

Czech Republic

Domestic demand is the primary driver of growth in 2007, strengthened by gains in disposable incomes, expanding credit and low interest rates. FDI remains strong but inflows have passed their peak, reflecting the more mature state of the economy. Household consumption is expected to rise significantly in the future, due to rising incomes and growing household indebtedness. The country is projected to age at one of the fastest rates in Europe over the next few decades.

Economic Performance and Framework

Political Structure

Until the end of 1992, Czechoslovakia was a federation of two ethnically distinct states, the Czech and Slovak republics, which had been forged in 1919. In 1993, the two states declared their independence. The Czech parliament has two chambers. The Chamber of Representatives has 200 members, elected for a four-year term by proportional representation with a 4% barrier. The Senate has 81 members, elected for a six-year term in single-seat constituencies, in which one third is renewed every two years. The president is elected for a five-year term by the parliament.

Elections to the Senate were held in November 2004. The Civic Democratic Alliance took 35 seats, the Christian-Democratic Party won 11 seats, non-partisans took 19 seats and the remainder were scattered among several smaller parties. Elections to the Chamber of Representatives took place in June 2006. The Civic Democratic Party claimed 81 seats. The Czech Social Democratic Party won 74 seats, the Communist Party of Bohemia and Moravia received 26 seats, the Christian Democratic Union won 13 seats and the Green Party took 6 seats. After lengthy negotiations, Topolánek emerged as the prime minister. Vaclav Klaus of the Civic Democratic Alliance won re-election as president in February 2008. He defeated Jan Švejnar.

Roma minorities account for about 3% of the Czech Republic's population. Fears that they will immigrate westward in search of more generous state benefits are of some concern to policy makers in Brussels.

Although economic fundamentals generally remain strong, the government's inaction in some key policy areas is eroding this favourable position. Public debt has reached moderate levels and, without fundamental pension and health care reforms, it will continue to grow rapidly, possibly forcing up interest rates. Meanwhile, segments of the labour market are hampered by shortages of skilled labour and obstacles to inter-regional mobility. It is urgent that these shortcomings be addressed now that the country has joined the EU.

Economic Structure and Major Industries

The Czech Republic's agricultural sector is not large but productivity is high by Eastern European standards. Farmers have taken advantage of membership of the EU to sell pork and milk to Germany for higher prices than they can fetch in the domestic market. Food processors, however, have suffered, cutting jobs and production. Czech farmers also face increased

Table 2.52

Eastern Europe: Consumer expenditure on miscellaneous goods and services 2002-2007

US\$ million / US\$ per capita

	2002	2003	2004	2005	2006	2007	US\$ per capita 2007
Bulgaria	382.2	506.9	688.8	818.7	984.6	1,290.8	169.3
Czech Republic	3,298.3	4,160.3	4,732.1	5,331.1	6,193.2	7,482.9	727.4
Hungary	2,883.0	3,696.1	3,548.6	3,532.3	3,431.6	4,140.7	411.7
Poland	15,617.8	16,975.6	19,184.9	22,441.3	26,373.8	32,383.0	849.9
Romania	625.8	880.5	1,171.8	1,559.9	1,974.5	2,732.8	126.8
Russia	7,605.5	9,976.6	13,711.4	17,829.4	23,301.8	33,202.5	233.7
Slovakia	830.5	1,164.9	1,535.1	2,467.9	3,046.8	4,045.1	750.3
Ukraine	882.6	922.4	1,083.0	1,586.1	2,039.0	2,672.6	58.0

Source: National statistical offices/OECD/Eurostat/Euromonitor International

• Retailing

Table 2.53

Eastern Europe: Total retail sales 2002-2007

US\$ million / US\$ per capita / % real growth

	2002	2003	2004	2005	2006	2007	US\$ per capita 2007	% real growth 2002-2007
Bulgaria	5,173.0	6,627.2	7,794.5	8,355.6	8,999.0	9,213.2	1,208.5	6.7
Czech Republic	17,236.5	20,577.0	23,112.2	25,616.3	27,861.1	28,909.0	2,810.2	4.3
Hungary	16,462.6	20,443.5	24,381.5	26,028.7	26,190.9	26,257.4	2,610.6	3.7
Poland	60,434.7	65,942.0	71,607.2	82,738.2	87,727.6	92,061.9	2,416.2	3.4
Romania	8,856.0	9,972.9	11,703.9	15,173.9	18,453.5	23,332.3	1,082.4	29.5
Russia	77,143.0	95,727.8	122,922.8	153,844.7	192,907.7	230,593.6	1,623.3	54.6
Slovakia	6,078.2	7,961.1	9,492.2	10,833.3	12,615.1	13,077.3	2,425.5	12.5
Ukraine	17,610.3	19,986.7	22,577.2	26,330.6	30,247.0	35,525.0	771.4	22.5

Source: Euromonitor International from national statistics

Table 2.54

Eastern Europe: Total sales by grocery/non-grocery split 2007

US\$ million

	Grocery Retailers	Non-Grocery Retailers	Total
Bulgaria	3,742.2	5,471.0	9,213.2
Czech Republic	13,110.2	15,798.8	28,909.0
Hungary	14,227.3	12,030.1	26,257.4
Poland	44,151.9	47,910.0	92,061.9
Romania	12,888.8	10,443.5	23,332.3
Russia	128,138.7	102,454.9	230,593.6
Slovakia	6,655.3	6,422.0	13,077.3
Ukraine	20,241.9	15,283.1	35,525.0

Source: Euromonitor International from national statistics

• Cosmetics and toiletries

Table 3.49

Eastern Europe : Value sales of cosmetics and toiletries 2002-2007

US\$ million/US\$ per capita

	2002	2003	2004	2005	2006	2007	US\$ per capita 2007
Bulgaria	134.9	174.6	209.2	226.8	245.7	279.3	36.6
Czech Republic	554.3	694.8	820.0	916.6	1,004.9	1,064.7	103.5
Hungary	503.4	651.1	779.4	835.2	820.5	850.1	84.5
Poland	1,895.2	2,044.4	2,260.5	2,643.3	2,846.1	3,002.7	78.8
Romania	454.5	519.5	616.6	817.0	980.5	1,212.7	56.3
Russia	4,166.4	5,199.5	6,305.1	7,394.4	8,748.8	9,869.1	69.5
Slovakia	268.2	350.9	413.8	441.1	475.7	503.2	93.3
Ukraine	800.4	955.2	1,147.4	1,436.1	1,722.7	1,989.2	43.2

Source: Euromonitor International from trade sources

• Cosmetics and toiletries » Baby care

Table 3.50

Eastern Europe : Value sales of baby care 2002-2007

US\$ million/US\$ per capita

	2002	2003	2004	2005	2006	2007	US\$ per capita 2007
Bulgaria	2.55	3.23	3.78	3.99	4.56	5.15	0.68
Czech Republic	9.20	11.54	12.91	14.08	15.39	16.10	1.57
Hungary	5.45	6.71	7.87	8.80	8.69	8.75	0.87
Poland	35.87	37.94	41.94	48.66	51.73	53.76	1.41
Romania	4.30	4.86	5.40	6.61	7.65	9.56	0.44
Russia	67.81	83.00	103.91	127.28	157.81	185.44	1.31
Slovakia	2.44	3.29	4.02	4.26	4.67	4.86	0.90
Ukraine	16.10	19.40	23.61	29.66	35.93	40.91	0.89

Source: Euromonitor International from trade sources

• Cosmetics and toiletries » Bath and shower products

Table 3.51

Eastern Europe : Value sales of bath and shower products 2002-2007

US\$ million/US\$ per capita

	2002	2003	2004	2005	2006	2007	US\$ per capita 2007
Bulgaria	19.3	25.8	29.6	31.3	33.7	38.1	5.00
Czech Republic	42.6	53.9	64.0	71.8	78.3	87.9	8.54
Hungary	75.7	94.6	113.0	118.5	115.5	117.6	11.70
Poland	151.2	172.8	193.5	228.9	245.4	255.2	6.70
Romania	62.3	68.0	75.0	92.2	106.0	127.4	5.91
Russia	356.9	410.3	471.4	522.6	604.0	677.2	4.77
Slovakia	29.0	37.4	43.6	47.2	50.2	53.7	9.96
Ukraine	37.8	45.7	52.9	72.7	90.5	101.8	2.21

Source: Euromonitor International from trade sources

• Domestic electrical appliances » Small electrical appliances » Air treatment products

Table 3.124

Eastern Europe : Air treatment products - quick comparisons 2002/2007

as stated

	Market share 2007 (% volume)	Market share 2007 (% US\$ value)	% change 2002/2007 (volume)	% change 2002/2007 (local currencies)	US\$ million 2007	Local currencies million 2007	Per '000 inhabitants 2007	US\$ per capita 2007
Bulgaria ^(a)	2.56		145.35				4.88	
Czech Republic	1.04	0.56	139.35	91.13	2.04	46.0	1.46	0.20
Hungary	4.51	3.88	123.22	170.01	14.07	2,960.0	6.52	1.40
Poland	15.45	4.87	100.07	173.76	17.64	54.7	5.89	0.46
Romania ^(a)	5.84		153.80				3.94	
Russia	61.02	90.17	70.30	93.96	326.78	8,885.4	6.24	2.30
Slovakia	1.55	0.52	48.76	70.57	1.87	55.7	4.17	0.35
Ukraine ^(a)	8.04		74.26				2.54	

Source: Euromonitor International from trade sources

Notes: (a) National currency data are in US\$ million

• Domestic electrical appliances » Small electrical appliances » Heating appliances

Table 3.125

Eastern Europe : Heating appliances - quick comparisons 2002/2007

as stated

	Market share 2007 (% volume)	Market share 2007 (% US\$ value)	% change 2002/2007 (volume)	% change 2002/2007 (local currencies)	US\$ million 2007	Local currencies million 2007	Per '000 inhabitants 2007	US\$ per capita 2007
Bulgaria ^(a)	1.54		19.95				13.46	
Czech Republic	0.53	1.08	7.19	4.60	2.63	59.4	3.45	0.26
Hungary	2.31	2.03	23.25	8.42	4.95	1,040.5	15.23	0.49
Poland	6.31	6.57	-5.76	-18.57	16.01	49.7	11.01	0.42
Romania ^(a)	4.12		23.25				12.70	
Russia	70.73	89.35	18.86	76.72	217.74	5,920.5	33.07	1.53
Slovakia	0.53	0.97	52.65	53.44	2.37	70.5	6.50	0.44
Ukraine ^(a)	13.92		16.70				20.07	

Source: Euromonitor International from trade sources

Notes: (a) National currency data are in US\$ million

• Fresh food

Table 3.126

Eastern Europe : Volume sales of fresh food 2002-2007

'000 tonnes/Kg per capita

	2002	2003	2004	2005	2006	2007	Kg per capita 2007
Bulgaria	2,367	2,413	2,451	2,498	2,558	2,615	342.9
Czech Republic	2,935	2,934	2,982	3,031	3,068	3,079	299.3
Hungary	3,275	3,321	3,371	3,426	3,523	3,605	358.4
Poland	15,449	15,458	15,418	15,439	15,620	15,553	408.2
Romania	8,403	8,588	8,761	9,054	9,259	9,327	432.7
Russia	44,587	44,490	45,345	46,415	47,779	49,982	351.9
Slovakia	1,554	1,567	1,583	1,600	1,639	1,676	310.8
Ukraine	16,386	16,694	17,045	17,399	17,694	18,030	391.5

Source: Euromonitor International from trade sources

• Packaged food

Table 6.50

Czech Republic: Value sales of packaged food by sector 2002-2007

CK million/CK per capita/% of total

	2002	2003	2004	2005	2006	2007	CK per capita 2007	Market share 2007 (% value)
Confectionery	10,392.2	10,650.1	11,024.2	11,362.5	11,546.6	11,692.9	1,136.6	9.36
Bakery products	17,477.2	17,548.7	18,873.1	19,378.9	20,285.8	21,261.0	2,066.7	17.02
Health food								
Ice cream	3,851.5	4,007.5	3,559.5	3,347.8	3,389.6	3,439.4	334.3	2.75
Dairy products	32,162.7	32,755.2	33,417.1	33,682.9	35,272.3	36,945.1	3,591.4	29.58
Sweet and savoury snacks	2,368.1	2,419.2	2,481.2	2,551.0	2,614.2	2,739.3	266.3	2.19
Snack bars	82.2	88.7	95.6	96.1	81.9	74.8	7.3	0.06
Meal replacement products				81.0	87.7	98.1	9.5	0.08
Ready meals	1,378.5	1,523.3	1,705.1	1,919.6	2,122.2	2,354.9	228.9	1.89
Soup	1,337.3	1,262.6	1,204.2	1,145.1	1,103.9	1,164.6	113.2	0.93
Pasta	1,667.9	1,655.2	1,689.6	1,936.4	2,025.7	2,122.4	206.3	1.70
Canned/preserved food	4,365.4	4,706.9	5,151.6	5,610.2	5,831.8	6,093.0	592.3	4.88
Frozen processed food	5,674.6	6,136.5	6,689.4	7,380.1	7,816.0	8,356.0	812.3	6.69
Dried processed food	5,099.4	5,106.2	5,497.9	5,609.5	5,735.7	6,012.8	584.5	4.81
Chilled processed food	5,903.3	6,409.6	7,021.3	7,673.8	8,284.7	9,016.2	876.5	7.22
Oils and fats	10,310.5	10,273.7	9,763.6	9,911.3	9,414.5	9,136.0	888.1	7.31
Sauces, dressings and condiments	5,074.9	5,193.2	5,259.6	5,342.5	5,569.4	5,787.4	562.6	4.63
Baby food	1,056.3	1,091.1	1,175.5	1,322.8	1,538.7	1,789.0	173.9	1.43
Spreads	1,965.9	2,044.2	2,149.7	2,262.9	2,354.2	2,450.1	238.2	1.96
TOTAL	105,784.0	108,430.8	112,159.4	115,626.3	119,837.0	124,906.0	12,141.9	100.00

Source: Euromonitor International from trade sources

• Packaged food » Confectionery

Table 6.51

Czech Republic: Confectionery subsectors - quick comparisons 2002/2007

as stated

	Market share 2007 (% volume)	Market share 2007 (% value)	% change 2002/2007 (volume)	% change 2002/2007 (CK value)	CK million 2007	Total value 2007 (US\$ million)	Kg per capita 2007	CK per capita 2007	Per capita value 2007 (US\$)
Chocolate confectionery	67.03	66.3	14.06	13.29	7,755	344.3	3.29	753.9	33.47
Sugar confectionery	28.58	20.1	12.44	7.23	2,348	104.3	1.40	228.3	10.13
Gum	4.39	13.6	-1.28	17.14	1,589	70.5	0.22	154.5	6.86
TOTAL	100.00	100.0	12.82	12.52	11,693	519.1	4.91	1,136.6	50.46

Source: Euromonitor International from trade sources

• Pet food and pet care products

Table 8.73

Poland: Value sales of pet food and pet care products by sector 2002-2007

PLN million/PLN per capita/% of total

	2002	2003	2004	2005	2006	2007	PLN per capita 2007	Market share 2007 (% value)
Dog and cat food	752.5	834.7	913.1	963.9	1,052.6	1,131.9	29.71	86.48
Other pet food	25.6	27.1	28.2	29.3	30.0	30.8	0.81	2.35
Pet care products	117.1	123.9	129.5	135.0	139.2	146.1	3.83	11.16
TOTAL	895.2	985.7	1,070.8	1,128.2	1,221.8	1,308.7	34.35	100.00

Source: Euromonitor International from trade sources

• Soft drinks » Soft drinks (off-trade)

Table 8.74

Poland: Volume sales of soft drinks (off-trade) by sector 2002-2007

million litres/Litres per capita/% of total

	2002	2003	2004	2005	2006	2007	Litres per capita 2007	% of total 2007
Carbonates	1,520.4	1,611.0	1,544.7	1,555.7	1,629.1	1,723.1	45.22	33.04
Fruit/vegetable juice	987.6	1,096.9	1,100.5	1,113.4	1,232.6	1,338.8	35.14	25.67
Bottled water	978.8	1,252.6	1,276.1	1,438.4	1,769.6	2,015.8	52.91	38.65
Functional drinks	9.3	11.8	13.0	15.2	21.9	28.1	0.74	0.54
Concentrates	29.1	30.4	31.7	33.1	35.5	37.3	0.98	0.71
RTD tea	11.4	13.6	16.9	23.7	47.4	71.1	1.87	1.36
RTD coffee		0.0	0.1	0.2	0.4	0.6	0.02	0.01
Asian speciality drinks								
TOTAL	3,536.7	4,016.3	3,983.0	4,179.6	4,736.5	5,214.8	136.87	100.00

Source: Euromonitor International from trade sources

Table 8.75

Poland: Value sales of soft drinks (off-trade) by sector 2002-2007

PLN million/PLN per capita/% of total

	2002	2003	2004	2005	2006	2007	PLN per capita 2007	Market share 2007 (% value)
Carbonates	3,480.0	3,663.0	3,549.2	3,560.0	3,723.9	4,014.7	105.37	38.18
Fruit/vegetable juice	2,231.2	2,364.7	2,446.7	2,505.6	2,717.3	2,972.0	78.00	28.27
Bottled water	1,342.3	1,700.1	1,704.0	1,914.3	2,370.2	2,815.2	73.89	26.78
Functional drinks	129.0	158.5	167.8	186.7	225.8	276.4	7.25	2.63
Concentrates	145.7	154.5	162.4	170.4	182.7	192.8	5.06	1.83
RTD tea	51.0	59.2	70.9	97.8	166.3	227.8	5.98	2.17
RTD coffee		1.0	2.6	5.3	9.5	15.3	0.40	0.15
Asian speciality drinks								
TOTAL	7,379.0	8,101.0	8,103.6	8,440.2	9,395.7	10,514.2	275.95	100.00

Source: Euromonitor International from trade sources