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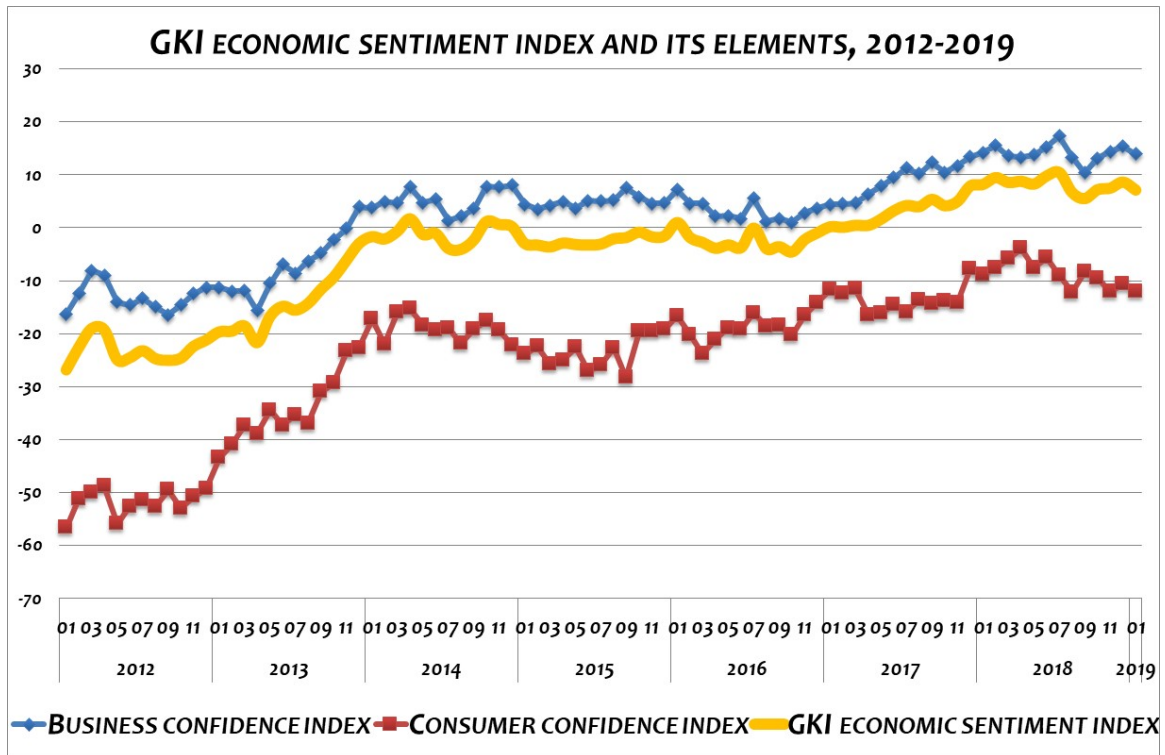
GKI'S ECONOMIC SENTIMENT INDEX STARTED THE YEAR WITH A DECREASE

After three months of growth, the GKI economic sentiment index dropped to its October level in January 2019. Business and consumer expectations slightly deteriorated as well, and especially the latter are less favourable than a year earlier. At the same time, both of them continue to reflect strong optimism.

In January, the industrial and the construction confidence indices deteriorated in the **business sector**, whereas those of services and trade rose slightly. In **industry**, the assessment of production in the preceding period compared to December, that of production prospects as well as the stock of orders (including exports) deteriorated. Only the assessment of inventories improved slightly. Compared to the previous quarter, the production period covered by contracts became somewhat shorter, and the inflow of new orders slowed down. Expectations in **construction** deteriorated the most; however, they are still very favourable. However, the assessment of production in the preceding quarter and that of orders remained essentially unchanged. The prospects of companies in structural and civil engineering declined somewhat, too. The deterioration of the former has been going on for months. After a three-month decline, the **trade** confidence index improved in January within the statistical margin of error, and it is in the central zone of the relatively narrow band in which it had fluctuated for the past five years. The assessment of sales positions improved slightly, whereas that of stocks and orders deteriorated somewhat. The **service** confidence index is slightly better in the first month of 2019 than at the end of 2018. The evaluation of the general business climate deteriorated, whereas sales expectations improved. Although the average capacity utilization was high, almost half of the respondents indicated they could expand their performance. The main obstacle was labour shortage.

Intentions to employ decreased in all sectors, especially in construction. At the same time, the fear of unemployment of households eased. Intentions to **raise prices** weakened in all sectors, with the exception of industry. However, about 40 per cent of companies in trade planned to raise prices. Inflationary expectations by consumers strengthened. The assessment of the **Hungarian economy's prospects** worsened in all sectors, especially in construction and industry, to a lesser extent in trade, and hardly in services. The opinion of households became slightly more unfavourable.

After a slight improvement in December, the **GKI consumer confidence index** deteriorated to a similar extent in January. However, this level is around the lowest point of the extremely optimistic last year. Households assessed their future financial situation in the next year and their savings capacity less favourable than previously and the possibility of purchasing high-value durables more favourable.



EXPLANATION TO THE METHODOLOGY:

In line with the methodology used by the EU, GKI surveys the expectations of industry, trade, construction, services and households in the calculation of its business confidence index. GKI economic sentiment index is the weighted average of the consumer confidence index and the business confidence index.

The business confidence index is calculated from the responses of enterprises in industry, trade, construction and services given to questions concerning the state of business and expectations of turnover and employment. (As far as services are concerned, similarly to the practice of the EU, companies of the financial and public sectors have not been included in the surveys yet.) GKI publishes seasonally adjusted data by using appropriate mathematical methods to filter out the discrepancies caused by seasonal effects (e.g., differences in weather conditions between winter and summer, increased demand before Christmas, lower output because of summer vacations).

The consumer confidence index is calculated from responses given to questions concerning the expected financial position of households, the expected economic and unemployment situation of the country, and the prospects for saving.

GKI ECONOMIC SENTIMENT INDEX AND ITS ELEMENTS, 2012-2019

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2012	01	-16.3	-56.6	-26.8
	02	-12.4	-51.2	-22.5
	03	-8.1	-49.9	-19
	04	-9	-48.8	-19.3
	05	-14	-55.9	-24.9
	06	-14.6	-52.6	-24.5
	07	-13.3	-51.4	-23.2
	08	-14.9	-52.7	-24.7
	09	-16.4	-49.5	-25
	10	-14.6	-53	-24.6
	11	-12.4	-50.7	-22.4
	12	-11.3	-49.3	-21.2
2013	01	-11.3	-43.4	-19.6
	02	-12.0	-40.9	-19.5
	03	-11.9	-37.3	-18.5
	04	-15.6	-38.9	-21.7
	05	-10.5	-34.4	-16.7
	06	-6.9	-37.3	-14.8
	07	-8.6	-35.3	-15.5
	08	-6.3	-36.9	-14.3
	09	-4.8	-31.0	-11.6
	10	-2.3	-29.4	-9.3
	11	-0.1	-23.3	-6.1
	12	4.0	-22.7	-2.9
2014	01	3.8	-17.2	-1.7
	02	4.9	-22.0	-2.1
	03	4.7	-15.9	-0.7
	04	7.7	-15.3	1.7
	05	4.8	-18.4	-1.2
	06	5.4	-19.3	-1.0
	07	1.4	-18.9	-3.9
	08	2.2	-21.9	-4.1
	09	3.6	-19.1	-2.3
	10	7.8	-17.6	1.2
	11	7.7	-19.4	0.7
	12	8.1	-22.1	0.2
2015	01	4.4	-23.8	-2.9
	02	3.5	-22.4	-3.2
	03	4.2	-25.8	-3.6
	04	4.9	-25.0	-2.9
	05	3.7	-22.6	-3.1
	06	5.1	-27.0	-3.2
	07	5.0	-26.0	-3.1
	08	5.2	-22.7	-2.1
	09	7.5	-28.3	-1.8
	10	5.8	-19.6	-0.8
	11	4.6	-19.6	-1.7
	12	4.7	-19.2	-1.5

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2016	01	7,2	-16,6	1,0
	02	4,6	-20,2	-1,8
	03	4,6	-23,8	-2,8
	04	2,2	-21,1	-3,9
	05	2,3	-18,9	-3,2
	06	1,7	-19,2	-3,7
	07	5,6	-16,1	0,0
	08	1,2	-18,6	-3,9
	09	1,7	-18,5	-3,6
	10	1,0	-20,3	-4,5
	11	2,8	-16,5	-2,2
	12	3,7	-14,1	-0,9
2017	01	4,4	-11,7	0,2
	02	4,5	-12,4	0,1
	03	4,7	-11,5	0,5
	04	6,4	-16,4	0,5
	05	7,9	-16,1	1,7
	06	9,5	-14,6	3,2
	07	11,3	-15,9	4,2
	08	10,2	-13,6	4,0
	09	12,3	-14,3	5,4
	10	10,5	-13,8	4,2
	11	11,7	-14,2	5,0
	12	13,4	-7,7	7,9
2018	01	14,2	-8,9	8,2
	02	15,5	-7,6	9,5
	03	13,6	-5,8	8,6
	04	13,3	-3,9	8,8
	05	13,8	-7,5	8,3
	06	15,3	-5,7	9,8
	07	17,3	-9,0	10,5
	08	13,3	-12,2	6,7
	09	10,4	-8,3	5,5
	10	13,1	-9,5	7,2
	11	14,4	-12,1	7,5
	12	15,4	-10,6	8,6
2019	1	13,9	-12,1	7,1

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