



26 OCTOBER 2020

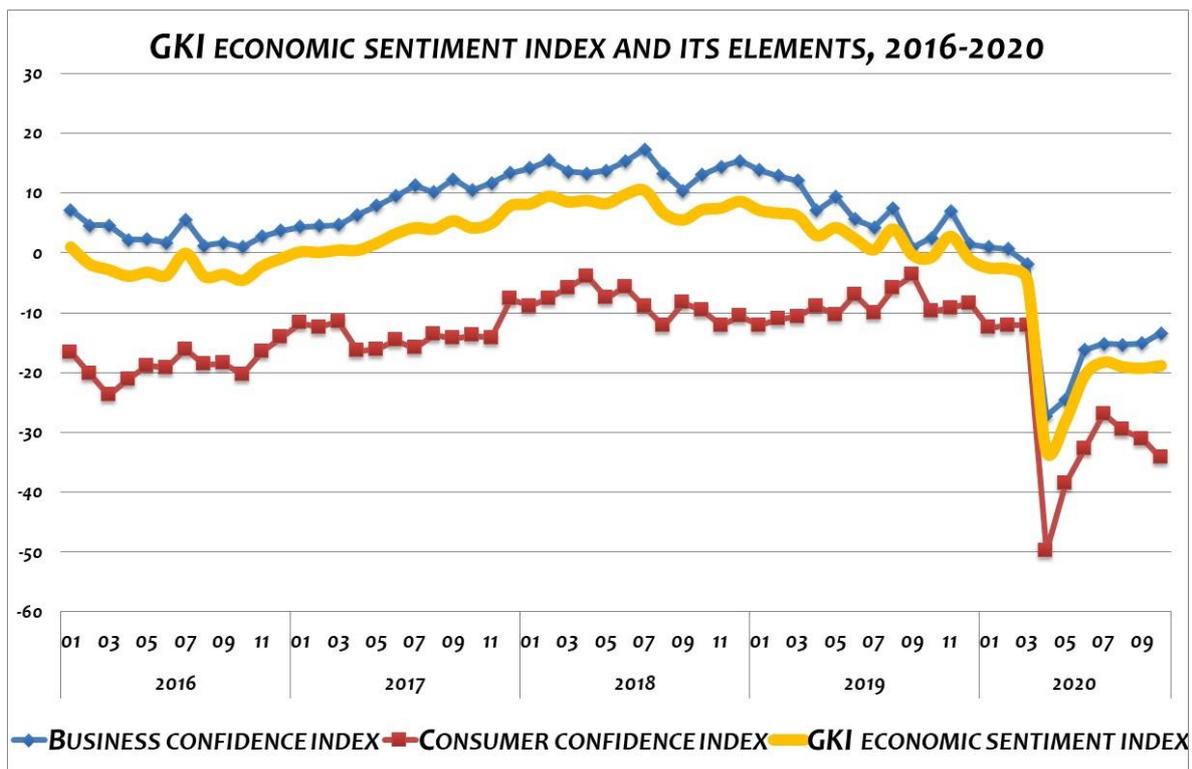
BUSINESS EXPECTATIONS IMPROVED, CONSUMER ONES WORSE IN OCTOBER

After a two-month decline within the statistical margin of error, GKI's economic sentiment index rose slightly in October; however, it still did not reach its July level. According to a survey conducted by GKI Economic Research Co. with the support of the EU, the improvement in October was the result of more favourable business expectations, and a modest increase followed two months of stagnation. However, consumer expectations have been deteriorating for the fourth month in a row. As a result, GKI's economic sentiment index offset almost exactly half of its April fall by October.

In the **business sector**, mainly industrial expectations improved, though the opinion of commercial enterprises also became more favourable. However, construction and especially service companies became slightly more pessimistic. Although the assessment of recent production deteriorated slightly in **industry**, that of production expectations and incoming orders (including export orders) improved significantly. The main obstacle to growth remains the lack of demand. The **construction** confidence index has fluctuated in an extremely narrow range since June. Although the outlook for structural engineering improved, that for civil engineering deteriorated. The assessment of production in the preceding three-month remained unchanged, whereas that of orders got worse slightly. The **trade** confidence index fluctuated in a narrow range in the July-October period. It rose slightly in October. The assessment of sales positions and the level of stocks improved in October, whereas that of expected orders deteriorated slightly. The **services** confidence index declined in October for the third consecutive month after the July peak of the recovery following the COVID crisis. The assessment of the general business climate, and that of sales in the preceding and subsequent periods was worse in October than in September.

The **willingness of the business sector to employ** strengthened in October, and the proportion of companies planning to increase their staff caught up with those planning to reduce it. The improvement is due to trade and services. However, fear of unemployment among households intensified. **Intentions to raise prices** weakened in industry and construction, strengthened in trade and services, similarly to inflationary expectations of consumers. The assessment of the **Hungarian economy's prospects** in the business sector improved in October due to the slightly stronger optimism of industry and trade. Construction companies are the most pessimistic. Households became more pessimistic, too.

In October, households felt that their own financial situation was worse than in September, whereas their capability to save was slightly better.



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
	10	-13.4	-34.2	-18.8

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