The Contribution made by Beer to the European Economy

Czech Republic - March 2020

Europe Economics

The Brewers of Europe

Czech Republic

1 | Country profile

Table 1: Country profile

	2018
Population	10,610,055
Currency	Koruna
GDP per capita in PPS (2012, EU28 = 100)	91

Source: Eurostat and National Statistical offices.

2 | Highlights Czech Republic

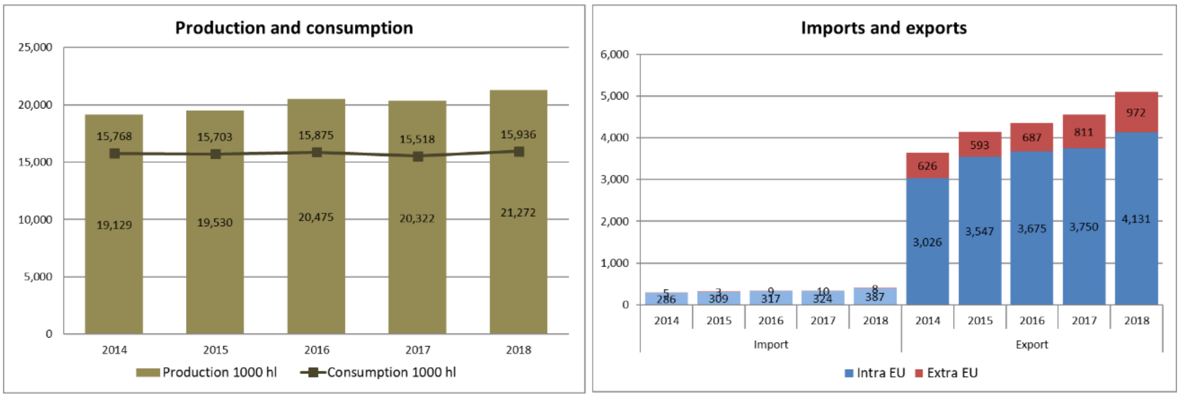
Table 2: Economic impact summary (and % change over the period)

		2015	2016	2017	2018
Total number of jobs	[-10.4%]	78,068	75,298	69,742	69,982
Value-added (mEuro)	[7.1%]	1,443	1,615	1,538	1,546
Government revenues (mEuro)	[8.5%]	936	956	985	1,015

Source: Calculations - different sources.

Total production of beer in the Czech Republic has risen steadily over the period 2014-2018. The increase was such that even Eurostat, the EU's statistics agency, congratulated the Czech Republic's promising production growth to mark International Beer Day 2019.[1] As domestic consumption continues to lag behind production, an increasingly large volume of Czech beer is exported to other European countries.

Figure 1: Evolution of main indicators (2014-2018)



Source: National associations.

[1] European Union (2019) "Eurostat publishes data to mark International Beer Day".

3 | A snapshot of the brewing sector

Total production, at 21 million hectolitres, keeps the Czech Republic in the top ten beer-producing countries in Europe. The total number of breweries has climbed, largely driven by an explosion in the number of microbreweries. These numbered 202 in 2015 but more than doubled to 440 by 2018.

Table 3: Basic characteristics of the beer sector (2015-2018)

	2015	2016	2017	2018
Total production (in hectolitres)	19,530,000	20,475,000	20,322,000	21,272,000
Brewing companies	374	385	437	475
Breweries (including microbreweries)	390	398	450	488
Microbreweries	202	350	402	440

Source: National Associations.

4 | Looking at the beer market

Both total consumption and consumer spending have risen over the period. Czechs top the leaderboard in consumption of beer per capita in Europe, but there are signs that domestic consumption growth may slow as consumers are beginning to each drink less beer. In contrast to other European countries, average prices of beer have changed relatively little over the four-year period. The retail price remains below 90 cents per litre.

Table 4: Basic characteristics of the beer market (2015-2018)

	2015	2016	2017	2018
Total consumption in hectolitres	15,703,000	15,875,000	15,518,000	15,936,000
Total consumer spending (in million Euro)	2,107	2,117	2,216	2,272
Consumption of beer per capita (in litres)	143	143	138	141
Beer consumption hospitality	40%	39%	38%	36%
Beer consumption retail	60%	61%	62%	64%
Consumer price hospitality (€ / litre)*	2.11	2.12	2.33	2.38
Consumer price retail (€ / litre)*	0.83	0.83	0.87	0.89

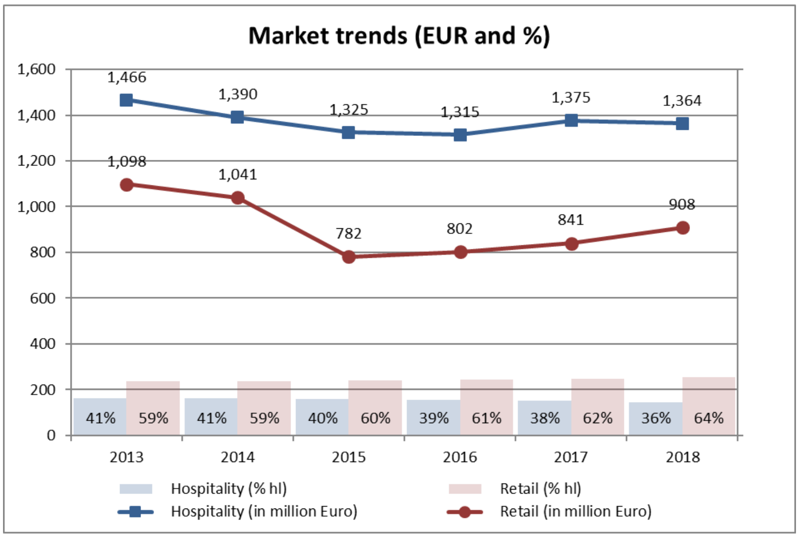
Note: * Prices are averages inclusive of taxes and duties.

Source: National Associations.

5 Trends and developments

The share of domestic consumption occurring in the retail sector is slowly reaching two-thirds of the total. Combined with the slight retail price increases, the value of the retail sector is steadily catching up with that of the hospitality sector.

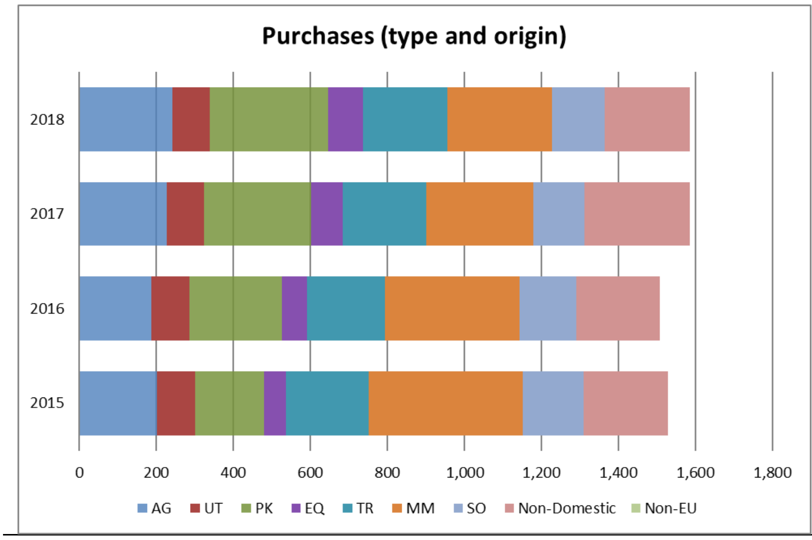
Figure 2: Recent consumption trends (2013-2018)



Source: National Associations.

Czech brewers support a host of sectors in the domestic economy, from agriculture for the hops used in the production of world-famous pilsner, to the media and marketing services to promote it across the globe. Overall, the total amount of purchases increased over time to just below €1,600 million in 2017 and 2018 and the main trends see an increase in the share of packaging and a reduction in the media and marketing expenditure.

Figure 3: Importance up the chain



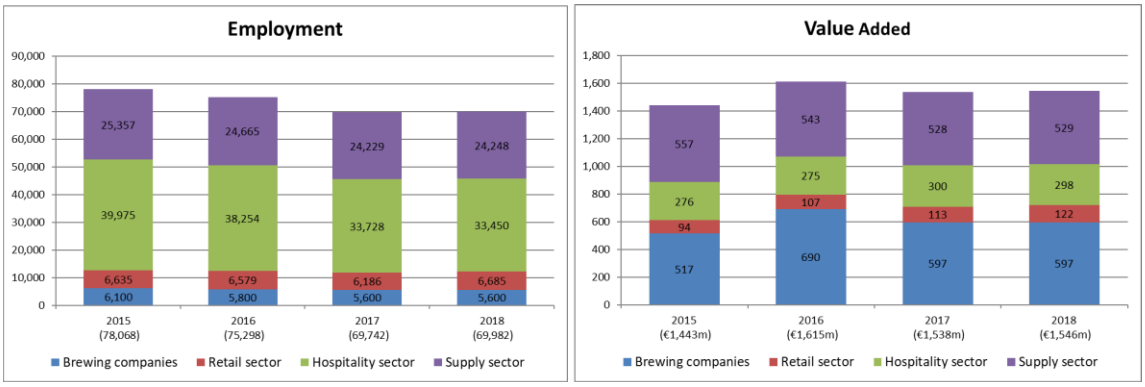
Note: AG – Agriculture; UT – Utilities; PK – Packaging; EQ – Equipment; TR – Transport; MM – Media / marketing; SO – Other services.
Source: Calculations based on data from Eurostat, and the Individual Brewers Questionnaire.

6 | The impacts beyond the sector: related jobs and value added

The slow contraction of the beer hospitality market has meant that total employment related to beer has been falling over recent years.

Value added, on the other hand, remains stable at around €1.5 billion in total, with a €1.6billion peak in 2016. The lion’s share of this value is produced by the brewing companies (just below €600 million in 2018), who can make use of the unique beer (“*pivo*”) production to sustain their value added, and the supply sector (which accounted for more than €500 million in 2018).

Figure 4: Change in employment and value added (2015-2018).



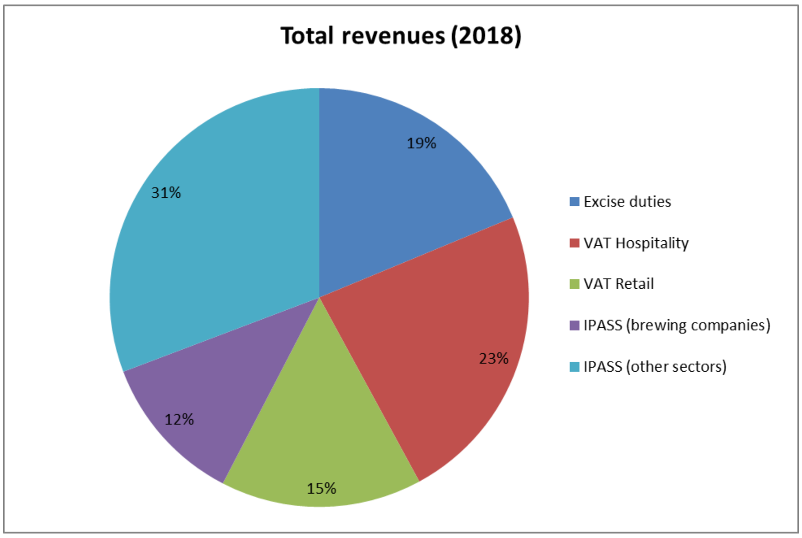
Note: The figures in the employment chart are to be considered as estimates.
Source: Calculations based on data from Eurostat, National Associations, and the Individual Brewers Questionnaire.

The employment in the supply sector can be broken down using the estimates from the responses to the survey to brewers. These imply a job breakdown of: 5,839 jobs in agriculture, 3,803 jobs in packaging, 3,873 jobs in transport, 7,065 jobs in media and marketing (the remaining corresponding to utilities, equipment, other).

7 | Government revenues related to beer

Almost a third of the government revenues from the production and sale of beer is sourced through the IPASS amongst the supply sectors upstream, while excise duties and the VAT from pubs and hotels combined account for more than 40% of the total.

Figure 5: Government revenues generated by beer in 2018



Source: Calculations based on data from Eurostat, and the National Associations.

Total tax receipts from the Czech beer industry climbed to €1,015 million in 2018, from €936million in 2015.

The Czech parliament has recently voted to approve a bill drafted by the country's Ministry of Finance to lower the VAT rate on draft beer from 21% to 10%.[2] This may help to shore-up the value of the hospitality beer market in the coming years.

Table 5: Government revenues, mEuro (2015-2018)

	2015	2016	2017	2018
Excise duties	170	170	172	190
VAT Hospitality	230	228	239	237
VAT Retail	136	139	146	158
IPASS (brewing companies)	105	112	118	118
IPASS (other sectors)	295	306	311	312
Total government revenues	**936**	**956**	**985**	**1,015**

Source: Calculations - different sources.

[2] Jaroslaw Adamowski (2019) "Czech lawmakers vote to cut VAT on draft beer and restaurants".

The Brewers of Europe

Rue Caroly 23 - 25
1050 Brussels - Belgium

T + 32 (0)2 551 18 10

www.brewersofeurope.org
info@brewersofeurope.org

The Brewers of Europe