29 MARCH 2016 (TUESDAY)

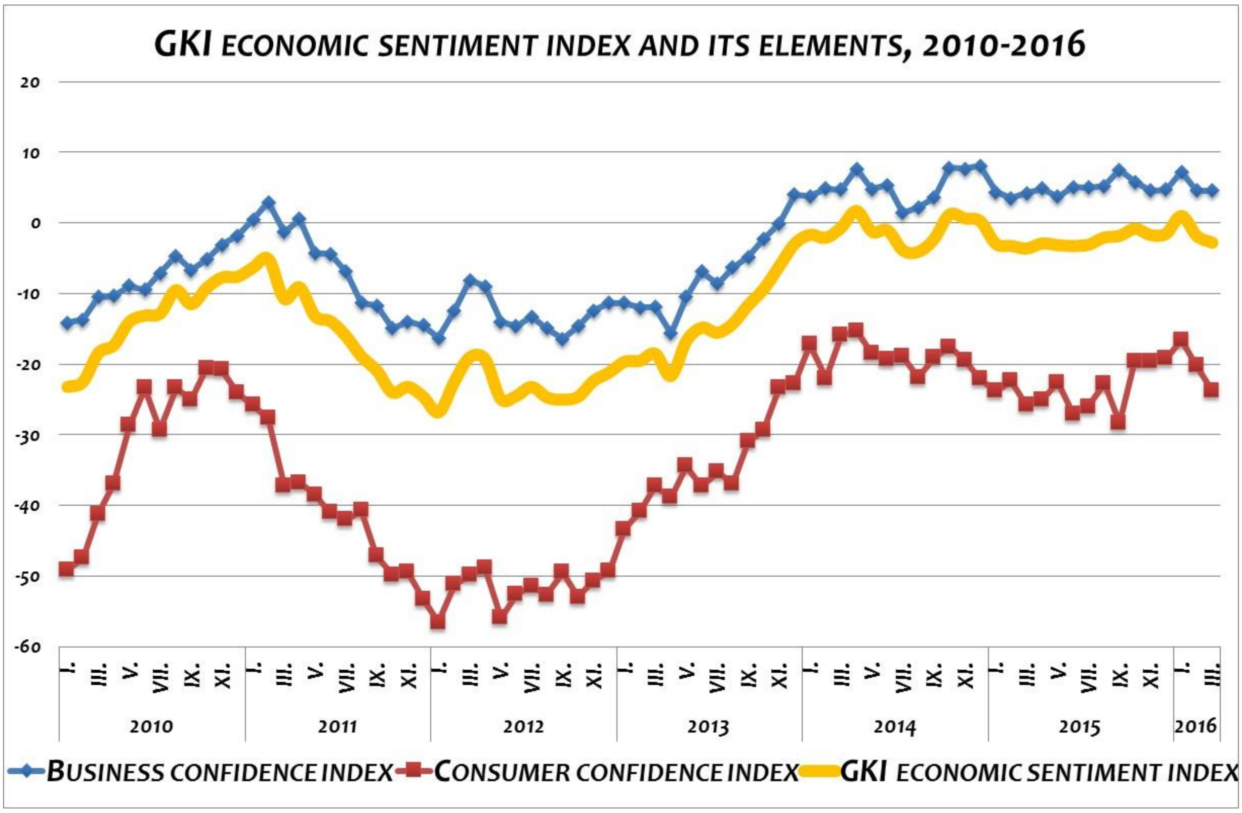
FURTHER DECLINING CONSUMER EXPECTATIONS, BUSINESS EXPECTATIONS UNALTERED

After its fall in February, the GKI economic sentiment index adjusted for seasonal effects continued to decline in March. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, expectations remained unchanged in the business sector, whereas they continued to decline noticeably among consumers. However, they still reflect an optimistic mood.

The **business confidence index** remained unchanged in March. Industrial and mainly construction expectations improved, whereas trade and especially service companies became more pessimistic. Despite its recent rise, the **industrial** confidence index has not reached its level in January. Although the assessment of production of the last period became worse, the prospects improved. The assessment of inventories and incoming orders became somewhat more favourable, though that of export orders deteriorated. The level of investments planned by companies is slightly below their level in 2015. After a decline in February, the confidence index in **construction** rose to its 2016 peak in March. The assessment of production in the preceding quarter and that of orders also improved. The **trade** confidence index fell in March, thus reaching the lower zone of the relatively narrow band in which it had fluctuated for more than two years. The assessment of sales positions, stock levels and expected orders deteriorated slightly. After February, the **services** confidence index fell in March as well, reaching its December level. Although the assessment of the overall business climate and the turnover in the previous three months improved, sales expectations weakened.

Intentions of **raising employment** improved slightly in construction and trade and deteriorated in industry and services. Fear of unemployment intensified somewhat among households. Intentions to **raise prices** eased in trade and services, and they strengthened in industry. In the construction industry (especially in building construction) the number of companies planning price increases substantially exceeded the number of those planning price reductions. Inflationary expectations, too, intensified among consumers. **Expectations about the development of the Hungarian economy** were slightly more optimistic in industry than in February, they remained unchanged in construction and trade, and deteriorated in services and especially among households.

After February, **GKI's consumer confidence index** fell in March as well. Consumers assessed their financial situation for the following year much worse than in February. However, the assessment of the savings capacity expected in the next year improved slightly. Households considered the current possibility of purchasing high-value durables considerably worse, whereas their expectations for the next 12 months turned slightly worse.



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
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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
	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
	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
2015	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
	II.	4.6	-20.2	-1.8
	III.	4.6	-23.8	-2.8

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