

Duration of the Covid19 Crisis.

The duration depends on the development and global distribution of a vaccine. The timeline remains unknown, but is estimated at 12-18 months or more. Technology advances in data analysis and major international funding initiatives could shorten that timeline.

Until then, the economic impact will depend on how much restriction of movement and gatherings are necessary to suppress the virus to levels that can be managed by national health systems. Greater experience with the virus, and a global networks for sharing that experience, will improve treatment and lower fatality rates; this should allow governments to utilize more targeted and lighter restrictions. Availability of accurate, fast tests and the ability to track individuals through mobile technology will also enable less severe restrictions.

Nevertheless, regions, and particularly densely populated areas, are likely to suffer waves of infections as restrictions are lifted and then re-imposed. The probability of outbreaks will depend on whether individuals will follow recommended prevention behavior, such as wearing masks and social distancing.

Companies should expect the probable length a direct Covid19 impact to last until the end of 2021.

Depth of Covid19 economic impact

The depth will depend on the duration and effectiveness of government's attempts to stretch the cost over several years using taxpayer revenue.

Without further government intervention or a vaccine, the Czech GDP probably will retract by 5-8% in 2020. The deepest decline could occur in September or October. After this period, unless a serious outbreak occurs, the economy should stabilize or begin a period of uneven, slow growth.

Transformative Effect on the Economy

The virus has mostly served to accelerate already existing trends. This can be seen in industries such as automotive sector, and also in the workplace with such trends as working from home.

Reliance on global supply chains probably will continue, but efforts to regionalize supply chains and reduce dependence on specific regions or counties will increase.

International travel probably will be severely curtailed until a vaccine is globally distributed. When it does return, economy travel may lag behind high-end travel due to the lasting impact of joblessness or reduced income.

The shift to working outside of the office (mainly from home) will reduce the need for office space, and change how office space is utilized.

AmCham Board of Directors'

Assessment of the Economic Impact of Covid19

May 6, 2020

Impact of Government Measures

In terms of total amount of government intervention programs, the country compares favorably to other Central European countries.

The use of EU funds meant some business rescue programs initially excluded Prague. Establishing a national cap for the Anti-Virus employment support program meant that regions with higher wage levels (and higher costs-of-living) received less benefit from the program even though those regions were among those hit hardest by the virus and government restrictions.

Leveraging commercial banks and their risk-management systems through government guarantees meant that some companies most impacted by government restrictions could not be financed by the COVID programs due to little or no revenue.

The administration of some programs needs to be less procedural, and more focused on providing immediate relief to companies and citizens.