

# **THE CZECH ECONOMY DEVELOPMENT**

**Year 2024**

Summary Data on the Czech Republic

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Main source of data in the whole analysis: Czech Statistical Office (CZSO), Ministry of Finance (MF CR), Czech National Bank (CNB), Ministry of Labour and Social Affairs (MLSA), Czech Social Security Administration (CSSA), Eurostat, CZSO calculations.  
Latest information provided in this report has been dated the 13<sup>th</sup> of March 2025.

# 1. Summary

- The Gross domestic product (GDP) grew by a total of 1.0%<sup>1</sup> in 2024. In particular, the consumption strengthened and, conversely, investment activity decreased. In Q4, the year-on-year GDP growth strengthened to 1.8% and the economy grew by 0.7%, quarter-on-quarter. Domestic consumption continued to recover and the change in inventories had a positive effect. However, both year-on-year and quarter-on-quarter growth was hampered by investment activity and foreign demand also had a significant negative effect, year-on-year. Gross domestic product grew by 1.0% in the EU in 2024. The GDP grew by 1.4%, year-on-year, and by 0.4%, quarter-on-quarter, in the EU in Q4. The German economy, which has been declining already six quarters in a row, year-on-year, continued to fall. On the contrary, Poland grew strongly within the Central Europe. After a longer time, the Czech economy is growing faster than the EU average.
- The gross domestic value (GVA) increased by 0.3% in 2024. The development for the whole year was characterised by a weak performance of manufacturing, where the GVA decreased by 1.6%. This was offset by the services branches boosted by revived consumer demand. The total GVA increased by 1.1%, year-on-year, in Q4. The highest growth was recorded in financial and insurance activities, other service activities, group of economic activities of trade, transport, accommodation and food service and information and communication. In contrast, the GVA in industry fell by 2.2%. In quarter-on-quarter terms, the GVA stagnated in Q4. Although manufacturing recorded a quarter-on-quarter recovery, the GVA fell in industry as a whole. Growth was recorded on the other hand in real estate activities, other activities or in group of economic activities of trade, transport, accommodation and food service.
- Exports of goods and services increased by 1.5%<sup>2</sup> last year and imports by 0.7%. The international trade balance of goods and services at current prices reached a total surplus of 525.6 bn CZK, which thus enlarged by 141.2 bn CZK, year-on-year, mainly due to an increase of the surplus of trade with goods. Sale of motor vehicles, electrical equipment and oil and natural gas contributed the most to this improvement. On the contrary, the balance of trade with coke and refined petroleum products and basic metals deteriorated.
- Total price level (gauged by the GDP deflator) increased by 3.9% in 2024. In Q4, it increased by 3.7%, year-on-year, and by 0.3%, quarter-on-quarter. Consumer prices were higher by 2.4% last year. Their year-on-year growth accelerated to 2.9% in Q4 and increased by 0.1%, quarter-on-quarter. Food prices started to rise, year-on-year, and housing and energy price growth strengthened. Transport prices rose less. The growth of both catalogue and realised prices of dwellings strengthened. Industrial producer prices rose by 0.8% in 2024. Agricultural producer prices fell by 5.9% last year, but in Q4, they rose by 5.0%, year-on-year, for the first time since Q1 2023.
- The monetary policy-relevant interest rates have fallen significantly over the year. Interest rates on most types of client deposits also decreased along with them. The growth of the volume of credit provided strengthened at the end of the year. In new mortgage contracts, most of the negotiations comprised of new terms of existing contracts.
- Total employment<sup>3</sup> grew by 0.3% last year. In Q4, it was 0.2% higher, year-on-year, and decreased by 0.1%, quarter-on-quarter. The total unemployment rate fluctuated below 3% for most of year 2024. The average gross monthly nominal wage reached 46,165 CZK in 2024 and increased by 7.1% in nominal terms and by 4.6% in real terms. In Q4, the average wage increased by 7.2%, year-on-year and reached 49,229 CZK. In real terms, the average wage strengthened by 4.2%. The quarter-on-quarter nominal increase of the average wage amounted to 1.7%.

<sup>1</sup> Data regarding the GDP, gross value added and their components are expressed in constant prices and adjusted for seasonal and calendar effects.

<sup>2</sup> According to the methodology of quarterly national accounts (export and import in FOB/FOB prices).

<sup>3</sup> Employment data are in the national accounts conception and adjusted for seasonal effects.



- The state budget ended with a deficit of 271.4 bn CZK last year. The deficit decreased by 17.1 bn CZK compared to 2023. Especially the growth of expenditure moderated. The need for extraordinary expenditure for households as well as firms hit by the effects of high inflation gradually receded and the previously approved consolidation package and changes to the budgetary allocation of taxes became apparent. On the other hand, the persisting weak economic growth dampened the revenue side of the budget.

## Selected Key Indicators of the Economic Development\*

Indicator	Unit	2023	2024				Whole year	
		4q	1q	2q	3q	4q	2023	2024
Economic Performance								
Gross Domestic Product in the CR <sup>1</sup>	y/y, in %	0,1	0,3	0,5	1,4	1,8	0,1	1,0
	q/q, in %	0,3	0,3	0,3	0,6	0,7	x	x
Gross Domestic Product in the EU <sup>1</sup>	y/y, in %	0,4	0,6	0,8	1,1	1,4	0,4	1,0
Final consumption expenditure <sup>1</sup>	y/y, in %	0,9	2,2	2,0	3,0	3,2	-0,9	2,6
Gross fixed capital formation <sup>1</sup>	y/y, in %	2,3	-0,5	-1,5	-0,8	-2,4	2,7	-1,3
Exports of goods and services <sup>1,3</sup>	y/y, in %	0,9	0,3	0,5	4,0	1,3	3,1	1,5
Imports of goods and services <sup>1,3</sup>	y/y, in %	-4,6	-2,6	-1,3	3,7	3,1	-0,6	0,7
Balance of foreign trade <sup>2,3</sup>	in CZK bn	124,0	137,5	140,8	118,1	129,2	384,4	525,6
Balance of economic sentiment indicator <sup>l</sup>	in p.p.	0,8	1,2	5,3	4,2	4,8	0,8	4,8
Performance in Main Branches								
Industrial production <sup>4</sup>	y/y, in %	-0,7	-0,4	-1,6	0,8	-2,2	-0,8	-0,9
Construction production <sup>4</sup>	y/y, in %	-2,9	-3,6	-4,6	-1,6	3,2	-2,4	-1,4
Sales in services <sup>4</sup>	y/y, in %	-2,2	1,2	2,9	2,8	2,1	-1,6	2,3
Sales in retail trade <sup>4</sup>	y/y, in %	-0,1	3,7	3,9	4,7	5,2	-4,2	4,4
Prices								
Consumer price index	y/y, in %	7,6	2,1	2,5	2,3	2,9	10,7	2,4
HICP in the CR	y/y, in %	8,4	2,4	2,7	2,6	3,1	12,0	2,7
HICP in the EU	y/y, in %	3,4	2,8	2,6	2,4	2,5	6,4	2,6
Agricultural producer prices	y/y, in %	-14,6	-17,2	-10,4	-1,4	5,0	-6,0	-5,9
Industrial producer prices	y/y, in %	0,8	-0,9	1,1	1,2	1,8	5,0	0,8
Service producer prices in the bus. sph.	y/y, in %	4,9	4,5	3,4	3,4	3,7	5,6	3,8
Terms of trade in trade with goods	in %	104,2	102,5	100,6	101,0	101,9	105,3	101,5
Labour Market								
Total employed in the CR <sup>3</sup>	y/y, in %	0,8	0,3	0,2	0,4	0,2	1,0	0,3
General unemployment rate in the CR <sup>5</sup>	in %	2,6	2,7	2,6	2,6	2,6	2,6	2,6
General unemployment rate in the EU <sup>5</sup>	in %	6,1	6,1	6,0	5,9	5,8	6,1	5,9
Average employee wage (nominal)	y/y, in %	7,1	7,3	6,6	7,1	7,2	8,0	7,1
Average employee wage (real)	y/y, in %	-0,5	5,1	4,0	4,7	4,2	-2,4	4,6
Monetary Conditions								
Two week repo rate <sup>6</sup>	in %	6,75	5,75	4,75	4,25	4,00	6,75	4,00
Exchange rate CZK/EUR		24,5	25,1	25,0	25,2	25,2	24,0	25,1
Exchange rate CZK/USD		22,8	23,1	23,2	22,9	23,6	22,2	23,2
State Budget <sup>7</sup>								
State budget balance in the CR	in CZK bn	-108	-105	-74	-3	-90	-289	-271
State debt <sup>6</sup>	in CZK bn	3111	3221	3207	3334	3365	3111	3365

Data source: CZSO, CNB, MF, Eurostat

\* Unless stated otherwise, data relate to the CR.

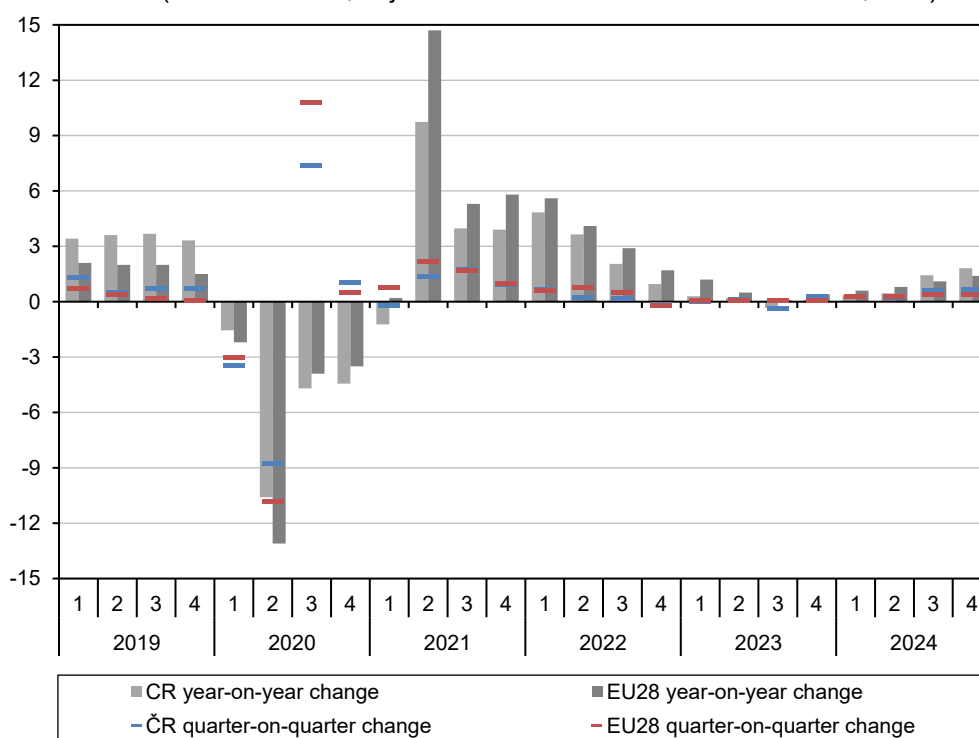
<sup>4</sup> adjusted for seasonal effects<sup>1</sup> data adjusted for seasonal and calendar effects in constant prices<sup>5</sup> seasonally adjusted, age group 15 – 74 years<sup>2</sup> data adjusted for seasonal and calendar effects in current prices<sup>6</sup> balance at the end of period<sup>3</sup> in the national account conception, in natural persons<sup>7</sup> based on treasury fulfilment

## 2. Overall Economic Performance

Czech economy expanded last year.

Gross domestic product (GDP) grew by 1.0% in 2024<sup>4</sup>. The economy thus followed up on the stagnation of 2023 with moderate growth. The higher growth was mainly due to strengthening household and government consumption. By contrast, investment activity lagged behind the 2023 level, and GDP growth was also negatively affected by changes in inventories. The effect of external demand was slightly negative overall. During the year, the annual GDP growth gradually strengthened (0.3%, 0.5%, and 1.4% in Q1 to Q3) to 1.8% in Q4. The year-on-year growth of household consumption strengthened at the end of the year and the change in inventories started to have a positive effect. On the contrary, the investment activity and external demand had an adverse effect on the year-on-year GDP growth. Quarter-on-quarter GDP dynamics strengthened to 0.7% in Q4. Household consumption and change in inventories were higher. Investment and external demand had a slightly anti-growth effect.

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



Source: CZSO, Eurostat

Gross domestic product continued in mild growth in the EU.

The strengthening of the year-on-year GDP growth was also evident in the European Union in the second half of 2024. The GDP increased by 1.4%<sup>5</sup>, year-on-year, in the EU in Q4. At the end of the year, the economic growth was supported mainly by consumption. In the vast majority of countries, the GDP grew, year-on-year, in Q4, the most in Ireland (9.2%), Denmark (4.1%) and Poland and Lithuania (both by 3.7%). In Q4, the GDP lagged behind the level of the same period of year 2023 in Austria (-1.2%), Latvia (-0.4%) and Germany (-0.2%). The year-on-year decline has been going on since Q3 2023 in Germany, and in Austria it has been one quarter longer. The GDP increased by 0.4% in the EU, quarter-on-quarter, and this was also mainly due to the development of consumption here. Most EU countries reported quarter-on-quarter GDP recovery, Ireland (3.6%), Denmark (1.6%) and Portugal (1.5%) the most. According to

<sup>4</sup> 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 2<sup>nd</sup> February 2025.

<sup>5</sup> Figure was not available for Greece and Luxembourg.

available data, a decrease was recorded in Malta (−0.7%), Austria (−0.4%), Finland (−0.2%), Germany (−0.2%) and France (−0.1%). The GDP grew in total by 1.0% in the EU last year and the increase accelerated compared to 2023. According to the available data<sup>6</sup>, the GDP of Malta (6.0%), Croatia (3.8%) and Denmark (3.6%) grew the most last year. On the other hand, five economies declined, Austria (−1.2%), Latvia (−0.4%) and Estonia (−0.3%) the most.

Wages and salaries grew in real terms last year.

The volume of wages and salaries paid increased by 6.4% in 2024 while employment expanded by 0.3%<sup>7</sup>. The nominal increase of wages and salaries was the most modest since year 2020 (if we do not count this extraordinary covid year, then since 2016), but thanks to the slowdown of price growth, the real increase of wages and salaries reached 3.3%<sup>8</sup>, the highest since 2019. The growth of volume of wages and salaries was driven mainly by the services sector, which also contributed to the total slight increase of employment. Wages and salaries increased the most in real estate activities (23.5% with an increase of employment by 1.6%). Professional, scientific, technical and administrative activities (9.6%, employment increased by 0.9%), financial and insurance activities (7.2%, employment +0.5%), information and communication (7.0%, employment decreased by 0.3%) recorded an above-average increase. A significant increase of wages and salaries was evident in the weight significant division trade, transport, accommodation and food service activities (6.8%, employment +1.0%) and in other activities<sup>9</sup> (6.8%, employment +2.0%). Within services, only the volume of wages and salaries in public administration and defence, education, health and social work increased at below average rate (5.8% with an increase of employment by 1.9%). Wages and salaries grew by 5.9% in construction (employment fell by 0.2%) and the volume of wages and salaries grew by only 4.9% in manufacturing, where the reduced employment by 2.0% was instrumental.

Growth of the total volume of wages and salaries paid was supported by the services sector.

The year-on-year growth of the volume of wages and salaries accelerated slightly to 7.1% amid employment growth of 0.2% in Q4. The real increase of wages and salaries amounted to 4.3%. The widening gap between industry and services was apparent in Q4. The year-on-year growth of the volume of wages and salaries slowed to 4.4% (employment fell by 1.6%) in manufacturing. Wages and salaries also grew more moderately in construction (4.7%, employment increased by 0.9%). The dynamics on the contrary accelerated in services. The highest increase of wages and salaries was recorded in real estate activities (37.4%, employment +3.0%), followed by professional, scientific, technical and administrative activities (11.6%, employment +0.3%), financial and insurance activities (8.1%, employment +0.5%) and information and communication (8.0%, employment decreased by 3.5%). The volume of wages and salaries increased by 7.7%, year-on-year, but employment fell by 0.2% in the group of economic activities trade, transport, accommodation and food service activities and a rise of 7.2% was recorded with an increase of employment by 2.5% in public administration and defence, education, health and social work. The quarter-on-quarter growth of wages and salaries also accelerated in Q4 (2.4%, employment decreased by 0.1%). The real increase of wages and salaries reached 1.4%. Wages and salaries increased again more sharply in services (real estate activities by 11.8%, information and communication by 3.3%, trade, transport, accommodation and food service

<sup>6</sup> Without Bulgaria, Greece, Luxembourg, Romania and Slovakia.

<sup>7</sup> Employment data in the national accounts conception (persons), figure seasonally adjusted.

<sup>8</sup> Converted into the real expression using the deflator of household consumption.

<sup>9</sup> This section includes activities of organisations uniting persons for the purpose of advancing their common interests, repairs of computers and personal and household goods and number of other personal services (hairdressing and other beauty treatment etc.).



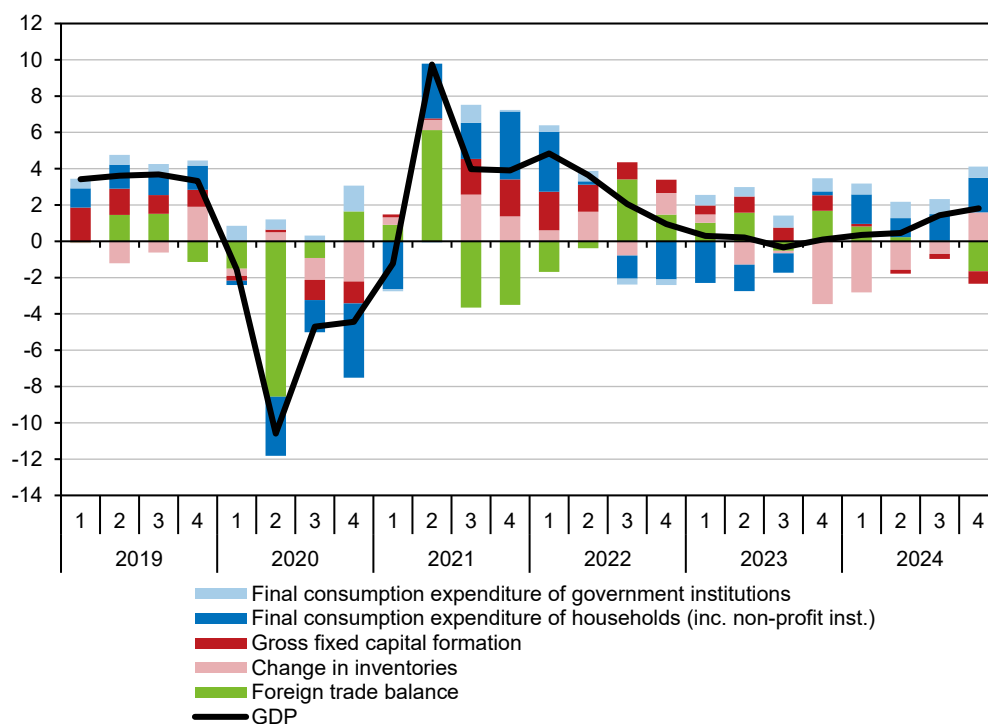


activities by 3.1%). Wages and salaries increased by 1.0%, quarter-on-quarter, in manufacturing and by 0.9% in construction.

Consumption substantially supported the GDP growth last year.

Total consumption increased by 2.6% last year. Growth of household consumption resumed (2.0%) and growth of general government consumption strengthened (3.8%). Total contribution of consumption to GDP growth was thus 2.3 p. p.<sup>10</sup> last year. In terms of durability<sup>11</sup>, the expenditure on non-durable goods increased last year (4.5%) and consumption of services also grew for the fourth year in a row (1.7%). Expenditure on semi-durable goods stagnated and durable goods consumption fell for the third year in a row (−2.8%). In the second half of 2024, the year-on-year consumption growth strengthened, reaching 3.2% in Q4. Household and government consumption increased at the same pace. Consumption contributed 2.5 p. p. to the year-on-year GDP growth. The consumption of non-durable goods (6.1%), services as well as semi-durable goods (0.2%) was higher, year-on-year, in Q4. The decline of durables consumption moderated (−0.6%). In the quarter-on-quarter comparison, the consumption increased by 1.0%. This was solely due to households, while general government experienced a decrease of 0.3% for the first time since Q1 2022. There was a quarter-on-quarter recovery in all consumption segments in Q4 – mostly in semi-durable goods (8.0%), followed by services (2.0%), durable goods consumption (1.1%) and non-durable goods (0.6%).

**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 imports for final use

Investment activity was shrinking last year.

Expenditure on gross capital formation fell for the second time in a row last year, specifically by 4.7%. In total, this component acted by 1.1 p. p. in the direction of a GDP decline. In that, the expenditure on gross fixed capital formation (investment) fell by 1.3% and inventory creation also decreased<sup>12</sup>. Expenditure on dwellings (−1.7%) and ICT and other machinery and equipment (−9.7%) decreased. On the other hand,

<sup>10</sup> Additions to the GDP change after exclusion of imports for final use.

<sup>11</sup> Data regarding consumption based on durability are in domestic conception.

<sup>12</sup> Change in inventories (in current prices and not seasonally adjusted) attained in total -27.6 bn CZK last year and it was +45.5 bn in 2023. It arrived at -79.5 bn CZK in Q4 and it was -89.9 bn in the same period of year 2023.

investments in transport equipment (8.5%), other buildings and structures (1.5%) and intellectual property products (1.1%) were higher. Expenditure on gross capital formation increased, year-on-year, (3.1%) for the first time since the end of 2022 in Q4. This was the result of the effect of a change in inventories, as investment itself fell for the fourth time in a row (−2.4%). The drop of investment concerned ICT and other machinery and equipment (−10.5%), dwellings (−2.0%) and intellectual property products (−0.7%). On the contrary, expenditure on transport equipment (7.3%) and other buildings and structures (1.0%) was higher, year-on-year. The expenditure on gross capital formation decreased by 0.4%, quarter-on-quarter. Investment activity fell by 1.5%. Only expenditure on ICT and other machinery and equipment was higher in the quarter-on-quarter comparison (1.7%). Investment in transport equipment (−4.0%), dwellings (−2.8%), intellectual property products (−2.2%) and other buildings and structures (−1.8%) dropped the most.

External demand slowed GDP growth at the end of the year.

The effect of external demand on GDP growth was slightly unfavourable for the whole year (−0.1 p. p.). While the external demand supported the year-on-year GDP growth in the first half of the year, the combination of a recovery of domestic consumption and a deterioration in export-oriented industries was reflected in a negative effect of external demand on GDP growth towards the end of the year (−1.7 p. p. in Q4). The exports of goods and services<sup>13</sup> increased by 1.5% in real terms for the whole year. Growth of goods exports weakened to 0.6%, while services maintained a solid pace (6.1%). In contrast, the imports of goods and services rose by 0.7%. While imports of goods decreased by 0.7%, imports of services were higher by 7.8%. The balance of international trade with goods and services reached a surplus of 525.6 bn CZK last year. The surplus increased by 141.2 bn CZK, mostly due to trade with goods (an increase of 121.2 bn CZK), but services also contributed (+20.0 bn).

International trade balance attained a substantial surplus.

In Q4 alone, the exports of goods and services increased by 1.3% in real terms, year-on-year. Increase of exports of goods weakened to 0.6% and services to 4.4%. The year-on-year growth rate of imports (3.1%) significantly exceeded the increase in exports in Q4, which was also the reason for the considerably negative effect of external demand on the GDP growth. Imports of goods were higher by 2.0% and services by 8.5%. Although both sides of international trade increased, year-on-year, in Q4, the end of the year brought a decline in exports (−1.5%) as well as imports (−1.8%) from a quarter-on-quarter perspective. The balance of international trade with goods and services reached a surplus of 129.2 bn CZK in Q4, which was a year-on-year improvement of 5.1 bn CZK. The balance of trade with goods and services contributed similarly to this modest improvement.

Gross value added mildly increased last year.

Gross value added (GVA) increased by 0.3%<sup>14</sup> in total in 2024. The development for the whole year featured a weak performance in manufacturing (total GVA decline by 1.6%), which was compensated by services branches boosted by revived consumer demand. The GVA was higher particularly in financial and insurance activities (4.7%), information and communication (2.1%), other activities (1.8%) and in group of economic activities trade, transport, accommodation and food service activities (1.4%), year-on-year.

Services thrived more in Q4.

The GVA increased by 1.1%, year-on-year, in Q4 alone. GVA growth was driven forward by services, while industry as a whole fell by 2.2% and manufacturing itself by

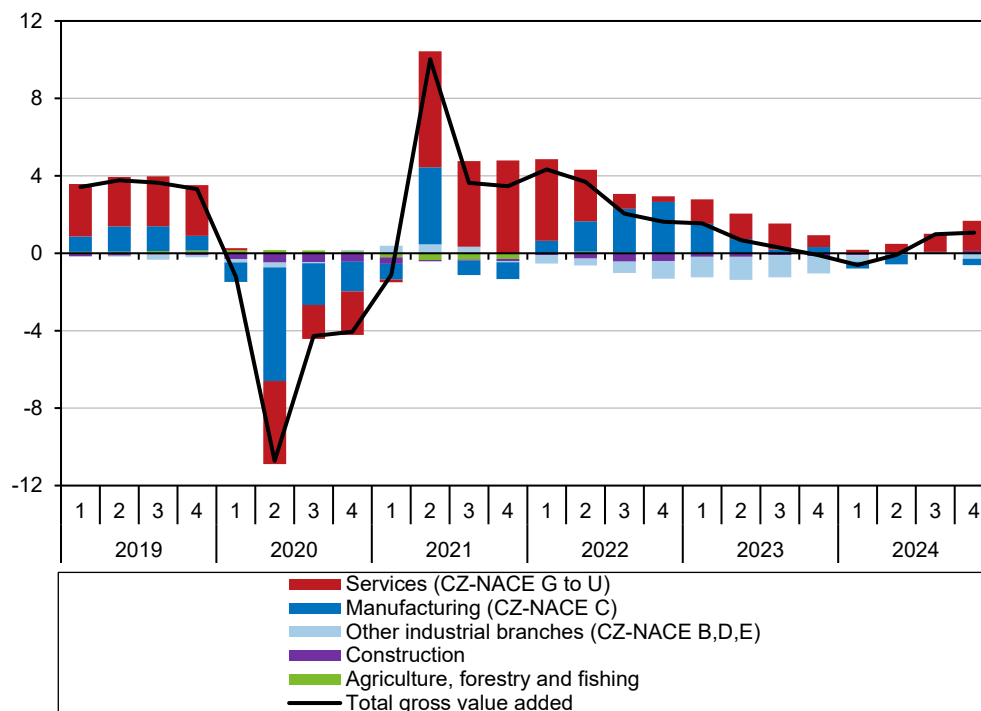
<sup>13</sup> According to the methodology of quarterly national accounts (export and import in FOB/FOB prices). International trade balance in current prices and seasonally adjusted.

<sup>14</sup> The difference between the GDP and GVA dynamics was deepened by rising tax revenues related to the recovery of consumption and a drop of subsidies on the other side, which reflected the electricity price caps in 2023.



1.5%. GVA was higher, year-on-year, in financial and insurance activities (6.1%), in other activities (3.4%), in division trade, transport, accommodation and food service activities (3.0%), information and communication (2.7%) or real estate activities (2.1%). Gross value added also increased in construction (2.4%), year-on-year. GVA increased only slightly, year-on-year, in public administration and defence, education, health and social work activities (1.3%) and professional, scientific, technical and administrative activities (1.2%). GVA stagnated in agriculture, forestry and fishing, year-on-year.

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



Source: CZSO

GVA grew, quarter-on-quarter, in manufacturing as well as several services.

Compared to the previous quarter, GVA did not change in real terms in Q4. The decline was mainly due to the development in industry as a whole (GVA decreased by -1.1% here – while manufacturing grew by 1.0%). GVA also decreased in financial and insurance activities (-1.8%), professional, scientific, technical and administrative activities (-0.3%), and information and communication (-0.1%). On the contrary, there was a significant recovery in real estate activities (2.2%) at the end of the year, GVA grew in other activities (1.1%), in agriculture, forestry and fishing (0.8%), in division trade, transport, accommodation and food service activities (0.4%) and in construction (0.2%). GVA stagnated, quarter-on-quarter, in public administration and defence, education, health and social care.

### 3. Branches Performance

The quarter-on-quarter growth of GVA gradually increased slightly during the last year and it permeated almost all key branches in Q3 2024.

The year-on-year GVA growth narrowed to 0.3% last year. The recession continued in industry. The construction industry has revived slightly. Services – especially finance, trade and tourism-related activities – fared well.

The industry went through a recession last year. Weak external demand and the fading effect of heightened production costs from the energy crisis were reflected.

The economy gradually recovered from the previous mild recession in the course of the last year. While the performance of all branches of the national economy captured by the gross value added (GVA)<sup>15</sup> indicator decreased still more slightly, quarter-on-quarter (–0.1%), in Q1 2024, a slight growth was evident in the following part of the year, driven by most of the main branches of services. The total performance of the branch was less than 2% above the same period of the expansion year 2019 in Q4, however exclusively due to services (especially ICT and finance)<sup>16</sup>.

In total for the whole year 2024, GVA increased only by 0.3%<sup>17</sup> (the least in the last four years). The recession in industry, which thus significantly counteracted economic growth last year (–0.5 p. p.), continued for the second year in a row. Weaker external demand dampened the output of manufacturing, which fell by 1.3%. Apart from the pandemic year of 2020, it represented the worst result since 2012. Other parts of industry (i.e. mainly mining and energy) did not fare well either, the GVA decreased for the third year in a row (by more than 4% last year) there. The primary sector of the economy was also in a slight downturn, reflecting last year's weaker harvest of key crops<sup>18</sup> as well as the lingering decline of wood logging. Animal production faced price fluctuations, nevertheless the situation in terms of production was stabilized here last year<sup>19</sup>. The GVA thanks to favourable weather conditions and solid demand from public contracting authorities increased for the first time after 2018 (+0.4%) in construction. The output increased by 1.2% in the tertiary sector (i.e. services) last year and contributed 0.8 p. p. to the GVA growth in the economy as a whole. Although almost all major tertiary activities benefited from the growth of demand, the performance hiked up significantly only in financial and insurance activities (+4.7%).

The domestic industry has been hit by recession since the beginning of the last year, which stemmed primarily from persisting weak external demand. Not only Germany, but also several other key trading partners of the Czech Republic in the euro area have been struggling with current cyclical or longer-term structural problems. Their traces are also evident in the Czech Republic. Particularly the energy-intensive industries still had difficulty coping with the effects of raised input prices. In addition, the development of a number of other key export sectors was limited by continued weaker investment activity in the economy

<sup>15</sup> Data regarding GVA are expressed in constant prices and adjusted for both seasonal and calendar effects.

<sup>16</sup> GVA exceeded the pre-crisis level by 29% in information and communication, by 15% in financial and insurance activities, and by 6% in business services (professional, scientific, technical and administrative activities). On the contrary, the performance of industry lagged behind Q4 2019 by 6%, the primary sector of the economy by 11% and the construction sector by 16%.

<sup>17</sup> The GVA increased by 1% in the EU last year (the aggregate output of the branch grew more dynamically than in the Czech Republic for the fourth year in a row). In both the EU and the euro area, only services contributed to growth (public services were the most important last year), while performance declined in the entire primary and secondary sectors. The total GVA increased the most in Denmark (+3.9%), Malta (3.8%) and Spain (+3.6%), and within Central Europe in Poland (+2.1%) – the performance of the economy was also supported by industry in these countries. In contrast, the total GVA decreased in five countries – Germany (–0.3%), Latvia (–0.6%) and also in Finland (–0.2%), Estonia (–1.1%) and Austria (–1.4%), where the downturn occurred also in 2023.

<sup>18</sup> Last year's cereal harvest of 7 521 thousand tons was lower in a year-on-year comparison (–5.9%) and against the five-year average (–6.5%) as well. It presents the lowest cereal harvest in the last five years. Spring cereals were more successful, with the exception of spring wheat, while the harvest of winter cereals was significantly lower. The oilseed rape harvest fell by more than a quarter, year-on-year to 947 thousand tons in 2024. Compared to the five-year average, it was 20% lower. The oilseed rape harvest dropped below one million tons for the first time since 2007. On the contrary, the harvest of root crops was higher, year-on-year, last year, mainly due to the expansion of the sowing area and favourable yields per hectare. The harvest was also higher in relation to the five-year average, by 2% for potatoes and by 18% for sugar beet. Most other industrial crops also fared well. Mainly due to the expansion of sowing, the poppy crop (+51%) as well as soybean (+16%) increased, year-on-year. Sufficient rainfall for most of the growing season was positively reflected in a solid harvest of most forage crops (grain maize, clover). The hop harvest decreased compared to the above-average year 2023 (by 7%), and the harvest of both grapes and vegetable production also decreased by a tenth. The frosts in April 2024 affected the fruit harvest. It plummeted by 58%, year-on-year (and was 63% lower than the five-year average). With the exception of peaches and apricots, the year-on-year drop of the harvest concerned all the main types of fruit.

<sup>19</sup> 450 thousand tons of meat were produced in slaughterhouses in the Czech Republic for the whole year 2024. Production increased for the first time in the last three years, by 3.3%, year-on-year. The production volume was comparable to year 2020. Last year's increase was largely due to pork (with a growth by 6.9%), poultry production also strengthened more moderately (+1.1%), while 2% less beef (including veal) was produced. Direct milk purchases from producers increased by 1.7%, thus continuing a similar long-term trend.



related to subdued business as well as consumer confidence, exacerbated by persisting difficulties in the possibilities of credit financing of investments. After a short-term recovery at the end of 2023, which was mainly driven by manufacturers of transport equipment (including their subcontractors), the total industrial production<sup>20</sup> in Czechia decreased again, quarter-on-quarter, in Q1 2024 (−0.5%) and continued in similar tendencies throughout the following part of the last year, as key investment-oriented sectors (especially manufacturing of motor vehicles and engineering) did not provide the necessary growth impulse to industry. Thus the total industrial production lagged slightly behind its peak from the pre-pandemic expansion period (Q2 2019) at the end of the last year (by 2.9%)<sup>21</sup>.

The year-on-year decline of industrial production deepened slightly last year. The entire industry was dragged down the most by engineering, whose output fell by almost a tenth.

The industrial production decreased by 2.2%, year-on-year, in Q4 2024, primarily due to the downturn in sectors focused on capital production. The output of industry decreased by 0.9% for the whole last year and the recession commenced in 2023 thus slightly deepened. The decrease occurred despite the fact that production increased at least mildly in little more than half of all industrial fields (sectors). However, a deeper slump in some export sectors important by weight played a dominant role. This was mainly the case of engineering, whose output fell by 8.4% last year, the most of all manufacturing sectors, and it contributed 0.7 p. p. to the decline of the total industry<sup>22</sup>. Weak demand, especially domestic, manifested here. The slump concerned, for example, the production of pumps, agricultural or metalworking machinery, however lower production in this otherwise quite diversified field could be traced basically across its entire spectrum during the year.

The dynamic development of motor vehicle manufacturing halted last year. Weaker domestic as well as external demand contributed to a downturn of output of its direct subcontractors in the automotive sector.

The key branch manufacturing of motor vehicles, whose production decreased by 1.3% after double-digit growth in 2022 and 2023, also contributed to last year's industry downturn (−0.3 p.p.). This result was likely influenced by the deteriorated position of some direct domestic subcontractors (within the automotive industry), as the final physical production of vehicles itself grew<sup>23</sup>. The current dynamics of this branch in the Czech Republic, as in most of the newer EU Member States, is relatively more favourable<sup>24</sup> compared to the core EU countries. In addition to lower labour costs, the still lower proportion of electric and hybrid cars (their sales are facing difficulties caused by growing Asian competition as well as lower subsidy support in the EU countries) in total car production in newer EU also plays a role. In addition to the automotive industry, the production slump also affected manufacturers of other (mainly rail) transport equipment (−4.6%) last year in the Czechia, mainly due to weaker performance in Q4 2024. Nevertheless, the production has traditionally been volatile in this relatively small sector. It can be assumed based on leading indicators (especially the rapid growth of new domestic orders), that this sector's immediate outlooks are not unfavourable. Sales difficulties in the automotive industry also led to a decline of production in the related sector of manufacture of electrical equipment (−2.1%)

The weakening of demand from motor vehicle manufacturers was also felt by some related industries, especially electrical engineering.

<sup>20</sup> Includes branches of mining and quarrying, manufacturing and also energetics (here as activities of generation and distribution of electricity, gas, heat and air conditioning supply). All year-on-year rates of growth of output are adjusted for calendar effects, quarter-on-quarter rates then also for seasonal effects.

<sup>21</sup> Two-thirds of the main industries lagged behind their peak from time period 2015 to 2019 in Q4 last year – especially those linked to the energy sector (−24%) and those focused on durable consumption production (−19%). At the level of individual sectors, it represented mainly coal mining (by 59%), metal manufacturing, metallurgy and foundry (−32%), textile industry (−23%), footwear and leatherworking industries (−22%), printing (−20%) and energy industry (−20%). Among larger sectors further engineering (−15%), chemical industry (−14%), manufacturing of building materials (−12%) and the rubber and plastic industry (−9%) were also included. On the contrary, production of capital goods (+6%) and non-durable goods (+5%) were currently situated above the pre-crisis level of output. Specifically the individual sectors were primarily the manufacturing of motor vehicles (+15%), pharmaceutical industry (+13%) and other manufacturing industry (+12%), paper (+11%) and food industries (+6%).

<sup>22</sup> It was only the second time in the modern history of the Czech Republic last year, that engineering contributed to the decline of the total industrial production the most of all its fields. The first time this happened was during the global financial crisis in 2009.

<sup>23</sup> According to the Czech Automobile Industry Association, 1.453 mil personal vehicles were manufactured locally in year 2024, by 4% more, year-on-year (and at the same time by 1% more than in the so far record year 2018). This was due to the brisk pace of production at the very beginning of the year and at the end of Q3, while the pace of production weakened in November and December. A year-on-year decline was recorded in the segment of manufacturing of electric vehicles (including hybrid vehicles), which accounted for 10.4% of the total manufacturing of passenger cars last year (12.9% a year earlier). In contrast, the production of most producers of other types of road motor vehicles strengthened (motorcycles, commercial vehicles).

<sup>24</sup> Production in manufacturing of motor vehicles fell by 8.2%, year-on-year, in the whole EU last year (9.1% in the euro area). It fell by about a fifth in Belgium, the Netherlands and Italy, and it also decreased significantly in France (−14%) or Germany (−7%).



last year, which was limited mainly by weaker external demand. On the contrary, the rubber and plastics industries, which are among the more energy-intensive sectors, were already affected by the downturn in years 2022 and 2023, and their performance increased slightly (+0.6%) last year thanks to a slight recovery of demand from the Czech Republic.

The most energy-intensive sectors of metallurgy or mining and quarrying continued in deep decline last year.

The most energy-intensive industries continued to be in deep downturn. The production fell by 7.0% in metallurgy and foundry last year (even by 26.7% in the last three years). Weak both domestic and external demand for steel persisted (mainly in construction, motor vehicle manufacturing or engineering) and the main leading indicators also did not yet indicate a positive turnaround. The pace of dive slowed down compared to 2023 in the long-term declining mining and quarrying last year, nevertheless it still reached 7.4%. The so far key segment of coal mining played a major role in these developments, with production falling by 11.8% (the most of all industries). On the contrary, the mining of building materials revived (+0.4%), thanks to growing demand in the domestic construction industry<sup>25</sup>. The decline of production moderated in the energy industry, reaching 1.5% for the whole of last year (however it was 14.5% in total for the last three years). There was a slight decrease of the electricity generation related to the ongoing decline of the use of coal in steam power plants<sup>26</sup>. At the same time, however, the decline of electricity<sup>27</sup> and gas<sup>28</sup> consumption has effectively ceased as a result of relatively colder weather in the last third of the year<sup>29</sup>. The effect of austerity measures on the consumption side both in businesses and households was also not nearly as significant as in the previous two years, which was also caused by the fact that energy prices had stabilised.

The slump of energy industry performance moderated dramatically last year. The decrease of total consumption of both electricity and gas nearly ceased, in that it has even increased slightly in companies.

Mainly the food industry and most other sectors producing non-durable products counteracted a deeper downturn in industry.

Mainly the sectors focused on the production of non-durable goods counteracted a deeper downturn of the total industrial performance last year. The output increased, year-on-year, in the food industry for the first time in the last three years (+4.0%, contribution to the growth of the whole industry +0.2 p.p.<sup>30</sup>). The beverages manufacturers also benefited from the renewed growth of the purchasing power of domestic households as well as the developing tourism (+4.0%), however unlike the food industry, their production has not yet surpassed the peak of the last pre-pandemic expansion. This also applies to the manufacturing of wearing apparel, whose output growth narrowed due to the weakening domestic demand (especially in H2 2024) for the whole year (+0.6%). On the contrary, the smallest manufacturing sector, leatherworking and footwear industries, thrived, with their output

<sup>25</sup> The output increased by almost a tenth, quarter-on-quarter, in the mining of building materials in Q4 2024 and grew similarly also in the year-on-year comparison (growing for the first time in the last eleven quarters).

<sup>26</sup> According to preliminary data from the Energy Regulatory Office, the total net electricity production (i.e. apart from intermediate consumption, including production losses) reached 69.0 TWh in the Czech Republic last year (the lowest since 2001) and decreased by 3.9%, year-on-year (half less than in 2023). The decrease of the production of steam power plants (-9.8%) was the most noticeable, while a more moderate decline also manifested due to outages at nuclear power plants (-2.4%), which still produced the most of all types of facilities (28 TWh). On the contrary, the development of photovoltaic power plants accelerated, their last year's increase of production (+24%, to 3.6 TWh) can be explained by the increase in their installed capacity. The rainier year 2024 was mirrored in higher hydroelectric power plants production (+12%, to 2.7 TWh).

<sup>27</sup> Net electricity consumption arrived at 58 TWh in the Czech Republic last year (the lowest level since 2009). Its negligible year-on-year decrease in 2024 (-0.6%) was almost exclusively caused by the smaller segment of local consumption (i.e. entities directly connected to the plant) of several larger businesses that suspended operations last year. On the contrary, there was an increase of 1.4% in the category of wholesale customers (of which consumption grew by 5.6% for customers at the very high voltage level – i.e. basically the largest enterprises). Small customers (+0.2%) and households (+1.1%) also consumed slightly more electricity last year. Compared to 2019, when the total net electricity consumption approached the long-term maximum, consumption was lower by 6.9% last year, mainly due to a decrease for wholesale customers (-7.7%), while only households (+2.5%) increased their consumption, which is related to the growth of their number (population growth) as well as wider spread of home office work.

<sup>28</sup> Total gas consumption in the Czech Republic stagnated last year and was 28% lower than its 2021 peak (however, consumption converted to the long-term thermal standard increased, year-on-year, for the first time in three years /by 1.8%/ last year, in that by 7.1% in Q4 2024). A slight increase in consumption (up to 2%) was recorded by all key customers last year except households, which consumed 1.7% less gas (31% less compared to 2021).

<sup>29</sup> According to the Czech Hydrometeorological Institute, the average air temperature attained 10.5 degrees Celsius in the Czech Republic last year and was higher, year-on-year (+0.6 degrees) even compared to the long-term standard (+1.9). Nevertheless, it was lower last January (by 2.5 degrees) compared to the very warm year of 2023 and throughout the period from September to December (by an average of 1.3 degrees).

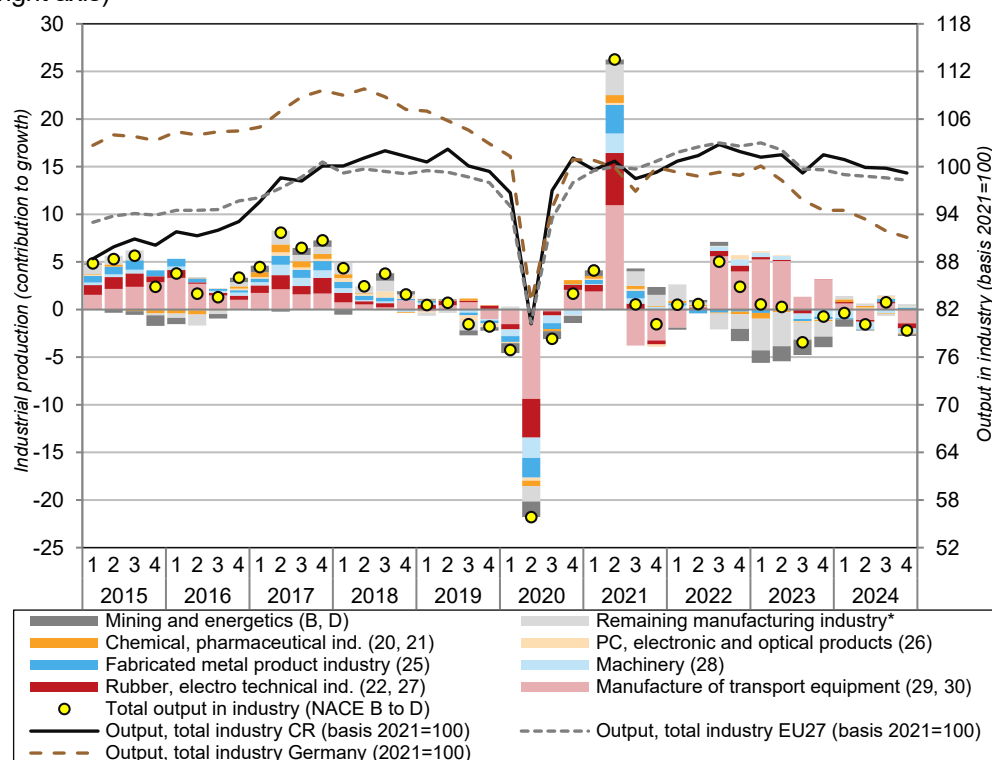
<sup>30</sup> The food industry had the highest growth impact on the total industry of all industry sectors last year, which occurred for the first time in a comparable time series after year 2000.



Households rather continued to postpone purchases of some items of medium and long-term consumption. .

increasing for the fourth year in a row. It increased by 8.4% last year (the most of all industries), mainly due to the recovery of domestic demand. Production increased only by 2.5% in the long-term developing and significantly pro-export pharmaceutical industry last year (the lowest rate in the last ten years), despite solid demand. The prosperous industries, which did not decline even during the pandemic, also consist of other manufacturing activities (including also, among other things, manufacturing of sports equipment, games and toys). Its performance increased by 5.7%, year-on-year, due to higher demand both from home and abroad. In contrast, households continued to rather postpone purchases of some semi-durable products (e.g. furniture)<sup>31</sup>.

**Chart 4 Contributions of sub-branches to the year-on-year change of the industrial output in the CR (adjusted for calendar effects, real, in p.p.) and output in the entire industry in the CR, Germany and EU27 (seasonally adjusted, level of year 2021=100, right axis)**



\*Contribution of the remaining manufacturing industry also includes the effect of the overall methodological discrepancy stemming from the change of weights.

Source: CZSO, Eurostat

Some more energy-intensive industries focused on the production of intermediate products revived last year.

The modest but steady growth of the electronics industry continued thanks to both domestic and external demand.

After a slump in 2023, some of the more energy-intensive industries focused on the manufacturing of intermediate products recovered last year. Output of the chemical industry increased for the first time in the last three years (+1.0%), solely due to the recovery of domestic demand. An even more significant shift occurred in the manufacturing of non-metal mineral products, where after a 17% drop in 2023 (the deepest slump after 2009), the output fell by less than 1%, year-on-year, as a result of improving demand in the domestic construction industry. Output of the important sector of the fabricated metal products grew at a moderate 1% rate last year. The strengthening of external demand had a favourable effect, while the domestic demand was aided by the strengthening of arms production. Sectors that are relatively more dependant on the domestic demand were also successful – the output of the wood processing industry went up by 3.1% (the highest pace in the last six years), and by 4.2% in the paper industry. Among the sectors aimed at manufacturing mostly the investment products, only manufacturing of computers, electronic

<sup>31</sup> Output of furniture manufacturing decreased by 2% last year, and even by 12.6% in the last two years. While in 2023 mainly the sales abroad were slow, domestic weaker demand manifested adversely in 2024.

and optical appliances and equipment strengthened last year (+4.7%), where a slight increase of output persisted for the fourth year in a row. This import-intensive and at the same time also strongly export-oriented high-tech sector has been supported by strengthening domestic demand associated with the development of photovoltaics in the recent years as well.

Decrease of the industrial output deepened slightly in the EU last year. The recession thus affected two-thirds of the member states in this branch. The industrial output downturn continued in Germany for the third year in a row and it was the third deepest among member states last year.

The current difficulties of industry in the Czech Republic are largely related to the adverse development of this branch in the majority of EU countries. In the euro area alone, the industrial production fell by 0.3%, quarter-on-quarter, in Q4 2024 and fell already for the seventh consecutive quarter. The year-on-year slump in performance has persisted for the same period of time. Industrial production decreased by 2.4% in the EU for the whole last year and its volume was comparable to year 2019. The performance of investment-oriented sectors (−4.5%, mainly manufacturing of motor vehicles and engineering) stood mainly behind the lower performance last year, similarly to the Czech Republic. A noticeable downturn also afflicted the sectors manufacturing intermediate goods (−3.4%, mainly electrical engineering, textile industry and metalworking) or durable goods (−3.3%, primarily the manufacturing of furniture), while the recession in contrast avoided the sectors aimed at short-term consumption (+1.8%, especially food industry, pharmaceuticals and tobacco industry), where production strengthened for the fourth year in a row and was 15% higher than the pre-pandemic peak. From the point of view of the member states, the total industrial output decreased the most in Austria (−5.1%) and Ireland (−5.0%) last year, and among the key producers then in Germany (−4.6%, by 6.7% in total for the last three years) and Italy (−4.0%). With the exception of Poland (+0.5%) and Slovakia (+0.3%), industrial performance declined in all Central European countries. Its growth occurred only in less than a one third of the Union member states – mainly in Denmark (+8.3%) and Greece (+5.2%), but among the key economies only in Spain (+0.5%).

The growth of the value of new orders gradually weakened in industry during last year and almost ceased in Q4.

The dynamics of new industrial orders indicated a slight recovery at the beginning of the last year, nevertheless it gradually faded. The year-on-year growth of the nominal value of orders almost halted in the selected industrial activities<sup>32</sup> in Q4 2024 (+1.2%), which essentially applied to both domestic and external demand. Even the quarter-on-quarter rates in the second half of the last year did not suggest an imminent positive turnaround. At the level of individual industries, the only exceptions were the electronics industry, where the year-on-year growth of orders reached 13.2% in Q4 (9.9% for the whole year), and the manufacturing of other transport equipment, where demand grew by a third in Q4 (by a quarter for the whole year 2024). The favourable prospects are based on strong domestic demand associated with the development of transport infrastructure as well as the modernization of the army here. The manufacturing of motor vehicles also maintained a slight growth (+6.1%) in the yearly perspective, however the volume of orders decreased (by 1.5%), year-on-year in Q4 (for the first time in almost last three years). The related field of electrical engineering was in a similar situation. On the contrary, the decrease continued in engineering for the second year in a row, amounting to 1.3% for the whole year 2024. Similar trends prevail also in the metallurgical industry, where the demand took a deeper dive. On the positive side, the demand recovered slightly in some important sectors of the chemical as well as metalworking industries, both in Q4 and in the full-year perspective.

A slight recovery occurred in the chemical and metalworking industries. However, weak demand persisted in both metallurgy and engineering.

Business confidence in industry remained low. Around 60% of companies already suffered from insufficient

Business confidence in industry remained slightly in the negative band. It improved mildly during H1 2024, then rather fluctuated. A fifth of companies rated their current demand unfavourably, and more than 60% of companies have already identified it as one of the growth barriers in February 2025 (the same share was evident also in the pandemic year

<sup>32</sup> New orders are monitored only in twelve manufacturing branches producing mostly custom-made products, with longer production cycle and larger stocks of orders. Year-on-year growth rates of orders are adjusted for calendar effects, quarter-on-quarter rates also for seasonal effects.



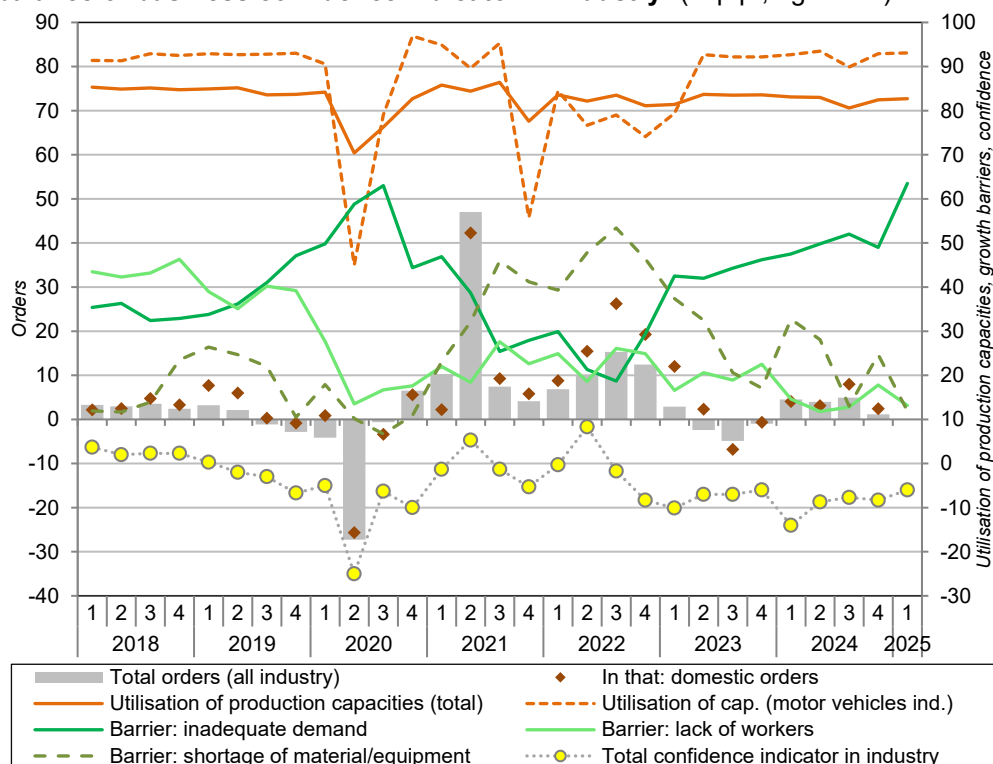


demand. Current and expected employment developments stay unfavourable.

The utilisation of industrial production capacities decreased mildly, year-on-year, and lagged slightly also behind the level of the period 2015–2019.

of 2020 or in year 2013). In contrast, the shortage of labour<sup>33</sup> or materials and equipment<sup>34</sup> plagued only a tenth of companies. Stabilisation of cost pressures<sup>35</sup> and slightly optimistic production outlooks<sup>36</sup> can be described as positive. Still, the employment expectations are negative<sup>37</sup> and have in addition deteriorated slightly compared to last year. This is also in line with the real development in recent months (the registered number of employees in industry decreased by 1.6%, year-on-year, in Q1 to Q3 2024, while the pace of decline was more than double in mining, electrical engineering or machinery. The utilisation of production capacities attained 82.7% in the whole industry (it decreased slightly, year-on-year, and was 2 p. p. lower than the average for the expansion period 2015 to 2019). The situation was, nevertheless, quite favourable in the motor vehicle manufacturing itself (93.1%), the current utilisation even exceeded the level of the last expansion here.

**Chart 5 New orders in industry (nominal, year-on-year change in %), utilisation of production capacities in industry, selected growth barriers\* (in %, right axis) and balance of business confidence indicator in industry\* (in p.p., right axis)**



\* Both utilisation of production capacities and growth barriers express the level in the first month of the given quarter, business confidence balance relates to the second month in the quarter. Orders are adjusted for calendar effects; other indicators are seasonally adjusted. Businesses could have indicated more key growth barriers simultaneously. Source: CZSO, Eurostat

Significant cost pressures as well as weaker investment activity in both the private and public spheres continued to affect

The construction industry was plagued by a continuing recession for part of last year. Persisting weak demand as well as price pressures had an adverse effect. Although prices of building materials started to fall slightly, year-on-year, from Autumn 2023 after a three-year increase, the reduction of both realized and expected prices of construction output was hindered by rapid growth of labour costs affected by a chronic shortage mainly of skilled

<sup>33</sup> However, it still represented a significant barrier, exceptionally it comprised a dominant growth restriction (leatherworking, manufacturing of other transport equipment, repair and installation of machinery and equipment) in some sectors (food, beverage and metalworking industry or subcontractor branches of motor vehicle manufacturing).

<sup>34</sup> This barrier has been most evident in the chemical and petrochemical industries in recent months, and motor vehicle manufacturers have also still struggled with occasional outages of production components.

<sup>35</sup> According to the survey from February 2025, 21% of industrial enterprises planned to raise prices of their production in the short term outlook, while only 2% planned to reduce prices.

<sup>36</sup> In the three-month horizon, 22% of businesses expected its increase, while 16% expected a downturn (February survey)

<sup>37</sup> According to a survey from February 2025, only 5% of businesses planned to hire workers in the three-month horizon, and 17% planned to lay off workers.

the construction performance.	labour. Subdued investment activity in the business sphere connected to the weaker business and consumer confidence in the economy and worsened possibilities for financing investment was also still evident. This was compounded by an anticipated decrease of public investment associated with the transition to the new EU programming period <sup>38</sup> .
The year-on-year drop of construction output continued for the second year in a row last year. However, the output increased in Q4, mainly due to a recovery in building construction.	Construction output <sup>39</sup> increased by 0.6%, quarter-on-quarter, at the beginning of 2024, primarily due to favourable weather (and halted the adverse development that filled most of the year 2023), but fell by 1.6% during Q2, mainly due to the influence of the civil engineering construction. However, there was a recovery in the remaining part of the last year, which was the most apparent in the last quarter (+2.8%, the most in the last eleven quarters). The performance of construction industry decreased by 1.4%, year-on-year, for the whole last year (and slightly mitigated the downturn from year 2023). Nevertheless, the production increased in Q4 2024 (+3.2%, partially due to a weaker comparative basis). The recovery was particularly evident in the construction of buildings (+6.6%) and, to a lesser extent, in civil engineering as well. On the contrary, there was no significant revival in the segment of specialised construction activities (a decrease of 1.6% for the whole of last year). <sup>40</sup>
Total residential construction was still subdued, however there was a recovery in Prague.	There was a partial recovery of housing construction last year, after a two-year suspension. The number of started dwellings was 2.5% higher, year-on-year (but lagged by almost a fifth behind the 2021 peak). However, only the construction in segment of multi-dwelling buildings contributed to the growth, especially in Prague (it reached 17.1 thousand dwellings nationwide, together with 2021 it was the highest in the modern history of the Czech Republic), while only 13.1 thousand dwellings in family houses were built in the Czech Republic (10-year minimum). The decrease of the number of all completed dwellings deepened last year (to -20.5%, together with year 2011 this is the most significant drop in the current millennium). Considerable downturn occurred in all forms of this construction. Only 30.3 thousand dwellings were completed in total in 2024, the least in the last seven years. A decrease was recorded in all regions apart from Prague, where construction moderately increased.
The value of newly concluded orders grew rapidly for most of last year. Due to the higher number of projects under construction, the total supply of work from both private and public clients was also maintained.	Of the various leading indicators, the new domestic orders (concluded by enterprises with more than 50 employees) currently features the best results for the construction industry. Their nominal value increased by 17.2%, year-on-year, in Q4 2024 (it similarly increased for the whole last year), exclusively thanks to civil engineering construction, in which the value of new contracts climbed up to 60 bn CZK (the highest in history within the same period of the year). The total stock of work, captured by the volume of all pending orders, expanded by 25.9%, year-on-year, at the end of 2024. Mostly the public procurement contributed (which have comprised for about two-thirds of the total stock of works in the last two years). However, the private domestic demand also grew throughout the last year (it was by 31.6% higher, year-on-year, at the end of the year). The volume of foreign orders in contrast decreased for the third year in a row, nevertheless they play a marginal role in the total stock of work in the construction industry. The approximate value of granted buildings indicates less favourable outlooks for the domestic construction industry. Its year-on-year growth, lasting five quarters in a row, stopped in Q2 2024, when mainly the number of large buildings shrank (over 1 bn CZK). There was no improvement in the following period either. It thus decreased by 3.5% for the whole year, primarily due to transport
The value of permitted constructions was decreasing, especially in transport infrastructure. On the contrary, there was a	

<sup>38</sup> However, this effect was not nearly as pronounced as in year 2016 (i.e. the previous transition to the new funding period). The total capital outlays of the state budget of the Czech Republic fell by only 0.2%, year-on-year, due to intensive drawing at the very end of the year in 2024. The State Fund for Transport Infrastructure anticipated expenditures in the amount of 150 bn CZK for the whole last year (with the continuation of the multi-source financing model), which is only slightly less compared to the record year 2023 (151 bn CZK). In the future, the construction industry should also benefit more and more from funds from the National Recovery Plan intended for instance to reduce the energy intensity of buildings.

<sup>39</sup> Data regarding the construction output are in constant prices, year-on-year rates of growth are adjusted for calendar effects, quarter-on-quarter rates also for seasonality effects.

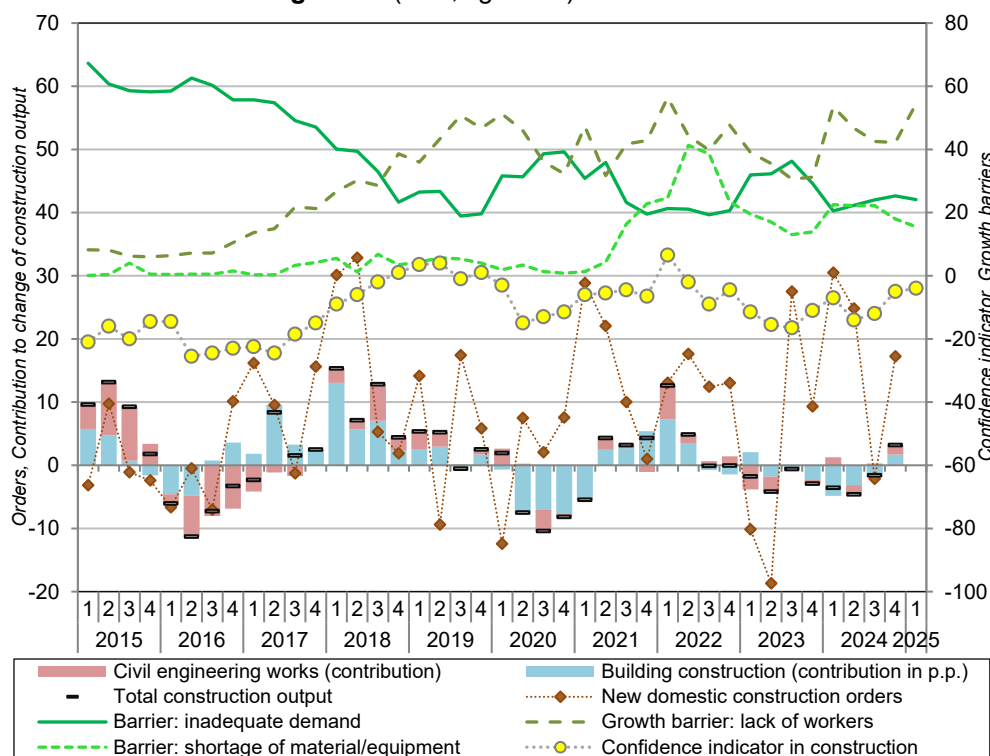
<sup>40</sup> These activities include, for example, compilation, finishing electrical, plumbing and other construction installation activities and are more the domain of smaller construction companies. They benefited from a slight increase of demand in year 2023.



revival in new residential construction.

infrastructure (both new construction and reconstruction or modernization) and as a result of decrease for non-residential buildings. On the contrary, the volume of permits for new construction of residential buildings slightly increased (+6.7%) and it accounted for a quarter of the total value of permits (580 bn CZK) last year.

**Chart 6 Contributions of sub-branches to year-on-year change of the total construction output (real, in p.p.), new construction orders (nominal, year-on-year in %), balance of business confidence indicator in construction\* (in p.p., right axis) and selected barriers to growth\* (in %, right axis)**



Note: Data related to construction output are adjusted for calendar effects.

\* Balance of business confidence as well as barriers to growth are seasonally adjusted and express the level in the second month of the given quarter. Businesses could have indicated more main barriers simultaneously.

Source: CZSO, Eurostat

In February 2025, the business confidence in construction climbed up the highest in the last two and a half years.

The development of half of the construction companies is limited by a lack of workers.

The pessimism of entrepreneurs in the construction industry has moderated since the end of last summer. Their confidence soared to the highest level in the last two and a half years in February 2025 (the confidence balance was currently -4 points). An improvement of employment expectations (fewer firms planning layoffs<sup>41</sup>) enabled by slightly positive expectations of demand and production (even after taking into account seasonality) stood mainly behind it. This is also reflected in the expectations of the overall economic situation of businesses, which is currently more favourable in the construction<sup>42</sup> than in industry. The assessment of current demand (with regard to seasonality) was the best in the last twenty months in February 2025. Despite this, 23% of companies still perceived it as insufficient (on the contrary, only 11% perceived it positively, which was nevertheless more than in previous months). However, the lack of (especially qualified) workers remains a key barrier to the growth of the branch with a considerable margin (54% of businesses cited it as one

<sup>41</sup> According to the survey from February 2025, 11% of construction companies planned to hire workers within a three-month horizon and 6% then to lay off. Businesses in the building construction segment were the most optimistic in this respect.

<sup>42</sup> 17% of businesses expected an improvement in the six-month outlook in February this year, while 7% expected a deterioration.

of the barriers, it created difficulties mostly in the building construction segment). The role of this barrier, as well as others, has not changed substantially, year-on-year<sup>43</sup>.

The recession afflicted the construction industry in most EU countries last year. The year-on-year dynamics of construction output in the Czech Republic was similar to that in the Union.

Construction output in the EU fell by 1.4%<sup>44</sup> for the last year (after three years of growth). The construction of buildings, in which output decreased for the second time in a row (by 3.2% last year) was the main contributor to the decline, but at the same time the recovery of civil engineering construction continued (+0.4%), even though slower than in the previous three years. Last year's downturn of domestic construction was similar to that in the EU, with the Czech Republic being average in the ranking of Member States. Since the construction sector was in a deeper recession in the major economies: Germany (-3.1%), France (-3.4%), Poland (-7.7%). The biggest drop afflicted Slovenia (-9.3%) and also a number of newer Member States (Romania, Slovakia, Hungary), which experienced the impact of the euro funds drawing cycle on transport infrastructure (slowdown during the transition to the new programming period). On the contrary, some Southern European countries experienced the largest recovery, where the effect of solid growth of the entire economy was felt. Construction output thus increased by 3.9% in Italy, by 3.6% in Spain and by 3.1% in Portugal.

Demand for services recovered significantly, quarter-on-quarter, at the beginning of 2024.

At the turn of 2023 and 2024, there was a positive turnaround in demand for services. The stabilisation of the consumer price level helped to launch the growth of employees' real wages for the first time after a longer time, which was mirrored in a more favourable financial situation of households and subsequently stimulated their consumption. Services were also positively influenced by slightly growing business demand last year, which was still rather subdued for most of the previous year. Services sales<sup>45</sup> strengthened by 2%, quarter-on-quarter, at the beginning of year 2024, marking the strongest recovery in nearly two last years, driven mainly by transportation and storage. Overall, services maintained more modest growth for most of the remainder of the year. Thus they were slightly above the level of the peak of the last expansion in the pre-pandemic period at the last year's end (they were 2.1% higher compared to Q2 2019)<sup>46</sup>

A year-on-year sales increase occurred in all modes of transport last year. The rapid growth of air transport continued, with demand surpassing 2019 levels for the first time.

Total sales in services increased by 2.3%, year-on-year in 2024 and offset the weaker performance from the previous year. Almost half of this result was due to the transporting and storage activities, where the sales rose after a significantly weak year 2023 by 4.6% last year. Despite more modest growth, primarily the land transport (+3.1%)<sup>47</sup> determined the dynamics of this sector. Road transport performance increased slightly, compensating for the ongoing decline in rail freight transport<sup>48</sup>. Demand for warehousing and support activities in transportation increased, where sales increased by 5.2% and were higher by about a seventh compared to year 2019. Postal and courier activities were in a similar situation, their sales mildly increased (+2.6%) after a drop in both years 2022 and 2023, largely due to a recovery

<sup>43</sup> The exception was the shortage of materials or equipment, which plagued 15% of businesses in February this year, compared to 22% a year ago.

<sup>44</sup> Compared to year 2019, the volume of construction output in the EU (and the euro area) was higher by 3.7% last year (all segments of the industry except for the construction of buildings were situated above the pre-crisis level). On the contrary, construction lagged behind by 6.5% in the Czech Republic (of which building construction by 16% and specialized construction activities by 5%), similar to Germany. Slovakia (-32%) and, despite the current recovery, Spain (-18%) were the most lagging behind. On the other hand, production was above the 2019 level in about one half of the Member States - the most notably in Italy (+58%), Romania (+42%) and Slovenia (+31%).

<sup>45</sup> Without trade, financial and insurance activities, science, research and public services. All data for services are in constant prices, year-on-year data are adjusted for calendar effects, quarter-on-quarter data are adjusted for seasonal effects (including the effect of the number of working days).

<sup>46</sup> Of the main economic activities, information and communication exceeded their sales level from Q4 2019 the most at the end of last year (+9.7%). On the contrary, mainly accommodation, food service and restaurants (-19.0%) and administrative and support service activities (-4.8%) lagged behind.

<sup>47</sup> This also includes the marginal segment in terms of weight of transport via pipeline.

<sup>48</sup> According to the preliminary results of the Ministry of Transport of the Czech Republic, the number of passengers carried in rail transport expanded year-on-year by 4.7%, in urban public passenger transport by 1.5% and in bus transport on the contrary fell by 2.9% in Q1 to Q3 last year. Nevertheless, the number of passengers transported and achieved transport performance (in passenger-kilometres) is still in all cases below the 2019 level. Last year's performance was favourably influenced mainly by the development of long-distance and international transport, however the growth of domestic rail freight transport was partly dampened by the impacts of the September floods (due to which the transport on the main railway corridor to Ostrava was temporarily suspended). Growth of freight transport performance was driven mainly by road transport in Q1 and Q3 2024, where the performance (in tonne-kilometres) increased by 6.9%, year-on-year.





<p>Growth of demand was very moderate in accommodation, food service and restaurants last year. Inbound tourism experienced a weaker summer season, nevertheless the end of the year improved its results.</p>	<p>of sales via internet. Domestic air carriers also prospered, reporting growth of 21.9% and their sales matched the pre-covid levels for the first time.</p> <p>Sales increased only by 0.7%, year-on-year, in the accommodation, food service and restaurants last year, the least in the last four years. This was partly a result of the weaker summer season<sup>49</sup> and especially its end, which was marked by the September floods in all segments of the branch. In addition, the effect of continued brisk price growth may have acted in this area<sup>50</sup> throughout the year, which, together with the deteriorated financial situation of part of households (due to weak economic growth and a decline of real wages in previous years), could have led to a partial reduction of domestic demand. Mild growth of sales occurred only in food service and restaurants for last year (+1.5%), sales decreased with a similar intensity in accommodation. Detailed indicators in the area of inbound tourism provide slightly better results<sup>51</sup> for the whole of last year, the weaker summer season was compensated by a relatively strong end of the year<sup>52</sup>.</p>
<p>Demand for IT activities grew, however it was still subdued in information activities.</p>	<p>Sales in information and communication after a short-term downturn in 2023 returned to growth (+2.2%) last year. Higher demand was evident especially in IT activities<sup>53</sup> (+4.5%), and it increased at the same pace also in the relatively small segment of radio and television programming and broadcasting. Last year's sales in information activities<sup>54</sup> and also in publishing activities were stagnating after the slump two years ago (unique in the last ten years). The decline in the so-called motion picture and music industry continued, deepening sharply to almost 25% last year<sup>55</sup> (similar to the crisis year of 2020). The current development in this small sector was related to irregular billing (it may also have been influenced by the indirect impacts of a longer strike in Hollywood at the end of 2023).</p>
<p>The rapid growth of demand for activities of head offices and management consultancy continued. On the other</p>	<p>Moderate growth of demand for business services continued for the fourth year in a row. Their sales increased by 1.7%, year-on-year, in the professional, scientific and technical activities last year, however the pace weakened during the year and demand was virtually stagnating at the end of the year. Annually, the sales increased the most in activities of head offices and management consultancy (+4.6%), nevertheless the higher demand in</p>

<sup>49</sup> Sales in accommodation decreased by 2.5%, year-on-year, in Q3 2024 and by 1.9% in food service and restaurants. Although this does not present a significant downturn, the simultaneous decline in both of the above-mentioned segments in the summer tourist season has been unique in recent years (except for pandemic year 2020, the last time it occurred was in 2009).

<sup>50</sup> Prices of accommodation services were raised by 9.2% and catering services by 7.4% in 2024. Compared to 2015, they were 92.5% higher in total both segments in December last year, while prices in the total consumer basket increased by "only" 52% over the same period.

<sup>51</sup> For the whole year 2024, 22.8 mil guests arrived to mass accommodation facilities (MAF) in the Czech Republic, spending 57.3 mil nights here. The number of guests increased by 3.8%, year-on-year, and their overnight stays by 2.6%. According to both indicators, tourism grew continuously for the fourth year in a row. At the same time, it exceeded the record level from the pre-crisis year 2019 last year for the first time – by 3.7% for guests and by 0.5% for overnight stays. However, in that foreign guests still lagged slightly behind (by 3.7% and 6.1%, respectively), as mainly the demand from Russia and distant Asian countries was missing. Of the most numerous foreign guests, the number of overnight stays increased the most for the citizens of Israel (+48%) and Spain (+20%), the least for Germany (+3.4%) and Slovakia (+4.0%) last year. The demand of domestic guests fell, year-on-year, for the first time after three years last year (guests: -0.7%, overnight stays: -2.2%). This was mainly due to the weaker Summer season, when a larger part of Czech households likely preferred various foreign stays, often under more price attractive conditions. The number of overnight stays of domestic guests fell, year-on-year, in 12 out of 14 Czech regions last year (the most in the *Olomouc* region by 8%), while the demand of non-residents decreased only in two areas (*Ústí nad Labem* and *Zlín*) and growth between 10 and 18% was attained in four regions (*Prague, Central Bohemia, South Bohemia* and *Vysočina*), partially also due to the organisation of major sporting events in the first half of the year.

<sup>52</sup> After a temporary slight year-on-year decline in the number of guests in Q3 2024 (due to weaker demand from residents), the number of guests accommodated (+7.1%, to 5.0 million) and their overnight stays (+7.0%, to 11.7 million) increased in Q4 – in both cases, the levels of guest arrivals achieved are higher than at the end of 2019 (+6.2%, +3.3%), in that foreign guests still lag slightly behind in both indicators (by 1%). There was a year-on-year increase of overnight stays for both domestic guests (+2.8%) and foreigners (+10.9%) in Q4. Of the most significantly represented foreign nationals, demand grew especially among Israelis (+216%, mainly caused by the last year's weak base due to the outbreak of the war in Gaza), Ukraine (+21%), Great Britain (+17%) and Poland (+15%). The number of overnight stays of guests from Asia, especially from China, also accelerated, however it has not yet made it into the top 10 countries with the highest demand for accommodation in the Czech Republic. Of the traditional guest groups, demand from Germans (+8%) and Slovaks (+7%) maintained a solid pace.

<sup>53</sup> They mainly include programming, consultancy in IT area or computer facilities management activities.

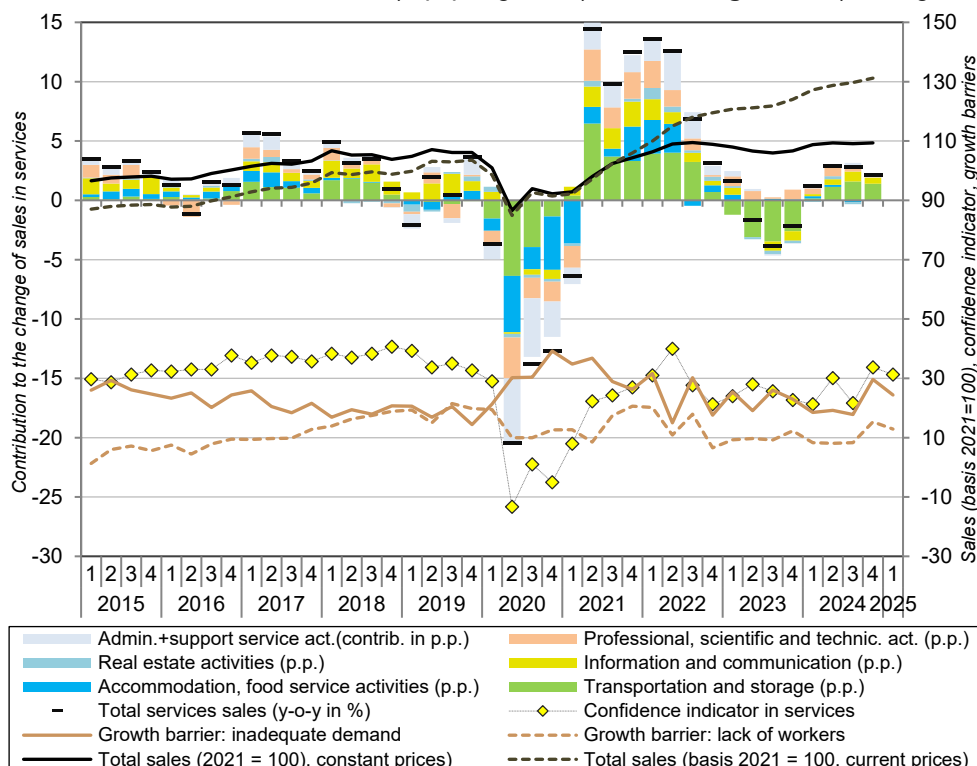
<sup>54</sup> They consist mainly of activities linked to the web portals, news press offices and agencies or data processing and hosting.

<sup>55</sup> Segment of motion picture distribution fared considerably better. According to the figures from the Union of Motion Picture Distributors the gross nominal sales of the domestic cinema operators decreased only by 0.9%, year-on-year, last year (thanks to strong performances during the summer holiday months and also at the very end of 2024). The total attendance lowered by 2.2% analogously, while the number of performances increased by 2.5%. Compared to 2019, however, the attendance of cinemas was down by 29% and sales by 14%.

hand, advertising sales diminished.

the diversified segment of other professional, scientific and technical activities<sup>56</sup>, which has however not yet reached the 2019 level, contributed the most to the growth of the entire sector last year. Legal and accounting activities were also successful last year, where sales did not decrease significantly even during the pandemic (they thus increased by 14% in total over the last five years). The relatively high demand for architectural and engineering activities, apparent in the previous three years, gradually weakened during the last year and its growth halted in Q4 (-3.0%). Advertising and market research have struggled with weaker demand in recent years. Sales fell by almost 4% last year and in comparison with year 2019 they were weaker even by 12%.

**Chart 7 Contributions of sub-branches to year-on-year change of sales in services\*** (real, in p. p), **total sales in services\*** (2021=100, right axis), **balance of business confidence indicator in services\*\*** (in p. p., right axis), **barriers to growth\*\*** (in %, right axis)



Note: All data are seasonally adjusted, only contributions of sub-branches to the growth of sales are adjusted solely for calendar effects.

\*Without branches trade, financial activities, insurance activities, science, research and public services.

\*\*Also involves the financial sector. Barrier to growth express the level in the first month of the given quarter, balance of confidence is related to the second month of the quarter. Businesses could have indicated more key barriers simultaneously.

Source: CZSO, Eurostat

The slight increase of sales in administrative and support activities was mainly due to travel agencies and also rental and operating leasing. Mainly the weaker demand for employment placement agency services had the opposite effect.

Sales increased by 1.9%, year-on-year, in the administrative and support service activities last year, driven mainly by the still rapidly growing performance of travel agencies and tour operators (+5.2%), which had already surpassed the 2019 level the year before. They mainly reflect the more frequent trips abroad by domestic households. Demand for a number of other services revived last year – especially for rental and operating leasing (+5.3%, e.g. for machinery, equipment or products for personal use and mainly for households, e.g. recreational and sports equipment<sup>57</sup>) or for administrative and office activities. By contrast, weaker demand persisted for a number of less sophisticated business services. The noticeable decline of employment placement agencies continued, their sales decreased at a double-digit rate for the third year in a row (by 11.6% last year,

<sup>56</sup> This sub-branch with significant share of small businesses mainly includes brokering activities, design, translation and photographic activities or activities of construction supervision.

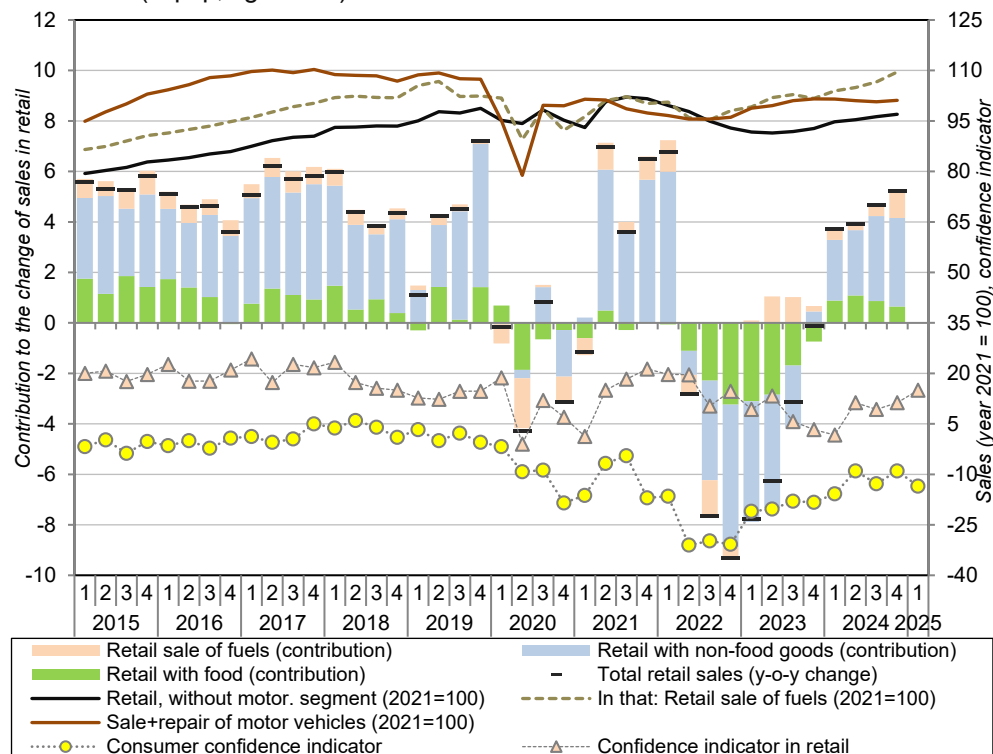
<sup>57</sup> On the contrary, the demand for the rental and leasing of cars and other light motor vehicles was rather stagnant in the last year.

they fell by almost half compared to 2019)<sup>58</sup>. The pressure to reduce costs associated also with the development of digitization was mirrored in a continued slight decrease of sales of security and investigation activities.

Stabilisation of prices in the economy led to a rapid improvement of consumer confidence at the beginning of last year. However, people's willingness to spend more still has its limits.

Retail has also experienced a positive shift in recent quarters. Its premise was the return of consumer prices into the normal growth bands. This, together with the solid condition of the Czech labour market, quickly kick-started the growth of households' purchasing power and improved their overall confidence in the economy, which therefore rose to the highest level in the last two and a half years in April 2024. Although there was a slight deterioration subsequently, consumer pessimism was still lower in February 2025 than in any month from 2022 to 2023. However, people still declare a higher intention to save and at the same time do not yet consider the current time to be very suitable for large purchases (investments or durable goods). In addition, people's concerns of rising prices and unemployment (currently slightly higher than their long-term average) began to grow again. This partly counteracts a faster recovery of demand for certain assortment groups of non-food goods. At the same time, however, retailers' optimism strengthened, with their level of confidence in the economy rising in February 2025 to the highest level in almost two last years and simultaneously being comparable to the boom year of 2019. The development of inbound tourism also contributed to the recovery of retail throughout last year.

**Chart 8 Contributions of sub-branches to year-on-year change of sales in retail trade\*** (real, in p.p.), **sales in retail trade and motorist segment of trade\*\*** (real, level from year 2021=100, right axis), **balance of business and consumer confidence indicator\*\*\*** (in p. p, right axis.)



\* Sales are adjusted for calendar effects.

\*\* Sales are adjusted for both seasonal and calendar effects.

\*\*\* Consumer confidence indicator balance is seasonally adjusted and expresses the position in the second month of the given quarter.

Source: CZSO

<sup>58</sup> The decrease of sales occurred also with a high growth of the number of working foreigners in the Czech Republic here. Refugees from Ukraine have played a significant role in this growth over the past two years. Thanks to the Temporary protection status, which was granted to these persons, their employment in the CR is administratively easier (compared to other groups of migrants from the so-called third countries) and thus they can seek employment more easily "directly" (without intermediary). Apart from the above stated, the reduced demand for the agency workers on the part of key manufacturing branches undergoing recession (e.g. industry) can also play a role in the decrease of sales.

Year-on-year retail sales growth reached an almost three-year high in Q4 2024.	<p>Retail sales<sup>59</sup> showed a slight quarter-on-quarter growth (+0.5%) already in Q3 2023 after seven quarters of unfavourable development<sup>60</sup>. The growth subsequently strengthened and exceeded 2% at the beginning of 2024 (the recovery continued in the rest of the year, albeit at a more moderate pace). Nevertheless, the current level of sales lagged 1.7% behind the pre-crisis peak (from Q4 2019)<sup>61</sup>. Year-on-year sales growth strengthened since the beginning of 2024 and rose to 5.2% in Q4 (the most in almost three years). The current growth was mainly driven by higher demand for non-food goods (+6.5%, contribution to growth +3.5 p.p.), in that sales via internet alone (+16.9%, +2.7 p.p.). The impetus for the development of this sale was the advancing digitization and modernization in the field of logistics. Within the specialised stores<sup>62</sup>, demand for cosmetic and toilet products increased the most (+12.2%), sales of pharmaceutical and medical goods also increased briskly (+5.4%). However, demand has not yet recovered in a number of weight-important assortment groups of stores, which can be partially explained by the fact that part of their consumers is increasingly oriented towards sales via internet and mail order houses. Still, the fact that some purchases of "non-essential" goods were probably postponed by part of households likely plays a role. Retail sales of information and communication equipment in stores were lower by 3.3% compared to Q4 2023, retail sales of mainly household goods<sup>63</sup> by 1.6%, and retail sales of cultural and recreation goods dropped by 0.4% (similar rates were also evident in these categories in whole year 2024). Sales for food increased more moderately compared to non-food goods (+1.8%), in that the year-on-year decrease continued in the segment of specialised stores<sup>64</sup> for the eleventh quarter in a row (most recently by 2.4%). On the contrary, demand for fuels increased very dynamically, mainly due to their favourable price development<sup>65</sup>. The year-on-year growth for their sales accelerated last year and amounted to 10.2%<sup>66</sup> in Q4 and contributed 1.1 p. p. to the growth of the total retail trade (i.e. almost twice as much as total food sales). Sales at petrol stations increased by almost 5% for the whole last year and approached the pace of 2023, when they were among the fastest growing segments of the entire retail sector.</p>
Advancing digitization and modernization in logistics led to strong growth of sales via internet. However, sales continued to decline in a number of specialized stores.	
Demand for fuel grew rapidly for the second year in a row, also thanks to the favourable development of their consumer prices.	
Demand in the retail sales of automotive segment increased only very slightly last year after a more significant recovery in 2023.	<p>Retail sales in the automotive segment increased only slightly (+0.6%) for the whole of last year (after a more significant recovery in 2023). Sales increased by 1.3% (their volume was still more than 8% behind the pre-crisis peak in 2017) in the key segment of motor vehicle sales, the result of which depended mainly on corporate demand. Sales fell by 2.7% in the trade of parts and accessories last year and fell for the third time in a row.</p>

<sup>59</sup> All year-on-year rates of retail sales are given at constant prices and adjusted for calendar effects, quarter-on-quarter rates are seasonally adjusted (including the effect of the number of working days). Retail trade includes only CZ-NACE 47 branches.

<sup>60</sup> This was the longest downturn in a comparable time series (since year 2000). Between Q3 2021 and Q2 2023, retail sales decreased by 10.5%.

<sup>61</sup> This is primarily related to a drop in sales for food (−10.6%), while the current demand for non-food goods is slightly above the level of Q4 2019 (+3.2%), mainly due to sales via internet (+41.6%). At the level of different specialised stores, the development varied, e.g. clothing, footwear and leather goods (−24.3%) vs. cosmetic and toilet articles (+29.6%).

<sup>62</sup> In addition, sales continued to grow in the marginal segment of non-specialized stores with non-food goods predominating for the fourth year in a row (Q4 2024: +14.2%). It typically focuses on offering a variety of goods at discount prices.

<sup>63</sup> These include mainly hardware, building materials, paints, glass, DIY supplies, electrical appliances, electronics, furniture, lighting equipment, carpets or home textiles.

<sup>64</sup> These include, for example stores aimed at meat products, pastries, confectionery products or beverages. However, tobacco shops have the greatest weight here.

<sup>65</sup> Consumer prices of petrol and diesel fuel fell uncharacteristically last year even during the main motoring season. Diesel fuel was sold at domestic filling stations for an average of about 34.2 CZK per liter and Natural 95 petrol for 35.6 CZK in October 2024. In the case of diesel, it was the lowest value since July 2023 and for Natural then even since October 2021. In addition to domestic households and companies, foreign carriers that carry out transit transport through the Czech Republic also probably reacted to this favourable price development.

<sup>66</sup> However, sales at current prices increased by less than 2%.



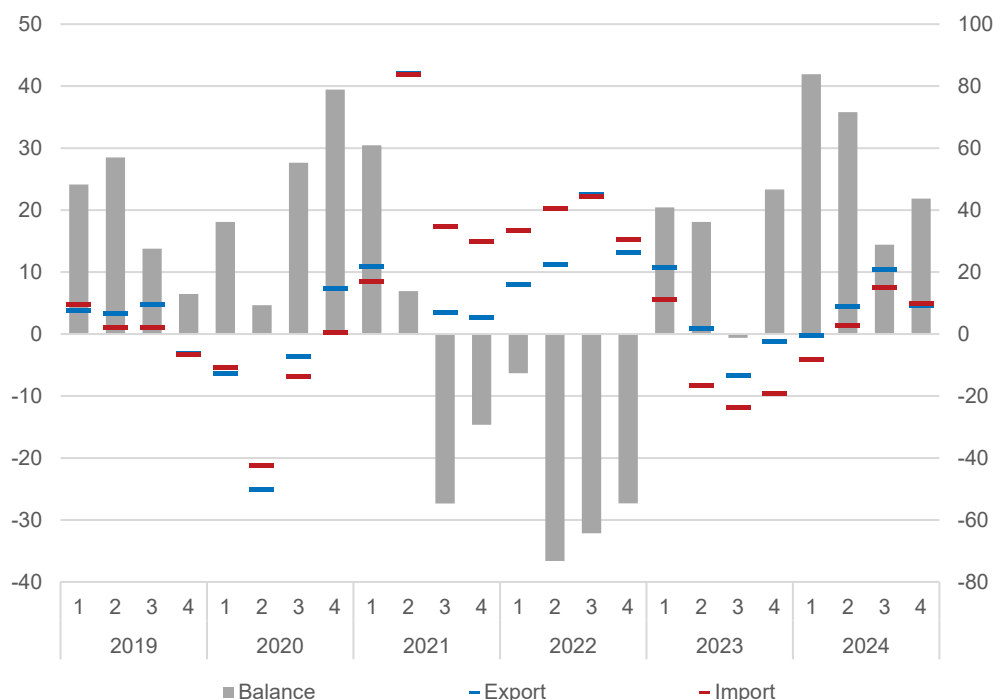


## 4. External Relations

Export grew last year.

The total value of exports of goods<sup>67</sup> at current prices reached 4,649.1 bn CZK in 2024 and was higher by 206.7 bn CZK (4.7%), year-on-year. International trade prices followed up on the previous turbulent development last year with an increase<sup>68</sup>, so a large part of the solid export growth can be attributed to price shifts. The year-on-year dynamics of exports varied considerably during the year (-0.2%, 4.4% and 10.5% in Q1 through to Q3). The increase of exports of goods then weakened again to 4.5% in Q4 alone and exports reached a total of 1,184.2 bn CZK (+51.2 bn). According to seasonally adjusted data, exports of goods fell by 0.6%, quarter-on-quarter, in Q4. It represented the first decrease since Q3 2023.

**Chart 9 Export and import of goods (y-o-y change, in %) and balance of international trade with goods (in bn CZK, right axis)**



Source: CZSO

Exports outside of the EU grew more substantially.

Exports to non-EU countries increased significantly in cumulation for the whole year 2024 (+141.9 bn CZK, 16.2%). On the contrary, exports to EU increased only slightly (+64.6 bn CZK, 1.8%). Among the destinations where the value of exports increased the most last year, Great Britain held the first place (+39.3 bn CZK, 22.0%)<sup>69</sup> and the United States of America (+21.1 billion, 18.8%)<sup>69</sup> also ranked high. Exports to Poland (+24.6 bn CZK, 7.7%) and Germany (+19.1 bn, 1.4%) were also significant in absolute numbers, but export dynamics remain relatively low, especially for Germany. Exports to Turkey (+11.1 bn, 16.9%), China (+9.9 bn, 23.0%), Singapore (+9.5 bn, 129.5%) and Ukraine (+9.2 bn, 25.7%) were around 10 bn CZK. Smaller export destinations, which recorded a significant percentage increase of exports last year, included Japan (+5.9 bn, 49.6%)<sup>70</sup>, the United

<sup>67</sup> Data for international trade with goods are recalculated using the updated method based on higher rate of detail since year 2020, see <https://csu.gov.cz/update-of-the-compilation-method-international-trade-in-goods-change-of-ownership>. Unless stated otherwise, all figures are without seasonal adjustment and in current prices.

<sup>68</sup> Prices of goods exports rose by 3.1% for the whole year 2024. In Q4 alone, export prices were 4.1% higher, year-on-year, and by 0.9%, quarter-on-quarter.

<sup>69</sup> Motor vehicles and their parts accounted for the majority of the increase.

<sup>70</sup> Particularly the exports of computers, electronic and optical appliances increased for Singapore and Japan.

Arab Emirates (+4.4 bn, 29.5%), Azerbaijan (+2.0 bn, 46.7%)<sup>71</sup> and Malaysia (+1.9 bn, 57.1%)<sup>72</sup>. There were not many decreases of exports recorded last year, and the most significant were in case of exports to Sweden (−3.6 bn CZK, −4.9%), Finland (−3.1 bn, −13.4%), Austria (−2.9 bn, −1.6%) and the Netherlands (−2.6 bn, −1.7%).

Higher growth of exports outside the EU persisted at the end of the year.

The increase of exports into the EU (+13.4 bn CZK, 1.5%) lagged behind exports to non-EU countries (+37.9 bn, 16.3%) also in Q4 2024 alone. Exports to Germany grew the most (see Table 2) and the increase of exports to Great Britain and Poland stayed high. Non-EU destinations – the United States, Ukraine, Israel, Belgium or Turkey – contributed significantly to the growth of exports. Among the minority of countries where exports of goods fell, year-on-year, France and Italy stood out.

Motor vehicles contributed the most to the growth of exports in 2024...

The value of exports of motor vehicles increased the most last year (+74.6 bn CZK, 6.1%), nevertheless the growth weakened compared to the previous two years. Exports of computers, electronic and optical appliances (+56.1 bn CZK, 15.2%), food products (+21.5 bn, 12.8%), electrical equipment (+15.9 bn, 3.5%), chemicals and chemical products (+14.3 bn, 6.9%) and rubber and plastic products (+11.5 bn, 5.4%) also grew strongly. Exports of other products of manufacturing (+9.1 bn CZK, 9.3%), activities of waste collection, treatment and disposal (+7.5 bn, 19.1%), basic pharmaceutical products (+7.2 bn, 10.7%), fabricated metal products (+6.8 bn, 2.5%) or paper and paper products (+5.3 bn, 6.7%) also expanded. Engineering did not thrive last year, which also led to a decrease of exports of machinery and equipment by 12.3 bn CZK (−2.4%), and the value of exports of basic metals (−9.4 bn, −5.9%) and coke and refined petroleum products (−8.8 bn, −17.2%) also decreased.

**Table 1 Sections of CPA classification with highest impact on goods exports development in Q4 2024 (year-on-year)** **Table 2 Countries with largest impact on exports of goods in Q4 2024 (year-on-year)**

	bn CZK	%		bn CZK	%
Computer, electr. and opt. appliances and equipment	+12.8	+12.8	Germany	+6.0	+1.8
Electrical equipment	+8.9	+8.0	Great Britain	+5.8	+12.7
Electricity, gas, steam and air conditioning	+6.7	+52.7	Poland	+5.7	+6.5
Food products	+5.8	+12.8	United States of America	+5.5	+19.3
Chemicals and chemical products	+4.1	+7.6	Israel	+4.1	+116.4
Rubber and plastic products	+2.7	+5.4	Ukraine	+4.1	+37.3
Other manufacturing products	+2.7	+10.4	Belgium	+3.6	+14.7
Motor vehicles (except for motorcycles) and parts	+2.4	+0.7	Turkey	+3.0	+16.0
Metalworking products	+1.9	+2.8	Austria	+2.7	+6.4
Other transportation equipment	+1.6	+7.9	Singapore	+2.0	+121.9
Paper and paper products	+1.5	+7.7	China	+1.7	+14.1
Wearing apparel	+0.8	+12.2	Azerbaijan	+1.2	+94.5
Leather and related products	−1.0	−19.7	South Korea	+1.2	+40.1
Coke and refined oil products	−1.3	−10.4	Italy	−1.2	−2.6
Machinery and equipment	−2.8	−2.2	France	−2.7	−4.7
Source: CZSO			Source: CZSO		

...however, their exports increased only slightly in Q4 itself.

The growth of exports of motor vehicles, which contributed the most to the total increase of exports in the first three quarters of the year, weakened significantly in Q4. The exports of computers, electronic and optical appliances (see Table 1), electrical equipment, electricity, gas, steam and air conditioning, and food products grew the most at the end of the year.

<sup>71</sup> Increases in the order of tens of percent lasted here since 2021, especially in the field of computers and electronics. Exports of motor vehicles also increased significantly last year.

<sup>72</sup> Increases across different sections of CPA classifications (chemicals and chemical products, computers, machinery and equipment, motor vehicles and parts).



Exports of a minority of product types declined, mostly machinery and equipment, and coke and refined petroleum products.

Imports increased moderately last year.

The total value of goods imports increased by 101.2 bn CZK (2.3%) last year and reached 4,421.1 bn CZK. Import prices rose more moderately than export prices<sup>73</sup>. The year-on-year growth of imports was stronger in the second half of the year (−4.0%, 1.4%, 7.5% and 5.0% in Q1 through Q4). The value of goods imports increased by 54.2 bn CZK, year-on-year, to 1,140.4 bn CZK in Q4. The increase of imports was thus higher in nominal terms than the increase of exports at the end of the year, reflecting, among other things, the revived consumer demand amid a simultaneous downturn in export-oriented industry. According to seasonally adjusted data, imports increased by 0.7% in Q4, quarter-on-quarter.

Import from the EU grew more.

The relatively modest total increase of imports was largely supported by imports from the EU last year (+74.7 bn CZK, 2.8%). Imports from non-EU countries grew slower (+26.2 bn, 1.6%). Imports from Poland (+29.1 bn CZK, 7.5%), Taiwan (+14.7 bn CZK, 50.0%)<sup>74</sup>, Germany (+13.8 bn CZK, 1.4%), China (+12.3 bn CZK, 2.3%), Slovakia (+11.7 bn, 5.2%) and Azerbaijan (+9.9 bn, 33.3%) increased the most. Norway (−30.9 bn CZK −35.9%), where the result was affected by a decrease in natural gas prices, and the United Kingdom (−10.2 bn, −13.2%) dominated among the countries from which imports were lower, year-on-year. Significant percentage changes regarding imports were also recorded in Bulgaria (+5.6 bn CZK, 25.7%), South Africa (−5.2 bn, −31.3%) and Hong Kong (+0.4 bn, 23.3%). Imports from the EU increased by 33.0 bn CZK (4.9%) in Q4 alone and from non-EU countries by 21.6 bn CZK (5.3%). Imports from China grew the most (see Table 4), followed by a significant increase for Poland and Slovakia. Germany, Russia, Bulgaria, Italy or Austria still feature the more significant additions. A large drop was recorded for imports from Norway.

**Table 3 Sections of CPA classification with highest impact on goods imports development in Q4 2024** (year-on-year)

	bn CZK	%
Computers, electr. and opt. appliances and equipment	+17.9	+14.4
Metalworking products except for machinery and equipment	+16.0	+32.7
Food products	+7.6	+12.9
Basic metals	+4.9	+6.9
Electric equipment	+4.7	+4.4
Electricity, gas, steam and air conditioning	+3.4	+64.8
Other products of manufacturing	+2.8	+11.2
Agricultural and gamekeeping products	+2.5	+15.8
Tobacco products	+1.7	+49.6
Chemicals and chemical products	+1.6	+1.9
Wearing apparel	+1.2	+7.4
Basic pharmaceutical products	+1.1	+3.3
Machinery and equipment, n.c.e.	−2.1	−2.2
Motor vehicles (except for motorcycles) and parts	−2.3	−1.3
Oil and natural gas	−9.6	−19.0
Source: CZSO		

**Table 4 Countries with largest impact on imports of goods in Q4 2024** (year-on-year)

	bn CZK	%
China	+18.5	+14.3
Poland	+10.4	+10.8
Slovakia	+9.5	+16.6
Russia	+4.9	+21.7
Germany	+4.2	+1.7
Bulgaria	+2.8	+47.0
Italy	+2.7	+5.7
Austria	+2.7	+9.4
Ukraine	+2.3	+34.4
Thailand	+1.8	+33.1
Kazakhstan	−2.0	−30.4
Hungary	−2.1	−8.2
Great Britain	−2.7	−14.1
United States of America	−3.1	−9.5
Norway	−9.7	−50.9

Source: CZSO

The value of oil and gas imports fell.

Imports of computers, electronic and optical appliances and equipment (+52.5 bn CZK, 11.4%), food products (+26.6 bn, 12.1%), fabricated metal products (+19.8 bn, 10.1%), motor vehicles and parts (+14.0 bn, 2.1%) and basic pharmaceutical products (+10.7 bn,

<sup>73</sup> Prices of goods imports were higher by 1.5% in 2024. Import prices rose by 2.2%, year-on-year, in Q4 and by 0.9%, quarter-on-quarter.

<sup>74</sup> The increase in Taiwan was related to an increase of imports of computers and electronic and optical appliances.

8.3%) increased the most last year. In contrast, the value of imports of oil and natural gas fell significantly under the influence of price developments (–24.4 bn CZK, –13.4%). Imports of electrical equipment were significantly lower (–19.1 bn, –4.2%)<sup>75</sup> and the weakening in domestic industry and the dampening of investment activity resulted in a decrease of imports of machinery and equipment (–18.4 bn, –4.5%). Imports of computers, electronic and optical appliances (see Table 3) and fabricated metal products increased considerably in Q4 alone. Imports of food products, electrical equipment and basic metals increased more modestly. Imports of oil and natural gas, machinery and equipment, and motor vehicles decreased, year-on-year.

The international trade balance of goods reached a massive surplus last year.

The balance of international trade with goods cumulated since the beginning of the year reached a surplus of 228.0 bn CZK, which was the highest recorded value in the available time series. The surplus improved by 105.5 bn CZK, year-on-year. The recorded increase of surplus was achieved during Q1 to Q3 (+43.0 bn CZK, +35.4 bn CZK and +30.1 bn, respectively). The total balance of international trade with goods amounted to a surplus of 43.7 bn CZK in Q4 2024, which was a worse result<sup>76</sup> by 2.9 bn CZK, year-on-year. According to seasonally adjusted data, the international trade surplus deteriorated, quarter-on-quarter, in Q4.

**Table 5 Sections of CPA classification with highest impact on international trade with goods balance development in Q4 2024 (year-on-year)** **Table 6 Countries with highest impact on international trade with goods balance development in Q4 2024 (year-on-year)**

	bn CZK		bn CZK
Oil and natural gas	+9.8	Norway	+9.8
Motor vehicles (except for motorcycles) and parts	+4.7	United States of America	+8.7
Electrical equipment	+4.1	Great Britain	+8.6
Electricity, gas, steam and air conditioning	+3.3	Israel	+4.1
Other transport and equipment	+2.5	Belgium	+4.1
Chemicals and chemical products	+2.4	Turkey	+2.8
Rubber and plastic products	+1.9	Kazakhstan	+2.0
Black and brown coal and lignite	+1.0	South Africa	+1.9
Leather and associated products	–1.2	Spain	–2.1
Tobacco products	–1.5	Bulgaria	–2.6
Food products	–1.8	Italy	–3.9
Agricultural and gamekeeping products	–2.0	Poland	–4.7
Computers, electr. and opt. appliances and equipment	–5.0	Russia	–5.2
Basic metals	–5.5	Slovakia	–10.4
Metalworking products except for machinery and equipment	–14.1	China	–16.8

Source: CZSO

Source: CZSO

The year-on-year improvement of the surplus was caused by the trade with the EU last year.

Last year's overall improvement of the international trade balance with goods was a result of reduction of the trade deficit with non-EU countries by 115.7 bn CZK. On the contrary, the trade surplus with the EU narrowed by 10.1 bn CZK. The trade balance improved the most with the United Kingdom (+49.5 bn CZK), Norway (+33.9 bn), the United States of America (+19.0 bn), Turkey (+12.3 bn) and Singapore (+10.2 bn) last year. The most significant deterioration of the balance was recorded in the case of trade with Taiwan (–13.3 bn CZK). The total trade balance with the EU deteriorated by 19.6 bn CZK, year-on-year, in Q4, while it improved by 16.3 bn CZK for non-EU countries. Overall, countries with a trade balance deterioration were predominant. The total year-on-year deterioration of the trade balance with goods was mainly due to trade with China (see Table 6) and Slovakia. This was followed by smaller negative contributions of Russia, Poland or Italy. In contrast, the trade balance

<sup>75</sup> This year's decrease is related to last year's high comparison basis for products needed to install photovoltaic power plants (especially batteries). Imports peaked in the first half of 2023 and subsequently started to decline.

<sup>76</sup> From the perspective of historical time series, this still represents a significant surplus. The balance usually achieves lower surpluses in Q4 compared to the rest of the year.

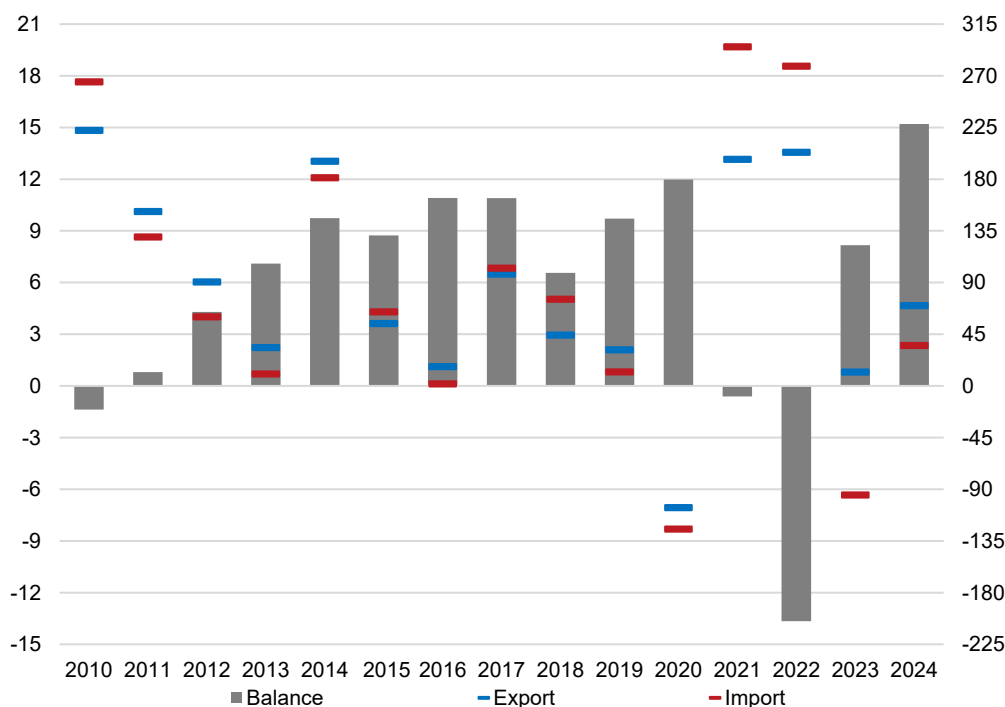


with Norway, Great Britain and the United States of America improved, year-on-year, in Q4. The contribution of Belgium or Israel was also significant.

Total surplus of trade with motor vehicles increased last year, but worsened, year-on-year, at the end of the year.

Trade of motor vehicles (+60.5 bn CZK), electrical equipment (+35.0 bn CZK), oil and natural gas (+25.1 bn) and black and hard coal and lignite (+10.1 bn) had the biggest impact on improving the international trade balance last year. The trade balance of coke and refined petroleum products (−18.0 bn CZK), fabricated metal products (−13.0 bn) and basic metals (−12.2 bn) on the contrary deteriorated. The international trade balance of the prevailing share of products deteriorated, year-on-year, in Q4 itself, nevertheless a large decrease of the trade surplus of fabricated metal products (see Table 5) had the biggest impact on the overall slump of the surplus. The balance of trade in computers, electronic and optical products and basic metals also deteriorated significantly. By contrast, the deficit in oil and natural gas moderated and trade in motor vehicles, electrical equipment and electricity also acted as an improvement in the overall balance. The trade balance of computers, electronic and optical appliances and equipment and basic metals also worsened notably. By contrast, the deficit of oil and natural gas moderated and trade with motor vehicles, electrical equipment and electricity also acted as an improvement of the total balance.

**Chart 10 Export and import of goods (y-o-y change, in %) and balance of international trade with goods (in bn CZK, right axis)**



Source: CZSO

## 5. Prices

The price level grew at the slowest rate since 2019 last year.

The total price level (measured by the implicit GDP deflator) increased by 3.9% in 2024, the least since 2019. Price level of consumption was higher by 3.2%, of which prices of household consumption increased by 3.0% and general government by 3.6%. Prices of capital goods increased by 2.0% last year. The terms of trade of the international trade were positive last year (101.6%). Of these, they reached 101.3% for trade with goods and 102.9% for services. The year-on-year increases of the price level weakened during the year and the total price level rose by 3.7%, year on year, in Q4 alone. Prices of consumption were higher by 3.0%, year-on-year (in that 2.7% for households) and prices of gross fixed capital by 3.7%, year-on-year. The terms of trade reached 101.7%, year-on-year, in Q4 (goods 101.2% and services 104.1%). The price level went up by 0.3%, quarter-on-quarter, in Q4 and it also represented the smallest increase in the year. Price level of consumption went up by 0.6%, quarter on quarter, and prices of gross capital formation went down by 2.3%. The terms of trade reached 100.6%.

Consumer price growth was the lowest since 2018 in 2024.

Consumer price index increased by 2.4% for 2024 as a whole, the least since 2018. The significant drop of pace compared to year 2023 (10.7%) was caused by the moderation of housing and energy price growth, as well as a decline in food and non-alcoholic beverage prices. However, housing and energies remained the items that had the biggest effect on consumer price growth. Price developments were also characterised by persistently strong growth of services prices (5.1%) in 2024, while prices of goods in total increased by only 0.9%. The difference between the price development of goods and services is related to the different impact of inflation in years 2022 and 2023 on different income groups of the population. For services that are consumed more by higher-income households, the downward pressure on prices was not as great, since the demand for them did not fall as significantly as for goods.

Year-on-year consumer price growth in Q4 was the highest within 2024.

The year-on-year consumer price growth accelerated to 2.9% in Q4 2024. It presented the highest increase within the year (prices gradually increased by 2.1%, 2.5% and 2.3% in Q1, Q2 and Q3 respectively, year-on-year). The described strengthening of dynamics at the end of the year was influenced mainly by the prices of food and non-alcoholic beverages, which followed the previous three year-on-year declines with renewed growth in Q4. The year-on-year growth of prices of housing, water, energy and fuels also strengthened. In contrast, lower year-on-year consumer price growth was fostered by a decline for clothing and footwear and weakening growth of transport prices. In total, the divisions housing and energies, restaurants and hotels and alcoholic beverages and tobacco contributed the most to the year-on-year growth of consumer prices. The consumer prices increased by 0.1%, quarter-on-quarter, in Q4. The increases gradually weakened during the year.

Housing and energy prices maintained strong dynamics...

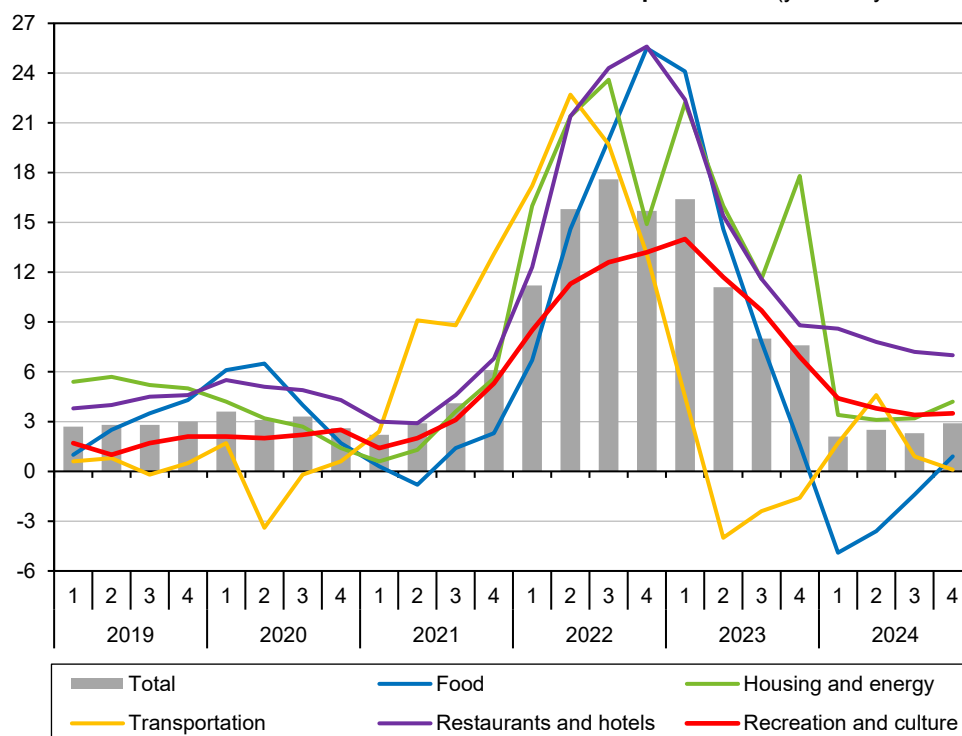
Prices of housing and energy rose by 4.2%, year-on-year, and by 0.6%, quarter-on-quarter in Q4. The pick-up in annual growth of prices of housing was due mainly to prices of electricity, heat, gas and other fuels, which rose to 5.5%. The increase of imputed rentals was also slightly higher<sup>77</sup> (1.6%). Other items in this section maintained a strong year-on-year dynamics – other services related to housing by 8.7%, actual rentals for housing by 6.2% and routine maintenance and minor repairs by 4.1%. Housing and energy prices increased by 3.5% for the whole year 2024. Prices of other housing-related services increased the most (8.4%), followed by rentals for housing (6.7%). Prices of routine maintenance and repairs (4.5%) and electricity, heat and gas, and other fuels (4.4%) were also significantly higher.

... mainly due to rentals and housing-related services.

<sup>77</sup> Imputed rent expresses the cost of owner living. Apart from prices of housing themselves, it also contains the cost of construction and renovation and further fees. For more see: <https://csu.gov.cz/methodological-note-to-consumer-price-index-imputed-rentals>.





**Chart 10 Prices in the selected divisions of the consumer price index (year-on-year in %)**

Source: CZSO

Total prices of food and non-alcoholic beverages fell last year, nevertheless the year-on-year growth resumed in Q4.

Food prices went up by 0.9%, year-on-year, and by 1.0%, quarter-on-quarter, in Q4. The period of their year-on-year decline thus lasted only three quarters. The change in the direction of food prices strongly supported the strengthening of the total consumer price growth. The development of prices of oils and fats (13.0%), fruit (4.7%) and milk, cheese and eggs (3.2%) mostly added to the year-on-year growth of food prices. Prices of bread and cereals (-2.4%) and meat (-1.9%) on the contrary continued to fall, year-on-year. Prices of food and non-alcoholic beverages fell by 2.3% for the whole year 2024. Prices of milk, cheese and eggs (-6.1%), meat (-3.9%) or bread and cereals (-3.7%) were lower. Prices of non-alcoholic beverages (3.8%), oils and fats (3.5%) and sugar, jam, honey, chocolate, confectionery and confectionery products (0.8%) went up.

Prices of restaurants and accommodation rose strongly last year, demonstrating generally strong dynamics of prices of services.

Prices of restaurants and hotels maintained strong year-on-year growth throughout last year (up by 7.6% in total) and thus contributed significantly to the total increase of consumer prices. Their year-on-year increases weakened slightly during the year and prices rose by 7.0%, year-on-year, in Q4 alone. In the quarter-on-quarter comparison, prices of restaurants and hotels went up by 0.9%. Prices of alcoholic beverages and tobacco also had a significant impact on the total consumer price growth, rising by 5.1% for 2024 as a whole. They were 4.8% higher, year-on-year, in Q4 and decreased by 0.1%, quarter-on-quarter. Prices of recreation and culture also had a significant impact on the overall index. They were higher by 3.8% for the whole last year, mainly due to recreational and cultural services (6.1%) and package holidays (4.3%). In Q4 alone, prices of recreation and culture increased by 3.5%, year-on-year, while they fell by 3.5%, quarter-on-quarter.

Prices increased the most in education.

Prices of education increased the most within the consumer basket last year (8.2%). The year-on-year dynamics strengthened during the year up to 11.3% in Q4. Quarter-on-quarter, the prices of education increased by 6.9% in Q4. Prices in the health area also maintained a significant increase and were by 4.2% higher in total last year. Health prices increased by 3.8%, year-on-year, in Q4 and decreased by 0.7%, quarter-on-

quarter. Prices also rose above average in the division miscellaneous goods and services<sup>78</sup> last year (by 3.4% in total) and they were higher by 3.6%, year-on-year, in Q4 itself, while they rose by 0.1%, quarter-on-quarter. The year-on-year growth of prices of postal activities and telecommunications gradually weakened during the year. Prices rose by 1.6% for the whole year, by 0.7%, year-on-year, in Q4 and by 0.1%, quarter-on-quarter.

Transport prices rose in total last year.

The year-on-year growth of transport prices gradually weakened during the year down to 0.1% in Q4. This was mainly due to fuels, whose prices fell by 7.3%, year-on-year, in Q4. The cost of motor vehicle, motorcycle and bicycle purchases fell by 1.1%. On the contrary, the year-on-year growth of prices of transport services strengthened (7.3%). Quarter-on-quarter, the transport prices went down by 1.1% in Q4. Transport prices were higher by 1.8% for the whole year. Prices of transport services rose significantly (5.8%) and prices of operation of personal transport equipment were higher (3.8%, in that prices of fuel fell by 0.4%, while the price increases were on the contrary influenced by motorway tolls, whose prices were raised at the beginning of the year). Prices of motor vehicle, motorcycle and bicycle purchases were lower by 1.6% last year. The division home furnishings, household equipment and repairs, where prices went up by 0.5% in total and by 1.0%, year-on-year, in Q4 and by 0.5%, quarter-on-quarter, presented the evidence of weakening growth of prices of goods last year. The weakening of year-on-year price dynamics was particularly noticeable in household appliances and equipment. Prices of clothing and footwear also did not grow as strongly as in previous years. Prices in this division went up by 2.5% for the whole year 2024 and fell by 0.6%, year-on-year, in Q4. Prices increased by 1.5%, quarter-on-quarter.

Consumer price growth turned more moderate in the EU last year.

Year-on-year consumer price growth in the EU (according to the Harmonised Index of Consumer Prices, HICP<sup>79</sup>) moderated to 2.6% last year and was the lowest since 2020. The rise of prices was the highest in Romania (5.8%), Belgium (4.3%) and Croatia (4.0%). On the contrary, consumer prices rose the least in Lithuania (0.9%), Finland (1.0%) and Italy (1.1%). Price developments were characterised by a decline of energy prices and, conversely, by persisting higher growth of services prices in the EU last year. In countries where consumer prices rose the most last year, prices of items across the consumer basket, especially services, but also food, alcohol and tobacco, continued to rise strongly. According to the HICP, consumer prices rose by 2.7% in the Czech Republic last year. Year-on-year price growth first slowed in the EU last year (2.8%, 2.6% and 2.4% in Q1 to Q3), but strengthened again in Q4 to 2.5%. This was mainly due to a moderation of the fall of energy prices. Consumer prices increased by 0.3% in the EU, quarter-on-quarter. Romania (5.3%), Belgium (4.6%) and Estonia (4.1%) were the top countries with the most significant year-on-year price growth in Q4. Price growth dropped below 1% in Ireland (0.5%) and was also low in Lithuania (1.0%) or Luxembourg and Slovenia (both 1.2%).

The growth of prices of dwellings accelerated again last year.

After the growth of prices of dwellings temporarily halted in 2023, last year brought a new acceleration of dynamics and the catalogue prices of dwellings in Czechia increased by a total of 5.0%, year-on-year. At the same time, prices increased by 5.4%, year-on-year, in Prague alone and by 4.7% in the rest of the Czech Republic. During the year, the year-on-year increases of the catalogue prices of dwellings in the Czech Republic strengthened up to 10.7% in Q4. At the same time, there was an increase of 10.4% in Prague and 11.1% outside Prague. The catalogue prices of dwellings increased by 3.1% in the Czech Republic, quarter-on-quarter. Price growth was driven by a new recovery of demand and persistent mismatches with supply. This is also

<sup>78</sup> Contains services of personal care and personal needs and accessories, social care, insurance and further financial services etc.

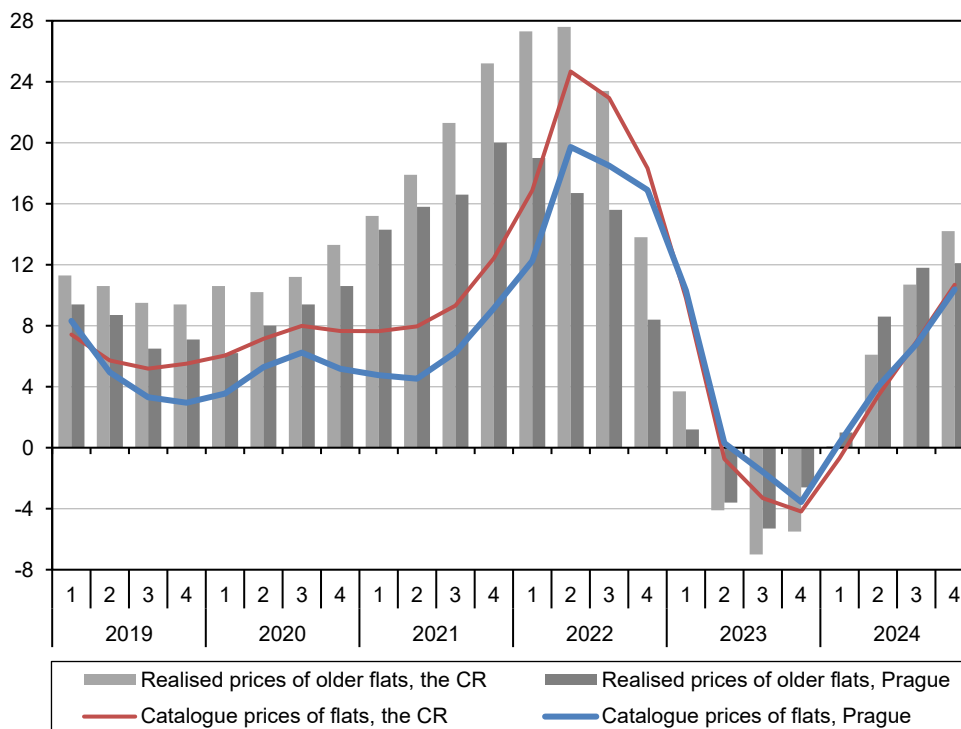
<sup>79</sup> Contrary to the consumer price index, which the CZSO compiles for the Czech economy, HICP does not contain imputed rent, which is the main reason for the difference between the HICP and Consumer price index.





evidenced by the growth rate of realized prices of older dwellings, which was stronger than the dynamics of catalogue prices. Realized prices of older dwellings increased by 14.2% in the Czech Republic, year-on-year, in Q4 and were 3.6% higher, quarter-on-quarter. Realized prices of older dwellings increased by 12.1% in Prague, year-on-year, and by 3.5%, quarter-on-quarter. The index of realized prices of new dwellings in Prague climbed up by 7.6%, year-on-year, and by 3.9%, quarter-on-quarter, in Q4.

**Chart 11 Prices of real estate** (year-on-year change, in %)



Source: CZSO

Industrial producer prices rose last year.

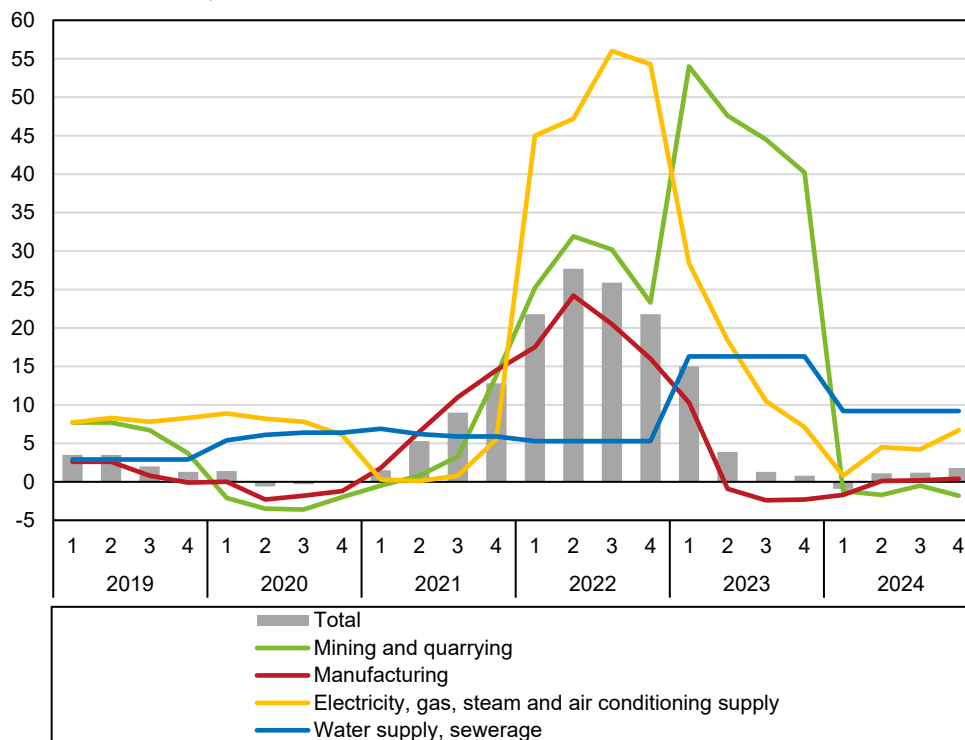
The year-on-year dynamics of industrial producer prices gradually strengthened last year. While there was a decrease of 0.9% in Q1, prices rose in the following quarters and Q4 brought a year-on-year increase of 1.8% and a quarter-on-quarter increase of 0.3%. Industrial producer prices rose by 0.8% for the whole year 2024. Prices of electricity, gas, steam and air conditioning were higher last year (4.0%), mainly due to transmission and distribution prices, while prices of electricity itself on the contrary fell last year. Prices of electricity, gas, steam and air conditioning rose by 6.7%, year-on-year, in Q4 and by 1.9%, quarter-on-quarter. Prices of water supply and related services also increased last year (9.2%, they also increased by the same value, year-on-year, in Q4). Prices of mining and quarrying fell last year, mainly under the effect of natural gas prices (-1.3%). These remained in a year-on-year decline throughout the year, falling by 1.8%, year-on-year, in Q4 and by 0.5%, quarter-on-quarter.

Raw material prices, which had risen strongly in previous years, fell in 2024.

Prices of manufacturing products and services also decreased slightly last year (-0.3%), nevertheless the development within the division varied. A decrease of prices was evident for a number of raw materials or products derived directly from them after the previous two years of strong growth (especially wood and wood products -6.8%, basic metals -5.6%, paper and paper products -4.3%). On the contrary, the prices of repair, maintenance and installation of machinery and equipment (5.0%), computers, electronic and optical appliances (4.2%), motor vehicles except for motorcycles (3.5%) or machinery and equipment (3.0%) went up. Prices rose by 0.4% in manufacturing, year-on-year, in Q4 itself and stagnated, quarter-on-quarter. Prices of repairs, maintenance and installation of machinery and equipment rose the most, year-on-year

(4.6%) and prices of paper and paper products started to rise again (3.9%). In addition, prices of computer, electronic and optical appliances and equipment (3.6%), clothing or motor vehicles except for motorcycles (3.0%) increased more sharply. The increases were more moderate in other divisions. A year-on-year decrease was recorded for fabricated metal products (-1.6%), basic metals (-1.1%), printing and recording services (-0.8%), chemicals and chemical products (-0.7%), and other non-metal mineral products (-0.4%).

**Chart 12 Prices of main groups of industrial producers** (year-on-year change, in %, based on CPA classification)



Source: CZSO

Industrial producer prices fell in the EU last year.

Industrial producer prices fell by 4.0%<sup>80</sup> in the EU last year. The slump was the second in a row and deepened. Prices of mining and quarrying (-2.8%), manufacturing products (-0.7%) as well as electricity, gas, steam and air conditioning (-13.1%) were lower last year. Industrial producer prices fell in most EU countries last year, the most in Slovakia (-19.7%), Luxembourg (-10.4%) and Latvia (-7.6%). A slight increase was recorded in four countries, the largest in the Czech Republic (0.8%, mainly due to electricity prices, which grew in the Czech Republic as one of the few EU countries), Malta (0.6%), Portugal (0.5%) and Sweden (0.1%). The year-on-year decrease of industrial producer prices in the EU gradually moderated during the year, due among other things to energy prices. Industrial producer prices in the EU were lower by 1.4% in Q4 alone. However, they increased by 1.4%, quarter-on-quarter. Prices of electricity, gas, steam and air conditioning decreased the most, year-on-year (-4.5%) in Q4, however at the same time recorded a 6.2% quarter-on-quarter increase. Prices of mining and quarrying fell by 1.2% year-on-year, and were higher by 0.5%, quarter-on-quarter. Prices stagnated in manufacturing, quarter-on-quarter, and they were also close to stagnation in the year-on-year perspective (-0.2%). Although the Czech Republic was among the minority of countries where industrial producer prices rose in Q4 (1.8%), the quarter-on-quarter price dynamics were below average (0.4%). The highest year-on-year increase of industrial producer prices was recorded in Ireland

<sup>80</sup> Without prices of water distribution and services associated with wastewaters.

(5.4%), Denmark (2.7%) and Hungary (2.1%). Slovakia reported the deepest plunge of prices (−18.6%). This was followed by France (−4.8%) and Poland, Austria and Latvia similarly with −4.3%.

Prices of construction work grew at a steady pace, year-on-year.

Prices of construction work maintained a stable moderate year-on-year growth throughout 2024 and increased by 2.1% in total (5.9% in 2023 after revision). According to estimates, prices of construction work increased by 2.4%, year-on-year, in Q4 and were 0.7% higher, quarter-on-quarter. Prices of materials and products consumed in construction went down by 0.5% on average for the whole year 2024 (they increased by 3.8% in 2023). In Q4 alone, they increased by 0.7%, year-on-year, and by 0.1%, quarter-on-quarter.

Prices of market services were affected the most by the development of prices of real estate services.

Prices of market services rose by 3.8% in total last year, thus slowing down compared to the previous year. Prices of real estate services contributed the most to last year's growth (7.7%) and further the advertising and market research (10.0%) and programming, consultancy and related activities (3.7%). Prices of employment activities (10.3%), security and investigation activities (9.0%), services related to buildings and landscape activities (mainly consists of cleaning services, 5.8%), postal and courier services (5.4%) or legal and accounting services (5.1%) grew above average last year. Only prices of warehousing and support activities for transportation decreased (−0.4%) last year. Prices of market services increased by 3.7%, year-on-year, in Q4 itself, slightly strengthening compared to both Q2 and Q3. Prices of market services were higher by 1.5%, quarter-on-quarter. The acceleration of year-on-year price growth was influenced by a stronger growth of prices of employment activities (13.5%), activities of head office and management consultancy activities (2.9%) and information services (2.7%). Prices of real estate services (7.6%), advertising and market research activities (11.2%) and programming, consultancy and related activities (3.1%) contributed the most to the total year-on-year increase of prices of market services. Prices of land transport and transport via pipelines (−0.4%), warehousing and support activities for transportation (−0.3%), and administrative, office support and other business support activities (−0.1%) were lower, year-on-year.

Agricultural producer prices started to rise again, year-on-year, in Q4. However, they fell for the whole year.

Total agricultural producer prices decreased by 5.9% in 2024, which was nearly the same as in 2023 (−6.0%). Prices of crop products went down by 9.1%. Cereals dived deeply last year (−18.6%). Prices of industrial crops (−2.4%), vegetables and horticultural products (−1.3%) and potatoes (−5.8%) were also lower. Prices of fruit (28.7%) and forage plants (13.7%) went up in contrast. The decline of prices of animals and animal products was more moderate last year (−1.5%). It was mainly caused by the drop of prices of pigs (−3.6%), poultry (−6.3%) and eggs (−13.2%). On the contrary, the prices of cattle (6.6%), calves (7.9%) and milk (0.2%) went up. The decrease of agricultural producer prices moderated during the year and prices rose by 5.0%, year-on-year, in Q4, for the first time since Q1 2023. Prices rose by 6.8%, quarter-on-quarter. Prices of crop products were higher by 2.3%, year-on-year. Cereal prices continued to fall slightly (−0.2%) – prices of rye (−2.0%), barley (−5.3%) and oats (−0.4%) were lower, while wheat (1.2%) and maize (2.2%) turned to growth. Industrial crops continued to grow, year-on-year (9.7%), mainly oil seeds (16.4%) and protein crops (14.8%), while sugar beet prices rose to a lesser extent (3.8%). Prices of forage plants were higher by 7.5% and fruit by 31.4%, year-on-year, in Q4. Prices of vegetables and horticultural products (−3.8%) and potatoes (−10.8%) went down. Prices of animal production rose, year-on-year, already in Q3 and the increase strengthened to 10.1% in Q4. Prices of cattle went up by 13.6%, milk by 17.8% and eggs by 10.3%. By contrast, prices of pigs (−6.6%) and poultry (−0.7%) continued to decline.

Prices of goods exports rose last year.

The year-on-year development of international trade prices was significantly affected by shifts of the koruna foreign exchange last year, which weakened against both the euro and the dollar<sup>81</sup>. This had an inflationary effect. The export prices rose by 3.1% for the whole year 2024. Prices of manufacturing products (3.8%) and water supply and sewerage and waste management and remediation activities (7.9%) were higher. On the other hand, prices of exports in mining and quarrying (-11.5%), electricity, gas, steam and air conditioning (-5.4%) and also products of agriculture, forestry and fishing (-3.3%) plummeted. The year-on-year dynamics of export prices strengthened during the year. Their year-on-year growth reached 4.1% in Q4 itself, prices increased by 0.9%, quarter-on-quarter. The strengthening of the year-on-year growth was evident mainly on the prices of agriculture, forestry and fishing products (5.7% in Q4) and further electricity, gas, steam and air conditioning (a sharp growth acceleration to 26.8% in Q4) during the year. Only export prices in the mining and quarrying division plunged (-11.7%) in Q4. The year-on-year growth of prices of manufacturing products slowed slightly to 3.6% in Q4. Prices of furniture (7.7%), other transport equipment (7.6%), basic pharmaceutical products (5.2%), electrical equipment and rubber and plastic products (both by 4.8%) or machinery and equipment and motor vehicles (both by 4.6%) were higher. A decrease was recorded only in a minority of cases, specifically coke and refined petroleum products (-13.6%), leather (-7.8%) and other non-metallic mineral products (-1.3%).

The terms of trade of the international trade with goods were positive last year.

Import prices rose by 1.5% in total last year. Prices of manufacturing products were higher, but a drop was recorded for import prices of electricity, gas, steam and air conditioning (-15.8%), agricultural, forestry and fishing products (-9.7%) and mining and quarrying (-4.1%). The import prices increased by 2.2% in Q4 itself and were 0.9% higher, quarter-on-quarter. Import prices of manufacturing products rose, year-on-year, (2.6%) in Q4 and prices of electricity, gas, steam and air conditioning experienced substantial growth (11.0%). On the contrary, prices of agriculture, forestry and fishing (-5.3%) and mining and quarrying (-1.4%) products were lower. The terms of trade of the international trade with goods reached in total 101.5% last year. The terms of trade of electricity, gas, steam and air conditioning (112.4%) and products of agriculture, forestry and fishing (107.2%) were notably positive. The international trade with manufacturing (101.2%) also achieved positive terms of trade. On the other hand, the terms of trade in mining and quarrying were significantly negative (92.3%). The terms of trade remained positive throughout the year and reached 101.9% in Q4 alone. At the same time, the terms of trade with electricity, gas, steam and air conditioning (114.2%), agriculture, forestry and fishing products (111.6%) and trade with manufacturing goods (101.0%) were positive. The terms of trade for mining and quarrying were in contrast deeply negative (89.6%).

<sup>81</sup> Based on the CNB data, the average koruna foreign exchange per euro reached 25.249 CZK/EUR in Q4 2024. It was 24.521 CZK/EUR in Q4 2023. The average was 25.1 CZK/EUR for the whole year 2024 and 24.007 CZK/EUR in year 2023. The average koruna foreign exchange per dollar was 23.640 CZK/USD in Q4 2024. It was 22.820 CZK/USD in the same period of year 2023. The average koruna foreign exchange per dollar reached 23.208 CZK/USD for the whole last year and it was then 22.210 CZK/USD in 2023.



## 6. Labour Market

The uneven recovery of the economy in 2024 likely led to greater movements of people on the labour market.

Year-on-year growth of the purchasing power of wages resumed last year, and wages have thus gradually begun to eliminate their deep losses from 2022 and 2023.

Employment growth moderated last year, however, the Czech Republic (CR) had the highest number of people working here in absolute terms in modern history of the CR.

In particular, especially the public services continued to contribute to employment growth. However, most other branches of the tertiary sphere of the economy were also successful.

The labour market was still experiencing the reverberations of the mild recession in 2024, that hit the economy in the previous year. Simultaneously, however, signs of recovery were becoming increasingly apparent, especially in branches that benefited from the strengthening domestic demand. Moderate, rather differentiated employment growth persisted. Businesses slightly improved short-term employment expectations in most economic branches at the end of year 2024. Nevertheless, the situation remained difficult in industry. Despite the uncertain economic outlook, companies still intensively demanded the cheaper labour from abroad, and at the same time, the integration of Ukrainian refugees into the labour market in the Czech Republic continued, which partially addressed the longer-term shortage of available labour force in the country. The unemployment remained unchanged at a very low level. In most cases, workers made redundant from industrial enterprises could find a new job in other branches without any significant difficulties, also thanks to the higher activity of labour offices (LO) in the field of retraining. Relatively rapid nominal wage growth, driven mainly by market branches of services, continued. This given the stabilisation of the price level in the economy, led to renewed growth of real wages, which had occurred in all major branches in the annual perspective. However, the purchasing power of employee earnings still did not even reach the level of 2019.

The trend of moderate employment growth continued in 2024, lasting since the COVID-19 pandemic subsided. Total employment<sup>82</sup> increased by 0.3%, year-on-year, which, however, meant a slight slowdown compared to the dynamics in the previous three years. This is also related to the fact that the number of employees only stagnated, quarter-on-quarter, in the second half of last year, as the recent stagnation in the performance of the total economy took effect with a lag. In spite of this, the employment climbed up to a record 5.41 mil people during the last year and was 0.6% higher in comparison to the peak value of the last expansion (Q4 2018), largely due to the development of public services. At the same time, it should not be omitted that the rate of employment growth in the Czech Republic has long been slower compared to most EU countries<sup>83</sup>.

Both employees (their number increased by 0.2%) and self-employed (+0.9%) contributed to the growth of total employment in a similar way last year. In terms of main branches, public services<sup>84</sup> traditionally contributed the most, with almost 2% of workers added last year, as in the previous year. In addition, the employment growth strengthened slightly here during 2024 (up to 2.5% in Q4). These services thus responded to the high demand associated with longer-term changes in the age structure of the population (in the areas of education, health and social care). The important division of trade, transport, accommodation and food service activities also thrived (+1.0%) in the annual perspective, however the total employment still lagged slightly behind 2019 here (–10 thousand persons). It also resulted from the worse development in transportation and warehousing, where the demand for workers was limited by weaker performance in the related industry sector last year. On the contrary, the small entrepreneurs fared better in the entire above-mentioned division, which can be attributed to the recovery of

<sup>82</sup> Data regarding employment stem from the national accounts' conception. They are expressed in physical persons and adjusted for seasonal effects. Unlike the data from the business statistics or the labour force sample survey (LFSS) also include for instance the estimation of the grey economy impact.

<sup>83</sup> This has been true continuously since 2016, with relatively slower growth of employment in the Czech Republic in the category of employees. The number of all workers in the EU increased by 0.8%, year-on-year, last year (the least in the last four years). The employment growth was also centred in the tertiary sphere in the Union, with the largest increases in information and communication (+2.2%) and public services (+1.7%). On the other hand, agriculture, forestry and fishing in particular continued to lose positions (–3.2%) and employment in manufacturing stagnated last year (as in 2023). Of the individual countries, the total number of workers increased in 2024 the most in Croatia (+6.1%) or Ireland (+2.7%), and among the major economies mainly in Spain (+2.2%) and Italy (+1.6%). On contrary, the total employment decreased only in five mostly smaller countries – especially in Latvia (–0.9%) and Finland (–0.6%), but also in Poland (–0.7%) and Slovakia (–0.2%), in most cases mainly due to unfavourable developments in industry. Even very modest total employment growth in the Czech Republic meant the highest pace in the Central European region. The total number of workers increased slightly in Germany (+0.2%), nevertheless it fell by 1% in manufacturing alone.

<sup>84</sup> Include branch Public administration, Education, Health and social work.



tourism. Further, the real estate activities also continued to develop, leading to an increase of the number of employees (+2.3%). Total employment increased more moderately in other areas of services<sup>85</sup>, with the exception of information and communication, where a decrease occurred for the first time in the last thirteen years (−0.3%). This decrease concerned exclusively employees (−0.7%)<sup>86</sup>. However, even the number of self-employed persons in ICT recorded a more significant slowdown of the growth rate last year compared to previous years (+2.2%).

The decrease of employment in manufacturing deepened to 2% last year and affected almost all sectors.

Growth of total employment was significantly dampened throughout last year by developments in manufacturing, where 2% of positions were lost (the reduction occurred with similar intensity for both employees and self-employed). It was related to the recession of the total branch accompanied by enhanced cost pressures as well as weakened demand in a number of traditional export activities (mechanical engineering, electrical engineering, metallurgy)<sup>87</sup>. The situation was more favourable in other industry, as even a slight increase of employment in energy industry, water and waste management activities was sufficient to compensate the deepening downturn in the relatively small field of mining and quarrying. The growth of the number of workers ceased in construction last year (after three years), which can be attributed to a less favourable development among small entrepreneurs (−1.5%). However, the situation gradually improved during the year. The total employment rather stagnated in agriculture, forestry and fishing for the second year in a row last year, while the number of self-employed continued to increase.

The construction was also in a minor downturn, but the situation improved during the year.

The number of hours worked in the economy fell slightly due to a lower work needs of the industry and also as a result of part-time work expansion.

The total number of hours worked in the economy, which returned to pre-crisis levels (year 2018) for the first time in 2023 decreased slightly last year (−0.2%). The largest growth manifested in division trade, transport, accommodation, and food service activities (+1.6%) and also in the primary sphere of the economy (+2.0%), where it however largely depends on the natural conditions. On the contrary, the largest decrease occurred in manufacturing (−2.7%), where it also exceeded the rate of decline of employment (in natural persons). This may have reflected a lower need for overtime work, or even a reduction of planned shifts in some sectors affected by the recession. Hours worked also decreased slightly in some branches of services in which employment otherwise increased last year (financial and insurance activities, public services). This may be linked to the expansion of part-time work<sup>88</sup> (due to the growing employment of women supported by the integration of female refugees from Ukraine as well as the tax relief to support part time jobs introduced last year) or to a decrease of the number of persons working on job agreement contracts<sup>89</sup> (due to legislative changes reducing the financial benefits of these forms of work for employees and, conversely, increasing administrative burdens for companies).

<sup>85</sup> These include, for example, other services (+2.0%) including, in addition to cultural, amusement and recreational activities, for instance various services for households (repair of goods, hairdressing and cosmetic activities, etc.). However, employment in this section (comprised of nearly 40% of small entrepreneurs), which was severely affected during the period of anti-pandemic restrictions, still lagged slightly behind the 2019 level.

<sup>86</sup> An imminent, albeit likely temporary, change in demand for workers in this branch was already indicated by a halt in real sales growth during 2023.

<sup>87</sup> A decrease of employment occurred across almost all manufacturing sectors last year. The food industry (+2.1%) and also the chemical industry, where employment gradually stabilized, represented the exceptions.

<sup>88</sup> According to LFSS data, 483 persons worked part-time in the Czech Republic in Q4 2024, up 9%, year-on-year (24% more in the last six years). Women contributed mainly to the growth, of whom 14.4% already utilised this form of work (most frequently those aged 30 to 44). However, only 5% of working men preferred it (mostly at the end of their working careers). Despite the current increase, the representation of these jobs on the domestic labour market remains relatively low. The share of persons employed in this way in Czechia (9.0%) at the end of 2024 was only half of the value in the EU (similar relations apply to both males and females). On the other hand, among the countries that joined the EU after 2000, only Estonia (15%) and Malta (11%) featured a higher share than the Czech Republic.

<sup>89</sup> According to the CZSO experimental statistics, the number of persons working on job agreement contracts (to complete a job, to perform work) decreased by 4%, year-on-year, in 2024 and the number of hours worked by 9%. People working on job agreement contracts for more than one employer simultaneously are included multiple times (i.e. separately for each employer).

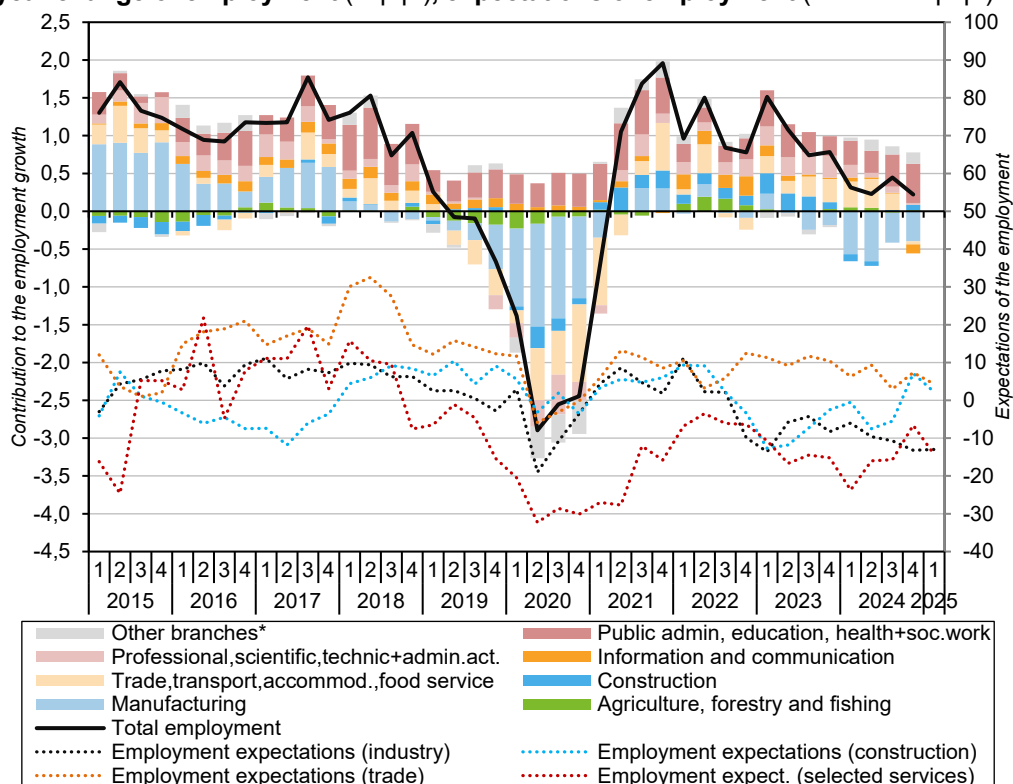


The number of persons combining multiple employments grew.

The long-term growth of the number of specialists as well as the decrease in the category of office workers continued.

The increasing role of part-time work is also associated with the growing share of persons working in two jobs. While 2.8% of workers were employed in this way in Q3 2023, a record 3.3%<sup>90</sup> a year later. In addition to these shifts, longer-term structural changes of employment are also taking place. As the education of the workforce increases, the number of people working in the specialist category is also growing (according to LFSS data, by 8%, year-on-year, in Q1 to Q3 2024). There has also been an increase of services and sales workers (+6%) and technical and professional staff (+4%) in 2024. On the contrary, the decrease continued in the category of office workers (-13%), largely due to the development of digitalisation in the area of market as well as public services.

**Chart 13 Total employment (year-on-year in %), contributions of branches to year-on-year change of employment (in p.p.), expectations of employment (balance in p. p.)**



\* This category includes branches: Mining and energetics; Financial and insurance activities; Real estate activities; Arts, entertainment and recreation activities.

Note: Balance of expectations expresses the difference in p.p. between categories growth vs. decrease of employment in the nearest three months. Data are seasonally adjusted and relate to the second month of the given quarter.

Source: CZSO (national accounts), Eurostat (business cycle surveys).

The number of foreigners with employment status hiked up to a record 846 thousand. However, their year-on-year growth slowed down as the number of workers from Central Europe decreased. On

The long-term limited pool of available labour force in the Czech Republic (resulting from demographic ageing as well as low birth rates) and the growing pressure of companies to optimise production costs have stimulated the rising demand of domestic employers for workers from abroad. Legislative amendments reducing the administrative burden in this area help to make it easier to employ foreigners. This applies to both Ukrainian citizens<sup>91</sup> and foreigners from other, not only economically less developed countries outside the EU<sup>92</sup>. The long-term influx of foreign workers to the Czech Republic thus continued. However, the number of working foreigners in the Czech Republic grew more slowly last year compared to previous

<sup>90</sup> Roughly less than half of this increase is accounted for by persons performing two different employment positions, and a slightly larger part by employees who "additionally" act as self-employed. 3.9% of workers held two or more jobs in the whole EU in Q3 2024. The Netherlands (10%) and Denmark (9%) had the highest proportion of such employed among the member states, it was also above average in the Nordic countries and the Baltic States.

<sup>91</sup> Almost four-fifths of all Ukrainian citizens (or 67% of men and 88% of women) working in the Czech Republic with the employee status did not need a work permit (work permit, the employee card or blue card) at the end of 2024.

<sup>92</sup> As of 1<sup>st</sup> July 2024, foreigners from some economically developed countries outside the EU (USA, Great Britain, Canada, Australia, New Zealand, Japan, South Korea, Israel and Singapore) do not need a work permit or employee cards in the Czech Republic.

the contrary, the influx of people from some Asian countries accelerated.

years. Total 846<sup>93</sup> thousand were registered at labour offices at the end of December (+22 thousand, year-on-year, +52 thousand in two years)<sup>94</sup> in the dominant group of employees. Traditionally, the largest year-on-year increase was in the number of citizens of Ukraine (+19 thousand to 305 thousand, of which females +14 thousand, to 163 thousand), with orders of magnitude less from Russia and Vietnam. The number of citizens of the Philippines (by half), China, India, Bangladesh, Kazakhstan and Egypt also expanded quickly (all by about a fifth). On the contrary, the number of employees from Central Europe reduced – mainly Poles (–5.4 thousand and 11% respectively) and Hungarians (–7%) as well as from the Balkans – Romanians (–4%) and Bulgarians (–7%). The number of Slovaks also decreased (–0.3%) for the first time since 2009, nevertheless they still made up the second largest group among foreigners (216 thousand) after Ukrainians. The total number of foreigners in employee status increased last year only thanks to females, the number of males decreased slightly (to 482 thousand).

The employment rate of females aged 15 to 64 has risen above the 70% threshold for the first time. Still, it was only average within the EU.

The above-mentioned tendencies on the domestic labour market, together with the gradually lengthening retirement age, are reflected in the growth of the employment rate (those aged 15 to 64 years). It arrived at 75.8% (+0.4 p. p., year-on-year) in Q4. Its growth was driven only by females, whose employment strengthened by 1.4 p. p. and climbed above the 70% threshold (70.2%) for the first time in history. It decreased for males due to the difficult situation in traditional manufacturing industries by 0.3 p. p. (81.3%). According to the currently available data for Q3 2024, the total employment rate in Czechia was the eighth highest among the EU countries, exceeding the EU average by 4.6 p. p. Only Germany had higher employment among Central European countries than the Czech Republic (by 1.7 p. p.). Strong male participation rate (the fourth highest in the EU after Malta, the Netherlands and Cyprus) assists the relatively high employment rate in the Czech Republic and in all age groups, except for the youngest under 25 years of age. On the contrary, the employment of females ranks the Czech Republic on the 15th place among the EU members (it is only average even compared to newer member states), mainly due to the weaker participation of persons under 40 years of age.

The male employment rate in the Czech Republic decreased unlike in the EU last year. Nevertheless, it was still the highest among Central European countries.

Firms' short-term employment expectations improved slightly at the end of the year. Mild optimism occurred in trade as well as construction.

Companies' short-term expectations of their own employment<sup>95</sup> remained slightly negative in the Czech Republic last year (as well as throughout 2023). However, the situation improved slightly during the year, especially in construction as well as selected services, while pessimism deepened in industry. According to a survey from February 2025, 16% of companies expected to lay off their employees in industry, 6% in construction, 9% in trade and 23% in services. These intentions were outweighed by a higher number of businesses planning to recruit workers in construction and trade. The situation at the level of sub-sectors within industry and services naturally differed<sup>96</sup>. The share of businesses for which labour shortages represent one of the significant growth barriers<sup>97</sup> was traditionally the most pressing in construction at the beginning of this year (54%). The opposite situation prevailed in industry (13%) and also in services (24%), where there was, however, a slight year-on-year increase.

A shortage of workers continues to plague construction companies in particular, however its role is also growing slightly in services.

<sup>93</sup> In addition, the Ministry of Industry and Trade registered 132 thousand foreign nationals with a trade license in the Czech Republic in the same period. Unlike foreigners in employment status, their growth accelerated last year (to 11%). Ukrainians accounted for almost two-thirds of this growth, with 43 thousand doing business in the Czech Republic, followed with a margin by Slovaks (26 thousand) and Vietnamese (21 thousand).

<sup>94</sup> From the point of view of regions, the number of foreigners increased the most in *Prague* (+7.9%) and the *Olomouc* region (+7.5%) last year. Almost a third of all foreigners in employee position in the Czech Republic (i.e. registered with labour offices) thus pertained to Prague in December 2024, and together with *Central Bohemia*, then nearly one half.

<sup>95</sup> Unless stated otherwise, seasonally adjusted data are used from now on.

<sup>96</sup> The prevailing negative anticipations of employment were expressed (according to the December 2024 survey) by enterprises in 90% of manufacturing industries. Metallurgy, electronics, clothing and manufacturing of beverages recorded the worst prospects. On the contrary, positive prospects persisted only in manufacturing of rail transport equipment, the food industry and the footwear industry.

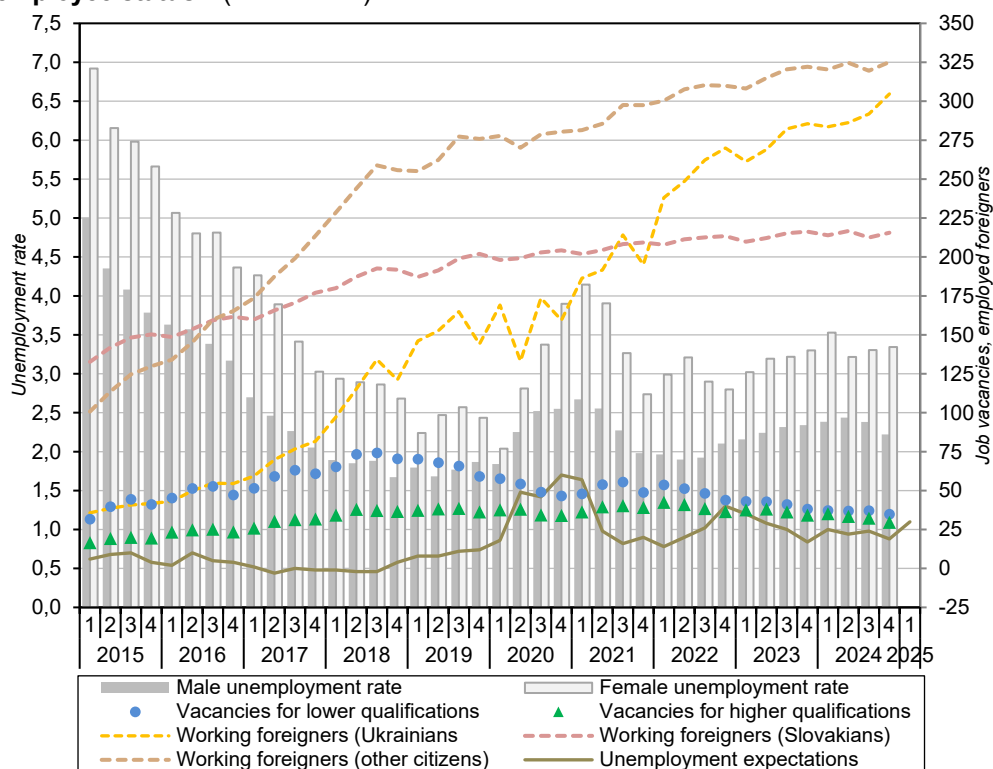
In services, negative expectations prevailed in less than half of the sub-sectors. It was the most evident in creative, artistic and amusement activities, in veterinary activities, water as well as air transport, publishing, and at a margin in financial activities, land transport or travel agencies. In contrast, optimism prevailed in postal and courier activities, insurance, legal and accounting activities, science and research, employment placement agencies and majority of information and communication activities.

<sup>97</sup> Businesses could have state more barriers simultaneously.





**Chart 14 General unemployment rate (in %, age 15 to 64 years), unemployment expectations of households\* (in p. p.), job vacancies and working foreigners with the employee status\*\* (in thousand)**



Note: Figures regarding the unemployment rate are seasonally adjusted. JV=job vacancies (balance at the end of quarter. Vacancies for higher qualifications include positions requiring at least secondary education with A-level or higher education.)

\*Seasonally adjusted balance of expectations of unemployment in the next 12 months (difference between percentage frequency of answers of households "growth" and "decrease" expressed in percentage points). Data relates to the second month of the given quarter.

\*\* Number of foreigners in the status of employees registered at labour offices in the Czech Republic at the end of the relevant quarter. Source: CZSO (LFSS, business cycle survey), MLSA (job vacancies registered at labour offices in the CR)

The general unemployment rate fluctuated slightly at a low-level last year. Development of long-term unemployment was also favourable.

Despite the difficulties of some, especially industrial businesses, the general unemployment rate<sup>98</sup> did not increase significantly during 2024, rather it can be said to fluctuate, especially for females. The developing services were able to absorb the laid-off workers from some attenuated industries to a large extent since. The labour offices, whose activity in the field of retraining (with financial support from EU funds) increased especially in the second half of the year, also assisted the anticipated higher turnover of workers on the labour market. The seasonally adjusted unemployment rate (aged 15–64 years) was 2.7% last December (2.2% for males and 3.3% for females)<sup>99</sup>. The number of long-term unemployed did not increase either – they accounted for less than 30% of the total number

<sup>98</sup> Unless stated otherwise, all data regarding the unemployment rates are sourced from the LFSS (based on the ILO methodology) and are adjusted for seasonal effects.

<sup>99</sup> Unemployment also remains low in the EU - reaching 5.9% in the 15- to 74-year-olds group in December 2024 (6.3% in the euro area). It stayed almost unchanged, month-on-month and year-on-year, nevertheless there was a slight improvement for females (to 6.1%). Total unemployment in the EU has been the lowest since 2000 in the available time series and is about 1 p. p. lower than at the beginning of 2008 (in both the EU and the euro area). Total unemployment in the Czech Republic (2.6%) has been the lowest in the EU for eight consecutive years – currently ahead of Malta and Poland (both 3.0%), Germany (3.4%) and the Netherlands (3.7%). The Czech Republic traditionally held a privileged position thanks to males (2.4%). However, even among females, where unemployment traditionally fluctuates more, only Malta (2.9%) has currently reached a slightly lower level than in the Czech Republic. The total unemployment increased, year-on-year, in 10 Member States – most notably in Slovenia (from 3.3% to 5.2%), Denmark (from 5.8% to 7.0%) and Finland (from 7.6% to 8.7% – the third highest level in the Union). A slight deterioration also occurred in other Nordic countries and in the Benelux region. On the contrary, there was an improvement mainly in the south – in Italy (from 7.1% to 6.2%), where unemployment fell below the EU level for the first time in a long time. The situation also improved by 1 p. p. in Croatia and Cyprus (both to 4.5%) or Greece (9.4%). The largest decline occurred in Spain (from 11.9% to 10.6%), which is experiencing relatively rapid economic growth, when even sectors that are currently in decline in the EU (e.g. industry and construction) are simultaneously thriving in Spain. Despite this fact, unemployment remains the highest within EU in Spain. The Czech Republic also has a favourable position in terms of unemployment of persons under 25 years of age, as it has long been one of the third of the EU countries with the lowest youth unemployment. It reached 9% in the Czech Republic December 2024 (15% in the EU) and unemployment of more than 20% plagued six Member States – especially the countries of the southern wing of the euro area.

The size of the potential labour reserve remained low.	of jobless persons in Q3 (this is below average value in the long-term as well as international context). The size of the potential labour reserve (i.e. economically inactive persons not looking for work but stating their willingness to work) was virtually stagnating, year-on-year, in Q4 (to 77 thousand persons) <sup>100</sup> and remains low from the long-term perspective. Although this represents an appreciable issue for many employers, on the other hand, it is also a positive signal indicating that the extent of hidden unemployment (in the form of an "escape" into economic inactivity) is currently not significant on the domestic labour market.
There was a slight year-on-year increase in the number of registered job applicants.	The steady state of the domestic labour market is also validated by the Ministry of Labour and Social Affairs data. The seasonally unadjusted share of the unemployed (available job applicants to the total population of 15–64-year-olds) was 4.1% (+0.4 p.p., year-on-year), 3.8% for males and 4.4% for females, at the end of December. Higher unemployment (above 6%) was recorded in twelve municipalities (located in five different regions). The number of all registered job applicants rose slightly above 300 thousand for the first time since the peak of the pandemic (Spring 2021) and exceeded the number of jobs offered <sup>101</sup> for thirteen months in a row. People's fears of rising unemployment (expressed in business surveys) fell to their lowest level since the onset of the pandemic last Spring. Subsequently, they fluctuated slightly but increased noticeably at the beginning of 2025 (moderately above the long-term average). The current growth of concerns may be related to the situation in industry, ongoing public discussions on fiscal consolidation, but also the tense geopolitical situation.
People's concerns about the development of unemployment in the next 12 months have been increasing since last December.	
The year-on-year growth of average wages fluctuated slightly since the beginning of last year, reaching 7.2% in Q4 2024.	The average gross monthly nominal wage in the national economy reached 49,229 CZK in Q4 2024 and increased 7.2%, year-on-year. Quarter-on-quarter wage growth (seasonally adjusted) was 1.7% and fluctuated slightly over the past year. Wages increased by 7.1% (to 46,165 CZK) for the whole of last year, which was a slight slowdown compared to the pace in 2023 (8.0%). The dynamics of average wages of persons converted to full-time equivalents (FTEs) versus natural persons differed significantly throughout last year. Due to the expansion of part-time work (as a result of financial support from the state, or also tax optimisation – transfer of persons with agreements to complete a job, to perform work), wages per individual increased by only 6.7%, year-on-year, in Q4. The registered number of employees (FTE) increased by 0.1%, but by natural persons by 0.6%. These differences were the most evident in some services (real estate activities, employment placement agencies, transportation and storage, health and social work) and agriculture and forestry branches.
There are significant factors fostering higher wage growth, but also those with the opposite impact.	Wage growth in the economy was dampened by the growing need for savings in the budgetary sphere as well as the growing number of foreign workers from "third countries". They frequently work in low-skilled positions <sup>102</sup> and thus their earnings usually do not reach the level of Czech citizens. By contrast, nominal wage growth was still fostered by relatively high demand of businesses for labour in a number of sectors (especially in services) or the increased pressure from employees, also stemming from tight family budgets caused by ongoing high growth of prices of some consumer basket items as well as other expenditure (mortgage payments). The

<sup>100</sup> However, only a sixth of this number is able to start work immediately. A significant part of the work reserves is made up of students and women on parental leave.

<sup>101</sup> Only a smaller proportion of jobs can be considered active – only 112 thousand jobs were advertised at the Labour Office less than half a year, down by 10 thousand, year-on-year (the decrease manifested across educational categories). According to experimental statistics of the CZSO (surveys of enterprises conducted since 2020), the offer of domestic businesses was estimated at 101 thousand vacancies in Q4 2024 (these are only jobs in an employment relationship, not temporary jobs, e.g. various types of agreements). The number of jobs increased by 9%, year-on-year (slightly growing in all quarters of last year). Currently, mainly the supply of jobs in public services (across branches), as well as in trade or advanced services for businesses, has increased. In contrast, the number of jobs offered in construction decreased. In industry, where a similar development persisted for eight quarters in a row, the reduction of jobs stopped at the very end of last year (to 25 thousand). However, the largest offer of vacancies was available in the services sector (69 thousand), of which 26 thousand were in branches with a significant role of the state.

<sup>102</sup> For example, in 2023, only 13% of all non-EU foreigners (or 9% of Ukrainians), 24% of all foreigners from EU countries, but 44% of all employees with Czech citizenship worked in the most qualified employment classes (managers, specialists, technical and professional workers) in the Czech Republic.



persisting high corporate profit rate also enabled a more dynamic wage growth in a number of branches. The accelerated raise of the minimum wage<sup>103</sup> may have had a partial effect in some branches.

The expected year-on-year growth of real wage resumed at the beginning of last year. In a year-round perspective, it permeated all branches.

Thanks to the calming of the price level in the economy, the expected growth of real wage continued. It was 4.2%, year-on-year, in Q4. It was then 4.6% for the whole last year, the purchasing power of wages grew more rapidly over the last two decades only in the expansion era in years 2018 and 2019. In the full-year perspective, there was growth in all major branches last year. The increase of real wages in the economy is gradually leading to the elimination of the significant plunge of the purchasing power of employees in 2022 and 2023 (however, the average wage was still only at the level from the end of 2018 in real terms at the end of last year). Growth of the purchasing power of wages was dampened by a slight increase of the tax burden on labour last year (e.g. the reintroduction of employee contributions to sickness insurance) approved as part of the government's consolidation package.

Average wages increased the most in real estate area and advanced business services in Q4 2024. Tourism-related branches also continued to thrive.

The total growth of the average wage conceals traditionally very heterogeneous developments at the level of individual branches of businesses or organisations. The highest year-on-year growth was achieved by wages in the small branch of real estate activities (16.0%) in Q4 last year, which, together with the rapid growth in years 2022 and 2023, led to their current level (47.9 thousand CZK) coming significantly closer to the entire economy. Wages in professional, scientific and technical activities also grew dynamically (12.2%, by 6,836 CZK in absolute terms – the most of all branches) and, as in the previous branch, their pace accelerated last year and was accompanied by above-average employment growth as well. The continuing recovery of inbound tourism as well as the increase of the minimum wage threshold were reflected in a 10.3% increase of wages in accommodation, food service and restaurants (an above-average rate remained for the fourth year in a row). However, it still clearly represented the branch with the lowest level of wages (29.1 thousand CZK, a mere third compared to the branch – information and communication). The construction industry was also successful, with 9.9% wage growth also responding to the issue of chronic shortages, especially of skilled labour. This is also partially true for health and social work, where wages increased by 9.2%<sup>104</sup> and their level (54.9 thousand CZK) was the highest of all sectors with a significant role of the state in Q4. The wage growth accelerated to 8.1% amid stagnating employment in the most important branch of services – trade – in Q4. Transportation and storage had a similar both wage rate and level (45 thousand CZK) (however with a different development of the number of employees: -0.8%). Earnings grew relatively more slowly in branches with the highest wage level: financial activities (6.8%) and ICT (+7.3%) lagged behind the pace in the economy as a whole from the annual point of view.

Wages grew relatively more slowly in the branches with the highest wage level last year.

Wage growth in the economy continued to be subdued by the need for budget savings in public services.

The lowest wage growth continued in most branches with a significant role of the state. It was identically only 2.3%, year-on-year, in public administration, defence and social security, as well as in education in Q4 2024 and was the only major branch in which it lagged behind inflation. The current wage growth was average (7.2%) in cultural, entertainment and recreational activities, but the level of earnings (43.3 thousand CZK) lagged significantly behind the level of the economy and the government sector as a whole. Among the market branches, wages increased the least in mining and quarrying (1.2%), mainly due to a higher last year's basis (payment of higher bonuses). The same effect also occurred with wages in the energy sector (4.7%), nevertheless the absolute increase (+3,223 CZK per month) was similar to that of the economy as a whole here. Wages increased in both absolute and relative terms at below-average pace in agriculture, forestry and fishing (6.4%) and in manufacturing (7.0%). In both cases, they were accompanied by an almost 2% decrease of the number of employees. Of the larger industrial sectors, wages increased the most in manufacturing of electrical equipment (9.3%), the least in manufacturing of

The sales difficulties of manufacturing were reflected in a below-average wage rate and a longer-term

<sup>103</sup> The minimum wage was set by a new indexation mechanism last year (it is expected to gradually increase up to 47% of the average wage in 2029). From January 2025, this wage thus increased by 10% to 20,800 CZK. On the other hand, the institute of guaranteed wages was fundamentally simplified and is now used only in the salary sphere.

<sup>104</sup> There have been tariff adjustments and personal allowances have increased for a large number of employees here since January 2024.

reduction of employment.

Among the regions, wages increased in Q4 and in the annual view the most in the *Pardubice* region, the least in the *Karlovy Vary* region.

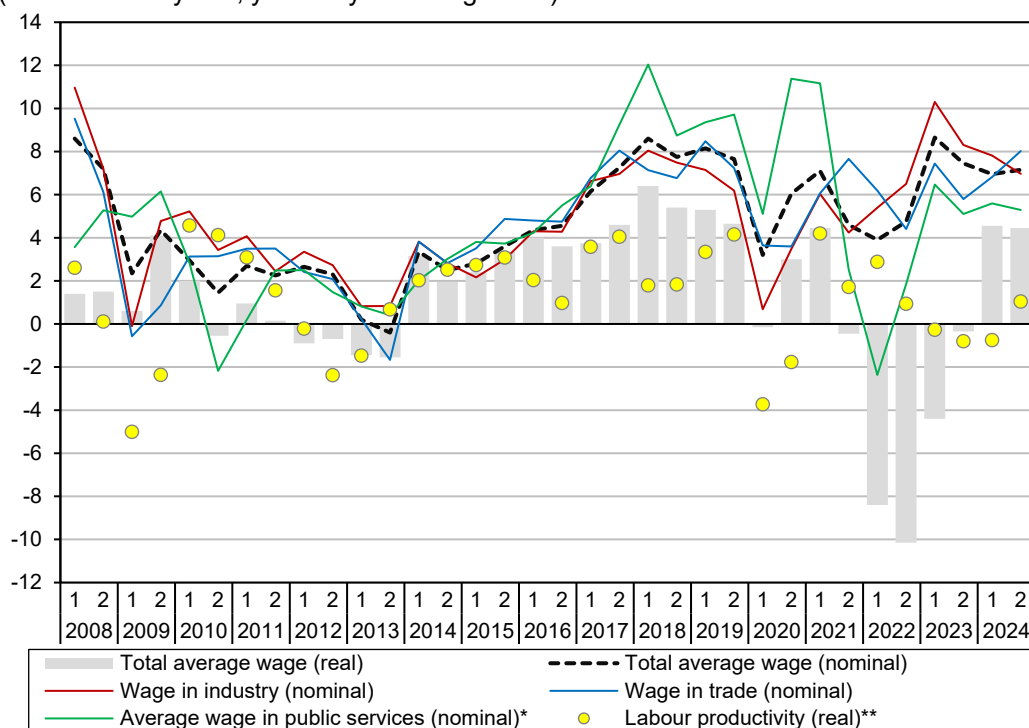
The median wage grew more slowly than the average wage throughout last year. Lower dynamics of median earnings were particularly evident among females.

motor vehicles (5.3%), where the average level of earnings was still relatively high (55.2 thousand CZK).

Wage growth among regions ranged in Q4 from 9.0% in the *Pardubice* region to 5.0% in the *Karlovy Vary* region, where the lowest level of average monthly wages persisted (42.3 thousand CZK, only 71% of the level in Prague). The registered number of employees in most regions declined, year-on-year, the most in the *Moravian-Silesian* region (-1.3%, due to the difficulties of heavy industry), it increased only in three regions, of which more markedly only in Prague (+2.2%).

The median wage increased by only 4.2% in Q4 (it grew more freely than the average wage then throughout last year). Weaker growth manifested among females (who often work in public services). The total median wage was 41.7 thousand CZK (+6.3%, year-on-year) according to preliminary data for the whole of 2024. Mainly middle earnings grew more slowly, while both high earnings in the 9th decile (by 7.7%), which increased to 77.1 thousand CZK, and low wages in the 1st decile (by 7.5%), which rose to 23.7 thousand CZK, increased more rapidly. Men's wages grew faster compared to women's wages, year-on-year, in the entire band. The median wage of females increased by 6.1% last year and its level (38.7 thousand CZK) lagged behind the level of males by 13.6% last year. From the point of view of occupational groups, the average wages increased the most for specialists (+10.5%) last year, while the pace did not differ much for other groups.

**Chart 15 Average nominal and real wage and labour productivity**  
(individual half-years, year-on-year change in %)



\*Includes branches with a significant state involvement: Public administration, defence, social security; Education; Human health and social work activities; Cultural, amusement and recreational activities.

\*\*Expresses GDP (in constant prices) related to 1 worker (in natural persons).

Source: CZSO

## 7. Monetary Conditions

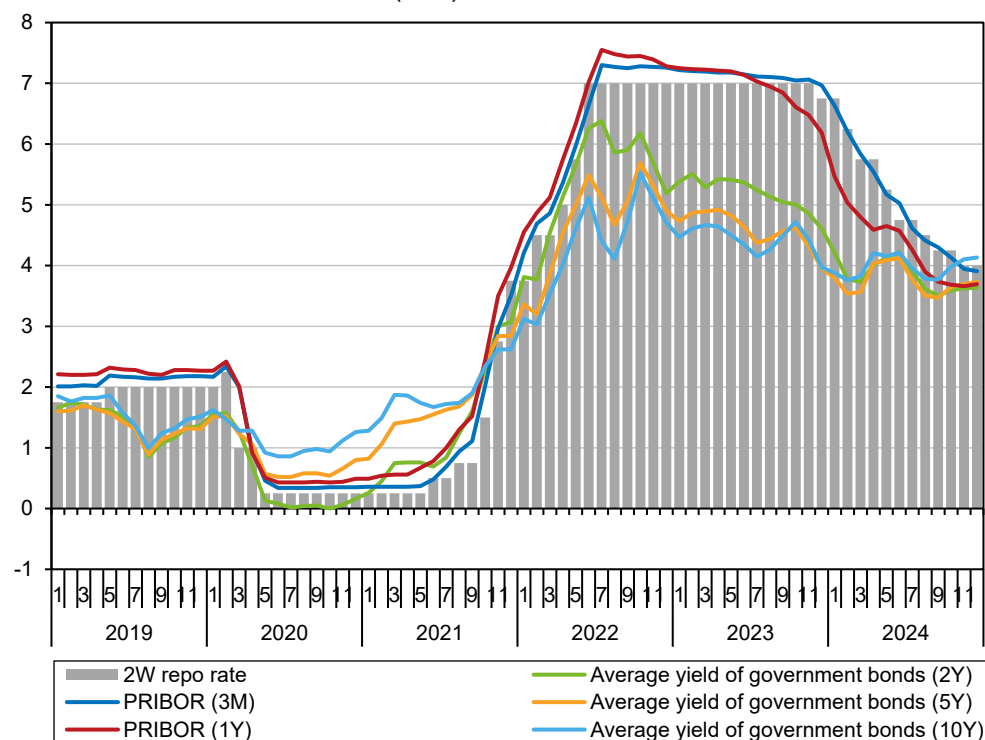
The decrease of monetary policy-relevant interest rates moderated in the second half of 2024.

Monetary policy-relevant rates were cut once during Q4 2024. The two-week repo rate fell by 0.25 p. p. 4.00%<sup>105</sup> in November, down by a total of 2.75 p. p. since the beginning of the year. The pace of reduction was only moderate at the end of the year compared to H1 (the rate fell by 1 p. p. in both Q1 and Q2). The discount rate was reduced to 3.00% and the Lombard rate to 5.00% in Q4. The koruna foreign exchange per euro averaged 25.25 CZK/EUR in Q4 and remained relatively stable throughout the quarter. It weakened by 0.05 CZK, quarter-on-quarter, and by 0.73 CZK, year-on-year. The koruna foreign exchange per dollar weakened steadily throughout Q4 2024 (from the level of 22.50 CZK/USD on 30.9. to the 24.24 CZK/USD at the end of December). On average, the koruna foreign exchange per dollar was 23.64 CZK/USD in Q4 and was 0.70 CZK weaker, quarter-on-quarter and 0.82 CZK, year-on-year.

Government bond yields rose in Q4.

Interbank interest rates also fell in Q4. Rates on deposits with shorter maturities decreased more (three-month PRIBOR by 0.39 p. p. to 3.91% at the end of December, six-month PRIBOR by 0.25 p. p. to 3.79%)<sup>106</sup>, while the annual PRIBOR rate was almost unchanged (−0.04 p. p. to 3.69%). Government bond yields rose. The average interest rate on bonds with a ten-year maturity increased the most (by 0.37 p. p. to 4.13% at the end of December). Yields on medium-term bonds (+0.26 p. p. to 3.73%) and short-term bonds (+0.13 p. p. to 3.63%) rose less.

**Chart 16 Market interest rates (in %)**



Source: ARAD, CNB

renuln particular, non-term deposits grew.

The interest rates on household deposits also gradually decreased. Overnight deposits had an average interest rate of 1.19% (−0.12 p. p.) at the end of December. The interest rates on current accounts remained virtually unchanged and amounted to 0.15% on average at the end of December. The average interest rate on deposits with agreed

<sup>105</sup> The source of data in the chapter is the Czech National Bank database ARAD. Values of foreign exchange rates also stem from the CNB.

<sup>106</sup> Unless stated otherwise, as the change of interest rates is meant the difference between value as of 31<sup>st</sup> December 2024 and 30<sup>th</sup> September 2024.



maturity had fallen by 2.53 p. p. since the beginning of the year and by 0.41 p. p. in Q4 and was 3.20% at the end of the year. The remuneration of deposits for non-financial businesses also shrank – deposits with agreed maturity in total were remunerated at 3.28% on average at the end of December (–0.52 p. p.). The year-on-year development of the volume of deposits reflected changes in the interest rate. The total year-on-year increase of the volume of deposits of 520.3 bn CZK was largely due to an increase in the volume of non-term deposits (+510.6 bn). The volume of term deposits increased by 9.8 bn CZK between the end of 2024 and 2023. Households<sup>107</sup> accounted for half of the year-on-year increase of deposits (+260.8 bn CZK) and deposits of the general government sector were also significantly higher, year-on-year (+143.4 bn CZK). The year-on-year growth of deposits of non-financial businesses accelerated considerably (+128.6 bn CZK) and, conversely, deposits of financial businesses declined (–46.7 bn).

Interest rates on credit to households fell only slowly.

Interest rates on credit to households decreased only slightly during the year. The average interest rate on consumer credit was 0.65 p. p. lower, year on year, at the end of December and reached 8.63%. The decline of interest rates on consumer credit was minimal (–0.06 p. p.) in Q4 alone. The recovery of domestic demand was evident in the volume of consumer credit. The year-on-year increase of volume accelerated to 9.9% at the end of December. Interest rates on mortgages were closely monitored throughout the year, but their reductions have also been only modest, as banks had already partially adjusted rates in the second half of 2023 in anticipation of the monetary policy-relevant rate cut that came in December 2023. The average interest rate on mortgages was 4.71% at the end of 2024, down by 0.70 p. p., year on year. Rates fell by 0.22 p. p. on average during Q4 alone. The total volume of mortgages was 5.3% higher, year on year, at the end of December 2024. The pace accelerated and was the highest since September 2022, mainly influenced by mortgage loans, the provided volume of which increased by 4.8%. The growth rate of credit from the building society accounts slowed to 19.4%<sup>108</sup>. New mortgage contracts<sup>109</sup> amounted to 130.5 bn CZK in Q4 2024. Of this, 61.0 bn CZK comprised the other new arrangements and 60.4 bn CZK were net new loans. Refinanced loans from new contracts amounted to 9.0 bn CZK. New contracts worth 473.2 bn CZK were concluded for the whole of 2024 (169.1 bn CZK more than in 2023) and other new arrangements accounted for the majority (226.8 bn CZK, +52.7 bn). The volume of net new loans reached 212.7 bn CZK (+101.0 bn) last year. Total household debt reached 2,453.9 bn CZK at the end of 2024.

Businesses borrowed more in foreign currencies.

The average interest rate on credit to non-financial businesses fell the most in the case of credit up to 7.5 mil CZK in Q4 (–0.53 p. p. to 5.89% at the end of December). For credit between 7.5 mil CZK and 30 mil CZK, this represented a decrease of 0.30 p. p. to 5.86%. Credit over 30 mil CZK bore an average interest rate of 5.74% at the end of December, which was 0.24 p. p. less than at the end of September 2024. The total volume of credit and claims of non-financial businesses was 5.2% higher, year on year, at the end of December 2024. The pace slowed down throughout the year. As usual, credit denominated in foreign currency grew faster (8.0%), accounting for 52.5% of the total volume of credit and claims of non-financial businesses at the end of December<sup>110</sup>. However, growth of koruna credit is also gradually reviving (2.3%). The volume of credit provided increased the most, year-on-year, in professional, scientific, technical and administrative activities (31.1%) and in accommodation, food service and restaurants (13.2%) as of 31 December. Above-average growth of credit was also recorded in real

<sup>107</sup> Population including self-employed persons.

<sup>108</sup> The credit from the building society accounts maintain double digit pace since the end of year 2022. Their maximum interest is restricted by the law, so they have become a more advantageous financing instrument compared to mortgages for the debtors.

<sup>109</sup> New contracts also include the refinanced credit and other renegotiated loans. Refinanced credit includes current contracts concluded newly at other bank, while other renegotiated loans are current contracts concluded with new conditions at the same bank.

<sup>110</sup> Credit in foreign currency started to rise steeply following the commencement of the repeated increase of the monetary policy-relevant rates in June 2021.





estate activities (7.8%), construction (6.5%) and transportation and storage (5.7%). The largest decrease was recorded in information and communication (−19.8%), electricity, gas, heat, air and water generation and distribution (−14.1%).

## 8. State Budget

The SB deficit decreased slightly last year compared to 2023. Nonetheless, significant deficits weighed on the budget for the fifth year in a row.

The state budget (SB)<sup>111</sup> ended with a deficit of 271.4 bn CZK in 2024. The deep deficit has weighed on state finances for the fifth year in a row, nevertheless the last year's result was relatively the most favourable in this context, as it decreased by 17.1 bn CZK<sup>112</sup> compared to 2023, primarily due to a noticeable moderation of expenditure growth. Compared to the originally approved SB<sup>113</sup>, last year's deficit is slightly higher (+19.4 bn CZK), but in relation to the amended SB<sup>114</sup>, which responded to the need to increase extraordinary expenditure to deal with the consequences of the September floods, it is the opposite (−10.6 bn). In addition to the above, the key factors affecting last year's SB balance consist of the gradual subsiding of the need for extraordinary expenditure for both households and companies hit by the effects of high inflation, persisting very weak economic growth and further various legislative changes (the impacts of the consolidation recovery package approved two years ago, including the change in the budgetary allocation of taxes (BAT), which increases the share of the revenue of some weight-important taxes in favour of the SB from January 2024<sup>115</sup>).

The growth of revenues was supported mainly by higher collection of social security premiums and strengthened tax collection. Lower dividends as well as revenues flowing from the EU budget had the opposite effect.

The total SB revenues increased slightly in line with budget anticipations for the whole last year (+2.7% or 51 bn CZK). This was mainly the result of steadily increasing collection of social security premiums, including active employment policy (+63 bn CZK, +9.2%), which reflects not only the current recovery on the labour market due to slightly enhanced economic performance, but also the impacts of legislative changes<sup>116</sup>. Tax revenues also had a positive effect (+26 bn CZK). The expected year-on-year decrease of non-tax and capital income transfers had the opposite influence (−38 bn CZK), it was primarily associated with lower transfers of dividend yields and other state equity holdings (−27 bn CZK or 50%, resp.). A decrease of revenues from the EU budget (including financial mechanisms) by 8.2% (−14 bn CZK) also had a significant impact here, which can be explained by the high basis of 2023, which reflected the final payments at the end of the phasing out 2014-2020 programming period.

The year-on-year growth of statewide tax collection was moderate and weakened during the year. The effect of last year's higher basis was evident in both current and extraordinary corporate taxes.

The statewide tax collection excluding insurance premiums (taking into account revenues at the level of all public budgets) increased by only 2.5%, year-on-year, last year, after a double-digit increase in the previous two years. While the growth of this collection through revived household consumption was driven mainly by VAT in 2022 and then mainly by the high collection of corporate tax together with extraordinary corporate taxes the following year, no income item dominated last year (personal income tax of natural persons from dependent activities was the most pronounced – contribution +1.8 p.p.). On the contrary, the collection of corporate tax, including extraordinary temporarily introduced taxes (−3.0 p.p.), had a negative impact. The statewide tax collection (excluding extraordinary taxes)

<sup>111</sup> Unless stated otherwise, all data related to the state budget stem from the data of the Ministry of Finance (MF) of the CR regarding the treasury fulfilment.

<sup>112</sup> This budget deficit trend is also evident after its adjusting for funds from the EU budget, including financial mechanisms (FM). These are funds for programmes from the EU and FM budgets, which were pre-financed from the SB and subsequently paid from the EU and FM budget. Excluding these funds, which are contained in the approved SB with a neutral impact, the deficit amounted to 287.4 bn CZK for the whole of last year and it was by 13.2 bn CZK lower, year-on-year.

<sup>113</sup> It concerns Act No. 433/2023 Coll., on the state budget for year 2024 (approved at the end of November 2023).

<sup>114</sup> It concerns Act No. 294/2024 Coll., approved at the beginning of October 2024, which amends the above stated Act on the SB (No. 433/2023 Coll.).

<sup>115</sup> Thanks to this adjustment, the collection of the SB was expected to increase by 5.6 bn CZK for VAT, by 2.3 bn CZK for personal income tax, and by 2.9 bn CZK for corporate tax in 2024 according to the Ministry of Finance's estimate. The actual growth of all revenues of the SB was 10.7 bn CZK in 2024 due to the change in the BAT.

<sup>116</sup> This includes in particular the reintroduction of the payment of sickness insurance premiums paid by employees (0.6% of the assessment base, this rate was 1.1% until 2008). Less important from the budgetary point of view is the increase of the assessment base for the self-employed persons and the setting of limits for insurance participation of employees working on the basis of an agreement to complete a job. According to the Ministry of Finance's estimate, a full-year increase of the SB collections by 18 bn CZK was expected in 2024 due to these adjustments. Despite this adjustment, the total collection of social security premiums remained slightly below the budget anticipations last year (−0.5%).



increased by 4.2%, year-on-year, last year (by 12.2% the year before), its growth slowed down during the year and amounted to 1.6% in the second half of the year.

The recovering household consumption supported the dynamics of VAT collection, while the newly introduced extensive changes and shifts in tax rates had the opposite effect.

The SB gained 4.5% more (+16 bn CZK) on the weight-dominant tax – VAT – last year. The pace lagged slightly behind the budget plan, even though less notably compared to the previous two years. The collection growth reached 3% at the level of all public budgets and thus increased at half the rate of 2023. This slowdown reflects the stabilisation of the price level in the economy. On the contrary, the slowly recovering household consumption<sup>117</sup> is positively reflected. In addition, the impacts of the tax rate adjustment<sup>118</sup> in connection with the effectiveness of the consolidation package are starting to manifest at the beginning of the year.

The rapid growth of consumption tax collection was primarily related to an increase of the rate on key products – mineral oils and tobacco products. The collection did not fully meet budget anticipations, similarly to the previous years.

Although the consumption tax collection (including energy tax) increased by almost a tenth, year-on-year, last year (+15 bn CZK), it did not fully meet budget anticipations (–0.5%). The actual collection thus lagged behind the expected amount according to the approved budget already for the fourth year in a row. There was a year-on-year increase of collections for all key tax items last year, which is mainly related to legislative changes. The key tax on mineral oils, the collection of which grew rapidly (+13.3%), primarily due to the return of the diesel tax rate to the level before the energy crisis<sup>119</sup> broke out, influenced the most the development of total collection. However, higher demand for these products also had an impact due to the development of freight transportation and the favourable development of retail fuel prices<sup>120</sup>. The SB received 7.1% more from the collection of tax on tobacco products, and although the pace of collection increased slightly during the last year, it remained overall below the budget expectations (unlike the tax on mineral oils). Collections reflected a further increase of the rate as well as an expansion of the range of taxed products (newly e-cigarette refills, nicotine pouches). The collection of taxes on alcohol, beer and sparkling wine stagnated, year-on-year. On the contrary, the collection of energy taxes grew (mainly due to the abolition of some tax exemptions, e.g. in metallurgy), nevertheless at a slower pace than budget anticipations (due to continuing savings by both businesses and households in the area of consumption and the switch to more environmentally friendly types of fuels).

Last year's decline of corporate tax collection reflects the effect of stagnation of economic performance in 2023. A partial calming on the energy market led to a decline of the collection of extraordinary sectoral taxes.

After double-digit growth in the previous three years, the SB acquired on the corporate tax (excluding extraordinary taxes) 11 bn CZK or 5.3% less last year (collection fell by as much as 6.7% at the level of all public budgets). Tax collection also lagged significantly behind budget anticipations (–3.6%). The impact of the halt of economic growth in 2023, which was reflected in the annual settlement of corporate tax liability last year, was evident here in retrospect. Tax collection was also adversely affected by legislative influences (exemption of government bond yields or extension of the effectiveness of extraordinary depreciation)<sup>121</sup>. In addition to ordinary corporate tax, the SB income from extraordinary taxes also fell last year. Although the SB received 36.7 bn CZK in windfall tax<sup>122</sup> (6% less,

<sup>117</sup> Adjusted real final consumption expenditure of households in Czechia increased by 1.5%, year-on-year, in Q1 to Q3 2024 (increased for the first time since mid-2022). Government consumption expenditure strengthened even more rapidly (+3.7%). According to the first GDP estimate, household consumption continued to grow also in Q4 2024.

<sup>118</sup> It concerns the unification of two reduced rates (10% and 15%) into one of 12% (except for books, which are now completely exempt from VAT). A number of goods and services are now subject to lower taxation (e.g. basic foodstuffs, medicines, medical products, construction work). At the same time, the negative budgetary impact is subdued mainly by the transfer of some items of no demonstrable social or health significance to the basic 21% tax rate (beer, non-alcoholic beverages, services of authors and artists, hairdressing services, firewood, municipal waste, cleaning work).

<sup>119</sup> This increase occurred from August last year (by 1.5 CZK per litre). Consumption tax rate on diesel fuel thus returned to the original size (9.95 CZK/l) valid until May 2022.

<sup>120</sup> According to the CZSO data, the consumption of the most important item in terms of weight – diesel fuel – increased by 3.6%, year-on-year, petrol by 6.1% and jet kerosene by more than 30% from January to November 2024. The average consumer price of Natural 95 petrol was 35.83 CZK per litre last September, which was the lowest value since October 2021. The average price of diesel fuel was 34.22 CZK per litre, the lowest since July 2023. Cross-border purchases or stronger transit traffic thus could have also contributed to higher domestic consumption.

<sup>121</sup> According to the MF's estimates, these measures should reduce last year's corporate tax income to the SB by 6.2 bn CZK.

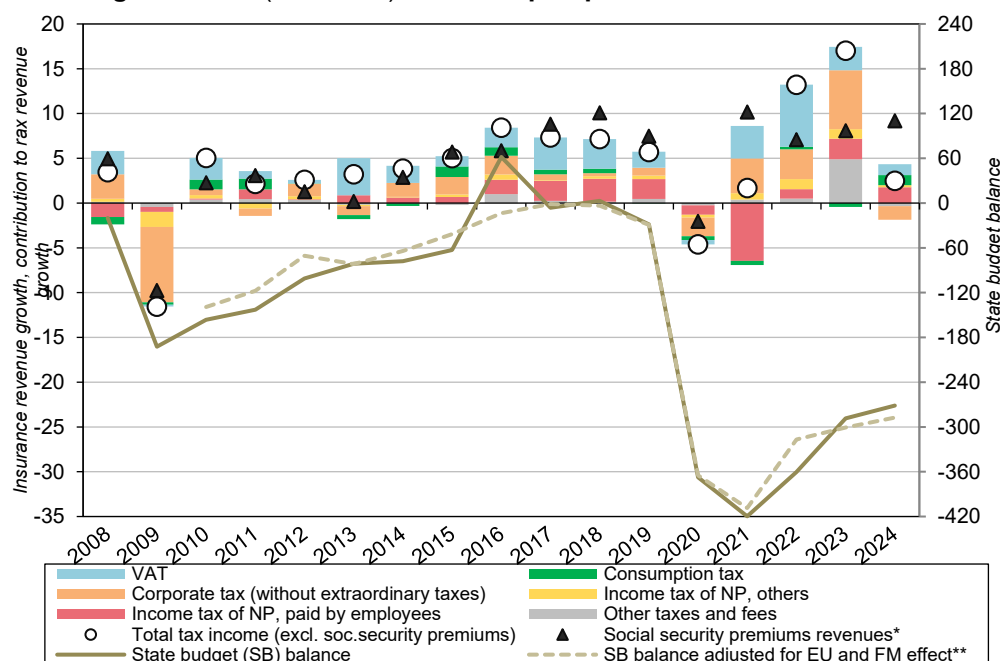
<sup>122</sup> This applies to energy, petrochemicals and mining companies (in the area of fossil fuels) and also includes large banks. It works as a 60% tax surcharge applied to the excess profit of these companies determined as the difference between the tax base in the years 2023 to 2025

year-on-year, but at the same time more than double the expected volume for the whole year<sup>123</sup>). In accordance with the approved SB, no income even came from levies on excess income<sup>124</sup> last year (however, it was 18.5 bn CZK in 2023).

Both employees and entrepreneurs contributed to the continuing rapid growth of the collection of income tax of natural persons last year. It was the result of higher employment as well as high nominal growth of the average wage in the business sphere.

The rapid growth of income tax of natural persons (ITNP) collection continued for the third year in a row last year. The SB thus received 13.4% more, year-on-year, and last year's collection at the same time significantly exceeded the budget anticipations (+8.6%), specifically for all sub-types of tax. The SB thus gained by 15.6% more on the ITNP paid by the payers (employers). It favourably reflected both the enduring good condition of the labour market (higher employment as well as rapid nominal growth of the average wage in the business sphere) and legislative changes (in particular a reduction of the band for the second increased rate of this tax, and to a lesser extent also an adjustment of the taxation of selected non-monetary benefits or the abolition of some tax reliefs, as well as a change of the BAT<sup>125</sup>). ITNP collected by deduction continued to grow dynamically (+8.4%), owing to higher interest rates on deposits as well as the persisting high household saving rate. The reduction of the limit for the exemption of income from raffles and gambling also had a positive effect. The collection of ITNP paid by taxpayers (mainly from self-employment) increased more moderately last year (+2.6%). The growth of the number of small entrepreneurs had a positive effect here, while the adjustment for the possibility of entering the flat-rate tax payment regime had a negative effect<sup>126</sup>.

**Chart 18 Contributed of sub-incomes to year-on-year growth of total statewide tax income collection (in p. p.), year-on-year growth of social security revenues (%) and state budget balance (in bn CZK) in annual perspective**



\* Also includes contributions to state employment policy.

\*\*Balance adjusted for funds on programmes/projects from the EU and FM budgets, which were pre-financed from the SB and are subsequently paid for by the EU and FM budget. Annual figures are available starting year 2010.

and the average tax base for the years 2018 to 2021 increased by 20 percent. However, the vast majority of the collection of this tax flowed to the SB from the energy sector.

<sup>123</sup> After the significant failure to meet the revenues of this tax in 2023 (plan: 85 bn CZK, reality: 39 bn), the budget estimate for last year was set at only 17 bn CZK.

<sup>124</sup> This levy (taxed at a 90% rate) represented the difference between the actual income and the cap on market income from the sale of electricity above the set limit (for the period from 1 December 2022 to the end of 2023).

<sup>125</sup> The collection of ITNP paid by payers increased (at the level of all public budgets) by 13.9% last year. Even so, it was still below the level of the record year 2019 (by 6%). The abolition of the so-called super-gross salary played a key role here. In contrast, the corporate tax collection (excluding extraordinary taxes) exceeded a similar level by 60%.

<sup>126</sup> The limit of maximum annual income for entering the flat-rate payment regime was increased from January 2023 (from 1 mil CZK to 2 mil CZK).

NP = natural persons. Other income taxes of NP consist of taxes paid by payers (mainly from small enterprises) and further taxes collected by deduction (e.g. bank deposits, work agreements).  
Other taxes and fees include especially state taxes and fees, in particular, real estate tax, gambling tax, motorway toll, tolls and, from 2023, also a levy on excess income and windfall profits.  
Source: MF CR

The total expenditure of the SB grew last year at the lowest rate in the last eight years. The gradual calming of prices in the economy has subdued the need for both the targeted subsidies and the indexation of social benefits.

The growth of total expenditure of the SB slowed to 1.6% last year (the lowest rate in the last eight years) and its volume (2,237 bn CZK) did not deviate significantly from the expected level stated in the amended SB. The growth of expenditure was only due to current expenditure, which increased by only 1.7% (+34.5 bn CZK) last year after double-digit growth in 2023. This sharp slowdown was mainly due to the expected year-on-year reduction of support in the energy sector (which actually reached 67 bn CZK) made possible by favourable energy prices on world markets. The calming of price growth in the economy was also reflected in lower pressure on the indexation of a wide range of social benefits. This has been further mitigated for pensions by legislative changes to the regular as well as extraordinary indexation or by tightening the conditions for granting early retirement.

The growth of the SB current expenditure continued to be driven mainly by social benefits. Pension expenditure increased last year at a relatively lowest rate in the last eight years.

Despite the above, social benefits contributed the most to last year's growth of current expenditure (+36.6 bn CZK), which, despite slowing down their year-on-year growth, already accounted for 40.5% of all SB expenditures – the most in the last seven years<sup>127</sup>. The growth of social benefits was traditionally linked to the pension expenditure, which increased by 3.6% last year after a record increase in 2023 (+16.5%). Due to the retreat of inflation and a change of the indexation mechanism<sup>128</sup>, this was the lowest rate after 2016. At the same time, however, the number of pension recipients (after a decline in the previous four years) started to increase very slightly again – by 0.1%, year-on-year, in December 2024 (by 0.3% for the whole year). Despite the slowdown in dynamics, the number of people interested in early pensions<sup>129</sup> continued to increase. The pension expenditure grew more slowly than pension insurance income for the first time in three years. The deficit of the pension insurance system<sup>130</sup> thus narrowed to 55 bn CZK last year (from a record 73 bn in 2023), yet it was the second highest in the modern history of the Czech Republic.

The pension account deficit fell by a quarter, year-on-year, last year.

Growth of expenditure on non-pension social benefits accelerated, mainly due to higher contributions to care, housing, unemployment benefits as well as material deprivation assistance benefits and sickness benefits.

The growth of expenditure on other (non-pension) social benefits accelerated last year and reached 6.5%, year-on-year (+11.9 bn CZK). Drawing increased for the vast majority of individual types of benefits, with contributions for care for the long-term ill, significant by volume, adding the most to the growth (+4.1 bn CZK, +11%)<sup>131</sup>. In terms of the number of recipients, the most important item – sickness insurance benefits – had a major impact, with their drawdown increasing for the first time in the last four years (+4.6%). Compared to 2023, more was paid out in sickness benefits (+ 2.4 bn CZK) and long-term care allowances here, while the volume of maternity benefits decreased, specifically due to the falling birth rate for the third year in a row. The SB paid more support to the unemployed for the second year in a row, it was almost a quarter more, year-on-year, last year (+2.4 bn CZK). Both an increase in the average monthly amount of support (it was 11.5 thousand CZK in December 2024) and a slight increase in the number of job applicants eligible for support manifested (93 thousand, 30% of all registered job applicants). After a one-year hiatus, material deprivation assistance benefits increased again last year (+13.5%), mainly due to higher payments of humanitarian

The persistent reduction in the drawing of

<sup>127</sup> In the long term view, however, last year's share of social benefits in all expenditures was rather average.

<sup>128</sup> The main thing is that when raising pensions, only one-third of the increase in real wages is now taken into account, not one half. From January 2024, only the basic assessed amount of all pensions was increased (by 360 CZK), the percentage assessment did not increase. The average monthly old-age pension (without concurrence with other pensions) was 2.1% higher, year-on-year, in December 2024, reaching 21.9 thousand CZK for males and 19.5 thousand CZK for females.

<sup>129</sup> The growth of the number of all recipients of permanently reduced old-age pensions (ROP) accelerated during 2023 and this development also continued at the beginning of 2024 (to 8.5%, year-on-year, in Q1, the highest since 2012). However, the pace subsequently slowed down, also due to the new legislative amendment approved in 2023 for the calculation of these pensions (to 4.1% in Q4 2024). The ROP number does not include persons who have applied for early retirement but have postponed the start of its payment.

<sup>130</sup> This expresses the difference between income from pension insurance premiums and expenditure on benefits from this insurance according to the preliminary balance sheet of the Ministry of Finance. The expenditure also includes funds for the administration of the benefit system (it was 7 bn CZK in 2023 and 2024).

<sup>131</sup> The statutory increase of amounts for people in the 2nd to 4th degree of dependence (from July 2024) played a key role here.



maternity benefits and parental allowance results from the declining birth rate in recent years.

benefits to Ukrainian refugees and now also the extraordinary assistance to citizens affected by the September floods. The growth of benefits of significant volume – state social support – slowed down last year (to 0.7%) amid a different development of partial benefits. 13.6% (+2.4 bn CZK) more was paid out on housing benefits<sup>132</sup>, expenditure grew for the third year in a row (from 6.6 bn CZK in 2021 to 20.3 bn CZK last year). The impact of increased energy prices, as well as the growing awareness of the possibility of drawing this assistance in the population and the simplification of the procedure for applying for benefits, continued to be felt here. On the contrary, the drawing of another income-tested benefit – child allowance – decreased (–2%). The volume of parental allowances decreased more (–6%), falling for the fourth year in a row (by 25% in total)<sup>133</sup>, mainly due to unfavourable demographic developments.

Higher subsidies to state funds also contributed significantly to the growth of current expenditure. Expenditure on servicing the state debt and other non-investment purchases were at record level.

Subsidies to state funds, which were higher by 21 bn CZK (+39%), year-on-year, also contributed significantly to the growth of the SB current expenditure last year. They reflected in particular a higher allocation to transport to cover the deficit of the State Fund for Transport Infrastructure (SFTI), and to a lesser extent also to agriculture, the environment or culture. Similarly, the growth was also due to more rapidly strengthening expenditure on state debt service, which grew for the fifth year in a row and climbed to 88.5 bn CZK last year (more than doubling in the last three years). Expenditure on other non-investment purchases and related expenditure was also record-breaking last year (94.7 bn CZK<sup>134</sup>), and their year-on-year growth (+13 bn CZK) was largely due to defence spending, and higher expenditure on energy purchases (electricity, gas) also played a marginal role. In line with the budget anticipations, expenditure on public health insurance payments for the so-called state insured person increased by almost a tenth (+13 bn CZK) due to automatic indexation<sup>135</sup>. Thanks to this strengthening, relatively the highest in the last three years, the total balance of sickness insurance<sup>136</sup> ended in surplus last year (+10 bn CZK) for the first time since 2018. Only a very slight increase of expenditure (up to 4%) occurred both in contributory organisations (especially public universities and research institutions) and in non-profit institutions (especially for sports, other leisure activities and social services). Expenditure on salaries in the organisational units of the state last year, as in 2021 and 2022, was de facto stagnating, year-on-year. Last year's expenditure reflected an across-the-board reduction of 2% related to the implementation of the consolidation package<sup>137</sup>.

Higher payments for state-insured persons significantly strengthened the revenue side of the sickness insurance system. It thus ended up in surplus for the first time in the last six years.

Subsidies to entrepreneurs fell by half, year-on-year, and their volume was at a five-year low.

The expenditure side of the SB was most affected by current transfers to businesses last year, which fell by 52% compared to the record level of 2023 (138 bn CZK). At the same time, their last year's volume slightly exceeded (+15%) the drawing from the pre-crisis years of 2018 and 2019. The sharp decrease of most energy subsidies largely stood behind the slump in year 2024. These, including support for renewable energy sources (RES), reached 27 bn CZK last year, compared to 94 bn CZK a year earlier. The largest year-on-year savings on the SB side were recorded in compensation for the supply of electricity and gas to customers and losses flowing from the ceiling on their prices (45 bn CZK), while expenditure on advance subsidies to support RES decreased by only 0.4 bn CZK (–2%). In addition, last year's decrease of subsidies to entrepreneurs is related to lower support for joint EU-Czech programmes (–4.4 bn CZK), solely due to the end of the previous EU programming period.

<sup>132</sup> In that, 286 thousand households drew this benefit in December alone last year, compared to 271 thousand a year earlier.

<sup>133</sup> Last year's decrease in drawing occurred even though the value of allowances for children born last year was raised. From January 2024, the basic contribution increased from 300 thousand to 350 thousand CZK. At the same time, the maximum period for receiving the allowance was reduced up to 3 years of child's age (from the previous 4 years).

<sup>134</sup> These thus slightly exceeded even the 2022 level influenced by increased state purchases in connection with the COVID-19 pandemic (vaccines, medical supplies) and the emerging energy crisis (refilling gas storage tanks).

<sup>135</sup> From January 2024, the monthly payment per person increased from 1,900 CZK to 2,085 CZK.

<sup>136</sup> This expresses the difference between revenues of sickness insurance premiums and expenditure on benefits from this insurance according to the CSSA balance sheet.

<sup>137</sup> Individual authorities were allowed to reduce the number of positions without the need for a further reduction in the related volume of funds intended for salaries.





Total current subsidies to regional budgets decreased, despite a slight increase of expenditure on the salaries of workers in regional education.

Current transfers to regional budgets with a significant weight<sup>138</sup> also decreased last year (–2.4% and –6.3 bn CZK, respectively), which occurred for the first time in the last 12 years<sup>139</sup>. Last year's decrease was mainly caused by the lower expenditure on European projects, especially in the area of education (–8.4 bn CZK) and a decreasing contribution to the accommodation of persons under temporary protection (–5.1 bn). Expenditure on the co-financing of social services remained at the level of year 2023. On the contrary, the key item – subsidies for regional education – comprising mainly expenditure on the salaries of its employees, continued to grow (+3%, +6 bn CZK), which, however, was more moderate than in previous years.

The long-term growth of the Czech Republic's contributions to the EU budget stopped last year.

Contrary to budgetary anticipations, the Czech Republic's own resources contributions to the EU budget also fell, year-on-year, last year (–12%, –7 bn CZK). The SB "saved" an order of magnitude less on the support of building savings and contributions to supplementary pension insurance (expenditure on both of these instruments decreased for the second year in a row, while their decline deepened last year (to –9% and –10%, respectively). The total allocation to these instruments stagnated in the last decade (around 11 bn CZK per year). Other current expenditure, covering a diverse range of items, in contrast increased last year. The unplanned expenditure on dealing with the consequences of the September floods were the cause. The SB spent 15.4 bn CZK on these purposes by the end of last year (out of a total of 30 bn CZK, by which the total expenditure in the amended budget was increased), half was directed to the renewal of transport and technical infrastructure, the rest mainly to mitigate damage to other state property or targeted assistance to both households and businesses.

More than 15 bn CZK had been paid out as extraordinary expenditure on dealing with the consequences of the floods by the end of the year.

Capital outlays fell only negligibly last year, thanks to intensive drawdown at the end of the year. Investment purchases increased dramatically, especially in the defence area. Subsidies to state funds, regional budgets as well as entrepreneurs decreased, mainly due to a slower launch of the drawing of European funds.

The SB's capital outlays decreased slightly last year after double-digit growth in 2023, falling, year-on-year, for the first time in seven years. Although last year's decline of investment was anticipated in the budget<sup>140</sup>, its actual depth was only 0.2% (–0.3 bn CZK). There was an unusually intensive drawdown at the very end of the year<sup>141</sup>. Given the transition to the new EU programming period, it is not surprising that the investments for which the Czech Republic is expected to be reimbursed by the EU in the future fell to 82 bn CZK (–17 bn) for the whole of last year. On the contrary, investments purely from national sources similarly strengthened (from 111 bn CZK to 128 bn CZK). The increase of the weight of national resources is closely related to the sharp increase in defence spending in order to meet the obligations arising from the Czech Republic's membership in NATO<sup>142</sup>. Investments in this area rose to 64 bn CZK (+37 bn, year-on-year), mainly comprising of military purchases. 57 bn CZK went to transportation, of which the decisive part was investment subsidies to the SFTI, the amount of which, however, decreased by 12%, year-on-year. In terms of type breakdown, the total investment of the SB directed to state funds (–16.7 bn CZK), regional budgets (–5.4 bn), entrepreneurs (–4.5 bn) as well as non-profit organizations decreased last year. The total investments of the SB formed 9.4% of all budget expenditures last year, i.e. comparably to the previous six years. This represents an average share in the long-term context (over the last two decades).

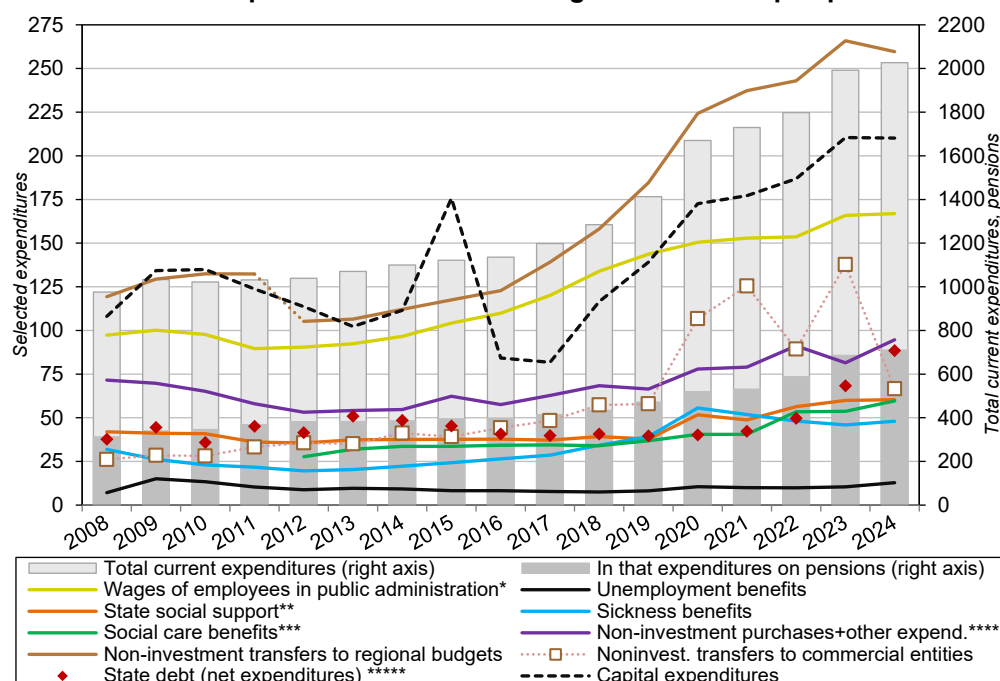
<sup>138</sup> This item has long accounted for more than a tenth of all current SB expenditures.

<sup>139</sup> The year-on-year decrease of expenditure of this item in 2012 was related to methodological influences or changes in the budgeting of social care benefits. From the perspective of the budget structure, these benefits, i.e. material deprivation assistance benefits, the disability benefits and care allowance, were no longer transfers to regional budgets starting in year 2012, but became social benefits paid out by the Labour Office.

<sup>140</sup> The originally approved SB expected a decline of investment –12.3% for last year compared to the actual drawing in 2023, subsequently the decline was corrected up to –3.4% during the year.

<sup>141</sup> Q4 accounted for 45% of full-year investment in 2024, of which 22% was in December alone. It was analogously 36% and 15% in 2023. The last time investments were drawn down more intensively in terms of Q4 and December was in 2015 and it was associated with the termination of the possibility of drawing European funds from the 2007 to 2013 programming period.

<sup>142</sup> According to preliminary data, investment and non-investment defence spending reached 167 bn CZK last year (+61 bn, year-on-year), which corresponded to 2.1% of GDP. 95% of it was made up of expenditures of the Ministry of Defence of the CR.

**Chart 19 Selected expenditures of the state budget in the annual perspective**

\* Covers expenditures on salaries in central government institutions. Does not include e.g. wage costs of regional education.

\*\*Also includes the foster care benefits.

\*\*\*Include Material deprivation assistance benefits, Benefits for people with disabilities, Care benefits based on Act on State Social Support. Humanitarian aid provided for citizens of Ukraine is also included here.

\*\*\*\*Contains mainly expenditures on purchase of services, materials, energies or other services (e.g. expenditures on repairs and maintenance).

\*\*\*\*\*Net expenditures correspond to the balance of the budget chapter State debt (No. 396).

Source: MF CR

Despite the sharp decrease of revenues from the EU budget, the Czech Republic remains in the position of a net beneficiary in relation to the EU.

The funds received from the EU Recovery Instrument almost doubled last year.

The relative growth of the level of state debt accelerated last year for the first time in three years. Both internal and external debt increased, year-on-year.

Last year, as in all previous years of its membership, the Czech Republic remained a net beneficiary in relation to the EU budget (+9 bn CZK). This occurred despite the expected year-on-year drop of revenues (by 41% to 69 bn CZK), which was mainly due to the Structural Fund (−30 bn), the Cohesion Fund (−15 bn) and also the Rural Development Fund (−3.5 bn). The Czech Republic's total payments to the EU budget fell at the same time (−10%, to 60 bn CZK). In addition to revenues from the EU budget, the Czech Republic also received additional Cohesion Funds last year (React-EU and the Just Transition Fund), the National Recovery Plan and selected investment programmes from the EU Recovery Instrument (NGEU)<sup>143</sup> in the amount of 74.2 bn CZK (up 88%, year-on-year). The Czech Republic has been drawing these funds since 2021, with their inflow rising sharply in 2023 and 2024. Including the NGEU Funds, its net position towards the EU budget reached 83 bn CZK last year and was essentially comparable to years 2021 and 2023.

The ongoing deficit of the SB was reflected in the state debt. It rose to 3,365 bn CZK at the end of Q4 2024. It has increased, year-on-year, already for 22 quarters in a row. It increased by 8.2% for the whole last year, which was slightly more than in the previous year (+7.5%). The relative growth of debt thus accelerated for the first time in three years. The last year's debt growth was driven unlike in 2023 not only by internal indebtedness (+223 bn CZK), but also by external indebtedness (+31 bn CZK) due to a higher volume of loans received. The internal indebtedness traditionally increased mainly as a result of the issue of medium- and long-term government bonds (+191 bn CZK, to 3,017 bn CZK) and, to a lesser extent, the issue of treasury bills (+37 bn, to 82 bn CZK). The largest share of all medium- and long-term government bonds<sup>144</sup> in circulation had maturities of between 10 and 15 years at the end of

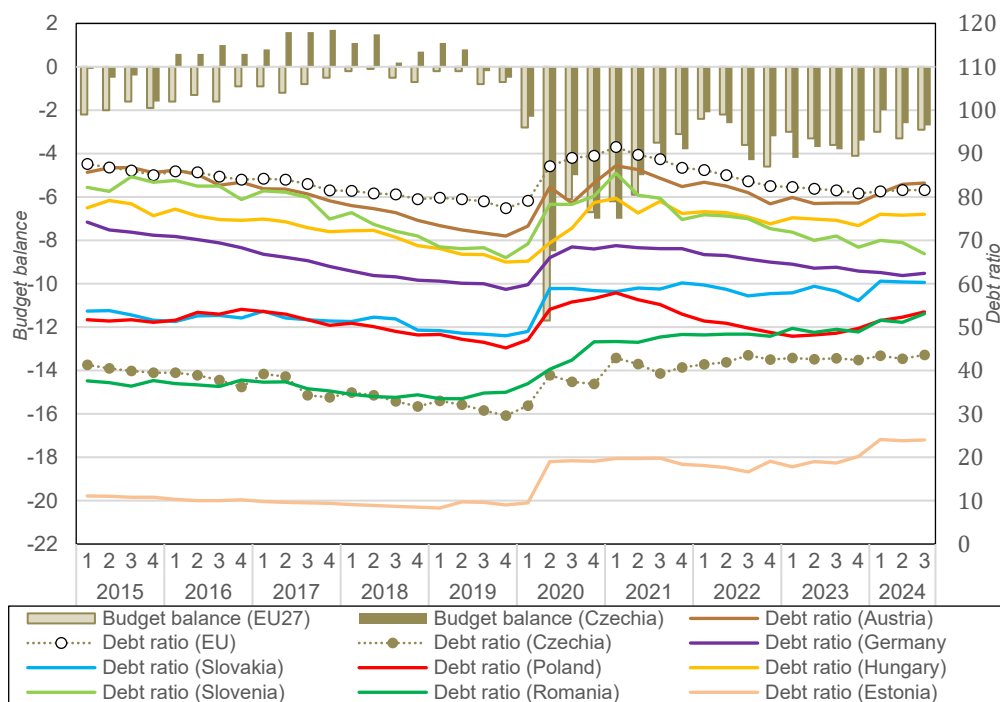
<sup>143</sup> This instrument was created to address the economic and social impact of the COVID-19 pandemic. In particular, it targets labour market recovery, social security and health care systems, reviving the potential for sustainable growth and employment, transformation to a green and digital economy, research and innovation, support for agriculture and rural development. The expenditure takes the form of grants and loans to Member States provided under the Recovery and Resilience Facility and six other EU spending programmes for the period 2021 to 2027.

<sup>144</sup> It concerns bonds with maturity over 1 year.



last year (53%). In terms of ownership structure, domestic banks held the largest share of all government bonds (41.1%), followed by pension funds (12.0%), investment funds other than money market funds (6.2%), insurance corporations (5.4%) and households (3.8%). The share of non-residents was 27.9% and their weight among all bondholders gradually decreased last year (by 7.5 p. p. in total) to the benefit of domestic banks and investment funds.

**Chart 20 Budget balance and debt ratio of the general government institution sector in selected EU states (in % of GDP)**



Note: Budget balance is seasonally adjusted. The debt ratio expresses the status at the end of quarter.

The general government deficit reduced by almost a half, year-on-year. This was mainly due to a significant slowdown in the pace of expenditure.

The general government sector (VI) in Czechia ran a deficit of 95 bn CZK<sup>145</sup>, in Q1 to Q3 2024<sup>146</sup>, which fell by almost half, year-on-year (by 82 bn CZK) and also presented the lowest deficit in the last five years. The year-on-year reduction of the deficit was primarily due to a noticeable slowdown of the growth of total expenditure (to 3.2%, compared to 10.8% a year earlier), as the growth rate of revenues (7.1%) did not decrease significantly compared to the figure. The growth of revenues was driven mainly by net social contributions (also by the higher household payments on sickness insurance), strengthening collection of current taxes from income and wealth and, to a lesser extent, indirect taxes (especially taxes on products). On the contrary, mainly the property income had a negative effect, primarily due to a decrease of dividend income. The growth of total expenditure was traditionally driven mainly by social benefits (including social transfers in kind), despite the fact that their growth slowed down sharply (to 6.1%). The year-on-year growth of compensations paid to employees also decreased by about half (+4.5%). The most significant change was the expected deep decrease of subsidies paid out (-20%). Expenditure on fixed investment formation slowed sharply (+0.5%), its growth rate in Q1 through Q3 was the lowest in eight years.

The seasonally adjusted deficit of the general government sector

The seasonally adjusted general government deficit reached 2.7% of GDP in the Czech Republic in Q3 last year. Compared to the previous quarter, it was practically unchanged,

<sup>145</sup> Unless stated otherwise, data regarding the budget balance of sector VI in the CR are expressed without seasonal adjustment.

<sup>146</sup> Data regarding the budget of government institutions for Q4 2024 will be published by the CZSO on 2<sup>nd</sup> April 2025, Eurostat then on behalf of the Union member states on 22<sup>nd</sup> April. More detailed assessment of the domestic development for Q3 2024 is contained in the publication [Analýza sektorových účtů](#).

reached 2.4% of GDP in the Czech Republic for the first three quarters of last year. Together with Germany, it ranked among the average member states.

The debt ratio in the Czech Republic reached the ninth lowest value in the EU at the end of Q3. As in the EU, it increased very slightly, year-on-year.

nevertheless it decreased in the year-on-year perspective (by 1.1 p.p.). The deficit reached 2.9% of GDP in the EU as a whole, and decreased, year-on-year, in half of the countries (by 0.7 p. p. in total). Romania (−8.1% of GDP), France (−5.9%), Bulgaria (5.9%), Poland (−5.6%) and Hungary (−5.1%) had the largest deficits in total for Q1 to Q3 2024. A total of 10 countries had deficits deeper than 3%. It reached 2.4% of GDP in the Czech Republic and, as in Germany, was average among the member states. On the contrary, only six countries, all small or smaller economies, recorded a surplus: Ireland (+6.4% of GDP). Cyprus (+4.6%), Denmark (+3.9%), Portugal (+2.1%), Greece (+1.5%) and Luxembourg (+0.5%). The trend of a quarter-on-quarter decrease of the debt ratio of sector VI in the EU (and the euro area), lasting almost three years, halted at the beginning of 2024, and this turnaround was confirmed by both Q2 and Q3. The debt ratio was 81.6% of GDP (or 88.2%) at the end of Q3 2024 and was stagnating, quarter-on-quarter. The debt reached 43.6% of GDP in the Czech Republic (the ninth lowest level among the EU countries) and increased by 0.8 p. p., year-on-year. The indebtedness increased only negligibly (+0.1 p. p.) in the whole Union. It increased the most in Finland (+6.7 p. p.), Estonia (+5.3 p. p.), Poland (+4.9 p. p.) and Austria (+4.6 p. p.), and among the highly indebted countries then in France (+2.3 p. p., to 113.8% of GDP). In contrast, eleven countries managed to reduce their debt, mainly from the Southern wing of the euro area: Portugal (−8.8 p. p.), Cyprus (−5.4 p. p.), Slovenia (−4.1 p. p.) and especially Greece (−9.9 p. p.), which have long held the position of the most indebted EU country (158.2% of GDP). The debt ratio was currently kept below 60% of GDP by 14 countries (including 8 euro area members), it was analogously 15 countries at the end of 2019 (and 9 current euro area members).

