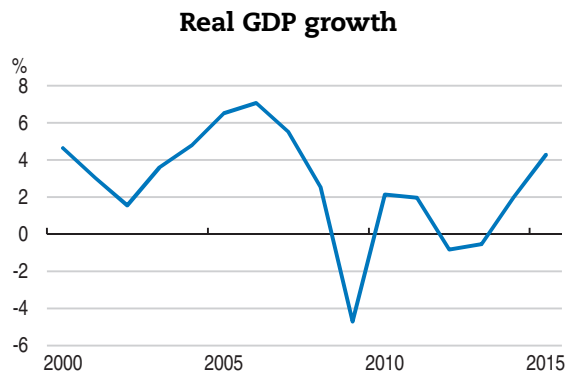


2016 Economic Survey of the Czech Republic

Growth has picked up temporarily



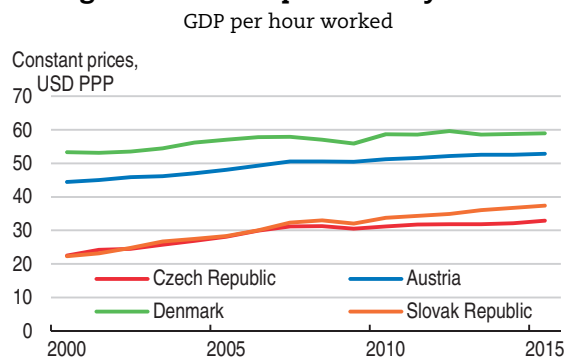
Source: OECD Economic Outlook database.

StatLink <http://dx.doi.org/10.1787/888933364854>

Growth picked up strongly in 2015 thanks to a combination of temporary effects, mostly absorption of expiring EU funds and low commodity prices, but the recovery since the global crisis has been uneven, mainly because of volatile investment. Monetary policy continues to provide economic support, and the unconventional exchange rate floor appears to have achieved its purpose. Indeed, inflation is projected to return to the target of 2% in the course of 2017, mainly driven by wage increases thanks to a strong labour market. The fiscal position is good but ageing-related spending will increase, calling for long-lasting reforms, in particular of the pension system. The Czech Republic scores well on indicators of inequality and rates of poverty are very low, although important gender equity issues need continued attention.

Strengthening innovation policies and market regulations to bolster productivity

Convergence in labour productivity has stalled



Source: OECD Productivity database; OECD calculations.

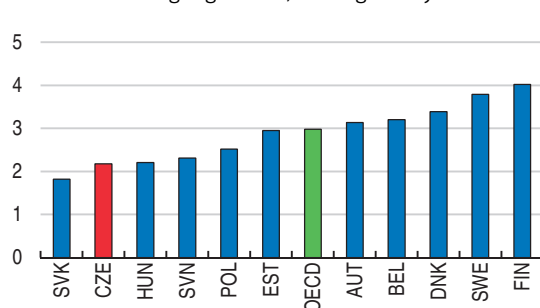
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Convergence of incomes and living standards towards the OECD average has stalled since the crisis, reflecting weak productivity growth. With the largest gains from foreign investment and the opening of the economy having been realised, productivity growth needs to stem from more competitive domestic markets, greater mobility and stronger management capacity. The expansion of successful firms and the exit of unproductive ones appear to be hindered by low mobility and cumbersome bankruptcy rules. Access to finance is reported to be difficult for SMEs. Better targeting of government R&D support and more focused innovation policies will lift Czech firms' competitiveness and productivity.

Improving the effectiveness of the public sector

Public administration performance indicator

Covering regulation, wastage and justice



Source: Dutu and Sicari (2016).

StatLink <http://dx.doi.org/10.1787/888933364876>

Spending on public administration is relatively low and so are indicators of its performance. Insufficient monitoring and transparency resulted in inefficient public procurement and investment. More co-ordination and oversight, better planning and evaluation, and greater focus on measuring and publishing outcomes and results will raise the effectiveness of public spending. The high share of small municipalities makes provision of high quality public services difficult. Benchmarking of service providers should become standard and joint provision of services should be increased.