



30 AUGUST 2021

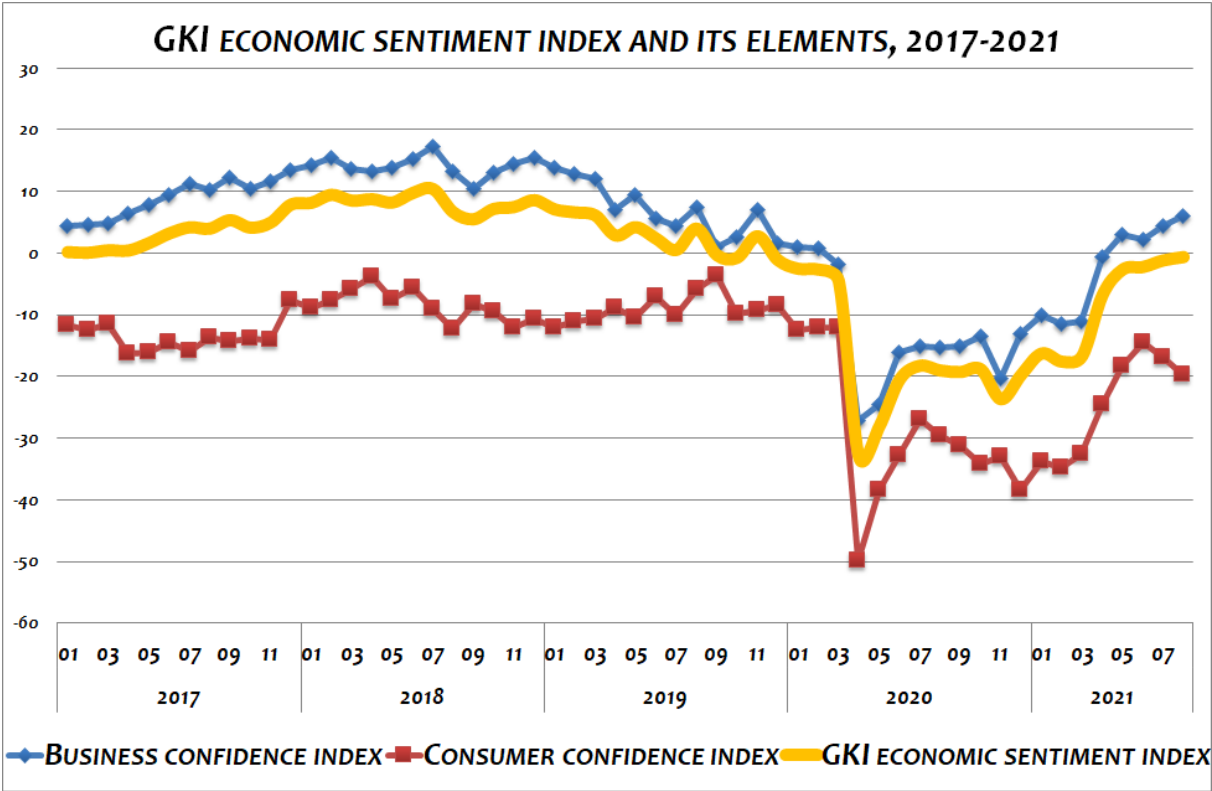
## GKI'S ECONOMIC SENTIMENT INDEX CONTINUED TO RISE IN AUGUST

After its big jump in April, GKI's economic sentiment index was slowly rising in the summer months. According to a survey conducted by GKI with the support of the EU, business expectations also improved slightly in August, while consumer expectations continued to worsen somewhat in August.

Within the **business sector**, confidence indices in industry and construction rose in August, whereas fell in trade and services within the statistical margin of error. Expectations of **industrial** producers have not been so favourable for two and a half years. The outlook for production, orders (including exports), inventories and the assessment of production in the previous period have all improved. The **construction** confidence index was up in August, after a sharp fall in July, and again there were slightly more optimistic than pessimistic companies. The outlook for structural engineering companies improved, whereas that for civil engineering ones, already gloomy, deteriorated slightly further. The sector's perception of production in the previous three months was slightly less favourable, but improved in the case of orders. For the construction industry, the main constraints to growth are labour and material and capacity shortages. The **trade** confidence index has been falling for the second month in a row, after five months of growth. Although the assessment of sales positions worsened slightly, with orders falling to a five-month low, that of inventories became better. After rising in July, the **services** confidence index dropped in August within the statistical margin of error. The evaluation of the business climate improved markedly, whereas sales expectations deteriorated sharply.

After a spectacular improvement in April, the business sector's **propensity to hire** has deteriorated for three months. However, in August it recovered to its April level. In industry, it was also noticeably higher than in April, reaching its three-and-a-half year high, but in other sectors it was below that, despite the recent improvement. For months now, more companies in all sectors have been preparing to expand than to reduce their workforces, least of all in trade. However, the fear of unemployment of households have been growing for three months. **Intentions to raise prices** strengthened a lot in trade, where the vast majority of companies are preparing to lift prices, as well as in industry. However, in construction, there are slightly fewer companies planning to raise prices after a long period of time. There were no changes in this respect for service companies. Consumer inflation expectations has fallen for the third month in a row, following a strong increase in May. The assessment of the **Hungarian economy's prospects** in the business sector worsened considerably in August, and for the first time since April there are more companies with a negative than a positive view of the future, with the exception of industry. The opinion of households also became much less favourable.

The **GKI consumer confidence index** declined for the second month in a row in August, after a four-month rise. Households assessed their financial situation as slightly improving compared to July, and their expectations were in line with those before the crisis. The assessment of the ability to save has improved for the fourth month in a row. Households' assessment regarding the future possibility of purchasing high-value durables deteriorated slightly.



**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                        |

| Year | Month | Business confidence index | Consumer confidence index | GKI economic sentiment index |
|------|-------|---------------------------|---------------------------|------------------------------|
| 2021 | 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                        |
|      | 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                         |
|      | 07    | 4.4                       | -16.9                     | -1.1                         |
| 08   | 6.1   | -19.7                     | -0.6                      |                              |

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