

Detailed information on sub-indicators of business and consumer confidence in July 2023

INDUSTRY

In July, the **confidence indicator in industry** increased by 4.4 points to -14.3 (from seasonally adjusted data). The development of the indicator was mainly influenced by the increase of orders and the growth of the expected production.

The **industrial production trend** compared to the previous month increased by 22 points to 23. A growth was recorded mainly in manufacture of transport equipment, computers, electronic and optical products and electrical equipment. On the contrary, the decrease was in manufacture of coke and petroleum products and machinery and equipment n.e.c.

In July, the balance of **aggregate orders** increased by 8 points to -8. An increase in the level of orders was recorded mainly in manufacture of transport equipment; by size groups in enterprises employing 1000 and more people and by regions in Trnava and Košice. Lower number of orders was reported by respondents mainly in manufacture of computer, electronic and optical products, textiles and machinery and equipment n.e.c.

The balance of **foreign orders** rose by 5 points to -12. An increase was reported mainly in manufacture of transport equipment. On the contrary, there was a decrease mainly in manufacture of computer, electronic and optical products, in the chemical industry and in manufacture of textiles.

In July, the balance of **finished goods stock** increased by 1 point to a value of 22. Increased stocks were mainly reported in the chemical industry and in manufacture of wood and paper products. On the contrary, there was a decrease of stock mainly in manufacture of electrical equipment and other non-metallic products.

In July compared with June, the balance of **expected production for the next three months** rose by 6 points to -13. Respondents in manufacture of computers, electronic and optical products and food are the most optimistic; by size groups, in enterprises employing 500 to 999 people and by regions in Trnava. They expect a decrease mainly in the chemical industry and manufacture of electrical equipment.

The balance of **expected prices of industrial products** for the next three-month period did not change compared to June and remained at the same level, at the value of 7. Price increase is expected mainly in manufacture of textiles and other non-metallic products. Prices will decrease mainly in the chemical industry and in manufacture of machinery and equipment n.e.c..

In the development of **employment**, the situation deteriorated compared to last month, when the balance decreased by 12 points to -2. They expect a decrease in employment mainly in manufacture of basic metals and fabricated metal products, computers, electronic and optical products and machinery and equipment n.e.c; by size groups, in enterprises employing 1 000 or more people and by regions, especially in Košice and Trnava. On the contrary, an increase in employment is expected mainly in manufacture of food.

When evaluating the **factors limiting the growth of industrial production**, 50 % of respondents reported insufficient demand, 26% shortage of employees and 20% financial constraints. 20 % of respondents do not feel any limiting factors.

Production capacity rose by 3 points to 5. The majority of respondents consider the current production capacity as sufficient.

Based on orders, companies have **reserved work** for 6 months on average, while production is ensured mainly in manufacture of machinery and equipment n.e.c.

Industrial companies **used production capacities** to 83 %, on average.

Over the last three months, according to the respondents' forecasts, there was upward demand for production, based on **new orders**, the total balance increased by 10 points, compared with the previous month. The highest increase was mainly in manufacture of computer, electronic and optical products and wood and paper products.

Compared with the previous quarter, the balance of the expected **export** dropped by 54 points to -31. A decrease of foreign orders is expected by respondents mainly in manufacture of transport equipment, basic metal and fabricated metal products and electrical equipment.

According to the survey results, the **position of enterprises in domestic competitive environment** decreased by 7 points, compared with the previous quarter. On foreign markets **inside the EU**, the balance dropped by 12 points, on markets **outside the EU**, the balance decreased by 11 points.

The total data are seasonally adjusted and the data by sector are not seasonally adjusted, therefore non-standard development may occur in the comparison of these indicators.

CONSTRUCTION

In July compared to the previous month, the seasonally adjusted **confidence indicator in construction** dropped by 5.5 points to -9 due to less favorable evaluations of the overall level of orders and the expected employment. The current result exceeds the long-term average by 15 points.

The **indicator of construction activity trend over the last three months** improved by 9 points to 22 compared to the previous month, mainly due to the impact of enterprises performing engineering constructions. An increase in construction activity was noted by 37% of respondents, its decrease was reported by 5%, and 58% of enterprises assessed it as unchanged.

The evaluation of the **current overall level of orders** deteriorated by 4 points to -19, compared to June. 15% of respondents described it as insufficient, 82% as sufficient, and for 3% of respondents the current level of orders was more than sufficient.

36% of respondents included a shortage of employees, 33% financial constraints, 30% insufficient demand, 12% weather conditions and 5% lack of material or mechanisms among the most significant **factors currently limiting the growth of construction production**. The respondents further report a significant increase in the prices of building materials, high inflation, growth in interest rates and also lower purchasing power of the population. 27% of enterprises do not currently see any barriers of growth.

Respondents' expectations regarding the estimation of employment development deteriorated month-on-month, the business balance of the **expected number of employees** decreased by 7 points to 1, mainly due to the enterprises performing engineering constructions. In the next three months, 6% of respondents expect a decrease in the employment situation, 79% expect a stabilized development, and 15% of businesses expect an increase.

The business balance of the expected **prices of construction production in the next three months** decreased by 4 points to 28 compared to June. 3% of respondents expect a decrease in the price level of their production, 68% do not consider price changes, and 29% of respondents expect an increase.

Based on orders, companies have **reserved work** for an average of 9.8 months. By size categories, work is ensured mainly in enterprises employing 500 or more people (15.3 months), and in terms of production specification, in enterprises performing civil engineering works (12.9 months). In territorial terms, the respondents in Bratislavský kraj confirmed the most orders upon contract (13.5 months) and the least in Nitriansky kraj (4.7 months) and Trenčiansky kraj (4.4 months).

TRADE

In July compared with June, the **confidence indicator in trade** rose by 3,7 points to a value of 6. Respondents positively evaluated the increase in the trend of business activities and expect an increase in requirements for suppliers.

The seasonally adjusted balance of the **trend of business activities over the last three months** increased by 5 points to the level 5 compared to the previous month. Positive evaluations (weighted by turnover) prevailed mainly in retail trade in non-specialized stores and in retail trade of goods for culture and recreation in specialized stores.

The level of the **goods stock** increased by 2 points to the level 6 month-on-month and 92% of respondents assessed them to be appropriate for the season.

The level of evaluation of **requirements of suppliers** rose significantly and after seasonal adjustment reached a value of 16 (an increase by 13 points). They expected higher requirements for suppliers mainly in retail trade of other household goods in specialized stores and in retail trade in non-specialized stores.

When evaluating the **expected business activities for the next three months**, the respondents were optimistic, as a result of which the balance (19) increased by 8 points. 29% of respondents expect an increase in business activities and 7% expect a decrease. The majority of respondents (64%) continue to assume a stable situation. Optimistic views prevailed mostly among respondents in retail trade in non-specialized stores.

Employment expectations improved in July. The seasonally adjusted balance at the level of 13 was higher by 8 points than last month. 21% expected an increase in the number of employees, and 5% of respondents expected their decrease. The majority of respondents (74%) did not expect any changes in the number of employees.

The seasonally adjusted balance of **expected development of prices** increased by 2 points compared to the previous period and reached the value of 19. Most respondents expect a stabilized price development (71%), 27% believe in their increase, and only 2% of respondents estimate a decrease. Negative evaluations of price developments prevailed mainly among respondents in retail trade of ICT equipment in specialized stores.

SERVICES

In July, the seasonally adjusted **confidence indicator in services** dropped by 10.7 points to -1 (for comparison, the value for July 2022 was 10.3 points). A decrease was recorded in all three indicators.

The **business situation in the last three months** has deteriorated relatively compared to the previous survey. The business balance dropped by 10 points to the level of -3. Deterioration of the situation was reported by 11% of enterprises, 73% without any changes and improvement was reported by 16% of enterprises. Deterioration was mainly reported by information and communication, while transportation and storage or financial and insurance services reported an improvement.

Compared with the previous month, the **demand for services in the last three months** dropped by 21 points to -7. Lower demand was mainly in financial and insurance activities. Other activities and real estate activities recorded an increase.

Respondents evaluated the **expected development of demand for services in the next three months** as somewhat more pessimistic than last month, with a decrease of 1 point to a value of 7. They expect a decrease mainly in professional, scientific and technical activities. The increase is expected by other activities or accommodation and food services.

The **number of employees over the last three months**, or its seasonally adjusted balance, did not change compared to last month and remains at the level of -3 points. Information and communication and financial and insurance services recorded an increase, while transportation and storage or administrative and support activities reported a decrease.

There was a slight improvement in the **development of employment in the next three months**, the value of the seasonally adjusted balance increased by 1 point to a value of 2. The fields of information and communication or professional, scientific and technical activities expect an improvement. On the other hand, transportation and storage, accommodation and food services or real estate activities are expected to deteriorate.

The **business balance of the expected prices of services over the next three months** decreased by 3 points to 18 compared to the previous period, while 2% of enterprises are considering price reductions (the same as last month), 13% of enterprises (decrease by 10 p.p.) and 85% of enterprises (increase by 10 p.p.) expect a stable development.

30% of enterprises do not feel any **limiting factors concerning the realization of their business plans**. The most significant factors limiting the business plans in services were insufficient demand (35%), financial restrictions (28%), lack of employees (27%). Respondents reported they used capacities in services to 94%.

CONSUMER MOOD IN SLOVAKIA IN JUNE 2023

In July, the confidence of Slovak consumers also increased, recording a month-on-month increase for the second consecutive month. The **consumer confidence indicator** (seasonally adjusted) increased by 2.4 points compared to the previous month to the level of -20.7. It is currently at the level of the long-term average, lagging behind only by 0.6 points.

Consumers showed an increase in optimism in all four components of the indicator. Confidence increased the most in the expected development of the general economic situation and in the

unemployment development. They also perceived more optimistically the future development of their finances, both the general financial situation of households and the creation of savings.

The consumer mood also improved significantly compared to last year, the current July value was higher by 8.1 points.

ECONOMIC SENTIMENT INDICATOR IN JUNE 2023

In July, the **economic mood** in Slovakia deteriorated slightly month-on-month, the seasonally adjusted **indicator of economic sentiment** (ESI) dropped by 1 point to the level of 89. Two of the five components of the indicator deteriorated, but the declines were significant. Entrepreneurs in services were more pessimistic, their confidence decreased the most in the last 13 months, the drop was in double digits. The mood in the construction industry also deteriorated significantly. Entrepreneurs in industry, trade and consumers had the opposite perception of the economic situation, their confidence increased compared to last month.

The economic mood also deteriorated compared to last year, by 7.8 points. The indicator's lagging behind the long-term average deepened in July, it is currently behind by 13 points.

