

NEWS RELEASE

July 24, 2023

Overall confidence in the economy increased m-o-m Additional information to NR Business cycle survey – July 2023

The composite confidence indicator (economic sentiment indicator) – in the basis index form – increased by 1.1 points to 91.4 m-o-m, with the same developments of its components. The business confidence indicator increased by 0.1 percentage points to 91.1 and the consumer confidence indicator increased by 5.9 points to 92.7. Compared to July last year, the composite indicator and the business indicator are at a lower level, while the consumer indicator is higher.

In **industrial** sector, confidence of entrepreneurs increased m-o-m after a two-month decline. The confidence indicator rose by 2.9 points to 88.1 in July. The share of entrepreneurs negatively evaluating *their current overall demand* remains unchanged. Compared to June, the share of entrepreneurs expecting an increase in the pace of *production activity* for the period of the next three months increased. The stock level of *finished goods* did not change after a significant increase in June. The share of entrepreneurs expecting price growth in the next three months did not change after the significant drop in May. Entrepreneurs in industry expect a deterioration in the overall economic situation of their companies in the next three to six months. The main barrier to production, cited by approximately 37% of industrial enterprises, is insufficient demand. Compared to the previous quarter, however, the number of enterprises that are limited by the lack of materials and equipment has significantly decreased (about 17%). About 19% of entrepreneurs said that they are limited by other factors (for example, energy prices, geopolitical situation, etc.). Compared to July last year, business confidence in industry is lower.

The utilization of the production capacities of enterprises in the **manufacturing industry** reached 83.1%, which is approximately the same as in the last quarter. Entrepreneurs estimated the provision of work through contracts at 8.3 months, which is slightly more than in April.

In **construction** industry, business confidence in the economy decreased m-o-m. The confidence indicator fell by 4.2 points to 99.0, below its long-term average for the first time since October 2017. The share of entrepreneurs evaluating *their current demand for construction work* as insufficient increased compared to June. The number of entrepreneurs who expect a decrease in the current *number of employees* for the period of the next three months increased slightly. The share of entrepreneurs who believe that construction work prices will rise in the next three months decreased m-o-m. As in the last quarter, the main barrier to production growth remains the lack of employees, cited by approximately 25% of respondents. The second most significant barrier is insufficient demand (stated by approximately 22% of respondents). The number of representatives of construction companies who cite the lack of material as a significant obstacle to production growth is gradually decreasing - approximately 10% of respondents stated this. In a y-o-y comparison, the confidence of entrepreneurs in the construction industry is significantly lower.

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Business confidence in the trade sector increased m-o-m. The confidence indicator rose by 1.7 points to 95.3. The share of entrepreneurs in the trade positively evaluating their *overall economic situation* has increased. Conversely, the share of respondents expecting an improvement in their economic situation in the next three months decreased slightly. After a significant increase in June, the stock of goods in warehouses decreased slightly. Y-o-y confidence in business is lower.

In **selected service** sectors (including the financial sector), entrepreneurs' confidence in the economy decreased compared to June. The confidence indicator fell by 2.5 points to 92.8. The share of entrepreneurs positively evaluating their *current demand* for services decreased, as did the share of respondents expecting it to improve in the next three months. The assessment of *the current overall economic situation* among service entrepreneurs decreased slightly m-o-m. A still relatively high number of entrepreneurs expecting a reduction in the number of employees in the next three months. The number of respondents who expect further price growth over the next three months remains high. Most respondents in services (approximately 49%) stated that they currently do not experience any barriers limiting production. The number of respondents (approximately 25%) who state that they are limited by insufficient demand has increased quite significantly m-o-m. About 13% of respondents indicated that they were constrained by other factors (for example, legislation, competition, geopolitical influences, fuel and input prices, high inflation, labor costs, etc.). Compared to July 2022, confidence is lower in selected service industries.

Among **consumers, confidence** in the economy increased in July. The confidence indicator rose by 5.9 points to 92.7. The share of respondents expecting a *worsening of the overall economic situation* in the Czech Republic for the period of the next twelve months decreased m-o-m. The number of households evaluating their *current financial situation* worse compared to the period of the previous twelve months also decreased m-o-m. Similar to last month, the number of households that fear a worsening of their own financial situation in the next twelve months also slightly decreased in July. The number of surveyed households who state that it is difficult to make ends meet with their financial resources has slightly increased (approximately 30%). However, the number of households that state that they save some money every month has also increased (approximately 49%). The number of consumers who do not plan to make major purchases in the next twelve months was almost unchanged. Household concerns about an increase in unemployment decreased slightly m-o-m, while concerns about price growth increased slightly. In a y-o-y comparison, consumer confidence is higher.

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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