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January 24, 2024

Consumer trust increased at the beginning of the year, while business trust declined

Additional information to NR Business cycle survey – January 2024

The composite confidence indicator (economic sentiment indicator), in the basic index form – decreased by 1.3 points to a value of 92.5 m-o-m, reflecting different developments in its components. The business confidence indicator declined by 2.8 points to a value of 92.7, and the consumer confidence indicator increased by 5.8 points to a value of 91.2. Compared to January of last year, the composite indicator and the consumer indicator are at a higher level, while the business indicator is lower.

In the **industry** sector, confidence in the economy decreased on m-o-m basis. The confidence indicator declined by 5.5 points to a value of 89.9. The proportion of entrepreneurs negatively assessing *their current demand* remained unchanged for the third. The percentage of entrepreneurs expecting an increase in the pace of *production activity* over the next three months significantly decreased m-o-m. The level of *finished goods* inventory slightly increased. The percentage of entrepreneurs expecting further price increases slightly decreased compared to December. The main barrier to production, mentioned by approximately 39 % of industrial enterprises, is insufficient demand. More than 25 % of entrepreneurs, which is 12 % more than in the previous quarter, stated that the shortage of materials and equipment limits them. In contrast, compared to the third quarter, the number of businesses limited by a shortage of employees decreased (13 % vs. 17 %). In a y-o-y comparison, confidence among entrepreneurs in the industry is lower.

The utilization of production capacities in **manufacturing industries** (82.8 %) is slightly lower than in the previous quarter (83.4 %). Compared to October, entrepreneurs estimate a slightly shorter period for securing work through contracts (8 months vs. 8.3 months).

Among entrepreneurs in **construction**, confidence in the economy increased m-o-m. The confidence indicator rose by 7.8 points to a value of 109.1 compared to December. The proportion of entrepreneurs assessing *their current demand* for construction work as insufficient almost remained unchanged m-o-m. For the period of the next three months, representatives of construction companies anticipate an increase in the demand for construction work and also a higher growth rate of construction activity. Entrepreneurs anticipate an increase in the *current number of employees* over the next three months. The proportion of entrepreneurs expecting an increase in construction work prices in the next three months almost remained unchanged. Similar to the last quarter, the main barrier to production growth remains the lack of employees, mentioned by approximately 34 % of respondents. The second most significant barrier is the shortage of materials or equipment (mentioned by approximately 17 % of respondents, compared to 10% in the previous quarter). About 15 % of businesses, nearly 8 % less compared to the

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previous quarter, cite insufficient demand as the main barrier to growth. In comparison to January of last year, confidence among entrepreneurs in the construction industry is higher.

Entrepreneurs' confidence in **trade** slightly decreased. The confidence indicator declined by 0.3 points m-o-m to a value of 91.8. The proportion of traders positively evaluating *their overall economic situation* almost remained unchanged. Compared to December, there was a significant decrease in the percentage of respondents expecting an improvement in their economic situation over the next three months. The inventory of goods on shelves decreased on m-o-m basis. The proportion of traders expecting price increases in the coming months also decreased. Y-o-y, confidence in the trade sector is lower.

Among entrepreneurs in **selected service** sectors (including the financial sector), confidence in the economy decreased. The confidence indicator dropped by 1.3 points to a value of 94.0. The proportion of entrepreneurs positively assessing *their current demand* for services almost remained unchanged after the December increase. However, the percentage of respondents expecting an increase in demand over the next three months decreased again. The proportion of entrepreneurs positively evaluating *the current economic situation* almost remained unchanged and continues to be relatively high. Compared to December, there was a significant decrease in the percentage of respondents expecting price increases for offered services over the next three months. The majority of respondents in services (approximately 43 %) stated that they currently do not experience any barriers limiting production. Compared to the previous quarter, the percentage of respondents (from 35 % to 18 %) stating that they are limited by insufficient demand decreased significantly. Approximately 3 0% of respondents mentioned other factors limiting them (such as legislation, competition, high input prices, regulations, high inflation, wage costs, etc.). Y-o-y, confidence in selected service sectors is slightly higher.

Consumer confidence increased on m-o-m basis. The confidence indicator rose by 5.8 points to its November value (91.2). The percentage of respondents expecting a *worsening of the overall economic situation* in the Czech Republic over the next twelve months significantly decreased compared to December. The number of households assessing *their current financial situation* worse than in the previous twelve months increased significantly, as did the notable rise in respondents expecting its deterioration in the next twelve months. The number of surveyed households struggling with their financial means slightly decreased (approximately 29 %). The number of consumers saving some money monthly (approximately 51 % in December) remained unchanged. The number of consumers not planning to *make major purchases* in the next twelve months also remained nearly unchanged. Household concerns about increased unemployment in the next twelve months remained unchanged compared to December, as did respondents' concerns about further price hikes. Y-o-y, consumer confidence is higher.

Notes:

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*Detailed time series of balances and basic
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