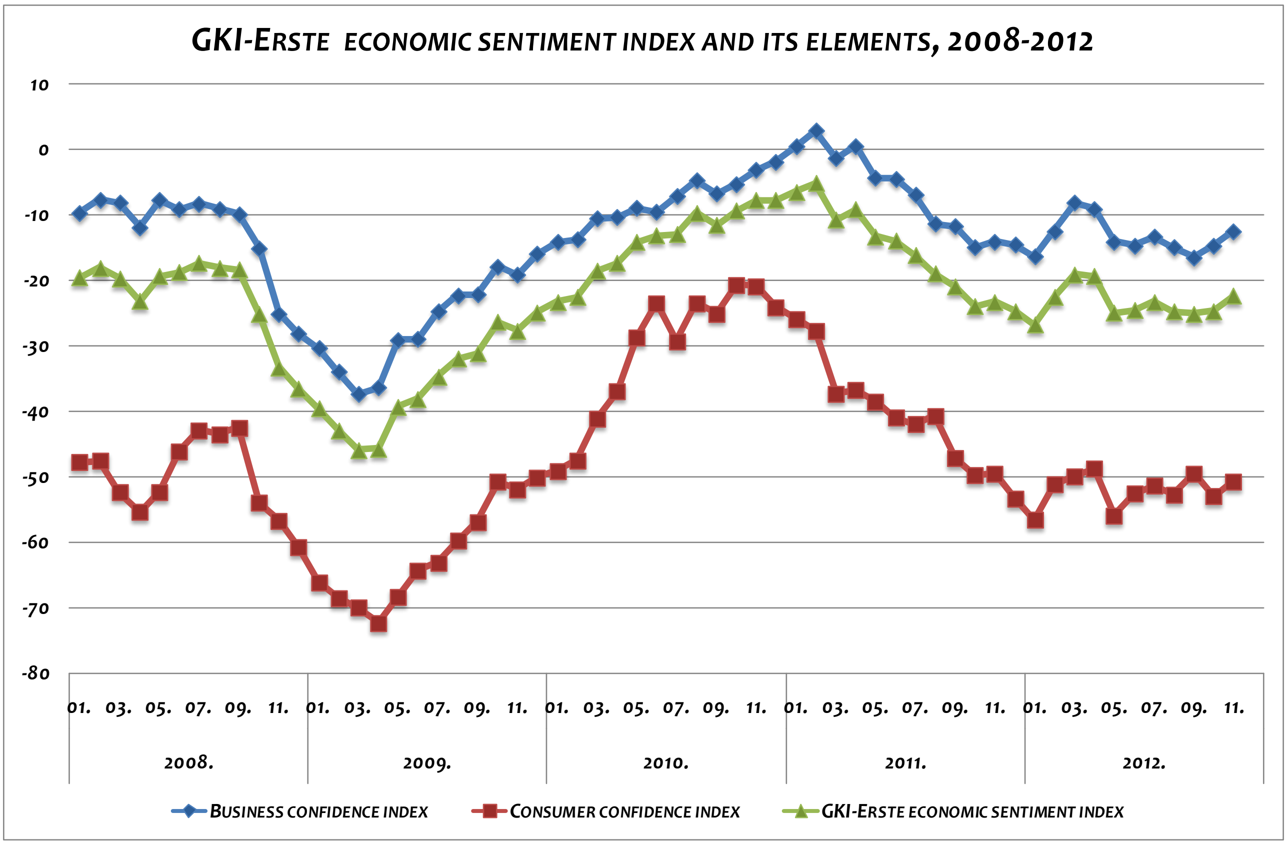
DOMESTIC ECONOMIC EXPECTATIONS REMAINED PESSIMISTIC IN NOVEMBER AS WELL

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 the index has been fluctuating slightly since then. Though according to the empirical survey conducted by GKI (www.gki.hu) with the support of the EU, business and consumer expectations slightly improved in November, they did not reach their level of April, which was very low anyway.

In November in the **business sphere** pessimism eased in all sectors with the exception of industry. (In October, the case was the other way round and only industrial expectations improved.) The deterioration of **industrial** expectations is primarily the consequence of increasing stock levels previously considered very low. The assessment of the production of the preceding and the next periods, as well as that of the total stock of orders and export orders improved. The value of the **construction** confidence index was so "high" in the middle of 2011 last time. However, construction continues to remain the most pessimistic sector. The assessment of the production level and the stock of orders of the previous three months remained unchanged. In **trade** the confidence index reached its peak this year. The assessment of sales positions and expected orders improved significantly. However, respondents considered the level of stocks slightly increasing. In the **service** sector the evaluation of the general business climate and sales in the preceding and the subsequent periods improved.

Employment expectations became better in all sectors, especially in construction and fear from unemployment dropped among households, too. The scope and extent of planned **price increases** declined in industry. Disinflationary pressures eased in construction. In trade the share of those planning price rises remained unchanged last month. The average size of price increases slightly decreased. However, in services intentions to increase prices picked up. The inflationary expectations of consumers eased. After a huge decline the assessment of the **perspectives of the Hungarian economy** improved in November in all sectors and among consumers as well. However, the general assessment is still very pessimistic. The majority of respondents expect further deterioration, and the share of those anticipating improvement is marginal.

GKI's consumer confidence index increased in November, though to a lesser extent than its fall was in the previous month. Households evaluated their financial situation and savings possibilities in the next 12 months better than in October. Households considered the conditions of purchasing high-value durables to be unchanged in 2012; however, those for the next year were perceived slightly deteriorating.



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.

A GKI-ERSTE ECONOMIC SENTIMENT INDEX AND ITS ELEMENTS, 2008-2012

Year	Month	Business confidence index	Consumer confidence index	GKI-Erste economic sentiment index
2008.	I.	-9.6	-47.8	-19.5
	II.	-7.6	-47.6	-18
	III.	-8.1	-52.4	-19.7
	IV.	-11.8	-55.4	-23.2
	V.	-7.7	-52.3	-19.3
	VI.	-9.1	-46.1	-18.7
	VII.	-8.2	-42.9	-17.2
	VIII.	-9	-43.5	-18
	IX.	-9.8	-42.5	-18.3
	X.	-15	-54	-25.2
	XI.	-25	-56.7	-33.2
	XII.	-28.1	-60.8	-36.6
2009.	I.	-30.3	-66.1	-39.6
	II.	-33.9	-68.5	-42.9
	III.	-37.4	-70	-45.8
	IV.	-36.3	-72.3	-45.7
	V.	-29	-68.3	-39.2
	VI.	-28.9	-64.3	-38.1
	VII.	-24.7	-63.1	-34.7
	VIII.	-22.2	-59.8	-32
	IX.	-22.1	-56.9	-31.2
	X.	-17.8	-50.8	-26.4
	XI.	-19.1	-51.9	-27.6
	XII.	-15.9	-50.1	-24.8
2010.	I.	-14.1	-49.1	-23.2
	II.	-13.7	-47.5	-22.5
	III.	-10.5	-41.2	-18.4
	IV.	-10.3	-37	-17.3
	V.	-8.9	-28.7	-14
	VI.	-9.5	-23.4	-13.1
	VII.	-7.1	-29.3	-12.8
	VIII.	-4.7	-23.4	-9.5
	IX.	-6.7	-25	-11.5
	X.	-5.2	-20.6	-9.2
	XI.	-3.1	-20.8	-7.7
	XII.	-1.8	-24.1	-7.6
2011.	I.	0.5	-25.8	-6.3
	II.	2.9	-27.7	-5.1
	III.	-1.3	-37.3	-10.7
	IV.	0.6	-36.8	-9.1
	V.	-4.3	-38.5	-13.2
	VI.	-4.4	-41	-13.9
	VII.	-6.9	-42	-16
	VIII.	-11.3	-40.7	-18.9
	IX.	-11.7	-47.2	-20.9
	X.	-14.9	-49.8	-24
	XI.	-14	-49.5	-23.2
	XII.	-14,5	-53,3	-24,6
2012.	I.	-16,3	-56,6	-26,8

Year	Month	Business confidence index	Consumer confidence index	GKI-Erste economic sentiment index
	II.	-12,4	-51,2	-22,5
	III.	-8,1	-49,9	-19
	IV.	-9	-48,8	-19,3
	V.	-14	-55,9	-24,9
	VI.	-14,6	-52,6	-24,5
	VII.	-13,3	-51,4	-23,2
	VIII.	-14,9	-52,7	-24,7
	IX.	-16,4	-49,5	-25
	X.	-14,6	-53	-24,6
	XI.	-12,4	-50,7	-22,4
	XII.			

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