

NEWS RELEASE

July 25, 2022

Consumer confidence is the lowest since the survey began

Additional information to NR Business cycle survey – July 2022

The composite confidence indicator (economic sentiment indicator) – in the basis index form – decreased by 2.6 percentage points to 95.7, m-o-m, with the simultaneous decline of its components. Business confidence indicator decreased by 2.9 percentage points to 100.2, the consumer confidence indicator decreased by 1.1 percentage points to 73.6. Compared to July last year, the composite indicator, the business indicator and the consumer confidence indicator are at the lower level.

Business confidence in **industry** decreased compared to the last month. The confidence indicator fell by 7.2 points to 98.9. The share of entrepreneurs rated their *current total demand* as more than satisfactory decreased m-o-m. The share of entrepreneurs expecting the growth rate of *production activity* for the next three is also lower. The *stock of finished products* increased compared to June. The number of entrepreneurs *expected prices* to rise in the next three months remains at high levels from previous months. The main barrier to production growth is the lack of materials, which was reported by approximately 39% of respondents. Approximately 19% of respondents are limited by the lack of employees and 15% by insufficient demand. Y-o-y, the confidence of entrepreneurs in the industry is at the same level.

The utilization of production capacities of enterprises in the **manufacturing industry** reached 83.2% in the second quarter. Compared to the previous quarter, it increased slightly, but compared to the same period last year, it is significantly lower. Entrepreneurs estimate securing work by contracts for 8.4 months, which is about the same as in the previous quarter

The confidence of entrepreneurs in **construction** increased compared to June. The confidence indicator rose by 1.2 and returned to its May value of 118.6. The share of entrepreneurs evaluating their *current demand* for construction work as insufficient almost unchanged compared to the previous month. Entrepreneurs expect a slight decrease in the *number of employees* in the next three months. The number of respondents expect further growth in construction work prices remains high. The main barriers to production growth are the lack of employees (approximately 32% of respondents) and lack of materials or equipment (27% of respondents). Compared to the July last year confidence in construction is higher.

Confidence in **trade** sector decreased, m-o-m. The confidence indicator fell by 1.7 points to 97.6. The share of entrepreneurs evaluating the *overall economic situation* as good significantly decreased for the second time in a row. The *stock of goods* almost unchanged, m-o-m. The share of entrepreneurs expecting slight improvement *in their economic situation* for the next three months did not change compared to June. The share of entrepreneurs expecting of further growth

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in sales prices did not change, m-o-m. However, their level is still well above the long-term average. The confidence of entrepreneurs in trade is lower, y-o-y.

In **selected services** (including the financial sector), the confidence indicator slightly increased, m-o-m. The confidence indicator rose by 0.9 points to its long-term average (100.0). Compared to June the share of entrepreneurs *evaluating positively the current demand* decreased. The share of entrepreneurs expecting an increase in *demand in the next three months* did not change, m-o-m. The share of entrepreneurs *evaluating positively the current economic situation* better than previous month. The number of entrepreneurs expect further price increases over the next three months fell again, m-o-m, but still remains at above-average levels. Most respondents in services (approximately 32%) stated that they currently have no barriers to production. Compared to previous quarter significantly rose the number of respondents (approximately 27%), which is limited by insufficient demand. Compared to July last year confidence in selected services is higher.

Consumer confidence decreased in July, falling for the fifth month in a row. The confidence indicator fell by 1.1 points to 73.6, which is the second lowest value since January 2003 i.e. from the beginning of the time series of published data. The share of respondents *expecting a deterioration in the overall economic situation for the next twelve months* slightly increased. The number of respondents, rate their *current financial situation* worse slightly increased, m-o-m. At the same time, a record number of respondents believe that their *own financial situation* over the next twelve months will continue to deteriorate over the next twelve months. In July the number of respondents who do not expecting to spend more money on *large purchases* than in the previous period slightly increased again. A still significantly high number of respondents concerned about rising prices. The intention to save increased slightly, m-o-m. Consumer confidence is lower compared to July 2021.

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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