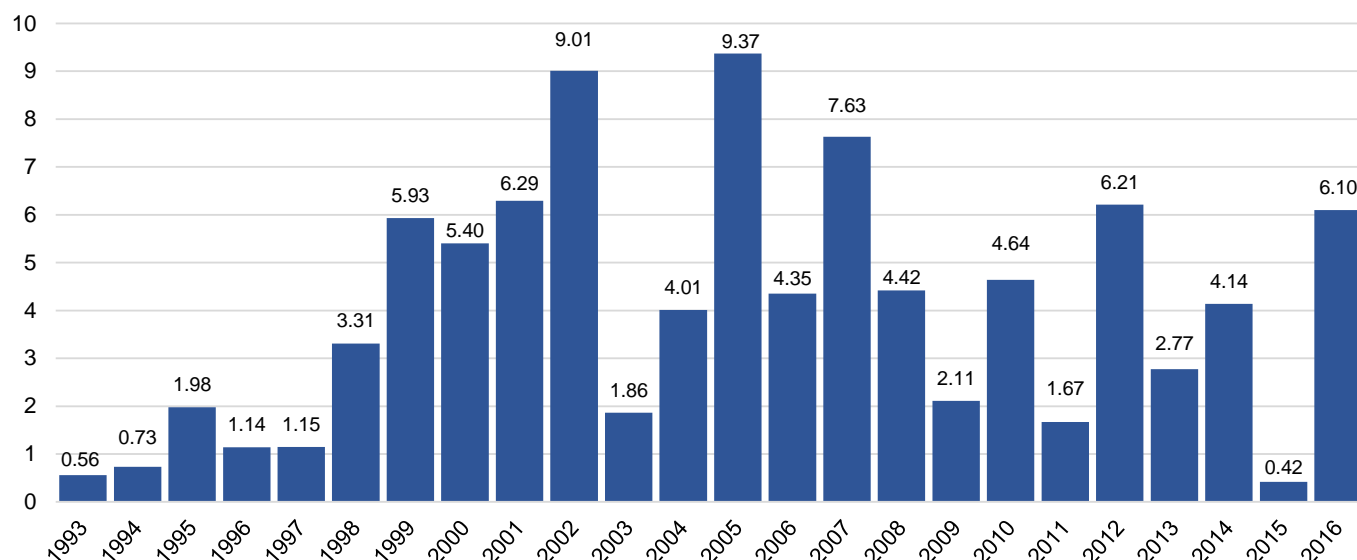


2. Inflow of Foreign Direct Investment

The Czech Republic is one of the most successful transition economies in terms of attracting foreign direct investment. The introduction of investment incentives in 1998 stimulated a massive inflow of FDI to both greenfield and brownfield projects and since 1993 more than EUR 107.13 billion in FDI has been recorded.

INFLOW OF FOREIGN DIRECT INVESTMENT TO THE CZECH REPUBLIC, in EUR billion



Source: Czech National Bank, March 2017

Note: Year 2016 - preliminary data.

As an early reformer in east-central Europe, the Czech Republic led the way in the early 1990s in adopting far-reaching stabilisation, liberalisation and privatisation programmes. The implementation of EU rules and regulations has also helped to improve the country's business environment and attract FDI. According to the Economist Intelligence Unit, the Czech Republic has consistently attracted a high rate of foreign direct investment per capita since 2000, which confirms the country's strong attractiveness for foreign investors.

Inward FDI stock per capita in EUR

	2007	2008	2009	2010	2011	2012	2013
Czech Republic	7,380	7,798	8,347	9,169	8,870	9,838	9,383
Slovakia	5,405	6,731	6,766	6,985	7,434	7,818	7,903
Hungary	6,475	6,226	6,851	6,804	6,654	7,921	8,163
Poland	3,043	2,895	3,184	4,002	3,816	4,427	4,687

Source: wiiw FDI Report 2014, The Vienna Institute for International Economic Studies, 2017

Inward FDI stock as a percentage of GDP

	2007	2008	2009	2010	2011	2012	2013
Czech Republic	57.9	52.7	61.4	64.1	59.9	67.7	66.0
Slovakia	53.0	56.2	58.1	57.2	58.2	59.5	59.3
Hungary	65.4	59.2	75.1	70.6	66.8	80.9	82.2
Poland	37.3	30.4	39.1	43.1	39.7	44.7	46.3

Source: wiiw FDI Report 2014, The Vienna Institute for International Economic Studies, 2017

FDI INFLOW TO THE CZECH REPUBLIC BY COUNTRY AND SECTOR

FDI inflow totalled EUR 6.10 billion in 2016. The most important investors are Germany, the United States, Austria, Japan and the United Kingdom. A significant portion of FDI inflows into the Czech Republic has been concentrated in the automotive-components sector. The services sector, especially software, IT and financial services, has been the second-largest beneficiary. More investment is now being directed towards more high-technology sectors and research and development.

Inflow of FDI by country (EUR million)

	2009	2010	2011	2012	2013	2014	2015	2016
Austria	533.96	1,394.52	601.18	416.56	1,000.75	25.77	-104.40	37.60
Denmark	13.99	29.76	-12.74	11.50	6.23	22.18	134.84	53.74
Finland	17.49	-5.59	63.59	-2.45	57.89	0.77	-11.66	16.10
France	403.53	-394.68	-154.58	-49.43	782.99	848.55	199.32	604.65
Germany	-667.09	1,052.87	1,318.57	959.92	-2,275.88	2,943.63	904.52	4,385.38
Ireland	-421.14	-535.43	-265.27	-14.08	319.61	18.57	125.13	87.72
Italy	-35.87	20.66	2.82	39.53	-42.41	130.48	120.95	569.26
Japan	-155.75	17.96	-93.04	-152.17	54.20	58.35	83.75	242.41
South Korea	5.66	145.83	290.87	202.46	419.60	207.45	432.35	99.48
Luxembourg	295.90	-230.94	-270.56	397.13	-201.86	1,167.61	1,089.44	1,507.19
Netherlands	-399.18	1,498.87	-1,454.81	3,960.32	805.63	-2,728.69	-2,048.29	-2,117.36
Spain	-117.75	157.93	-485.48	-87.32	125.55	-400.96	-143.29	248.74
Sweden	-104.06	160.22	-36.75	-11.73	132.24	78.14	-112.75	187.62
Switzerland	115.22	-421.36	311.63	14.57	625.99	-69.79	-585.88	-307.96
UK	-297.22	1,263.80	638.75	-1,249.34	333.79	53.37	1,043.55	36.55
USA	451.01	277.50	248.65	277.13	873.78	-23.75	-806.78	-31.50

Source: Czech National Bank, March 2017. Note: Year 2016 – preliminary data

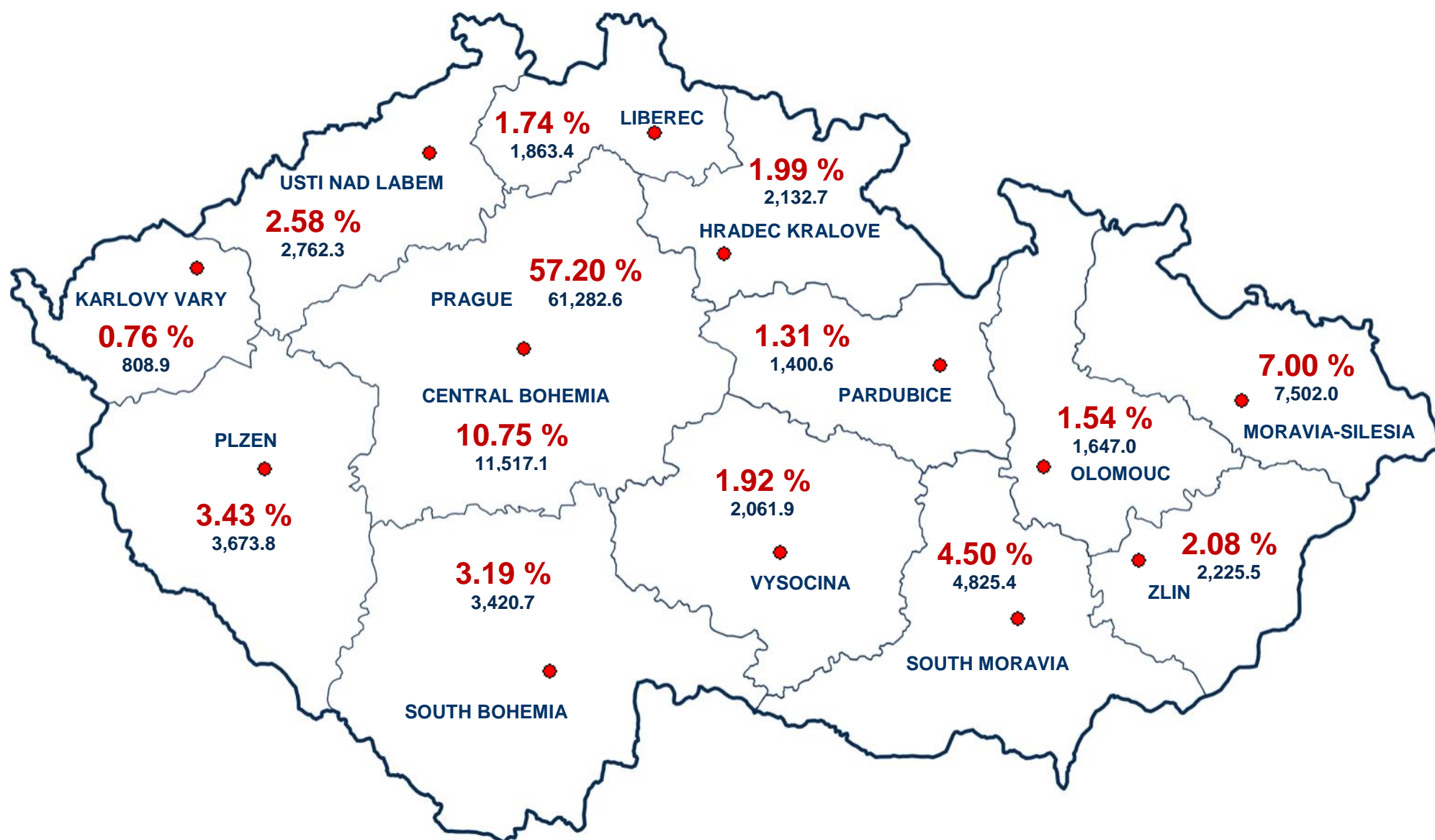
One of the most important investments in recent years was that of Toyota and Peugeot in 2002 involving the construction of a joint factory in Kolín at a cost of USD 850 million. As result, the Czech Republic became one of the most important players in the automotive sector in Europe. More recently, Hyundai built another large manufacturing plant at a cost of more than USD 1.2 billion in Nošovice. In 2004 Hewlett-Packard set up its regional computer-technology supply-chain headquarters for Europe, the Middle East and Africa in the Czech Republic. Several other multinational companies such as Honeywell, DHL, IBM, Sun Microsystems, Logica and Red Hat subsequently decided to use the Czech Republic's potential in the services and R&D sectors.

Inflow of FDI by sector (EUR million)

	2009	2010	2011	2012	2013	2014	2015	2016
Manufacturing	-1,275.4	-354.5	869.1	2,035.6	-133.1	1,678.4	1,808.9	1,997.6
Food and tobacco	31.4	-528.4	132.2	669.5	-134.0	-139.9	133.5	-257.9
Textiles, clothing and leather	-20.2	44.9	-52.5	25.7	-22.7	25.5	19.0	40.7
Wood, paper and publishing	-32.9	85.5	-188.9	-15.1	41.6	123.8	89.1	69.9
Refined petroleum and chemicals	-253.1	235.4	163.7	205.3	-342.9	226.9	467.5	112.8
Computers, electronic and optical equipment	-138.1	-116.6	-11.4	-839.3	-19.9	-9.0	303.6	336.9
Vehicle manufacturing	-249.9	-652.0	NA	1,739.8	199.9	770.2	294.1	928.2
Basic metals and metal products	-235.9	-152.3	148.3	-147.7	23.1	393.8	49.1	-4.4
Machinery and equipment	-256.2	-123.1	100.3	226.9	67.6	248.6	328.7	303.4
Recycling and other manufacturing	-120.4	200.8	83.6	170.5	54.2	38.7	124.3	468.0
Non-manufacturing	3,385.2	4,991.7	798.9	4,181.2	2,901.9	2,776.1	-1,389.6	4,106.6

Source: Czech National Bank, March 2017. Note: Year 2016 – preliminary data

STOCK OF FDI IN THE REGIONS, (as of 31 December 2015, EUR million)



Source: Czech National Bank, March 2017

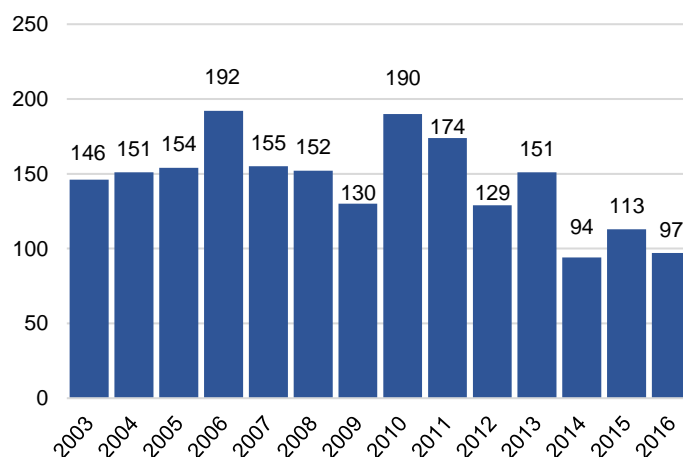
Inward FDI Flows to the Czech Republic

Top investment projects mediated by CzechInvest

Company	Source country	Type of activity
Nexen Tire Corporation	South Korea	Rubber
Hyundai	South Korea	Automotive
Toyota/PSA	Japan/France	Automotive
Volkswagen	Germany	Automotive
Denso	Japan	Automotive
Caterpillar Solar Turbines	USA	Machinery
Eaton	USA	Electronic components
DHL	UK	IT data centre, BSS
Red Hat	USA	IT
IBM	USA	IT, BSS
Honeywell	USA	Aerospace, BSS

Source: CzechInvest, July 2017

FDI trends - number of projects



Source: fDi Markets, July 2017

- Between January 2003 and December 2016, fDi Markets recorded a total of 2,028 investment projects from 1,377 companies.
- The leading sector was automotive components, which accounted for 12% of projects.
- The top three cities for inward investment were Prague, Brno, Ostrava and Plzen, hosting 28.7%; 6.7%; 3.7% and 3.5% of investment projects, respectively.
- The key factors behind the location of investment projects were proximity to markets or customers and availability of skilled labour.

FDI top sectors in the Czech Republic, January 2003 – December 2016

Sector	Projects	Investment (USD million)	Jobs
Automotive Components	246	6,135.1	52,589
Financial Services	152	4,123.5	9,517
Textiles	142	1,108.1	11,835
Industrial Machinery, Equipment & Tools	123	2,267.5	19,549
Software & IT services	118	1,457.7	12,332
Food & Tobacco	117	2,575.7	17,848
Transportation	117	2,346.4	6,036
Consumer Products	103	2,660.8	26,521
Business Services	87	283.2	2,554
Real Estate	87	6,789.1	62,021
Electronic Components	78	1,551.9	24,543
Plastics	70	1,022.8	9,958
Communications	61	1,900.5	5,845
Consumer Electronics	60	707.6	13,141
Metals	56	1,355.0	5,147
Automotive OEM	54	4,771.9	27,421
Pharmaceuticals	49	512.65	2,453
Hotels & Tourism	33	914.36	6,686
Coal, Oil and Natural Gas	32	1,846.3	3,357
Business Machines & Equipment	28	623.1	7,787
Others	215	10,277.0	29,154
Total	2,028	55,231.2	356,294

Source: fDi Markets, July 2017

Latest update: July 2017

Fact Sheet No.2 - Inflow of Foreign Direct Investment