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## GKI'S ECONOMIC SENTIMENT INDEX REACHED ITS HISTORIC PEAK IN JUNE

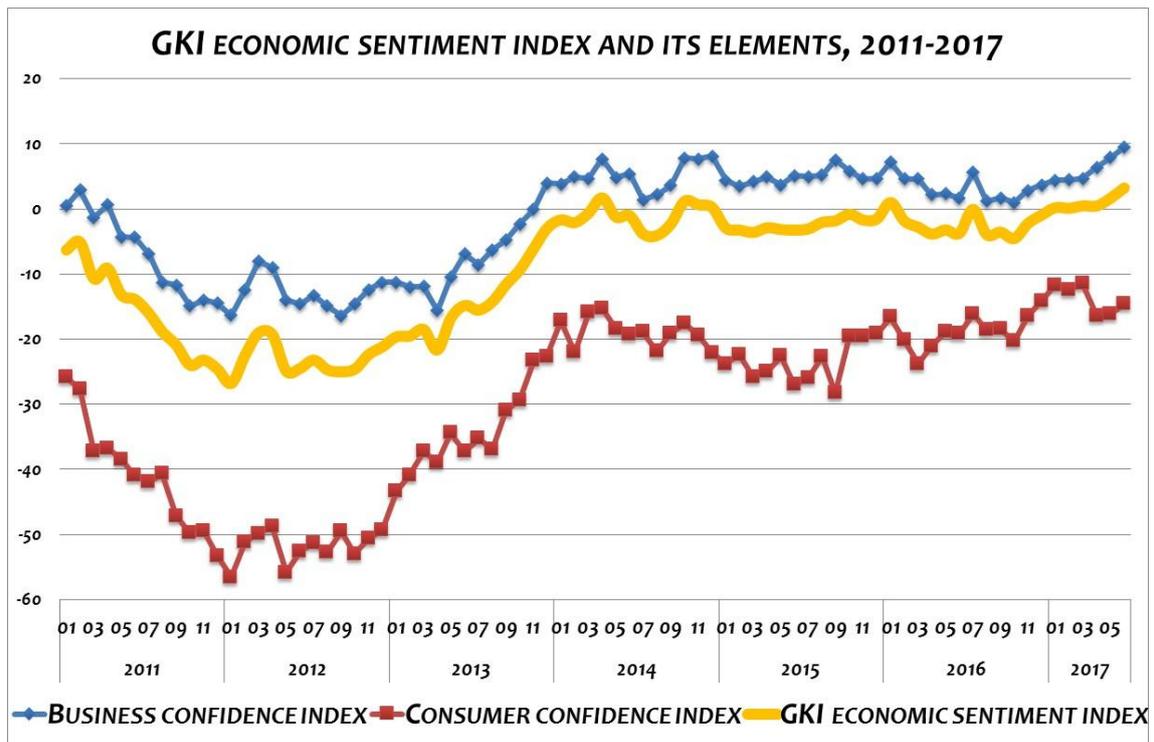
GKI's economic sentiment index was as high as now only once, namely in the summer of 1998, and the business confidence index has never been as high as now so far during its more than twenty years of history. Consumers are also very optimistic. However, this outstanding Hungarian optimism hardly exceeds the upper limit of the relatively narrow band characteristic of the last three years.

In June, the expectations of all sectors (with the exception of services) and consumers improved. (The optimism of service companies deteriorated only slightly, compared to their 18-year peak in May.) The business confidence index has never been as favourable as now so far during its more than twenty years of history. GKI's consumer confidence index also reflects strong optimism, though it was somewhat higher in the spring of 2017.

In **industry**, the assessment of production of the last period, the production outlook, as well as the sales order and inventory stock improved. However, the opinion on export orders remained unchanged. The last time when industrial expectations were as favourable as now had been a year before. Although the expectations in **construction** rose only slightly in May and June, they almost reached their 19-year peak registered in March. The expectations of companies in structural and civil engineering became more favourable. The assessment of production in the preceding three-month period remained essentially unchanged compared to May, whereas that of orders continued to improve. The **trade** confidence index increased almost as much as its decline in May, thus remaining within the relatively narrow band in which it fluctuated in the past three and a half years. The assessment of sales positions, stock levels and expected orders were characterized by growing optimism. The **services** confidence index declined slightly in June; however, only compared to its 18-year peak in May. Although the evaluation of the general business climate deteriorated compared to May, that of the turnover in the previous month became more favourable and that of sales prospects stagnated.

**Intentions of raising employment** strengthened in industry and trade, remained essentially unchanged in construction, and deteriorated in services. Fear of unemployment eased among households. With the exceptions of service companies, intentions of **price increases** weakened in all sectors, and inflationary expectations of consumers dropped. Although **the assessment of the Hungarian economy** improved a lot in industry, it deteriorated considerably in construction after a significant improvement in May. Although this assessment was deteriorating significantly at the beginning of 2017, it has been marked by a slow improvement in the past two months. The assessment of the Hungarian economy remained unchanged in services and among households.

**GKI's consumer confidence index** rose slightly in June following its stagnation in May; however, it did not reach its level recorded at the beginning of the year. Households assessed their financial situation and savings capacity for the following year slightly better than in May.



### 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, 2011-2017

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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
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
	05	2.3	-18.9	-3.2
	06	1.7	-19.2	-3.7
	07	5.6	-16.1	0.0
	08	1.2	-18.6	-3.9
	09	1.7	-18.5	-3.6
	10	1.0	-20.3	-4.5
	11	2.8	-16.5	-2.2
	12	3.7	-14.1	-0.9
2017	01	4.4	-11.7	0.2
	02	4.5	-12.4	0.1
	03	4.7	-11.5	0.5
	04	6.4	-16.4	0.5
	05	7.9	-16.1	1.7
	06	9.5	-14.6	3.2

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