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August 24, 2022

Overall confidence in the economy decreased for the third time in a row

Additional information to NR Business cycle survey – August 2022

The composite confidence indicator (economic sentiment indicator) – in the basis index form – decreased by 1.6 percentage points to 94.1, m-o-m, with the different developments of its components. Business confidence indicator decreased by 2.6 percentage points to 97.6, the consumer confidence indicator increased by 3.5 percentage points to 77.1. Compared to August last year, the composite indicator and the consumer confidence indicator are at the lower level, the business indicator is slightly higher.

Business confidence in **industry** decreased again. Compared to July the confidence indicator fell by 2.0 points to 96.9. The share of entrepreneurs rated their *current total demand* as more than satisfactory slightly decreased m-o-m. The share of entrepreneurs expecting the growth rate of *production activity* for the next three is also slightly decreased. The *stock of finished products* slightly increased. The number of entrepreneurs *expected prices* to rise in the next three months increased just below the maximum of the entire time series. The shares of entrepreneurs expecting a deterioration in their overall economic situation in the next three months has increased, while the same time the number of entrepreneurs expecting an improvement in the next six months has decreased. Compared to August last year, the confidence of entrepreneurs in the industry is slightly lower.

The confidence of entrepreneurs in **construction** decreased significantly m-o-m. The confidence indicator fell by 8.4 to 110.2. The share of entrepreneurs evaluating their *current demand* for construction work as insufficient increased in August. In addition, for the first time since April 2021, the share of entrepreneurs expect a decrease in the *number of employees* in the next three months slightly prevailed. The already high number of respondents expecting further growth in construction work prices increased even more m-o-m. In a y-o-y comparison, the confidence in construction is lower.

Confidence in **trade** sector decreased, m-o-m. The confidence indicator fell by 2.4 points to 95.2. The share of entrepreneurs evaluating the *overall economic situation* as good decreased for the third time in a row. The *stock of goods* increased compared to July. The share of entrepreneurs expecting an improvement *in their economic situation* for the next three months increased slightly compared to last month. After the decline in June, the indicator of expected price growth remained almost unchanged and still well above the long-term average. Confidence of entrepreneurs in trade is lower, y-o-y.

In **selected services** (including the financial sector), the confidence indicator slightly decreased, m-o-m. The confidence indicator fell by 2.7 points to 97.3. The share of entrepreneurs *evaluating*

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positively the current demand decreased significantly compared to July. The share of entrepreneurs expecting an increase in *demand in the next three months* increased slightly. The share of entrepreneurs *evaluating positively the current economic situation* worse than previous month. The number of entrepreneurs expect further price increases over the next three months has hardly changed compared to July and, like in other sectors, remains at highly above-average values. Compared to August 2021 confidence in selected services is higher.

Consumer confidence in the economy increased by 3.5 points to 77.1 in August after five months of continuous decline. The share of respondents *expecting a deterioration in the overall economic situation and their own financial situation* over the next twelve months *decreased*. The number of respondents evaluating their current financial situation as worse compared to the period of the previous twelve months also decreased m-o-m. The number of respondents who do not expecting to spend more money on *large purchases* than in the previous period slightly increased again. The number of respondents concerned about rising prices significantly decreased m-o-m, but remains high. Unemployment expectations have not changed. 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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