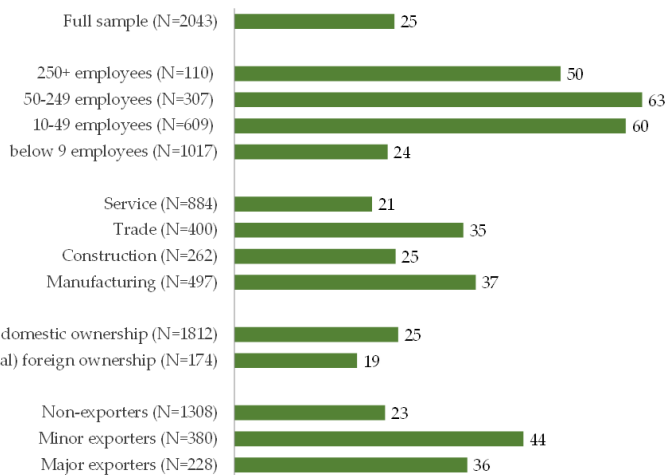
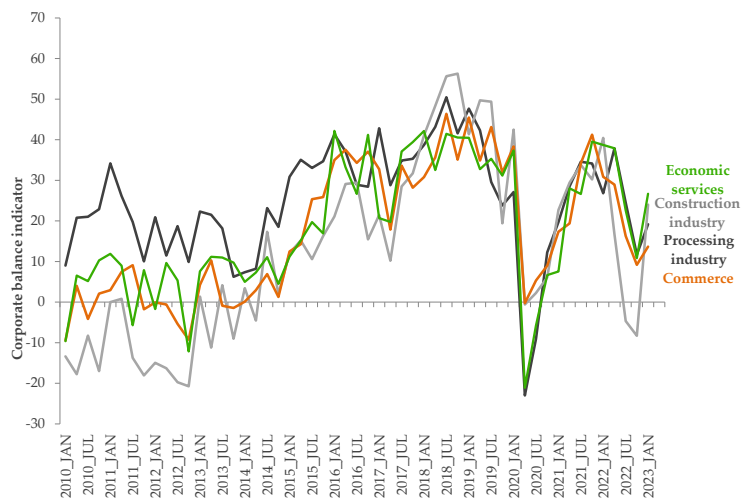


Monthly Bulletin of Economic Trends

Quarterly Business Climate Index...

According to the January 2023 survey, the Quarterly Business Climate Index increased from +10 to +21 points compared to October 2022.

Following the significant decline in the second half of 2022, the business sentiment seems to be improving, with the current value of the Quarterly Business Climate Index rising to July 2022 levels.... [More](#)



Credit financing among Hungarian...

In October 2022 a quarter of businesses had bank loans. 8% took out exclusively state-subsidised loans, 7% borrowed exclusively from the market and 9% had loans from both sources. Larger firms and foreign-owned firms tend to have more market credit, while smaller and domestically owned firms use a similar proportion of market and state-subsidised credit. [More](#)

International trends

The German IFO business climate index increased compared to January while the manufacturing purchasing manager index (PMI) decreased slightly. The French INSEE business climate index increased compared to last month... [More](#)

QUARTERLY BUSINESS CLIMATE INDEX

JANUARY 2023

In the Quarterly Business Climate Survey of the Institute of Economic and Enterprise Research (IEER), 351 CEOs were inquired about their company's business situation and prospects. IEER's Business Climate Survey aims to map the current, short-term business expectations of company CEOs, based on the information available to them at the time of the survey and their subjective assessment of the situation.

The evolution of the Business Climate Index

According to the January 2023 survey, the Quarterly Business Climate Index increased from +10 to +21 points compared to October 2022.

Following the significant decline in the second half of 2022, the business sentiment seems to be improving, with the current value of the Quarterly Business Climate Index rising to July 2022 levels.

Prior to the current survey and the one taken in July 2022, the Quarterly Business Climate Index scored similarly in January 2021 (+17 points), during the second wave of the coronavirus pandemic, and before that it had reached a similar level in April 2017 (+24 points). Hungarian businesses' assessment of the situation remains uncertain and varied, but it is more consistent compared to the April 2020 result, which reflected a spike in uncertainty. The current value of the Uncertainty Index (39 points) is mostly in line with the one observed during the period between July 2019 and January 2020, immediately preceding the epidemic, in

addition to the period between April and October 2021.

The Business Climate Index by company features

Sector: the Quarterly Business Climate Index is the highest for services (+27 points), followed by construction (+24 points), and manufacturing (+19 points) and the lowest for trade (+14 points).

Ownership structure: the Quarterly Business Climate Index is +19 points for fully domestic enterprises and +21 points for companies of (partially) foreign ownership.

Exporting activity: the Quarterly Business Climate Index is highest among major exporters (+25 points), while it scored +17 points for non-exporters and +14 points for minor exporters.

Size category: the Quarterly Business Climate Index stands at +15 points for firms with 20-49 employees, +16 points for firms with 50-99 employees, +17 points for firms with 100-249 employees and +24 points for firms with over 250 employees.

The Quarterly Business Climate Index by economic sectors, 01.2010 - 01.2023.



Source: IEER 2023

Components of the Business Climate Index

The Quarterly Business Climate Survey has ten components:

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

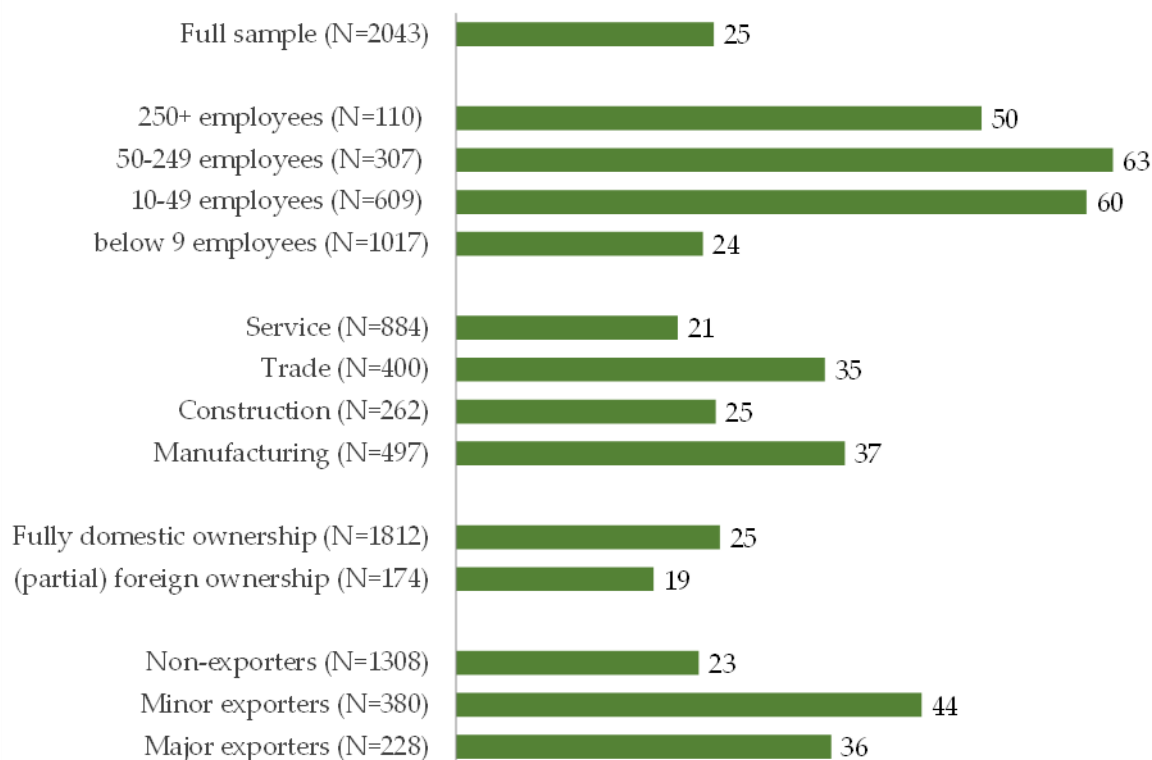
With the exception of current orders and expected investment activity, **CEOs are more optimistic about all aspects compared to their expectations in October 2022**. In comparison with the previous quarter, **the largest improvement (27 points) was in the assessment of expected production levels**, and there were also significant improvement (22, 20 and 19 points respectively) in the assessment of

expected profitability, the level of production in the previous half and expected capacity utilisation. **Compared to the same period of the previous year, the current perception of the business situation is more negative in respect to all indicators**. The most notable deterioration (by 20 points) year over year is in current orders.

CREDIT FINANCING AMONG HUNGARIAN COMPANIES

In October 2022, as part of its semiannual business climate survey, the Institute of Economic and Enterprise Research (IEER) examined the prevalence of market-based bank loans and state-subsidised loans in the circle of 2,135 Hungarian companies, and the characteristics of firms that make more frequent use of loans.

Credit financing among companies, percent (weighted)



Source: IEER 2022

In October 2022, a quarter of enterprises had a state-subsidised and/or market-based bank loan. 8% used only state-subsidised loans, 7% only market-based loans and 9% both. Larger firms and foreign-owned firms tend to have more market credit, while smaller and domestically owned firms use a similar proportion of market and state-subsidised credit.

Of the smallest firms only one in four have credit, while 50-60% of larger firms borrow

capital. Looking at the types of credit, there is a significant pattern difference between SMEs versus the largest firms, where pure market-based bank loans are more common with only a small minority having state-subsidised credit.

Taking out loans is more common in the manufacturing and commercial sectors than in construction and service. By economic sector, there is no difference in whether a firm opts for a subsidised or non-subsidised loan.

The utilisation of debt financing is more common with fully domestically-owned firms than with (partially) foreign-owned firms. Among domestic enterprises, there is no difference in the type of credit used. In contrast, (partially) foreign-owned enterprises tend to take out market-based loans more commonly than state-subsidised loans.

Non-exporters are less likely to use debt financing than exporters. Along the lines of

exporting activity profiles, there is no difference between firms in terms of whether they prefer purely market-based or state-subsidised loans.

To sum up, if we compare firms using state-subsidised loans and companies that use market-based bank loans, we find that there is a significant difference along two lines: larger firms and (partially) foreign-owned firms tend to choose market loans (unsubsidised by the state).

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	(February)	5.5%	5.5%	5.5%
Germany	Manufacturing Purchasing Managers Index	(February)	46.3	46.5	47.0
	IFO Business Climate Index ¹	(February)	91.1	88.5	90.1
France	INSEE Business Climate Index ²	(February)	103.3		101.9
	Unemployment Rate	(February)	3,6%	3.4%	3.4%
USA	CB Consumer Confidence Index	(February)	102.9	108.5	107.1
	Manufacturing Purchasing Managers Index	(February)	47.3	47.8	46.9
China	Manufacturing Purchasing Managers Index	(February)	52.6	50.5	50.1

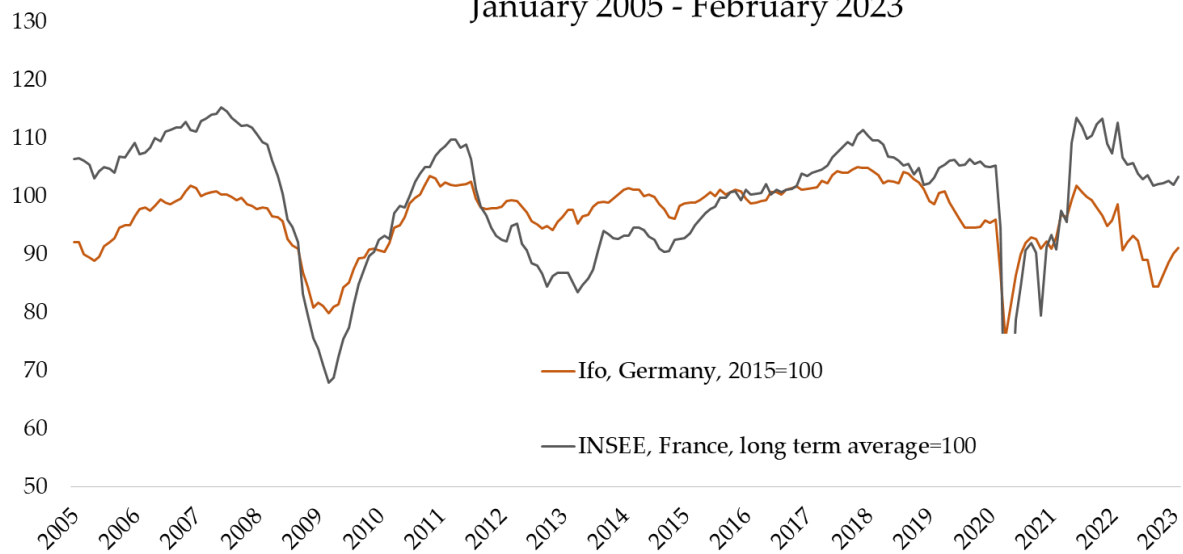
¹ <https://www.ifo.de/en/survey/ifo-business-climate-index>

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 increased compared to January. The manufacturing purchasing manager index (PMI) decreased slightly compared to the previous period and performed worse than expected. The unemployment rate remained the same in Germany. The French INSEE business climate index increased compared to last month. In the United States, the CB consumer confidence index decreased significantly compared to the month prior. The manufacturing PMI increased compared to January in the USA. The unemployment rate became worse in the USA. The Chinese manufacturing PMI increased compared to the previous month.

Business confidence in Germany and France,
based on the Ifo and INSEE business climate survey,
January 2005 - February 2023



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

CONTACT

MKIK GVI
1065 BUDAPEST, LÁZÁR UTCA 10.
TEL: 1/235-05-84
E-MAIL: GVI@GVI.HU
INTERNET: [HTTP://WWW.GVI.HU](http://WWW.GVI.HU)

PREPARED BY

HORVÁTH ÁGOSTON, ANALYST
TÓTH KATALIN, ANALYST
NYÍRŐ ZSANNA, ANALYST

RESEARCH MANAGER

NÁBELEK FRUZZSINA, MANAGING DIRECTOR

14 MARCH 2023

In case of publication please cite as follow:
HCCI IEER: Monthly Bulletin of Economic Trends,
February 2023, Budapest,
2023-03-14