

The Czech & Slovak economies

Key notes

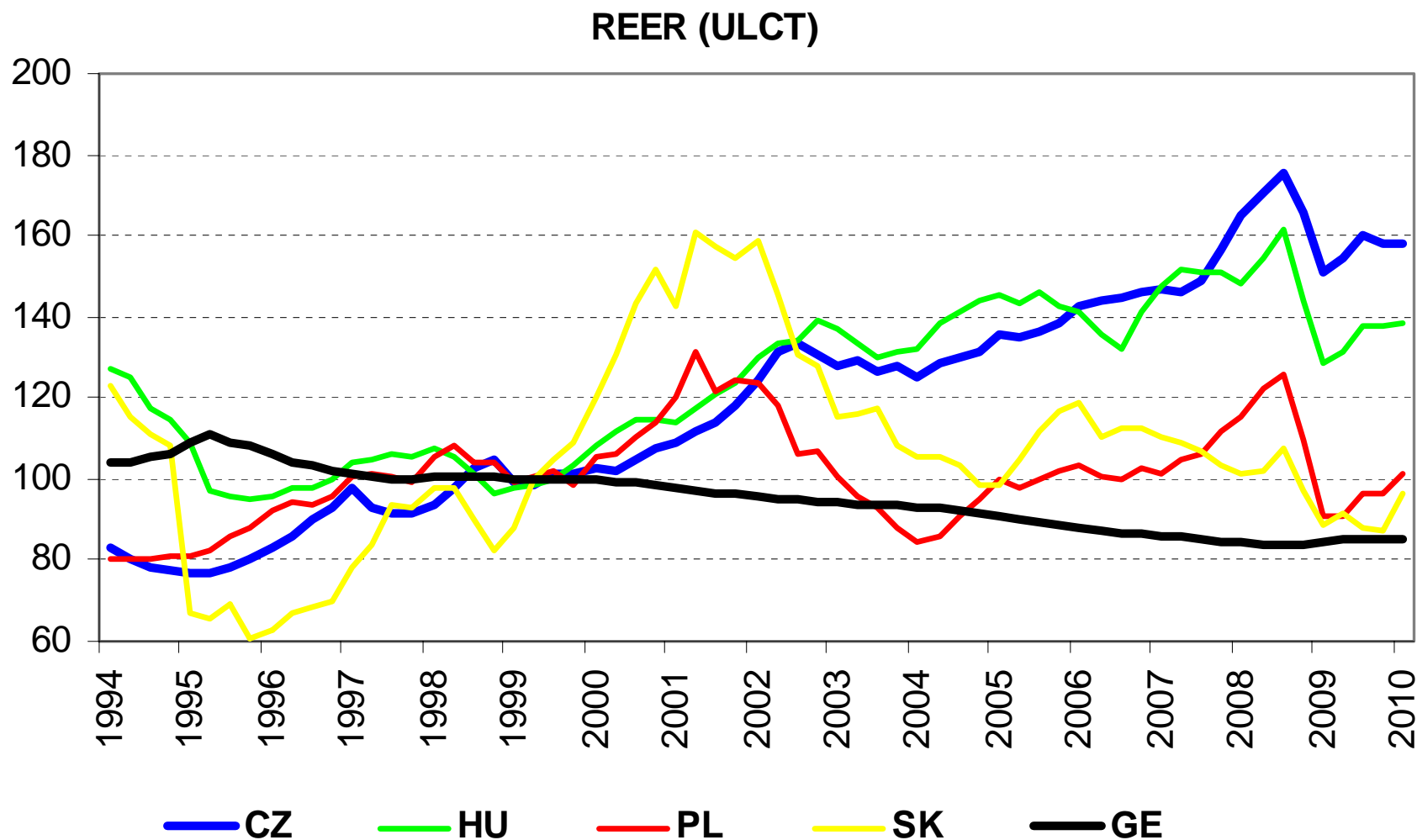
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Seminar,
Brussels

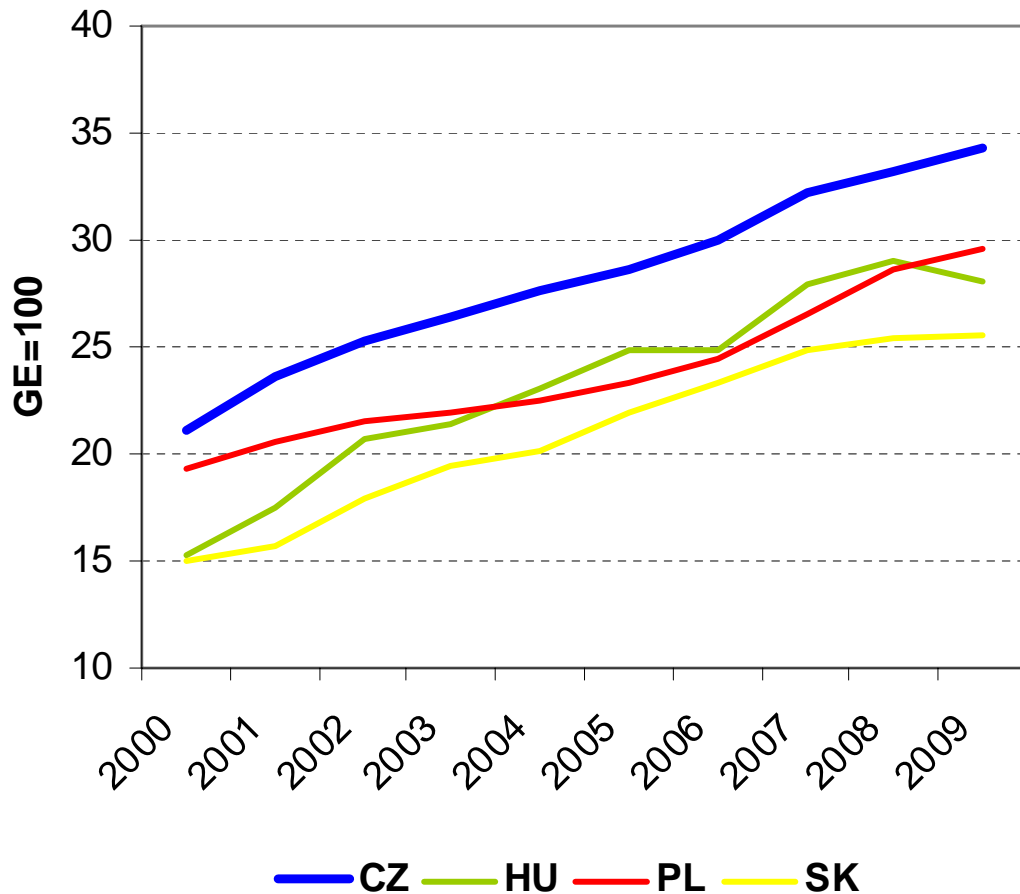
International competitiveness



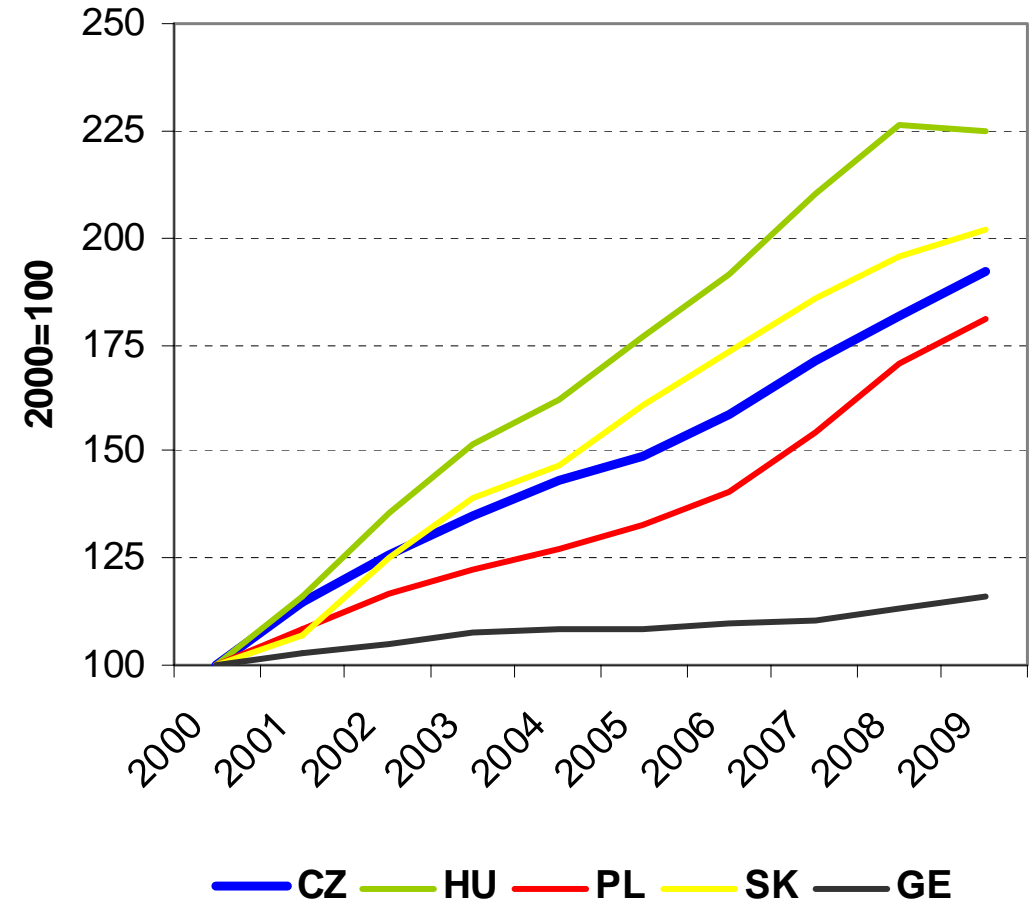
Source: Ecwin, European Commission, Nov 2010

Is our competitiveness endangered?

Monthly labour costs (GE = 100)



Monthly labour costs (2000=100)



Source: Eurostat, Nov 2010; Monthly Labour Costs in industry, construction and services (except activities of households as employers and extra-territorial organizations and bodies).

Note: Own calculation based on Eurostat figures, Nov 2010

Stage of the development

- World Economic Forum (2010):

CZ in the stage of **“innovation-driven economy”**
SK in process of **transforming into „innovation-driven economy“** from „efficiency-driven one“

Innovation-driven economy: the economy is able to cope with high level of wages and the standard of living; companies compete with new and unique products using the most sophisticated production processes and through innovation.

Source: World Economic Forum, The Global Competitiveness Report 2010–2011.

Does the labour costs matter or not?

CZ – answer is “YES”

- CZ still lags in innovation (CZ has the lowest country's score in innovation)
- No. of patents is in CZ lower than in Bulgaria and Hungary
- Competitive disadvantage in availability of scientists & engineers
- Weak control of international distribution and marketing by domestic companies

SK - answer is “sure YES”

- SK lags in innovation even more than CZ
- Gov't decisions do not systematically foster technological innovation
- Weak control of international distribution and marketing by domestic companies

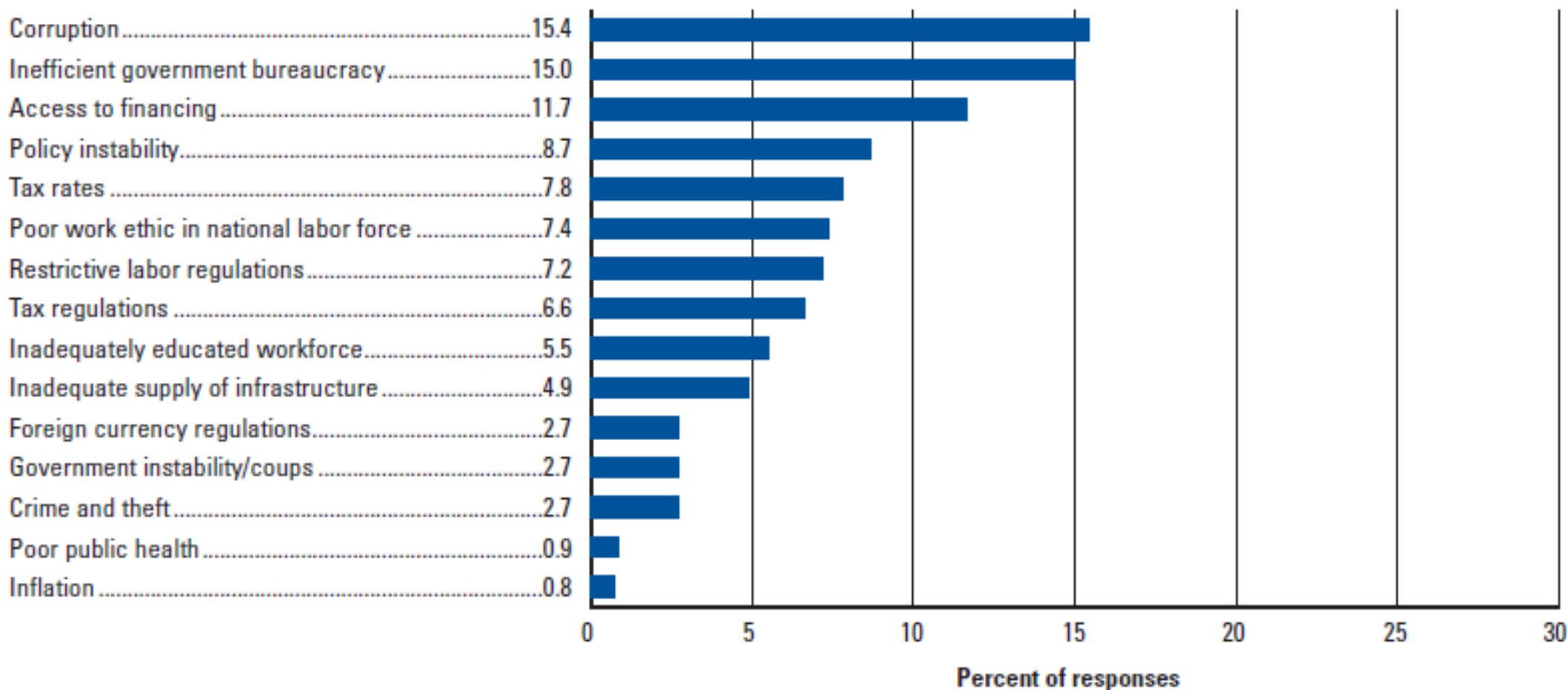
New pro-growth model

- The huge FDI inflows is not likely to repeat in the future.
 - The old growth model based on foreign investment into manufacturing sector has already been running out as the global crisis struck.
 - Meantime the global competition is further strengthening, while wage costs are, and will continue to be, rising.
- ⇒ The countries must still move on along the trajectory of transition into **innovation-driven competitiveness and foster more sophisticated production and innovation.**
- ⇒ The **new growth model** should focus on higher value added production, human capital, innovation and finally more effective state government.

??? Might the FDI inflow into service sector help with it ???

Soft spot of Czech economy

The most problematic factors for doing business



Source: World Economic Forum, The Global Competitiveness Report 2010–2011.

Soft spot of Czech economy (2)

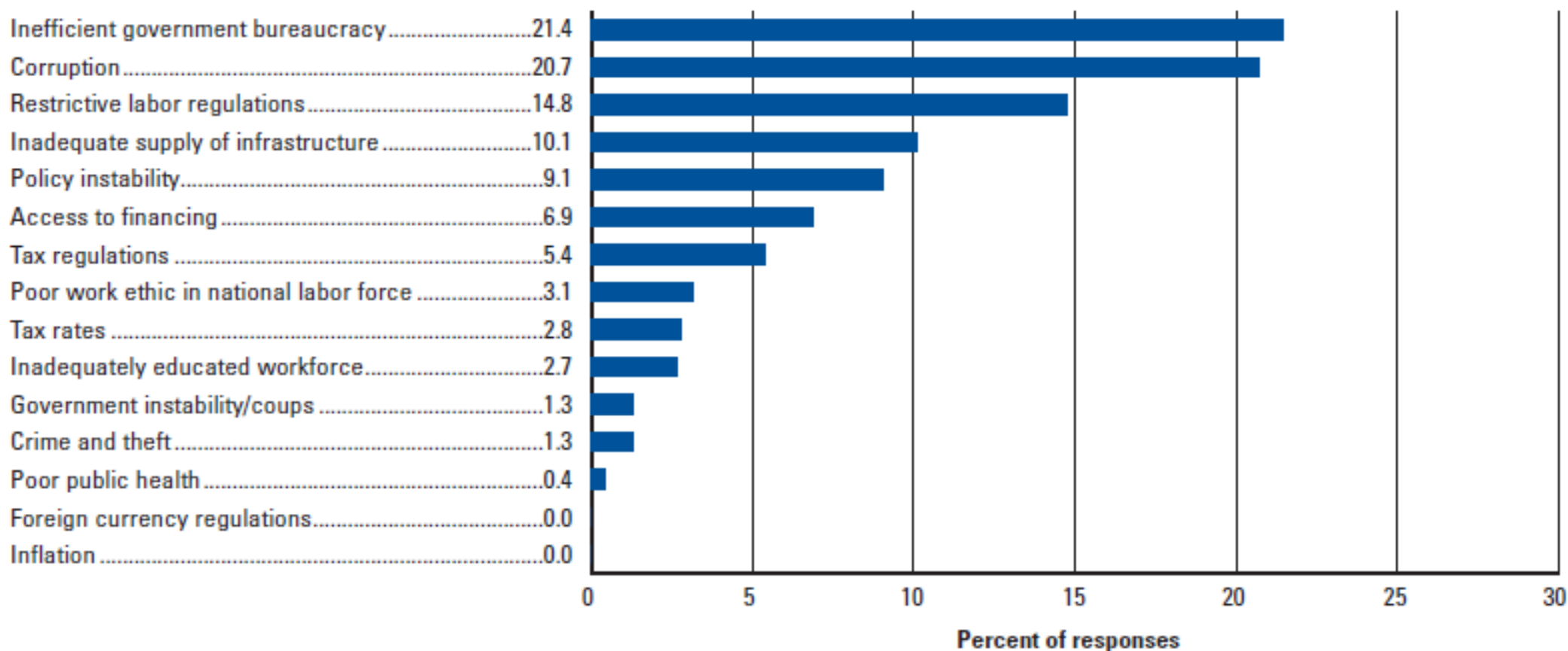
REGION	OECD	DOING BUSINESS 2011 RANK	DOING BUSINESS 2010 RANK	CHANGE IN RANK
INCOME CATEGORY	High income	63	82	↑ 19
POPULATION	10,489,970			
GNI PER CAPITA (US\$)	17,310.00			

TOPIC RANKINGS	DB 2011 Rank	DB 2010 Rank	Change in Rank
Starting a Business	130	127	↓ -3
Dealing with Construction Permits	76	75	↓ -1
Registering Property	47	62	↑ 15
Getting Credit	46	44	↓ -2
Protecting Investors	93	92	↓ -1
Paying Taxes	128	121	↓ -7
Trading Across Borders	62	57	↓ -5
Enforcing Contracts	78	78	No change
Closing a Business	32	115	↑ 83

Source: www.doingbusiness.org. Nov 2010

Soft spot of Slovak economy

The most problematic factors for doing business



Source: World Economic Forum, The Global Competitiveness Report 2010–2011.

Soft spot of Slovak economy (2)

REGION	OECD	DOING BUSINESS 2011 RANK	DOING BUSINESS 2010 RANK	CHANGE IN RANK
INCOME CATEGORY	High income	41	40	↓ -1
POPULATION	5,418,156			
GNI PER CAPITA (US\$)	16,130.00			

TOPIC RANKINGS	DB 2011 Rank	DB 2010 Rank	Change in Rank
Starting a Business	68	64	↓ -4
Dealing with Construction Permits	56	56	No change
Registering Property	9	9	No change
Getting Credit	15	14	↓ -1
Protecting Investors	109	108	↓ -1
Paying Taxes	122	120	↓ -2
Trading Across Borders	102	116	↑ 14
Enforcing Contracts	71	70	↓ -1
Closing a Business	33	39	↑ 6

Source: www.doingbusiness.org. Nov 2010