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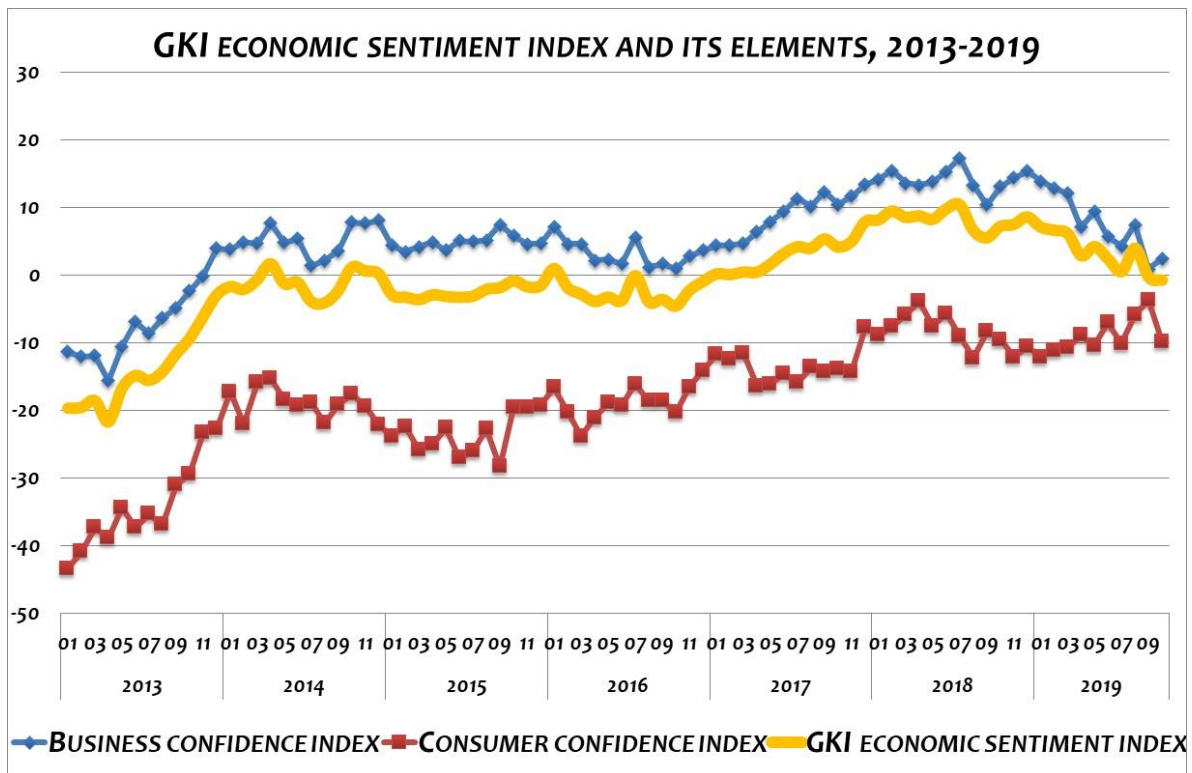
## ALTHOUGH GKI'S BUSINESS CONFIDENCE INDEX INCREASED SLIGHTLY IN OCTOBER, THE OPTIMISM OF CONSUMERS DECLINED A LOT

GKI's economic sentiment index decreased within the statistical margin of error and reached its almost three-year low. According to the empirical survey conducted by GKI ([www.gki.hu](http://www.gki.hu)) with the support of the EU, business expectations rose slightly compared to their three-year low, whereas consumer expectations deteriorated a lot after two months of improvement.

**Business expectations** have been deteriorating almost continuously since the beginning of the year, and the October improvement was unable to offset the fall in September. Industrial and trade confidence indices went up significantly, those in services increased within the statistical margin of error, whereas the construction one decreased. The **industrial** confidence index returned to the positive range in October after a large fall in the previous month. The assessment of the production of both the preceding and the next period improved. The evaluation of incoming orders (excluding exports) and that of inventories became more favourable. The **construction** confidence index fluctuated in a relatively narrow band over the last six months; however, this year's trend is clearly declining. The prospects of companies in structural and civil engineering also declined somewhat in October. The assessment of production in the preceding three months changed only within the statistical margin of error, whereas that of orders turned worse. After four months of decline, the **trade** confidence index increased again, and after reaching its six-year low in September it returned to the relatively narrow band in which it had fluctuated for the past five years. The assessment of sales positions and inventory levels became slightly more favourable, and that of orders increased to a similar degree after a significant decline in the previous month. The **services** confidence index remained essentially unchanged in October. Although the evaluation of the general business climate and the turnover in the past month weakened, sales expectations improved.

**Willingness to employ** weakened in industry, strengthened in retail trade and services, and remained unchanged in construction. Households' fear of unemployment, albeit from very low levels, has been increasing for the second month. Although the main factor hindering the expansion of production remained labour shortages, its importance fell slightly, whereas the role of low demand became more important (and in the case of services its role was more pronounced than that of labour shortages). Intentions to **raise prices** strengthened in all sectors, especially in trade, whereas inflationary expectations of households eased. After its significant decline in September, the assessment of the **perspectives of the Hungarian economy** improved to a lesser or greater extent in all sectors, with the exception of industry that was the most pessimistic sector in the past months. However, consumers' expectations deteriorated slightly.

Following its increase of two months, the **GKI consumer confidence index** fell close to its July level in October. Households assessed their financial situation, the possibility of buying high-value durables, and especially their saving capacity much worse than a month ago.



**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
	02	4.5	-12.4	0.1

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index	
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	
	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	
08		7.5	-5.9	4.0	
09		0.9	-3.7	-0.3	
10		2.5	-9.8	-0.7	

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