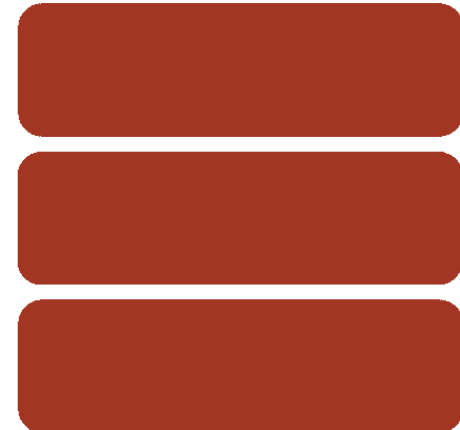# Business Outlook 2024

Presentation to US Embassy

January 22, 2024

# sections

# key points

- Czechia should continue to have success in manufacturing, logistics, IT, business center and tourism.

- The country several temporary and structural impediments to achieving its potential, especially as an innovative economy.

- The largest obstacle is workforce, which faces both quantity and quality restrictions.

- Manufacturing faces the short-term challenge of dramatically higher energy prices, and the long-term lack of renewable energy sources.

- Housing supply limits both domestic migration to cities (especially Praha and Brno) and immigration.

- Research policy is more focused on small scale funding aimed at public institutions than large-scale investments into advanced technology development.

# short-term forecast

**growth projections**. Most estimates predict slight growth in 2024.

**inflation/pricing.** Most estimates predict a decline in inflation, with public sources more confident in a return to low single digits than private sources.

**employment.** Employment should continue to be low, with job openings only slightly reduced by automation and the economy.

**wages.** Wages predicted to grow by between 4-8%, with highest gains continuing in IT and blue collar sectors.

**exchange rate.** No expectations of major fluctuations.

# industry snapshots.

**Company expansion or restructuring**. (Jaroslav Skvrna, Jaroslava Rezlerova).

**Manufacturing.** (Michal Zavisek).

**IT.** (Ondrej Krajicek, Michal Pechoucek).

**Real Estate.** (Pavel Sovicka)

**Banking/Investing.** (Munir Nanji, Milan Slapak)

**Health Care.** (Vaclav Novotny)
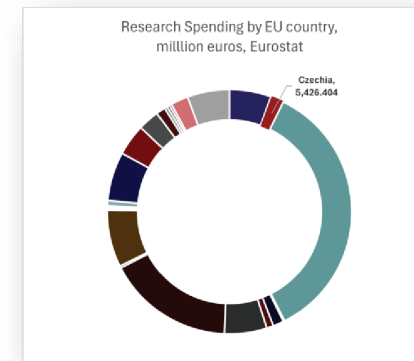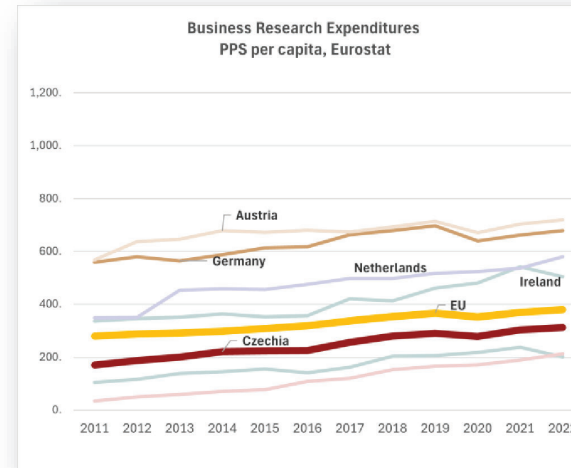
**Hospitality.** (Sanjiv Suri)

# technology:

**Key indicator**. Business investment into product development.

**Essential facts.** Czechia invests less per capita into research than leading innovative economies, and the ratio of business-to-public sector research spending is lower than other innovative economies.

**To-do list.**

1. Big Bets
    1. Shift government policy priority to larger private-public investments in developing new sustainable technology.
    2. Expand support to attract top, young researchers to conduct basic research in fields supporting sustainable technology development.
    3. Tax incentives for investing through venture funds into sustainable tech start-ups.
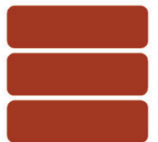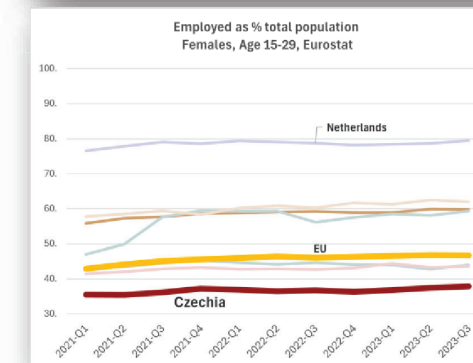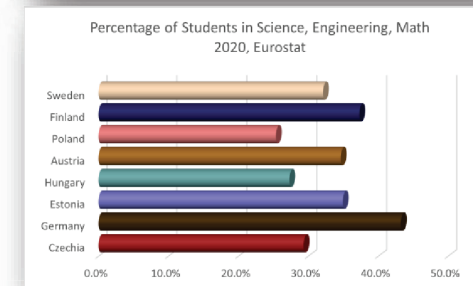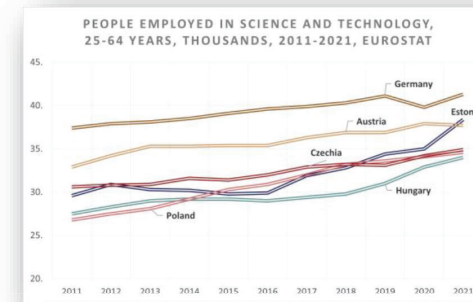


Business Research Expenditures
PPS per capita, Eurostat



Research Spending by EU country,
milllion euros, Eurostat

# people

**Key indicator**. Percentage of total laborforce working in science and technology.

**Essential facts.** Czech labor and immigration policy remains focused on assembly line manufacturing, and is limiting the flexibility and freedom of the workforce to work how they choose, and the transition to an innovative economy.

**To-do list.**

- **Working from home. Starting and Terminating Employment.**
- **Immigration. More quantity. More Quality.**
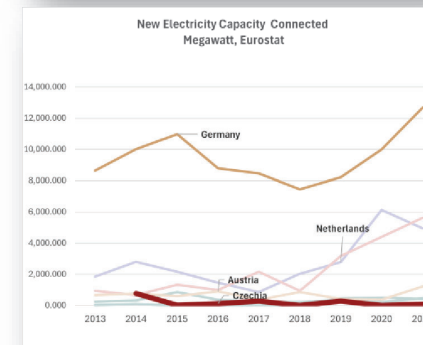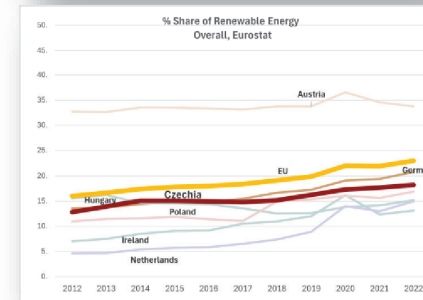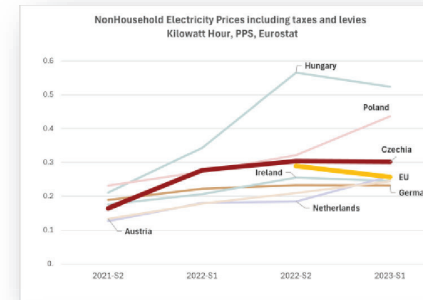- **Education.**



PEOPLE EMPLOYED IN SCIENCE AND TECHNOLOGY, 25-64 YEARS, THOUSANDS, 2011-2021, EUROSTAT



Percentage of Students in Science, Engineering, Math 2020, Eurostat



Employed as % total population Females, Age 15-29, Eurostat

# \infrastructure
# energy

**Essential facts.** Energy production has suffered from low investment in new kilowatt hours. Pricing policy depended on inexpensive energy supply from Russia. Global companies now demanding renewable energy supply to meet their environmental goals (as well as government regulation).

**To-do list.**

1. Promote more rapid addition of renewable energy production.

2. Advocate government support for investment into onsite renewable energy production at manufacturing and large commercial developments.
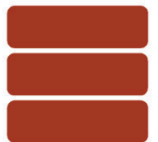


NonHousehold Electricity Prices including taxes and levies
Kilowatt Hour, PPS, Eurostat



% Share of Renewable Energy
Overall, Eurostat



New Electricity Capacity Connected
Megawatt, Eurostat

# government
# digitization

**Essential facts.** The digitization of government has been delayed by a lack of clear direction and prioritization by political leadership, a lack of coordination among implementing bureaucracies, and great difficulties in attracting and retain experts to design and enact IT systems.
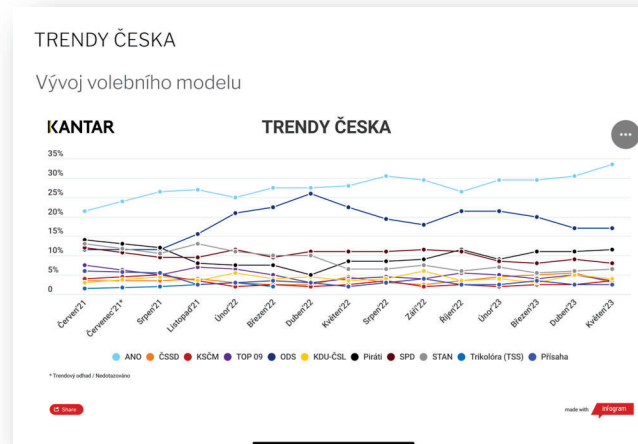
**To-do list.**

1. Move to project-based strategy with clear policy goals.

2. Strengthen ability of Digital Information Agency to coordinate between government bodies.

3. Design a Public Cloud Strategy that focuses on 1) improving quality of public services through data analytics and artificial intelligence, 2) assesses the cybersecurity capabilities needed and their costs, and 3) the public sector's ability to attract and maintain experts.

**Key indicators**. Turnout and outcomes of EU election. Polling of TOP 09, STAN, and KDU-CSL.

**Essential facts.** Three members of the coalition party are polling within the margin-of-error of falling out of Parliament. The government is viewed as the least popular since the Necas government. ANO is consistently polling in the high 20 to low 30%, and their leading figure, Andrej Babis, captured over 40% of the vote in the presidential election.



TRENDY ČESKA

Vývoj volebního modelu

KANTAR     TRENDY ČESKA



| | Kandidát | | Navrhující strana | Politická příslušnost | 1. kolo | | 2. kolo | |
|---|---|---|---|---|---|---|---|---|
| číslo | příjmení, jméno, tituly | | | | hlasy | % | hlasy | % |
| 1 | Fischer Pavel | | Senátoři | BEZPP | 376 707 | 6,75 | X | X |
| 2 | Bašta Jaroslav | | Poslanci | SPD | 248 375 | 4,45 | X | X |
| *4 | Pavel Petr Ing. M.A. | | Občan | BEZPP | 1 975 156 | 35,40 | 3 359 301 | 58,32 |
| 5 | Zima Tomáš prof. MUDr. DrSc. | | Senátoři | BEZPP | 30 769 | 0,55 | X | X |
| 6 | Nerudová Danuše prof. Ing. Ph.D. | | Občan | BEZPP | 777 080 | 13,92 | X | X |
| +7 | Babiš Andrej Ing. | | Poslanci | ANO | 1 952 214 | 34,99 | 2 399 898 | 41,67 |
| 8 | Diviš Karel PhDr. | | Občan | BEZPP | 75 476 | 1,35 | X | X |
| 9 | Hilšer Marek MUDr. Bc. Ph.D. | | Senátoři | MHS | 142 912 | 2,56 | X | X |

+) postupující kandidát
*) zvolený kandidát

Zpět: Prezident 2023

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