

## Czech confidence fell, but less than expected

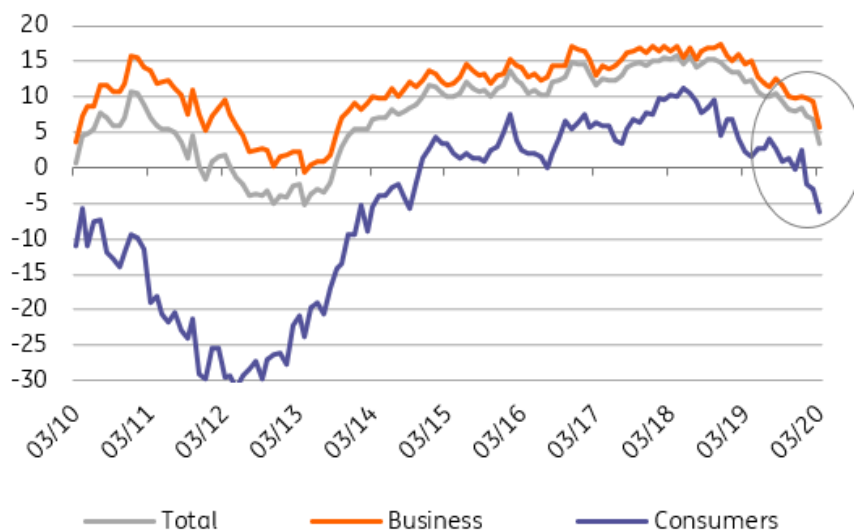
Czech confidence fell in March at the fastest pace since 2011, reaching the lowest level since 2013. However, data was collected in the first half of the month and understates the real impact of recent shutdowns amid Covid-19



Czech confidence decreased as expected in March. The pace of decline was the biggest since November 2011 and was seen in all segments except construction, where confidence just stagnated. Overall confidence in the economy is thus the weakest since October 2013.

In general, however, the March figures are relatively modest given the unprecedented shutdowns due to the Covid-19 outbreak. The most likely explanation is that data was collected in the first half of March and the figures don't fully reflect the unfavourable developments since then, such as the closure of domestic automakers. According to the Czech Statistical Office, a large proportion of respondents filled in data at the beginning of March, when the impact of the coronavirus on the economy may not have seemed as intense.

## Long-term path of confidence indicators



Source: CZSO, ING

If the survey were to take place today, we would very likely see one of the largest-ever month-on-month decreases, similar to the leading Ifo indicator from the German economy, which recorded the sharpest monthly decline in history in March, reaching a level similar to the end of 2009.

Despite today's Czech indicators, it is clear that the domestic economy has experienced a 180-degree turn in the last few weeks. However, we don't know how severe the economic downturn will be just yet. The depth of the recession will be determined by the length of the restrictive measures and supportive steps taken by governments globally. While we can't make precise forecasts about the domestic economy, we can say with some certainty that the slump into recession this year is inevitable.