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INVEST

FOREIGN DIRECT INVESTMENT

According to UNCTAD's [World Investment Report 2023](#), FDI inflows to the Czech Republic increased to USD 9.8 billion in 2022 from USD 9 billion the year before (+8.9%). In the same period, the total stock of FDI stood at USD 202.6 billion (around 69.8% of GDP), and the country continues to rank among the largest recipients of FDI inflows into Central Europe. EU member states are the most important foreign investors in the Czech Republic: according to the latest available data by the Czech National Bank, the largest investors in the country are the Netherlands (17.5%), Luxembourg (15.4%), Germany (14.5%), Austria (10.1%), France (7.1%), and Cyprus (4%). In terms of economic activity, the financial and insurance sector accounts for 27.1% of the total inward FDI stock, followed by manufacturing (26.1%), real estate (14.9%), wholesale and retail trade (8.8%), and professional, scientific and technical activities (5.6%). Concerning the geographical location of investment, the capital Prague has the highest share of stock of FDIs (more than 60%), ahead of Central Bohemia and Moravia-Silesia. Data by the OECD shows that FDI inflows to the country stood at USD 6 billion in the first semester of 2023, compared to USD 2.6 billion in the same period one year earlier.

According to the Government Agency for Foreign Direct Investment, the Czech Republic ranks first among central and eastern European countries in terms of FDI stock and per capita inflows. This is due to the introduction of investment incentives, the presence of skilled and inexpensive labour, and the geographical advantages of the Czech Republic, such as its location in the heart of Central Europe. Since 2021, the Czech Republic introduced a new FDI screening mechanism in line with the EU guidelines. Under the new law, any non-EU investor must obtain a permit before acquiring more than 10% of the shares or voting rights of a company operating in a sector that is sensitive to the country's safety or its internal or public order (e.g. energy, gas, heat and water management, food and agriculture, healthcare, transportation, communication and IT systems, financial markets, emergency services and public administration, military material, etc.). Incentives are available for foreign investments that require R&D activities and that create jobs for university graduates, as well as in certain specific sectors (e.g. aerospace, information and communication technology, life sciences, nanotechnology and advanced segments of the automotive industry). The Czech Republic is ranked 27th out of 82 countries in the Economist Business Environment ranking and 18th out of 63 in the [World Competitiveness Ranking](#), as well as 31st among the 132 economies on the [Global Innovation Index 2023](#) and 24th out of 184 on the [2023 Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	9,411	9,051	9,853
FDI Stock <i>(million USD)</i>	195,240	200,468	202,679
Number of Greenfield Investments*	57	113	90
Value of Greenfield Investments (million USD)	2,595	3,472	2,174

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Czech Republic	Eastern Europe & Central Asia	United States	Germany
Index of Transaction Transparency*	2.0	7.5	7.0	5.0
Index of Manager's Responsibility**	6.0	5.0	9.0	5.0
Index of Shareholders' Power***	9.0	6.8	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN THE CZECH REPUBLIC

Strong Points

Advantages for FDI in the Czech Republic:

- The Czech Republic is a member of the EU but not of the euro zone
- The country's central bank is strong and independent and regulates a stable currency. This gives the country excellent access to the European market as well as positive and stable international relations
- A stable banking sector that has shown resilience to recent crises
- Public spending at a satisfactory and controlled level
- One of the lowest unemployment rates of Europe creates an optimum and healthy business environment.
- The country's long history of industrial production (the sector continues to have great potential)
- The quality of its labour force (at high intermediate cost)
- Central geographic location.

See the [Doing Business Report 2020](#) for more information on the business environment in the Czech Republic (which ranks 41st out of 190 economies).

Weak Points

Disadvantages for FDI in the Czech Republic:

- The economy of the Czech Republic is highly dependent on the level of exports and the inflow of foreign investment, which makes it particularly vulnerable in times of crisis
- The country's euroscepticism and the lack of interest in adopting the euro can discourage some European entrepreneurs in the long run and make the country less competitive
- The country has experienced political tensions, which may jeopardise its stability in the eyes of potential entrepreneurs
- Legislative and judicial reforms are slow to materialise; this can be explained by a political history made of governmental coalitions.
- The shortage of labour and the ageing of the population also constitute a significant obstacle to the country's development and limit the country's ability to meet production requirements

- The automotive sector occupies a large share of the economy.

Government Measures to Motivate or Restrict FDI

In order to reduce the dependence of the Czech market on its European trading partners (mainly Germany), the government has undertaken reforms to diversify the country's export opportunities and the structure of its export market as well as of its economic fabric. To support these changes an export strategy (2012-2020) targeting fast-growing emerging markets and a strategy to improve competitiveness (launched in 2011) have been implemented. The Czech Ministry of Industry and Trade and CzechInvest, the investment development agency, previously launched the "Welcome Package" initiative and now offer [visa support](#) to make immigration procedures as easy as possible for foreign investors who require residence and work permits in the Czech Republic.

Moreover, the Czech government has put in place an economic program based on the promotion of entrepreneurship and the modernisation of public administration (so that it is more functional and transparent). As concrete consequences, this has for example made it easier to obtain public funding in the fields of science, research and innovation.

In 2019, the government made significant changes to the Act on investment incentives, eliminating incentives for investments targeting low-skilled labor growth, restricting incentive payments to primarily high value-added investments that focus on R&D and create jobs for university graduates.

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

AI and digital, ecotech, life sciences, aerospace, mobility, engineering.

For further information, consult the section "Key Sectors" on the [CzechInvest](#) website.

High Potential Sectors

Information technologies, Software development, Life sciences; as the Czech government has taken strides in recent years to diversify its traditional investments in engineering into new fields of research and development and innovative technologies.

Privatization Programmes

No privatization program is currently underway, as the vast majority of the Czech economy is now in private hands following the privatization waves that started in the 90s.

Tenders, Projects and Public Procurement

[TED - Tenders Electronic Daily](#), Business opportunities in the EU

[DgMarket](#), Tenders Worldwide

[Czech Tenders](#), Tenders in Czech Republic

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

None.

Sectors in Decline

Textile industry

Finding Assistance For Further Information

Investment Aid Agency

[Czech Invest \(Business and Investment Development Agency\)](#)

Other Useful Resources

[Doing business in the Czech Republic Database \(ICAEW\)](#)

[List of regional investment offices](#)

Doing Business Guides

[World Bank's Doing Business - Czech Republic](#)