

## NEWS RELEASE

October 24, 2023

# Positive development in the automotive industry influenced the growth of confidence in the economy

## Additional information to NR Business cycle survey – October 2023

The composite confidence indicator (economic sentiment indicator) – in the basis index form – increased by 3.6 points to 92.8 m-o-m, with the same developments of its components. The business confidence indicator increased by 3.4 percentage points to 92.8 and the consumer confidence indicator increased by 4.4 points to 92.7. Compared to October last year, the composite indicator and the consumer indicator are at a higher level, while the business indicator is lower.

Business confidence in the **industrial** sector increased significantly m-o-m. The confidence indicator rose by 8.9 points to 93.1. The share of entrepreneurs negatively evaluating *their current overall demand* slightly decreased. Compared to September the share of entrepreneurs expecting an increase in the pace of *production activity* for the period of the next three months decreased significantly. The stock level of *finished goods* decreased m-o-m. In October similar to September, the proportion of entrepreneurs who do not expect further price growth slightly prevailed. The main barrier to production, cited by approximately 36% of industrial enterprises, is insufficient demand. About 23% of entrepreneurs said that they are constrained by other factors (for example, energy and fuel prices, geopolitical situation, etc.). Compared to the previous quarter, the number of enterprises that are limited by the lack of material decreased (about 13%). In a y-o-y comparison, business confidence in industry is higher.

The utilization of the production capacities of enterprises in the **manufacturing industry** (83.4%) is slightly higher than in the previous quarter. On the contrary, compared to July, entrepreneurs estimate a slightly shorter period of securing work through contracts (8.1 months).

Confidence in the **construction** industry slightly decreased. The confidence indicator decreased by 0.6 points m-o-m to 100.2. The share of entrepreneurs evaluating their *current demand for construction work* as insufficient did not change m-o-m and still remains high. Entrepreneurs expect that the current number of employees will not change in the next three months. The share of entrepreneurs who believe that the prices of construction works will rise in the next three months has decreased. Entrepreneurs who expect the demand for construction work to decrease increased significantly. As in the last quarter, the main barrier to production growth remains the lack of employees. The number of respondents who mentioned it increased significantly quarter-on-quarter from 25% in July to 33% in October. The second most significant barrier is insufficient demand (stated by approximately 22% of respondents). Over 11% of respondents cite weather conditions as a barrier to production growth. Compared to October last year, the confidence of entrepreneurs in the construction industry is lower.

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The confidence in the **trade** sector decreased. The confidence indicator fell 1.1 points to 89.0. The share of entrepreneurs in the trade positively evaluating their *overall economic situation* positively decreased slightly m-o-m. However, similar to last month, the share of respondents expecting an improvement in their economic situation in the next three months increased again. Stock levels of goods in warehouses have increased and thus remain high. The share of entrepreneurs in the trade expecting price growth in the coming months decreased month-on-month. Y-o-y confidence in business is lower.

In **selected service** sectors (including the financial sector), entrepreneurs' confidence in the economy decreased m-o-m. The confidence indicator fell by 1.3 points to 92.3. The share of entrepreneurs positively evaluating their *current demand* for services did not change. However, the number of respondents in services who expect demand growth in the next three months has decreased. The assessment of *the current overall economic situation* among entrepreneurs has hardly changed m-o-m. It is still true that the share of entrepreneurs positively evaluating the current economic situation is highly prevalent. The share of entrepreneurs expecting a further increase in the prices of offered services in the next three months decreased. Most respondents in services (approximately 39%) stated that they currently do not experience any barriers limiting production. For the second time in a row, the number of respondents (approximately 35%) who state that they are limited by insufficient demand has increased significantly m-o-m.

Among **consumers**, confidence in the economy did not change m-o-m. The confidence indicator fell by 4.4 points to 92.7. The share of respondents expecting a *worsening of the overall economic situation* in the Czech Republic for the period of the next twelve months decreased. The number of households evaluating their *current financial situation* worse compared to the period of the previous twelve months almost did not change, the number of households expecting a deterioration in their own financial situation in the next twelve months decreased. The number of surveyed households reporting that it is difficult to make ends meet has hardly changed (about 30%). For the second time in a row, the number of households reporting that they save some money each month has decreased (approximately 50% reported in October). The number of consumers who do not plan to make large purchases in the next twelve months has slightly decreased. Household concerns about an increase in unemployment and price growth in the next twelve months decreased slightly compared to September. Y-o-y consumer confidence is higher.

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Notes:

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Detailed time series of balances and basic  
indices of confidence indicators:

[https://www.czso.cz/csu/czso/kpr\\_ts](https://www.czso.cz/csu/czso/kpr_ts)

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