

Since 2005 the Institute for Economic and Enterprise Research (IEER) has undertaken the "young graduates in the private sector" research program which prepares an annual survey of Hungarian enterprises on the current and future employment characteristics of young graduates, employment trends, and the difficulties they face, including their salaries and their competencies, as well as the popularity and prestige of higher education institutions. In 2011 we approached 1,313 businesses. Of the total number of companies surveyed 30 percent have 50 or fewer employees, 19 percent employ between 50 to 100 people, and 24 percent have between 100-250 employees.

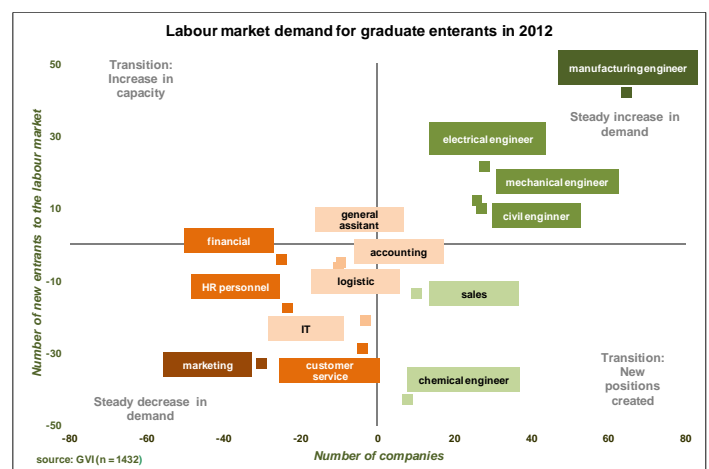
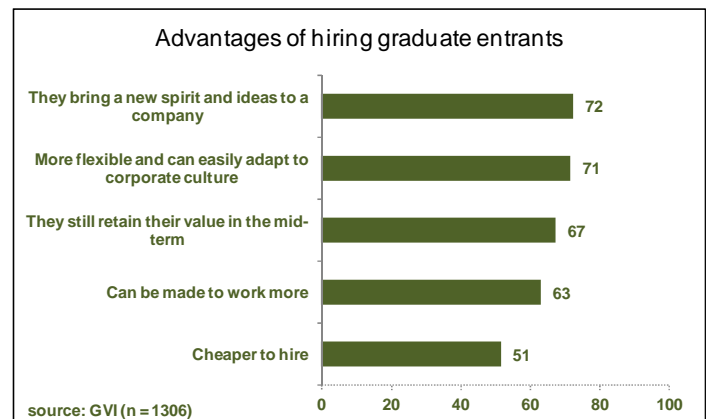
The latest results show that more companies still prefer to recruit graduates as opposed to those thinking about downsizing; also, the number of graduates for hire is more than those affected by proposed redundancies, therefore we can say that Hungary doesn't have an oversupply of graduates. Companies with 20 or more employees make use of more than 95 percent of graduates, and also employ 42 percent of fresh graduates. The 2011 results suggest that in 2012 a significant increase is expected in the demand for the qualifications of an engineer, such as electrical, mechanical, construction or manufacturing technology engineers. Those least in demand are those who work in tourism, finance, and logistics while graduates in jobs that don't require specific knowledge and general assistant jobs can expect a short-term decline in demand. According to the GVI prestige rankings, in terms of those offering economic courses the Faculty of Economics and the Faculty of Management Science at Corvinus University are in first place, whereas for technical courses the Faculty of Mechanical Engineering and the Faculty of Electrical Engineering and Information Technology at the Budapest Technical and Economics University hold the top two places.

The demand for graduates

The economic crisis did not leave the demand for graduates in the private sector unscathed: while in 2009 many companies planned to layoff more graduate workers than they recruited, in 2010 the number of companies planning to hire was 12 percentage points more than the number of firms planning to fire. This trend did not continue in 2011, however, and neither will it be so in 2012; indeed, according to the 2011 survey data, demand for graduate labour is expected to fall. This decline is not expected to go as far as during the height of the crisis in 2009. Short-term labour market projections and the most recent results from the IEER company survey of demand for graduates indicate that more companies plan to recruit graduates than those who plan layoffs, and the number of graduates to be hired is more than those than those who may be affected by planned layoffs. Thus, we can say that there isn't an oversupply of graduates in Hungary.

In addition to low unemployment rates as a measure of the favourable labour market situation of graduates, there is also the picture of the starting salary of graduates and undergraduates. The differences in the salary of college and university graduates within the 22-30 age groups decreased slightly between 2000 and 2009, but are still considered high: in 2009 it was around 50% for college students, while those with a university diploma it was in excess of 100%. This wage analysis underscores that the demand side of the labour market remains strong for fresh graduates.

Recruiting fresh graduates has a number of advantages. A new spirit and flexibility (that newcomers can easily adapt to the corporate culture) were highlighted by companies



regarding fresh graduates - with the former getting 72 points on a scale of a hundred and the latter 71 points. At the same time it was denied that it would be cheaper to use fresh graduates, with this statement receiving only 51 points on a scale of a hundred.

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Employment of entrants

Graduates are employed in an overwhelming majority of firms; however the same can't be said of the situation of fresh graduates. While companies with over 20 workers employ more than 95 percent of graduates, for fresh graduates this is 'only' 42 percent. These rates are higher in Central Hungary and Budapest: for example, in the central region of Hungary 44 percent and in the country's capital 52 percent of companies respectively use fresh graduates.

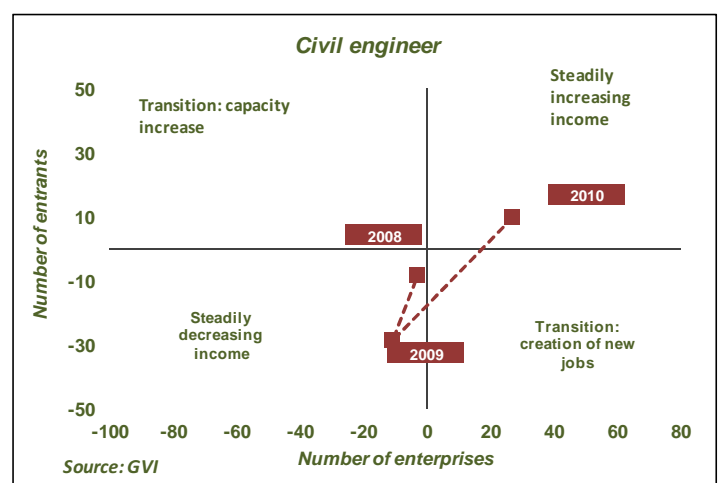
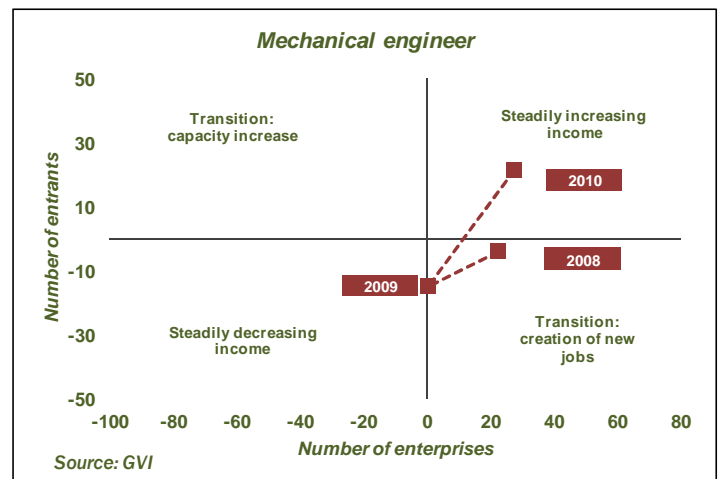
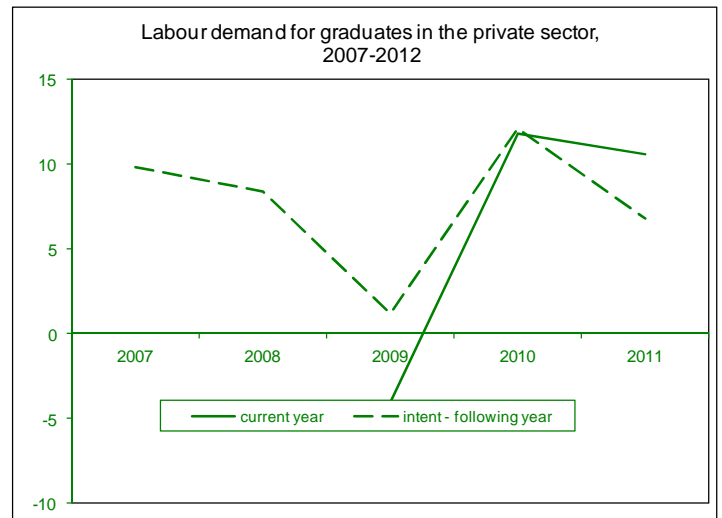
Understandably, firms plan to hire proportionally more university graduates with a MA as opposed to those with only a BA degree. For the former it was 24 percent of companies while 14 percent of firms considered the latter. Companies operating in Budapest and Central Hungary plan to proportionally hire more fresh graduates, both those with a MA and those with only a BA degree. In Budapest, for the former it was 26 percent of companies whereas 17 percent of firms considered the latter.

Satisfaction with the capabilities of fresh graduates

During the research respondents were able to express their opinions on the skills, abilities, and knowledge of fresh graduates in terms of their expectations as well as their level of satisfaction. It can be concluded that the most important requirement expected of young graduates on a national scale is precision (95 points). Companies also consider very important the ability to work independently (91 points), as well as the capability to handle a heavy workload (90 points) and the ability for team-working (89 points).

Firms were most satisfied with the ability of graduates to navigate the Internet (88 points). The use of technical and computer equipment (78 points) and teamwork skills (78 points) were also among the top 20 competencies investigated.

The biggest difference we measured between expectations and experience was with work experience (-22 points), precision (-20 points) and the ability to work independently (-20 points). That is, these are the areas companies are



most dissatisfied with young graduates. At the other end of the scale, graduates can be considered to "over perform" in terms of navigating the Internet (3) and their experience with social issues (9 points).

Private sector assessment of higher education institutions

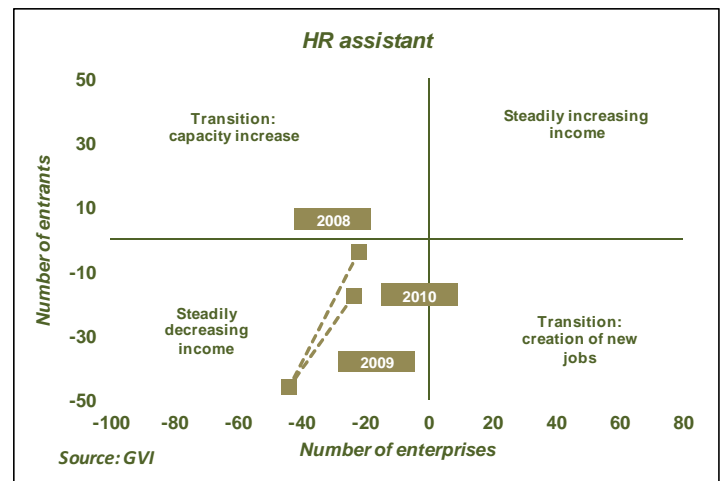
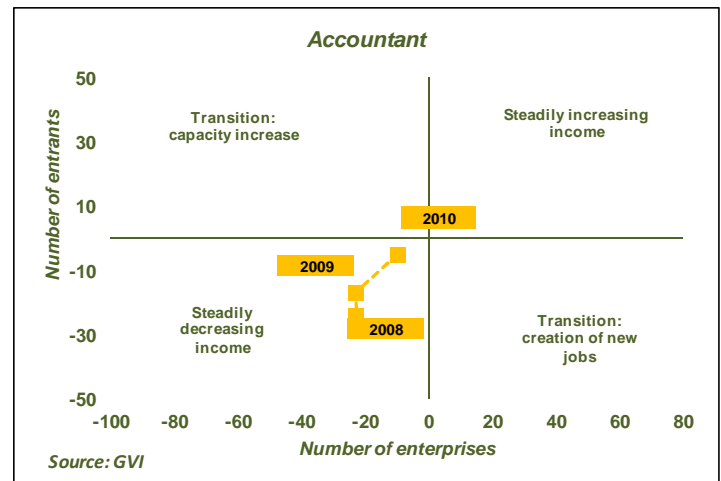
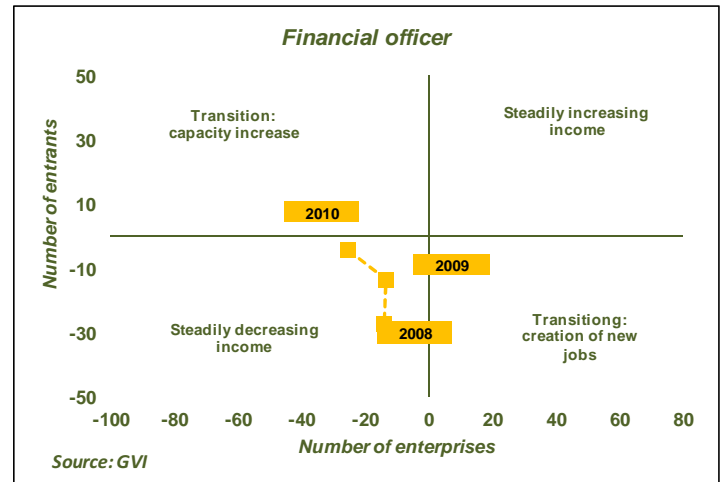
The surveys also examined that within the private sector - as a training area - which higher education institutions have a good reputation and standing; that is, from the perspective of firms that employ graduates, which universities boast the most prestigious faculties. (The indicator is not directly about experience, but the reputation and recognition of institutions as reflected by more generalized opinions.)

Of those that deal with economic education, the Faculty of Economics and the Faculty of Management Science at the Corvinus University of Budapest are in first place – the former regarded as to have a national prestige of 100 points and the latter with a value of 89 points. Following behind the above in third place is the Faculty of Finance and Accountancy at the Budapest Business School with 66 points.

Of those that deal with technical training, the Faculty of Mechanical Engineering and the Faculty of Electrical Engineering and Information Technology at the Budapest University of Technology and Economics hold the top two places – the former regarded as to have a national prestige of 100 points, and the latter with a value of 47 points. Following behind the above in third place is the Faculty of Mechanical Engineering and Information Technology at the University of Miskolc with 36 points.

Of those that deal with agricultural education, the Faculty of Forestry at St. Stephen's University of Agriculture and Environmental Sciences and the Faculty of Engineering at the University of West Hungary hold the top two places – the former regarded as to have a national prestige of 100 points, and the latter with a value of 86 points. Following behind the above in third place is the Faculty of Horticultural Science at the Corvinus University of Budapest with 81 points.

Of those that deal with IT courses, the Faculty of Electrical Engineering and Information Technology at the Budapest University of Technology and Economics and the Faculty of Information Technology at Eotvos Lorand University hold the top two places - the former regarded as to have a national prestige of 100 points, the latter with a value of 49 points. Following behind the above in third place is the Faculty of Information Technology at the University of Sciences in Szeged with 35 points.



Macro-economic trends: the situation of the German economy

The latest data from the German statistical office show that in the fourth quarter of 2011 Germany's gross domestic product fell 0.2 percent. In addition to this, industrial production also fell significantly in the autumn of 2011. However, there are no signs that foreign trade is slowing down; exports in November rose 2.5 percent from the previous month. Moreover, German exports in 2011 for the first time exceeded one thousand billion Euros and import volume also broke a new record.

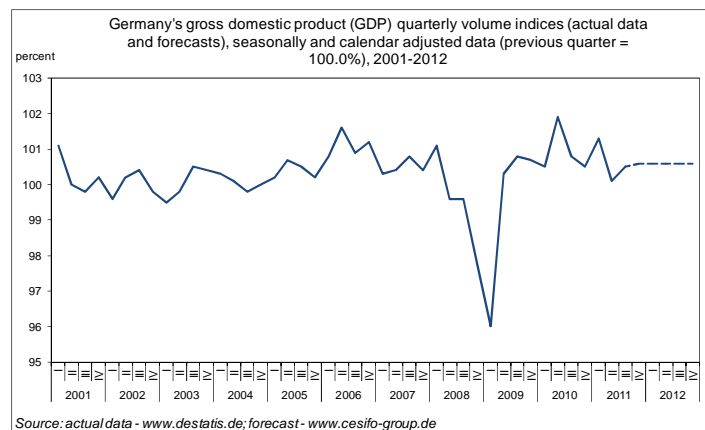
The German central bank in February reported that the German economy may grow already by the spring, as growth prospects have improved considerably. Analysis from Barclays Capital shows that a change in the current trend can be expected in 2012, with German GDP possibly growing by 0.1 percent in the first quarter. For the year as a whole, analysts polled by Die Welt and forecasts from Barclays expect a 0.5 percent increase. The trends are largely dependent on whether the euro zone sovereign debt crisis can be stemmed.

Economic Situation

Based on the German statistical office's latest provisional figures for the fourth quarter of 2011 German economic growth came to a halt. According to the quarterly data the gross domestic product declined by 0.2 percent in the last quarter. The results minimally surpassed the expectations of analysts, the consensus was -0.3 percent. The third-quarter index rose slightly from 0.5 percent to 0.6 percent according to the revised statistics. The annual index is based on projected growth of 1.5 percent, which represents a one percentage point slowdown in the third quarter.

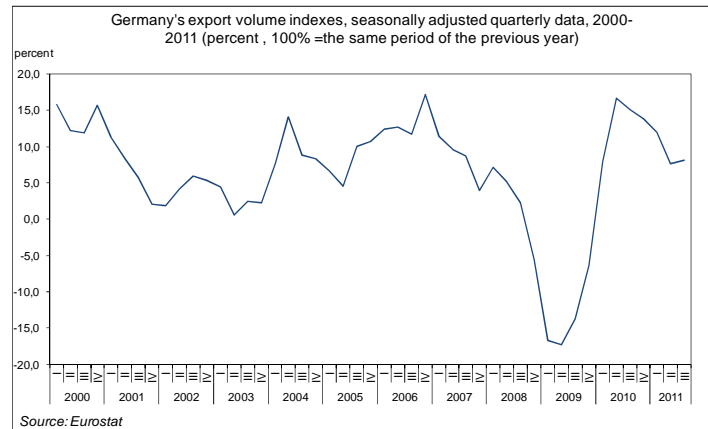
In Germany, industrial output fell significantly in November while for the combined period of October-November this was one and a half percent less compared to the previous year. Stocks of industrial orders fell; the decline in November was 4.5 percent. However, for the time being there is no sign of foreign trade slowing down; exports in November rose 2.5 percent from the previous month. A parallel decline in unemployment and a progressive increase in household consumption also helped to reduce this decline. In addition, the mild December weather may lead to a surprise: the performance of the construction industry may not have declined as much as usual for that time of year.

In addition to this, Germany benefits from the present crisis, especially from the public finance point of view: in mid-February, the German national debt management center received negative interest from the market, which is unprecedented. More than 4 billion Euros worth of securities for a six-month term were issued with a yield of minus 0.0122 percent, that is, investors are paid that much interest since German securities are considered an exceptionally safe place to keep money because of the crisis upsetting the government bond market.



Exports

In 2011 German exports exceeded one trillion Euros for the first time, primarily due to increased demand in emerging and Eastern European countries. The statistics show that exports grew by 11 percent compared to 2010, at 1,060 billion Euros. Meanwhile, due to the growing needs of the German economy imports are also at a historic record high: an increase of 13.2 percent, 902 billion Euros, which is unprecedented, and almost one hundred billion more so than in 2008 which was the best registered thus far. However, there is some concern that this pace will slow down by the end of the year: Foreign sales by German companies fell 4.3 percent the previous month, mainly due to the problems in Euro zone countries. A larger drop than this happened only once before, in January 2009 at the height of the previous crisis.



Analysts' expectations

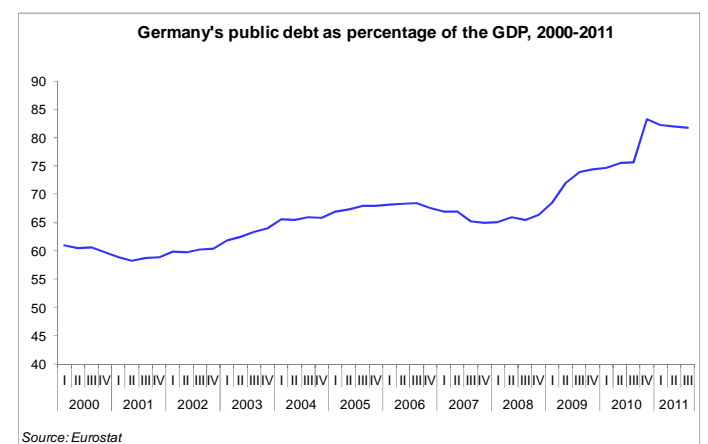
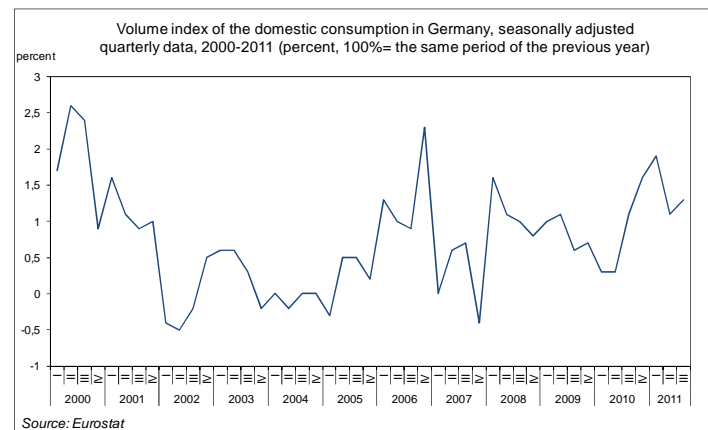
The German central bank in February reported that a turnaround in growth for the Germany economy may occur by the Spring. The "external brake" could be felt keeping back the essentially export-oriented German economy's momentum in the first quarter of this year, but in the Spring the stimulating effect of cyclical factors leading to growth is expected to prevail.

German economic growth prospects have improved significantly recently, analysts at the Bundesbank say, who see that increased demand in the construction industry in the foreseeable future will be a powerful impetus for economic growth. Household consumption is similar to the previous year and thus will also contribute significantly to economic growth. The stable labour market provides a sense of security to consumers. The record-low 1.0 percent prime interest rate for Euros is more favourable for investments than savings - maintains the forecast.

Experts at the Bundesbank in Germany feel that billions in any kind of economic stimulus program is unnecessary, because the economic outlook doesn't justify this. The German economy is able to get over the weak transitional phase on its own power, no later than this Spring. The Bundesbank feels that state intervention in the form of economic stimulus would not be necessary in the case of a significant slowdown, either.

According to Barclays Capital a turnaround is expected in 2012; German GDP will grow by 0.1 percent in the first quarter.

However, in another survey, based on a poll of analysts conducted by the Die Welt newspaper, the decline in the January-March period may continue, or the European Union's largest economy could slide into recession.



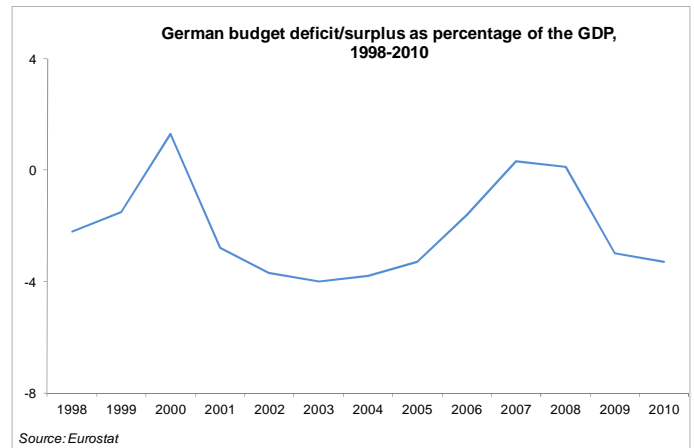
For this year as a whole, the Die Welt poll and the forecast by analysts at Barclays are reserved. Even growth of a modest 0.5 percent can be expected. The trends are largely dependent on whether the Euro zone sovereign debt crisis can be stemmed. Analysts see that the highest risk is with corporate and retail lending.

Analyst expectations were far higher than the German ZEW economic institute confidence index. Expectations were optimistic; after the -21.6 points in January analysts believe -11.8 to be probable. In contrast, the index jumped +5.4 points in February. For the first time since May last year the index was in positive territory.

Impact on the Hungarian economy

The German economy contains very important information about the growth prospects of Hungarian enterprises, because the principal market for Hungarian exports is Germany. Hungarian exporters and overall Hungarian exports are directly related to the state of the German economy. To a large extent Hungarian companies that deal with semi-finished and intermediate products, as well as parts suppliers, are affected by the prospects of the German economy.

Source: hvg.hu, ecoline.hu, napi.hu, nol.hu



International trends

The Ifo German industry and trade confidence index of the Institute for Economic Research in Munich again for the third month showed an increase in January 2012. The current business situation of firms is somewhat less favourable, expectations for the near future, however, have improved significantly. According to the IEER asynchrony index the Ifo business confidence index shows a greater uncertainty compared with last month. Researchers also say that the German economy is in good condition to start the 2012 year.

The January survey results from the French statistical office (INSEE) show that French industrial economic prospects have deteriorated again. The business confidence index based on the assembled opinion of business leaders fell three points, and thus remains well below the long-term average. The economic turning point indicator still points to an unfavourable economic situation. In addition, the overall outlook index is also at a very low level.

Germany – Ifo

The Ifo Business Climate for trade and industry in Germany improved for the third time in succession in January. Although companies assess the current business situation as less favourable than in December, their business expectations have brightened considerably. The German economy has started the year positively.

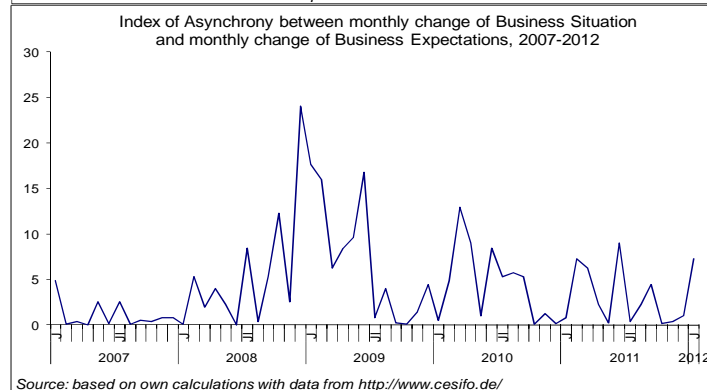
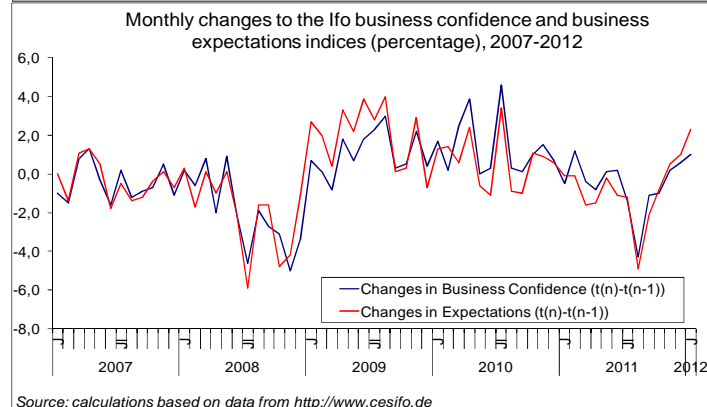
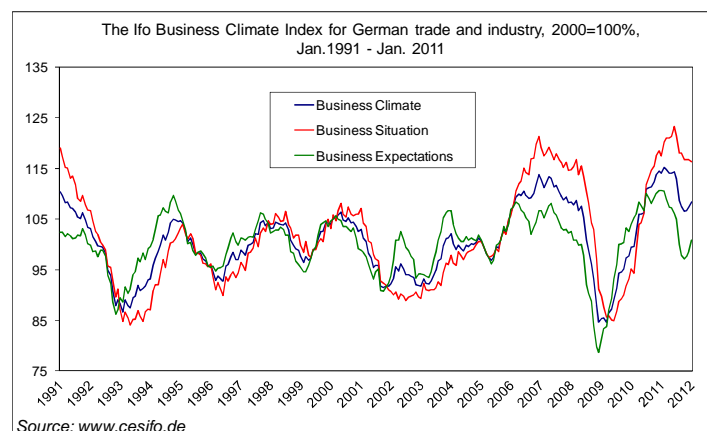
Measuring the gap between the business situation and expected developments, the asynchrony index calculated by IEER increased in January, thus the business confidence index showed a higher level of uncertainty compared to last month.

The business climate improved in manufacturing. Manufacturers see their current business situation as slightly improved and their business outlook as clearly more favourable than in the previous month. Export expectations and personnel planning are also somewhat more positive once again. Capacity utilization in manufacturing is currently slightly lower than in autumn 2011. However, use of equipment and machinery remains above average.

In retailing the business climate index fell. The business situation here is no longer as favourable as it was in December. Moreover, retailers are more sceptical about their short-term business outlook. In wholesaling the business climate deteriorated slightly. The wholesalers surveyed continue to assess their current business situation as very positive, but less favourable than last month. Their business expectations are once again slightly more confident.

The business climate in construction improved for the third month in succession. The current business situation, however, is no longer as favourable as in the previous month. The constructors surveyed are nevertheless significantly more confident about their six-month business outlook.

Source: Ifo (<http://www.cesifo-group.de>)



France (INSEE)

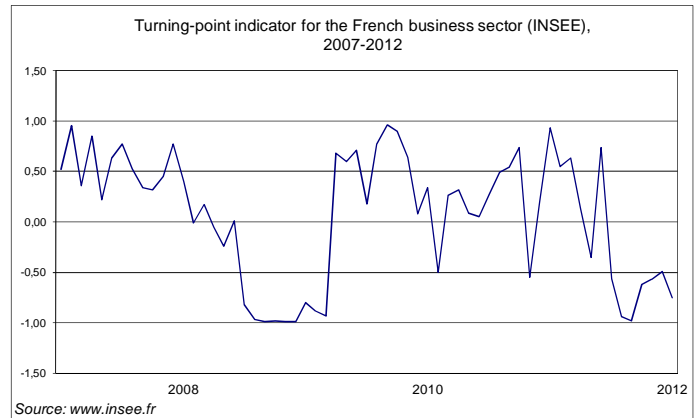
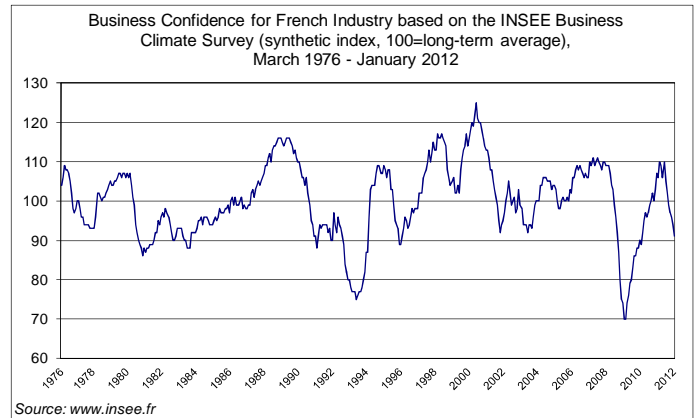
Based on a survey made by the French statistical office (INSEE), in the opinion of French business leaders interviewed in January the deteriorating industrial economic situation in France since July 2011 has continued: the INSEE business confidence index fell three points compared to December. The value of this indicator is well below its long-term average.

The economic turning point indicator remained in the unfavourable area.

Industry leaders also stated that output from the previous period fell in January and the balance of opinions index is well below its long-term average. In the view of company managers stocks of finished products have remained above average levels. The domestic and export value indexes for stock orders noticeably decreased and remained at a low level. The export orders index rose slightly in December, but can still be said to be at a low level.

French economic growth is expected to slow down in the next three months: the individual business operations forecast of company executives (which summarizes the business prospects of the coming months) deteriorated significantly in January. The general business outlook index -- which reflects the summary of opinions related to the business activity of respondents -- was very low, and continues to be well below its long-term average.

Source: INSEE (<http://www.insee.fr>)



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