

## NEWS RELEASE

April 24, 2023

### Confidence in the economy continues to grow

#### Additional information to NR Business cycle survey – April 2023

The composite confidence indicator (economic sentiment indicator) – in the basis index form – increased by 3.3 points compared to March to 97.2, with the same developments of its components. The business confidence indicator increased by 2.8 percentage points to 98.0 and the consumer confidence indicator increased by 5.8 points to 92.9. Compared to April last year, the composite indicator, the business indicator are at a lower level, while the consumer indicator is higher.

In the **industrial** sector, confidence in the economy increased m-o-m in April. The confidence indicator rose by 4.6 points to the value of its long-term average. The share of entrepreneurs negatively evaluating *their current overall demand* slightly decreased. The share of entrepreneurs expecting an increase in the pace of *production activity* for the period of the next three months increased significantly again. The stock level of *finished goods* increased slightly. In April, the number of entrepreneurs expecting price growth in the next three months increased. The main barrier to production growth (approximately 33% of respondents) is insufficient demand, which is followed by a lack of material and equipment. This barrier was mentioned by almost 25% of respondents, which was the least since April 2021. In y-o-y comparison business confidence in industry is slightly higher.

The utilization of the production capacities of companies in the **manufacturing industry** 83.3%, was the highest since January 2022. Entrepreneurs estimated securing work through contracts, similarly to January of this year, at 8.1 months.

In **construction** industry, confidence of entrepreneurs increased m-o-m. The confidence indicator rose by 1.2 points to 101.4. The share of entrepreneurs evaluating their *current demand for construction work* as insufficient decreased compared to March. The number of entrepreneurs who expect a decrease in the current *number of employees* for the period of the next three months increased. Expectations of construction price growth for the next three months decreased, but still remain well above the long-term average. For the fourth month in a row the share of entrepreneurs expecting a decline in the growth rate of construction activity in the next three months. The main barrier to production growth remains the lack of employees, which was mentioned by approximately 25% of respondents, similarly to January. The second most significant barrier is insufficient demand (stated by approximately 22% of respondents). The number of representatives of construction companies who cite the lack of material as a significant obstacle to production growth is gradually decreasing - approximately 13% of respondents stated this, which was the lowest since July 2021. In a y-o-y comparison, the confidence of entrepreneurs in the construction industry is still significantly lower.

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Entrepreneurs' confidence in the **trade** sector increased slightly in April. The confidence indicator rose by 0.6 points to 100.2. The share of entrepreneurs in the trade positively evaluating their *overall economic situation* decreased slightly m-o-m. *The stock of goods* in warehouses decreased slightly for the second time in a row. Compared to last month, the number of entrepreneurs expecting an improvement in their economic situation in the next three months increased slightly. The share of entrepreneurs expecting further growth in retail prices in the next three months did not change compared to March. Compared to April last year, 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 1.5 points to 95.3 in April. The number of entrepreneurs positively evaluating their *current demand* for services decreased compared to March. However, the share of respondents expecting it to improve in the next three months increased significantly. Compared to last month, entrepreneurs evaluating *their current overall economic situation* slightly better. Expectations of further price growth over the next three months increased significantly. Most respondents in services (approximately 46%) stated that they currently do not experience any barriers limiting production. Around 24% of respondents said they were limited by other factors (e.g. legislation, competition, geopolitical influences, fuel prices, etc.). 18% of service entrepreneurs are limited by insufficient demand. Confidence in selected services is lower y-o-y.

**Consumer confidence** in the economy significantly increased m-o-m. The confidence indicator rose by 5.8 points in April to 92.9, the highest since October 2021. For the sixth time in a row, the share of respondents expecting a *worsening of the overall economic situation* for the period of the next twelve months fell. The number of households evaluating their *current financial situation* worse compared to the period of the previous twelve months slightly decreased. The number of households that fear a worsening of their own financial situation in the next twelve months decreased slightly. At the same time the number of households who expect that their own financial situation will not deteriorate further in the next twelve months has increased significantly. Compared to March, the number of surveyed households (approximately 31%) who state that it is difficult to make ends meet with their financial resources has slightly decreased. The number of households that state that they save some funds monthly remained about the same (48%). The number of consumers who believe that the next twelve months will not be a good time to make large purchases has slightly decreased. Household concerns about increased unemployment decreased slightly compared to March. The number of respondents who believe that current prices will continue to rise in the coming months has decreased significantly. Compared to April last year, consumer confidence is higher.

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Notes:

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*Detailed time series of balances and basic*

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*indices of confidence indicators:* [https://www.czso.cz/csu/czso/kpr\\_ts](https://www.czso.cz/csu/czso/kpr_ts)

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