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GKI ECONOMIC SENTIMENT INDEX REACHED ITS THREE-YEAR PEAK IN APRIL

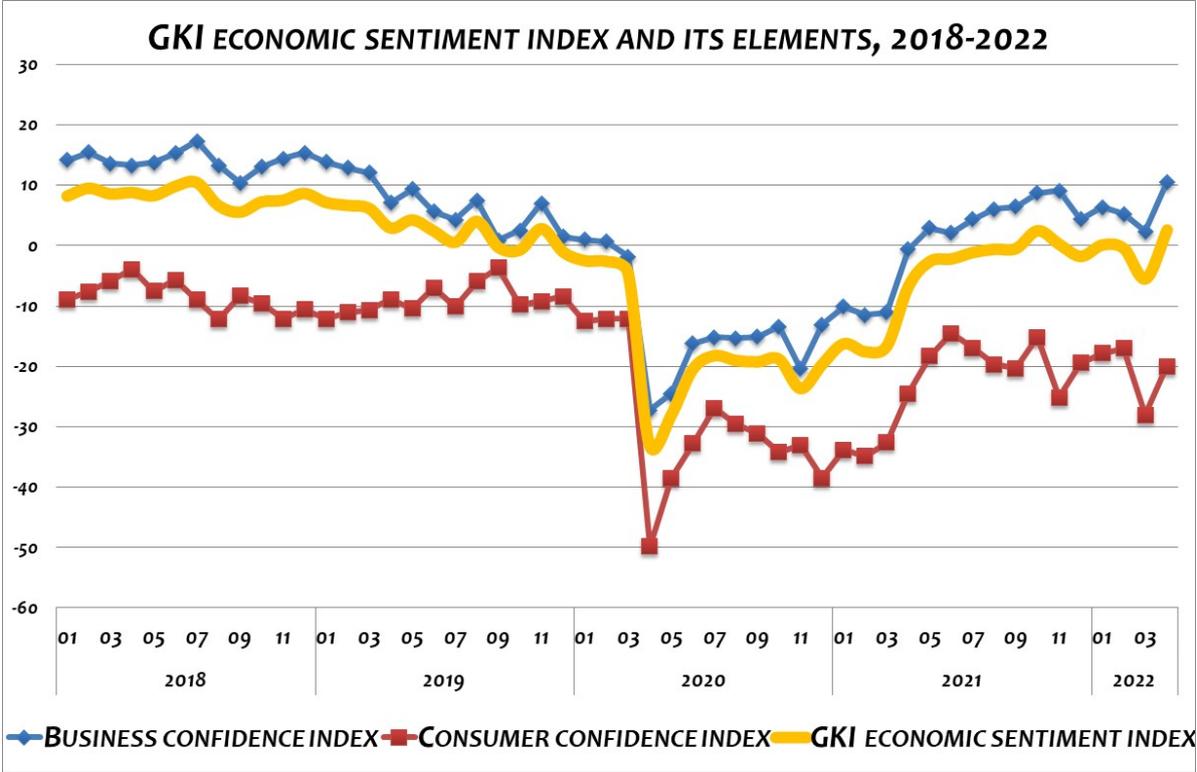
In April, GKI's economic sentiment index jumped to its level in spring 2019, well before the COVID crisis. This level has only been reached in one month since the crisis, in October 2021. According to the empirical survey conducted by GKI Economic Research Co. (www.gki.hu) with the support of the EU, economic expectations improved in all sectors and among consumers as well. In April, the concerns following the Russian attack on Ukraine almost disappeared, and these concerns were almost only echoed by the declining, but still high, pessimism about the future of the Hungarian economy.

In the **business sector**, expectations improved most for services and least for trade. Although the **industrial** confidence index in April was not yet at its January's level, the war in the neighbourhood does not appear to have caused any shocks or worsened the outlook for companies. The assessment of production and the stock of orders (including exports) was better than in March, whereas that of inventories was worse. After several months of subdued activity, expectations of **construction** companies improved markedly in April, with the confidence index reaching a seven-month high. Assessment of production in the previous quarter hardly changed, whereas that of orders improved markedly. **Trade** expectations are improving slowly but almost steadily this year. In April, the **services** confidence index recovered from the falls caused by the coronavirus outbreak and the Russian aggression against Ukraine, rising to its level of early 2019. The assessment of the state of business and the sales outlook also improved considerably.

In April, the business sector's **propensity to hire** improved significantly across all sectors, the last time it was so favourable was in early 2019. The strongest intention to increase their workforce is seen in industry and services, but there are noticeably more companies planning to expand than reduce them in all sectors. The fear of unemployment of households eased spectacularly after two months of strengthening. Companies' **efforts to increase prices** continued to strengthen markedly, with about two-thirds of them preparing to do so, but more than three-quarters of them in trade. The drive for construction companies to raise prices in the last quarter of a century has never been so strong. However, consumer inflation expectations weakened slightly in April, after a sharp pick-up in March. Businesses were still very pessimistic about the **future state of the Hungarian economy** in April, though the extent of this decreased significantly after a huge fall in March. However, concerns about the country's future even grew in construction. The opinion of households on this issue improved spectacularly.

As a result of the significant increase in **GKI's consumer confidence index** in April, it is close to its autumn-winter level last year. Households felt their **own financial situation** much better than in March, but worse than in February. However, the assessment of their expected savings capacity weakened in both March and April compared with the all-time record in

February. Households considered their ability to buy high-value consumer durables both now and in the next year to improve compared to March.



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
	04	10.5	-20.0	2.6

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