



Results of IEER Quarterly Business Climate Survey, July 2021

The Institute of Economic and Enterprise Research (IEER) conducted its Quarterly Business Climate Survey by asking 350 CEOs about the business situation and outlook of the companies they lead. According to the answers taken in July 2021, the level of business confidence has been rising since the low measured in spring 2020, and the Quarterly Business Climate Index is currently up at +32 points from +27 points calculated in April (see fig. 1).

Since records began in 2010 the index has only been in the negative domain twice, in April and July 2020, turning positive again in October, and the upward tendency has, to a lesser extent, continued throughout 2021. By now, the Quarterly Business Climate Index reached the level measured shortly before the outburst of the coronavirus pandemic (January 2020: +33 points).

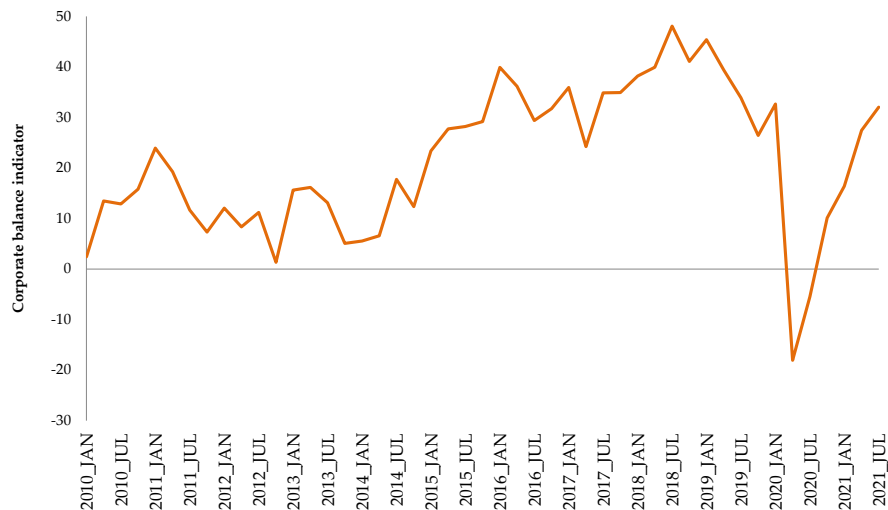
The target of IEER's Business Climate Survey is to map CEO's current, short term business expectations relying on information available to them at the time of the survey, as well as on their subjective judgement. April 2020 results were greatly affected by first impressions and experiences of the pandemic and related economic consequences, while October data were influenced by the economic reboot following the lockdowns. Likewise, data taken in January and April 2021 were affected by 2nd and 3rd wave restrictions and the gradual restart which followed. The current survey was

conducted in July 2021, a period free of any virus-related restrictions.

The Quarterly Uncertainty Index has not changed since April, it is still at 38 points. This means that companies in Hungary continue to assess their situation in a considerably more uniform manner following the saliently uncertain period of April 2020. The Uncertainty Index of the current and the previous quarter (37 and 38 points respectively) is roughly the same as in the quarters of July 2019 and January 2020.

The Quarterly Business Climate Index was the highest in the processing industry (+35 points), followed by commerce (+34 points), and construction (+33 points), and it was the lowest among providers of other economic services (+27 points). Quarter on quarter, there was a 15-, 6- and 3-point increase in commerce, processing and construction, respectively, whereas service providers suffered a 2-point drop.

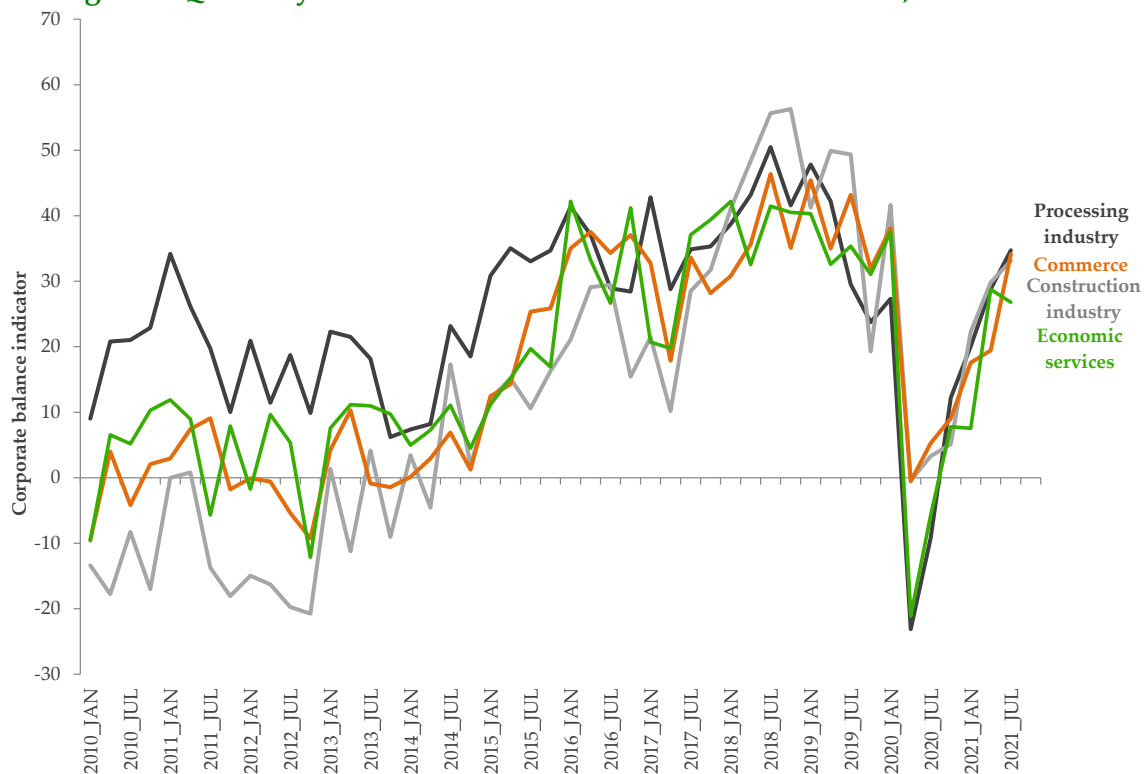
Figure 1: The Quarterly Business Climate Index, 2010. 01–2021. 07.



Source: IEER 2021

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 in economic sectors, 2010. 01–2021. 07.



Source: IEER 2021

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:

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

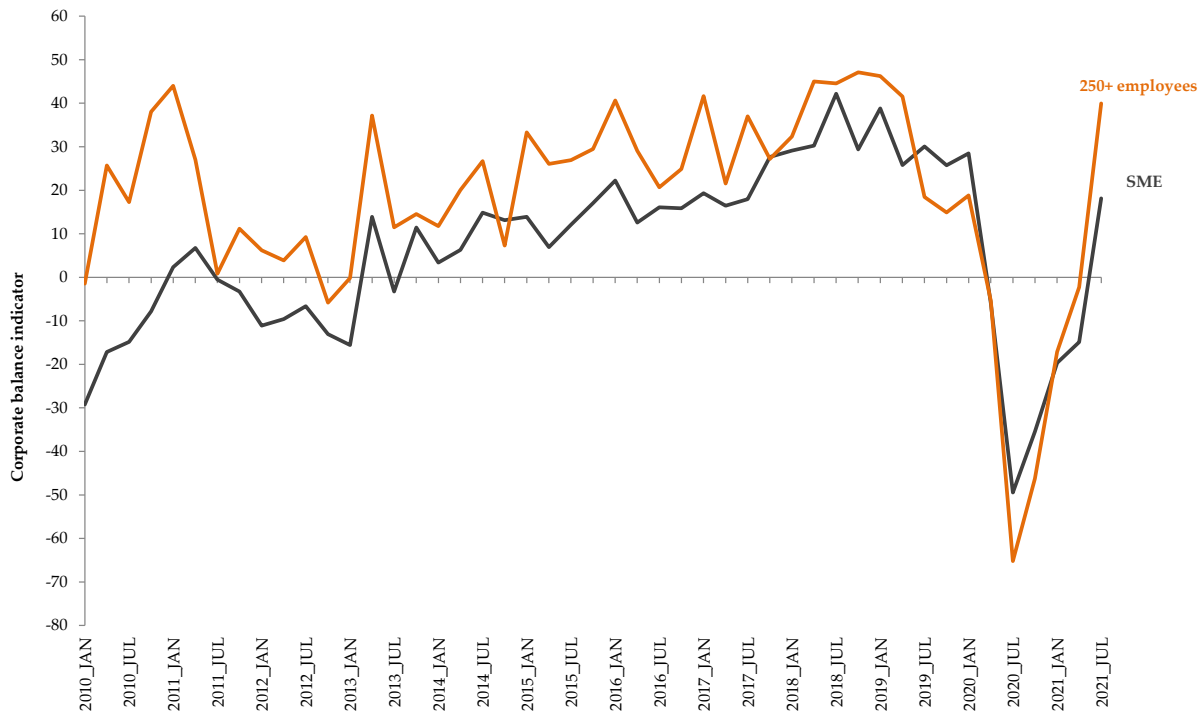
Examining the sub-indicators it can be seen that CEOs have become more optimistic about the number of employees, the expected investment activity, the future production levels and the future capacity utilisation since April 2021. Compared to the last quarter the greatest improvement occurred in how CEOs valued the previous half year. All of the sub-indicators suggest that the judgement of the business situation at present is more positive than it was in the same period of 2020. Year-on-year, production levels of the previous half and expected productivity saw the greatest improvement by far (by 91 and 75 points, respectively).

Based on data taken in July 2021, large companies tend to see their performance more positively than SMEs, reflected by all sub-indicators except for expected business situation, expected number of employees and expected capacity utilisation. The most marked difference can be experienced in the

production level of the previous half (22 points), in the current profitability (14 points) and in the expected level of investments (12 points). All in all, sub-indicators have significantly improved in both sectors since April 2020.

In comparison with April 2021, SMEs now expect the same tendency in the number of employees, while they anticipate less profit and investment as well as weaker capacity utilisation. All the other sub-indicators improved. As for large companies, the expected capacity utilisation stagnate compared to April 2021, whereas the expectations concerning employee numbers, investments and the expected production level worsened. The rest of the sub-indicators improved in comparison with the previous quarter. Large companies expect a capacity utilisation that is 5 points lower than in the same period of 2020, while the rest of the indicators – both for large corporations and SMEs – have improved since July 2020.

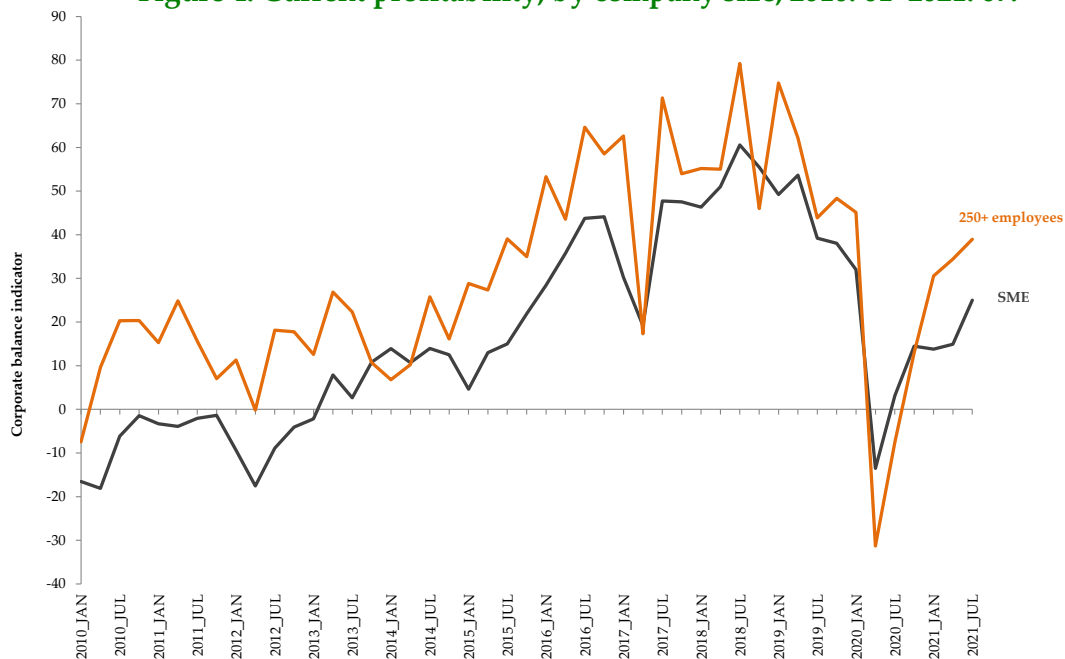
Figure 3: Production in the previous half, by company size, 2010. 01–2021. 07.



Source: IEER 2021

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.

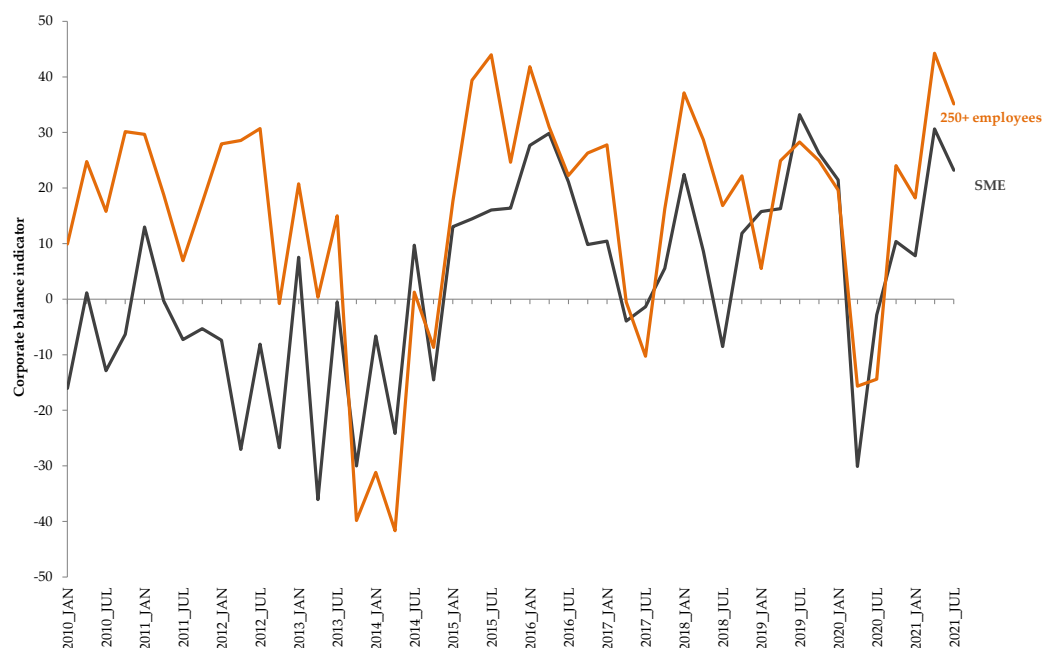
Figure 4: Current profitability, by company size, 2010. 01–2021. 07.



Source: IEER 2021

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.

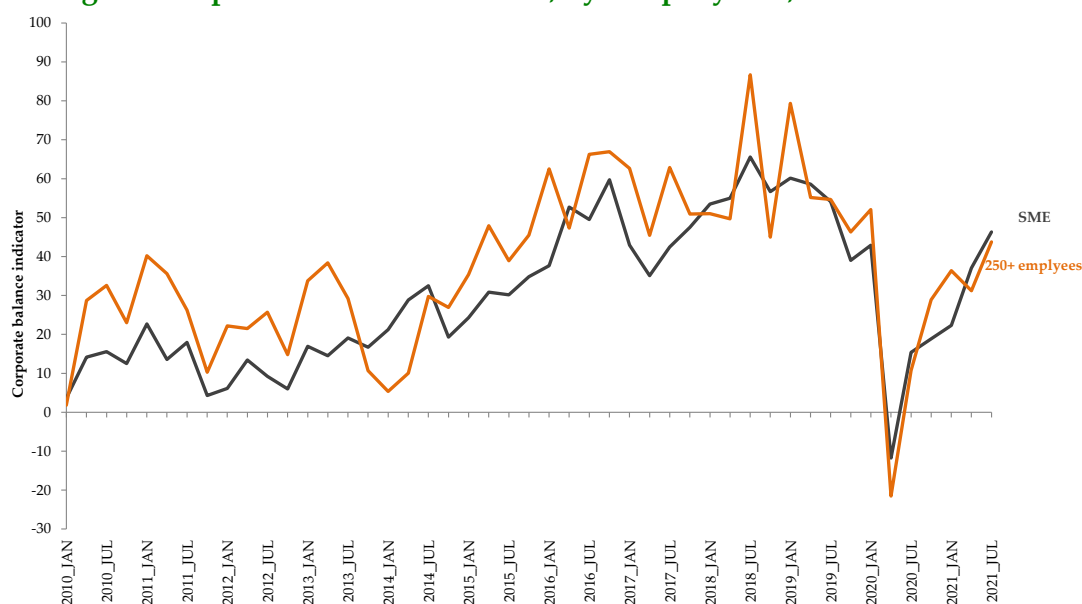
Figure 5: Expected investments, by company size, 2010. 01–2021. 07.



Source: IEER 2021

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).

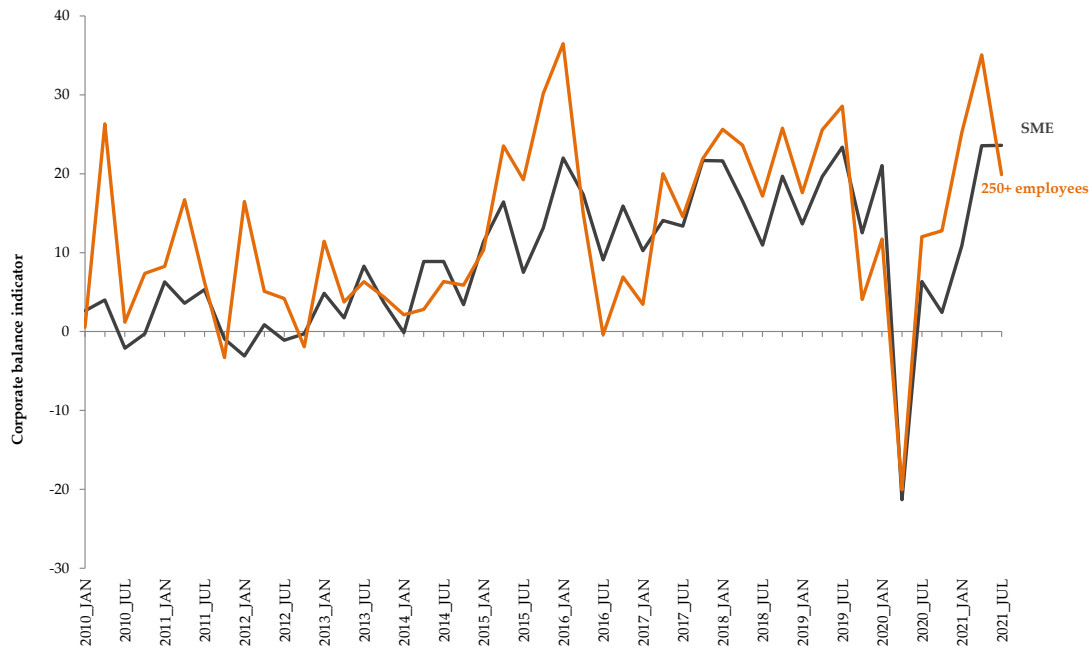
Figure 6: Expected business situation, by company size, 2010. 01–2021. 07.



Source: IEER 2021

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.

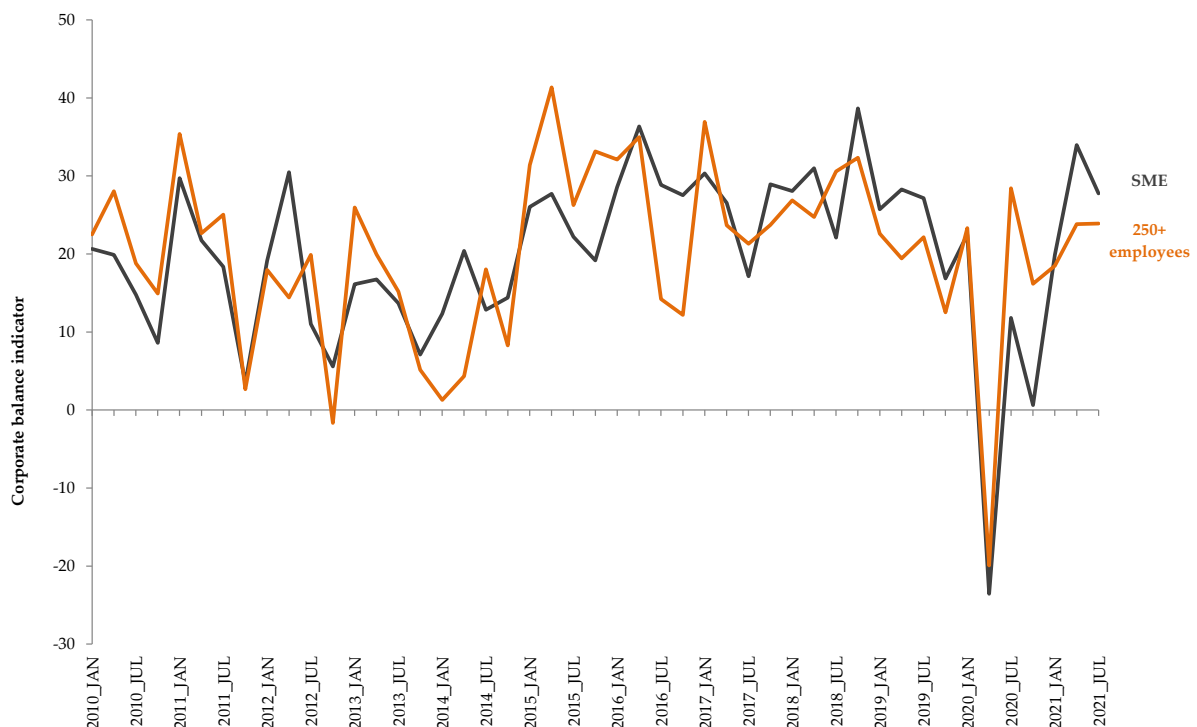
Figure 7: Expected change in the number of employees, by company size, 2010. 01–2021. 07.



Source: IEER 2021

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 8: Expected capacity utilisation, by company size, 2010. 01–2021. 07.



Source: IEER 2021

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.

Education and training 2020: objectives and results

To monitor education targets to be met by 2020, the EU set key indicators and reference benchmarks in its Education and Training 2020 framework system in line with Strategy EU2020. This is a summary of how Hungary performed to meet EU goals, and we shall also present the 1–2-decade long history of some relevant indicators (rate of early leavers from education and training, rate of higher education graduates, employment rate of recent graduates, rate of adult participation in learning) as they were recorded in the EU and in the Visegrad Group (V4).

Education and training 2020¹

By 2020, four specific education targets were set by Strategy EU 2020:

1. Making lifelong learning and mobility a reality.
2. Improving the quality and efficiency of education and training.
3. Promoting equity, social cohesion, and active citizenship.
4. Enhancing creativity and innovation, including entrepreneurship, at all levels of education and training.

In order to monitor whether the targets are realised, the EU set key indicators and reference benchmarks in its Education and Training framework system. A goal of key importance is the rate of early leavers from education and training aged 18–24 should be below 10%. Hungary also adopted the 10% benchmark to achieve by 2020. The other key target is at least 40% of people aged 30–34 should have completed some form of higher education. Hungary set a lower target rate at 33.3%.

Besides the two main targets, other goals and EU-level benchmarks were set:

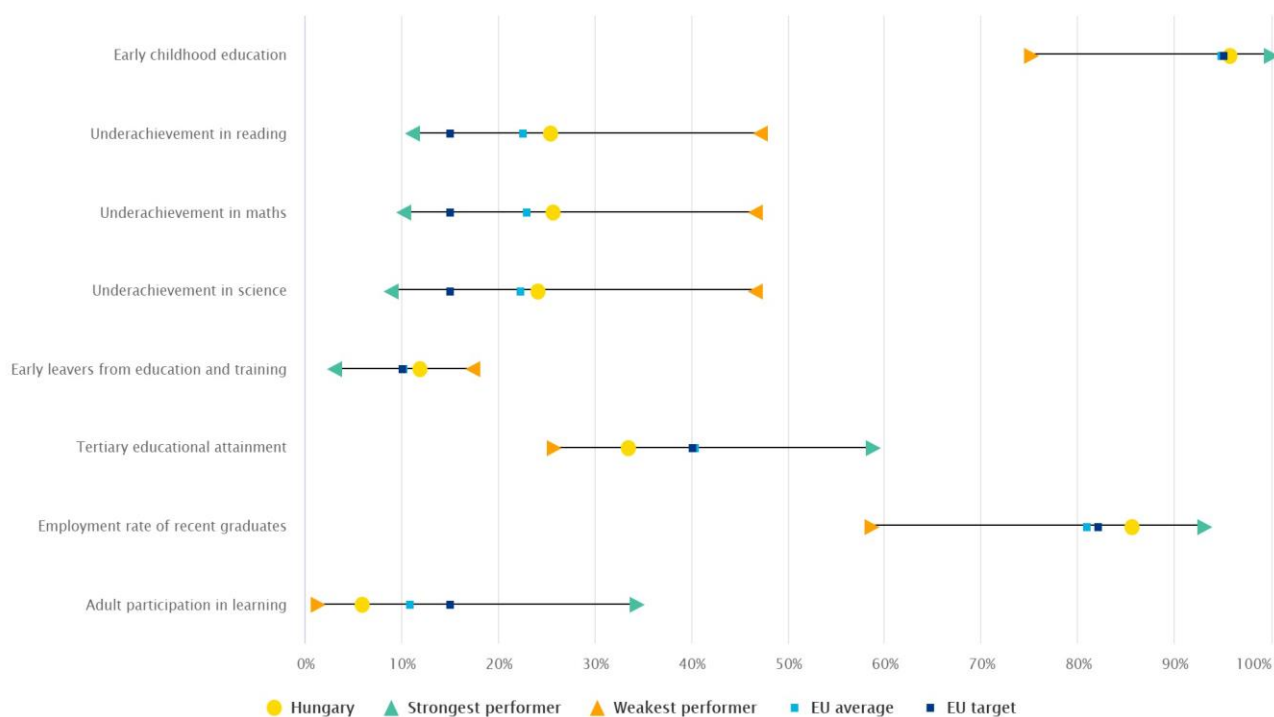
- at least 95% of children should participate in early childhood education (from the age of 4 to the first school year);

- fewer than 15% of 15-year-old students should be under-skilled in reading, mathematics, and science (based on the PISA test);
- the share of employed graduates (aged 20–34 with at least upper secondary education attainment and having left education 1–3 years ago) should be at least 82%;
- at least 15% of adults should be participate in learning;
- at least 20% of higher education graduates and 6% of 18–34-year-old adults with an initial vocational qualification should have spent some time studying or training abroad.

All things considered, there are two fields in which Hungary surpassed both the EU average and the EU-level benchmarks: the rate of children receiving pre-school education, and the employment rate of people freshly out of school. It should also be added that the nationally set benchmark rate of graduates has also been met. Yet the country is seriously lagging behind others considering the rate of school early leavers from education and training, underperforming 15-year-olds, and adult participation in learning. (Figure 1)

¹ Council conclusions of 12 May 2009 on a strategic framework for European cooperation in education and training ('ET 2020'). Official Journal of the European Union, 2009/C 119/02.

Figure 1: Hungary's position in the EU concerning the achievement of the education targets (2019)



Source: Education and Training Monitor 2020. European Commission, p.3. <https://op.europa.eu/en/publication-detail/-/publication/63aabc75-2496-11eb-9d7e-01aa75ed71a1>

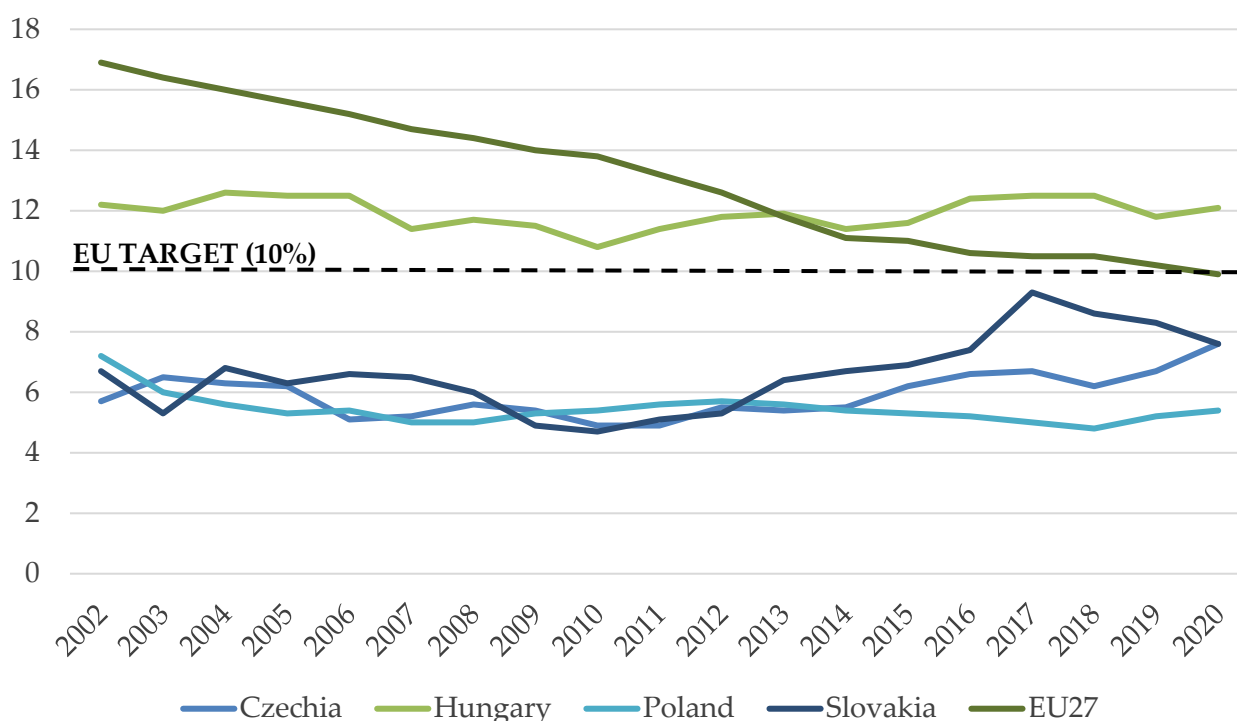
Note: DG EAC, based on data from Eurostat (LFS 2019, UOE 2018) and OECD (PISA 2018).

The rate of early leavers from education and training

If the rate of school early leavers from education and training is considered in a longer-term in Visegrad countries (V4) and in the EU one can see that the rate continuously dropped in the EU27, to below the 10% benchmark. Hungary was closest to the set benchmark in 2010 (10.8%), however, there has not been any significant improvement since 2002 even though the EU provided extra

sources to Hungary to fight the practice of leaving school untimely. At the same time, the rates in the other three Visegrad countries were kept under the 10% EU benchmark, although it is worthwhile to note that the situation has been deteriorating significantly in Czechia and Slovakia since 2010. The indicator managed to cement itself in Poland only, at around 5%. (Figure 2)

Figure 2: The rate of early leavers from education and training in Visegrad countries and in EU27, 2002–2020 (%)



Source: Eurostat (edat_lfse_14)

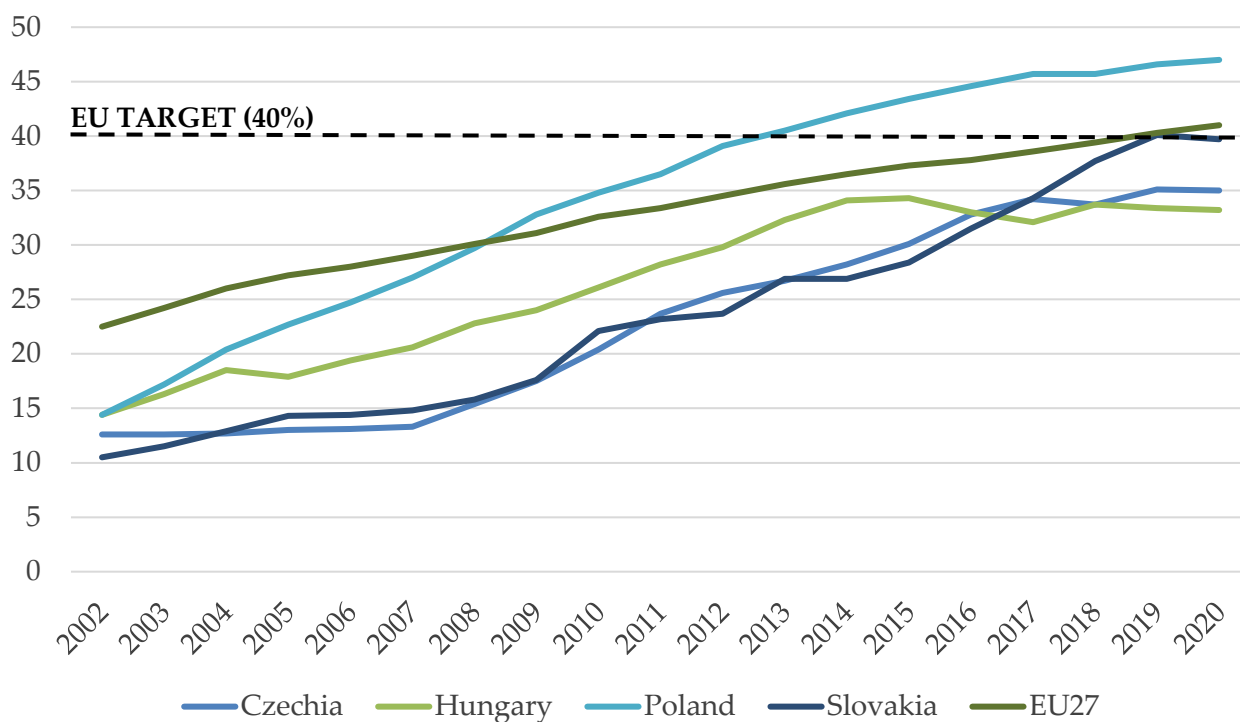
Note: Early leavers from education and training denotes the percentage of the population aged 18 to 24 having attained at most lower secondary education (ISCED 0-2) and in the four weeks preceding the LFS survey not being involved in further education or training (i.e. neither formal nor non-formal).

The rate of higher education graduates

Taking a look at the other key education target, i. e. the rate of 30–34-year-old higher education graduates one can see a continuously rising tendency resulting in the fact that by 2020 the benchmark of 40% was achieved in all the member states of the EU. It is a noteworthy aspect that although in 2002 the rate of higher education graduates had been the highest in Hungary and Poland within the Visegrad group, by 2020 Hungary slipped to the bottom

while Poland managed to preserve its leading position by maintaining spectacular growth. As for Hungary, it should be noted that although the 33.3% benchmark had been virtually reached by 2013, there has not been any improvement since then, whereas the other three countries of the group could, to some extent, further improve their figures (Figure 3.)

Figure 3: The rate of 30–34-year-old higher education graduates in Visegrad countries and in EU27, 2002–2020 (%)



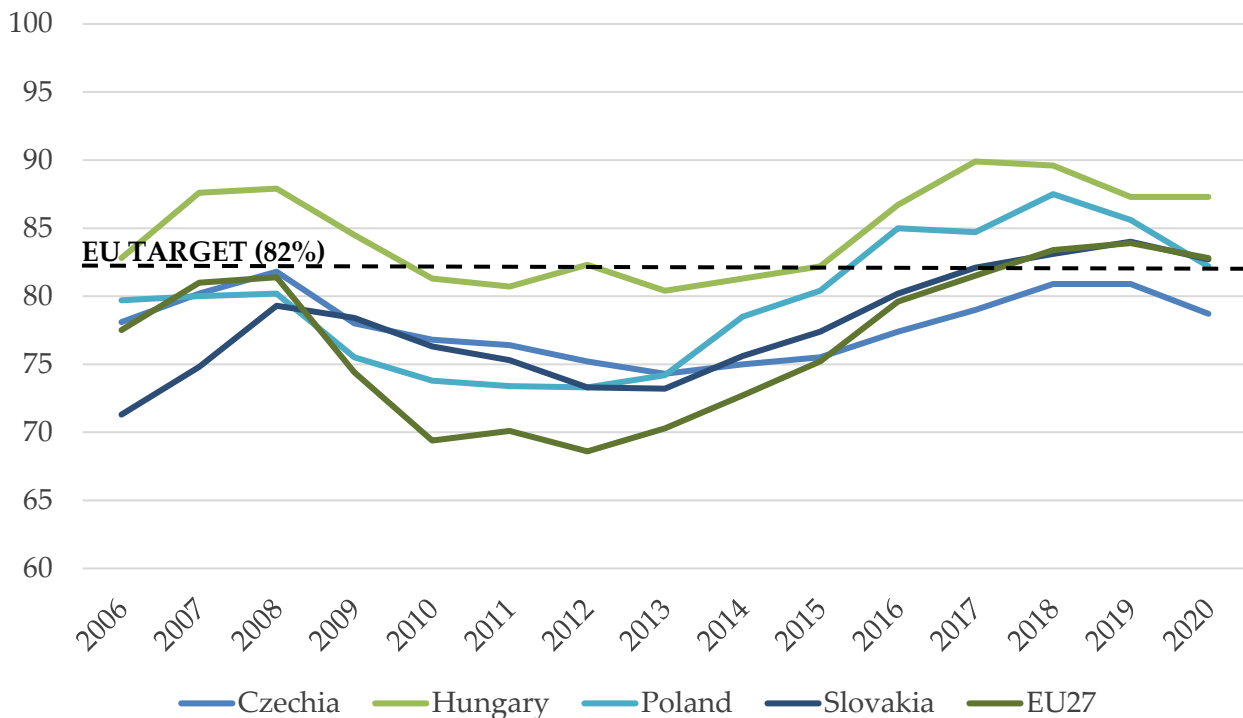
Source: Eurostat (edat_lfse_03)

The employment rate of recent graduates

The rate of 20–34-year-old employed graduates who have at least upper secondary education attainment and having left education 1–3 years ago came close to the 82% benchmark in the EU even in the years before the 2008 crisis, however, the crisis had a profound impact on every EU member state including the V4. As a result, the EU27 average saw a drop of over 10 percentage points. The setback was somewhat less serious in Visegrad countries. In general, it can be observed that the indicator climbed

back to pre-crisis levels in EU27 and in the Visegrad countries and stayed there until the outburst of the coronavirus pandemic. Since then, in the past 1–2 years the rate has been falling again. Nevertheless, by 2020 the EU-level 82% benchmark set in 2010 has been achieved. It should be highlighted that in this field Hungary has been in the top third of EU member states since the 2000s. (Figure 4)

Figure 4: The employment rate of recent graduates in Visegrad countries and in EU27, 2006–2020 (%)



Source: EU-LFS, Eurostat (edat_lfse_24)

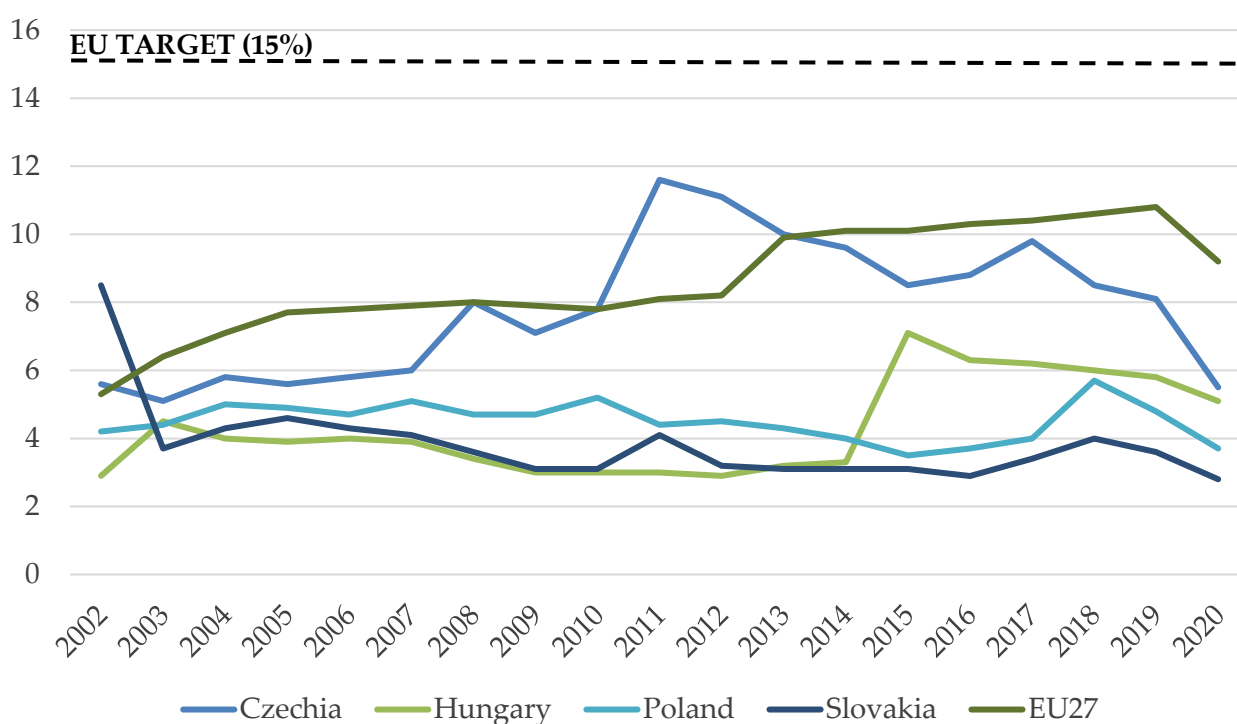
Note: The indicator employment rates of recent graduates is defined as the percentage of the population aged 20-34 with at least upper secondary education (ISCED 3-8), who were employed (ILO definition), not in further education or training (i.e. neither formal nor non-formal) during the last four weeks preceding the survey and who successfully completed their highest educational attainment 1, 2 or 3 years before the survey.

Adult participation in learning

The rate of 25–65-year-old adults taking up education is one of the indicators where the 15% target set in 2010 was not reached by 2020; in fact, countries have a considerable backlog with achieving that goal. Of the Visegrad four only Czechia stood out, and even there

tendencies have been deteriorating significantly over the last decade. In the other three Visegrad countries, adult involvement in education has been low (constantly below 5–6%) since the 2000s. (Figure 5)

Figure 5: 25–64-year-old adults' participation in learning in Visegrad countries and in EU27, 2002–2020 (%)



Source: EU-LFS, Eurostat (trng_lfse_03)

Note: The participation rate in education and training covers participation in formal and non-formal education and training. The reference period for the participation in education and training is the four weeks prior to the LFS survey. The larger decreases and increases in the rates from one year to the next are usually the result of methodological changes in the collection and processing of statistical data in each country.

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)	5.5%	5.6%	5.6%
Germany	Manufacturing Purchasing Managers Index	(August)	62.6	62.7	65.9
	IFO Business Climate Index ¹	(August)	99.4	97.5	100.7
France	INSEE Business Climate Index ²	(August)	110.1		112.6
	Unemployment Rate	(August)	5.2%	5.2%	5.4%
USA	CB Consumer Confidence Index	(August)	113.8	124.0	125.1
	Manufacturing Purchasing Managers Index	(August)	61.1		61.2
China	Manufacturing Purchasing Managers Index	(August)	50.1	50.2	50.4

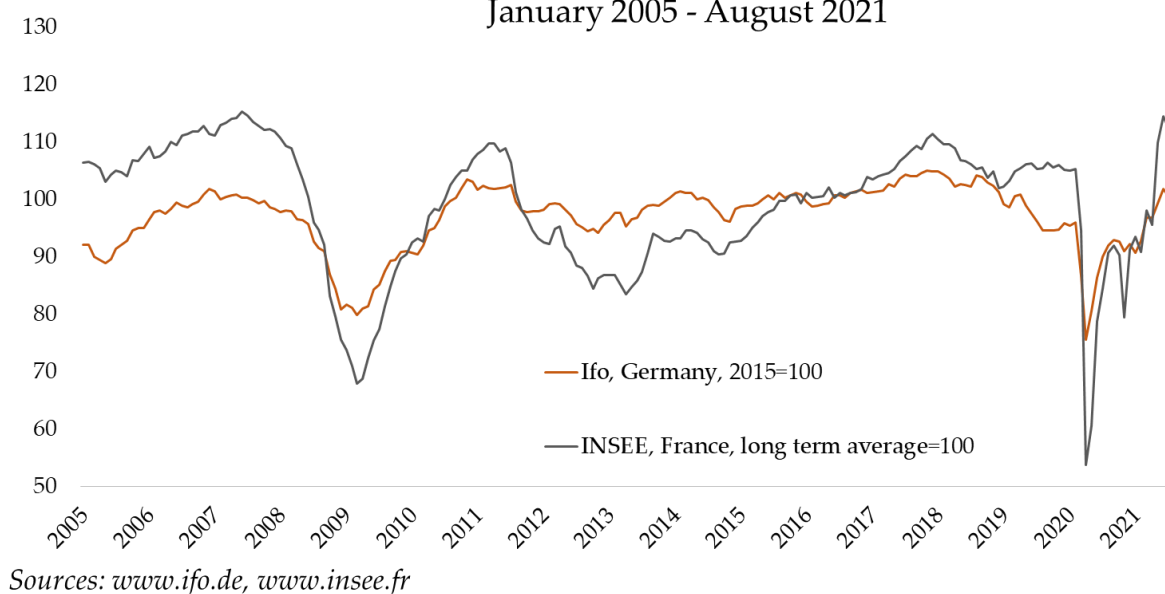
¹ <https://www.ifo.de/en/survey/ifo-business-climate-index>

² <http://www.insee.fr/en/themes/indicateur.asp?id=105>

The rest of the data source: <https://www.bloomberg.com/markets/economic-calendar>

In Germany, the IFO business climate index decreased compared to July. The manufacturing purchasing manager index (PMI) decreased compared to previous period. Unemployment rate slightly improved for Germany. The French INSEE business climate index decreased compared to last month. In the United States, the CB consumer confidence index decreased significantly compared to the month prior, and it performed worse than expected. The manufacturing PMI also decreased compared to July in the USA. The unemployment rate improved 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 - August 2021



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:

Ágoston Horváth, analyst, MKIK GVI
Krisztián Széll, analyst, MKIK GVI
Katalin Tóth, analyst, MKIK GVI

Research manager:

Fruzsina Nábelek
Managing director, MKIK GVI

In case of publication please cite as follows:

HCCI-IEER: Monthly Economic Bulletin,
August 2021, Budapest,
2021-09-13