

CZECH ECONOMY RECESSION AND THE WAY OUT





Euro - Trend, s.r.o.

EUROPE





Euro - Trend, s.r.o.



PRAGUE
Area: 496 km²
Population: 1164 682

CZECH REPUBLIC
Area: 78 865 km²
Population: 10 224 192

Another Analyst...?

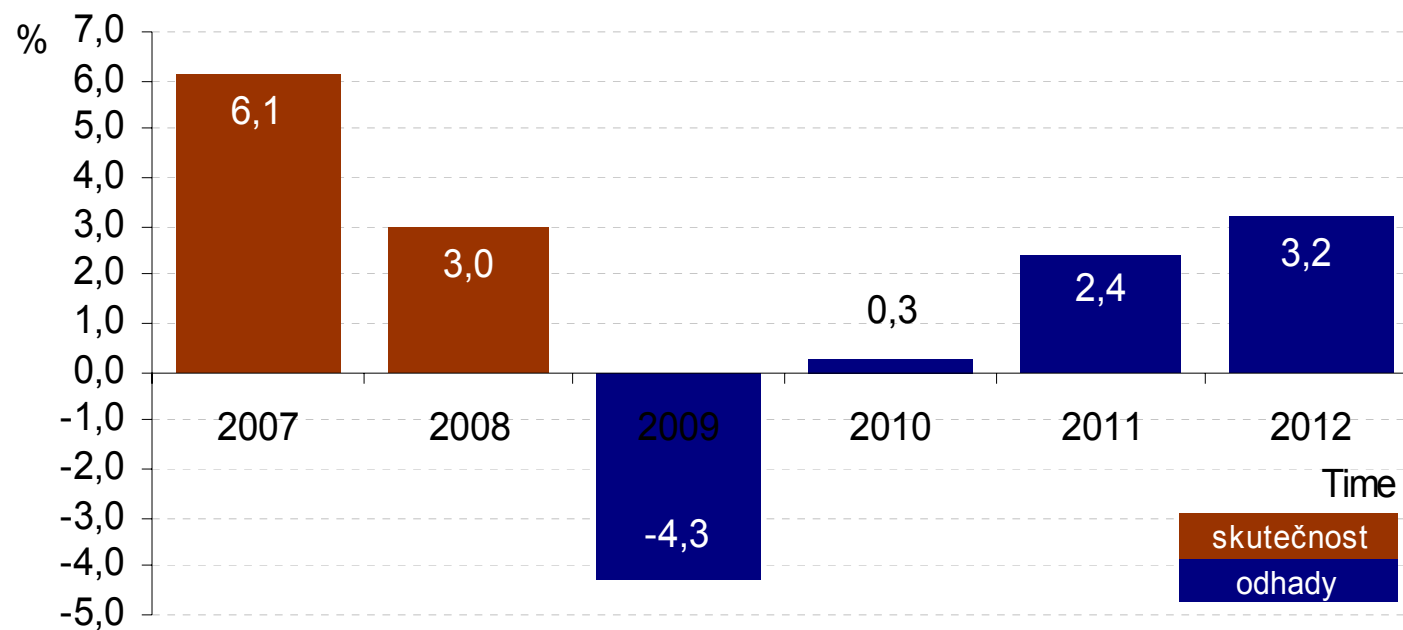
- **This crisis was originated by the effort to prolong the growth part of the economic cycle. Both policy makers and business people had the same interest.**
- **Without this effort we would have undergone the crisis in some modified version already after the year of 2000.**
- **All predictions were good for nothing. And the value of current predominately optimistic forecasts?**



Czech Economy in 2009 – Predictions made in 2008

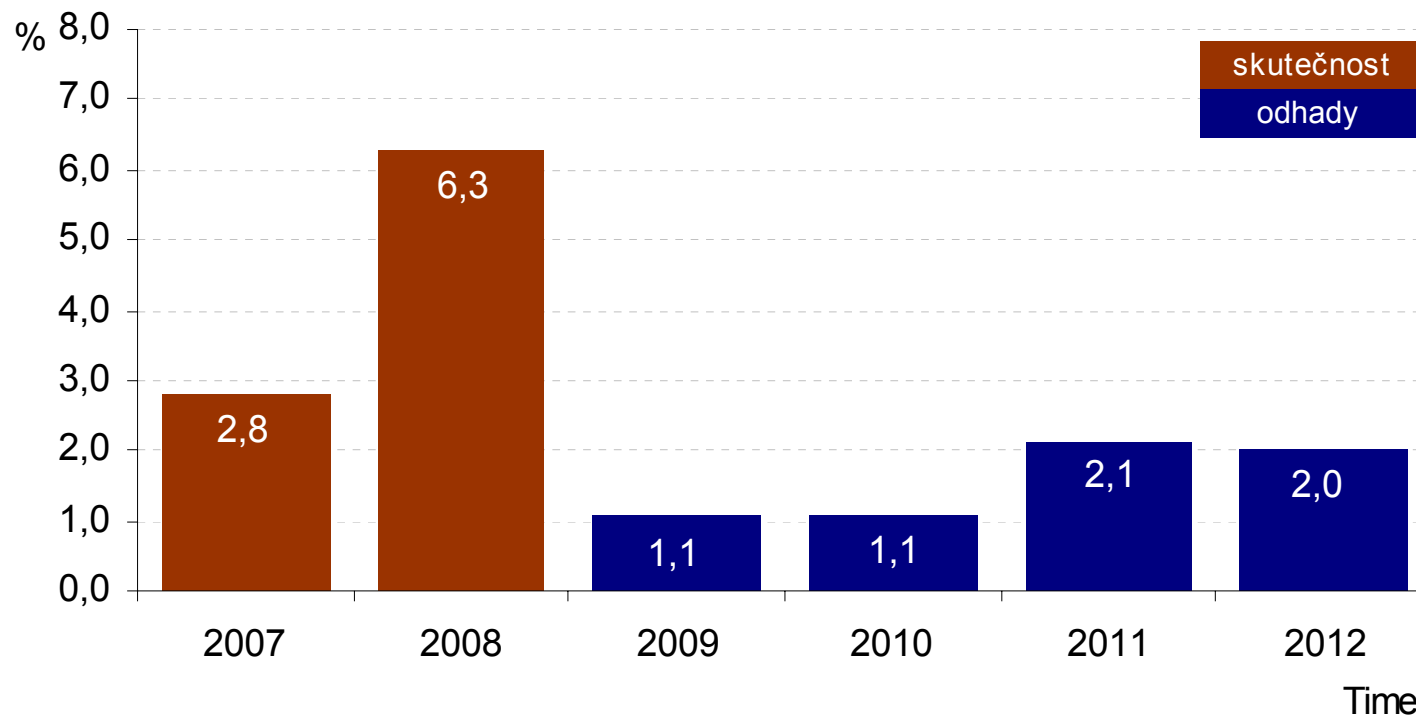
- ***“the crisis has stopped on the Czech borders” –
- we are clever folks and have our own currency***
- ***“the limited export oriented economy on the edge of EURO
zone, focused on the car assembly”***
- ***in the draft of 2009 Budget there was no emergency package***
- ***emergency means the growth will dropped under 2 % in 2009
(M. Kalousek - Minister of Finance)***

GDP Growth



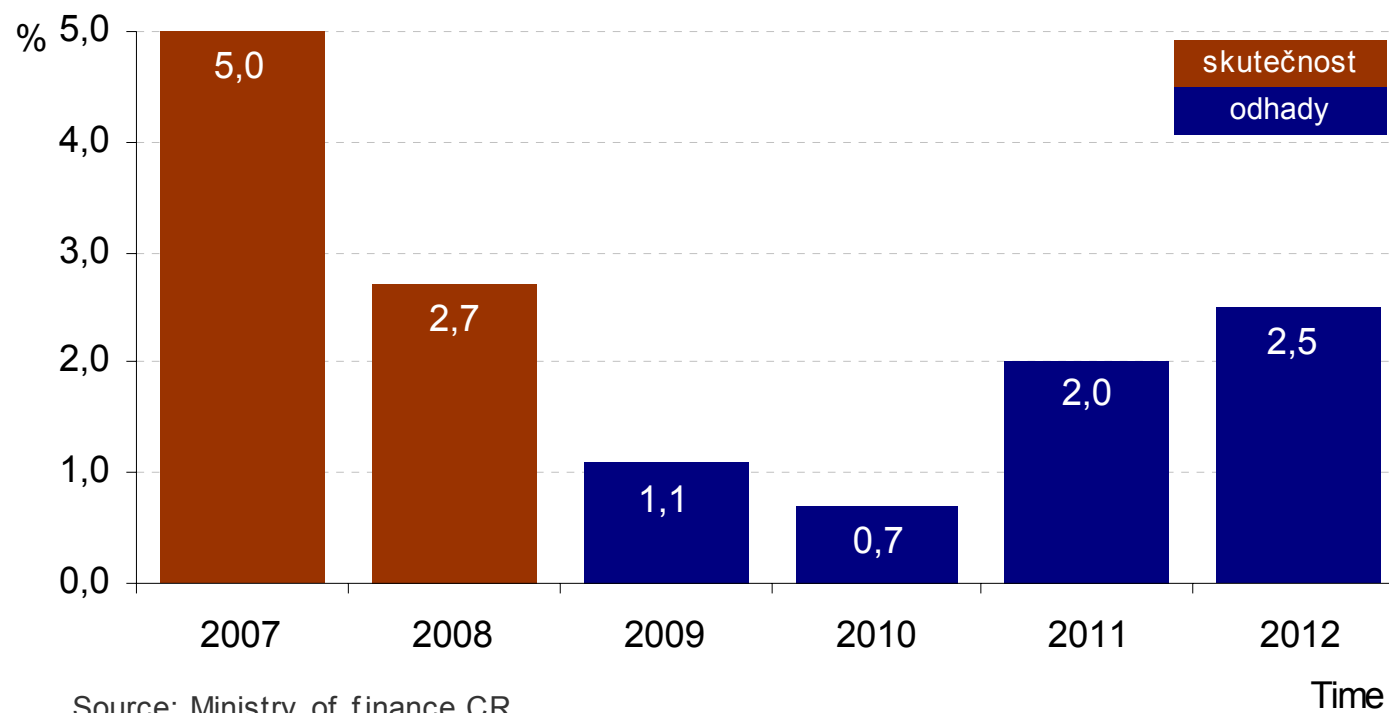
Source: Ministry of finance CR

Inflation

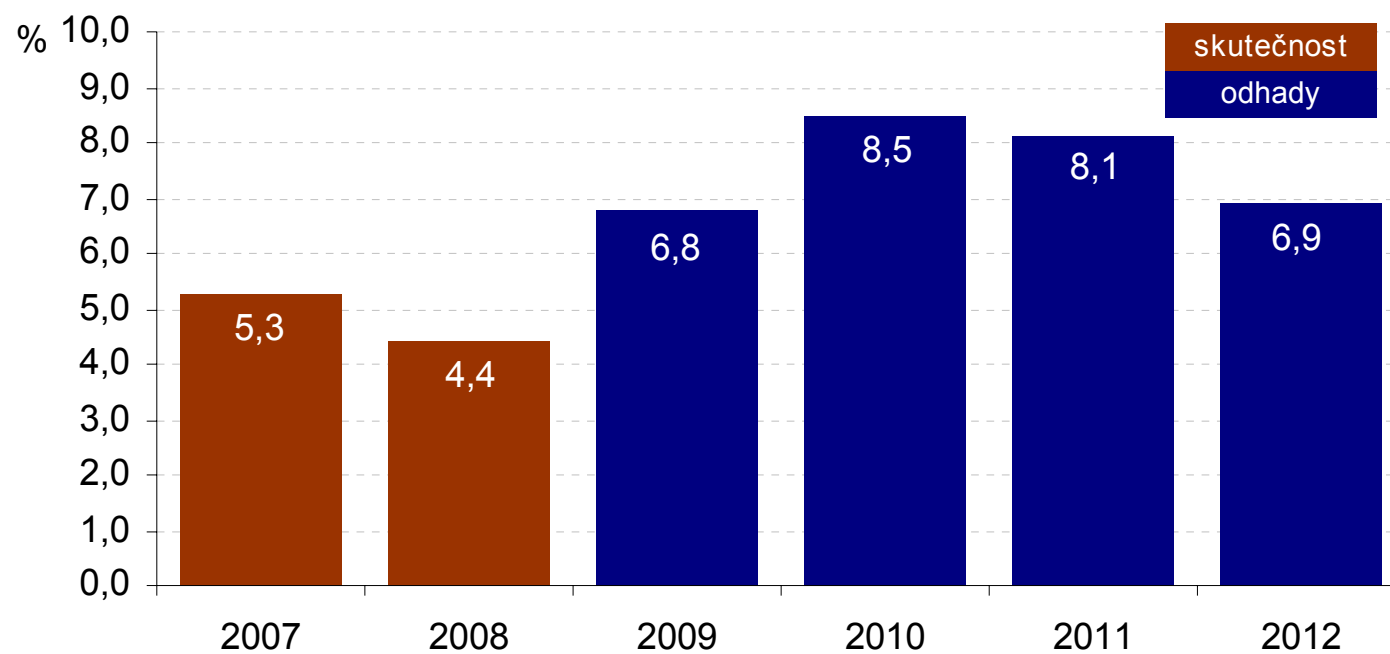


Source: Ministry of finance CR

Household consumption



Unemployment



Source: Ministry of finance CR

Time

„I have had years of experience with financial crisis



my wife holds our family purse strings / my wife manages our family budget“

Ways out?

- **No theoretical way out has been presented.**
- **All proposals have the nature of medicine. They are not aimed at the cause of the problem. They might solve only emergency problems of the year of 2010.**
- **Even economists believe the situation will return to the years of cheap credit, high consumption and irresponsible spending.**

Mixture of Actions

- **The government was toppled in the middle of the Czech presidency of the EU.**
- **The country is run by the non-political government headed by Mr. Jan Fischer.**
- **The Minister of Finance Mr. Eduard Janota submitted the so called Janota's package consisting of tax increases and expenditure cuts.**

- **The early elections (planned for October 2009) were cancelled by the Constitutional Court.**
- **The elections will be most probably held in June 2010.**
- **Is there a political vacuum?**

Tax Increases

- **Income of the state budget shall be increased by 50,3 bln CZK, mainly due to:**
 - **Increase of VAT by 1 % - 10 bln CZK**
 - **Higher tobacco tax - 2 bln CZK**
 - **Changes in social and health insurance – 27,9 bln CZK**
 - **Increase of gasoline and oil tax – 6,9 bln CZK**

Expenditures Cuts

- Expenditures should be cut by additional 25,4 bln CZK
- The decrease of wages of state employees by 4 % (7 bln CZK), lower payments to the social and health system on behalf of state employees (4,5 bln CZK)
- Other cuts in social system – 8,1 bln CZK
- There are already severe cuts in the originally proposed state budget representing some 38,5 bln CZK (freeze of pensions, decrease of budget for the ministries, freeze of wages, etc.)

Do the politicians have the instinct of self-preservation?

- **Political battle is under way in Parliament**
- **What is the correct balance between tax increase and expenditure cuts?**
- **Should the interim government link the adoption of Janota's package with the confidence vote?**
- **Strangely enough the trade unions and employers associations back the package**

Lesson from the crisis

- **The Czech Republic should stop kicking the EU to the ankles and start working for the EU and the CR simultaneously**
- **The solution of the overproduction crisis lies only in harmonized OECD countries initiative. The world need something really meanigfull - 4 day working week anywhere?**
- ***„Europe is the most beautiful continent but we are a loosing side.“***

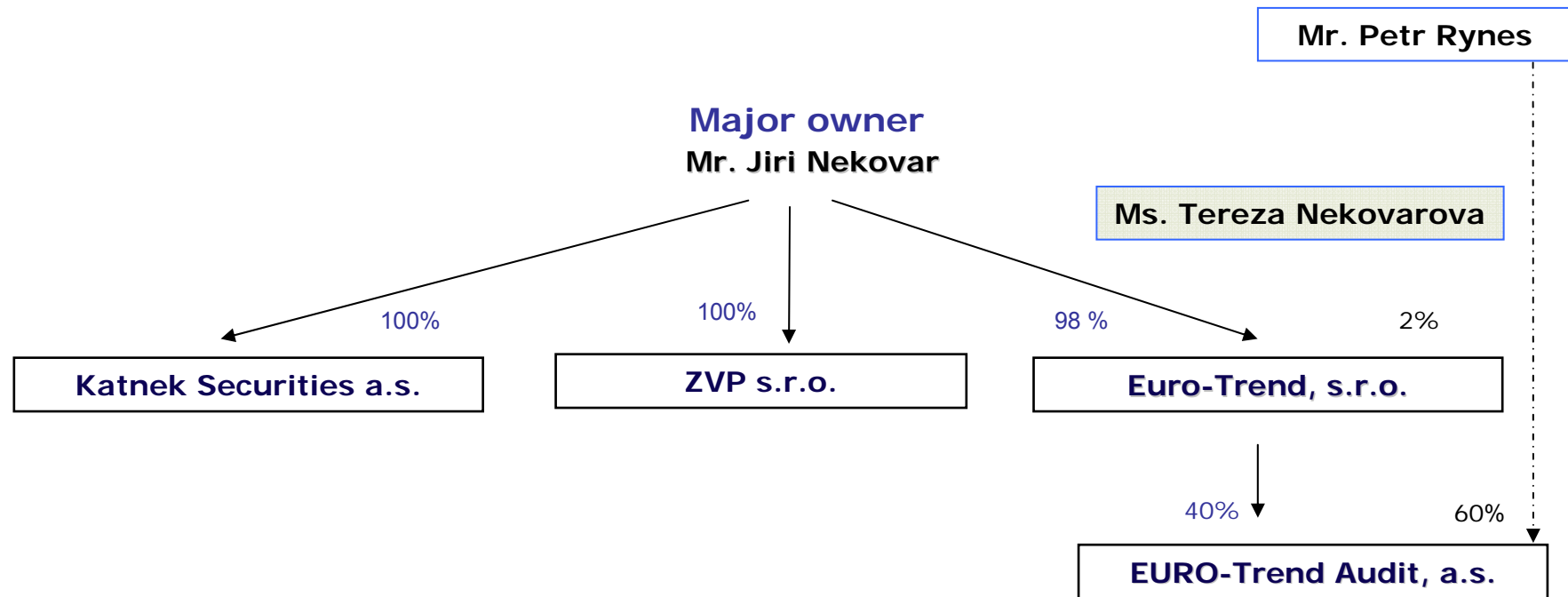
- **The Czech Republic has no chance to fight any future crisis alone. Instead of Entropa and eurosceptical president (Lisbon Treaty) we should come with balanced initiatives aimed at further strengthening of the EU.**
- **Message to the East: we need to work together instead of building new curtains.**

Main Threats

- **And if it would not work?**
- **Inflation (more than 20 %?) or a war or both?**
- **States have done a great job but is it sufficient? Is there any vision or we are just fire fighters?**
- **A good soldier Svejek approach might be this time a suicidal way out.**

Euro-Trend Group

Informal group of companies



Personnel of the Group

- high stability of the working team
- cooperation on an external basis with a number of leading specialists

Euro-Trend, s.r.o.

- **December 1989 Euro-Trend, co-operative was established**
- **January 1990 was incorporated into Commercial Register**
- **August 1994 Euro-Trend, s.r.o. was established**
- **2004 member of RBI**

Activities

- **Tax consulting**
- **Economics and investment consulting**
- **Commercial property appraisal**
- **External Assessment of Internal Audit**
- **Transfer pricing**

Client business activities

- **financial sector**
- **retail sector**
- **services**
- **industry**

Main clients

- ČEZ (Czech Energy Works)
- ŠKODA HOLDING
- ČSA (Czech Airlines)
- ELTODO
- UNIMEX GROUP
- Čedok
- Raiffeisenbank
- City of Prague
- The Charles University
- Czech Railways
- Ministry of Labor and Social Affairs

Mr. Jiri Nekovar

CEO



- The major partner of company
- Tax Advisor ref. No 002
- President of the Chamber of Tax Advisors of the Czech Republic
- Member of the Committee of the Audit and accountancy development of the Minister of Finance
- Member of the Co-ordination Committee of the Minister of Finance for Taxation
- In September 2006 he was appointed as a Vice President of Confédération Fiscale Européenne (CFE)
- Vice Chairman of the National Accountancy Council
- Chairman of the Supervisory Board of the Czech Foundation of Jan and Meda Mladek
- Advisor of Chairman of Budget Committee of the Czech Republic

Mr. Vaclav Oklestek

Executive secretary



- He is a graduate of the Czech Technical University in Prague where he studied Nuclear Physics and Engineering. He has had long-term experience in working abroad and he joined Euro-Trend Group in 1991.
- From 1993 to 1999 he also worked as a vice-chairman of the board of directors and the general manager of Katnek Securities, a.s.- a member of Prague Stock Exchange.
- As an executive secretary in Euro-Trend s.r.o., he is responsible for marketing and the foreign customer base, particularly in the area of investment consulting and restructuring. He is a member of the Presidium of Prague Chamber of Commerce and a chairman of its Department for European Union

Thank you for your attention.

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