

