



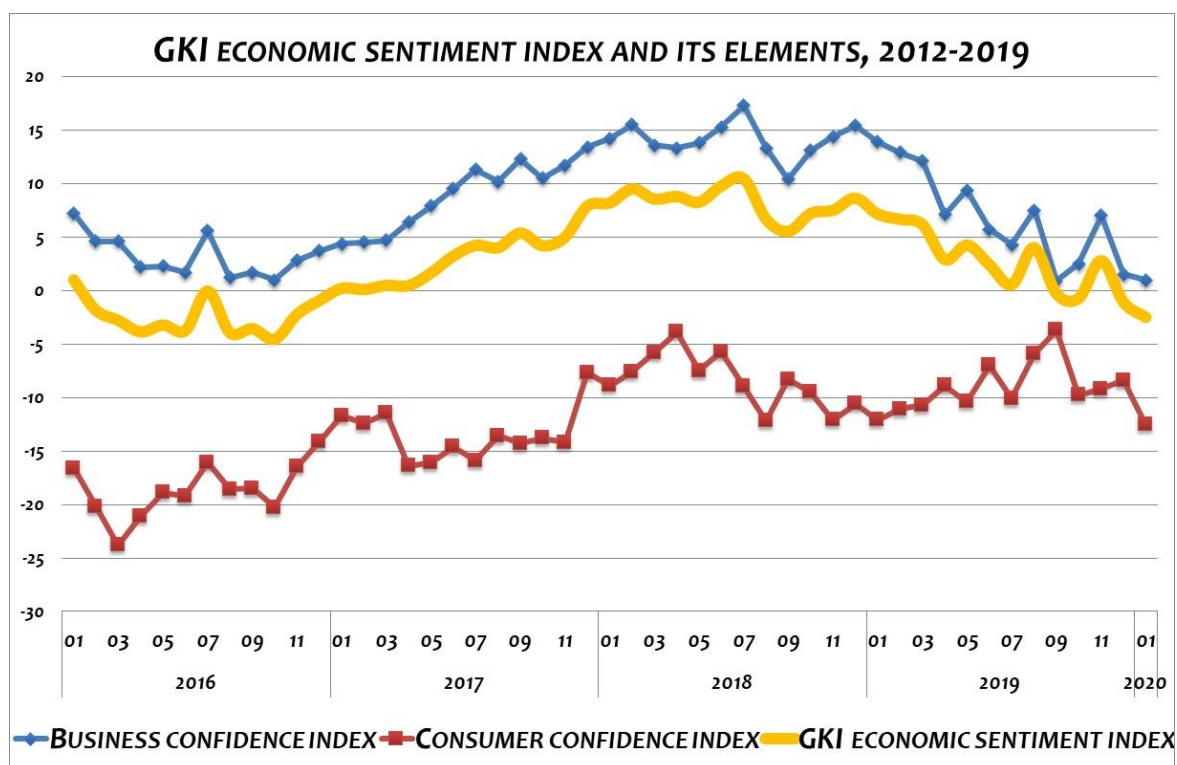
GKI'S ECONOMIC SENTIMENT INDEX STARTED THE YEAR WITH A SLIGHT DECREASE

To a lesser extent than in December, the GKI economic sentiment index continued to decline in January, reaching its lowest level for more than three years. The current contraction is the result of worsening consumer expectations, as the decrease in business expectations was only minimal after its major fall in December. The GKI economic sentiment index and business confidence index have been on a downward trend for one and a half years, with the consumer confidence index fluctuating and stagnating; however, the latter also reached its one and a half year low in January.

The deterioration in **business expectations** in January was driven by a drop in the industrial confidence index, and although its December plunge was followed by only a slight setback in January, industrial firms' optimism reached its more than six-year low. Trade and construction expectations remained basically unchanged, whereas there was a slight improvement in services. The decline in the **industrial** confidence index in January can be explained by the deterioration of the production situation and outlook, as the assessment of incoming orders improved slightly and that of stock levels stagnated. However, respondents felt that export orders were less favourable. In the **construction industry**, structural engineering companies became more optimistic in January, civil engineering ones more pessimistic, and their expectations are now at the same level. Although the assessment of production in the preceding three-month period waned slightly, that of orders improved noticeably. The **trade** confidence index has barely changed for months, and 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 the level of stocks improved slightly in January, whereas that of orders worsened slightly. The modest improvement in the **services** confidence index in January was the result of a more favourable perception of the state of business, as the outlook on sales prospects turned slightly downbeat.

With the exception of services, **intentions to employ** became worse in all sectors, especially in industry and construction. The shortage of labour force was no longer considered by service and industrial companies to be a major obstacle to their growth. Fear of unemployment intensified among households. **Intentions to raise prices** weakened slightly, with the exception of services, where they strengthened noticeably. Although most companies are planning stagnant prices in all sectors, firms seeking price increases are far more numerous than those calculating price reductions. Inflationary expectations of households increased. The assessment of the **Hungarian economy's prospects** did not change in January compared to December. It became significantly worse in industry, whereas it improved slightly in other sectors. The opinion of households deteriorated markedly.

After a modest two-month rise in January, the **GKI consumer confidence index** fell more sharply to its one and a half year low. Households assessed their future financial situation significantly worse and their savings capacity slightly more negatively 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, 2016-2020

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
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
	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	1,5
	08	13.3	-12.2	6.7
	09	10.4	-8.3	5.5
	10	13.1	-9.5	7.2
	11	14.4	-1.1	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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
	12	1.5	-8.4	-1.1
2020	01	1.0	-12.5	-2.5

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