



Results of the January 2019 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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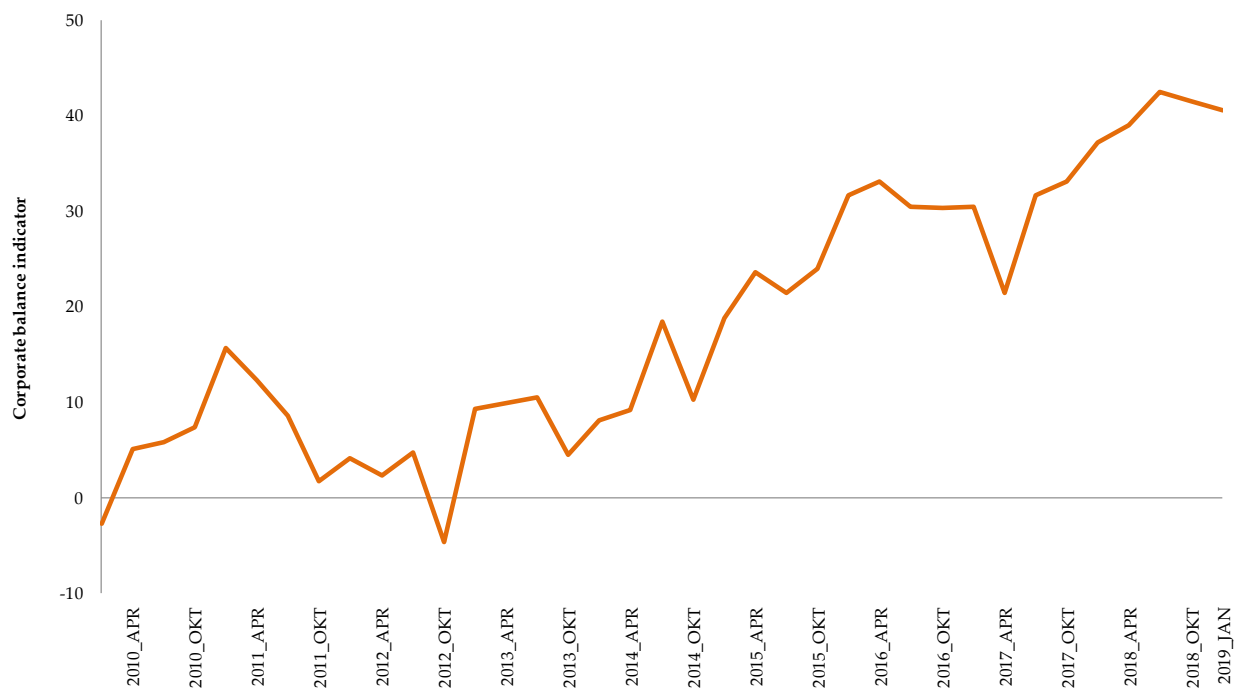
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The Quarterly Business Climate Survey of IEER is based on the survey of 400 CEO respondents about their business situation and expectations. The Quarterly Business Climate Index and the Quarterly Uncertainty Index were calculated from the full sample of 300 small and medium-sized enterprises (20-249 employees) and 100 large companies (250+ employees). For small and medium-sized enterprises, an SME Outlook Business Climate Index and an SME Outlook Uncertainty Index were calculated.

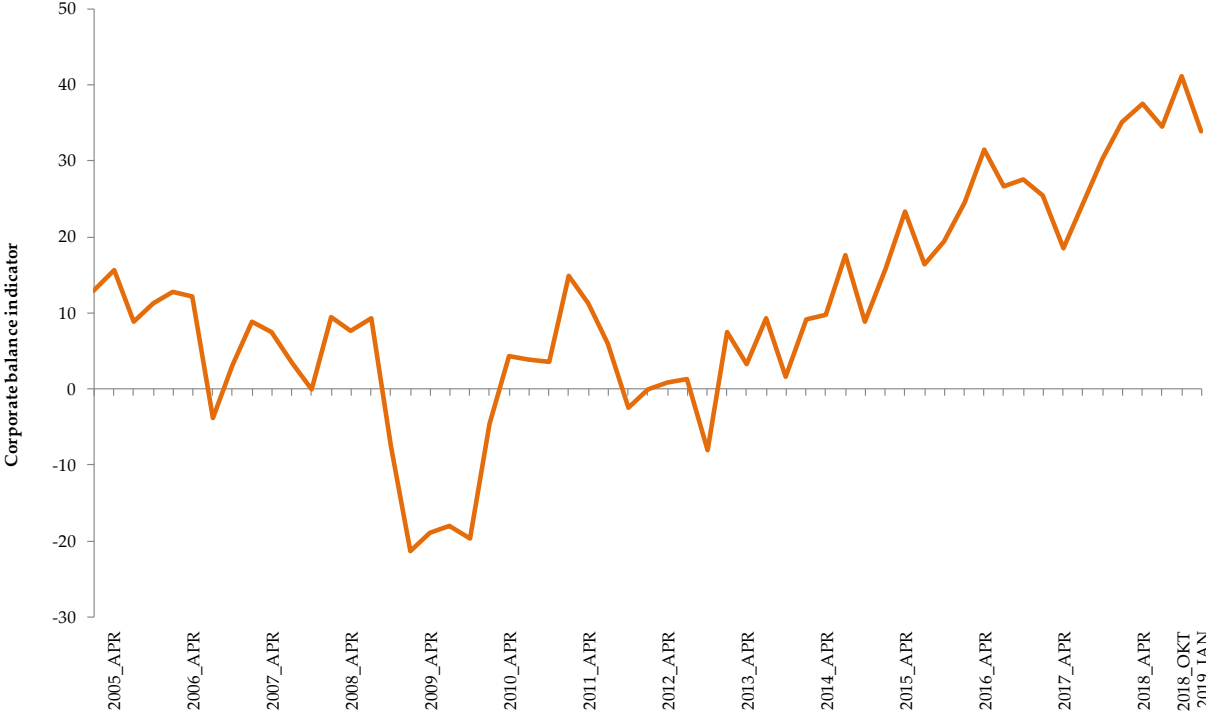
According to the records taken in January 2019 the level of business confidence in Hungary dropped back slightly compared to the zenith measured in July and October 2018: the Quarterly Business Climate Index slid from 42 points to 41. This score has been the second highest since records of Quarterly Business Climate Surveys began in 2010 (see figure 1).

Figure 1: Quarterly Business Climate Index, January 2010 – January 2019



If business confidence is examined separately in the SME sector, one can see that after the peak in October the Business Climate Index dropped back to the level measured in July, that is, 34 points from 41 points measured in October (see figure 2).

Figure 2: SME Outlook Business Climate Index, January 2005 – January 2019



Source: IEER 2019

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 Quarterly Business Climate Index was the highest for construction companies (+42 points), while for trading companies and for companies in the processing industry it was +41 points. Companies offering business services got the lowest score at +36 points. Construction companies experienced a 9 points decline quarter-on-quarter. In other sectors there was no change since October.

Figure 3: Quarterly Business Climate Index by economic sectors, January 2010 – January 2019

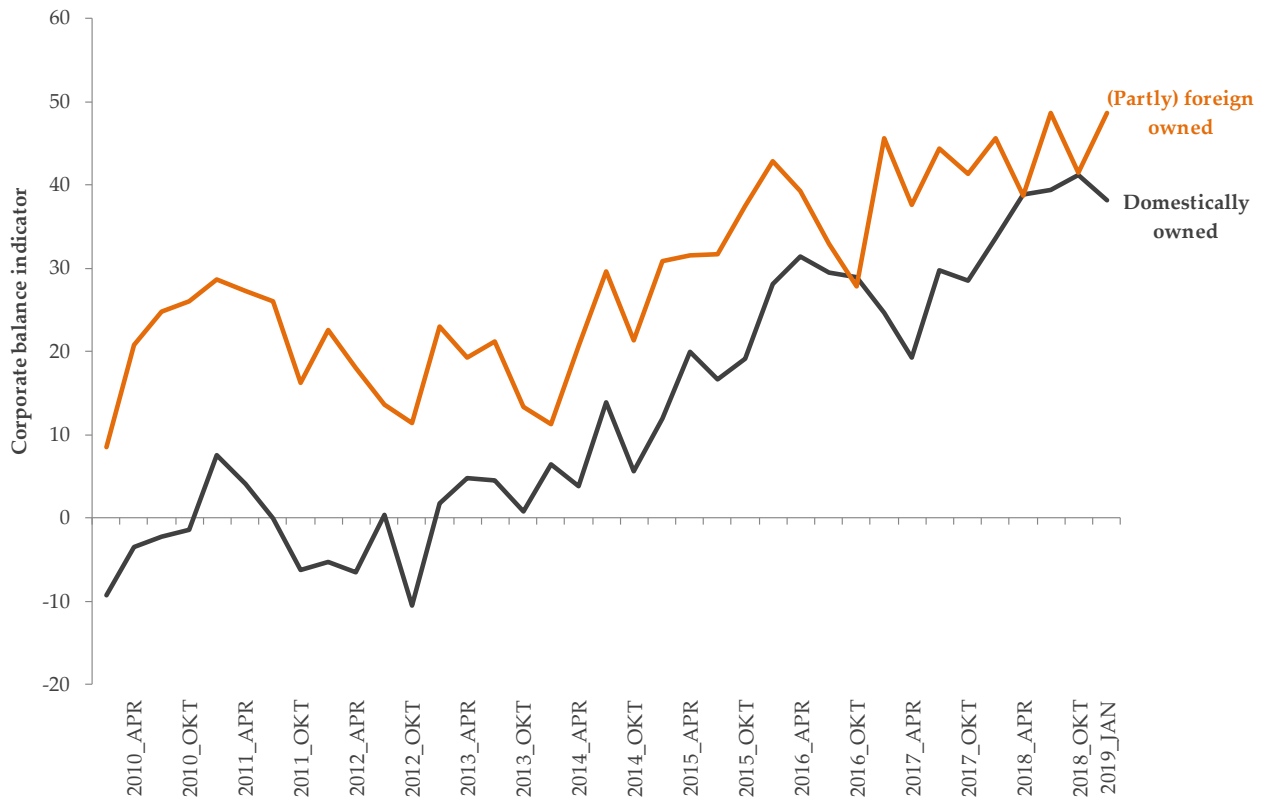


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Examining companies by ownership structure reveals that the Quarterly Business Climate Index is +38 points for domestically owned companies and +49 points for (partly) foreign owned enterprises. While domestically owned companies lost 3 points quarter-on-quarter, (partly) foreign owned enterprises showed a 7 points increase for this indicator.

Figure 4: Quarterly Business Climate Index by ownership structure, January 2010 – January 2019

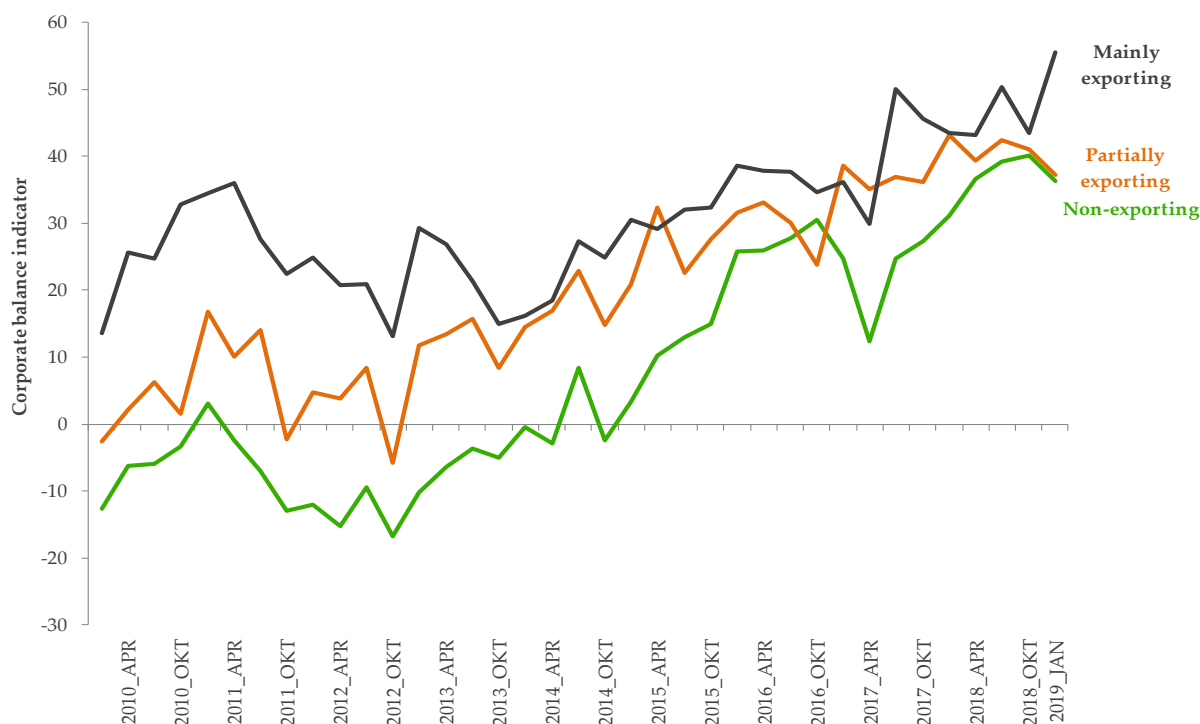


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With regard to exports, the value of the Quarterly Business Climate Index was the highest for mainly exporting companies (+56 points), while it was +37 points for partially exporting and +36 for non-exporting enterprises. Compared to the previous quarter, non-exporting and partially exporting companies lost 4 points each, whereas the same indicator increased by 12 points among mainly exporting enterprises.

Figure 5: Quarterly Business Climate Index by export activity, January 2010 – January 2019



Source: IEER 2019

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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 half-year/expected production levels;
- expected change in staff members;
- expected capacity utilisation.

As far as sub-indicators are concerned, CEOs were far more optimistic about their current stock orders, expected business situation and production levels of the previous half, whereas their expectations regarding expected production levels, expected profitability and expected capacity utilisation are considerably more pessimistic than in October 2018. Year-on-year outlook regarding investments, expected numbers of employees, expected production levels, and expected capacity utilisation was more negative, however, concerning the rest of the components companies have more optimistic expectations than in January 2018.

According to data recorded in January, large companies assessed their situations more positively than small and medium sized enterprises. With the exception of expected investment activity, all other indicators suggest that the 250+ group sees their business

situation more positively. This can be put down to the fact that large companies' average score for several indicators (such as current and expected business situation, current profitability, current stock orders) experienced a substantial quarter-on-quarter surge, while small and medium-sized enterprises fell back considerably judging by their indicators such as expected profitability, expected production levels and expected capacity utilisation rates.