

## **GKI-Erste economic sentiment index reached its lowest level in the past two years**

**In December, after an almost continuous decline of ten months, GKI-Erste economic confidence index adjusted for seasonal effects fell to its biannual low. According to the empirical survey conducted by GKI ([www.gki.hu](http://www.gki.hu)) with the support of the EU consumer expectations have been declining for more than a year, whereas business expectations have stagnated since October after sharp deterioration lasting for eight months.**

In the **business sector** the expectations of different branches have been fluctuating since October, and improvements in November were followed by declines in December and vice versa. **Industrial expectations** improved slightly in December by an extent similar to the rate of deterioration in November. The assessment of the actual and the future production levels improved slightly, the evaluation of the stock of orders, including that of exports, improved considerably, whereas that of stocks rose slightly. After stagnation in November, the confidence index of **construction** improved slightly in December; however, it continued to remain the most pessimistic sector. Companies in the building industry had the most negative expectations. The deteriorating trends in the assessment over the production and stock of orders of the past three months came to a halt. The evaluation of incoming orders remained unchanged. In December the **trade** confidence index decreased by a rate similar to the modest increase of the previous month. The evaluation of the stock of orders worsened slightly, while expectations on orders improved. However, the level of stocks was considered higher by respondents. Expectations of **service** companies deteriorated markedly in December, falling back to their October level. The evaluation of the general business climate and sales of the preceding and the subsequent period worsened.

The **intentions of employment** in industry and services deteriorated, whereas they improved considerably in trade and slightly in construction. The fear from unemployment of households increased noticeably. **Intentions to raise prices** in industry remained unchanged. In construction those predicting lower prices continued to be the majority. In trade the share of those planning price rises increased slightly, while the average size of price increases did not change. However, the inflationary expectations of consumers increased considerably. The assessment of the **perspectives of the Hungarian economy** deteriorated in industrial and service companies, whereas it improved slightly in construction and trade, though it remained rather pessimistic. Consumers' expectations deteriorated considerably.

The marked deterioration of GKI's **consumer confidence index**, which has been experienced for more than a year, continued in December. Households assessed their financial situation and savings capacity adversely for the next 12 months, and the latter came close to its minimum recorded in summer 2009. However, households considered the possibility of purchasing high-value durables more likely.

## Explanation to the methodology:

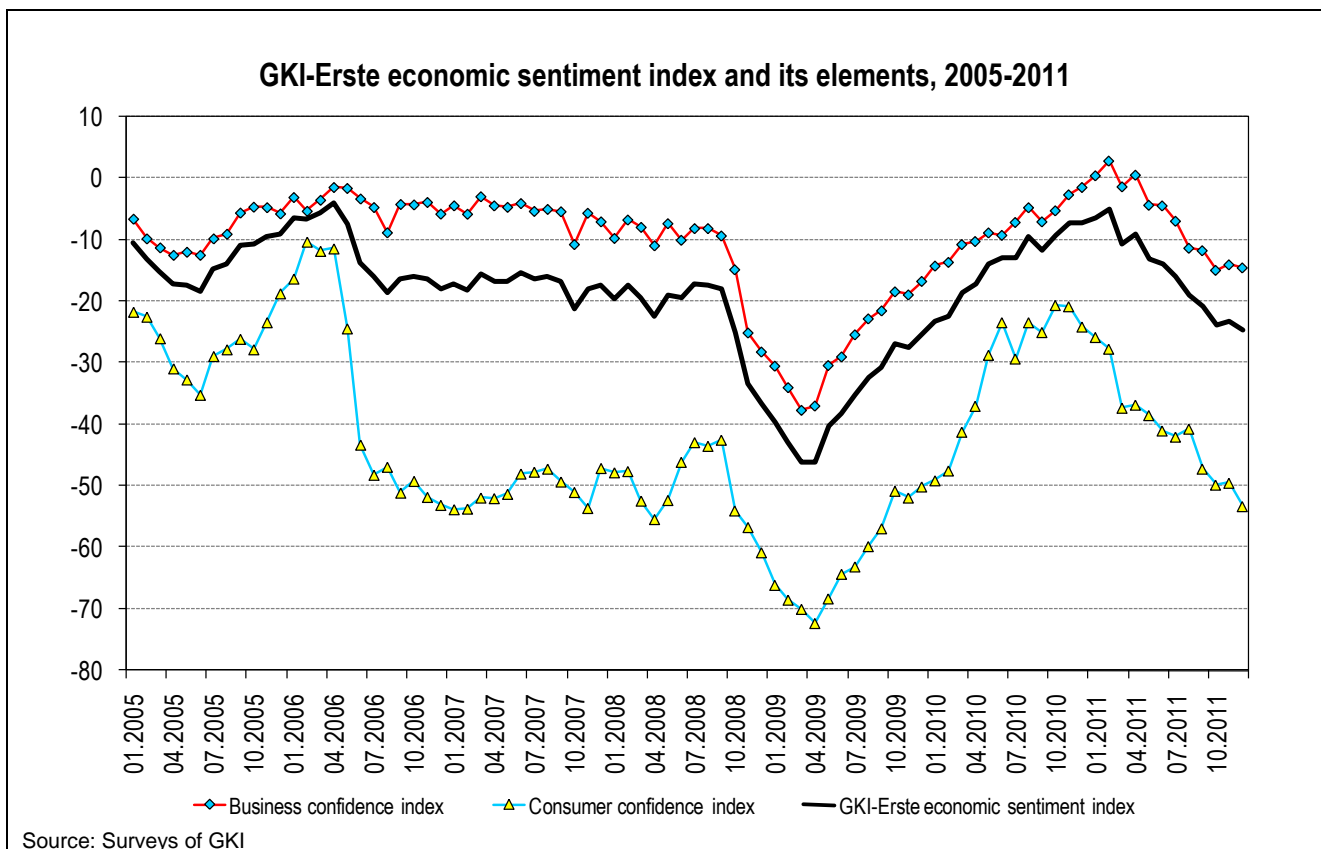
In line with the methodology used by the EU, GKI surveys the expectations of industry, trade, construction and services in the calculation of its business confidence index. (As far as services are concerned, similarly to the practice of the EU, companies of the financial and public sectors have not been 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	-14,5
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	-53,3
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	-24,6