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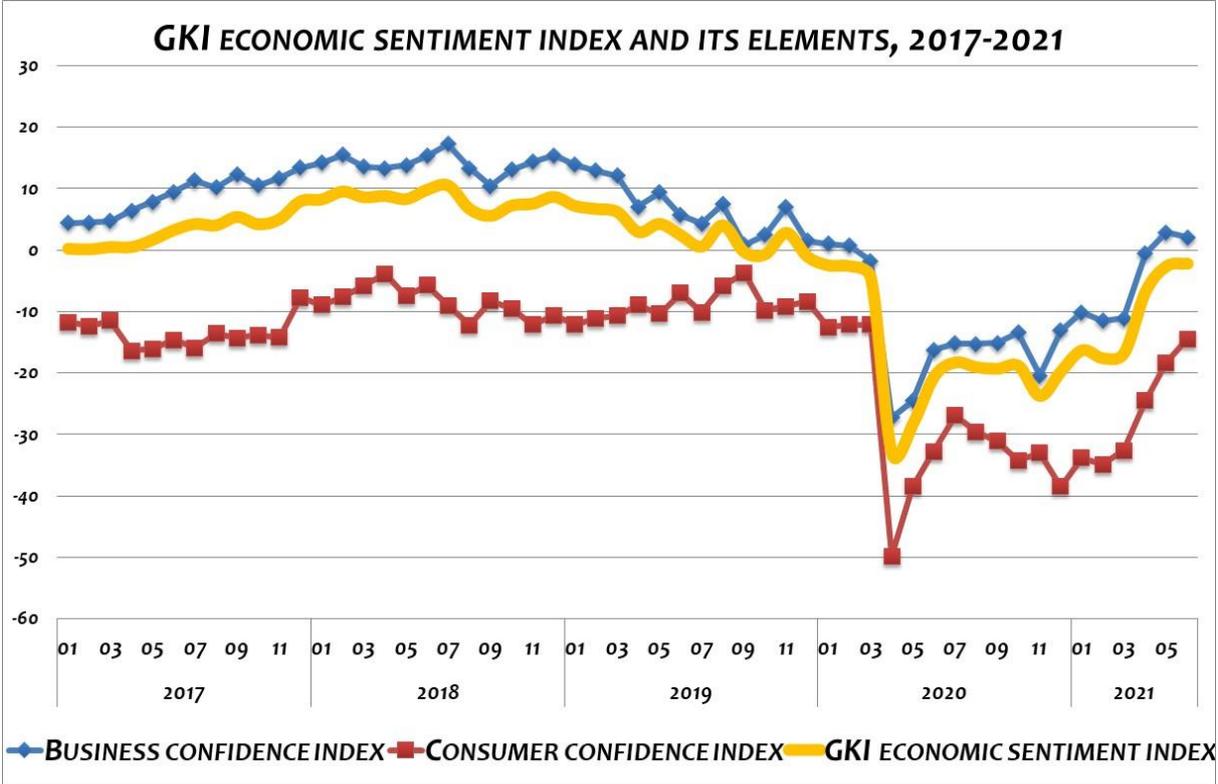
BUSINESS EXPECTATIONS NO LONGER IMPROVED IN JUNE

After an unprecedented rise in April, the GKI economic sentiment index continued to ascend in May and June, but most recently only within the statistical margin of error. This brings the index back to its level at the beginning of last year preceding the pandemic. According to a survey conducted by GKI with the support of the EU, although business expectations regained earlier optimism faster already in May, they became slightly more pessimistic this June. However, the consumer confidence index continued to rise markedly in June, almost reaching its pre-crisis level.

In the **business** sector, industrial and construction expectations worsened in June, whereas those for trade improved and those for services remained unchanged. There are now slightly more companies that are optimistic overall than pessimistic, with the only exception of trade. Construction and industrial companies are the most optimistic. The decline in the **industrial** confidence index in June was caused by weaker production expectations. The assessment of orders, including export orders, and production in the preceding period improved, while that of inventories stagnated. The outlook for **construction** companies improved sharply in April, but has essentially stagnated since then: the sector's confidence index rose within the statistical margin of error in May and fell by a similar amount in June. In June, expectations of structural engineering companies slightly deteriorated, whereas those of civil engineering ones hardly changed. The assessment of production in the previous quarter was significantly better, but the assessment of order books was somewhat worse. The **trade** confidence index continued to rise slowly in June, following a significant increase in April and a minor growth in May. The assessment of sales positions picked up slightly, whereas that of orders and stocks turned somewhat worse. The **services** confidence index remained unchanged in June. Although the evaluation of the general business climate and the turnover in the last period improved, sales expectations weakened.

The business sector's **propensity to hire** remained broadly unchanged after the spectacular improvement in April, with a slight moderation, but still more companies in all sectors were preparing to expand than reduce their workforce. In June, mainly the employment outlook for trade and services companies became weaker, and these companies were the most cautious before that as well. After four months of improvement, the fear of unemployment of households rose again in June. **Intentions to raise prices** increased in all sectors with the exception of trade. However, the intention to raise prices is still the strongest in trade, and most of these companies are preparing to raise prices. At the same time, consumer inflation expectations declined in June, after a strong increase in May. As in May, the assessment of the future of the **Hungarian economy** became noticeably more favourable in all sectors except trade, especially in services. The opinion of households also improved noticeably.

The **GKI consumer confidence index** rose for the fourth month in a row in June. Households perceived their own financial situation, their ability to save and to buy high-value durables to be improving as well.



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
	06	2.1	-14.5	-2.2

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)