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TO BE PUBLISHED: 27 JUNE 2022 (MONDAY)

IN JUNE, BUSINESS EXPECTATIONS DETERIORATED LESS, WHILE CONSUMER EXPECTATIONS SIGNIFICANTLY

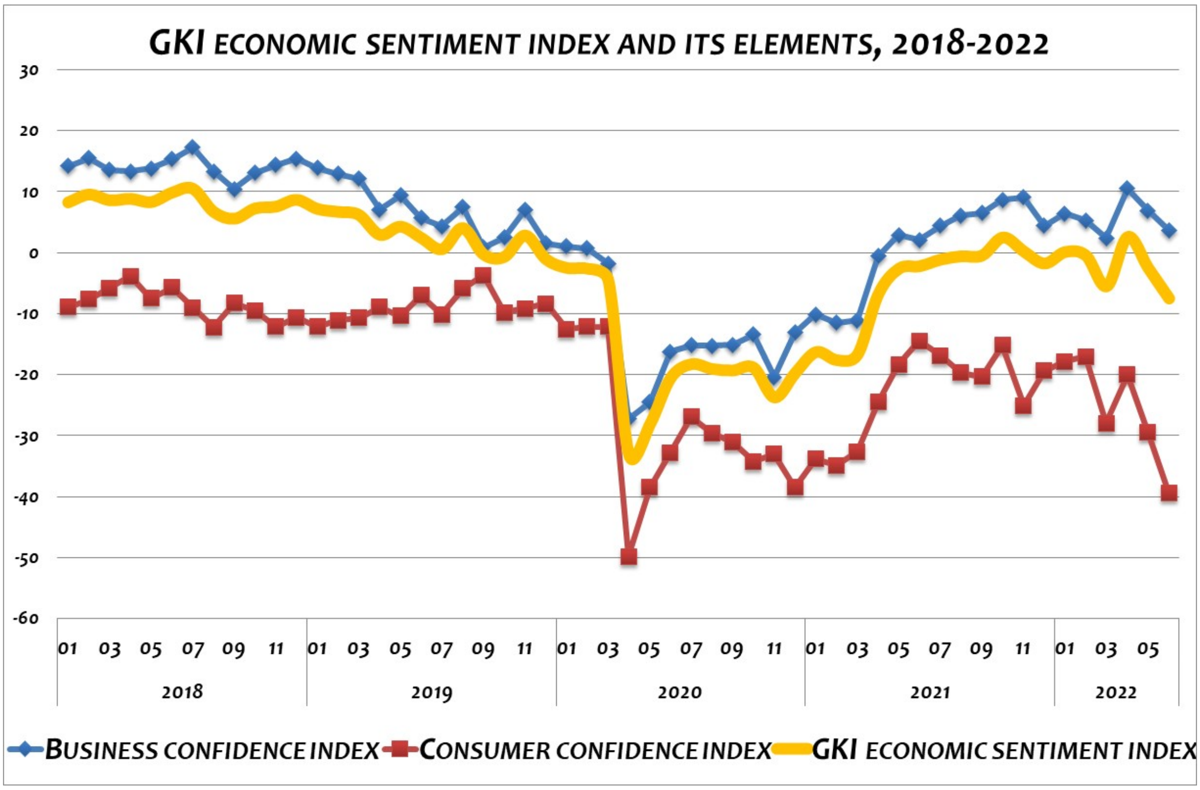
After May, GKI's economic sentiment index fell by 5 points in June as well to its 15-month low. According to the empirical survey conducted by GKI Economics Research Co. with the support of the EU, business expectations fell again by 3 points in June, while consumer expectations dropped again by around 10 points compared to the previous month. The last time households were more pessimistic than now was the outbreak of the Covid pandemic.

In the **business sphere**, expectations in all sectors deteriorated to a greater or lesser extent, especially in trade and services. Production expectations and the assessment of incoming orders in **industry** weakened compared to May, and that of stocks improved slightly. The assessment of production in the last period remained unchanged, while that of export orders improved. After May, expectations of **construction** companies deteriorated in June as well, both in the structural and civil engineering sectors. Satisfaction with production and orders in the previous three months became noticeably less positive. The **trade** confidence index fell sharply after three months of slight increases. The assessment of sales positions and inventories deteriorated moderately, while that of expected orders fell to a one-and-a-half year low. The **services** confidence index fell for the second month in a row after a big improvement in April. The evaluation of the general business climate and the turnover in the last period deteriorated, and sales expectations weakened.

In June, the business sector's **propensity to hire** deteriorated in all sectors except services. Compared to its April peak, it declined in all sectors. However, there are still more companies planning to increase the number of employees than to reduce it, except in trade. The fear from unemployment of households continued to rise in June after May, although to a lesser extent than in the previous month. Companies' **efforts to raise prices** were decreasing, albeit very slowly, for the second month in a row in all sectors except industry. Even so, well over half of the respondents (nearly three quarters of them in trade) were preparing to raise prices. However, inflationary expectations of consumers continued to strengthen slightly in June. Since the outbreak of the Russian-Ukrainian war, both companies and households considered **the future state of the Hungarian economy** as extremely pessimistic, and the government's balance-improving package probably contributed to this in June.

The **GKI consumer confidence index** continued to deteriorate almost as much in June as its significant fall in May, and went to a lower level than its all-time average or the average of the last ten years. Households' assessment of their **own financial situation** became even more pessimistic in June than in May. Households' perception of their own **ability to save**

for the future was weakening steadily at an almost monthly pace for the fourth month in a row, from an all-time record high in February. In June, households also found the possibility of purchasing high-value durables to be 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
	04	10.5	-20.0	2.6
	05	6.9	-29.5	-2.6
	06	3.7	-39.4	-7.5

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