



25 FEBRUARY 2019

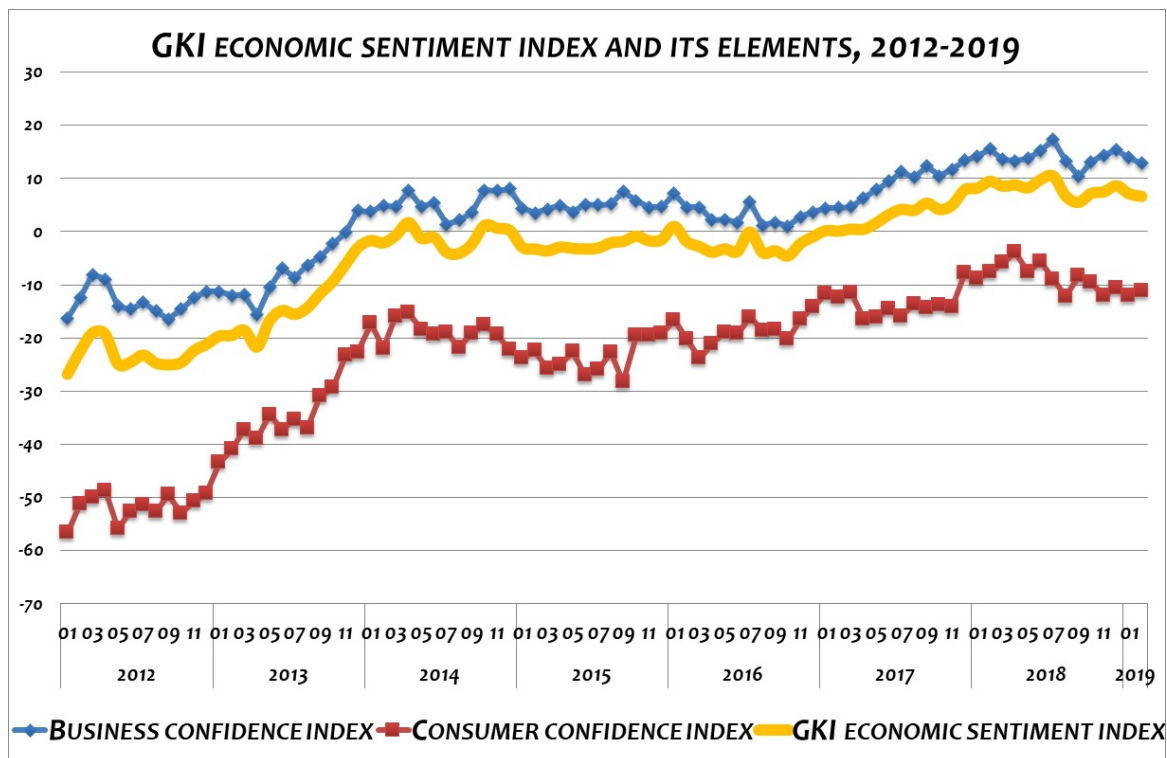
BUSINESS EXPECTATIONS DETERIORATED SLIGHTLY, WHILE CONSUMER EXPECTATIONS IMPROVED IN FEBRUARY

Although the GKI economic sentiment index was rising constantly in the last quarter of 2018, it declined during the first two months of 2019. Of business expectations only expectations of construction companies improved in February. In spite of the upward movement of the index in February, consumer expectations fell short of their level at the end of last year. However, Hungarian economic actors continue to show strong optimism.

Regarding the **business sector**, deterioration was not significant in industry and trade in February. In **industry**, the assessment of the production and incoming orders of the past period (including export orders) deteriorated, whereas that of production expectations and stocks improved. In **construction** the confidence index adjusted positively in February after its drop in December and January. It was close to its previous peak, that is, expectations of construction companies remained excellent. Expectations of structural engineering companies improved markedly, whereas those of civil engineering firms deteriorated within the statistical margin of error. Generally, the latter ones have been more optimistic for a year now. The assessment of production in the preceding three-month period picked up slightly, and that of orders got better significantly. Although the **trade** confidence index declined further in February after a three-month fall and a one-month stagnation, it was still 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 remained unchanged and that of incoming orders turned to the better slightly. In February, the confidence index of **services** dropped back to the level recorded last August. In particular, the evaluation of the general business climate and the turnover in the last period deteriorated, which could not be offset by improved sales expectations.

Employment intentions declined in all sectors except in construction. However, they dropped spectacularly in construction in January. The fear of unemployment of households remained unchanged in February. With the exception of construction, where more than half of the respondents planned to increase prices in the following three months, intentions to **raise prices** weakened in all sectors, whereas inflationary expectations of consumers continued to mount. After its general and significant deterioration in January, the assessment of the **Hungarian economy's prospects** took a positive turn, mainly in construction and trade. However, pessimism in industry continued to increase significantly. The opinion of households became somewhat better.

GKI's consumer confidence index increased in February, though to a lesser extent than its fall was in January. Households felt their future financial situation, the possibility of purchasing high-value durables and their savings capacity slightly better than in January.



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 | 01 | 13.9 | -12.1 | 7.1 |
| | 02 | 12.9 | -11.1 | 6.7 |

GKI ECONOMIC RESEARCH CO.

1092 Budapest, Ráday u. 42-44.

Phone: +36 1 318 1284

E-mail: gki@gki.hu

For more information:

Gábor Karsai (karsai.gabor@gki.hu); Raymund Petz (petz.raymund@gki.hu)