# Monthly Bulletin of Economic Trends

## November 2019

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## Findings of the IEER Business Climate Survey taken in October 2019: Business situation worsening, expectations more pessimistic

**The latest Business Climate Survey taken by IEER is based on the answers of 2268 CEO respondents. According to the results, the Business Climate Index dropped back to 46 points in October 2019 from 58 points measured in April. This has been the lowest score since October 2015.Businesses thus seem to judge the business climate as being far less favourable than before, meaning that the improving tendency starting in October 2017 broke. The reason behind this may be that expectations concerning the future business situation, investments and orders all became more pessimistic in the previous half. It was the business situation outlook that dropped back the most significantly.**

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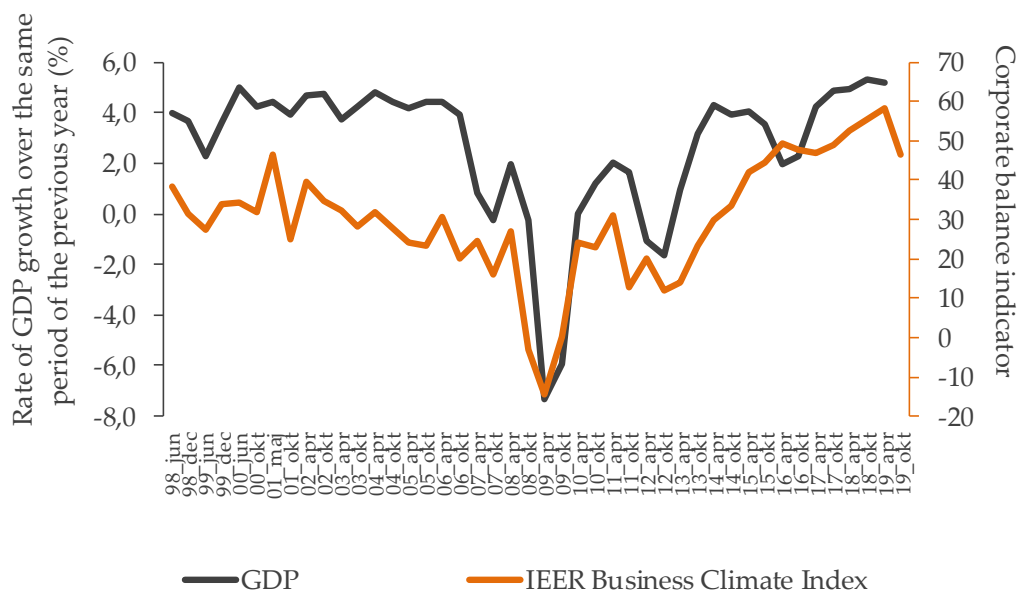
The Uncertainty Index was 8 points higher than in April, this time at 44 points. This might mean that the companies' business situation assessment has become less uniform compared to the time the previous study was taken.

### The IEER Business Climate Index by company features

The Business Climate Index was the highest for trading companies (+56 points), while for companies in the construction industry it was somewhat lower (49 points). Business service providers and businesses in the processing industry are at 48 and 42 points, respectively. Half-on-half results show that it was the processing industry that experienced the heftiest drop (19 points since April). Corporations in the construction industry, service providers and trading companies all scored lower – by 11 points, 7 points and 3 points, respectively – than in the previous half.

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**Fig. 1: GDP and the IEER Business Climate Index**



*Source: Hungarian Central Statistical Office, IEER 2019*

*Note: GDP – half-yearly growth rates adjusted for seasons and calendar effect, calculated from balanced data, same period of the previous year = 0. GDP left axis - IEER Business Climate Index: right axis*

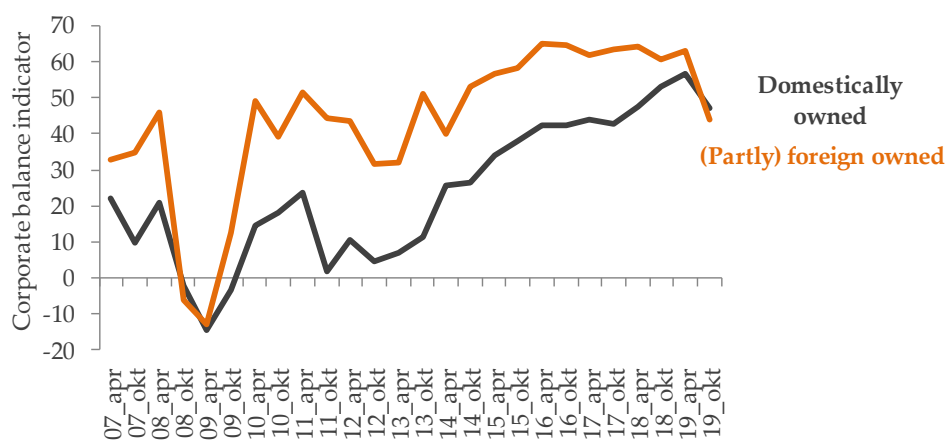**Fig. 2: IEER Business Climate Index by economic sector**
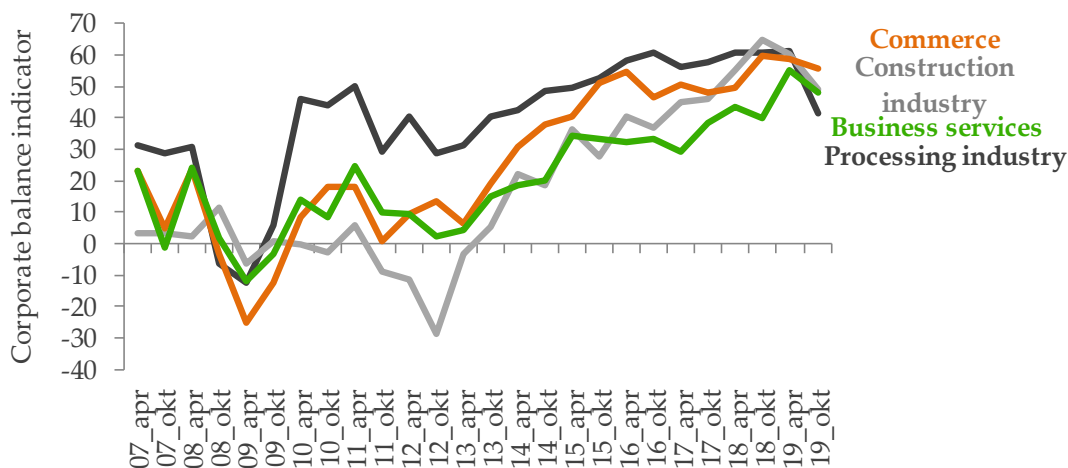


*Source: IEER 2019*

**Please note that** *the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.*

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The examination of companies by ownership structure shows that the Business Climate Index is higher for domestically owned companies (+47 points) than for companies of (partially) foreign ownership (+44 points). In comparison with the results calculated in the previous half, the Business Climate Index was 19 points lower among companies of (partially) foreign ownership and 10 points lower for domestically owned companies.
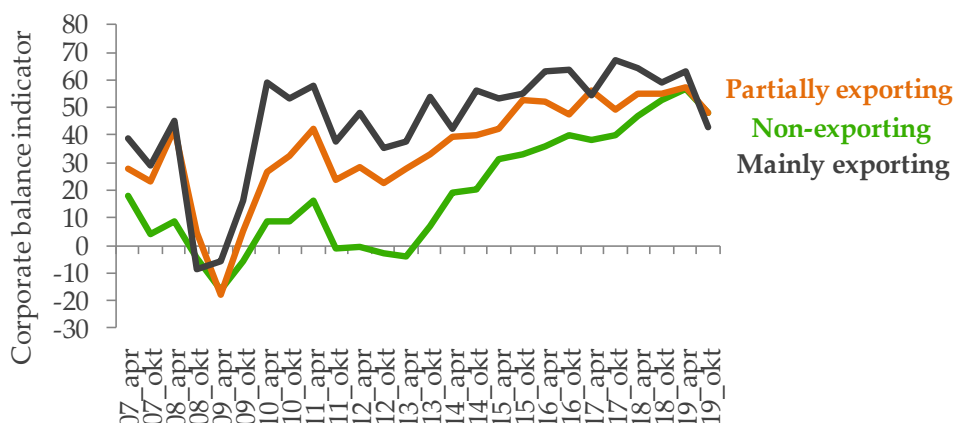
**Fig. 3: IEER Business Climate Index by ownership structure**



*Source: IEER 2019*

***Please note that*** *the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.*

**Fig. 4: IEER Business Climate Index by export activity**



*Source: IEER 2019*

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**Fig. 5: IEER Business Climate Index by the number of employees**
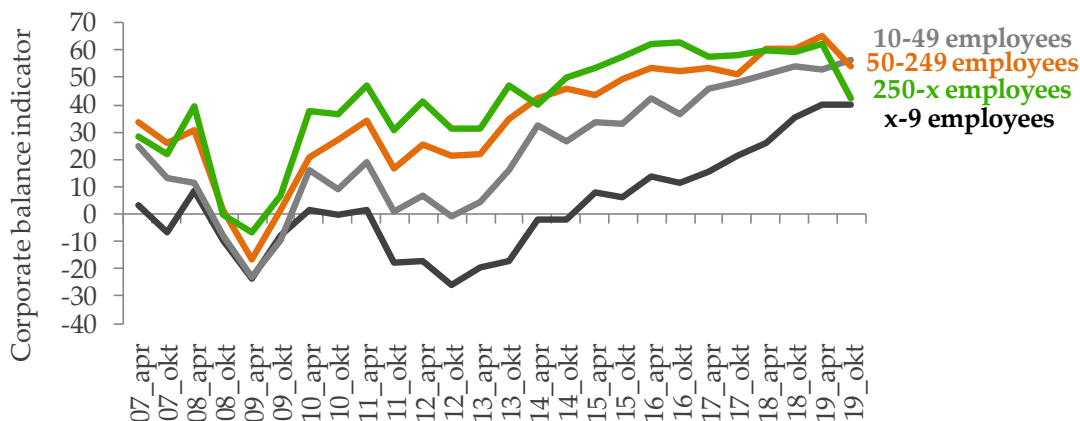


*Source: IEER 2019*

*Please note that the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +100. -100 indicates that all of the surveyed companies assessed their situations to have been negative, while +100 indicates that all of the surveyed companies assessed their situations to have been positive.*

With regard to exporting activity, the Business Climate Index was higher in the groups of non-exporters (+48 points) and minor exporters (+48 points) than in the one of major exporters (+43 points). In comparison with the previous half, the index was 20 points lower for major exporters while for minor exporters and non exporters, the drops were 9 points each. Analysis by company size shows that the expectations of big companies worsened considerably, whereas those of smaller companies remained virtually the same as in April. Respective Business Climate Index values were the following: +40 points for small companies with fewer than 9 employees, +56 points for 10-49 companies, +54 points for 50-249 companies and +42 points for large, 250+ companies. Since April, the drop was 20 points for the largest companies and 11 points for 50-249 companies. Interestingly there was a 3 point increase in the 10-49 group, and for the smallest companies the score calculated in April remained unchanged.

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# The automatability of jobs in Hungary

**Today, the spread of automatization and digitalisation are considered as key factors in labour market trends. Studies focusing on possible effects usually start out from the presumption that technological development will enable the substitution of living workforce employed to do certain existing tasks. In such fields the demand for labour will decrease, while in other fields – especially in those that develop and operate new technologies – demand for labour is expected to increase. In the Central Eastern European region the development rate of automatization is estimated to surpass the European average soon, and so, effects on the labour market are expected to appear in our region, too. In its research, HCIC IEER was examining the automatability of officially registered jobs in Hungary, and compared the results with current employment figures. This paper summarises the findings of the research by territories.**

## Introduction

The researchers of HCIC IEER considered the automatability level of each job appearing in the FEOR official register by consulting the respective job descriptions to check the number of automatable sub-tasks. Tasks that are routinous and easy to define – and as a result, that are programmable – and tasks that can be done by robots and computers at the present technological level were considered automatable. In certain fields automation is still not applicable: non-routinous, abstract and complex tasks can't be done by machines, and skills such as dexterity, creative and social intelligence can't be substituted by computers. For such tasks, computers can only take an auxiliary role to assist humans.

With respect to the automatability of the tasks relevant to each job, the jobs were categorised into 5 groups based on their task automatability levels. Jobs with no automatable tasks are in group 1, and jobs with all tasks automatable are in group 5. This categorisation highlights the fact that automation doesn't necessarily mean that jobs concerned would be phased out. For the majority of the jobs it's true that some tasks are potentially automatable, whereas other tasks

cannot be done by machines at the present technological level.

The majority of the jobs in Hungary were listed into the non-automatable category: in the official register of FEOR there are 122 jobs with non-automatable tasks. 79 jobs already include automatable tasks, but most of them are non-automatable. 93 jobs are partly automatable, with about 50% of automatable tasks. The majority of tasks are automatable at 90 jobs, and, finally, there are 29 jobs where all or almost all of the tasks included in the job descriptions are automatable. The last two categories are the most exposed on the account of automatization impacts.

## Results by districts

The job categories by automatability were compared with the territorial employment figures of the national tax authority, NAV. According to their 2018 data, 164 496 people are working fully automatable jobs and a further 567 313 are at workplaces where most of the tasks would be automatable, out of a total of 3 743 689 employees. The largest proportion of the employees, 37% are working

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jobs where automation can only play an auxiliary role and 18% are doing non-automatable work.

Country level figures show that the highest rates of fully or mostly automatable jobs were found in Fejér (24%), Komárom-Esztergom and Vas (23%-23%) in 2018. The rate is 22% in Pest, 21% in Bács-Kiskun and 21% in Veszprém. The rate of employees at most exposed workplaces is the lowest in Nógrád (16%), Baranya (17%), Tolna (17%) and Heves (17%).

The rate of employees working jobs that are regarded as fully automatable is the highest in Pest county (8%), in Fejér county (7%) and in Vas county (7%), and the lowest in Tolna county (below 3%).

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### Figure 1. – The rate of workers employed in the most automatable jobs by county



■ Rate of workers in jobs consisting of mainly or fully automatable tasks ■ Rate of workers in fully automatable jobs
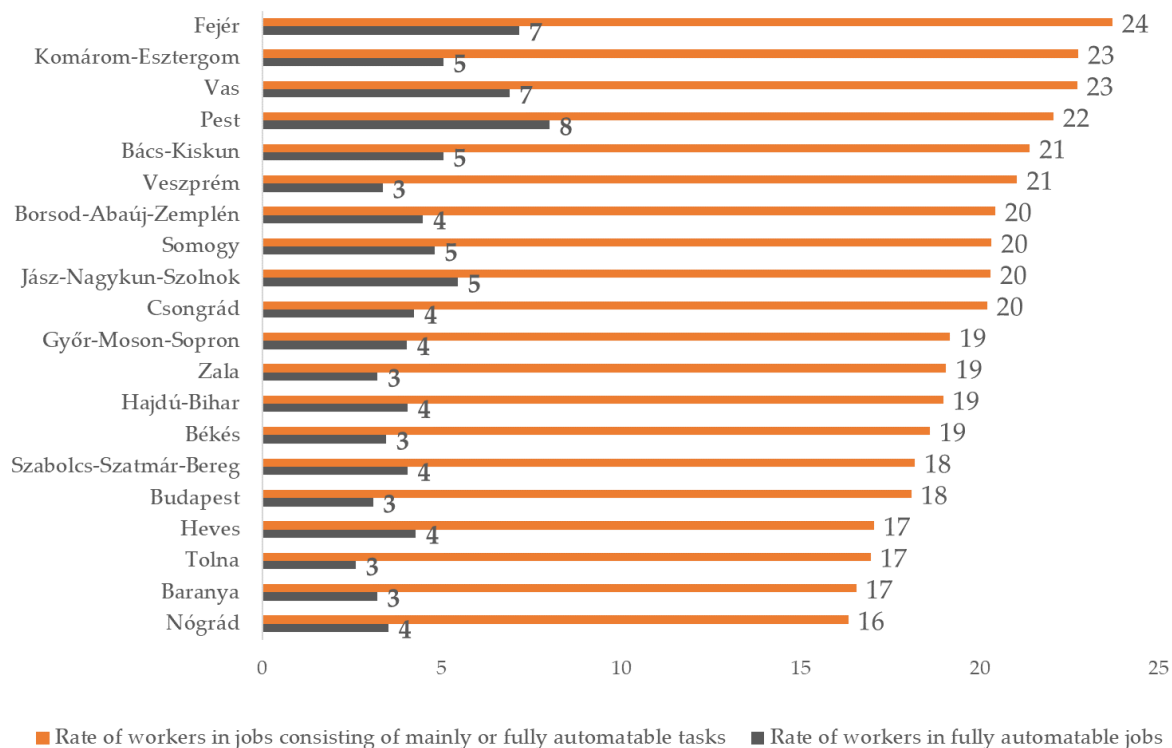
The rate of employees working in the most exposed – i. e. fully or almost fully automatable – workplaces is the highest in the boroughs of Csenger and Gyál (38% in both districts) among all boroughs. There are four boroughs with rates above 30% - Bicske (36%), Szentes (33%), a Komárom (31%) and Budakeszi (30%). The rate of mostly or fully automatable jobs are about 14% in the least exposed boroughs, such as the ones of Vác, Paks, Gyula and Pécs. In Budapest, the rate of employees at exposed workplaces is 18%.

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With regard to the number of employees, the greatest number of automatable and mostly automatable jobs are filled in Budapest (246 thousand employees) and in the boroughs of Budakeszi (23 thousand people), Miskolc (17.5 thousand people i. e. 22% of all employees working there) and Székesfehérvár (17 thousand people, 23%), and the numbers are above 10 thousand people in most of the boroughs centred around larger towns like Debrecen (16 thousand), Győr (15 thousand), Kecskemét (14 thousand), Szeged (13 thousand), Szombathely (11 thousand) and Nyíregyháza (10 thousand employees).

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## 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 |
|---|---|---|---|---|---|
| **Germany** | Unemployment Rate | (Nov) | **5.0%** | **5.0%** | **5.0%** |
| | Manufacturing Purchasing Managers Index | (Nov ) | **43.8** | **42.9** | **42.1** |
| | IFO Business Climate Index[1] | ( Nov ) | **95.0** | **92.1** | 94.6 |
| **France** | INSEE Business Climate Index[2] | ( Nov ) | **105.3** | | **105.4** |
| **USA** | Unemployment Rate | ( Nov) | **3.6%** | 3.6% | 3.6% |
| | CB Consumer Confidence Index | ( Nov ) | **125.5** | 127.0 | 126.1 |
| | Manufacturing Purchasing Managers Index | ( Nov ) | **52.6** | 52.2 | 52.2 |
| **China** | Manufacturing Purchasing Managers Index | ( Nov) | **50.2** | **49.5** | **49.3** |

[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

In Germany, the IFO business climate index remains virtually unchanged, with less than half point increase. The manufacturing purchasing manager index (PMI) shows an increase, doing better than expected, while the unemployment rate stagnates at the same level. The French INSEE business climate index remains unchanged compared to the month prior. In the United States, the CB consumer confidence index continued its decrease significantly compared to the to the previous months and is far below than expected. The manufacturing PMI remained unchanged. The unemployment rate remained the same. The Chinese manufacturing PMI showed a slight increase.

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## Business confidence in Germany and France, based on the Ifo and INSEE business climate survey, January 2005 -November 2019



Legend:
- Ifo, Germany, 2015=100
- INSEE, France, long term average=100
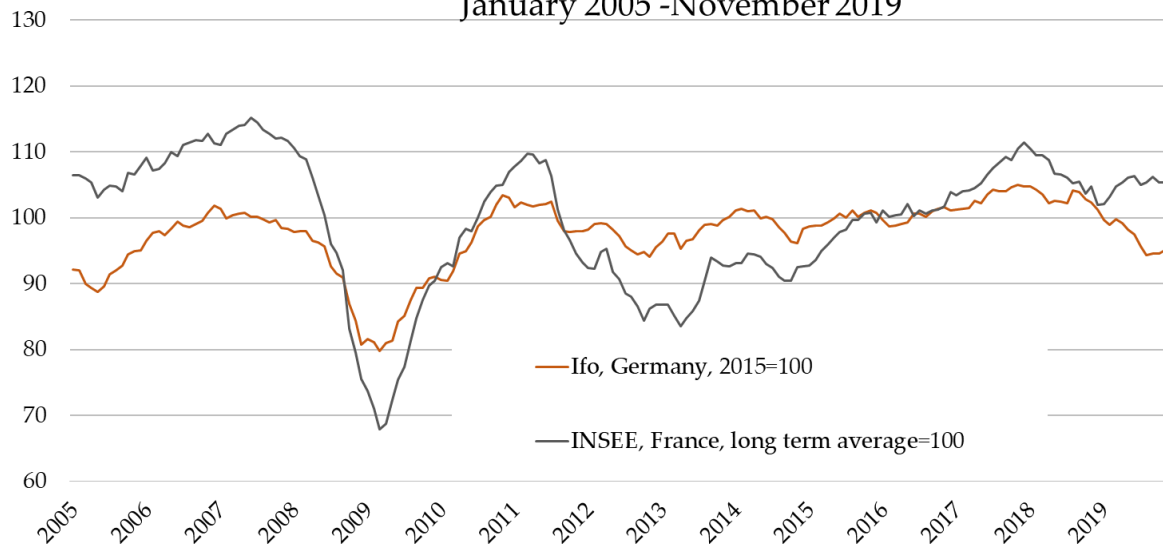
*Sources: www.ifo.de, www.insee.fr*

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