



Results of the IEER Quarterly Business Climate Survey

October 2014

Summary in English

Budapest, October 2014

The Institute for Economic and Enterprise Research operated by the Hungarian Chamber of Commerce and Industry (IEER or GVI in Hungarian) is a non-profit economic research institute indulging in applied research in several subfields of economics. Our mission is to provide empirically and theoretically substantiated knowledge and analysis of the economic and social processes that influence the actual situation and perspectives of Hungarian economy and Hungarian companies.

HCCI IEER

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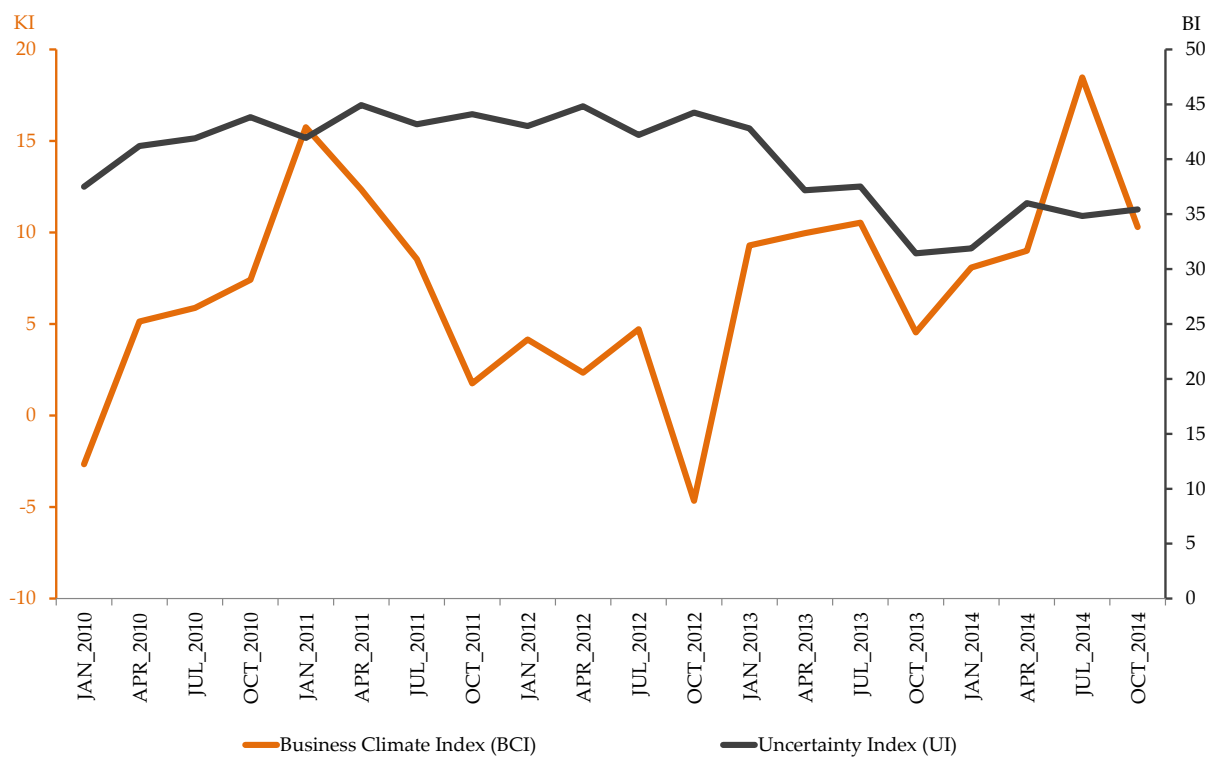
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1. Business Climate Index and Uncertainty Index

Since 2010 the IEER assesses on a quarterly basis the business expectations of Hungarian enterprises using a sample of 400 companies. In October 2014, the survey showed that the level of business confidence deteriorated sharply compared to the previous quarter. This severed the improving trend observed since October last year. The IEER Quarterly Business Climate indicators in July fell from 18 points to 10 points, but was still higher than the level measured a year ago (in October 2013 it was 5 points). The value of the Uncertainty Index was at a 35-point level, which conforms to the value in July. This suggests that the deterioration in business expectations is not universal and that it only concerns a part of the business community.

1.1. Quarterly developments in the Business Climate Index and in the Uncertainty Index

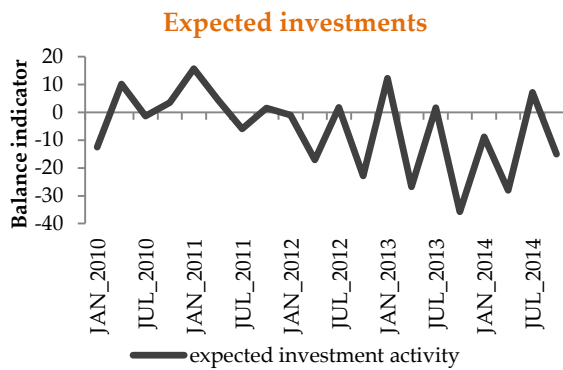
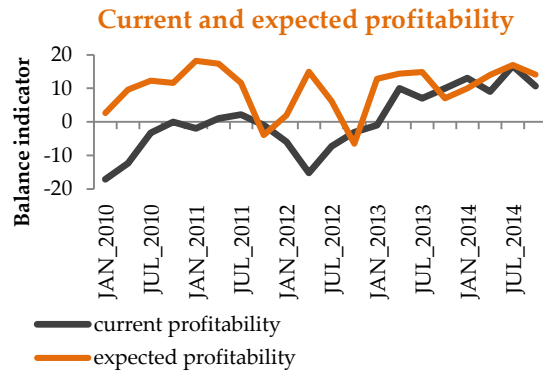
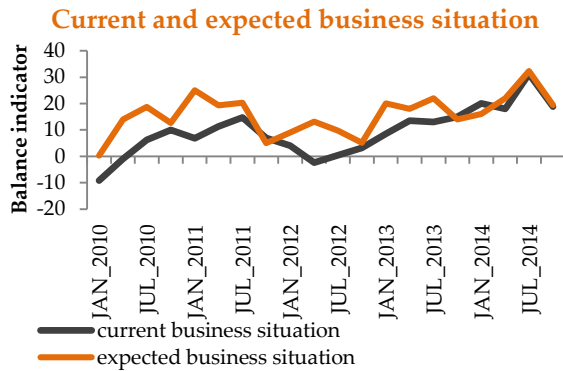


Source: IEER 2014

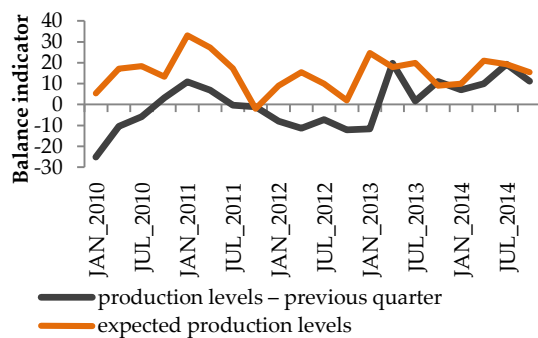
2. The components of the Business Climate Index

The IEER Quarterly Business Climate Index consists of ten components. The figures below demonstrates the quarterly developments of them.

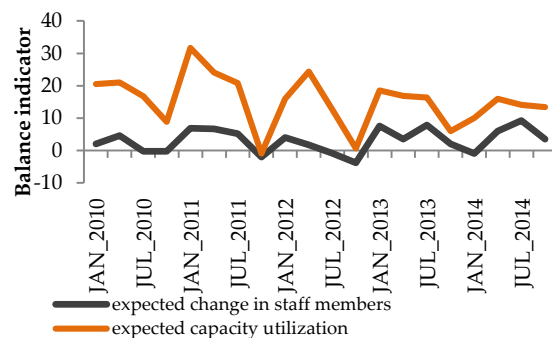
2.1. Quarterly developments of the business climate indicators



Current and expected production levels



Expected change in staff members and capacity utilization



Source: IEER 2014

The decline in the GVI Quarterly Business Climate Index is due to the fact that all primary indicators are lower than in the previous quarter. The most significant declines were future investment activity (22 points), expected business situation (13 points), current business situation (12 points) and current orders (10 points).

Appendix

A1.: Distribution of firms by size in the waves of the Quarterly Business Climate Survey, Jan 2010 – Jul 2014, pcs

	Number of staff members				Total
	20-49 people	50-99 people	100-249 people	Over 250 people	
JAN_2010	106	84	113	103	406
APR_2010	89	96	105	96	386
JUL_2010	97	90	116	98	401
OCT_2010	101	87	116	107	411
JAN_2011	100	88	117	105	410
APR_2011	99	89	124	95	407
JUL_2011	99	87	115	109	410
OCT_2011	98	87	114	108	407
JAN_2012	97	88	114	101	400
APR_2012	99	87	114	128	428
JUL_2012	99	88	115	115	417
OCT_2012	99	87	114	104	404
JAN_2013	97	89	113	101	400
APR_2013	97	89	114	100	400
JUL_2013	104	84	113	99	400
OCT_2013	103	83	113	101	400
JAN_2014	103	85	114	99	401
APR_2014	104	85	114	99	402
JUL_2014	106	83	113	99	401
OCT_2014	105	86	106	104	401
Total	2002	1742	2277	2071	8092

Source: IEER 2014

A2.: Distribution of firms by sector in the waves of the Quarterly Business Climate Survey, Jan 2010 – Jul 2014, pcs

	Sector				Total
	Processing industry	Building industry	Commerce	Business services	
JAN_2010	190	51	107	58	406
APR_2010	196	59	102	57	414
JUL_2010	208	50	97	46	401
OCT_2010	205	53	99	53	410
JAN_2011	194	53	105	58	410
APR_2011	193	59	105	50	407
JUL_2011	207	50	94	59	410
OCT_2011	222	47	90	48	407
JAN_2012	195	49	98	58	400
APR_2012	207	59	112	50	428
JUL_2012	216	53	96	52	417
OCT_2012	186	55	107	56	404
JAN_2013	193	48	106	53	400
APR_2013	191	49	106	54	400
JUL_2013	189	50	107	54	400
OCT_2013	196	51	102	51	400
JAN_2014	196	51	103	51	401
APR_2014	199	48	103	52	402
JUL_2014	204	48	100	49	401
OCT_2014	186	52	108	55	401
Total	3973	1035	2047	1064	8119

Source: IEER 2014

Annex

The formula of the IEER Quarterly Business Climate Index (BCI)

$BCI = (raj_ + uhj_ + vjj_ + tszm_ + lvv_ + uhv_ + vjv_ + cue_ + tszv_ + bvv_)/10$,
where:

- RAJ_: current stock orders
- UHJ_: current business situation
- VJJ_: current profitability
- TSZM_: production levels – previous quarter
- LVV_: expected change in staff members
- UHV_: expected business situation
- VJV_: expected profitability
- CUE_: expected capacity utilization
- TSZV_: expected production levels
- BVV_: expected investment activity

The formula of the IEER Quarterly Uncertainty Index (UI)

UI = the variance of the BCI

The values of the indicators

The answers for the questions relating to the indicators worth the following scores:

Answer	Score
Good / Better / Growing / It will be better / It will grow	100
Satisfactory / Does not change / Will not change	0
Bad / Worse / Decreasing / It will be worse / It will decrease	-100