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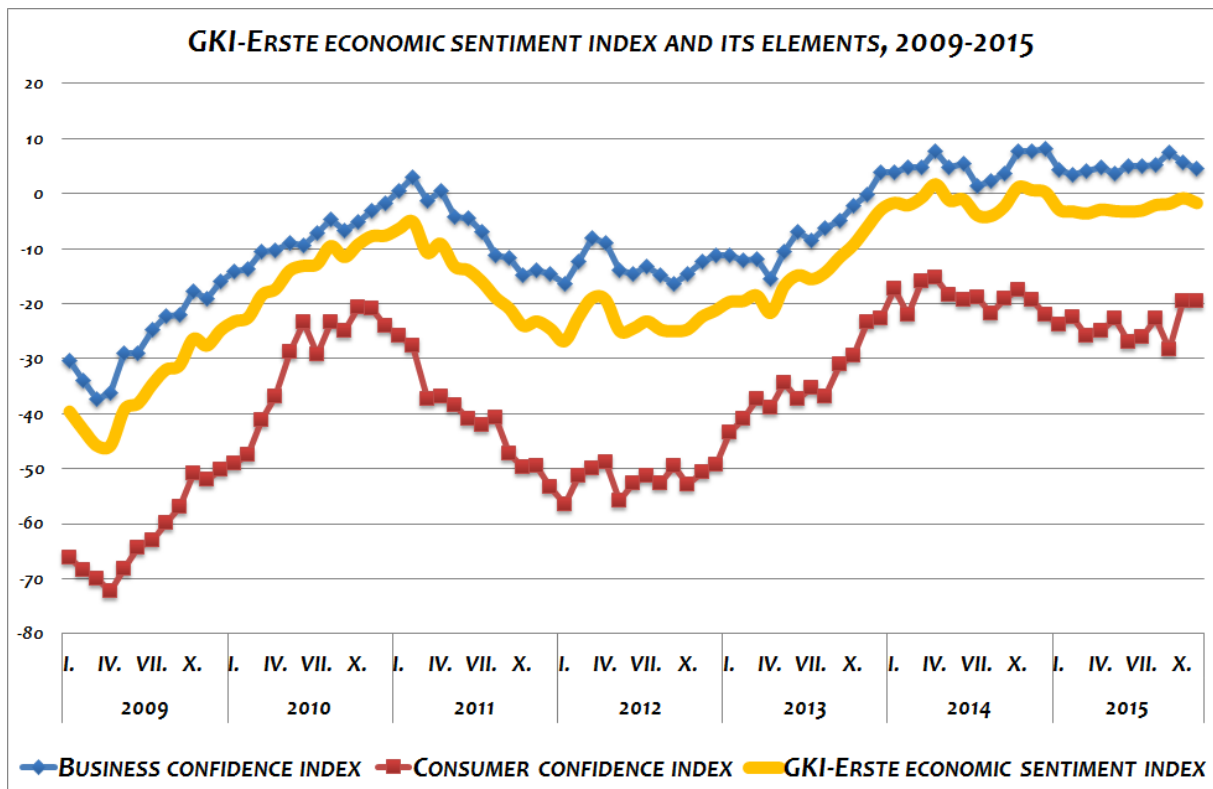
BUSINESS EXPECTATIONS SLOWLY DETERIORATING, CONSUMER ONES REMAINING AT THEIR PEAK

After four months of rise, the GKI-*Erste* economic sentiment index adjusted for seasonal effects decreased slightly in November. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, consumer expectations remained exactly at their October level, representing this year's peak, whereas the business confidence index, reaching its peak in September, fell to its level at the beginning of 2015. In the course of 2015, expectations have been fluctuating within a rather narrow range, typically showing strong optimism.

In the **business sector**, industrial and commercial **expectations** improved within the statistical margin of error in November, whereas expectations in construction and services fell noticeably. In **industry**, the assessment of the production and stocks in the last period improved, that of the stock of orders stagnated (though that of export orders deteriorated), whereas that of production prospects became more unfavourable. Respondents expected a decrease in investments in 2015; however, they planned a modest increase in investments in 2016. After its drop in October, the **construction** confidence index declined in November, returning to its August level. Fluctuations, typical for the entire year, have continued. In November the assessment of production in the preceding quarter decreased slightly, whereas that of orders deteriorated significantly. In **trade** the confidence index improved within the statistical margin of error. Although it has not reached such a high level since last December, it has remained within the relatively narrow band in which it fluctuated in the past one and a half years. The evaluation of the sales positions and the performance of the past period deteriorated, whereas that of expected orders picked up slightly. Factors contributing to the decline of the **services** confidence index included the deteriorating assessment of both the general business climate and the sales of the preceding quarter and the subsequent period.

Employment expectations improved in all sectors except trade, and they became somewhat better among households as well. Intentions to **raise prices** became slightly stronger in trade and industry. In November the share of those expecting an increase exceeded those expecting an increase in both sectors. In construction the share of firms anticipating price rises was almost the same as that of firms expecting price reductions. Intentions to raise prices in services weakened. Inflationary expectations, too, decreased among consumers. Opinions about the **prospects of the Hungarian economy** improved in all sectors, especially in industry. With the exception of construction, firms expecting improvement outnumbered those anticipating deterioration. Opinions of consumers remained unchanged.

After its significant increase in October, **GKI's consumer confidence index** stagnated in November. Households assessed their future financial situation slightly better and their saving capability much worse than in October.



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, 2009-2015

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
	II.	-12.0	-40.9	-19.5

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

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