



# **Results of the October 2018 IEER Quarterly Business Climate Survey**

*– Summary in English –*

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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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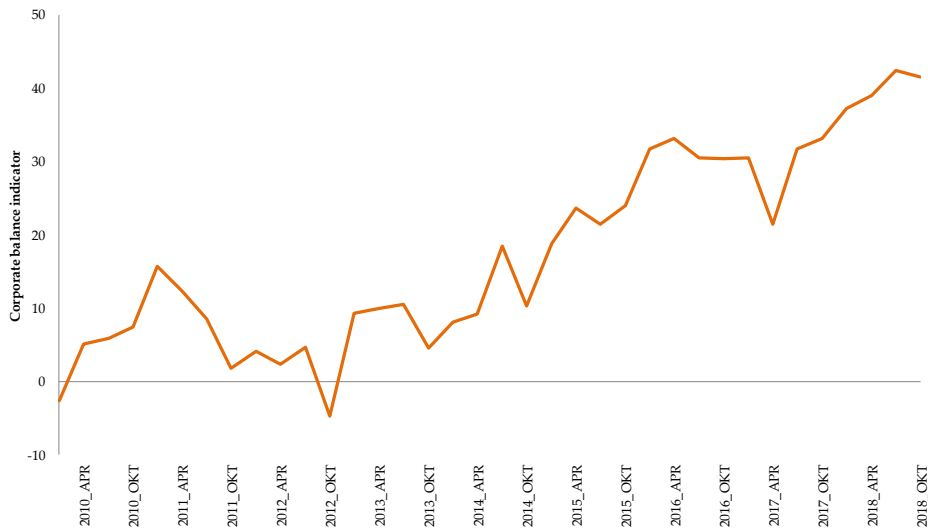
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**The Quarterly Business Climate Survey of IEER is based on the answers of 400 CEO respondents, now surveyed about their business situation and expectations. The Quarterly Business Climate Index and the Quarterly Uncertainty Index were calculated from the full sample of 300 small and medium-sized enterprises (20-249 employees) and 100 large enterprises (250+ employees). For small and medium-sized enterprises, the SME Outlook Business Climate Index and the SME Outlook Uncertainty Index were calculated.**

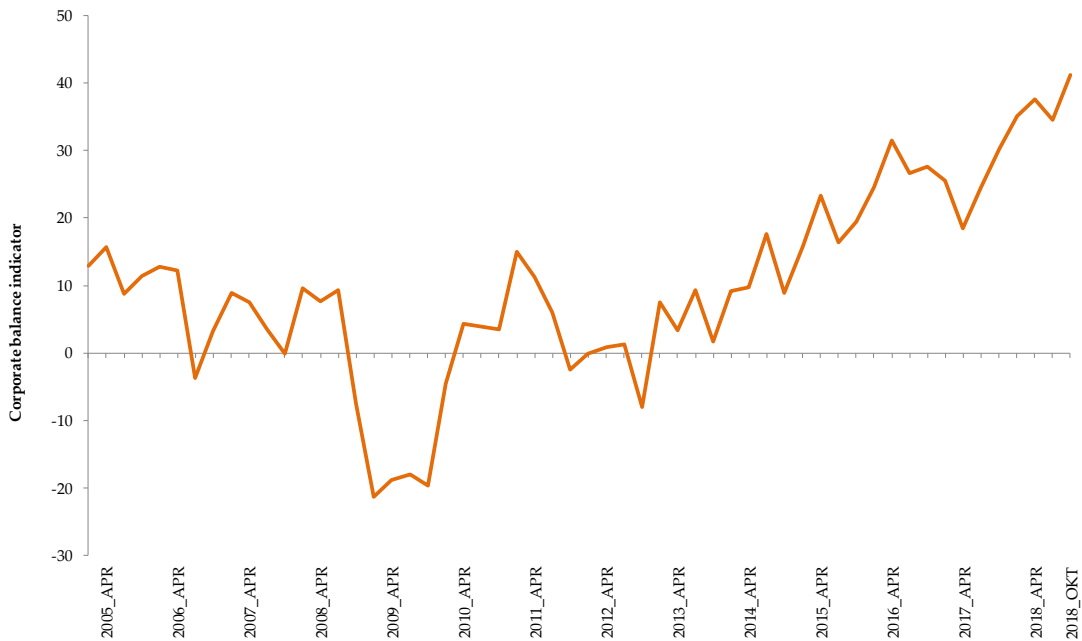
According to October 2018 records, the level of business confidence in Hungary stayed unchanged compared to the previous quarter: the Quarterly Business Climate Index stagnates compared to the 42 points calculated in July. This score has been the highest since records of Quarterly Business Climate Index surveys began in 2010, not unlike the score measured in July (see figure 1). The Quarterly Uncertainty Index is currently at 30 points, which is 4 points up in comparison with the records taken in the previous quarter. This might mean that the perception of the business situation became less uniform among companies since July.

However, if business confidence is examined separately, the SME Outlook Business Climate Index has been climbing since the drop in July: from 34 points it is now up at 41 points. This has been the highest score in the history of our SME Outlook Business Climate Index, with records starting in 2005 (see figure 2). The SME Outlook Uncertainty Index, now at 36 points, increased by 6 points since July 2018, meaning that the opinion of small and medium-sized enterprises became less uniform.

**Figure 1: Quarterly Business Climate Index, January 2010 – October 2018**



**Figure 2: SME Outlook Business Climate Index, January 2005 – October 2018**



Source: IEER 2018

Please note that the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.

### The IEER Business Climate Index by company features

The Quarterly Business Climate Index was the highest for construction companies (+51 points), while for companies in the processing industry and for trading companies it was +41 and +40 points, respectively. Companies offering business services scored only +36 points this time. Quarter-on-quarter results show that there was a 6 points increase among construction companies whereas the scores achieved by companies offering business services and trading companies were 3 and 5 points lower, respectively. In the processing industry there seems to have been no changes since July.

Figure 3: Quarterly Business Climate Index by economic sector, January 2010 – October 2018



Source: IEER 2018

Please note that the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.

According to the ownership structure, the Quarterly Business Climate Index is +41 points in case of domestically owned enterprises, and it is the same in case of (at least partly) foreign owned companies.

While the index rose 2 points quarter-on-quarter for domestically owned companies, it dropped 8 points for (partially) foreign owned businesses.

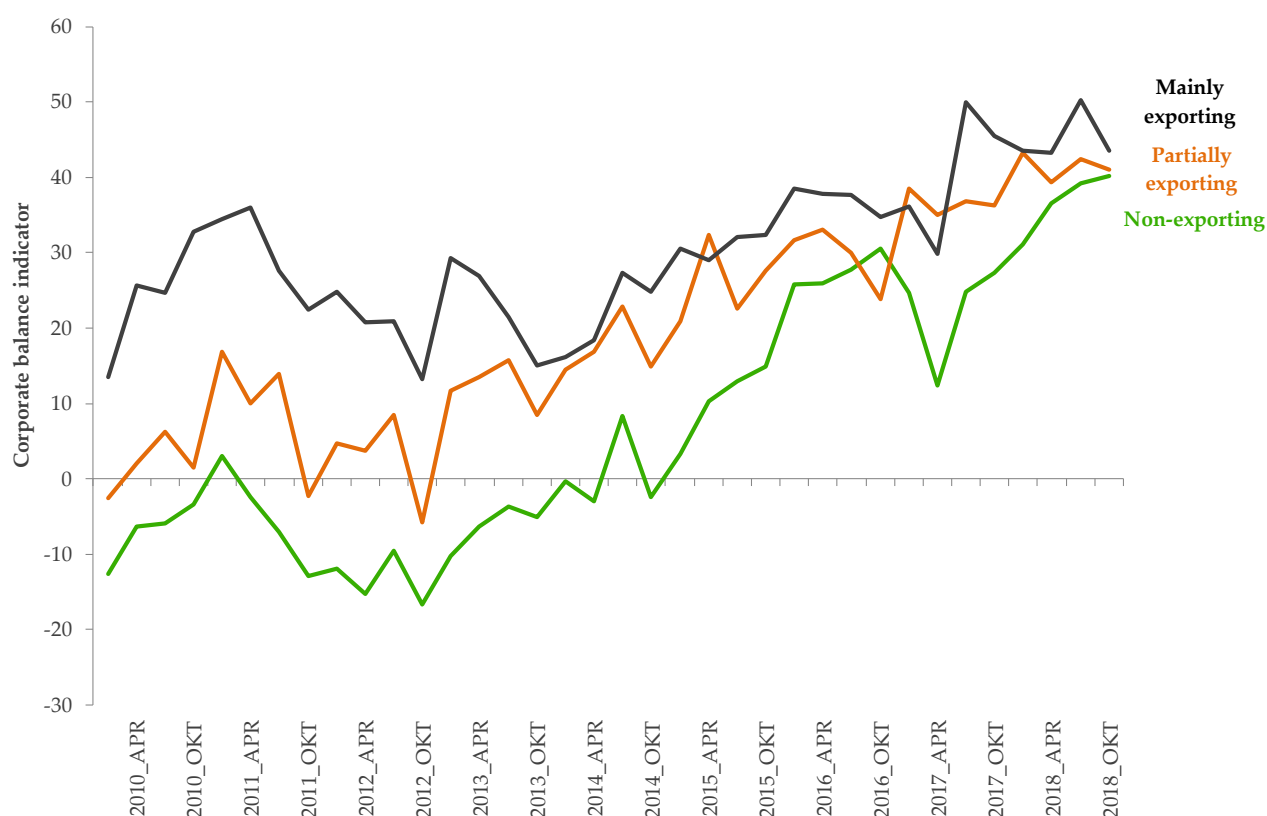
**Figure 4: Quarterly Business Climate Index by ownership structure, January 2010 – October 2018**



**Source: IEER 2018**  
*Please note that the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.*

With regard to export activity, the Quarterly Business Climate Index was the highest for mainly exporting companies (+44 points) followed by partially exporting (+41 points) and non-exporting enterprises (+40 points). In comparison with the previous quarter, the index was 1 point higher for non-exporters while for partially exporters and mainly exporters it was 1 and 6 points lower, respectively.

**Figure 5: Quarterly Business Climate Index by export activity, January 2010 – October 2018**



Source: IEER 2018

Please note that the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.

## The components of the IEER Quarterly Business Climate Index

The Quarterly Business Climate Index has ten components such as:

- current/expected business situation;
- current/expected profitability;
- expected investment activity;
- current stock orders;
- production levels of the previous quarter/expected production levels for the next quarter;
- expected change in staff members;
- expected capacity utilisation.

As far as sub-indicators are concerned, CEOs are far more optimistic about their expected capacity utilisation, productivity and investment activity than in July 2018, whereas their expectations are considerably more negative regarding current stock orders, current business situation, current profitability, production in the previous quarter and their expectations about the future business situation are also much more pessimistic. With the exception of expected

changes in the number of employees, components suggest a more positive situation and a more optimistic outlook in comparison with those in the same period of the previous year. However, the sub-indicator regarding the expected change in staff members are 2 points lower than in October 2017.

According to data recorded in October, small and medium-sized enterprises assessed their situations more positively than large enterprises. Based on all indicators (except for expected investment activity and productivity in the previous quarter) enterprises employing fewer than 250 people see their business situation more positively. This can be put down to the fact that large enterprises' average score for several indicators (such as current and expected business situation, current and expected profitability, current stock orders) experienced a substantial quarter-on-quarter plunge.