



24 APRIL 2023

GKI'S ECONOMIC SENTIMENT INDEX FELL IN APRIL AFTER FIVE MONTHS OF GROWTH

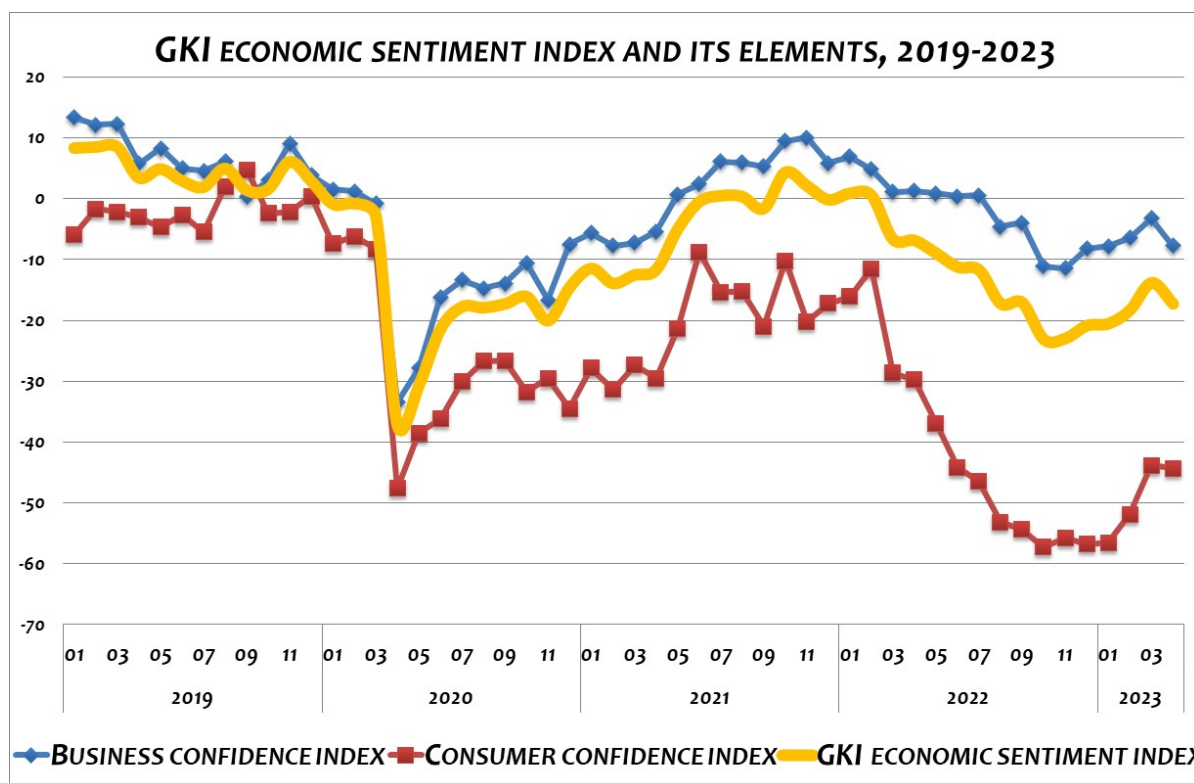
In April, business expectations fell back to their level at the beginning of 2023, and the consumer confidence index also declined slightly. According to a survey conducted by GKI Economic Research Co. with the support of the EU, expectations in the business sector deteriorated, especially in industry and services. However, intentions to raise prices in all sectors and consumers' inflationary expectations declined significantly.

In recent months, the mood in the **business** sector was rather mixed. In April, expectations in construction, one of the most pessimistic sectors, improved, whereas confidence indicators fell in other sectors. In **industry**, the decline was caused by a deteriorating assessment of the stock of orders and production prospects. However, the assessment of inventories and export orders improved slightly. The mood in **construction** improved slightly in April, after a major deterioration in March. The outlook for structural engineering improved, whereas that for civil engineering deteriorated. In construction, satisfaction with output in the previous three months was markedly worse, with the assessment of the stock of orders improving, though only within the statistical margin of error. The **trade** confidence index continued to fall in April after improving at the beginning of the year. The assessment of sales positions deteriorated significantly, while that of expected orders became slightly less favourable. However, the stock level was perceived as slightly more favourable by respondents. The **services** confidence index returned to negative range in April. Compared to March, the assessment of the business climate and the turnover for the past period and for the next one all deteriorated.

In April, companies' **propensity to hire** strengthened for the sixth month in a row, and although the month-on-month improvement was minimal, the share of companies planning to expand was slightly higher than the share of those planning to cut for the second month in a row. The only exception was the construction industry. Improvement in April was typical for all sectors except services. The fear of unemployment of households eased, too. In April, the significant slowdown in intentions to **raise prices** that had been under way for six months continued in all sectors of the business sphere. In the retail sector, for example, only a quarter of companies were planning to raise prices in the next three months, while just over 10 per cent were planning to cut prices (almost two-thirds did not intend to change their prices). Compared to March, the share of those planning to increase prices was 13 percentage points lower, whereas the share of those planning to decrease remained unchanged. In April, intentions to raise prices fell most in construction and were strongest in services. Inflationary expectations of consumers fell sharply to their level of five years earlier. After a great improvement in the autumn and winter, the assessment of the future situation of the **Hungarian economy** remained unchanged in April in the business sphere, but it deteriorated slightly among consumers.

GKI's consumer confidence index fell slightly after rising from an extremely low level in February and March. In April, households' assessment of their own financial situation was similar to the previous month. Households assessed the amount of money they could spend on high-value con-

sumer goods as slightly more favourable than before, but still very modest. Although the assessment of the current savings situation worsened in April, the view for the next twelve months improved slightly.



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
	03	-3.2	-43.8	-13.8
	04	-7.7	-44.3	-17.2

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)