

Czech Republic: Confidence improves slightly

Confidence in the Czech Republic slightly improved in August as confidence in the business sector picked up. Having said that, households' mood deteriorated slightly as concerns about financial situation mount



Source: Shutterstock

Households confidence weaker in August

Czech households' confidence fell slightly in August and remained at the levels seen towards the end of 2013.

Consumers were more worried about their financial situation. Fears about rising unemployment remain high but haven't increased substantially in the last few months. Households' concerns about rising prices also remain historically high but have declined slightly in comparison to the previous months.

Confidence in industry and trade back to pre-Covid-19 levels

On the other hand, business confidence increased slightly in August, driven by a modest increase

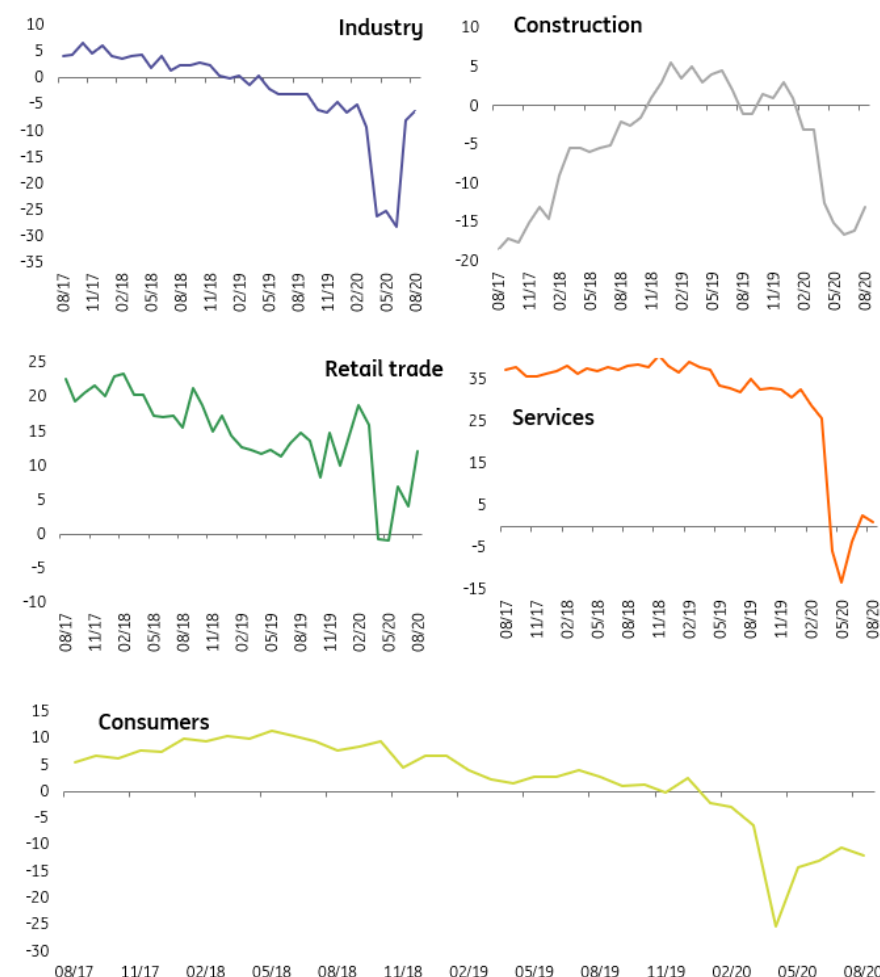
in industry, as well as in construction and trade, while confidence in services fell.

Confidence in industry reached pre-Covid-19 levels, although the outlook for industrial development was already deteriorating at the beginning of the year and confidence was well below levels seen in 2018. Even so, recent developments of confidence in industry seem relatively optimistic, but as we mentioned last time, the surge in confidence is driven mainly by optimistic expectations for production in the coming months, but this may not materialise given the re-kindled uncertainty with Covid-19 in many countries.

On the contrary, the assessment of current demand in industry remains at the levels seen at the end of 2009, though it has gradually improved in recent months.

In trade, confidence has also gradually approached the pre-Covid-19 level, but in services and construction confidence is significantly lagging behind. As such, despite the growth in July and August, the confidence in the entire business sector remains at the level of the end of 2009, when the economy began to slowly recover from the consequences of the global financial crisis.

Confidence in the Czech economy



Source: CZSO, ING

A mixed picture prevails

At first sight, the figures aren't terrible as they confirm a gradual improvement in the Czech industry and trade, however, positive expectations in industry might not come to fruition given the relatively slow global recovery. Also, confidence in services and Czech households deteriorated slightly again, hampering optimism about a quick V-shape rebound.

This means that figures were somehow mixed and underline high uncertainty for the months and quarters ahead.