



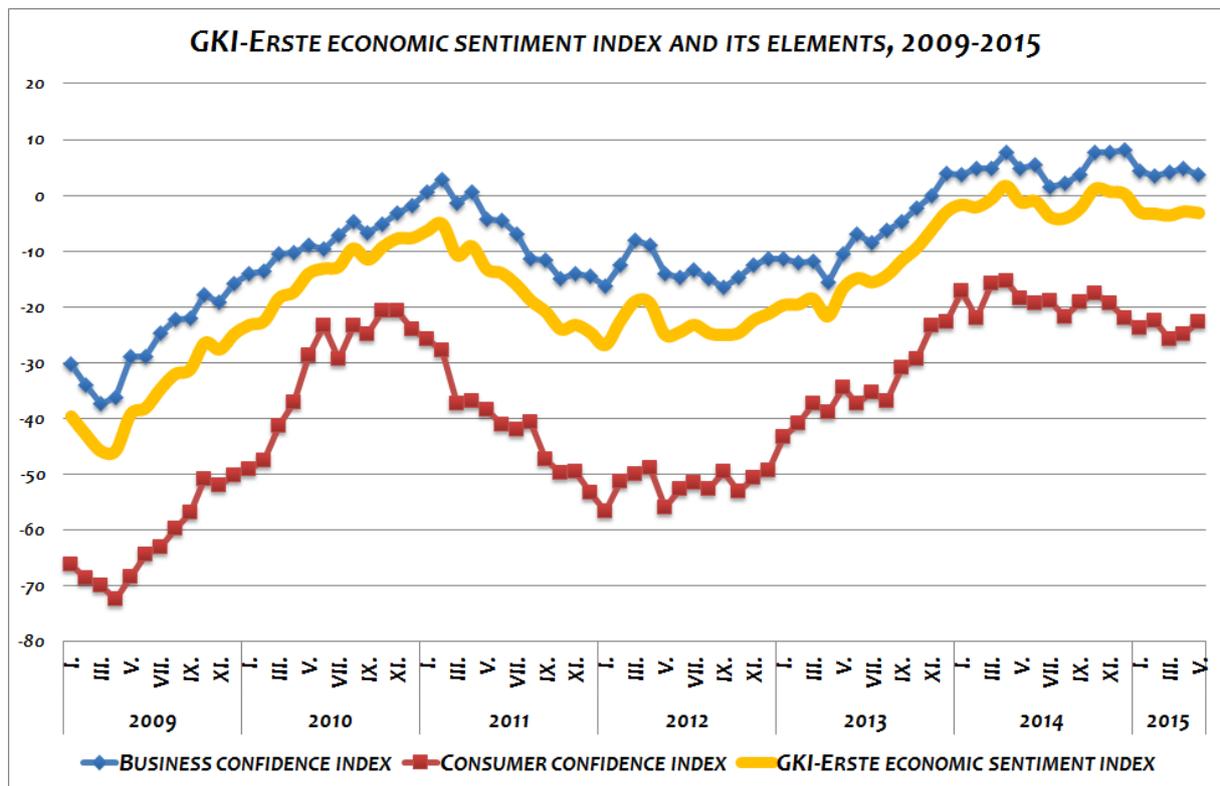
## DETERIORATING BUSINESS EXPECTATIONS AND IMPROVING CONSUMER SENTIMENT

May was the fifth month when the GKI-Erste economic sentiment index adjusted for seasonal effects remained unchanged, with some fluctuations, reflecting a relatively optimistic mood. According to the empirical survey conducted by GKI ([www.gki.hu](http://www.gki.hu)) with the support of the EU, expectations declined slightly in the business sector, whereas they improved a bit among consumers compared to April.

Expectations declined noticeably in all sectors of the **business sphere** except for services, where they became significantly more optimistic compared to April. However, with the exception of construction, the number of companies expecting improvement still slightly exceeds those anticipating deterioration. The three-month rise of the **industrial** confidence index ended and the index even fell below its January level. This can be mainly explained by gloomy production prospects and the deteriorating assessment of domestic and foreign orders. Respondents also assessed past production less favourable in May than in April; however, there was little change here. The **construction** confidence index has indicated a deteriorating trend for more than half a year. Its decline continued in May. In May, the assessment of production in the preceding quarter and that of orders became less favourable, too. The **trade** confidence index reached its lowest level this year; however, it remained within the relatively narrow band in which it fluctuated in the past one and a half years. The assessment of sales positions, with significantly rising inventory levels, declined, whereas orders were expected to improve slightly. The **services** confidence index rose back to its last autumn level. Both the evaluation of the general business climate and the assessment of turnover for the past period and for the next one became more favourable.

With the exception of services, **intentions to employ** became worse in all sectors, especially in industry. However, fear of unemployment decreased among households. In industry and construction the share of firms expecting **price reductions** exceeded slightly those anticipating price rises. However, the vast majority of respondents reckon with unchanged prices. In trade and services the share of those planning price rises increased slightly, whereas the inflationary expectations of consumers continued to ease. The assessment of the **perspectives of the Hungarian economy** got worse, with the exception of services. Regarding this sector the opinion of respondents was similar to their views in April. As far as industrial outlook is concerned, it was in the autumn of 2013 when it was as negative as now, in May. The opinion of households, however, became more favourable.

The **GKI consumer confidence index** reached its peak this year. Households evaluated their financial situation and their savings capacity in the next 12 months slightly better than in the previous month. Households considered the current conditions of purchasing high-value durables somewhat deteriorating, however their expectations for the next 12 months was a bit better 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-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, 2009-2015A GKI-ERSTE

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
2013.	I.	-11.3	-43.4	-19.6

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

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