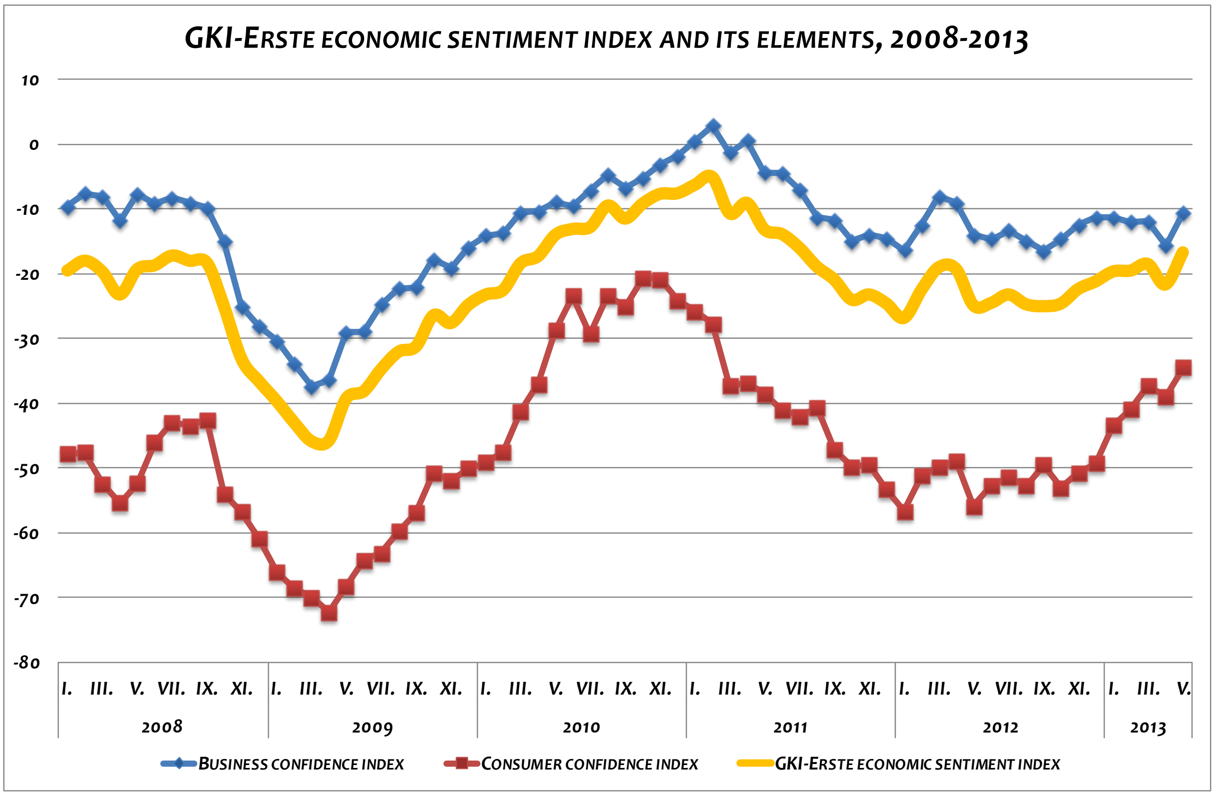
GKI-ERSTE ECONOMIC SENTIMENT INDEX IS ALMOST AT ITS TWO-YEAR PEAK

After a significant decline in April, GKI-Erste economic confidence index adjusted for seasonal effects jumped to a two-year peak, thus continuing its increase started in the autumn of 2012. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, the last time when business expectations were as favourable as now had been a year ago, whereas consumer expectations were as favourable as now more than two years ago.

In May, expectations improved spectacularly in all sectors of the **business sphere** except for services. Following a drop in April, expectations in industry reached only their modest level of February. However, expectations in the construction industry have not been so favourable for more than two years, and in trade for more than a year. In **industry**, the evaluation of the production level of the past and next periods, as well as that of orders improved, whereas that of export orders remained unchanged. (However, this latter improved in April as well.) In **construction**, positive changes in expectations since the beginning of the year have accelerated by May. Compared with April, the assessment of the production level and the stock of orders of the previous three months improved significantly as well. In **trade**, the assessment of sales positions and expected orders picked up; whereas the stock of orders was considered slightly increasing by respondents. The confidence index of **services** decreased slightly in May due to deteriorating sales prospects. However, the evaluation of the general business climate and sales of the preceding period improved.

Intentions to employ improved spectacularly in industry after a huge fall in April. Especially the number of those planning cuts in employment dropped, thus their proportion is now slightly less than those intending to lift it. There are significant changes in the construction industry as well; however, those planning layoffs continued to be the majority. Intentions to employ declined in trade and services. The fear from unemployment of households eased slightly. Following similar changes in the construction industry, in May those **expecting price reductions** in industry and services became the majority as well. Intentions to increase prices dropped slightly in trade, and the inflationary expectations of consumers eased as well. The assessment of the **perspectives of the Hungarian economy** improved significantly in every industry and among consumers as well (least of all in trade). However, those expecting deterioration still outnumber those anticipating improvement.

Apart from its drop in April, the **consumer confidence index** has been rising almost steadily since last autumn. Households assessed their financial situation in the following year and the possibility of purchasing high-value consumer durables and their saving capability better 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.	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
	III.	-11,9	-37,3	-18,5
	IV.	-15,6	-38,9	-21,7
	V.	-10,5	-34,4	-16,7

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