

## GKI'S ECONOMIC SENTIMENT INDEX HARDLY CHANGED IN DECEMBER

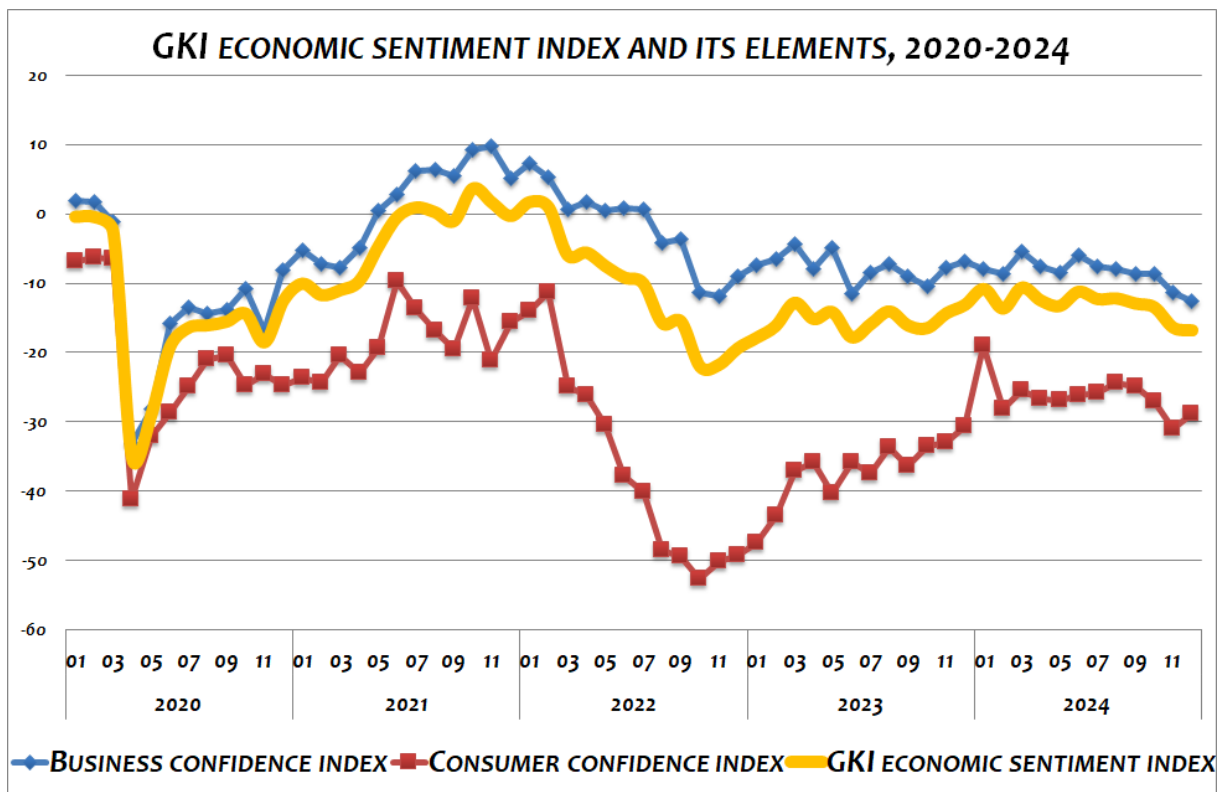
According to the empirical survey conducted by GKI Economic Research Co. with the support of the EU, the outlook for the business sector deteriorated further in December, but consumers became slightly more optimistic. GKI's business climate index has been falling in small steps but essentially flat in the second half of this year, slipping to an 18-month low in December. Firms' employment plans were little changed from November, but the predictability of the business environment deteriorated markedly. Firms' plans for price increases increased markedly, and households' inflation expectations rose slightly compared with the previous month.

**GKI business confidence index** fell by 1 point in December compared to November. This was enough to push this indicator to a 39-month low. The **industrial confidence index** fell by 2 points compared to the previous survey, while the indices for **construction, retail traders** and **business services** were within the statistical margin of error. Again, retail trade is the least optimistic sector and business services the most optimistic.

**The overall propensity to hire** of businesses was not significantly changed compared to November - employment intentions strengthened in industry and services, while weakening in construction and trade. **The perception of the predictability of the business environment** deteriorated sharply in December after November, bringing this indicator to a 24-month low.

The **aggregate price increase plans** of the business sector rose markedly compared to the previous month, bringing this indicator to a two-year high. The change in one month was relatively mild in the retail sector, while price increase plans for industrial and construction producers and service providers jumped sharply.

In December, after three months of decline, the **GKI consumer confidence index finally rose by 2 points** compared to the previous month. The perception of the financial situation in the past 12 months and the outlook for the next 12 months also improved compared to November. In addition, expectations for the country's economic situation over the next year have also improved. However, there was a slight deterioration in the assessment of own money to be spent on high value consumer goods. **The inflation expectation of the population continued to rise slightly**, while the unemployment expectation remained unchanged.



#### EXPLANATION TO THE METHODOLOGY:

In line with the methodology used by the European Commission, GKI surveys the expectations of industry, trade, construction, service sector and households (consumers) 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.

The consumer confidence index is the arithmetic average of balance indicators calculated from responses to questions on households' perceptions of their financial situation in the past 12 months, their financial prospects for the next 12 months, the expected development of Hungary's economic situation and their prospects for buying consumer durables.

GKI publishes seasonally adjusted data by using appropriate mathematical 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).

## GKI ECONOMIC SENTIMENT INDEX AND ITS ELEMENTS, 2020-2024

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2020	01	1.9	-6.9	-0.4
	02	1.6	-6.3	-0.4
	03	-1.1	-6.4	-2.5
	04	-33.1	-41.2	-35.2
	05	-28.1	-32.0	-29.1
	06	-15.9	-28.7	-19.2
	07	-13.4	-24.9	-16.4
	08	-14.3	-21.0	-16.1
	09	-13.8	-20.5	-15.5
	10	-10.8	-24.7	-14.4
	11	-16.9	-23.1	-18.5
	12	-8.2	-24.7	-12.5
2021	01	-5.3	-23.7	-10.1
	02	-7.3	-24.5	-11.7
	03	-7.7	-20.4	-11.0
	04	-5.0	-23.0	-9.7
	05	0.4	-19.4	-4.7
	06	2.8	-9.7	-0.5
	07	6.1	-13.7	0.9
	08	6.3	-16.9	0.3
	09	5.5	-19.5	-1.0
	10	9.3	-12.2	3.7
	11	9.7	-21.2	1.7
	12	5.1	-15.7	-0.3
2022	01	7.3	-14.0	1.7
	02	5.3	-11.3	1.0
	03	0.7	-24.9	-5.9
	04	1.6	-26.1	-5.6
	05	0.5	-30.5	-7.5
	06	0.9	-37.8	-9.2
	07	0.6	-40.2	-10.0
	08	-4.3	-48.5	-15.8
	09	-3.7	-49.4	-15.5
	10	-11.3	-52.7	-22.0

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2023	11	-11.8	-50.2	-21.8
	12	-8.9	-49.2	-19.4
	01	-7.5	-47.5	-17.9
	02	-6.6	-43.5	-16.2
	03	-4.3	-37.0	-13.8
	04	-7.9	-35.8	-15.2
	05	-5.0	-40.3	-14.2
	06	-11.5	-35.8	-17.8
	07	-8.4	-37.4	-15.9
	08	-7.2	-33.6	-14.1
	09	-9.0	-36.4	-16.1
	10	-10.5	-33.5	-16.5
2024	11	-7.8	-33.0	-14.4
	12	-6.9	-30.7	-13.1
	01	-8.0	-19.0	-10.8
	02	-8.6	-28.1	-13.7
	03	-5,4	-25.5	-10.6
	04	-7.5	-26.7	-12.5
	05	-8.5	-26.9	-13.3
	06	-6.0	-26.1	-11.2
	07	-7.5	-25.9	-12.3
	08	-8,0	-24,3	-12,2
	09	-8.7	-25.0	-12.9
	10	-8.7	-27.1	-13.5
11	-11.3	-31.0	-16.4	
12	-12.6	-28.8	-16.6	

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