ČNB ČESKÁ NÁRODNÍ BANKA

BALANCE OF PAYMENTS REPORT 2025

CONTENTS

External Balance ... **3**

Balance of Payments ... 3

International Investment Position ... 4

International Trade ... **5**

Goods ... 5

Services ... 9

Other Transactions with Non-Residents ... **12**

Investment Income ... 12

Cross-Border Work ... 14

Financial Relations with the EU ... 14

Capital Flows ... **16**

Direct Investment ... 16

Portfolio and Other Investment ... 18

CNB Reserves ... **21**

6 Thematic Analyses ... **23**

6.1 Financial Account of the Balance of Payments: Methodological Principles and Data Sources ... 23

6.2 Family First: Can the Ownership of Czech Exporters Explain Their Resilience in a Stagnating Europe? ... 29

7 Statistical Annex: Balance of Payments 2021–2025 ... **34**

This publication offers an analysis of developments in the main items of the balance of payments of Czechia over the past year and is supplemented with short analytical articles. Given that we must rely on preliminary balance of payments data, which are subject to revision, figures from previous years may vary between different editions of this publication. An electronic version, including previous editions, is available for download from the CNB website: https://www.cnb.cz/en/monetary-policy/balance-of-payments-reports/.

Team of authors:

The publication is produced by the Monetary Policy and Fiscal Analyses Division of the CNB's Monetary Department, and is freely distributable. Authors: Anna Kábrtová and Adriana Wałoszková. The authors would like to thank Lucie Kokešová Matějková and Petr Kaštánek (both of the CNB) for their editorial work and the publication's graphic design, and Vojtěch Boháč (Ministry of Finance) for his valuable advice and comments on emissions trading. The publication has benefited from comments provided by the Monetary Department and the Macroeconomic Statistics Division.

You will also find articles by Milan Nejman, Filip Novotný and Anna Kábrtová in this issue.

Cut-off date for data: 15 May 2026

Publication date: 1 June 2026

EXTERNAL BALANCE

After a record surplus in 2024,[1] the external balance of the Czech economy returned to a level closer to its long-term average in 2025. The current and capital account balances, reflecting residents' net income from trade and other transactions with non-residents, fell year on year from 3.3% of GDP to 2.2% of GDP.[2] In a longer-term historical comparison, this still slightly above-average outcome reflects the advanced stage of convergence of the Czech economy, in which the previous inflow of foreign direct investment is reflected in persistently strong export performance by goods and services. Czechia's net international investment position remained negative and, owing to the year-on-year appreciation of the koruna, the deficit deepened slightly from 7.4% of GDP in 2024 to 9.8% of GDP in 2025.

The external balance of the economy is the sum of the current and capital account balances. These accounts capture all transactions between residents and non-residents relating to international trade in goods and services, payments for capital and labour (primary income), unilateral transfers (secondary income) and transactions of other types, including, for example, emission allowance trading and capital transfers (capital account).

BALANCE OF PAYMENTS

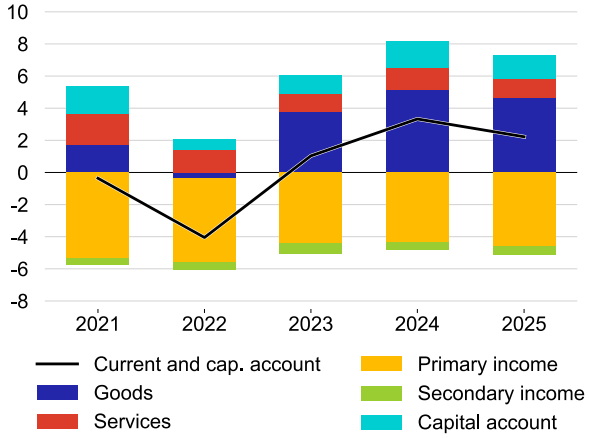
The current account of the balance of payments recorded a surplus of 0.7% of GDP in 2025. Its decline from the exceptionally high surplus recorded a year earlier (1.7% of GDP) was due to a combination of less favourable developments in international trade and in income from cross-border work and capital (Chart I.1). Despite weakening slightly year on year, however, the key export industries continued to perform well, so foreign trade in goods remained close to its historical highs (Chart I.2). The lower year-on-year current account surplus was also due to higher dividend outflows relating to the exceptionally profitable 2024 and a decline in income on CNB foreign exchange reserves invested in foreign assets.

Czechia's external balance vis-à-vis the rest of the world was significantly bolstered by net income from the European Union. The capital account, on which most of these flows are recorded, decreased slightly year on year from 1.6% of GDP to 1.5% of GDP due to both higher Czech payments to the EU budget and growth in expenditure by domestic corporations on purchases of emission allowances.

BoP developments in 2025 were affected by the koruna's appreciation against the euro and especially the US dollar, reducing the koruna value of foreign currency-denominated transactions. Some year-on-year changes therefore also reflected exchange rate translation effects.

Chart I.1: Czechia's external balance surplus decreased slightly in 2025

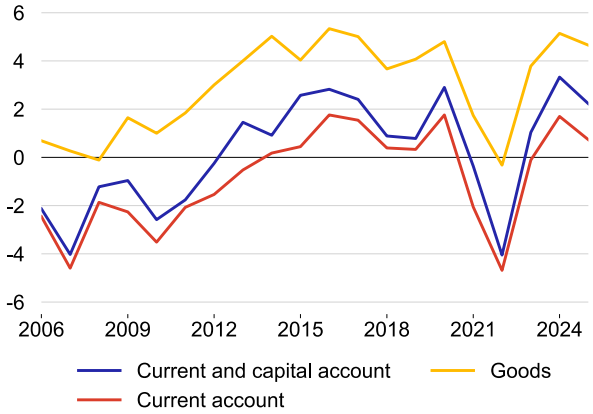
components of the external balance of the Czech economy as % of GDP



Source: CNB, CZSO, CNB calculation

Chart I.2: The goods trade surplus remained close to its historical highs

components of the external balance of the Czech economy as % of GDP



Source: CNB, CZSO, CNB calculation

[1] The current and capital account surplus reached CZK 268 billion, or 3.3% of GDP, in 2024, making it the highest in the history of Czechia both in nominal terms and as a ratio to GDP.

[2] Net income from the EU budget accounted for part of the external balance surplus (1.6% of GDP). These flows are linked to the use of specific EU programmes, so the overall balance does not fully reflect the autonomous development of the domestic economy. Excluding these flows, the current and capital account surplus was 0.6% of GDP in 2025, a slightly above-average result for the last ten years.

INTERNATIONAL INVESTMENT POSITION

Czechia's negative net (i.e. debtor) position has been gradually easing since 2013, when the Czech economy started generating external surpluses. In 2025, the negative net position deepened year on year to 9.8% of GDP,[3] mainly reflecting the marked appreciation of the koruna against the US dollar and the euro. These exchange rate movements outweighed the concurrent favourable effect of the surplus on the external balance and the positive contribution of capital gains on reserve assets (Chart I.3). Czechia's negative investment position continues to reflect the large equity holdings of foreign investors in the Czech economy, which are considerably less risky from the perspective of macroeconomic vulnerability than debt-instrument financing. Adjusted for the effect of direct investment, Czechia's net position is strongly positive.

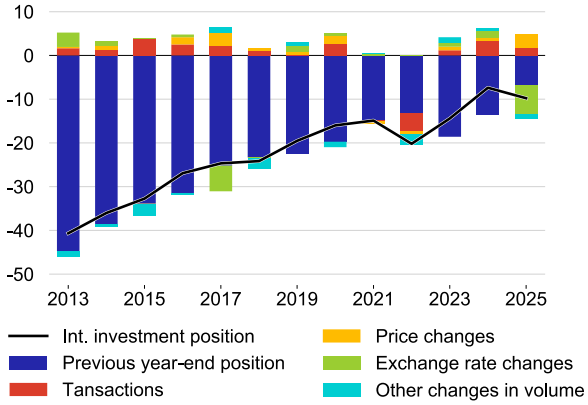
On the financial account of the balance of payments, the economy's external surplus was mainly reflected in a further net outflow of capital from domestic households and corporations (Chart I.4). In recent years, this has been linked to the high saving rate of Czech households, which, due to the limited depth of the capital market, has led to growing interest among residents in investing abroad. By contrast, the higher indebtedness of banks reflects an inflow of koruna deposits from non-residents and the issuance of debt securities on foreign markets.

The current account can also be viewed from the national accounts (NA) perspective, which uses cross-border flows to compile gross national income. This can sometimes serve as an alternative indicator to GDP, as it also considers income from labour and investment available to residents. For these purposes, the CZSO compiles its own statistics on flows with non-residents, working closely with the CNB. There are differences between the two approaches stemming not only from different revision policies, but also from the methodological treatment of some items. For example, to ensure complete coverage of the economy, the CZSO estimates the unreported income of foreign-controlled corporations, which is subsequently reflected in higher estimated dividend outflows abroad. Methodological differences also relate to the treatment of interest and reinvestment. As Chart I.5 shows, the resulting changes in the current account are broadly similar under both approaches, although their levels differ. The differences between NA and BoP statistics are discussed in more detail in thematic article VI.1

[3] For the purposes of assessment under the MIP (Macroeconomic Imbalance Procedure), up to -35% of GDP is considered safe.

Chart I.3: Czechia's net debtor position widened slightly due to FX revaluation

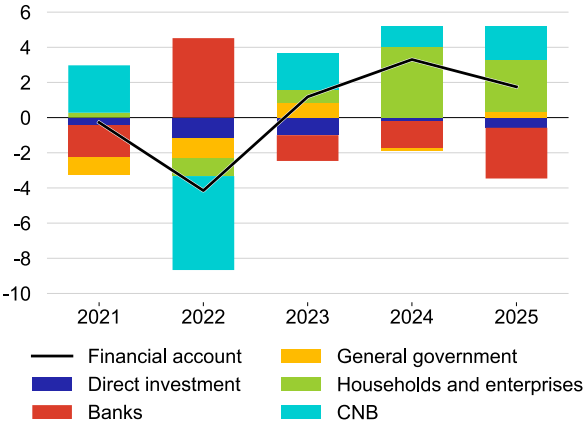
investment position of Czechia as % of GDP, end-of-period balance



Source: CNB, CZSO, CNB calculation

Chart I.4: Net outflows of capital from domestic corporations and households continued in 2025

financial account as % of GDP

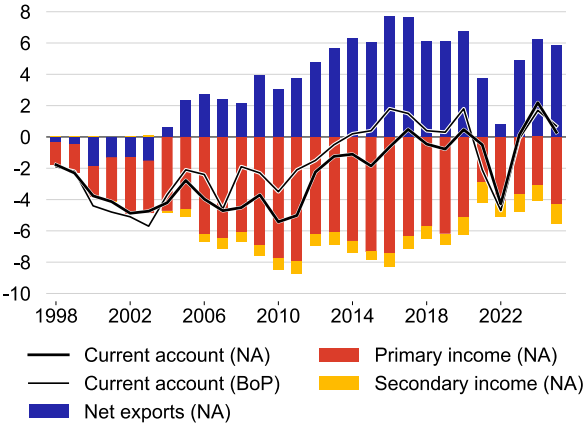


Note: A positive value indicates a net increase in foreign assets/decrease in liabilities (capital outflow), while a negative value indicates a decrease in assets/increase in liabilities (capital inflow).

Source: CNB, CZSO, CNB calculation

Chart I.5: Viewed through the national accounts, current account changes are similar, but levels differ

current account components according to NA statistics as % of GDP



Source: CNB, CZSO, CNB calculation

INTERNATIONAL TRADE

After returning to near pre-pandemic levels in 2024, the goods and services surplus decreased slightly in 2025, from 6.5% to 5.8% of GDP. This year-on-year decline in the surplus was due to both a lower goods surplus, as imports grew faster amid recovering domestic demand, and a lower services surplus, with higher spending by residents on foreign travel outweighing the effect of a record number of foreign tourists visiting Czechia.

GOODS

In 2025, international trade in goods was shaped by three main factors: the continued strength of the automotive industry on the export side, the gradual recovery in domestic demand on the import side, and persisting geopolitical uncertainty, amplified by a rise in protectionist measures and trade barriers.

The goods balance remained strongly in surplus

The goods balance amounted to CZK 397 billion in 2025 (4.6% of GDP), although the exceptionally high surplus recorded a year earlier (Chart II.1) meant that it declined slightly year on year, by CZK 10.7 billion, as imports grew faster than exports (3.1% and 2.5% respectively). Growth in the koruna value of international trade was also dampened by the appreciation of the koruna against both the euro and the US dollar.

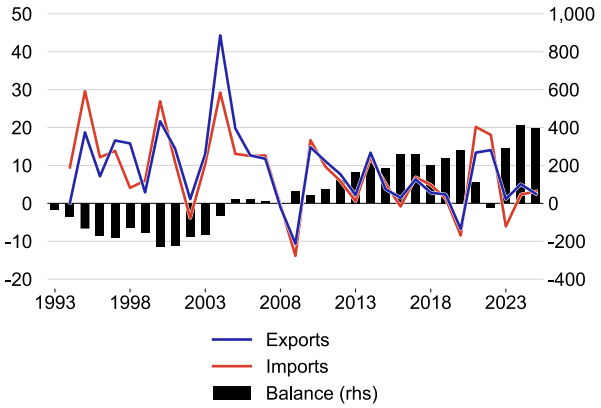
The automotive industry continued to be the main driver of Czech international trade

Czech international trade remains closely linked to industrial production and the country's integration into European supply chains. Imports consisted mainly of components and equipment used in manufacturing, together with energy commodities, chemical products and consumer goods. The year-on-year increase in imports was predominantly driven by the continued expansion of export-oriented industries and the gradual recovery in domestic demand (Chart II.2). At the same time, the impact of higher imports of energy commodities on their koruna value was softened by more favourable price developments and the stronger koruna exchange rate.

Exports also remained concentrated in industrial goods, especially products linked to the automotive sector. While most product categories recorded only subdued growth (Chart II.3), export growth was mainly driven by motor vehicles, their parts, and other machinery and equipment. International trade thus remained heavily dependent on the automotive industry.

Chart II.1: Goods trade remained strongly in surplus in 2025

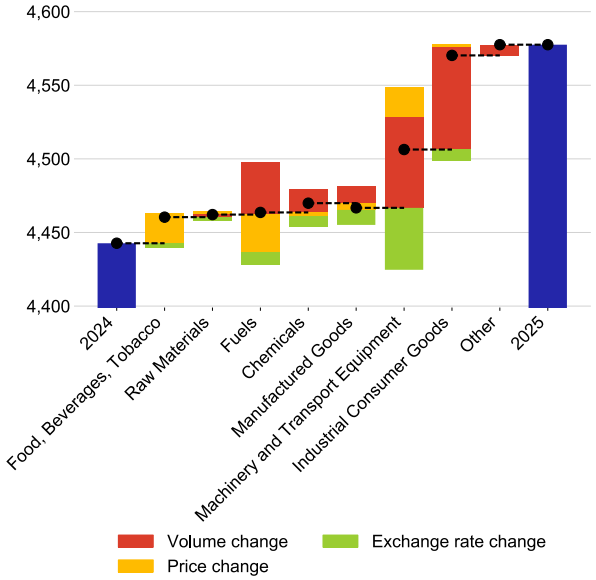
goods balance, in CZK billions and as % of GDP



Source: CNB, CNB calculation

Chart II.2: Imports grew on the back of higher consumption and the import intensity of production

volume, price and exchange rate contributions to year-on-year import growth, in CZK billions; based on the average of the Paasche and Laspeyres indices



Source: CZSO, CNB calculation

The Czech automotive industry consolidated its standing among top global exporters

Despite only a slow recovery in demand on European markets,[4] persisting geopolitical uncertainty and the slower-than-expected rollout of electromobility, domestic producers outperformed most of their European competitors. Czechia consequently moved up to ninth place among the world's largest exporters of passenger cars, with a 3.6% share of global exports. Only China recorded a more pronounced market share increase (Chart II.4).

The sector's continued adaptation to electrification was a key factor (Chart II.5). Production of battery electric and plug-in hybrid vehicles rose by 89% year on year, bringing their share in total output to almost one fifth. At the same time, domestic carmakers maintained a broad range of combustion-engine, hybrid and electric models, allowing them to respond more flexibly to the slower uptake of electromobility in Europe. Their focus on SUVs and practical family cars also remained a competitive advantage, as these segments continued to gain importance on the European market. In Germany, SUVs accounted for more than one third of all new registrations in 2025, while the share of traditional compact cars continued to decline.

The strong position in the corporate segment was another important factor. Around two thirds of Škoda Auto's European sales were to corporate customers, helping the carmaker move up to second place on the European fleet market. The largest Czech carmaker also confirmed its competitiveness in Germany, where its corporate sales rose by 3% year on year despite a 4.6% decline in the overall company car market. Škoda Auto thus remained the primary driver of Czech export performance (Chart II.5). With a market share of 6.3%, it became the third-best-selling car brand in Europe[5] in 2025, up from eighth place in 2019.

The direct impact of US tariffs on Czech exports remained limited

The year 2025 saw further fragmentation of global trade links and a rise in trade barriers, especially between the United States and China. In Czech goods trade with the United States,[6] however, the negative effects have so far been limited, although US customers have responded to heightened uncertainty about further trade restrictions by frontloading purchases of Czech goods. This contributed to a year-on-year increase in the Czech trade surplus vis-à-vis the United States. Developments so far therefore

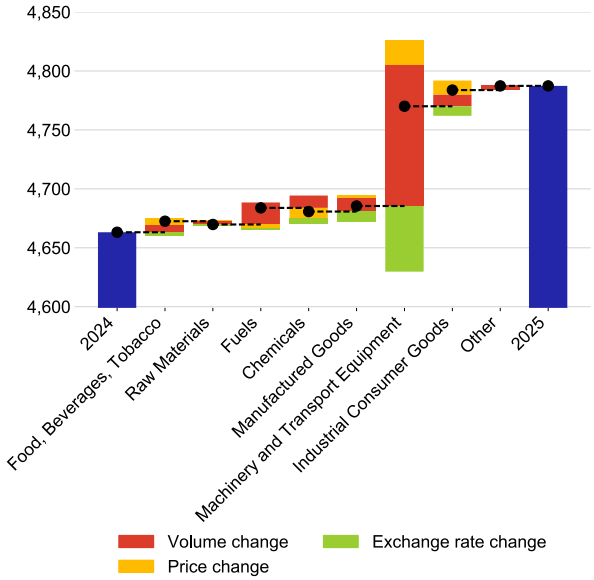
[4] New passenger car registrations in Europe grew by 1.8% year on year in 2025. Germany, a key Czech automotive industry export market, recorded growth of 1.4% after declining in the previous year. Registrations nevertheless remained below their pre-pandemic level.

[5] In addition to strengthening its position on traditional European markets, the carmaker also succeeded in expanding on new markets, especially in the Middle East, Kazakhstan and India.

[6] The United States is Czechia's ninth most important trading partner, directly accounting for around 2.8% of both Czech exports and imports.

Chart II.3: Export activity stagnated outside machinery and transport equipment

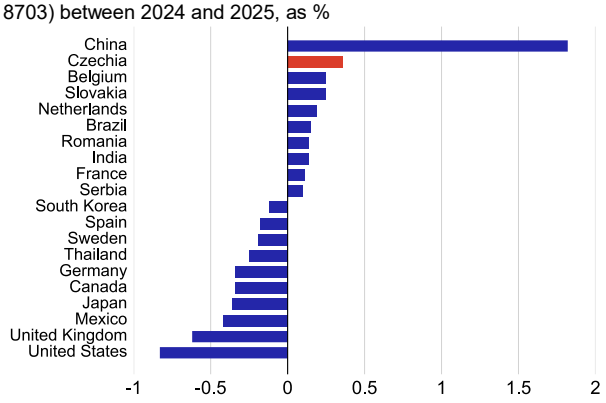
volume, price and exchange rate contributions to year-on-year export growth, in CZK billions; based on the average of the Paasche and Laspeyres indices



Source: CZSO, CNB calculation

Chart II.4: Czech car exports outpaced most global competitors

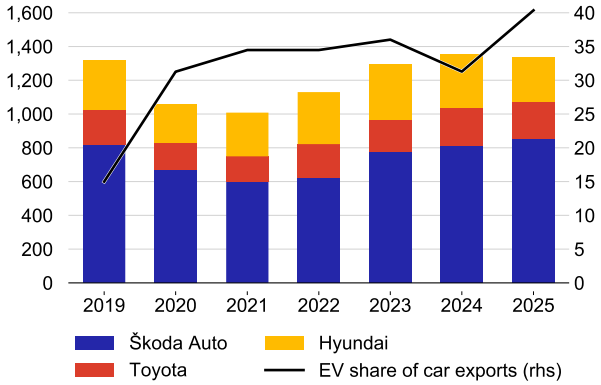
change in individual countries' shares of global car exports (HS 8703) between 2024 and 2025, as %



Source: Trade Data Monitor, CNB calculation

Chart II.5: Car exports are increasingly being driven by alternative powertrains

exports of passenger cars ('000 vehicles) and the share of alternatively powered cars in total Czech passenger car exports (as %)



Source: SAP, CZSO, CNB calculation

point rather to a shift in the timing of some trade flows than to an immediate weakening of Czech exports.

China is gaining importance in European supply chains and export markets

While the direct effects of US trade measures on the Czech economy remained limited in 2025, structural changes in trade with China have been intensifying since 2021. Excess production capacity in the Chinese economy has gradually increased and been systematically redirected to foreign markets.[7] The European Union, including Czechia, has become one of the main destinations for this output, contributing to a further widening of the trade deficit with China (Chart II.6).

The growing competitive pressure from Chinese exports has become increasingly visible on the EU internal market. Within the EU, Czech exports rank among those with the highest degree of overlap with Chinese exports, and this similarity has increased further in recent years (Chart II.7). The overlap is concentrated mainly in several key industrial sectors, especially machinery, electrical equipment and motor vehicles. Moreover, roughly one third of Czech exports to the European market fall into segments in which both Czechia and China have a comparative advantage, exposing Czech enterprises to direct competition from Chinese producers.

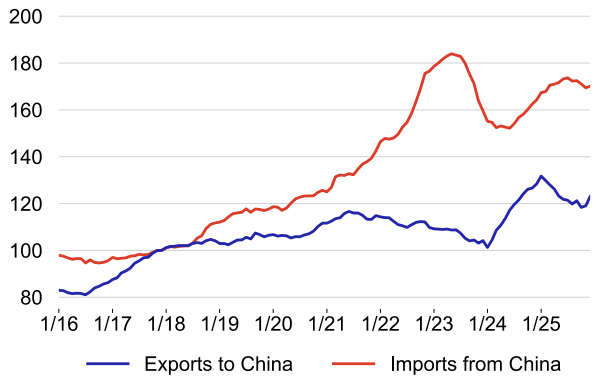
Czech exports to the EU have continued to grow in recent years, even as Chinese exports expanded strongly. A key role was played by the Czech economy's strong specialisation in the automotive industry, which has maintained its competitiveness even in segments exposed to direct competition from Chinese producers. Immediate pressure on the European electric vehicle market was also eased by EU trade policy, as additional tariffs on imports of battery electric vehicles from China were introduced in 2024.

A shift in the Czech economy's supplier links has been another major change in recent years. Germany's role as a source of intermediate goods has been weakening for some time. This has been reflected in much slower growth in imports from Germany than in Czech exports to the German market and, subsequently, in a gradual increase in the trade surplus with Germany (Chart II.8). At the same time, China has strengthened its position as a supplier of inputs for domestic production. This shift has been visible both in the territorial structure of imports and in the structure of value added embodied in Czech exports. The share of Chinese value added in Czech exports has grown faster than the EU average (Chart II.9a), while the

[7] China ended 2025 with a record trade surplus exceeding USD 1.2 trillion, with Chinese exports growing by around 5.5% year on year. Behind this performance was weak domestic demand in China, reflecting the prolonged downturn in the real estate sector, low household confidence and high precautionary savings, which limited the domestic economy's ability to absorb production.

Chart II.6: The trade deficit with China continued to widen

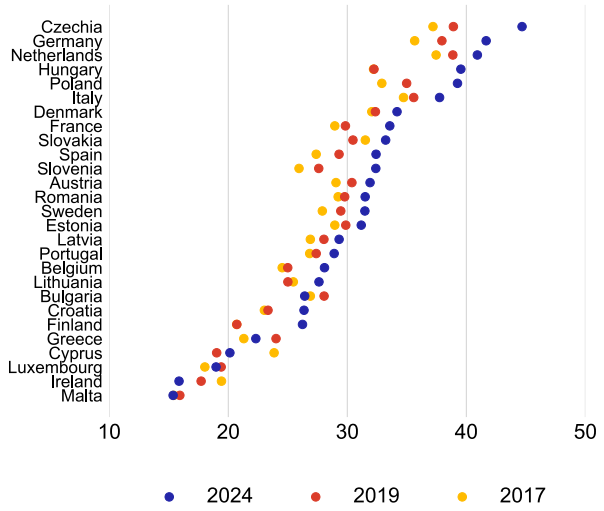
Czech trade in goods with China, annual moving sum, index: 2017 = 100



Source: CZSO, CNB calculation

Chart II.7: China is a stronger competitor to Czech exports in the EU than to other EU exporters

Finger-Kreinin index of export structure similarity on the EU market

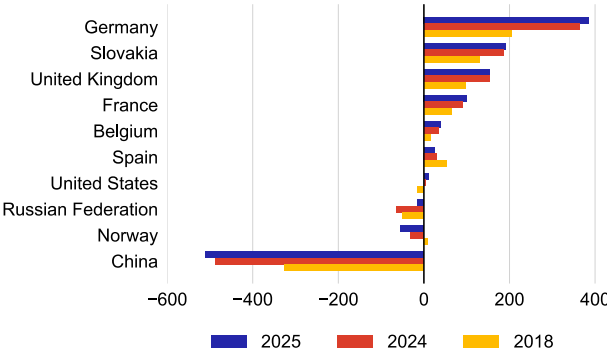


Note: The Finger-Kreinin index measures export structure similarity between two countries. A higher index value indicates a greater overlap in exported products, and therefore stronger competitive pressure between those countries on the given market.

Source: BACI Database, CNB calculation

Chart II.8: Changes in the trade balances with Germany and China reflected Czech import structure shifts

trade balance with selected countries, in CZK billions



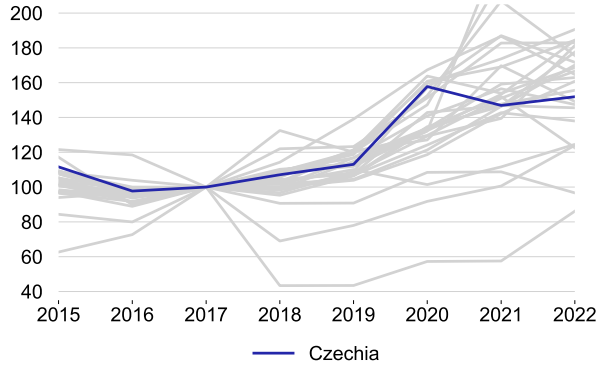
Source: CZSO

share of German value added has declined, now among the lowest in Europe (Chart II.9b).[8]

Final consumer goods from China also continued to flow into Czechia, with their imports increasing over the period under review. In the value-added decomposition, however, this trend has so far been only gradual. The share of Chinese value added in domestic consumption has risen, but more slowly than the EU27 average (Chart II.9c). China's strong export expansion on global markets therefore represents not only a source of growing competitive pressure for the Czech economy, as through cheaper production inputs, it has also helped reduce costs for Czech enterprises and supported their competitiveness on foreign markets.

Chart II.9a: The importance of Chinese inputs in Czech exports gradually increased…

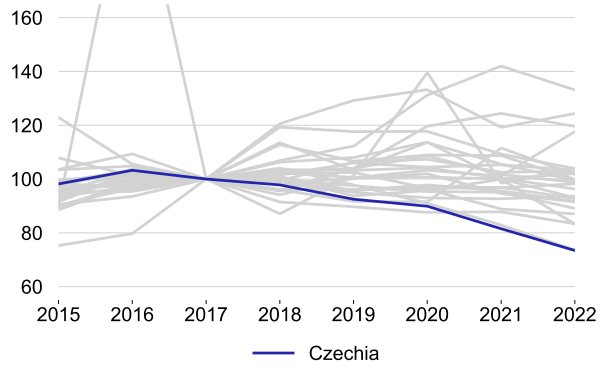
share of Chinese value added in EU exports, index: 2017 = 100



Source: OECD TiVa, CNB calculation

Chart II.9b: …while the role of German value added declined…

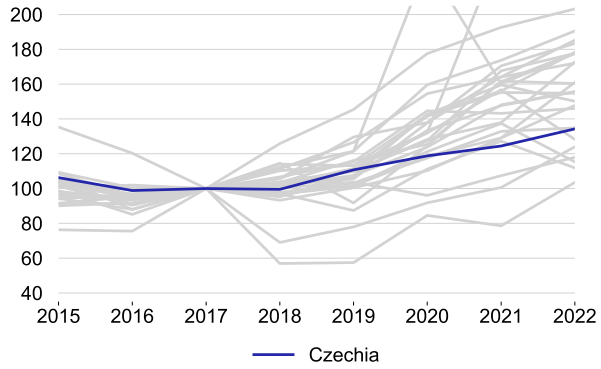
share of German value added in EU exports, index: 2017 = 100



Source: OECD TiVa, CNB calculation

Chart II.9c: …and the impact of Chinese production on domestic consumption grew more slowly than in the EU

share of German value added in EU exports, index: 2017 = 100



Source: OECD TiVa, CNB calculation

[8] OECD TiVA data are available only up to 2022, so the most recent changes in global value chains cannot yet be fully captured.

SERVICES

The balance of trade in services ended 2025 with a surplus of CZK 102.5 billion (1.2% of GDP), remaining below the levels recorded before the pandemic (Chart II.10). The lower services surplus mainly reflected a weaker travel balance and subdued developments in transport services.

Manufacturing services traditionally make a positive contribution to the services balance, its size closely linked to the industrial orientation of the Czech economy and its integration into global value chains. The ICT and business services also make a significant contribution, with their exports having grown dynamically in recent years, although still more slowly than the EU average.[9] By contrast, the overall services surplus continues to be dampened by the deficit in financial, insurance and licensing services.

Record inbound tourism is being offset by rising foreign travel by residents

Although inbound tourism has returned to pre-pandemic levels, the travel balance in 2025 still fell short of the surpluses typically recorded before 2020, remaining essentially in equilibrium at CZK 3 billion. Thus the downward trend in the travel balance continues, reflecting both the declining importance of inbound tourism relative to the size of the domestic economy and rising expenditure by residents on foreign travel. The COVID-19 pandemic abruptly deepened this trend (Chart II.11).

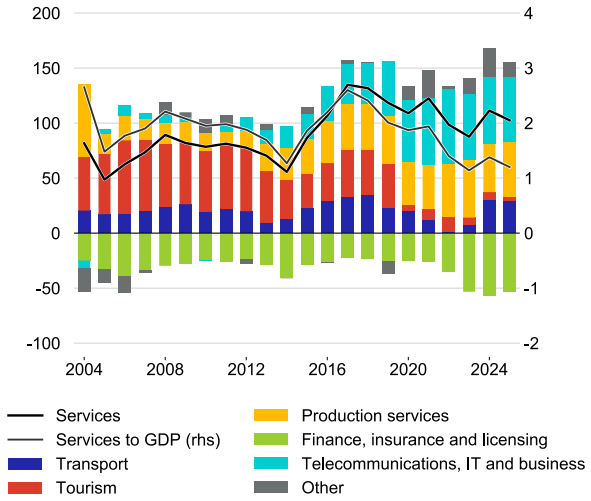
The lower travel surplus is not due to weak foreign visitor numbers. The number of non-residents staying in collective accommodation establishments rose to a historical high of 10.9 million in 2025, while the number of overnight stays increased by 5% year on year. Visitor numbers have thus exceeded their pre-pandemic level for the second year in a row, with tourist arrivals growing at a pace similar to that seen in other EU countries. However, income from inbound tourism is being constrained by shorter stays. In most European countries, the average length of stay has returned to its 2019 (pre-pandemic) level. In Czechia, by contrast, it stabilised last year at a lower level after a prolonged decline, showing that this country is increasingly becoming a destination for short, often weekend, stays. The shorter duration of stays is being partly offset by higher average daily spending by foreign visitors (Chart II.12).

Higher spending has been mainly supported by the recovery in arrivals from more distant destinations, especially Asia. This recovery, however, has been uneven, with visitor numbers from some Middle Eastern countries growing strongly while arrivals from more distant Asian countries remaining well below their pre-pandemic levels – a re-

[9] Exports of ICT services from the Czech Republic rose by 86% in 2025 by comparison with 2019. The EU average was 102%.

Chart II.10: Travel remains the main factor slowing the services balance from returning to pre-pandemic levels

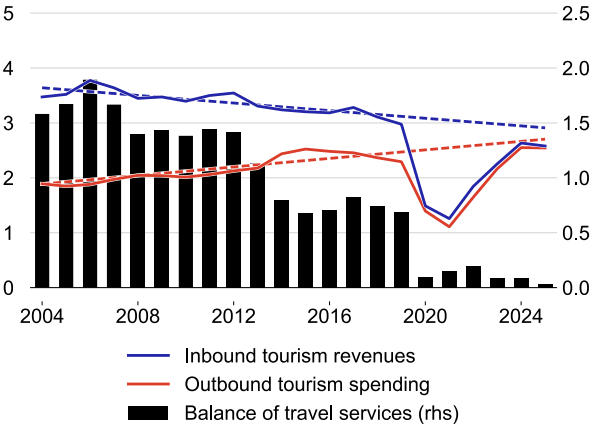
sub-balances of services in the Czech economy, in CZK billions and as % of GDP



Source: CNB, CZSO, CNB calculation

Chart II.11: Rising spending by Czechs abroad is offsetting income from inbound tourism

inbound and outbound tourism and the travel balance as % of GDP

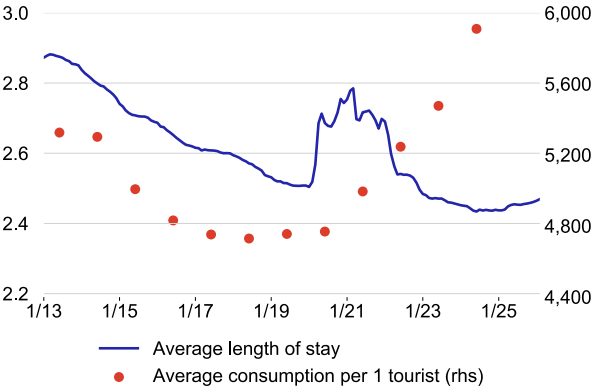


Note: Linear trends are estimated using data for 2004–2019.

Source: CNB, CZSO, CNB calculation

Chart II.12: Higher spending by non-residents is offsetting their shorter stays

average number of overnight stays, 12-month moving average, in nights, and average consumption per guest, in CZK



Source: CZSO, CNB calculation

flection of both the later unwinding of post-pandemic restrictions on outbound tourism in those countries and the heightened geopolitical uncertainty.

At the same time, visitors from Asia spend almost twice as much per day as the average tourist from the EU[10], and also tend to stay longer, thereby supporting growth in income from inbound tourism. As a result, the share of Asian tourists in total inbound tourism income exceeded its pre-pandemic high in 2025 (Chart II.13).[11]

The lower travel balance is mainly driven by developments in outbound tourism, with domestic trips increasingly being substituted by foreign travel in recent years. While the number of short domestic stays has fallen sharply and longer domestic trips have broadly stagnated, interest in foreign stays has continued to rise. This shift is mainly driven by prices. Compared with 2019, average daily expenditure on short domestic stays increased by 61%, while spending on short foreign trips rose by only 38% and spending on longer foreign stays by 53%. Foreign travel has become relatively more attractive in price terms, even for longer and typically more expensive stays. Residents are also increasingly choosing more affordable foreign destinations, as confirmed by the real exchange rate adjusted for the main destinations of Czech tourists (Chart II.14).

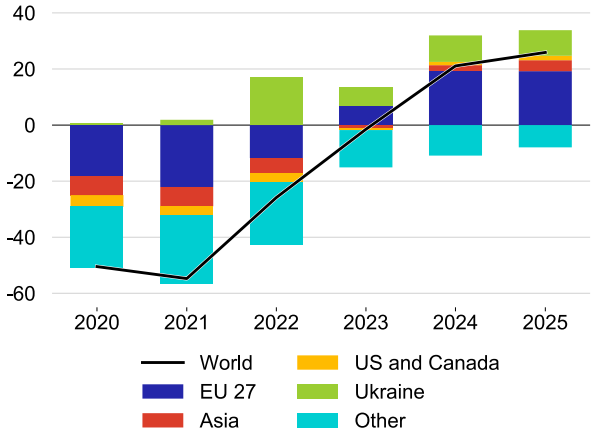
In addition to price factors, supply-side changes have also played a role. The expansion of low-cost air transport and the availability of online booking platforms have lowered barriers to foreign travel to such an extent that foreign stays have become a standard part of household consumption behaviour.[12]

The position of Czech transport providers on the EU market is weakening

Another factor preventing the services balance from returning to the surpluses seen a decade ago is the development of road transport. The previously sizeable surplus in transport services, supported by Czechia's location in the heart of Europe and its integration into supply chains, has been weakening for some time (Chart II.15). Czechia's share of EU imports of transport services fell by 1.23 pp between 2013 and 2024, the largest decline among all EU countries. By contrast, some regional competitors, such as Romania and Poland, strengthened their positions (by 0.35 and 0.51 p.p. respectively). Although

Chart II.13: Inbound tourism is booming again

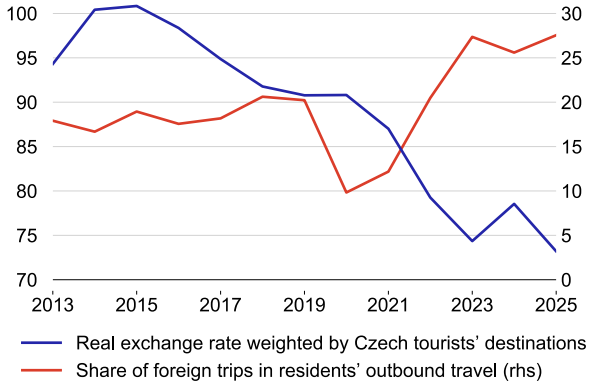
inbound tourism revenues, change compared with 2019, as % and percentage points



Source: CNB, CNB calculation

Chart II.14: Residents are increasingly opting for more affordable foreign destinations

share of foreign trips in residents' outbound travel (as %) and REER



Note: The REER is calculated as a weighted average based on the shares of foreign tourist destinations of Czech residents in 2019. The indicator is constructed to capture the relative cost of foreign travel compared with domestic travel. A decline therefore indicates that foreign travel has become relatively cheaper than domestic travel.

Source: CNB, CZSO, OECD, CNB calculation

[10] Based on data from the CzechTourism presentation "Press conference – tourism in 2025 and 2026".

[11] Europe remains the backbone of inbound tourism to Czechia, accounting for 58% of inbound tourism income. The largest shares are attributable to neighbouring countries, especially Germany (18%), Slovakia (12%) and Poland (6%). Since the start of the war, Ukraine's importance has also increased significantly, with its share reaching 10%. Asia makes the second-largest contribution by continent, reaching a record share of 11% in 2025.

[12] According to a CzechTourism survey, around 60% of respondents planned a summer stay abroad in 2024.

this partly reflects changes in the structure of trade flows, cost factors have also played an important role.

Cost competitiveness is the main reason for the market share loss. Labour costs in the Czech transport sector exceed those of regional competitors at a comparable level of productivity,[13] reducing the price attractiveness of domestic transport providers and accelerating their displacement by cheaper foreign alternatives. This process is taking place not only in foreign demand, but also within the domestic economy.

Domestic enterprises are increasingly outsourcing transport services abroad. This is reflected both in faster growth in imports of transport services (1% year on year) than in their exports (0.6%), and in stagnating turnover in domestic road transport (Chart II.16).

Czechia has partly retained its role in higher value-added logistics and support services, but this still does not fully offset the fall in transport activity.

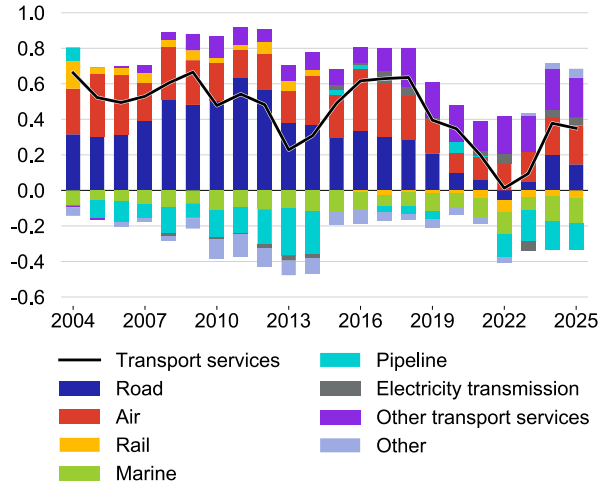
ICT and business services are playing a growing role in Czech exports

By contrast, in ICT and business services the Czech economy has been moving towards higher domestic value added in recent years. While the share of foreign services used in export production has increased in many EU countries, OECD data show that this share declined in Czechia between 2014 and 2022 (Chart II.17). Czech enterprises are therefore increasingly providing a larger part of their service and support activities using domestic rather than foreign capacities. This points to the growing ability of the domestic economy to provide specialised services linked to industrial production and exports.

At the enterprise level, this trend is reflected in the rapid development of the business services sector, where employment has roughly tripled since 2013 to around 175,000 people. The structure of services provided has also changed significantly, with Czech business services centres increasingly operating on a global scale. While 39% of centres operated as global business services centres in 2020, this had risen to 48% by 2023.[14] Czech branches of multinational groups are thus gradually transforming from local providers of administrative support into global centres with higher value added.

Chart II.15: The decline in the transport services balance was driven by weaker road transport dynamics

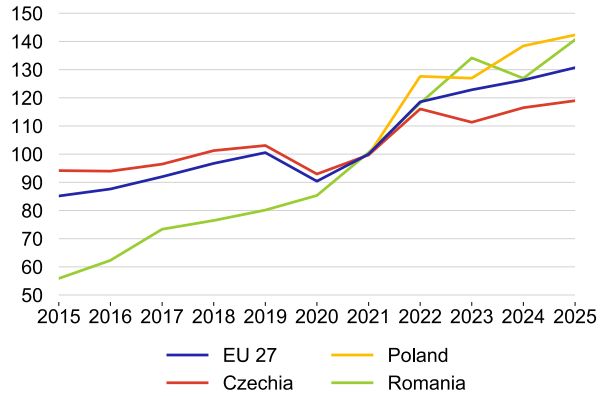
transport services sub-balances, as % of GDP



Source: CNB, CZSO, CNB calculation

Chart II.16: Turnover in the Czech land and pipeline transport sector is stagnating

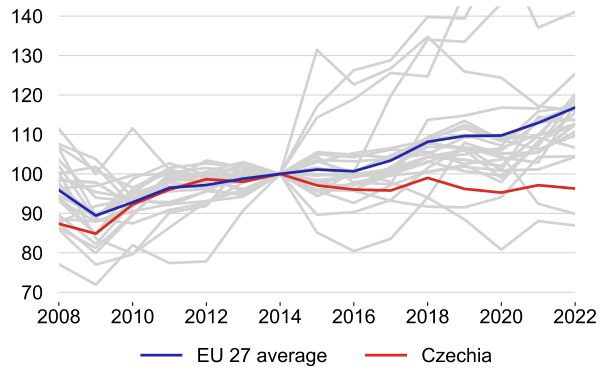
turnover in land and pipeline transport, index: 2021 = 100



Source: Eurostat, CNB calculation

Chart II.17: The share of foreign services embodied in Czech exports has declined in recent years

share of foreign services embodied in exports of goods and services, index: 2014 = 100



Source: OECD TiVa, CNB calculation

[13] According to Eurostat, labour costs in the transport sector, measured as employee compensation including taxes less subsidies, reached EUR 18.6 in Czechia in 2025, compared with EUR 17.9 in Poland and EUR 13.0 in Romania.

[14] These data are based on surveys conducted by ABSL Czech Republic. The global business services model covers the broadest range of services, often with global reach, greater autonomy and a higher share of knowledge-intensive activities. A limitation of these data is that they capture the type of centre and employment, rather than the actual volume or value of exported services.

OTHER TRANSACTIONS WITH NON-RESIDENTS

In addition to the goods and services balance, the Czech economy's external balance was also reduced year on year by other transactions related to income from labour and capital. The decrease in the balance was mainly due to an increase in the outflow of income on direct investment abroad together with a decline in income on CNB foreign exchange reserves. To a smaller degree, it was likewise driven by growth in compensation paid to foreign workers in the domestic economy and an increase in Czech payments to the EU budget. Certain partial factors also acted to raise the external balance, in particular a decline in foreign investors' income from other equity and debt investment in Czechia.

INVESTMENT INCOME

After years of trend improvement, the investment income deficit widened to 4.6% of GDP in 2025. This development mainly reflected two factors: first, the steep growth in income on reserve assets came to a halt, with its level declining by roughly one third year on year; second, there was no further moderation of the outflow of income on foreign direct investment (FDI), which therefore stagnated at the levels of previous years.

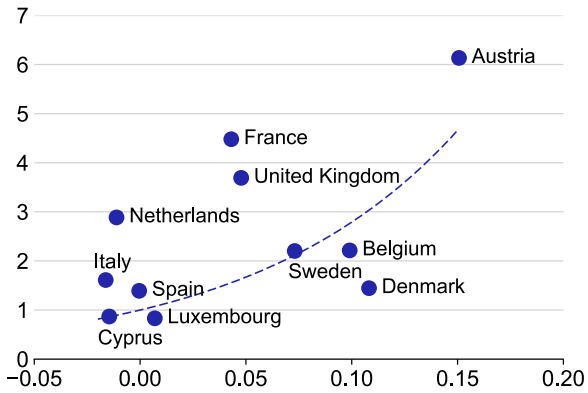
The gradual slowdown in FDI income outflows has temporarily stopped in recent years

In previous years, the FDI income deficit had gradually narrowed, mainly due to the growing volume of Czech direct investment abroad and its increasing profitability. By contrast, the profitability of domestic foreign-controlled corporations had shown a downward trend, consistent with their shift within the FDI life cycle.[15] These factors resulted in the net outflow of FDI income as a ratio to GDP gradually moderating since the middle of the last decade.

In recent years, this trend has temporarily halted due to the differing cyclical position of the domestic economy compared with its foreign partners. While European industry was going through a period of slowdown, the performance of domestic export-oriented foreign-controlled corporations remained favourable. The net outflow of FDI income, which reflects the relative profitability of foreign economies vis-à-vis the domestic economy, thus widened for the first time in 10 years.[16] This development was mainly driven by several factors. First, a substantial part of profit outflows has long been accounted for by the automotive industry. The number of cars produced in Czechia has broken all records in recent years, and the profitability of the automotive sector[17] reached its highest

Chart III.1: Ownership links help explain Czechia's growing importance on foreign markets

x-axis: change in Czech market share in the given destination (2023–2024, in p.p.); y-axis: FDI position in Czechia by ultimate owner (2023, NACE C, share of total, as %), $R^2 = 0.4$



Note: The data cover the 12 largest European foreign direct investors in manufacturing in Czechia. Germany, which accounts for more than 28% of ownership of Czech corporations and is therefore an outlier, is excluded. Data for 2025 are not available.

Source: CNB and CZSO, CNB calculation

[15] This topic was discussed in more detail in article VI.2 in the 2023 Balance of Payments Report: The Life Cycle of Foreign Direct Investment Profitability: The Case of Czechia.

[16] There was a one-off exception in 2021, when the previous pandemic measures led to a year-on-year increase in FDI income outflow.

[17] Measured as the ratio of FDI income in the automotive sector to the FDI position in the automotive sector in the previous year.

level so far last year (26.7%). The profitability of the IT and communications sector climbed to an even higher level last year (30.5%).

The broader manufacturing industry also remained relatively resilient, as did wholesale and retail trade. This reflected, among other things, the strong ownership links and Czechia's position in multinational production chains. Foreign-owned corporations in the domestic economy are to a large extent vertically integrated into the global value chains of their parent groups. In periods of economic slowdown, multinational corporations may restrict trade with independent partners, while intra-group links remain relatively stable. This is subsequently reflected in the growing importance of Czech exports on markets whose capital presence in Czechia is high (Chart III.1). In downturns, ownership links therefore help stabilise trade flows and maintain the profitability of these sectors.[18]

By contrast, the lower inflow of FDI profits reflected the worsened situation abroad. The capital of the largest domestic investors is mainly channelled through holding companies into energy, infrastructure, the defence industry, and also telecommunications and media. The profitability of these investments has fallen below 10% over the last three years, and the total income of Czech investors thus stagnated below its 2019 level, despite the volume of domestic investment abroad having increased by more than 6 percentage points as a ratio to GDP since then (Chart III.2). Factors on both the income and expenditure sides meant that the net outflow of FDI income widened to 5.2% of GDP.

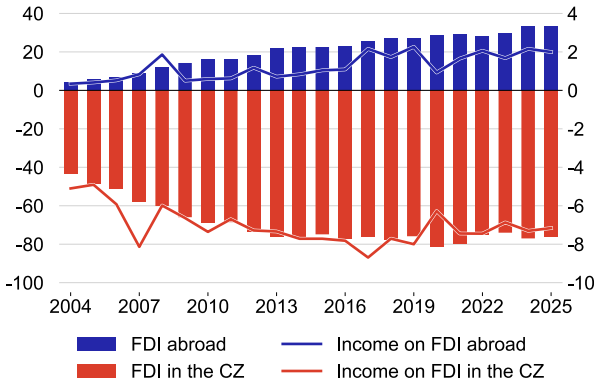
Other investment income, by contrast, partly dampened the year-on-year widening of the overall deficit

As most of Czechia's other foreign liabilities are koruna-denominated and debt-related, expenditure on portfolio and other investment declined in response to the lower domestic interest rates, despite a slight increase in government and bank indebtedness. By contrast, income on foreign assets remained relatively stable, supported by rising dividend income from equity holdings. Overall, net income on portfolio and other investment thus broadly offset each other as a share of GDP (Chart III.3).

Income on reserve assets therefore had the decisive effect on the investment income balance (excluding FDI). The balance of payments records only flow income, such as interest on debt securities and dividends received, while price and exchange rate revaluations are not reflected. In 2025, the changed structure of foreign exchange reserves shifted returns towards capital gains,

Chart III.2: The convergence of FDI returns has halted over the last three years

direct investment (left-hand scale), income as % of GDP (right-hand scale)

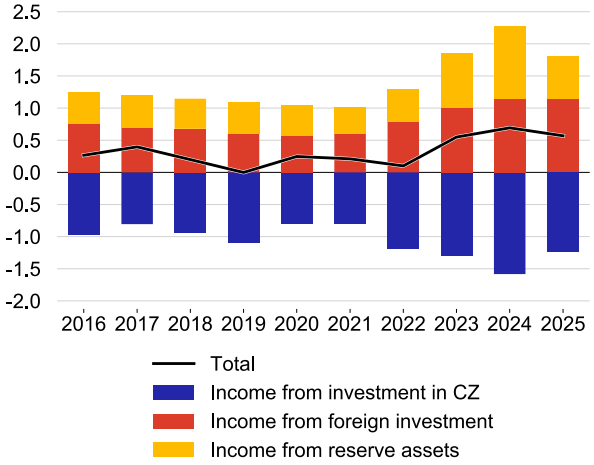


Note: FDI in Czechia – volume of foreign direct investment in Czechia; FDI abroad – volume of Czech direct investment abroad.

Source: CNB, CNB calculation

Chart III.3: Lower interest rates in Czechia and abroad contributed to slightly lower investment income balances year on year

income on portfolio investment, other investment and reserve assets as % of GDP



Source: CNB, CNB calculation

[18] This topic is discussed in more detail in thematic article VI.2, "Charity Begins at Home: Can the Ownership of Czech Exporters Explain Their Resilience in a Stagnating Europe?".

causing income on reserve assets to fall to 0.7% of GDP.[19]

CROSS-BORDER WORK

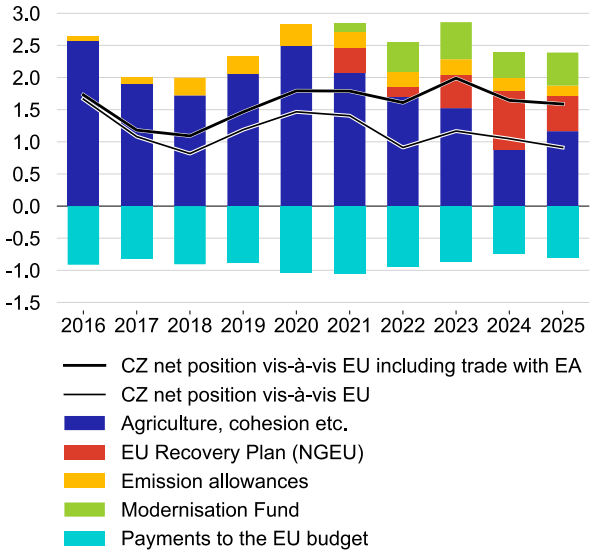
Income from cross-border work[20] contributed slightly to the year-on-year decline in the current account. The balance comprising the wages of cross-border workers together with other transfers[21] slightly deepened the primary income deficit. The deficit in tax-adjusted employee compensation widened year on year by about CZK 4 billion. On the income side, this reflected a decline in the number of Czech residents working in Austria. Although the number of Czech resident workers in Germany increased, their total compensation nevertheless declined. On the expenditure side, by contrast, wages paid to foreign resident workers in the domestic economy increased, reflecting the continued growth in the number of Ukrainian workers on the Czech labour market[22] and, to a lesser extent, the increase in the number of employed Slovak citizens. These impacts were partly dampened by naturally related items within secondary income, which capture mainly taxes and social contributions paid by cross-border workers in host countries.

FINANCIAL RELATIONS WITH THE EU

Czechia's net position vis-à-vis the EU decreased slightly year on year to 0.9% of GDP in 2025, reflecting a change in the structure of the use of EU funds and growth in payments to the EU budget. On the income side, there was a decline in the use of funds from the NextGenerationEU recovery instrument, which was fully offset by faster drawing of the cohesion allocation for the 2021–2027 programming period. Traditional income from agricultural funds and other EU programmes remained stable, and total income from the EU budget, including NGEU funds, decreased only slightly to 1.7% of GDP. On the expenditure side, Czech payments to the EU budget increased year on year to roughly 0.8% of GDP. The combination of these factors led to a slight decrease in Czechia's net position vis-à-vis the EU (Chart III.4).

Chart III.4: Emissions trading offsets the decline in traditional EU income

selected financial flows between Czech general government and the EU as % of GDP



Source: Czech Ministry of Finance, CNB, SEF, CZSO, CNB calculation

[19] The foreign exchange reserves structure shifted towards equities and gold, whose return, compared with debt assets, is realised to a greater extent through capital gains than through income received (interest). The change in the reserve assets structure is described in more detail in Chapter V. Reserve Assets.

[20] The compensation of employees balance captures only income from cross-border work by persons who remain residents of their home economy. Persons working abroad on a long-term basis who, for national-accounts purposes, become residents of the host country are not included in this item, even if they retain their original citizenship.

[21] These are ordinary income taxes, social benefits and contributions.

[22] Almost 630,000 Ukrainian residents currently work in Czechia.

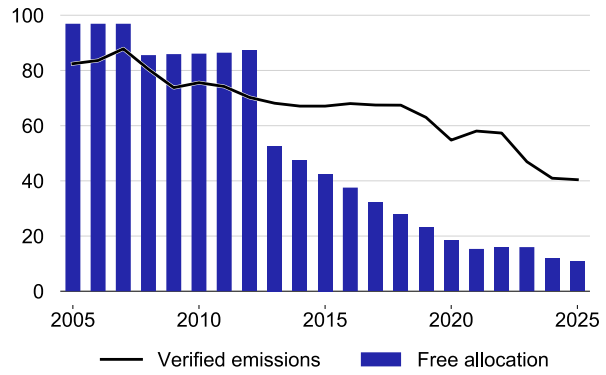
Transactions related to the emissions trading system increased Czechia's net position vis-à-vis the EU

Funds from the emissions trading system flow to Czechia through two main channels. The first is general government income from auctions of allowances organised on the common European platform (EEX), the amount of which depends on Czechia's auction share,[23] the total volume of auctions, the price of allowances and the exchange rate of the koruna against the euro. The second channel consists of funds channelled from auctions into European funds, especially the Modernisation Fund,[24] from which they are subsequently allocated to selected Member States. In 2025, higher drawing of funds from the Modernisation Fund caused income from the ETS 1 system to increase by approximately CZK 10 billion. Including these transactions, Czechia's net position vis-à-vis the EU thus remained broadly stable year on year at 1.6% of GDP (Chart III.4).

The emissions trading system also has broader macroeconomic impacts

The emissions trading system generates income for public budgets, yet also represents costs for domestic corporations through the need to purchase allowances. Individual enterprises receive some allowances free of charge under the so-called free allocations, but the volume of these allocations is decreasing over time to support the transition towards less emission-intensive production. If the pace of corporate decarbonisation lags behind this development, enterprises' need to purchase additional allowances on the market increases. While in the initial phase of the system, the volume of allowances allocated free of charge slightly exceeded the needs of domestic corporations,[25] the situation reversed in the first half of the last decade and Czech corporations have had to regularly purchase part of their allowances (Chart III.5). Additional purchases of emission allowances by domestic energy and industrial corporations are not included in Czechia's net position vis-à-vis the EU,[26] but act as a counterweight to general government income and therefore reduce Czechia's external balance.

Chart III.5: Domestic enterprises are lagging behind in decarbonisation and have to buy allowances on the market



Note: Data for 2025 are preliminary.
Source: EEA, CNB calculation

[23] Member States' auction shares in the EU ETS are mainly based on their historical emissions when the system was launched. Czechia's auction share is relatively high given the size of its economy, reflecting its historically higher emission intensity and the solidarity mechanism, which reallocates part of the allowances to Member States with lower GDP per capita.

[24] The Modernisation Fund is a financial instrument supporting the modernisation of energy and industry in EU countries with low GDP per capita.

[25] The system was designed so that, in its initial phase, the number of allowances allocated free of charge exceeded enterprises' needs, giving them more time to adjust to decarbonisation.

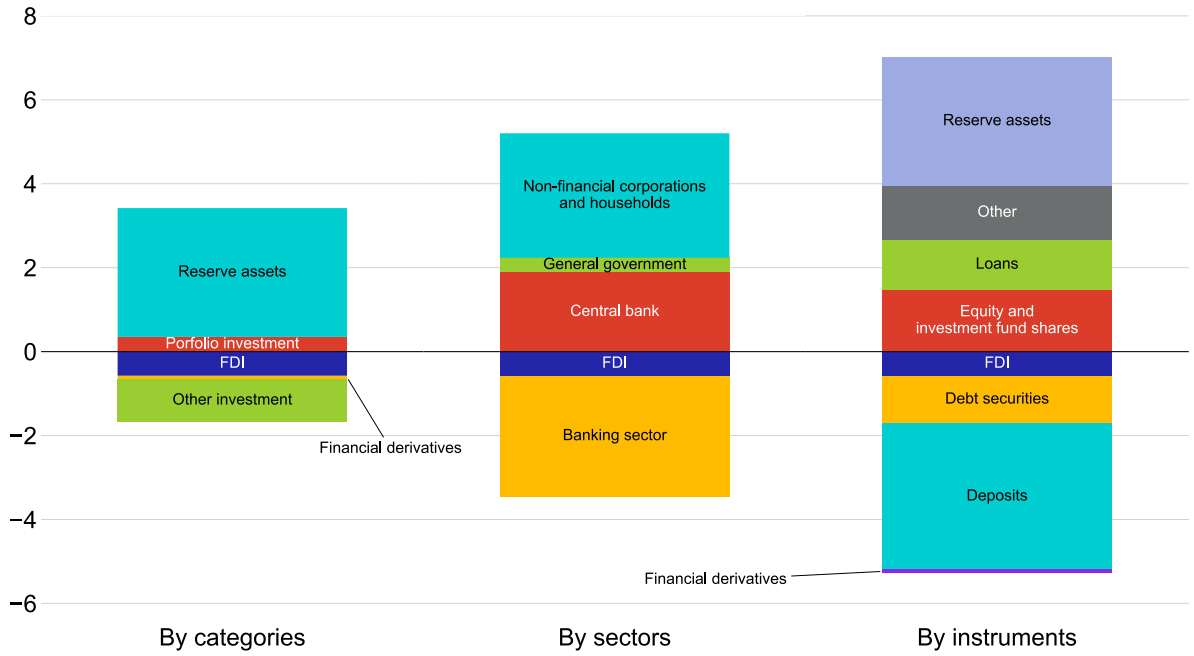
[26] Czechia's net position vis-à-vis the EU includes only general government transactions with European Union institutions.

CAPITAL FLOWS

In 2025, the financial account recorded a net capital outflow of almost CZK 150 billion (1.7% of GDP), and Czechia therefore remained a net capital exporter. The outflow was mainly driven by growth in residents' foreign assets, reflecting the continued shift of household savings and corporate investment abroad (Chart IV.1), while the purchase of EU funds into the CNB's reserves also contributed to the increase in net foreign assets. To a lesser extent, the outflow was supported by the declining role of non-residents in financing general government debt. By contrast, the overall capital outflow was partly offset by inflows into the banking sector and by a high volume of reinvested earnings in Czechia.

Chart IV.1: Capital outflows reflected residents' shift of savings abroad and an increase in the CNB's foreign exchange reserves

financial account flows, as % of GDP



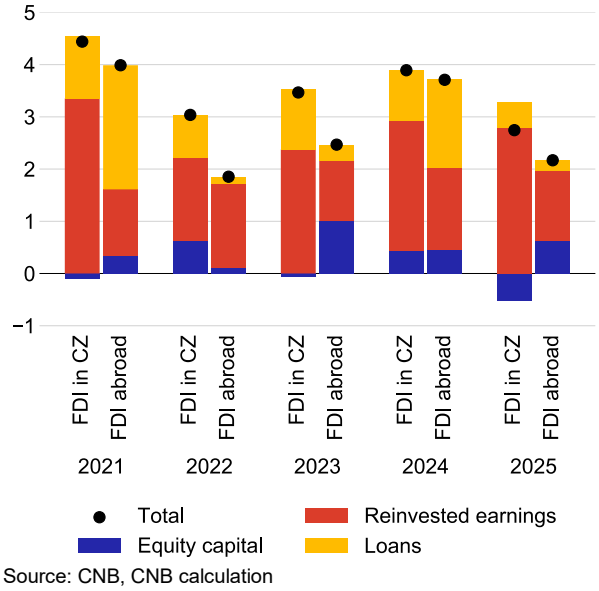
Note: Positive values indicate an increase in foreign assets or a decrease in foreign liabilities, i.e. a capital outflow from the country.
Source: CNB, CZSO, CNB calculation

DIRECT INVESTMENT

Net FDI inflows resumed in 2025 to reach 0.6% of GDP after the almost balanced position a year earlier. As the interest rate differential between the koruna and the main world currencies stabilised, intra-company debt capital flows moderated. The direct investment balance was therefore mainly driven by reinvested earnings. Their net inflow of 1.5% of GDP reflected the long-standing high stock of non-residents' direct investment in the domestic economy but was partly offset by a net outflow of equity other than reinvestment of earnings (1.2% of GDP) (Chart IV.2).

Chart IV.2: Intra-company debt financing stabilised after previous fluctuations

structure of direct investment as % of GDP



Source: CNB, CNB calculation

Weak interest in new foreign investment reflects a broader global trend

Foreign investors reduced their equity holdings in domestic corporations during the year, with reductions in registered capital reaching a historical high of CZK 45 billion. The weakening inflow of new direct investment is not specific to the Czech economy but reflects a broader global trend. In Czechia, declining interest in new investment has been visible for several years and fell further, and markedly, at the end of 2025. Compared with the other V4 countries, this decline was relatively pronounced (Chart IV.3), despite the still relatively high profitability of domestic corporations (Chart IV.4).

The decline in new direct investment inflows to Central European countries in recent years can be explained by a combination of global and regional factors. Globally, investment activity has cooled amid higher financing costs, increased geopolitical uncertainty and the gradual fragmentation of the world economy. Central Europe is also facing a gradual loss of cost competitiveness, as relatively rapid wage growth is reducing the region's cost advantage. While hourly labour costs in the EU as a whole have risen by roughly one fifth over the last five years, growth in Central and Eastern Europe has been much stronger, at around 50%. The gradual decline in cost competitiveness may dampen new direct investment inflows, especially in labour cost-sensitive industries, which are typical of the region.

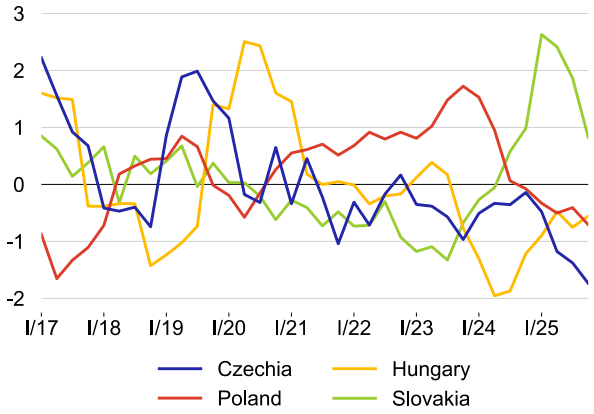
Czechia's attractiveness relative to the other V4 countries may also be reduced by other factors

The vacancy rate in industry and construction in Czechia was among the highest in the EU at the end of 2024, at around 3.5%, while labour shortages are even more pronounced in services. The tight labour market is compounded by other institutional factors. International comparisons repeatedly point to relatively complex and lengthy permitting processes, especially in construction and spatial planning. These obstacles may prolong investment implementation and reduce the country's overall attractiveness to new investors.

The smaller scale of targeted investment incentives and their availability to potential investors may also play a role. In recent years, the eligibility conditions in Czechia have tightened, especially through a stronger emphasis on higher value added, for example in research and development. At the same time, the so-called new economic activity condition applies, limiting access to incentives for expansions of existing activities by large enterprises in parts of Czechia. These factors may mean that some investment projects are not implemented or do not meet the support criteria, subsequently reducing the volume of support for new investment (Chart IV.5).

Chart IV.3: Among the V4 countries, the slowdown in new investment is most pronounced in Czechia

equity liabilities other than reinvested earnings, transactions, annual moving sum, 2017–2025, as % of GDP, z-score

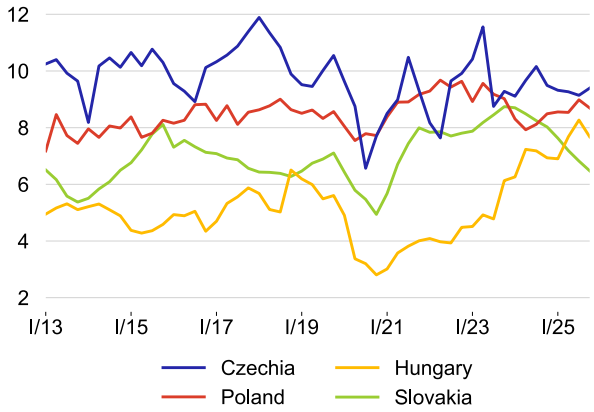


Note: The values are expressed as z-scores to improve cross-country comparability. This approach limits the effect of differences in the volatility and level of direct investment flows.

Source: CNB, CNB calculation

Chart IV.4: Among the V4 countries, foreign investors in Czechia continue to achieve the highest returns

profitability of foreign direct investment in the V4 countries, as %

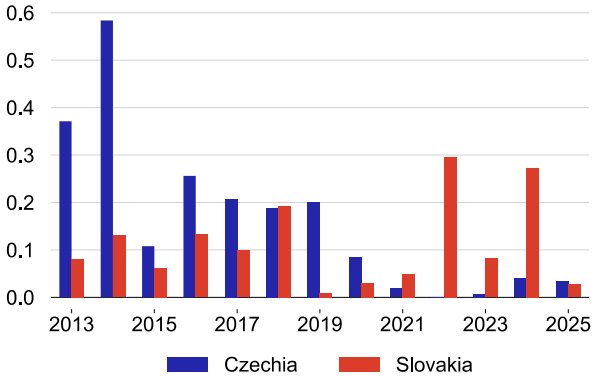


Note: FDI profitability is defined as the ratio of the annual moving sum of investment income to the total FDI position.

Source: ECB, CNB calculation

Chart IV.5: Investment support is falling in Czechia

investment incentives granted, as % of GDP



Source: CzechInvest, Ministry of Economy of the Slovak Republic, CNB calculation

PORTFOLIO AND OTHER INVESTMENT

In 2025, households and non-financial corporations were among the main sources of net capital outflows, which in their case amounted to CZK 233 billion (2.7% of GDP). This mainly reflected the continued diversification of their portfolios into foreign assets. The shift was most visible in equity investment abroad, where households and corporations invested a record CZK 173 billion.

The year also saw a change in how non-financial corporations financed themselves. Enterprises continued to repay short-term foreign loans, relying more heavily on bond issuance. This was linked both to the recovery of the primary bond market and to stronger acquisition activity by domestic non-financial corporations, leading in turn to increased issuance on foreign capital markets. These markets provide a broader investor base, stronger demand for new issues and access to larger volumes of funding, often on more favourable terms than those available on the relatively shallow domestic market

Czech households are increasingly investing abroad

Domestic households have been moving their savings away from traditional bank deposits and into investment funds and equities (Chart IV.6). Together with the still elevated saving rate, this contributed in 2025 to a further increase in residents' foreign equity and debt assets (Chart IV.7).

This shift has been supported both by rising financial literacy among Czech households and by the limited depth of the domestic capital market, which reduces the availability of domestic investment opportunities.

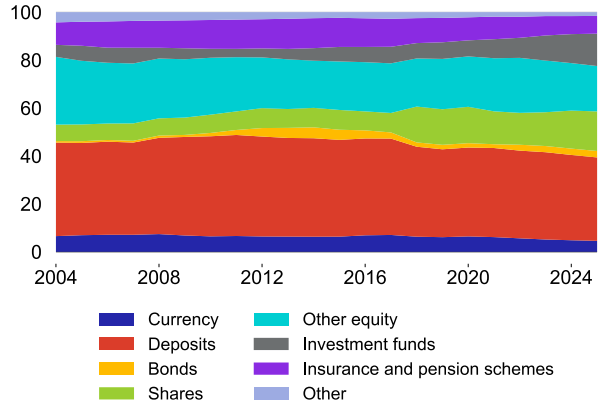
One clear manifestation of this trend is the growth of collective investment. In the Czech context, collective investment is not primarily a source of financing for the domestic economy. Instead, it largely serves as a channel through which household savings are allocated to foreign markets. Around one third of household collective investment is made through foreign funds. Domestic investment funds also invest almost half of their assets in foreign instruments, especially shares, ETFs and corporate bonds.[27]

This trend is not specific to Czechia, as it is also apparent in the other V4 countries, where equity investment outflows have generally been stronger than in more developed European economies (Chart IV.8).

[27] For more details, see the Financial Stability Report – Autumn 2025. https://www.cnb.cz/en/financial-stability/publications-on-financial-stability/.

Chart IV.6: Household savings are shifting to capital markets

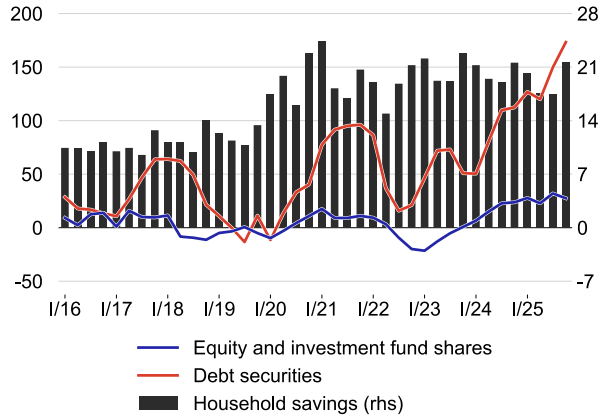
financial accounts, household assets, stocks



Source: CNB

Chart IV.7: Czechs mainly invest abroad through investment funds and shares

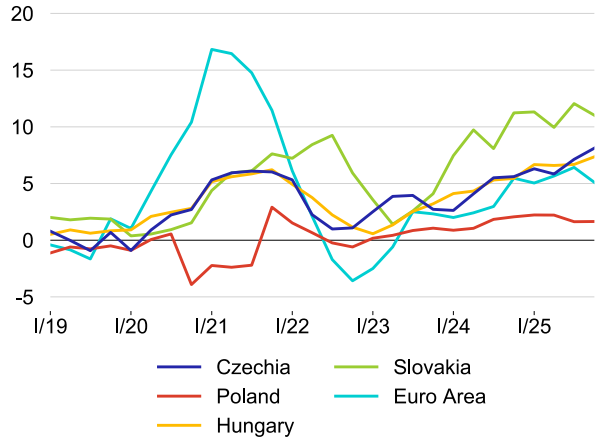
portfolio investment assets of households and corporations, annual moving sum in CZK billions, and the household saving rate in %



Source: CNB, CSZO, CNB calculation

Chart IV.8: The outflow of equity investment is accelerating

equity investment assets of households and corporations in selected countries, transactions, as % of GDP, four-quarter cumulative sum



Source: ECB Data Portal, CNB calculation

The role of non-residents in government debt financing is declining

The general government sector recorded a net capital outflow of around CZK 29.5 billion in 2025 (0.3% of GDP), mainly a reflection of net repayments of domestic government debt securities held by non-residents. A smaller part of the outflow was related to long-term advance payments abroad connected with defence investment projects, which reduced the government's external debt by more than CZK 22 billion.

Although the government's financing needs increased[28], and with them the supply of government bonds available to non-residents, foreign investors' appetite for Czech government debt has been weakening over the long term, including in a regional comparison (Chart IV.9). The share of non-residents in government debt financing has therefore been steadily falling.[29]

This reflects a broader shift in the structure of government debt financing. The growing role of domestic savings and the domestic financial sector has enabled the government to meet its financing needs primarily on the domestic market rather than relying on foreign investors. Czechia is therefore increasingly financing itself in domestic currency, where the participation of non-residents is much lower than in foreign-currency-denominated debt. It is also the only country in the regional comparison to have been reducing the share of foreign-currency debt in total government debt[30] over the long term (Chart IV.10). In this respect, Czechia is gradually moving closer to the model typical of developed economies, which finance public debt mainly in their own currency and rely on domestic financial markets.

The decline in global investor interest in regional government bond markets was not driven only by supply-side factors. These instruments also became less attractive from a risk-return perspective. Although government bonds issued by selected Central European countries offered higher nominal yields than bonds in developed economies, they also involved higher return volatility and exchange rate risk. The performance of regional bond markets is therefore better assessed using hedged indices, which remove currency effects. These show that, once the combined effect of currency hedging and price movements is considered, returns were often relatively low given the interest rate and market risk involved. For foreign investors, debt instruments denominated in major global currencies, or equity markets with a more favourable risk-return profile, were therefore often more attractive (Chart IV.11).

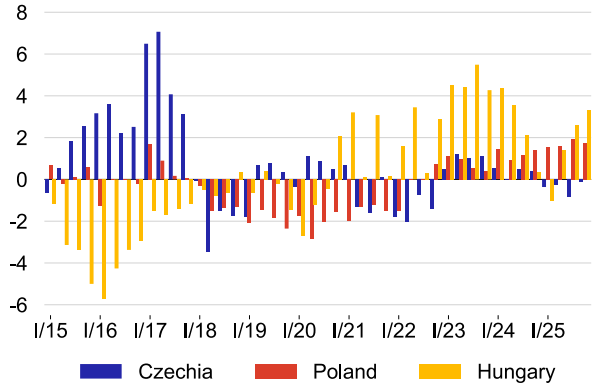
[28] The government's gross borrowing requirement increased from CZK 511.2 billion in 2024 to CZK 695.2 billion in 2025.

[29] According to the Ministry of Finance, the share of non-residents in holdings of domestic government bonds declined from 36.7% in 2019 to 25.1% in 2025.

[30] Government debt amounted to 43.1% of GDP in 2025.

Chart IV.9: Non-resident capital inflows into Czech government bonds are weakening

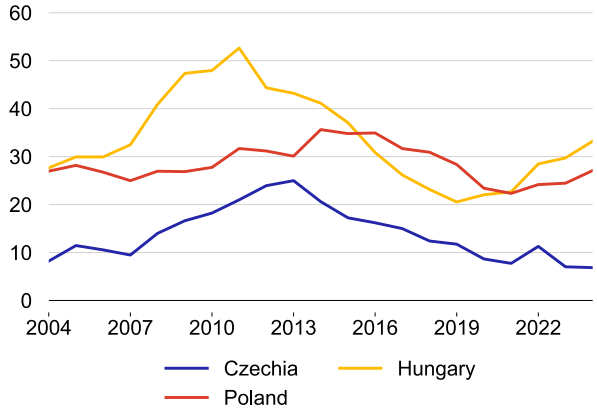
foreign investment inflows into government bonds, annual moving sum as % of GDP



Source: ECB Data Portal, CNB calculation

Chart IV.10: Czech government financing is increasingly taking place in the domestic currency

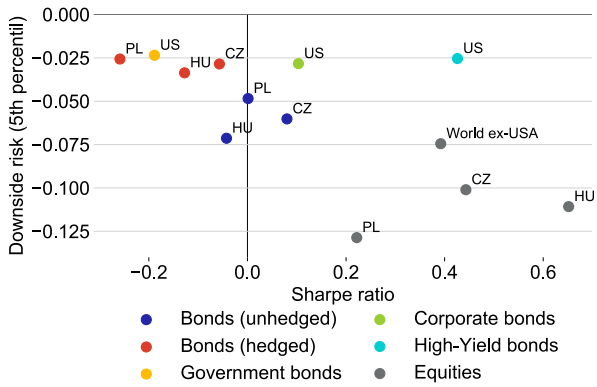
share of foreign-currency-denominated debt in total government debt, as %



Source: ECB Data Portal

Chart IV.11: The risk premium on regional bonds remains low

comparison of risk-adjusted returns for selected indices



Note: The Sharpe ratio is calculated from monthly returns for 2015–2025. All indices are expressed in USD on a total return basis. The bond indices include both hedged and unhedged variants. The Sharpe ratio is defined as the average monthly excess return over three-month US Treasury bills divided by the standard deviation of excess returns. The downside risk corresponds to the fifth percentile of monthly returns.

Source: Bloomberg, CNB calculation

Despite net repayments of debt liabilities to non-residents, the external debt of Czech general government increased, as it is affected not only by flows but also by market revaluation. In market-value terms, general government's net external debt[31] rose to CZK 768.2 billion. Relative to GDP, however, it edged down from 9.2% to 9.0%, as the economy grew faster than the debt itself.

Domestic banks recorded a substantial inflow of short-term foreign capital

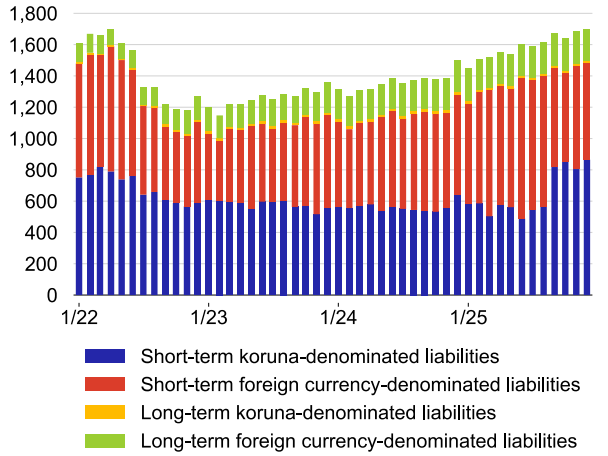
The domestic banking sector recorded a significant net inflow of foreign capital in 2025 amounting to CZK 238 billion (2.8% of GDP). This inflow was mainly driven by short-term non-resident deposits and by domestic bond issuance abroad. It was partly offset by an increase in domestic banks' holdings of foreign bonds and by higher lending to foreign entities.

Roughly CZK 202 billion flowed into domestic banks in the form of short-term foreign deposits. Bank balance sheet data which, unlike the balance of payments, capture stocks and also provide a currency breakdown, show that these funds were almost entirely koruna-denominated (Chart IV.12). By contrast, the foreign-currency component of short-term liabilities declined slightly. This development was supported by the stabilisation of the interest rate environment, encouraging non-residents to shift liquidity into koruna assets (Chart IV.13).

Bond issuance to non-residents amounting to CZK 116 billion also contributed to the net capital inflow into the banking sector. This was mainly related to domestic banks' balance sheet management at the end of the accounting period.

Chart IV.12: The structure of banks' external liabilities shifted towards the koruna component

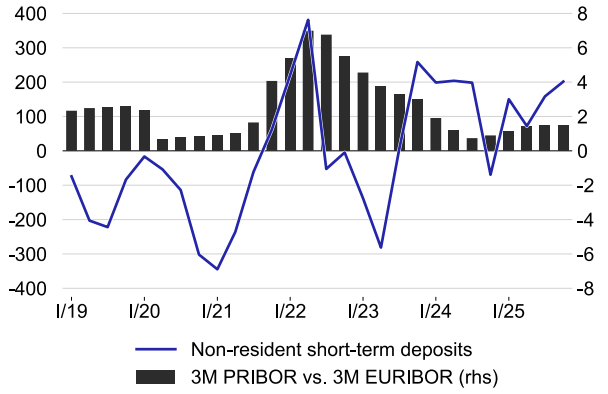
domestic commercial bank external liabilities, stocks, in CZK billions



Source: CNB

Chart IV.13: Short-term non-resident capital flows follow movements in the interest rate differential

selected banking sector flows in the balance of payments financial account and the interest rate differential, annual moving sum in CZK billions and percentage points



Source: CNB, CNB calculation

[31] General government's net external debt is the sum of general government's external debt liabilities (gross external debt) adjusted for the external debt assets of these institutions. A positive value corresponds to a net debtor position.

CNB RESERVES

The CNB's reserve assets continued to grow in 2025, increasing by CZK 94 billion (1.1% of GDP) year on year, with the purchase of net income from the EU making the largest contribution to this growth. Through this operation, the central bank eliminates the impact of net EU funds received on the koruna exchange rate.[32] Reinvestment of reserve income did not contribute to the growth in reserve assets, as since August 2023 the central bank has sold most of this income on the market to slow the growth of its balance sheet. The total value of reserves thus increased to CZK 3.6 trillion, or 42.5% of GDP.[33] Czechia therefore continues to rank among the countries with the largest foreign exchange reserves relative to GDP worldwide. The level of reserves is also 2.5 times higher than the level needed to prevent and resolve balance of payments crises, such as a sudden outflow of foreign capital or a surge in imported fuel prices (Chart V.1).

The high volume of foreign exchange reserves allows the CNB to hold a smaller share of liquid instruments and invest a larger part of the portfolio in higher-yielding asset classes

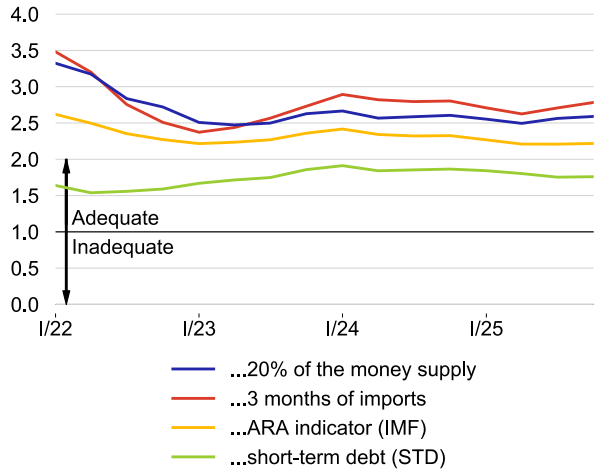
The liquid part of the CNB's portfolio decreased slightly again in 2025, and its share in the managed portfolio is below average by international standards.[34] This is linked to its high volume of foreign exchange reserves, which reduces the need to hold a larger part of the portfolio in immediately liquid form. Foreign exchange reserves primarily serve as insurance against external shocks, exchange rate pressures and sudden capital outflows, so must be partially invested so as to be quickly available without significant capital losses.

Where the volume of reserves is high, however, the relative importance of this liquidity component decreases and there is more room for allocation to higher-yielding assets with a longer investment horizon. Like other central banks managing at least USD 50 billion in reserves, the CNB therefore allocates a larger part of its portfolio to the investment tranche.[35]

Even within this category, however, the CNB is exceptional. While equity indices remain rather marginal in central bank reserves and are classified as "non-traditional" assets,[36] the CNB increased its equity share significantly year on year (Chart V.2) and allocated 26.2% of total foreign exchange reserves to equity indices at the end of last year (Chart V.3). Within the investment tranche itself, the

Chart V.1: Foreign exchange reserves remain above all key prudential thresholds

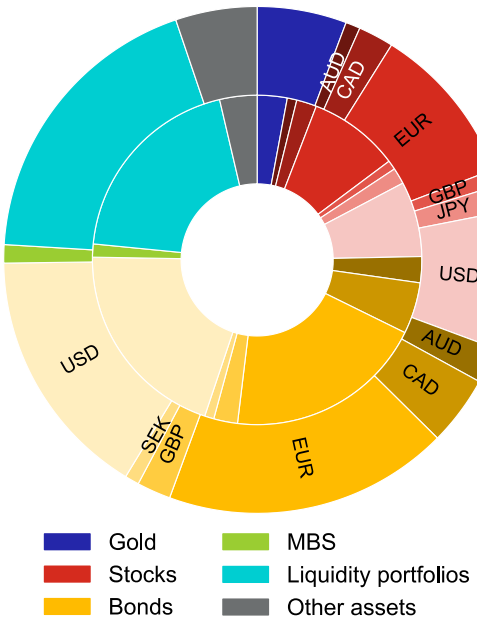
foreign exchange reserve adequacy indicators, ratio of reserves to…



Source: CNB, CNB calculation

Chart V.2: The share of equity indices and gold in foreign exchange reserves increased

structure of foreign exchange reserves in %, 2024 inner, 2025 outer



Source: CNB, CNB calculation

[32] Based on a previous agreement with the Czech government.

[33] The value of the CNB's net foreign assets also increased by CZK 20 billion, reaching CZK 3.4 trillion, or 40.2% of GDP.

[34] The average share of the liquidity tranche in the reserves of 136 central banks is 34%, while the CNB's liquidity tranche accounted for 19.9% in 2025. For more details, see the 2025 Reserve Management Survey Report.

[35] Interest in greater diversification, higher returns and stronger resilience to market and macroeconomic shocks is evident across all central banks. The range of assets included in central bank portfolios is also expanding further to include previously non-traditional assets, such as inflation-linked bonds and covered bonds.

[36] Among the 136 surveyed central banks, "non-traditional" assets account for only 11% of foreign exchange reserves on average. Developed market equities account for about 1.9% and are held by 17% of central banks.

equity share was as high as 32.9%, and the CNB plans to increase it to 38% by 2029.

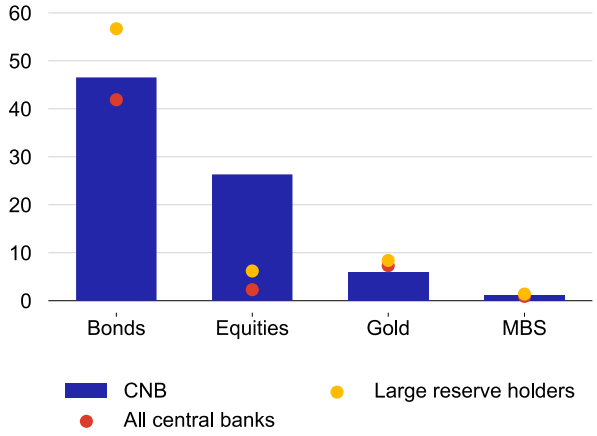
Exchange rate revaluation dampened growth in foreign currency returns

Investment in gold[37] also continued to rise, and the structure of the debt part of the portfolio is also changing. The share of assets rated AA- to AAA fell from 90% in 2024 to 84% in 2025. The shift in the reserve structure towards riskier assets thus contributed to an increase in the weighted average return (Chart V.4) on foreign exchange reserves in foreign currency to 10.29% p.a.

The koruna return on reserve assets is sensitive to exchange rate developments, and last year brought unusually high volatility. The US dollar weakened on global markets[38] and the koruna appreciated against it by 14.8% year on year.[39] The koruna also strengthened slightly against the euro. Taking exchange rate effects into account, the koruna return decreased by 9.5 percentage points year on year to 0.8% p.a.

Chart V.3: The CNB manages an above-average share of equity indices in a global comparison

share of selected investment instruments in total foreign exchange reserves, CNB and survey of 136 central banks, as %

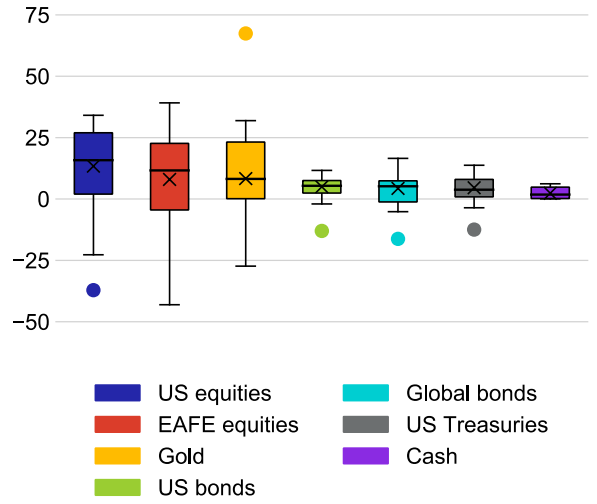


Note: Central banks with a high volume of foreign exchange reserves are defined as those managing at least USD 50 billion.

Source: CNB, World Bank, CNB calculations

Chart V.4: The reallocation of foreign exchange reserves to riskier assets generated higher returns

average annual return on the main asset classes in foreign exchange reserves in USD, 1997–2025



Note: EAFE stands for equities of developed markets outside the USA and Canada.

Source: Bloomberg, CNB calculation

[37] The volume of gold in the reserves rose from 51 to 72 tonnes and its share in the international reserves portfolio doubled year on year.

[38] The significant depreciation of the US dollar last year mainly reflected uncertainty regarding US tariff and trade policy, expectations of Fed rate cuts and the debate on US debt sustainability.

[39] The appreciation compares values as of the end of 2025 and the end of 2024.

6 THEMATIC ANALYSES

6.1 FINANCIAL ACCOUNT OF THE BALANCE OF PAYMENTS: METHODOLOGICAL PRINCIPLES AND DATA SOURCES[40]

The financial account of the balance of payments captures changes in financial assets and liabilities arising from transactions between residents and non-residents. In the context of the balance of payments, it thus makes it possible to analyse how external imbalances of the economy are financed and how surpluses on the current and capital accounts are reflected in the accumulation of foreign assets or in the reduction of foreign liabilities. This article summarises the methodological principles for compiling the financial account at the Czech National Bank, the main data sources and the links to other macroeconomic statistics. Special attention is paid to the relationship between the current and financial accounts and to the revision process, an integral part of the gradual refinement of statistical outputs.

6.1.1 INTRODUCTION: FINANCIAL FLOW STATISTICS IN THE BALANCE OF PAYMENTS SYSTEM

The financial account of the balance of payments is a key instrument for analysing an economy's external position and how it is financed. Its proper interpretation requires a clear methodological delineation of financial flows and transactions, a strict distinction between transactional and non-transactional changes (i.e. revaluations and other volume changes), and consistent application of the residence principle and accrual accounting. A solid understanding of the underlying data sources, their processing and their links to other macroeconomic statistics is equally important.

The balance of payments is, from a methodological perspective, designed to be fully consistent with the System of National Accounts (SNA 2008) as well as with its European implementation (ESA 2010; European Commission, 2009). It thus represents the equivalent of the "rest of the world" sector accounts within the system of national accounts. In practice, however, consistency is not always achieved, mainly due to differences in data sources and their coverage, differing estimation methods (e.g. for reinvested earnings), the timing of transaction recording, and the not entirely uniform application of the accrual principle in balance of payments statistics.

The current account balance corresponds to the balance of the external account of goods, services and income and, after incorporating the capital account, is mirror-linked to the economy's net lending or borrowing. The financial account then captures how this net position is realised through changes in foreign assets and liabilities.

The financial account is closely linked to the international investment position

The international investment position records the stock of external assets and liabilities arising from the accumulation of transactions, revaluations and other changes in volume. The integration of the financial account and the international investment position makes it possible to analyse not only current capital flows but also the long-term development of the net external position and its sensitivity to exchange rate or price changes.

From an accounting perspective, the combined balance of the current and capital accounts must be mirrored by the balance on the financial account

A surplus on the current and capital account manifests as a net increase in foreign assets or decrease in liabilities (capital outflow), while a deficit, by contrast, appears as a decrease in foreign assets or an increase in liabilities (capital inflow). This identity follows from the principle of double-entry accounting, not from any active balancing mechanism.

In practice, however, statistical discrepancies arise, mainly through:

- imperfections in the primary data and the application of statistical significance criteria,
- inaccuracies in valuation,
- the derivation of transactions from stock data,
- the inconsistent application of the accrual and cash principles.

The interpretation of the link between the current, capital and financial accounts therefore requires consideration of the financing structure, sectoral behaviour and data quality.

[40] Authors: Milan Nejman (milan.nejman@cnb.cz) and Filip Novotný (filip.novotny@cnb.cz), Czech National Bank. The views presented in this article are those of the authors and do not necessarily reflect the official position of the Czech National Bank. We thank Igor Krejčí, Zdeněk Pikhart, Václav Rybáček, Petr Sklenář and Adriana Wałoszková (all CNB) for their valuable comments and suggestions.

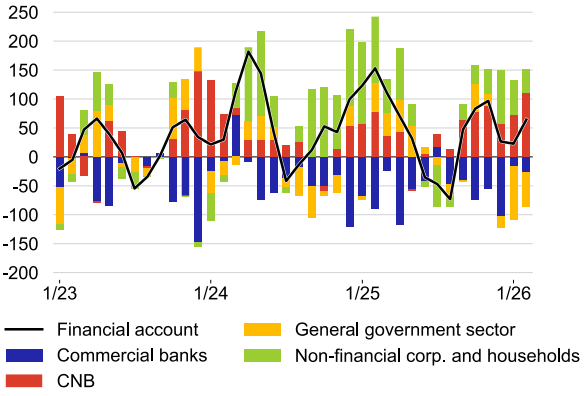
The link between flow and stock statistics can be illustrated using the recent developments in the Czech economy. In recent years, Czechia has recorded a positive balance of trade in goods and services, and this has been the main source of its current account surplus. Export performance is also strongly driven by foreign-controlled corporations, leading to an outflow of direct investment income in the form of primary income, thereby reducing the current account surplus.

The Czech economy's external surpluses generate resources that residents can invest abroad

In the financial account, a net capital outflow has been observed in recent years. Chart VI.1.1, which shows financial account transactions by sector (commercial banks, the general government sector, corporations and households, and the CNB), indicates a markedly cyclical pattern and significant sectoral differentiation. The overall balance shows that, in recent years, the corporations and households sector in particular has been accumulating foreign assets, representing a capital outflow.

Chart VI.1.1: Corporations and households determine the direction of capital flows

3-month moving totals, CZK billions



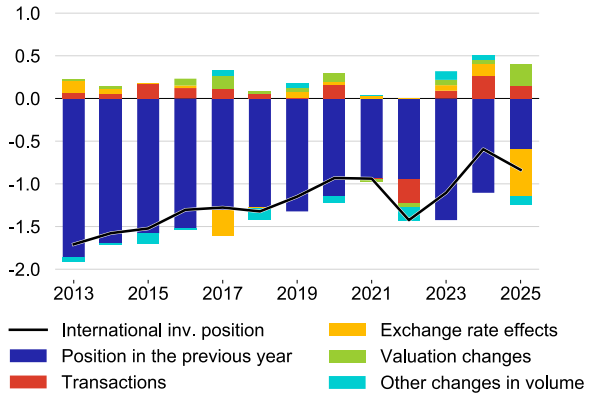
Source: CNB, own calculations

The financial account cannot be viewed in isolation but must be understood as part of an integrated system. This system links the real economy's current transactions, the financial decisions of individual sectors and the long-term evolution of the country's external position. This interconnectedness is crucial for assessing the economy's external sustainability and for informing economic policy.

Financial flows shape the long-term profile of the international investment position. Chart VI.1.2 shows the evolution of Czechia's international investment position and its decomposition into transactions, exchange rate and price changes, and other volume changes. Although Czechia's net investment position has long been negative, net capital outflows and favourable valuation effects have gradually improved it.

Chart VI.1.2: The net external position is gradually moderating

Stocks and flows in CZK trillions



Source: CNB, own calculations

6.1.2 METHODOLOGICAL DEFINITION OF FINANCIAL FLOWS AND TRANSACTIONS

The SNA 2008, ESA 2010 and BPM6 (International Monetary Fund, 2009) international manuals provide a systematic definition of economic flows and stocks. Flows represent the creation, transformation or extinction of value and comprise transactions, revaluations and other changes in volume. Transactions are a specific type of flow and represent an interaction between two institutional units based on mutual agreement or a legal act. By contrast, stocks express the value of assets and liabilities at a specific point in time (at the end of the reference period). Stocks change precisely as a result of flows.

The purchase of foreign shares by a resident from a non-resident is a specific example of a financial transaction. The result of such a purchase is an increase in the number of foreign shares held by the resident. In subsequent periods, this position may change further as a result of additional purchases or sales (transactions), changes in the market price of the shares (price changes), changes in the exchange rate if the shares are denominated in a foreign currency (exchange rate changes) or, for example, the issuer's default or other events (other changes in volume). The total change in the position between two points in time is the sum of all these flows.

Each transaction is recorded in a double-entry manner:

- Purely non-financial transactions are recorded in the current or capital account of the balance of payments.
- Purely financial transactions are recorded exclusively in the financial account of the balance of payments. Overall, the financial account balance does not change, as the net increase in assets is offset by a corresponding net increase in liabilities.

- Transactions that separately record the non-financial and financial components (e.g. an export of goods matched by the creation of a receivable or the reduction of a liability).

The financial account records only changes in assets and liabilities arising from transactions between residents and non-residents, with revaluations and other changes in volume recorded separately. This distinction is crucial for analysis, as price or exchange rate changes can significantly affect the value of foreign assets without involving any new economic interaction (Chart VI.1.2). The double-entry principle is essential – each transaction carries both a credit and a debit record. The balance of payments is therefore, in methodological terms, always balanced (excluding statistical discrepancies). The current BPM6 methodology emphasises the perspective of net acquisition of financial assets (NAFA) and net incurrence of liabilities (NIL), thereby bringing it closer to the system of national accounts compared with earlier methodologies.

The financial account is compiled on an accrual basis, i.e. in the period in which the economic transaction occurs

A sectoral approach is applied – what matters is the relationship between the resident and non-resident, not the trading currency or the instrument currency (Drahozalová, A., Rybáček, V., 2025). Financial transactions therefore cannot be automatically interpreted as direct pressure on the exchange rate, even though indirect links exist (e.g. subsequent currency conversion when buying or selling securities).

In practice, for balance of payments statistics, it is not always possible to identify both parties to a transaction (the transaction-based approach, or transactor approach) mainly because of the limited availability of counterparty data. Therefore, the debtor-creditor approach is often used for geographical breakdowns. This records who the debtor and creditor are, and makes it possible to monitor how this relationship between them evolves over time. Transactions between two residents or between two non-residents involving financial instruments do not change the overall external position but only the sectoral structure of holdings. The two approaches have different analytical value: the debtor-creditor approach is suitable for analysing the financing structure, while the transactor approach makes it possible to track who conducts a transaction with whom. From the perspective of the overall financial account balance, however, the two approaches are equivalent and give the same result.

An example is a Czech corporation purchasing a foreign company from a Czech bank. Under the transactor approach, this transaction is not cross-border because it takes place between two residents, and therefore has no impact on the financial account balance. Likewise, under the debtor-creditor approach there is no change in the overall external balance because the relationship between residents and non-residents does not change. However, the transaction does affect the sectoral structure of the external position, as the foreign asset shifts from the balance sheet of the Czech bank to that of the Czech corporation.

Table VI.1.1: Recording in the balance of payments and the international investment position by approach: examples

Transaction type	Transactor approach	Debtor-creditor approach – Czechia's overall external position	Debtor-creditor approach – Czechia's sectoral external position
A Czech corporation purchases a Czech company from a Czech commercial bank	No	No	No
A Czech corporation purchases a foreign company from a Czech commercial bank	No	No	Yes
A Czech corporation purchases a Czech company from a foreign corporation	Yes	Yes	No
A foreign corporation purchases a foreign company from another foreign corporation	No	No	No
A foreign corporation purchases a Czech company from another foreign corporation	No	No	No
A foreign corporation purchases a Czech company from a Czech corporation	Yes	Yes	No

Source: Prepared based on the Balance of Payments and International Investment Position Manual, sixth edition (BPM6), IMF (2009)

6.1.3 DATA SOURCES, THE COLLECTION PROCESS AND PROCESSING

The compilation of statistics on the financial flows of the balance of payments and foreign assets and liabilities of the international investment position is based on a combination of several types of data sources. The core consists of administrative data and data collected from reporting agents, which are further supplemented by estimates and follow-up calculations. A key system for data collection at the CNB is the SDAT statistical-supervisory system, which makes it possible to use information gathered primarily for supervisory purposes also for macroeconomic statistics.

Financial sector reporting forms the most important part of the input data

Data for banks, investment funds, insurance companies, pension funds and other regulated institutions are available at relatively high levels of detail, frequency and timeliness. The CNB's institutional arrangement is an important advantage as it combines financial market supervision with macroeconomic statistics. This allows existing data sources to be used efficiently. Data from the financial intermediaries (S.125), financial auxiliaries (S.126) and captive financial institutions (S.127) sectors are less detailed, yet these sectors play a comparatively smaller role in external relations than banks and investment funds.

General government is also an important segment. The Integrated Information System of the State Treasury (IISSP) serves as the key data source, used not only for the financial account of the balance of payments and the international investment position but also for government finance statistics. It is also an important data source, among other things, for the government's external borrowing relationships.

The non-financial corporate sector occupies a specific position

The non-financial corporate sector is characterised by high heterogeneity, differences in entity size and the changing organisational structure of multinational groups. At the same time, it has more limited capacity for statistical reporting than financial institutions. Accurate recording requires the systematic identification of significant units and the provision of methodological guidance to them. The legislative framework consists of the Act on the CNB and Decree No. 235/2013 Coll., which defines the range of statistically significant reporting entities and sets the reporting frequency: monthly, quarterly and annual. Data from private commercial data providers, as well as the regular exchange of microdata with the Czech Statistical Office, are also important.

From both a methodological and organisational perspective, data collection for the household sector (S.14) is the most demanding. From the perspective of financial account assets, the most significant items are direct foreign investments by natural persons with holdings above 10%, often referred to as "foreign investments of Czech billionaires". The identification of these units relies on both publicly accessible sources (annual reports, wealth rankings) and European statistical registers (the European Group Register). To protect personal data, only public information is used and statistical confidentiality rules are strictly applied.

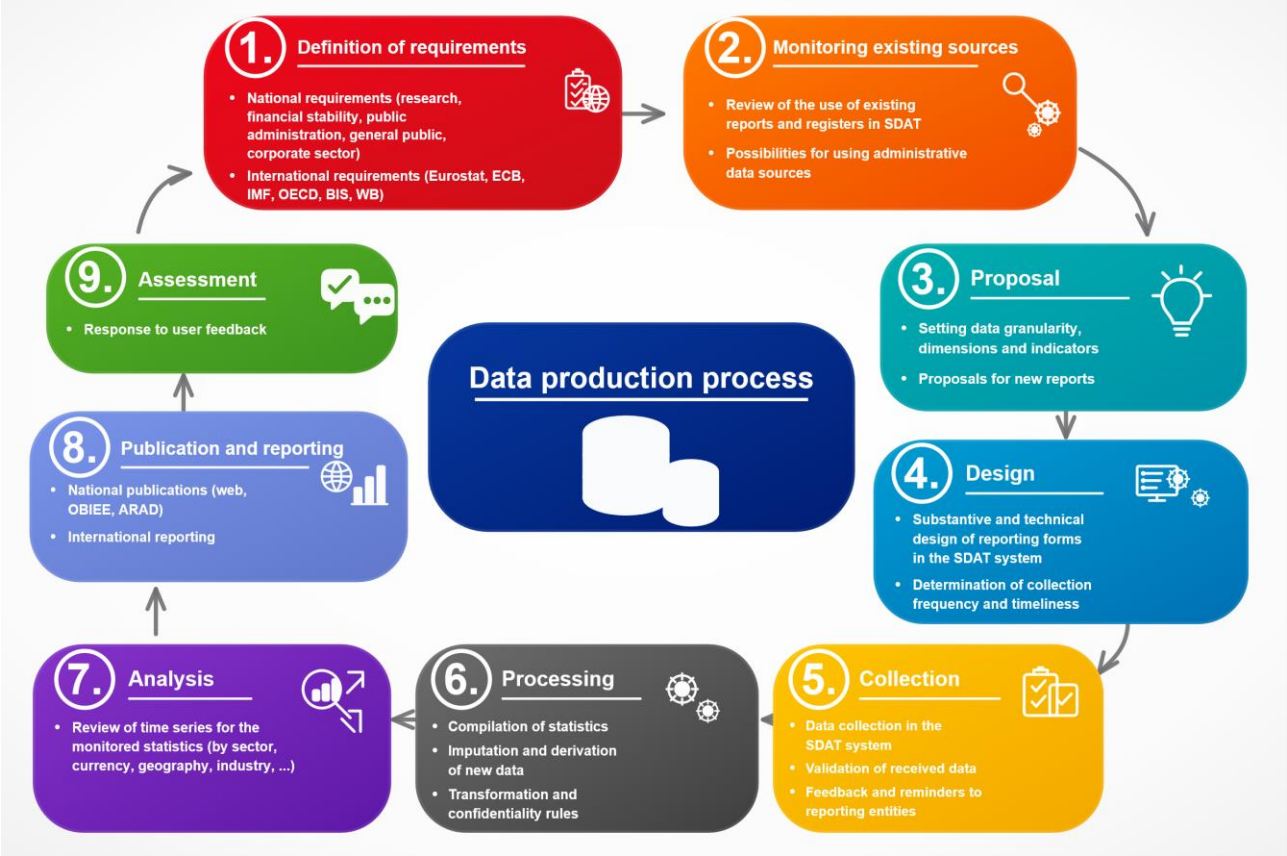
Growing demand from international institutions (Eurostat, the ECB and the IMF) for higher data granularity is a significant trend

The level of detail in the output statistics depends on the corresponding granularity of the input data, which increases the demands placed on both reporting units and statistical compilers. The structure of the data branches is defined by the SDMX standard, while individual institutions specify the range of dimensions required (e.g. countries, creditor and debtor sectors, instrument and currency).

Extensive follow-up processing takes place between the input data and the final statistics. In particular, this includes:

- imputations and estimates for missing or non-responding units,
- estimates of holdings of securities issued by residents under foreign law, based on the residual principle,
- linking the data to national and international registers,
- the derivation of transactions and income flows from stock data,
- detailed verification of the correct coding of countries, currencies and sectors.

Chart VI.1.3: Statistical data life cycle



Source: Generated by AI based on UN (2015)

The financial account is divided into five main functional categories: direct investment, portfolio investment, financial derivatives, other investment and reserve assets

Foreign direct investment (FDI) is monitored at the CNB using annual reports, which around 5,000 reporting entities are contacted to complete. These reports contain detailed information on ownership links, intra-group loans and the associated interest and dividend flows. The annual data are used to revise monthly and quarterly estimates and to produce detailed breakdowns by country and industry. Monthly and quarterly reports are also important, serving not only for direct investment statistics but also providing input for other external statistics. Looking ahead, the use of AI tools is being explored, including for identifying the external relationships of selected corporations and for acquiring administrative data.

Data collection for **portfolio investment** follows a security-by-security approach, capturing each instrument individually using its unique security identifier. The data are integrated into the securities holdings database containing all holder-issuer relationships, not only cross-border links. The possibility of harmonisation with quarterly financial accounts is an advantage. The database is populated through direct reporting by financial institutions and indirect reporting via investment firms (custodians). For natural persons, the data are aggregated to ensure personal data protection. Transactions, revaluations and income flows are derived from stock data, and the identity between changes in positions and the sum of transactions and other flows must hold.

Financial derivatives comprise over-the-counter derivatives and exchange instruments (except for selected CNB reserve operations).

Other investment consists mainly of loans, deposits and trade credits.

Reserve assets are liquid foreign currency instruments issued by non-residents and held as part of the CNB's international reserves. The data are based on the CNB's balance sheet and specialised statements. The reserves are also reported to the IMF (International Monetary Fund) under SDDS Plus (Special Data Dissemination Standard Plus).

Differences in collection frequency (monthly, quarterly, annual) and respondent heterogeneity are a natural source of statistical uncertainty. This is reflected in the errors and omissions item. At the same time, strict statistical confidentiality rules must be observed to prevent the backward identification of individual reporting units.

The CNB's statistics are being prepared for the implementation of the new seventh edition of the Balance of Payments and International Investment Position Manual (BPM7)

BPM7 emphasises the integrated treatment of positions, transactions and other flows, refines sectoral classifications and introduces new areas such as ESG (Environmental, Social, Governance) attributes of debt securities, cryptoassets and emission allowances. It also revises the definition of reserve assets, for example in relation to collateral in repo operations.

The entire system of financial account data sources thus constitutes a complex, multi-layered framework. It combines administrative data, reporting systems, registers and estimates to ensure a consistent and internationally comparable recording of the Czech economy's financial relations with the rest of the world.

6.1.4 DATA REVISIONS: FREQUENCY, TYPES AND RATIONALE

Balance of payments data undergo a systematic revision process. Preliminary monthly estimates are refined when quarterly data are released, and final annual figures are closed roughly 15 months after the end of the reference year. In addition to routine revisions, major (benchmark) revisions are carried out at longer intervals to reflect methodological changes, new data sources and the implementation of updated international manuals.

Revisions do not represent a flaw in statistics; rather, they are a natural part of the process of refining data

Routine revisions reflect the replacement of estimates with more complete information, whereas benchmark revisions may lead to adjustments of longer time series and are often coordinated at the international level. Within the EU, they follow a harmonised revision policy that promotes consistency between the national accounts and the balance of payments. Emphasis is placed on internal and cross-domain consistency and on the transparent communication of changes. The revision process thus strengthens the credibility of the statistics and enhances their usefulness for analysis and economic policy.

6.1.5 CONCLUSION

The financial account of the balance of payments provides a comprehensive framework for recording the financial relations of an economy with the rest of the world. Its methodological principles, data sources and links to the national accounts and the international investment position make it possible to monitor capital flows. Although balance identities hold by definition, their empirical fulfilment depends on the quality of input data, the application of methodology, and the revision process.

The growing complexity of international financial transactions and the emergence of new instruments, including crypto-assets, are increasing the demands on statistical processing. At the same time, however, they broaden analytical possibilities. The integrated concept of flows, stocks and other changes thus makes it possible to assess not only how financial assets and liabilities change in relations between residents and non-residents, but also the long-term sustainability of the external position and the economy's sensitivity to external shocks, which is essential for macroeconomic analysis and economic policy-making.

REFERENCES

European Commission (2013) European System of Accounts (ESA 2010). Luxembourg: Publications Office of the European Union.

International Monetary Fund (2009) Balance of Payments and International Investment Position Manual, Sixth Edition (BPM6). Washington, D.C.: IMF. System of National Accounts, SNA 2008.

United Nations Statistics Division. Generic Statistical Business Process Model (GSBPM). New York: United Nations, 2015.

Drahozalová, A. and Rybáček, V. (2025) Making Sense of Exchange Rate Pressures in Macroeconomic Statistics. Statistics: Statistics and Economy Journal, 105(1), pp. 25–44.

Hronová, S., Sixta, J., Fischer, J. and Hindls, R. (2019) National Accounting: From Production to Wealth. Prague: C. H. Beck.

Vejmělek, J. and Žďárek, V. et al. (2013) Macroeconomic Analysis: From Theory to Application. Prague: Wolters Kluwe

6.2 FAMILY FIRST: CAN THE OWNERSHIP OF CZECH EXPORTERS EXPLAIN THEIR RESILIENCE IN A STAGNATING EUROPE?[41]

Recent years should have been a perfect storm for Czech industrial exporters: the energy crisis, stagnating German demand and the rise of Chinese competition. Yet even with such adverse headwinds, Czech exports accelerated and increased their share of the global market. What lay behind this? Paradoxically, the economic slowdown in key export destinations also played a role, as demand for Czech products there fell less than demand for competing products. This resilience may be due to the strong ownership links of Czech corporations within multinational production chains.

Czechia as the unexpected winner of Europe's slowdown

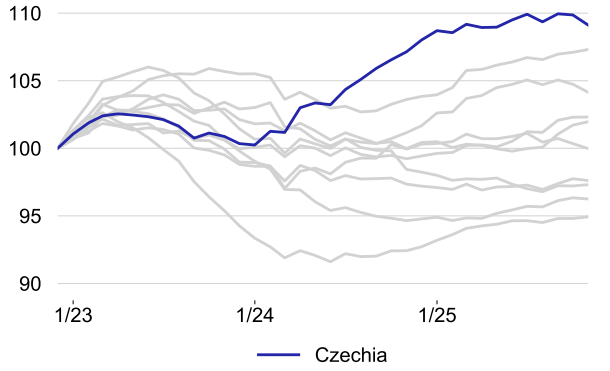
The European economy is facing a deep crisis in the functioning of its model. The energy shock has raised production costs, the war in Ukraine has shaken geopolitical certainties, and competition from China has intensified pressure on traditional European producers. Germany, long regarded as the engine of European industry, is struggling with subdued demand and structural problems. There are thus growing concerns that Europe is losing competitiveness and, with it, its place in global trade.

Czechia is one of the economies that should have been hit hardest by these shocks. Its share of industry in GDP is the highest in the EU, production is energy-intensive, and almost one third of its exports head to the weakening Germany. Moreover, the product structure of Czech exports to the European market is more like that of Chinese exports to Europe than in any other EU country. This overlap means that Czech exports are exposed to strong price and technological competition. Intuitively, one would therefore expect Czechia to have been among the "losers" on global markets in recent years.

The data, however, point to the opposite trend: Czech industrial exports have performed surprisingly well in a European comparison over the last three years (Chart VI.2.1). This favourable development is not limited to a comparison with Czechia's closest trading partners, as Czech export growth also outpaced the global average, contributing to an increase in Czechia's share of global trade. In this article, we therefore look at the factors that have influenced Czech export performance in recent years.[42]

Chart VI.2.1: Czechia outperformed its main trading partners in exports of industrial goods

exports of industrial goods (SITC 5–8) of Czechia and selected trading partners, 12-month cumulative sum, index, December 2022 = 100



Note: The selected trading partners include Austria, France, Germany, Hungary, Italy, the Netherlands, Poland, Slovakia and Spain.

Source: Eurostat, own calculation

Market share growth can reflect structure or performance

Czechia's share of the global export market increased in the unfavourable European climate of 2022–2024. To interpret this development correctly, however, we need to distinguish between two sources of this growth. A gain in market share may reflect specialisation in the "right" products and markets, or better performance than competitors in the same markets. To separate these effects, we use a shift-share decomposition following Cheptea et al. (2014),[43] which decomposes the change in market share into structural and performance components.

The structural component comprises two effects: sectoral and market. Since global demand for individual products evolves differently, the sectoral effect helps determine

[41] Author: Anna Kábrtová (anna.kabrtova@cnb.cz), Czech National Bank. The views presented in this article are those of the author and do not necessarily reflect the official position of the Czech National Bank.

[42] Most international databases are available with a time lag, so the following analysis is based on data for 2023–2024. However, the identified trends are long-term in nature, so the conclusions can also be applied to 2025.

[43] Compared with the traditional constant market share (CMS) approach, the method adopted by Cheptea et al. is econometric: it works with the growth of individual bilateral flows at the year–exporter–importer–product level and uses a regression model to separately identify the exporter, import market and exported product effects. The performance effect is thus not merely a residual but a directly estimated variable, and the results do not depend on the order of decomposition.

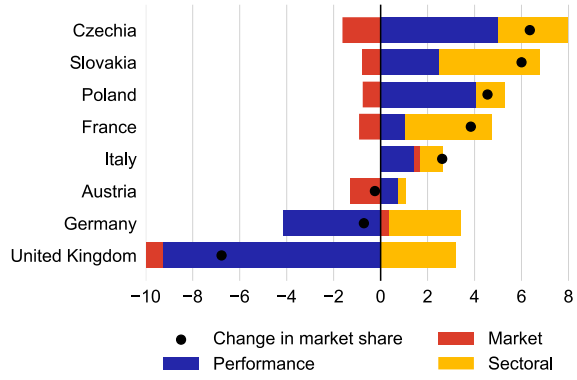
whether a country specialises in products that are currently in demand. The market effect, by contrast, reflects the geographical structure of exports, i.e. whether domestic exports are being directed to faster- or slower-growing foreign markets.

For example, if a country specialises in low-carbon products, it may benefit from rapidly growing global demand during the green transition. In the decomposition of market share changes, this is reflected in a positive sectoral effect. By contrast, an orientation towards export destinations with stagnating economies is reflected in a negative market effect. These structural effects thus describe how a country's share of world exports changes "automatically" because of its export specialisation.

However, several countries export the same products to the same markets and compete with one another. While structural effects describe how market share would evolve if exporters' competitiveness remained unchanged, the performance effect captures the deviation of actual developments from this "automatic" scenario. If a country's market share grows faster than implied by its export structure alone, the performance effect is positive and signals an improvement in the competitiveness of that country's enterprises on global markets.[44]

Chart VI.2.2: The growth in Czechia's market share was driven mainly by the increasing competitiveness of Czech enterprises

change in market share in %, contributions in p.p., Czechia and its seven main export markets, 2022–2024



Source: BACI database, own calculation

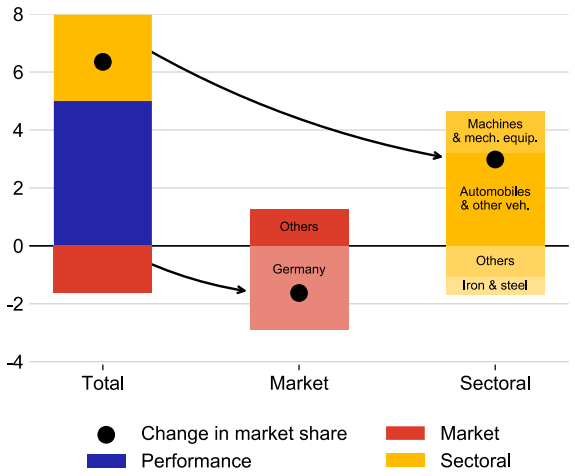
Paradox: How Germany's weakness contributed to Czechia's success

Czechia's market share grew by around 6% in 2022–2024, the most among the countries compared. The sectoral and performance effects made positive contributions, while the market effect was negative (Chart VI.2.2).[45]

From the sectoral perspective, supply chain disruptions that had affected exporters of motor vehicles, machinery and other electrical equipment in 2021–2022 faded (Chart VI.2.3). The sectoral effect has therefore had a significant positive contribution since 2023 in Czechia and in other economies specialised in these production segments. However, the recovery of the automotive industry alone does not explain the actual scale of growth in Czech exports in this sector. A marked improvement in the quality of the cars produced in Czechia, which are highly popular on the European market, helped strengthen Czechia's position on foreign markets.[46] Amid recovering demand for cars, Czech exporters were therefore able to increase

Chart VI.2.3: The impact of subdued German demand on Czechia's market share was offset by global growth in demand for new cars

change in Czechia's market share as %, contributions in p.p., 2022–2024



Note: The "market" bar further decomposes the market effect for Czechia and shows how demand from individual countries contributed to the change in Czechia's market share. The "sector" bar decomposes the sectoral effect and shows how developments in global demand for specific products translated into the change in Czechia's market share.

Source: BACI database, own calculations

[44] While in the short term a positive contribution from the performance effect can be interpreted as higher competitiveness, whether price- or technology-based, over the long term this interpretation is distorted by the convergence of emerging economies. This was discussed in more detail in Article VI.3 in the 2024 Balance of Payments Report: More than Competitiveness: What Lies Behind Countries' Export Market Shares?

[45] Changes in market shares are calculated on the intensive margin, which captures changes in exports of already existing products to already existing markets and therefore does not correspond exactly to the actual growth in market share. The differences from the actual values are small, however, as most trade relationships are already established in developed economies (Cheptea et al., 2014)

[46] This topic was discussed in the box "Czech Exports Stay the Course amid a Storm of Uncertainty" in the Spring 2025 Monetary Policy Report.

their sales more than their competitors. This growth beyond the mere cyclical recovery contributes to the positive performance effect (blue bar).

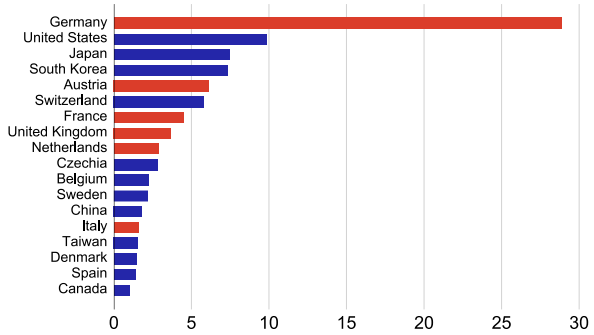
The negative contribution of the geographical orientation of Czech exports reflects the stagnating German economy. Although this affected most European countries, the impact on Czechia was stronger, as Germany accounts for almost 30% of its exports. Here too, however, the actual impact depends on how individual countries managed to cope with the subdued German demand. While the effect of Germany itself as the "sick man of Europe" reduced Czechia's market share by around 3 p.p. (Chart VI.2.3), Czech enterprises performed much better than their competitors on the stagnating German market: the share of Czech exports on the German market increased by almost 10%. The growing competitiveness of Czech enterprises on the German market thus worked against the "automatic" effect of weak German demand, again reflected in the positive performance effect (contributing to the blue bar).

Blood is thicker than water — and this also applies to corporations

The opposing effects described above were not limited to Germany. In a period of subdued European demand, Czech exporters managed to increase their market share in most of their main export destinations.[47]

Chart VI.2.4: Czechia's largest trading partners are the main investors in its manufacturing industry

FDI position in Czechia by ultimate ownership, NACE C, sample of 77 countries, 2023



Note: The countries accounting for the largest shares of Czechia's foreign trade are marked in red (excluding Slovakia and Poland).

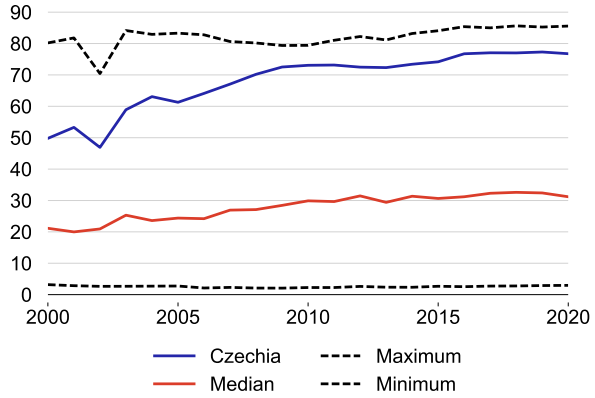
Source: CNB, own calculations

One possible explanation may be the strong ownership integration of Czech corporations into multinational production chains. The academic literature shows that trade between parent companies and their foreign affiliates tends to be less sensitive to demand declines during economic slowdowns than trade between independent enterprises (Bernard et al., 2009; Leitner et al., 2016). Enterprises integrated into vertical value chains are more likely to reduce purchases from external suppliers during slowdowns or economic crises, while intra-company links remain relatively stable. Trade within multinational groups may therefore be less "cyclical" than transactions between independent enterprises. Countries with stronger cross-border ownership links may thus be less vulnerable to weakening foreign demand.

Foreign ownership of corporations is characteristic of Czechia. At the end of 2024, the FDI position in Czechia stood at 65% of GDP, well above the EU average.[48] If we focus only on FDI in manufacturing, Czechia's exposure is even higher in the international comparison. Moreover, Czechia's largest European investors in manufacturing include precisely the countries to which most Czech exports subsequently head (Chart VI.2.4).[49] Foreign-controlled corporations account for more than three quarters of total domestic exports (Chart VI.2.5). Of the 77 countries monitored, only Romania, Hungary and Slovakia record a higher share.

Chart VI.2.5: More than three-quarters of Czech exports are generated by foreign-controlled enterprises

share of foreign-owned enterprises in total exports, NACE C, sample of 77 countries



Source: AMNE database, own calculations

To better understand the resilience of Czech exports, we would need to know the volume of intra-company trade or the position of foreign-controlled Czech corporations in the value chain. However, intra-company data are available for only a very limited sample of countries, and it is difficult to identify the exact motivation behind enterprises' expansion into foreign markets. Some indication of Czechia's involvement in vertical intra-company trade is provided by Eurostat's survey on global value chains

[47] Among Czechia's major export destinations, its market share declined only in the USA, Slovakia and Spain.

[48] Excluding countries such as Luxembourg, the Netherlands, Cyprus, Malta and others where FDI is high relative to GDP owing to their role in tax optimisation.

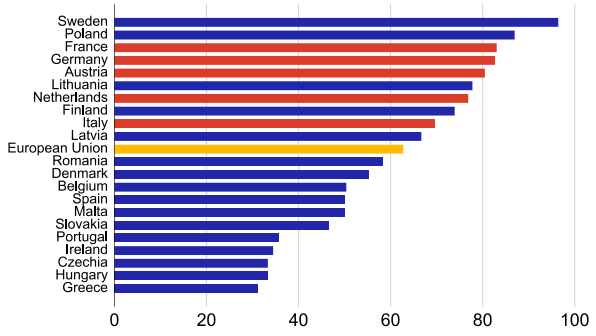
[49] Although direct investment from the USA, Japan and Korea is significant, it is probably mostly horizontal in nature, i.e. aimed primarily at serving the European market rather than integrating Czech production into these countries' production chains. This is also consistent with the relatively lower volume of mutual trade.

(GVCs). These cover the full range of cross-border activities needed to bring a product or service from initial design through the various stages of production and distribution to final consumers. When sourcing production inputs from abroad, enterprises may use external suppliers (outsourcing) or carry out these activities within the corporate group (insourcing). Chart VI.2.6 shows that the share of enterprises using intra-company trade to secure foreign inputs is highest precisely in countries with a strong ownership presence in Czechia.

Strong integration is also evident on the output side. The share of enterprises supplying their products to other EU countries as part of a broader production process spread across several countries is among the highest in Czechia (Chart VI.2.7). Czech corporations thus often act as an intermediate link in European production chains, with their output entering further stages of processing or assembly abroad.

Chart VI.2.6: Countries with a strong ownership presence in Czechia typically secure production inputs through intra-company trade

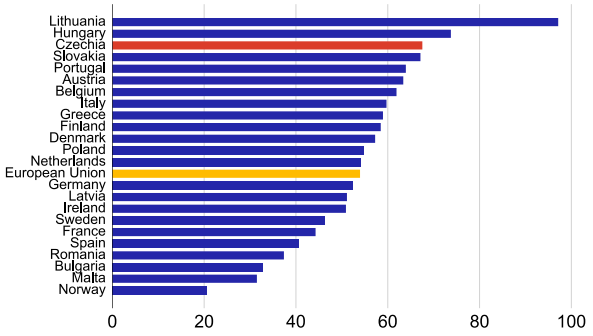
share of enterprises insourcing the production of foreign inputs in total sourcing, 2023



Note: The countries accounting for the largest shares of Czechia's foreign trade and with a significant FDI position in Czechia are marked in red. Data for the United Kingdom are not available.
Source: Eurostat, own calculations

Chart VI.2.7: Czechia has a high share of enterprises integrated into global value chains

share of enterprises supplying goods to the EU within GVCs, industry and construction sector, 2023



Source: Eurostat, own calculations

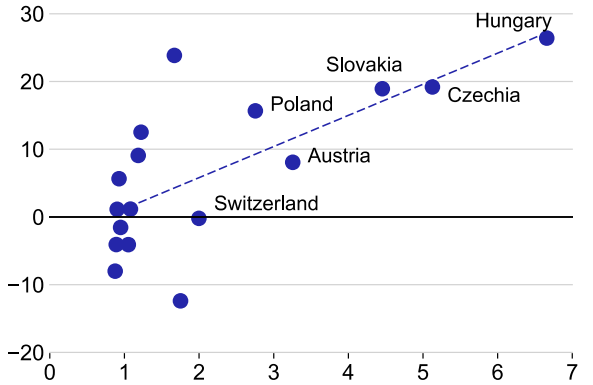
Healthy daughters of the sick man

The importance of foreign ownership for export resilience can again be illustrated using the example of Germany. Chart VI.2.8 shows the relationship between the degree of German capital involvement in individual countries' manufacturing industries and the resilience of their exports to Germany. Countries with significant German investment in manufacturing recorded more favourable developments in their share of German imports of intermediate goods during the period of weakness in the German economy. In countries with a low degree of German ownership, this relationship is less clear, as other factors may prevail.

In other words, economies whose enterprises are more strongly linked to German parent companies were relatively better able to maintain their position on the German market in an environment of weaker demand. This relationship suggests that ownership links may dampen the impact of a cyclical slowdown.

Chart VI.2.8: Suppliers from countries with strong German capital involvement are more successful on the German market

x-axis: German FDI abroad in manufacturing (position, share of destination country GDP, 2023); y-axis: change in market share in trade in intermediate goods in Germany (as %, 2022–2023), R2 = 0.5



Note: The FDI threshold for including individual countries was set at 0.9% of GDP.

Source: Comtrade and Bundesbank, authors' calculations

LITERATURE

Bernard, A. B., Jensen, J. B., Redding, S. J., & Schott, P. K. (2009). The Margins of US Trade. The American Economic Review, 99(2), 487–493.

Drahozalová, A. (2024). More than Competitiveness: What Drives Countries' Export Market Shares? Balance of Payments Report, Czech National Bank.

Drahozalová, A., Novotný, F., & Wałoszková, A. (2025). In a Storm of Uncertainties, Czech Exports are Holding Their Course. Monetary Policy Report – Spring 2025 (Box 1), Czech National Bank.

Cheptea, A., Fontagne, L., & Zignago, S. (2014). European Export Performance. Review of World Economics. 150, 25-58.

Leitner, S. M., Marcias, M., Mirza, D., Pindyuk, O., Siedschlag, I., Stehrer, R., Stöllinger, R., & Studnicka, Z. (2016). The Evolving Composition of Intra-EU Trade (wiiw Research Report No. 414). The Vienna Institute for International Economic Studies (wiiw)

7 STATISTICAL ANNEX: BALANCE OF PAYMENTS 2021–2025

CZK bn.	2021	2022	2023	2024	2025
A. Current account	-130	-330	-9	137	63
Goods	110	-23	290	415	398
Exports	3,783	4,314	4,362	4,581	4,695
Imports	3,673	4,336	4,072	4,167	4,298
Services	122	99	88	111	103
Manufacturing and repair services	48	56	59	53	56
Transport	13	1	7	30	30
Travel	9	14	7	7	3
Other services	53	27	15	21	14
Total credits	665	810	879	1,004	1,035
Total debits	543	712	791	893	932
Primary income	-337	-373	-336	-350	-392
Compensation of employees	-8	-11	7	16	10
Investment income	-352	-373	-356	-359	-393
Other primary income	23	11	12	-8	-8
Total credits	272	332	369	444	412
Total debits	608	705	705	795	804
Secondary income	-25	-33	-50	-39	-45
Credits	130	136	124	136	136
Debits	156	170	174	175	182
B. Capital account	107	45	88	131	127
Credits	329	398	478	492	385
Debits	222	353	390	361	257
C. Financial account	-18	-292	91	266	150
Direct investment	-29	-83	-76	-15	-49
of which net reinvested earnings	-132	2	-93	-75	-124
abroad	252	131	189	299	186
in the Czech Republic	280	214	266	314	235
Portfolio and other investment	-227	143	130	277	-57
CNB	-119	-44	134	70	-81
Banks	-137	297	-96	-114	-238
General government	-63	-79	63	-12	29
Other sectors	92	-30	29	332	233
Financial derivatives	-58	-45	1	-36	-7
Reserve assets	296	-307	36	40	263
D. Balance from current and capital accour	-23	-286	79	268	190
Balance from acc. (+ lending / - borrowing	-18	-292	91	266	150
Errors and omissions	5	-7	11	-2	-40

Issued by:

CZECH NATIONAL BANK

Na Příkopě 28

115 03 Praha 1

Czech Republic

Contact:

COMMUNICATIONS DIVISION
GENERAL SECRETARIAT

Tel.: 224 411 111

www.cnb.cz

ČNB ČESKÁ NÁRODNÍ BANKA