



GKI Economic Research Co.

We analyze and forecast. You decide.

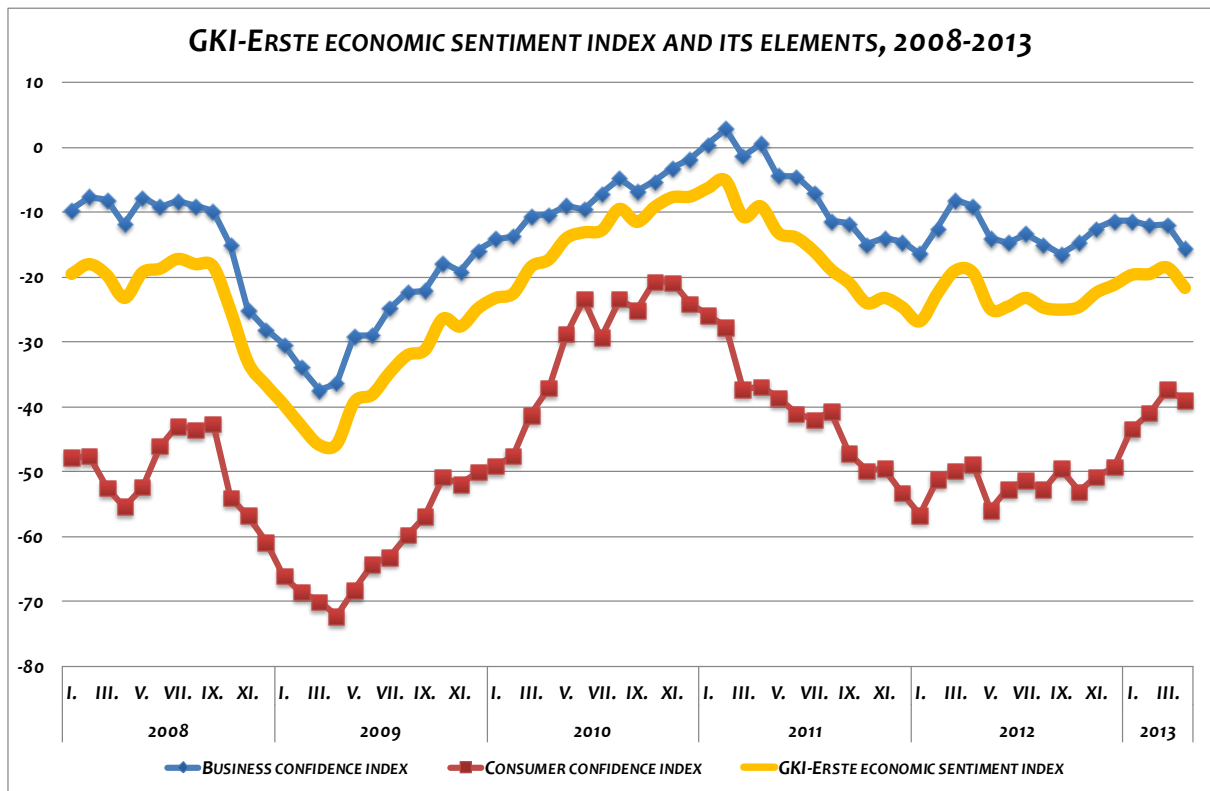
IN APRIL GKI-ERSTE ECONOMIC SENTIMENT INDEX DROPPED TO ITS LEVEL AT THE END OF 2012

In April the GKI-Erste economic sentiment index adjusted for seasonal effects stopped to increase after more than half a year long improvement. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, expectations deteriorated both in the business sector and among consumers. Until now the driving force behind the improvement has been the consumer confidence index. Its deterioration is not significant in April. However, after their stagnation in the first quarter of 2013, business expectations plummeted to almost their lowest level in 2012.

In April only the value of construction expectations improved slightly **in the business sphere**, compared to a very low basis. The **industrial confidence index** fell the most among all indices. Companies were so pessimistic as now last time in autumn of 2009. In particular, the evaluation of prospects concerning production and orders deteriorated. But interestingly, that of export orders improved. The assessment of the production of the preceding period remained unchanged, whereas that of own production improved a bit. In **construction** the confidence index increased slightly in April after the significant drop in March. The assessment of the production level and the stock of orders of the previous three months improved as well. The drop in the **trade confidence index** exceeded its slight increase in March. The assessment of sales positions and expected orders deteriorated, whereas that of the level of stocks improved. The **services** confidence index decreased slightly after its significant improvement in March. The assessment of the state of business and the sales outlook became worse as well.

Intentions to employ in industry fell spectacularly, and every second company is planning layoffs. Intentions to employ also declined in trade and services; however, the share of those planning layoffs was slightly above those planning recruitment. There was no change in construction in this respect: those planning layoffs continued to be the majority. The fear from unemployment of households strengthened. In industry, the scope of efforts to **raise prices** increased and their extent decreased. In trade the share of firms planning price rises also dropped significantly. There was no change in construction in this respect: those planning price reductions continued to be the majority. Service companies' intentions to raise prices increased slightly, and inflationary expectations of households strengthened. The **assessment of the Hungarian economy's prospects** in industry slumped spectacularly, and two-thirds of the respondents feared that further deterioration could occur. The share of those being concerned is also significantly higher in all other industries, and except for the construction industry, their proportion increased slightly in April. In this respect, households have become more pessimistic, too.

GKI's **consumer confidence index** fell slightly in April after a five-month increase. Households assessed their future financial situation worse, albeit their saving capacity somewhat better than in March. Households considered the possibility of purchasing high-value durables somewhat worse 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-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

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

GKI ECONOMIC RESEARCH Co.

1092 Budapest, Ráday u. 42-44.

Phone: +36 1 318 1284

E-mail: gki@gki.hu

For more information:

Gabor Karsai (karsai.gabor@gki.hu)

Raymund Petz (petz.raymund@gki.hu)