

**27 APRIL 2020**

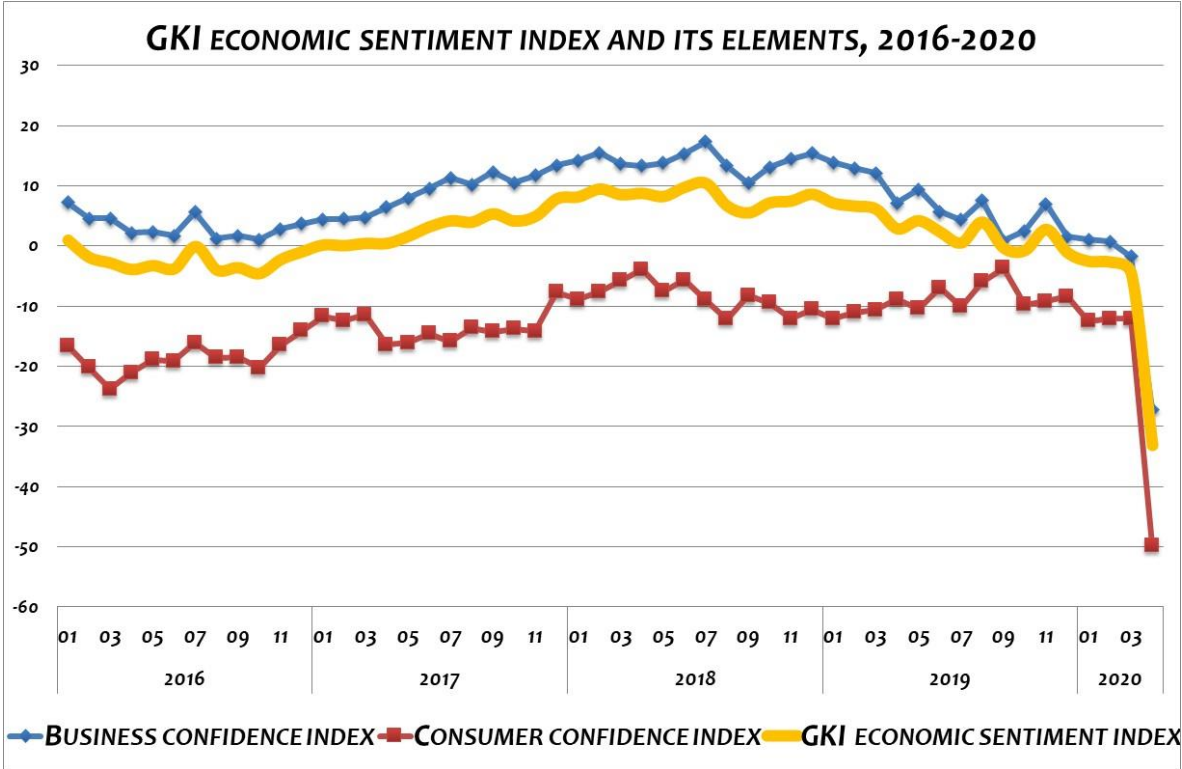
GKI'S ECONOMIC SENTIMENT INDEX PLUMMETED BY AN UNPRECEDENTED EXTENT IN APRIL

The GKI economic sentiment index fell by an unprecedented extent of almost 30 points, apparently due to the economic effects of the COVID-19 epidemic. The business confidence index declined by about 25 points and the consumer one by nearly 40 points. Although during the global economic crisis, in the first half of 2009, expectations were already much more pessimistic, the GKI economic sentiment index has never fallen by more than 10 points in a single month. (See the interactive Vizzu graph below showing the course of previous crises as well.)

In the **business sphere**, expectations in all sectors have deteriorated drastically, most in services (by about 35 points) and least in industry (by about 20 points). In **industry**, the assessment of production in the preceding period, production prospects and the stock of orders (including exports) deteriorated significantly. Only the evaluation of stock levels improved slightly. For example, the share of companies expecting an expansion of production decreased from 21 per cent in March to 5 per cent, whereas those expecting a decline in production jumped from 18 per cent to 65 per cent. While the industrial confidence index contracted to its eleven-year low, the **construction** one to its seven-year low. Expectations of civil engineering companies collapsed in April, and those of structural engineering firms also became noticeably more pessimistic. The assessment of production in the previous quarter and that of orders also deteriorated sharply. The **trade** confidence index was lower last time than now only in early 2009. The assessment of sales positions, incoming orders and stock levels deteriorated a lot. Although pessimism about sales positions is still far from its historic low of March 2009, companies have never seen incoming orders so negatively. The **service** sector, which was still the most optimistic in March, became the most pessimistic one by April, with its confidence index approaching its level in spring 2009. Sales expectations deteriorated the most.

Intentions to employ, which have been positive for the previous more than six years, that is, the proportion of companies planning recruitment exceeded that of those planning layoffs, have fallen far into the negative range, mostly in industry. However, intentions to employ was much lower in 2009. The **assessment of the Hungarian economy's prospects** fell to a much greater extent than the assessment of employment, approaching the level typical of the most pessimistic months of 2009. Pessimism of households intensified to the greatest extent in connection with the expected unemployment, and the assessment of the future of the Hungarian economy also worsened dramatically. **Intentions to raise prices** have decreased in all sectors, with the exception of trade, where they remained unchanged, though the share of firms expecting price increases or price reductions went up

significantly as well. At the same time, inflationary expectations by consumers have jumped. In addition, households' assessment of their own expected financial situation has become significantly more unfavourable.



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
	04	-27,2	-49,8	-33,1

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