



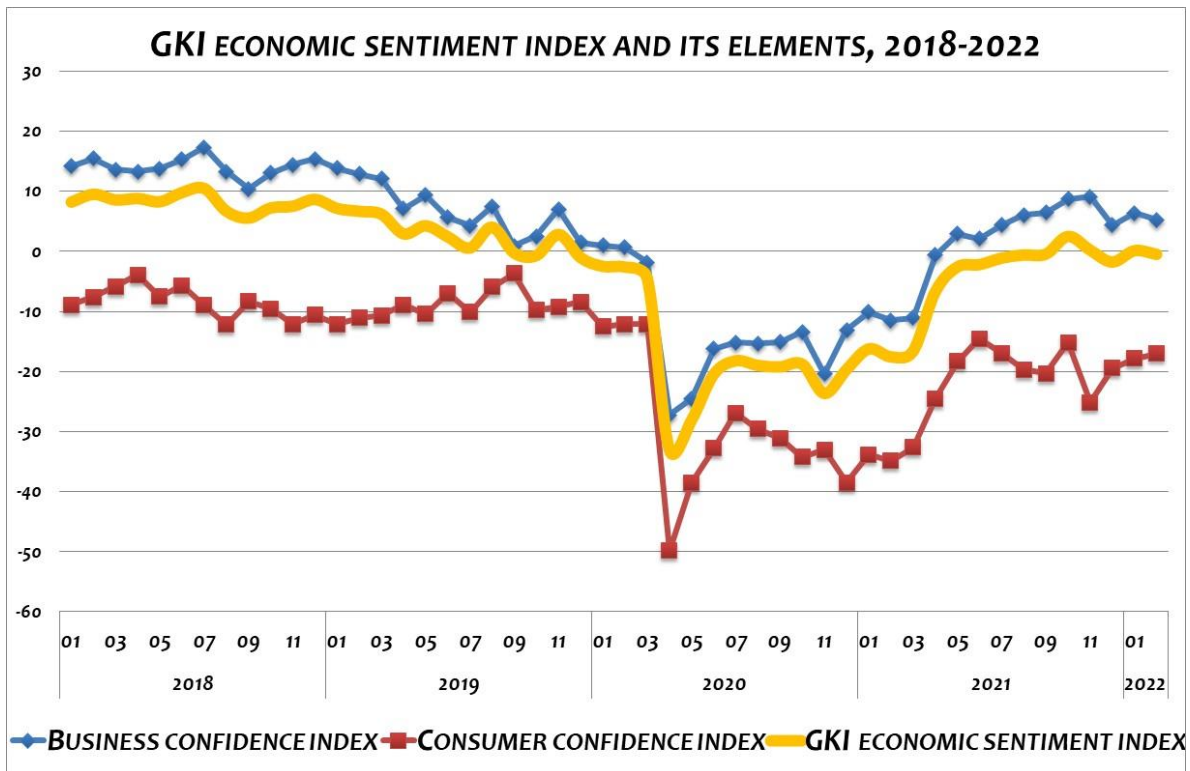
COMPANIES' EFFORTS TO INCREASE PRICES DID NOT EASE IN FEBRUARY EITHER

GKI's economic sentiment index fell in February after a January rise, within the statistical margin of error. According to a survey conducted by GKI Economic Research Co. with the support of the EU, business expectations deteriorated, especially in industry, whereas consumer expectations improved slightly. The intention of the business sector to increase prices further strengthened, especially among service companies, which became more optimistic in all respects in February.

In **businesses**, all sectors except services became more pessimistic in February, especially industry. The **industrial** confidence index fell below its level at the end of last year in February. The assessment of production, order books and stock levels of the past period all deteriorated. Although production expectations weakened, respondents felt that export orders were more favourable than in January. The mood of **construction** producers in February was essentially the same as in December. Compared with January, the outlook for structural engineering deteriorated somewhat, but improved for civil engineering. Satisfaction with production in the previous three months improved minimally in February, and the assessment of order books remained virtually unchanged. The **trade** confidence index fell minimally. This is the only sector where there is slightly more pessimism than optimism. Although the assessment of sales positions improved, the evaluation of orders and inventory levels deteriorated. In February, the **services** confidence index approached its peak since the start of the covid crisis. Both the overall business outlook and expected turnover improved.

In February, the three-month-long decline in the business sector's **propensity to hire** came to a halt, mainly thanks to optimism among service companies. Only in the construction industry did the intention to increase the number of employees weaken, but here, too, there are more companies expecting to raise the number of employees than to reduce them. At the same time, households' fear of unemployment became noticeably more pronounced after two months of weakening. Companies' **efforts to raise prices** continued to strengthen, especially in services, but also increased in construction. Although there was some weakening among commercial firms, around 70 per cent of them are still preparing to raise prices. However, inflationary expectations of households are weakening for the third month in a row after several months of strengthening. Businesses remain pessimistic about the **future state of the Hungarian economy**. However, this is easing for the second month in a row. Service companies are now the least pessimistic. The opinion of households became somewhat less favourable.

The **GKI consumer confidence index** improved for the third month in a row in February, after falling in November, and reached its relatively favourable summer level. Households felt that their own financial situation was better than in January, essentially the same as before the crisis. The assessment of their expected savings capacity reached an all-time high.



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	01	6.4	-17.8	0.1
	02	5.3	-17.0	-0.5

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