



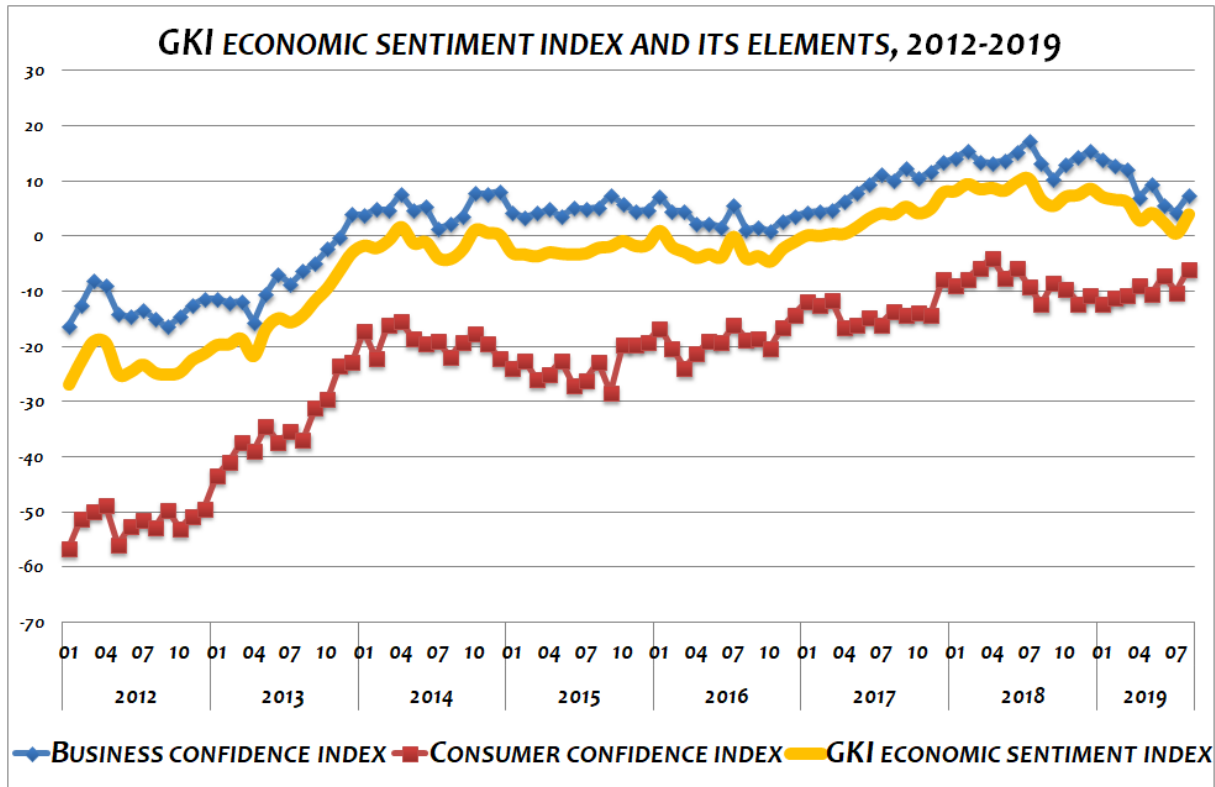
AFTER SEVEN MONTHS OF DETERIORATION, BUSINESS EXPECTATIONS IMPROVED IN AUGUST

The GKI economic sentiment index rose in August compared to its low of almost two and a half years in July. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, improvement was registered not only in business expectations but also in the consumer confidence index, which had been fluctuating in recent months, and now reached its peak for more than a year.

In the **business** sector, primarily the industrial confidence index, and to a lesser extent the service provider confidence index increased. Although the six-month decline of optimism in construction continued, it is still by far the most upbeat sector. The trade confidence index fell to its three-year low. After a two-month decline, the **industrial** confidence index rose markedly in August. The assessment of the production level, the stock of orders (including export orders) and stocks of the past quarter improved significantly. However, production expectations worsened. In August, the **construction** confidence index fell almost to its lowest point in the past two years. The prospects of companies in structural and civil engineering also declined. Assessment of production in the previous quarter hardly changed, whereas that of orders dropped markedly. After its drop in July, the **trade** confidence index continued to fall, and it is in the lower zone of the relatively narrow band in which it had fluctuated for the past five years. The assessment of sales positions and stock levels became significantly worse, and after a sharp decline in the previous month, expectations concerning new orders declined slightly. The **services** confidence index, however, rose back to its April level. Although the evaluation of the general business climate did not change much, the sales outlook improved significantly.

Employment intentions remained essentially unchanged in August; they strengthened mostly in services and weakened in construction. The fear of unemployment of households was fluctuating at a low level, it eased in August, reaching an unprecedented low point. Following a sector-wide drop in July, **intentions to raise prices** showed mixed trends in August, they continued to decline in industry and services, reaching a 22-month low in the latter. However, they became noticeably stronger in construction and trade (although three quarters of companies in the latter sector do not plan price changes for the time being). Inflationary expectations of consumers continued to ease slightly. The assessment of the **situation of the Hungarian economy** in the business sector remained unchanged. However, the opinion of households improved slightly after its deterioration in July.

The **GKI consumer confidence index** rose in August at a rate exceeding its rate of decline in the previous month. Households assessed their financial situation and especially savings capacity for the future much better than a month ago. The latter was more favourable last time in August 2002. Households considered the possibility of purchasing high-value durables more likely 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, 2013-2019

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

Year	Month	Business confidence index	Consumer confidence index	GKI economic sentiment index
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
11		14.4	-12.1	7.5
12		15.4	-10.6	8.6
2019	01	13.9	-12.1	7.1
	02	12.9	-11.1	6.7
	03	12.1	-10.7	6.2
	04	7.1	-8.9	2.9
	05	9.4	-10.4	4.3
	06	5.7	-7.0	2.4
	07	4.3	-10.1	0.6
	08	7.5	-5.9	4.0

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