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March 24, 2023

Overall confidence in the economy increased in March

Additional information to NR Business cycle survey – March 2023

The composite confidence indicator (economic sentiment indicator) – in the basis index form – increased by 2.2 points compared to February to 93.9, with the different developments of its components. The business confidence indicator increased by 2.7 percentage points to 95.2 and the consumer confidence indicator decreased slightly by 0.6 points to 87.1. Compared to March last year, the composite indicator, the business indicator are at a lower level, while the consumer indicator is higher.

In the **industrial** sector, confidence in the economy increased significantly m-o-m in March. The confidence indicator rose by 6.7 points to 95.4. The share of entrepreneurs negatively evaluating *their current overall* and *foreign demand* slightly decreased, but still remains relatively high. Compared to February, the share of entrepreneurs expecting an increase in the pace of *production activity* for the period of the next three months increased significantly. The stock level of *finished goods* decreased slightly. In March, the number of entrepreneurs expecting price growth in the next three months decreased significantly again m-o-m. Compared to March 2022, business confidence in industry is higher.

In **construction** industry, confidence of entrepreneurs decreased compared to February. The confidence indicator fell by 6 points and remains just above its long-term average (100.2). The share of entrepreneurs evaluating their *current demand for construction work* as insufficient increased m-o-m. The number of entrepreneurs who expect a decrease in the current *number of employees* for the period of the next three months also increased. Expectations of construction price growth for the next three months remain significantly high. Entrepreneurs in the construction industry expect a decline in the growth rate of construction activity in the next three months. In y-o-y comparison, the confidence of entrepreneurs in the construction industry is lower.

Entrepreneurs' confidence in the **trade** sector increased in March. The confidence indicator rose by 5.2 points to 99.6. The share of entrepreneurs in the trade positively evaluating their *overall economic situation* increased m-o-m. *The stock of goods* in warehouses decreased slightly compared to February. Compared to last month, the number of entrepreneurs expecting an improvement in their economic situation in the next three months increased. The share of entrepreneurs expecting an increase in retail prices in the next three months decreased for the second month in a row. In a year-on-year comparison, confidence in business is lower.

The confidence of entrepreneurs' in **selected service** sectors (including the financial sector) decreased slightly m-o-m. The confidence indicator fell by 0.8 points to 93.8 in March. Compared to last month, entrepreneurs rate their *current demand* for services slightly worse. The share of respondents expecting it to improve in the next three months has hardly changed. Compared to February, entrepreneurs evaluating *their current overall economic situation* worse. Expectations

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of further price growth over the next three months remained approximately the same m-o-m. In a y-o-y comparison, confidence in selected services is lower.

Consumer confidence in the economy decreased slightly compared to February. The confidence indicator fell by 0.6 points to 87.1 in March. For the fifth time in a row, the share of respondents expecting a *worsening of the overall economic situation* for the period of the next twelve months fell. The number of households evaluating their *current financial situation* worse compared to the period of the previous twelve months increased. The number of households that fear a worsening of their own financial situation in the next twelve months remained approximately the same. The number of the interviewed households (approximately 32%) who state that it is difficult to make ends meet with their financial resources has increased m-o-m. However, the number of households (approximately 48%) that state that they save some funds monthly has also increased. The number of consumers who believe that the next twelve months will not be a good time to make large purchases has increased. Households' concerns about increased unemployment and further price growth decreased by a third, respectively sixth month in a row. The number of respondents expecting a deterioration of both indicators still remain above average. Compared to March last year, consumer confidence is higher.

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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