

Not So Scary Anymore?

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

October 2021



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.

After three months, the [GKI consumer confidence index](#) increased significantly (-15.2) in October - despite the approach of another Covid-19 wave -, thereby nearing the values measured in June (-14.5) which are the highest since the beginning of the pandemic. However, there has been a slight decline in the popularity of the governing parties.

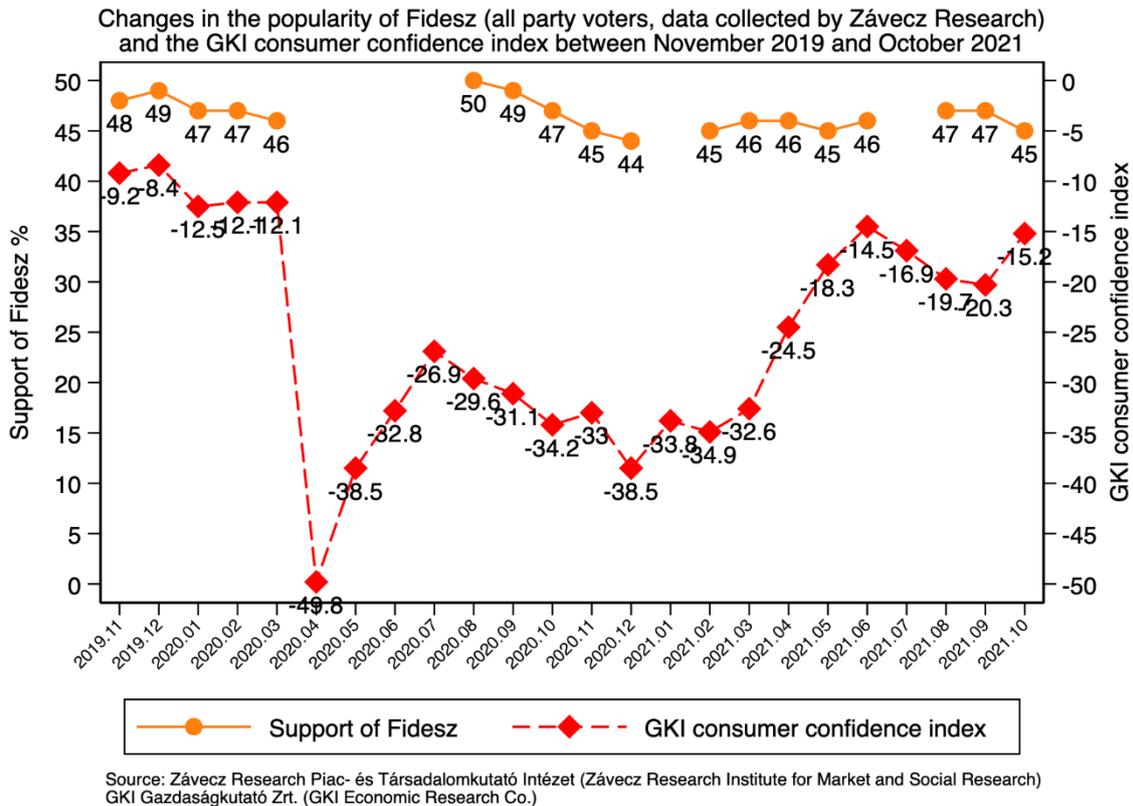
Albeit approaching the pre-pandemic values, the situation in October is similar to that in [June](#): the government was unable to benefit from the more favorable consumer assessment.

Recent Trends

Consumer expectations clearly improved by October, while the ruling party's popularity deteriorated somewhat on both bases measured.

In comparison to the previous month, more detailed data on the population's economic expectations indicate that individuals' perception of their own financial situation as well as their opinion on the possibility of purchasing high-value goods significantly improved. In addition, the population's own economic situation assessment has not been this favourable since 2019. Other positive trends can be observed in the public's assessment of the economic situation of the country or in individuals' perceived ability to save for next year, which has been consistently improving for the last six months. An interesting nuance, however, concerns inflation expectations which remained high since September, and the unemployment rate which slightly deteriorated.

After a decline, support for the ruling party rose to 45 percent amongst party voters and 34 percent amongst all groups of voting age by October. The party's popularity therefore followed the deterioration of the consumer index with a slight lag.



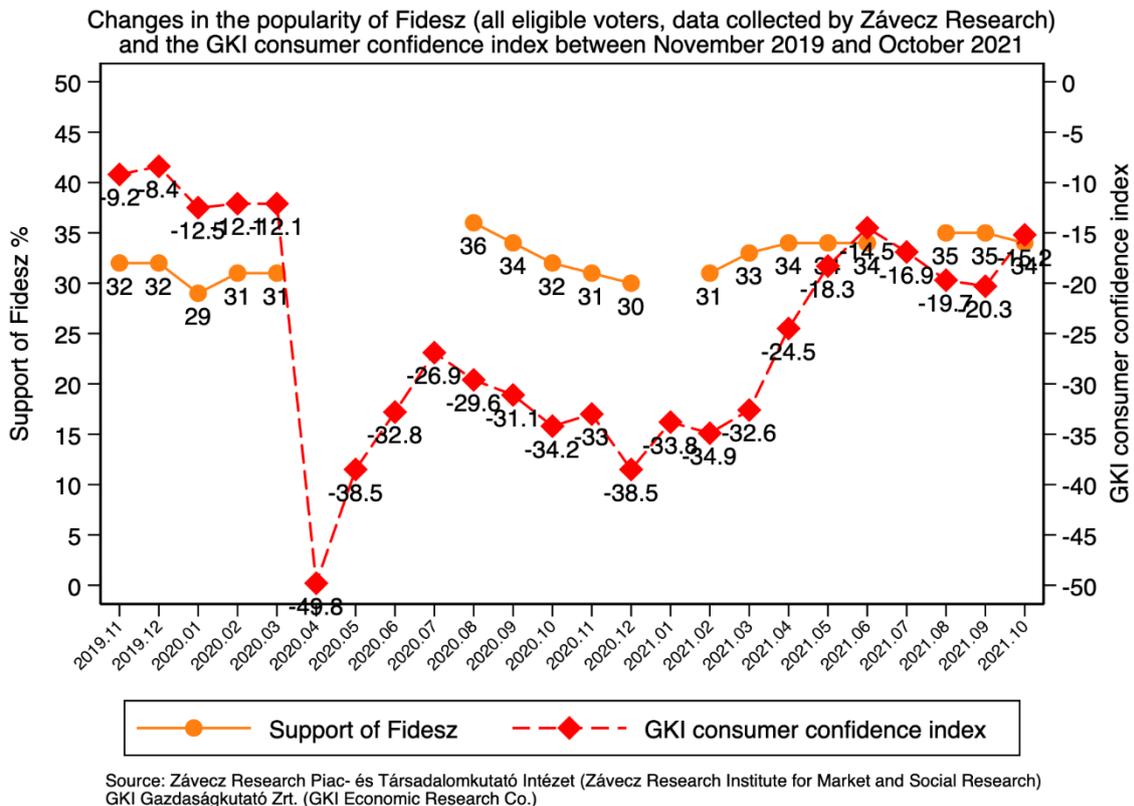
Since the beginning of 2021, the support of Fidesz has been fluctuating but not to the extent the consumer index has - as illustrated by its latest peak. In October, the two indicators we examined began to converge as a result of this increase in the movement of the consumer confidence index and the one-to-two percent drop in government data.

About Causes

According to the [study](#) published by Ipsos in October, the population was increasingly certain that the fourth wave of the pandemic would occur, and yet they were less cautious in their daily lives than during previous times with a high rate of infections. The results indicate that Hungarians expected that the pandemic would intensify but they did not deem restrictions to be proper guarantees of security.

As shown in our previous [analysis](#), pandemic management and restrictions influence the population’s assessment of the economic situation and the governing party, Fidesz. After lifting the restrictions in the summer, the government did not introduce the usual precautionary measures taken in previous waves until the first half of

October, which may have contributed to a more optimistic public assessment for the time being, thus improving the overall consumer confidence index. In the event of a crisis, the increase in savings is not uncommon, and the long-term improvement in the ability to save may be due to the caution caused by the pandemic and - with the exception of the summer spendings - the effect of a more restrained consumption.



Examining the economy in context, the minimal loss of confidence in the ruling party may have been caused by the spillover effect of the dissatisfaction with the previous three months' economic situation, indirectly by the current price increases (e.g. of [fuel](#), or certain [food products](#)), and the deteriorating trends of the [fourth wave](#) as well as the uncertainties and caution caused by possible restrictions.

The trend over the past three months has changed, with the current status in October approaching pre-pandemic levels, similar to those measured in June.

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