

### 3. Branches Performance

The continued quarter-on-quarter growth of value added this year was mainly due to construction, trade and tourism-related branches.

Year-on-year GVA growth accelerated significantly. Services maintained a key role, with ICT performance growth continuing the most.

There has been a positive turnaround in industry this year. Construction performed well, with GVA growing the most in the last eleven years. The situation in the primary sector was stabilised.

The performance of all sectors of the economy, captured via the gross value added (GVA)<sup>1</sup>, increased by 0.9%, quarter-on-quarter, at the beginning of this year and by 0.5% then in Q2. The trend of a slight revival of the domestic economy, which was also evident for most of last year, thus continued. Within the material production sector, the output of construction increased the most this year, in addition the vast majority of services also developed – especially the weight-dominant group Trade, transport, accommodation and food service activities. The total economic performance was 3.9% above the peak of the last boom period (Q4 2019) in Q2 this year, however almost exclusively due to services (especially ICT, financial and advanced services for businesses)<sup>2</sup>.

The year-on-year growth of the total GVA accelerated to 2.7% for the whole H1 (at a similar pace in both quarters of this year), i.e. to a three-year high. The whole economy was still driven mainly by services (contribution +1.9 p. p., sector growth by 3.0%). A full third of the growth-boosting impact of the tertiary sector was accounted for by the group Trade, transport, accommodation and food service activities, which benefited from growing demand of domestic consumers as well as the continued development of inbound tourism. However, information and communication still represented the most dynamic area of services, where the rapid growth of GVA (7.4%) took place with a noticeable strengthening of labour productivity<sup>3</sup>. Slightly above-average GVA growth was also reported by advanced services for businesses<sup>4</sup>, financial activities, as well as a smaller diverse grouping of Other service activities, where cultural, entertainment and recreational activities play an important role. On the contrary, lower dynamics persisted in activities with a predominance of the public sector<sup>5</sup> and also in real estate activities, where the GVA (despite increasing employment in previous years) was still only at the level of 2019.

A positive turnaround was recorded in industry this year. Both manufacturing and energy contributed to the slight growth of GVA (by 1.7%, year-on-year, in H1). However, the contribution of the whole industry sector to the economic growth has so far been relatively low. The acceleration of the growth pace of investment into buildings and structures was reflected in the performance of construction. Its GVA strengthened to 5.1% this year (a higher pace was last recorded in H1 2014, when the finalization of infrastructure projects accelerated due to the possibility of drawing resources from the EU funds). Primary sector of the economy recorded a slight GVA growth in H1 (+1.8%), similar to the total for last year. The situation of domestic producers remained stable<sup>6</sup> in animal output, despite

<sup>1</sup> Figures related to GVA are expressed in constant prices and adjusted for seasonal and calendar effects.

<sup>2</sup> GVA exceeded the pre-crisis level by 41% in information and communication activities, by 18% in financial and insurance activities, by 17% in business services (professional, scientific, technical and administrative activities) and by 8% in public administration and defence, education, human health and social work activities. On the contrary, output of industry lagged behind Q4 2019 by 4% (its manufacturing part by 1%), and by as much as 9% in construction.

<sup>3</sup> Number of hours worked in this activity did not change significantly, year-on-year (−0.7%).

<sup>4</sup> These contain a major part of branch Professional, scientific, technical and administrative activities.

<sup>5</sup> These consist of public administration and defence, education, human health and social work activities.

<sup>6</sup> The trend of slightly increasing *milk production* in the long term continued, albeit at a weaker year-on-year pace in H1 2025. Direct purchases of milk from domestic producers (by first buyers) amounted to 1650 million litres (+0.5%) this year. However, the purchase by dairies alone (1391 million litres) decreased, year-on-year (by 1.9%, the most in the last five and a half years).

*Meat production* at domestic slaughterhouses grew. It increased by 4.8%, year-on-year, in H1 (by 3.3% for the whole last year). While pork drove the total production last year, its growth has moderated slightly this year (to 4.7%), and the key role switched to poultry meat production (+7.4%). On the contrary, beef production fell (−1.4%), albeit slightly more moderately than last year. Nevertheless, the gross domestic production (expressed in tonnes of carcass weight) of beef increased slightly (by less than 1%) this year (and for the whole of last year) as the export of live animals for slaughter grew rapidly (by 6.1%, year-on-year, in H1) due to rising purchase prices. A quarter of the cattle fattened in the Czech Republic were exported, mainly to Austria, and exports to Italy, for example, strengthened. Exports of live poultry also increased (+13%), while for live pigs they decreased (−18%), but in both cases this did not have a significant impact on the dynamics of domestic production. After taking into account the balance of meat imports and exports (which has been negative for all three main types from the Czech Republic view for a long time and has further deepened, year-on-year, for pork), the provisionally calculated meat consumption fell in the Czech Republic in H1 2025, year-on-year, for beef (−9%, after stagnation in 2024), while it increased slightly for pork and poultry (both by 4%) and continued the trend from last year. Meat consumption is influenced by the long-term preferences of domestic consumers as well as by shorter-term



continued marked price movements of the main commodities (mainly beef and pork) as well as increased hygiene risks (especially at the turn of this year). After the bark beetle calamity retreated, the forestry continued to return to the standard management regime, which is characterized by a more stable development of logging<sup>7</sup>. The influence of last year's weaker harvest (basic cereals, rapeseed, fruit) was likely still felt in the plant production. The effects of this year's harvest, which according to current estimates should be good<sup>8</sup>, could gradually become apparent in further part of this year.

The weak growth of domestic industry was related to adverse external factors.

Domestic industry, which was hit by a mild recession in 2022 and 2023, was also in a difficult situation in H1 this year. Despite a moderate recovery, economic growth remained weak in the Czech economy and its key trading partners. It reflected the growing uncertainty and risks arising from the deteriorated geopolitical situation and the possible escalation of trade wars. These factors were met with still weakened investment activity in the domestic economy, exacerbated by persistently difficult loan financing options. There was a partial relief in the area of cost pressures due to the stabilisation and subsequent decline of the prices of some types of energy (in particular global crude oil prices), but the prices of some important commodities were still well above the level from the beginning of the current decade (e.g. electricity).

The recovery of industry at the beginning of the year was assisted by the energy sector as well as some export sectors, which may have been affected by the efforts of the Czech Republic's trading partners to pre-supply due to a change in US trade policy.

Industrial production<sup>9</sup> in the Czech Republic increased by 1.5%, quarter-on-quarter, at the beginning of this year and recorded the most significant recovery since the end of 2023. This was mainly due to the energy industry, mechanical engineering and some major fields focused on manufacturing of intermediate products (electrical machinery, metallurgy and foundry, production of building materials). The strengthening of some export sectors may have been related to the efforts of trading partners to stock up ahead of the effectiveness of the US government's trade policy measures. The output of domestic industry increased by only 0.3% in Q2 2025. The slowdown in the quarter-on-quarter pace was mainly due to energy and also mechanical engineering (for which external demand is traditionally relatively more oriented towards non-European territories). The chemical and electronics engineering industries have struggled with persistent insufficient demand. On the contrary, a positive turnaround in production was recorded in manufacturing of transport equipment. Total industrial output thus lagged slightly behind its peak from the pre-pandemic expansion period (Q2 2019) in Q2 this year (by 1.1%)<sup>10</sup>.

fluctuations given, for example, by the reaction of households to the development of consumer meat prices (e.g. the current high growth for beef).

<sup>7</sup> Some major manufacturers of wood products recorded a slight year-on-year increase in harvesting in H1 this year, especially in the long-postponed cultivation of middle-aged stands.

<sup>8</sup> According to this year's 2nd harvest estimate (CZSO survey closing day as of 16<sup>th</sup> July), the harvest of basic cereals in the Czech Republic is expected in the amount of 6,980 thousand tonnes for 2025, rapeseed 994 thousand tonnes and poppy 30 thousand tonnes. Estimates are slightly higher compared to last year's final harvest: cereals (+3%), rapeseed (+5%), poppy seeds (+9%), however, are still slightly lagging behind in the long-term context: compared to the five-year average, this year's harvest should be lower for cereals (-4%) and rapeseed (-13%), while a very good harvest is expected for poppy (+18%). This lag is mainly reflected in the effect of the continuous decline in the sowing area – this year for cereals (1,211 thousand ha) it was the lowest in a comparable series since 2002 (which applies in detail to e.g. barley or rye), and for rapeseed it was the lowest in the last 19 years (336 thousand ha). Among individual cereals, a higher yield is expected in a year-on-year comparison especially of crops that are more marginal in terms of weight: oats (+24%), triticale (+10%) and spring wheat (+5%), mostly exclusively due to better yields per hectare (only in the case of oats it is exclusively due to the influence of its sowing areas, which are growing briskly for the second year in a row). For the key cereal – winter wheat – the higher area and yield is evenly reflected in the slight increase in expected yield (+3%). Compared to the average harvest from 2020–2024, the yield of most cereals should be lower this year – spring wheat (-50%), rye (-23%), barley (-8%), winter wheat (-3%), growth is expected only for triticale (+6%) and oats (+44%). According to samples tested in the departmental organizations of the Ministry of Agriculture, this year's harvest of food wheat and malting barley should be mostly good in terms of quality. Rainy and colder weather in the second half of July will probably have a smaller negative impact on the quality of cereals than expected. On the contrary, a warm and dry August is likely to have an adverse impact on the harvest of other crops (e.g. hops).

<sup>9</sup> 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.

<sup>10</sup> Two thirds of the main industrial sectors fell behind their peak from years 2015 to 2019 in Q2 this year – mainly those related to energy production (-20%) and those focused on manufacturing of durable products (-18%). At the level of individual industries, these were

The development of industrial production was by far the most affected by the energy sector this year. Higher demand for energy reflected the colder weather and the reluctance of households to make further savings.

Most industries oriented on the manufacturing of intermediate products were successful.

The higher performance of the metalworking industry also reflects the rapid development of its arms segment. The long-term developing manufacturing of rail transport equipment also fared well.

The industrial production increased by 1.0%, year-on-year, in total for H1 2025. The positive result of industry was mainly due to the energy sector, whose output increased by 8.3% (the highest since the first half of 2003) and contributed 0.7 p. p. to the growth of the total industry. The output and consumption of electricity<sup>11</sup> and gas<sup>12</sup> grew. This is mainly related to the fact that the beginning of this year was not as above average in terms of temperature as last year. Nevertheless, the effect of recent austerity measures in households and companies is probably already being exhausted. The motivation to save, especially in households, is also declining due to the stabilisation and subsequent reduction of energy prices, which was more noticeable especially in the case of natural gas. Last year's resumption of real household income growth is also reflected in higher consumption, as well as a slight recovery of overall economic performance, accompanied by a stabilisation of demand in some energy-intensive industries.

Most industries manufacturing intermediate products also assisted the industry this year. In particular, the development of the domestic construction industry was reflected in the production of other non-metallic mineral products, where production increased by 3.9%, year-on-year, in H1 (the highest of all manufacturing branches). After weaker last year's results, there was a positive turnaround in the main subcontracting branches of motor vehicle industry (electrical engineering, rubber, plastic industries) due to both domestic and foreign demand. After more than three years, the first signs of recovery have also appeared in metallurgy and foundry (+3.7%). However, the continuing unfavourable development of foreign orders as well as the persistent slight decline of output of this activity in the EU are somewhat putting the current growth of production in the Czech Republic in perspective. On the contrary, growth in the smaller paper industry (+1.0%), which has been developing for a long time thanks to earlier investments in production facilities in the Czech Republic (domestic demand more likely contributes to this this year). The above-mentioned fields contributed together to the year-on-year growth of the total industry by 0.5 p. p. this year.

Among the investment-oriented sectors, the most significant recovery from the view of the total industry occurred in manufacturing of metal structures and fabricated metal products, which took place as early as H2 2024. This year's slight growth of output of this activity (+1.3%) is associated with higher both domestic and foreign demand, and the "renaissance" of the arms industry has been a significant growth impulse here for several quarters. The long-term growing activity of repair and installation of machinery and equipment, traditionally focused more on the domestic market (e.g. repairs of nuclear equipment), was also successful. However, higher external demand also

primarily coal mining (by 53%), footwear and leather industry (-29%), manufacturing of metal, metallurgy and foundry (-27%), mining of building materials (-26%), textile industry (-24%), printing (-21%). Among the larger branches, there were also energy (-17%), chemical industry (-16%), mechanical engineering (-15%), electronics industry and manufacturing of building materials (both -10%), rubber and plastics (-5%) or metalworking industry (-3%). On the contrary, the sectors producing capital goods and also those with non-durable goods were currently above the pre-crisis level of production (both +7%). Among individual activities, these were mainly the manufacturing of other transport equipment (+39%), pharmaceutical industry (+20%), other manufacturing and also manufacturing of motor vehicles and motorcycles (both +15%), paper industry and electrical engineering (both +13%) and further for instance food industry (+8%).

<sup>11</sup> According to the preliminary data of the Energy Regulatory Office, total net electricity production (i.e. excluding intermediate consumption, including production losses) reached 36.3 TWh in the Czech Republic in H1 2025 (the most in the same period in the last three years) and increased by 7.5%, year-on-year. In particular, the generation of steam power plants grew (+10%), followed by nuclear power plants (+6%), and gas, steam-gas and photovoltaic stations also contributed. On the contrary, production in hydroelectric and pumping stations decreased (-28%) due to the lack of precipitation and wind power plants also supplied less (11%). Total domestic net electricity consumption amounted to 30.1 TWh in H1. Its three years lasting year-on-year plunge halted (+2.6%). This was largely caused by higher household consumption (+9.3%), but demand from small businesses also increased (+2.7%), consumption of wholesale consumers stagnated. Compared to 2019, when total net consumption approached its long-term maximum, but total electricity consumption decreased (-7.8%), mainly due to the influence of wholesale consumers (-8.4%) and small businesses (-5.3%), households on the contrary consumed more (+8.4%). The difference between domestic generation and electricity consumption was offset by cross-border flows. Therefore, its exports still prevailed over imports. In addition, the value of the balance has almost doubled this year compared to last year's H1 (to +3.9 TWh).

<sup>12</sup> Gas consumption climbed to 4.0 mil m3 in Q1 this year, by 13.2%, year-on-year (after converting consumption to the long-term thermal standard, the growth was noticeably smaller: +4.3%). Double-digit growth of consumption occurred for all customer categories – especially households (+15.3%) and small business customers (+15.0%). When converted to the thermal standard, the year-on-year increase of total natural gas consumption has been evident since last September and has been ongoing for ten months continuously.

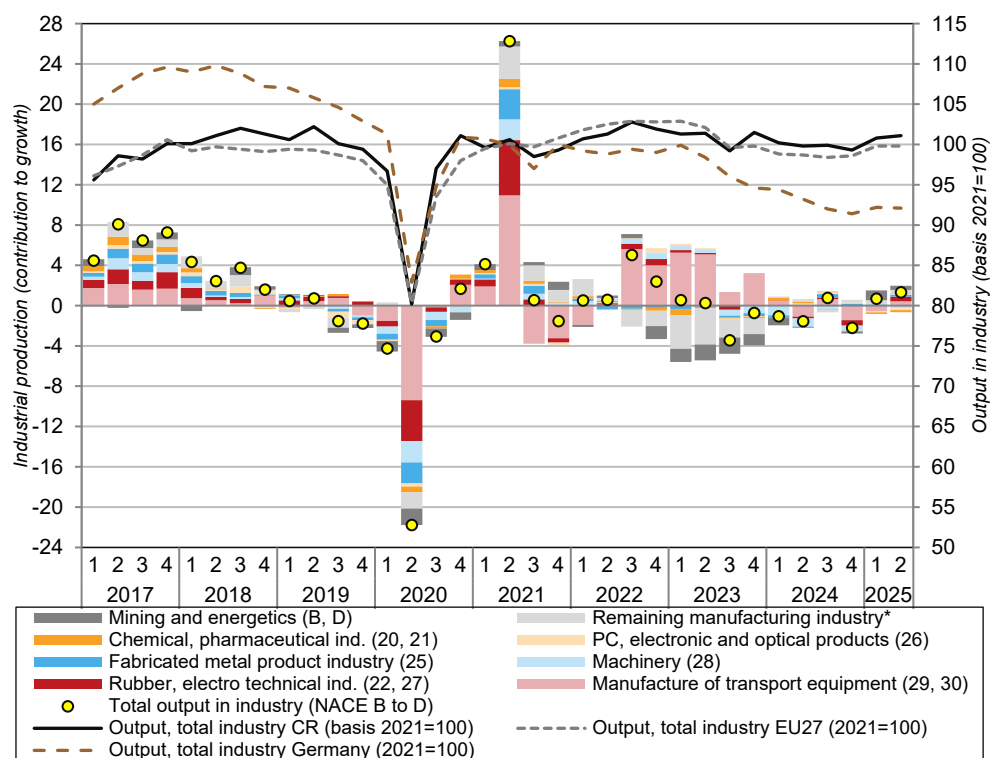


contributed to its output growth (+2.7%) this year (which indicates almost double-digit year-on-year growth of nominal sales from direct exports). The output also increased slightly in manufacturing of other (mainly rail) transport equipment (+1.9%) this year. Nevertheless, output in this relatively small activity has traditionally featured a volatile character and the impact of irregular invoicing of larger orders is evident here. Unlike last year, higher external demand had a positive effect here. The above-mentioned branches contributed only 0.2 p. p. to the growth of industry this year.

The enhanced purchasing power of households further supported the development of the food industry. However, the output growth moderated here compared to last year.

Among the activities of consumer goods manufacturing, the food industry prospered thanks to the rising purchasing power of households. Nevertheless, production growth slowed down by about one half in this activity compared to last year's H1 (to 3.2%). The similar also applies for other manufacturing activities (+1.8%), including among other things also manufacturing of sport goods, games and toys. Production also increased by 3.0% in manufacturing of furniture in H1. While only growing external demand contributed to this at the turn of 2024 and 2025, a slight increase of domestic sales is evident this year in Q2 this year. The gradual improvement of the household financial situation is thus no longer reflected only in higher demand for non-durable goods but is slowly spreading to other commodities as well. Industries producing mainly consumer goods have collectively supported the growth of the total industry by 0.2 p. p. this year.

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



\* Contribution of the remaining manufacturing industry also includes the effect of the total methodical discrepancy stemming from the change of the weights.  
Source: CZSO, Eurostat

The year-on-year decline of production in manufacturing of motor vehicles and motorcycles continued for the third half-year in a row. This spring, however, the

The growth of industrial output was hampered mainly by some important investment-oriented sectors in H1. Production decreased by 0.6% in manufacturing of transport equipment and thus fell, year-on-year, for the third half-year in a row. While last year's deepening recession in this activity was related to the deteriorated situation of direct domestic subcontractors of car parts (operating within the manufacturing of motor



external sales improved. Demand has also recovered in the electric vehicle segment.

vehicles), the final vehicle manufacturers themselves also participated in it this year<sup>13</sup>. However, the situation improved during Q2 here, as sales of vehicles abroad strengthened. This was reflected both in the growth of production in June (+3.9%) and in the growth of the utilization of production capacities of enterprises at the beginning of Q3. The production decreased this year (by -3.7%) after favourable developments in previous years in the investment-oriented activity manufacturing of computers, electronic and optical appliances, characterized by high import intensity and simultaneously a significantly pro-export focus. The effect of weakening external demand overshadowed in this activity the more favourable development of domestic demand related to the continued development of photovoltaics. After a short-term recovery at the beginning of this year, the output in the engineering sector, which is important in terms of weight, decreased again (by 1.3% for the entire H1). The above-mentioned investment sectors thus collectively counteracted the growth of the total industry this year by a force of 0.3 p. p.

The drop of the production of the chemical industry is mainly related to weaker demand and the decline in some energy-intensive, currently not profitable productions.

Some mostly energy-intensive industries manufacturing intermediate products were still facing deeper problems. This was mainly the case of the chemical industry, where output decreased again in H1 2025 (-3.2%, year-on-year) after a temporary stabilisation last year, which was related to weaker domestic and external demand. The lower production was also due to a gradual reduction of production capacities associated with the decline of some previously traditional productions. Output in the textile industry decreased at a similar pace (for the third year in a row), the key part of which is the production of artificial textiles for use in industry and construction. A deeper output drop also continued in the mining of building materials (-8.9%), while in the main segment of the mining industry – coal mining – the decline probably temporarily ceased (+5.7%), mainly due to last year's low base.

The largest decline of production affected the small activities of the footwear and leather industry. Manufacturing of clothing also did not fare well.

The last year's growth did not continue this year in almost all small activities focused on the creation of non-durable products. The largest plunge was recorded in manufacturing of leather and footwear products (-14.7%), solely due to a shortfall in external demand. The same factor stood behind the noticeable output decrease in manufacturing of clothing (-9.6%), the highest since the outbreak of the COVID-19 pandemic. The output of beverage manufacturers fell by an order of magnitude less. Weaker export dynamics overshadowed more favourably developing domestic demand, driven by the continued development of inbound tourism here. The production decreased by only 3%, year-on-year, in the highly export-oriented pharmaceutical industry in H1, but this represented the first half-year decline since the end of 2014. On the contrary, the output of the printing industry declined this year (-6.3%) due to weaker domestic demand.

The value of new orders showed a slight recovery in Q2 2025. A positive turnaround occurred in manufacturing of motor vehicles and related activities.

Growth of the nominal value of new industrial orders<sup>14</sup> had already slowed down during the H2 last year and came to a complete halt (-0.6%) due to weaker demand for key export branches in Q1 2025. However, there was a partial recovery in the subsequent quarter, with total orders increasing by 3.1%, year-on-year, mainly due to the external demand. Importantly, this turnover concerned the key activity of motor vehicle manufacturing (+7.0%) and the related branch of electrical engineering (+7.2%). However, demand in the metalworking industry strengthened the most (+8.4%, the highest in the last ten quarters). On the contrary, after a brief recovery at the turn of

<sup>13</sup> According to data from the Automotive Industry Association, 747 thousand personal vehicles were manufactured in the Czech Republic in H1 2025, which was 3.5% less than the record result from the same period last year. In particular, the weaker launch of production at the beginning had a negative effect (resulting from worse sales abroad, some manufacturers introduced short-term production restrictions), on the contrary, the situation gradually improved in the spring and June production (136 thousand vehicles) was already noticeably higher, year-on-year (and at the same time the second strongest in this month in history). After last year's decline, the segment of manufacturing of electric vehicles (including hybrid vehicles) has revived significantly, accounting for a fifth of total car production this year. In addition to personal vehicles, most manufacturers of other types of motor vehicles also recorded a decrease of production this year.

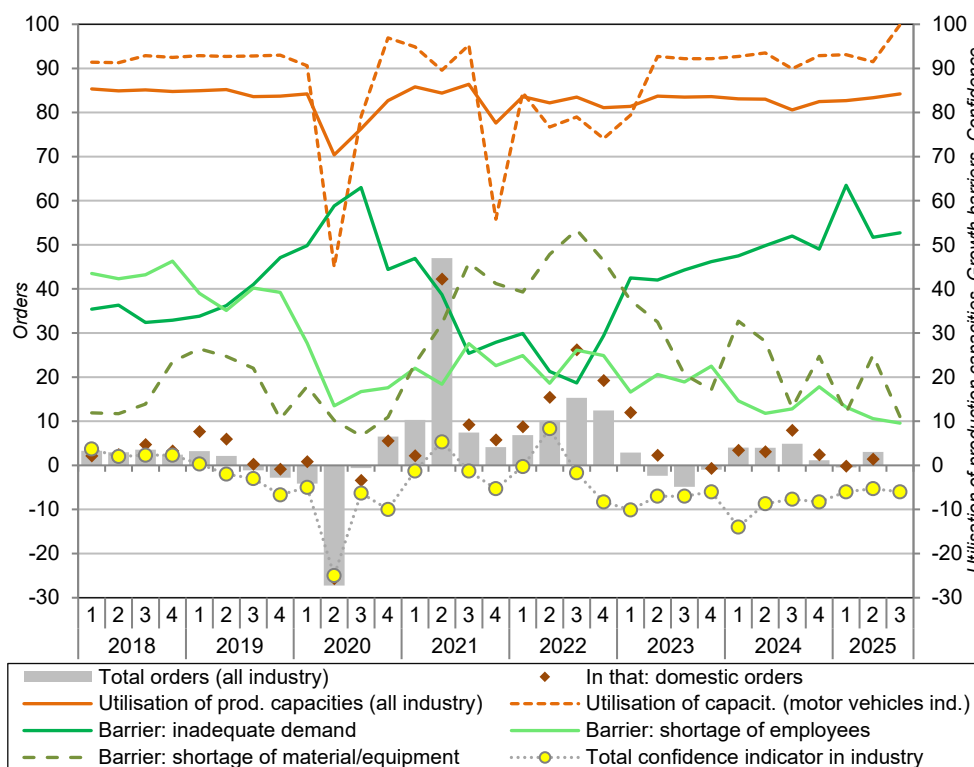
<sup>14</sup> Survey of orders is performed in twelve manufacturing activities producing mostly custom-made products, with longer production cycle and larger order stocks. Year-on-year growth rates of orders are adjusted for calendar effects, quarter-on-quarter rates also for seasonality effects.



The metallurgical and chemical industries are still struggling with long-term weakened demand.

2024 and 2025, the value of orders decreased again in engineering (-3.3%). The chemical industry is facing deeper problems, the demand fell here in both quarters of this year (by a total of 5%), both on the domestic market and abroad. A long-term, although currently relatively milder, decline of demand is then signalled in metallurgy and foundry. Among smaller branches, manufacturing of clothing suffered a deeper decrease of orders (-9.8%), while demand for paper industry products increased in Q2 (as well as in the whole of last year).

**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

Business confidence in industry has not changed this year and has remained in a slightly negative band. Expectations of production were slightly positive, but not of employment. Half of the companies were still limited by insufficient demand.

Business confidence in industry nearly has not changed since the beginning of this year and thus remained in a slightly negative band (the balance was -6 p. p. in August). Steadily less than a fifth of companies assess the current demand unfavourably (insufficient demand has been the main growth barrier<sup>15</sup> in industry for twelve quarters in a row, 53% of companies have already expressed their opinion currently). There has been a slight improvement of external demand since this spring, where there is an increase of companies with a positive assessment (already 14% of enterprises in August). Short-term expectations of production as well as the economic situation of businesses were slightly positive<sup>16</sup>. However, these assumptions are far from being reflected in employment, where there is a further reduction of jobs, and a slight pessimism also prevails in the outlook<sup>17</sup>. On the positive side, the utilization of firms' production capacities is growing slightly (it exceeded 84% in July and was close to the

<sup>15</sup> Businesses could have indicated more barriers simultaneously.

<sup>16</sup> In August this year, 13% of businesses expected an improvement of the economic situation in the six-month horizon, while only 7% expected a deterioration. Similar proportions were also evident in production expectations (in the three-month outlook).

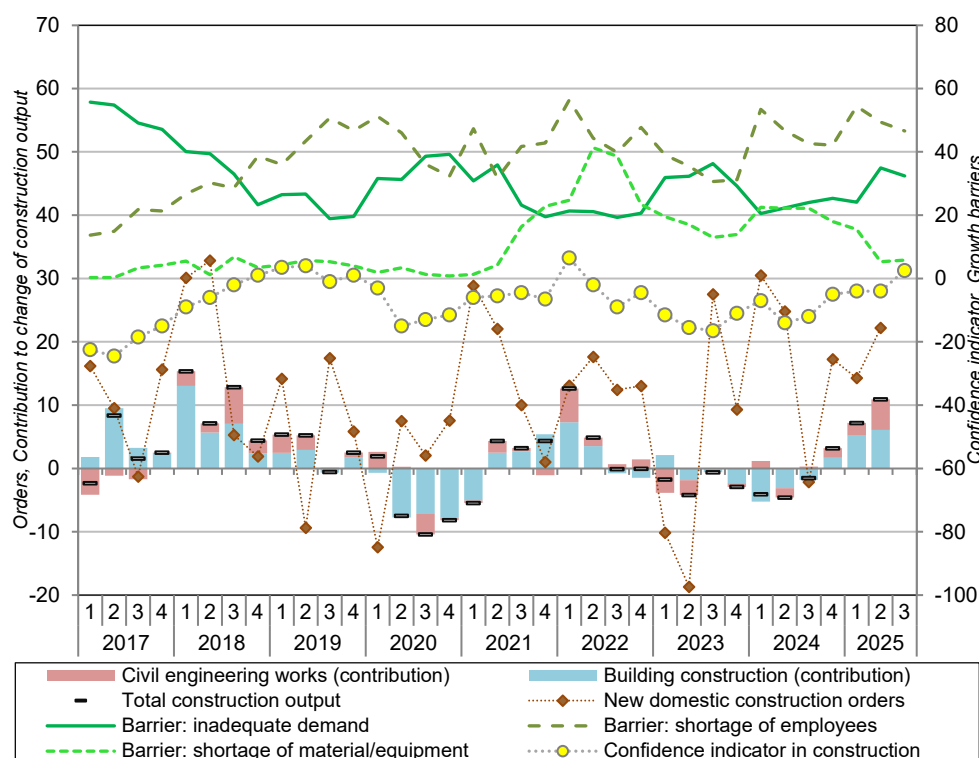
<sup>17</sup> The registered number of employees decreased by 2%, year-on-year, in H1. 15% of industrial enterprises expected a decrease of employment in the three-month outlook in August this year (only 7% an increase). At the same time, only a tenth of companies considered the lack of workers to be a growth barrier, the lowest since 2015.

level of the 2015-2019 boom period). More significant periodic difficulties with the availability of materials and production facilities have also subsided in the recent past. This, together with a partial easing of some cost pressures in the energy sector, resulted in a moderation of corporate inflation expectations.

Last year's significant recovery continued at the beginning of this year. The quarter-on-quarter growth rate of production rose to a nearly three-year high.

The situation gradually improved in construction, with clear signs of a positive turnaround already evident in the second half of 2024. At the beginning of this year, construction production<sup>18</sup> increased, quarter-on-quarter, for the third time in a row and this growth accelerated (up to 3.9%). This strong recovery was supported by all segments of the activity (most notably by the construction of buildings). The growth of the construction sector hit certain limits in Q2, and the growth of its production slowed down (+0.9%). Mainly the enhanced public investment in transport infrastructure aids the development of the activity. Private investment is also likely to recover partially this year, owing to a gradual strengthening of economic growth and confidence. Price effects also play an important role here – on the one hand, cost pressures were partially eased (due to more favourable developments of the prices of some energy and also construction materials), but simultaneously real estate price growth strengthened significantly (due to increased demand on the part of households, which occurs even with relatively high mortgage rates).

**Chart 6 Contributions of sub-branches to year-on-year growth of 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 construction\* (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

All construction sections contributed to the rapid

Construction output increased by 9.4%, year-on-year, for the whole H1 2025 (higher growth for the first half-year was last recorded in H1 2018). Civil engineering was

<sup>18</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.

year-on-year growth of production this year.

The number of dwellings started and completed decreased slightly, but a small section of conversions of existing dwellings and non-residential buildings developed rapidly.

The value of new construction orders has been in fact growing for two years in a row. It is almost exclusively driven by civil engineering this year.

The permitted structures have been decreasing, year-on-year, already since last spring. It is manifested mainly in non-residential buildings and non-transport engineering structures this year.

The balance of business confidence in construction returned to the positive band after a long break. The assessment of both demand and employment prospects has improved.

developing rapidly, where output grew at a double-digit rate. However, building construction contributed more strongly to the growth of the entire division (+5.6 p. p.), where the construction of buildings was particularly successful (+13.9%). The section of specialized construction activities, which is usually the domain of smaller construction companies, strengthened by "only" 4.9%. The development of building construction has not been helped much by subdued residential construction so far this year. The number of dwellings started decreased, year-on-year, for the third year in a row (by 5.4% in H1), specifically to the lowest level in the last eight years (16.3 thousand dwellings). The number of completed dwellings also decreased slightly (-2.4%), but the volume of construction (17.1 thousand) was higher at least compared to H2 2024 (when the fewest dwellings were built in the last 8.5 years: 12.7 thousand). Family houses, the commencement and finalization of which have been in a long-term decline, play a significant role in weaker residential construction. On the contrary, construction is currently developing in the small conversion section (especially for residential buildings) and also for dwellings in non-residential buildings, which may be related to a simplified permitting process<sup>19</sup>. Prague contributed the most to the year-on-year reduction of completed dwellings this year, where only 2.7 thousand dwellings were built in H1 (on the other hand, construction in Central Bohemia revived slightly). The decrease of the number of dwellings started was most evident in the "Plzeňský" and "Jihomoravský regions", but construction grew in Prague (to 4.6 thousand, which is more than in the same period of the expansion years 2006 to 2008).

A significant part of leading indicators indicate that the development of construction production could continue in the near future. The value of newly concluded construction contracts in the Czech Republic (at current prices, in businesses with more than 50 employees) was almost a fifth higher, year-on-year, in H1 this year (it increased for the fourth half-year in a row). The current growth was driven by civil engineering construction, as the expected demand in the building construction shrank slightly (-1.1%). A higher concentration of new contracts in the section of transport engineering structures leads to the fact that the average value of an order is expanding (it amounted to 7.4 mil CZK in H1 2025 and was about one half higher, year-on-year). The total stock of work (not yet realised contracts) exceeded 400 bn CZK at the end of the Q2 this year and was a quarter higher, year-on-year. This was largely due to public procurement, whose volume expanded by 41% and accounted for almost 70% of the total inventory stock. On the positive side, the supply of work from abroad is also growing after more than three years. The development of the value of permitted constructions is less favourable. It has been declining, year-on-year, since last spring and decreased by a fifth<sup>20</sup> in H1 2025, primarily due to the construction of non-residential buildings and engineering "non-transport" structures. The value of permits for new residential construction also decreased (-10%). On the contrary, a more significant growth occurred only for the modernization or reconstruction of transport structures. The decreasing value of permitted structures with a growing supply of orders indicates the prolongation of the already often demanding process of construction projects preparation.

The pessimism of businesses in construction has been easing since last autumn, and the balance of business confidence returned to the positive band in June this year after more than three years, rising to +2.5 points in August. There has been an increase of the number of companies assessing the current demand favourably, nevertheless their share (16%) is still lower than that of unfavourable assessments (24%). Positive expectations of the nearest development of construction activity were also reflected in plans for

<sup>19</sup> 3,862 dwellings were built by the modification of existing family and residential buildings in H1 this year (the highest number since H2 2000), and 526 dwellings in non-residential buildings (the highest number since H1 2009).

<sup>20</sup> The absolute number of building permits has also declined at a similar pace this year.



recruitment<sup>21</sup> (the highest in the last three and a half years). Expectations of the company's economic situation remained slightly positive<sup>22</sup>. However, the entire industry is plagued by chronic growth barriers<sup>23</sup>. The most significant barrier is the shortage of (especially qualified) labour force already seven years in a row (almost half of companies cited it as one of the barriers). Insufficient demand limits a third of companies<sup>24</sup>, and this share has increased slightly, year-on-year. On the contrary, it is positive that the problem of material or equipment shortages, which was significant between 2021 and 2024, has largely disappeared this year. This contributed to the stabilisation of the prices of building materials and the moderation of the growth of prices of total construction production<sup>25</sup>.

Quarter-on-quarter growth of sales in services accelerated at the beginning of this year.

There was a positive turnaround of demand for services at the turn of 2023 and 2024, and this development continued at the beginning of this year. The stabilisation of the level of consumer prices helped to restart growth of real wages of employees, which was mirrored in a more favourable financial situation of households and consequently stimulated their consumption. Services were also positively affected by slightly growing corporate demand. Quarter-on-quarter growth of sales in services<sup>26</sup> accelerated at the beginning of this year (to 1.6%) and continued at a very moderate pace in Q2. While almost all major activities assisted the development of services at the beginning of the year (information and communication the most), mainly accommodation and food service activities in Q2. Total sales in services were now slightly above the level from the peak of the pre-pandemic boom<sup>27</sup>.

This year's year-on-year growth of sales in services was mainly driven by the ICT branch, where telecommunications fared particularly well.

Sales in services increased by 2.6%, year-on-year, for the entire H1 2025, the most since the end of 2022. This growth was mainly driven by information and communication (contribution +1.0 p. p., branch growth +4.2%). The ICT sector benefited mainly from a significant recovery of telecommunications performance (+10.0%, the highest since 2005), but sales also grew rapidly in publishing activities (mostly in SW area) and also information activities<sup>28</sup>, in which the previously dynamic growth of demand had stopped in the previous three years. In long-term developing IT activities<sup>29</sup>, sales grew more moderately this year (+2.4%). Sales were almost stagnant<sup>30</sup> after last year's slump<sup>31</sup> in the small ICT segment – the motion picture and music publishing activities and were lower by more than a third compared to 2019. Sales fell by almost a seventh this year compared to last year in television programming and broadcasting activities, in which demand did not fall significantly during the "pandemic year" of 2020 as one of the few sub-sectors of services.

<sup>21</sup> 15% of construction companies planned to hire new workers in August (in a three-month horizon, regardless of seasonality), and only 4% to lay off workers (it was analogously by 8% vs. 16% in the same period last year). Companies in civil engineering construction were the most optimistic in this regard. The registered number of employees in medium-sized and larger enterprises (with 50 or more employees) increased by 0.3%, year-on-year, in June this year.

<sup>22</sup> In the six-month outlook, 14% of companies expected an improvement, 7% a deterioration. This is a similar assessment as at the beginning of this year, but more favourable than last summer.

<sup>23</sup> Only less than a fifth of companies did not mention any of the possible growth barriers. This share, which is one half lower than in the EU or the euro area, has remained essentially unchanged in the Czech Republic over the past eight years.

<sup>24</sup> As with the shortage of labour force, weak demand has plagued companies in the building construction segment the most.

<sup>25</sup> In August, 18% of construction companies expected (in a three-month outlook) to increase the prices of their own production, compared to 32% a year earlier.

<sup>26</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>27</sup> Compared to Q2 2019, total sales (after seasonal adjustment) were 4.0% higher in Q2 2025. Of the main service activities, mainly information and communication (+15.3%) and professional, scientific and technical activities (+6.1%) exceeded this level. On the contrary, sales still lagged behind the most in accommodation, food service activities (-13.4%) and in administrative and support service activities (-7.2%).

<sup>28</sup> They consist mainly of activities linked to the web portals, news press offices and agencies or data processing and hosting.

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

<sup>30</sup> Segment of motion picture distribution prospered. According to the figures from the Union of Motion Picture Distributors, the gross nominal sales of the domestic cinema operators increased by 14.4%, year-on-year, in H1 this year (accompanied by jump of total attendance by 11.9% and actual stagnation of the number of performances). Nevertheless, the total attendance was lower by 32.4% and sales by 15.6% compared to year 2019.

<sup>31</sup> This drop of demand may have been related to the repercussions of a longer strike in Hollywood here (from the second half of 2023). The development of domestic sales of the motion picture and music publishing activities generally quite fluctuates which is related to irregular invoicing.



Sales growth in advanced business services accelerated this year. Demand grew the most in the area of legal activities. On the contrary, a mild demand slump continued in advertising activities.

The development of demand for business services was concentrated almost exclusively in the professional, scientific and technical activities this year, where year-on-year sales growth accelerated to 3.7% in H1 (the strengthening of total sales in services was supported by 0.8 p. p.). Except for advertising activities<sup>32</sup>, all sub-sectors were successful here. The development of the entire division was driven by activities of head offices and management consulting activities, where sales growth accelerated to 12.9% (the highest pace since the end of 2021). Demand in long-term growing legal and accounting activities has also recently strengthened (to 5.2%)<sup>33</sup>. Sales increased only slightly (+1.6%) despite the current rapid development of construction in architectural and engineering activities. More dynamic demand growth continued in the diversified segment of other professional, scientific and technical activities (+7.1%)<sup>34</sup> for a second year in a row, and sales matched the level of the same period of 2019 here in Q2 2025 alone.

All sub-sectors except air transport contributed to the slight growth of sales in transportation and storage.

The last division that significantly supported the growth of services this year was transportation and storage, where sales increased by 2.5%, year-on-year, and contributed 0.6 p. p. to the growth of services. The weight-important segment of warehousing (including other transportation support activities) had a decisive influence here, in which sales increased by 3.9% and were higher by about a sixth compared to 2019. The situation was similar in both respects for postal and courier activities, which benefit from the current dynamic development of sales via internet. Sales grew more freely in land transport and transport via pipeline this year (+1.8%), when demand grew especially in passenger rail transport and in road freight transport. In the marginal segment of air transport, the rapid recovery of demand from previous years did not continue and sales decreased slightly, year-on-year (by 1.6%). They were still slightly behind year 2019 (−7.9%), which also applies to water transport (−17.4%).

Moderate year-on-year growth of sales in food service activities has resumed this year. However, a slight decline of sales continued in accommodation for the fourth half-year in a row.

Sales increased slightly again, year-on-year, in H1 2025 (+1.2%) in accommodation, food service activities after a slight decline of demand in H2 last year. Only the food service activities contributed to this recovery, helped by rising household incomes. On the contrary, sales of facilities whose predominant economic activity consists of accommodation decreased slightly (by 0.4%) and the trend of weaker demand persisted here for the fourth half-year in a row. This may also be related to the rapid increase of prices of these services<sup>35</sup>. In-kind indicators in the area of inbound tourism indicate slightly better results than real sales. Domestic providers of mass accommodation facilities (MAF) registered 6.3 mil guests in Q2 (in that 2.9 mil were from abroad), who spent 15.0 mil nights here. There was an increase in both guests (+5.6%) and overnight stays (6.9%), year-on-year<sup>36</sup>.

<sup>32</sup> Unadjusted sales fell by less than 4.5%, year-on-year, here this year (similarly on average for the whole year 2024). Strong price growth was behind the decline of demand. At current prices, advertising revenues increased by 5.4% in H1 this year.

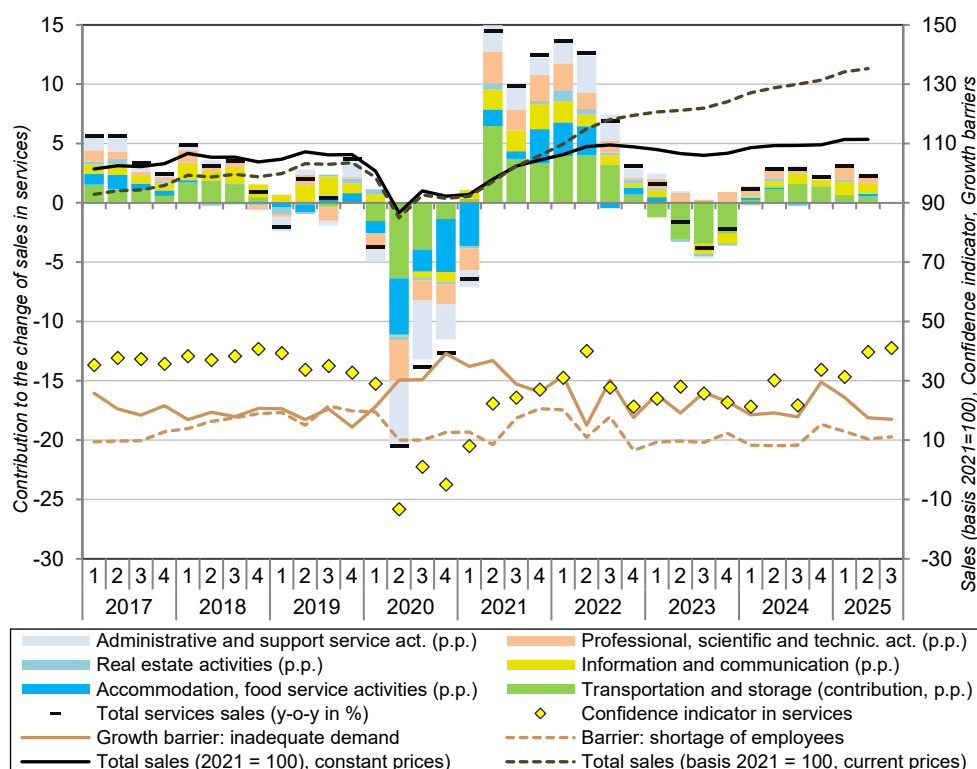
<sup>33</sup> Compared to 2019, sales were more than a fifth higher this year.

<sup>34</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>35</sup> Prices of accommodation services increased by 8.5%, year-on-year, in Q1 2025 and prices of food services by 4.9%, year-on-year. Compared to 2015, they were 95% higher for both segments in March this year, while prices in the total consumer basket went up by "only" 54% over the same period.

<sup>36</sup> It was only the second time since the pandemic subsided that the average number of overnight stays did not fall, year-on-year (and for the first time thanks to domestic and foreign guests simultaneously) and currently stood at 2.38 nights (2.70 three years ago). Demand for accommodation in MAF grew more rapidly, year-on-year, in Q2 this year than in Q1 (when the number of overnight stays increased by only 0.6%). The low pace at the beginning of the year was related to this year's postponement of Easter (up to the second half of April, while it fell at the turn of March and April last year) and therefore a higher comparison basis. The number of all guests and their overnight stays increased by about 4%, year-on-year, for the entire H1 this year. While the growth rate for overnight stays was comparable to that of H1 of last year, it was one half lower for the number of guests. The number of domestic guests and their overnight stays increased slightly over 5%, year-on-year, in Q2 2025, the number of non-residents was higher by 6.2% (and their overnight stays by as much as 8.8%). Even so, the overnight stays of foreigners still lagged slightly behind the level from the record year 2019 (by 1.6%), while the total number of guests was higher by almost a tenth.

**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. Balance of business confidence as well as the barrier to growth express the level in the first and in the second month of the given quarter (growth barriers and balance of confidence, respectively). Businesses could have indicated more key barriers simultaneously.

Source: CZSO, Eurostat

The previously dynamic growth of sales of travel agencies continued to slow down. Rental and operating leasing maintained stable demand.

Sales did not change significantly, year-on-year, in real estate activities in H1 this year (+0.8%) and continued the trend from the previous year. Sales increased only very slightly this year (+0.5%) in the administrative and support service activities, which usually provide services with lower added value mainly to businesses. Office administrative, office support and other business support activities<sup>37</sup> contributed the most to higher demand here. The long-term development of travel agencies also continued. However, their sales increased much more moderately, year-on-year, this year than in previous years (+0.6%). Still, they exceeded the level from 2019 already

Total demand for tourism in the Czech Republic, measured by the number of overnight stays in MAF, increased, year-on-year, in all types of monitored establishments (for both domestic and foreign clients) in Q2 this year – mostly due to warm weather in June in cottage settlements and tourist hostels (+14.2%) and campsites (+11.5%). However, the growth of all overnight stays was mainly driven by 4\* hotels (with a growth of 6.3%), which accounted for a third of all demand (one half for non-residents). Among the regions, total demand strengthened the most in the “Ústecký” and “Pardubický regions” (by 12 to 13%), the least in the “Liberecký region” and Central Bohemia (both by 3%). However, a slight decline of foreign clientele was recorded in the “Vysočina region” (–5%) and a deeper decline in the “Moravskoslezský region” (–8%), where last year's higher basis was evident (due to the hockey World Championship held in Prague and Ostrava in May). Germans contributed the most to the growth of demand from non-residents in Q2 2025, with the number of their overnight stays increasing by 9%, year-on-year (while decreasing by 8% in Q1). A higher increase of nights spent in the Czech Republic was also recorded for guests from other nearby countries – Slovakia (16%), Hungary (19%), Austria (10%), as well as, for example, Spain (18%), Great Britain (13%), but France only 6% and Italy 2%. Among countries outside Europe, the increase of demand was significant especially from the USA (9%), China (27%), Israel (12%), South Korea (12%), India (18%) and Japan (26%). Reduction of overnight stays occurred only for 10 of the 58 monitored source territories. However, within the more important groups in terms of weight, only demand from Taiwan (–9%) and Switzerland (–12%) was involved. Comparing this year's Q2 with the same period of 2019, almost half of the monitored countries show still lower demand in the Czech Republic: the most Russia (–96%), China (–63%), Japan (–48%), among other important non-European countries then South Korea (–26%), India (–18%) and Australia (–3%), and from Europe then mainly the Nordic countries: Sweden (–22%), Finland (–19%), Denmark (–18%), Norway (–15%), but also France (–11%), Italy (–3%) and Spain (–1%).

<sup>37</sup> These include, for example, the organization of conferences and exhibitions, activities of collection agencies and credit bureaus, but also e.g. call-centre activities.



The decrease of demand for security and investigation activities has deepened significantly.	by a tenth <sup>38</sup> . Higher demand from both households and businesses <sup>39</sup> was reflected in growth of rental and operating leasing sales (+5.3%), which thus followed last year's recovery. By contrast, weaker demand persisted for a number of less sophisticated business services. The noticeable decline of employment placement agencies continued, their sales reduced mostly at a double-digit pace for the fourth year in a row <sup>40</sup> . The pressure to cut costs, also associated with the development of digitalization, was reflected in a decline of sales of security and investigation activities. It has been ongoing for two and a half years and it deepened to 7.6% in H1 this year (the lowest since the end of 2009).
Quarter-on-quarter growth of retail sales accelerated in Q2, mainly due to fuel sales and sales via Internet.	Retail sales <sup>41</sup> , which have been increasing continuously, quarter-on-quarter, since middle of year 2023, further increased by 0.8% in Q1 2025 this year (they strengthened similarly at the end of last year). Their pace accelerated in the subsequent period (to 1.5%). The current growth has occurred across virtually all retail sections <sup>42</sup> . The current level of sales was slightly above the peak of the pre-crisis boom (Q4 2019), specifically by 1.0% <sup>43</sup> , nevertheless it still lagged behind (by 2.3%) the absolute peak from the period before the onset of the energy crisis (Q3 2021).
Double-digit year-on-year growth of sales via Internet persisted. Very favourable fuel prices in the Czech Republic have stimulated both Czech and foreign motorists to higher demand.	Sales increased by 4.2%, year-on-year, in H1 2025 and were driven mainly by higher demand for non-food goods similarly to the whole last year (contribution to growth +2.6 p. p.), which was mainly affected by sales in the area of sales via Internet or mail order houses. They increased by 12.8% and have grown at a double-digit rate continuously since the beginning of last year <sup>44</sup> . Within specialised stores <sup>45</sup> , demand for cosmetics and toilet products (+9.2%) as well as pharmaceutical and medical goods (+5.9%) continued to increase rapidly. Demand for fuels was growing, which stemmed mainly from their favourable price developments <sup>46</sup> . The year-on-year growth of their retail sales reached 10.0% <sup>47</sup> (the highest pace since the second half of 2008) and contributed 1.2 p. p. to the growth of the total retail sector (i.e. almost three times compared to, for example, the sale of food). However, sales in some assortment groups of stores only stagnated – with computer and communication equipment, with products mainly for households <sup>48</sup> , and with clothing, footwear and leather goods. Sales of food sales increased only slightly, year-on-year, this year, and their pace was only a half of last year's H1 (+1.2%). The pace moderated exclusively in large non-specialized stores
Growth of sales of food sales slowed down, but there was a recovery in small, specialized stores.	

<sup>38</sup> If the higher interest of households in organised travel in previous years was related to the compensation of restrictions imposed during the pandemic period, it has stemmed mainly from their improved financial situation and higher consumer confidence in recent quarters.

<sup>39</sup> Year-on-year, sales (not-adjusted) increased the most for rental and leasing of other machinery, equipment and trucks (+6.7%), the least for rental and leasing of cars (+1.2%), where demand rather stagnated as in the previous two years.

<sup>40</sup> The decline of 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 it in the last three 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). In addition to the above, reduced demand from employment agencies on the part of key manufacturing industries may also contribute to the decline of sales.

<sup>41</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 activities.

<sup>42</sup> Retail trade in specialized stores in some assortment groups presented an exception, especially computer and communication equipment (–0.4%) and clothing, footwear and leather goods (–0.7%).

<sup>43</sup> This is primarily related to the decline of sales of food, both in large chains (–7.4%) and smaller specialised stores (–21.4%) and some assortment groups of non-food goods in specialised stores: especially clothing, footwear and leather goods (–25.3%), products mainly for households (–12.1%) and products for culture and recreation (–9.3%). By contrast, the current aggregate demand for non-food goods is clearly above the level of Q4 2019 (+6.1%), mainly due to sales via Internet or mail order houses (+55.8%) and specialty stores with cosmetics and toiletries (+37.9%) and pharmaceutical and medical goods (+25.8%). In addition, fuel sales were higher (+13.4%).

<sup>44</sup> Advancing digitalization, modernization in logistics, as well as increasingly sophisticated targeted marketing contribute to the development of these sales.

<sup>45</sup> In addition, sales growth in the marginal section of non-specialized stores with a predominance of non-food goods continued for the fifth year in a row (in H1: +7.5%). It typically focuses on offering diverse, rather smaller goods at discount prices.

<sup>46</sup> The consumer price of diesel reached an average of CZK 32.70/l in May this year, and Natural 95 petrol was sold at petrol stations for approximately CZK 33.90/l. In the case of diesel, this was the lowest value since June 2023 and in the case of Natural 95 petrol even since September 2021. In addition to domestic households and companies, foreign carriers that realise transit transport through the Czech Republic have also reacted to this development.

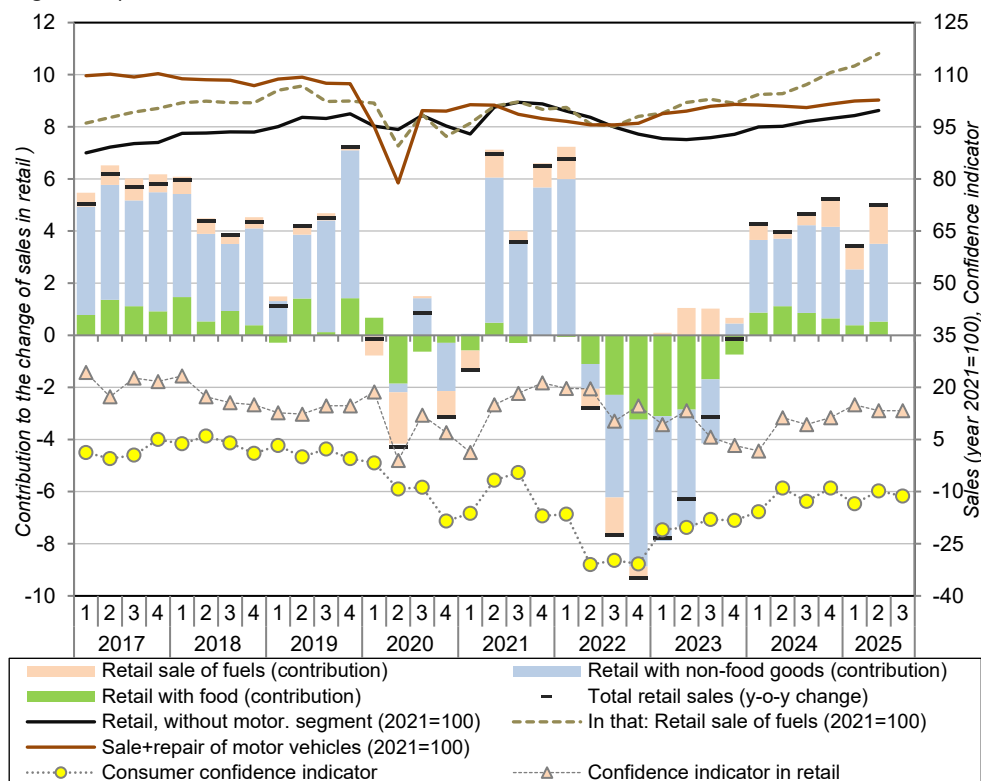
<sup>47</sup> However, sales at current prices increased by only 1.4% in H1 2025.

<sup>48</sup> These contain metal hardware, building materials, paints, glass, DIY supplies, electro supplies, furniture, lighting, carpets or home textiles.



(chains), while in the small segment of specialized stores<sup>49</sup>, sales increased by 1.9% and grew for the first time since mid-2022.

**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, base of 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

Very moderate growth of demand continued in manufacturing of motor vehicles and motorcycles section of the trade. However, sales of parts and accessories continued to decline.

In the manufacturing of motor vehicles and motorcycles section of trade, sales increased by 1.5%, year-on-year, in H1 year (only a slight increase of demand was evident for most of last year). In the key section of motor vehicles and motorcycles sales (apart from motorcycles), the result of which depends mainly on corporate demand, sales increased by 2.2% (compared to the pre-crisis peak in H1 2017, they were still lagging behind by more than 7%). Demand also grew slightly in other manufacturing of motor vehicles and motorcycles section, except for parts and accessories, where sales fell by 1.1% and declined for the sixth consecutive half-year.

<sup>49</sup> These include, for example stores aimed at meat products, pastries, confectionery products or beverages. However, tobacco shops have the greatest weight here. Total sales increased this year for the first time after almost a three-year period of slump.