



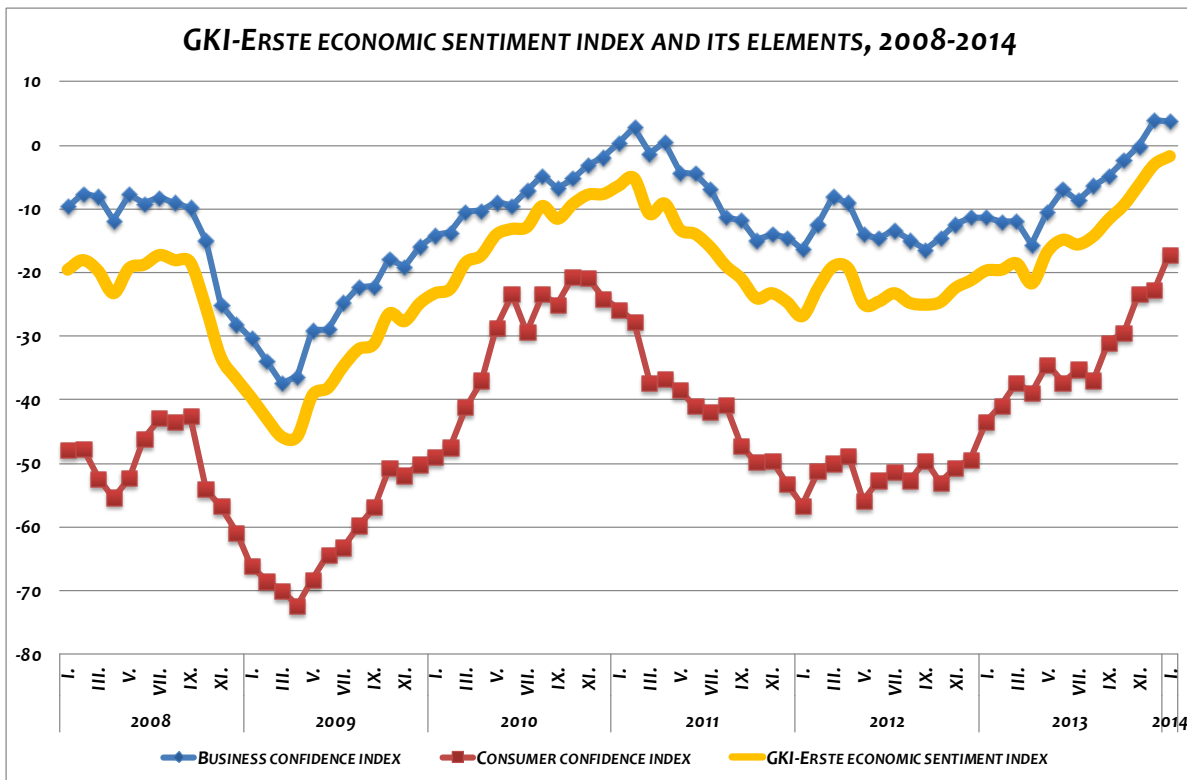
CONSUMER EXPECTATIONS CONTINUED TO SOAR IN JANUARY

In January, GKI-Erste economic sentiment index adjusted for seasonal effects continued to go up. The index has been on the rise for almost a year. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, consumer expectations increased considerably in the first month of 2014 as well, to a level not seen for eight years. Although business expectations essentially stagnated, they remained at a level not recorded for thirteen years. Optimism not observed for more than a decade reigned in Hungary at the end of 2013 and at the beginning of 2014.

In January in the **business sphere** expectations became more upbeat in all sectors except industry, particularly in commercial and service companies. Since December 2013 the overall proportion of optimistic companies has exceeded that of pessimists, which has not been experienced since the end of 2010. In January the **industrial** confidence index adjusted slightly after its big year-end upswing. The evaluation of prospects concerning production, orders and stocks deteriorated slightly; however, that of production of the previous period improved. After its increase in December 2013, the **construction** confidence index continued to rise at a relatively modest rate in January, too. The evaluation of the production level of the past three months basically remained unchanged but that of orders improved markedly. In spite of its sustained improvement this is the only sector where the proportion of pessimistic firms exceeds that of the optimists. After six months of continuous rise, the **trade** confidence index increased significantly in the first month of 2014, to the highest level in the survey's history. The assessment of sales positions and expected orders improved significantly, whereas that of the level of stocks got better slightly. The **services** confidence index rose only slightly in January. Although the evaluation of the general business climate improved, that of turnover worsened.

Intentions to employ became better in all sectors, and fear of unemployment among households has not been so low for twelve years. The attempts to **raise prices** have intensified slightly in all sectors, and in construction the share of firms anticipating higher prices caught up with that of those foreseeing lower prices. Inflationary expectations of households continued to decrease. The assessment of the **perspectives of the Hungarian economy** improved among consumers, in construction and trade (as far as trade is concerned, it has never been so favourable), whereas it deteriorated compared to the previous month in industrial and service companies.

The **GKI consumer confidence index** improved spectacularly. In January both the assessment of consumers' own financial position and the prospects of their saving capacity turned better for the next 12 months compared to December.



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, 2008-2014

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

Year	Month	Business confidence index	Consumer confidence index	GKI-Erste economic sentiment index
2012.	I.	-16.3	-56.6	-26.8
	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
	VI.	-6.9	-37.3	-14.8
	VII.	-8.6	-35.3	-15.5
	VIII.	-6.3	-36.9	-14.3
	IX.	-4.8	-31.0	-11.6
	X.	-2.3	-29.4	-9.3
	XI.	-0.1	-23.3	-6.1
	XII.	4.0	-22.7	-2.9
2014	I.	3.8	-17.2	-1.7

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