



EIB Investment Survey Event

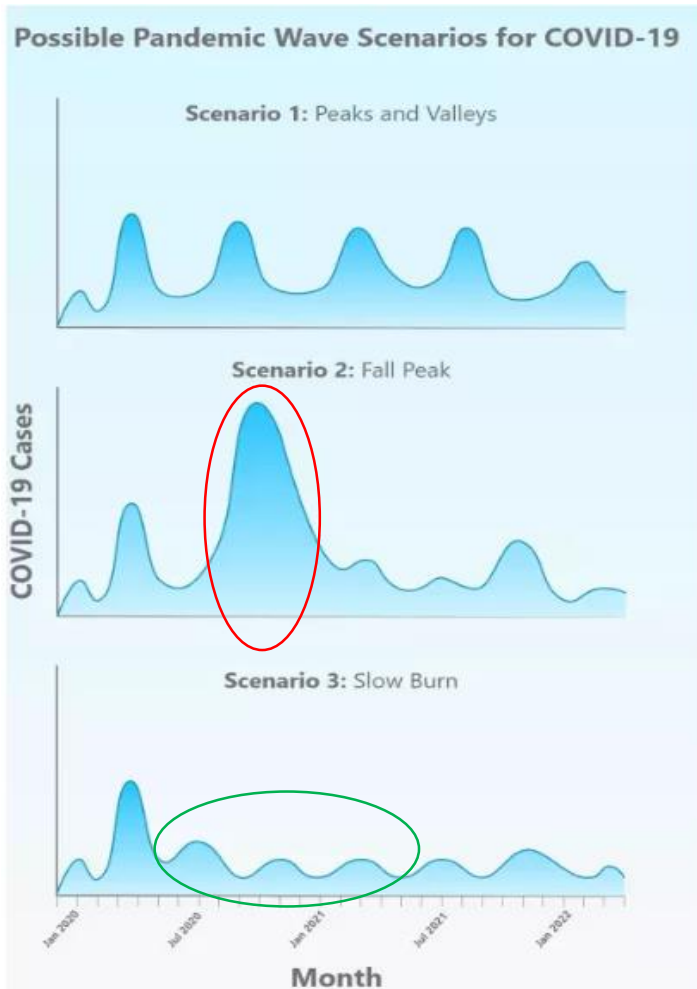
Post-COVID Economic outlook CZ

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March 22, 2021

Post-COVID Recovery Scenarios

Possible Pandemic Wave Scenarios for COVID-19



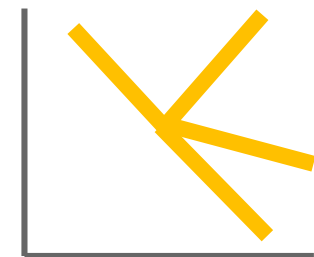
The outbreak won't end until 60% to 70% of the human population is immune to the virus. Image: CIDRAP

POSSIBLE ECONOMIC RECOVERY SCENARIOS

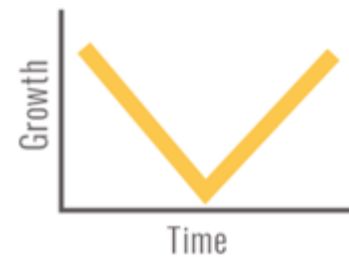
L-SHAPED RECOVERY



W-SHAPED RECOVERY



V-SHAPED RECOVERY

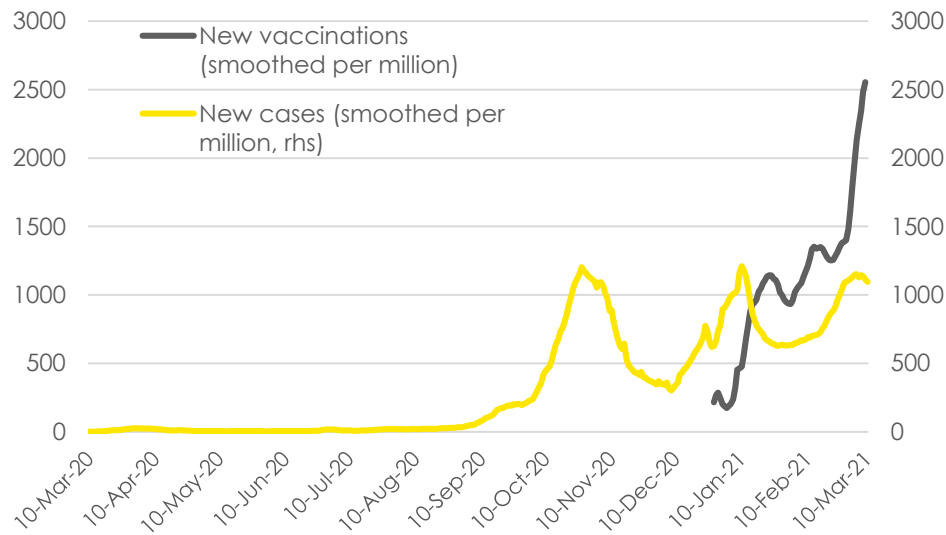


SWOOSH-SHAPED RECOVERY

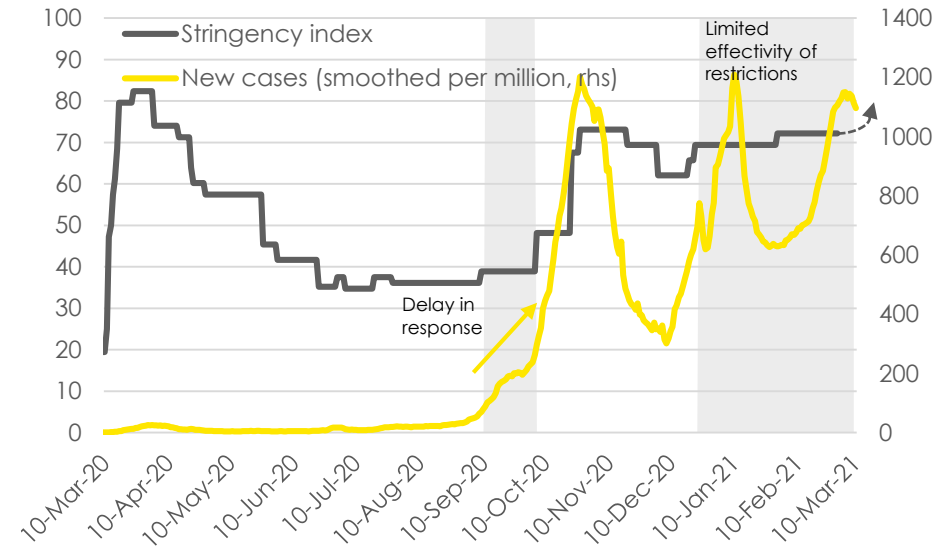


Epidemic situation in Czechia

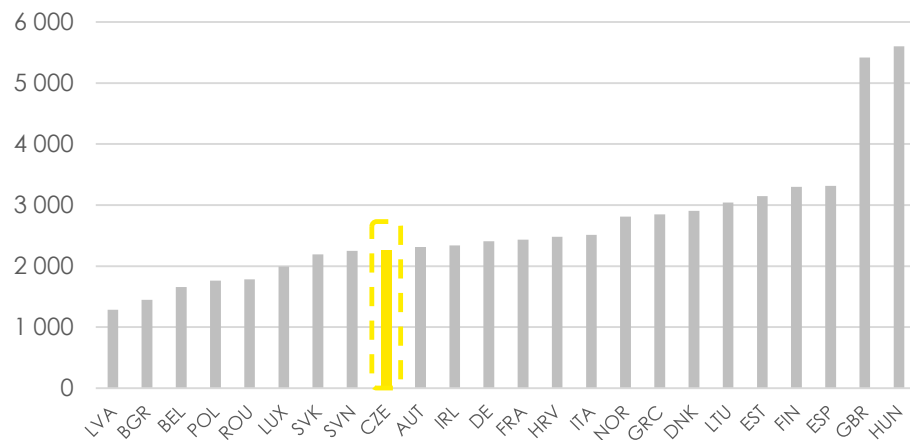
New COVID-19 cases vs vaccination progress



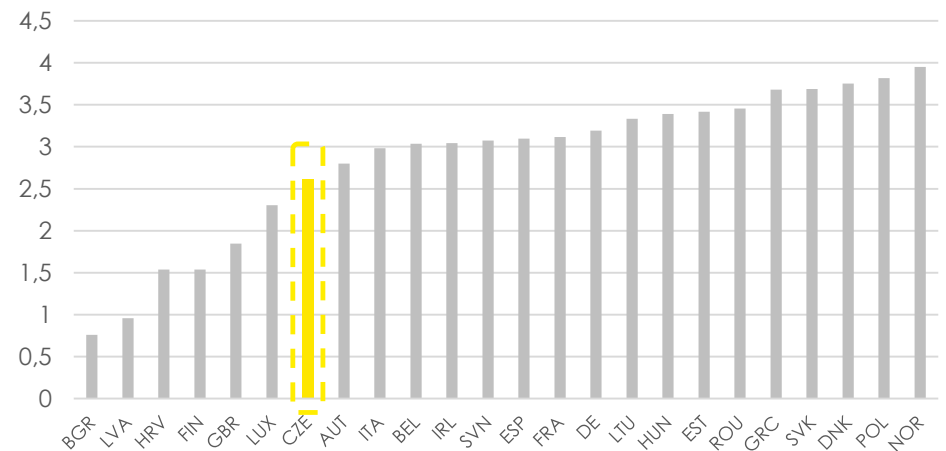
New COVID-19 cases vs containment measures



Daily vaccinations (14-day avg) per million in Europe

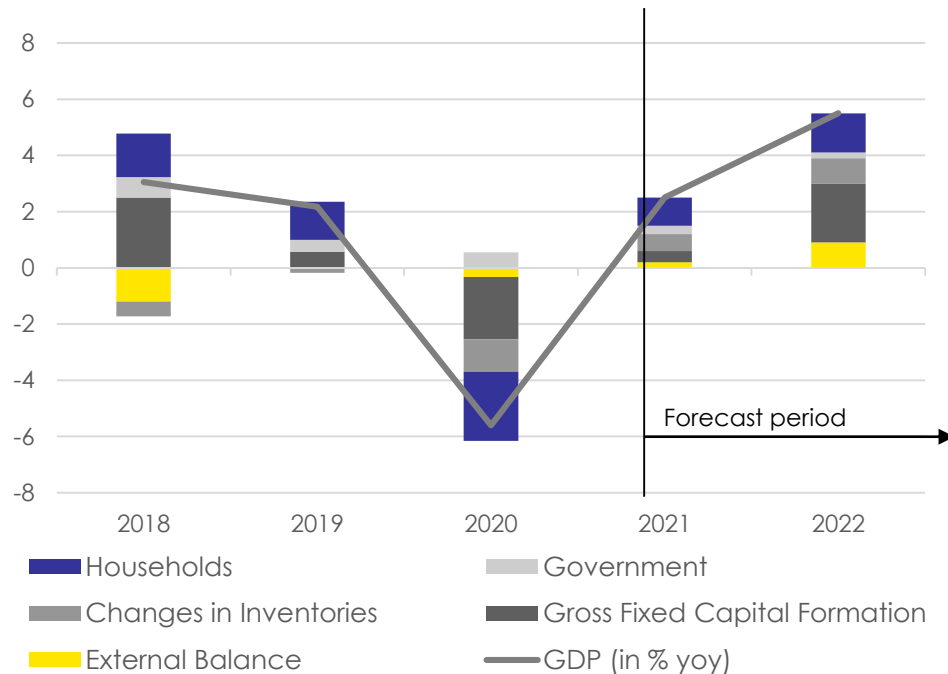


% share of population fully vaccinated in Europe



Czech Economy and COVID-19

Contributions to GDP growth (in pp)



Source: CZSO, RaiffeisenResearch

GDP growth in 2021

- Economic recovery to be mainly driven by household consumption
- Fixed capital formation still relatively subdued as economic activity will slowly recover
- External balance contribution limited due to rebound in both exports as well as imports

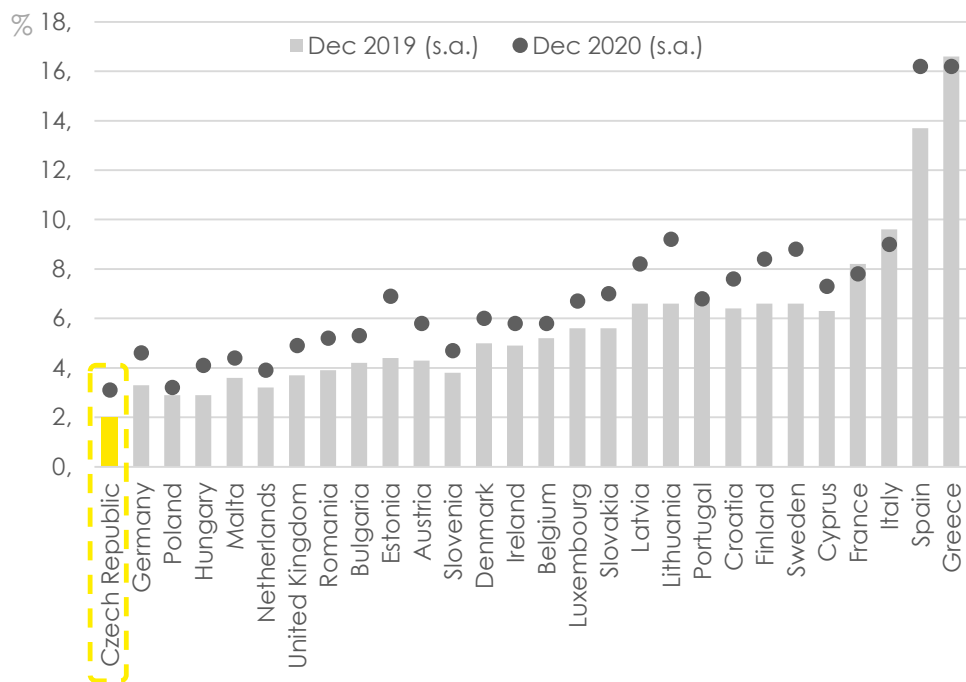
COVID-19 short list of losers & winners

▪ Fixed investment	-95 bn CZK yoy (in current prices)
▪ Consumer spending	-68 bn CZK yoy (in current prices)
▪ Accomodation	-83% yoy
▪ Travel Agencies	-80% yoy
▪ Clothing	-74% yoy
▪ Personal Services	-72% yoy
▪ Restaurants & Bars	-65% yoy
▪ Airlines	-65% yoy
▪ Beverages production	-21% yoy
▪ Small food shops	-19% yoy ...
▪ Unemployment rate	4.3% (+ 1.3 pp or +84.000 person)

▪ Government spending	+ 88 bn CZK yoy (in current prices)
✓ Online shopping	+28% yoy
✓ Delivery	+27 %yoy
✓ Chemical production	+10 % yoy
✓ Packaging production	+ 7 % yoy ...

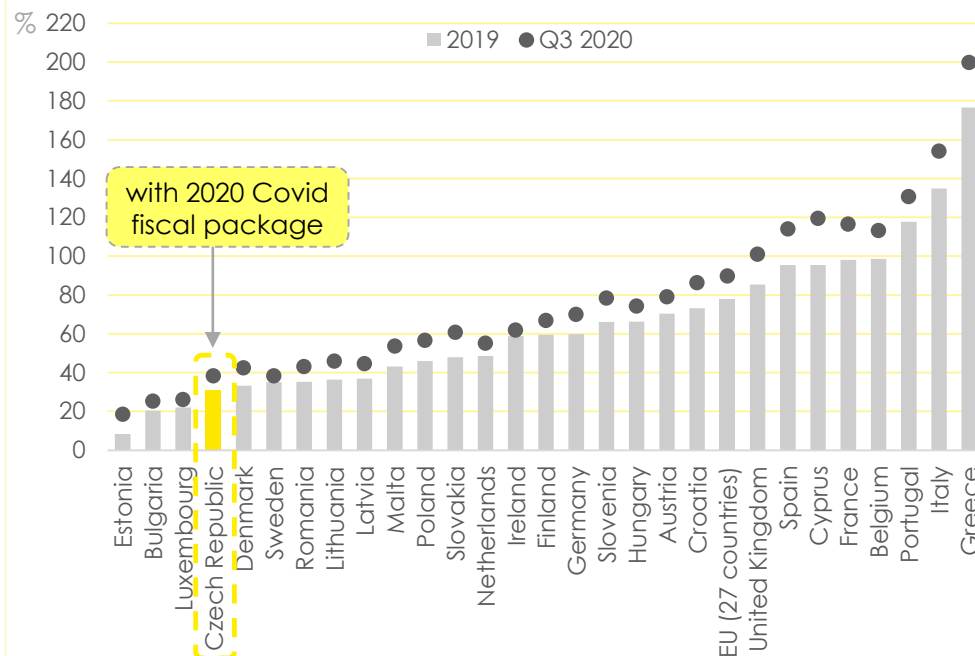
The Czech economy has the economic prerequisites to overcome the COVID crisis better than many others

Unemployment rate December 2019 vs December 2020 (s.a.)



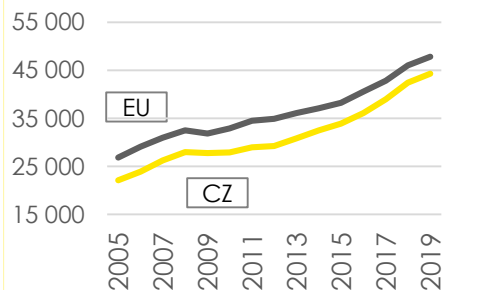
Note: Greece based on November data Source: EUROSTAT

Government debt to GDP (2019) vs 2020 Q3



Source: EUROSTAT

GDP per capita PPP



GDP per capita PPP in current international \$

Export destinations (2019)

1	Germany	33%
2	Slovakia	8%
3	Poland	6%
4	France	5%
5	UK	5%
6	Austria	4%

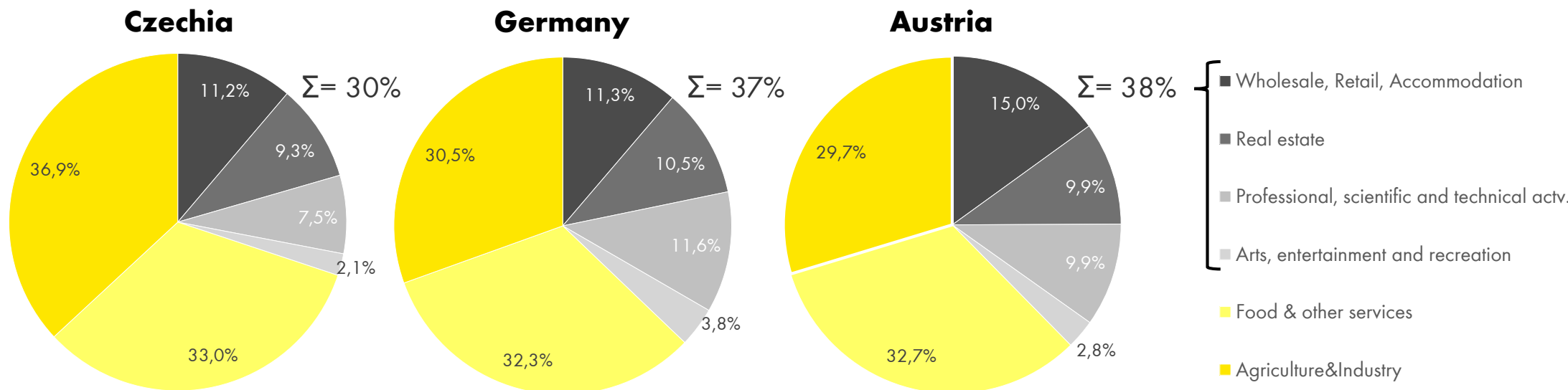
- EU's markets account for about 85% of Czech exports
- Germany is a crucial trade partner for the Czech Republic

Government bond rating

	Moody's	S&P's	Fitch
AT	Aa1	AA+	AA+
CZ	Aa3	AA-	AA-
SK	A2	A+	A
HU	Baa3	BBB	BBB

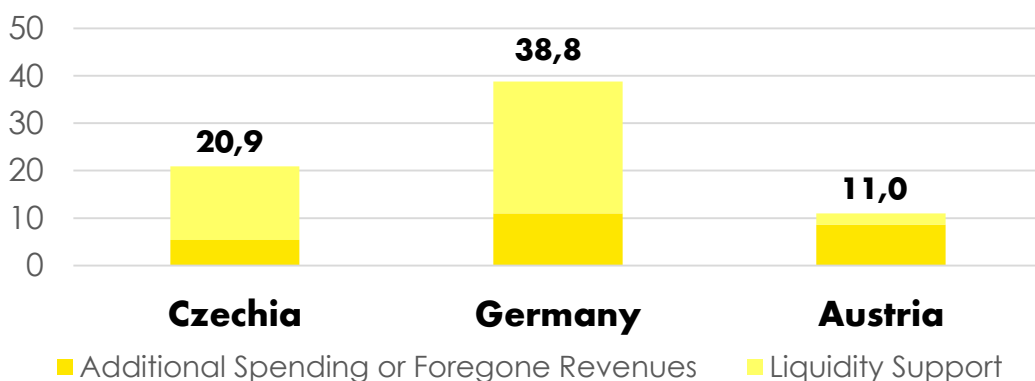
Structure of the economy plus GOV support

Exposure to the COVID-19 shock based on the structure of the economy (sectoral % of GVA, 2019)



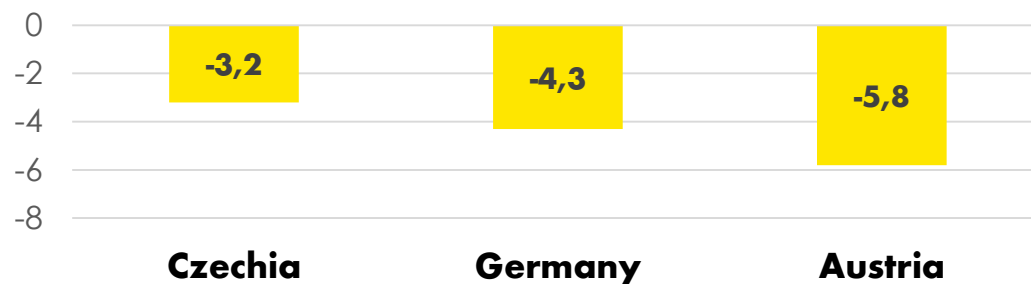
Source: Raiffeisenbank, Eurostat, World Bank

Fiscal measures in response to the COVID-19 shock (% of GDP)



Source: IMF Fiscal Monitor, January 2021; Raiffeisenbank

Change in the cyclically adjusted budget balance (2019/20, % of GDP)

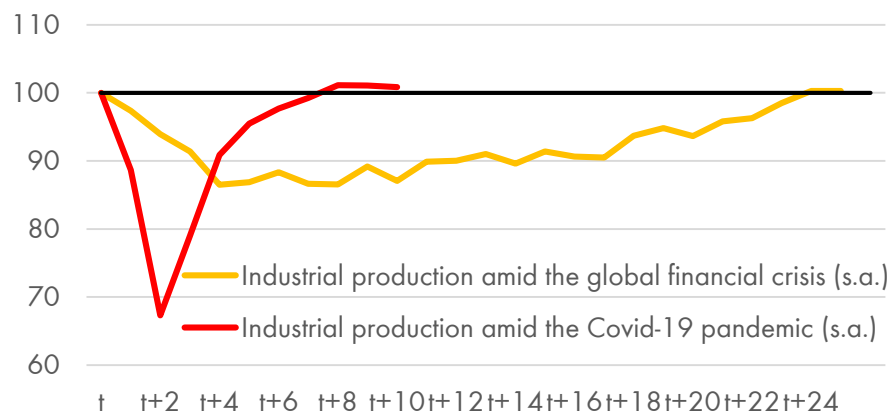


Source: European Commission

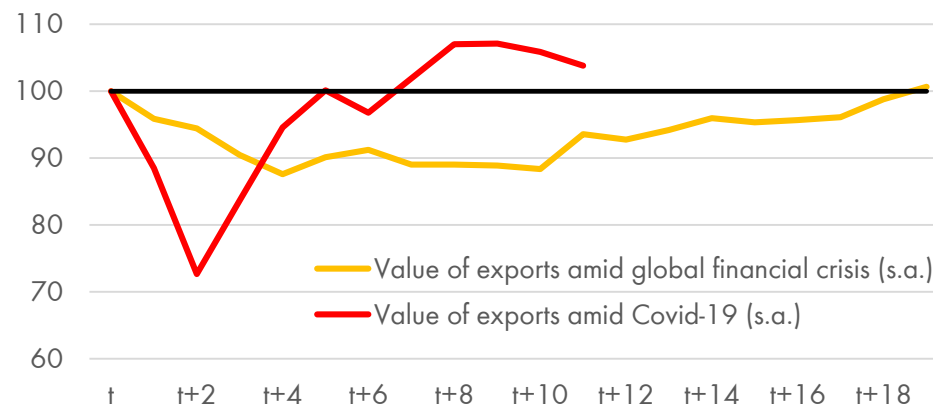
Note: Total paid-out GOV support in CZ as of February '21, according to the Ministry of Finance, was 4.7 % of GDP (of which 3.2% of GDP in direct support); In AT, the Ministry of Finance has stated that by March 3 a total of ca. 8.8 % of GDP had already been paid out or allocated.

Performance of individual sectors in times of crises

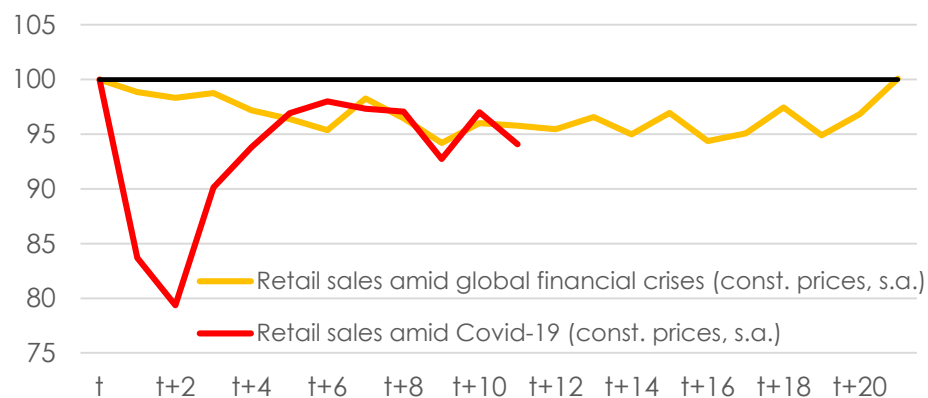
Industrial production



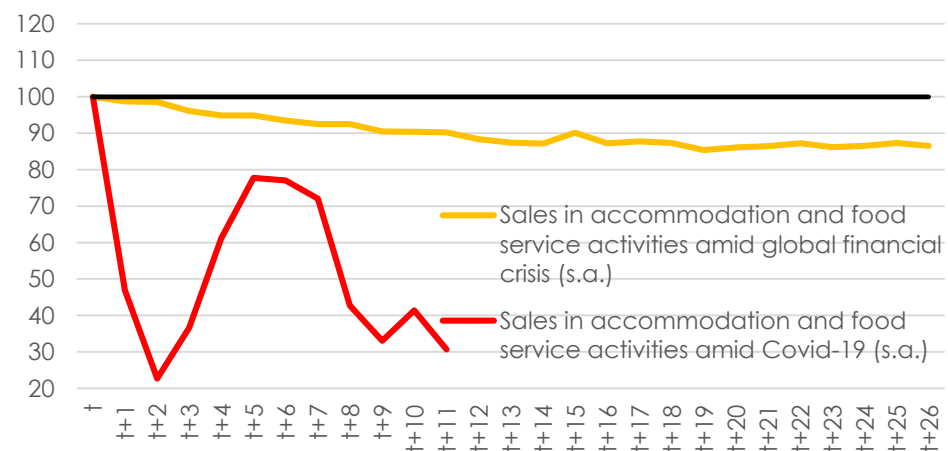
Exports



Retail Sales



Sales in accommodation and food services



Source: Raiffeisenbank, ČSÚ

February 2020 = 100
marks the onset of the Covid-19
pandemic

September 2008 = 100
marks the onset of the global
financial crisis

#MakeThingsBetter or #restart our economy

Invest ourselves out of the crisis? **Yes, but cleverly**

Is investing the cure to this crisis?

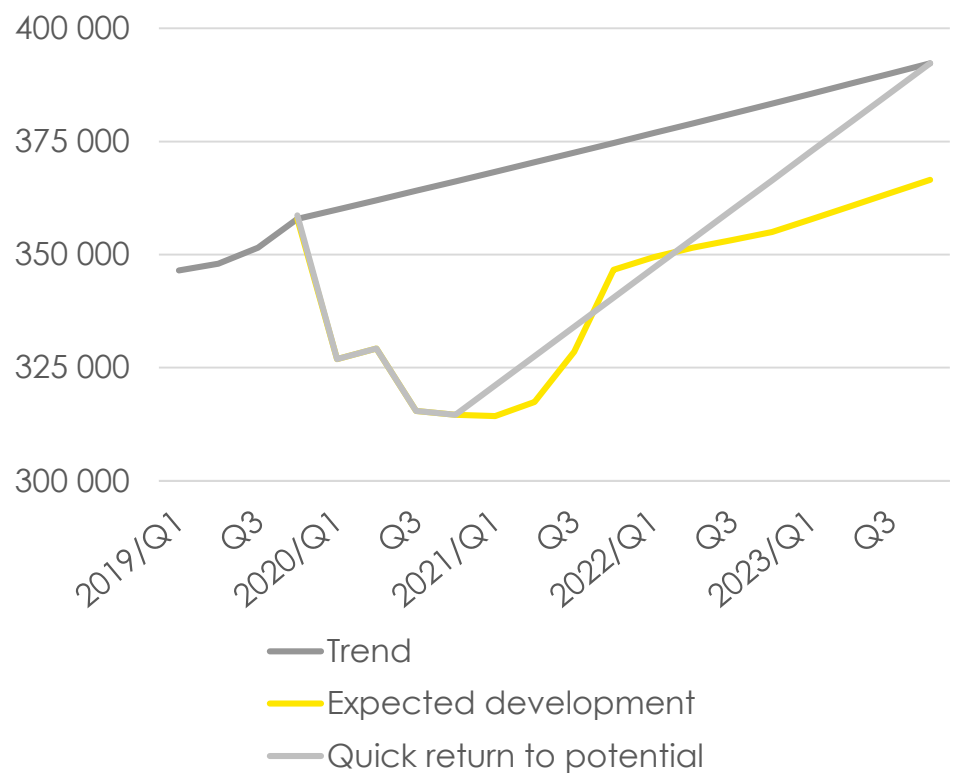
Firms must invest their way through the crisis

**Public investment
4.3% of GDP
2019**

**Public subsidies
6% of GDP
2019**

- The COVID-crisis mainly affects INVESTMENT (after services)
- Fixed investment in 2020 -95bn CZK, -8.5% yoy, the deepest decline since 2009
- INVESTMENT doesn't have to be another victim of COVID
- YES to investment but „SMART“
- PRIVATE INVESTMENT is key; historically, the public sector has secured a maximum of 23% of total fixed investment in the economy
- Investment policies worthy of the 21st century, not medieval hunger walls

Investment and its long-run potential (c.p., CZK mil.)



INVESTMENT GAP 2020-23: roughly CZK 560bn!!!
2020-26: roughly CZK 910bn!!!

Source: Raiffeisenbank, Macrobond

Investment gap – the light is red! #MakeThingsBetter

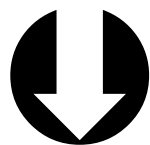


INVESTMENT GAP 2020 – 2023: CZK 560bn or EUR 21.5bn !!!
2020 – 2026: CZK 910bn or EUR 36bn !!!

2021 179bn 2022 111bn 2023 107bn 2024 111bn 2025 116bn 2026 120bn

- **Capital expenditures from the state budget (2020) +CZK 33bn** (CZK 173bn)
- **Private Investment down by more than 100bn CZK**

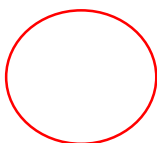
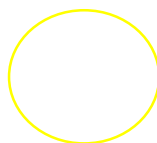
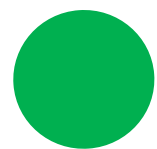
If public investment were to reach its all time high, covering 23% of total investment (as in 2010), **the government would need to invest an extra 20-40bn each year**



NGEU: EUR 6.6bn in grants & EUR 15.6bn in loan facilities

⇒ !!! without stimulating **PRIVATE INVESTMENT**, it just won't be possible !!!

Smart investment - examples



Smart (private)	CZK bn
Robotization (from 120 robots per 10thsd people to 300 as in Germany)	295
Building 5G networks	6.6 – 16.8
Rental housing (45 of the 90thsd missing housing units)	101
Charging infrastructure for e-mobility (1mil electric cars)	34
Drug manufacturing facility	1
Telemedicine: 1 ambulance per district	0.4
Σ	438

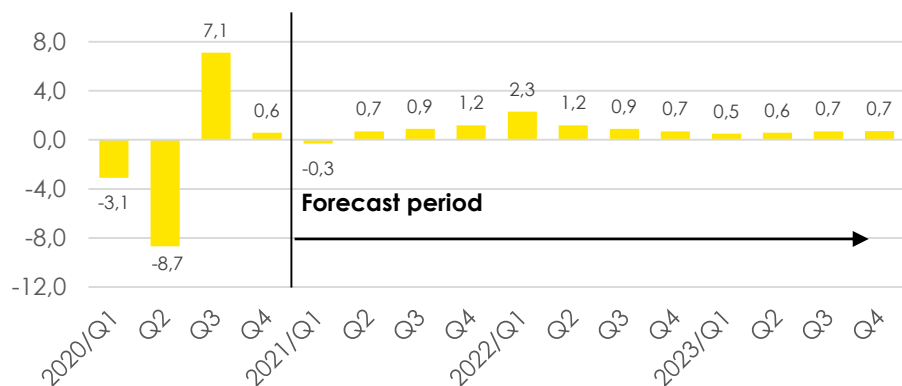
Smart (public)	CZK bn
Completion of highway network	121
Σ	121
Digitization of state administration	4
Building Code Amendment	5.8
ETCS safety system (4 years)	20
High-speed rail	120
Pre- and elementary school education– reaching the EU's average	40.2
Rental housing - 45thsd flats	101
Kindergartens (8.5thsd missing slots)	4.7
Nursing homes (36thsd beds) or home care services	118.8
Smart country seats – vehicle telematics	1.4
Pension reform– transformation costs	100
Σ	515.9

#MakeThingsBetter

CZ Key macroeconomic forecasts

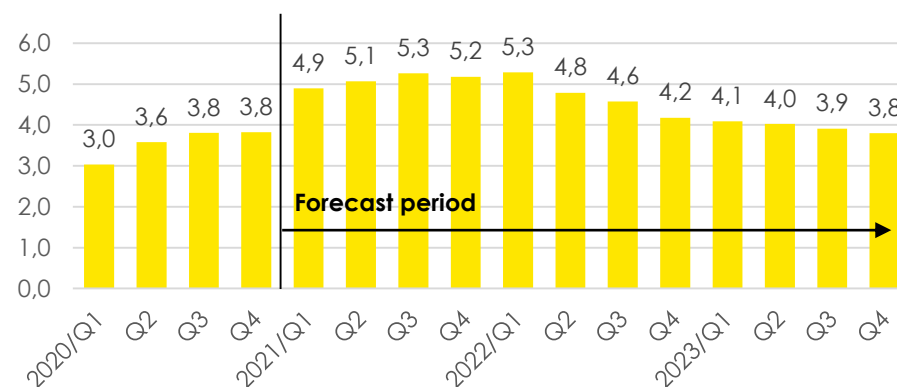
	2020	2021	2022	2023
Real GDP, yoy %	-5.6	2.5	5.5	2.8

Real GDP quarter-over-quarter, in %



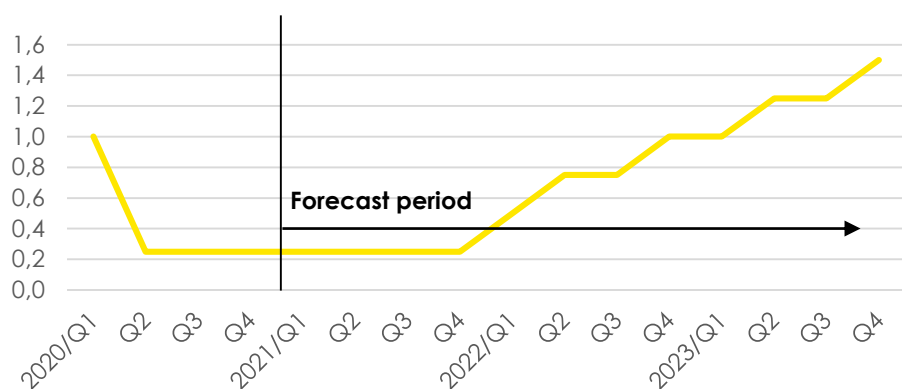
	2020	2021	2022	2023
Unemployment rate, in %	3.6	5.1	4.7	4.0

Unemployment, in %, quarterly data



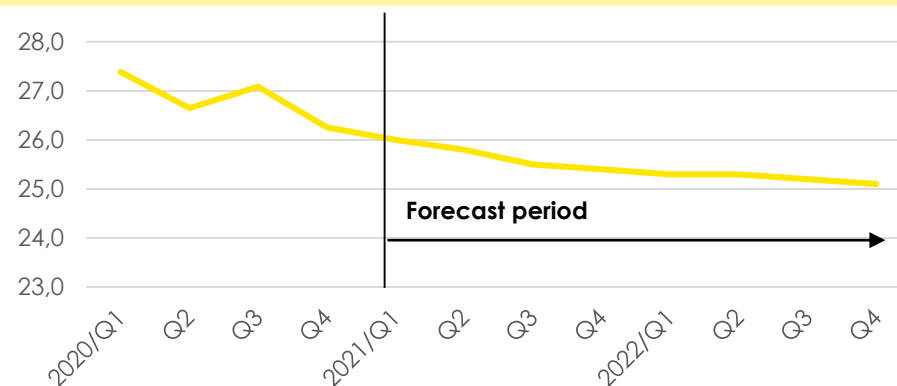
	2020	2021	2022	2023
CNB key rate, % eop	0.25	0.25	1.00	1.50

CNB key rate, eop %, quarterly data



	2020	2021	2022	2023
EUR/CZK, eop	26.3	25.4	25.1	24.9

Exchange rate EUR/CZK, eop, quarterly data



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