

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

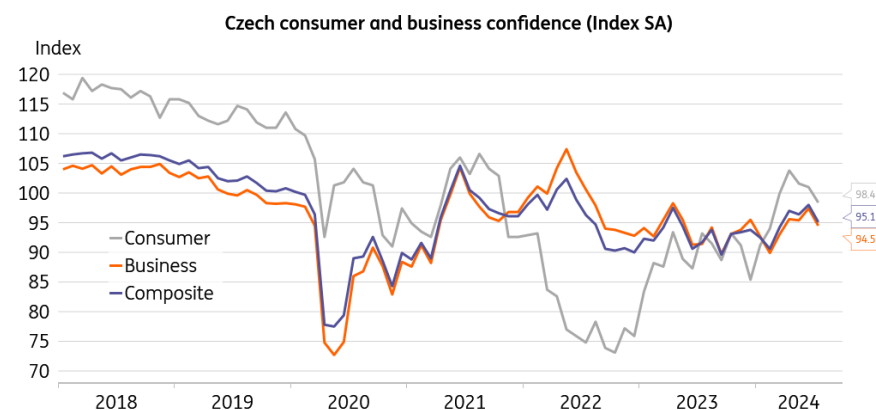


Prague's old town

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.

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