



23 APRIL 2019

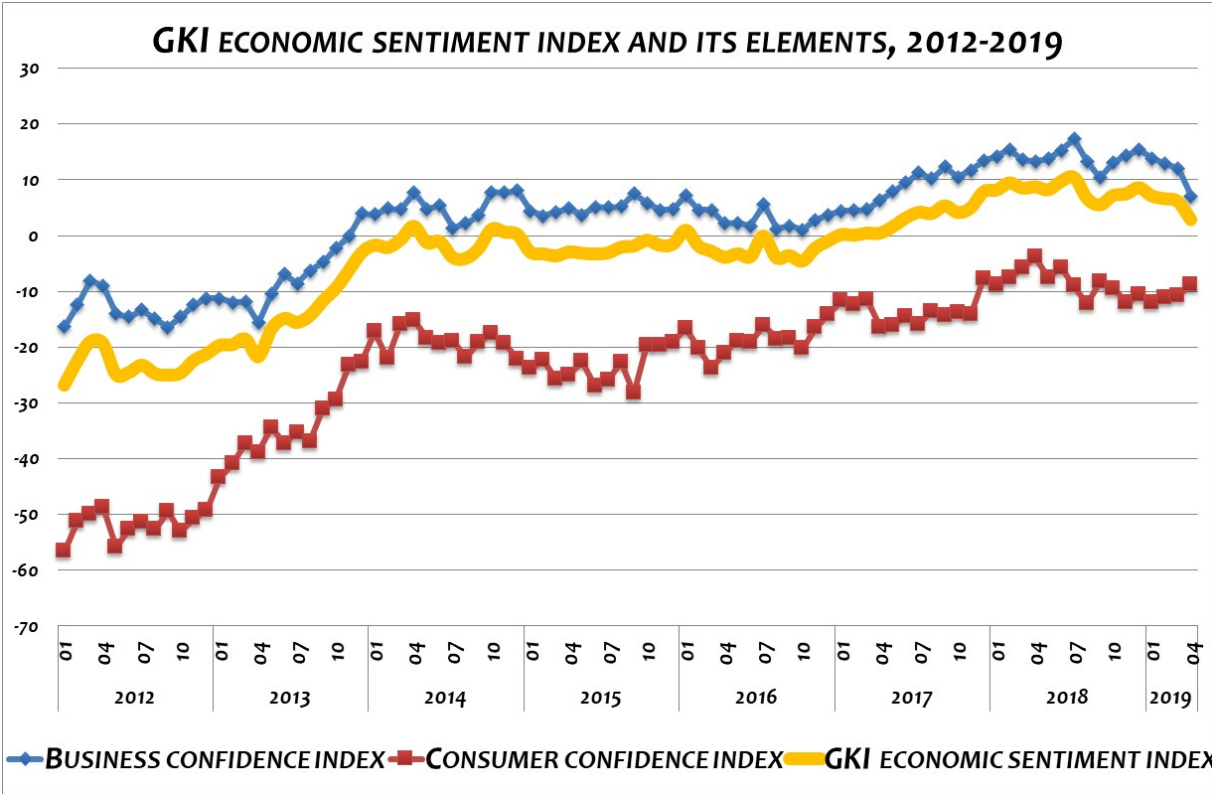
GKI ECONOMIC SENTIMENT INDEX FELL TO ITS TWO-YEAR LOW IN APRIL

While in the first quarter of 2019, the GKI economic sentiment index fell only slightly month-over-month, its decline in April exceeded its total drop in the previous three months. Thus the GKI economic sentiment index dropped to the level recorded about two years ago, which was otherwise high. The deterioration in April, similarly to the previous two months, was due to business expectations as the consumer ones had been improving for the third month and they are now more favourable than at the end of last year.

Business expectations have been deteriorating since December, mostly in industry and construction. In April, the biggest downturn was in industry and the smallest one in services. The **industrial** confidence index decreased to the level recorded two years ago. The assessments of the expected output and the stock of orders (including exports) as well as inventories deteriorated significantly. Respondents assessed the production of the last period unchanged. In April, the **industrial** confidence index dropped to the level measured a year ago. The assessment of production in the previous quarter decreased and that of orders also became more pessimistic. The prospects of companies both in structural and civil engineering declined, too. After its rise in March, the **trade** confidence index fell to a greater extent in April, and it is in the central zone of the relatively narrow band in which it had fluctuated for the past five years. Although the assessment of sales positions and the stock of orders became considerably worse, that of inventories picked up. The **services** confidence index contracted to its two-year low in April. Although the evaluation of the turnover in the last period and the general business climate improved slightly, sales expectations fell dramatically.

With the exception of industry, the decline in **employment intentions** compared to the end of last year continued in April. Although all sectors continue to plan increase in employment, these intentions have markedly weakened, especially in construction. At the same time, the fear of unemployment of households has never been as low as it is now, in April. **Intentions to raise prices** weakened somewhat in industry and trade, whereas they were unchanged in construction and services. At the same time, the proportion of those who seek to raise prices remained high in construction and trade, and hardly anybody expects price reductions. Inflationary expectations of consumers decreased further slightly. The assessment of the **Hungarian economy's prospects** worsened in all business sectors, especially in industry, where the share of those expecting decline already exceeded the share of those anticipating improvement. The opinion of households, however, became slightly more favourable.

The value of the **GKI consumer confidence index** has been improving since January, and it was higher than now only in last September. Households assessed their financial situation slightly worse in April, whereas they evaluated their savings potential more favourable than in March.



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
	03	12.1	-10.7	6.2
	04	7.1	-8.9	2.9

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)