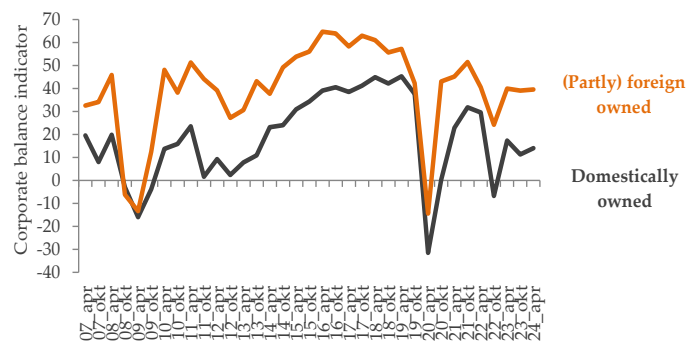


# Monthly Bulletin of Economic Trends

## Improving Business Environment, Expectations Showing Uncertainty Results of the Business Climate Survey

The HCCI IEER's Business Climate Survey is based on the responses of 1,953 business leaders. The Business Climate Index increased from +19 points in October to +22 points in April. Despite the current improvement, the index remains below the level of the same.....[More](#)



## Business barriers (2019–2024)

In spring 2024, 93% of domestic businesses experienced some negative factors in the last six months. The main obstacles to doing business were a lack of demand (42%) and the price of raw materials and energy (40%), with similar proportions of businesses citing these two areas. Labour and skilled labour shortages (32%) also cause a high proportion of difficulties for businesses, ranking .....[More](#)

## International trends

In Germany - for the first time since the last 4 months - the IFO business climate index decreased in June. The manufacturing purchasing manager index (PMI) also decreased, and the unemployment rate increased to 6%. On the contrary, the French INSEE business climate index.....[More](#)

## IMPROVING BUSINESS ENVIRONMENT, EXPECTATIONS SHOWING UNCERTAIN RESULTS OF THE APRIL 2024 BUSINESS CLIMATE SURVEY

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The IEER Business Climate Index increased from +19 points in October to +22 points in April. 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.

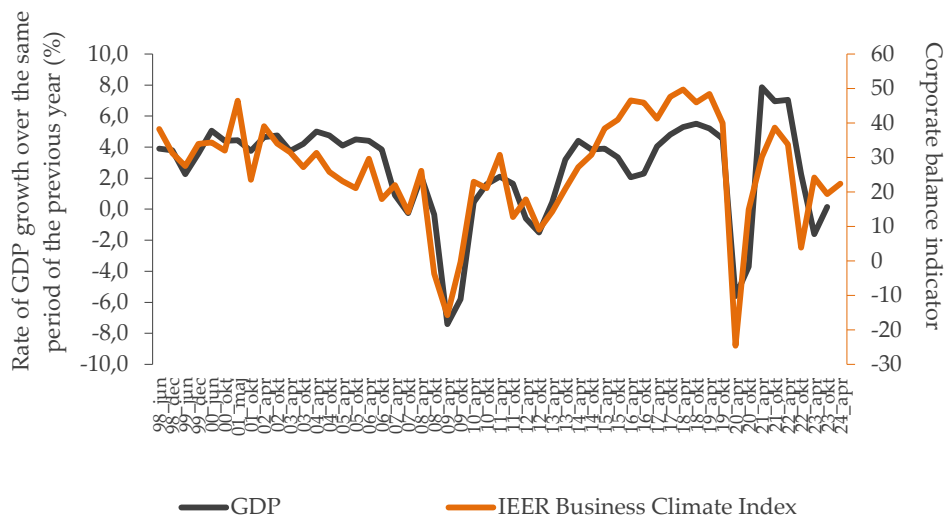
The April Business Climate Survey of the HCCI IEER is based on the responses of 1,953 business leaders. The data was collected between 1 and 30 April. The purpose of the business survey is to map the current, short-term business expectations of business leaders, relying on the information available at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

The Uncertainty Index is essentially unchanged compared to October 2023, currently standing at 56 points. This suggests that the situation assessment of

Hungarian enterprises remains highly polarised, i.e., there are significant differences in the situation assessment of enterprises by company category.

Enterprises see the business climate as essentially unchanged compared to the last six-month period, but their expectations remain highly divided by company 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 situation has remained unchanged.

**Figure 1: Trends in GDP and IEER Business Climate Index**



	April 2022	October 2022	April 2023	October 2023	April 2024
GDP	7.1	2.3	-1.6	0.1	
IEER Business Climate Index	33.8	3.9	24.2	19.4	22.4

Source: HCSO, IEER 2024

Notes: GDP data – seasonally and calendar-adjusted, balanced data reported six-month growth rates (the same period of the previous year = 0; GDP left axis; IEER Business Climate Index: right axis)

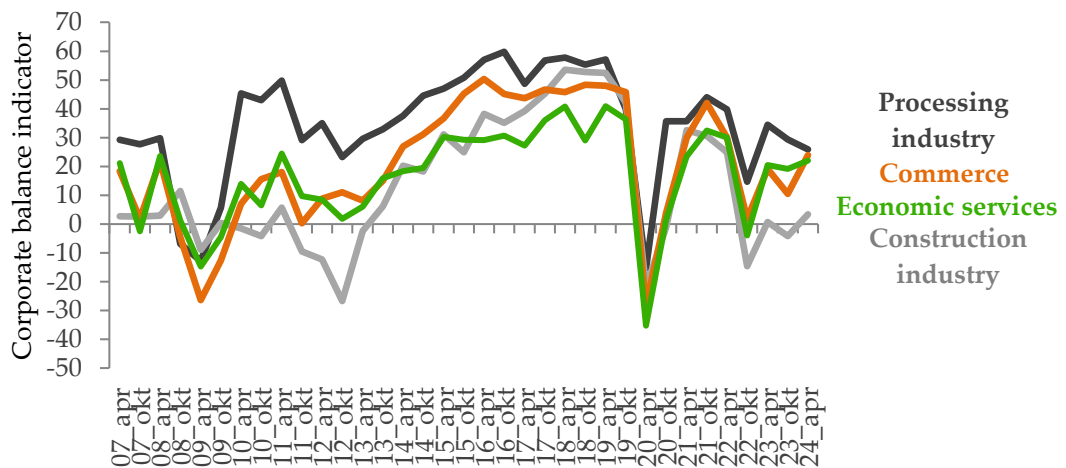
### IEER Business Climate Index by company features

The Business Climate Index is highest for processing industry (+26 points), +24 points for commercial firms, +22 points for service and +3 points for construction. The most significant shift compared to the previous half year was in the case of commercial firms, where the indicator increased by 14 points compared to October. Construction firms showed an eight-point improvement, services firms a 3-point improvement, and

manufacturing firms a three-point decline compared to October.

Looking at firms according to their ownership structure, the Business Climate Index is seen significantly higher for foreign (partly) owned firms (+40 points) compared to purely domestic owned firms (+14 points). Compared to the previous half-year period, the Business Climate Index increased by 1 point for foreign (partly) owned firms and by 3 points for purely domestically owned firms.

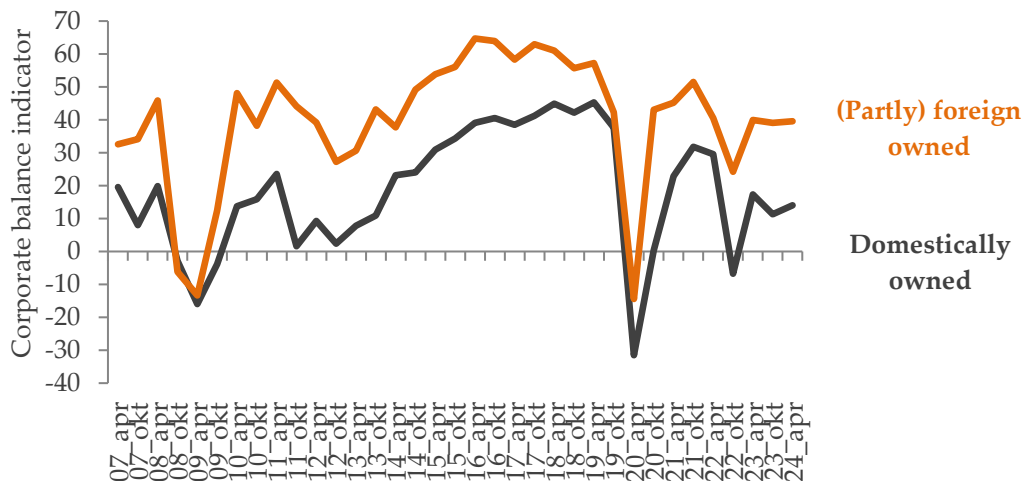
**Figure 2: IEER Business Climate Index by economic sector**



Source: IEER 2024

Note: The values shown in the graph are balance indicators on a scale of 100. In all cases, the balance indicator is the difference between the proportion of companies with a positive and negative perception of their business situation. Thus, the indicator can take values between -100 and +100, -100 if all firms are negative and +100 if all firms are positive.

**Figure 3: IEER Business Climate Index by ownership structure**



Source: IEER 2024

Note: The values shown in the graph are balance indicators on a scale of 100. In all cases, the balance indicator is the difference between the proportion of companies with a positive and negative perception of their business situation. Thus, the indicator can take values between -100 and +100, -100 if all firms are negative and +100 if all firms are positive.

By export activity, the Business Climate Index is lower for non-exporters (+16 points) and partial exporters (+19 points) than for major exporters (+35 points). The indicator increased by 7 points for non-exporters and partial exporters and decreased by 4 points for major exporters compared to the previous half year.

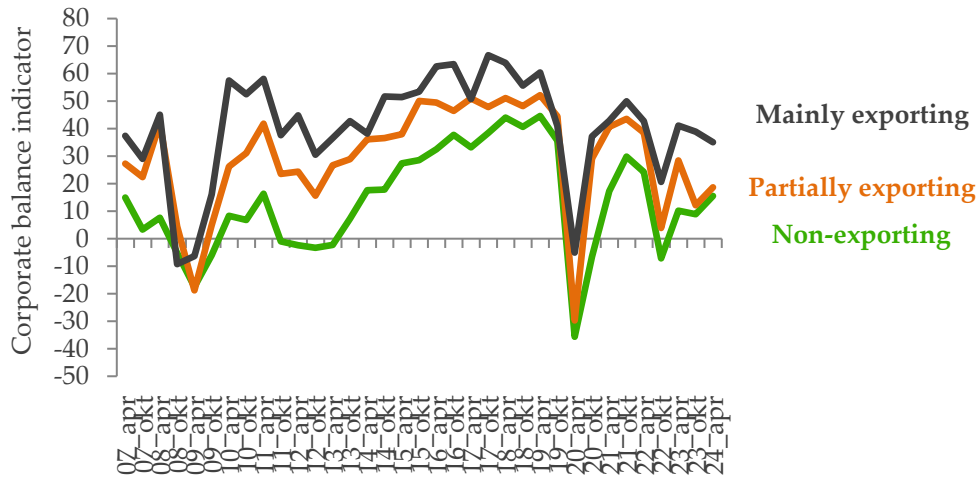
The analysis by company size shows that in all size categories the expectation of companies has improved or remained essentially stagnant. The Business Climate Index is -4 points for businesses with fewer than 10 employees, +7 points for those with 10 to 49 employees, +30 points for businesses with 50 to 249 employees and +39 points for the largest businesses with more than 250 employees. Over the past six months, the Business Climate Index has increased by 13 points in the 50 to 249 employees category and by 6 points in the micro-business category compared to October, with no change in the 10 to 49 employees category and a two-point decrease in the large enterprise (250+) category.

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.

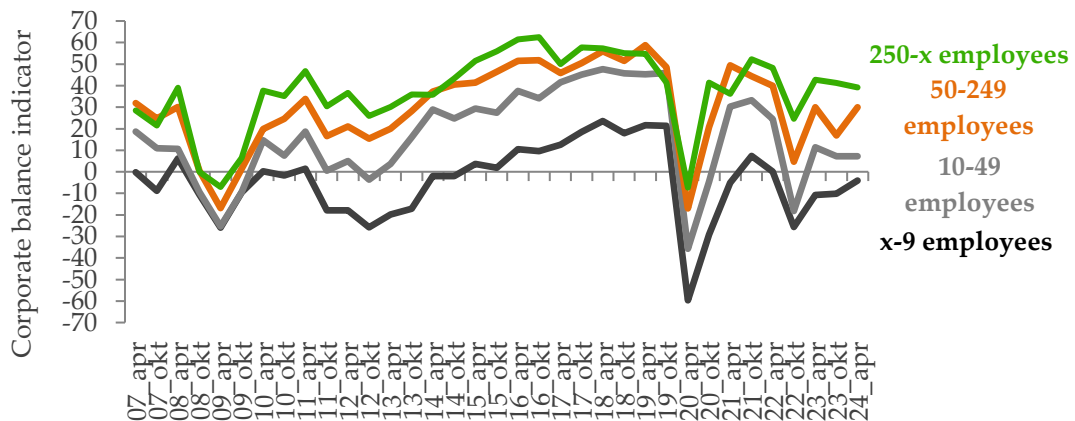
Figure 4: IEER Business Climate Index by export activity



Source: IEER 2024

Note: The values shown in the graph are balance indicators on a scale of 100. In all cases, the balance indicator is the difference between the proportion of companies with a positive and negative perception of their business situation. Thus, the indicator can take values between -100 and +100, -100 if all firms are negative and +100 if all firms are positive.

Figure 5: IEER Business Climate Index by company size



Source: IEER 2024

Note: The values shown in the graph are balance indicators on a scale of 100. In all cases, the balance indicator is the difference between the proportion of companies with a positive and negative perception of their business situation. Thus, the indicator can take values between -100 and +100, -100 if all firms are negative and +100 if all firms are positive.

## BUSINESS BARRIERS (2019–2024)

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In this analysis, we present how the COVID-19 pandemic, the Russo-Ukrainian War and the energy crisis have redrawn the problem map for enterprises and what business barriers domestic companies are currently facing. The data is taken from IEER's past ten semi-annual business climate surveys (October 2019 to April 2024), with the most recent survey of 1,953 businesses conducted between 1 and 30 April 2024. The results of the survey are weighted by the estimated contribution of the businesses to the GDP by regional composition, sector, and size category. Due to the weighting, the distributions calculated in the analysis do not reflect the basic distributions of the responding enterprises but their distributions according to their economic weight.

### Lack of Demand Continues to Grow

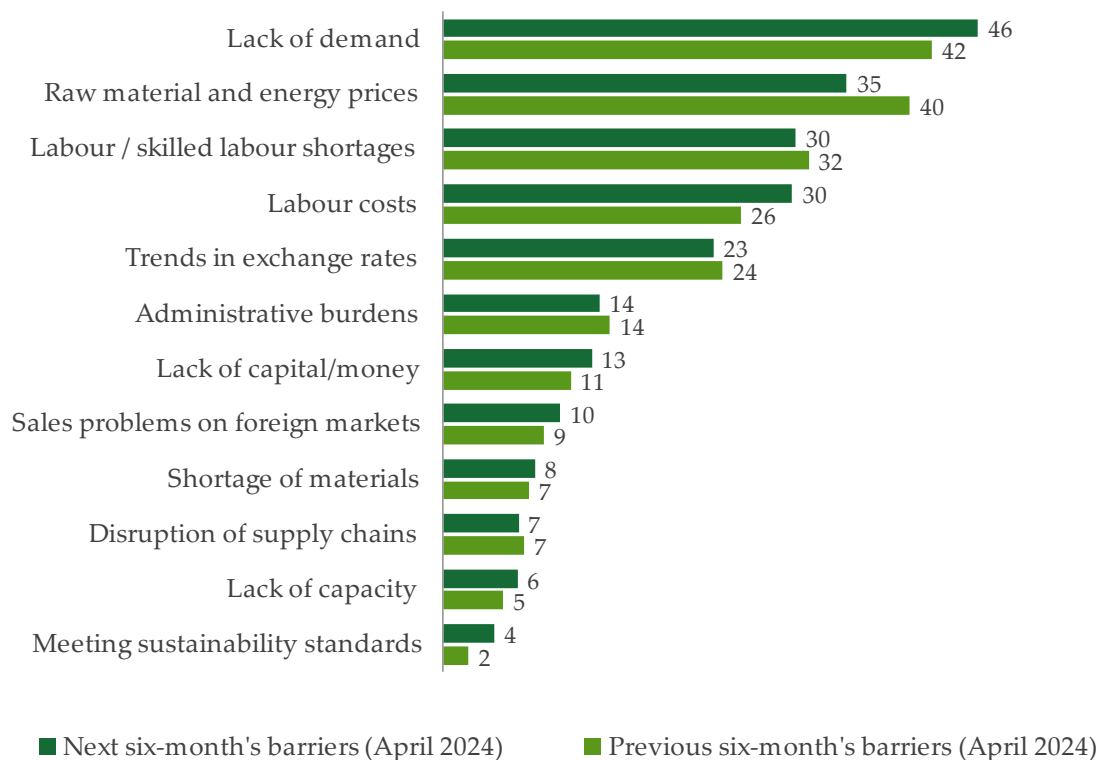
In spring 2024, 93% of domestic businesses experienced some negative factors in the last six months. The main obstacles to doing business were a lack of demand (42%) and the price of raw materials and energy (40%), with similar proportions of businesses citing these two areas. Labour and skilled labour shortages (32%) also cause a high proportion of difficulties for businesses, ranking third place in the list of difficulties. Labour costs (26%) and trends in exchange rates (24%) were a problem for around a quarter of the enterprises, while administrative burdens (14%) and lack of capital/money (11%) were mentioned as a disadvantage by more than one-tenth of the enterprises. Less than one in every ten businesses cited sales problems on foreign markets (9%), material shortages (7%), disruption of supply chains (7%), lack of capacity (5%) and meeting sustainability standards (2%) as a barrier.

Enterprises are as pessimistic about their business activity in the next six months as in the previous survey in October 2023. In April 2024, 94% of businesses expect some difficulties in the next six months, which is only 1 percentage point lower than in the

previous survey. Compared to the October 2023 business survey results, there has been a significant decrease in the number of business leaders who fear raw material and energy prices (from 39% to 32%) and labour shortages (from 36% to 30%), but an increase in the number of those who fear lack of demand (from 43% to 46%), sales problems in foreign markets (from 7% to 10%) and material shortages (from 5% to 8%). Regarding the past year, the trends in exchange rates show a downward trend, while the frequency of other barriers mentioned does not show a significant change. Administrative burdens, first surveyed in autumn 2023, was ranked sixth on the problem map of enterprises for the future, and this has not changed for spring 2024.

In April 2024, a higher proportion of businesses than in the previous six months think that lack of demand (4 percentage points difference) and labour costs (4 percentage points difference) will emerge as barriers in the next six months, while fewer enterprises expect raw material and energy prices (5 percentage points difference) to become barriers in the next

**Figure 1: Comparison of barriers experienced in the six months before April 2024 and expected for the next six months, %**



Source: IEER 2023–2024

Note: A single respondent could identify a maximum of three of the barriers.  $N_{previous}=1930$ ,  $N_{next}=1892$ .

six months. There is no significant change in this respect for the remaining factors listed. (Figure 1)

Regardless of the size of the workforce, businesses expect a similarly high (between 40–50%) share of *lack of demand* in the future. Also, regardless of size, enterprises are expected to be affected by the *trends in exchange rates* at almost the same rate (21–25%). *Raw material and energy costs* are most often identified as a potential problem for enterprises with more than 250 employees (40%), *labour and skilled labour shortages* for enterprises with more than 10 employees (32–37%) and *labour costs* for enterprises with 10 to 49 employees (40%).

For industrial enterprises, *raw material and energy prices* (45%), and for trade, construction and services businesses, *lack of demand* is the most common barrier (61%, 47% and 42%, respectively).

### Business Barriers Between 2019 and 2024

Based on the results of the IEER's six-monthly business surveys (2019–2023), it is clear that in the years preceding the start of COVID-19, labour and skilled labour shortages were the main business barriers for companies. During the pandemic, the role of this factor decreased significantly (from 60% to 32%), also due to the effects of restrictive economic measures, but the share of those indicating a lack of demand increased significantly during each wave of



COVID-19 (from 20% to 49%). These two factors had returned to pre-crisis levels by October 2021 (51% and 23%, respectively), while the share of enterprises that consider raw material and energy prices (from 13% to 28%) and material shortages (from 11% to 24%) as a major barrier increased sharply. At the same time, the share of enterprises indicating the presence of lack of capacity increased and reached the level of two years earlier (14%).

The outbreak of the Russo-Ukrainian War in February 2022 has, in some respects, completely rearranged the problem map for businesses. In April 2022, disruption of supply chains emerged as a major problem (24%), but by autumn, the problem had become more moderate (15%). The proportion of companies reporting labour shortages remained high in April and October 2022 (45–46%), while in autumn, significantly more businesses reported shortages than six months earlier (19% instead of 14%). At the same time, more than half of the enterprises (51%) cited the raw material and energy prices as a problem, and the proportion of enterprises that consider trends in exchange rates as a barrier has also risen significantly (32%).

By spring 2023, raw material and energy prices (53%) were the most common barriers to doing business, ahead of labour /skilled labour shortages (42%), labour costs (30%), trends in exchange rates (29%) and lack of demand (27%). However, disruption of supply chains (13%) and material shortages (13%) were less prevalent.

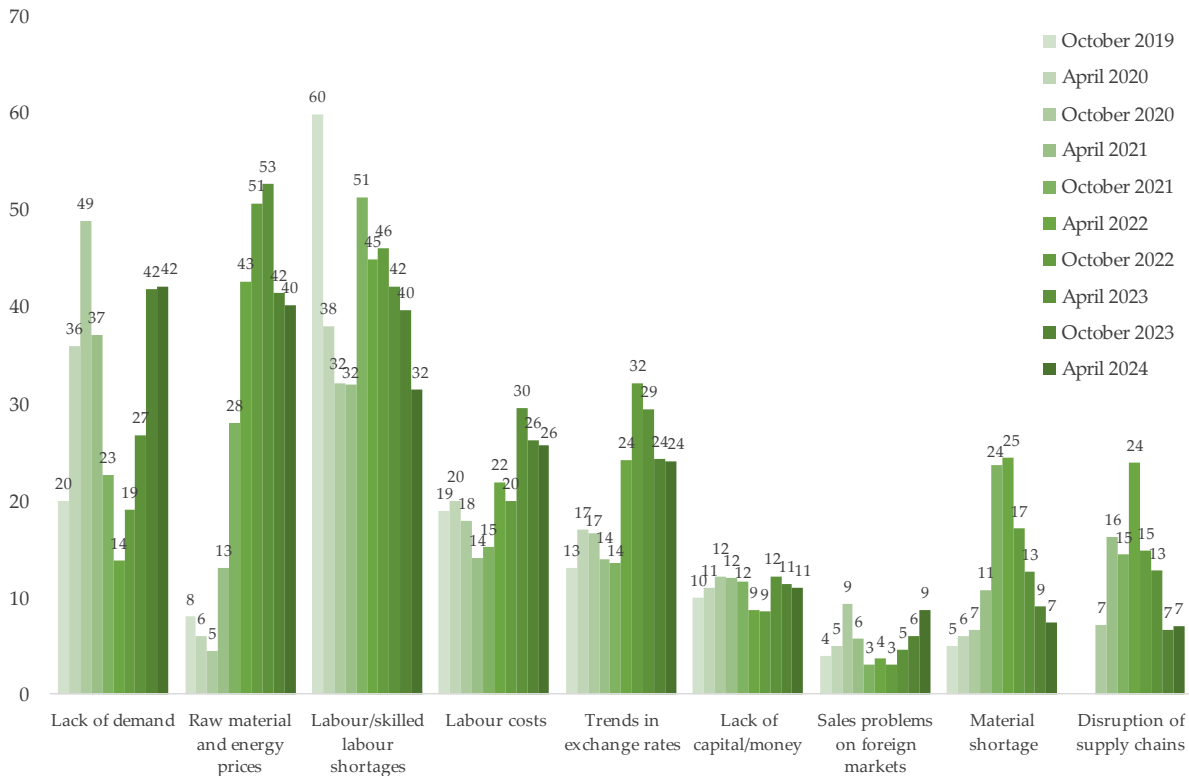
Autumn 2023 saw the highest proportion of businesses mentioning raw material and energy prices (42%) and lack of demand (42%) as barriers, but labour/skilled labour shortages also affected a high proportion of businesses (40%). The proportion of enterprises considering labour costs (26%) and trends in exchange rates (24%) as a problem was also high. In contrast, material shortage (9%) and disruption of supply chains (7%) were much less likely to hamper companies' business conduct in autumn 2023.

The most important barriers identified by companies were the same in spring 2024 as six months earlier, and the proportions of these barriers mentioned show a similar trend. A significant change is that the raw material and energy prices, which has been the biggest problem since October 2022, has dropped to second place behind lack of demand (42%), adding that companies still identify this area as a major barrier (40%). Another change is that the proportion of enterprises citing labour/skilled labour shortages has decreased by 8 percentage points (32%) but still ranks third on business problem maps. These factors are followed by labour costs and trends in exchange rates, with the same proportions as six months earlier (26% and 24% respectively), then administrative burdens (14%) and capital/money shortages (11%). The former was added to the list of barriers in October 2023, and since then, the proportion of mentions has increased by 4 percentage points. The latter has remained steadily mentioned at around 10% over the whole period. The share of businesses citing sales problems on foreign markets

has been steadily increasing since October 2022, while the share of businesses citing material shortages and disruption of

supply chains as a barrier has been steadily declining since April 2022 (Figure 2).

**Figure 2: Factors hampering domestic enterprises’ business activity in the previous half-year between 2019 and 2024, %**



Source:

**IEER 2023–2024**

Note: A single respondent could identify a maximum of three of the barriers. Disruption of supply chains was introduced to the scope of barriers in October 2020.  $N_{2019.okt.}=2261$ ,  $N_{2020.apr.}=2884$ ,  $N_{2020.okt.}=3133$ ,  $N_{2021.apr.}=2779$ ,  $N_{2021.okt.}=2198$ ,  $N_{2022.apr.}=2212$ ,  $N_{2022.okt.}=2114$ ,  $N_{2023.apr.}=2047$ ,  $N_{2023.okt.}=1800$ ,  $N_{2024.apr.}=1930$ .

## 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)	<b>6,0%</b>	5.9%	5.9%
Germany	Manufacturing Purchasing Managers Index	(June)	<b>43,4</b>	46,4	45,4
	IFO Business Climate Index <sup>1</sup>	(June)	<b>88,6</b>	89,4	89,3
France	INSEE Business Climate Index <sup>2</sup>	(June)	<b>98,8</b>		<b>98,5</b>
	Unemployment Rate	(June)	<b>4,1%</b>	4,0%	<b>4,0%</b>
USA	CB Consumer Confidence Index	(June)	<b>100,4</b>	100,0	102,0
	Manufacturing Purchasing Managers Index	(June)	<b>51,7</b>	51,0	50,9
China	Manufacturing Purchasing Managers Index	(June)	<b>49,5</b>	49,5	<b>49,5</b>

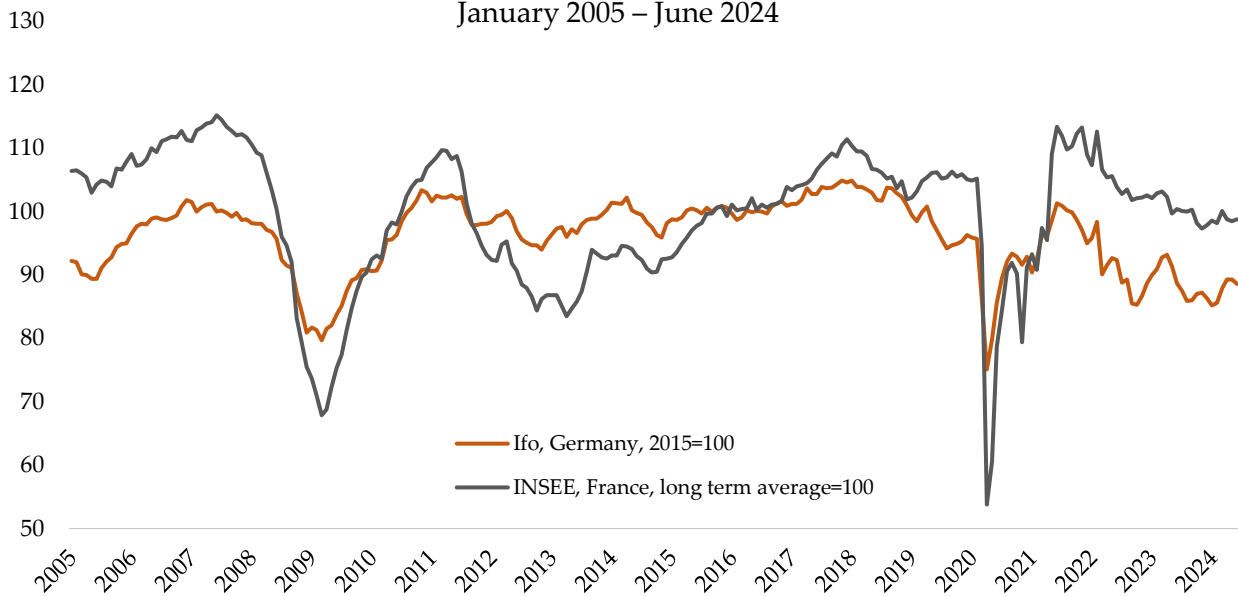
<sup>1</sup> <https://www.ifo.de/en/survey/ifo-business-climate-index-germany>

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

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

In Germany - for the first time since the last 4 months - the IFO business climate index decreased in June. The manufacturing purchasing manager index (PMI) also decreased, and the unemployment rate increased to 6%. On the contrary, the French INSEE business climate index slightly increased compared to the month prior. The unemployment rate increased again (to 4,1%) in the USA compared to the month prior. The CB consumer confidence index decreased, the manufacturing PMI, by contrast, increased again in June. The Chinese manufacturing PMI did not change compared to the previous month.

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



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

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