May 25, 2020

Confidence in the economy remains well below the long-term average

Business cycle survey – May 2020

**In May, overall confidence in the economy slightly rises after a historically high decline in the previous month,** **but it is still lower than the long-term average. The composite confidence indicator (economic sentiment indicator) increased by 0.3 percentage points to 75.1, m-o-m. Business confidence indicator decreased by 2.2 percentage point to 71.6 (m-o-m). On the other hand, the consumer confidence indicator increased by 11.8 percentage points to 91.9. Economic sentiment indicator, business confidence indicator and consumer confidence indicator have lower values, y-o-y.**

The confidence indicator in **industry slightly increases**in May. Confidence indicator increased by 0.9 points to 72.9. The assessment of current total demand decreased significantly again. Stocks of finished goods increased compared to April. Businesspeople expect an increasing rate of production in the next three months. Expectations of total economic situation development for the next three are still low, but for the six months are better in comparison with April. Overall, confidence in the industry is significantly lower, y-o-y.

Confidence in **construction** decreased by 3.1 points to 104.2, m-o-m. The assessment of total demand for construction work significantly decreased compared to April. Expectation about employment slightly increases, m-o-m. Expectations of total economic situation development in the next three and six months are worse. Finally, confidence in construction is significantly lower, m-o-m.

In **trade**, in May, confidence indicator significantly decreased by 0.2 points to 85.2. The assessment of the overall economic situation of the respondents decreased, m-o-m. The stocks are the same. Expectations of total economic situation development for the next three increased significantly. Finally, confidence in trade is lower, y-o-y.

In selected **services**(incl. banking sector), confidence decreased by 5.5 points to 65.0 (the sharpest decrease from the beginning of the survey). The assessment of the current economic situation of the respondents decreased compared to April. Assessment of demand decreased. Expectations of total demand for the next three months increased. Expectations of overall economic situation development for the next three, as well as six months, increased. Overall, confidence in selected services is significantly lower, y-o-y.

In response to the current situation, we added a question about the time horizon in which respondents to business surveys expect demand to return to the current or planned level before the government measures. Of the companies that answered (1377 companies) 14.2% expect a return of demand for their production, goods or services within 3 months, almost 24% within 6 months, 21.8% within 12 months and 11.7% for more than one year. 1.4% of companies do not anticipate that demand would return to pre-crisis levels. 23.6% of companies were not affected by the crisis at all. 3.3% of companies declared higher demand in May than before the crisis.

Consumer confidence indicator increased by 11.8 points to 91.9, m-o-m. 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, their financial situation, and the growth of the unemployment. The share of respondents intending to save money increased. The respondent´s concern about rises in prices significantly increased. Overall, consumer confidence indicator is lower, y-o-y.

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At the end of the data collection the overall response rate of the questionnaires reached 81.8%, the weighted response rate, which takes into account the impact of the obtained answers on the overall results, almost 86%. These values are only slightly lower than in standard periods.Thanks to all respondents who fill in the questionnaire. We appreciate their efforts, and we would like to thank them.

Notes:

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Data source: CZSO business survey, Data Collect consumer survey (https://www.datacollect.cz)

End of data collection: May 18, 2020

Next News Release: June 24, 2020

This press release wasn´t edited for language.

Annex:

Table Confidence Indicators – basic indices

Graph Confidence indicators – base indices, seasonally adjusted (2003–2020)

Graph Confidence Indicators for industry, construction, trade, and in selected services – base indices, seasonally adjusted (2003–2020)

Graph Balances of seasonally adjusted confidence indicators for industry, construction, trade, and in selected services (2003–2020)

Graph Economic Sentiment Indicators – international comparison, seasonally adjusted (2007-2020)

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