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GKI'S ECONOMIC SENTIMENT INDEX NEAR ITS PEAK AGAIN

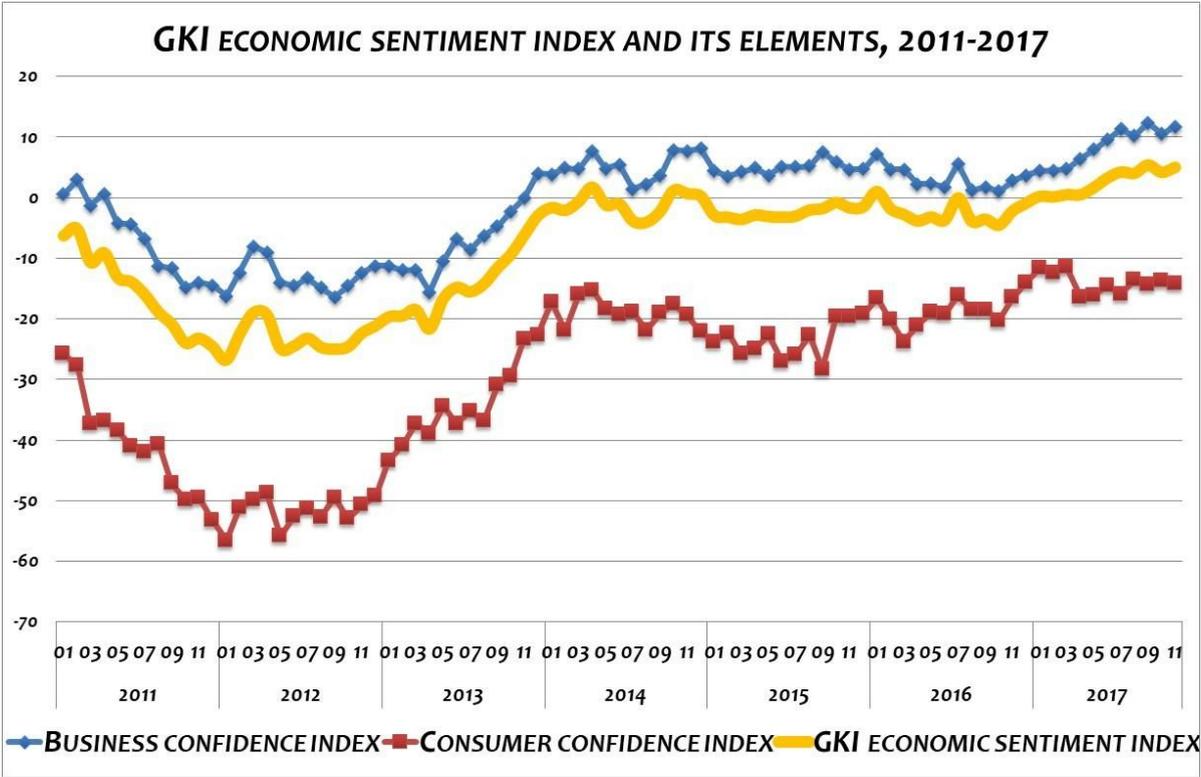
In November, GKI's economic sentiment index was again near to its historic peak reached in September. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, in November expectations improved slightly in the business sector compared to October, whereas they declined among consumers within the statistical margin of error.

Business expectations improved in varying degrees in all sectors with the exception of industry, where they remained unchanged. In industry, the assessment of the production in the past period and the production prospects deteriorated, whereas that of stocks and the stock of orders improved. Next year's investment intentions of companies are slightly stronger than they were this year. Expectations in **construction** continued to soar, thus the confidence index of the sector rose to another historic peak in November. Compared to October, expectations of companies in civil engineering became more favourable this month, whereas those in structural engineering deteriorated slightly. The assessment of production in the preceding three months strengthened noticeably in November, and that of orders also improved. After its stagnation in October, the **trade** confidence index rose slightly and approached its peak value. The assessment of sales positions and the level of stocks improved somewhat, whereas that of orders worsened slightly. The **services** confidence index rose in November, by a rate exceeding its fall in October, approaching its peak value. Although sales expectations became noticeably more pronounced, the evaluation of the general business climate deteriorated slightly. The latter can be explained by past trends, as the assessment of turnover and employment in the past period also became more moderate.

Employment expectations became worse in all sectors except for services, and fear of unemployment increased slightly among households. Intentions to **raise prices** intensified in all sectors, and so did consumers' inflationary expectations. Respondents considered the situation of the **Hungarian economy** more or less better than in October, with the exception of trade. However, consumers assessed it less favourably.

After its slight increase in October, **GKI's consumer confidence index** declined similarly in November. Households assessed their financial position somewhat more negatively than in October; however, they evaluated their expected savings capacity slightly more positively. The latter has essentially been stagnating in the last one and a half years, with some fluctuations. Households considered the current possibility of purchasing

high-value durables slightly better, whereas their expectations for the next 12 months were deteriorating moderately.



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

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
	11	11.7	-14.2	5.0

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