January 25, 2021

**Overall confidence in the economy does not get better and remains well below the long-term average**

**Business cycle survey – January 2021**

**The composite confidence indicator (economic sentiment indicator) – in the basis index form - decreased by 1.3 percentage points to 87.3, m-o-m. Both parts of the indicator decrease. Business confidence indicator growths by 0.7 percentage points to 87.1 (m-o-m), and consumer confidence indicator increases by 3.5 percentage points to 88.5. Economic sentiment indicator, business confidence indicator and consumer confidence indicator have significantly lower values, y-o-y.**

In **industry**, business confidence slightly decreased, m-o-m. The confidence indicator falls down by 0.3 points to 93.2. The share of industrial enterprises evaluating *their current total demand* as insufficient increases in the comparison with December. The *stock of finished products* decreases slightly. The share of entrepreneurs expecting the growth rate of *production activity* for the next three months is the same. The *main barrier* to production growth is insufficient demand, which was mentioned by approximately 36% of respondents. The share of respondents which mentioned the lack of materials and equipment significantly increases. At the end, the industry is only branch where the confidence is higher, y-o-y.

The utilization of production capacities of enterprises in the **manufacturing industry** reached 86% - It is higher value according to previous quarter of the year. Respondents estimate they have work secured by contracts for 12 months.

Confidence of entrepreneurs in the **construction** decreases m-o-m. The confidence indicator increases by 2.4 points to 108.5. The share of entrepreneurs evaluating their *current* *demand* for construction work as insufficient increase compared to December. Entrepreneurs in the construction industry estimate that the current *number of employees* increases in the next three months. As in the previous quarters, the main barriers to output growth remain staff shortages (around 32% of respondents) and insufficient demand (around 25% of respondents). Compared to January 2020, confidence in the construction industry is significantly lower.

Confidence in the **trade** sector decreases. The confidence indicator declines by 3.1 points to 90.4, m-o-m. The share of entrepreneurs evaluating the *overall economic situation* as well did not change. Expectations concerning the economic situation for the next three months are lower in January. The *stock of goods* increases. Confidence in trade is significantly lower, y-o-y.

In **selected service sector** (including the banking sector), confidence indicator slightly decreases. The confidence indicator increases by 0.7 points to 78.1. The *assessment of the current economic situation* gets worse in the comparison to December. The share of respondents negatively evaluating the current total demand increases, m-o-m. The share of respondents - which decreases the number of employees - significantly increases. On the other hand, the share of entrepreneurs expecting an improvement in demand in the next three months increases. The main *barrier* to production growth is insufficient demand, which was mentioned by approximately 30% of respondents (28% respondents say that the barriers are connecting with the restrictions connecting with the COVID-19). Confidence in selected services is significantly lower, y-o-y.

**Consumer confidence indicator** decreases, m-o-m. The confidence indicator rises by 3.5 points to 88.5. Consumers worries about the worsening *overall economic situation* increases in January. Consumers' concerns about their *financial situation* are still same as in December. *The intention to save* has decreased. The number of consumers worried about rising *unemployment* in the next twelve months increased again, m-o-m. Concerns about *rising prices* increases, too. Compared to the same month last year, consumer confidence is significantly lower.

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In January 2021, we change the base to calculate the basis index in a news release by the Czech Statistical Office. For 2021, we calculate the long-term average from 2003 to 2020. The long-term average is changed one a year in news release publication data in January.

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

Notes:

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

End of data collection: January 18, 2021

Next News Release: February 24, 2021

This press release wasn´t edited for language.

Annex:

Table Confidence Indicators – basic indices

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

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

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

Graph 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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