



24 OCTOBER 2017

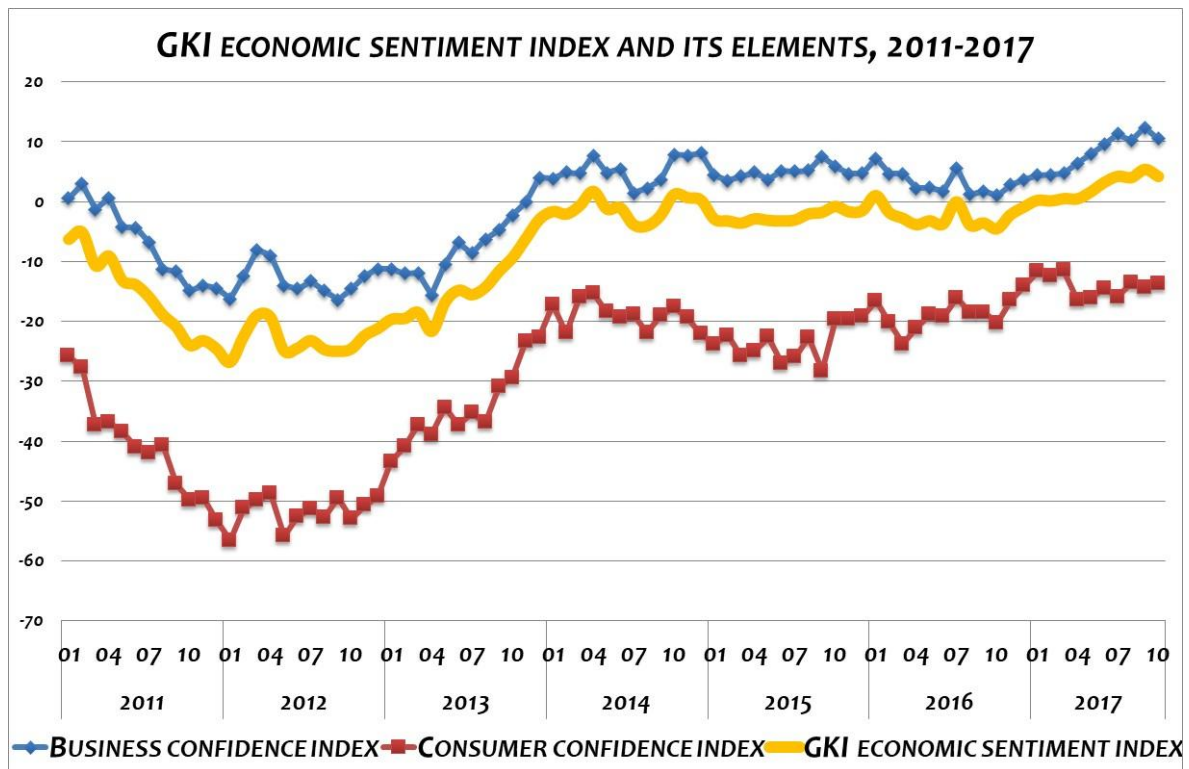
COMPARED TO ITS PEAK, GKI'S ECONOMIC SENTIMENT INDEX FELL IN OCTOBER

Compared to its historic peak in September, GKI's economic sentiment index fell slightly in October. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, this was the result of some deterioration in business expectations as consumer expectations improved slightly, within the statistical margin of error.

Expectations of construction companies reached a new historical height in the **business sector**, whereas those of commercial companies remained unchanged, and those of industrial and service companies deteriorated slightly. Despite the decline in the **industrial** confidence index, it is more favourable than in August. The decline was due to the weakening of production prospects, the increase in inventories and a slight decline in incoming orders. However, the assessment of production of the last period and exports improved. Optimism in **construction** remains excellent. Compared to September, expectations of structural engineering companies improved further, whereas those of civil engineering ones deteriorated slightly. Although the assessment of production in the preceding three-month period worsened somewhat, that of orders improved slightly. The **commercial** confidence index stagnated, the assessment of sales positions and expected orders became slightly worse, and that of stocks improved somewhat. The **services** confidence index dropped close to its August level in October. Both the assessment of the state of business and the sales outlook for the previous and the next periods deteriorated.

Employment expectations strengthened in construction, remained unchanged in industry and deteriorated in trade and services. The fear of unemployment among households increased slightly. At the same time, the main obstacle to production growth is the **shortage of labour** in all sectors. Intentions to **raise prices** weakened in all sectors, and inflationary expectations decreased among consumers as well. The assessment of the **Hungarian economy's prospects** in industry did not change, it dropped slightly in construction, whereas it improved in services and especially in trade and among households.

The **GKI consumer confidence index** improved in October but it did not compensate for its decline in September. Households assessed their financial situation for the following year the same and their savings capacity somewhat worse than in September. Households considered the conditions of purchasing high-value durables to be slightly deteriorating; however, those for the next year were perceived unchanged.



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 |
| | 04 | 6.4 | -16.4 | 0.5 |
| | 05 | 7.9 | -16.1 | 1.7 |
| | 06 | 9.5 | -14.6 | 3.2 |
| | 07 | 11.3 | -15.9 | 4.2 |
| | 08 | 10.2 | -13.6 | 4.0 |
| | 09 | 12.3 | -14.3 | 5.4 |
| | 10 | 10.5 | -13.8 | 4.2 |

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)