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GKI'S ECONOMIC SENTIMENT INDEX APPROACHED ITS PRE-CRISIS LEVEL IN APRIL

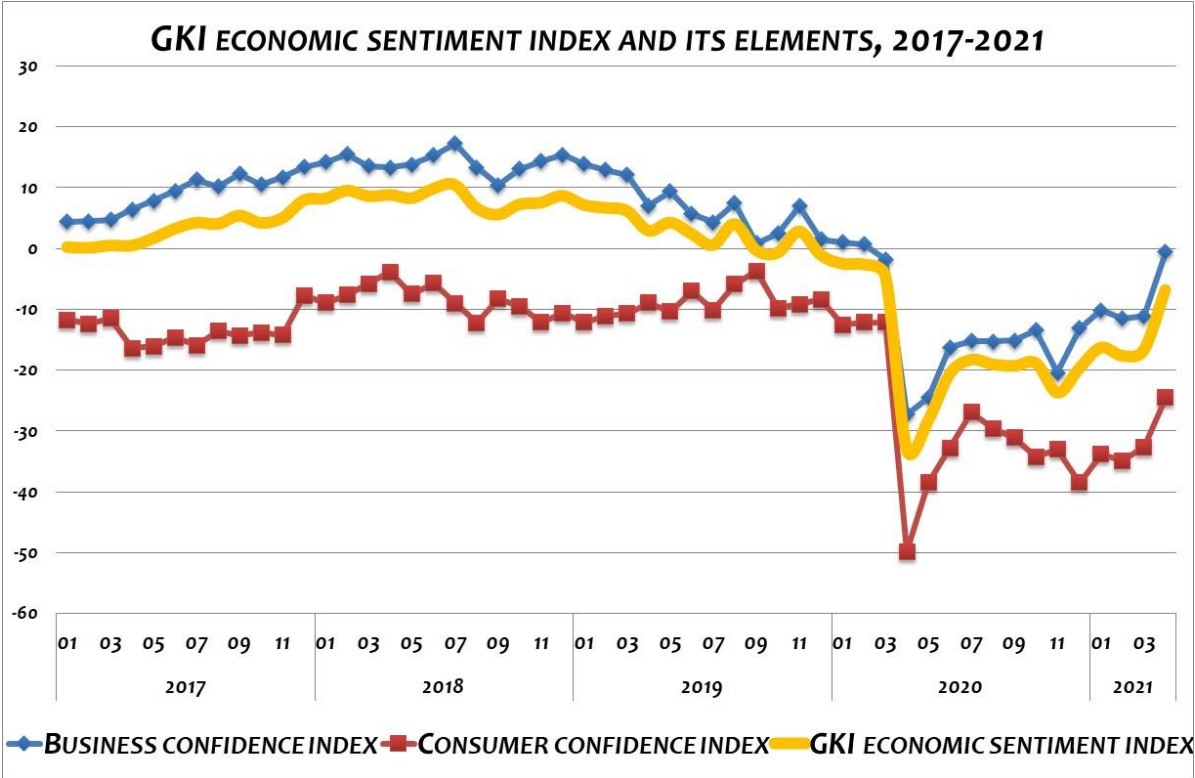
In April, GKI's economic sentiment index approached its pre-pandemic level in March last year. According to a survey conducted by GKI Economic Research Co. with the support of the EU, business expectations even exceeded their pre-pandemic levels, whereas consumer ones were significantly lower. In a single month, the GKI's economic sentiment and business confidence indices have never jumped so high as they did in April, and the consumer confidence index only once, in June 1998, after the Fidesz election victory.

Expectations in all sectors of the **business** sector have improved spectacularly, with construction and industrial companies being the most optimistic and trade and service companies the least. This April, the **industrial** confidence index returned to the positive range for the first time in a year and a half. Although this was mainly due to improved production expectations, the assessment of orders, including export orders, also improved. However, respondents considered inventories slightly higher. The **construction** confidence index essentially returned to pre-epidemic levels, with the prospects of both structural and civil engineering companies improving significantly. The assessment of production in the preceding quarter and that of orders also improved. The **trade** confidence index was also close to its level in March last year. The assessment of sales positions rose significantly, whereas that of expected orders increased at an unprecedented rate. However, the assessment of inventories worsened slightly. Although the **services** confidence index also grew significantly, expectations in this sector fell most short of their pre-crisis levels. Sales expectations improved considerably, whereas the evaluation of the general business climate and that of recent turnover deteriorated slightly.

The **employment propensity** of the business sector improved spectacularly in April, the last time it had been this high was in summer 2019. In each sector, more companies were prepared to expand rather than reduce their workforce, mostly in construction and least in trade. Households' fear of unemployment has fallen for the third month running, with a particularly sharp drop in April. However, only about 70 per cent of the fall seen in April last year have been eliminated until now. **Intentions to raise prices** increased slightly in all sectors (especially in trade and construction), similarly to inflationary expectations of consumers. The assessment of the future of the **Hungarian economy** improved spectacularly, especially in trade and services. The opinion of households also made much progress.

GKI's consumer confidence index offset only two-thirds of its fall in April last year. In April this year, households perceived their own financial situation to have improved strongly compared to the previous month, with the index recovering 83 per cent of its fall in April last year. Households perceived their own future savings potential even worse than in the

autumn; the current opportunity to buy high-value consumer goods was felt to be slightly worse than in March, though improving over the next year.



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
	04	-0.6	-24.5	-6.8

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