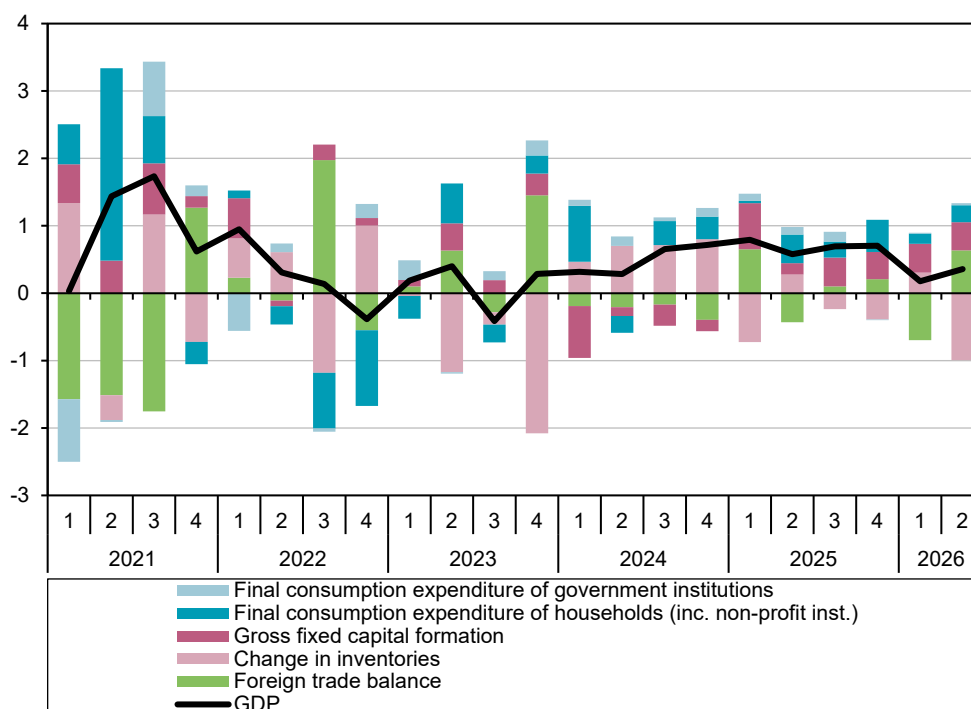


2. Overall Economic Performance

Quarter-on-quarter GDP growth accelerated in Q2.

The Czech economy followed up on the significant slowdown in Q1 with a slight strengthening of quarter-on-quarter dynamics in Q2. Quarter-on-quarter growth of gross domestic product (GDP)¹ accelerated to 0.4% in Q2, nevertheless it did not reach last year's levels. This recovery was mainly aided by external demand. Domestic demand has been and remains the key driver of GDP growth in the last two years, but the positive impact of consumption has diminished in the last two quarters, and on the contrary, the rebound of investment activity has taken over the main role in GDP growth. The quarter-on-quarter decline in GDP in Q2 was driven by a change in inventories. Year-on-year GDP growth slowed to 1.9%. Investment supported year-on-year GDP growth the most. However, household consumption also made a more moderate contribution, while government consumption and external demand also made a small contribution. These favorable effects were offset by the negative effects of changes in inventories.

Chart 1 Contribution of expenditure items to real GDP change* (quarter-on-quarter growth, contributions in p.p., GDP in %)



Source: CZSO

*after exclusion of imports for final use

Dynamics of the EU economy also strengthened.

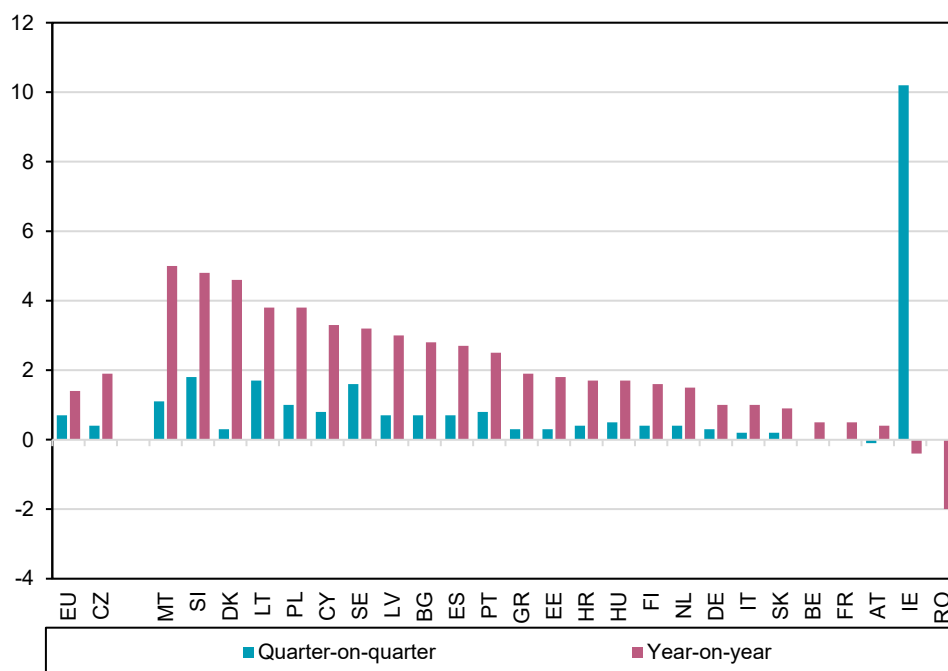
Quarter-on-quarter GDP growth also strengthened in the European Union after a weak start to the year and reached 0.7%² in Q2. Year-on-year GDP growth in the EU accelerated to 1.4%. The recovery of quarter-on-quarter growth in the EU was positively influenced mainly by the external trade balance. Consumption and investment in the EU grew moderately, while a change in inventories had a significantly negative effect. The strengthening of quarter-on-quarter GDP growth was broad-based, with only Austria declining by 0.1% and GDP stagnating in Romania, Belgium and France in Q2. Among the large EU economies, Spain grew the most, quarter-on-quarter (0.7%). The German economy maintained a slight increase (0.3%) for the third quarter in a row. Growth was almost exclusively driven by external demand in Q2. GDP growth in Italy was slightly above the stagnation line (0.2%). Within the Central European area, Poland

¹ The development of the GDP, gross value added, and their components is expressed with the help of the volume indices (i.e. adjusted for changes in prices) and adjusted for seasonal and calendar effects. Data are valid as of 28th August 2026.

² Data for Luxembourg not available.

grew the most (1.0%), where investment grew strongly, but consumption also thrived. It was followed by Hungary (0.5%) and the Czech Republic. Subdued GDP growth continued (0.2%) in Slovakia.

Chart 2 GDP development in EU countries in Q2 2026 (in %)



Source: CZSO

Household consumption strengthened.

Quarter-on-quarter growth of final consumption expenditure accelerated to 0.5% in Q2. This was mainly due to household consumption (0.5%), while the increase remained on the verge of stagnation (0.1%) for the general government. In contrast to the previous quarter, the strengthening of household consumption growth was not saturated with imports and thus fully contributed to the total increase of GDP. The year-on-year growth rate of consumption slowed to 2.2%. Consumption of both households (2.7%) and general government (1.0%) increased less. The development of consumption expenditure in terms of durability³ showed an acceleration of durable consumption (quarter-on-quarter growth of 3.3% and year-on-year 6.8%) and a solid increase of consumption of semi-durable goods (by 1.3%, quarter-on-quarter, 5.8%, year-on-year). Expenditures on services followed the decline in Q1 by a quarter-on-quarter increase of 0.8% and an acceleration of the year-on-year increase to 1.9%. By contrast, short-term consumption increased by only 0.2%, quarter-on-quarter, and the year-on-year increase weakened to 2.0% here.

Growth of investment activity gained pace.

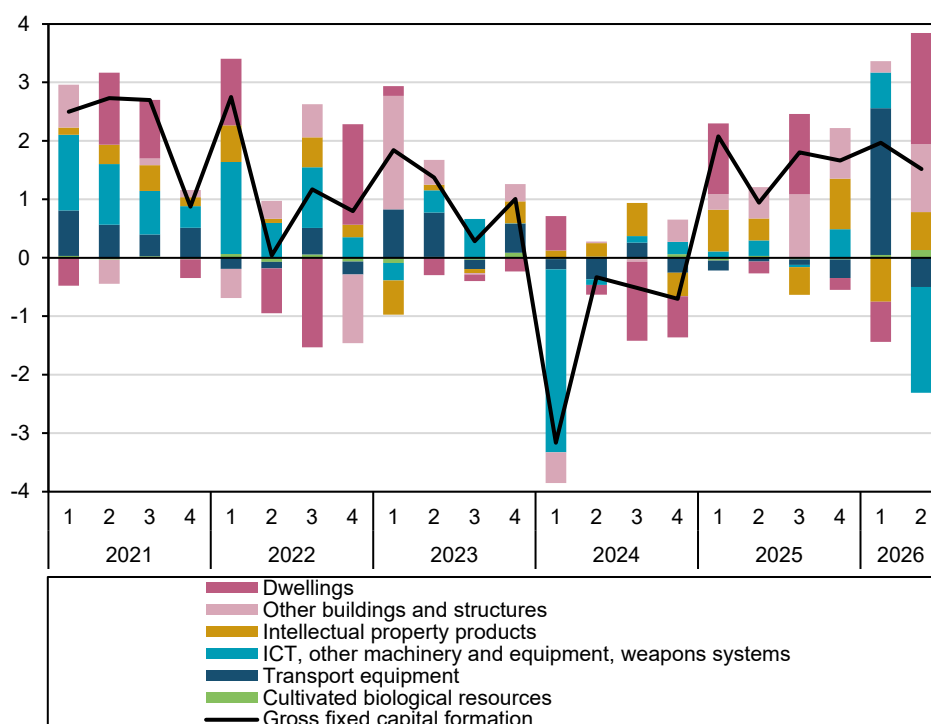
Expenditure on gross capital formation declined by 2.1%, quarter-on-quarter, in real terms in Q2 and its year-on-year increase slowed to 2.0%. This represented the first quarter-on-quarter decline since the beginning of 2024 and was entirely due to inventory⁴. On the contrary, expenditure on gross fixed capital formation (investment activity) increased by 1.5%, quarter-on-quarter, thus extending more than a year lasting series of significant quarter-on-quarter increases of investment. The year-on-year increase of investment strengthened to 7.1% in Q2. The quarter-on-quarter growth of investment activity was mostly supported by expenditure on buildings and structures. After a weak Q1, investment in dwellings (9.2%) and other buildings and structures (4.5%) increased significantly,

³ Data regarding consumption based on durability are in domestic conception.

⁴ Change of the inventory stock (in current prices and not seasonally adjusted) attained 17.6 bn CZK in Q2 2026, compared to 35,5 bn in Q2 2025. According to seasonally adjusted data, there was a slump of the value of inventories in Q2.

quarter-on-quarter. Quarter-on-quarter growth of investment was also influenced by intellectual property products (3.5%) and the otherwise marginal category of cultivated biological resources (61.7%). On the contrary, expenditure on transport equipment (−4.3%) and ICT and other machinery and equipment (−7.8%) did not follow up on the strong quarter-on-quarter dynamics from Q1. The largest year-on-year increase of expenditure was recorded in the above-mentioned cultivated biological resources (53.4%), transport equipment (16.9%), other buildings and structures (13.5%) and dwellings (11.6%). Expenditure on intellectual property products also increased slightly year-on-year (1.6%). The only category where investment declined, year-on-year, was expenditure on ICT and other machinery and equipment (−3.5%).

Chart 3 Structure of quarter-on-quarter growth of gross fixed capital formation expenditure (GFCF growth in %, contributions in p.p.)



Source: CZSO

The international trade balance at current prices deteriorated, year-on-year, and quarter-on-quarter.

The strongly positive effect of external demand on quarter-on-quarter GDP growth in Q2 was due to the strengthening of quarter-on-quarter growth of exports of goods and services⁵ to 0.9%, while imports stagnated. The recovery was mainly related to exports of goods (1.1%, quarter-on-quarter), while exports of services remained unchanged in real terms. On the contrary, quarter-on-quarter growth of imports of goods moderated to 0.2% and for services there was a decrease by 0.9%. Year-on-year growth of exports of goods and services accelerated to 3.3%. Despite the weakening of import growth to 3.7%, however, the year-on-year growth rate of exports lagged behind imports for the seventh quarter in a row. The balance of international trade of goods and services reached a surplus of 99.0 bn CZK in Q2. The positive balance deteriorated by 20.5 bn CZK, year-on-year, solely due to a worse result of the international trade with goods (−23.5 bn). Quarter-on-quarter, the balance surplus decreased by 9.6 bn CZK, again solely due to trade with (−10.1 bn).

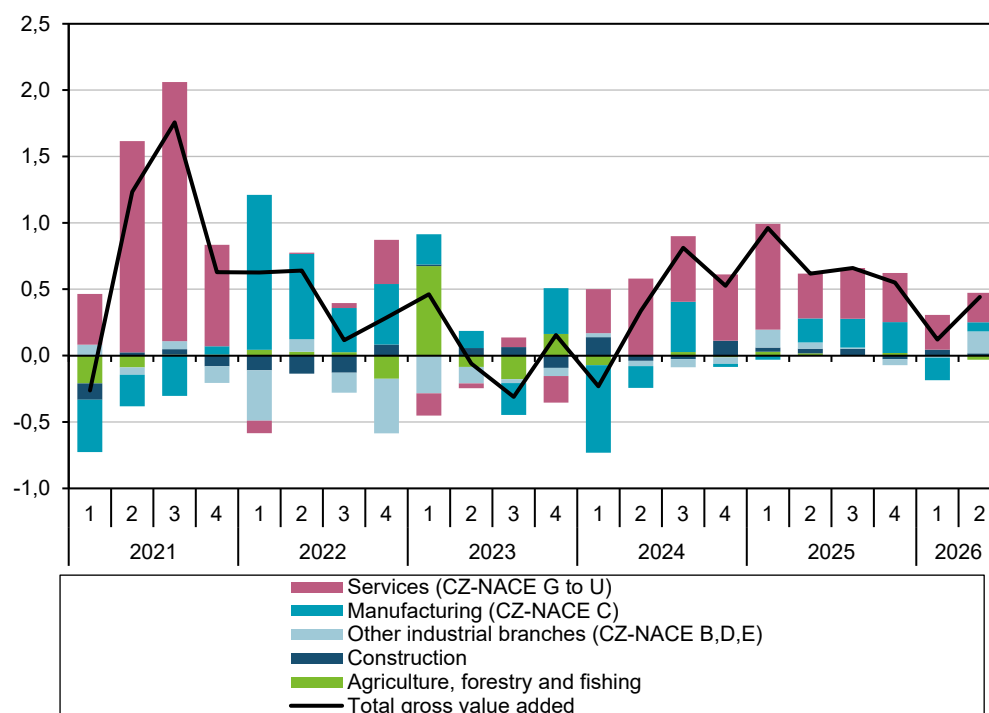
The total price level gauged by the GDP deflator, increased by 1.0%, quarter on quarter, in Q2. The significant rise of the consumption price level (1.7%) was mainly influenced

⁵ According to the methodology of quarterly national accounts (export and import in FOB/FOB prices). International trade balance in current prices and seasonally adjusted.

The growth of the total price level strengthened in Q2.

by the general government sector (4.0%), while the increase in the price level of household consumption was only moderate (0.8%). Capital expenditure prices were 3.4% higher, quarter-on-quarter, of which the investment price level increased by 1.4%. In Q2, quarter-on-quarter growth of export prices of goods and services (2.2%) lagged considerably behind import price growth (4.2%) and the terms of trade were thus negative (98.1%). The year-on-year increase of the price level slowed to 2.6%. Growth of consumer prices (3.4%, in that household consumption prices grew steadily by 2.4%) as well as capital expenditure (4.5%, in that investment slowed the price growth down to 3.1%) was higher. Year-on-year terms of international trade of goods and services reached 98.6%.

Chart 4 Contributions of branches to real change in gross value added (quarter-on-quarter growth, year-on-year contributions in p. p., GVA in %)



Source: CZSO

Both industry and services contributed to the growth of the supply side of the economy.

Even in the case of gross value added (GVA), the quarter-on-quarter increase accelerated after the slowdown at the beginning of the year and reached 0.4% in Q2. The recovery of GVA growth was mainly the result of developments in industry, where the section followed the decline at the beginning of the year with a significant increase (see Table 1). The recovery was milder in manufacturing itself, and non-manufacturing branches contributed more to total GVA growth, quite uncharacteristically. Services continued to be the main driver of quarter-on-quarter GVA growth, holding this role for more than two years. In Q2, the quarter-on-quarter growth of GVA was supported mainly by the financial and insurance activities, where GVA increased the most among all the monitored branches, followed by real estate activities and also by the slightly growing but weight-important grouping of trade, transport, accommodation and food service activities. A quarter-on-quarter decrease was recorded in agriculture, forestry and fishing, other activities and information and communication. The year-on-year increase of GVA moderated to 1.8% in Q2. With the exception of agriculture, forestry and fishing, all branches exceeded the level of last year. Industry contributed the most to the total GVA growth, followed by trade, transport, accommodation and food service activities. The largest year-on-year increase of GVA occurred in financial and insurance activities. Information and communication followed, but the dynamics of the branch

have slowed down since the beginning of this year. Similarly, year-on-year dynamics have slowed down in other activities.

Table 1 Gross value added dynamics (in %)

	Quarter-on-quarter				Year-on-year			
	Q3 25	Q4 25	Q1 26	Q2 26	Q3 25	Q4 25	Q1 26	Q2 26
Total	0.7	0.5	0.1	0.4	2.8	2.8	2.0	1.8
Agriculture, forestry and fishing	0.1	1.0	0.2	-1.4	1.8	3.4	2.1	-0.1
Industry	0.8	0.7	-0.7	0.9	1.8	2.8	1.7	1.8
In that: Manufacturing	1.0	1.1	-0.8	0.3	1.6	2.8	2.1	1.6
Construction	0.9	-0.5	0.7	0.3	4.1	1.6	1.7	1.4
Trade, transport, accommodation and food service	0.5	0.8	0.7	0.4	5.3	6.0	3.4	2.4
Information and communication	2.7	1.1	0.5	-0.3	11.3	10.4	6.2	4.1
Financial and insurance activities	-0.7	1.7	1.9	2.7	3.9	4.3	2.8	5.7
Real estate activities	0.0	-0.5	0.2	0.6	-1.1	-2.3	-1.0	0.4
Professional, scientific, technical and administrative activities	0.3	1.1	0.3	0.2	0.6	0.1	2.1	2.0
Public administration and defence, education, human health and social work	0.2	0.1	0.0	0.0	0.8	0.6	0.5	0.4
Other activities	2.2	1.3	-0.1	-0.9	8.2	8.0	5.2	2.6

Source: CZSO

Nominal wage growth accelerated compared to the beginning of the year.

Quarter-on-quarter growth of paid out wages and salaries decelerated to its lowest level in five years in Q1, nevertheless it accelerated significantly to 2.7% in Q2. This development was partly supported by a significant recovery of quarter-on-quarter growth of total employment⁶ (0.9%, which represented the largest increase since Q3 2021). The strong nominal growth of wages and salaries was also offset by stronger growth of the price level in Q2, so that real wage growth⁷ climbed to a long-term above average 2.0%. Year-on-year nominal growth of paid out wages and salaries also accelerated and reached 7.4% against employment growth of 1.5%. The real year-on-year increase was 4.9%.

Table 2 Labour market dynamics in Q2 2026 (in %)

	Wages and salaries		Total employment	
	Quarter-on-quarter	Year-on-year	Quarter-on-quarter	Year-on-year
Total	2.7	7.4	0.9	1.5
Agriculture, forestry and fishing	0.4	6.6	0.3	-1.5
Industry	1.1	4.2	1.4	0.2
In that: Manufacturing	1.1	4.3	1.0	-0.2
Construction	4.5	11.0	0.2	2.3
Trade, transport, accommodation and food service	0.8	4.7	0.7	0.9
Information and communication	0.6	6.6	-3.0	1.6
Financial and insurance activities	-3.3	8.4	0.1	2.9
Real estate activities	2.6	17.8	0.6	5.3
Professional, scientific, technical and administrative activities	7.8	12.7	1.3	2.9
Public administration and defence, education, human health and social care	5.2	9.7	0.6	2.2
Other activities	4.7	10.2	4.7	4.4

Source: CZSO

Significant increases of wages and salaries in services.

The described acceleration of quarter-on-quarter and year-on-year wage and salary dynamics was mainly impacted by services. The total increase was mostly influenced by the staff intensive public administration and defence, education, human health and social work activities (see Table 2), where an increase of tariffs was reflected. The

⁶ Employment in the national accounts conception (persons), figure seasonally adjusted.

⁷ Converted into the real expression using the deflator of household consumption.

largest quarter-on-quarter increase of wages and salaries was recorded in professional, scientific, technical and administrative activities. The quarter-on-quarter increase of wages and salaries in other activities⁸ was also strong, but this was entirely related to an enhanced employment in the activity. Construction on the contrary recorded a strong increase of wages paid, accompanied by only a very slight increase of employment in Q2. It has been struggling with the difficulty of labour shortages for a long time, and the expansion of the branch in the last year and a half has put pressure on wage growth. Year-on-year, employment is higher thanks to last year's growth in construction, however this year's quarter-on-quarter increases slowed down significantly compared to last year. Only a very slight quarter-on-quarter increase of the volume of wages and salaries paid, accompanied by a sharp downturn of employment, was recorded in information and communication in Q2. The average wage thus increased in the branch, and it can be estimated that there has been a reduction of lower-paid job positions, which are coming under pressure in connection with the increasingly sophisticated use of generative AI. Quarter-on-quarter growth of wages and salaries was below average in trade, transport, accommodation and food service activities, industry and agriculture. At the same time, the increase was mostly affected by employment growth. In terms of employment and wage growth, these activities lagged behind the rest of the economy also in a year-on-year comparison. The only quarter-on-quarter decline of wages and salaries paid occurred in the financial and insurance activities.

⁸ This section contains activities of organisations of common interests, repairs of computers and mainly personal and household goods and a number of other personal services (beauty, hairdressing treatment etc.).