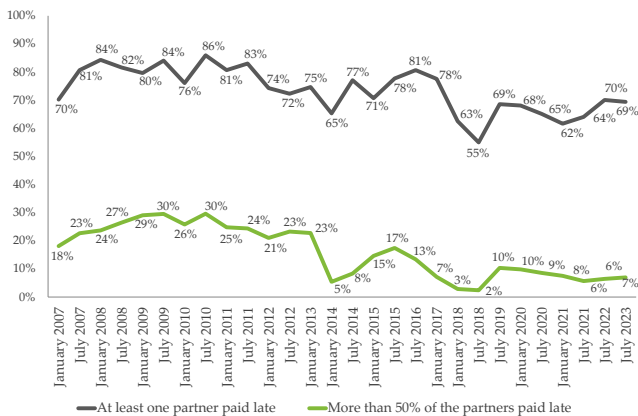
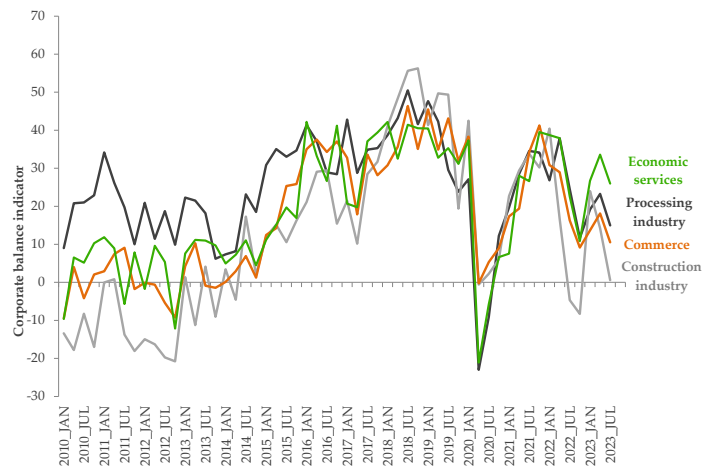


Monthly Bulletin of Economic Trends

Quarterly Business Climate Survey July 2023

According to the results of the July 2023 survey, the Quarterly Business Climate Index fell from +25 to +17 points compared to April 2023. Following an improving trend since October 2022, business situation assessment has shown a significant decline, but is still 7 points higher than the October 2022 low. [More](#)



Late payment and circular debt (2019-2023)

This analysis presents the experience of domestic businesses with late payments and circular debt. The analysis is based on the July 2023 quarterly business climate survey of the Institute for Economic and Enterprise Research (IEER), pooling the opinions of 350 CEOs of Hungarian enterprises with at least 20 employees. In this analysis, we examine questions taken from the IEER July ... [More](#)

International trends

In Germany, the IFO business climate index decreased compared to July. The manufacturing purchasing manager index (PMI) increased compared to the previous period ... [More](#)

QUARTERLY BUSINESS CLIMATE SURVEY JULY 2023

In the Quarterly Business Climate Survey of the Institute for Economic and Enterprise Research (IEER), 350 business leaders were asked about their company's business situation and prospects. The IEER Business Climate Survey aims to map the current, short-term business expectations of company managers, based on the information available to entrepreneurs at the time of the survey and their subjective assessment of the situation.

Business climate tendencies

According to the results of the July 2023 survey, the Quarterly Business Climate Index fell from +25 to +17 points compared to April 2023. Following an improving trend since October 2022, business situation assessment has shown a significant decline but is still 7 points higher than the October 2022 low. The Quarterly Business Climate Index was similar in January 2021 (+17 points), during the second wave of the coronavirus pandemic, and prior to that, it had reached a similar level in July 2014 (+18 points). The situation assessment of businesses is increasingly uncertain and divergent. The current value of the Uncertainty Index (43 points) is closest to the values observed in the period between July-October 2022 and in January 2021, in addition to the values observed in the pre-pandemic period between October 2012-January 2013.

The Business Climate Index by company features

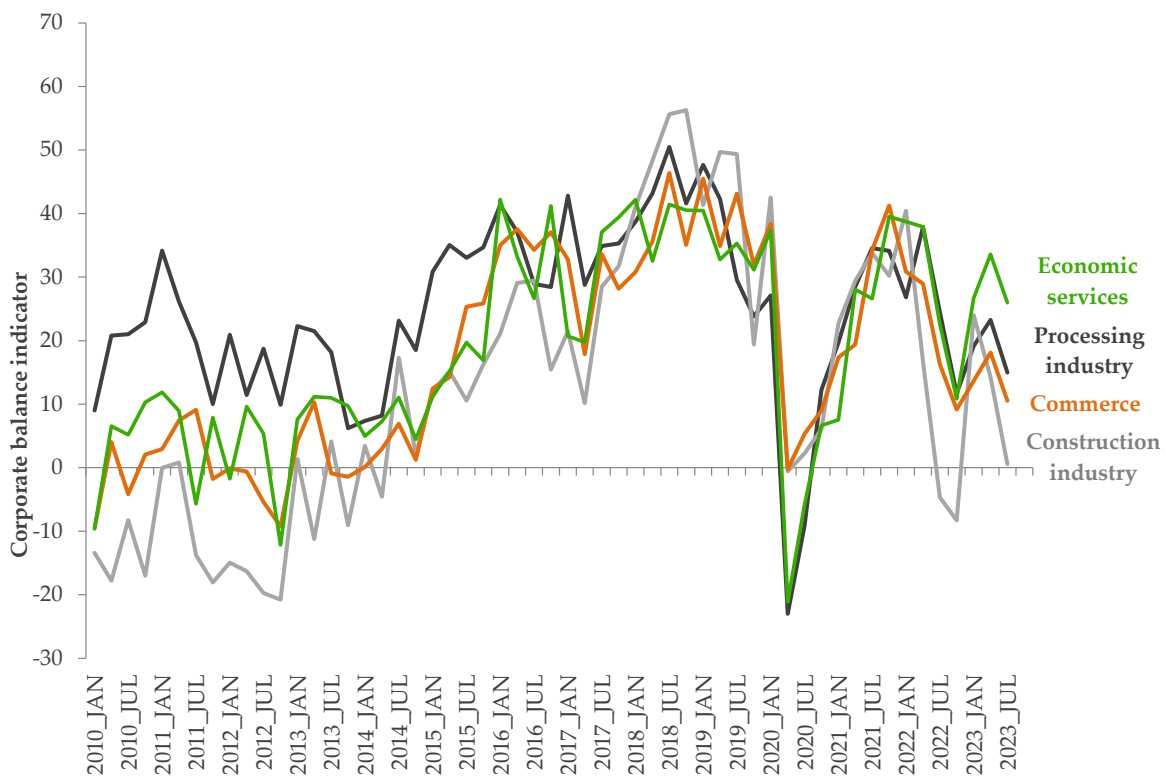
Sector: the Quarterly Business Climate Index is highest in the service sector (+26 points) while scoring +15 points in industry, +11 points in trade. The lowest value was recorded in the construction sector (+1 point).

Ownership structure: the Quarterly Business Climate Index is +16 points for fully domestic enterprises and +15 points for (partially) foreign-owned companies.

Export activity: the Quarterly Business Climate Index is highest for non-exporters (+21 points), while it is +18 points for major exporters and +9 points for minor exporters.

Size category: the Quarterly Business Climate Index stands at +7 points for 20-49 companies, +5 points for 50-99 companies, +10 points for 100-249 companies and +23 points for 250+ companies.

Figure 1. The Quarterly Business Climate Index by economic sector, 2010. 01.–2023. 07.



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.

Except for current and expected profitability, **business leaders are more pessimistic on all aspects compared to April 2023**. Compared to the previous

quarter, the largest deterioration (23 points) was in the assessment of the level of production in the last six months and there was also a significant decrease (21 points) in the assessment of the expected level of production. Compared to last year's same period the current situation of enterprises is more negative with regard to the level of past-half production (by 33 points), the current level of orders (by 27 points), the expected level of production (by 21 points), the expected number of employees (by 10 points) and the expected level of investments (by 7 points), while it is more positive for the other indicators. The most notable improvement is in the assessment of expected year-on-year profitability (by 25 points).

LATE PAYMENT AND CIRCULAR DEBT (2019-2023)

This analysis presents the experience of domestic businesses with late payments and circular debt. The analysis is based on the July 2023 quarterly business climate survey of the Institute for Economic and Enterprise Research (IEER), pooling the opinions of 350 CEOs of Hungarian enterprises with at least 20 employees. In this analysis, we examine questions taken from the IEER July 2023 Quarterly Business Survey (for time-series surveys, data has been collected since January 2007) that relate to late payments and circular debt experienced in the six months preceding the survey. For all the time series presented here, it should be noted that the survey samples only include data for large enterprises with over 250 employees since January 2010.

Experiences with business partners

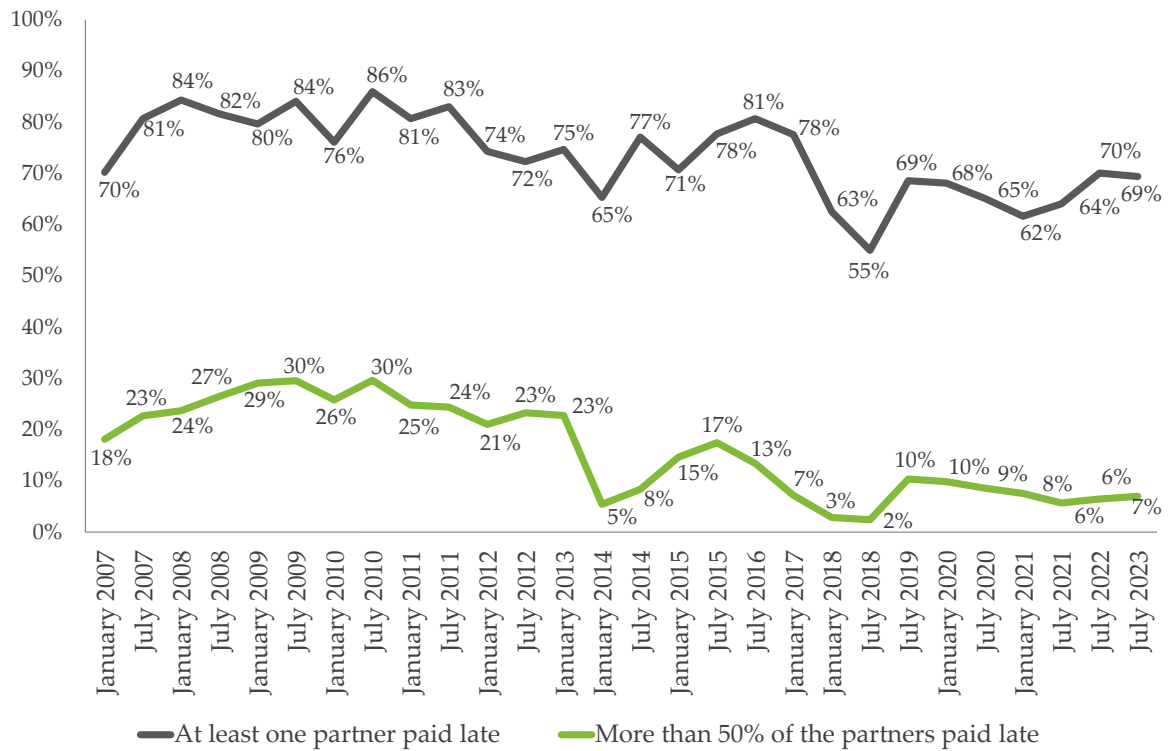
69% of the firms surveyed had a business partner who had made several late payments in the first half of 2023. The proportion of such firms was similar in July 2022 (70 percent), compared to 64 percent in July 2021 and 62 percent in January 2021. In addition, compared to the previous period the proportion of firms who had over 50% of business partners paying late stopped its downward trend: it was 9 percent in July 2020, 8 percent in January 2021, and 6 percent in July 2021 and a year later in July 2022, while this summer the proportion was slightly higher at 7 percent. At the same time, the proportion of firms with >0%-50% of late-paying partners fell by 2 percentage points (from 64% to 62%) compared to July 2022.

There was also a significant difference in late payment by company size in July 2023. The 250+ group had the highest proportion of firms without any late-paying business partners (41%), while a whopping 81% of

50-99 companies reported the issue, with 13% having over 50% of their partners paying late. Around a third (32 percent) of 20-49 and 100-249 companies seem to have been left unaffected by this problem. Even a year ago, according to the July 2022 survey, 50-99 companies were the most affected group (79 percent), but the significant difference is that last year the highest proportion of businesses who had had over half of their partners paying late went to the 20-49 size group (13 percent).

Looking at the data by sector, businesses in the distributive trade and construction were significantly more likely to have encountered this phenomenon, with 77% and 78% (respectively) having had contact with a late-paying partner. Compared to July 2022, the frequency of late payment increased by 17 percentage points in construction, while it decreased by 9 percentage points in distributive trades - with no significant change in manufacturing and business services.

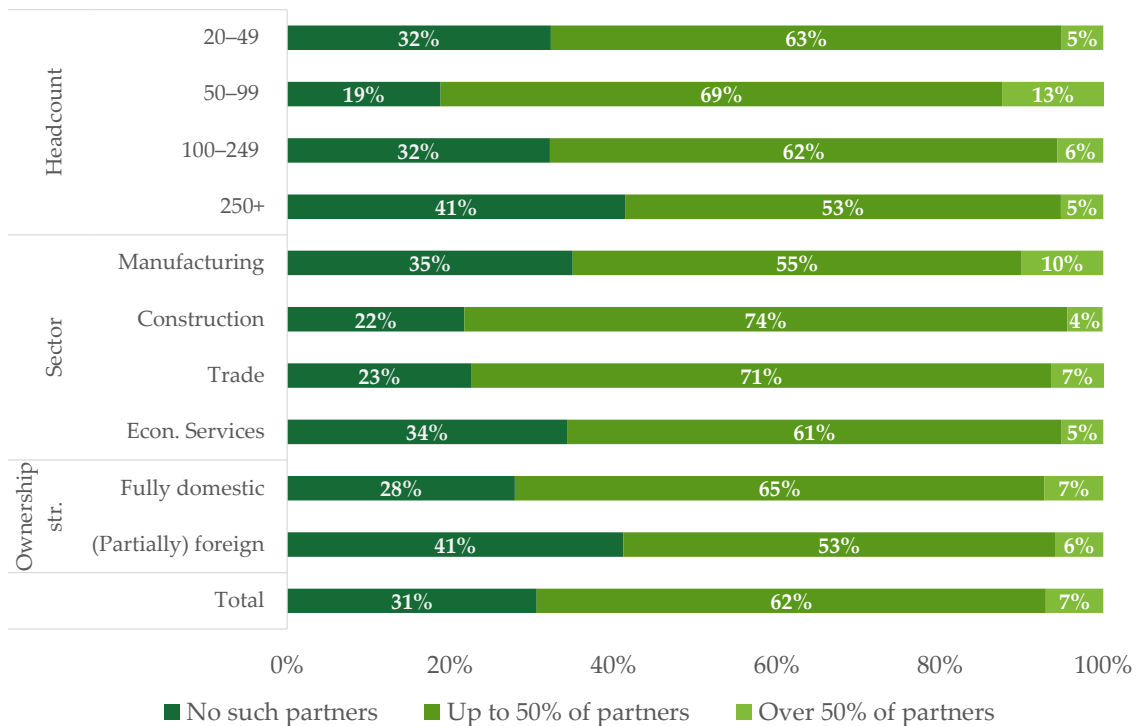
Figure 1. Proportion of companies experiencing late payment, 2007–2023 (N=275–408)



Source: IEER 2007-2023

Note: Survey samples only include data for 250+ companies since January 2010.

Figure 2. Proportion of late-paying partners by company size, sector and ownership structure, July 2023 (N=319–327)



Source: IEER 2023

Circular debt

The proportion of firms that owed money to one or more suppliers at least once was five percentage points higher (31%) in the first half of 2023 than a year earlier (26%). In July 2023, 100-249 companies and large firms with over 250 employees were the most affected by late payment (34 and 37 percent respectively), while a year ago it was mostly smaller firms (20-49 employees and 50-99 employees) that had struggled with the issue.

Compared to the July 2022 results, when the proportion of those experiencing late payment at least once was highest in the construction sector (now it's 38 percent), the manufacturing sector seems to have followed suit (39 percent), up 12 percentage points from a year ago in manufacturing and 9 percentage points in construction. Meanwhile, there was a 7 percentage point drop in trade, with 17 percent of respondents reporting they had been in debt at least once, down from 24 percent a year ago. There was a 3 percentage point increase in business services, too (from 24% to 27%).

The proportion of firms that were unable to pay their suppliers on time at least once due to late payment by their customers (circular debt) rose by 4 percentage points to 18% in the past year, a clear reversal of

the trend given that the proportion was already 1 percentage point higher than the year before.

As last year, the proportion of firms experiencing circular debt was lowest for large, 250+ firms (10 percent), but the proportion of 100-249 companies increased by 8 percentage points to 18 percent. In the other two, smaller size categories, the proportion was 20 and 22 percent respectively.

In contrast to the results of the survey a year ago when the proportion of construction firms affected by circular debt was 22 percent, this time manufacturing firms were the most prone to report the issue of circular debt (22 percent), compared to 15-16 percent for the other three sectors.

According to 60 percent of respondents, the severity of the problems caused by circular debt did not change, 5 percent say it decreased and 35 percent say it increased in the six months preceding the survey. The proportion of firms perceiving a worse circular debt problem increased by 8 percentage points since July 2022 (27 percent) and reached the January 2021 level, so the result is better than the 44 percent measured in July 2020 or the 38 percent in July 2012, but significantly worse than the 9 percent measured in July 2019.

Figure 3. Proportion of companies in debt in the past six months by size, sector and ownership structure, July 2023 (N=333-345)

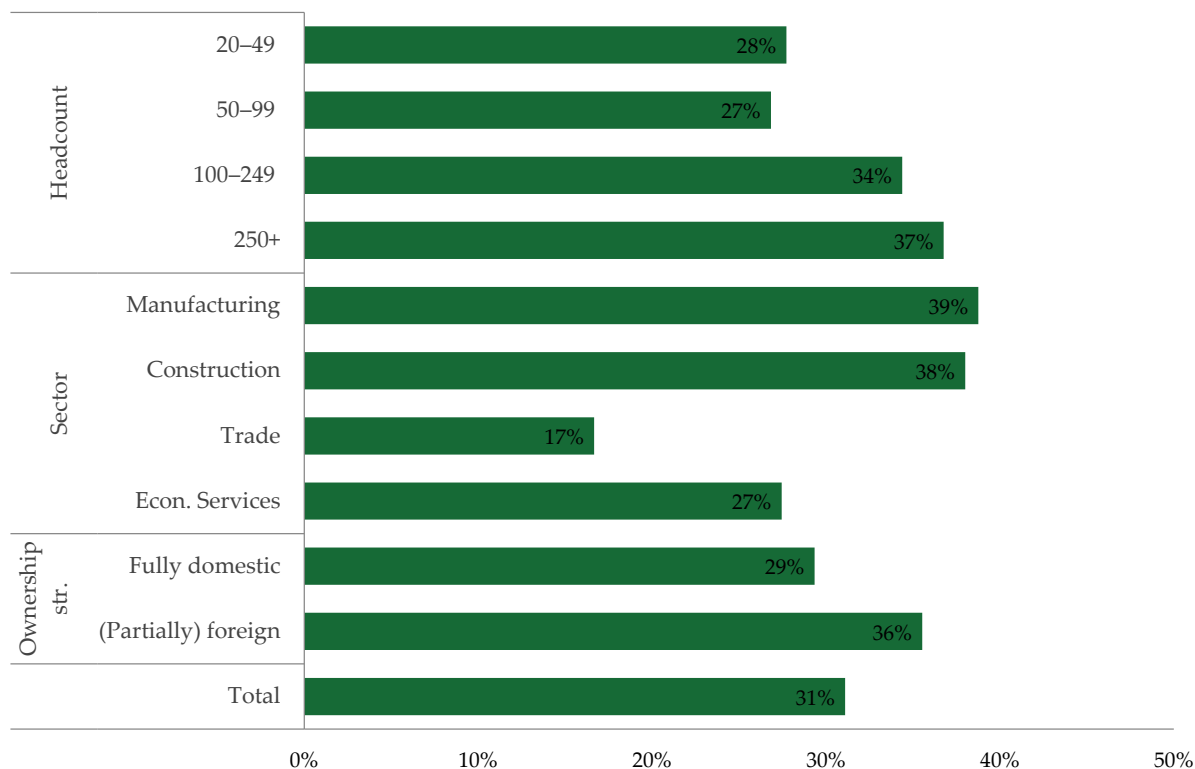
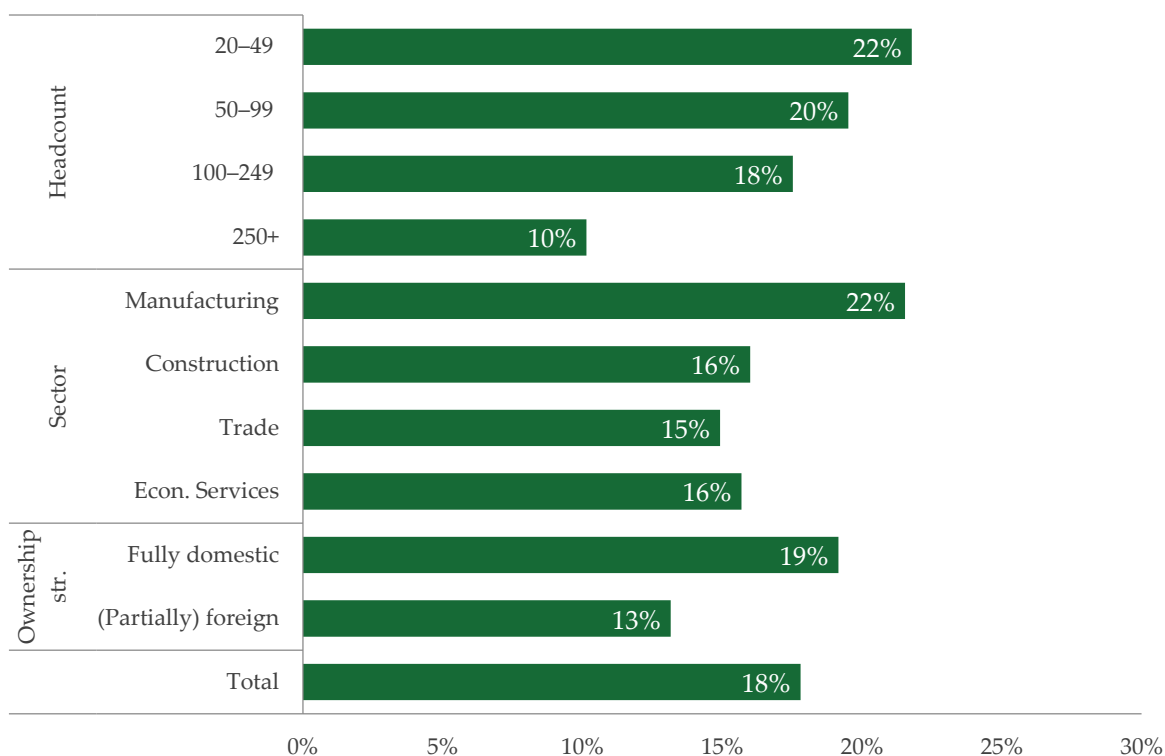


Figure 4. Proportion of firms paying late at least once due to late payment of their customers, by company size, sector and ownership structure, July 2023 (N=335-349)



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)	5.7%	5.7%	5.6%
Germany	Manufacturing Purchasing Managers Index	(August)	39.1	39.1	38.8
	IFO Business Climate Index ¹	(August)	85.7	82.6	87.4
France	INSEE Business Climate Index ²	(August)	99.2		100.0
	Unemployment Rate	(August)	3.8%	3.5%	3.5%
USA	CB Consumer Confidence Index	(August)	106.1	116.0	114.0
	Manufacturing Purchasing Managers Index	(August)	47.9	47.0	49.0
China	Manufacturing Purchasing Managers Index	(August)	49.7	49.4	49.3

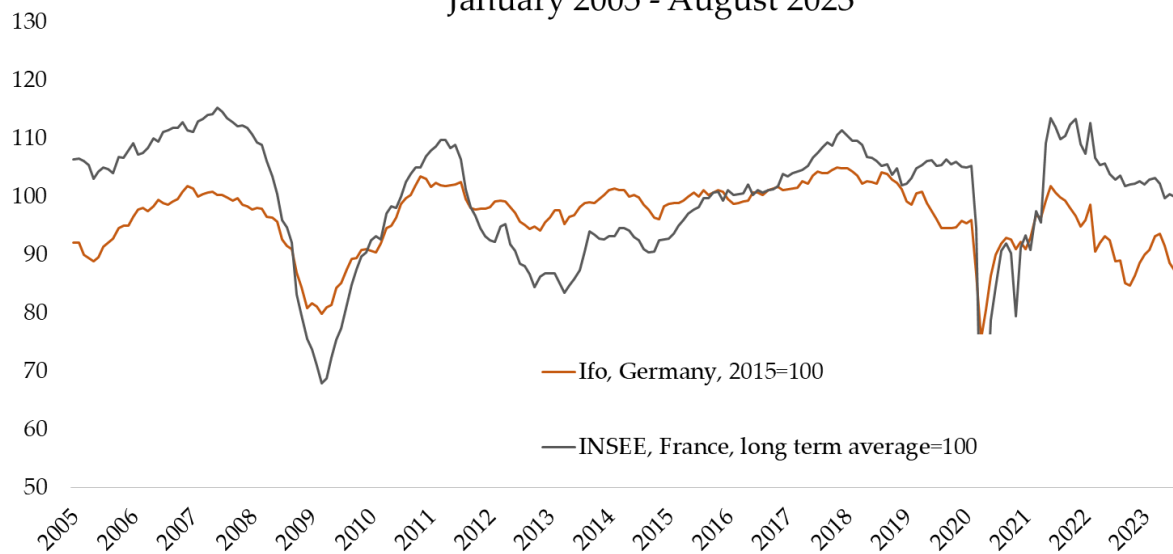
¹ <https://www.ifo.de/en/survey/ifo-business-climate-index>

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) increased compared to the previous period. The unemployment rate worsened in Germany compared to the last month. The French INSEE business climate index decreased compared to the month prior. In the United States, the CB consumer confidence index decreased compared to July, and performed worse than expected. The manufacturing PMI increased compared to the previous month in the USA. The unemployment rate worsened in the USA compared to the month prior. 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 - August 2023



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

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