

Entrepreneurs' Optimism Diminishing

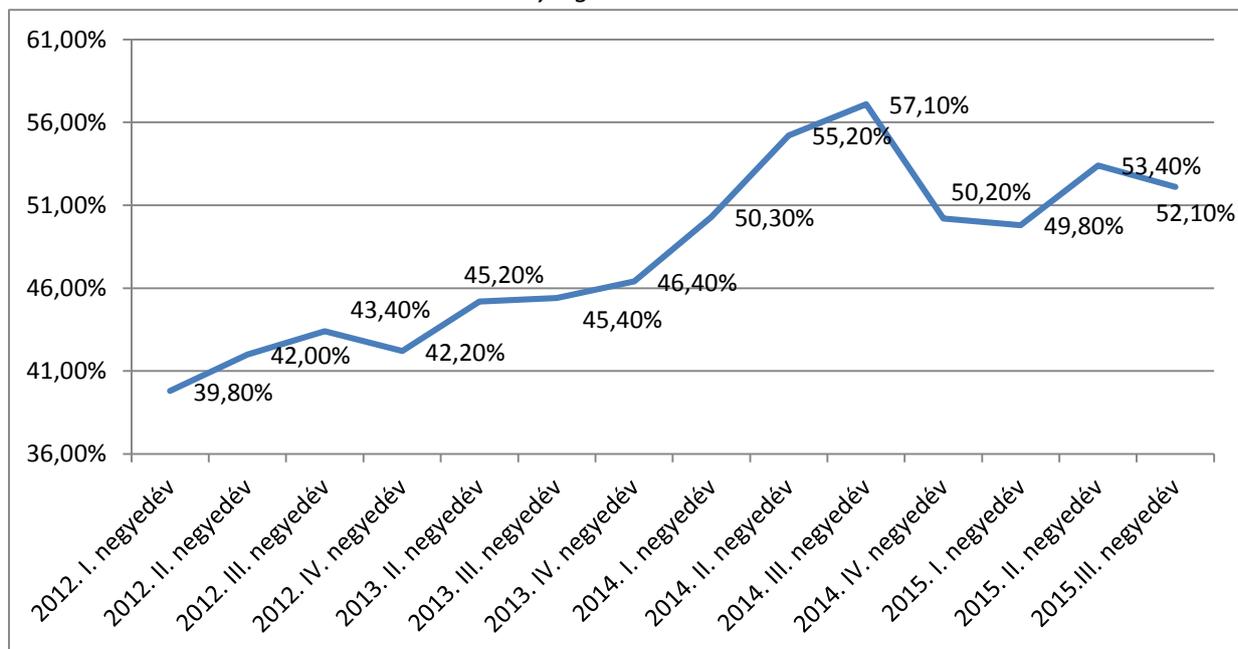
After an increase in the previous quarter, the SME Economic Activity Index of IBS International Business School and Policy Agenda has slightly declined (by 1.3 points) and is still below the figure that was calculated before the parliamentary elections of 2014. According to the results of the survey, the degree of executives' trust in economic growth is unchanged when compared to the previous quarter, but their faith in their own company's future has diminished.

Executives are worried about their firms

According to figures measured three months ago, trust in the SME sector was growing rapidly. The latest data, however, shows a return to a declining trend. Although there were signs that promised a favourable change, these developments seem to have been interrupted.

The principal reason for the change is that executives have less faith in the growth of their enterprises than the March figures showed. Three months ago 58% of them said that the economic situation of their enterprise would improve over the next six months, but now the same figure is merely 49%.

IBS-Policy Agenda SME INDEX



A similar change is perceivable in opinions regarding liquidity. According to figures from March, only 9% of executives reported that they expected the liquidity of their company to deteriorate over the following six months, while 34% predicted an improvement. The latest survey shows that 15% expect deterioration and 25% an improvement.

Economic growth is not yet felt

GDP data published by the Central Statistical Office of Hungary show that the Hungarian economy is in constant expansion. However, this is not evidence of a general improvement as this more favourable picture is in fact a result of the performance of certain sectors of the economy.

Seventy percent of executives claim that they sense no or almost no growth in their respective economic sectors and a mere 9% say that they fully agree with the above assessment of the situation. The latter probably operate in micro environments that show a consistently high performance, so they do not only see statistical data as obscure information but as reality.

Sixty-five percent of enterprises do not see a realistic chance to expand their activities in the coming six months. This is another drop when compared to figures seen in past months.

A certainly notable change is the fact that 44% of executives fear that some unexpected difficulty may jeopardise their company's standing over the next six months. This is evidently higher and less favourable than the former figure of 32%.

This was a representative survey on economic activity based on the responses received from 500 company executives. The survey was performed in the period between 16-30 June 2015 on an on-line company panel and through telephone interviews. The calculation of the IBS-Policy Agenda SME Economic Activity Index is based on the business survey index-calculation method. [Read more about the methodology here.](#)

Budapest, July 8, 2015.