

**25 MARCH 2019**

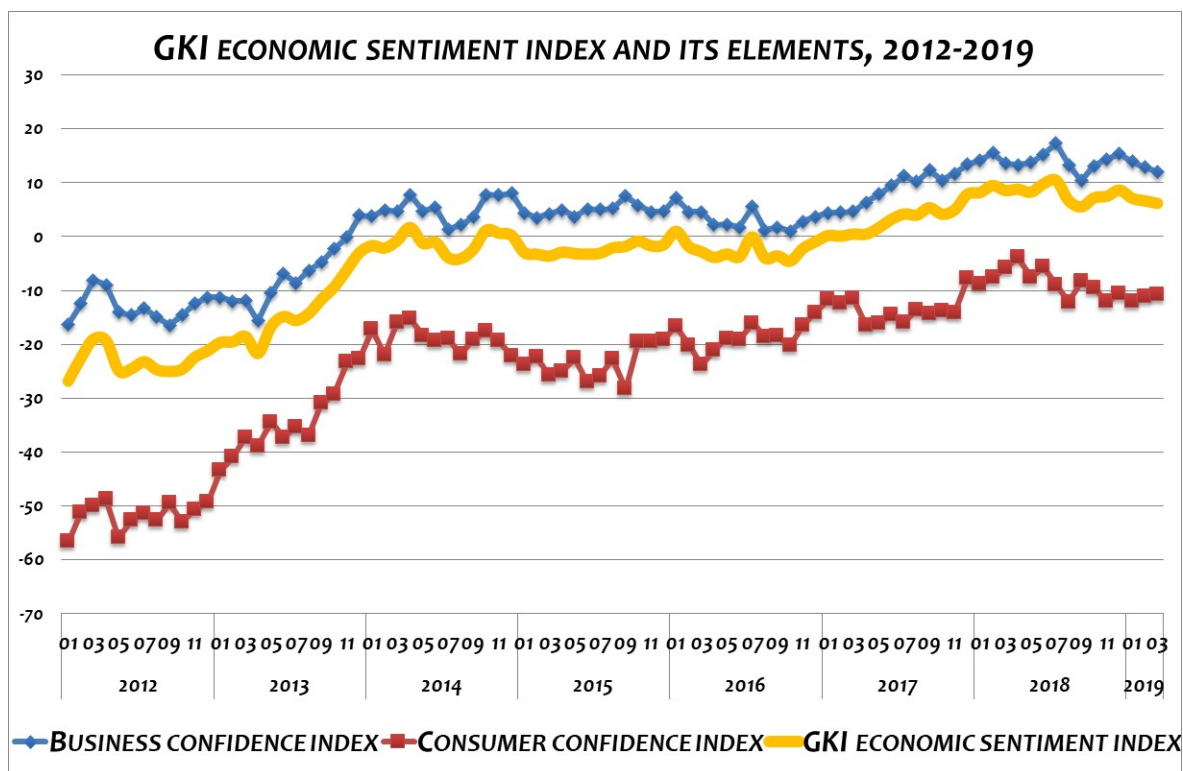
THE SLOW DETERIORATION OF THE GKI ECONOMIC SENTIMENT INDEX CONTINUED IN MARCH

Although the GKI economic sentiment index was rising constantly in the last quarter of 2018, it declined slightly but steadily during the first quarter of 2019. The deterioration in March, as in February, was attributed to unfavourable business sentiment since consumer expectations improved somewhat both in February and March, and they reached the level recorded at the end of 2018. Hungarian economic actors continue to show strong optimism.

Business expectations have been worsening slightly but steadily since December, mainly as a result of the decline in the **industrial** confidence index. Production expectations weakened in industry, and the assessment of the stock of orders (excluding exports) and inventories deteriorated as well. Investment intentions anticipate last year's modest growth. From the second half of 2018, the **construction** confidence index has fluctuated in a relatively narrow band. Following its growth in February it dropped to its level at the beginning of the year in March. The prospects of companies in structural and civil engineering also declined slightly. The assessment of production in the previous quarter and that of orders also deteriorated slightly. Following its four-month decline and one-month stagnation, the **trade** confidence index rose in March, and it is close to the top of the relatively narrow band in which it had fluctuated for the past five years. The assessment of sales positions and the level of stocks improved significantly, whereas that of expected orders became slightly more pessimistic. Despite its rise in March, the **confidence** index in services did not reach its level at the turn of 2018 and 2019. The evaluation of the current business climate and sales expectations improved, whereas the turnover in the last period deteriorated slightly.

The decline in **employment intentions** compared to the end of 2018 continued in March in all sectors, and although all sectors continue to plan an increase in employment, these intentions have markedly weakened in 2019. At the same time, the fear from unemployment of households continued to ease in March. Intentions to **raise prices** intensified in industry and services, whereas they became more subdued in construction and especially in trade. Inflationary expectations of consumers also became somewhat more moderate. The assessment of the **Hungarian economy's prospects** became more favourable both in the business sector and among households in March; however, it did not reach its level at the end of 2018.

The **GKI consumer confidence index** improved slightly both in February and March, and practically reached its level at the end of last year. In March, households assessed their financial situation slightly better than in February, whereas they considered their savings capacity somewhat worse. Households considered the possibility of purchasing high-value durables slightly more unfavourable as well.



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
2016	01	7.2	-16.6	1.0
	02	4.6	-20.2	-1.8

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2017	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
	01	4.4	-11.7	0.2
	02	4.5	-12.4	0.1
2018	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
	01	14.2	-8.9	8.2
	02	15.5	-7.6	9.5
2019	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
	01	13.9	-12.1	7.1
	02	12.9	-11.1	6.7
03	12.1	-10.7	6.2	

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