



Companies in public procurement tenders

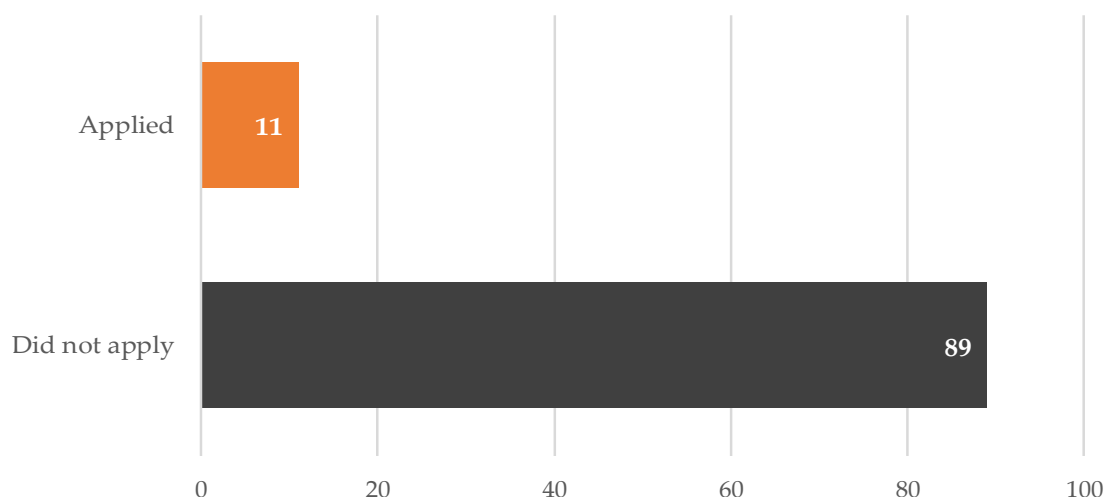
In our analysis we shall present company participation in public procurement tenders, featuring the most active corporate circles and specialisation fields. We shall also consider the information sources on which the companies relied to obtain details about current public procurement tenders. We used January 2018 data from HCCI IEER quarterly Business Climate Survey, which is based on the answers of 400 CEOs leading Hungarian companies.

The results show that participation in public procurement tenders is not common among the companies, only about 10% of them participated in such a tender in the previous year. Among those who participated more than four-tenths said that they applied for government or EU tenders. Less than half of the companies (47%) receive information about current public procurement tenders from any source, and most of them (50%) relies on the Public Procurement Report. 40% relied on business partners and 29% on other sources (e.g. Chamber of Commerce notification mails) and 20% on relatives and acquaintances.

The quarterly Business Climate Survey conducted in January 2018 contained a separate question about public procurement participation for last year. More than a tenth (11%) of the 398 respondents acknowledged having applied for a public procurement tender in 2017 (see figure 1). In this respect, examining various company features revealed that public procurement participation had been more or less even, regardless of company location, size, revenue, ratio of foreign ownership and revenue from exports. Yet

there was a clear distinction in public procurement participation with regard to the sectors the companies operated in. Based on the answers, about a fifth (19%) of construction firms applied for public procurement tenders last year. Participation was also above average in the processing industry (13%). Non-industrial companies are considerably less interested in public procurement tenders – participation was a meagre 8% for businesses providing economic services and 6% for commercial companies.

Figure 1. Companies applying for public procurement tenders (N=398, %)

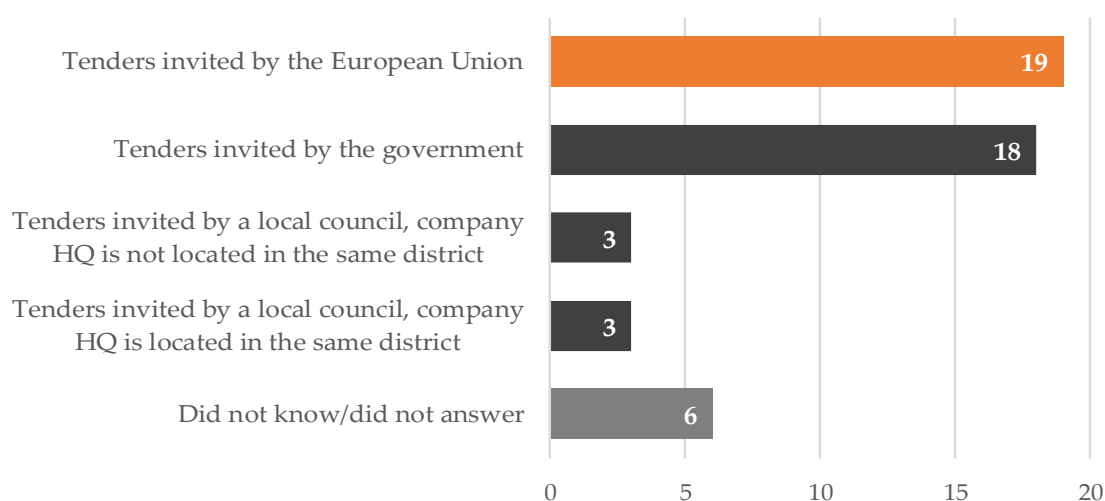


Source: HCCI IEER quarterly Business Climate Survey, January 2018

The features of public procurement tenders for which the 44 companies had applied were also examined. CEOs could select more than one option. Results showed that the participating companies had mainly applied for government and/or EU tenders: More than 40% of CEOs disclosed that their companies had applied for tenders invited by the government (18 companies) and by the European Union (19 companies). Local council

tenders were targeted by far fewer companies. It didn't make much difference if tenders invited by councils were in the same district the companies had their headquarters at or not (3 companies each) (see figure 2). Five companies out of the 44 applied for two tenders in 2017. All five companies were industrial firms (processing and construction industry), and they predominantly applied for government and EU tenders.

Figure 2. Fields of public procurement tenders for which companies applied in 2017 (N=44 CEO respondents)



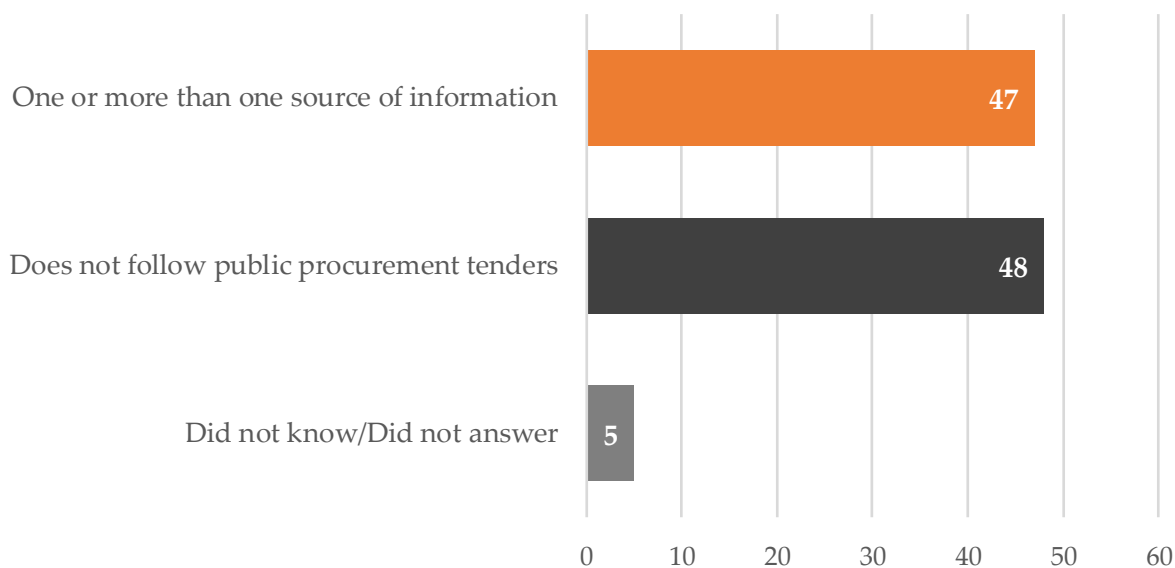
Source: HCCI IEER quarterly Business Climate Survey, January 2018

It is also important to examine the percentage of companies' 2017 revenues originating from public procurement tenders. Out of the 26 businesses that gave a valid answer, 3 claimed that no revenue had been generated by winning public procurement tenders, while the majority (14 companies) reported a revenue rate of not more than 20%. All in all, it can be concluded that almost one quarter (23%) of 2017 revenues of companies involved in public procurement originated from tenders.

The survey also examined the sources of information to see where the details of current public procurement tenders came from. More than one information source could be selected.

We found that almost a half (48%) of the surveyed companies did not follow public procurement tenders at all. A further 5% could not or did not want to answer this question. This means that fewer than a half of the 400 responding CEOs (47%) mentioned one source or more sources of information (see figure 3). Based on the main features of the companies surveyed it may be assumed that construction firms, big companies (with more employees and revenue), as well as companies active in fields of commerce and economic services were more likely to be informed about public procurement tenders. These companies also tended to obtain information from more than one source.

Figure 3. Surveyed companies that receive information about current public procurement tenders from any source (N=400, %)



Source: HCCI IEER quarterly Business Climate Survey, January 2018

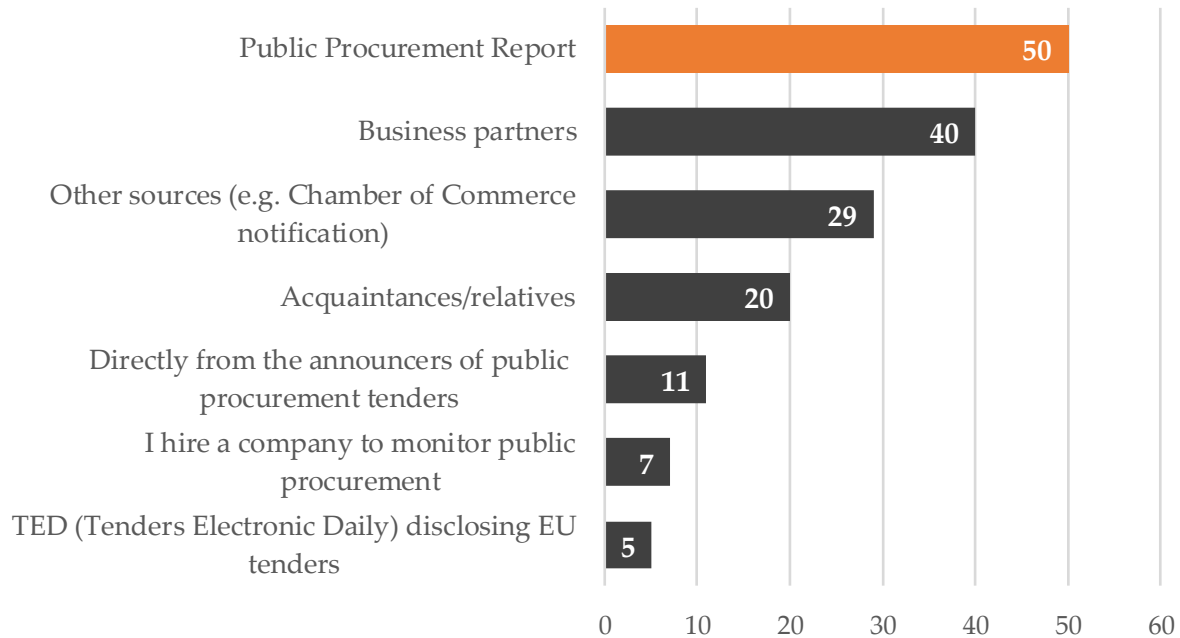
Of the 189 companies that followed public procurement tenders, a majority by a thin margin (50%) relied on the Public Procurement Report. 40% relied on business partners and 29% on other sources (e.g.

Chamber of Commerce notification mails) and 20% on relatives and acquaintances. Slightly more than 10% of the companies involved in public procurement claimed to have been informed directly by the authority announcing the tender (11%). 7% of the

businesses commissioned a company specialising in monitoring public procurement, and 5% browsed TED (Tenders

Electronic Daily) to apply for EU tenders (see figure 4)

Figure 4. Respondents' sources of information about current public procurement tenders (N=189, %)



Source: HCCI IEER quarterly Business Climate Survey, January 2018

Data clearly show that there is a positive correlation between the size of a company and the extensiveness of its networks. The larger the company (number of employees, revenue), the bigger the chance that public procurement details are obtained from business partners, relatives and acquaintances (among others). The "grapevine" i.e. the information network is strongest in the central region (Budapest, Pest county) and in the commercial sector, with

relatives and acquaintances mentioned as sources of information by 29% and 32% of respondents, respectively. It should also be highlighted that businesses providing economic services and those without any export flow generally acquire information on public procurement from other sources, e.g. Chamber of Commerce notification mails. A markedly high proportion of 48% and 34%, respectively, was found.

Growth continues in 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 economic growth of the Eurozone continues to rise due to export demand and global economic activity. The increase is expected to be 0.6% in the first and second quarters, and continues to grow at a slightly moderate pace in the third quarter, by 0.5%. Economic activity is driven by favourable financial conditions in investments and upward tending capacity utilization. Investment is going to grow in the first quarter, then slightly slow down in the second and third quarter. Improvements in the labour market support the growth of private consumption. Inflation may increase only in the second half of the year.

Vigorous growth in global economy¹

As a result of the increase in economy worldwide, global activity remains strong. The real GDP of the G20 area increased by 3.8% in 2017. Growth prospects in developed countries are positive and improved in some emerging countries, such as China, as well.

Growth in the Eurozone was somewhat slower in the last quarter of 2017 (0.6%) than in the previous two quarters (0.7%), mainly driven by exports and investments, which contributed 0.9 and 0.2 percentage points to the GDP increase. Private consumption, in contrast, increased at a lower level than in previous quarters.

Consumer confidence, after being at an outstanding level in January, dropped in February, however it remains at an above average level due to improving labour market conditions. Unemployment rate is at a record low level since December 2008 (8.6%) and a solid growth is expected in private consumption: according to the forecast it is expected to increase by 0.5% in the first and

second quarters, and by 0.4% in the third and fourth quarters.

Bank lending conditions in the Eurozone will continue to improve and according to the latest survey by the European Central Bank investments will tend to increase further: after a growth of 1% in the first quarter, a slightly lower pace is expected, 0.9% in the second and 0.7% in the third quarter. In total the economic activity of the Eurozone is expected to increase by 0.6% in the first and second quarter, and by 0.5% in the third quarter.

Modest industrial production

After a significant rise of 1.5% in 2017, industrial production decreased in January, due to the fall in production of energy, durable consumer good and intermediate goods. Industrial production is expected to grow to a lesser extent in 2018: by 0.9% in the first, 0.7% in the second, and 0.5% in the third quarter.

¹ Eurozone Economic Outlook March 2018. Available: <https://www.cesifo-group.de/ifoHome/facts/Forecasts/Euro-zone-Economic-Outlook/Archive/2018/eeo-201803.html>

Acceleration in inflation

Core inflation was 1.2% in the first months of 2018 but expected to gradually increase as a result of economic growth. According to the European Commission’s surveys expectations of industry managers regarding selling prices remained high and consumers’ expectations

did not decrease significantly. At a stable price of 66 USD per barrel and the USD/Euro exchange rate of 1.23 the harmonized index of consumer prices is forecast to be 1.3% in the first quarter, increase to 1.6% in the second quarter, and reach a level of 1.7% in the third quarter.

Forecasted increase in industrial production compared to previous quarter, Eurozone (%), 2017Q2-2018Q3



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

**Forecasted GDP growth compared to previous quarter, Eurozone (%),
2017Q2-2018Q3**



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

**Forecasted increase in consumption compared to previous quarter,
Eurozone (%), 2017Q2-2018Q3**



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

**Forecasted increase in investment compared to previous quarter,
Eurozone (%), 2017Q2-2018Q3**



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

Inflation Forecast, Eurozone (%), 2017Q2-2018Q3



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

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	(Apr)	5.3%	5.3%	5.4%
Germany	Manufacturing Purchasing Managers Index	(Apr)	58.1	58.1	58.1
	IFO Business Climate Index ¹	(Apr)	102.1	102.8	103.3
France	INSEE Business Climate Index ²	(Apr)	108		109
	Unemployment Rate	(Apr)	4.1%	4.0%	4.1%
USA	CB Consumer Confidence Index	(Apr)	128.7	126.0	127.0
	Manufacturing Purchasing Managers Index	(Apr)	56.5	56.5	56.5
China	Manufacturing Purchasing Managers Index	(Apr)	51.4	51.3	51.5

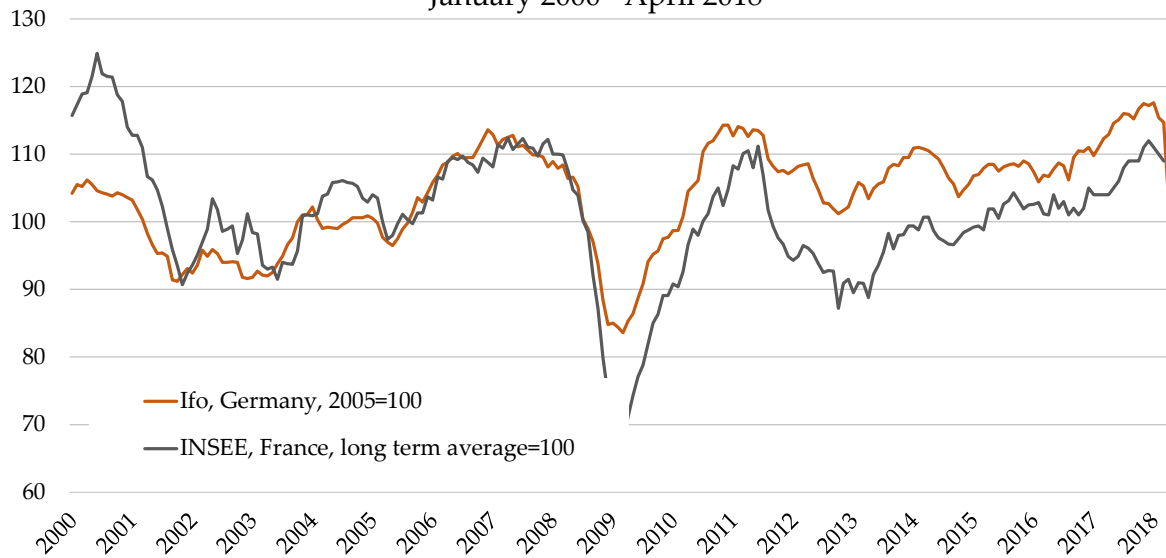
¹ <https://www.cesifo-group.de/ifoHome/facts/Survey-Results/Business-Climate/>

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

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

The German economy's performance descended in April. The unemployment rate slightly decreased since the last month. The manufacturing purchasing manager index (PMI) decreased to some extent compared to the last month. The IFO business climate index, after having been at a record level in March, robustly declined in April, despite the expectations. The French INSEE business climate index has decreased again compared last month. In the United States the CB consumer confidence index rose at a somewhat higher level than it was expected. The manufacturing PMI was slightly higher compared to the previous months. The unemployment rate was slightly higher than the expectations. The Chinese manufacturing PMI after a decrease in February increased again in March and April as well.

Business confidence in Germany and France,
based on the Ifo and INSEE business climate survey,
January 2000 - April 2018



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