

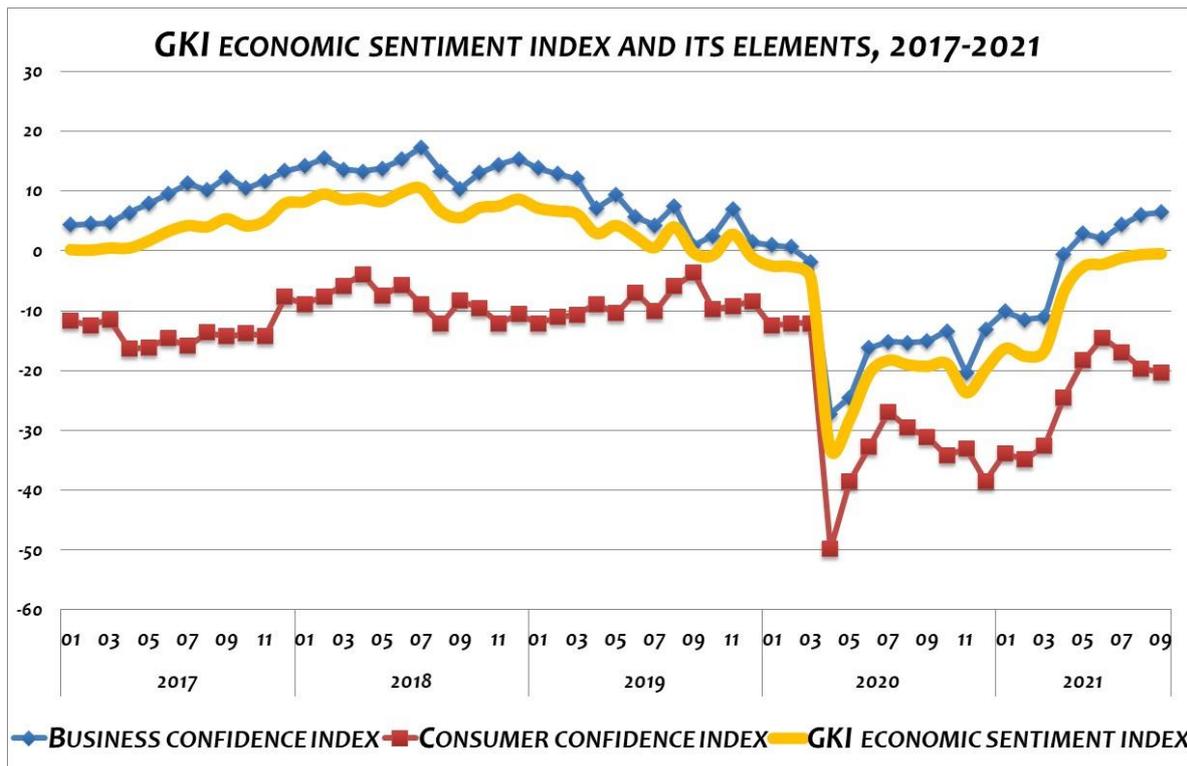


## IN SEPTEMBER GKI'S ECONOMIC SENTIMENT INDEX STOPPED RISING

After its big jump in April, GKI's economic sentiment index was slowly rising in the summer months, and then it switched to stagnation by September. According to a survey conducted by GKI with the support of the EU, the months-long improvement in business expectations was only within the statistical margin of error in September, while consumer expectations deteriorated slightly for the third month in a row. The GKI economic sentiment index corresponds to its level at the end of 2019, i.e., before the crisis.

In the **business** sector, only the industrial confidence index deteriorated slightly in September (after six months of almost continuous improvement). However, it was still the most optimistic sector in September. Other sectors became more optimistic than in the previous month, especially construction. In each sector, there are more overall optimists than pessimists, except in trade, where the proportions are essentially the same. In **industry**, the evaluation of production and orders for the previous and next periods worsened, whereas that of inventories and export orders improved. The **construction** confidence index in September reached the level immediately preceding the pandemic in September. The prospects of companies both in structural and civil engineering improved. The assessment of production in the preceding quarter and that of orders improved considerably. Labour shortages and shortages of materials and capacity remain the two most important growth constraints for construction. After two months of decline, the **trade** confidence index rose slightly again in September and it is more favourable than before the pandemic. The assessment of sales positions improved slightly, that of inventories moderately, and that of expected orders markedly. After a halt in August, the **services** confidence index continued to rise in September. Although the evaluation of the turnover in the previous period and overall business sentiment worsened, sales expectations improved considerably.

**Employment** propensity increased in all sectors except industry, and there are noticeably more companies in all sectors planning to increase their workforce than to reduce it. The fear from unemployment of households eased slightly after several months of strengthening. With the exception of services, intentions to **raise prices** weakened in September, particularly in trade, but also in construction for the second month. However, most commercial companies, and a smaller proportion of construction companies, are still planning to raise prices. Although from a high level, consumers' inflation expectations have been declining for months. The assessment of the **future of the Hungarian economy** rose to its post-crisis peak in September, after a great fall in August. However, consumer pessimism in this area has intensified.



#### 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
	07	4.4	-16.9	-1.1
	08	6.1	-19.7	-0.6
	09	6.5	-20.3	-0.5

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