

The Tables Have Turned

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

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Executive Summary

In March 2021, 21 Research Centre launched 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 [GKI consumer confidence index](#) deteriorated by August after the four-month long improving trend, which lasted until the end of the second quarter. In spite of this, the ruling party's popularity has somewhat improved, standing at 47 percent amongst party voters by the end of the summer.

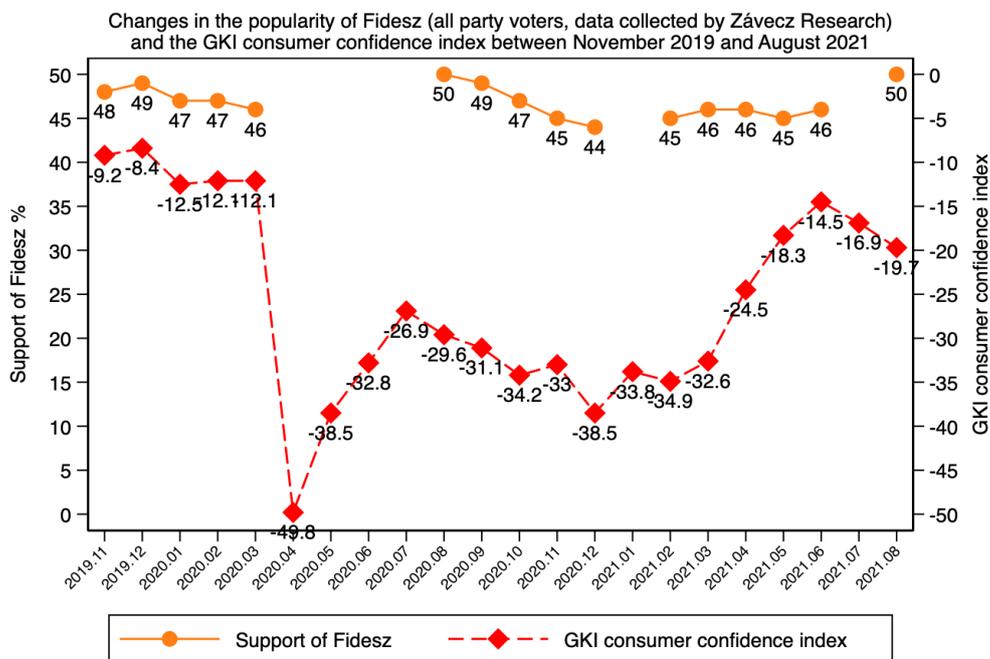
Since the beginning of 2021, Fidesz' support has been essentially stagnant, while the consumer confidence index has been clearly increasing. This trend has changed now, with the gap between the two indicators measured in this analysis widening.

Based on the perceptions for the next one year - measured before the autumn period -, the indicators of economic situation assessment and the perception of unemployment worsened compared to the values measured in June. In fact, these indicators remained high despite the decline in inflation perceptions for the past and the future. However, to a certain degree, the government was able to profit from the more favourable public mood resulting from the latest reopening, and from the more optimistic consumer reviews experienced in summers.

Recent Trends

Based on the values measured in June, the population seemed to believe that we are approaching the “normal” circumstances which characterized pre-pandemic times. However, consumer expectations slightly deteriorated in July and August, while the ruling party's popularity reached 47 percent amongst party voters by the end of the summer. Fidesz's political support followed the previous movements in the consumer confidence index with a short lag.

The GKI consumer confidence index therefore decreased by August after the four-month long improving trend, which lasted until the end of the second quarter. Based on more detailed data about the index, the population has assessed their own financial situation and savings opportunities as improving in the last 2 months. However, based on their perceptions for the next year, both the economic situation assessment and the unemployment indicators worsened compared to those measured in June and have remained high despite the population’s declining perceptions of past and future inflation.

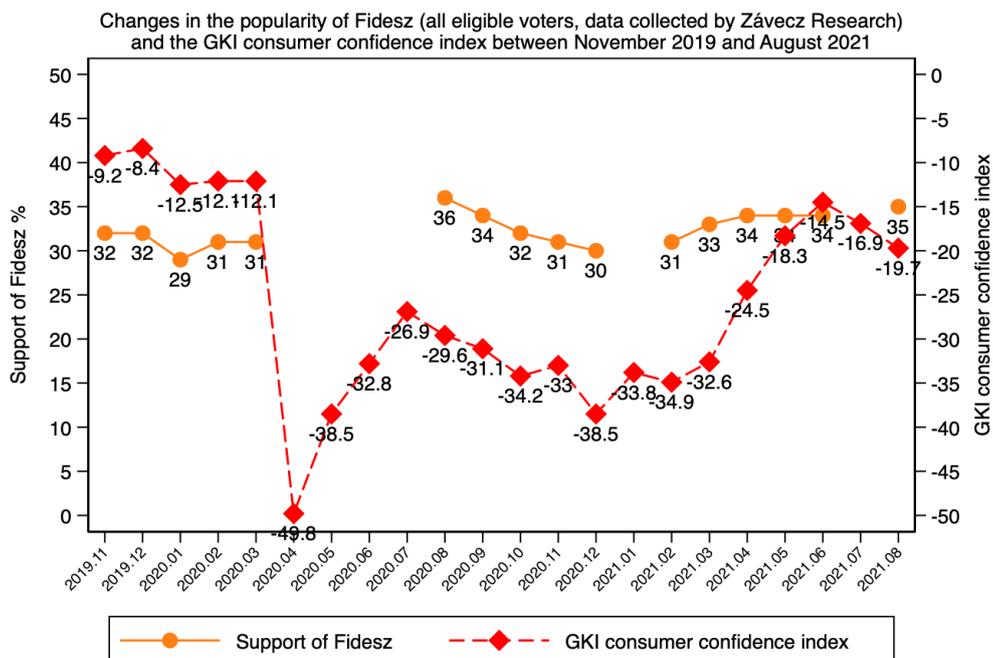


Source: Závecz Research Piac- és Társadalomkutató Intézet (Závecz Research Institute for Market and Social Research) GKI Gazdaságkutató Zrt. (GKI Economic Research Co.)

By August, the support of the ruling party slightly increased amongst all groups of voting age as well as all party voters. From the beginning of 2021, Fidesz' support has been essentially stagnating, while the consumer confidence index has increased unequivocally. This trend has changed now, with the gap between the two indicators measured in this analysis widening.

About Causes

Declines in the consumer confidence index are generally related to the deterioration of two sub-indicators for the future (economic situation and unemployment) and to outstanding values of inflation perceptions and expectations. Hence, the consumers' more negative economic situation assessment may also result from inflation and its impact on [real wages](#). The [extra spending in the summer](#) could drive the price increase - which [eased slightly](#) in the summer - consequent to the previously postponed consumption caused by the pandemic restrictions. Employment rates [increased](#) in the period between June and July, but the growing fear of the population about unemployment could be explained by the uncertainty of possible new restrictions and that of the expiration of seasonal jobs (e.g. tourism, hospitality, commerce, events organization).



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

The positive shift in Fidesz' political support may be the result of the overall improvement in public mood caused by the re-opening after the third wave of the pandemic, as well as a more optimistic economic assessment of the past, and a more positive assessment of one's own financial situation and savings opportunities. In the crisis caused by Covid-19, Hungarian consumers consider the recovery of the economy to be [mainly the task and responsibility of the government](#), and hence the achieved results (e.g. employment) may also affect the level of trust in the government.

Thus, the trend which crystallised in the second quarter has changed in the last two months, which could have meant a return to the pre-crisis situation for the indicators examined.

Written by 21 Research Center

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