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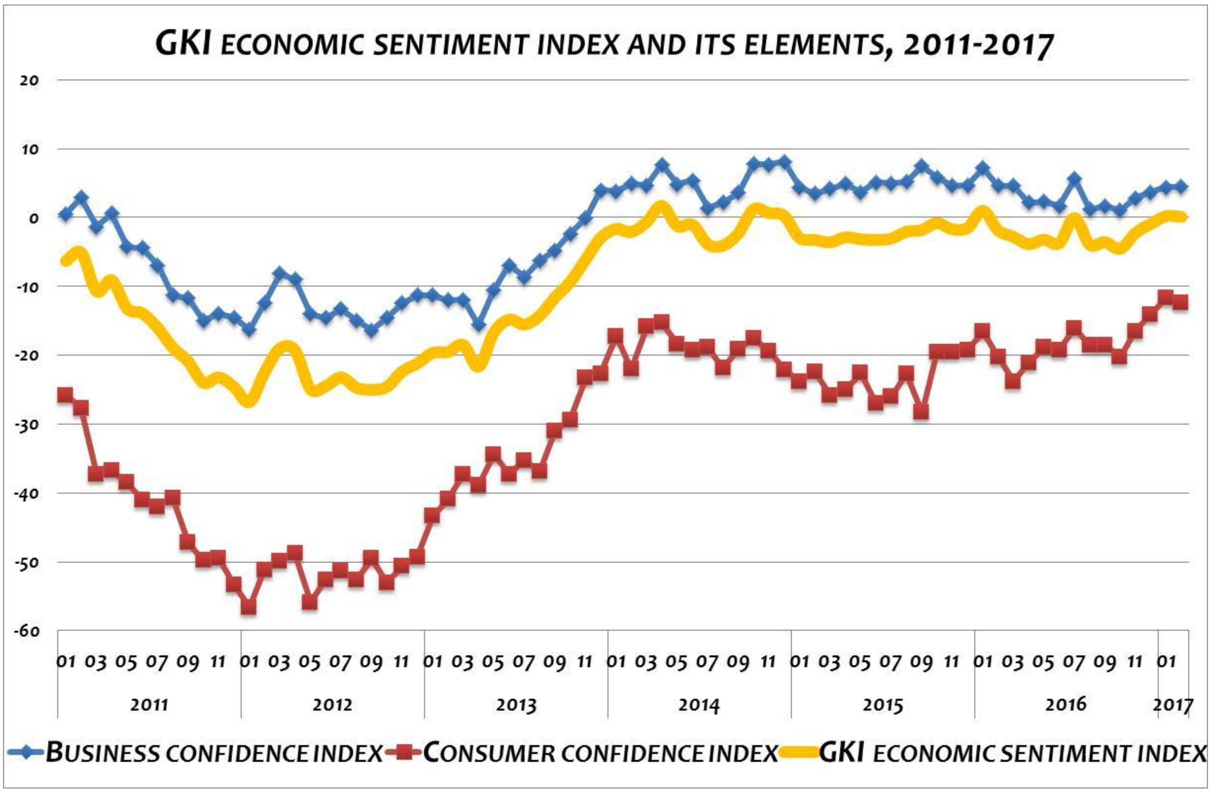
IN FEBRUARY GKI'S ECONOMIC SENTIMENT INDEX STOPPED RISING

Following an increase of three months, the improvement of GKI's economic sentiment index stopped in February. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, business expectations did not change, consumer ones deteriorated somewhat. The GKI economic sentiment index has fluctuated in a relatively narrow band for three years, and like in January, at present, too, it is somewhere around the top of this band.

Within the **business** sentiment index, confidence in industry deteriorated spectacularly, but in the other sectors improved more or less. In **industry**, the assessment of output and the stock of orders (including that of exports) for both the past and the future time period became worse. Respondents perceived the stock of inventories slightly higher than usually. On the other hand, expectations in **construction** has been improving for the fourth consecutive months in February, and rose to a peak unseen for 28 months. Although companies in structural engineering are more optimistic, the improvement was much more pronounced in civil engineering. In February, the assessment of output in the previous three months became slightly more upbeat compared to January, that of stock of orders much more optimistic. Although in February the **trade** confidence index had been on the rise for three months, still it remained in the relatively narrow band characterising the past three years. The evaluation of sales positions and inventories improved, but that of orders deteriorated somewhat. In February, the confidence index of services rose back to the level recorded last summer. Opinions on the general state of business and the turnover of the preceding period became more favourable, although perspectives on turnover became slightly downbeat.

Following improvement in the preceding three months, **employment intentions** in industry fell back to the level of February, they turned negative among companies in trade and services, but picked up in construction. The fear of unemployment of households that was otherwise rather low previously eased further in February. Following the rather great jump that had taken place in December and January, intensions to raise prices became more restrained in construction and did not change in the other sectors. The major part of companies (nearly two thirds of them in industry) expects unchanged prices. Nevertheless, inflationary expectations of consumers picked up. The evaluation of the prospects of the **Hungarian economy** deteriorated perceptively in all industries and among consumers, but the least in construction and among households.

Following a rise of three month, **the GKI consumer confidence index** fell slightly in February. Households assessed their financial position for the next 12 months somewhat more negatively than in January, but their expected savings capacity slightly more positively. Respondents considered the possibility of purchasing high-value durables essentially the same as earlier.



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
	02	4.5	-12.4	0.1

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