

Czech confidence drops further in March

As another lockdown comes into force in the Czech Republic, household confidence plummeted in March to levels seen last November and are only slightly higher than they were during the first wave. Business confidence declined too, but mainly due to services. In general, it remains solidly above the lows of the first wave of the pandemic



Source: Shutterstock

Households are worried about higher unemployment rate

Household confidence in the Czech Republic fell sharply in February and this trend continued in March.

Czech household confidence seems to be at similar levels seen last November and only slightly above the rock-bottom levels of April 2020. Compared to the previous month, households are more concerned about the deterioration of the economic situation. Their concerns about higher unemployment are on the rise and - in fact close to historical highs.

Business confidence fell in March

Business confidence fell in March in all segments except construction, but most significantly in

services.

Here, the assessment of the current situation has deteriorated and the percentage of firms expecting an improvement in demand in the coming months has decreased. The share of firms expecting a decrease in employment has increased.

In industry, confidence has declined slightly but is still higher than the beginning of the year and close to pre-pandemic levels. Compared to the first wave, industry has kept operating, though there were serious debates about full lockdown (except critical firms) in March.

However, this isn't happening as firms have been instead instructed to test virus symptoms regularly in their employees.

Czech confidence



Source: CZSO, ING

Expect no change at today's central bank meeting

Given the renewed lockdown since the beginning of March, the deteriorating confidence indicators isn't surprising, but it shouldn't impact the Czech central bank meeting today.

The Bank is expected to only reiterate the timing for potential monetary tightening, which is likely to shift to the second half of the year. However, it might celebrate a little bit too

today, as the law passed by the Chamber of Deputies is forwarded to the Senate. The central bank has been pushing for this amendment since 2016, as this change should provide the Bank full ability to perform quantitative easing if required.

The current law allows it only to do so until the end of 2021. The amendment will enhance the Bank's powers for macroprudential measures as it will be able to set legally binding credit ratio limits for mortgage applicants.

Until now, the central bank set those limits as recommendations only, but the banking sector as a whole complied anyway.

[For more information, please visit the Czech central bank website](#)