

24 July 2020

Snap

Czech confidence improved in July due to industry

Confidence improved in July driven mainly by soaring confidence in industry, which almost returned back to levels seen before the Covid outbreak. In other segments, however, confidence remains quite low and is not improving very quickly, which suggests a more gradual and slower economic recovery



Confidence in industry improved, remains lower in other segments

Confidence significantly improved in July, driven mainly by soaring confidence in industry, which rose almost to levels seen before the Covid-19 outbreak. Still, about half of the monthly increase in industrial confidence was driven by the “expectations” component, which is rather uncertain in the current situation, though some improvement also came from the current assessment.

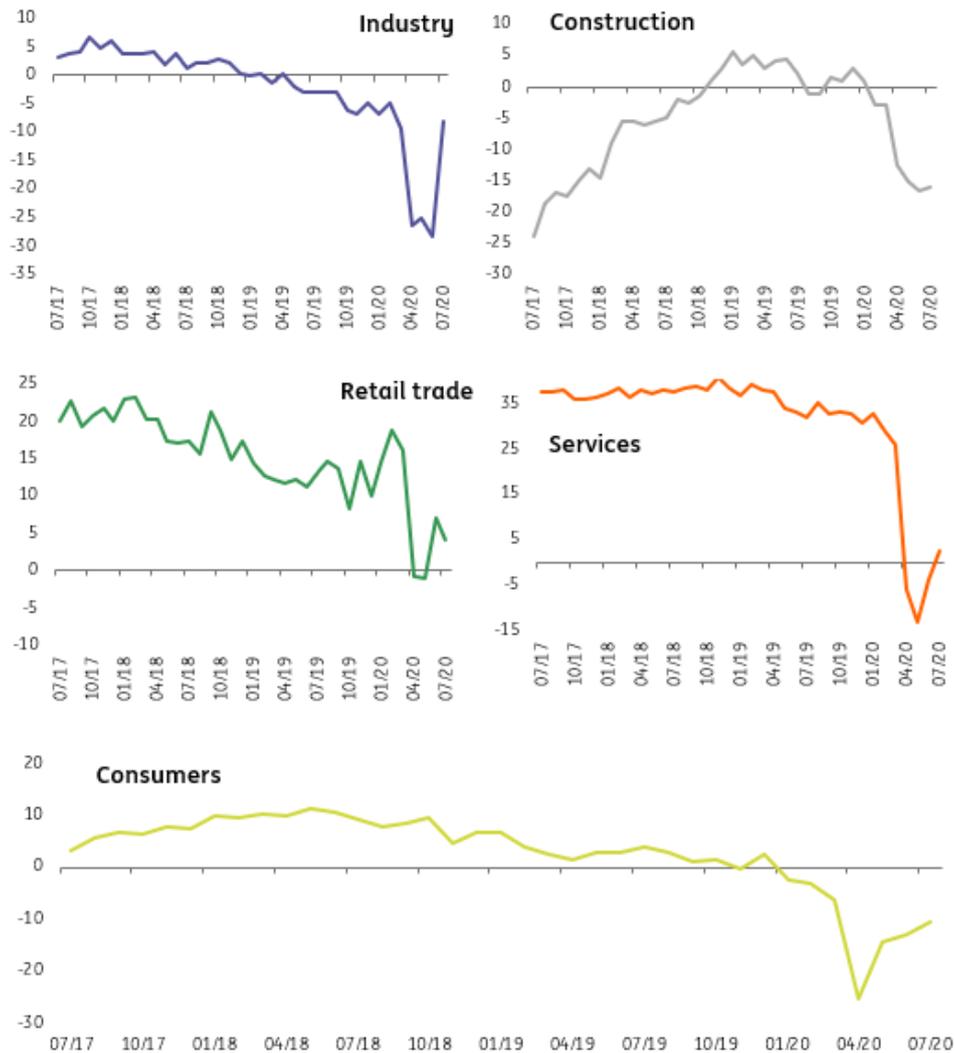
Capacity use in industry increased to 76% (after historically low usage in April of 69%) but this still represents the lowest figure since 2009. Moreover, 50% of companies in industry complain about insufficient demand, which is hindering further growth. So the data suggests only cautious optimism, as companies might be overshooting the possibility of a future recovery in the months ahead. Business confidence reached levels seen at the end of 2009, when the domestic economy was slowly recovering from the Global Financial Crisis. From this perspective, confidence remains low.

Household confidence stagnates at end-2013 level

Household confidence increased slightly in July. Compared to June, households are less worried about the future economic situation, however, they are more concerned about their own financial situation, but their intention to save has increased slightly. Households' fear of rising prices remains historically high, though it has declined slightly from the previous months' highs.

As in June, household confidence is roughly at the level seen at the end of 2013.

Confidence in the Czech economy



Source: CZSO, ING

Apart from industry, the recovery is not very sharp

The historically sharp drop in confidence indicators in recent months has been logical given the restrictions and lockdowns related to the Covid outbreak. However, with lockdown measures easing, confidence should increase significantly. This has been confirmed to some extent by the July confidence figures for industry, although much of the improvement is due to expectations that may not be fulfilled. In the case of households, services or retail sales, however, the rapid return of confidence back to pre-corona values is not yet visible, which suggests a slower and more gradual recovery.

Jakub Seidler

Chief Economist, Czech Republic

+420 257 47 4432

jakub.seidler@ing.com

Disclaimer

"THINK Outside" is a collection of specially commissioned content from third-party sources, such as economic think-tanks and academic institutions, that ING deems reliable and from non-research departments within ING. ING Bank N.V. ("ING") uses these sources to expand the range of opinions you can find on the THINK website. Some of these sources are not the property of or managed by ING, and therefore ING cannot always guarantee the correctness, completeness, actuality and quality of such sources, nor the availability at any given time of the data and information provided, and ING cannot accept any liability in this respect, insofar as this is permissible pursuant to the applicable laws and regulations. This publication does not necessarily reflect the ING house view. This publication has been prepared solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. 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).