

## Czech confidence fell by most on record in April

Confidence in the domestic economy fell sharply in April, with the strongest month-on-month decline since records began



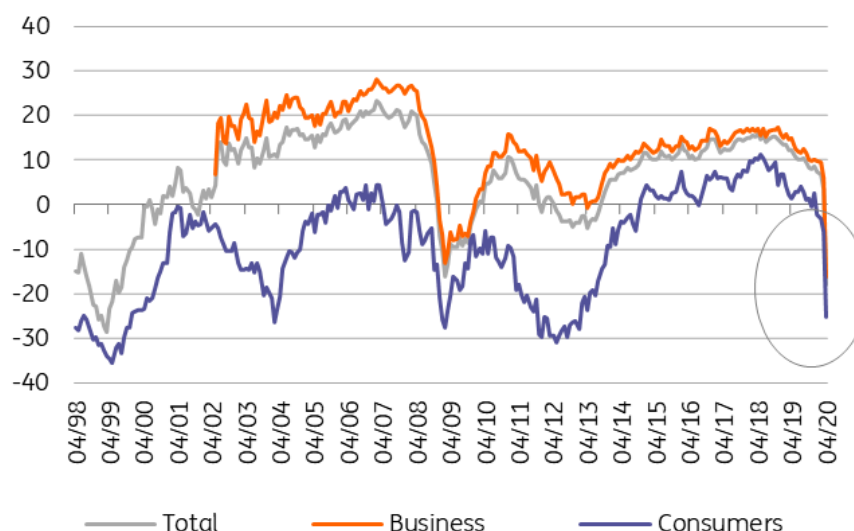
Source: ING

In most segments except construction, the month-on-month decline was the highest in the time-series history (since 1990s, services since 2002). Confidence in construction dropped to a two-year low while in all other segments, the decline reached multi-years lows or the lowest level on record.

Industry fell to the lowest level since 2009. Capacity was used at 69.4% after an 84% reading in January, which is also the lowest level in history. The fall in investment is expected to be around 15% this year.

Consumer confidence hit the lowest level since Jan-2013, which might be taken as relatively better-than-expected given the stronger fall in consumer confidence in the eurozone in April, which hit the lowest level since the Global Financial Crisis.

## Czech confidence indicators



Source: CZSO, ING

### April fall in confidence was likely

Still, a significant drop in confidence in April is not so surprising. In March, confidence indicators did not fall as sharply as expected to correspond with the extraordinary situation. This was due to the fact that the March data collection had not yet fully captured developments in the second half of March, therefore the April fall in confidence had to be even stronger.

### April confidence data does not provide more information about severity of economic decline

However, it's still important to bear in mind that the confidence indicators are comparing the situation in April to the previous month and ask whether respondents perceive the current month to be better, the same or worse. Given the restrictive measures in April, it is obvious that a large proportion of respondents rated April as being worse. That said, the indicators themselves do not tell us much about the depth of the economic downturn.

### May might bring a better mood

A very serious decline is logical from the nature of the current coronavirus crisis, which has hit the economy across the board and very quickly, while during traditional crises the situation generally deteriorates more gradually. May indicators could be more positive, as a number of countries have started to ease restrictive measures. This also applies to the Czech economy, where the government announced a faster relaxation of restrictive measures yesterday, most of which should be loosened by 25 May. All in all, April decline in Czech confidence indicators was not unexpected, but it does not bring much new information about the intensity of the decline of the domestic economy.

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