

A hand holding a silver pen is writing on a document. The document has some faint text and a table-like structure. A dark blue geometric shape, resembling a large 'A' or a stylized letter, is overlaid on the image. The background is a blurred office setting with people in business attire.

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GROUP

Czech Republic Analysis Report

Framework:

- Introduction
- Economic View
- Growth & Consumer Credit Reports
- Opportunities
- Conclusion

Introduction

The Czech Republic has developed an advanced social market economy and social policies that support a high-income welfare state. Implementation of critical reforms in many areas has gradually expanded the Czech Republic's vibrant private sector. Business start-up procedures have been streamlined, and a relatively efficient tax regime facilitates entrepreneurial growth. With openness to global trade and investment fully institutionalized, the Czech Republic has one of the lowest unemployment rates in the European Union.

As of 2016, the Czech GDP per capita at purchasing power parity is \$32.622 and \$18.020 at nominal value. The Czech Republic is participating in the European Single Market of the European Union and is therefore a part of the economy of the European Union. Its largest trading partner for both export and import is Germany. As of January 2017, the unemployment rate in the Czech Republic was the lowest in the EU at 3.4%, and the poverty rate is the second lowest of OECD members only behind Denmark.

The principal industries are engineering and machine-building, iron and steel production, metalworking, chemical production, electronics, transportation equipment, textiles, glass, brewing, ceramics and pharmaceuticals. Its main agricultural products are sugar beets, fodder roots, potatoes, wheat and hops.

Economic View

GDP Annual Growth:

The gross domestic product (GDP) measures of national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time. This page provides the latest reported value for - Czech Republic GDP - plus previous releases, historical high and low, short-term forecast and long-term prediction, economic calendar, survey consensus and news. Czech Republic GDP - actual data, historical chart and calendar of releases - was last updated on May of 2017.

The Czech Republic economy advanced 1.9 percent year-on-year in the fourth quarter of 2016, faster than an 1.8 percent expansion in the previous quarter and better than a preliminary reading of 1.7 percent growth. Considering full 2016, the GDP grew 2.3 percent after expanding by 3.5 percent in 2015. GDP Annual Growth Rate in Czech Republic averaged 2.38 percent from 1997 until 2016, reaching an all time high of 7.30 percent in the second quarter of 2006 and a record low of -5.70 percent in the second quarter of 2009.



GDP Annual Growth from Last 10 years

If we go through the GDP growth rate of Czech Republic in general then we can find out that the Czech economy advanced 0.4 percent on quarter in the last three months of 2016, following a 0.2 percent expansion in the previous period and beating a preliminary reading of 0.2 percent growth. Household consumption rose by 0.7 percent (1 percent in Q3) and external demand contributed positively, as exports jumped 2.1 percent (-1.9 percent in Q3) while imports rose at a slower 0.9 percent (-1.8 percent in Q3). Meanwhile, fixed investment contracted by 0.6 percent (1.4 percent in Q3); and government spending fell by 0.6 percent (the same as in Q3). Year-on-year, the economy advanced 1.9 percent after growing by 1.8 percent in the previous period and better than a preliminary figure of 1.7 percent. Considering full 2016, the GDP grew 2.3 percent after expanding 3.5 percent in 2015.

When we talk about inflation, Czech consumer prices increased 2.6 per cent year-on-year in March 2017, following a 2.5 percent gain in the previous month and in line with market expectations. It was the highest inflation rate since November 2012, as cost rose at a faster pace for: housing and utilities (0.9 percent from 0.8 percent) and alcoholic beverages and tobacco (3.4 percent from 3.1 percent). Additional upward pressure came from: food and non-alcoholic beverages (4.4 percent from 4.6 percent in January) and transport (6.3 percent from 6.6 percent). Inflation was steady for recreation and culture (at 0.8 percent).

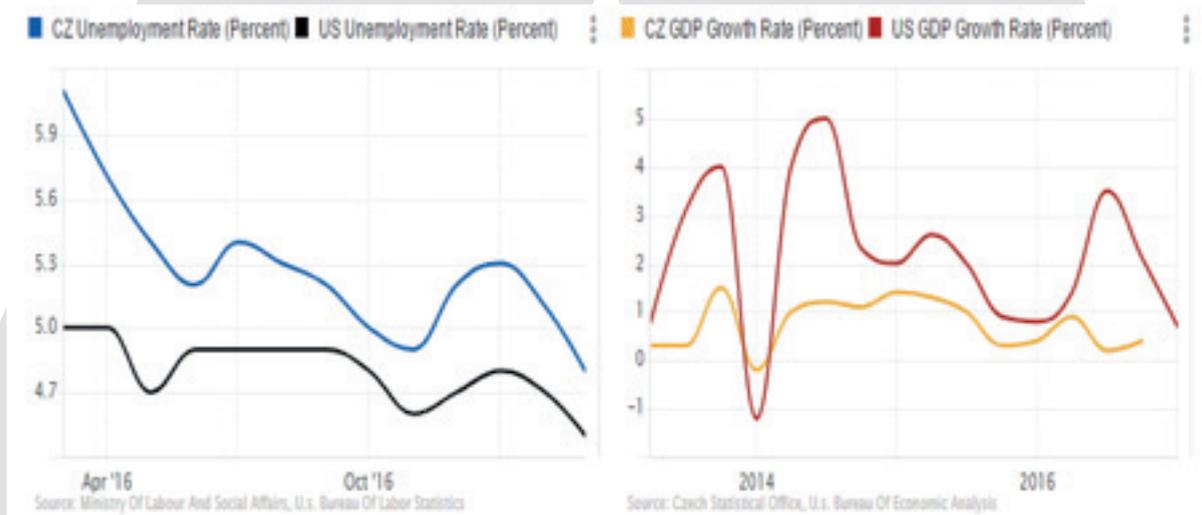
Meanwhile, prices of furnishings and household equipment continued to fall (-0.3 percent from -1.3 percent in January). On a monthly basis, consumer prices were flat after rising by 0.4 percent in January, and in line with market consensus. Inflation Rate in Czech Republic averaged 4.46 percent from 1993 until 2017, reaching an all-time high of 21.90 percent in February of 1993 and a record low of -0.40 percent in January of 2003

The data of last 5 year on the basis of GDP growth rate, annual growth rate, constant price, fixed capital formation, national product, per capita income, agriculture is following:

Czech Republic GDP	Last	Previous	Highest	Lowest	Unit	
GDP Growth Rate	0.40	0.20	2.30	-3.70	percent	[+]
GDP Annual Growth Rate	1.90	1.80	7.30	-5.70	percent	[+]
GDP	185.16	207.82	235.21	4.90	USD Billion	[+]
GDP Constant Prices	1100.67	1096.42	1100.67	680.52	CZK Billion	[+]
Gross National Product	4255247.00	3926642.00	4255247.00	627979.00	CZK MN	[+]
Gross Fixed Capital Formation	275.18	276.94	301.80	177.77	CZK Billion	[+]
GDP per capita	21224.60	20343.63	21224.60	12277.41	USD	[+]
GDP per capita PPP	30380.59	29119.62	30380.59	17573.73	USD	[+]
GDP From Agriculture	20175.00	19887.00	21253.00	10955.00	CZK Million	[+]
GDP From Construction	54708.00	56929.00	80296.00	48922.00	CZK Million	[+]
GDP From Manufacturing	265288.00	263802.00	265288.00	84825.00	CZK Million	[+]
GDP From Public Administration	141473.00	141197.00	141473.00	120303.00	CZK Million	[+]
GDP From Services	181394.00	181546.00	182435.00	105811.00	CZK Million	[+]

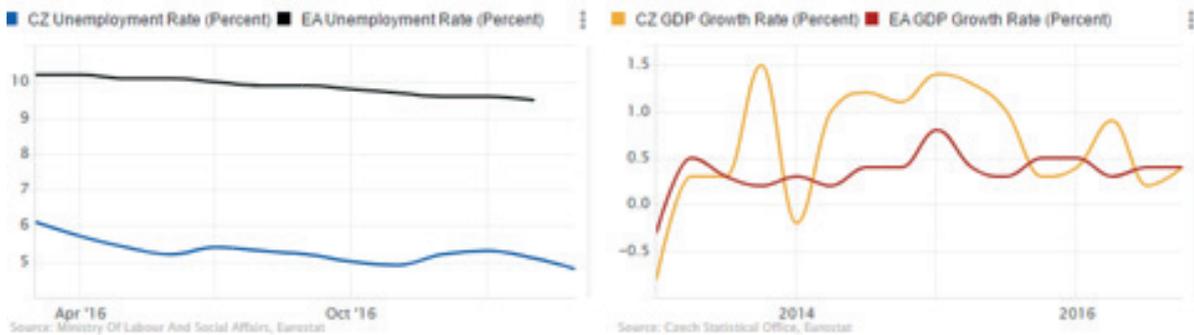
Growth & Consumer Credit Reports

To compare the growth & to understand the economic situation of Czech republic in a better way we can take a view of comparison of Czech republic with the most strong economies of the world & The results are quite surprising that scenario is almost similar hence the investment opportunities in Czech republic can be said similar to the investment in the best economies of the world. Let`s go through the comparison summary:



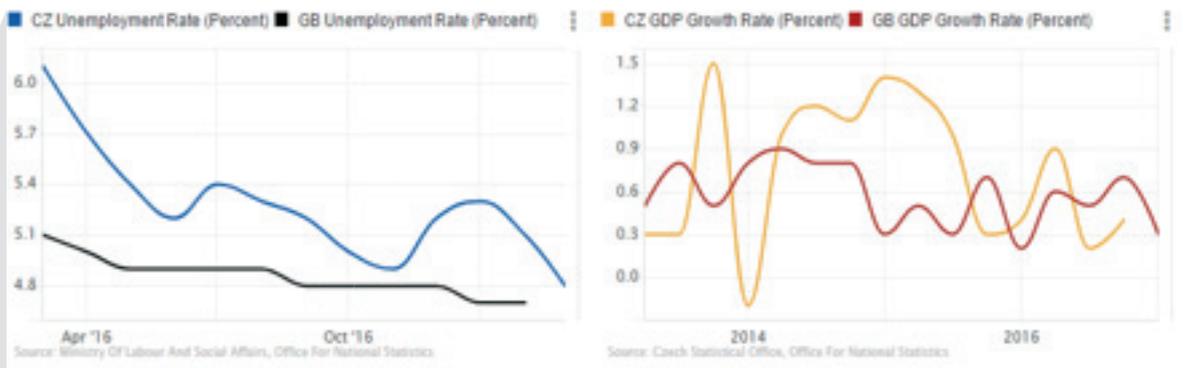
Czech Republic Vs. United States

Unemployment Rate in Czech Republic went down to 4.80 percent in Mar 2016 from 5.10 percent in Feb 2016. United States Unemployment Rate declined to 4.50 percent in Mar 2016 from 4.70 percent in Feb 2016. GDP Growth Rate in Czech Republic went up to 0.40 percent in Q4 2016 from 0.20 percent in Q3 2016. United States GDP Growth Rate declined to 0.70 percent in Q1 2017 from 2.10 percent in Q4 2016.



Czech Republic Vs. Euro Area

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Czech Republic Vs. United Kingdom

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Consumer Credit:

The term consumer credit refers to all kinds of credit employed by individuals that are not collateralized by real estate or financial assets such as stocks and bonds and not used for business purposes. It includes instalment credit for automobiles, home repair and modernization, appliances, education, large recreational items, and revolving credit on credit cards. There are many ways to classify consumer credit into categories, including use, method of generation (direct and indirect closed-end credit, non-instalments credit, and open-end credit), and kind of financial institution generating the loan (depository institutions, finance companies, credit unions, others).

Consumer credit is considered a good indicator of the potential future spending levels seen in the Personal Consumption and Retail Sales reports, and shows the extent to which benchmark interest rates such as the fed funds rate and prime rate have manifested themselves at the consumer level (it can take six months to a year for macro interest rates to work their way down to consumers).

These factors are important when investors consider that consumers make up more than two-thirds of total GDP consumption. If consumers stop spending or face a credit crunch, GDP will not be able to grow much. Investors in consumer cyclical stocks should be keenly interested in consumers' ability to spend more in the future.

Consumer credit figures have a lot of seasonal and inherent volatility, so investors should always review the current report for adjustments to prior periods, paying particular attention to revisions to year-over-year growth. Long-term trends are the most studied portion of the report, both in the total outstanding balances as well as the change in overall interest rates being charged.

The Conference Board has tapped consumer credit as a lagging indicator, and uses a ratio of consumer credit to personal income as a component of its Index of Lagging Indicators. The Fed operates on the theory that consumers will not significantly increase their borrowing levels until their personal incomes increases enough to justify the higher debt load. As such, borrowing may show the largest increases when the economy is already coming out of a recession, rather than during the worst of it.

How helpful consumer credit reports are for investors can be listed out in points as follows:

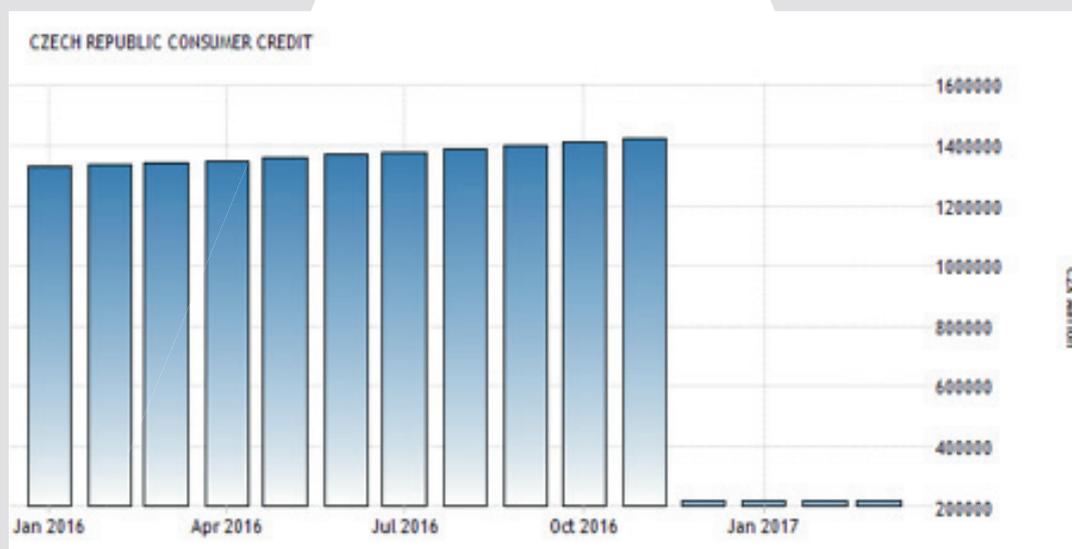
Strengths:

- Contains detailed breakdown of loan figures, such as average maturity and prevailing interest rates.
- Data is provided with and without seasonal adjustments.
- Release shows comparisons against previous month, previous year, and also against results from the last five years.

Weaknesses:

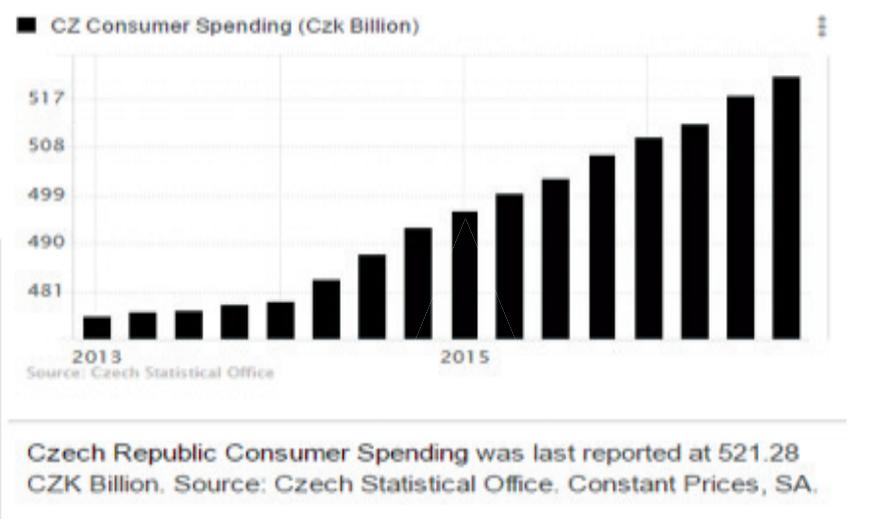
- Only total growth in outstanding loans is shown; there is no way of knowing if consumer payments have fallen off or if new loan growth has slowed based on a falling consumer credit number (and vice versa).
- Absence of home-equity debt provides for an incomplete picture.
- Because it comes out after the consumer confidence report and retail sales reports for the month, some analysts will not look as intently at the consumer credit figures month to month, instead reviewing multi-period trends once or twice a year.

Consumer Credit in Czech Republic grew to 221342.00 CZK Million from 220579.80 CZK Million and Consumer Spending went up to 521.28 CZK Billion from 517.66 CZK Billion in Q3 2016.



Consumer Credit in Czech Republic all-time average stands at 536056.02 CZK.

The consumer spending in last previous years has been increasing immensely which is an indicator that the consumer credit segment would be coming as a boom. When we analysis the consumer spending capacity f Czech Republic from last 2013 to 2016.



So here we can see the increase which is an indicator of that attraction of consumers has been moved a lot towards credit facilities.

Opportunities

When we see about the overall economic growth forecast of the Czech Republic then it can be predicted that robust consumption growth will be maintained by strong income growth and favourable borrowing conditions. Incomes will also be boosted by the 11% minimum wage increase in 2017. A rebound in private investment is projected to raise imports, while only moderate growth in export markets and rising domestic costs will restrain export growth. Rising labour demand should lower the unemployment rate towards two-decade lows. That, and the fading effect of past import price declines, is projected to raise inflation to the 2% target by end 2017. Key risks to the forecasts are external. Slower growth in world trade would lower exports through value chains. Conversely, exports could outperform if productivity gains offset rising costs. The risks from Brexit are two-sided: businesses may delay investment but any arrangement preserving European integration would particularly benefit Czech exporters. Domestic risks are mostly to the upside. Accelerating consumer credit or wages could fuel stronger consumption growth than projected. Increased public spending or faster take-up of EU funds would also raise output.

	2013	2014	2015	2016	2017	2018
	Current prices CZK billion	Percentage changes, volume (2010 prices)				
GDP at market prices	4 098.1	2.7	4.5	2.4	2.5	2.6
Private consumption	2 025.0	1.8	3.0	2.4	3.0	2.6
Government consumption	826.0	1.1	2.0	2.3	2.2	1.9
Gross fixed capital formation	1 027.1	3.9	9.0	-3.3	2.3	3.9
Final domestic demand	3 878.1	2.2	4.4	0.8	2.6	2.8
Stockbuilding ¹	- 16.2	1.1	0.3	0.3	0.0	0.0
Total domestic demand	3 861.9	3.4	4.7	1.1	2.6	2.8
Exports of goods and services	3 183.9	8.6	7.8	5.3	4.8	5.0
Imports of goods and services	2 947.7	10.0	8.3	3.9	5.1	5.4
Net exports ¹	236.2	-0.5	0.1	1.4	0.1	0.0
<i>Memorandum items</i>						
GDP deflator	-	2.5	1.0	0.9	1.2	2.1
Consumer price index	-	0.4	0.3	0.6	1.8	2.2
Private consumption deflator	-	0.6	0.1	0.3	1.4	1.8
Unemployment rate	-	6.1	5.0	4.1	3.9	3.8
General government financial balance ²	-	-1.9	-0.6	-0.2	-0.2	0.1
General government gross debt ²	-	56.8	54.0	52.3	52.1	51.6
General government debt, Maastricht definition ²	-	42.2	40.3	38.6	38.5	38.0
Current account balance ²	-	0.2	0.9	2.3	1.4	1.7

Consumer credit scenario of the country cannot be predicted for the coming years but if we analysis the last trends and see for the coming terms from March 2017 to T+2 and T+3 (which is 2 Month & 3 Month term onwards) the following coming trends can be predicted:

Economic	Latest	Unit	T+1	T+2	T+3
Czech Republic Consumer Credit	221342.00	CZK Million	221325.9653	286499.8256	286304.8213
Czech Republic Consumer Confidence	108.40		108.5015	108.489	108.5319
Czech Republic Consumer Spending	521.28	CZK Billion	520.7993	524.3749	527.3536
Czech Republic Core Consumer Prices	104.75	Index Points	104.7099	104.815	104.837
Czech Republic Harmonised Consumer Prices	102.60	Index Points	105.3287	102.7221	102.5487

Conclusion

Consumer Credit in Czech Republic increased to 220579.80 CZK Million in February from 219990.20 CZK Million in January of 2017. Consumer Credit in Czech Republic averaged 537144.99 CZK Million from 1993 until 2017, reaching an all-time high of 1420014.27 CZK Million in November of 2016 and if we see the coming trends it can be predicted that growth would be going higher.