



GKI Economic Research Co.

We analyse and you take the decision.

GKI-Erste economic sentiment index kept on decreasing

In August the GKI-Erste economic sentiment index adjusted for seasonal effects continued to deteriorate. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU the declining trend has been going on for months. Business and consumer expectations were similar to the present level in March 2010.

In August, expectations decreased in all **business sectors**, those of industrial and construction enterprises to a lesser extent, whereas those of commercial and service companies to a greater one. The value of the **industrial** confidence index continued to decrease, and this deteriorating trend has prevailed for almost half a year. Companies perceived the production of the preceding period more unfavourably and that of the next period as stagnating. The evaluation of the stock of orders became more downbeat. The stocks of own production became smaller. The already very low value of the confidence index of **construction** has further decreased for four months, although its decline in August was less severe than in previous months. The assessment of the production level of the previous quarter deteriorated strongly, whereas the evaluation of incoming orders deteriorated slightly compared to a month ago. In **trade** the confidence index dropped in August to a much greater extent than it improved in July. The assessment of the level of stocks slightly improved, whereas the stock of orders and expectations of orders turned worse. In **services** expectations significantly deteriorated in August following a stagnation of the preceding half year. In addition to the assessment of the state of business, that of the expected turnover and employment intentions became also more unfavourable.

The **intentions of employment** weakened considerably in industry and services, whereas they improved in construction and trade. The fear from unemployment of households slightly eased. Intentions to **modify prices** in industry and construction remained unchanged, while the proportion of those considering a price raise in trade and services increased, and the inflationary expectations of households picked up. The assessment of the perspectives of the **Hungarian economy** deteriorated spectacularly in every industry, while it slightly improved among consumers.

The value of the GKI **consumer** confidence index slightly increased in the eighth month following a steady decline since November 2010 or, especially, since March of this year. Households assessed their financial situation, the number of unemployed and the future prospects of the Hungarian economy a bit more favourably than a month ago. Households are still waiting, postponing purchases of durable consumer goods.

Explanation to the methodology:

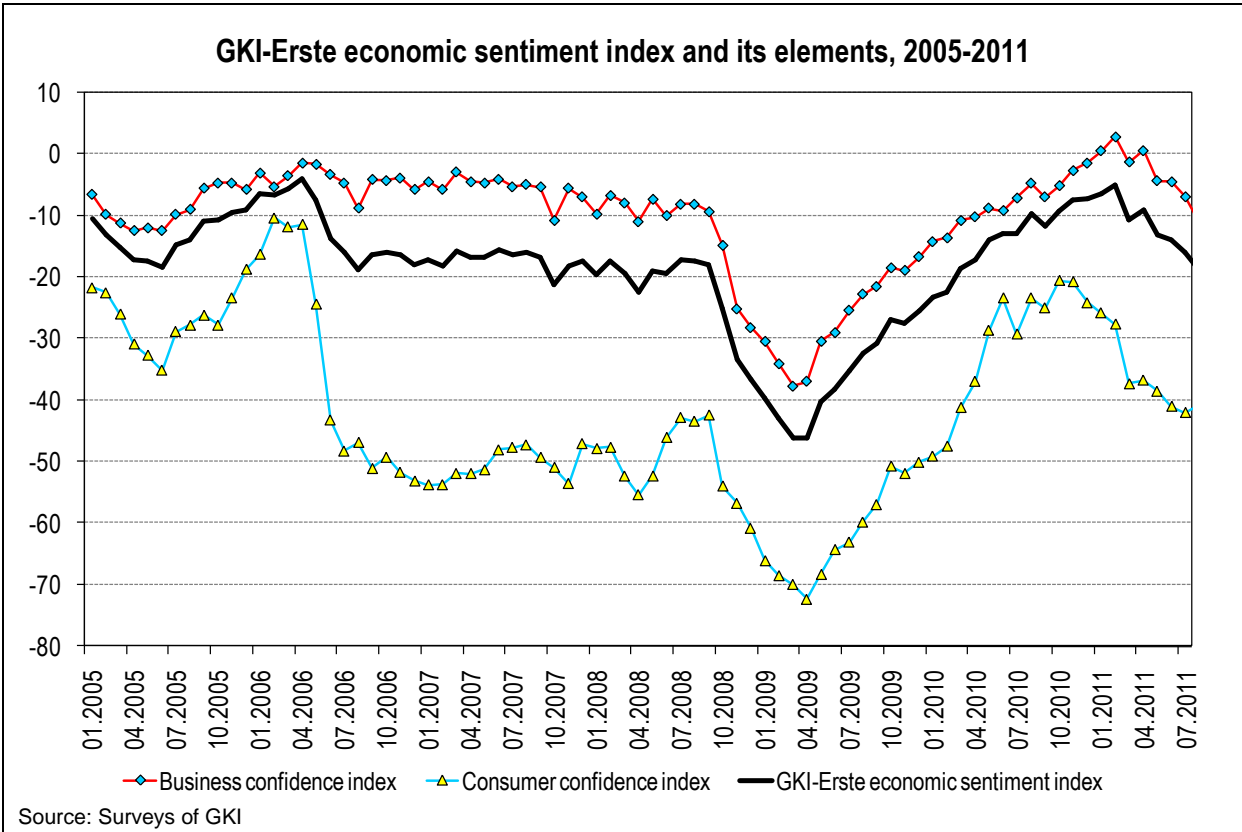
In line with the methodology used by the EU, GKI surveys the expectations of industry, trade, construction and services in the calculation of its business confidence index. (As far as services are concerned, similarly to the practice of the EU, companies of the financial and public sectors have not been 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-Erste economic confidence index is the weighted average of the consumer confidence index and the business confidence index.



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

	1996.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-5.7	-4.4	-5.4	-6.3	-5.2	-4.1	-4.9	-2.8	-0.8	-0.2	0.3	-1.0
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
GKI-Erste economic sentiment index	-15.9	-15.9	-15.9	-16.3	-17.0	-16.5	-15.8	-13.0	-11.7	-10.5	-8.8	-11.0
	1997.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-2.0	1.6	2.5	-1.2	2.7	4.3	5.2	5.1	4.9	6.4	6.2	7.1
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
GKI-Erste economic sentiment index	-11.9	-9.5	-8.3	-11.7	-8.3	-5.9	-5.0	-4.1	-3.0	-2.3	-1.4	-1.5
	1998.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	5.4	4.9	5.2	8.8	7.2	6.7	7.2	4.4	2.0	-2.1	-2.9	-3.3
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
GKI-Erste economic sentiment index	-1.7	-1.3	-0.2	1.7	0.1	2.3	3.2	0.7	-2.2	-5.2	-6.4	-8.4
	1999.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-0.1	-4.9	-4.1	-4.5	-7.7	-8.1	-4.0	-3.8	-3.2	-1.3	-1.4	0.3
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
GKI-Erste economic sentiment index	-5.8	-8.7	-8.9	-10.7	-13.4	-13.5	-12.2	-11.3	-10.3	-8.0	-7.7	-7.5
	2000.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-0.2	-0.7	-2.0	3.5	5.6	4.5	4.1	3.4	2.9	3.1	5.1	3.6
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
GKI-Erste economic sentiment index	-6.9	-7.8	-9.0	-5.5	-3.3	-4.7	-5.5	-5.4	-6.3	-5.4	-4.2	-4.2
	2001.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	0.6	2.5	4.0	3.7	0.1	0.5	-2.2	-2.6	-4.3	-7.1	-8.2	-6.2
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
GKI-Erste economic sentiment index	-6.1	-4.2	-3.1	-2.7	-5.4	-5.3	-6.8	-7.4	-8.6	-10.3	-10.4	-8.5
	2002.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-6.4	-5.1	-4.0	-6.2	-1.0	-0.4	-3.1	-0.2	-1.7	-0.5	-2.1	-3.6
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
GKI-Erste economic sentiment index	-8.8	-7.4	-4.4	-4.7	-1.3	-0.8	-2.6	0.0	-2.2	-1.3	-3.8	-4.7
	2003.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-6.8	-6.9	-7.2	-6.7	-7.4	-7.2	-4.1	-4.8	-7.7	-6.3	-1.8	-3.3
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
GKI-Erste economic sentiment index	-8.2	-10.8	-11.2	-9.9	-11.1	-11.4	-9.6	-12.1	-14.1	-13.0	-9.4	-10.5
	2004.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-5.0	-4.9	-3.6	0.0	-3.2	-1.2	-4.7	-3.4	-3.2	-7.1	-11.2	-8.4
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
GKI-Erste economic sentiment index	-12.7	-12.7	-11.9	-8.8	-9.9	-7.6	-10.4	-9.7	-9.1	-12.1	-15.1	-12.5
	2005.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-8.5	-10.7	-11.6	-12.4	-13.1	-13.0	-10.0	-9.9	-5.2	-5.0	-5.2	-7.0
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
GKI-Erste economic sentiment index	-11.9	-13.8	-15.4	-17.2	-18.2	-18.7	-14.9	-14.6	-10.6	-10.9	-9.9	-10.0
	2006.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-5.1	-5.8	-4.0	-1.4	-1.4	-4.4	-5.1	-7.8	-4.9	-4.4	-4.2	-5.9
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
GKI-Erste economic sentiment index	-8.0	-6.9	-6.1	-4.0	-7.4	-14.5	-16.3	-18.0	-16.9	-16.0	-16.5	-18.2

	2007.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-3.6	-4.8	-2.7	-4.6	-4.2	-3.6	-4.6	-4.6	-5.6	-10.8	-5.7	-6.5
Consumer confidence index	-53.8	-53.7	-51.9	-52.0	-51.3	-48.0	-47.7	-47.2	-49.3	-51.0	-53.6	-47.1
GKI-Erste economic sentiment index	-16.7	-17.5	-15.5	-16.9	-16.5	-15.1	-15.8	-15.7	-17.0	-21.2	-18.1	-17.1
	2008.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-9.6	-7.6	-8.1	-11.8	-7.7	-9.1	-8.2	-9.0	-9.8	-15.0	-25.0	-28.1
Consumer confidence index	-47.8	-47.6	-52.4	-55.4	-52.3	-46.1	-42.9	-43.5	-42.5	-54.0	-56.7	-60.8
GKI-Erste economic sentiment index	-19.5	-18.0	-19.7	-23.2	-19.3	-18.7	-17.2	-18.0	-18.3	-25.2	-33.2	-36.6
	2009.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-30.3	-33.9	-37.4	-36.3	-29.0	-28.9	-24.7	-22.2	-22.1	-17.8	-19.1	-15.9
Consumer confidence index	-66.1	-68.5	-70.0	-72.3	-68.3	-64.3	-63.1	-59.8	-56.9	-50.8	-51.9	-50.1
GKI-Erste economic sentiment index	-39.6	-42.9	-45.8	-45.7	-39.2	-38.1	-34.7	-32.0	-31.2	-26.4	-27.6	-24.8
	2010.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-14.1	-13.7	-10.5	-10.3	-8.9	-9.5	-7.1	-4.7	-6.7	-5.2	-3.1	-1.8
Consumer confidence index	-49.1	-47.5	-41.2	-37.0	-28.7	-23.4	-29.3	-23.4	-25.0	-20.6	-20.8	-24.1
GKI-Erste economic sentiment index	-23.2	-22.5	-18.4	-17.3	-14.0	-13.1	-12.8	-9.5	-11.5	-9.2	-7.7	-7.6
	2011.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	0.5	2.9	-1.3	0,6	-4.3	-4.4	-6.9	-11.3				
Consumer confidence index	-25.8	-27.7	-37.3	-36,8	-38.5	-41.0	-42.0	-40.7				
GKI-Erste economic sentiment index	-6.3	-5.1	-10.7	-9,1	-13.2	--13.9	-16.0	-18.9				