

## Czech confidence improved in September

Total confidence in the economy increased slightly in September on the back of better sentiment in retail trade. Consumers are also more optimistic although they have also grown more concerned about inflation. This confirms our view that the Czech National Bank will hike rates further this week



Source: Shutterstock

### Consumer confidence improves slightly in September

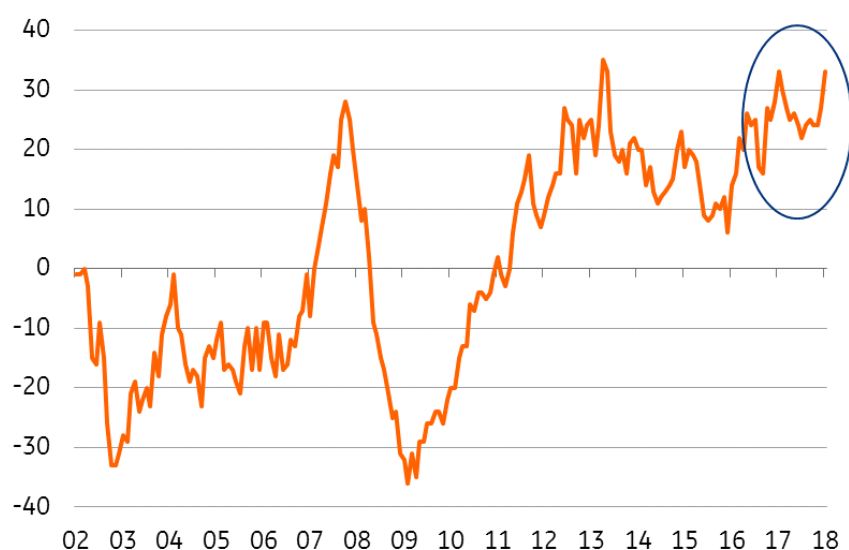
Consumer confidence increased slightly after declining in the last three months. It still remains at one of the lowest levels this year but is solidly above the 2017 average and also higher than the 2017 highs. This means that consumer confidence remains strong and close to its historical peak. Household concerns about the economic situation in one year's time slightly deteriorated in

September, but this was compensated fully by higher intentions to save.

## Concern about inflation close to peak levels

The Czech Statistical Office (CZSO) also gathers information about household concerns on rising prices. This is not part of the consumer confidence indicator itself, but the data are published together. Importantly, consumer concerns increased significantly in September, reaching one of the highest levels in the last few decades. They were only slightly higher at the end of 2013, when the CNB introduced its FX-floor regime, which raised fears about higher inflation due to a weaker koruna.

## Consumers concerns about an inflation (points)



Source: CZSO, ING Bank

## Business confidence better on the back of retail trade

Business confidence grew for the second month in a row, largely due to the increase in confidence in retail trade, which rose both in the current situation assessment and expectations for the next three months.

- Confidence in industry has not changed in month-on-month terms.
- Confidence indicators for services and construction have risen to 10-year highs.
- Confidence in industry and retail trade remain below the 2017 average.

## No game changer for the CNB and its intention to tighten monetary policy

Overall, however, September's figures remain favourable in light of the current trade war uncertainty. These are the last indicators for the domestic economy before Wednesday's CNB monetary policy meeting and should not be a concern to the CNB Board, which will hike interest rates further, in our view.

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