



23 MARCH 2020

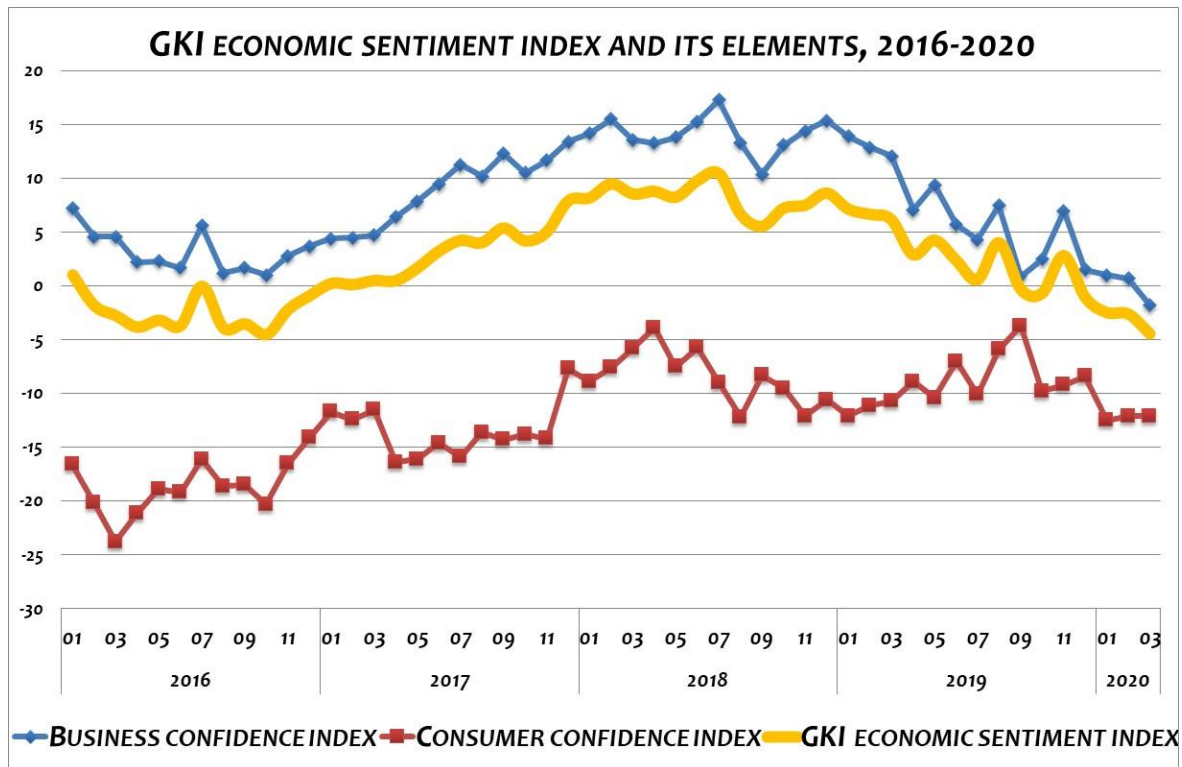
## GKI ECONOMIC SENTIMENT INDEX HARDLY DECLINED IN THE FIRST HALF OF MARCH

Surprisingly, the GKI economic sentiment index dropped hardly in March, business expectations worsened slightly, and consumer ones remained unchanged. This is obviously due to the fact that the survey, conducted by GKI ([www.gki.hu](http://www.gki.hu)) with the support of the EU, was conducted at the usual time, between March 1 and 8 for consumers and between March 5 and 13 for businesses, before the coronavirus emergency announced on March 11. However, for the first time in six and a half years, business expectations became again negative, meaning that slightly more companies expected the future to be worse than good. On the other hand, the assessment of the Hungarian economy's prospects plummeted similarly as they did in October 2008.

In the **business sphere** expectations deteriorated in all sectors, whereas those of services only within the statistical margin of error. Following a correction in February, the **industrial** confidence index declined in March, below its January level. The assessment of production in the last period improved, whereas that of production prospects weakened spectacularly. The assessment of inventories and the stock of orders, including exports, improved slightly. **Construction** expectations dropped significantly in March to their 38-month low. The prospects of companies in structural and civil engineering also declined. The assessment of production in the preceding quarter and that of orders became worse as well. The **trade** confidence index declined by an accelerating rate in March. The assessment of sales position deteriorated moderately, that of the stock of orders slightly, whereas that of inventories improved somewhat. Although the confidence index of **services** declined a bit in March, the assessment of the state of business and the sales outlook for the previous and the next periods deteriorated. Tourism companies, on the other hand, became very pessimistic.

The **intentions of employment**, especially in industry and construction weakened significantly, moderately in trade; however, they strengthened in services. Overall, the proportion of companies planning to increase or decrease the number of their employees is the same; however, there are slightly more companies planning a decrease in industry and construction. The fear of unemployment of households strengthened slightly. **Intentions to raise prices** increased in services, remained unchanged in construction, eased somewhat in industry and trade, and the inflationary expectations of households became noticeably more subdued as well. The assessment of the **Hungarian economy's prospects** deteriorated dramatically in March, mainly in services and industry. However, it improved slightly among consumers (at the beginning of March).

After February, **GKI's consumer confidence index** remained unchanged in March (rather optimistic). Households assessed their financial position somewhat more negatively than in February; however, they evaluated their savings capacity improving.



#### 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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2020	01	1.0	-12.5	-2.5
	02	0.7	-12.1	-2.6
	03	-1.8	-12.1	-4.5

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