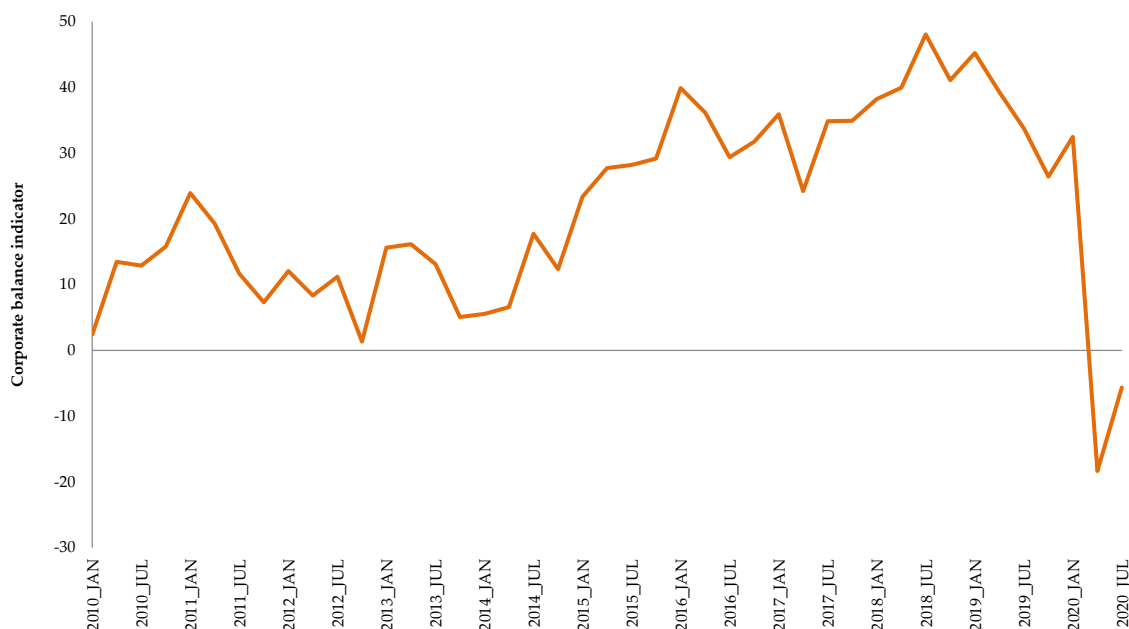




### The findings of IEER's July 2020 Quarterly Business Climate Survey

The Quarterly Business Climate Survey conducted by the Institute of Economic and Enterprise Research of the Hungarian Chamber of Industry and Commerce (HCIC IEER) recorded the opinions of 407 CEO respondents about their companies' business situation and outlook. The findings of the July 2020 survey show that the level of business confidence improved after hitting a low in spring. Compared to the -18 points in April 2020, the Quarterly Business Climate Index was up at -6 (see fig. 1).

Figure 1. – The Quarterly Business Climate Index, 2010. 01–2020. 07.



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.

Since records began in 2010 the previous quarter has been the first one with the scores going negative, and in spite of the upward trend, the negative score remains. First impressions of the pandemic and the ensuing

economic shutdown had a great impact on April results, while the findings of July reflect the effects of lifted curfews and a relaunch of the economy. The goal of the business climate survey was to map CEOs' short term business

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expectations based on their subjective feelings and information available to them at the time the survey was taken.

The Quarterly Uncertainty Index was at 41 points in July, a score 11 points lower than in the previous quarter. This means that the salient uncertainty measured in April abated considerably. The Quarterly Business Climate Index was highest among trade companies (+5

points), followed by construction companies (+2 points) and companies offering business services (-6 points) point, with processing companies bringing up the rear (-9 points). Compared to the previous quarter, service providers gained 15 points, processing companies 14 points, trading companies 7 points, and construction companies 3 points.

**Figure 2. – Quarterly Business Climate Index in economic sectors, 2010. 01–2020. 07.**



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.

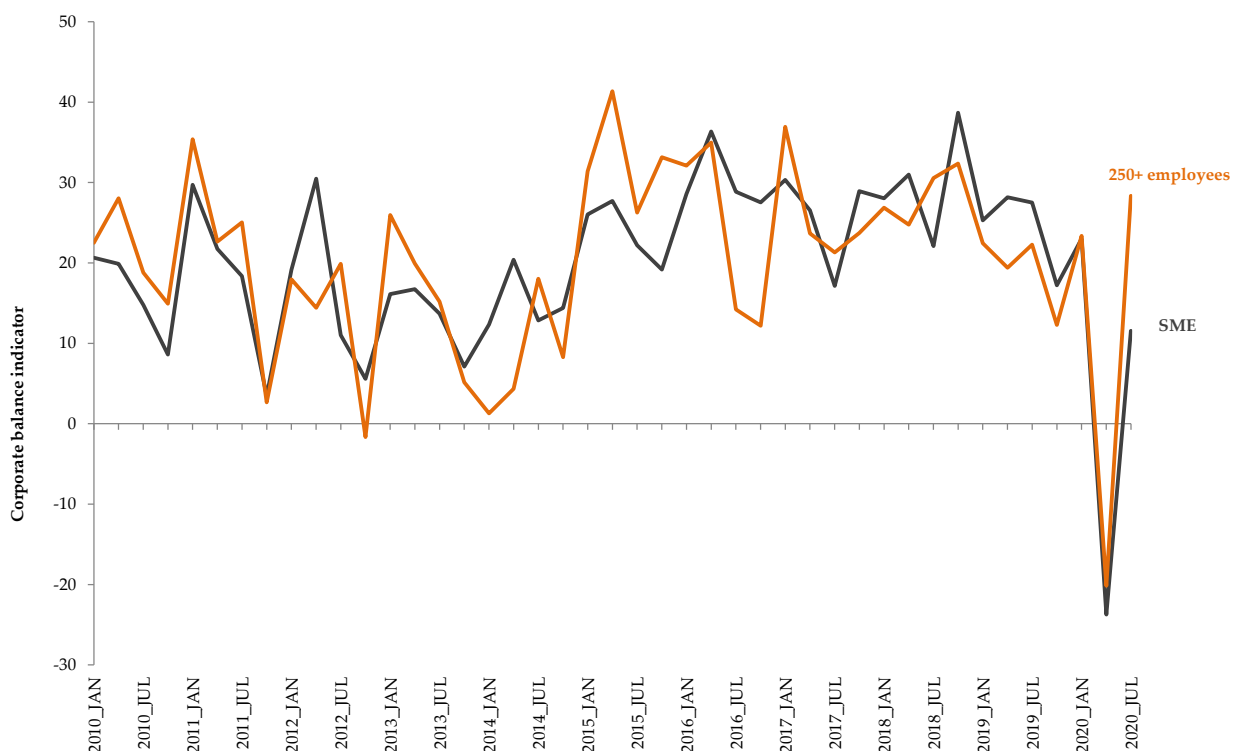
### The Quarterly Business Climate Index has ten components such as:

- current/expected business situation;
- current/expected profitability;
- expected investment activity;
- current unfilled orders;
- productivity in the previous quarter/expected productivity;
- expected changes in the number of employees;
- expected capacity utilisation.

With the exception of productivity in the previous quarter, the subindicators tell us that CEOs were much more optimistic in July than in April 2020. Compared to the previous quarter, expected profitability and expected capacity utilisation were the subindicators that improved the most. Year-on-year change was, however, mostly negative. The only subindicator that remained virtually unchanged since July 2019 was expected capacity utilisation. Subindicators that produced the most significant drop compared to levels a year ago were productivity in the previous half and expected productivity. According to July 2020 data, large companies were more optimistic about capacity utilisation and the number of employees than SMEs, whereas expected profitability was the same for both size categories. At the same time, SMEs were more optimistic about their current

and future business situation, current profitability, current orders, future investment activity as well as their recent and future production levels. There were significant differences in future capacity utilisation, the production levels in the previous and upcoming periods, expected investments and current profitability (Fig. 3–7.). Apparently, companies with 250+ employees tended to see their current position in a more negative light, however, they were much more optimistic about their future capacity utilisation than SMEs. All things considered, however, large companies and SMEs alike scored higher for all but one of the indicators than in April, with production in the previous quarter being the only exception, which was of course a direct consequence of the economic effects of the shutdown.

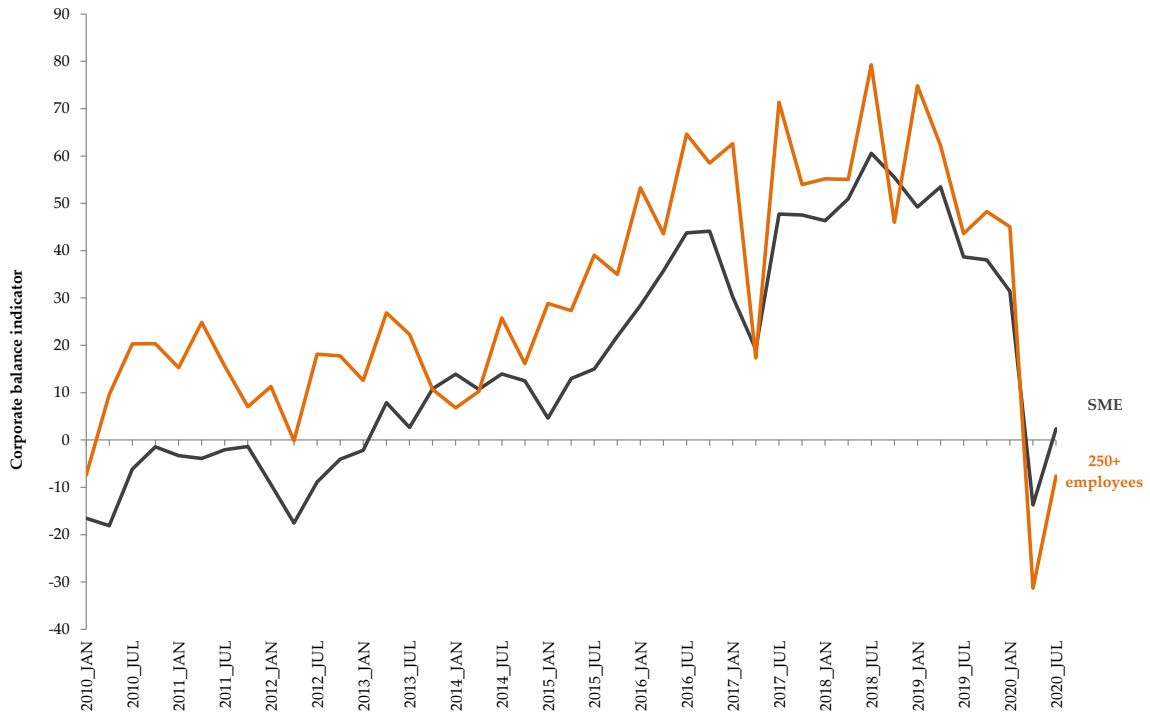
**Figure 3. – Expected capacity utilisation, by company size, 2010. 01–2020. 07.**



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.

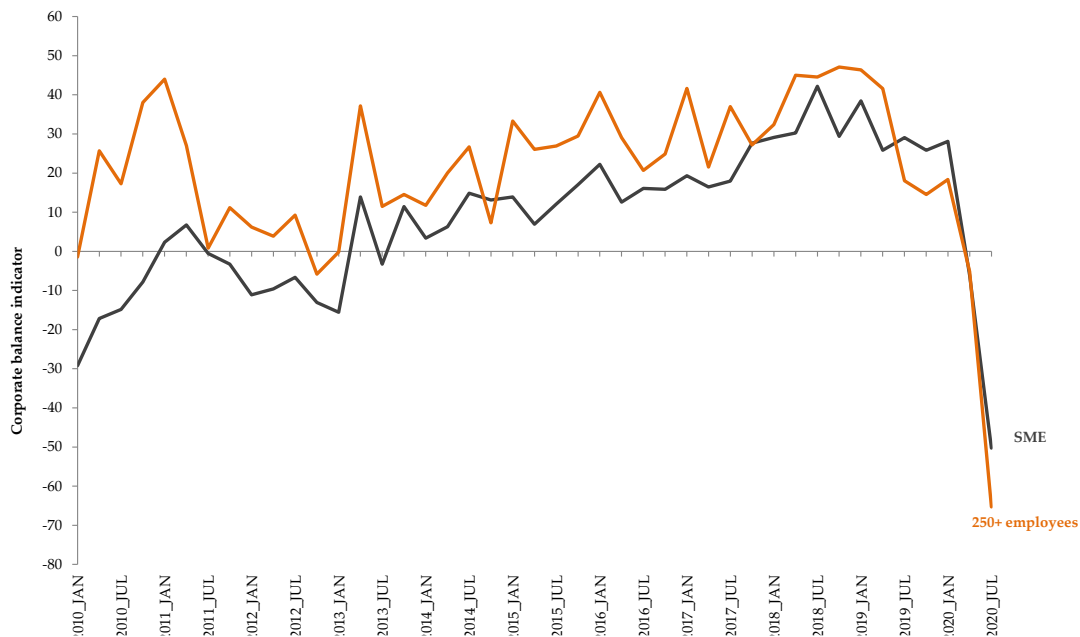
Figure 4. – Current profitability, by company size, 2010. 01–2020. 07.



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.

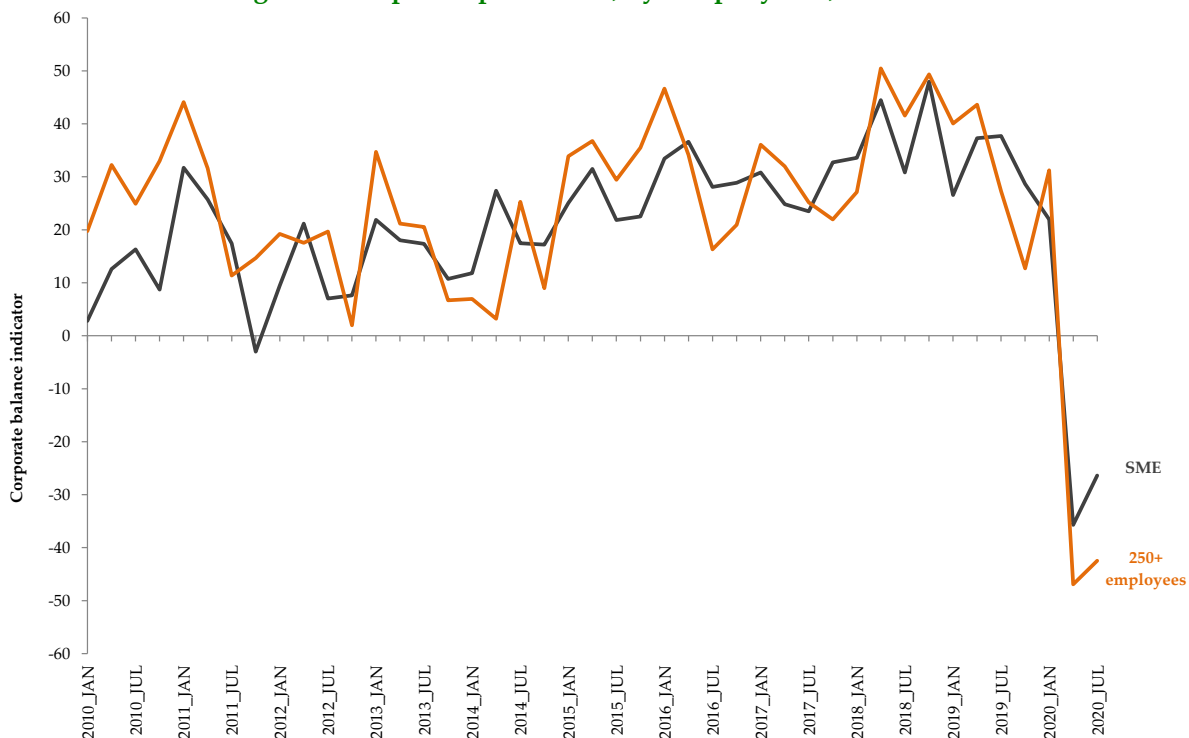
Figure 5. – Production in the previous half, by company size, 2010. 01–2020. 07.



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.

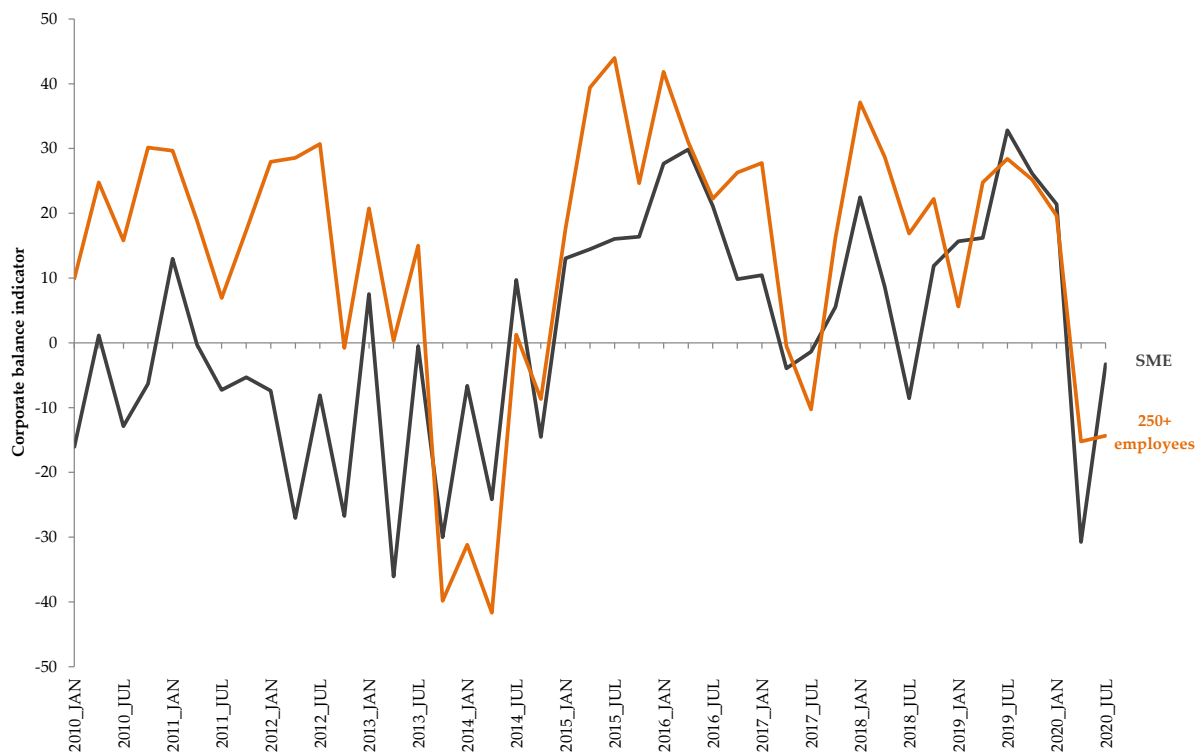
Figure 6. – Expected production, by company size, 2010. 01–2020. 07.



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 7. – Expected investments, by company size, 2010. 01–2020. 07.



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. We use a variable with 4 categories about the expected investment activity (-100: no investment, -33: lower investment activity, +33: unchanged investment activity, +100: higher investment activity).

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.

## GDP and employment flash estimates for the second quarter of 2020

In the following summary we present the recent estimation of the Eurostat for the GDP and the employment growth rate in the European Union. Due to the COVID-19 pandemic GDP is down by 12.1% and employment down by 2.8% in the euro area. In the EU, GDP has decreased by 11.7% and employment by 2.6%.

### GDP growth in the euro area and EU

In the second quarter of 2020, still marked by COVID-19 containment measures in most Member States, seasonally adjusted GDP decreased by 12.1% in the euro area and by 11.7% in the EU compared with the previous quarter, according to a flash estimate published by Eurostat, the statistical office of the European Union.<sup>1</sup> These were by far the sharpest declines observed since time series started in 1995. In the first quarter of 2020, GDP had decreased by 3.6% in the euro area and by 3.2% in the EU. Compared with the same quarter of the previous year, seasonally

adjusted GDP decreased by 15.0% in the euro area and by 14.1% in the EU in the second quarter of 2020, after -3.1% and -2.5% respectively in the previous quarter. These were also by far the sharpest declines since time series started in 1995.

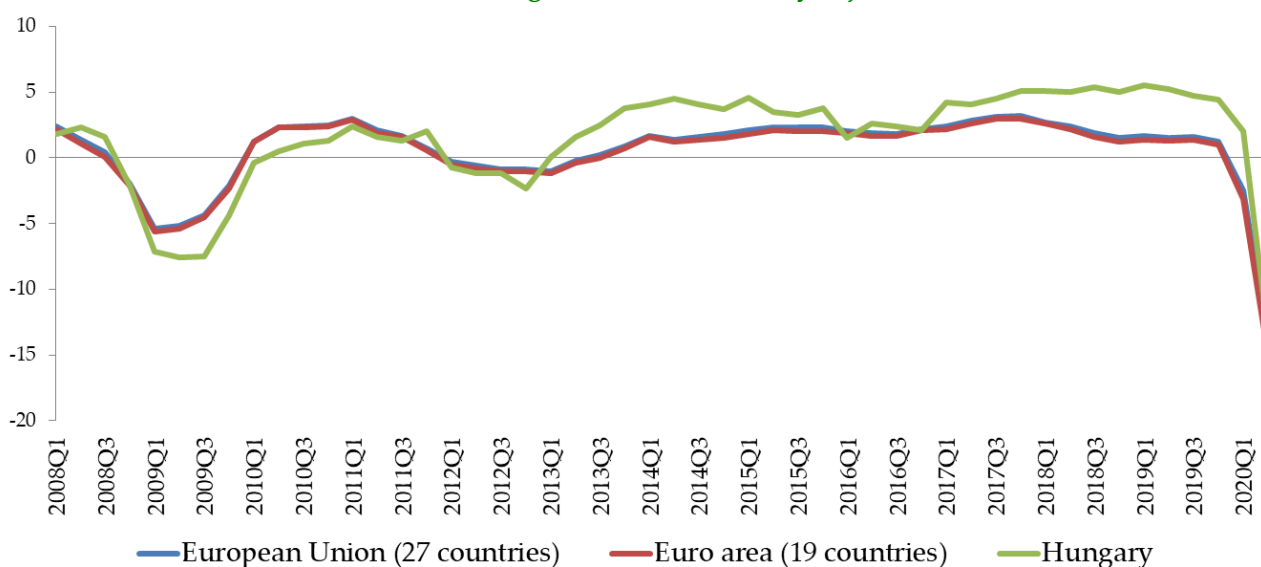
During the second quarter of 2020, GDP in Hungary decreased by 14.5% compared with the previous quarter (after -0.4% in the first quarter of 2020). Compared with the same quarter of the previous year, Hungarian GDP decreased by 13.5% (after +2.0% in the previous quarter).

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<sup>1</sup> Source: Eurostat (2020): Preliminary flash estimate for the second quarter of 2020. GDP down by 12.1% in the euro area and by 11.9% in the EU. 31 July 2020. Available at:

<https://ec.europa.eu/eurostat/documents/2995521/11156775/2-31072020-BP-EN.pdf/cbe7522c-ebfa-ef08-be60-b1c9d1bd385b>

**Figure 1.: GDP growth rates over the same quarter of previous year  
% change, based on seasonally adjusted data**



Source: Eurostat, 2020

Among the member countries of the European Union, Spain realized the largest GDP decrease in the second quarter of 2020, -20.4 % compared to the previous quarter and -22.1% change compared with the same quarter of the previous year. Compared to the previous quarter Spain is followed by Hungary (-14.5%), and by France (-19%) compared with the same quarter of 2019.

Finland and Lithuania realized the lowest GDP decreased in the EU. GDP change of Finland is the lowest in the second quarter of 2020 compared to the previous quarter, -3,2%, and the lowest for Lithuania (-3,7%) compared to the same quarter of previous year.

**Figure 2.: Growth rates of GDP in volume  
(based on seasonally adjusted\* data)**

	Percentage change compared with the previous quarter				Percentage change compared with the same quarter of the previous year			
	2019Q3	2019Q4	2020Q1	2020Q2	2019Q3	2019Q4	2020Q1	2020Q2
<b>Euro area</b>	0.3	0.0	-3.6	<b>-12.1</b>	1.4	1.0	-3.1	<b>-15.0</b>
<b>EU</b>	0.3	0.1	-3.2	<b>-11.7</b>	1.6	1.2	-2.5	<b>-14.1</b>
<b>Belgium</b>	0.4	0.5	-3.5	<b>-12.2</b>	1.6	1.3	-2.4	<b>-14.5</b>
<b>Bulgaria</b>	0.7	0.8	0.3	<b>-9.8</b>	3.2	3.1	2.4	<b>-8.2</b>
<b>Czechia</b>	0.5	0.4	-3.4	<b>-8.4</b>	2.3	2.0	-2.0	<b>-10.7</b>
<b>Denmark</b>	0.2	0.6	-2.0	<b>-7.4</b>	2.4	2.1	-0.2	<b>-8.5</b>

Continue on next page.



	Percentage change compared with the previous quarter				Percentage change compared with the same quarter of the previous year			
	2019Q3	2019Q4	2020Q1	2020Q2	2019Q3	2019Q4	2020Q1	2020Q2
<b>Germany</b>	0.3	0.0	-2.0	<b>-10.1</b>	0.8	0.4	-2.2	<b>-11.7</b>
<b>Estonia</b>	1.2	0.9	-3.7	:	4.5	4.0	-0.8	:
<b>Ireland</b>	1.3	0.4	1.2	:	5.9	6.1	5.3	:
<b>Greece</b>	0.4	-0.7	-1.6	:	2.3	1.0	-0.9	:
<b>Spain</b>	0.4	0.4	-5.2	<b>-18.5</b>	1.9	1.8	-4.1	<b>-22.1</b>
<b>France</b>	0.2	-0.2	-5.9	<b>-13.8</b>	1.6	0.8	-5.7	<b>-19.0</b>
<b>Croatia</b>	0.6	0.4	-1.2	:	2.8	2.7	0.3	:
<b>Italy</b>	0.0	-0.2	-5.4	<b>-12.4</b>	0.5	0.1	-5.5	<b>-17.3</b>
<b>Cyprus</b>	0.0	1.0	-1.3	<b>-11.6</b>	3.2	3.2	0.8	<b>-11.9</b>
<b>Latvia</b>	0.6	0.1	-2.9	<b>-7.5</b>	1.8	1.0	-1.5	<b>-9.6</b>
<b>Lithuania</b>	0.8	1.1	-0.3	<b>-5.1</b>	3.8	3.9	2.4	<b>-3.7</b>
<b>Luxembourg</b>	0.4	0.4	-2.9	:	3.0	3.0	-0.2	:
<b>Hungary</b>	0.9	0.7	-0.4	<b>-14.5</b>	4.7	4.4	2.0	<b>-13.5</b>
<b>Malta</b>	1.6	1.1	-2.3	:	3.9	4.6	0.7	:
<b>Netherlands</b>	0.3	0.5	-1.5	<b>-8.5</b>	1.6	1.6	-0.3	<b>-9.0</b>
<b>Austria</b>	-0.2	-0.2	-2.4	<b>-10.7</b>	1.4	0.4	-2.8	<b>-13.3</b>
<b>Poland</b>	1.2	0.2	-0.4	<b>-8.9</b>	4.1	3.5	1.7	<b>-7.9</b>
<b>Portugal</b>	0.3	0.7	-3.8	<b>-13.9</b>	1.9	2.2	-2.3	<b>-16.3</b>
<b>Romania</b>	0.5	1.2	0.3	<b>-12.3</b>	3.3	3.9	2.7	<b>-10.5</b>
<b>Slovenia</b>	0.8	0.4	-4.5	:	2.1	1.7	-3.4	:
<b>Slovakia***</b>	0.4	0.6	-5.2	<b>-8.3</b>	1.9	2.0	-3.8	<b>-12.1</b>
<b>Finland</b>	0.3	-0.3	-1.9	<b>-3.2</b>	1.6	0.9	-1.1	<b>-5.2</b>
<b>Sweden</b>	0.2	0.0	0.1	<b>-8.6</b>	1.7	0.5	0.4	<b>-8.3</b>
<b>Other countries</b>								
<b>United Kingdom</b>	0.5	0.0	-2.2	<b>-20.4</b>	1.3	1.1	-1.7	<b>-21.7</b>
<b>Iceland</b>	-1.0	4.8	-7.0	:	1.0	4.1	-0.4	:
<b>Norway</b>	0.0	1.5	-1.5	:	0.5	1.8	0.2	:
<b>Switzerland</b>	0.4	0.3	-2.6	:	1.1	1.5	-1.5	:
<b>United States</b>	0.6	0.6	-1.3	<b>-9.5</b>	2.1	2.3	0.3	<b>-9.5</b>

: Data not available

Source: Eurostat, 2020

## Employment growth in the euro area and EU

The number of employed persons decreased by 2.8% in the euro area and by 2.6% in the EU in the second quarter of 2020, compared with the previous quarter. These were the

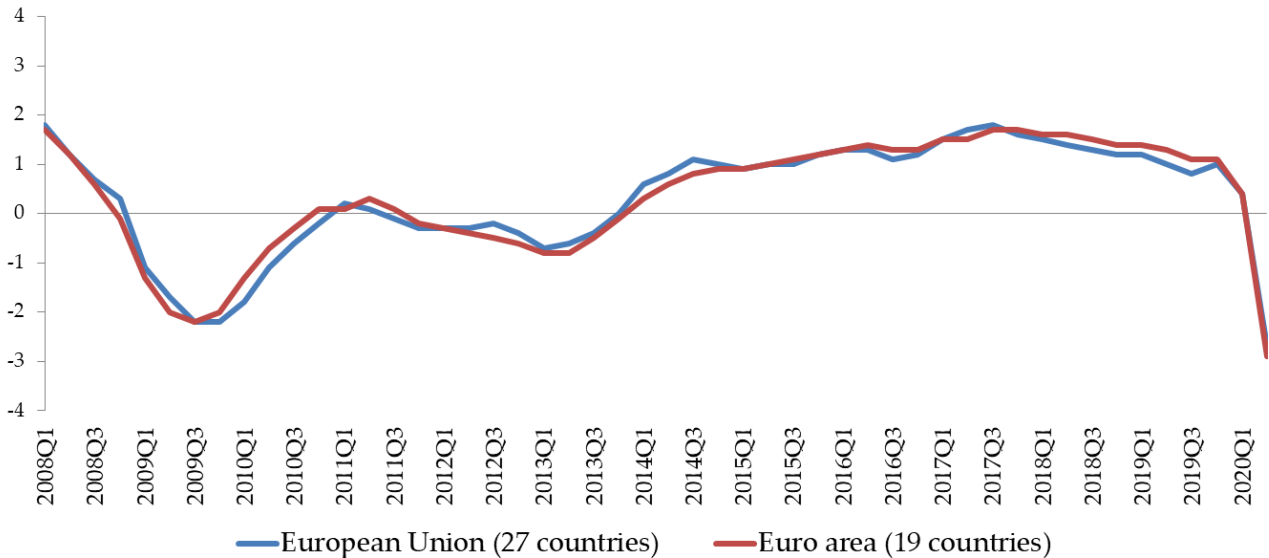
sharpest declines observed since time series started in 1995. In the first quarter of 2020, employment had decreased by 0.2% in the euro area and by 0.1% in the EU.

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Compared with the same quarter of the previous year, employment decreased by 2.9% in the euro area and by 2.7% the EU in the second quarter of 2020, after +0.4% in both

zones in the first quarter of 2020. These were also the sharpest declines observed since time series started in 1995.

**Figure 3.: Growth of employment in persons over the same quarter of the previous year  
% change, based on unadjusted data**



Source: Eurostat, 2020

**Figure 4.: Growth rates of employment in persons**

	Percentage change compared with the previous quarter (based on seasonally adjusted data)				Percentage change compared with the same quarter of the previous year (based on unadjusted data)			
	2019Q3	2019Q4	2020Q1	2020Q2	2019Q3	2019Q4	2020Q1	2020Q2
<b>Euro area</b>	0.1	0.3	-0.2	-2.8	1.1	1.1	0.4	-2.9
<b>EU</b>	0.1	0.2	-0.1	-2.6	0.8	1.0	0.4	-2.7

Source: Eurostat, 2020

## 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	(August)	<b>6.4%</b>	6.4%	<b>6.4%</b>
Germany	Manufacturing Purchasing Managers Index	(August)	<b>53.0</b>	52.5	<b>51</b>
	IFO Business Climate Index <sup>1</sup>	(August)	<b>92.6</b>	97.5	<b>90.4</b>
France	INSEE Business Climate Index <sup>2</sup>	(August)	<b>91.1</b>		<b>84.3</b>
	Unemployment Rate	(August)	<b>8.4%</b>	9.8%	<b>10.2%</b>
USA	CB Consumer Confidence Index	(August)	<b>84.8</b>	93.0	<b>91.7</b>
	Manufacturing Purchasing Managers Index	(August)	<b>53.6</b>	51,9	<b>50.9</b>
China	Manufacturing Purchasing Managers Index	(August)	<b>51.0</b>	51.2	<b>51.1</b>

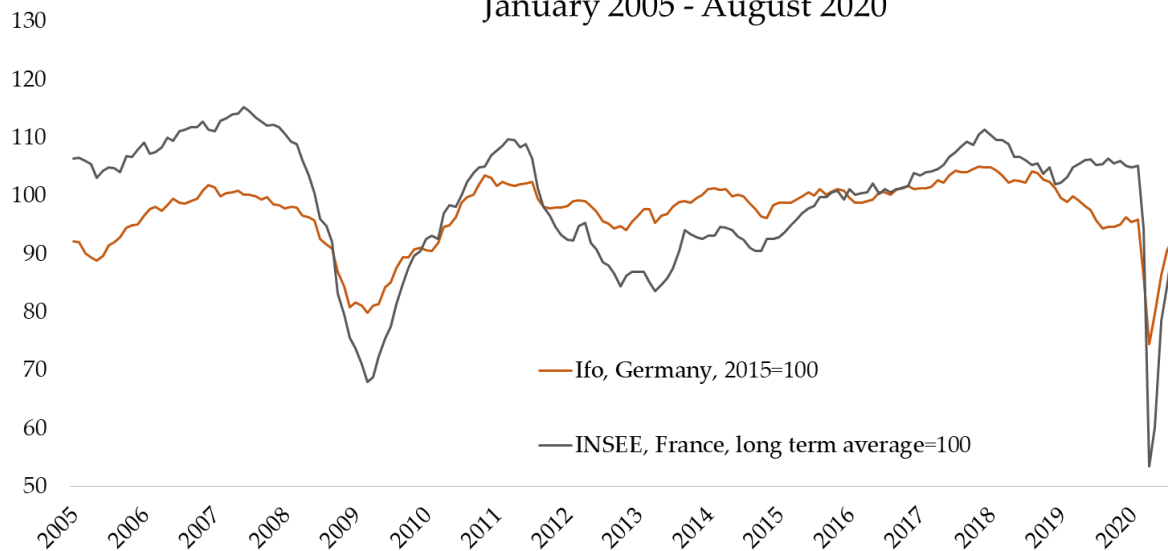
<sup>1</sup><https://www.cesifo-group.de/ifoHome/facts/Survey-Results/Business-Climate/>

<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, doing slightly better than expected. Unemployment rate remains the same for Germany. The French INSEE business climate index increased significantly compared to last month. In the United States, the CB consumer confidence index demonstrated again a significant decrease compared to the month prior, also it performed worse than expected. The manufacturing PMI increased in the USA. The unemployment rate has improved compared to last month. The Chinese manufacturing PMI remained virtually the same compared to previous period.

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



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

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