

# Czech consumer confidence reaches new highs

Business confidence slightly dipped in March but consumers remain optimistic, pushing the confidence indicator to its new high



Source: Shutterstock

## Surprisingly strong consumer confidence

Consumers' confidence reached a new record in March, beating January levels. This is somewhat surprising given that in recent years, consumers' confidence has been gradually declining after its peak in January, and tends to start growing again in the second half of the year.

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*Today's positive figures are no game changer for the Czech National Bank meeting on Thursday. Expect them to stay on hold*

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Also, in light of recent events including higher stock market volatility and President Trump's tariff threats, we expected consumer confidence to moderate slightly. It seems that the favourable labour market development is keeping households in an optimistic mood and compared to the January peak, Czech families expect an improvement in their financial situation

in the one-year horizon and also want to save more.

## Composition of consumer confidence



Source: CZSO, ING BankI

## Business confidence dipped slightly

Business confidence slightly dropped in March, following Germany and the Eurozone. However, the decline was primarily associated with worse expectations for the future, while the assessment of current conditions remains favourable.

The same pattern was seen for companies in the service sector, where an expectation of demand over the next three months deteriorated. However, in trade, lower confidence was caused mainly by the current assessment, but as trade represents only 5% of the share in the total confidence indices, its decline did not influence the business confidence much.

On the contrary, confidence grew slightly in the industry and significantly improved – for the second consecutive month – in construction.

## Uncertainty weighs down confidence but Czech consumers still optimistic

It seems that concerns about the sustainability of current economic developments are starting to increase slightly, but so far they are less prone to domestic businesses compared to what we saw in German and Eurozone March indicators such as the Ifo, ZEW and PMIs. Their slowdown is driven mainly by “expectations”, which is not surprising after the events of the last weeks.

But so far, Czech consumers look immune to all that, confirming that households

consumption is supposed to be the main growth-driver this year. Though today's positive figures today are no game changer for the forthcoming Czech National Bank meeting, as the central bank will stay on hold this Thursday.