



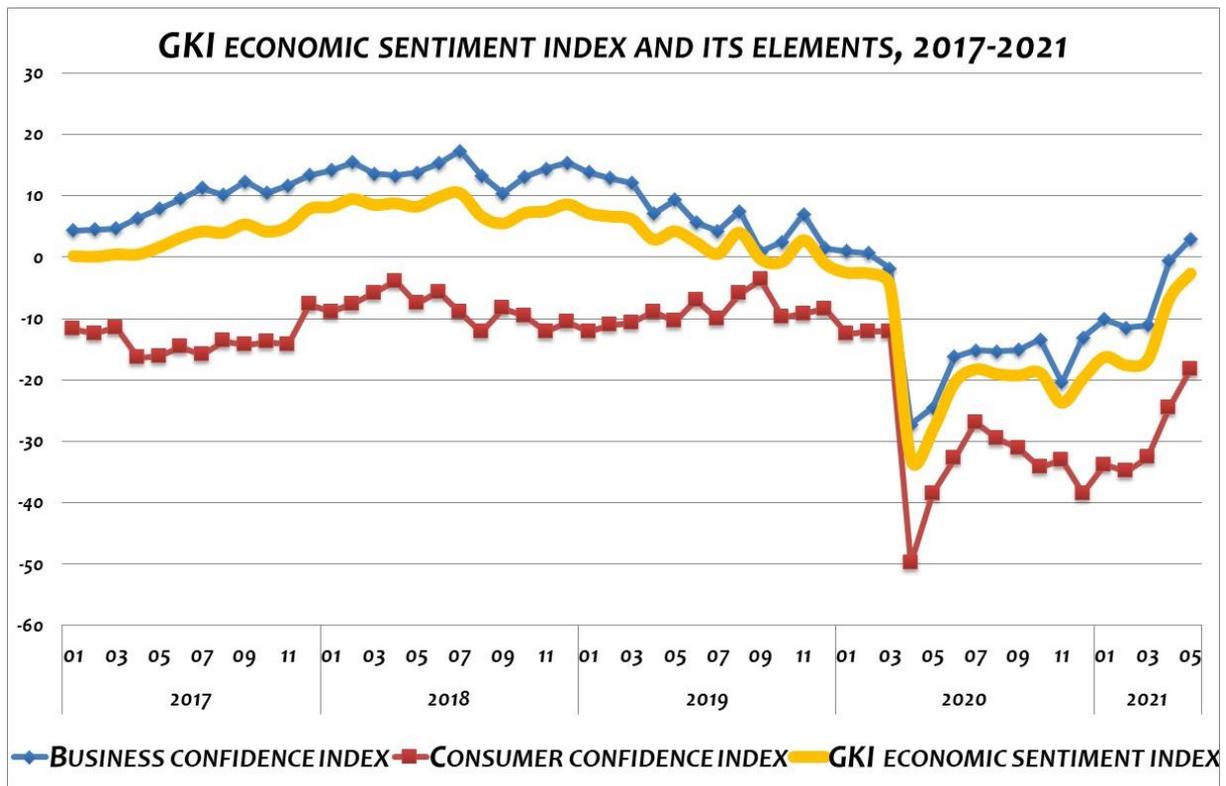
GKI'S ECONOMIC SENTIMENT INDEX EXCEEDED ITS PRE-CRISIS LEVEL IN MAY

After an unprecedentedly large rise in April, GKI's economic sentiment index made a much smaller, but still significant step up in May, reaching its pre-pandemic level of February last year. The last time business expectations were optimistic like this was at the end of 2019, according to a survey conducted by GKI Economic Research Co. with the support of the EU, whereas consumer expectations were still below their pre-crisis levels of March last year.

In the **business** sphere, expectations improved in all sectors. There are now slightly more companies that are optimistic overall than pessimistic, with the only exception of the retail sector. Currently, construction and manufacturing companies are the most optimistic, while the biggest improvement in sentiment in May was seen in services. In industry, the assessment of production and the stock of orders improved markedly over the past period; however, that of export orders remained unchanged. The inventory situation and, to a lesser extent, production prospects were also perceived more favourable. In **construction**, outlook improved in May for the already more optimistic structural engineering companies, whereas that for civil engineering companies deteriorated slightly. The assessment of production in the preceding quarter and that of orders improved. In **trade**, the assessment of sales positions and inventories improved significantly, whereas that of orders deteriorated slightly after a huge improvement in April. In **services**, the assessment of the state of business improved, although negative opinions still predominate. The assessment of turnover in the past period improved significantly, and sales expectations improved slightly.

After a spectacular improvement in April, the **willingness of the business sector to employ** remained broadly unchanged, only industry displayed strengthening. However, more companies in all sectors were still expanding than reducing their workforce. The fear of unemployment of households has been falling for four months. **Intentions to raise prices** increased in all sectors. In May, most commercial companies were preparing to raise prices, although their proportion changed hardly compared to April. The inflationary expectations of consumers increased significantly. The assessment of the prospects of the **Hungarian economy** improved markedly in all sectors except trade, whereas after four months of significant improvement, the opinion of households became noticeably more pessimistic.

Following a spectacular increase in April, the **GKI consumer confidence index** rose at a slower but significant rate in May. Households assessed their financial situation and future savings capacity much more favourable than in April, and they also saw an improvement in their ability to purchase high-value durables.



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
	05	2.9	-18.3	-2.6

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