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AFTER A TWO-MONTH DECLINE, THE GKI ECONOMIC SENTIMENT INDEX ROSE IN OCTOBER

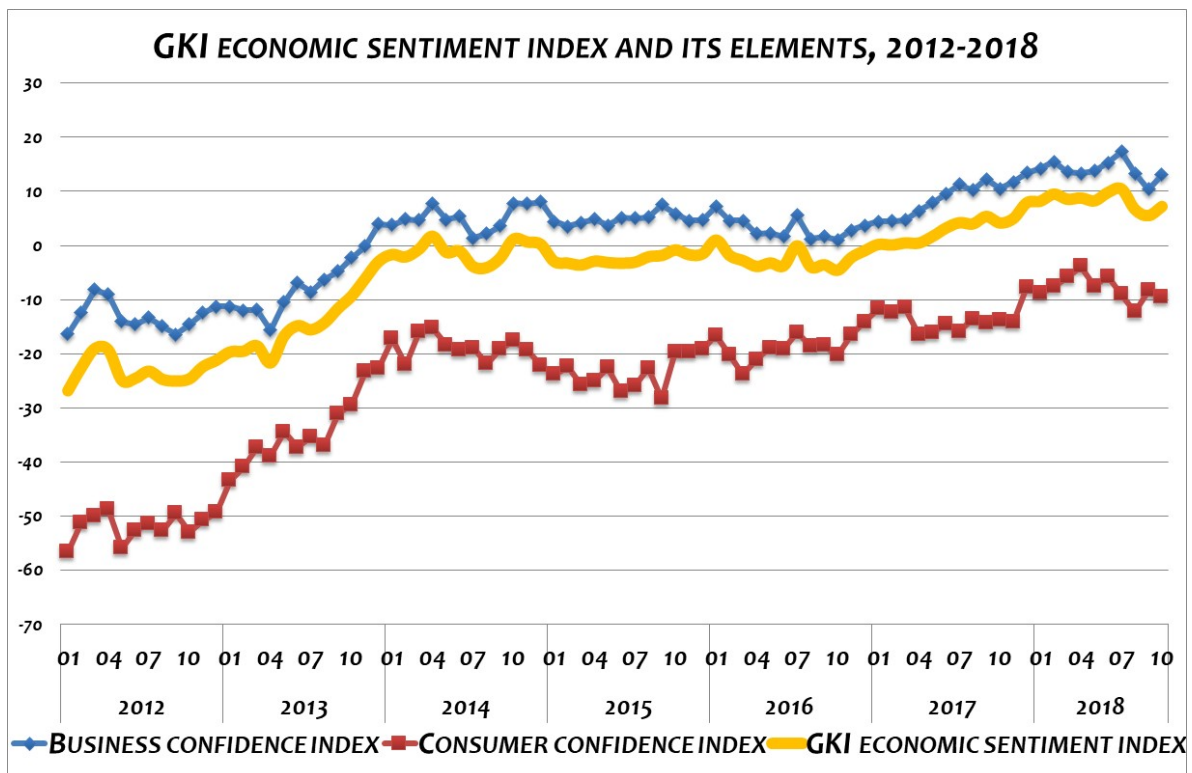
After a two-month decline following its historic peak in July, the GKI economic sentiment index rose slightly in October. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, this was due to an improvement in business expectations as the consumer confidence index decreased somewhat.

In the **business sector** only commercial expectations deteriorated in October. After its significant drop in September, the **industrial** confidence index returned to its August level. The assessment of production, stocks and incoming orders improved; however, that of export orders deteriorated. Production expectations slightly weakened as well. Following its significant drop in September, the **construction** confidence index rose. Expectations of structural engineering companies improved compared to the previous month, whereas those of civil engineering firms deteriorated. The assessment of production in the preceding quarter improved considerably, and the evaluation of incoming orders also got better. The average length of the production period filled with valid orders was higher than in any previous survey (8.4 months). The **trade** confidence index declined to a lesser extent than in September, thus, it continued to remain close to the upper region of the relatively narrow band in which it had fluctuated in the past 4.5 years. The assessment of sales positions and expected orders declined slightly, whereas that of stocks improved somewhat. The **services** confidence index has been increasing for two months, though within the statistical margin of error. Although the evaluation of the general business climate and the turnover in the previous period improved, sales expectations weakened.

The **intentions of employment** improved in industry and construction, they weakened in trade and remained unchanged in services. Although the fear of unemployment of households is low, it increased slightly in October. According to companies, the main obstacle to faster growth is the shortage of labour. **Intentions to raise prices** increased in all sectors with the exception of trade. However, the inflationary expectations of consumers intensified a bit. The assessment of the **prospects of the Hungarian economy** improved mainly in industry and also in construction, whereas it deteriorated in trade and services as well as among households.

After its September increase, the **GKI consumer confidence index** declined, although by a lesser extent. Households assessed their financial position somewhat more negatively than in the previous month; however, they evaluated their expected savings capacity slightly improving. The latter was considered more favourable than now last time 16 years ago. House-

holds' assessment regarding the possibility of purchasing high-value durables remained 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, 2012-2018

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
2016	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
	01	4.4	-11.7	0.2
2017	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
02		15.5	-7.6	9.5
03		13.6	-5.8	8.6
04		13.3	-3.9	8.8
05		13.8	-7.5	8.3
06		15.3	-5.7	9.8
07		17.3	-9.0	10.5
08		13.3	-12.2	6.7
09		10.4	-8.3	5.5
10		13.1	-9.5	7.2

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