

Latest Development of Composite Indicators in the Czech Republic

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Aim of the presentation:

- describe the current economic development as reflected by the composite indicators in the Czech republic

Business Cycle Survey in September 2009:

- Confidence in domestic economy increased in September. The composite confidence indicator (economic sentiment indicator) increased by 2.7 points m-o-m, due to increasing confidence of both consumers and entrepreneurs. Among entrepreneurs, confidence increased most in industry. Compared to September 2008, the composite confidence indicator was 17.5 points down.

Basic facts about BCS in the Czech Republic:

- 1991 – new conception of the business-cycle surveys
- present – surveys fully harmonised

number of respondents:

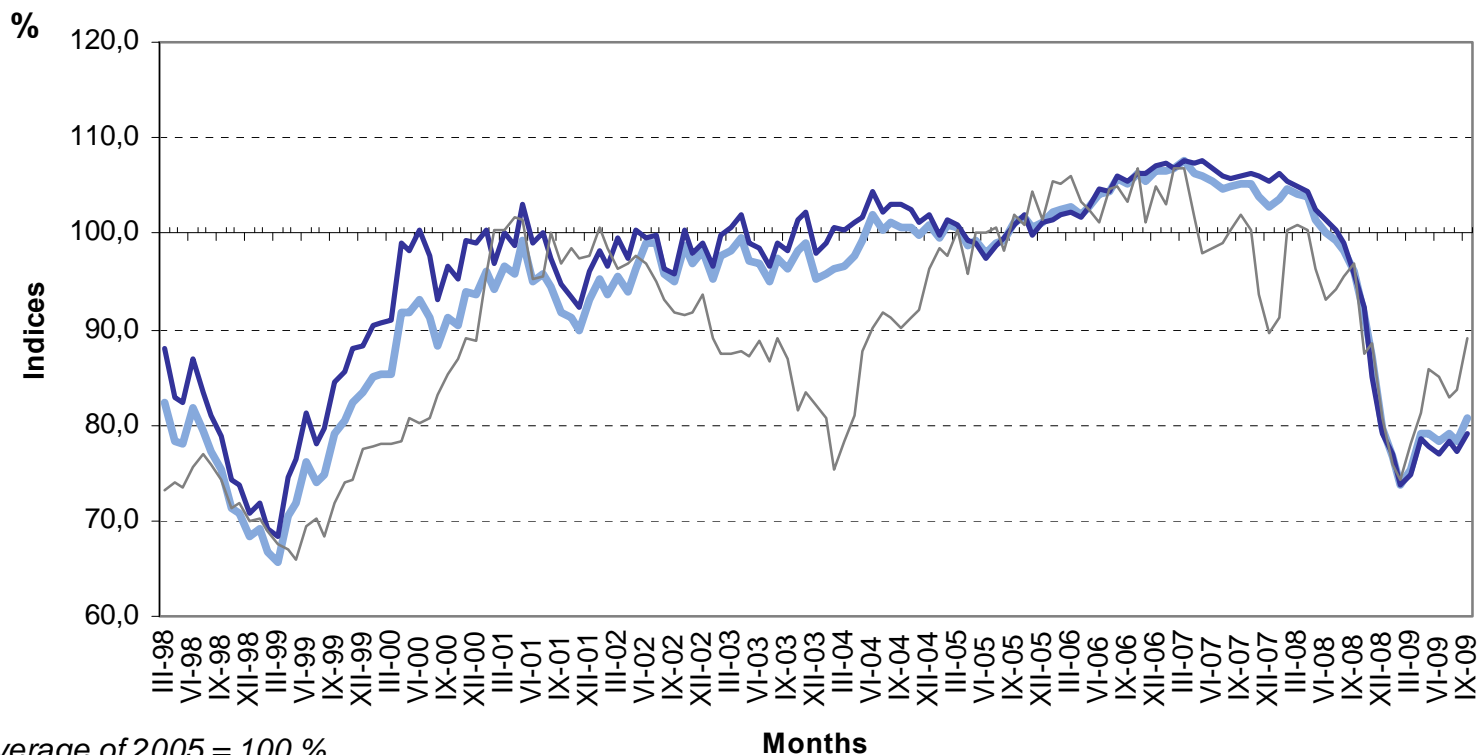
Industry	1000
Construction	600
Retail trade	600
Services	900
Investment	1100

New weighting system for composite indicators (since January 2006) – all data are recalculated and fully comparable:

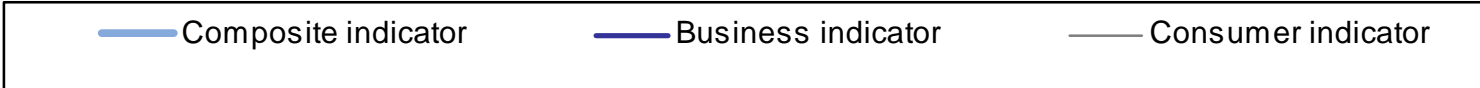
Industry (40%), construction (5%), trade (5%), services (30%), consumers (20%)

All data are regularly published each month in different forms (e.g. News Releases, Publications, Tables, Time Series)

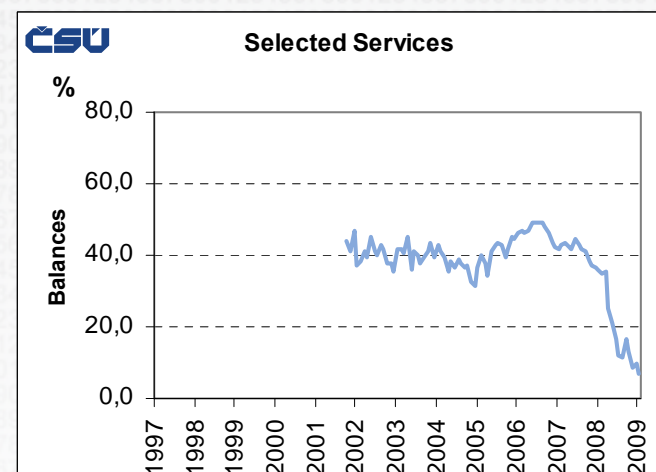
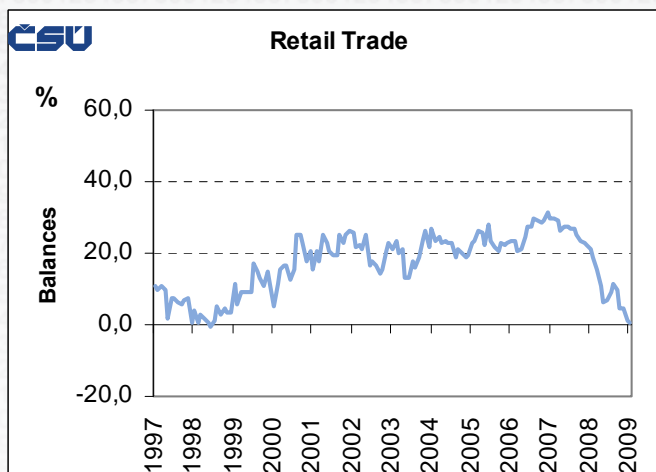
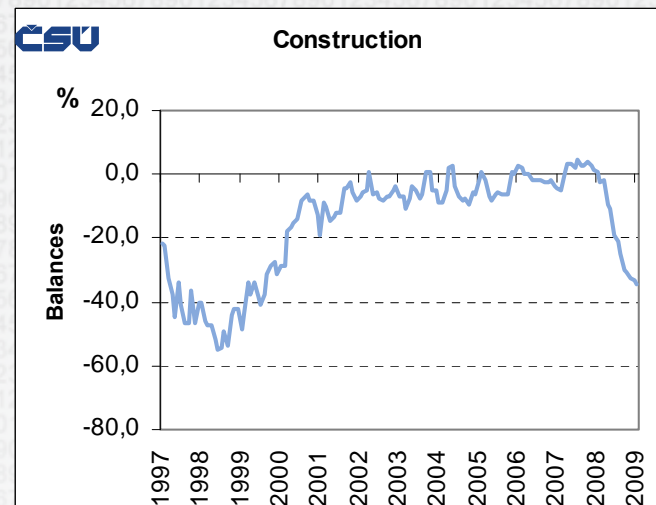
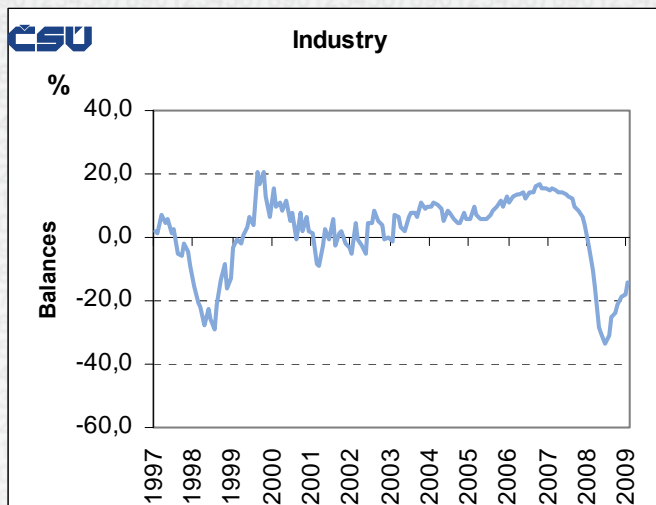
Seasonally adjusted confidence indicators



Average of 2005 = 100 %

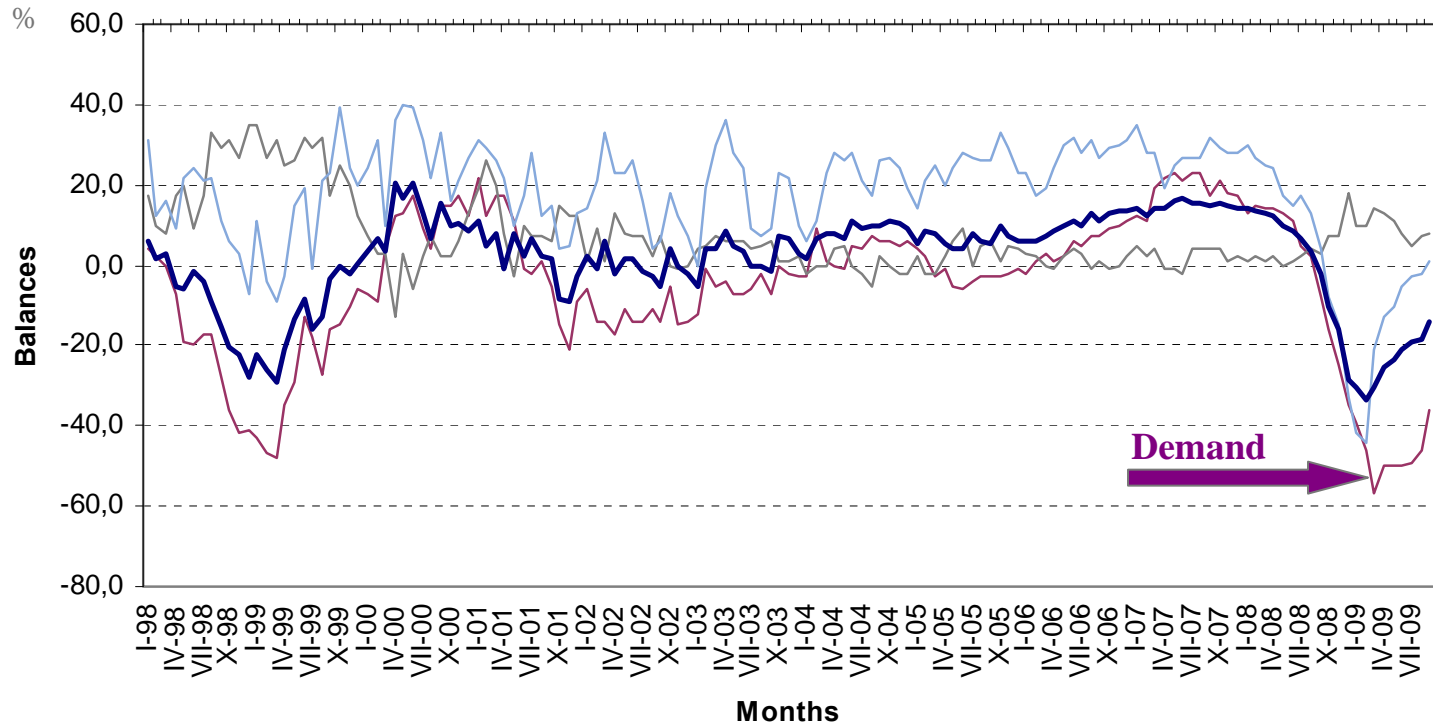


Marked fall in the confidence as reflected by composite indicators stopped in February 2009. Since then the composite indicators has been swinging.



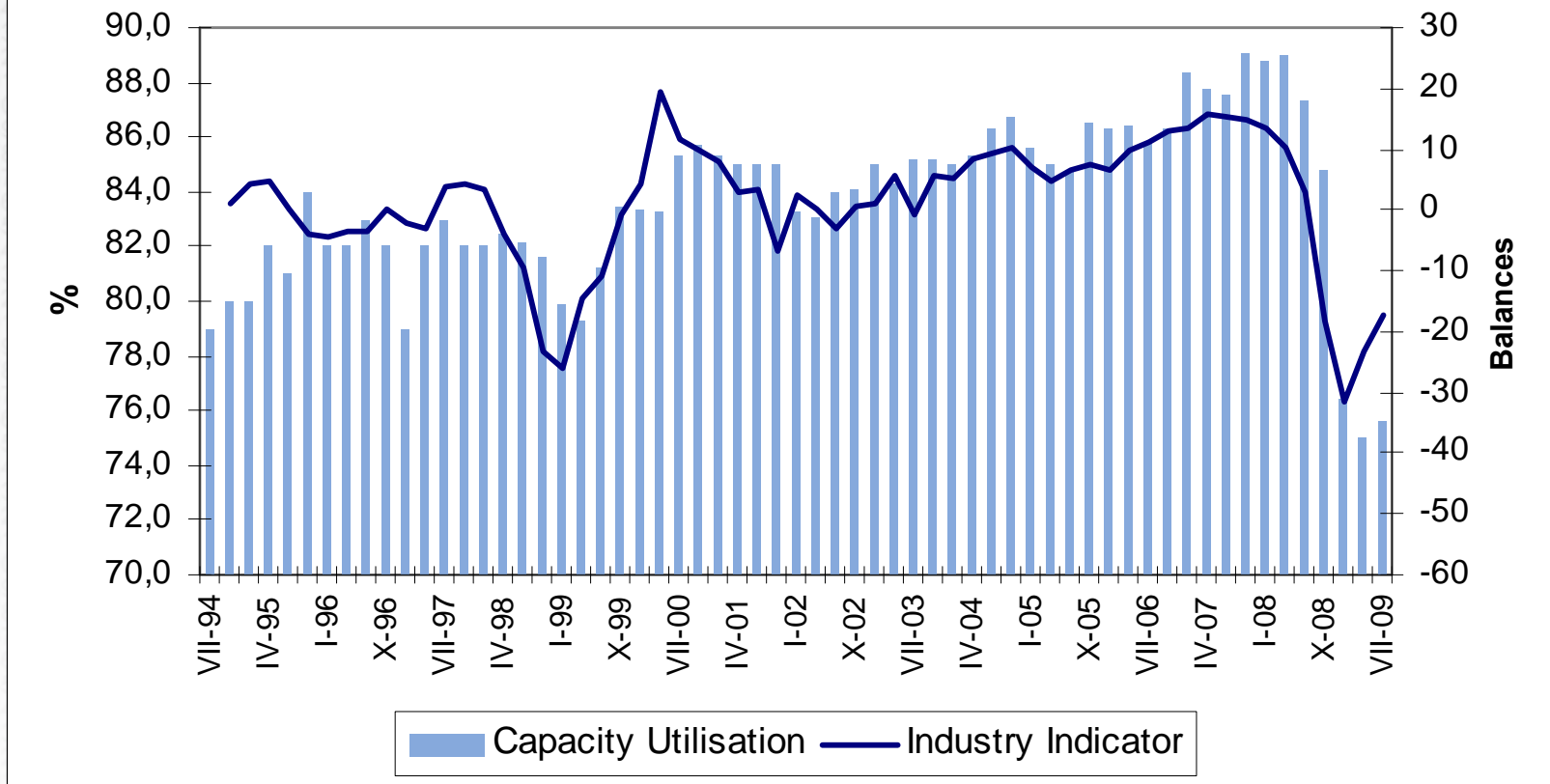
Changes in the demand in a sector that is the first to absorb them (which is industry and construction in the current situation in the Czech Republic) subsequently reflect in other dependent sectors (namely trade and services).

Industry - decomposition SA



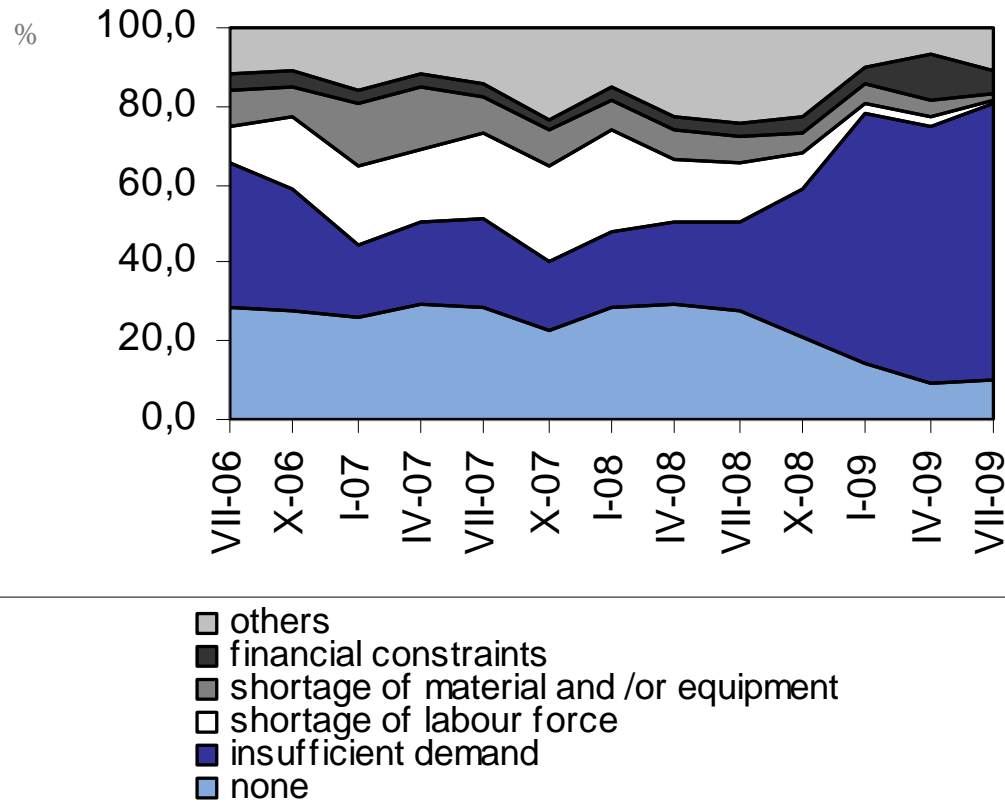
As seen by the latest development, cyclic impulses enter the economy particularly through demand, both domestic and foreign as far as the very open Czech economy is concerned.

Production Capacity Utilisation and Confidence in Industry



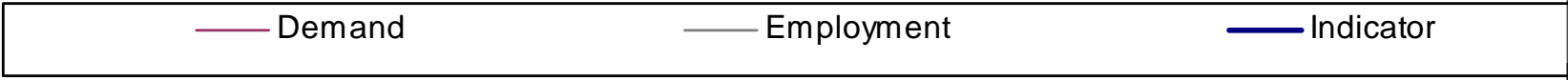
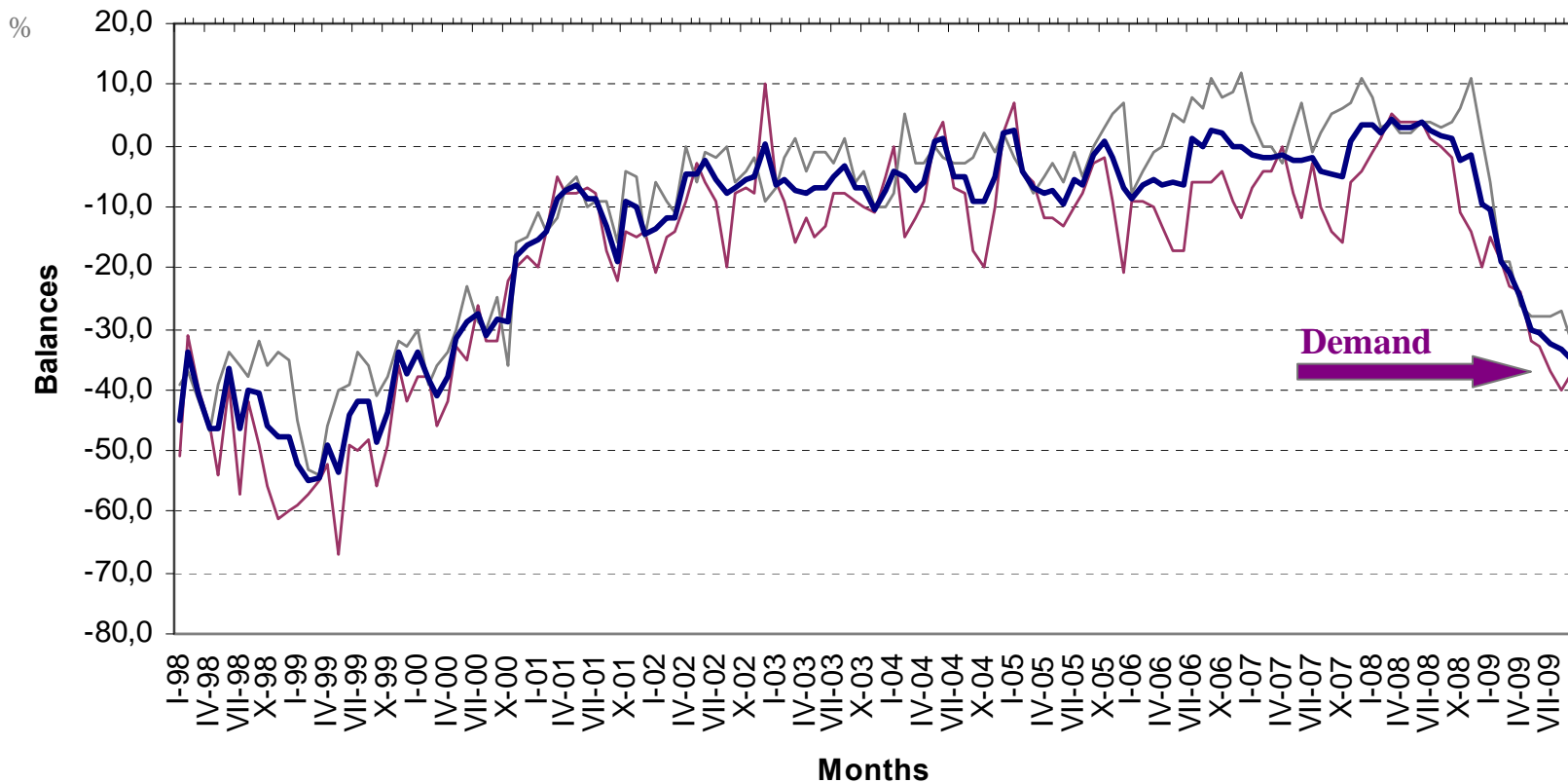
Worsening of demand has substantially reflected itself in the development of production capacity utilisation.

Limits of production in industry



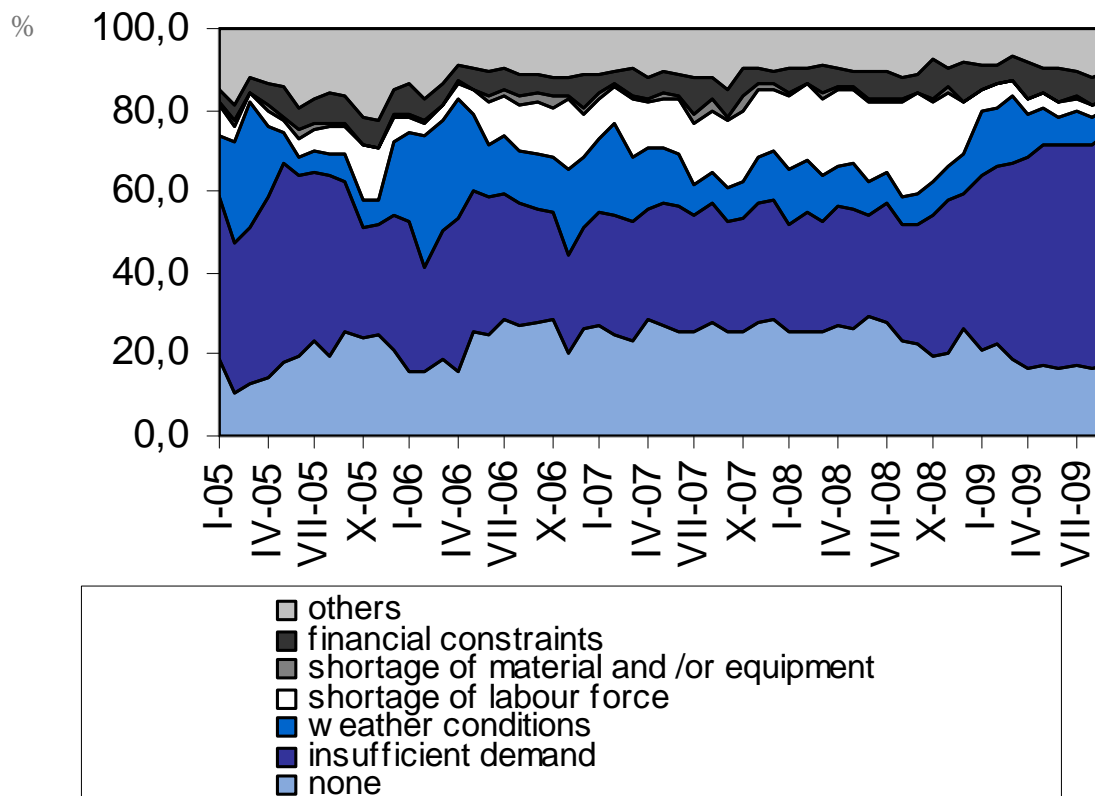
Lack of demand and financial constraints gradually substituted almost all other limits of production, namely the lack of labour force, which dominated previous development.

Construction - decomposition SA



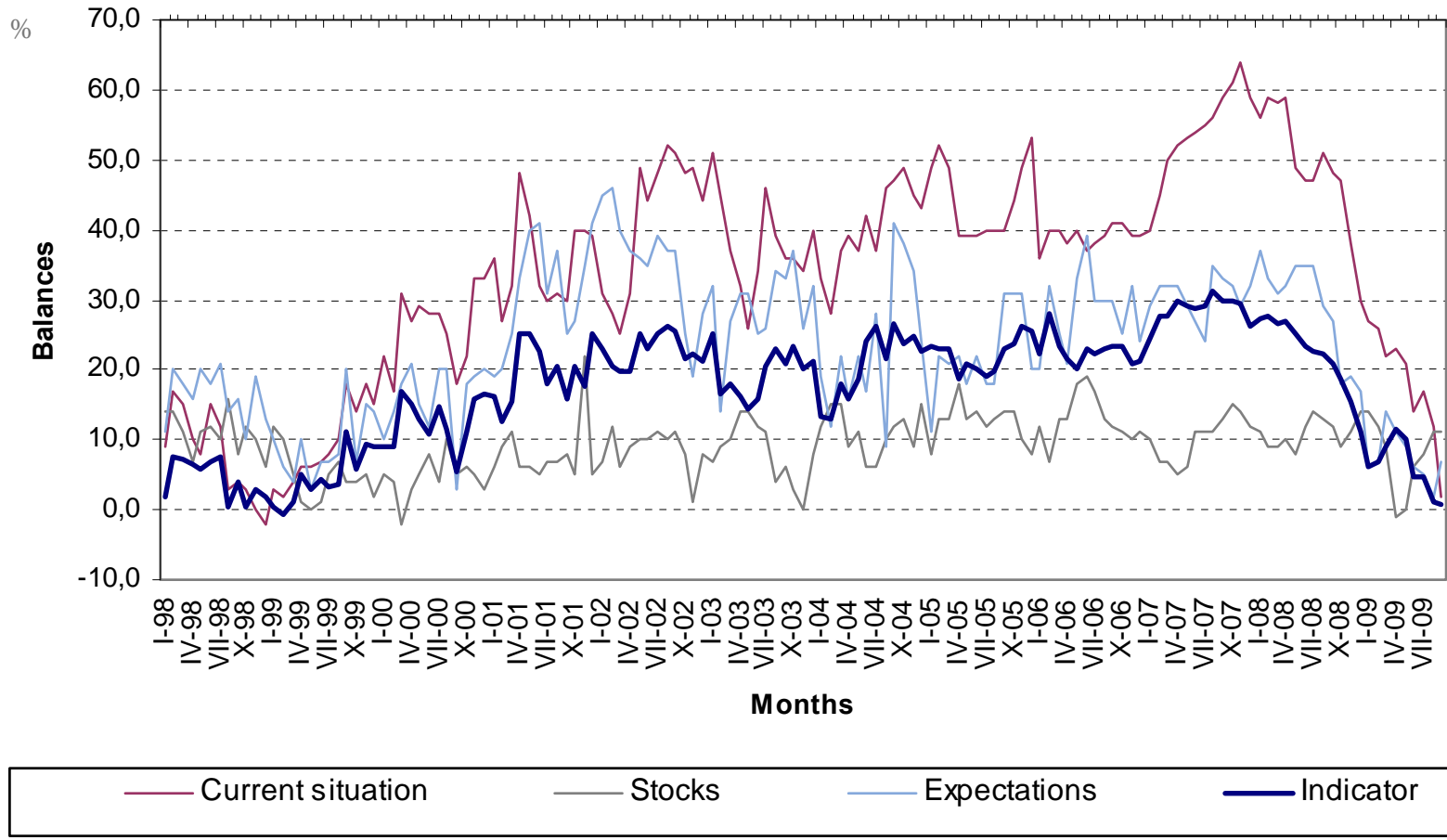
Fall in both private and public demand and subsequent decrease in expectations of employment has pulled the confidence down in construction.

Limits of production in construction



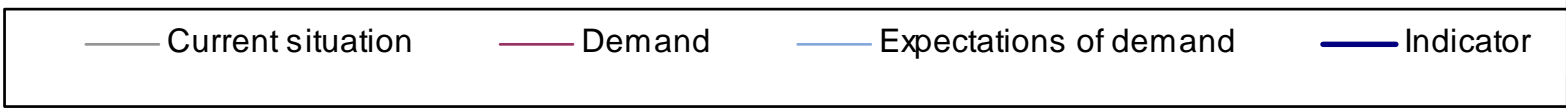
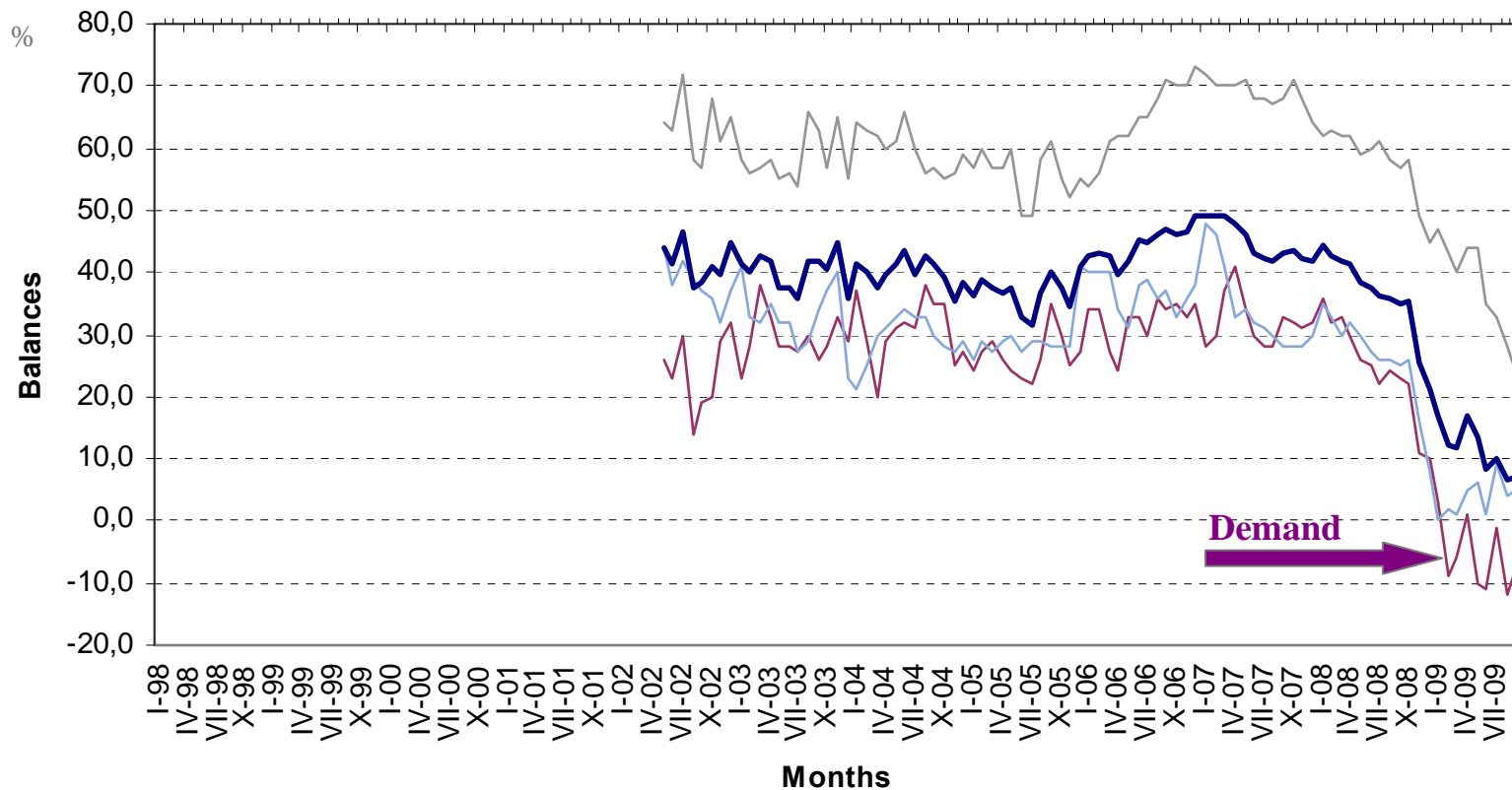
Previously rapid development in construction deteriorated substantially as a result of the economic crisis; main limit of production being demand and financial constraints.

Retail trade - decomposition SA



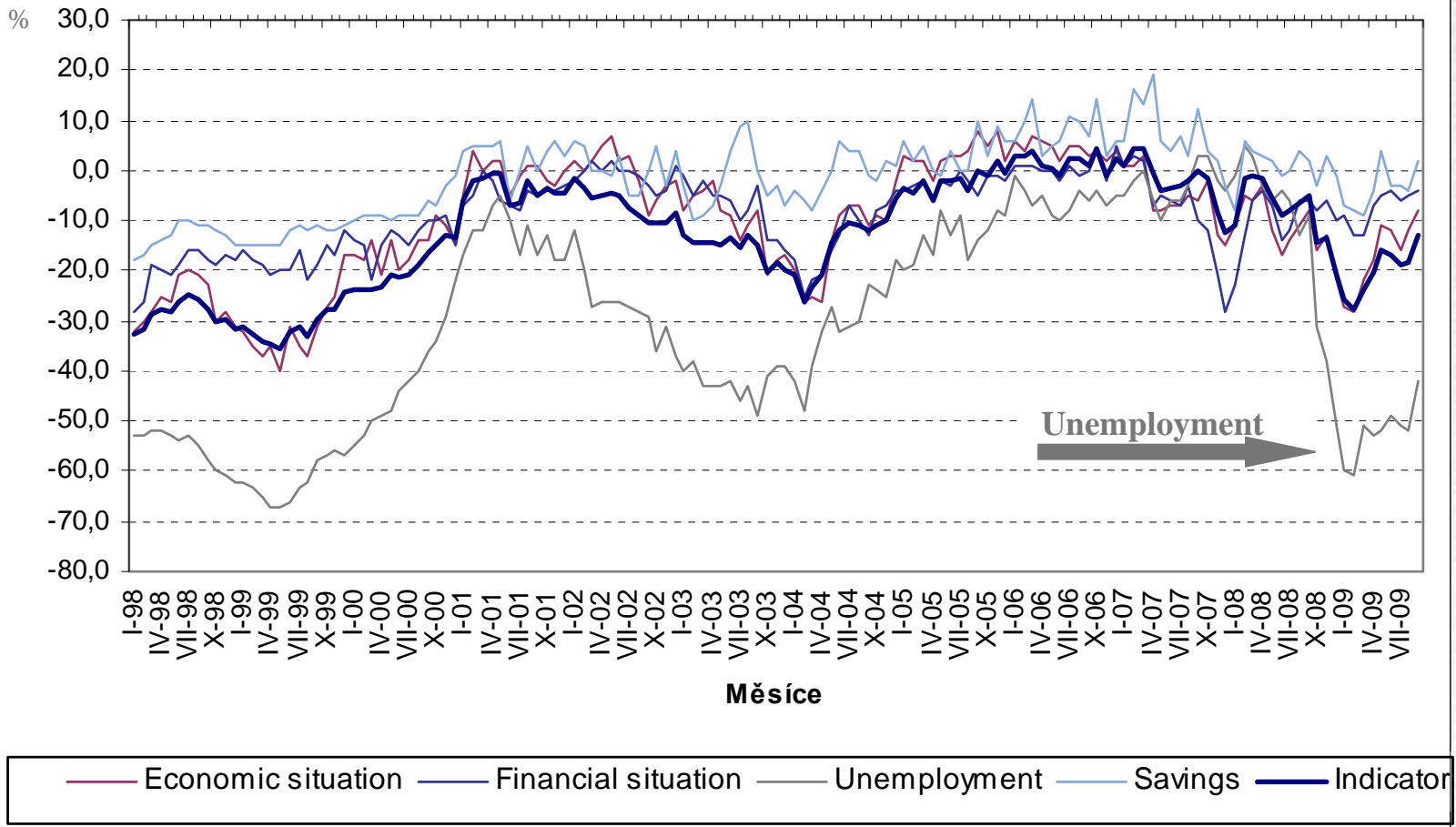
Recently, confidence downturn is shifting to consumption, which reflects itself namely in the current situation as well as expectations in trade.

Services - decomposition SA



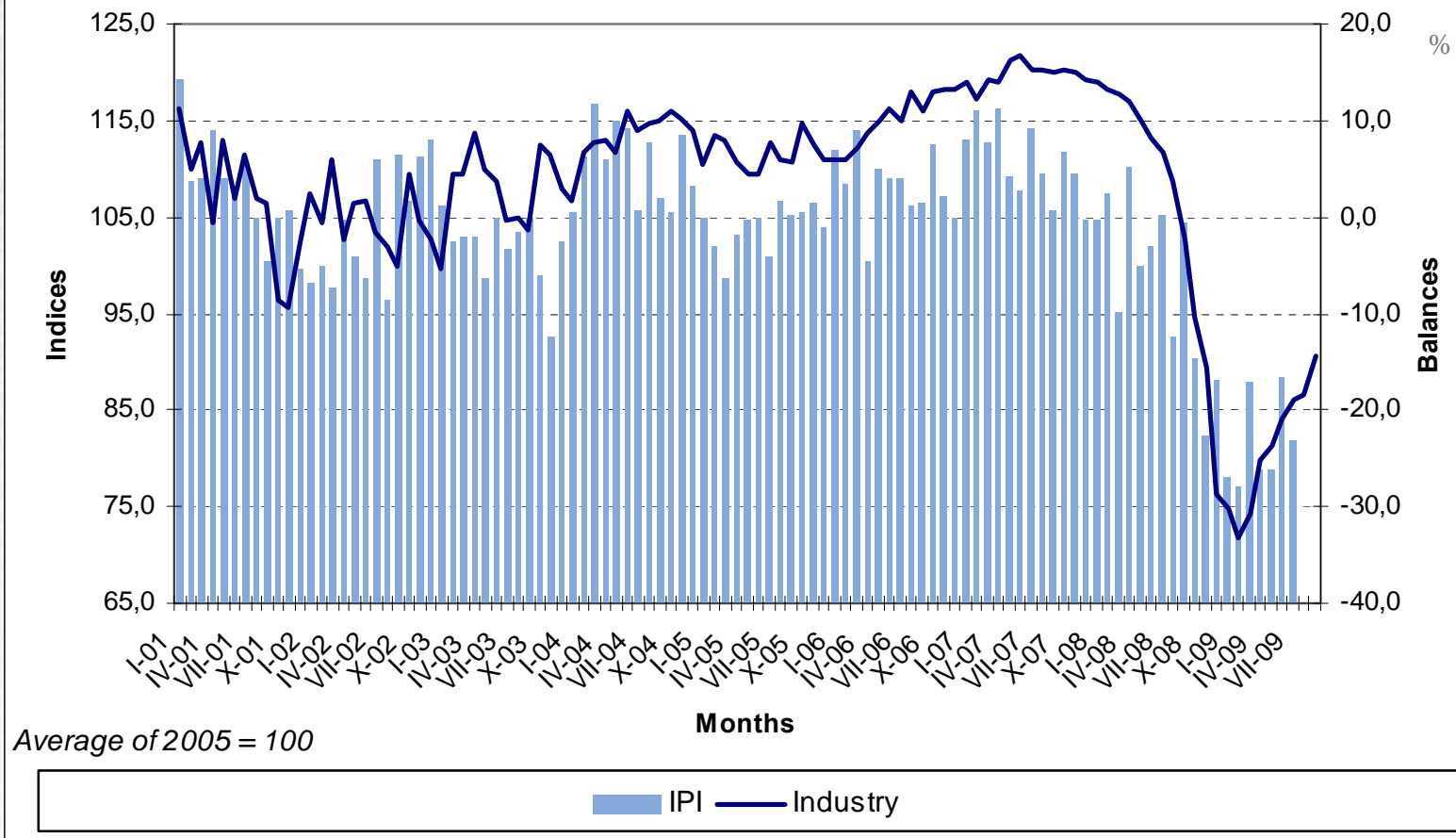
Also in services, deterioration of demand predominantly influences the level of confidence.

Consumer Confidence Indicator - decomposition



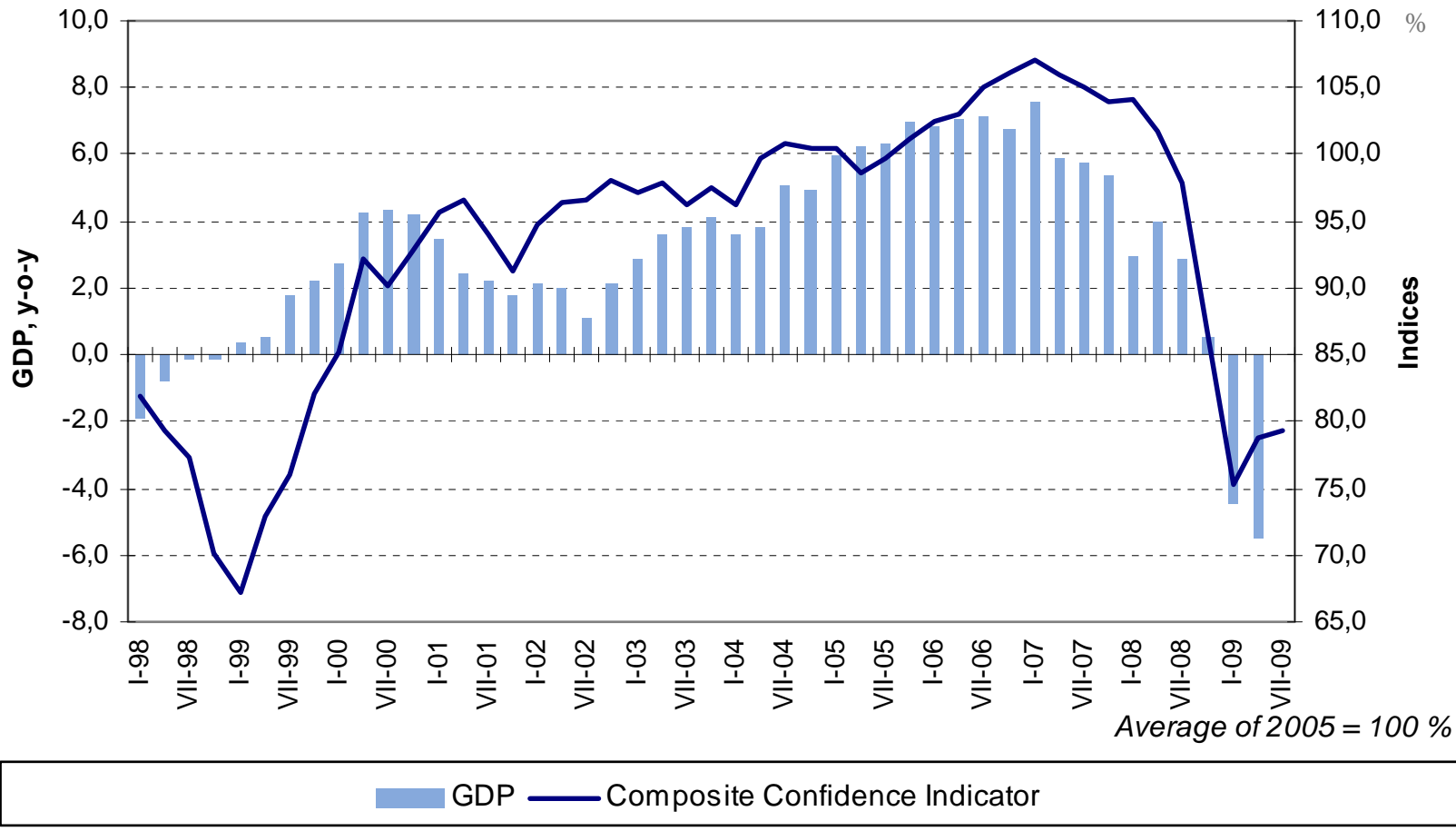
First of all, fear of unemployment (here displayed with negative sign) pulls the consumer confidence down.

Industrial Production Index and Confidence Indicator



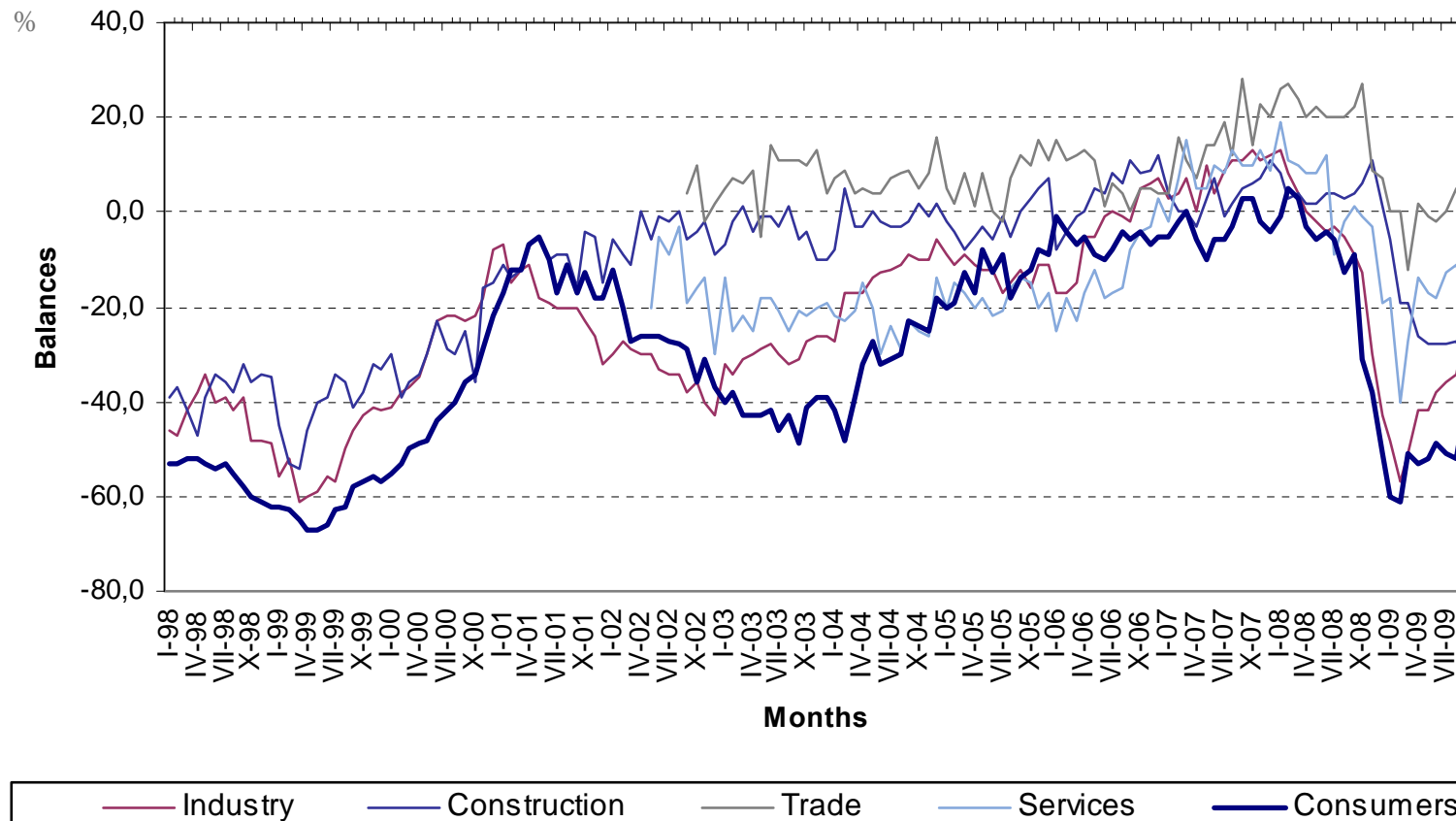
As to September 2009 (latest data available), confidence in industry in the Czech republic has been slowly growing for six consecutive months. Development in industry is crucial for the Czech economy as a whole.

Composite confidence Indicator and GDP



Confidence indicator stabilizes, which indicates slow restoring of the GDP growth for the second half of 2009...

Expected employment



...despite first signs of confidence recovery, employment expectations, however, remain weak or improve only slightly in all branches as well as at consumers.

Conclusion:

- As a result of current economic downturn, there is an increasing interest in the use of economic surveys for predicting turning points in the economic cycle.
- Importance of Business and Consumer Surveys increased namely for their timeliness.
- All in all, the composite indicator in the Czech Republic reflects slow restoring of the overall confidence but the question remains, how solid this restoring can be.

