

## Czech Republic: Confidence higher in September

Despite facing a second wave of the Covid-19 pandemic, confidence improved in all the monitored segments in September, except for industry. Despite favourable developments this month, total confidence remains significantly below pre-Covid levels and is likely to deteriorate again next month



Household confidence increased in September. Households were more optimistic about their own financial situation, and their intention to save also increased, which has boosted confidence indicators. Households continue to fear rising unemployment but these fears eased slightly in September while remaining high on a historical basis. Household fears of rising prices also fell slightly, reaching the level seen at the end of last year.

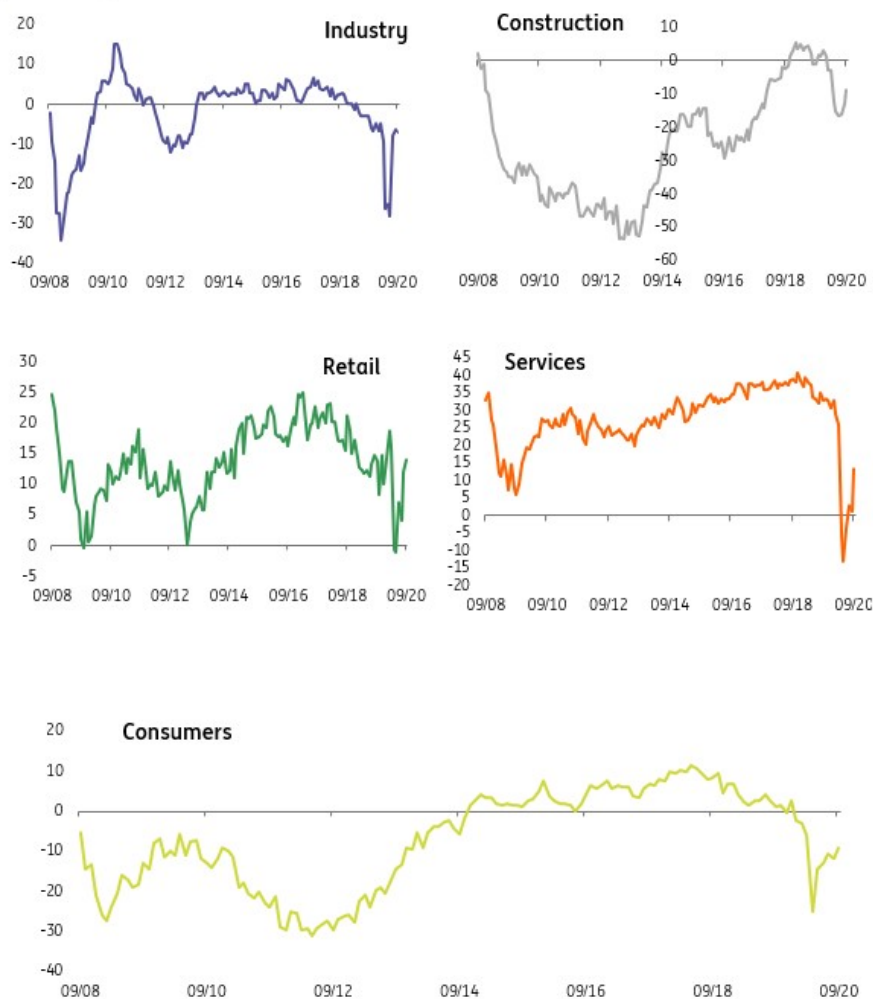
Business confidence increased relatively broadly in September. It was driven by a significant increase in confidence in services, but the situation improved in both retail and construction. Confidence in industry has declined, but only slightly. Industry and trade are among the segments where confidence is already very close to the level before the Covid crisis.

However, as we have mentioned before, the growth of confidence in industry in recent months (especially July) was driven mainly by optimistic expectations for future production, which was uncertain in our view, and it is this component of confidence that is beginning to weaken and caused confidence to decline in September.

Still, for the entire business sector, confidence has improved and is thus at the level of mid-2013, while in recent months it had been at the level seen at the end of 2009.

## Confidence in the Czech economy

(difusion %)



Source: CZSO, ING

Given the onset of a second wave of the pandemic, confidence indicators in September are surprisingly favourable and do not indicate concerns about the renewed number of Covid cases - despite the fact that the cut off date for the survey was 17 September. However, some respondents probably answered before that date, when concern about a second wave may have been less intense.

Still, confidence in services and trade can be expected to decline again in the coming months. Although it is generally assumed that the restrictions will not be as significant as in the spring of this year, a second wave will be negative for some segments of the economy and will hamper

overall economic growth. But even with a slight quarterly fall in the fourth quarter, the Czech economy should avoid a double-digit decline this year.