



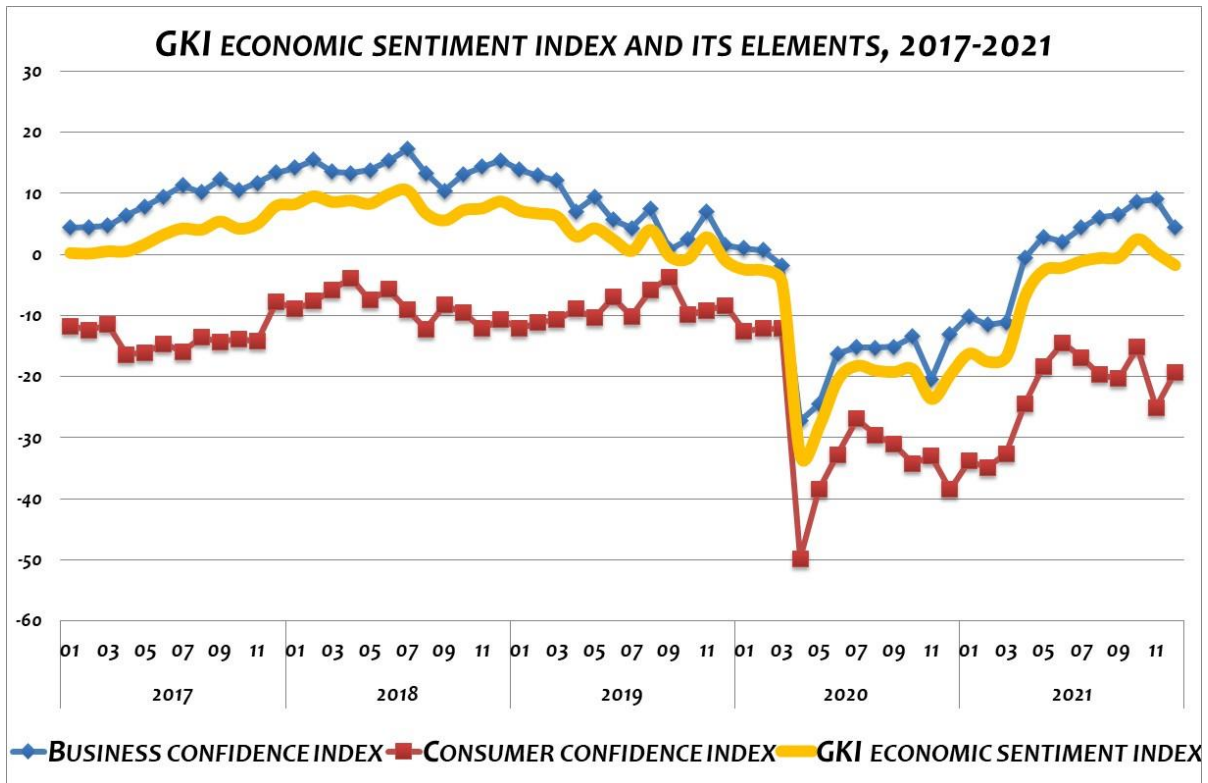
## ALTHOUGH THE BUSINESS SECTOR WAS VERY PESSIMISTIC ABOUT THE FUTURE OF THE HUNGARIAN ECONOMY IN DECEMBER, CONSUMERS BECAME MORE CONFIDENT

The GKI economic sentiment index decreased slightly in November and December and reached its summer level. According to a survey conducted by GKI with the support of the EU, although business expectations fell sharply from their two-and-a-half year peak, consumer expectations improved markedly after their November slump, even if they are still below their October level.

In the **business sphere**, expectations became more pessimistic in all sectors, particularly in trade. The decline in the **industrial** confidence index was caused by a weakening of production expectations and an increase in inventories, whereas the assessment of incoming orders, including export orders, improved. The assessment of production in the previous period also deteriorated. The **construction** confidence index fell to a four-month low in December. However, it indicates a much brighter outlook than in previous waves of the pandemic. The prospects of companies in structural and civil engineering also declined in the final month of the year. Satisfaction with the previous three months' production and incoming orders also deteriorated. After rising for three months, the **trade** confidence index fell below its April level in December. The assessment of sales positions and orders deteriorated significantly, whereas that of stocks moderately. The decline in the **services** confidence index was caused by a deterioration in overall business sentiment and turnover expectations. The assessment of the turnover in the preceding period also deteriorated.

The **willingness of the business sector to employ** has been declining slightly for the second month in a row. However, there are more companies in each sector that are counting on increasing than decreasing the number of their employees. In December, the ambition to expand employment increased in industry and construction, but declined more sharply in trade and services. However, the fear of unemployment of households eased after a sharp deterioration in November. Intentions to **raise prices** continued to strengthen, with the exception of industry. The drive to raise prices in construction has never been more intense in the last twenty years. Nearly three-quarters of housing businesses are preparing to raise prices in the next three months. Among commercial companies, this proportion was two-thirds in December, and "only" 50 per cent in services, though among the latter, the jump in December was spectacular. However, inflationary expectations of households weakened after several months of strengthening. Companies in all sectors saw the **future situation of the Hungarian economy** as significantly worse than in November, and after a long period of time there are more companies expecting deterioration than improvement. However, after strong pessimism in November, households became slightly more optimistic in December.

After a significant decline in November, **GKI's consumer confidence index** rose slightly in December. 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
2021	01	-10.1	-33.8	-16.3

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
	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
	12	4.4	-19.4	-1.8

**GKI ECONOMIC RESEARCH CO.**

1092 Budapest. Ráday u. 42-44.

Phone: +36 1 318 1284 E-mail: [gki@gki.hu](mailto:gki@gki.hu)

For more information:

Gábor Karsai ([karsai.gabor@gki.hu](mailto:karsai.gabor@gki.hu));

Raymund Petz ([petz.raymund@gki.hu](mailto:petz.raymund@gki.hu))