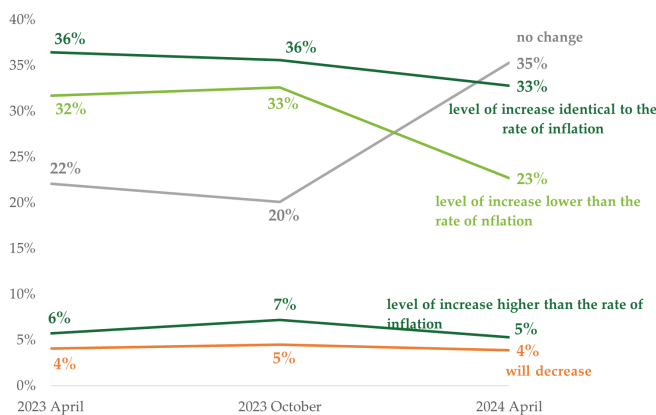
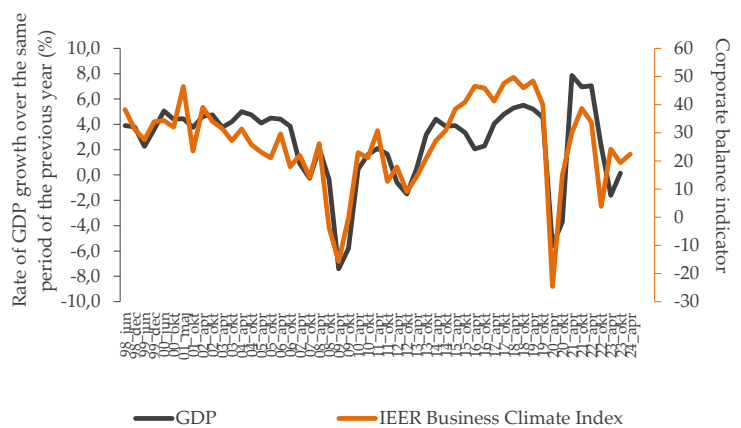


Monthly Bulletin of Economic Trends

Mid-Year Business Climate Survey – April 2024

The Business Climate Index is at +22 points in April 2024, a small improvement of 3 points following the downturn in the second half of 2023. The current value of the indicator is two points below the +24 recorded in the same period last year, but significantly higher than the +4 recorded in October 2022...[More](#)



Expected changes in domestic sales prices

61 percent of domestic businesses in the private sector expected their domestic prices to rise in the coming six months in April 2024. This represents a significant decrease compared to the last three years.

62 percent of respondents expecting an increase in prices predicted the figure to be below 10%, 30percent predicted a 10 to 15% increase and 5percent predicted...[More](#)

International trends

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MID-YEAR BUSINESS CLIMATE SURVEY – APRIL 2024

The Business Climate Index is at +22 points in April 2024, a small improvement of 3 points following the downturn in the second half of 2023. The current value of the indicator is two points below the +24 recorded in the same period last year, but significantly higher than the +4 recorded in October 2022.

In the view of the enterprises the business climate remains essentially unchanged compared to last semester, but their expectations remain highly divided by each business category. Overall, forecasts for the expected level of orders and investment have become more positive over the last six months, while the assessment of the expected business climate has remained unchanged.

Trends in the Business Climate Index

The April Business Climate Survey of IEER is based on the responses of 1,953 business leaders. The data was gathered between 1 and 30 April. IEER's Business Survey aims to map the current short-term business expectations of business leaders, based on information available at the time of the survey and on the subjective assessment of the situation by business owners.

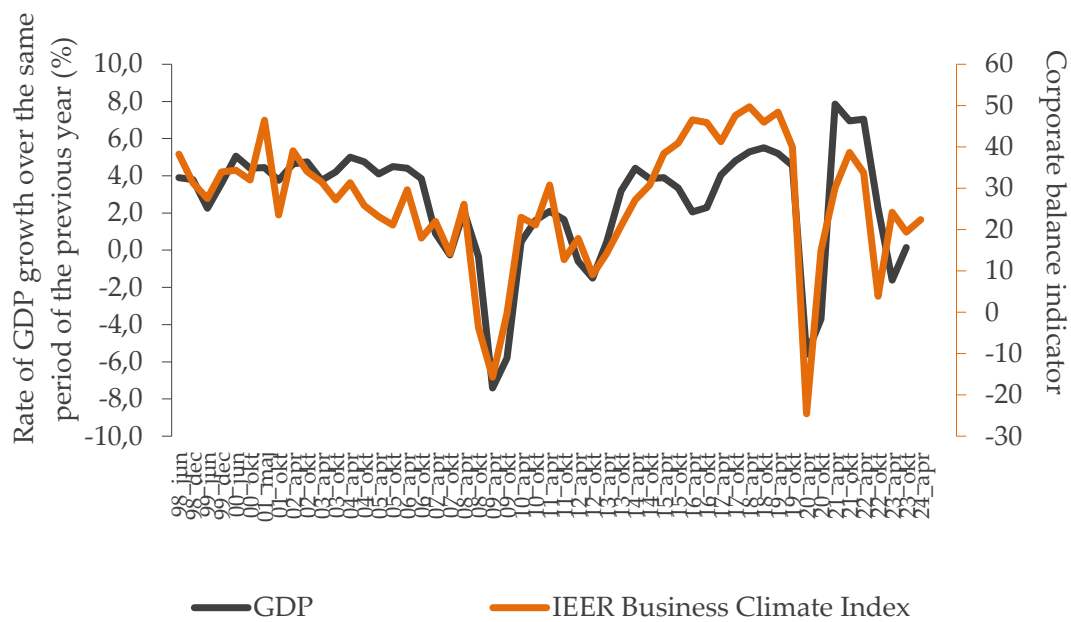
The IEER Business Climate Index increased from +19 points in October to +22 points in April 2024. From -25 points in April 2020, the lowest since the survey began in 1998, the index has essentially gone back to the level prior to the outbreak of the COVID-19 (October 2019: +40 points; October 2021: +39 points) in the space of a year and a half, before falling again significantly in the second half of 2022, partly offset by a rise in spring 2023, but then a slight downturn in October 2023. Despite the current improvement, the index remains below the level of the same period of the previous year. A more optimistic outlook is seen for SMEs in particular in spring 2024.

In most of the business segments surveyed, the dominant trend is a slight improvement or stagnation in the perception of the

business climate, but the assessment of the expected situation still varies widely by business characteristics. Given the current circumstances, the most favourable business climate is still expected by large enterprises, predominantly exporting companies, (partly) foreign owned companies and industrial companies, but it is important to note that, with the exception of (partly) foreign owned companies, these are the segments where the index shows a decrease in value compared to October 2023. The Business Climate Index is negative for micro-enterprises with fewer than 10 employees, indicating recessionary expectations in this group. In addition, the Business Climate Index is significantly below average in the construction sector among small enterprises with 10 to 49 employees and for purely domestically owned enterprises.

Business climate perception is similar to a year ago in most categories, but the majority of business groups are slightly below their April 2023 levels. Prior to the current wave of data collection, the last time businesses gave a similar assessment of their outlook was in 2013, with the exception of the first and second waves of the COVID-19 pandemic and the energy crisis.

Figure 1: Trends in GDP and IEER Business Climate Index, June 1998 – April 2024.



Source: IEER 2024

Components of the Business Climate Index and other indicators of the business situation

The IEER Business Climate Index consists of four components:

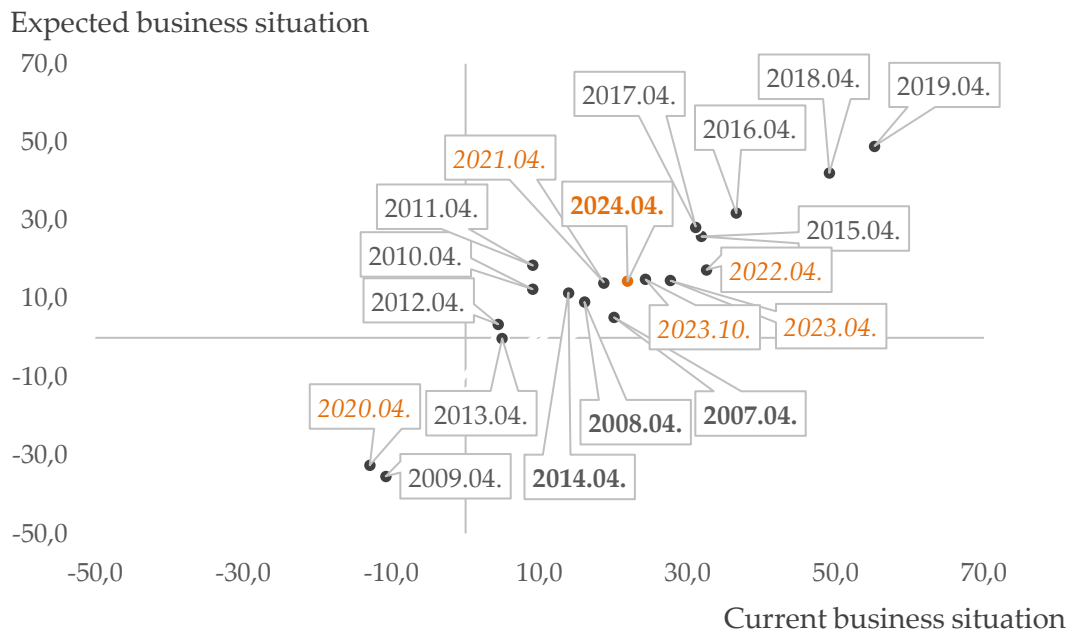
- expected business situation in the coming six months;
- the expected trend in orders over the next six months;
- trends in machinery investment volumes over the next six months;
- trends in the volume of construction investments in the next six months.

Business leaders are also more pessimistic about the current profitability of their ventures and the expected level of construction investment compared to the previous semester. The assessment of the current and expected business situation is

broadly unchanged, while the assessment of expected profitability and the expected level of machinery investment and orders is more positive compared to October. The current values of the indices are close to those between 2013-2015, prior to the COVID-19 and the energy crisis.

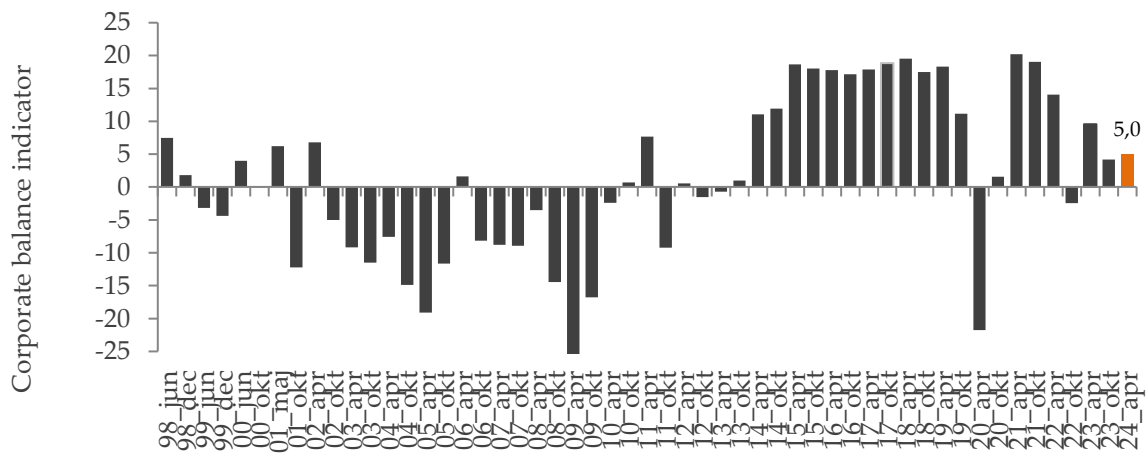
According to the April 2024 data, the view of enterprises on their current and expected business situation is essentially unchanged compared to October last year. Current business situation (+22 points) and expectations (+14 points) were at similar levels in October 2014 (+22 points; +18 points) and April 2014 (+14 points; +11 points), before the COVID-19 outbreak and the energy crisis. Compared to a year ago, the sub-index of the current situation is lower, while the business expectations sub-index remains unchanged.

Figure 2: Change in perception of current and future business situation



Source: IEER 2024

Figure 3: Expected labour demand



Source: IEER 2024

The assessment of the current business situation indicates that, after recovering from the economic shock of the COVID-19 and after the energy crisis in autumn 2022 to winter 2023, companies continue to perceive a more favourable economic environment, but a more negative one compared to the same period last year. It can be seen that small businesses, those producing exclusively for domestic sales, domestically owned businesses and those in the construction sector remain the most exposed to the current effects of the economic crisis.

Growing demand for labour, staff expansion

Enterprises expect labour demand to remain unchanged for the most part over the next six months, with the index at +5

points, up 1 point compared to October 2023. This indicates that in April 2024, there are slightly more enterprises planning to increase their workforce over the next six months. This still points to an easing of the labour shortage situation in the market.

Overall, (partly) foreign owned businesses, large enterprises and predominantly exporting firms have significant plans to increase their headcount in the next semester. In all other categories, the index is mostly around or below average. Compared to October 2023, the largest increases in the expected labour demand rate were recorded for commercial enterprises and micro-enterprises (up 11 and 8 points respectively), while the services sector saw a ten-point drop.

EXPECTED CHANGES IN DOMESTIC SALES PRICES

61 percent of domestic businesses in the private sector expected their domestic prices to rise in the coming six months in April 2024. This represents a significant decrease compared to the last three years.

62 percent of respondents expecting an increase in prices predicted the figure to be below 10%, 30percent predicted a 10 to 15% increase and 5percent predicted a 16 to 20% increase.

Our analysis presents the expectations of domestic enterprises regarding domestic sales prices for the six-month period between April and September 2024. The analysis is based on data from the April 2024 semi-annual business survey of HCCI IEER, where a total of 1,883 domestic enterprises were interviewed.

In April 2024, 61 percent of businesses indicated that they expected their domestic sales prices to rise in the next six months. This represents a considerably smaller proportion compared to the stable figures of over 70 percent over the last three years, and the proportion of those planning to raise prices has dropped to levels last seen in April 2021. In October 2022, the share of businesses expecting prices to go up reached its historic peak (82%) since the launch of the survey in 2005, but this upward trend seems to be disrupted in April 2024.

23 percent of respondents expect their prices to increase by less than the rate of inflation. 33 percent of respondents expect their prices to increase at the same rate as the inflation rate, while 5 percent expect prices to rise more than the inflation rate.¹ 35 percent of managers expect no change in their sales prices in the next six months, a significant

increase compared to the last six months. In October last year, 20 percent of respondents expected their domestic prices to stagnate in the next six months. In April 2024, 4 percent of businesses reported they expected their prices to decrease in the next six months.

62 percent of respondents expecting a price increase predicted it to be likely less than 10%, about a third (30%) predicted a 10 to 15% increase and 5% predicted an even higher increase of 16 to 20%.

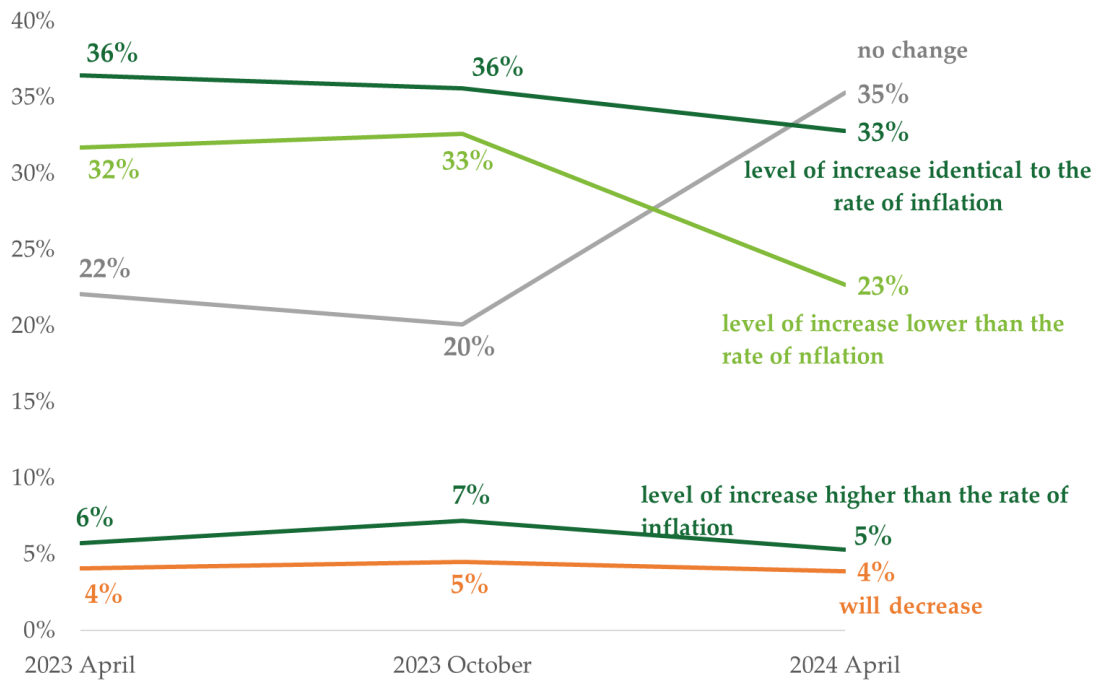
Construction companies (15%) were the most likely to predict a price increase of 16 percent or higher, while the same value was 9 percent in the services, 8 percent in trade and 5 percent in industry.

Only 46 percent of industrial business leaders (71% in the previous six-month period) believe that their prices will increase in the following six months. The proportion for construction enterprises is 66 percent, 67 percent for services and the highest for commercial businesses at 79 percent. Although our forecast is not directly related to consumer price trends, the data from the trade sector suggest that the reduction in price increases perceived by consumers will not be significant in the next six months.

¹ The reference point of "inflation" in this case is not a precisely defined monthly or annual figure: responding businesses answered the

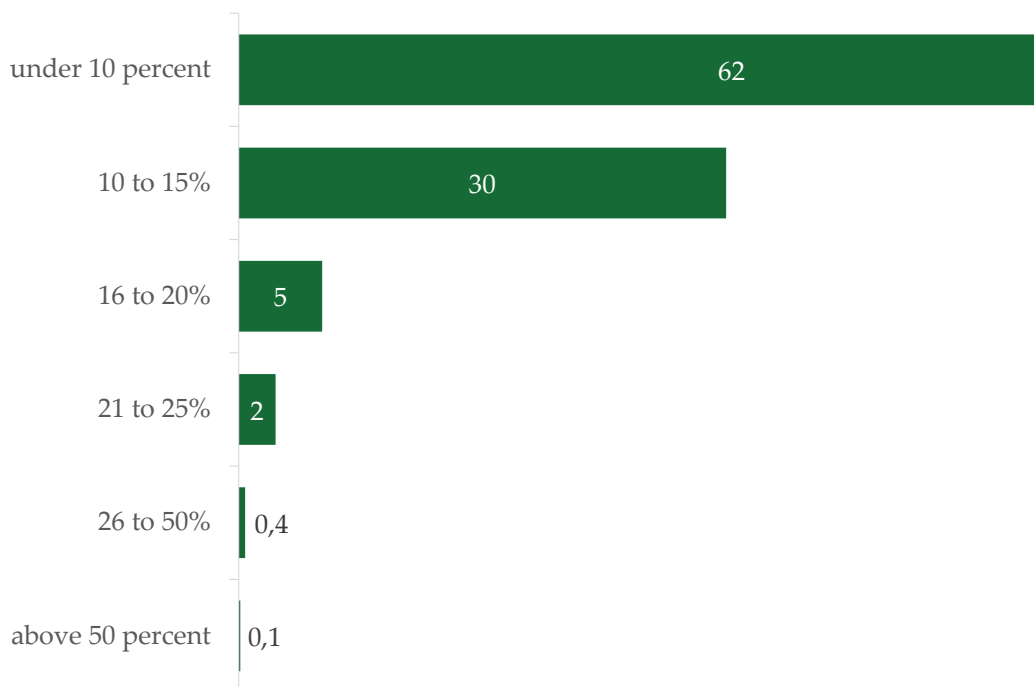
question in relation to their own perceived (subjective) inflation.

Figure 1: Domestic sales prices in the next six months between April 2023 and April 2024, as predicted by domestic enterprises



Source: IEER 2024

Figure 2: Forecasts of domestic enterprises on the extent of price increases for the next six months (April to September 2024) among enterprises expecting price increases, %



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	(May)	5.9%	5.9%	5.9%
Germany	Manufacturing Purchasing Managers Index	(May)	45.4	43.4	42.5
	IFO Business Climate Index ¹	(May)	89.3	90.4	89.3
France	INSEE Business Climate Index ²	(May)	98.5		98.8
	Unemployment Rate	(May)	4.0%	3.9%	3.9%
USA	CB Consumer Confidence Index	(May)	102.0	96.0	97.5
	Manufacturing Purchasing Managers Index	(May)	50.9	50.0	50.0
China	Manufacturing Purchasing Managers Index	(May)	49.5	50.5	50.4

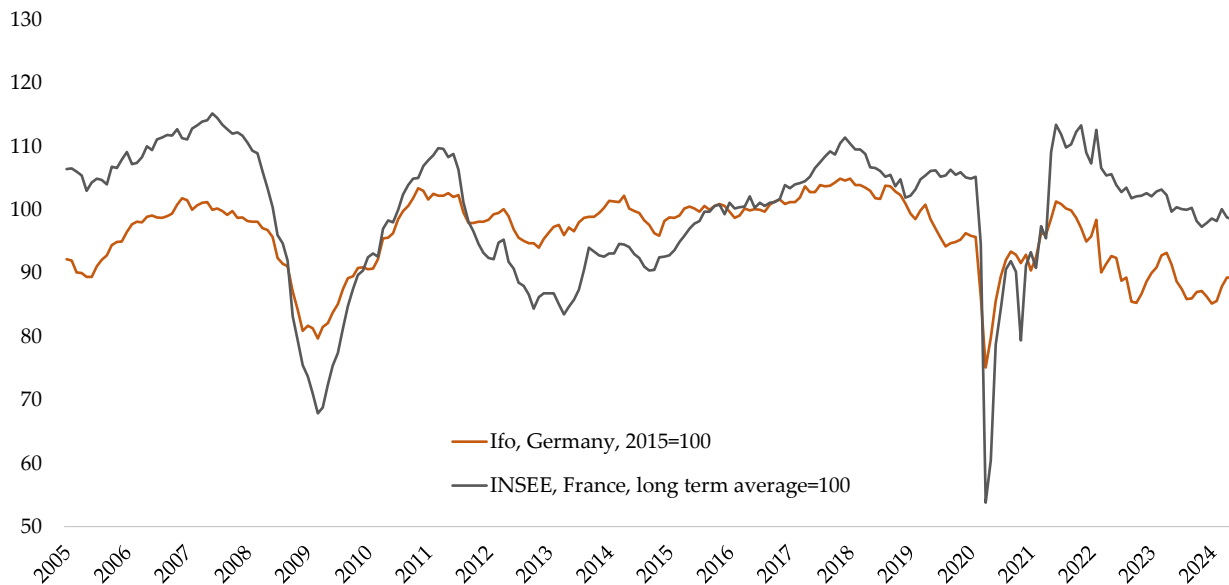
¹ <https://www.ifo.de/en/survey/ifo-business-climate-index-germany>

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

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

In Germany, the IFO business climate index remains unchanged in May. The manufacturing purchasing manager index (PMI) rose, and the unemployment rate remained the same in Germany compared to the previous period. The French INSEE business climate index slightly decreased compared to the month prior. The unemployment rate increased again in the USA compared to the month prior. The CB consumer confidence index and the manufacturing PMI increased compared to April and both performed better than expected. The Chinese manufacturing PMI declined again compared to the previous month.

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



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

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