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February 24, 2022

Confidence in the economy continued to grow in February

Additional information to NR Business cycle survey – February 2022

The composite confidence indicator (economic sentiment indicator) – in the basis index form – increased by 1.6 percentage points to 99.2, m-o-m, with both components increasing. Business confidence indicator increased by 1.9 percentage points to 100.7, the consumer confidence indicator increased by 0.3 percentage points to 91.7. Compared to February last year, the composite indicator, the business indicator are higher, while the consumer confidence indicator is at the lower level than last year.

In **industry** business confidence slightly increased, m-o-m. The confidence indicator rose by 0.7 points to 98.3. Entrepreneurs rated their *current total demand* about the same as last month. The *stock of finished products* decreased significantly compared to the previous month. The share of entrepreneurs expecting the growth rate of *production activity* for the next three months decreased compared to January. The record high number of entrepreneurs *expecting prices* to rise in the next three months did not change m-o-m. Year-on-year confidence in the industry is at a higher level.

The confidence of entrepreneurs in **construction** increased again and reached the highest value in the history of the survey. The confidence indicator rose by 4.6 points to 128.9. The share of entrepreneurs evaluating their *current demand* for construction work as insufficient almost unchanged, m-o-m. As in January, respondents expect a more significant growth in the pace of *construction activity* in the three months and at the same time an increase in the current *number of employees*. The main barriers to production growth are the lack of employees (approximately 35% of respondents) and lack of materials or equipment (18% of respondents). Compared to February last year, confidence in construction is higher.

Confidence in **trade** sector in February decreased m-o-m. The confidence indicator fell by 1.6 points to 103.4. The share of entrepreneurs evaluating the *overall economic situation* as good decreased compared to January. Entrepreneurs expecting an improvement *in their economic situation* for the next three months also decreased slightly. Expectations of further price growth remain only slightly below the historically highest level at the end of last year. The *stock of goods* remained almost unchanged, m-o-m. However, y-o-y confidence of entrepreneurs in trade is higher.

In **selected services** (including the banking sector), the confidence indicator compared to January increased. The confidence indicator increased by 3.3 points to 99.8. The share of entrepreneurs *evaluating positively the current demand* increased, as has the share of entrepreneurs who *expect an increase in demand in the next three months*. Evaluate of the

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current overall economic situation remained almost unchanged, m-o-m. Even in services, the exceptionally high number of entrepreneurs expect further price growth in the next three months. Compared to February last year confidence in selected services is higher.

Consumer confidence in the economy increased slightly, m-o-m. The confidence indicator rose by 0.3 points to 91.7 in February. The share of respondents *expecting a deterioration in the overall economic situation for the next twelve months* decreased compared to January. Respondents rate their *current financial situation* worse than in the previous twelve months and do not expect a significant change in the next twelve months compared to the current. The share of respondents expecting to spend more money on *large purchases* than in the previous period decreased. The number of respondents concerned about rising prices remains close to the historical maximum. Concerns about rising unemployment have not changed compared to January. The number of respondents who expect to save some money in the next twelve months slightly increased. Consumer confidence is lower, y-o-y.

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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