CZECH REPUBLIC

What’s happening in this economy

Stable and relatively prosperous, the Czech Republic is an important market in Central Europe. GDP per capita is among the highest in the region. GDP growth has been steady at over 2.5 per cent over the last three years, and is forecast to continue at similar levels over the next three years. The Czech Republic has been allocated EUR 24.2 billion in EU structural funds over the period 2014–2020, which will shore up its investment in infrastructure and community services.

The country has experienced a rapid transformation to a market-based economy since the fall of communism in 1989. The private sector accounts for around 80 per cent of GDP.

Strategically located as a gateway from Germany into Central and Eastern Europe, the Czech Republic has benefitted from a high level of foreign investment, particularly in advanced manufacturing. The Czech automotive industry represents one of the most developed automotive markets in the region. The country’s high-level technical know-how has been shared over centuries and continues to deliver world-class products and services.

The Czech Republic has the lowest unemployment rate in the EU at 2.0 per cent in August 2019. This is attracting people to work from Central and Eastern Europe, but also from Western European countries. Population growth is very low however, with low birth rates and levels of inward migration and considerable outflows of migrants to other EU countries.

Business conditions are good, with the Czech Republic ranked in the top 35 of the World Bank’s Ease of Doing Business Index. The Czech Republic is also in the top 40 of Transparency International’s Corruption Perception Index. The Czech Republic benefits from a highly qualified and competitively priced labour force. English language skills are widespread, particularly among younger people.

Trade, investment, and commercial opportunities and activities

- Two-way trade (goods and services) between Australia and the Czech Republic in 2018 was over AUD 1 billion:
  - merchandise exports from Australia to the Czech Republic over this period totalled AUD 184 million, with wool by far the largest category, and
  - Czech merchandise exports to Australia in 2018 totalled AUD 713 million, with passenger motor vehicles the largest category.
- In 2018 Australian investment stock in the Czech Republic was estimated to be AUD 252 million, while Czech investment in Australia was AUD 636 million.

Key facts and figures

- Population: 10.6 million (2018)
- GDP growth: 2.9% (2018)
- Political system: parliamentary democracy
- Total merchandise trade (exports + imports): 898 AUD million (2018)
• Geopolitical tensions are creating opportunities in defence and in supplying equipment to meet the Czech Republic’s modernisation needs.

• Economic growth, rising wages and consumer purchasing power are creating opportunities in:
  – wine, with growth expanding at each price point
  – education, including through student recruitment and collaboration between institutions, and
  – biotech, e-health, education and training.

• The Czech Republic’s position as a manufacturing hub and need for infrastructure are creating opportunities in advanced manufacturing:
  – significant EU structural funds are being invested in transport projects
  – there are niche opportunities to provide services and technical solutions, and
  – there may be opportunities to supply into the significant Czech automotive market.

• The Czech Republic stages a large number of trade events each year across a range of sectors:
  – there are niche commercial opportunities for Australian companies to take advantage of.

• There are opportunities in central Europe for most products and services:
  – central European markets are complex and require in-depth analysis to understand and define opportunities and business models
  – like business in most markets, including Australia, it takes time to finalise commercial transactions. Be persistent, visit often and be ready to adjust to changing circumstances
  – success will depend on exporters’ willingness to commit resources as a local presence is often required
  – make the most of the available resources, including Austrade, to understand the market before making any commitments, and
  – if you’re visiting Europe for meetings or an event, contact Austrade’s Central European team in Warsaw or Prague for advice.
Trade policy and negotiations

The Czech Republic is a member of the European Union, which has a wide range of preferential trade agreements. Australia is currently negotiating a free trade agreement with the European Union, and progress has already been made towards opening new opportunities for Australian businesses.

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