

NEWS RELEASE

December 24, 2022

Confidence in the economy decreased at the end of the year

Additional information to NR Business cycle survey – December 2022

The composite confidence indicator (economic sentiment indicator) – in the basis index form – compared to November, slightly decreased by 0.6 percentage points to 89.5, with the same developments of its components. The business confidence indicator decreased by 0.5 percentage points to 92.5 and the consumer confidence indicator decreased by 1.3 percentage points to 74.7. Compared to December last year, the aggregate indicator, the business indicator and the consumer indicator are at a lower level.

In the industrial sector, confidence in the economy among entrepreneurs increased slightly m-o-m in December. The confidence indicator rose by 0.6 points to 91.0. Compared to November the share of entrepreneurs negatively evaluating *their current total demand* and *foreign demand* increased. At the same time, the share of entrepreneurs expecting an increase in the pace of *production activity* for the next three months has increased. *The stock of finished products* still remains well above average. Expectations regarding an increase in sales prices in the next three months increased slightly compared to November. Business confidence in the industry is lower y-o-y.

The confidence of entrepreneurs in the **construction** sector decreased compared to November. The confidence indicator fell by 7.9 points to 107.7. The share of entrepreneurs assessing their *current demand for construction work* as insufficient increased significantly. Entrepreneurs expect the current *number of employees* to remain unchanged for the next three months. The share of respondents expecting a further rise in construction work prices increased m-o-m. Compared to December 2021, the confidence of entrepreneurs in the construction industry is lower.

In the trade sector, business confidence decreased m-o-m. The confidence indicator fell by 6.3 points to 92.7. The share of respondents positively evaluating the *overall economic situation* decreased compared to November. The *stock of goods* in warehouses increased significantly m-o-m. The percentage of entrepreneurs expecting an improvement in their *economic situation* in the next three months fell significantly. The indicator of expected price growth in the next three months has decreased significantly m-o-m, but it still remains well above its long-term average. In y-o-y comparison, confidence in business is lower.

The confidence of entrepreneurs in **selected services** (including the financial sector) did not change compared to last month. The confidence indicator remained at 92.4. The share of entrepreneurs *positively evaluating their current demand* decreased m-o-m, while their expectation for the period of the next three months almost did not change. The share of entrepreneurs *positively evaluating their current overall economic situation* has increased. At the

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same time, the share of entrepreneurs expecting its deterioration in the next three and six months increased. Expectations for further price growth over the next three months have hardly changed and, like in other sectors, they still remain at a well above average level. Confidence in selected services is lower, y-o-y.

Consumer confidence in the economy decreased m-o-m. The confidence indicator fell by 1.3 points to 74.7. The share of households *expecting a deterioration overall economic situation* for the next twelve months and the number of respondents evaluating their *current financial situation* as worse than the previous twelve months decreased. The number of respondents assessing their current financial situation to the period of the previous twelve months has increased. At the same time, the number of respondents who fear a worsening of their own financial situation in the next twelve months has not changed. Approximately 32% of the interviewed households state that it is difficult to make ends meet with their financial resources. On the other hand, the number of households (approximately 46%) that state that they will save some funds monthly has increased. The number of consumers who believe that the next twelve months will not be an excellent time to *make large purchases* has increased since November. Household fears about further price growth decreased for the third month in a row, but they still remain above average. The number of respondents who fear an increase in unemployment did not change m-o-m. In a y-o-y comparison, consumer confidence is significantly lower.

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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