



GKI's economic sentiment index started the year with an increase

GKI's economic sentiment index adjusted for seasonal effects has not been as high as now since nearly five years. According to the survey conducted by GKI Economic Research Co. (www.gki.hu) with the support of the European Union, the business sentiment index increased, the consumer sentiment index decreased in January 2011. Since having hit bottom in spring, 2009 the business sentiment index has been mounting nearly continuously, whereas the consumer sentiment index dropped for the second time after its extreme increase before the elections, although it was still quite favourable.

In the **business sphere** expectations became more upbeat in all sectors. In **industry**, only little change was recorded. Respondents thought that the stocks of their own production were much smaller, but the assessment of future production improved slightly as well. However, the assessment of past production dropped notably and that of stock of orders (among this that of exports) deteriorated, too. Capacity utilisation improved and the length of the contracted production period increased compared to the previous quarter. In **construction** the confidence index increased only very modestly in January after the drop of last December. This confidence index stagnated in the average of the last four months indicating that the expectations of the sector would not improve. In January the assessment over the production of the past three months deteriorated significantly, but intentions to employ picked up notably. In **trade** the confidence index improved further in January. The assessment of sales positions improved much and average stocks were also considered smaller, but expectations on orders turned worse. In **services** the confidence index turned better significantly, in which improving expectations concerning turnover and number of employees played an important role. The assessment of turnover in the past period stagnated. Respondents could not widen their business activities mainly because of low demand.

Intentions to employ became better in industry and construction, whereas they dropped in trade and services following a three-month improvement. In December 12 per cent of the respondents planned an increase in employment in industry in contrast to 19 per cent in January. The ratio of those planning reduction in employment dropped to 14 per cent from the former 15 per cent rate, so the ratio of those planning increase in employment was higher again. Intentions to employ become better with higher company size; plans of small companies were still negative. Fear from unemployment picked up among households.

Intentions to increase **prices** dropped slightly in industry and services. In construction intentions remained unchanged: companies planning price reductions were still in majority. In trade the ratio of those companies that plan price rises picked up significantly and the average size of this planned increase became higher, too. Consumers' inflationary expectations increased further. The assessment of the **prospects of the Hungarian economy** improved slightly in industry and services compared with the end of 2010, whereas it remained unchanged in trade and it continued to deteriorate further in construction. The ratio of those expecting improvement and the ratio of those anticipating deterioration were basically the same in the average of the Hungarian economy. The most pessimistic industry was construction, whereas the most optimistic one trade. Households considered the prospects of the Hungarian economy somewhat more favourable than in December 2010.

GKI's consumer confidence index has dropped for the second consecutive month. 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. Significantly less respondents felt the purchase of big ticket durables probable at present, and slightly less respondents in the long run. The assessment of consumers' own current financial position deteriorated slightly further in January following the drop in

December. Households were still a lot more positive in the assessment of the future than the past, however, this gap narrowed somewhat.

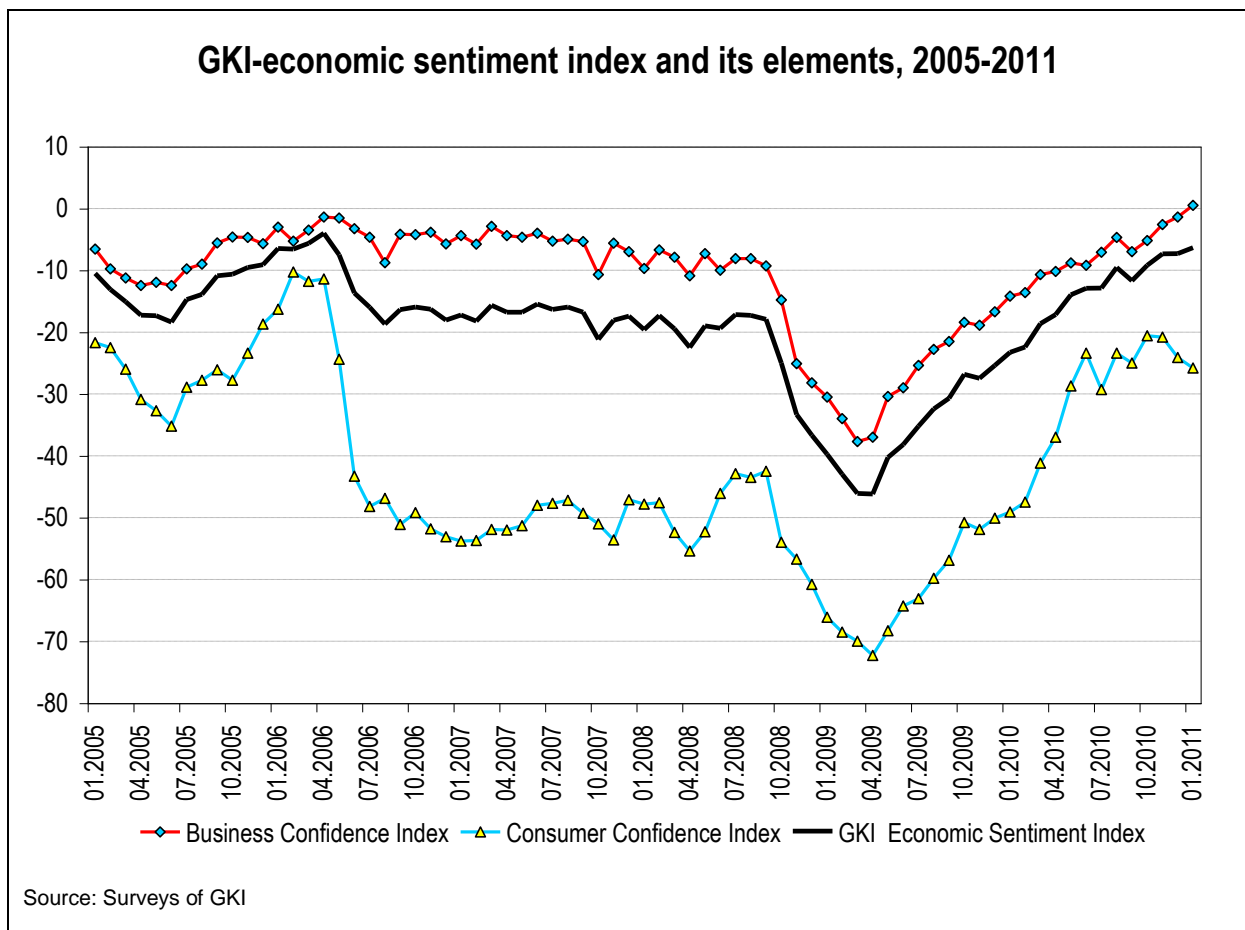
Explanation to the methodology:

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



GKI-economic sentiment index and its elements, 1996-2011

| | 1996 | | | | | | | | | | | |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | I. | II. | III. | IV. | V. | VI. | VII. | VIII. | IX. | X. | XI. | XII. |
| Consumer confidence index | -45.1 | -48.8 | -45.9 | -44.8 | -50.5 | -51.5 | -46.8 | -41.9 | -42.8 | -40.0 | -34.9 | -39.6 |
| Business confidence index | -3.5 | -2.7 | -2.8 | -4.3 | -2.4 | -3.8 | -2.4 | -0.8 | 0.1 | 0.6 | 1.2 | 0.0 |
| GKI economic sentiment index | -14.3 | -14.7 | -14.0 | -14.8 | -14.9 | -16.2 | -13.9 | -11.5 | -11.0 | -10.0 | -8.2 | -10.3 |
| | 1997 | | | | | | | | | | | |
| | I. | II. | III. | IV. | V. | VI. | VII. | VIII. | IX. | X. | XI. | XII. |
| Consumer confidence index | -40.0 | -41.1 | -39.1 | -41.6 | -39.4 | -34.7 | -33.8 | -30.3 | -25.6 | -27.2 | -23.0 | -26.1 |
| Business confidence index | 0.7 | 2.0 | 3.1 | 3.1 | 4.2 | 5.1 | 5.0 | 5.8 | 6.1 | 7.9 | 7.3 | 8.0 |
| GKI economic sentiment index | -9.9 | -9.2 | -7.9 | -8.6 | -7.1 | -5.2 | -5.1 | -3.6 | -2.1 | -1.2 | -0.6 | -0.9 |
| | 1998 | | | | | | | | | | | |
| | I. | II. | III. | IV. | V. | VI. | VII. | VIII. | IX. | X. | XI. | XII. |
| Consumer confidence index | -22.0 | -19.0 | -15.6 | -18.6 | -19.9 | -10.4 | -8.2 | -9.8 | -14.1 | -13.9 | -16.3 | -22.7 |
| Business confidence index | 6.9 | 7.3 | 6.1 | 7.9 | 8.1 | 8.2 | 8.4 | 6.0 | 3.8 | 0.2 | -1.1 | -1.3 |
| GKI economic sentiment index | -0.6 | 0.5 | 0.5 | 1.0 | 0.8 | 3.4 | 4.1 | 1.9 | -0.8 | -3.5 | -5.1 | -6.8 |
| | 1999 | | | | | | | | | | | |
| | I. | II. | III. | IV. | V. | VI. | VII. | VIII. | IX. | X. | XI. | XII. |
| Consumer confidence index | -22.0 | -19.7 | -22.8 | -28.5 | -29.6 | -28.9 | -35.5 | -32.9 | -30.4 | -27.1 | -25.5 | -29.9 |
| Business confidence index | 1.7 | -3.2 | -1.9 | -4.2 | -7.1 | -3.7 | -2.1 | -3.1 | -1.8 | -1.1 | 1.1 | 2.8 |
| GKI economic sentiment index | -4.4 | -7.5 | -7.3 | -10.5 | -12.9 | -10.2 | -10.8 | -10.8 | -9.2 | -7.9 | -5.8 | -5.7 |
| | 2000 | | | | | | | | | | | |
| | I. | II. | III. | IV. | V. | VI. | VII. | VIII. | IX. | X. | XI. | XII. |
| Consumer confidence index | -25.9 | -28.1 | -29.2 | -31.2 | -28.9 | -30.9 | -33.0 | -30.4 | -32.6 | -29.6 | -30.7 | -26.6 |
| Business confidence index | 1.0 | 2.5 | 0.5 | 5.0 | 6.1 | 4.5 | 6.3 | 5.3 | 4.4 | 5.1 | 6.7 | 6.2 |
| GKI economic sentiment index | -6.0 | -5.5 | -7.2 | -4.4 | -3.0 | -4.7 | -3.9 | -4.0 | -5.2 | -3.9 | -3.0 | -2.3 |
| | 2001 | | | | | | | | | | | |
| | I. | II. | III. | IV. | V. | VI. | VII. | VIII. | IX. | X. | XI. | XII. |
| Consumer confidence index | -25.2 | -23.2 | -23.4 | -20.9 | -21.2 | -22.0 | -19.9 | -20.9 | -20.7 | -19.3 | -16.6 | -15.1 |
| Business confidence index | 4.7 | 3.2 | 5.5 | 3.5 | 1.8 | 0.0 | -2.7 | -2.0 | -3.4 | -5.6 | -8.4 | -9.0 |
| GKI economic sentiment index | -3.1 | -3.7 | -2.0 | -2.8 | -4.2 | -5.7 | -7.1 | -6.9 | -7.9 | -9.2 | -10.6 | -10.6 |
| | 2002 | | | | | | | | | | | |
| | I. | II. | III. | IV. | V. | VI. | VII. | VIII. | IX. | X. | XI. | XII. |
| Consumer confidence index | -15.6 | -13.9 | -5.4 | -0.6 | -2.1 | -1.8 | -1.3 | 0.5 | -3.5 | -3.5 | -8.7 | -7.8 |
| Business confidence index | -10.7 | -2.7 | -0.3 | -4.7 | -0.6 | -2.2 | -2.8 | -1.0 | -2.4 | -0.4 | -2.1 | -2.8 |
| GKI economic sentiment index | -12.0 | -5.6 | -1.7 | -3.7 | -1.0 | -2.1 | -2.4 | -0.6 | -2.7 | -1.2 | -3.8 | -4.1 |
| | 2003 | | | | | | | | | | | |
| | I. | II. | III. | IV. | V. | VI. | VII. | VIII. | IX. | X. | XI. | XII. |
| Consumer confidence index | -12.0 | -21.9 | -22.5 | -19.2 | -21.4 | -23.5 | -25.1 | -32.7 | -32.4 | -32.3 | -31.0 | -31.1 |
| Business confidence index | -6.4 | -7.1 | -8.1 | -6.7 | -6.7 | -7.7 | -4.6 | -4.7 | -7.6 | -6.5 | -2.5 | -1.6 |
| GKI economic sentiment index | -7.9 | -10.9 | -11.8 | -10.0 | -10.5 | -11.8 | -10.0 | -12.0 | -14.1 | -13.2 | -9.9 | -9.3 |
| | 2004 | | | | | | | | | | | |
| | I. | II. | III. | IV. | V. | VI. | VII. | VIII. | IX. | X. | XI. | XII. |
| Consumer confidence index | -34.6 | -34.9 | -35.3 | -33.8 | -29.1 | -26.0 | -26.7 | -27.7 | -25.8 | -26.3 | -26.1 | -24.3 |
| Business confidence index | -4.2 | -5.3 | -4.4 | 0.3 | -3.2 | -1.4 | -4.1 | -3.0 | -3.6 | -7.3 | -10.6 | -7.5 |
| GKI economic sentiment index | -12.1 | -13.0 | -12.5 | -8.5 | -9.9 | -7.8 | -10.0 | -9.4 | -9.4 | -12.2 | -14.6 | -11.9 |
| | 2005 | | | | | | | | | | | |
| | I. | II. | III. | IV. | V. | VI. | VII. | VIII. | IX. | X. | XI. | XII. |
| Consumer confidence index | -21.7 | -22.5 | -26.0 | -30.9 | -32.7 | -35.2 | -28.9 | -27.8 | -26.1 | -27.8 | -23.4 | -18.7 |
| Business confidence index | -6.6 | -9.8 | -11.2 | -12.5 | -12.0 | -12.5 | -9.8 | -9.0 | -5.6 | -4.6 | -4.7 | -5.7 |
| GKI economic sentiment index | -10.5 | -13.1 | -15.1 | -17.3 | -17.3 | -18.4 | -14.7 | -13.9 | -10.9 | -10.6 | -9.6 | -9.1 |
| | 2006 | | | | | | | | | | | |
| | I. | II. | III. | IV. | V. | VI. | VII. | VIII. | IX. | X. | XI. | XII. |
| Consumer confidence index | -16.3 | -10.3 | -11.8 | -11.4 | -24.4 | -43.3 | -48.2 | -46.9 | -51.1 | -49.2 | -51.8 | -53.1 |
| Business confidence index | -3.0 | -5.3 | -3.5 | -1.4 | -1.6 | -3.3 | -4.7 | -8.8 | -4.2 | -4.2 | -3.8 | -5.7 |
| GKI economic sentiment index | -6.5 | -6.6 | -5.7 | -4.0 | -7.5 | -13.7 | -16.0 | -18.7 | -16.4 | -15.9 | -16.3 | -18.1 |

