



27 JULY 2020

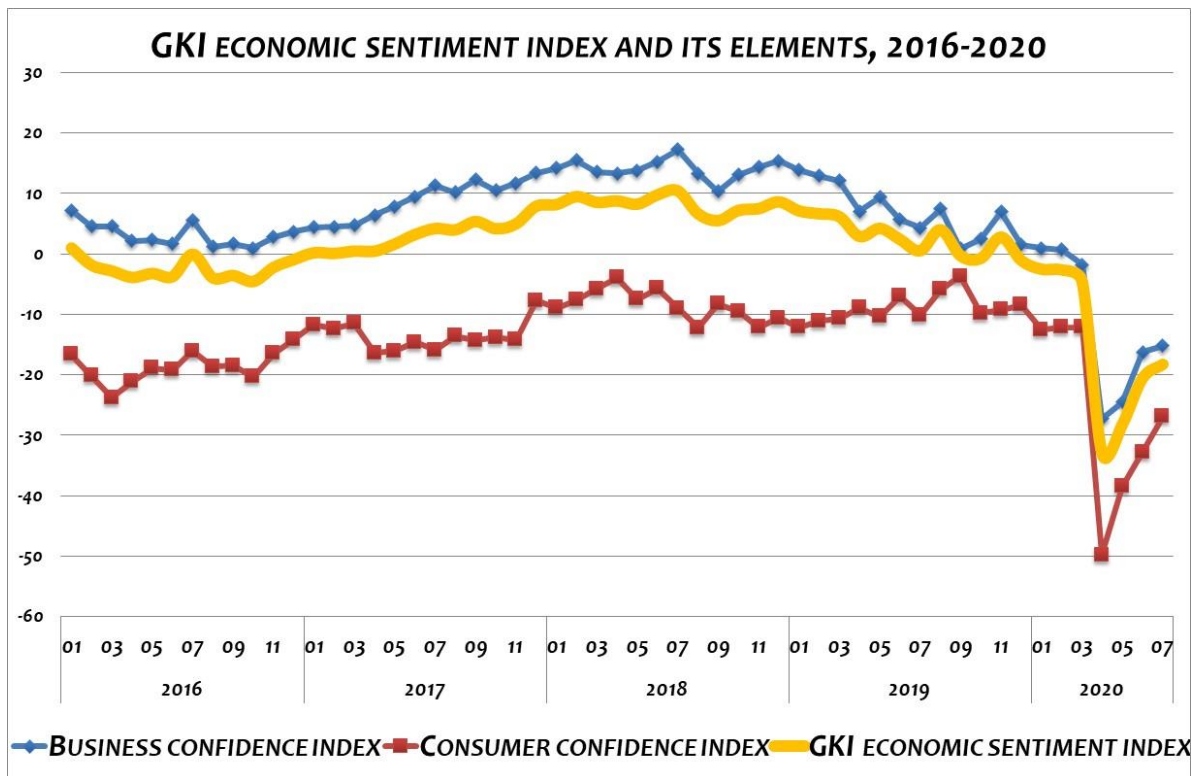
ONLY THE OUTLOOK FOR CONSUMERS AND BUSINESS SERVICES IMPROVED IN JULY

After a shock-like fall in the outlook for domestic economic agents in April, there was a significant positive correction in May and June. GKI's economic sentiment index rose only slightly in July, by 2 points, as a combined result of improving expectations of consumers and business services, and stagnant expectations of other sectors. The consumer confidence index rose by 6 points this month and the business one by just 1 point compared to June.

The value of the **business confidence index** in July corresponds to its level at the beginning of 2013. **Industry** is having a hard time restarting. Its confidence index remained essentially unchanged in July compared the previous month. Although the assessment of the stock of orders improved, the outlook for production deteriorated. **Construction** expectations did not change significantly either. The assessment of construction output in the preceding quarter and that of orders also became slightly worse. The **trade** confidence index improved only within the statistical margin of error. Although the assessment of sales position and inventory improved, that of expected orders deteriorated. **Among services**, the assessment of the overall business performance of the recent period and that of sales expectations in the coming months also moved in a positive direction.

The **willingness of the business sector to employ** improved somewhat in July. There are already slightly more companies planning to increase the number of employees in trade and services than companies planning a decrease. However, the latter are still in the majority in industry and construction. Fear of unemployment eased significantly among households in July; however, the picture was much worse than before the pandemic. **Intentions to raise prices** was stronger only in industry, whereas they weakened slightly in other sectors. The **assessment of the Hungarian economy's prospects** improved markedly in July as well, and the outlook for all sectors improved, except in industry. The assessment provided by consumers also became slightly more upbeat.

After the largest fall in April since the measurement began, the value of **GKI's consumer confidence index** corrected significantly in May, and then **at a slower pace in June and July**. The index rose by 11.3 points in May due to the slow mitigation of the coronavirus epidemic and the easing of the strong uncertainty in April, then increased further by 5.7 points in June and by 5.9 points in July (seasonally adjusted), eliminating 61 per cent of its overall fall in April. The index is currently at its level measured in autumn 2015. All four sub-indicators of the consumer confidence index improved in July. Households assessed their financial position and their expected savings capacity moderately improving. The latter indicator is already slightly above its February level.



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
	07	-15.2	-26.9	-18.2

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