

Hungarian Entrepreneurs Moderately Optimistic

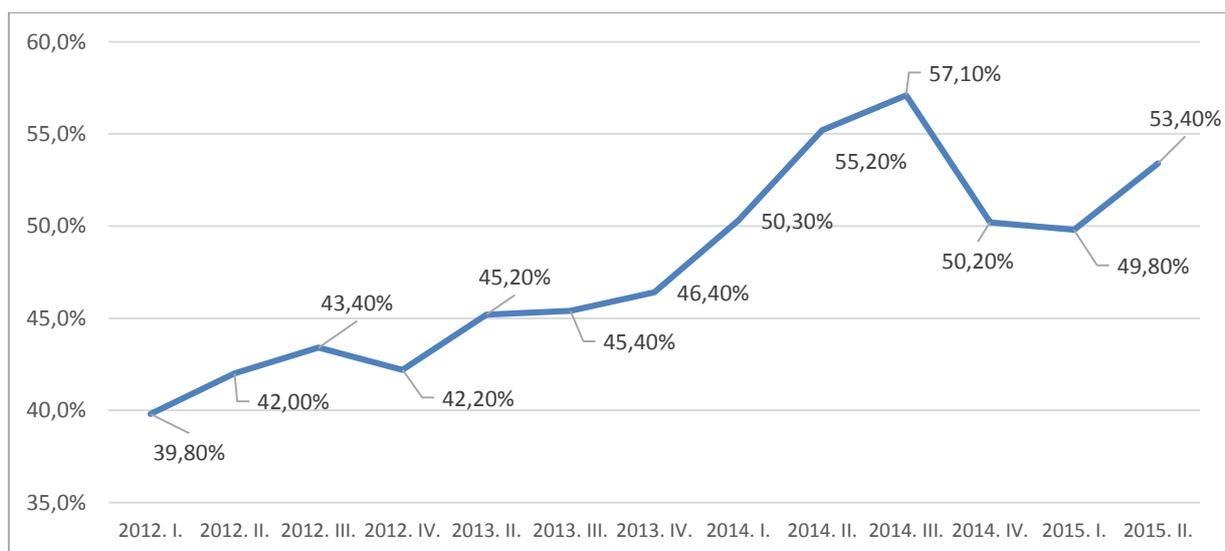
Following the decline in the past semester the SME Sentiment Index calculated by IBS International Business School and Policy Agenda has slightly increased recently, but it is still below the pre-election time figure. The survey shows that managers' faith in the improvement of the economy has barely risen; growing optimism is explained by their renewed trust in the perspectives of their own business.

Trust in the economy may change

There has been a turn in the previously negative mood regarding economic expectations. Partly due to the success propaganda of the government, the IBS – PA SME Sentiment Index showing the expectations of company managers rose dynamically until the municipal elections in the autumn of 2014.

The positive trend reversed markedly from the middle of last year and the change in the country's political mood fundamentally influenced the economic expectations. The survey conducted at the end of March 2015 shows slight optimism, which is reflected by a 3.6 percentage point increase in the indicator (from 49.8% to 53.4%).

IBS-Policy Agenda SME SENTIMENT INDEX



The study covered eight dimensions of the business executives' expectations. Compared to the previous quarter a decided change for the better has been detected in the

- general macroeconomic prospects,
- assessment of their own enterprise,
- liquidity situation.

Only 27% of company managers have been of the opinion now that the position of the Hungarian economy will deteriorate in the next six months. This is five percentage points better than what was measured in December 2014. However, the relative majority – i.e. 43% – expect stagnation.

The proportion of those expecting improvement is 30%, which is still 10 percentage points lower than the value measured before the 2014 parliamentary elections.

Managers are much more optimistic as regards their own business than the situation of the country. When asked about how they perceive the standing of their venture in the next six months, 58% of them have expressed considerable confidence in being able to develop. This is roughly identical with the value measured one year ago.

What will happen to the investments?

Seventy percent of managers see no chance to expand in the following six months. This rate is higher now than it was in the past months. The fact that only 6% of the remaining 30% foresee a minimal investment does not provide grounds for much optimism either.

We must add though that the above reflects the expectations of company managers and as such, they may differ from the actual investments. This figure is considered problematic as it bears evidence to the limited investment appetite.

On the positive side, 32% of managers fear that an unexpected difficulty may arise and eventually shake the position of their business in the next six months, while earlier the same indicator reached as high as 50%. The liquidity of companies has also improved. Thirty-four percent of managers at least envisage progressive liquidity, which is 10 percentage points higher than a quarter of a year ago.

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 March 16 and 27. The IBS-Policy Agenda SME Sentiment Index calculation is based on the business survey index calculation method, which is explained in detail here: [the details of the methodology](#)

Budapest, 8 April 2015