



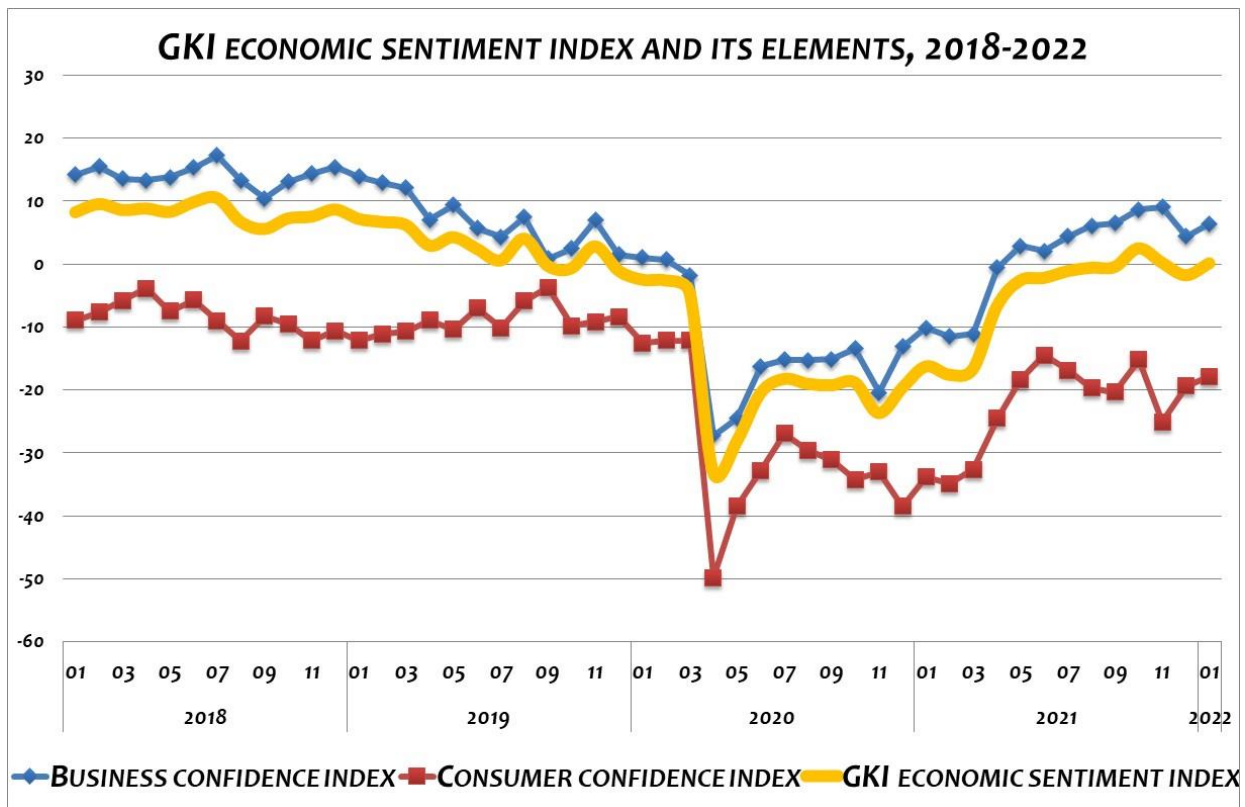
GKI'S ECONOMIC SENTIMENT INDEX CLOSED LAST YEAR WITH A DECLINE AND STARTED THIS ONE WITH AN IMPROVEMENT

After the contraction in November and December, GKI's economic sentiment index rebounded in January 2022 to its November last year level. According to a survey conducted by GKI Economic Research Co. with the support of the EU, business and consumer expectations also rose in the first month of the year, but while the former are lagging behind, the latter are much more positive than in November last year. However, compared to before the pandemic situation, business confidence is higher and consumer confidence is lower.

In the **business** sphere, all sectors except services became more optimistic in January, and there are no longer more pessimists than optimists in trade. The **industrial** confidence index rose again in January after a temporary decline in December. This was due to a more favourable perception of incoming orders and improved production expectations, whereas perceptions of export prospects and inventories deteriorated. Expectations of **construction** companies improved within the statistical margin of error, but those of civil engineering companies deteriorated. The assessment of the previous quarter's production, and especially of the incoming orders, has improved markedly. The **trade** confidence index rose slightly, following a significant decline in December. The assessment of sales positions improved significantly and that of orders became slightly better. The **services** confidence index decreased somewhat in January, and the evaluation of the general business climate and the sales outlook deteriorated.

The **willingness of the business sector to employ** has been declining slightly for the third month in a row, although only within the statistical margin of error in January. However, there are more companies in each sector that are counting on raising than reducing the number of their employees, especially in industry. Employment intentions declined mainly in construction. At the same time, the fear of unemployment of households weakened in January after December, although it is still far from the pre-pandemic level. Companies **continued to raise prices** in all sectors except construction, which saw some moderation from its historic peak in December. In trade the share of companies planning to raise prices rose from two-thirds in December to three-quarters. This ratio is over 50 per cent in services. However, inflationary expectations of households are weakening for the second month in a row after several months of strengthening. Businesses remain pessimistic about **the future state of the Hungarian economy**, especially in trade and services. However, this view eased in January. The opinion of households, too, became more favourable.

After a significant decline in November, **GKI's consumer confidence index** was up in both December and January, returning to its summer level of last year. Households saw their own financial situation in January slightly better than in December, almost the same as before the pandemic. The assessment of the ability to save has also become more favourable. Households considered the possibility of purchasing high-value durables much worse than in December.



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, 2018-2022

| Year | Month | Business confidence index | Consumer confidence index | GKI economic sentiment index |
|------|-------|---------------------------|---------------------------|------------------------------|
| 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 |
| | 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 |

| Year | Month | Business confidence index | Consumer confidence index | GKI economic sentiment index |
|------|-------|---------------------------|---------------------------|------------------------------|
| 2022 | I. | 6.4 | -17.8 | 0.1 |

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