

NEWS RELEASE

October 24, 2024

Business confidence declined slightly m-o-m, consumer confidence increased

Additional information to NR Business cycle survey – October 2024

The composite confidence indicator (economic sentiment indicator), in the basic index form – decreased slightly by 0.2 points to a value of 96.8, m-o-m, reflecting different developments in its components. The business confidence indicator decreased by 0.8 points to a value of 96.0, while the consumer confidence indicator increased by 2.8 points to a value of 100.7. Compared to October of last year, the composite indicator, business indicator and consumer indicator are higher.

In the **industry** sector, confidence in the economy increased slightly m-o-m. The confidence indicator rose by 0.4 points to a value of 94.8. The share of entrepreneurs negatively assessing their *current demand* in the next three months almost unchanged m-o-m. The level of *finished goods* inventory also almost unchanged m-o-m. The share of respondents who expecting an increase in the pace of *production activity* in the next three months increases. The percentage of entrepreneurs expecting further price unchanged. As in the previous quarter, respondents in the industry consider insufficient demand to be their main barrier to production (cited by around 42% of businesses, up from 44% in the previous quarter). Around 20%, i.e. around 9% more businesses than in the second quarter, said they were constrained by a shortage of materials and equipment. The number of respondents (16% vs. 12%) facing staff shortages also increased quarter-on-quarter. Compared to October of last year, industry confidence is higher.

The *utilization of production capacities* of companies in the manufacturing industry (81.9%) is 2% higher than in the previous quarter. Compared to the previous quarter, entrepreneurs estimate a about the same time to secure work through contracts (9.0 months vs. 9.1 months).

Confidence in **construction** increased m-o-m. The confidence indicator rose by 1.2 points to a value of 109.7. The share of entrepreneurs assessing *their current demand* for construction work as insufficient decreased slightly. Compared to last month, the share of firms expecting a decline in *the current number of employees* over the next three months remain unchanged. Expectations for *further construction price increases* over the next three months have fallen again compared from last months, but still remains well above their long-term average. Q-o-q, the main barrier to production growth, staff shortages, is up significantly and remains the same as in July, reported by around 34% of respondents (up from around 26% in July). The number of respondents indicating insufficient demand as a barrier to production growth has also increased again (around 26% of respondents, up from 23% in July). Year-on-year, confidence in the construction industry is higher.

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Entrepreneurs' confidence in **trade** declined, m-o-m. The confidence indicator fell by 4.2 points to a value of 91.8. The share of entrepreneurs positively evaluating *their overall economic situation* about the same as last month. The share of respondents expecting an improvement in their economic situation in the next three months decreased significantly m-o-m. The inventory of goods in stocks decreased compared to September. The share of entrepreneurs expecting price increases over the next three months decreased. Y-o-y, confidence in the trade sector is higher.

Among entrepreneurs in **selected service** sectors (including the financial sector), confidence in the economy had declined compared with September. The confidence indicator fell by 1.8 points to a value of 96.3 m-o-m. The share of entrepreneurs positively evaluating *their current demand* for services remained unchanged. The share of respondents expecting demand to increase over the next three months decreased slightly. The share of entrepreneurs positively evaluating *the current economic situation* declined, m-o-m. The share of entrepreneurs *expecting an increase in the prices of offered services in the next three months* was almost unchanged. Of respondents in the services sector, 37% said that they do not currently experience any barriers limiting production. However, there has been a significant decline in this aspect, as the share of respondents with the same answer exceeded 50% in the second quarter. The share of respondents indicating that they are limited by an insufficient demand increased significantly quarter-on-quarter (26% vs. 17% in July). Approximately 17% of respondents indicated that they are constrained by other factors (e.g. legislation, competition, high input prices, geopolitical situation, complex legal environment, wage costs, etc.). Compared to July, the number of respondents (14% vs. 8%) who are limited by a lack of staff has also increased significantly. Compared to October 2023, confidence is higher in selected service industries.

Consumer confidence increased for the second consecutive month. The confidence indicator increased by 2.8 points to a value of 100.7, m-o-m. The percentage of respondents expecting a *worsening of the overall economic situation* in the Czech Republic over the next twelve months decreased compared with September. The number of households assessing their *current financial situation* worse than in the previous twelve months remained almost the same as for the fourth consecutive month. The number of respondents expecting a *deterioration in their financial situation* in the next twelve months increased m-o-m. The number of surveyed households indicate that they have difficulty making ends meet with their financial resources remained the same previous two months (approximately 28% reported this). Approximately 2% of consumers surveyed have to use savings. Compared to September, the number of consumers who say they will save some money is almost unchanged (around 50% of respondents). The number of consumers who report saving a lot has increased (around 13%). The number of consumers who do not plan to make large purchases in the next 12 months has increased. Households' concerns about rising unemployment over the next 12 months and about further price rises have decreased m-o-m. On a y-o-y basis, consumer confidence is higher.

Notes:

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

https://csu.gov.cz/produkty/kpr_ts

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