



# THE ECONOMIC IMPACT OF HUAWEI IN THE CZECH REPUBLIC

NOVEMBER 2020

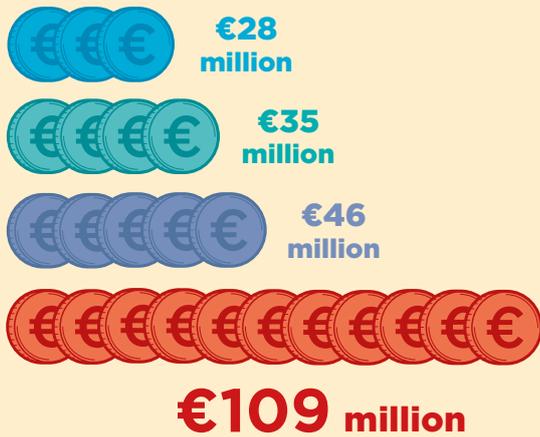
# CZECH REPUBLIC

## HUAWEI'S ECONOMIC IMPACT IN 2019

● Direct ● Indirect  
● Induced ● Total

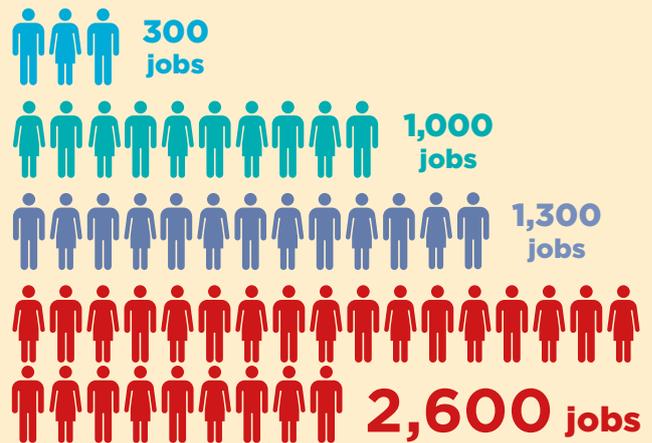
Totals may not sum due to rounding.

### CONTRIBUTION TO GDP



0.05% of Czech Republic's total GDP

### EMPLOYMENT



0.1% of Czech Republic's total employment

### TAX REVENUES



## HUAWEI'S ECONOMIC IMPACT BETWEEN 2015 AND 2019

All figures are annual averages (monetary values in 2019 prices)

### Contribution to GDP:



### Employment:



### Tax revenues:



Real growth in tax revenues 2015-2019:



# THE ECONOMIC IMPACT OF HUAWEI IN THE CZECH REPUBLIC

Huawei expanded operations to the Czech Republic in 2005, and now have six established offices in Brno, České Budějovic, Hradec Králové, Ostrava, Plzeň and Ústí nad Labem, with headquarters located in Prague. Huawei has made a notable contribution to the Czech economy over the last five years, through its local operations and its procurement from Czech-based suppliers.

Huawei commissioned Oxford Economics to investigate and quantify its economic contribution to Europe in 2019. This summary report details the contribution the company made in the Czech Republic.

## HUAWEI'S ECONOMIC CONTRIBUTION

Huawei's contribution to the Czech economy is captured through three channels:

- Huawei's **direct contribution** is generated through its own operations in the Czech Republic, as well as the direct hiring of Czech staff and direct tax payments to the Czech government.
- In conducting its operations, Huawei purchases inputs of goods and services from Czech suppliers. This procurement supports economic activity, jobs and taxation further along its local supply chain. This activity along the supply chain is known as the firm's **indirect contribution**.
- In addition, Huawei and the firms in its supply chain pay their staff wages. These wage payments are spent on goods and services at retail, leisure and other outlets, stimulating additional gross value added (GVA), employment and taxes through Huawei's **induced contribution**.

In 2019, Huawei made a direct GVA contribution to Czech GDP of €27.7 million, up from €26.3 million in 2015. This is equivalent to an average yearly growth of 1.3% over the last five years.<sup>1</sup>

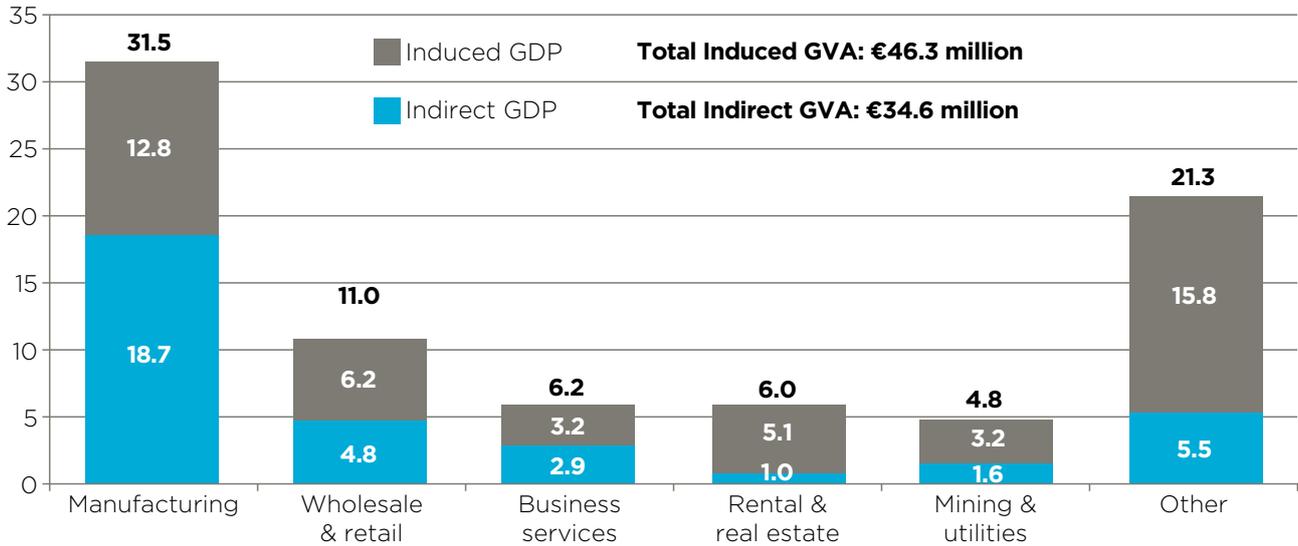
Huawei's procurement stimulated a further €34.6 million in GVA contribution along its Czech supply chain (its indirect impact) in 2019, an increase from €22.0 million in 2015. This represents an annual average growth of 12.0% per year between 2015 and 2019. The majority of this contribution was supported in the manufacturing industry (see Fig. 1), accounting for 54.1% of Huawei's total indirect GVA contribution to Czech GDP.

In 2019, a €46.3 million contribution to Czech GDP was supported through the induced channel—up from €31.8 million in 2015, representing an average annual rise of 9.9%. Over a quarter of this contribution, or €12.8 million, was supported in the manufacturing industry.

<sup>1</sup> All figures throughout this report are presented in 2019 prices and comparisons are measured in real terms.

**Fig. 1: Huawei’s indirect and induced contribution to Czech GDP by industry, 2019**

€ million

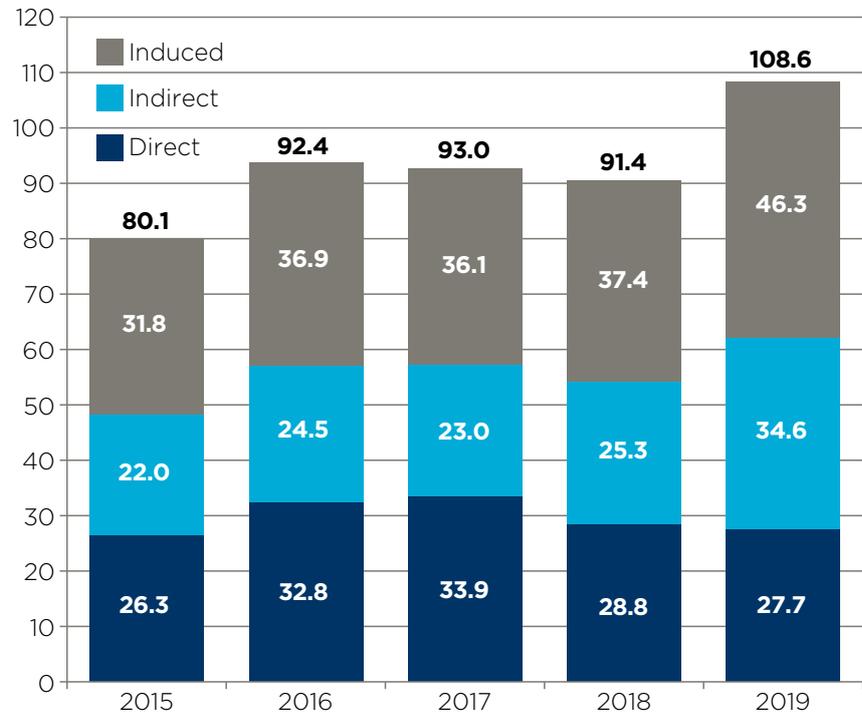


Source: Huawei, Oxford Economics

In total we estimate that Huawei’s operations around Europe supported an overall contribution to Czech GDP of €108.6 million in 2019, accounting for 0.05% of the Czech Republic’s total economy that year (see Fig. 2). The firm’s contribution to the Czech economy has increased considerably in recent years, recording an average annual growth rate of 7.9% between 2015 and 2019.

**Fig. 2: Huawei’s direct, indirect and induced contribution to Czech GDP, 2015-2019**

€ million (2019 prices)



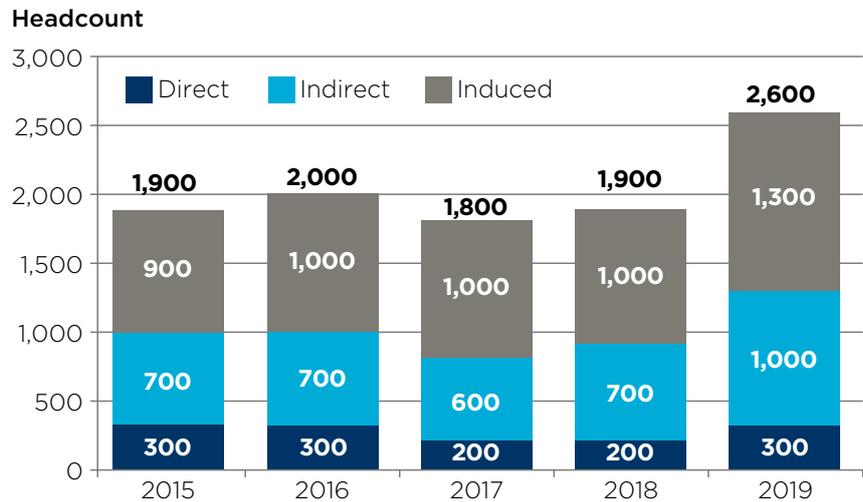
Source: Huawei, Oxford Economics

The economic activity Huawei supported in Czech Republic also sustains employment in the country. In 2019, the company employed 300 workers in the country, around the same as in 2015 (see Fig. 3). Its procurement supported 1,000 jobs through its Czech supply chain, marking an increase of 300 jobs since 2015—this is equivalent to an average annual rise of 9.3%. A further 1,300 jobs were sustained by wage-financed spending in the induced channel in 2019, having risen from 900 jobs in 2015—equivalent to a rise of 9.6% per year on average over the five-year period.

Combined, Huawei supported 2,600 jobs in the Czech Republic in 2019. This was higher than the level of 1,900 jobs reported in 2015 (which corresponds to an 8.2% average annual rise) and equated to 0.05% of the national employment in 2019.

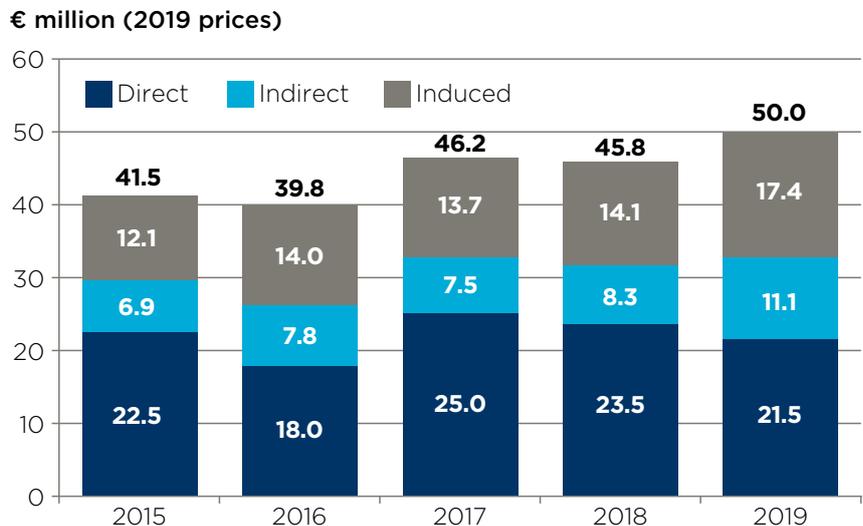
Finally, Huawei makes a notable contribution to public finances in the Czech Republic, through taxes generated in the direct, indirect and induced channels. This supports essential spending on important public services. Huawei and its staff contributed €21.5 million to Czech tax receipts in 2019, down slightly from €22.5 million in 2015—see Fig. 4. Huawei’s procurement from Czech suppliers stimulated a further €11.1 million in tax receipts in the indirect channel. Compared to the €6.9 million in 2015 this represented an average annual

**Fig. 3: Huawei’s contribution to employment in the Czech Republic, 2015-2019**



Source: Huawei, Oxford Economics

**Fig. 4: Huawei’s contribution to Czech Republic tax receipts, 2015-2019**



Source: Huawei, Oxford Economics

rise of 12.4%. An additional contribution to taxation of €17.4 million was supported in 2019 via the induced channel. This compares to €12.1 million through the same channel in 2015, a average annual rise of 9.4% over the five-year period. In total, Huawei supported

€50.0 million in tax receipts in the Czech Republic in 2019—equivalent to an average annual increase of 4.7% since 2015. The total taxation of €50.0 million supported by Huawei in 2019 is roughly equal to the average salaries for 2,100 teachers.<sup>2</sup>

<sup>2</sup> Using OECD data. Based on an annual salary of €23,605 in 2019 for lower secondary teachers.

## HUAWEI'S WIDER CONTRIBUTION

Outside of these expenditure impacts, Huawei plays an important role in R&D investment across the globe. In 2018, they were the fifth largest corporate investor in R&D in the world, making a global investment of €12.7 billion. Its role is particularly important in Europe, where it made the most patent applications to the European Patent Office in 2019.

Huawei also has a strong presence in the Czech Republic's education sector. The company extended the 'Seeds for the Future' programme to the country in 2016. More recently, in 2019, Huawei launched the 'One Thousand Dreams' programme. The initiative aims to improve the ICT education for young individuals and provide care for children in Central and Eastern Europe (across 16 CEE countries including Czech Republic). In addition, the programme aims to donate 1,000 books to university libraries and 1,000 toys to children's hospitals across the CEE region over the next five years.<sup>3</sup> In turn these initiatives will help the Czech Republic to build skills and knowledge for the future.

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<sup>3</sup> Huawei. (2019). *Huawei Launches the One Thousand Dreams Program to Improve ICT Education for the Youth and Provide Care for Children in Central and Eastern Europe*. Link: <https://www.huawei.com/en/news/2019/4/huawei-ict-one-thousand-dreams-program-europe> [Accessed: 14 October 2020]

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