DECEMBER 21, 2020

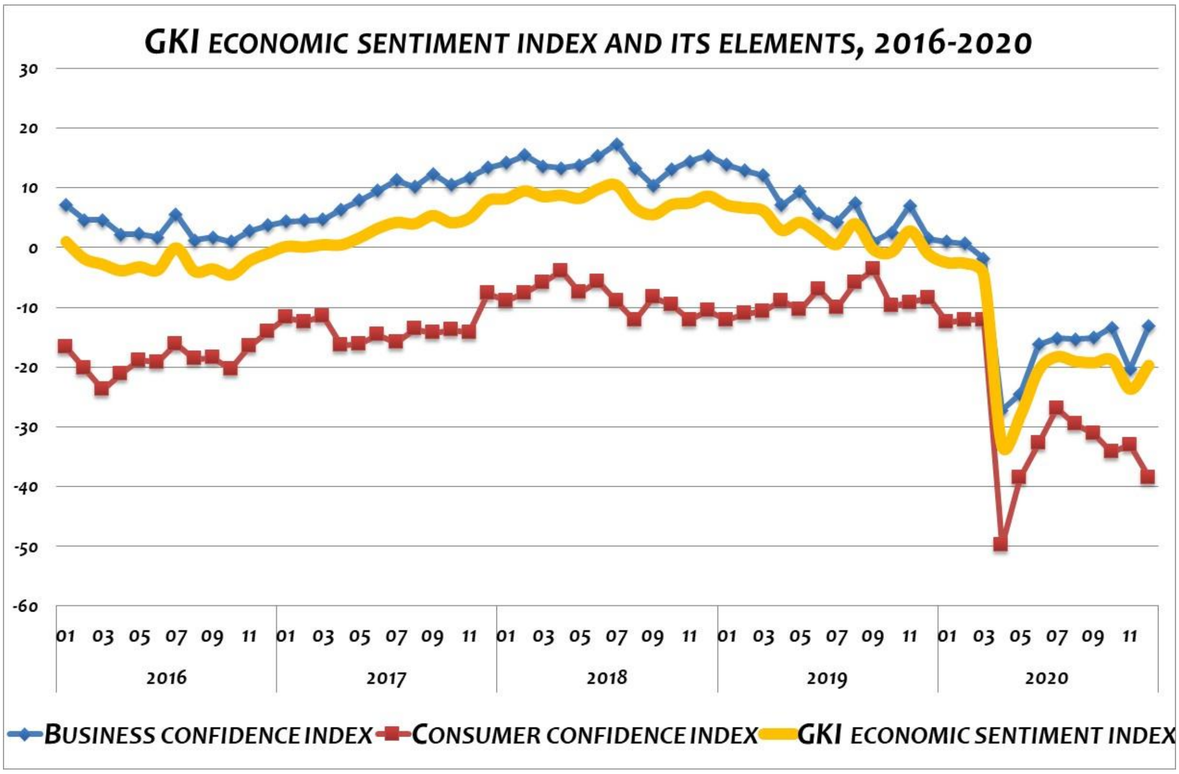
IN DECEMBER, GKI'S ECONOMIC SENTIMENT INDEX ALMOST COMPLETELY OFFSET ITS NOVEMBER FALL.

GKI's economic sentiment index rose sharply in December. It almost reached its October level again, which was much more favourable than the April low, but had been at a fairly low level since the beginning of summer. According to the survey conducted by GKI Economic Research Co. with the support of the EU, the improvement was due to more upbeat business expectations, and the pessimism of all sectors decreased significantly. The consumer confidence index, on the other hand, fell sharply in December after a minimal rise in November. The fact that households are always asked at the beginning of the month and companies in the middle of the month might play a role in the different trends of consumer and business expectations in the last two months. Thus, households did not yet perceive the restrictions caused by the pandemic in early November, whereas a significant number of companies responded in December with the knowledge of the agreement with the EU.

In the **business** sector, the construction confidence index was significantly higher than in October, the industrial one was slightly higher, whereas the services confidence index and especially the trade one fell short of it. In **industry**, the assessment of incoming orders (including exports) and production prospects became more favourable than in November. The assessment of production in the recent period remained unchanged, whereas that of inventories deteriorated. In December, the **construction** confidence index rose only modestly compared to November; however, it reached its nine-month high. The prospects of companies in structural and civil engineering became more favourable, too. The assessment of production in the preceding quarter improved noticeably, whereas that of orders remained unchanged. In **trade**, the assessment of selling positions continues to fluctuate at a very low level (it happened to increase in December), whereas that of expected orders fell by almost the same extent after a sharp fall in November. The assessment of inventories also became slightly more favourable. The assessment of the general business climate improved slightly and that of expected turnover a lot in **services**.

The **willingness of the business sector to employ** strengthened in all sectors in December, and essentially the same number of companies planned to reduce their staff as planned to increase it. However, fear of unemployment intensified among households. **Intentions to raise prices** strengthened markedly in industry and trade; however, they weakened somewhat in construction and services, similarly to inflationary expectations of consumers. Among companies, the assessment of the **future of the Hungarian economy** rose back to its October level in December after a sharp deterioration in November. However, households became much more pessimistic.

Since July, the trend of the **GKI consumer confidence index** has been declining for the fifth month. Households described their own financial situation and the possibility to buy high-value items as moderately deteriorating compared to November, whereas they considered their future savings ability unchanged.



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
	12	-13.1	-38.5	-19.7

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