

**The most severe coronavirus-related
problems Hungarian companies face**
– An analysis of responses to open questions–

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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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Involving Hungarian companies, a survey was conducted by the Hungarian Chamber of Industry and Commerce (HCIC) to find out about the economic impacts of the ongoing coronavirus pandemic. In this article, HCIC's Institute for Economic and Enterprise Research analyses the answers to the survey concerning the major problems of businesses. The survey was conducted between 19 and 31 March 2020. The online questionnaire was filled in by 5268 company representatives, and 4383 gave an answer to the open question: „What poses the most serious problem to the operation of your business now?”. The analysis focuses the opinions formulated by this latter group.

Summary

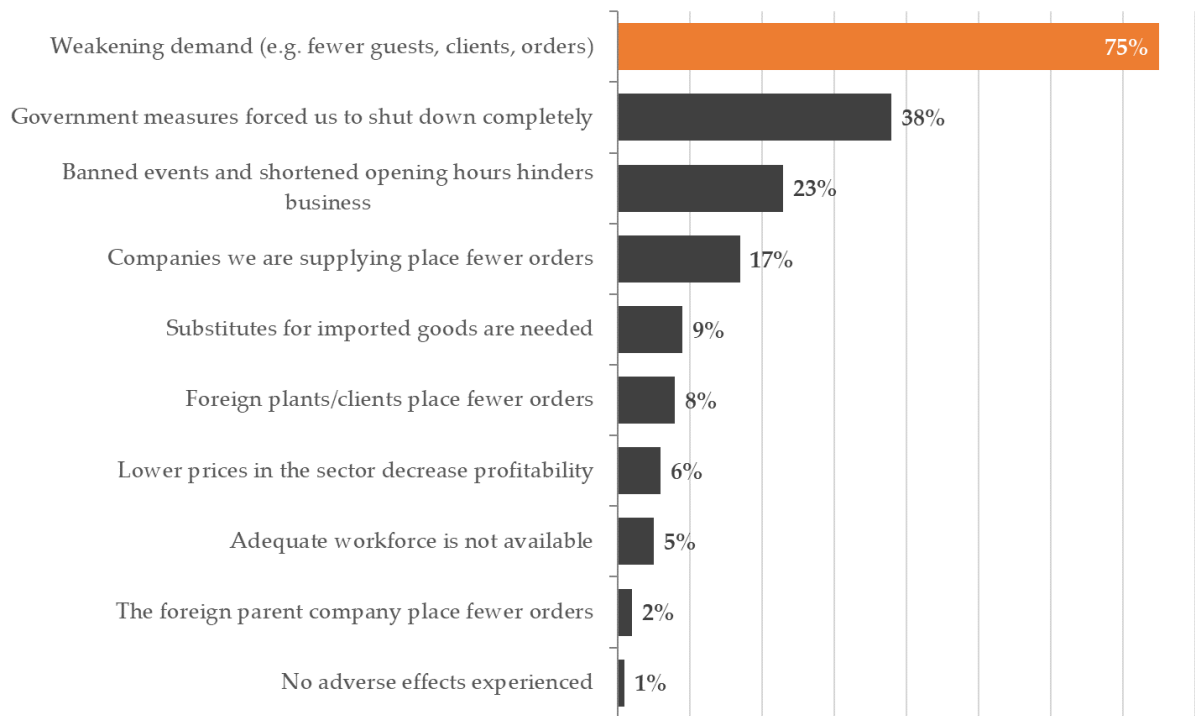
The analysis of opinions further reinforced one of IEER's earlier analyses¹ which found that the most serious problem for Hungarian businesses in March had been weak demand. The issue that was mentioned the second most frequently concerns the elimination of income. The third most common issue concerns jobs that are impossible to do without real-life encounters or contacts.

Weak demand had a terrible impact on all types of businesses. Among sole traders and micro-enterprises, the second most frequently mentioned problem was the total elimination of income. For small enterprises, sourcing materials and goods was the second most serious problem. Medium-sized and big companies complained about general uncertainty and unpredictability coming second after weak demand. The payment of fixed costs counts as one of the ten most frequently mentioned problems regardless of company type.

There were only two sectors where weak demand was not mentioned as the most burning issue. One of them included healthcare and social care companies, where no income was reportedly a bigger problem. The other such branch - consisting of real estate dealers, economic service providers and financial intermediaries – marked the lack of real-life meetings as their biggest issue.

¹ The company-level management of the economic effects of COVID 19 – second wave –in Hungarian : <https://gvi.hu/kutatas/602/a-koronavirus-gazdasagi-hatasainak-vallalati-kezelese-masodik-hullam>

Figure 1: For what reason does coronavirus have an adverse effect on your business? N=4902-4971



Source: IEER 2020

Business situation of Hungarian companies

The following analysis attempts to present the most severe operational problems Hungarian companies had to tackle late in March. We analysed the opinions of companies that answered our open question such as „What poses the most serious problem to the operation of your business now?“. In total, 5268 company representatives filled in the questionnaire, out of whom 4383 replied to the open question (83 per cent). In the course of the analysis we categorised the answers. The distribution of these categories among responding companies and specific company types will be presented in the paragraphs below.

The analysis of quantitative data pooled from the answers of 5268 respondents found 70 per cent of companies struggling with a glum outlook for the upcoming six months. As a result of the spreading pandemic, 71 per cent of the companies experienced issues that significantly hindered business. 92 of companies had lower capacity utilisation than in the period before the health crisis, while 34 per cent reported a complete shutdown.

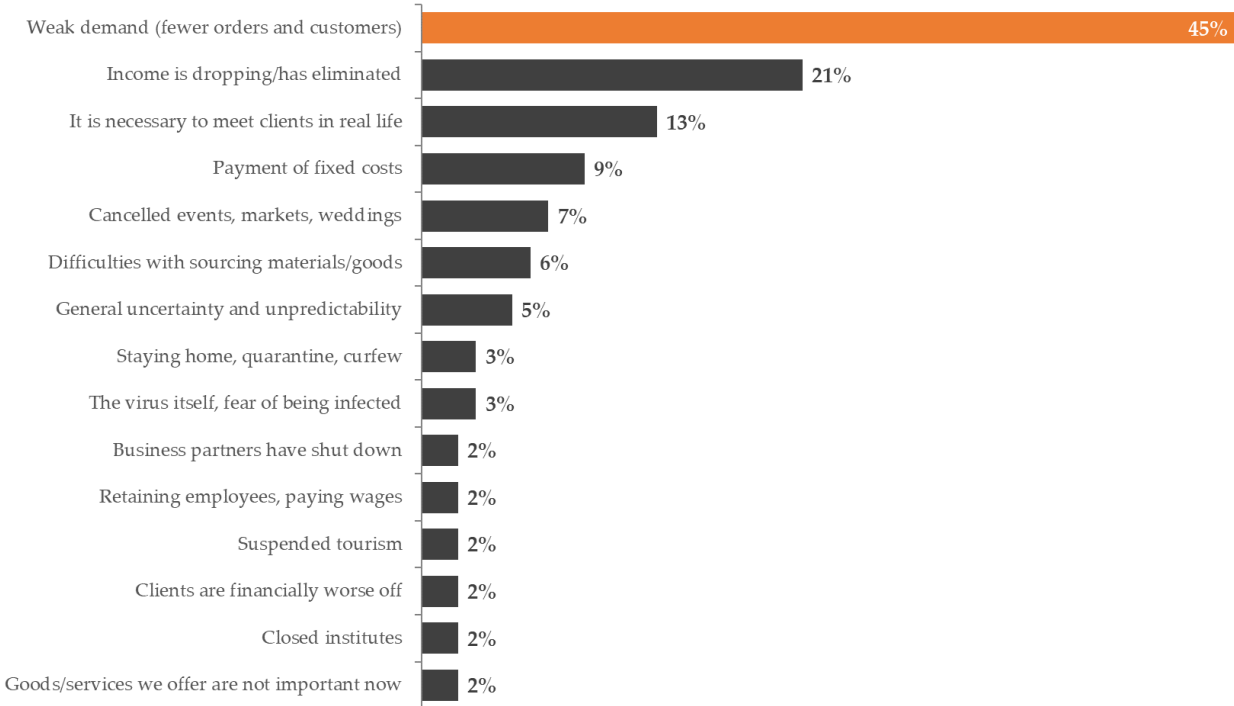
Answers given to closed questions revealed that the great majority of respondents (75 per cent) saw weaker demand as the most debilitating factor. 38 per cent of companies had to shut down because of government measures. Banning events and limiting opening hours caused damage to 23 per cent of businesses.

The most severe coronavirus-related problems – respondents’ opinions

The analysis of answers given to our open question certainly added more depth to the overall picture. 4383 respondents described the greatest problem their companies had to face with their own words. 97 per cent of them thought that coronavirus would make their business outlook worse or much worse in the forthcoming six months. This analysis therefore focuses on the problems of those companies only that were adversely affected by the coronavirus.

All respondents giving their opinion mentioned weak demand as a major problem. 45 per cent of respondents complained that many orders were cancelled, there were no new orders, and the number of customers dropped, sometimes drastically. 21 per cent reported a total elimination of income as their major problem. This might be put down to a shutdown owing to government measures, or they closed voluntarily for reasons of safety or weak demand. Safety was a major force of closure among companies with necessary real-life meetings with clients. There were many cosmeticians, hairdressers, tattoo artists, massage therapists, dog groomers, optometrists, photographers, interpreters, and real estate agents who decided to suspend business because their jobs necessitate meeting people in real life. 9 per cent of respondents wrote that the biggest problem for them was the continued payment of fixed costs including taxes, rents, overheads, wages and contributions. With less or no income these have been increasingly difficult to pay. The most severe problem for 7 per cent of respondents was the cancellation of events, markets and weddings; 6 per cent had trouble sourcing materials and goods for their job. 5 per cent of respondents giving their opinions mentioned general uncertainty and unpredictability as a major issue.

Figure 2: What poses the biggest problem to the operation of your business now? N=4382



Source: IEER 2020

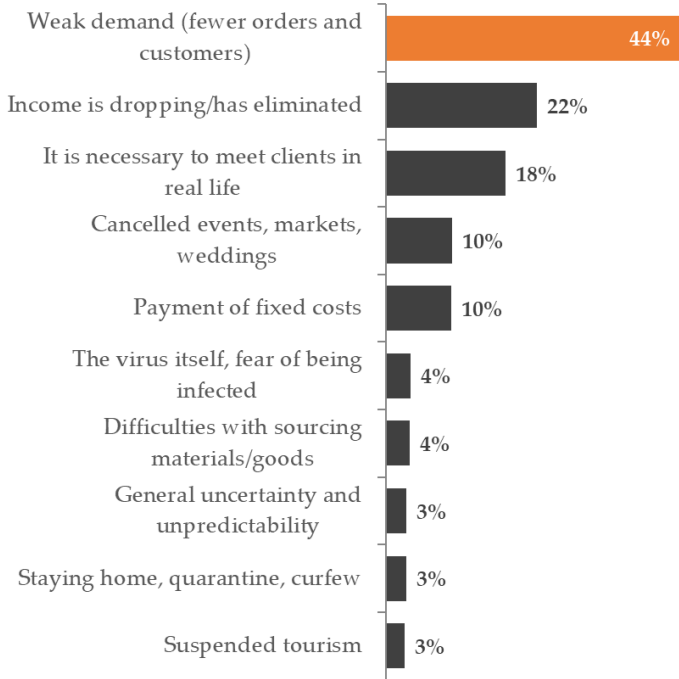
The most severe coronavirus-related problems – respondents’ opinions, by company type

Concerning company type the analysis of the answers given to our open question revealed that weak demand was the most frequently mentioned issue for 44% of sole traders, 45% of micro-enterprises, 48% of small enterprises and 44% of medium-sized and large enterprises.

The second greatest problem for sole traders (22%) and micro-enterprises (22%) was eliminated income, and the third one was the necessity of real-life contacts (18% and 10%, respectively). For small enterprises, difficulties with sourcing materials and goods posed the second most serious problem (14%) together with eliminated income (14%). 13 per cent of medium-sized and large companies mentioned general uncertainty and unpredictability as a major issue, and a further 13 per cent of this group had a problem with employee retention.

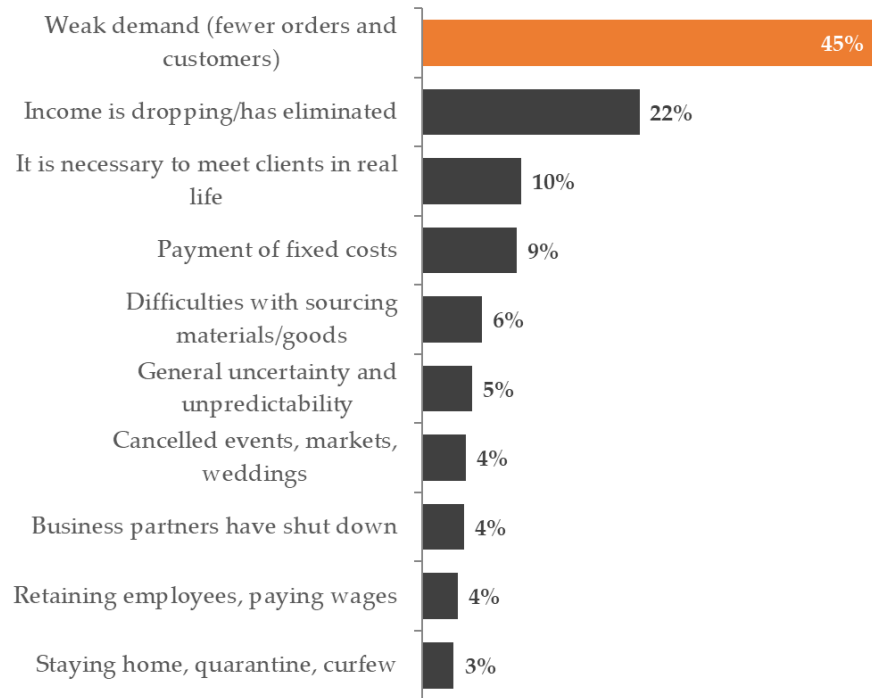
Respondents of all four company types invariably had the payment of fixed costs among their top ten issues. Paying fixed costs was reportedly the worst issue to overcome for 10 per cent of sole traders, 9 per cent of micro-enterprises, 7 per cent of small enterprises and 7 per cent of medium-sized and large companies.

Figure 3: What poses the biggest problem to the operation of your business now?
(Sole trader, n=1894)



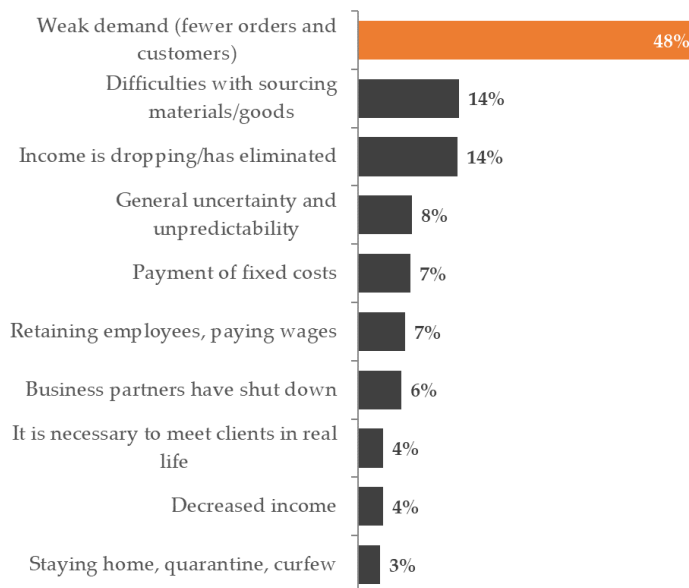
Source: IEER, 2020

**Figure 4: What poses the biggest problem to the operation of your business now
(Micro-enterprise, below 10 employees, n=1620)**



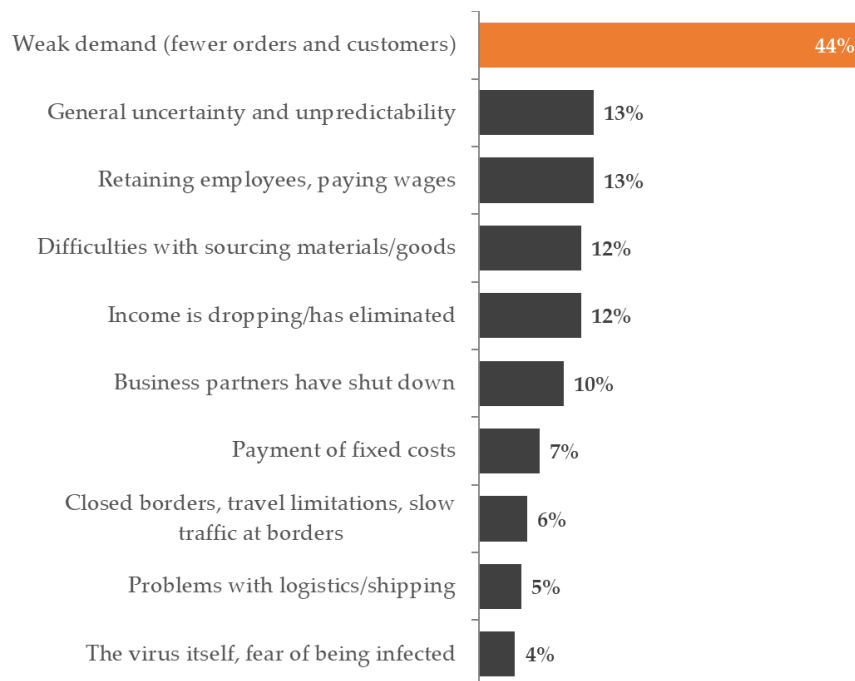
Source: IEER, 2020

**Figure 5: What poses the biggest problem to the operation of your business now
(Small enterprise (10 – 49 employees, n=458))**



Source: IEER, 2020

**Figure 6: What poses the biggest problem to the operation of your business now
(Medium-sized and large companies, above 50 employees, n=145)**



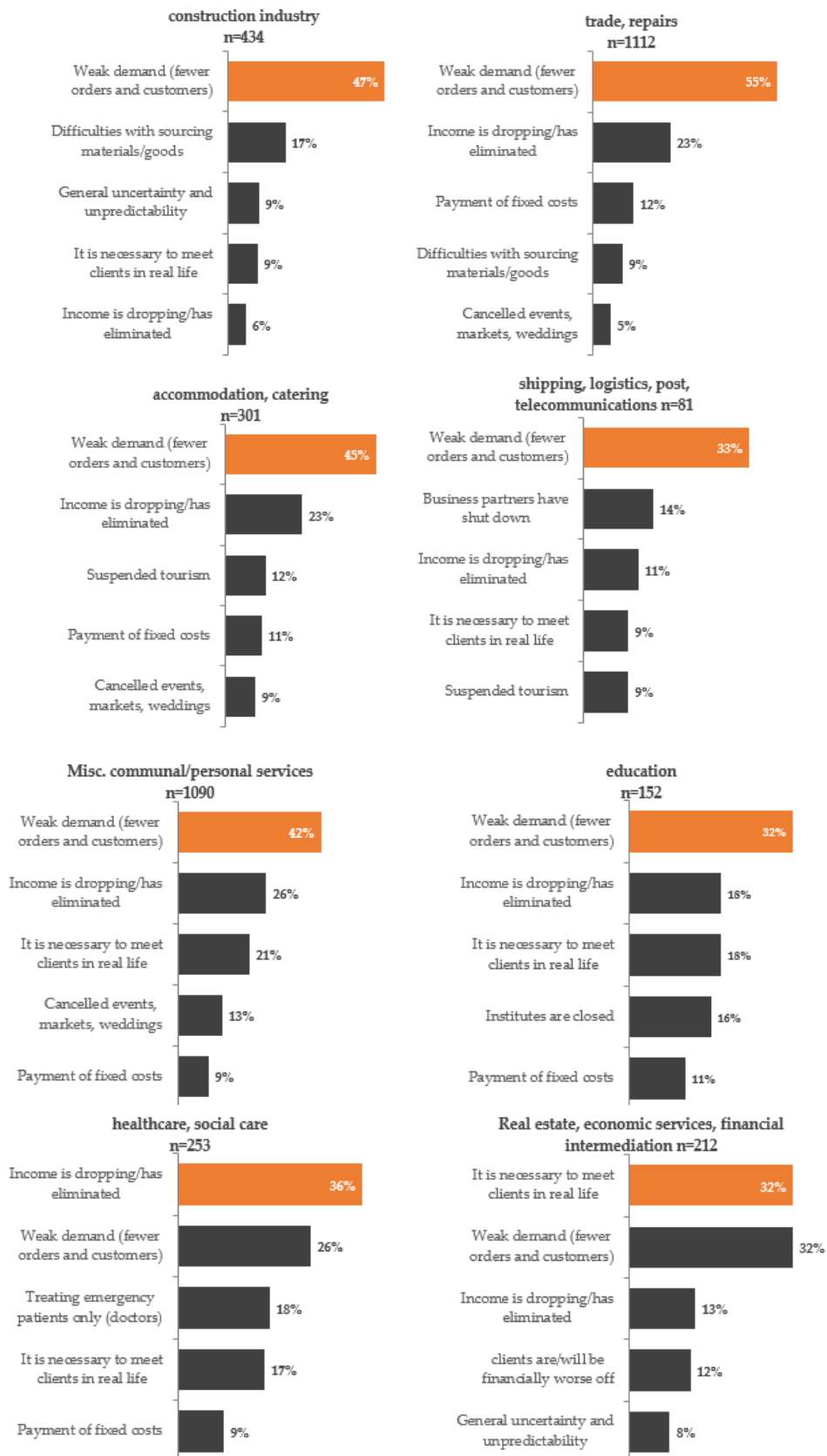
Source: IEER, 2020

The most severe coronavirus-related problems – respondents’ opinions, by economic branch

Throughout all economic sectors weak demand seems to have hit everyone. It seems clear from the answers given by companies of specific industrial branches that weak demand affected all sectors. The most sensitive branch to the problem of fewer orders and clients was that of sales and repairs (55,1 per cent of companies in this branch mentioned weak demand to have been the biggest problem), followed by the processing and the mining industry (49%) and accommodation/catering (45% - - see Figure 7.). There were two branches where weak demand was not the most frequently mentioned problem. Healthcare and social care (36%) companies struggled more with incomes down to zero, and for the branch including real estate dealers, economic service providers and financial intermediaries (32%) the elimination of real-life meetings were the most paralyzing issue.

Weak demand was in most sectors followed by eliminated income as the second most serious issue. In the construction and processing industries the sourcing of materials and goods came as the second most common problem after weak demand (mentioned by 17 per cent of companies in each industry). 14 per cent of the companies in the sector that covers shipping, logistics, post and telecommunications had trouble on account of their commercial partners' stalling business. General uncertainty and unpredictability were the second most common issue for companies supplying electricity, gas, steam and water

**Figure 7: What poses the biggest problem to the operation of your business now?
(by economic sectors)**



Source: IEER, 2020