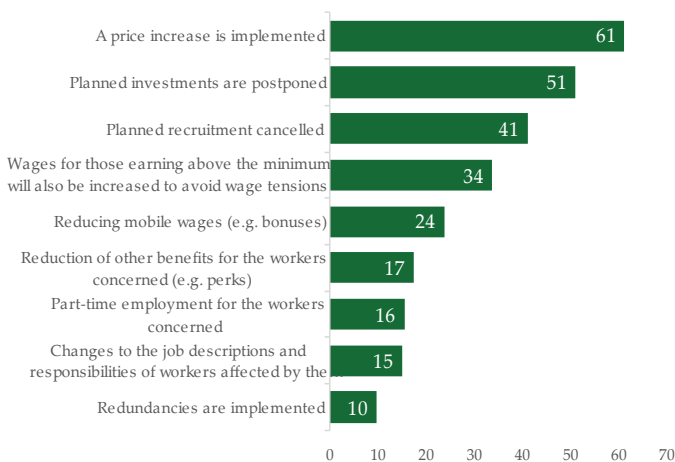
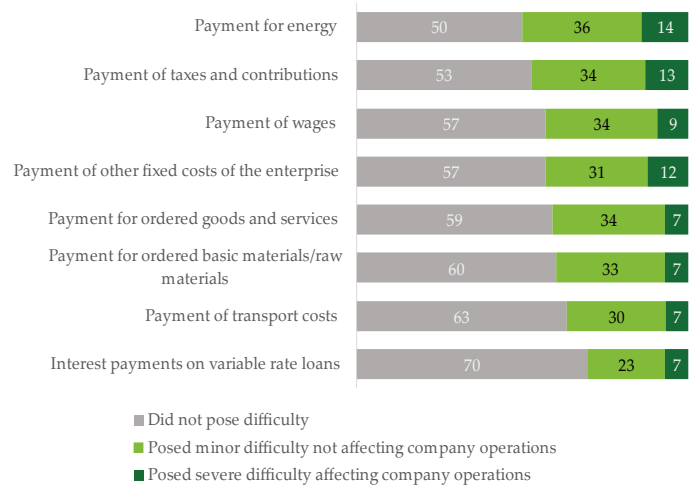


Monthly Bulletin of Economic Trends

The financial situation of enterprises

In April 2023, a total of 2 061 CEOs of Hungarian enterprises reported on their financial situation as part of the semi-annual business climate survey conducted by the Institute for Economic and Enterprise Research (IEER). The most severe financial problems for the majority of businesses in the months before April 2023 were paying energy bills,... [More](#)



Companies' reactions to minimum wage increase, pay raise plans

Our analysis shows the reactions of domestic businesses to the 2023 minimum wage increase and their expectations regarding wages. The analysis is based on the data of HCCI IEER's semi-annual business climate survey of April 2023, in which a total of 2,061 CEOs of Hungarian enterprises were interviewed. [More](#)

International trends

In Germany, the IFO business climate index decreased significantly compared to May. The manufacturing purchasing manager index (PMI) also decreased compared to May...[More](#)

THE FINANCIAL SITUATION OF ENTERPRISES

In April 2023, a total of 2 061 CEOs of Hungarian enterprises reported on their financial situation as part of the semi-annual business climate survey conducted by the Institute for Economic and Enterprise Research (IEER). The most severe financial problems for the majority of businesses in the months before April 2023 were paying energy bills, taxes, contributions and wages.

The financial difficulties of enterprises

In April 2023, a total of 2 061 CEOs of Hungarian enterprises reported on their financial situation as part of the semi-annual business climate survey conducted by the Institute for Economic and Enterprise Research (IEER).

Among the financial difficulties surveyed, more than two thirds (68%) of businesses were affected by at least one factor to a minor or significant extent, which were serious enough to threaten the operations of the business. One in four (24%) of the enterprises surveyed reported major difficulties in the months preceding the survey.

For most businesses, the payment for energy was the biggest financial problem in the months before April 2023, with 14% of firms experiencing a significant difficulty threatening operations, and a further 36% experiencing a minor difficulty. The second most frequently cited financial difficulty was paying taxes and contributions, which reportedly caused a substantial difficulty for 13% and a minor difficulty for 34% of respondents. In other words, one in two firms had problems paying for energy bills, taxes and contributions in the period before

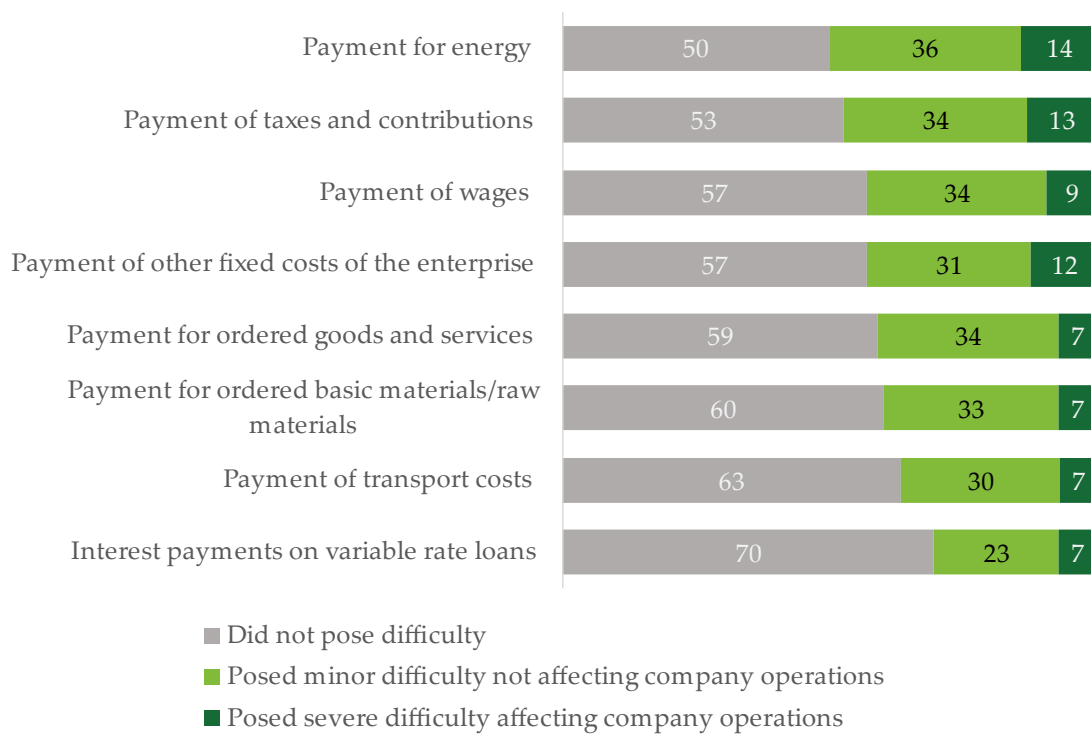
April. Paying wages was also a problem for a significant proportion of respondents, with nearly a tenth of businesses experiencing a substantial difficulty and 34% a minor difficulty.

Overall, we can see that at least 40% of respondents had problems paying for the listed items in the months before April, not counting transport costs and interest payments on loans.

Perceptions regarding rivals' cessation of their activities and leaving the market

In the survey, respondents were asked to indicate on a scale of 1 to 5 how much they expect same-sector competitors with similar activities to suspend their business or leave the market in the upcoming six months. 60% of the CEOs surveyed consider it highly unlikely or unlikely that same-sector competitors will shut down operations or quit the market in the next half-year cycle. At the same time, 18% believe the scenario of same-sector quitters to be likely or highly likely. Compared to October 2022, the proportion of those who expect their competitors to suspend their activities or exit the market has decreased and the share of those expecting the opposite has increased.

Figure 1. Companies' financial difficulties in recent months, April 2023, percent



Source: IEER 2023

COMPANIES' REACTIONS TO MINIMUM WAGE INCREASE, PAY RAISE PLANS

Our analysis shows the reactions of domestic businesses to the 2023 minimum wage increase and their expectations regarding wages. The analysis is based on the data of HCCI IEER's semi-annual business climate survey of April 2023, in which a total of 2 061 CEOs of Hungarian enterprises were interviewed.

Almost two-thirds (61%) of domestic firms in the competitive sector have raised or will raise prices this year in response to the increase in the minimum wage, and half (51%) indicated that they would postpone planned investments.

For 2023, 83% of firms have implemented or plan to implement wage increases: almost half (49%) of firms plan to increase wages by more than 10%.

Companies' reactions to the increase of the minimum wage

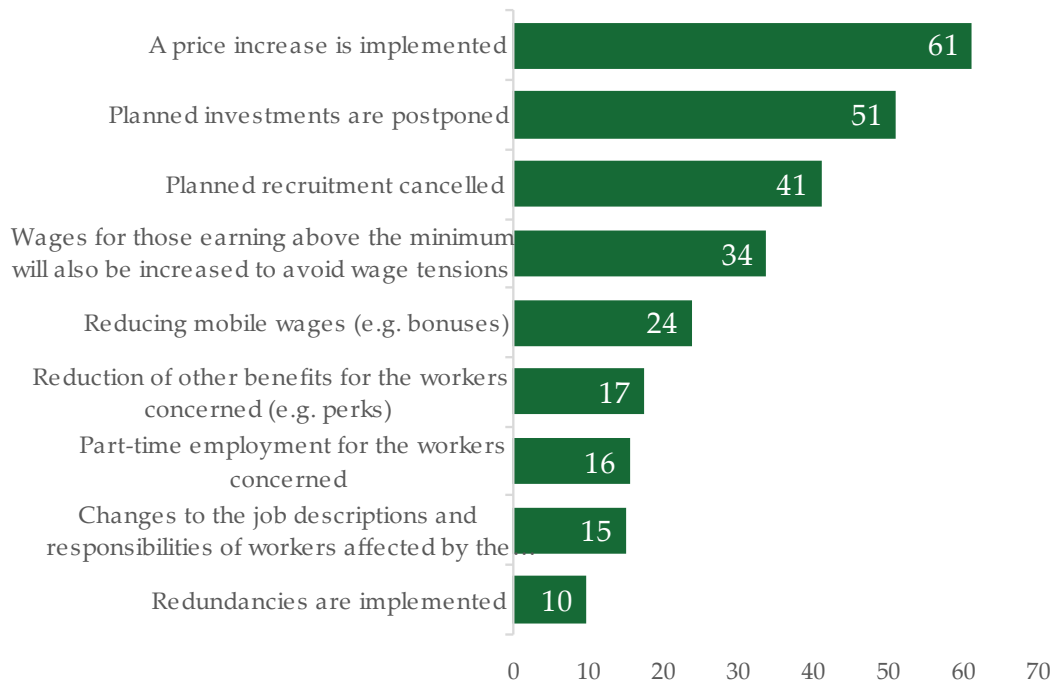
In our survey, we examined the nine steps that can be taken by a business operating in Hungary after the increase in the minimum wage and the guaranteed minimum wage for skilled workers from 1 January 2023.

Of the measures surveyed, price rises were the most frequently mentioned by respondents: almost two thirds (61%) of firms have raised or will raise their prices this year in response to the increase in the minimum wage. Half of respondents (51%) indicated that planned investments would be postponed, and 41% said that planned

hiring in 2023 would be delayed. Compared to the results of our spring 2022 survey last year, the frequency of all company responses to minimum wage increases increased by 1-21 percentage points: most notably, postponement of planned investments (by 21 percentage points), cancellation of planned hiring (by 14 percentage points) and wage increases for those earning above the minimum wage (by 10 percentage points).

Three quarters (76%) of firms are addressing the minimum wage increase in 2023 by adjusting their business strategy: postponing previously planned investments or hiring, or raising the price of their products. The proportion of enterprises that have decided to reduce the fringe benefits or mobile wages of the affected employees as a result of the minimum wage increase is 28%. In addition, a similar proportion (27%) of enterprises have taken employment-related measures: those firms have already made or will make redundancies, change job descriptions or place workers affected by the wage increase in part-time jobs.

Figure 1. Proportion of enterprises for which the increase in the minimum wage has led / will lead to the above steps in 2023, percent



Source: IEER 2023

Change in gross wages in 2022 and 2023

In 2022, the overwhelming majority of businesses (92%) increased their wages, and over half (57%) of them increased their wages by more than 10%.

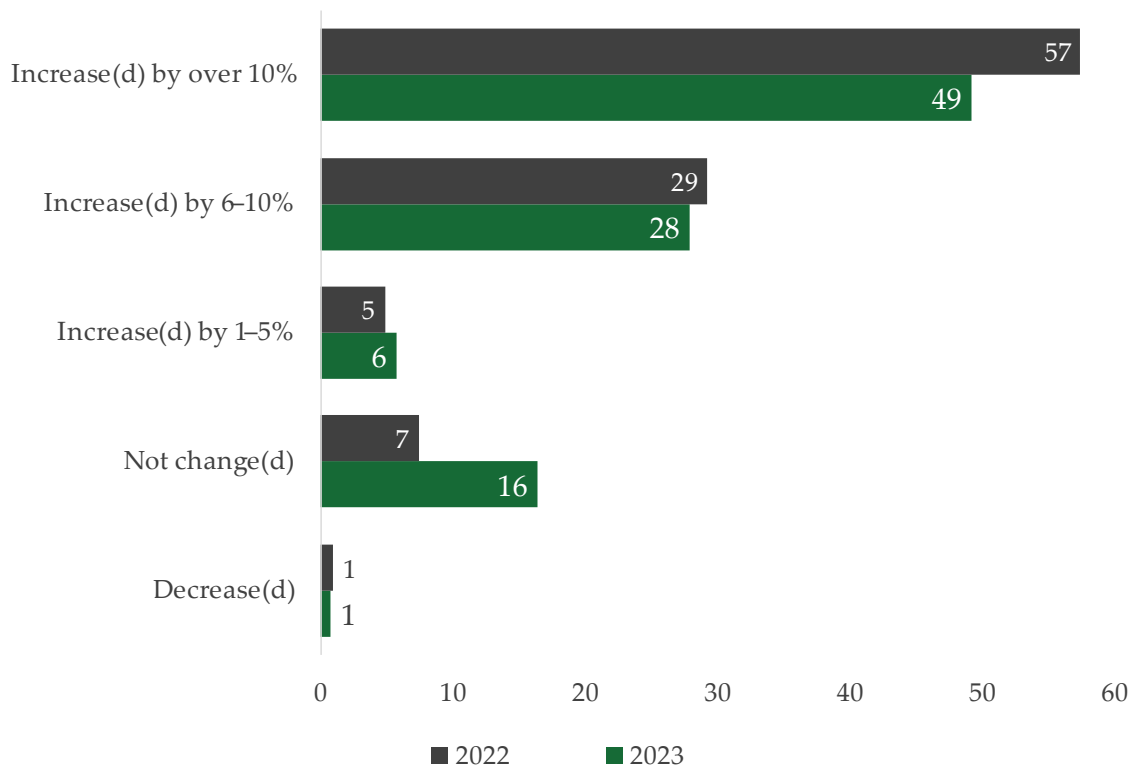
For 2023, 83% of firms have implemented or plan to implement wage increases. One in six (16%) companies have reported stagnation in wages, while 1% expect outright pay cuts. In addition to the lower proportion of firms planning to increase wages in 2023, firms' expectations of the level of wage increases are also slightly lower than in 2022, with 49% of firms

planning to increase wages by over 10%, 28% by 6-10% and 6% by 1-5%.

As the size of companies increases, the proportion of firms that have increased wages in 2022 or will increase wages in 2023 goes up. The proportion of wage raisers at 0-10 micro-enterprises is 62%, while the rate is 87% for 10-49 companies, 86% for medium-sized 50-249 companies and 91% for large, 250+ companies.

The proportion of enterprises implementing and planning wage increases is the lowest in services (77%) and construction (74%), and highest in industry (96%).

Figure 2. Change in gross wages in 2022 and 2023, percent



Source: IEER 2022, 2023

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	(June)	5.7%	5.6%	5.6%
Germany	Manufacturing Purchasing Managers Index	(June)	40.6	41.0	43.2
	IFO Business Climate Index ¹	(June)	88.5	83.6	91.5
France	INSEE Business Climate Index ²	(June)	100.0		100.0
	Unemployment Rate	(June)	3.6%	3.6%	3.7%
USA	CB Consumer Confidence Index	(June)	109.7	104.0	102.5
	Manufacturing Purchasing Managers Index	(June)	46.3	46.3	48.4
China	Manufacturing Purchasing Managers Index	(June)	49.0	49.0	48.8

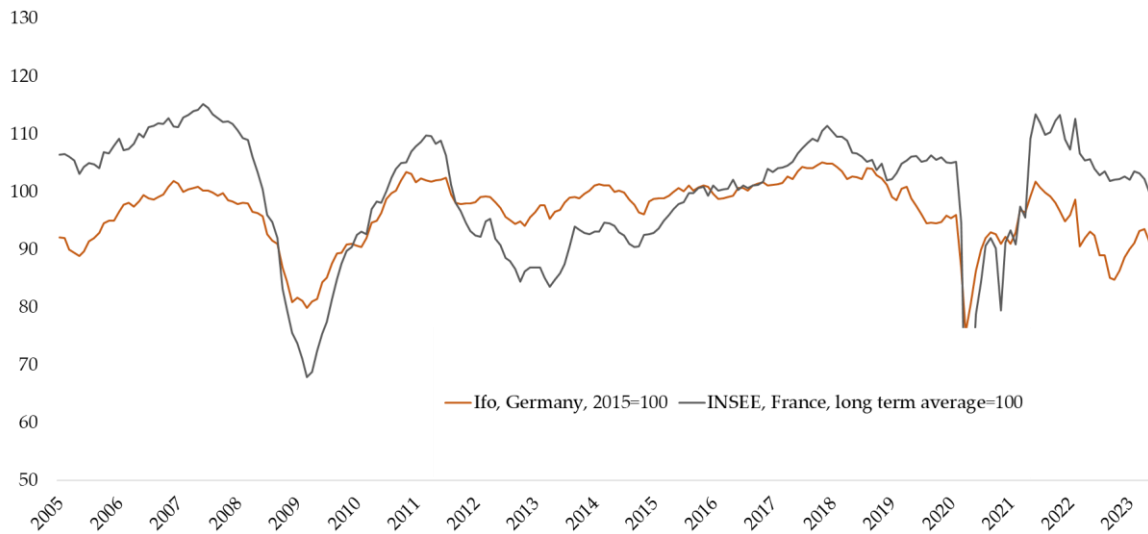
¹ <https://www.ifo.de/en/survey/ifo-business-climate-index>

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

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



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

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