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GKI ECONOMIC SENTIMENT INDEX ROSE WITHIN THE STATISTICAL MARGIN OF ERROR IN SEPTEMBER

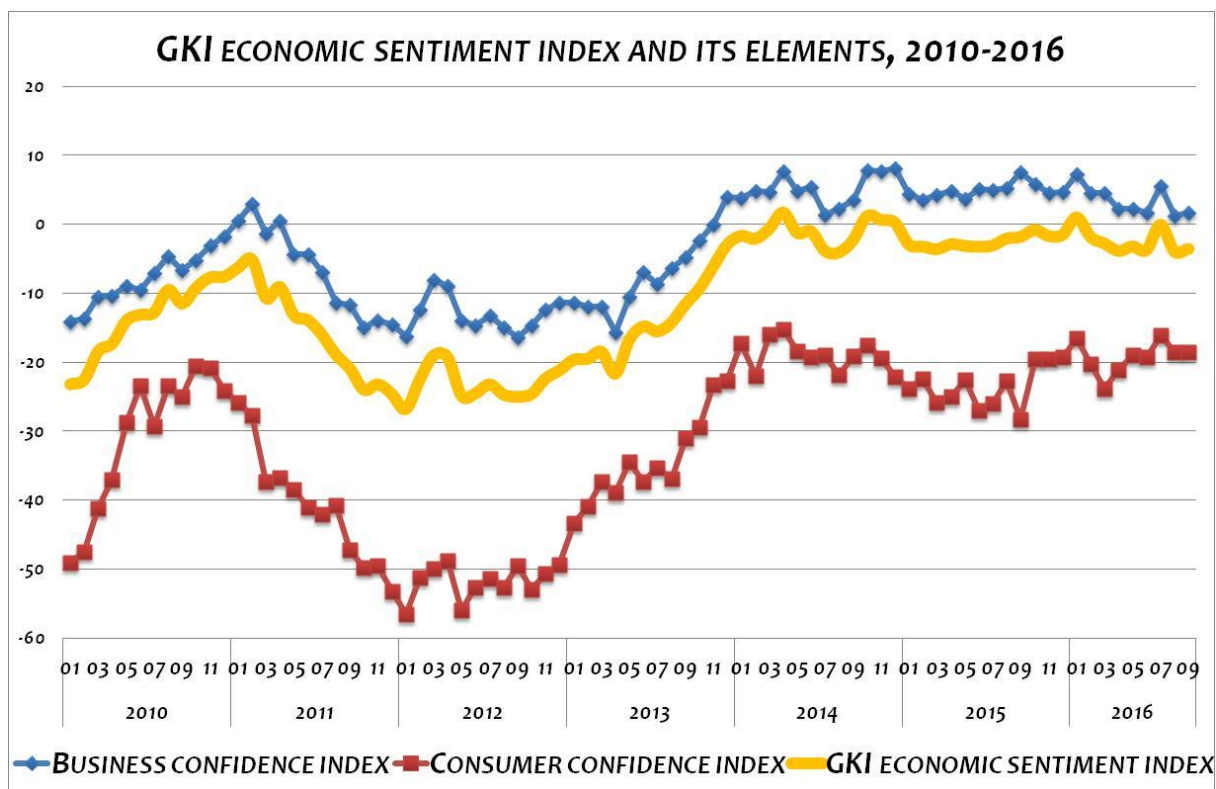
After reaching its lowest point this year in August, GKI economic sentiment index rose within the statistical margin of error in September. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, expectations improved marginally in the business sector, whereas they remained unchanged among consumers. Although the GKI economic sentiment index has been fluctuating for two years at relatively high levels, its current September level is quite low.

In the **business sector**, expectations in industry continued to fall, those in construction and trade improved, whereas those in services remained unchanged. In **industry** the evaluation of the production in the past month and the next three months also improved, whereas that of incoming orders, including export orders, deteriorated significantly. After its two-month decrease, the **construction** confidence index increased noticeably in September. Expectations of structural engineering companies improved significantly, whereas those of civil engineering companies continued to deteriorate. The assessment of production in the preceding three-month period remained unchanged, whereas that of orders definitely improved. Following its significant decline in the previous two months, the **trade** confidence index rose slightly; however, it was unable to return into the relatively narrow band in which it had fluctuated for more than two years until June 2016. Although the assessment of sales positions and expected orders picked up, that of inventories became worse. The confidence index of **services** remained unchanged in September compared to the previous month. The global assessment of the state of business remained unchanged, and respondents perceived the turnover in the preceding period slightly more favourable and in the next one less favourable than in August.

Although **intentions to employ** became better in all sectors except for industry, the fear of unemployment slightly increased among households. Employment intentions in construction reached their half-year peak, and there was a noticeable improvement in services, too. The trend is similar with the intentions to **increase prices**: they weakened only in industry, whereas they strengthened in other sectors, especially in trade. However, with the exception of trade, companies expecting the stagnation of prices have still a huge majority in all sectors. Inflationary expectations, too, intensified among consumers. The assessment of the **Hungarian economy's prospects** was much more favourable in construction, and slightly more favourable in industry and among households than in August, whereas it deteriorated in trade and services.

Following a decrease in August, **GKI consumer confidence index** remained unchanged in September. Households assessed their expected financial position more favourable, whereas they

considered their saving capacity less favourable than in August. Consumers considered the possibility of purchasing high-value durables somewhat better.



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
2014	01	3.8	-17.2	-1.7

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2014	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
	01	4.4	-23.8	-2.9
2015	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
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
08		1.2	-18.6	-3.9
09		1.7	-18.5	-3.6

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