



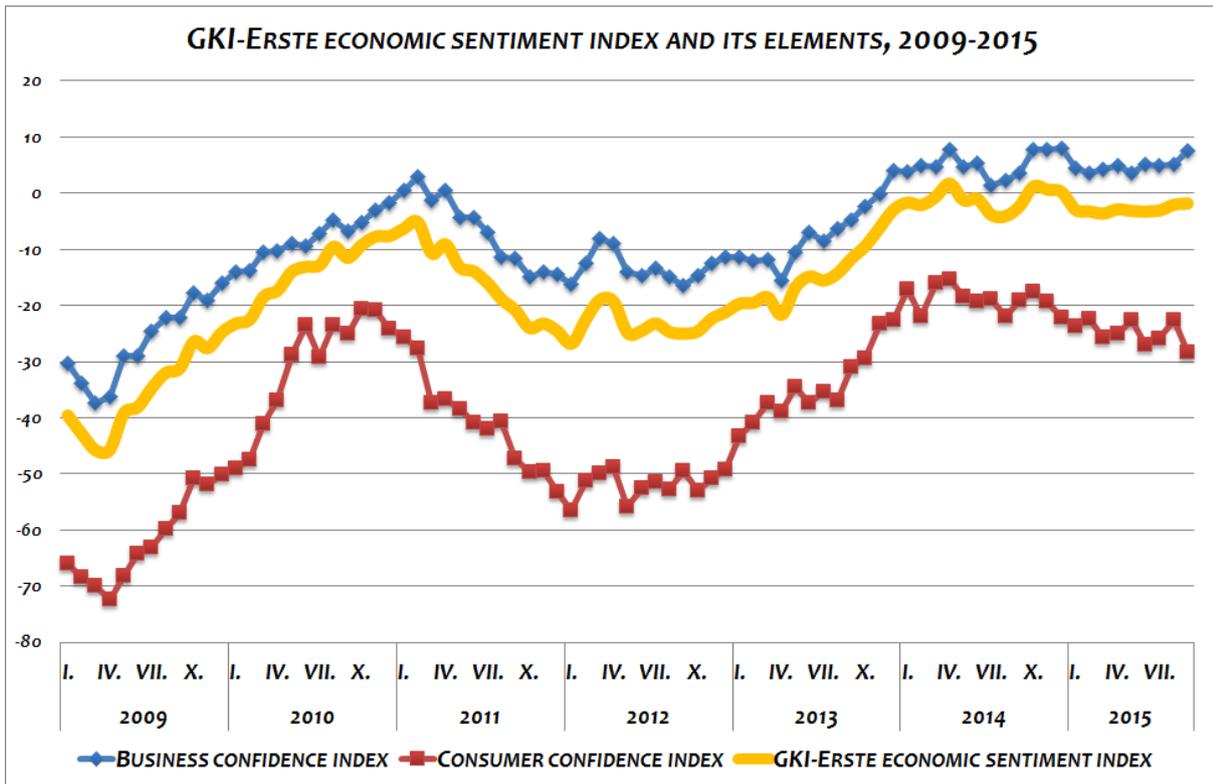
IMPROVING BUSINESS, DETERIORATING CONSUMER EXPECTATIONS

In September the GKI-Erste economic sentiment index adjusted for seasonal effects reached this year's peak; however, the degree of optimism was somewhat lower than at the end of last year. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, in September business expectations reached their peak this year, whereas consumer ones deteriorated to their lowest level in the past two years.

In September, expectations became more upbeat over August in all sectors of the **business sphere** except for trade. **Industrial** expectations reached the level at the end of last year. Respondents considered the level of stocks declining, whereas the assessment of production prospects improved compared to August. However, the assessment of the production of the preceding period and the stock of orders (including exports) deteriorated. The **construction** confidence index increased noticeably both in August and September. The assessment of production in the preceding quarter and that of orders also improved. Although the **trade** confidence index fell slightly both in August and September, it remained within the relatively narrow band in which it had fluctuated in the past one and a half years. The evaluation of the sales positions deteriorated slightly and that of expected orders fell noticeably. However, the assessment of inventory levels improved. **Service companies** became more optimistic as a result of the more favourable assessment of the general course of business, trade turnover and sales outlook.

The intentions of **employment** deteriorated in industry and markedly in trade, whereas they picked up in construction and services. The fear of unemployment of households increased significantly. In most sectors (with the exception of trade) the share of those expecting **price increase** was almost equal to that of those anticipating reduction. Although in trade the number of companies intending to increase prices exceeded those anticipating reduction, their number decreased in September compared to August. The inflationary expectations of consumers remained unchanged. The evaluation of the prospects of the **Hungarian economy** deteriorated significantly in all sectors (except construction) and among consumers as well. However, pessimists were in the majority in construction, too.

Following an increase in August, **GKI consumer confidence index** dropped by a larger extent in September. Similarly to previous election cycles, the trend has been falling for one and a half years; however, the rate of decrease has been more moderate than usual. Both the assessment of consumers' own financial position and the prospects of their saving capacity turned worse for the next 12 months compared with the previous one. Households considered the possibility of purchasing high-value durables somewhat worse as well.



EXPLANATION TO THE METHODOLOGY:

In line with the methodology used by the EU, GKI surveys the expectations of industry, trade, construction, services and households in the calculation of its business confidence index. GKI-Erste economic sentiment index is the weighted average of the consumer confidence index and the business confidence index.

The business confidence index is calculated from the responses of enterprises in industry, trade, construction and services given to questions concerning the state of business and expectations of turnover and employment. (As far as services are concerned, similarly to the practice of the EU, companies of the financial and public sectors have not been included in the surveys yet.) GKI publishes seasonally adjusted data by using appropriate mathematical methods 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).

The consumer confidence index is calculated from responses given to questions concerning the expected financial position of households, the expected economic and unemployment situation of the country, and the prospects for saving.

GKI-ERSTE ECONOMIC SENTIMENT INDEX AND ITS ELEMENTS, 2009-2015

Year	Month	Business confidence index	Consumer confidence index	GKI-Erste economic sentiment index
2009	I.	-30.3	-66.1	-39.6
	II.	-33.9	-68.5	-42.9
	III.	-37.4	-70	-45.8
	IV.	-36.3	-72.3	-45.7
	V.	-29	-68.3	-39.2
	VI.	-28.9	-64.3	-38.1
	VII.	-24.7	-63.1	-34.7
	VIII.	-22.2	-59.8	-32
	IX.	-22.1	-56.9	-31.2
	X.	-17.8	-50.8	-26.4
	XI.	-19.1	-51.9	-27.6
	XII.	-15.9	-50.1	-24.8
2010	I.	-14.1	-49.1	-23.2
	II.	-13.7	-47.5	-22.5
	III.	-10.5	-41.2	-18.4
	IV.	-10.3	-37	-17.3
	V.	-8.9	-28.7	-14
	VI.	-9.5	-23.4	-13.1
	VII.	-7.1	-29.3	-12.8
	VIII.	-4.7	-23.4	-9.5
	IX.	-6.7	-25	-11.5
	X.	-5.2	-20.6	-9.2
	XI.	-3.1	-20.8	-7.7
	XII.	-1.8	-24.1	-7.6
2011	I.	0.5	-25.8	-6.3
	II.	2.9	-27.7	-5.1
	III.	-1.3	-37.3	-10.7
	IV.	0.6	-36.8	-9.1
	V.	-4.3	-38.5	-13.2
	VI.	-4.4	-41	-13.9
	VII.	-6.9	-42	-16
	VIII.	-11.3	-40.7	-18.9
	IX.	-11.7	-47.2	-20.9
	X.	-14.9	-49.8	-24
	XI.	-14	-49.5	-23.2
	XII.	-14.5	-53.3	-24.6
2012	I.	-16.3	-56.6	-26.8
	II.	-12.4	-51.2	-22.5
	III.	-8.1	-49.9	-19
	IV.	-9	-48.8	-19.3
	V.	-14	-55.9	-24.9
	VI.	-14.6	-52.6	-24.5
	VII.	-13.3	-51.4	-23.2
	VIII.	-14.9	-52.7	-24.7
	IX.	-16.4	-49.5	-25
	X.	-14.6	-53	-24.6
	XI.	-12.4	-50.7	-22.4
	XII.	-11.3	-49.3	-21.2

Year	Month	Business confidence index	Consumer confidence index	GKI-Elste economic sentiment index
2013	I.	-11.3	-43.4	-19.6
	II.	-12.0	-40.9	-19.5
	III.	-11.9	-37.3	-18.5
	IV.	-15.6	-38.9	-21.7
	V.	-10.5	-34.4	-16.7
	VI.	-6.9	-37.3	-14.8
	VII.	-8.6	-35.3	-15.5
	VIII.	-6.3	-36.9	-14.3
	IX.	-4.8	-31.0	-11.6
	X.	-2.3	-29.4	-9.3
	XI.	-0.1	-23.3	-6.1
	XII.	4.0	-22.7	-2.9
2014	I.	3.8	-17.2	-1.7
	II.	4.9	-22.0	-2.1
	III.	4.7	-15.9	-0.7
	IV.	7.7	-15.3	1.7
	V.	4.8	-18.4	-1.2
	VI.	5.4	-19.3	-1.0
	VII.	1.4	-18.9	-3.9
	VIII.	2.2	-21.9	-4.1
	IX.	3.6	-19.1	-2.3
	X.	7.8	-17.6	1.2
	XI.	7.7	-19.4	0.7
	XII.	8.1	-22.1	0.2
2015	I.	4.4	-23.8	-2.9
	II.	3.5	-22.4	-3.2
	III.	4.2	-25.8	-3.6
	IV.	4.9	-25.0	-2.9
	V.	3.7	-22.6	-3.1
	VI.	5.1	-27.0	-3.2
	VII.	5.0	-26.0	-3.1
	VIII.	5.2	-22.7	-2.1
	IX.	7.5	-28.3	-1.8

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