



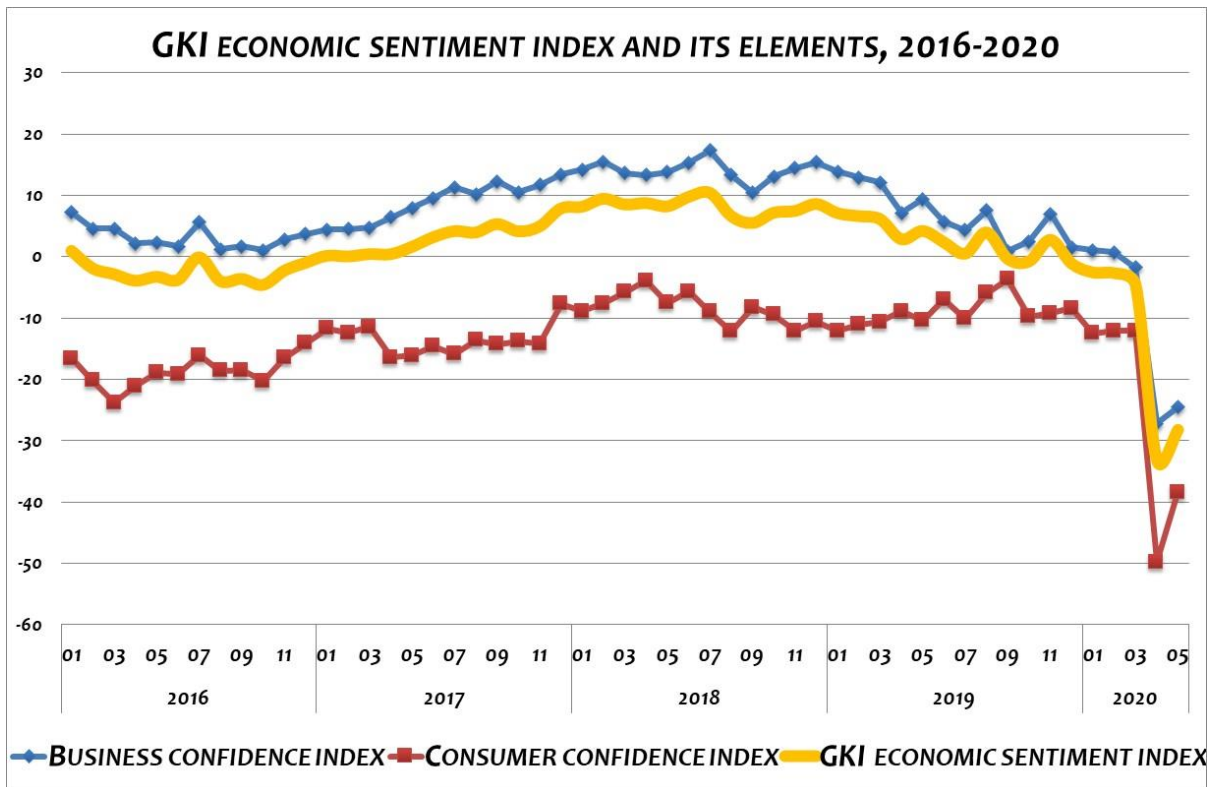
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## AFTER THE PANIC IN APRIL, PESSIMISM EASED IN MAY, EXCEPT IN INDUSTRY

In May, presumably as a result of the lockdown easing measures announced by the government, almost all sectoral and consumer confidence indices increased and eliminated one-third of their dramatic fall in April. However, pessimism in industry intensified further. GKI's economic sentiment index rose by 5 points to -28 points after falling by 29 points in April, still reflecting pervasive pessimism. The consumer confidence index increased by more than 10 points and the business one by only 3 points. It is true, however, that the fall in April was also more pronounced in the business sector (37 and 25 points, respectively).

Within the **business sphere**, **industrial** expectations weakened the least in April. However, the decline, though not significantly, continued in May only in this sector. In particular, the assessment of the stock of orders, including exports, deteriorated significantly further, but the assessment of recent production and inventories also became more downbeat. However, the production outlook was assessed slightly better by respondents. **Construction** expectations improved slightly in May. The expectations of civil engineering companies, which became dramatically pessimistic in April, became much more favourable, whereas those of structural engineering firms even more pessimistic, and now the opinions of the two sub-sectors are no longer far apart. The sector's assessment of production in the preceding three months continued to deteriorate, and the evaluation of incoming orders remained essentially unchanged. The services and **trade** confidence indices improved the most in May. Although the assessment of sales positions continued to fall significantly, the assessment of expected orders improved even more strongly. The inventory level also was close to its March value. **Among service companies**, the assessment of the state of business, turnover and number of employees in the recent period deteriorated further; however, the following months were considered more upbeat in all respects than in April.

Although the business sector's **intentions to employ** improved slightly in May after plummeting in April, it is still very far from its March level. After about seven years, there are again more, and significantly more, companies planning to reduce their staff than those intending to increase them. The worst situation is in industry. Strong fear of unemployment among households in April eased markedly in May; however, only one-fifth of the decline in April was eliminated, and this remained by far the most worrisome factor for consumers. **Intentions to increase prices** dropped sharply in industry, slightly in construction, and there were more companies in industry expecting prices to fall than to rise. In services, and especially in trade, however, the intention to raise prices strengthened, whereas consumer expectations of inflation eased, although they are still far from their March level. The assessment of the **Hungarian economy's prospects** improved a lot in May, eliminating about three-quarters of its huge fall in April. However, it still reflects deep pessimism. The assessment given by construction companies was the worst, and that of commercial companies the best. The assessment provided by consumers also improved significantly.



**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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
	02	0.7	-12.1	-2.6
	03	-1.8	-12.1	-4.5
	04	-27.2	-49.8	-33.1
	05	-24.5	-38.5	-28.1

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