October 24, 2014

Overall confidence in economy increased slightly

Business cycle survey – October 2014

Overall confidence in domestic economy increased slightly in October. The composite confidence indicator (economic sentiment indicator) increased slightly by 0.4 points for the third time in a row, m-o-m. Confidence of entrepreneurs decreased slightly by 0.5 points, m-o-m. Among entrepreneurs confidence increased in trade, in industry and in selected services decreased slightly, in construction decreased. Consumer confidence indicator increased. Composite confidence indicator, entrepreneurs confidence indicator and consumer confidence indicator are higher, compared to October 2013.

In **industry***,* in October, confidence decreased very slightly by 0.3 points. The assessment of current overall economic situation of the respondents increased slightly. The assessment of current total demand increased slightly too, the assessment of foreign demand almost unchanged. According to respondents, stocks of finished goods decreased slightly. In October, production capacity utilization in manufacturing industry increased and reached 85.2 %; respondents estimate they have work secured by contracts for 6.9 months, which is slightly less than in the previous quarter. Most important barrier of production is still insufficient demand, even though compared to previous quarter it is stated by fewer respondents (42.8 %). For the next three months, respondents expect a decrease in the development of production activity and almost no changes in the employment. Expectations of general economic situation development for the next three months decreased slightly, for the next six months increased slightly compared to September. All in all, confidence in industry is higher, y-o-y.

In October, confidence in **construction** decreased by 2.5 points. The assessment of current economic situation of the respondents increased m-o-m. The assessment of total demand almost unchanged, compared to September. Respondents expect for the next three months a decrease in the development of construction activity and in the employment too. Expectations of the economic situation development for the next three months increased, for the next six months decreased. Overall, confidence in construction is higher, y-o-y.

In October, confidence in **trade** increased by 3.4 points, m-o-m. The assessment of current economic situation of the respondents increased m-o-m. The stocks decreased. Expectations of the economic situation development for the next three months almost unchanged, for the next six months increased, compared to September. Overall, confidence in trade is higher, y-o-y.

In selected **services** (incl. banking sector)*,* in October, confidence decreased slightly by 1 point. The assessment of current economic situation of the respondents decreased slightly, m-o-m. The assessment of demand in October increased slightly, its expectations for the next three months decreased. For the next three months, expectations of total economic situation development decreased slightly, for the next six months increased, compared to September. All in all, confidence in selected services is higher, y-o-y.

In October, consumer confidence indicator increased by 3.8 points, m-o-m, and it is higher y-o-y too. The survey taken among consumers in October indicates that consumers are for the next twelve months equally afraid of a decrease in the overall economic situation. Worries about their own financial standing as well as worries about rise in the unemployment decreased compared to September. The share of respondents intending to save money did not change m-o-m. The respondents concern about rises in prices did not change too m-o-m.

Notes:

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Annex:

Table 1 Confidence Indicators – basic indices

Table 2 Balances of Confidence Indicators

Graph 1.1 Seasonally Adjusted Confidence Indicators (2008 – 2014)

Graph 1.2 Seasonally Adjusted Confidence Indicators (1998 – 2014)

Graph 2 Seasonally Adjusted Confidence Indicators in Industry, Construction, Trade, and in Selected Services

Graph 3 Economic Sentiment Indicators – international comparison

Graph 4 Production Capacity Utilisation in Manufacturing Industry

Graph 5 Limits of Production in Industry

Graph 6 Limits of Production in Construction