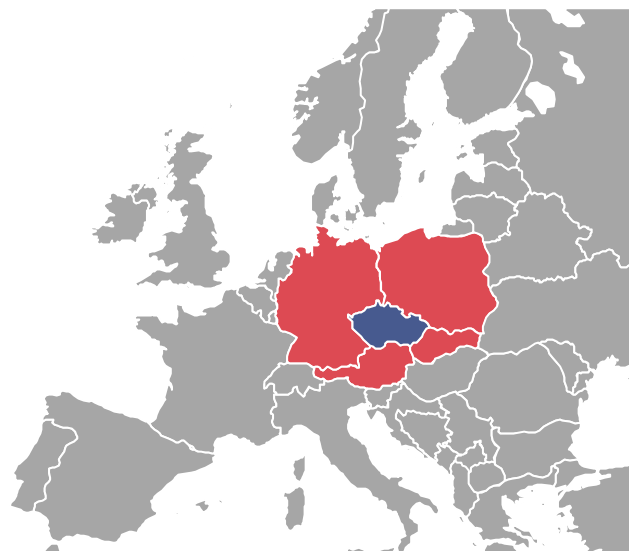


## 5. Basic Data on the Czech Republic

The Czech Republic is a Central European state bordered by Germany (west), Austria (south), Slovakia (east) and Poland (northeast). The temperature difference between summer and winter is relatively high due to the landlocked geographical position.

State system is a multi-party parliamentary representative democracy, with the Prime Minister as the head of government. The Parliament is bicameral, with the Chamber of Deputies (200 members) and the Senate (81 members). As a democratic country, it's a member of many international organizations such as United Nations, EU, NATO and many more.

Main industries of the Czech Republic are engineering (mainly automotive), chemical industry, food industry, metallurgical industry, energy industry and construction industry.



### Key Facts

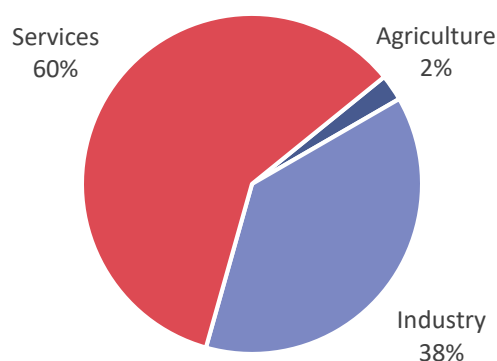
Area	78,870 km <sup>2</sup>
Population	10.65 million
Labour force	5.4 million
Capital	Prague
Language	Czech
Currency	Czech Koruna (CZK)
Time zone	GMT +1, daylight saving time GMT +2

Source: Czech Statistical Office, 2019

### CHARACTERISTICS AND STRUCTURE OF THE CZECH ECONOMY

- Small, open, export oriented economy
- Main business partner is Germany
- Balanced trade balance with slight surplus in export
- Stable inflation and currency
- Low unemployment rate
- Strong business and ownership relations to the EU
- Long-term real convergence to the developed countries, in 2018 GDP per capita 86% of the EU average

Source: Czech Statistical Office, April 2019



### THE CZECH ECONOMY IN FOURTH QUARTER OF 2018

Developments in the Czech economy were relatively favourable in Q4 2018, despite a rather negative impact of the external environment. After adjustment for seasonal and calendar effects, the growth in **real gross domestic product** accelerated to 0.8% QoQ and 2.6% YoY.

From the sectoral perspective, investment activity of the general government accelerated significantly. A real increase of more than 35% was driven by domestic investments and projects co-funded from the European Structural and Investment Funds. Private investments also showed high dynamics exceeding 7%.

With respect to expected deterioration of the external environment, **the forecast for economic growth in 2019** was revised down from 2.5% to **2.4%**. The most important growth factor should be household consumption, which should reflect continued robust wage dynamics at an extremely low unemployment rate and a sharp increase in pensions. Investments in fixed capital and general government consumption should contribute to the growth positively, although to a lesser extent than in 2018, whereas the contribution of foreign trade should remain negative. The forecast for economic growth **in 2020** remains unchanged at **2.4%**.

Source: Macroeconomic Forecast of Ministry of Finance - April 2019, April 2019

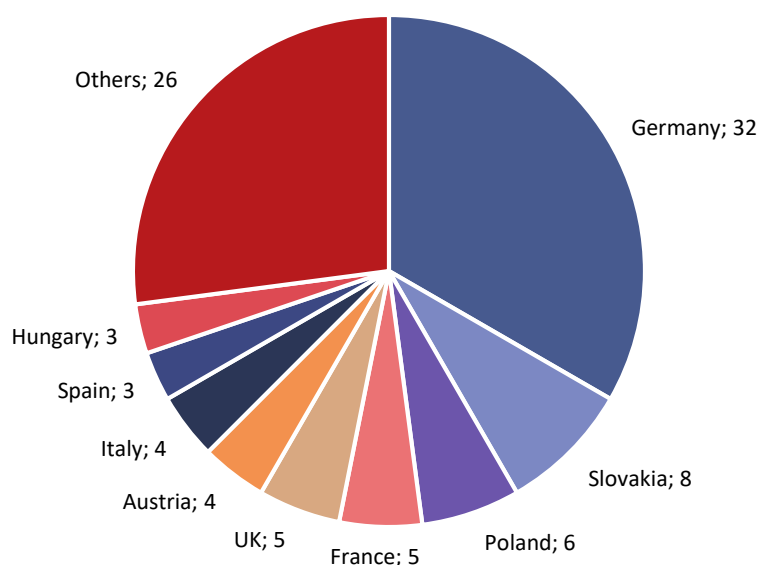
## Main economic indicators of the Czech Republic

Indicators	2014	2015	2016	2017	2018	2019 Forecast	2020 Forecast
GDP growth (constant prices, %)	2.7	5.3	2.5	4.4	2.9	2.4	2.3
General Government debt (% GDP)	42.2	40.0	36.8	34.7	32.7	31.5	n/a
Long-term interest rates (YTM of 10Y gvrnmt bonds)	1.41	0.63	0.40	1.03	2.03	2.20	2.40
Average inflation rate (%)	0.4	0.3	0.7	2.5	2.1	2.3	1.6
Labour productivity (increase in %)	2.2	3.8	0.8	2.8	1.3	2.0	2.3
Unemployment rate (avg., %)	6.1	5.1	4.0	2.9	2.2	2.2	2.2
Average nominal gross wage (increase in %)	2.9	3.2	4.4	6.2	8.1	7.3	5.7
Average nominal monthly gross wage ( CZK )	25,768	26,591	27,764	29,496	31,885	34,200	36,200
Average nominal monthly gross wage ( USD )	1,242	1,081	1,136	1,261	1,467	1,527	1,645
Average nominal monthly gross wage ( EUR )	936	975	1,027	1,120	1,243	1,341	1,442
Exchange rate – CZK/USD (avg.)	20.75	24.60	24.43	23.39	21.74	22.40	22.00
Exchange rate – CZK/EUR (avg.)	27.53	27.28	27.03	26.33	25.65	25.50	25.10

Source: Macroeconomic Forecast of Ministry of Finance - April 2019, April 2019

## EXPORT DESTINATIONS IN 2018 (SHARE OF TOTAL, %)

Main export article of the Czech Republic is machinery and transport equipment. The Czech Republic has strong automotive industry that generates a considerable portion of GDP.



Source: Czech Statistical Office, April 2019