

19 DECEMBER 2022

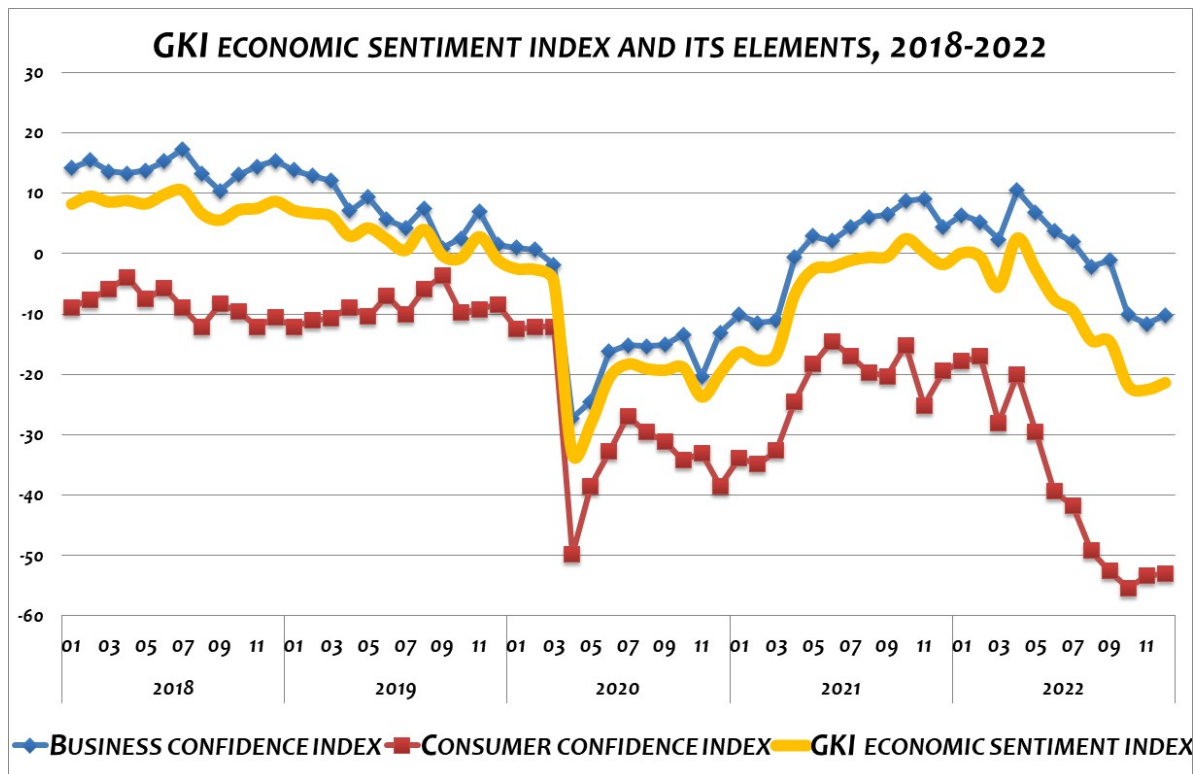
BY THE END OF 2022, THE MORE THAN HALF-YEAR DECLINE OF GKI'S ECONOMIC SENTIMENT INDEX STOPPED

Business and consumer expectations improved modestly in December. According to a survey conducted by GKI Economic Research Co. with the support of the EU, the rise in the business confidence index was solely due to a significant improvement in industrial expectations, as other sectors became more pessimistic to a greater or lesser extent. The consumer confidence index has been rising, albeit marginally, for the second month in a row. However, households remained more pessimistic than during the Covid-related panic in spring 2020. The views of businesses and households on employment and inflation were unchanged in December, but both businesses and households saw the future situation of the Hungarian economy as worse than in November.

In December, the **business** confidence index fell back to its October level. Even so, it was still in negative range for the fifth month in a row, meaning that there were more gloomy than optimistic companies. This was true for all sectors, with industry being the least pessimistic. In December, the **industrial** confidence index corrected its November decline and even reached a slightly higher level than in October. The evaluation of prospects concerning production, orders and stocks all improved, while recent production and export orders were seen as worse. The **construction** confidence index deteriorated within the statistical margin of error, but still hit a 28-month low. The assessment of production in the preceding quarter and that of orders improved compared to November. After a slight improvement in November, **trade** expectations decreased to a lesser extent in December. The evaluation of the sales positions deteriorated slightly and that of expected orders fell much more. However, the assessment of inventory levels improved. In December, the **services** confidence index lost its modest increase in November. There was a deterioration in sales expectations and the assessment of overall business performance and that of the turnover in the previous period.

In December, the business sector's **willingness to hire** improved within the statistical margin of error, but there were still slightly more companies planning to reduce their workforce than to expand. Except for industry, where there was a significant improvement after the November fall, employment expectations worsened. The fear from unemployment of households eased slightly in November and December after six months of strengthening. The intentions of the business sector to **raise prices** came to a halt in November, but it strengthened slightly again in December. In particular, plans to raise prices weakened in trade, while in industry they remained stable, and in construction and services they strengthened. The majority of firms in all sectors were still preparing to raise prices. After November, inflationary expectations of consumers eased slightly in December as well. After the improvement in November, the assessment of the future state of the **Hungarian economy** deteriorated in all sectors except industry, and consumers also became more negative.

The **GKI consumer confidence index** rose in November after a significant deterioration in May-October. It also increased within the statistical margin of error in December. However, pessimism was still very strong. In December, households felt that their own financial situation was even worse than in November, but they evaluated their expected savings capacity slightly improving. In December, households considered the conditions of purchasing high-value durables as improving compared to November; however, those for the next year were perceived as 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
	07	2.0	-41.7	-9.4
	08	-2.1	-49.2	-14.3
	09	-1.1	-52.6	-14.5
	10	-10.1	-55.4	-21.9
	11	-11.6	-53.4	-22.5
	12	-10.2	-53.0	-21.3

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