

# Czech confidence fell again due to industry

Czech confidence deteriorated again in October, mainly due to a decline in industry, where its confidence reached its weakest level since mid-2013. Overall confidence in the domestic economy thus remains at the weakest level since the end of 2014



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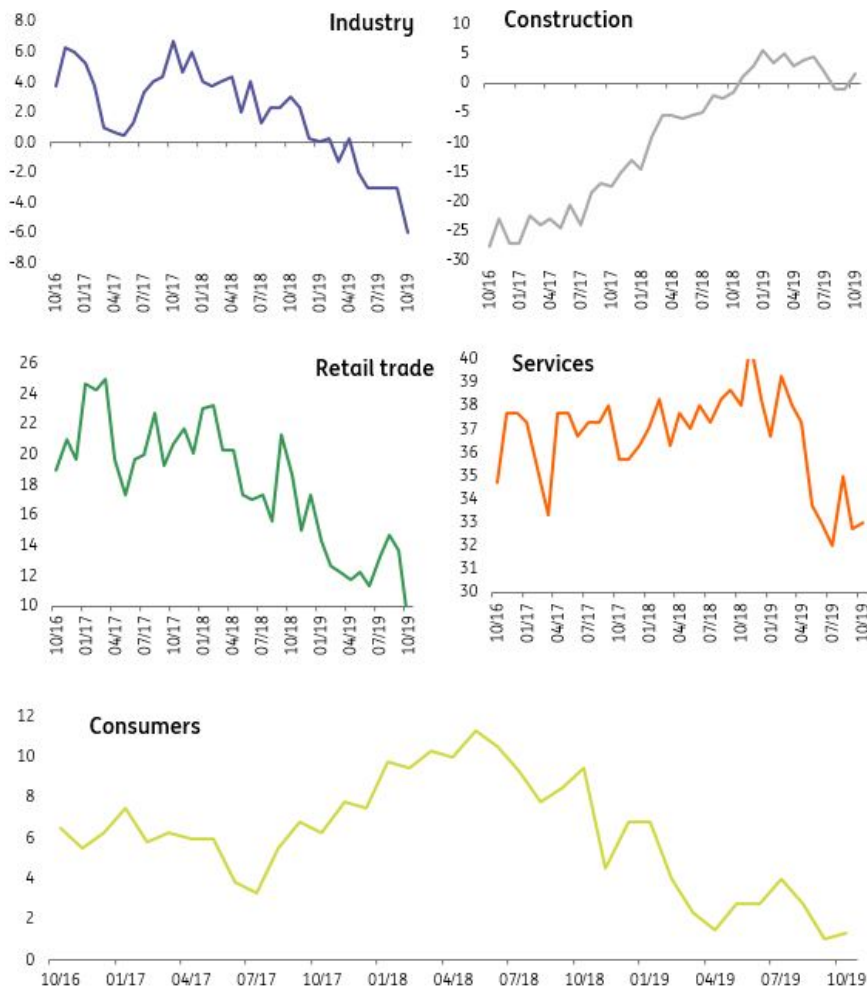
We saw some improvement in households' confidence in October, but only due to households' slightly higher intention to save, while concerns about the future economic situation, households' own financial situation or unemployment growth, did not improve compared to the previous month. Household confidence remains at its weakest level since mid-2016. But despite this year, household consumption remains solid so far.

## Business confidence at its mid-2014 low

On the other hand, business confidence declined again in October, mainly due to a noticeable decrease in confidence in industry, which has stagnated in the last months and is at the weakest level since the end of 2013, but further deteriorated to mid-2013 lows in October due to worsened expectations about production in the months ahead. Insufficient demand again becomes the most

important barrier to further growth noted by 37.2% of respondents, while an insufficient labour force remained the second most relevant barrier, though not the first as seen in 2017 and 2018. Confidence also decreased in retail trade hitting the lowest level since the end of 2013, while it stagnated in construction and services. However, even confidence in services reached its three-year lows this year, signalling worsened expectations in all segments, apart from construction.

## Czech confidence



Source: CZSO, ING

## Foreign uncertainties persist

All in all, today's confidence indicators have worsened further, reflecting a rather unclear situation abroad. Although in recent days it has seemed that at least the Brexit question will be resolved, the current developments are moving towards further postponement, which may again bring a number of uncertainties. As such, foreign uncertainties remain, and the longer German industry remains on a weak footing, the more likely we will see it transmit more clearly to the domestic economy.

## CNB on hold

This was probably the reason why Czech National Bank board member Marek Mora, who voted for

a rate hike at the last September meeting, said yesterday in an interview with Bloomberg that in his view the need for a rate hike has decreased and the probability of his vote to raise rates at the November meeting is lower, although he did not want to rule it out for now. We also believe that the persisting uncertainties abroad will keep CNB rates on hold this year. However, Marek Mora, with his vote for a rate hike in September, convinced the market that the CNB does not plan to cut rates at the moment, as the market started to price rather aggressively before the September meeting.

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