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### Financial situation of Hungarian businesses October 2020

In the current analysis of HCIC's Institute of Economic and Enterprise Research (IEER) the focus is on the financial situation of businesses, specifically with regard to revenue expectations, financial reserves, circular debt, necessity to use external financial sources, and terms of taking out loans. Data were recorded during the business cycle survey conducted between 1 October and 31 October 2020, with the participation of 3142 companies active in Hungary. The survey took place before the introduction of second wave coronavirus-related restrictions, therefore the abatement of the first wave greatly influenced the outcome – optimistic expectations characterised the resulting business climate index.

### Revenue expectations for 2020 and 2021

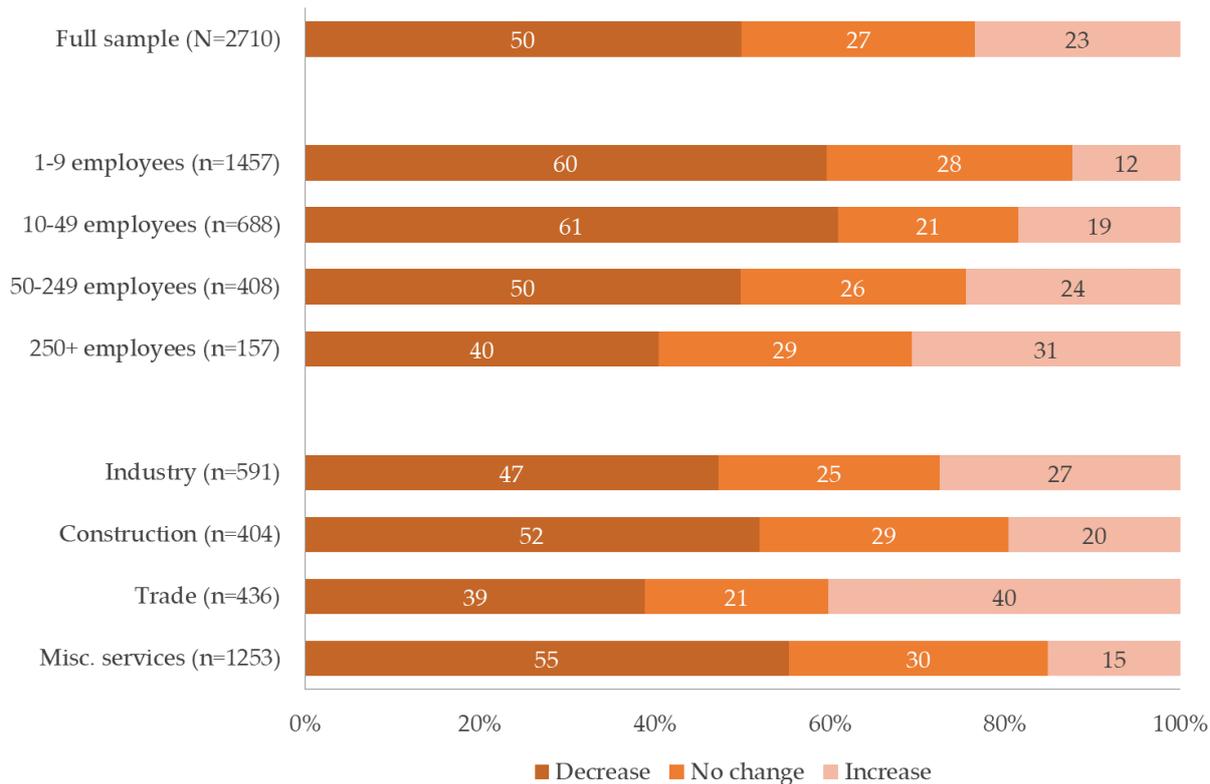
While 50% of companies reportedly had a lower income in 2020 than in the year before, 25% expected the same, and slightly over 25% expected higher revenues. 60% of smaller businesses expected their revenues to fall in 2020, so did a half of 50-249 companies and 40% of 250+ companies. Companies offering miscellaneous economic services expected lower revenues for 2020 at the highest rate, followed by construction companies and

industrial businesses. We found the lowest rate among trading companies.

Business that expects a fall in annual revenues calculate with a 31% decrease on average.

Entrepreneurs are generally optimistic about the year 2021. 42% expect their yearly revenues to grow in 2021 compared to 2020. The average revenue growth rate expected for 2021 was 17% among companies expecting growth compared to 2020.

Figure 1. Expected revenues in 2020 vs. 2019, per cent



Source: IEER 2020

### Financial reserves

The rate of companies with reserves that would cover one month in hard times like the lockdown months in spring was 9%. 15% could endure for one to two months without resorting to external sources. The majority could stay on the surface for a longer period: 22% for three months and 37% for half a year to one year. The bigger the company, the longer it could sustain during a lockdown. Industrial companies seem to have the greatest reserves – over a half of them could sustain for more than six months. Companies of partial or full foreign ownership are also more fortunate in terms of liquidity. The tendency is the same for major exporters: – a high proportion of

them could cover their dues for over six months.

31% of companies would be able to keep all their employees for half a year to one year in case of a lockdown similar to the one in spring 2020. According to the survey, 7% of companies would be able to retain workers for less than a month, 13% for one month, and 18% for one to two months. Larger companies have financial reserves for longer periods. Industrial companies have reserves that enable them to keep their employees for the longest period of all sectors, while companies offering miscellaneous services are on the other end of the spectrum – 10% of them could only keep their numbers up for less than a month.

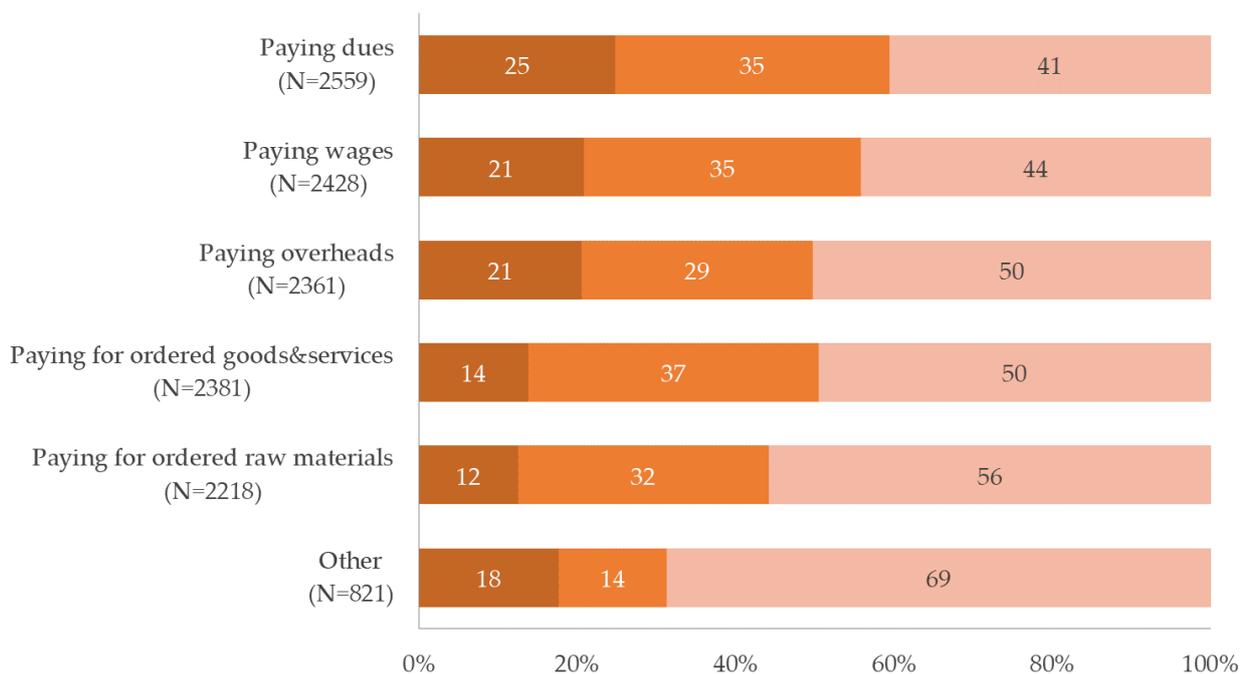
## Companies' financial difficulties

For the majority of the surveyed companies the greatest financial difficulty in the months before October 2020 was paying dues (causing a major problem for 25% and minor problems for 35% of businesses). The second most common problem was paying wages and overheads (e.g. rent and maintenance costs of

office or commercial spaces), affecting 21% of businesses.

Generally, financial issues affected a higher rate of small companies than big companies, and the four sectors were equally exposed to the financial difficulties in early October.

**Figure 2. Financial difficulties in the months before October 2020, per cent**



■ Major issue that seriously affect business ■ Minor issue that does not affect business ■ Not a problem

Source: IEER 2020

## Late payment and circular debt

In the previous six months 15% of companies paid to at least one partner late at least once. Circular debt (that is, the inability to pay in time to suppliers because customers paid late) affected 21% of the businesses surveyed. 49+ companies, industrial companies, construction companies, partially or fully foreign-owned companies and major/minor exporters were more prone to suffer from circular debt than

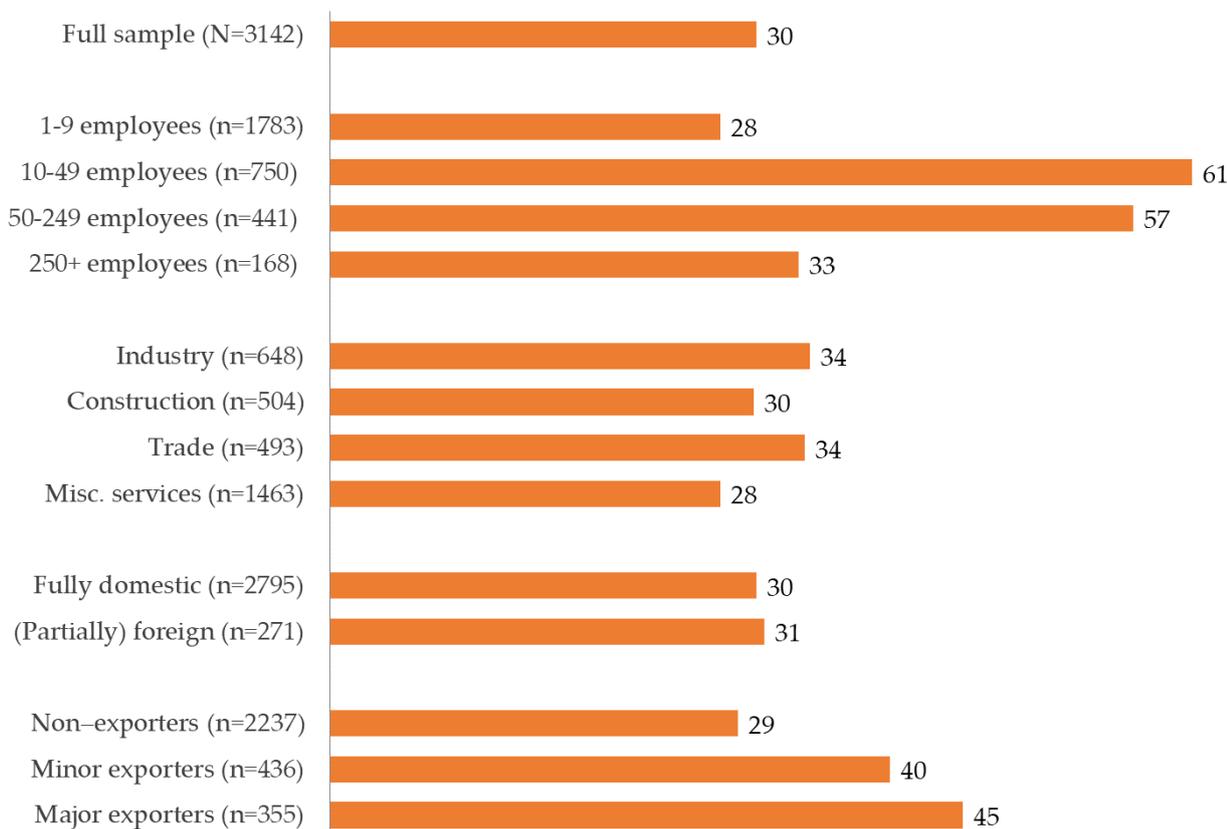
others. This, and our further results concerning financial problems point to the fact that companies with fewer financial problems were more affected by circular debt in the months before October. Problems caused by circular debt worsened according to 48% of respondents. According to 49% problems didn't get any worse, but only 4% thought that there had been fewer problems with circular debt than in the previous six months.

### Using external sources for financing to overcome the difficulties caused by COVID19

In the months before October 2020 COVID19 prompted about 30% of companies to use external financial sources. Company size seems to have been decisive here – 10–49 companies and 50–249 companies were far more prone to resort to external sources than microenterprises and large companies. In spite of the fact that microenterprises were the most exposed to financial troubles in the period before October, they were the group that resorted to external financial sources the

least often. There was no significant difference between industries. However, there was some difference between exporters and non-exporters: fewer non-exporters borrowed financial sources than major and minor exporters. To ease problems caused by COVID19, 12% of companies borrowed financial sources from market players. 22% applied to the government for financial support.

**Figure 3.: Using external sources for financing to overcome the difficulties caused by COVID19 in recent months, per cent**



Source: IEER 2020

**Eligibility for credit repayment moratorium and how companies used it; companies' opinions about the terms and conditions of loans**

In the surveyed period 30% of companies were eligible for a credit repayment moratorium, but only 14% took the opportunity. 70% of companies reported not to have been eligible for a moratorium. 16% of them were eligible but did not apply. Companies also assessed the terms of taking

out loans. According to 42%, the majority in this case, the terms remained unchanged in 2020 compared to the year before. Businesses employing ten people or fewer were more likely to report terms becoming stricter than larger companies. As for 2021, 42% of the surveyed companies expect unchanged terms.

## Primary school students' career choice 2020 – a summary

This is an overview of HCIC IEER's country-wide career choice survey conducted in 2020. The survey examined final grade elementary school students' plans and goals concerning the career and further education, as well as their parents' motives and advice related to it. Totally 10.163 8th-grade students have participated in the 2020 career choice survey.

### Survey methods and sample features

Unlike in earlier years, the survey in 2020 was conducted in autumn, not in spring, and 8th-grade elementary school students were asked, not 7th graders. For the first time, an online format of the questionnaire was available in five counties (Bács-Kiskun, Budapest, Heves, Pest and Vas), the rest of the territorial chambers relied on traditional hard copies.

The sample of 7th-grade daytime elementary school students was created in 2019–2020 (the students are currently 8th graders). The distribution of students concerning county and type of settlement were both taken into

consideration. The sample was weighted afterwards, with (1) the location of the school within a county, (2) the type of settlement the school is located at, (3) the average result the school reached on the 2019 National Assessment of Basic Competencies (NABC), and (4) the number of 7th-grade students taken into consideration. Available data enabled weighting in 10.010 cases, so our results are based on the answers of 10.010 respondents. We set the final weighted element number of the database in 9.000 respondents for methodical reasons.

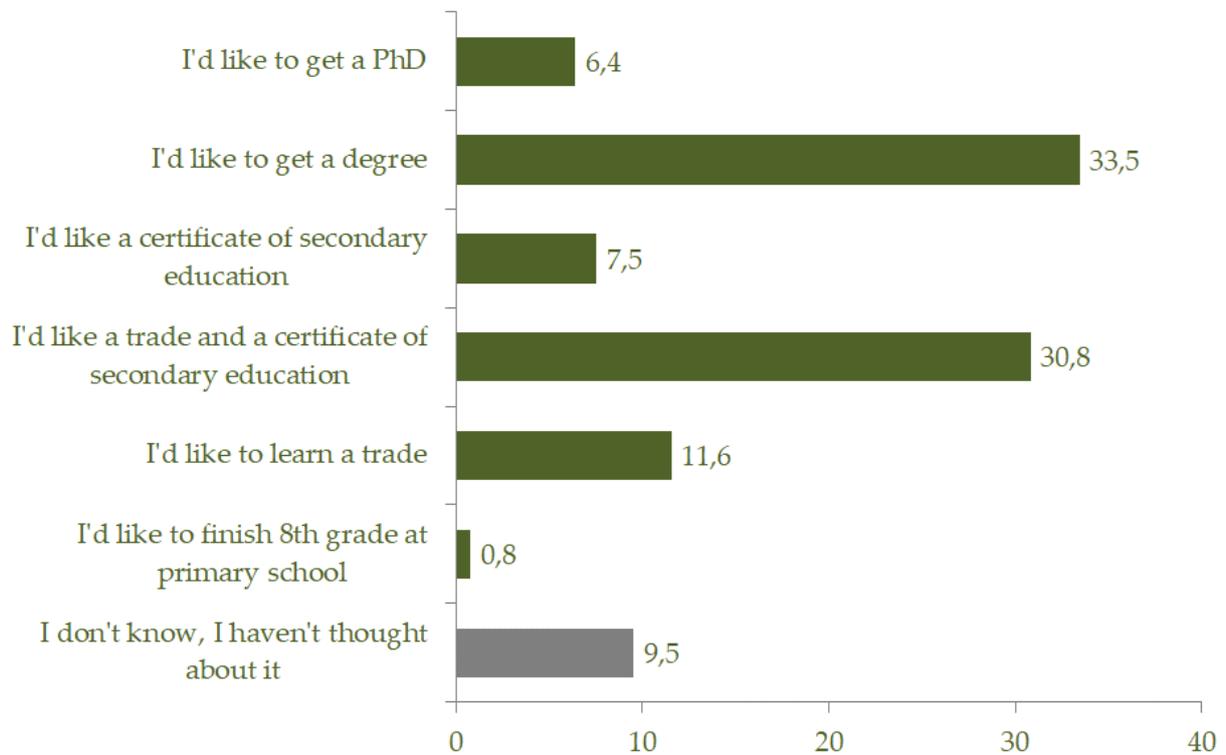
### Further education plans and parents' advice

Results show that most students (92%) already thought about their further education. Most of them (89%) asked their parents for orientation, 56% was informed at home classes and 55% talked with friends and acquaintances.

42% of respondents want to continue their studies in a grammar school. About 50% want to learn a trade: 30% at a vocational training school and 17% at a technical school/vocational grammar school. 12% of 8th graders have not yet considered what school or training they would like to attend.

As far as further education plans are concerned, most students want a degree (34%) or even a PhD (6%). 31% of students want to get a trade and a certificate of secondary education, 12% want a trade, and 8% want a certificate of secondary education. 1% of students only want to finish elementary school while 10% have not thought about the highest qualification they want to acquire yet (see figure 1).

**Figure 1: Distribution of students by the highest school certificate students would like to acquire in their lifetime (per cent)**

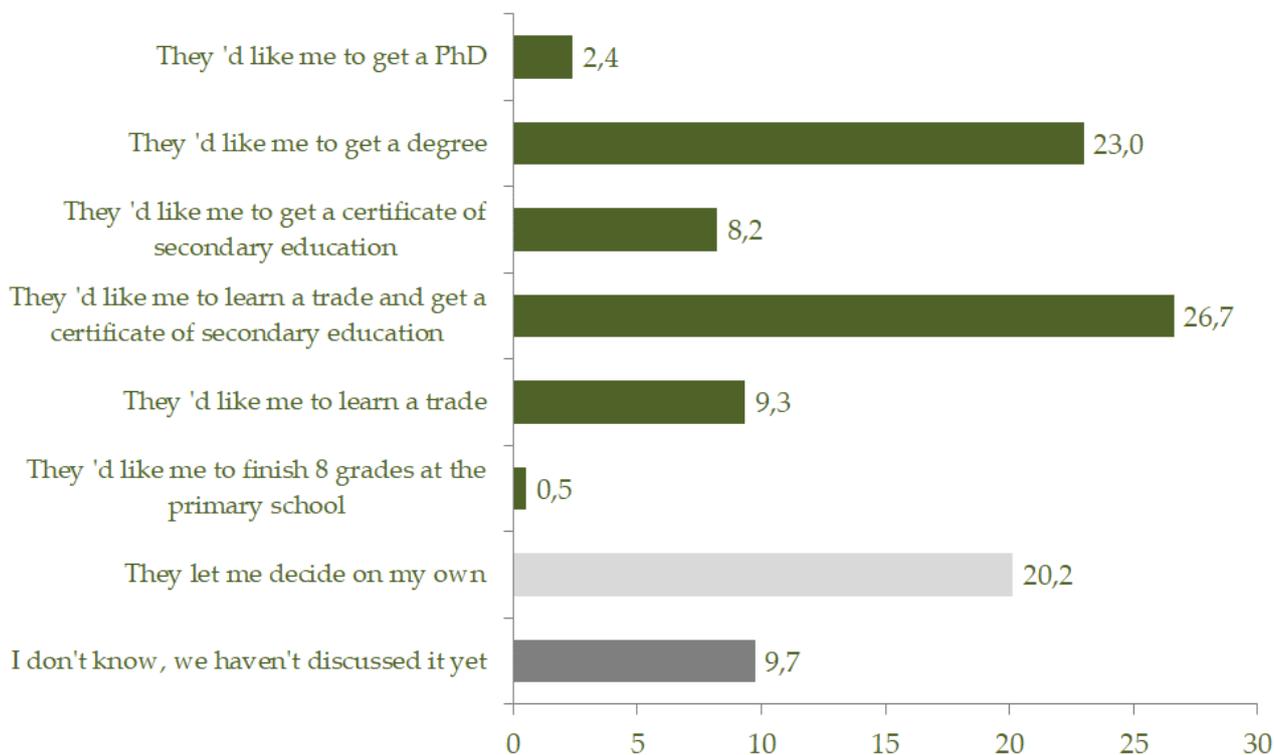


Source: IEER, 2020 (n=8877)

27% of students were advised by parents to learn a trade and acquire a certificate of secondary education (27%). A similar number of parents (23%) advised their children to get a degree (23%), or a PhD (2%). 9% and 8% of students were advised to learn a trade, or to get a certificate of secondary education, respectively. 0.5% are expected to finish 8th grade and leave school. One in five students is allowed by parents to make their own decision,

while one in ten said that their parents had not made any suggestions about the highest qualification to be acquired (see figure 2). Most of the students (68%) were also advised by their parents to learn a trade they could pursue with joy. For over two fifths (43%) the parents' advice was that they should get a well-paid job. Results also show that the higher schooling parents have the more likely it is that children can make their own career decisions.

**Figure 2: Distribution of students by the highest school certificate parents would like their child to acquire (per cent)**



Source: IEER, 2020 (n=8848)

### Career plans, orientation profiles

The fields most popular with students were sports (21%), arts (20%), IT (20%), cooking (20%) as well as animals (17%) (see figure 3). In recent years the most popular fields have been, in the following order, sports, arts, IT, cooking and animals. Carpentry, metalworking, and plant growing have been the least popular. There are significant differences in future job or profession plans between counties, settlement types and genders. Parents' schooling is also a strong influencing factor. For instance, results make it clear in this latter case that students

generally want to do jobs requiring skills that match the highest qualification of their parents. Children of intellectuals want intellectual jobs while physical jobs are preferred by children whose parents have poorer schooling. For most of the students (55%), it is one of the three most important aspects that they should like the job they will be doing. The second most important factor was a high salary – almost half of the sample (49%) chose that – followed by the need of having a good relationship with colleagues (33%).

Figure 3: Distribution of students by job that they would like to do as adults (per cent)



Data show that students' concepts about their future jobs are broad, and the three trades or professions they find the most attractive are usually similar. Analysing the batches of three they chose we found seven main job fields (machines & metalworking, architecture, design, woodworking, agriculture, human services, white-collar jobs, arts & entertainment, services). Besides, there are four job types that either outline well-defined fields by themselves (IT, research, science, sports, law enforcement), or that are independent from any other choice. Human service, white-collar jobs, arts, and

entertainment are mostly chosen by students of favourable family background and good school performance. Machine industry, metalworking and service jobs are usually more attractive to children of less fortunate backgrounds and poorer school performance. Architecture, design, woodworking, are regarded by students (and their parents) from two totally different aspects, and so those fields are chosen by students of very poor and very good cultural backgrounds. Students that opt for a career in agriculture have a relatively good or average family background and school performance.

## Conclusions

In summary, results show that the education and career plans and decisions of 8th-grade students are greatly affected by their family background and living conditions. Parents' schooling and their cultural capital, labour market status, experience and career advice are all decisive in pupils' preferences and orientation. Still, it would be extremely desirable if a student's interests and skills matched their career choice.

Parents' plans and their children's plans are generally the same. Parents' qualifications are, in many cases, replicated by their offspring. That applies to the entire spectrum from skilled labourers to intellectuals. Besides, most parents of lower schooling want their children to finish a school that is one notch higher than the ones they finished – an important feature as it illustrates the trend that parents' example and advice do influence students' decisions even in families that let their children make their own decisions about their future.

The results also show that according to parents learning a trade and getting a degree are separate ways that mutually exclude one another. It is also a challenge that children meant to become skilled workers usually come from poor families, in many cases their parents are low-qualified physical workers, or jobless living on unemployment benefit. Family background can be a serious handicap for those young people because they bring a

low level of motivation and autonomy from home, which often results in bad school performance in comparison to their peers, which paves the way to technical school. Yet technical training and the prospect of becoming a skilled worker shouldn't necessarily be associated with poor learning skills. Well-trained young people with a certificate of secondary education would, at the beginning of their careers, have a much better job and promotion opportunities, and it would be easier for them to switch to another profession later, to continue their studies, or to get a job abroad. It is exactly why it would be important that young people learning a trade should develop their basic competences to compensate for any shortcomings and learn as many general problem-solving skills as possible.

The survey also reveals a process of Eastern Hungary increasingly becoming a low-income laggard region where children, with their parents' support, choose careers that reproduce existing inequalities. Indeed, students from Central Hungary and Transdanubia are more likely to choose intellectual jobs than their peers from the Eastern part of the country (especially on the Great Plain), where physical jobs are more popular.

## 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	(January)	<b>6.0%</b>	6.1%	<b>6.0%</b>
Germany	Manufacturing Purchasing Managers Index	(January)	<b>57.1</b>	57.0	<b>58.3</b>
	IFO Business Climate Index <sup>1</sup>	(January)	<b>90.1</b>	91.1	<b>92.2</b>
France	INSEE Business Climate Index <sup>2</sup>	(January)	<b>91.6</b>		<b>91.2</b>
	Unemployment Rate	(January)	<b>6.3%</b>	6.7%	<b>6.7%</b>
USA	CB Consumer Confidence Index	(January)	<b>89.3</b>	89.0	<b>87.1</b>
	Manufacturing Purchasing Managers Index	(January)	<b>59.2</b>		<b>59.1</b>
China	Manufacturing Purchasing Managers Index	(January)	<b>51.3</b>	51.6	<b>51.9</b>

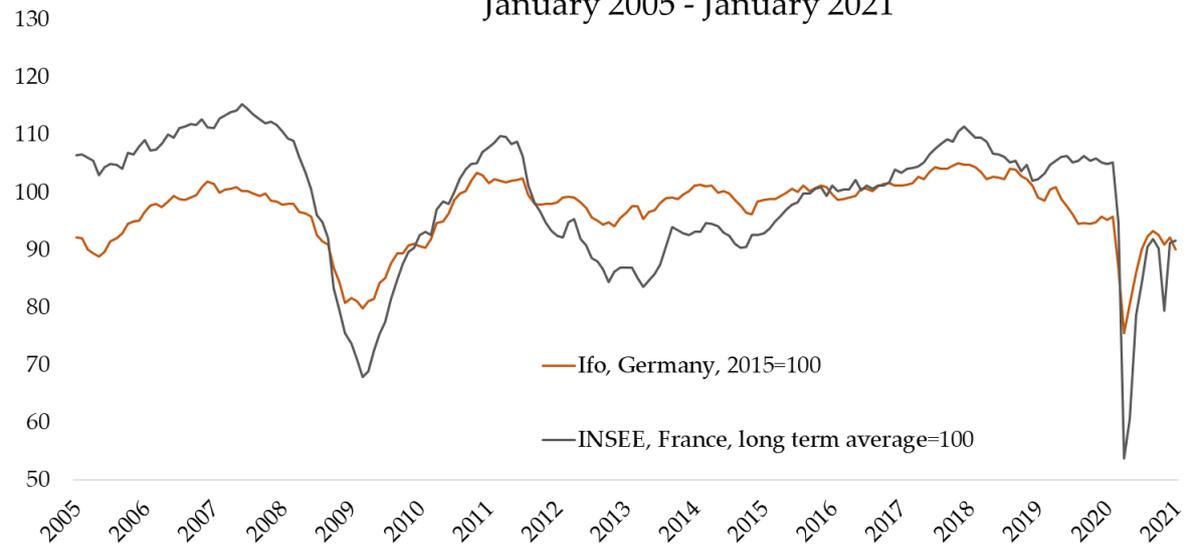
<sup>1</sup><https://www.cesifo-group.de/ifoHome/facts/Survey-Results/Business-Climate/>

<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 decreased, compared to last month. The manufacturing purchasing manager index (PMI) has demonstrated also a decrease, and it performed worse than expected. Unemployment rate remained the same for Germany. The French INSEE business climate index increased compared to last month. In the United States, the CB consumer confidence index demonstrated an increase compared to the month prior, and it performed slightly better than expected. The manufacturing PMI remained virtually the same compared to previous month in the USA. The unemployment rate has slightly decreased compared to last month. The Chinese manufacturing PMI decreased compared to previous period.

**Business confidence in Germany and France,  
based on the Ifo and INSEE business climate survey,  
January 2005 - January 2021**



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

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