



GKI'S ECONOMIC SENTIMENT INDEX DECLINED SLIGHTLY IN FEBRUARY

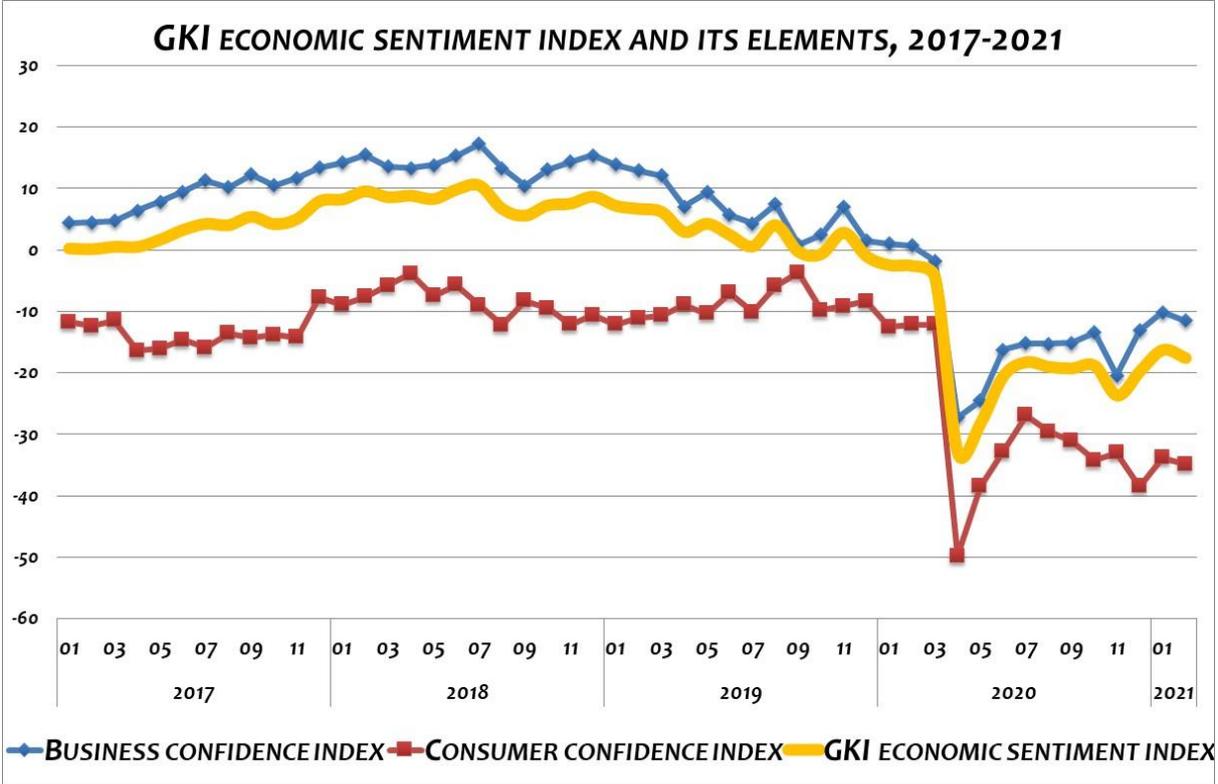
Although GKI's economic sentiment index declined slightly in February, both business and consumer expectations remained more favourable than at the end of last year. According to a survey conducted by GKI Economic Research Co. with the support of the EU, the economic sentiment index offset just over half of its fall in April last year by February this year. More specifically, the business confidence index offset about 60 per cent of its fall, and the consumer one 40 per cent.

In the business sector, expectations in industry and trade were worse in February, whereas those in construction and especially in services became slightly more favourable. After increasing for two months, in February the **industrial** confidence index fell close to its level at the end of last year. Though the assessment of recent and expected production played a major role in this, the assessment of domestic and export orders also deteriorated. However, the assessment of inventories improved. **Construction** expectations rose within the statistical margin of error in February, and the outlook for neither structural engineering companies nor civil engineering ones changed significantly. The assessment of production in the previous quarter improved markedly, reaching an eleven-month high. However, the assessment of incoming orders deteriorated somewhat. The **trade** confidence index fell more sharply in February, following a slight rise in January. The assessment of sales positions continues to fluctuate at a very low level. It happened to increase in February, whereas the assessment of expected orders decreased after its large increase in December and January. The assessment of inventories also became more favourable. In February the **services** confidence index rose for the third consecutive month and it returned to its level at the end of last summer. The evaluation of the general business weakened a bit, whereas sales expectations improved.

The **willingness of the business sector to employ** remained essentially unchanged in February, and the ratio of those planning an increase in employment exceeded slightly the ratio of those intending a reduction. In industry, the marked strengthening of employment intentions in January was followed by a significant, albeit smaller, weakening in February, whereas employment intentions strengthened in other sectors. Although households' fears of unemployment, which have been growing for months, eased slightly in February, this remains the main concern for people in general. **Intentions to raise prices** strengthened in all sectors except construction, where the marked strengthening in January was followed by stagnation in February, similarly to consumers' inflationary expectations. Among companies, the assessment of the **future of the Hungarian economy** has been more and more favourable for the third month in a row. In February, this was typical of all sectors except industry, especially in services and construction. The opinion of households on this issue is improving for the second month in a row.

Following the rise in **GKI's consumer confidence index** in January, it declined in February, though to a much lesser extent. Households assessed their future financial situation and

saving capability worse than in January, whereas they considered the state of unemployment and the situation of the Hungarian economy better. Households considered the possibility of purchasing high-value durables deteriorating sharply.



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

Yea	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

Yea	Mont	Business confidence in-	Consumer confidence in-	GKI economic sentiment in-
2021	01	-10.1	-33.8	-16.3
	02	-11.5	-34.9	-17.6

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