

CZECH REPUBLIC



World Rank: **24**

Regional Rank: **13**

Economic Freedom Score



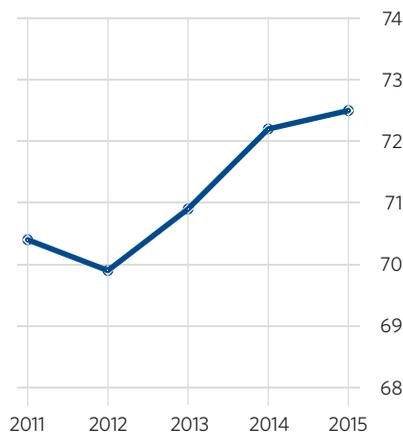
The Czech Republic's economic freedom score is 72.5, making its economy the 24th freest in the 2015 *Index*. Its overall score is 0.3 point better than last year, with declines in the management of public spending, business freedom, and labor freedom outweighed by improvements in the area of the rule of law as measured by property rights and freedom from corruption. The Czech Republic is ranked 13th out of 43 countries in the Europe region, and its overall score is higher than the regional and global averages.

Over the past five years, the Czech Republic's transition to a market economy has been facilitated by a strong commitment to economic freedom. Since 2011, its economic freedom score has improved by 2.1 points, reinforcing the country's position in the "mostly free" category. Score improvements in six of the 10 economic freedoms have been led by double-digit improvements in investment freedom and property rights.

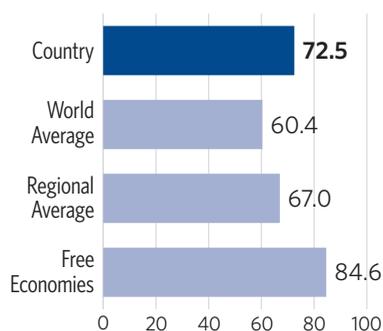
With a vibrant automotive production base, the Czech Republic has established itself as an open and dynamic market economy, a sharp reversal after decades of Communism. However, further efforts to institutionalize the independence of the judiciary and stamp out corruption remain critical.

BACKGROUND: The end of Czechoslovakia's Communist dictatorship in 1989 led to the election of dissident playwright Vaclav Havel as president. The Czech Republic separated from Slovakia in 1993 and joined NATO in 1999 and the European Union in 2004. Prospects for adoption of the euro are uncertain because of the EU economic crisis, but the government appears to be moving toward closer alignment with the eurozone. The first directly elected president, Miloš Zeman, appointed a caretaker government in August 2013, and legislative elections followed in October. In January 2014, Zeman asked Social Democrat leader Bohuslav Sobotka to form a government. The Czech Republic is an export economy, but foreign trade decreased in 2013.

Freedom Trend



Country Comparisons



Quick Facts

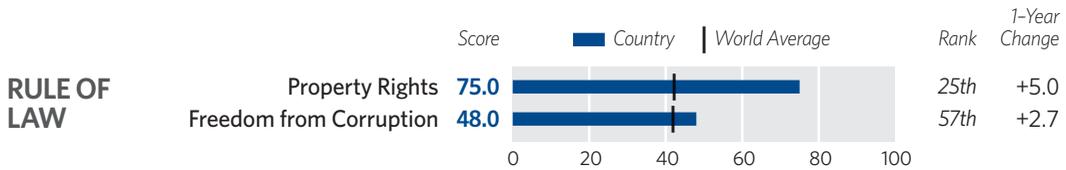
Population: 10.5 million
GDP (PPP): \$286.0 billion
 -0.9% growth in 2013
 5-year compound annual growth -0.5%
 \$27,200 per capita
Unemployment: 7.0%
Inflation (CPI): 1.4%
FDI Inflow: \$5.0 billion
Public Debt: 47.9% of GDP

How Do We Measure Economic Freedom?

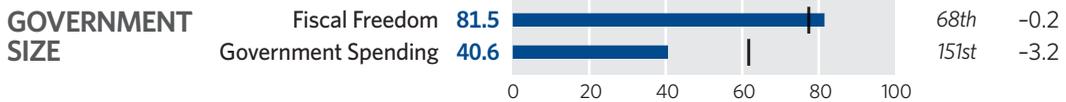
See page 475 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

2013 data unless otherwise noted.
 Data compiled as of September 2014.

THE TEN ECONOMIC FREEDOMS



An abuse-of-power scandal toppled the government in 2013 and propelled the rise of the “ANO 2011” anti-corruption party. The new government’s anti-graft program applies to all governmental departments and offices. The judiciary’s independence is largely respected, though its complexity and multilayered composition lead to the slow delivery of judgments. Property rights are relatively well protected, and contracts are generally secure.



The top individual income tax rate is 15 percent, and the top corporate tax rate is 19 percent. Other taxes include a value-added tax and an inheritance tax. The overall tax burden is equal to 35.5 percent of the domestic economy. Government spending equals 44.5 percent of domestic income, and public debt is equivalent to 48 percent of gross domestic product.



With minimum capital required, starting a company involves nine bureaucratic procedures. Obtaining necessary permits still takes over 100 days. Hiring and dismissal regulations are not onerous, but the non-salary cost of employing a worker can be burdensome. Although a number of price controls are maintained, the government has taken steps to reduce subsidies for state pensions and green energy.



EU members have a 1.0 percent average tariff rate. Although some non-tariff barriers exist, the EU is relatively open to external trade. The Czech financial system is relatively well developed and open to competition. Foreign banks dominate the banking sector, and direct government involvement is minimal. Capital markets are not fully developed.

Long-Term Score Change (since 1995)

RULE OF LAW		GOVERNMENT SIZE		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	+5.0	Fiscal Freedom	+34.8	Business Freedom	-31.8	Trade Freedom	+12.0
Freedom from Corruption	-2.0	Government Spending	+2.4	Labor Freedom	+25.2	Investment Freedom	+10.0
				Monetary Freedom	+12.0	Financial Freedom	-10.0