



GKI-Erste economic sentiment index fell in May

In May the **GKI-Erste economic sentiment index** adjusted for seasonal effects has fallen more than in any month since the autumn of 2008, when the world economic crisis hit Hungary. Following a three-month improvement or stagnation, the index reached its very low level at the beginning of 2012. Such negative opinions on the Hungarian economy were expressed only at the end of 2009. According to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, business and consumer expectations were characterized by deep pessimism in May.

In the **business sector** expectations of industrial companies dropped dramatically, those in trade significantly, those in construction slightly, and only those in services remained unchanged. The **industrial** confidence index fell hard after two months of stagnation. The assessment of the production and the stock of orders (including exports) of both the preceding and the next period deteriorated. In **construction**, the assessment of the production level and the stock of orders of the previous three months became more unfavourable. After a slight decrease in April, the **trade** confidence index dropped substantially in May. The assessment of sales positions deteriorated much, whereas that of expected orders and the level of stocks declined to a lesser extent. In May, only the confidence index of **service** companies did not drop. (Otherwise, the service industry was the second sector anticipating the worst prospects, following construction, which is by far the most pessimistic sector.) Service companies assessed the sales of the subsequent period slightly worse, whereas their opinion on the course of the business improved.

The **intentions of employment** decreased in all industries, except in services. The fear from unemployment of households strengthened. **Intentions to modify prices** indicate a downturn, too. Intention to raise prices became more subdued in industry and trade. Although the fear of deflation weakened in construction, those predicting a price decline continue to be in the majority compared with those planning a price increase. In May, those planning lower prices were in the majority even among the service companies. However, the inflationary expectations of consumers strengthened slightly. The assessment of the **condition of the Hungarian economy** deteriorated spectacularly in every industry and among consumers as well.

Following a three-month increase, in May the **GKI consumer confidence index** dropped significantly, approximately to its January 2012 level. It corresponds to its value around September 2009. In May consumers assessed their next year's financial situation more pessimistically than in April. The assessment of the current financial situation and next year's expected savings capacity of households reached a very low level, which has not been experienced since the beginning of measuring the Hungarian consumer confidence index in 1993.

Explanation to the methodology:

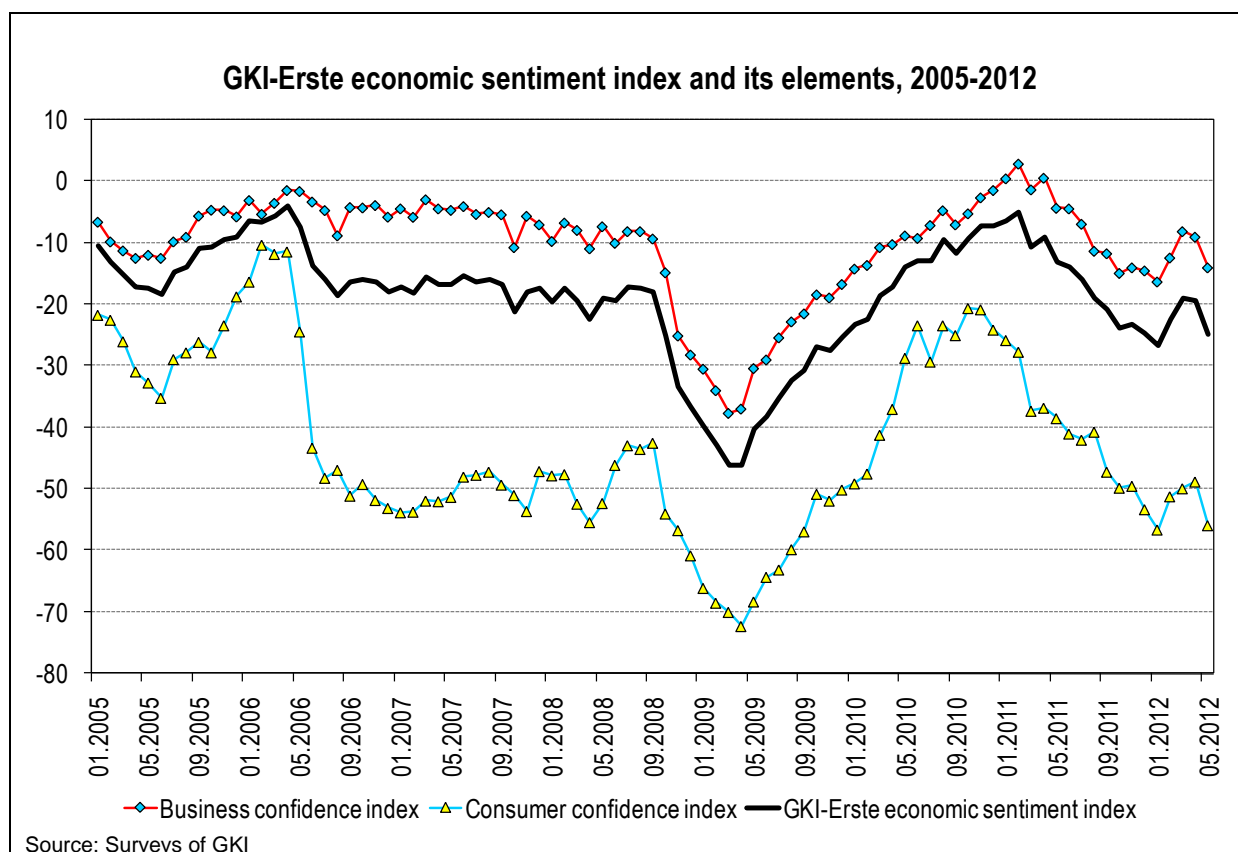
In line with the methodology used by the EU, GKI surveys the expectations of industry, trade, construction and services in the calculation of its business confidence index. (As far as services are concerned, similarly to the practice of the EU, companies of the financial and public sectors have not been 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, 1996-2012

	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
	2012.											
	I.	II.	III.	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.
Business confidence index	-16.3	-12.4	-8.1	-9.0	-14.0							
Consumer confidence index	-56.6	-51.2	-49.9	-48.8	-55.9							
GKI-Erste economic sentiment index	-26.8	-22.5	-19.0	-19.3	-24.9							