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February 23, 2024

Entrepreneurs' confidence continues to decline, while consumers are more optimistic

Additional information to NR Business cycle survey – February 2024

The composite confidence indicator (economic sentiment indicator), in the basic index form – decreased by 1.9 points to a value of 90.6 m-o-m, reflecting different developments in its components. The business confidence indicator declined by 2.8 points to a value of 89.9, and the consumer confidence indicator increased by 2.8 points to a value of 94.0. Compared to January of last year, the composite indicator and the consumer indicator are at a higher level, while the business indicator is lower.

In the **industry** sector, confidence in the economy decreased m-o-m again. The confidence indicator declined by 4.7 points to a value of 85.2. Compared to the previous month entrepreneurs evaluate both *current* and *expected demand* in the next three months more negatively. The deteriorating demand correspond to an increasing percentage of entrepreneurs expecting a decrease in the pace of *production activity* in the next three months. The level of *finished goods* inventory increased. The percentage of entrepreneurs expecting further price almost unchanged m-o-m. In a y-o-y comparison, confidence among entrepreneurs in the industry is lower.

Among entrepreneurs in **construction**, confidence in the economy increased m-o-m. The confidence indicator rose by 2.4 points to a value of 111.5. The proportion of entrepreneurs assessing *their current demand* for construction work as insufficient slightly decreased m-o-m. Entrepreneurs also anticipate a slight increase in the *current number of employees* in the next three months. The number of entrepreneurs expecting an increase in construction work prices in the next three months remained unchanged compared to January. In comparison to February of last year, confidence among entrepreneurs in the construction industry is higher.

Entrepreneurs' confidence in **trade** slightly decreased. The confidence indicator declined by 3.7 points m-o-m to a value of 88.1. The share of entrepreneurs positively evaluating *their overall economic situation* almost remained unchanged. However, the share of respondents expecting an improvement in their economic situation in the next three months has decreased. The inventory of goods in stocks increased m-o-m. The stock of entrepreneurs expecting price increases in the next three months slightly risen m-o-m. Y-o-y, confidence in the trade sector is lower.

Among entrepreneurs in **selected service** sectors (including the financial sector), confidence in the economy decreased. The confidence indicator declined by 1.3 points to a value of 92.7 m-o-m. While the share of entrepreneurs positively evaluating *their current demand* for services increased compared to January, the percentage of respondents expecting an increase in demand in the next three months decreased. The share of entrepreneurs positively evaluating *the current economic situation* slightly decreased m-o-m. Similar to the previous month, in February, the

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share of respondents expecting price increases for offered services over the next three months decreased. Y-o-y, confidence in selected service sectors is lower.

Consumer confidence increased for the second time in a row. The confidence indicator rose by 2.8 points to a value of 94.0 m-o-m. The percentage of respondents expecting a *worsening of the overall economic situation* in the Czech Republic over the next twelve months almost unchanged compared to the previous month. Compared to January, the number of households assessing their *current financial situation* worse than in the previous twelve months decreased, as well as the number of respondents expecting a *deterioration in their financial situation* in the next twelve months. The number of surveyed households indicate that they have difficulty making ends meet with their financial resources has slightly decreased (approximately 28% reported this). Compared to January, the number of consumers saving some money monthly increased (approximately 54% reported this). The number of consumers not planning to make *major purchases* in the next twelve months has not changed. Concerns of households about an increase in unemployment in the next twelve months have almost unchanged m-o-m. For the second time, the number of respondents worried about further price increases has decreased. Year-on-year, 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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