



GKI Economic Research Co.

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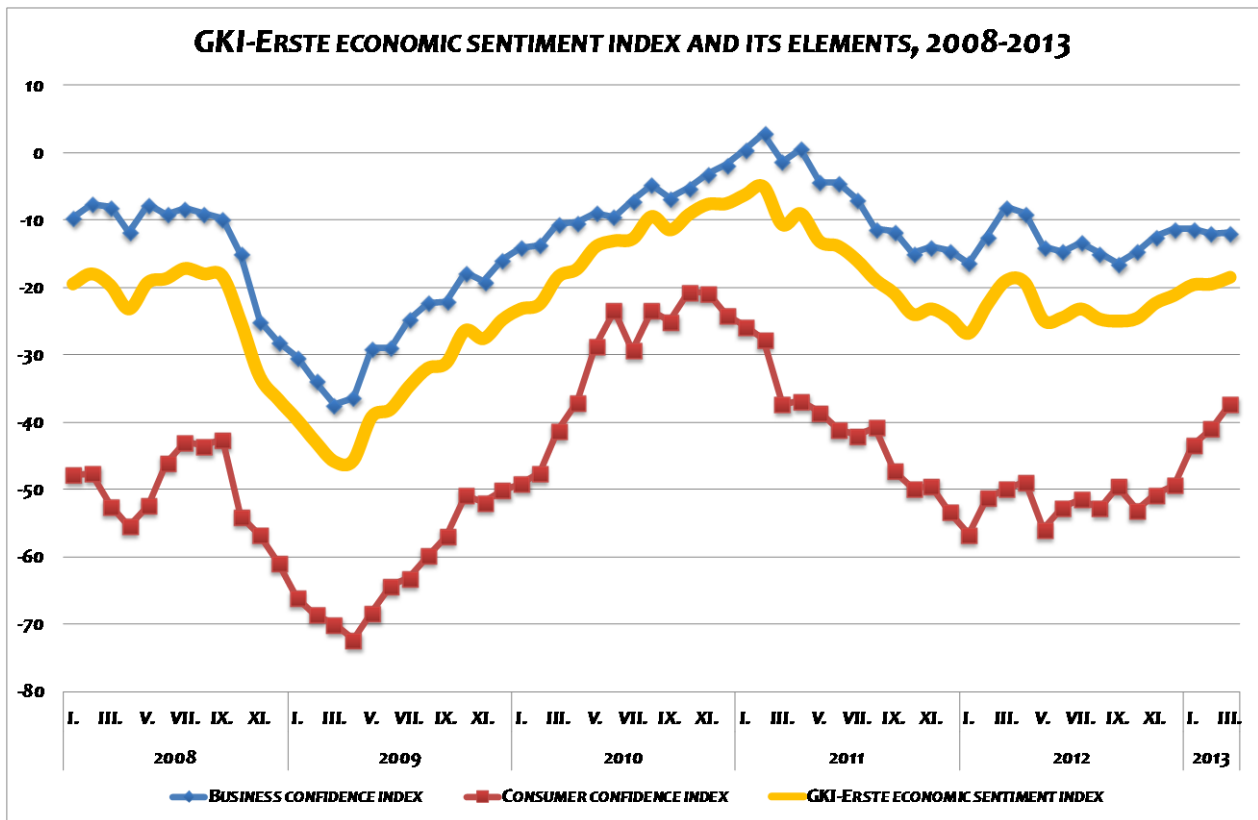
THE TREND CONTINUES: ONLY CONSUMERS ARE MORE OPTIMISTIC IN MARCH

In March the GKI-Erste economic sentiment index adjusted for seasonal effects reached its quite low level of a year ago. This was also the peak value last year, as following the announcement of the Szell Kalman Plan 2.0 domestic expectations started to deteriorate. However, the index has been slightly rising for half a year. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, in 2013 consumer expectations continued to rise, whereas the business confidence index stagnated.

In March, the value of industrial and construction expectations decreased in the **business sector**, whereas expectations of commercial and especially service companies improved. The **industrial confidence index** has not dropped much; however, its value is now the lowest since September. Respondents felt almost everything to be somewhat worse. The assessment of the stock of own production worsened most. The assessment of orders was also downbeat; however, that of export orders was slightly better than in February. Following its significant increase in February, the **construction** confidence index decreased slightly in March. The assessment of the production level and the stock of orders of the previous three months also dropped. In **trade** the confidence index increased slightly. The assessment of sales positions picked up in spite of the increasing level of stocks, and that of expected orders also improved. The **services** confidence index increased a lot; however, it did not reach its level of December. The assessment of turnover in the past period declined, whereas that of production prospects improved.

Intentions to employ slightly improved in industry and services; however, the number of firms planning layoffs still slightly exceeds those intending to hire new employees. In construction and trade the intentions to employ declined. The fear from unemployment of households eased. Intentions to **increase prices** intensified in industry and services, whereas they dropped in trade. The inflationary expectations of consumers eased as well. In construction companies planning price reductions continued to be in majority. The assessment of the **prospects of the Hungarian economy** declined in all sectors, except in trade; however, it turned better notably among households.

In March the **GKI consumer confidence index** has been rising for five months. Households assessed their financial situation and savings capacity for the following year slightly better than in February, and they considered the possibility of purchasing high-value durables to be much more favourable. However, their assessment of their present financial situation was worse than in the previous month.



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-Erste 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-ERSTE ECONOMIC SENTIMENT INDEX AND ITS ELEMENTS, 2008-2013

Year	Month	Business confidence index	Consumer confidence index	GKI-Erste economic sentiment index
2008	01	-9.6	-47.8	-19.5
	02	-7.6	-47.6	-18
	03	-8.1	-52.4	-19.7
	04	-11.8	-55.4	-23.2
	05	-7.7	-52.3	-19.3
	06	-9.1	-46.1	-18.7
	07	-8.2	-42.9	-17.2
	08	-9	-43.5	-18
	09	-9.8	-42.5	-18.3
	10	-15	-54	-25.2
	11	-25	-56.7	-33.2
	12	-28.1	-60.8	-36.6
2009	01	-30.3	-66.1	-39.6
	02	-33.9	-68.5	-42.9
	03	-37.4	-70	-45.8
	04	-36.3	-72.3	-45.7
	05	-29	-68.3	-39.2
	06	-28.9	-64.3	-38.1
	07	-24.7	-63.1	-34.7
	08	-22.2	-59.8	-32
	09	-22.1	-56.9	-31.2
	10	-17.8	-50.8	-26.4
	11	-19.1	-51.9	-27.6
	12	-15.9	-50.1	-24.8
2010	01	-14.1	-49.1	-23.2
	02	-13.7	-47.5	-22.5
	03	-10.5	-41.2	-18.4
	04	-10.3	-37	-17.3
	05	-8.9	-28.7	-14
	06	-9.5	-23.4	-13.1
	07	-7.1	-29.3	-12.8
	08	-4.7	-23.4	-9.5
	09	-6.7	-25	-11.5
	10	-5.2	-20.6	-9.2
	11	-3.1	-20.8	-7.7
	12	-1.8	-24.1	-7.6
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

Year	Month	Business confidence index	Consumer confidence index	GKI-Erste 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

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