



27 MARCH 2017

GKI'S CONSTRUCTION CONFIDENCE INDEX HIT ITS NINETEEN-YEAR PEAK

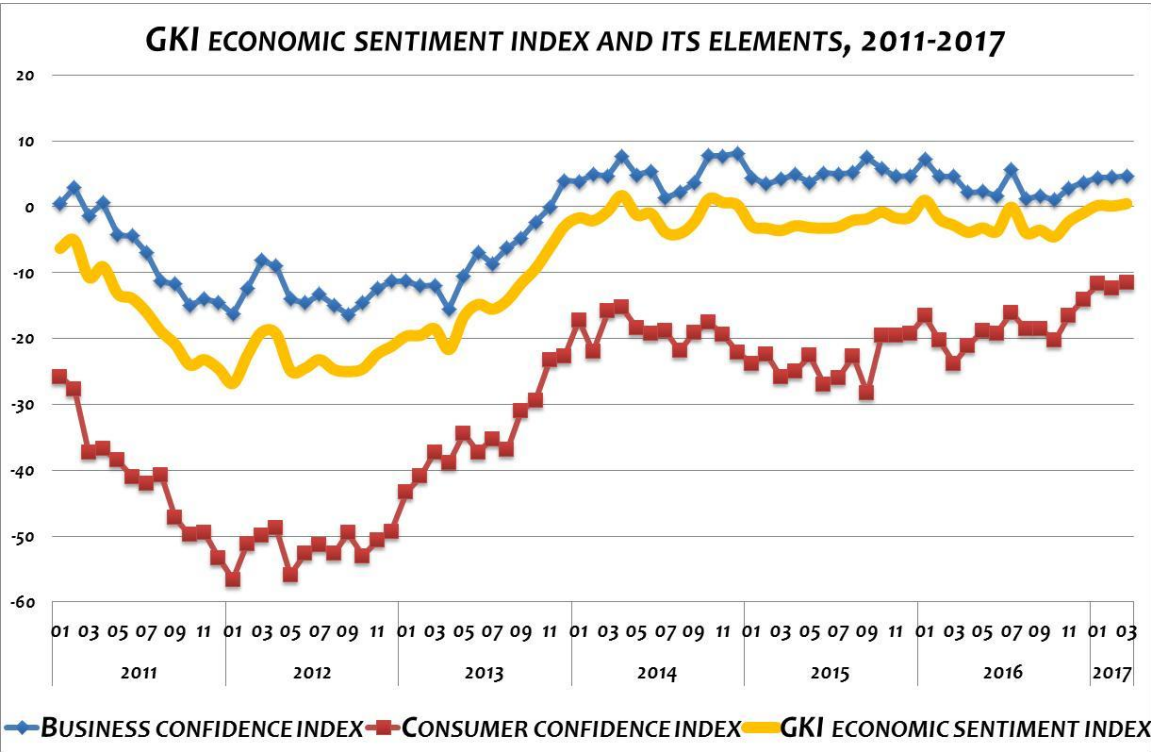
The economic sentiment index increased in March 2017 for the fifth consecutive month. Although the monthly changes were not significant, the index reached its two-and-a-half-year peak. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, the last time when business expectations were as favourable as now had been last summer, whereas consumer expectations were as favourable as now eleven years ago.

In March, **business** expectations improved in varying degrees in all sectors with the exception of industry. The **industrial** confidence index continued to fluctuate around its long-term average. The assessment of production in the last period improved, that of the total stock of orders stagnated (though that of export orders improved), whereas that of production prospects weakened. Respondents considered inventories slightly smaller. Expectations in **construction** have been improving steadily since last December. An overwhelming positive change occurred in March 2017: the sector's confidence index jumped to its nineteen-year peak. The last time that construction enterprises were so optimistic was in June 1998. The prospects of companies in both structural and civil engineering have improved considerably, and the assessment of production in the previous three months and of the stock of orders has also become much more favourable. Although in March the **trade** confidence index had been on the rise for four months, still it remained in the relatively narrow band characterising the past three years. The assessment of sales positions deteriorated slightly, that of expected orders remained unchanged, whereas that of inventories improved. The **services** confidence index rose slightly in March. Although the assessment of turnover in the past period and that of the general business climate improved, that of expected turnover stagnated.

Intentions to employ are favourable and improving in all sectors. The fear of unemployment of households is at its lowest level since mid-1998. Intentions to **raise prices** have not changed in construction, whereas they declined in other sectors, especially in trade. Two-thirds to three-quarters of companies in all sectors anticipate unchanged prices. Inflationary expectations of consumers remained unchanged in March. The assessment of the perspectives of the **Hungarian economy** improved in every industry, except trade, and among households as well.

In March the **GKI consumer confidence index** increased further and returned to its January level. Households assessed their financial position for the next 12 months somewhat more positively than in February; however, they evaluated their expected savings capac-

ity slightly more negatively. Households considered the possibility of purchasing high-value durables within the next 12 months 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, 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
	03	4.7	-11.5	0.5

GKI ECONOMIC RESEARCH CO.

1092 Budapest. Ráday u. 42-44.

Phone: +36 1 318 1284

E-mail: gki@gki.hu

For more information:

Gábor Karsai (karsai.gabor@gki.hu); Raymund Petz (petz.raymund@gki.hu)