

NEWS RELEASE

October 24, 2022

Confidence in the economy has been falling for the fifth month in a row

Additional information to NR Business cycle survey – October 2022

The composite confidence indicator (economic sentiment indicator) – in the basis index form – decreased by 0.3 percentage points to 89.8, m-o-m, with the same developments of its components. The business confidence indicator decreased by 0.2 percentage points to 93.4; the consumer confidence indicator decreased by 0.8 percentage points to 71.9, the lowest value since the start of monitoring.

In recent months, the steady decline in confidence in the economy among **entrepreneurs in the industry** continued in October. The confidence indicator fell by 2.2 points m-o-m to 91.4. The share of entrepreneurs negatively evaluating *their current total demand* and *foreign demand* increased significantly m-o-m. After the September drop, the share of entrepreneurs expecting an increase in the pace of *production activity* for the next three months has increased. Compared to last month, *the stock of finished products* has increased significantly. The share of respondents expecting an increase in sales prices in the next three months decreased slightly m-o-m but remains at well above average values. In October, the percentage of respondents who assumed they would reduce the number of employees in the next three months slightly prevailed. The main barrier to production growth in industrial enterprises is still the lack of material, as stated by approximately 34% of respondents. However, compared to the last quarter, the number of respondents limited by insufficient demand (23%) increased significantly. The business confidence in the industry is still slightly higher, y-o-y.

The utilization of the production capacities of companies in the **manufacturing industry** was the lowest this year at 80.5% in the third quarter. Similarly to the previous quarter, entrepreneurs estimated securing work through contracts at 8.4 months.

In the **construction** sector, the confidence of entrepreneurs decreased m-o-m. The confidence indicator fell by 1.2 points, returning to its August value of 110.2. The share of entrepreneurs assessing their *current demand for construction work* as insufficient was almost unchanged compared to September. Entrepreneurs expect stagnation in the *number of employees* for the period of next three months. The share of respondents expecting a further rise in construction work prices increased significantly compared to last month. The main barriers to production growth are a lack of employees (stated by approximately 32% of respondents) and a lack of materials or equipment (expressed by around 25% of respondents). Compared to October 2021, the confidence of entrepreneurs in the construction industry is lower.

Business confidence in the trade sector increased m-o-m. The confidence indicator rose by 6.6 points to 99.3 after a four-month decline. The share of respondents positively evaluating the

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overall economic situation increased in October. The *stock of goods* in warehouses decreased compared to September. The percentage of entrepreneurs expecting an improvement in their *economic situation* in the next three months has increased. The indicator of expected price growth has increased significantly. Business confidence in business is lower, y-o-y.

The confidence of entrepreneurs in **selected services** (including the financial sector) increased slightly, m-o-m. The confidence indicator rose by 0.9 points to 92.9. The share of entrepreneurs *positively evaluating their current demand* has hardly changed, m-o-m. Compared to September, the percentage of entrepreneurs expecting growth in *demand in the next three months* remained almost the same. The share of entrepreneurs *positively evaluating their current overall economic situation* has increased. Expectations of further price growth over the next three months have increased. Most respondents in services (approximately 65%) stated that they currently do not experience any barriers limiting production. About 17% of respondents said they were limited by insufficient demand. Confidence in selected services is lower, y-o-y.

Consumer confidence in the economy decreased m-o-m. The confidence indicator fell by 0.8 points to 71.9. The share of respondents *expecting a deterioration overall economic situation* for the next twelve months has not changed. M-o-m, the number of respondents evaluating their *current financial situation* as worse than the previous twelve months increased. The number of households that expect their financial situation to worsen in the next twelve months also increased slightly. Approximately 32% of the interviewed households state that it is difficult to make ends meet with their financial resources. On the other hand, roughly 47% of households state that they will save some funds every month. The number of consumers who believe that the next twelve months will not be an excellent time to *make large purchases* has slightly decreased. Households' fears about further price growth have significantly reduced m-o-m, but they remain high. The number of respondents who fear an increase in unemployment has increased significantly. Compared to October last year, consumer confidence is significantly lower.

Notes:

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Detailed time series of balances and basic
indices of confidence indicators:

https://www.czso.cz/csu/czso/kpr_ts

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