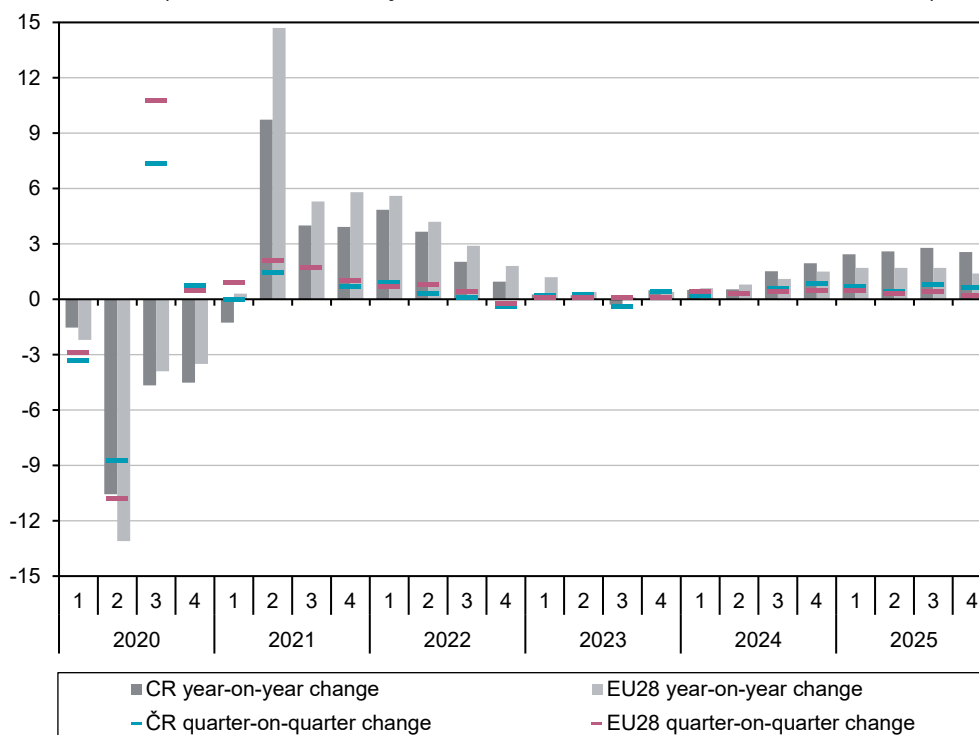


2. Overall Economic Performance

Growth of the Czech economy strengthened last year.

The Czech economy maintained solid growth in 2025 that had already begun at the end of 2024 despite uncertainties in global trade and ongoing geopolitical instability, and the gross domestic product (GDP)¹ increased by 2.6% in real terms. The Czech economy was driven mainly by the domestic side of demand, especially consumption. Nevertheless, capital expenditure also played a positive role – the positive effect of the change in inventories was complemented by a revival of investment activity. The international trade balance had rather neutral effect, as significant real growth of exports was accompanied by a significant increase of imports. The Czech economy grew by 0.6%, quarter-on-quarter, in Q4 2025, thus continuing a series of solid gains lasting since Q3 2024. Year-on-year, the GDP increased by 2.6%. Consumption of households and general government increased both quarter-on-quarter and year-on-year at the end of 2025, and investment also grew. The development of the international trade balance also contributed to the increase of GDP. On the contrary, inventories had a negative impact on year-on-year and quarter-on-quarter GDP growth.

Chart 1 GDP (volume indices, adjusted for seasonal and calendar effects, in %)



Source: CZSO, Eurostat

The GDP growth was stronger in the European Union last year than in previous years.

Gross domestic product grew by 1.5% in the EU for the whole year 2025 and the increase strengthened compared to the previous year. Consumption was higher and investment expenditure turned from decline to growth. On the contrary, the international trade balance had a negative effect on GDP growth in the EU last year. GDP increased the most in Ireland (12.3%), Malta (4.0%) and Cyprus (3.8%). The economies of Finland (0.2%), Germany (0.2%) and Hungary (0.4%) recorded a very weak growth last year. The GDP grew by 0.2%, quarter-on-quarter, in the EU in Q4 alone and by 1.4%, year-on-year. Investment and consumption supported the quarter-on-quarter GDP growth in the EU in Q4. In contrast, the change in inventories had an adverse effect, similarly to the balance of international trade. Majority of EU economies grew, quarter-on-quarter,

¹ The development of the GDP, gross value added, and their components is expressed with the help of the volume indices (i.e. adjusted for changes in prices) and adjusted for seasonal and calendar effects. Data are valid as of 3rd March 2026.

in Q4 2025, led by Malta (2.1%), Lithuania (1.7%), Croatia and Cyprus (both 1.4%). Significant quarter-on-quarter GDP downturns were reported in Ireland (-3.8%) and Romania (-1.9%). In addition, GDP fell by 0.1% in Estonia and Luxembourg. The German economy, which is crucial for the development of the entire Central European region as well as several other trading partners in the EU, recovered by 0.3%, quarter-on-quarter, at the end of the year. Among the Central European countries, Poland grew the strongest in Q4 (1.0%, quarter-on-quarter), followed by the Czech Republic (an increase of 0.6% placed us above the EU average). GDP fell only in Romania, year-on-year, in Q4 (-1.5%). The weakest growing Finland emerged from the decline (0.3%), Germany recorded its fourth year-on-year growth in a row (0.4%) and Hungary had a 0.6% higher GDP. The increase was also below 1% in Austria, Italy, Estonia and Slovakia. On the contrary, GDP grew the most, year-on-year, in Malta (6.4%), Cyprus (4.5%) and Poland (3.6%).

Real wage growth strengthened last year.

The volume of wages and salaries paid in 2025 went up by 7.9%, with an increase of employment by 1.1%². The growth strengthened compared to the previous year. Real wage and salary growth reached 4.8%³ in 2025 and was the most significant since 2018. Wages and salaries paid grew across the economy, but the dynamics varied considerably in individual sections, as did the shifts of total employment. Wages and salaries increased the most in real estate activities last year (16.5% with an increase of employment by 2.6%), in professional, scientific, technical and administrative activities (11.8%, employment 1.3%) and construction (10.2%, employment 2.5%). Wages and salaries grew noticeably also in other branches of services, except for financial and insurance activities (4.8% given a 0.2% decline of employment) and employment also increased here. Wages and salaries increased by 8.4% (employment by 1.0%) in the group of economic activities trade, transport, accommodation and restaurants, by 8.4% in public administration, education, and social work (employment by 1.8%), by 7.9% in other activities⁴ (employment by 4.2%) and by 7.8% in information and communication (employment by 0.5%). In contrast, the slump was evident in industry, where wages and salaries paid increased by 5.1%, while employment fell by 0.3%.

The end of the year brought an acceleration of wage and salary growth.

Year-on-year growth of wages and salaries paid strengthened to 8.8% in Q4 alone (with employment growth of 1.0%), the highest since Q2 2023. Quarter-on-quarter, wages and salaries increased by a significant 2.7% and employment remained the same. In real terms, wages and salaries increased by 6.1%⁵, year-on-year, and by 2.2%, quarter-on-quarter, in Q4. Quarter-on-quarter, wages and salaries increased the most in other activities (6.9%, employment by 4.5%), in real estate activities (4.2%, employment by 5.1%) and in public administration, education, human health and social work activities (3.8%, employment was unchanged). The quarter-on-quarter increase of paid wages and salaries was slightly below the total average in construction, trade, transport, accommodation and food service activities and in information and communication (both 2.3%, in the last two the slight growth was also due to a decline of employment). Wage growth rebounded after a weak Q3 (2.3% with almost unchanged employment) in industry. Quarter-on-quarter decline of wages and salaries was recorded only in financial and insurance activities (-0.8%, employment -1.2%). Wages and salaries were raised the most, year-on-year, in real estate activities (15.2%), in professional, scientific, technical and administrative activities (12.6%) and in construction (11.2%). On the contrary, wage and salary growth was weak in financial and insurance activities

² Employment data are in the national accounts conception (persons), figure seasonally adjusted.

³ Converted into the real expression using the deflator of household consumption.

⁴ This section contains activities of organisations of common interests, repairs of computers and mainly personal and household goods and a number of other personal services (beauty, hairdressing treatment etc.).

⁵ If we do not count the extraordinary increase from Q2 2021 affected by covid, then the most since Q2 2018.

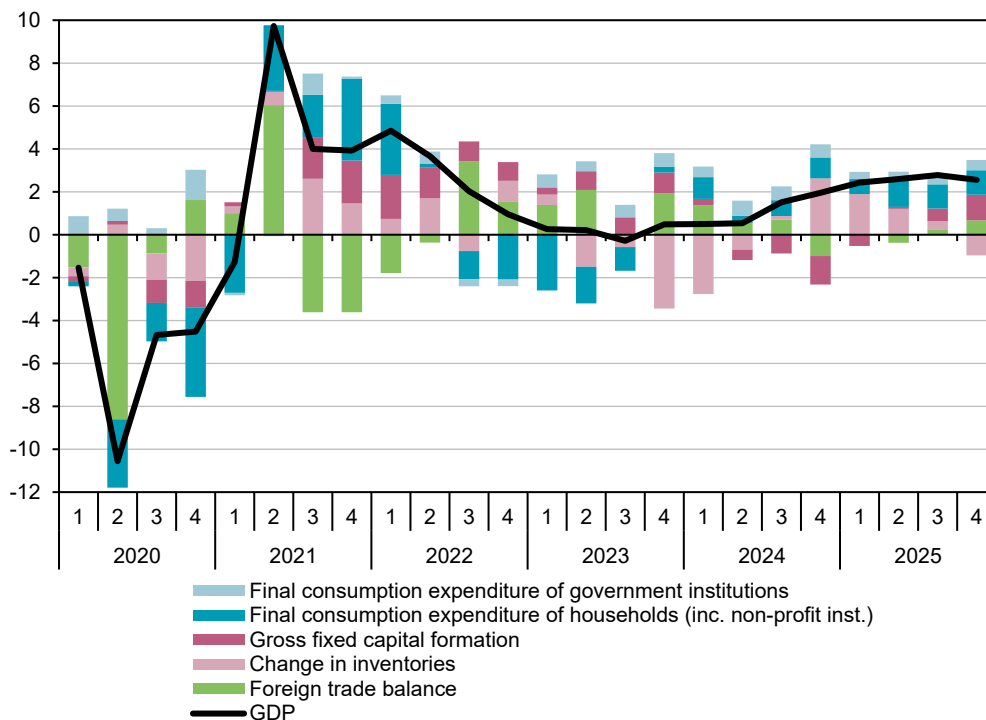


(3.9%) and, despite the acceleration, wage growth also remained below average in industry (6.0%).

Household consumption grew significantly.

Final consumption expenditure increased by 2.8% in real terms for the whole year 2025. Household consumption strengthened significantly (3.0%) and, conversely, growth of government expenditure weakened (2.2%) last year, thus resulting in a total increase of consumption similar to year 2024. An insight into consumption trends in terms of durability⁶ shows that there was a strengthening of growth of expenditure on long-term (1.0%), medium-term (2.1%) and short-term consumption (3.8%) last year. The dynamics of consumption of services remained stable (2.8%). After a weaker Q3, consumption increased by a significant 1.2%, quarter-on-quarter, in the final quarter of the year, mainly due to a recovery for households (1.3%). Consumption was 3.0% higher, year-on-year, in Q4 (households 3.2%, general government 2.5%). Quarter-on-quarter (1.9%) and year-on-year (4.2%) growth of services consumption strengthened at the end of year 2025. Short-term consumption also contributed to the quarter-on-quarter increase of household consumption (0.9%, 3.1%, year-on-year). Consumption of durable goods increased only slightly, quarter-on-quarter (0.2%; 2.3%, year-on-year) and consumption of semi-durables decreased (-0.7%; 2.1%, year-on-year).

Chart 2 Contribution of expenditure items to real GDP change* (volume indices, year-on-year growth, contributions in p.p., GDP in %)



Source: CZSO
* after exclusion of exports for final use

The growth of investment activity was mainly supported by expenditure on constructions.

Expenditure on gross capital formation increased by 4.3% in real terms in 2025 after two deep downturns in 2023 and 2024. The level of capital expenditure has been crucially influenced by changes in inventories since year 2020, and last year was no exception. Expenditure on gross fixed capital formation (investment activity) increased slightly by 2.0% last year and contributed 0.3 p. p.⁷ to total GDP growth last year. Change in

⁶ Data regarding consumption based on durability are in domestic conception.
⁷ Additions to the GDP change after exclusion of imports for final use.

inventories contributed 0.6 p. p.⁸ to the annual GDP growth. Investment in other buildings and structures (7.1%) and dwellings (2.1%) increased the most last year, which corresponded to the recovery observed in construction. On the contrary, expenditure on ICT and other machinery and equipment and intellectual property products was rather stagnant (both areas increased by 0.6%). Investment in transport equipment shrank (-4.0%). Expenditure on gross capital formation decreased by 1.3%, quarter-on-quarter, in Q4 2025 alone, mainly due to a change in inventories, as investment itself was higher by 1.7%. This represented the most significant revival since the beginning of 2023. Expenditure on gross capital formation increased by 1.5%, year-on-year, of which investment activity was higher by 5.3% in real terms. The strengthening of quarter-on-quarter investment growth was mainly supported by expenditure on intellectual property products (5.7%, up 2.5%, year-on-year), on ICT and other machinery and equipment (2.6%, 2.2%, year-on-year) and on transport equipment (1.6%, down 2.2%, year-on-year). On the contrary, investment into dwellings (-0.3%, up 9.3%, year-on-year) and other buildings and structures (-0.2%, up 10.6%, year-on-year) fell for the first time in the year, quarter-on-quarter.

Exporters fared well, but imports also strengthened, thus the international trade balance did not contribute significantly to GDP growth.

In 2025, there was a significant recovery of international trade⁹. Exports of goods and services increased by 4.1% in real terms (after growing by 1.1% in 2024). Mainly exports of goods (4.1%) contributed to the strengthening of dynamics, while the increase weakened to 4.2% for services. Imports increased by 5.2% in real terms last year (goods 5.6%, services 3.5%). Year-on-year growth of exports of goods and services accelerated to 5.1% in Q4. Especially the growth of exports of goods strengthened again (5.5%). Total quarter-on-quarter growth of exports remained stable (0.8%), nevertheless a sharp recovery (1.9%) occurred in the case of exports of goods alone, while services plunged (-4.2%). Imports increased by 5.3%, year-on-year, in Q4 and by 0.6%, quarter-on-quarter. Trade in goods strengthened also on the import side at the end of the year (6.2%, year-on-year, 1.5%, quarter-on-quarter). The balance of international trade of goods and services reached a surplus of 504.2 bn CZK in 2025, which was almost the same result as in the previous year (503.3 bn CZK). Since the decline of the surplus of trade in goods (-19.4 bn CZK to 397.7 bn CZK) was offset by an improvement in the positive balance of trade with services by 20.2 bn CZK to 106.4 bn CZK. The balance of international trade in goods and services reached a surplus of 133.9 bn CZK (+9.5 bn, year-on-year) in Q4 2025 alone. Both the balance of trade in goods (+3.8 bn CZK) and services (+5.7 bn) improved.

Services prospered last year.

Gross value added (GVA) increased by 2.8% in real terms last year. The services sector, in particular the weight-important group of economic activities trade, transport, accommodation and food service (GVA growth by 4.1%), as well as dynamically developing information and communication (7.8%), contributed significantly to the GVA growth. The diverse branch of other activities also performed well (5.4%). After a decade of stagnation and decline, a significant recovery also manifested in construction (6.8%) in 2025. On the contrary, industry followed up on the 2024 GVA decline last year with only a slight increase of 1.5%, of which there was an increase of 1.3% in manufacturing. Growth of GVA in professional, scientific, technical and administrative activities (1.7%), public administration, education, human health and social work activities (1.5%), real estate activities (1.2%) and financial and insurance activities (0.7%) was also mild.

⁸ Change of the inventory stock (in current prices and not seasonally adjusted) attained +27.0 bn CZK in year 2025, compared to -24.0 bn in year 2024. Inventories increased especially in the first three quarters of the year. In Q4 2025, the change of inventories amounted to -67.9 bn CZK compared to 64.6 bn CZK in Q3 and -63.4 bn in Q4 2024.

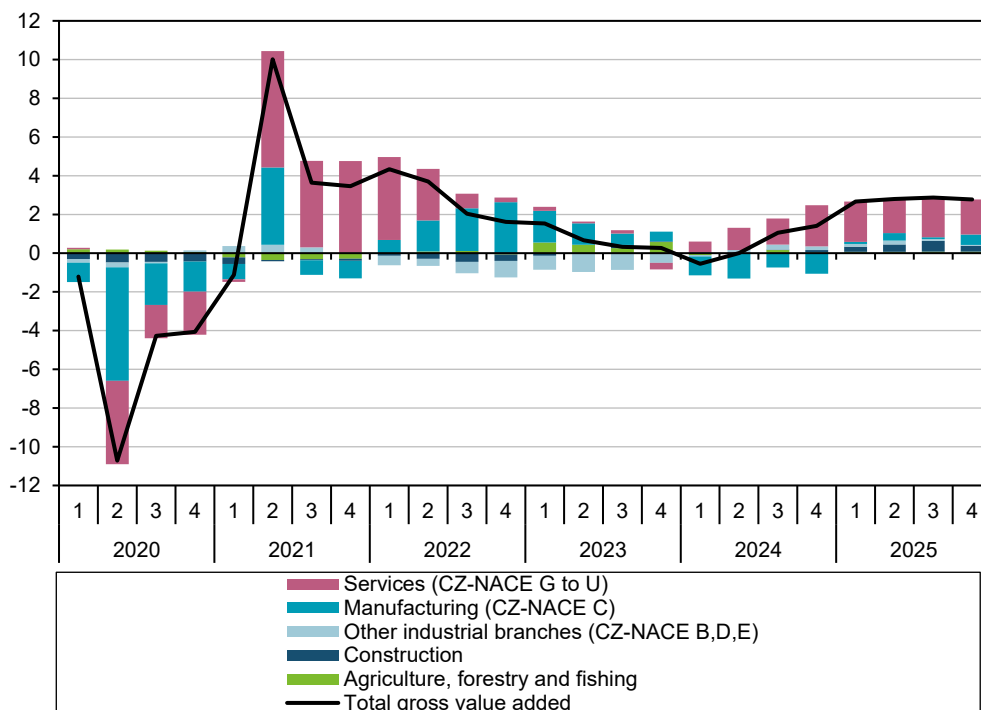
⁹ According to the methodology of quarterly national accounts (export and import in FOB/FOB prices). International trade balance in current prices and seasonally adjusted.



The end of the year brought a recovery in industry.

Gross value added increased by 2.8%, year-on-year, and by 0.5%, quarter-on-quarter, in Q4 2025 alone. Strong year-on-year growth was maintained by information and communication (7.7%), as well as by the group of activities trade, transport, accommodation and food service (4.4%) and other activities (5.6%). A noticeable recovery of year-on-year GVA growth (2.5%) occurred in manufacturing at the end of the year. In contrast, construction maintained an above-average GVA growth (5.6%), nevertheless the pace weakened significantly compared to the previous two quarters. The rest of the services sector sustained a slight year-on-year increase in Q4, with the exception of financial and insurance activities, where GVA was lower by 1.2%. Quarter-on-quarter GVA growth was crucially supported by a new impetus in manufacturing in Q4, where the GVA grew by 2.2%, quarter-on-quarter, after four quarters of stagnation. A significant quarter-on-quarter increase of GVA was also recorded in financial and insurance activities (2.7%). On the contrary, after a successful development observed since Q3 2024, construction lost its breath in Q4 2025 and GVA fell by 3.3%, quarter-on-quarter. The rest of the economy experienced a rather moderate development in Q4 – GVA increased by 0.7% in professional, scientific, technical and administrative activities, by 0.6% in the group of economic activities trade, transport, accommodation and food service, by 0.5% in other activities and by 0.4% in information and communication. From the point of view of GVA, public administration, education, human health and social work activities stagnated, quarter-on-quarter, and decline was recorded in real estate activities (-0.3%).

Chart 3 Contributions of branches to real change in GVA (volume indices, year-on-year contributions in p. p., GVA in %)



Source: CZSO