April 24, 2014

Overall confidence in economy almost unchanged, m-o-m

Business cycle survey – April 2014

Overall confidence in domestic economy almost unchanged in April. The composite confidence indicator (economic sentiment indicator) increased very slightly by 0.2 points compared to March. Confidence of entrepreneurs almost unchanged too. Among entrepreneurs confidence increased slightly in industry, in trade and in construction increased and in selected services decreased. Consumer confidence indicator increased. Composite confidence indicator, entrepreneurs confidence indicator and consumer confidence indicator are higher, compared to April 2013.

In **industry***,* in April, the assessment of current overall economic situation increased slightly. The assessment of current total demand increased slightly too, the assessment of foreign demand decreased slightly. According to respondents, stocks of finished goods almost unchanged. Production capacity utilization in manufacturing industry increased in April and reached 83.7 %; respondents estimate they have work secured by contracts for 7.5 months, which is slightly more than in the previous quarter. Most important barrier of production is still insufficient demand, even though compared to previous quarter it is stated by less respondents (45.4 %). For the next three months, respondents expect no changes in the development of production activity and in the employment too. Expectations of general economic situation development of respondents for the next three months increased, for the next six months almost unchanged, compared to March. All in all, confidence in industry increased slightly, compared to March, and it is higher y-o-y.

The survey on **investment activity** taken among manufacturing enterprises suggests that after a slight increase in 2013, the level of investment should increase by about 8 % in 2014. It refers predominantly to an extension of production capacities and also a renewal of production equipment, less to introducing new technologies.

In **construction**, in April, the assessment of current economic situation of the respondents increased m-o-m. The assessment of total demand increased slightly, compared to March. Respondents expect for the next three months an increase in the development of construction activity and in the employment too. Expectations of the economic situation development for the next three as well as six months increased slightly. Overall, confidence in construction increased, m-o-m, however, it remained in deeply negative territory. Confidence in construction is higher y-o-y.

In **trade***,* in April, the assessment of current economic situation of the respondents increased m-o-m. The stocks did not change. Expectations of the economic situation development for the next three months did not change too, for the next six months increased, compared to March. In April, confidence in trade increased m-o-m, and it is higher y-o-y.

In selected **services** (incl. banking sector)*,* in April, the assessment of current economic situation of the respondents decreased slightly, m-o-m. The assessment of demand in April did not change, its expectations for the next three months decreased slightly. For the next three months, expectations of total economic situation development increased slightly, for the next six months did not change, compared to March. All in all, confidence in selected services decreased m-o-m, but it is higher y-o-y.

Consumer confidence indicator increased in April, m-o-m, and it is higher y-o-y. The survey taken among consumers in April indicates that consumers are for the next twelve months a less afraid of a decrease in the overall economic situation. Worries about their own financial standing as well as worries about increase in the unemployment almost unchanged, compared to March. The share of respondents intending to save money increased slightly, m-o-m. Respondents are still afraid of rises in prices, but slightly less so than previous months.

Notes:

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Annex:

Table 1 Confidence Indicators – basic indices

Table 2 Balances of Confidence Indicators

Graph 1 Seasonally Adjusted Confidence Indicators

Graph 2 Seasonally Adjusted Confidence Indicators in Industry, Construction, Trade, and in Selected Services

Graph 3 Economic Sentiment Indicators – international comparison

Graph 4 Production Capacity Utilisation in Manufacturing Industry

Graph 5 Limits of Production in Industry

Graph 6 Limits of Production in Construction