



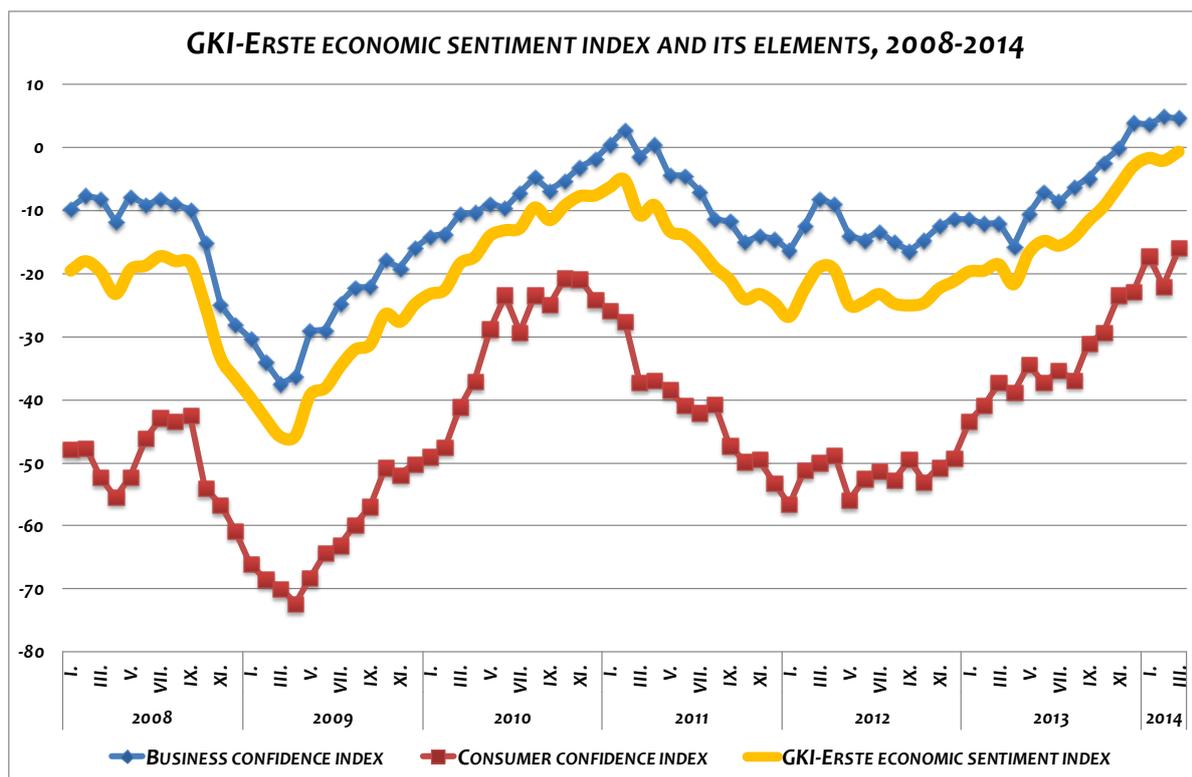
FURTHER IMPROVING CONSUMER EXPECTATIONS, BUSINESS EXPECTATIONS UNALTERED

In the first quarter of 2014 last year's soaring of the GKI-Erste economic sentiment index adjusted for seasonal effects slowed down. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU March consumer expectations reached their eight-year high level after a drop in February. Although business expectations stagnated, they remained at a level not recorded for fourteen years. Optimism not observed for more than one and a half decade continues to reign in Hungary before the elections.

In March the **business sector** expectations of industrial companies deteriorated slightly, those of trading and service firms improved somewhat, whereas the expectations of construction companies remained unchanged. In **industry** respondents considered the level of stocks increasing, the assessment of production in the preceding period deteriorated, whereas the evaluation of the stock of orders and production prospects stagnated (though that of export orders improved). Investment intentions picked up a little. The evaluation of the production level of the past three months in **construction** dropped, whereas that of orders continued to improve. After its February decline the confidence index of **trade** rose in March again. The assessment of sales positions and the level of stocks improved, whereas that of orders worsened slightly. The **services** confidence index rose only slightly. Global assessment of the business picked up, whereas that of turnover for the past period and for the next one became worse.

Intentions to employ improved slightly in all sectors except construction. The fear of unemployment of households eased. **Intentions to raise prices** in industry and in services, which had been very moderate, dropped further, whereas in construction those anticipating price decreases are in slight majority. However, in trade the share of firms planning price rises and the average size of price rises, too, increased slightly. The inflationary expectations of consumers eased. After a big decline in February, the assessment of the **perspectives of the Hungarian economy** improved in all sectors and among consumers as well.

In March the **GKI consumer confidence index** improved more than its decline in February, and it is at its eight-year peak. Households assessed their financial situation and the prospects of their savings capacity for the following year slightly better, and they considered the possibility of purchasing high-value durables to be more favourable.



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, 2008-2014

Year	Month	Business confidence index	Consumer confidence index	GKI-Erste economic sentiment index
2008.	I.	-9.6	-47.8	-19.5
	II.	-7.6	-47.6	-18
	III.	-8.1	-52.4	-19.7
	IV.	-11.8	-55.4	-23.2
	V.	-7.7	-52.3	-19.3
	VI.	-9.1	-46.1	-18.7
	VII.	-8.2	-42.9	-17.2
	VIII.	-9	-43.5	-18
	IX.	-9.8	-42.5	-18.3
	X.	-15	-54	-25.2
	XI.	-25	-56.7	-33.2
	XII.	-28.1	-60.8	-36.6
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

Year	Month	Business confidence index	Consumer confidence index	GKI-Erste economic sentiment index
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
2014.	I.	3.8	-17.2	-1.7
	II.	4.9	-22.0	-2.1
	III.	4.7	-15.9	-0.7

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