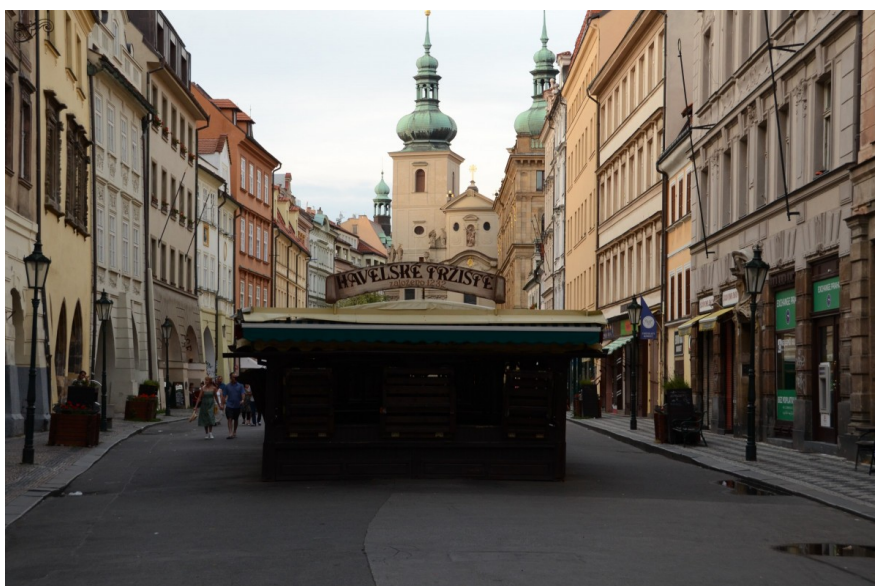


Czech confidence improved in July due to industry

Confidence improved in July driven mainly by soaring confidence in industry, which almost returned back to levels seen before the Covid outbreak. In other segments, however, confidence remains quite low and is not improving very quickly, which suggests a more gradual and slower economic recovery



Source: ING

Confidence in industry improved, remains lower in other segments

Confidence significantly improved in July, driven mainly by soaring confidence in industry, which rose almost to levels seen before the Covid-19 outbreak. Still, about half of the monthly increase in industrial confidence was driven by the “expectations” component, which is rather uncertain in the current situation, though some improvement also came from the current assessment.

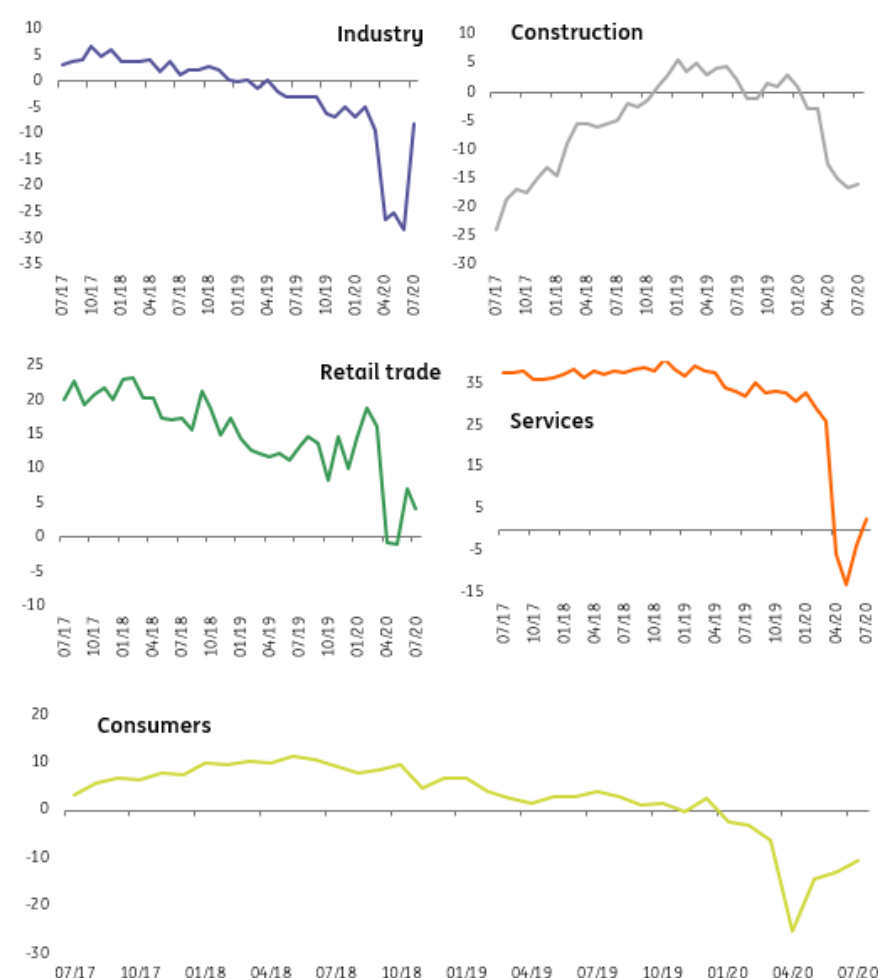
Capacity use in industry increased to 76% (after historically low usage in April of 69%) but this still represents the lowest figure since 2009. Moreover, 50% of companies in industry complain about insufficient demand, which is hindering further growth. So the data suggests only cautious

optimism, as companies might be overshooting the possibility of a future recovery in the months ahead. Business confidence reached levels seen at the end of 2009, when the domestic economy was slowly recovering from the Global Financial Crisis. From this perspective, confidence remains low.

Household confidence stagnates at end-2013 level

Household confidence increased slightly in July. Compared to June, households are less worried about the future economic situation, however, they are more concerned about their own financial situation, but their intention to save has increased slightly. Households' fear of rising prices remains historically high, though it has declined slightly from the previous months' highs. As in June, household confidence is roughly at the level seen at the end of 2013.

Confidence in the Czech economy



Source: CZSO, ING

Apart from industry, the recovery is not very sharp

The historically sharp drop in confidence indicators in recent months has been logical given the restrictions and lockdowns related to the Covid outbreak. However, with lockdown measures easing, confidence should increase significantly. This has been confirmed to some extent by the July confidence figures for industry, although much of the improvement is due to expectations

that may not be fulfilled. In the case of households, services or retail sales, however, the rapid return of confidence back to pre-corona values is not yet visible, which suggests a slower and more gradual recovery.