



24 FEBRUARY 2020

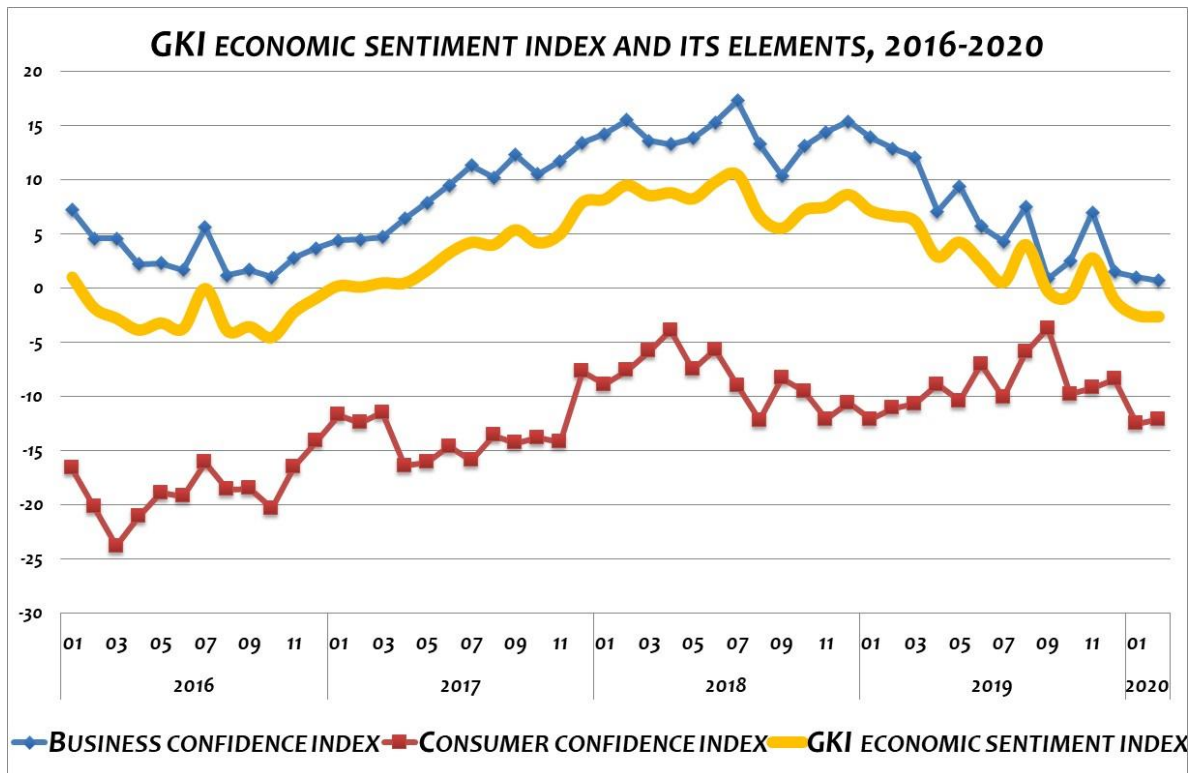
## GKI'S ECONOMIC SENTIMENT INDEX REMAINED AT ITS THREE-YEAR LOW

In February, GKI's economic sentiment index stayed virtually at its January level, that is, at its 40-month low. Business expectations deteriorated slightly, whereas consumer ones improved somewhat. The business confidence index has been on a downward trend for one and a half years. The consumer confidence index was fluctuating and stagnating during this period of time. Although this year it was in the lower zone of the narrow band characteristic of the past two years, it still reflects strong optimism.

In the **business sector** industrial expectations improved; however, expectations in other sectors worsened compared to January. After a two-month decline, the **industrial** confidence index rose, though it is still far from its November level. The assessment of the production of the preceding period and the stock of orders (including exports) improved in February, and production prospects became also more favourable. However, the assessment of inventories remained unchanged. After stagnation in January, the **construction** confidence index declined somewhat further in February, dropping to its three-year low. The prospects of companies in structural and civil engineering also declined slightly. The assessment of production in the preceding three month changed only within the statistical margin of error, whereas that of orders turned significantly worse compared to January. After its stagnation in January, the **trade** confidence index fell and left the relatively narrow band in which it had fluctuated for the past six years. The assessment of sales positions and stock levels became slightly worse, whereas expectations concerning new orders declined significantly. The decline in the **services** confidence index in February was mainly attributed to the worsening of sales expectations. The evaluation of the general business climate remained unchanged.

Although **intentions to employ** increased slightly in February, it was more subdued than in recent months. Improvement was registered in industry and trade, whereas the willingness of construction and service companies declined. The fear of unemployment among households increased slightly. **Intentions to increase prices** was stronger only in industry, whereas they weakened slightly in other sectors. However, inflationary expectations of households intensified. Assessment of the **Hungarian economic situation** became significantly less favourable in all sectors except industry, where it improved significantly, and the opinion of households remained unchanged after a marked deterioration in January.

After its decline in January, **GKI's consumer confidence index** increased in February within the statistical margin of error. Households assessed their financial situation slightly better and their savings capacity for the future slightly worse than a month ago. Households were less optimistic over the possibilities of purchasing high-value durables than they were in January.



**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	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
2020	01	1.0	-12.5	-2.5
	02	0.7	-12.1	-2.6

1092 Budapest, Ráday u. 42-44.

Phone: +36 1 318 1284 E-mail: [gki@gki.hu](mailto:gki@gki.hu)

*For more information:*

Gábor Karsai ([karsai.gabor@gki.hu](mailto:karsai.gabor@gki.hu)); Raymund Petz ([petz.raymund@gki.hu](mailto:petz.raymund@gki.hu))