

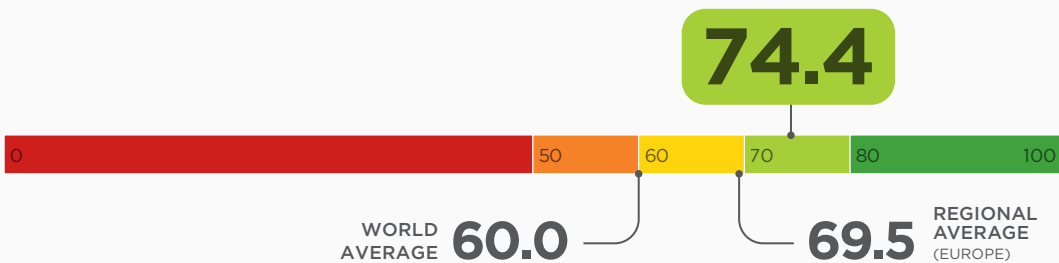
CZECH REPUBLIC

The Czech Republic's economic freedom score is 74.4, making its economy the 21st freest in the 2022 *Index*. The Czech Republic is ranked 14th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

The Czech Republic's economic growth has slowed over the past five years, turning negative in 2020 but growing again in 2021. A five-year trend of gradually expanding economic freedom has continued. Led by score increases in rule of law, the Czech Republic has recorded a 1.1-point overall gain of economic freedom since 2017 and has climbed higher among the "Mostly Free" countries. Fiscal health and **business freedom** are strong, but **government spending** is excessive.

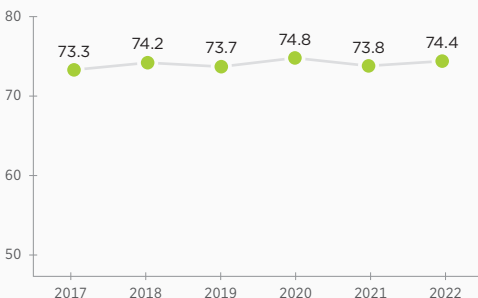
IMPACT OF COVID-19: As of December 1, 2021, 33,186 deaths had been attributed to the pandemic in the Czech Republic, and the government's response to the crisis ranked 122nd among the countries included in this *Index* in terms of its stringency. The economy contracted by 5.6 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.6

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
10.7 million

GDP (PPP):
\$434.4 billion
-5.6% growth in 2020
5-year compound annual growth 1.5%
\$40,618 per capita

UNEMPLOYMENT:
2.9%

INFLATION (CPI):
3.2%

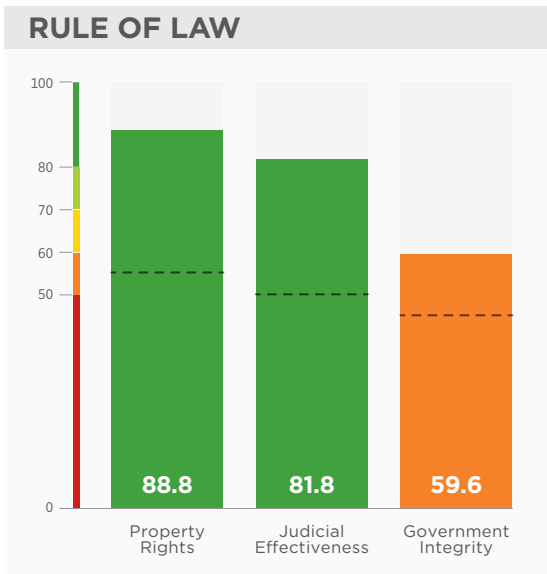
FDI INFLOW:
\$6.3 billion

PUBLIC DEBT:
37.6% of GDP

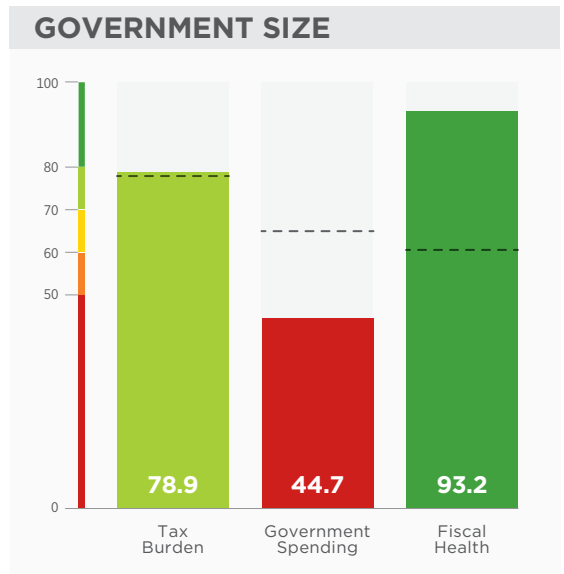
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: The so-called 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, but health concerns have led to questions about his continued fitness for office. October elections saw the populist ANO movement of Prime Minister Andrej Babis lose seats and its coalition partners fail to enter parliament. A coalition of opposition center-right political parties signed a power-sharing agreement in November to form a new government. The automotive industry, which accounts for 25 percent of the country's exports, has helped to power recent economic growth. Ties with China have cooled demonstrably after a series of disputes.

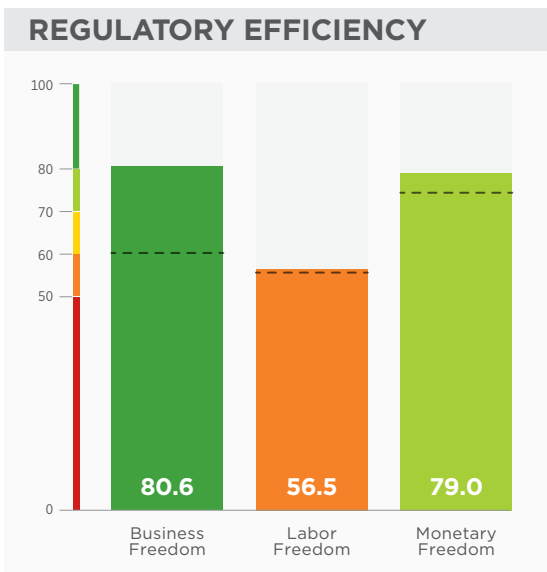
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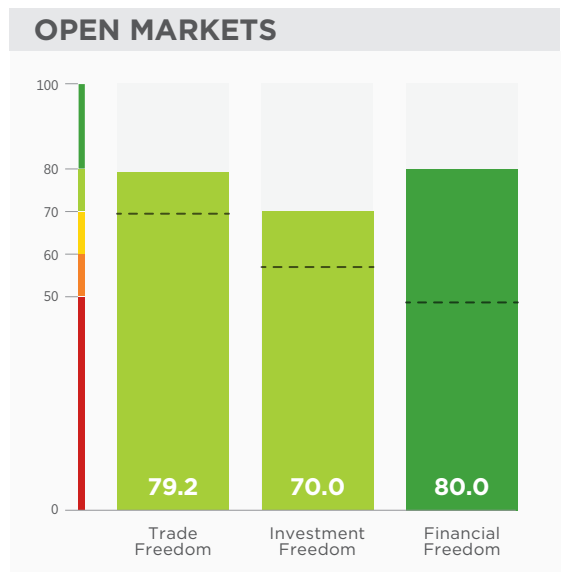
Property rights are relatively well protected, and contracts are generally secure. Almost all land in the Czech Republic has clear title. The judiciary's independence is largely respected, although its complexity has led to slow delivery of judgments. The risk of corruption, patronage, and nepotism in the public procurement sector and public administration is regarded as especially problematic.



The top individual income tax rate has been raised to 23 percent, and the top corporate tax rate is 19 percent. The overall tax burden equals 34.9 percent of total domestic income. Government spending has amounted to 42.9 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.6 percent of GDP. Public debt is equivalent to 37.6 percent of GDP.



A digital services tax bill that would tax services provided through a digital interface is working its way through the legislative process and threatens business freedom. Freelancer visas for foreigners working remotely and digitally are available, but qualifying for them is somewhat difficult. The European Union funded 59 percent of the Czech Republic's subsidies for the 2014 to 2020 programming period.



As a member of the EU, the Czech Republic has 46 preferential trade agreements in force. The trade-weighted average tariff rate (common among EU members) is 2.9 percent with 640 EU-mandated nontariff measures in force. The Czech Republic has an additional 83 country-specific nontariff barriers. The investment framework generally facilitates new business activities. The resilient banking sector offers a wide range of financial products.