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GKI ECONOMIC SENTIMENT INDEX ROSE MARKEDLY IN JULY

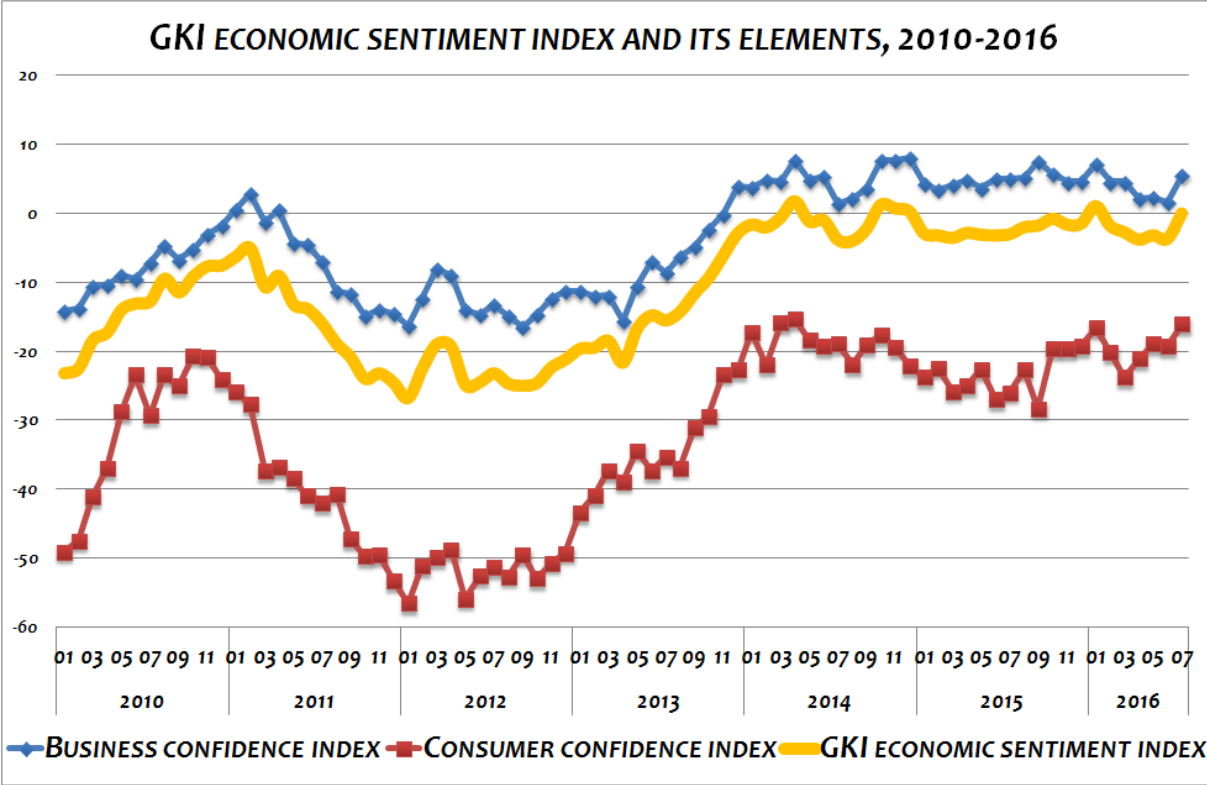
GKI economic sentiment index rose markedly in July. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU both business and consumer expectations improved; however, they were still lower than their high level at the beginning of the year.

Expectations of industrial and especially service companies improved considerably in July in the **business** sector, whereas those of commercial and construction companies deteriorated slightly. The **industrial** confidence index has not been so high for a year and a half. The assessments of both production and the stock of orders (including exports) have improved. Industrial companies considered their capacity utilization more favourable than a quarter before; however, their competitive position was assessed as decaying. According to them, the main obstacle to growth was the lack of skilled labour. The **construction** confidence index declined slightly in July, reaching its lowest level this year. The prospects of companies in structural and civil engineering declined slightly, too. In July 2016 the assessment of production in the preceding three-month remained essentially unchanged, whereas that of orders got worse considerably. In the seventh month of 2016 the **trade** confidence index dropped to its lowest point this year from a very high level. The assessment of sales positions declined significantly to its level at the end of 2013, and respondents considered the level of stocks declining. The assessment of expected orders also dropped. After its fall in May and June, the **services** confidence index rose to its spring level. Both the evaluation of the general business climate and the assessment of turnover for the past period and for the next one became more favourable.

Intentions to employ improved in industry and services, remained unchanged in construction, and decreased considerably in trade, albeit from a very high level, to its former February level. Fear of unemployment by households decreased slightly. Intentions to **increase prices** weakened in all sectors, with the exception of trade, where they noticeably strengthened. However, those not planning any price changes are in the majority everywhere. The inflationary expectations of consumers eased as well. Although the assessment of **Hungary's economic situation** improved slightly in most of the industries and among consumers as well after its sharp fall in June, it continued to deteriorate in construction.

The **GKI consumer confidence** index increased in April and May, and after its correction in June, it almost reached a level in July being close to its highest level in 2016 registered at the beginning of the year. Last time when savings expectations of households were so

favourable as now, was ten years ago. In addition, households perceived their financial situation for the following year, as well as the possibility of purchasing high-value durables 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
	07	5.6	-16.1	0.0

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