



IN MARCH, CONSUMER EXPECTATIONS DETERIORATED SPECTACULARLY DUE TO RUSSIA'S WAR AGAINST UKRAINE, WHILE BUSINESS EXPECTATIONS DETERIORATED LESS

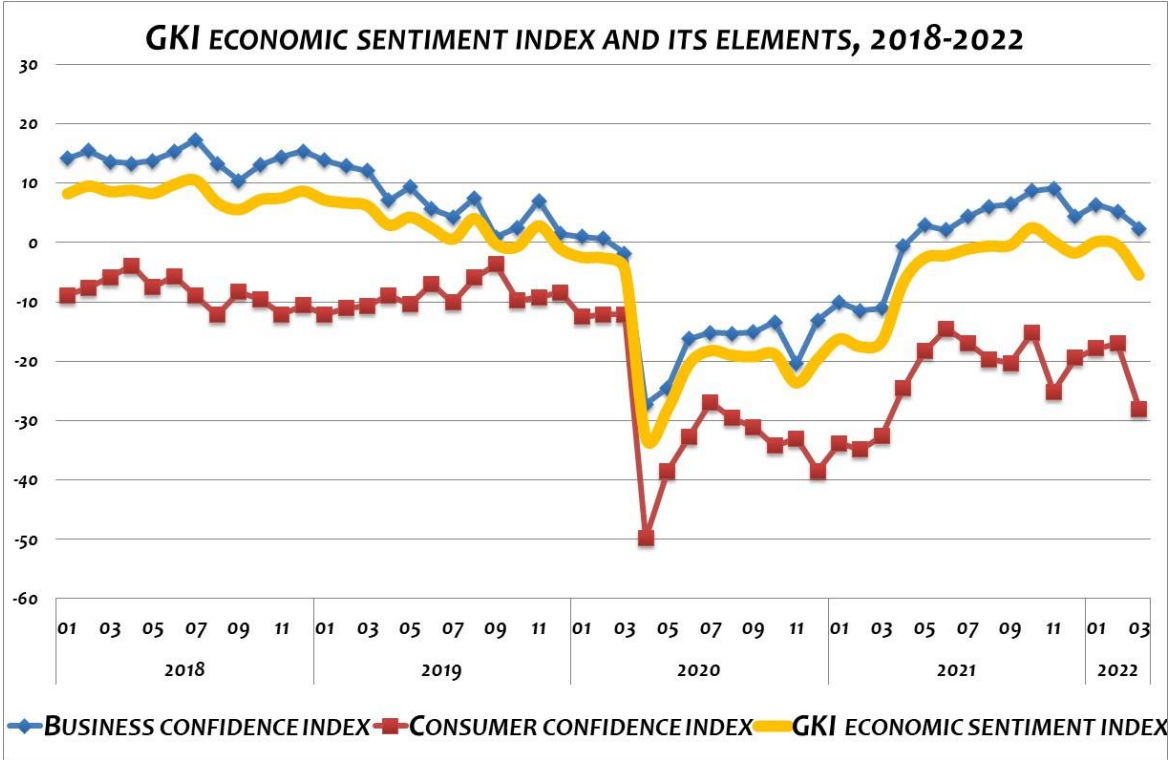
GKI's economic sentiment index fell in March to its late spring 2021 level, mainly as a result of a deterioration in the consumer confidence index. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, business expectations worsened only in industry and services, but not in construction and trade. Across all sectors, the perception of the Hungarian economy became dramatically more pessimistic, as it was when the Covid pandemic broke out, but companies barely perceive this in their own situation.

The **industrial** confidence index fell again in March, reaching its last summer's level. The assessment of orders (including exports) deteriorated, as well as that of production prospects and the production in the recent period, and only the outlook for inventories improved slightly. However, investment intentions picked up. The **construction** confidence index has been almost unchanged since December. In March, the outlook for structural engineering improved compared with the previous month, whereas the outlook for civil engineering deteriorated. The latter sector is significantly more pessimistic. Satisfaction with production in the previous three months improved minimally in March, and the assessment of order books remained unchanged. The **trade** confidence index rose slightly more than its weakening in February. The assessment of sales positions improved slightly, whereas that of orders and stocks deteriorated. The **services** confidence index fell somewhat in March, but did not fall back to January levels. The evaluation of the general business climate and the sales outlook declined.

In March, the business sector's **propensity to hire** fell slightly, reflecting more subdued hiring by industrial companies. Employment intentions have even strengthened in trade and construction. After several months of improvement, the fear of unemployment by households started to strengthen in February and continued to a lesser extent in March. Companies' **efforts to increase prices** continued to strengthen markedly, more than 50 per cent of them intend to do so, 70 per cent of them in trade. Households' inflationary expectations also picked up very significantly. Companies were already very pessimistic about the **future state of the Hungarian economy**, and after two months of easing, this intensified dramatically in March, especially in industry, and least so in trade and construction. The opinion of households also became noticeably more pessimistic.

After three months of improvement, the **GKI consumer confidence index** plummeted in March to the level measured a year ago. Households have been most positive about their own financial situation in recent months, and in February they were hit by a real "shower of money". So it is no wonder that in March households felt slightly better about their **current** financial situation than in the previous month. At the same time, they considered their

expected financial situation to be markedly deteriorating. Consumers perceived both the current possibility of purchasing **high-value consumer durables** and, even more so, their purchasing within a year, to be markedly deteriorating.



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
	03	2.4	-28.0	-5.5

GKI ECONOMIC RESEARCH CO.

1092 Budapest. Ráday u. 42-44.
Phone: +36 1 318 1271 E-mail: gki@gki.hu

For more information:

Gábor Karsai (karsai.gabor@gki.hu);
Raymund Petz (petz.raymund@gki.hu)