The Electrical Engineering Industry in the Czech Republic

A Stable Sector Under Pressure from a New Wave of Change

The electrical engineering industry is undergoing a period of significant transformation. Turnover and production remain substantial, but companies are facing growing uncertainty in supply chains, regulatory pressure and higher demands for technological sophistication.

2024
CZK 689 billion
Sector revenue

2025
+2,2 %
Year-on-Year industrial output increase

MAY 2026
+2,0 %
Year-on-Year growth in industrial production

What is happening in the sector:

- the importance of **power electronics, chips, batteries, grids, and data centres** is growing;
- dependence on **critical raw materials and geopolitics** is increasing;
- investments in energy and AI are creating **new business opportunities**;
- companies must respond to new regulations: **CBAM, PPWR, batteries, and cybersecurity**;
- competition is shifting from production volume **towards technology, data, and know-how**.

KEY FINDINGS FROM THE 2026 QUESTIONNAIRE SURVEY

94 %
expect revenue growth
+12 pp compared with 2025

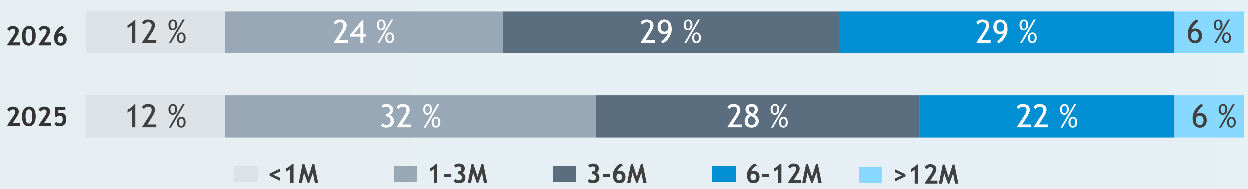
65 %
expect margin growth
+3 pp

47 %
capacity utilisation in 2025 >80%
−27 pp

29 %
is facing a shortage of skilled workers
one of the main challenges

Lower capacity utilisation in 2025 contrasts with a modest improvement in the older outlook at the beginning of 2026.

HOW FAR AHEAD DID YOU HAVE ORDERS CONTRACTED/PRODUCTION CAPACITY BOOKED IN JANUARY



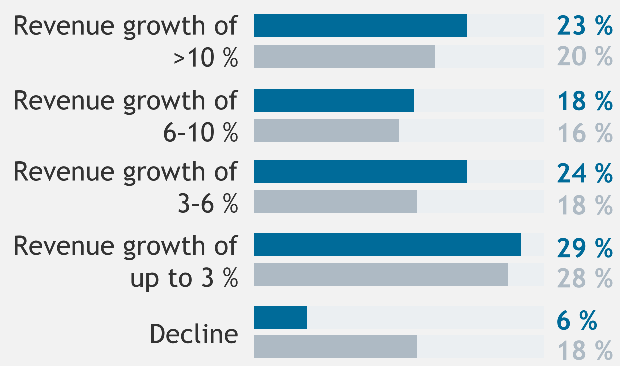
Capacity utilisation declined significantly in 2025, with the share of companies operating at over 80% capacity falling from 74% in 2024 to 47%. At the same time, companies’ order books showed a modest year-on-year improvement. The share of companies with orders secured for more than six months increased from 28% to 35%. Nevertheless, more than one-third of respondents had sufficient orders to cover no more than three months of production, pointing to continued uncertainty about demand.

COMPANIES EXPECT REVENUE GROWTH, BUT MARGINS REMAIN UNDER PRESSURE

CHANGE IN EXPECTED REVENUE GROWTH

2026 survey 2025 survey

RESPONSES BY INTENSITY OF GROWTH/DECLINE

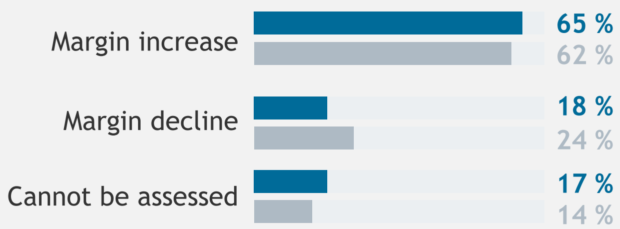


Growth expectations have strengthened compared with the previous survey: **94% of respondents expect revenues to increase in 2026, up from 82% previously.**

Companies' optimism may be supported by an anticipated recovery in investment activity and industrial orders, while the pace of growth continues to be constrained by weaker foreign demand and uncertain developments in key European markets.

CHANGE IN MARGIN EXPECTATIONS

STRUCTURE OF EXPECTATIONS



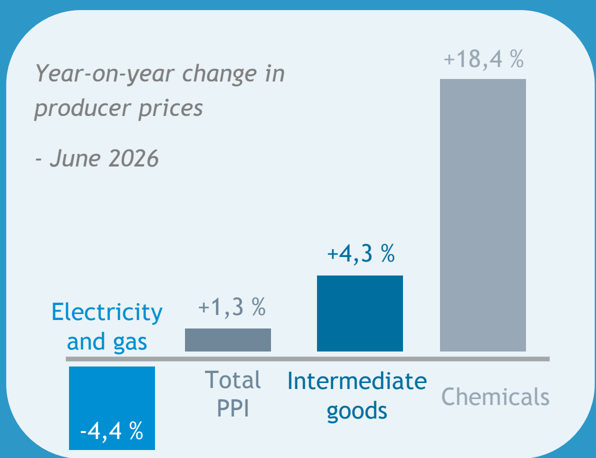
Margin expectations improved slightly year-on-year. **65% of companies expect margins to increase**, while the share of respondents anticipating a decline in margins fell from 24% to 18%. However, the higher share of undecided respondents indicates that market uncertainty persists.

POSSIBLE DRIVERS OF THE DEVELOPMENT

- **Positive signs of a recovery in industrial orders:** In May 2026, total industrial orders **increased by 4.0%, while foreign orders rose by 5.2%**. According to the Czech Statistical Office (CZSO), the strongest contributors to this growth were the manufacture of computers, electronic and optical products (NACE 26), along with the chemical industry and the manufacture of basic metals.
- **New energy price volatility and geopolitical uncertainty are putting pressure on margins:** The **conflict in the Middle East has driven up energy prices and increased uncertainty**, once again contributing to higher inflation in the EU.
- **Rising wages, the cost of attracting skilled workers and low unemployment** continue to increase companies' cost bases and limit their ability to translate higher revenues into improved profitability.
- **Higher prices of chemicals, metals and intermediate goods** may be prompting some companies to adopt more cautious pricing strategies, even though overall PPI growth remains more moderate than during the 2021–2022 shock.

(PPI = Producer Price Index)

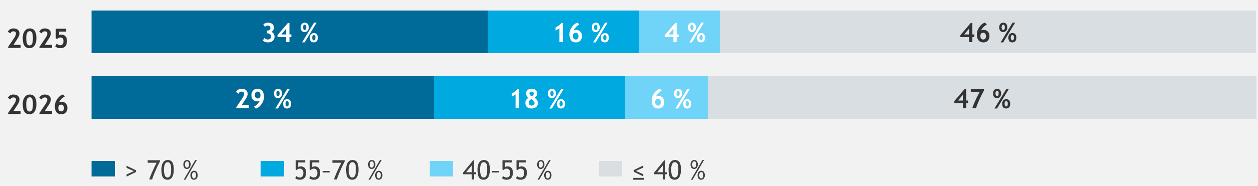
CURRENT DEVELOPMENT IN INPUT PRICES



Lower energy prices are providing some companies with cost relief; however, pressure on margins remains. Rising prices of chemical inputs and intermediate goods continue to constrain the potential for further improvements in profitability.

EXPORT ORIENTATION SLIGHTY WEAKENED, WHILE TECHNOLOGIES REMAIN A PRIORITY

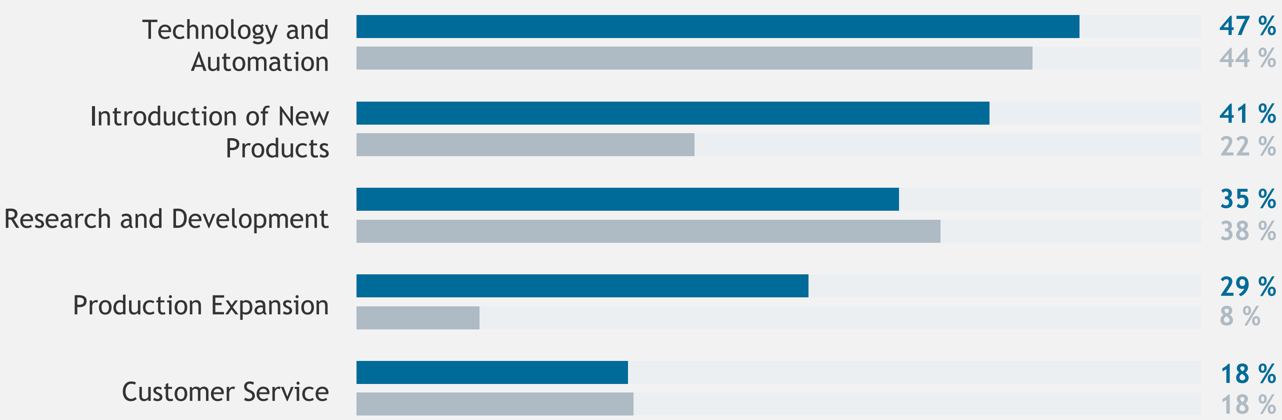
EXPORT SHARE OF REVENUE



Export orientation has remained broadly unchanged: the share of companies generating more than 55% of their revenue from exports declined from 50% to 47%. The sample remains divided between highly export-oriented companies and those with relatively low export exposure.

2026 survey 2025 survey

AREAS WHERE COMPANIES PLAN TO INVEST PRIMARLY OVER THE NEXT 1-2 YEARS



POSSIBLE DRIVERS OF THE DEVELOPMENT

- Weaker foreign demand reflects subdued activity in key European markets, particularly Germany, to whose industrial performance Czech exports are closely linked.
- Geopolitical uncertainty, trade barriers and rising logistics costs are weighing on foreign trade and increasing the need to diversify both export markets and supply chains.
- Growing pressure on competitiveness and the need to generate higher value added is prompting companies to prioritize new product development, research and development, and production modernization over broad-based capacity expansion.

CURRENT FOREIGN TRADE (CZSO, 05/2026)

Year-on-Year Change in Trade Balance by Selected Product Group

ELECTRICAL EQUIPMENT

+ CZK 1,1 billion

Year-on-Year Improvement in Trade Balance

COMPUTERS, ELECTRONICS, OPTICS

−1,6 CZK billion

Widening Trade Balance Deficit

01-05/2026:
export +3,8 % | import +5,0 % | trade surplus CZK 87,7 billion

Electrical equipment is contributing to an improvement in the trade balance, while electronics and optics remain under significantly stronger import pressure.

KEY EVENTS 2025-2026

09/2025

FIRST ELEGRID PROGRAM CALL LAUNCHED

The call provides up to CZK 15 billion to strengthen and modernize the Czech electricity distribution and transmission networks, with applications accepted until 29 January 2027. Eligible projects include new and reconstructed distribution networks, substations, higher-capacity transformers, and advanced control systems.

10/2025

CHINA'S EXPORT RESTRICTIONS ON RARE EARTH ELEMENTS

The export restrictions have highlighted the vulnerability of European supply chains and their high dependence on Chinese raw materials. In 2025, the EU imported approximately 15.1 thousand tonnes of rare earth elements, representing a 17.1% year-on-year increase. Almost 47% of these imports originated in China, which also supplies approximately 98% of Europe's demand for rare earth permanent magnets.

11/2025

DEVELOPMENT OF THE SEMICONDUCTOR CENTRE IN ROŽNOV

While Intel cancelled its planned investments in new semiconductor plants in Germany and Poland in 2025, the development of semiconductor manufacturing in Rožnov pod Radhoštěm continues. The Czech project has thus strengthened its position among the strategic semiconductor investments supported under the European Chips Act.

01/2026

IMPACTS OF CBAM ON INDUSTRIAL SUPPLY CHAINS

The introduction of the definitive CBAM regime may increase the administrative and cost burdens associated with imports of steel, aluminium and other input materials. For the electrical engineering industry, this makes monitoring the carbon footprint of production and the origin of supplies increasingly important.

04/2026

U.S. TARIFFS ON STEEL, ALUMINIUM AND COPPER

As of 1 August 2025, the United States introduced a 50% tariff on selected semi-finished products and finished goods with a high copper content. U.S. trade policy now extends beyond steel, automobiles and solar panels. It also directly affects cables, connectors and electrical components - traditional products of the NACE 27 sector.

06/2026

CZECHIA'S INVOLVEMENT IN THE AI GIGAFACTORY INITIATIVE

The Czech government has supported the country's participation in the European competition to establish a high-performance artificial intelligence centre. The project involves not only IT infrastructure, but also significant investment in electricity infrastructure, power electronics and energy equipment.

NPP DUKOVANY CREATE OPPORTUNITIES FOR CZECH SUPPLIERS

One year after the contract with KHNP was signed, the project remains on schedule. Project documentation is being prepared, a registration programme for Czech suppliers is underway, and the first contracts have already been signed with Czech companies, including Doosan Škoda Power and Energoprojekt Praha. The aim is to achieve up to 60% participation of Czech industry, with construction scheduled to begin in 2029.

07/2026

NEW INFINEON FACTORY IN DRESDEN

The opening of the Smart Power Fab has increased Europe's production capacity for strategic semiconductors. The project contributes to more resilient supply chains and greater technological independence for Europe.

08/2026

NEW RULES ON END-OF-LIFE MANAGEMENT OF PACKAGING AND BATTERIES

A company's responsibility does not end when a product is exported. Businesses placing packaging or batteries on the market in another EU Member State must ensure registration, take-back, recycling and financing of waste management in that country. Failure to comply with these obligations may result in sanctions under the rules applicable in the respective Member State.

This update builds on the sectoral analysis of the electrical engineering industry in the Czech Republic prepared for 2025. You can find the link here:

September 2026