



23 MAY 2016

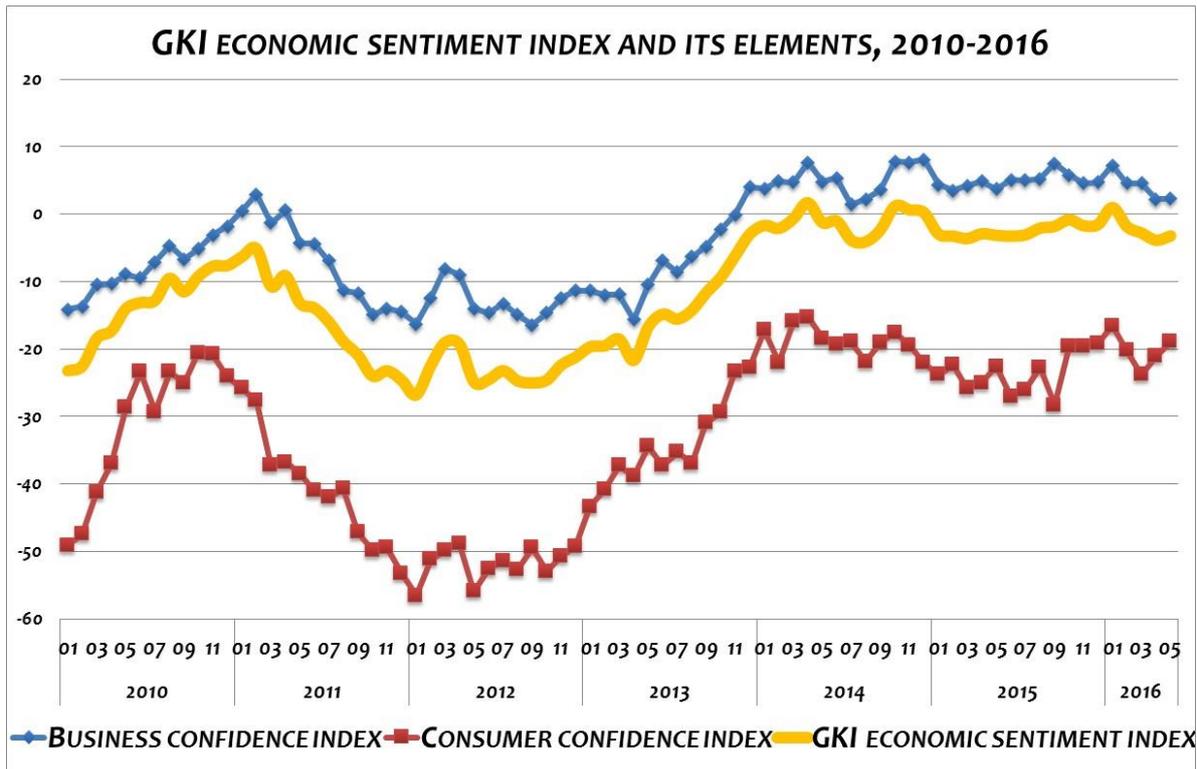
GKI ECONOMIC SENTIMENT INDEX STOPPED TO DECREASE FURTHER IN MAY

The decline of the GKI economic sentiment index, which started in January 2016, stopped in May, and it even slightly increased. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, the business confidence index remained unchanged compared to April. However, consumer expectations almost reached their peak value this year.

In the **business sector**, industrial and commercial expectations improved, whereas expectations in construction and services fell. Despite their improvement, **industrial** expectations did not reach their level of March. Although the assessment of past production worsened compared to April, that of prospects, stocks and incoming orders (including export orders) improved. The **construction** confidence index fell to its lowest point in the past three years in May. The prospects of civil engineering firms continued to fall significantly, whereas those of companies in structural architecture were somewhat more favourable. In May, the assessment of production in the preceding quarter and that of orders became noticeably less favourable, too. In May, the **trade** confidence index reached its peak value of 2016; however, it remained in the middle third of the relatively narrow band in which it had fluctuated in the past two years. The assessment of sales positions improved and that of the level of stocks and orders remained unchanged. The **services** confidence index declined in May for the third consecutive month. The assessment of the state of business and the sales outlook also declined.

Employment intentions in trade reached their peak of all times, and they also improved in services. However, they weakened in other sectors. The fear of unemployment of households strengthened slightly, too. After four months, the share of firms anticipating price rises in industry exceeded again those expecting price cuts. In trade and services, the share of firms planning price rises increased, too. However, no pressure to raise prices can be noticed in construction, except in housing construction. The inflationary expectations of consumers continued to ease. Respondents assessed the **perspectives of the Hungarian economy** less favourable in every segment, with the exception of trade and households, and the proportion of those anticipating deterioration slightly exceeded that of those expecting improvement.

Although the **GKI consumer confidence index** rose in April and May, it has not yet reached its very high level at the beginning of 2016. Households assessed their future financial situation in the next year and their savings capacity as well as the possibility of purchasing high-value durables more favourable than previously.



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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index	
2015	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	
	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
		II	4.6	-20.2	-1.8
		III	4.6	-23.8	-2.8
IV		2.2	-21.1	-3.9	
V		2.3	-18.9	-3.2	

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