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GKI ECONOMIC SENTIMENT INDEX ROSE MARKEDLY IN MARCH

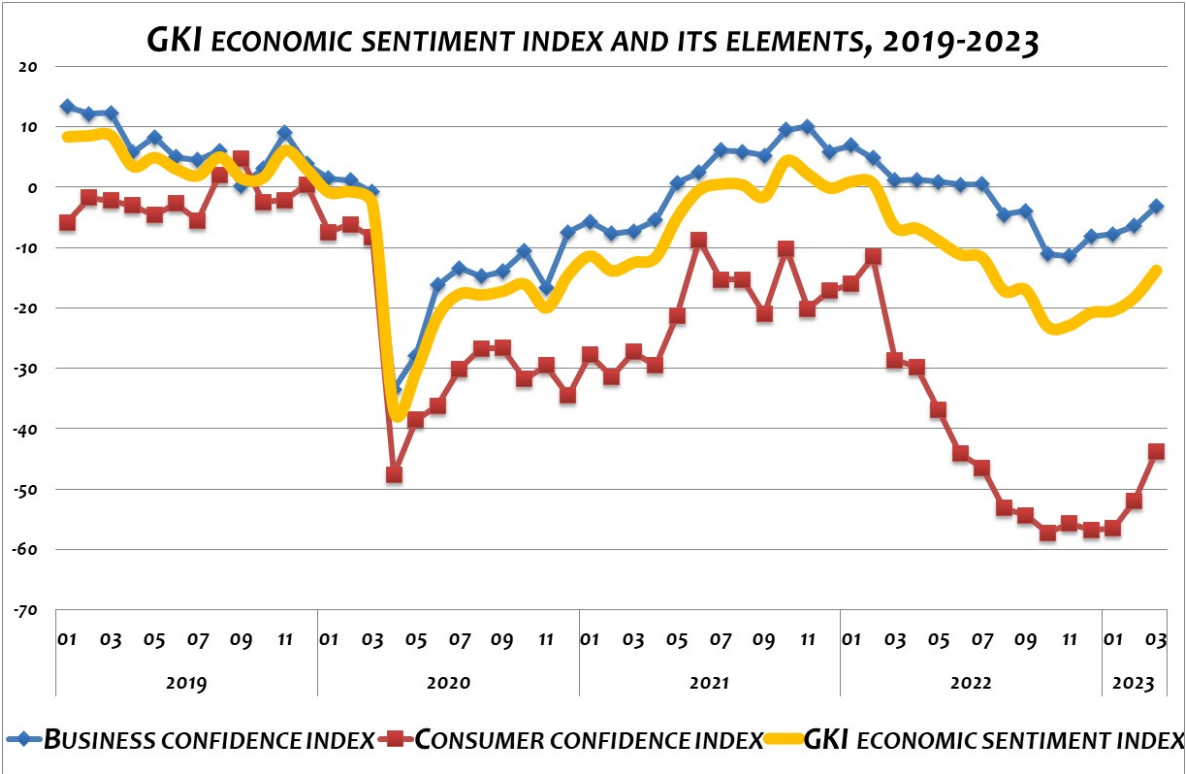
Both business and consumer expectations improved significantly in March, with GKI's economic sentiment index rising for the fifth month in a row. According to a survey conducted by GKI Economic Research Co. with the support of the EU, in the business sector expectations of industrial and service companies improved significantly, while expectations in construction and trade deteriorated noticeably, but to a lesser extent. Consumers were no more worried than they were in 2020, during the panic of the Covid outbreak. However, pessimism was still very strong. In March, companies' efforts to raise prices declined substantially and their willingness to employ increased, as confirmed by consumer sentiment. The evaluation of the state of the Hungarian economy became much more positive than in February, both in the business sector and among households.

In recent months, the mood in the **business** sector was rather mixed. In March, the **industrial** confidence index rose significantly compared with February, reaching its September level. The assessment of the production of the previous quarter and the expected output and the stock of orders (including export orders) improved, whereas that of inventories deteriorated slightly. Expectations in **construction**, on the other hand, became much more pessimistic, reminiscent of the period of the Covid pandemic. The outlook for structural engineering deteriorated more markedly and that for civil engineering more slightly compared with February. There was not much difference between the opinions of the two sectors, but the latter were the more pessimistic. In construction the assessment of production in the previous quarter hardly changed, whereas that of orders dropped markedly. The **trade** confidence index fell in March after a two-month rise. The assessment of sales positions and expected orders remained unchanged, whereas that of inventories dropped markedly. After a huge jump in February, the **services** confidence index continued to rise in March, and was the only sector to return to positive range. Respondents were more positive than in February about the overall business climate and turnover in the past and next period.

In March, companies' propensity to hire strengthened for the fifth month in a row, and although the month-on-month improvement was minimal, the share of companies planning to expand was again slightly higher than the share of those planning to cut. All sectors showed improvement in March. The fear of unemployment of households eased, too. March saw a continuation of the significant slowdown in the intentions of the business sector to **raise prices**, which was ongoing for months, with only a quarter of companies, including commercial enterprises, preparing to raise prices. In August last year, this ratio was two-thirds. Intentions to raise prices were the strongest in construction. Inflationary expectations of consumers decreased further slightly. In March, the assessment of the perspectives of the **Hungarian economy** continued to improve in every industry and among households as well.

After February, **GKI's consumer confidence index** rose significantly in March. In March, the assessment of households' own financial situation improved significantly compared to the previous month, while their ability to save improved slightly. Households perceived both

current and future purchasing opportunities for high-value consumer durables to be 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	I.	-7.8	-56.6	-20.5
	II.	-6.4	-51.9	-18.2
	III.	-3.2	-43.8	-13.8

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