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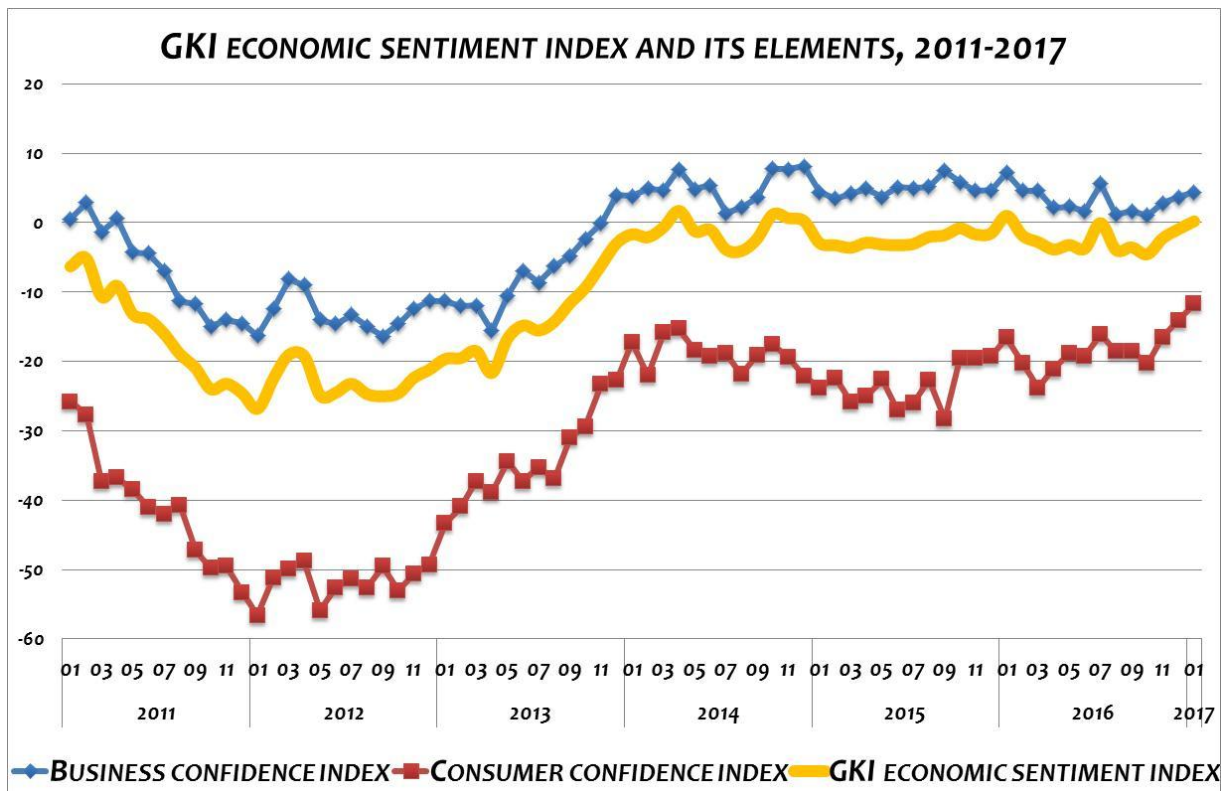
THE GKI ECONOMIC SENTIMENT INDEX HAS INCREASED FOR THE THIRD CONSECUTIVE MONTH

In January 2017, the GKI economic sentiment index has improved for the third consecutive month, approaching its level of a year ago. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, business expectations reached only their level in the summer of 2016, whereas consumer expectations were more favourable than today last time only in February 2006, i.e., eleven years ago. The GKI economic sentiment index has fluctuated in a relatively narrow band for three years, and now it is somewhere around the top of this band.

In January, expectations improved in all **business sectors**, with the exception of services, those of industrial and commercial enterprises to a lesser extent, whereas those of construction companies significantly. Both employment and intentions to raise prices have strengthened. The **industrial** confidence index has been rising since November; however, it is still below its peak of last summer. The assessment of the production of the preceding period stagnated, whereas that of the next period as well as supplies improved. However, the evaluation of the stock of orders, including that of exports, deteriorated. The unpredictability of the government caused much more problems for the growth of companies in January 2017 than a year earlier. The **construction** confidence index reached its two-year peak. Optimism of structural engineering companies strengthened slightly, whereas that of civil engineering companies significantly. The assessment of production in the preceding quarter and that of orders also improved strongly compared to December. The **trade** confidence index rose only slightly, approaching its level of the last summer. The assessment of sales positions and expected orders improved, whereas that of the level of stocks dropped. The confidence index of **services** remained unchanged in January compared to the end of last year. Although the evaluation of the general business climate worsened slightly, that of turnover improved somewhat.

Intentions to employ improved in all sectors compared to December. The fear of unemployment of households continued to ease. The last time that the latter was as favourable as now had been in mid-1998. Intentions to **raise prices** picked up in all sectors, too, especially in trade, with the exception of services. Although the majority of respondents still expect stable prices, the number of those planning to raise prices increased noticeably in recent months, and those reckoning with price reduction anticipating fell to a minimum. The inflationary expectations of consumers remained essentially unchanged. The assessment of the situation of the **Hungarian economy** has been improving for a number of months in every industry and among consumers as well.

The **GKI consumer confidence index**, similarly to the business confidence index, has increased for the third consecutive month in January. Consumers evaluated both their financial situation and their savings capacity in the future better than in December. Households considered the possibility of purchasing high-value durables essentially the same as in December.



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, 2011-2017

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
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
	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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
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
	08	1.2	-18.6	-3.9
	09	1.7	-18.5	-3.6
	10	1.0	-20.3	-4.5
	11	2.8	-16.5	-2.2
	12	3.7	-14.1	-0.9
2017	01	4.4	-11.7	0.2

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