



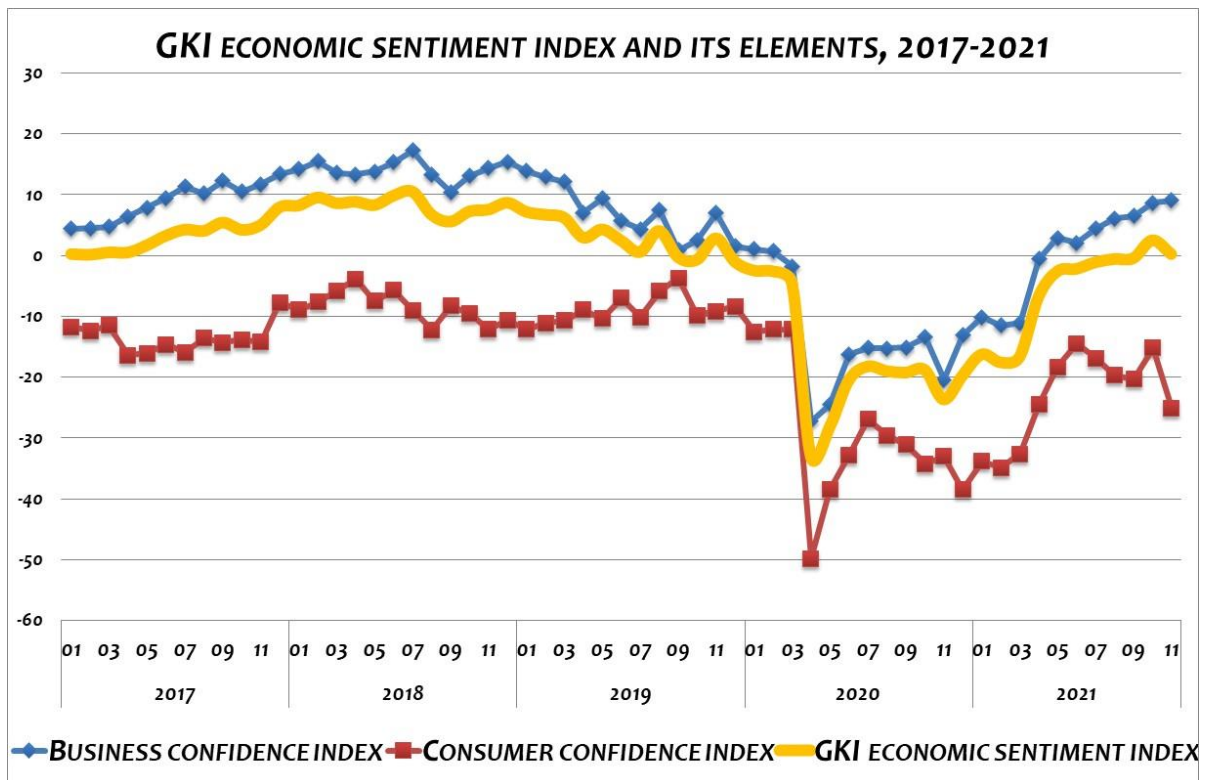
GKI CONSUMER CONFIDENCE INDEX FELL SHARPLY IN NOVEMBER

GKI's economic sentiment index declined slightly in November. Business expectations continued to strengthen, whereas consumer ones weakened. According to a survey conducted by GKI with the support of the EU, business expectations are at a two-and-a-half-year high. Consumer expectations, on the other hand, fell at a rate rarely seen in a single month, bringing them back to their spring levels. All players in the economy expect prices to rise.

Within the **business** sphere, all sectors except services were slightly more optimistic in November, especially trade. The modest rise in the **industrial** confidence index in November was driven by a significant improvement in sentiment on production prospects and inventories. However, opinions on the stock of orders, including exports, and on production in the last period deteriorated. Investment intentions picked up. The **construction** confidence index rose within the statistical margin of error in November, with the outlook for structural engineering companies continuing to improve and for civil engineering ones deteriorating. Although the assessment of production in the preceding three-month period worsened somewhat, that of orders improved. Labour shortages remain the main constraint to growth, and shortages of materials and capacity are also widespread. After falling for two months and then rising for another two months, the **trade** confidence index continued to rise at an accelerating rate in November, surpassing its pre-pandemic level for the first time. The assessment of sales position, inventories and in particular expected orders improved significantly. The **services** confidence index fell moderately in November. The assessment of the state of business and the sales outlook for the previous and the next periods deteriorated.

With the exception of trade, **intentions to employ** became worse in all sectors, especially in industry. However, there are still noticeably more companies planning to expand than to reduce their workforce in all sectors. At the same time, the fear of unemployment of households increased very significantly.. The drive to **raise prices** increased markedly in all sectors, least in trade, where almost 60 per cent of companies are still preparing to raise prices. Inflationary expectations, too, intensified among consumers. In November, the assessment of the **future of the Hungarian economy** improved spectacularly in construction and slightly in trade. However, it worsened dramatically in industry and services, with more companies expecting a deterioration than an improvement. In this respect, consumer pessimism also increased markedly.

After months of fluctuations, the **GKI consumer confidence index** fell sharply in November to its April level, well below its pre-crisis level. Although households' perception of their own financial situation in October was the same as before the crisis, they considered it worse in November. After six months of improvement, the assessment of their expected savings capacity also become less favourable. Households also perceived the opportunity to buy high-value consumer durables to be worse than in October.



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
	10	8.7	-15.2	2.5
	11	9.1	-25.1	0.2

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