



**GKI Economic Research Co.**

*We analyse and forecast. You decide.*

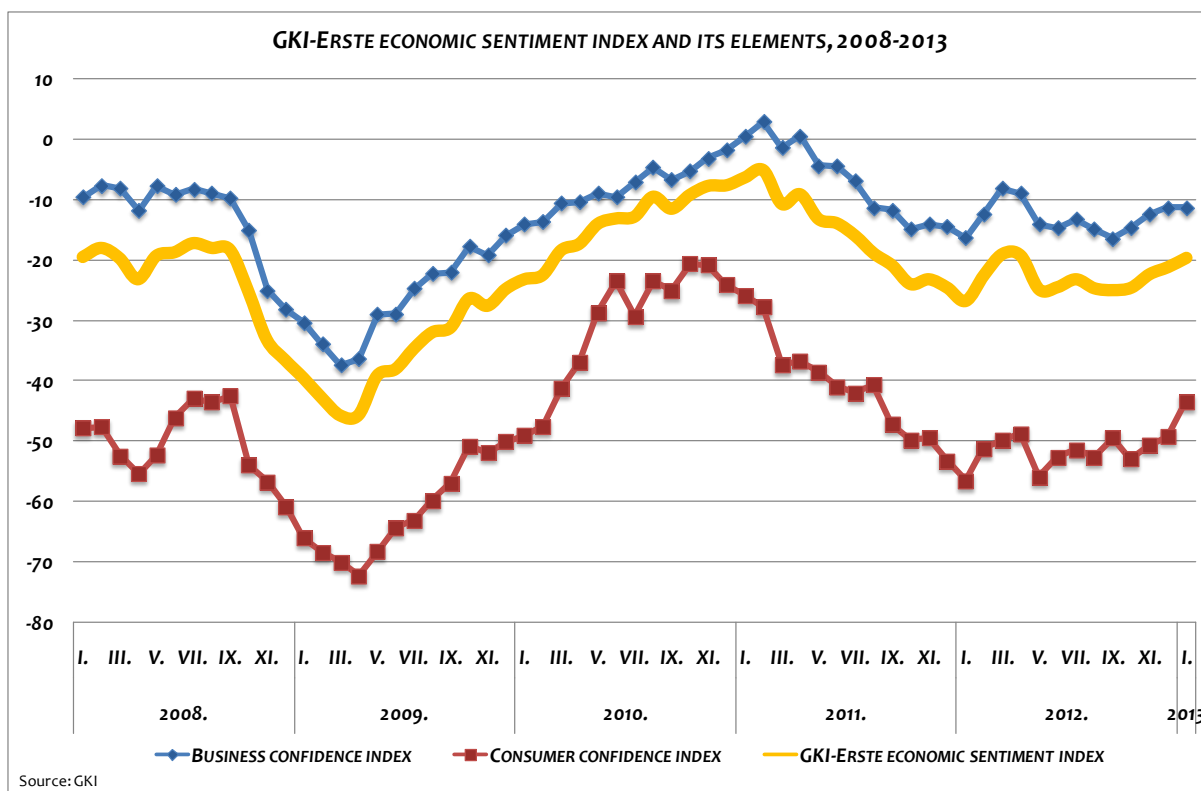
## **CONSUMER EXPECTATIONS IMPROVED A LOT IN JANUARY**

GKI-Erste economic confidence index adjusted for seasonal effects almost reached its last year's peak in January. The rise has been going on for four months. According to the empirical survey conducted by GKI ([www.gki.hu](http://www.gki.hu)) with the support of the EU the recent improvement is a consequence of a surge in consumer expectations as the business confidence index has remained unchanged.

In the **business sphere** pessimism eased in all sectors except services in January. **Industrial** expectations increased to their level in spring 2012. The assessment of the production of the preceding period and the following three months improved, whereas the stocks of own production became smaller. Respondents assessed the stock of orders somewhat better than in December; however, they considered export orders slightly deteriorating. In spite of its increase in January the **construction** confidence did not reach its November level. The assessment of the production level and the stock of orders of the previous three months improved. In **trade** the confidence index rose slightly above its November level. The assessment of stocks and expected orders picked up, whereas that of sales positions turned worse. The **services** confidence index fell after reaching an extremely high level in December. In January its value was not much worse than in November. The evaluation of the sales of the preceding and the subsequent period worsened in January.

**Intentions to employ** improved in industry, especially in the SME sector. They remained unchanged in the construction industry, whereas they declined in services and especially in trade. The fear from unemployment of households slightly eased. In industry the extent of **expected price increases** rose, whereas their scope decreased. In construction those predicting lower prices continued to be the majority. In trade the share of those planning price rises remained unchanged last month. The average size of price increases decreased. Price expectations in services remained unchanged. However, the inflationary expectations of consumers eased. The previously very pessimistic assessment of the **perspectives of the Hungarian economy** improved in every industry and among consumers as well in January.

Following its slight increase in November and December, **GKI's consumer confidence index** increased sharply reaching its peak in one and a half years. Households felt their own financial situation as well as their saving capabilities much more favourable than a month earlier. Households considered the possibility of purchasing high-value durables in the next year improving strongly.



### 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, 2008-2013

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

Year	Month	Business confidence index	Consumer confidence index	GKI-Erste economic sentiment index
2012.	I.	-16.3	-56.6	-26.8
	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.	-11.3	-49.3	-21.2
2013.	I.	-11.3	-43.4	-19.6

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