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### Implementation of crisis management measures

#### Corporate reactions countering the economic effects of the COVID-19 pandemic

**This month's analysis by the Institute of Economic and Enterprise Research features crisis management measures Hungarian companies took to react on the economic effects of the COVID-19 pandemic. The data used for the analysis originate from the latest Business Climate Survey conducted by IEER in April 2020, involving 2891 companies active in Hungary.<sup>1</sup>**

The survey asked respondents (N=1862–2260) to tell which crisis management tools they were using or planned to use, and which ones they were avoiding. For the sake of easier understanding the 29 measures were grouped into categories with regard to the target they serve. According to this grouping, the measures aim to (1) improve liquidity; (2) decrease expenditures; (3) stabilise, improve and rearrange market position; (4) enhance business solidarity; and (5) adapt in any other way.

First of all, the analysis proves that the categories listed above are similarly arranged on the mental map of respondents, judging by their order of utilisation. Decreasing expenditures counted as the most popular crisis management strategy, followed by (2) the

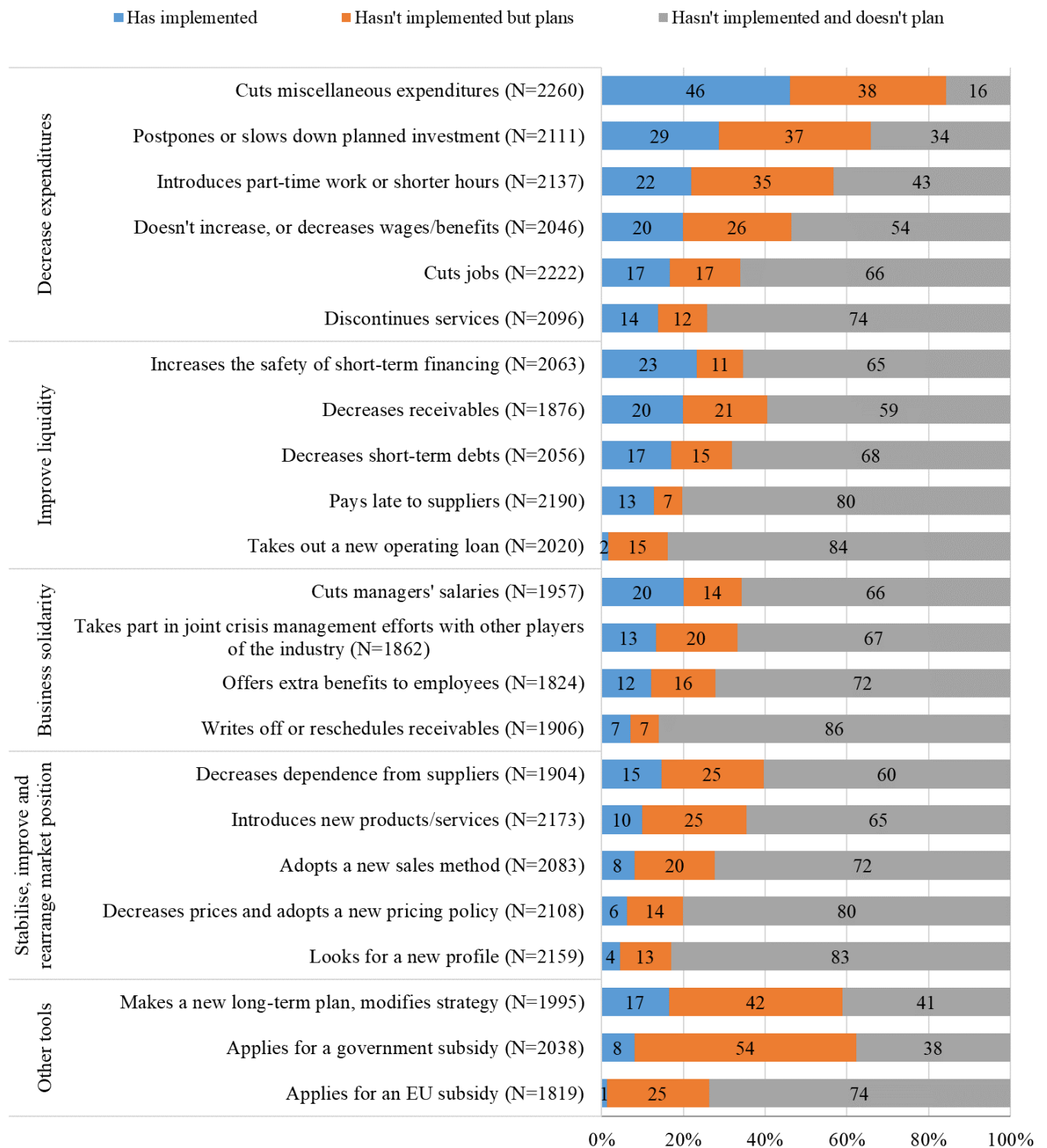
improvement of liquidity, (3) the enhancement of business solidarity, and (4) the stabilisation, improvement and rearrangement of market position. This clearly shows that the first steps were taken to reach quick results and put out fires.

The five most popular tools already used include the reduction of miscellaneous expenditures (46 per cent), the slow-down and postponement of investments (29 per cent), the introduction of part-time work or shorter hours (22 per cent), the improvement of security of short-term financing, e.g. by extending bank loan periods or making use of a repayment moratorium (23 per cent), and the postponement of rising wages and benefits, or in some cases, the payment of decreased wages (20 per cent).

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<sup>1</sup> 20 per cent of respondents also reportedly decreased receivables and decreased managers' salaries. The ones who intend to take these measures in the future were smaller in number (21 and 14 per cent, respectively).

Figure 1. Crisis management tools to counter the economic effects of the COVID-19 pandemic as used by companies in Hungary, per cent



Source: IEER 2020

The fact that the rate of companies intending to introduce the measures above (with the exception of granting short-term financing) was also high (26-38 per cent) further highlights the marked role of those crisis management tools.

Small companies with 1–9 employees most typically decreased miscellaneous expenditures (51 per cent), slowed down or postponed investments (38 per cent), decreased managerial salaries (32 per cent), introduced part-time work (27 per cent) and reduced the amount of short-term debts (20 per cent). These measures had been taken before they were surveyed. Among companies with 10–49 employees, the reduction of miscellaneous expenditures (45 per cent), the slow-down or postponement of investments (32 per cent), cutbacks on managers' salaries (28 per cent) and the introduction of part-time work (27 per cent) are still among the top five most popular measures, however, the rate of such companies employing the measure increasing the safety of short-term financing is also markedly high (31 per cent). Almost a half of companies with 50–249 employees (47 per cent) cut back on miscellaneous expenditures, and over a quarter of them (26 per cent) tried to increase the safety of their short-term financing. Furthermore, every fifth respondent attempted to become less dependent on their suppliers for example by renegotiating contracts (22 per cent), attempted to decrease debts (21 per cent) and to introduce part-time work (21 per cent). 44 per cent of companies with 250+ employees decreased their miscellaneous expenditures, 26 per cent slowed down or postponed investments 21 per cent tried to enhance the safety of their short-term financing, 21 per cent decreased or froze

wages, 18 per cent decreased receivables, and 18 per cent introduced part-time work. In general, it seems clear that bigger companies were not under the necessity of introducing crisis management measures than smaller ones.

In the paragraph below we shall summarise crisis management with regard to industrial sectors. Trade companies and businesses offering miscellaneous economic services were the most frequent to take the measures listed above. A higher than average rate (30 per cent) of trading companies introduced part-time work, while cuts on miscellaneous expenditures was also popular (49 per cent). Trading companies also tended to slow down or postpone investments (31 per cent) and attempted to increase the safety of short-term financing (25 per cent). 53 per cent of companies offering miscellaneous economic services cut back on miscellaneous expenditures, 35 per cent slowed down or put off investments, 30 per cent introduced part-time work and 27 per cent decreased or froze employees' wages and benefits. Besides, both trading companies (25 per cent) and those offering miscellaneous economic services (32 per cent) also cut managers' salaries. Generally, a smaller rate of industrial and construction companies reported to have introduced crisis management measures. Miscellaneous expenditures were decreased by 41 and 34 per cent of them, respectively; investments were slowed down or postponed by 23–23 per cent each; 22 and 21 per cent tried to enhance the safety of their short-term financing; and receivables were decreased by 17 per cent of the companies in each of the two sectors. Besides, 17 per cent of industrial companies decreased or froze wages, while 21 per cent of

construction companies loosened their dependence from suppliers.

In total, the five tools utilised the least frequently include the remission or rescheduling of receivables (7 per cent), lowering of prices (6 per cent), changing company profile (4 per cent), taking out an operating loan (2 per cent), or EU subsidy (1 per cent). With regard to EU subsidies it is important to note, however, that a markedly high rate of companies (25 per cent) planned to exploit the opportunity at a later point; subsidy offered by the government was similar in nature – only 8 per cent of the respondents had accepted it by the time of the survey, but 54 per cent showed need to take it in the future. Trading companies and companies offering miscellaneous economic services were more

markedly exposed to the economic effects of the COVID-19 pandemic, which is highlighted by the fact that they implemented measures such as lowering prices (7–7 per cent), and writing off or rescheduling receivables (12 and 8 per cent, respectively) more frequently as others. The same applies to 1-9 and 10-49 companies. They decreased prices (12 and 10 per cent, respectively) and rescheduled or remitted (9 and 9 per cent, respectively) receivables at more or less the same rate.

Finally it is worth to note that only 17 per cent of respondents had a new long-term plan at the time the survey was taken, while 42 per cent said they would draw up a new strategy later.

## 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	(June)	<b>6.4%</b>	6.6%	6.3%
Germany	Manufacturing Purchasing Managers Index	(June)	<b>45.2</b>	44.6	36.6
	IFO Business Climate Index <sup>1</sup>	(June)	<b>86.2</b>	91.4	79.7
France	INSEE Business Climate Index <sup>2</sup>	(June)	<b>77.8</b>		59.9
	Unemployment Rate	(June)	<b>11.1%</b>	12.3%	13.3%
USA	CB Consumer Confidence Index	(June)	<b>98.1</b>	91.8	<b>85.9</b>
	Manufacturing Purchasing Managers Index	(June)	<b>49.8</b>	49.6	39.8
China	Manufacturing Purchasing Managers Index	(June)	<b>50.9</b>	50.4	50.6

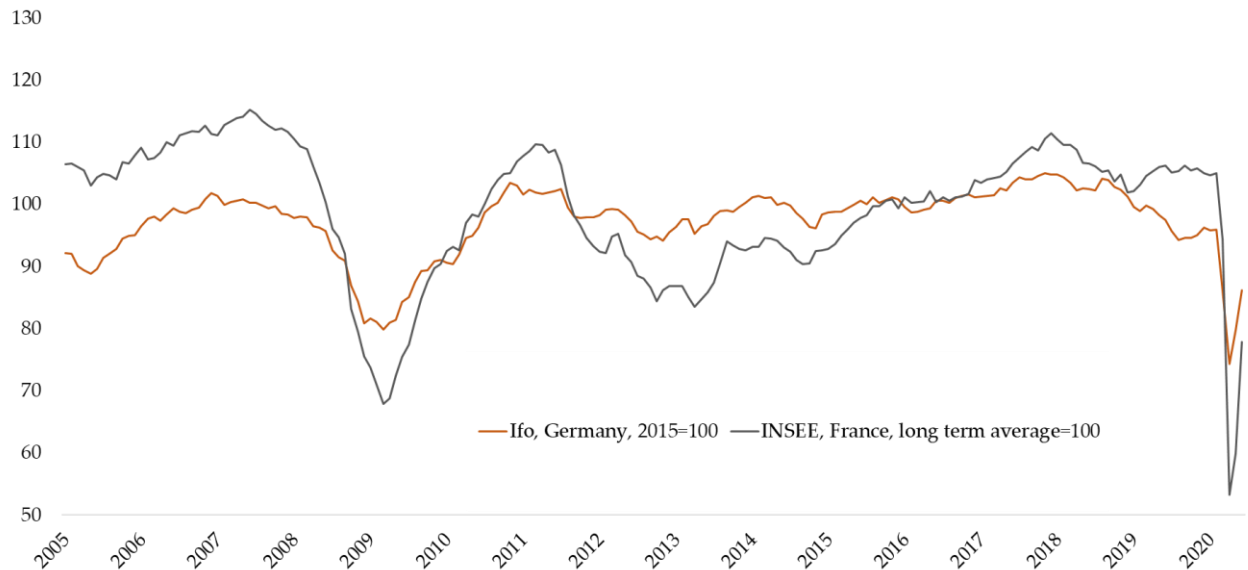
<sup>1</sup><https://www.cesifo-group.de/ifoHome/facts/Survey-Results/Business-Climate/>

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

The rest of the data source: <http://worldeconomiccalendar.com>

In Germany, the IFO business climate index increased compared to last month. The manufacturing purchasing manager index (PMI) has also demonstrated an increase, though doing a bit worse than expected. Unemployment rate slightly ameliorates for Germany, performing somewhat below the expected level. The French INSEE business climate index has increased, compared to last month. In the United States, the CB consumer confidence index demonstrated a significant increase compared to the month prior, also it performed better than expected. The manufacturing PMI has increased significantly, according to prior expectations. The unemployment rate has decreased. The Chinese manufacturing PMI remained the same compared to previous period.

Business confidence in Germany and France,  
based on the Ifo and INSEE business climate survey,  
January 2005 - June 2020



Sources: [www.ifo.de](http://www.ifo.de), [www.insee.fr](http://www.insee.fr)

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In case of publication please cite as follows:  
HCCI-IEER: Monthly Economic Bulletin,  
June 2020, Budapest,

2020-07-14