

Czech confidence broadly stagnated in May

Even though Czech households' confidence increased in May, it wasn't enough to compensate for the fall seen in the last two months. On the other hand, business confidence further fell in May, so overall confidence improved only slightly, but broadly stagnated



Source: Shutterstock

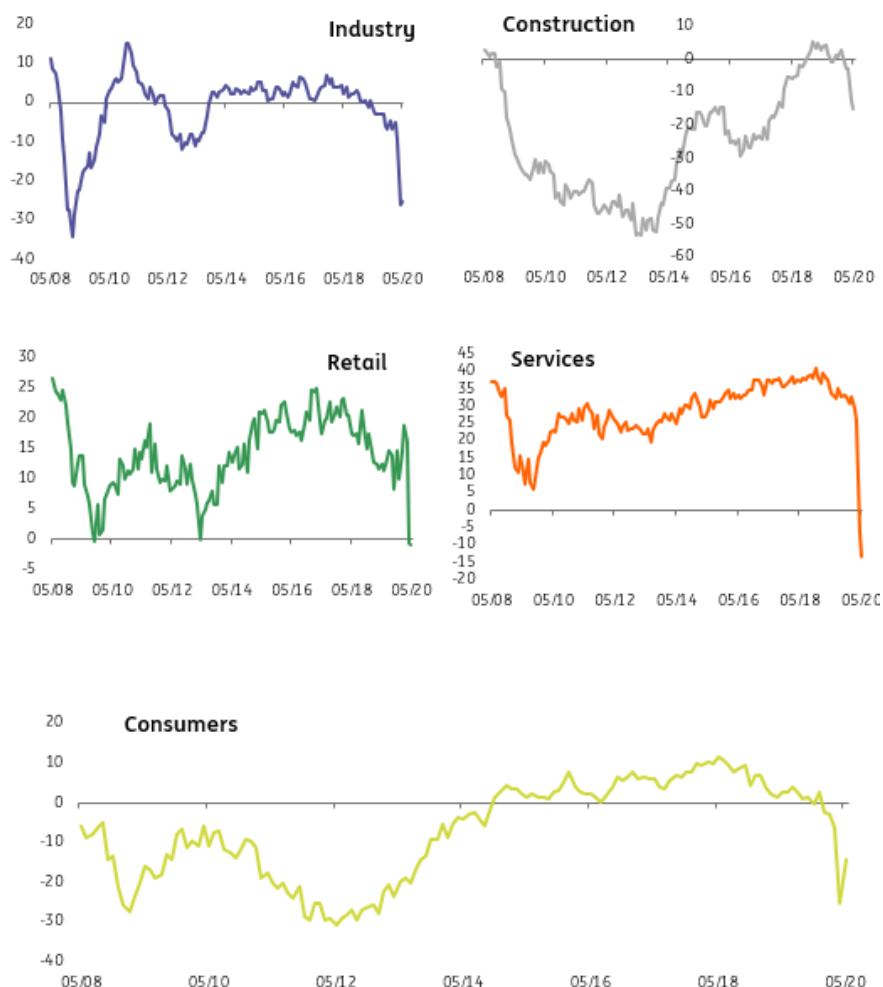
Overall confidence in the Czech Republic improved slightly in May in comparison to April, mainly driven by higher consumer confidence but lowered by weaker confidence in the business sphere.

Households confidence experienced the highest month on month increase, but it was not sufficient to compensate for the massive fall seen in the last two months.

On the other hand, households concerns about price growth reached an all-time high in May, which might be unpleasant for the Czech central bank.

But having said that, the recent price growth was mainly concentrated in food prices.

Confidence in the Czech economy



Source: CZSO, ING

In the business sphere, confidence fell again, mainly driven by the service sector, while industry indicated a very negligible increase.

However, weaker business confidence was driven down by the assessment of the current situation, while expectations for the next three months improved.

Almost 40% of companies expect to get back to the pre-Covid level in 3-6 month horizon, which seems quite optimistic now, as a "V" shape recovery is becoming a less likely scenario. From this perspective, June and July confidence indicators will be important of the potential recovery shape as May was still affected by movement restrictions, which to a large extent have ended today.

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