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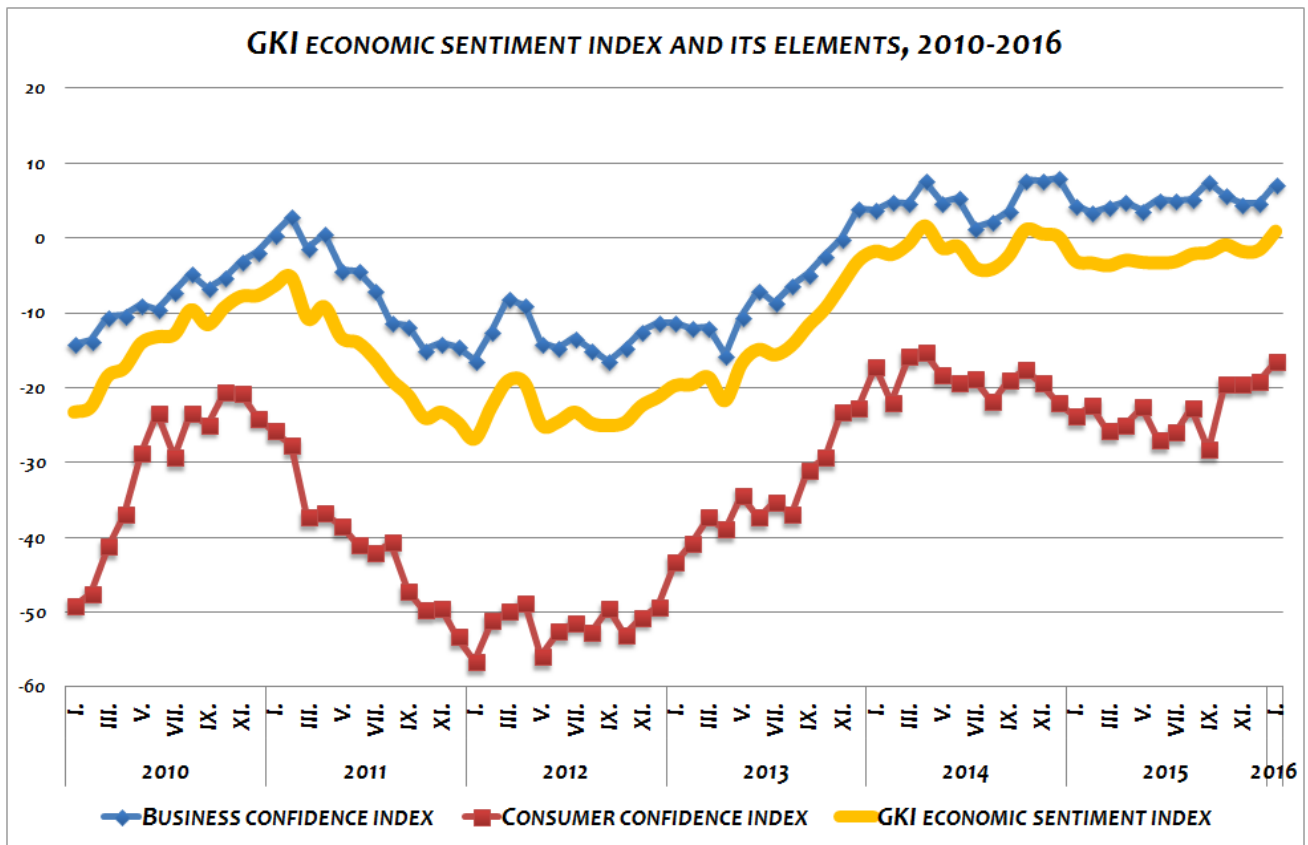
GKI ECONOMIC SENTIMENT INDEX STARTED HIGH

The GKI economic sentiment index adjusted for seasonal effects started at a high level in January 2016 not seen for almost one and a half years. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, expectations were near their 2015 peak in the business sector and near their 2014 peak among consumers.

The rise in the **business confidence index** was the result of a dramatic jump in the optimism of services firms, unprecedented for one and a half decades. Although expectations of industrial companies improved minimally, those of construction ones deteriorated to a similar extent, whereas those of trading companies remained virtually unchanged. In **industry**, the assessment of production and orders (including export orders) of both the last and next periods improved. However, respondents considered inventories slightly higher. The main obstacles to the expansion of production are insufficient domestic demand and a shortage of skilled labour. In **construction** expectations of civil engineering companies worsened, and those of firms in structural architecture remained unchanged, that is, the housing policy measures announced have not strengthened optimism so far. In January 2016 the assessment of production in the preceding three-month remained unchanged, whereas that of orders got worse. The **trade** confidence index remained within the relatively narrow band in which it fluctuated in the past two years. The assessment of sales positions improved in spite of rising inventory levels, whereas that of expected orders remained unchanged. The **services** confidence index has not been so high since the autumn of 2000. The assessment of the business climate and turnover, as well as that of sales prospects improved as well.

Although **intentions to employ** became better in all sectors except for industry, the fear of unemployment did not decrease among households compared to December. Intentions to **increase prices** dropped slightly in industry and, surprisingly, in services; however, they picked up in trade. In construction the share of firms anticipating price rises was the same as that of firms expecting price reductions, that is, there are no signs of price pressures. The inflationary expectations of consumers continued to ease. The **assessment of the perspectives of the Hungarian economy** improved significantly in all sectors (the least in industry) and the number of companies expecting improvement outnumbered those anticipating deterioration. Although the opinion of households improved, pessimism still prevails.

Following a slight increase in December, the **consumer confidence index** rose at an accelerating rate in January 2016. Households assessed their future financial situation and saving capability better than in the previous month. Households were somewhat more pessimistic over the possibilities of purchasing big-ticket durable consumer goods.



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

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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
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
	XII.	4.7	-19.2	-1.5
2016.	I.	7.2	-16.6	1.0

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