

Indian Summer?

The Population's Economic Situation Assessment and the Incumbent Party's Support

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Executive Summary

In March, 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.

By September, the [GKI consumer confidence index](#) deteriorated slightly further compared to the results measured in August. The popularity of the ruling party equaled the values found in August, scoring 47 percent among party voters and 35 percent among all groups of voting age.

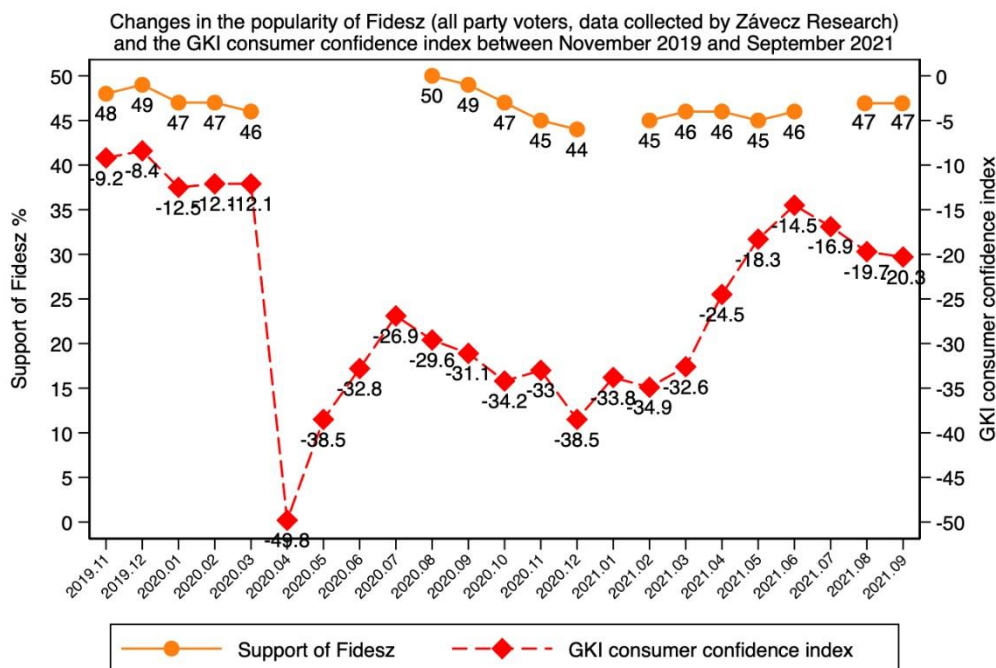
The support of the ruling party has been mostly stagnating since January 2021, while the consumer confidence index showed a clear increase – up until June. The improving economic results experienced in June came to a halt by the beginning of autumn.

In September, inflation expectations and assessments of the future economic situation deteriorated slightly, while financial situation assessments of one's own household deteriorated significantly compared to the previous month. In contrast, perceptions of unemployment improved. Overall, thus, the trend measured at the end of the summer continued to prevail, with the gap between the two indicators measured in our analysis widening.

Recent Trends

Consumer expectations slightly declined by September, while the ruling party managed to keep its popularity at 47% among all party voters. The only indicator steadily approaching its pre-pandemic values is the support of Fidesz. In contrast, the consumer confidence index shows a rather deteriorating trend - with the exception of a sharp rise in June.

By September, the GKI consumer confidence index therefore minimally decreased. However, based on more detailed data on the index, consumer purchase intentions towards high-value goods improved, as well as unemployment expectations. Economic situation assessments deteriorated, alongside expectations for future major investments projected for the coming year. The economic situation assessment of the country had been stagnating in the past, while expectations for the future are presently much worse than in June. Inflation expectations for both past and future increased compared to August and therefore continue to remain high.



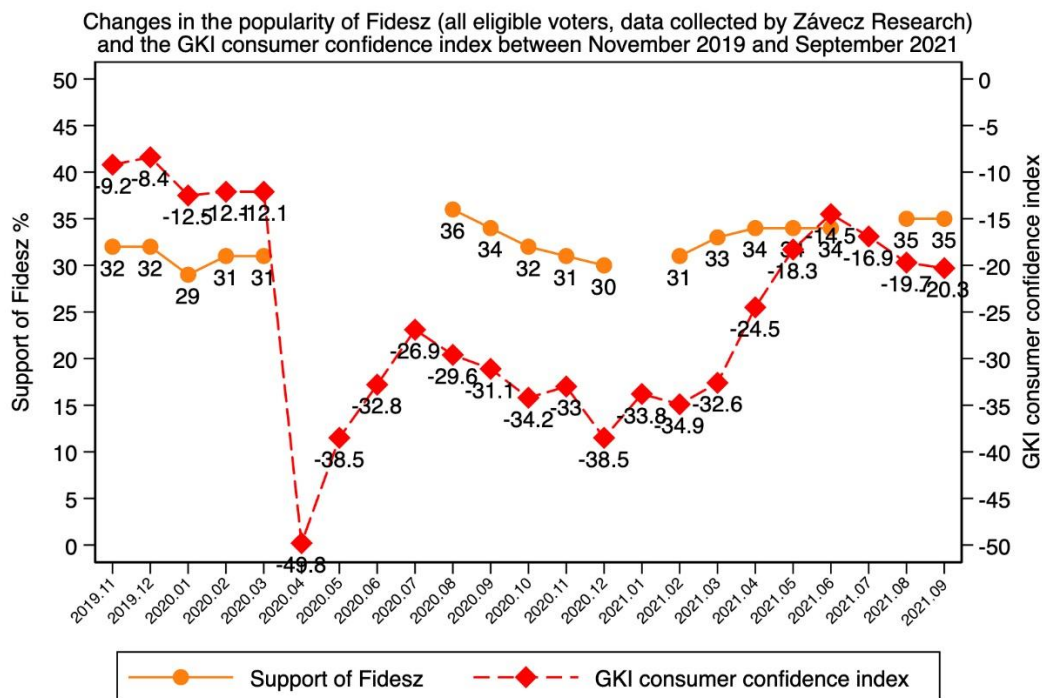
Source: Závecz Research Piac- és Társadalomkutató Intézet (Závecz Research Institute for Market and Social Research) GKI Gazdaságkutató Zrt. (GKI Economic Research Co.)

By September, support for the incumbent party did not increase among party voters. Similarly, it remained the same among all groups of voting age as measured

in August. Due to the change in trend resultant of the movements of the consumer confidence index, the gap between the two indicators examined has been widening since June. The trend measured at the end of the summer continued in September, and the gap between the indicators increased to some extent.

About Causes

The present decline in consumer confidence index can be explained by the deteriorating assessment of individuals' own and the country's economic situation. These indicators are, in turn, accompanied by the [depreciating inflation expectations](#) and the [high levels of inflation in practice](#). During the summer, the population tried to [make up for the loss of consumption](#) caused by the pandemic. However, consequent to the deterioration of our currency, purchasing power and thereby the possibility of a positive economic situation assessment decreased. Perceptions of unemployment are more positive than in August, possibly because of the [persistence of labour shortages](#) despite the cessation of seasonal work and the fact that the population is less afraid of further restrictions for the time being.



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

Fidesz still enjoys high levels of support amongst both bases, which can still be attributed to the government's strategy of lifting the restrictions in the summer and the consequent improvement in public mood. This confidence is also reflected in the fact that the majority of the adult population, with some minor restrictions, would prefer to return to [pre-pandemic life](#) by the beginning of autumn. In addition, they [continue to attribute the resolution of the economic problems faced during the pandemic to the incumbent party](#).

The situation observed in the summer therefore still persists, and the stagnation of the ruling party's popularity potentially stems from the inertia of the indicators. The improving trend measured in June has however changed in the past three months: instead of approaching pre-pandemic values, the value of the consumer confidence index continued to decline.

Written by 21 Research Center

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