

Results of the IEER SME Outlook Survey
**April 2015 – Improving business climate, favourable
outlook**

Summary in English

Budapest, May 2015

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.

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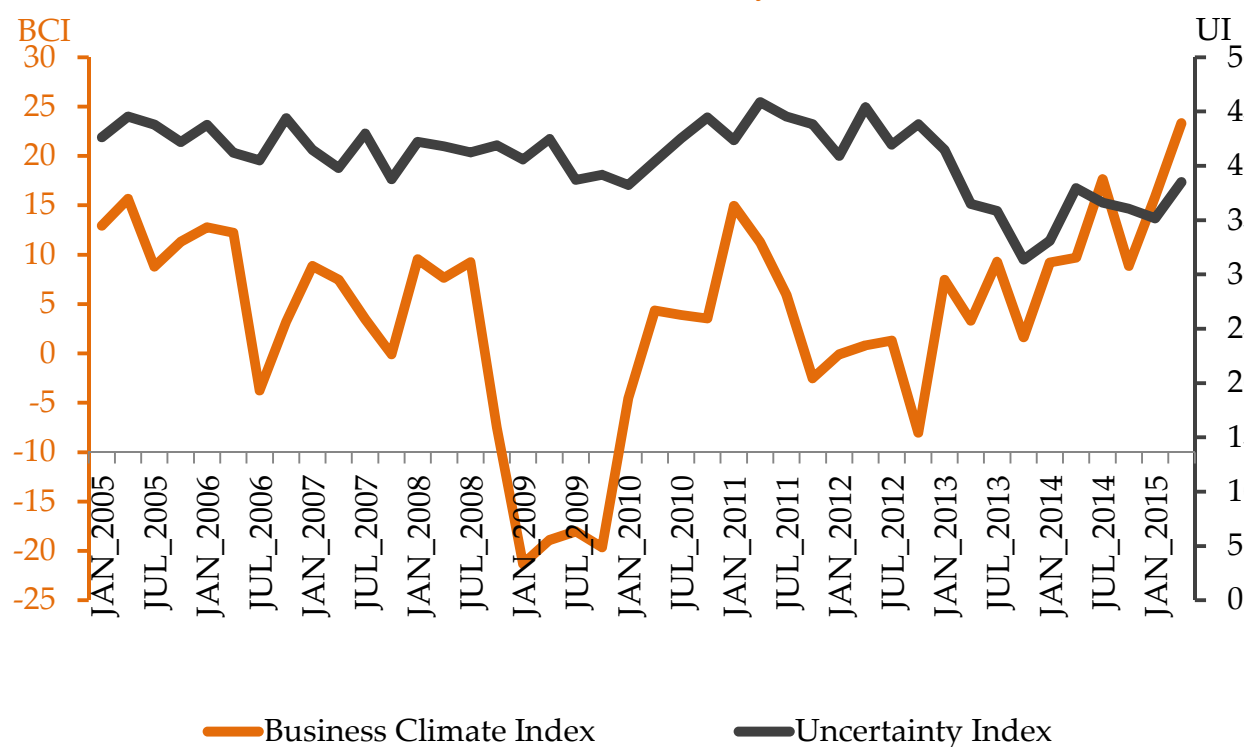
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1. SME Outlook Business Climate Index and Uncertainty Index

The HCCI Institute for Economic and Enterprise Research (IEER) business climate survey in April 2015 shows that the level of business confidence in Hungary continued to improve compared to that seen in the previous quarter. The IEER Quarterly Business Climate Index has risen from the January level of 16 to 23 points. The current level is the highest since the beginning of the research (January 2005). The current level of the indicator is higher than it was one year earlier. The Uncertainty Index level is at a current level of 38 points, which is three points higher than the level in January; this indicates increase in uncertainty. The current level is the same as the value recorded one year before and higher than the value recorded two years before (in April 2013 it was 37 points). In addition, the value of the Uncertainty Index indicates that the current trend is not uniform within the private sector, and that the recovery will continue to be confined to one part of the economy and will not be felt by all companies.

In summary, we can state that according to the indicators the level of business climate shows an upward trend since January.

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

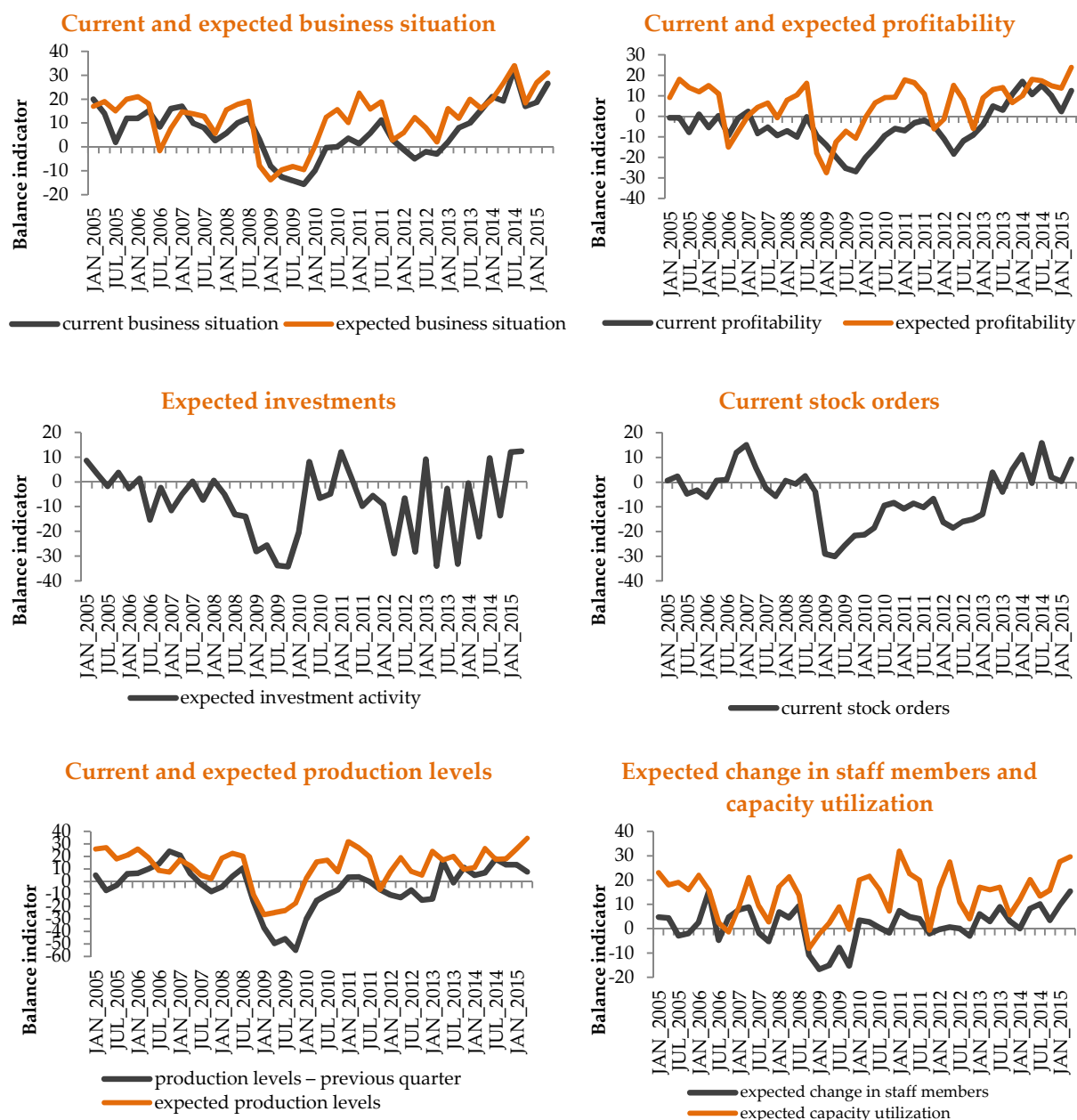


Source: IEER 2015

2. The components of the SME Outlook Business Climate Index

The SME Outlook Business Climate Index consists of ten components. The figures below demonstrate the quarterly developments of them.

2.1. Quarterly developments of the business climate indicators



Source: IEER 2015

Looking at these elementary indicators it can be said that the current increase of IEER Quarterly Business Climate Index is due to the increase of the majority of elementary indicators. The level of current and expected profitability has increased by 10-10 points, furthermore, the level of current stock orders has improved by 9 points, and the opinion on current business situation is better (8 points increase) as well. In addition, the entrepreneurs are more optimistic about the expected production levels (8 points increase). They are less

optimistic about the expected change in staff members and expected business situation, in case of the former the increase is 6 points, in case of the latter the growth is 4 points. The enterprises do not expect any change in case of capacity utilization (2 points increase) and in the case of investments (stagnation). Only one indicator's level fell significantly: the production level (previous quarter) has decreased by 6 points compared to the previous quarter.

Appendix

A1.: Distribution of firms by size in the waves of the SME Outlook Business Climate Survey, Jan 2005 – Apr 2015, pcs

	Number of staff members			Total
	20-49 people	50-99 people	100-249 people	
JAN_2005	102	85	114	301
APR_2005	103	84	113	300
JUL_2005	105	88	119	312
OCT_2005	107	90	114	311
JAN_2006	105	88	117	310
APR_2006	106	88	118	312
JUL_2006	103	84	114	301
OCT_2006	210	57	36	303
JAN_2007	102	87	112	301
APR_2007	102	84	116	302
JUL_2007	102	84	114	300
OCT_2007	101	85	115	301
JAN_2008	101	84	114	299
APR_2008	102	84	114	300
JUL_2008	102	84	114	300
OCT_2008	102	84	114	300
JAN_2009	103	80	118	301
APR_2009	102	84	114	300
JUL_2009	103	85	116	304
OCT_2009	101	84	114	299
JAN_2010	106	84	113	303
APR_2010	89	96	105	290
JUL_2010	97	90	116	303
OCT_2010	101	87	116	304
JAN_2011	100	88	117	305
APR_2011	99	89	124	312
JUL_2011	99	87	115	301
OCT_2011	98	87	114	299
JAN_2012	97	88	114	299
APR_2012	99	87	114	300
JUL_2012	99	88	115	302
OCT_2012	99	87	114	300
JAN_2013	97	89	113	299
APR_2013	97	89	114	300

JUL_2013	104	84	113	301
OCT_2013	103	83	113	299
JAN_2014	103	85	114	302
APR_2014	104	85	114	303
JUL_2014	106	83	113	302
OCT_2014	105	86	106	297
JAN_2015	99	88	110	297
APR_2015	109	90	110	309
Total	4374	3593	4717	12684

Source: IEER 2015

A2.: Distribution of firms by sector in the waves of the Quarterly Business Climate Survey, Jan 2005 – Apr 2015, pcs

	Sector				Total
	Processing industry	Building industry	Commerce	Business services	
JAN_2005	136	44	82	39	301
APR_2005	134	44	83	39	300
JUL_2005	139	48	84	41	312
OCT_2005	138	47	85	41	311
JAN_2006	138	46	85	41	310
APR_2006	138	47	85	42	312
JUL_2006	135	44	82	40	301
OCT_2006	129	39	81	54	303
JAN_2007	134	47	82	38	301
APR_2007	135	44	82	41	302
JUL_2007	135	44	82	39	300
OCT_2007	135	45	83	38	301
JAN_2008	135	44	81	39	299
APR_2008	135	44	82	39	300
JUL_2008	135	44	82	39	300
OCT_2008	135	44	82	39	300
JAN_2009	135	43	82	41	301
APR_2009	135	44	82	39	300
JUL_2009	138	44	83	39	304
OCT_2009	134	45	82	38	299
JAN_2010	136	43	85	39	303
APR_2010	134	45	75	35	289
JUL_2010	145	43	80	35	303
OCT_2010	141	48	76	38	303
JAN_2011	140	45	77	43	305
APR_2011	145	51	80	36	312
JUL_2011	139	47	75	40	301
OCT_2011	137	47	75	40	299
JAN_2012	141	47	73	38	299
APR_2012	135	45	81	39	300
JUL_2012	137	45	81	39	302
OCT_2012	135	45	81	39	300
JAN_2013	134	45	81	39	299
APR_2013	135	45	81	39	300

JUL_2013	136	45	81	39	301
OCT_2013	136	44	80	39	299
JAN_2014	135	47	81	39	302
APR_2014	138	44	81	40	303
JUL_2014	142	43	80	37	302
OCT_2014	132	46	83	36	297
JAN_2015	146	43	79	29	297
APR_2015	141	42	89	37	309
Total	5748	1886	3407	1641	12682

Source: IEER 2015

Annex

The formula of the SME Outlook Business Climate Index (BCI)

$$BCI = 0.18*raj_ + 0.04*(uhj_ + vjj_ + tszm_ + lvv_ + uhv_) + 0.18*vjv_ + 0.10* cue_ + 0.18*tszv_ + 0.17* bv v_ , \text{ where:}$$

- 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 for calculating the SME Outlook Business Climate Index was changed in January 2014, so the index follows the growth rates of GDP more precisely.

The formula of the SME Outlook 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