Monthly Bulletin of Economic Trends

April 2016

Assessment of public authorities and institutions based on the results of the SME Perspectives survey

In our analysis, we examine how domestic small and medium-sized business owners and managers rate the effectiveness and quality of service of some public authorities and institutions. The analysis is based on four waves of the IEER SME Perspectives study (October 2010, July 2014, July 2015, and January 2016), in which we examined the assessments of 1,207 respondents.

Our results show that the majority of respondents have a (rather) positive assessment of the National Tax and Customs Office. In comparison with other institutions, we see that most of the respondents consider hospitals (rather) negatively. In each studied period, roughly two-thirds of respondents considered the operation of hospitals to be (rather) ineffective. The majority of respondents have a (rather) positive opinion on the courts. The same applies to the opinion on the police which is improvement compared to 2010. The perception on the functioning of the government is also (rather) positive among respondents, although there's a decrease in the proportion of those with a (rather) positive opinion compared to 2010. A less positive picture was found with parliament: a proportion of between half and three-fifths of respondents had a (rather) positive opinion during the four surveys. By 2016, the ratio of those considering parliament (rather) efficient declined compared to 2010.

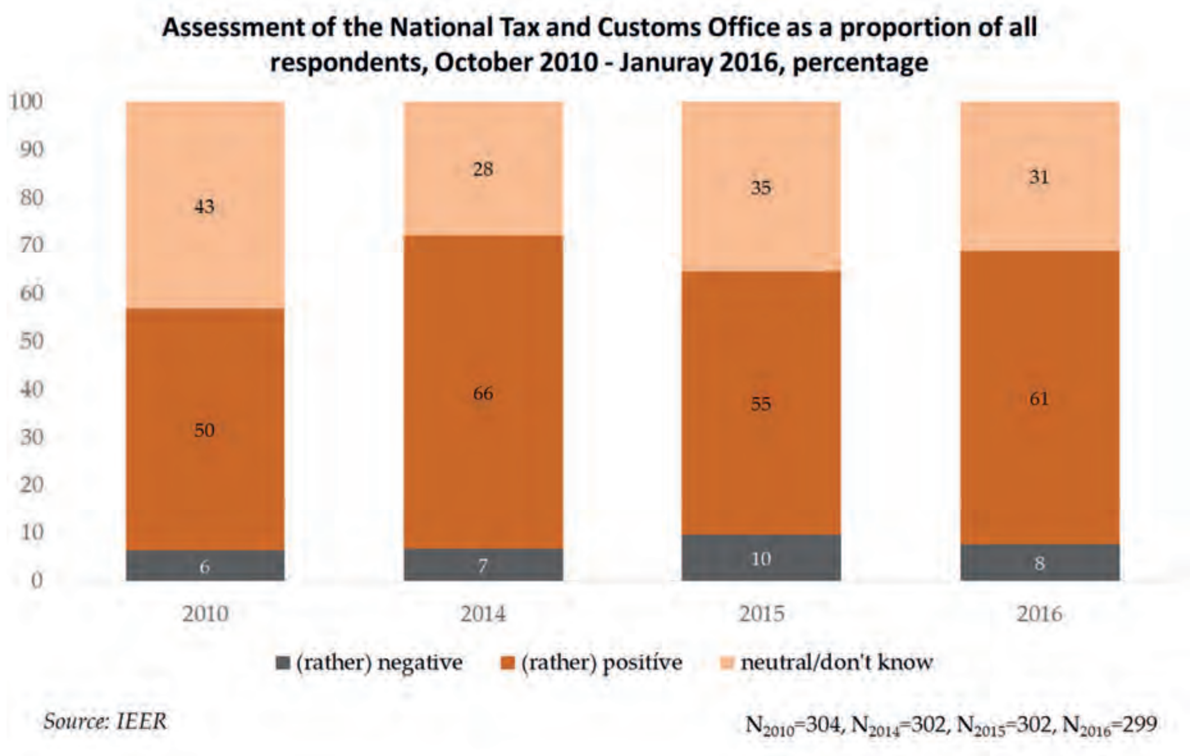
Respondents could rate the efficiency of institutions on a scale of one (worst) to five (best).[1] In the analysis negative and rather negative (values 1 and 2) or rather positive and positive (values 4 and 5) grades are treated together. Triple grades are presented together with the "do not know / no answer" option. A triple rating is a problematic issue, because not only does it mean that a respondent rated the efficiency of an institution as average, it may also indicate that a respondent could not decide or was not motivated to answer.[2] To avoid this difficulty we decided on a triple value and those who chose the "don't know / no answer" option are treated along with the combined answers.

[1] In your opinion, how would you rate the quality of service and the operational efficiency of the following public authorities and institutions?

[2] cf. Krosnick, Jon A. – Stanley Presser (2009): Question and Questionnaire Design. James D. Wright and Peter V. Marsden (szerk.) Handbook of Survey Research (2nd Edition). Elsevier: San Diego.

Assessment of public offices and institutions

In the case of the National Tax and Customs Office (in 2010 the averages of the then separate Tax Administration and Customs Offices are shown) it was able to reach 50% of the (rather) positive rating of respondents (2010: 50% 2014: 66% 2015: 55 % 2016: 61%). The proportion of those with a neutral opinion and the proportion of those who are unable to form an opinion on the effectiveness of this institution was 43% in 2010, and between 2014 and 2016 it ranged from 28% to 35%. The proportion of those with a (rather) negative opinion increased slightly but steadily between 2010 (5%) and 2015 (10%), showing slight decrease in 2016 (8%).

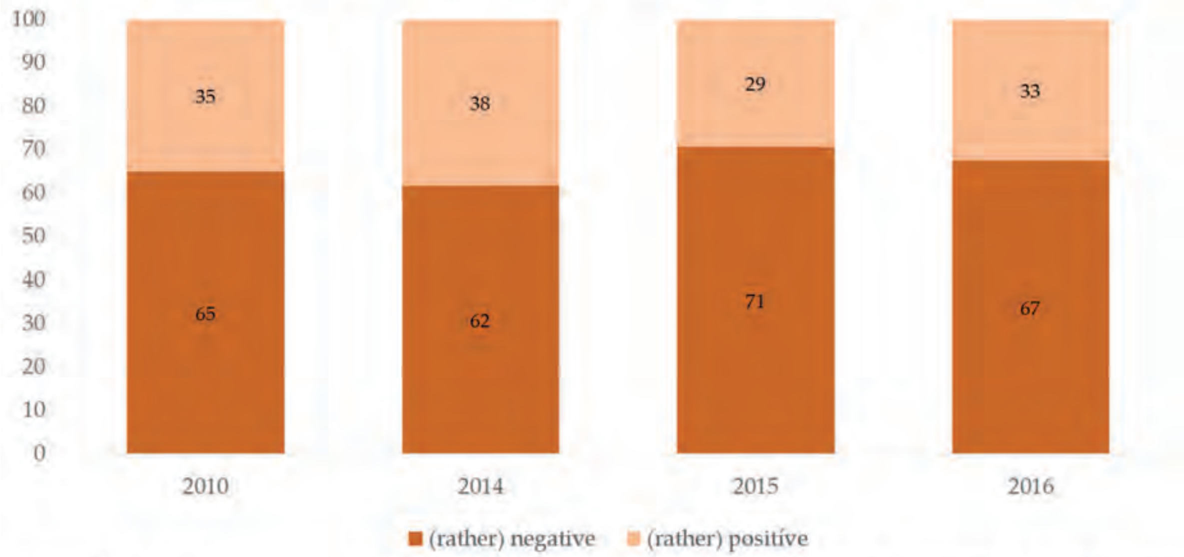


If we only look at the (rather) positive and (rather) negative opinions of respondents, then those that view the National Tax and Customs Office as (rather) efficient was around 90% each year (2010: 88% 2014: 91%, 2016: 89%), with an exception in 2015, when the (rather) positive opinion of respondents went down to 85%.

Considering the assessment on the efficiency of hospitals, we also see a high proportion of those who have a neutral opinion or were unable to give an assessment. During the four periods studied, the proportion ranged from 49% to 58%. The proportion of those with a (rather) negative opinion was one-thirds of the respondents (27% -31%) each year. The ratio of those with a (rather) positive opinion was highest in 2014 reaching 20%, while in 2015 it reached its lowest at just 13%.

Among those with (rather) positive and (rather) negative opinions we see that the proportion of (rather) negative opinions is very high when rating the efficiency of hospitals for each of the four years under study. The proportion of those who have (rather) negative opinion was the lowest in 2014 when it reached 62% and was highest in 2015, when their share increased to 71%.

Assessment of hospitals as a proportion of (rather) negative or (rather) positive opinions, October 2010 - January 2016. percentage



Source: IEER

N_{2010}=128, N_{2014}=154, N_{2015}=133, N_{2016}=135

In connection with assessing the effectiveness of the courts, there was also a very high proportion of those who were unable to form an opinion or were neutral. In 2010, their share was 64%, in 2014 it dropped to 48%, in 2015 it rose again reaching 62%, and in 2016 their share decreased to 44%. As a percentage of all respondents, the proportion of those with a (rather) positive opinion was lowest in the beginning of the studied period at only 21%, in 2014 it rose to 38%, in 2015 it was 26%, and in 2016 it significantly increased, reaching 46%. The proportion of respondents with a (rather) negative opinion was around 10% each year; it was the highest in 2010 (14%) and was the lowest in 2016 (10%).

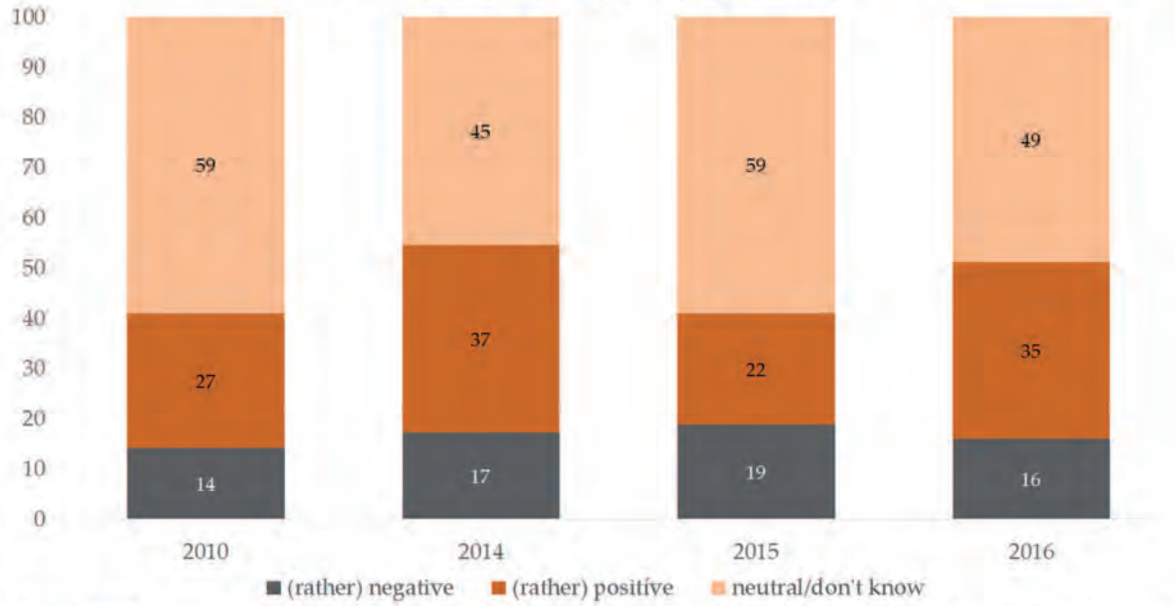
If we examine only the (rather) positive and (rather) negative opinions, it likewise shows that the perception of the courts has significantly improved in 2016. While only 60% of respondents judged the courts more positively in 2014, this ratio reached 83% by 2016.

The police was rated (rather) positive by respondents in 2010 at 31%, in 2014 at 57%, in 2015 at 38%, and in 2016 at 47%. In the case of the police the proportion of those who can not give an assessment or were neutral was likewise high; their share in 2010 was the highest when it reached 57%, while in 2014 it was the lowest at 36%. The ratio of those who viewed the police (rather) negatively was the highest in 2010 (12%) and in 2014 their share was less than 10% (between 6-8%).

Among (rather) positive or (rather) negative opinions, the vast majority viewed the police activities as (rather) effective in all years studied (2010: 73%, 2014: 89%, 2015: 87%, 2016: 85%).

Regarding the opinions towards the government, we can also see that the proportion of responders who were unable to give an assessment or had a neutral opinion was also high. Their proportion both in 2010 (59%) and 2015 (59%) was around 60%, while in 2014 (45%) and in 2016 (49%) it was closer to 50%. Those with a (rather) positive opinion accounted for roughly a quarter of respondents (27%) in 2010, their share increased significantly and amounted to 37% in 2014, and then 2015 brought relapse to only 22% of those who held a positive view on the efficiency of how the government was run, and in 2016 an increase occurred again when more than third of the respondents viewed the government (more) positively. The ratio of (rather) negative responses was lowest in the beginning of the period (14%) and highest in 2015 (19%).

Assessment of the government as a proportion of all respondents, October 2010 - Januray 2016, percentage

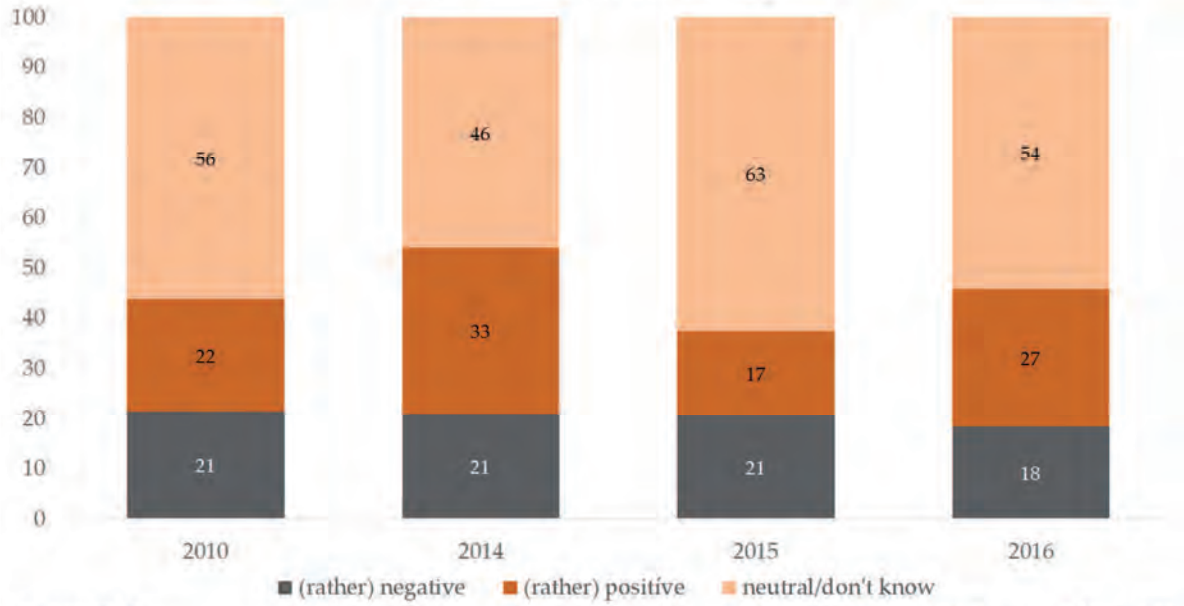


Source: IEER N_{2010}=304, N_{2014}=302, N_{2015}=302, N_{2016}=299

Among those who declared mostly positive or mostly negative opinion, the vast majority held a (rather) positive opinion on how the government was run in every year of the study. However, it has to be noted that while in 2010 about 90% rated the government as (rather) positive, this ratio later deteriorated to 81% in 2014 and to only 65% in 2015, while in 2016, 79% had a positive opinion on government effectiveness.

Concerning Parliament, we can also establish that there were a high proportion of those who either couldn't give an assessment or represented a neutral stance. Their range -- with the exception of 2014 when it was 46% -- exceeded 50% each year (2010: 56%, 2015: 63% 2016: 54%). The proportion of those with a (rather) positive opinion ranged between quarter and third of respondents, while the proportion of those who formulated a (rather) negative opinion was at about one-fifth of respondents (18% -21%) during the studied period.

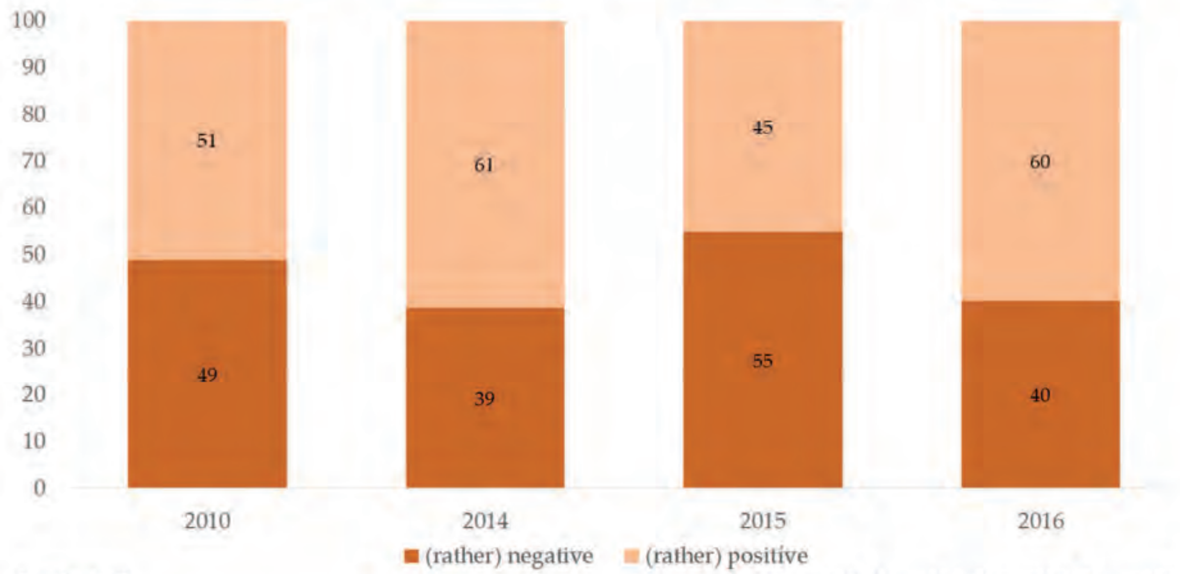
Assessment of the Parliament as a proportion of all respondents, October 2010 - Januray 2016, percentage



Source: IEER N_{2010}=304, N_{2014}=302, N_{2015}=302, N_{2016}=299

Among respondents who considered parliament (rather) positively or (rather) negatively, we can conclude that the proportion of those who are (rather) positive about the functioning of the parliament was slightly higher at all times.

Assessment of parliament as a proportion of (rather) negative or (rather) positive opinions, October 2010 - January 2016. percentage



Forrás: GVI

N_{2010}=133, N_{2014}=163, N_{2015}=113, N_{2016}=137

Slow growth of the Eurozone. Quarterly forecast of Ifo, Insee, and Instat institutes

Below we summarize the key findings of the forecast of Ifo, Insee, and Instat institutes on the economic trends of the Eurozone. The Eurozone is expected to continue to recover at a moderate pace in 2016. Real gross domestic product is estimated to increase by 0.4% quarter-on-quarter in the first three quarters of 2016 mainly driven by the dynamic growth of domestic demand. Growth of private consumption is strengthened by the increase in household purchasing power due to the recent drop of oil prices. At the same time the influx of refugees, mainly in Germany, increases the public consumption and transfers. Headline inflation is expected to remain negative in the second quarter while it will increase slightly in the third quarter. Weakened demand from the emerging countries, especially from China, is the key downside risk related to this scenario as it may cause fall in the export, uncertainty and weaker growth than foreseen.

Increasing industrial production

Recent business surveys for the Eurozone show a continuation of the upward trend. After the moderate growth (0.2%) experienced in the third quarter of 2015 industrial production increased by 0.4% in the last quarter. In the first quarter of 2016 this tendency continues, a sharp growth of 0.9% is expected mainly due to a mayor expansion seen in January.

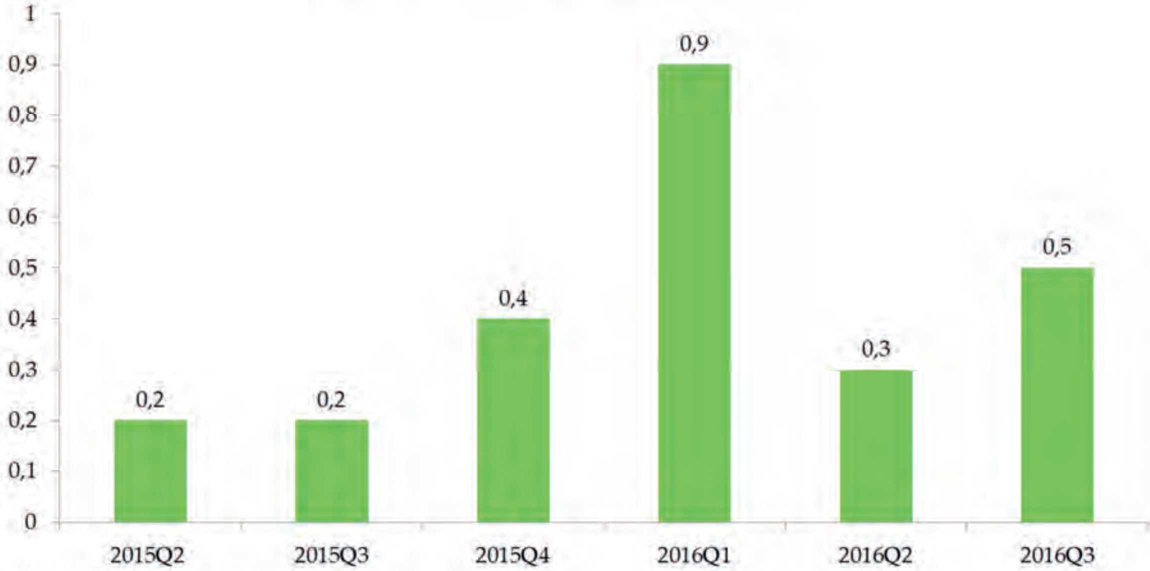
Business climate in industry however has slightly weakened, and the decrease in external demand, mainly from China, may hamper the export of advanced economies which slows down the growth.

Industrial production is expected to be 0.3% in the second quarter and 0.5% in the third quarter of 2016.

Slow growth of GDP

The slow economic growth of the Eurozone is expected to continue in the same moderate pace as in the last period of 2015. The GDP growth of the area will be mainly sustained by the expansion of internal demand and will be 0.4% in the first third quarters of 2016.

Forecasted increase in industrial production compared to previous quarter, Eurozone (%), 2015Q2-2016Q3

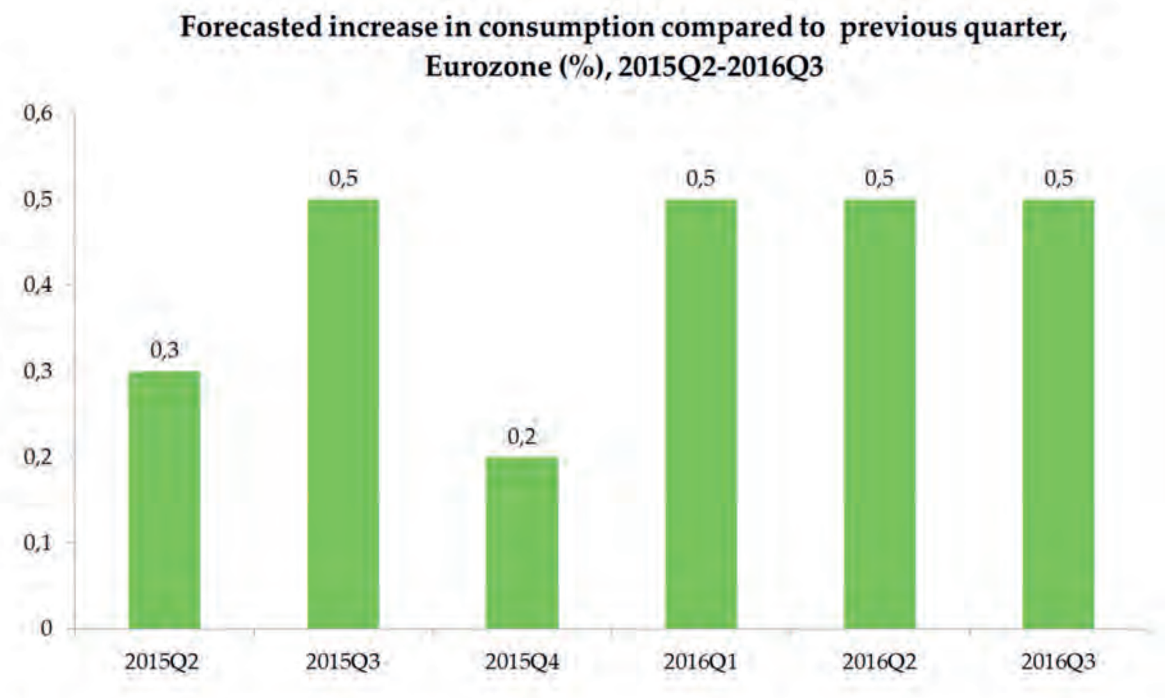


Source: Eurostat and Ifo-INSEE-ISAE-ISTAT forecasts

Forecasted GDP growth compared to previous quarter, Eurozone (%), 2015Q2-2016Q3

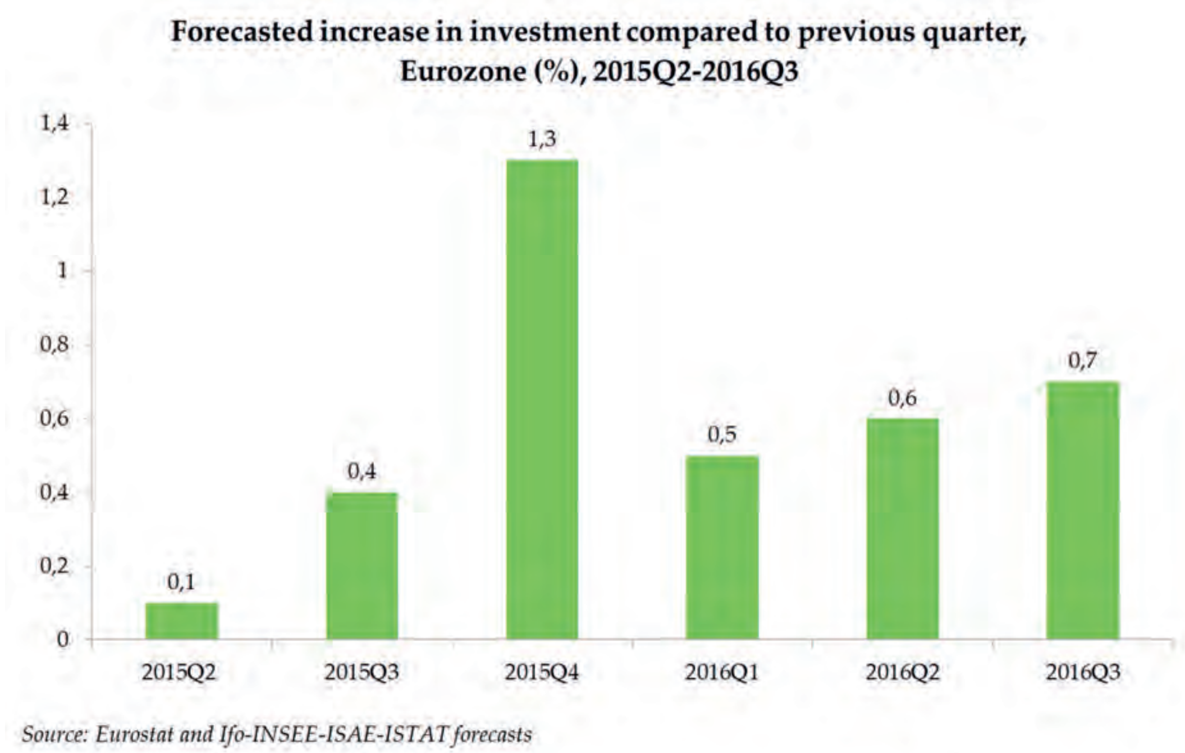
Source: Eurostat and Ifo-INSEE-ISAE-ISTAT forecasts

While in 2015 the increase in private consumption slowed down, in 2016 it is forecast to grow in the first three quarters by 0.5% per quarter. The growth is mainly due to the increase of household real disposable income driven by the improvement of employment and the recent drop of oil prices.



Source: Eurostat and Ifo-INSEE-ISAE-ISTAT forecasts

At the same time the influx of refugees since 2015, mainly in Germany, also contributes to the expansion of demand as it is expected to increase government spending on consumption and transfers. According to the forecast the increase in investment is also expected to contribute to the domestic demand. Thanks to the monetary policy of the European central bank the borrowing rates are expected to remain low favouring an increase in outstanding corporate loans in the forecast period. All in all a continuing growth in investment is expected for the next three quarters (+0.5% in Q1, +0.6% in Q2 and +0.7% in Q3).

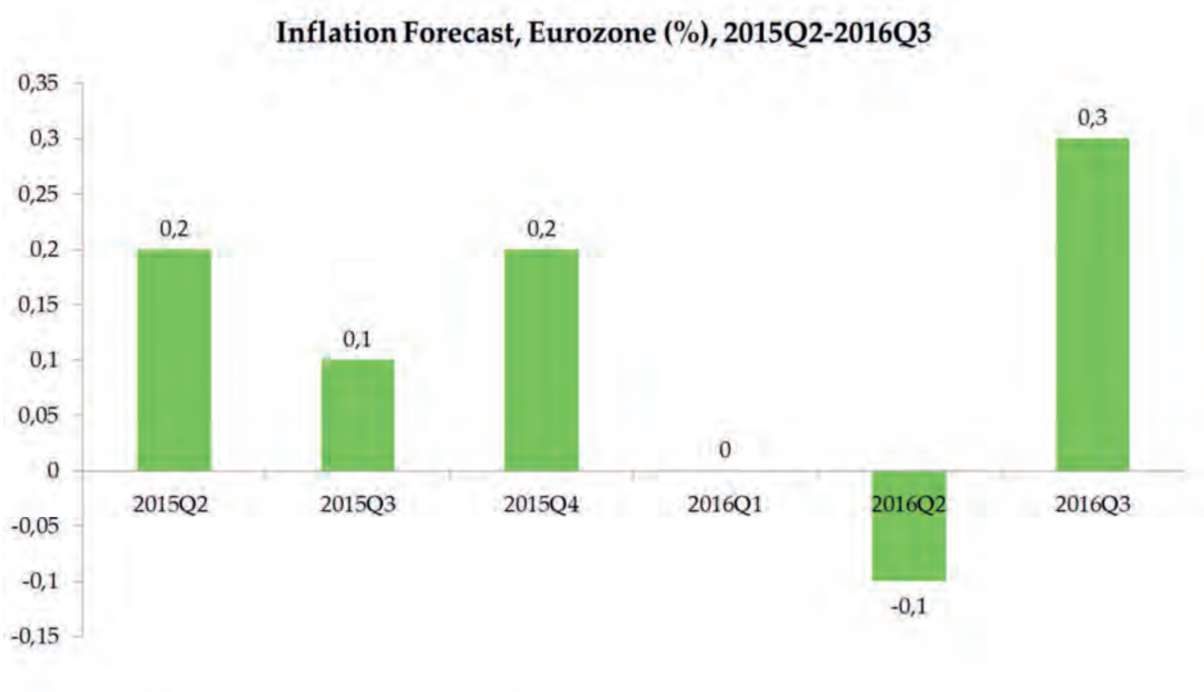


In the next period the drop in oil prices and a rise in capacity utilisation are foreseen to contribute to a dynamic growth of investment in equipment although surveys show a slight weakening in production expectations and order books for the first quarter.

The main drawback of economic growth is expected to be a slowdown in activity of the main trading partners causing the decrease of net export in the first quarter of 2016. The positive effect of the depreciation of the Euro is also receding which, with the domestic demand growing, may contribute to an increase in import.

Slight growth of inflation

Since early 2015 headline inflation of the Eurozone has remained low, fluctuating between -0.2% and +0.3% mainly due to the low oil prices. Under the assumptions that the oil price stabilizes at USD 40 per barrel and that the euro/dollar exchange rate fluctuates around 1.12 inflation is expected to remain at the same low level in 2016 as well, predicted to be -0.1% in the second quarter and 0.3% in the third quarter.



Source: Eurostat and Ifo-INSEE-ISAE-ISTAT forecasts

Source: Eurozone Economic Outlook. 12 April 2016. https://www.cesifo-group.de/ifoHome/facts/Forecasts/Euro-zone-Economic-Outlook/Archive/2016/eeo-20160412.html

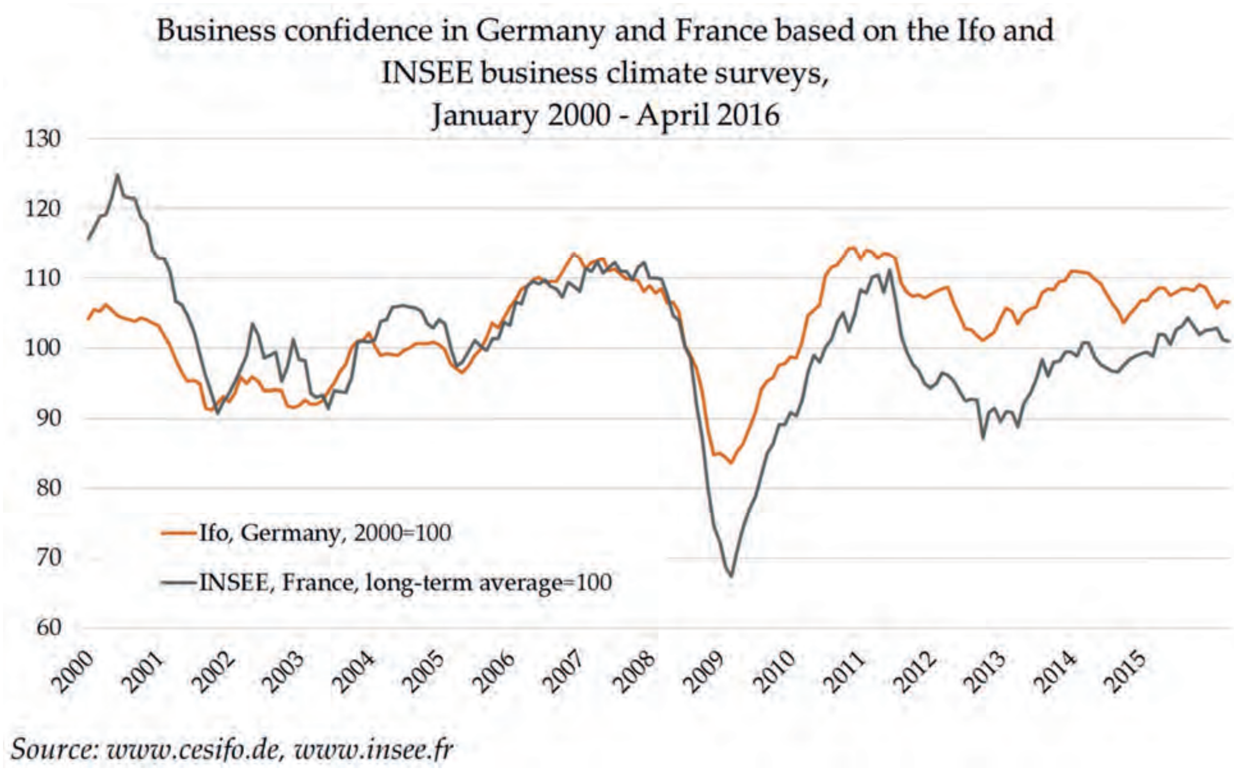
International trends

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

		Baseline Reference	Actual	Expectations	Previous Period
Germany	Unemployment changes (thousand persons)	(Apr)	-16	4	-3
	Manufacturing Purchasing Managers' Index	(Apr)	51,9	51,0	50,7
	IFO business confidence index[1]	(Apr)	106,6	107,0	106,7
France	INSEE business confidence index[2]	(Apr)	101	101	101
USA	Unemployment rate	(Mar)	5,0%	4,9%	4,9%
	CB consumer confidence index	(Apr)	94,2	96,0	96,1
	Manufacturing Purchasing Managers' Index	(Apr)		51,4	51,8
China	Manufacturing Purchasing Managers' Index	(Apr)	50,1	50,4	50,2

[1] https://www.cesifo-group.de/ifoHome/facts/Survey-Results/Business-Climate/
[2] http://www.insee.fr/en/themes/indicateur.asp?id=105
The rest of the data source: http://worldeconomiccalendar.com

Contrary to expectations the number of unemployed decreased sharply in Germany and the manufacturing manager index raised as well. However the IFO index of business confidence shows a slight decline compared to the predictions and the value of the last period. Yet the French business confidence index met the expectations in April. In the United States the unemployment rate was slightly higher than expected in March and the CB consumer index also decreased. At the same time the Chinese purchasing managers' index is at a lower level than predicted.



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