



22 JULY 2019

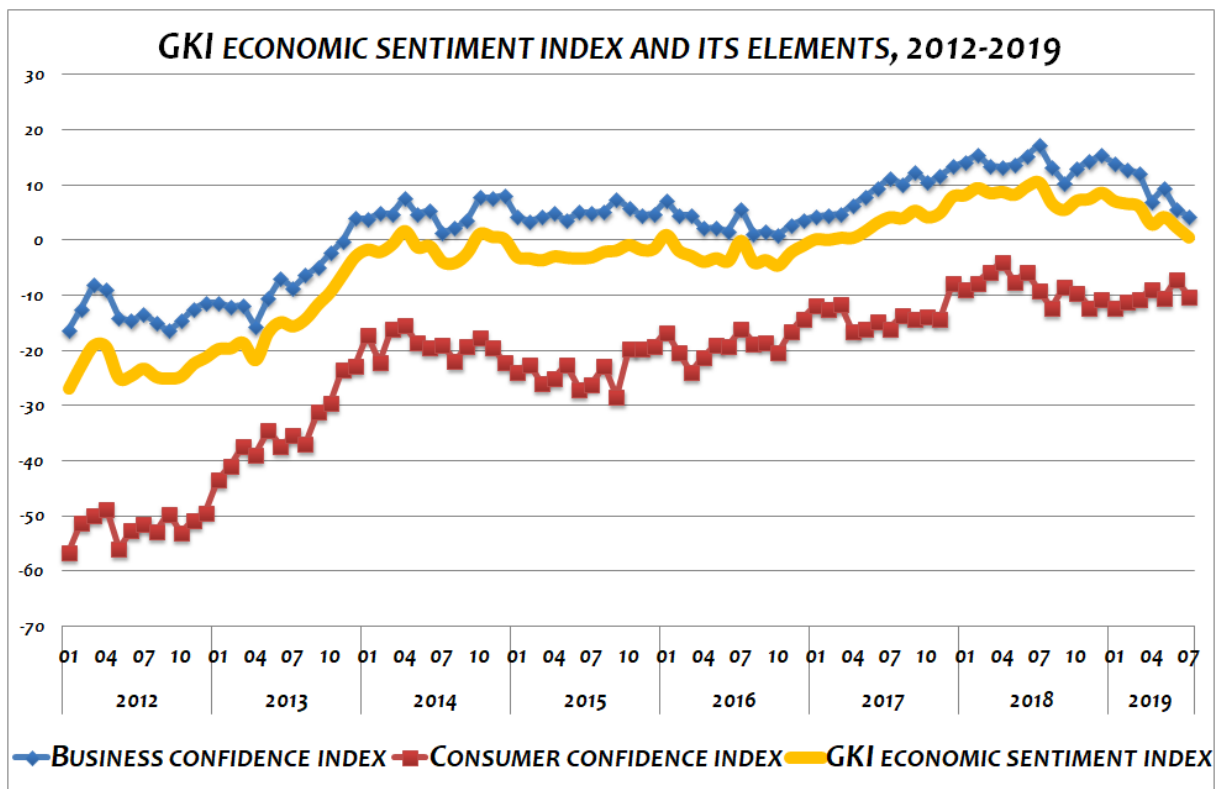
BUSINESS EXPECTATIONS HAVE BEEN DETERIORATING FOR SEVEN MONTHS

In July, the GKI economic sentiment index fell to a low level not seen for two and a half years as both the business and consumer confidence indices declined. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, the business confidence index has been steadily falling for seven months and it is currently at its level recorded at the beginning of 2017. Although the consumer confidence index is slightly more favourable than in recent months; its deterioration is most striking if we compare it to the period around the parliamentary elections in the spring of 2018. However, the Hungarian economy is still characterized by optimism.

Expectations in all sectors of the **business** sphere except construction worsened. In July, the industrial confidence index fell to the level of March 2017, and this year is dominated by almost continuous deterioration. The assessment of the production level, the stock of orders (excluding exports) and inventories were less favourable; however, that of production prospects remained unchanged. The **construction** confidence index was unchanged in July. Civil engineering firms that are otherwise more optimistic but lost much of their optimism in recent months became somewhat more upbeat, whereas structural engineering firms turned more pessimistic. In construction the assessment of production in the preceding three-month period deteriorated slightly, and that of orders got worse significantly. After its stagnation in June, the **trade** confidence index fell in July, 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 picked up slightly, whereas that of stocks remained unchanged and that of expected orders turned much worse. The **services** confidence index fell slightly further in July. Both the evaluation of the business climate and that of the turnover for the past period and for the next one became worse.

Intentions to employ improved to a greater or lesser extent in all sectors in July, compared to their two-year low. Construction companies are the most ambitious. At the same time, the fear of unemployment of households rose slightly in July after its decline in the previous month. **Intentions to raise prices** were somewhat more subdued in all sectors compared to June, and the inflationary expectations of households continued to decline slightly. In general, the assessment of the situation in the **Hungarian economy** has not changed. In industry, following a significant drop in June, it improved by a larger extent in July; however, it deteriorated markedly in trade and services. The opinion of households, too, became less favourable.

In July, the **GKI consumer confidence index** declined to a similar extent to its June growth. Households assessed their financial situation, saving capability and the possibility of purchasing high-value durables worse than in June.



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
2017	01	4.4	-11.7	0.2

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2017	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
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
	07	4.3	-10.1	0.6

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