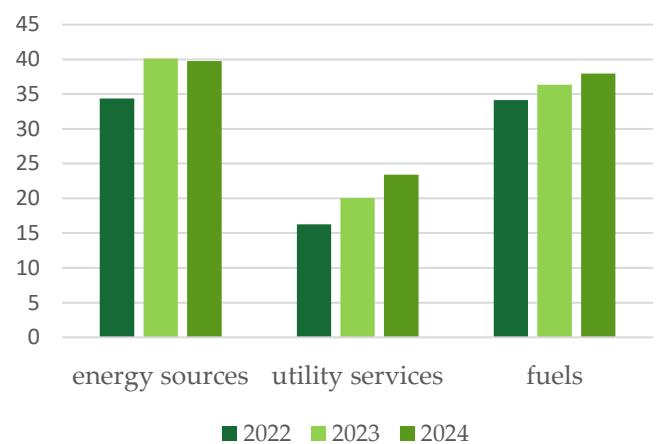


Monthly Bulletin of Economic Trends

Energy costs and energy efficiency in the SME sector

The costs associated with energy use pose a significant burden on domestic SMEs, which account for an increasing proportion of the enterprises' expenses. In response to rising costs, 73% of businesses have introduced energy efficiency measures either last year or this year....[More](#)



Short-Term Forecasts of International Organisations for the European Union, the Euro Area and Hungary

The Hungarian economy is heavily influenced by the economies of the other countries of the European Union, given that they are Hungary's most important partners in terms of external trade. The following is a summary of the European Commission, OECD and IMF forecasts for the European economy (EU 27, euro area) and Hungary....[More](#)

International trends

In Germany, the June decline in the IFO business confidence index intensified in July. The manufacturing Purchasing Managers' Index (PMI) fell slightly again, while the unemployment rate remained at 6%. The INSEE business confidence index in France also fell sharply. The European Union's ESI economic sentiment indicator ...[More](#)

ENERGY COSTS AND ENERGY EFFICIENCY IN THE SME SECTOR

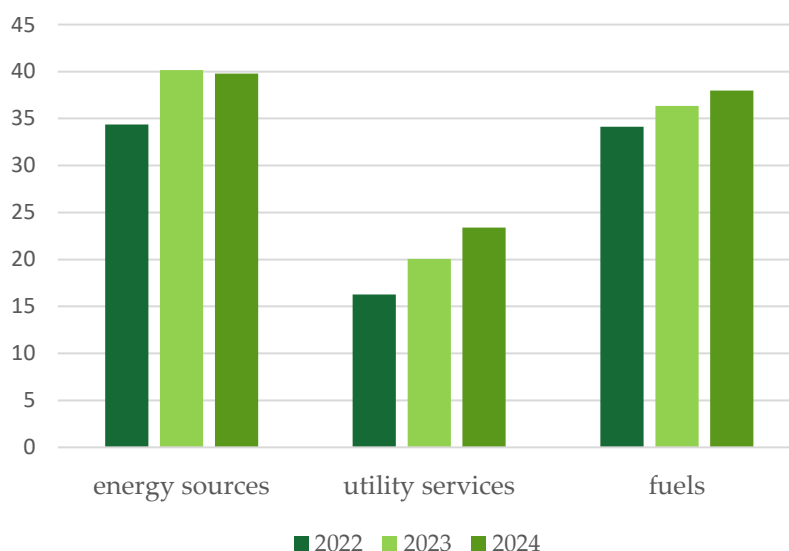
The costs associated with energy use pose a significant burden on domestic SMEs, which account for an increasing proportion of the enterprises' expenses. In response to rising costs, 73% of businesses have introduced energy efficiency measures either last year or this year. In addition to operating conditions, high prices and slow return on investment are barriers to introducing major energy efficiency investments.

Our analysis looks at the energy use, costs and energy efficiency measures of small and medium-sized enterprises in Hungary. The survey conducted between 1 and 30 April 2024 asked a total of 1,388 Hungarian SMEs about their energy consumption and costs involved, as well as their energy efficiency.

Energy source-related costs have increasingly accounted for the cost structure of SMEs. In 2022, 34% of the enterprises had at least 10% of their turnover made up by costs related to energy sources, while by 2023 and 2024,

this proportion had risen to 40%. In the meantime, the proportion of businesses with their energy use not exceeding 1% of their turnover had decreased. The trend for utility services is similar: in 2024, 23% of domestic SMEs will spend more than 10% of their turnover on utility services. Fuel costs also show a similar trend: more and more enterprises are incurring significant costs for fuel as an increasing share of their turnover: the proportion of SMEs with fuel costs exceeding 10% of turnover has been increasing by 2 percentage points annually, reaching 38% in 2024.

Figure 1: Proportion of domestic SMEs where the energy cost exceeds 10% of turnover



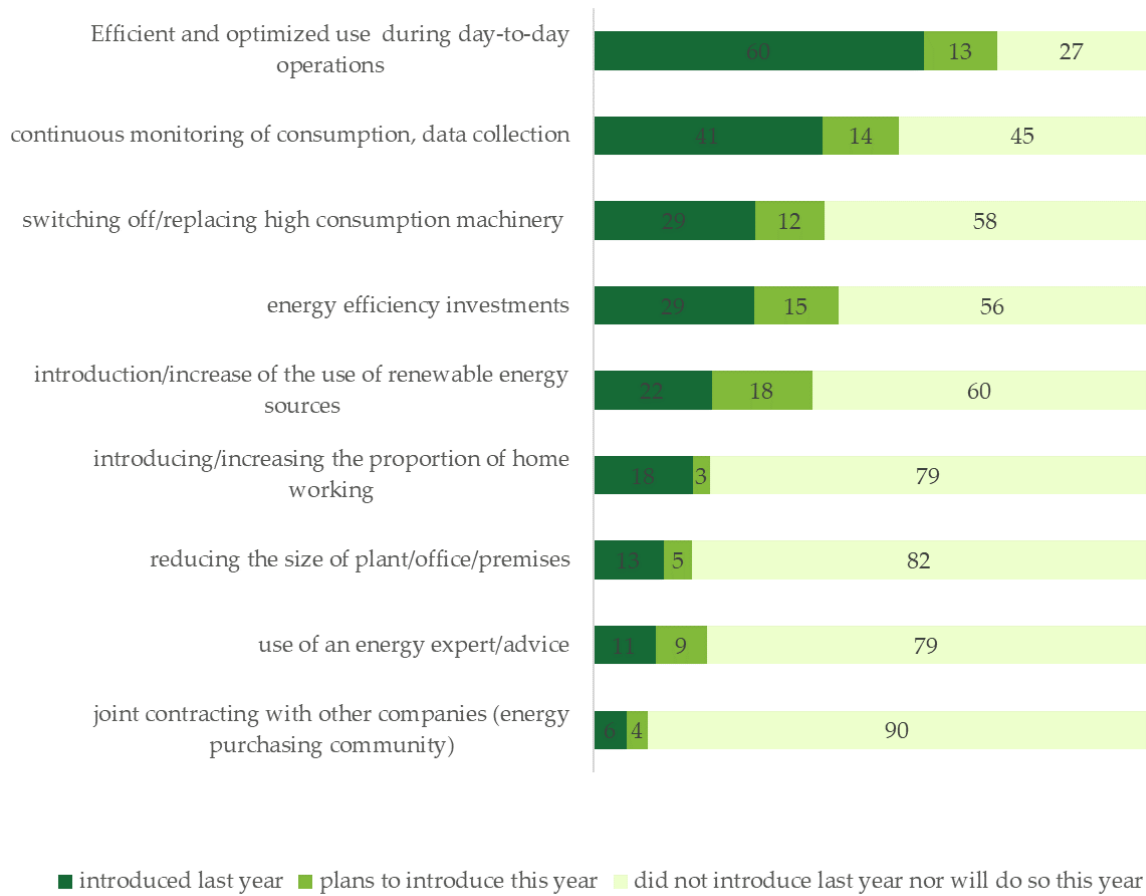
Source: IEER 2022-2024

The energy use and utility consumption of SMEs have increased significantly over the past year. 27% of businesses have reported an increase in their energy use, the same proportion reporting an increase in utility use, while 40% have reported an increase in fuel use. Few have managed to reduce energy use: only 18% have reduced their energy consumption, 6% have reduced utility costs and 11% have reduced fuel costs.

32% of medium-sized enterprises with 50-249 employees have reduced their energy use. 27% of industrial businesses, 27% of partly exporting enterprises and 22% of foreign-owned enterprises have successfully reduced their energy use compared to the previous year. The picture is more homogeneous for utility consumption: only (partly) foreign-owned enterprises (16%) have managed to significantly reduce the volume of use of utility services. The largest reductions in fuel use have been demonstrated by retailers (16%) and partly exporting enterprises (17%) and foreign (partly) owned enterprises (21%).

In response to rising energy costs, a significant number of SMEs have introduced energy efficiency measures. 71% of businesses had already taken such measures last year, and 57% had introduced more than one. The most common energy efficiency measure is to reduce energy use in day-to-day operations, already put in place by 60% of enterprises, and an additional 13% plan to do so this year. Investments in energy efficiency, replacement of obsolete machinery and use of renewable energy sources are also significant steps taken by SMEs. The main barriers to the introduction of energy efficiency investments include technical and technological barriers, and high costs. 42% of businesses not involved in such investments reported technical and operational constraints, while 40% indicated excessive costs. To increase energy efficiency, businesses need to focus more on investing in energy efficient technologies, using renewable energy sources and optimising their operations.

Figure 2: Actions taken by SMEs to increase energy efficiency (%)



SHORT-TERM FORECASTS OF INTERNATIONAL ORGANISATIONS FOR THE EUROPEAN UNION, THE EURO AREA AND HUNGARY

The Hungarian economy is heavily influenced by the economies of the other countries of the European Union, given that they are Hungary's most important partners in terms of external trade. The following is a summary of the European Commission, OECD and IMF forecasts for the European economy (EU 27, euro area) and Hungary.

According to the European Commission's Spring 2024 Economic Forecast¹, growth in Europe in early 2024 was better than expected and inflation continued its downward trend, which will mean a gradual expansion of economic activity in terms of the prognosis. This is largely due to an increase in job opportunities and higher wages, resulting in higher spending by consumers. In 2024, the EU economy is expected to grow by 1 percent and the euro area by 0.8 percent, while the European Commission forecasts growth of 1.6 percent and 1.4 percent respectively in 2025. At the same time, inflation at the EU level, after peaking in 2022 (at 6.4%), has fallen sharply since; it is expected to drop to 2.7% in 2024 and 2.2% in 2025, respectively. The economic forecast also shows that the labour market is performing well, with unemployment at a record low of 6 percent in the EU in March 2024, and this is not expected to change significantly this year or next.

The European Commission forecasts that Hungary's GDP is expected to recover gradually this year. With economic activity

starting to recover in the first quarter of 2024, and GDP estimated to grow by 0.8 percent every three months, household purchasing power increasing and financing conditions easing, Hungary is forecast to expand by 2.4 percent in 2024 and 3.5 percent in 2025. Consumption can expect a boost from strong real income growth, underpinned by a flexible labour market and increases surpassing the inflation rate in pensions and minimum wages in 2024. High savings rates are expected to gradually decline as households' financial reserves, previously eroded by high inflation, have been recovering. While investment will be restrained in 2024 by fiscal consolidation efforts and an oversupply of commercial real estate, it is projected to rebound in 2025 on the back of rising capacity utilisation, large FDI-financed projects and the impact of state subsidy programs for housing purchases and renovations.

This May's forecast from the OECD² projects GDP growth of 0.7 percent for the euro area this year and 1.1 percent in 2025. According to the organisation, Hungary is

¹ https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/spring-2024-economic-forecast-gradual-expansion-amid-high-geopolitical-risks_en (last download: 9 July 2024)

² <https://www.oecd-ilibrary.org/sites/69a0c310-en/index.html?itemId=/content/publication/69a0c310-en> (last download: 9 July 2024)

attracting significant foreign direct investment in manufacturing, particularly in electric mobility, which will ultimately boost export capacity. Lower inflation due to lower energy and food prices is expected to support investment and private sector consumption in the coming period. The main risks to the Hungarian economy are posed by difficulties in international trade, developments in global raw material prices, the slowdown in the pace of fiscal consolidation and the outcome of negotiations on the drawing on the EU funds. OECD recommends continuing fiscal consolidation, strengthening the

sustainability of the level of public debt and ensuring the long-term sustainability of the pension system. In the light of all of this, the OECD projects Hungarian GDP to grow by 2.1 percent in 2024 and 2.8 percent in 2025.

The International Monetary Fund (IMF) 3 forecasts growth of 0.8 percent in the euro area in 2024 and 1.1 percent in the EU as a whole. For the former, 2025 is expected to see 1.5 percent increase and 1.8 percent for the latter. Meanwhile in Hungary, the rate of growth is projected to reach 2.2 percent this year and 3.3 percent next year.

Table 1. EU 27, euro area and Hungarian GDP forecast for 2024 and 2025 (%)

<i>Forecasting organisation</i>	European Union		Eurozone		Hungary	
	2024	2025	2024	2025	2024	2025
European Commission	1	1.6	0.8	1.4	2.4	3.5
OECD			0.7	1.1	2.1	2.8
IMF	1.1	1.8	0.8	1.5	2.2	3.3

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
		(July)	6.0%	6.0%	6.0%
Germany	Unemployment Rate	(July)	6.0%	6.0%	6.0%
	Manufacturing Purchasing Managers Index	(July)	43.2	42.6	43.5*
	IFO Business Climate Index ¹	(July)	87.0	88.9	88.6
France	INSEE Business Climate Index ²	(July)	93.9		98.8
EU	Economic Sentiment Indicator (ESI) ³	(July)	96.4		96.3
	Unemployment Rate	(July)	4.3%	4.1%	4.1%
USA	CB Consumer Confidence Index	(July)	100.3	99.7	97.8*
	Manufacturing Purchasing Managers Index	(July)	49.6	49.5	51.6*
China	Manufacturing Purchasing Managers Index	(July)	49.4	49.4	49.5

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

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

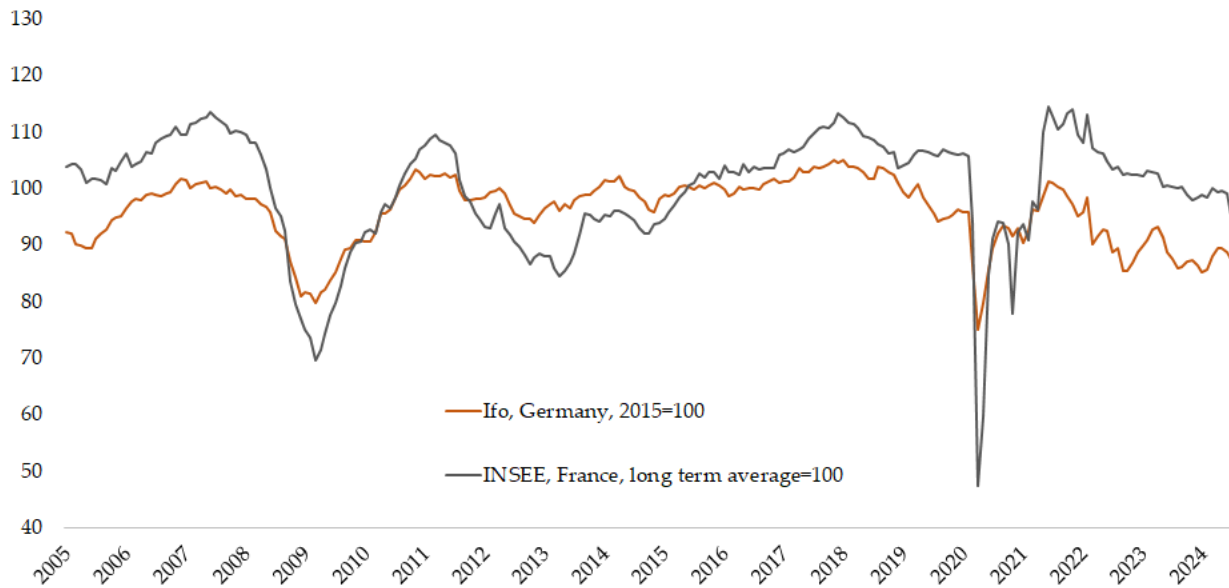
*Retrospective adjustment

In Germany, the June decline in the IFO business confidence index intensified in July. The manufacturing Purchasing Managers' Index (PMI) fell slightly again, while the unemployment rate remained at 6%. The INSEE business confidence index in France also fell sharply. The European Union's ESI economic sentiment indicator (an aggregate of business and consumer confidence indicators of the Member States) increased slightly, mainly due to a rise in consumer and construction confidence indicators.

In the United States, the unemployment rate rose again (to 4.3%) compared to the previous month. In addition to the German and French PMIs, the Manufacturing Purchasing Managers' Index also fell here, as in China.

From a consumer perspective, alongside the increase in the EU's consumer confidence index, the US CB consumer confidence also rose in July.

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



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

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