

## Czech confidence fell in November - again

Confidence in the domestic economy fell slightly in November compared to the previous month, mainly due to a decline in confidence among consumers, where it reached its weakest level in the last 5 years



Source: Shutterstock

The decline in household confidence was due to greater concerns about the deterioration of their own economic situation in the future, while concerns about the overall economic situation remained unchanged, as did concerns about rising unemployment.

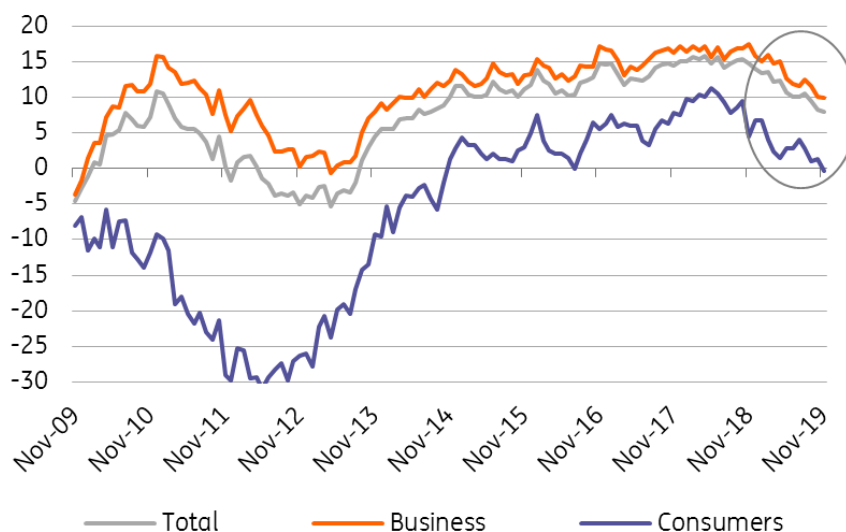
Owing to the more negative news coming from abroad, household confidence has been gradually decreasing this year, reaching the weakest level in the last 5 years. Despite this development, household consumption remains favourable for the time being, although the November data with the negative balance (more negative answers than positive for the first time since October 2014) suggests that household consumption might gradually decline if household sentiment does not improve soon.

### Confidence in industry also at 5-year lows

Business confidence declined only slightly in November, mainly as a result of a further decline in

confidence in industry, which in recent months has reached its weakest level since mid-2013. The decline in confidence was driven mainly by worsening expectations of production activity and employment. By contrast, confidence in retail trade improved after its October drop, offsetting weaker confidence in industry. Overall, the confidence of entrepreneurs in general stagnated in November at the weakest level since the first half of 2014.

## Czech confidence indicators



Source: CZSO, ING

## Spillover from manufacturing to services remains a risk

November confidence indicators have deteriorated further, reflecting generally uncertain developments abroad, but they most likely do not reflect the slight sentiment improvement in recent weeks, which could push the mood up slightly for domestic firms and households. Indeed, the market has been slightly optimistic about future developments in recent weeks, as many risks seem to be diminishing. While the US-China trade agreement is still not closed, both sides regularly signal their willingness to make a deal soon. Despite this, however, European soft data remains weak, November PMIs improved slightly for manufacturing, but remained deeply in downturn territory (43.8 for Germany, 46.4 for the eurozone) and worsened slightly for services.

As such, it is premature to say that the global economy is bottoming, but at least it is positive that the sentiment on the market is improving, which could prevent further spillover of weaker industry numbers into services and household consumption, which were so far the main drivers of Czech – but also European – economic growth.