

In our following brief analysis we examine for what purposes domestic enterprises generally use the internet. Our analysis is based on data from the business climate survey conducted by the Institute for Economic and Enterprise Research (IEER) in October 2015.

The data show that the highest proportion of firms surveyed use the internet for administration (e.g. the Hungarian version of an electronic civil service portal called “Ugyfelkapu” or “Client Gateway”), email correspondence with customers, and to follow market trends. Just over half of the analyzed companies have their own website, which is explained by the large number of micro businesses employing fewer than 10 people. The computer systems themselves along with the security of the stored information and the modern state of the technology were all regarded to be very important by the companies.

Internet usage

This analysis is based on those questions from the October IEER business climate survey which dealt with the companies’ internet usage. In the following we present an overview of these activities.

In October 2015 most companies surveyed (95%) use the internet for administration (e.g. the Hungarian version of an electronic civil service portal called “Ugyfelkapu” or “Client Gateway”), email correspondence with customers (92%) and to gather information about market trends (89%).

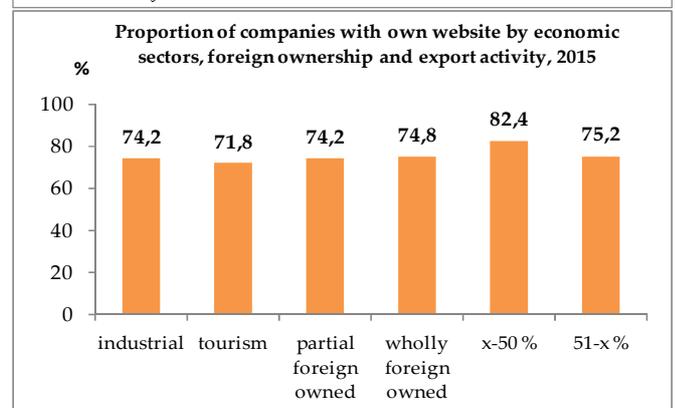
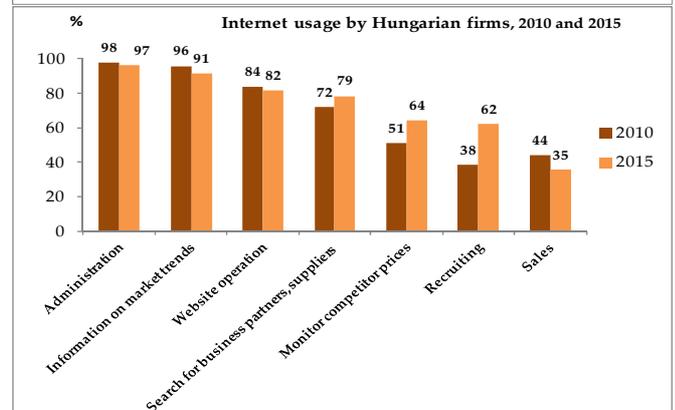
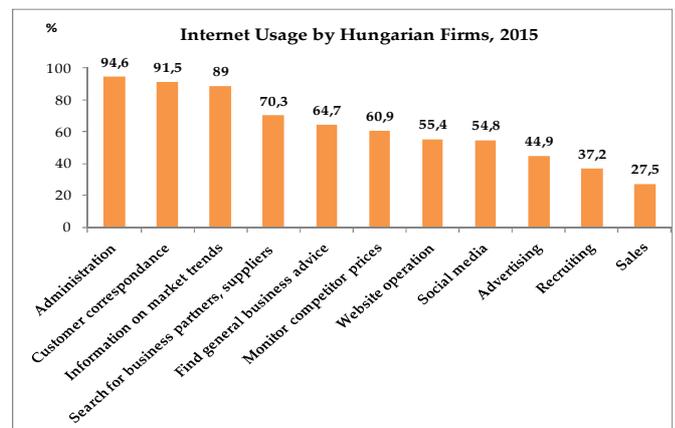
Websites and computer systems

A little more than half of the companies surveyed have their own website (55%). This relatively low percentage can be attributed to the high proportion of companies surveyed with less than 10 people (70%). In terms of small- and medium-sized enterprises (10-249 people) the share of companies with their own website has already reached 82%, which is roughly equivalent to the situation five years ago (84%).

Hosting a website is not only dependent on company size, but is also related to its share of foreign ownership, export activity, and the economic sector of the companies surveyed. The highest percentages of companies that have their own websites are wholly or partly foreign-owned companies (75% and 74% respectively) and wholly or partly export-oriented companies (82% and 75% respectively). A breakdown by sector shows that industrial (74%) and tourism (72%) businesses have the highest proportion of their own websites.

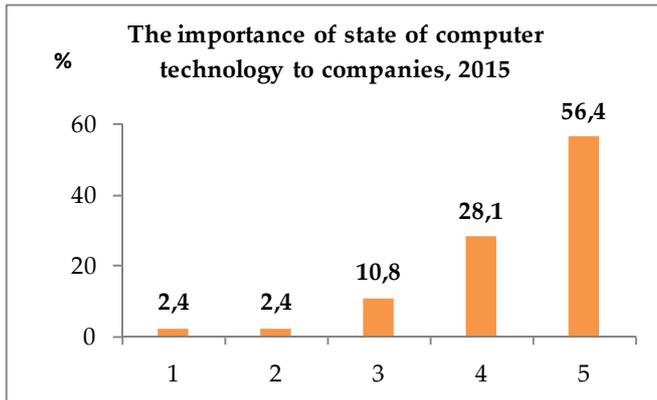
We find other major differences when we examine companies in terms of whether they use the internet to advertise their products and/or services or to find and recruit employees, business partners or suppliers.

The computer systems themselves and the security of the stored information are regarded as either important or very important by a vast majority of companies (89%). The

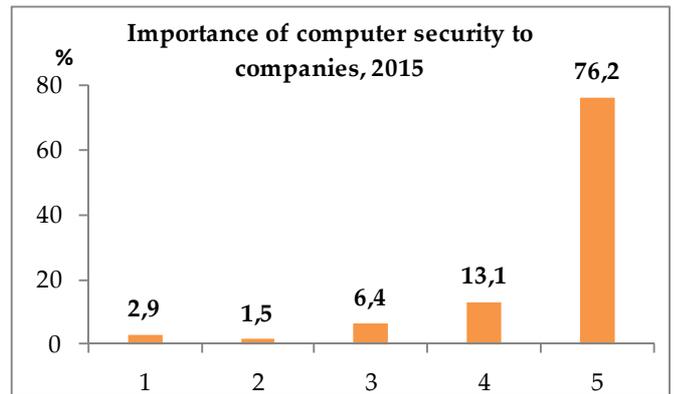


modern state of the technology was regarded by 84% of the respondents to be important or very important.

Overall we can say that the majority of companies continue to use the internet to obtain information and for administration. Internet user preferences have not changed significantly over the last five years.



(1=not important at all, 5=very important)



(1=not important at all, 5=very important)

Macroeconomic trends

Hungary is a small open economy, therefore its future economic prospects are significantly affected by its immediate and wider environment. In the following brief summary we present some important trends from international economic developments which have a significant impact on the Hungarian economy. In the "Prospects and Risks" section we present the expected processes of the European economies and the Hungarian economy in the near future using the results of the most recent forecasts for the EU and Hungary. In the section "International Outlook" we examine the situation of the EU, as well as the economies of Germany and France, from data derived from macroeconomic indicators and major European economic research institutes and business surveys.

Prospects and Risks

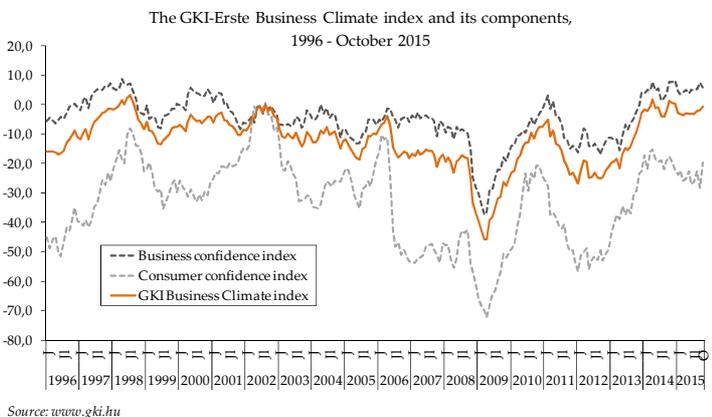
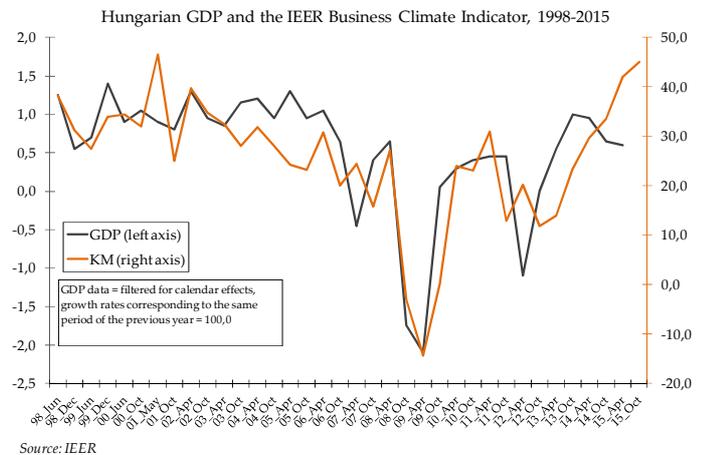
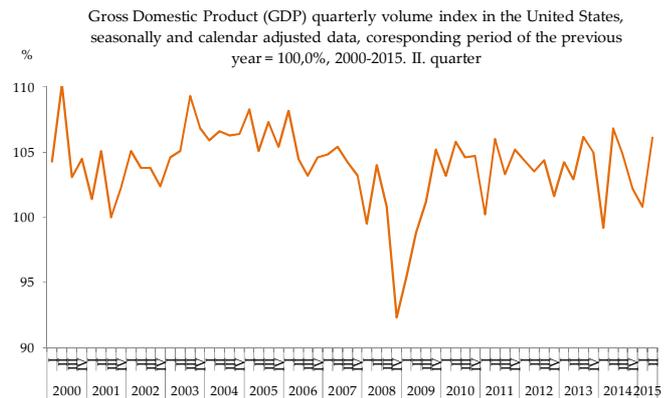
The global economic crisis originated in the United States, -hus it was felt there for the first time, when the gross domestic product (GDP) showed a significant 7.7 percent decline. In subsequent years, the decline moderated, and growth gradually started again. Between 2010 and 2013 growth was around 4 percent, in 2014 it was 2 percent, and in the second quarter of 2015 US GDP was up to 6.1 percent.

The European Commission forecasts that similarly to previous years the EU and the euro zone economy will be characterized in 2016 by a gradual, slow recovery. Structural reforms have a positive impact in most Member States and the labor market situation improves while financial and external conditions also lend to a further recovery, such as the depreciation of the euro and the low level of oil prices. On the other hand, however, the EU economy is facing challenges such as growth in emerging markets or a reduction in the volume of international trade. Economic growth is expected to accelerate gradually over the forecast horizon: in 2016 to 2 percent in the EU while to 1.6 percent for the euro zone.

For Hungary the various forecasts predict slow but sustainable growth. According to the autumn 2015 business sentiment report from the Kopint-Tárki Research Institute, following this year's increase of about 3.0 percent, growth will be weaker in 2016 in the Hungarian economy, expanding by 2.5 percent. Meanwhile, the results of the IEER October 2015 Business Climate Survey predict a further improvement in the business climate. The value of the GKI business climate index marked a slight increase in the first ten months of 2015 while the consumer confidence index, following a decline in September, increased to a greater extent.

International Outlook

German gross domestic product (GDP) expanded by 1.6 percent in 2014 and for the first two quarters of 2015 growth was above 1 percent. As in the case of German data, France also experienced a post-crisis recovery since 2010, but its momentum in 2012 has subsided. In 2014,



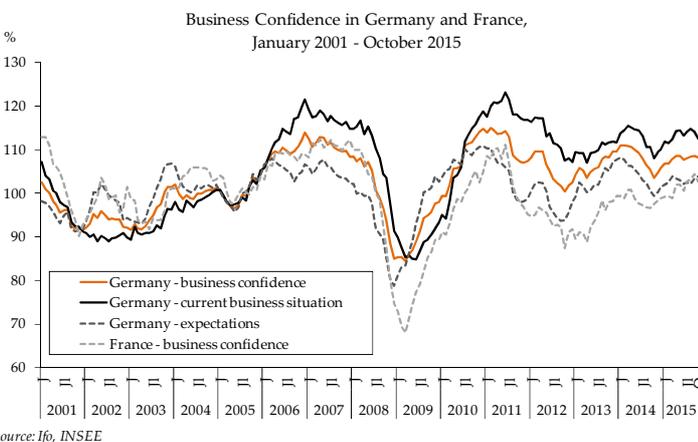
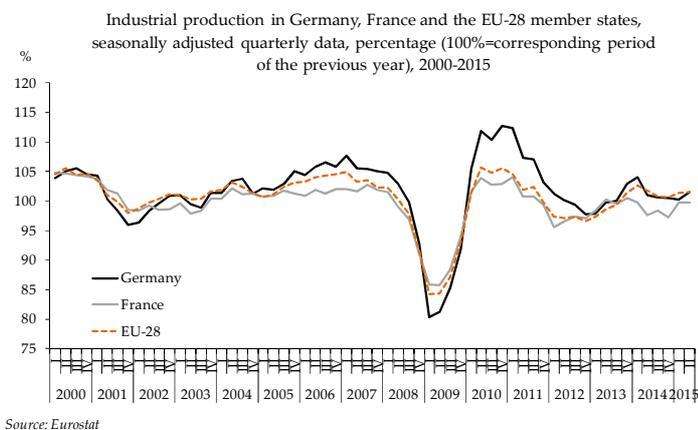
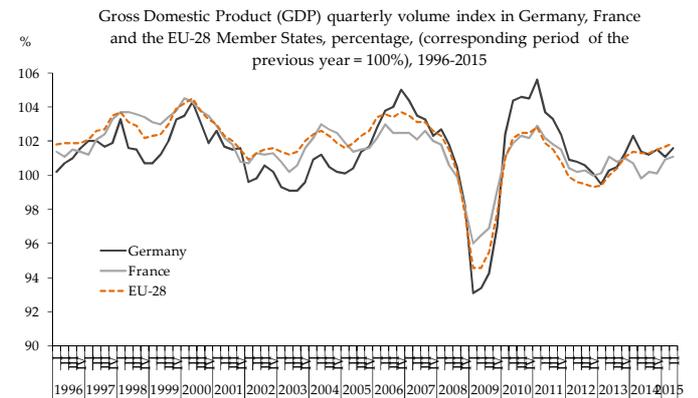
there was only 0.2 percent growth and in the first two quarters of 2015 the French economy expanded by 0.9 and 1.1 percent compared to the same period of the previous year. If we look at the average gross domestic product of all Member States of the European Union then in 2013 a slight 0.2 percent increase can be seen. In 2014 there was an increase of 1.4 percent, and for the first two quarters of 2015 the acceleration in growth appears to be continuing at 1.7 and 1.9 percent.

Industrial Production

Industrial production in Germany left behind the negative impact of the crisis: in 2014, output increased by 1.5 percent compared to the previous year. This year, for the first quarter, we experienced 0.2 percent growth and in the second quarter expansion of 1.5 percent occurred. French industrial production continues to show a weakening trend: in 2014 it slowed to 1.8 percent and for the first two quarters of 2015 there was 0.3 per cent decline. Data for European Union member states in 2014 showed a growth of 1.5 percent and the first two quarters of this year are also expected to show similar values.

Business confidence

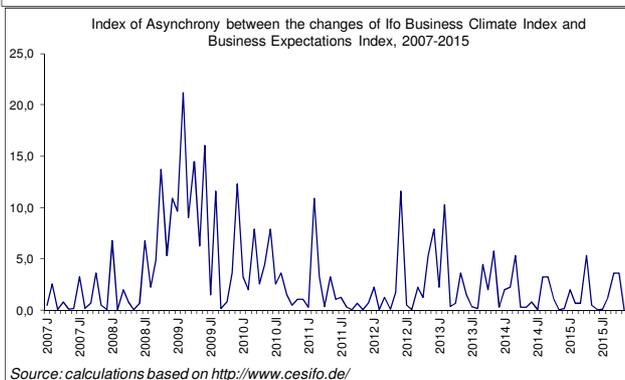
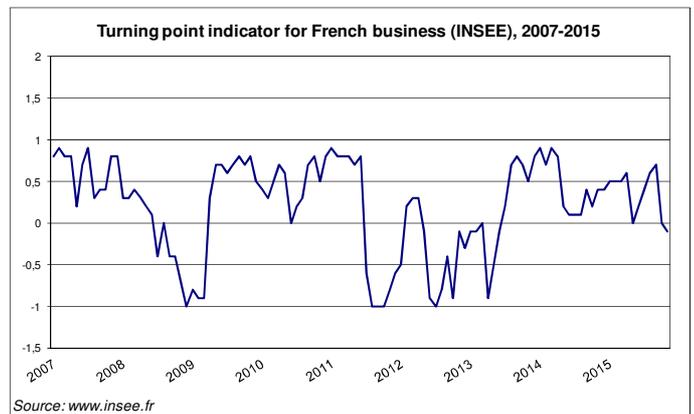
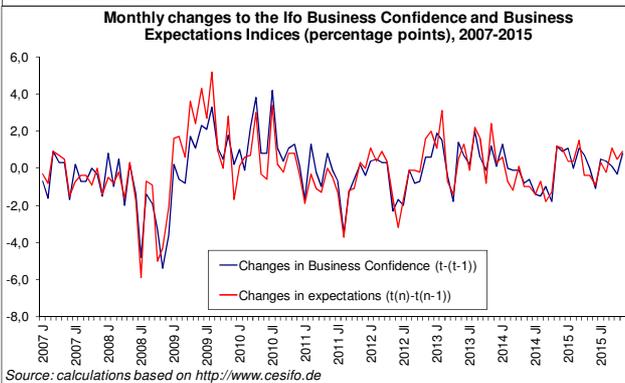
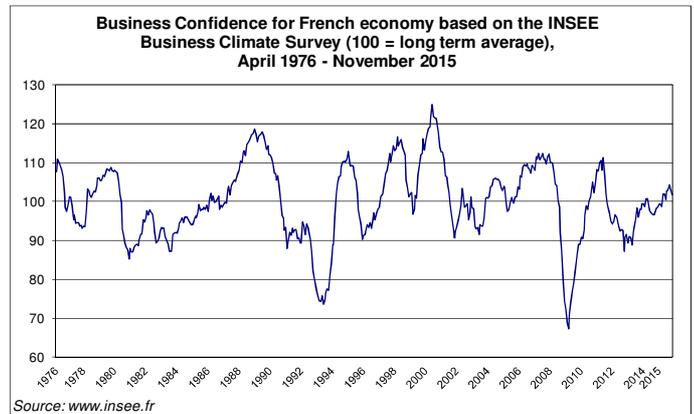
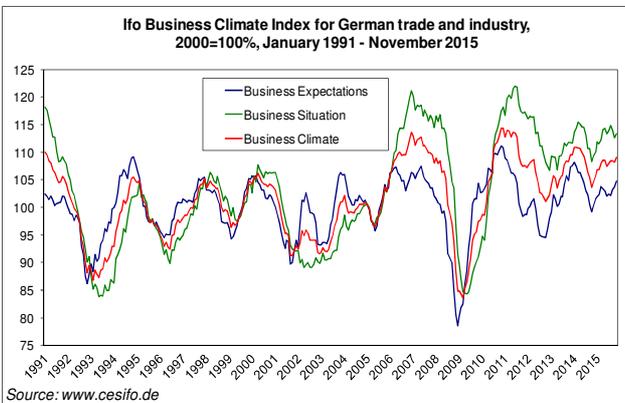
According to the business climate surveys measuring business expectations and also regarding the macroeconomic indicators, the German and French economies in the second half of 2008 suffered a huge setback due to the financial crisis. Although in 2009 and 2010 a recovery from the crisis took place and an economic upturn started in 2011, the euro zone crisis once again set back in 2012 and led the Western European economies in the EU drifting into recession again. In 2013 and 2014, moderate positive trends started in the Western European economies. In 2015 improvements have been made in both the business confidence and expected long-term indicators. Analysts at the Ifo think the German economy has proven remarkably resilient with regard to the challenges this autumn. The results of the autumn INSEE business climate surveys show that the situation of French industrial activity is stable, according to the opinion of the business leaders surveyed.



International trends

The Ifo business confidence index from the Munich Institute for Economic Research of German Industry and Trade in November 2015 increased to 109.0 points from 108.2 points in October 2015. The assessment of the current business environment is more favourable than in the previous month. The outlook for the expected business situation was also more optimistic about future business developments. The gap between the business situation and expected developments, as calculated by the IEER Index of Asynchrony decreased in November, so the business confidence index showed lower uncertainty than in the previous month. (Source: Ifo, <http://www.cesifo-group.de>)

According to the French statistical office (INSEE) survey of October 2015, executives surveyed were of the opinion that the situation of French industrial activity is stable. The INSEE business confidence index decreased 1 point, which value is still above its long-term average (100). The turning point indicator stagnated, thus it is still indicating an uncertain short-term economic situation. Corporate executives are less optimistic on their personal production expectations: the corresponding balance fell by 8 points compared to the last month. The general outlook index – which reflects the sum of opinions on the industrial activity of respondents – has also decreased in November. (Source: INSEE, <http://www.insee.fr>)



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