

# Coronavirus response in 2021: building back better

## Update on the Czech Republic (06 December 2021)



### Covid-19 policy response

- **The government's policy response continued in 2021.** The government adopted additional financial measures, including sector support, compensation for the self-employed, the reinstatement of a layoff prevention scheme and a sick-leave bonus for people in mandatory quarantine.
- **The European Commission disbursed €915 million in pre-financing** (13 per cent of the financial allocation) to start implementing investment and reform measures from the national plan. The total national Recovery and Resilience Facility (RRF) allocation comprises €7 billion in grants.
- **The new government intends to revise support measures in 2022.** The 2022 budget bill will be revised and adopted by the new government early in 2022 and adjustments to wages in the public sector or other types of remuneration will not take effect until then.

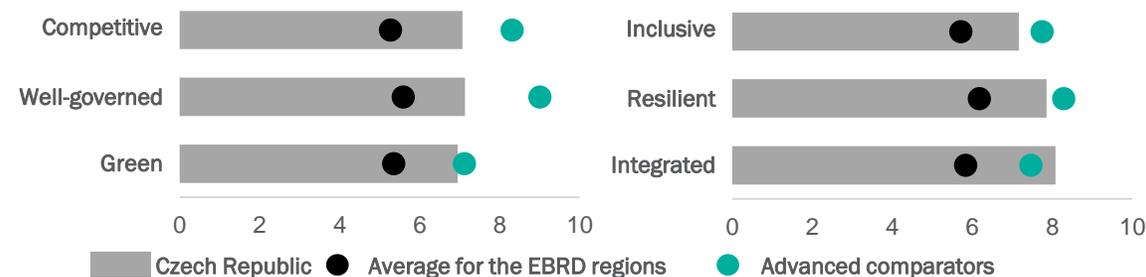
### Macroeconomic indicators (per cent)

	2018	2019	2020	
GDP growth	3.2	3.0	-5.8	<b>Short-term indicators</b> <b>EBRD GDP growth forecast (Nov 2021)</b> <b>2021: 3.4%; 2022: 4.6%</b> Quarterly GDP growth: 2.8% y/y (Q3 2021) Economic sentiment: 91.6 (November 2021) Industrial production: -3.3% m/m, -4.1% y/y (September 2021) PX Prague stock market: 1,357.2 (November 2021, up 2.3% m/m) Annual inflation: 6.8% (October 2021)
Annual inflation (year end)	1.6	3.2	2.4	
Government balance/GDP	0.9	0.3	-5.6	
Current-account balance/GDP	0.4	0.3	3.6	
Net FDI/GDP	-0.9	-2.4	-1.3	
Public debt/GDP (year end)	32.1	30.0	37.7	
Unemployment rate (year end)	2.3	1.9	3.1	

### Key short-term priorities

- The green transition requires concrete steps in the direction of renewable energy and reducing the share of the coal industry.
- The productivity and innovation capacities of the small and medium-sized enterprise (SME) sector should be addressed.
- The government should step up investments in modernising infrastructure, promoting interconnection and developing transport networks.

### EBRD assessment of transition qualities (ATQs), 2021<sup>1</sup>



### Building back better: key ongoing initiatives

#### Competitive

A new strategy to support SMEs includes 107 measures to promote the efficient development of SMEs, easier access to finance and the market, and a broad digitalisation effort.

#### Well-governed

Under the new Building Act, various building authorities will come under state control, shortening the time it takes to obtain building permits and promote digitalisation.

#### Green

The RRF plan covers the energy efficiency of buildings, modernising district heating, expanding waste recycling and developing e-mobility infrastructure.

#### Resilient

An amendment to the Act on the Czech National Bank (CNB) allowed the CNB to temporarily execute open-market operations with all participants in the financial market.

#### Digital

Almost €1 billion of the €7 billion RRF plan will be directed to digitalisation, especially in education and the public administration.

To learn more about the EBRD's support for Czech Republic, visit: <https://www.ebrd.com/czech-republic.html>.

<sup>1</sup> For more details on ATQs, see EBRD (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.