22 JUNE 2020

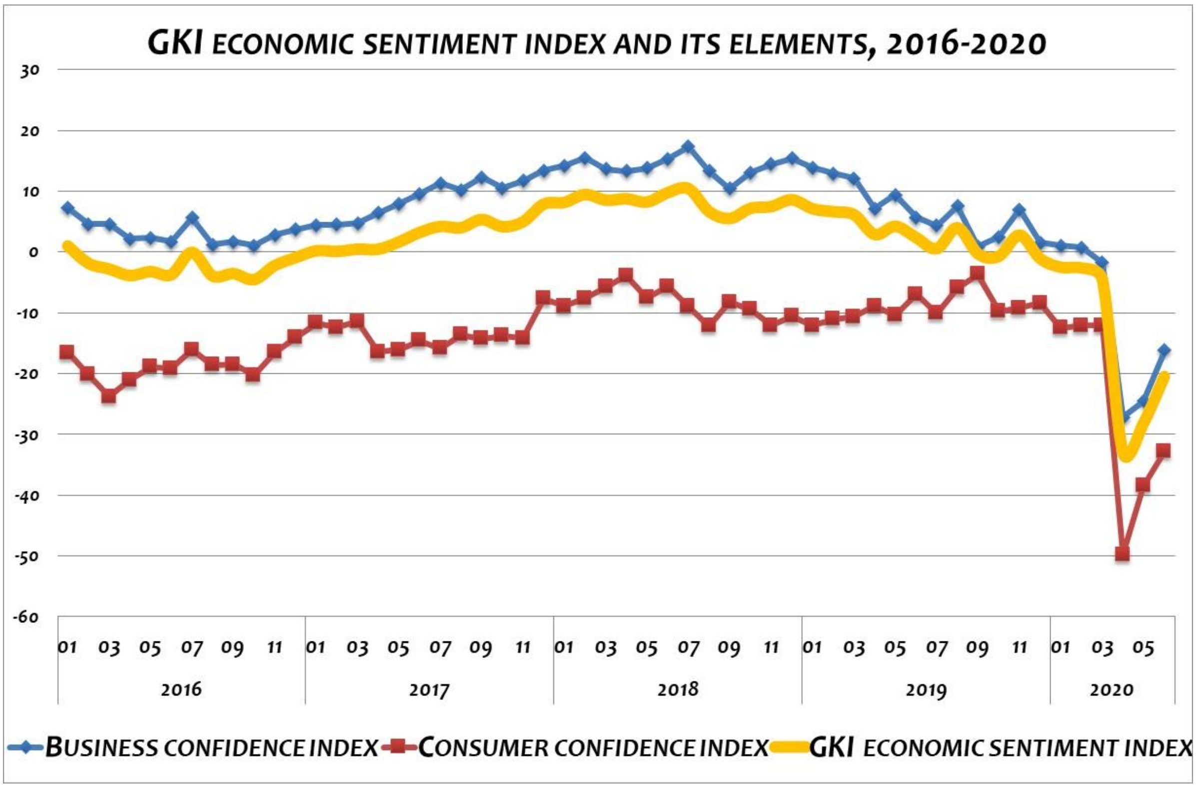
ALTHOUGH PESSIMISM DECLINED FURTHER IN JUNE, IT REMAINED VERY STRONG

Although the GKI economic sentiment index rose by a larger extent in June than in May, it eliminated only a smaller half (44 percent) of its April fall. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, the consumer confidence index rose to a greater extent in May and the business confidence one in June. This is mainly due to the fact that industrial expectations started to improve in June after their continuing deterioration in May.

In June, in the **business sector** the **industrial** confidence index eliminated only about one-third of its decline during the pandemic, and it is currently the most pessimistic sector. The assessment of recent and expected production improved, whereas the evaluation of total orders and inventories deteriorated further. However, the level of export orders was considered by respondents slightly better. The **construction** confidence index eliminated more than half of its April fall in May and June. The assessment of production in the preceding quarter and that of orders also improved significantly. The **trade** confidence index, too, recovered more than half of its April decline. Although the assessment of sales position deteriorated further, that of expected orders was considered better by respondents than in April. **Services**' assessment of the past and future also improved. Interestingly, this sector was the most pessimistic in April, and the most optimistic in June.

Although the **willingness of the business sector to employ** improved significantly in May and June, those expecting a reduction are still a significant majority, both in industry and construction. The fear of unemployment of households eased substantially in May and June; however, only a third of the April deterioration was eliminated, and this is by far the most negative factor for consumers. **Intentions to raise prices** increased slightly in all sectors with the exception of trade, similarly to inflationary expectations of consumers. The assessment of the **Hungarian economy's prospects** improved spectacularly in May and June as well, almost reaching its pre-pandemic February value. (In this regard, pessimism intensified much in March.) The most negative opinion was given by companies in construction, the most positive one by those in trade and services. The assessment provided by consumers also improved significantly.

After its fall in April, the **GKI consumer confidence index** rose sharply in May and then at a slower rate in June, eliminating almost half of its fall in April during these two months, similarly to the business sector. Households' assessment of their own financial situation improved the most, although it continued to be perceived as deteriorating. The shock had the least impact on households' future savings capacity in April; and this indicator eliminated almost its entire decrease of the previous month in May. There was no change in this regard in June.



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
	05	-24.5	-38.5	-28.1
	06	-16.2	-32.8	-20.5

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