



## Domestic economic expectations have been pessimistic for six months

**GKI-Erste economic confidence index** adjusted for seasonal effects has been essentially unchanged since May. A modest increase at the beginning of the year was followed by a fall in May, and it has been fluctuating slightly since then. According to the empirical survey conducted by GKI ([www.gki.hu](http://www.gki.hu)) with the support of the EU, **in October expectations improved slightly in the business sector, whereas they declined among consumers.**

In the **business sphere** only the **industrial** confidence index increased (compared with its almost three-year low point), the rest stagnated or declined. The improvement of industrial expectations can mainly be attributed to a decrease in stocks and an improvement in the assessment of production prospects. The assessment of past production deteriorated, and that of orders stagnated (export orders were considered less favourable than in September). Following a significant decline in September, the **construction** confidence index adjusted upwards in October only within the limits of error, reaching its lowest level in the year (and it has been the most pessimistic sector for more than six years). However, the assessment of the production level and the stock of orders of the previous three months improved slightly compared to September. The **trade** confidence index continued to decline significantly in October, reaching a low level experienced last time in January 2010. The assessment of sales positions, with rising inventory levels, declined significantly, whereas orders are expected to improve after their decline in the previous two months. The **services** confidence index remained unchanged, the assessment of the state of business and the turnover of the previous period declined, whereas that of the expected turnover stagnated.

**Employment** expectations in construction deteriorated significantly; however, they improved slightly in other sectors. The fear from unemployment of households strengthened. **Intentions to change prices** remained more or less unchanged in all sectors; however, in industry the share of those anticipating rising prices increased slightly. In construction and services those anticipating price decreases are still in majority against those projecting price rises. The inflationary expectations of consumers increased sharply. In October the assessment of the **perspectives of the Hungarian economy** deteriorated substantially only in service companies (and among consumers). However, the general assessment is still very pessimistic. The majority of respondents expect further deterioration, and the share of those anticipating improvement is minimal.

GKI **consumer confidence** index decreased in October by an extent similar to its rise in September. Households assessed their financial situation and savings capacity for the following year slightly worse than in September. Households considered the possibility of purchasing high-value durables somewhat worse as well.

### Explanation to the methodology:

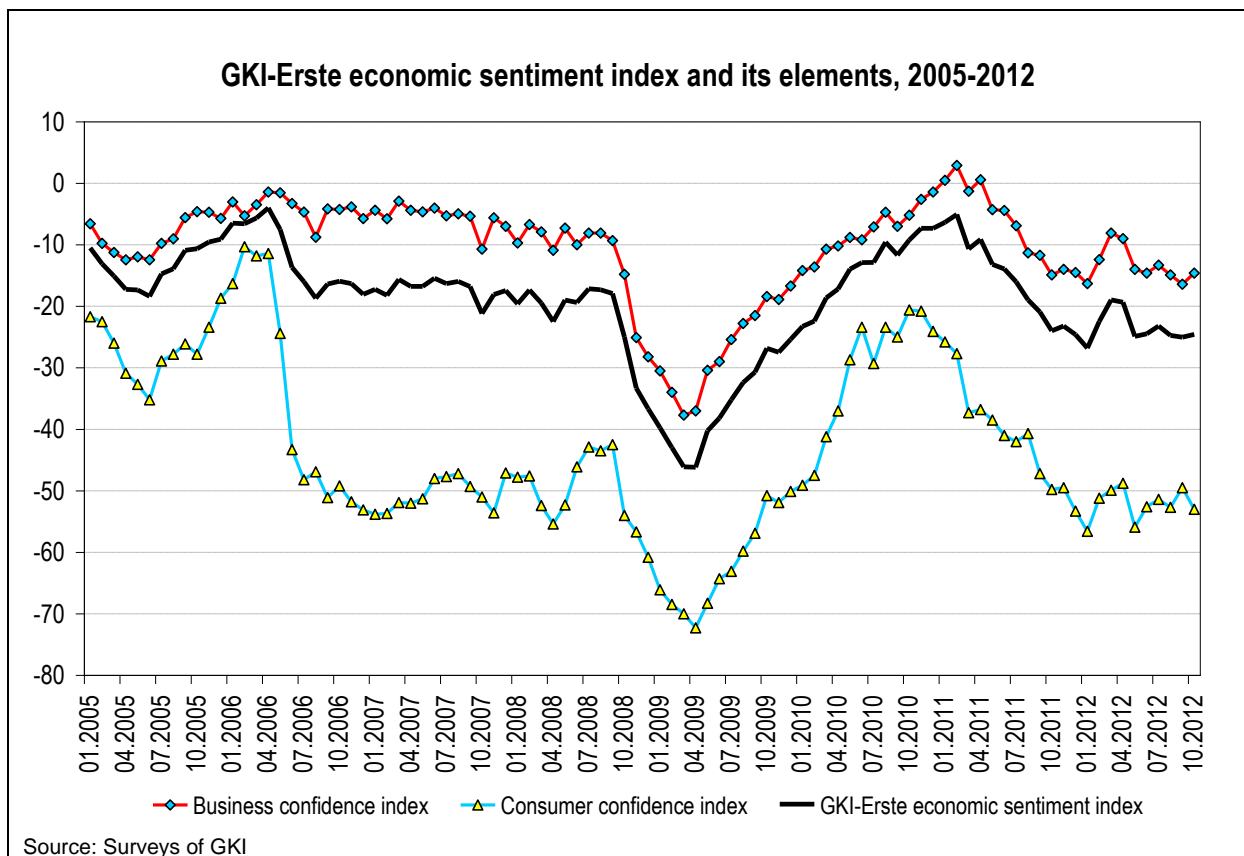
In line with the methodology used by the EU, GKI surveys the expectations of industry, trade, construction and services in the calculation of its business confidence index. (As far as services are concerned, similarly to the practice of the EU, companies of the financial and public sectors have not been 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	-14.6	-13.3	-14.9	-16.4	-14.6		
Consumer confidence index	-56.6	-51.2	-49.9	-48.8	-55.9	-52.6	-51.4	-52.7	-49.5	-53.0		
GKI-Erste economic sentiment index	-26.8	-22.5	-19.0	-19.3	-24.9	-24.5	-23.2	-24.7	-25.0	-24.6		