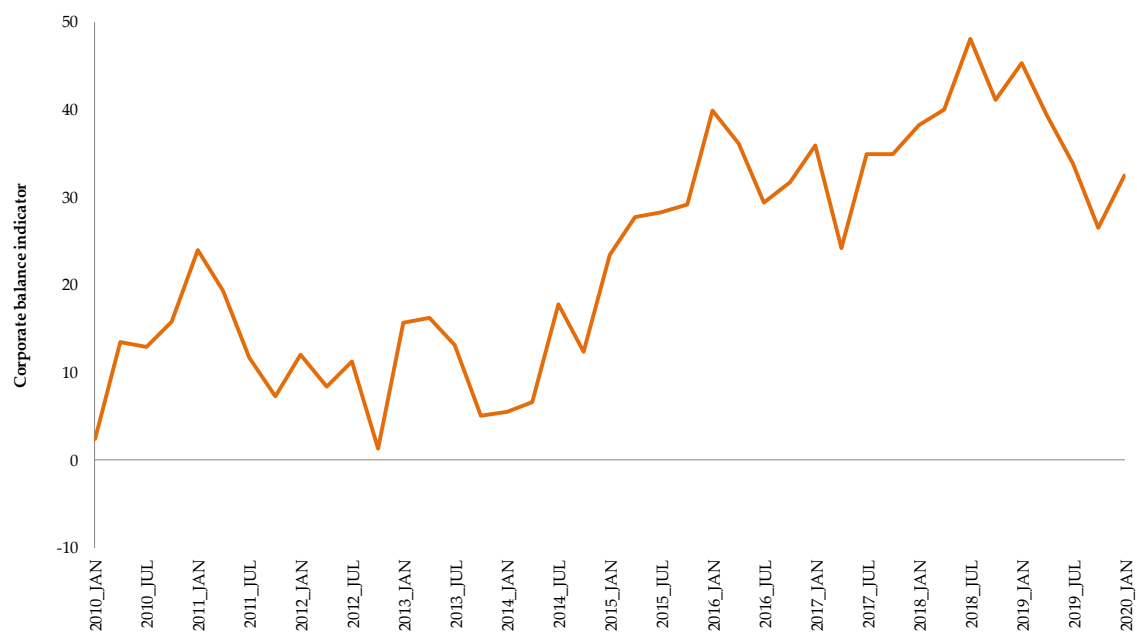


Findings of the IEER Quarterly Business Climate Survey taken in January 2020

The Quarterly Business Climate Survey taken by the Institute for Economic and Enterprise Research (IEER) of the Hungarian Chamber of Industry and Commerce is based on the answers of 400 CEO respondents about their business situation and expectations. The results of the January 2020 survey show that business trust, which had been declining for a year, recovered, and the Quarterly Business Climate Index jumped from 26 (measured in October 2019) to 32 points (See figure 1).

Figure 1: Quarterly Business Climate Index, 2010. 01–2020. 01.

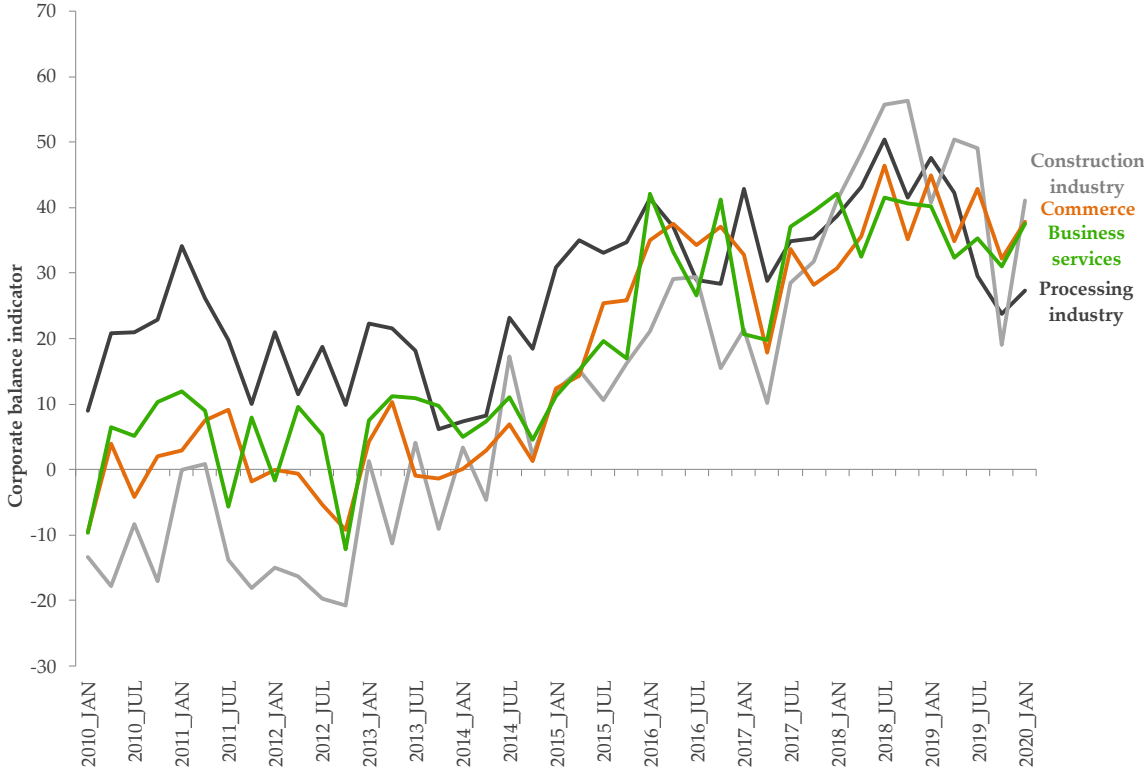


Source: IEER 2020

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 in the construction industry (+41 points). Trade companies scored +38 points; they were closely followed by companies offering business services at +37 points. The processing industry seems to lag behind, scoring only +27 points. Compared to the previous quarter, there was a 22 point increase among construction companies, a 6 point increase among trade and service companies, and a 4 point increase with processing companies.

Figure 2: Quarterly Business Climate Index by economic sector, 2010. 01–2020. 01.

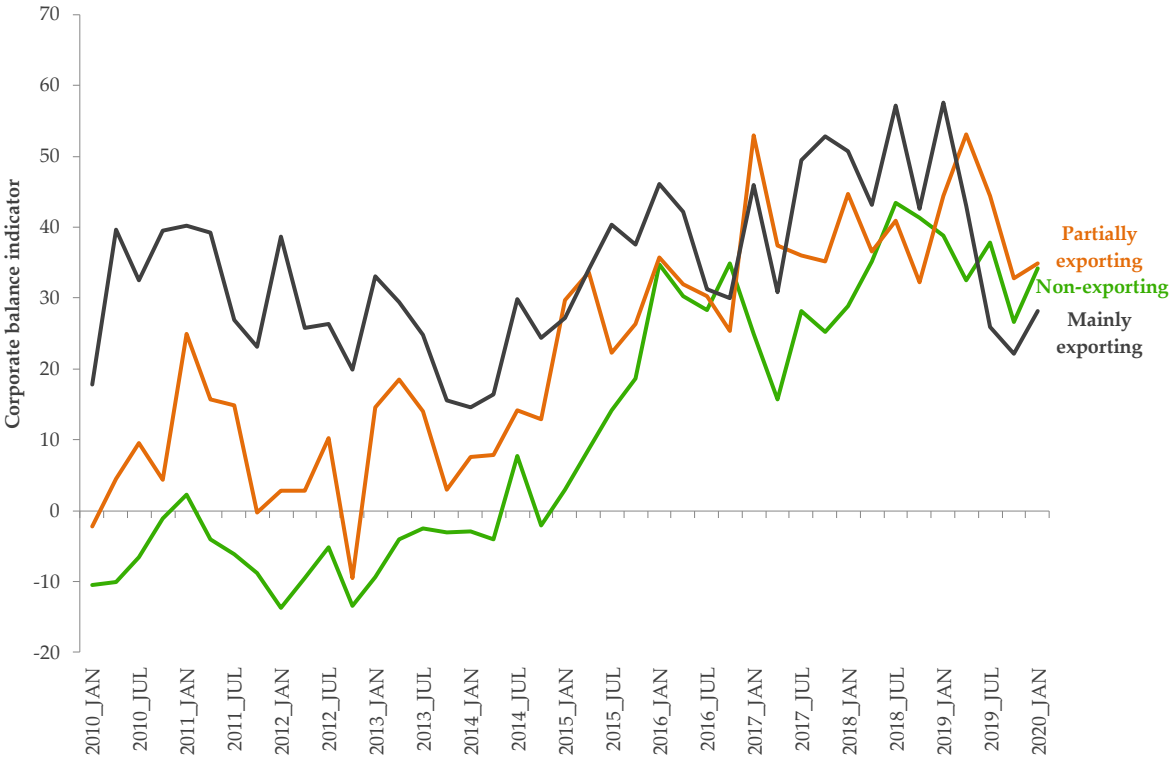


Source: IEER 2020

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 lowest among major exporters (+28 points), Minor exporters are now at +35 points and non-exporters at +34 points. Among non-exporters, major exporters and minor exporters, the scores rose by 8 points, 6 points and 2 points respectively compared to the previous quarter.

**Figure 3: Quarterly Business Climate Index by exporting activity,
2010. 01–2020. 01.**

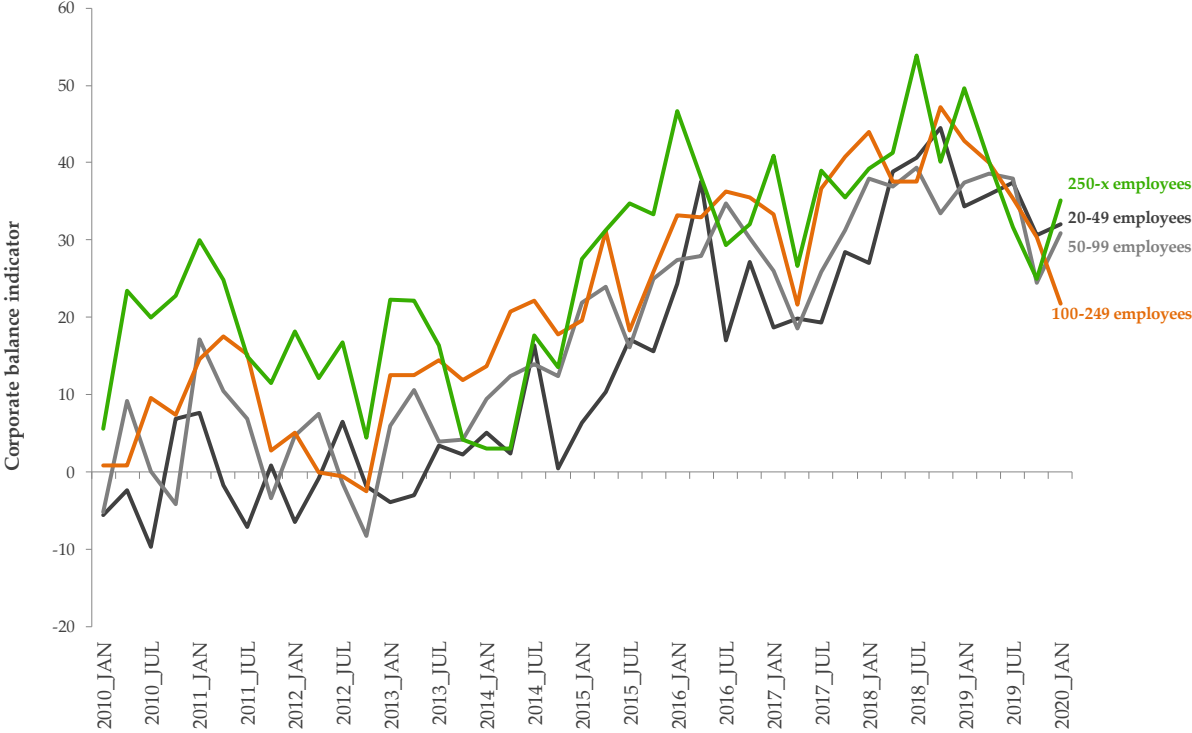


Source: IEER 2020

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.

Currently, the Quarterly Business Climate Index is at +32 points in the group of companies with 20-49 employees, +31 points in 50–99 category, +22 points in 100–249 category, and +35 in 250+ category. Compared to our last survey in October, 100–249 category lost 9 points, while 250+ category, 50-99 category and 20-49 category gained 10 points, 6 points and 1 point, respectively.

Figure 4: Quarterly Business Climate Index by company size, 2010. 01–2020. 01.



Source: IEER 2020

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 has ten components such as:

- current/expected business situation;
- current/expected profitability;
- expected investment activity;
- current stock orders;
- production level in the previous half/expected production level;
- expected changes in the number of employees;
- expected capacity utilisation.

As far as sub-indicators are concerned, CEOs are far more optimistic about everything except their current profitability and expected investment activity than in October 2019, whereas their expectations are more negative regarding all indicators but expected investment activity and expected capacity utilisation than in January 2019.

According to January 2020 data, large companies assessed their situations more positively than small and medium-sized enterprises, expect for indicators such as expected investment, production levels in the previous half, and expected number of employees. There are significant differences only in the indicators such as current orders, current business situation and expected number of employees. So 250+ companies see their current positions much more positively, however, their expectations regarding the number of employees are considerably more pessimistic than that of SMEs. All things considered, compared to October 2019 large companies had better indicators except for expected investment and current profitability, while the general average of SMEs worsened with regard to current orders, current business situation, current profitability, expected profitability, expected production, and expected investment levels.