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IN JUNE, GKI'S ECONOMIC SENTIMENT INDEX FELL TO ITS LEVEL AT THE BEGINNING OF THE YEAR

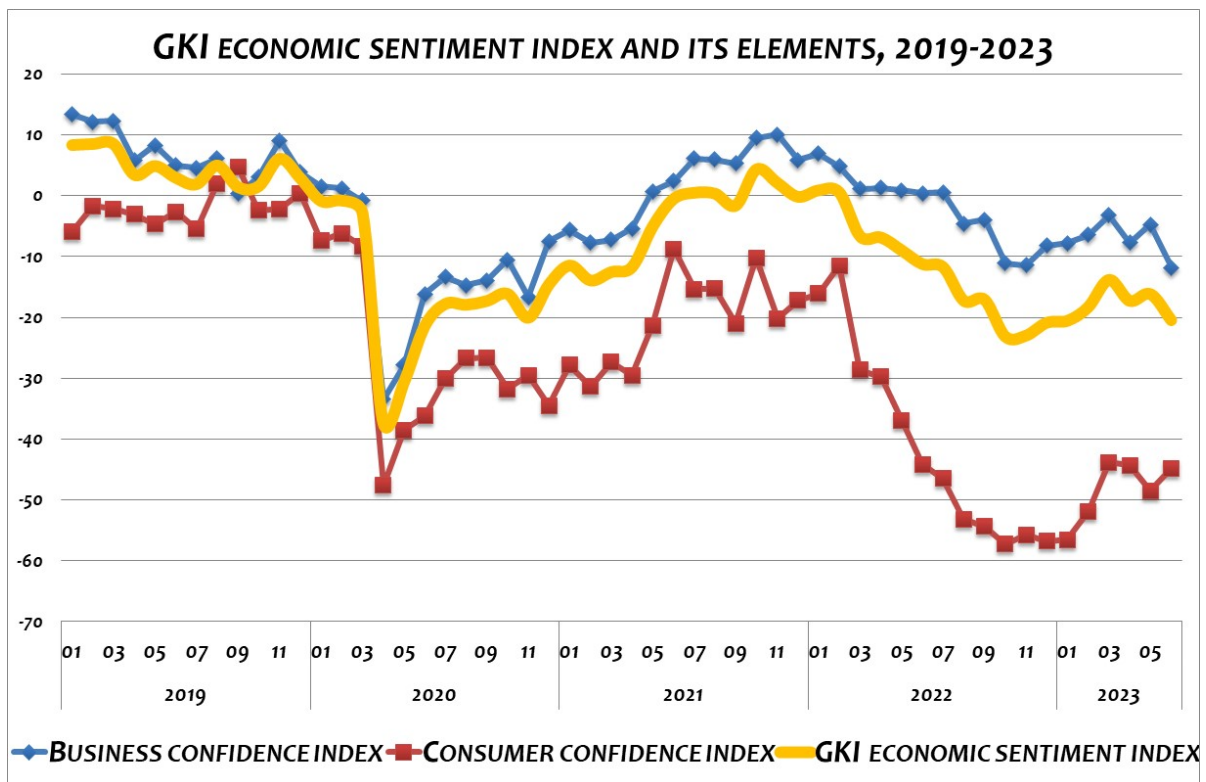
According to a survey conducted by GKI Economic Research Co. with the support of the EU, business expectations deteriorated markedly in June, falling back to their October-November 2022 level, their latest low. At the same time, consumer expectations improved. In June, employment expectations in the business sector deteriorated sharply; however, the fear of unemployment of households eased compared to May. Companies' efforts to increase prices declined further, and consumers' inflationary expectations also eased.

The outlook for the **business** sector deteriorated significantly in June, with confidence in the future falling in all four sectors surveyed. The contraction in demand due to high inflation was therefore having a strong negative impact. This was also reflected in the fact that companies' efforts to increase prices continued to fall significantly. In June, the services confidence index fell to a 5-month low, the industrial one to a 7-month low and the construction and trade ones to a 38-month low. Although the perception of recent production in **industry** did not change, the assessment of incoming orders, inventories and production prospects also deteriorated. In **construction**, satisfaction with output in the previous three months worsened significantly, while the assessment of incoming orders deteriorated slightly. In **trade**, the assessment of sales positions and incoming orders deteriorated sharply, while that of inventories became only slightly less favourable. In **services**, the general business climate deteriorated slightly, but turnover expectations worsened significantly.

After four months of improvement, business **propensity to hire** deteriorated markedly in June. Once again, those planning to reduce their workforce outnumbered those planning to expand. The difference between these two proportions was smallest in industry (where the proportion of those who were pessimistic was barely higher than that of those who were optimistic) and largest in construction (where the pessimists were in the vast majority). At the same time, the fear of unemployment of households fell further to a 13-month low.

In June, the **intentions of the business sector to raise prices** fell significantly to their lowest level for almost seven years. Inflationary expectations of households declined in June, after strengthening in May, and were essentially back to their April levels. After five months of improvement, the assessment of the future situation of the **Hungarian economy** in the business sector dropped significantly in June to a level not seen since the Covid crisis. However, it continuously improved among households for the sixth month in a row.

After the fall in May, the **GKI consumer confidence index** increased noticeably in June, and its value essentially returned to its April level. In June, households felt that their current financial situation and expectations for the following year were better than in May. The opinion of households on the possibility of purchasing high-value consumer goods also improved.



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
	06	-11.8	-44.8	-20.4

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