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GKI'S ECONOMIC SENTIMENT INDEX ROSE TO A FIVE-MONTH HIGH IN AUGUST

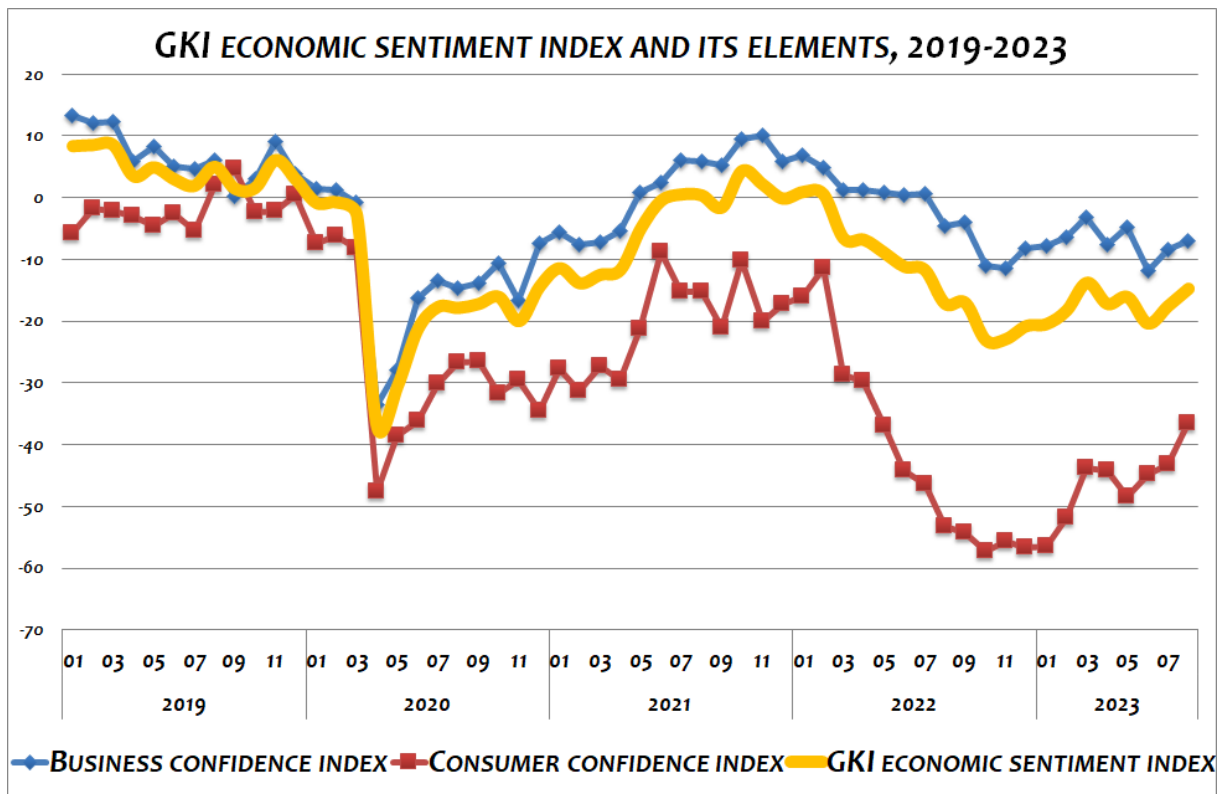
According to a survey conducted by GKI Economic Research Co. with the support of the EU, Hungarian households' and business expectations improved markedly in August, thus GKI's economic sentiment index reached its five-month high. In the eighth month of the year, the relatively favourable employment and price increase intentions of companies did not change significantly compared to July.

After July, the **GKI business confidence index** rose modestly in August as well, but the big drop in June was still not recovered. In the last summer month, the sectoral outlook improved, with the exception of construction. In **industry**, the perception of production over the past three months improved, and that of the stock of orders remained unchanged, whereas the perception of inventories became more favourable and the production outlook also improved markedly. In **construction**, however, satisfaction with the production in the preceding quarter and the assessment of the stock of orders also deteriorated significantly. In **trade**, the evaluation of the sales position became less favourable, the perception of the stock of orders became better than the previous month, while unchanged inventories were reported by respondents. In **services**, although the evaluation of the general business climate deteriorated, that of sales expectations for the near future improved slightly. The most pessimistic sector at the moment was clearly construction, but trading companies were also quite pessimistic.

Households' mood continued to improve during the summer months, as a result of which the **GKI consumer confidence index** reached its 16-month peak in August. In the eighth month, the indicators that make up the consumer confidence index all moved in a positive direction. Both the assessment of own financial position over the past 12 months and expectations for the next 12 months improved substantially. The perception of money that can be spent on high-value consumer goods also became more favourable.

Businesses' **propensity to hire** improved slightly further in August, with the same prospect of redundancies and staff increases. Pessimists were in the majority in industry and construction, while optimists were in the majority in trade and services. Fear of unemployment among households only changed within the statistical margin of error compared to July.

In August, the intentions of the business sector to **raise prices** and the inflationary expectations of consumers also changed within the statistical margin of error compared to July. The perception of the future situation of the **Hungarian economy** in the business sphere hardly changed, while households became slightly more optimistic after a minor fluctuation in July.



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

Year	Month	Business confidence in-	Consumer confidence index	GKI economic sentiment in-
2023	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
	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
07	-8.5	-43.2	-17.5	
08	-7.1	-36.5	-14.7	

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