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ON THE LATEST ANALYSIS FROM THE INSTITUTE OF ECONOMIC AND ENTERPRISE RESEARCH

» Price increase plans
» Insolvency risk
» International trends

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PRICE INCREASE PLANS AND PROFITABILITY EXPECTATIONS

MARCH, 2025

58%

of domestic SMEs plan to raise prices in the near future

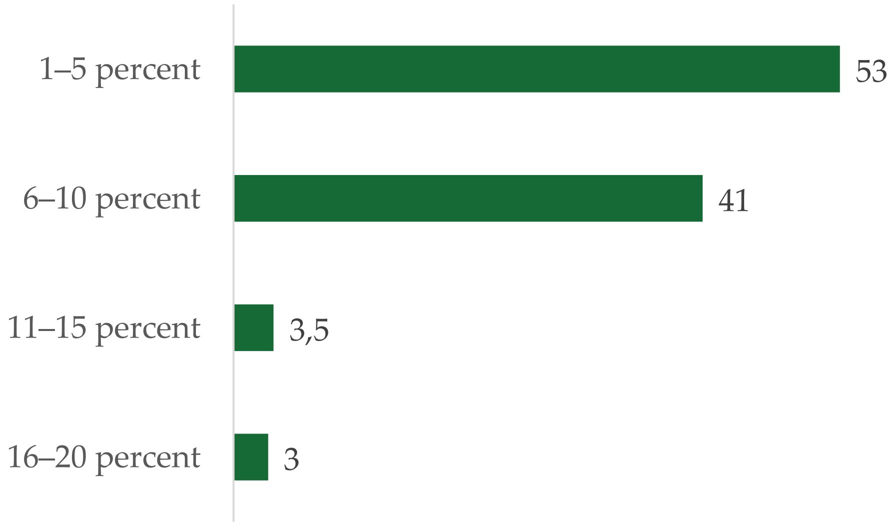
Our analysis examines the price increase plans of domestic businesses and how companies expect their profitability to develop during 2025 based on their own expectations. The analysis is based on data from the HCCI IEER quarterly economic survey from January 2025, which surveyed a total of 350 domestic businesses employing at least 20 people.

Cautious price increases and cautious optimism for domestic companies in 2025

More than half (58%) of the Hungarian businesses in the competitive sector employing at least 20 people anticipated the introduction of price increases in the near future, which is slightly higher than last year's figure (54%), but significantly lower than two years ago (74%). The vast majority (94%) of respondents expecting price increases considered increases of less than 10 percent likely. Nearly 40 percent of businesses expect their profits to grow this year, which matches last year's expectations.

Based on the price increase plans of domestic businesses for the beginning of 2025, although more than half of firms - 58% to be precise - plan to adjust their prices, this is below the highs of 73-74% in the years after the pandemic (2022 and 2023). However, there is a slight increase from 54 percent last year in 2024, suggesting that while cost pressures remain, a good number of firms are now adopting more cautious pricing policies. At sectoral level, there have been significant shifts. While in 2024, the construction sector led the way in terms of price increases (69%), by 2025 the commercial sector took the lead - also with 69%. This shift shows that different industries respond to market and cost changes at different rates. The rate of planned price increases has also become more moderate. 53 per cent of businesses are forecasting increases of only 1 to 5 per cent, while 41 per cent are planning adjustments of between 6 and 10 per cent. The share of price rises above 10 percent has fallen sharply: while 44 percent of firms anticipated such increases in 2023, this figure has fallen to 21 percent in 2024 and only 6 percent this year.

> Only 6 percent of businesses plan to increase prices by more than 10 percent in 2025 - compared to 44 percent in 2023.



RATE OF PLANNED PRICE INCREASES

Fig. 1
January 2025 forecast of domestic businesses regarding the extent of planned price increases in the near future,
%

Source: GVI 2010 - 2025

The timing of the price increases suggests that the vast majority of companies - 82% - will implement the planned changes as early as the first quarter of 2025. However, the share of price increases within a month has fallen slightly (to 40 percent from 43 percent), which may also reflect a more cautious business attitude of waiting. A typical trend is that larger firms are slower to act, while smaller firms are more flexible and quicker to react to cost changes. Labour costs remain the main reason behind price increases (averaging 4.1 points on a five-point scale), followed by increases in raw material and material costs (3.9 points). Increases in energy and fuel prices are also an important factor (3.0-3.1 points).

Interestingly, the impact of competitors' price increases is becoming increasingly important: while in 2022 the impact was only 2.6 points, by 2025 it had risen to 3.1 points, meaning that firms are also increasingly aligning their pricing.

Profitability expectations for 2025 reflect moderate optimism. 10 percent of firms expect no profitability, while 21 percent expect a decline: 4 percent expect a significant decline and 17 percent expect a smaller decline. In contrast, 29 percent of firms forecast stagnation and 39 percent forecast rising profits, a cautious improvement on last year's 32 percent. By sector, manufacturing (26 percent) and construction (25 percent) are the most pessimistic, while trade (47 percent) and business services (38 percent) show the most optimism about profitability. The survey's conclusions point to clear trends. Companies are planning price increases with reduced intensity, but still driven by rising labour and raw material costs. At the same time, the improvement in profitability prospects, albeit modest, should give some cause for optimism. In addition, it is clear that industry differences are widening: while construction is losing momentum, the commercial sector is not only actively raising prices, but is also leading the way in terms of profitability prospects. Ultimately, Hungarian businesses appear to be on an adaptation path: they are increasingly aware of their competitors and are placing greater emphasis on keeping costs under control, while seeking to maintain or increase profitability as far as possible in 2025.

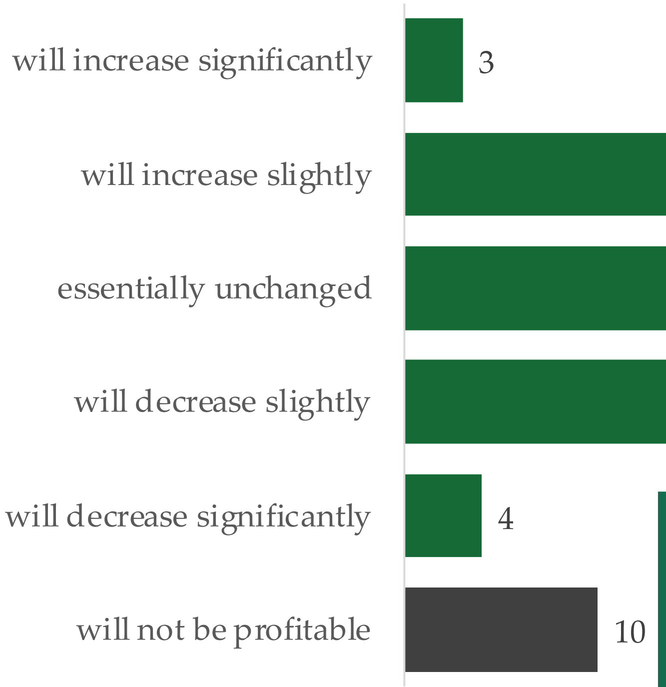


Fig. 2
Forecast of domestic businesses regarding the trends in profitability in 2025 compared to 2024
%

Source: GVI 2025

02

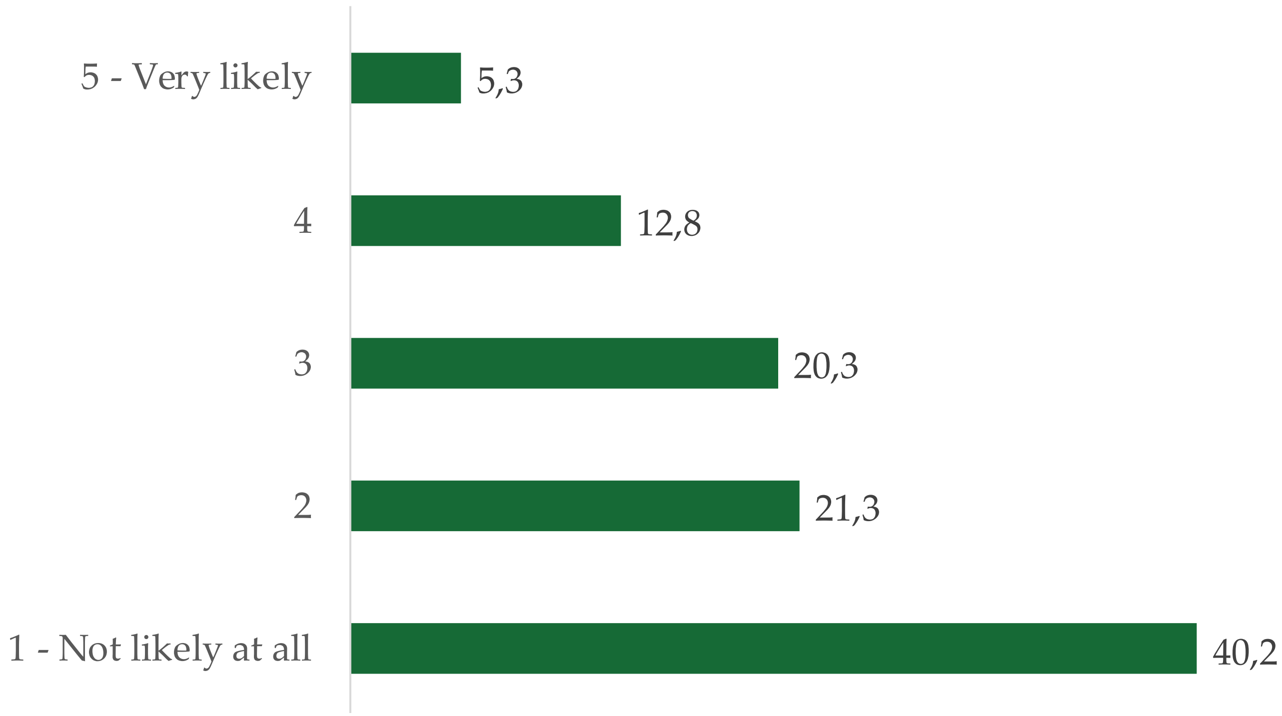
INSOLVENCY RISK

MARCH, 2025

57%

of companies think they will have a competitor that will go bankrupt in 2025

Our analysis examines insolvency perceptions among domestic businesses to see whether they expect competitors in the same sector performing similar activities to withdraw from the market or suspend their activities during the next six months. The analysis is based on data from the HCCI IEER quarterly economic survey from January 2025, in which a total of 350 domestic businesses employing at least 20 people were interviewed.



In our research, we examined the proportion of leaders of domestic companies employing at least 20 people considering it likely that their competitors in the same sector performing similar activities to withdraw from the market or suspend operations in the next six months. Respondents were evaluated on a five-point scale similar to school grades, where 1 indicates "not likely at all" and 5 "very likely." Based on the responses, most (40.2%) do not expect such events, while the second largest group (21.3%) also believes the likelihood of this to happen to be small. Those who consider the market withdrawal of competitors likely or very likely (values 4 or 5) total at 18.1%.

The data adequately reflect the general trends in insolvency perceptions among businesses: although the majority do not consider it likely that their competitors will withdraw from the market, uncertainty is noticeable in the distribution of responses. Over 80% of the surveyed companies either do not expect or expect only to a moderate extent that

Fig. 3
January 2025 forecast of Hungarian businesses on expected bankruptcies in their own industry,
%

Source: GVI 2025

> 18% of respondents think it is likely that one of their competitors will go bankrupt in the next six months.

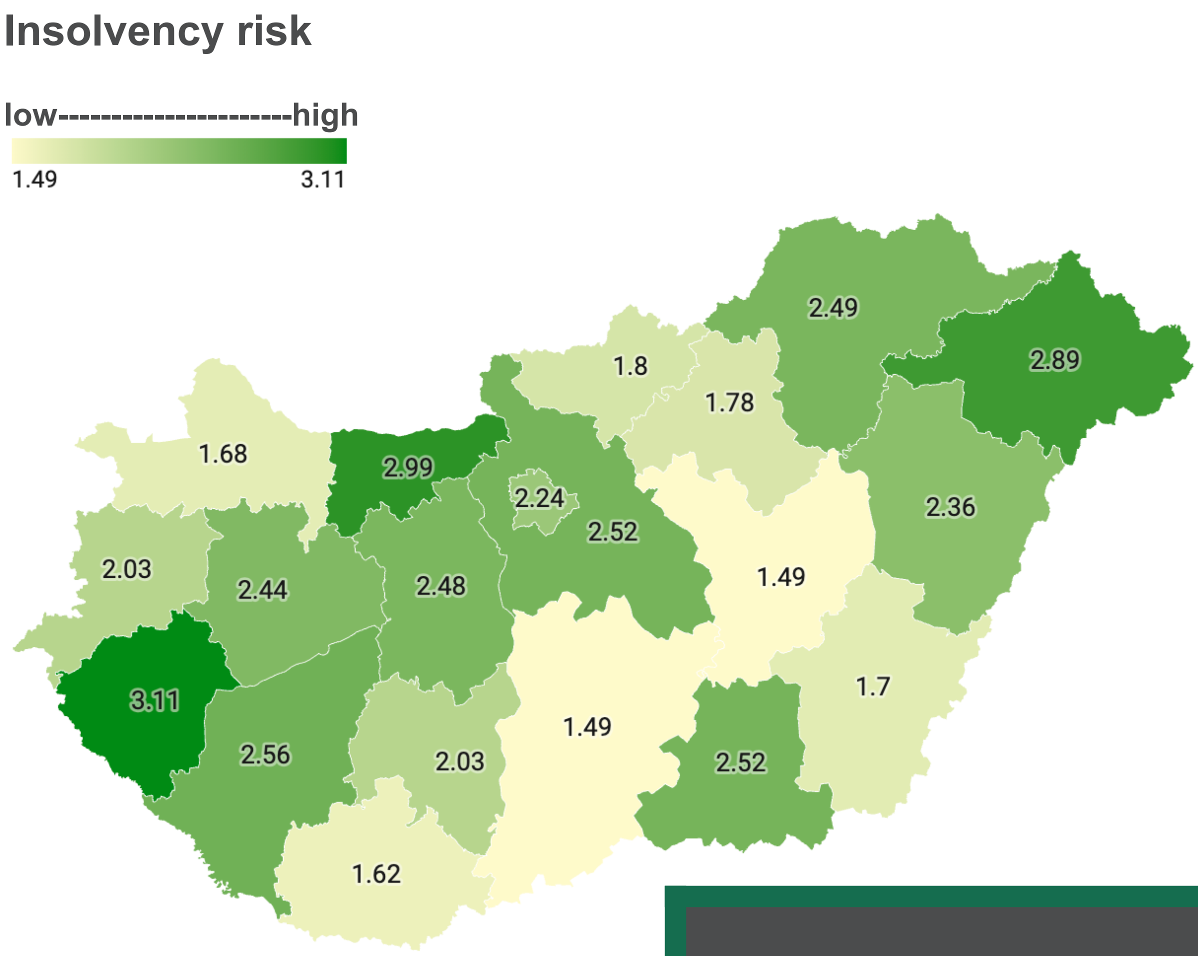
their competitors will declare bankruptcy, demonstrating a relative stability of the economic environment.

Responses to the specific question about what percentage of competitors in the same sector performing similar activities will suspend their operations in the next six months, according to businesses that do not exclude insolvency risk. The county-level data clearly shows that insolvency perceptions of Hungarian businesses show significant regional differences. Based on the average of responses measured on a scale of 1 to 5, businesses in Zala County consider it most likely that their competitors will withdraw from the market or suspend their activities in the next six months (average: 3.11). The average insolvency risk perception is also high in Komárom-Esztergom (2.99), Szabolcs-Szatmár-Bereg (2.89), and Somogy counties (2.56), as well as in Csongrád-Csanád and Pest counties (both 2.52). These values indicate that businesses in these regions perceive increased market uncertainty.In contrast, the most optimistic responses came from businesses in Jász-Nagykun-Szolnok and Bács-Kiskun counties, both with an average of 1.49. Low insolvency risk perception is also characteristic of Baranya (1.62), Győr-Moson-Sopron (1.68), and Békés (1.70) counties. In these regions, businesses may experience more stability or are less concerned about their direct competitors going bankrupt. The average of Budapest (2.24) is in the middle, suggesting moderate uncertainty among companies in the capital.

Fig. 4
January 2025 forecast of Hungarian businesses on expected bankruptcies in their own industry,
%

Source: GVI 2025

* What percentage of competitors in the same sector, engaged in similar activities, are expected to go out of business

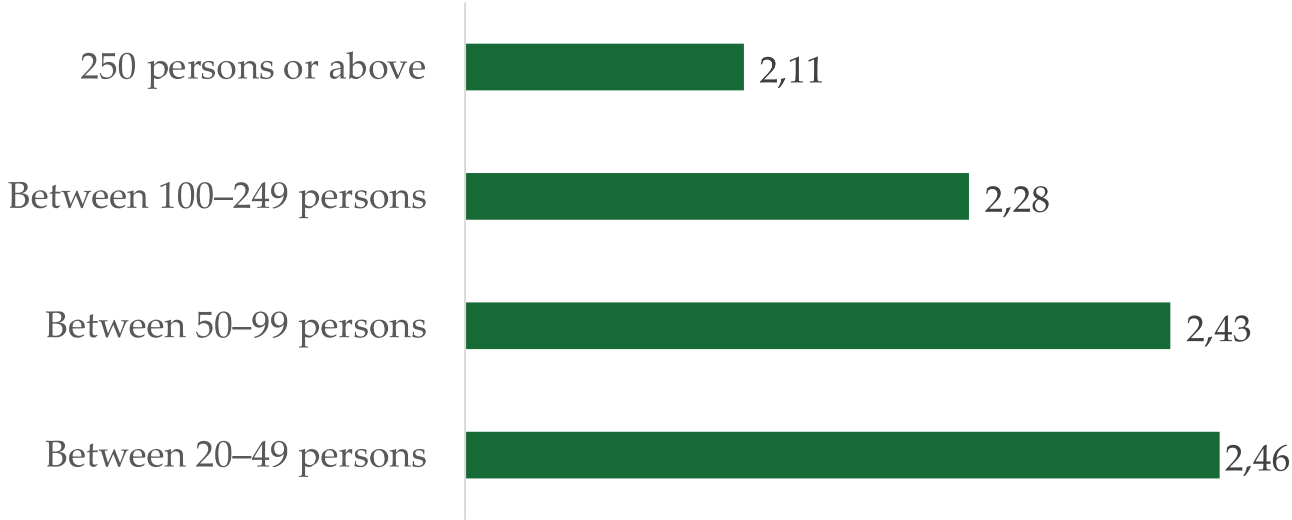


At first, we might expect that the more developed counties of western Hungary (e.g., Győr-Moson-Sopron, Vas, Veszprém) would perceive the market environment as more stable. This is partly true: for example, Győr-Moson-Sopron (1.68) and Vas (2.03) are among the regions that appear safer. However, Zala county (3.11) perceives the highest insolvency risk, which stands out from the pattern and may indicate unique county characteristics (e.g., narrower market structures, greater corporate uncertainty).

The higher values in Szabolcs-Szatmár-Bereg (2.89) and Hajdú-Bihar (2.36) suggest that in the Northern Great Plain of Hungary, the possible withdrawal of competitors is more strongly perceived. However, Jász-Nagykun-Szolnok (1.49) is an exception, where the perception of the situation is surprisingly relaxed. The Southern Great Plain is also divided: Bács-Kiskun (1.49) and Békés (1.70) demonstrate low perceptions, while Csongrád-Csanád (2.52) is one of the 'most worried' regions in the country.

Fig. 5
January 2025 forecasts of Hungarian businesses regarding expected bankruptcies in their own industry (on a scale of 1 to 5, scale average)

Source: GVI 2025



The outstanding averages of Zala, Komárom-Esztergom, and Szabolcs-Szatmár-Bereg counties (values approaching or exceeding 3) probably reflect not only the general economic situation but may also indicate specific industry or market problems. It is possible that in these counties, a particular sector is especially vulnerable at present.

The medium and slightly above-average values of Budapest (2.24) and Pest County (2.52) suggest that businesses expect high competition and volatility in these regions, but without signs of panic. This is understandable, as these regions are economically active, competition is intense, and market dynamics change rapidly.

The breakdown by company size reveals a clear and gradual pattern: the larger the business, the less likely it considers that its competitors will declare bankruptcy or suspend their activities in the coming six months. Among companies with 20-49 employees, the average insolvency risk perception is 2.46, while for companies with above 250 employees, this value is only 2.11. Medium-sized companies – 50-99 employees (2.43) and 100-249 employees (2.28) – are gradually positioned between the two extremes. This trend suggests that larger businesses perceive their operating environment as more stable, likely because they have more reserves, a more extensive list of business partners, stronger market positions, and more effective crisis management capabilities.

In contrast, smaller companies operate with noticeably greater uncertainty: they are more exposed to fluctuations in market demand, changes in exchange rates or energy costs, and have more difficult access to favourable financing options.

A comparison based on export activity does not show significant differences in companies' insolvency risk perception. Partially exporting companies are the least concerned about their competitors withdrawing from the market in the next six months – their average insolvency risk value is 2.14.

Fig. 6
January 2025 forecasts of Hungarian businesses regarding expected bankruptcies in their own industry (on a scale of 1 to 5, scale average) – by size

Source: GVI 2025

This may suggest that these companies have sufficiently diversified market presence: they are simultaneously present in domestic and international markets, allowing them to better offset the instability of one market with the other.

The average value for non-exporting companies is 2.24, while for predominantly exporting companies, this value is 2.25. This suggests that companies focusing unilaterally on either the domestic or international market may have similar risk perceptions: while the former are more sensitive to internal economic changes, the latter may be more affected by fluctuations in export markets. Overall, the nature of export activity does not significantly affect whether a company expects its competitors to go bankrupt, but the slightly more stable situation perception of partially exporting companies may indicate the benefits of diversification.

The sector breakdown indicates that the construction industry clearly stands out, where the average bankruptcy risk perception is 2.60 – significantly higher than in manufacturing (2.20) and the service sector (2.19). This suggests that businesses operating in the construction industry perceive significantly greater uncertainty regarding the future of their competitors, which is not surprising: the sector is highly cyclical, sensitive to the incentive to invest, government orders, material prices, and labour shortages.

In comparison with this, the average values in manufacturing and the service sector are almost identical and reflect a more relaxed perception. This is partly due to these sectors often operating in more stable and predictable market environments and the presence of adaptivity to demand changes to a greater extent. The service sector is particularly diverse, and since it is often less capital-intensive, the perception of the possibility of immediate insolvency risk is lower. Overall, sector affiliation shows a close relationship with insolvency risk perception, especially in the construction industry.

In conclusion, at the national level, the majority of respondents do not consider it likely that their competitors will declare bankruptcy, while the deviation in the responses is significant.

By county breakdown, Zala, Szabolcs-Szatmár-Bereg, and Komárom-Esztergom counties stand out, where entrepreneurs perceive an increased insolvency risk. In contrast, the perception is most optimistic in Bács-Kiskun, Jász-Nagykun-Szolnok, and Baranya counties.

The company size breakdown indicates a clear pattern: the larger the business, the less it anticipates its competitors to go bankrupt. This suggests a more stable economic environment and better adaptability for larger companies.

Regarding export orientation, partially exporting companies are the least pessimistic, while uncertainty is slightly higher among non-exporting or predominantly exporting companies. This supports the notion that market diversification can moderate risk perception.

Among sectors, the construction industry stands out negatively: insolvency risk perception is highest here, while manufacturing and services reflect a more stable operating environment.

> Enterprises in the construction sector perceive increased uncertainty, compounded by the cyclical nature of the sector and its sensitivity to external factors.

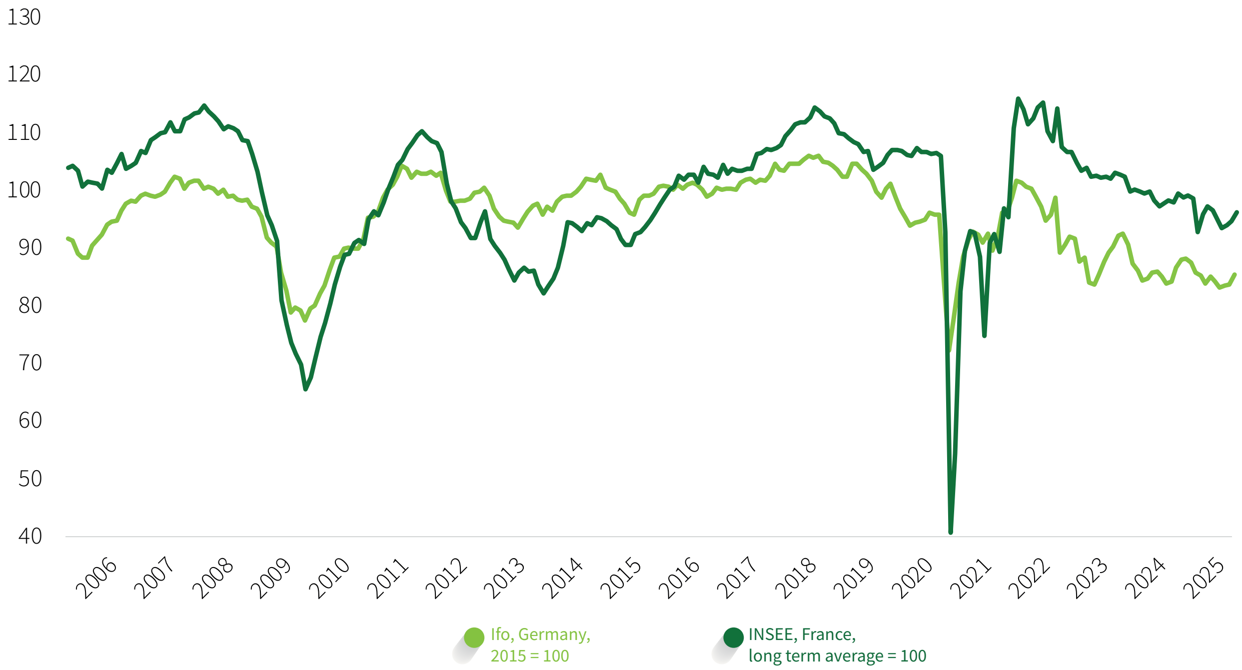
03

INTERNATIONAL TRENDS

MARCH, 2025

		Actual data	Expectations	Previous period
Germany	Unemployment Rate	**6,2%**	6,2%	6,2%
	Manufacturing Purchasing Managers Index	**48,3**	48,7	46,5
	IFO Business Climate Index[1]	**86,7**	87,7	85,2
France	INSEE Business Climate Index[2]	**97**		95,6
EU	Economic Sentiment Indicator (ESI)[3]	**96,0**		97,1
USA	Unemployment Rate	**4,2%**	4,4%	4,1%
	CB Consumer Confidence Index	**92,9**	94,2	98,3
	Manufacturing Purchasing Managers Index	**50,2**	52	50,3
China	Manufacturing Purchasing Managers Index	**51,2**	51,3	50,2

[1] https://www.ifo.de/en/survey/ifo-business-climate-index-germany
[2] https://www.insee.fr/en/statistiques?debut=0&theme=30&conjoncture=23
[3] https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/business-and-consumer-surveys/latest-business-and-consumer-surveys_en
További adatok forrása: https://www.bloomberg.com/markets/economic-calendar



In March 2025, German business confidence showed a further slight improvement. The IFO index rose to 86.7 points (previous month 85.2), while the manufacturing PMI also improved (48.3), although still below the 50 points that indicate a downturn. The unemployment rate remained unchanged at 6.2%, pointing to a stable labour market. In France, the INSEE business confidence index also rose to 97 points from 95.6 in February. The increase is modest but positive, while sentiment in the construction sector remains subdued. The EU ESI economic sentiment index fell to 96 points from 97.1 earlier, suggesting that economic confidence in the EU remains volatile, with regionally divergent trends. In the US, however, a slight decline is visible, with the CB consumer confidence index falling to 92.9 points and the PMI falling slightly to 50.2. The unemployment rate is 4.2%, up 0.1 percentage points on the previous month. In China, steady growth continues with the manufacturing PMI rising to 51.2, confirming the direction of expansion and a gradual pick-up in economic activity.

Fig. 7
Business confidence in Germany and France, based on the Ifo and INSEE business climate survey, January 2005 – March 2025

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

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