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AFTER A FALL IN APRIL, GKI'S ECONOMIC SENTIMENT INDEX ROSE SLIGHTLY IN MAY

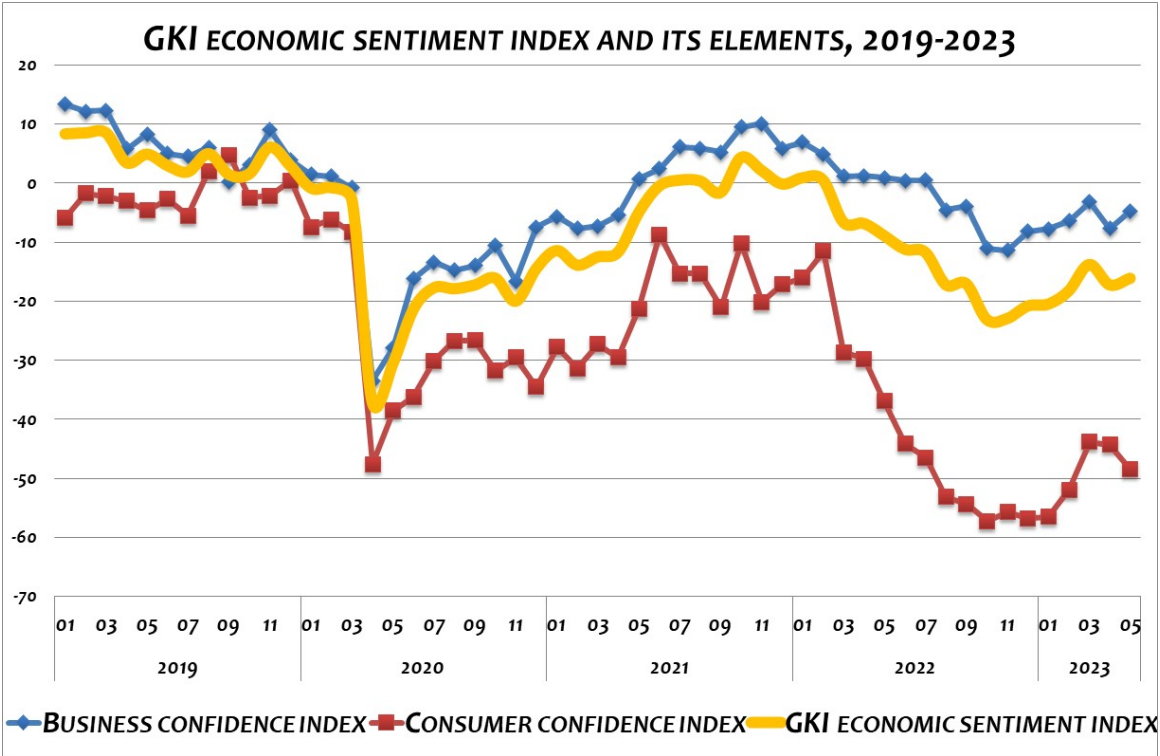
Although GKI's economic sentiment index rose in May compared to April, it still did not reach its March level. Business expectations also remained worse than in March, despite an improvement in May. Consumer expectations deteriorated in May compared to April. However, according to the empirical survey conducted by GKI Economic Research Co. with the support of the EU, both businesses and households were less pessimistic than last autumn's low. In May, perceptions of the employment situation continued to improve among both companies and households, while intentions to raise prices stopped.

Within the **business** sphere, expectations improved to varying degrees in May in all sectors except construction. The **industrial** confidence index rebounded to its March level after a sharp fall in April. The assessment of production, incoming orders and inventories for the last period improved, and the production outlook became more positive. Only the opinion on export orders deteriorated slightly. Expectations of **construction** companies was noticeably worse in May; and the last time it was worse than this was in the spring of 2020, during the Covid pandemic. Compared to April, the prospects of civil engineering improved, but those of structural engineering worsened. In construction, satisfaction with output in the previous three months improved within the statistical margin of error, whereas the assessment of incoming orders deteriorated significantly. Although the **trade** confidence index rose to an eight-month high in May after a two-month decline, it remained by far the most pessimistic sector after construction. The assessment of the sales position was moderate, that of incoming orders improved significantly, and that of inventories became slightly more favourable. The **services** confidence index rose slightly in May, reflecting an improvement in general business climate and sales expectations.

In May, companies' **propensity to hire** strengthened for the seventh month in a row, and although the month-on-month improvement was minimal, the share of companies planning to expand was higher than the share of those planning to cut for the third month in a row. The only exception was construction, where, in addition, the propensity to hire deteriorated further in May. The fear of unemployment of households also declined slightly in May. This month saw a halt to the significant slowdown in intentions to **raise prices** in the business sphere, which had been underway for half a year. Although the intention to raise prices increased mostly in trade, it was still much smaller than before. In the construction industry, however, intentions to raise prices was even more restrained in May than in April, which was the most modest of the sectors anyway. Inflationary expectations of consumers strengthened markedly in May, but they were much lower than in previous months. The assessment of the future state of the **Hungarian economy** had improved for the seventh month in a row, with some fluctuations in the business sector and among households, but the big improvement in autumn and winter lost much of its momentum.

GKI' consumer confidence index fell in April and May, following a significant rise in February and March. In May, households felt their current financial situation slightly worse than

in April, and they felt the expected situation for the next year significantly worse. The opinion of households on the possibility of purchasing high-value consumer goods deteriorated in May, too. The assessment of the current savings situation also worsened slightly, whereas the outlook for the next 12 months improved slightly compared to April.



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 weighted 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 incoming orders and inventories, and on production expectations. The construction confidence index is the average of the perception of incoming orders 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 compiled from responses to questions concerning the past and expected financial position of households, the expected economic situation of the country, and the prospects for purchasing consumer durables.

GKI ECONOMIC SENTIMENT INDEX AND ITS ELEMENTS, 2019-2023

Year	Month	Business confidence in-	Consumer confidence index	GKI economic sentiment in-
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
	05	-4.7	-48.5	-16.1

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