CZECH STATISTICAL OFFICE

European Commission

NEWS RELEASE

January 24, 2023

Overall confidence in the economy increased on the threshold of the new year

Additional information to NR Business cycle survey – January 2023

The composite confidence indicator (economic sentiment indicator) – in the basis index form – increased by 2.3 points compared to December to 92.0, with the same developments of its components. The business confidence indicator increased by 1.3 percentage points to 93.8 and the consumer confidence indicator increased by 7.4 percentage points to 82.9. Compared to January last year, the aggregate indicator, the business indicator and the consumer indicator are at a lower level.

Business confidence in **industry** increased m-o-m in January. The confidence indicator rose by 2.0 points to 93.1. The share of entrepreneurs negatively evaluating *their current total demand* and *foreign demand* decreased slightly. M-o-m, the share of entrepreneurs expecting an increase in the pace of *production activity* for the next three months increased again. *The stock of finished products* remains well above average even in January. Expectations regarding an increase in sales prices in the next three months decreased m-o-m, but still remain above their average. In January, there was a significant quarter-on-quarter increase in the number of industrial enterprises citing insufficient demand as the main barrier to production growth (approximately 34% of respondents). Compared to the last quarter, the number of respondents limited by lack of material or equipment has decreased (29%). Compared to January 2022, business confidence in the industry is lower.

The utilization of the production capacities of companies in the **manufacturing industry** reached 80.9%, which is slightly more compared to the previous quarter. Entrepreneurs estimated securing work through contracts, similar to last year´s October, at 8.2 months.

The confidence of entrepreneurs in the **construction** sector decreased m-o-m. The confidence indicator fell by 2.4 points to 104.4. The share of entrepreneurs assessing their *current demand for construction work* as insufficient increased slightly. The number of entrepreneurs expect a decrease in the current *number of employees* for the next three months also increased slightly. The share of respondents expecting a further rise in construction work prices decreased m-o-m. The main barrier to production growth remains the lack of employees, which, unlike October last year, was reported by almost 8% fewer entrepreneurs (approximately 25% of respondents in total). On the contrary, almost 8% more entrepreneurs in the construction industry compared to October cited insufficient demand as a barrier (approximately 22% of respondents in total). In January, approximately 16% of representatives of construction companies identified lack of material as a barrier to production growth (in October there were almost 10% more). In y-o-y comparison, the confidence of entrepreneurs in the construction industry is lower.

In the trade sector, business confidence increased m-o-m. The confidence indicator rose by 2.1 points to 94.8. Similar to December also in January, the share of respondents positively evaluating the *overall economic situation* decreased. The *stock of goods* in warehouses decreased m-o-m. The share of entrepreneurs expecting an improvement in their *economic situation* in the next three months increased compared to December. The number of entrepreneurs expecting price growth in the next three months also increased m-o-m. In y-o-y comparison, confidence in business is lower.

The confidence of entrepreneurs in **selected services** (including the financial sector) increased slightly m-o-m. The confidence indicator rose by 0.8 points to 93.3. The share of entrepreneurs *positively evaluating their current demand* for services has hardly changed, while their expectation for the period of the next three months slightly increased. The share of entrepreneurs *positively evaluating their current overall economic situation* has hardly changed compared to December. Expectations of further price growth over the next three months have decreased. Most respondents in services (approximately 40%) stated that they currently do not experience any barriers limiting production. Around 24% of respondents said they were limited by insufficient demand, and the same percentage were limited by other factors (e.g. legislation, regulation, competition or input prices). 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 7.4 points to 82.9. This is the third highest m-o-m increase of the indicator since the beginning of its monitoring. The share of households *expecting a deterioration overall economic situation* for the next twelve months decreased again. The number of respondents evaluating their *current financial situation* worse compared to the previous twelve months decreased. The number of households that fear a deterioration in their own financial situation in the next twelve months has decreased even more significantly. Approximately 28% of the interviewed households state that it is difficult to make ends meet with their financial resources. On the other hand, the number of households (approximately 48%) that state that they will save some funds monthly has increased slightly. The number of consumers who believe that the next twelve months will not be a good time to *make large purchases* has decreased compared to December. Household fears about further price growth decreased for the fourth month in a row. The number of respondents who fear an increase in unemployment are still high. In a y-o-y comparison, 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

Business and Consumers Surveys are co-financed by grant agreements of the European Commission DG ECFIN.

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