Monthly Bulletin of Economic Trends

December 2019

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

The Quarterly Business Climate Survey taken by the Institute for Economic and Enterprise Research (IEER) of the Hungarian Chamber of Industry and Commerce is based on the answers of 400 CEO respondents about their business situation and expectations. According to October 2019 results, business climate deteriorated compared to July 2019

The Quarterly Business Climate Survey taken by the Institute for Economic and Enterprise Research (IEER) of the Hungarian Chamber of Industry and Commerce is based on the answers of 400 CEO respondents about their business situation and expectations. According to October 2019 results, business climate deteriorated compared to July 2019: the Quarterly Business Climate Index dropped from 33 points to 26 (see fig. 1).

By sectors, the Quarterly Business Climate Index was the highest among trade companies (+32 points). Companies offering business services (+31 points) rank as second, followed by processing companies (+24 points) and construction companies (+19 points). Quarter-on-quarter, the fall was 30 points in the construction industry, 11 points in the trading industry, 6 points in the processing industry, and 4 points with companies offering business services.

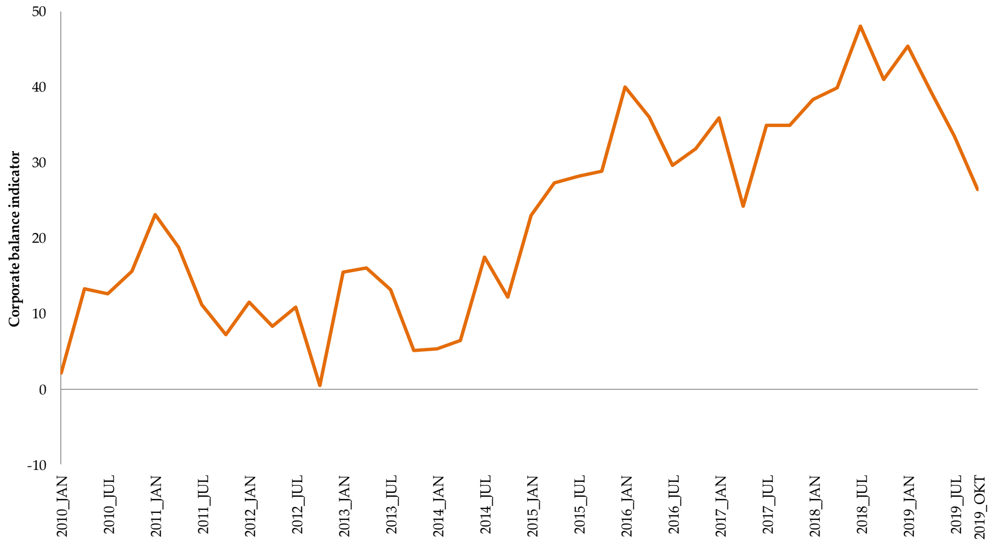
Regarding exports, the lowest (+22 points) Quarterly Business Climate Index value was reached by major exporters, whereas it was +33 points in the group of minor exporters and +27 points for non-exporters. Compared to the previous quarter, the index decreased by 12 points in the group of minor exporters, by 11 points in the group of non-exporters, and by 4 points in the group of major exporters.

The Quarterly Business Climate Index was +31 points in the group of companies with 20-49 employees; 50–99 companies scored +25 points, 100–249 companies scored +31 points, and 250+ companies scored +25 points. A downward tendency was measured all throughout: compared to July, there was a 14 point fall in the 50–99 category, a 7 point fall in the 250+ category, a 6 point fall in the 20-49 category and a 4 point fall in the 100-249 category.

The Quarterly Business Climate Index has ten components, such as:

- current/expected business situation;
- current/expected profitability;
- expected investing activity;
- current stock orders;
- production level in the previous half/expected production level;
- expected changes in employee numbers;
- expected capacity utilisation.

Figure 1 The Quarterly Business Climate Index, 01. 2010 – 10. 2019

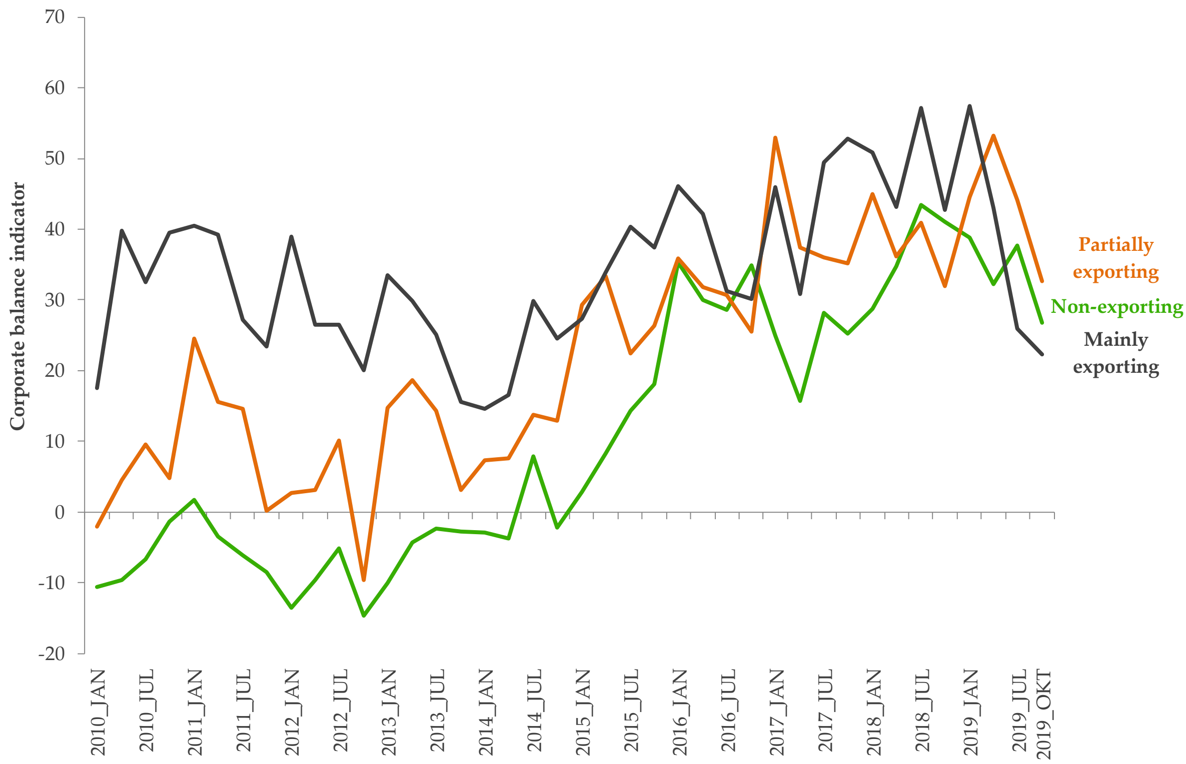


Source: IEER 2019
Please note that *the score in the figure is a balance indicator projected on a scale of 100. In all cases, the balance indicator shows the difference between the rate of companies providing positive and negative situation reports. The indicator therefore spans a scale from -100 to +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.*

Figure 2 The Quarterly Business Climate Index by economic sector, 01. 2010 – 10. 2019

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.*

Figure 3: The Quarterly Business Climate Index by exporting activity, 01. 2010 – 10. 2019



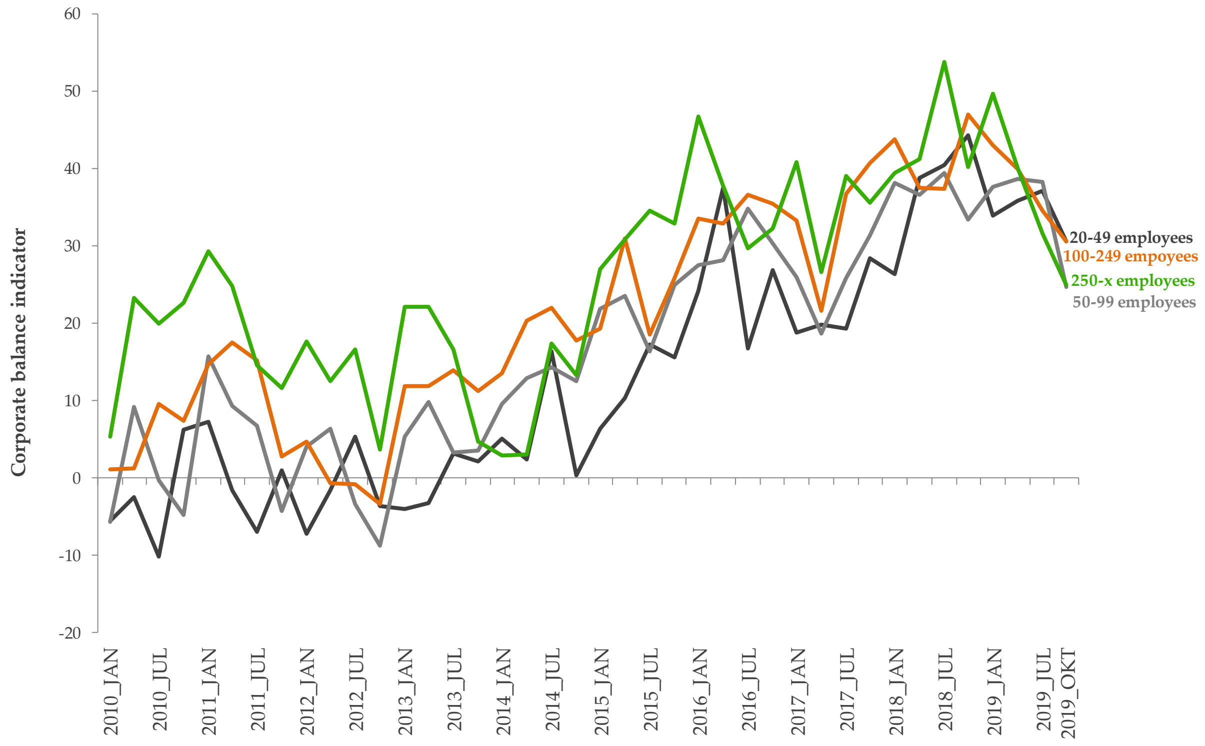
Source: IEER 2019

***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.*

Considering sub-indicators it seems apparent that CEOs are more pessimistic about all of them, with the exception of current profitability, compared to levels measured in July 2019. Comparing the data from those taken in the same period of the previous year once again show that all but one indicator – expected level of investments this time – declined, and businesses tended to judge their business situation more negatively than in October 2018.

October 2019 data show that large companies are generally more pessimistic about their situation than SMEs, although three sub-indicators such as „current business situation", „expected business situation", and „current profitability" are lower among SMEs. There was a considerable difference between large companies and SMEs regarding sub-indicators „current profitability", „production level in the previous half" and „expected production level". Production levels at present and in the future are seen by SMEs more positively than by 250+ companies. Still, all sub-indicators worsened in the SME sector and among large companies, too, however, the latter group produced a better figure for „current profitability" than last time.

Figure 4: The Quarterly Business Climate Index by company size, 01. 2010 – 10. 2019



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.*

Employment of disadvantaged or disabled workers in Hungary

This survey of the Institute for Economic and Enterprise Research (IEER) of the Hungarian Chamber of Industry and Commerce deals with the employment of disadvantaged or disabled workers in Hungary, based on October 2019 data of IEER's Quarterly Business Climate Survey with 2268 CEO respondents. Data show that 62 per cent of companies employing at least 10 workers (N=889) employ disadvantaged or disabled workers, especially 50-249 companies (69%) and 250+ companies (78%). Concerning economic sector, companies in the processing industry tend to employ such workers at the highest rate (71%). Companies generally quoted two reasons as motivational factors in their choice to employ disadvantaged or disabled workers: the avoidance of rehabilitation contribution (67%) and social responsibility (63%). The majority of companies that currently do not employ such people (34%) said that professional help and creating appropriate working conditions would be the most efficient incentives to employ disadvantaged or disabled workers.

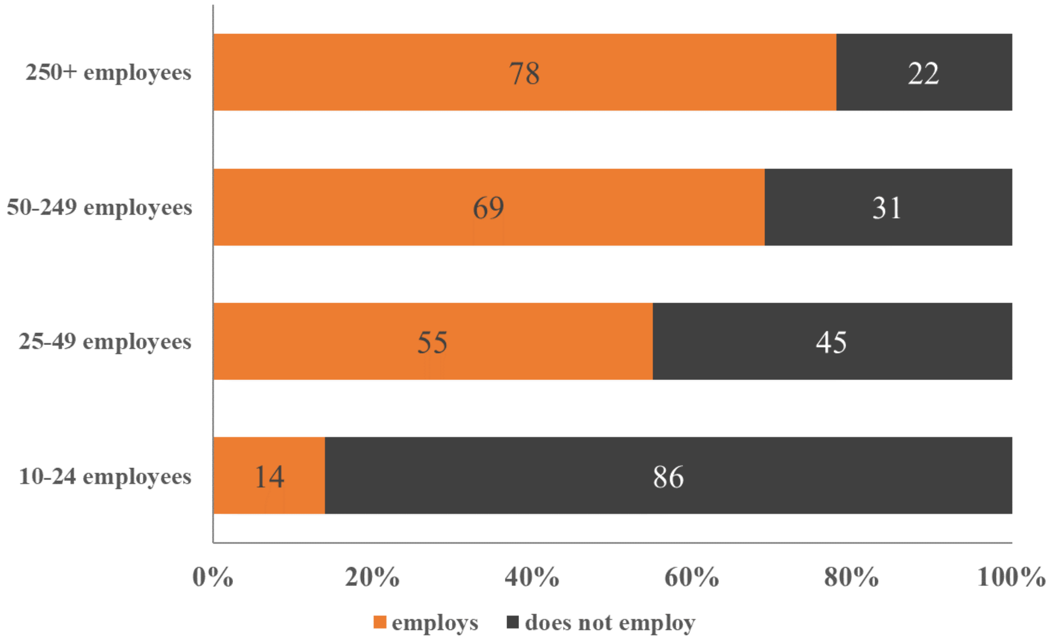
Germany's relation with CEE (and more importantly with V4) countries

In the course of a regular half-yearly business climate survey in October 2019, the Institute for Economic and Enterprise Research (IEER) of HCIC surveyed 2268 companies about the employment of disadvantaged or disabled workers. For the analysis only companies employing at least 10 workers were considered (N=942). As for the number of employees the sample of responding companies is representative with regard to company size and economic sectors.

Upon creating the categories of company size, the regulation[1] prescribing that employers of 25+ companies pay a rehabilitation contribution to promote creating jobs for disadvantaged or disabled workers provided that the number of disadvantaged or disabled workers employed by the company does not reach 5 per cent of the employees in total (i. e. the obligatory employment level), had to be taken into consideration. As a result, 10-24 companies were listed into a separate category.

62 per cent of respondent companies involved in the survey (N=889) employ disadvantaged or disabled workers, and our analysis shows that inclination to employ such people depends on company size. While 10-24 companies – exempt from paying rehabilitation contribution – have a low rate of 14 per cent, the inclination among 25-49 companies is 55 per cent, and the rates shoot up to 69 and 78 per cent at 50-249 companies and 250+ companies, respectively. So the bigger the company, the inclination to employ disadvantaged or disabled workers seems to be bigger, too.

Figure 1 Rate of disadvantaged or disabled workers with respect to company size, per cent, N=889

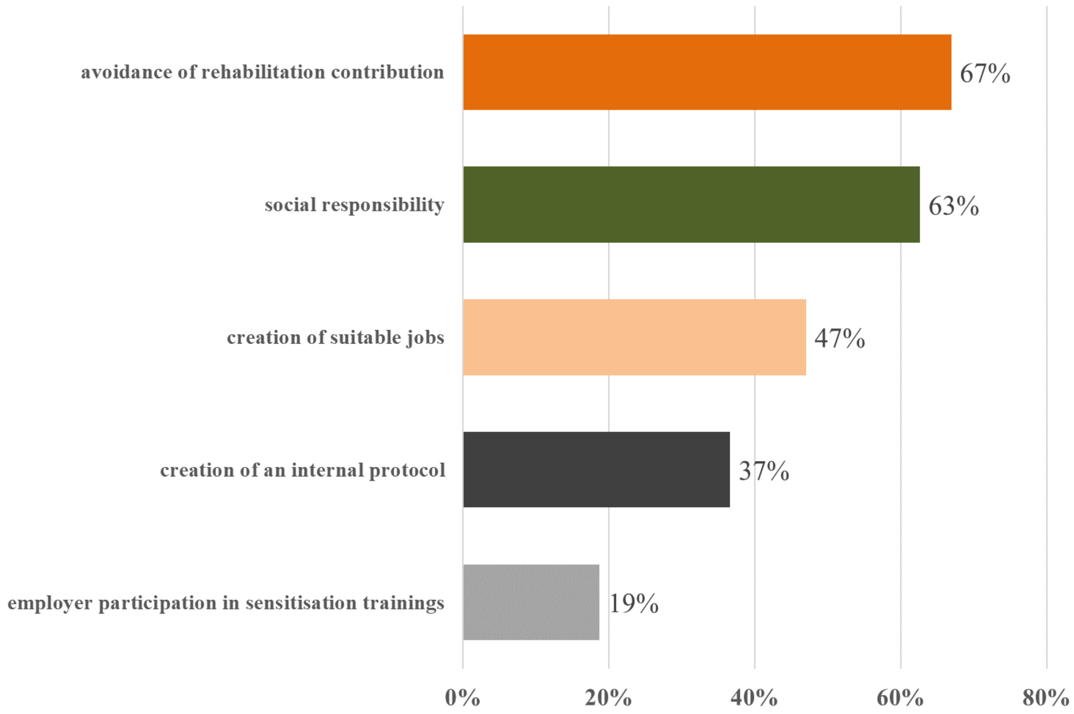


Source: IEER 2019

If we examine the data by economic sector, there is once again a significant difference in distribution. The employment of disadvantaged or disabled workers is the most widespread in the processing sector (71%), followed by the sector providing miscellaneous economic services (59%), and trade (54%), with construction industry (45%) being the least inclined to create jobs for such workers.

Companies that admittedly employ disadvantaged or disabled workers (N=430–467) were inquired about important factors. 67 per cent marked the avoidance of rehabilitation contribution as an answer, 63 per cent chose social responsibility, 47 per cent chose creating suitable jobs for disadvantaged or disabled workers, and 37 per cent opted for creating an internal protocol for rehabilitation employment. It should be noted here that employers' participation in sensitisation trainings was only chosen as an important factor by 19 percent.

Figure 1. Factors promoting the current employment of disadvantaged or disabled workers, N=430–467

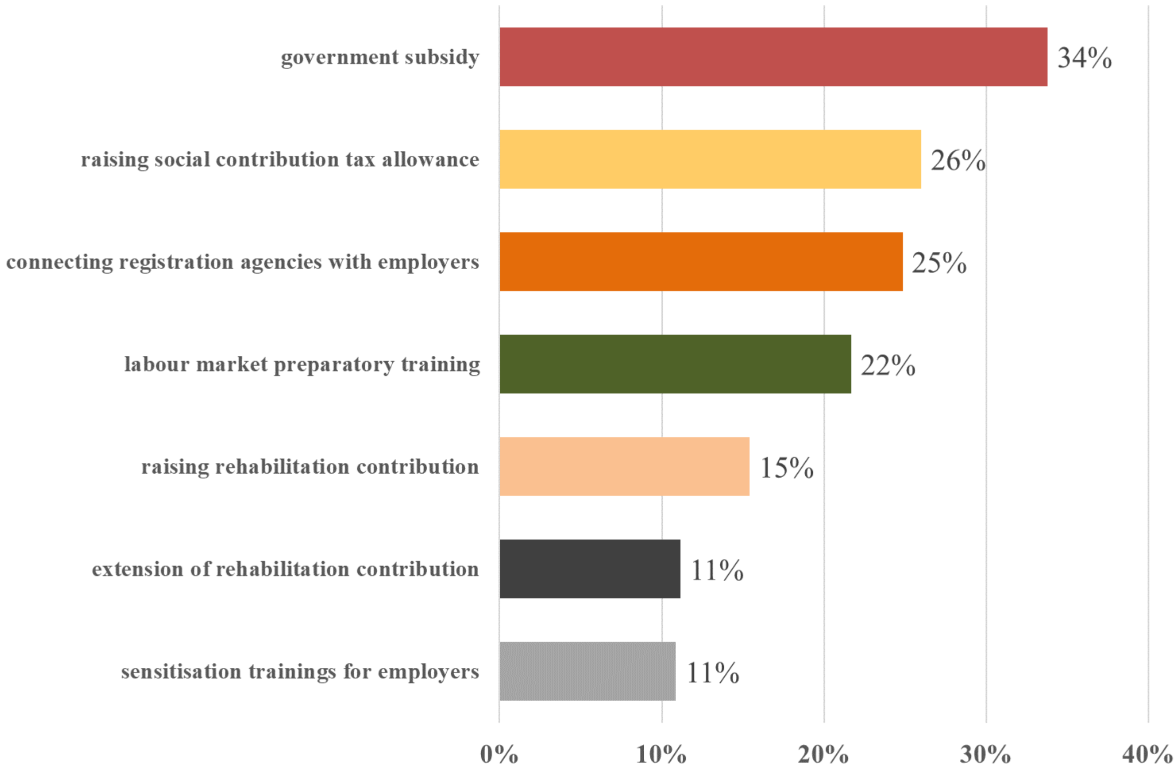


Task: On a scale from 1 to 5 grade the importance of the factors below in deciding whether your company should employ disadvantaged or disabled workers. (1=Not important at all, 5=Very important)

Source: IEER 2019

Companies that do not employ disadvantaged or disabled workers were also surveyed about what policies would make them offer rehabilitation workplaces (N=316–344). A government subsidy for professional help and creating suitable working conditions was mentioned the most (by 34%), followed by an increased social contributions tax allowance (mentioned by 26%), a more effective cooperation of employers and organisations registering disadvantaged or disabled workers (mentioned by 25%), courses preparing disadvantaged or disabled workers for the labour market (mentioned by 22%), an increased rehabilitation job creating subsidy (mentioned by 15%), making the rehabilitation job creating subsidy eligible for companies employing fewer than 25 workers (mentioned by 11%), and sensitisation trainings for employers (also mentioned by 11%). The low rates also seem to suggest that the majority of companies that do not employ disadvantaged or disabled workers would not create any such workplace no matter what incentives, positive or negative, were implemented.

Figure 3: Factors promoting the future employment of disadvantaged or disabled workers, per cent, N=316–344



Question: To what extent would the policies below promote the employment of disadvantaged or disabled workers at your company? (1= would not promote it at all, 5 = would promote it to a great extent)

In the questionnaire we also asked if companies had faced any difficulties originating from labour shortage in the course of the previous year. 890 of the companies employing more than 10 workers responded, a great majority (80%) with a yes. We wanted to know if there was a difference between companies that employ disabled people and companies that do not. Our hypothesis was that those who opened their gates wide, i.e. who offered rehabilitational employment, had fewer problems with labour shortage. Interestingly, however, no significant statistical difference between the two groups was found, meaning that labour shortage was not an important incentive for employing disadvantaged or disabled workers. Taxation incentives – such as the exemption from rehabilitation contribution and the social contribution tax allowance – seem to have remained decisive.

International trends

Changes in the production, consumption and employment situation in certain major international economies compared with peer expectations and the previous period. (Where figures are not available for December, November data is indicated.)

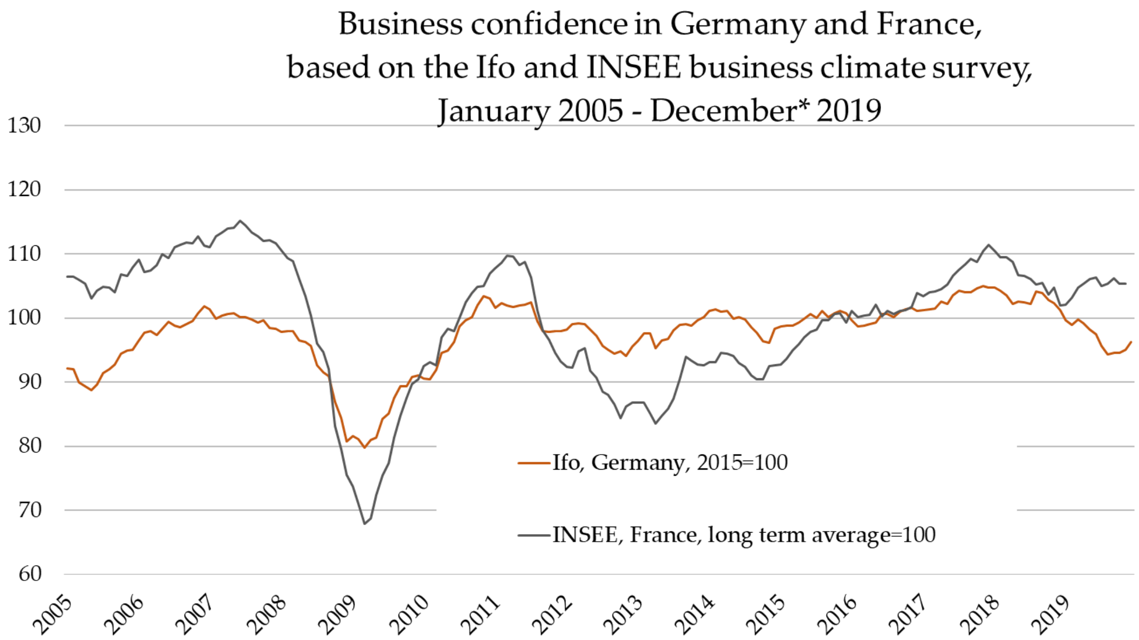
		Period in review	Actual data	Expectations	Previous period
Germany	Unemployment Rate	(Nov)	**5.0%**	**5.0%**	**5.0%**
	Manufacturing Purchasing Managers Index	(Dec)	**43.4**	**44.5**	**44.1**
	IFO Business Climate Index[1]	(Dec)	**96.3**	93.8	**95.1**
France	INSEE Business Climate Index[2]	(Nov)	**105.3**		**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 (not yet available for December)

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

December: In Germany, the IFO business climate index shows a slight increase. The manufacturing purchasing manager index (PMI) demonstrates a drop, doing worse than expected. November: Unemployment rate for Germany 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.



Sources: www.ifo.de, www.insee.fr

*INSEE data not yet available at time of preparation of this document.

Contact
Address: MKIK GVI
1054 Budapest, Szabadság tér 7.
Tel: 235-05-84
E-mail: gvi@gvi.hu
Internet: http://www.gvi.hu

Prepared by:
Dániel Bacsák,analyst MKIK GVI
Ágoston Horváth, analyst MKIK GVI
Veronika Csányi, analyst, MKIK GVI

Research manager:
Fruzsina Nábelek
Managing director, MKIK GVI

In case of publication please cite as follows:
HCCI-IEER: Monthly Economic Bulletin,
December 2019, Budapest,

2019-12-19