January 24, 2022

**Overall confidence in the economy increased after six months**

**Additional information to NR Business cycle survey – January 2022**

**The composite confidence indicator (economic sentiment indicator) – in the basis index form – increased by 2.0 percentage points to 97.6, m-o-m, with both components increasing. Business confidence indicator increased by 2.3 percentage points to 98.8, the consumer confidence indicator increased by 0.2 percentage points to 91.4. Compared to January last year, the composite indicator, the business indicator are higher, while the consumer confidence indicator is at the lower level than last year.**

In **industry** business confidence increased, m-o-m. The confidence indicator rose by 3.7 points to 97.6. Entrepreneurs rated their *current total demand* better than in December. The *stock of finished products* has not changed, m-o-m and remains high. The share of entrepreneurs expecting the growth rate of *production activity* for the next three months rose, m-o-m. *Expected prices* in industry increased significantly compared to December. As in the previous two quarters, the main barrier to production growth is the lack of materials, which was reported by approximately 31% of respondents. The second most important barrier is insufficient demand, which limits almost 25% of respondents. Compared to January 2021 confidence of entrepreneurs in industry is higher.

The utilization of production capacities of enterprises in the **manufacturing industry** increased compared to last quarter (83.3%). Entrepreneurs estimate securing work by contracts for
8.8 months, which is less than in the previous quarter.

The confidence of entrepreneurs in **construction** significantly increased, m-o-m. The confidence indicator rose by 9.9 points to 124.3. The share of entrepreneurs evaluating their *current* *demand* for construction work as insufficient significantly decreased, m-o-m. Respondents expect a more significant growth in the pace *of construction activity* in the three months and at the same time an increase in the current *number of employees*. The main barriers to production growth are the lack of employees (approximately 31% of respondents) and lack of materials or equipment (20% of respondents). Confidence in construction is higher, y-o-y.

Confidence in **trade** sector slightly decreased compared to December. The confidence indicator fell by 1.2 points to 105.0. The share of entrepreneurs evaluating the overall economic situation as good almost unchanged. Entrepreneurs expecting a slight improvement *in their economic situation* for the next three months. However, the stock of goods increased, m-o-m. The confidence of entrepreneurs in trade is higher, y-o-y.

In **selected services** (including the banking sector), the confidence indicator increased slightly. The confidence indicator increased by 0.7 points to 96.5, m-o-m. In m-o-m comparison, the share of entrepreneurs *evaluating positively the current demand* decreased, while *the expected demand in the next three months* increased. Compared to December, the share of entrepreneurs *evaluating positively the current economic situation* increased. Most respondents in services (almost 28%) stated that they currently have no barriers to production, approximately 27% of respondents limit insufficient demand. Compared to October last year confidence in selected services is higher.

**Consumer confidence** in the economy increased slightly, m-o-m. The confidence indicator rose by 0.2 points to 91.4 in January. The share of respondents *expecting a deterioration in the overall economic situation for the next twelve months* increased. Respondents rate their *current financial situation* better than in the previous twelve months, but expect their *own financial situation* to deteriorate over the next twelve months. The share of respondents expecting to spend more money on *large purchases* than in the previous period increased. The number of respondents concerned about rising prices is still significantly high in January. Compared to December, concerns about rising unemployment decreased slightly. The number of respondents who expect to save some money in the next twelve months has hardly changed. However, y-o-y consumer confidence is 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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