27 May 2019

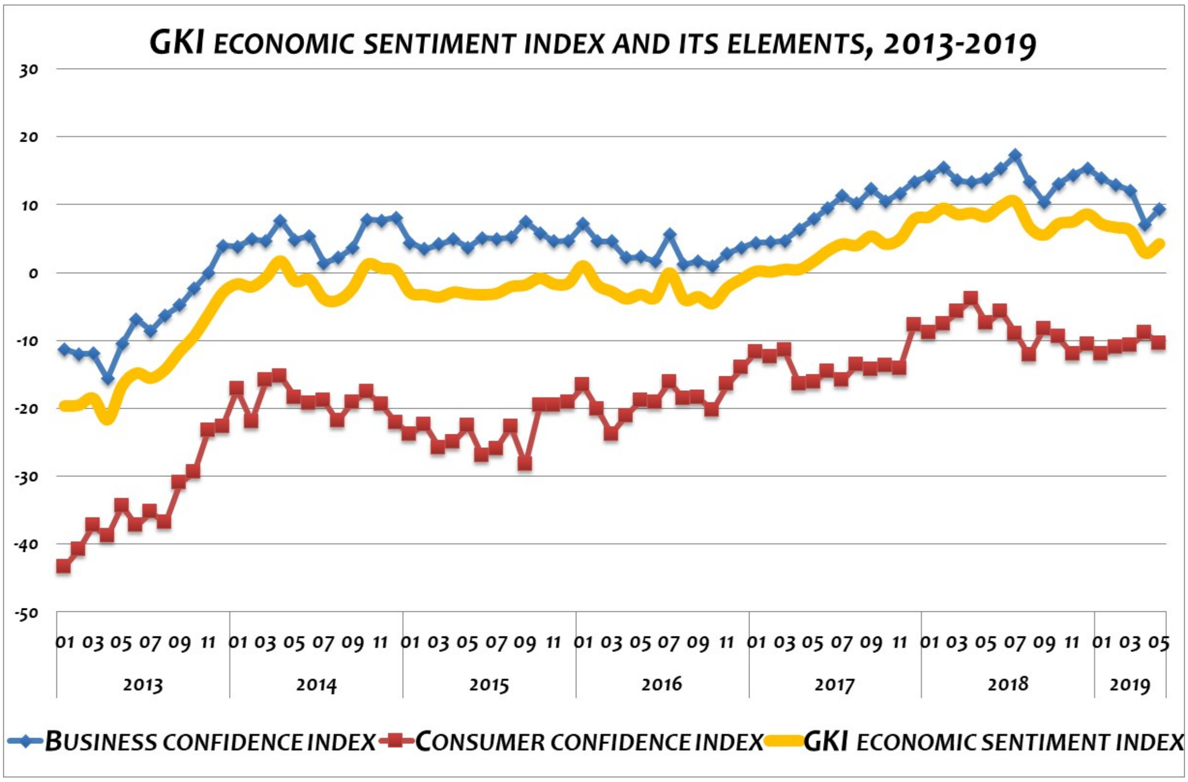
Business expectations improved, consumer ones worsened in May

After its two-year low in April, the GKI economic sentiment index rose slightly in May. Although expectations reflect strong optimism, they are now the lowest in the past two years (excluding April). Both the improvement in business expectations and the deterioration of consumer ones in May are modest; however, they exceed the statistical margin of error.

Expectations in all sectors of the **business** sphere except construction improved; however, none of them reached their March level. Despite its rise in May, the **industrial** confidence index was markedly lagging behind its level typical for the past two years. The assessments of production and outlook, and to some extent incoming orders (including exports) became more favourable. In addition, respondents considered the level of stocks slightly smaller as well. In **construction** the confidence index stagnated in May after its two-month drop. Structural engineering companies became slightly more optimistic, whereas the outlook for civil engineering companies deteriorated further somewhat, making the expectations of the two sectors almost identical. Construction has remained by far the most optimistic sector. The assessment of production in the preceding quarter of construction companies improved within the statistical margin of error, whereas that of orders remained unchanged. The **trade** confidence index rose to a lesser extent in May than its decline in April, 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 hardly changed. Expectations concerning new orders improved considerably, and respondents assessed the size of stocks slightly more favourable. The **services** confidence index returned to its March level in May. Although the assessment of business climate and turnover weakened, that of sales prospects improved.

The weakening of **intentions to employ** over the past months turned into growth in all sectors in May, with the exception of construction. The fear of unemployment of households strengthened slightly. Intentions to **lift prices** intensified in industry and construction, weakened in trade and services, and inflationary expectations of consumers increased slightly. The assessment of the situation of the **Hungarian economy** improved considerably in all sectors, especially in construction, whereas that of households deteriorated slightly.

After three months of improvement, the value of the **GKI consumer confidence index** declined somewhat in May, and it has been fluctuating in a very narrow band for nearly a year. Households assessed their future financial situation slightly better and their savings capacity somewhat worse than in April. Households considered the possibility of purchasing high-value durables essentially unchanged.



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, 2013-2019

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
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
	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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
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
	05	9.4	-10.4	4.3

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