CZECH STATISTICAL OFFICE

European Commission

NEWS RELEASE

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Overall confidence in the economy has decreased

Additional information to NR Business cycle survey – July 2024

The composite confidence indicator (economic sentiment indicator), in the basic index form – decreased by 2.9 points to a value of 95.1, m-o-m, reflecting different developments in its components. The business confidence indicator decreased by 2.9 points to a value of 94.5 and the consumer confidence indicator decreased by 2.6 points to a value of 98.4. Compared to July of last year, the composite indicator, business indicator and consumer indicator are higher.

In the **industry** sector, confidence in the economy decreased, m-o-m. The confidence indicator decreased by 4.9 points to a value of 89.9. Entrepreneurs evaluate *current demand* in the next three months worse. It can be the reason why the share of respondents who expecting an increase in the pace of *production activity* in the next three months. The level of *finished goods* inventory is unchanged. The percentage of entrepreneurs expecting further price increased is unchanged, m-o-m. The main barrier to production, mentioned by 44% of industrial enterprises (the highest percentage from the second quarter 2020), is insufficient demand. Approximately 20% of entrepreneurs stated that the shortage of materials and equipment limits them. More thnan 12% of entrepreneurs mention the lack of employees. In a y-o-y comparison, confidence among entrepreneurs in the industry is higher.

The *utilization of production capacities* of companies in the manufacturing industry (79.9%) is slightly lower (around 3%) than in the previous quarter (82.6%). Compared to the previous quarter, entrepreneurs estimate a slightly longer time to secure work through contracts (9.1 months vs. 8.9 months).

Confidence in **construction** increased m-o-m. The confidence indicator rose by 4.2 points to a value of 107.9. The proportion of entrepreneurs assessing *their current demand* for construction work as insufficient is slightly decrease (but it is lower than long-term average), m-o-m. In the comparison to the June, the proportion of entrepreneurs - who anticipate a decrease in the *current number of employees* in the next three months – is decreased. The number of entrepreneurs expecting an increase in construction work prices in the next three months decreased compared to June. Similar to the last quarter, the main barrier to production growth remains the lack of employees, mentioned by 26% of respondents (32% of respondents in April). The number of respondents who mentioned insufficient demand as a barrier to production growth significantly increased (approximately 23% of respondents, over 16% in April). Approximately 16% of respondents mentioned a lack of material or necessary equipment as the main barrier to growth. In comparison to July of last year, confidence among entrepreneurs in the construction industry is higher.

Entrepreneurs' confidence in **trade** increased, m-o-m. The confidence indicator increased by 1.7 points m-o-m to a value of 97.3. The share of entrepreneurs positively evaluating *their overall* *economic situation* decreased. On the other hand, the share of respondents expecting an improvement in their economic situation in the next three months has increased. The inventory of goods in stocks has been unchanged, m-o-m. The share of entrepreneurs expecting price increases in the next three months is unchanged, m-o-m. Y-o-y, confidence in the trade sector is higher.

Among entrepreneurs in **selected service** sectors (including the financial sector), confidence in the economy slightly decreased. The confidence indicator decreased by 2.3 points to a value of 97.3, m-o-m. The share of entrepreneurs positively evaluating *their current demand* for services has decreased. The share of entrepreneurs who are expecting an increase in demand in the next three months has decreased too, m-o-m. The share of entrepreneurs positively evaluating *the current economic situation* has been unchanged, m-o-m. The share of entrepreneurs *expecting an increase in the prices of offered services in the next three months* has decreased. More than a half of respondents in services stated that they currently do not experience any barriers limiting production. The percentage of respondents (17%) stating that they are limited by insufficient demand has unchanged compared to the previous quarter. Approximately 21% of respondents mentioned other factors limiting them (such as legislation, competition, geopolitics situation, regulation, wage costs, etc.). Y-o-y, confidence in selected service sectors is higher.

Consumer confidence decreased for the third time. The confidence indicator decreased by 2.6 points to a value of 98.4, m-o-m. The percentage of respondents expecting a *worsening of the overall economic situation* in the Czech Republic over the next twelve months slightly decreased. The number of households assessing their *current financial situation* worse than in the previous twelve months has significantly increased. The number of respondents expecting *a deterioration in their financial situation* in the next twelve months has slightly decreased. The number of surveyed households indicate that they have difficulty making ends meet with their financial resources has unchanged (approximately 27% reported this). About 5% of households have to help themselves with savings and 2% of household have to borrow the money. The number of consumers saving some money monthly has unchanged (approximately 55% reported this). About 11% of consumers said they save a lot. The number of consumers not planning to make *major purchases* in the next twelve months has increased. Concerns of households about an increase in unemployment in the next twelve months decreased. The number of respondents worried about further price increases has been increased again, m-o-m. Year-on-year, 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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