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THE GKI ECONOMIC SENTIMENT INDEX HAS NOT INCREASED FOR THE SECOND MONTH

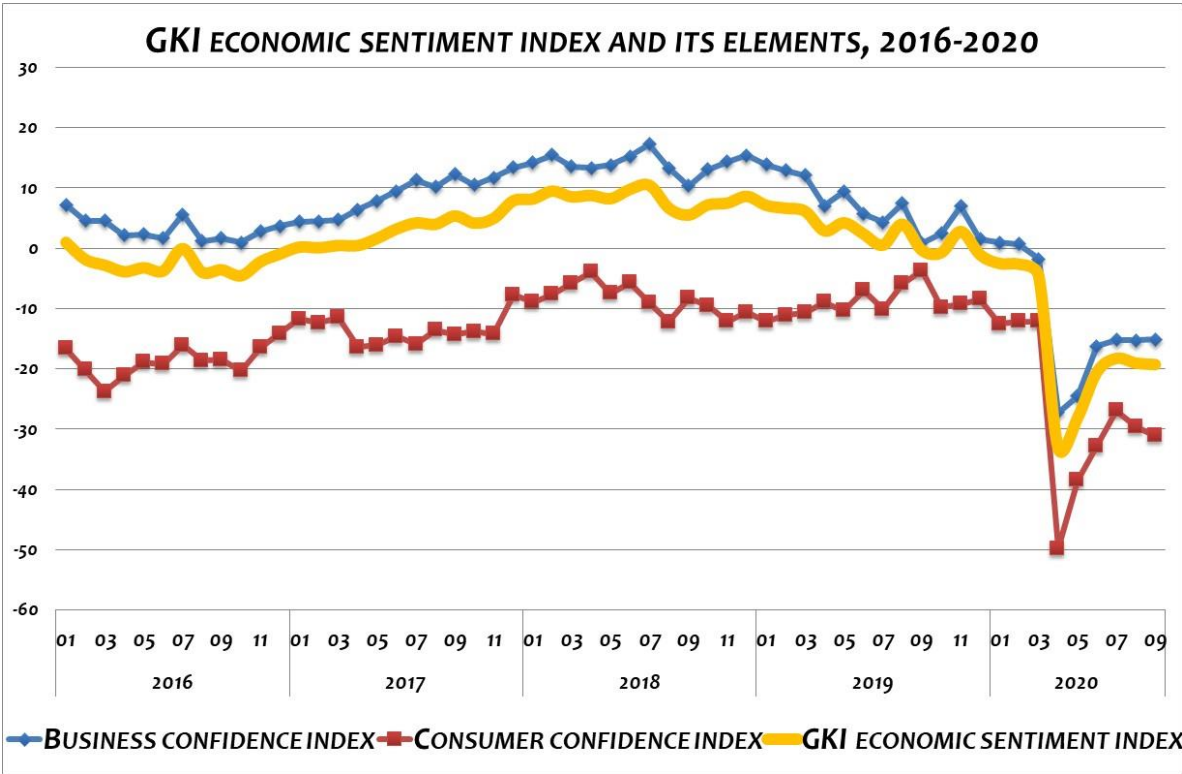
After August, the GKI economic sentiment index decreased also in September, within the statistical margin of error. This is due to some deterioration in consumer expectations, as business expectations stagnated. After a shock-like fall in the outlook for domestic economic participants in April, there was a significant positive correction in May and June and a more modest one in July. Thus, the GKI economic sentiment index eliminated more than half of its April fall. By September, the extent of this elimination decreased to only half of the April fall.

In September, **business expectations** improved slightly in industry and construction compared to August, and they deteriorated in trade and services; however, these changes were actually close to stagnation. Of the fall in confidence indices in April, industry eliminated the least, and services the most until September. The assessment of incoming orders (including export orders) and inventories improved in **industry**. However, this was almost completely offset by deteriorating production expectations. In **construction**, the outlook for neither structural engineering companies nor civil engineering ones changed significantly in September. Although the assessment of production in the preceding three-month period improved markedly compared to August, that of orders remained unchanged. In **trade**, the assessment of sales positions decreased significantly in September after a two-month increase, whereas that of orders improved. The assessment of the level of inventories hardly changed. In **services**, the assessment of the general business climate was more favourable in September than in August, whereas sales expectations deteriorated.

The **willingness of the business sector to employ** did not change in September, with slightly more companies planning to reduce their staff than increasing it in each sector. Intentions to employ improved slightly in industry and worsened somewhat in trade and services. Fear of unemployment increased only modestly among households in August and more strongly in September. **Intentions to raise prices** intensified in industry and trade, whereas they weakened in construction and services. However, the changes are minimal. At the same time, inflationary expectations of consumers eased significantly. In September, the assessment of the **future of the Hungarian economy** deteriorated strongly in all sectors and among households, especially in trade and services.

Consumer expectations neutralized just over half of their fall in April by September, and the upward trend was already broken in August. Households assessed their own financial situa-

tion slightly better in September compared to August. Their assessment regarding their savings capabilities remained unchanged, whereas they considered the possibility of purchasing high-value durables somewhat worse as well.



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
	08	-15.3	-29.6	-19.0
	09	-15.1	-31.1	-19.3

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