

Coronavirus response in 2021: building back better

Update on the Czech Republic (23 June 2021)



Covid-19 policy response

- **A strong policy response in 2020** amounted to around 5.4% of GDP of outright support to employment, self-employed and specific sectors and 15% of GDP in guarantees. A sum of 1.2% of GDP was spent on the health sector as the country was severely affected by the pandemic.
- **Main measures have been extended in 2021.** The three wage subsidy schemes have been extended until end-May or June 2021. The guarantee fund was also extended until end-2021.
- **The Czech Republic submitted a €7.1 billion plan to the European Commission in June 2021 for use of the Recovery and Resilience Facility (RRF),** targeting green and digital projects, and physical infrastructure, administration and health. Around €21 billion has been earmarked for the Czech Republic in the next European Union (EU) budget, including the EU recovery instrument.

Macroeconomic indicators (%)

| | 2018 | 2019 | 2020 | |
|------------------------------|------|------|------|--|
| GDP growth | 3.2 | 2.3 | -5.6 | Short-term indicators EBRD GDP growth forecast (June 2021) 2021: 4%; 2022: 3.8% Quarterly GDP growth: -2.1% y/y (Q1 2021) Economic sentiment: 99.4 (May 2021) Industrial production: 1.8% m/m, 55.2% y/y (April 2021) Prague Stock Exchange (PX): 1,163.14 (24 June 2021), down 0.4% m/m Annual inflation: 2.7% (May 2021) |
| Annual inflation (end-year) | 1.6 | 3.2 | 2.4 | |
| Government balance/GDP | 0.9 | 0.3 | -6.2 | |
| Current account balance/GDP | 0.4 | 0.3 | 3.6 | |
| Net FDI/GDP | -3.3 | -2.4 | -1.3 | |
| Public debt/GDP (end-year) | 32.1 | 30.3 | 38.1 | |
| Unemployment rate (end-year) | 2.2 | 2.0 | 3.0 | |

EBRD assessment of transition qualities (ATQs), 2020¹



Building back better: key ongoing initiatives

Competitive

The RRF plan includes support for start-ups and new quasi-equity investments to support entrepreneurs. Additional public R&D support will be dedicated to RIS3-related firm innovation, and in transport, environment, medical and social sciences.

Well-governed

The current RRF plan aims to improve the anti-corruption framework through judicial reform and improving the whistleblower framework and corruption-related data.

Green

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

Inclusive

Education and social care infrastructure will be enhanced in the coming years.

Resilient

Programmes are under way to increase the public administration's efficiency, together with enhancing the public investment framework and capacities.

Integrated

The authorities will focus extensively on the electrification of the railway network.

Digital

The RRF plan extensively covers e-governance, e-health, and digital transformation platforms and hubs for the private sector. The plan also envisages the digitisation of the building permits process. Education reform and employment policy will extend the focus on developing digital skills.

Key short-term priorities

- Continue strong, targeted fiscal support for companies and households in distress because of the pandemic.
- Gradually stabilise monetary and fiscal policy.
- Ensure institutional capacity and sound project management practices to implement the RRF.

To learn more about the EBRD's support for the Czech Republic, visit: https://www.ebrd.com/czech_republic.html.

¹ For more details on ATQs, see EBRD (2020), [Transition Report 2020-21: The State Strikes Back](#), London.