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## GKI ECONOMIC SENTIMENT INDEX DROPPED TO ITS NOVEMBER LEVEL

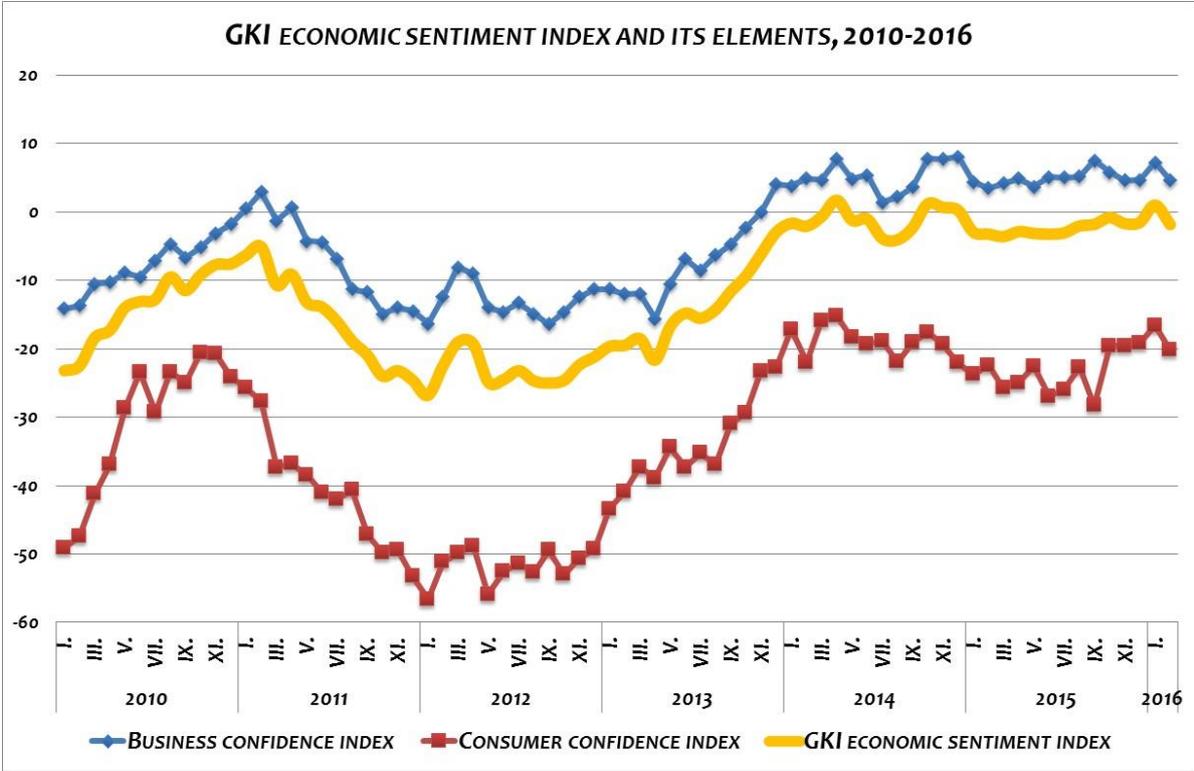
Compared to its very high January level, the GKI economic sentiment index adjusted for seasonal effects decreased by a rate that has not been seen for a year. According to the empirical survey conducted by GKI ([www.gki.hu](http://www.gki.hu)) with the support of the EU, economic expectations deteriorated in all sectors and among consumers as well. However, they still reflect an optimistic mood.

Although the **business confidence index** fell in all sectors, it declined only minimally in trade. The decline in the **industrial** confidence index was not substantial in February. However, following some fluctuations in recent months, its level dropped to that of last spring. The assessment of the production situation did not change compared to January, and production prospects improved slightly; however, the assessment of incoming orders (including export orders) deteriorated. The **construction** confidence index has fluctuated in a narrow band since the beginning of 2015. Following its recent decline, the index almost reached its low level recorded in summer. The assessment of production in the preceding quarter and that of orders dropped significantly in February. The **trade** confidence index fell within the margin of error, thus it continued to remain within the relatively narrow band in which it had fluctuated for more than two years. The assessment of sales positions decreased, and respondents considered the level of stocks declining. The assessment of expected orders was similar to that of January. After its surge in January, the **services** confidence index decreased significantly in February, though by less than it grew in the previous month. The evaluation of the general business climate and sales of the preceding and the subsequent period worsened.

**Intentions to employ** decreased in all sectors except construction, where they remained unchanged. The fear of unemployment of households increased slightly. Although **intentions to increase prices** weakened slightly in industry, they intensified in other sectors, and so did consumers' inflationary expectations. In construction the share of firms anticipating price rises was substantially higher in February than those expecting price reductions. For a long time, these proportions were almost identical. However, the majority of firms expect that sales prices will be unchanged. The assessment of the **perspectives of the Hungarian economy** deteriorated in all sectors, and consumers also became somewhat more pessimistic.

Following a three-month increase, **GKI's consumer confidence index** dropped to its last autumn level in February. Households assessed their financial situation and their savings capacity for the following year much worse than in January. Households considered the

current possibilities of purchasing high-value durables better but their expectations for the next 12 months were declining slightly in this respect.



**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 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 ECONOMIC SENTIMENT INDEX AND ITS ELEMENTS, 2010-2016

| Year  | Month | Business confidence index | Consumer confidence index | GKI economic sentiment index |
|-------|-------|---------------------------|---------------------------|------------------------------|
| 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                        |
| 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                         |

| Year  | Month | Business confidence index | Consumer confidence index | GKI economic sentiment index |
|-------|-------|---------------------------|---------------------------|------------------------------|
| 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                         |
|       | X.    | 5.8                       | -19.6                     | -0.8                         |
|       | XI.   | 4.6                       | -19.6                     | -1.7                         |
|       | XII.  | 4.7                       | -19.2                     | -1.5                         |
| 2016  | I.    | 7.2                       | -16.6                     | 1.0                          |
|       | II.   | 4.6                       | -20.2                     | -1.8                         |

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