

## Czech business and consumer confidence takes a hit

Czech consumer confidence dropped to 98.4 in July from 101.0 in June, declining for the third month in a row. Business confidence also faltered. Both indicators came in below expectations, underlying the uncertainty around the current economic rebound

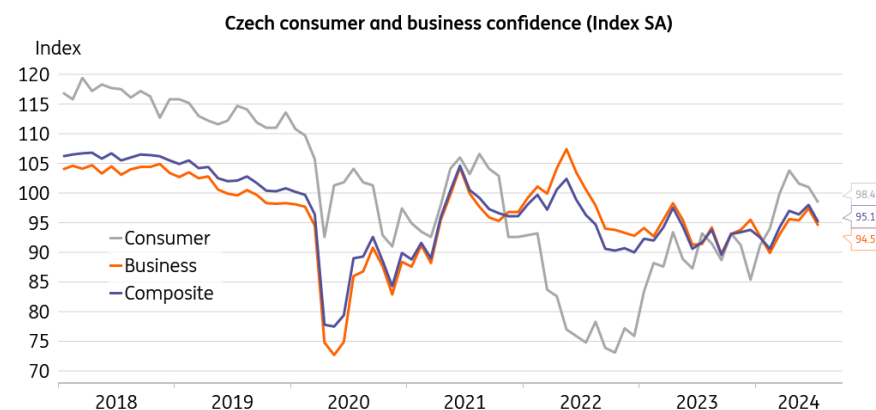


Prague's old town

### Consumers are less happy with their financial situation and outlook

Czech consumer confidence deteriorated for the third consecutive month in July, falling below its long-term average for the first time since April. Households are worried about their financial situation, which most consider worse than in the previous twelve months. The number of respondents expecting their financial situation to improve in the next year also decreased. Consumers are also expressing greater concerns about future price increases for the second month in a row.

## Czech consumer and business confidence is fading



CZSO, Macrobond

## Lagging demand weighs on industry amid a still tight labour market

The business confidence indicator dropped to 94.5 in July from 97.4 the previous month. The deterioration in economic sentiment among businesses in July was mainly driven by industrial entrepreneurs. Some 44% of the industrial enterprises surveyed cited insufficient demand as the main barrier to output growth, the highest ratio since the second quarter of 2020. There was a significant increase in the number of businesses that expect a softer pace of manufacturing growth in the coming months.

The continued deterioration in consumers' moods and the weakness in business confidence pose risks to the Czech economic rebound. Given subdued external demand, industrial growth can't sustainably take off. Consumers have played their part well in the rebound until now. However, the uncertainty about future economic performance might force them to be more careful and curtail spending. That said, a continued recovery is vital to the future inflation path and the monetary policy setup, which seems rather restrictive right now.

### Author

#### David Havrlant

Chief Economist, Czech Republic

420 770 321 486

[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.