



GKI-Erste economic sentiment index stopped deteriorating in November

In November the GKI-Erste economic sentiment index adjusted for seasonal effects stopped to deteriorate after more than half a year long decline. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU both business and consumer expectations improved slightly, within the statistical margin of error.

Stopping the deterioration of the **business confidence index** was due to **service** companies as their expectations rose back to the September level after a sharp decline lasting for months. The **industrial** confidence index dropped slightly, the assessment of production and incoming orders (including export orders) of the last period declined, whereas that of inventories and production prospects improved. Following an increase in October, the **construction** confidence index remained unchanged in November. The evaluation of the production level of the past three months continued to deteriorate, while that of orders basically remained unchanged compared with the previous month. In November the **trade** confidence index increased but its rate was smaller than the significant reduction of this index in the previous month. Expectations on orders increased slightly, while sales positions deteriorated and the stock of orders dropped significantly. Although respondents considered sales to be worse than in October, increasing turnover expectations compensated for this.

The **intentions of employment** in industry and services improved slightly, whereas they did not change in construction and they deteriorated in trade. The fear from unemployment of households eased. **Intentions to increase prices** increased in all sectors. However, in construction this only meant easing deflationary expectations, as those predicting lower prices continue to be the majority. In trade not only the share of firms planning price rises grew significantly during the past month but the size of price rises as well. Inflation expectations of households increased as well. **Expectations about the development of the Hungarian economy** improved in industry and services, whereas they declined in construction and especially in trade, and households became more pessimistic in this respect, too.

The value of GKI's **consumer confidence index** stagnated in November, after an almost steady decline for a year. Households assessed their financial situation worse for the next 12 months compared with the previous month. However, their savings capacity expectations for the same period remained unchanged. At the same time, in November households considered purchasing high-value durables more likely than in the preceding month.

Explanation to the methodology:

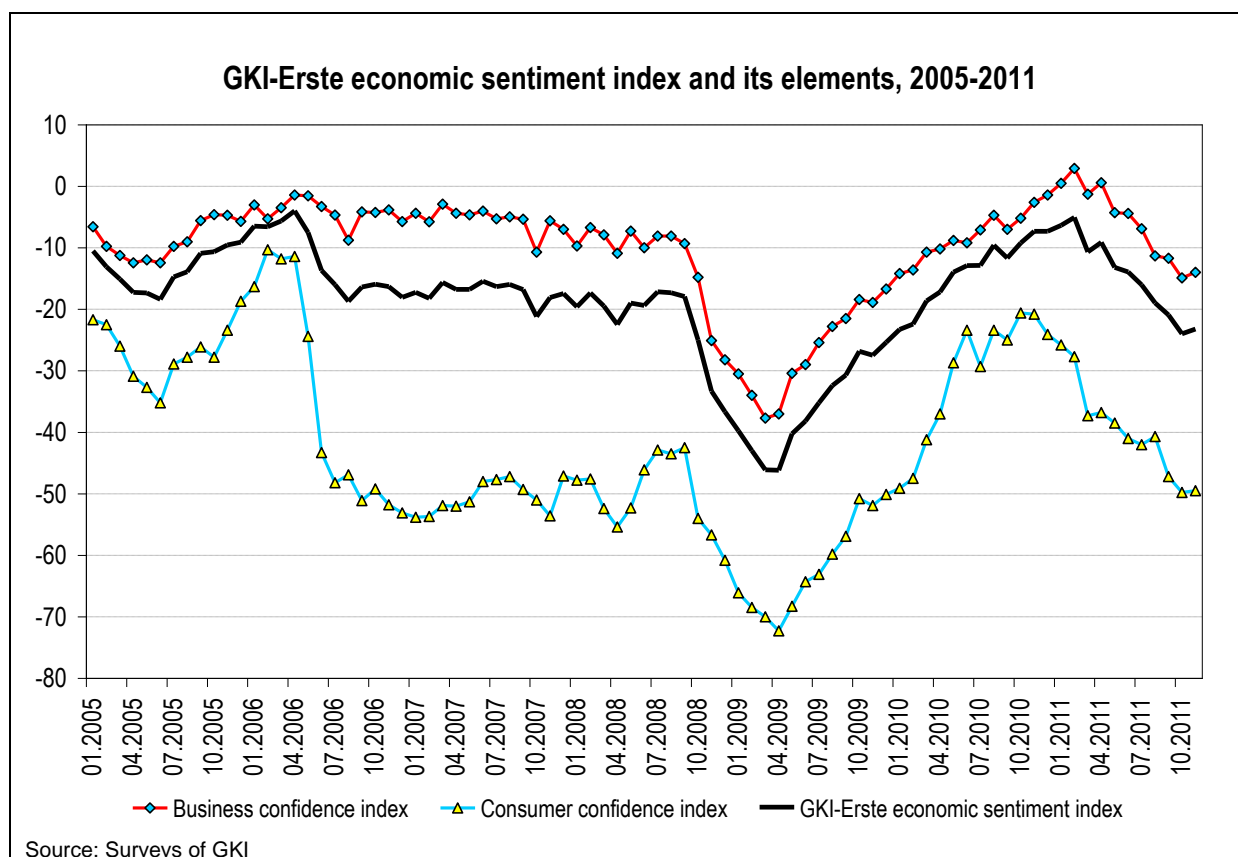
In line with the methodology used by the EU, GKI surveys the expectations of industry, trade, construction and services in the calculation of its business confidence index. (As far as services are concerned, similarly to the practice of the EU, companies of the financial and public sectors have not been 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 | -14.9 | -14.0 | |
| Consumer confidence index | -25.8 | -27.7 | -37.3 | -36,8 | -38.5 | -41.0 | -42.0 | -40.7 | -47.2 | -49.8 | -49.5 | |
| GKI-Erste economic sentiment index | -6.3 | -5.1 | -10.7 | -9,1 | -13.2 | --13.9 | -16.0 | -18.9 | -20.9 | -24.0 | -23.2 | |