

# Growth and Stagnation

The population's economic situation assessment and the incumbent party's support

Monthly series published by 21 Research Center



## Executive Summary

In March, the 21 Research Center published its [monthly analysis](#) examining the relationship between the population's economic expectations, certain important financial changes affecting the country's financial and social situation, and the support of the respective incumbent parties.

The [growth of the GKI consumer confidence index](#) lasted throughout the entire second quarter, with the indicator approaching the fourth month in June, though the rate of improvement is lower than in the previous two months. However, the government's popularity has risen by just one percentage point among party voters, approaching the data measured in early spring and has not changed in the overall population. Hence, in sum, stagnation has been observed in recent months.

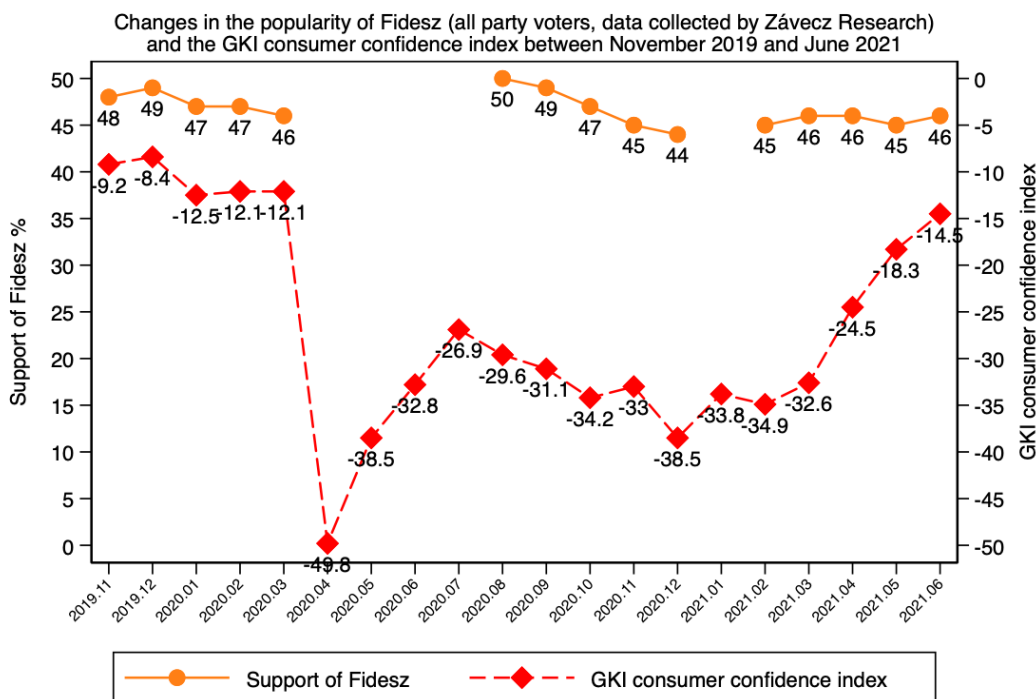
The correction thus continued: as experienced before the pandemic, the difference between the level of the consumer confidence index and government support was low, the two moving closely together. The gap widened unexpectedly during the pandemic, but after the third wave, the "old order" – i. e. the pre-pandemic correlation – is being restored.

According to our analysis, there are two possible explanations as to why the government could not benefit more spectacularly from the intensifying optimism that followed the reopening. Even in the more severe period of the crisis, there was a form of patience among a wide range of voters: many did not attribute the perceived difficulties to the government. It is therefore not particularly surprising that the lifting of pandemic restrictions is not seen as a sign of government success either. According to the other feasible explanation, the growing optimism is more about the future as the expectation for the next 12 months is indeed a significant improvement, but the experience of the last 12 months – and especially the perception of inflation – has not changed positively at all. Based on the second hypothesis, voters will only be grateful for the government if they perceive improvement in the present, and not just in the future.

## Recent Trends

As of our analysis in May, its title and the concluding remark referred to the question whether we can return to the pre-pandemic situation. Examining the data measured in June, the population’s assessment suggests that we are approaching the “usual”. The correlations we have previously established between the two main indicators are also slowly returning to the tendency of recent years, according to which the popularity of the incumbent party follows the movement of the consumer confidence index, lagging behind with a few months.

The [growth of the GKI consumer confidence index](#) lasted throughout the entire second quarter, with the indicator approaching the fourth month in June, though the rate of improvement is lower than in the previous two months. Inspecting the more detailed data, expectations for the future generate more favourable tendencies. However, the population believes that their financial situation and savings opportunities have already been improving over the past two months. The assessment of the last 12 months – measured in June – was not converging significantly to what was experienced before the crisis caused by the pandemic. In addition, the perception of inflation in the past was outstanding, reaching its worst value during the examined period. (The consumer confidence index summarizes it all.)



Source: Závecz Research Piac- és Társadalomkutató Intézet (Závecz Research Institute for Market and Social Research) GKI Gazdaságkutató Zrt. (GKI Economic Research Co.)

In June, the support of the governing party amongst all groups of voting age did not change compared to May, while there was a very slight improvement compared to the previous month amongst all party voters, approaching the values experienced in the first two months of spring. Since the beginning of the year, the popularity of Fidesz-KDNP has essentially stagnated amongst party voters, but recent data shows co-movement between the two main indicators. However, the degree of their fluctuation still differs.

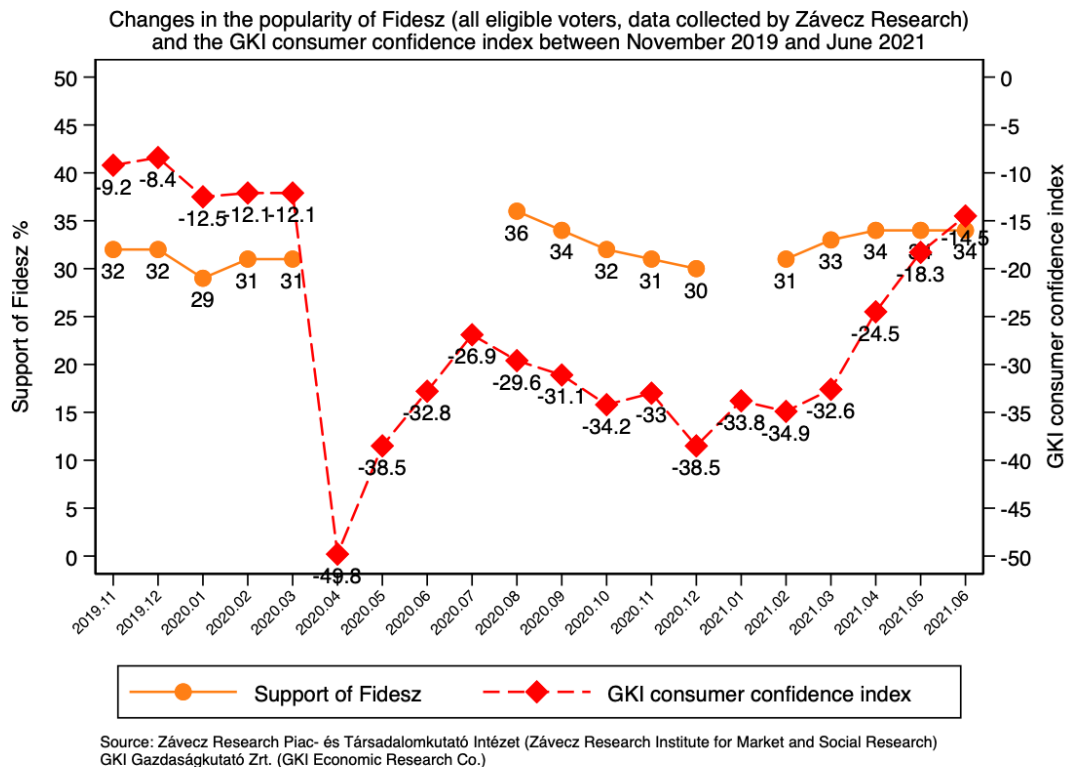
## About Causes

By the beginning of June, the third wave of the pandemic was over according to [official data](#) and government communications, and the restart procedure as well as the lifting of many restrictions resulted in a cautious optimism by the end of the half year.

This caution is further supported by [Ipsos' monthly data](#) on the domestic population's responses to Covid-19. When asked about the ending of restrictive measures in Hungary after the third wave and when everything could return to its previous order, expectations are divided, and Hungarians are becoming more and more sceptical as the months go by. About one-third of the population (37%) believes that domestic restrictions will be lifted by September at the latest, while 28% expects the easing of measures in September or even later. However, 16% of the population says the restrictions will never go away, and one in every five residents is uncertain about the issue. Examining the first half of 2021, the pessimistic mood of the population in the first quarter found in the results of the GKI consumer confidence index was further supported by [Eurobarometer's survey](#). During the spring surveys, most respondents (50%) indicated uncertainty (amongst others) to describe their current emotional state, and most (38%) believed that the coronavirus pandemic had an impact on their financial situation. In Hungary, the ratio was reversed compared to the EU average (41%): 60% of the respondents said that the economic damage outweighed the health benefits of the restrictive measures.

At the same time, according to the Eurobarometer survey, hope (39%) came second in the ranking of feelings, and although half of the respondents believed that things are going in the wrong direction in Hungary, this rate is not outstanding. Additionally, the percentage of respondents (39%) who believe that Hungary is going in the right

direction is higher than the EU average (32%). This resonates with the more positive situation assessment measured in the second quarter as well as the improvement in the consumer confidence index (especially the indicators for the future) and the level of support for the ruling party. For the fourth month in a row, the government party's popularity for all surveyed citizens of voting age has exceeded those experienced in early 2020.



At the end of the first half of the year, inflation perceptions of the past are outstanding, and although inflation expectations have improved compared to May, they remain high. The spill-over effect of price increases may explain why the shift in the support of Fidesz-KDNP is still much smaller than one might expect based on the improved economic situation assessment. [Inflation developments](#) may have also directly resulted in the consumer confidence index's lower improvement rate this month than in the previous two months. Overall, the trend experienced in the second quarter continues - i. e. the return to pre-crisis situation - as the examined indicators approach the values measured before April 2020.

Written by 21 Research Center

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