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May 24, 2023

Consumer and business confidence in the economy decreased

Additional information to NR Business cycle survey – May 2023

The composite confidence indicator (economic sentiment indicator) – in the basis index form – decreased by 3.1 points to 94.1 m-o-m, with the same developments of its components. The business confidence indicator decreased by 2.8 percentage points to 95.2 and the consumer confidence indicator decreased by 4.4 points to 88.5. Compared to May last year, the composite indicator and the business indicator are at a lower level, while the consumer indicator is higher.

The confidence in the **industry** sector decreased significantly m-o-m. The confidence indicator fell by 8.2 points to 91.8 in May. The share of entrepreneurs negatively evaluating *their current overall demand* has hardly changed. Compared to April the share of entrepreneurs expecting an increase in the pace of *production activity* for the period of the next three months decreased significantly. At the same time, the share of entrepreneurs who plan to reduce the number of employees slightly increased. The stock level of *finished goods* increased slightly again. M-o-m, the share of respondents expecting improvement in their economic situation in the next three and six months decreased slightly. The share of entrepreneurs expecting price growth in the next three months decreased significantly in May. Compared to May 2022, business confidence in industry is significantly lower.

Entrepreneurs' confidence in the economy has not changed in **construction** industry. The confidence indicator remained at the April value of 101.4. The share of entrepreneurs evaluating their *current demand for construction work* as insufficient decreased slightly m-o-m in May. The number of entrepreneurs who expect a decrease in the current *number of employees* for the period of the next three months increased slightly. Expectations of construction price growth for the next three months remain high. For the fifth time in a row, the share of entrepreneurs expecting a decline in the growth rate of construction activity in the next three months has increased. Y-o-y, the confidence of entrepreneurs in the construction industry is significantly lower.

In **trade** sector, confidence in the economy decreased m-o-m. The confidence indicator fell by 2.3 points to 97.9. The share of entrepreneurs in the trade positively evaluating their *overall economic situation* has hardly changed m-o-m. However, the share of respondents expecting an improvement in their economic situation in the next three months decreased. *The stock of goods* in warehouses remained at the April level. Expectation regarding further growth in retail prices in the next three months have decreased. In a y-o-y comparison, confidence in business is lower.

The confidence of entrepreneurs' in **selected service** sectors (including the financial sector) increased m-o-m. The confidence indicator rose by 2.3 points compared to April to 97.6. The number of entrepreneurs positively evaluating their *current demand* for services increased

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m-o-m. However, the share of respondents expecting it to improve in the next three months decreased slightly. The assessment of *the current overall economic situation* among service entrepreneurs did not change m-o-m. Compared to April, the relatively high number of entrepreneurs expecting a reduction in the number of employees in the next three months did not change either. The number of respondents who expect further price growth over the next three months remains high. Compared to May of last year, confidence in selected services is lower.

Consumer confidence in the economy decreased m-o-m. The confidence indicator fell by 4.4 points to 88.5. In May, the share of respondents expecting a *worsening of the overall economic situation* for the period of the next twelve months increased significantly. The number of households evaluating their *current financial situation* worse compared to the period of the previous twelve months decreased slightly. However, the number of households that fear a worsening of their own financial situation in the next twelve months increased significantly. However, the number of surveyed households that expect their own financial situation to worsen in the next twelve months has increased significantly. M-o-m, the number of interviewed households (approximately 29%) who state that it is difficult to make ends meet with their financial resources decreased slightly. The number of households that say that save some funds monthly remained about the same (49%). The number of consumers who believe that the next twelve months will not be a good time to make large purchases has increased slightly. Household concerns about increased unemployment increased slightly m-o-m. The number of respondents who believe that current prices will continue to rise in the coming months remains below the long-term average. In a y-o-y comparison, consumer confidence is higher.

Notes:

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

https://www.czso.cz/csu/czso/kpr_ts

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