



GKI Economic Research Co.

We analyse and you take the decision.

GKI-Erste economic sentiment index reached its lowest level in the past one and half years

In September 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 since last spring. Consumer expectations have deteriorated much. (People are always interviewed in the first days of a month, thus the August survey did not reflect the impacts of the weakening Swiss franc, the new favourable repayment options of foreign currency loans starting from September and the government's plans for tax changes.)

In September, the expectations of the **business sector** deteriorated further only marginally, due to a recent fall of the construction confidence index, whose value was already extremely low. Industrial and commercial expectations increased slightly.

In September, **industrial** firms were slightly less pessimistic than before in the assessment of production and incoming orders (especially export orders) of the last period and they felt that their stocks had decreased, too. However, the assessment of the production prospects of the next period became more pessimistic. The evaluation of the production level of the past three months in **construction** dropped slightly, whereas that of orders deteriorated significantly. In **trade** the confidence index rose slightly. Sales positions improved and the level of stocks slightly declined, however, the expectations on orders deteriorated further. The drop of the **services** confidence index was caused by the strong deterioration of the assessment in expected turnover. The assessment of the state of business improved slightly, whereas that of the turnover of the previous period stagnated.

The **intentions of employment** improved slightly in industry and services, whereas they weakened in construction and trade markedly. The fear from unemployment of households intensified significantly. **Intentions to increase prices** was moderate in all sectors. In industry, the extent of efforts to raise prices stagnated and their scope narrowed. In construction the already predominant proportion of companies planning to lower prices continued to rise. In trade the proportion of companies planning a price increase rose, but the planned price increase was smaller. Inflationary expectations of households strengthened significantly. **The evaluation of the prospects of the Hungarian economy** continued to deteriorate in all sectors as well except for industry and the assessment of consumers' own financial prospects worsened sharply.

The value of GKI's **consumer confidence index** further decreased significantly in September, continuing its almost steady decline for a year. Households assessed their future financial situation and saving capability worse than in August, and they considered only the possibility of purchasing high-value durables to be improving slightly.

Explanation to the methodology:

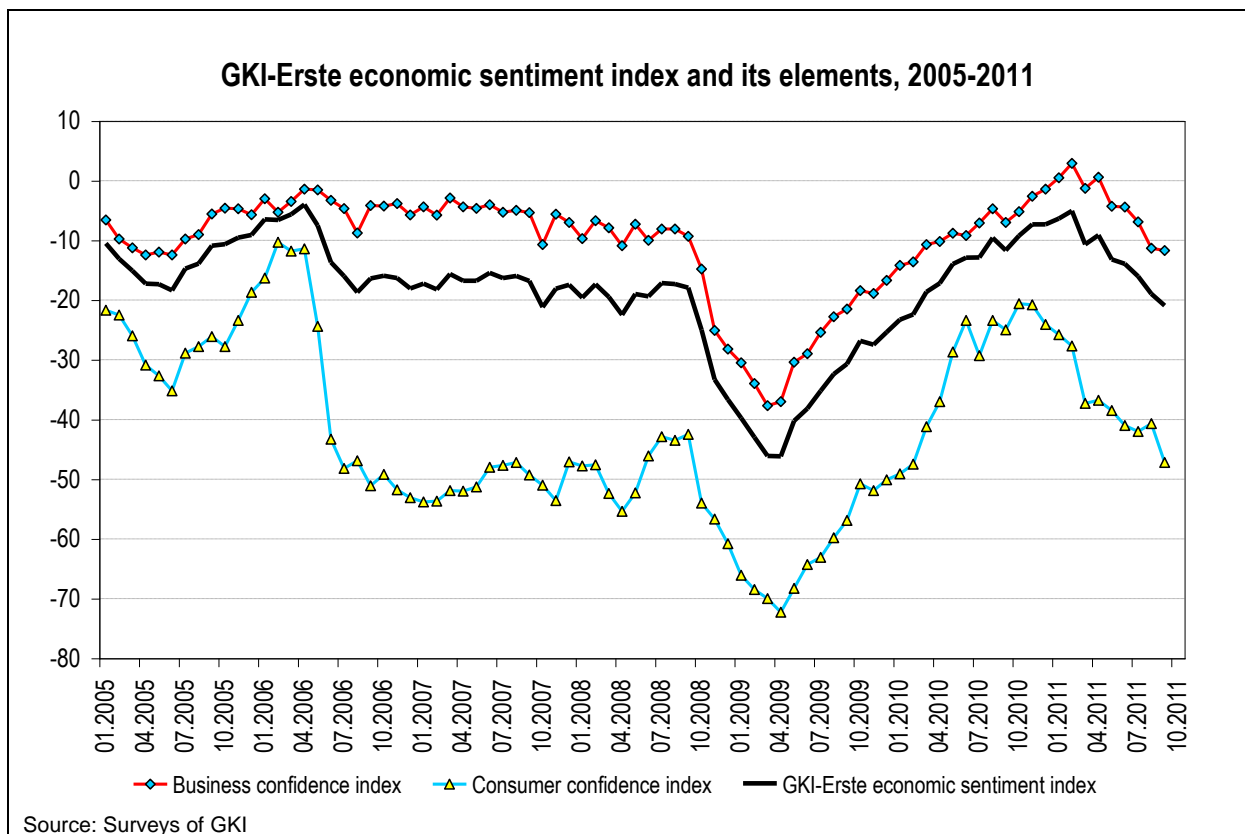
In line with the methodology used by the EU, GKI surveys the expectations of industry, trade, construction and services in the calculation of its business confidence index. (As far as services are concerned, similarly to the practice of the EU, companies of the financial and public sectors have not been 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	-11.7			
Consumer confidence index	-25.8	-27.7	-37.3	-36,8	-38.5	-41.0	-42.0	-40.7	-47.2			
GKI-Erste economic sentiment index	-6.3	-5.1	-10.7	-9,1	-13.2	--13.9	-16.0	-18.9	-20.9			