



TOWARDS MORE SUSTAINABLE AND INCLUSIVE GROWTH

2018 OECD ECONOMIC SURVEY OF THE CZECH REPUBLIC
&
ENVIRONMENTAL PERFORMANCE REVIEW 2018

Prague, July 16th 2018

<http://www.oecd.org/eco/surveys/economic-survey-czech-republic.htm>



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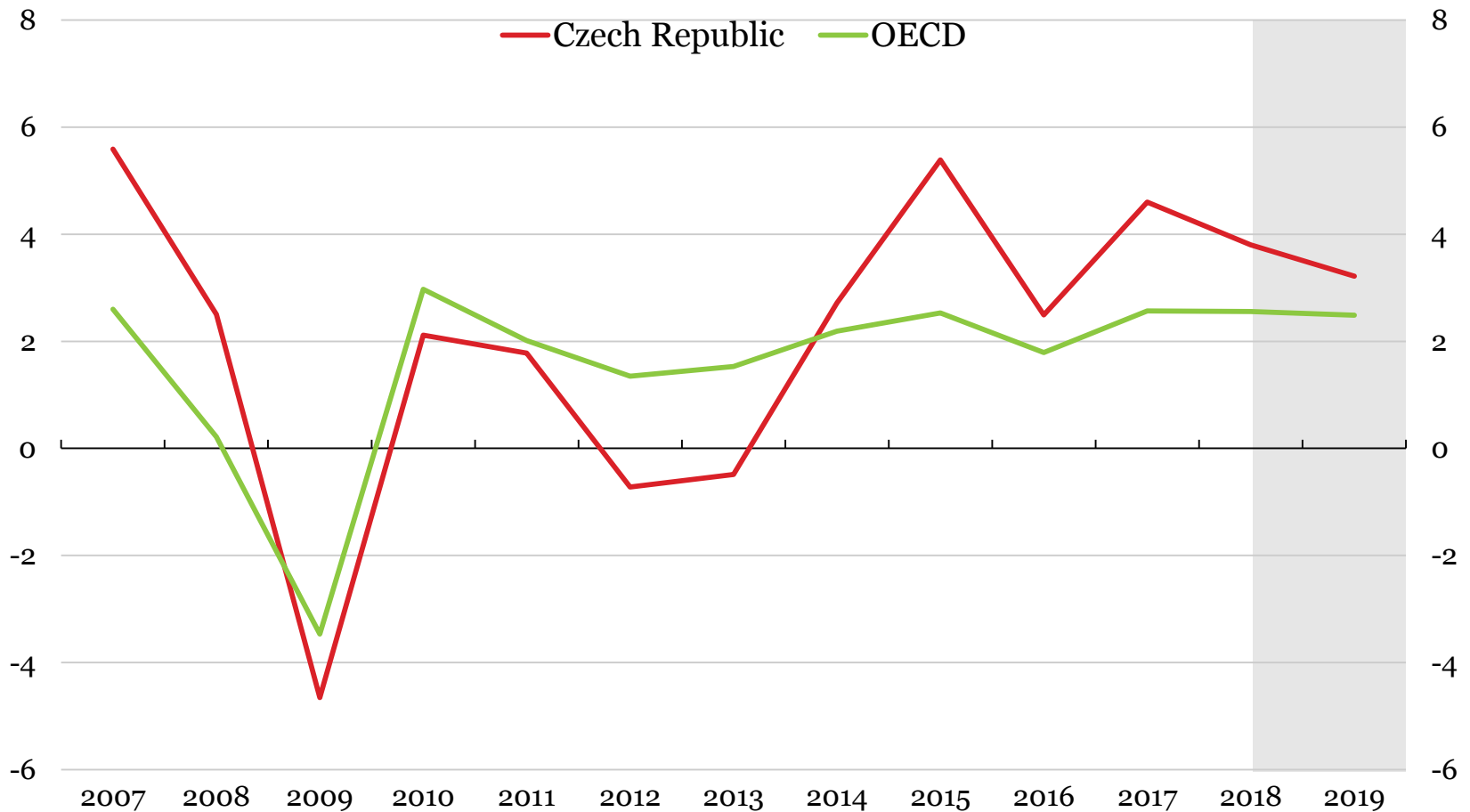
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The economy is thriving

Real GDP growth, year on year per cent changes

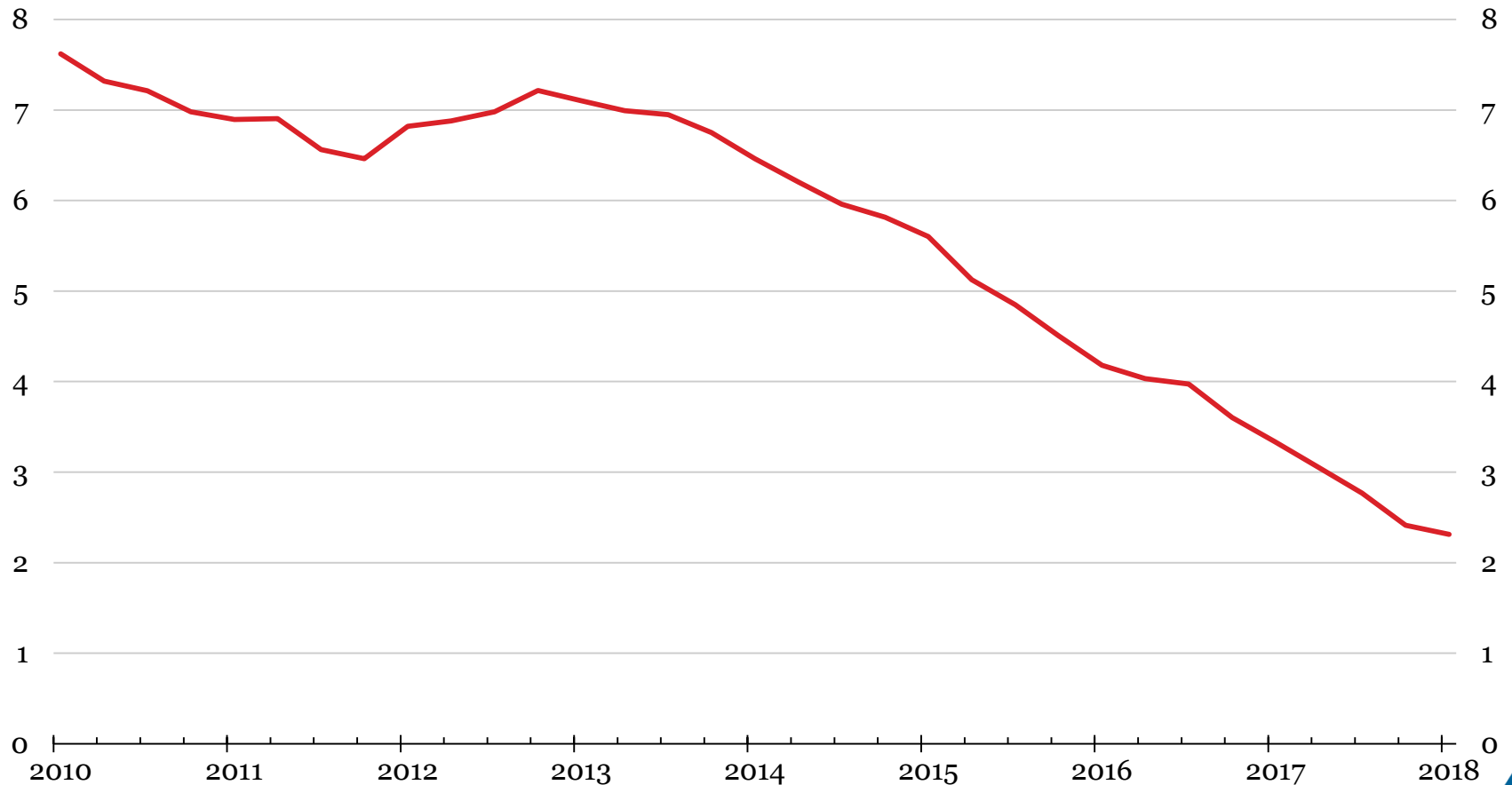


Source: OECD (2018), OECD Economic Outlook: Statistics and Projections (database).



Unemployment is at a record low

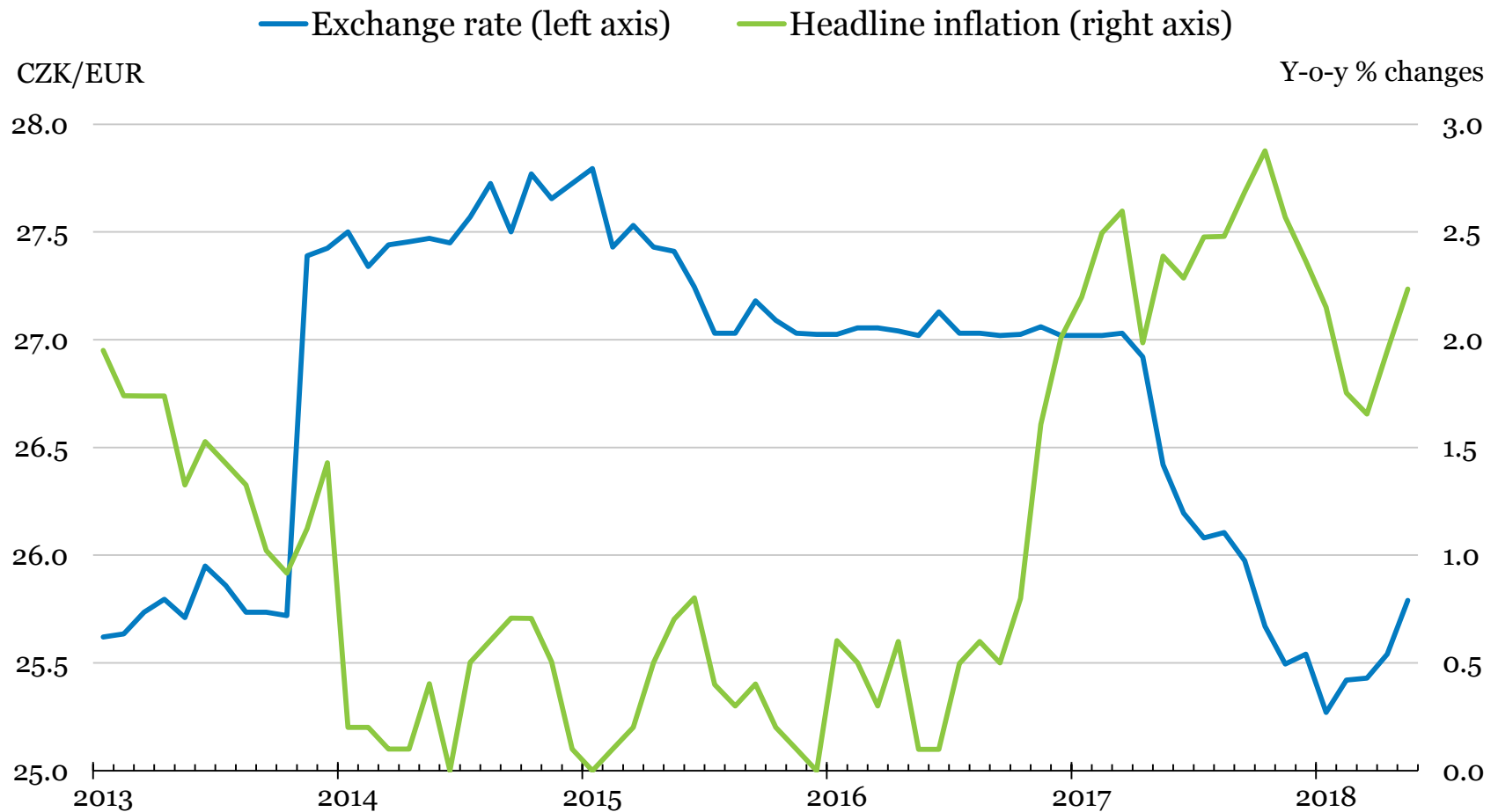
Unemployment rate, % of labour force



Source: OECD Quarterly National Accounts (database).



The exchange rate is appreciating and inflation is around the target

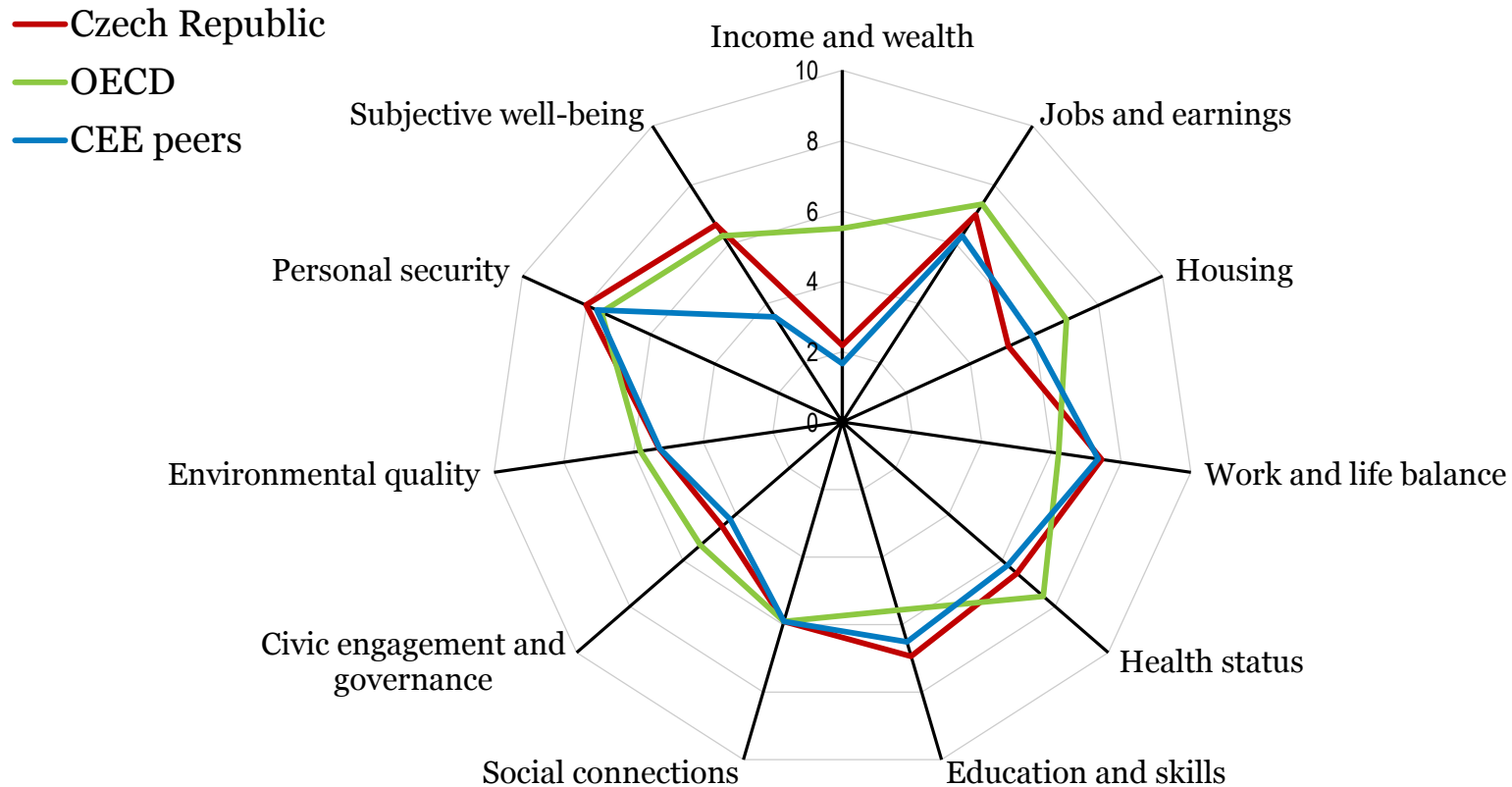


Source: OECD (2018), OECD Economic outlook (database) and Thomson Reuters Datastream (database).



Well-being is higher than in other Central and Eastern European countries

OECD Better Life Index, 2017 Index scale 0 (worst) to 10 (best)



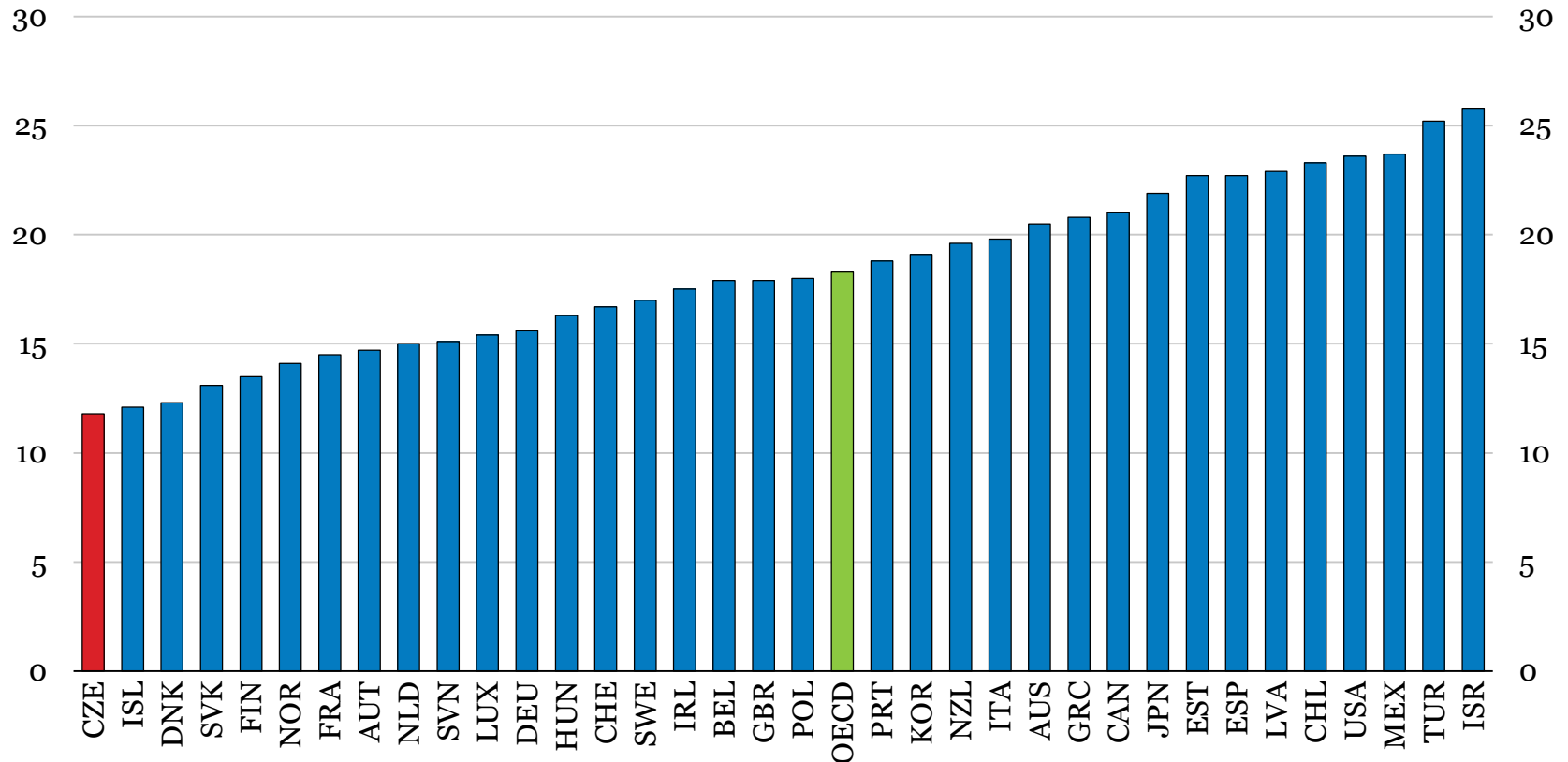
Note: For each dimension indicators are normalised and averaged. CEE peers are Estonia, Hungary, Poland, the Slovak Republic and Slovenia.

Source: OECD (2017), OECD Better Life Index, www.oecdbetterlifeindex.org.



Poverty is low

Population with disposable income below the poverty line, % of population, 2015



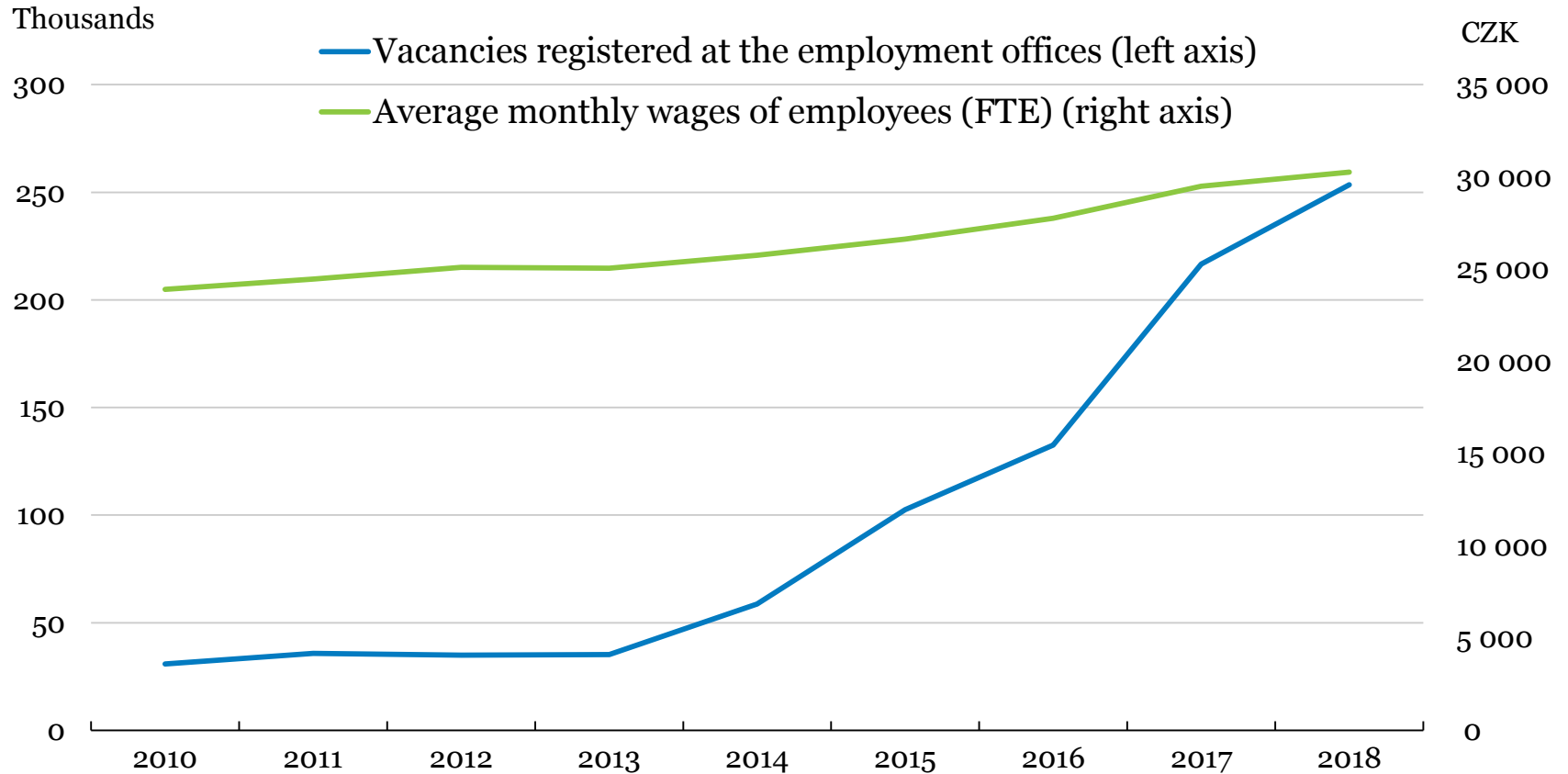
Note: The poverty line is 60% of median household income. Household income is adjusted to take into account household size.
Source: OECD (2018), OECD Social and Welfare Statistics (database).



CHALLENGES TO SUSTAINABLE GROWTH



Wages are rising due to labour market shortages



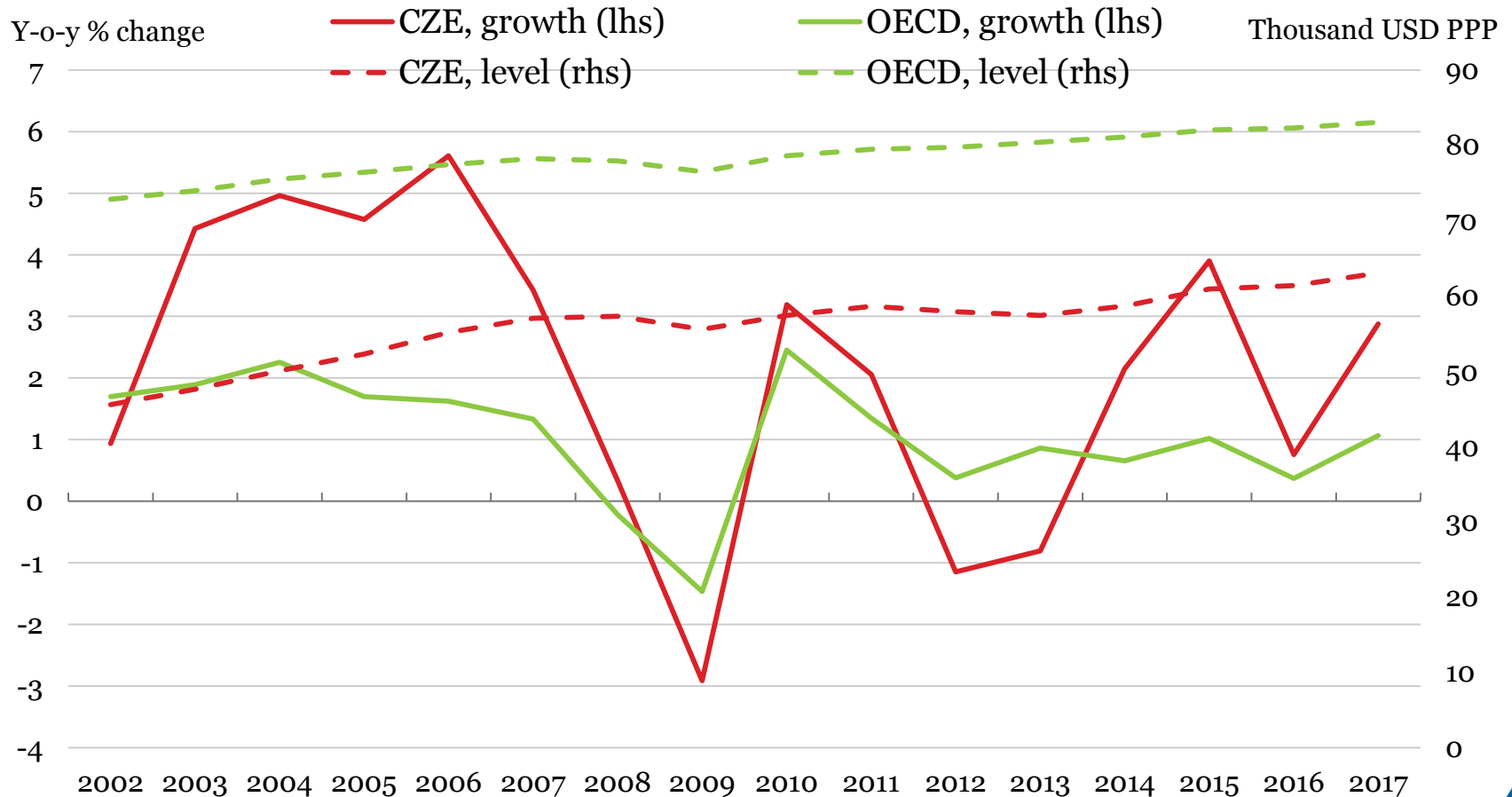
Note: 2017-preliminary; vacancies refer to numbers registered at the end of the respective year and for 2018 at the end of the first quarter, preliminary.

Source: Czech Statistical Office, Public Database.



Productivity is picking up but remains low

Real GDP per person employed, growth and level

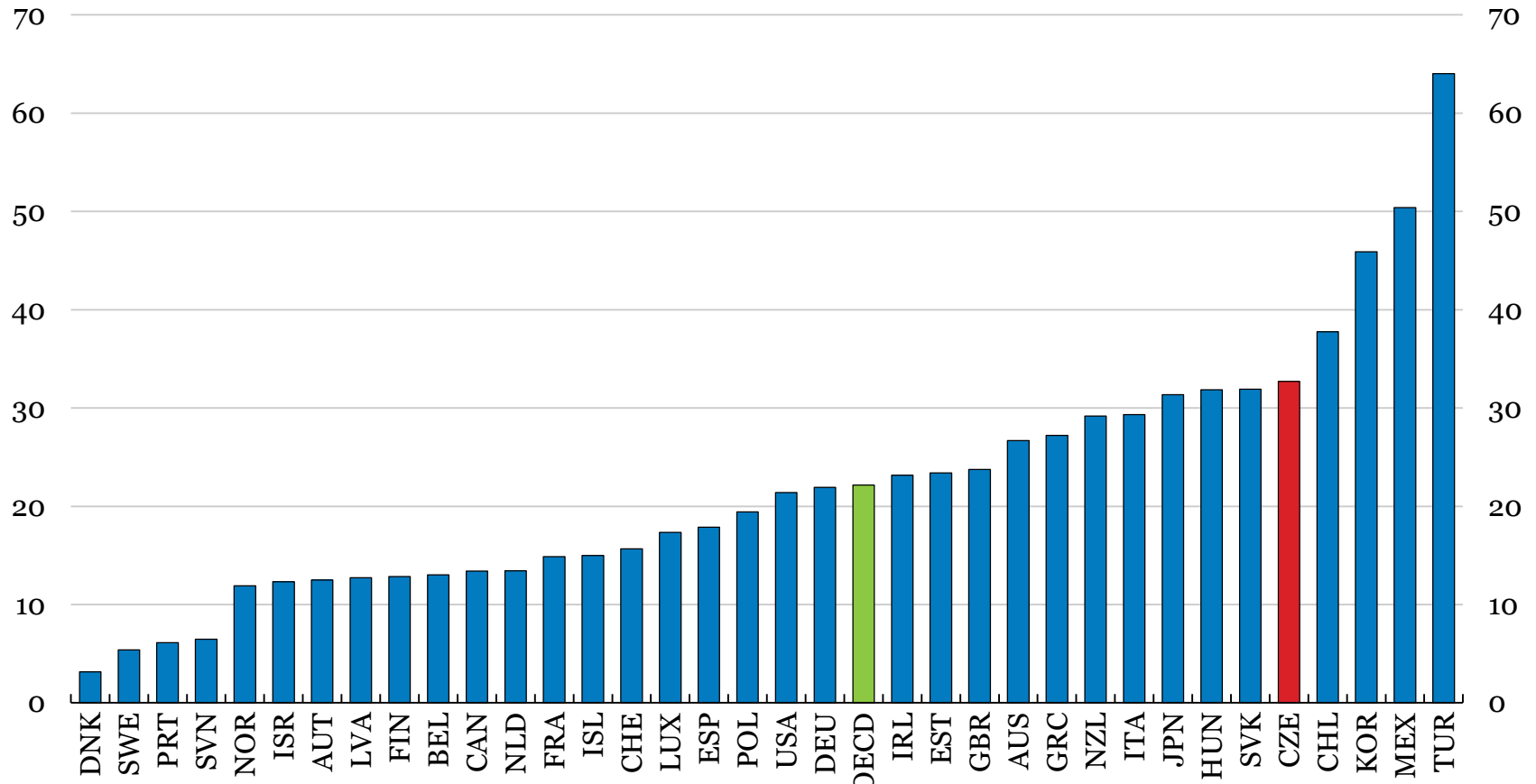


Source: OECD (2018), OECD Productivity (database).



Reconciling work and family remains difficult for mothers of young children

Employment gap of mothers with young children with respect to men aged 25-54, %, 2015



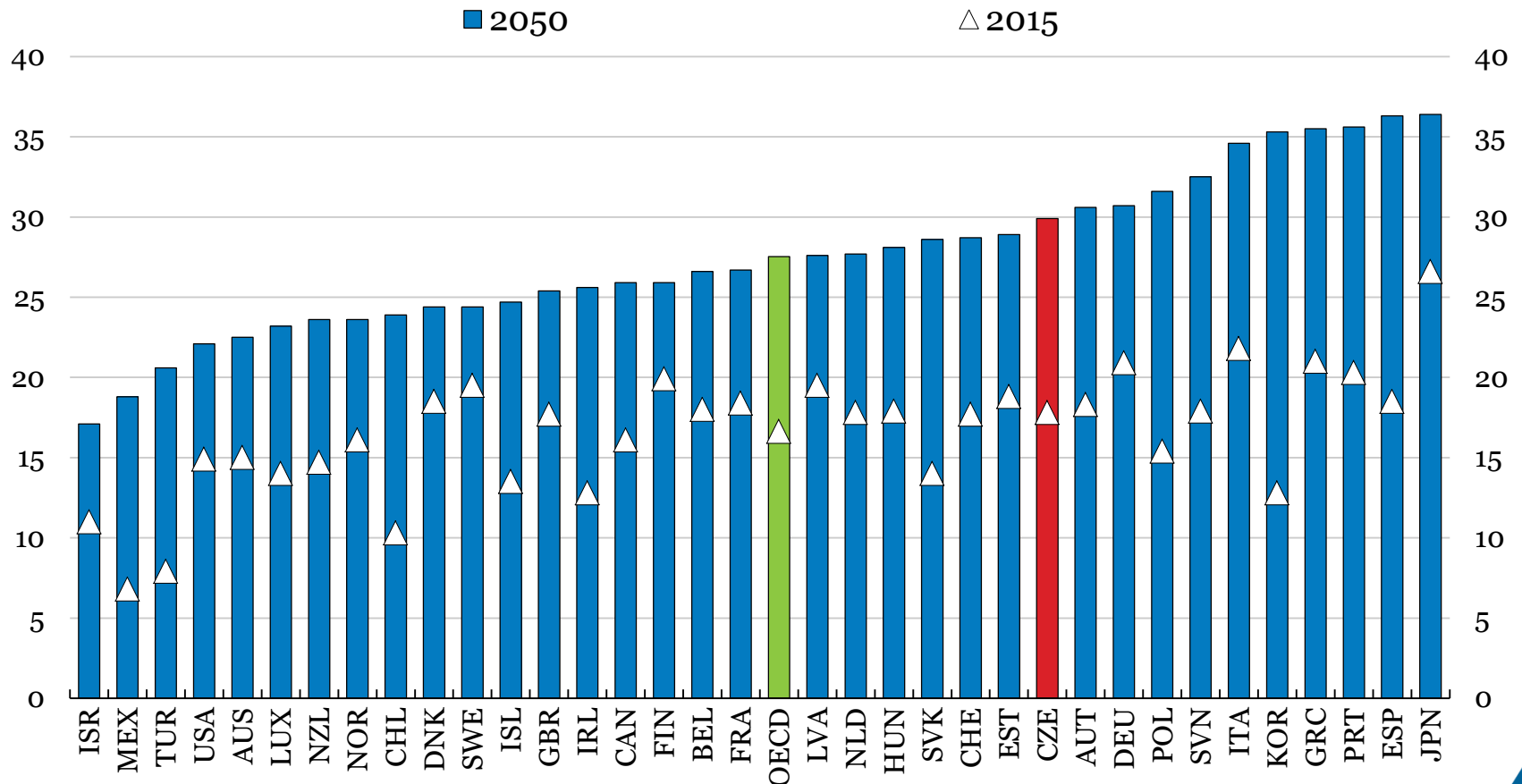
Note: Mothers with young children refer to working-age mothers with at least one child aged 0 to 14 years. The employment gap is the difference between the employment rate of men (aged 25-54 years) and that of young mothers, expressed as a percentage of the employment rate of men.

Source: OECD (2017), Employment Outlook 2017.



The population is ageing

Percentage of population aged 65 years and over

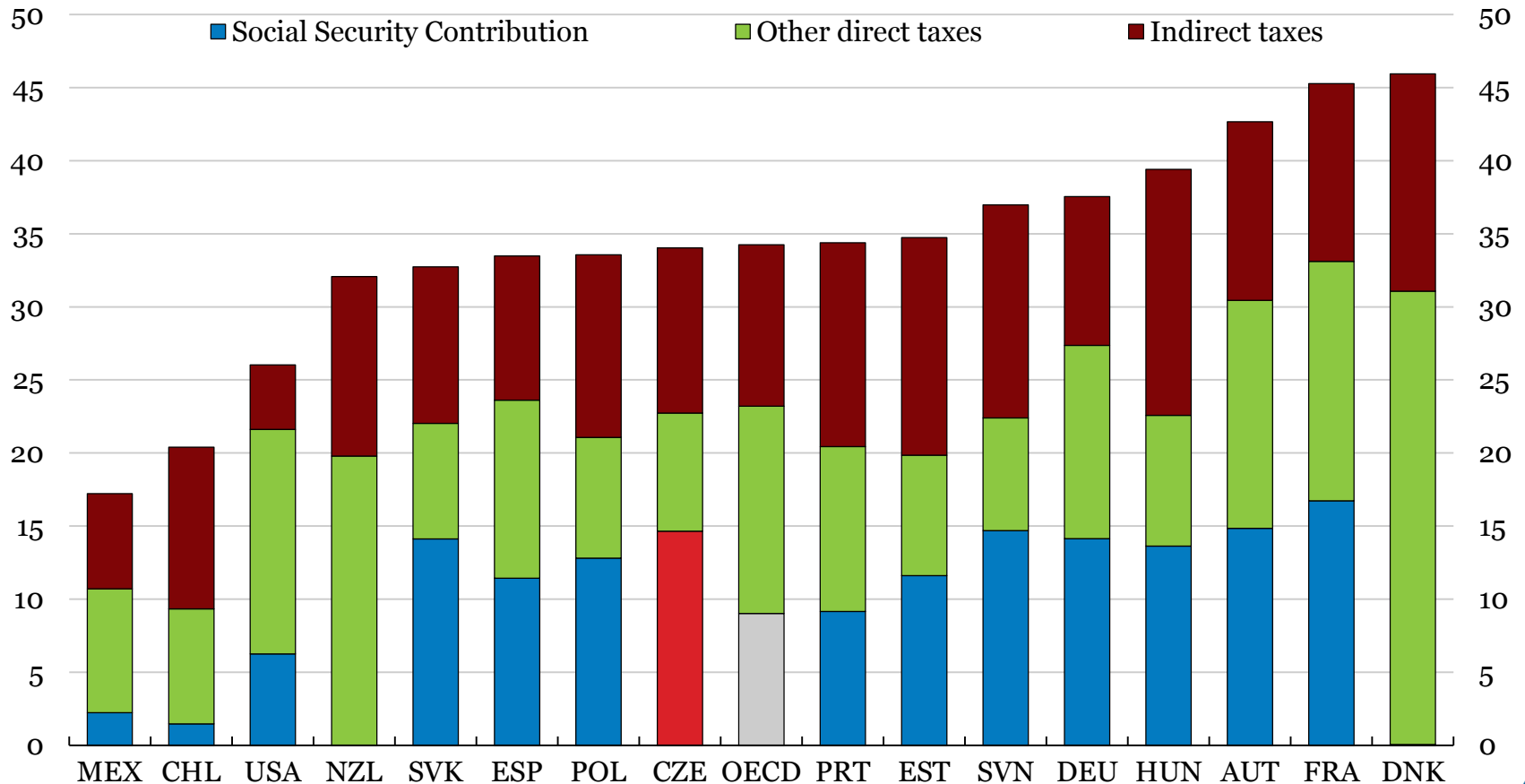


Source: OECD (2017), Health at a Glance 2017: OECD Indicators.



Fiscal revenues rely heavily on social contributions

2016 or latest, % of GDP

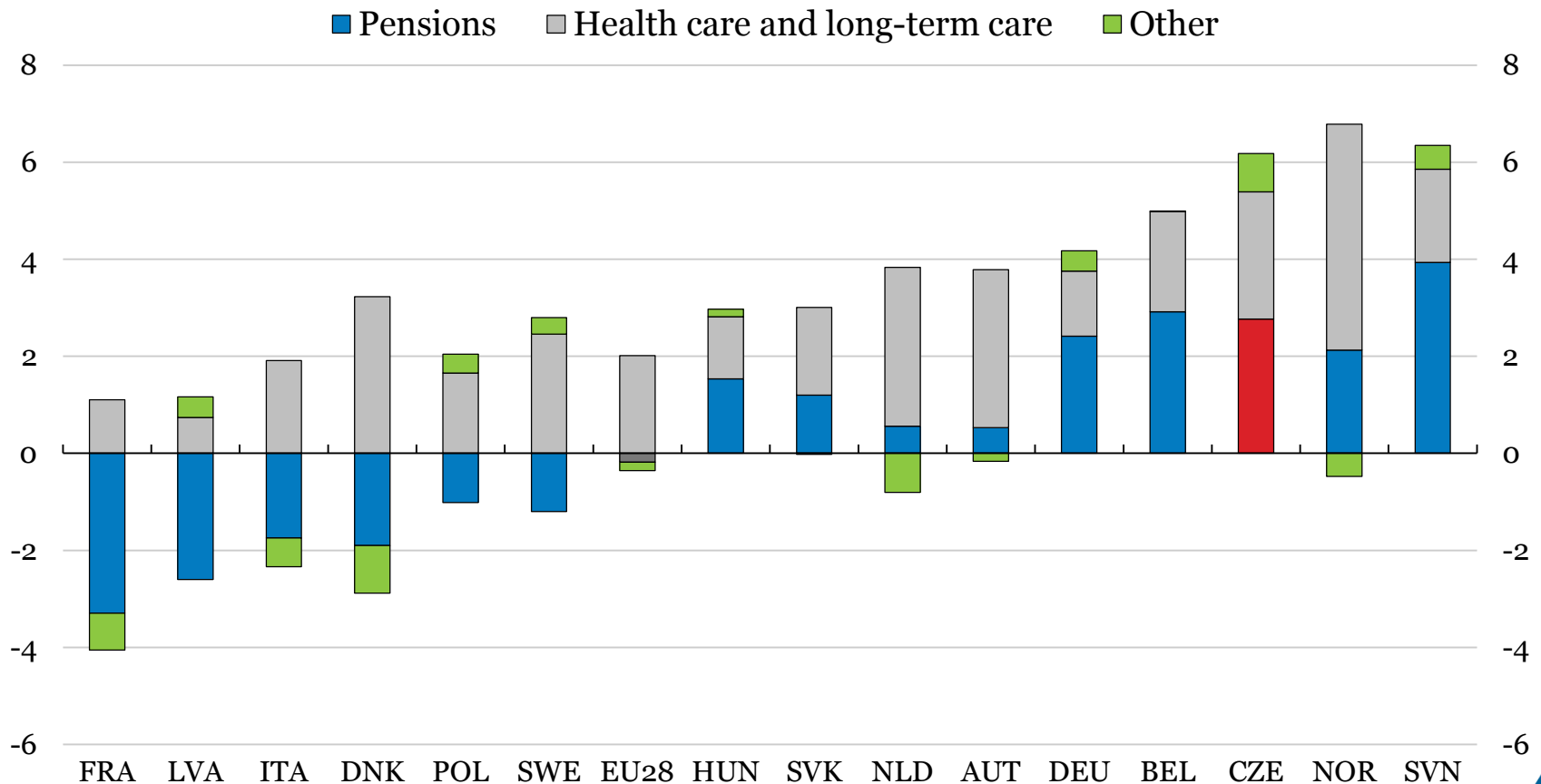


Source: OECD (2017), Revenue Statistics (database).



Ageing-related spending will increase

Change in gross public expenditure between 2016 and 2070, percentage points of GDP



Source: European Commission (2018), "The 2018 Ageing Report: Economic and Budgetary Projections for the EU Member States (2016-2070)". Based on the reference scenario.



Key recommendations

Addressing labour shortages

- Increase resources to education, skilling, reskilling and upskilling.
- Keep expanding the supply of affordable childcare facilities.
- Increase the flexibility of jobs by better enforcement of rights to part-time work, flexible teleworking and shared jobs.

Tackling long run challenges, including the impact of an ageing society

- Keep some fiscal space to cope with future ageing-related spending.
- Rebalance tax revenues by reducing social security contributions and raising indirect taxes (VAT through better compliance and environmental taxes).
- Link tightly retirement age to life expectancy. Broaden the financing of health care and long-term care by expanding the base of contributions to all types of income.

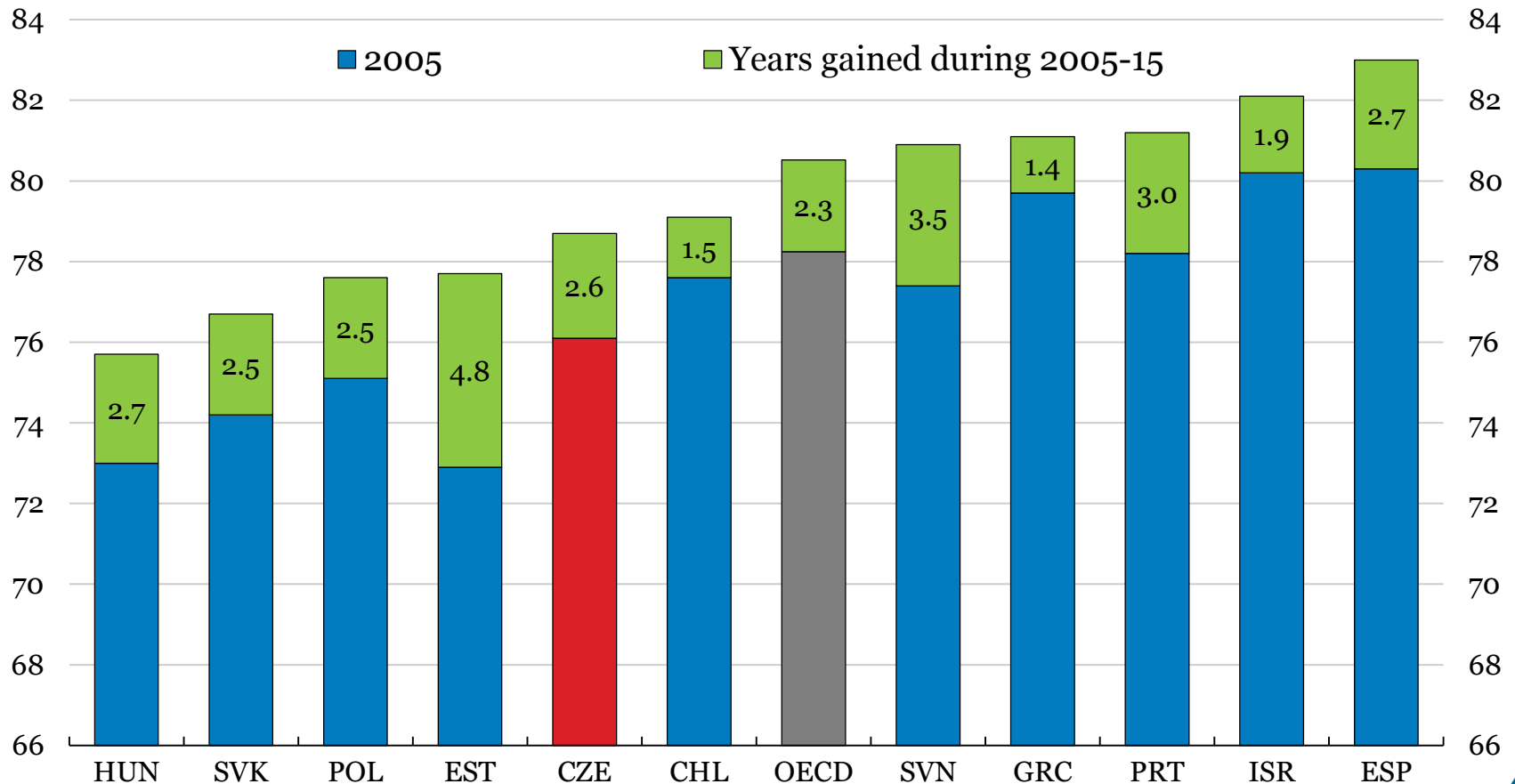


IMPROVING THE HEALTH CARE SYSTEM



Health outcomes have improved

Life expectancy at birth in years, 2015

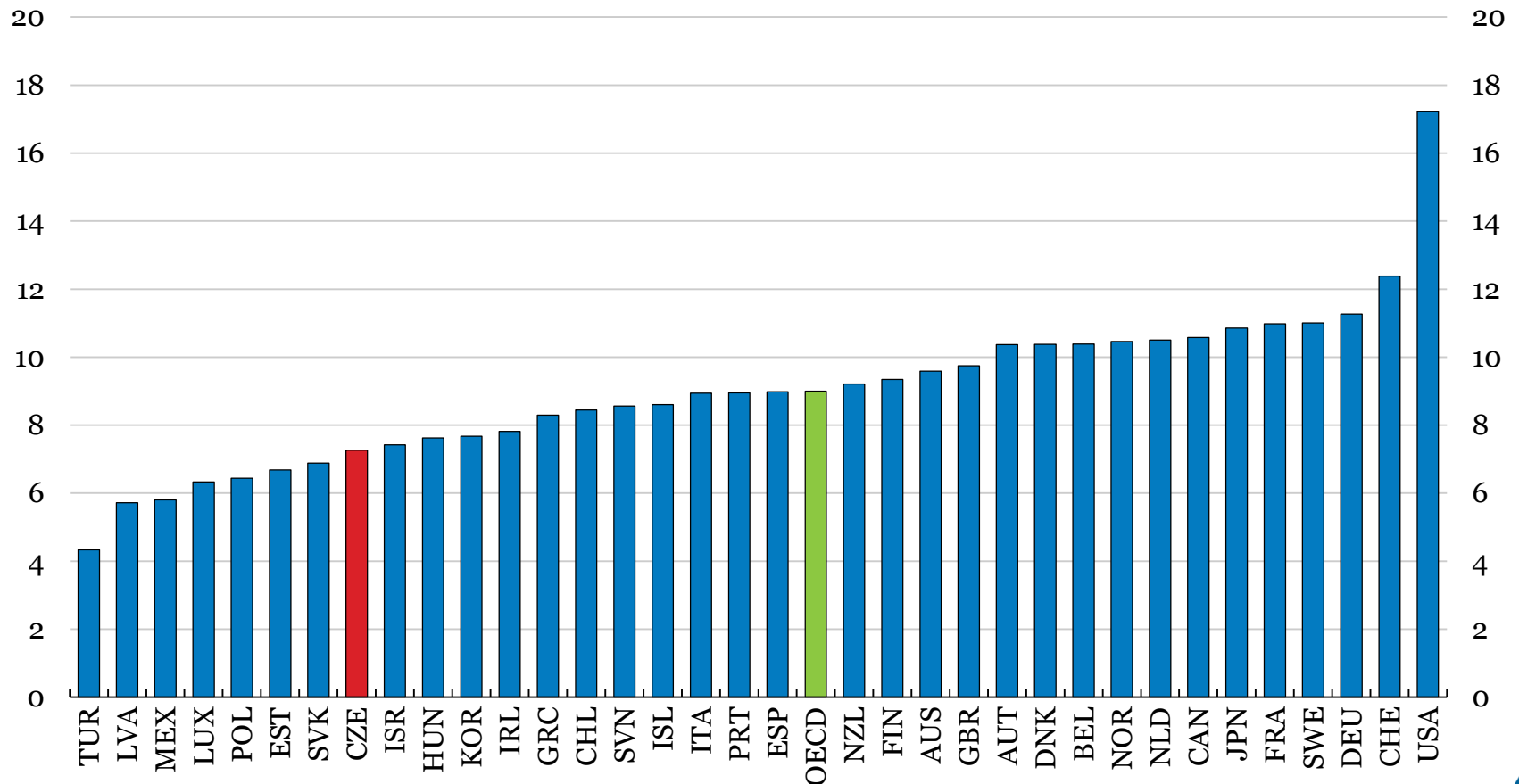


Source: OECD (2018), Health statistics (database).



Total health care expenditure is relatively low

Total health care expenditure, 2016, % of GDP

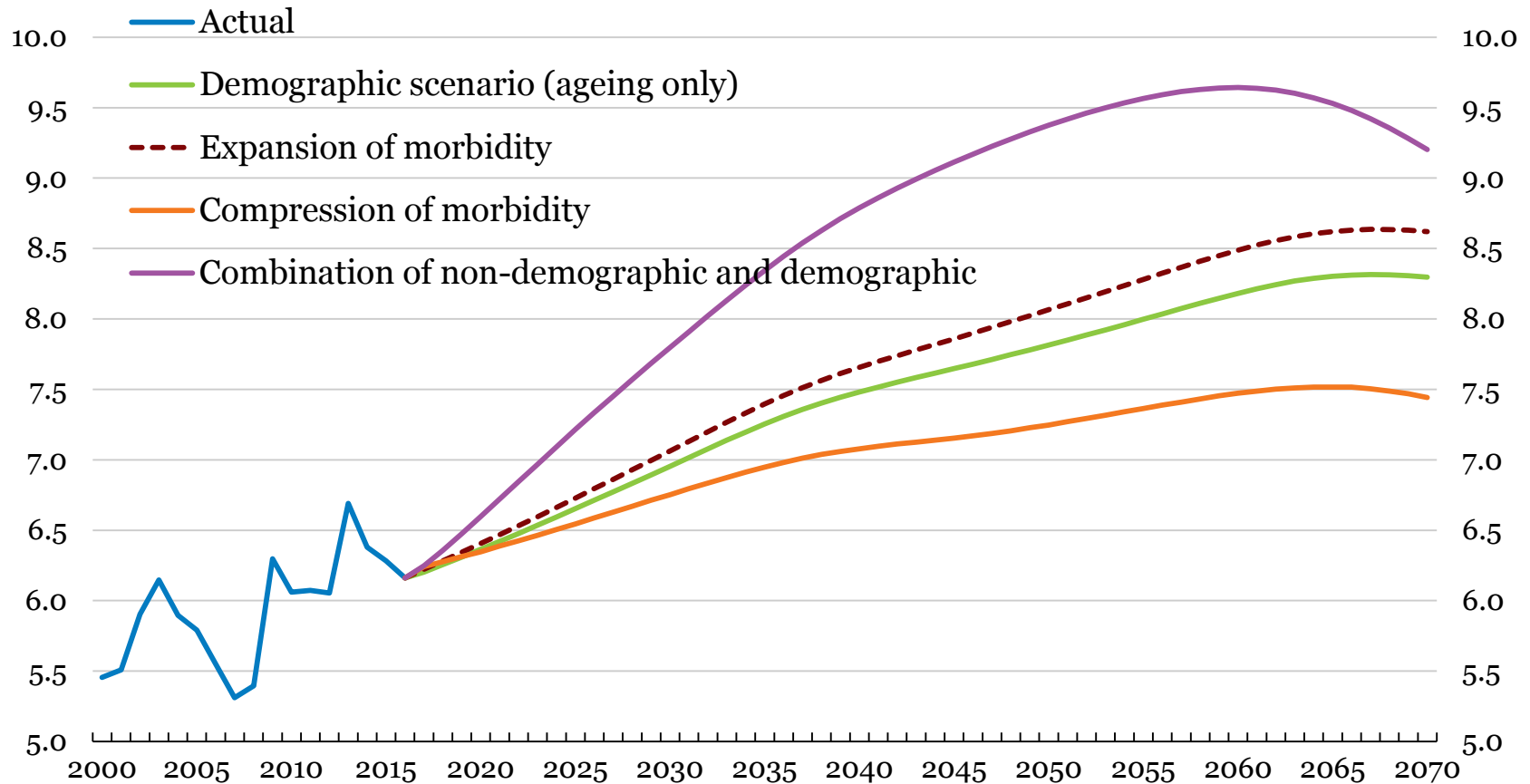


Source: OECD (2017), Health at a Glance 2017: OECD Indicators, OECD Publishing, Paris.



Health spending will increase further as the population ages

Drivers of health care expenditure, % of GDP



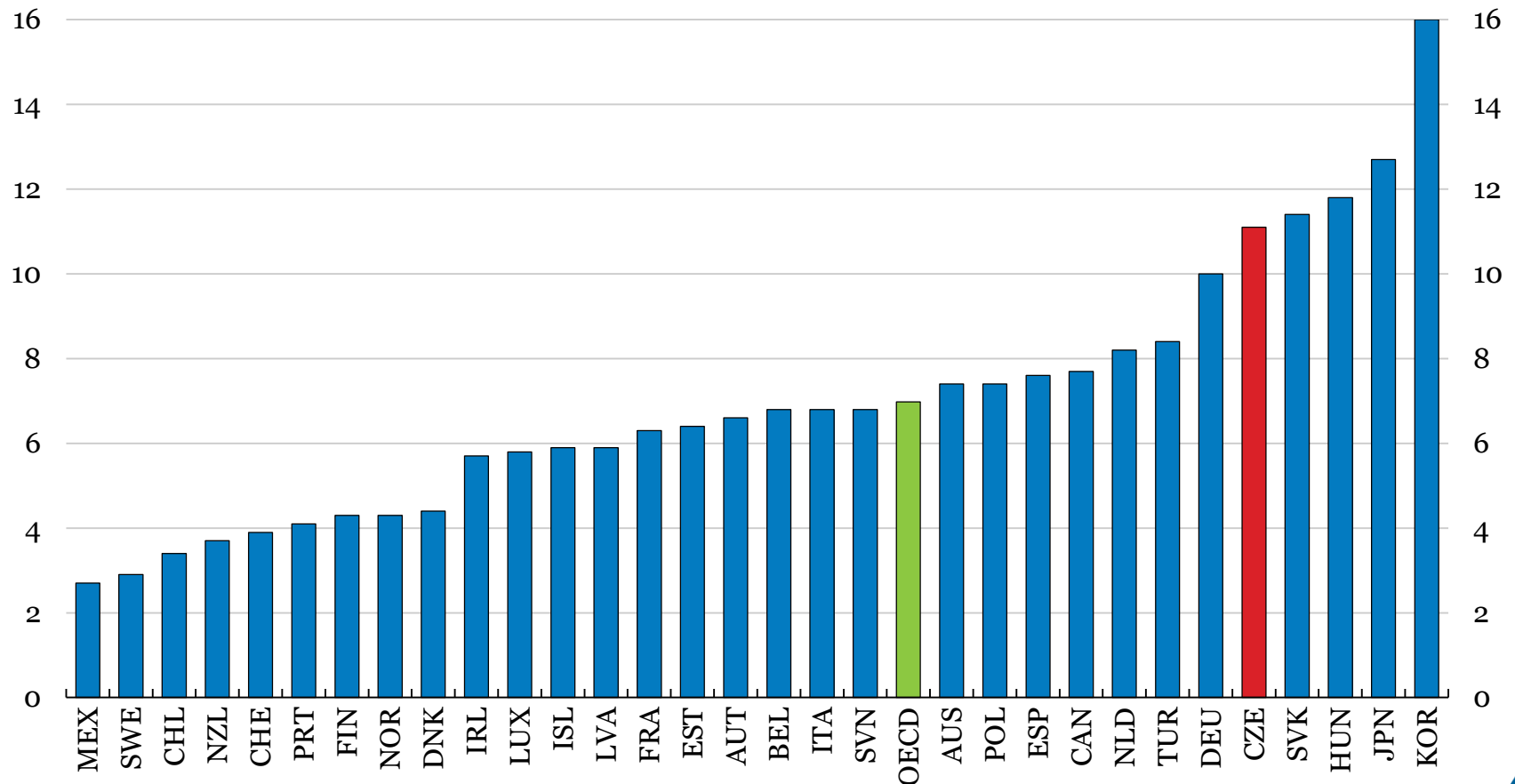
Note: The projections do not anticipate future policy change. Health care expenditure includes long-term health care. Non-demographic factors include e.g. technological and institutional improvements.

Source: Calculations based on data from OECD (2017), System of Health Accounts (database) and European Commission (2018), Population projections from the Ageing Working Group by Eurostat.



The number of doctor consultations is high

Consultations per inhabitant, 2015 or nearest year

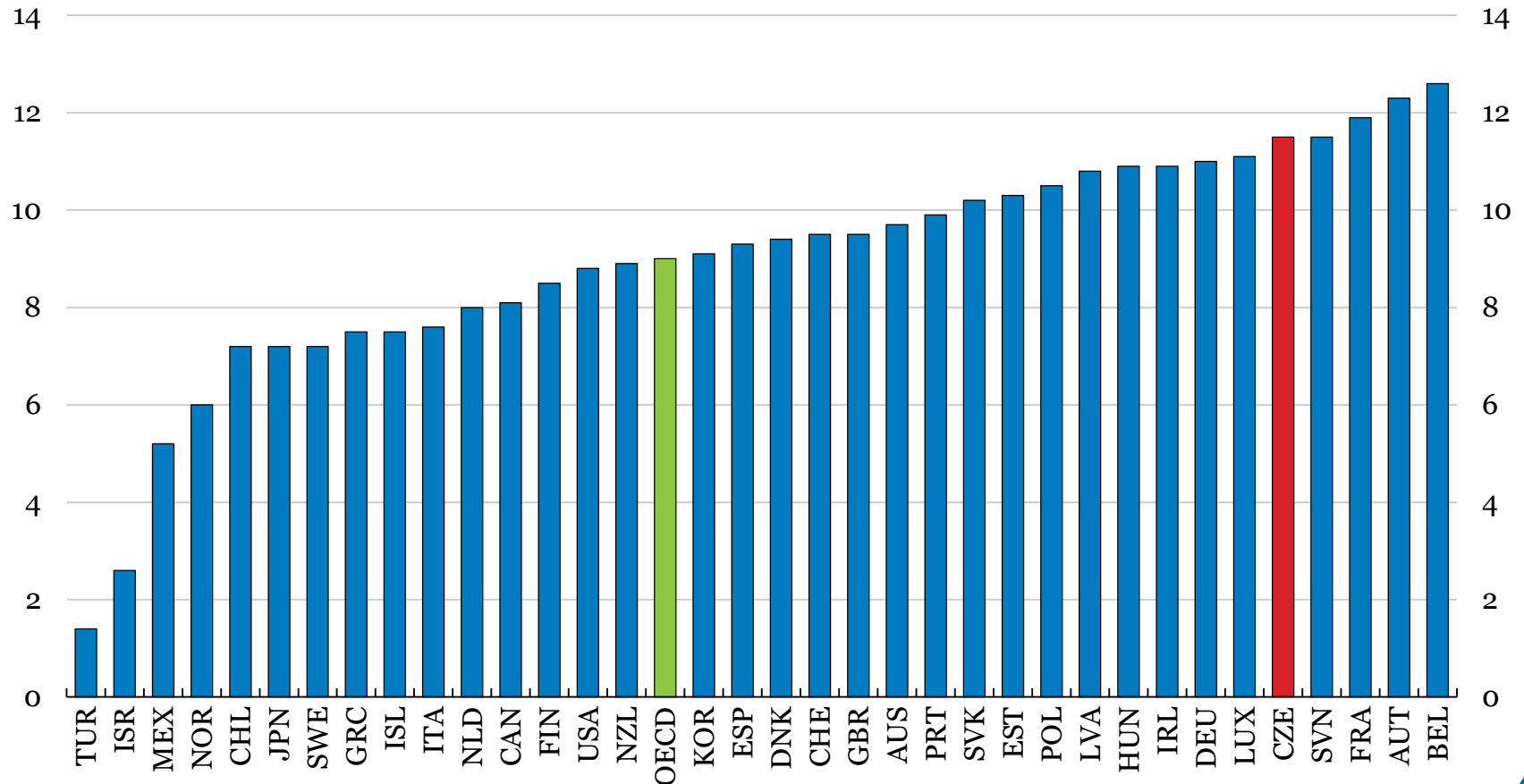


Source: OECD (2017), Health Statistics (database).



Adverse lifestyle affects health

Litres of alcohol per capita consumed

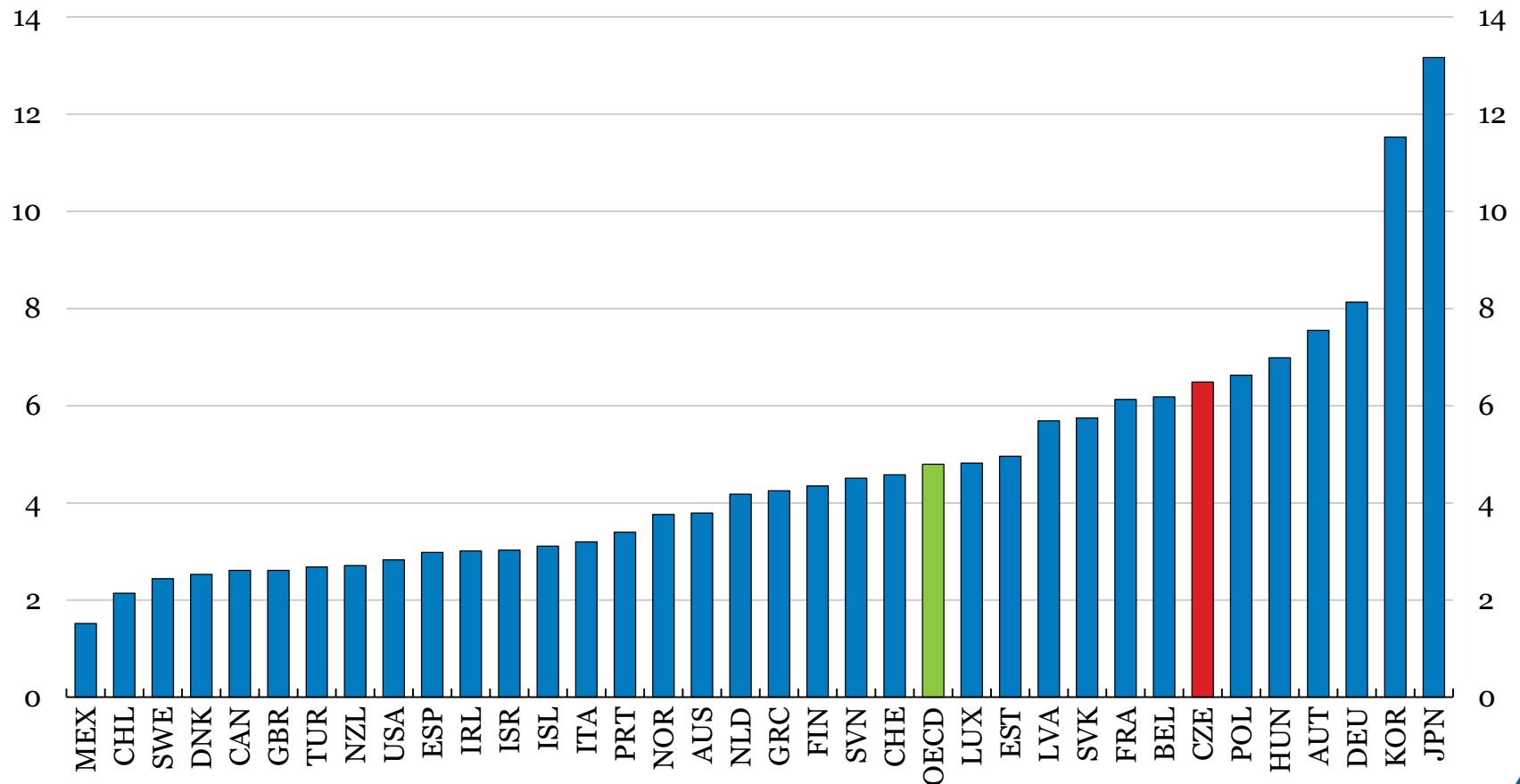


Source: OECD Health Statistics 2017



Health care is still too hospital centred

Number of hospital beds per 1 000 inhabitants

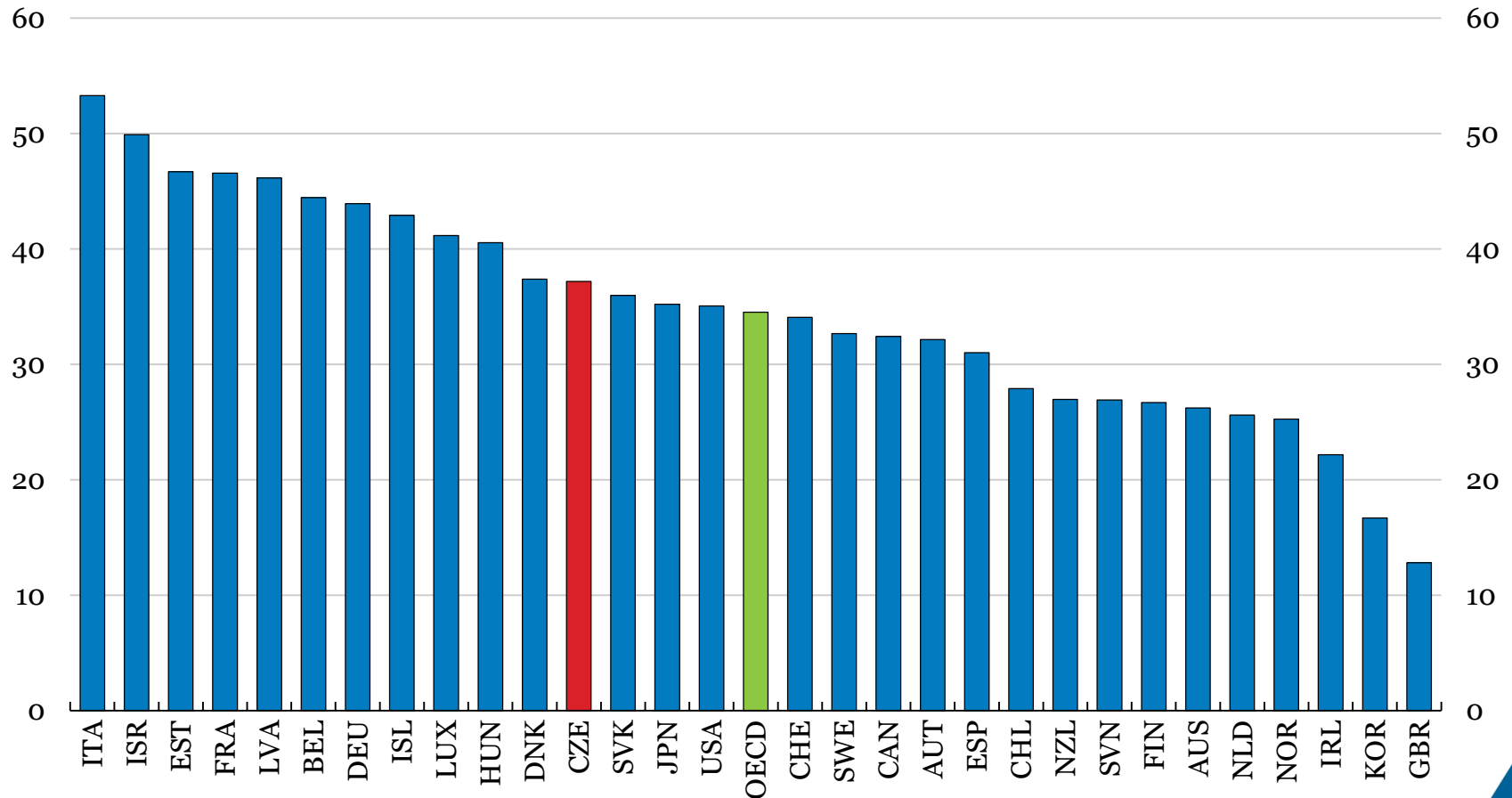


Source: OECD (2017), OECD Health Statistics (database).



Ageing of doctors and health workers is threatening the supply of medical care

Percentage of doctors aged 55 years and over in 2015
(or nearest year)



Source: OECD (2017), Health at a Glance 2017.



Key recommendations for improving the health care system

- Gradually introduce a pay-for-performance scheme for hospitals and doctors based on a broad set of performance indicators.
- Reduce the scope of the reimbursement decree by limiting its coverage and leave room for negotiations between insurance funds and health providers
- Align payment schemes for long-term care in health and social care setting by coordinating the use of user fees.
- Continue reducing hospital beds by encouraging regions and municipalities to restructure capacities of health services and facilities
- Strengthen the role of primary care through gate-keeping and further shift towards a better mix of capitation fees and fee-for-service for General Practitioners.
- Increase the capacity of medical faculties and the number of students through scholarships and ensure the sustainable financing of universities.
- Increase taxes on tobacco, alcohol and consider introducing taxes on unhealthy food and beverages.
- Promote healthier lifestyles and further develop education, disease prevention and screening programmes.



ENVIRONMENTAL PERFORMANCE REVIEW OF THE CZECH REPUBLIC

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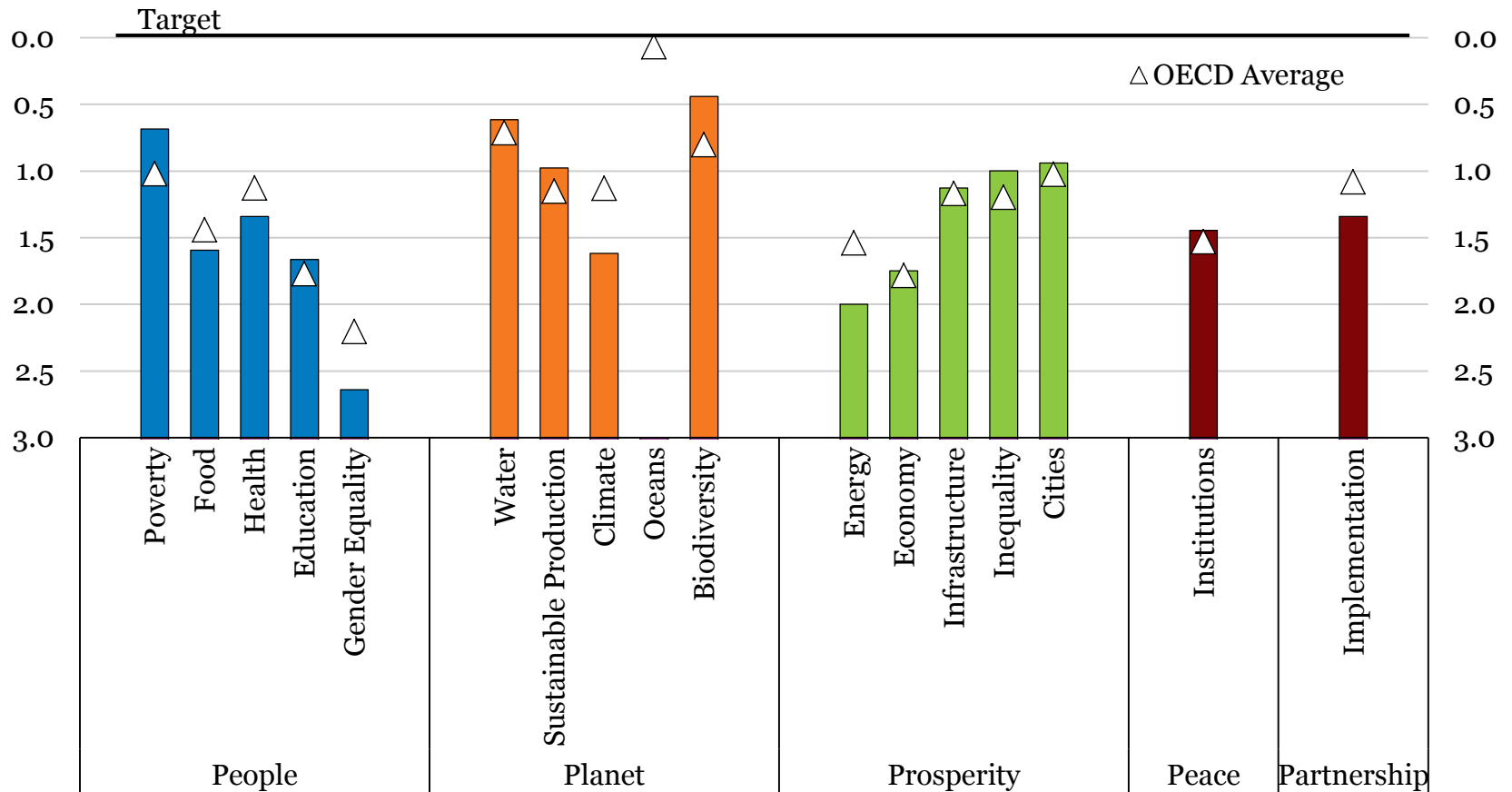
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Good performance on some Sustainable Development Goals

Czech performance compared with the OECD average, Distance to target (0 – target achieved)



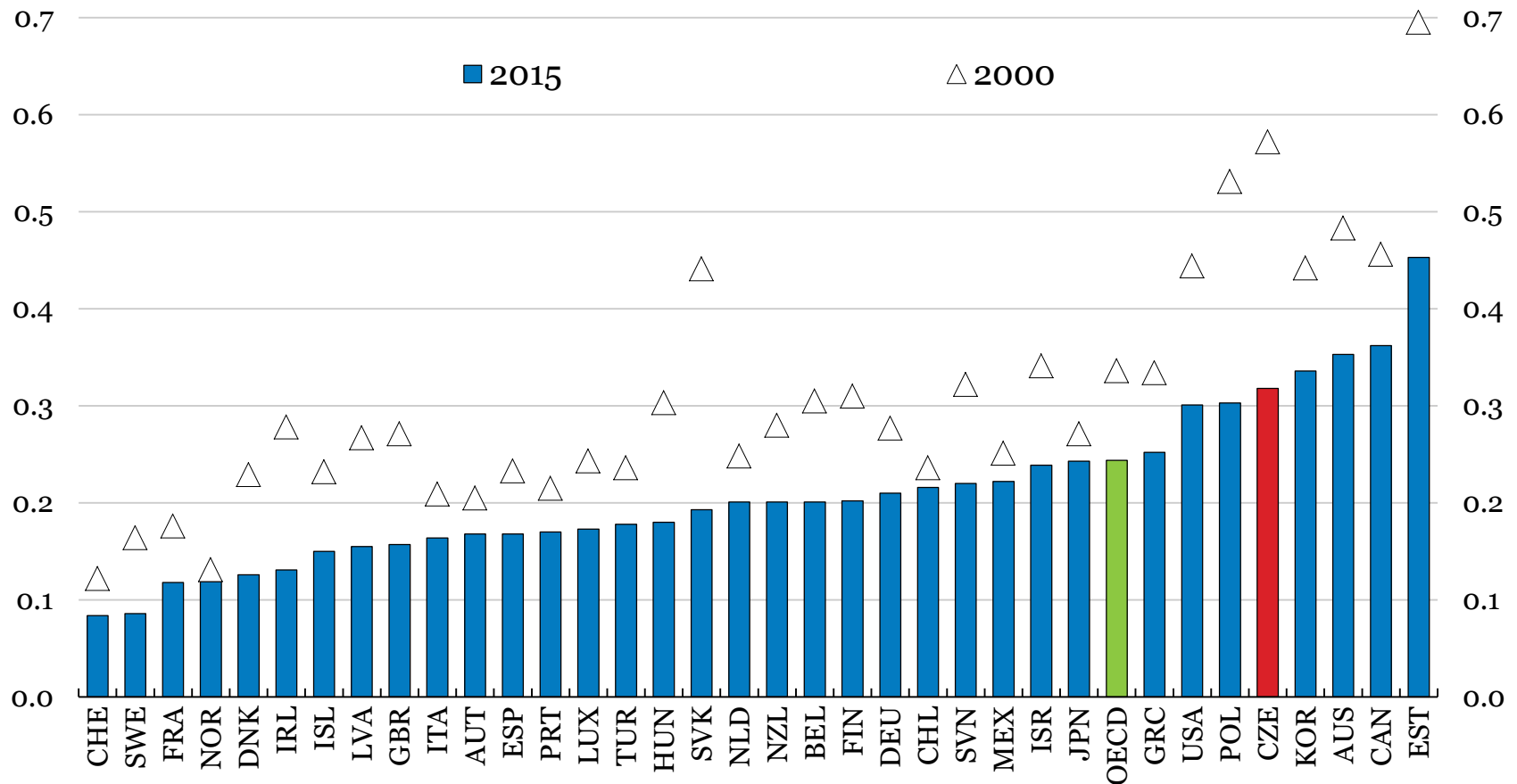
Note: This figure shows how far the Czech Republic must progress to meet the SDGs.

Source: OECD (2017), "Measuring distance to the SDG targets: An assessment of where OECD countries stand".



The Czech Republic has one of the most carbon intensive economies in the OECD

CO₂ emissions per unit of GDP, t/1000 USD



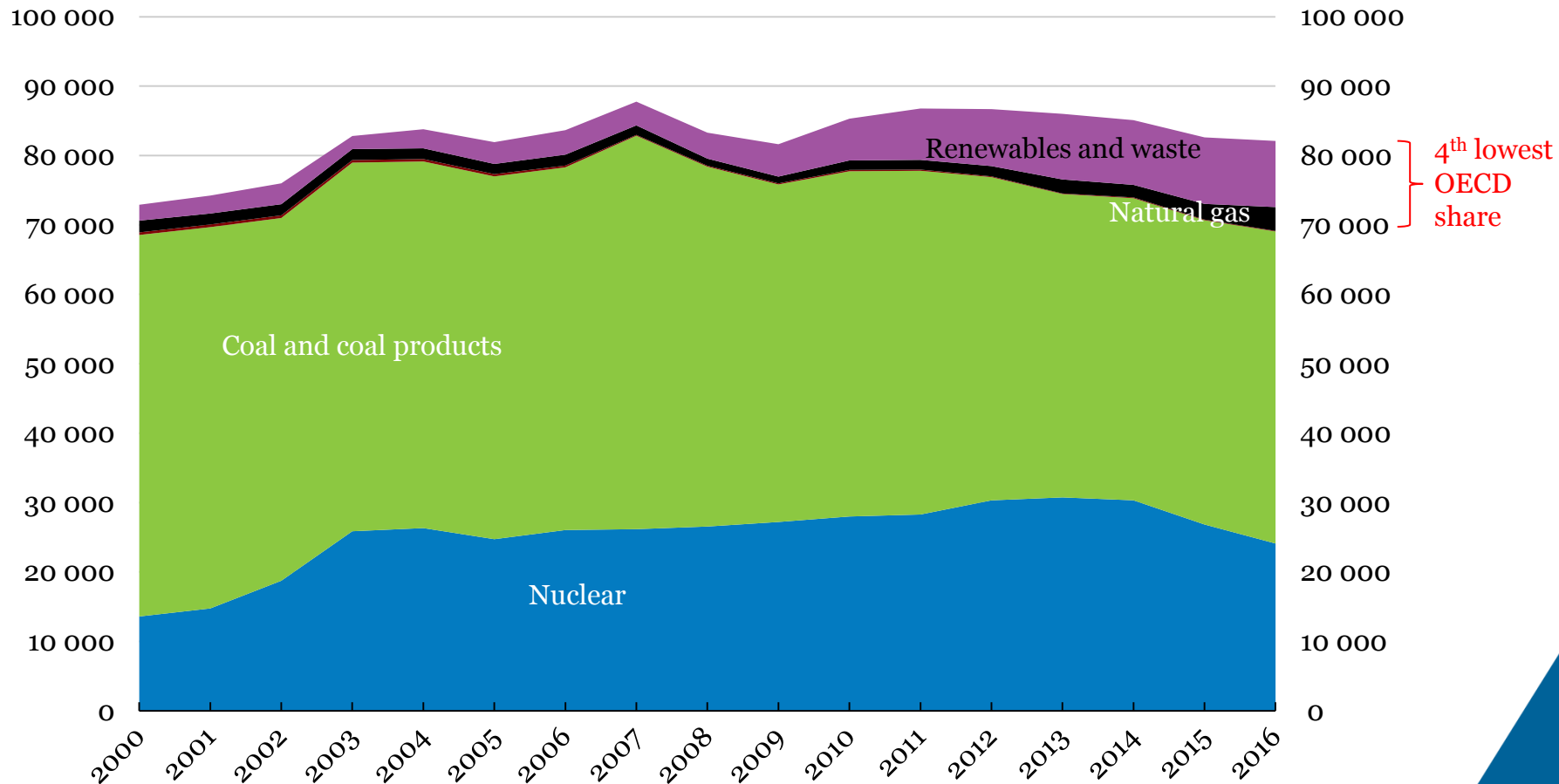
Notes: CO₂ emissions from energy use only; excluding international marine and aviation bunkers; sectoral approach. GDP at 2010 prices and purchasing power parities.

Source: IEA (2017), IEA CO₂ Emissions from Fuel Combustion Statistics (database).



A shift from coal to nuclear and renewables

Electricity generation by source, GWh

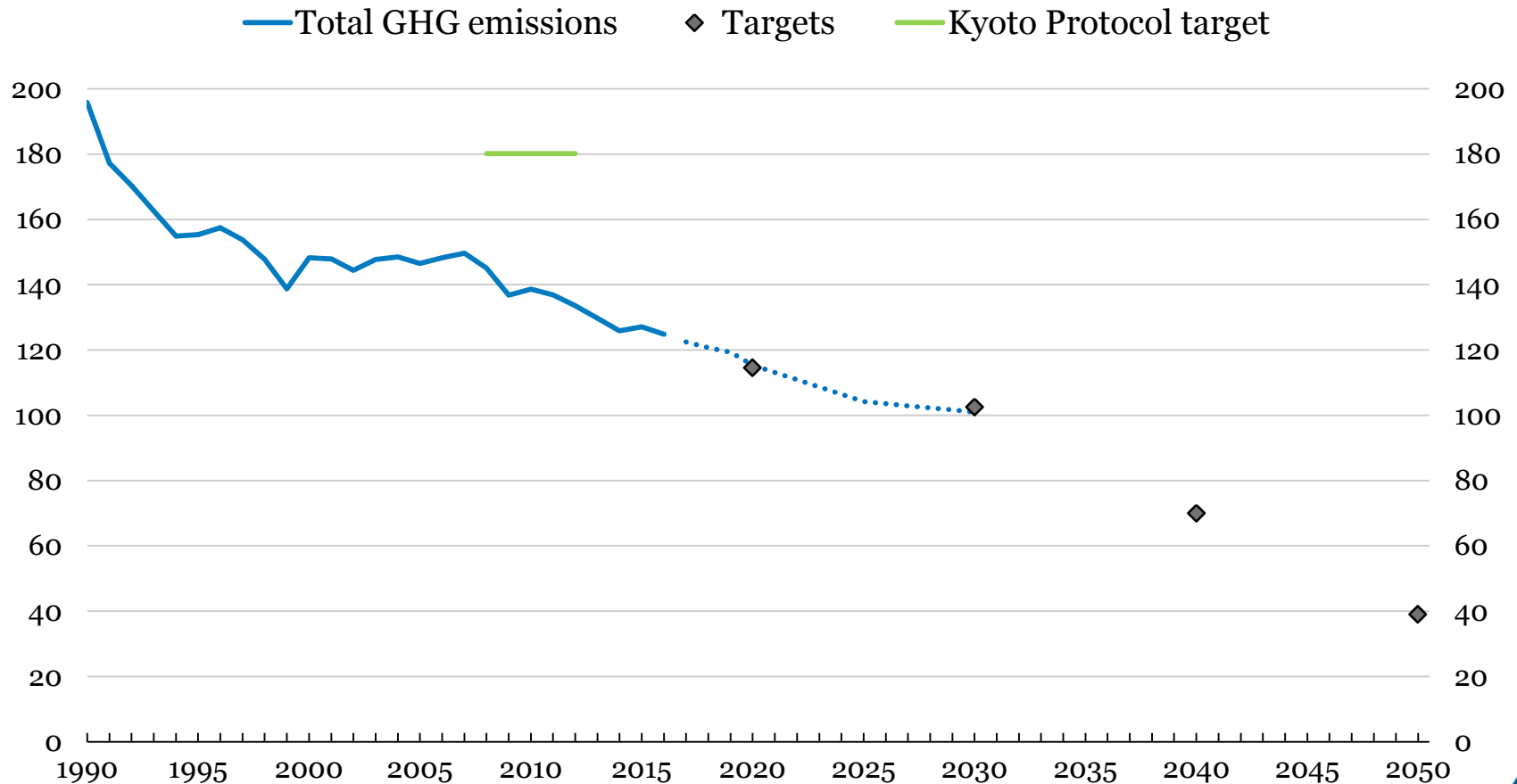


Source: IEA (2017), IEA World Energy Statistics and Balances (database).



Achieving mid and long-term climate targets will require additional efforts

Greenhouse gas emissions, Mt CO₂eq



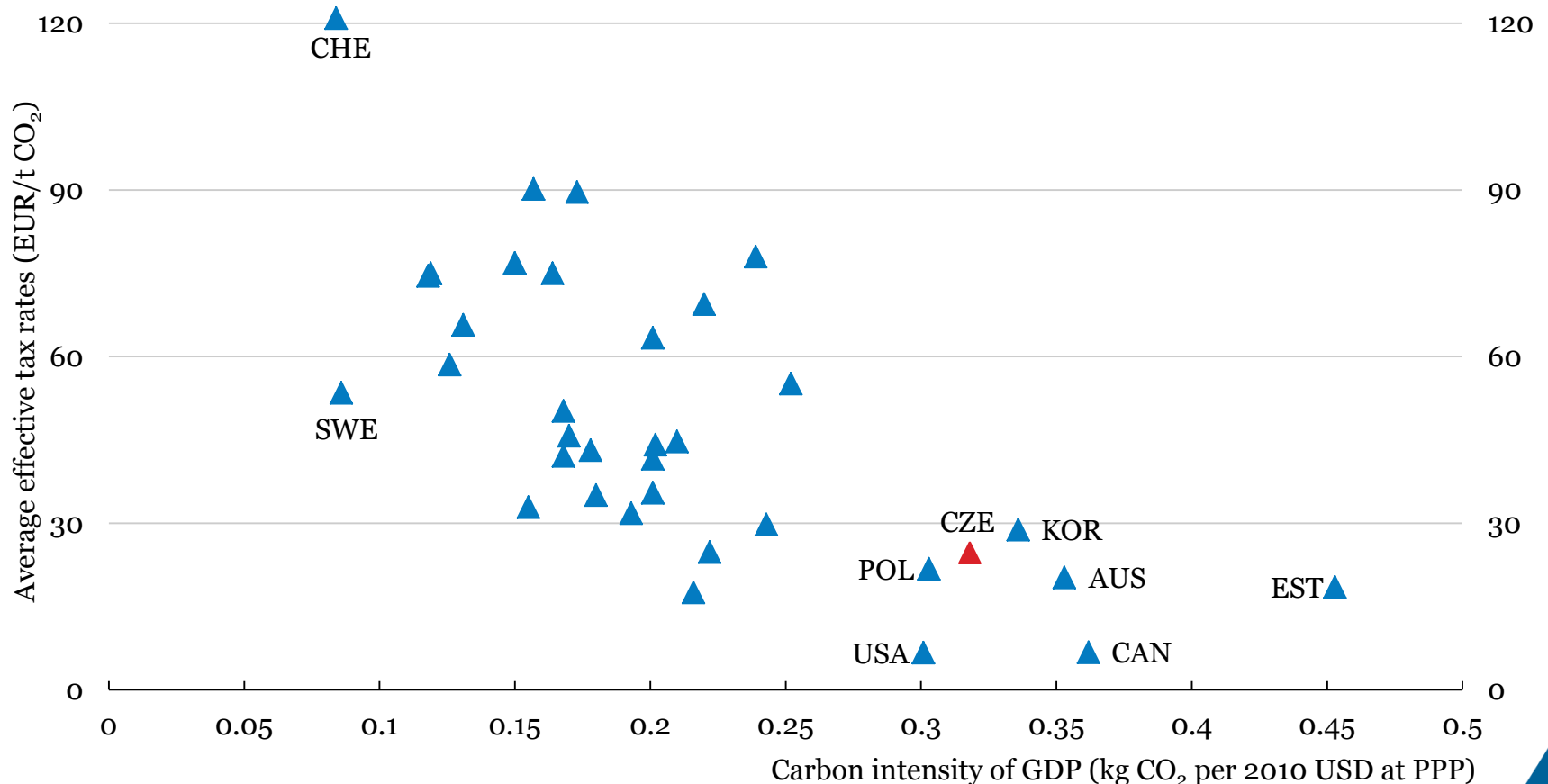
Note: Total greenhouse gas emissions excluding LULUCF.

Source: OECD(2017), "Air and climate: Greenhouse gas emissions by source", *OECD Environment Statistics(database)*; MOE (2017), Climate Protection Policy.



Carbon prices are low

Average effective tax rates on CO₂ from energy and carbon intensity, 2015



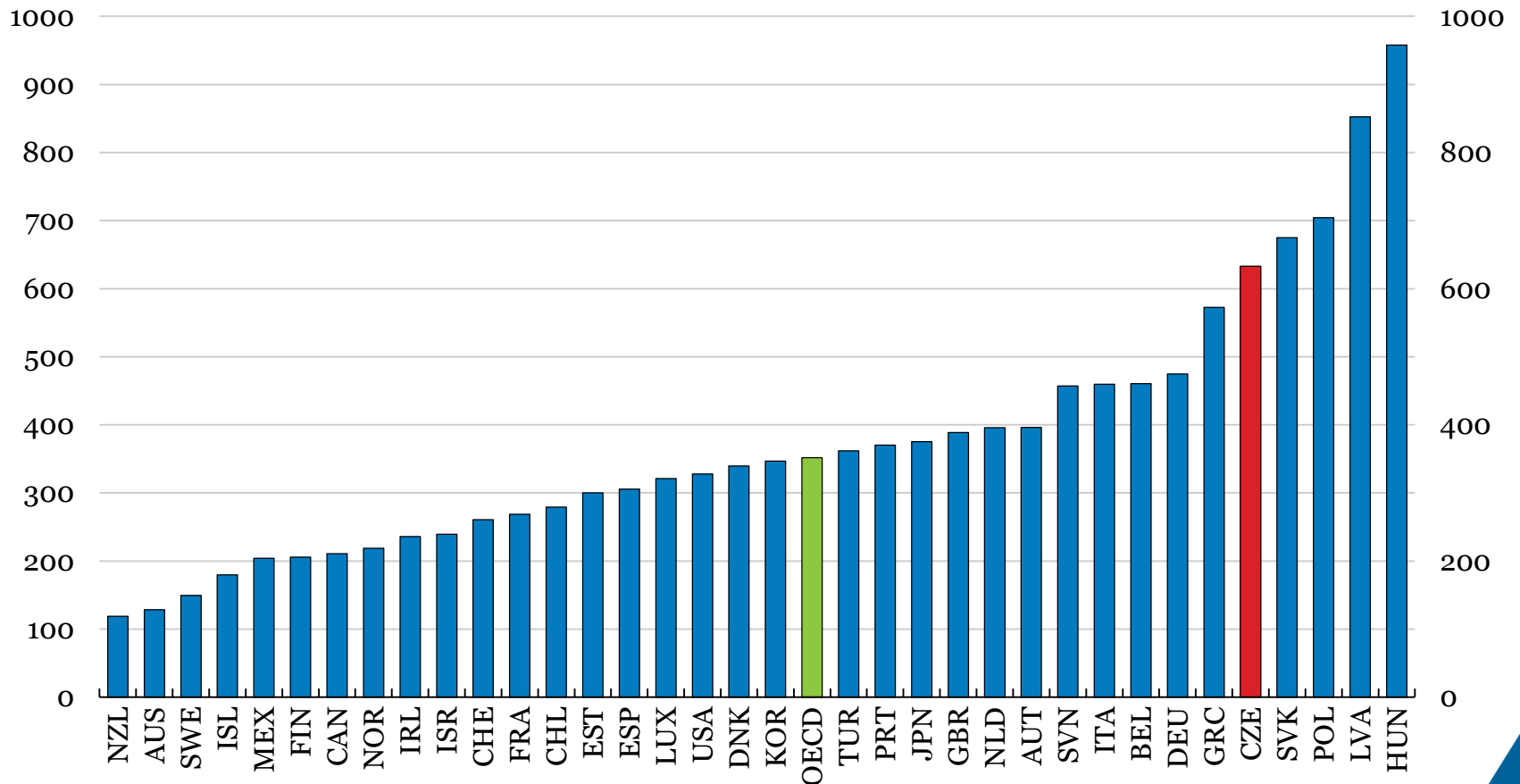
Note: The average effective tax rate is the price of carbon emissions resulting from excise taxes (it translates excise taxes on energy into rates per unit of CO₂ emissions from energy use).

Source: OECD (2018), *Taxing Energy Use 2018: Companion to the Taxing Energy Use Database*.



The rate of mortality from air pollution is among the highest in the OECD

Number of premature deaths due to outdoor air pollution, per million habitants, 2016



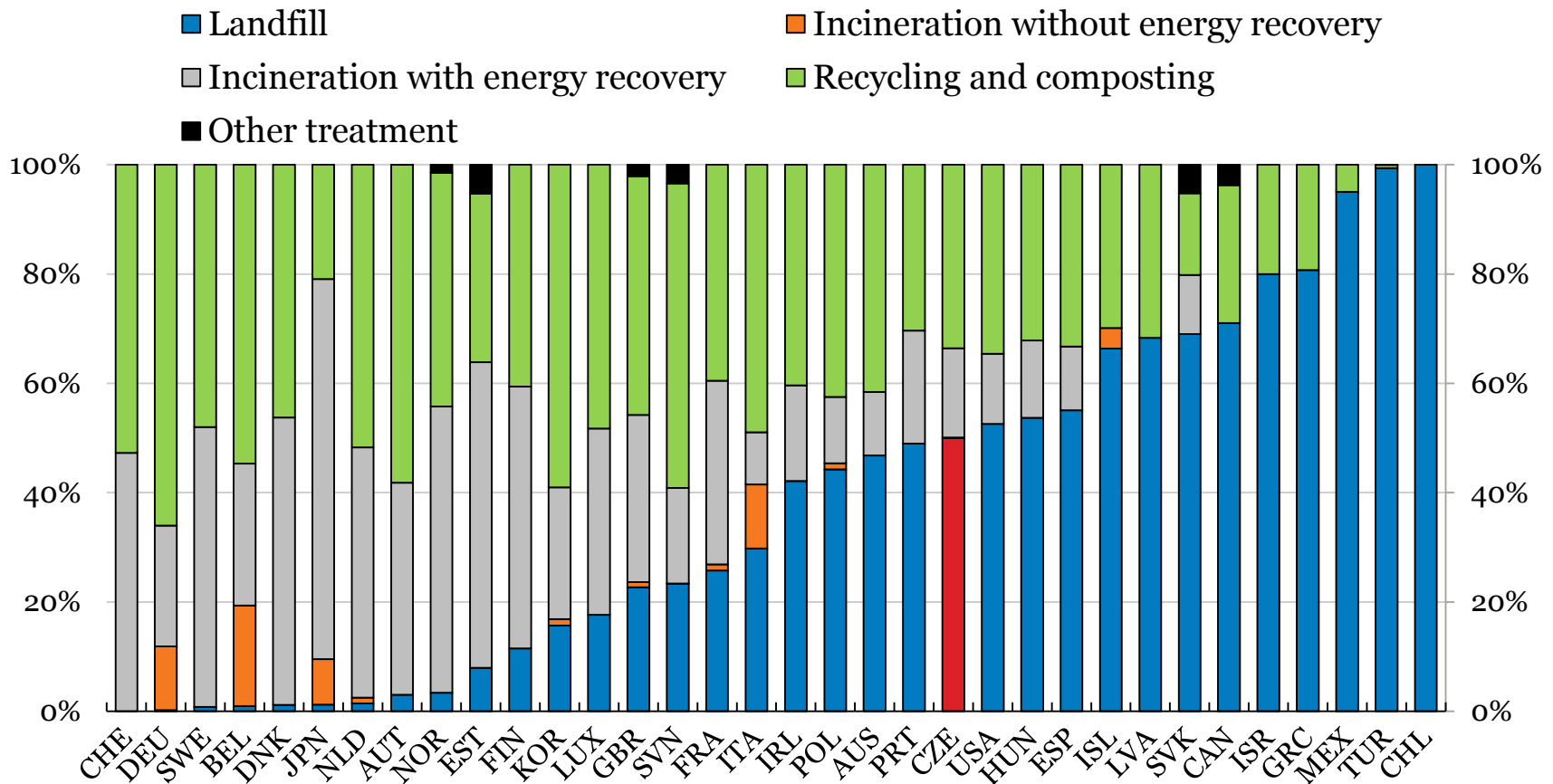
Note: Data have been updated after the finalisation of the publication.

Source: OECD (2018), *OECD Environment Statistics (database)*.



Waste recovery is progressing but landfilling remains the main treatment method

Municipal waste management, by type of treatment, 2015



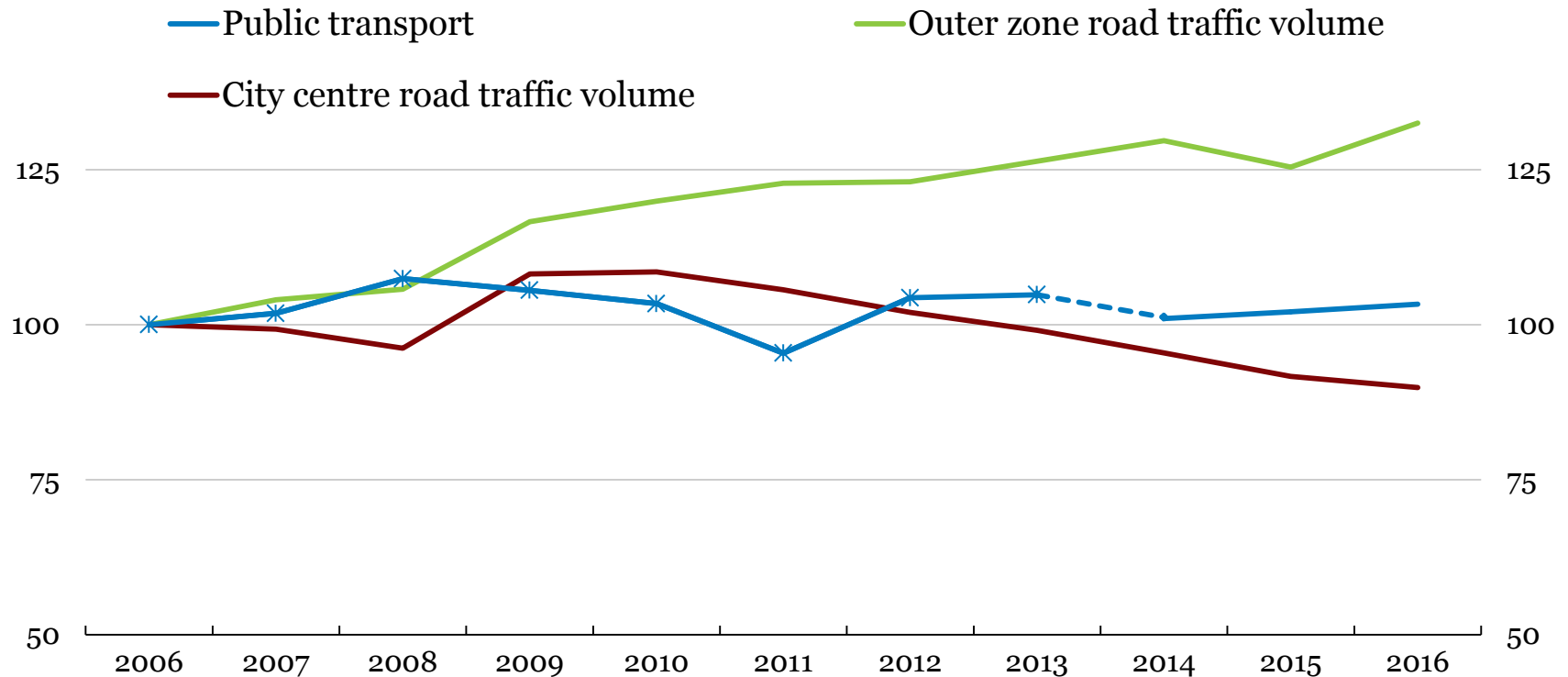
Notes: Data refer to the indicated year or to the latest available year. They may include provisional figures and estimates. Household and similar waste collected by or for municipalities, originating mainly from households and small businesses. Includes bulky waste and separate collection. For the specific country notes see the source database.

Source: OECD (2017), "Municipal waste", *OECD Environment Statistics (database)*; CZSO (2017) Generation, recovery and disposal of waste.



Car traffic volume is growing in Prague's outer zone

Passenger transport in Prague, 2006=100



Note: Public transport: index based on the number of passengers transported; break in time series in 2014. Traffic volume: index based on the number of vehicles over the 24 hours of an average workday. City centre delineated at Petřín in the west, Letná in the north, Riegrovy sady in the east and Vyšehrad in the south (the Strahov and Mrázovka tunnels lie outside the central cordon). Outer zone: volume of traffic at the entrances of the main roads and motorways into the continually settled area of the city.

Source: City of Prague (2006-17), *Prague transport yearbook*.



Key recommendations 1

Towards Green growth

- Strengthen political commitment to a low-carbon economy and align the State Energy Policy with the Paris Agreement objectives
- Introduce a carbon component in energy product taxation to reflect the climate costs of energy use outside the EU ETS
- Increase the share of permits auctioned under the EU ETS and establish a stable support framework for renewables development
- Tighten environmental criteria of vehicle taxes to promote fleet renewal towards cleaner vehicles and extend distance-based charging to address air pollution and congestion



Key recommendations 2

Improving waste management

- Speed up the adoption of the new Waste Act
- Harmonise the national waste management information system and official statistics on waste and materials
- Review waste-related taxation in line with the waste hierarchy
- Ensure that municipal waste fees cover the full costs of service provision

Promoting compact cities for sustainable development

- Use a functional rather than administrative approach in delimiting metropolitan areas
- Adopt a compact, co-ordinated, connected urban development model
- Link urban transport solutions to housing and land use planning to improve mobility and reduce air pollution
- Promote the development of brownfield sites



For more information

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