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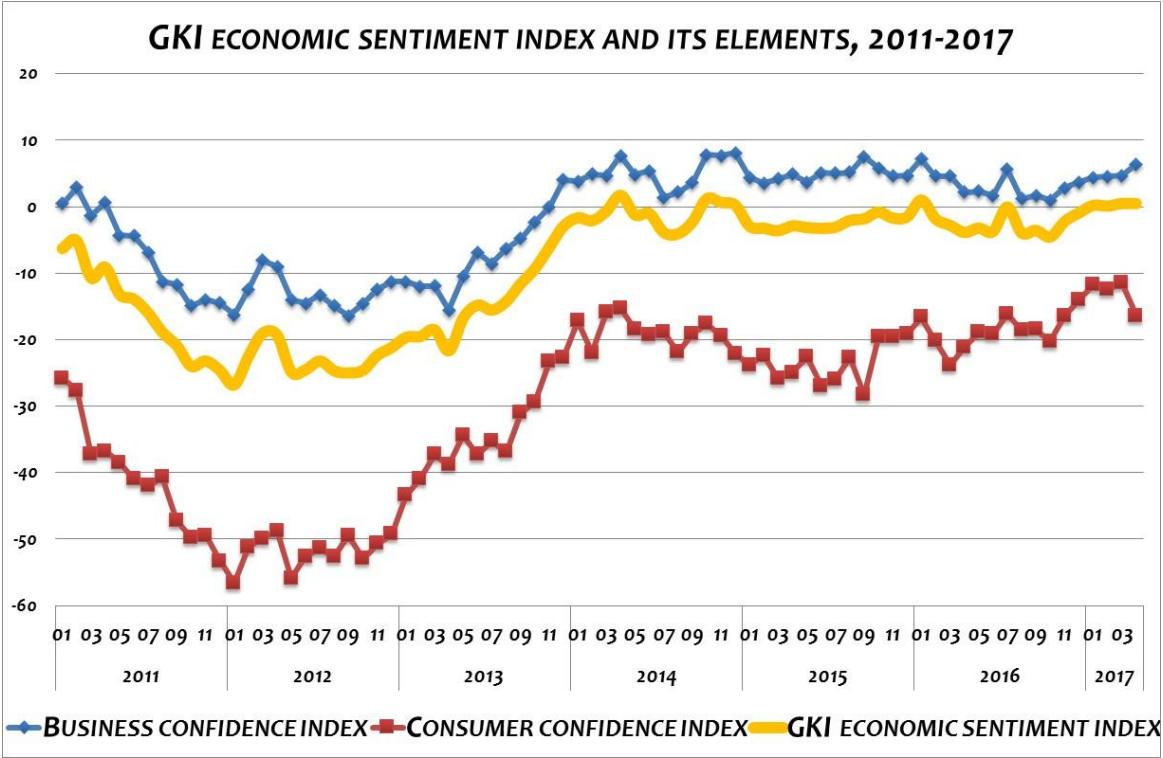
BUSINESS CONFIDENCE ROSE SLIGHTLY IN APRIL, WHEREAS CONSUMER CONFIDENCE DECREASED CONSIDERABLY

The GKI economic sentiment index did not change in April, thus it continues to reflect strong optimism. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, in October expectations improved notably in the business sector, reaching their 16-month peak, whereas they declined considerably among consumers.

In April, in the **business** sector expectations of industrial companies picked up significantly, and those in services just improved a bit. There was some deterioration in trade and construction. The **industrial** confidence index rose markedly, reaching its highest point in the past 9 months. The assessment of past production and the stock of orders improved; however, that of export orders deteriorated slightly. Along with slightly rising inventory levels, production prospects improved definitely. Following a significant increase in March, the **construction** confidence index adjusted downwards in April. However, it still reflects strong optimism. The prospects of companies in structural and civil engineering declined slightly compared to March. The assessment of production in the preceding quarter continued to improve, whereas that of orders remained unchanged. Following its two-month rise, the trade confidence index fell back to its January level in the fourth month of 2017 and remained in the relatively narrow band characterising the past three years. The assessment of sales positions, with stagnant inventory levels, declined. In addition, orders are also expected to drop. The **services** confidence index rose slightly in April. This was the third consecutive month with improvement. The assessment of the general business climate of the recent period improved significantly, whereas that of the expected turnover slightly deteriorated.

Intentions to employ are favourable in all sectors. In April these intentions hardly changed in industry, trade and services, whereas they deteriorated significantly in construction. Although the fear of unemployment of households strengthened slightly, it is still rather low. **Intentions to raise prices** in industry and construction remained unchanged, and they increased slightly in trade and services. Low inflationary pressure is indicated by the fact that two-thirds to three-quarters of companies in all sectors anticipate unchanged prices. Inflationary expectations of consumers remained unchanged in March. Although the evaluation of the prospects of the **Hungarian economy** deteriorated among consumers and in all sectors except for industry, it is still quite favourable.

GKI's consumer confidence index declined sharply in April, following its stagnation in February and March. Households assessed their financial situation and savings capacity for the following year significantly worse than in March.



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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2015	12	8.1	-22.1	0.2
	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
2016	12	4.7	-19.2	-1.5
	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
2017	12	3.7	-14.1	-0.9
	01	4.4	-11.7	0.2
	02	4.5	-12.4	0.1
	03	4.7	-11.5	0.5
	04	6.4	-16.4	0.5

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