



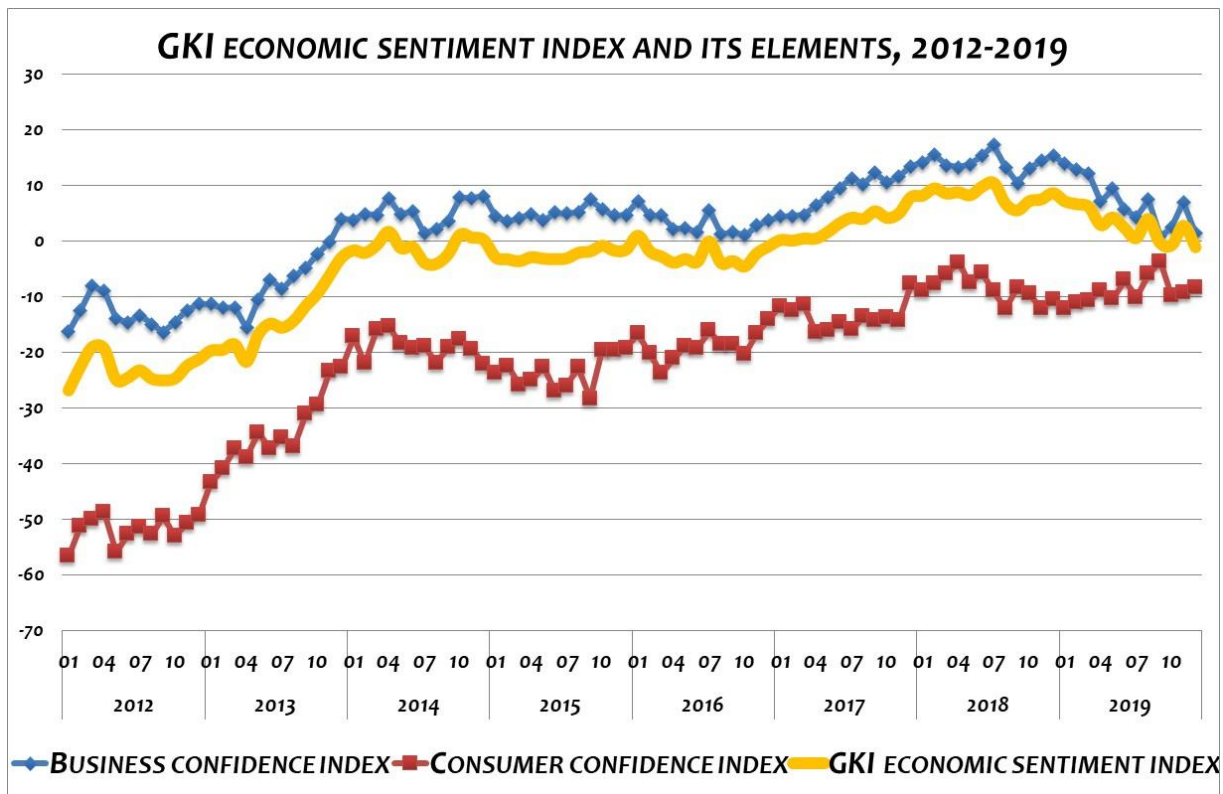
GKI'S ECONOMIC SENTIMENT INDEX ENDED THE YEAR AT ITS LOWEST POINT IN THE PAST THREE YEARS

In December, GKI's economic sentiment index was slightly lower than in October, which had been the lowest level until then this year, thus falling to its three-year nadir. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, this was the result of marked deterioration in business expectations as consumer expectations improved slightly. The trend was clearly deteriorating in business expectations in 2019, whereas that of consumer expectations was typically stagnant, with some monthly fluctuations.

In the **business sector**, expectations in industry and construction dropped significantly compared to November, whereas the trade and services confidence indexes remained virtually unchanged. After its two months of growth, the **industrial** confidence index plummeted in December and was slightly under its very low September level, reaching its six-year low. The assessment of the production of the preceding period, the stock of orders (including exports) and inventories deteriorated. Production prospects became less favourable as well. Although the **construction** confidence index fell significantly in December, it remained the most optimistic sector. The prospects of companies in structural and civil engineering also declined in the last months of the year. The assessment of production in the preceding quarter and that of orders became worse compared to November. The **trade** confidence index declined by the same extent it increased in November, thus, it continued to remain in the lowest quarter of the relatively narrow band in which it had fluctuated in the past six years. The assessment of sales positions and expected orders declined, especially in the case of sales positions, whereas that of inventories improved. The **services** confidence index stagnated in December. The assessment of the overall business situation worsened; however, sales expectations improved.

After its improvement in November, **employment expectations** deteriorated somewhat as a result of weaker employment expansion intentions in industry and trade, in spite of the fact that there was a slight increase in construction and services. The fear of unemployment of households eased. **Intention to increase prices** weakened, with the exception of trade, where they have been increasing for the third consecutive month. Inflationary expectations of households, however, remained fluctuating, and they dropped in December, though within the statistical margin of error. After its improvement in November, the assessment of the **future of the Hungarian economy** deteriorated slightly, noticeably in industry and trade, whereas it improved in construction, services and among consumers as well.

Similarly to November, the **GKI consumer confidence index** increased slightly in December as well. Households considered their financial situation and their savings capacity improving and the possibility of purchasing high-value durables slightly deteriorating.



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
	08	7.5	-5.9	4.0
	09	0.9	-3.7	-0.3
	10	2.5	-9.8	-0.7
	11	7.0	-9.2	2.8
	12	1.5	-8.4	-1.1

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