

3. Branches Performance

3.1 Agriculture and Industry

Growth of meat production continued, albeit at a more moderate pace than in both 2024 and 2025. It was driven by the poultry meat segment.

Milk production continued to grow relatively rapidly, despite the currently low purchasing prices.

This year's harvest of basic cereals and oilseeds is clearly below average, mainly due to low yields per hectare. On the contrary, in terms of quality parameters, the harvest can be assessed as mostly very good.

At the beginning of the year, a few negative external factors affected domestic industry. The situation partially improved during the spring.

So far this year, the main trends from the previous period have continued in livestock production. Physical meat production in domestic slaughterhouses increased by 2.5%, year-on-year, in H1 (at a slightly lower rate than in 2024 and 2025). Production growth was driven mainly by the poultry meat segment, with the increase of 4.9%. The long-term growing popularity of this meat among domestic consumers, together with the short fattening period of broilers, gives farmers better prerequisites for more stable economic results even in periods of price turbulence. In the hitherto dominant pork segment, meat production increased slower (+1.7%). In the case of beef, the decline has persisted for two and a half years, but this year's pace (−1.0%) is one of the lowers in this context. Rapidly rising consumer prices of beef, which have been clearly evident in recent quarters, may prompt consumers to look for alternatives (e.g. a greater inclination towards pork consumption). Milk production has also been growing in the long term. Its direct purchase from producers increased by 4.0%, year-on-year, in H1 2026, of which the purchase of this commodity by dairies for processing alone increased by 3.6%. With regard to the current surplus of milk on the European market, the purchase prices of milk from domestic primary producers continued to decrease and reached the limit of 10 CZK per litre in Q2 2026 (for quality class Q).

According to this year's third harvest estimate (as of 15 August), the total production of basic crops is expected to be noticeably weaker for 2026. 7.033 million tonnes of cereals (including grain maize) should be harvested (the least in the last eight years, in that the least in the last fourteen years for basic cereals) and 805 thousand tonnes of rapeseed (the least in twenty-one years). The year-on-year decline of cereal production is 17.2% and 21.3% for rapeseed, compared to the ten-year average (for the period 2016 to 2025) it presents a reduction of 11.1% and 31.7%, respectively. The year-on-year drop is caused by the combination of unfavourable weather this winter, spring and summer (mainly due to a lack of precipitation, including snow, partly then also the spring frosts) and a high comparison base as a result of last year's very good harvest (for cereals it was the highest since 2016). The diminished sown area also has a partial effect – for basic cereals by 2.1%, and rapeseed by 8.6%¹, year-on-year. Compared to 2025, a higher production is expected only for marginal crops – triticale and spring wheat, for which the decrease of yields per hectare was compensated by a rapid rise of sown areas. Thanks to the warm and mostly dry weather in the summer months, this year's harvest took place at an unprecedentedly fast pace. This was positively reflected in the higher technological quality of the harvested grain² for both food wheat and malting barley. According to the estimate, a significant year-on-year reduction of harvest of other crops is also expected. Potatoes should be harvested 544 thousand tons (−26.0%), sugar beet 3.221 million tons (−18.4%), green maize 6.401 million tons (−19.9%) and lucerne 301 thousand tons (−22.4%).

After 2025, when cost pressures further stabilised in domestic industry and external and domestic demand grew (also thanks to a rebound in investment activity) despite fluctuating conditions (also due to tensions in EU-US trade relations), a deterioration occurred at the beginning of this year. The slowdown of the already relatively weak economic growth in the EU (including key trading partners for the Czech Republic) was exacerbated by the escalation of the war in the Middle East in March. This led to a rapid and noticeable rise of global prices of key energy commodities and other raw materials, in addition to weakening (especially in the euro area) fragile business and consumer confidence and increasing the risk of broader and deeper impacts on traditional manufacturing activities (as a consequence of disruptions to global supply chains).

¹ Its importance is growing in a longer-term context. Compared to the period 2016 to 2025, this year's crop slump was affected with the similar extent both by sowing area decline and average yields per hectare decline – both for cereals and rapeseed.

² These include, for example, a higher average bulk weight or protein content and a lower incidence of mold.

However, prices of some commodities stabilised in Q2 2026 and confidence in key economies partially recovered.

Mainly thanks to investment-oriented sectors, industrial production revived during Q2 and thus overcame the partial downturn at the beginning of the year.

Domestic industry also reacted to this situation. Its output³ went down slightly, quarter-on-quarter, at the beginning of this year (by 0.9%) after a stronger recovery in Q4 2025. Investment-oriented activities and also a relatively small segment of branches aimed at production of durable goods (which, however, also struggled with a reduced demand for most of last year) were mainly behind this decrease. In Q2, however, industrial output increased by 1.9%, as demand in investment-oriented activities and segments producing intermediate products recovered, and energy industry also had a growth-boosting effect. Total industrial production thus remained slightly above the level from the peak of the last boom period, i.e. Q2 2019 (2.2%)⁴.

This year's slight growth of industrial production was mostly driven by manufacturing of transport equipment and most other investment-oriented activities.

Industrial output increased by 1.9%, year-on-year, for the total H1 2026 and has been on a moderate growth trajectory since the beginning of last year. Despite this more modest pace, production increased in the vast majority of major industries. This year's development was mostly influenced by the manufacturing of motor vehicles, whose output increased by 3.3% – the highest in the last two and a half years. A slight increase of both domestic and external demand played a part here. In addition to final vehicle manufacturers⁵, domestic subcontractors (operating within the automotive industry) also have a significant impact on the performance of the above-mentioned industry. The dynamic growth of the smaller sector of manufacturing of other (especially rail) transport equipment continued, benefiting from a longer-term preference for low-emission transport and, in recent years, also from growing public expenditure in the field of defence and security. Its growth (+11.1%), the highest of all manufacturing activities, mainly reflected the strong domestic demand this year⁶. Other investment-oriented sectors also developed. The diversified fabricated metal production industry also continued to thrive (+4.3%), assisted by a small but still dynamic segment of arms production. However, the manufacturing of metal structures was also used in the automotive industry and construction. After a weaker year last year, production in the manufacturing of computers, electronic and optical appliances rebounded significantly (+8.8%), mainly thanks to Q2 2026, when its growth was the highest in the last eight and a half years (+14.0%). This development was heralded by strongly growing imports of production components already at the beginning of this year. In addition to the traditionally key external demand, the performance of this sector was also influenced by domestic demand, partly supported by the continued development of photovoltaics. All of the above-mentioned investment-oriented activities contributed 1.55 p. p. to the growth of the total industry in H1, in that the manufacturing of motor vehicles itself 0.65 p. p.

Output in the electronics industry accelerated significantly during the spring months.

The energy-intensive activities of metallurgy, foundry and chemical

Industrial production was also supported by the vast majority of more energy-intensive industries producing intermediate products this year. The rubber and plastics industries had the greatest impact, with a 2.5% growth stemming mainly from higher domestic demand on

³ Includes branches of mining and quarrying, manufacturing and also energy industry (here as activities of production 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 as well for the seasonal effects.

⁴ Three fifths of the main industrial sectors still fell behind their peak from years 2015 to 2019 in Q2 this year. It comprised primarily of coal mining (by 59%), mining of building materials (–27%), printing (–24 %), textile industry (–24%), metallurgy and foundry (–23%) and among the larger branches e.g. manufacture of machinery and equipment (–14%), energy (–11%), chemical industry (–10%) and manufacturing of building materials (–8%). On the contrary, the sectors producing capital goods (+12 %) and also those with non-durable goods (+6 %) were currently above the pre-crisis level of production. Among individual activities specifically manufacturing of other transport equipment (+44%), other manufacturing (+21%), manufacturing of motor vehicles (+19%), paper industry (+17%), pharmacy (+15%), electrical engineering (+14%), food industry (+10%), metalworking (+5%) and electronic industry (+4%).

⁵ According to data from the Automotive Industry Association, 780 thousand personal vehicles were manufactured in the Czech Republic in H1 2026, by 4.4% more, year-on-year. Despite occasional planned production shutdowns of some manufacturers, output has increased (except for May) in all previous months in 2026. As last year, production was driven mainly by the rapidly developing segment of manufacturing of electric vehicles (including hybrid vehicles). A total of 319 thousand units has been completed so far this year (including 130 thousand battery electric vehicles, 27 thousand plug-in hybrid electric vehicles and 162 thousand hybrid vehicles) and their share in domestic motor vehicle production has reached a record 40%. In addition to passenger motor vehicles, a significant majority of manufacturers of other types of motor vehicles also recorded an increase of output this year, unlike the total last year.

⁶ Sales from industrial activities realised in H1 2026 in the Czech Republic increased by 17.6%, year-on-year, in nominal terms here.

industry continued in last year's recovery.	the part of automotive industry. The chemical industry continued the recovery from H2 2025 and strengthened by 4.2% this year (the most in the last four and a half years), largely due to higher external demand. This demand also supported the production of metallurgy, including foundry (+5.1%), which thus followed last year's partial revival (after a deep production slump between 2022 and 2024 ⁷ , the longest and deepest in the current millennium). The manufacturing of electrical equipment recorded slower growth (1.0 to 2.5%) this year. The similar growth was evident also in the smaller branches of the paper industry and also the textile industry, the key part of which is focused on the production of non-woven textiles used, for example, in construction. All the above stated activities contributed to the growth of the total industry by 0.64 p. p.
Electricity production increased mainly thanks to steam-gas power plants.	In addition, the energy sector also had a growth-boosting effect, with production increasing by 2.7% this year and contributing 0.23 p. p. to the growth of the total industry. Net electricity production increased by 2.6%, year-on-year, in H1 (to 37.3 TWh), mainly due to higher production of steam-gas power plants (+28%). Pumped storage hydropower plants (+33%) and photovoltaic power plants (+6.7%, with enhanced installed capacity by 9.6%) also contributed more. On the contrary, due to this year's planned technological shutdowns and last year's high comparison base, production from nuclear installations decreased (-1.2%). The decline of hydroelectric (-17.7%) and wind power plants (-7.9%) also had a smaller overall impact. Total domestic electricity consumption also grew, confirming the trend change from mid-2024. Higher demand was evident across the total market segment ⁸ . Gas consumption ⁹ also increased slightly for the second year in a row. The growth of electricity and gas consumption reflected the effect of colder weather in January and April this year ¹⁰ . The diminishing motivation for further savings in consumption (especially in households) had the opposite effect. It also decreased as a result of stabilisation and subsequent reduction of energy prices, which was more noticeable mainly for natural gas. In addition, higher consumption mirrored the more favourable financial situation of households and a gradual recovery of economic performance, accompanied by a stabilisation of demand in some energy-intensive industries.
Domestic electricity and gas consumption grew slightly for the second year in a row. There was less willingness of customers to make further savings, but also the impact of colder weather in January and April.	
Moderate growth of the food industry continued thanks to domestic demand. The footwear and leather industry revived more significantly.	Among the manufacturing aimed at production of consumption goods, other manufacturing, including for instance manufacturing of sport goods, games, toys and jewelry, benefited from the growing purchasing power of households and their confidence in the economy. Production growth rose to 5.7% here, solely due to strengthening external demand. Output increased more moderately in manufacturing food (+1.5%) and beverages (+2.6%), for which domestic demand is traditionally decisive. It significantly helped in the recovery of the footwear and leather industry (+7.3%) and also manufacturing of clothing (+3.4%). The above-mentioned "consumer industries" contributed only 0.28 p. p. to the growth of the total industry this year.
Engineering hampered the industry growth the most, limited by weaker external demand.	The growth of domestic industry output was dampened the most by engineering this year (as in H1 last year), where production fell by 2.5%, year-on-year, and continued to lack a significant sales impulse, especially from abroad. Currently, the activity repair of machinery and equipment, traditionally focused more on the domestic market (e.g. repairs of nuclear installations), also did not thrive. Output decreased by 5.1% here – the highest in the last five and a half years. The above-mentioned "investment industries" counteracted the growth of the total industry by a total of 0.35 p. p. Deeper problems were still faced by some mostly

⁷ In this three-year period, influenced by a sharp rise of input prices, production in metallurgy and foundry fell by 27% and the employment simultaneously decreased by 7.7% here (three times more than in total industry).

⁸ According to preliminary data from the Energy Regulatory Office, domestic net electricity consumption, i.e. excluding intermediate consumption, including production losses, amounted to 31.0 TWh in H1 this year (+2.8%, year-on-year, it grew in all months). As in the whole of last year, consumption of households increased the most this year (+5.3%), while it increased by 2.3% for small entrepreneurs, and by 1.5% for wholesale customers overall. The Czech Republic remained a net exporter, with electricity exports outweighing imports by 3.8 TWh in H1 2026.

⁹ It increased by 3.3%, year-on-year, in H1 (by 1.4% then after conversion to the long-term thermal standard). Actual consumption increased in all key market segments – the difference in consumption growth between the main customer groups was relatively small.

¹⁰ The average air temperature was -2.8 degrees Celsius in January 2026, while +0.5 degrees a year earlier (the long-term January thermal standard then -1.2 degrees). In April this year, the temperature reached +8.3 degrees, nevertheless it was +10.5 degrees a year earlier.

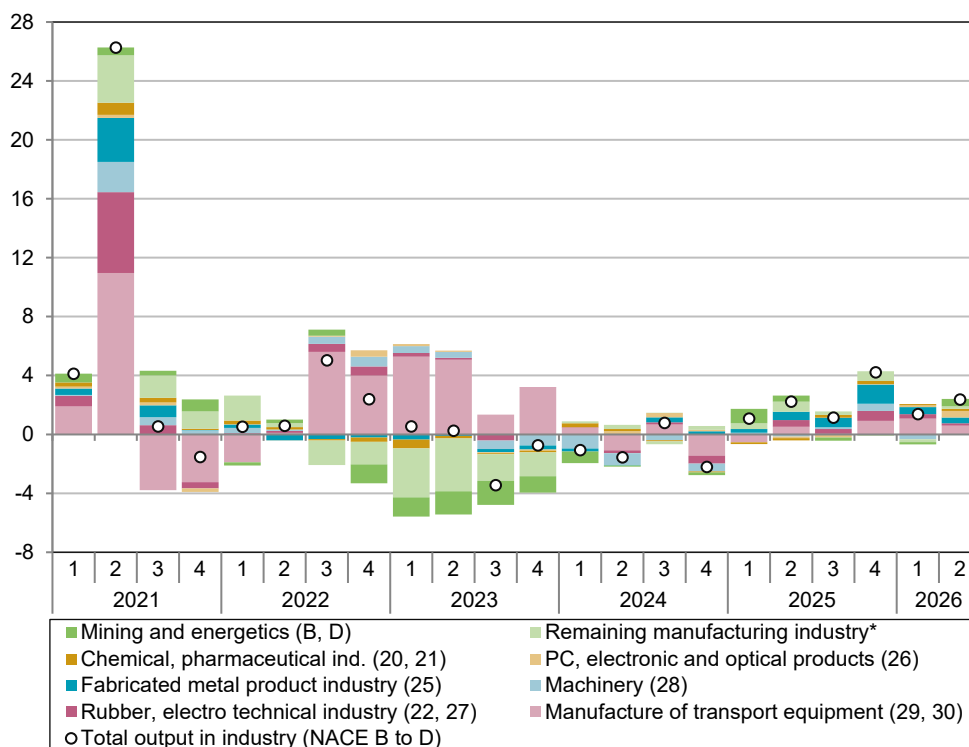
Controlled decline continued in coal mining. The mining of building materials also continued to decrease.

The downturn of production in manufacturing of furniture was related to a drop in external demand.

energy-intensive industries aimed at intermediate products. Output decreased by 4.1%, year-on-year, in mining and quarrying. The decline in coal mining continued (hard coal mining stopped altogether in the Czech Republic at the turn of 2025 and 2026). Production decreased more moderately in the mining of building materials, and its fall continued for the fourth year in a row. In addition to increased production costs, growing demand increasingly ran into the current limits set by the number of permitted mining areas here. The production of the wood-processing industry also decreased negligibly, as the growing domestic demand was not able to fully compensate for weaker sales abroad.

Output also decreased in some small sectors focused on the production of short-term or long-term consumer products this year. In manufacturing of furniture, production fell by almost a tenth, year-on-year, i.e. the most of all industries. Behind it was a drop in external demand. On the contrary, weak domestic sales reduced output in printing (−6.1%), the decline of which, however, is of a longer-term nature. A slight decline of output in the otherwise long-term dynamically developing pharmaceutical industry continued for the second year in a row (−3.7%, the highest since H2 2014). There was a weakening in the key area of external demand, and the growth impulse from the domestic market related to higher public sector demand in the area of security¹¹ also likely faded.

Chart 5 Decomposition of year-on-year change in industrial production
(contributions to growth, in p. p.)



Note: Production is presented in real terms and adjusted for calendar effects.

*Contribution of the remaining manufacturing industry also includes the effect of the total methodical discrepancy stemming from the change of the weights.

Source: CZSO

The growth of the value of new orders accelerated slightly during H1.

The year-on-year growth of the nominal value of new industrial orders¹², which was evident for most of last year and culminated at the end of the year¹³, continued this year. Growth

¹¹ This sector is currently also experiencing difficulties with demand in a number of European countries. In H1 2026, its production decreased by 10%, year-on-year, in the EU. On the contrary, employment continued to further increase here in the EU and most of the business cycle indicators at the "EU" level did not deteriorate significantly.

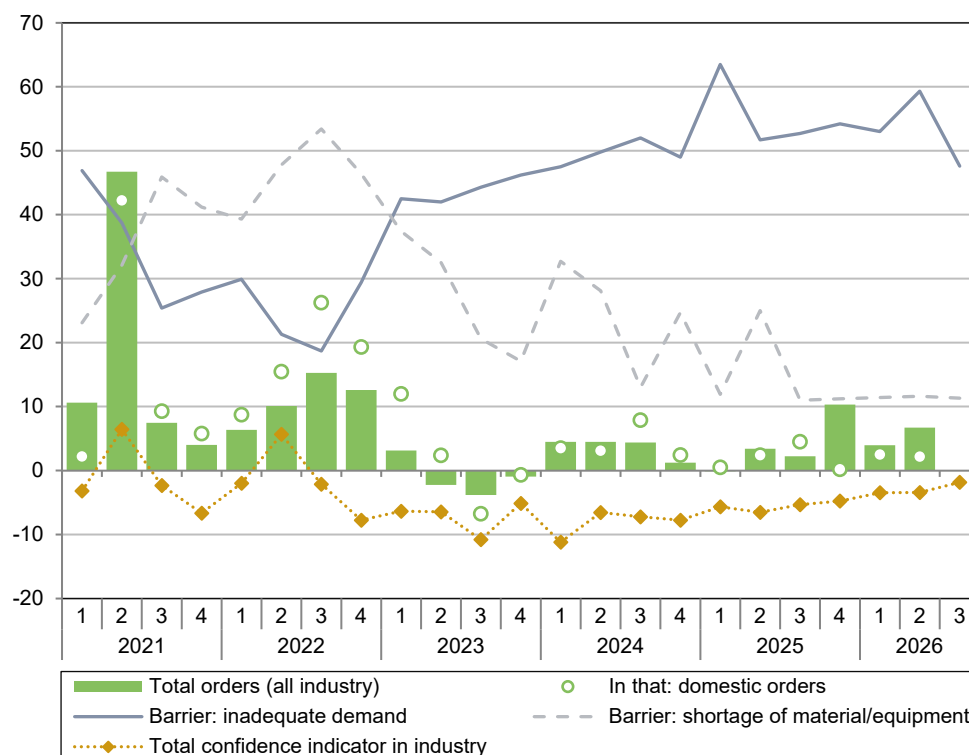
¹² Survey of orders is performed only in twelve manufacturing branches producing mostly custom-made products, with longer production cycle and larger order stocks. Year-on-year growth rates of orders are adjusted for calendar effects.

¹³ The value of orders increased by a tenth (the highest in the last three years) in Q4 2025. However, only external demand contributed to this and predominantly in manufacturing of other transport equipment (the strong growth impulse was mainly related to the modernization of public transport and the army) and also in electrical engineering and the metalworking industry.

External demand in the production of transport equipment played a key role.

reached 4.0% in Q1 and accelerated to 6.7% in the following period. In both cases, external demand was the dominant driver, as the value of domestic orders increased by only 2% for the whole half-year. The automotive industry contributed the most to the growth, with orders increasing by 7% in H1 2026. Expected demand in manufacturing other transport equipment increased dynamically (+34%), mainly due to high orders which were concluded in June this year. Manufacturing computers, electronic and optical appliances (+10%, primarily due to domestic demand), and electrical equipment have favorable prospects, and the continuing recovery is also confirmed by metallurgy. On the contrary, the persistence of adverse developments is indicated by lower orders in engineering (-1%) and pharmacy (-4%) and stagnation (after taking into account producer prices) in other monitored sectors¹⁴.

Chart 6 New orders in industry (nominal, year-on-year change in %), selected growth barriers (in %), balance of business confidence indicator in industry (in p.p.)



Note: Growth barriers express the level in the first month of the given quarter, balance of business confidence expresses the monthly average for the whole quarter, and for the last period, the average for the first two months. Orders are adjusted for calendar effects; other indicators are seasonally adjusted. Businesses could have indicated more key growth barriers simultaneously.

Source: CZSO, Eurostat

Business confidence in industry increased after a brief downturn in the spring. Still, it remained in a slightly negative range.

Business confidence in industry increased at the beginning of this year, also thanks to the favourable development of new orders, and reached a nearly three-year high in March. Subsequently, however, the negative effects of the escalation of the conflict in the Middle East became apparent. Short-term expectations of production and the assessment of current (especially external) demand deteriorated, and also inflation expectations strengthened. However, the spring decrease of total confidence in industry in the Czech Republic (as in most EU countries) was not drastic and its level returned to the “pre-crisis” level already at the beginning of the summer. Nevertheless, the situation in individual activities naturally differed¹⁵. Only 6% of industrial businesses expected their own economic situation to deteriorate in the six-month outlook (12%

¹⁴ For example, the value of new orders increased by a tenth in Q2 2026 in the chemical industry. However, when assessing the real outlook for this industry, it is necessary to take into account the ongoing growth acceleration of prices of manufacturers of chemicals and chemical products (to 13%) in the same period caused by the escalation of the war in the Persian Gulf region.

¹⁵ The highest balance of confidence was expressed by entrepreneurs in other manufacturing industry (+32 points), manufacturing of motor vehicles (+18), as well as, for example, in electrical engineering (+4), machinery repairs (+4) or manufacturing of beverages (+2) in July. The opposite was true for rubber and plastics industry (-42), manufacturing of furniture (-20), pharmaceutical industry (-12) and further for instance manufacturing of building materials (-8).

anticipated improvement). Although expectations of the development of own employment remained slightly negative, the vast majority of companies (80%) expected stable development in the coming quarter.

Almost half of the companies were plagued by insufficient demand. However, the utilization of production capacities increased in the summer.

Insufficient demand¹⁶ remains the key growth barrier in industry for the fourth year in a row. This was reported by 48% of businesses in July this year (similar to the previous year). However, the share of businesses limited by a shortage of workers increased slightly (to 13%), but there was a positive development in the area of the availability of materials or equipment¹⁷. Although the utilization of production capacities in industry has been decreasing since the beginning of the year this year, there was a turnaround at the beginning of Q3, mainly related to the favorable development of demand in manufacturing of motor vehicles. Capacity utilization in total industry now approaches 85% (i.e. the level common in the boom period in the second half of the last decade).

3.2 Construction

The year-on-year growth of construction production slowed down noticeably. The effect of a high comparative base was most evident in civil engineering construction.

Construction continued to perform well in H1 this year. The ongoing moderate growth of the output of the domestic economy in recent quarters was associated with a more significant recovery of investment activity by households, companies and the public sector. At the same time, however, the faster development of the construction sector was hampered by long-term significant growth barriers (especially a shortage of workers across professions) as well as persistent cost pressures stemming from rising prices of construction materials and the continued elevated price levels of some energy. Construction production¹⁸ increased by 1.1%, quarter-on-quarter, in Q1 2026 and by 1.2% in the following period. In both cases, however, only building construction contributed to this development. In year-on-year terms, output increased by 4.0% for the entire H1 2026, and although it slowed down by more than half compared to last year's rates, output growth has persisted for two years in a row. The construction of buildings contributed the most to the current growth (where production increased by 8.3%), but the segment of specialized construction activities, which is usually the domain of smaller enterprises and small entrepreneurs, had a similar effect. On the contrary, civil engineering construction did not follow up on last year's dynamic growth and its output decreased very slightly this year (−0.7%).

The scope of commenced residential construction increased across the board. However, the number of completed dwellings decreased slightly, as the finalization of family houses was still stalled.

The development of building construction was partly helped by the residential construction segment. However, trends in various residential construction diverged this year. While the half-year number of dwellings started (22.7 thousand) rose the highest in the last four years and increased by 39%, year-on-year, the number of completed dwellings (16.3 thousand) was the lowest in the last six years when comparing the same periods of the year, and the volume of construction decreased by 4.4%, year-on-year. In particular, the completion of family houses was stagnant – the fewest were built in the last two decades (5.9 thousand). On the contrary, there was a slight recovery for the residential buildings, mainly thanks to Prague. In the case of dwellings started, their year-on-year growth is basically broad based in nature, both in terms of forms of construction (dwellings in residential buildings had the greatest pro-growth effect) and regions (here analogously “*Jihomoravský region*” and “*Středočeský region*”, while construction declined only in three regions – including Prague¹⁹). The number of dwellings started in the Czech Republic is currently growing mainly due to the revival of demand after the stabilisation of the mortgage market, the

¹⁶ Businesses could have indicated more barriers simultaneously.

¹⁷ This factor is currently mentioned as a barrier by 11% of businesses, which is not out of step with the long-term average. On the other hand, the importance of other limiting factors increased – up to 21% at the beginning of Q3 (the highest share since the end of 2023), where companies themselves most often cited the deteriorated geopolitical situation, or its impact on the growth of energy costs, fuel and other inputs.

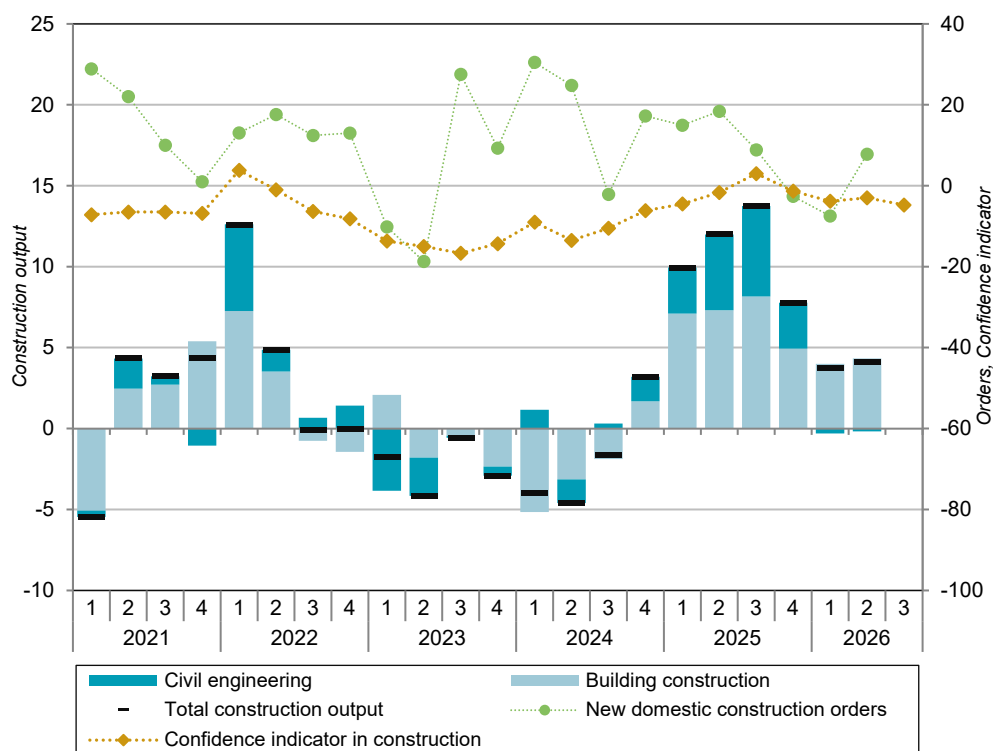
¹⁸ Data on construction production are at constant prices, year-on-year rates are adjusted for calendar effects, quarter-on-quarter also for seasonal effects.

¹⁹ Even so, the number of dwellings started in the metropolis was relatively significant this year (4.2 thousand). In the same period last year, it reached 4.6 thousand, which within the first half of the year meant the strongest construction since the beginning of the 1990s.

launch of postponed real estate projects and efforts to cover the long-term housing deficit. On the other hand, the volume of completed construction reflects the downturn of construction commencements from the previous three years, exacerbated by the extension of the construction period due to the increase of the cost of building materials, the total high workload of construction companies and the complex process of construction proceedings.

Chart 7 Decomposition of year-on-year change of construction output

(contributions to growth, in p. p.), new construction orders (nominal, year-on-year, in %), balance of business confidence indicator in construction (in p. p.)



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

Data on construction production are presented in real terms and adjusted for calendar effects. The balance of business confidence is seasonally adjusted and expresses the monthly average for the whole quarter, and for the last period the average for the first two months.

Source: CZSO, Eurostat

Year-on-year growth of the value of new construction contracts resumed in Q2 2026.

The total supply of work of domestic construction companies was still high. Both public and private contracts in the Czech Republic participate in this.

The number of new construction contracts in the Czech Republic (concluded by companies with 50 or more employees) increased by 7.8%, year-on-year in Q2 2026 (and returned to growth after a six-month pause). The recovery was largely a reflection of the high expected demand for building construction (+16.8%), while it represented rather a stagnation in civil engineering at last year's high level (+1.9%). Despite shorter-term partial fluctuations in the volume of orders, it is still valid that domestic construction companies have been relatively busy in the long term. The total stock of work (in the form of the value of all not yet realized orders both in the Czech Republic and abroad) was 20.7% higher, year-on-year, at the end of June this year (and grew at a similarly brisk pace for the ninth quarter in a row). On the positive side, in addition to the dominant group of domestic public contracts (+20.9%), private domestic contracts (+23.8%)²⁰ are currently also contributing to growth. According to another leading indicator, the prospects for the construction sector remain relatively favorable. The floor area for new construction of buildings for which building permits were issued from January to June this year increased by almost a third²¹, year-on-year, of which for residential buildings by 54%

²⁰ The stock of work is declining only in the marginal segment of orders abroad (-14.0%, the decline persists for the third quarter in a row).

²¹ However, the data on the floor area of permitted new construction of buildings cover only about 40% to 50% of all previously (until December 2025) published permits. Slightly more than half (53%) of the indicative values of buildings permitted in 2025 thus served other purposes. These comprised of the reconstruction and modernization of existing buildings (22%), civil engineering transport structures (20%) and other civil engineering constructions (11%), e.g. in the field of energy industry. As of January 2026, data on the number, not the value, of permitted constructions are available. In total, the number of such permits increased by 7%, year-on-year, in

and for non-residential buildings then by 10%. For most of last year, this area decreased in both categories.

The balance of confidence in construction remained in a slightly negative band. Expectations of higher production were also reflected in employment growth.

The main growth barrier remains the shortage of labour force, and the role of other influences in relation to the conflict in the Middle East is growing.

Business confidence in the construction sector has fluctuated slightly since the end of last year without a sign of a clear trend. It was in a slightly negative range in August this year (balance: -5 points) but compared to the long-term average (the period 2003 to 2025) it was significantly more favourable (+13%). Slightly positive expectations of the nearest development of construction activity (with a view to this autumn months) were reflected in the recruitment plans²². A third of companies have currently assessed their financial situation favourably (only 3% unfavourably), and one in six companies expects an improvement in the six-month outlook (only one in twenty will deteriorate). However, almost a quarter of companies still perceive the current demand unfavourably. The performance of the entire sector is limited by chronic growth barriers. In fact, for more than seven years in a row, the most significant barrier has been the shortage of (especially qualified) employees. Around 41% of firms cited it as one of the barriers in July (down 6 p. p., year-on-year). Insufficient demand plagued 30% of firms²³, and this share also decreased slightly, year-on-year. During the spring, the number of respondents citing other barriers increased significantly (up to 20% of all firms). These are mainly related to the current geopolitical situation leading to sharply rising input prices. Shortages of materials or equipment do not pose a significant barrier to the construction sector this year (or for most of last year), but inflation risks stemming from the expected growth of construction production prices remain elevated²⁴.

3.3 Services, Tourism and Retail

The development of services continued to be supported by higher demand from households and businesses.

The development of services also continued at the beginning of this year. The improving financial condition of households was reflected in the continued growth of their consumption expenditure. Increasing corporate demand, especially for advanced services requiring the work of specialists, also played an important role. Slight quarter-on-quarter growth of sales in services²⁵ therefore continued. It reached 0.9% each in Q1 and Q2 2026. In both cases, transport and warehousing proved to be key here, benefiting from a recovery in international trade with goods related to more favourable industrial developments. In Q2, the effect of frontloading may also have materialised, through which domestic industrial enterprises tried to mitigate the effects of the conflict in the Middle East on prices or the availability of some important inputs to production.

The most advanced business services contributed to the year-on-year growth of sales in services, driven mainly by higher demand for architectural and engineering activities.

Sales in services increased by 2.6%, year-on-year, in H1 2026 (similar to the same period last year) and have been growing continuously since the beginning of 2024. As in the previous year, professional, scientific and technical activities contributed the most (+1.4 p. p., with a growth of 6.1%²⁶ in this branch), where, in addition to advertising and market research (-1.2%), all sub-sectors were clearly thriving. Sales increased the most in activities of head offices and management consulting activities (+10.6%). However, the growing demand for architectural and engineering activities, supported by the rapidly developing construction industry, was of the greatest importance for the development of the total branch. Growth of sales in legal and accounting activities also accelerated (to

H1 this year, of which by 21% in new construction of buildings, it continued to grow for engineering transport constructions (+15%) and other civil engineering constructions (+10%), while it decreased mainly for the reconstruction and modernization of existing buildings (-9%).

²² The registered number of employees (in construction enterprises with more than 50 workers) increased already by 2.1%, year-on-year, in H1 this year. Quarterly data covering the entire sector show that employment also increased in smaller enterprises.

²³ Weak demand continued to hit businesses in the building construction segment the most (40% of firms). Labor shortages constrained businesses in all three major construction segments with similar intensity and represented a key growth barrier for them.

²⁴ 20% of construction companies expected (in a three-month perspective) the rise of sales prices in August 2026. This was noticeably lower than in April this year (37%, a temporary surge due to the effects of the Gulf conflict), nevertheless still slightly higher than at the end of last summer.

²⁵ 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).

²⁶ Apart from the rapid recovery of this branch after the pandemic subsided (at the turn of 2021 and 2022), this year's rate represents the highest growth since H2 2007.

7.8%). Slightly weaker but stable growth persisted in the diversified field of other professional, scientific and technical activities²⁷.

Demand growth accelerated in Q2 in land transport and storage. Growing transport performance in passenger and freight transport related to the development of industry and trade was evident.

In the transportation and storage activities, important in terms of weight, sales increased by 2.7% this year (by 4.3% in Q2 alone – the highest since the end of 2024) and the growth of the total services sector was supported by 0.7 p. p. Land and pipeline transport performed particularly well (+3.7%), reflecting higher transport performance in passenger transport and road freight transport. Demand growth in significantly procyclical warehousing (including other transportation support activities²⁸) also accelerated during H1 this year. Despite the continued rapid growth of sales via internet, sales in postal and courier activities decreased (–0.9%). This represented the weakest result in this long-term relatively dynamic, but internally diverse sector in the last two and a half years. Current demand has still not reached the level of pre-crisis 2019 in the marginal sectors of water and air transport. Also, in a year-on-year comparison, the sales of domestic air carriers lagged behind this year (–6.3%), but entities operating in water transport registered a slight increase of demand.

In the ICT area, demand growth remained rather moderate. Programming continued to thrive, and the motion picture and music publishing activities recovered.

Information and communication (ICT) were the last area that significantly supported the growth of the services sector this year (contribution +0.4 p. p., compared to the sector's growth of 1.9%). This segment of the economy, which was still very dynamic in the last decade, has been copying the overall trends in services in recent years in terms of revenue development. The ICT sector benefited mainly from long-term developing IT²⁹ activities this year, in which the sales pace slightly strengthened to 3.4%. On the contrary, sales in telecommunications did not follow up on last year's strong year (+0.6%), and the development of demand in the previously dynamic field of information activities³⁰ has also been weak so far this year. In the area of radio and television broadcasting activities, demand has recovered very slightly after last year's decline (+1.5%)³¹. Sales in publishing activities decreased by 3.4%, as in contrast to the previous two years, when this sector was generally stagnant, there was also a decline in the software publishing segment. However, they had a weak impact on the result of the total ICT branch. This also applies to the motion picture and music industries, where demand growth accelerated significantly and sales increased by 14.1% this year, i.e. the most in the last four years (however, they were still about a quarter weaker compared to 2019). The impact of the growth of the number of foreign projects implemented in the Czech Republic may have been reflected here. However, the development of this field is generally quite volatile, which is closely related to irregular invoicing. The motion picture distribution segment itself has probably grown more slowly³².

Sales in food service and restaurants continued to grow slightly. However, the decline deepened in accommodation.

Sales increased by 0.6%, year-on-year, in accommodation, food service and restaurants this year, and their very moderate growth thus continued for the third half of the year in a row (at the same time, however, sales are still clearly lagging behind the pre-crisis year of 2019). This resulted solely from the slightly growing demand in food service and restaurants as at the beginning of last year. Sales of entrepreneurs whose predominant economic activity is accommodation decreased by 3.3% (the highest since the peak of anti-pandemic restrictions at the beginning of 2021), mainly due to a deeper decline in Q2 alone. This

²⁷ This sub-branch with an important share of small businesses and which was significantly hit by the slump of demand during the pandemic period mainly includes brokering activities, design, translation and photographic activities or activities of construction supervision.

²⁸ These include a variety of activities, including cargo handling.

²⁹ They mainly include programming, consultancy in IT area or computer facilities management activities.

³⁰ They consist mainly of activities linked to the web portals, news press offices and agencies or data processing and hosting. In the second half of the last decade, but also during the "pandemic period", demand growth in this sector was among the highest within services. However, total sales were rather stagnant between 2022 and 2024 here, and there was only a partial recovery last year.

³¹ At the same time, relatively rapid growth of prices of these services persisted. In nominal terms, sales increased by 11.9%, year-on-year, in H1 here.

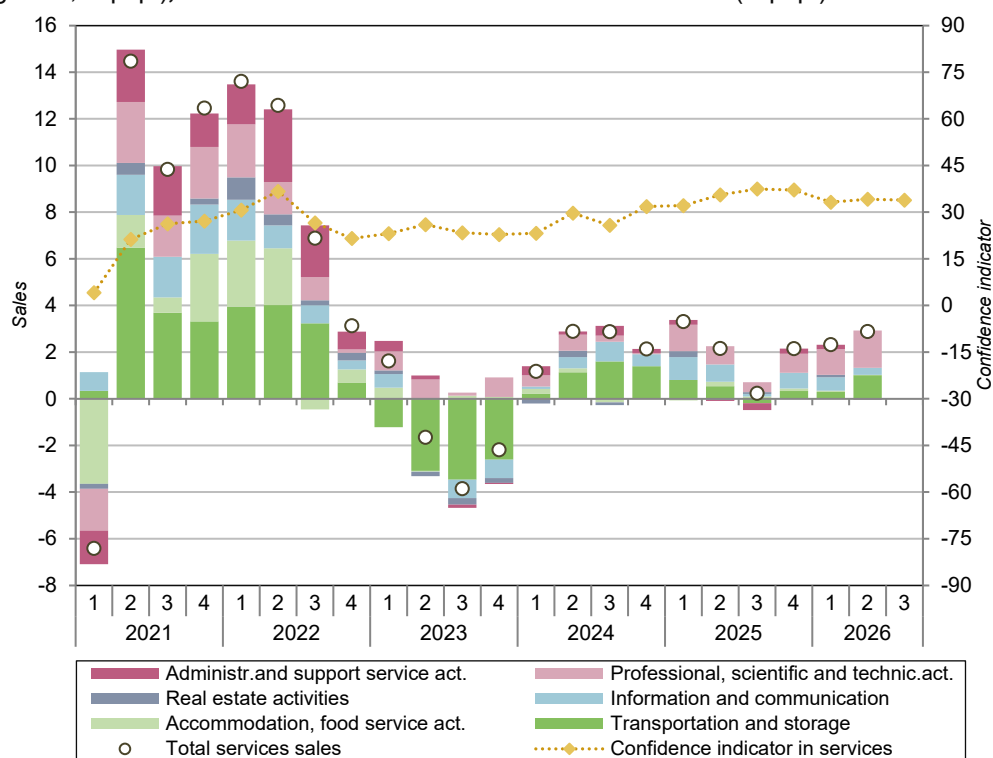
³² According to data from the Union of Motion Picture Distributors, gross nominal sales of cinema operators in the Czech Republic increased by only 0.7%, year-on-year, in H1 2026, with a 3% decline of total attendance. Compared to 2019, when most performance indicators reached their maximum, the current cinema attendance (with stagnation in the number of performances played) was lower by 34% and sales by 15%.

manifested despite the relatively rapidly growing purchasing power of domestic households and the continued development of inbound tourism. The impact of the rapid growth of prices of related services could be felt here³³. In-kind indicators in the area of inbound tourism indicate slightly better results than real sales.

However, the number of accommodated guests continued to grow slightly, but only thanks to domestic guests in Q2.

Domestic providers of collective accommodation facilities registered a slight year-on-year growth of both guests (+0.5%) and overnight stays (0.3%) in Q2. However, this was the weakest pace in the last seven and five quarters, respectively. The slowdown is particularly noticeable compared to the pace achieved in Q1 2026 (+5.2%, +5.6%), when mountain resorts were also doing well. The slight year-on-year growth of the number of accommodated guests in Q2 was supported only by domestic clients. The number of foreign guests decreased slightly (-0.1%) for the first time since the peak of the pandemic (Q1 2021). The current slowdown of visitor growth may also be related to a partial change in clientele (growth in the number of overnight stays by guests from most countries neighbouring the Czech Republic, as well as from the USA and Canada, but also from the Balkan states, and at the same time a decline for guests from e.g. the United Kingdom, France or the Middle East) and their financial behaviour (a possible greater tendency to save in connection with the long-term rising prices of accommodation and restaurants in the Czech Republic).

Chart 8 Decomposition of year-on-year change of sales in services* (contributions to growth, in p. p.), **balance of business confidence in services**** (in p. p.)



Note: Sales are given in real terms and adjusted for calendar effects. The balance of business confidence is seasonally adjusted.

* Sales in services do not include the branch trade, financial, insurance activities, science, research and public services.

** The balance of business confidence also includes the financial sector and expresses the monthly average for the entire quarter, and for the last period, the average for the first two months.

Source: CZSO, Eurostat

The development in the individual fields of administrative and support service activities was contradictory. In some of

Sales in real estate activities effectively stagnated for the third year in a row. In the administrative and support service activities, which generally provide lower value-added services mainly to enterprises, their pace continued to be subdued (+0.6%). The diverse field of office administrative, office support and other business support activities contributed the

³³ In Q2 2026, prices of accommodation services increased by 6.4%, year-on-year, and by 4.1%, year-on-year. Compared to 2015, they were higher by more than 100% in total for both segments, while prices in the entire consumer basket increased by "only" less than 60% over the same period.

them, corporate demand grew due to the procyclical recovery, while in others there was a slowdown caused by advancing digitalisation.

most to growth (+4.3%)³⁴ as for most of last year. Corporate demand was primarily reflected in the ongoing growth of rental and operating leasing sales, which increased (+3.0%), as demand for cars (and other light motor vehicles) recovered significantly this spring, as it also performed well for other machinery (e.g. construction or agricultural) and trucks. By contrast, growth of sales for rental and leasing of products for personal use and mainly for households has basically stopped. A very slight recovery of demand occurred in services to buildings and landscape activities (+2.6%)³⁵. The decline of sales of employment placement agencies continued for the fifth year in a row, but moderated this year (to 1.0%)³⁶, which may be related to the improvement of the situation in industry. Similarly, demand for security and investigation services decreased slightly, the unfavourable development of which (related to the development of digitalisation) is also of a longer-term nature³⁷. Sales of travel agencies decreased by 3.0%, confirming the change of the trend from last year (until the beginning of the year, demand in this area had been increasing, continuously since the end of the “pandemic period”).

Retail benefited from stable household confidence in the economy, supported by rapid wage growth.

Retail has also performed well so far this year, benefiting from relatively stable household confidence in the economy (significantly unaffected by the deteriorated geopolitical situation), supported by favorable developments on the labor market, reflected in steadily rising employment and rapid growth of real wages. The financial situation of households has also improved slightly through the lens of self-assessment questions in regular business cycle surveys, while on the contrary, some concerns remained regarding the economic development of the Czech Republic in the coming year. This was also reflected in consumers' persistently more reserved attitude towards large, anticipated purchases (especially durable goods and investments). The trend of a higher propensity of households to save (which started at the beginning of the current decade) also continued. Quarter-on-quarter retail sales³⁸ thus accelerated to 1.7% in Q1 (the highest in the last two years).

Sales via the Internet and mail order houses continued to contribute dominantly to the year-on-year growth in retail.

Total retail sales increased by 4.0%, year-on-year, for the entire H1 (at a similar pace as in the same period in 2024 and 2025). The focus of their growth was on dynamically developing trade via the Internet or mail order houses, in which sales increased by 14.5% and contributed 2.1 p. p. to the growth of the total retail sector. The long-term rapid growth of this segment, which has been the most dynamic segment of the total retail sector in the last two years, is related to the gradual change of household purchasing behaviour, technological progress, innovations in marketing and logistics, as well as the global reach of a number of major retailers in the Czech Republic. The growth of most specialised stores with non-food goods³⁹ continued at a weaker but stable pace. Sales of cosmetics and toilet products (+8.3%), pharmaceutical and medical goods (+5.6%) and cultural and recreational products⁴⁰ (+3.1%) performed particularly well. Demand for clothing, footwear and leather goods recovered, mainly due to developments in Q2 2026. By contrast, sales of products mainly for households⁴¹ increased only slightly (+0.9%), nevertheless this also represented the best result since H1 2022. Sales in the rather marginal segment of stores

Specialized stores with computer and communication equipment continued to struggle with weaker demand.

³⁴ These include, for example, the organization of conferences and exhibitions, activities of collection agencies and credit bureaus, verification of customer solvency, but also call-centre activities.

³⁵ These mainly include building and industrial cleaning activities.

³⁶ However, sales in nominal terms have already grown markedly this year (+7.0%). The decline of real sales also occurred amid a high growth of the number of working foreigners in the Czech Republic. Refugees from Ukraine have played a significant role in this in the last four years. Due to the temporary protection status granted to these persons, their employment in the Czech Republic is administratively simpler (compared to other groups of migrants from the so-called third countries) and they can thus find work “directly” (without an intermediary).

³⁷ This is also evidenced by the fact that compared to H1 2019, sales were a tenth lower this year.

³⁸ 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 activities.

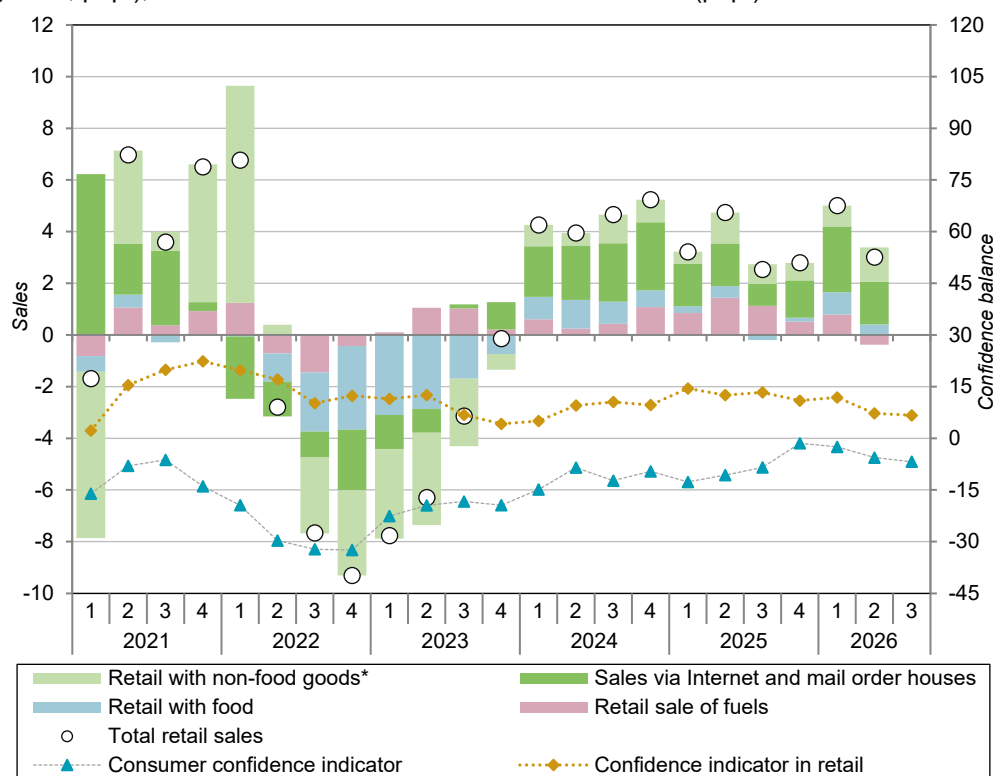
³⁹ In addition, there was a noticeable increase of sales in the marginal segment of non-specialized stores with a predominance of non-food goods (currently by 6.8%) for the fifth year in a row. It focuses on offering diverse, rather smaller goods at discount prices and has gradually expanded its sales network in the Czech Republic in recent years.

⁴⁰ It is traditionally dominated by sports equipment stores. However, it also includes shops with games and toys, books, newspapers, magazines and stationery.

⁴¹ These include mainly hardware, building materials, paints, glass, DIY supplies, electrical appliances, electronics, furniture, lighting equipment, carpets or home textiles.

with computer and communication equipment also feature a downward trend in the period after the COVID-19 pandemic has subsided, which was also confirmed by this year's result (-0.8%)⁴².

Chart 9 Decomposition of year-on-year change in retail sales (contributions to growth, p. p.), **balance of consumer and retail confidence** (p. p.)



* Sales via Internet and mail order houses are not included

Note: Sales are presented in real terms and adjusted for calendar effects. Confidence balances are seasonally adjusted and reflect the monthly average for the entire quarter, and for the most recent period, the average for the first two months. Source: CZSO

Growth of sales of food accelerated slightly, but it mainly concerned only large establishments (i.e. chains).

Demand for fuel has fluctuated significantly due to the price shock since the beginning of the year.

Retail food sales increased by 1.7%, year-on-year, this year (the highest since the end of 2024) and contributed 0.6 p. p. to the growth of the total retail. Despite this recovery, which could also have been contributed to by the drop of the prices of some basic foodstuffs, demand growth was basically supported only by the dominant segment of large chains, as sales in small, specialised stores⁴³ were effectively stagnating. Year-on-year growth of sales of fuels increased by 1.4% for the whole H1 and its contribution to the growth of the total retail was low (+0.2 p. p.). Strong demand for fuels continued still in Q1, stemming mainly from favourable fuel price developments for most of this period and partly also from the effect of pre-stocking due to the expected sharp rise of world fuel prices following the escalation of the Gulf conflict. In April, however, the year-on-year growth of demand for fuel, which had lasted continuously for the previous twenty-two months, stalled (-7.8%). The price shock was partly dampened by government measures⁴⁴, but sales did not recover until July (as a result of a temporary stabilisation of global oil prices and regular growth of demand in the main motoring season).

⁴² It can be assumed that an increasingly significant part of the demand for computer and communication equipment is usually realized in larger establishments belonging (according to their predominant activity) to sales via Internet.

⁴³ These include, for example, meat products, pastries, confectionery products, beverages or fruit and vegetables. However, the tobacco stores held the greatest importance here in recent years, their role has been growing mainly at the expense of meat stores.

⁴⁴ This was an extraordinary price regulation and capping of the margins of fuel sellers in the Czech Republic, which was in force from Wednesday, April 8, 2026, to Sunday, July 19, 2026.