



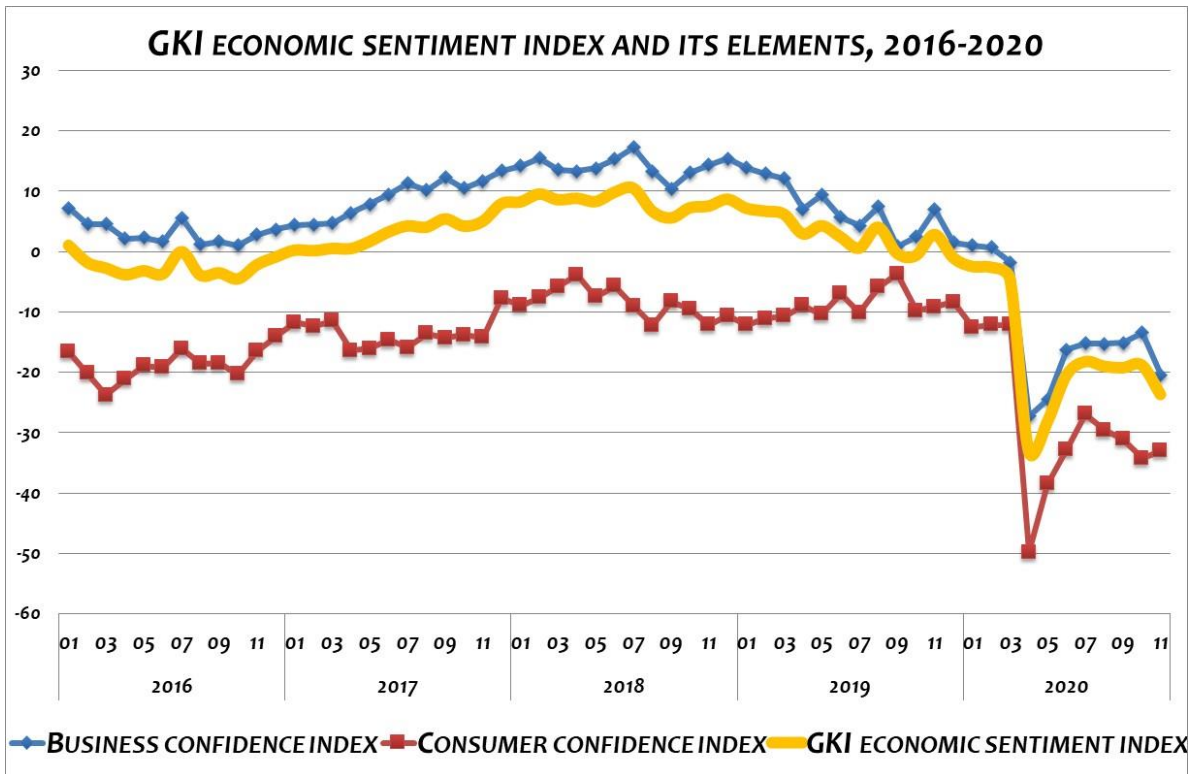
GKI'S ECONOMIC SENTIMENT INDEX DID NOT REACH ITS LEVEL OF THE BEGINNING OF THIS SUMMER IN NOVEMBER

GKI's economic sentiment index fell sharply in November, falling below its level in early summer. According to a survey conducted by GKI Economic Research Co. with the support of the EU, this is a consequence of falling business expectations. The consumer confidence index rose minimally recently, although due to its decline in the previous three months, it also fell short of its June level (within the statistical margin of error). Households were interviewed in early November and companies in mid-November.

In the **business sector**, the confidence indexes of services and trade fell dramatically, close to their lowest points in April, and the increase in pessimism in industry was also very significant. However, construction companies became more optimistic markedly, although this is far from their pre-pandemic optimism in March. The decline in the industrial confidence index in November was mainly due to a deterioration in incoming orders (including in part exports) and production expectations. The inventory situation improved slightly. The assessment of the production of the recent period improved. At the same time, in the opinion of respondents, their investments will decline compared to last year and they plan that only their expenditures will stagnate next year. Expectations of **construction** companies improved a lot in November, presumably due to the new government measures to support housing construction and renovation. The assessment of incoming orders improved significantly. The **trade** confidence index came close to its April decade low in November. The assessment of sales positions fluctuates at a very low level, it decreased in November, and that of expected orders fell significantly. However, the assessment of inventories improved slightly. The pessimism of **services** increased markedly in almost all areas, including sales expectations.

The **willingness of the business sector to employ** weakened again in November, and the number of companies planning to reduce their staff exceeded again that of those intending to increase it. The deterioration in services was dramatic, its rate was close to that of April. In construction, on the other hand, intentions to employ even strengthened. The fear of unemployment of households weakened slightly after three months of decline. **Intentions to raise prices** decreased in all sectors with the exception of services, whereas the inflationary expectations of consumers strengthened further. The **assessment of the future of the Hungarian economy** in the business sector this year, with the exception of April, has never been as pessimistic as in November, and the deterioration was most significant in services. However, households became a little more optimistic.

The minimal improvement in **consumer expectations** partly reflects a more favourable assessment of households' own financial situation. The assessment of savings possibilities remained unchanged. The ability to purchase high-value consumer durables improved slightly.



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
	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
	11	-20.4	-33.0	-23.7

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