April 24, 2020

Confidence in the economy is shaken by the pandemic

Business cycle survey – April 2020

Overall confidence in the economy remarkably decreased in April. The composite confidence indicator (economic sentiment indicator) that is stated by basic indices and the individual composite indicators have the sharpest decrease from the beginning of the survey. The composite confidence indicator (economic sentiment indicator) decreased by 19.6 percentage points to 74.8, m-o-m. Business confidence fell by 19.3 points to 73.8 compared to March. Consumer confidence indicator decreased by 20.4 points to 80.1, m-o-m.

In **industry**, in April, confidence indicator decreased by 16.6 points to 72.0 (the sharpest decrease from the beginning of the survey). The assessment of current total demand decreased significantly. Expectations of the employment decreased, too. Stocks of finished goods increased compared to March. Expectations of total economic situation development for the next three as well as six months are worse. The most significant barrier of production is insufficient demand; it was stated by 45% of respondents approximately. Approximately 22% of respondents choose barrier: other. According to the businessmen in the industry sector, the situation around coronavirus and government measure impact their business activities. Overall, confidence in the industry is significantly lower, y-o-y.

The production capacity utilization in **manufacturing industry**decreased to 69.4%, q-o-q. It is the lowest value in the regular quarterly survey in the manufacturing industry from the beginning of the survey. Respondents estimate they have work secured by contracts for 10.4 months, which is less than in the previous quarter.

From the investment survey (the survey was realized from March. Some companies did not reflect the situation around the coronavirus), companies expect a decrease in the investment activity in 2020. This decrease is around 15 %, y-o-y. They invest in the renewal of the current production equipment and extension of the capacity utilization. The investment to the new technologies is the lower.

Confidence in **construction** decreased by 11.7 points to 107.3, m-o-m. The assessment of total demand for construction work decreased compared to March. Expectation about employment decreased significantly. Expectations of total economic situation development are worse. The most significant barrier of production is still lack of staff; it was stated by 37 % of respondents approximately. The second significant barrier of production is insufficient demand; it was reported by 22 % of respondents almost. Finally, confidence in construction is lower, m-o-m.

In **trade**, in April, confidence indicator decreased by 14.4 points to 85.4 (the sharpest decrease from the beginning of the survey). The assessment of the overall economic situation of the respondents decreased, m-o-m. The stocks increased slowly. Expectations of total economic situation development for the next three decreased significantly. Finally, confidence in trade is lower, y-o-y.

In selected **services**(incl. banking sector), confidence decreased by 23.7 points to 70.5 (the sharpest decrease from the beginning of the survey). The assessment of the current economic situation of the respondents decreased compared to March. Assessment of demand decreased. Expectations of total demand for the next three months fell. Expectations of overall economic situation development for the next three as well as six months decreased significantly. A third of the respondents choose the “other” barrier, which includes the government measures connecting the coronavirus. Overall, confidence in selected services is significantly lower, y-o-y (the sharpest y-o-y decrease from the beginning of the survey).

Consumer confidence indicator decreased by 20.4 points to 80.1, m-o-m (the sharpest decrease from the beginning of the survey). The survey taken among consumers in March indicates that consumers are for the next twelve months a significantly more afraid of a decrease in the overall economic situation, their financial situation, and the growth of the unemployment. The share of respondents intending to save money decreased. The respondents concern about rises in prices increased. Overall, consumer confidence indicator is lower, y-o-y (the sharpest decrease from the beginning of the survey).

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At the end of the data collection the overall response rate of the questionnaires reached 77.8%, the weighted response rate, which takes into account the impact of the obtained answers on the overall results, almost 87%. These values are only slightly lower than in standard periods.Thanks to all respondents who fill in the questionnaire. We appreciate their efforts, and we would like to thank them.

Notes:

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Data source: CZSO business survey, GfK Czech consumer survey

End of data collection: April 17, 2020

Next News Release: May 25, 2020

This press release wasn´t edited for language.

Annex:

Table Confidence Indicators – basic indices

Graph Confidence indicators – base indices, seasonally adjusted (2003–2020)

Graph Confidence Indicators for industry, construction, trade, and in selected services – base indices, seasonally adjusted (2003–2020)

Graph Balances of seasonally adjusted confidence indicators for industry, construction, trade, and in selected services (2003–2020)

Graph Economic Sentiment Indicators – international comparison, seasonally adjusted (2007-2020)

Graph Production Capacity Utilisation in Manufacturing Industry (2003-2020)

Graph Limits of Production in Industry (2005-2020)

Graph Limits of Production in Construction (2005-2020)

Graph Limits of Production in Selected Services

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