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## GKI ECONOMIC SENTIMENT INDEX REACHED ITS THREE-YEAR PEAK IN MAY

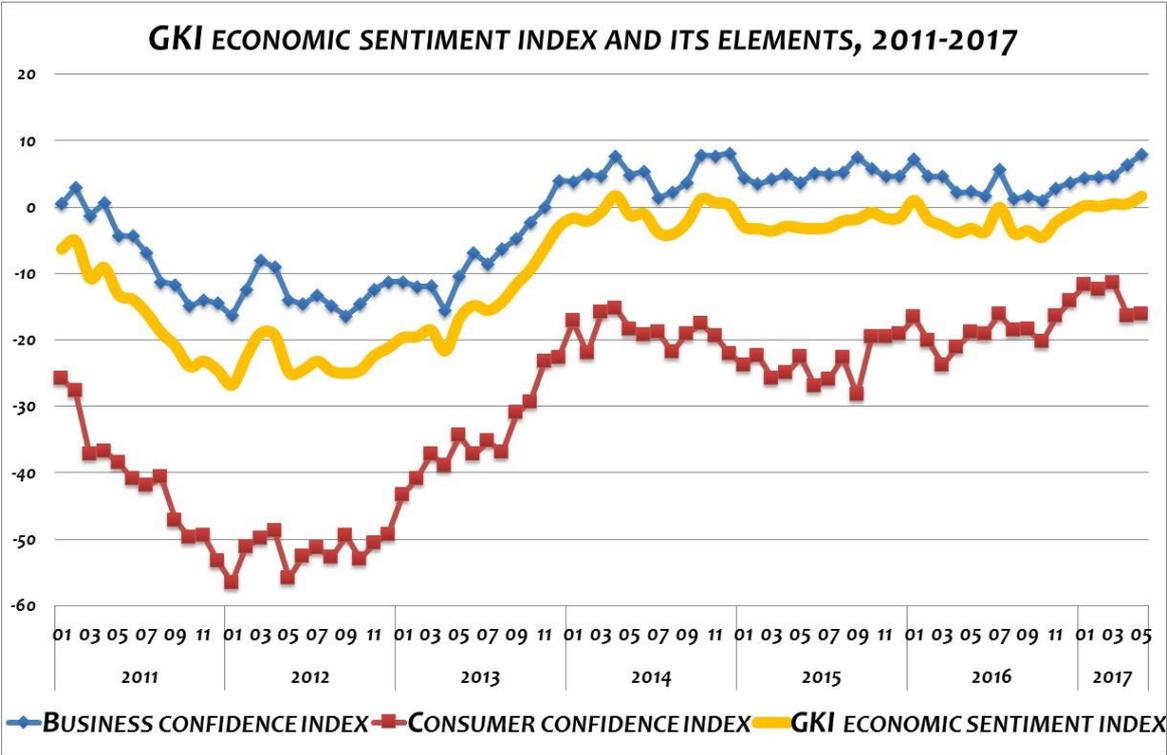
In spite of its relatively modest rise in May, the GKI economic sentiment index reached its three-year peak. According to the empirical survey conducted by GKI ([www.gki.hu](http://www.gki.hu)) with the support of the EU, the rise was mainly due to service companies: their exploding optimism raised their sentiment index to a level unseen for eighteen years. Expectations in industry deteriorated slightly, whereas those in trade dropped considerably. Expectations in construction barely improved and those among consumers improved only within the statistical margin of error.

The **business confidence index** reached its two-and-a-half-year peak in May. However, the **industrial** confidence index declined slightly compared to April. The assessment of production and orders of the previous period remained unchanged, whereas that of the next period worsened. However, the assessment of export orders and stocks improved. Though the **construction** confidence index rose slightly, it did not reach its peak in March, the highest figure in the past nineteen years. Compared to April, expectations of structural engineering companies improved, whereas those of civil engineering ones deteriorated. The assessment of production in the preceding quarter and that of orders also improved slightly. After its drop in April, the **trade** confidence index fell noticeably in May; however, it remained in the relatively narrow band characterising the past three years, albeit in its lower third. Currently, this is the least optimistic sector. The assessment of sales positions, stock levels and expected orders deteriorated significantly. The **services** confidence index jumped to its eighteen-year peak in May. The evaluation of the general business climate improved slightly, and that of the expected turnover became much more favourable. However, the evaluation of sales of the preceding period worsened.

The **intentions of employment** in industry and trade deteriorated, whereas they improved slightly in construction and significantly in services. The fear of unemployment by households intensified slightly. Intentions to **raise prices** in industry and construction did not change significantly: they strengthened minimally in industry (mainly in export-oriented sectors) and weakened a bit in construction. In trade and services the share of those planning price rises decreased noticeably within a month, whereas the inflationary expectations of consumers strengthened. Opinions about the prospects of the **Hungarian economy** in construction was much more favourable than in April. After three months of

deterioration, they improved slightly in trade and services, whereas they deteriorated in industry and among households.

Following its drop in April, the **GKI consumer confidence index** rose within the statistical margin of error in May (in fact, it stagnated). Consumers assessed their financial situation and their savings capacity for the following year slightly better than in April. Households considered the possibility of purchasing high-value durables better as well.



**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
05	7.9	-16.1	1.7	

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