



22 JANUARY 2018

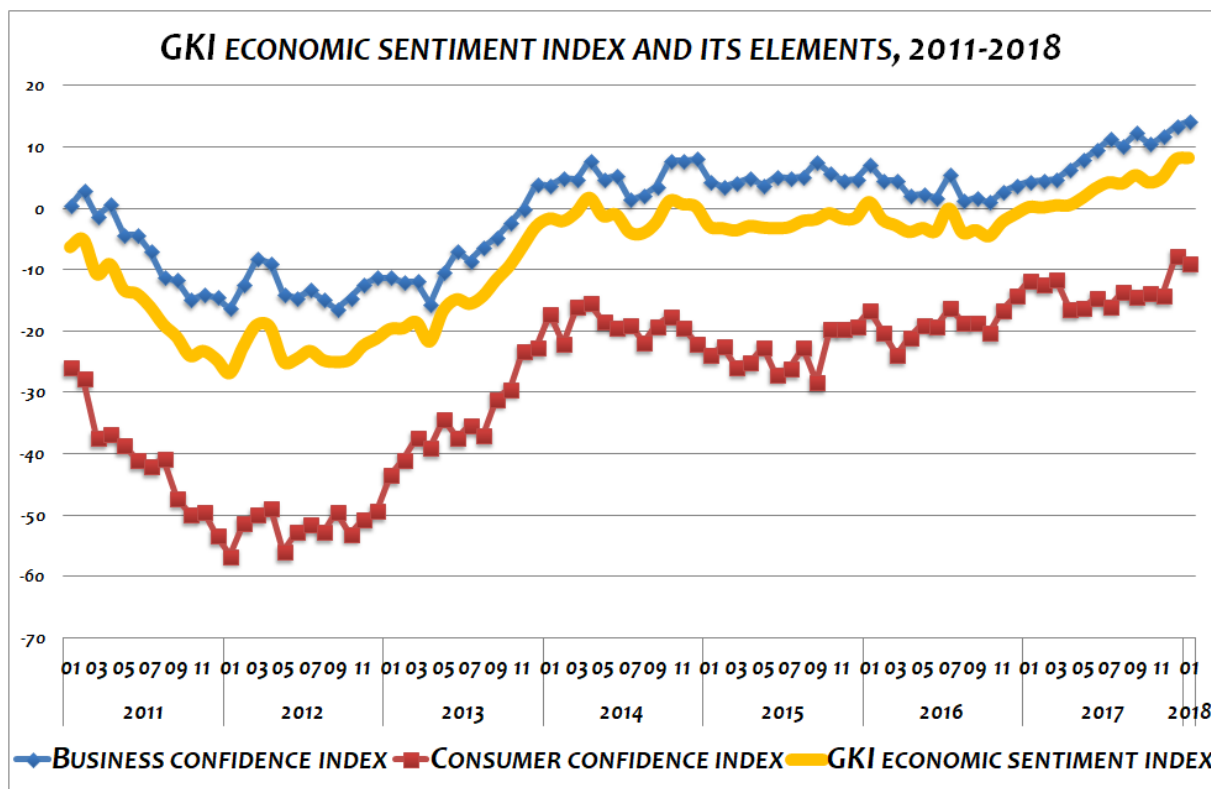
COMPARED TO ITS YEAR-END PEAK, GKI'S ECONOMIC SENTIMENT INDEX IMPROVED SLIGHTLY IN JANUARY

Compared to its historical peak at the end of 2017, GKI's economic sentiment index advanced in January within the statistical margin of error. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, this was the result of a minimal progress in business expectations and a slight deterioration of consumer expectations. Companies consider labour shortage as the main obstacle to expansion.

Although the **business confidence index** grew only within the statistical margin of error in January 2018, it reached a new historical peak. This is a consequence of an optimism of service companies higher than ever before as industrial and construction expectations remained practically unchanged and commercial expectations worsened slightly. The **industrial** confidence index deteriorated within the statistical margin of error compared to the end of last year. The assessment of the production level and prospects as well as the incoming orders (except for exports) became more pessimistic. However, that of inventories improved a lot. Capacity utilization has returned to pre-crisis levels. Compared its peak in December 2017, the **construction** confidence index remained essentially unchanged in January. The assessment of production in the preceding quarter improved in January, whereas the evaluation of incoming orders deteriorated slightly. At the same time, the average length of the production period filled with valid orders is unprecedentedly high, reaching 6.2 months in the construction industry. Following its slow rise in December, the **trade** confidence index declined at a similar rate in January, and it was close to the top of the relatively narrow band in which it had fluctuated for almost four years. The assessment of sales positions and the level of stocks worsened, whereas that of orders improved noticeably. The **services** confidence index increased at the beginning of the year. Sales expectations became more favourable, and the assessment of the state of business stagnated. The capacity utilization of companies was high (90 per cent).

Intentions to employ improved except in trade. The fear of unemployment of households increased slightly. According to companies, labour shortages are the main obstacle to expansion. **Intentions to raise prices** declined in January over December in industry and construction. However, the proportion of construction companies predicting higher prices did not drop. Intentions to change prices remained unchanged in commercial and services companies. The inflationary expectations of consumers strengthened a bit. **Expectations about the development of the Hungarian economy** became noticeably more favourable in all sectors, with the exception of trade and households, where there were significant positive changes in December.

Following its significant increase in December, **GKI's consumer confidence index** fell slightly in January. Households perceived their own financial situation only better than now in April 2006, whereas their propensity to save and willingness to buy high-value durable consumer goods deteriorated slightly.



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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
	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
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
	12	13.4	-7.7	7.9
2018	01	14.2	-8.9	8.2

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