



27 FEBRUARY 2023

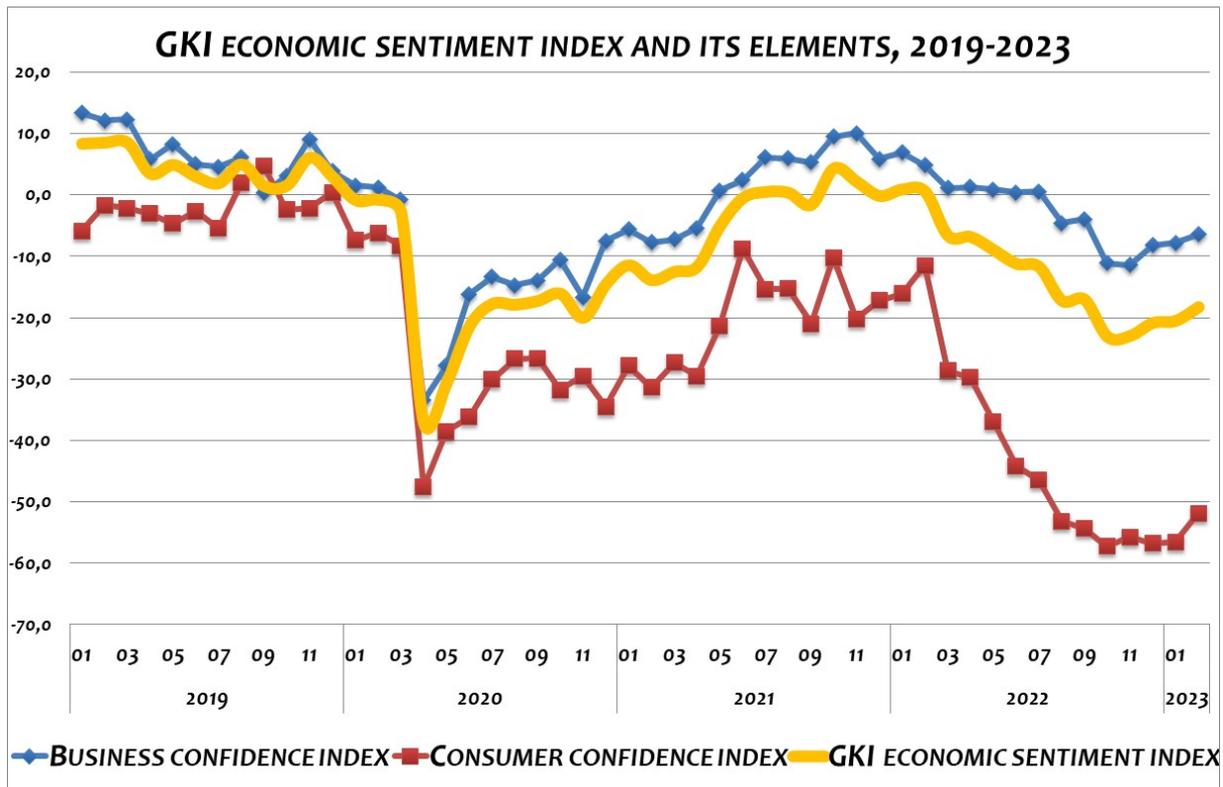
GKI'S ECONOMIC SENTIMENT INDEX HAS RISEN BY SMALL STEPS FOR THE FOURTH MONTH IN A ROW

In February, both business and consumer expectations improved, but continued to reflect a poor mood. According to the empirical survey conducted by GKI Economic Research Co. with the support of the EU, consumers were still more pessimistic than they were in 2020, during the panic that started when the Covid pandemic broke out. In comparison, business sector expectations were more favourable, broadly in line with the end of 2020. Service companies were now the least pessimistic, while industrial companies were the least pessimistic in January. The perception of the employment situation changed little, but companies' efforts to raise prices and consumers' inflationary expectations declined markedly.

The improvement in the **business** confidence index was mainly due to a sharp rise in expectations in services, while pessimism in industry rose again, and there was no significant change in construction and trade. The **industrial** confidence index fell slightly in February. The assessment of incoming orders (including export orders) declined, whereas that of inventories and production prospects remained unchanged. Production of the last period was also seen as worse by respondents. The sentiment of **construction** companies was essentially unchanged (within the statistical margin of error) compared to January. Expectations of structural engineering companies deteriorated slightly, whereas those of civil engineering ones improved somewhat. In construction both satisfaction with production in the previous three months and the assessment of incoming orders also deteriorated slightly. Expectations in **trade** had been improving for four months, but it was still the most pessimistic sector. Although the assessment of sales positions and expected orders improved slightly in February, that of inventories deteriorated. In **services**, the assessment of the state of business and turnover in the past and the coming period also improved.

In February, companies' **propensity to hire** increased within the statistical margin of error, with almost the same proportion of companies planning to increase and decrease their workforce. There was an improvement in services and construction. However, fear of unemployment by households increased slightly. After January, the intentions of the business sector to **raise prices** slowed down significantly in February, with only a third of companies, including commercial enterprises, preparing to raise prices. Six months ago, this ratio was two-thirds. Intentions to raise prices were the strongest in construction. The inflationary expectations of consumers eased significantly. After a big improvement in January, the assessment of the situation of the **Hungarian economy** became slightly more optimistic in February in all sectors and among consumers as well.

The **GKI consumer confidence index**, after a significant deterioration in May-October 2022, barely changed with some fluctuations, and then increased noticeably in February 2023. However, it still reflected marked pessimism. In February, households felt that their own financial situation and ability to save was better than in January. Households considered the current possibility of purchasing high-value durables declining, whereas their expectations for the next 12 months were improving.



EXPLANATION TO THE METHODOLOGY:

In line with the methodology used by the European Commission, GKI surveys the expectations of industry, trade, construction, services (the latter, as in the EU, excludes financial and public services) and households in the calculation of its business confidence index. GKI’s economic sentiment index is the weighted average of the consumer confidence index and the business confidence index.

The business confidence index is the arithmetic average of the industrial, trade, construction and services confidence indices. The industrial confidence index is derived from the responses to questions on business perceptions of order books and inventories, and on production expectations. The construction confidence index is the average of the perception of order books and employment expectations. The trade confidence index is the average of business and inventory level perceptions and turnover expectations. The services confidence index is the average of business confidence, turnover and employment expectations. GKI publishes seasonally adjusted data by using appropriate mathematical method (the Tramo Seats method) 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, 2019-2023

Year	Month	Business confidence	Consumer confidence index	GKI economic sentiment index
2019	01	13.4	-5.9	8.4
	02	12.2	-1.7	8.6
	03	12.3	-2.2	8.6
	04	5.8	-3.0	3.5
	05	8.3	-4.7	4.9
	06	5.0	-2.7	3.0
	07	4.6	-5.5	1.9
	08	6.1	2.1	5.0
	09	0.3	4.7	1.5
	10	3.0	-2.4	1.6
	11	9.1	-2.1	6.1
	12	3.9	0.4	3.0
2020	01	1.5	-7.4	-0.8
	02	1.2	-6.2	-0.7
	03	-0.8	-8.3	-2.7
	04	-33.5	-47.6	-37.2
	05	-27.8	-38.5	-30.6
	06	-16.2	-36.2	-21.4
	07	-13.4	-30.1	-17.7
	08	-14.7	-26.7	-17.9
	09	-13.9	-26.6	-17.2
	10	-10.5	-31.8	-16.0
	11	-16.6	-29.5	-20.0
	12	-7.4	-34.5	-14.5
2021	01	-5.6	-27.8	-11.4
	02	-7.7	-31.4	-13.9
	03	-7.3	-27.3	-12.5
	04	-5.4	-29.5	-11.7
	05	0.7	-21.3	-5.0
	06	2.4	-8.7	-0.5
	07	6.1	-15.3	0.5
	08	5.9	-15.3	0.4
	09	5.3	-21.0	-1.6
	10	9.5	-10.2	4.4
	11	10.0	-20.1	2.2
	12	5.9	-17.2	-0.1
2022	01	6.9	-16.0	0.9
	02	4.8	-11.5	0.6
	03	1.1	-28.6	-6.6
	04	1.3	-29.7	-6.8
	05	0.9	-36.9	-8.9
	06	0.4	-44.2	-11.2
	07	0.6	-46.5	-11.7
	08	-4.5	-53.2	-17.2
	09	-3.9	-54.4	-17.0
	10	-11.1	-57.3	-23.1
	11	-11.4	-55.7	-22.9
	12	-8.2	-56.7	-20.8
2023	01	-7.8	-56.6	-20.5
	02	-6.4	-51.9	-18.2

GKI ECONOMIC RESEARCH CO.

1056 Budapest, Váci utca 84. fszt.2.
 Phone: +36-30-014-7848 E-mail: gki@gki.hu
 For more information:
 Gábor Karsai (karsai.gabor@gki.hu);
 Raymund Petz (petz.raymund@gki.hu)