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CZECH REPUBLIC

Mood among Czech consumers slides as industry tanks

The mood among Czech consumers slid in February, mostly due to worries about future economic developments, perhaps invigorated by recent geopolitical turmoil. Confidence in industry remains subdued despite a trend improvement since February last year. Spenders can still drive the rebound, but industry's underperformance is a threat

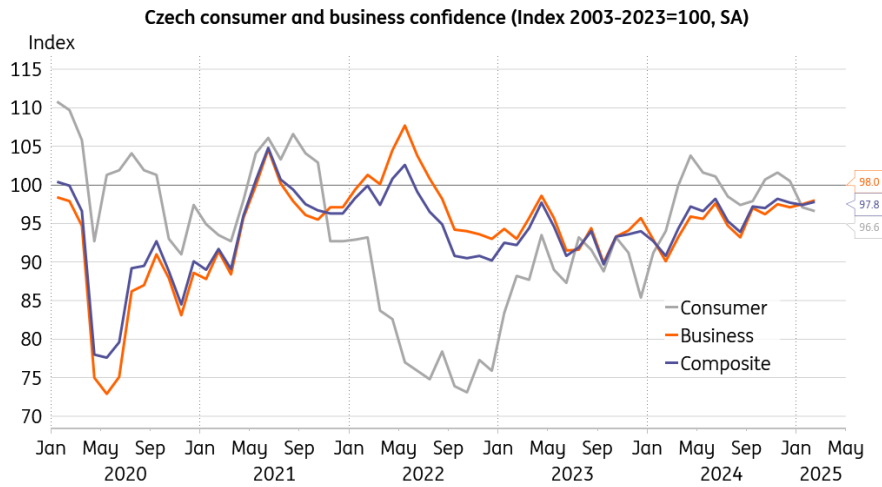


Prague, Czech Republic

Construction rules them all

The Czech business confidence indicator picked up by 0.5 points to 98.0 in February. Meanwhile, the consumer confidence indicator shed 0.5 points to 96.6 in the same month. Confidence in the economy among businesses increased in trade (+3.7 points), construction (+3.0 points), and slightly in industry (+0.3 points), while confidence in the service sector remained unchanged at 100.5 in February. Business confidence has reached its highest level since April 2023. The February increase was mainly driven by more positive assessments of the current and expected economic situation in business and enhanced demand in construction.

Consumer mood slides further



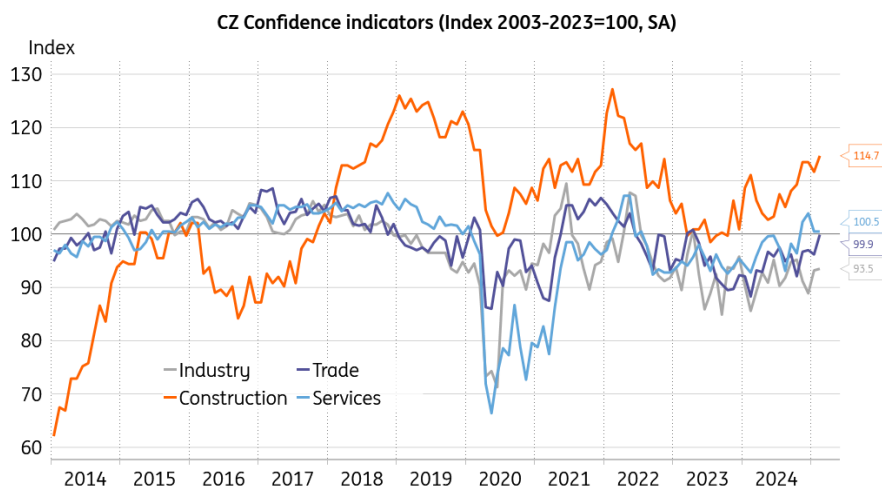
Source: CZSO, Macrobond

Consumers are sceptical about the future

The share of consumers expecting the overall economic situation to deteriorate over the next year increased for the third consecutive month. However, the share of households expecting a deterioration in their financial situations in the coming year remained stagnant in February.

Meanwhile, the number of households assessing their current financial situation as worse than in it was in the previous 12 months fell slightly from the previous reading. The proportion of consumers who believe that now isn't the time to proceed with large purchases was almost unaffected.

Construction confidence attacks lofty heights



Source: CZSO, Macrobond

Overall, consumers aren't doing too badly right now – but are afraid of what's at stake in the future. Current geopolitical turmoil could be one factor driving scepticism about the outlook, although we think that consumers can still support the Czech economic recovery over the year's first half. However, should things continue not to improve in European manufacturing, spenders might start to keep their wallets closed for precautionary reasons.

Confidence in construction is booming, reflecting the strength of the property market that will drive property prices and possibly imputed rents.

Industry still suffocates

The index in the service sector remains marginally better than its long-term average and is not accelerating, which might provide some hope for a continued disinflationary process in the segment. That said, the index has mostly hovered below its long-term average since the onset of the pandemic – and so a prominent drop in service prices isn't a sure thing.

The mood in industry continues to fly well below its long-term average, shaking like jelly here and there. This isn't good news, and we're curious as to whether the European Commission's 'Compass' initiative or the election in Germany will be able to provide some solid ground for the European industrial base.

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