GKI Economic Research Co.
We analyse and forecast. You decide.

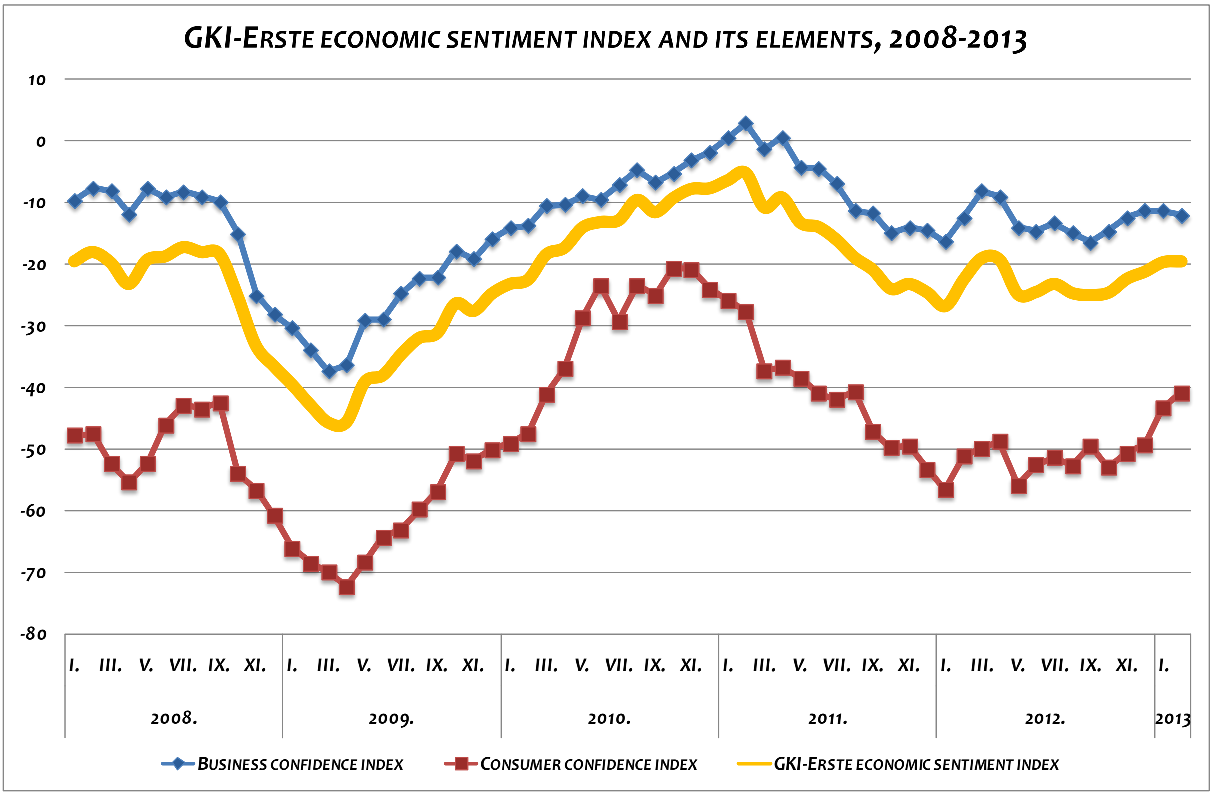
ONLY CONSUMERS' PESSIMISM EASED IN FEBRUARY

The GKI-Erste economic sentiment index adjusted for seasonal effects failed to reach its last year's peak in February. Following a four month long continuous improvement it was already close to this peak value; however, the improvement stopped in February. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU consumer expectations continued to rise, whereas the business confidence index deteriorated slightly.

In the **business sphere** industrial and commercial expectations deteriorated, expectations of service companies remained unchanged, whereas those in construction improved significantly. The value of the **industrial** confidence index was in line with the relatively low average of past months. The decrease in February was mainly due to the gloomy production outlook. The assessment of the stocks of own production deteriorated as well. The assessment of past production and the stock of orders improved somewhat; however, that of export orders deteriorated slightly. Following its modest increase in January, the **construction** confidence index went up significantly in February. Though this was its best confidence index value in the last two years, construction is the most pessimistic of all sectors. Compared with the previous month, the assessment of the production level and the stock of orders of the previous three months improved intensively in February. Following a considerable increase in January, the **trade** confidence index dropped in February. The assessment of sales positions picked up, whereas that of stocks and expected orders turned worse. In the **service** sector the evaluation of the general business climate and sales in the subsequent period improved somewhat.

The **intentions of employment** in industry and services weakened slightly, whereas they improved considerably in construction and, to a lesser extent, in trade. The fear from unemployment of households eased. Intentions to **increase prices** dropped slightly in industry and trade. In construction, however, the share of firms anticipating lower prices decreased substantially, although it is still higher than that of those foreseeing higher prices. In services intentions to increase prices picked up. Inflationary expectations of households eased. The **assessment of the perspectives of the Hungarian economy** turned better spectacularly in industry and construction, and the ratio of those expecting improvement in industry almost reached the ratio of those anticipating deterioration. The difference still remained big in construction. The assessment of macroeconomic perspectives declined in trade and services. Households' opinion on the economic situation improved.

Following a considerable increase in January, **GKI's consumer confidence index** continued to grow in February, though at a slower pace. Households assessed their financial situation for the following year better and their saving capacity worse.



Explanation to the methodology:

In line with the methodology used by the EU, GKI surveys the expectations of industry, trade, construction and services in the calculation of its business confidence index. (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).

According to the new recommendation of the EU, GKI recalculated the former database with the new 'TEAOR 08' codes (statistical business activity codes) in January 2011.

The consumer confidence index is calculated from responses given to questions concerning the actual and the expected financial position of households, the actual and the expected economic situation of the country, and the purchase of higher value consumer durables.

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. The history of the subindex that reflects the expectations of services is shorter than that of other sectors. This kind of surveys started in 1998. Therefore the business confidence index for 1996-1997 had to be recalculated. This was made by using the mathematical correlation among the confidence indices of various sectors in the period after 1998.

GKI-Erste economic confidence index is the weighted average of the consumer confidence index and the business confidence index.

GKI-Erste economic sentiment index and its elements, 2008-2013

Year	Month	Business confidence index	Consumer confidence index	GKI-Erste economic sentiment index
2008.	I.	-9.6	-47.8	-19.5
	II.	-7.6	-47.6	-18
	III.	-8.1	-52.4	-19.7
	IV.	-11.8	-55.4	-23.2
	V.	-7.7	-52.3	-19.3
	VI.	-9.1	-46.1	-18.7
	VII.	-8.2	-42.9	-17.2
	VIII.	-9	-43.5	-18
	IX.	-9.8	-42.5	-18.3
	X.	-15	-54	-25.2
	XI.	-25	-56.7	-33.2
	XII.	-28.1	-60.8	-36.6
2009.	I.	-30.3	-66.1	-39.6
	II.	-33.9	-68.5	-42.9
	III.	-37.4	-70	-45.8
	IV.	-36.3	-72.3	-45.7
	V.	-29	-68.3	-39.2
	VI.	-28.9	-64.3	-38.1
	VII.	-24.7	-63.1	-34.7
	VIII.	-22.2	-59.8	-32
	IX.	-22.1	-56.9	-31.2
	X.	-17.8	-50.8	-26.4
	XI.	-19.1	-51.9	-27.6
	XII.	-15.9	-50.1	-24.8
2010.	I.	-14.1	-49.1	-23.2
	II.	-13.7	-47.5	-22.5
	III.	-10.5	-41.2	-18.4
	IV.	-10.3	-37	-17.3
	V.	-8.9	-28.7	-14
	VI.	-9.5	-23.4	-13.1
	VII.	-7.1	-29.3	-12.8
	VIII.	-4.7	-23.4	-9.5
	IX.	-6.7	-25	-11.5
	X.	-5.2	-20.6	-9.2
	XI.	-3.1	-20.8	-7.7
	XII.	-1.8	-24.1	-7.6
2011.	I.	0.5	-25.8	-6.3
	II.	2.9	-27.7	-5.1
	III.	-1.3	-37.3	-10.7
	IV.	0.6	-36.8	-9.1
	V.	-4.3	-38.5	-13.2
	VI.	-4.4	-41	-13.9
	VII.	-6.9	-42	-16
	VIII.	-11.3	-40.7	-18.9
	IX.	-11.7	-47.2	-20.9
	X.	-14.9	-49.8	-24
	XI.	-14	-49.5	-23.2
	XII.	-14.5	-53.3	-24.6
2012.	I.	-16.3	-56.6	-26.8

Year	Month	Business confidence index	Consumer confidence index	GKI-Erste economic sentiment index
	II.	-12.4	-51.2	-22.5
	III.	-8.1	-49.9	-19
	IV.	-9	-48.8	-19.3
	V.	-14	-55.9	-24.9
	VI.	-14.6	-52.6	-24.5
	VII.	-13.3	-51.4	-23.2
	VIII.	-14.9	-52.7	-24.7
	IX.	-16.4	-49.5	-25
	X.	-14.6	-53	-24.6
	XI.	-12.4	-50.7	-22.4
	XII.	-11.3	-49.3	-21.2
2013.	I.	-11,3	-43,4	-19,6
	II.	-12,0	-40,9	-19,5

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