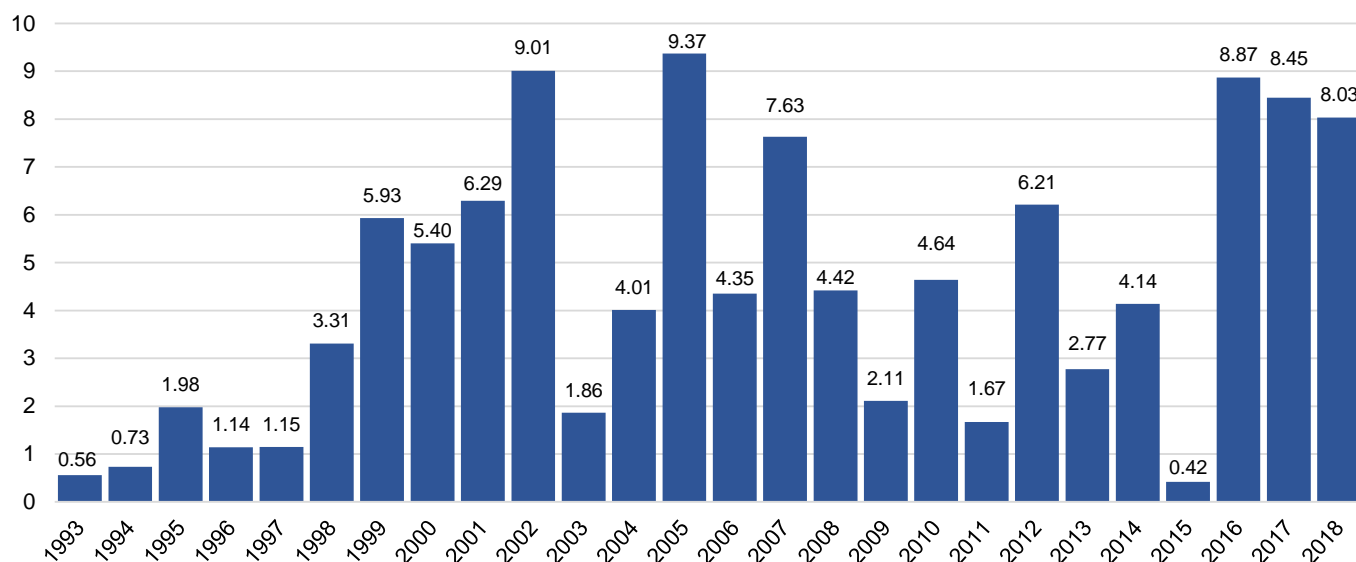


2. Inflow of Foreign Direct Investment

The Czech Republic is one of the most successful transition economies in terms of attracting foreign direct investment. The introduction of investment incentives in 1998 stimulated a massive inflow of FDI to both greenfield and brownfield projects and since 1993 more than EUR 130.04 billion in FDI has been recorded.

INFLOW OF FOREIGN DIRECT INVESTMENT TO THE CZECH REPUBLIC, in EUR billion



Source: Czech National Bank, March 2019

Note: Year 2018 - preliminary data.

As an early reformer in east-central Europe, the Czech Republic led the way in the early 1990s in adopting far-reaching stabilisation, liberalisation and privatisation programmes. The implementation of EU rules and regulations has also helped to improve the country's business environment and attract FDI. According to the Economist Intelligence Unit, the Czech Republic has consistently attracted a high rate of foreign direct investment per capita since 2000, which confirms the country's strong attractiveness for foreign investors.

Inward FDI stock per capita in EUR

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Czech Republic	7,798	8,347	9,169	8,870	9,838	9,257	9,496	10,151	10,930	12,257
Slovakia	6,731	6,766	6,985	7,434	7,722	7,768	7,557	7,789	8,307	8,554
Hungary	6,229	6,856	6,809	6,646	7,962	7,985	8,314	7,853	7,902	7,766
Poland	2,763	3,043	2,299	3,301	3,915	4,377	4,523	4,429	4,639	5,179

Source: wiiw FDI Database 2019, The Vienna Institute for International Economic Studies, 2019

Inward FDI stock as a percentage of GDP

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Czech Republic	50.4	58.7	61.4	56.8	64.1	61.7	63.9	63.6	65.6	67.8
Slovakia	54.9	57.0	55.7	56.9	57.5	56.7	53.8	53.4	55.6	54.9
Hungary	57.8	72.8	68.8	65.2	79.3	77.4	77.6	70.0	66.9	61.2
Poland	28.8	36.6	24.3	33.5	38.7	42.7	42.3	39.6	41.8	42.6

Source: wiiw FDI Database 2019, The Vienna Institute for International Economic Studies, 2019

FDI INFLOW TO THE CZECH REPUBLIC BY COUNTRY AND SECTOR

FDI inflow totalled EUR 8.03 billion in 2018. The most important investors are Germany, the United States, Austria, Japan and the United Kingdom. A significant portion of FDI inflows into the Czech Republic has been concentrated in the automotive-components sector. The services sector, especially software, IT and financial services, has been the second-largest beneficiary. More investment is now being directed towards more high-technology sectors and research and development.

Inflow of FDI by country (EUR million)

	2011	2012	2013	2014	2015	2016	2017	2018
Austria	601.18	416.56	1,000.75	25.77	-104.40	-170.45	764.7	628.5
Denmark	-12.74	11.50	6.23	22.18	134.84	66.03	5.9	-77.8
Finland	63.59	-2.45	57.89	0.77	-11.66	11.83	51.1	34.1
France	-154.58	-49.43	782.99	848.55	199.32	639.46	369.8	916.9
Germany	1,318.57	959.92	-2,275.88	2,943.63	904.52	2,292.02	4,044.1	2,359.0
Ireland	-265.27	-14.08	319.61	18.57	125.13	37.35	-163.6	26.5
Italy	2.82	39.53	-42.41	130.48	120.95	668.97	289.0	433.6
Japan	-93.04	-152.17	54.20	58.35	83.75	87.81	108.5	167.6
South Korea	290.87	202.46	419.60	207.45	432.35	151.57	424.7	56.9
Luxembourg	-270.56	397.13	-201.86	1,167.61	1,089.44	918.29	2,214.7	-192.4
Netherlands	-1,454.81	3,960.32	805.63	-2,728.69	-2,048.29	1,848.05	-1,815.3	944.1
Spain	-485.48	-87.32	125.55	-400.96	-143.29	194.38	68.7	-88.3
Sweden	-36.75	-11.73	132.24	78.14	-112.75	222.63	232.5	15.4
Switzerland	311.63	14.57	625.99	-69.79	-585.88	385.26	1,057.2	42.4
UK	638.75	-1,249.34	333.79	53.37	1,043.55	-560.65	-517.8	-41.0
USA	248.65	277.13	873.78	-23.75	-806.78	73.56	-269.1	140.5

Source: Czech National Bank, March 2019. Note: Year 2018 – preliminary data

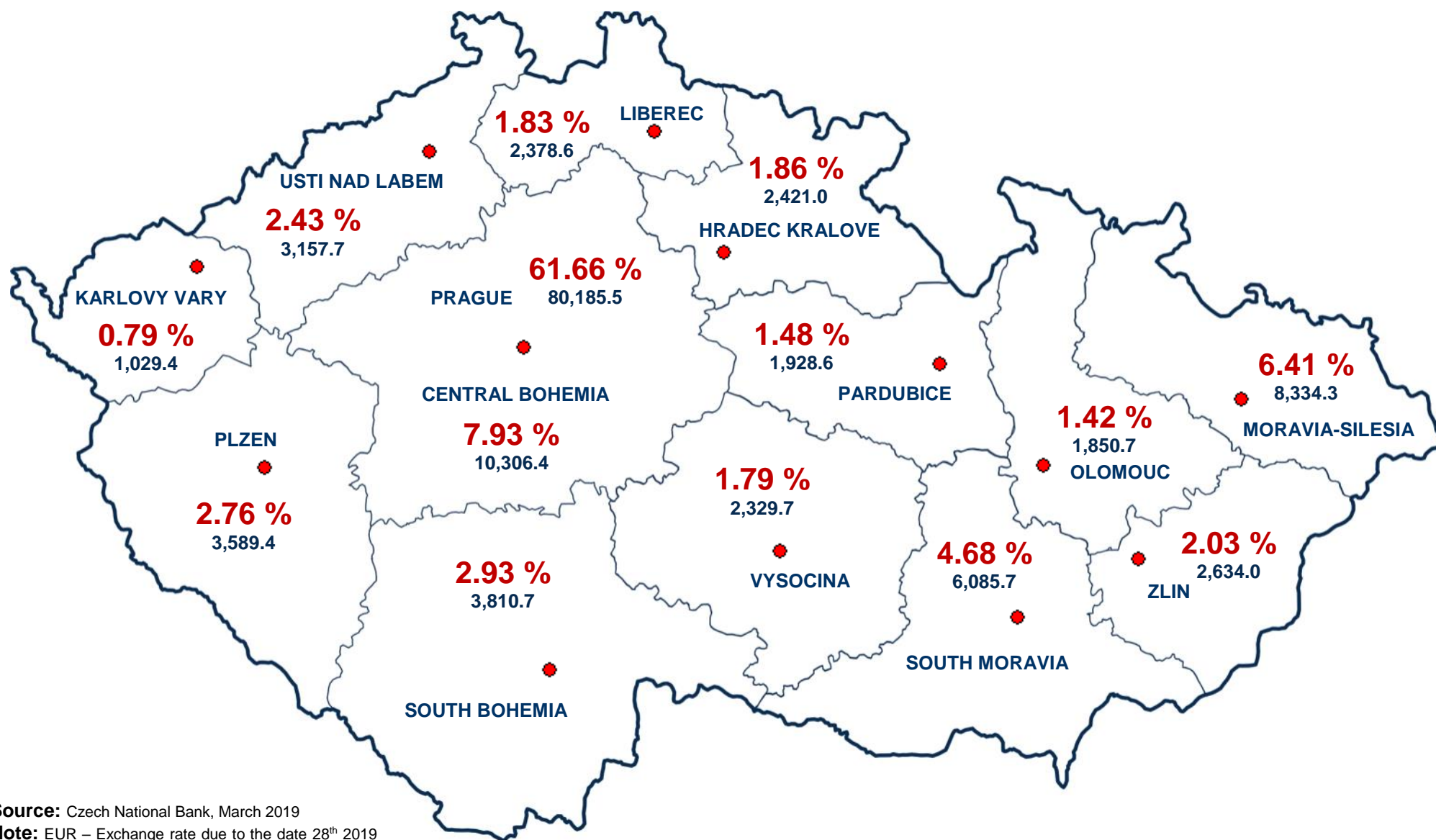
One of the most important investments in recent years was that of Toyota and Peugeot in 2002 involving the construction of a joint factory in Kolín at a cost of USD 850 million. As result, the Czech Republic became one of the most important players in the automotive sector in Europe. More recently, Hyundai built another large manufacturing plant at a cost of more than USD 1.2 billion in Nošovice. In 2004 Hewlett-Packard set up its regional computer-technology supply-chain headquarters for Europe, the Middle East and Africa in the Czech Republic. Several other multinational companies such as Honeywell, DHL, IBM, Sun Microsystems, Logica and Red Hat subsequently decided to use the Czech Republic's potential in the services and R&D sectors.

Inflow of FDI by sector (EUR million)

	2011	2012	2013	2014	2015	2016	2017	2018
Manufacturing	869.1	2,035.6	-133.1	1,678.4	1,808.9	2,089.3	1,417.1	1,311.2
Food and tobacco	132.2	669.5	-134.0	-139.9	133.5	355.7	-4.7	-332.9
Textiles, clothing and leather	-52.5	25.7	-22.7	25.5	19.0	263.5	-122.0	29.8
Wood, paper and publishing	-188.9	-15.1	41.6	123.8	89.1	15.2	275.2	77.8
Refined petroleum and chemicals	163.7	205.3	-342.9	226.9	467.5	275.7	NA	NA
Computers, electronic and optical equipment	-11.4	-839.3	-19.9	-9.0	303.6	-50.2	13.2	199.5
Vehicle manufacturing	NA	1,739.8	199.9	770.2	294.1	662.4	506.5	-136.4
Basic metals and metal products	148.3	-147.7	23.1	393.8	49.1	69.1	175.6	472.3
Machinery and equipment	100.3	226.9	67.6	248.6	328.7	238.5	-1.6	549.5
Recycling and other manufacturing	83.6	170.5	54.2	38.7	124.3	259.4	NA	406.5
Non-manufacturing	798.9	4,181.2	2,901.9	2,776.1	-1,389.6	6,784.0	7,036.5	6,721.2

Source: Czech National Bank, March 2019. Note: Year 2018 – preliminary data

STOCK OF FDI IN THE REGIONS, (as of 31 December 2017, EUR million)



Source: Czech National Bank, March 2019

Note: EUR – Exchange rate due to the date 28th 2019
1 EUR – CZK 25.78

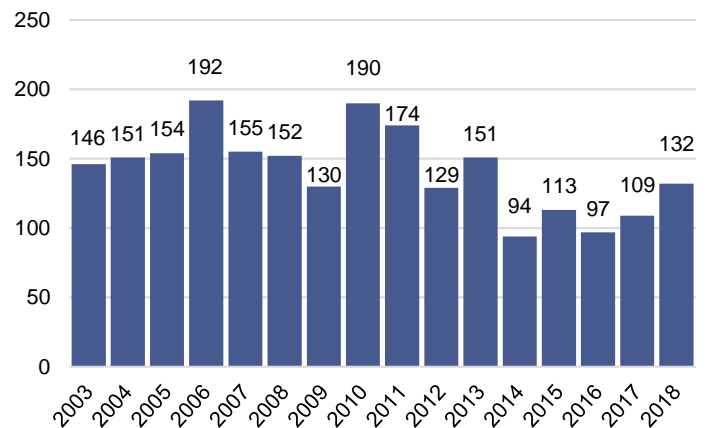
Inward FDI Flows to the Czech Republic

Top investment projects mediated by CzechInvest

Company	Source country	Type of activity
Toyota	Japan	Automotive
Hyundai	South Korea	Automotive
Volkswagen	Germany	Automotive
Denso	Japan	Automotive
Nexen	South Korea	Rubber Industry
Eaton	USA	Electronic components
Red Hat	USA	IT – SW development
Honeywell	USA	Aerospace
GE Aviation	USA	Aerospace
BMW	Germany	Automotive

Source: CzechInvest, March 2019

FDI trends - number of projects



Source: fDi Markets, March 2019

- Between January 2003 and December 2018, fDi Markets recorded a total of 2,270 investment projects from 1,498 companies.
- The leading sector was automotive components, which accounted for 11.9% of projects.
- The top three cities for inward investment were Prague, Brno, Ostrava and Plzen, hosting 29.1%; 6.7%; 3.7% and 3.3% of investment projects, respectively.
- The key factors behind the location of investment projects were proximity to markets or customers and availability of skilled labour.

FDI top sectors in the Czech Republic, January 2003 – December 2018

Sector	Projects	Investment (USD million)	Jobs
Automotive Components	271	8,186.1	59,257
Textiles	161	1,408.9	13,570
Financial Services	160	3,936.7	9,765
Transportation	141	3,137.4	8,011
Industrial Machinery, Equipment & Tools	140	2,738.7	20,924
Food & Tobacco	134	3,444.2	19,603
Software & IT services	131	1,910.9	13,306
Consumer Products	121	3,631.1	30,575
Real Estate	108	8,758.8	72,109
Business Services	90	314.2	2,568
Electronic Components	89	1,876.1	26,031
Communications	75	2,355.6	6,897
Plastics	75	1,265.5	10,373
Metals	62	1,658.5	5,575
Consumer Electronics	61	821.5	13,087
Automotive OEM	59	5,791.3	28,887
Pharmaceuticals	52	622.1	2,734
Coal, Oil and Natural Gas	37	2,142.1	3,688
Business Machines & Equipment	31	739.6	7,983
Chemicals	29	339.9	2,043
Medical Devices	25	568.2	2,723
Others	218	12,890.3	34,079
Total	2 270	68,537.7	393,788

Source: fDi Markets, March 2019

Latest update: March 2019

Fact Sheet No.2 - Inflow of Foreign Direct Investment