Snap | 7 October 2026

CZECH REPUBLIC

Czech industry takes the lead while construction stumbles

Industrial performance remained solid in August, with real output rising 2.6% in WDSA terms. In contrast, construction output contracted after almost two years of unobstructed expansion. Wage figures suggest that any acceleration is not very likely at this point, while inflation should weigh on purchasing power over the coming quarters



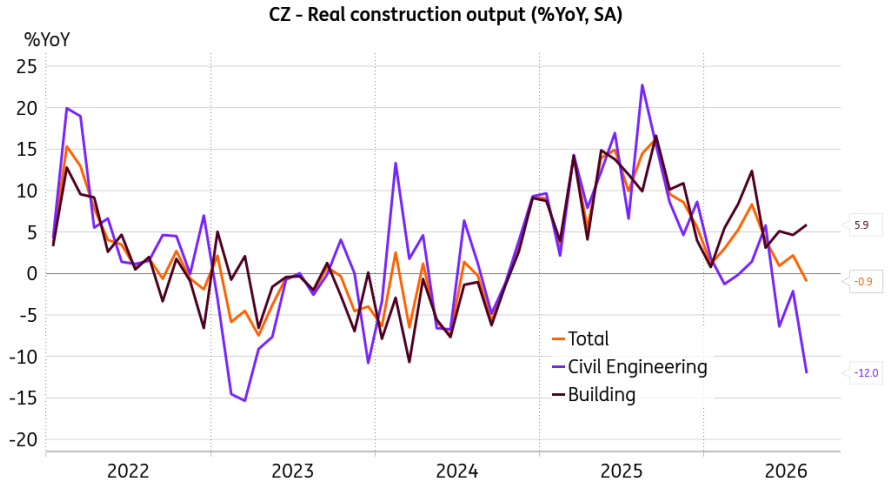
Czech industrial output rose in August but construction shows signs of slowing down

Construction cools off

Czech real industrial production gained 2.6% year-on-year in August (adjusted for working days and seasonally adjusted), and was up 0.3% from the previous month, despite the impact of plant-wide holidays in the automotive industry. Production of other transport equipment contributed the most to the encouraging outcome, supported by the completion of long-term orders for rail vehicles.

The value of new orders grew by 5.9% YoY in nominal terms. New orders from abroad rose by 9.3% YoY, while domestic new orders shed 0.5% YoY in August. Overall growth was mainly supported by computer, electronic and optical equipment, and the chemical industry. The average number of employees in industry was 1% below the level seen last August, while the average monthly wage added 5.8% YoY in August, the same as in the previous reading.

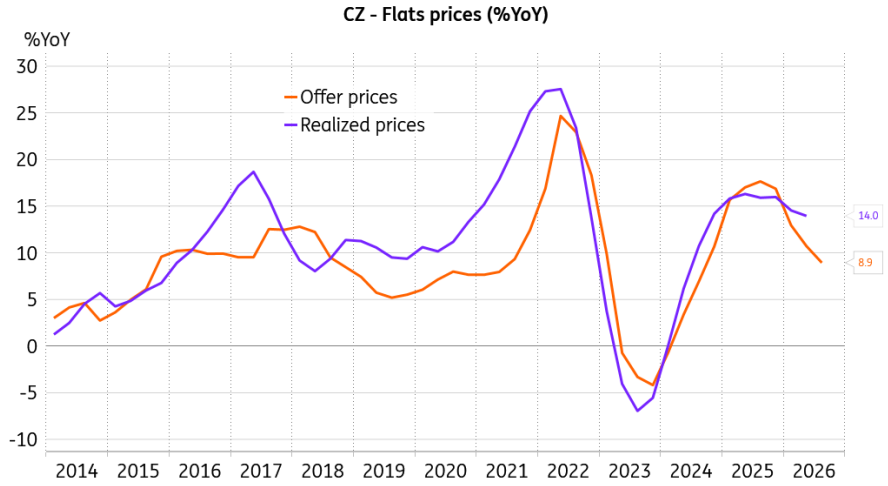
Civil engineering takes a hit



Source: CZSO, Macrobond

Construction output dropped 1.4% YoY in August and was down 0.1% from the previous month, dragged lower by civil engineering. When looking at the seasonally-adjusted series, this is the first annual decline since November 2024. We may read this as a tangible sign that the construction boom is starting to soften somewhat. Although the weakness is not being driven by residential or commercial building activity, overall cost pressures could ease somewhat across the whole sector. Such a development could dampen imputed rents in core inflation, as these are partially affected by prices of building materials and wage costs in the sector.

House price dynamics set to ease



Source: CZSO, Macrobond

Indeed, annual growth in asking prices for flats slowed to just below 9% in 3Q26, down from

peaks of almost 18% recorded in the middle of last year. Growth in realised prices has been more resilient but is also set to moderate. This development confirms our hypothesis that the housing market was positioned to cool off, which should contribute to the deceleration in core inflation over the second half of next year. Employment growth in construction accelerated to 2.2% YoY in August, while average wage growth decelerated to 5% from 5.4% in the previous reading.

Overall wages will likely not accelerate in 2027

Overall, Czech manufacturing is starting to take the lead and will enable the Czech economy to expand by around 2% this year, followed by a gradual acceleration over the following year. We read the wage growth figures as a sign that overall wage growth is not inclined to accelerate. Thus, we are likely to see a c.6% increase in average wages in the coming year, despite government plans for robust pay increases in the public sector and the envisaged surge in the minimum wage. That said, the expected surge in inflation around the turn of the year, coupled with higher prices for essential goods and services, is set to bite into real purchasing power and is likely to take a toll on household spending budgets.

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