

Digital Challengers in the next normal

Country presentation – Czech Republic

October, 2020



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Digital Challengers are back!

Nov 2018

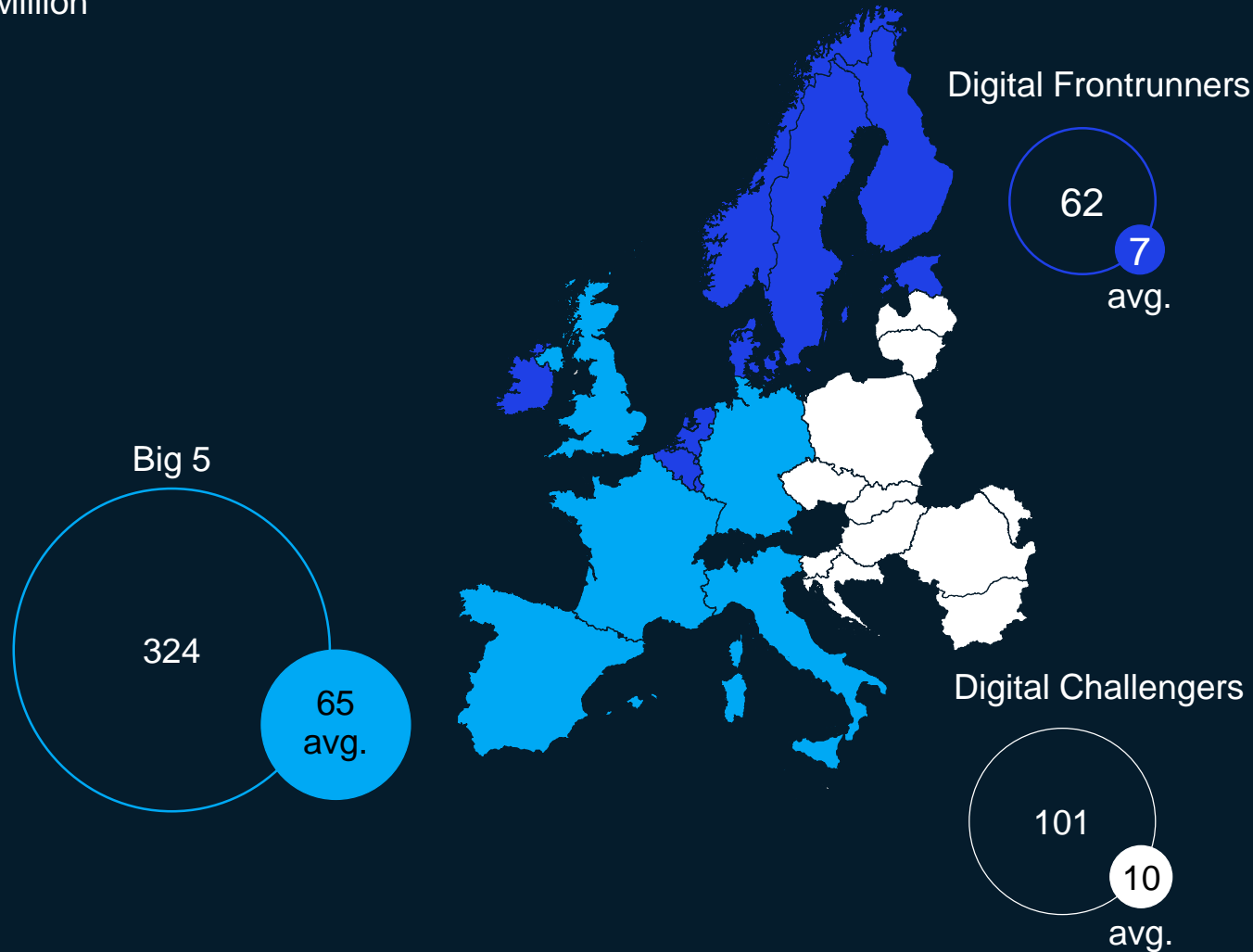


Oct 2020

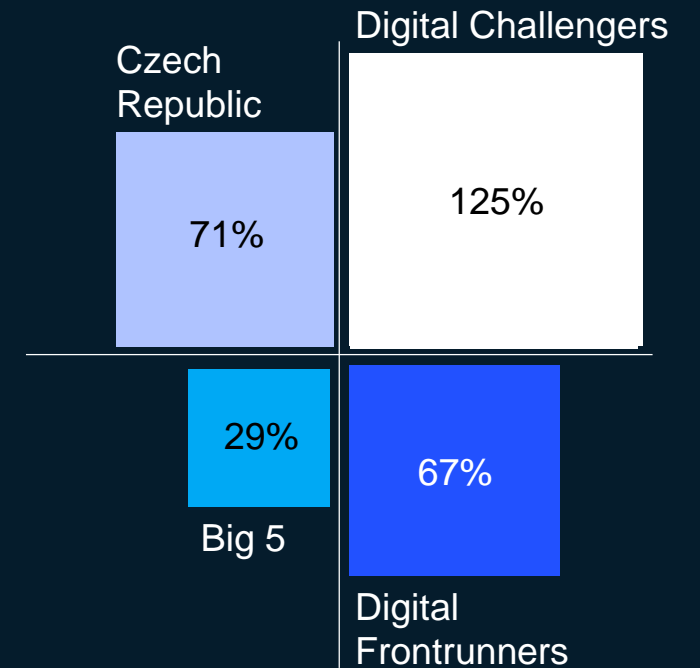


We have revisited the 3 regions defined in the previous report

Regional population in total
vs country average, 2019
Million



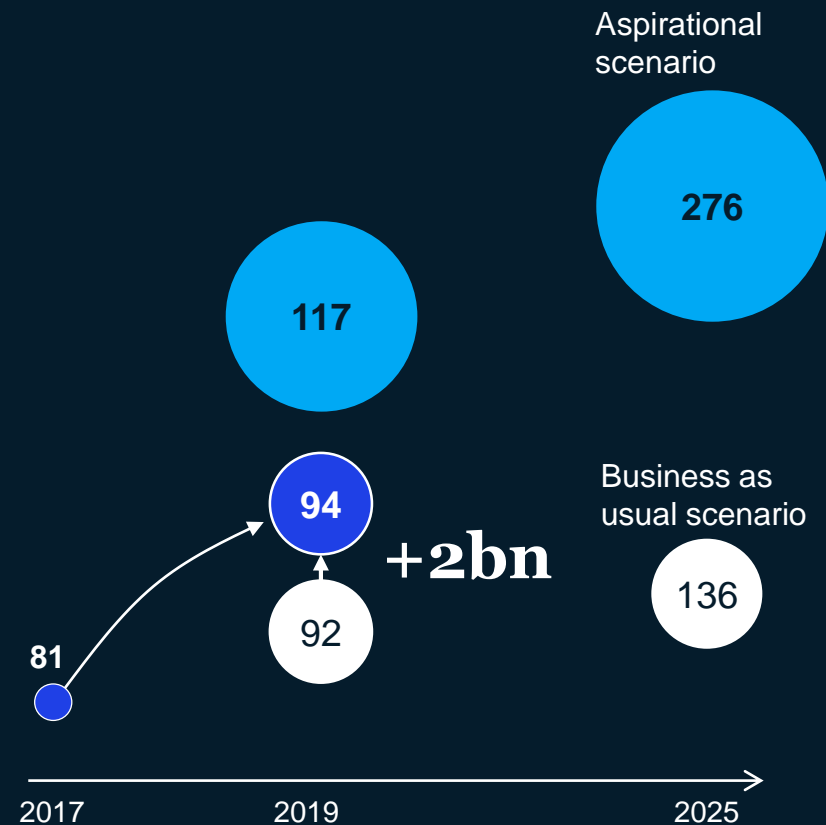
GDP per capita growth, 1996-2019
Percent



In 2019, the CEE digital economy was 2% above the “business as usual” trajectory (CZ +5%), but the Digital Frontrunners run faster

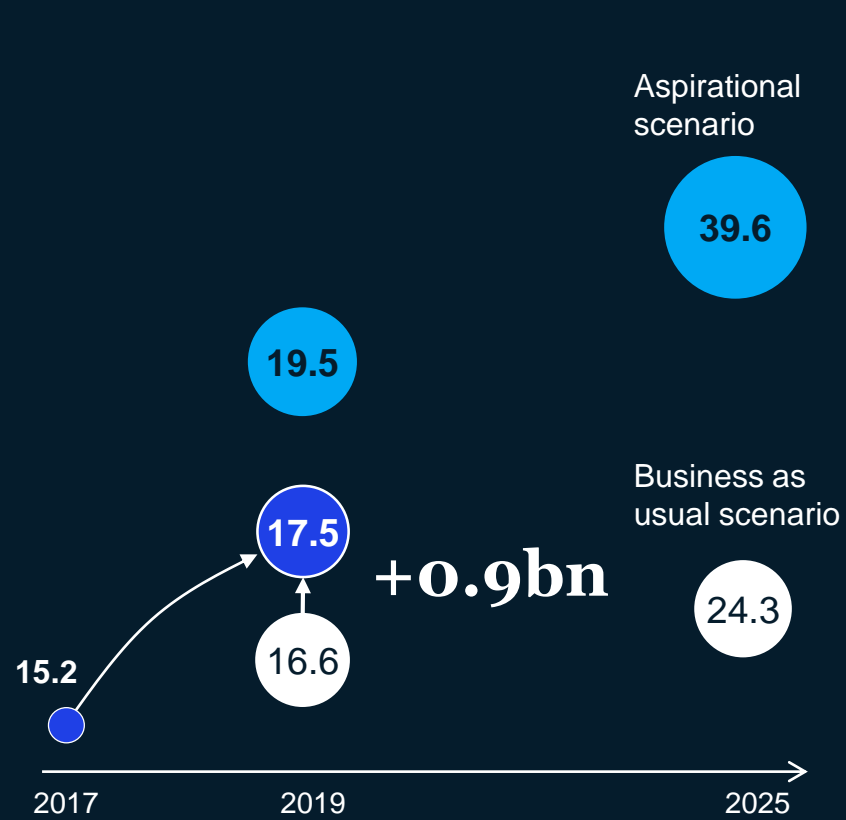
Size of digital economy for Digital Challengers from 2018 report

EUR billion



Size of digital economy for the Czech Republic from 2018 report

EUR billion



Growth of digital economy, 2017-19

Percent

7.8

Digital Challengers

7.1

Czech Republic

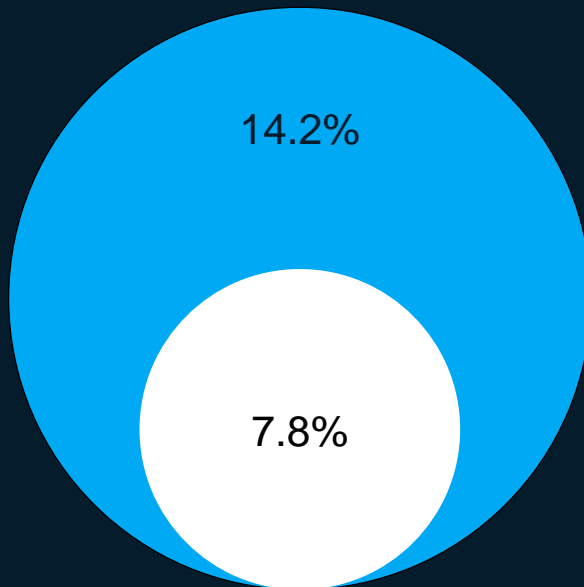
8.3

Digital Frontrunners

In January-May 2020, the growth of digital economy accelerated by a factor of 2x in CEE and 1.2x in the Czech Republic

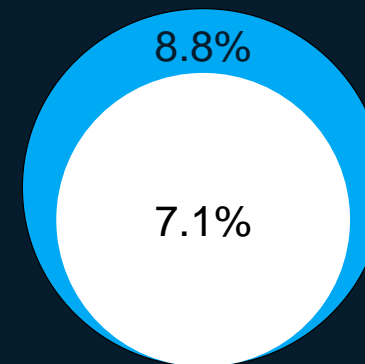
Growth rate of CEE digital economy

~2X
faster growth



Growth rate of Czech digital economy

~1.2X
faster growth



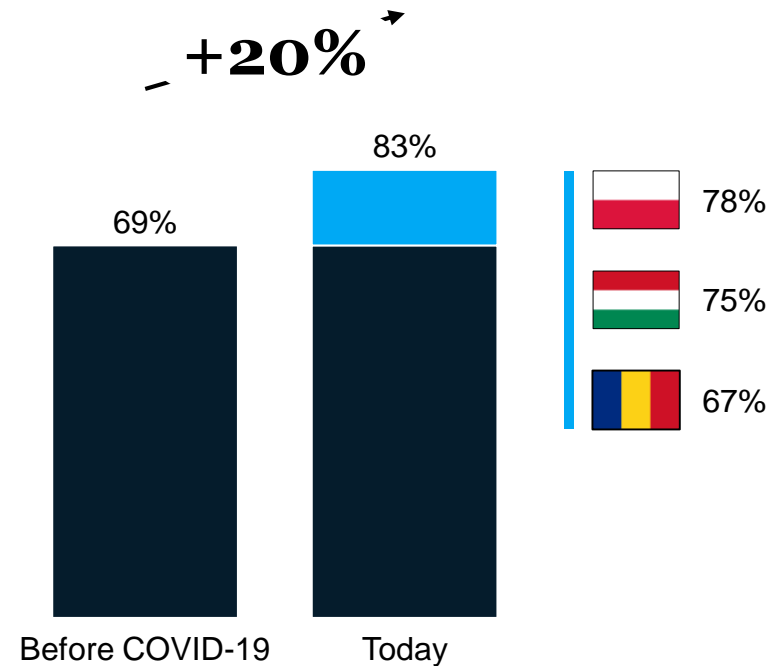
Jan-May 2020
YoY growth

2017-2019
growth (p.a.)

Four out of five people in the Czech Republic are using digital services today, up 20%

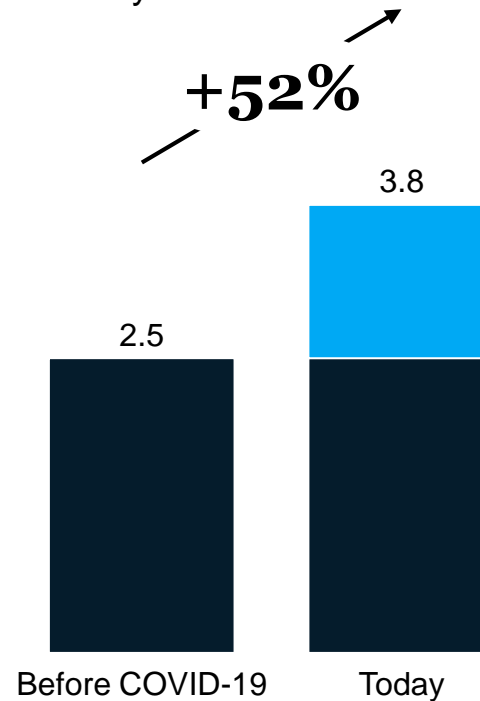
Digital adoption in the Czech Republic

Share of people 18-80 y.o., who accessed at least one digital service



Digital services penetration among digital users in the Czech Republic

Number of sectors accessed digitally of the 10 surveyed¹



1.3m

new online services users in the Czech Republic

12m

new online services users in CEE

40%

increase in the number of 65+ online services users in CEE

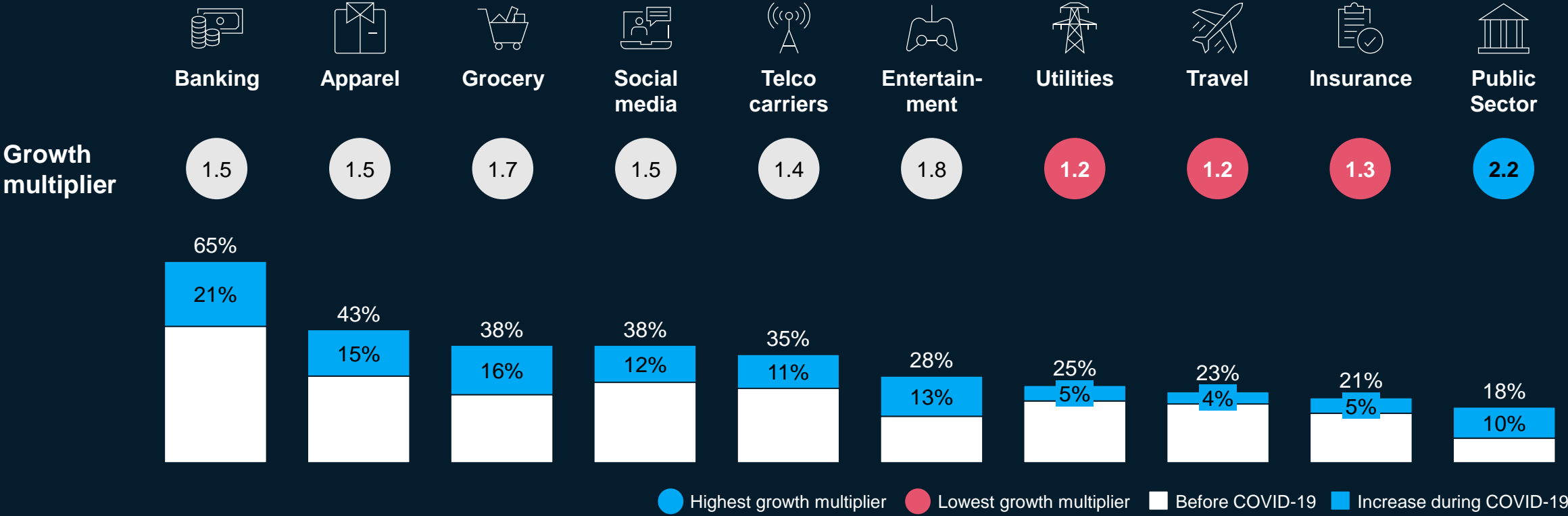
1.Sectors: Banking, Insurance, Grocery, Apparel, Entertainment, Social Media, Travel, Telco carriers, Utilities, Public Sector

Source: McKinsey & Company COVID-19 Digital sentiment insights: survey results for the Czechia, Hungary, Poland, and Romania

Digital adoption grew in all sectors, in the public sector it more than doubled

Digital adoption by sector

Share of users that accessed at least one service from the sector



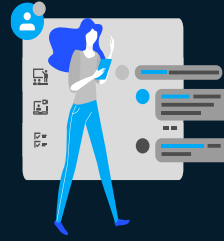
Historical strengths supporting digital growth in CEE are still there, but the Czech Republic risks losing the edge



Macroeconomic performance



Vibrant tech ecosystem



Quality of digital infrastructure



Primary and secondary education



Higher education

CEE

60% to 31% decrease in GDP per capita gap (in PPP) to Digital Frontrunners between 2004 and 2019

EUR 31 billion – estimated value of CEE unicorns

EUR 1.5 billion – total VC investment in Digital Challengers in 2019

92% of populated areas covered by 4G

7 out of 10 Challenger countries scored below average in math, science and reading in 2018 (PISA study)

11 percentage point gap between Challengers and Frontrunners in tertiary education attainment

234k to 216k drop in number of STEM graduates between 2015 and 2019

Czech Republic

Productivity growth (GVA per employee, EUR th.)
2015-17 2017-19

CZ: 2.2% 2.0%

CEE: 2.6% 3.4%

VC per capita (EUR, 2019)

CZ: 5

CEE: 15

Digital Frontrunners: 119

Share of ultra-high speed internet subscription¹

CZ: 18%

CEE 23%

Digital Frontrunners 31%

Czech Republic is the top 3 Digital Challenger country, but is behind most Digital Frontrunners

19 pp gap to Digital Frontrunners in tertiary education

STEM graduates: from 21.8k to 19.9k

People desire to be digital, all actors have to act to accommodate and accelerate digitally-led growth

Summary of 9 key recommendations



Public sector

- 1 Create CEE Digital Council**
Build a harmonized digital business environment in CEE
Induce best-practice sharing
- 2 Grow a digital ecosystem** for businesses
Support digitization of SMEs
Improve early-stage funding availability for startups
Support development of tech clusters
- 3 Accelerate public services digitization**
- 4 Invest in digital talent**
Adjust school curricula
Promote life-long learning (including underprivileged groups)
Leverage positive net migration as a source of talent



Businesses

- 5 Adjust business models**
Accelerate digital adoption
Increase operational efficiency (digital offering and channels, data analytics and AI, improved IT architecture)
- 6 Adopt flexible operating models**
(e.g., agile, remote work)
- 7 Implement reskilling and upskilling**

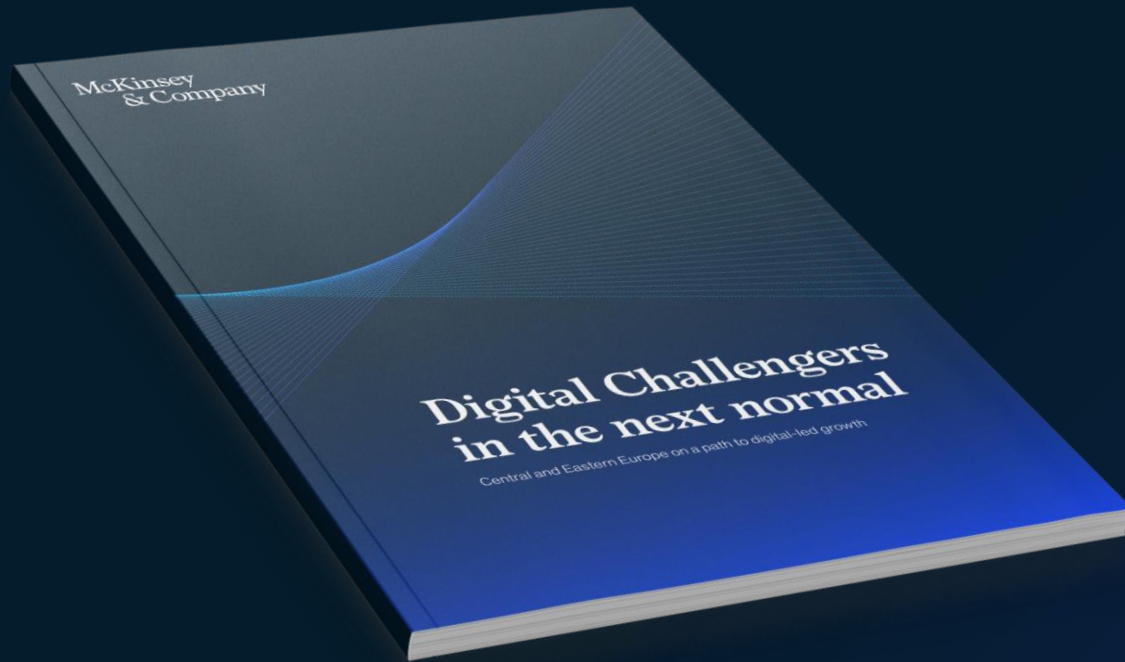


Individuals

- 8 Engage in lifelong learning and invest in digital skills**
- 9 Take advantage of remote work models**

Thank you!

More details in the report



Potential of digitization is significant, but we are not yet fully taking advantage of it

Czech digital economy is surging ahead, but needs to accelerate on fundamentals across the board to keep its edge

COVID-19 significantly increased usage of digital tools and made digitization an imperative

Policymakers, business and individuals have to act now to remain relevant in the next normal