



27 JUNE 2016

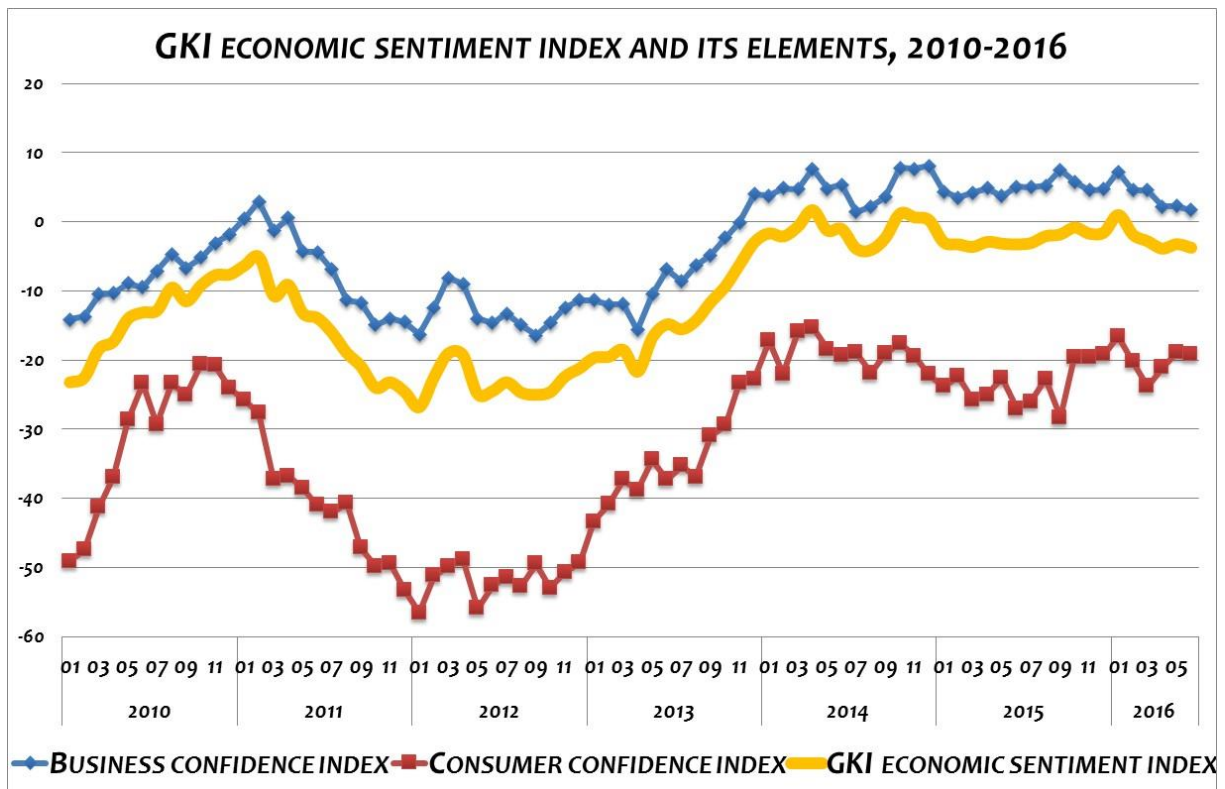
BUSINESS EXPECTATIONS DETERIORATING SINCE JANUARY

The GKI economic sentiment index stagnated both in May and June. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU both business and consumer expectations declined in June compared to May; however, changes were within the statistical margin of error, particularly in the case of consumers.

Business expectations have been deteriorating almost continuously since the beginning of 2016. The confidence indexes of industry and construction rose slightly in June, whereas those of trade and especially services declined. The **industrial** confidence index was close to its peak reached in January 2016. The assessment of the stock of orders improved significantly, and that of the production level and prospects also became more favourable. Compared to their lowest level in May, expectations in **construction** also improved. After a temporary drop in May, expectations of structural engineering companies returned to the relatively favourable level of the previous months, whereas those of civil engineering companies continued to deteriorate. Although the assessment of production in the preceding quarter was slightly worse in June than before among construction companies, that of orders improved slightly. The **trade** confidence index fell within the statistical margin of error, still reflecting a very optimistic mood. Expectations of **service** companies declined considerably. The assessment of the state of business and the sales outlook also fell, whereas that of the current turnover stagnated.

Intentions to employ strengthened slightly in all sectors in June, with the exception of service companies, and their levels were quite high (with the exception of the construction industry). Employment intentions in trade reached their peak of all times both in May and June. In contrast, fear of unemployment intensified among households. Although **price expectations** were moderate in all sectors, perhaps with the exception of home building companies, inflationary expectations of consumers increased slightly. In June the assessment of the perspectives of the **Hungarian economy** deteriorated in all sectors and among consumers as well, and, with the exception of households and the already pessimistic construction industry, quite spectacularly.

After its increase in April and May, the **GKI consumer confidence index** dropped slightly in June. Households assessed their financial situation for the following year unchanged compared to the previous month, whereas they considered their saving capacity worse than in May. Households considered the current possibility of purchasing high-value durables heavily declining, whereas their expectations for the next 12 months were improving.



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 | 01 | -14.1 | -49.1 | -23.2 |
| | 02 | -13.7 | -47.5 | -22.5 |
| | 03 | -10.5 | -41.2 | -18.4 |
| | 04 | -10.3 | -37 | -17.3 |
| | 05 | -8.9 | -28.7 | -14 |
| | 06 | -9.5 | -23.4 | -13.1 |
| | 07 | -7.1 | -29.3 | -12.8 |
| | 08 | -4.7 | -23.4 | -9.5 |
| | 09 | -6.7 | -25 | -11.5 |
| | 10 | -5.2 | -20.6 | -9.2 |
| | 11 | -3.1 | -20.8 | -7.7 |
| | 12 | -1.8 | -24.1 | -7.6 |
| 2011 | 01 | 0.5 | -25.8 | -6.3 |
| | 02 | 2.9 | -27.7 | -5.1 |
| | 03 | -1.3 | -37.3 | -10.7 |
| | 04 | 0.6 | -36.8 | -9.1 |
| | 05 | -4.3 | -38.5 | -13.2 |
| | 06 | -4.4 | -41 | -13.9 |
| | 07 | -6.9 | -42 | -16 |
| | 08 | -11.3 | -40.7 | -18.9 |
| | 09 | -11.7 | -47.2 | -20.9 |
| | 10 | -14.9 | -49.8 | -24 |
| | 11 | -14 | -49.5 | -23.2 |
| | 12 | -14.5 | -53.3 | -24.6 |
| 2012 | 01 | -16.3 | -56.6 | -26.8 |
| | 02 | -12.4 | -51.2 | -22.5 |
| | 03 | -8.1 | -49.9 | -19 |
| | 04 | -9 | -48.8 | -19.3 |
| | 05 | -14 | -55.9 | -24.9 |
| | 06 | -14.6 | -52.6 | -24.5 |
| | 07 | -13.3 | -51.4 | -23.2 |
| | 08 | -14.9 | -52.7 | -24.7 |
| | 09 | -16.4 | -49.5 | -25 |
| | 10 | -14.6 | -53 | -24.6 |
| | 11 | -12.4 | -50.7 | -22.4 |
| | 12 | -11.3 | -49.3 | -21.2 |
| 2013 | 01 | -11.3 | -43.4 | -19.6 |
| | 02 | -12.0 | -40.9 | -19.5 |
| | 03 | -11.9 | -37.3 | -18.5 |
| | 04 | -15.6 | -38.9 | -21.7 |
| | 05 | -10.5 | -34.4 | -16.7 |
| | 06 | -6.9 | -37.3 | -14.8 |
| | 07 | -8.6 | -35.3 | -15.5 |
| | 08 | -6.3 | -36.9 | -14.3 |
| | 09 | -4.8 | -31.0 | -11.6 |
| | 10 | -2.3 | -29.4 | -9.3 |
| | 11 | -0.1 | -23.3 | -6.1 |
| | 12 | 4.0 | -22.7 | -2.9 |

| Year | Month | Business confidence index | Consumer confidence index | GKI economic sentiment index |
|------|-------|---------------------------|---------------------------|------------------------------|
| 2014 | 01 | 3.8 | -17.2 | -1.7 |
| | 02 | 4.9 | -22.0 | -2.1 |
| | 03 | 4.7 | -15.9 | -0.7 |
| | 04 | 7.7 | -15.3 | 1.7 |
| | 05 | 4.8 | -18.4 | -1.2 |
| | 06 | 5.4 | -19.3 | -1.0 |
| | 07 | 1.4 | -18.9 | -3.9 |
| | 08 | 2.2 | -21.9 | -4.1 |
| | 09 | 3.6 | -19.1 | -2.3 |
| | 10 | 7.8 | -17.6 | 1.2 |
| | 11 | 7.7 | -19.4 | 0.7 |
| | 12 | 8.1 | -22.1 | 0.2 |
| 2015 | 01 | 4.4 | -23.8 | -2.9 |
| | 02 | 3.5 | -22.4 | -3.2 |
| | 03 | 4.2 | -25.8 | -3.6 |
| | 04 | 4.9 | -25.0 | -2.9 |
| | 05 | 3.7 | -22.6 | -3.1 |
| | 06 | 5.1 | -27.0 | -3.2 |
| | 07 | 5.0 | -26.0 | -3.1 |
| | 08 | 5.2 | -22.7 | -2.1 |
| | 09 | 7.5 | -28.3 | -1.8 |
| | 10 | 5.8 | -19.6 | -0.8 |
| | 11 | 4.6 | -19.6 | -1.7 |
| | 12 | 4.7 | -19.2 | -1.5 |
| 2016 | 01 | 7.2 | -16.6 | 1.0 |
| | 02 | 4.6 | -20.2 | -1.8 |
| | 03 | 4.6 | -23.8 | -2.8 |
| | 04 | 2.2 | -21.1 | -3.9 |
| | 05 | 2.3 | -18.9 | -3.2 |
| | 06 | 1.7 | -19.2 | -3.7 |

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