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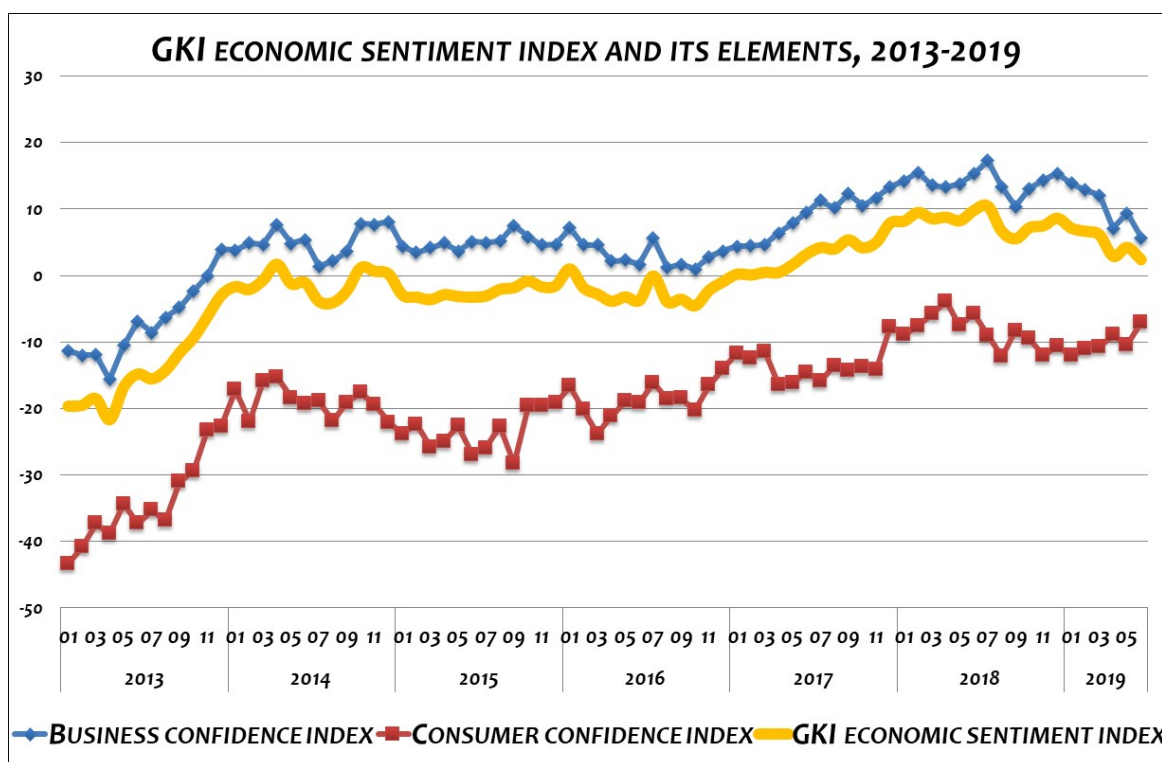
BUSINESS EXPECTATIONS FELL SHARPLY IN JUNE

After reaching its two-year low in April and an improvement in May, the GKI economic sentiment index fell to its level of early summer 2017. The deterioration in business expectations continued throughout the year, similarly to the improvement in consumer ones. The last time when business expectations were so low had been two and a quarter years ago, whereas the last time when consumer ones were so high had been one year ago.

In the business sphere, expectations have deteriorated in all sectors. However, whereas the change was significant in industry and services, it was within the statistical margin of error in construction and trade. The **industrial** confidence index fell to its level of early 2017. The assessment of the production level and prospects, the stock of orders (including exports) as well as inventories all deteriorated. The value of the **construction** confidence index was essentially stagnant in June. Civil engineering companies became slightly more optimistic, whereas the outlook for structural engineering firms deteriorated somewhat. The assessment of production in the preceding three-month period declined significantly, and that of orders slightly. After its rise in May, the value of the **trade** confidence index was essentially stagnant in the sixth month of 2019, 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 and the level of stocks worsened, whereas that of expected orders improved. The **services** confidence index fell to its level of early 2017 in June. The evaluation of the general business climate and sales of the preceding and the subsequent period worsened.

With the exception of construction, **intentions to employ** markedly weakened in all sectors, reaching a two-year low (although it was similar in April this year). At the same time, the fear of unemployment of households eased. **Intentions to increase** prices intensified in industry and services, and they were more subdued in trade and construction. The inflationary expectations of consumers declined slightly. Although 80 per cent of companies do not plan price changes, this rate is only 70 per cent in construction. In general, the assessment of the situation of the **Hungarian economy** deteriorated, notably in industry and construction. However, it improved in trade and services. The opinion of households, too, became more favourable.

After a slight decline in May, the **GKI consumer confidence index** rose dynamically in June. Last time when the index was higher had been a year ago. Households assessed their future financial situation and, in particular, their future savings potential much better than a month ago. The latter reached a record level of nearly 17 years. Households were also more optimistic over the possibilities of purchasing high-value durables than they were in May.



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
	06	5.7	-7.0	2.4

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)