

Czech Republic: June confidence improved, but only slightly

Czech confidence slightly increased in June, both for households and companies. But it still remains significantly below pre-Covid levels and suggests that the ongoing economic recovery is relatively slow



Source: ING

Confidence well below long-term average

Confidence in the domestic economy increased slightly in June, but is still far from offsetting the dramatic decline in April and remains well below its long-term average. In June, both business and household confidence increased slightly, but the increase was modest, suggesting that confidence has been restored at a slower pace.

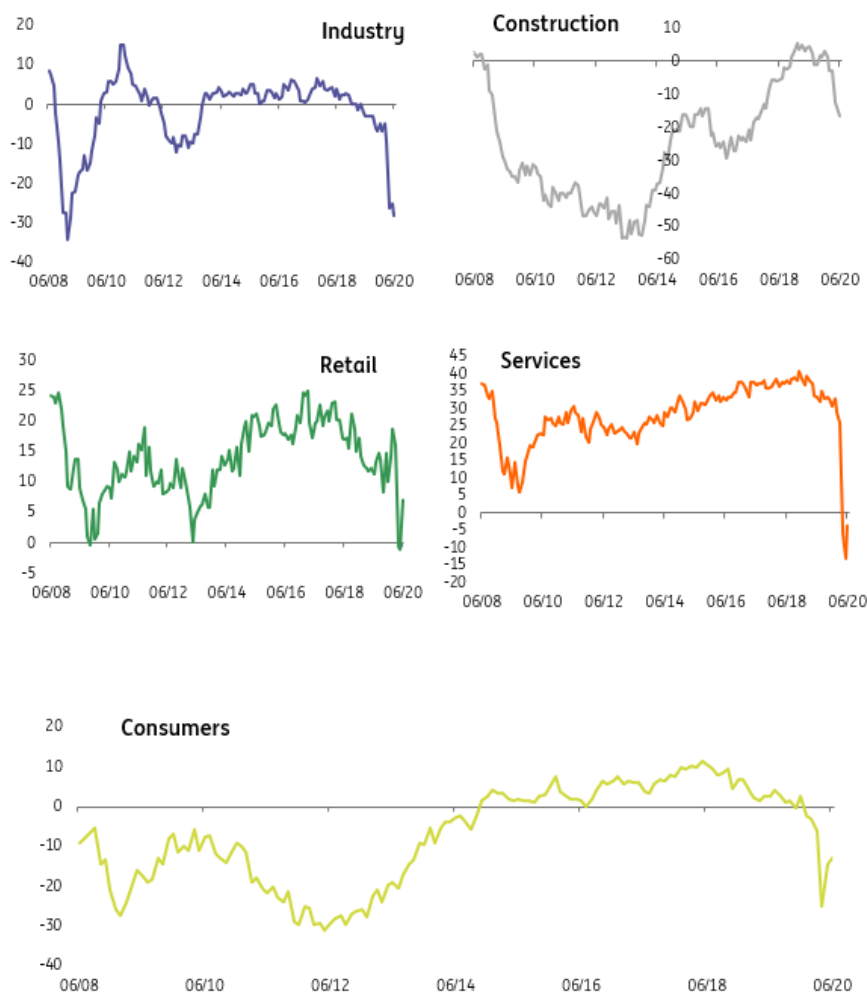
Households confidence at 2013 level

Household confidence increased slightly as households are less worried about the forthcoming economic situation and are more positive about their own financial situation, but their intention to save has slightly decreased. Household concerns related to higher inflation remain historically high, but have declined slightly from the previous month. Household confidence is thus at the same level as the end of 2013.

Business confidence below the global financial crisis level

Confidence among firms also increased in June, but the development was more diverse. Confidence particularly increased in trade and services, where expectations for the next three months improved. In industry, however, confidence fell further, mainly due to an unfavourable assessment of the current situation. Confidence in construction also declined slightly, but it is still relatively reasonable in comparison with other monitored segments of the economy. As such, total business confidence remains lower than it was during the global financial crisis in 2008/2009.

Confidence in the Czech economy



V-shaped recovery not confirmed by the confidence data

The sharp decline in confidence indicators in recent months has been logical given the broad shutdowns in the economy. However, with the restrictions being eased recently, confidence indicators should increase significantly. Although confidence indicators rose slightly in June, they are generally not very optimistic. Despite the gradual opening of the economy, confidence among households and entrepreneurs is returning to its initial pre-Covid-19 levels very slowly. The "V"-shaped economic recovery scenario, i.e. a rapid decline followed by a rapid recovery, is not playing out and the economy is likely to recover more slowly, based on recent confidence data.