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Favourable trends are continuing: Hungarian consumer confidence index at an eight-year high

According to the latest data, in March 2014 the seasonally adjusted GKI-Erste economic sentiment index continued to improve. In light of the survey conducted by GKI Economic Research, **the economic sentiment index edged higher to -0.7 points in March, the best figure in over ten years: a better reading was last seen in August 2002.** This favourable piece of data confirms the positive trend which has been in place since the first months of 2013.

The economic sentiment index is based on a survey prepared in accordance with EU methodology which takes into account expectations of the industrial, trade, construction and services sectors within the business sector as well as those of consumers. The final reading is the weighted average of the consumer sentiment index and the business sentiment index.

The business confidence index is calculated from the responses of enterprises in industry, trade, construction and services sectors given to questions concerning the state of business and expectations of turnover and employment. GKI publishes seasonally adjusted data by using adequate mathematical methods to filter out the discrepancies caused by seasonal effects (such as differences in weather conditions between winter and summer, increased demand before Christmas, lower output because of summer vacations).

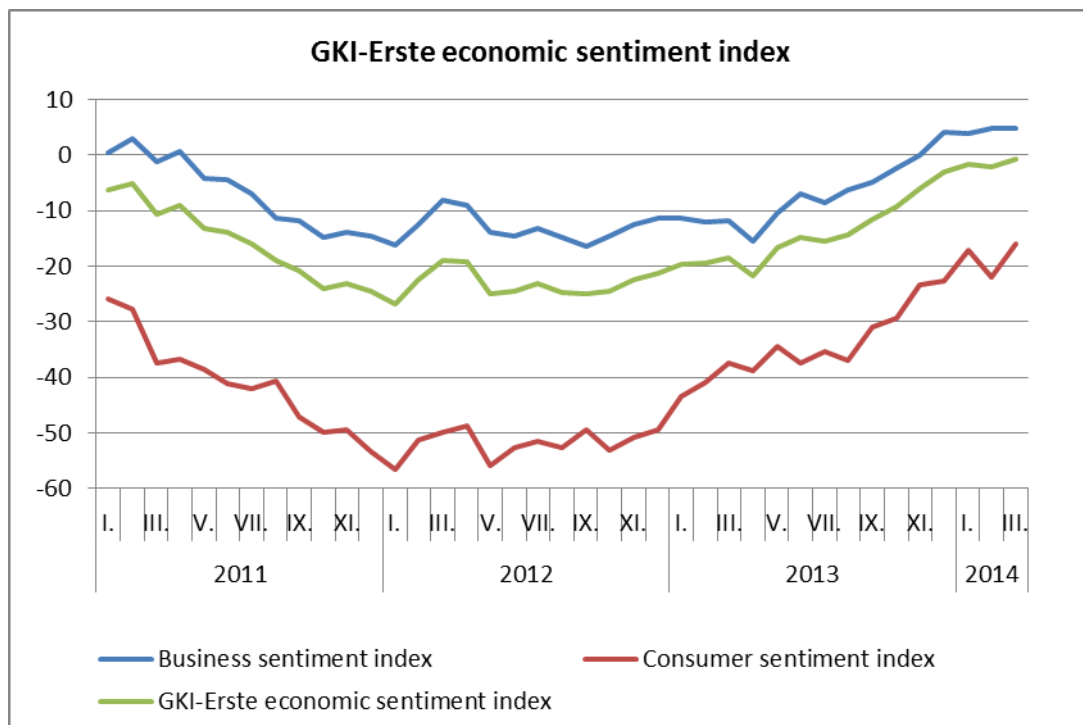
In light of the survey for March 2014, expectations regarding the industrial sector slightly deteriorated, but **those of trading companies and service providers improved.** Construction sector expectations were unchanged. **The business confidence index showed 4.7 points, a figure close to the fourteen-year record high:** the indicator was at a similar level for the last time in November 2000. This indicates that the number of optimistic enterprises continued to exceed that of pessimistic ones as a whole.

The only component within the business sentiment index which could not make it into the green was that of the construction sector; within the **industrial sector** perceptions deteriorated regarding output of the previous period, while **inventories were seen higher.** The assessment of the stock of orders and output outlook showed no change, whereas that of **export orders and investment improved. As far as the trade component is concerned, the confidence index**



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picked up in March following a fall in February: sentiment was better regarding sales positions and inventories. **Services companies were the most optimistic about the general state of business.** Intentions to employ improved slightly in all sectors except construction. **The fear of unemployment of households also eased. The assessment of the perspectives of the Hungarian economy improved in all sectors,** and the confidence of households also recovered.



Source: GKI Economic Research

The consumer confidence index is calculated from responses given to questions concerning the expected financial position of households, the expected economic and unemployment situation of the country and the prospects for saving.

The consumer confidence index improved to -15.9 points in the third month of 2014 from -22 points in February, **reaching an eight-year high.** (Only the April 2006 figure with -11.4 points was better than that of March 2014.) **The consumer confidence index shows an upward trend in place since October 2012** with a single dip in February. **Households expect their financial situation and the prospect of saving to improve over the coming year.** They also believe it more likely to purchase high-value durable goods within the next twelve months.



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The constantly improving economic sentiment index has been the result of the Government's efforts since 2013 as it had laid down the foundations for balance and established preconditions for growth. **The increase of the number of jobs and steady real income growth** helped stabilize the finances of households and boost domestic demand. The eight-year record high consumer confidence index accordingly **signals further household consumption growth for 2014**. Recently published, outstanding data on industrial output and investment also confirm that **the Government's growth target will be achievable in 2014**.