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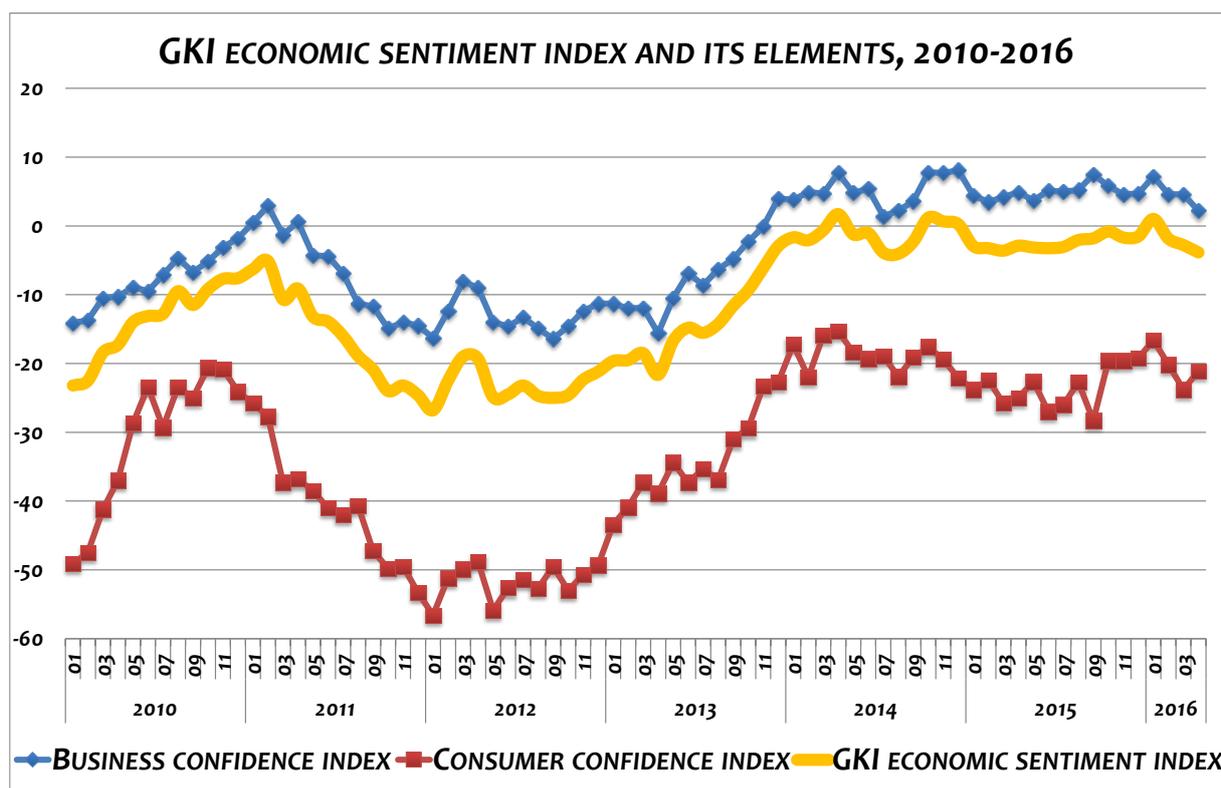
THE GKI ECONOMIC SENTIMENT INDEX HAS DECLINED FOR THE THIRD CONSECUTIVE MONTH

In April, business expectations deteriorated. Although consumer ones improved slightly, they still remained below their February level. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, confidence in the economy decreased slightly in all sectors and also among consumers in April, compared to its high level in January.

In April, expectations became noticeably less favourable in all sectors of the **business sphere** except for trade. The **industrial** confidence index was so low as now about a year ago. The assessment of the production of the preceding period, the stock of orders (including exports) and prospects deteriorated. The assessment of inventories remained unchanged. According to respondents the period covered by contracts was slightly shorter and the volume of new orders was lower than in January. In April the **construction** confidence index fell to its February level. The assessment of production in the preceding quarter got worse slightly, whereas that of orders improved within the statistical margin of error. The **trade** confidence index rose slightly in April; however, it did not reach its February level. Thus, the index remained within the relatively narrow band in which it had fluctuated in the past two years. The assessment of sales positions slightly deteriorated, whereas that of expected orders and the level of stocks became somewhat more favourable. In April the **services** confidence index fell for the third consecutive month and it returned to its level at the end of last year. Especially the evaluation of the general business climate deteriorated, whereas sales expectations slightly improved.

Although **employment** willingness in industry intensified, it dropped in construction markedly, and less in services and trade. The fear of unemployment of households eased. Intentions to **raise prices** increased slightly in services and in industry. However, after a surge in March, they virtually disappeared in construction, similarly to trade, where companies seeking to maintain prices were in vast majority. Inflationary expectations by consumers eased. In April, the assessment of **the future of the Hungarian economy** was slightly more optimistic in industry and among households than in March, and it remained unchanged in construction, whereas it was more pessimistic in services and much more pessimistic in trade.

GKI's consumer confidence index picked up slightly in April after a decrease in March, though the increase did not compensate for the loss in the previous month. Households assessed their financial situation for the following year slightly better and their saving capacity worse than in March. Households considered the current possibility of purchasing high-value durables better, whereas their expectations for the next 12 months remained unchanged.



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

<i>Year</i>	<i>Month</i>	<i>Business confidence index</i>	<i>Consumer confidence index</i>	<i>GKI economic sentiment index</i>
2010	01	-14.1	-49.1	-23.2
	02	-13.7	-47.5	-22.5
	03	-10.5	-41.2	-18.4
	04	-10.3	-37	-17.3
	05	-8.9	-28.7	-14
	06	-9.5	-23.4	-13.1
	07	-7.1	-29.3	-12.8
	08	-4.7	-23.4	-9.5
	09	-6.7	-25	-11.5
	10	-5.2	-20.6	-9.2
	11	-3.1	-20.8	-7.7
	12	-1.8	-24.1	-7.6
2011	01	0.5	-25.8	-6.3
	02	2.9	-27.7	-5.1
	03	-1.3	-37.3	-10.7
	04	0.6	-36.8	-9.1
	05	-4.3	-38.5	-13.2
	06	-4.4	-41	-13.9
	07	-6.9	-42	-16
	08	-11.3	-40.7	-18.9
	09	-11.7	-47.2	-20.9
	10	-14.9	-49.8	-24
	11	-14	-49.5	-23.2
	12	-14.5	-53.3	-24.6
2012	01	-16.3	-56.6	-26.8
	02	-12.4	-51.2	-22.5
	03	-8.1	-49.9	-19
	04	-9	-48.8	-19.3
	05	-14	-55.9	-24.9
	06	-14.6	-52.6	-24.5
	07	-13.3	-51.4	-23.2
	08	-14.9	-52.7	-24.7
	09	-16.4	-49.5	-25
	10	-14.6	-53	-24.6
	11	-12.4	-50.7	-22.4
	12	-11.3	-49.3	-21.2
2013	01	-11.3	-43.4	-19.6
	02	-12.0	-40.9	-19.5
	03	-11.9	-37.3	-18.5
	04	-15.6	-38.9	-21.7
	05	-10.5	-34.4	-16.7
	06	-6.9	-37.3	-14.8
	07	-8.6	-35.3	-15.5
	08	-6.3	-36.9	-14.3
	09	-4.8	-31.0	-11.6
	10	-2.3	-29.4	-9.3
	11	-0.1	-23.3	-6.1
	12	4.0	-22.7	-2.9

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2014	01	3.8	-17.2	-1.7
	02	4.9	-22.0	-2.1
	03	4.7	-15.9	-0.7
	04	7.7	-15.3	1.7
	05	4.8	-18.4	-1.2
	06	5.4	-19.3	-1.0
	07	1.4	-18.9	-3.9
	08	2.2	-21.9	-4.1
	09	3.6	-19.1	-2.3
	10	7.8	-17.6	1.2
	11	7.7	-19.4	0.7
	12	8.1	-22.1	0.2
2015	01	4.4	-23.8	-2.9
	02	3.5	-22.4	-3.2
	03	4.2	-25.8	-3.6
	04	4.9	-25.0	-2.9
	05	3.7	-22.6	-3.1
	06	5.1	-27.0	-3.2
	07	5.0	-26.0	-3.1
	08	5.2	-22.7	-2.1
	09	7.5	-28.3	-1.8
	10	5.8	-19.6	-0.8
	11	4.6	-19.6	-1.7
	12	4.7	-19.2	-1.5
2016	01	7.2	-16.6	1.0
	02	4.6	-20.2	-1.8
	03	4.6	-23.8	-2.8
	04	2.2	-21.1	-3.9

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