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GKI'S ECONOMIC SENTIMENT INDEX HARDLY CHANGED IN SEPTEMBER

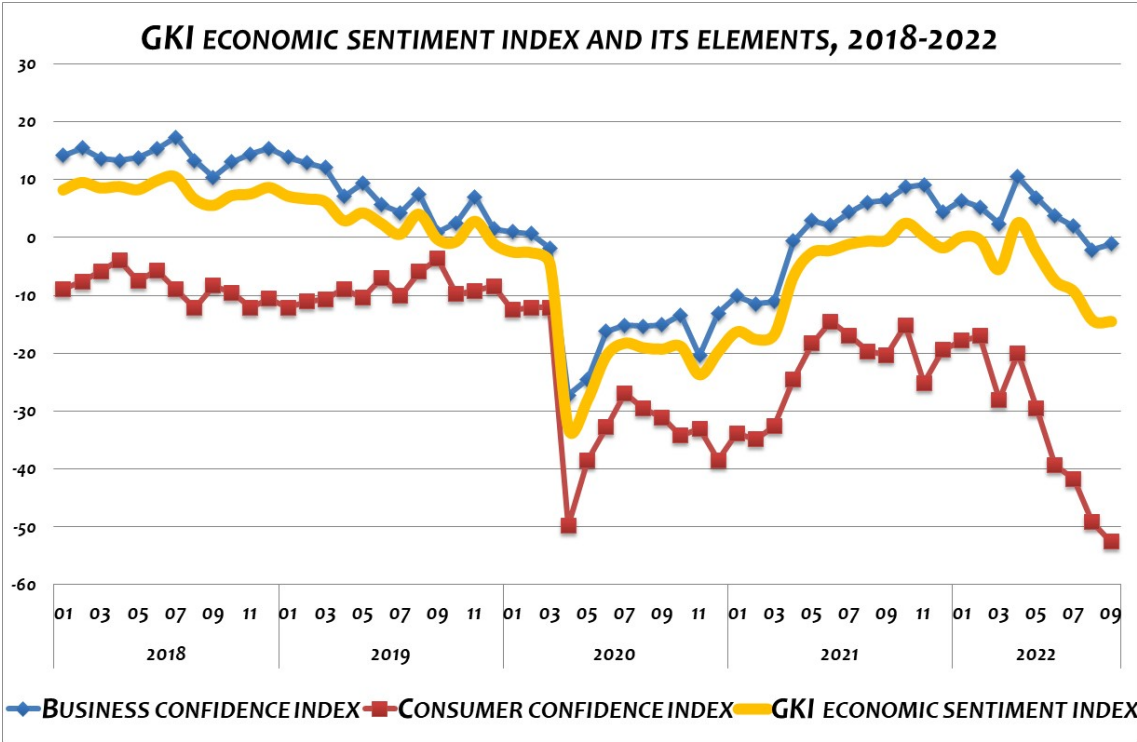
Business and consumer expectations in Hungary deteriorated for the fourth month in a row in August. In the case of consumer expectations, this continued in September, whereas the business confidence index slightly increased, although it was noticeably below its July level. According to the empirical survey conducted by GKI Economic Research Co. with the support of the EU, consumers were more pessimistic now than they were in the spring of 2020, during the panic caused by the Covid pandemic. The business confidence index has been in the negative range for the second month, that is, there were more pessimistic companies than optimistic ones.

In September, except for construction, where the confidence index dropped significantly compared to the previous month, all sectors in the **business sphere** became more optimistic to a greater or lesser extent, but none of them became more optimistic than in July. Industry was the most optimistic sector, while construction and trade were the least optimistic. In **industry**, the assessment of stocks and the total order books improved, but not in exports. However, the perception of production in the past period and production expectations deteriorated. In **construction**, the outlook was slightly worse in September for structural engineering companies, whereas that was considerably worse for the already pessimistic civil engineering companies. Satisfaction with the previous three months' production and incoming orders also deteriorated. The assessment of sales positions in **trade** became slightly worse, but that of orders was much more favourable. The improvement in the **services** confidence index in September was mainly driven by an improvement in the overall business climate and in the perception of expected turnover.

The deterioration in the business sector's **propensity to employ** continued in September, but overall there were still marginally more companies planning to expand than to reduce their workforce. Fear of unemployment continued to grow among households. **Intentions to raise prices** were very strong, although they weakened markedly in September in trade and construction. Even so, around 60 per cent of these companies were planning to raise prices. Inflationary expectations of households continued to strengthen. Both companies and households saw the **future state of the Hungarian economy** as increasingly dramatic in recent months, and in September it was further strengthened among consumers, but in the business sector, except for industry, a significant improvement took place, although concerns remained very strong.

The **GKI consumer confidence index** dropped very significantly since April, by more than 30 points. The last time households were more pessimistic was around ten years ago, during the Széll Kálmán Plan. In September, households perceived that their own financial situation was worse than in the previous month, and their opinion was considerably more pessimistic than during the panic at the beginning of the coronavirus crisis. Throughout the

history of the surveys, households felt that their own future savings capacity was the most beneficial in February this year, and since then this hope had been steadily weakening every month. Compared with August, consumers perceived current purchasing conditions for high-value consumer durables to have deteriorated significantly, while those for the next year were slightly worse. At that time the situation was reversed, the perception of the possibility of purchasing in the next period worsened very significantly.



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
	07	2,0	-41,7	-9,4
	08	-2,1	-49,2	-14,3
	09	-1,1	-52,6	-14,5

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