

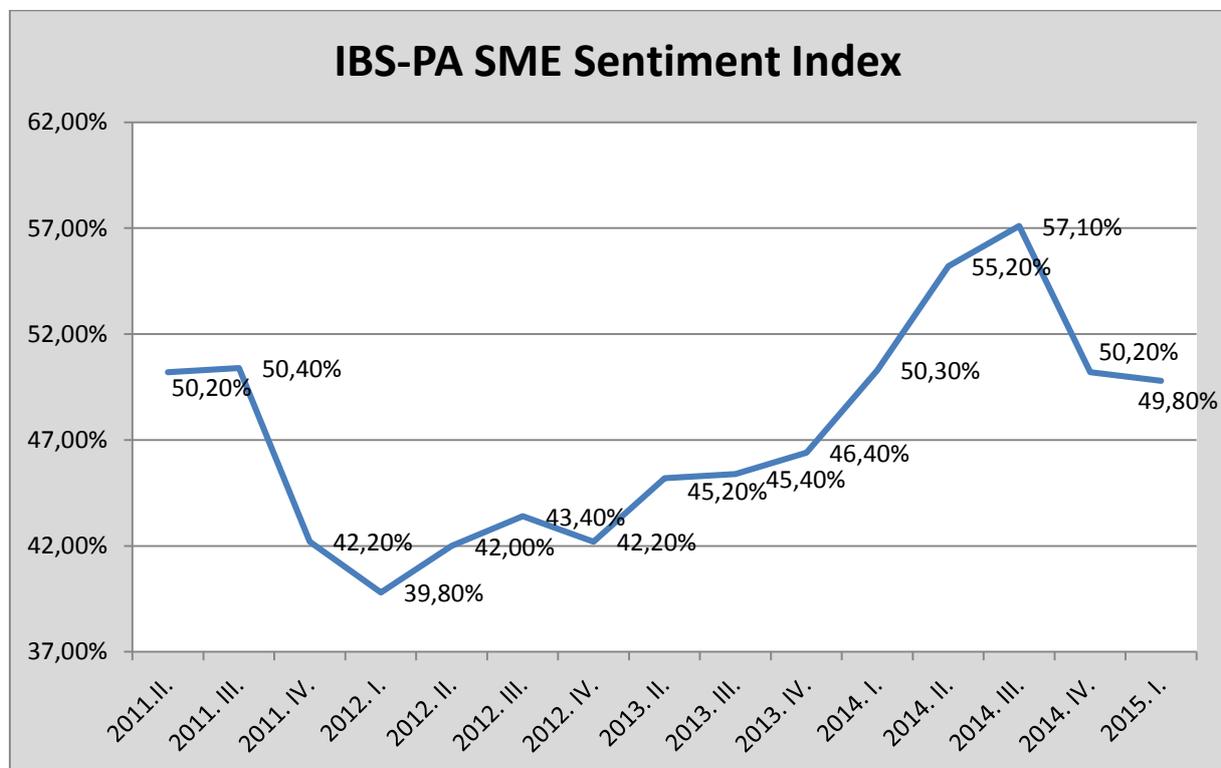
Further Decline in Economic Expectations

The SME Sentiment Index calculated by IBS – International Business School and Policy Agenda has further diminished and it is now below the expectations of the 1st quarter of 2014. According to the survey Hungarian managers put less and less faith in the economy.

Trust index dives

From the 2nd quarter of 2013 on the government has been able to sensibly reverse the earlier negative mood of economic expectations. It was due to this success propaganda that the IBS – PA SME Sentiment Index reflecting the expectations of managers of small and medium-size enterprises increased dynamically until the municipal elections in the autumn of 2014.

The positive trend of expectations has significantly changed since the autumn of 2014 and the latest figure is only 49.8%, as against the value of 57.1% of the 3rd quarter of 2014, i.e. the index of just six months ago. The extent of the decline is substantial in a six-month perspective although it is only 0.4% as compared to the last quarter.



One third of managers anticipate a decline in the position of the Hungarian economy in the forthcoming semester. It was 23% six months ago, meaning that the proportion of managers expecting negative changes in the short run has risen by 10 percentage points. Such pessimism was last detected in September 2013.

The proportion of those expecting an upswing is 29%, which is also 10 percentage points below the post-election figure of six months ago.

The relative majority (38%) of those surveyed keeps on expecting stagnation. We consider it important to remark that although the aggregate GDP of the country may increase, it does not affect all economic sectors, nor does it directly influence the expectations of the SMEs.

It may appear to be a contradiction that while the responses of the company managers show an ever gloomier picture about the position of the national economy, their forecast as regards their own enterprise is not so negative. While three months ago only 33% of them expected their own venture to reach a better position within six months, this figure is 37% at present. It is true however, that this is still considerably lower than the clearly positive 59% indicator of six months ago.

Where are the new jobs?

The data of the Hungarian Central Statistical Office show an increase in the number of the people employed even in the private sector during the past year. Managers have commented on how they perceive this progress. 34% of the respondents believe that the number of those employed in their sector of activity has decreased rather than increased. The relative majority (44%) think that there has been no change in the number of jobs and only 21% feel that the number of the employed has grown at least slightly.

Expectations of SME managers deteriorate regarding the labour market. 19% of them are inclined to foresee a lower headcount in their own sector in a six-month perspective and only 20% of them forecast an increase. The majority (61%) of SMEs, of course, expects stagnation.

As far as the performance of their own business is concerned, 12% of the managers have definite plans to create new jobs, while 27% of them said that they were likely to do so. 61% of the small and medium-size enterprises do not expect a growth in this area and 44% of the latter are convinced of this.

Of course, the feasibility of these plans and objectives is questionable. Should 12% of the SMEs really be able to create new jobs within six months, it would perceptibly increase the number of those employed.

The current figures attest that managers fear the future more now than they did six or three months ago. As opposed to the 47% measured in the autumn, 55% of them now see signs of difficulties that may emerge in the coming year and could fundamentally undermine the position of their company. This, in turn, holds back their intent to invest or to carry out any development.

The SME sentiment survey is representative, i.e. it is based on the answers of the managers of 500 enterprises. This research took place in the form of an online company panel and by phone interviews between December 10 and 29. The IBS-Policy Agenda SME Sentiment Index calculation is based on the business survey index calculation method, which is explained in detail here: [Read more about here: the details of the methodology](#)

Budapest, 7 January 2015