July 26, 2021

**Lack of materials and industrial equipment influence the confidence in the economy**

**Business cycle survey – July 2021**

**The composite confidence indicator (economic sentiment indicator) – in the basis index form – decreased by 4.3 percentage points to 99.7, m-o-m. Both components decreased. The business confidence indicator fell by 4.4 percentage points to 99.3 (m-o-m), and the consumer confidence indicator by 3.6 percentage points to 101.9. Compared to June last year, the composite indicator, the business indicator and the consumer confidence indicator are higher.**

In **industry**, business confidence decreased significantly, m-o-m. The confidence indicator fell by 9.5 points to 98.7. The share of industrial enterprises evaluating *their current total demand* as insufficient decreased, m-o-m. The *stock of finished products* increased compared to July 2020. The share of entrepreneurs expecting the growth rate of *production activity* for the next three months has decreased. The main barriers to production growth are lack of materials and industrial equipment, which was reported by approximately 33% of respondents (the highest value from the beginning of the survey), followed by lack of employees limiting 20% of respondents. On the other hand, insufficient demand has been perceived as a barrier by two entrepreneurs since October 2007. The confidence in the industry increased y-o-y.

The utilization of production capacities of enterprises in the **manufacturing industry** reached 88% in July. Entrepreneurs estimate securing work by contracts (12.8 months) higher in comparison with the previous quarter.

Confidence of entrepreneurs in the **construction** decreased, m-o-m. The confidence indicator declined by 1.8 points to 114.0. The share of entrepreneurs evaluating their *current* *demand* for construction work as insufficient slightly increase, m-o-m. Respondents do not expect an increase in the current *number of employees* in the next three months. Entrepreneurs expect significantly price rising construction works. The main barriers to production growth are staff shortage (approximately 35% of respondents) and insufficient demand (approximately 18% of respondents). The confidence in the construction industry is higher.

Confidence in the **trade** sector is at the same level. The confidence indicator stagnates at the 104.7 value. The share of entrepreneurs evaluating the overall economic situation little increased, m-o-m. The entrepreneurs who expect to get better the economic situation for the next three months has slightly decreased. The stock of goods did not change, m-o-m. Entrepreneurs expect an increase in sales prices in the next three months. Confidence in trade is significantly higher, y-o-y.

In the **selected service sector** (including the banking sector), the confidence indicator is the same, m-o-m. The confidence indicator in July stagnates at 97.6 value. The *assessment of the current economic situation* has slightly decreased, m-o-m. The share of entrepreneurs expecting an improvement in demand in the next three months stagnated. Most respondents in services (29%) did not have any barrier to production growth, 25% of respondents mention insufficient demand. Confidence in selected services is significantly higher, y-o-y.

C**onsumer confidence indicator** decreased, m-o-m. The confidence indicator decreased by 3.6 points to 101.9. The share of respondents *expecting a deterioration in the overall economic situation for the next twelve months* increased. After three months decreasing, concerns about *rising unemployment* have increased. Consumers' fears of a deterioration in their *financial situation* almost have slightly increased. The share of the respondents who are *worried about the rising prices* was still high. The number of respondents who expect to save some money in the next twelve months was the same as in June. Consumer confidence is higher, y-o-y.

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Data for the business and consumer part of the business cycle surveys were collected from **1st to 19th July** 2021.

Notes:

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Data source: CZSO business survey, Data Collect consumer survey (https://www.datacollect.cz)

End of data collection: July 19, 2021

Next News Release: August 24, 2021

This press release wasn´t edited for language.

Annex:

Table Confidence Indicators – basic indices

Figure Confidence indicators – base indices, seasonally adjusted (2003–2021)

Figure Confidence Indicators for industry, construction, trade, and in selected services – base indices, seasonally adjusted (2003–2021)

Figure Balances of seasonally adjusted confidence indicators for industry, construction, trade, and in selected services (2003–2021)

Figure Economic Sentiment Indicators – international comparison, seasonally adjusted (2007-2021)

Graph Production Capacity Utilisation in Manufacturing Industry (2003-2021)

Graph Limits of Production in Industry (2005-2021)

Graph Limits of Production in Construction (2005-2021)

Graph Limits of Production in Selected Services (2005-2021)

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