

## **IBS - Policy Agenda – SME’s Economic Activity Index: More Optimistic Company Managers**

The SME’s Economic Activity Index Survey, made by the IBS – International Business School - and the Policy Agenda, shows improving expectations among the managers of small and medium sized enterprises. The index grew from 45.4% in the past quarter to 46.4% by now. Although this is still below the business trust surveyed in the first half of 2011, the nadir is definitely behind our back now.

### **For Hungarian Companies the Situation is More Promising**

Leaving the economic downturn behind, in Hungarian economy the situation is promising now and this makes the company managers definitely optimistic. While between the 4<sup>th</sup> quarter of 2011 and the 3<sup>rd</sup> quarter of 2013 the IBS – Policy Agenda SME’s Economic Activity Index remained below 46%, the figures forecast for the 4<sup>th</sup> quarter of 2013 give grounds for optimism.

The chances of Hungary’s economic growth are judged more optimistically and this provided a firm background for the improvement by 1 percent point compared to the previous quarter of the year. In this quarter of the year 33% of the company managers reckon that the situation of Hungarian economy will worsen during the next six month and a quarter before this rate was higher, 44%. This optimism however does not extend to all the companies, whereas the proportion of those companies grew (from 31% to 40%) who expect the economy to stagnate. Unfortunately, still merely 27% of the interviewees trust in economic growth, compared to 34% in 2011.

As regards the status of their own enterprises the increase compared to the previous period is not so obvious. Now it is 32% of the company managers who suppose the company’s situation to become worse in the following half of the year. This is only a slightly better ratio than the 35% surveyed in the previous quarter. The ratio of optimistic companies only slightly dropped (from 29% to 28%).

### **Better Solvency but Poor Investment Figures**

Beyond the increasing trust in economic growth the strengthening of the IBS-Policy Agenda SME’s Economic Activity Index is also backed by a little bit more positive expectations as regards solvency. Only 19% of the company managers expect the solvency of his company to worsen during the next half of a year. Last we surveyed such a low ratio in 2011. What is more favourable, 24% of them forecast a better situation in this respect – and this value is even over the proportions surveyed two years ago.

On the other hand the investment figures fail to confirm higher optimism deriving from improving solvency. 73% of the company managers deem there is no chance to extend the business – one quarter ago this ratio was 62%. Examining the situation from another aspect, for the time being, the

effect of the “growth” credit program announced by the Hungarian National Bank - in the framework of which credits are lent at low interest rates to ventures - is still not perceptible (considering the fact that 80% of the ventures requesting this credit accomplished only an exchange to a credit with lower interest rate), moreover it seems that the upswing observed in summer slowly died down, and only few trust again in the feasibility of long-desired investment projects.

### **SMEs Count on Multinational Companies Rather than Competitors**

Every quarter of the year we examine again and again whether the company managers count on the appearance of new and powerful competitors on the market. The figures show a somewhat edging competition, considering the fact that 36% of them expressed now that they count on the rivalries – this figure was only 25% a year ago.

Unsubstantial is the move as regards the fact that 31% of the SMEs are suppliers to any of the multinational companies settling in Hungary. Fundamentally, the same ratio has been observed since 2011, but compared to the previous periods, a more intense competition is what companies expect. While 98% of them thought, not more than a year ago, that they would be able to remain suppliers during the next 6 months, the same is now dropped to 84%. What is more astonishing, from among the companies who were unable to get inside this circle before, 17% deem now to have the chance to achieve this goal during the next half of a year. This ratio is over the one surveyed before and clearly shows an optimistic approach among the players of the SME sector.

#### ***Methods Applied***

*This was a representative survey, based on the responses received from 500 company managers involved, to provide an overview regarding the economic activity of small and medium sized enterprises. The survey was performed in the period between 16 September and 27 September 2013 on an on-line company panel, and through telephone interviews. The IBS-Policy Agenda SME Economic Activity Index is formulated based on the business survey index-calculation. [Read more about the methods applied.](#)*

Budapest, 2 October 2013