



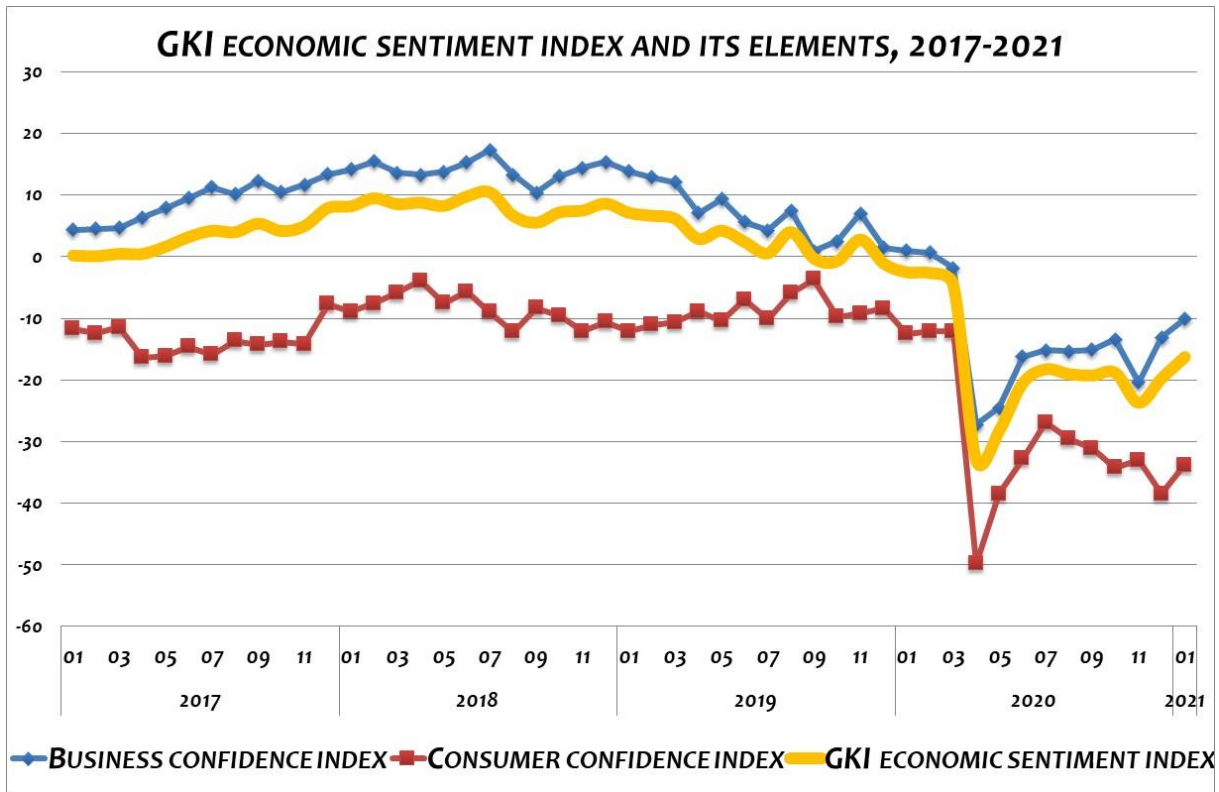
GKI'S ECONOMIC SENTIMENT INDEX STARTED THE YEAR WITH A NOTICEABLE INCREASE

GKI's economic sentiment index rose markedly in January. Although it reached its highest level since the start of the pandemic, it offset only just over half of its April fall. According to a survey conducted by GKI Economic Research Co. with the support of the EU, both business and consumer expectations improved in the first month of the year.

In the **business** sphere, all sectors except construction became more optimistic in January; however, only industry reached its level of March last year. The **industrial** confidence index rose for the second month in a row in January. The assessment of the production of the preceding and the next period, that of the stock of orders (including exports) and inventories improved as well. Although expectations of **construction** companies worsened a bit at the beginning of the year, they are much more favourable than in the summer and early autumn. Expectations of structural engineering companies improved slightly in January, whereas those of civil engineering ones deteriorated. The assessment of production in the preceding quarter and that of orders deteriorated slightly. The **trade** confidence index continued to rise, though much less than in December. The assessment of sales positions continues to fluctuate at a very low level. It declined in January, whereas the assessment of expected orders and inventories became more favourable. The **services** confidence index rose slightly in January, the general business climate and, in particular, assessment of turnover in the past period improved, whereas sales expectations deteriorated slightly.

The **willingness of the business sector to employ** strengthened in January, mainly due to industry. Here, for the first time since the beginning of the crisis, the number of companies planning to increase their staff significantly exceeded the number of those planning to reduce it. Employment intentions in trade and services changed minimally, whereas those in construction deteriorated. However, fear of unemployment of households has been rising for months. **Intentions to raise prices** in construction, after a slow decline for many months, jumped in January, with more than a third of companies expecting to raise prices. The intention to increase prices also increased significantly in industry, it remained unchanged in trade (although this sector had the highest proportion of those planning to increase prices), and it decreased in services. Inflationary expectations of consumers weakened markedly. The assessment of the **future of the Hungarian economy** became much more optimistic in all sectors, the least in trade and among households.

GKI's consumer confidence index returned to almost its November level in January, following a significant decline in December. However, it is still noticeably below its peak in July following its fall in the spring. Households assessed their financial situation as moderately improving compared to December. The assessment of their expected savings capacity improved significantly. Consumers also considered the possibility of purchasing high-value durables as more favourable than in the previous month.



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, 2017-2021

Year	Mont	Business confidence in-	Consumer confidence in-	GKI economic sentiment in-
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
	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
2021	01	-10.1	-33.8	-16.3

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