October 26, 2020

**The decrease in confidence comes after five months**

**Business cycle survey – October 2020**

**The composite confidence indicator (economic sentiment indicator) – in the basis index form - decreased by 4.5 percentage points to 86.4, m-o-m. There is a dominant effect of the decreasing consumer confidence indicator by 11.6 percentage points to 86.0 – it is the lowest value in the last six months. Business confidence indicator decreased by 3.0 percentage points to 86.5 (m-o-m). Economic sentiment indicator, business confidence indicator and consumer confidence indicator have significantly lower values, y-o-y.**

In the comparison with another sectors, the confidence indicator in **industry** increased, m-o-m. The confidence indicator rises by 1.0 point to 91.5. In October, compared with the previous month, for the fourth month in a further reduced share of entrepreneurs assessing their current total demand, such as insufficient Current for the third time in the form of a reduced share of entrepreneurs expecting a period of three months, growth in *production activity*. The *stock of finished products* has hardly changed. In October, we further reduce the share of industrial companies expecting an improvement in their *overall economic situation* for a production period of three and six months. The *main barrier* to production growth is insufficient demand, which was mentioned by approximately 35% of respondents. The confidence in the industrial sector is slightly lower, y-o-y.

The utilization of production capacities of enterprises in the **manufacturing industry** reached 83% in October, which is more than in the previous quarter. Respondents estimate they have work secured by contracts for 12.3 months.

In the **construction** sector, confidence decreased compared to September. The confidence indicator fell by 1.2 points to 110.4. The share of entrepreneurs evaluating their *current demand* for construction work as insufficient increased, m-o-m. As in September, construction entrepreneurs estimate that the current number of *employees* will not change in the next three months. As in the previous quarter, the main barriers to output growth remain staff shortages (around 35% of respondents) and insufficient demand (around 25% of respondents). Compared to October last year, confidence in the construction sector is significantly lower.

In **trade**, confidence declined slightly. The confidence indicator decreased by 0.3 points to 97.8 compared to September. The share of entrepreneurs evaluating the *overall economic situation* as well decreased, m-o-m. Expectations concerning the *economic situation* for the next three months remain unchanged. The *stock of goods* has decreased. The confidence in trade is higher, y-o-y.

Confidence of entrepreneurs in **selected services** (including the banking sector) decreased significantly. The confidence indicator fell by 7.7 points to 77.2. All sub-indicators contributed to the decline in the composite indicator. The assessment of the *overall economic situation* decreased the most. Also, in October, in contrast to the previous month, the share of respondents negatively evaluating the *current total demand* prevailed, and the share of entrepreneurs expecting an improvement for the next three months also decreased significantly. The main *barrier* to production growth is insufficient demand, which was mentioned by approximately 34% of respondents. The confidence in selected services is significantly lower, y-o-y.

**Consumer confidence indicator** fell in October, m-o-m. The confidence indicator fell by 11.6 points (the second-largest m-o-m decline since the beginning of the survey) to 86.0. Consumer concerns about the deterioration in the *overall economic situation* increased significantly compared to September. In a month-on-month comparison, consumers are also more concerned about the deterioration of *their financial situation*. The *intention to save* has decreased. Concerns about *rising prices* have risen. The number of consumers worried about rising *unemployment* *in the next twelve months* rose sharply in October. The consumer confidence is significantly lower, y-o-y.

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Data for the business and consumer part of the business cycle surveys were collected from **1st to 19th March**. Therefore, business and consumer perceptions of the current situation and expectations in the dynamically evolving situation in relation to anti-coronavirus spread measures are only partially reflected in the data.

After the release of the October News Releases, the title was corrected on the very same day, correcting the typo from the original wording "*The decrease in confidence comes after three months*" to "*The decrease in confidence comes after five months*".

Notes:

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

End of data collection: October 19, 2020

Next News Release: November 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)

Graph Production Capacity Utilisation in Manufacturing Industry (2003-2020)

Graph Limits of Production in Industry (2005-2020)

Graph Limits of Production in Construction (2005-2020)

Graph Limits of Production in Selected Services (2005-2020)

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