

CZECH REPUBLIC



WORLD RANK: **23** | REGIONAL RANK: **13**

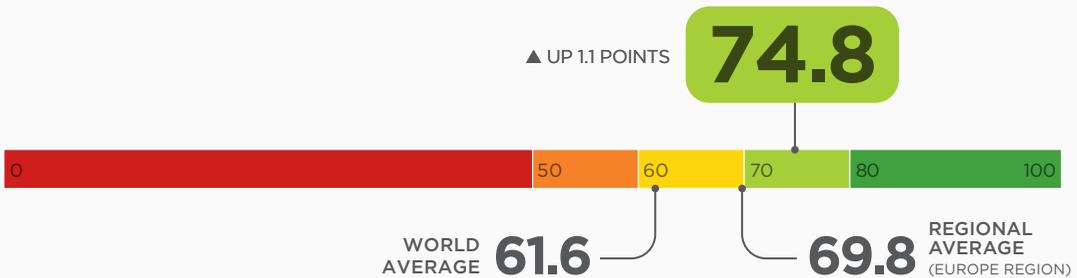
ECONOMIC FREEDOM STATUS: **MOSTLY FREE**

The Czech Republic's economic freedom score is 74.8, making its economy the 23rd freest in the 2020 *Index*. Its overall score has increased by 1.1 points due to an improvement in the score for **government integrity**. The Czech Republic is ranked 13th among 45 countries in the Europe region, and its overall score is well above the regional and world averages.

The Czech economy has made steady advancements in the mostly free category since 2013, and these advancements have been matched by a healthy rate of average GDP growth over the past five years.

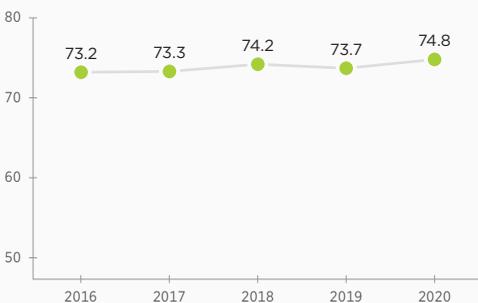
The further expansion of economic freedom in the Czech Republic will require concentrated reforms to improve the complex and sometimes slow judicial system and continued efforts to ensure efficient spending and the integrity of government. Achieving additional reforms in these areas would make the country an even more desirable destination for foreign direct investment.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +7.0

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.6 million

GDP (PPP):
\$395.9 billion
2.9% growth in 2018
5-year compound annual growth 3.5%
\$37,371 per capita

UNEMPLOYMENT:
2.4%

INFLATION (CPI):
2.2%

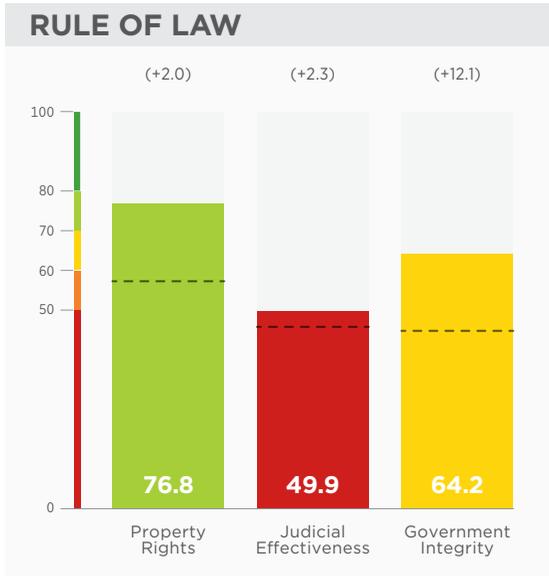
FDI INFLOW:
\$9.5 billion

PUBLIC DEBT:
33.0% of GDP

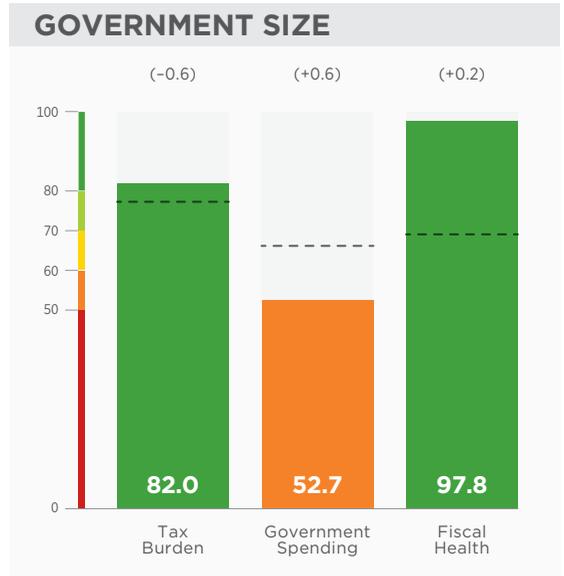
2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: The “Velvet Revolution” ended Czechoslovakia’s Communist dictatorship in 1989, and the Czech Republic became independent from Slovakia in 1993. President Miloš Zeman of the center-left Czech Social Democrat Party won a second term in 2018. Prime Minister Andrej Babis of the populist ANO movement, a billionaire former finance minister, formed a fragile minority coalition government in 2018 with the Social Democrats but relies on the support of the Communist Party. Babis survived a no-confidence vote and frequent protests in 2019; ANO remains popular despite an ongoing fraud investigation. The Czech Republic’s prosperous market economy, led by automobile exports, boasts one of the European Union’s highest GDP growth rates, one of its lowest unemployment levels, and a rising standard of living.

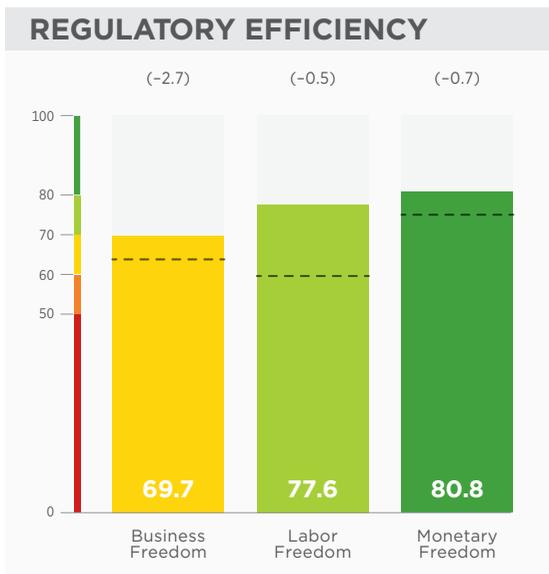
12 ECONOMIC FREEDOMS | CZECH REPUBLIC



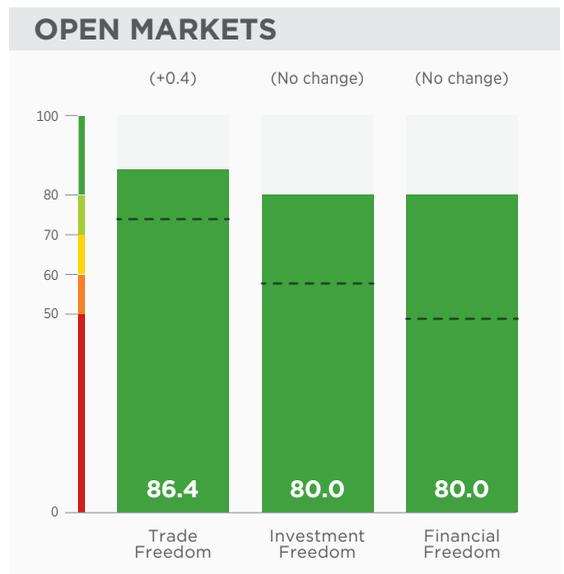
Almost all land in the Czech Republic has clear title. Property rights are relatively well protected, and contracts are generally secure. The independence of the judiciary is largely respected, although its complexity and multilayered composition have led to slow delivery of judgments. Corruption remains a problem in Czech politics, but institutions have generally been responsive to corruption allegations and scandals.



The individual income tax rate is a flat 15 percent, and the standard corporate tax rate is 19 percent. Other taxes include value-added and inheritance taxes. The overall tax burden equals 34.9 percent of total domestic income. Government spending has amounted to 39.7 percent of the country's output (GDP) over the past three years, and budget surpluses have averaged 1.2 percent of GDP. Public debt is equivalent to 33.0 percent of GDP.



Government transparency is increasing steadily, and high scores for trading across borders and getting electricity lead the country's World Bank 2019 Doing Business Survey results. Demand for highly skilled technical workers exceeds supply. The national unemployment rate is low but varies by region. Czech wages trail wages in such neighbors as Germany and Austria. The Finance Ministry administers a variety of prices for food, fuel, pharmaceuticals, water, and sewage treatment.



The total value of exports and imports of goods and services equals 151.5 percent of GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. The Czech Republic has an additional 80 country-specific nontariff barriers. The investment framework generally facilitates new business activities. The resilient banking sector offers a wide range of financial products.