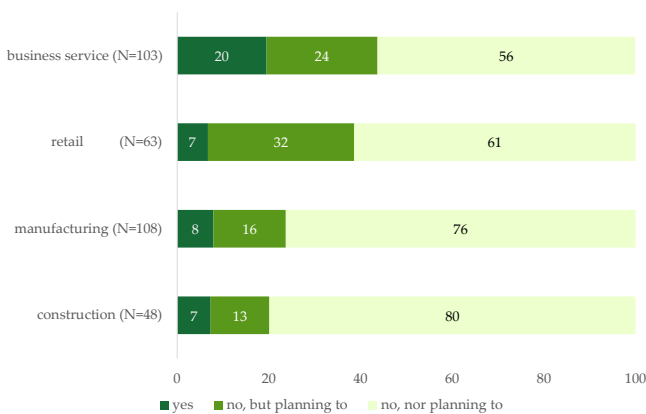
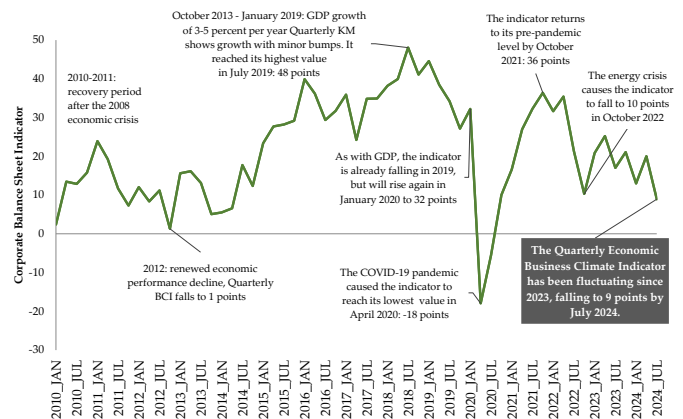


# Monthly Bulletin of Economic Trends

## Quarterly Business Climate Survey – July 2024

The results of the July 2024 survey indicate a fall from +20 to +9 points compared to April 2024 in the Quarterly Business Climate Indicator. Following alternating periods of improvement and deterioration since 2023, there has thus been a significant decline, resulting in a current quarterly indicator that is 1 point lower than the October 2022 decline during the energy crisis. The decrease in the indicator is most pronounced in the industrial, foreign-owned and large enterprise....[More](#)



## Artificial intelligence use and its barriers among domestic businesses – July 2024

12% of domestic companies already use artificial intelligence (AI) tools in their work processes, while another 22% plan to do so. Large enterprises (65%) and service companies (44%) are considered to be at the top of the list.

Domestic companies use AI technologies most often for marketing and process automation. The most significant barriers to adoption are lack of trained staff and knowledge of new technologies, as well as difficulties....[More](#)

## International trends

In Germany, the decline in the IFO Business Confidence Index in June and July continued in the last month of summer as well, which signals the deepening of the crisis. France's INSEE business confidence index on the other hand rose by nearly 3 points after a drop of nearly 5 ...[More](#)

## QUARTERLY BUSINESS CLIMATE SURVEY – JULY 2024

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In the quarterly business survey of the Institute for Economic and Enterprise Research (IEER), 350 managers of companies with at least 20 employees were asked about the business situation and prospects of their business. IEER's business survey aims to map the current, short-term business expectations of business leaders, based on the information available to entrepreneurs at the time of the survey and their subjective assessment of the situation.

### Business Climate Indicator Trends

The results of the July 2024 survey show that the Quarterly Business Climate Indicator declined from +20 to +9 points compared to April 2024. There were alternating periods of improvement and deterioration during 2023 and the first half of 2024, followed by a significant drop in July, compared to April 2024, resulting in a current BCI value that is 1 point lower than the October 2022 decline linked to the energy crisis. Prior to that, the Quarterly Business Climate Indicator recorded a similar value in October 2020 (+10 points) during the second wave of the COVID-19 pandemic.

The assessment of the situation of domestic enterprises is increasingly uncertain and fragmented. The current value of the Uncertainty Index (42 points) is most in line with the values observed in July 2023, October 2022 and the period of the COVID-19 pandemic (July 2020-January 2021).

### The Business Climate Indicator by business characteristics

**Sector:** the Quarterly Business Climate Indicator is highest for services (+27 points), +12 points for retail, +6 points for construction and the lowest for manufacturing (-1 point). Compared to the previous quarter, the indicator has dropped significantly, by 16 points in manufacturing,

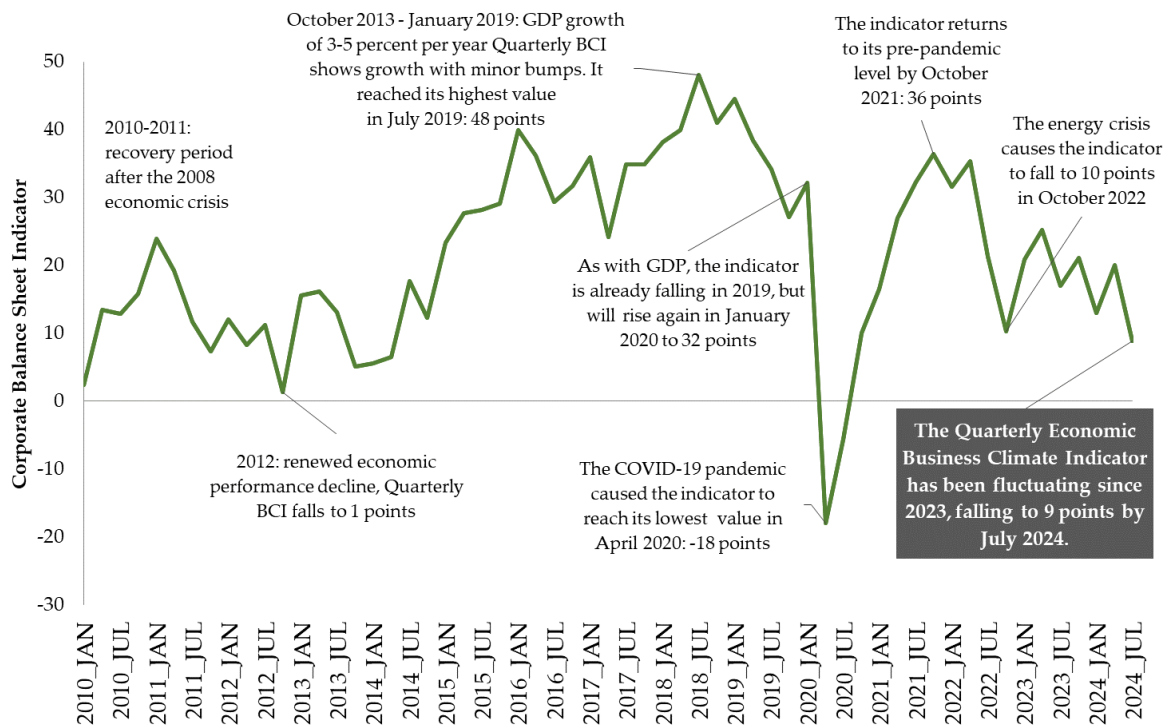
7 points in services and 3 points in construction, while retail has seen stagnation.

**Ownership structure:** the indicator is +10 points for purely domestically owned enterprises and +5 points for foreign (partly) owned enterprises. The current situation is a rare situation in the history of the survey: the indicator for foreign (partly) owned enterprises has fallen significantly (by 21 points), leaving their expectations below those of purely domestically owned businesses.

**Export activity:** the Quarterly Business Climate Indicator is highest for non-exporters (+24 points), +7 points for partial exporters and -2 points for major exporters. This is also an exceptional situation in the 14-year history of the survey, as experience shows that higher export activity is associated with a more positive perception of the situation.

**Size category:** the Business Climate Indicator stands at +3 points for businesses with 20 to 49 employees, +4 points for firms with 50 to 99 employees, +3 points for those with 100 to 249 employees and +12 points for firms with more than 250 employees. Even though, in line with previous trends, large companies continued to report most optimistic expectations, this category has seen the largest decline over the past quarter.

Figure 1: Quarterly Business Climate Indicator, Jan 2010– July 2024



Source: IEER 2010-2024

### Components of the business climate indicator

The Quarterly Business Climate Indicator consists of ten components:

- current/expected business situation;
- current/expected profitability;
- expected development of investment activity;
- current order book;
- last half-year/expected production level;
- expected change in headcount;
- expected trends in capacity utilisation.

Business leaders are more pessimistic on all aspects compared to April 2024. Compared to the previous quarter, the largest

deterioration (28 points) is observed in the assessment of expected investment activity and there are also significant decreases (19, 13 and 12 points respectively) in the assessment of expected production level, the level of production in the last six months and expected capacity utilisation. Compared with the same period last year, the most pessimistic assessments are for the level of production in the last six months (18 points), the current level of orders (17 points) and expected investment activity (15 points), but the assessments of the other indicators are also more negative than a year ago.

The balance indicator for the current business situation decreased from +38 to +31 points compared to April 2024, and the balance indicator for the expected business

situation decreased from +39 to +29 points, meaning that although the overall assessment and expectations of businesses remain positive, they have deteriorated significantly compared to April 2024. Moreover, firms' current assessment of their situation is lower (by 8 points) than their expectations in April 2024.

Based on the July 2024 data, large companies are more optimistic about their situation compared to small and medium-sized companies, with the exception of the last six months' production level.

## ARTIFICIAL INTELLIGENCE USE AND ITS BARRIERS AMONG DOMESTIC BUSINESSES – JULY 2024

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As part of the Quarterly Business Survey conducted by the Institute of Economic and Enterprise Research (IEER) in July 2024, a total of 350 managers of Hungarian businesses with at least 20 employees reported on the use of artificial intelligence (AI) tools in business operations, their purpose and obstacles.

### Application of artificial intelligence-based technologies

While around a tenth (12%) of the enterprises are already actively using AI and a fifth (22%) are planning to introduce it, the majority (66%) are still averse to AI, not using it and not planning to use it in their operations either. The pattern of smart technology use is significantly influenced by whether the business leader personally adopts these solutions. However, 88% of them do not yet use AI and the vast majority of the companies they manage (72%) do not plan to introduce smart technologies to innovate their workflows just yet.

Large companies with 250 or more employees are the most open to trying out machine learning tools, with 21% already using such technologies and 44% planning to do so. The proportion of companies not planning to use AI is increasing as the number of employees decreases, with 7 out of 10 companies with between 20 and 49 employees neither using nor planning to use AI at all.

In terms of sectoral classification, business services enterprises stand out as the most prominent users of AI, with an above-average share (20%) already using it and a further 24% planning to do so. However, an even higher proportion (32%) of those in

the retail sector would like to implement intelligent technologies. On the other hand, nearly 80% of manufacturing and construction companies have no current or future plans to use AI.

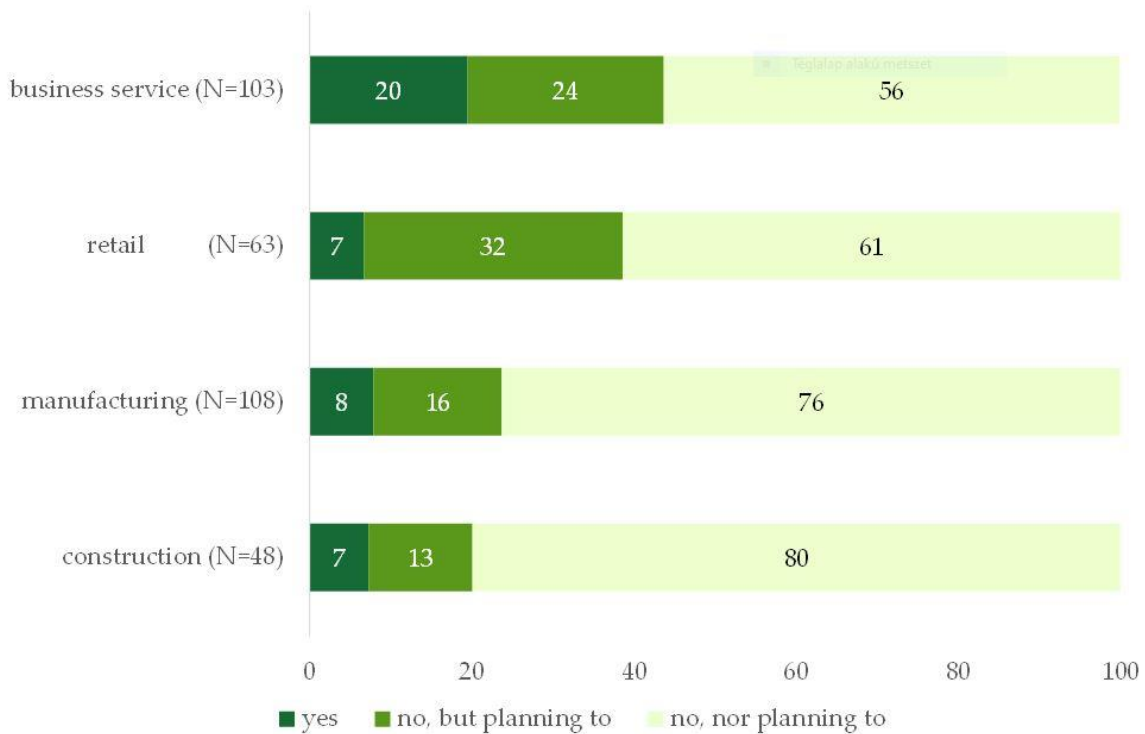
### Main objectives and barriers to use

Companies that already use AI are doing so mainly for marketing (49%) and process automation (45%). However, about a third also point at content generation, data analysis and product development as reasons for using AI. Around a quarter of user companies use AI for cyber security, while a fifth of companies use new technologies for financial forecasts. The least common uses are in inventory management and logistics, and to operate AI-based chatbots (13%).

For more than half of companies (53%), the reason for not using AI is that they believe that these technology solutions do not fit in well with their business operation model (mainly in the SME sector). At the same time, almost half of companies also cited a lack of knowledge as a barrier: both a lack of knowledge of the various technologies (46%, mainly among retail and manufacturing companies) and a lack of competent people with experience in using them (48%, mainly among those already using AI and large companies) are significant obstacles. Around a third of

businesses consider that there are security risks (35%, mainly large enterprises) or that AI-based tools are too expensive (33%)

**Figure 1: Use of artificial intelligence among domestic enterprises with 20 or more employees by sector, July 2024, %**



Source: IEER 2024

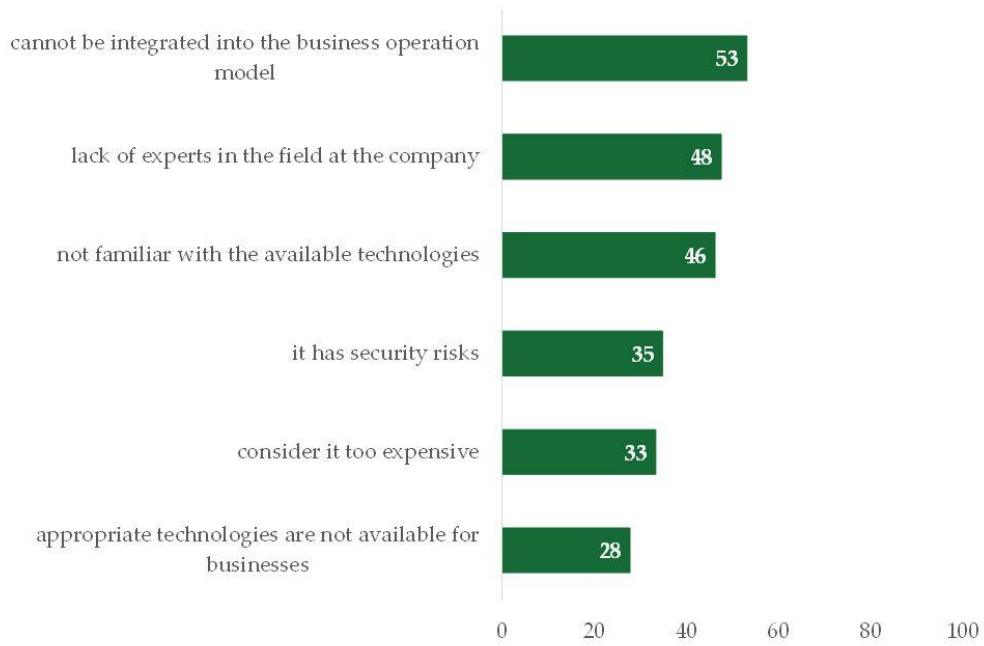
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**Figure 2: Barriers to the use of artificial intelligence among domestic enterprises with 20 or more employees, July 2024, %**



Source: IEER 2024

## 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>6.0%</b>	6.0%	6.0%
Germany	Manufacturing Purchasing Managers Index	(August)	<b>42.1</b>	43.4	<b>43.2</b>
	IFO Business Climate Index <sup>1</sup>	(August)	<b>86.6</b>	86.0	<b>87.0</b>
France	INSEE Business Climate Index <sup>2</sup>	(August)	<b>96.6</b>		<b>93.9</b>
EU	Economic Sentiment Indicator (ESI) <sup>3</sup>	(August)	<b>96.9</b>		<b>96.5*</b>
	Unemployment Rate	(August)	<b>4.2%</b>	4,2%	<b>4.3%</b>
USA	CB Consumer Confidence Index	(August)	<b>103.3</b>	100.9	<b>101.9*</b>
	Manufacturing Purchasing Managers Index	(August)	<b>48.0</b>	49.5	<b>49.6</b>
China	Manufacturing Purchasing Managers Index	(August)	<b>49.1</b>	49.5	<b>49.4</b>

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

<sup>2</sup> <https://www.insee.fr/en/statistiques?debut=0&theme=30&conjoncture=23>

<sup>3</sup> [https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/business-and-consumer-surveys/latest-business-and-consumer-surveys\\_en](https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/business-and-consumer-surveys/latest-business-and-consumer-surveys_en)

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

\*Retrospective adjustment

In Germany, the decline in the IFO Business Confidence Index in June and July continued in the last month of summer, in August as well, which signals the deepening of the crisis. France's INSEE business confidence index on the other hand rose by nearly 3 points after a drop of nearly 5 points in the previous month and is now close to its long-term average score of 100.

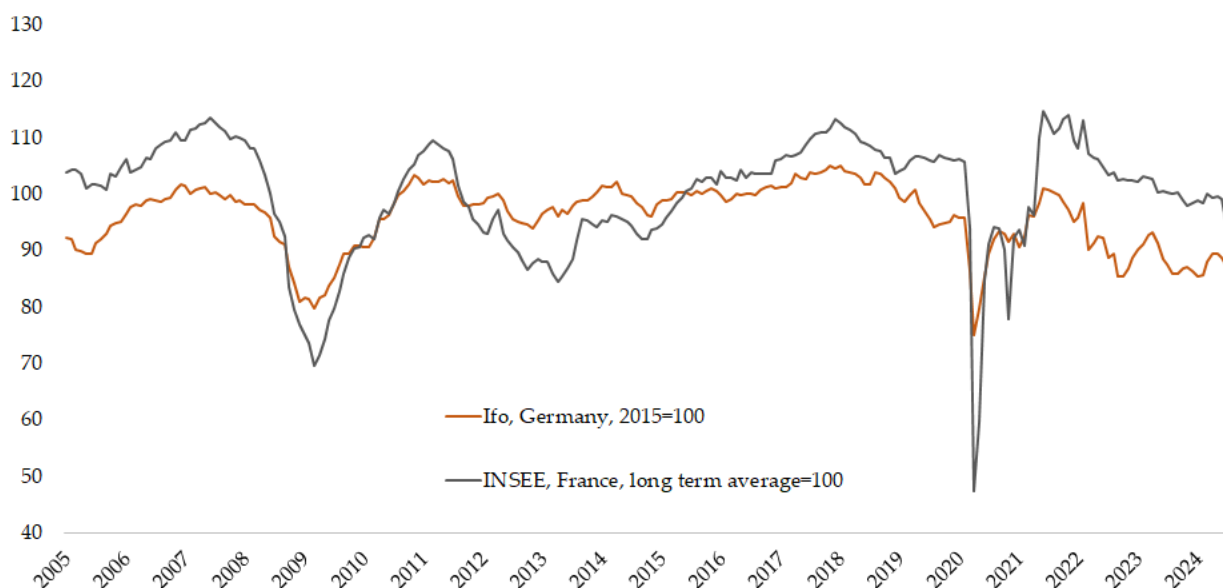
The European Union's ESI economic sentiment indicator (an aggregate of business and consumer confidence indicators of the Member States) increased further in August. The US CB consumer confidence also rose in this month. The German Manufacturing Purchasing Manager's Index shows a decline and remains below the expectation. The American and Chinese PMI also decreased in August.

The German unemployment rate remained unchanged at 6%, and US rate, as expected, stagnates as well (at 4.2%).



## Business confidence indices in the long term

Business confidence in Germany and France,  
based on the Ifo and INSEE business climate survey,  
January 2005 – August 2024



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

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