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September 26, 2022

Confidence in the economy continues to decline

Additional information to NR Business cycle survey – September 2022

The composite confidence indicator (economic sentiment indicator) – in the basis index form – decreased by 4.0 percentage points to 90.1, m-o-m, with the same developments of its components. Business confidence indicator decreased by 4.0 percentage points to 93.6, the consumer confidence indicator decreased by 4.4 percentage points to 72.7, the lowest since the start of monitoring. Compared to September 2021, the composite indicator, the business indicator and the consumer confidence indicator are at the lower level.

Among **industrial** entrepreneurs, confidence in the economy decreased for the fourth time in a row. The confidence indicator fell by 3.3 points to 93.6. The share of entrepreneurs negatively rated their *current total demand* did not change m-o-m, while the number of respondents negatively evaluating the development of foreign demand increased significantly. The share of entrepreneurs expecting the growth rate of *production activity* for the next three months fell. The *stock of finished products* decreased compared to August. The number of entrepreneurs *expected prices* to rise in the next three months decreased m-o-m, but still remains at well above average values. The shares of entrepreneurs expecting a deterioration in their overall economic situation in the next three and six months increased again compared to August. In y-o-y comparison, confidence in the industry is higher.

The confidence of entrepreneurs in **construction** increased compared to August. The confidence indicator rose by 1.2 point to 111.4. The share of entrepreneurs evaluating their *current demand* for construction work as insufficient increased slightly. However, entrepreneurs expect an increase in the current *number of employees* for the period of next three months. In addition, compared to last month, the number of respondents expecting further growth in construction work prices has significant decreased. However, expectations of continued price growth are still well above average. The confidence in construction is higher y-o-y.

In **trade** sector confidence decreased, m-o-m. The confidence indicator fell by 2.5 points to 92.7. The share of entrepreneurs evaluating the *overall economic situation* as good decreased slightly in September. The *stock of goods* in warehouses have increased. The share of entrepreneurs expecting an improvement *in their economic situation* for the next three months did not change compared to August. The indicator of expected price growth decreased slightly m-o-m, but still remains well above the long- term average. Compared to September 2021, confidence in trade is lower.

The confidence of entrepreneurs in **selected services** (including the financial sector) decreased, m-o-m. The confidence indicator fell by 5.3 points to 92.0. The share of entrepreneurs *evaluating positively the current demand* decreased for the fifth month in a row. In addition, entrepreneurs in

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services also expect decline in *demand in the next three months*. The share of entrepreneurs *evaluating positively the current economic situation* has significantly decreased m-o-m. The number of entrepreneurs expecting further price growth in the next three months has decreased compared to August, however, similar to other sectors, it still remains at well above-average values. Confidence in selected services is lower y-o-y.

Consumer confidence in the economy decreased. The confidence indicator fell by 4.4 points to 72.7, the lowest since monitoring began. The share of respondents *expecting a deterioration in the overall economic situation and their own financial situation* over the next twelve months increased. Approximately 30% of households state that they have a problem with their financial resources. Compared to August, the number of respondents evaluating their current financial situation as worse compared to the period of the previous twelve months decreased slightly. The number of respondents who do not expecting to spend more money on *large purchases* than in the previous period has increased significantly. The number of respondents concerned about rising prices and unemployment increased m-o-m. In a y-o-y comparison, 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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