



Findings of the IEER Quarterly Business Climate Survey taken in January 2020

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. The results of the January 2020 survey show that business trust, which had been declining for a year, recovered, and the Quarterly Business Climate Index jumped from 26 to 32 points.

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The Quarterly Business Climate Index was the highest in the construction industry (+41 points). Trade companies scored +38 points; they were closely followed by companies offering business services at +37 points. The processing industry seems to lag behind, scoring only +27 points. Compared to the previous quarter, there was a 22 point increase among construction companies, a 6 point increase among trade and service companies, and a 4 point increase with processing companies.

The Quarterly Business Climate Index was the lowest among major exporters (+28 points), Minor exporters are now at +35 points and non-exporters at +34 points. Among non-exporters,

major exporters and minor exporters, the scores rose by 8 points, 6 points and 2 points respectively compared to the previous quarter.

Currently, the Quarterly Business Climate Index is at +32 points in the group of companies with 20-49 employees, +31 points in 50-99 category, +22 points in 100-249 category, and +35 in 250+ category. Compared to our last survey in October, 100-249 category lost 9 points, while 250+ category, 50-99 category and 20-49 category gained 10 points, 6 points and 1 point, respectively.

The Quarterly Business Climate Index has ten components such as:

- current/expected business situation;
- current/expected profitability;
- expected investment activity;
- current stock orders;
- production level in the previous half/expected production level;
- expected changes in the number of employees;
- expected capacity utilisation.

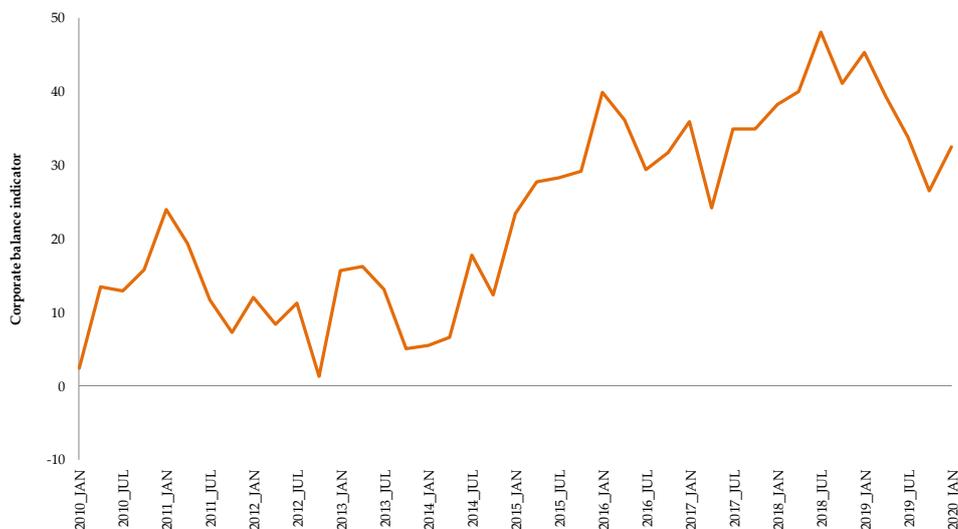
MBET February 2020

As far as sub-indicators are concerned, CEOs are far more optimistic about everything except their current profitability and expected investment activity than in October 2019, whereas their expectations are more negative regarding all indicators but expected investment activity and expected capacity utilisation than in January 2019.

According to January 2020 data, large companies assessed their situations more positively than small and medium-sized enterprises, expect for indicators such as expected investment, production levels in the previous half, and expected number of employees. There are significant differences

only in the indicators such as current orders, current business situation and expected number of employees. So 250+ companies see their current positions much more positively, however, their expectations regarding the number of employees are considerably more pessimistic than that of SMEs. All things considered, compared to October 2019 large companies had better indicators except for expected investment and current profitability, while the general average of SMEs worsened with regard to current orders, current business situation, current profitability, expected profitability, expected production, and expected investment level

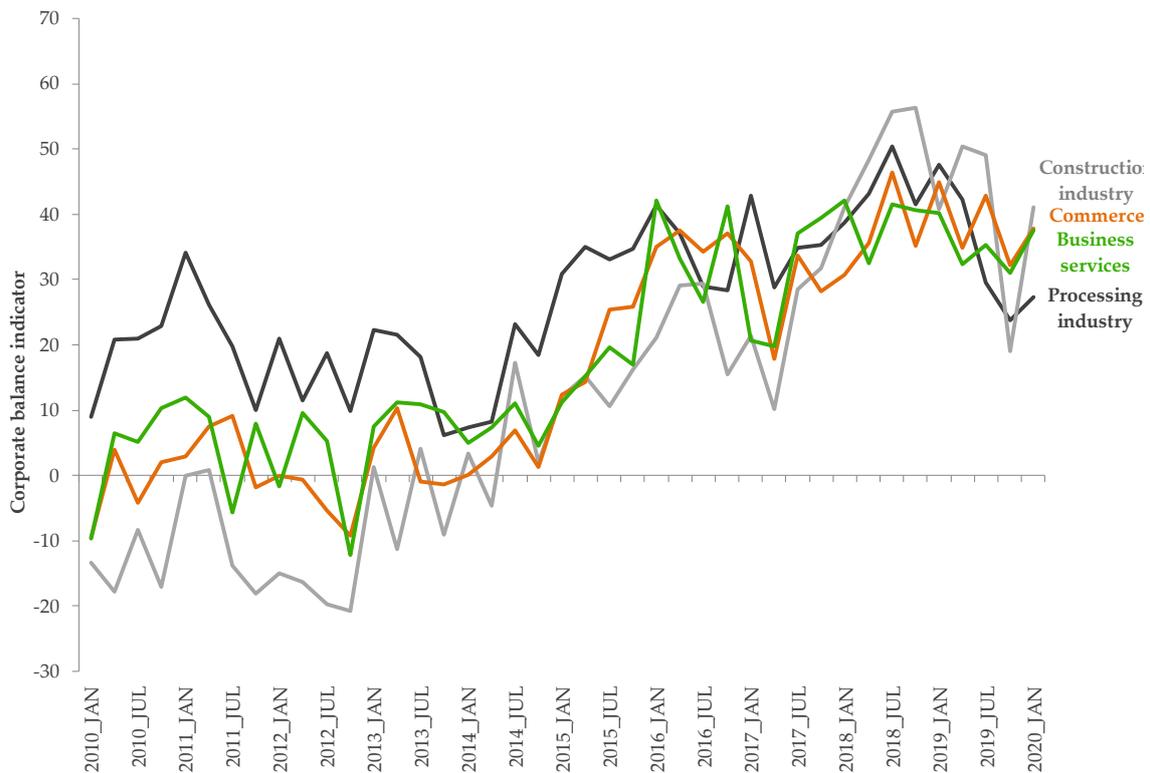
Figure 1: Quarterly Business Climate Index, 2010. 01–2020. 01.



Source: IEER 2020

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.

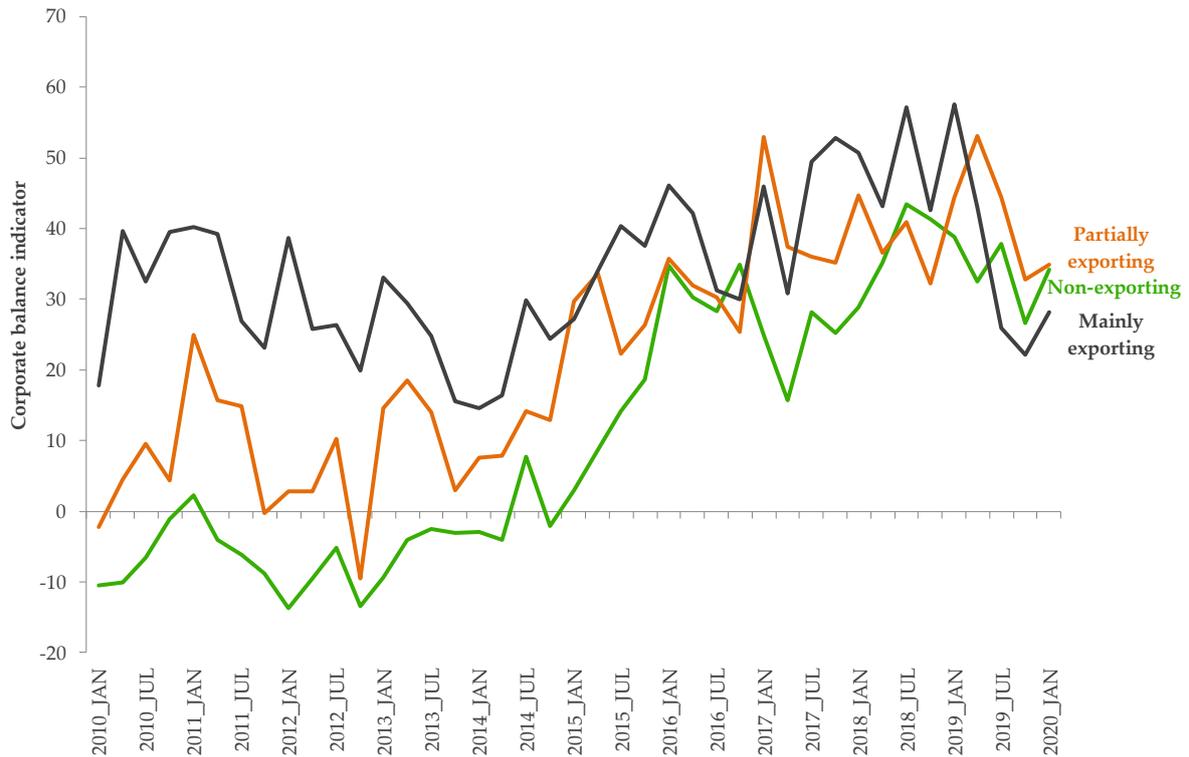
Figure 2: Quarterly Business Climate Index by economic sector, 2010. 01–2020. 01.



Source: IEER 2020

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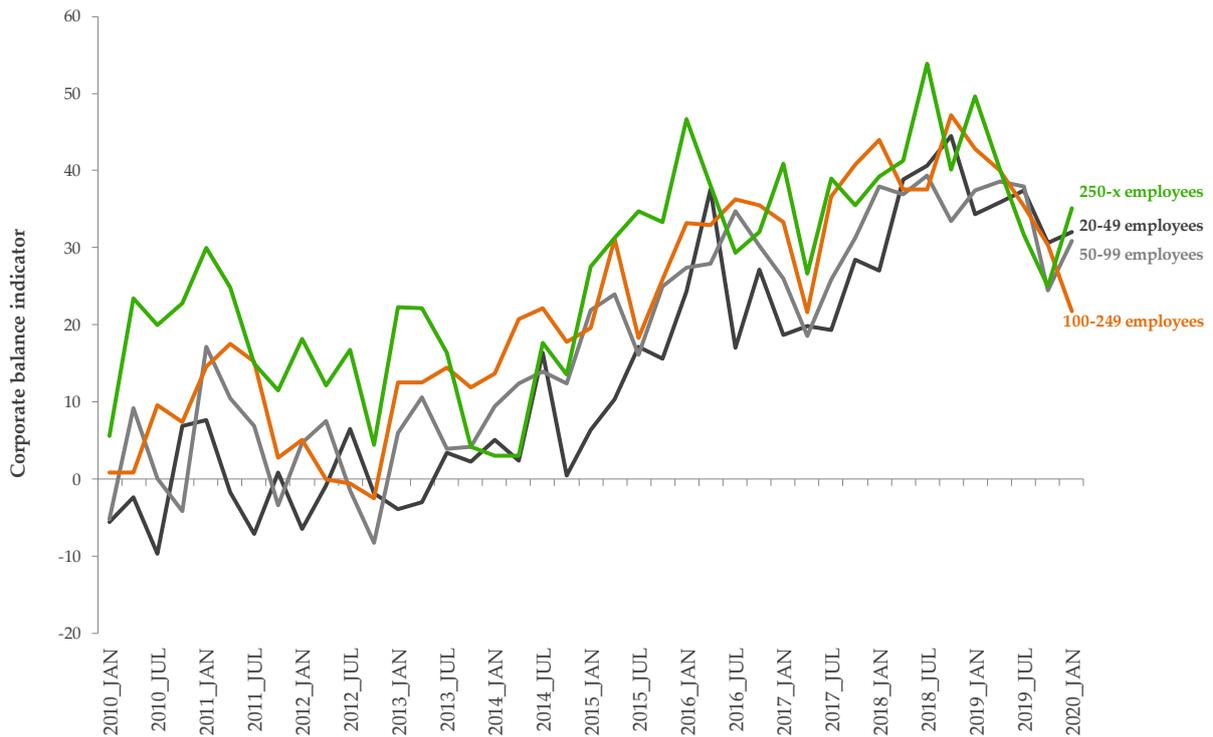
Figure 3: Quarterly Business Climate Index by exporting activity, 2010. 01–2020. 01.



Source: IEER 2020

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Figure 4: Quarterly Business Climate Index by company size, 2010. 01–2020. 01.



Source: IEER 2020

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Green jobs in the European Union and Hungary

The notion of green jobs and the pertaining green economy becomes increasingly important worldwide. Green jobs include the environmental goods and services segment, but they also go further, covering many more jobs and professions in various sectors of the economy. In the following analysis we are going to examine the environmental goods and services sector and the renewable energy sector in Hungary and the European Union to provide an approximation of the size of the green economy and on the number of green jobs in these areas.

The notion of green economy and green jobs

The green economy has emerged in opposition to the brown economy which is powered by fossil fuels, while this former is rather based on renewable energy resources. By another definition, it includes all economic activity that serves the purpose of sustainability and takes into consideration the negative externalities that human activity imposes on the environment.

There exist many definitions for green jobs – however, the most accepted is the one coined by the International Labour Organization: *“Green jobs are decent jobs that contribute to preserve or restore the environment, be they in traditional sectors such as manufacturing and construction, or in new, emerging green sectors such as renewable energy and energy efficiency.”*¹ Green jobs can be manifold: they can be jobs that are traditionally belong to the environmental goods and services sector such as solar panel installers, environmental lawyers or sustainability consultants. However, green jobs can also include much more: for instance, primary school teachers tasked with teaching about the importance of sustainability issues, second hand clothes shop managers, bicycle repairers or bus

drivers – since all these professions - although indirectly – play an important role in preserving the environment and promoting sustainability.

Greening of the European Union and Hungary: The environmental goods and services sector

Due to the lack of a clear-cut definition, green jobs and the green economy is fairly hard to quantify. A good proxy is the environmental goods and services sector, which can give us a sense how much greening is actually taking place within the EU and in Hungary. The increased awareness of environmental concerns of the EU policy makers massively impacted the sector: it has grown significantly, in a faster pace compared to the overall EU economy. The growth of employment between 2000 and 2014 clearly demonstrates this: while the employment in the overall economy has grown by 6 percent, the environmental goods and services sector has grown by 49 percent.² The increase in the number of full-time employees (showcased in Figure 1) tells us the same story. However, this growth is not harmonious across member states. The resulting share of green jobs across

¹ International Labour Organization (2016): What is a green job? https://www.ilo.org/global/topics/green-jobs/news/WCMS_220248/lang--en/index.htm

² Eurostat (2017): Employment in the environmental economy <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/EDN-20170529-1?inheritRedirect=true>

the national economies also demonstrate some differences. In Hungary in 2006, using conservative calculations 1 percent of the

active population was employed in the green economy. (see Figure 2)

Figure 1: Employment in the environmental goods and services sector (thousand people)

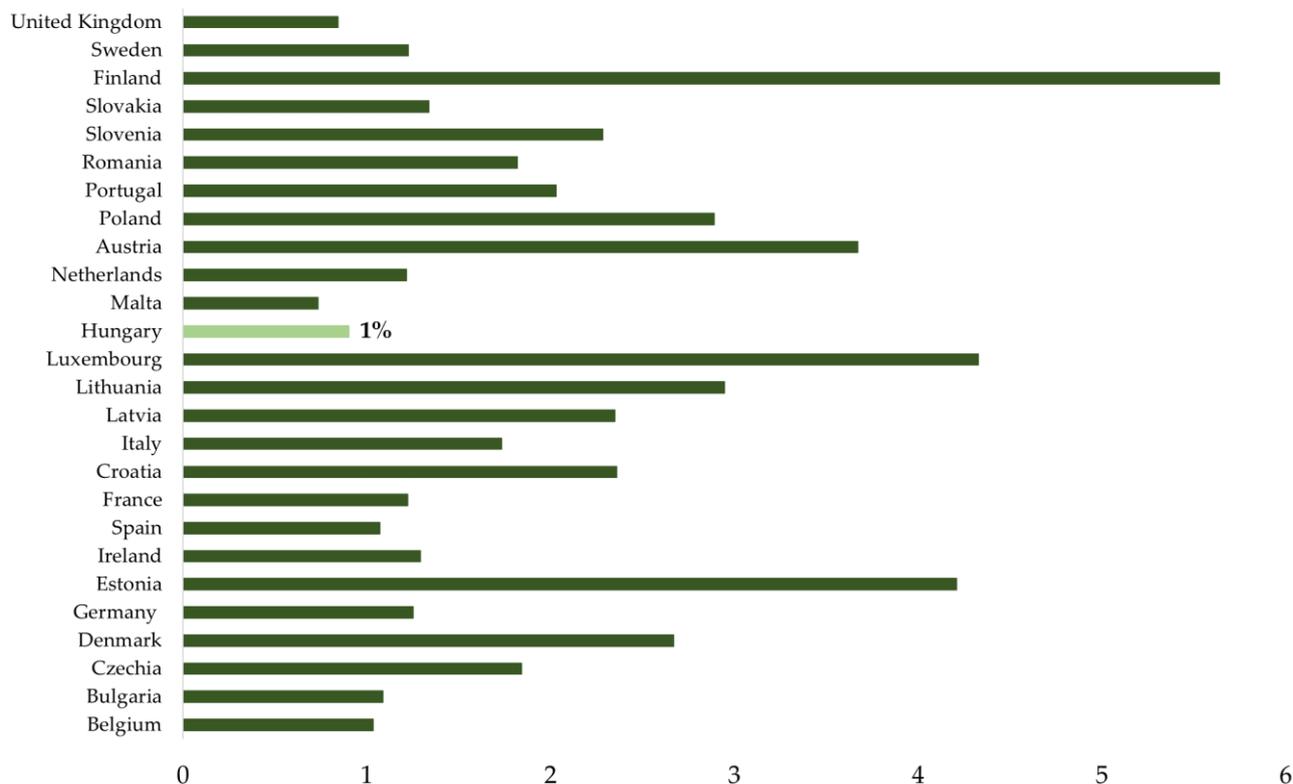


Source: Eurostat³

³ Eurostat: Employment in the environmental goods and services sector

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=env_ac_egss1&lang=en

Figure 2: The share of active population employed in the environmental goods and services sector in the European Union in 2016 (percentage)



Source: Eurostat³

A proxy for greening: the renewable energy sector (RES)

Besides the employment in the economic goods and services sector discussed in the previous segment the renewable energy sector can also give a very good impression about the “greenness” of the national economies – since it is aligned with the purpose of green jobs, by promoting sustainability and harnessing environmental power in a less harmful way than the brown economic powered by fossil fuels.

Renewable energy is energy emanating from natural processes and sources that are replenished constantly, or cyclically.

Renewable energy sources (RES) can include, amongst others, hydropower, solar power and photovoltaic energy, the use of heat pumps and geothermal energy. Switching from fossil fuels to renewables is a clear goal in the European Union: the objective is to meet at least 20 percent of its energy needs with the use of RES, by the end of 2020. In the last ten years, the number of employees in the RES sector has increased by 5 percent on average in the European Union. This average value, however, can hide contrasting figures when looking at particular member states. For example, in Sweden the share of energy from RES changed from 48 percent to 55 percent

between 2009 and 2018, while the same change for Malta was from 3 percent to 11 percent for the same period.⁴⁴ Figure 3 displays the share of renewables within all energy consumption

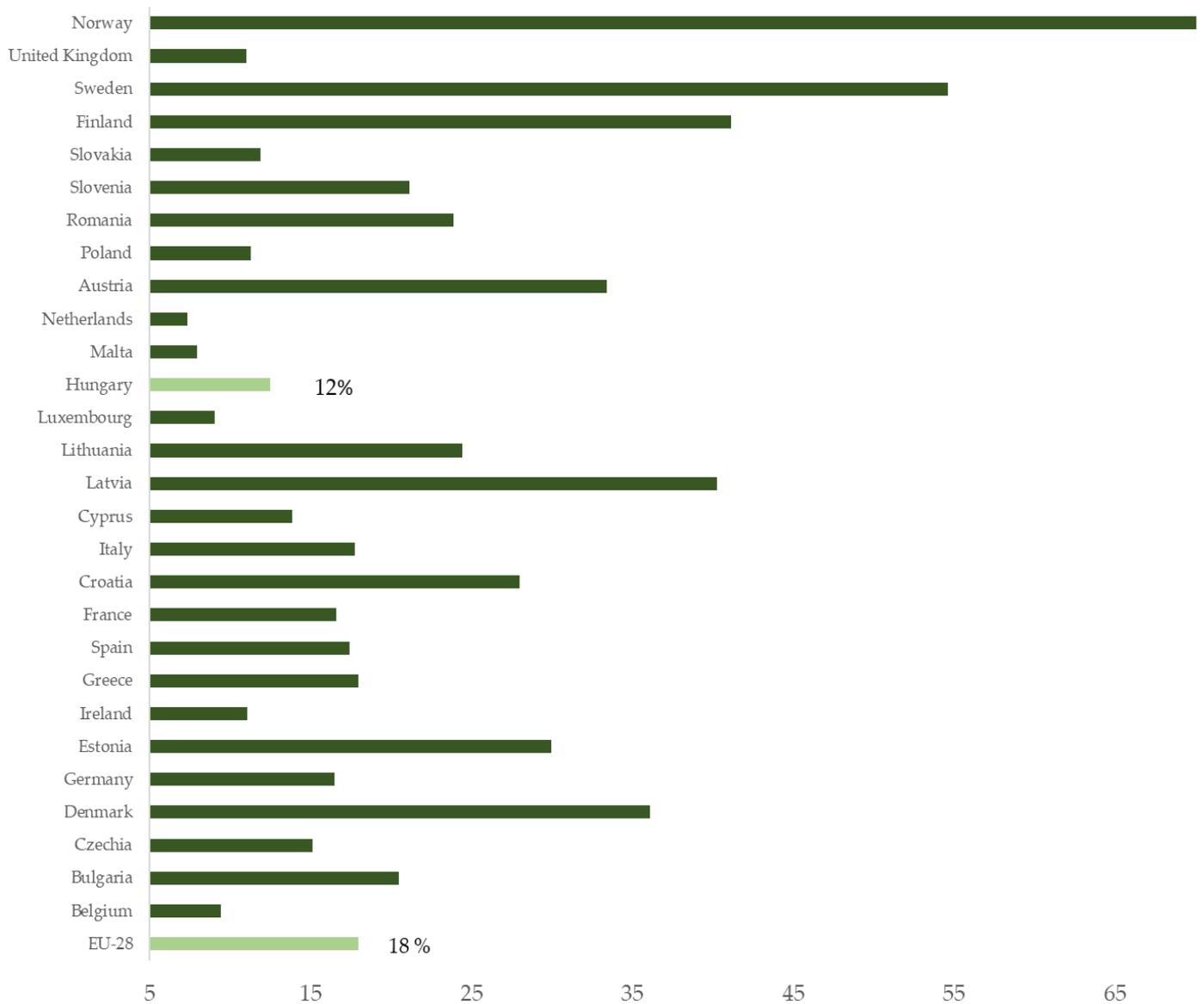
When it comes to employment in the RES sector, Hungary performs fairly good in comparison to other countries in the CEE region. For instance, in Poland in 2017 25 900 people were employed in the renewable energy sector, the same figure for Hungary was 13 300.⁷ Compared to the active population however, we can see that the share of such employees is almost the double in Hungary than in Poland (0,8 percent in the former and half percent in the latter – see Figure 4).

in 2018 in the member states of the European Union including Hungary. For 2018, the share of RES was 12 percent while the EU-28 average is 18 percent.

These figures suggest that Hungary and also the large part of the EU countries employ a considerable amount of people in the green economy, also when calculating by conservative measures (meaning looking at the RES sector exclusively). As a consequence, the extent of green employment and the number of green collar workers is estimated to be higher, based on the original definition which includes all employment that in one way or another promotes sustainability and helps preserve environmental resources.

⁴⁴ Eurostat: Share of Renewable Energy Sources Statistics Tables https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nrg_ind_ren&lang=en

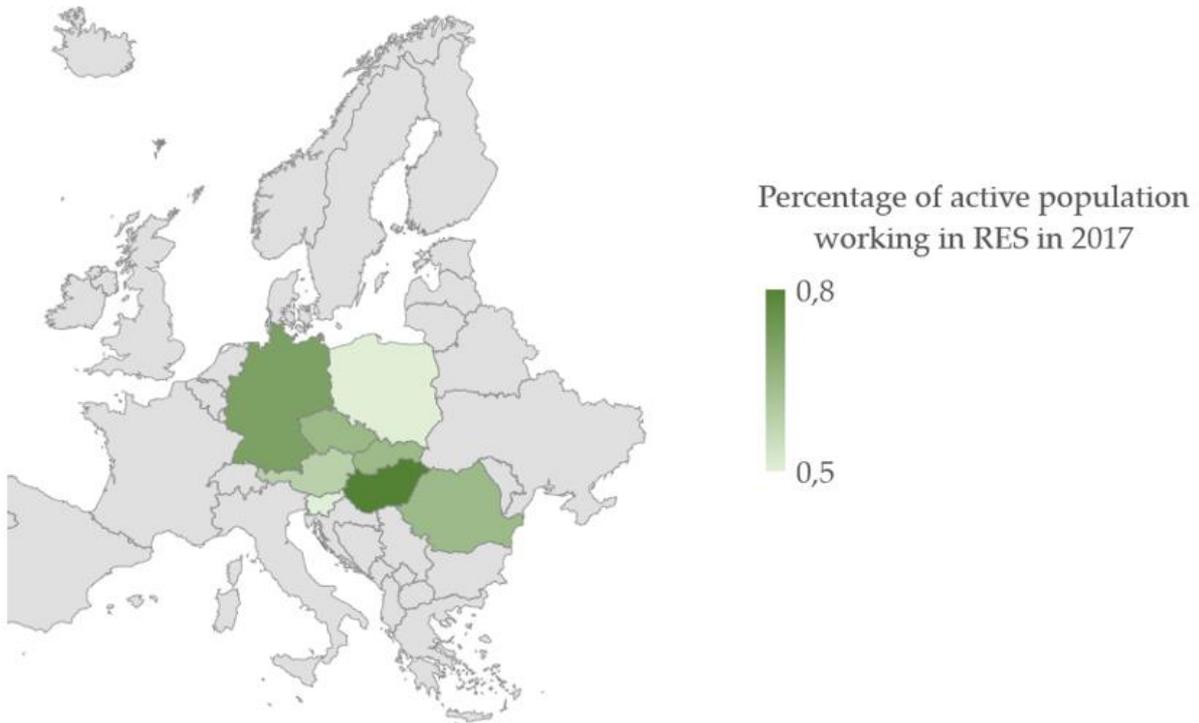
Figure 3 Share of renewable energy sources in energy consumption in the European Union in 2018 (percentage)



Source: Eurostat⁵

⁵ Eurostat, Share of renewable energy in gross final energy consumption https://ec.europa.eu/eurostat/web/products-datasets/-/t2020_31&lang=en

Figure 4: Percentage of active population working in RES in 2017 in Germany CEE countries including Hungary



Source: EurObserver⁶

⁶ EurObserver database on Employment and Turnover
<https://www.eurobserv-er.org/online-database/#>

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	(Feb)	5.0%	5.0%	5.0%
Germany	Manufacturing Purchasing Managers Index	(Feb)	47.8	44.8	45.3
	Ifo Business Climate Index ¹	(Feb)	96.1	93.4	95.9
France	INSEE Business Climate Index ²	(Feb)	105.4		104.6
	Unemployment Rate	(Feb)	3.5%	3.6%	3.6%
USA	CB Consumer Confidence Index	(Feb)	130.7	132.0	130.4
	Manufacturing Purchasing Managers Index	(Feb)	50.8	51.5	51.9
China	Manufacturing Purchasing Managers Index	(Feb)	35.7	46.0	50.0

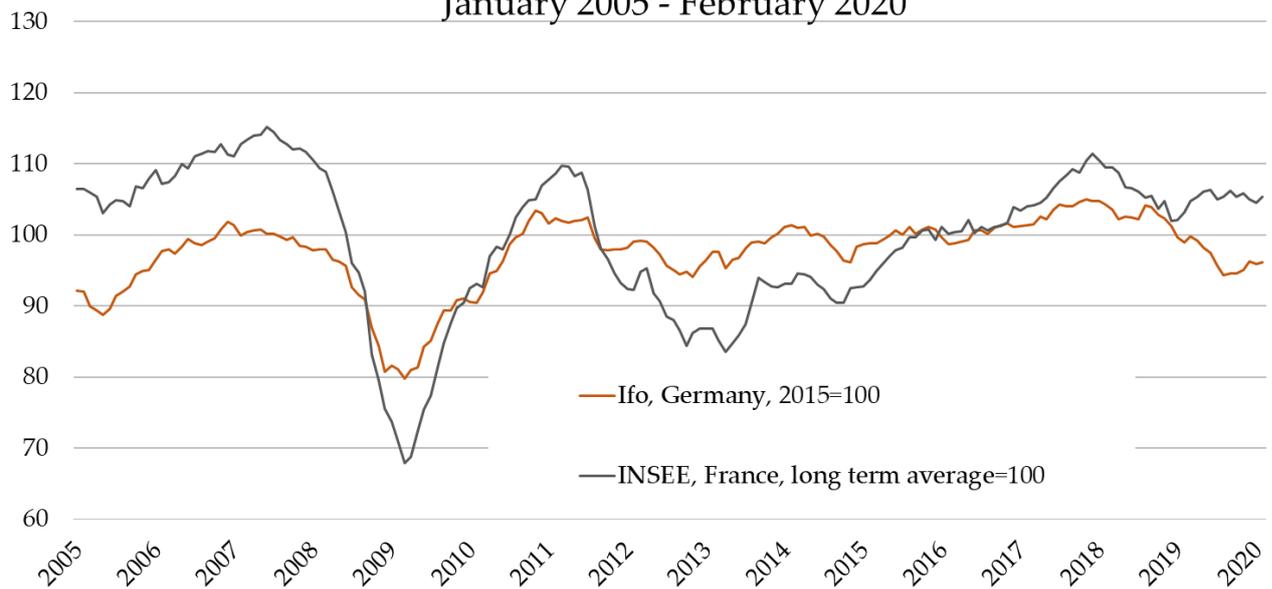
¹<https://www.cesifo-group.de/ifoHome/facts/Survey-Results/Business-Climate/>

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 has slightly improved, compared to previous period. The manufacturing purchasing manager index (PMI) demonstrated an increase, doing better than previously expected. Unemployment rate for Germany stagnates at the same level as in the previous period. The French INSEE business climate index has increased. In the United States, the CB consumer confidence index did only change to a small extent to the month prior and fell short of the previously expected level. The manufacturing PMI has decreased as well. The unemployment rate has slightly improved. The Chinese manufacturing PMI dropped significantly compared to the last month.

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



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

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