

NEWS RELEASE

February 24, 2023

Consumer confidence in the economy increased again m-o-m, business confidence decreased

Additional information to NR Business cycle survey – February 2023

The composite confidence indicator (economic sentiment indicator) – in the basis index form – slightly decreased by 0.3 points compared to January to 91.7, with the different developments of its components. The business confidence indicator decreased by 1.3 percentage points to 92.5 and the consumer confidence indicator increased by 4.8 points to 87.7. Compared to February last year, the composite indicator, the business indicator and the consumer indicator are at a lower level.

In the **industrial** sector, confidence in the economy decreased month-on-month. The confidence indicator fell by 4.4 points in February to a value of 88.7, the lowest since June 2020. The share of entrepreneurs negatively evaluating *their current overall* and *foreign demand* increased m-o-m. M-o-m, the share of entrepreneurs expecting an increase in the pace of *production activity* for the period of the next three months decreased significantly. *Finished goods inventories* decreased compared to January, but still remain above their long-term average. The number of entrepreneurs who plan to reduce the number of employees in the coming months has increased significantly. The share of entrepreneurs expecting price growth in the next three months decreased. Business confidence in industry is lower year-on-year.

In **construction** industry, business confidence increased m-o-m. The confidence indicator rose by 1.8 points to 106.2. The share of entrepreneurs assessing their *current demand for construction work* as insufficient decreased slightly. The number of entrepreneurs who expect a decrease in the current *number of employees* for the period of the next three months also decreased slightly. Expectations of construction price growth for the next three months were almost unchanged compared to January. Entrepreneurs in the construction industry expect a significant decrease in the demand for construction work and also the growth rate of construction activity in the next three months. Compared to February 2022, the confidence of entrepreneurs in the construction industry is lower.

Entrepreneurs' confidence in the **trade** sector decreased slightly in February. The confidence indicator fell by 0.4 points to 94.4. The share of entrepreneurs in the trade positively evaluating their *overall economic situation* increased month-on-month. *The stock of goods* in warehouses remained approximately the same as in January. The share of entrepreneurs expecting an improvement in their economic situation in the next three months decreased. The number of entrepreneurs expecting an increase in retail prices in the next three months decreased slightly m-o-m. In a year-on-year comparison, confidence in business is lower.

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Entrepreneurs' confidence in **selected service** sectors (including the financial sector) increased m-o-m in February. The confidence indicator rose by 1.3 points to 94.6. Compared to January, entrepreneurs have a better assessment of their *current demand* for services. However, the proportion of respondents expecting it to improve in the next three months decreased m-o-m. The share of entrepreneurs positively evaluating *their current overall economic situation* increased slightly compared to January. Expectations of further price growth over the next three months remained approximately the same. In a y-o-y comparison, confidence in selected services is lower.

Consumer confidence in the economy increased m-o-m. The confidence indicator rose by 4.8 points to 87.7 in February. The share of respondents expecting a *worsening of the overall economic situation* for the period of the next twelve months decreased in February. The number of households evaluating their *current financial situation* worse compared to the period of the previous twelve months remained approximately the same as last month. However, the number of households that fear a worsening of their own financial situation in the next twelve months has decreased. Approximately 29% of the interviewed households state that it is difficult to make ends meet with their financial resources. Compared to January, the number of households (approximately 46%) that state that they save some funds monthly has decreased. The number of consumers who believe that the next twelve months will not be a good time to make large purchases has slightly decreased. Households' concerns about further price growth have hardly changed m-o-m. Respondents' concerns about unemployment growth have decreased compared to January, but they still remain well above the long-term average. Compared to February last year, 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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