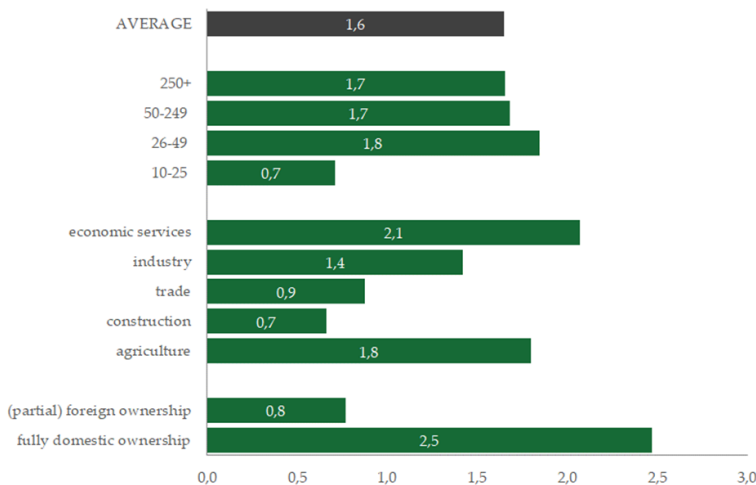
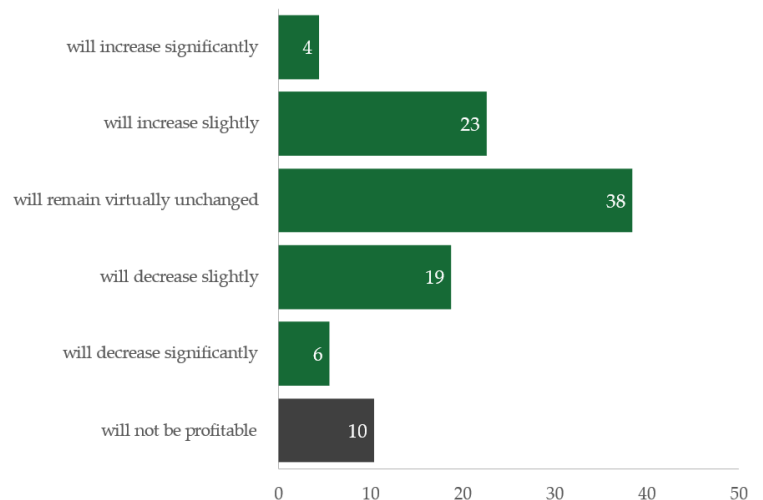


Monthly Bulletin of Economic Trends

Price hike plans and profit expectations

The quarterly business climate survey conducted in January 2023 by the Institute of Economic and Enterprise Research (IEER) included research wherein 351 CEOs of enterprises with at least 20 employees reported on their price hike plans for 2023 and the expected profit tendencies.

Almost three-quarters (74%) of 20+ companies expect to raise prices... [More](#)



Rehabilitation employment in Hungary

20% of companies in the competitive sector have at least 10 employees in rehabilitation employment, and 1.6% of their total workforce is handicapped.

22% of companies that currently do not employ any disabled workers say that they might still use this option in the future.

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International trends

In Germany, the IFO business climate index increased compared to February. The manufacturing purchasing manager index (PMI) decreased compared to the previous period, but performed slightly better than expected. The unemployment rate became worse in Germany. The French INSEE business climate index decreased compared to last month. In the United States, the CB consumer ... [More](#)

PRICE HIKE PLANS AND PROFIT EXPECTATIONS

The quarterly business climate survey conducted in January 2023 by the Institute of Economic and Enterprise Research (IEER) included research wherein 351 CEOs of enterprises with at least 20 employees reported on their price hike plans for 2023 and the expected profit tendencies.

Price hike plans

Almost three-quarters (74%) of 20+ companies expect to raise prices in the near future, which is a similar rate to that in 2022 (73%). In 2022, the proportion of firms planning to increase prices was the highest in the distributive trade sector (82%) and the lowest in the sector of economic services (63%). In 2023, manufacturing is the sector most prone to see some price hikes (78%) while construction is the least likely candidate (65%).

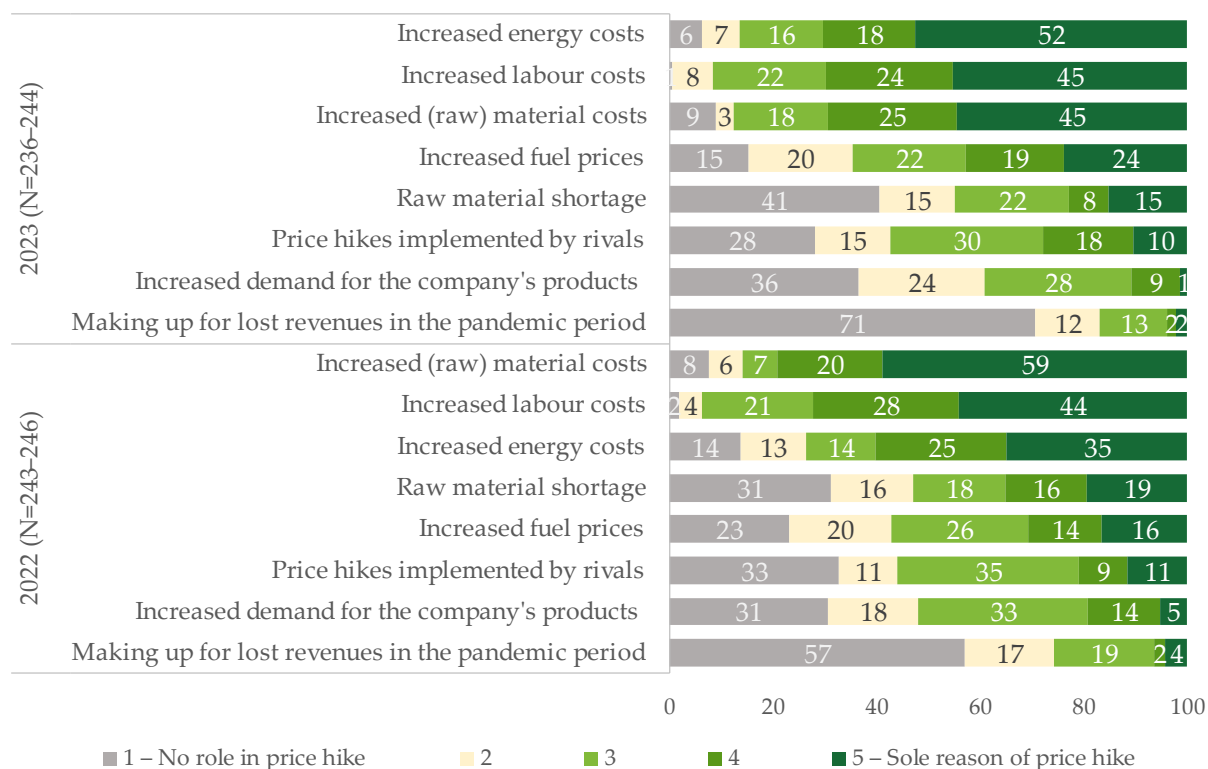
Over a third (36%) of businesses planning to raise prices in 2023 expect a 6-10% increase. Slightly more than a quarter (27%) expect an 11-15% increase and a fifth expect an increase of 1 to 5%. Twelve per cent of price hikers plan to increase their prices by 16-20 percent, while 5 percent of companies plan with a price hike of over 20 percent. The proportion of firms planning to raise prices by 10 percent or more early in the year has risen significantly, by 20 percentage points compared to expectations recorded in 2022.

Smaller firms, economic service providers, non-exporters and fully domestic companies plan heftier price hikes; while larger firms, traders, minor exporters and (partially) foreign-owned firms plan more moderate price increases.

93% of firms planning to raise prices will do so in the first quarter of 2023. This is 9 percentage points higher than the expectations recorded in early 2022 when 84% of firms planning to raise prices expected to do so in the first quarter of 2022. Larger firms, manufacturing companies and service providers plan to raise prices earlier, while smaller firms and construction companies seem to be postponing price hikes.

Most of the businesses report that price hikes are mostly or entirely prompted by increases in energy costs (70%), labour costs (69%) and raw material costs (69%). The factors most likely to influence the planned increase were similar in 2022, with a slight difference in the projected extent of the impact.

Factors determining price increases in 2022 and 2023, percent



Source: IEER 2022-2023

Note: Data are weighted by the economic performance of enterprises.

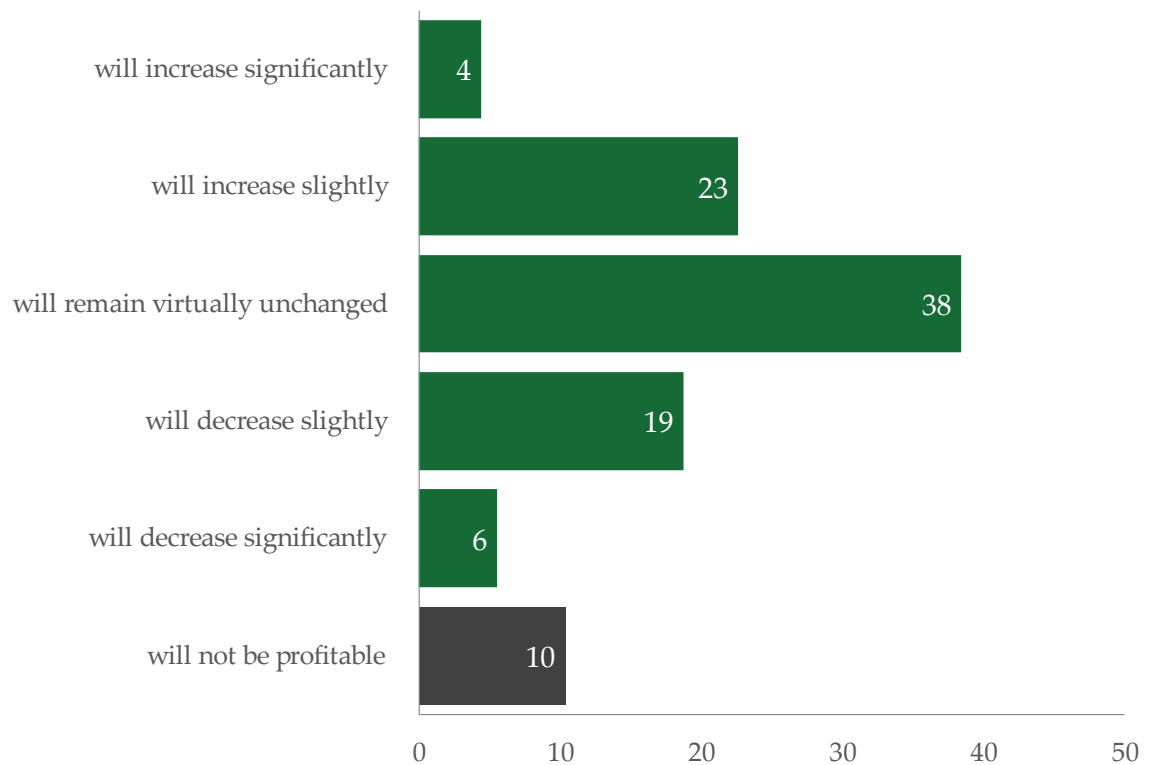
Expectations for profitability

One in ten CEOs does not expect any profit for 2023. A further quarter expects a significant (6% of CEOs) or smaller (19% of CEOs) decline in profits compared to 2022. Well over a third (38%) of respondents expect profitability to remain unchanged in 2023, while 27% of CEOs expect profitability to increase.

As for firms with fewer than 250 employees, the larger the firm, the higher the proportion of managers who expect profits to fall compared to their profits reached in 2022 (24-35%). In the circle of 250+ firms, the proportion of managers who do not expect profits this year is the

highest at 12%. They seem to expect profits to fall (20%) rather than remain close to levels achieved last year (42%).

By 2023, the highest proportion of firms not expecting any profit at all is in construction (15%) and manufacturing (14%). In the distributive trade sector, the proportion of those expecting profits to fall is the highest (43%) and the proportion of those expecting profits to rise is the lowest (13%). In comparison to other sectors, the proportion of CEOs expecting their profits to rise is currently the highest in the economic services sector (39%).

Expected evolution of company profitability in 2023 compared to 2022, percent, N=327

Source: IEER 2023

Note: Data are weighted by the economic performance of enterprises.

REHABILITATION EMPLOYMENT IN HUNGARY (2022)

In autumn 2022, as part of the "Short-term labour market forecast" survey, the Institute for Economic and Enterprise Research (IEER) asked a total of 4,387 Hungarian enterprises whether they employ people with disabilities, what factors help them to do so, and what incentives would help them to employ more people with disabilities in the future.

Prevalence of rehabilitation employment

One-fifth of the firms in the competitive sector with 10 or more employees employ at least one person with a disability, and even so, only 1.6 percent of the employees at those firms have a disability. Agriculture and manufacturing are the sectors with the highest rate of firms involved in rehabilitation employment (32 and 31 percent respectively), while services have the highest rate of workers with a disability (2.1 percent).

The labour market reserve capacity of disabled workers is well illustrated by the fact that in 2022 – based on the revenue flowing in from the rehabilitation contribution to the central budget (about HUF 136 billion – the contribution was HUF 1,800,000/person/year) – 75,000 disabled workers were still missing to reach the mandatory employment level of five percent at each company, which would make them exempt from paying the contribution.

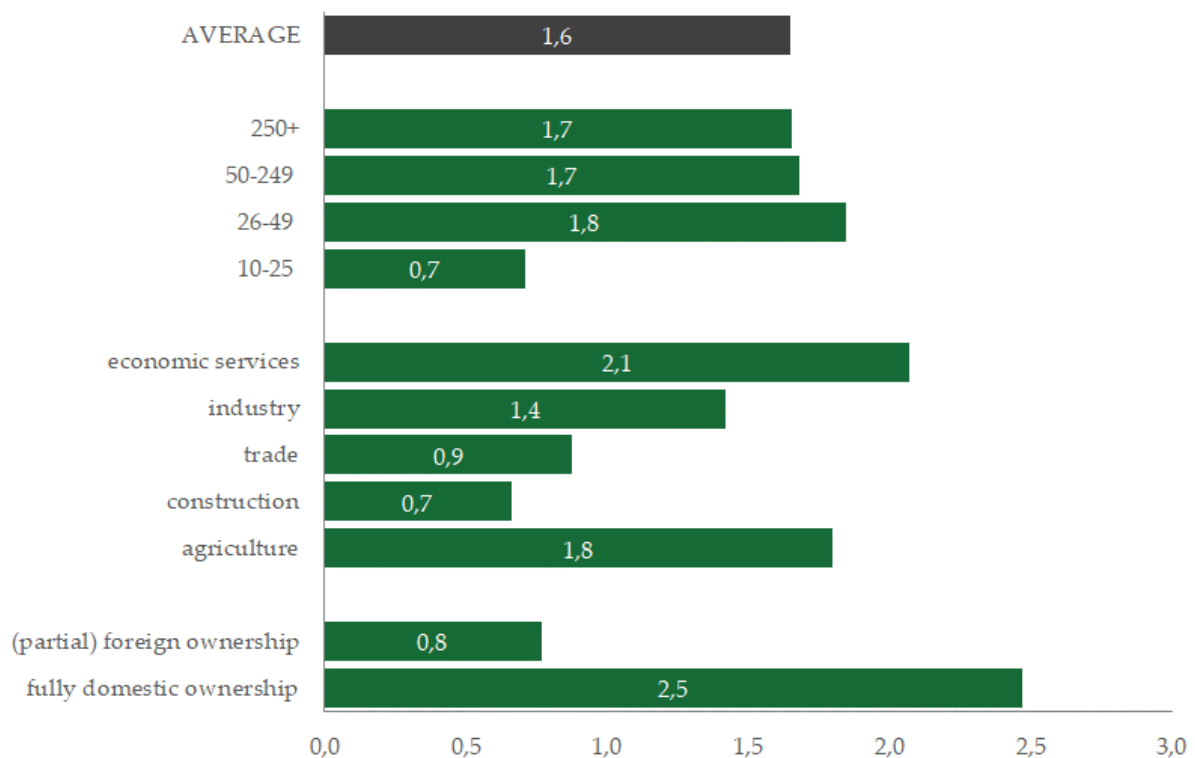
Hindering factors and potential incentives of rehabilitation employment

With regard to the employment of disabled workers, firms cited social responsibility

(72 percent), exemption from paying rehabilitation contributions (67 percent) and the use of social contribution tax credits (62 percent) as the main incentives. Reducing labour shortage and improving organisational culture were mentioned by around half of the firms, while participation in information and awareness training on the employment of MMK workers was cited by barely a third. The importance of social responsibility, organisational culture and awareness-raising training, i.e. non-economic factors, increased in line with company size: at large 250+ companies they were cited by 78%, 59% and 43% of firms respectively, well above the average.

Lack of suitable jobs was cited by 78% of firms as a reason for not taking up rehabilitation employment. Two-thirds believe that the necessary conditions for rehabilitation employment (e.g. accessibility, employment of a mentor) and qualified disabled workers are nowhere to be found. 56% of firms consider that the work performance of disabled workers is lower, but a similar proportion also reports that they lack experience in rehabilitation employment.

Employment of disabled workers, proportion of total employment, %



Source: IEER 2023

Among the factors that would help to increase rehabilitation employment, a higher tax allowance was the most frequently mentioned (58%), followed by wage and cost subsidy for mentoring and creating appropriate working conditions (50%), and in third place by better links between disabled worker registration organisations and employers (43%). A larger sum of rehabilitation contributions would be seen as an incentive by around 41 percent of enterprises, while the extension of the contribution to firms with less than 26 employees would be seen as an incentive by 36 percent of enterprises. Labour market preparation training for disabled workers would be considered a significant help by

just under a third of enterprises, while less than a quarter would find state-subsidised sensitivity training useful.

22% of companies that do not currently employ any disabled workers say they might use this option in the future. The willingness to do so increases with the size of the company: while only 20 percent of 10-25 companies are open to the idea, the proportion rises to 32 percent for large companies with over 250 employees. By sector, the highest proportions of those who are not averse to rehabilitation employment are in services (29 percent) and agriculture (25 percent).

INTERNATIONAL TRENDS

Changes in the production, consumption and employment situation in certain major international economies compared with peer expectations and the previous period.

		Period in review	Actual data	Expectations	Previous period
	Unemployment Rate	(March)	5.6%	5.5%	5.5%
Germany	Manufacturing Purchasing Managers Index	(March)	44.7	44.4	46.3
	IFO Business Climate Index ¹	(March)	93.3	91.2	91.1
France	INSEE Business Climate Index ²	(March)	103.1		103.5
	Unemployment Rate	(March)	3,5%	3.6%	3.6%
USA	CB Consumer Confidence Index	(March)	104.2	101.0	103.4
	Manufacturing Purchasing Managers Index	(March)	49.2	49.3	47.3
China	Manufacturing Purchasing Managers Index	(March)	51.9	51.5	52.6

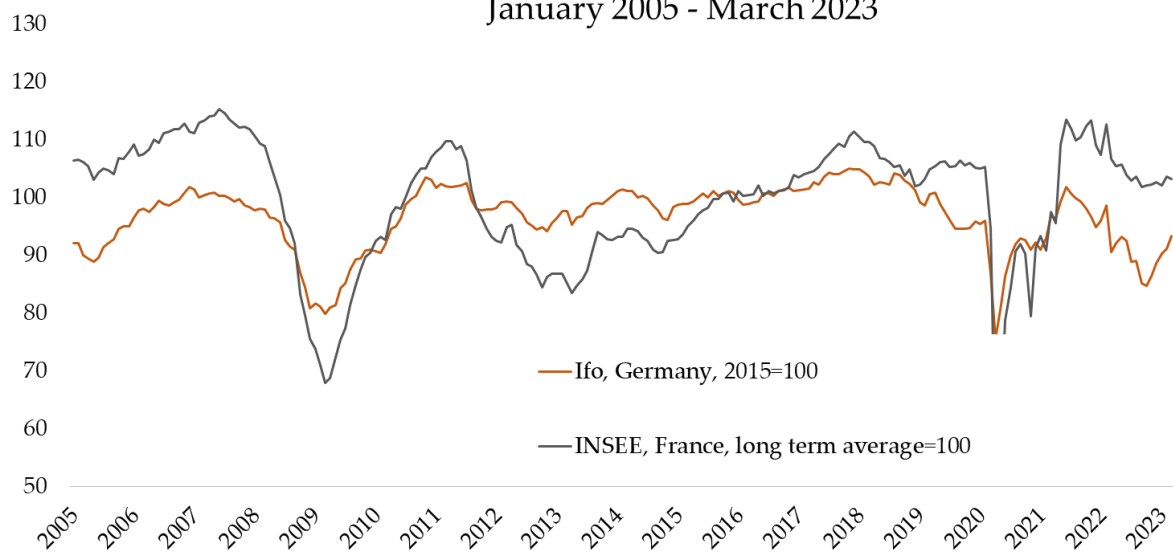
¹ <https://www.ifo.de/en/survey/ifo-business-climate-index>

² <http://www.insee.fr/en/themes/indicateur.asp?id=105>

The rest of the data source: <https://www.bloomberg.com/markets/economic-calendar>

In Germany, the IFO business climate index increased compared to February. The manufacturing purchasing manager index (PMI) decreased compared to the previous period, but performed slightly better than expected. The unemployment rate became worse in Germany. The French INSEE business climate index decreased compared to last month. In the United States, the CB consumer confidence index increased compared to the month prior. The manufacturing PMI increased compared to February in the USA. The unemployment rate slightly improved in the USA. The Chinese manufacturing PMI decreased compared to the previous month.

Business confidence in Germany and France,
based on the Ifo and INSEE business climate survey,
January 2005 - March 2023



Sources: *www.ifo.de*, *www.insee.fr*

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