October 25, 2021

**The decreasing confidence in the economy continues in October**

**Business cycle survey – October 2021**

**The composite confidence indicator (economic sentiment indicator) – in the basis index form – decreased again, m-o-m, this time by 0.9 percentage points to 95.3, with both components falling. Business confidence indicator decreased by 0.6 percentage points to 94.7, the consumer confidence indicator decreased by 2.2 percentage points to 98.5. Compared to October last year, the composite indicator, the business indicator and the consumer confidence indicator are at a higher level.**

In **industry** business confidence decreased for the fourth time in a row, m-o-m. The confidence indicator fell by 3.9 points to 88.6. Entrepreneurs rated their *current total demand* worse than in September. The *stock of finished products* has not changed, m-o-m and remains high. The share of entrepreneurs expecting the growth rate of *production activity* for the next three months fell more sharply for the second time in a row. As in the previous quarter, the main barrier to production growth is the lack of materials, which was reported by approximately 32% of respondents. The second most important barrier is insufficient demand, which limits almost 24% of respondents. The confidence of entrepreneurs in industry is lower, y-o-y.

The utilization of production capacities of enterprises in the **manufacturing industry** (almost 76%) and the estimate securing work by contracts (8.5 months) were significantly lower in October than in the previous quarter.

The confidence of entrepreneurs in **construction** did not change m-o-m. The confidence indicator remained at 111.6. The share of entrepreneurs evaluating their *current* *demand* for construction work as insufficient did not change m-o-m. Respondents do not expect a significant change in the current *number of employees* in the next three months. The main barriers to production growth are the lack of employees (approximately 38% of respondents) and lack of materials or equipment (approximately 17% of respondents). Confidence in construction is higher, y-o-y.

Confidence in **trade** sector increased compared to September. The confidence indicator rose by 2.3 points to 105.9. The share of entrepreneurs evaluating the overall economic situation as good increased significantly. However, entrepreneurs expecting a slight deterioration *in their economic situation* for the next three months. The stock of goods remained unchanged m-o-m. In a y-o-y comparison, the confidence of entrepreneurs in trade is higher.

In **selected services** (including the banking sector), the confidence indicator increased. The confidence indicator increased by 2.3 points to 97.6, m-o-m. In m-o-m comparison, the share of entrepreneurs *evaluating positively the current and expected demand in the next three months* increased. On the contrary, compared to September, the share of entrepreneurs *evaluating positively the current economic situation* decreased. Most respondents in services (almost 31%) stated that they currently have no barriers to production, but approximately 22% of respondents limit insufficient demand. Compared to October last year confidence in selected services is higher.

**Consumer confidence** in the economy fell, m-o-m. The confidence indicator fell by 2.2 points to 98.5 in October. The share of respondents *expecting a deterioration in the overall economic situation for the next twelve months* increased slightly. At the same time, the share of respondents expecting an improvement in their own financial situation decreased significantly. The number of respondents concerned about rising prices in October was the highest in the history of the survey. Compared to September, concerns about *rising unemployment* have hardly changed. The number of respondents who expect to save some money in the next twelve months has also hardly changed. In y-o-y comparison is consumer confidence still higher.

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Data for the business and consumer part of the business cycle surveys were collected from **1st to 18th October 2021**.

Notes:

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

End of data collection: October 18, 2021

Next News Release: November 24, 2021

This press release wasn´t edited for language.

Annex:

Table Confidence Indicators – basic indices

Figure Confidence indicators – base indices, seasonally adjusted (2003–2021)

Figure Confidence Indicators for industry, construction, trade, and in selected services – base indices, seasonally adjusted (2003–2021)

Figure Balances of seasonally adjusted confidence indicators for industry, construction, trade, and in selected services (2003–2021)

Figure Economic Sentiment Indicators – international comparison, seasonally adjusted (2007-2021)

Graph Production Capacity Utilisation in Manufacturing Industry (2003-2021)

Graph Limits of Production in Industry (2005-2021)

Graph Limits of Production in Construction (2005-2021)

Graph Limits of Production in Selected Services (2005-2021)

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