



IN MARCH, GKI'S ECONOMIC SENTIMENT INDEX APPROACHED ITS HIGHEST LEVEL SINCE THE START OF THE PANDEMIC MEASURED IN JANUARY

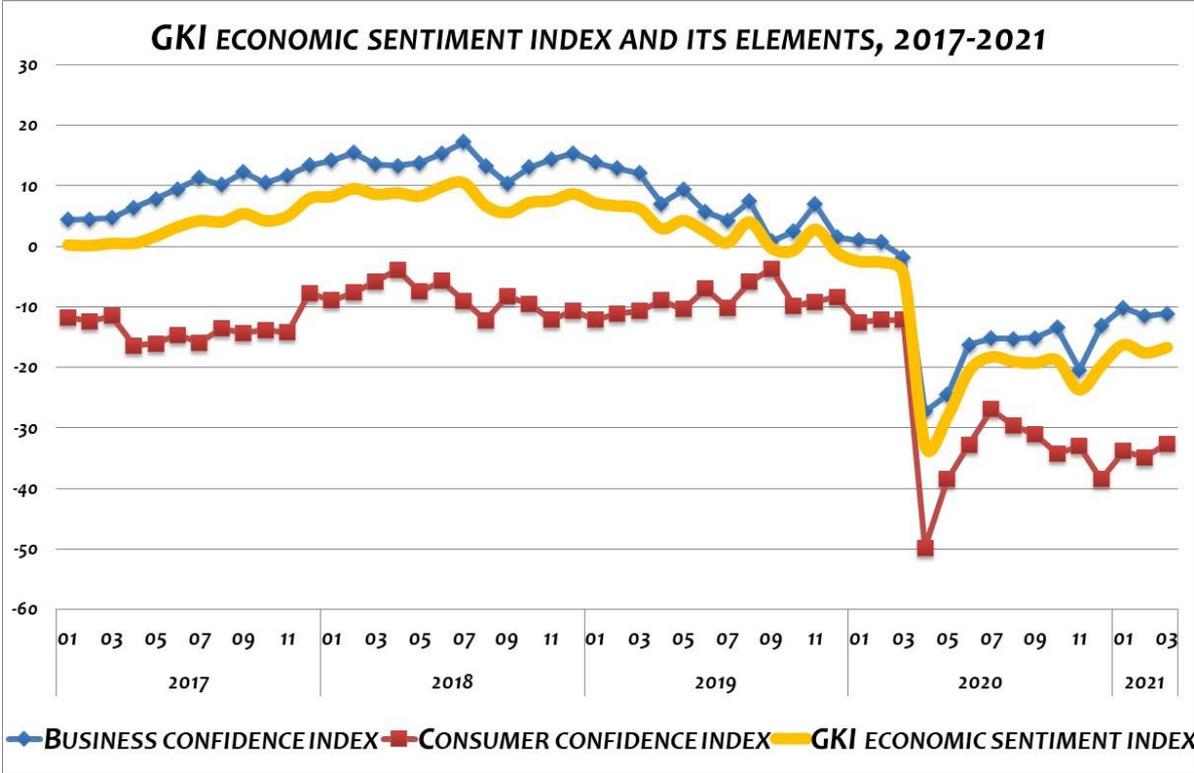
After a modest decline in February, GKI's economic sentiment index rose to a lesser extent in March. However, it approached its otherwise fairly low top level since the start of the pandemic measured in January. According to a survey conducted by GKI Economic Research Co. with the support of the EU, expectations of all sectors examined and consumers, with the exception of services, improved slightly. At the same time, the economic sentiment index did not offset even 60 per cent of its fall in April last year by March this year.

Within the **business** sector, expectations in industry and construction improved most in March, though not significantly. The **industrial** confidence index has been stagnant with some fluctuations since November, and industry is currently the most optimistic sector. In March, the evaluation of prospects concerning production, orders (with the exceptions of exports) and inventories became more favourable, whereas that of production of the previous period deteriorated. The **construction** confidence index has only been at a similarly high level once since April 2020. The outlook for structural engineering did not change in March, and that for civil engineering became more optimistic. Optimism about production in the preceding quarter reached a one-year high, and the assessment of orders also improved significantly. The **trade** confidence index rose slightly in March, following a slight decline in February. The assessment of sales positions continues to fluctuate at a very low level. It happened to rise in March, whereas the assessment of expected orders remained unchanged. The decline in the confidence index of **services** in March was due to deteriorating sales prospects. The evaluation of the general business climate and recent employment improved.

The **willingness of the business sector to employ** deteriorated in March, with the exception of industry, and the share of companies planning to reduce rather than increase the number of employees was again higher in trade and services. Although households' fears of unemployment have been declining for the second month in a row, this remains the main concern for people in general. **Intentions to raise prices** weakened slightly in all sectors except industry. However, almost half of companies in trade are still preparing to increase prices. Inflationary expectations by consumers strengthened. Among companies, the assessment of the **future of the Hungarian economy** deteriorated a lot in March after a three-month improvement, especially in construction. However, the opinion of households continued to improve.

Following its modest decline in February, the **GKI consumer confidence index** rose to a slightly more extent in March. (This may have been due to the fact that the survey took place mainly before the announcement of lockdown restrictions.) The index is close to its value in June following the rebound after its spring fall. In March, households considered their financial situation and savings capacity improving compared to the previous month,

and the assessment of the possibility to buy high-value durable consumer goods remained essentially 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, 2017-2021

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2021	01	-10.1	-33.8	-16.3
	02	-11.5	-34.9	-17.6
	03	-11.1	-32.6	-16.7

GKI ECONOMIC RESEARCH Co.

1092 Budapest. Ráday u. 42-44.

Phone: +36 1 318 1284 E-mail: gki@gki.hu

For more information:

Gábor Karsai (karsai.gabor@gki.hu);

Raymund Petz (petz.raymund@gki.hu)